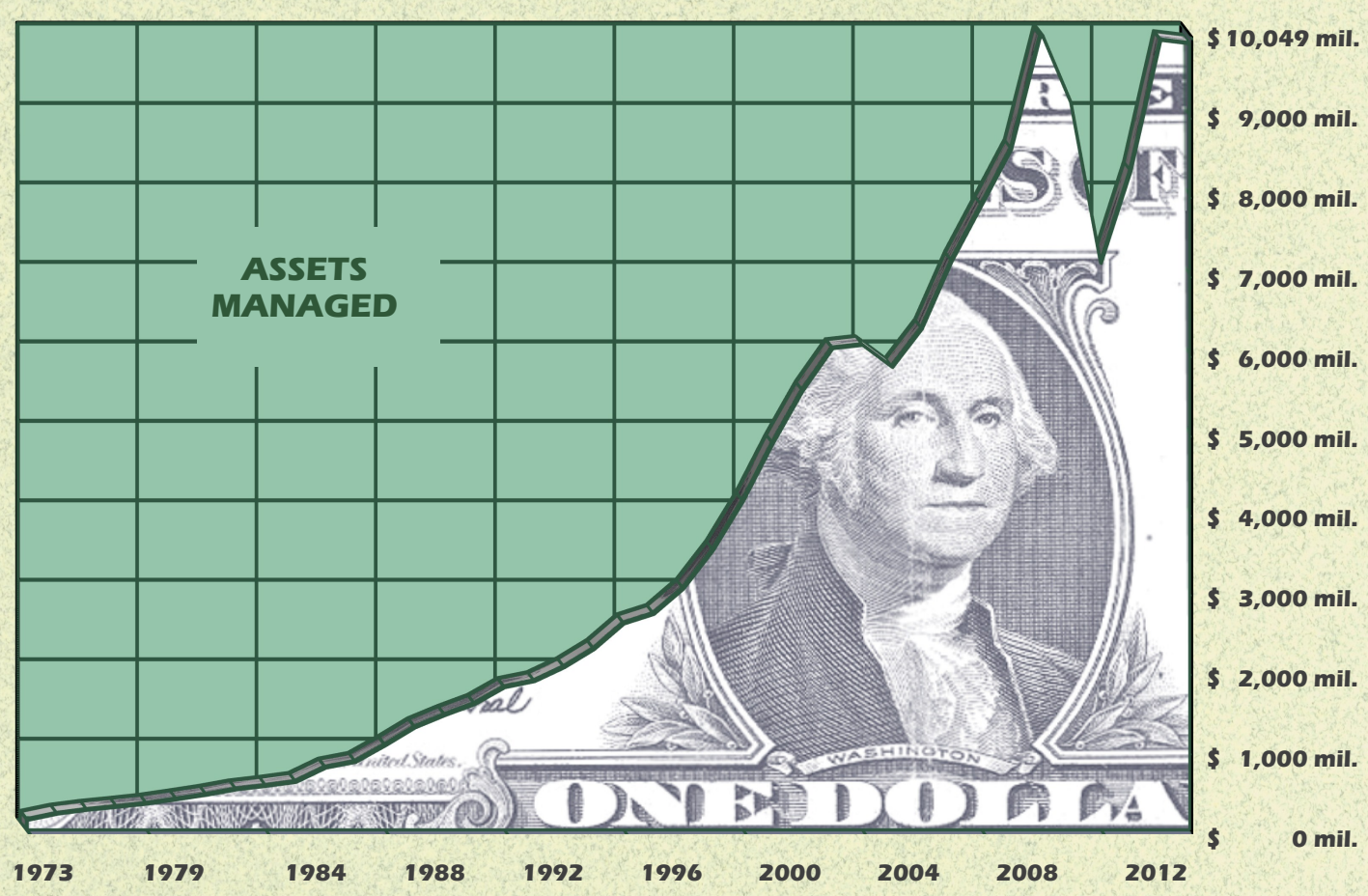
THE SOUTH DAKOTA INVESTMENT COUNCIL



ANNUAL REPORT FISCAL YEAR 2012

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The Financial Statements with Auditor's Report for Cement Plant Retirement Fund, Cash Flow Fund, School and Public Lands, Dakota Cement Trust, Education Enhancement Trust and Health Care Trust portfolios can be found at *http://sdic.sd.gov*.

The Financial Statements with Auditor's Report for South Dakota Retirement System can be found at *www.sdrs.sd.gov*.

TRANSMITTAL LETTER

TO THE GOVERNOR, LEGISLATURE AND PEOPLE OF SOUTH DAKOTA:

The South Dakota Investment Council annual report provides information about management of State of South Dakota financial assets, including the South Dakota Retirement System, trust funds, and other financial assets. This letter summarizes investment performance for fiscal year 2012. Additional topics include the Council's focus on investing for the long term, future return expectations; the importance of keeping costs low; and the importance of productive working relationships with the Legislature, the Executive Branch, and others.

FISCAL YEAR 2012 PERFORMANCE

The fiscal year 2012 investment return for the South Dakota Retirement System (SDRS) was 1.9%. This is a little less than the Council's market index-based benchmark return of 2.0%. The largest positive contributor to relative performance was global equity which outperformed after underperforming the prior year. The largest negative contributor was real estate which underperformed after outperforming the prior year. The return meaningfully lagged the median corporate defined benefit pension fund return of 4.4% and exceeded the median state fund return of 1.4%. In recent years, corporate pension plans have shifted investment allocations toward fixed income and away from stocks. This is due to changes in accounting rules and a desire to minimize the impact of pension plans on corporate balance sheets. This divergence of investment approach will impact performance comparisons to corporate plans, especially over shorter timeframes. There has also been a reduction in the number of corporate defined benefit pension plans as many firms have switched to defined contribution plans. The Council will continue to monitor these issues to assure the use of appropriate benchmarks.

The Cement Plant Retirement Fund (CPRF) returned 2.4%. This fund is managed similarly to SDRS, but with a little less in stocks due to the higher distribution requirements of the fund. The trust funds' returns ranged from 2.6% to 2.9%. These funds are being gradually adjusted to being managed similarly to SDRS. This year the phase-in led to better returns, but in favorable markets, like the previous year, the trust funds will lag SDRS returns. The South Dakota Cash Flow Fund earned a return of 2.3%, which is above other short-term funds due to some older higher-yielding securities. The Cash Flow Fund return has declined significantly in the past couple years and will continue to decline for at least another couple years as higher-yielding securities mature and are replaced with very low yielding securities available in this near zero interest rate environment.

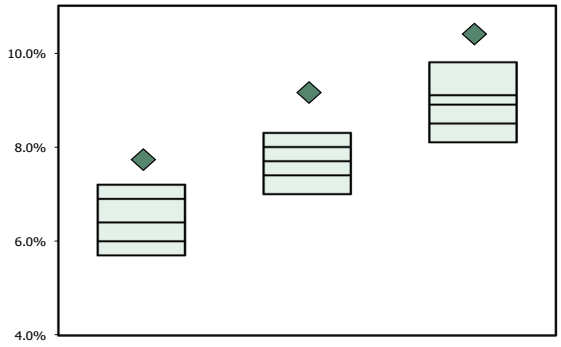
While the SDRS return ended the year at a modest positive 1.9% and nearly the same as the index-based capital market benchmark, there was some volatility during the course of the year. The end result though was not as consequential as the big positive returns of FY10 and FY11, or the very painful losses in FY08 and FY09. Whether any year is good, bad or average, it is important to be mindful that the Council invests for the long term and believes performance should be judged over the long term. The actions taken in any year may impact performance several years down the road. There have been interim periods of underperformance in the Council's history, and there will be more in the future. Long-term success has primarily resulted from adherence to investment strategies during underperforming periods.

INVESTING FOR THE LONG TERM

The Council's goal is to add value over the long term versus market indexes and other similar funds. Accomplishment of this goal for the retirement systems provides additional resources to pay retirement benefits for the more than 75,000 members. Favorable returns for the trust funds and Cash Flow Fund can help keep taxes low by providing additional revenues to the state.

The Council has managed SDRS assets for the past 39 years. Over the long term, investment returns have meaningfully exceeded the state fund universe and the Investment Council's capital markets benchmark (index returns) as shown on the following exhibit.

STATE FUND UNIVERSE
ANNUALIZED RATES OF RETURN



ANNUALIZED RETURNS

	10 Years 2003-2012	20 Years 1993-2012	39 Years 1974-2012
10th %tile	7.2	8.3	9.8
25th %tile	6.9	8.0	9.1
Median	6.4	7.7	8.9
75th %tile	6.0	7.4	8.5
90th %tile	5.7	7.0	8.1
◆ SDRS Fund	7.8	9.1	10.3
SDRS CMB	6.6	7.9	9.5
SDRS %tile Rank	2	1	1

The Council invests in assets believed to be undervalued from a long-term perspective. The investment valuation process is based on the view that the worth of an asset is the present value of its future cash flows. Internal research efforts focus on estimating future cash flows and assessing risk, which impact the rate used to discount cash flows to present value.

It is difficult to maintain a focus on long-term value, especially during underperforming periods. It is the nature of most people to prefer immediate gratification, which leads to a preference for short-term oriented investing. It is also human nature to seek the comfort of the crowd, which increases the difficulty of sticking with a long-term approach. Over the decades, the Council has developed advantages to help retain its discipline. Internally-developed long-term value measures provide a solid focal point, like a lighthouse in rough seas. Decades of experience in difficult markets and a track record of success provide confidence to stay the course. Ongoing contingency planning boosts confidence and provides a roadmap for what to do when tough times come.

Risk is managed by diversifying across multiple asset categories and by reducing exposure to expensive assets. Conventional statistical risk measures are calculated, such as standard

deviation as a measure of volatility and correlation as a measure of diversification. Conventional measures are good for understanding risk in normal times but understate real world frequency and magnitude of severe market declines. Before the financial crisis in 2008/09, the Council began making adjustments to better reflect risk when it matters most, which is during stock market crashes. Standard deviations are increased to reflect higher frequency of severe market declines, and correlations are adjusted to reflect that most asset categories are less diversifying at such times. Correlations are measured separately for inflation and deflation related market crises as behavior of some asset categories depends on the kind of crisis.

SDRS total fund and capital markets benchmark returns can be found on page 10 of the annual report for every fiscal year and various rolling time periods. The returns for the CPRF and all of the trust funds can be found in their respective sections.

RETURN EXPECTATIONS

In the mid-1990s, the Investment Council began to caution against expecting continuation of the double-digit returns earned during up markets, such as from 1982 to 1999 and more recently 2003 to 2007. The Council believes market return expectations should be based on forward-looking long-term cash flows rather than extrapolation of past returns, which tend to be inversely related to future results. The Council began to develop long-term expected returns in the early 1980's. The following exhibit shows the expected returns that result from the Council's process for bonds and stocks as of 6/30/82, 6/30/92, 6/30/02, and 6/30/12.

AN UPDATE ON RETURN EXPECTATIONS

	Bonds*	S&P 500	S&P 500 Yield
Expected 10-Year Returns as of 6/30/82	14.4%	15.6%	6.1%
Actual Returns - 7/1/82 to 6/30/92	13.7%	18.3%	
Expected 10-Year Returns as of 6/30/92	7.1%	9.5%	3.0%
Actual Returns - 7/1/92 to 6/30/02	7.4%	11.5%	
Expected 10-Year Returns as of 6/30/02	4.8%	7.9%	1.6%
Actual Returns so far - 7/1/02 to 6/30/12	5.8%	5.3%	
Expected 10-Year Returns as of 6/30/12	1.6%	8.0%	2.1%

*Expected returns are the 10-year Treasury yield. Actual returns are the Citigroup Broad Investment-Grade (BIG) Index.

In 1982, bond yields were 14.4%, and the Council's long-term expected return for stocks, based on projected dividends and growth, was 15.6%. The expected returns were high because markets were very cheap, after having performed poorly for many years. The subsequent 10-year actual returns of 13.7% for bonds and 18.3% for stocks were close to expectations. By June 30, 1992, bond yields had declined to 7.1%, and the Council's expected return for stocks was down to 9.5%. The subsequent 10-year actual returns were 7.4% for bonds and 11.5% for stocks. As of June 30, 2002, expected returns were much lower at 4.8% for bonds and 7.9% for stocks. The subsequent 10-year actual returns through June 30, 2012 were 5.8% for bonds and 5.3% for stocks.

As of June 30, 2012, expected returns were 1.6% for bonds and 8.0% for stocks. Historic low interest rates foreshadow low future bond returns. The expected return for stocks is lower than earned on average in the post World War II period, but compares favorably to expectations for bonds and to near-zero money market yields. The expected long-term return for the overall SDRS portfolio, which is diversified across a number of asset categories, is roughly 7%. This excludes consideration of potential value added or detracted relative to index returns resulting from managing the portfolio, as well as the impact of the timing of withdrawals from the fund. As SDRS matures, benefit payments are increasingly funded from investment earnings rather than inflowing contributions. When markets are depressed, benefit payment withdrawals are a larger percentage of fund value than when markets are robust. Removing more when markets are cheap and less when markets are expensive reduces long-term fund growth.

It is important to note the expected return is the mid-point of a range of possible outcomes. For a 10-year horizon, the standard deviation, which statistically encompasses the central two-thirds of potential outcomes, was plus or minus 4.9% around the expected return of 7%, for a range of 2.1% to 11.9% per annum. For a 20-year horizon, it was plus or minus 3.4% for a range of 3.6% to 10.4%.

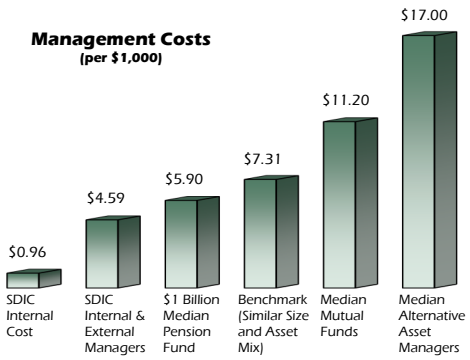
A major concern is the unsustainable buildup of federal debt. This reduces confidence in the economy and financial markets and may ultimately lead to increased inflation and lower real returns.

IMPORTANCE OF LOW COSTS

The Investment Council manages most assets internally to save money and to try to earn higher returns. Internal management is cheaper than external managers, especially for expensive areas such as global equity, high yield, and arbitrage. Index funds are another low cost alternative, but would preclude any opportunity to add value above index returns. The Council believes the superior performance that has historically come from its internal management relates to a greater focus on long-term value and increased conviction from performing in-house research.

Starting in the mid-1990s, the Council began investing in real estate and private equity partnerships. These partnerships charge higher fees than traditional investment managers. Partnership management fees are generally 1% to 2% per year plus up to 20% of profits. This is a much higher cost than the Council's internal cost of about 0.1%. Unlike traditional investment managers who focus on buying and selling securities, the partnerships have more hands-on involvement with the underlying investments which complicates cost comparisons. The real estate partnerships buy and manage underlying properties. Private equity partnerships buy and operate whole companies, typically providing assistance with operations, business strategy, and financial structuring. The Council evaluates the returns of partnerships net of all fees in comparison to traditional stock and real estate securities indices.

The following exhibit shows the Council's management costs compared to other funds.



The Council's internal cost as a percent of assets is 0.096%. Including external management fees, the Council's cost is .459% of assets. This can be compared to the median industry cost of .590% and a benchmark cost of .731%, which is the median cost adjusted for fund size and asset mix. The difference of .131% versus the median fund results in $12.97 million of savings per year, and .272% versus the benchmark results in $26.94 million of savings per year. Compounding these savings over many years can result in hundreds of millions of dollars.

A TEAM EFFORT

The Investment Council depends on consistent support of the Legislature, primarily through the LRC Executive Board and Appropriations Committee, and of the Executive Branch. This support has made possible the Council's Long-Term Plan, which has guided the Council for more than two decades and allowed development of a stable, experienced, home-grown investment team. The Council recognizes the unique challenges faced in supporting an internal investment management organization and the patience required to support a long-term investment approach. The significant efforts made by Legislators, the Governor and his team, and the predecessors of each, have provided the Council with the opportunity to succeed. The Council is very appreciative of these efforts and intends to work hard to justify continued support.

The Council is fortunate to have excellent cooperative relationships with other state entities related to the funds managed including the South Dakota Retirement System, the State Treasurer's Office, the School and Public Lands' Office, and the Bureau of Finance and Management. We also acknowledge important contributions by the Legislative Research Council, the Attorney General's Office, the Department of Legislative Audit, and the Bureau of Information and Telecommunications.

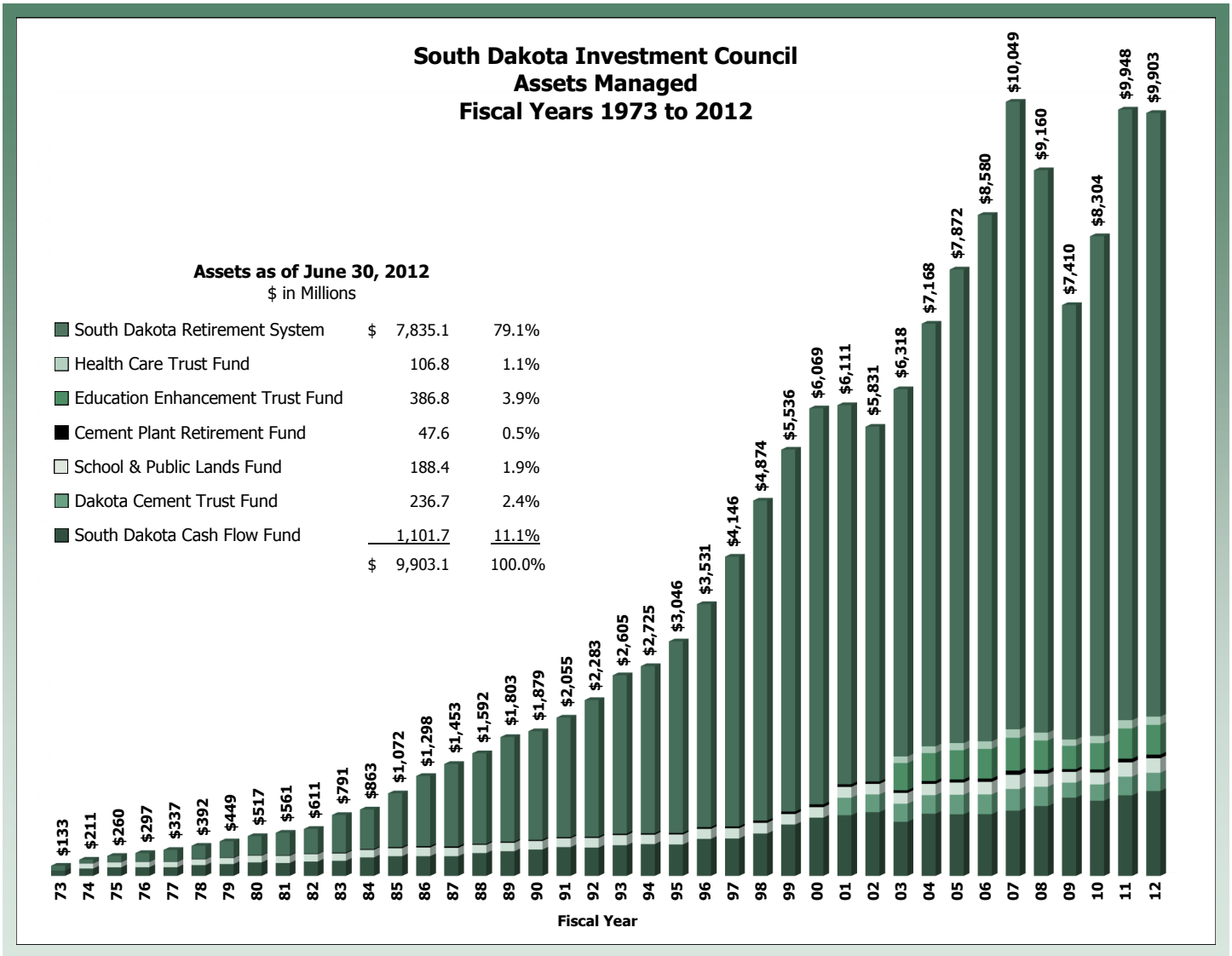
The Council believes its strengths of a supportive environment, an experienced and passionate investment team, and disciplined focus on long-term investment value will serve us well in the decades to come.

As the Investment Council embarks on its forty-first year, we remain dedicated to retaining the trust and confidence necessary for this successful team effort to continue.

RESPECTFULLY SUBMITTED,

Joseph A. Anglin, CFA
Chair

Matthew L. Clark, CFA
State Investment Officer



Joseph A. Anglin, CFA, Chair**
Senior Vice President & CFO
Pioneer Bank & Trust
Spearfish

Wesley G. Tschetter, Vice-Chair**
Vice President of Finance & Business/CFO
South Dakota State University
Brookings

Hugh M. Bartels*
President
Reliabank Dakota
Watertown

Jon M. Hunter, CFA*
President
Hunter Publishing, Inc.
Madison

Jim E. Means
Senior Vice President & Trust Officer
First Dakota National Bank
Yankton

Jarrod Johnson**
Commissioner of School & Public Lands
State of South Dakota
Pierre

Richard L. Sattgast*
State Treasurer
State of South Dakota
Pierre

Robert A. Wylie
Executive Director/Administrator
South Dakota Retirement System
Pierre

*Denotes member of Audit Committee
**Denotes member of Compensation Committee

History

- Established by the South Dakota Legislature in 1971. Operations began on July 1, 1972.

Membership

- Consists of eight voting members.
- South Dakota law stipulates that, *"The members of the state investment council shall be qualified by training and experience in the field of investment or finance."*
- Five members are chosen by the Executive Board of the Legislative Research Council, a bipartisan board composed of members from both houses of the Legislature, to serve rolling five-year terms.
- Three members serve ex officio: the State Treasurer, the Commissioner of School & Public Lands and a designee of the South Dakota Retirement System Board of Trustees.

Responsibilities

- Select State Investment Officer.
- Develop investment policy and establish asset allocation guidelines for the long term.
- Monitor implementation of investment process.
- Oversee audit process through Audit Committee.
- Comply with and monitor Code of Ethics and Personal Investing Guidelines.
- Approve annual budget and long-term plan.

Investment Policy

- Abide by Prudent-Man Standard as defined by South Dakota Codified Law 4-5-27 below.

> *Any investments under the provisions of SDCL 4-5-12 to 4-5-39, inclusive, shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.*

SOUTH DAKOTA INVESTMENT OFFICE

State Investment Officer
Matthew L. Clark, CFA

Assistant Investment Officers

Brett D. Fligge, CFA/CPA
Global Equity &
Alternative Investments

Christopher L. Nelson, CFA
Fixed Income &
Alternative Investments

Tammy V. Otten, CFA/CPA
Fixed Income &
Derivatives

Global Equity

Steven W. Schultz, CFA
Senior Portfolio Manager

Jan E. Zeeck, CFA/CPA
Portfolio Manager

Melissa M. Hansen-Woidyla, CFA
Portfolio Manager

Candice S. Currier, CFA
Portfolio Manager

Darci L. Haug, CFA
Associate Portfolio Manager

Arianna P. Rehfeldt, CFA
Associate Portfolio Manager

Jeffry J. Ellefson, CFA
Associate Portfolio Manager

Renae A. Randall, CFA
Associate Portfolio Manager

Randall J. Spinar, CFA
Associate Portfolio Manager

Lee W. Mielke, CFA
Assistant Portfolio Manager

Small/Mid-Cap Equity

Scott A. Hess, CFA/CPA
Senior Portfolio Manager

Jarrod A. Edelen, CFA
Associate Portfolio Manager

Adam D. Schwab, CFA/CPA
Associate Portfolio Manager

Fixed Income

Sherry Z. Nelson, CFA/CPA
Senior Portfolio Manager
HESP Specialist

Ross D. Sandine, CFA
Convertible Arbitrage & High Yield
Associate Portfolio Manager

Danielle J. Mourer, CFA
Convertible Arbitrage & High Yield
Assistant Portfolio Manager

Anne M. Doshier
Convertible Arbitrage & High Yield
Research Analyst

Investment Accounting

Cynthia J. Pickering, CPA
Senior Investment Accountant

Samantha M. Kangas, CPA
Investment Accountant

Krystal R. Seeley, CPA
Investment Accountant

Brandy A. Eisma
Investment Accountant

Business Manager
Laurie A. Riss

Secretary/Receptionist
JoAnn Callahan

The function of the staff is to advise and recommend investment policies and strategies to the Investment Council and to implement the Investment Council's adopted investment policies. The Investment Office has historically made extensive use of the student intern program. This has proven to be an excellent source of permanent investment team staffing over time.

THE FUND

The South Dakota Retirement System (SDRS) is a cost-sharing, multiple-employer, public employee retirement system providing retirement, disability, and survivor benefits to over 74,000 public employees in South Dakota. The benefits are funded through member and employer contributions and investment income. Per state statute, responsibility for SDRS investment portfolio management belongs to the South Dakota Investment Council (Council). This section discusses the investment objectives with intermediate and long-term results for SDRS. Financial statements for SDRS are published in SDRS's annual report.

INVESTMENT OBJECTIVES

The Council's overall objective is to prudently manage SDRS assets to achieve and exceed the returns available over the long term from the broad capital markets (stocks, bonds, real estate, etc.). The Council has three specific objectives. The first relates to achieving and exceeding the actuarial estimated rate of return over the long term to help assure the financial health of SDRS. The other two objectives relate to adding value over the long term versus the index returns of the Council's capital markets benchmark and versus peer funds.

- **Achieve and exceed the actuarial rate of return over the long term.**

The actuarial rate of return is an estimate made by a retirement system's actuary of the investment return achievable over the long term through investing in the capital markets. The return estimate, along with other actuarial estimates relating to issues such as member longevity, salary changes, and turnover, are used by the actuary to assess the funding status and overall health of a retirement system. Achievement of the actuarial return estimate is important to continued financial strength of SDRS. Additional return above the actuarial estimate can strengthen the financial condition and/or provide additional resources to address SDRS benefit goals.

If investment markets do not allow the Council, or the Council simply fails, to achieve the estimated return over the long term, South Dakota law may require benefit reductions, contribution changes, or both. It is important that the actuarial estimated return be a reasonable expectation of what the capital markets can deliver, or it may not be realistic to expect to achieve this objective.

These objectives have been achieved for the majority of rolling time periods. The following table summarizes SDRS total fund performance versus the actuarial rate of return of 7.75% and the actuarial rate of return plus 1%.

SDRS Total Fund vs. Actuarial Rate of 7.75%

	5 years	10 years	20 years	30 years
# of Successes	25	26	20	10
# of Periods	35	30	20	10
% of Success	71%	87%	100%	100%

SDRS Total Fund vs. Actuarial Rate + 1%

	5 years	10 years	20 years	30 years
# of Successes	22	25	19	10
# of Periods	35	30	20	10
% of Success	63%	83%	95%	100%

The transmittal letter discussed the Council's long-term expected rate of return as of June 30, 2012, which was 7.0%. This is less than the current actuarial assumed return of 7.75%. The Council's expectation does not assume any added value versus market indexes and is the midpoint of a possible range. It should be noted that the long-term inflation assumption embedded in the Council's expected return is less than the actuarial inflation assumption which can explain some of the difference in return expectations. The SDRS Board of Trustees periodically reviews each of the actuarial assumptions.

- **Achieve favorable total fund performance over the long term relative to a capital markets benchmark reflective of the Council's normal asset allocation policy.**

This is the most important specific investment objective in judging the Council's delivery of a competitive rate of return. The objective is to achieve and exceed the indexed returns that would be earned if SDRS was invested in the Council's selected capital markets benchmark. The key investment policy decision made by the Council is asset allocation as discussed in the SDRS Asset Allocation Focus on page 9.

This is difficult to accomplish as most investment managers do not outperform the capital markets over time. The zero sum nature of markets, with each investment transaction having a winner and a loser, means investors collectively will merely match the overall market return before expenses. After taking into account investment manager fees and transactions costs, including commissions and market impact cost, most managers underperform.

This objective has been achieved for the majority of rolling 5 and 10-year periods and all 20-year and longer periods. The following table summarizes SDRS total fund performance versus the Council's capital markets benchmark. A complete listing of rolling 5, 10, 20 and 30-year return comparisons is located on page 10.

SDRS Total Fund vs. Capital Markets Benchmark

	5 years	10 years	20 years	30 years
# of Successes	29	27	20	10
# of Periods	35	30	20	10
% of Success	83%	90%	100%	100%

- **Achieve favorable total fund performance over the long term relative to professionally managed multi-billion dollar pension funds.**

The Council compares its performance to public and corporate pension fund peers. While there is some variation in liability structure and risk preferences across funds, all pension funds are professionally managed and attempt to produce superior returns for their beneficiaries. Therefore, it makes sense to compare SDRS results to peers.

Historically, the Council emphasized comparison against corporate pension funds because they had historically performed better than public plans and were a more compelling measure of whether investment excellence was achieved. However, in recent years, the Council has lessened emphasis on corporate plan peer comparisons. These databases suffer from survivorship bias as some pension plans and portfolios making up the universes change over time in part as their results succeed or fail. Simply put, losers tend to drop out and the peer universe is biased upwards by a preponderance of remaining winners. Consolidation in the performance consulting industry has also impacted database retention of long-term historical returns. A consistent peer universe database for the entire SDRS history has

not been kept intact by any performance consultant. Also affecting corporate peer databases are changes in corporate pension accounting rules that have caused a shift by some corporate plans away from equities toward a combination of hedge funds and fixed income and caused other corporate plans to simply disappear.

In the future, comparisons against public plans or large endowments and foundations may be emphasized. In recent years, public plans have begun to match or even outperform many corporate plans. Large endowments and foundations are also long-term oriented pools of capital, like pension plans, with historically favorable returns and may be a good measure of investment excellence.

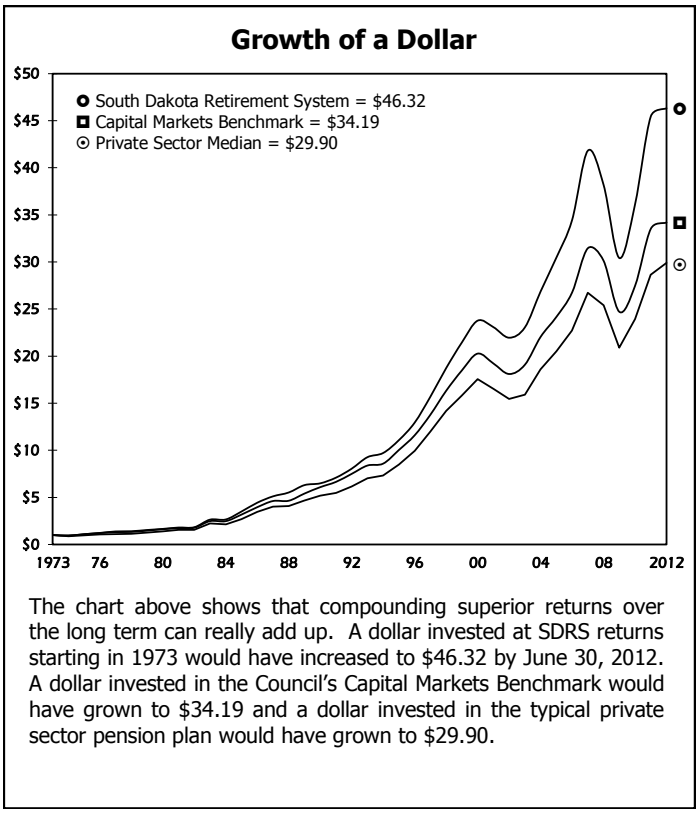
The following table shows that SDRS returns have exceeded the median private sector and state fund results for most rolling 5 and 10-year periods and all 20 and 30-year timeframes.

SDRS Total Fund vs. Private Sector

	5 years	10 years	20 years	30 years
# of Successes	29	23	20	10
# of Periods	35	30	20	10
% of Success	83%	97%	100%	100%

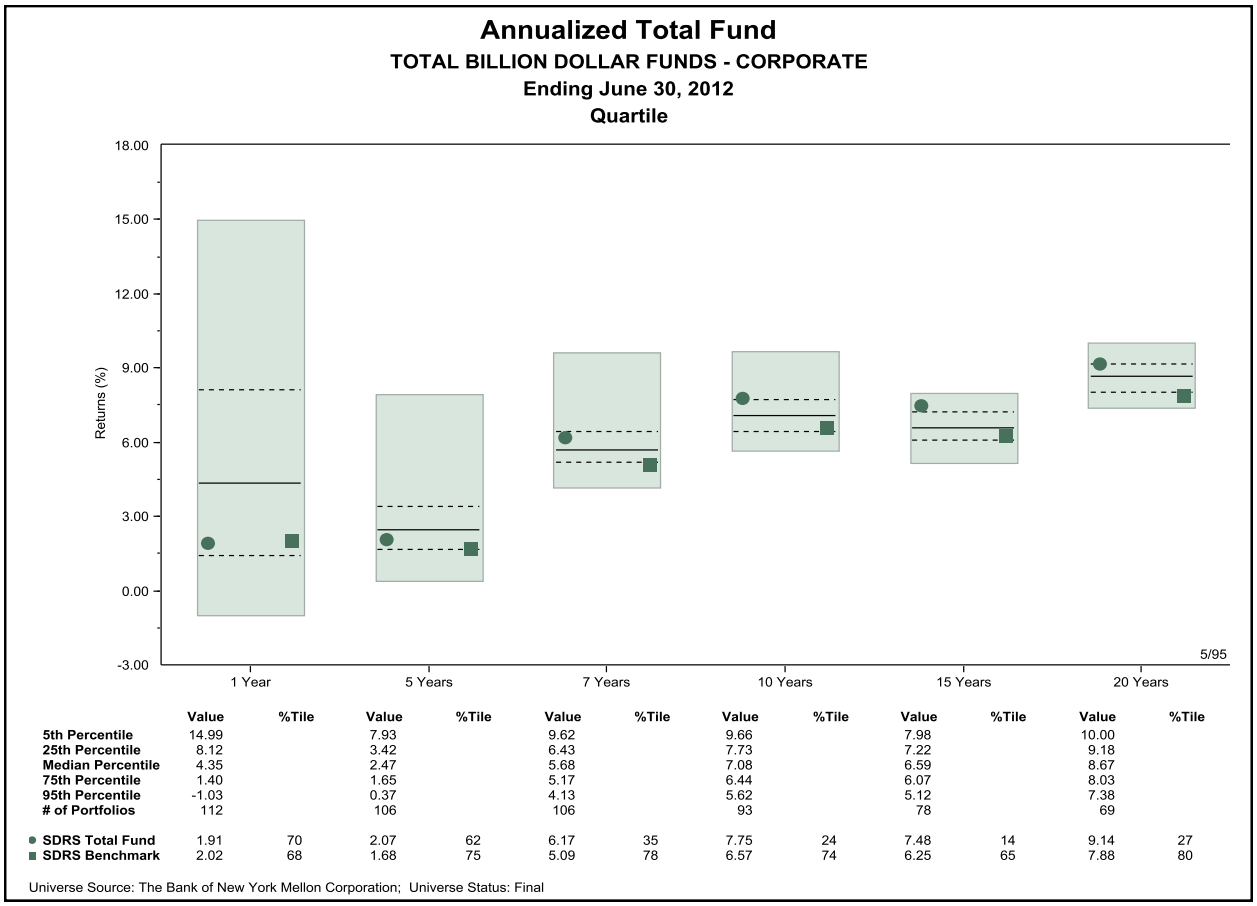
SDRS Total Fund vs. State Funds

	5 years	10 years	20 years	30 years
# of Successes	33	30	20	10
# of Periods	35	30	20	10
% of Success	94%	100%	100%	100%



The chart above shows that compounding superior returns over the long term can really add up. A dollar invested at SDRS returns starting in 1973 would have increased to $46.32 by June 30, 2012. A dollar invested in the Council's Capital Markets Benchmark would have grown to $34.19 and a dollar invested in the typical private sector pension plan would have grown to $29.90.

The chart below compares SDRS Total Fund returns to the current private sector peer universe.



	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile
5th Percentile	14.99		7.93		9.62		9.66		7.98		10.00	
25th Percentile	8.12		3.42		6.43		7.73		7.22		9.18	
Median Percentile	4.35		2.47		5.68		7.08		6.59		8.67	
75th Percentile	1.40		1.65		5.17		6.44		6.07		8.03	
95th Percentile	-1.03		0.37		4.13		5.62		5.12		7.38	
# of Portfolios	112		106		106		93		78		69	
SDRS Total Fund	1.91	70	2.07	62	6.17	35	7.75	24	7.48	14	9.14	27
SDRS Benchmark	2.02	68	1.68	75	5.09	78	6.57	74	6.25	65	7.88	80

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

Asset Allocation Focus

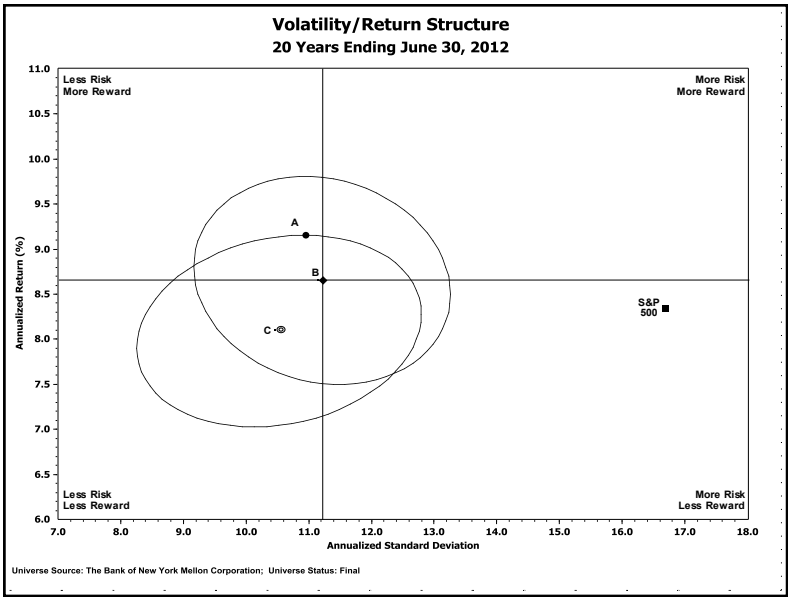
The allocation of assets to various categories such as stocks, bonds, real estate, and others, has the largest impact on investment outcomes. The Investment Council establishes a benchmark asset allocation which considers expected returns and risk as well as the likelihood of achieving the investment objectives for SDRS over the long term. This capital markets benchmark represents the anticipated asset allocation when asset category expected returns are normal. The Council also establishes minimum and maximum ranges around the benchmark allocation for each category. Actual allocations are adjusted within the ranges on an ongoing basis in response to changing valuations. Allocations are increased as categories become more attractively valued relative to the others and decreased as they become more expensive. Asset categories are valued based on the present value of future cash flows. Estimates for risk and inflation impact the rate used to discount to present value. Research efforts focus on estimating cash flows and risk.

Asset category risk is measured by standard deviation, which is a measure of volatility. The degree that categories diversify each other is measured by correlation. Overall portfolio risk is a function of the standard deviation of the individual asset categories and the correlation among them. Portfolio liquidity is also monitored. Conventional statistical measures of standard deviation and correlation are helpful for understanding risk in normal times but understate real-world frequency and magnitude of severe market declines. The Council also uses adjusted versions of these measures to better reflect risk behavior when it matters most, which is during a stock market crash. Standard deviations are increased to reflect higher frequency of severe market declines, and correlations are adjusted to reflect that most asset categories are less diversifying during such declines. Correlations are measured separately for inflation and deflation related market crises as behavior of some asset categories depends on the kind of crisis. For example, bonds perform better in deflationary stock market crashes than in inflation-linked stock market crashes.

The expected long-term return as of June 30, 2012 was 7.0%. This excludes any potential value added or detracted relative to index returns resulting from managing the portfolio. The rate of inflation embedded in the expected return was 2.5%. Standard deviation was estimated to be 15.8% after adjustments to capture real-world frequency of adverse events. These statistics indicate a 66% chance the return for any year would be between –8.8% and 22.8% and a 95% chance the return would be between –24.6% and 38.6%.

An additional risk measure is the amount of equity-like risk in the overall portfolio. It can be difficult to understand overall portfolio risk given multiple asset categories that can each behave uniquely. When the Council first began managing assets, most institutional portfolios consisted of stocks, investment grade bonds, and cash. Investors back then could quickly understand their risk by looking at the percentage of their portfolio invested in stocks. The current equity-like risk measure focuses on the sensitivity of each asset category to a severe stock market decline. The analysis is done separately for inflation and deflation-related stock market declines. The sensitivities are aggregated based on the percentage invested in each category to determine the overall portfolio equity-like risk. The equity-like risk level is adjusted in response to valuation attractiveness. On June 30, 2012, the equity-like risk of the portfolio was 76% compared to 73% for the capital markets benchmark. In recent years, it has ranged from 70% in November 2007 to 77% in June 2011.

Perhaps the greatest risk to markets is the unsustainable buildup of federal debt. The consequence may be muted growth, increased inflation or both. The Council will be mindful of this risk as it continues to invest for the long term.



The picture to the left presents the volatility versus return structure for the 20 years ended June 30, 2012 for two peer universes. The size and shape of the ellipses reflect the area in which 68% of the funds in the universes fall.

SDRS **(A)** had an annualized return of 9.1% with a volatility of 11.0 for the 20 years. This compares with the mean return of the Total Billion Dollar Funds - Corporate **(B)** of 8.7% with a volatility of 11.2 and the Total Funds - Public **(C)** mean return of 8.1% with a volatility of 10.5.

SDRS Total Fund Performance[10-12]

Fiscal Year	1 Year SDRS	1 Year *Bench*	5 Years SDRS	5 Years *Bench*	10 Years SDRS	10 Years *Bench*	20 Years SDRS	20 Years *Bench*	30 Years SDRS	30 Years *Bench*	39 Years SDRS	39 Years *Bench*
2012	1.9%	*2.0%*	2.1%	*1.7%*	7.8%	*6.6%*	9.1%	*7.9%*	11.4%	*10.4%*	10.3%	*9.5%*
2011	25.8%	*22.1%*	5.7%	*4.6%*	7.0%	*5.7%*	9.7%	*8.4%*	11.4%	*10.4%*		
2010	18.7%	*11.1%*	3.5%	*2.6%*	4.3%	*3.1%*	9.0%	*7.8%*	10.8%	*9.9%*		
2009	(20.4%)	*(18.0%)*	2.5%	*2.3%*	3.6%	*2.9%*	8.2%	*7.9%*	10.5%	*9.9%*		
2008	(8.7%)	*(4.2%)*	10.6%	*9.6%*	7.4%	*6.3%*	10.2%	*9.8%*	11.6%	*11.0%*		
2007	21.4%	*17.6%*	13.8%	*11.7%*	10.3%	*8.6%*	11.1%	*10.1%*	12.0%	*11.2%*		
2006	13.1%	*10.7%*	8.3%	*6.8%*	10.3%	*8.7%*	10.8%	*10.0%*	11.8%	*10.9%*		
2005	13.3%	*9.6%*	5.1%	*3.6%*	10.6%	*9.2%*	11.4%	*10.7%*	11.7%	*10.9%*		
2004	16.6%	*15.5%*	4.6%	*3.6%*	10.7%	*9.9%*	12.3%	*11.6%*	11.8%	*11.0%*		
2003	5.0%	*5.4%*	4.2%	*3.2%*	9.5%	*8.6%*	11.4%	*10.7%*	11.0%	*10.3%*		
2002	(4.9%)	*(5.8%)*	6.9%	*5.6%*	10.6%	*9.2%*	13.2%	*12.3%*				
2001	(2.9%)	*(5.1%)*	12.3%	*10.6%*	12.5%	*11.2%*	13.6%	*12.8%*				
2000	10.8%	*9.7%*	16.5%	*15.1%*	13.9%	*12.8%*	14.3%	*13.5%*				
1999	14.6%	*13.3%*	17.2%	*16.6%*	13.0%	*13.1%*	14.1%	*13.5%*				
1998	19.3%	*18.4%*	15.1%	*14.2%*	13.0%	*13.4%*	13.8%	*13.3%*				
1997	21.3%	*18.9%*	14.3%	*12.9%*	11.9%	*11.6%*	12.9%	*12.5%*				
1996	16.7%	*15.5%*	12.8%	*11.8%*	11.3%	*11.3%*	12.5%	*12.0%*				
1995	14.1%	*16.9%*	11.3%	*10.5%*	12.2%	*12.2%*	12.3%	*11.8%*				
1994	4.8%	*2.4%*	9.0%	*9.7%*	13.9%	*13.2%*	12.4%	*11.6%*				
1993	15.2%	*11.8%*	10.9%	*12.5%*	13.4%	*13.0%*	11.8%	*11.2%*				
1992	13.4%	*12.9%*	9.5%	*10.2%*	16.0%	*15.5%*						
1991	9.3%	*9.2%*	9.9%	*10.9%*	14.7%	*14.4%*						
1990	3.0%	*12.5%*	13.2%	*13.9%*	14.7%	*14.1%*						
1989	14.2%	*16.4%*	18.9%	*16.9%*	15.2%	*13.9%*						
1988	8.0%	*0.7%*	15.9%	*13.4%*	14.7%	*13.3%*						
1987	15.3%	*16.6%*	22.8%	*21.1%*	14.0%	*13.4%*						
1986	26.7%	*24.7%*	19.8%	*18.0%*	13.7%	*12.6%*						
1985	31.8%	*28.2%*	16.2%	*14.4%*	12.4%	*11.3%*						
1984	0.7%	*(0.1%)*	11.6%	*11.0%*	10.9%	*10.0%*						
1983	44.1%	*39.6%*	13.4%	*13.2%*	10.2%	*9.5%*						
1982	1.8%	*2.8%*	5.8%	*6.2%*								
1981	8.8%	*6.6%*	8.0%	*7.4%*								
1980	7.6%	*10.4%*	8.7%	*8.3%*								
1979	9.3%	*10.2%*	10.3%	*9.1%*								
1978	1.7%	*1.4%*	7.0%	*5.9%*								
1977	12.9%	*8.6%*										
1976	12.2%	*11.2%*										
1975	15.8%	*14.2%*										
1974	(5.9%)	*(4.8%)*										

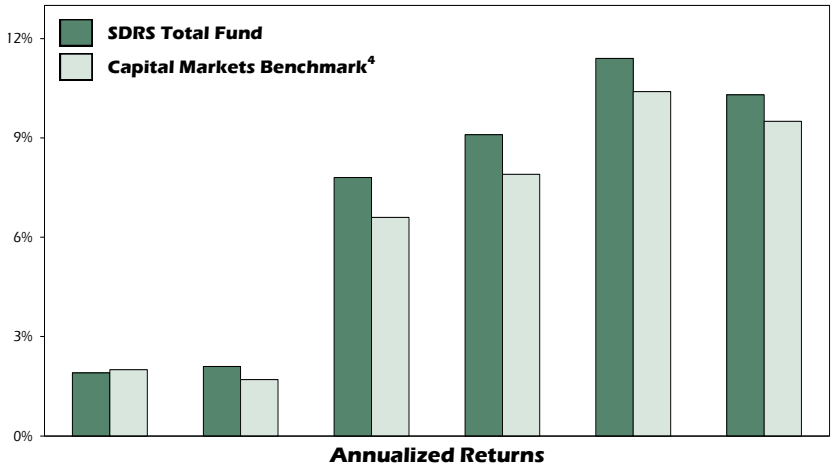
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 39 years through fiscal year 2012 for the Total Fund. The Capital Markets Benchmark[4] is provided for comparison.

Past performance is no guarantee of future results.

Fiscal Year 2012
Asset Allocation Policy Summary

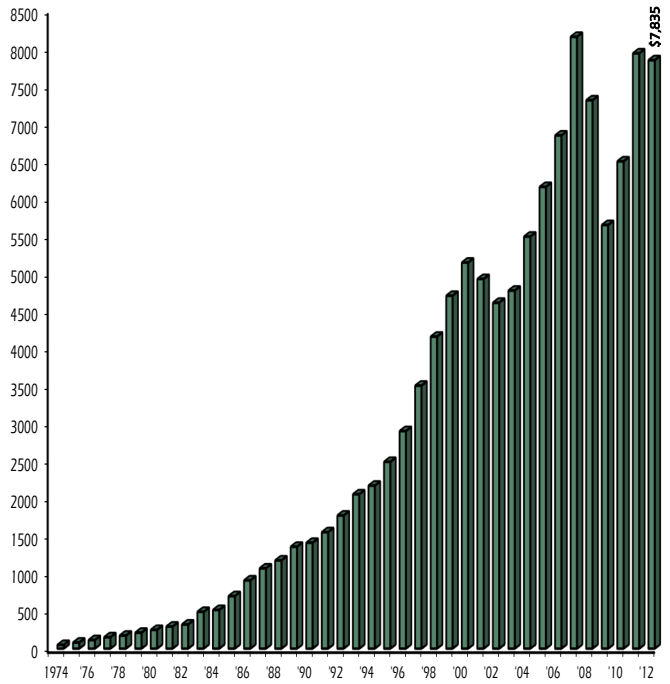
Asset Category	CMB Allocation	Min - Max Range
Global Equity	58%	35% - 75%
Private Equity	5%	0% - 12%
Merger Arbitrage	0%	0% - 10%
Convertible Arbitrage	0%	0% - 5%
Aggressive Absolute Return	0%	0% - 5%
Real Estate	8%	2% - 15%
Fixed Income - IG	18%	13% - 50%
Fixed Income - TIPS	1%	0% - 5%
High Yield/Distressed	7%	0% - 15%
Commodities	1%	0% - 5%
Cash	2%	0% - 50%

SDRS Total Fund vs. Benchmark

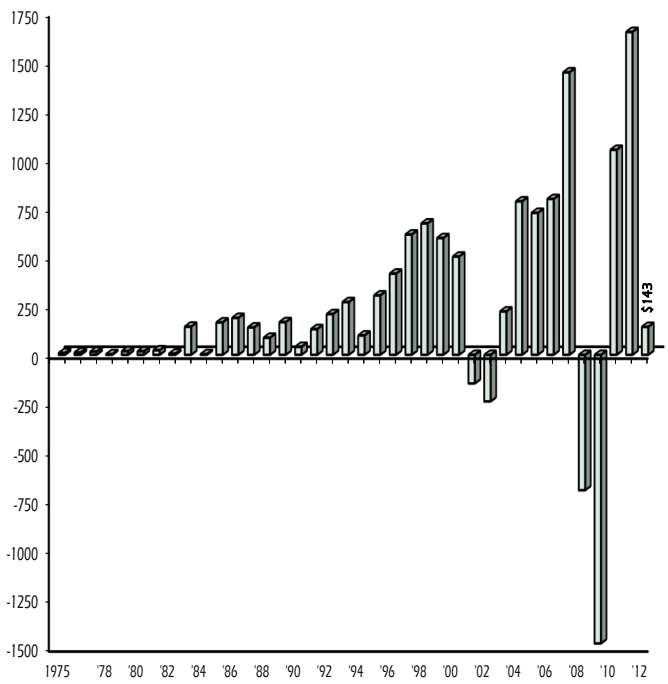


	1 Year	5 Years	10 Years	20 Years	30 Years	39 Years
SDRS	1.9%	2.1%	7.8%	9.1%	11.4%	10.3%
Benchmark	2.0%	1.7%	6.6%	7.9%	10.4%	9.5%
Difference	(0.1%)	0.4%	1.2%	1.2%	1.0%	0.8%

Asset Growth[23] ($ in Millions)



Investment Income[24] ($ in Millions)



Cash Flows and Fair Value Changes

The South Dakota Retirement System began fiscal year 2012 with $7.926 billion in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $233.6 million and investment income increased it by $142.6 million, resulting in an ending fair value of $7.835 billion.

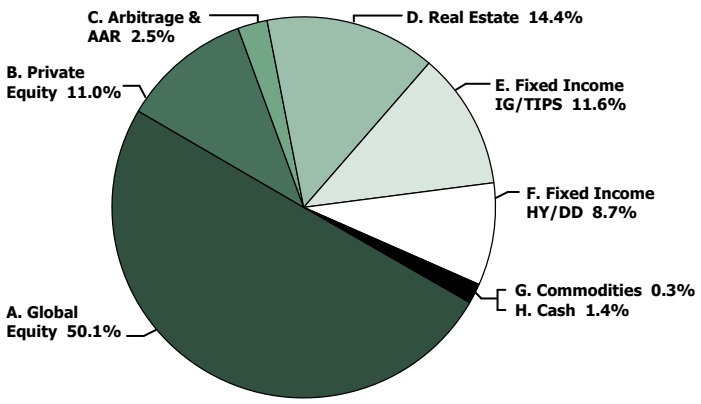
Fair Value 6/30/11			$ 7,926,194,468
Increases/Decreases			
Net Contributions/Withdrawals		$ (198,500,000)	
Internal Management Fees		(5,313,252)	
External Management Fees		(29,829,027)	
Total Increases/Decreases			$ (233,642,279)
Investment Income			
Securities Income			
Interest Income	$ 87,370,670		
Dividend Income	118,341,969		
Securities Lending Income	713,896		
Real Estate Income	7,217,198		
Change in Accrued Income	(2,018,009)		
Total Securities Income		$ 211,625,724	
Capital Gain/Loss Income			
Unrealized Gain/Loss Futures	$ 2,909,230		
Unrealized Gain/Loss Securities	(351,326,084)		
Realized Gain/Loss Futures	19,481,005		
Realized Gain/Loss Securities	259,869,257		
Total Capital Gain/Loss Income		$ (69,066,592)	
Total Investment Income			$ 142,559,132
Fair Value 6/30/12			$ 7,835,111,321

Investment Mix[8]

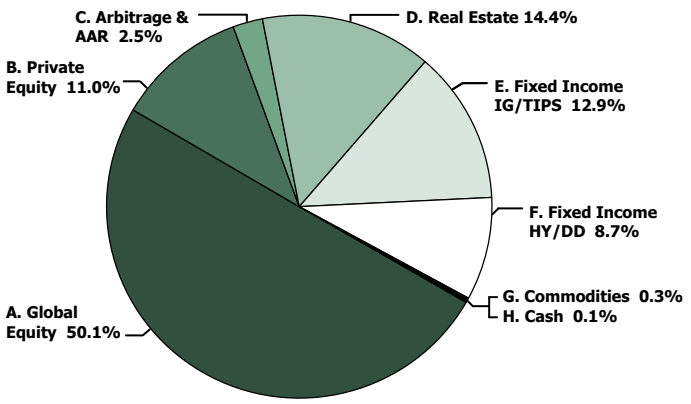
As of June 30, 2012, South Dakota Retirement System assets for which the Investment Council is responsible totaled $7.835 billion. The broad asset categories and managers are listed below. The charts show the asset allocation of the South Dakota Retirement System, excluding futures positions as well as with futures overlay. The Capital Markets Benchmark allocation is also provided for comparison.

	Positions Excluding Futures		Percentages Excluding Futures		Futures Positions	Resultant Exposure with Futures	Percentages with Futures Overlay	Benchmark Percentages
A. Global Equity								
Internal Global Equity	$ 3,469,624,280		44.3%					
Internal High Quality Equity	164,758,453		2.1%					
Internal Small/Mid Equity	117,732,541		1.5%					
Brandes	34,921,117		0.5%					
Dimensional Fund Advisors	41,261,975		0.5%					
GE Asset Management	66,550,680		0.9%					
Sanders Capital	26,745,639	$ 3,921,594,685	0.3%	50.1%				
Equity Index Futures					$ 0	$ 3,921,594,685	50.1%	58.0%
B. Private Equity Limited Partnerships								
Blackstone Capital Partners	$ 226,799,690		2.9%					
Capital International	36,274,247		0.5%					
Carlyle	86,144,520		1.1%					
Cinven	104,999,721		1.3%					
Credit Suisse	475,013		0.0%					
CVC	73,629,826		0.9%					
Cypress	5,103,876		0.1%					
Doughty Hanson	108,691,286		1.4%					
Elevation	30,922,889		0.4%					
KKR	45,958,696		0.6%					
Neuberger Berman	4,098,347		0.1%					
PineBridge	7,529,649		0.1%					
Silver Lake	127,403,812	858,031,572	1.6%	11.0%		858,031,572	11.0%	5.0%
C. Arbitrage & Aggressive Absolute Return (AAR)								
Internal Merger Arbitrage	$ 2,453,399		0.0%					
Internal Convertible Arbitrage	108,576,358		1.4%					
Bridgewater	69,077,195		0.9%					
Sanders Capital	16,264,063	196,371,015	0.2%	2.5%		196,371,015	2.5%	0.0%
D. Real Estate Limited Partnerships								
AREA Property Partners	$ 20,337,037		0.3%					
Blackstone Real Estate Partners	983,480,521		12.5%					
Cargill N.A. Real Estate Partners	71,147,040		0.9%					
Doughty Hanson	17,144,553		0.2%					
Lone Star	39,492,680	1,131,601,831	0.5%	14.4%		1,131,601,831	14.4%	8.0%
E. Fixed Income – Investment Grade/TIPS								
Internal Investment Grade	$ 909,247,547	909,247,547	11.6%	11.6%				
Treasury Financial Futures					103,449,900	1,012,697,447	12.9%	19.0%
F. Fixed Income – High Yield/Distressed Debt								
Internal High Yield	$ 96,876,926		1.2%					
Blackstone	15,118,176		0.2%					
CarVal	139,245,967		1.8%					
Oaktree	21,408,974		0.3%					
PIMCO	144,812,805		1.8%					
TCW	262,391,128	679,853,976	3.4%	8.7%		679,853,976	8.7%	7.0%
G. Commodities								
GE Asset Management	$ 25,273,090	25,273,090	0.3%	0.3%		25,273,090	0.3%	1.0%
H. Cash & Cash Equivalents								
Internal Shift Account	$ 113,137,605	113,137,605	1.4%	1.4%				
Cash From Futures					(103,449,900)	9,687,705	0.1%	2.0%
Total		$ 7,835,111,321		100.0%	$ 0	$ 7,835,111,321	100.0%	100.0%

Allocation In Cash Markets



Allocation with Futures Overlay



SDRS Internal Bond Fund Performance

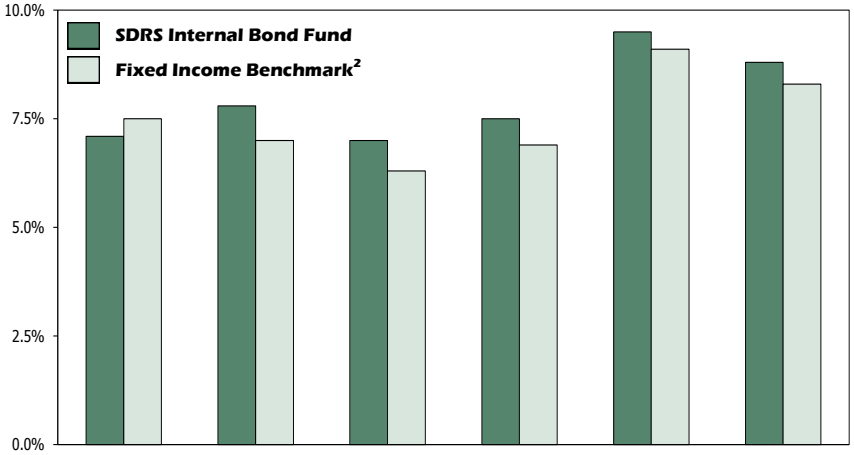
Fiscal Year	1 Year SDRS	1 Year Bench	5 Years SDRS	5 Years Bench	10 Years SDRS	10 Years Bench	20 Years SDRS	20 Years Bench	30 Years SDRS	30 Years Bench	39 Years SDRS	39 Years Bench
2012	7.1%	*7.5%*	7.8%	*7.0%*	7.0%	*6.3%*	7.5%	*6.9%*	9.5%	*9.1%*	8.8%	*8.3%*
2011	4.7%	*3.7%*	7.7%	*6.7%*	6.8%	*6.3%*	7.9%	*7.2%*	9.7%	*9.3%*		
2010	9.8%	*9.0%*	6.7%	*6.0%*	7.4%	*7.0%*	8.2%	*7.5%*	9.2%	*8.9%*		
2009	9.2%	*7.1%*	6.5%	*5.8%*	6.8%	*6.5%*	8.1%	*7.5%*	8.9%	*8.7%*		
2008	8.4%	*7.8%*	4.9%	*4.6%*	6.1%	*6.1%*	8.3%	*7.7%*	8.9%	*8.8%*		
2007	6.5%	*6.1%*	6.1%	*5.7%*	6.5%	*6.4%*	8.3%	*7.8%*	8.6%	*8.5%*		
2006	(0.2%)	*0.2%*	6.0%	*5.8%*	6.9%	*6.7%*	8.4%	*7.7%*	8.9%	*8.7%*		
2005	9.1%	*7.9%*	8.1%	*8.1%*	7.5%	*7.4%*	9.3%	*8.7%*	9.4%	*9.1%*		
2004	1.3%	*1.3%*	7.1%	*7.2%*	8.0%	*7.8%*	10.3%	*9.7%*	9.6%	*9.3%*		
2003	14.4%	*13.4%*	7.3%	*7.6%*	7.8%	*7.5%*	10.1%	*9.7%*	9.6%	*9.1%*		
2002	5.9%	*7.0%*	7.0%	*7.1%*	8.0%	*7.4%*	10.8%	*10.5%*				
2001	10.0%	*11.2%*	7.8%	*7.7%*	9.0%	*8.1%*	11.1%	*10.8%*				
2000	4.3%	*3.8%*	7.0%	*6.7%*	9.1%	*8.1%*	10.1%	*9.9%*				
1999	2.4%	*2.9%*	8.9%	*8.4%*	9.5%	*8.5%*	10.0%	*9.9%*				
1998	12.6%	*11.2%*	8.3%	*7.5%*	10.5%	*9.4%*	10.3%	*10.1%*				
1997	9.9%	*9.6%*	9.0%	*7.7%*	10.1%	*9.1%*	9.6%	*9.6%*				
1996	5.9%	*6.2%*	10.2%	*8.6%*	9.9%	*8.7%*	9.9%	*9.8%*				
1995	14.0%	*12.5%*	11.3%	*9.5%*	11.1%	*10.1%*	10.3%	*10.0%*				
1994	(0.1%)	*(1.2%)*	10.1%	*8.6%*	12.6%	*11.6%*	10.4%	*10.0%*				
1993	16.1%	*12.0%*	12.7%	*11.4%*	12.4%	*12.0%*	10.5%	*9.9%*				
1992	16.3%	*14.2%*	11.2%	*10.6%*	13.7%	*13.7%*						
1991	11.1%	*10.8%*	9.5%	*8.9%*	13.2%	*13.5%*						
1990	7.9%	*7.7%*	10.9%	*10.6%*	11.1%	*11.7%*						
1989	12.5%	*12.2%*	15.1%	*14.8%*	10.5%	*11.3%*						
1988	8.6%	*8.2%*	12.1%	*12.6%*	10.1%	*10.9%*						
1987	7.5%	*5.6%*	16.2%	*16.8%*	9.1%	*10.1%*						
1986	18.5%	*19.8%*	17.0%	*18.4%*	9.9%	*10.8%*						
1985	29.9%	*30.0%*	11.2%	*12.9%*	9.5%	*9.9%*						
1984	(1.6%)	*1.7%*	6.0%	*7.9%*	8.2%	*8.4%*						
1983	30.5%	*30.0%*	8.1%	*9.2%*	8.7%	*7.9%*						
1982	11.2%	*12.8%*	2.4%	*3.8%*								
1981	(8.1%)	*(5.4%)*	3.3%	*3.7%*								
1980	2.2%	*3.8%*	7.9%	*7.0%*								
1979	8.3%	*7.6%*	10.4%	*8.8%*								
1978	(0.4%)	*1.0%*	9.3%	*6.6%*								
1977	15.9%	*12.4%*										
1976	14.2%	*10.5%*										
1975	14.9%	*12.9%*										
1974	3.1%	*(2.9%)*										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 39 years through fiscal year 2012 for the Internal Bond Fund. The Fixed Income Benchmark[2] is provided for comparison.

The one-year returns above the solid demarcation line include both bonds and allocated cash reserves; the returns below are bonds only with no allocated cash reserves.

Prior to fiscal year 2007, the investment grade and high yield bonds were managed together. On July 1, 2006, they were separated and are now managed individually. The one-year returns below the dotted demarcation line reflect the investment grade and high yield returns; the returns above are investment grade-only returns. The high yield-only returns are presented below.

SDRS Internal Bond Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	39 Years
SDRS	7.1%	7.8%	7.0%	7.5%	9.5%	8.8%
Benchmark	7.5%	7.0%	6.3%	6.9%	9.1%	8.3%
Difference	(0.4%)	0.8%	0.7%	0.6%	0.4%	0.5%

SDRS Internal High Yield Bond Fund Performance

Fiscal Year	1 Year SDRS	1 Year Bench	2 Years SDRS	2 Years Bench	3 Years SDRS	3 Years Bench	4 Years SDRS	4 Years Bench	5 Years SDRS	5 Years Bench	6 Years SDRS	6 Years Bench
2012	9.2%	*7.9%*	12.6%	*11.3%*	14.2%	*13.7%*	10.7%	*10.8%*	8.5%	*8.8%*	8.3%	*8.9%*
2011	16.0%	*14.8%*	16.7%	*16.8%*	11.2%	*11.8%*	8.3%	*9.0%*	8.2%	*9.1%*		
2010	17.5%	*18.9%*	8.8%	*10.3%*	5.8%	*7.2%*	6.3%	*7.7%*				
2009	0.7%	*2.3%*	0.4%	*1.8%*	2.8%	*4.2%*						
2008	0.1%	*1.2%*	3.8%	*5.2%*								
2007	7.7%	*9.2%*										

The chart to the left shows the annualized total rate of returns for 1, 2, 3, 4, 5 and 6 years through fiscal year 2012 for the Internal High Yield Bond Fund. The High Yield benchmark[5] is provided for comparison.

On July 1, 2006, the investment grade and high yield bonds were separated and are now managed individually.

Internal Bond Profiles

The South Dakota Retirement System's internal Investment Grade (IG) and High Yield (HY) bond portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	6.0%	17.9%
2 to 3 Years	15.5%	19.6%
3 to 4 Years	36.0%	16.0%
4 to 5 Years	14.1%	17.0%
5 to 6 Years	6.6%	18.9%
6 to 8 Years	10.3%	7.1%
Above 8 Years	11.5%	3.5%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
U.S. Gov't/Aaa	62.4%	0.8%
Aa	4.7%	0.0%
A	12.0%	0.0%
Baa	20.9%	0.0%
Ba	0.0%	21.9%
B	0.0%	52.7%
Caa and lower	0.0%	24.6%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
0.00% - 4.00%	44.1%	1.4%
4.01% - 5.00%	24.8%	0.0%
5.01% - 6.00%	22.4%	4.9%
6.01% - 7.00%	7.7%	10.5%
7.01% - 8.00%	0.0%	23.5%
8.01% - 9.00%	1.0%	23.0%
9.01% and over	0.0%	36.7%
Total	100.0%	100.0%

Distribution By Sector	IG	HY
Cash/Cash Equivalents	0.1%	0.8%
U.S. Treasuries	19.0%	0.0%
Agency Debentures/FDIC	6.7%	0.0%
Agency Mortgage-Backed Securities	35.6%	0.0%
Investment Grade Corporates	38.6%	0.0%
High Yield Corporates	0.0%	99.2%
Total	100.0%	100.0%

Investment Grade Bond Portfolio Ten Largest Corporates by Issuer	% of Total
DIRECTV	2.0%
Ontario (Province Of)	2.0%
Berkshire Hathaway, Inc.	2.0%
Anheuser-Busch InBev	1.7%
American Express Co.	1.7%
Altria Group, Inc.	1.6%
Comcast Corp.	1.5%
Metlife, Inc.	1.4%
Morgan Stanley	1.4%
General Electric Co.	1.3%
Total	16.6%

High Yield Bond Portfolio Ten Largest Corporates by Issuer	% of Total
CIT Group, Inc.	3.3%
First Data Corp.	2.7%
NRG Energy, Inc.	2.7%
Bon-Ton Stores, Inc.	2.6%
Chesapeake Energy Corp.	2.6%
WMG Holdings Corp.	2.5%
R.R. Donnelley & Sons Co.	2.4%
Frontier Communications Corp.	2.4%
GenOn Energy, Inc.	2.4%
JBS S.A.	2.3%
Total	25.9%

SDRS Internal Bond Fund portfolio characteristics as of June 30th are presented below for various fiscal years. The Bond Index is presented for comparative purposes.

	1975	1980	1985	1990	1995	2000	2005	2010	2012
South Dakota Retirement System									
Yield to Maturity	9.4%	10.4%	10.3%	9.3%	7.3%	7.8%	4.7%	3.7%	2.0%
Average Maturity	19.1 yrs	17.5 yrs	7.1 yrs	7.9 yrs	9.3 yrs	6.9 yrs	5.8 yrs	5.4 yrs	5.4 yrs
Duration	7.8 yrs	8.0 yrs	4.0 yrs	5.3 yrs	5.6 yrs	5.6 yrs	4.1 yrs	4.0 yrs	4.7 yrs
Bond Index[1]									
Yield to Maturity	8.3%	10.2%	10.2%	9.2%	6.7%	7.3%	4.5%	2.6%	1.8%
Average Maturity	11.9 yrs	11.2 yrs	9.5 yrs	9.8 yrs	8.5 yrs	8.8 yrs	6.2 yrs	6.0 yrs	6.3 yrs
Duration	6.1 yrs	5.4 yrs	4.7 yrs	5.0 yrs	5.1 yrs	5.3 yrs	4.7 yrs	4.6 yrs	5.0 yrs

SDRS Combined Internal Equity Fund Performance

Fiscal Year	1 Year SDRS	1 Year *Bench*	5 Years SDRS	5 Years *Bench*	10 Years SDRS	10 Years *Bench*	20 Years SDRS	20 Years *Bench*	30 Years SDRS	30 Years *Bench*	39 Years SDRS	39 Years *Bench*
2012	(0.4%)	*(1.3%)*	(1.4%)	*(1.4%)*	5.4%	*5.8%*	8.7%	*8.0%*	11.8%	*11.3%*	11.3%	*10.0%*
2011	28.1%	*30.8%*	2.7%	*3.1%*	4.1%	*4.3%*	9.4%	*8.7%*	11.7%	*10.9%*		
2010	16.9%	*12.3%*	0.1%	*0.4%*	0.3%	*(0.4%)*	8.3%	*7.7%*	11.6%	*10.6%*		
2009	(20.8%)	*(27.9%)*	(1.1%)	*(0.2%)*	(0.3%)	*(0.5%)*	7.6%	*7.9%*	11.4%	*10.8%*		
2008	(21.0%)	*(11.0%)*	8.0%	*11.2%*	3.9%	*4.6%*	9.8%	*10.7%*	12.7%	*12.5%*		
2007	22.0%	*23.6%*	12.7%	*13.6%*	8.9%	*8.2%*	11.0%	*10.9%*	13.6%	*12.9%*		
2006	12.6%	*14.7%*	5.5%	*5.4%*	9.7%	*8.7%*	10.9%	*11.0%*	13.3%	*12.1%*		
2005	9.9%	*9.0%*	0.4%	*(1.2%)*	11.0%	*9.4%*	11.9%	*11.9%*	13.4%	*12.1%*		
2004	22.9%	*23.6%*	0.6%	*(0.8%)*	11.9%	*10.6%*	13.2%	*12.9%*	14.0%	*12.3%*		
2003	(2.0%)	*(0.8%)*	0.0%	*(1.7%)*	10.3%	*8.6%*	12.3%	*11.4%*	12.8%	*11.0%*		
2002	(12.2%)	*(15.0%)*	5.1%	*3.1%*	12.1%	*10.2%*	15.1%	*14.2%*				
2001	(12.0%)	*(17.1%)*	14.0%	*12.0%*	14.9%	*13.4%*	15.6%	*14.4%*				
2000	10.9%	*11.0%*	22.7%	*21.2%*	16.9%	*16.4%*	17.8%	*16.6%*				
1999	19.5%	*18.3%*	24.5%	*23.4%*	16.0%	*16.9%*	17.7%	*16.9%*				
1998	25.6%	*25.6%*	21.7%	*20.1%*	16.1%	*17.1%*	17.4%	*16.6%*				
1997	31.7%	*28.6%*	19.5%	*17.7%*	13.2%	*13.6%*	16.1%	*15.3%*				
1996	27.1%	*23.3%*	15.7%	*14.8%*	12.1%	*13.3%*	15.1%	*13.9%*				
1995	18.9%	*21.2%*	11.3%	*11.7%*	12.8%	*14.4%*	14.6%	*13.5%*				
1994	6.7%	*3.3%*	8.1%	*10.8%*	14.6%	*15.3%*	15.1%	*13.2%*				
1993	14.6%	*13.9%*	10.7%	*14.2%*	14.3%	*14.3%*	14.1%	*12.2%*				
1992	12.4%	*13.5%*	7.3%	*9.7%*	18.3%	*18.3%*						
1991	4.5%	*7.4%*	8.5%	*11.8%*	16.4%	*15.4%*						
1990	2.7%	*16.3%*	14.3%	*17.1%*	18.7%	*16.8%*						
1989	20.3%	*20.4%*	21.5%	*19.9%*	19.4%	*16.9%*						
1988	(1.9%)	*(7.1%)*	18.1%	*14.4%*	18.8%	*16.2%*						
1987	18.7%	*25.1%*	30.3%	*27.7%*	19.0%	*17.1%*						
1986	35.7%	*35.4%*	24.9%	*19.2%*	18.3%	*14.5%*						
1985	39.0%	*30.8%*	23.3%	*16.4%*	16.5%	*12.6%*						
1984	4.5%	*(4.7%)*	17.4%	*13.9%*	15.6%	*11.2%*						
1983	60.6%	*61.0%*	19.5%	*18.0%*	13.8%	*10.1%*						
1982	(4.1%)	*(11.4%)*	8.6%	*7.3%*								
1981	27.6%	*20.5%*	12.1%	*10.0%*								
1980	8.7%	*17.1%*	10.0%	*8.8%*								
1979	14.3%	*13.6%*	13.9%	*8.6%*								
1978	(0.4%)	*0.1%*	8.3%	*2.6%*								
1977	12.1%	*0.5%*										
1976	16.2%	*14.0%*										
1975	28.9%	*16.1%*										
1974	(11.1%)	*(14.5%)*										

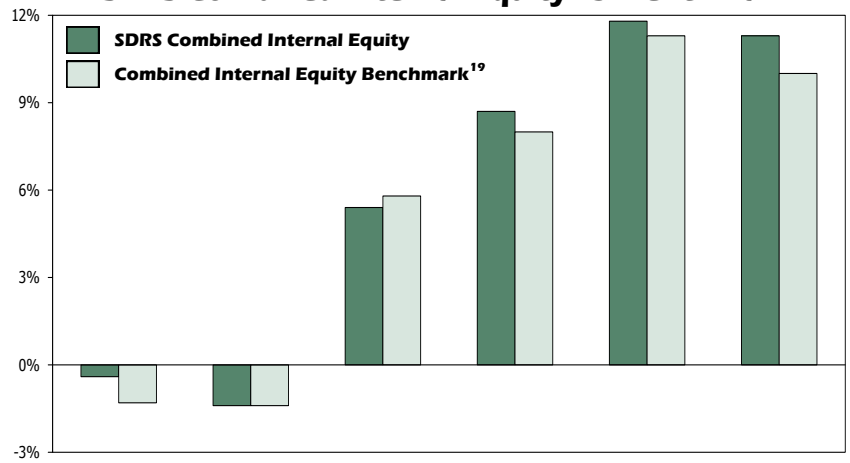
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 39 years through fiscal year 2012 for the Combined Internal Equity Fund. The Combined Internal Equity Benchmark[19] is provided for comparison.

The one-year returns above the solid demarcation line include both equities and allocated cash reserves; the returns below are equities only with no allocated cash reserves.

The one-year returns below the dotted demarcation line are domestic-only returns; the returns above are global equity returns.

Prior to fiscal year 2005, the domestic and international equities were managed separately. On July 1, 2004, they were merged and are managed together. Historical information is presented below.

SDRS Combined Internal Equity vs. Benchmark

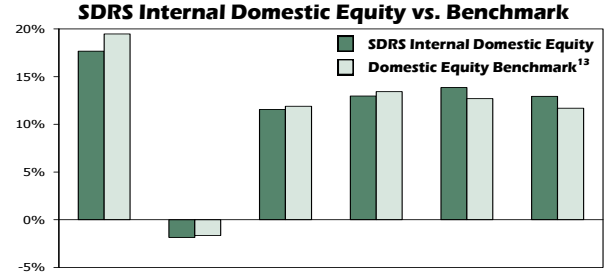


Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	39 Years
SDRS	(0.4%)	(1.4%)	5.4%	8.7%	11.8%	11.3%
Benchmark	(1.3%)	(1.4%)	5.8%	8.0%	11.3%	10.0%
Difference	0.9%	0.0%	(0.4%)	0.7%	0.5%	1.3%

Historical SDRS Internal Domestic and International Equity Fund information through June 30, 2004

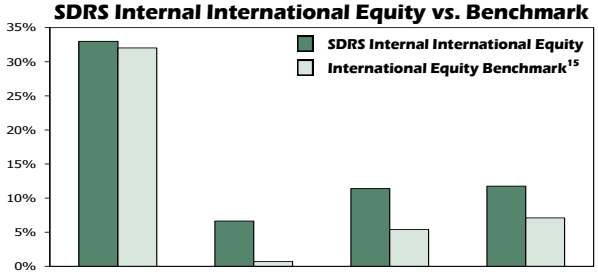
SDRS Internal Domestic Equity vs. Benchmark



Annualized Returns as of the Fiscal Year ended June 30, 2004

	1 Year	5 Years	10 Years	20 Years	30 Years	31 Years
SDRS	17.7%	(1.9%)	11.6%	13.0%	13.8%	12.9%
Benchmark	19.5%	(1.6%)	11.9%	13.4%	12.7%	11.7%
Difference	(1.8%)	(0.3%)	(0.3%)	(0.4%)	1.1%	1.2%

SDRS Internal International Equity vs. Benchmark



Annualized Returns as of the Fiscal Year ended June 30, 2004

	1 Year	5 Years	10 Years	12 Years
SDRS	33.0%	6.6%	11.4%	11.8%
Benchmark	32.0%	0.7%	5.4%	7.1%
Difference	1.0%	5.9%	6.0%	4.7%

Internal Equity Profile

The South Dakota Retirement System's internal global equity portfolio characteristics as of June 30, 2012 are presented below. The SDRS global internal equity portfolio is compared to the ⅔ S&P Global 1200 Index plus ⅓ S&P 500 Index benchmark. A listing of the 50 largest global equity holdings can be found on page 45.

Distribution by Market Sector

	SDRS	Bench
Consumer Discretionary	12.8%	10.4%
Consumer Staples	10.4%	11.2%
Energy	12.7%	10.7%
Financials	19.4%	17.1%
Health Care	14.4%	10.8%
Industrials	7.9%	10.5%
Information Technology	15.1%	15.5%
Materials	3.0%	5.8%
Telecommunications Services	1.9%	4.3%
Utilities	1.6%	3.7%
Cash Equivalents	0.8%	0.0%
Total	100.0%	100.0%

Ten Largest Country Weights

	SDRS	Bench
United States	72.3%	68.5%
Great Britain	6.3%	6.3%
Switzerland	5.6%	2.3%
Japan	4.9%	4.9%
Germany	2.9%	2.1%
France	2.1%	2.3%
Canada	1.6%	2.9%
Netherlands	1.0%	0.7%
Ireland	0.6%	0.1%
South Korea	0.3%	0.9%
Total	97.6%	91.0%

Global Equity Composite[7]

The South Dakota Retirement System's global equity composite is comprised of the internally managed global equity portfolio, the internally managed high quality equity portfolio, the internally managed small/mid-cap portfolio and five externally managed portfolios as of June 30, 2012. The composite is compared to the ⅔ MSCI All Country World Index plus ⅓ MSCI US Index benchmark.

Performance Results for the Fiscal Year Ended June 30, 2012

SDRS Global Equity Composite	(0.8%)
Benchmark	(2.9%)
Difference	2.1%

Private Equity and Real Estate Limited Partnership Investments

The South Dakota Investment Council has invested in real estate (RE) and private equity (PE) limited partnerships since the mid-1990s. Although these investments are illiquid and have higher fees, the Council believes that they offer diversification and the opportunity for added value net-of-fees over public market investments. The funding of these investments is made over several years as the partnerships call money from investors to buy assets and return it when assets are sold. According to industry standards, the return analysis for these investments requires the use of since inception internal rate of return (SI-IRR).

SI-IRR is the calculation that equates the present value of all cash flows (capital calls and distributions) with the period end value. The public market equivalent (PME) is a method where a public market index is expressed in terms of a SI-IRR, using the same cash flows and timing as those of the partnership investment over the same time period. The partnership SI-IRR is calculated net-of-fees (management fees, performance based fees and general partner carried interest). A composite SI-IRR that combined the partnerships in each category was calculated.

From November 1995 through June 2012, the net-of-fees SI-IRR for the composite PE limited partnership investments was 7.5%. This can be compared to the S&P 500 Index PME of 3.2% for the same period. RE limited partnerships net-of-fees SI-IRR composite from December 1994 through June 2012 was 21.7%. A PME using the MSCI US REIT Index could not be calculated using the same cash flows because the return of the RE partnerships was significantly higher than the index. The annualized time-weighted rate of return for the MS US REIT index was 11.0% for the same period of time.

The composite return of the RE partnerships has significantly exceeded and the PE partnerships has slightly exceeded Council expectations. The Council will continue its ongoing evaluation of RE & PE limited partnerships. See page 45 for a listing of the partnership investments.

SDRS Internal Merger Arbitrage Fund Performance

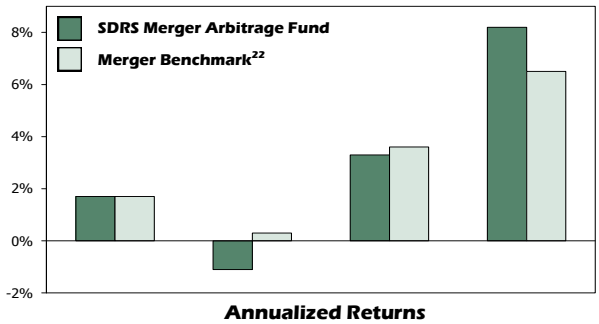
Fiscal Year	1 Year SDRS	1 Year *Bench*	5 Years SDRS	5 Years *Bench*	10 Years SDRS	10 Years *Bench*	22 Years SDRS	22 Years *Bench*
2012	1.7%	*1.7%*	(1.1%)	*0.3%*	3.3%	*3.6%*	8.2%	*6.5%*
2011	3.0%	*2.1%*	0.2%	*1.8%*	3.3%	*4.1%*		
2010	7.8%	*3.6%*	1.9%	*3.0%*	3.6%	*4.8%*		
2009	1.4%	*3.3%*	0.9%	*3.5%*	4.6%	*5.4%*		
2008	(17.4%)	*(8.6%)*	2.1%	*3.9%*	6.1%	*6.0%*		
2007	8.7%	*9.3%*	7.8%	*6.9%*	10.3%	*7.9%*		
2006	11.7%	*8.2%*	6.5%	*6.4%*	11.3%	*7.9%*		
2005	3.0%	*6.3%*	5.4%	*6.7%*	11.8%	*8.1%*		
2004	7.4%	*5.2%*	8.4%	*7.4%*	12.8%	*8.4%*		
2003	8.5%	*5.7%*	10.2%	*8.1%*	13.6%	*8.7%*		
2002	2.1%	*6.7%*	12.8%	*8.9%*	13.1%	*8.8%*		
2001	6.2%	*9.9%*	16.2%	*9.5%*	13.9%	*9.1%*		
2000	18.4%	*9.6%*	18.6%	*9.4%*	14.1%	*9.2%*		
1999	16.5%	*9.0%*	17.3%	*9.5%*				
1998	21.8%	*9.5%*	17.1%	*9.2%*				
1997	18.8%	*9.5%*	13.4%	*8.8%*				
1996	17.6%	*9.7%*	11.5%	*8.6%*				
1995	12.2%	*9.6%*	9.8%	*8.9%*				
1994	15.3%	*7.6%*						
1993*	3.7%	*7.4%*						
1992	9.5%	*8.9%*						
1991	8.8%	*11.2%*						

**Convertible Arbitrage positions were held in the Merger Arbitrage Fund during fiscal year 1993. On July 1, 1993, the positions were removed from the Merger Arbitrage Fund and a separate Convertible Arbitrage Fund was formed.*

The chart to the left shows the annualized total rate of returns for 1, 5, 10 and 22 years through fiscal year 2012 for the Merger Arbitrage Fund. The Merger Benchmark[22] is provided for comparison.

The one-year returns above the solid demarcation include both securities and allocated cash reserves; the returns below are securities only with no allocated cash reserves.

SDRS Merger Arbitrage vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	22 Years
SDRS	1.7%	(1.1%)	3.3%	8.2%
Benchmark	1.7%	0.3%	3.6%	6.5%
Difference	0.0%	(1.4%)	(0.3%)	1.7%

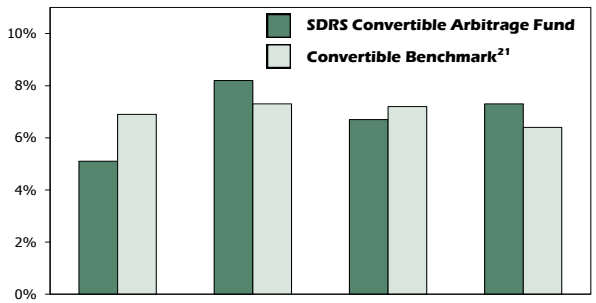
SDRS Internal Convertible Arbitrage Fund Performance

Fiscal Year	1 Year SDRS	1 Year *Bench*	5 Years SDRS	5 Years *Bench*	10 Years SDRS	10 Years *Bench*	19 Years SDRS	19 Years *Bench*
2012	5.1%	*6.9%*	8.2%	*7.3%*	6.7%	*7.2%*	7.3%	*6.4%*
2011	8.4%	*8.6%*	8.5%	*7.5%*	6.6%	*6.6%*		
2010	13.0%	*16.0%*	7.9%	*6.5%*	6.4%	*6.4%*		
2009	8.4%	*2.0%*	5.5%	*4.9%*	6.0%	*5.2%*		
2008	6.5%	*3.5%*	4.0%	*5.4%*	5.9%	*5.2%*		
2007	6.3%	*8.0%*	5.3%	*7.0%*	6.3%	*5.8%*		
2006	5.5%	*3.7%*	4.8%	*5.8%*	6.8%	*5.8%*		
2005	0.9%	*7.7%*	5.0%	*6.2%*	7.2%	*6.1%*		
2004	1.0%	*4.0%*	6.5%	*5.4%*	8.1%	*6.3%*		
2003	13.1%	*11.9%*	7.9%	*5.1%*	8.5%	*6.2%*		
2002	3.8%	*1.9%*	7.3%	*4.5%*				
2001	6.5%	*6.0%*	8.8%	*5.8%*				
2000	8.7%	*3.4%*	9.5%	*5.9%*				
1999	7.6%	*2.8%*	9.8%	*7.1%*				
1998	10.0%	*8.7%*	9.0%	*7.3%*				
1997	11.4%	*8.5%*						
1996	9.9%	*6.6%*						
1995	9.8%	*9.4%*						
1994	4.1%	*3.5%*						

The chart to the left shows the annualized total rate of returns for 1, 5, 10 and 19 years through fiscal year 2012 for the Convertible Arbitrage Fund. The Convertible Benchmark[21] is provided for comparison.

The one-year returns above the solid demarcation include both securities and allocated cash reserves; the returns below are securities only with no allocated cash reserves.

SDRS Convertible Arbitrage vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	19 Years
SDRS	5.1%	8.2%	6.7%	7.3%
Benchmark	6.9%	7.3%	7.2%	6.4%
Difference	(1.8%)	0.9%	(0.5%)	0.9%

CEMENT PLANT RETIREMENT FUND

THE FUND

The South Dakota Cement Plant Retirement Fund (CPRF) is a public employee retirement plan providing retirement benefits to over 350 former employees of the previously state-owned cement plant located in Rapid City. On March 16, 2001, the State of South Dakota sold the plant to GCC. Effective with the sale, CPRF employee benefits were frozen and accrued benefits of active plan participants were calculated. The administration of the plan was transferred from the South Dakota Cement Plant Commission to the South Dakota Retirement System effective July 1, 2010. The investment responsibility of the fund remains with the South Dakota Investment Council (Council).

INVESTMENT OBJECTIVES

The Council's overall objective is to prudently manage CPRF assets to achieve and exceed the returns available over the long term from the broad capital markets (stocks, bonds, real estate, etc.). The objectives and asset allocation of the fund include the effect of the freezing of the plan. The Council has three specific objectives. The first relates to achieving the actuarial estimated rate of return over the long term to help meet the obligations of CPRF. The other two objectives relate to adding value over the long term versus the index returns of the Council's capital markets benchmark and versus peer funds.

- **Achieve the actuarial rate of return over the long term.**

The actuarial rate of return estimate needs to be earned over the life of the plan to pay projected future benefits based on the frozen benefit formula. The fund must meet all future liabilities with the assets currently available. The Council attempts to earn all potential return available in excess of the actuarial rate. This excess return will augment the financial security of the fund. Ultimately, upon the final maturity of the fund, any assets that remain will be transferred to the Dakota Cement Trust Fund.

This objective has been achieved for the majority of rolling 5 and 10-year periods and all 20-year and longer periods. The following table summarizes CPRF total fund performance versus the actuarial rate of return of 7.75%.

CPRF Total Fund vs. Actuarial Rate of 7.75%

	5 years	10 years	20 years	30 years
# of Successes	26	25	20	10
# of Periods	35	30	20	10
% of Success	74%	83%	100%	100%

The Council's long-term expected rate of return for CPRF as of June 30, 2012 was 6.87%. This is less than the current actuarial assumed return of 7.75%. The Council's expectation does not assume any added value versus market indexes and is the midpoint of a possible range. It should be noted that the long-term inflation assumption embedded in the Council's expected return is less than the actuarial inflation assumption which can explain some of the difference in return expectations.

- **Achieve favorable total fund performance over the long term relative to a capital markets benchmark reflective of the Council's normal asset allocation policy.**

This is the most important specific investment objective in judging the Council's delivery of a competitive rate of return. The objective is to achieve and exceed the indexed returns that would be earned if CPRF was invested in the Council's selected capital markets benchmark. The key investment policy decision made by the Council is asset allocation as discussed in the SDRS Asset Allocation Focus on page 9. The normal asset allocation of the fund will be adjusted over time as the average age of the participants increase. As of July 1, 2012, the average age of the 55 active participants was 49 years with 21 years of service. The Plan has 340 members with 230 collecting retirement benefits. There are no new plan entrants and more retired members than active. Going forward, long-term commitments in real estate and private equity limited partnerships will be monitored on an individual basis to determine to what extent CPRF should participate in new partnerships. The asset allocation policy in these areas will be adjusted as the Council deems appropriate to meet the aging needs of the fund.

This objective is difficult to accomplish as most investment managers do not outperform the capital markets over time. The zero sum nature of markets, with each investment transaction having a winner and a loser, means investors collectively will merely match the overall market return before expenses. After taking into account investment manager fees and transactions costs, including commissions and market impact cost, most mangers underperform.

This objective has been achieved for the majority of rolling time periods. The following table summarizes CPRF total fund performance versus the Council's capital markets benchmark. A complete listing of rolling 5, 10, 20 and 30-year return comparisons is located on page 20.

CPRF Total Fund vs. Capital Markets Benchmark

	5 years	10 years	20 years	30 years
# of Successes	27	25	18	10
# of Periods	35	30	20	10
% of Success	77%	83%	90%	100%

- **Achieve favorable total fund performance over the long term relative to professionally managed multi-billion dollar pension funds.**

The Council compares its performance to public and corporate pension fund peers. While there is some variation in liability structure and risk preferences across funds, all pension funds are professionally managed and attempt to produce superior returns for their beneficiaries. Therefore, it makes sense to compare CPRF results to peers.

Historically, the Council emphasized comparison against corporate pension funds because they had historically performed better than public plans and were a more compelling measure of whether investment excellence was achieved. However, in recent years, the Council has lessened emphasis on corporate plan peer comparisons. These databases suffer from survivorship bias as some pension plans and portfolios making up the universes change over time in part as their results succeed or fail. Simply put, losers tend to drop out, and the peer universe is biased upwards by a preponderance of remaining winners. Consolidation in the performance consulting industry has also impacted database retention of long-term historical returns. A consistent peer universe database for the entire CPRF

history has not been kept intact by any performance consultant. Also affecting corporate peer databases are changes in corporate pension accounting rules that have caused a shift by some corporate plans away from equities toward a combination of hedge funds and fixed income and caused other corporate plans to simply disappear.

In the future, comparisons against public plans or large endowments and foundations may be emphasized. In recent years, public plans have begun to match or even outperform many corporate plans. Large endowments and foundations are also long-term oriented pools of capital, like pension plans, with historically favorable returns and may be a good measure of investment excellence.

The following table shows that CPRF returns have exceeded the median private sector and state fund results for most rolling 5, 10 and 20-year periods and all 30-year timeframes.

CPRF Total Fund vs. Private Sector

	5 years	10 years	20 years	30 years
# of Successes	21	25	19	10
# of Periods	35	30	20	10
% of Success	60%	83%	95%	100%

CPRF Total Fund vs. State Funds

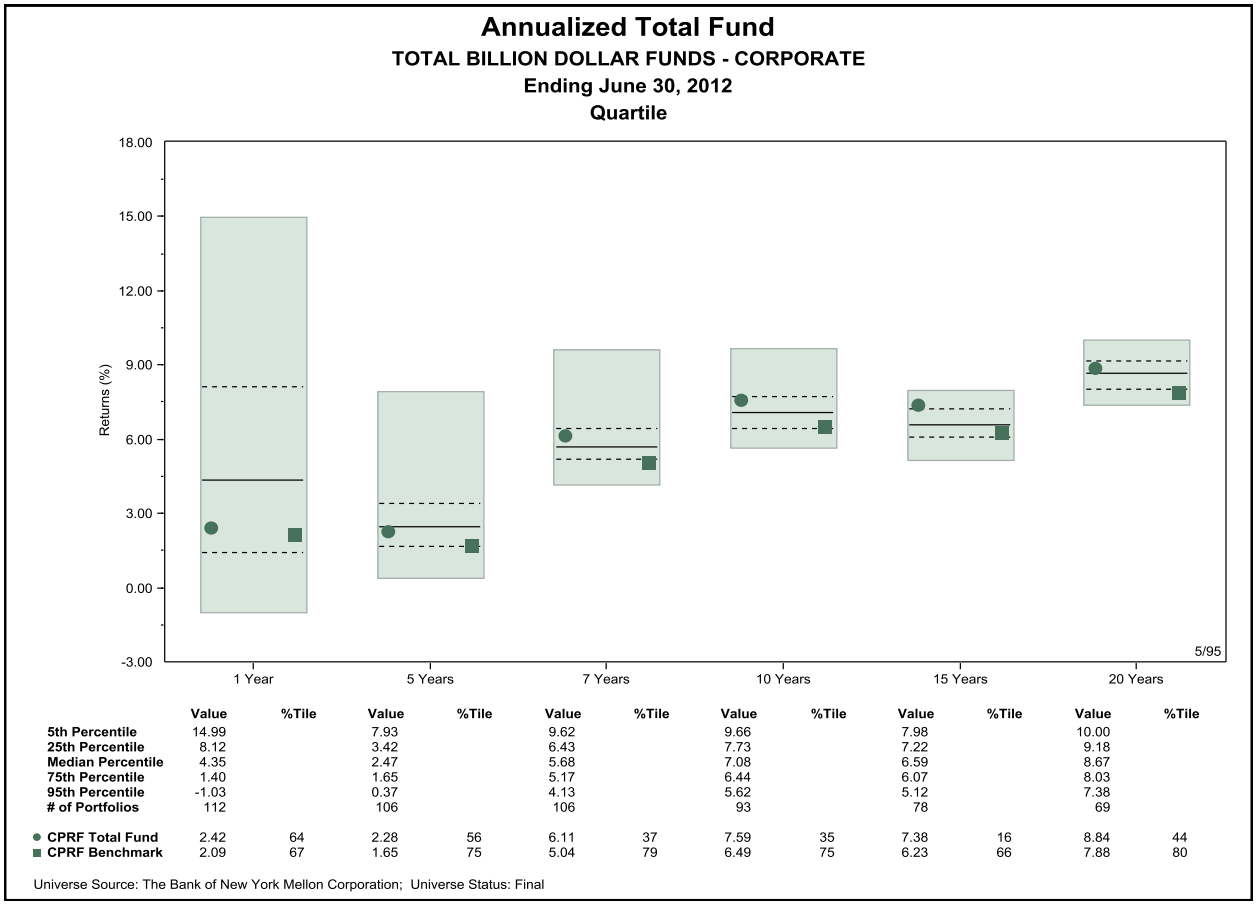
	5 years	10 years	20 years	30 years
# of Successes	28	27	20	10
# of Periods	35	30	20	10
% of Success	80%	90%	100%	100%

CPRF VERSUS SDRS PERFORMANCE

The asset allocation required to meet the needs of CPRF with its frozen participation is beginning to diverge with the ongoing asset allocation of SDRS. Efforts are made to have CPRF participate in the same investments as SDRS, but not necessarily in the same proportion. As the fund's size is only 0.6% of SDRS, CPRF does not participate in arbitrage, a few internally and externally managed funds, as well as some of the real estate limited partnerships. This will most likely result in a difference in total return between the two funds in the future. In the most recent five-year rolling period, the CPRF return of 2.3% compares with the SDRS return of 2.1%.

The Council will make every effort to continue to assure the highest level of performance for the CPRF. Because of the changes to the fund and differences in cash flow characteristics relative to SDRS, the returns may diverge between the two in the future. It is interesting to note that over the entire 39-year history of Council management of the two systems, the CPRF has a compound annualized of 10.4% versus the SDRS annualized return of 10.3%.

The chart below compares CPRF Total Fund returns to the current private sector peer universe.



	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile	Value	%Tile
5th Percentile	14.99		7.93		9.62		9.66		7.98		10.00	
25th Percentile	8.12		3.42		6.43		7.73		7.22		9.18	
Median Percentile	4.35		2.47		5.68		7.08		6.59		8.67	
75th Percentile	1.40		1.65		5.17		6.44		6.07		8.03	
95th Percentile	-1.03		0.37		4.13		5.62		5.12		7.38	
# of Portfolios	112		106		106		93		78		69	
CPRF Total Fund	2.42	64	2.28	56	6.11	37	7.59	35	7.38	16	8.84	44
CPRF Benchmark	2.09	67	1.65	75	5.04	79	6.49	75	6.23	66	7.88	80

Universe Source: The Bank of New York Mellon Corporation; Universe Status: Final

CPRF Total Fund Performance[9-12]

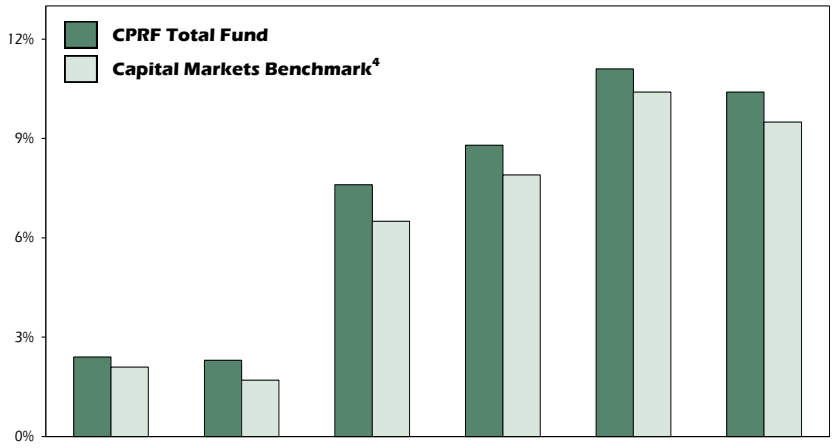
Fiscal Year	1 Year CPRF	1 Year *Bench*	5 Years CPRF	5 Years *Bench*	10 Years CPRF	10 Years *Bench*	20 Years CPRF	20 Years *Bench*	30 Years CPRF	30 Years *Bench*	39 Years CPRF	39 Years *Bench*
2012	2.4%	*2.1%*	2.3%	*1.7%*	7.6%	*6.5%*	8.8%	*7.9%*	11.1%	*10.4%*	10.4%	*9.5%*
2011	24.8%	*21.9%*	5.7%	*4.6%*	6.8%	*5.7%*	9.4%	*8.4%*	11.2%	*10.4%*		
2010	20.0%	*10.8%*	3.5%	*2.5%*	4.2%	*3.1%*	8.6%	*7.8%*	10.6%	*9.9%*		
2009	(20.0%)	*(17.9%)*	2.3%	*2.3%*	3.3%	*3.0%*	7.8%	*7.9%*	10.2%	*9.9%*		
2008	(8.8%)	*(4.1%)*	10.2%	*9.5%*	7.1%	*6.4%*	9.7%	*9.8%*	11.3%	*11.0%*		
2007	20.6%	*17.5%*	13.2%	*11.6%*	10.0%	*8.6%*	10.6%	*10.1%*	11.8%	*11.2%*		
2006	12.1%	*10.6%*	7.9%	*6.9%*	9.9%	*8.7%*	10.3%	*10.0%*	11.5%	*10.9%*		
2005	13.5%	*9.5%*	4.9%	*3.7%*	10.3%	*9.2%*	11.0%	*10.7%*	11.5%	*10.9%*		
2004	16.1%	*15.4%*	4.4%	*3.7%*	10.2%	*10.0%*	11.8%	*11.6%*	11.6%	*11.1%*		
2003	4.1%	*5.2%*	4.0%	*3.4%*	9.0%	*8.6%*	11.1%	*10.8%*	11.2%	*10.3%*		
2002	(5.0%)	*(5.0%)*	7.0%	*5.7%*	10.1%	*9.3%*	13.0%	*12.3%*				
2001	(2.3%)	*(5.0%)*	11.9%	*10.5%*	12.0%	*11.2%*	13.4%	*12.8%*				
2000	10.4%	*9.7%*	15.9%	*14.9%*	13.2%	*12.7%*	14.0%	*13.4%*				
1999	14.2%	*13.3%*	16.3%	*16.5%*	12.4%	*13.0%*	13.8%	*13.5%*				
1998	19.7%	*17.7%*	14.3%	*14.1%*	12.3%	*13.3%*	13.5%	*13.3%*				
1997	19.2%	*18.7%*	13.4%	*13.0%*	11.2%	*11.6%*	12.6%	*12.5%*				
1996	16.2%	*15.3%*	12.1%	*11.8%*	10.8%	*11.4%*	12.4%	*12.0%*				
1995	12.2%	*17.8%*	10.6%	*10.6%*	11.7%	*12.3%*	12.1%	*11.8%*				
1994	4.8%	*2.0%*	8.6%	*9.6%*	13.4%	*13.2%*	12.4%	*11.6%*				
1993	15.0%	*11.9%*	10.4%	*12.6%*	13.2%	*13.0%*	12.2%	*11.2%*				
1992	12.7%	*12.9%*	9.0%	*10.2%*	15.9%	*15.5%*						
1991	8.6%	*9.2%*	9.5%	*10.9%*	14.8%	*14.4%*						
1990	2.7%	*12.5%*	12.8%	*13.9%*	14.8%	*14.1%*						
1989	13.8%	*16.4%*	18.5%	*16.9%*	15.2%	*13.9%*						
1988	7.7%	*0.7%*	15.9%	*13.4%*	14.7%	*13.3%*						
1987	15.2%	*16.6%*	23.2%	*21.1%*	14.1%	*13.4%*						
1986	26.0%	*24.7%*	20.4%	*18.0%*	13.9%	*12.6%*						
1985	31.1%	*28.2%*	16.9%	*14.4%*	12.6%	*11.3%*						
1984	2.1%	*(0.1%)*	12.1%	*11.0%*	11.3%	*10.0%*						
1983	45.8%	*39.6%*	13.5%	*13.2%*	11.3%	*9.5%*						
1982	2.9%	*2.8%*	5.7%	*6.2%*								
1981	8.5%	*6.6%*	7.8%	*7.4%*								
1980	6.3%	*10.4%*	8.5%	*8.3%*								
1979	8.9%	*10.2%*	10.6%	*9.1%*								
1978	2.2%	*1.4%*	9.2%	*5.9%*								
1977	13.5%	*8.6%*										
1976	12.1%	*11.2%*										
1975	17.2%	*14.2%*										
1974	2.0%	*(4.8%)*										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 39 years through fiscal year 2012 for the Total Fund. The Capital Markets Benchmark[4] is provided for comparison.

Fiscal Year 2012
Asset Allocation Policy Summary

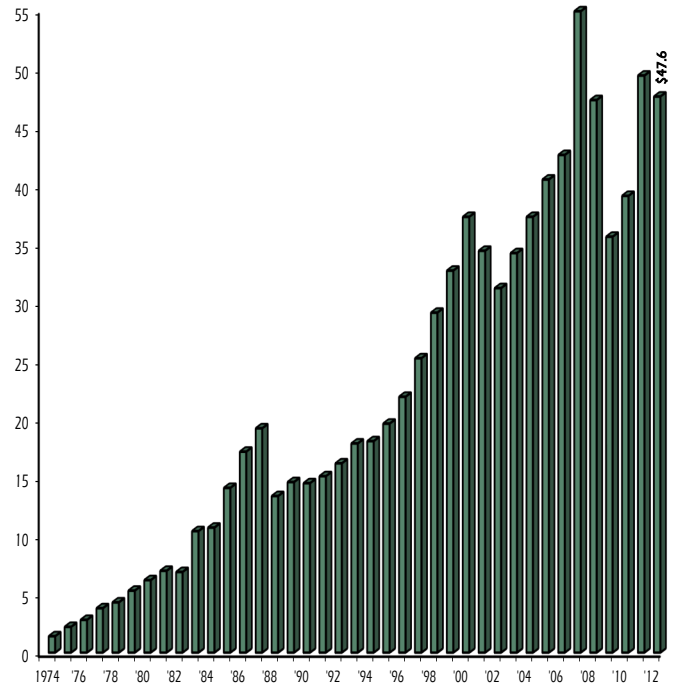
Asset Category	CMB Allocation	Min - Max Range
Global Equity	56%	35% - 75%
Private Equity	5%	0% - 11%
Merger Arbitrage	0%	0% - 10%
Convertible Arbitrage	0%	0% - 5%
Aggressive Absolute Return	0%	0% - 5%
Real Estate	8%	2% - 14%
Fixed Income - IG	18%	13% - 50%
Fixed Income - TIPS	1%	0% - 5%
High Yield/Distressed	7%	0% - 15%
Commodities	1%	0% - 5%
Cash	4%	0% - 50%

CPRF Total Fund vs. Benchmark

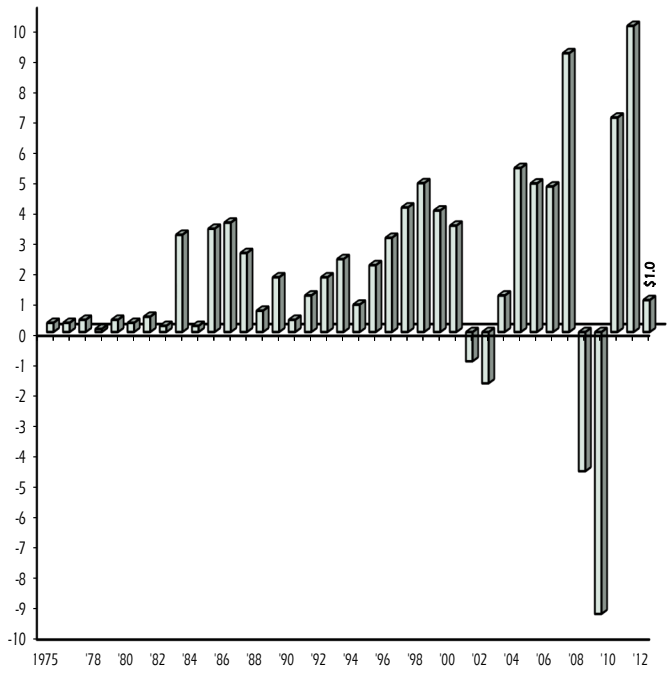


	1 Year	5 Years	10 Years	20 Years	30 Years	39 Years
CPRF	2.4%	2.3%	7.6%	8.8%	11.1%	10.4%
Benchmark	2.1%	1.7%	6.5%	7.9%	10.4%	9.5%
Difference	0.3%	0.6%	1.1%	0.9%	0.7%	0.9%

Asset Growth[23] ($ in Millions)



Investment Income[24] ($ in Millions)



Cash Flows and Fair Value Changes

The Cement Plant Retirement Fund began fiscal year 2012 with $49.4 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $2.9 million and investment income increased it by $1.0 million resulting in an ending fair value of $47.6 million.

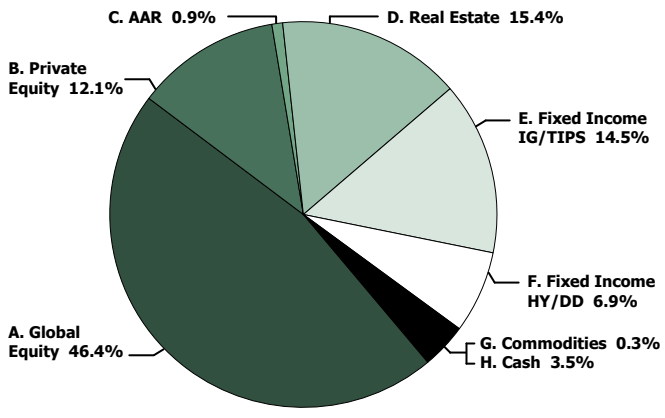
Fair Value 6/30/11			$ 49,446,428
Increase/Decreases			
Net Contributions/Withdrawals		$ (2,697,108)	
Internal Management Fees		(31,208)	
External Management Fees		(192,316)	
Total Increases/Decreases			$ (2,920,632)
Investment Income			
Securities Income			
Interest Income	$ 554,278		
Dividend Income	685,912		
Securities Lending Income	6,408		
Real Estate Income	45,745		
Change in Accrued Income	(32,156)		
Total Securities Income		$ 1,260,187	
Capital Gain/Loss Income			
Unrealized Gain/Loss Futures	$ (10,294)		
Unrealized Gain/Loss Securities	(1,463,791)		
Realized Gain/Loss Futures	118,112		
Realized Gain/Loss Securities	1,144,658		
Total Capital Gain/Loss Income		$ (211,315)	
Total Investment Income			$ 1,048,872
Fair Value 6/30/12			$ 47,574,668

Investment Mix[8]

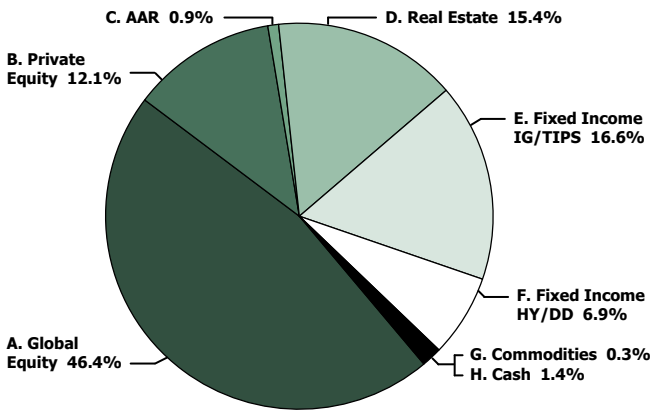
As of June 30, 2012, Cement Plant Retirement Fund assets for which the Investment Council is responsible totaled $47.6 million. The broad asset categories and managers are listed below. The charts show the asset allocation of the Cement Plant Retirement Fund, excluding futures positions as well as with futures overlay. The Capital Markets Benchmark allocation is also provided for comparison.

	Positions Excluding Futures		Percentages Excluding Futures		Futures Positions	Resultant Exposure with Futures	Percentages with Futures Overlay	Benchmark Percentages
A. Global Equity								
Internal Global Equity	$ 21,204,325		44.6%					
Brandes	224,260		0.5%					
Dimensional Fund Advisors	273,340		0.6%					
GE Asset Management	353,453	$ 22,055,378	0.7%	46.4%				
Equity Index Futures					$ 0	$ 22,055,378	46.4%	56.0%
B. Private Equity Limited Partnerships								
Blackstone Capital Partners	$ 1,555,144		3.3%					
Capital International	238,179		0.5%					
Carlyle	580,155		1.2%					
Cinven	664,555		1.4%					
Credit Suisse	3,571		0.0%					
CVC	484,157		1.0%					
Cypress	30,624		0.1%					
Doughty Hanson	750,340		1.6%					
Elevation	205,573		0.4%					
KKR	310,103		0.6%					
Neuberger Berman	28,041		0.1%					
PineBridge	52,712		0.1%					
Silver Lake	872,242	5,775,396	1.8%	12.1%		5,775,396	12.1%	5.0%
C. Aggressive Absolute Return (AAR)								
Bridgewater	$ 438,378	438,378	0.9%	0.9%		438,378	0.9%	0.0%
D. Real Estate Limited Partnerships								
AREA Properties Partners	$ 133,282		0.3%					
Blackstone Real Estate Partners	6,425,728		13.5%					
Cargill N.A. Real Estate Partners	457,446		1.0%					
Doughty Hanson	110,532		0.2%					
Lone Star	197,464	7,324,452	0.4%	15.4%		7,324,452	15.4%	8.0%
E. Fixed Income – Investment Grade/TIPS								
Internal Investment Grade	$ 6,911,438	6,911,438	14.5%	14.5%				
Treasury Financial Futures					1,017,540	7,928,978	16.6%	19.0%
F. Fixed Income – High Yield/Distressed Debt								
Internal High Yield	$ 641,756		1.4%					
Blackstone	100,944		0.2%					
CarVal	934,703		2.0%					
Oaktree	142,602		0.3%					
PIMCO	926,800		1.9%					
TCW	531,132	3,277,937	1.1%	6.9%		3,277,937	6.9%	7.0%
G. Commodities								
GE Asset Management	$ 121,311	121,311	0.3%	0.3%		121,311	0.3%	1.0%
H. Cash & Cash Equivalents								
Internal Shift Account	$ 1,670,378	1,670,378	3.5%	3.5%				
Cash From Futures					(1,017,540)	652,838	1.4%	4.0%
Total		$ 47,574,668		100.0%	$ 0	$ 47,574,668	100.0%	100.0%

Allocation In Cash Markets



Allocation with Futures Overlay



CPRF Internal Bond Fund Performance

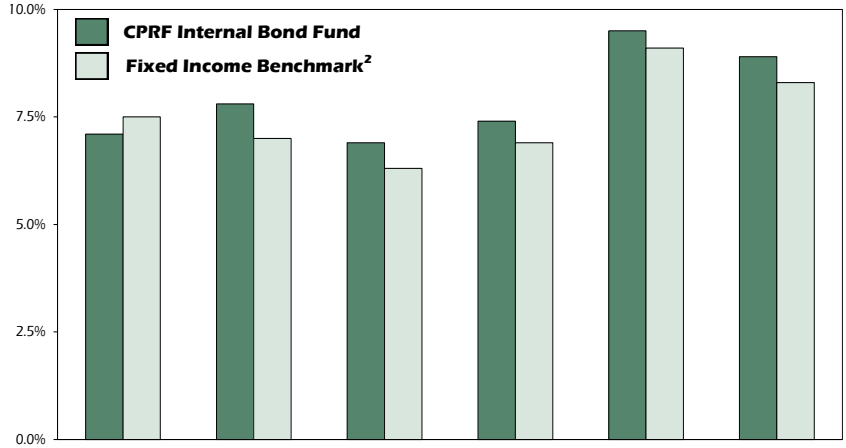
Fiscal Year	1 Year CPRF	1 Year *Bench*	5 Years CPRF	5 Years *Bench*	10 Years CPRF	10 Years *Bench*	20 Years CPRF	20 Years *Bench*	30 Years CPRF	30 Years *Bench*	39 Years CPRF	39 Years *Bench*
2012	7.1%	*7.5%*	7.8%	*7.0%*	6.9%	*6.3%*	7.4%	*6.9%*	9.5%	*9.1%*	8.9%	*8.3%*
2011	4.7%	*3.7%*	7.6%	*6.7%*	6.8%	*6.3%*	7.9%	*7.2%*	9.7%	*9.3%*		
2010	9.7%	*9.0%*	6.6%	*6.0%*	7.3%	*7.0%*	8.2%	*7.5%*	9.2%	*8.9%*		
2009	9.1%	*7.1%*	6.5%	*5.8%*	6.8%	*6.5%*	8.1%	*7.5%*	9.0%	*8.7%*		
2008	8.4%	*7.8%*	4.9%	*4.6%*	6.1%	*6.1%*	8.3%	*7.7%*	8.9%	*8.8%*		
2007	6.4%	*6.1%*	6.1%	*5.7%*	6.5%	*6.4%*	8.4%	*7.8%*	8.6%	*8.5%*		
2006	(0.2%)	*0.2%*	6.0%	*5.8%*	6.9%	*6.7%*	8.4%	*7.7%*	8.9%	*8.7%*		
2005	9.1%	*7.9%*	8.1%	*8.1%*	7.5%	*7.4%*	9.3%	*8.7%*	9.3%	*9.1%*		
2004	1.3%	*1.3%*	7.1%	*7.2%*	8.0%	*7.8%*	10.2%	*9.7%*	9.5%	*9.3%*		
2003	14.5%	*13.4%*	7.3%	*7.6%*	7.8%	*7.5%*	10.1%	*9.7%*	9.8%	*9.1%*		
2002	5.9%	*7.0%*	7.0%	*7.1%*	8.0%	*7.4%*	10.8%	*10.5%*				
2001	10.0%	*11.2%*	7.8%	*7.7%*	9.0%	*8.1%*	11.2%	*10.8%*				
2000	4.3%	*3.8%*	7.0%	*6.7%*	9.1%	*8.1%*	10.1%	*9.9%*				
1999	2.4%	*2.9%*	8.9%	*8.4%*	9.5%	*8.5%*	10.1%	*9.9%*				
1998	12.6%	*11.2%*	8.3%	*7.5%*	10.6%	*9.4%*	10.3%	*10.1%*				
1997	9.9%	*9.6%*	9.0%	*7.7%*	10.2%	*9.1%*	9.7%	*9.6%*				
1996	5.9%	*6.2%*	10.2%	*8.6%*	10.0%	*8.7%*	9.9%	*9.8%*				
1995	14.0%	*12.5%*	11.3%	*9.5%*	11.2%	*10.1%*	10.2%	*10.0%*				
1994	(0.2%)	*(1.2%)*	10.2%	*8.6%*	12.6%	*11.6%*	10.3%	*10.0%*				
1993	16.1%	*12.0%*	12.9%	*11.4%*	12.5%	*12.0%*	10.8%	*9.9%*				
1992	16.2%	*14.2%*	11.5%	*10.6%*	13.7%	*13.7%*						
1991	11.3%	*10.8%*	9.7%	*8.9%*	13.4%	*13.5%*						
1990	8.3%	*7.7%*	11.1%	*10.6%*	11.2%	*11.7%*						
1989	12.8%	*12.2%*	15.0%	*14.8%*	10.6%	*11.3%*						
1988	9.0%	*8.2%*	12.1%	*12.6%*	10.1%	*10.9%*						
1987	7.4%	*5.6%*	16.0%	*16.8%*	9.1%	*10.1%*						
1986	18.3%	*19.8%*	17.1%	*18.4%*	9.8%	*10.8%*						
1985	28.9%	*30.0%*	11.3%	*12.9%*	9.2%	*9.9%*						
1984	(0.9%)	*1.7%*	6.4%	*7.9%*	8.2%	*8.4%*						
1983	29.6%	*30.0%*	8.2%	*9.2%*	9.2%	*7.9%*						
1982	12.6%	*12.8%*	2.6%	*3.8%*								
1981	(8.2%)	*(5.4%)*	2.8%	*3.7%*								
1980	2.5%	*3.8%*	7.1%	*7.0%*								
1979	7.8%	*7.6%*	10.0%	*8.8%*								
1978	(0.3%)	*1.0%*	10.2%	*6.6%*								
1977	13.8%	*12.4%*										
1976	12.1%	*10.5%*										
1975	17.5%	*12.9%*										
1974	8.9%	*(2.9%)*										

The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 39 years through fiscal year 2012 for the Internal Bond Fund. The Fixed Income Benchmark[2] is provided for comparison.

The one-year returns above the solid demarcation line include both bonds and allocated cash reserves; the returns below are bonds only with no allocated cash reserves.

Prior to fiscal year 2007, the investment grade and high yield bonds were managed together. On July 1, 2006, they were separated and are now managed individually. The one-year returns below the dotted demarcation line reflect the investment grade and high yield returns; the returns above are investment grade-only returns. The high yield-only returns are presented below.

CPRF Internal Bond Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	39 Years
CPRF	7.1%	7.8%	6.9%	7.4%	9.5%	8.9%
Benchmark	7.5%	7.0%	6.3%	6.9%	9.1%	8.3%
Difference	(0.4%)	0.8%	0.6%	0.5%	0.4%	0.6%

CPRF Internal High Yield Bond Fund Performance

Fiscal Year	1 Year SDRS	1 Year *Bench*	2 Years SDRS	2 Years *Bench*	3 Years SDRS	3 Years *Bench*	4 Years SDRS	4 Years *Bench*	5 Years SDRS	5 Years *Bench*	6 Years SDRS	6 Years *Bench*
2012	9.3%	*7.9%*	12.5%	*11.3%*	14.1%	*13.7%*	10.6%	*10.8%*	8.4%	*8.8%*	8.3%	*8.9%*
2011	15.8%	*14.8%*	16.7%	*16.8%*	11.1%	*11.8%*	8.2%	*9.0%*	8.1%	*9.1%*		
2010	17.5%	*18.9%*	8.8%	*10.3%*	5.8%	*7.2%*	6.2%	*7.7%*				
2009	0.6%	*2.3%*	0.3%	*1.8%*	2.7%	*4.2%*						
2008	0.0%	*1.2%*	3.8%	*5.2%*								
2007	7.7%	*9.2%*										

The chart to the left shows the annualized total rate of returns for 1, 2, 3, 4, 5 and 6 years through fiscal year 2012 for the Internal High Yield Bond Fund. The High Yield benchmark[5] is provided for comparison.

On July 1, 2006, the investment grade and high yield bonds were separated and are now managed individually.

Internal Bond Profile

The Cement Plant Retirement Fund's internal Investment Grade (IG) and High Yield (HY) bond portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	6.3%	18.3%
2 to 3 Years	14.6%	19.6%
3 to 4 Years	36.5%	15.7%
4 to 5 Years	14.1%	17.0%
5 to 6 Years	6.7%	19.0%
6 to 8 Years	10.2%	6.8%
Above 8 Years	11.6%	3.6%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
U.S. Gov't/Aaa	62.4%	1.1%
Aa	4.7%	0.0%
A	12.0%	0.0%
Baa	20.9%	0.0%
Ba	0.0%	21.8%
B	0.0%	52.5%
Caa and lower	0.0%	24.6%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
0.00% - 4.00%	44.6%	1.7%
4.01% - 5.00%	24.5%	0.0%
5.01% - 6.00%	22.1%	4.9%
6.01% - 7.00%	7.8%	10.2%
7.01% - 8.00%	0.0%	23.3%
8.01% - 9.00%	1.0%	23.1%
9.01% and over	0.0%	36.8%
Total	100.0%	100.0%

Distribution By Sector	IG	HY
Cash/Cash Equivalents	0.3%	1.1%
U.S. Treasuries	19.2%	0.0%
Agency Debentures/FDIC	6.7%	0.0%
Agency Mortgage Backed Securities	35.2%	0.0%
Investment Grade Corporates	38.6%	0.0%
High Yield Corporates	0.0%	98.9%
Total	100.0%	100.0%

Investment Grade Bond Portfolio Ten Largest Corporates by Issuer	% of Total
DIRECTV	2.0%
Ontario (Province Of)	2.0%
Berkshire Hathaway, Inc.	2.0%
Anheuser-Busch InBev	1.7%
American Express Co.	1.7%
Altria Group, Inc.	1.6%
Comcast Corp.	1.5%
Metlife, Inc.	1.4%
Morgan Stanley	1.4%
General Electric Co.	1.3%
Total	16.6%

High Yield Bond Portfolio Ten Largest Corporates by issuer	% of Total
CIT Group, Inc.	3.4%
First Data Corp.	2.7%
NRG Energy, Inc.	2.6%
Bon-Ton Stores, Inc.	2.6%
WMG Holdings Corp.	2.5%
Frontier Communications Corp.	2.4%
Chesapeake Energy Corp.	2.4%
JBS S.A.	2.4%
Niska Gas Storage Partners	2.3%
R.R. Donnelley & Sons Co.	2.3%
Total	25.6%

CPRF Internal Bond Fund portfolio characteristics as of June 30th are presented below for various fiscal years. The Bond Index is presented for comparative purposes.

	1975	1980	1985	1990	1995	2000	2005	2010	2012
Cement Plant Retirement Fund									
Yield to Maturity	9.5%	10.1%	10.3%	9.2%	7.3%	7.8%	4.7%	3.6%	2.0%
Average Maturity	19.3 yrs	17.4 yrs	7.0 yrs	7.8 yrs	9.3 yrs	6.9 yrs	5.8 yrs	5.4 yrs	5.4 yrs
Duration	8.0 yrs	7.6 yrs	4.0 yrs	5.3 yrs	5.6 yrs	5.6 yrs	4.1 yrs	4.0 yrs	4.7 yrs
Bond Index[1]									
Yield to Maturity	8.3%	10.2%	10.2%	9.2%	6.7%	7.3%	4.5%	2.6%	1.8%
Average Maturity	11.9 yrs	11.2 yrs	9.5 yrs	9.8 yrs	8.5 yrs	8.8 yrs	6.2 yrs	6.0 yrs	6.3 yrs
Duration	6.1 yrs	5.4 yrs	4.7 yrs	5.0 yrs	5.1 yrs	5.3 yrs	4.7 yrs	4.6 yrs	5.0 yrs

CPRF Combined Internal Equity Fund Performance

Fiscal Year	1 Year CPRF	1 Year *Bench*	5 Years CPRF	5 Years *Bench*	10 Years CPRF	10 Years *Bench*	20 Years CPRF	20 Years *Bench*	30 Years CPRF	30 Years *Bench*	39 Years CPRF	39 Years *Bench*
2012	0.7%	*(1.3%)*	(1.8%)	*(1.4%)*	5.1%	*5.8%*	9.0%	*8.5%*	11.9%	*11.7%*	11.2%	*10.3%*
2011	26.4%	*30.8%*	1.9%	*3.1%*	3.7%	*4.3%*	9.6%	*9.3%*	11.7%	*11.3%*		
2010	18.3%	*12.3%*	(0.5%)	*0.4%*	0.1%	*(0.4%)*	8.5%	*8.2%*	11.7%	*11.0%*		
2009	(22.1%)	*(27.9%)*	(2.0%)	*(0.2%)*	(0.6%)	*(0.5%)*	7.8%	*8.4%*	11.5%	*11.2%*		
2008	(22.1%)	*(11.0%)*	7.4%	*11.2%*	3.7%	*4.6%*	10.0%	*11.2%*	12.8%	*12.9%*		
2007	20.9%	*23.6%*	12.3%	*13.6%*	9.4%	*8.6%*	11.3%	*11.5%*	13.9%	*13.3%*		
2006	12.3%	*14.7%*	5.5%	*5.5%*	10.6%	*9.3%*	11.2%	*11.5%*	13.7%	*12.5%*		
2005	9.9%	*9.0%*	0.7%	*(1.2%)*	12.1%	*10.4%*	12.3%	*12.5%*	13.7%	*12.5%*		
2004	22.7%	*23.8%*	0.8%	*(0.8%)*	13.0%	*12.0%*	13.6%	*13.5%*	14.4%	*12.7%*		
2003	(2.2%)	*(1.0%)*	0.2%	*(1.7%)*	11.3%	*9.8%*	12.7%	*12.0%*	12.8%	*11.4%*		
2002	(11.7%)	*(14.8%)*	6.6%	*3.8%*	13.1%	*11.3%*	15.5%	*14.8%*				
2001	(11.1%)	*(17.2%)*	15.9%	*13.4%*	15.8%	*14.6%*	15.9%	*15.0%*				
2000	10.3%	*11.1%*	24.9%	*23.3%*	17.7%	*17.6%*	18.1%	*17.2%*				
1999	19.3%	*18.2%*	26.7%	*26.5%*	16.8%	*18.1%*	18.0%	*17.5%*				
1998	33.3%	*30.2%*	23.6%	*22.7%*	16.7%	*18.3%*	17.6%	*17.3%*				
1997	34.2%	*32.3%*	20.0%	*19.4%*	13.2%	*14.4%*	16.2%	*15.7%*				
1996	29.2%	*26.3%*	15.7%	*15.8%*	11.9%	*13.8%*	15.3%	*14.2%*				
1995	18.6%	*26.1%*	10.9%	*12.1%*	12.4%	*14.6%*	14.5%	*13.6%*				
1994	5.3%	*1.3%*	7.7%	*10.3%*	14.1%	*15.0%*	15.1%	*13.1%*				
1993	14.7%	*13.6%*	10.1%	*14.2%*	14.0%	*14.3%*	13.6%	*12.1%*				
1992	12.1%	*13.5%*	6.9%	*9.7%*	18.1%	*18.3%*						
1991	4.4%	*7.4%*	8.2%	*11.8%*	16.0%	*15.4%*						
1990	2.5%	*16.3%*	13.9%	*17.1%*	18.5%	*16.8%*						
1989	17.8%	*20.4%*	21.0%	*19.9%*	19.2%	*16.9%*						
1988	(1.2%)	*(7.1%)*	18.1%	*14.4%*	18.5%	*16.2%*						
1987	18.9%	*25.1%*	30.4%	*27.7%*	19.2%	*17.1%*						
1986	35.4%	*35.4%*	24.3%	*19.2%*	18.7%	*14.5%*						
1985	38.2%	*30.8%*	23.2%	*16.4%*	16.6%	*12.6%*						
1984	4.4%	*(4.7%)*	17.5%	*13.9%*	16.0%	*11.2%*						
1983	62.5%	*61.0%*	18.9%	*18.0%*	13.1%	*10.1%*						
1982	(6.5%)	*(11.4%)*	8.9%	*7.3%*								
1981	29.4%	*20.5%*	13.4%	*10.0%*								
1980	9.1%	*17.1%*	10.4%	*8.8%*								
1979	10.8%	*13.6%*	14.5%	*8.6%*								
1978	4.5%	*0.1%*	7.5%	*2.6%*								
1977	14.8%	*0.5%*										
1976	13.2%	*14.0%*										
1975	31.0%	*16.1%*										
1974	(19.1%)	*(14.5%)*										

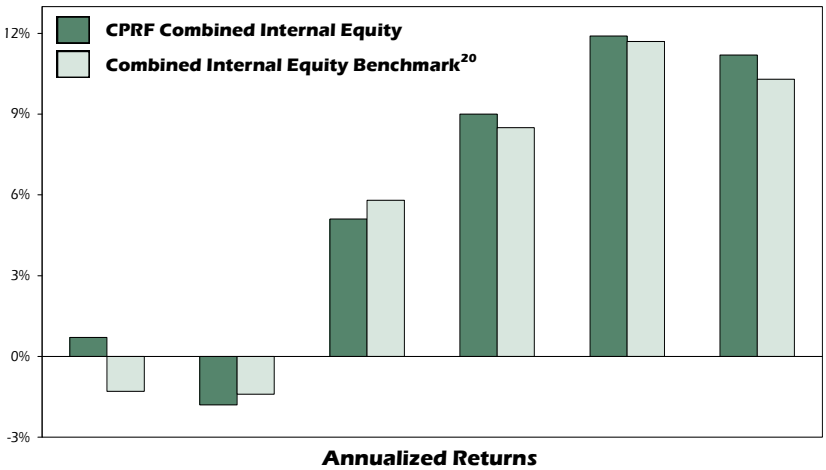
The chart to the left shows the annualized total rate of returns for 1, 5, 10, 20, 30 and 39 years through fiscal year 2012 for the Combined Internal Equity Fund. The Combined Internal Equity Benchmark[20] is provided for comparison.

The one-year returns above the solid demarcation line include both equities and allocated cash reserves; the returns below are equities only with no allocated cash reserves.

The one-year returns below the dotted demarcation line are domestic-only returns; the returns above are global equity returns.

Prior to fiscal year 2005, the domestic and international equities were managed separately. On July 1, 2004, they were merged and are managed together.

CPRF Combined Internal Equity vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	20 Years	30 Years	39 Years
CPRF	0.7%	(1.8%)	5.1%	9.0%	11.9%	11.2%
Benchmark	(1.3%)	(1.4%)	5.8%	8.5%	11.7%	10.3%
Difference	2.0%	(0.4%)	(0.7%)	0.5%	0.2%	0.9%

Internal Equity Profile

The Cement Plant Retirement Fund's internal global equity portfolio characteristics as of June 30, 2012 are presented below. The CPRF internal global equity portfolio is compared to the ⅔ S&P Global 1200 Index plus ⅓ S&P 500 Index benchmark.

Distribution by Market Sector

	CPRF	Bench
Consumer Discretionary	13.9%	10.4%
Consumer Staples	11.0%	11.2%
Energy	13.0%	10.7%
Financials	20.9%	17.1%
Health Care	15.4%	10.8%
Industrials	6.6%	10.5%
Information Technology	14.7%	15.5%
Materials	2.1%	5.8%
Telecommunications Services	1.1%	4.3%
Utilities	1.0%	3.7%
Cash Equivalents	0.3%	0.0%
Total	100.0%	100.0%

Ten Largest Country Weights

	CPRF	Bench
United States	74.4%	68.5%
Great Britain	5.9%	6.3%
Switzerland	5.9%	2.3%
Japan	5.2%	4.9%
Germany	3.1%	2.1%
France	2.0%	2.3%
Canada	1.2%	2.9%
Netherlands	0.9%	0.7%
Ireland	0.7%	0.1%
Finland	0.2%	0.2%
Total	99.5%	90.3%

30 Largest Company Holdings

	% of Total
Wells Fargo & Co.	3.3%
Pfizer, Inc.	3.0%
Wal-Mart Stores, Inc.	2.9%
Target Corp.	2.9%
Microsoft Corp.	2.5%
JPMorgan Chase & Co.	2.3%
U.S. Bancorp	2.3%
Honda Motor Co., Ltd.	2.1%
Exxon Mobil Corp.	2.1%
Lowe's Cos., Inc.	2.0%
Google, Inc.	1.9%
Nestle SA	1.8%
Intel Corp.	1.8%
General Electric Co.	1.8%
Chevron Corp.	1.7%
PepsiCo, Inc.	1.6%
ConocoPhillips	1.6%
CVS Caremark Corp.	1.5%
Texas Instruments, Inc.	1.5%
Roche Holding, Ltd.	1.4%
Cisco Systems, Inc.	1.4%
BP plc	1.4%
GlaxoSmithKline plc	1.4%
UnitedHealth Group, Inc.	1.3%
Gilead Sciences, Inc.	1.3%
BB&T Corp.	1.2%
Bank of America Corp.	1.2%
The Allstate Corp.	1.1%
Apache Corp.	1.1%
MetLife, Inc.	1.0%
Total	54.4%

Global Equity Composite[7]

The Cement Plant Retirement System's global equity composite is comprised of the internally managed global equity portfolio and three externally managed portfolios as of June 30, 2012. The composite is compared to the ⅔ MSCI All Country World Index plus ⅓ MSCI US Index benchmark.

Performance Results for the Fiscal Year Ended June 30, 2012

CPRF Global Equity Composite	(0.1%)
Benchmark	(2.9%)
Difference	2.8%

THE FUND

The South Dakota Cash Flow Fund (SDCFF) is comprised of more than 250 separately identified state accounts. During fiscal year 2012, the fund ranged from $1.005 billion to $1.193 billion and averaged $1.092 billion. The fund serves as the state checking account. Inflows consist of revenue collected from sales and use taxes, insurance and bank franchise taxes, tuition and fees, investment income and other income sources. Outflows occur by the payment of liabilities such as highway maintenance, payments to local governments and schools, salaries and many other obligations.

South Dakota Codified Law (SDCL) 4-5-26 provides the legal list of investments for SDCFF. This includes U.S. Governments and Agencies, certificates of deposit, bankers' acceptances, investment grade corporate debt and commercial paper. High credit standards are maintained for the portfolio with an average quality of Aa3 as of June 30, 2012. Diversification by maturity, quality and market sector is closely monitored.

OBJECTIVES AND COMPONENTS

The objectives of SDCFF are to 1) provide income to state agencies, 2) be flexible to state cash needs and 3) provide investment in state financial institutions for potential loans through the Certificate of Deposit (CD) Program.

The fund is composed of three portfolios. On June 30, 2012, 92.6% was in the actively-managed duration portfolio. An active duration strategy was implemented in November 1985. In May 1993, the Investment Council changed the maturity restrictions from 3 years to 5 years for an individual security and the duration of the overall portfolio from 2 years to 2.88 years.

The money market portfolio represents 5.4% of SDCFF. This portfolio is the most liquid of the three portfolios and absorbs the state's daily cash inflows and outflows.

The South Dakota CD Program is the third portion and represents 2.0% of SDCFF. The CD rate was based on the one-year Treasury note plus 0.5% shortly before the yearly issuance in September. On June 30, 2012, $22.452 million in CDs were held in fifty-one banks, five credit unions and one savings and loan association.

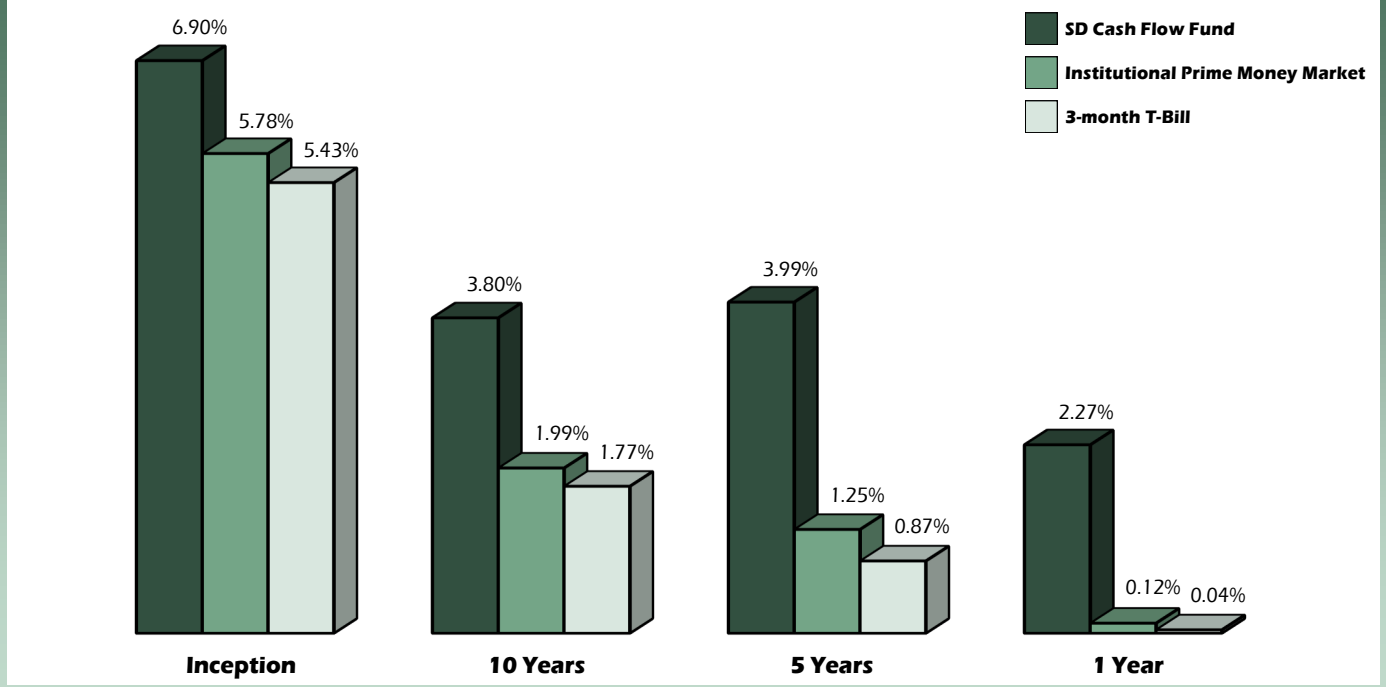
PRORATION

Each fiscal year, the receipted income is prorated to the individual state funds based on a ratio of their average daily cash balance to the total average daily cash balance. The general fund and other state agencies receipted income was $25.8 million for fiscal year 2012. South Dakota's state budget and taxpayers have received over $1 billion of earnings from this important fund since its inception.

INVESTMENT PERFORMANCE - FISCAL YEAR 2012

The yield of SDCFF for fiscal year 2012 was 2.27% versus an institutional prime money market yield of 0.12% and a 3-month Treasury bill return of 0.04%. The difference resulted primarily from coupon rates of securities held in the portfolio before interest rates fell. As these securities mature, the overall yield on the portfolio will decrease. Since the fund's inception in December 1972, it has yielded 6.90% annually versus an institutional prime money market annual yield of 5.78% and a 3-month Treasury bill annual yield of 5.43%. For fiscal year 2012, the duration portfolio of the fund had a total return of 1.88% versus a benchmark[6] return of 1.82%. Since the inception of the duration portfolio in November 1985, its performance has been 5.79% annually versus 5.37% for the benchmark. During fiscal year 2012, the money market portion yielded 0.01% versus 0.12% for an institutional prime money market fund and 0.04% for 3-month Treasury bills. The CD Program yielded 0.68% for the fiscal year. The CD rate at June 30, 2012, was 0.64%.

Yield Analysis (Annualized)



Comparative Results[9]

The proration rate is the cash accounting yield. The managed accrued rate includes accrued interest. The 3-month T-bill and institutional prime money market rates are provided for comparison.

	SDCFF Proration Amount	Total Receipted Rate (Proration Rate)	Managed Accrued Rate×	3-month Treasury Bill Rate	Institutional Prime Money Market Fund	Total Return SDCDP✓	SDCDP Index[6]
2012	$ 25,829,546	2.33%	2.27%	0.0%	0.1%	1.88%	1.82%
2011	35,573,830	3.37%	3.43%	0.1%	0.2%	2.71%	2.84%
2010	50,155,778	4.94%	4.79%	0.1%	0.2%	5.10%	5.34%
2009	43,568,535	4.59%	4.51%	0.8%	1.6%	6.58%	3.14%
2008	44,431,241	5.07%	4.96%	3.3%	4.2%	6.59%	6.05%
2007	34,578,213	4.23%	4.41%	5.1%	5.2%	5.56%	5.50%
2006	25,450,147	3.07%	3.40%	4.0%	4.1%	2.36%	2.09%
2005	21,652,806	2.66%	2.92%	2.0%	2.1%	2.62%	2.45%
2004	22,888,860	2.95%	3.02%	1.0%	1.0%	0.59%	-0.14%
2003	29,876,507	4.22%	4.35%	1.4%	1.4%	5.45%	4.09%
2002	41,972,001	5.54%	5.21%	2.5%	2.4%	5.55%	5.62%
2001	50,729,249	6.54%	6.50%	5.6%	5.9%	9.57%	8.94%
2000	36,459,873	5.18%	5.47%	5.3%	5.7%	4.94%	4.49%
1999	36,122,881	6.02%	6.01%	4.7%	5.1%	4.90%	5.02%
1998	31,533,466	6.11%	6.51%	5.3%	5.5%	7.11%	6.42%
1997	28,961,501	6.03%	6.12%	5.3%	5.3%	6.81%	6.09%
1996	27,987,169	6.18%	6.32%	5.4%	5.6%	5.29%	5.54%
1995	20,145,287	4.87%	5.41%	5.1%	5.4%	7.78%	6.41%
1994	15,309,074	3.73%	4.17%	3.2%	3.3%	2.73%	1.87%
1993	20,908,872	5.34%	5.05%	3.1%	3.2%	4.98%	4.71%
1992	26,680,663	7.23%	7.32%	4.7%	5.0%	7.98%	7.95%
1991	30,595,214	8.48%	8.50%	6.8%	7.2%	9.65%	9.43%
1990	30,876,016	8.81%	8.78%	7.9%	8.4%	8.66%	8.45%
1989	24,741,382	7.35%	8.51%	7.8%	8.6%	9.59%	8.22%
1988	19,634,393	6.52%	7.30%	5.5%	6.8%	7.70%	6.96%
1987	19,763,489	7.11%	6.84%	5.5%	6.0%	6.66%	5.72%
1986	22,702,888	8.69%	8.74%	7.1%	7.4%		
1985	24,805,620	9.91%	9.75%	9.1%	9.5%		
1984	22,179,507	9.02%	9.66%	9.4%	9.4%		
1983	25,178,343	12.11%	10.99%	8.6%	9.5%		
1982	30,488,779	15.51%	13.26%	13.5%	14.7%		
1981	26,148,927	11.50%	12.42%	12.7%	13.4%		
1980	23,762,605	11.78%	11.92%	11.2%	11.9%		
1979	14,661,310	7.82%	8.82%	9.0%	9.0%		
1978	11,069,889	6.96%	7.75%	6.0%	6.0%		
1977	9,853,216	8.37%	7.04%	4.9%	4.7%		
1976	8,378,771	7.92%	7.34%	5.5%	5.2%		
1975	11,490,970	11.00%	10.39%	6.8%	8.2%		
1974	7,966,372	8.35%	9.88%	8.0%	9.0%		
1973▣	1,674,845	4.90%	6.92%❖	6.1%❖	7.0%❖		
	$1,036,788,035						

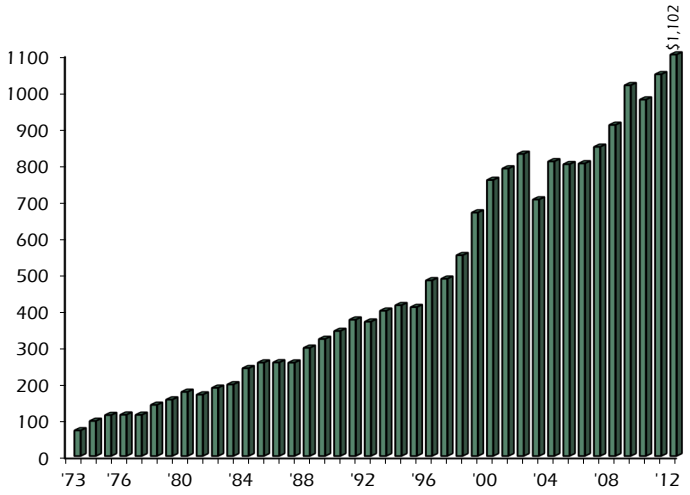
× Yield on funds managed by the Investment Office excluding CDs.

✓ Total return of SDCFF Duration Portfolio (SDCDP).

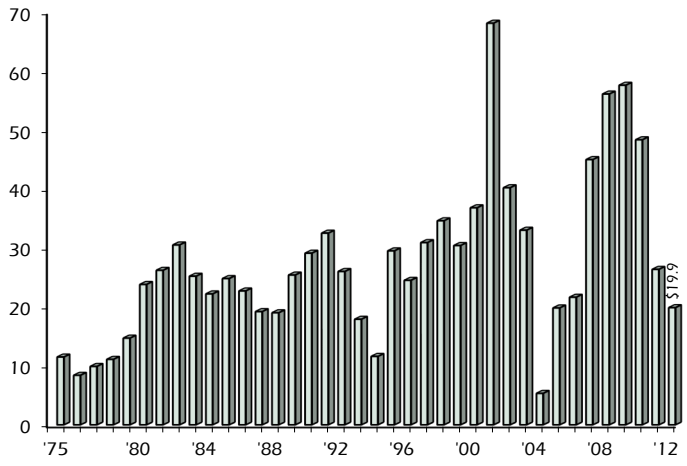
▣ Prorated amount and rate are 7-month numbers.

❖ Rate is annualized.

Asset Growth[23] ($ in millions)



Investment Income[24] ($ in millions)



Cash Flows and Fair Value Changes

The South Dakota Cash Flow Fund began fiscal year 2012 with $1.046 billion in assets. During the fiscal year, net contributions/withdrawals, fees and change in CD Program increased the fund by $35.9 million and investment income increased it by $19.9 million, resulting in an ending fair value of $1.102 billion.

Fair Value 6/30/11			$1,045,921,252
Increases/Decreases			
Net Contributions/Withdrawals		$ 38,453,889	
Internal Management Fees		(769,329)	
Decrease in CD Program for FY 12		(1,810,000)	
Total Increases/Decreases			$ 35,874,560
Investment Income			
Securities Income			
Interest Income - Managed	$ 21,803,454		
Interest Income - CDs	189,243		
Change in Accrued Income	(1,748,403)		
Total Securities Income		$ 20,244,294	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ (4,983,955)		
Realized Gain/Loss Securities	4,606,177		
Total Capital Gain/Loss Income		$ (377,778)	
Total Investment Income			$ 19,866,516
Fair Value 6/30/12			$1,101,662,328

Distribution of Assets

The South Dakota Cash Flow Fund's internal Duration Portfolio, internal Money Market and CD Program characteristics as of June 30, 2012, are presented below.

Distribution By Duration	%
0 to 1 year	23.9%
1 to 2 years	35.8%
2 to 3 years	29.8%
3 to 4 years	3.9%
Above 4 years	6.6%
Total	100.0%

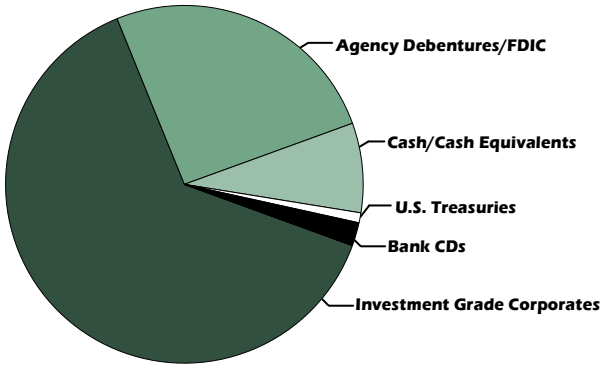
Distribution By Quality Rating	%
U.S. Gov't/Aaa	39.0%
Aa	16.1%
A	36.5%
Baa	8.4%
Total	100.0%

Distribution By Coupon	%
0.00% - 1.00%	39.8%
1.01% - 2.00%	36.3%
2.01% - 3.00%	11.7%
3.01% - 4.00%	9.6%
4.01% and over	2.6%
Total	100.0%

Distribution By Sector	%
Cash/Cash Equivalents	8.1%
Bank CDs	2.1%
U.S. Treasuries	0.9%
Agency Debentures/FDIC	25.6%
Investment Grade Corporates	63.3%
Total	100.0%

Ten Largest Corporates by Issuer	% of Total
U.S. Bancorp	3.0%
Deere & Co.	3.0%
General Electric Co.	3.0%
Texas Instruments, Inc.	3.0%
IBM Corp.	3.0%
Verizon Communications, Inc.	2.9%
Goldman Sachs Group, Inc.	2.8%
Morgan Stanley	2.7%
Johnson & Johnson	2.5%
AT&T, Inc.	2.5%
Total	28.4%

Asset Allocation



SCHOOL AND PUBLIC LANDS

THE FUND

The School and Public Lands (SPL) fund is a permanent trust fund established by the South Dakota Constitution for the use and maintenance of public schools in the state. The principal shall never be diverted by legislative enactment for any purpose. The income from the fund is paid out annually to South Dakota primary, secondary and higher education schools. The fund, primarily resulting from the sale of land over many decades, has been set aside to provide income to help support public education.

In November 2000, Constitutional Amendment E was passed by the people of South Dakota. The amendment allows the fund to be invested in stocks, bonds, mutual funds and other financial instruments. South Dakota Codified Law (SDCL) 5-10-18 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust. The Constitution requires that sufficient income be retained to offset the effect of inflation[3]. State statute allows realized capital gains to be used to satisfy the inflation requirement. As a result of the constitutional amendment, the fund will grow at least at the rate of inflation. In the many decades ahead, this will increase the dollars available for education relative to before the constitutional change. The shift away from an exclusive focus on current income and the requirement to offset inflation initially reduced the payout to schools. To lessen the impact of the reduction in payout and to average in the exposure to the equity market, changes to the asset allocation policy were phased in over several fiscal years.

OBJECTIVES AND COMPONENTS

The objectives of SPL are to (1) provide a distribution of income to the common schools (K-12) on a per student basis each year, (2) provide a distribution of income to the schools of higher education and (3) promote inflation-adjusted growth of the fund through the constitutionally-mandated CPI adjustment.

SPL assets were invested in a diversified portfolio during fiscal year 2012, as shown on the following page. The portfolio was invested primarily in U.S. Treasury and mortgage-backed securities before the constitutional change in 2000. Since then, the Investment Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long-term expected return of the fund as of June 30, 2012 was 6.43% with a volatility of 12.6%. This means the return in any given year may fall within a range of (6.1%) to 19.0% with 66% confidence or (18.7%) to 31.6% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2012

The fund ended fiscal year 2012 with a fair value of $188,364,816. The principal is adjusted by the inflation factor each year as required by the Constitution. SPL's total return, including realized and unrealized gains and losses and accrued income, was 2.6% for the fiscal year. The benchmark[14] return was 3.8%. The difference resulted primarily from underperformance in the private equity and real estate limited partnership holdings. The ten-year annualized total return was 5.6%. This compares with the ten-year annualized benchmark[14] return of 6.4%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past ten years. The fund distributed $7,433,191 to the common schools in February 2012 and $1,956,537 to the schools of higher education in June 2012.

SPL determines appropriated income on a cash basis accounting system, with income measurements from all sources being determined by SPL office in Pierre and reported separately in their annual report.

Cash Flows and Fair Value Changes

The School and Public Lands fund began fiscal year 2012 with $184.1 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $0.7 million and investment income increased it by $4.9 million, resulting in an ending fair value of $188.4 million.

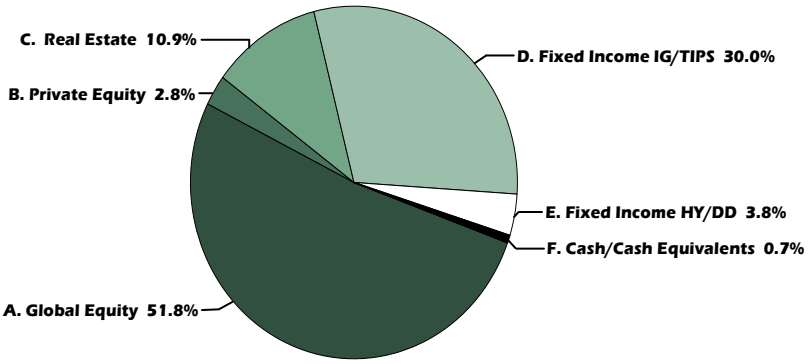
Fair Value 6/30/11			$ 184,124,448
Increases/Decreases			
Net Contributions/Withdrawals		$ (372,876)	
External Management Fees		(280,532)	
Total Increases/Decreases			$ (653,408)
Investment Income			
Securities Income			
Interest Income	$ 2,678,572		
Dividend Income	2,461,273		
Securities Lending Income	20,847		
Real Estate Income	78,050		
Change in Accrued Income	(41,744)		
Total Securities Income		$ 5,196,998	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ (2,656,924)		
Realized Gain/Loss Securities	2,353,702		
Total Capital Gain/Loss Income		$ (303,222)	
Total Investment Income			$ 4,893,776
Fair Value 6/30/12			$ 188,364,816

Investment Mix[8]

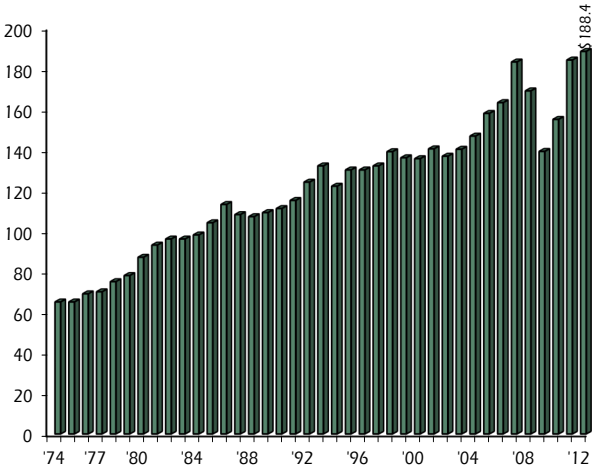
As of June 30, 2012, School and Public Lands' assets for which the Investment Council is responsible totaled $188.4 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 96,726,020		51.4%		
Monument Park C.D.O.	763,220	$ 97,489,240	0.4%	51.8%	52.0%
B. Private Equity Limited Partnerships					
Blackstone Capital Partners	$ 2,908,614		1.5%		
Doughty Hanson	1,418,730		0.8%		
Silver Lake	1,014,079	5,341,423	0.5%	2.8%	2.0%
C. Real Estate Limited Partnerships					
Blackstone Real Estate Partners	$ 18,704,223		9.9%		
Cargill N.A. Real Estate Partners	1,782,069	20,486,292	1.0%	10.9%	6.0%
D. Fixed Income - Investment Grade/TIPS					
Internal Investment Grade	$ 45,806,593		24.3%		
Internal Treasury Inflation-Protected Securities (TIPS)	9,131,139		4.9%		
S.D. S.B.A. and Similar Assets	1,545,817	56,483,549	0.8%	30.0%	33.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 2,111,997		1.1%		
Blackstone	13,341		0.0%		
CarVal	1,567,815		0.8%		
TCW	3,599,378	7,292,531	1.9%	3.8%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 1,271,781	1,271,781	0.7%	0.7%	2.0%
Total		$ 188,364,816		100.0%	100.0%

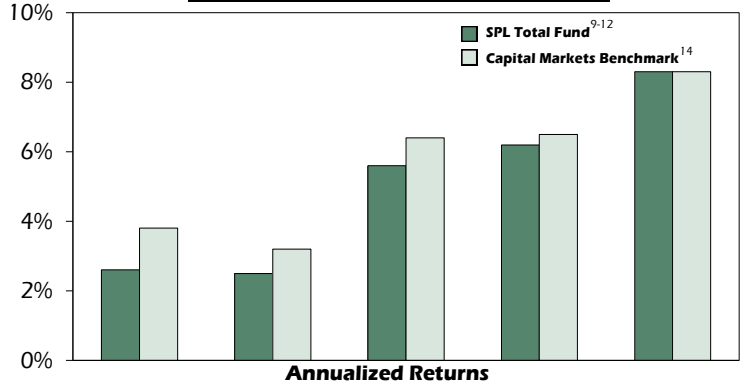
Asset Allocation



Asset Growth[23] ($ in millions)



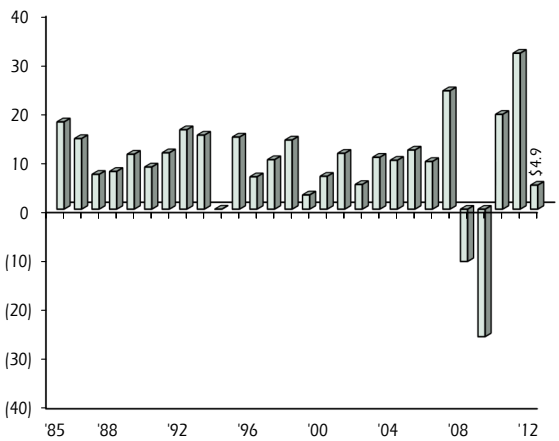
SPL Total Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	20 Years	28 Years
SPL	2.6%	2.5%	5.6%	6.2%	8.3%
Benchmark	3.8%	3.2%	6.4%	6.5%	8.3%
Difference	(1.2%)	(0.7%)	(0.8%)	(0.3%)	0.0%

Investment Income[24] ($ in millions)



Internal Bond Profiles

The School and Public Lands' internal Investment Grade (IG), High Yield (HY) and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	6.2%	17.9%
2 to 3 Years	11.9%	19.6%
3 to 4 Years	38.5%	16.0%
4 to 5 Years	14.9%	17.0%
5 to 6 Years	5.7%	19.0%
6 to 8 Years	10.3%	7.0%
Above 8 Years	12.5%	3.5%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
U.S. Gov't/Aaa	64.6%	0.9%
Aa	4.8%	0.0%
A	12.0%	0.0%
Baa	18.6%	0.0%
Ba	0.0%	21.9%
B	0.0%	52.6%
Caa and lower	0.0%	24.6%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
0.00% - 4.00%	38.7%	0.9%
4.01% - 5.00%	31.3%	0.0%
5.01% - 6.00%	18.0%	4.9%
6.01% - 7.00%	12.0%	10.4%
7.01% - 8.00%	0.0%	24.1%
8.01% - 9.00%	0.0%	23.1%
9.01% and over	0.0%	36.6%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	1.9%
U.S. Treasuries	11.6%
Agency Debentures/FDIC	7.9%
Agency Mortgage-Backed Securities	28.3%
Investment Grade Corporates	28.5%
High Yield Corporates	3.6%
Treasury Inflation-Protected Securities	15.6%
S.D. S.B.A. and Similar Assets	2.6%
Total	100.0%

Investment Grade Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
DIRECTV	2.0%
Ontario (Province Of)	2.0%
Berkshire Hathaway, Inc.	2.0%
Anheuser-Busch InBev	1.7%
American Express Co.	1.7%
Altria Group, Inc.	1.6%
Comcast Corp.	1.5%
Metlife, Inc.	1.4%
Morgan Stanley	1.4%
General Electric Co.	1.3%
Total	16.6%

High Yield Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
CIT Group, Inc.	3.3%
First Data Corp.	2.7%
NRG Energy, Inc.	2.6%
Bon-Ton Stores, Inc.	2.6%
WMG Holdings Corp.	2.5%
Chesapeake Energy Corp.	2.5%
R.R. Donnelley & Sons Co.	2.4%
Frontier Communications Corp.	2.4%
GenOn Energy, Inc.	2.4%
JBS S.A.	2.3%
Total	25.7%

Internal Global Equity Profile

The School and Public Lands' internal Global Equity portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	14.0%
Consumer Staples	9.6%
Energy	13.7%
Financials	21.3%
Health Care	16.1%
Industrials	6.2%
Information Technology	14.3%
Materials	2.1%
Telecommunications Services	1.1%
Utilities	0.8%
Cash Equivalents	0.8%
Total	100.0%

Ten Largest Company Holdings	% of Total
Wells Fargo & Co.	3.2%
Wal-Mart Stores, Inc.	3.1%
Target Corp.	2.9%
Pfizer, Inc.	2.7%
JPMorgan Chase & Co.	2.4%
Microsoft Corp.	2.3%
Honda Motor Co., Ltd.	2.2%
Intel Corp.	2.0%
Nestle SA	1.8%
U.S. Bancorp	1.8%
Total	24.4%

Five Largest Country Weights	% of Total
United States	72.3%
Switzerland	6.0%
Great Britain	5.9%
Japan	5.7%
Germany	2.9%
Total	92.8%

THE FUND

The Dakota Cement Trust (DCT) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election designated by the 75th Legislature. Two sections of Article XIII were amended.

Section 20 of Article XIII provided that the net proceeds from the sale of state cement enterprises be deposited into a trust fund created to benefit the citizens of South Dakota. It directed the Investment Council to invest the trust funds in stocks, bonds, mutual funds and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 5-17-42 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust. The Constitution requires a transfer of $12 million each year from the trust fund to the general fund.

Section 21 of Article XIII provided that the original principal of the trust fund would remain inviolate except, as provided in Section 20, for the investment of the trust and the $12 million annual transfer. It directed the legislature to "...make distributions from the difference between the twelve million dollar annual general fund transfer and five percent of the market value of the trust fund for the support of education, but not for the replacement of state aid to general education or special education..."

Additional payouts will be made over time based on the amount by which 5% of the market value exceeds $12 million. In order for additional payouts to be made, the fund balance must not, after the payouts, drop below the original $238 million deposited into DCT. Through fiscal year 2005, the 5% was applied to the fiscal year ended market value. Beginning with fiscal year 2006, the 5% was applied to the sixteen-quarter average market value. The average value should result in a smoother distribution over time.

Senate Bill 229 was passed by the 76th Legislature to provide direction to the Investment Council in the investment of these assets as required by the Constitution. It specifically stated that DCT assets be invested under SDCL 4-5-27, prudent-man standard.

OBJECTIVES AND COMPONENTS

The objectives of DCT are to (1) provide a $12 million annual payout to the general fund, (2) provide the potential for additional distributions to education over the long term and (3) promote inflation-adjusted growth of the fund.

DCT assets were invested in a diversified portfolio during fiscal year 2012, as shown on the following page. The Investment Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long-term expected return of the fund as of June 30, 2012 was 6.43% with a volatility of 12.6%. This means that the return in any given year may fall within a range of (6.1%) to 19.0% with 66% confidence or (18.7%) to 31.6% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2012

The fund ended fiscal year 2012 with a fair value of $236,725,026, principal value of $238,000,000, and inflation-adjusted principal of $307,755,000. DCT's total return, including realized and unrealized gains and losses and accrued income, was 2.8% for the fiscal year. The benchmark[16] return was 3.8%. The difference resulted primarily from underperformance in the private equity and real estate limited partnership holdings. The ten-year annualized total return was 5.7%. This compares with the ten-year annualized benchmark[16] return of 6.7%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past ten years. In June 2012, the fund distributed $12,000,000 to the general fund. Since inception, the fund has distributed $144 million to the general fund and over $5.1 million to support education.

Cash Flows and Fair Value Changes

The Dakota Cement Trust fund began fiscal year 2012 with $242.7 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $12.6 million and investment income increased it by $6.6 million, resulting in an ending fair value of $236.7 million.

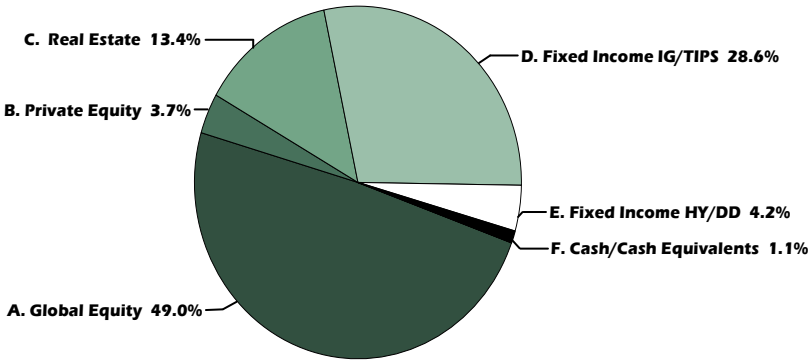
Fair Value 6/30/11			$ 242,697,687
Increases/Decreases			
Net Contributions/Withdrawals		$ (12,000,000)	
Internal Management Fees		(171,454)	
External Management Fees		(408,149)	
Total Increases/Decreases			$ (12,579,603)
Investment Income			
Securities Income			
Interest Income	$ 3,645,461		
Dividend Income	3,306,948		
Securities Lending Income	23,786		
Real Estate Income	123,266		
Change in Accrued Income	(300,489)		
Total Securities Income		$ 6,798,972	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ (4,704,751)		
Realized Gain/Loss Securities	4,512,721		
Total Capital Gain/Loss Income		$ (192,030)	
Total Investment Income			$ 6,606,942
Fair Value 6/30/12			$ 236,725,026

Investment Mix[8]

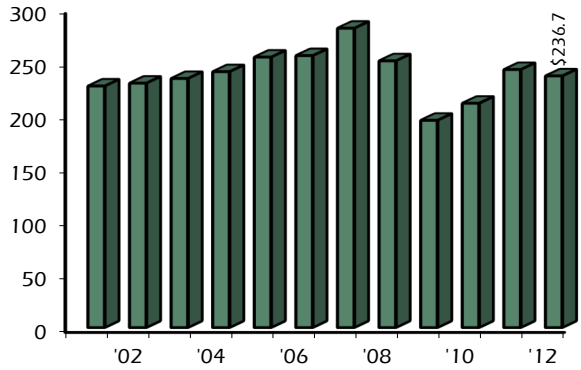
As of June 30, 2012, Dakota Cement Trust's assets for which the Investment Council is responsible totaled $236.7 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 114,613,764		48.4%		
Monument Park C.D.O.	1,324,630	$ 115,938,394	0.6%	49.0%	52.0%
B. Private Equity Limited Partnerships					
Blackstone Capital Partners	$ 4,637,763		2.0%		
Doughty Hanson	2,313,784		1.0%		
Silver Lake	1,654,273	8,605,820	0.7%	3.7%	2.0%
C. Real Estate Limited Partnerships					
Blackstone Real Estate Partners	$ 28,876,539		12.2%		
Cargill N.A. Real Estate Partners	2,907,587	31,784,126	1.2%	13.4%	6.0%
D. Fixed Income - Investment Grade/TIPS					
Internal Investment Grade	$ 56,319,542		23.8%		
Internal Treasury Inflation-Protected Securities (TIPS)	11,452,416	67,771,958	4.8%	28.6%	33.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 2,861,994		1.2%		
Blackstone	20,469		0.0%		
CarVal	2,548,469		1.1%		
TCW	4,627,539	10,058,471	1.9%	4.2%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 2,566,257	2,566,257	1.1%	1.1%	2.0%
Total		$ 236,725,026		100.0%	100.0%

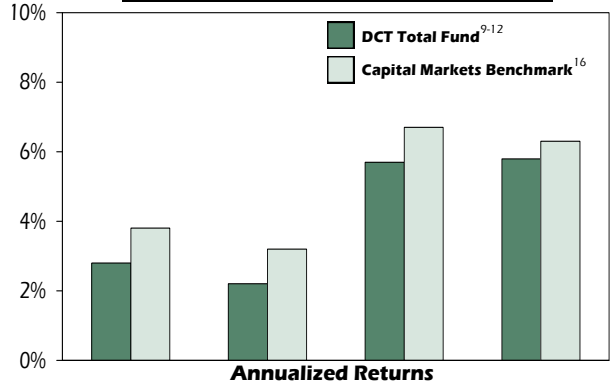
Asset Allocation



Asset Growth[23] ($ in millions)



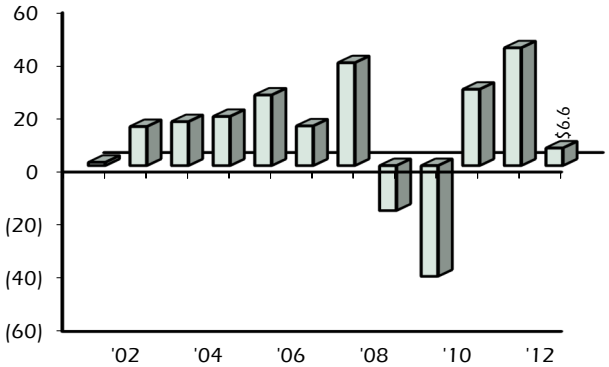
DCT Total Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years	11 Years
DCT	2.8%	2.2%	5.7%	5.8%
Benchmark	3.8%	3.2%	6.7%	6.3%
Difference	(1.0%)	(1.0%)	(1.0%)	(0.5%)

Investment Income[24] ($ in millions)



Internal Bond Profiles

The Dakota Cement Trust's internal Investment Grade (IG), High Yield (HY) and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	8.2%	18.2%
2 to 3 Years	14.5%	19.4%
3 to 4 Years	33.5%	15.9%
4 to 5 Years	14.5%	17.0%
5 to 6 Years	5.7%	18.9%
6 to 8 Years	10.3%	7.0%
Above 8 Years	13.3%	3.6%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
U.S. Gov't/Aaa	64.6%	1.2%
Aa	4.8%	0.0%
A	12.0%	0.0%
Baa	18.6%	0.0%
Ba	0.0%	21.7%
B	0.0%	52.6%
Caa and lower	0.0%	24.5%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
0.00% - 4.00%	39.3%	1.2%
4.01% - 5.00%	22.7%	0.0%
5.01% - 6.00%	25.2%	4.9%
6.01% - 7.00%	12.8%	10.4%
7.01% - 8.00%	0.0%	24.0%
8.01% - 9.00%	0.0%	22.9%
9.01% and over	0.0%	36.6%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	1.9%
U.S. Treasuries	11.9%
Agency Debentures/FDIC	8.8%
Agency Mortgage-Backed Securities	28.2%
Investment Grade Corporates	29.0%
High Yield Corporates	4.0%
Treasury Inflation-Protected Securities	16.2%
Total	100.0%

Investment Grade Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
DIRECTV	2.0%
Ontario (Province Of)	2.0%
Berkshire Hathaway, Inc.	2.0%
Anheuser-Busch InBev	1.7%
American Express Co.	1.7%
Altria Group, Inc.	1.6%
Comcast Corp.	1.5%
Metlife, Inc.	1.4%
Morgan Stanley	1.4%
General Electric Co.	1.3%
Total	16.6%

High Yield Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
CIT Group, Inc.	3.3%
First Data Corp.	2.7%
NRG Energy, Inc.	2.7%
Bon-Ton Stores, Inc.	2.6%
WMG Holdings Corp.	2.5%
Chesapeake Energy Corp.	2.5%
R.R. Donnelley & Sons Co.	2.4%
Frontier Communications Corp.	2.4%
GenOn Energy, Inc.	2.4%
JBS S.A.	2.3%
Total	25.8%

Internal Global Equity Profile

The Dakota Cement Trust's internal Global Equity portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	13.0%
Consumer Staples	10.0%
Energy	12.4%
Financials	22.0%
Health Care	16.6%
Industrials	6.4%
Information Technology	14.7%
Materials	1.8%
Telecommunications Services	1.0%
Utilities	0.9%
Cash Equivalents	1.2%
Total	100.0%

Ten Largest Company Holdings	% of Total
Wells Fargo & Co.	3.3%
Wal-Mart Stores, Inc.	3.1%
Target Corp.	3.0%
Pfizer, Inc.	2.9%
JPMorgan Chase & Co.	2.6%
Microsoft Corp.	2.5%
Honda Motor Co., Ltd.	2.2%
Nestle SA	2.1%
Intel Corp.	2.0%
Exxon Mobil Corp.	1.9%
Total	25.6%

Five Largest Country Weights	% of Total
United States	71.2%
Great Britain	6.9%
Japan	6.0%
Switzerland	5.8%
Germany	3.1%
Total	93.0%

EDUCATION ENHANCEMENT TRUST

THE FUND

The Education Enhancement Trust Fund (EET) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §6 provided that any funds received as of July 1, 2001 and thereafter pursuant to the Master Settlement Agreement entered into on November 23, 1998, by the State of South Dakota and major United States tobacco product manufacturers or the net proceeds of any sale or securitization of rights to receive payments pursuant to the Master Settlement Agreement, any fund in the youth-at-risk trust fund and any funds appropriated to EET thereafter are placed in EET. The constitutional change directed the Investment Council to invest the trust funds in stocks, bonds, mutual funds and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 10-50B-11.1 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Each year the state treasurer is directed to distribute from the trust to the general fund an amount appropriated by law for education enhancement programs. The distribution is defined in SDCL 4-5-29.2. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

SECURITIZATION

On September 24, 2002, the fund was increased by net proceeds of $131,380,790.76 from a taxable Tobacco Settlement Asset-Backed Bond and $112,215,762.55 from a tax-exempt Tobacco Settlement Asset-Backed Bond.

OBJECTIVES AND COMPONENTS

The objectives of EET are to (1) provide a distribution of 4% of market value for education enhancement programs and (2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

EET assets were invested in a diversified portfolio during fiscal year 2012, as shown on the following page. The tax-exempt municipal bonds are invested per the requirements of the bond indenture for the asset-backed securitization. PIMCO Asset Management manages the tax-exempt portfolio. As the tax-exempt bonds are redeemed, assets are deallocated (removed) from the tax-exempt fund and placed into the taxable fund to generate higher expected returns. The Investment Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long-term expected return of the fund as of June 30, 2012 was 5.97% with a volatility of 12.4%, which is less than the other trust funds because of the required investment in tax-exempt bonds. The return in any given year can fall within a range of (6.5%) to 18.4% with 66% confidence or (18.9%) to 30.8% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2012

The fund ended fiscal year 2012 with a fair value of $386,854,918 principal value of $329,329,930, and inflation-adjusted principal of $416,264,694. EET's total return, including realized and unrealized gains and losses and accrued income, was 2.9%. The benchmark[17] return was 3.9%. The difference resulted primarily from underperformance in the private equity and real estate limited partnership holdings. The ten-year annualized total return was 5.0%. This compares with the ten-year annualized benchmark[17] return of 6.6%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past ten years. In July 2012, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2011, totaling $14,052,700, to the general fund for education expenditures.

Cash Flows and Fair Value Changes

The Education Enhancement Trust fund began fiscal year 2012 with $391.6 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $15.6 million and investment income increased it by $10.9 million, resulting in an ending fair value of $386.9 million.

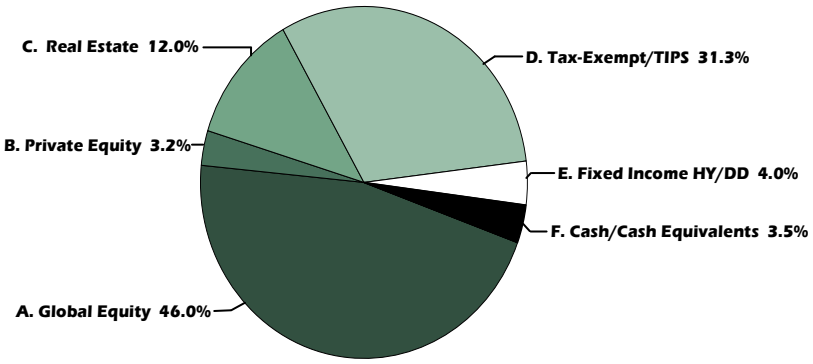
Fair Value 6/30/11			$ 391,603,274
Increases/Decreases			
Net Contributions/Withdrawals		$ (14,469,388)	
Internal Management Fees		(264,888)	
External Management Fees		(898,226)	
Total Increases/Decreases			$ (15,632,494)
Investment Income			
Securities Income			
Interest Income	$ 5,574,477		
Dividend Income	5,088,311		
Securities Lending Income	54,327		
Real Estate Income	180,495		
Change in Accrued Income	(75,882)		
Total Securities Income		$ 10,821,728	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ (3,530,683)		
Realized Gain/Loss Securities	3,593,093		
Total Capital Gain/Loss Income		$ 62,410	
Total Investment Income			$ 10,884,138
Fair Value 6/30/12			$ 386,854,918

Investment Mix[8]

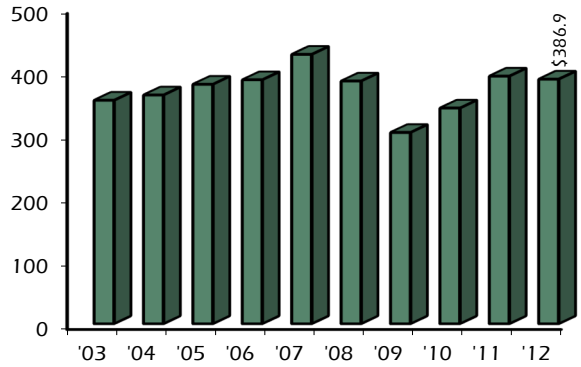
As of June 30, 2012, Education Enhancement Trust's assets for which the Investment Council is responsible totaled $386.9 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 175,980,680		45.5%		
Monument Park C.D.O.	1,909,600	$177,890,280	0.5%	46.0%	52.0%
B. Private Equity Limited Partnerships					
Blackstone Capital Partners	$ 6,747,848		1.7%		
Doughty Hanson	3,344,451		0.9%		
Silver Lake	2,390,756	12,483,055	0.6%	3.2%	2.0%
C. Real Estate Limited Partnerships					
Blackstone Real Estate Partners	$ 42,048,564		10.9%		
Cargill N.A. Real Estate Partners	4,126,896	46,175,460	1.1%	12.0%	6.0%
D. Fixed Income - Tax-Exempt/TIPS					
PIMCO Tax-Exempt Portfolio	$ 121,205,719		31.3%		
Internal Treasury Inflation-Protected Securities (TIPS)	0	121,205,719	0.0%	31.3%	33.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 4,511,544		1.2%		
Blackstone	30,020		0.0%		
CarVal	3,686,137		0.9%		
TCW	7,403,526	15,631,227	1.9%	4.0%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 13,469,177	13,469,177	3.5%	3.5%	2.0%
Total		$ 386,854,918		100.0%	100.0%

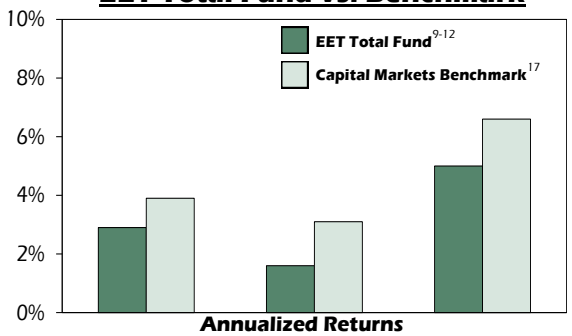
Asset Allocation



Asset Growth[23] ($ in millions)



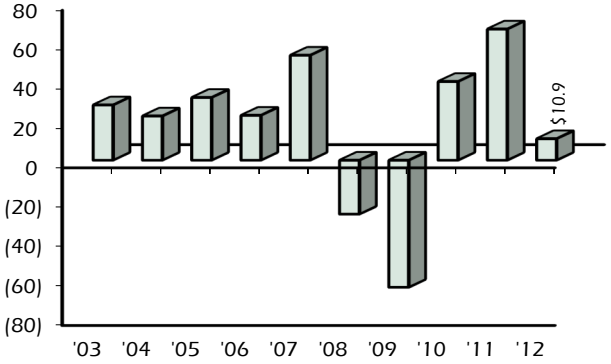
EET Total Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years
EET	2.9%	1.6%	5.0%
Benchmark	3.9%	3.1%	6.6%
Difference	(1.0%)	(1.5%)	(1.6%)

Investment Income[24] ($ in millions)



Bond Profiles

The Education Enhancement Trust's PIMCO Tax-Exempt (PIMCO) and internal High Yield (HY) bond portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Duration	PIMCO	HY
0 to 2 Years	21.4%	18.0%
2 to 3 Years	4.3%	19.6%
3 to 4 Years	16.5%	16.0%
4 to 5 Years	19.5%	17.0%
5 to 6 Years	16.7%	18.9%
6 to 8 Years	16.3%	7.0%
Above 8 Years	5.3%	3.5%
Total	100.0%	100.0%

Distribution By Quality Rating	PIMCO	HY
U.S. Gov't/Aaa	6.5%	0.9%
Aa	58.6%	0.0%
A	23.5%	0.0%
Baa	3.0%	0.0%
Ba	0.0%	21.8%
B	0.0%	52.7%
Caa and lower	0.0%	24.6%
Unrated	8.4%	0.0%
Total	100.0%	100.0%

Distribution By Coupon	PIMCO	HY
0.00% - 4.00%	23.3%	0.9%
4.01% - 5.00%	60.0%	0.0%
5.01% - 6.00%	16.7%	4.9%
6.01% - 7.00%	0.0%	10.4%
7.01% - 8.00%	0.0%	24.1%
8.01% - 9.00%	0.0%	23.0%
9.01% and over	0.0%	36.7%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	3.4%
High Yield Corporates	3.5%
Treasury Inflation-Protected Securities	0.0%
Tax-Exempt Bonds	93.1%
Total	100.0%

PIMCO Tax-Exempt Bond Portfolio

Ten Largest Municipals by Issuer	% of Total
City of New York, NY	4.6%
Chicago Transit Authority	4.0%
State of California	3.7%
State of Illinois	2.9%
Indiana Finance Authority	2.4%
New York State Dormitory Authority	2.0%
New Jersey Transportation Trust Fund Authority	1.8%
Energy Northwest	1.6%
University of Illinois	1.4%
Municipal Electric Authority of Georgia	1.3%
Total	25.7%

High Yield Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
CIT Group, Inc.	3.3%
First Data Corp.	2.7%
NRG Energy, Inc.	2.7%
Bon-Ton Stores, Inc.	2.6%
WMG Holdings Corp.	2.5%
Chesapeake Energy Corp.	2.5%
R.R. Donnelley & Sons Co.	2.4%
Frontier Communications Corp.	2.4%
GenOn Energy, Inc.	2.4%
JBS S.A.	2.3%
Total	25.8%

Internal Global Equity Profile

The Education Enhancement Trust's internal Global Equity portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	13.3%
Consumer Staples	10.2%
Energy	12.9%
Financials	21.6%
Health Care	16.3%
Industrials	6.3%
Information Technology	14.8%
Materials	1.8%
Telecommunications Services	1.1%
Utilities	0.9%
Cash Equivalents	0.8%
Total	100.0%

Ten Largest Company Holdings	% of Total
Wells Fargo & Co.	3.3%
Wal-Mart Stores, Inc.	3.2%
Target Corp.	3.2%
Pfizer, Inc.	2.9%
JPMorgan Chase & Co.	2.6%
Microsoft Corp.	2.5%
Honda Motor Co., Ltd.	2.2%
Intel Corp.	2.0%
U.S. Bancorp	1.9%
Exxon Mobil Corp.	1.9%
Total	25.7%

Five Largest Country Weights	% of Total
United States	72.0%
Great Britain	6.6%
Switzerland	6.0%
Japan	5.9%
Germany	3.2%
Total	93.7%

THE FUND

The Health Care Trust Fund (HCT) was established under the Constitution through a Joint Resolution submitted to South Dakota citizens at a special election on April 10, 2001. Article XII §5 provided that any funds on deposit in the intergovernmental transfer fund as of July 1, 2001 and any funds appropriated to HCT thereafter are placed in HCT. The constitutional change directed the Investment Council to invest the trust funds in stocks, bonds, mutual funds and other financial instruments as provided by law. South Dakota Codified Law (SDCL) 28-6-33 states that the provisions of SDCL 4-5-27, prudent-man standard, govern the moneys in the trust.

Each year the state treasurer is directed to distribute from the trust to the general fund an amount appropriated by law for health care related programs. The distribution is defined in SDCL 4-5-29.1. The state investment officer shall determine the sixteen-quarter average market value of the fund as of December 31 and calculate an amount equal to 4%, without invading principal, that is eligible for distribution the next fiscal year. The fund principal may not be diverted for other purposes unless appropriated by a three-fourths vote of all the members-elect of each house of the Legislature.

OBJECTIVES AND COMPONENTS

The objectives of HCT are to (1) provide a distribution of 4% of market value for health care related programs and (2) promote inflation-adjusted growth of the fund and a steadily growing distribution amount.

HCT assets were invested in a diversified portfolio during fiscal year 2012, as shown on the following page. The Investment Council has been shifting the asset allocation to be more similar to the South Dakota Retirement System's asset allocation over the last several years.

The long term expected return of the fund as of June 30, 2012 was 6.43% with a volatility of 12.6%. This means that the return in any given year may fall within a range of (6.1%) to 19.0% with 66% confidence or (18.7%) to 31.6% with 95% confidence.

INVESTMENT PERFORMANCE - FISCAL YEAR 2012

The fund ended fiscal year 2012 with a fair value of $106,790,271, principal value of $85,631,024, and inflation-adjusted principal of $108,075,139. HCT's total return, including realized and unrealized gains and losses and accrued income, was 2.9% for the fiscal year. The benchmark[18] return was 3.8%. The difference resulted primarily from underperformance in the private equity and real estate limited partnership holdings. The ten-year annualized total return was 5.7%. This compares with the ten-year annualized benchmark[18] return of 6.77%. The difference resulted primarily from a conservative, phased-in implementation of the asset allocation policy over the past ten years. In July 2012, the fund distributed 4% of the sixteen-quarter average market value as of December 31, 2011, totaling $3,825,385, to the general fund for health care related expenditures.

Cash Flows and Fair Value Changes

The Health Care Trust fund began fiscal year 2012 with $107.9 million in assets. During the fiscal year, net contributions/withdrawals and fees decreased the fund by $4.1 million and investment income increased it by $3.0 million, resulting in an ending fair value of $106.8 million.

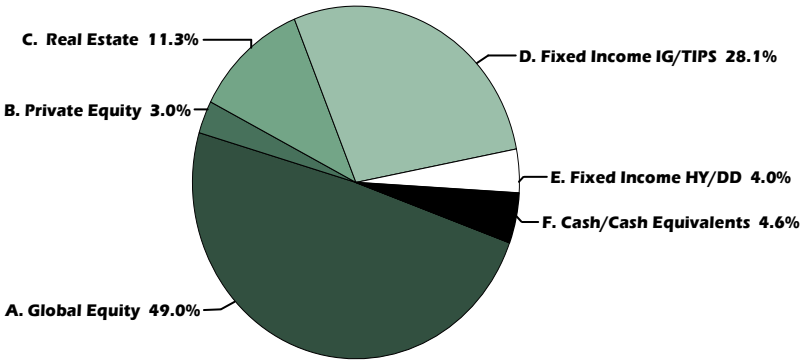
Fair Value 6/30/11			$ 107,927,590
Increases/Decreases			
Net Contributions/Withdrawals		$ (3,876,298)	
Internal Management Fees		(72,923)	
External Management Fees		(163,709)	
Total Increases/Decreases			$ (4,112,930)
Investment Income			
Securities Income			
Interest Income	$ 1,557,603		
Dividend Income	1,451,846		
Securities Lending Income	9,766		
Real Estate Income	47,420		
Change in Accrued Income	(111,279)		
Total Securities Income		$ 2,955,356	
Capital Gain/Loss Income			
Unrealized Gain/Loss Securities	$ (1,684,946)		
Realized Gain/Loss Securities	1,705,201		
Total Capital Gain/Loss Income		$ 20,255	
Total Investment Income			$ 2,975,611
Fair Value 6/30/12			$ 106,790,271

Investment Mix[8]

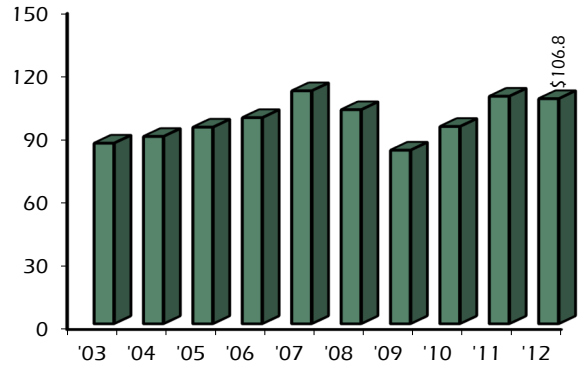
As of June 30, 2012, Health Care Trust's assets for which the Investment Council is responsible totaled $106.8 million. The broad asset categories and managers are listed below. The Capital Markets Benchmark allocation is also provided for comparison.

	Fair Value		Portfolio %		Benchmark %
A. Global Equity					
Internal Global Equity	$ 51,947,259		48.6%		
Monument Park C.D.O.	466,550	$ 52,413,809	0.4%	49.0%	52.0%
B. Private Equity Limited Partnerships					
Blackstone Capital Partners	$ 1,744,814		1.6%		
Doughty Hanson	848,109		0.8%		
Silver Lake	606,196	3,199,119	0.6%	3.0%	2.0%
C. Real Estate Limited Partnerships					
Blackstone Real Estate Partners	$ 11,049,280		10.3%		
Cargill N.A. Real Estate Partners	1,031,723	12,081,003	1.0%	11.3%	6.0%
D. Fixed Income - Investment Grade/TIPS					
Internal Investment Grade	$ 24,981,413		23.4%		
Internal Treasury Inflation-Protected Securities (TIPS)	4,983,764	29,965,177	4.7%	28.1%	33.0%
E. Fixed Income - High Yield/Distressed Debt					
Internal High Yield	$ 1,235,947		1.2%		
Blackstone	7,883		0.0%		
CarVal	936,544		0.9%		
TCW	2,057,463	4,237,837	1.9%	4.0%	5.0%
F. Cash & Cash Equivalents					
Internal Cash Portfolio	$ 4,893,326	4,893,326	4.6%	4.6%	2.0%
Total		$ 106,790,271		100.0%	100.0%

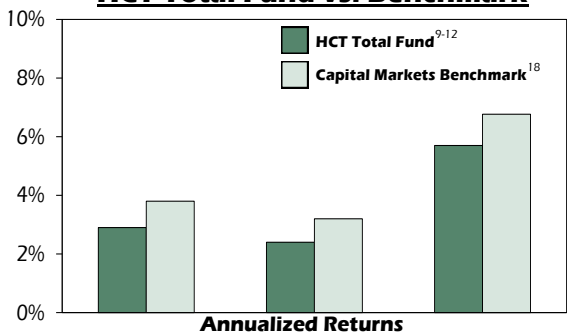
Asset Allocation



Asset Growth[23] ($ in millions)



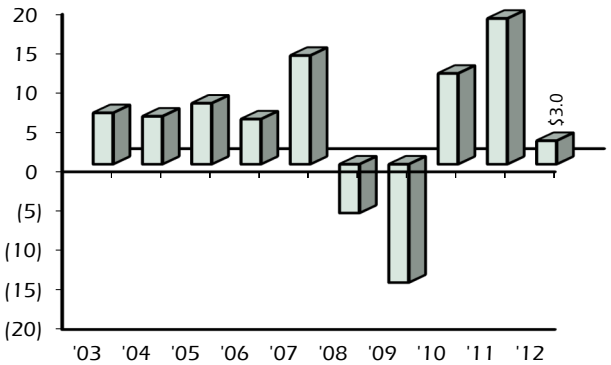
HCT Total Fund vs. Benchmark



Annualized Returns

	1 Year	5 Years	10 Years
HCT	2.9%	2.4%	5.7%
Benchmark	3.8%	3.2%	6.8%
Difference	(0.9%)	(0.8%)	(1.1%)

Investment Income[24] ($ in millions)



Internal Bond Profiles

The Health Care Trust's internal Investment Grade (IG), High Yield (HY) and Treasury Inflation-Protected Securities bond portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Duration	IG	HY
0 to 2 Years	7.1%	18.1%
2 to 3 Years	17.7%	19.4%
3 to 4 Years	31.9%	15.9%
4 to 5 Years	14.0%	17.1%
5 to 6 Years	5.7%	19.0%
6 to 8 Years	10.3%	7.0%
Above 8 Years	13.3%	3.5%
Total	100.0%	100.0%

Distribution By Quality Rating	IG	HY
U.S. Gov't/Aaa	64.6%	0.9%
Aa	4.8%	0.0%
A	12.0%	0.0%
Baa	18.6%	0.0%
Ba	0.0%	21.9%
B	0.0%	52.8%
Caa and lower	0.0%	24.4%
Total	100.0%	100.0%

Distribution By Coupon	IG	HY
0.00% - 4.00%	39.5%	0.9%
4.01% - 5.00%	23.6%	0.0%
5.01% - 6.00%	23.5%	4.8%
6.01% - 7.00%	13.4%	10.5%
7.01% - 8.00%	0.0%	24.2%
8.01% - 9.00%	0.0%	23.0%
9.01% and over	0.0%	36.6%
Total	100.0%	100.0%

Distribution By Sector (Consolidated)	%
Cash/Cash Equivalents	1.9%
U.S. Treasuries	12.0%
Agency Debentures/FDIC	8.8%
Agency Mortgage-Backed Securities	28.3%
Investment Grade Corporates	29.1%
High Yield Corporates	3.9%
Treasury Inflation-Protected Securities	16.0%
Total	100.0%

Investment Grade Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
DIRECTV	2.0%
Ontario (Province Of)	2.0%
Berkshire Hathaway, Inc.	2.0%
Anheuser-Busch InBev	1.7%
American Express Co.	1.7%
Altria Group, Inc.	1.6%
Comcast Corp.	1.5%
Metlife, Inc.	1.4%
Morgan Stanley	1.4%
General Electric Co.	1.3%
Total	16.6%

High Yield Bond Portfolio

Ten Largest Corporates by Issuer	% of Total
CIT Group, Inc.	3.3%
First Data Corp.	2.7%
NRG Energy, Inc.	2.6%
Bon-Ton Stores, Inc.	2.6%
WMG Holdings Corp.	2.6%
Chesapeake Energy Corp.	2.5%
Frontier Communications Corp.	2.4%
JBS S.A.	2.4%
R.R. Donnelley & Sons Co.	2.4%
GenOn Energy, Inc.	2.3%
Total	25.8%

Internal Global Equity Profile

The Health Care Trust's internal Global Equity portfolio characteristics as of June 30, 2012, are presented below.

Distribution by Market Sector	%
Consumer Discretionary	13.2%
Consumer Staples	9.9%
Energy	13.1%
Financials	21.5%
Health Care	16.6%
Industrials	6.4%
Information Technology	14.8%
Materials	1.9%
Telecommunications Services	1.0%
Utilities	0.9%
Cash Equivalents	0.7%
Total	100.0%

Ten Largest Company Holdings	% of Total
Wells Fargo & Co.	3.2%
Wal-Mart Stores, Inc.	3.1%
Target Corp.	2.8%
Pfizer, Inc.	2.8%
JPMorgan Chase & Co.	2.6%
Microsoft Corp.	2.4%
Honda Motor Co., Ltd.	2.2%
Intel Corp.	2.1%
U.S. Bancorp	1.9%
Exxon Mobil Corp.	1.9%
Total	25.0%

Five Largest Country Weights	% of Total
United States	71.9%
Great Britain	6.6%
Switzerland	6.1%
Japan	6.0%
Germany	3.0%
Total	93.6%

HIGHER EDUCATION SAVINGS PLAN

HIGHER EDUCATION SAVINGS PLAN

In 2001, the Legislature assigned the Investment Council the responsibility of establishing South Dakota's Higher Education Savings Plan. The Legislature took advantage of federal tax law changes made in 1996 regarding the Internal Revenue Code Section 529 qualified tuition programs. These changes created significant incentives for a new investment vehicle for those attempting to save for future higher education costs.

In November 2001, the Investment Council selected Allianz Global Investors Distributors LLC (formerly PIMCO Funds Distributors LLC) as the program manager for the Section 529 program from seven candidates. Significant negotiations led to a unique "Best of Breed" multi-manager higher education savings plan. South Dakota's plan is entitled *CollegeAccess 529 Plan*. In 2007, the contract with Allianz Global Investors Distributors LLC ("Allianz") was renegotiated with substantially the same terms as the original contract. The new seven year contract was signed on December 11, 2007. Contributions from every state and several countries have generated growth of Plan assets to over $980 million on June 30, 2012.

The Investment Council and Allianz worked together to create a flexible 529 plan that has special advantages for South Dakota citizens. This was accomplished by offering several investment choices for South Dakota residents investing directly (i.e. without a financial advisor) at a maximum total annual cost no greater than 0.65%. The Age-Based Investment Portfolios use shifting asset allocations based on the designated account beneficiary's age. A diversified group of five investment portfolios is designed to emphasize total return and capital appreciation when the beneficiary is younger and increasingly emphasizes preservation of capital and income as the beneficiary approaches college age. The total annual operating expense ratios for South Dakotans investing directly in the age-based portfolios ranged from 0.44% to 0.63% last year.

Account owners can also invest directly in two individual fund portfolios: the PIMCO All Asset Fund and the PIMCO Real Return Fund. The PIMCO Real Return Fund emphasizes the preservation of capital through investing primarily in high credit quality fixed income instruments and inflation-indexed bonds with minimum volatility, while seeking returns higher than those generally offered by short-term funds. The total annual operating expense ratio for last year was 0.45% for South Dakota residents investing directly in the portfolio. The PIMCO All Asset Fund emphasizes maximum real return (total return less inflation) by utilizing a dynamic asset allocation approach to invest in a portfolio of mutual funds managed by PIMCO. The total annual operating expense ratio for last year was 0.65% for South Dakota residents. South Dakota residents can also invest directly in a multi-fund, customized investment portfolio called the Diversified Bond Portfolio. This portfolio seeks to maximize total return through two or more core bond funds. The total annual operating expense ratio for last year was 0.47% for South Dakota residents.

In addition to the opportunity for South Dakotans to invest directly at a low cost, five age-based portfolios, sixteen individual mutual fund choices and three customized investment portfolios are available to South Dakota investors as well as to investors nationwide. These selections can be accessed by using the services of a financial advisor. Although all investors will encounter a fee when investing with the assistance of a financial advisor, South Dakota residents do not pay the annual account fee, which is currently $20, or the annual program fee of 0.35%.

SCHOLARSHIP PROGRAM

The negotiations that led to the selection of Allianz included a scholarship opportunity for many of South Dakota's outstanding high school seniors. For each of the first three years of the scholarship program, Allianz guaranteed funding for 70 $2,000 four-year scholarships, totaling $8,000 each. Additionally, over 500 $1,500 one-time scholarships were awarded. Starting with fiscal year 2005, the availability of funding for the scholarship program has been dependent upon the amount of assets in South Dakota's *CollegeAccess 529 Plan*. In total, 279 $2,000 four-year scholarships, 70 $2,000 two-year scholarships, and 564 $1,500 one-time scholarships were awarded over the first six years of the Allianz South Dakota Scholarship Program.

When the Allianz South Dakota Scholarship Program began in 2002, there were no other State scholarship programs available. Currently, the state has other programs with the infrastructure necessary to administer a quality scholarship program. Since fiscal year 2007, scholarship funds totaling $5,526,060 have been directed from Allianz to the Dakota Corps Scholarship Fund. Based on the assets as of June 30, 2012 and the scholarship funding formula, the resulting 2012 contribution was $1,165,436. The Allianz program and the Dakota Corps programs share a common goal of keeping our talented young people in the state in order to foster South Dakota's economic well-being. The Dakota Corps program is unique because it is geared toward students who plan to work toward a degree in a critical need occupation in South Dakota. To be eligible, students must meet academic requirements and attend a participating South Dakota post-secondary institution. The scholarship recipients must agree in writing to stay in South Dakota and work in a critical need occupation after graduation for as many years as the scholarship was received, plus one year. These students receive four-year scholarships equal to tuition and fees for 16 credit hours per semester at a public South Dakota college, public technical college, or tribal college. The scholarship amount for attendance at a participating private college in South Dakota would be the same amount that would be paid at a public South Dakota college, with the college covering the remaining tuition and fees if needed. A description of the program can be found at www.state.sd.us/dakotacorps/default.html.

ANNUAL REPORT

Each year the Investment Council is required by law to submit an annual report letter by February 1. This letter is to go to the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The letter, dated January 31, 2012, can be found in the Appendix on page 43.

MORE INFORMATION

Extensive information on this higher education savings program can be found at the following websites: www.CollegeAccess529.com or www.SouthDakota529.com. A major section of the website has been custom-developed for South Dakota residents.

NOTICE: CollegeAccess 529 Plan accounts are not insured by any state, and neither the principal deposited nor the investment return is guaranteed by any state. Furthermore, the accounts are not insured, nor the principal or investment return guaranteed, by the Federal Government or any Federal agency.

SOUTH DAKOTA INVESTMENT COUNCIL

4009 West 49th Street, Suite 300
Sioux Falls, SD 57106-3784 USA
Phone: (605) 362-2820

January 31, 2012

Hon. Dennis Daugaard
Governor
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Val Rausch, Speaker
South Dakota House of Representatives
500 E. Capitol Avenue
Pierre, SD 57501-5070

Hon. Bob Gray, President Pro Tempore
South Dakota Senate
500 E. Capitol Avenue
Pierre, SD 57501-5070

Dear Governor Daugaard, Speaker Rausch and President Pro Tempore Gray:

We are pleased to submit our eleventh annual report on the Higher Education Savings Program as required by South Dakota Codified Laws, Chapter 13-63, originally passed into law by the Legislature in 2001.

The CollegeAccess 529 Plan (Plan) was implemented by the Investment Council in April of 2002. The Plan allows South Dakota citizens, as well as citizens across the nation, to save and invest for post-secondary educational expenses with federal tax benefits. Allianz Global Investors Distributors LLC (Allianz), formerly PIMCO Funds Distributors LLC, was selected by the Council to manage, invest, market, and administer the Plan. This global financial services leader, a member of Allianz Group, has a 122-year corporate history and a presence in more than 70 countries.

The Plan, offered and maintained at no cost to the State or taxpayers as mandated by law, features the following:

- Nationally competitive cost for residents of South Dakota who choose to invest directly;
- High quality and diversified product offering from the PIMCO family of funds, the Allianz family of funds and funds from other nationally-recognized investment firms;
- Scholarship funding for South Dakota students who enroll in South Dakota post-secondary institutions as undergraduate students in programs that will prepare them to work in critical need occupations in South Dakota following graduation.

The Plan is available to South Dakotans, either through qualified financial advisors or directly by calling toll-free (1-866-529-7462) or visiting the Plan web site www.southdakota529.com.

As of December 31, 2011, the Plan had assets of approximately $909 million, up 3.18% from $881 million in assets at year-end 2010. For the Plan's most recent full program year (calendar year 2011), returns for South Dakota direct investment age-based alternatives ranged from -2.99% for the Aggressive Growth Portfolio to 11.60% for the PIMCO Real Return Portfolio.

Fifty-eight percent of the 31 mutual funds utilized by the Plan and rated by Morningstar have an overall rating of 4 or 5 stars, with 5 the highest possible rating. Morningstar, a leading provider of independent investment research, provides strictly quantitative mutual fund ratings that measure how well a fund has balanced return and risk in the past.

Scholarship Program

A benefit of implementing the Plan has been the establishment of a scholarship program for South Dakota students to attend South Dakota public and private post-secondary institutions. This program is funded by Allianz. Scholarships totaling $3.224 million were awarded to over 900 high school seniors during the six years of the original contract term.

In 2007 the Council investigated alternatives to the original scholarship program and, with input from Governor Rounds and approval by the LRC Executive Board, decided to direct scholarship monies generated through the relationship with Allianz to The Dakota Corps Scholarship Program. In September of 2007, Allianz transferred $1,027,334 to The Dakota Corps Scholarship Program, including $690,131 generated from fiscal year 2007 CollegeAccess 529 Plan assets and $337,203 carried over from previous years. In 2008, 2009, 2010, and 2011, Allianz contributed $756,125, $694,782, $823,112, and $1,059,271, respectively, to the Dakota Corps Scholarship Program, totaling $4,360,624.

The Dakota Corps Scholarship Program is designed to encourage South Dakota high school graduates to obtain their post-secondary education in South Dakota, remain in the state upon their graduation, and contribute to the state and its citizens by working in critical need occupations. The scholarship pays for four years of tuition and generally applicable fees. More information is available at www.state.sd.us/dakotacorps/default.html.

Thank you for your interest in the Higher Education Savings Program.

Sincerely,

Joseph A. Anglin, CFA
Investment Council Chair

Matthew L. Clark, CFA
State Investment Officer

SOUTH DAKOTA RETIREMENT SYSTEM
INTERNAL MANAGERS

		Cost Value	Fair Value
Global Equity Portfolio			
Wells Fargo & Co.	2,715,397	$ 60,307,244	$ 90,802,876
Wal-Mart Stores, Inc.	1,207,485	61,309,498	84,185,854
Microsoft Corp.	2,595,529	66,447,350	79,397,232
Pfizer, Inc.	3,419,693	79,572,080	78,652,939
Target Corp.	1,329,559	54,447,727	77,367,038
JPMorgan Chase & Co.	1,836,243	61,205,852	65,608,962
Exxon Mobil Corp.	703,323	45,573,044	60,183,349
Intel Corp.	2,082,286	41,955,600	55,492,922
Nestle SA	907,122	20,998,251	54,197,305
Honda Motor Co., Ltd.	1,492,114	34,329,620	51,407,713
PepsiCo, Inc.	719,632	42,983,381	50,849,197
Chevron Corp.	480,368	27,538,580	50,678,824
General Electric Co.	2,415,607	60,913,745	50,341,250
Google, Inc.	83,263	44,205,384	48,298,368
Lowe's Cos., Inc.	1,697,945	43,771,575	48,289,556
U.S. Bancorp	1,431,917	23,788,523	46,050,451
ConocoPhillips	787,389	27,014,030	43,999,297
Roche Holding, Ltd.	241,700	36,630,729	41,777,200
GlaxoSmithKline plc	1,798,668	40,914,196	40,821,626
Cisco Systems, Inc.	2,352,297	40,652,993	40,388,939
UnitedHealth Group, Inc.	656,026	19,119,182	38,377,521
Gilead Sciences, Inc.	732,590	25,966,728	37,567,215
Bank of America Corp.	4,526,518	90,411,137	37,026,917
Apache Corp.	418,409	39,934,055	36,773,967
The Procter & Gamble Co.	590,258	29,366,296	36,153,303
Texas Instruments, Inc.	1,254,698	28,375,200	35,997,286
MetLife, Inc.	1,132,939	29,849,902	34,951,168
Oracle Corp.	1,129,913	29,757,391	33,558,416
AT&T, Inc.	915,853	26,989,518	32,659,318
The Allstate Corp.	901,103	20,687,173	31,619,704
Medtronic, Inc.	807,183	29,791,548	31,262,198
Johnson & Johnson	445,093	26,709,286	30,070,483
Toyota Motor Corp.	743,947	25,203,138	29,742,962
BP plc -ADR	729,887	24,378,733	29,589,619
Sanofi SA	376,780	27,954,704	28,564,840
Hewlett-Packard Co.	1,409,450	55,211,055	28,344,040
Novartis AG	475,084	24,207,991	26,552,502
BB&T Corp.	842,712	19,868,605	25,997,665
Staples, Inc.	1,976,858	34,397,530	25,797,997
Goldman Sachs Group, Inc.	267,896	31,087,737	25,680,511
Apple, Inc.	43,900	14,388,982	25,637,600
PulteGroup, Inc.	2,214,259	30,386,293	23,692,571
SAP AG	393,555	17,735,167	23,246,481
Masco Corp.	1,640,018	20,393,370	22,747,050
PNC Financial Services Group, Inc.	370,711	17,716,236	22,654,149
Morgan Stanley	1,549,952	36,684,938	22,613,800
The Bank of New York Mellon Corp.	1,012,095	23,375,001	22,215,485
State Street Corp.	496,753	17,689,853	22,175,054
Newfield Exploration Co.	739,807	26,320,894	21,683,743
Lennar Corp.	700,548	10,380,349	21,653,939
Total Top 50 Securities		$ 1,768,897,394	$ 2,023,398,402
Remaining Global Equity Portfolio		1,540,950,973	1,446,225,878
Global Equity Portfolio		$ 3,309,848,367	$ 3,469,624,280
High Quality Equity Portfolio		$ 139,678,437	$ 164,758,453
Small/Mid Equity Portfolio		$ 119,843,765	$ 117,732,541
Investment Grade Portfolio		$ 821,669,794	$ 909,247,547
High Yield Portfolio		$ 94,499,184	$ 96,876,926
Merger Arbitrage Portfolio		$ 2,314,094	$ 2,453,399
Convertible Arbitrage Portfolio		$ 102,755,533	$ 108,576,358
Shift Portfolio		$ 113,136,902	$ 113,137,605
Total SDRS Internal Managers		$ 4,703,746,076	$ 4,982,407,109

SOUTH DAKOTA RETIREMENT SYSTEM
EXTERNAL MANAGERS

	Cost Value	Fair Value
Hedge Fund-Like		
Bridgewater Pure Alpha Fund II, Ltd.	$ 36,510,303	$ 69,077,195
Sanders Capital All Asset Value Fund, L.P.	16,024,660	16,264,063
Total Hedge Fund-Like	$ 52,534,963	$ 85,341,258
Real Estate		
Apollo European Real Estate Fund II, L.P.	$ 21,865,841	$ 12,487,131
Apollo Real Estate Investment Fund III, L.P.	6,109,721	2,687,905
Apollo Real Estate Investment Fund IV, L.P.	6,641,932	5,162,001
Blackstone Real Estate Partners II & III, L.P.s	13,436,304	2,114,536
Blackstone Real Estate Partners IV, L.P.	145,660,633	124,932,391
Blackstone Real Estate Partners V, L.P.	218,853,917	303,995,893
Blackstone Real Estate Partners VI, L.P.	277,837,819	375,323,653
Blackstone Real Estate Partners VII, L.P.	15,013,726	16,792,286
Blackstone Real Estate Partners International, L.P.	8,501,826	7,729,649
Blackstone Real Estate Partners International II, L.P.	86,854,082	76,554,980
Blackstone Real Estate Partners Europe III, L.P.	57,060,787	76,037,133
North American Real Estate Partners, L.P.	19,877,298	17,453,213
North American Real Estate Partners II, L.P.	72,625,213	51,586,210
NAREP II Land Entitlement Sidecar, L.P.	9,538,166	2,107,617
Doughty Hanson & Co. European Real Estate I & II	40,114,758	17,144,553
Lone Star Real Estate Fund II, L.P.	34,636,474	39,492,680
Total Real Estate	$ 1,034,628,497	$ 1,131,601,831
Private Equity		
Blackstone Capital Partners IV, L.P.	$ 7,388,546	$ 12,723,753
Blackstone Capital Partners V, L.P.	216,217,057	202,994,366
Blackstone Capital Partners VI, L.P.	11,844,346	11,081,571
Capital International Private Equity Fund III & IV, L.P.s	10,754,561	12,798,130
Capital International Private Equity Fund V, L.P.	18,181,587	17,338,035
Capital International Private Equity Fund VI, L.P.	5,860,918	6,138,082
Carlyle Partners IV, L.P.	13,636,316	21,316,415
Carlyle Partners V, L.P.	26,535,370	32,917,225
Riverstone/Carlyle Global Energy & Power Fund IV	22,646,433	31,910,880
Cinven Fund 4	81,030,874	104,999,721
Crossroads Cornerstone Private Equity XV-B, L.P.	6,114,455	4,098,347
CVC European Equity Partners IV, L.P.	21,329,341	31,359,040
CVC European Equity Partners V, L.P.	36,596,862	42,270,786
Cypress Merchant Banking Partners II, L.P.	9,152,116	5,103,876
DLJ Merchant Banking Partners II, L.P.	585,912	475,013
Doughty Hanson & Co. IV, L.P.	34,053,447	69,057,690
Doughty Hanson & Co. V, L.P.	38,881,354	39,633,596
Elevation Partners, L.P.	16,736,424	30,922,889
KKR European Fund I & II, L.P.s	51,873,170	45,958,696
PineBridge Capital Management Corp.	8,835,742	7,529,649
Silver Lake Partners I & II, L.P.s	51,310,756	51,700,926
Silver Lake Partners III, L.P.	37,556,758	42,489,624
Silver Lake Sumeru Fund, L.P.	25,364,551	33,213,262
Total Private Equity	$ 752,486,896	$ 858,031,572
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 606,453
Blackstone Credit Liquidity Partners, L.P.	13,071,953	14,511,723
CVI Global Value Fund A, L.P.	144,589,496	134,997,442
CVI Specialized Ventures Fund A, L.P.	7,035,145	4,248,525
Oaktree Loan Fund 2x, L.P.	21,749,149	21,408,974
PIMCO Distressed Mortgage Fund II, L.P.	153,318,685	144,812,805
TCW Special Mortgage Credits Master Fund, L.P.	26,211,726	23,175,321
TCW/SD Special Mortgage Credits Investment, L.P.	79,065,548	84,981,067
TCW Opportunistic MBS Strategy	152,204,383	154,234,740
Total Distressed Debt	$ 597,246,085	$ 582,977,050
Emerging Markets		
Dimensional Emerging Markets Small Cap	$ 8,918,381	$ 41,261,975
GE Asset Management China A-Shares Equity	59,920,000	66,550,680
Total Emerging Markets	$ 68,838,381	$ 107,812,655
Special Purpose Equity		
Brandes International Mid Cap Portfolio	$ 40,380,787	$ 34,921,117
Sanders Capital, L.L.C.	26,200,048	26,745,639
Total Special Purpose Equity	$ 66,580,835	$ 61,666,756
Commodities		
GE Asset Management Trust Active Commodities	$ 25,000,000	$ 25,273,090
Total Commodities	$ 25,000,000	$ 25,273,090
Total SDRS External Managers	$ 2,597,315,657	$ 2,852,704,212

CEMENT PLANT RETIREMENT FUND
INTERNAL MANAGERS

		Cost Value	Fair Value
Global Equity Portfolio			
Wells Fargo & Co.	20,685	$ 480,276	$ 691,706
Pfizer, Inc.	27,998	625,777	643,954
Wal-Mart Stores, Inc.	8,880	456,011	619,114
Target Corp.	10,580	454,924	615,650
Microsoft Corp.	17,090	449,803	522,783
U.S. Bancorp	14,909	239,281	479,473
Honda Motor Co., Ltd.	12,786	326,117	440,515
Exxon Mobil Corp.	5,140	344,143	439,830
JPMorgan Chase & Co.	11,927	408,621	426,152
Lowe's Cos., Inc.	14,646	386,007	416,532
Google, Inc.	677	371,887	392,707
Nestle SA	6,454	162,704	385,603
Intel Corp.	14,261	290,329	380,056
General Electric Co.	18,170	439,924	378,663
Chevron Corp.	3,406	192,721	359,333
PepsiCo, Inc.	4,920	310,054	347,647
ConocoPhillips	6,020	201,837	336,398
CVS Caremark Corp.	7,008	217,917	327,484
Texas Instruments, Inc.	10,823	249,953	310,512
Roche Holding, Ltd.	1,743	266,563	301,273
Cisco Systems, Inc.	17,238	327,822	295,976
GlaxoSmithKline plc	12,890	298,165	292,545
UnitedHealth Group, Inc.	4,709	127,883	275,477
Gilead Sciences, Inc.	5,178	182,842	265,528
BP plc -ADR	6,446	214,832	261,321
BB&T Corp.	8,370	194,691	258,215
Bank of America Corp.	30,347	627,184	248,238
The Allstate Corp.	6,910	153,336	242,472
Apache Corp.	2,614	241,617	229,744
MetLife, Inc.	7,211	176,232	222,459
Medtronic, Inc.	5,636	215,674	218,282
SAP AG	3,520	162,193	207,919
Toyota Motor Corp.	4,753	166,089	190,025
Staples, Inc.	14,309	244,644	186,732
KB Home	18,262	357,509	178,968
PulteGroup, Inc.	16,695	235,797	178,637
Lockheed Martin Corp.	2,039	156,253	177,556
The Procter & Gamble Co.	2,898	163,747	177,503
Sanofi SA	2,301	168,559	174,446
The Bank of New York Mellon Corp.	7,794	168,898	171,078
Hewlett-Packard Co.	8,462	324,412	170,171
State Street Corp.	3,754	139,167	167,579
Lennar Corp.	5,354	79,329	165,492
Oracle Corp.	5,483	153,943	162,845
Masco Corp.	11,544	130,978	160,115
Johnson & Johnson	2,350	148,329	158,766
AT&T, Inc.	4,411	123,801	157,296
Dell, Inc.	12,305	299,263	153,936
PNC Financial Services Group, Inc.	2,489	116,678	152,103
Morgan Stanley	10,290	246,074	150,131
Total Top 50 Securities		$ 13,220,790	$ 14,866,940
Remaining Global Equity Portfolio		7,239,344	6,337,385
Global Equity Portfolio		$ 20,460,134	$ 21,204,325
Investment Grade Portfolio		$ 6,250,932	$ 6,911,438
High Yield Portfolio		$ 625,791	$ 641,756
Shift Portfolio		$ 1,670,360	$ 1,670,378
Total CPRF Internal Managers		$ 29,007,217	$ 30,427,897

CEMENT PLANT RETIREMENT FUND
EXTERNAL MANAGERS

	Cost Value	Fair Value
Hedge Fund-Like		
Bridgewater Pure Alpha Fund II, Ltd.	$ 231,702	$ 438,378
Total Hedge Fund-Like	$ 231,702	$ 438,378
Real Estate		
Apollo European Real Estate Fund II, L.P.	$ 143,691	$ 82,060
Apollo Real Estate Investment Fund III, L.P.	36,650	16,127
Apollo Real Estate Investment Fund IV, L.P.	45,149	35,095
Blackstone Real Estate Partners II & III, L.P.s	113,875	17,104
Blackstone Real Estate Partners IV, L.P.	728,311	624,674
Blackstone Real Estate Partners V, L.P.	1,488,206	2,067,172
Blackstone Real Estate Partners VI, L.P.	1,944,867	2,627,267
Blackstone Real Estate Partners VII, L.P.	75,069	83,962
Blackstone Real Estate Partners International II, L.P.	568,893	501,435
Blackstone Real Estate Partners Europe III, L.P.	378,301	504,114
North American Real Estate Partners, L.P.	131,897	115,811
North American Real Estate Partners II, L.P.	462,161	328,276
NAREP II Land Entitlement Sidecar, L.P.	60,464	13,359
Doughty Hanson & Co. European Real Estate I & II	256,693	110,532
Lone Star Real Estate Fund II, L.P.	173,182	197,464
Total Real Estate	$ 6,607,409	$ 7,324,452
Private Equity		
Blackstone Capital Partners IV, L.P.	$ 52,070	$ 89,686
Blackstone Capital Partners V, L.P.	1,483,159	1,393,414
Blackstone Capital Partners VI, L.P.	76,988	72,044
Capital International Private Equity Fund III & IV, L.P.s	75,232	89,548
Capital International Private Equity Fund V, L.P.	123,648	117,942
Capital International Private Equity Fund VI, L.P.	29,303	30,689
Carlyle Partners IV, L.P.	90,595	141,620
Carlyle Partners V, L.P.	183,092	227,127
Riverstone/Carlyle Global Energy & Power Fund IV	150,031	211,408
Cinven Fund 4	512,852	664,555
Crossroads Cornerstone Private Equity XV-B, L.P.	41,958	28,041
CVC European Equity Partners IV, L.P.	139,553	205,168
CVC European Equity Partners V, L.P.	241,537	278,989
Cypress Merchant Banking Partners II, L.P.	54,914	30,624
DLJ Merchant Banking Partners II, L.P.	4,335	3,571
Doughty Hanson & Co. IV, L.P.	235,232	477,022
Doughty Hanson & Co. V, L.P.	268,131	273,318
Elevation Partners, L.P.	111,259	205,573
KKR European Fund I & II, L.P.s	351,271	310,103
PineBridge Capital Management Corp.	61,340	52,712
Silver Lake Partners I & II, L.P.s	351,992	357,594
Silver Lake Partners III, L.P.	260,396	294,609
Silver Lake Sumeru Fund, L.P.	168,040	220,039
Total Private Equity	$ 5,066,928	$ 5,775,396
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 4,091
Blackstone Credit Liquidity Partners, L.P.	87,253	96,853
CVI Global Value Fund A, L.P.	970,395	906,026
CVI Specialized Ventures Fund A, L.P.	47,509	28,677
Oaktree Loan Fund 2x, L.P.	144,858	142,602
PIMCO Distressed Mortgage Fund II, L.P.	981,238	926,800
TCW/SD Special Mortgage Credits Investment, L.P.	492,949	531,132
Total Distressed Debt	$ 2,724,202	$ 2,636,181
Emerging Markets		
Dimensional Emerging Markets Small Cap	$ 59,080	$ 273,340
GE Asset Management China A-Shares Equity	280,000	353,453
Total Emerging Markets	$ 339,080	$ 626,793
Special Purpose Equity		
Brandes Non-U.S. Mid Cap Portfolio	$ 157,284	$ 224,260
Total Special Purpose Equity	$ 157,284	$ 224,260
Commodities		
GE Asset Management Trust Active Commodities	$ 120,000	$ 121,311
Total Commodities	$ 120,000	$ 121,311
Total CPRF External Managers	$ 15,246,605	$ 17,146,771

SCHOOL AND PUBLIC LANDS
INTERNAL MANAGERS

		Cost Value	Fair Value
Global Equity Portfolio			
Wells Fargo & Co.	92,708	$ 2,348,278	$ 3,100,156
Wal-Mart Stores, Inc.	42,524	2,255,291	2,964,773
Target Corp.	48,047	2,203,688	2,795,855
Pfizer, Inc.	112,311	2,968,405	2,583,153
JPMorgan Chase & Co.	65,794	2,225,378	2,350,820
Microsoft Corp.	73,369	2,008,530	2,244,358
Honda Motor Co., Ltd.	58,900	2,057,404	2,029,278
Intel Corp.	72,425	1,549,846	1,930,126
Nestle SA	29,585	1,538,357	1,767,598
U.S. Bancorp	54,294	943,585	1,746,095
Total Top 10 Securities		$ 20,098,762	$ 23,512,212
Remaining Global Equity Portfolio		82,266,920	73,213,808
Global Equity Portfolio		$ 102,365,682	$ 96,726,020
Investment Grade Portfolio		$ 42,766,881	$ 45,806,593
High Yield Portfolio		$ 2,111,348	$ 2,111,997
TIPS Portfolio		$ 7,187,544	$ 9,131,139
Money Market Portfolio		$ 1,269,548	$ 1,271,781
S.D. S.B.A. & Similar Assets		$ 1,541,737	$ 1,545,817
Total SPL Internal Managers		$ 157,242,740	$ 156,593,347

SCHOOL AND PUBLIC LANDS
EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V, L.P.	$ 4,464,623	$ 6,201,524
Blackstone Real Estate Partners VI, L.P.	5,464,141	7,381,361
Blackstone Real Estate Partners VII, L.P.	325,297	363,832
Blackstone Real Estate Partners International II, L.P.	3,300,454	2,909,090
Blackstone Real Estate Partners Europe III, L.P.	1,387,112	1,848,416
North American Real Estate Partners II, L.P.	2,508,858	1,782,069
Total Real Estate	$ 17,450,485	$ 20,486,292
Private Equity		
Blackstone Capital Partners V, L.P.	$ 2,712,278	$ 2,764,564
Blackstone Capital Partners VI, L.P.	153,977	144,050
Doughty Hanson & Co. V, L.P.	1,391,802	1,418,730
Silver Lake Partners III, L.P.	896,350	1,014,079
Total Private Equity	$ 5,154,407	$ 5,341,423
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 13,341
CVI Global Value Fund A, L.P.	1,579,105	1,474,348
CVI Specialized Ventures Fund A, L.P.	154,787	93,467
TCW Opportunistic MBS Strategy	3,551,754	3,599,378
Total Distressed Debt	$ 5,285,646	$ 5,180,534
Monument Park C.D.O.	$ 2,125,512	$ 763,220
Total SPL External Managers	$ 30,016,050	$ 31,771,469

DAKOTA CEMENT TRUST
INTERNAL MANAGERS

		Cost Value	Fair Value
Global Equity Portfolio			
Wells Fargo & Co.	113,888	2,953,685	3,808,415
Wal-Mart Stores, Inc.	50,141	2,654,411	3,495,831
Target Corp.	58,270	2,612,498	3,390,731
Pfizer, Inc.	144,781	3,630,681	3,329,963
JPMorgan Chase & Co.	83,877	2,848,189	2,996,925
Microsoft Corp.	92,881	2,419,719	2,841,230
Nestle SA	39,354	1,094,199	2,351,261
Intel Corp.	84,937	1,817,555	2,263,571
Exxon Mobil Corp.	25,594	1,684,985	2,190,079
U.S. Bancorp	67,462	1,172,877	2,169,578
Total Top 10 Securities		$ 22,888,799	$ 28,837,584
Remaining Global Equity Portfolio		97,058,938	85,776,180
Global Equity Portfolio		$ 119,947,737	$ 114,613,764
Investment Grade Portfolio		$ 52,016,026	$ 56,319,542
High Yield Portfolio		$ 2,792,644	$ 2,861,994
TIPS Portfolio		$ 9,013,574	$ 11,452,416
Money Market Portfolio		$ 2,563,165	$ 2,566,257
Total DCT Internal Managers		$ 186,333,146	$ 187,813,973

DAKOTA CEMENT TRUST
EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V, L.P.	$ 7,178,409	$ 9,971,067
Blackstone Real Estate Partners VI, L.P.	8,798,191	11,885,243
Blackstone Real Estate Partners VII, L.P.	380,347	425,404
Blackstone Real Estate Partners International II, L.P.	5,384,954	4,746,409
Blackstone Real Estate Partners Europe III, L.P.	1,387,112	1,848,416
North American Real Estate Partners II, L.P.	4,093,436	2,907,587
Total Real Estate	$ 27,222,449	$ 31,784,126
Private Equity		
Blackstone Capital Partners V, L.P.	$ 4,412,523	$ 4,515,851
Blackstone Capital Partners VI, L.P.	130,288	121,912
Doughty Hanson & Co. V, L.P.	2,269,869	2,313,784
Silver Lake Partners III, L.P.	1,462,215	1,654,273
Total Private Equity	$ 8,274,895	$ 8,605,820
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 20,469
CVI Global Value Fund A, L.P.	2,575,933	2,405,081
CVI Specialized Ventures Fund A, L.P.	237,460	143,388
TCW Opportunistic MBS Strategy	4,566,492	4,627,539
Total Distressed Debt	$ 7,379,885	$ 7,196,477
Monument Park C.D.O.	$ 3,688,878	$ 1,324,630
Total DCT External Managers	$ 46,566,107	$ 48,911,053

EDUCATION ENHANCEMENT TRUST
INTERNAL MANAGERS

		Cost Value	Fair Value
Global Equity Portfolio			
Wells Fargo & Co.	174,536	$ 4,497,778	$ 5,836,484
Wal-Mart Stores, Inc.	81,524	4,335,070	5,683,853
Target Corp.	97,201	4,529,257	5,656,126
Pfizer, Inc.	218,920	5,391,431	5,035,160
JPMorgan Chase & Co.	129,815	4,371,075	4,638,290
Microsoft Corp.	144,458	3,745,637	4,418,970
Intel Corp.	132,163	2,828,694	3,522,144
U.S. Bancorp	105,833	1,840,346	3,403,589
Exxon Mobil Corp.	38,700	2,580,446	3,311,559
Chevron Corp.	29,483	1,282,579	3,110,457
Total Top 10 Securities		$ 35,402313	$ 44,616,632
Remaining Global Equity Portfolio		148,050,731	131,364,048
Global Equity Portfolio		$ 183,453,044	$ 175,980,680
High Yield Portfolio		$ 4,509,452	$ 4,511,544
Money Market Portfolio		$ 13,464,616	$ 13,469,177
Total EET Internal Managers		$ 201,427,112	$ 193,961,401

EDUCATION ENHANCEMENT TRUST
EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V, L.P.	$ 10,329,909	$ 14,348,610
Blackstone Real Estate Partners VI, L.P.	12,873,154	17,389,998
Blackstone Real Estate Partners VII, L.P.	640,586	716,471
Blackstone Real Estate Partners International II, L.P.	7,643,161	6,736,841
Blackstone Real Estate Partners Europe III, L.P.	2,143,722	2,856,644
North American Real Estate Partners II, L.P.	5,810,025	4,126,896
Total Real Estate	$ 39,440,557	$ 46,175,460
Private Equity		
Blackstone Capital Partners V, L.P.	$ 6,387,597	$ 6,537,308
Blackstone Capital Partners VI, L.P.	225,043	210,540
Doughty Hanson & Co. V, L.P.	3,280,972	3,344,451
Silver Lake Partners III, L.P.	2,113,200	2,390,756
Total Private Equity	$ 12,006,812	$ 12,483,055
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 30,020
CVI Global Value Fund A, L.P.	3,722,804	3,475,835
CVI Specialized Ventures Fund A, L.P.	348,257	210,302
TCW Opportunistic MBS Strategy	7,305,960	7,403,526
Total Distressed Debt	$ 11,377,021	$ 11,119,683
Monument Park C.D.O.	$ 5,317,979	$ 1,909,600
PIMCO Tax-Exempt Fund	$ 111,660,739	$ 121,205,719
Total EET External Managers	$ 179,803,108	$ 192,893,517

HEALTH CARE TRUST
INTERNAL MANAGERS

		Cost Value	Fair Value
Global Equity Portfolio			
Wells Fargo & Co.	49,956	$ 1,275,328	$ 1,670,529
Wal-Mart Stores, Inc.	23,444	1,241,949	1,634,516
Target Corp.	25,255	1,140,134	1,469,588
Pfizer, Inc.	63,696	1,544,501	1,465,008
JPMorgan Chase & Co.	38,212	1,271,713	1,365,315
Microsoft Corp.	40,735	1,065,060	1,246,084
Intel Corp.	40,651	869,849	1,083,349
U.S. Bancorp	30,792	533,653	990,271
Exxon Mobil Corp.	11,260	760,909	963,518
Lowe's Cos., Inc.	32,584	844,868	926,689
Total Top 10 Securities		$ 10,547,964	$ 12,814,867
Remaining Global Equity Portfolio		42,850,385	39,132,392
Global Equity Portfolio		$ 53,398,349	$ 51,947,259
Investment Grade Portfolio		$ 23,387,685	$ 24,981,413
High Yield Portfolio		$ 1,235,249	$ 1,235,947
TIPS Portfolio		$ 3,920,524	$ 4,983,764
Money Market Portfolio		$ 4,891,990	$ 4,893,326
Total HCT Internal Managers		$ 86,833,797	$ 88,041,709

HEALTH CARE TRUST
EXTERNAL MANAGERS

	Cost Value	Fair Value
Real Estate		
Blackstone Real Estate Partners V, L.P.	$ 2,538,701	$ 3,526,348
Blackstone Real Estate Partners VI, L.P.	3,426,664	4,628,990
Blackstone Real Estate Partners VII, L.P.	180,166	201,509
Blackstone Real Estate Partners International II, L.P.	1,910,788	1,684,206
Blackstone Real Estate Partners Europe III, L.P.	756,607	1,008,227
North American Real Estate Partners II, L.P.	1,452,513	1,031,723
Total Real Estate	$ 10,265,439	$ 12,081,003
Private Equity		
Blackstone Capital Partners V, L.P.	$ 1,613,847	$ 1,667,253
Blackstone Capital Partners VI, L.P.	82,911	77,561
Doughty Hanson & Co. V, L.P.	832,011	848,109
Silver Lake Partners III, L.P.	535,824	606,196
Total Private Equity	$ 3,064,593	$ 3,199,119
Distressed Debt		
Blackstone Distressed Securities Fund, L.P.	$ 0	$ 7,883
CVI Global Value Fund A, L.P.	943,935	881,314
CVI Specialized Ventures Fund A, L.P.	91,485	55,230
TCW Opportunistic MBS Strategy	2,029,614	2,057,463
Total Distressed Debt	$ 3,065,034	$ 3,001,890
Monument Park C.D.O.	$ 1,299,196	$ 466,550
Total HCT External Managers	$ 17,694,262	$ 18,748,562

CASH FLOW FUND
INTERNAL MANAGERS

	Cost Value	Fair Value
Duration Portfolio	$ 1,010,571,822	$ 1,019,950,989
Money Market Portfolio	$ 59,150,960	$ 59,151,373
Certificates of Deposit, 0.64% due 09/28/12	$ 22,452,000	$ 22,559,966
Total CFF Internal Managers	$ 1,092,174,782	$ 1,101,662,328

CERTIFICATE OF DEPOSIT PROGRAM

On June 30, 2012, there was $22,452,000 in Certificates of Deposit (CDs) outstanding with South Dakota banks, savings and loan associations, and credit unions. Fifty-one South Dakota banks hold $17,458,000 in CDs, one savings and loan association has $1,544,000 invested in CDs, and five credit unions have $3,450,000 invested in CDs. The CDs carry an interest rate of 0.64%, and mature September 28, 2012.

The original allocation made in September 2011 was to eighty-one banks and four savings and loan associations. Thirty banks and three savings and loan associations did not participate this year. This is the eleventh year a reoffering was made to other qualified public depositories in the state. In the reoffering, five credit unions accepted $3,450,000 in CDs, leaving $12,548,000 in CDs unassigned. The size of the certificates ranged from $100,000 to $2,920,000.

Summary of Statistics
Certificates of Deposit Outstanding

CDs Issued to Banks	
CDs maturing 9/28/12	$ 17,458,000
Interest earned during FY 2012	$ 122,605
Average CDs Outstanding During FY 2012	$ 18,072,985
Rate of Return	0.7%
CDs Issued to Savings & Loan Associations	
CDs maturing 9/28/12	$ 1,544,000
Interest earned during FY 2012	$ 10,548
Average CDs Outstanding During FY 2012	$ 1,560,509
Rate of Return	0.7%
CDs Issued to Credit Unions	
CDs maturing 9/28/12	$ 3,450,000
Interest earned during FY 2012	$ 21,994
Average CDs Outstanding During FY 2012	$ 3,285,060
Rate of Return	0.7%
Total Certificates of Deposit	
CDs maturing 9/28/12	$ 22,452,000
Interest earned during FY 2012	$ 155,147
Average CDs Outstanding During FY 2012	$ 22,918,554
Rate of Return	0.7%

South Dakota Certificates of Deposit
Due 9/28/12

	Location	CD Amount
Banks		
Dacotah Bank	Aberdeen	$ 2,920,000
State Bank of Alcester	Alcester	174,000
Citizens State Bank	Arlington	146,000
Community Bank	Avon	100,000
Dakota State Bank	Blunt	100,000
First Bank & Trust	Brookings	1,368,000
Richland State Bank	Bruce	100,000
Bryant State Bank	Bryant	100,000
Farmers State Bank	Canton	100,000
First Midwest Bank	Centerville	147,000
DNB National Bank	Clear Lake	100,000
Peoples State Bank	De Smet	100,000
First Financial Bank	Dupree	123,000
Liberty Financial Services	Elk Point	269,000
BankStar Financial	Elkton	100,000
Security State Bank	Emery	100,000
Reliabank Dakota	Estelline	327,000
Farmers State Bank	Faith	100,000
First National Bank	Frederick	100,000
Merchants State Bank	Freeman	181,000
Fulton State Bank	Fulton	100,000
First State Bank	Groton	100,000
Farmers State Bank	Hosmer	100,000
Plains Commerce Bank	Hoven	586,000
Miner County Bank	Howard	100,000
Premier Bank of Hudson	Hudson	400,000
Ipswich State Bank	Ipswich	100,000
First Bank & Trust/Sioux Falls	Madison	658,000
First Bank & Trust/Stockholm	Milbank	237,000
Quoin Financial Bank	Miller	197,000
CorTrust Bank	Mitchell	793,000
American State Bank	Oldham	100,000
Sunrise Bank Dakota	Onida	100,000
First National Bank	Philip	254,000
Farmers & Merchants State Bank	Plankinton	136,000
Security First Bank	Rapid City	835,000
Heartland State Bank	Redfield	117,000
First State Bank of Roscoe	Roscoe	114,000
Farmers & Merchants State Bank	Scotland	100,000
Great Western Bank	Sioux Falls	2,648,000
Minnwest Bank	Sioux Falls	172,000
Farmers State Bank	Stickney	150,000
Peoples State Bank	Summit	100,000
Farmers State Bank	Turton	100,000
Security State Bank	Tyndall	100,000
First National Bank	Volga	100,000
Commercial State Bank	Wagner	152,000
First Interstate Bank	Wall	1,423,000
American Bank & Trust	Wessington Springs	431,000
First Bank of White	White	100,000
First State Bank	Wilmot	100,000
Total Banks		$ 17,458,000
Savings & Loan Associations		
Home Federal Bank	Sioux Falls	$ 1,544,000
Total Savings & Loan Associations		$ 1,544,000
Credit Unions		
HealthCare Plus Federal CU	Aberdeen	$ 250,000
Dakota Territory Federal CU	Deadwood	250,000
East River Federal CU	Madison	248,000
Black Hills Federal CU	Rapid City	2,452,000
Minuteman Community Federal CU	Rapid City	250,000
Total Credit Unions		$ 3,450,000
Total Certificates of Deposit		$ 22,452,000

AGGRESSIVE ABSOLUTE RETURN: A non-directional strategy designed to generate a steady return no matter what the market does.

ARBITRAGE: Acting on disparities between the existing price of a security and the estimated present value of consideration to be received at a later time as a result of restructuring activity.

ASSET ALLOCATION: The mix of stocks, bonds, cash equivalents and other assets in which capital is invested.

BARCLAYS CAPITAL MUNICIPAL 7 YEAR INDEX: The 7-year (6-8 Years to Maturity) component of the US Municipal Bond Index which covers the USD-denominated long term tax exempt bond market. It has been used for benchmarking purposes since fiscal year 2003.

BENCHMARK RETURN: The corresponding index returns for each asset category applied to a portfolio's benchmark asset allocation policy.

CAPITAL MARKETS BENCHMARK: The asset allocation policy approved by the Investment Council applied to the appropriate index returns.

CASH EQUIVALENT: Cash or assets that can be converted to cash quickly.

CITIGROUP HIGH-YIELD CASH-PAY CAPPED INDEX: The index represents the cash-pay securities of the Citigroup High-Yield Market Capped Index, which is a modified version of the High-Yield Market Index by delaying the entry of fallen angel (formerly investment grade bonds that have been reduced to junk bond status) issues and capping the par value of individual issuers. It has been used for benchmarking purposes since fiscal year 2011.

CITIGROUP HIGH-YIELD MARKET INDEX: The index includes cash-pay, deferred-interest and Rule 144A bonds with a remaining maturity of at least one year and a speculative-grade rating by both Moody's Investor Service and Standard & Poor's. It has been used for benchmarking purposes since fiscal year 2001.

CITIGROUP ALL BB-RATED INDEX: The index includes those bonds in the Citigroup High-Yield Market Index with an index quality of BB+, BB or BB– rating. It was used for benchmarking purposes during fiscal years 1996 - 2010.

CITIGROUP US 3-MONTH TREASURY BILL INDEX: The index measures monthly return equivalents of yield averages that are not marked to market. The 3-Month Treasury Bill Index is an average of the last three 3-month Treasury bill month-end rates. It has been used for benchmarking purposes since fiscal year 1973.

CITIGROUP US BROAD INVESTMENT-GRADE (USBIG) BOND INDEX: The index is market capitalization weighted and includes fixed-rate Treasury, government-sponsored, mortgage, asset-backed and investment-grade issues (BBB or Baa3) with a maturity of one year or longer. It has been used for benchmarking purposes since fiscal year 1981.

CITIGROUP US INFLATION-LINKED SECURITIES INDEX (US-ILSI): The index includes debentures with fixed-rate coupon payments that adjust for inflation as measured by the Consumer Price Index (CPI). It is separate and distinct from the Broad Investment-Grade (BIG) Bond Index and currently comprises Treasury Inflation Protected (TIPS) securities. It has been used for benchmarking purposes since fiscal year 2003.

CORRELATION: The degree to which the fluctuations of one asset are similar to those of another.

DEALLOCATION: Funds that are no longer treated as gross proceeds of tax-exempt bonds for arbitrage purposes under Section 148 of the Internal Revenue Code of 1986, as amended, and for hedge bond purposes under Section 149(g) of the Code as a result of the application of the Universal Cap under Treasury Regulation Section 1.14806.

DEFLATION: A general decline in prices or reduction in spending.

DISTRESSED SECURTIES: Securities of companies or government entities that are either already in default, under bankruptcy protection, or in distress and heading toward such a condition.

DURATION (MODIFIED): The weighted average maturity of the stream of payments associated with a bond. It is a measure of the bond price volatility for a given change in interest rates.

EQUITIES (STOCKS): Securities representing shares of ownership in the issuing enterprise.

FIXED-INCOME SECURITIES (BONDS, NOTES, BILLS, ETC.): Securities representing loans to governments, agencies, corporations and banks for a stated period at a stated interest rate.

FUTURES CONTRACTS: An obligation to accept or make future delivery of securities or cash at a specified price and date. The contracts are marked-to-market daily with the resulting gains/losses settled in cash. An initial margin is required as a good faith deposit.

HIGH-YIELD FIXED INCOME SECURITIES: Issues with a financial rating of BB or lower because of high relative default risk.

INFLATION: The rate at which the general level of prices or goods and services are rising.

INSTITUTIONAL PRIME MONEY MARKET FUND: The TempFund, which is managed by the BlackRock Advisors, Inc., is a leading short-term portfolio. The predecessor firm's fund inception was October of 1973, and estimates are used for prior periods.

INTERNAL RATE OF RETURN (IRR): The annualized implied discount rate calculated from a series of cash flows. IRR is the return that equates the present value of all invested capital in an investment to the present value of all cash flows equal to zero.

INVESTMENT GRADE FIXED INCOME SECURITIES: Issues with a financial rating of BBB or higher because of low relative default risk.

MELLON ANALYTICAL SOLUTIONS: A provider of performance and risk analytics tools.

MELLON TOTAL BILLION DOLLAR FUNDS-CORPORATE: A total plan universe of large private sector pension funds with assets greater than one billion dollars. This universe measures the performance of each total plan and is used on a comparison basis.

MERGER CUSTOM INDEX: The index is a representative sample of transactions that exposes one to a merger arbitrage strategy. It employs an indexing approach that utilizes factual information and index guidelines.

MSCI ALL COUNTRY WORLD INDEX℠ (ACWI): The index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The index currently consists of 45 developed and emerging market country indices. It has been used for benchmarking purposes since fiscal year 2005.

MSCI USA INDEX: The index is the US component of the MSCI World Index and is designed to measure the performance of the large and mid cap segments of the US Market. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The index currently consists of 24 developed market country indices. The MSCI USA Index has been used for benchmarking purposes since fiscal year 2005.

MSCI US REIT INDEX: The index is a free float-adjusted market capitalization weighted index that is comprised of US equity REITs, which generate a majority of their revenue and income from real estate rental and leasing operations. It was used for benchmarking purposes during fiscal years 2005-2006.

NCREIF PROPERTY INDEX: NCREIF stands for the National Council of Real Estate Investment Fiduciaries. The index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. It is used as an industry benchmark to compare an investor's own returns against the industry average. It has been used for benchmarking purposes since fiscal year 2002.

PEER UNIVERSES: Databases comprised of total pension plans used for comparison purposes.

PRIVATE EQUITY: Investments made directly into a private company not quoted on a public exchange.

PRIVATE SECTOR UNIVERSE MEDIAN: Median rate of return for large private sector funds. Uses Mellon Analytical data from fiscal year1987 to present and SEI data for prior 13 years.

PUBLIC MARKET EQUIVALENT (PME): The PME is a method where a public market index is expressed in terms of a since inception internal rate of return (SI-IRR), using the same cash flows and timing as those of the alternative investment composite over the same time period.

QUALITY RATING: Rating of a company's credit by a rating service.

REAL ESTATE: Property holdings used to generate ongoing rental income and capital gains as property values increase over time.

REAL RETURN: Actual return minus inflation.

SHIFT ACCOUNT: Portfolio of cash equivalent securities that supports the cash flows and the futures positions used to adjust the allocation of the total assets among stocks, bonds and cash.

STANDARD AND POOR'S 500® INDEX: The index is a broadly-based index of 500 stocks. It is the US component of the S&P Global 1200 Index. It has been used for benchmarking purposes since fiscal year 1973.

STANDARD AND POOR'S GLOBAL 1200 INDEX: The index is a composite index, comprised of seven regional and country indices - S&P 500 (US), S&P Europe 350, S&P/TOPIX 150 (Japan), S&P/TSX 60 (Canada), S&P/ASX All Australian 50, S&P Asia 50 (ex-Japan) and S&P Latin America 40. It has been used for benchmarking purposes since fiscal year 2005.

STANDARD AND POOR'S GSCI® INDEX (COMMODITIES): The index is calculated primarily on a world production-weighted basis. Commodity components include energy, agriculture, livestock, industrial metals, and precious metals. It has been used for benchmarking purposes since fiscal year 2003.

STANDARD DEVIATION: A measure of the volatility of returns often used in the investment world as a measure of risk.

STATE FUND UNIVERSE: A universe linking two state fund universe medians to form a 39-year performance history. The most recent 30 years represents a group of over 50 state funds. The prior nine years of the universe represent the SEI state universe. This universe was the largest state universe available at the time.

TIME-WEIGHTED RATE OF RETURN: The rate of investment growth earned on a unit of assets held continuously for the entire period measured.

US CONSUMER PRICE INDEX—ALL URBAN CONSUMERS (CPI-U): The index is compiled monthly by the Bureau of Labor Statistics for the purpose of calculating inflation rates.

UTILITY FUNCTION: An investor's level of risk tolerance for an expected return.

VOLATILITY: Variability, fluctuation. In investing, the range of likely outcomes for a given investment over a period of time. The smaller the estimated range of an investment's future returns, the lower the investment's volatility, and vice versa. One of the most common measures of investment risk.

YIELD TO MATURITY (YTM): The rate of return anticipated on a fixed income security if held until the maturity date.

1 Citigroup US Broad Investment Grade (USBIG) Bond Index in fiscal years 1990-2012 and Lehman Brothers US Aggregate Bond Index in prior periods.

2 Citigroup USBIG Bond Index in fiscal years 2007-2012, Citigroup USBIG Bond Index duration adjusted weighted 80% and Citigroup All BB-Rated Index weighted 20% in fiscal years 1996-2006, Citigroup USBIG Bond Index in fiscal years 1981-1995, and Lehman Brothers Government/Corporate Index in prior periods.

3 The annual returns for the US Consumer Price Index-All Urban Consumers (CPI-U) for the most recent 14 years and the 5, 10, 15, 20, 25, 30 and 39-year annualized returns as of 6/30/12 are as follows:

Fiscal Year	Annual Return	Fiscal Year	Annual Return	Annualized Returns of as 6/30/12	
2012	1.7%	2005	2.5%	5 years	2.0%
2011	3.6%	2004	3.3%	10 years	2.5%
2010	1.1%	2003	2.1%	15 years	2.4%
2009	(1.4%)	2002	1.1%	20 years	2.5%
2008	5.0%	2001	3.2%	25 years	2.9%
2007	2.7%	2000	3.7%	30 Years	2.9%
2006	4.3%	1999	2.0%	39 Years	4.3%

4 **Fixed Income:** Citigroup USBIG Bond Index (1981-2012), Lehman Brothers Gov/Corp Index (1973-1980). **Cash:** Citigroup US 3-Month Treasury Bill Index (1973-2012). **Global Equity:** ⅔ MSCI ACWI + ⅓ MSCI US Index (2005-2012). **Domestic Equity:** Russell 1000 Index (1996-2004), S&P 500 Index (1973-1995). **International Equity:** MSCI ACWI ex-US Index (2002-2004), ¾ MSCI EAFE + ¼ MSCI EASEA Index (SDRS: 1997-2001, CPRF: 1999-2001), MSCI EAFE Index (SDRS: 1996, CPRF: 1996-1998), MSCI EAFE ½ Japan Index (1993-1995). **Arbitrage:** weighted index (SDRS: 1999-2011), Merger Custom Index (2008-2011), 3-Month Treasury Bill Index +4.25% (1993-2007), Convertible Benchmark (SDRS: 1999-2011). **Real Estate:** NCREIF Property Index +1.25% (2011-2012), NCREIF Property Index (2002-2010), NCREIF Classic Property Index (1995-2001). **Private Equity:** S&P 500 +1.75% (2011-2012), S&P 500 +3.5% (2005-2010), Russell 1000 +3.5% (2002-2004), Russell 1000 +5.0% (1999-2001). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2003-2012). **Commodities:** S&P GSCI (2003-2012). **TIPS:** Citigroup US-ILSI (2012).

The Capital Markets Benchmark (policy) weightings for the South Dakota Retirement System were as follows:

	FI	Cash	Glbl EQ & Dom / Intl	Arb	RE	PE	HY/ DD	Comm	TIPS
07/11 - 06/12	18%	2%	58%	0%	8%	5%	7%	1%	1%
07/09 - 06/11	18%	1%	57%	5%	7%	5%	6%	1%	0%
07/06 - 06/09	18%	1%	57%	7%	5%	5%	6%	1%	0%
07/05 - 06/06	18%	1%	57%	7%	6%	4%	6%	1%	0%
07/04 - 06/05	19%	1%	57%	5%	6%	4%	7%	1%	0%
07/03 - 06/04	19%	1%	40% / 16%	6%	7%	4%	6%	1%	0%
07/02 - 06/03	19%	1%	40% / 16%	7%	7%	3%	6%	1%	0%
07/01 - 06/02	23%	1%	40% / 16%	9%	8%	3%	0%	0%	0%
07/99 - 06/01	23%	5%	36% / 16%	9%	8%	3%	0%	0%	0%
07/98 - 06/99	23%	4%	40% / 16%	8%	7%	2%	0%	0%	0%
07/97 - 06/98	23%	7%	40% / 16%	7%	7%	0%	0%	0%	0%
07/96 - 06/97	25%	7%	40% / 15%	6%	7%	0%	0%	0%	0%
07/95 - 06/96	25%	6%	42% / 15%	8%	4%	0%	0%	0%	0%
07/94 - 06/95	31%	5%	41% / 13%	9%	1%	0%	0%	0%	0%
07/93 - 06/94	33%	7%	45% / 9%	6%	0%	0%	0%	0%	0%
07/92 - 06/93	35%	9%	49% / 5%	2%	0%	0%	0%	0%	0%
07/90 - 06/92	38%	10%	52% / 0%	0%	0%	0%	0%	0%	0%
07/86 - 06/90	38%	7%	55% / 0%	0%	0%	0%	0%	0%	0%
07/78 - 06/86	50%	10%	40% / 0%	0%	0%	0%	0%	0%	0%
07/73 - 06/78	65%	10%	25% / 0%	0%	0%	0%	0%	0%	0%

The Capital Markets Benchmark (policy) weightings for the Cement Plant Retirement Fund were as follows:

	FI	Cash	Glbl EQ & Dom / Intl	Arb	RE	PE	HY/ DD	Comm	TIPS
07/11 - 06/12	18%	4%	56%	0%	8%	5%	7%	1%	1%
07/09 - 06/11	20%	2%	57%	2%	7%	5%	6%	1%	0%
07/06 - 06/09	20%	2%	57%	4%	5%	5%	6%	1%	0%
07/05 - 06/06	21%	1%	57%	4%	6%	4%	6%	1%	0%
07/04 - 06/05	21%	2%	57%	2%	6%	4%	7%	1%	0%
07/03 - 06/04	20%	4%	40% / 16%	2%	7%	4%	6%	1%	0%
07/02 - 06/03	20%	3%	40% / 16%	4%	7%	3%	6%	1%	0%
11/01 - 06/02	26%	2%	40% / 16%	6%	7%	3%	0%	0%	0%
07/99 - 10/01	26%	5%	36% / 16%	6%	8%	3%	0%	0%	0%
07/98 - 06/99	26%	4%	40% / 16%	5%	7%	2%	0%	0%	0%
07/97 - 06/98	25%	7%	40% / 16%	5%	7%	0%	0%	0%	0%
07/96 - 06/97	29%	6%	42% / 15%	4%	4%	0%	0%	0%	0%
07/95 - 06/96	29%	6%	42% / 15%	4%	4%	0%	0%	0%	0%
07/94 - 06/95	35%	5%	46% / 13%	0%	1%	0%	0%	0%	0%
07/93 - 06/94	36%	10%	45% / 9%	0%	0%	0%	0%	0%	0%
07/92 - 06/93	37%	9%	49% / 5%	0%	0%	0%	0%	0%	0%
07/90 - 06/92	38%	10%	52% / 0%	0%	0%	0%	0%	0%	0%
07/86 - 06/90	38%	7%	55% / 0%	0%	0%	0%	0%	0%	0%
07/78 - 06/86	50%	10%	40% / 0%	0%	0%	0%	0%	0%	0%
07/73 - 06/78	65%	10%	25% / 0%	0%	0%	0%	0%	0%	0%

5 Citigroup High-Yield Cash-Pay Capped Index in fiscal years 2011-2012 and the Citigroup All BB-Rated Index fiscal years 2007-2010.

6 Weighted index of Bank of America Merrill Lynch 1-5 year US Treasuries, 1-3 year A-AAA rated US Corporates, and 3-6 month US Treasury Bills (2005-2012); equal-weighted yields of the 3-month and 6-month Treasury Bills and the 1-year, 2-year, 3-year, and 5-year Treasury Bonds (1987-2004).

7 Composites are valued monthly and portfolio returns are weighted by using beginning-of-month fair values or weighted cash flows.

8 Fair values for private equity and real estate limited partnerships are adjusted in the reporting period when received by the Council.

9 The SDIC audit for fiscal year 2012 was conducted by the Department of Legislative Audit at a fee of $34,423.

10 Performance results are presented before management and custodial fees.

11 Management fee rates as of June 30, 2012 in basis points (bp):

Investment Office	9.6 bp
Apollo European Real Estate Fund II	150 bp
Apollo Real Estate Investments Fund III	0 bp
Apollo Real Estate Investments Fund IV	0 bp
Blackstone Capital Partners IV	75 bp
Blackstone Capital Partners V	75 bp
Blackstone Capital Partners VI	126 bp
Blackstone Credit Liquidity Partners	100 bp
Blackstone Distressed Securities Fund	0 bp
Blackstone Real Estate Partners II	0 bp
Blackstone Real Estate Partners III	0 bp
Blackstone Real Estate Partners IV	100 bp
Blackstone Real Estate Partners IV - ML	150 bp
Blackstone Real Estate Partners V	125 bp
Blackstone Real Estate Partners V - ML	150 bp
Blackstone Real Estate Partners VI	125 bp
Blackstone Real Estate Partners VI - LC	150 bp
Blackstone Real Estate Partners VII	150 bp
Blackstone Real Estate Partners Europe III	125 bp
Blackstone Real Estate Partners International I	0 bp
Blackstone Real Estate Partners International II	125 bp
Brandes Non-U.S. Mid Cap Portfolio	125 bp
Brandes International Mid Cap Portfolio	
$0-$10 Million -	115 bp
$10-$20 Million -	100 bp
$20-$50 Million -	90 bp
Bridgewater Pure Alpha Fund II (embedded)	150 bp + incentive
Capital International Private Equity Fund III	0 bp
Capital International Private Equity Fund IV	100 bp
Capital International Private Equity Fund V	100 bp
Capital International Private Equity Fund VI	150 bp
Carlyle Partners IV	75 bp
Carlyle Partners V	119 bp
The Fourth Cinven Fund	150 bp
Crossroads Cornerstone P.E. XV-B	125 bp

CVC European Equity Partners IV	75 bp
CVC European Equity Partners V	133.43 bp
CVI Global Value Fund	185 bp
CVI Specialized Ventures Fund	0 bp
Cypress Merchant Banking Partners II	0 bp
DLJ Merchant Banking Partners II	0 bp
Dimensional Fund Advisors, Inc.	45 bp
embedded	20 bp
Doughty Hanson & Co. European Real Estate I	0 bp
Doughty Hanson & Co. European Real Estate II	200 bp
Doughty Hanson & Co. IV	150 bp
Doughty Hanson & Co. V	175 bp
Elevation Partners	125 bp
GE Asset Mgmt Trust China A Shares Fund	150 bp
GE Asset Mgmt Trust China A Shares Fund II	150 bp
GE Asset Mgmt Trust Active Commodities Fund	100 bp
KKR European Fund I	75 bp
KKR European Fund II	75 bp
Lone Star Real Estate Partners II	110 bp
Monument Park CDO	
Senior (embedded)	20 bp
Subordinate (embedded)	55 bp
North American Real Estate Partners I	125 bp
North American Real Estate Partners II	125 bp
North American Real Estate Partners II Sidecar	0 bp
Oaktree Loan Fund 2x	50 bp
PineBridge Global Emerging Markets Partners I	0 bp
PineBridge Global Emerging Markets Partners II	200 bp
PIMCO (tax-exempt)	25 bp
PIMCO Distressed Mortgage Fund II	150 bp
Riverstone/Carlyle Global Energy & Power Fund IV	143 bp
Sanders Capital All Asset Value Fund	125 bp
Sanders Capital (Value Equities)	
$0-$15 Million -	90 bp
$15-$50 Million -	50 bp
Silver Lake Partners I	0 bp
Silver Lake Partners II	100 bp
Silver Lake Partners III	132 bp
Silver Lake Sumeru Fund	200 bp
TCW Special Mortgage Credits Fund - Series A	100 bp
TCW/SD Special Mortgage Credits Investment	100 bp
TCW Opportunistic MBS Strategy	50 bp

12 There have been no changes in investment personnel that would alter the returns presented. Past performance is no guarantee of future results.

13 Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in prior periods.

14 **Fixed Income:** Citigroup USBIG Bond Index (February 2001-2012), Salomon Smith Barney Treasury/GNMA Index (1985 - January 2001). **Global Equity:** ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (February 2001-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **High Yield/ Distressed Debt:** Citigroup High-Yield Market Index (2010-2012 and February 2001-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2007-2012). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (February 2001-2012). **Real Estate:** NCREIF Property Index +1.25% (2011-2012), NCREIF Property Index (2007-2010). **Private Equity:** S&P 500 +1.75% (2011-2012), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the School and Public Lands Fund were as follows:

	FI	Glbl Eq & Dom / Intl	HY/ DD	TIPS	Cash/ Comm	RE	PE
07/11 - 06/12	28%	52%	5%	5%	2%	6%	2%
07/06 - 06/11	33%	48%	5%	5%	2%	5%	2%
07/05 - 06/06	40%	50%	10%	0%	0%	0%	0%
07/04 - 06/05	40%	40% / 10%	10%	0%	0%	0%	0%
07/03 - 06/04	50%	40% / 0%	10%	0%	0%	0%	0%
07/02 - 06/03	60%	30% / 0%	10%	0%	0%	0%	0%
07/01 - 06/02	70%	20% / 0%	10%	0%	0%	0%	0%
02/01 - 06/01	Weighted based on Investment Council asset allocation.						
07/84 - 01/01	100%	0% / 0%	0%	0%	0%	0%	0%

15 MSCI All Country World ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ MSCI EASEA Index in prior periods.

16 **Fixed Income:** Citigroup USBIG Bond Index (2002-2012). **Global Equity:** ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2002-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), NCREIF Property Index +1.25% (2011-2012), NCREIF Property Index (2006-2010), MSCI US REIT Index (2005-2006), REIT Benchmark (2002-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010 -2012), Citigroup All BB-Rated Index (2002-2009). **TIPS:** Citigroup US-ILSI (2007-2012). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2012). **Private Equity:** S&P 500 +1.75% (2011-2012), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Dakota Cement Trust Fund were as follows:

	FI	Glbl Eq & Dom / Intl	RE	HY/ DD	TIPS	Cash/ Comm	PE
07/11 - 06/12	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	40%	40%	10%	10%	0%	0%	0%
07/04 - 06/05	50%	20% / 5%	15%	10%	0%	0%	0%
07/01 - 06/04	55%	20% / 0%	15%	10%	0%	0%	0%

17 **Fixed Income:** Citigroup USBIG Bond Index (2003-2012). **Tax-Exempt Fixed Income:** Barclays Capital Municipal 7 Year Index (2003-2012). **Global Equity:** ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), NCREIF Property Index +1.25% (2011-2012), NCREIF Property Index (2006-2010), MSCI US REIT Index (2005-2006), REIT Benchmark (2003-2004). **High Yield/Distressed Debt:** Citigroup High-Yield Market Index (2010-2012 and 2003-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2003-2012). **Cash/ Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2012). **Private Equity:** S&P 500 +1.75% (2011-2012), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Education Enhancement Trust Fund were as follows:

	FI	Tax-Exempt FI	Glbl Eq & Dom / Intl	RE	HY/ DD	TIPS	Cash/ Comm	PE
07/11 - 06/12	0%	30%	52%	6%	5%	3%	2%	2%
07/10 - 06/11	0%	35%	48%	5%	5%	3%	2%	2%
07/09 - 06/10	0%	37%	48%	5%	5%	1%	2%	2%
07/08 - 06/09	3%	30%	48%	5%	5%	5%	2%	2%
07/07 - 06/08	8%	25%	48%	5%	5%	5%	2%	2%
07/06 - 06/07	3%	30%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	3%	32%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	7%	33%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	10%	35%	25% / 0%	10%	10%	10%	0%	0%

18 **Fixed Income:** Citigroup USBIG Bond Index (2003-2012). **Global Equity:** ⅔ S&P Global 1200 + ⅓ S&P 500 Index (2012 and 2007-2010), ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index (2011), ⅔ MSCI ACWI + ⅓ MSCI US Index (2006). **Domestic Equity:** S&P 500 Index (2005), Russell 1000 Index (2003-2004). **International Equity:** MSCI ACWI ex-US Index (2005). **Real Estate:** weighted index (2006), NCREIF Property Index +1.25% (2011-2012), NCREIF Property Index (2006-2010), MSCI US REIT Index (2005-2006), REIT Benchmark (2003-2004).

High Yield/Distressed Debt: Citigroup High-Yield Market Index (2010 -2012 and 2003-2006), Citigroup All BB-Rated Index (2007-2009). **TIPS:** Citigroup US-ILSI (2003-2012). **Cash/Commodities:** Citigroup US 3-Month Treasury Bill Index (2007-2012). **Private Equity:** S&P 500 +1.75% (2011-2012), S&P 500 +3.5% (2007-2010).

The Capital Markets Benchmark (policy) weightings for the Health Care Trust Fund were as follows:

	FI	Glbl Eq & Dom / Intl	RE	HY/ DD	TIPS	Cash/ Comm	PE
07/06 - 06/12	28%	52%	6%	5%	5%	2%	2%
07/06 - 06/11	33%	48%	5%	5%	5%	2%	2%
07/05 - 06/06	35%	40%	10%	10%	5%	0%	0%
07/04 - 06/05	40%	24% / 6%	10%	10%	10%	0%	0%
07/02 - 06/04	45%	25% / 0%	10%	10%	10%	0%	0%

19 The SDRS Combined Internal Equity Benchmark consists of the ⅔ S&P Global 1200 + ⅓ S&P 500 Index in fiscal years 2012 and 2005-2010; in fiscal year 2011 the ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index was used. Prior to fiscal year 2010, the benchmark consisted of the International Equity Benchmark (MSCI ACWI ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ MSCI EASEA Index in fiscal years 1993-2001) and the Domestic Equity Benchmark (Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in fiscal years 1974-1995) weighted according to the beginning monthly portfolio weights, adjusted for cash transfers.

20 The CPRF Combined Internal Equity Benchmark consists of the ⅔ S&P Global 1200 + ⅓ S&P 500 Index in fiscal years 2012 and 2005-2010; in fiscal year 2011 the ⅔ S&P Global 1200 Ex-Iran + ⅓ S&P 500 Index was used. Prior to fiscal year 2010, the benchmark consisted of the International Equity Benchmark (MSCI ACWI ex-US Index in fiscal years 2002-2004 and ¾ MSCI EAFE + ¼ MSCI EASEA Index in fiscal years 1999-2001) and the Domestic Equity Benchmark (Russell 1000 Index in fiscal years 1996-2004 and S&P 500 Index in fiscal years 1974-1995) weighted according to the beginning monthly portfolio weights, adjusted for cash transfers.

21 The Convertible Benchmark is calculated using the duration-adjusted Bank of America Merrill Lynch Corporate Bond Indices for each rating category for the bond portion and the prime money market rate plus 100 basis points annually for the hedged equity option portion. It is based on the risk characteristics of the portfolio.

22 The Merger Benchmark is the implemented Merger index portfolio January 1, 2011 - June 30, 2012, the Merger Custom Index in fiscal years 2008-2010 and July 1, 2010 - December 31, 2010 and the 3-Month Treasury Bill Index return plus 4.25% annually in prior periods.

23 Asset growth is affected by contributions, withdrawals, management fees and investment income.

24 Investment income includes realized and unrealized capital gain/loss income and receipted and accrued securities income.

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The South Dakota Investment Council printed 250 copies of this annual report at a cost of $1.77 per copy.

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