2000 Annual Report

Minnesota State Board of Investment

SBI Fiscal Year 2000 Annual Report

Table of Contents

Section II

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STATE
BOARD OF
INVESTMENT

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December, 2000

The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2000.

Investment Environment

A strong economic environment, positive corporate earnings, and a continuance of high levels of cash flows contributed to a sixth consecutive year of positive performance for the U.S. markets although stock and bond returns were lower than historical averages. The Wilshire 5000 Stock Index increased 9.5%. With rising long-term interest rates and poor performance in the corporate sector for the 12 month period, the U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, provided a gain of 4.6%.

The performance of international stock markets was strong during the year. Developed markets were ahead of the U.S. market and historical averages. The Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE) gained 17.2% for the twelve months ending June 30, 2000. The markets of developing countries, or "emerging markets", increased by 9.5% during the fiscal year.

SBI Results

Within this investment environment, the returns of the retirement assets under the Board's control were again positive:

- The Basic Retirement Funds gained 10.5% during fiscal year 2000. The Funds benefited from their high U.S. stock exposure as well as strong returns from international equities. (See page 9)

- The Post Retirement Fund advanced 8.6% for the year. The gain, combined with strong returns in prior years, will provide a lifetime post retirement benefit increase of 9.5% for eligible retirees. (See page 12)

On June 30, 2000, assets under management totaled $53.2 billion. This total is the aggregate of several separate pension funds, trust funds and cash accounts, each with different investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique needs. **The primary purpose of this annual report is to communicate the investment goals, policies and performance of each fund managed by the Board.** Through the investment programs presented in this report, the Minnesota State Board of Investment will continue to enhance the management and performance of the funds under its control.

Sincerely,

Howard Bicker

Howard J. Bicker
Executive Director

State Board of Investment

Governor Jesse Ventura, Chair
State Auditor Judith H. Dutcher
State Treasurer Carol C. Johnson
Secretary of State Mary Kiffmeyer
State Attorney General Mike Hatch

Investment Advisory Council

The Legislature has established a seventeen member Investment Advisory Council to advise the Board and its staff on investment-related matters.

- The Board appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and St. Paul corporate investment community.
- The Commissioner of Finance and the Executive Directors of the three statewide retirement systems are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

The Council has formed three committees organized around broad investment subjects relevant to the Board's decision-making process: Asset Allocation, Stock and Bond Managers and Alternative Investments.

All proposed investment policies are reviewed by the appropriate Committee and the full Council before they are presented to the Board for action.

Members of the Council*

Gary Austin
Executive Director
Teachers Retirement Association

David Bergstrom
Executive Director
Mn. State Retirement System

John E. Bohan, Retired
V.P., Pension Investments
Grand Metropolitan-Pillsbury

Douglas Gorence
Chief Investment Officer
U of M Foundation Investment Advisors

Kenneth F. Gudorf
Chief Executive Officer
Agio Capital Mgmt., LLC

P. Jay Kiedrowski
Executive Vice President
Wells Fargo & Company

Han Chin Liu
Governor's Appointee
Active Employee Representative

Judith W. Mares
Financial Consultant
Mares Financial Consulting, Inc.

Malcolm W. McDonald, Vice Chair
Director & Senior Vice President
Space Center, Inc.

Gary R. Norstrem, Retired
Treasurer
City of St. Paul

Daralyn Peifer
Managing Director,
Private Investments
General Mills, Inc.

Mary Stanton
Governor's Appointee
Active Employee Representative

Michael L. Troutman
V.P., Finance and Investments
Evangelical Lutheran Church in America

Mary Vanek
Executive Director
Public Employees Retirement Assoc.

Elaine Voss
Governor's Appointee
Retiree Representative

Pamela Wheelock
Commissioner
Mn. Dept. of Finance

Jan Yeomans, Chair
Treasurer
3M Co.

* As of December 2000

Staff, Consultants & Custodians*

Howard Bicker
Executive Director

Mansco Perry III
Assistant Executive Director

Investment Staff

Public Equities
Lois E. Buermann
Mgr., Public Investments

Stephanie Gleeson
Analyst, Domestic Equities

Cassandra Knutson
Analyst, International Equities

Fixed Income and Internal Investments
Michael J. Menssen
Mgr., Internal Investments

Jason Matz
Analyst, Fixed Income

Alternative Assets
John N. Griebenow
Mgr., Alternative Investments

Andrew Christensen
Analyst, Alternative Investments

Cash Management
John T. Kinne
Mgr., Short Term Accounts

Harold L. Syverson
Analyst, Short Term Accounts

Public Programs
James E. Heidelberg
Mgr., Public Programs

Tammy Brusehaver-Derby
Analyst, Public Programs

Deborah Griebenow
Analyst, Shareholder Services

N. Robert Barman
Analyst, Shareholder Services

Administrative Staff

Finance and Accounting
L. Michael Schmitt
Administrative Director

William Nicol
Accounting Supervisor, Senior

David Nkwonta
Accounting Officer, Intermediate

Nancy L. Wold
Accounting Officer, Intermediate

Kathy Leisz
Accounting Officer, Intermediate

John Bottomley
Accounting Officer

Support Services
Charlene Olson
Administrative Assistant

Carol Nelson
Office Administrative Specialist, Intermediate

Sondra Wagner
Customer Services Specialist

Pat Koshenina
Office Administrative Specialist

Consultants

General Consultant
Richards & Tierney, Inc.
Chicago, Illinois

Special Projects Consultant
Pension Consulting Alliance
Studio City, California

Deferred Compensation Programs
Watson Wyatt
Minneapolis, Minnesota

Custodian Banks

Retirement and Trust Funds
State Street Bank & Trust Co.
Boston, Massachusetts

State Cash Accounts
Wells Fargo & Company
St. Paul, Minnesota

* As of December 2000

Introduction

The Minnesota State Board of Investment is responsible for the investment management of various retirement funds, trust funds and cash accounts. On June 30, 2000, the market value of all assets was $53.2 billion.

Constitutional and Statutory Authority

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership is also specified in the Constitution and is comprised of the Governor (who is designated as chair of the Board), State Auditor, State Treasurer, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Prudent Person Rule

The prudent person rule, as codified in *Minnesota Statutes* Section 11A.09, requires all members of the Board, Investment Advisory Council, and SBI staff to *"...act in good faith and ...exercise 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 therefrom."* *Minnesota Statutes* Section 356A.04 contains similar codification of the prudent person rule applicable to the investment of pension fund assets.

Authorized Investments

In addition to the prudent person rule, *Minnesota Statutes* Section 11A.24 contains a specific list of asset classes available for investment, including common stocks, bonds, short term securities, real estate, private equity, and resource funds. The statutes prescribe the maximum percentage of fund assets that may be invested in various asset classes and contain specific restrictions to ensure the quality of the investments.

Investment Policies

Within the requirements defined by state law, the State Board of Investment, in conjunction with SBI staff and the Investment Advisory Council, establishes investment policies for all funds under its management. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards.

The Board has adopted guidelines concerning investments in stock markets outside the U.S. The guidelines do not prohibit investment in any market, but do require that additional notification and/or presentation be provided to SBI staff or the SBI Administrative Committee in certain cases (refer to page 46 for more information on these guidelines).

The Board, its staff, and the Investment Advisory Council have conducted detailed analyses of each of the funds under the SBI's control that address investment objectives, asset allocation policy and management structure. These studies guide the on-going management of these funds and are updated periodically.

Important Notes

Readers should note that the SBI's returns in this report are shown ***after*** transactions costs and fees are deducted. Performance is computed and reported after all applicable charges to assure that the Board's focus is on true net returns.

Due to the large number of individual securities owned by the funds managed by the SBI, this report contains only summarized asset listings. **A complete list of securities is available upon request from the State Board of Investment.**

Funds Under Management

Market Value
June 30, 2000

Basic Retirement Funds — *$21.2 billion*

The Basic Retirement Funds contain the pension assets of the currently working participants in eight statewide retirement plans:

Teachers Retirement Fund	$8.317 billion
Public Employees Retirement Fund	5.039 billion
State Employees Retirement Fund	4.686 billion
Public Employees Police and Fire Fund	2.582 billion
Highway Patrol Retirement Fund	287 million
Correctional Employees Fund	279 million
Judges Retirement Fund	26 million
Public Employees Correctional Fund	10 million

Post Retirement Fund — *$20.8 billion*

The Post Retirement Investment Fund is composed of the reserves for retirement benefits to be paid to retired employees. Life-time retirement benefit increases are permitted based on both inflation and investment performance.

Supplemental Investment Fund — *$1.8 billion*

The Supplemental Investment Fund includes assets of the state deferred compensation plan, the unclassified state employees retirement plan, other defined contribution retirement plans, and various retirement programs for local police and firefighters. Participants may choose among seven separate accounts with different investment objectives designed to meet a wide range of participant needs and objectives.

Income Share Account	stocks and bonds	$662 million
Common Stock Index Account	passively managed stocks	428 million
Growth Share Account	actively managed stocks	334 million
Bond Market Account	actively managed bonds	112 million
Fixed Interest Account	stable value investments	88 million
Money Market Account	short-term debt securities	87 million
International Share Account	non-U.S. stocks	51 million

Non-Retirement Funds — *$2.4 billion*

Assigned Risk Plan — $0.8 billion

The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.

Permanent School Fund — $0.6 billion

The Permanent School Fund is a trust established for the benefit of Minnesota public schools.

Environmental Trust Fund — $0.3 billion

The Environmental Trust Fund is a trust established for the protection and enhancement of Minnesota's environment. It is funded with a portion of the proceeds from the state's lottery.

Tobacco Prevention Fund — $0.4 billion

The distributions from the Tobacco Prevention Fund are used by the Commissioner of Health to fund public health initiatives.

Funds Under Management

Medical Education Fund $0.3 billion

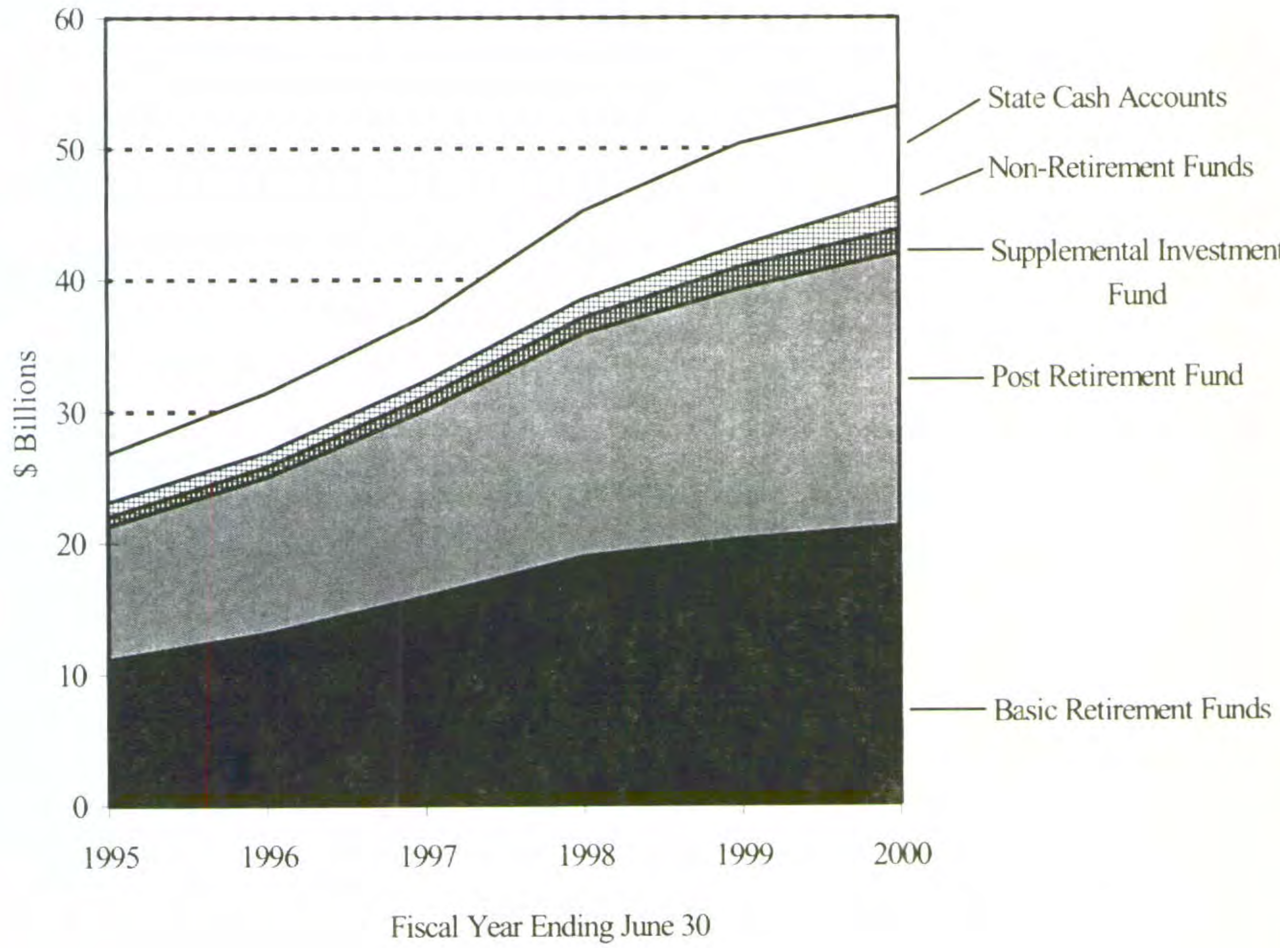
The distributions from the Medical Education Fund are used for medical education at the University of Minnesota medical school.

State Cash Accounts *$7.0 billion*

These accounts are the cash balances of state government funds, including the Invested Treasurers Cash Fund, transportation funds, and other miscellaneous cash accounts. Assets are invested in high quality, liquid debt securities.

Total Assets Under SBI Management *$53.2 billion*

Growth in Assets
Fiscal Years 1996 - 2000



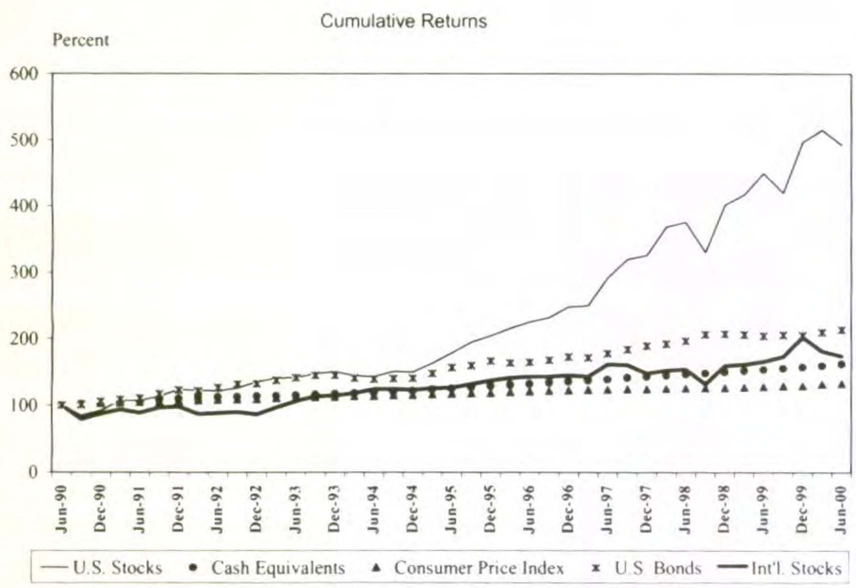
Combined Funds

The "Combined Funds" represent the assets of both active and retired public employees who participate in the defined benefit plans of three state-wide retirement systems: Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA) and the Minnesota State Retirement System (MSRS). On June 30, 2000, the Combined Funds had a market value of $42.0 billion.

The Combined Funds are so named because they represent the combined assets of both the Basic Retirement Funds (the funds for active employees) and Post Retirement Fund (the fund for retired employees). Unlike most other public and corporate pension plans, the assets of active and retired employees are separated under statute and therefore managed and accounted for separately. More information on the structure and performance of the Basic and Post Funds is contained in the following chapters.

While the Combined Funds do not exist under statute, the Board finds it instructive to review asset mix and performance of all defined benefit pension assets under its control. This more closely parallels the structure of other public and corporate pension plan assets and therefore allows for more meaningful comparison with other pension fund investors. The comparison universe used by the SBI is the Master Trust portion of the Trust Universe Comparison Service (TUCS). This universe contains information on public and corporate pension and trust funds with a balanced asset mix and over $1 billion in size.

Figure 1. Performance of Capital Markets FY 1991-2000



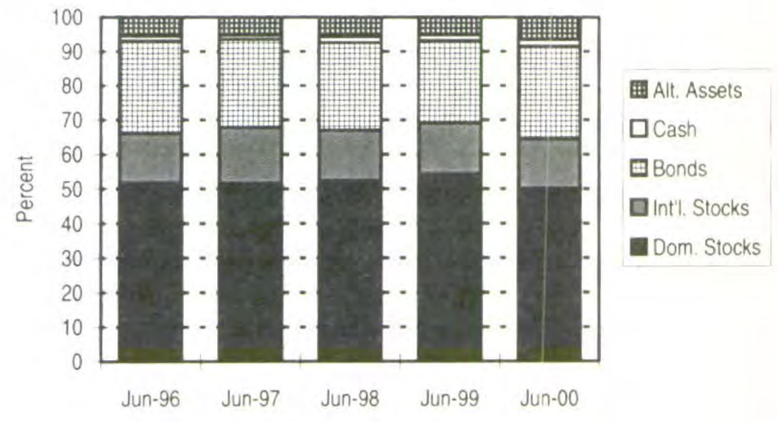
It is important to note that the historical data on the Combined Funds presented in this report reflect only the Basic Retirement Funds through fiscal year 1993. Both the Basic and Post Funds are included thereafter.

This distinction is necessary due to the very different asset allocation strategies employed by the two funds in the past. The Basic Funds have always been managed to maximize total rates of return over the long-term and, therefore, its asset allocation has historically included a substantial stock segment. In contrast, until the post retirement benefit increase formula was changed in 1993, the Post Retirement Fund was managed to maximize current income which necessitated a large commitment to bonds. As a result, the investment goals of the two funds were incompatible for analytical purposes until fiscal year 1994.

Asset Allocation

As illustrated in Figure 1 on the prior page, historical evidence strongly indicates that common stocks will provide the greatest opportunity to maximize investment returns over the long-term. As a result, the Board has chosen to incorporate a large commitment to common stocks in its asset allocation policy for the retirement funds. In order to limit the short run volatility of returns exhibited by common stocks, the Board includes other asset classes such as bonds and alternative investments in the total portfolio. These assets diversify the Funds and reduce wide fluctuations in investment returns on a year to year basis. This diversification should not impair the Funds' ability to meet or exceed their actuarial return targets over the long-term.

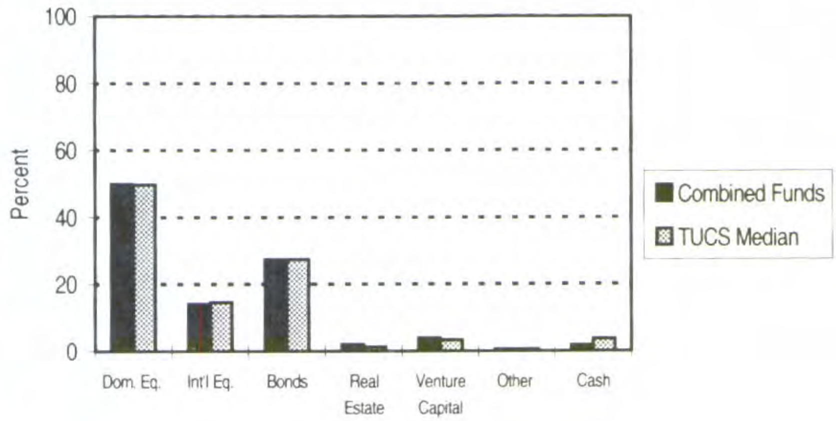
Figure 3. Historical Asset Mix FY 1996-2000



Asset Mix Compared to Other Pension Funds

Comparisons of the Combined Funds' actual asset mix to the median allocation to stocks, bonds and other assets of the funds in TUCS on June 30, 2000 are displayed in Figure 2. It shows that the Combined Funds were overweighted in alternative assets (real estate, private equity and resource investments) relative to the median allocation in TUCS and underweighted in their allocation to cash. Historical data on the Combined Funds' asset mix is shown in Figure 3.

Figure 2. Asset Mix Comparison as of June 30, 2000



	Combined Funds	Median Allocation in TUCS*
Domestic Equity	50.1%	49.8%
International Equity	14.2	14.6
Bonds	27.3	27.4
Real Estate	2.0	1.2
Private Equity	4.0	3.4
Other**	0.6	0.6
Cash	1.8	3.6

* Represents the median allocation by asset class, and does not add to 100%.

** Other reflects the Resource investments in the Combined Funds; and, all other assets in TUCS.

Return Objectives

The Combined Funds are evaluated relative to three total rate of return objectives:

— ***Provide Real Returns.*** Over a ten year period, the Combined Funds are expected to produce returns that exceed inflation by 3-5 percentage points on an annualized basis.

— ***Exceed Median Fund Returns.*** Over a five year period, the Combined Funds are expected to outperform the return of the median fund in a representative universe of other large public and corporate pension and trust funds with a balanced asset mix of stocks and bonds. As noted earlier, the universe used by the SBI is the Master Trust portion of TUCS and includes funds with assets of more than $1 billion. All funds in TUCS report their returns gross of fees. For purposes of the TUCS comparison, the SBI returns are ranked on a gross of fees rather than a net of fees basis.

— ***Exceed Market Returns.*** Over a five year period, the Combined Funds are expected to outperform a composite of market indices weighted using the asset mix of the Combined Funds.

Investment Results

Comparison to Inflation

Over the last ten years, the Combined Funds exceeded inflation by 10.5 percentage points, an amount well in excess of the return objective cited above. Historical results compared to inflation are shown in Figure 4.

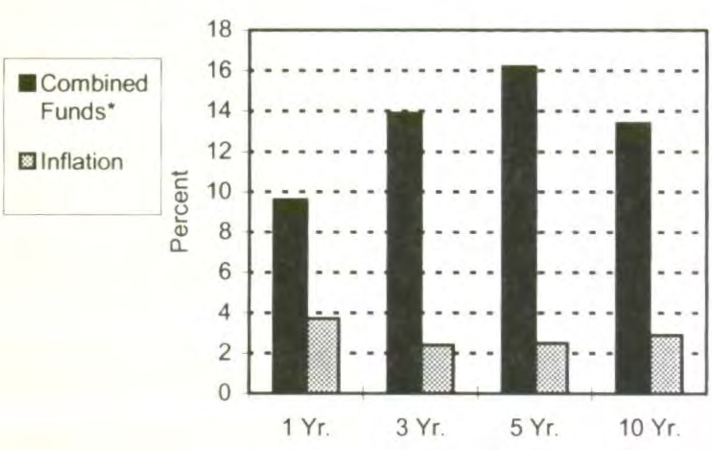
Comparison to Other Funds

While the SBI is naturally concerned with how its returns compare to other pension investors, universe comparison data should be used with great care. There are two primary reasons why such comparisons will provide an "apples-to-oranges" look at performance:

— ***Differing Allocations.*** Asset allocation has a dominant effect on returns. The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports to TUCS. This further distorts comparisons among funds.

— ***Differing Goals/Liabilities.*** Each pension fund structures its portfolio to meet its own liabilities and risk tolerance. This may result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking may not be relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

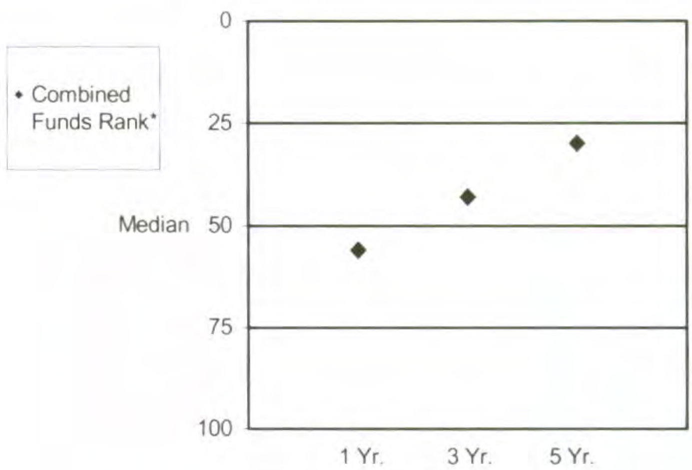
Figure 4. Combined Funds Performance vs. Inflation



	Annualized			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds*	**9.6%**	**13.9%**	**16.2%**	**13.4%**
Inflation	3.7	2.5	2.5	2.9

*After fees. Includes Basic Funds only through 6/30/93, Basic and Post Funds thereafter.

Figure 5. Combined Funds Performance Compared to Other Pension Funds



	Annualized		
	1 Yr.	3 Yr.	5 Yr.
Combined Funds Percentile Rank in TUCS*	56th	43 rd	30th

*Compared to public and corporate plans greater than $1 billion, gross of fees.

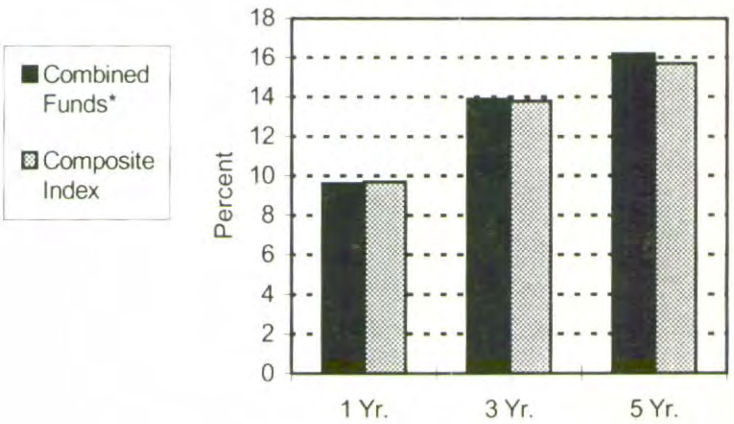
Combined Funds

With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds with over $1 billion in assets in the Master Trust portion of TUCS is displayed in Figure 5 on the previous page. It shows that the Combined Funds have ranked in the third quartile of the comparison universe over the last one year period and in the top half of the comparison universe over the last three and five year periods.

Comparison to Market Returns

The Combined Funds' performance is also evaluated relative to a composite of market indices which is weighted in a manner that reflects the actual asset allocation of the Combined Funds. Performance results and a breakdown of the composite index are shown in Figure 6. The Combined Funds exceeded the composite index by 0.5 percentage point over the last five years and therefore met their stated performance goal. The Funds exceeded the composite index by 0.1 percentage point over the last three years but trailed the composite index by 0.1 percentage point over the most recent fiscal year. These results are largely a measure of value added or lost from active management after all fees and expenses have been taken into consideration.

Figure 6. Combined Funds Performance vs. Composite Index



	Annualized		
	1 Yr.	**3 Yr.**	**5 Yr.**
Combined Funds*	**9.6%**	**13.9%**	**16.2%**
Composite Index	9.7	13.8	15.7

* After fees.

Composite Index for Period Ending on June 30, 2000

Asset Class	**Market Index**	**Composite Index Wts.***
Domestic Stocks	Wilshire 5000 Investable	50.0%
Int'l. Stocks	Int'l. Composite**	15.0
Domestic Bonds	Lehman Aggregate	27.1
Alternative Assets	Real Estate Funds	1.9
	Private Equity	3.4
	Resource Funds	0.6
Unallocated Cash	3 Month T-Bills	2.0
Total		100.0%

* Weights are reset in the composite at the start of each month to reflect the combined allocation policies of the Basic and Post Funds.

** Composite of MSCI EAFE Free and MSCI Emerging Markets Free.

Basic Retirement Funds

The Basic Retirement Funds accumulate the retirement assets of public employees during their working years. On June 30, 2000, the Funds covered more than 322,000 active employees and had a market value of $21.2 billion.

Figure 7 identifies the eight different retirement funds which comprise the Basic Funds. The Basic Funds invest the pension contributions that employees and employers make to defined benefit pension plans during the employees' years of active service.

Investment Objectives

The State Board of Investment (SBI) has one overriding responsibility with respect to its management of the Basic Funds: to ensure that sufficient funds are available to finance promised benefits at the time of retirement.

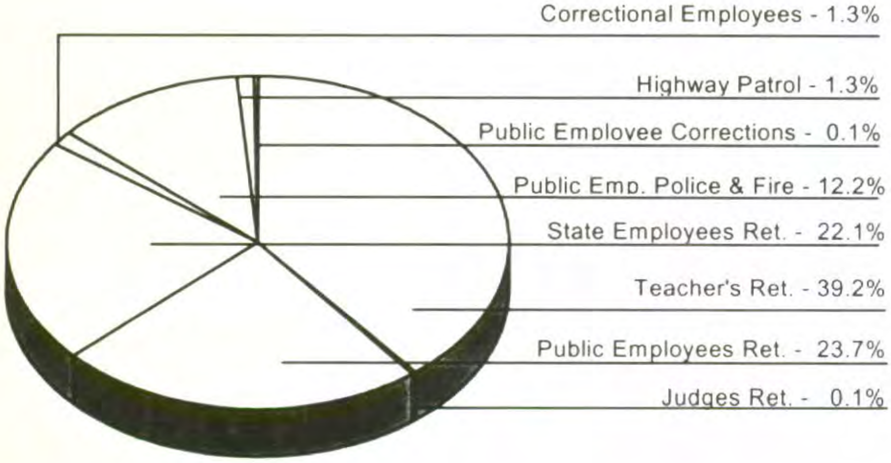
Actuarial Assumed Return

Employee and employer contribution rates are specified in state law as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of the initially promised pension benefits. In order to meet these projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

Time Horizon

Normally, pension assets will accumulate in the Basic Retirement Funds for thirty to forty years during an employee's years of active service. This provides the Basic Funds with a long investment time horizon and permits the Board to take advantage of the long run return opportunities offered by common stocks and other equity investments in order to meet its actuarial return target.

Figure 7. Composition of Basic Funds as of June 30, 2000



Return Objective

The Board measures the performance of the Basic Retirement Funds relative to a composite of market indices that is weighted using their long-term asset allocation policy. The Basic Funds are expected to exceed their composite index over a five year period. *Performance is reported net of all fees and costs* to assure that the Board's focus is on its true net return.

Asset Allocation

The allocation of assets among stocks, bonds, alternative investments and cash can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. The asset allocation of the fund is under constant review. No significant changes were made during fiscal year 2000.

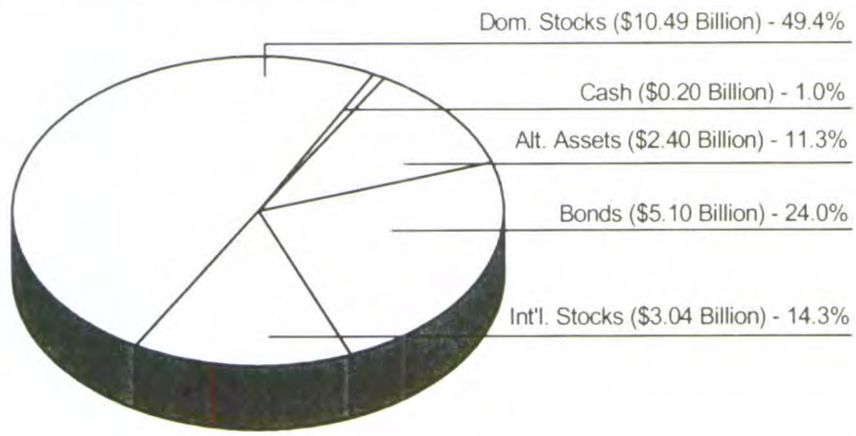
Long-Term Allocation Policy

Based on the Basic Funds' investment objectives and the expected long run performance of the capital markets, the Board has adopted the following long-term asset allocation policy for the Basic Funds:

Domestic Stocks	45%
International Stocks	15
Bonds	24
Alternative Assets	15
Unallocated Cash	1

Basic Retirement Funds

Figure 8. Asset Mix as of June 30, 2000



Notes: Percentages may differ slightly due to rounding of values.
Uninvested portions of the allocation to Alternative Assets are held in Domestic Stocks.

It should be noted that the unfunded allocation to alternative investments in the Basic Funds is held in domestic stocks until it is needed for investment. As a result, the actual amount invested in domestic stocks was above its long-term target.

Figure 8 presents the actual asset mix of the Basic Funds at the end of fiscal year 2000. Historical asset mix data are displayed in Figure 9.

Total Return Vehicles

The SBI invests the majority of the Basic Funds' assets in ***common stocks*** (both domestic and international). A large allocation is consistent with the investment time horizon of the Basic Funds and the advantageous long-term risk-return characteristics of common stocks. Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio. The rationale underlying the inclusion of ***private equity*** (e.g., venture capital) is similar. However, the relatively smaller size of the private equity market presents a practical limit to the amount that may be invested in this asset class.

The Board recognizes that this sizable policy allocation to common stock and private equity likely will produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters, or even years, of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility.

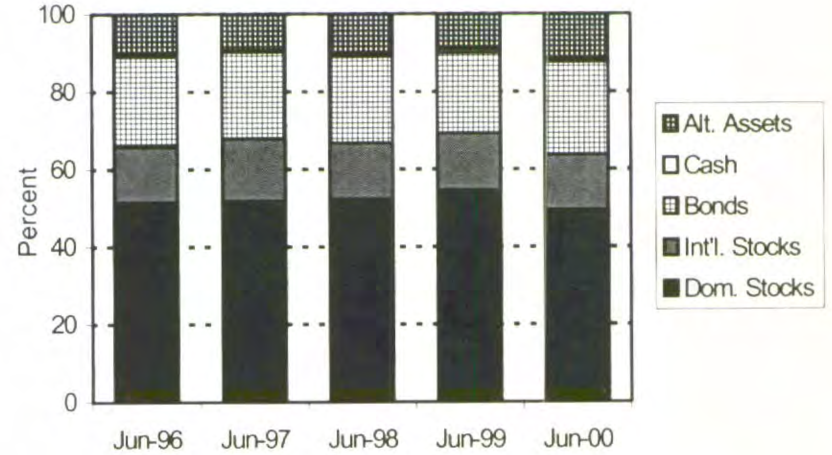
Diversification Vehicles

The Board includes other asset classes in the Basic Funds both to provide some insulation against highly inflationary or deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility.

Real Estate and ***resource*** (oil and gas) investments provide an inflation hedge that other financial assets cannot offer. In periods of rapidly rising prices, these assets have appreciated in value at a rate at least equal to the inflation rate. Further, even under more normal financial conditions, such as low to moderate inflation, the returns on these assets are not highly correlated with common stocks. As a result, their inclusion in the Basic Funds serves to dampen return volatility.

The allocation to ***bonds*** acts as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long-term bonds, are expected to protect principal and generate significant capital gains. And, like

Figure 9. Historical Asset Mix FY 1996-2000



real estate and resource funds, under normal financial conditions, bonds help to diversify the Basic Funds, thereby controlling return volatility.

Investment Management

All assets in the Basic Retirement Funds are managed externally by outside money management firms retained by contract. In order to gain greater operating efficiency, the Basic Funds share the same domestic stock, international stock, and bond managers with the Post Fund.

More information on the structure, management and performance of these pools of managers is included in the **Investment Pool** section of this report.

Investment Performance

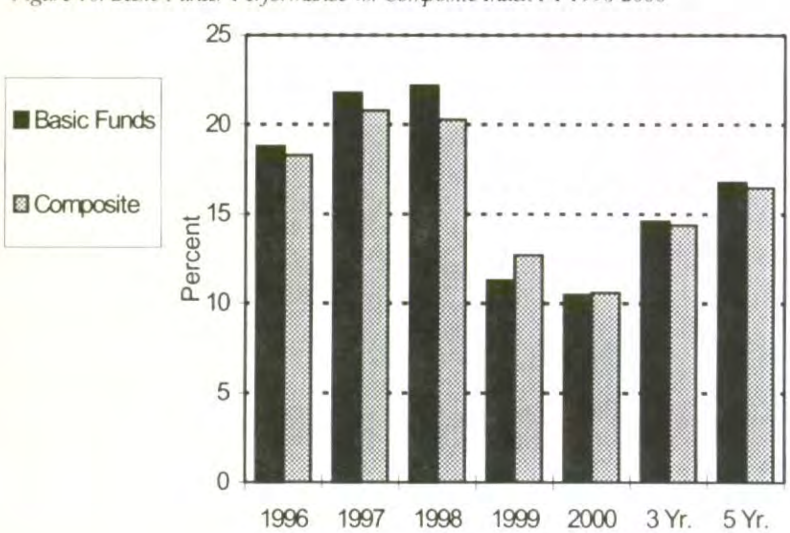
As stated earlier, the Basic Funds are expected to exceed the return of a composite of market indices over a five year period. Performance relative to this standard will measure two effects:

— The ability of the managers selected by the SBI, in aggregate, to add value to the returns available from the broad capital markets.

— The impact of the SBI's rebalancing activity. The SBI rebalances the total fund when market movements take the stock or bond segments above or below long term asset allocation targets. This policy imposes a low risk discipline of "buy low-sell high" between asset classes on a total fund basis.

For the five year period ending June 30, 2000, the Basic Funds out-performed the composite index by 0.3 percentage point annualized. The primary contributors to the value added came from outperformance by the international stock pool and a higher than policy allocation to domestic equities. Actual returns relative to the total fund composite index over the last five years are shown in Figure 10.

Figure 10. Basic Funds' Performance vs. Composite Index FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	Annualized 5 Yr.
Basic Funds	**18.8%**	**21.8%**	**22.2%**	**11.3%**	**10.5%**	**14.6%**	**16.8%**
Composite Index	18.3	20.8	20.3	12.7	10.6	14.4	16.5

Post Retirement Fund

The assets of the Post Retirement Fund are used to finance monthly annuities to retired public employees. These annuities may be adjusted upwards over the life of a retiree based on a formula that reflects both inflation and investment performance. On June 30, 2000, the Post Fund had a market value of $20.8 billion and more than 106,000 retiree participants.

The Post Retirement Fund includes the assets of retired public employees covered by nine statewide retirement plans; the eight plans which participate in the Basic Retirement Funds as well as the Legislative and Survivors Retirement Fund.

Benefit Increase Formula

The retirement benefit increase formula of the Post Retirement Fund is based on a combination of two components:

— ***Inflation Component.*** Each year, retirees receive an inflation-based adjustment equal to 100% of inflation, up to a maximum specified in statute. The inflation component is granted regardless of investment performance. The cap is necessary to maintain the actuarial soundness of the entire plan. It is the difference between the return assumption for the Basic Funds, and the return assumption for the Post Fund.

The return assumption in the Basic Funds is 8.5%. The return assumption for the Post Fund was 5.0% through fiscal year 1997. In fiscal year 1998, the return assumption for the Post Fund was changed to 6.0%. This means the cap on the inflation adjustment was 3.5% for fiscal years 1993-1997. From fiscal year 1998 forward, the inflation cap will be 2.5%. Retirees were given a one time permanent adjustment in their pension to compensate them for the reduction in the inflation adjustment cap.

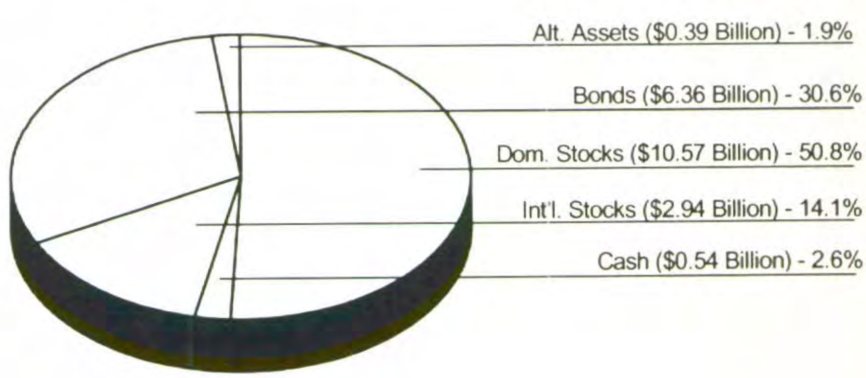
— ***Investment Component.*** Each year, retirees can also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's actuarial assumption and the inflation adjustment. Investment gains and losses are spread over five years to smooth out the volatility of returns. In addition, all accumulated investment losses must be recovered before an investment-based adjustment is granted.

Investment Objective

Time Horizon

The time horizon of the Post Fund is 15 to 20 years and corresponds to the length of time a typical retiree can be expected to draw benefits. While this is shorter than the time horizon of the Basic Funds, it is still sufficiently long to allow the Board to take advantage of the long run return opportunities offered by common stocks in order to meet its actuarial return target as well as to finance retirement benefit increases.

Figure 11. Asset Mix as of June 30, 2000



Notes: Percentages may differ slightly due to rounding of values.
Uninvested portions of the Alternative Assets allocation are held in Bonds.

Post Retirement Fund

Return Objective

The Board measures the performance of the Post Retirement Fund relative to a composite of market indices using its long-term asset allocation policy. The Post Fund is expected to exceed its composite index over a five year period. *Performance is reported net of all fees and costs* to assure that the Board's focus is on true net return.

Asset Allocation

The current long-term asset allocation for the Post Fund is as follows:

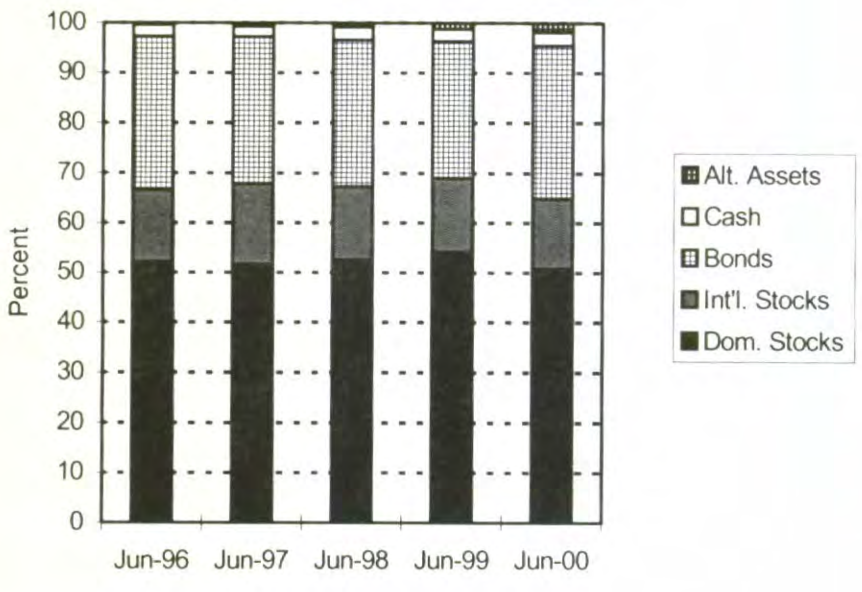
Domestic Stocks	50%
Int'l. Stocks	15
Bonds	27
Alternative Assets	5
Unallocated Cash	3

The Post Fund's year-end asset mix is presented in Figure 11 on the previous page. Historical asset mix data are shown in Figure 12.

The SBI invests the majority of the Post Fund's assets in ***common stocks*** (both domestic and international). A large allocation is consistent with the moderately long time horizon of the Post Fund and the advantageous long term risk-return characteristics of common stocks. Including international stocks in the asset mix allows the SBI to diversify its holdings across world markets and offers the opportunity to enhance returns and reduce the risk/volatility of the total portfolio.

As with the Basic Funds, the Board recognizes that this sizable allocation will be likely to produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters, or even years, of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility. The asset allocation is under constant review. No substantial change occurred during fiscal year 2000.

Figure 12. Historical Asset Mix FY 1996-2000



Diversified Vehicles

The Board includes other asset classes in the Post Fund both to provide some insulation against highly deflationary environments and to diversify the portfolio sufficiently to avoid excessive return volatility.

The ***bonds*** in the Post Fund act as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long term bonds, are expected to protect principal and generate significant gains. And, under more normal financial conditions, bonds diversify the Post Fund, thereby controlling return volatility on a year-to-year basis.

Yield oriented alternative investments provide the opportunity for higher long term returns than those typically available from bonds yet still generate sufficient current income to be compatible with the objectives of the Post Fund. Typically, these investments (e.g. business loan participations, mortgage loan participations and income producing private placements) are structured more like fixed income securities with the opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity component, they display a return pattern more like a bond. As such, they will help reduce the volatility of the total portfolio but should also generate higher returns relative to more traditional bond investments.

Post Retirement Fund

While the Board made several commitments to yield oriented alternative investments during the year, the market value of the alternative segment was only 1.9% of the total fund on June 30, 2000. The Board expects this percentage to increase gradually over the next three to five years. Until appropriate vehicles are identified, the uninvested portion of the alternative asset allocation is held in bonds. As a result, the actual amount invested in bonds was above its long-term target.

Investment Management

In order to gain greater operating efficiency, the Basic and Post Funds share the same domestic stock, bond and international stock managers.

More information on the structure, management and performance of these pools of managers is included in the **Investment Pool** section of this report.

Investment Performance

Total Fund Performance

As stated earlier, the Post Fund is expected to exceed the return of a composite of market indices over a five year period. The Post Fund's performance exceeded its composite market index by 0.6 percentage point for the most recent five year period.

Actual returns relative to the total fund composite index over the last five years are shown in Figure 13.

Benefit Increase

The Post Fund will provide a benefit increase of 9.5% for fiscal year 2000 payable beginning January 1, 2001. As noted earlier, this increase is comprised of two components:

— ***Inflation component*** of 2.5% which is the maximum increase allowed by law. The increase in the Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 2000 exceeded 2.5%. (This is the same inflation index used to calculate increases in Social Security payments).

Figure 14. Historical Benefit Increases Granted

Fiscal Year*	Benefit Increase
1991**	4.3
1992**	4.6
1993	6.0
1994	4.0
1995	6.4
1996	8.0
1997	10.1
1998	9.8
1999	11.1
2000	9.5

* Payable beginning January 1, of the following calendar year.

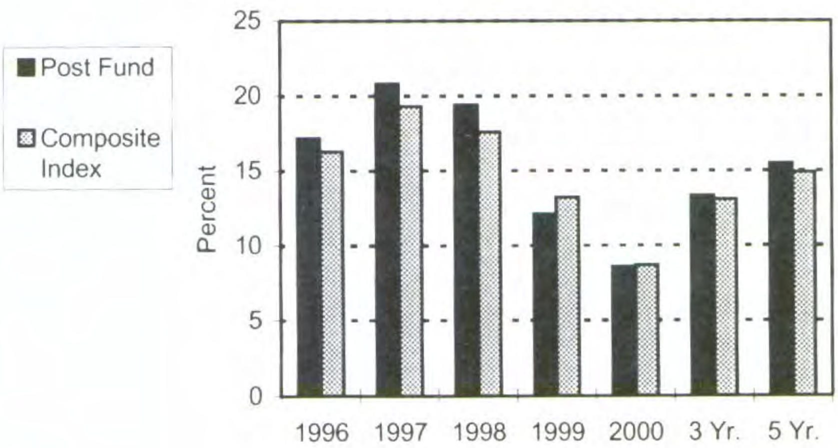
** Benefit increase granted under the previous formula.

— ***Investment component*** of 7.0% This represents a portion of the market value increase that exceeds the amount needed to cover the actuarial assumed rate of return (6.0% beginning FY98) and the inflation adjustment.

Benefit increases for the past ten years are shown in Figure 14. Prior to fiscal year 1993, the benefit increase formula was dependent on the level of excess realized income generated by the Post Fund.

More detail on the calculation for the fiscal year 2000 benefit increase is included in the **Statistical Data** section.

Figure 13. Post Fund's Performance vs. Composite Index FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	Annualized 5 Yr.
Post Fund	**17.2%**	**20.8%**	**19.4%**	**12.1%**	**8.6%**	**13.3%**	**15.5%**
Composite Index	16.3	19.3	17.6	13.2	8.7	13.1	14.9

Investment Pools

To gain greater operating efficiency, external managers are grouped into several "Investment Pools" which are segregated by asset class. The various retirement funds participate in one or more of the pools corresponding to their individual asset allocation strategies.

The Basic Retirement Funds, Post Retirement Fund and Supplemental Investment Fund share many of the same stock and bond managers. This is accomplished by grouping managers together, by asset class, into several Investment Pools. The individual funds participate in the Investment Pools by purchasing "units" which function much like shares of a mutual fund.

This investment management structure allows the State Board of Investment (SBI) to gain greater operating efficiency within asset classes and to keep management costs as low as possible for all participants.

Domestic Stock Pool

The Basic Retirement Funds have participated in the Domestic Stock Pool since its inception in January 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Growth Share Account, Common Stock Index Account, and the stock portion of the Income Share Account in the Supplemental Investment Fund have utilized a portion of the Pool.

As of June 30, 2000, the dollar value of each fund's participation in the Pool was:

Basic Funds $10.5 billion
(active, passive and semi-passive)

Post Fund $10.6 billion
(active, passive and semi-passive)

Growth Share Account $334 million
(active and semi-passive)

Common Stock Index Account $428 million
(passive)

Stock portion of the Income Share Account $401 million
(passive)

Management Structure

The SBI uses a three-part approach to the management of the Domestic Stock Pool:

— ***Active Management.*** At the end of fiscal year 2000, approximately 34% of the Domestic Stock Pool was actively managed by a group of external money managers. The assets allocated to each of eight managers ranged from $440 million to $2.0 billion.

In addition, the actively managed segment of the Pool includes five managers in the SBI's Emerging Manager Program. Emerging Managers have portfolios of $60 to $170 million which, in aggregate, gives the Emerging Manager Program about the same weight as an average single manager in the active manager program.

— ***Semi-Passive Management.*** At the end of fiscal year 2000, approximately 33% of the Domestic Stock Pool was managed by a group of three semi-passive external money managers with portfolios of approximately $2.4 billion each.

— ***Passive Management.*** At the end of fiscal year 2000, approximately 33% of the Stock Pool was managed passively by a single manager with a portfolio of $7.4 billion.

The goal of the Domestic Stock Pool is to add value to the asset class target which is the Wilshire 5000 Investable. Each active manager is expected to add incremental value over the long run relative to a customized benchmark which reflects its unique investment approach or style.

This type of active manager structure can result in misfit or style bias. "Misfit" can be defined as the difference between the aggregate benchmarks of the active managers and the asset class target. Some examples of misfit that the SBI could experience are the following:

— an over-exposure to mid and small-capitalization stocks and an under-exposure to large capitalization stocks;

— an over-exposure to growth oriented stocks and an under-exposure to value oriented stocks; or

— an over-exposure to the consumer non-durable sector and an under-exposure in the utility sector.

The SBI attempts to compensate for active manager misfit through the use of a ***completeness fund***. A "completeness fund" is so named because it is intended to fill in, or complete, any areas of market exposure that are not being covered by the aggregate benchmarks of the active managers. This strategy is designed to allow the value added by individual active managers to benefit the total Domestic Stock Pool. It should also result in a decrease in the volatility of returns for the entire Domestic Stock Pool relative to the asset class target since it negates the impact of style bias within the active manager group.

The SBI's completeness fund had been passively managed since it was first introduced in October 1990 until December 1994. During fiscal year 1995, the completeness fund moved from being entirely passively managed to a structure that was half passive/half semi-passive. At the start of fiscal year 1996, the completeness fund was allocated entirely to semi-passive management. Semi-passive approaches provide the potential to outperform the completeness fund benchmark, but also incorporate procedures that constrain the level of risk/volatility relative to the benchmark.

During fiscal year 1997, several current active managers modified their investment processes in order to increase the probability of producing value added in their portfolios. Five managers (Alliance, Forstmann, Franklin, Lincoln, and Oppenheimer) were asked to increase the level of active risk in their portfolio resulting in a reduction in the number of issues held at any one time. During fiscal year 2000, Brinson was asked to eliminate investments in small post-venture companies (about 7% of their portfolio) and to increase the active risk in their portfolio as well. In effect, these managers now hold more concentrated portfolios and make larger bets on their "best" stock ideas.

A description of each domestic stock manager's investment approach is included in the **Investment Manager Summaries** section.

FY 2000 Changes

The asset class target for the Domestic Stock Pool was changed from the Wilshire 5000 to the Wilshire 5000 Investable as of July 2000. Following Board approval, the target was also restated for fiscal year 2000. The Wilshire 5000 Investable adjusts the Wilshire 5000 for liquidity and investability constraints as well as restrictions specific to the State of Minnesota (currently tobacco) and is a quarterly buy/hold portfolio. It is a more appropriate benchmark for a large institutional investor such as the SBI.

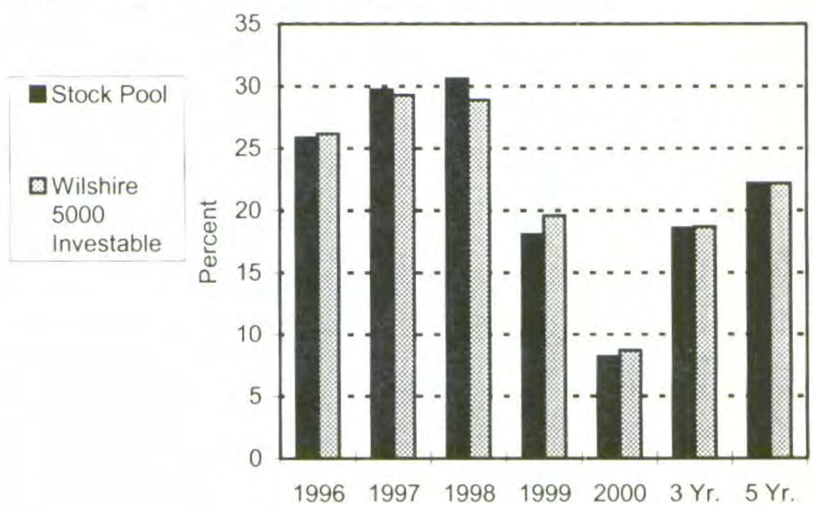
In fiscal 2000, there were several changes in the Emerging Manager Program. In July 1999, Cohen Klingenstein & Marks graduated to the Domestic Manager Program.

During June 2000, two managers (Compass Capital and Wilke/Thompson Capital) were terminated. Effective July 2000, seven new managers were hired (Artemis, Bay Isle, Earnest Partners, Holt-Smith & Yates, Next Century Growth, Peregrine Capital and Voyageur Asset Management), and the mandate for an existing manager (Winslow Capital) was transitioned from large cap to small cap.

Investment Performance

A comprehensive monitoring system has been established to ensure that the many elements of the Domestic Stock Pool conform to the SBI's investment policies. Customized performance benchmarks have been developed for each active, emerging and semi-passive stock manager. These benchmarks enable the SBI to evaluate the managers' results, both individually and in aggregate, with

Figure 15. Domestic Stock Pool Performance FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	5 Yr.
Stock Pool	**25.9%**	**29.7%**	**30.6%**	**18.1%**	**8.2%**	**18.6%**	**22.2%**
Wilshire 5000 Investable*	26.2	29.3	28.9	19.6	8.6	18.7	22.2

* Reflects Wilshire 5000 as reported prior to FY 2000.

respect to risk incurred and returns achieved.

Two primary long run ***risk objectives*** have been established for the domestic stock managers:

— ***Investment Approach.*** Each manager (active, emerging, semi-passive, or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the manager's stated investment approach. In the short run, the active stock managers may depart from their risk targets as part of their specific investment strategies.

— ***Diversification.*** The passive and semi-passive managers are expected to hold highly diversified portfolios, while each active domestic stock manager is expected to hold a less diversified portfolio.

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 2000. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of diversification that were appropriate to their respective active, semi-passive and passive approaches. The Board's ***return objectives*** for its active and semi-passive stock managers are measured against the performance of customized indices constructed to represent a manager's specific investment approach. This type of custom index is commonly referred to as a "benchmark portfolio." A benchmark portfolio takes into account the equity market forces that at times favorably or unfavorably impact certain investment styles. Thus, an individual custom benchmark is a more appropriate return target against which to judge a manager's performance than a broad market index.

Figure 16. Domestic Stock Manager Performance FY 2000

	Actual Return	Benchmark Return
Active Managers		
Alliance Capital Management	23.2%	15.6%
Brinson Partners	-20.8	12.8
Cohen Klingenstein & Marks	9.0	15.9
Forstmann Leff Associates	12.9	10.7
Franklin Portfolio Associates	8.6	2.9
GeoCapital	40.1	26.2
Lincoln Capital Management	18.6	17.4
Oppenheimer Capital	0.3	6.2
Semi-Passive Managers		
Barclays Global Investors	3.5	2.6
Franklin Portfolio Associates	1.6	2.6
J.P. Morgan Investment Mgmt.	0.5	2.6
Passive Manager		
Barclays Global Investors	9.9	9.5
Aggregate Stock Pool*	**8.2**	
Asset Class Target		
Wilshire 5000 Investable	8.6	

* Includes Emerging Manager Program, see below.

Figure 17. Emerging Manager Performance FY 2000

	Actual Return	Benchmark Return
CIC Asset Management	-17.1%	-6.0%
New Amsterdam Partners	22.1	17.5
Valenzuela Capital Partners	1.0	-0.7
Winslow Capital Management	29.6	27.6
Zevenbergen Capital	28.3	47.2

Individual active managers are expected to exceed their custom benchmark by 0.50-1.00 percentage point annualized, over time. The semi-passive managers are expected to exceed their benchmark by 0.15-0.30 percentage point, over time, and the passive manager is expected to track its index within ± 0.10 percentage point annualized, over time.

In aggregate, the Domestic Stock Pool underperformed the Wilshire 5000 Investable by 0.4 percentage point for the fiscal year. The active and semi-passive components underperformed their respective benchmarks, however the passive component outperformed its target. Relative to their aggregate benchmarks, the active manager group's underperformance was due to an overweight in value oriented stock issues and an underweight in high priced technology and internet stocks that outperformed during the first half of the fiscal year. The semi-passive managers underperformed due to an overweight in value oriented stock issues during a period when growth stocks performed well. The passive segment outperformed due to positive tracking during the year. Figure 15 provides more detail on the historical performance of the entire pool.

While the returns for the Pool slightly trailed the returns available from the domestic stock market, individual manager performance relative to their respective benchmarks was mixed. Five active managers outperformed their benchmarks while three underperformed. One of the three semi-passive managers outperformed the completeness fund benchmark and the passive manager outperformed its target, the Wilshire 5000 index. Individual manager performance for fiscal year 2000 is shown in Figure 16.

Performance data for the individual managers in the Emerging Manager Program are presented in Figure 17. The emerging managers also had mixed performance for the fiscal year. Three managers outperformed their benchmarks and two managers underperformed.

Historical information on individual manager performance and portfolio characteristics is included in the **Statistical Data** section. Section II of the Annual Report provides **Summarized Asset Listings** for each manager and the Pool in aggregate.

Bond Pool

The Basic Retirement Funds have participated in the Bond Pool since its inception in July 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Bond Market Account in the Supplemental Investment Fund has utilized portions of the Pool since July 1986.

As of June 30, 2000, the dollar value of each fund's participation in the Pool was:

Basic Funds (active and semi-passive)	$5.1 billion
Post Fund (active and semi-passive)	$6.4 billion
Bond Market Account (active and semi-passive)	$112 million

Investment Management

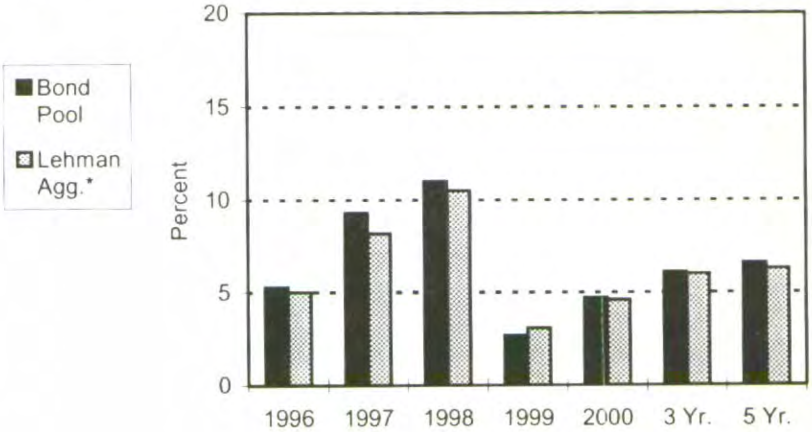
The SBI uses a two-part approach for the management of the Bond Pool:

— ***Active Management.*** No more than one-half of the Bond Pool will be actively managed. At the end of fiscal year 2000, approximately 48% of the Bond Pool was actively managed by a group of seven external money managers with portfolios of $250 million to $1.5 billion each.

— ***Semi-Passive Management.*** At least one-half of the assets allocated to the Bond Pool will be managed by semi-passive managers. At the end of fiscal year 2000, approximately 52% of the bond segment was invested by three managers with portfolios of approximately $2.0 billion each.

The group of ***active*** bond managers was selected for its blend of investment styles. Each active manager has the goal of adding incremental value to the Lehman Aggregate Bond Index by focusing on high quality fixed income securities across all sectors of the market. The managers vary, however, in the emphasis they place on interest rate anticipation and in the manner in which they approach issue selection

Figure 18. Bond Pool Performance FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	5 Yr.
Bond Pool	**5.3%**	**9.3%**	**11.0%**	**2.7%**	**4.7%**	**6.1%**	**6.6%**
Lehman Aggregate*	5.0	8.2	10.5	3.1	4.6	6.0	6.3

* Lehman Brothers Aggregate Bond Index.

and sector weighting decisions. In keeping with the objective of utilizing the Bond Pool as a deflation hedge, the active managers are restricted regarding the duration of their portfolios. This requirement is designed to prevent the total Pool from assuming an excessively short-lived position and thus, severely diluting its deflation hedge capacity. In addition, the duration restriction helps to avoid extreme variability in total returns. The SBI constrains the duration range of the active managers' portfolios to a band of plus or minus two years around the duration of the Lehman Aggregate. Semi-passive managers' portfolios are constrained to plus or minus 0.2 years around the duration of the Lehman Aggregate. The active bond managers focus on high quality (BBB or better) rated bonds. Some managers have been granted authority to invest a limited portion of their portfolios in BB and B rated dollar denominated debt or in non-dollar denominated issues. The managers use this additional authority on a tactical basis.

The goal of the ***semi-passive*** managers is to add incremental value to the Lehman Brothers Aggregate Bond Index through superior bond selection and sector allocation. The managers essentially match the duration and maturity structure of the Lehman Aggregate. Semi-passive managers seek to add value by exploiting perceived mispricings among individual securities or by making alterations in the sector weightings within the portfolio. Although the managers seek to exceed the performance of the index, the possibility exists that the semi-passive approach may slightly under-perform the target index during some periods.

A description of each bond manager's investment approach is included in the **Investment Manager Summaries** section.

Figure 19. Bond Manager Performance FY 2000

	Actual Return	Benchmark Return
Active Managers		
American Express Asset Mgmt.	4.8%	4.6%
Deutsche*	4.5	4.3
Dodge & Cox*	3.7	4.3
Metropolitan West*	1.9	4.3
Morgan Stanley	4.6	4.6
Standish, Ayer & Wood	3.0	4.6
Western Asset Management	5.6	4.6
Semi-Passive Managers		
BlackRock Financial	5.2	4.6
Goldman Sachs Asset Mgmt.	4.9	4.6
Lincoln Capital Management	4.5	4.6
Aggregate Bond Pool	**4.7**	**4.6**
Asset Class Target		
Lehman Aggregate	4.6	

* The managers were funded in February 2000.

FY 2000 Changes

During fiscal year 2000, two active managers (Credit Suisse and Investment Advisers) were terminated by the Board. The Board also hired three new active managers (Deutsche Asset Management, Dodge & Cox, and Metropolitan West). As of June 30, 2000, there are seven active and three semi-passive managers in the bond pool.

Investment Performance

The SBI constrains the ***risk*** of the active bond managers' portfolios to ensure that they fulfill their deflation hedge and total fund diversification roles. As noted earlier, the managers are restricted in terms of the duration of their portfolios and the quality of their fixed income investments. The active and semi-passive bond managers successfully fulfilled their long-term risk objectives during fiscal year 2000. The managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of quality and duration.

The ***returns*** of each of the Board's bond managers are compared to the Lehman Aggregate. Due to the broad diversification of each manager, customized benchmarks are not deemed necessary for the bond managers at this time. Individual active managers are expected to exceed the target by 0.25 percentage point annualized, over time, and each semi-passive manager is expected to exceed the target by 0.10 percentage point annualized, over time.

In aggregate, the Pool exceeded the Lehman Aggregate benchmark by 0.1 percentage point for the recent fiscal year. Relative to the benchmark, the Pool was helped by an overweighting in the corporate and mortgage sectors. The Pool's slightly longer duration relative to the benchmark also helped performance over the fiscal year.

Performance over longer periods has been positive, exceeding the benchmark by 0.1 percentage point annualized over the three-year period and 0.3 percentage point over the five year period ended June 30, 2000. In general, the decision to hold portfolios with a modestly longer duration than the benchmark, overweight spread sectors and underweight treasuries accounted for the outperformance over the longer term.

The relative performance of the active managers retained by the Board over the entire fiscal year was mixed; two of the active managers exceeded the benchmark, one matched the benchmark, while one lagged the benchmark. Two of the three semi-passive managers added value during fiscal year 2000, while one lagged the benchmark.

Figure 18 shows historical performance for the entire Pool. Individual manager performance for fiscal year 2000 is shown in Figure 19.

Historical information on individual manager performance and portfolio characteristics is included in the **Statistical Data** section. Section II of this report provides **Summarized Asset Listings** for each manager and the Pool in aggregate.

International Stock Pool

The SBI began its international stock program in October 1992. The Basic Retirement Funds have participated in the International Stock Pool since its inception. The Post Retirement Fund began utilizing the Pool in October 1993. The International Share Account in the Supplemental Investment Fund has participated in the Pool since September 1994.

On June 30, 2000, the dollar value of each fund's participation in the International Stock Pool was:

Basic Funds (active and passive)	\$3.0 billion
Post Fund (active and passive)	\$2.9 billion
International Share Account (active and passive)	\$51 million

Management Structure

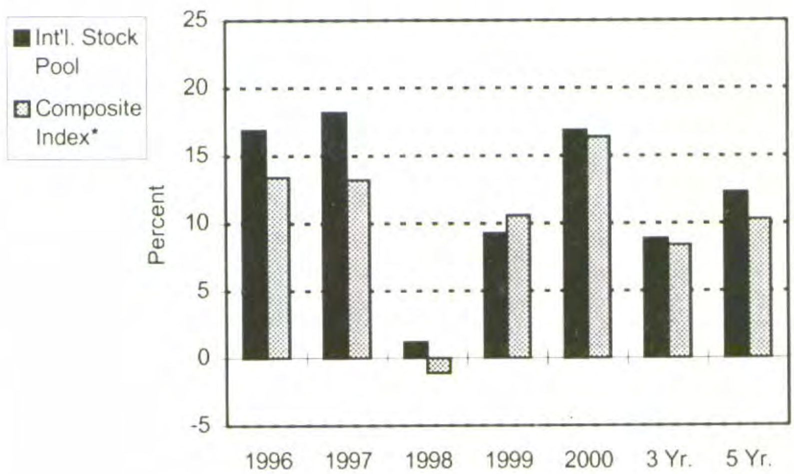
The SBI uses a two part approach to the management structure of the International Stock Pool:

— ***Active Management.*** The target is to have at least one-third of the International Stock Pool managed actively. At the end of fiscal year 2000, approximately 66% of the Pool was actively managed by a group of 11 external managers with portfolios ranging from \$70 to \$700 million each. Eight of these managers manage portfolios in the developed markets and three manage portfolios in the emerging markets.

— ***Passive Management.*** The target is to have at least one-third of the International Stock Pool managed passively. At the end of fiscal year 2000, approximately 34% of the International Stock Pool was passively managed by a single manager.

As of July 1, 1999, the SBI began using the combined market capitalization weights of the Morgan Stanley Capital International (MSCI) index of Europe, Australasia and the Far East Free (EAFE Free) and the MSCI Emerging Markets Free index as target weights for the developed versus emerging markets within the International Stock Portfolio. Eight

Figure 20. International Stock Pool Performance FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	Annualized 5 Yr.
Int'l. Stock Pool	**16.9%**	**18.2%**	**1.2%**	**9.3%**	**16.9%**	**8.9%**	**12.3%**
Composite Index*	13.4	13.2	-1.1	10.6	16.4	8.4	10.3

* EAFE Free through 4/31/96. Composite of EAFE-Free and Emerging Markets Free since 5/1/96.

of the ***active*** managers invest entirely in developed markets, and use a variety of investment approaches in an effort to maximize value added to the EAFE Free index, over time. These managers address currency management as part of their investment process. Their views on currency may be factored into their country and security selection, or they may explicitly hedge currency exposure on an opportunistic basis. Three of the 11 active managers invest entirely in emerging markets. They are expected to add incremental value, over time, relative to the MCSI Emerging Markets Free index of markets in developing countries throughout the world.

The ***passive*** manager in the International Stock Pool designs its portfolio to consistently and inexpensively track the EAFE Free index. A portion of the currency exposure of the index fund was managed in a dynamic hedging program designed to avoid currency losses during periods of US dollar strength. The ***currency overlay*** program was terminated as of December 1999.

A description of each international stock manager's investment approach is included in the **Investment Manager Summaries** section.

Figure 21. International Manager Performance FY 2000

	Actual Return	Benchmark
Active Managers: Developed Markets		
American Express*	-4.0%	-0.2%
Blairlogie*	-0.4	-0.2
Brinson Partners	19.5	17.1
Invesco*	4.0	-0.2
Marathon Asset Management**	18.4	15.6
Montgomery*	-10.2	-0.2
T. Rowe Price International, Inc.	25.7	17.1
Scudder Kemper Investments	23.5	17.1
Active Managers: Emerging Markets		
City of London Investment Management	2.0	9.5
Genesis Asset Managers International	8.5	9.5
Montgomery Asset Management	20.7	9.5
Passive EAFE Manager		
State Street Global Advisors	17.5	17.1
Equity Only Aggregate	**17.1**	
Aggregate International Pool* **	**16.9**	
Asset Class Target ******	16.4	

* New managers retained in February 2000.

** Marathon's performance is measured against a custom benchmark since inception.

*** Includes impact of currency overlay gain/loss. During fiscal year 2000, Record Treasury Management detracted 0.2% from the total program.

**** The asset class target is comprised of the EAFE Free and Emerging Markets Free (EMF) indices. The weighting of each index fluctuates with changes in market capitalization.

FY 2000 Changes

During fiscal year 2000, the Board terminated the currency overlay program and hired four active developed market managers: American Express Asset Management, Blairlogie Capital Management, INVESCO Global Asset Management, and Montgomery Asset Management.

Investment Performance

Similar to the Domestic Stock Pool, two long term ***risk objectives*** have been established for the international stock managers:

— ***Investment Approach***. Each manager (active or passive) is expected to hold a portfolio that is consistent with the manager's stated investment approach.

— ***Diversification***. While the index manager is expected to hold a well diversified portfolio which closely tracks its target index, each active manager is expected to hold a less diversified portfolio.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 2000. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

The Board's ***return objectives*** for the international stock program are stated relative to the Morgan Stanley Capital International (MSCI) indices. The indices are capitalization weighted and measured in U.S. dollar terms, with currencies unhedged.

Individual active managers are expected to exceed their index by at least 1.00 percentage point annualized, over time, and the index manager is expected to track its index by ±0.50 percentage point, annually. The currency overlay program had been expected to add value to the passively managed portion of the pool in periods when the US dollar strengthened relative to major currencies. The actual value added by the currency overlay program was correlated to the US dollar's rise in any given period.

Performance results for the International Stock Pool are shown in Figure 20, (on page 20). In aggregate, the Pool outperformed the target for the year by 0.5 percentage point.

Performance over the last three and five year periods exceeded the benchmark by 0.5 and 2.0 percentage points annualized, respectively.

Individual manager performance during fiscal year 2000 is shown in Figure 21. The fiscal year proved to be a period of significant market volatility driven by high valuations in the first half of the fiscal year in technology and telecommunications, followed by a significant market correction in technology in the second half of the fiscal year. The relative performance of the four developed market managers retained by the Board for the entire year was highly favorable. These four active EAFE managers outperformed the EAFE Free index, which returned 17.1% for the year. Only one of the three emerging market managers outperformed the MSCI Emerging Markets Free index, which returned 9.5% for the year. The passively managed portion of the program exceeded the EAFE Free index by 0.4 percentage point for the year. The currency overlay program slightly detracted from returns of the International Stock Pool.

More information on the performance and portfolio composition of individual managers is included in the **Statistical Data** section. Section II of this report provides **Summarized Asset Listings** for each manager and the Pool in aggregate.

Alternative Investment Pools

Like the stock and bond segments, alternative assets (private equity, real estate and resource fund investments) are also managed on a pooled basis. However, due to the nature of these investments, separate pools have been established for the Basic and Post Retirement Funds and each fund owns 100% of the assets in its respective pool.

Statutory Constraints

The statutory constraints regarding the SBI's investments to alternative assets are the same in both the Basic and Post Funds:

— ***Real Estate.*** State statutes authorize investments in real estate through commingled funds, limited partnerships and trusts, including real estate investment trusts (REIT's). Regardless of its form, each investment must involve at least four other participants and the SBI's investment may not exceed 20% of a given investment.

— ***Private Equity.*** By law, the SBI is authorized to invest in private equity through limited partnerships and corporations. As with real estate investments, each private equity investment must involve at least four other investors, and the Board's investment may not exceed 20% of a particular partnership or corporation.

— ***Resource Funds.*** The SBI invests in oil and gas partnerships specifically structured for pension funds and other tax-exempt investors. As with real estate and private equity investments, there must be four other investors and the Board may invest no more than 20% of a partnership's total capital.

Alternative Investments Basic Funds

The Basic Retirement Funds began making investments in alternative assets in the early 1980's. Given their long investment time horizon, the Basic Funds are especially well suited to alternative investments that are equity oriented and focus on long-term capital gains. As a result, up to 15% of the Basic Retirement Funds are targeted for alternative investments at market value, and up to 20% at market value plus unfunded commitments. A breakdown of the segment is shown in Figure 22. As of June 30, 2000, the market value of current alternative investments was $2.4 billion, or 11.3% of the Basic Funds.

Descriptions of each of the Basic Funds' alternative investments are included in the **Investment Manager Summaries** section.

Real Estate Pool

By investing in several open-end and closed-end commingled funds, the Basic Funds have created a large core portfolio of real estate that is broadly diversified by property type, location and financing structure. The core portfolio is expected to earn at least real estate market returns.

The broad diversification of the core portfolio enables the SBI to select less diversified, special orientation managers for the remaining portion of the real estate segment. With their more focused approach to real estate management, these funds offer the ability to enhance the return earned by the core portfolio.

Prospective real estate managers are reviewed and selected based on the manager's experience, investment strategy and performance history.

During fiscal year 2000, the SBI continued to review real estate investments for possible inclusion in the pool.

Private Equity Pool

The Basic Funds maintain a private equity portfolio that is broadly diversified across three dimensions: location, industry type and stage of development of individual portfolio companies. Prospective private equity managers are reviewed and selected based, primarily, on the manager's experience, investment strategy, diversification potential and performance history.

During fiscal year 2000, the Board approved and closed on commitments with Vestar Capital Partners IV, Crescendo Ventures IV, GTCR Golder Rauner Fund VII, Welsh Carson Anderson Stowe IX, and Fox Paine Capital II. The SBI will continue to review and add new private equity investments, as attractive opportunities are identified, to replenish commitments that will expire within the next five years.

Resource Fund Pool

The oil and gas partnerships in the Basic Retirement Funds concentrate their investments in producing properties and oil service interests that are diversified geographically and/or geologically. Resource investments are selected based on the manager's experience, investment strategy and performance history.

During fiscal year 2000, the SBI continued to review resource investments for possible inclusion in the Pool.

Investment Performance

The SBI reviews performance of its ***real estate*** investments relative to inflation, as measured by changes in the Consumer Price Index (CPI).

During fiscal year 2000, the SBI's real estate pool exceeded the rate of inflation (SBI real estate 9.2%; CPI 3.7%). Comparisons over the last five years show that the real estate pool exceeded the rate of inflation (SBI real estate 12.9% annualized; CPI 2.5% annualized).

The SBI's ***private equity*** pool provided a 43.1% return in fiscal year 2000 and 30.9% annualized over the last five years. The ***resource*** (oil and gas) pool returns are 27.8% for the year and 12.3% annualized over the last five years.

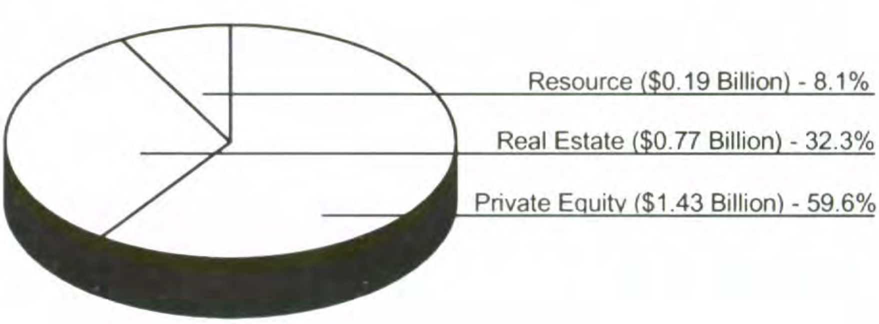
At this time, benchmarks have not been established for the private equity and resource fund managers. The long-term nature of these investments and the lack of comprehensive data on the returns provided by the resource and private equity markets preclude comprehensive performance evaluation. In the future, as markets for these asset classes become more institutionalized, the SBI hopes to integrate appropriate performance standards for these assets into its performance analysis.

Alternative Investments Post Fund

The Post Retirement Fund made its first commitment to alternative assets during fiscal year 1994. The Post Fund has a somewhat shorter investment time horizon than the Basic Funds and therefore is best suited to investments that will generate a fairly high level of current income. The Board has allocated up to 5% of the Post Retirement Fund to yield-oriented alternative investments at market value, and up to 10% at market value plus unfunded commitments. As of June 30, 2000, the market value of the Post Fund's alternative investments was $389 million, 1.9% of the Post Fund.

Descriptions of each of the Post Fund's alternative investments are included in the **Investment Manager Summaries** section. ***Yield-oriented investments*** (e.g. business loan participations, mortgage loan

Figure 22. Basic Funds' Alternative Investments as of June 30, 2000



Note: Percentages may differ slightly due to rounding of values.

participations, and income producing private placements) provide additional vehicles to obtain both higher yield and long-term capital appreciation.

Typically, these investments are structured more like fixed income securities with an opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity component, they display a return pattern more like a bond. As such, they will help to reduce the volatility of the total portfolio, but should also provide the opportunity to generate higher returns relative to bonds.

During fiscal year 2000, the Board approved and closed on five yield-oriented commitments for the Post Fund: Citicorp Mezzanine Partners III, Windjammer Mezzanine and Equity II, DLJ Investment Partners II, GS Mezzanine Partners II, and Merit Energy Fund D. The SBI will continue to review additional investments for the Post Fund in order to move closer to the market value allocation target in future years.

The SBI's yield-oriented investments provided a 13.8% return for the year and 13.3% annualized return over the last five years.

A listing of individual investment funds can be found in the **Statistical Data** Section.

Supplemental Investment Fund

The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The Fund serves approximately 45,000 individuals who participate in defined contribution or supplemental retirement savings plans. On June 30, 2000, the market value of the entire Fund was $1.76 billion.

The different participating groups use the Supplemental Fund for a variety of purposes:

— It functions as the sole investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan and Hennepin County Supplemental Retirement Plan.

— It is one of the investment vehicles offered to public employees as part of the State's Deferred Compensation Plan, as well as the Individual Retirement Account Plan and College Supplemental Retirement Plan offered by Minnesota State Colleges and Universities (MnSCU).

— It serves as an external money manager for a portion of some local police and firefighter retirement plans.

Fund Structure

A wide diversity of investment goals exists among the Supplemental Fund's participants. In order to meet those needs, the Supplemental Fund has been structured much like a "family of mutual funds." Participants may allocate their investments among one or more accounts that are appropriate for their needs, within statutory requirements and rules established by the participating organizations.

Participation in the Supplemental Fund is accomplished through the purchase or sale of shares in each account.

Fund Management

The Supplemental Fund offers seven different investment options (See Figure 23). The objectives, asset allocation, management and performance of each account in the Fund are explained in the following sections.

Share Values

Each account in the Supplemental Fund establishes a share value and participants may buy or sell shares monthly, based on the most recent share value.

In the Income Share Account, the Growth Share Account, the Common Stock Index Account, the International Share Account and the Bond Market Account, shares are priced monthly based on the market value of each account. Individuals measure the performance of these accounts by changes in share values, which in turn are a function of the income and capital appreciation (or depreciation) generated by the securities in the accounts.

In the Money Market Account and the Fixed Interest Account, share values remain constant and the accrued interest income is credited to the accounts through the purchase of additional shares at predetermined intervals.

Figure 23. Accounts in the Supplemental Investment Fund

Income Share	a balanced portfolio of U.S. common stock, fixed income, and cash.
Growth Share	an actively managed portfolio of U.S. common stocks.
Common Stock Index	a passively managed portfolio of U.S. common stocks.
International Share	a portfolio of both actively and passively managed non U.S. stocks.
Bond Market	a portfolio of both actively and semi-passively managed fixed income securities.
Money Market	a portfolio of short-term, liquid debt securities.
Fixed Interest	a portfolio of guaranteed investment contracts (GIC's) and GIC type investments which offer a fixed rate of return for a specified period of time.

Supplemental Investment Fund

The investment returns shown in this report are calculated using a time-weighted rate of return formula. *These returns are net of investment management fees and transaction costs. They do not, however, reflect any administrative expenses deducted by the retirement systems to defray their own administrative costs.*

The distribution of assets in the Supplemental Investment Fund as of June 30, 2000 are shown by Account in Figure 24 and by Plan in Figure 25.

Figure 24. Composition by Account as of June 30, 2000

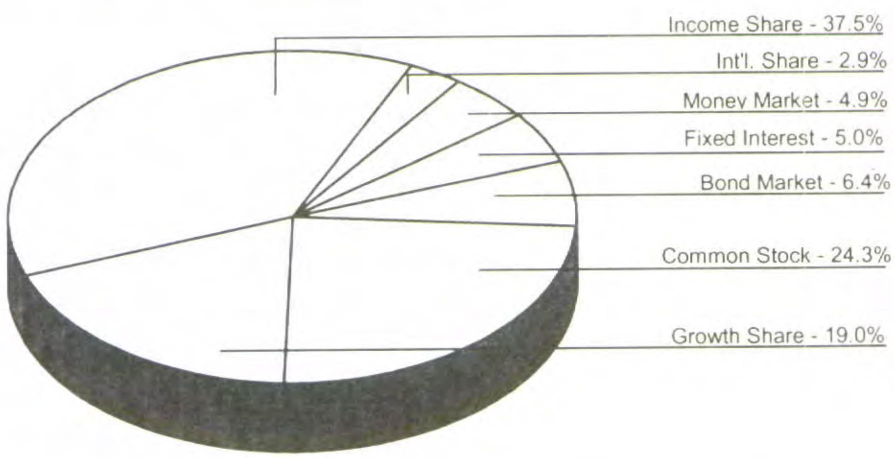
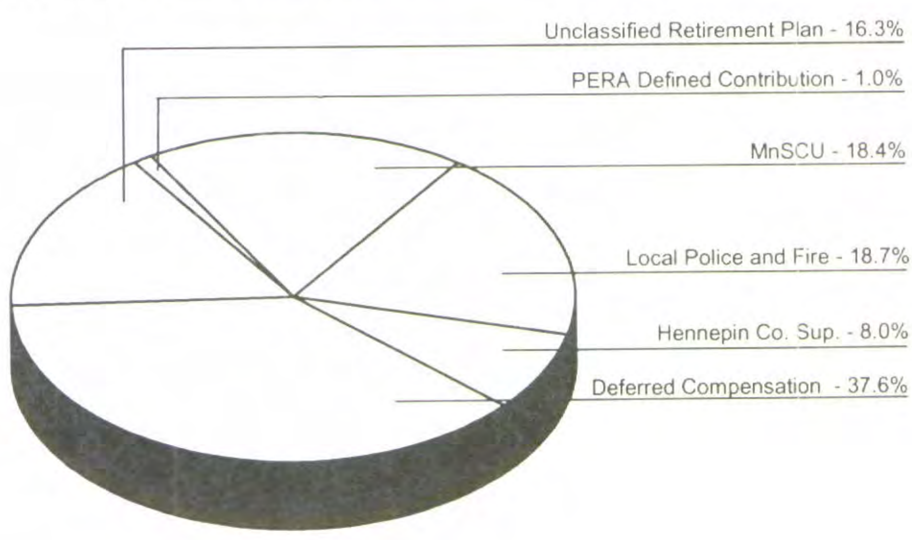


Figure 25. Participation by Plan as of June 30, 2000



Income Share Account

Objective

The Income Share Account resembles the Basic and Post Retirement Funds in terms of investment objectives. The Account seeks to maximize long-term inflation-adjusted rates of return. The Income Share Account pursues this objective within the constraints of protecting against adverse financial environments and limiting short run portfolio return volatility.

The SBI invests the Income Share Account in a balanced portfolio of common stocks and fixed income securities with the following long-term asset mix: 60% domestic common stocks, 35% bonds, 5% cash equivalents.

Domestic common stocks provide the potential for significant long-term capital appreciation, while bonds provide both a hedge against deflation and the diversification needed to limit excessive portfolio return volatility.

At the close of fiscal year 2000, the value of the Income Share Account was $662 million.

Management

The Income Share Account's investment management structure combines internal and external management. SBI staff manage the fixed income segment. The common stock segment is managed externally as part of a passively managed index fund designed to track the Wilshire 5000. The manager for this portion of the Account is Barclays Global Investors.

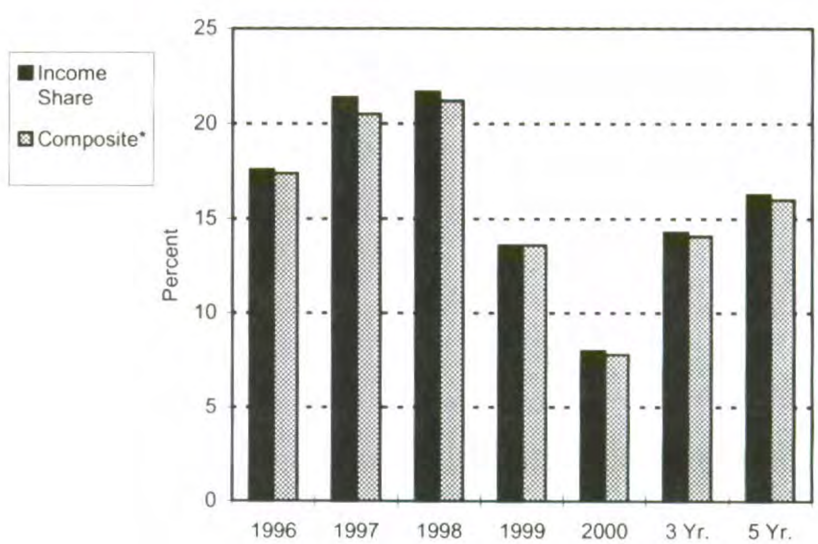
Performance

Similar to the other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— ***Total Account.*** The Income Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long term asset allocation.

— ***Individual Manager.*** The passive stock manager is expected to track closely the performance of the Wilshire 5000. The internal bond manager for the Account is expected to exceed the performance of the Lehman Brothers Aggregate Bond Index. The Income Share Account provided a return of 8.0% for fiscal year 2000, exceeding its composite index by 0.2 percentage point. Over the most recent five years, the Income Share Account has exceeded its composite by 0.3 percentage point. Figure 26 shows a five year history of performance results.

Figure 26. Income Share Account FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	Annualized 5 Yr.
Income Share	**17.6%**	**21.4%**	**21.7%**	**13.6%**	**8.0%**	**14.3%**	**16.3%**
Composite*	17.4	20.5	21.2	13.6	7.8	14.1	16.0

*60% Wilshire 5000/35% Lehman Brothers Aggregate Bond Index/ 5% 3 Month T-Bill Composite.

Growth Share Account

Objective

The investment objective of the Growth Share Account is to generate high returns from capital appreciation. To achieve this objective, the Account is invested primarily in U.S common stock.

At the close of fiscal year 2000, the value of the Growth Share Account was $334 million.

Management

The assets of the Growth Share Account are invested by the external active and semi-passive domestic equity managers. This allocation reflects a more aggressive investment than is available through passive management. Since July 1997, these assets have been managed by the same active and semi-passive managers utilized by the Basic and Post Retirement Funds in the Domestic Stock Pool. (Prior to July 1997, the Account used only active managers.) The Account may hold a small amount of cash that represents new contributions received prior to their investment in the market and cash that may be held by the individual managers in the Account.

Performance

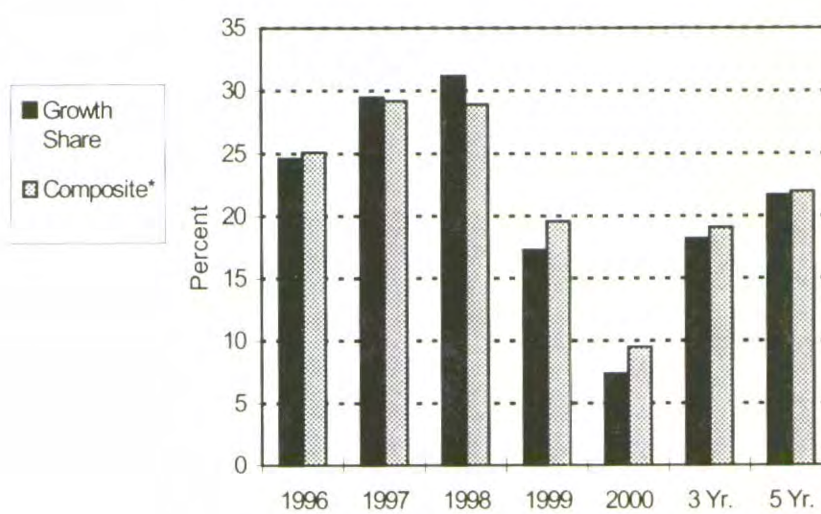
Like the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

— ***Total Account.*** The Growth Share Account is expected to exceed the returns of the Wilshire 5000 Investable, which adjusts the Wilshire 5000 for liquidity and investability constraints as well as restrictions specific to the State of Minnesota (currently tobacco). It is a quarterly buy and hold portfolio.

— ***Individual Manager.*** Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The Growth Share Account provided a return of 7.4% for the fiscal year, underperforming its composite index by 1.2 percentage points. Individual manager performance relative to their benchmarks was mixed. See the discussion starting on page 15 concerning the Domestic Stock Pool. Over the last five year period, the Account has underperformed by 0.3 percentage point annually. A five year history of performance results is shown in Figure 27.

Figure 27. Growth Share Account FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	5 Yr.
Growth Share	**24.6%**	**29.5%**	**31.2%**	**17.3%**	**7.4%**	**18.2%**	**21.7%**
Composite*	25.1	29.2	28.9	19.6	8.6	18.7	22.0

* 95% Wilshire 5000/5% T-Bill Composite through October 1996; 100% Wilshire 5000 from November 1996 through June 1999; and Wilshire 5000 Investable since July 1, 1999.

Common Stock Index Account

Objective

The investment objective of the Common Stock Index Account is to generate returns that track the performance of the entire U.S. common stock market as represented by the Wilshire 5000. To accomplish this objective, the SBI allocates all of the assets of the Common Stock Index Account to passively managed domestic stocks. At the end of fiscal year 2000, the Account had a market value of $428 million.

Management

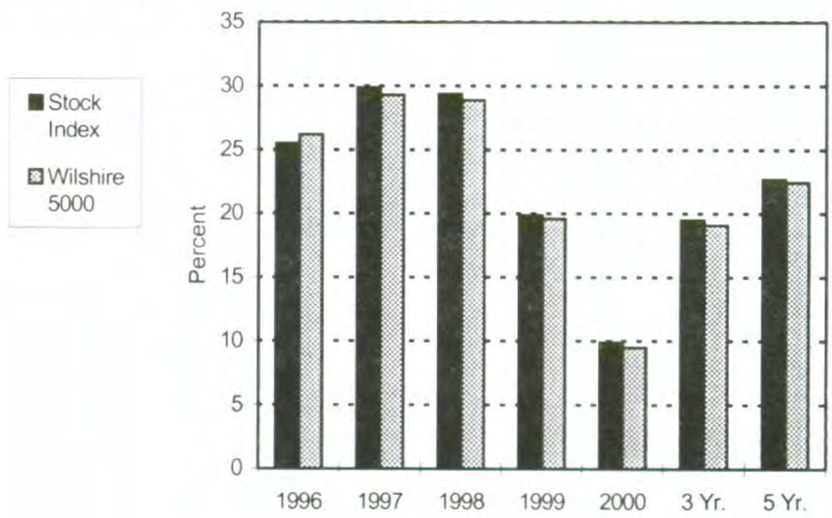
The Account participates in the passive portfolio of the Domestic Stock Pool, which is managed by Barclays Global Investors.

Performance

The performance objective of the Common Stock Index Account is to track the performance of the Wilshire 5000. The SBI recognizes that the Account's returns may deviate slightly from those of the Wilshire 5000 due to the effects of management fees, timing of new contributions and tracking error.

During fiscal year 2000, the Common Stock Index Account produced a return of 9.9%, which was 0.4 percentage point above the Wilshire 5000. Over the most recent three and five year periods, the Account has outperformed the index by 0.4 and 0.2 percentage point respectively. Total Account results for the last five years are shown in Figure 28.

Figure 28. Common Stock Index Account FY 1996-2000



						Annualized	
	1996	**1997**	**1998**	**1999**	**2000**	**3 Yr.**	**5 Yr.**
Stock Index	**25.5%**	**29.9%**	**29.4%**	**19.9%**	**9.9%**	**19.5%**	**22.7%**
Wilshire 5000	26.2	29.3	28.9	19.6	9.5	19.1	22.5

International Share Account

Objective

The investment objective of the International Share Account is to earn a high rate of return by investing in the stock of companies outside the U.S.

Typically, a majority of the Account is invested in the five largest international markets (United Kingdom, Japan, Germany, France and Switzerland). Most of the remainder is invested in other well established markets in Canada, Europe and the Pacific region. In addition, a portion of the Account is invested in developing countries or "emerging markets" around the world including those in Latin America, Asia and Africa. At the end of fiscal year 2000, the Account had a market value of $51 million.

Management

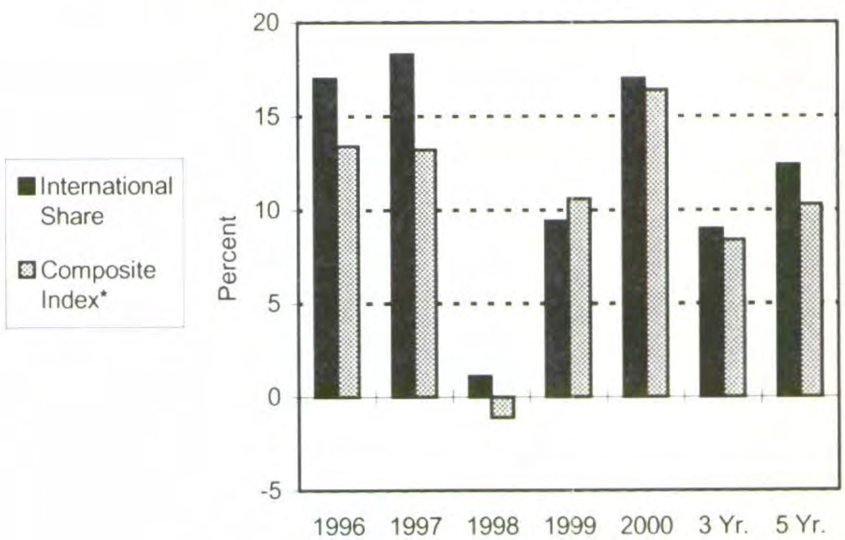
The structure of the International Share Account combines both active and passive management. Approximately one third of the Account is passively managed and is designed to consistently and inexpensively track the return of the Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE Free). The remainder of the Account is actively managed by a group of international stock managers who buy and sell stocks in an attempt to maximize market value. The Account uses the same active, passive, and currency overlay managers utilized by the Basic and Post Retirement Funds in the International Stock Pool.

Performance

The International Share Account is expected to exceed the performance of a composite of international indices. During fiscal year 2000, the International Share Account produced a return of 17.0%, which was 0.6 percentage point above its composite index. Over the most recent three and five year periods, the international share account has exceeded its composite index by 0.6 and 2.1 percentage points, respectively.

See the discussion on performance of the international managers beginning on page 20. Total Account results since its inception are shown in Figure 29.

Figure 29. International Share Account FY 1996-2000



						Annualized	
	1996	**1997**	**1998**	**1999**	**2000**	**3 Yr.**	**5 Yr.**
International Share	**17.0%**	**18.2%**	**1.1%**	**9.4%**	**17.0%**	**9.0%**	**12.4%**
Composite Index*	13.4	13.2	-1.1	10.6	16.4	8.4	10.3

*EAFE Free through 4/31/96; composite of EAFE-Free and Emerging Markets Free since 5/1/96.

Bond Market Account

Objective

The objective of the Bond Market Account is to earn above market returns from fixed income securities. The Account is invested primarily in investment-grade government bonds, corporate bonds and mortgage securities with intermediate to long maturities. As such, it is a more conservative investment alternative than the accounts described in the previous sections. At the end of fiscal year 2000, the market value of the Account was $112 million.

The Account earns investment returns through interest income and capital appreciation. Because bond prices move inversely with interest rates, the Account entails some risk for investors. However, historically, it represents a lower risk alternative than the investment options that include common stocks.

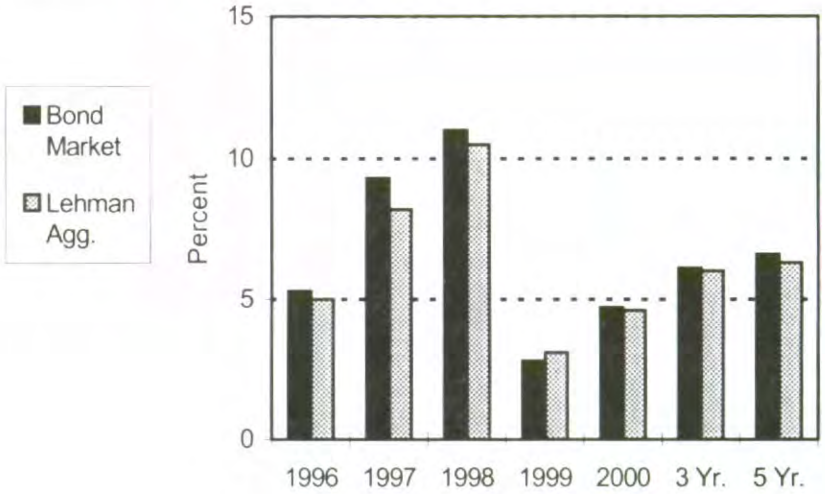
Management

The Bond Market Account invests in the Bond Pool utilized by the Basic and Post Funds. Since July 1997, the structure of the account has included active and semi-passive managers. (Prior to July 1997, the Bond Market Account used only active managers.)

Performance

The Bond Market Account is expected to exceed the performance of the bond market, as represented by the Lehman Brothers Aggregate Bond Index. For fiscal year 2000, the Account outperformed by 0.1 percentage point. For the most recent three and five year periods, the Account has outperformed by 0.1 and 0.3 percentage point annualized. See the discussion regarding bond manager performance on page 18. Total Account results for the last five years are shown in Figure 30.

Figure 30. Bond Market Account FY 1996-2000



						Annualized	
	1996	**1997**	**1998**	**1999**	**2000**	**3 Yr.**	**5 Yr.**
Bond Market	**5.3%**	**9.3%**	**11.0%**	**2.8%**	**4.7%**	**6.1%**	**6.6%**
Lehman Aggregate	5.0	8.2	10.5	3.1	4.6	6.0	6.3

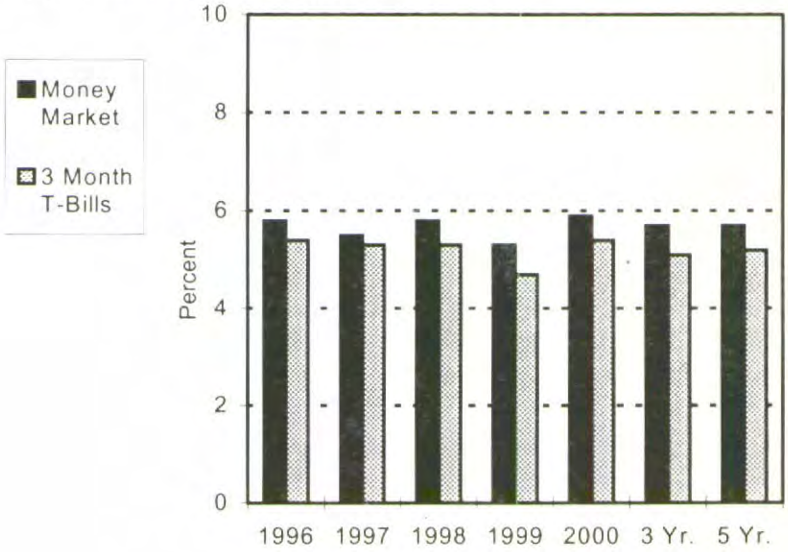
Money Market Account

Objective
The Money Market Account invests solely in short-term, liquid debt securities. The Account's investment objectives are to preserve capital and offer competitive money market returns. At the end of fiscal year 2000, the Money Market Account had a market value of $87 million.

Management
The Account utilizes the same cash manager as the Basic and Post Retirement Funds, which is State Street Bank & Trust Company.

Performance
The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account exceeded that target in fiscal year 2000 with a 5.9% return versus a 5.4% return for the 3 Month Treasury Bill. Total account results for prior years are shown in Figure 31.

Figure 31. Money Market Account FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	Annualized 5 Yr.
Money Market	**5.8%**	**5.5%**	**5.8%**	**5.3%**	**5.9%**	**5.7%**	**5.7%**
3 Month T-Bills	5.4	5.3	5.3	4.7	5.4	5.1	5.2

Fixed Interest Account

Objective
The investment objectives of the Fixed Interest Account are to protect investors from loss of their original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market account. At the end of fiscal year 2000, the Account totaled $88 million.

Management
The assets in the Account are invested primarily in stable value instruments which are guaranteed investment contracts (GIC's) and GIC-type investments offered by major U.S. insurance companies and banks with varying maturities, typically 3 to 5 years. The assets also may be invested in comparable investments offered by non-U.S. financial institutions. The interest rate credited changes monthly and reflects the blended interest rate available from all investments in the pool each month along with any cash held for liquidity purposes.

The manager for the Account is Galliard Capital Management, a unit of Wells Fargo Bank. Galliard has managed the Account since November 1994.

Performance results for the Fixed Interest Account are shown in Figure 32.

Figure 32. Fixed Interest Account

1996	6.7%
1997	6.6
1998	6.5
1999	6.3
2000	6.2
	Annualized
3 Yr.	6.3%
5 Yr.	6.5

Assigned Risk Plan

The Minnesota Workers Compensation Assigned Risk Plan was established in 1983 to provide workers' compensation coverage to Minnesota employers rejected by a private insurance carrier. On June 30, 2000, the market value of the Plan's portfolio was $756 million.

The Assigned Risk Plan operates as a non-profit, tax-exempt entity and is administered by the Department of Commerce. The Plan provides disability income, medical expenses, retraining expenses and death benefits, with payments being made either periodically or in lump sum.

Investment Objectives

The SBI recognizes that the Assigned Risk Plan has limited tolerance for risk due to erratic cash flows, no allowance for surplus, and generally short duration liabilities.

Therefore, the SBI has established two investment objectives for the Plan:

— to minimize mismatch between assets and liabilities

— to provide sufficient liquidity (cash) for payment of on-going claims and operating expenses

Performance relative to these objectives is measured against a composite index that reflects the asset allocation of the portfolio.

Asset Allocation

The SBI believes that due to the uncertainty of premium and liability cash flows, the Plan should be invested very conservatively.

The ***bond*** segment is invested to fund the shorter-term liabilities (less than 10 years) and the common stock segment is invested to fund the longer-term liabilities. This creates a high fixed income allocation which minimizes the possibility of a future fund deficit. The smaller ***stock*** exposure provides higher expected returns and hedges some of the inflation risk associated with the liability stream.

The actual asset mix will fluctuate in response to changes in the liability stream projected by the Plan's actuary and further analysis by the SBI staff.

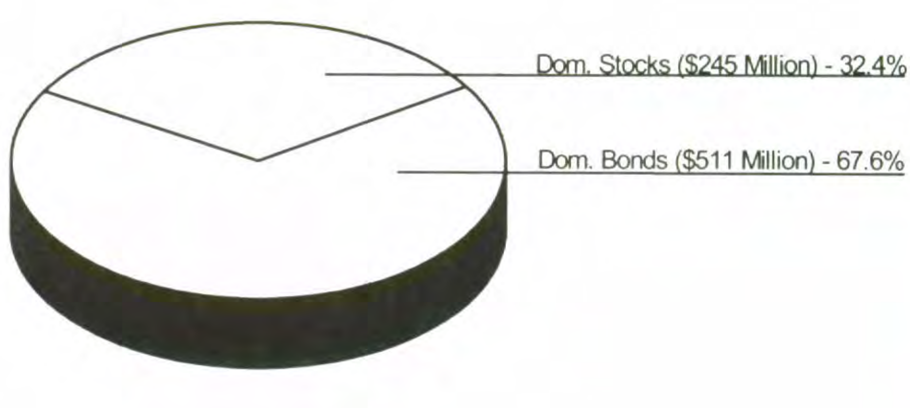
Figure 33 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 2000. The current long term asset allocation targets for the Fund are as follows:

Domestic Stocks	20%
Domestic Bonds	80

Investment Management

Voyageur Asset Management manages the bond segment of the Assigned Risk Plan, and GE Investment Management manages the equity segment of the Plan.

Figure 33. Assigned Risk Plan Asset Mix as of June 30, 2000



Assigned Risk Plan

Bond Segment

The bond segment is designed to fund the shorter-term liabilities of the Plan with a target duration of 3 years. The segment is actively managed to add incremental value through sector, security and yield curve decisions.

Stock Segment

The stock segment is structured to fund the longer-term liabilities of the Plan. Currently, the equity segment is semi-passively managed with a broadly diversified portfolio of high quality, large capitalization companies. Prior to fiscal year 1995, the stock segment was actively managed.

Investment Performance

Due to the focus on liability matching, the composition of the Assigned Risk Plan's investment portfolio is conservatively structured. While active management is utilized, return enhancement plays a secondary role.

The Assigned Risk Plan is measured against a composite index which is weighted to reflect the asset allocation of the Plan:

— the target for the equity component is the S&P 500.

— the target for the fixed income component is a custom benchmark which reflects the duration target established for the bond segment (approximately 3 years) as well as the manager's suggested sector allocation.

During fiscal year 2000, the ***bond*** segment underperformed its benchmark by 0.6 percentage point. The ***stock*** segment underperformed its benchmark by 0.2 percentage point.

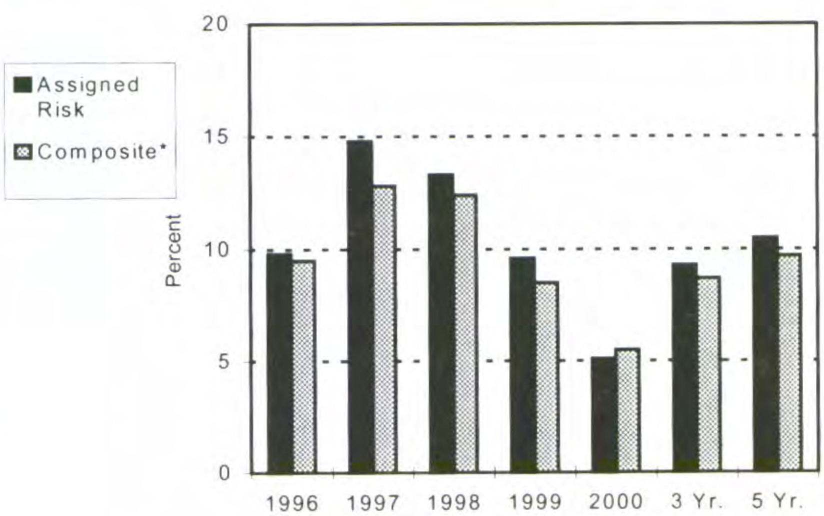
Overall, the Assigned Risk Plan provided a return of 5.1% for fiscal year 2000, underperforming its composite index by 0.4 percentage point. The stock segment was overweighted during much of the year. Due to the underperformance of stocks and bonds, the total fund underperformed its composite index for the period.

Over the last five years, the total portfolio has outperformed its composite index by 0.8 percentage point, annualized. The outperformance was attributable to the portfolio's overweighting in stocks in the last four fiscal years.

Historical performance results are presented in Figure 34.

Legislation approved during the 2000 session required the transfer of $435 million of surplus assets from the Workers Compensation Assigned Risk Plan, effective July 2000.

Figure 34 Assigned Risk Plan Performance FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	5 Yr.
Assigned Risk	**9.8%**	**14.8%**	**13.3%**	**9.6%**	**5.1%**	**9.3%**	**10.5%**
Composite Index*	9.5	12.8	12.4	8.5	5.5	8.7	9.7
Stock Segment	**25.2**	**34.4**	**28.9**	**23.7**	**7.0**	**19.5**	**23.5**
S&P 500	26.0	34.7	30.2	22.8	7.2	19.7	23.8
Bond Segment	**5.4**	**7.8**	**8.4**	**4.2**	**4.2**	**5.6**	**6.0**
Benchmark	5.6	7.7	8.1	4.7	4.8	5.8	6.2

*Weighted 20% stocks, 80% bonds.

Permanent School Fund

The Permanent School Fund is a trust fund created by the Minnesota State Constitution and designated as a long-term source of revenue for public schools. Proceeds from land sales, mining royalties, timber sales, lake shore and other leases are invested in the Fund. Income generated by the Fund's assets is used to offset state school aid payments. On June 30, 2000, the market value of the Fund was $579 million.

Investment Objective

The State Board of Investment (SBI) invests the Permanent School Fund to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity that will assist in offsetting state expenditures on school aid.

Investment Constraints

The Fund's investment objectives are influenced by the legal provisions under which its investments must be managed. These provisions require that the Fund's principal remain inviolate. Any net realized capital gains from stock or bond investments must be added to the principal. Moreover, if the Fund realizes net capital losses, these losses must be offset against interest and dividend income before such income can be distributed. Finally, all interest and dividend income must be distributed in the year in which it is earned.

Asset Allocation

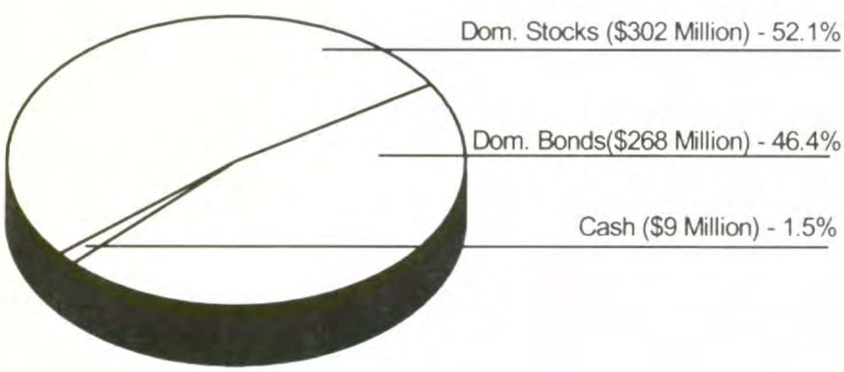
Prior to FY 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, over time.

To solve both issues, a proposal to introduce equities to the Fund's asset mix was discussed. Since this modification would reduce short term income and have budgetary implications for the state, the consent of the executive and legislative branches was necessary.

A proposal to introduce equities was presented during fiscal year 1997. It was favorably received by the Legislature and incorporated into the K-12 education finance bill. As a result, the Fund allocation was shifted to a 50% stock/48% fixed income/2% cash allocation during July 1997.

Figure 35 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 2000.

Figure 35. Permanent School Fund Asset Mix as of June 30, 2000



Note: Percentages may differ slightly due to rounding of values.

Investment Management

SBI staff manage all assets of the Permanent School Fund. Given the unique constraints of the Fund, management by SBI staff is considered to be the most cost effective at this time.

Stock Segment
The stock segment of the Fund is passively managed to track the performance of the S&P 500.

Bond Segment
The bond segment is actively managed to add incremental value through sector, security and yield curve decisions and its performance is measured against the Lehman Brothers Aggregate Bond Index.

Permanent School Fund

Investment Performance

The ***stock*** segment of the Permanent School Fund outperformed its benchmark, the S&P 500, during the fiscal year by 0.2 percentage point. By investing in all the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis. The portfolio is periodically rebalanced to maintain an acceptable tracking error relative to the benchmark.

The ***bond*** segment outperformed its benchmark during the current fiscal year by 0.1 percentage point due to the sector weightings held and the duration of the portfolio versus the Lehman Aggregate Index.

Overall, the Permanent School Fund provided a return of 6.1% for fiscal year 2000, underperforming its composite index by 0.1 percentage point.

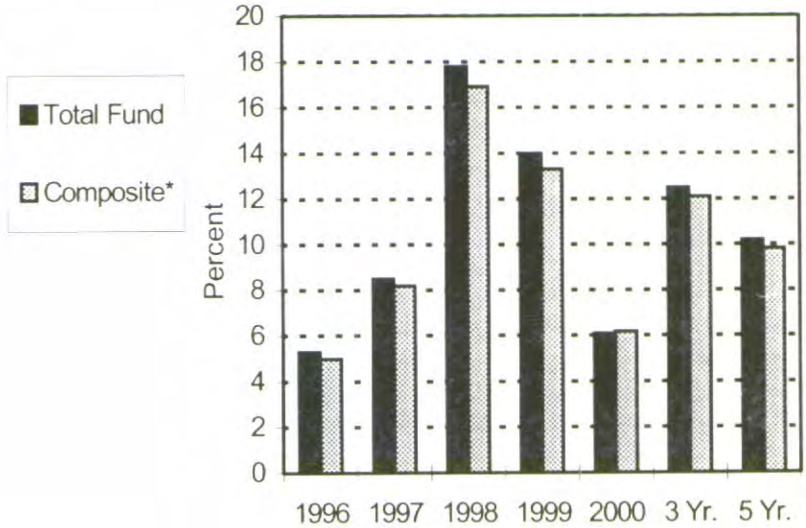
Total account results for the last five years are shown in Figure 36.

Spendable Income

Spendable income generated by the portfolio over the last five fiscal years is shown below:

Fiscal Year	Millions
1996	$31
1997	$30
1998	$20
1999	$19
2000	$21

Figure 36. Permanent School Performance FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	5 Yr.
Total Fund	**5.3%**	**8.5%**	**17.8%**	**14.0%**	**6.1%**	**12.5%**	**10.2%**
Composite*	5.0	8.2	16.9	13.3	6.2	12.1	9.8
Stock Segment	NA	NA	22.8	23.1	7.4	17.5	NA
S&P 500	NA	NA	30.2	22.8	7.2	19.7	NA
Bond Segment	6.0	8.6	10.7	3.7	4.7	6.3	6.7
Lehman Agg	5.0	8.2	10.5	3.1	4.6	6.0	6.3

* 50% S&P 500, 48% Lehman Aggregate, 2% 3 Month T-Bills. Prior to July 1, 1998, the Fund's benchmark was 100% Lehman Aggregate.

Environmental Trust Fund

The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. On June 30, 2000, the market value of the Fund was $315 million.

By statute, the State Board of Investment (SBI) invests the assets of the Environmental Trust Fund. The Legislature funds environmental projects from a portion of the market value of the Fund.

Investment Objective

The Environmental Trust Fund's investment objective is long-term growth in order to produce a growing level of spending within the constraints of maintaining adequate portfolio quality and liquidity.

Investment Constraints

In November 1998, Minnesota voters passed a constitutional amendment that continues through 2025. The amendment mandates that 40 percent of the net proceeds from the state lottery be credited to the Fund.

The amendment provides for spending 5.5 percent of the Fund's market value annually, beginning fiscal year 2000. The amendment also eliminates the accounting restrictions on capital gains and losses and the provision that the principal must remain inviolate.

Asset Allocation

During fiscal year 1994, the SBI introduced equities into the portfolio and moved to a targeted 50% allocation to domestic common stocks and 50% to bonds. This allocation was maintained through fiscal year 1999.

After the constitutional amendment was adopted, SBI staff worked with the Legislative Commission on Minnesota Resources to establish an asset allocation policy that is consistent with the Commission's goals for spending and growth of the Fund.

The SBI approved a 70% stock and 30% fixed income asset allocation which was implemented July 1, 1999. The new allocation positions the Fund for the best long-term growth potential while meeting the objective of the Fund to produce a growing level of spending.

Figure 37 presents the actual asset mix of the Environmental Trust Fund at the end of fiscal year 2000. The current long term asset allocation targets for the Fund are:

Domestic Stocks	70%
Domestic Bonds	28
Cash	2

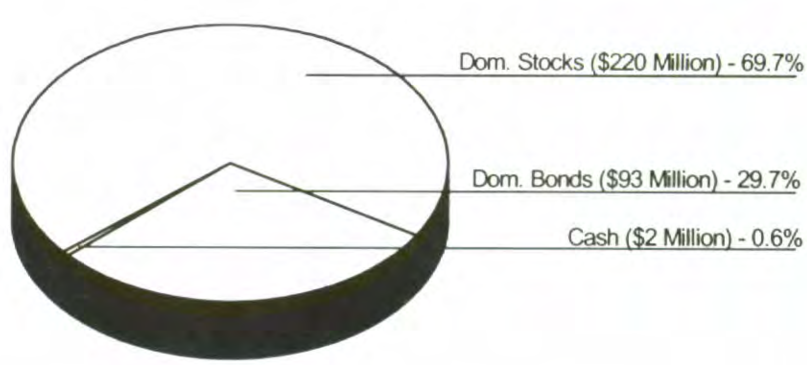
Investment Management

SBI staff manage all assets of the Environmental Trust Fund. Given the unique constraints of the Fund, along with its relatively small size, management by SBI staff is considered to be the most cost effective at this time.

Stock Segment

The stock segment of the Fund is passively managed to track the performance of the S&P 500.

Figure 37. Environmental Trust Fund Asset Mix as of June 30, 2000



Note: Percentages may differ slightly due to rounding of values.

Environmental Trust Fund

Bond Segment

The bond segment is actively managed to add incremental value through sector, security and yield curve decisions and its performance is measured against the Lehman Brothers Aggregate Bond Index.

Investment Performance

During the Fiscal Year, the ***stock*** segment accomplished its objective of closely tracking the return of the S&P 500 benchmark, returning 0.2 percentage point more than the S&P 500. By investing all of the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis. The portfolio is periodically rebalanced to minimize trading costs while still maintaining an acceptable tracking error relative to the benchmark.

The ***bond*** segment outperformed its benchmark by 0.1 percentage point due to the sector weightings held and the duration of the portfolio versus the Lehman Aggregate.

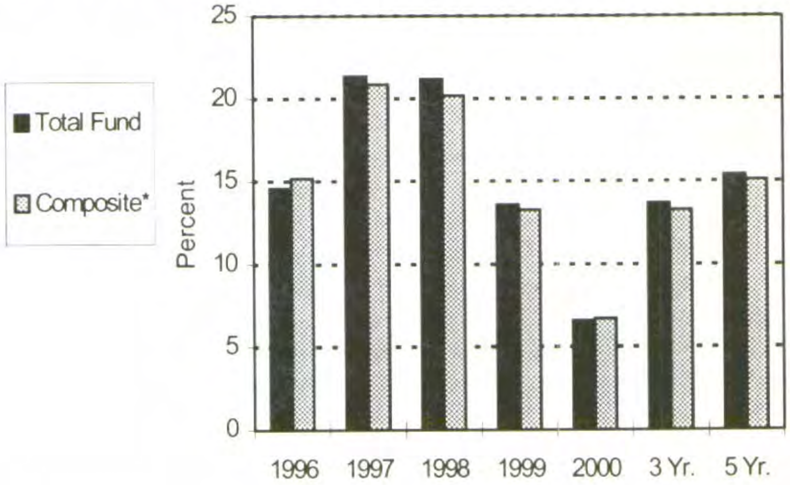
Overall, the Environmental Trust Fund provided a return of 6.6% for fiscal year 2000, underperforming its composite index by 0.1 percentage point. The fund experienced modest outperformance over the last three and five years due to the incremental value added by both the stock and bond segments. Performance results are presented in Figure 38.

Spendable Income

Spendable income generated by the Fund follows:

Fiscal Year	Millions
1995	$5.2
1996	$6.0
1997	$6.8
1998	$8.8
1999	$9.7
2000	$12.7

Figure 38. Environmental Trust Fund Performance FY 1996-2000



	1996	1997	1998	1999	2000	Annualized 3 Yr.	5 Yr.
Total Fund	**14.6%**	**21.4%**	**21.2%**	**13.6%**	**6.6%**	**13.7%**	**15.4%**
Composite*	15.2	20.9	20.2	13.3	6.7	13.3	15.1
Stock Segment	**26.0**	**34.7**	**30.4**	**23.1**	**7.4**	**19.9**	**23.9**
S&P 500	26.0	34.7	30.2	22.8	7.2	19.7	23.8
Bond Segment	**4.8**	**8.6**	**12.1**	**3.7**	**4.7**	**6.8**	**6.7**
Lehman Aggregate	5.0	8.2	10.5	3.1	4.6	6.0	6.3

* Weighted 50% S&P 500, 48% Lehman Aggregate, and 2% 3 Month T-Bills through June 1999. Weighted 70% S&P 500, 28% Lehman Aggregate, and 2% 3 month T-Bill beginning July 1, 1999.

Tobacco Endowment Funds

The Tobacco Endowment Funds were established in Fiscal Year 2000 by the Minnesota Legislature to distribute the settlement proceeds from the 1998 tobacco litigation. The total settlement was $6.1 billion with payments spread over a 20-year period. Two tobacco endowment funds were established using a portion of the proceeds already received and future payments through January 2001. One endowment fund is the Medical Education Endowment Fund and the other is the Tobacco Prevention Fund. On June 30, 2000, the market value of the Funds was $264 million and $421 million, respectively.

Investment Objective

The State Board of Investment invests the Medical Education Endowment Fund and the Tobacco Prevention Fund. The funds are invested to achieve the following objectives: 1) each endowment fund is to earn a minimum of five (5) percent each fiscal year; 2) the principal of each endowment fund is to remain inviolate; and 3) the entire principal contributed to each endowment fund is to be returned to the state general fund on June 30, 2015.

Investment Constraints

The investment objectives of the two Tobacco Endowment Funds, the Tobacco Prevention Fund (TPF) and the Medical Education Fund (MEF), are governed primarily by the constraints and goals for the Funds as established by statute. Annual earnings up to five percent of the market value of the Funds, measured each year at the beginning of the fiscal year for the Tobacco Prevention Fund and measured at the beginning of each quarter for the Medical Education Fund, may be distributed for expenditure. In addition, the principal of the Funds must remain inviolate. The distributions from the TPF are used by the Commissioner of Health to fund public health initiatives. The distributions from the MEF are used for medical education at the University of Minnesota medical school.

With a change in law enacted during the 2000 Legislative session, distributions in the future will be made up to five percent of the market value for each of the Funds. The increased flexibility will allow a portion of the Funds to be invested in equities.

Asset Allocation

Effective July 1, 1999, the two endowment funds were invested in a laddered fixed income portfolio. This strategy offered the highest probability that the endowment funds would earn five percent annually while keeping the principal inviolate.

Due to the new law, effective July 1, 2000, the two endowment funds will have an asset allocation of 50 percent equity and 50 percent fixed income.

Investment Management

SBI staff manages all assets of the two endowment funds. Under the prior law, the fixed income portfolio was invested entirely in U.S. Treasury and Government Agency bonds with maturities no greater than the expiration date of the funds. The maturities of the bonds were spread out over the entire life of the endowment funds. This strategy minimized reinvestment risk and fluctuations in the market values of the funds while adhering to the investment objectives. With the change in law, and new asset allocation, the bond portfolio will be structured to invest in a range of U.S. government, corporate and mortgage securities.

Spendable Income

Spendable income generated by the portfolio over the last fiscal year for the two funds is shown below:

Tobacco Prevention Fund

Fiscal Year	Millions
2000	$7.5

Medical Education Fund

Fiscal Year	Millions
2000	$7.8

Closed Landfill Investment Fund

The Closed Landfill Investment Fund is a trust fund created by the Legislature to invest moneys to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. On June 30, 2000 the market value of the Fund was $5.5 million.

Investment Objective

The investment objective of the Closed Landfill Investment Fund is to generate high returns from capital appreciation. The Fund will be used by the Commissioner of the Pollution Control Agency to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. By statute, the fund will receive an appropriation of $5.1 million at the beginning of fiscal years 2000, 2001, 2002 and 2003. However, by statute, the assets of the Fund are unavailable for expenditure until after fiscal year 2020.

Asset Allocation

Effective July 1999, the Closed Landfill Investment Fund is invested entirely in common stock. Given the long time horizon of this Fund and the lack of need for any short or mid-term withdrawals, this strategy will maximize the long-term gain of the Fund.

Investment Management

SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Investment Performance

The Closed Landfill Investment Fund outperformed its benchmark, the S&P 500, during the fiscal year by 0.2 percentage point. By investing in all the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis.

	2000
Total Fund	**6.7%**
S&P 500	6.5

Cash Management & Related Programs

The State Board of Investment (SBI) manages the cash balances in more than 400 state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 2000, the total value of these accounts was $7.0 billion.

Internal Cash Pools

The SBI invests these cash accounts in short-term, liquid, high quality debt securities on a non-leveraged basis. These investments include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, and commercial paper. On June 30, 2000, the combined value of all agency cash balances was $7.0 billion.

Pool Structure

Most of the cash accounts are managed by SBI staff through two pooled investment vehicles, which operate much like money market mutual funds:

— ***Trust Fund Pool.*** This pool contains cash balances of trust fund and retirement-related accounts that are managed internally. The Trust Fund Pool had an average daily balance of $86.1 million during the year.

— ***Treasurer's Cash Pool.*** This pool contains cash balances from the Invested Treasurer's Cash and other accounts necessary for the operation of state agencies. The Treasurer's Cash Pool had an average daily balance of $5.6 billion during the year.

Staff also manages approximately $1 billion of assets in separately managed dedicated accounts because of special legal restrictions. The vast majority of these assets are related to state or state agency debt issuance including debt service reserves and proceeds.

Performance

The SBI measures the performance of both pools against customized benchmarks which reflect the maturity structure of each pool.

For fiscal year 2000, the Trust Fund Pool and the Treasurer's Cash Pool outperformed their respective benchmarks. Both pools also outperformed the total return on 3 Month Treasury Bills.

Trust Fund Pool	**5.9%**
Benchmark	5.2
Treasurer's Cash Pool	**6.0**
Benchmark	5.2
3 Month Treasury Bills	5.4

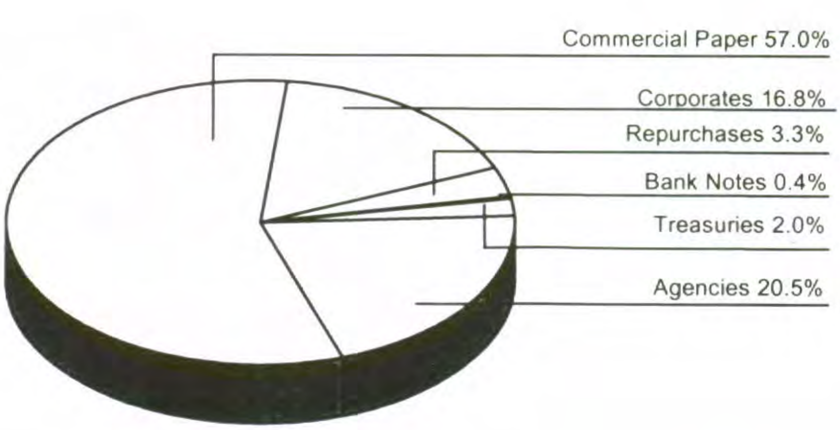
Effective January 1997, the Trust Fund Pool is measured against the IBC All Taxable Money Fund Index.

Effective January 1997, the Treasurer's Cash Pool is measured against a blended benchmark consisting of the Lehman Brother's 1-3 year Government Index for a portion of the portfolio and the IBC All Taxable Money Fund Index for the balance.

Treasurer's Cash Pool

On June 30, 2000, the Treasurer's Cash Pool was dominated by high quality commercial paper holdings. The composition of the pool is shown in Figure 39. At the end of the fiscal year, the pool had a current yield of 5.9% and an average maturity of 207 days.

Figure 39. Invested Treasurer's Cash Fund Distribution as of June 30, 2000



Cash Management & Related Programs

Securities Lending Program

The SBI participates in securities lending programs in which securities held by the SBI are loaned to banks and security dealers for a daily fee. These loans are fully collateralized. Currently, the majority of the SBI's securities lending activity is undertaken by the SBI's master custodian bank, State Street Bank and Trust. Securities lending generated additional income of approximately $17.1 million during fiscal year 2000 for all portfolios controlled by the SBI.

Certificate of Deposit Program

The SBI also manages a certificate of deposit (CD) program in which it purchases CD's from Minnesota financial institutions. The SBI receives a market rate of return on these investments, using the average secondary CD market rate quoted by the New York Federal Reserve Bank.

The SBI's Certificate of Deposit program provides a reliable source of capital to Minnesota financial institutions, regardless of size, many of which do not have access to the national CD market. The Board designed the program so that no single institution is favored in the allocation of assets. Only the cash reserves of the retirement funds are used in the program.

During fiscal year 2000, the SBI purchased over $339.5 million of CD's from Minnesota financial institutions. Since it began the program in 1980, the SBI has purchased over $3.3 billion of CD's from approximately 500 financial institutions throughout the state.

Securities Repurchase Program

Since 1980, the SBI has invested in banks throughout Minnesota through the SBI's Certificate of Deposit (CD) program. In recent years, community banks throughout Minnesota have experienced an increased need for funds due to a reduction in local deposits and a reduced ability to sell investments held in bank portfolios due to changes in federal accounting requirements. The SBI created the Securities Repurchase Program to help meet the increased needs of banks throughout the state.

Under the program, the SBI temporarily buys securities such as Treasuries and Governments from banks under a repurchase agreement (repo). At the end of the agreement period, the securities are returned to the selling banks (i.e. "repurchased") and the bank pays the SBI principal and interest.

The transactions are fully collateralized and range in size from $100,000 to $2 million per institution. Amounts above $500,000 are based on availability of funds and other factors such as a bank's preferred lending ranking by the Small Business Administration (SBA).

For ease of administration, the program uses the same rates, offering dates and maturity dates as the SBI's CD program.

With the support of both the Minnesota Department of Commerce and the SBA, a proposal for a pilot program was approved by the Board at its meeting in December 1995. The initial offering was made in April 1996 with 10 banks participating in the placement of $6.5 million.

During fiscal year 2000, the SBI purchased $18.7 million in repos from Minnesota financial institutions.

Legislative Update

Several bills of interest to the State Board of Investment were passed during the 2000 legislative session.

The SBI's administrative bill was enacted as Laws of Minnesota 2000, Chapter 392. The law contains the following provisions:

- Stock Exchanges. The new language clarifies that the SBI may invest funds in any exchange "regulated by an agency of the United States or Canadian national government". The expanded language provides the SBI with additional flexibility to invest where it can obtain the lowest cost transactions to benefit retirees and beneficiaries.

- Private Equity Investment Vehicles. The structure of investment pools that brings private equity investment opportunities to institutional investors has changed over time. The variety of legal structures has expanded. The new law broadens the statutory language to clarify that the SBI may participate in this wider variety of legal structures while at the same time leaving in place the statutory restrictions that pertain to the vehicles currently used.

  These restrictions include the requirement that there be at least four other investors, that the SBI participation be no more than 20 percent and that the SBI may not engage in any activity as a limited partner that exposes the SBI to general liability.

- Closed-end Mutual Funds. The SBI has had authority to invest in open-end mutual funds. The new law authorizes the SBI to invest in closed-end mutual funds. The SBI will use the expanded authority on a selective basis to take advantage of specific opportunities as they may become available.

- Investment Flexibility for the Tobacco Endowment Funds. This provision will allow the SBI to change the asset allocation of the Tobacco Endowment Funds to include equity investments. The 1999 legislation that established the two tobacco funds specified that the principal must remain inviolate and that only earnings from the funds could be used for expenditures. These restrictive provisions limited the investment options available to the SBI, resulting in the tobacco funds being invested entirely in a laddered fixed income portfolio.

  At its March 2000 meeting, the Board approved a recommendation to change the asset allocation of the Funds to 50 percent equity/ 50 percent fixed income, subject to successful passage of legislation to increase investment flexibility. The restrictive provisions were removed, and the SBI implemented the new allocation effective July 2000.

The Omnibus Pension Bill gives the SBI new responsibilities for the 403(b) tax sheltered annuity employer match opportunity. Laws of Minnesota 2000, Chapter 461, Article 13 changes the SBI's responsibilities with respect to the 403(b) annuity employer match opportunity for school districts. The law repeals the subdivision requiring selection of qualified companies. Instead, the SBI is required to review the financial status and investment products of product providers who request the review and to provide the information to parties who request it.

Legislative policy to remove surplus assets from the Workers Compensation Assigned Risk Plan is carried out in several different bills. Laws of Minnesota 2000, Chapter 447, Section 24 removes $325 million of assets and requires transfer of the total to the workers compensation special compensation fund by July 10, 2000. Laws of Minnesota 2000, Chapter 490, Article 13, Section 19 removes $110 million from the Assigned Risk Plan and requires transfer to the general fund by July 15, 2000. In addition, Laws of Minnesota 2000, Chapter 488, Article 13, Section 1 removes $15 million from the Plan and requires transfer to the Minnesota Comprehensive Health Association by January 15, 2001.

The legislative actions leave approximately $300 million of assets in the Assigned Risk Plan. The changes reduce the size of the equity portfolio managed by GE Asset Management and the fixed income portfolio managed by Voyageur Asset Management. The assets to be transferred into the special compensation fund will be invested in the Invested Treasurer's Cash pool.

Responsibility for Deferred Compensation Programs

The State Board of Investment (SBI) has responsibilities for several deferred compensation-related programs:

- The SBI selects investment product providers for the State Deferred Compensation Plan, an Internal Revenue Code (IRC) 457 plan administered by the Minnesota State Retirement System (MSRS).

- The SBI selects investment product providers for the Minnesota State Colleges and Universities (MnSCU) and the Minnesota Historical Society for their IRC 401(a) defined contribution retirement plans.

- The SBI reviews investment product providers for the employer match to IRC 403(b) tax sheltered annuities for K-12 teachers.

The investment product providers currently used by these programs are shown in Figure 40.

The restructured Deferred Compensation Plan took effect July 1, 1999. The SBI selected and retained six mutual funds as external stock and bond investment options and three insurance companies to jointly provide a fixed interest option.

In fiscal 2000, the SBI and MnSCU restructured the MnSCU plans. The restructuring resulted in the retention of a different set of investment product providers for the plans.

During the 2000 Session, the Legislature repealed the statutory provision requiring selection of qualified companies to provide investment products for the 403(b) annuity employer match opportunity. The new legislation directs the SBI, when requested by an investment product provider, to review the financial standing of the company, the competitiveness of the company's investment options and returns, and the level of all charges and fees impacting those returns. The SBI will implement the new directive in fiscal 2001.

Figure 40. Investment Product Providers Selected or Approved by the SBI

State Deferred Compensation 457 Plan
Dodge & Cox, Inc. (Bond Fund)
Fidelity Management & Research Company (International Equity)
INVESCO Funds Group, Inc. (Balanced Fund)
Janus Capital Corporation (Large Cap Equity)
T. Rowe Price Associates, Inc. (Small Cap Equity)
The Vanguard Group (Equity Index)
Great-West Life & Annuity Insurance Co. (Fixed Fund)
Minnesota Life Insurance Co. (Fixed Fund)
Principal Life Insurance Co. (Fixed Fund)

MnSCU 401(a) Plans (effective July 1, 2000)
Teachers Insurance & Annuity Association-College Retirement Equities Fund (TIAA-CREF)
Wells Fargo Bank Minnesota, N.A.

Historical Society 401(a) Plan (effective July 1, 2000)
Teachers Insurance & Annuity Association-College Retirement Equities Fund (TIAA-CREF)

Police and Fire Fund Activity

Mergers with PERA: In 1987, legislation was enacted that establishes procedures for consolidation of local police and salaried firefighter plans with the Public Employees Retirement Association (PERA). When a merger is approved, assets are transferred from the local plan to the State Board of Investment (SBI).

By statute, the Executive Director of the SBI has authority to accept assets in-kind or to require that individual holdings be converted to cash prior to the transfer. Since the investments made by local plans are similar to those made by the SBI, most assets can be transferred at their stated market value.

Since 1987, 44 plans with total assets of $603 million have merged with PERA. After consolidation, these assets are managed as part of the Basic and Post Retirement Funds. (Please note that there remain only three local police plans and two salaried firefighter plans that have not merged with PERA. These five plans also have the statutory authority to invest in the Supplemental Investment Fund [SIF]).

Volunteer Fire Plans Investment: Volunteer firefighter retirement plans are not eligible to be consolidated with PERA. They may invest their assets with the SBI through the SIF. There are more than 700 local volunteer firefighter plans with investment authority.

During fiscal year 2000, an additional 16 volunteer firefighter plans selected the SIF for all or a portion of their retirement assets. This brought the total number of plans participating in the SIF to 206 by the end of the fiscal year.

The SBI expects this growth trend to continue as volunteer firefighter plans become more familiar with the SBI and its ability to offer a variety of investment options at a low administrative cost.

Local Plan Performance Reports: The SBI provides the local plans that participate in the SIF reports displaying their annual returns and market values from the SIF in compliance with *Minnesota Statutes*, Chapter 356. The local plans are responsible for providing their specific data to the Office of the State Auditor.

Guidelines on International Investing

As noted in prior sections of this report, the State Board of Investment (SBI) made its first international stock investments in 1992. The benefits of international investing include: increased investment opportunity, greater diversification and potential for higher return. Approximately one-half of the world's markets lie outside the U.S.

The United Kingdom, Japan, Germany and France comprise nearly two-thirds of the value of the international markets. Together with sixteen (16) other countries in Europe and the Pacific Basin, these countries comprise the developed international stock markets. Many of the emerging markets in Central and South America, Eastern Europe, Africa and Asia may require special investment considerations and/or limitations on investment.

Task Force

The Board has established an International Investing Guidelines Task Force to recommend guidelines that address these limitations as well as other concerns related to international investing.

The membership of the Task Force includes a representative of each Board member, a representative of each statewide retirement system, two private sector representatives from the Investment Advisory Council, two representatives from organized labor and one representative from environmental groups. The SBI Executive Director and the SBI's consultant are also members of the Task Force.

Guidelines

Based on information compiled from U.S. State Department reports, the Task Force has grouped countries into three broad categories as indicated below by groups I, II and III. *It is important to note that the guidelines listed below do not prohibit an active stock manager from purchasing the stock of any country.* Rather, they require additional notification and/or that a presentation be given by the manager regarding the firm's investment strategy for investments to countries in Groups II and III.

Group I. These countries have legal structures that generally respect the rights of workers and human rights. Because these countries have strong protections for workers and human rights, there is little concern that economic and social disruptions may occur which would have an adverse effect on financial markets. As a result, active stock managers are authorized to invest in companies domiciled in these countries without additional notification to the SBI.

Group II. These countries have legal protections for workers and human rights, but violations have been cited in the State Department reports. It is thought that violations of this type may lead to economic and social disruption in these countries, which may have an adverse effect on their financial markets. An active stock manager may, however, invest in companies domiciled in the countries shown under "Group II" if the manager believes that it would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must notify the SBI in writing.

Group III. These countries lack basic protections for workers and human rights and do not appear to be making progress in establishing an appropriate legal structure to address these issues. The potential for economic, political and social unrest is seen to be greater in these countries, which may adversely affect the stability of these financial markets. An active stock manager may, however, invest in companies domiciled in countries shown under "Group III" if the manager believes that it would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must appear before the SBI to present its reasons for the decision to do so.

Review Process

When the Task Force made its original report to the Board in December 1992, they expected that the country groupings would be updated periodically to reflect changes in the world markets. At its meeting in June 1994, the Board adopted the following review process regarding guidelines:

- Staff will review reports from the US State Department regarding worker and human rights issues and designate countries "Group I, II or III" using the existing policy guidelines recommended by the Task Force and adopted by the Board.

- Staff designations will be reviewed with the SBI Administrative Committee. This includes any movement of countries between categories as well as categorizations of any new countries that need to be added to the list of available markets.

Figure 41 displays the country groupings.

*Figure 41. Current International Investing Guidelines Country Groupings**

Group I	Group II	Group III
Australia	Argentina	Bangladesh
Austria	Bolivia	China, Peoples Republic of
Barbados	Botswana	Croatia
Belgium	Brazil	Egypt
Canada	Bulgaria	Guatemala
Chile	Colombia	Indonesia
Costa Rica	Cote d'Ivoire	Jordan
Cyprus	Dominican Republic	Kuwait
Czech Republic	Ecuador	Lebanon
Denmark	Ghana	Liberia
Estonia	Hong Kong	Mauritania
Finland	India	Morocco
France	Israel	Myanmar (Burma)
Germany	Jamaica	Nigeria
Greece	Kazakhstan	Oman
Hungary	Kenya	Parkistan
Ireland	Korea	Paraguay
Italy	Latvia	Peru
Japan	Lithuania	Russia
Luxembourg	Malawi	Saudi Arabia
Mauritius	Malaysia	Turkmenistan
Netherlands	Mexico	United Arab Emirates
New Zealand	Mongolia	Uzbekistan
Norway	Namibia	Vietnam
Poland	Nepal	
Portugal	Panama	
Singapore	Papua New Guinea	
Slovak Republic	Philippines	
Slovenia	Romania	
Spain	South Africa	
Sweden	Sri Lanka	
Switzerland	Swaziland	
Trinidad & Tobago	Taiwan	
United Kingdom	Thailand	
Uruguay	Tunisia	
	Turkey	
	Ukraine	
	Venezuela	
	Zambia	
	Zimbabwe	

** last revised in June 1998*

Mandate on Northern Ireland

Requirements

In 1988, the Legislature enacted statutory provisions concerning the Board's investments in U.S. companies with operations in Northern Ireland. The statute requires the State Board of Investment (SBI) to:

— Annually compile a list of U.S. corporations with operations in Northern Ireland in which the SBI invests.

— Annually determine whether those corporations have taken affirmative action to eliminate religious or ethnic discrimination. The statute lists nine goals modeled after the MacBride Principles.

— Sponsor, co-sponsor and support resolutions that encourage U.S. companies to pursue affirmative action in Northern Ireland, where feasible.

The statute does not require the SBI to divest existing holdings in any companies and does not restrict future investments by the SBI.

Implementation

The SBI uses the services of the Investor Responsibility Research Center (IRRC), Washington D.C., to monitor corporate activity in Northern Ireland. In January 2000, the SBI held stocks or bonds in 58 of 64 corporations identified by IRRC as having operations in Northern Ireland.

The SBI filed shareholder resolutions with 5 of these corporations during the 2000 proxy season. The resolutions asked corporations to sign the MacBride Principles, to implement affirmative action programs or to report on the steps they have taken to alleviate religious or ethnic discrimination.

The voting results on four of the resolutions that made it to the ballot are shown below:

Company	Affirmative Vote
Baker Hughes	23.7%
Dun & Bradstreet	12.5
Interface	23.1
TJX Cos.	15.8

Tobacco Issues

At its September 1998 meeting, the Board adopted a resolution that requires each active and semi-passive equity manager to divest by September 2001 shares of any company which obtains more than 15 percent of its revenues from the manufacture of consumer tobacco products. Staff notified each active and semi-passive equity manager of the new policy.

As in the previous fiscal year, the Board received updates on the SBI's holdings of tobacco related stocks at each of its quarterly meetings.

Directives to Stock Managers

The existing policy follows many quarters of work by the Board on the tobacco issue. At its December 1997 meeting, the Board adopted a resolution requiring the SBI's stock managers to provide written justification to SBI staff if a manager chose to make new or additional purchases of stock in companies which obtain more than 50% of their revenues from the sale of tobacco.

At its June 1998 meeting, the Board took further action regarding SBI investment in tobacco-related stocks.

The first resolution required the SBI active and semi-passive equity managers to discontinue purchases of shares of any company that generates more than 15 percent of its revenue from the manufacture of consumer tobacco products. The second resolution required the SBI staff to prepare and submit to the Board a plan for divestiture of shares of any company that generates more than 15 percent of its revenue from the manufacture of consumer tobacco products held in the SBI's actively and semi-passively managed equity portfolios.

The existing policy requiring divestment follows directly from the latter resolution.

The Board will continue to receive updates on the SBI's holdings of tobacco-related stocks and is expected to continue to monitor the issue very closely.

Shareholder Resolutions

During the 2000 proxy season, the SBI cosponsored a tobacco-related resolution at four (4) companies. The resolution requested independent testing of tobacco ads to verify that they are not youth friendly.

The resolution was submitted to RJ Reynolds Tobacco Holdings, Loews Corp., Philip Morris and UST, Inc. The resolutions gained support from a range of 3.7% to 7.9% of the votes cast.

Proxy Voting

As a stockholder, the State Board of Investment (SBI) is entitled to participate in corporate annual meetings through direct attendance or casting its votes by proxy. Through proxy voting, the Board directs company representatives to vote its shares in a particular way on resolutions under consideration at annual meetings. These resolutions range from routine issues, such as those involving the election of corporate directors and ratification of auditors, to matters such as merger proposals and corporate social responsibility issues. In effect, as a shareholder the SBI can participate in shaping corporate policies and practices.

Voting Process

The Board recognizes its fiduciary responsibility to cast votes on proxy issues. Except for the shares held by active international managers, the SBI does not delegate the duty to its external investment managers. Rather, the SBI actively votes all shares according to guidelines established by its Proxy Committee.

The Board delegates proxy voting responsibilities to its Proxy Committee which is comprised of a designee of each Board member. The five member Committee meets only if it has a quorum and casts votes on proxy issues based on a majority vote of those present. In the unusual event that it reaches a tie vote or a quorum is not present, the Committee will cast a vote to abstain.

Voting Guidelines

The Committee has formulated guidelines by which it votes on a wide range of corporate governance and social responsibility issues. Each year the Proxy Committee reviews existing guidelines and determines which issues it will review on a case-by-case basis.

Corporate Governance Issues

The voting guidelines for major corporate governance issues are summarized below:

Routine Matters. In general, the SBI supports management on routine matters such as uncontested election of directors; selection of auditors; and limits on director and officer liability or increases in director and officer indemnification permitted under the laws of the state of incorporation.

Shareholder Rights Issues. In general, the SBI opposes proposals that would restrict shareholder ability to effect change. Such proposals include instituting super-majority requirements to ratify certain actions or events; creating classified boards; barring shareholders from participating in the determination of the rules governing the board's actions (e.g. quorum requirements and the duties of directors); prohibiting or limiting shareholder action by written consent; and granting certain stockholders superior voting rights over other stockholders.

In general, the SBI supports proposals that preserve or enhance shareholder rights to effect change. Such proposals include requiring shareholder approval of poison pill plans; repealing classified boards; adopting secret ballot of proxy votes; reinstating cumulative voting; and adopting anti-greenmail provisions.

Executive Compensation. In general, the SBI supports efforts to have boards of directors comprised of a majority of independent directors, to have compensation committees made up entirely of independent directors, and to have executive compensation linked to a company's long-term performance.

Buyout Proposals. In general, the SBI supports friendly takeovers and management buyouts.

Special Cases. The Proxy Committee evaluates hostile takeovers, contested election of directors, compensation agreements that are contingent upon corporate change in control, and re-capitalization plans on a case-by-case basis. In addition, the Committee may review corporate governance issues affecting companies incorporated or headquartered in Minnesota on a case-by-case basis.

Social Responsibility Issues

The voting guidelines for major social responsibility issues are shown below:

Northern Ireland. The SBI supports resolutions that call for the adoption of the MacBride Principles as a means to encourage equal employment opportunities in Northern Ireland. The SBI also supports resolutions that request companies to submit reports to shareholders concerning their labor practices or their sub-contractors' labor practices in Northern Ireland.

Tobacco and Liquor. In general, the SBI supports a variety of tobacco and liquor related resolutions including those that call for corporations to limit their promotion of tobacco and liquor products and to report on their involvement in tobacco issues.

Environmental Protection. In general, the SBI supports resolutions that require a corporation to report or disclose to shareholders company efforts in the environmental arena. In addition, the SBI supports resolutions that request a corporation to report on progress toward achieving the objectives of the Ceres Principles (formerly known as the Valdez Principles), an environmental code of conduct for corporations.

Other Social Responsibility Issues. In general, the SBI supports proposals that require a company to report or disclose to shareholders company efforts concerning a variety of social responsibility issues. In the past, these reporting resolutions have included issues such as affirmative action programs, animal testing procedures, nuclear plant safety procedures and criteria used to evaluate military contract proposals.

Summary of FY 2000 Proposals

During fiscal year 2000, the SBI voted proxies for approximately 4,700 U.S. corporations and more than 1,200 international companies.

As in past years, the issues on corporate ballots included a broad range of proposals in the *corporate governance* area, as reflected in information provided by the Investor Responsibility Research Center (IRRC), Washington, D.C.:

— Shareholders submitted 21 proposals regarding the restriction of executive compensation which were supported by an average of 8.3% of the shares voted.

— Shareholders submitted 24 proposals to redeem "poison pills" (an anti-takeover device) or submit them to shareholder vote. This proposal received average support of 57.6%.

— Five (5) proposals were submitted concerning confidential voting. These proposals received average support of 45.5%.

— Other proposals included the repeal of classified boards which were supported by an average of 55.3% of shares voted; shareholder approval of severance packages to top executives ("golden parachutes") which received support from an average of 27.9% of shares voted; cumulative voting which was supported by an average of 26.8% of shares voted; requirements for the majority of directors to be independent received support from an average of 25.9% of shares voted; and the prohibition of the repricing of underwater stock options (lowering the price of stock options whose stock price had declined) received average support of 11.2%

In the *social responsibility* area, the environment, fair employment issues-both domestic and international, and tobacco were the major issues, as reflected in information provided by the IRRC:

— Ceres Principles resolutions received 8 resolutions with average support of 10.0%.

— Energy related issues received 4 resolutions with an average support level of 7.3%.

— Equal employment issues received 11 resolutions with an average support of 8.3%.

— Resolutions on a variety of tobacco-related issues were on 12 ballots with an average support of 5.3%.

— Human rights issues received 2 resolutions with an average support level of 6.6%.

— Northern Ireland issues received 5 proposals this year with an average support of 16.2%.

Domestic Equity Program Managers

Active

Alliance Capital Management Corporation

Alliance searches for companies likely to experience high rates of earnings growth on either a cyclical or secular basis. Alliance invests in a wide range of medium to large growth companies and the firm does not tend to concentrate on one particular type of growth company over another. However, the firm's decision-making process appears to be much more oriented toward macroeconomic considerations than is the case with most other growth managers. Accordingly, cyclical earnings prospects, rather than secular, appear to play a larger role in terms of stock selection. Alliance is not an active market timer, rarely raising cash above minimal levels. They manage a concentrated stock portfolio of about 40 companies. The firm was retained by the SBI in March 1983.

Brinson Partners, Inc.

Brinson Partners is a fundamental, long-term, value-oriented investor. They model a quantifiable and theoretically justifiable estimate of intrinsic value from an owner's perspective, and then compare that value estimate to the current stock price. These resulting price/value differences, applied over a broad range of companies, then become the building blocks of the security selection process. Portfolio construction focuses on market sensitivity, common factor exposures, industry weightings, and individual stock selection. Brinson was retained by the SBI in July 1993.

Cohen Klingenstein & Marks, Inc.

Cohen Klingenstein & Marks seeks to outperform the market by focusing on two variables: economic cycles and security valuation. Within economic cycles, they believe that stocks exhibit predictable patterns that reflect changing expectations on corporate profits and interest rates. Similarly, they believe that stock prices normally reflect earnings expectations. The firm exploits short run inefficiencies through an unbiased process that relates the price of a stock to consensus earnings expectations. The firm was retained by the SBI in April 1994.

Forstmann Leff Associates Asset Management, Inc.

Forstmann-Leff uses a combination top-down, bottom-up investment approach. The top-down is based on macroeconomic analysis, including the development of industry themes and sector emphasis. The highly structured and disciplined security selection strategy is based on proprietary fundamental research, including qualitative and quantitative techniques. Based upon its macroeconomic outlook, the firm tends to purchase liquid, medium to large capitalization stocks that will benefit the most during the current phase of the market cycle. During fiscal year 1997, Forstmann Leff was asked to begin weighting their top stock ideas more heavily. The firm was retained by the SBI in March 1983.

Franklin Portfolio Associates

Franklin's investment decisions are quantitatively driven and controlled. The firm believes that consistent application of integrated multiple valuation models produces superior investment results. The firm's stock selection model is a composite model comprised of 30 valuation measures each of which falls into one of the following groups: fundamental momentum, relative value, future cash flow, and economic cycle analysis. Franklin manages the semi-passive portfolio utilizing a similar quantitative approach as in the active portfolio they managed for the SBI.

For the *active* product, Franklin's portfolio management process adds value by focusing on buying and selling the right stock rather than attempting to time the market or pick the right sector or industry groups. During fiscal year 1997, Franklin moved the active account to a more concentrated portfolio approach. The firm now limits its holdings in the SBI account to approximately 30 to 40 issues. Franklin was retained by the SBI as an active manager in April 1989.

GeoCapital, LLC

GeoCapital invests primarily in small capitalization equities with the intent to hold them as they grow into medium and large capitalization companies. The firm uses a theme approach and individual stock selection analysis to invest in the growth/technology and intrinsic value areas of the market. In the growth/technology area, GeoCapital looks for companies that will have above average growth due to strong product development and limited competition. In the intrinsic value area, the key factors are corporate assets, free cash flow, and an unrecognized catalyst that will cause a positive change in the company. The firm generally stays fully invested, with any cash positions due to the lack of attractive investment opportunities. GeoCapital was retained by the SBI in April 1990.

Lincoln Capital Management Company

Lincoln Capital concentrates on leading, medium to large capitalization companies that have strong demonstrated and projected growth. The firm uses traditional fundamental company analysis focusing on cash flow growth and capital productivity in its stock selection process. Companies held by Lincoln generally exhibit premium price/book ratios, high return on equity, and strong balance sheets, characteristics consistent with their large cap growth style. During fiscal year 1997, Lincoln moved the SBI account to a more concentrated approach holding approximately 30 issues. Lincoln was retained by the SBI in July 1993.

Oppenheimer Capital

Oppenheimer Capital's strategy is to buy companies that are selling at a price below their determination of the company's intrinsic value. Their process is bottom-up based on fundamental analysis. Factors they look for when evaluating companies include a strong industrial or commercial position, often where there are significant barriers to entry. They look for companies that are financially sound and have a management team that is devoted to the interest of shareholders. They believe that discretionary cash flow, cash that remains after a company spends what is needed to sustain its commercial position, is a primary determinant of a firm's potential to build value for shareholders. The firm was retained by the SBI in July 1993.

Semi-Passive

Barclays Global Investors

Barclays uses a Core Alpha Model which disaggregates individual equity returns for each of the 3500 stocks in their universe into three inputs: fundamental, expectational, and technical. The fundamental inputs look at measures of underlying company value including earnings, book value, cash flow, and sales. These factors help identify securities that trade at prices below their true economic value. The expectational inputs incorporate future earnings and growth rate forecasts made by over 2500 security analysts. The technical inputs provide a measure of recent changes in company fundamentals, consensus expectations, and performance. Estimated alphas are used in a portfolio optimization algorithm to identify the optimal portfolio that maximizes the portfolio's alpha while maintaining a risk level specified by the client. The firm was retained by the SBI for semi-passive management in January 1995.

Franklin Portfolio Associates

For the *semi-passive* product, Franklin adds incremental value to a benchmark by buying stocks ranked the highest and selling stocks ranked the lowest, while maintaining the portfolio's systematic risk and industry weightings at levels similar to the benchmark. Franklin attempts to allocate 75% or more of the total risk level set by the client to specific stock selection and the rest to systematic and industry risk. The firm always remains fully invested. The SBI retained Franklin as a semi-passive manager in January 1995.

J.P. Morgan Investment Management Inc.

J.P. Morgan manages a semi-passive portfolio for the SBI and believes that superior stock selection is necessary to achieve excellent investment results. To accomplish this objective, they use fundamental research and a systematic valuation model. Analysts forecast earnings and dividends for the 650 stock universe and enter these into a stock valuation model that calculates an expected return for each security. The stocks are ranked according to their expected return within their economic sector. Stocks most undervalued are placed in the first quintile. The portfolio includes stocks from the first four quintiles, favoring the highest ranking stocks whenever possible, and sells those in the fifth quintile. In addition, the portfolio will closely approximate the sectors and style of the benchmark. The firm remains fully invested at all times. The firm was retained by the SBI in January 1995.

Passive

Barclays Global Investors

For the passive account, Barclays seeks to minimize tracking error subject to trading costs, and controls overall investment and operational risks. Their strategy is to invest across the broad market while excluding smaller, illiquid securities from the investment universe. An optimized approach is taken to security selection. Optimization effectively trades off expected tracking error with cost of trading to determine which trades should be executed. Barclays was retained by the SBI for passive management in July 1995.

Emerging Equity

CIC Asset Management, Inc.

CIC Asset Management uses a disciplined relative value approach to managing equities. The firm believes that purchasing companies at attractive prices provides superior long-term performance with lower volatility. This investment process is designed for clients who desire equity market exposure with both incremental value added and downside protection due to reasonable dividend yields, moderate price to book values and low normalized price to earning ratios. Finally, the process provides a synergy between quantitative valuation techniques and "Graham & Dodd" fundamental analyses. CIC was retained by the SBI in April 1994.

New Amsterdam Partners L.L.C.

New Amsterdam Partners believe that investment results are evaluated by actual return, and therefore, investment opportunities should be evaluated by expected return. They believe that all valid techniques depend on forecasts of the amounts and timing of future cash flows. Thus, the firm focuses on forecasted earnings growth, yield, price-to-book ratio, and forecasted return on equity. They believe that the disciplined application of their valuation techniques in conjunction with sound financial analysis of companies, is the key to understanding and maximizing investment returns. New Amsterdam was retained by the SBI in April 1994.

Valenzuela Capital Partners, Inc.

Valenzuela Capital Partners believes that stock selection and adherence to valuation analysis are the backbone of superior performance. Their investment philosophy is mid-cap value oriented. The firm seeks companies with attractive valuations which are experiencing or beginning to experience positive changes in revenues, positive changes in gross or operating margins, and/or positive changes in financial structure. The firm believes that below market valuations provide downside protection during weak market periods. In strong markets the portfolios will be driven by both improving earnings and multiple expansion. Valenzuela was retained by the SBI in April 1994.

Winslow Capital Management, Inc.

Winslow Capital is a fundamental, "bottom-up" investment firm with all portfolio managers acting as research analysts. They believe investing in companies that exhibit rapid, sustainable growth provides the best opportunity for achieving superior portfolio returns over the long term. The objective is to achieve a weighted average annual earnings growth rate in excess of 25%, over a 2-3 year time horizon. These companies tend to have strong balance sheets, large addressable markets, sustainable business drivers, strong management, rising margins and first mover or other market advantage. This persistency of growth is directly reflected in an attractive risk/return profile. Hands-on research includes frequent, direct communication with senior management of portfolio holdings. The research process allows implementation of their investment philosophy in all market environments and delivers superior returns with a low relative level of volatility. Winslow Capital was retained by the SBI in April 1994 to manage a large cap portfolio. This mandate has been changed to a small cap focus, effective July 2000.

Zevenbergen Capital, Inc.

Zevenbergen Capital's investment philosophy is founded on the principles that superior fundamentals drive stock price appreciation and exceptional management combined with balance sheet strength provides capital protection. The firm employs a forward looking, bottom-up investment process designed for long-term results. Portfolios are constructed with companies presenting established and prospective revenue, cash flow and earnings growth, while diversification and risk control is accomplished through a blend of company size, expected growth rates and appropriate portfolio weightings. ZCI remains fully invested to ensure market participation. Zevenbergen was retained by the SBI in April 1994.

Portfolio statistics for each of the domestic equity managers can be found in the Statistical Data section of this report.

International Program Managers

Active Developed

American Express Asset Management

American Express Asset Management's (AEAM) objective is to identify inefficiencies in market value at the regional, country and stock level. Their investment process concentrates on identifying non-consensus market views leading to investment opportunities that they can exploit. AEAM's core international equity approach is a blend of top-down and bottom-up styles with an emphasis on large cap growth stocks. They start the decision-making process with the development of their geopolitical and macroeconomic outlook. The top-down process results in regional and country allocations. The bottom-up stage of their process begins with real-time relative valuation comparisons of the stocks in their investable universe. The most attractively priced stocks then go through in-depth fundamental analysis. American Express was retained by the SBI in February 2000.

Blairlogie Capital Management

Blairlogie has developed a model that ranks countries based on a collection of current and historical data. Their quantitative analysis is enhanced with significant qualitative assessments to evaluate things a model cannot review. They continuously strive for the optimum combination of quantitative inputs and those based on the portfolio managers' judgment, but believe that objective, measurable facts must always be the starting point for making sound investment decisions. Blairlogie's approach is primarily top-down, but also incorporates bottom-up stock selection. Their process is based on an underlying objective of producing premium returns consistently above their benchmark in any market environment, while carefully controlling risk and limiting volatility. Blairlogie's portfolio is broadly diversified in international markets, in terms of both country and stock selection. Blairlogie was retained by the SBI in February 2000.

Brinson Partners, Inc.

Brinson is a fundamental, long-term, value-oriented investor. The focus of Brinson's fully active strategy is to pick the most attractive stocks, industries and countries. Their investment research process identifies discrepancies between a security's fundamental value and its observed market price - both across and within global equity markets. They exploit these discrepancies using a disciplined fundamental approach. Their research teams evaluate companies in their markets around the world and assign relative price/value rankings based on the present value of each company's expected future cash flows. The portfolio construction group utilizes this global network of resources to systematically develop portfolio strategy. Currency strategies are developed separately and coordinated with country allocations. Brinson was retained by the SBI in April 1993 with an active country/passive stock mandate. In October of 1999, Brinson converted the portfolio to a fully active mandate.

INVESCO Global Asset Management

INVESCO managers believe they can add value by identifying and investing in companies whose share price does not reflect the sustainable growth potential of the company's earnings and assets. They also believe that a systematic process that identifies mis-valued companies, combined with a consistently applied portfolio design process can control the predictability and consistency of returns. Portfolios are constructed on a bottom-up basis. They select individual companies rather than countries, themes, or industry groups. This is the first of four cornerstones of their investment approach. Secondly, they conduct financial analysis on a broad universe of non-U.S. companies, with key financial data adjusted to be comparable across countries and currencies. Third, Invesco believes that using local investment professionals enhances fundamental company research. Finally, they manage risk and ensure broad diversification relative to the clients' benchmarks utilizing a statistics-based portfolio construction approach instead of utilizing country or industry constraints. INVESCO was retained by the SBI in February 2000.

Marathon Asset Management Ltd.

Marathon uses a blend of flexible, qualitative disciplines to construct portfolios which exhibit a value bias. Style and emphasis will vary over time and by market, depending on Marathon's perception of what represents the lowest risk opportunity. Since the firm believes that competition determines profitability, Marathon is attracted to industries where the level of competition is declining, and the firm will hold a sector position as long as the level of competition does not increase. At the stock level, Marathon tracks a company's competitive position relative to the attractiveness of their products or services and determines whether the company is following an appropriate reinvestment strategy for their current competitive position. Marathon was retained by the SBI in November 1993.

Montgomery Asset Management, LLC

For the developed markets account, Montgomery's international equity investing combines thorough sector and country research with a disciplined bottom-up stock selection process to identify securities with long-term projected earnings growth, attractive valuation versus applicable peers, positive business momentum and the potential to achieve minimum required returns. Montgomery believes that a consistent process, centered on accountability, sector specialization and primary, original research provides a sustainable edge in international equity investing. The SBI retained Montgomery for developed market management in February 2000.

T. Rowe Price International, Inc.

The T. Rowe Price investment approach links a broad macroeconomic framework with an awareness of the attractiveness of individual stock opportunities within each market and sector. Stocks are selected using fundamental analysis that emphasizes growth at a reasonable price. The aim is to identify companies whose prospects are attractive on a two-year investment horizon and whose fundamental earnings growth will be above average within its industry or geographic region. Within this framework, a regional oriented team coupled with an international, sectorally oriented team will be responsible for investment decisions. Several quantitative tools are used to evaluate a security's prospects, however, it is ultimately the managers' seasoned judgment that will cause a stock to be introduced, held, or excluded from portfolios. Country and industry weightings result directly from stock selection. T. Rowe Price was retained by the SBI in November 1993.

Scudder Kemper Investments, Inc.

Scudder believes that successful international investing requires knowledge of each country's economy, political environment and financial market obtained through continuous and thorough research of individual markets and securities. The investment process focuses on three areas: country analysis, global themes and unique situations. Ideas from all three areas are integrated into Scudder's research universe. Using their own internal research, the firm seeks companies with potential for earnings and dividend growth, strong or improving balance sheets, superior management, conservative accounting practices and a dominant position in growing industries. Scudder was retained by the SBI in November 1993.

Passive

State Street Global Advisors

State Street manages an international index portfolio designed to track the Morgan Stanley Capital International Index of Europe, Australia and the Far East (EAFE Free). State Street uses a full replication strategy wherever possible to construct index modules on a country by country basis. These modules are then combined to form a portfolio which will track the entire index. State Street was retained by the SBI in October 1992.

Emerging Markets

City of London Investment Management Company Ltd.

City of London is an emerging markets specialist. The firm invests in closed-end country and regional funds to enhance performance and to ensure broad diversification within markets. They perform two levels of analysis: The first level involves compiling macro-economic data for each country in their universe, countries are then ranked nominally according to the relative strength of their fundamentals and the expected upward potential of their stock markets; the second level involves research on closed-end country and regional funds, with analysis of corporate activity, liquidation dates, liquidity and discounts to NAV. They also analyze the quality and expertise of the closed-end fund managers. Countries are then re-ranked according to the relative pricing and discounts to NAV of country specific funds. City of London was retained by the SBI in May 1996.

Genesis Asset Managers International Ltd.

Genesis is an emerging markets specialist. Genesis believes that the critical factor for successful investment performance in emerging markets is stock selection. They also believe that structural changes in emerging markets will continue to create both winners and losers in the corporate sector. Finally, they believe that following index stocks will not necessarily expose an investor to the highest returns since those stocks are typically concentrated in large capitalization companies that have already attained a certain level of recognition. Genesis identifies those countries in which structural change will most likely generate growth opportunities for business and/or where the environment is supportive of a flourishing private sector. Stock selection is based on Genesis' estimate of the value of the company's future real earnings stream over five years relative to its current price. The portfolio consists of the most undervalued stocks across all markets with emphasis on growth with value. The SBI retained Genesis in May 1996.

Montgomery Asset Management, LLC

Montgomery combines quantitative investment techniques and fundamental stock selection to take advantage of market inefficiencies and low correlations within the emerging markets. Their top-down analysis begins with a quantitative approach which evaluates historical volatility and correlations between markets. Their model identifies attractive countries which are then qualitatively analyzed for "event risk" which the model cannot take into account. Fundamental analysis is used to evaluate the financial condition, quality of management, and competitive position of each stock. Stocks will come from two tiers: Tier 1 will be comprised of 60-100 blue chip stocks; Tier 2 will be comprised of 100-150 smaller cap stocks with substantial growth potential. Characteristics of selected stocks may include low PE's relative to internal growth rates, above average earnings growth potential, and undervalued or hidden assets. The firm was retained by the SBI for emerging market management in May 1996.

Currency

Record Treasury Management Ltd.

Record Treasury had managed a currency overlay program for the SBI. In its approach, Record Treasury avoids all forms of forecasting. Rather, the firm employs a systematic model which uses a form of dynamic hedging. The firm creates a portfolio of synthetic currency options using forward contracts. Like traditional options, Record Treasury's "in-house options" allow the client to participate in gains associated with foreign currency depreciation. As with all dynamic hedging programs, Record Treasury will tend to sell foreign currency as it weakens and buy as it strengthens. The SBI retained Record Treasury in December 1995. At the December 8, 1999 meeting, the State Board of Investment voted to terminate Record Treasury. All hedged currencies were unhedged on December 10, 1999. Record Treasury will remain under contract until all forward contracts expire in November 2000.

Portfolio statistics for each of the international managers can be found in the Statistical Data section of this report.

Fixed Income Program Managers

Active

American Express Asset Management Group Inc.

American Express manages portfolios using a top-down approach ending with in-depth fundamental analysis. The firm actively manages five components of the portfolio: duration, maturity structure, sector selection, industry emphasis, and security selection. The duration and maturity structure of the portfolio are determined by the firm's economic analysis and interest rate outlook. This analysis will also identify the sectors and industry groups the firm expects to produce the best rates of return on a risk adjusted basis. American Express employs in-depth fundamental research and credit analysis combined with proprietary valuation disciplines to reconfirm industry groups and identify individual securities that will achieve superior rates of return. American Express was retained by the SBI in July 1993.

Deutsche Asset Management, Inc.

Deustche believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance versus the benchmark over time. The firm's valued added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise and construct portfolios from the bottom-up, bond by bond. Sector weightings are a byproduct of the bottom-up security selection. Deutsche was retained by the SBI in February 2000.

Dodge & Cox Investment Managers

Dodge & Cox manages a high quality, diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, attractive returns are possible over the long-term. To seek superior returns, Dodge & Cox emphasizes sector and security selection, strives to build portfolios that have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

Metropolitan West Asset Management, LLC

Metropolitan West manages portfolios with the goal of consistently out performing the benchmark while maintaining below average volatility. Metropolitan West believes consistent out performance is gained through the measured application of five value-added strategies: 1) limited duration shifts; 2) yield curve management; 3) security selection; 4) buy/sell execution strategies; and 5) sector rotation. The team formulates fixed income strategies based on their long-term fundamental economic outlook. This outlook is debated quarterly and revised based on cyclical and secular developments in the economy and financial markets. From this review, major themes are identified that they believe will be key in driving the economy and

Federal Reserve policy. Metropolitan West was retained by the SBI in February 2000.

Morgan Stanley Dean Witter

Morgan Stanley (formerly Miller Anderson & Sherrerd) focuses on four key decisions in structuring portfolios: interest-rate sensitivity, yield-curve exposure, portfolio credit quality, and portfolio prepayment risk. The firm is a value investor, purchasing securities they believe are relatively cheap and holding them until relative values change or until other securities are identified which are better values than those in the portfolio. Morgan Stanley is a long-term investor and is willing to purchase a portfolio that represents the best values in the market, even if the market does not recognize that value in the near future. In developing their interest-rate strategy the firm relies primarily on value-based criteria to determine when markets are offering generous compensation for bearing interest-rate risk, rather than trying to anticipate interest rates. Value is added in the corporate sector by selecting the cheapest corporate bonds and controlling credit risk through broad diversification and strict position limits. Mortgage securities are often used to replace U.S. Treasuries in portfolios and the firm has significant expertise in managing the prepayment risks of mortgages. Morgan Stanley was retained by the SBI in July 1984.

Standish, Ayer & Wood, Inc.

Standish seeks to add moderate but consistent value to a diverse bond portfolio primarily by uncovering undervalued, overlooked or misunderstood securities, and to a secondary degree through sector rotation while keeping the overall risk level of the portfolio comparatively low. Intensive research and credit analysis are the driving forces in finding undervalued issues in the corporate, mortgage, and other less efficient sectors of the bond market. U.S. Treasury and agency issue holdings are minimized except during flights to quality, but provide balance to portfolio quality, maturity distribution, and liquidity. A conservative approach to interest rate anticipation is employed, therefore, portfolio risk is derived not so much from interest rate volatility as from the liquidity and credit risk of non-Treasury holdings, where the offset is higher yields and potential for appreciation. Standish was retained by the SBI in July 1993.

Western Asset Management Company

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining overall interest rate risk relative to the benchmark. Multiple strategies are proportioned so that results do not depend on one or two opportunities, and no single adverse market event would have an overwhelming effect. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western Asset's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation. Western believes that successful interest rate forecasting is extremely difficult to accomplish consistently and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984.

Semi-Passive

BlackRock Financial Management

BlackRock manages a semi-passive index portfolio that closely tracks the Lehman Aggregate. BlackRock's strategy is a controlled-duration, sector rotation style, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through: 1) controlling portfolio duration within a narrow band relative to the benchmark, 2) relative value sector/sub-sector rotation and security selection, 3) rigorous quantitative analysis to the valuation of each security and of the portfolio as a whole, 4) intense credit analysis and review, and 5) the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent value added and controlled volatility. BlackRock was retained by the SBI in April 1996.

Goldman Sachs Asset Management

Goldman manages a semi-passive portfolio that closely tracks the Lehman Aggregate. Goldman manages the portfolio within a very risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return relative to the benchmark. To a lesser degree, term structure and very controlled interest rate anticipation strategies are also implemented. Portfolios are diversified among various sectors and individual securities. Goldman combines long-term strategic investment tilts with short-term tactical trading opportunities. Strategic tilts are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

Lincoln Capital Management Company

Lincoln manages a semi-passive portfolio that closely tracks the Lehman Aggregate. Lincoln's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their investment process. Lincoln uses proprietary risk exposure analysis to analyze 25 interest rate factors, and over 30 spread-related factors, including those relating to credit quality, sector classification and sub-sector representations. Lincoln analyzes every bond in the index for all relevant factors, and capitalization weights the results to calculate index level risk exposures. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting active risk exposures that must fall within pre-established limits controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Lincoln was retained by the SBI in July 1988.

Portfolio statistics for each of the bond managers can be found in the Statistical Data section of this report.

Alternative Investment Managers

Basic Retirement Funds

Real Estate

Aetna Life Insurance Company
Fund: RESA

Real Estate Separate Account (RESA) is an open-end commingled real estate fund managed by the Aetna Life Insurance Company. The fund was formed in 1978 and the SBI's commitment was made in 1982. The fund has no termination date; investors have the option to withdraw all or a portion of their investments. RESA invests primarily in existing equity real estate. Investments are diversified by location and type of property. On-site management of properties is contracted to outside firms or conducted by a joint venture partner.

Colony Advisors
Funds: Colony Investors II, L.P.
Colony Investors III, L.P.

Colony Investors II and III are closed-end commingled real estate funds managed by Colony Capital Inc. of Los Angeles, CA. The funds' strategy is to invest in undervalued equity and debt real estate-related assets. The SBI committed to Fund II in 1994 and Fund III in 1998. Fund II is expected to terminate in 2003 and Fund III in 2008.

Equity Office Properties Trust
Fund: Equity Office Properties Trust (EOP)

Equity Office Properties Trust (EOP), based in Chicago, is the successor entity to three Zell/Merrill Lynch Real Estate funds in which the SBI had prior investments. In 1997, the Zell/Merrill Lynch Real Estate funds were combined into a single publicly traded entity and the SBI received shares in EOP. Like the original Zell/Merrill Lynch Real Estate funds, EOP focuses primarily on office property real estate investments located throughout the U.S. As a publicly-traded company, EOP has an indefinite life.

First Asset Realty
Fund: First Asset Realty Fund

First Asset Realty Fund (FAREEF), was created by First Bank in 1981 as an open-end real estate fund and in 1990 adopted a closed-end format. The fund is currently in liquidation and property sale proceeds are being distributed to unit holders. The SBI received this investment through Police and Fire Fund consolidations.

Heitman Advisory Corp. (HAC)
Funds: HAC Group Trust I
HAC Group Trust II
HAC Group Trust III
HAC Group Trust V

HAC Group Trusts are closed-end commingled funds managed by the Heitman Advisory Group. The majority of the trust investments are equity real estate. The real estate portfolios are diversified by the type and location of the properties. Heitman manages the trusts' wholly-owned properties. Heitman Advisory is based in Chicago. The SBI committed to the Group Trusts in 1984, 1985, 1987 and 1991. All funds are in the process of liquidating their holdings.

LaSalle Advisors
Fund: LaSalle Income Parking Fund

The Income Parking Fund is a closed-end commingled fund managed by LaSalle Advisors of Chicago, Illinois. The fund's main strategy is to acquire unleveraged parking facilities to maximize current return to the investors. The

SBI committed to the Fund in 1991. The fund is expected to terminate in 2005.

Lend Lease Real Estate Group
Fund: Prime Property Fund

Prime Property Fund was formed in 1973 by the New York-based Lend Lease Real Estate Group, Inc. (formerly, the Equitable Real Estate Group). The account is an open-end commingled real estate fund and the SBI's commitment was made in 1981. The fund has no termination date and investors retain the option to withdraw all or a portion of their investment. The fund makes equity investments in existing real estate and is diversified by location and property type. Management of the fund's properties is contracted to outside firms or is conducted by joint venture partners.

Rosenberg Real Estate Equity Funds (RREEF)
Fund: RREEF USA III

RREEF USA III is a closed-end commingled fund managed by the Rosenberg Real Estate Equity Funds. Typically, the trust purchases 100% of the equity of its properties with cash. The trust generally does not utilize leverage or participating mortgages. Properties are diversified by location and type. RREEF's in-house staff manages the trust's real estate properties. The firm's primary office is located in San Francisco. The SBI committed to the fund in May 1984. The Fund has reached the end of its investment term and is liquidating its property holdings.

State Street Bank & Trust
Funds: AEW - State Street Real Estate Fund III
AEW - State Street Real Estate Fund V

State Street Real Estate Funds are closed-end commingled funds managed by the State Street Bank and Trust Company of Boston. State Street Bank has retained Aldrich, Eastman and Waltch (AEW) as the funds' advisor. The funds' special orientation is the use of creative investment vehicles such as convertible and participating mortgages to maximize real estate returns. The real estate portfolios are diversified by location and property type. On-site property management typically is contracted to outside firms or conducted by joint venture partners. The SBI committed to the funds in 1985 and 1987. The funds are in the process of liquidating their holdings.

TA Associates Realty
Funds: TA Realty Associates Fund III
TA Realty Associates Fund IV
TA Realty Associates Fund V

TA Realty Associates Funds III, IV and V are closed-end, commingled real estate funds managed by TA Associates Realty of Boston, MA. The funds invest in small to medium sized properties generally diversified by location and type. On-site management of properties is contracted to outside firms. The SBI committed to the funds in 1994, 1997 and 1999, respectively. Each fund has a ten year term.

Trust Company of the West (TCW)
Funds: TCW Realty Fund III
TCW Realty Fund IV

TCW Realty Funds are closed-end commingled funds. The funds are managed by CB Richard Ellis Investors of Los Angeles. These managers utilize specialty investment vehicles such as convertible and participating mortgages to enhance real estate returns. Investments are diversified by location and type. Portfolio properties are typically managed by local property management firms. The SBI committed to the funds in 1985 and 1986. The funds have reached the end of their investment terms and are in the process of liquidating their property holdings.

Private Equity

Allied Capital
Fund: Allied Venture Partnership

Allied Venture Partnership was formed in 1985 with a ten-year term and is currently selling remaining fund investments. Based in Washington D.C., the fund focuses on later-stage, low technology companies located in the Southeastern and Eastern U.S.

Blackstone Group
Fund: Blackstone Capital Partners Fund II

The Blackstone Capital Partners Fund II is a limited partnership which was formed in 1993 and has a ten year term. Based in New York, the fund will invest in a diverse number and type of private equity transactions. Up to 25% of the fund may be invested outside of the United States and Canada.

Brinson Partners
Funds: Venture Partnership Acquisition Fund I
Venture Partnership Acquisition Fund II

Brinson Partners Venture Partnership Acquisition Funds I and II were formed in 1988 and 1990, respectively. The limited partnerships have ten year terms and are currently selling remaining fund investments. Fund I and II invest exclusively in secondary venture capital limited partnership interests which are sold by investors who, for a variety of reasons, have decided to sell some or all of their venture capital holdings. Brinson Partners is based in Chicago, Illinois.

ChiCorp Management, Inc.
Funds: Midwest Bank Fund III
Banc Fund IV
Banc Fund V

Midwest Bank Fund III was formed in 1992 and has a nine year term. Fund IV was formed in 1996 and has an eight year term. Fund V was formed in 1998 and has a nine year term. Based in Chicago, Illinois, the funds will invest primarily in sub-regional banks, located primarily in the Midwest, which have demonstrated above average growth and are likely acquisition targets.

Churchill Capital, Inc.
Fund: Churchill Capital Partners II

Churchill Capital Partners II was formed in 1992 and has a twelve year term. Based in Minneapolis, Minnesota, the fund provides subordinated debt to established small and medium-sized companies.

Contrarian Capital Management
Fund: Contrarian Capital Fund II

Contrarian Capital Fund II was formed in 1997 with a term of 7 years. Based in Greenwich, CT the fund focuses on investments in distressed debt securities.

Coral Group Inc.
Funds: Coral Partners I
Coral Partners II
Coral Partners IV
Coral Partners V

Coral Partners I (formerly Superior Ventures) is a Minnesota-based venture capital limited partnership. The fund invested in Minnesota-based venture capital limited partnerships and operating companies located within the state. It was formed in 1986 and is currently selling remaining fund investments. Coral Partners II, IV and V are Minnesota-based venture capital limited partnerships managed by the Coral Group. These funds have venture capital investment strategies similar to Coral I's but are more diversified geographically. They were formed in 1991, 1994 and 1998, respectively, and have eleven year terms.

Crescendo Ventures
Funds: Crescendo Venture Fund II
Crescendo Venture Fund III
Crescendo Venture Fund IV

Crescendo Venture Funds II, III and IV were organized in 1997, 1999 and 2000 respectively and have ten year terms. Based in Minneapolis, Minnesota, the funds will pursue opportunistic venture capital investments throughout the U.S. with an emphasis on Minnesota and the Midwest.

DSV Management Ltd.
Fund: DSV Partners IV

DSV Partners IV limited partnership was formed in 1985 and is currently in liquidation. DSV Partners IV is the fourth venture fund to be managed by DSV Management Ltd. since the firm's inception in 1968. The firm has offices in Princeton, New Jersey, and California. DSV focuses on start-up and early stage investments.

Fox Paine and Company, L.P.
Funds: Fox Paine Capital Fund I
Fox Paine Capital Fund II

Fox Paine Capital Funds I and II were formed in 1998 and 2000 and have ten year terms. Based in Foster City, CA, the funds focus on private equity investments in middle market operating businesses in a wide variety of industries.

Golder, Thoma, Cressey and Rauner
Funds: Golder, Thoma and Cressey Fund III
Golder, Thoma and Cressey Fund IV
Golder, Thoma and Cressey Fund V

Golder, Thoma and Cressey Funds III, IV and V are venture capital limited partnerships and were formed in 1987, 1993 and 1996, respectively. The funds are based in Chicago, Illinois and have ten year terms. Fund III is currently in liquidation. The funds invest in growing private businesses, find and build companies in fragmented industries and invest in small leveraged buyouts. In addition, each fund is diversified geographically and by industry.

GTCR Golder Rauner, L. P.
Funds: GTCR Golder Rauner Fund VI
GTCR Golder Rauner Fund VII

GTCR Golder Rauner Funds VI and VII, formed in 1998 and 2000, are funds of a successor firm to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several investments with Golder, Thoma, Cressey and Rauner. The funds have ten year terms. Based in Chicago, the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

Goldner Hawn Johnson and Morrison
Fund: GHJM Marathon Fund IV

GHJM Marathon Fund IV was organized in 1998 and has a 10 year term. Based in Minneapolis, the fund will pursue primarily middle market private equity investments located in the midwest and other parts of the U.S.

Hellman and Friedman
Funds: Hellman and Friedman III
Hellman and Friedman IV

Hellman and Friedman III and IV were organized in 1994 and 2000 and have ten year terms. Based in San Francisco, the funds will pursue opportunistic private equity investments located in the U.S. and internationally.

Kohlberg, Kravis, Roberts & Co. (KKR)
Funds: KKR 1986 Fund
KKR 1987 Fund
KKR 1993 Fund
KKR 1996 Fund

KKR's Funds are structured as limited partnerships. The funds invest in large leveraged buyouts but may include other types of investments as well. The partnerships' portfolio companies are often mature, low technology companies with very diversified operations. Kohlberg, Kravis, Roberts and Co. operates offices in New York and San Francisco. The funds were formed in the years cited above and have terms of twelve years.

Matrix Partners
Funds: Matrix Partners II
Matrix Partners III

Matrix Partners II and III are venture capital limited partnerships that were formed in 1985 and 1990, respectively, with terms of ten years. Both funds are undergoing an orderly liquidation of holdings. Investment emphasis is on high-technology firms in the early and expansion stages of corporate development.

Piper Jaffray Ventures
Funds: Piper Jaffray Healthcare Fund II
Piper Jaffray Healthcare Fund III

Piper Jaffray Healthcare Funds II and III were organized in 1997 and 1999, respectively, with ten year terms. Based in Minneapolis, Minnesota, the funds will focus on a geographically diverse portfolio of healthcare venture capital investments.

Richard C. Blum and Associates
Fund: RCBA Strategic Partners, L.P.

RCBA Strategic Partners, L.P. was organized in 1998 and has a ten year term. Based in San Francisco, the fund will focus on value-oriented private and public equity investments located primarily in the U.S.

Smith Barney Venture Corp.
Fund: First Century III

First Century III was formed in 1984. It is structured as a limited partnership with a term of twelve years and is in the process of liquidating its holdings. The general partner and manager of the partnership is Smith Barney Venture Corp., a subsidiary of Smith Barney Harris Upham and Co. Smith Barney Venture has offices in New York and San Francisco. This is the third fund formed by the firm since 1972. The partnership invests primarily in early stage, high technology companies diversified by location and industry group.

Stamps, Woodsum and Co.
Funds: Summit Ventures I
Summit Ventures II
Summit Ventures V

Summit Ventures I, II and V are limited partnerships formed in 1986, 1988 and 1998 with ten-year terms. Fund I and II are being liquidated. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. Stamps and Woodsum focus on profitable, expansion stage firms that have not yet received any venture backing. The majority of the partnership investments are in high tech firms. Investments are diversified by location and industry type.

Thoma Cressey Equity Partners
Fund: Thoma Cressey Fund VI

Thoma Cressey Fund VI, formed in 1998, is one of two successor firms to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several investments with Golder, Thoma, Cressey and Rauner. The fund has a ten year term. Based in Chicago, the fund focuses primarily on a wide variety of private equity investments in consolidating and fragmented industries.

T. Rowe Price

T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the Board's venture capital limited partnerships. T. Rowe Price has extensive research capabilities in the small capitalization company area. In addition, the firm has a large trading staff with particular expertise in the trading of small capitalization and illiquid stocks.

Vestar Capital Partners
Fund: Vestar Capital Partners IV

Vestar Capital Partners IV is a limited partnership that was formed in 1999 and has a ten year term. Based in New York, the fund will invest primarily in a number of private middle market companies.

E.M. Warburg, Pincus & Co., Inc.
Funds: Warburg, Pincus Ventures, L.P.
Warburg, Pincus Equity Partners

Warburg Pincus is based in New York, New York. These funds will invest private equity in a wide variety of businesses located domestically and abroad. The SBI committed to the first fund in 1994 and the second fund in 1998. Both funds have a 12 year term.

Welsh, Carson, Anderson and Stowe
Fund: Welsh, Carson, Anderson and Stowe Fund VIII
Welsh, Carson, Anderson And Stowe Fund IX

Welsh, Carson, Anderson and Stowe Funds VIII and IX were formed in 1998 and 2000 and have twelve year terms. Based in New York, N.Y., the funds focus on private equity investments in the healthcare and information services industries.

Resource Funds

Apache Corporation
Fund: Apache Acquisition Net Profits Interest

Apache Corporation is a Houston based oil and gas company. Apache Acquisition Net Profits Interest is a private placement that was formed in 1986 to acquire a non-operating interest in the net profit generated by oil and gas properties acquired in 1986 from Occidental Petroleum Company. The fund will remain in effect throughout the producing life of the properties.

First Reserve Corp.
Funds: AMGO I
AMGO II
First Reserve V
First Reserve VII
First Reserve VIII

American Gas and Oil (AMGO) funds were formed in 1981, 1983, 1990, 1996 and 1998, respectively, and are structured as limited partnerships. The funds are expected to terminate in 2001, 2001, 2000, 2006 and 2008, respectively after which they will sell remaining fund investments over, typically, a period of years. The general partner and manager of the funds is First Reserve Corp. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments.

J.P. Morgan Investment Management
Fund: Morgan Petroleum Fund II

Morgan Petroleum Fund II was formed in 1988 and is managed by J.P. Morgan Investment Management, Inc. The fund has a 15 year term and is currently in the final stages of liquidating its oil and gas assets.

Simmons & Company
Funds: OFS Investments, L.P. II
OFS Investments, L.P. III
OFS Investments, L.P. IV

The Funds serve as vehicles for investment in the oil field service (OFS) and equipment industry. The General Partner is located in Houston, Texas. Fund II was formed in 1992, Fund III was formed in 1994 and Fund IV was formed in 1998. All funds have a 10 year term.

T. Rowe Price

T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the Board's resource limited partnerships. T. Rowe Price has extensive research capabilities in the small capitalization company area. In addition, the firm has a large trading staff with particular expertise in the trading of small capitalization and illiquid stocks.

Alternative Investment Managers

Post Retirement Fund

Real Estate

Colony Advisors
Fund: Colony Investors II, L.P.

Colony Investors II is a closed-end commingled real estate fund managed by Colony Capital Inc. of Los Angeles, California. The fund's strategy is to invest in undervalued equity and debt real estate-related assets. The SBI committed to the Fund in 1994. The fund is expected to terminate in 2003.

CB Richard Ellis, L.L.C.
Funds: Westmark Commercial Mortgage Fund II
Westmark Commercial Mortgage Fund III
Westmark Commercial Mortgage Fund IV
Westmark Commercial Mortgage fund V

Westmark Commercial Mortgage Funds II, III, IV and V are funds formed in 1995, 1996, 1997, and 1999 respectively, with ten year terms. Based in Los Angeles, California, the funds focus on mortgage investment in real estate located throughout the U.S.

Private Equity

Citicorp Capital Investors, Ltd.
Funds: Citicorp Mezzanine Partners, L.P. II
Citicorp Mezzanine Partners. L.P. III

Citicorp Mezzanine Funds are limited partnerships formed in 1994 and 1999 by Citicorp Capital Investors Ltd. of New York, New York. The Funds will invest in a broad range of transactions utilizing subordinated debt and equity securities. The Funds have expected terms of 10 years.

DLJ Investment Partners
Fund: DLJ Investment Partners II

DLJ Investment Partners II is a limited partnership formed in 1999 with an expected term of ten years. Based in New York, the Fund will invest in a variety of securities, including subordinated debt with warrants, preferred stock with warrants, common stock or other securities, including interests in joint ventures.

Goldman Sachs Mezzanine Partners
Fund: GS Mezzanine Partners II

GS Mezzanine Partners II is a limited partnership formed in 2000 with an expected term of ten years. Based in New York, the Fund's investment objective is to achieve long-term capital appreciation and current returns through investments in mezzanine securities. These securities will principally include fixed income securities such as debt and preferred stock, often with an equity component, such as warrants, options, a convertible feature, or common stock associated with the debt or preferred stock purchase.

GTCR Golder Rauner L.P.
Fund: GTCR Capital Partners

GTCR Capital Partners is a limited partnership formed in 1999 with an expected term of ten years. Based in Chicago, the Fund will make mezzanine investments primarily in companies in which a GTCR Equity Fund invests or has invested. GTCR invests in consolidating, fragmented industries by teaming with top executives to build companies through acquisition and internal growth.

Equinox Investment Partners
Fund: KB Mezzanine Fund II

KB Mezzanine Fund II is a limited partnership formed in 1994 by Kleinwort Benson Group, a leading London-based merchant banking firm. In 1996, the fund manager reorganized and changed its name to Equinox Investment Partners. Fund II invests in a broad range of transactions including utilizing subordinated debt and equity securities. The SBI committed to the fund in 1994. The fund has an expected 8 year term.

Stamps, Woodsum & Co.
Funds: Summit Subordinated Debt Fund I
Summit Subordinated Debt Fund II

Summit Subordinated Debt Fund I and II are limited partnerships formed in 1994 and 1996, respectively, with ten year terms. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. The fund will invest in many of the same companies as the Summit Venture funds. Investments by this partnership will principally take the form of subordinated debt with equity features. These yield-oriented investments will provide current income over the life of the investment with the potential for additional returns.

T. Rowe Price

T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the Board's venture capital limited partnerships. T. Rowe Price has extensive research capabilities in the small capitalization company area. In addition, the firm has a large trading staff with particular expertise in the trading of small capitalization and illiquid stocks.

TCW/Crescent Mezzanine, L.L.C.
Funds: TCW/Crescent Mezzanine Partners, L.P.
TCW/Crescent Mezzanine Partners II

TCW/Crescent Mezzanine Partners, L.P. and TCW/Crescent Mezzanine Partners II are Los Angeles based limited partnerships formed in 1996 and 1999, respectively. The Funds will make mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies. The Funds are expected to terminate in 2006 and 2009, respectively.

William Blair Mezzanine Capital Partners
Fund: William Blair Mezzanine Capital Partners III

William Blair Mezzanine Capital Partners III is a limited partnership formed in 1999 with an expected term of ten years. Based in Chicago, the Fund will invest primarily in fixed rate subordinated debt securities. These securities generally will be purchased with a significant equity component in the form of warrants, common stock or contingent interest.

Windjammer Capital Investors
Fund: Windjammer Mezzanine and Equity Fund II

Windjammer Mezzanine and Equity Fund II is a limited partnership formed in 2000 with an expected term of ten years. The Fund will provide subordinated debt and/or preferred stock accompanied by warrants or other forms of equity participation and, in certain instances, common stock to middle market companies. The Fund will seek to generate both current income and substantial capital gains while limiting its risk.

Resource Funds

Merit Energy Company
Fund: Merit Energy Partners B C and D

Merit Energy Partners B, C and D were formed in 1996, 1998 and 2000, respectively, and each fund has an eight year initial term. Based in Dallas, TX, the funds will focus on resource investments in producing oil and gas properties.

Assigned Risk Plan Managers

GE Asset Management

GE Asset Management manages a semi-passive stock portfolio for the Assigned Risk Plan. They believe that style leadership cannot be predicted in the equity market and can overwhelm stock selection in the short-term. Their strategy is to neutralize the style bet and focus on fundamental, bottom-up stock selection to add value. This is accomplished by combining the expertise of three portfolio managers, each with different styles ranging from value to growth, supported by a staff of nine industry analysts. Each analyst is responsible for one or more industries and together provide analytical coverage across the full spectrum of industries. The three portfolios are combined to create a well-diversified portfolio while maintaining a style-neutral position between value and growth. GE Asset Management was retained by the SBI in January 1995.

Vogageur Asset Management

Voyageur manages the fixed income portfolio for the Assigned Risk Plan. The main objective for the portfolio is to provide cash for the payment of workers compensation claims on the required dates. Because of the uncertainty of premium and liability cash flows, the fund is invested conservatively. Voyageur uses a top-down approach to bond selection. They focus on sector analysis and security selection. Yield curve and duration analysis are secondary considerations. Voyageur has managed the bond portfolio since 1991.

Stable Value Manager

Galliard Capital Management, Inc.

Galliard Capital Management manages the Fixed Interest Account in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests cash flows to optimize yields. The manager invests in high quality instruments diversified among traditional guaranteed investment contracts (GIC's) and alternative investment contracts with U.S. and non-U.S. financial institutions. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes. The firm was retained by the SBI in November 1994.

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Stock Manager Risk Factor Exposure Glossary

The following definitions describe the risk factors that the State Board of Investment (SBI) uses in monitoring its stock managers. The terms are referred to in the Risk Factor Exposure table that follows this glossary.

SBI analysis of a stock manager's portfolio, in part, utilizes the BARRA E3 model. The BARRA model contains a number of risk factors that the SBI has found to correlate highly with a manager's investment style. That is, a manager tends to exhibit consistent exposures to many of these risk factors over time. The benchmark construction process includes identifying these persistent exposures and capturing them in the benchmark portfolio.

Factor exposures are calibrated relative to an estimation universe of the top 1,500 stocks ranked by capitalization plus smaller companies chosen to ensure a reasonable number of companies in each industry. An exposure level of 0 for a particular stock to a particular factor indicates that the stock has the same exposure as the capitalization-weighted average of the stocks in the estimation universe. Around that zero exposure, deviations are measured in standard deviation units. Thus, an exposure level of +1 indicates that the stock has a greater exposure to the factor than roughly 68% of the stocks in the estimation universe.

Beta

Forecasts the sensitivity of a stock's return to the return on the market portfolio. The BARRA E3 beta is a forecasted beta, based on a company's exposure to a number of common risk factors and industries.

Volatility (Vlty.)

Captures relative volatility using measures of both long-term historical volatility and near-term volatility. Other proxies for volatility, corrections for thin trading and changes in volatility are also included in this descriptor.

Momentum (Mom.)

Indicates common variation in returns related to recent stock price behavior. Stocks that had positive excess returns in the recent past are grouped separately from those that displayed negative excess returns.

Size

Measures differences in stock returns due to differences in the market capitalization of companies.

Size Nonlinearity (Size Non.)

Describes deviations from linearity in the relationship between returns and a measure of market capitalization.

Trading Activity (Trad. Acvty.)

Measures the amount of relative trading in each stock. Stocks that are highly traded are likely to be those with greater institutional interest. Such stocks may display different returns behavior compared with those that are not widely held by institutions.

Growth

Uses historical growth and profitability measures to predict future earnings growth.

Earnings Yield (E/Y)

Combines current and historical earnings-to-price ratios with a measure of analyst-predicted earnings-to-price. Stocks with similar values of earnings yield behave in a similar fashion with respect to their returns.

Value

Distinguishes between value stocks and growth stocks using the ratio of book value of equity to market capitalization.

Earnings Variability (Earn. Var.)

Measures the variability in earnings and cash flows using both historical measures and analyst predictions.

Leverage (Lev.)

Indicates the financial leverage of a company using debt-to-total assets and other measures.

Current Sensitivity (Curr. Sens.)

Measures the sensitivity of a company's stock return to the return on a basket of foreign currencies.

Dividend Yield (Div. Yld.)

Predicts dividend yield using the past history of dividends and the market price behavior of the stock.

Average Turnover (Ave T/O)

Measures the total equity asset sales dividend by the average value of the equity assets in the manager's portfolio.

Equity Allocation (Eqty. Alloc.)

Measures the percent of the manager's total portfolio invested in common stocks, preferred stocks and convertible securities.

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
FY 1999 and FY 2000
(In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non.	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
Alliance Capital Management															
June-99	1.12	-0.05	0.31	0.66	0.13	0.09	0.33	-0.14	-0.29	-0.07	-0.10	0.06	-0.39	4.17	98.4%
June-00	1.06	-0.15	0.18	0.68	0.12	-0.10	0.05	-0.15	-0.14	-0.11	-0.19	0.08	-0.24	1.89	99.1%
Benchmark															
June-99	1.08	-0.03	0.08	0.40	0.11	0.14	0.04	0.02	-0.12	-0.09	-0.03	0.07	-0.13	N.A.	100.0%
June-00	1.08	-0.11	0.03	0.59	0.12	0.08	0.01	-0.04	-0.12	-0.08	-0.24	0.09	-0.12	N.A.	100.0%
Brinson Partners															
June-99	0.96	0.00	-0.43	-0.81	-0.15	0.04	-0.22	0.32	0.36	0.01	0.38	-0.07	0.16	4.32	96.7%
June-00	0.92	-0.05	-0.61	-0.70	-0.02	0.01	-0.32	0.33	0.28	-0.08	0.26	-0.27	0.20	10.23	99.1%
Benchmark															
June-99	0.98	0.09	-0.24	-0.75	-0.14	0.09	-0.12	0.12	0.21	0.08	0.24	0.03	0.08	N.A.	100.0%
June-00	0.98	0.05	-0.20	-0.59	0.00	0.18	-0.15	0.16	0.16	0.02	0.20	-0.07	0.10	N.A.	100.0%
Cohen Klingenstein & Marks															
June-99	1.14	0.28	0.00	-0.10	0.08	0.37	0.13	-0.20	-0.25	0.04	-0.12	0.07	-0.36	3.63	96.5%
June-00	1.00	0.06	-0.47	-0.17	0.06	0.08	-0.11	0.12	-0.07	-0.11	0.12	-0.11	-0.07	7.34	99.1%
Benchmark															
June-99	1.10	0.15	-0.08	-0.27	0.05	0.34	0.01	0.04	-0.06	-0.10	0.00	0.15	-0.27	N.A.	100.0%
June-00	1.15	0.24	0.12	-0.28	0.05	0.44	0.13	-0.02	-0.09	0.05	0.04	0.11	-0.19	N.A.	100.0%
Forstmann Leff Associates															
June-99	1.10	0.28	0.26	-0.59	-0.05	0.63	-0.01	-0.23	0.06	0.40	0.38	0.06	-0.37	7.18	97.9%
June-00	1.06	0.22	0.12	-0.70	-0.04	0.71	-0.27	0.00	0.09	0.02	0.12	-0.46	-0.29	5.61	99.9%
Benchmark															
June-99	1.07	0.31	-0.44	-0.85	-0.13	0.29	0.04	0.20	0.25	0.13	0.23	0.04	-0.11	N.A.	100.0%
June-00	0.93	0.02	-0.34	-0.82	-0.06	0.13	-0.15	0.14	0.15	0.06	0.31	-0.15	0.00	N.A.	100.0%
Franklin Portfolio Associates															
June-99	0.97	-0.12	0.00	-0.58	0.04	0.02	-0.14	0.30	0.20	0.00	0.28	-0.04	0.07	9.82	99.8%
June-00	0.92	-0.21	-0.27	-0.49	0.03	0.05	-0.15	0.34	0.29	0.25	0.11	-0.15	0.26	9.22	99.7%
Benchmark															
June-99	0.95	-0.05	-0.28	-0.54	0.02	0.03	-0.20	0.20	0.20	-0.01	0.19	-0.01	0.17	N.A.	100.0%
June-00	0.93	-0.07	-0.23	-0.55	0.01	0.04	-0.22	0.20	0.21	0.01	0.25	-0.11	0.16	N.A.	100.0%

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
FY 1999 and FY 2000
(In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non.	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
GeoCapital Corp.															
June-99	1.15	1.02	-0.08	-2.22	-0.89	0.08	0.88	-0.17	0.13	0.28	0.48	0.26	-0.34	2.19	100.0%
June-00	1.14	0.90	0.08	-2.30	-0.97	-0.04	0.57	-0.35	0.19	0.49	0.53	0.34	-0.32	3.44	95.7%
Benchmark															
June-99	1.08	0.98	-0.54	-2.57	-1.36	-0.07	0.48	-0.01	0.46	0.46	0.50	0.46	-0.54	N.A.	100.0%
June-00	1.02	0.93	-0.10	-2.58	-1.30	0.01	0.24	-0.10	0.35	0.50	0.60	0.37	-0.43	N.A.	100.0%
Lincoln Capital Management															
June-99	1.07	-0.21	0.18	0.92	0.15	-0.02	0.16	-0.22	-0.34	-0.16	-0.44	0.06	-0.29	6.72	98.2%
June-00	1.18	-0.11	0.34	0.93	0.13	0.16	0.03	-0.19	-0.32	-0.18	-0.39	0.19	-0.29	6.42	99.5%
Benchmark															
June-99	1.08	-0.04	0.13	0.46	0.12	0.11	0.13	-0.16	-0.29	-0.13	-0.22	0.10	-0.28	N.A.	100.0%
June-00	1.13	0.00	0.16	0.47	0.11	0.22	0.11	-0.15	-0.26	-0.12	-0.25	0.12	-0.27	N.A.	100.0%
Oppenheimer Capital															
June-99	1.03	-0.02	-0.33	-0.02	0.08	-0.06	0.02	0.37	0.15	-0.15	0.19	0.03	0.05	4.37	95.5%
June-00	0.96	-0.15	-0.27	0.00	0.08	-0.23	-0.14	0.32	0.18	-0.17	0.21	0.03	0.17	1.47	99.6%
Benchmark															
June-99	0.98	-0.16	-0.15	0.13	0.10	-0.03	-0.22	0.15	0.00	-0.18	-0.03	0.02	0.14	N.A.	100.0%
June-00	0.97	-0.16	-0.12	0.13	0.09	-0.01	-0.23	0.10	-0.04	-0.18	-0.04	-0.05	0.04	N.A.	100.0%
Aggregate (Active + Emerging)															
June-99	1.07	0.08	0.05	-0.15	-0.04	0.12	0.16	-0.01	-0.04	0.01	0.10	0.05	-0.21	4.46	97.9%
June-00	1.04	0.00	-0.02	-0.08	-0.01	0.06	-0.02	0.01	0.00	-0.02	0.03	-0.01	-0.11	4.36	98.4%
Benchmark															
June-99	1.05	0.11	-0.14	-0.30	-0.08	0.12	0.02	0.06	0.04	0.00	0.08	0.08	-0.11	N.A.	100.0%
June-00	1.03	0.06	-0.06	-0.25	-0.08	0.12	-0.03	0.02	0.01	0.00	0.04	0.04	-0.10	N.A.	100.0%

EXTERNAL EMERGING STOCK MANAGERS

Risk Factor Exposures
FY 1999 and FY 2000
(In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non.	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
CIC Asset Management															
June-99	0.92	0.00	-0.64	-0.77	-0.05	0.14	-0.32	0.42	0.60	0.10	0.52	-0.11	0.52	9.90	99.3%
June-00	0.83	-0.30	-0.51	-0.39	0.07	-0.03	-0.43	0.39	0.34	0.16	0.23	-0.43	0.59	9.96	99.1%
Benchmark															
June-99	0.93	-0.06	-0.38	-0.69	0.01	0.08	-0.25	0.34	0.34	0.00	0.31	-0.05	0.37	N.A.	100.0%
June-00	0.85	-0.22	-0.52	-0.45	0.06	-0.18	-0.38	0.37	0.24	-0.11	0.27	-0.24	0.37	N.A.	100.0%
New Amsterdam Partners															
June-99	1.05	0.13	-0.07	-0.79	-0.04	0.24	0.17	0.22	-0.07	-0.29	0.16	0.19	-0.38	3.26	96.4%
June-00	0.99	0.10	0.11	-0.96	-0.09	0.40	0.17	0.23	0.02	-0.25	0.38	0.24	-0.28	3.63	96.4%
Benchmark															
June-99	1.06	0.32	-0.23	-0.98	-0.20	0.21	0.06	0.23	0.23	0.02	0.24	0.09	-0.16	N.A.	100.0%
June-00	1.01	0.18	-0.17	-0.85	-0.11	0.26	-0.12	0.21	0.18	0.07	0.23	0.04	-0.05	N.A.	100.0%
Valenzuela Capital															
June-99	0.99	0.17	-0.26	-1.39	-0.22	0.15	-0.06	0.18	0.20	0.28	0.63	0.03	-0.22	8.73	95.6%
June-00	0.91	0.16	-0.28	-1.49	-0.28	0.16	-0.13	0.29	0.27	0.10	0.51	-0.46	-0.16	13.74	90.7%
Benchmark															
June-99	1.01	0.33	-0.50	-1.60	-0.41	0.13	-0.06	0.38	0.40	0.14	0.46	0.03	-0.15	N.A.	100.0%
June-00	0.89	0.15	-0.43	-1.67	-0.39	0.03	-0.26	0.44	0.46	0.16	0.46	-0.24	0.03	N.A.	100.0%
Winslow Capital Management															
June-99	1.15	0.21	-0.05	-0.21	0.04	0.45	0.68	-0.08	-0.16	0.03	0.10	0.05	-0.50	7.87	97.9%
June-00	1.12	0.02	0.37	0.38	0.11	0.27	0.32	-0.20	-0.25	-0.05	-0.03	0.12	-0.37	9.21	88.7%
Benchmark															
June-99	1.17	0.31	0.02	-0.38	0.04	0.42	0.31	-0.07	-0.10	-0.05	0.05	0.16	-0.42	N.A.	100.0%
June-00	1.09	0.01	0.02	0.21	0.08	0.17	0.03	-0.04	-0.14	-0.18	-0.17	0.05	-0.20	N.A.	100.0%
Zevenbergen Capital															
June-99	1.21	0.47	1.20	-0.11	0.06	0.44	0.74	-0.79	-0.38	0.34	0.35	-0.05	-0.61	7.26	99.7%
June-00	1.25	0.58	0.73	-0.29	0.05	0.53	0.84	-0.60	-0.19	0.72	0.53	0.38	-0.48	5.34	99.6%
Benchmark															
June-99	1.24	0.67	0.29	-0.78	-0.09	0.58	0.61	-0.36	-0.14	0.23	0.23	0.18	-0.62	N.A.	100.0%
June-00	1.15	0.27	0.35	-0.16	0.02	0.42	0.30	-0.20	-0.14	0.11	0.02	0.12	-0.34	N.A.	100.0%
Aggregate Emerging Managers															
June-99	1.07	0.23	0.07	-0.58	-0.09	0.22	0.22	-0.10	-0.09	0.04	0.16	0.08	-0.28	5.51	97.3%
June-00	1.01	0.17	0.09	-0.70	-0.12	0.14	0.18	-0.03	0.00	0.12	0.26	0.05	-0.18	7.39	95.7%
Benchmark															
June-99	1.09	0.33	-0.16	-0.82	-0.21	0.26	0.13	0.05	0.09	0.04	0.17	0.13	-0.28	N.A.	100.0%
June-00	1.01	0.17	-0.04	-0.69	-0.22	0.13	0.00	0.05	0.08	0.04	0.12	0.00	-0.14	N.A.	100.0%

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Risk Factor Exposures
FY 1999 and FY 2000
(In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non.	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
Barclays Global Investors															
June-99	0.94	-0.17	-0.08	0.06	-0.02	-0.18	-0.18	0.18	0.05	-0.04	-0.01	-0.01	0.18	4.88	99.3%
June-00	0.99	-0.07	-0.04	0.00	-0.01	-0.06	-0.06	0.12	0.04	-0.01	0.04	-0.04	0.11	5.05	99.1%
Franklin Portfolio Associates															
June-99	0.94	-0.19	-0.06	0.02	0.00	-0.16	-0.12	0.17	0.11	-0.03	0.06	0.03	0.21	6.65	99.8%
June-00	0.99	-0.08	-0.04	0.01	0.01	-0.07	-0.04	0.05	0.03	0.00	0.04	-0.02	0.07	5.58	99.5%
J.P. Morgan Investment Management															
June-99	0.94	-0.16	-0.10	0.01	-0.02	-0.14	-0.11	0.14	0.09	-0.04	0.04	-0.04	0.21	5.41	99.5%
June-00	0.98	-0.09	-0.13	-0.02	-0.02	-0.10	-0.06	0.10	0.09	0.00	0.09	-0.07	0.12	4.34	99.7%
Aggregate Semi-Passive Equity															
June-99	0.94	-0.17	-0.08	0.03	-0.02	-0.16	-0.14	0.16	0.08	-0.04	0.03	-0.01	0.20	5.13	99.6%
June-00	0.99	-0.08	-0.07	0.00	-0.01	-0.08	-0.05	0.09	0.05	0.00	0.06	-0.04	0.10	4.41	99.4%
Benchmark*															
June-99	0.94	-0.17	-0.07	0.08	0.00	-0.21	-0.15	0.07	0.06	-0.05	-0.01	-0.04	0.20	N.A.	100.0%
June-00	0.99	-0.06	-0.06	0.00	-0.01	-0.08	-0.05	0.02	0.02	0.00	0.05	-0.01	0.08	N.A.	100.0%

*All semi-passive managers use the same benchmark

Statistical Data

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 1999 and FY 2000
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Alliance Capital													
	June-99	1.56	44.34	0.00	0.00	2.17	0.00	32.89	0.83	0.26	17.95	0.00	100.00
	June-00	0.91	44.21	0.00	1.44	2.75	0.00	35.05	0.00	0.00	15.64	0.00	100.00
Benchmark													
	June-99	0.00	34.55	2.96	1.84	5.21	2.08	28.32	0.56	4.50	19.62	0.36	100.00
	June-00	0.00	35.77	1.10	0.60	2.33	0.00	36.52	0.62	5.96	16.04	1.06	100.00
Brinson Partners													
	June-99	3.29	16.15	4.48	15.47	8.61	1.82	16.98	8.83	4.34	20.03	0.00	100.00
	June-00	0.93	18.33	5.70	12.20	8.20	1.96	21.95	6.67	6.82	17.24	0.00	100.00
Benchmark													
	June-99	0.00	29.62	3.45	4.70	6.06	3.76	22.49	1.21	10.33	17.65	0.73	100.00
	June-00	0.00	27.33	2.08	3.67	5.38	4.04	32.97	0.67	8.95	14.16	0.75	100.00
Cohen, Klingenstein & Marks													
	June-99	3.46	43.00	1.79	0.00	0.00	0.00	36.15	0.00	0.00	15.60	0.00	100.00
	June-00	0.86	47.29	0.00	3.89	0.00	0.00	27.63	0.00	2.92	17.41	0.00	100.00
Benchmark													
	June-99	0.00	39.48	4.12	5.12	0.00	0.00	30.78	1.88	2.32	15.44	0.86	100.00
	June-00	0.00	27.85	2.62	2.76	0.00	0.00	47.25	0.53	1.12	17.87	0.00	100.00
Forstmann Leff													
	June-99	2.12	44.47	0.80	6.02	6.53	11.13	15.94	1.40	3.88	7.71	0.00	100.00
	June-00	0.14	36.57	0.00	10.17	18.08	7.87	17.50	1.39	4.87	3.41	0.00	100.00
Benchmark													
	June-99	0.00	27.28	9.07	8.42	7.22	6.78	16.87	1.01	7.31	15.93	0.11	100.00
	June-00	0.00	34.46	6.71	6.30	6.76	11.36	16.52	1.00	7.19	9.47	0.23	100.00
Franklin Portfolio													
	June-99	0.15	28.22	6.88	2.42	6.23	0.00	21.93	0.00	8.57	24.42	1.18	100.00
	June-00	0.31	26.46	3.50	2.83	11.38	7.95	17.61	0.00	8.60	17.39	3.97	100.00
Benchmark													
	June-99	0.00	27.72	6.28	10.29	6.07	4.50	13.47	2.34	11.91	16.41	1.01	100.00
	June-00	0.00	29.05	4.49	7.19	5.13	4.59	20.98	1.74	10.18	15.85	0.80	100.00

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 1999 and FY 2000
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
GeoCapital Corp.													
	June-99	0.01	33.30	4.65	0.71	0.39	2.95	36.30	1.68	1.01	16.25	2.75	100.00
	June-00	4.35	32.36	4.36	0.29	0.00	6.08	37.56	2.07	1.33	8.07	3.53	100.00
Benchmark													
	June-99	0.00	35.22	5.40	2.76	1.92	1.08	31.75	0.66	1.25	17.80	2.16	100.00
	June-00	0.00	35.82	2.56	1.24	3.23	2.23	43.04	0.89	1.16	8.14	1.69	100.00
Lincoln Capital Management													
	June-99	1.85	42.05	3.52	2.10	7.82	0.00	34.54	0.00	0.00	8.12	0.00	100.00
	June-00	0.54	33.61	0.00	0.00	8.95	0.00	49.94	0.00	0.00	6.96	0.00	100.00
Benchmark													
	June-99	0.00	45.13	1.02	2.59	6.51	0.41	32.28	0.07	1.83	9.59	0.57	100.00
	June-00	0.00	36.50	0.70	1.76	6.33	0.00	48.81	0.05	1.44	4.00	0.41	100.00
Oppenheimer Capital													
	June-99	4.50	21.94	0.00	7.40	8.33	0.00	9.97	4.04	4.47	37.97	1.38	100.00
	June-00	3.99	17.67	0.00	5.92	10.69	0.00	17.54	3.95	5.66	33.11	1.47	100.00
Benchmark													
	June-99	0.00	30.94	2.88	5.30	5.90	4.48	16.72	1.65	10.78	20.13	1.22	100.00
	June-00	0.00	32.91	1.98	3.88	4.98	2.20	27.13	1.15	8.30	16.53	0.94	100.00
Aggregate													
	June-99	2.11	35.21	2.56	4.34	5.24	1.94	25.32	2.06	2.74	18.02	0.47	100.00
	June-00	1.60	33.38	1.27	4.14	7.28	2.53	29.90	1.38	3.15	14.57	0.79	100.00
Benchmark													
	June-99	0.00	34.06	3.98	4.69	5.59	2.81	23.95	1.18	6.23	16.70	0.82	100.00
	June-00	0.00	33.66	2.54	3.04	4.26	2.80	34.07	0.83	5.44	12.57	0.78	100.00

EXTERNAL EMERGING STOCK MANAGERS

Sector Weights
FY 1999 and FY 2000
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
CIC Asset Management													
	June-99	0.75	13.86	5.26	6.88	2.48	13.59	5.58	5.09	13.59	32.92	0.00	100.00
	June-00	0.86	12.07	0.00	12.43	7.14	28.48	2.89	2.16	1.84	29.64	2.49	100.00
Benchmark													
	June-99	0.00	15.23	6.34	12.11	7.45	6.04	9.68	4.26	17.32	19.77	1.80	100.00
	June-00	0.00	27.56	3.22	7.55	5.87	5.86	7.35	3.65	12.02	25.90	1.02	100.00
New Amsterdam													
	June-99	3.64	38.56	12.14	5.33	6.73	2.46	11.03	0.00	11.02	9.09	0.00	100.00
	June-00	3.63	26.72	6.85	5.59	12.04	2.52	20.56	0.73	13.19	8.17	0.00	100.00
Benchmark													
	June-99	0.00	31.43	3.29	6.01	7.02	3.59	22.83	1.76	7.20	16.10	0.77	100.00
	June-00	0.00	28.57	2.62	3.97	6.22	3.31	30.64	1.95	6.39	15.53	0.80	100.00
Valenzuela Capital													
	June-99	4.44	35.62	13.03	7.82	1.03	8.71	12.26	1.54	2.07	13.48	0.00	100.00
	June-00	9.17	28.70	2.96	8.14	2.69	15.15	7.77	3.10	7.65	14.67	0.00	100.00
Benchmark													
	June-99	0.00	28.46	9.56	11.94	6.42	4.55	14.21	4.39	4.09	16.05	0.33	100.00
	June-00	0.00	26.25	8.24	10.08	7.68	10.48	12.55	3.60	4.63	16.37	0.12	100.00
Winslow Capital													
	June-99	2.08	36.84	3.93	6.17	2.28	0.00	30.87	2.18	2.09	13.56	0.00	100.00
	June-00	11.29	24.96	1.59	0.96	3.55	1.74	42.16	1.16	6.97	5.62	0.00	100.00
Benchmark													
	June-99	0.00	38.92	3.18	3.71	5.03	0.53	32.91	1.16	1.89	12.48	0.19	100.00
	June-00	0.00	35.73	1.64	1.84	5.99	1.13	42.32	0.61	1.35	8.64	0.75	100.00
Zevenbergen Capital													
	June-99	0.30	42.25	0.00	0.00	3.17	0.00	49.61	0.00	2.44	2.23	0.00	100.00
	June-00	0.37	32.41	0.00	0.00	4.09	0.00	60.73	0.00	1.50	0.90	0.00	100.00
Benchmark													
	June-99	0.00	37.68	2.60	2.07	3.20	0.64	45.50	0.22	1.76	5.97	0.36	100.00
	June-00	0.00	35.10	1.26	1.26	2.75	1.05	49.45	0.24	1.91	6.41	0.57	100.00
Aggregate Emerging Managers													
	June-99	2.73	37.62	4.96	4.59	3.55	2.48	27.38	0.89	3.41	12.39	0.00	100.00
	June-00	4.28	31.58	2.25	6.29	6.41	5.58	29.31	0.89	4.55	8.58	0.28	100.00
Benchmark													
	June-99	0.00	36.41	4.86	5.62	4.60	1.72	27.69	1.93	3.88	12.53	0.76	100.00
	June-00	0.00	34.56	3.28	3.90	5.73	2.95	32.84	1.42	3.44	11.20	0.68	100.00

Statistical Data

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Sector Weights
FY 1999 and FY 2000
(In Percentages)

	Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Barclays Global Investors												
June-99	0.69	28.31	2.76	5.74	5.60	6.49	16.67	0.98	13.73	18.60	0.43	100.00
June-00	0.94	24.94	1.69	3.44	6.34	6.50	28.93	0.88	9.99	15.05	1.30	100.00
Franklin Portfolio Associates												
June-99	0.17	28.27	2.95	5.74	4.13	5.66	17.70	0.81	13.46	20.02	1.09	100.00
June-00	0.49	24.31	0.90	3.63	6.43	6.72	30.79	0.78	8.83	15.87	1.25	100.00
J.P. Morgan												
June-99	0.45	27.20	2.54	5.82	5.04	6.56	16.84	1.20	13.60	19.78	0.97	100.00
June-00	0.28	25.29	2.28	3.77	6.01	6.05	29.41	0.82	8.97	16.32	0.80	100.00
Aggregate Semi-Passive Equity												
June-99	0.44	27.95	2.71	5.77	4.95	6.25	16.99	1.00	13.60	19.52	0.83	100.00
June-00	0.57	24.86	1.64	3.61	6.24	6.43	29.61	0.83	9.27	15.83	1.11	100.00

EXTERNAL DOMESTIC STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2000

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Active Managers						
Alliance Capital Management	23.2%	15.6%	35.6%	27.0%	34.1%	28.1%
Brinson Partners	-20.8	12.8	3.2	19.9	13.8	22.2
Cohen, Klingenstein & Marks	9.0	15.9	22.7	23.1	26.0	24.5
Forstmann Leff Associates	12.9	10.7	30.0	14.2	30.4	18.6
Franklin Portfolio Associates	8.6	2.9	16.9	15.7	21.1	19.2
GeoCapital	40.1	26.2	20.9	11.2	19.6	14.7
Lincoln Capital Management	18.6	17.4	25.4	27.5	28.1	29.2
Oppenheimer Capital	0.3	6.2	13.6	18.4	20.8	22.2
Emerging Managers (1)						
CIC Asset Management	-17.1	-6.0	3.5	10.6	12.8	17.5
New Amsterdam Partners	22.1	17.5	22.9	21.3	24.9	22.2
Valenzuela Capital Partners	1.0	-0.7	5.2	7.2	15.4	14.1
Winslow Capital Management	29.6	27.6	24.9	29.8	22.5	27.9
Zevenbergen Capital	28.3	47.2	44.0	35.5	35.9	31.4
Semi-Passive Managers (2)						
Barclays Global Investors	3.5	2.6	15.5	16.8	21.4	21.6
Franklin Portfolio Associates	1.6	2.6	15.2	16.8	20.7	21.6
J.P. Morgan Investment Mgmt.	0.5	2.6	16.4	16.8	21.4	21.6
Passive Manager						
Barclays Global Investors	9.9	9.5	19.4	19.1	22.7	22.4
Aggregate (3)	**8.2%**		**18.6%**		**22.2%**	
Capital Markets Data						
Wilshire 5000 Investable		8.6%		18.7%		22.2%
Wilshire 5000		9.5		19.1		22.5
90-Day Treasury Bills		5.4		5.1		5.2
Inflation		3.7		2.4		2.5

(1) Emerging Managers were retained on 4/1/94.

(2) Semi-Passive Managers were retained on 1/1/95.

(3) Aggregate of all Domestic Stock Managers retained during the time period shown.

Bond Manager Portfolio Characteristics Glossary

The bond manager portfolio statistics glossary is designed to define terminology the State Board of Investment uses in evaluating a bond manager's investment philosophy, risk characteristics and performance data. The definitions refer to categories shown in the Portfolio Characteristics table that follows this glossary.

Number of Issues (# of Issues)
The number of different bond issues held in the manager's portfolio.

Average Quality Weightings (Avg. Qual.)
The average rating given the portfolio's securities by Moody's Corp. A security's rating indicates the financial strength of its issuer and other factors related to the likelihood of full and timely payment of interest and principal.

Coupon
The annual interest payment received on the manager's total portfolio stated as a percent of the portfolio's face value.

Yield to Maturity (Yield to Mat.)
The compounded annualized return that the manager's total portfolio would produce if it were held to maturity and all cash flows were reinvested at an interest rate equal to the yield to maturity.

Duration
A measure of the average life of the total portfolio. Duration is a weighted average maturity where the time in the future that each cash flow is received is weighted by the proportion that the present value of the cash flow contributes to the total present value (or price) of the total portfolio.

Term to maturity (Term. to Mat.)
A measure of the average life of the total portfolio. Term to maturity is the number of years remaining until the average bond in the portfolio makes its final cash payment.

EXTERNAL ACTIVE BOND MANAGERS
Portfolio Characteristics
FY 1999 and FY 2000

	# Of Issues	Avg. Qual.	Coupon	Yield To Mat.	Duration	Term To Mat.
American Express Asset Management						
June-00	131	AAA/AA	7.04%	7.53%	5.44 Yrs.	17.0 Yrs.
June-99	106	AAA/AA	6.72	6.96	4.30	15.4
Morgan Stanley						
June-00	374	AA+	7.15	8.06	5.48	13.5
June-99	304	AA+	7.14	7.67	5.86	11.4
Standish, Ayer & Wood						
June-00	215	AAA	7.97	7.23	4.80	8.4
June-99	308	AAA-	6.77	6.68	5.11	9.0
Western Asset Management						
June-00	376	AA	6.76	8.00	5.54	13.3
June-99	256	AA	7.68	8.21	5.68	11.1
Deutsche Asset Management						
June-00	120	AA	7.20	6.49	4.91	8.20
Dodge & Cox Asset Management						
June-00	82	AA	6.77	7.53	4.69	9.1
Metropolitan West Asset Management						
June-00	40	AA	7.16	7.51	4.80	9.1
Lehman Aggregate						
June-99	5,632	Agency	6.85	7.24	4.91	8.8
June-99	7,520	Agency	6.75	6.55	4.88	0.0

EXTERNAL ACTIVE BOND MANAGERS

Sector Weights
FY 1999 and FY 2000
(In Percentages)

	Gov't.	Corp.	Mtgs.	ABS	Misc.	Intl.	High Yield	Cash
American Express Asset Management								
June 00	32	22	33	11	0	0	9	2
June 99	13	32	36	1	0	0	13	18
Morgan Stanley								
June-00	14	37	46	2	0	0	7	0
June-99	15	29	50	1	0	0	8	0
Standish, Ayer & Wood								
June-00	15	43	45	8	0	0	2	0
June-99	14	38	31	4	0	7	9	1
Western Asset Management								
June-00	22	38	40	10	4	0	7	0
June-99	18	29	52	9	4	0	9	0
Deutsche Asset Management								
June-00	27	27	24	9	0	0	0	3
Dodge & Cox Asset Management								
June-00	18	39	38	4	0	0	0	1
Metropolitan West Asset Management								
June-00	5	44	31	14	0	0	0	4
Lehman Aggregate								
June-00	39	23	36	2	0	0	0	0
June-99	43	21	35	1	0	0	0	0

Abbreviations:

Gov't.	Government securities
Corp.	Corporate securities
Mtgs.	Mortgage securities
ABS	Asset Backed securities
Misc.	Miscellaneous or other
Int'l.	Non-dollar securities
Hi-Yld	Securities rated below investment grade

EXTERNAL SEMI-PASSIVE BOND MANAGERS
Portfolio Characteristics
FY 1999 and FY 2000

	# Of Issues	Avg. Qual.	Coupon	Yield To Mat.	Dur.	Term To Mat.
BlackRock Financial						
June-00	1317	AAA	6.61%	7.32%	5.13 Yrs.	10.2 Yrs.
June-99	841	AA+	6.22	6.47	4.88	9.2
Goldman Sachs Asset Management						
June-00	864	AA+	6.26	7.73	5.14	7.5
June-99	402	AAA-	6.12	6.93	4.86	7.1
Lincoln Capital Management						
June-00	1502	AAA	7.47	7.45	5.02	9.2
June-99	1,126	AAA	7.18	6.75	5.02	9.3
Lehman Aggregate						
June-00	5,632	Agency	6.85	7.24	4.91	8.8
June-99	7,520	Agency	6.75	6.55	4.88	9.0

Sector Weights
FY 1999 and FY 2000
(In Percentages)

	Gov't.	Corp.	Mtgs.	ABS	Misc.	Cash
Blackrock Financial						
June-00	33	26	38	4	0	0
June-99	31	18	33	8	0	11
Goldman Sachs Asset Management						
June-00	11	34	41	12	2	0
June-99	14	36	35	12	3	0
Lincoln Capital Management						
June-00	30	22	36	11	0	1
June-99	30	24	33	12	0	1
Lehman Aggregate						
June-00	39	23	36	2	0	0
June-99	43	21	35	1	0	0

EXTERNAL BOND MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2000

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Active Managers						
American Express Asset Mgmt. (1)	4.8%	4.6%	6.3%	6.0%	6.3%	6.3%
Deutsche (4)	6.1	6.2				
Dodge & Cox (4)	6.2	6.2				
Metropolitan West (4)	3.7	6.2				
Morgan Stanley	4.6	4.6	5.5	6.0	6.7	6.3
Standish Ayer & Wood	3.0	4.6	4.9	6.0	6.1	6.3
Western Asset Management	5.6	4.6	6.7	6.0	7.4	6.3
Semi-Passive Managers						
BlackRock Financial	5.2	4.6	6.5	6.0		
Goldman Sachs Asset Management	4.9	4.6	6.0	6.0	6.5	6.3
Lincoln Capital Management	4.5	4.6	6.1	6.0	6.3	6.3
Aggregate (2)	**4.7%**		**6.1%**		**6.6%**	
Capital Markets Data						
Lehman Aggregate (3)	4.6%		6.0%		6.3%	
3 month Treasury Bills	5.4		5.1		5.2	
Inflation	3.7		2.4		2.5	

(1) Prior to 1/1/96, manager had a government/corporate mandate only.

(2) Aggregate of all active and semi-passive managers retained during the time period shown.

(3) Lehman Brothers Aggregate Bond Index was used beginning 7/1/94. Prior to that time, the Salomon Broad Investment Grade Bond Index was used.

(4) Retained February 1, 2000.

Statistical Data

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION
EAFE MANAGERS

Fiscal Year 2000

Local Returns	**State Street Global Advisors**	**Brinson Partners**	**Marathon Asset Mgmt.**	**T. Rowe Price Int'l.**	**Scudder Kemper Investments**
Country Selection	-3.5%	4.3%	-0.3%	-1.1%	0.2%
Stock Selection	4.3	0.8	4.3	11.6	6.3
Timing	2.4	0.1	-0.1	2.8	0.1
Currency Returns					
Currency Effect	1.3	-0.1	-0.7	0.0	0.4
Hedging Activity	-0.6	0.3	-0.6	0.1	-0.2
Timing	-2.5	-2.5	-1.1	-3.2	-1.8
Base Return					
Total Value Added	**1.0%**	**2.4%**	**1.0%**	**9.2%**	**4.6%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the report'.

Definitions:
Local Returns - The return in local currency for each country in the portfolio relative to the benchmark.

Country Selection - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

Currency Returns - The relative difference between the base currency return and the local currency return.

Currency Effect - The difference between the currency effect of a manager's unhedged portfolio and the benchmark that is caused by the timing of purchases and sales of securities and spots to cover them.

Hedging Effect - The difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Base Return –The return after conversion from local currencies to U.S. dollars.

Total Value Added - The difference between the portfolio's base return and the benchmark's base return.

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION EMERGING MARKETS MANAGERS

Fiscal Year 2000

Local Returns	**Genesis Asset Managers Int'l.**	**Montgomery Asset Mgmt.**
Country Selection	3.9%	4.6%
Stock Selection	-0.5	5.1
Timing	1.2	.3
Currency Returns		
Currency Effect	-3.0	-0.3
Hedging Activity	0.0	0.0
Timing	-2.4	2.2
Base Return		
Total Value Added	**-2.0%**	**12.0%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the report'. Attribution data is not applicable for City of London's closed end funds approach.

Definitions:
Local Returns - The return in local currency for each country in the portfolio relative to the benchmark.

Country Selection - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

Currency Returns - The relative difference between the base currency return and the local currency return.

Currency Effect - The difference between the currency effect of a manager's unhedged portfolio and the benchmark that is caused by the timing of purchases and sales of securities and spots to cover them.

Hedging Effect - The difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Base Return –The return after conversion from local currencies to U.S. dollars.

Total Value Added - The difference between the portfolio's base return and the benchmark's base return.

EXTERNAL INTERNATIONAL STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2000

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Active EAFE						
American Express (6)	-9.8%	-8.3%				
Blairlogie (6)	-8.3	-8.3				
Brinson Partners (1)	19.5	17.1	11.2%	10.1%	15.3%	11.3%
Invesco (6)	-2.1	-8.3				
Marathon Asset Mgmt. (2)	18.4	15.6	9.5	10.1	11.6	9.6
Montgomery (6)	-14.6	-8.3				
T. Rowe Price Int'l. (2)	25.7	17.1	11.7	10.1	14.2	11.3
Scudder Kemper Investments (2)	23.5	17.1	12.5	10.1	16.0	11.3
Active Emerging Markets						
City of London Investment Mgmt. (3)	2.0	9.5	-4.4	-5.0		
Genesis Asset Managers Int'l. (4)	8.5	9.5	-9.3	-5.0		
Montgomery Asset Management (4)	20.7	9.5	-6.6	-5.0		
Passive EAFE						
State Street Global Advisors (5)	17.5	17.1	10.5	10.1	11.6	11.3
Equity Only*	17.1	16.4	8.5	8.4	11.5	10.3
Total Program**	**16.9%**	**16.4%**	**8.9%**	**8.4%**	**12.3%**	**10.3%**

* Equity managers only. Includes impact of terminated managers. The international benchmark is MSCI EAFE Free plus MSCI Emerging Markets Free (EMF). The weighting of each index fluctuates with market capitalization. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free/13% Emerging Markets Free. On 5/1/96, the portfolio began transitioning from 100% EAFE to the 12/31/96 fixed weights. 100% EAFE Free prior to 5/1/96.

** Includes impact of currency overlay unrealized gain/loss. The international benchmark is MSCI EAFE Free plus MSCI Emerging Markets Free (EMF). The weighting of each index fluctuates with market capitalization. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free/13% Emerging Markets Free. On 5/1/96, the portfolio began transitioning from 100% EAFE to the 12/31/96 fixed weights. 100% EAFE Free prior to 5/1/96.

(1) Fully active since 10/1/99. Active country/passive stock from inception to 9/30/99. Retained April 1, 1993.
(2) Retained November 1, 1993. Marathon's performance is measured against a custom benchmark since inception.
(3) Retained November 1, 1996.
(4) Retained May 1, 1996.
(5) Retained October 1, 1992.
(6) Retained February 1, 2000.

Impact of Currency Overlay Program

Cumulative Dollar Value Added (Since inception, December 1, 1995)	$154,066,206

ALTERNATIVE INVESTMENTS – REAL ESTATE
June 30, 2000

BASIC FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Aetna	$42,376,529	$42,376,529	$0	18.2
AEW V	15,000,000	15,000,000	0	12.5
Colony Capital				
Colony Investors II	40,000,000	38,682,764	1,317,236	5.2
Colony Investors III	100,000,000	89,055,379	10,944,621	2.5
Equity Office Properties Trust	140,388,854	140,388,854	0	8.6
First Asset Realty Fund	916,185	916,185	0	6.2
Heitman				
Heitman Advisory Fund I	20,000,000	20,000,000	0	15.9
Heitman Advisory Fund II	30,000,000	30,000,000	0	14.6
Heitman Advisory Fund III	20,000,000	20,000,000	0	13.4
Heitman Advisory Fund V	20,000,000	20,000,000	0	8.6
Lasalle Income Parking Fund	15,000,000	14,644,401	355,599	8.8
Lend Lease Real Estate Investments	40,000,000	40,000,000	0	18.7
RREEF USA Fund III	75,000,000	75,000,000	0	16.1
T.A. Associates Realty				
Realty Associates Fund III	40,000,000	40,000,000	0	6.1
Realty Associates Fund IV	50,000,000	50,000,000	0	3.4
Realty Associates Fund V Corporation	50,000,000	40,000,000	10,000,000	1.1
TCW				
TCW Realty Fund III	40,000,000	40,000,000	0	14.9
TCW Realty Fund IV	30,000,000	30,000,000	0	13.7
Fund in Liquidation (AEW III)	20,000,000	20,000,000	0	14.8
Total Real Estate (Basic Fund)	**$788,681,568**	**$766,064,112**	**$22,617,456**	

POST FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Colony Capital	$40,000,000	$38,682,764	$1,317,236	5.2
Westmark Realty Advisors				
Westmark Coml MTG Fund II	13,500,000	13,397,500	102,500	4.9
Westmark Coml MTG Fund III	21,500,000	21,275,052	224,948	3.6
Westmark Coml MTG Fund IV	14,300,000	14,300,000	0	2.5
Westmark Coml MTG Fund V	21,000,000	14,612,090	6,387,910	0.9
Total Real Estate (Post Fund)	**$110,300,000**	**$102,267,406**	**$8,032,594**	
Total Real Estate	**$898,981,568**	**$868,331,518**	**$30,650,050**	

ALTERNATIVE INVESTMENTS – PRIVATE EQUITY
June 30, 2000

BASIC FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Allied	$5,000,000	$5,000,000	$0	14.8
Bank Fund				
Banc Fund III	20,000,000	20,000,000	0	7.7
Banc Fund IV	25,000,000	25,000,000	0	4.4
Banc Fund V	48,000,000	24,000,000	24,000,000	2.0
Blackstone Capital Partners II	50,000,000	49,068,876	931,124	6.6
Brinson Partners				
Brinson Partners I	5,000,000	5,000,000	0	12.1
Brinson Partners II	20,000,000	19,379,998	620,002	9.6
Churchill Capital Partners II	20,000,000	20,000,000	0	7.7
Contrarian Capital Fund II L.P.	37,000,000	37,000,000	0	3.1
Coral Partners				
Coral Partners Fund I	7,011,923	7,011,923	0	14.0
Coral Partners Fund II	10,000,000	8,069,315	1,930,685	9.9
Coral Partners Fund IV	15,000,000	15,000,000	0	5.9
Coral Partners Fund V	15,000,000	8,285,815	6,714,185	2.0
Crescendo				
Crescendo II	15,000,000	14,994,773	5,227	3.5
Crescendo III	25,000,000	23,750,000	1,250,000	1.7
Crescendo IV	100,000,000	10,041,174	89,958,826	0.3
DSV Partners IV	10,000,000	10,000,000	0	15.2
First Century Partners III	10,000,000	10,000,000	0	15.5
Fox Paine Capital				
Fox Paine Fund I	40,000,000	34,380,654	5,619,346	2.2
Fox Paine Fund II	50,000,000	0	50,000,000	0.0
Golder,Thoma, Cressey, Rauner				
Golder, Thoma, Cressey Fund III	14,000,000	14,000,000	0	12.7
Golder, Thoma, Cressey & Rauner Fund IV	20,000,000	19,750,000	250,000	6.4
Golder, Thoma, Cressey & Rauner Fund V	30,000,000	30,000,000	0	4.0
GTCR Golder Rauner				
GTCR - Golder Rauner Fund VI	90,000,000	71,137,778	18,862,222	2.0
GTCR - Golder Rauner Fund VII	175,000,000	13,140,103	161,859,897	0.4
Hellman & Friedman				
Hellman & Friedman Capital Partners III	40,000,000	32,432,434	7,567,566	5.8
Hellman & Friedman Capital Partners IV	150,000,000	32,031,564	117,968,436	0.5
Kohlberg Kravis Roberts				
KKR 1986 Fund	18,365,339	18,365,339	0	14.2
KKR 1987 Fund	145,950,000	145,373,652	576,348	12.6
KKR 1993 Fund	150,000,000	150,000,000	0	6.5
KKR 1996 Fund	200,000,000	163,103,675	36,896,325	3.8
GHJM Marathon Fund IV	40,000,000	6,670,000	33,330,000	1.2

ALTERNATIVE INVESTMENTS – PRIVATE EQUITY (con't)
June 30, 2000

BASIC FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Piper Jaffray Healthcare				
Piper Jaffray Healthcare Fund II	$10,000,000	$8,700,000	$1,300,000	3.3
Piper Jaffray Healthcare Fund III	20,000,000	9,031,115	10,968,885	1.4
RCBA Strategic Partners	50,000,000	40,566,981	9,433,019	1.5
Summit Partners				
Summit Ventures II, L.P.	30,000,000	28,500,000	1,500,000	12.1
Summit Ventures V, L.P.	25,000,000	15,625,000	9,375,000	2.2
T. Rowe Price	394,950,072	394,950,072	0	N/A
Thoma Cressey VI	35,000,000	25,900,000	9,100,000	1.9
Vestar Capital Partners IV, L.P.	55,000,000	2,364,525	52,635,475	0.5
Warburg Pincus				
Warburg, Pincus Equity Partners	100,000,000	48,000,000	52,000,000	2.0
Warburg, Pincus Ventures	50,000,000	50,000,000	0	5.5
Welsh, Carson, Anderson & Stowe VIII				
WCAS Fund VIII	100,000,000	89,000,000	11,000,000	1.9
WCAS Fund IX	125,000,000	0	125,000,000	0.0
Zell/ Chilmark L.P.	30,000,000	30,000,000	0	10.0
Funds in Liquidation				
(Matrix II, III, Summit I)	30,000,000	30,000,000	0	N/A
Total Private Equity (Basic Fund)	**$2,655,277,334**	**$1,814,624,767**	**$840,652,567**	

POST FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Citicorp Mezzanine Partners				
Citicorp Mezzanine II	$40,000,000	$40,000,000	$0	5.5
Citicorp Mezzanine III	100,000,000	9,678,962	90,321,038	0.7
DLJ Investment Partners II	50,000,000	17,675,976	32,324,024	0.5
GS Mezzanine Partners II	100,000,000	9,000,000	91,000,000	0.3
GTCR Capital Partners	80,000,000	30,800,000	49,200,000	0.6
KB Mezzanine Partners Fund II	25,000,000	24,999,999	1	4.7
Summit Partners				
Summit Sub. Debt Fund I	20,000,000	18,000,000	2,000,000	6.3
Summit Sub. Debt Fund II	45,000,000	22,500,000	22,500,000	2.9
T. Rowe Price	16,823,656	16,823,656	0	N/A
TCW/Crescent Mezzanine				
TCW Crescent Mezzanine Partners I	40,000,000	39,488,566	511,434	4.2
TCW Crescent Mezzanine Partners II	100,000,000	65,130,045	34,869,955	1.6
William Blair Mezzanine III	60,000,000	13,152,000	46,848,000	0.5
Windjammer Mezzanine & Equity Fund II	66,708,861	0	66,708,861	0.3
Total Private Equity (Post Fund)	**$743,532,517**	**$307,249,204**	**$436,283,313**	
Total Private Equity	**$3,398,809,851**	**$2,121,873,971**	**$1,276,935,880**	

ALTERNATIVE INVESTMENTS – RESOURCE
June 30, 2000

BASIC FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Apache Corp	$30,000,000	$30,000,000	$0	13.5
First Reserve				
First Reserve II	7,000,000	7,000,000	0	17.4
First Reserve V	16,800,000	16,800,000	0	10.2
First Reserve VII	40,000,000	40,000,000	0	4.0
First Reserve VIII	100,000,000	52,971,517	47,028,483	2.2
Morgan Oil & Gas	15,000,000	15,000,000	0	11.8
Simmons				
Simmons - SCF Fund II	17,000,000	14,847,529	2,152,471	8.9
Simmons - SCF Fund III	25,000,000	19,612,587	5,387,414	5.0
Simmons - SCF Fund IV	50,000,000	17,405,000	32,595,000	2.3
T. Rowe Price	608,962	608,962	0	N/A
Fund in Liquidation (First Reserve I)	15,000,000	15,000,000	0	18.8
Total Resource (Basic Fund)	**$316,408,962**	**$229,245,594**	**$87,163,368**	

POST FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Merit Energy Partners				
Merit Energy Partners B	$24,000,000	$22,549,305	$1,450,695	4.0
Merit Energy Partners C	50,000,000	23,468,848	26,531,152	1.7
Total Resource (Post Fund)	**$74,000,000**	**$46,018,153**	**$27,981,847**	
Total Resource	**$390,408,962**	**$275,263,747**	**$115,145,215**	

Time-Weighted Rate of Return

In measuring the performance of a manager or fund whose investment objective is to maximize the total value of an investment portfolio, the proper measuring tool is the time-weighted total rate of return. This performance measure includes the effect of income earned as well as realized and unrealized portfolio market value changes. In addition, the time-weighted total rate of return nets out the influence of contributions made to and distributions taken from the manager or fund. These are variables over which the manager or fund generally has no control.

The calculation of a portfolio's true time-weighted return requires that the portfolio be valued every time that there is a capital flow in or out. Because most portfolios are not valued that frequently, it is usually necessary to estimate the time-weighted total rates of return by approximating the required valuations.

In 1968, the Bank Administration Institute (BAI) commissioned a study, conducted by the University of Chicago, which considered desirable methods of estimating time-weighted returns. The BAI report is considered to be the definitive work in the field of performance measurement because of the academic reputations and thorough scientific efforts of its authors.

When monthly data are available, the BAI study recommends employing a technique called the linked internal rate of return (LIRR). State Street Bank, the SBI's performance measurement consultant, calculates the LIRR by solving the following equation for R:

$$VB * (1 + R) + \sum_{i=1}^{n} C_i * (1 + R)^{ti} = VE$$

Where:

VB = Value of the fund at the beginning of the month

VE = Value of the fund at the end of the month

C_i = Net cash flow on the ith day of the month

n = Number of cash flows in the month

R = Internal rate of return

ti = Time from cash flow i to the end of the period, expressed as a percentage of the total number of days in the month

The internal rate of return, R, is a proxy for the true time-weighted return over the month. It approximates the interim valuations by assuming a uniform growth of the invested assets throughout the period.

The IRR's calculated for each month can be linked together to estimate the time-weighted return for a longer period. For example, given three consecutive monthly IRR's (R1, R2, and R3), the quarterly time-weighted return (TWRQ) is:

$$TWRQ = (1 + R1)*(1 + R2)*(1 + R3) - 1$$

State Street's performance methodology is also in compliance with the mandatory requirements of the Association for Investment Management and Research (AIMR).

Calculation of January 1, 2001 Benefit Increase

Actuarial value of required reserves at January 1, 2001	$17,571,445,000
Less: Reserves not eligible for increase	835,882,000
Actuarially determined eligible reserves at Janaury 1, 2001	16,735,563,000
CPI Inflation rate capped at 2.5%	2.5%
Dollar cost of inflationary increase	418,389,075
June 30, 2000 total required reserves	17,764,234,000
June 30, 2000 total required reserves adjusted for inflationary increase	18,182,623,075
Market value of Assets at June 30, 2000	21,278,999,969
Less:Inflation adjusted required reserves	18,182,623,075
Current year excess market value	3,096,376,894
Negative balance carry forward	2,752,709,001
Excess market value available for investment based benefit increase	343,667,893
Divided by 5 year pay out period	5
Current year portion of excess market value	68,733,579
Second year portion	184,136,183
Third year portion	374,194,800
Fourth year portion	343,426,405
Fifth year portion	206,727,061
Total five year excess market value	1,177,218,028
Greater of current year excess market value or cost of transition adjustment	1,177,218,028
Divided by eligible required reserves at January 1, 2001	16,735,563,000
Investment based increase for FY2000	7.0342%

Summary:

Investment Based Benefit Increase	**7.0342%**
Inflation Based Benefit Increase	**2.5000%**
Total Benefit Increase	**9.5342%**
Total Dollar Value of January 1, 2001 Benefit Increase	**$1,595,607,103**

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
A & C BROKERAGE	0	0	0	0	28,869,818
A G LANSTON	0	0	3,896,941	0	0
AB ASESORES MADRID	561,424	1,689	0	0	0
ABD SECURITIES	5,090,926	3,089	0	0	0
ABG SECURITIES	2,508,507	7,029	0	0	0
ABN AMRO ASIA SECS LTD	684,433	1,718	0	0	0
ABN AMRO BANK NV	2,226,165	3,344	0	0	0
ABN AMRO CHICAGO CORP	18,894,363	58,224	0	0	0
ABN AMRO EQUITIES AUSTRALIA LT	251,190	875	0	0	0
ABN AMRO SECURITIES	107,138,799	209,296	256,070,519	0	0
ACCESS SECURITIES	252,721,040	280,415	0	0	0
ACCIONES Y VALORES	1,514,521	4,548	0	0	0
ADAMS HARKNESS & HILL	25,078,600	801	0	0	0
ADVEST CO.	311,578	675	23,840,610	0	0
ALFRED BERG	708,448	2,349	0	0	0
ALFRED D. SHARP & CO.	0	0	3,688,031	0	0
ALLEN & COMPANY	1,894,294	453	0	0	0
AMADON CORPORATION	1,579,529	3,609	38,813,981	0	0
AMERICAN EXPRESS	0	0	0	0	49,806,989
AMERICAN EXPRESS CREDIT	0	0	0	0	59,941,361
AMERICAN GENERAL FINANCE	0	0	0	0	182,074,819
AMHERST SECURITIES GROUP INC.	0	0	11,689,974	0	0
ANZ	0	0	1,044,310	0	0
ARBOR TRAD	0	0	11,787,947	0	0
ARCHIPELAG	4,114,354	822	0	0	0
ARNHOLD	46,184,286	137,254	0	0	0
ARTHUR B CAHALAN	0	0	847,350	0	0
ASSOC CORP OF N AMER	0	0	0	0	2,827,230,001
AUBREY G LANSTON	18,758,786	30,221	0	0	0
AUERBACH GRAYSON	5,545,613	50,968	0	0	0
AUTRANET	213,905,080	146,176	0	0	0
B-TRADE SERVICES LLC	13,948,367	9,044	0	0	0
BA SECURITIES, INC.	1,931,705	2,741	1,839,203,262	0	3,538,573,027
BAIRD, ROBERT W & CO.	0	0	284,592	0	0
BANC ONE CAPITAL CORP.	0	0	5,006,344	0	9,802,858
BANCA POPULARE COMMERICO	391,404	0	0	0	0
BANCO BOZANO SIMONSEN (BBS)	122,180	448	0	0	0
BANCO SANTANDER DE NEGOCIOS	1,250,574	2,898	0	0	0
BANCONE CAPITAL CORP	0	0	0	0	193,162,872
BANK JULIUS	2,858,089	7,163	0	0	0
BANK OF AMERICA	0	0	193,474,571	0	24,962,611
BANK OF NE	6,396,903	16,032	0	0	0
BANK OF NEW YORK	0	0	2,514,929	0	0
BANK OF NEW YORK RBC DOMINION	320,413	803	0	0	0
BANK OF NY SECURITIES INC	1,175,659	2,236	0	0	0
BANK VAN HAFTEN LABOUCHERE	0	0	4,619,042	0	0
BANKERS TRUST	871,626	540	254,158	0	67,697,709
BARCLAYS AMERICAN CORP	0	0	1,353,315	0	0
BARCLAYS DEZOETE WEDD	0	0	104,546,603	0	0
BARING SECURITIES	52,617,144	92,886	3,472,000	0	0
BARNARD JACOBS AND CO (PTY) LTD	5,688,288	17,071	0	0	0
BARNARD JACOBS MELLET (USA) LL	2,111,918	6,320	0	0	0
BARRINGTON TRADING CO	493,554	445	0	0	0
BAS/MONTOGMERY FI CORRESPONDEN	0	0	18,900,926	0	0
BB & T CAPITAL MARKETS	0	0	8,418,932	0	0
BBV SECURITIES	463,464	1,869	0	0	0
BEAR, STEARNS & CO.	959,598,270	1,002,682	5,275,892,218	0	0

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
BERNSTEIN SANFORD	220,559,552	198,035	0	0	0
BHF BK FRANKFURT	529,488	1,294	0	0	0
BHF SECURITIES	8,993,653	20,749	0	0	0
BKNYC-BONY BROK/DEALER OMNIBUS	0	0	6,401,099	0	0
BLACK & CO	266,894	405	0	0	0
BLACKFORD SECURITIES CORP	505,568	1,572	0	0	0
BLAIR & COMPANY	53,861,458	33,063	2,698,631	0	0
BLAYLOCK	20,000	0	92,016,198	0	0
BNNCM BONY NATIONS BANC CAP MKTS	0	0	128,533,967	0	0
BNP ARBITR	457,577	1,820	0	0	0
BNP FINANCE, PARIS FRANCE	4,340,357	13,099	0	0	0
BNP SECURITIES	9,482,506	30,344	178,200	0	0
BNP-BANQUE NATIONALE DE PARIS	9,833,220	30,831	0	0	0
BNY ESI & CO	4,155,516	3,395	0	0	0
BONE - BANK ONE TR CO NA CUSTO	0	0	145,342	0	0
BOZANO SIMONSEN SA	3,016,383	11,020	0	0	0
BRANCH CABELL & CO.	117,287	192	0	0	0
BRANDT (ROBERT) & CO	34,282,440	41,801	0	0	0
BRIDGE TRADING CO.	79,744,829	103,230	0	0	0
BROADCORT CAPITAL	125,821,749	153,979	0	0	0
BROCKHOUSE & COOPER	21,600,249	69,459	0	0	0
BROWN (ALEX) & SONS INC.	89,266,943	101,969	0	0	0
BROWN BROS. HARRIMAN	11,518,337	10,658	0	0	0
BT SECURITIES CORP	0	0	29,850	0	0
BUCKINGHAM RESEARCH GRP	2,663,434	2,278	0	0	0
C A I CHEU	1,609,200	4,033	0	0	0
C.L. KING & ASSOC.	4,299,489	5,172	0	0	0
CA IB SECURITIES (NY) INC	52,192	0	0	0	0
CANTOR FITZGERALD	414,501,278	527,748	35,879,834	0	0
CAPEL,JAMES	2,721,327	1,635	0	0	0
CAPITAL INST. SERVICES	6,736,411	11,298	0	0	0
CARNAGIE FOND KOMMISSION	1,751,083	5,249	0	0	0
CARNEGIE	78,260,167	234,513	0	0	0
CARROLL MCENTEE & MCG	1,249,149	708	174,169,515	0	0
CAZENOVE & CO.	21,451,806	59,077	0	0	0
CCF INTL FINANCE CORP.	1,172,887	2,940	0	0	0
CENTENNIAL STATE SECURITIES INC	0	0	944,753	0	0
CENTURY SECS	0	0	1,980,000	0	0
CHAPMAN COMPANY	2,580,833	3,408	0	0	0
CHARLES F KIRCHEN & CO	82,279	206	0	0	0
CHARLES, AK	5,228,584	6,673	0	0	0
CHARTERHOUSE	1,208,962	1,944	0	0	0
CHARTERHOUSE TILNEY	157,023,614	308,036	0	0	0
CHASE	0	0	3,174,493	0	0
CHASE MANHATTAN BANK	6,288,975	0	500,381,686	0	24,995,326
CHASE SECURITIES INC	0	0	113,975,263	0	807,718,974
CHEMICAL BANK	0	0	271,036,678	0	0
CHEMICAL SECS. INC.	0	0	11,386,101	0	0
CHEUVREUX	12,790,351	35,038	0	0	0
CHEUVREUX DE NORDIC A B	780,585	2,335	0	0	0
CHEVEAUX J. PARIS	4,736,903	14,612	0	0	0
CHEVREUX DE VIRIEU	5,152,478	12,907	0	0	0
CHEVRON OIL FIN. CO.	0	0	0	0	44,043,983
CHICAGO CORP	57,664,755	47,227	16,353,436	0	0
CHRYSLER FINL CO LLC	0	0	0	0	10,807,904
CIBC/WOOD GUNDY	8,629,631	25,811	21,450	0	117,809,458
CIT GROUP INC	0	0	0	0	256,240,239

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
CITATION FINANCIAL	7,497,103	7,630	0	0	0
CITATION GROUP	444,334,260	566,877	0	0	0
CITIBANK	2,436,273	0	0	0	0
CITICORP	0	0	0	0	68,764,200
CITIGROUP INC	0	0	0	0	859,790,614
CL GLAZER INC.	982,474	1,138	0	0	0
CLARKE & CO	0	0	90,082,710	0	0
CLEARY GULL REILAND	2,013,410	3,560	0	0	0
COLLINS LOCKE & LASTER	240,195	240	0	0	0
COLLINS STEWART	8,653,045	17,266	0	0	0
COMMERCIAL CREDIT CO.	0	0	0	0	97,321,135
COMMERZBANK AG	54,087,713	84,932	22,073,787		0
COMMONWEALTH BANK OF AUSTRALIA	0	0	650,477	0	0
COMPANIA GENERAL DE NEGOCIOS	2,021,262	2,837	0	0	0
CONCORDE	436,576	1,306	0	0	0
CONNING & COMPANY	1,078,610	1,384	0	0	0
CORESTATES FIRST UNION NAT'L BANK	0	0	48,385,936	0	0
CORNA AND CO. INC.	0	0	2,364,600	0	0
COUNTRYWIDE	0	0	208,821,647	0	41,019,276
COUNTY NATWEST SEC CORP USA	417,943,415	567,834	362,451,430	0	0
COWEN&CO	217,433,698	143,236	0	0	0
CREDIT AGR	1,656,986	5,820	0	0	0
CREDIT AGRICOLE SECURITIES	127,664	448	0	0	0
CREDIT ANSTALT	1,422,301	11,281	0	0	0
CREDIT LYONNAIS SECURITIES	30,552,316	133,877	0	0	0
CREDIT SUISSE FIRST BOSTON LTD	67,139,137	156,977	0	0	0
CREDITANSTALT BANK	388,878	3,086	0	0	0
CRESVALE LIMITED LONDON	256,715	1,550	0	0	0
CREWS & ASSOCIATES	0	0	23,541,872	0	0
CRONIN & CO INC	0	0	6,970,119	0	0
CS FIRST BOSTON	10,914,559	22,319	1,965,088		0
CUST SEG FUNDS FOR CARR FUTERES IN	0	0	0	0	197,176
D & D TOLHURST LTD	412,451	772	0	0	0
D.A. DAVIDSON	168,153	153	0	0	0
DAIMLER CHRYSLER N.A. HLDG	0	0	0	0	567,961,772
DAIN RAUSCHER INC	10,504,963	4,491	40,472,023	0	0
DAIWA SEC. AMERICA	40,539,946	51,435	0	0	0
DAVENPORT & CO	127,854	54	0	0	0
DAVY STOCKBROKERS	936,677	2,800	0	0	0
DBS SECURITIES	0	0	3,118,068	0	0
DEERE & COMPANY	0	0	0	0	75,703,291
DEN DANSKE BANK	2,409,568	5,414	0	0	0
DENDANSKE COPENHAGEN	314,444	630	0	0	0
DEUTSCHE B	45,229,094	87,632	0	0	0
DEUTSCHE BANK AG / LONDON	508,761	869	0	0	0
DEUTSCHE BANK CAPITAL	23,689,144	44,932	490,966,493	0	0
DEUTSCHE BANK GOVT SEC INC	88,374,619	159,951	240,919,029	0	21,594,288,709
DEUTSCHE BANK SECS	0	0	0	0	150,489,472
DEUTSCHE CAPITAL MARKETS	458,861	464	0	0	0
DEUTSCHE M	119,651	481	0	0	0
DEUTSCHE MORGAN GREINFELL	55,605,528	123,528	57,460,777	0	6,894,353
DEUTSCHE MORGAN GREINFELL (LONDON)	4,083,251	10,692	638,000	0	0
DEUTSCHE MORGAN GRENFELL AUSTR	934,702	3,759	0	0	0
DEUTSCHE SECURITIES ASIA	20,055,450	5,708	0	0	0
DIRECT BROKERAGE SVCS.	5,453	6	0	0	0
DIRECT PAYMENT	0	0	0	0	36,000
DLJ FIXED INCOME	0	0	504,877,407	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
DLJ INTER	156,188,882	159,150	0	0	0
DMG AND PARTNERS SECS.	1,209,013	3,643	0	0	0
DMR SECURITIES	527,462	1,590	0	0	0
DOMINION SECURITIES	0	0	1,217,712	0	0
DONALDSON LUFKIN & JENRETTE	15,005,630	18,132	98,364,128	0	7,278,000,000
DONGWON SECURITY	1,949,884	9,413	0	0	0
DRESDNER BANK - KLEINWORT BENS	1,712,209	2,044	3,543,184	0	0
DRESDNER BANK AG FRANKFURT	6,477,579	4,621	13	0	0
DRESDNER KLEINWORT BENSON ASIA	590,260	1,181	0	0	0
DRESDNER KLEINWORT BENSONS	30,265,372	54,819	2,673,376	0	0
DRESDNER SEC (USA) INC	1,157,266	1,725	0	0	0
E D & F MAN INTERNATIONAL SEC	0	0	2,117,566	0	0
EDWARD P. CLARK INVESTMENTS I	0	0	16,912,359	0	0
EDWARDS A.G. & SONS	4,772,730	10,890	45,000,000	0	0
ELMER CARSELLO & ASSOCIATES	126,255	252	0	0	0
ENSKILDA SECURITIES	9,969,602	24,523	0	0	0
EQUITABLE SECURITIES	8,954,090	4,509	0	0	0
ERNST & CO.	18,039,890	16,221	0	0	0
EXANE, PARIS	32,627,209	81,691	0	0	0
EXCHANGE O	133,081,093	0	0	0	0
EXECUTION SERVICES INC	80,813,430	66,958	0	0	0
FACTSET DATA	15,995,746	22,653	0	0	0
FATOR	6,090,008	15,163	0	0	0
FC FINANCIAL SERVICES	104,335	210	0	0	0
FERRIS BAKER WATTS INC	226,124	88	0	0	0
FHLMC	0	0	128,516,636	0	0
FIDELITY C	144,852,525	183,446	2,040,781	0	0
FINANCIAL BROKERAGE	533,898	4,261	0	0	0
FIRST ALBANY	51,767,794	38,596	19,520,295	0	0
FIRST ANALYSIS SEC. CORP.	6,216,115	6,501	0	0	0
FIRST BOSTON - LONDON	1,087,206	2,802	0	0	0
FIRST BOSTON CORPORATION	576,573,428	650,123	8,395,513,384	0	3,225,901,872
FIRST CHICAGO CAP MKTS INC	0	0	8,530,025	0	67,893,708
FIRST CHICAGO CORP	0	0	0	0	29,810,097
FIRST MANHATTAN COMPANY	68,466	177	0	0	0
FIRST OPTIONS OF CHICAGO	3,346,701	2,283	0	0	0
FIRST ST LOUIS SECURITIES	0	0	228,006	0	0
FIRST TENN BANK, NA	0	0	0	0	454,841
FIRST UNION CAP MKTS	20,026,406	12,391	120,413,305	0	0
FLEMING (ROBERT) INC	367,290,569	334,156	14,368,372	0	0
FLEMING MA	79,774	606	0	0	0
FLEMING NY	189,987	1,430	0	0	0
FLEMING SECURITIES LTD.	28,824,951	158,913	0	0	0
FORD FINANCIAL SERVICES	0	0	0	0	497,985,116
FOURTEEN RESEARCH CORP.	1,024,688	1,250	0	0	0
FOX PITT KELTON INC	18,325,820	18,081	0	0	0
FRANK RUSSEL	8,308,729	9,989	0	0	0
FRANKEL STUART & CO	5,290,294	4,370	0	0	0
FREDDIE MAC SECS AND TRADE	0	0	631,714,586	0	0
FREEMAN SECURITIES	0	0	2,148,073	0	0
FREIMARK BLAIR	375,956	300	0	0	0
FRIEDMAN, BILLINGS & RAMSEY	3,991,183	592	0	0	0
FUJI SECURITIES	0	0	31,482,641	0	0
FURMAN SELZ MAGER	61,938,180	72,616	0	0	0
G.K. GOH	11,499,977	45,639	0	0	0
GARANTIA INVESTMENTOS	94,623	380	0	0	0
GARDNER RICH & COLE	96,445	389	0	0	0

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
GENA INC.	656,073	1,268	0	0	0
GENERAL ELEC CAPITAL CORP	0	0	0	0	1,306,160,008
GENESIS	166,459	208	0	0	0
GENEVA SECURITIES INC	0	0	21,312	0	0
GERARD KLAVER MADISO	126,180	347	0	0	0
GINSBERG	236,220	142	0	0	0
GK GOH STOCKBROKERS PTE LTD	52,859	158	0	0	0
GLOBAL SECURITIES	4,819,117	24,070	0	0	0
GMAC FINANCIAL SERVICES	0	0	0	0	308,618,433
GOLDIS PITTSBURG INS	1,257,678	770	0	0	0
GOLDMAN SACHS & COMPANY	2,434,495,228	1,287,736	9,294,763,502	649,914	6,248,386,202
GOLDMAN SACHS (SINGAPORE) PTE	414,440	1,239	0	0	0
GOODBODY STOCKBROKERS	7,031,410	10,869	0	0	0
GRANTCHESTER SECS. INC.	0	0	678,261	0	0
GREAT PACIFIC SECS. CORP.	0	0	7,517,639	0	0
GREEN STREET	52,160	110	0	0	0
GREENFIELD ARBITRAGE PARTNERS	0	0	356,705,888	0	0
GREENWICH CAPITAL MARKETS INC	0	0	2,080,788,825	0	32,847,000,000
GRUNTAL & COMPANY	0	0	30,808,436	0	0
GS2 SECURITIES INC.	1,857,283	1,250	0	0	0
GUZMAN & CO.	16,724,405	20,492	0	0	0
GX CLARKE	0	0	0	0	407,209
HAMBRECHT & QUIST	128,357	209	0	0	0
HBSC SECURITIES	285,496	572	61,989,880	0	55,516,576
HENDERSON BROTHERS	11,837,806	6,153	0	0	0
HENDERSON CROSTHWAIT	1,295,683	2,197	0	0	0
HENNINGS & ASSOCIATES	0	0	27,734,394	0	3,248,279
HERMES FINANCIAL EGYPT	814,471	6,462	0	0	0
HERZOG HEINE GEDVID	25,344,117	0	0	0	0
HOAK SECURITIES	45,984	66	0	0	0
HOARE GOVETT	29,777,788	126,108	0	0	0
HOENIG & CO.	80,884,157	132,834	0	0	0
HOUSEHOLD INTERNATIONAL	0	0	0	0	44,024,424
HSBC INVESTMENT BANK	7,102,387	13,963	0	0	0
HSBC JAMES CAPEL	2,069,847	19,063	0	0	0
HSBC LONDON	453,779	888	0	0	0
HSBC SECURITIES INC	182,092,040	333,493	16,959,911	0	24,200,000,000
HUTCHINSON SHOCKEY ERLEY & CO	0	0	103,053	0	0
HWANG DBS SECS	1,214,251	8,955	0	0	0
IBES	3,041,644	8,410	0	0	0
IBJ INTL LTD	0	0	400,088	0	0
IBM CORP	0	0	0	0	66,965,104
ICATU	1,455,616	4,714	0	0	0
ILLINOIS CO. (THE)	24,334	72	0	0	0
INC CURREN	0	0	493,783	0	0
INDOSUEZ CAPITAL SECURITIES	13,378,413	65,275	0	0	0
INDOSUEZ W.I. CARR SECURITIES	4,711,478	27,103	0	0	0
ING BARING SECURITIES	29,867,801	121,280	0	0	0
INSTINET	2,063,091,449	1,087,587	0	0	0
INSTITUTIONAL SERVICES UNLIMITED	3,287,787	3,772	0	0	0
INTERFUND TRANSFER	0	0	2,236,577	0	0
INTERMOBILIARE SEC.	9,622,064	24,581	0	0	0
INTERSTATE	62,060,939	90,259	0	0	0
INVEMED ASSOCIATES	6,669,390	12,000	0	0	0
INVESTEC SECURITIES LTD	7,286,789	14,551	0	0	0
INVESTMENT TECHNOLOGY CORP	3,524,489,703	1,660,898	0	0	0
ISI GROUP	36,519,420	39,324	13,137,677	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
J A SCHREIBER & CO	0	0	38,620	0	0
J C BRADFORD & CO	2,051,249	2,041	989,180	0	0
J P MORGAN & CO	66,629,712	166,973	288,487,988	0	67,779,911
J P MORGAN SECURITIES INC	577,368,707	662,635	2,908,959,247	0	1,684,858,272
J STREICHER	1,257,213	2,502	0	0	0
J. UONTOBEL	2,535,380	6,360	0	0	0
J.B. WERE & SON	14,622,303	43,665	0	0	0
JACKSON PARTNERS & ASSOCIATES INC	51,484,079	22,638	0	0	0
JAMES CAPE	137,231,542	288,116	0	0	0
JAMES R CURTIS	0	0	3,907,777	0	0
JANNEY MONTGOMERY SCOTT	7,781,423	7,665	5,500,523	0	0
JARDINE FLEMING	5,887,581	2,708	0	0	0
JAVELIN SECS.	10,291,708	21,675	0	0	0
JAY W KAUFMANN & CO	110,002	220	0	0	0
JAYESH D PAREKH	0	0	0	0	0
JB WERE AND SON MELBOURNE	4,880,025	15,787	0	0	0
JEAN PIERRE PINATTON	3,829,468	1,914	0	0	0
JEFFERIES & CO	441,319,304	575,434	43,558,362	0	0
JOHNSON RICE & CO	2,253,336	3,782	0	0	0
JONES & ASSOCIATES	120,045,602	155,727	0	0	0
JOSEPHTHAL & CO.	5,137,192	5,270	0	0	0
JULIUS BAER	249,503	625	0	0	0
KALB VOORHIS & CO	933,977	1,398	0	0	0
KEEFE BRUYETTE & WOOD	9,306,928	8,914	0	0	0
KIM. ENG. SEC.	25,359	128	0	0	0
KINNARD (JOHN G.) & CO	1,872,409	0	0	0	0
KLEINWORTH BENSON INC	298,972,624	417,539	0	0	0
KNIGHT SECURITIES	232,606,165	72,435	0	0	0
LADENBURG THALMAN & CO.	1,726,756	4,923	0	0	0
LAMBERSON KNIGHT	0	0	0	0	228,801,633
LASALLE NATL BANK	0	0	375,034	0	0
LAWRENCE	136,549	195	0	0	0
LAZARD FRERES & CO	36,663,045	34,465	4,960,908	0	0
LEEFINK SWANN & CO	2,794,858	1,580	0	0	0
LEGG MASON	23,231,767	12,404	108,587,925	0	0
LEHMAN BROTHERS INC	1,913,063,410	1,660,182	4,052,043,727	0	4,568,244,313
LEHMAN GOVT SECURITIES	0	0	2,060,701,111	0	661,980,655
LEWCO SECURITIES INC.	202,387,413	191,577	2,709,575	0	0
LOOP CAPITAL	1,294,600	840	0	0	0
LYNCH, JONES & RYAN	258,496,608	301,924	0	0	0
M L PIERCE FENNER	0	0	432,571	0	0
MABON NUGENT & CO.	0	0	1,206,699	0	0
MACQUARIE EQUITIES	54,188,018	110,715	0	0	0
MAGNA SECURITIES CORP	5,216,998	7,457	0	0	0
MALACHI GROUP	60,971,431	42,780	0	0	0
MALONEY & CO	44,425,332	54,153	0	0	0
MAXUS CORP.	8,004,052	17,249	0	0	0
MAXWELL Y ESPINOSA	15,538,359	69,613	0	0	0
MAYER & SCHWEITZER INC	1,429,653	1,290	0	0	0
MCDONALD & COMPANY	9,153,775	7,870	19,120,857	0	0
MCGOWAN J.P. & CO	0	0	31,383	0	0
MELLON BANK	272,166,692	0	0	0	0
MELLON CAPITAL MKTS	0	0	26,021	0	0
MERRIL-PERFORMANCE MEASURE	1,884,464,859	1,801,521	3,287,950,487	476	35,195,027
MERRILL LYNCH P F & S	396,959,233	973,801	5,223,845,886	0	2,944,265,838
MESIROW FINANCIAL INC	0	0	21,067,746	0	0
MFGRS. HANOVER	0	0	0	0	9,954,967

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
MIDAS CORR	452,806	1,368	0	0	0
MIDAS SECURITIES	30,678	91	0	0	0
MILLER ANDERSON SHERRERD	0	0	1,278,950	0	0
MILLER JOHNSON KUEHN INC.	0	0	70,746	0	0
MONNESS WILLIAMS CRESPI	0	0	6,491	0	0
MONTGOMERY SECURITIES	520,066,513	362,380	7,059,092	0	0
MOORS & CABOT	810,717	820	0	0	0
MORGAN GRENFELL	49,027,231	89,833	0	0	0
MORGAN KEGAN INC.	2,751,782	2,329	982,280	0	0
MORGAN STANLEY & CO	1,899,659,777	1,464,208	3,335,975,579	0	776,295,789
MORRIS BRIDGER SECURITIES INC.	0	0	44,904,520	0	0
MSPRO-MORGAN STANLEY & CO.	0	0	4,376,953	0	0
MURIEL F SIEBERT AND CO	430,776	1,488	0	0	0
NAT CITY INVESTMENTS	0	0	0	0	21,822,711
NATIONAL BANK OF GREECE	971,093	2,607	0	0	0
NATIONAL FINANCIAL	178,322	120	4,604,977	0	0
NATIONS BANK	0	0	53,928,247	0	0
NATIONSBANC CAPITAL MKTS INC	0	0	100,578,319	0	0
NATWEST SECURITIES	0	0	163,610	0	0
NBC CAP MKTS CORP INC	0	0	6,658,501	0	0
NCL INVESTMENTS LTD.	224,706	450	0	0	0
NEILSON BREITHAUPT UNDERWRITER	0	0	7,194,431	0	0
NESBITT BURNS INC.	185,765	1,250	926,156	0	0
NEUBERGER & BERMAN	34,794,057	39,272	0	0	0
NOMURA SECURITIES INTL	87,867,859	121,588	3,284,853,968	0	1,687,000,000
NORWEST BANK	0	0	0	0	830,753
NORWEST FINANCIAL INC	0	0	193,854	0	24,575,042
NORWEST INVESTMENT SERV INC	0	0	0	0	191,603,839
NUTMEG SECURITIES	30,713	45	0	0	0
O'NEIL (WM COMPNY INC	26,533,933	22,135	0	0	0
ODDO DESACHE' PARIS	16,561,621	41,508	0	0	0
ODDO FINANCE	17,491,359	43,619	0	0	0
OFEK SEC AND INV	598,027	1,492	0	0	0
OLDE & CO	0	0	5,118,665	0	0
ONESAF BANK ONE TRUST CO NA SA	0	0	196,837	0	0
OPPENHEIMER & CO	150,108,155	150,468	9,581,797	0	0
OPSTOCK SECURITIES	642,820	2,425	0	0	0
ORD MINNETT	12,048,129	39,345	0	0	0
ORKLA FINANCIAL	425,078	0	0	0	0
ORMES CAPITAL	624,397	791	999,430	0	0
OSCAR GRUSSMAN	8,776,612	13,319	0	0	0
OTA LTD PARTNERSHIP	8,796,053	4,116	0	0	0
PACIFIC AMERICAN SECURITIES	728,845	502	0	0	0
PACIFIC CR	1,402,204	1,340	0	0	0
PACTUAL	11,543,328	24,126	0	0	0
PAINE WEBBER INC	381,650,563	378,151	1,434,375,972	20,460	4,007,119,948
PANMURE GORDON	1,581,858	3,170	0	0	0
PARAMOUNT BROKERAGE CO	6,179,277	15,254	0	0	0
PARIBAS CAPITAL MARKETS	2,542,085	16,312	54,988,792	0	0
PARIBAS CO	529,994	3,320	1,653,713	0	0
PAULSEN, DOWLING	443,441	235	0	0	0
PCS SECURITIES INC.	18,869,412	16,733	0	0	0
PEREGRINE SECURITIES	625,002	1,557	0	0	0
PERSHING	203,950,507	227,375	6,861,845,420	0	19,960,354
PHILEO ALLIED SECURITIES	2,180,107	13,175	0	0	0
PIPER JAFFRAY INC	19,143,882	9,467	74,695,350	0	162,584
PIPER, G.W.& CO	0	0	9,993,750	0	0

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
PREFERRED TECHNOLOGY	715,649	0	0	0	0
PRIME MONEY FUND	0	0	7,314,844	0	0
PRUDENTIAL	569,328	0	0	0	0
PRUDENTIAL FUNDING CORP	0	0	0	0	676,403,144
PRUDENTIAL SECURITIES INC	213,184,533	241,274	583,762,728	0	653,903,100
PRYOR MCCLENDON	638,978	840	0	0	0
PUNK ZIEGE	335,916	0	0	0	0
PUTNAM	315,692	354	0	0	0
Q&R CLEARING CORP	45,925	46	0	0	0
RABO BANK	213,970	429	0	0	0
RABO SECURITIES NV AMSTERDAM	214,863	431	0	0	0
RAYMOND JAMES & ASSOCIATES	11,159,775	12,955	8,319,643	0	0
RBC DOMINION SECURITIES	29,168,946	70,647	0	0	0
RBS TRUST BANK LTD	4,918,787	5,086	0	0	0
ROBB PECK & MCCOOEY & CO INC.	74,173,525	61,913	0	0	0
ROBERT FLEMING INC BANK OF NE	2,163,948	4,016	0	0	0
ROBERT FLEMING INC.	116,345,659	236,707	1,712,863	0	0
ROBERT FLEMING SECURITIES LIMI	1,152,991	3,407	0	0	0
ROBERT W. BAIRD & CO	15,160,152	16,304	3,481,681	0	0
ROBERTSON COLMAN & STEPHENS	223,516,973	46,327	5,247,873	0	0
ROBINSON-HUMPHREY CO	11,698,398	8,193	0	0	0
ROCHDALE SECURITIES CORP	26,823,657	43,984	0	0	0
RYAN BECK & CO.	1,033,478	264	0	0	0
SALOMON SMITH BARNEY HOLDINGS	695,160,076	651,676	6,813,194,748	0	2,596,862,005
SAMSUNG SECURITIES	1,792,653	8,744	0	0	0
SANDLER O NEIL	0	0	5,350,061	0	0
SANDS BROTHERS & CO LTD.	1,412,867	7,842	0	0	0
SANTANDER INVESTMENT SEC'S.	1,871,420	5,631	0	0	0
SASSOON SECURITIES	984,170	5,869	0	0	0
SBC WARBURG, LONDON	37,567,836	41,082	0	0	0
SBK BROOKS INVESTMENT CORP	2,216,780	4,272	0	0	0
SCHRODER BANK	431,562	1,290	0	0	0
SCHRODER SECURITIES	10,975,254	20,974	0	0	0
SCHROEDER BK & TR	9,713,691	18,571	0	0	0
SCOTIA MCLEOD	13,460,607	40,277	0	0	0
SCOTT & STRINGFELLOW	5,909,230	1,476	173,784	0	0
SECURITY CORP OF IOWA	0	0	151,069	0	0
SECURITY PLANNING COMPANY	230,161	650	0	0	0
SG SECURITIES	409,675	374	0	0	0
SHARPE CAPITAL INC., NY	140,784	146	0	0	0
SHEARSON LEHMAN AMER EXPRESS	0	0	70,503,777	0	0
SHELBY CULLOM DAVIS + CO	0	0	9,533,983	0	0
SHERWOOD SECURITIES	720,717	1,215	0	0	0
SIGMA SECS, ATHENS	9,349,820	14,729	0	0	0
SIMMONS FIRST NATL BANK	0	0	227,872,925	0	0
SK INTERNATIONAL SECURITIES	16,870,707	19,960	0	0	0
SKANDINAVISKA ENSKILDA	30,280,371	90,763	2,275,933	0	0
SOCGENT CROSBY SECS	655,920	3,112	0	0	0
SOCIETE GENERALE SECS	15,304,128	54,332	0	0	38,006,267
SOUNDVIEW	69,148,346	37,818	0	0	0
SPEAR,LEEDS & KELLOGG	9,418,637	4,117	25,936,268	0	0
SSGA EXTERNAL	896,753,221	0	0	0	0
STANDARD & POOR SECURITIES	119,543,907	127,537	0	0	0
STANDARD BANK OF SA JOHANNESBURG	2,090,739	6,238	0	0	0
STANDARD CHARTERED BK	584,672	1,759	0	0	0
STATE BOARD OF INVESTMENT	0	0	0	0	3,988
STATE ST BK & TRUST	6,183,537,768	3,374	3,136,413,193	0	41,311,586,119

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
STEPHENS, INC.	2,094,401	1,995	0	0	0
STIRLING	0	0	18,157	0	0
SUN COAST CAPITAL GROUP INC.	0	0	25,845,690	0	0
SUTRO AND COMPANY INC.	18,147,278	58,497	3,652,658	0	0
SVENSKA HANDELSBANKEN	564,492	1,691	0	0	0
SWISS BANK	211,705,372	263,096	705,856,498	90	0
T. HOARE & CO. LTD.	890,030	885	0	0	0
THE LONDON CLEARING HOUSE LIMI	1,057,278	841	0	0	0
THOMAS WEISEL PARTNERS	60,508,770	2,735	0	0	0
THOMASON INV	10,857,341	12,872	0	0	0
THOMSON INSTITUTIONAL SERVICES	11,877,353	20,022	0	0	0
TIR SECURITIES	3,318,710	8,706	0	0	0
TITAN VALUE EQUITIES CORP	0	0	5,056,016	0	0
TOKYO MITSUBISHI	13,066,633	20,720	1,343,272	0	0
TONGE CO.	44,803,174	45,964	154,031,199	0	0
TORONTO DOMINION SEC INC	0	0	1,580,928	0	145,766,305
TOWA SECS	133,436	232	0	0	0
TRADEPOINT	1,133,030	467	0	0	0
TUCKER, ANTHONY & R.L. DAY, IN	8,738,880	7,090	0	0	0
U.S. BANCORP INVESTMENT	0	0	0	0	25,271,000
U.S. CLEARING	15,271,439	12,037	0	0	0
UBS AG	0	0	9,439,626	0	0
UBS SECURITIES	158,805,640	129,219	13,119,104	0	0
UBS SWITZ	0	0	1,252,551	0	0
UBS-DB CORPORATION	14,938,238	28,339	44,625,410	0	0
UNIBANK	0	0	2,079,357	0	0
UNITED SECURITIES	1,273,931	3,810	0	0	0
USB TOKYO	1,134,215	3,413	0	0	0
UTENDAHL	105,217	60	19,268,316	0	0
VENHU SECURITIES	0	0	51,475,578	0	0
VOLPE WELT	7,134,726	1,950	0	0	0
VONTOBEL	3,985,808	9,998	0	0	0
W.I. CARR	476,917	4,489	0	0	0
WACHOVIA BANK N.A.	0	0	14,449,475	0	410,710,715
WAGNER STOTT & CO.	14,344,458	26,386	0	0	0
WARBURG, DILLON READ	252,480,088	516,617	85,723,449	0	306,558,191
WASSERSTEI	0	0	1,545,150	0	0
WATKINS & COMPANY	0	0	62,941,406	0	0
WEEDEN & COMPANY	65,835,809	92,448	0	0	0
WEISS	41,928,786	63,796	0	0	0
WELLS FARGO BANK	0	0	3,466,504	0	0
WELLS FARGO INSTITUTL BROK & SALES	0	0	0	0	14,374,000
WERE J B	288,588	1,161	0	0	0
WERTHEIM & CO	903,440	468	0	0	0
WERTHEIM SCHRODER & CO INC	2,059,963	17,235	0	0	0
WEST LB SECURITIES	4,579,487	8,106	880,172	0	0
WESTMINSTER	62,167,683	118,449	0	0	0
WICAR	3,860,483	11,628	0	0	0
WILIAM R. HOUGH & CO	0	0	9,162,100	0	0
WILLIAM BLAIR & CO.	0	0	10,164,468	0	0
WILLIAMS CAP GROWTH	14,594,595	19,682	0	0	29,668,567
WILSHIRE ASSOCIATES	1,113,085	1,585	0	0	0
WM V FRAMKEL & CO	4,822	0	0	0	0
WOOD & CO.	235,712	1,662	0	0	0
WOOD GUNDY INC	3,245,798	9,764	0	0	0
WR HAMBRE	764,108	1,200	0	0	0
ZIONS CAPITAL MARKETS	0	0	2,530,174	0	0

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2000

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
BROKER NOT AVAILABLE*	10,237,072,081	115,604	6,262,085,108	0	25,001,339,422
ALL BROKERS COMBINED	**46,067,491,159**	**28,162,478**	**84,427,875,948**	**670,940**	**196,027,480,275**

*Includes transactions where broker data was incomplete; income reinvestment transactions and transfers and adjustments between funds.

Note: Totals may not add due to rounding.

Table of Contents

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OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the State Board of Investment
and
Howard J. Bicker, Executive Director

We have audited the accompanying financial statements of the State of Minnesota's Supplemental Investment Fund and the Post Retirement Investment Fund as of and for the year ended June 30, 2000, as shown on pages 104 to 109. These financial statements are the responsibility of the State Board of Investment's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements present only the Supplemental Investment Fund and the Post Retirement Investment Fund of the State of Minnesota and are not intended to present fairly the financial position and results of operation of the State Board of Investment or the State of Minnesota in conformity with generally accepted accounting principles.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of the Supplemental Investment Fund and the Post Retirement Investment Fund referred to above present fairly, in all material respects, the net assets as of June 30, 2000, and the changes in net assets and results of operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules on pages 111-154 are presented for the purpose of additional analysis and are not a required part of the financial statements of the Supplemental Investment and Post Retirement Funds of the State of Minnesota. Such information has been subject to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Tel: 651/296-4708 • Fax: 651/296-4712
E-mail: auditor@state.mn.us • TDD Relay: 651/297-5353 • Website: www.auditor.leg.state.mn.us

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2000, on our consideration of the Minnesota State Board of Investment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

James R. Nobles
Legislative Auditor

Claudia J Gudvangen, CPA
Deputy Legislative Auditor

December 1, 2000

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2000
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND (5)	POST RETIREMENT INVESTMENT FUND (6)
ASSETS:		
Investments (at market value) (2),(3):		
Common Stock	$ 1,214,731	$ 13,511,635
Alternative Equities	0	388,780
Fixed Income Securities	415,792	6,353,509
Short Term Securities	127,902	534,488
Short Term Securities-Lending Collateral(4b)	127,382	2,044,482
Total Investments (4a)	$ 1,885,807	$ 22,832,894
Cash	0	0
Security Sales Receivable	11	0
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	490,620
Accounts Receivable-Participants	0	21,387
Accrued Interest	2,781	0
Accrued Dividends	0	0
Accrued Short Term Gain	671	2,377
Reserve Adjustment	0	0
TOTAL ASSETS	$ 1,889,270	$ 23,347,278
LIABILITIES:		
Management Fees Payable	340	8,396
Security Purchases Payable	0	0
Accounts Payable-Participants	0	0
Accounts Payable-Mortality	0	15,400
Payable to MSRS	0	0
Reserve Adjustment	0	0
Securities-Lending Collateral (4b)	127,382	2,044,482
TOTAL LIABILITIES	$ 127,722	$ 2,068,278
NET ASSETS AT JUNE 30, 2000	$ 1,761,548	$ 21,279,000

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2000
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
FROM INVESTMENT ACTIVITY:		
Net Investment Income	$ 151,678	$ 2,316,002
Realized Gains (Losses)	25,645	497,690
Unrealized Gains (Losses)	(47,523)	(1,175,340)
TOTAL INCOME	$ 129,800	$ 1,638,352
Less Distribution To Participant Accounts	(129,800)	(2,450,045)
Undistributed Dedicated Income	0	(363,647)
Net Change In Undistributed Income	$ 0	($ 1,175,340)
FROM PARTICIPANT TRANSACTIONS:		
Additions To Participant Accounts		
Participant Contributions	232,935	1,962,122
Income Distribution	129,800	2,450,045
Income To Be Distributed	0	363,648
Total Additions	$ 362,735	$ 4,775,815
Deductions From Participant Accounts		
Withdrawals	254,719	1,614,931
Total Deductions	$ 254,719	$ 1,614,931
Net Change In Participation	$ 108,016	$ 3,160,884
TOTAL CHANGE IN ASSETS	$ 108,016	$ 1,985,544
NET ASSETS:		
Beginning Of Period	1,653,532	19,293,456
End Of Period	$ 1,761,548	$ 21,279,000

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2000
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
INVESTMENT INCOME:		
Interest	$ 23,065	$ 271,071
Dividends	122,625	2,040,533
Short Term Gains	6,509	25,300
Security Lending Gross Earnings(4c)	7,799	119,808
Less: Borrower Rebates	(6,994)	(108,508)
Less: Fees Paid to Agents	(217)	(3,183)
Security Lending Net Earnings	588	8,117
Income Before Expenses	$ 152,787	$ 2,345,021
Management Fees	1,109	29,019
NET INCOME	$ 151,678	$ 2,316,002
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	$ 195,841	$ 2,532,470
Cost Of Securities Sold	170,196	2,034,780
Net Realized Gain (Loss)	$ 25,645	$ 497,690
Unrealized:		
Beginning Of Period	341,819	2,677,752
End Of Period	294,296	1,502,412
Increase (Decrease) In Unrealized Appreciation	($ 47,523)	($ 1,175,340)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	($ 21,878)	($ 677,650)

Notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and Basis of Presentation: This report includes financial statements for the Supplemental Investment, and Post Retirement Trust Funds of the State of Minnesota, which are administered by the State Board of Investment under authority of ***Minnesota Statutes* Chapter 11A**.

The financial statements presented for these funds are based on the preferred accounting practices described in the **American Institute of Certified Public Accountants** audit guide, **"Audits of Investment Companies"**. These practices, and the significant accounting policies which follow, conform with generally accepted accounting principles.

Authorized Investments: ***Minnesota Statutes*, Section 11A.24** broadly restricts investments to obligations and stocks of the U.S. and Canadian governments, their agencies and their registered corporations; short term obligations of specified high quality; international securities; restricted participation as a limited partner in venture capital, real estate or resource equity investments; and restricted participation in registered mutual funds.

Risk Categories: At June 30, 2000, all investments of the Investment Trust Funds and pooled investment accounts are in risk category 1, and are insured or registered, or are held by the state or its agent in the state's name. In addition, all security lending transactions are collateralized by at least 100% of the value of loaned securities. A State Board of Investment policy, which limits transactions to those with primary government securities dealers whose net excess capital is greater than $200,000,000 reduces the state's investment risk for repurchase agreements.

Security Valuation: All securities are valued at market except for U.S. Government short-term securities and commercial paper, which are valued at market less accrued interest. Accrued short-term interest is recognized as income as part of "Short-Term Gain". For long-term fixed income securities the SBI uses the Merrill Lynch valuation system. This pricing service is capable of providing prices for both actively traded and privately placed bonds. For equity securities the State Board uses a valuation service provided by Financial Control Systems, Inc. The basis for determining the fair value of investments that are not based on market quotations includes audited financial statements, analysis of future cash flows, and independent appraisals.

Recognition of Security Transactions: Security transactions are accounted for on the date the securities are purchased or sold.

Income Recognition: Dividend income is recorded on the ex-dividend date. Interest and dividend income are accrued monthly. Short-term interest is accrued monthly and is presented as "Accrued Short-Term Gain".

Amortization of Fixed Income Securities: Premiums and discounts on fixed income purchases are amortized over the remaining life of the security using the "Effective Interest Method".

Loaning Securities: State Statutes do not prohibit the SBI from participating in security lending. As such, domestic and international corporate securities as well as certain US Government and Government Agency securities are loaned out by the State Board to banks and brokers for additional income. Collateral in the amount of 100% of the market value of the security loaned is required. The collateral held and the market value of securities on loan for the State Board as of June 30, 2000 were $4,300,579,660 and $ 4,185,766,597 respectively.

The SBI utilizes State Street Bank (SSB) to manage its Securities Lending program. SSB provides the SBI indemnification in the event a borrower defaults by failing to return a loaned security.

2. PORTFOLIO LISTING

Asset listings summarizing the securities held by these funds can be found starting on page **139** of this report. A complete listing is available by contacting the State Board's office. Fixed income and equity securities are presented at market value.

3. COST OF INVESTMENTS

At June 30, 2000, the cost of investments for the Investment Trust Funds, excluding security lending collateral, was:

Supplemental Investment Fund	$ 1,467,117,936
Post Retirement Fund	$ 19,288,376,956

4. LOANED SECURITIES

4(a) The market value of loaned securities outstanding at June 30, 2000 was:

Supplemental Investment Fund	$ 130,435,419
Post Retirement Fund	$ 2,096,309,986

4(b) In accordance with GASB_28, Accounting and Financial Reporting for Security Lending Transactions, the amount of cash collateral is concurrently an asset and a liability at the balance sheet date.

Non-cash collateral is considered an asset and a liability only if the lender has the right to sell collateral absent of borrower default. There is no such right in our case.

4(c) In accordance with GASB_28, Accounting and Financial Reporting for Security Lending Transactions, gross lending income, borrower rebate and agent fees must be reported on the face of the Statement of Operations.

5. SUPPLEMENTAL INVESTMENT FUND

The Supplemental Investment Fund serves as an investment vehicle for the various state and locally administered pension plans. During Fiscal Year 2000 the fund included seven separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages **112 to 127** of this report. Participation in the Supplemental Investment Fund accounts is determined in accordance with various statutory requirements.

6. POST RETIREMENT INVESTMENT FUND

The Post Retirement Investment Fund (POST) serves as an investment vehicle for the Defined Benefit Pension Funds of the State of Minnesota. The fund invests amounts certified by the various pension funds as reserves required for the payment of retirement benefits. Assets of the POST Fund are held in custody at State Street Bank in Boston.

Participation in the POST Fund is equal to the actuarially determined required reserves for retirement benefits as of June 30, 2000. It includes a 6% assumed income distribution, in accordance with *Minnesota Statutes* Section 11A.18, and any mortality gains or losses as determined by an independent actuary hired by the State Legislature.

***Laws of Minnesota 1992*, Chapter 530** changed the formula used to calculate post retirement benefit increases. The new formula contains both an inflation adjustment and an investment component and became effective for benefit increases granted January 1, 1994.

Pursuant to ***Minnesota Statutes* Section 11A.18, Subdivision 9**, the inflation increase is based on the change during the Fiscal Year in the *Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor*. In addition to the inflation based increase, a portion of the June 30, 2000 net market value in excess of Required Reserves is available for distribution as an investment based benefit increase to pension fund participants in January 2001.

The benefit increase is stated as a percentage of eligible required reserves. In accordance with statutory provisions, the amount available for the benefit increase is certified to each participating pension fund for distribution to eligible individuals. Annuitants and other individuals receiving benefits at May 31, 2000 are eligible to receive the January 1, 2001 benefit increase.

Inflation Based Benefit Increase	2.5000%
Investment Based Benefit Increase	7.0342%
Total Benefit Increase	**9.5342%**

7. POOLED INVESTMENT ACCOUNTS

The State Board of Investment manages ten pooled investment accounts for the Investment Trust Funds, the Supplemental Investment Fund and the Defined Benefit Pension Funds of the State of Minnesota. Our master custodian, State Street Bank and Trust hold the assets of the pooled accounts. Financial information on these pooled accounts is shown on pages **128 to 135** of this report.

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
SCHEDULE OF PARTICIPATION
JUNE 30, 2000
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
Teacher's Retirement Fund	$ 0	$ 8,055,622
Public Employees Retirement Fund	0	5,063,967
State Employees Retirement Fund	0	2,462,349
Public Employees Police & Fire Fund	0	1,680,540
Public Employees Consolidation Fund	0	45
Highway Patrolmen's Retirement Fund	0	265,053
Legislators & Survivors Retirement Fund	0	30,934
Correctional Employees Retirement Fund	0	124,401
Judges Retirement Fund	0	81,323
Income Share Account	661,506	0
Growth Share Account	334,032	0
Money Market Account	87,069	0
Common Stock Index Account	428,144	0
International Stock Account	50,810	0
Bond Market Account	112,241	0
Fixed Interest Account	87,746	0
TOTAL PARTICIPATION	$ 1,761,548	$ 17,764,234
Adjustments		
Unrealized Appreciation (Depreciation) of Investments	0	1,502,412
Undistributed Earnings	0	2,012,354
NET ASSETS	$ 1,761,548	$ 21,279,000

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STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2000
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
ASSETS:			
Investments (at market value) (2), (3):			
Common Stock	$ 401,477	$ 334,257	$ 0
Alternative Equitites	0	0	0
Fixed Income Securities	217,197	0	0
Short Term Securities	40,191	0	86,615
Securities-Lending Collateral (4b)	58,826	18,674	0
Total Investments (3)	$ 717,691	$ 352,931	$ 86,615
Cash	0	0	0
Security Sales Receivable	11	0	0
Account Receivable- Fee Refunds	0	0	0
Account Receivable-Mortality	0	0	0
Account Receivable-Participants	0	0	0
Accrued Interest	2,438	0	0
Accrued Dividend	0	0	0
Accrued Short Term Gain	210	0	455
TOTAL ASSETS	$ 720,350	$ 352,931	$ 87,070
LIABILITIES:			
Management Fees Payable	$ 18	$ 225	$ 1
Security Purchases Payable	0	0	0
Accounts Payable-Participants	0	0	0
Options Premiums Received	0	0	0
Securities-Lending Collateral (4b)	58,826	18,674	0
TOTAL LIABILITIES	$ 58,844	$ 18,899	$ 1
NET ASSETS AT JUNE 30, 2000	$ 661,506	$ 334,032	$ 87,069

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 428,160	$ 50,837	$ 0	$ 0	$ 1,214,731
0	0	0	0	0
0	0	112,267	86,328	415,792
0	0	0	1,096	127,902
26,500	9,524	13,857	0	127,381
$ 454,660	$ 60,361	$ 126,124	$ 87,424	$ 1,885,806
0	0	0	0	0
0	0	0	0	11
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	343	2,781
0	0	0	0	0
0	0	0	6	671
$ 454,660	$ 60,361	$ 126,124	$ 87,773	$ 1,889,269
$ 16	$ 26	$ 27	$ 27	$ 340
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
26,499	9,525	13,857	0	127,381
$ 26,515	$ 9,551	$ 13,884	$ 27	$ 127,721
$ 428,145	$ 50,810	$ 112,240	$ 87,746	$ 1,761,548

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2000
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
FROM INVESTMENT ACTIVITY:			
Net Investment Income	$ 46,770	$ 55,607	$ 5,094
Realized Gains (Losses)	13,659	4,146	0
Unrealized Gains (Losses)	(10,937)	(36,311)	0
TOTAL INCOME	$ 49,492	$ 23,442	$ 5,094
Less Distributions to participants Account	($ 49,492)	($ 23,442)	($ 5,094)
Undistributed Dedicated Income	0	0	0
Net Change In Undistributed Income	$ 0	$ 0	$ 0
FROM PARTICIPANT TRANSACTIONS:			
Additions To Participant Accounts			
Participant Contributions	$ 13,736	$ 9,277	$ 124,639
Income Distributions	49,492	23,442	5,094
Income To Be Distributed	0	0	0
Total Additions	$ 63,228	$ 32,719	$ 129,733
Deductions From Participant Accounts			
Withdrawals	$ 44,399	$ 21,068	$ 98,245
Total Deductions	44,399	21,068	98,245
Net change In Participation	$ 18,829	$ 11,651	$ 31,488
TOTAL CHANGE IN ASSETS	18,829	11,651	31,488
NET ASSETS:			
Beginning Of Period	642,677	322,381	55,581
End Of Period	$ 661,506	$334,032	$ 87,069

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 29,960	$ 5,065	$ 4,539	$ 4,643	$ 151,678
7,879	215	(1,501)	1,246	25,644
(1,107)	(532)	1,928	(563)	(47,522)
$ 36,732	$ 4,748	$ 4,966	$ 5,326	$ 129,800
($ 36,732)	($ 4,748)	($ 4,966)	($ 5,326)	($ 129,800)
0	0	0	0	0
$ 0	$ 0	$ 0	$ 0	$ 0
$ 34,334	$ 21,593	$ 23,704	$ 5,651	$ 232,934
36,733	4,748	4,966	5,326	129,801
0	0	0	0	0
$ 71,067	$ 26,341	$ 28,670	$ 10,977	$ 362,735
$ 31,507	$ 1,281	$ 48,151	$ 10,069	$ 254,720
31,507	1,281	48,151	10,069	254,720
$ 39,560	$ 25,060	($ 19,481)	$ 908	$ 108,015
39,560	25,060	(19,481)	908	108,015
388,585	25,750	131,721	86,838	1,653,533
$ 428,145	$ 50,810	$ 112,240	$ 87,746	$ 1,761,548

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2000
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT	STOCK INDEX ACCOUNT
INVESTMENT INCOME:				
Interest	$ 13,883	$ 0	$ 0	$ 0
Dividends	31,436	56,216	0	29,844
Short Term Gains	1,273	0	5,097	0
Security Lending Gross Earning	3,515	1,191	0	1,754
Less: Borrower Rebates	(3,178)	(1,088)	0	(1,509)
Less:Fees Paid to Agents	(87)	(28)	0	(67)
Security Lending Net Earni	250	75	0	178
Income Before Expenses	$ 46,842	$ 56,291	$ 5,097	$ 30,022
Management Fees	72	684	3	62
NET INCOME	$ 46,770	$ 55,607	$ 5,094	$ 29,960
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS				
Realized:				
Proceeds From Sales	$ 57,551	$ 20,954	$ 0	$ 31,328
Cost Of Securities Sold	43,892	16,808	0	23,449
Net Realized Gain (Loss)	$ 13,659	$ 4,146	$ 0	$ 7,879
Unrealized:				
Beginning Of Period	$ 178,670	$ 56,930	$ 0	$ 106,470
End Of Period	167,733	20,619	0	105,363
Increase (decrease) In Unrealized Appreciation	($ 10,937)	($ 36,311)	$ 0	($ 1,107)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTME	$ 2,722	($ 32,165)	$ 0	$ 6,772

Notes are an integral part of the Financial Statements

INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 4,568	$ 4,615	$ 23,066
5,098	30	0	122,624
0	0	139	6,509
602	737	0	7,799
(534)	(685)	0	(6,994)
(23)	(12)	0	(217)
45	40	0	588
$ 5,143	$ 4,638	$ 4,754	$ 152,787
78	99	111	1,109
$ 5,065	$ 4,539	$ 4,643	$ 151,678
$ 1,282	$ 48,126	$ 36,599	$ 195,840
1,067	49,627	35,353	170,196
$ 215	($ 1,501)	$ 1,246	$ 25,644
$ 2,907	($ 4,576)	$ 1,419	$ 341,820
2,375	(2,648)	856	294,298
($ 532)	$ 1,928	($ 563)	($ 47,522)
($ 317)	$ 427	$ 683	($ 21,878)

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2000

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Adrian Fire	$ 115,847	$ 62,065	$ 0
Alaska Fire	0	0	0
Alborn Fire	26,913	5,780	0
Alden Fire	0	25,794	0
Almelund Fire	30,355	80,469	0
Amboy Fire	0	0	0
Argyle Fire	11,274	11,586	0
Askov Fire	53,475	0	0
Audubon Fire	80,653	0	0
Austin Part-time Fire	86,154	64,713	0
Bagley Fire	49,901	0	1,785
Balsam Fire	96,491	72,669	429
Barnum Fire	22,443	0	0
Beaver Creek Fire	0	0	0
Belle Plaine Fire	101,957	16,777	0
Bemidji Fire	440,567	110,946	106,886
Benson Fire	37,222	44,707	0
Bertha Fire	30,664	25,841	0
Bigfork Fire	9,602	53,814	0
Bird Island Fire	30,736	32,178	0
Biwabik Township Fire	17,417	0	0
Blooming Prairie Fire	36,195	0	0
Bloomington Fire	24,230,669	0	0
Bricelyn Fire	143,195	0	0
Brooklyn Park Fire	4,195,129	0	0
Brooten Fire	0	0	0
Buffalo Lake Fire	76,679	122,025	0
Caledonia Fire	64,659	26,863	0
Canby Fire	83,192	104,111	26,037
Carlton Fire	0	55,892	0
Center City Fire	46,186	11,132	0
Ceylon Fire	30,742	31,977	0
Chaska Fire	644,650	0	0
Chatfield Fire	16,452	26,843	0
Cherry Fire	60,927	13,533	391
Chisago City Fire	432,689	29,799	0
Chokio Fire	105,629	0	0
Clarkfield Fire	143,601	41,918	0
Clear Lake Fire	168,487	173,831	0
Cleveland Fire	0	0	53
Cohasset Fire	0	68,779	0
Colerane Fire	0	0	0
Coon Rapids Fire	1,646,932	0	0
Crane Lake Fire	26,446	37,591	2,333
Dawson Fire	211,079	164,905	0

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 22,809	$ 0	$ 0	$ 200,721
8,972	0	0	0	8,972
10,390	0	0	0	43,083
26,513	0	0	0	52,307
0	0	0	0	110,824
55,696	0	13,510	0	69,206
0	0	0	0	22,860
0	0	0	0	53,475
0	0	0	0	80,653
0	0	0	0	150,866
0	0	49,010	0	100,697
0	0	0	0	169,590
245,671	0	0	0	268,115
44,804	0	0	0	44,804
0	0	0	0	118,734
105,644	160,258	0	0	924,302
46,842	0	21,305	0	150,076
0	0	0	0	56,505
55,680	10,830	0	0	129,926
0	0	0	0	62,915
10,851	0	0	0	28,268
38,544	0	34,018	0	108,756
1,981,873	0	0	0	26,212,542
0	0	0	0	143,195
1,726,551	0	0	0	5,921,680
166,269	0	0	0	166,269
0	0	0	0	198,704
0	17,309	0	0	108,831
0	0	0	0	213,340
57,787	0	0	0	113,679
0	6,302	0	0	63,620
33,315	0	0	0	96,034
0	0	0	0	644,650
0	0	0	0	43,295
0	0	0	0	74,851
0	0	75,784	0	538,272
0	0	0	0	105,629
11,813	0	31,766	0	229,099
0	0	0	0	342,318
32,079	0	18,305	0	50,438
0	0	0	0	68,779
0	0	0	0	0
0	0	0	0	1,646,932
4,032	0	0	0	70,402
0	0	0	0	375,984

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2000

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Deer Creek Fire	$ 59,555	$ 24,884	$ 0
Deerwood Fire	117,013	0	0
Delano Fire	0	42,755	0
Dover Fire	51,615	0	28,255
East Grand Forks Fire	643,982	0	0
Edgerton Fire	114,151	0	0
Edina Fire	4,562,095	0	0
Elbow Lake Fire	139,322	57,414	0
Elk River Fire	577,086	103,945	2,101
Ellendale Fire	0	0	0
Elmore Fire	0	18,449	0
Emmons Fire	37,667	30,817	0
Excelsior Fire	1,216,937	570,920	0
Eyota Fire	37,854	0	20,798
Farmington Cataract	100,370	0	0
Fayal Fire	20,726	19,203	1,604
Fergus Falls Fire	0	319,625	0
Forest Lake Fire	414,411	0	0
Frazee Fire	102,021	13,654	0
Frost Fire	11,620	12,897	0
Golden Valley Fire	1,776,173	0	0
Gonvick Fire	28,729	32,991	0
Good Thunder Fire	132,955	84,101	0
Goodland Fire	0	41,672	0
Grand Marais Fire	46,715	46,508	57,393
Grand Meadow Fire	40,258	45,132	0
Grand Rapids Fire	577,401	0	0
Greenwood Fire	24,417	79,855	0
Grey Eagle Fire	90,048	0	0
Hackensack Fire	33,398	0	0
Hamel Fire	237,311	21,524	272,640
Harmony Fire	0	0	0
Hawley Fire	54,188	0	0
Hayward Fire	0	78,684	0
Hector Fire	367,358	0	0
Henning Fire	40,146	24,445	0
Hibbing Fire	38,567	73,819	0
Hinckley Fire	12,502	13,346	0
Holdingford Fire	7,497	8,201	0
Holland Fire	37,113	0	17,084
Houston Fire	2,027	1,974	0
Hovland Area Fire	0	0	0
Industrial Fire	38,113	0	0
Isanti Fire	0	315,621	0
Jacobson Fire	18,267	16,928	15,081

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 84,439
0	0	0	0	117,013
44,747	0	0	0	87,502
26,619	0	33,523	0	140,012
0	0	0	0	643,982
64,070	0	0	0	178,220
0	202,511	0	0	4,764,606
0	0	0	0	196,736
150,992	0	150,995	0	985,120
45,357	0	0	0	45,357
16,917	0	0	0	35,366
32,357	16,068	0	0	116,909
272,605	0	0	0	2,060,462
21,579	0	36,303	0	116,535
116,824	0	0	0	217,194
13,852	7,039	2,443	0	64,865
332,549	0	274,366	0	926,539
101,101	0	0	0	515,511
12,712	0	22,777	0	151,165
13,310	0	0	0	37,828
2,155,249	0	109,365	0	4,040,787
0	0	0	0	61,720
97,936	13,401	0	0	328,393
0	0	0	0	41,672
0	0	80,393	0	231,010
46,540	0	0	0	131,931
0	0	0	0	577,401
0	0	7,953	0	112,225
0	10,604	0	0	100,652
0	0	0	0	33,398
0	9,595	0	0	541,071
27,277	15,823	0	0	43,100
40,607	0	0	0	94,795
111,496	0	0	0	190,180
0	0	0	0	367,358
49,627	25,116	20,189	0	159,523
68,999	31,070	0	0	212,456
13,902	4,139	10,472	0	54,361
8,506	0	0	0	24,205
13,790	0	10,313	0	78,301
1,998	1,942	0	0	7,940
12,312	0	0	0	12,312
43,171	0	0	0	81,284
163,239	159,587	0	0	638,447
0	0	0	0	50,275

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2000

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Jasper Fire	$ 0	$ 39,355	$ 0
Jordan Fire	131,172	0	0
Kabetogama Fire	0	86,407	0
Kandiyohi Fire	16,163	15,028	0
Kelliher Fire	15,672	16,491	0
Kerkhoven Fire	31,405	34,083	0
Kettle River Fire	38,512	19,639	0
Kiester Fire	0	12,825	0
Kimball Fire	41,085	42,147	0
Lafayette Fire	111,149	24,011	0
Lake City Fire	406,842	0	0
Lake Crystal Fire	103,844	111,222	0
Lakeville Fire	352,194	323,292	0
Lewiston Fire	103,130	87,357	0
Linwood Fire	381,341	0	0
Lismore Fire	19,775	18,593	0
Little Falls Fire	0	0	0
Littlefork Fire	83,344	11,649	0
Lowry Fire	0	0	0
Madison Fire	59,551	62,520	0
Madison Lake Fire	21,226	22,988	0
Mahtomedi Fire	351,580	0	0
Mapleton Fire	65,750	36,103	0
Mapleview Fire	45,576	63,045	0
Maplewood Fire	0	0	0
Marine St. Croix Fire	70,646	125,700	0
Mayer Fire	81,239	0	0
Maynard Fire	75,522	0	0
McDavitt Fire	51,807	44,759	0
McGrath Fire	9,482	6,171	0
McIntosh Fire	28,115	40,199	0
Medicine Lake Fire	412,892	0	0
Menahga Fire	55,449	0	0
Mendota Heights Fire	0	245,611	0
Milaca Fire	49,603	0	0
Milan Fire	27,178	30,292	0
Minneapolis Fire	0	0	0
Minneapolis Fire (Health Insuranc	3,361,776	0	0
Minneapolis Police	0	0	0
Minneota Fire	14,670	0	0
Minnetonka Fire	3,905,425	0	0
Montrose Fire	5,478	8,907	0
Morris Fire	46,249	44,287	0
Morristown Fire	224,629	0	0
Murdock Fire	10,409	10,336	0

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 39,355
0	0	16,614	0	147,786
0	0	0	0	86,407
11,746	0	10,917	0	53,854
17,140	0	0	0	49,304
35,236	0	0	0	100,724
19,799	0	0	0	77,950
13,444	12,599	0	0	38,868
21,351	0	0	0	104,583
55,048	0	31,287	0	221,495
0	0	0	0	406,842
122,651	0	0	0	337,717
521,346	0	0	0	1,196,832
0	0	0	0	190,487
0	0	0	0	381,341
18,236	0	0	0	56,604
161,263	0	0	0	161,263
68,807	0	0	0	163,800
49,527	0	0	0	49,527
65,107	0	0	0	187,178
0	14,426	0	0	58,639
0	0	0	0	351,580
0	0	0	0	101,853
0	11,476	27,569	0	147,666
2,024,166	0	810,689	0	2,834,855
83,497	0	25,110	0	304,953
137,291	0	24,709	0	243,240
0	0	0	0	75,522
0	10,544	17,388	0	124,498
0	0	4,840	0	20,493
45,810	0	0	0	114,124
98,644	0	0	0	511,536
0	0	49,546	0	104,995
251,392	66,911	446,651	0	1,010,565
0	0	0	0	49,603
31,642	0	0	0	89,112
50,426,516	0	52,885,611	0	103,312,127
0	0	0	0	3,361,776
73,633,054	16,883,819	19,102,485	0	109,619,358
0	0	15,165	0	29,835
0	0	0	0	3,905,425
10,758	0	0	0	25,143
46,524	27,288	0	0	164,349
393,494	0	0	0	618,123
10,421	2,850	0	0	34,016

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2000

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
New Brighton Fire	$ 0	$ 820,529	$ 0
New Germany Fire	39,091	0	0
New Ulm Fire	65,061	0	0
New York Mills Fire	84,449	0	0
Nicollet Fire	86,043	42,059	0
Nodine Fire	0	0	0
North Branch Fire	39,156	44,267	0
North Mankato Fire	33,882	38,068	0
North Star Fire	0	0	0
Northfield Fire	629,652	362,647	0
Northrop Fire	20,070	40,491	0
Norwood Young America Fire	32,067	22,652	0
Oak Grove Fire	0	307,214	0
Osakis Fire	0	97,059	0
Ottertail Fire	176,910	0	0
Owatonna Fire	360,044	625,527	59,479
Pennock Fire	29,175	28,521	0
Pine Island Fire	116,675	83,949	0
Pipestone Fire	80,367	0	0
Porter Fire	13,006	21,742	0
Randall Fire	33,313	154,703	0
Randolph Fire	97,937	0	0
Red Lake Falls Fire	50,663	0	0
Redwood Falls Fire	0	0	0
Remer Fire	2,611	2,711	0
Renville Fire	31,979	39,517	0
Rice Lake Fire	181,043	139,108	0
Rose Creek Fire	29,353	19,432	28,919
Roseau Fire	0	959	0
Rosemount Fire	196,747	0	0
Roseville Fire	0	1,721,748	0
Rush City Fire	45,504	93,643	0
Ruthton Fire	6,785	6,936	0
Sandstone Fire	118,135	0	0
Scandia Valley Fire	250,913	0	0
Schroeder Fire	0	120,904	0
Shakopee Fire	0	397,719	0
Sherburn Fire	161,499	0	0
Shevlin Fire	0	0	0
Silver Bay Fire	33,172	41,363	0
Solway Fire	52,149	0	0
Spring Lake Park Fire	1,014,688	1,500,033	0
St. Clair Fire	41,789	43,411	0
St. James Fire	0	78,340	0
St. Michael Fire	0	18,422	0

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 404,385	$ 0	$ 1,224,913
0	0	0	0	39,091
212,870	0	0	0	277,931
0	0	0	0	84,449
42,099	42,424	0	0	212,625
30,567	14,665	27,704	0	72,936
45,753	27,646	0	0	156,822
80,286	31,971	0	0	184,207
19,504	0	0	0	19,504
604,889	0	0	0	1,597,188
0	0	0	0	60,561
0	0	0	0	54,719
0	0	0	0	307,214
99,243	14,554	71,144	0	282,000
0	0	0	0	176,910
60,439	58,728	0	0	1,164,217
28,547	28,767	0	0	115,009
0	0	0	0	200,625
85,867	0	0	0	166,234
0	0	0	0	34,748
91,430	0	0	0	279,446
131,625	0	0	0	229,562
0	0	0	0	50,663
0	0	21,404	0	21,404
2,816	2,666	0	0	10,803
1,042	0	21,055	0	93,594
140,768	0	0	0	460,919
19,591	0	0	0	97,295
0	0	0	0	959
0	0	0	0	196,747
1,810,633	908,933	2,130,661	0	6,571,975
101,610	0	0	0	240,757
14,000	0	0	0	27,722
0	0	0	0	118,135
0	0	0	0	250,913
0	0	0	0	120,904
412,206	99,114	0	0	909,038
0	0	0	0	161,499
0	0	20,657	0	20,657
0	12,271	0	0	86,806
0	0	47,766	0	99,915
1,552,099	0	0	0	4,066,821
59,320	0	0	0	144,520
79,760	0	0	0	158,100
19,013	14,833	0	0	52,268

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2000

PARTICIPATION	**INCOME SHARE ACCOUNT**	**GROWTH SHARE ACCOUNT**	**MONEY MARKET ACCOUNT**
St. Peter Fire	$ 0	$ 113,142	$ 0
Starbuck Fire	20,818	20,673	0
Stephen Fire	48,249	76,967	0
Stewart Fire	54,848	0	0
Stewartville Fire	11,973	5,928	0
Stillwater Fire	211,002	233,429	0
Sturgeon Lake Fire	0	7,303	0
Thomson Township Fire	24,884	30,224	0
Tofte Fire	39,102	0	0
Truman Fire	30,518	35,031	0
Two Harbors Fire	41,336	185,215	0
Vadnais Heights Fire	54,840	0	0
Vergas Fire	146,103	0	0
Vermilion Lake Fire	74,870	0	0
Verndale Fire	0	8,144	0
Wabasha Fire	59,272	33,998	0
Waconia Fire	73,389	92,987	0
Warba-Feeley-Sago Fire	13,052	14,211	0
Warroad Area Fire	148,514	0	0
Williams Fire	27,197	20,161	0
Willow River Fire	0	17,811	0
Winnebago Fire	11,682	0	0
Woodbury Fire	1,334,478	996,133	122,285
Woodstock Fire	12,206	12,910	0
Wright Fire	73,532	0	0
Wykoff Fire	87,437	0	0
Wyoming Fire	91,035	0	0
Zumbro Falls Fire	109,705	21,823	0
Deferred Comp	194,476,588	141,622,325	60,012,950
Hennepin County	69,471,399	39,918,445	5,587,348
MnSCU	201,513,868	72,721,177	6,450,722
Pera-Dcp	6,646,231	3,978,358	740,374
Unclassified	126,219,073	61,752,976	13,514,207
TOTAL PARTICIPATION	$661,505,827	$334,031,961	$87,069,155
Adjustments			
Unrealized Appreciation (Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	0
NET ASSETS	$661,505,827	$334,031,961	$87,069,155

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 58,011	$ 59,823	$ 345	$ 0	$ 231,322
20,841	5,063	0	0	67,394
0	0	0	0	125,216
31,845	0	0	0	86,692
5,997	3,024	0	0	26,922
0	0	0	0	444,431
10,983	0	6,207	0	24,492
25,043	0	0	0	80,151
29,636	0	0	0	68,738
37,941	0	20,709	0	124,199
0	0	0	0	226,551
0	0	0	0	54,840
0	0	0	0	146,103
0	0	0	0	74,870
8,231	0	0	0	16,374
9,286	0	0	0	102,556
0	0	0	0	166,376
0	0	0	0	27,262
0	0	0	0	148,514
20,981	0	0	0	68,339
26,934	0	18,522	0	63,267
0	0	0	0	11,682
717,083	134,254	98,758	0	3,402,990
6,297	0	0	0	31,413
0	0	0	0	73,532
0	0	0	0	87,437
0	0	69,067	0	160,102
21,213	0	16,862	0	169,603
194,772,686	17,597,714	22,528,095	68,145,724	699,156,083
18,138,507	1,934,599	1,446,753	0	136,497,051
18,154,721	2,749,293	4,240,352	6,781,850	312,611,983
3,100,145	363,548	696,654	1,234,976	16,760,287
50,044,902	8,961,917	5,882,032	11,583,438	277,958,545
$428,144,737	$ 50,810,126	$112,240,505	$87,745,989	$1,761,548,300
0	0	0	0	0
0	0	0	0	0
$428,144,737	$ 50,810,126	$112,240,505	$87,745,989	$1,761,548,300

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT

MINNESOTA POOLED INVESTMENT ACCOUNTS

SCHEDULE OF ASSETS AND LIABILITIES

JUNE 30, 2000

AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
ASSETS:		
Investments (at market value) (2),(3):		
Common Stock	$ 0	$ 0
Alternative Equities	768,981	192,589
Fixed Income Securities	0	0
Short Term Securities	1,712	1,495
Securities-Lending Collateral(4b)	0	0
Total Investments	$ 770,693	$ 194,084
Cash	0	0
Security Sales Receivable	0	0
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	0
Accounts Receivable-Participants	0	0
Accrued Interest	0	0
Accrued Dividends	3,530	0
Accrued Short Term Gain	7	2
TOTAL ASSETS	$ 774,230	$ 194,086
LIABILITIES:		
Management Fees Payable	0	0
Security Purchases Payable	0	0
Accounts Payable-Participants	0	0
Options Premiums Received	0	0
Securities-Lending Collateral(4b)	0	0
TOTAL LIABILITIES	$ 0	$ 0
NET ASSETS AT JUNE 30, 2000	$ 774,230	$ 194,086

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 0	$ 50,185	$ 21,637,267	$ 5,812,239
1,391,876	0	0	0
0	11,744,559	1,446	976
11,168	856,723	562,983	115,488
0	1,427,178	1,231,198	1,130,181
$ 1,403,044	$ 14,078,645	$ 23,432,894	$ 7,058,884
0	29,135	-1,117	106,270
25,479	391,528	32,403	35,309
0	0	0	0
0	0	0	0
0	0	0	0
0	132,399	47	19
0	0	17,603	9,742
20	3,788	1,295	4,198
$ 1,428,543	$ 14,635,495	$ 23,483,125	$ 7,214,422
0	2,705	10,606	3,808
0	1,645,649	23,425	52,019
0	0	0	0
0	0	0	0
0	1,427,178	1,231,198	1,130,181
$ 0	$ 3,075,532	$ 1,265,229	$ 1,186,008
$ 1,428,543	$ 11,559,963	$ 22,217,896	$ 6,028,414

STATE BOARD OF INVESTMENT

MINNESOTA POOLED INVESTMENT ACCOUNTS

SCHEDULE OF CHANGES IN NET ASSETS

JUNE 30, 2000

AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
FROM INVESTMENT ACTIVITY:		
Net Investment Income	$ 34,774	$ 20,369
Realized Gains (Losses)	0	49
Unrealized Gains (Losses)	21,906	21,547
TOTAL INCOME	$ 56,680	$ 41,965
Less Distribution To		
Participant Accounts	(34,774)	(20,418)
Undistributed Dedicated Income	0	0
Net Change In Undistributed Income	$ 21,906	$ 21,547
FROM PARTICIPANT TRANSACTIONS:		
Additional To Participant Accounts		
Participant Contributions	51,022	36,392
Income Distribution	34,774	20,417
Income To Be Distributed	0	0
Total Additions	$ 85,796	$ 56,809
Deductions From Participant Accounts		
Withdrawals	57,125	32,658
Total Deductions	$ 57,125	$ 32,658
Net Change In Participation	$ 28,671	$ 24,151
TOTAL CHANGE IN ASSETS	$ 50,577	$ 45,698
NET ASSETS:		
Beginning Of Period	723,653	148,388
End Of Period	$ 774,230	$ 194,086

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 282,124	$ 717,949	$ 245,393	$ 88,552
13,421	(237,641)	2,801,609	1,003,014
129,431	34,805	(1,357,080)	(115,877)
$ 424,976	$ 515,113	$ 1,689,922	$ 975,689
(295,545)	(484,993)	(3,050,187)	(1,108,877)
0	4,685	3,185	17,311
$ 129,431	$ 34,805	($ 1,357,080)	($ 115,877)
179,155	1,902,993	164,467	20,754
295,545	484,993	3,050,187	1,108,877
0	(4,685)	(3,185)	(17,311)
$ 474,700	$ 2,383,301	$ 3,211,469	$ 1,112,320
132,085	410,126	2,104,989	818,307
$ 132,085	$ 410,126	$ 2,104,989	$ 818,307
$ 342,615	$ 1,973,175	$ 1,106,480	$ 294,013
$ 472,046	$ 2,007,980	($ 250,600)	$ 178,136
956,497	9,551,982	22,468,496	5,850,278
$ 1,428,543	$ 11,559,962	$ 22,217,896	$ 6,028,414

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 2000
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
Interest	$ 0	$ 0
Dividends	38,328	21,117
Short Term Gains	130	22
Security Lending Gross Earnings(4c)	0	0
Less: Borrower Rebates	0	0
Less: Fees Paid to Agents	0	0
Security Lending Net Earnings	0	0
Income Before Expenses	$ 38,458	$ 21,139
Management Fees	3,684	770
NET INCOME	$ 34,774	$ 20,369
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	$ 41,698	$ 9,953
Cost Of Securities Sold	41,698	9,904
Net Realized Gain (Loss)	$ 0	$ 49
Unrealized:		
Beginning Of Period	194,574	(24,211)
End Of Period	216,480	(2,664)
Increase (Decrease) In Unrealized Appreciation	$ 21,906	$ 21,547
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 21,906	$ 21,596

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 0	$ 650,833	$ 71	$ 46
284,655	10,792	254,580	106,964
367	65,623	15,192	(7,256)
0	7,466	85,525	65,821
0	(6,874)	(76,347)	(58,408)
0	(149)	(2,787)	(2,240)
0	443	6,391	5,173
$ 285,022	$ 727,691	$ 276,234	$ 104,927
2,898	9,742	30,841	16,375
$ 282,124	$ 717,949	$ 245,393	$ 88,552
$ 443,988	$ 39,942,605	$ 11,504,931	$ 6,411,476
430,567	40,180,246	8,703,322	5,408,462
$ 13,421	($ 237,641)	$ 2,801,609	$ 1,003,014
148,152	(210,322)	9,124,138	1,262,561
277,583	(175,517)	7,767,058	1,146,684
$ 129,431	$ 34,805	($ 1,357,080)	($ 115,877)
$ 142,852	($ 202,836)	$ 1,444,529	$ 887,137

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF PARTICIPATION
JUNE 30, 2000
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
Teachers Retirement Fund	$ 310,688	$ 78,296
Public Employees Retirement Fund	180,901	45,348
State Employees Retirement Fund	168,015	42,117
Public Employees Police & Fire Fund	93,409	23,007
Highway Patrolmen's Retirement Fund	10,293	2,580
Judges Retirement Fund	934	234
Police & Fire Consolidation Fund	9,990	2,504
Correctional Employees Retire. Fund	0	0
TOTAL BASIC RETIREMENT FUNDS	$ 774,230	$ 194,086
Post Retirement Fund	0	0
Supplemental Income Share Account	0	0
Supplemental Growth Share Account	0	0
Supplemental Index Share Account	0	0
Supplemental Bond Market Account		0
Supplemental International Equity Account	0	0
TOTAL PARTICIPATION	$ 774,230	$ 194,086

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 573,255	$ 1,974,007	$ 4,116,446	$ 1,186,980
333,783	1,220,215	2,489,589	723,376
310,008	1,135,358	2,314,970	672,787
172,349	622,748	1,275,817	370,177
18,992	69,554	141,820	41,216
1,723	6,309	12,864	3,738
18,433	67,508	137,647	40,004
0	0	0	0
$ 1,428,543	$ 5,095,699	$ 10,489,153	$ 3,038,278
0	6,352,022	10,565,404	2,939,331
0	0	401,286	0
0	0	334,097	0
0	0	427,956	0
0	112,241	0	0
0	0	0	50,805
$ 1,428,543	$ 11,559,962	$ 22,217,896	$ 6,028,414

Notes are an integral part of the Financial Statements

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS
JUNE 30, 2000

1. PORTFOLIO LISTING:

Asset listings summarizing securities held by these funds can be found starting on page **139** of this report. Fixed income and equity securities are presented at market value.

2. COST OF INVESTMENTS:

At June 30, 2000 the cost plus accrued income of investments for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund, exluding security lending collateral, was:

MINNESOTA POOLED INVESTMENT ACCOUNTS

DOMESTIC ACCOUNTS		
Equity Account	$	14,461,443,063
Bond Account	$	11,738,184,802
Real Estate Account	$	557,750,506
Resource Account	$	196,749,210
Venture Capital Account	$	1,150,959,917
INTERNATIONAL ACCOUNTS		
Equity Account	$	4,885,538,040

SUPPLEMENTAL INVESTMENT FUND

Income Share Account	$	493,316,556
Growth Share Account	$	313,637,956
International Share Account	$	48,461,941
Money Market Account	$	87,070,005
Stock Index Account	$	322,798,131
Bond Market Account	$	114,915,567
Fixed Interest Account	$	86,917,780

3. LOANED SECURITIES:

The market value of loaned securities outstanding at June 30, 2000 for the Minnesota Pooled Investment Accounts included in the total investments figure was:

Equity Account (Domestic)	$	794,422,269
Equity Index Account (Domestic)	$	461,044,231
Bond Account (Domestic)	$	1,460,474,377
International Equity Account	$	1,177,020,525

The market value for non-pooled investment accounts includes:

Money Market Account	$	130,936,756
Income share Account Fixed Income	$	35,477,634

EXTERNAL STOCK AND BOND MANAGERS FEES

Total Payments for Fiscal Year 2000

Active Domestic Stock Managers (1)		
Alliance Capital	$	5,676,988
Brinson Partners		1,268,408
Forstmann Leff Associates		2,729,931
Franklin Portfolio Associates		2,019,504
GeoCapital Corp.		2,538,925
Lincoln Capital		2,183,752
Oppenheimer Capital		1,732,099
CIC Asset Management		301,489
Cohen, Davis & Marks		1,219,721
Compass Capital Management		333,554
New Amsterdam Partners		355,340
Valenzuela Capital		322,968
Wilke Thompson Capital		306,637
Winslow Capital		632,341
Zevenbergen Capital		880,065
Passive Domestic Stock Managers (2)		
BZW Barclays		817,874
Semi-Passive Domestic Equity Managers (2)		
Franklin Portfolio		2,148,138
J P Morgan		2,489,429
BZW Barclays		2,654,977
Active Domestic Bond Managers (2)		
Credit Suisse Asset Management		185,998
American Express		806,121
Investment Advisors		428,671
Morgan Stanley Dean Witter		1,790,670
Standish Ayer Woods		1,040,264
Western Asset Mgmt.		1,387,195
Deutsche Asset		450,147
Dodge & Cox		342,085
Metropolitan		242,530

EXTERNAL STOCK AND BOND MANAGERS FEES

Total Payments for Fiscal Year 2000

Semi-Passive Domestic Bond Managers (3)		
Blackrock Financial	$	1,106,069
Goldman Sachs		1,358,260
Lincoln Capital Management		603,349
International Stock Managers (2)		
Brinson Partners International		1,491,757
Genesis		1,887,614
Marathon		1,601,350
Montgomery Emerging		1,678,090
Record Treasury Ltd.		341,956
Rowe Price - Fleming		2,793,997
Scudder Stevens		1,644,409
State Street Global Advisors		598,487
City of London		2,315,237
American Express		400,915
Blairlogie		169,106
Invesco Global		511,993
Montgomery Intl		460,417
Assigned Risk Plan		
G E Investment Management		625,492
Voyageur Asset Management		505,542

** Manager Terminated in Fiscal '00

(1) Active stock managers are compensated on a performance-based fee formula. Four fee options are available and fees earned range from zero to twice the manager's base fee, depending on the manager's performance relative to an established benchmark.

(2) The passive stock manager, international stock managers, active bond managers and two semi-passive bond managers are compensated based on a specified percentage of assets under management.

(3) One semi-passive bond manager is compensated on a performance-based fee formula. Fees earned range from 5 to 10 basis points of assets under management, depending on the manager's performance relative to an established benchmark.

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Summarized Asset Listing - Domestic Stock Managers   June 30, 2000

ALLIANCE CAPITAL MANAGEMENT L.P.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	384,472,971.25	19.34
CONSUMER STAPLES	53,456,412.50	2.69
ENERGY	0.00	0.00
FINANCIALS	253,347,555.25	12.74
HEALTH CARE	244,846,512.50	12.31
INDUSTRIALS	92,110,137.50	4.63
INFORMATION TECHNOLOGY	582,950,937.50	29.32
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	76,734,243.75	3.86
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	1,687,918,770.25	84.89
Cash Equivalents	300,487,483.98	15.11
Grand Total	**$1,988,406,254.23**	**100.00 %**

CIC ASSET MANAGEMENT INC.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	1,606,797.50	2.47
CONSUMER STAPLES	6,427,171.25	9.89
ENERGY	16,982,236.23	26.14
FINANCIALS	20,996,980.61	32.32
HEALTH CARE	4,243,555.93	6.53
INDUSTRIALS	6,310,394.05	9.71
INFORMATION TECHNOLOGY	1,984,800.31	3.06
MATERIALS	2,299,442.50	3.54
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	1,568,070.62	2.41
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	62,419,449.00	96.08
Cash Equivalents	2,548,439.36	3.92
Grand Total	**$64,967,888.36**	**100.00 %**

BRINSON PARTNERS, INC.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	36,809,493.75	6.14
CONSUMER STAPLES	36,263,418.75	6.05
ENERGY	11,476,700.00	1.92
FINANCIALS	88,597,051.62	14.79
HEALTH CARE	89,792,025.00	14.99
INDUSTRIALS	133,633,825.00	22.31
INFORMATION TECHNOLOGY	121,939,931.25	20.36
MATERIALS	39,645,424.56	6.62
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	16,595,025.00	2.77
UNCLASSIFIED	0.00	0.00
UTILITIES	22,992,101.25	3.84
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	597,744,996.18	99.78
Cash Equivalents	1,309,338.38	0.22
Grand Total	**$599,054,334.56**	**100.00 %**

COHEN, KLINGENSTEIN, AND MARKS INC.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	63,251,480.87	14.24
CONSUMER STAPLES	35,806,142.18	8.06
ENERGY	0.00	0.00
FINANCIALS	72,131,889.06	16.24
HEALTH CARE	141,857,850.43	31.93
INDUSTRIALS	0.00	0.00
INFORMATION TECHNOLOGY	101,952,656.63	22.95
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	25,697,229.68	5.78
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	440,697,248.85	99.20
Cash Equivalents	3,569,213.96	0.80
Grand Total	**$444,266,462.81**	**100.00 %**

FORSTMANN-LEFF ASSOC.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	203,250,246.87	27.83
CONSUMER STAPLES	16,235,248.43	2.22
ENERGY	53,704,745.90	7.35
FINANCIALS	21,082,881.25	2.89
HEALTH CARE	47,475,054.68	6.50
INDUSTRIALS	124,566,387.42	17.05
INFORMATION TECHNOLOGY	160,767,050.62	22.01
MATERIALS	52,082,115.43	7.13
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	42,121,434.04	5.77
UNCLASSIFIED	0.00	0.00
UTILITIES	8,798,750.00	1.20
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	730,083,914.64	99.95
Cash Equivalents	360,962.43	0.05
Grand Total	**$730,444,877.07**	**100.00 %**

GEO CAPITAL

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	65,959,106.25	12.29
CONSUMER STAPLES	0.00	0.00
ENERGY	25,741,215.62	4.80
FINANCIALS	34,207,071.50	6.37
HEALTH CARE	32,273,071.99	6.01
INDUSTRIALS	118,232,551.50	22.03
INFORMATION TECHNOLOGY	205,419,893.87	38.27
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	13,347,850.00	2.49
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	495,180,760.73	92.25
Cash Equivalents	41,607,642.78	7.75
Grand Total	**$536,788,403.51**	**100.00 %**

FRANKLIN PORTFOLIO ASSOC.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	110,880,637.50	16.77
CONSUMER STAPLES	13,885,125.00	2.10
ENERGY	50,408,875.00	7.62
FINANCIALS	108,215,418.75	16.37
HEALTH CARE	75,114,375.00	11.36
INDUSTRIALS	77,367,818.75	11.70
INFORMATION TECHNOLOGY	115,133,070.31	17.41
MATERIALS	20,037,275.00	3.03
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	44,233,025.00	6.69
UNCLASSIFIED	0.00	0.00
UTILITIES	43,586,656.25	6.59
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	658,862,276.56	99.66
Cash Equivalents	2,259,247.65	0.34
Grand Total	**$661,121,524.21**	**100.00 %**

LINCOLN CAPITAL MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	73,067,334.37	6.64
CONSUMER STAPLES	40,026,981.25	3.64
ENERGY	0.00	0.00
FINANCIALS	68,458,925.00	6.22
HEALTH CARE	175,025,837.50	15.91
INDUSTRIALS	121,739,125.00	11.07
INFORMATION TECHNOLOGY	535,389,968.75	48.66
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	45,120,075.00	4.10
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	1,058,828,246.87	96.24
Cash Equivalents	41,327,365.53	3.76
Grand Total	**$1,100,155,612.40**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers

June 30, 2000

NEW AMSTERDAM PARTNERS

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	12,508,554.68	11.97
CONSUMER STAPLES	4,769,300.00	4.56
ENERGY	2,313,131.25	2.21
FINANCIALS	9,898,162.50	9.47
HEALTH CARE	13,860,255.81	13.26
INDUSTRIALS	6,891,781.25	6.60
INFORMATION TECHNOLOGY	29,647,794.13	28.37
MATERIALS	7,627,325.00	7.30
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	3,702,087.50	3.54
UNCLASSIFIED	0.00	0.00
UTILITIES	9,724,800.00	9.31
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	100,943,192.12	96.60
Cash Equivalents	3,556,421.70	3.40
Grand Total	**$104,499,613.82**	**100.00 %**

VALENZUELA CAPITAL MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	9,176,103.00	12.56
CONSUMER STAPLES	1,592,750.00	2.18
ENERGY	9,658,943.75	13.22
FINANCIALS	13,507,931.25	18.49
HEALTH CARE	8,306,212.50	11.37
INDUSTRIALS	8,513,975.00	11.65
INFORMATION TECHNOLOGY	9,224,413.12	12.63
MATERIALS	2,088,743.75	2.86
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	5,491,037.50	7.52
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	67,560,109.87	92.48
Cash Equivalents	5,494,433.94	7.52
Grand Total	**$73,054,543.81**	**100.00 %**

OPPENHEIMER CO.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	85,037,500.00	10.18
CONSUMER STAPLES	32,918,750.00	3.94
ENERGY	0.00	0.00
FINANCIALS	270,835,312.50	32.41
HEALTH CARE	61,725,000.00	7.39
INDUSTRIALS	133,540,500.00	15.98
INFORMATION TECHNOLOGY	156,299,875.00	18.70
MATERIALS	18,925,000.00	2.26
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	42,802,500.00	5.12
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	802,084,437.50	95.97
Cash Equivalents	33,661,285.97	4.03
Grand Total	**$835,745,723.47**	**100.00**

WINSLOW CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	11,295,750.00	10.73
CONSUMER STAPLES	0.00	0.00
ENERGY	0.00	0.00
FINANCIALS	1,186,962.50	1.13
HEALTH CARE	10,701,815.62	10.16
INDUSTRIALS	24,410,926.56	23.18
INFORMATION TECHNOLOGY	37,173,593.75	35.30
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	84,769,048.43	80.51
Cash Equivalents	20,525,829.07	19.49
Grand Total	**$105,294,877.50**	**100.00 %**

ZEVENBERGEN CAPITAL, INC.

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	23,290,624.00	13.91
CONSUMER STAPLES	5,541,943.75	3.31
ENERGY	0.00	0.00
FINANCIALS	1,665,600.00	0.99
HEALTH CARE	23,303,431.25	13.91
INDUSTRIALS	3,409,350.00	2.04
INFORMATION TECHNOLOGY	75,239,523.43	44.92
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	34,438,029.31	20.56
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	166,888,501.74	99.65
Cash Equivalents	592,667.13	0.35
Grand Total	**$167,481,168.87**	**100.00 %**

FRANKLIN PORTFOLIO ASSOC

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	234,777,356.66	10.05
CONSUMER STAPLES	115,485,218.75	4.94
ENERGY	147,119,386.50	6.30
FINANCIALS	319,114,429.17	13.66
HEALTH CARE	277,710,581.23	11.89
INDUSTRIALS	218,573,736.62	9.36
INFORMATION TECHNOLOGY	690,072,816.16	29.54
MATERIALS	42,143,399.25	1.80
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	192,968,600.25	8.26
UNCLASSIFIED	0.00	0.00
UTILITIES	90,732,312.68	3.88
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	2,328,697,837.27	99.68
Cash Equivalents	7,361,185.22	0.32
Grand Total	**$2,336,059,022.49**	**100.00 %**

BZW BARCLAY'S GLOBAL INVESTORS

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	241,833,942.71	9.91
CONSUMER STAPLES	118,530,290.99	4.86
ENERGY	147,091,877.37	6.03
FINANCIALS	336,812,730.71	13.81
HEALTH CARE	270,232,402.39	11.08
INDUSTRIALS	253,511,093.35	10.39
INFORMATION TECHNOLOGY	704,223,502.80	28.87
MATERIALS	51,340,888.06	2.10
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	220,754,526.92	9.05
UNCLASSIFIED	0.00	0.00
UTILITIES	78,804,330.49	3.23
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	2,423,135,585.79	99.33
Cash Equivalents	16,425,556.84	0.67
Grand Total	**$2,439,561,142.63**	**100.00 %**

J.P. MORGAN NEW YORK

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	282,681,376.01	11.44
CONSUMER STAPLES	145,780,862.50	5.90
ENERGY	142,368,256.25	5.76
FINANCIALS	347,152,285.48	14.04
HEALTH CARE	282,401,050.33	11.42
INDUSTRIALS	239,949,031.25	9.71
INFORMATION TECHNOLOGY	676,752,516.43	27.38
MATERIALS	48,306,056.25	1.95
RIGHTS/WARRANTS	86,844.71	0.00
TELECOMMUNICATIONS SERVICES	208,075,669.20	8.42
UNCLASSIFIED	41.91	0.00
UTILITIES	91,277,752.87	3.69
ALL NON U.S.	0.00	0.00
BONDS	1,397,975.00	0.06
Total Equities	2,466,229,718.19	99.77
Cash Equivalents	5,568,004.05	0.23
Grand Total	**$2,471,797,722.24**	**100.00 %**

BZW BARCLAY'S GLOBAL INVESTORS
(Passive)

Equities	Market Value	%
COMMINGLED FUND	$21,964.65	0.00 %
CONSUMER DISCRETIONARY	856,314,459.03	11.58
CONSUMER STAPLES	400,138,429.52	5.41
ENERGY	327,162,830.95	4.43
FINANCIALS	1,008,666,707.72	13.65
HEALTH CARE	864,892,970.46	11.70
INDUSTRIALS	682,599,721.41	9.23
INFORMATION TECHNOLOGY	2,373,754,823.09	32.11
MATERIALS	135,160,344.99	1.83
RIGHTS/WARRANTS	18,922.94	0.00
TELECOMMUNICATIONS SERVICES	477,506,819.87	6.46
UNCLASSIFIED	754,786.12	0.01
UTILITIES	193,438,087.61	2.62
ALL NON U.S.	0.00	0.00
BONDS	48,475.35	0.00
Total Equities	7,320,479,343.71	99.03
Cash Equivalents	71,689,695.24	0.97
Grand Total	**$7,392,169,038.95**	**100.00 %**

MINNESOTA STATE BOARD OF INVESTMENT
(Transition Account II)

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	9,684,589.05	14.50
CONSUMER STAPLES	3,384,425.00	5.07
ENERGY	0.00	0.00
FINANCIALS	0.00	0.00
HEALTH CARE	12,511,912.50	18.73
INDUSTRIALS	18,077,724.25	27.06
INFORMATION TECHNOLOGY	17,102,221.99	25.60
MATERIALS	1,865,100.00	2.79
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	62,625,972.79	93.74
Cash Equivalents	4,182,286.38	6.26
Grand Total	**$66,808,259.17**	**100.00 %**

MINNESOTA STATE BOARD OF INVESTMENT
(Transition Account I)

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	21,818,965.62	25.97
CONSUMER STAPLES	11,342,418.75	13.50
ENERGY	0.00	0.00
FINANCIALS	6,710,300.00	7.99
HEALTH CARE	19,162,512.50	22.81
INDUSTRIALS	8,101,500.00	9.64
INFORMATION TECHNOLOGY	9,171,334.06	10.92
MATERIALS	7,257,200.00	8.64
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	83,564,230.93	99.46
Cash Equivalents	455,628.74	0.54 %
Grand Total	**$84,019,859.67**	**100.00 %**

AGGREGATE DOMESTIC EQUITY POOL

Equities	Market Value	%
COMMINGLED FUND	$21,964.65	0.00 %
CONSUMER DISCRETIONARY	$2,727,717,289.12	12.29
CONSUMER STAPLES	$1,041,584,888.62	4.69
ENERGY	$934,028,198.82	4.21
FINANCIALS	$2,982,588,194.87	13.43
HEALTH CARE	$2,655,436,427.62	11.96
INDUSTRIALS	$2,271,539,578.91	10.23
INFORMATION TECHNOLOGY	$6,604,200,723.20	29.75
MATERIALS	$428,778,314.79	1.93
RIGHTS/WARRANTS	$105,767.65	0.00
TELECOMMUNICATIONS SERVICES	$1,444,097,115.52	6.50
UNCLASSIFIED	$754,828.03	0.00
UTILITIES	$546,413,899.27	2.46
ALL NON U.S.	$0.00	0.00
BONDS	$1,446,450.35	0.01
Total Equities	$21,638,713,641.42	97.46
Cash Equivalents	$562,982,688.35	2.54
Grand Total	$22,201,696,329.77	100.00 %

* Aggregate of all managers in the Domestic Equity Account in the financial statements. Includes Active, Semi-Passive, and Passive Managers.

AMERICAN EXPRESS ASSET MGMT

Exposure by Country	Market Value	%
AUSTRALIA	$4,026,329.64	1.40 %
CANADA	6,959,549.26	2.41
DENMARK	4,083,135.79	1.41
EURO	94,644,654.78	32.80
HONG KONG	5,486,570.74	1.90
JAPAN	76,084,076.13	26.36
SINGAPORE	2,980,408.08	1.03
SWEDEN	11,396,673.59	3.95
UNITED KINGDOM	76,158,354.96	26.39
UNITED STATES	6,767,754.19	2.35
FORWARD CURR CONTR.	-3,896.60	0.00
Grand Total	**$288,583,610.56**	**100.00 %**

BLAIRLOGIE CAPLITAL MGMT

Exposure by Country	Market Value	%
AUSTRALIA	$2,117,299.33	2.07 %
EURO	43,075,464.54	42.07
HONG KONG	1,947,913.49	1.90
JAPAN	28,954,275.52	28.28
NEW ZEALAND	924,596.88	0.90
NORWAY	3,164,244.69	3.09
SINGAPORE	959,734.58	0.94
SWEDEN	2,026,756.04	1.98
SWITZERLAND	5,757,428.20	5.62
UNITED KINGDOM	13,321,835.68	13.01
UNITED STATES	131,135.08	0.13
FORWARD CURR CONTR	0.00	0.00
Grand Total	**$102,380,684.03**	**100.00 %**

BRINSON PARTNERS INTL.

Exposure by Country	Market Value	%
AUSTRALIA	$28,143,805.98	4.07 %
CANADA	22,367,330.33	3.23
EURO	229,107,353.46	33.12
JAPAN	159,326,083.42	23.03
NEW ZEALAND	421.22	0.00
SINGAPORE	15,459,908.93	2.23
SWEDEN	37,617,298.04	5.44
SWITZERLAND	31,167,195.08	4.51
UNITED KINGDOM	149,604,627.65	21.63
UNITED STATES	11,571,738.37	1.67
FORWARD CONTRACTS	7,425,989.52	1.07
Grand Total	**$691,791,752.00**	**100.00 %**

INVESCO GLOBAL ASSET MGMT

Exposure by Country	Market Value	%
AUSTRALIA	$21,222,695.43	5.16 %
DENMARK	7,793,474.12	1.89
EURO	83,715,225.75	20.34
JAPAN	104,347,388.74	25.35
SWITZERLAND	23,912,820.21	5.81
UNITED KINGDOM	66,803,897.03	16.23
UNITED STATES	103,795,775.13	25.22
FORWARD CURR CONTR.	-387.07	0.00
Grand Total	**$411,590,889.34**	**100.00 %**

MARATHON ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	$14,978,076.68	2.98 %
CANADA	5,156,073.89	1.03
DENMARK	5,467,921.98	1.09
EURO	107,170,711.49	21.32
HONG KONG	21,628,300.00	4.30
JAPAN	166,290,078.26	33.09
MALAYSIA	7.11	0.00
MEXICO	0.50	0.00
NEW ZEALAND	1,227,349.34	0.24
NORWAY	4,168,478.12	0.83
SINGAPORE	9,654,822.81	1.92
SWEDEN	28,307,602.28	5.63
SWITZERLAND	14,500,195.25	2.88
UNITED KINGDOM	93,363,529.73	18.58
UNITED STATES	30,693,190.16	6.11
FORWARD CURR CONTR.	770.35	0.00
Grand Total	**$502,607,107.95**	**100.00 %**

MONTGOMERY ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	$8,478,106.27	3.09 %
DENMARK	4,220,093.62	1.54
EURO	102,710,488.06	37.42
HONG KONG	2,690,431.20	0.98
JAPAN	39,985,568.20	14.57
SWEDEN	12,902,422.55	4.70
SWITZERLAND	12,890,392.60	4.70
UNITED KINGDOM	41,016,170.46	14.94
UNITED STATES	49,589,252.07	18.07
FORWARD CONTRACTS	3,950.43	0.00
Grand Total	**$274,486,875.46**	**100.00 %**

RECORD TREASURY MANAGEMENT LTD

Exposure by Country	Market Value	%
FORWARD CURRENCY CONTR.		
EURO CURRENCY	$94,240.00	-348.13 %
SWITZERLAND	93,685.80	-346.08
UNITED KINGDOM	-214,996.00	794.22
Grand Total	**-$27,070.20**	**100.00 %**

ROWE PRICE-FLEMING INTL.

Exposure by Country	Market Value	%
AUSTRALIA	$14,763,763.26	2.64 %
CANADA	$151.12	0.00
DENMARK	$9.03	0.00
EURO	228,053,138.10	40.73
HONG KONG	20,950,296.16	3.74
JAPAN	121,532,416.15	21.70
NEW ZEALAND	1,140,516.01	0.20
PHILIPPINES	534.05	0.00
SWEDEN	15,670,585.84	2.80
SWITZERLAND	18,255,923.34	3.26
THAILAND	0.04	0.00
UNITED KINGDOM	119,836,329.64	21.40
UNITED STATES	19,770,579.04	3.53
FORWARD CONTRACTS	908.25	0.00
Grand Total	**$559,975,150.03**	**100.00 %**

SCUDDER KEMPER INVESTMENTS, INC.

Exposure by Country	Market Value	%
AUSTRALIA	$10,155,456.02	1.70 %
CANADA	10,218,327.96	1.71
EURO	250,404,796.15	42.00
HONG KONG	6,274,739.31	1.05
JAPAN	173,496,033.14	29.10
SWEDEN	10,015,511.83	1.68
SWITZERLAND	18,352,758.35	3.08
UNITED KINGDOM	84,980,027.94	14.25
UNITED STATES	32,231,882.90	5.41
FORWARD CURR CONTR.	84,452.16	0.01
Grand Total	**$596,213,985.76**	**100.00 %**

STATE STREET GLOBAL ADVISORS

Exposure by Country	Market Value	%
AUSTRALIA	$55,298,518.91	2.74 %
CANADA	977.58	0.00
DENMARK	17,765,874.95	0.88
EURO	763,382,974.01	37.76
FRANCE	29.46	0.00
HONG KONG	42,328,407.99	2.09
ISRAEL	1.59	0.00
JAPAN	539,079,744.33	26.66
MALAYSIA	149,891.31	0.01
MEXICO	0.03	0.00
NEW ZEALAND	4,036,453.32	0.20
NORWAY	11,536,858.53	0.57
SINGAPORE	19,421,102.74	0.96
SWEDEN	64,436,597.20	3.19
SWITZERLAND	120,135,865.42	5.94
THAILAND	0.00	0.00
UNITED KINGDOM	383,934,615.17	18.99
UNITED STATES	363,886.36	0.02
FORWARD CURR CONTR.	0.00	0.00
Grand Total	**$2,021,871,798.90**	**100.00 %**

CITY OF LONDON INVT. MGMT.

(Emerging Markets)

Exposure by Country	Market Value	%
UNITED STATES	$71,640,646.21	100.00 %
FORWARD CURRENCY CONT	0.00	0.00
Grand Total	**$71,640,646.21**	**100.00 %**

GENESIS ASSET MANAGEMENT

(Emerging Markets)

Exposure by Country	Market Value	%
ARGENTINA	$5,530,315.82	2.27 %
AUSTRALIA	2,745,550.93	1.13
BRAZIL	13,724,959.38	5.64
EGYPT	1,554,502.47	0.64
GREECE	2,797,054.29	1.15
HONG KONG	9,566,330.89	3.93
HUNGARY	3,711,205.94	1.52
INDONESIA	1,198,416.47	0.49
JORDAN	1,559,322.27	0.64
MALAYSIA	3,690,977.70	1.52
MEXICO	10,801,983.05	4.44
PERU	1,217,229.47	0.50
PHILIPPINES	1,697,500.60	0.70
SOUTH AFRICAN	11,502,112.17	4.73
SOUTH KOREA	22,402,262.23	9.20
THAILAND	2,857,964.01	1.17
TURKEY	12,778,601.47	5.25
UNITED KINGDOM	11,332,853.61	4.66
UNITED STATES	122,194,642.29	50.21
ZIMBABWE	511,071.54	0.21
FORWARD CURRENCY CONT	0.00	0.00
Grand Total	**$243,374,856.60**	**100.00 %**

MONTGOMERY ASSET MGMT.

(Emerging Markets)

Exposure by Country	Market Value	%
ARGENTINA	$9.20	0.00 %
BRAZIL	18,380,041.68	6.75
CZECH REPUBLIC	1,717,660.72	0.63
EGYPT	5,078,427.92	1.87
EURO	51.68	0.00
GREECE	6,123,241.75	2.25
HONG KONG	9,667,710.57	3.55
HUNGARY	1,329,211.48	0.49
INDONESIA	1,054,364.03	0.39
ISRAEL	7,927,765.78	2.91
JORDAN	9.27	0.00
MALAYSIA	14,160,123.03	5.20
MEXICO	17,685,244.69	6.50
NEW TAIWAN	28,388,747.64	10.43
PAKISTAN	0.00	0.00
PHILIPPINES	53.93	0.00
POLAND	698,073.07	0.26
SINGAPORE	170,120.83	0.06
SOUTH AFRICA	18,575,471.76	6.83
SOUTH KOREA	28,385,444.00	10.43
THAILAND	5,925,393.85	2.18
TURKEY	7,132,856.30	2.62
UNITED KINGDOM	527.02	0.00
UNITED STATES	99,760,799.77	36.66
FORWARD CURR CONTR.	85.61	0.00
Grand Total	**$272,161,435.58**	**100.00 %**

AGGREGATE INTERNATIONAL STOCK POOL*

Exposure by Country	Market Value	%
ARGENTINA	$5,530,325.02	0.09 %
AUSTRALIA	161,929,602.45	2.68
BRAZIL	32,105,001.06	0.53
CANADA	44,702,410.14	0.74
CZECH REPUBLIC	1,717,660.72	0.03
DENMARK	39,330,509.49	0.65
EGYPT	6,632,930.39	0.11
EURO	1,902,359,098.02	31.51
FRANCE	29.46	0.00
GREECE	8,920,296.04	0.15
HONG KONG	120,540,700.35	2.00
HUNGARY	5,040,417.42	0.08
INDONESIA	2,252,780.50	0.04
ISRAEL	7,927,767.37	0.13
JAPAN	1,409,095,663.89	23.34
JORDAN	1,559,331.54	0.03
MALAYSIA	18,000,999.15	0.30
MEXICO	28,487,228.27	0.47
NEW TAIWAN	28,388,747.64	0.47
NEW ZEALAND	7,329,336.77	0.12
NORWAY	18,869,581.34	0.31
PAKISTAN	0.00	0.00
PERU	1,217,229.47	0.02
PHILIPPINES	1,698,088.58	0.03
POLAND	698,073.07	0.01
SINGAPORE	48,646,097.97	0.81
SOUTH AFRICA	30,077,583.93	0.50
SOUTH KOREA	50,787,706.23	0.84
SWEDEN	182,373,447.37	3.02
SWITZERLAND	245,066,264.25	4.06
THAILAND	8,783,357.90	0.15
TURKEY	19,911,457.77	0.33
UNITED KINGDOM	1,040,137,772.89	17.23
UNITED STATES	548,511,281.57	9.09
ZIMBABWE	511,071.54	0.01
FORWARD CURRENCY CONTR.	7,511,872.65	0.12
GRAND TOTAL	**$6,036,651,722.22**	**100.00 %**

* Aggregate of all managers in the International Equity Account in the Finanical Staetments. Includes Active, Passive, Emerging Markets, and Currency Overlay Managers.

ALTERNATIVE ASSETS

Asset listing for the Alternative Asset Pools can be found on pages 85- 88 of this report.

AMERICAN EXPRESS ASSET MANAGEMENT

Fixed Income	Market Value	%	
U.S. AGENCY	$62,896,614.00	7.26	%
U.S. CORPORATE	232,772,830.70	26.88	
U.S. MTG. REL.	363,770,630.16	42.01	
U.S. MUNICIPALS	0.00	0.00	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	88,706,755.10	10.25	
PRIVATE PLACEMENTS	623,000.00	0.07	
YANKEE	0.00	0.00	
FOREIGN RELATED	0.00	0.00	
MISCELLANEOUS	0.00	0.00	
Total Fixed Income	**748,769,829.96**	86.48	
Cash Equivalent			
U.S.	117,046,606.50	13.52	
Non U.S.	0.00	0.00	
Grand Total	**$865,816,436.46**	**100.00**	**%**

DODGE & COX

Fixed Income	Market Value	%	
U.S. AGENCY	$34,671,607.05	5.64	%
U.S. CORPORATE	231,531,061.50	37.68	
U.S. MTG. REL.	242,948,874.19	39.54	
U.S. MUNICIPALS	0.00	0.00	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	83,292,788.46	13.56	
PRIVATE PLACEMENTS	0.00	0.00	
YANKEE	12,386,325.00	2.02	
FOREIGN RELATED	0.00	0.00	
MISCELLANEOUS	0.00	0.00	
Total Fixed Income	**604,830,656.20**	98.44	
Cash Equivalent			
U.S.	9,604,322.02	1.56	
Non U.S.	0.00	0.00	
Grand Total	**$614,434,978.22**	**100.00**	**%**

DEUTSCHE ASSET MANAGEMENT

Fixed Income	Market Value	%	
U.S. AGENCY	$3,835,431.60	0.63	%
U.S. CORPORATE	175,609,307.18	28.67	
U.S. MTG. REL.	278,308,651.39	45.44	
U.S. MUNICIPALS	43,209,169.05	7.05	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	96,725,461.09	15.79	
PRIVATE PLACEMENTS	0.00	0.00	
FOREIGN RELATED	0.00	0.00	
YANKEE	3,596,625.00	0.59	
MISCELLANEOUS	0.00	0.00	
Total Fixed Income	**601,284,645.31**	98.17	
Cash Equivalent			
U.S.	11,222,520.47	1.83	
Non. U.S.	0.00	0.00	
Grand Total	**$612,507,165.78**	**100.00**	**%**

METROPOLITAN WEST ASSET MANAGEMENT

Fixed Income	Market Value	%	
U.S. AGENCY	$0.00	0.00	%
U.S. CORPORATE	108,400,308.50	36.08	
U.S. MTG. REL.	107,381,052.86	35.74	
U.S. MUNICIPALS	0.00	0.00	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	13,776,041.82	4.59	
PRIVATE PLACEMENTS	0.00	0.00	
YANKEE	10,093,090.00	3.36	
FOREIGN RELATED	0.00	0.00	
MISCELLANEOUS	0.00	0.00	
Total Fixed Income	**239,650,493.18**	79.77	
Cash Equivalent			
U.S.	60,771,092.51	20.23	
Non U.S.	0.00	0.00	
Grand Total	**$300,421,585.69**	**100.00**	**%**

MORGAN STANLEY DEAN WITTER

Fixed Income	Market Value	%
U.S. AGENCY	$162,020,634.45	10.26 %
U.S. CORPORATE	399,091,736.27	25.27
U.S. MTG. REL.	822,644,250.27	52.08
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	12,683,149.00	0.80
U.S. TREASURY	0.00	0.00
PRIVATE PLACEMENTS	752,636.92	0.05
YANKEE	21,117,110.70	1.34
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	1,055,146.01	0.07
Total Fixed Income	**1,419,364,663.62**	89.86
Cash Equivalent		
U.S.	160,217,447.75	10.14
Non U.S.	0.00	0.00
Grand Total	**$1,579,582,111.37**	**100.00 %**

WESTERN ASSET MANAGEMENT CO.

Fixed Income	Market Value	%
U.S. AGENCY	$162,416,038.75	8.82 %
U.S. CORPORATE	402,058,124.14	21.83
U.S. MTG. REL.	732,823,718.89	39.79
U.S. MUNICIPALS	7,423,227.85	0.40
U.S. PREFERRED STOCK	37,501,939.60	2.04
U.S. TREASURY	222,820,443.66	12.10
PRIVATE PLACEMENTS	903,335.30	0.05
YANKEE	80,591,213.36	4.38
FOREIGN RELATED	21,335,900.00	1.16
MISCELLANEOUS	-1,272,103.39	(0.07)
Total Fixed Income	**1,666,601,838.16**	90.49
Cash Equivalent		
U.S.	175,239,616.77	9.51
Non U.S.	0.00	0.00
Grand Total	**$1,841,841,454.93**	**100.00 %**

STANDISH AYER & WOOD

Fixed Income	Market Value	%
U.S. AGENCY	$5,669,605.50	0.84 %
U.S. CORPORATE	198,552,744.51	29.50
U.S. MTG. REL.	351,587,676.80	52.24
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	82,629,081.00	12.28
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	1,915,886.50	0.28
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	1,547,150.00	0.23
Total Fixed Income	**641,902,144.31**	95.38
Cash Equivalent		
U.S.	30,969,101.88	4.60
Non U.S.	104,276.82	0.02
Grand Total	**$672,975,523.01**	**100.00 %**

BLACKROCK FINANCIAL MANAGEMENT

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	$88,469,071.73	4.32 %
U.S. CORPORATE	353,195,178.31	17.23
U.S. MTG. REL.	1,002,120,271.39	48.88
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	413,319,308.48	20.16
PRIVATE PLACEMENTS	4,235,215.55	0.21
FOREIGN RELATED	0.00	0.00
YANKEE	81,001,267.60	3.95
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**1,942,340,313.06**	94.74
Cash Equivalent		
U.S.	107,813,187.20	5.26
Non. U.S.	0.00	0.00
Grand Total	**$2,050,153,500.26**	**100.00 %**

GOLDMAN SACHS ASSET MANAGEMENT

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	$3,173,877.60	0.15 %
U.S. CORPORATE	629,872,281.17	30.59
U.S. MTG. REL.	1,038,693,447.53	50.44
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	209,448,873.30	10.17
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	74,574,876.91	3.62
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**1,955,763,356.51**	94.97
Cash Equivalent		
U.S.	103,565,653.75	5.03
Non U.S.	0.00	0.00
Grand Total	**$2,059,329,010.26**	**100.00 %**

AGGREGATE BOND POOL*

Fixed Income	Market Value	%
U.S. AGENCY	$691,364,071.28	5.46 %
U.S. CORPORATE	$3,148,199,035.73	24.88
U.S. MTG. REL.	$5,933,952,996.86	46.90
U.S. MUNICIPALS	$50,632,396.90	0.40
U.S. PREFERRED STOCK	$50,185,088.60	0.40
U.S. TREASURY	$1,576,688,727.66	12.46
PRIVATE PLACEMENTS	$6,514,187.77	0.05
FOREIGN RELATED	$229,943,444.27	1.82
YANKEE	$105,933,792.60	0.84
MISCELLANEOUS	$1,330,192.62	0.01
Total Fixed Income	**11,794,743,934.29**	93.23
Cash Equivalent		
U.S.	$856,735,883.96	6.77
Non. U.S.	$104,276.82	0.00
Grand Total	**$12,651,584,095.07**	**100.00 %**

* Aggregate of all managers in the Bond Account in the Financial Statements. Includes both Active and Semi-Passive managers.

LINCOLN CAPITAL MANAGEMENT

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	$168,211,190.60	8.19 %
U.S. CORPORATE	417,115,463.45	20.30
U.S. MTG. REL.	993,674,423.38	48.37
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	365,969,974.75	17.81
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	29,264,941.80	1.42
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**1,974,235,993.98**	96.09
Cash Equivalent		
U.S.	80,286,335.11	3.91
Non U.S.	0.00	0.00
Grand Total	**$2,054,522,329.09**	**100.00 %**

BOND MARKET ACCOUNT

	Market Value	%	
BONDS	$112,269,176.78	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$112,269,176.78**	**100.00**	**%**

INCOME SHARE ACCOUNT

	Market Value	%	
EQUITIES	$401,476,808.23	60.72	%
BONDS	$242,502,937.36	36.68	
CASH EQUIVALENTS	$17,163,086.30	2.60	
Grand Total	**$661,142,831.89**	**100.00**	**%**

COMMON STOCK INDEX ACCOUNT

	Market Value	%	
EQUITIES	$428,160,697.59	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$428,160,697.59**	**100.00**	**%**

INTERNATIONAL EQUITY ACCOUNT

	Market Value	%	
EQUITIES	$50,836,694.10	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$50,836,694.10**	**100.00**	**%**

FIXED INTEREST ACCOUNT

	Market Value	%	
GIC POOL	$86,328,534.90	98.75	%
CASH EQUIVALENTS	$1,095,735.31	1.25	
Grand Total	**$87,424,270.21**	**100.00**	**%**

MONEY MARKET ACCOUNT

	Market Value	%	
CASH EQUIVALENTS	$26,913,988.94	100.00	%
Grand Total	**$26,913,988.94**	**100.00**	**%**

GROWTH SHARE ACCOUNT

	Market Value	%	
EQUITIES	$334,256,462.51	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$334,256,462.51**	100.00	%

SUPPLEMENTAL INVESTMENT FUND

	Market Value	%	
INCOME SHARE	$661,142,831.89	38.87	%
GROWTH SHARE	334,256,462.51	19.65	
COMMON STOCK INDEX	428,160,697.59	25.17	
INTERNATIONAL SHARE	50,836,694.10	2.99	
BOND MARKET	112,269,176.78	6.60	
MONEY MARKET	26,913,988.94	1.58	
FIXED INTEREST	87,424,270.21	5.14	
Grand Total	**$1,701,004,122.02**	**100.00**	**%**

Summarized Asset Listing - Other Funds

June 30, 2000

ASSIGNED RISK ACCOUNT

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	25,506,645.07	3.25
CONSUMER STAPLES	12,145,151.29	1.55
ENERGY	17,527,469.72	2.24
FINANCIALS	34,224,793.20	4.37
HEALTH CARE	33,427,128.54	4.26
INDUSTRIALS	39,871,605.57	5.09
INFORMATION TECHNOLOGY	46,302,413.53	5.91
MATERIALS	6,540,223.08	0.83
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	20,597,593.17	2.63
UNCLASSIFIED	0.00	0.00
UTILITIES	4,705,243.24	0.60
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	240,848,266.41	30.72
Fixed Income		
U.S. AGENCY	$24,397,600.00	3.11
U.S. CORPORATE	101,370,525.53	12.93
U.S. MTG. REL.	100,367,981.79	12.80
U.S. TREASURY	27,000,460.00	3.44
Fixed Income Total	253,136,567.32	32.29
Cash Equivalents	289,909,018.95	36.98
Grand Total	**$783,893,852.68**	**100.00 %**

INTERNAL FIXED ACCOUNT

Fixed Income	Market Value	%
U.S. AGENCY	$15,660,466.97	4.09 %
U.S. CORPORATE	$70,175,901.70	18.32
U.S. MTG. REL.	213,588,473.28	55.75
U.S. TREASURY	64,382,444.00	16.81
Fixed Income Total	363,807,285.95	94.96
Cash Equivalents	19,290,462.11	5.04
Grand Total	**$383,097,748.06**	**100.00 %**

INTERNAL EQUITY ACCOUNT

Equities	Market Value	%
COMMINGLED FUND	$0.00	0.00 %
CONSUMER DISCRETIONARY	61,827,651.82	10.99
CONSUMER STAPLES	37,676,913.43	6.70
ENERGY	32,445,417.24	5.77
FINANCIALS	68,766,851.26	12.23
HEALTH CARE	68,636,853.05	12.21
INDUSTRIALS	52,298,982.26	9.30
INFORMATION TECHNOLOGY	168,927,859.74	30.04
MATERIALS	11,153,796.43	1.98
RIGHTS/WARRANTS	30.00	0.00
TELECOMMUNICATIONS SERVICES	46,037,822.68	8.19
UNCLASSIFIED	0.00	0.00
UTILITIES	13,855,909.43	2.46
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	561,628,087.34	99.87
Cash Equivalents	719,147.02	0.13
Grand Total	**$562,347,234.36**	**100.00 %**

CLOSED LANDFILL FUND

	Market Value	%
EQUITIES	$5,471,352.16	100.00 %
BONDS	0.00	0.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**5,471,352.16**	**100.00 %**

EMERGENCY MEDICAL FUND

	Market Value	%
EQUITIES	$4,442,839.99	59.67 %
BONDS	3,002,705.95	40.33
CASH EQUIVALENTS	0.00	0.00
Grand Total	**7,445,545.94**	**100.00 %**

ENVIRONMENTAL TRUST FUND

	Market Value	%
EQUITIES	$219,595,997.32	69.92 %
BONDS	93,287,349.84	29.70
CASH EQUIVALENTS	1,176,766.73	0.37
Grand Total	**314,060,113.89**	**100.00 %**

ETHEL CURREY FUND

	Market Value	%
EQUITIES	$422,273.78	67.13 %
BONDS	206,734.94	32.87
CASH EQUIVALENTS	0.00	0.00
Grand Total	**629,008.72**	**100.00 %**

IRON RANGE FUND

	Market Value	%
EQUITIES	$28,453,812.42	61.06 %
BONDS	18,145,308.56	38.94
Grand Total	**46,599,120.98**	**100.00 %**

PERMANENT SCHOOL FUND

	Market Value	%
EQUITIES	$301,852,564.84	52.30 %
BONDS	268,179,538.09	46.47
CASH EQUIVALENTS	7,123,860.58	1.23
Grand Total	**577,155,963.51**	**100.00 %**

WINONA STATE FUND

	Market Value	%
EQUITIES	$2,104,286.91	49.77 %
BONDS	1,988,687.77	47.03
CASH EQUIVALENTS	135,230.78	3.20
Grand Total	**4,228,205.46**	**100.00 %**

Notes applicable to all Summarized Asset Listings:

The data source for the Summarized Asset Listings was State Street Bank & Trust, the SBI's custodian.

Market value figures in the Summarized Asset Listings may not reconcile to the amounts shown for various Accounts in the Financial Statements due to minor pricing differences between Financial Control Systems and State Street Bank as well as trade adjustments that were reflected in the Financial Statements.

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