

STATE OF WISCONSIN

STATE BOARD OF INVESTMENT

1961 Report

of

the Executive Secretary

ROBERT E. BLIXOT

March 22, 1962



MEMBERS OF BOARD:

GOVERNOR ELMER L. ANDERSEN
STATE AUDITOR STAFFORD KING
STATE TREASURER VAL BJORNSON
ATTORNEY GENERAL WALTER F. MONDALE
UNIVERSITY REGENT ROBERT E. HESS

ROBERT E. BLIXT
EXECUTIVE SECRETARY

**STATE OF MINNESOTA
STATE BOARD OF INVESTMENT**

115 STATE CAPITOL
SAINT PAUL 1

March 15, 1962

Members of the Legislature of the State of Minnesota

Gentlemen:

This report is the second to be submitted to you since the passage of Chapter 693, Laws of Minnesota, 1959, which provided for the establishment of a department to advise the State Board of Investment and implement its decisions. Recommendations for such a department had been made by the Public Retirement Study Commission of the Minnesota Legislature, in several biennial reports by the State Auditor, and by the State Treasurer.

The year 1961 brought many revisions in the state's investment operations, both as a result of legislative changes, and as a result of further efforts by the State Board of Investment to improve the yield and quality of investments in the various funds.

All investment policies pertaining to the state's trust funds, the highway funds, invested treasurer's cash, some special funds of the state colleges and welfare institutions, and the retirement funds are determined by the State Board of Investment in accordance with various provisions of the state constitution and statutes. The Board includes the Governor, State Auditor, State Treasurer, Attorney General and one member of the University's Board of Regents. The Executive Secretary, who is directly responsible to the Board, has had a staff of three or four members to aid in the securities analysis, accounting and secretarial work. Because the department has been in operation only since April, 1960, and because of the policy changes during that time, this summary covers the purchases and other investment activity since the office of the Executive Secretary was established.

I submit this report to the members of the Legislature in order to review our work of the past two years, to describe the changes which have taken place as a result of statutes passed by the 1961 Session and to present current policies and future problems of the State Board of Investment.

THE PERMANENT TRUST FUNDS

Schedule I lists the types of investments now held in the State's Permanent Trust Funds. These funds showed the greatest rate of growth prior to a 1956 constitutional amendment. Until that date, half the receipts from the iron ore occupation tax accrued to the principal of the Permanent Trust Funds, which were invested for the benefit of the schools, the University, and other state institutions. The trust fund increase of approximately \$3 million in 1961 came from ore royalties and timber payments.

The 1961 Legislature passed a proposed constitutional amendment which is to be placed before the electorate on November 6, 1962, as Amendment Number 1. The passage of this amendment would do much to increase the income from the Permanent Trust Funds. Under our present constitution, we are limited, in all except the Permanent University Fund, to investments in U. S. Treasury securities, various full faith and credit obligations of state governments and obligations of certain high quality Minnesota subdivisions.

An amendment such as that submitted to the voters by the 1961 Legislature has long been advocated by the state's financial officers. On December 23, 1960, the Governor's Committee on Investment of State Trust Funds presented recommendations which were followed to a great degree by the Legislature in drafting the proposed amendment. The Governor's Committee estimated that the income to the trust funds would increase by \$3 3/4 million per year if the recommendations were followed. Although the amendment, as submitted, does not permit latitudes quite as broad as those suggested by the committee, it has been estimated that the yield to the Permanent Trust Funds could be increased by approximately \$3 million per year, after allowing time sufficient to rearrange the investments in the portfolio.

The amendment would allow 40% of the combined Permanent School and Swamp Land Funds to be invested in high quality corporate bonds, a maximum of 20% to be invested in common stocks, and the remainder to be invested in U. S. Government, state and subdivision obligations, as well as debt securities of U. S. Government agencies and those guaranteed by the Federal Government. The Governor's Committee emphasized that state and municipal bonds are not suited for inclusion in any fund which receives no benefit from the tax-exemption feature.

The proposed trust fund amendment was formulated to apply only to the Permanent School Fund and the Swamp Land Fund, because of an opinion of the Attorney General dated March 14, 1955, which states that the Permanent University Fund is not now bound by these restrictive provisions. The Internal Improvement Land Fund, totaling less than \$1/2 million, would remain a reserve fund invested in U. S. Government obligations.

Schedule I points out that the trust funds own significant amounts of Minnesota state obligations and a lesser quantity of trust fund loans - direct loans to subdivisions for capital improvements. The only state obligations recently purchased by the trust funds consist of the debt securities authorized to provide for the Maximum Effort School Aid Law. The State Board of Investment has charged the State of Minnesota a rate of interest comparable to that obtainable on U. S. Treasury obligations when it purchases State Certificates of Indebtedness for the funds. This rate is higher than the interest rate which would be paid if the state could sell its securities to other investors on a tax-exempt basis. Although there are obvious disadvantages in having the State Board of Investment act as both lender and borrower in situations such as those indicated by Schedule I, the public issuance of bonds by the state is impossible on the basis of the recent decision of *Naftalin v. King* unless there be some type of referendum or amendment to the constitution, such as is being submitted to the electorate in the form of Amendment Number 2 next November.

Within the present constitutional limitations, the Board has made certain exchanges of U. S. Government securities. In late 1960 and early 1961, one such exchange resulted in increased income to the trust funds of over \$400,000 per year or approximately \$8 1/2 million during the period through 1980, the maturity date of the bonds originally held. It appears that any additional rearranging would be quite impractical, however, because the Treasury obligations owned by the trust funds are of very long maturities - concentrated in the 1980-1995 maturity range. Any extension of the present maturities to obtain higher yields would only complicate the future problems of selling the present holdings and reinvesting the proceeds in securities such as would be authorized under proposed Amendment Number 1.

THE HIGHWAY FUNDS

The State Board of Investment may, under a 1943 act, invest money not currently needed by the highway department when so certified by the Commissioner of Highways. It is obvious that the time necessary for the planning, purchasing of right-of-way and construction of the highways means that certain funds are available for considerable periods. The State Board of Investment arranges a portfolio with maturities best fitting the expected disbursements of the highway department. Although the amount of highway fund investments varies substantially throughout the year, they included U. S. Treasury obligations and Minnesota Certificates of Indebtedness totaling \$52 million on December 31, 1961.

INVESTED TREASURER'S CASH

Since 1949, when a statute was passed permitting the investment of temporary accumulations in the Treasurer's cash balance, the State Board of Investment, upon certification by the Auditor and Treasurer, has invested those sums not needed for active accounts.

The earnings from this fund were particularly significant during the period when there was a surplus in the major state funds - the Income Tax School Fund and the General Revenue Fund. There were also significant earnings reaching the sum of more than \$3 million, in 1960 and during part of 1961 because of the investment of the proceeds from the sale of bonds in May of 1960 to provide funds for the state's building program.

It was necessary to sell these U. S. Treasury securities early in 1961, however, in order to pay the school aids to districts throughout the state. Because the margin between disbursements and receipts has been so narrow during the past few years, the state is now operating on a very tight financial basis and has only small sums of cash, on the average, available for investment.

Securities held in Invested Treasurer's Cash totaled \$53 1/2 million on December 31, 1960, \$84 3/4 million on June 30, 1961, and \$15 1/4 million on December 31, 1961. The total amount invested varied considerably during this time.

For a brief period in late February, 1962, school aid payments and state operating expenses necessitated the sale of all investments in this account. The State Board of Investment is continuing to invest any temporary surplus in the Treasurer's cash account in U. S. Government securities, maturing in three years or less as prescribed by law, whenever our financial situation makes such investments possible.

STATE COLLEGE AND WELFARE FUNDS

The investment of gifts applicable to scholarships and the support of the state colleges and certain funds designated for welfare institutions is made by the State Board of Investment. It is anticipated that a pooled fund will be arranged in the near future, which will make possible a diversified investment portfolio for the state colleges. Such an endowment fund, comparable to the Group Investment Fund managed by the University of Minnesota, would provide small donors with the benefits of diversification otherwise possible only in the larger investment accounts. The State Board of Investment is pleased to note the continuing interest in state colleges and the gifts made to the support of these educational facilities.

THE RETIREMENT FUNDS

The investments in the state retirement funds, administered by the State Board of Investment, totaled over \$188 million in book value on December 31, 1961. Most of this money has been accumulated by direct contributions from employees of the state, various governmental units and school districts, through payroll deductions. In recent years, however, the Legislature has greatly increased the contributions to these funds by the employers - the governing units. The 1961 Legislature made a great contribution to the investment management of these funds through the passing of Chapter 380, Laws of 1961. This statute followed the recommendations of the Public Retirement Study Commission of the Minnesota Legislature, an Interim Commission which had studied the investment results of comparable funds for several years and reviewed possible investment media for Minnesota's retirement accounts. It likewise carried out recommendations repeatedly made by the state's financial officers.

The wording of the retirement funds investment law is very comparable to the recommendations made by the Governor's Committee on Investment of State Trust Funds, which, as previously mentioned in this report, made a detailed analysis of our trust funds and proposed investment changes, which were adopted in the form of a proposed constitutional amendment.

Although previous statutes authorized the use of certain public utility and railroad bonds, this authorization was not used until early in 1960. Upon the establishment of the Investment Department on April 1, 1960, we began immediately to use high quality public utility bonds and railroad equipment obligations in the retirement accounts.

Schedule II reviews the composition of the retirement funds on December 31, 1961. Whereas state, municipal, and school district bonds once accounted for an extremely high percentage of the total investments in the accounts, these holdings have now been reduced to approximately half of the total investments, primarily through the placement of all new money in other securities.

The retirement funds still lack the diversification desired by competent retirement fund managers. Of the \$84 million of school and municipal securities held in the retirement funds on December 31, \$47 million consisted of paper issued by the suburban governments of the Twin Cities area (in Hennepin, Ramsey, Anoka, Washington, and Dakota Counties). Early in 1962, the State Board of Investment sold approximately \$5 million of these bonds to reduce our suburban holdings to \$42 million.

The Board intends to continue its sales program, but over a considerable period of time so as to avoid any undue dislocation in the local municipal securities market. We were very much encouraged by the broad interest in our bond offering in January.

Prior to April, 1960, it was the general policy of the State Board of Investment to purchase municipal bonds when they were offered at a yield exceeding that on comparable issues of U. S. Government securities. Many of these municipalities and school districts, which formerly depended on the retirement funds to purchase a large portion of their debt securities, have recently placed issues at interest rates substantially lower than the current yields from U. S. Treasury obligations. Although we realize that many factors have contributed to this phenomenon, we believe that the elimination of the state as the major participant in a segment of the local municipal bond market has resulted in a more orderly marketing procedure and in increased buying interest in Minnesota municipal securities throughout the nation. It is proper that these securities be purchased by those individuals and institutions best able to use the tax-exempt feature such securities afford. The fostering of such a market has helped to lower the interest costs for various school districts and municipalities, and, in that way, lower the tax burden of the citizens in these areas.

For several years, the Board has attempted to reduce paper work and bond handling procedures through the use of registered U. S. Government bonds. Beginning with the use of corporate securities, this procedure was applied to all retirement fund investments. Instead of purchasing \$1,000 coupon bonds, the state now usually purchases in pieces of from \$200,000 to \$750,000. The interest on such securities is paid by check semi-annually; no coupon-clipping is involved. By purchasing new corporate issues at the time of offering, the state is able to obtain a guarantee of one free transfer into coupon bonds, if it is deemed desirable to sell the securities at any future date. Thereby, the Board achieves the advantages of less securities handling work and, at the same time, maintains the advantages of having fully marketable securities available for sale if necessary.

From March, 1960, through December 31, 1961, purchases of corporate bonds totaled nearly \$51 million; at year-end 1961 they comprised 26.9% of the total retirement fund portfolios. Common stocks were not authorized for use until April, 1961. During the remainder of the year, nearly \$5 million of these securities were purchased. Under Chapter 380, the State Board of Investment may purchase common stocks up to a maximum of 5% of the total value of the funds, in each of the next five years, thereby allowing a maximum investment of 25% in common stocks at the end of five years. The present law limits corporate fixed income obligations to 40% of the book value of the funds. All of the corporate bonds purchased since early 1960 have been rated "A" or better, at the time of purchase, by at least one of the three leading commercial rating services.

The State Board of Investment has increased its holdings of corporate bonds and common stocks during the interval from December, 31, 1961, to the date of this report, March 15, 1962.

We have now invested \$58,623,900 in corporate bonds at an average yield of 4.80%. The common stock portfolio of the retirement funds now totals \$8,614,555.03. The average yield obtained from both corporate bonds and stocks purchased since March, 1960, approximates 4.53%. The details concerning these purchases and subsequent transactions completed during 1962 will be included in next year's report.

Schedule III, which shows the yield received on the larger retirement funds during the past four years, emphasizes the increased income received through the use of corporate securities. It is to be noted that in mid-1958, the retirement funds yielded approximately 2.9%. The average yield now exceeds 3 1/2%. Although changing markets make it impossible to calculate the exact yield advantage, it appears that, during the past two years, we have been able to increase the yield by approximately 3/4 of 1% above that which could have been obtained through the use of municipal, state, and U. S. Government securities. This increase in yield has been accomplished even though recent purchases have included substantial amounts of low yielding common stocks which evidence unusual growth potential and probable increases in the dividend rate.

The difference in the current yields of the three major retirement funds is accounted for by the different growth rates of these funds. From a comparison of the book value figures, it is evident that the Public Employees Retirement Fund has shown the highest rate of growth during the past few years. Therefore, we have been able to place a larger percentage of this fund in higher yielding corporate bonds. The Teachers' Retirement Fund is also growing at an impressive rate, but it appears that it will take a considerable period of years to revamp the investments in the State Employees Retirement Fund. This State Employees Fund showed substantial growth in the early 1950's, at a time of pegged bond prices, when current yields were particularly low. Because the present rate of growth is substantially less than that of the other two major funds, the increase in overall yield has been slower. The State Employees Retirement Fund includes a far higher percentage of Minnesota school and municipal bonds than the other two major retirement funds, and a much smaller percentage of higher yielding corporate securities.

Schedules IV-A and IV-B review bond activity in the retirement funds from March 14, 1960, the date on which the first corporate purchases were made, through December 31, 1961. Most of these bonds were purchased at the time of offering from the members of the underwriting syndicate. These firms are included in the listing on Schedule VII.

Several issues we own were purchased directly from the borrowing corporations by numerous buyers, including state retirement funds, insurance companies and bank trust departments. These commitments, as well as the firms arranging the placements, are specifically footnoted on Schedule IV-A. In the case of private placements, the State Board of Investment follows a policy of buying only those offerings large enough to be purchased by at least one other buyer so that we are not in the position of setting the interest rate on any particular issue. In most cases, there were many large institutional buyers of these securities. Private placements are purchased only after they have been reviewed by at least one of the three major commercial rating agencies and have been declared to be of "A" quality or above.

Schedule IV-B lists the corporate bonds called and matured from March 14, 1960, through December 31, 1961. The table also summarizes the sale of a group of Arkansas Highway Refunding Bonds from the retirement accounts on January 4, 1961. The proceeds from this sale were reinvested in corporate fixed income securities.

Schedule V details the types of corporate debt obligations purchased by the State Board of Investment since March, 1960, and the redemption features of these bonds. In over 99% of the purchases, the Board has received call protection equal to the coupon rate or greater. Nearly 70% of the purchases have been of securities which are either non-callable or which have at least 5 years of call or refunding protection. Because of these non-callable or non-refundable features, the portfolio appears to be adequately protected against anticipated fluctuations in interest rates.

Schedule VI lists the common stock holdings of the various retirement funds. Each of these securities meets the requirements of Chapter 380, Laws of Minnesota, 1961, and has been approved

by the Advisory Committee on Common Stock Investments. This committee, appointed by the State Board of Investment in May, 1961, has greatly contributed to the investment program of the state. Because the State Board of Investment lacks the personnel and facilities necessary to review a large common stock portfolio, we feel particularly fortunate in obtaining the services of ten of the leading investment managers in the State of Minnesota, who contribute their time and advice on a voluntary, uncompensated basis. The members of the Advisory Committee on Common Stock Investments are as follows:

Hermon J. Arnott	Executive Vice President	Farmers & Mechanics Savings Bank of Minneapolis
Franklin Briese	Vice President	The Minnesota Mutual Life Insurance Company
Robert S. Davis	Vice President and Investment Officer	St. Paul Fire and Marine Insurance Company
Gaylord W. Glarner	Vice President	First Trust Company of St. Paul
James C. Harris	Vice President	Northwestern National Bank of Minneapolis
John M. Harris	Trust Investment Officer	Northern City National Bank Duluth
Francis H. Hassing	Investment Counsel	University of Minnesota
Maxwell B. Hight	Section of Administration	Mayo Clinic, Rochester
Donald E. Jondahl	Second Vice President -Finance	Northwestern National Life Insurance Company
Norman Terwilliger	Executive Secretary	Minneapolis Teachers Retirement Association

The State Board of Investment appreciates the contributions of these men in recommending possible stock investments. Although 1961 was a rather difficult year in which to begin a common stock program because of high stock prices, the portfolio has shown a market value in excess of cost ever since the first purchases were made. On December 31, 1961, the total common stock portfolio, which cost \$4,881,803.59, had a market value of \$5,198,077.50, or a market appreciation of 6.5%.

We all realize that the account is subject to continual market fluctuations and that there will, undoubtedly, be times during the next few years in which the common stocks are worth less than cost. It is to be emphasized, however, that the State Board of Investment does not intend to use this as a trading account but, instead, intends to build a solid basis of investment in American industry, anticipating a gradual increase in income along with the growth of our economy. It is particularly significant that, during the period from June 1 through December 31, 1961, 16 of the stocks we have purchased increased their dividend rates, paid extra dividends, or declared stock dividends. Although the income on the stocks, computed on the basis of the indicated dividend being paid at the time of purchase, provided a yield on cost of 2.67%, the income based on the indicated annual dividend rate as of December 31, 1961, provided a yield of 2.85%. By mid-February, 1962, there had been a total of 28 increases in dividend rates since initial purchase on those stocks held by the state.

The State Board of Investment intends to use a diversified list of common stocks in order to participate in the various segments of the American economy. Thus far, we have emphasized the more conservative stable industries in our purchase program - particularly the utilities, banks, and insurance companies. Our list of stocks is continually changing, and is based on the recommendations of the Advisory Committee.

Schedule VII consists of a list of the vendors from whom the State Board of Investment purchased fixed income securities during the period from March 14, 1960, through December 31, 1961. U. S. Treasury securities were purchased from Minnesota banks; corporate obligations were

purchased from those firms which were members of the original underwriting syndicates. When we purchased corporate bonds, the largest orders were given to the managers of the underwriting syndicates; these firms handled the work involved in allocating our purchase among various syndicate members, according to our instructions, and in billing and making delivery. In order to save work for the state accounting departments, the Board pays the managing underwriter for all of the bonds; this firm, in turn, divides the sum among the various participants receiving orders from the state on that particular issue.

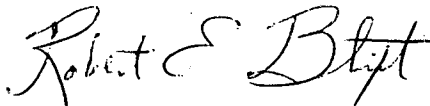
Schedule VIII names the firms through which the State Board of Investment purchased common stocks during the period June 1 through December 31, 1961. The investment department is particularly appreciative of the research materials contributed by many of these firms. We hope that appropriate orders will help to repay these organizations for their services, which would otherwise involve subscription costs or advisory fees.

Schedule VIII is not a listing of those firms to whom the state limits its stock transactions, nor is the amount of business transacted during the 7 months of 1961 indicative of the division of future business. Since December 31, 1961, orders have been placed with several firms not on this schedule. It is the intention of the State Board of Investment to reciprocate in orders for research materials received by the investment department and for other services. Purchases are also made on the basis of teletyped offerings of stocks which appear attractive.

* * * * *

The 1961 Legislature made substantial contributions to our state's investment program through the passage of the retirement fund investment law and the proposed trust fund amendment which is to be submitted to the electorate in November. We believe these measures will add significantly to the financial stature of the State of Minnesota and to the work of the State Board of Investment.

Respectfully submitted,



Robert E. Blixt
Executive Secretary

REB:mky

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT
COMPOSITION OF TRUST FUNDS
December 31, 1961

SECURITY	PERMANENT SCHOOL		PERMANENT UNIVERSITY		SWAMP LAND		INTERNAL IMPROVEMENT LAND	
	Book Value	%	Book Value	%	Book Value	%	Book Value	%
United States Treasury Obligations.....	\$190,104,000.00	81.4	\$39,493,000.00	85.3	\$23,068,500.00	81.0	\$372,000.00	90.6
Minnesota State Obligations.....	37,556,962.38	16.1	3,691,318.41	8.0	4,012,230.60	14.1	35,000.00	8.5
Louisiana State Obligations.....	--	--	119,000.00	0.3	--	--	--	--
Trust Fund Loans.....	1,696,800.00	0.7	340,980.00	0.7	1,052,755.00	3.7	--	--
Obligations of Minnesota Subdivisions.....	2,196,000.00	1.0	200,000.00	0.4	235,000.00	0.8	--	--
Cash.....	* 1,958,527.71	0.8	* 2,446,120.74	5.3	* 100,927.19	0.4	3,757.84	0.9
TOTAL.....	\$233,512,290.09	100.0%	\$46,290,419.15	100.0%	\$28,469,412.79	100.0%	\$410,757.84	100.0%

**The substantial cash balances on December 31 were due to a prepayment of Minnesota State Certificates of Indebtedness on Friday, December 29. Reinvestments in U. S. Treasury Securities were made on January 2, 1962.*

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT
COMPOSITION OF RETIREMENT FUNDS
December 31, 1961

TYPE OF SECURITY	PUBLIC EMPLOYEES RETIREMENT FUND		STATE EMPLOYEES RETIREMENT FUND		TEACHERS' RETIREMENT FUND		PUBLIC EMPLOYEES POLICE & FIRE FUND		STATE POLICE OFFICERS' RETIREMENT FUND		HIGHWAY PATROLMEN'S RETIREMENT FUND		TOTAL	
	Book Value	%	Book Value	%	Book Value	%	Book Value	%	Book Value	%	Book Value	%	Book Value	%
FIXED INCOME OBLIGATIONS:														
United States Treasury Obligations.....	\$ 9,843,000.00	16.3	\$ 9,985,000.00	17.6	\$14,760,000.00	21.8	\$ 527,000.00	44.1	\$ 50,000.00	8.1	\$ 535,000.00	27.6	\$ 35,700,000.00	18.9
Minnesota State Obligations.....	\$ 4,671,500.00	7.8	\$ 3,303,500.00	5.8	\$ 4,155,100.00	6.1	-	-	-	-	-	-	\$ 12,130,100.00	6.4
Obligations of Minnesota Subdivisions.....	\$23,595,000.00	39.2	\$30,836,500.00	54.3	\$28,327,500.00	41.8	-	-	\$481,000.00	77.7	\$ 888,200.00	45.8	\$ 84,128,200.00	44.6
Obligations of Other States & Subdivisions...	\$ 341,000.00	0.6	\$ 377,000.00	0.7	\$ 237,000.00	0.3	-	-	-	-	-	-	\$ 955,000.00	0.5
Corporate Obligations:														
Public Utility Bonds														
Electric Utility Bonds	7,840,000.00	13.0	4,635,000.00	8.2	8,180,000.00	12.1	229,000.00	19.2	40,000.00	6.5	198,000.00	10.2	21,122,000.00	11.2
Gas Utility Bonds.....	3,800,000.00	6.3	1,550,000.00	2.7	3,520,000.00	5.2	100,000.00	8.4	25,000.00	4.0	50,000.00	2.6	9,045,000.00	4.8
Telephone Bonds.....	1,250,000.00	2.1	200,000.00	0.4	500,000.00	0.7	110,000.00	9.1	-	-	50,000.00	2.6	2,110,000.00	1.1
Total Utility Bonds.....	12,890,000.00	21.4	6,385,000.00	11.3	12,200,000.00	18.0	439,000.00	36.7	65,000.00	10.5	298,000.00	15.4	32,277,000.00	17.1
Industrial Bonds.....	3,400,000.00	5.6	2,300,000.00	4.0	3,100,000.00	4.6	-	-	-	-	-	-	8,800,000.00	4.7
Railroad Bonds (Purchased 1930-1951)....	-	-	42,000.00	0.1	-	-	-	-	-	-	-	-	42,000.00	-
Railroad Equipment Trust Certificates....	3,680,000.00	6.1	2,488,000.00	4.4	3,190,000.00	4.7	175,000.00	14.6	-	-	148,000.00	7.6	9,681,000.00	5.1
Total Corporate Bond Obligations.....	\$19,970,000.00	33.1%	\$11,215,000.00	19.8%	\$18,490,000.00	27.3%	\$ 614,000.00	51.3%	\$ 65,000.00	10.5%	\$ 446,000.00	23.0%	\$ 50,800,000.00	26.9%
Preferred Stock (Gift)....	-	-	-	-	700.00	-	-	-	-	-	-	-	700.00	-
TOTAL FIXED INCOME OBLIGATIONS.....	\$58,420,500.00	97.0%	\$55,717,000.00	98.2%	\$65,970,300.00	97.3%	\$1,141,000.00	95.4%	\$596,000.00	96.3%	\$1,869,200.00	96.4%	\$183,714,000.00	97.3%
COMMON STOCKS:														
Public Utilities														
Electric.....	\$ 509,708.07	0.8	\$ 371,706.03	0.6	\$ 564,848.49	0.8	\$ 14,672.06	1.2	\$ 8,922.75	1.5	\$ 14,707.08	0.8	\$ 1,484,564.48	0.8
Gas Distribution.....	113,600.00	0.2	38,700.00	0.1	75,915.70	0.1	7,591.54	0.6	-	-	-	-	235,807.24	0.1
Telephone & Telegraph....	50,856.66	0.1	23,151.06	-	23,151.06	-	-	-	-	-	-	-	97,158.78	0.1
Total Utilities.....	\$ 674,164.73	1.1	\$ 433,557.09	0.7	\$ 663,915.25	0.9	\$ 22,263.60	1.8	\$ 8,922.75	1.5	\$ 14,707.08	0.8	\$ 1,817,530.50	1.0
Banks.....	\$ 272,819.48	0.5	\$ 186,827.99	0.3	\$ 325,777.76	0.5	\$ 4,441.00	0.4	\$ 5,144.10	0.8	\$ 11,210.88	0.6	\$ 806,221.21	0.4
Insurance.....	\$ 121,159.30	0.2	\$ 75,206.20	0.1	\$ 140,859.30	0.2	-	-	-	-	-	-	\$ 337,224.80	0.2
Automotive.....	\$ 73,396.69	0.1	\$ 54,507.09	0.1	\$ 77,858.11	0.1	\$ 4,722.40	0.4	-	-	\$ 4,722.40	0.2	\$ 215,206.69	0.1
Chemical and Drug.....	\$ 127,711.18	0.2	\$ 53,899.69	0.1	\$ 76,751.48	0.1	\$ 5,079.54	0.4	-	-	\$ 5,092.05	0.3	\$ 268,533.94	0.1
Electrical & Electronic Equipment														
Equipment.....	\$ 98,570.88	0.2	\$ 78,192.08	0.1	\$ 106,091.53	0.2	-	-	-	-	-	-	\$ 282,854.49	0.2
Office Equipment.....	\$ 53,175.00	0.1	-	-	\$ 53,175.00	0.1	-	-	-	-	\$ 5,837.50	0.3	\$ 112,187.50	0.1
Petroleum.....	\$ 144,877.31	0.2	\$ 83,220.46	0.1	\$ 113,075.06	0.2	\$ 9,083.00	0.8	\$ 4,591.75	0.7	\$ 10,261.38	0.5	\$ 365,108.96	0.2
Railroad Equipment.....	\$ 26,347.18	-	\$ 57,884.49	0.1	\$ 79,057.16	0.1	\$ 3,762.63	0.3	-	-	-	-	\$ 167,051.46	0.1
Retail Trade.....	\$ 109,415.61	0.2	\$ 50,967.61	0.1	\$ 56,547.16	0.1	\$ 5,431.89	0.5	-	-	\$ 5,431.89	0.3	\$ 227,794.16	0.1
Miscellaneous.....	\$ 114,824.00	0.2	\$ 39,175.70	0.1	\$ 112,021.20	0.2	-	-	\$ 4,323.80	0.7	\$ 11,745.18	0.6	\$ 282,089.88	0.2
TOTAL COMMON STOCKS	\$ 1,816,461.36	3.0%	\$ 1,113,438.40	1.8%	\$ 1,805,129.01	2.7%	\$ 54,784.06	4.6%	\$ 22,982.40	3.7%	\$ 69,008.36	3.6%	\$ 4,881,803.59	2.7%
TOTAL.....	\$60,236,961.36	100.0%	\$56,830,438.40	100.0%	\$67,775,429.01	100.0%	\$1,195,784.06	100.0%	\$618,982.40	100.0%	\$1,938,208.36	100.0%	\$198,595,803.59	100.0%

*This fund, established in 1960, was entirely invested in corporate bonds prior to the enactment of Laws of Minnesota 1961, Chapter 380, restricting the funds to a limit of 40% in corporate bonds. New money is being invested in Government Bonds and common stocks.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING YEAR
IN THE THREE LARGEST RETIREMENT FUNDS

(Four most recent fiscal periods)
December 31, 1961

DATE	PUBLIC EMPLOYEES RETIREMENT FUND				STATE EMPLOYEES RETIREMENT FUND				TEACHERS' RETIREMENT FUND			
	Book Value of Fund (1)	Average Book Value of Fund For Year Ending (2)	Income of Fund For Year Ending (3)	Yield (4)	Book Value of Fund (1)	Average Book Value of Fund For Year Ending (2)	Income of Fund For Year Ending (3) (5)	Yield (4)	Book Value of Fund (1)	Average Book Value of Fund For Year Ending (2)	Income of Fund For Year Ending (3)	Yield (4)
June 30, 1956.....	\$17,357,500	--	--	--	\$32,872,500	--	--	--	\$27,471,100	--	--	--
December 31, 1956.....	\$18,286,750	--	--	--	\$34,910,000	--	--	--	\$29,748,400	--	--	--
June 30, 1957.....	\$19,301,750	--	--	--	\$36,797,000	\$34,859,833	\$1,016,556.48	2.92%	\$31,853,900	--	--	--
December 31, 1957.....	\$20,588,750	--	--	--	\$39,577,500	--	--	--	\$34,149,700	--	--	--
June 30, 1958.....	\$23,625,000	\$21,171,833	\$ 614,096.77	2.90%	\$39,715,500	--	--	--	\$37,242,200	\$34,415,267	\$1,018,014.26	2.90%
December 31, 1958.....	\$27,515,000	--	--	--	\$41,985,500	\$40,426,167	\$1,225,833.46	3.03%	\$42,777,200	--	--	--
June 30, 1959.....	\$31,563,000	\$27,567,667	\$ 880,223.48	3.19%	\$44,659,000	--	--	--	\$48,523,300	\$42,847,567	\$1,409,995.45	3.29%
December 31, 1959.....	\$35,414,500	--	--	--	\$46,911,500	\$44,518,667	\$1,378,022.98	3.10%	\$54,313,300	--	--	--
June 30, 1960.....	\$41,548,500	\$36,175,333	\$1,211,061.33	3.35%	\$49,816,500	--	--	--	\$55,243,300	\$52,693,300	\$1,823,482.03	3.46%
December 31, 1960.....	\$46,935,500	--	--	--	\$51,967,000	\$49,565,000	\$1,631,458.61	3.29%	\$59,160,300	--	--	--
June 30, 1961.....	\$53,445,533	\$47,309,844	\$1,728,687.00	3.65%	\$54,499,050	--	--	--	\$63,098,540	\$59,167,380	\$2,140,761.22	3.62%
December 31, 1961.....	\$60,236,961	--	--	--	\$56,830,438	\$54,432,163	--	--	\$67,777,429	--	--	--

(1) As shown on Treasurer's General Report on State Finances on date listed.

(2) Computed by averaging book values of Fund on last three report dates ending with the date listed.

(3) Income figures obtained from the secretaries of the respective retirement funds.

(4) Computed by dividing income of Fund for fiscal period by Average Book Value of Fund during period.

(5) In 1957, State Employees Retirement Fund changed from a fiscal year basis to a calendar year basis.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule IV-A

BOND ACTIVITY - RETIREMENT FUNDS
(Not Including U.S. Treasury Securities Transactions)

PURCHASES OF CORPORATE BONDS
March 14, 1960 - December 31, 1961

ISSUE				PUBLIC	STATE	TEACHERS'	PUBLIC	STATE	HIGHWAY	TOTAL	AVERAGE	
COMPANY	TYPE OF SECURITY	MATURITY DATE**	COUPON RATE %	EMPLOYEES RETIREMENT FUND (000)	EMPLOYEES RETIREMENT FUND (000)	RETIREMENT FUND (000)	EMPLOYEES POLICE & FIRE FUND (000)	POLICE OFFICERS' RETIREMENT FUND (000)	PATROLMEN'S RETIREMENT FUND (000)	AMOUNT PURCHASED (000)	YIELD %	
PUBLIC UTILITY BONDS												
Electric												
Alabama Power Co.....	First Mtge	4-1-90	5	\$ 300	\$ 200	\$ 500	-	-	-	\$ 1,000	5.02	
Alabama Power Co.....	First Mtge	3-1-91	4 1/2	350	300	150	-	-	\$ 50	850	4.40	
Atlantic City Electric Co.....	First Mtge	3-1-91	4 1/2	600	-	600	-	-	-	1,200	4.37	
California Electric Power Co.....	First Mtge	5-1-90	5 1/8	400	300	500	-	\$ 40	-	1,240	5.10	
Carolina Power & Light Co.....	First Mtge	4-1-90	4 7/8	350	-	500	-	-	-	850	4.85	
Central Illinois Light Co.....	First Mtge	3-1-90	4 7/8	250	250	500	-	-	-	1,000	4.90	
Central Maine Power Co.....	First Mtge	11-1-90	5 1/4	-	300	300	\$ 60	-	40	700	5.10	
*5 Citizens Utilities Co.....	First Mtge	12-31-91	4.80	600	400	-	-	-	-	1,000	4.80	
Georgia Power Co.....	First Mtge	11-1-90	4 7/8	500	200	-	60	-	40	800	4.88	
Hawaiian Electric Co., Ltd.....	First Mtge	4-1-91	4.65	600	450	500	-	-	-	1,550	4.65	
Iowa-Illinois Gas & Electric Co.....	First Mtge	4-15-90	5	-	-	500	-	-	-	500	4.935	
Jersey Central Power & Light Co.....	First Mtge	6-1-90	5 3/8	-	-	500	-	-	40	540	5.20	
Lake Superior District Power Co.....	First Mtge	2-1-91	4 5/8	500	-	-	-	-	-	500	4.60	
Louisiana Power & Light Co.....	First Mtge	4-1-90	5	350	200	500	-	-	-	1,050	5.01	
Metropolitan Edison Co.....	First Mtge	5-1-90	5	350	200	500	-	-	-	1,050	4.95	
Orange & Rockland Utilities, Inc.....	First Mtge	4-15-91	4 7/8	500	350	550	-	-	-	1,400	4.80	
Ottertail Power Co.....	First Mtge	2-1-91	4 7/8	500	300	-	50	-	-	850	4.80	
Public Service Electric & Gas Co.....	First Mtge	9-1-90	4 3/4	-	-	500	60	-	-	560	4.73	
Puget Sound Power & Light Co.....	First Mtge	4-1-90	5 3/8	350	200	500	-	-	-	1,050	5.30	
Puget Sound Power & Light Co.....	First Mtge	2-1-91	4 5/8	250	250	-	-	-	-	500	4.65	
Southern California Edison Co.....	First Mtge	9-1-85	4 3/8	500	260	500	-	-	-	1,260	4.43	
Southern California Edison Co.....	First Mtge	4-1-86	4 1/2	150	250	150	-	-	-	550	4.42	
Utah Power & Light Co.....	First Mtge	9-1-90	4 7/8	500	260	500	-	-	30	1,290	4.80	
Total Electric Utility Bonds.....				\$7,900	\$4,670	\$8,250	\$230	\$ 40	\$200	\$21,290	4.81%	
Gas												
Laclede Gas Co.....	First Mtge	7-1-85	4 7/8	\$ 250	\$ 200	-	\$ 50	-	-	\$ 500	4.80	
Mountain Fuel Supply Co.....	Debenture	9-1-86	4 7/8	600	-	600	-	-	\$ 50	1,250	4.80	
Natural Gas Pipe Line Co.....	First Mtge	10-1-80	5	500	250	250	-	-	-	1,000	5.00	
Northern Natural Gas Co.....	S-F Debenture	11-1-81	4 7/8	500	-	500	-	\$ 25	-	1,025	4.80	
Southern Counties Gas Co. of Calif.....	First Mtge	8-1-85	4 3/4	400	250	500	50	-	-	1,200	4.60	
*1 Southern Union Gas Co.....	First Mtge	10-1-86	4.80	600	-	600	-	-	-	1,200	4.80	
Texas Eastern Transmission Co.....	First Mtge	12-1-81	4 7/8	400	400	500	-	-	-	1,300	4.915	
Transcontinental Gas Pipe Line Corp.....	First Mtge	11-1-81	5	550	450	570	-	-	-	1,570	5.08	
Total Gas Utility Bonds.....				\$3,800	\$1,550	\$3,520	\$100	\$ 25	\$ 50	\$ 9,045	4.86%	
Telephone												
Illinois Bell Telephone Co.....	First Mtge	7-1-97	4 7/8	250	200	-	\$ 50	-	-	\$ 500	4.75	
New York Telephone Co.....	Ref. Mtge	10-1-97	4 5/8	500	-	-	-	-	-	500	4.57	
Rochester Telephone Co.....	First Mtge	9-1-93	4 3/4	500	-	500	60	-	\$ 50	1,110	4.66	
Total Telephone Utility Bonds.....				\$ 1,250	\$ 200	\$ 500	\$110	-	\$ 50	\$ 2,110	4.66%	
TOTAL PUBLIC UTILITY BONDS.....				\$12,950	\$6,420	\$12,270	\$440	\$ 65	\$300	\$32,445	4.81%	

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule IV-A
(Continuation)

BOND ACTIVITY - RETIREMENT FUNDS
(Not Including U.S. Treasury Securities Transactions)

PURCHASES OF CORPORATE BONDS

March 14, 1960 - December 31, 1961

ISSUE		Maturity Date**	Coupon Rate %	Public Employees Retirement Fund (000)	State Employees Retirement Fund (000)	Teachers' Retirement Fund (000)	Public Employees Police & Fire Fund (000)	State Police Officers' Retirement Fund (000)	Highway Patrolmen's Retirement Fund (000)	Total Amount Purchased (000)	Average Yield %
Company	Type of Security										
INDUSTRIAL DEBT OBLIGATIONS											
	Gimble Brothers, Inc.	6-1-81	5	\$ 500	-	-	-	-	-	\$ 500	5.08
*5	General Electric Credit Corp.	10-31-82	4 5/8	500	400	600	-	-	-	1,500	4.625
*3	Kroger Co.	10-19-81	4.80	500	400	600	-	-	-	1,500	4.80
*7	Swift & Co.	6-1-86	4 7/8	500	400	500	-	-	-	1,400	4.875
	Union Tank Car Co.	8-1-86	5	500	400	400	-	-	-	1,300	5.00
	United States Steel Corp.	4-15-86	4 1/2	500	400	500	-	-	-	1,400	4.55
*4	Worthington Corp.	7-1-81	5	400	300	500	-	-	-	1,200	5.00
	TOTAL INDUSTRIAL OBLIGATIONS.....			\$ 3,400	\$ 2,300	\$ 3,100	-	-	-	\$ 8,800	4.82%
RAILROAD EQUIPMENT TRUST CERTIFICATES											
*6	ACF Industries.	11-1-61/75	4 3/4	\$ 750	\$ 525	\$ 750	-	-	-	\$ 2,025	4.75
*6	Fruit Growers Express Co.	12-15-61/75	4 3/4	650	650	650	\$ 150	-	\$ 105	2,205	4.75
*2	Kansas City Southern Railway.	6-15-64/76	4 1/2	720	668	720	-	-	-	2,108	4.50
	New York Central Railroad.	2-15-71/74	4 3/4	500	450	-	-	-	-	950	5.00
	New York Central Railroad.	6-1-73	4 7/8	-	-	-	-	-	50	50	5.15
	Southern Pacific Co.	2-1-71/73	4 1/4	450	-	500	35	-	-	985	4.50
*6	Western Fruit Express Co.	2-1-61/8-1-75	4.85	450	300	700	-	-	-	1,450	4.85
	Western Fruit Express Co.	9-1-63/64	2 3/8	290	-	-	-	-	-	290	4.73
	TOTAL RAILROAD EQUIPMENT TRUST CERTIFICATES			\$ 3,810	\$ 2,593	\$ 3,320	\$ 185	-	\$ 155	\$10,063	4.71%
	TOTAL CORPORATE OBLIGATIONS PURCHASED			\$20,160	\$11,313	\$18,690	\$ 625	\$ 65	\$ 455	\$51,308	4.79%

PRIVATE PLACEMENTS ARRANGED THROUGH THE FOLLOWING FIRMS:

- | | |
|--|-------------------------------|
| *1 A.C. Allyn & Company | *4 Glore, Forgan & Company |
| *2 Dick and Merle-Smith | *5 Goldman, Sachs & Company |
| *3 Eastman, Dillon, Union Securities & Company | *6 R. W. Pressprich & Company |
| | *7 Salomon Brothers & Hutzler |

**Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENTBOND ACTIVITY - RETIREMENT FUNDS
(Not Including U.S. Treasury Securities Transactions)

I S S U E					PUBLIC EMPLOYEES RETIREMENT FUND (000)	STATE EMPLOYEES RETIREMENT FUND (000)	TEACHERS' RETIREMENT FUND (000)	PUBLIC EMPLOYEES POLICE & FIRE FUND (000)	STATE POLICE OFFICERS' RETIREMENT FUND (000)	HIGHWAY PATROLMEN'S RETIREMENT FUND (000)	TOTAL AMOUNT CALLED (000)	CALL PRICE
COMPANY	TYPE OF SECURITY	MATURITY DATE	COUPON RATE %									
CORPORATE BONDS CALLED												
March 14, 1960 - December 31, 1961												
Alabama Power Company..... called as of May 1, 1961	First Mtge	4-1-90	5	\$ 60	\$ 34	\$ 46	-	-	-	-	\$ 140	\$100.309
Central Maine Power Company..... called as of December 1, 1961	First Mtge	11-1-90	5 1/4	-	1	2	\$ 1	-	-	-	4	102.26
Jersey Central Power & Light Company..... called as of September 22, 1961	First Mtge	6-1-90	5 3/8	-	-	22	-	-	-	\$ 2	24	102.61
TOTAL CORPORATE BONDS CALLED.....				\$ 60	\$ 35	\$ 70	\$ 1	-	\$ 2	\$ 2	\$ 168	
CORPORATE BONDS MATURING												
March 14, 1960 - December 31, 1961												
ACF Industries.....		11-1-61/75	4 3/4	\$ 50	\$ 35	\$ 50	-	-	-	-	\$ 135	
Fruit Growers Express Company.....		12-15-61/75	4 3/4	50	50	50	\$ 10	-	-	\$ 7	167	
Western Fruit Express Company.....		2-1-61/8-1-75	4.85	30	20	30	-	-	-	-	80	
TOTAL CORPORATE BONDS MATURING.....				\$130	\$105	\$130	\$ 10	-	\$ 7	\$ 7	\$ 382	
STATE BONDS SOLD												
March 14, 1960 - December 31, 1961												
Arkansas Highway Refunding Series of 1941.		4-1-65	3 1/4	\$ 52	\$ 3	\$ 37	-	-	-	-	\$ 92	
		4-1-66	3 1/4	65	45	30	-	-	-	-	140	
		4-1-67	3 1/4	33	10	151	-	-	-	-	194	
		4-1-68	3 1/4	55	39	31	-	-	-	-	125	
		4-1-69	3 1/4	50	13	6	-	-	-	-	69	
		4-1-72	3 1/4	1	79	234	-	-	-	-	314	
Total 3 1/4% Bonds				\$256	\$189	\$ 489	-	-	-	-	\$ 934	
		4-1-69	3	-	\$ 74	\$ 46	-	-	-	-	\$ 120	
		4-1-70	3	-	39	265	-	-	-	-	304	
		4-1-71	3	\$192	59	240	-	-	-	-	491	
		4-1-72	3	25	9	85	-	-	-	-	119	
Total 3% Bonds				\$217	\$181	\$ 636	-	-	-	-	\$1,034	
TOTAL BONDS SOLD				\$473	\$370	\$1,125	-	-	-	-	\$1,968	

These bonds were sold at a price of \$101.8399 to a syndicate comprised of Smith, Barney & Co.; W. H. Morton & Co., Inc.; and Lee Higginson Corp. on January 4, 1961. The total amount of the proceeds was \$2,034,761.20 plus accrued interest.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

CLASSIFICATION OF CORPORATE BOND PURCHASES IN RETIREMENT FUNDS
March 14, 1960 - December 31, 1961

BREAKDOWN BY CORPORATE TYPE	DOLLAR AMOUNT	PERCENT
Public Utility Bonds:		
Electric Utility.....	\$ 21,290,000	41.5%
Gas Pipeline and Distribution.....	9,045,000	17.6
Telephone.....	2,110,000	4.1
Total Utility Bonds.....	\$ 32,445,000	63.2%
Industrial Bonds.....	8,800,000	17.2
Railroad Equipment Trust Certificates..	10,063,000	19.6
TOTAL.....	\$ 51,308,000	100.0%
 BREAKDOWN BY REDEMPTION FEATURE		
Non-Callable.....	\$ 10,063,000	19.6%
5-year or more call or refunding protection.....	25,215,000	49.1
More than coupon.....	3,950,000	7.7
Coupon.....	11,940,000	23.3
Less than coupon.....	140,000	0.3
TOTAL.....	\$ 51,308,000	100.0%

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule VI

COMMON STOCK PURCHASES FOR RETIREMENT FUNDS

June 1, 1961 - December 31, 1961

TOTAL NUMBER OF SHARES HELD IN THE VARIOUS FUNDS

COMPANY	TOTAL NUMBER OF SHARES	PUBLIC EMPLOYEES RETIREMENT FUND	STATE EMPLOYEES RETIREMENT FUND	TEACHERS' RETIREMENT FUND	PUBLIC EMPLOYEES POLICE & FIRE FUND	STATE POLICE OFFICERS' RETIREMENT FUND	HIGHWAY PATROLMEN'S RETIREMENT FUND	TOTAL COST
PUBLIC UTILITIES								
Electric Distribution								
Allegheny Power System, Inc.....	1,500	500	500	500	-	-	-	\$ 72,418.88
American Electric Power Company.....	1,200	400	400	400	-	-	-	80,047.56
Central & South West Corp.....	1,500	500	500	500	-	-	-	65,861.25
Commonwealth Edison Company.....	2,340	912	612	816	-	-	-	94,660.22
Consolidated Edison Company of New York, Inc..	1,000	300	300	400	-	-	-	78,843.40
Detroit Edison Company, The.....	1,200	500	-	600	-	-	100	71,564.04
Florida Power & Light Company.....	1,000	300	300	400	-	-	-	81,608.67
General Public Utilities Corp.....	1,500	1,500	-	-	-	-	-	54,375.00
Houston Lighting & Power Company.....	1,000	300	300	400	-	-	-	113,828.37
Interstate Power Company.....	3,000	1,000	1,000	1,000	-	-	-	72,778.56
Louisville Gas & Electric Company (Ky.).....	500	-	-	500	-	-	-	30,475.25
Minnesota Power & Light Company.....	2,500	1,000	500	1,000	-	-	-	107,482.41
Northern States Power Company (Minn.).....	1,800	500	500	500	100	100	100	57,828.02
Southern Company, (The).....	1,700	400	500	500	100	100	100	94,106.74
Texas Utilities Company.....	700	200	200	300	-	-	-	67,465.16
Virginia Electric & Power Company.....	1,000	300	300	300	100	-	-	58,498.04
Washington Water Power Company.....	1,000	-	400	600	-	-	-	51,500.00
Wisconsin Power & Light Company.....	2,500	1,000	500	1,000	-	-	-	116,743.50
Wisconsin Public Service Corp.....	2,600	1,000	500	1,100	-	-	-	114,479.41
Total Electric Distribution.....								\$1,484,564.48
Gas Distribution								
Minneapolis Gas Company.....	3,500	1,400	1,000	1,000	100	-	-	137,250.00
United Gas Corp.....	2,600	1,500	-	1,000	100	-	-	98,557.24
Total Gas Distribution.....								\$ 235,807.24
Telephone & Telegraph								
American Telephone & Telegraph Company.....	800	400	200	200	-	-	-	97,158.78
TOTAL PUBLIC UTILITIES.....								\$1,817,530.50
BANKS								
Chase Manhattan Bank (New York).....	1,000	300	300	400	-	-	-	\$ 82,750.00
The Citizens & Southern Nat'l. Bank (Ga.).....	1,600	500	300	800	-	-	-	115,625.00
First Bank Stock Corporation.....	1,500	500	300	700	-	-	-	95,500.00
Morgan Guaranty Trust Company of New York.....	800	300	200	300	-	-	-	108,369.96
National City Bank (Cleveland).....	2,000	800	400	800	-	-	-	122,224.00
Northwest Bancorporation.....	2,000	600	300	800	100	100	100	97,102.25
Security First Nat'l. Bank (Los Angeles).....	1,200	400	400	400	-	-	-	95,400.00
Valley National Bank of Arizona.....	1,500	500	400	500	-	-	100	89,250.00
TOTAL BANKS.....								\$ 806,221.21
INSURANCE								
Continental Casualty Company.....	700	300	-	400	-	-	-	\$ 74,200.00
Insurance Company of North America.....	700	200	200	300	-	-	-	63,700.00
St. Paul Fire & Marine Insurance Company.....	1,200	400	400	400	-	-	-	86,100.00
Travelers Insurance Company (The).....	800	300	200	300	-	-	-	113,224.80
TOTAL INSURANCE.....								\$ 337,224.80

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule VI
(Continuation)

COMMON STOCK PURCHASES FOR RETIREMENT FUNDS

June 1, 1961 - December 31, 1961

COMPANY	TOTAL NUMBER OF SHARES	TOTAL NUMBER OF SHARES HELD IN THE VARIOUS FUNDS						TOTAL COST
		PUBLIC EMPLOYEES RETIREMENT FUND	STATE EMPLOYEES RETIREMENT FUND	TEACHERS' RETIREMENT FUND	PUBLIC EMPLOYEES POLICE & FIRE FUND	STATE POLICE OFFICERS' RETIREMENT FUND	HIGHWAY PATROLMEN'S RETIREMENT FUND	
AUTOMOTIVE								
Ford Motor Company.....	1,200	400	400	400	-	-	-	\$ 96,600.00
General Motors Corp.....	2,600	900	500	1,000	100	-	100	118,608.69
TOTAL AUTOMOTIVE.....								\$ 215,208.69
CHEMICAL AND DRUG								
American Home Products Corp.....	500	500	-	-	-	-	-	\$ 40,610.40
duPont (E. I.) de Nemours & Company.....	500	200	100	200	-	-	-	114,258.95
Hercules Powder Company.....	1,100	400	300	300	50	-	50	113,664.59
TOTAL CHEMICAL & DRUG.....								\$ 268,533.94
ELECTRICAL and ELECTRONIC EQUIPMENT								
General Electric Company.....	1,500	500	400	600	-	-	-	\$ 112,809.68
Gould-National Batteries Inc.....	1,500	500	500	500	-	-	-	67,180.35
Minneapolis-Honeywell Regulator Company.....	800	300	200	300	-	-	-	102,864.46
TOTAL ELECTRICAL & ELECTRONIC EQUIPMENT.....								\$ 282,854.49
OFFICE EQUIPMENT								
International Business Machines Corp.....	210	100	-	100	-	-	10	\$ 112,187.50
PETROLEUM								
Kern County Land Company.....	500	500	-	-	-	-	-	\$ 40,985.75
Louisiana Land & Exploration Co. (The).....	1,400	500	400	500	-	-	-	96,541.90
Socony Mobil Oil Company, Inc.....	1,600	500	500	500	100	-	-	68,028.44
Standard Oil Company (New Jersey).....	2,000	600	300	800	100	100	100	92,463.10
Texaco Inc.....	1,300	400	400	400	-	-	100	67,089.77
TOTAL PETROLEUM.....								\$ 365,108.96
RAILROAD EQUIPMENT								
General American Transportation Corp.....	1,000	-	400	600	-	-	-	\$ 88,978.50
Union Tank Car Company.....	2,100	700	600	700	100	-	-	78,072.96
TOTAL RAILROAD EQUIPMENT.....								\$ 167,051.46
RETAIL TRADE								
Penney (J.C.) Company, Inc.....	1,200	1,000	-	-	100	-	100	\$ 65,307.78
Red Owl Stores Inc.....	1,500	500	500	500	-	-	-	96,681.00
Sears, Roebuck & Company.....	1,000	300	300	400	-	-	-	65,805.38
TOTAL RETAIL TRADE.....								\$ 227,794.16
MISCELLANEOUS								
Corning Glass Works.....	400	200	-	200	-	-	-	\$ 61,417.20
Minnesota Mining & Manufacturing Company.....	1,700	500	500	600	-	-	100	132,494.98
Proctor & Gamble Company (The).....	1,000	500	-	400	-	50	50	88,177.70
TOTAL MISCELLANEOUS.....								\$ 282,089.88
TOTAL COMMON STOCKS.....								\$4,881,803.59

The income on the above stocks, computed on the basis of the indicated dividend being paid at the time of purchase, provides a yield on cost of 2.67%. During the period from the purchase dates to December 31, 1961, 16 of these stocks had increased dividends, paid extras, or declared stock dividends. The income, based on the indicated annual dividend rate as of December 31, 1961, provides a yield of 2.85%.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule VIII

LIST OF VENDORS
COMMON STOCKS PURCHASED FOR RETIREMENT FUNDS

June 1, 1961 - December 31, 1961

NAME OF ISSUE	TOTAL SHARES PURCHASED	VENDORS	
		Number of Shares	Firm
PUBLIC UTILITIES			
Electric Distribution			
Allegheny Power System Inc.....	1,500	1,500	W. C. Langley & Co.
American Electric Power Co.....	1,200	1,200	Shearson, Hammill & Co.
Central & South West Corp.....	1,500	1,500	Smith, Barney & Co.
(1) Commonwealth Edison Co.....	1,300	1,300	A. G. Becker & Co., Inc.
Consolidated Edison Co. of N.Y. Inc.	1,000	1,000	W. C. Langley & Co.
Detroit Edison Co. (The).....	1,200	600	Dempsey-Tegeler & Co.
		600	Kalman & Co., Inc.
Florida Power & Light Co.....	1,000	1,000	Smith, Barney & Co.
General Public Utilities Corp.....	1,500	1,500	Blyth & Co., Inc.
Houston Lighting & Power Co.....	1,000	1,000	American Securities Corp.
Interstate Power Co.....	3,000	3,000	Smith, Barney & Co.
Louisville Gas & Electric Co. (Ky)	500	500	Kalman & Co., Inc.
Minnesota Power & Light Co.....	2,500	2,500	Piper, Jaffray & Hopwood
Northern States Power Co. (Minn)..	1,800	1,600	Piper, Jaffray & Hopwood
		200	Dempsey-Tegeler & Co.
Southern Co. (The).....	1,700	1,000	Bache & Co.
		700	Francis I. duPont & Co.
Texas Utilities Co.....	700	700	Paine, Webber, Jackson & Curtis
Virginia Electric & Power Co.....	1,000	1,000	Francis I. duPont & Co.
Washington Water Power Co.....	1,000	1,000	Blyth & Co., Inc.
Wisconsin Power & Light Co.....	2,500	500	Blyth & Co., Inc.
		1,000	The First Boston Corp.
		1,000	White, Weld & Co.
Wisconsin Public Service Corp.....	2,600	1,000	The First Boston Corp.
		1,600	The Milwaukee Company
Gas Distribution			
Minneapolis Gas Co.....	3,500	700	J. M. Dain & Co., Inc.
		2,000	Dominick & Dominick
		800	Kalman & Co., Inc.
United Gas Corp.....	2,600	1,100	Bache & Co.
		500	Cruttenden, Podesta & Co.
		500	The First Boston Corp.
		500	Harold E. Wood & Co.
Telephone & Telegraph			
American Telephone & Telegraph Co.	800	800	Estabrook & Co.
BANKS			
Chase Manhattan Bank (N.Y.).....	1,000	1,000	The First Boston Corp.
The Citizens & Southern Nat'l. Bank (Ga.)	1,600	1,600	Tucker, Anthony & R. L. Day
First Bank Stock Corporation.....	1,500	1,000	Harold E. Wood & Co.
		500	Caldwell-Phillips, Inc.
Morgan Guaranty Trust Co. of N.Y.....	800	800	Goldman, Sachs & Co.
National City Bank (Cleveland).....	2,000	2,000	Tucker, Anthony & R. L. Day
Northwest Bancorporation	2,000	1,000	Caldwell-Phillips, Inc.
		1,000	Woodard-Elwood & Co.
Security First Nat'l Bank (L.A.)....	1,200	1,200	Blyth & Co., Inc.
Valley Nat'l. Bank of Arizona.....	1,500	1,500	The First Boston Corp.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

LIST OF VENDORS
FIXED INCOME SECURITIES

March 14, 1960 - December 31, 1961

Allison-Williams Co.	Hayden, Stone & Co.
A. C. Allyn & Co., Inc.	Hemphill, Noyes & Co.
American Nat'l. Bank, St. Paul	Hornblower & Weeks
American Securities Corp.	E. F. Hutton & Co.
C. S. Ashmun Co.	Kalman & Co., Inc.
Bache & Co.	Kidder, Peabody & Co.
Ball, Burge & Kraus	Kuhn, Loeb & Co.
Baxter & Co.	W. C. Langley & Co.
A. G. Becker & Co., Inc.	Lee Higginson Corp.
Blair & Co., Inc.	Lehman Brothers
Blair (William) & Co.	Ladenburg, Thalmann & Co.
Blunt, Ellis & Simmons	Marquette Nat'l. Bank, Minneapolis
Blyth & Co., Inc.	McDonnell & Co., Inc.
Burgess & Leith	McMaster, Hutchinson & Co.
Burnham & Co.	Merrill Lynch, Pierce, Fenner & Smith, Inc.
Caldwell-Phillips, Inc.	Midland Nat'l. Bank, Minneapolis
Childs Securities Corp.	The Milwaukee Co.
Clark, Dodge & Co., Inc.	Morgan Stanley & Co.
Courts & Co.	Northern City Nat'l. Bank, Duluth
Cruttenden, Podesta & Co.	Northwestern Nat'l. Bank of Minneapolis
J. M. Dain & Co., Inc.	Paine, Webber, Jackson & Curtis
Shelby Cullom Davis & Co.	Piper, Jaffray & Hopwood
Dick & Merle-Smith	R. W. Pressprich & Co.
R. S. Dickson & Co., Inc.	Reynolds & Co.
Dillon, Read & Co., Inc.	Irving J. Rice & Co., Inc.
Dominick & Dominick	Riter & Co.
Drexel & Co.	L. F. Rothschild & Co.
Francis I. duPont & Co.	Salomon Brothers & Hutzler
Eastman Dillon, Union Securities & Co.	Shaughnessy & Co., Inc.
Equitable Securities Corp.	Shearson, Hammill & Co.
Estabrook & Co.	Shields & Co.
Fahnestock & Co.	Smith, Barney & Co.
First American Nat'l Bank of Duluth	F. S. Smithers & Co.
The First Boston Corporation	Spencer Trask & Co.
First of Michigan Corporation	Stone & Webster Securities Corp.
The First Nat'l Bank of Minneapolis	Stroud & Co., Inc.
The First Nat'l Bank of St. Paul	Tucker, Anthony & R. L. Day
Glore, Forgan & Co.	Wertheim & Co.
Goldman, Sachs & Co.	White, Weld & Co.
Goodbody & Co.	Dean Witter & Co.
Halsey, Stuart & Co., Inc.	Harold E. Wood & Co.
Harriman Ripley & Co., Inc.	Woodard-Elwood & Co.

NAME OF ISSUE	TOTAL SHARES PURCHASED	VENDORS	
		Number of Shares	Firm
INSURANCE			
Continental Casualty Co.....	700	700	Blair (William) & Co.
Ins. Co. of North America.....	700	700	Harriman Ripley & Co., Inc.
St. Paul Fire & Marine Ins. Co.	1,200	1,200	Merrill Lynch, Pierce, Fenner & Smith, Inc.
Travelers Insurance Co. (The).....	800	800	Dominick & Dominick
AUTOMOTIVE			
Ford Motor Company.....	1,200	100	Allison-Williams Co.
		300	Blyth & Co., Inc.
		100	J. M. Dain & Co., Inc.
		100	Equitable Securities Corp.
		100	Goldman, Sachs & Co.
		100	Kalman & Co., Inc.
		100	Piper, Jaffray & Hopwood
		100	Riter & Co.
		100	Harold E. Wood & Co.
		100	Woodard-Elwood & Co.
General Motors Corp.	2,600	1,600	Eastman Dillon, Union Securities & Co.
		1,000	Van Alstyne, Noel & Co.
CHEMICAL & DRUG			
American Home Products Corp.....	500	500	H. C. Wainwright & Co.
duPont (E. I.) deNemours & Co.....	500	500	White, Weld & Co.
Hercules Powder Co.....	1,100	50	Harris, Upham & Co.
		50	Jamieson & Co.
		1,000	Paine, Webber, Jackson & Curtis
ELECTRICAL AND ELECTRONIC EQUIPMENT			
General Electric Co.....	1,500	1,500	Salomon Brothers & Hutzler
Gould-National Batteries Inc.....	1,500	1,500	Eastman Dillon, Union Securities & Co.
Minneapolis-Honeywell Regulator Co.	800	800	Dean Witter & Co.
OFFICE EQUIPMENT			
Int'l. Business Machines Corp.....	210	200	Francis I. duPont & Co.
		10	Harris, Upham & Co.
PETROLEUM			
Kern County Land Co.....	500	500	H. C. Wainwright & Co.
Louisiana Land & Exploration Co. (The)	1,400	1,400	Lee Higginson Corp.
Socony Mobil Oil Co. Inc.....	1,600	100	Bache & Co.
		1,500	Van Alstyne, Noel & Co.
Standard Oil Co. (New Jersey).....	2,000	1,000	Craig-Hallum, Kinnard, Inc.
		1,000	Harris, Upham & Co.
(2) Texaco, Inc.....	700	100	Harris, Upham & Co.
		600	Reynolds & Co.
RAILROAD EQUIPMENT			
Gen'l. American Transportation Corp.	1,000	1,000	A. G. Becker & Co., Inc.
Union Tank Car Co.....	2,100	100	Bache & Co.
		2,000	Estabrook & Co.
RETAIL TRADE			
Penney (J.C.) Co., Inc.....	1,200	200	Harris, Upham & Co.
		1,000	Jamieson & Co.
Red Owl Stores, Inc.....	1,500	1,500	J. M. Dain & Co., Inc.
Sears, Roebuck & Co.....	1,000	1,000	H. C. Wainwright & Co.
MISCELLANEOUS			
Corning Glass Works.....	400	400	Shearson, Hammill & Co.
Minnesota Mining & Mfg. Co.....	1,700	600	J. M. Dain & Co., Inc.
		100	Harris, Upham & Co.
		1,000	Merrill Lynch, Pierce, Fenner & Smith, Inc.
Proctor & Gamble Co. (The).....	1,000	200	A. G. Becker & Co., Inc.
		800	Kidder, Peabody & Co.

(1) The number of shares purchased does not equal the number of shares held because of a two for one stock split plus a 2% stock dividend subsequent to purchase.

(2) The number of shares purchased does not equal the number of shares held because of a two for one stock split subsequent to purchase.