

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

1962 REPORT
of
THE EXECUTIVE SECRETARY

Robert E. Blatz
February 15, 1963

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT
115 STATE CAPITOL
ST. PAUL 1

LIST OF VENDORS
FIXED INCOME SECURITIES
DURING THE YEAR ENDING DECEMBER 31, 1962
(Supplement to 1962 Annual Report)

Allison-Williams Co.
A. C. Allyn & Co., Inc.
American Nat'l. Bank, St. Paul
American Securities Corp.
C. S. Ashmun Co.
Bache & Co.
Baxter & Co.
A. G. Becker & Co., Inc.
Blair & Co., Inc.
Blair (William) & Co.
Blyth & Co., Inc.
Burnham & Co.
Caldwell Phillips, Inc.
Clark, Dodge & Co., Inc.
Courts & Co.
Cruttenden, Podesta & Miller
J. H. Dain & Co., Inc.
Dick & Merle-Smith
R. S. Dickson & Co., Inc.
Dominick & Dominick
Drexel & Co.
Francis I. duPont & Co.
Eastman Dillon, Union Securities & Co.
Equitable Securities Corp.
Estabrook & Co.
First American Nat'l. Bank of Duluth
The First Boston Corporation
The First Nat'l. Bank of Minneapolis
The First Nat'l. Bank of St. Paul
Glore, Forgan & Co.
Goldman, Sachs & Co.
Halsey, Stuart & Co., Inc.
Harriman Ripley & Co., Inc.
Hayden, Stone & Co.
Hemphill, Noyes & Co.
Hornblower & Weeks
Illinois Co., Inc. (The)

Kidder, Peabody & Co.
Kuhn, Loeb & Co.
W. C. Langley & Co.
Lee Higginson Corp.
Lehman Brothers
Ladenburg, Thalmann & Co.
Marquette Nat'l. Bank, Minneapolis
McDonnell & Co., Inc.
McMaster, Hutchinson & Co.
Merrill Lynch, Pierce, Fenner
& Smith, Inc.
Midland Nat'l. Bank, Minneapolis
The Milwaukee Co.
Mullaney, Wells & Co.
New York Hanseatic Corp.
Northern City Nat'l. Bank, Duluth
Northwestern Nat'l. Bank of Mpls.
Pacific Northwest Co.
Paine, Webber, Jackson & Curtis
Piper, Jaffray & Hopwood
R. W. Pressprich & Co.
Reynolds & Co.
Riter & Co.
L. F. Rothschild & Co.
Salomon Brothers & Hutzler
Shaughnessy & Co., Inc.
Shearson, Hammill & Co.
Shields & Co.
Smith, Barney & Co.
F. S. Smithers & Co.
Spencer Trask & Co.
Stone & Webster Securities Corp.
Tucker, Anthony & R. L. Day
Weeden & Co.
White, Weld & Co.
Dean Witter & Co.
Woodard-Elwood & Co.

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PRIVATE PLACEMENTS PURCHASED DURING 1962
(Supplement to 1962 Annual Report)

Face Amount	Company	Type of Bond	Coupon	Maturity	Negotiated By
\$1,020,000.00	ACF Industries	Equipment Trust	4-7/8%	1-15-63/77	R. W. Fresser, Inc.
750,000.00	American Sterilizer Co.	Note	4-7/8	3-1-77	Glore, Forgan & Co.
2,082,735.98	Chicago, Milwaukee, St. Paul and Pacific Railroad	Conditional Sale	5-3/8	7-1-62/1-1-77	Salomon Brothers & Co.
600,000.00	Citizens Utilities Co.	Coll.Tr. & 1st Mtg.	4-5/8	10-1-92	Goldman, Sachs & Co.
250,000.00	Fruit Growers Express Co.	Equipment Trust	4.40	5-1-63/67	R. W. Fresser, Inc.
500,000.00	Fruit Growers Express Co.	Equipment Trust	4.70	5-1-68/77	R. W. Fresser, Inc.
1,000,000.00	Indianapolis Water Co.	First Mortgage	4-3/4	1-1-92	Glore, Forgan & Co.
370,000.00	North American Car Corp. *	Equipment Trust	4.40	4-15-68/10-15-72	Glore, Forgan & Co.
740,000.00	North American Car Corp. *	Equipment Trust	4.50	4-15-73/10-15-77	Glore, Forgan & Co.
1,298,972.26	St. Louis-San Francisco Ry.Co.	Conditional Sale	4-1/4	12-1-62/6-1-72	Dick & Harlan & Co.
1,947,900.00	St. Louis-San Francisco Ry.Co.	Conditional Sale	4-3/4	7-1-62/1-2-77	Dick & Harlan & Co.
1,500,000.00	Shamrock Oil & Gas Corp.	Note	4-1/2	11-15-87	The First Boston Corp.
1,300,000.00	Southern Natural Gas Co.	First Mortgage	4-3/4	12-1-81	Blyth & Co., Inc. Halsey, Stuart & Co. The First Boston Corp.
800,000.00	Springfield Gas Light Co.	Note	4-7/8	1-15-87	The First Boston Corp.
1,500,000.00	Trunkline Gas Co.	First Mortgage	5	1-1-82	Kidder, Peabody & Co. Merrill Lynch, Pierce Fenner & Smith, Inc.

* North American Car commitment totaled \$1,800,000; delivery on final \$690,000 took place early in 1963.

Robert E. Blixt, Executive Secretary
January 15, 1962

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COMMON STOCKS PURCHASED FOR RETIREMENT FUNDS
DURING THE YEAR ENDING DECEMBER 31, 1962
(Supplement to 1962 Annual Report)

<u>Total Shares Purchased</u>	<u>Name of Issue and Vendor</u>	<u>Total Shares Purchased</u>	<u>Name of Issue and Vendor</u>
PUBLIC UTILITIES:			
Electric Distribution:			
1000	Allegheny Power System 500 American Securities 500 First Boston	6160	General Public Utilities 1000 American Securities 1000 Blyth
1500	American Electric Power 1000 A. G. Becker 500 Blyth	2000	Brown Bros. Harriman 100 Kalman 200 Piper Jaffray
3200	Central & South West 1000 Dominick & Dominick 100 Francis I. duPont 1000 Hemphill Noyes 1000 Merrill Lynch 100 Sampair & Egan	940	Reynolds 500 Sampair & Egan 420 Dean Witter
4500	Cincinnati Gas & Electric 500 American Securities 2000 L. F. Rothschild 2000 Weeden	1200	Houston Lighting & Power 300 Merrill Lynch 900 Weeden
1906	Commonwealth Edison 1506 Glore Forgan 400 Sampair & Egan	2600	Indianapolis Power & Light 600 Shearson Hammill 2000 Weeden
1800	Consolidated Edison 500 A. G. Becker 1000 W. C. Langley 300 Paine Webber	4500	Interstate Power 400 Kalman 100 Lee Higginson 3000 Piper Jaffray 1000 Weeden
2450	Consumers Power 1800 American Securities 500 A. G. Becker 100 Francis I. duPont 50 Sampair & Egan	1500	Kansas City Power & Light 500 American Securities 1000 Weeden
1500	Detroit Edison 500 American Securities 500 A. G. Becker 500 Lee Higginson	5000	Louisville Gas & Electric 2000 McDonnell 1000 Reynolds 2000 Weeden
2900	Florida Power & Light 1000 Goldman Sachs 800 W. C. Langley 400 Shearson Hammill 400 Smith Barney 300 White Weld	1000	Middle South Utilities 500 Hayden Stone 500 Smith Barney
		4000	Minnesota Power & Light 500 Merrill Lynch 1500 Paine Webber 1000 Thomson & McKinnon 500 Weeden 500 White Weld

Common Stocks Purchased December 31, 1962
(Supplement to 1962 Annual Report)

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Total
Shares
Purchased / Name of Issue and Vendor

Total
Shares
Purchased Name of Issue and Vendor

Electric Distribution (Cont.)

5300 Northern States Power
1000 Brown Bros. Harriman
1000 Caldwell-Phillips
100 Kalman
1200 Lamson Bros.
1000 Thomson & McKinnon
1000 Woodard-Elwood

3500 Ohio Edison
1000 Blyth
2500 Francis I. duPont

3200 Pacific Gas & Electric
700 Blyth
1500 Harris Upham
1000 Kuhn Loeb

5300 Public Service Co. of Colo.
840 Blyth
750 First Boston
200 Morgan Guaranty Trust
510 Smith Barney
3000 White Weld

5000 Southern California Edison
1000 Blyth
3000 First Boston
500 Jamieson
500 Weeden

3100 Southern Company
1000 A. G. Becker
2100 Blyth

1800 Texas Utilities
300 Smith Barney
1500 H. C. Wainwright

6000 Tucson Gas, Elec. Lght & Pwr.
1000 Blyth
5000 First Boston

5000 Utah Power & Light
1000 Paine Webber
1000 Weeden
3000 Dean Witter

2800 Virginia Electric & Power
600 Goldman Sachs
300 Reynolds
1000 Shearson Hammill
900 Smith Barney

2300 Washington Water Power
1000 American Securities
500 Pacific Northwest
500 Shearson Hammill
500 White Weld

1000 Wisconsin Power & Light
1000 Blyth

1500 Wisconsin Public Service
1000 Weeden
500 White Weld

Gas Distribution and Transmission:

2900 Minneapolis Gas
1000 J. M. Dain
1400 Kalman
500 Paine Webber

11400 Tennessee Gas Transmission
4500 Blyth
1600 Shearson Hammill
2000 Smith Barney
1800 Weeden
1500 White Weld

7000 Transcontinental Gas F. L.
4000 Blyth
3000 White Weld

3000 United Gas
1000 Cruttenden Podesta
2000 Goldman Sachs

Telephone & Telegraph:

3530 American Tel. & Tel.
400 J. M. Dain
100 Francis I. duPont
50 Kalman
400 Merrill Lynch
460 Reynolds
620 Smith Barney
1000 H. C. Wainwright
500 Dean Witter

BANKS:

3100 Chase Manhattan Bank
1000 First Boston
1500 M. A. Shapiro
600 Tucker Anthony

600 Citizens & Southern Nat'l. Bk.
600 Tucker Anthony

Common Stocks Purchased December 31, 1962
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<u>Total Shares Purchased</u>	<u>Name of Issue and Vendor</u>	<u>Total Shares Purchased</u>	<u>Name of Issue and Vendor</u>
BANKS (CONT.)			
2100	First Bank Stock 500 J. M. Dain 500 Merrill Lynch 1000 Paine Webber 100 Sampair & Egan	5250	St. Paul Fire & Marine Ins. 2950 Blyth 300 Harriman Ripley 2000 Kalman
600	Morgan Guaranty Trust 200 Keefe Bruyette & Woods 400 Tucker Anthony	200	Travelers Insurance 200 Lee Higginson
1500	National City Bank (Cleveland) 200 Keefe Bruyette & Woods 1300 Tucker Anthony	AUTOMOTIVE:	
4900	Northwest Bancorporation 1000 Caldwell-Phillips 1000 M. H. Bishop 1000 J. M. Dain 1900 Woodard-Elwood	4200	Ford Motor 100 Allison-Williams 200 Blyth 1000 Cruttenden Podesta 100 J. M. Dain 200 First Boston 100 Kalman 100 Merrill Lynch 150 Milwaukee Co. 1000 H. C. Wainwright
1300	Security First Nat'l. Bk. (L.A.) 700 Keefe Bruyette & Woods 600 Tucker Anthony	1000	Weeden
1900	Valley Nat'l. Bk. (Arizona) 500 Blyth 800 Keefe Bruyette & Woods 600 Tucker Anthony	100	White Weld
3200	Wells Fargo Bank 2200 Blyth 1000 First Boston	100	Dean Witter
4200	Western Bancorporation 1200 Brown Bros. Harriman 3000 Kidder Peabody	50	Woodard-Elwood
INSURANCE:			
2520	Continental Casualty 1500 Blair (Wm.) 700 Blyth 320 J. M. Dain	4600	General Motors 100 Blyth 100 J. M. Dain 600 Francis I. duPont 500 Harris Upham 300 W. E. Hutton 600 Merrill Lynch 300 Morgan Stanley 600 Piper Jaffray 1000 Reynolds 200 Shearson Hammill 100 Smith Barney 200 Woodard-Elwood
1400	General America 1100 Blyth 300 Pacific Northwest	CHEMICAL:	
2750	Hartford Fire Insurance 650 Blyth 1600 First Boston 500 Harriman Ripley	1340	duPont (E.I.) de Nemours 400 A. G. Becker 400 Paine Webber 540 Reynolds
1500	Ins. Co. of North America 1000 Dominick & Dominick 500 Harriman Ripley	2000	Eastman Kodak 500 Dempsey-Tegener 700 Francis I. duPont 400 Estabrook 400 Jamieson

Common Stocks Purchased December 31, 1962
(Supplement to 1962 Annual Report)

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Total Shares Purchased	Name of Issue and Vendor
CHEMICALS (CONT.)	
2800	Hercules Powder 900 Bache 1000 Francis I. duPont 900 Lee Higginson
3700	Monsanto Chemical 800 Brown Bros. Harriman 2000 Harriman Ripley 900 Weeden

CONTAINERS:

2600	American Can 600 Harris Upham 2000 Merrill Lynch
3000	Continental Can 1000 A. G. Becker 1000 Van Alstyne Noel 1000 Weeden

DRUG:

2900	American Home Products 1700 A. G. Becker 700 Milwaukee Co. 500 Dean Witter
1450	Merck 400 Brown Bros. Harriman 50 Sampair & Egan 1000 H. C. Wainwright
2600	Pfizer (Chas.) 100 Lamson Bros. 500 Piper Jaffray 1500 R. W. Pressprich 500 Reynolds
5100	Upjohn 1500 Bache 500 Brown Bros. Harriman 1000 Harriman Ripley 2100 Weeden

ELECTRICAL & ELECTRONIC:

1800	General Electric 400 Bache 100 Kalman 100 Lamson Bros. 1100 Merrill Lynch 50 Sampair & Egan 50 Standard-Eliot
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Total Shares Purchased	Name of Issue and Vendor
2500	Gould-Nat'l. Batteries 500 A. G. Becker 1000 Eastman Dillon 1000 Glore Forgan
1800	Mpls. Honeywell Reg. 300 Dempsey-Tegeler 400 Merrill Lynch 800 Shearson Hammill 300 Weeden

FOOD AND BEVERAGE:

2500	Campbell Soup 500 Francis I. duPont 1000 Lee Higginson 500 Milwaukee Co. 500 Smith Barney
1800	Coca-Cola 1000 Brown Bros. Harriman 500 Francis I. duPont 300 Merrill Lynch
3000	Corn Products 1000 Harris Upham 2000 R. W. Pressprich
2100	General Foods 600 Shearson Hammill 1500 H. C. Wainwright
2500	Pepsi-Cola 600 Lee Higginson 1900 H. C. Wainwright

MACHINERY:

5500	International Harvester 1000 Caldwell-Phillips 1000 Eastman Dillon 2000 Salomon Bros. 500 Van Alstyne Noel 1000 White Weld
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METALS:

6000	Inland Steel 1500 Bache 1500 H. C. Wainwright 3000 Weeden
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Common Stocks Purchased December 31, 1962
(Supplement to 1962 Annual Report)

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Total
Shares
Purchased Name of Issue and Vendor

OFFICE EQUIPMENT:

825 Internat'l. Business Mach.
 100 J. M. Dain
 100 Francis I. duPont
 100 Glore Forgan
 25 Harris Upham
 100 W. C. Langley
 100 Merril Lynch
 100 Piper Jaffray
 100 Reynolds
 100 Smith Barney

PAPER:

5000 Scott Paper
 2000 Kidder Peabody
 3000 Salomon Bros.

PETROLEUM:

~~4700 Gulf Oil~~
 1000 Hayden Stone
 1000 Salomon Bros.
 2400 Van Alstyne Noel
900 Kern County Land
 400 Merril Lynch
 500 White Weld
1000 Louisiana Land & Exploration
 1000 Clark Dodge
6700 Socory Mobil Oil
 1000 Brown Bros. Harriman
 100 Kalman
 1300 W. C. Langley
 1000 McDonnell
 1500 Paine Webber
 700 Sampair & Egan
 1000 Shearson Hammill
 100 Woodard-Elwood
5700 Standard Oil (N.J.)
 1000 Craig-Hallum
 500 J. M. Dain
 1000 Hemphill Noyes
 500 Jamieson
 200 Lamson Bros.
 500 Piper Jaffray
 1000 Salomon Bros.
 1000 Woodard-Elwood
1800 Texaco
 1800 Salomon Bros.

Total
Shares
Purchased Name of Issue and Vendor

PRINTING AND PUBLISHING:

4000 Donnelley & Sons
 700 First Boston
 3300 Harriman Ripley
3400 Dun & Bradstreet
 1500 First Boston
 1400 Illinois Co.
 500 Shields
3800 Prentice-Hall
 3800 Eastman Dillon
7200 Western Publishing
 2200 Blyth
 3000 Goldman Sachs
 2000 Harriman Ripley

RAILROAD:

3400 Norfolk & Western Railway
 400 Bache
 1000 Dick & Merle-Smith
~~1200 Piper Jaffray~~
 800 Smith Barney
6000 Southern Railway
 500 Harriman Ripley
 2000 Harris Upham
 1000 Hemphill Noyes
 500 Lamson Bros.
 1000 Shearson Hammill
 1000 Smith Barney
6900 Union Pacific Railroad
 2400 Dick & Merle-Smith
 1000 Kidder Peabody
 2000 Salomon Bros.
 1500 Weeden

RAILROAD EQUIPMENT:

2200 General American Transp.
 700 Craig-Hallum
 500 Reynolds
 1000 Smith Barney
5800 Union Tank Car
 800 Estabrook
 1000 Goldman Sachs
 1000 Lehman Bros.
 500 Milwaukee Co.
 500 Reynolds
 2000 Shearson Hammill

Common Stocks Purchased December 31, 1962
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Total
Shares
Purchased Name of Issue and Vendor

Total
Shares
Purchased Name of Issue and Vendor

RETAIL TRADE:

3900 Great Atlantic & Pacific Tea
 1700 A. G. Becker
 1000 Francis I. duPont
 500 Jamieson
 700 Piper Jaffray
2700 Penney (J.C.)
 200 Lamson Bros.
 900 Merrill Lynch
 1600 Spencer Trask
3500 Red Owl Stores
 1500 J. M. Dain
 1000 Piper Jaffray
 1000 White Weld
1650 Sears, Roebuck
 1300 Piper Jaffray
 300 Smith Barney
 50 Woodard-Elwood
6000 Super Valu Stores
 1000 J. M. Dain
 2000 Piper Jaffray
 3000 White Weld

1700 Proctor & Gamble
 400 Francis I. duPont
 300 Eastman Dillon
 400 Shearson Hammill
 600 Weeden

MISCELLANEOUS:

600 Corning Glass Works
 200 Francis I. duPont
 400 H. C. Wainwright
5400 Gillette
 600 Dempsey-Tegeler
 2600 Drexel
 1100 Eastman Dillon
 600 Lee Higginson
 500 Weeden
5450 Minnesota Mining & Mfg.
 550 Caldwell-Phillips
 1200 Hemphill Noyes
 1000 Kuhn Loeb
 100 Lamson Bros.
 500 Milwaukee Co.
 1500 Smith Barney
 600 F. S. Smithers

Robert E. Blixt, Executive Secretary
January 15, 1962

MEMBERS
of the
STATE BOARD OF INVESTMENT
during 1962

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

*Secretary of State Joseph L. Donovan replaced
Regent Robert E. Hess on the Board as provided
in Constitutional Amendment No. I, which became
effective November 23, 1962.

Investment Department Personnel

Robert E. Blixt	Executive Secretary
John W. Kelly	Senior Analyst
Roger A. Derksen	Analyst
Miriam K. Yaeger	Secretary
Marlys M. Wood	Stenographer



STATE OF MINNESOTA
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115 STATE CAPITOL
SAINT PAUL 1

February 15, 1963

Members of the Legislature of the State of Minnesota

Gentlemen:

This report, outlining the work of the State Board of Investment during calendar 1962, is the third to be submitted to you since the passage of Chapter 693, Laws of Minnesota, 1959. This statute provided for the establishment of a department to advise the State Board of Investment and implement its decisions.

Since the Investment Department was established in April, 1960, Minnesota's constitutional provisions and statutes regarding investments have been changed substantially. Because of the interest in our activities and purchases during this period of change, we have been requested by numerous investment dealers, brokers, and research organizations to provide information concerning the investment of Minnesota's funds. Therefore, this report is written not only to provide Legislators with the results of our efforts to improve the yield and quality of investments in the various funds, but also to inform other interested individuals and firms of our policies and procedures.

All investment policies pertaining to the state's trust funds, retirement funds, highway funds, invested treasurer's cash, and some special funds of the state institutions, are determined by the State Board of Investment in accordance with various provisions of the state constitution and statutes. Until the passage of Amendment No. I - the Trust Fund Amendment - in November, 1962, the board included the Governor, State Auditor, State Treasurer, Attorney General, and one member of the University of Minnesota's Board of Regents. Under the amendment, the University Regent is replaced by the Secretary of State. 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 constitutional, legislative, and policy changes during that time, this summary describes practically all investment activity since the office of the executive secretary was established.

A more complete resume of our purchases and policies during 1960 and 1961 may be found in the annual reports for those years.

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 \$2.8 million in 1962 came from ore royalties and timber payments.

A market valuation of the trust funds was taken on December 31, 1962. These funds were then worth approximately \$92.88 per \$100 invested as indicated on the following schedule.

APPROXIMATE MARKET VALUE OF COMBINED TRUST FUNDS
December 31, 1962

<u>Types of Securities</u>	<u>Face Value or Cost</u>	<u>Market Value</u>	<u>Value per \$100 Invested</u>
U. S. Government	\$261,402,500.00	\$242,598,356.52	\$92.81
State Obligations	44,734,915.57	41,896,984.41	93.66
Minnesota Subdivisions (Bonds and Loans)	<u>5,314,205.00</u>	<u>4,782,784.50</u>	<u>90.00</u>
Totals	\$311,451,620.57	\$289,278,125.43	\$92.88

The market valuation of U. S. Government securities, which comprised approximately 84% of the trust fund portfolio, was computed from quotations on these securities. The market valuations for the remaining 16% of the assets are reasonable estimates in that, for the most part, the securities are not marketable. Minnesota state obligations were valued according to the worth of U. S. Government securities of comparable yield and maturity. These Minnesota obligations would be worth substantially more, because of the tax-exempt income accruing to investors, if they were in negotiable form and could be sold on the public market. The total of Minnesota subdivision securities and loans has been declining in recent years because no such loans have been made since 1956. The estimated market value of these loans, which bear comparatively low interest rates, is based on their investment worth to the trust funds. All of these securities owned by the trust funds are valued at less than cost or face value because of the higher level of interest rates now prevailing and the correspondingly lower level of bond prices. The U. S. Treasury securities are of long maturities - concentrated in the 1980-1995 range - and may be expected to have a market value less than cost until near maturity date or until there is a major decline in interest rates.

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 purchased 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 these situations, the public issuance of bonds by the state was deferred because of recent decisions of our Supreme Court, which questioned the legality of further Minnesota state debt. Passage of Amendment No. II in November, 1962, remedied this situation; and the state will now be able to issue full faith and credit obligations.

Amendment No. I, which provides a more realistic investment policy applicable to the Trust Funds, received 828,880 affirmative votes and was approved by a wider

margin than any other amendment considered in the 1962 election. Support was given this amendment by education organizations, investment firms, financial institutions, labor groups, and interested citizens throughout the state. The newly approved provisions of our constitution authorized the investment of 40% of the Permanent School Fund in corporate bonds, 20% in common stocks, and the use of many types of government securities.

The Trust Fund amendment's investment provisions apply to the newly consolidated Permanent School Fund. It is anticipated that the Board of Regents of the University of Minnesota will assume the investment management of the Permanent University Fund in the near future and, under existing authority, will be able to use corporate securities in their investment program. The Internal Improvement Land Fund will remain a reserve fund invested in U. S. Government obligations.

Legislation has been introduced which will implement Amendment No. I and more clearly define the investment policies to be followed by the State Board of Investment in managing the Permanent School Fund. It is expected that the rearrangement of this fund, through the use of corporate securities, will take a number of years. In 1960, our trust funds were yielding approximately 2.8%. At that time, we made substantial changes in our U. S. Government portfolio to increase income by approximately \$400,000 per year. The yield has now reached 3.1% and is expected to increase as we begin the investment rearrangements made possible by the passage of Amendment No. I.

THE HIGHWAY FUNDS

The State Board of Investment purchases U. S. Treasury securities with money not obligated for current needs. The Commissioner of Highways certifies the amounts not needed in the immediate future, and these sums are invested in maturities best fitting the expected disbursements of the Highway Department. The time necessary for the planning, purchase of right of way, and construction of highways, means that funds are available for investment for considerable periods. The amount of investments in the various highway funds fluctuates throughout the year. U. S. Treasury obligations and Minnesota Certificates of Indebtedness, included in these accounts, totaled \$56 million on December 31, 1962.

INVESTED TREASURER'S CASH FUND

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 the Invested Treasurer's Cash 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 sizeable earnings during 1960 and early 1961 because of the investment of the proceeds from the sale of state certificates of indebtedness. The institution of the withholding method of collection of state income tax, in late 1961, substantially reduced the average level of investment in the Invested Treasurer's Cash Fund. The income tax moneys are now used at approximately the time of receipt except for certain accumulations held through the summer for autumn school aid payments.

Securities held in the Invested Treasurer's Cash Fund totaled \$15 1/4 million on December 31, 1961, and \$18 million on December 31, 1962. These investments

reached a high of \$82.5 million in August, 1962, just before the payment of the initial school aid distribution.

Although the lower level of cash in the State Treasury has made any income from these temporary investments even more important during the past few years, the reduced amount available for investment will apparently result in lower earnings for the Invested Treasurer's Cash Fund during the foreseeable future.

Because of the temporary nature of the Invested Treasurer's Cash investments and the frequent necessity of selling these investments to meet current needs, practically all securities in this account mature in less than six months from date of purchase. The statute requires that these investments mature in three years or less.

STATE COLLEGES, WELFARE, AND DEPARTMENT OF CORRECTIONS

The State Board of Investment is responsible for the investment of individual endowment accounts applicable to scholarships and the support of state institutions, as well as certain funds designated for welfare institutions, and inmate accounts in both welfare and correction institutions.

Provisions have not yet been made for a pooled fund for the various college endowments. It is anticipated that such an endowment fund, comparable to the Group Investment Fund managed by the University of Minnesota, will be established to provide donors of small gifts with the benefits of diversification otherwise present only in the larger investment accounts. It would appear that an improved investment program would increase the interest of prospective donors in making gifts and bequests for the support of our state colleges.

THE RETIREMENT FUNDS

Investments in the state retirement funds, administered by the State Board of Investment, totaled approximately \$218.7 million in book value on December 31, 1962. Most of this money has been accumulated through payroll deductions from employees of the state, various governmental units and school districts. In recent years, however, the Legislature has greatly increased the contributions to these funds by the employers - - the governing units. Chapter 380, Laws of 1961, revised the investment provisions applicable to the retirement funds, following the recommendations of the Public Retirement Study Commission of the Minnesota Legislature, an interim commission which studied the investment results of comparable funds for several years and reviewed possible investment media. The state's financial officers had also advocated these changes.

The wording of this law is very comparable to that recommended by the Governor's Committee on Investment of State Trust Funds, which made a detailed analysis of our trust funds and proposed investment changes. These revisions were approved by Minnesota's electorate through the passage of Amendment No. I in November, 1962.

Although previous statutes authorized the use of certain public utility and railroad bonds, this authorization was not used until the Investment Department was established on April 1, 1960. We then began 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, 1962. 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 39% 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 \$74 million of school and municipal securities held in the retirement funds on December 31, \$37 million consisted of bonds issued by the suburban governments of the Twin Cities area (in Hennepin, Ramsey, Anoka, Washington and Dakota Counties). During 1962, the State Board of Investment sold approximately \$10 million of these suburban credits. We have been encouraged by the broad interest in our offerings of these securities. The Board intends to continue its sales program, but over a considerable period of time in order to avoid any undue dislocation in the local municipal securities market.

Our initial sales consisted of comparatively large individual holdings and included bonds rated Baa and A by the recognized national rating services. The bonds remaining in our accounts, however, are primarily those bearing low coupons and carrying either no rating or a rating of Ba by these services. Because these holdings consist predominantly of small odd lots, we expect some difficulty in marketing them. It may be necessary to retain many of these securities until their maturity, despite the fact that the state receives no added benefit from the tax exemption accorded the income from these bonds.

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, during the past three years, 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 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 benefits of having fully marketable securities available for sale if necessary.

Purchases of corporate bonds since March, 1960, resulted in holdings of \$76.6 million on December 31, 1962. These securities now comprise 35% of the total retirement fund portfolio, on a book value basis, and are limited to 40% of the book value of each fund under our investment statute. The Public Employees Retirement Fund and its subsidiary account, the Police & Fire Fund, have now reached that limit. The

overall yield to the retirement funds could be increased if the corporate bond percentage were raised through legislative action. We note that other comparable public retirement accounts are now primarily invested in corporate fixed income securities. 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 nationally recognized rating services - Fitch's, Moody's, or Standard & Poor's.

Common stocks were not authorized for use until passage of Chapter 380 on April 14, 1961. Under this statute, the State Board of Investment may purchase common stocks up to a maximum of 5% of the book value of the funds in each of the following five years, thereby allowing a maximum investment of 25% in common stocks at the end of the five-year period. By April 14, 1962, our common stock investments totaled just under 5% of the total value of each fund; we expect that this percentage will approach 10% by April 14, 1963, the second anniversary of the new investment law.

As of December 31, 1962, the retirement funds held \$97.5 million of corporate securities purchased since March, 1960, providing an average yield of 4.43%. The current yield on investments purchased in 1962 decreased somewhat from the yield obtained the previous year due to higher bond prices, with accompanying lower interest rates, and because of a greater investment in common stocks. The Board has maintained a policy of buying securities which will provide an average current yield at least equal to that obtainable from long term U. S. Treasury obligations.

Schedule III, which shows the yield received on our largest retirement funds during the past five years, emphasizes the increased income received because of higher interest rates and 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 approximates 3.7%. Although changing market conditions make it difficult to predict the future yields to be obtained from these funds, we believe that it will be possible to reach 4% within a comparatively short time. We expect to continue the use of certain low-yielding common stocks; dividend increases from these stock holdings have already indicated an eventual favorable impact on yield figures.

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 fixed income securities.

Schedule IV-A lists corporate bond holdings of the retirement funds on December 31, 1962. Except for a nominal amount of railroad bonds previously owned, these securities were purchased since March, 1960. Practically all of these bonds were purchased at the time of original offering, or soon thereafter, from members of the underwriting syndicates.

Several issues we own were purchased directly from the borrowing corporations by institutional buyers, including public retirement funds, insurance companies and bank trust departments. The State Board of Investment follows a policy of buying only those private placements which are of sufficient size 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 are several buyers of these securities. We commit for privately placed issues only after they have been reviewed by at least one of the three nationally recognized rating agencies, and have been declared to be of "A" quality or above.

Schedule IV-B lists the corporate bonds called and matured during 1962. This schedule also summarizes the results of our sales of school district and municipal bonds on January 16, and June 26, 1962. The proceeds from these sales were reinvested in corporate fixed income securities.

Schedule V details the types of corporate debt obligations owned by the various retirement funds on December 31, 1962, and the redemption features of these bonds. In practically all cases, the Board has received call protection on the bonds purchased equal to the coupon rate, or greater. Those securities listed as having call or refunding protection of 1 to 4 years were purchased prior to 1962 but had at least 5 years of such protection on the purchase date. Nearly 75% of the purchases have been of securities which are either non-callable or 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 contributed greatly 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 Board has recently announced its intention to rely on the recommendations of this committee in formulating its equity investment program for the Permanent School Fund. The members of this advisory group are as follows:

Hermon J. Arnott	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 & 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	Vice President - Finance	Northwestern National Life Insurance Company
Norman Terwilliger	Executive Secretary	Minneapolis Teachers Retirement Ass'n

The Advisory Committee recommended that our stock purchase program be stepped up during the period of lower market prices from June through October, 1962. Although the purchases made during the first year of our equity program were made at the all-time high level of the stock market, the subsequent downturn resulted in attractive average costs for our commitments. Because of the \$7.5 million of stock purchases from May 22 through October 26, 1962, the common stock portfolio showed a market value somewhat above cost at year end, even though the Dow-Jones Industrial Average, at 652, was considerably below the 690-730 area prevalent during the entire first year of the purchase program. As of February 8, 1963, the common stocks showed a market value over cost of \$1.4 million, or a net increase of approximately 6 1/2%.

An approximate market valuation of the securities in our combined retirement accounts was as follows on December 31, 1962:

APPROXIMATE MARKET VALUE OF COMBINED RETIREMENT FUNDS
December 31, 1962

<u>Types of Securities</u>	<u>Face Value or Cost</u>	<u>Market Value</u>	<u>Value per \$100 Invested</u>
U.S. Gov't & Gov't Guaranteed	\$ 34,460,000.00	\$ 33,380,084.83	\$96.87
State Obligations	13,051,100.00	12,223,477.68	93.66
Minnesota Subdivisions	73,729,500.00	67,831,140.00	92.00
Corporate Bonds	76,626,517.03	79,691,577.72	104.00
Corporate Stocks	<u>20,832,155.37</u>	<u>21,132,522.50</u>	<u>101.44</u>
Totals	\$218,699,272.40	\$214,258,802.73	\$ 97.97

The U. S. Government obligations have a market value less than cost because they were purchased during a period of lower interest rates in the late 1940's and early 1950's. Minnesota state securities are listed at an estimated value based on their worth to the state retirement funds, none of which pay income taxes. These bonds are not public issues and are non-negotiable. Their lower assumed market value is due to the comparatively low interest rates received on these securities. The market value we have assigned our municipal holdings is merely an estimate because of the impossibility of valuing this portfolio, which consists of numerous small holdings and hundreds of individual issues. If we attempted to sell these bonds in a short period of time, the price received would be substantially lower than that indicated. This is simply because of the impossibility of marketing, in a limited period, such a large number of municipal securities of such a small geographical area as the State of Minnesota. Our sales of municipal securities during 1962 included our better known credits and some of our higher coupons. Most of our remaining municipals

were purchased in the mid-1950's and carry interest rates somewhat below those prevalent at the present time.

Our corporate bond holdings provide an average yield of 4.78%, which is above the rate which could be received on comparable investments on December 31, 1962. The market value in certain cases must be estimated because the securities were purchased in the form of private placements. The actual value of these corporate bonds would be somewhat less than listed above if we attempted to sell all of them at once, but it appears that a reasonable disposition program could be effected at approximately the price indicated. Corporate bond prices were higher because of the lower level of interest rates prevalent at year end 1962 than during most of the previous three years when these securities were purchased. The Board does not intend to sell any of these securities at a profit but, instead, expects to hold them until maturity or until called.

Our common stock portfolio was valued from closing prices on the New York Stock Exchange. The prices of non-listed stocks were based on the mean between the bid and asked price listed in the Wall Street Journal, or other leading publications.

We all realize that the securities in our accounts are subject to continual market fluctuations. The performance of our common stock portfolio during the past year of extreme stock market changes has emphasized the advisability of purchasing equities on an average cost basis over a period of time. 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. The stocks now owned were purchased at a yield of 3.00% during the past two years; this yield has already increased to 3.15% due to the dividend increases during this period. The Advisory Committee on Common Stock Investments and the Board have emphasized such considerations as management factors and growth potential as well as current yield in selecting these equities for our portfolio. Our list of common stocks is always subject to change and is based on the recommendations of the Advisory Committee.

We have compiled a list of all vendors from whom the State Board of Investment purchased securities during 1962, together with a detailed summary of common stock transactions. Although, for reasons of economy, this listing is not included in this report, it is available to anyone at the office of the executive secretary, Room 115 State Capitol, or will be mailed upon request.

U. S. Treasury securities were purchased from Minnesota banks; corporate obligations were purchased from firms which were members of the original underwriting syndicates. Common stock orders were given on the basis of teletyped offerings of attractive blocks of stocks, and to compensate for valuable research materials and market information contributed by many firms. We hope that appropriate orders will help to repay these organizations for their services, which would otherwise involve subscription costs or advisory fees. Our division of business during 1962 was not necessarily indicative of the division of future business; this must depend upon future markets, offerings, and research materials available. Nominal orders are placed with investment firms with offices in Minnesota which are members of leading stock exchanges, even though these firms may not offer the type of research service valuable to institutional accounts.

* * * * *

Legislation has been introduced which will implement Amendment No. I by defining more clearly the investments to be used by the State Board of Investment in managing the Permanent School Fund. Minor revisions of the retirement funds investment statutes have been suggested which would increase the allowable percentage of corporate fixed income securities. Much additional work remains to be done in order to better the yields received by the various state funds and to increase the efficiency of our investment operations. We appreciate the cooperation of the Legislature in effecting the improvements evident during the past three years, and believe that the approval of legislation now being considered will make possible additional gains.

Respectfully submitted,



Robert E. Blixt
Executive Secretary

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STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

COMPOSITION OF TRUST FUNDS

December 31, 1962

TYPE OF SECURITY	PERMANENT SCHOOL FUND*		PERMANENT UNIVERSITY FUND		INTERNAL IMPROVEMENT LAND FUND	
	Book Value	%	Book Value	%	Book Value	%
U. S. Treasury Obligations	\$218,382,500.00	82.7	\$42,643,000.00	91.0	\$377,000.00	91.3
Minnesota State Obligations	40,989,597.16	15.5	3,591,318.41	7.7	35,000.00	8.5
Louisiana State Obligations	-	-	119,000.00	0.3	-	-
Trust Fund Loans	2,455,920.00	0.9	302,285.00	0.6	-	-
Obligations of Minnesota Subdivisions	2,356,000.00	0.9	200,000.00	0.4	-	-
Cash	<u>19,922.95</u>	<u>-</u>	<u>933.22</u>	<u>-</u>	<u>1,102.32</u>	<u>0.2</u>
TOTAL	\$264,203,940.11	100.0%	\$46,856,536.63	100.0%	\$413,102.32	100.0%

* The assets of two previous trust funds, the Permanent School Fund (\$235.6 million) and the Swamp Land Fund (\$28.6 million), were consolidated into one fund, the Permanent School Fund, as of November 23, 1962, as a result of the passage of Amendment Number I by the Minnesota electorate on November 6.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule II

COMPOSITION OF RETIREMENT FUNDS - DECEMBER 31, 1962

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	%
<u>FIXED INCOME OBLIGATIONS:</u>														
U. S. Treasury	\$10,443,000.00	14.5	\$ 7,835,000.00	12.5	\$12,960,000.00	16.7	\$1,537,000.00	49.8	\$ 80,000.00	9.4	\$ 505,000.00	21.7	\$ 33,360,000.00	15.3
U.S.Guar.Merchant Marine Bonds														
Grace Line Inc.	1,000,000.00	1.4	-	-	-	-	100,000.00	3.2	-	-	-	-	1,100,000.00	0.5
Minnesota State	4,683,500.00	6.5	3,346,500.00	5.3	4,096,100.00	5.3	-	-	-	-	-	-	12,126,100.00	5.6
Minnesota Subdivisions	20,055,000.00	27.3	26,437,000.00	42.3	25,938,500.00	33.3	-	-	431,000.00	50.7	868,000.00	37.4	73,729,500.00	33.7
Other States & Subdivisions	338,000.00	0.5	376,000.00	0.6	211,000.00	0.3	-	-	-	-	-	-	925,000.00	0.4
Corporate Obligations:														
Public Utility														
Electric Utility	9,040,000.00	12.5	5,485,000.00	8.8	9,574,000.00	12.3	338,000.00	11.0	130,000.00	15.3	244,000.00	10.5	24,811,000.00	11.3
Gas Utility	6,078,000.00	8.4	3,538,000.00	5.7	5,605,000.00	7.2	260,000.00	8.4	75,000.00	8.8	200,000.00	8.6	15,756,000.00	7.2
Telephone	1,750,000.00	2.4	600,000.00	1.0	1,100,000.00	1.4	210,000.00	6.8	-	-	100,000.00	4.3	3,760,000.00	1.7
Water	400,000.00	0.6	300,000.00	0.5	300,000.00	0.4	-	-	-	-	-	-	1,000,000.00	0.5
Total Public Utility	(\$17,268,000.00)	(23.9)	(\$9,923,000.00)	(16.0)	(\$16,579,000.00)	(21.3)	(\$ 808,000.00)	(26.2)	(\$205,000.00)	(24.1)	(\$544,000.00)	(23.4)	(\$45,327,000.00)	(20.7)
Industrial	4,600,000.00	6.4	3,500,000.00	5.6	4,200,000.00	5.4	150,000.00	4.9	-	-	-	-	12,450,000.00	5.7
Railroad Debt	500,000.00	0.7	442,000.00	0.7	450,000.00	0.6	50,000.00	1.6	50,000.00	5.9	50,000.00	2.1	1,542,000.00	0.7
Railroad Equipment	6,235,444.95	8.7	4,855,452.94	7.8	5,910,619.14	7.6	165,000.00	5.3	-	-	141,000.00	6.1	17,307,517.03	7.9
Total Corporate Obligations	(\$28,603,444.95)	(39.7)	(\$18,720,452.94)	(30.1)	(\$27,139,619.14)	(34.9)	(\$1,173,000.00)	(38.0)	(\$255,000.00)	(30.0)	(\$735,000.00)	(31.6)	(\$76,626,517.03)	(35.0)
Preferred Stock (Gift)	-	-	-	-	700.00	-	-	-	-	-	-	-	700.00	-
<u>TOTAL FIXED INCOME OBLIGATIONS</u>	<u>\$55,122,944.95</u>	<u>90.4%</u>	<u>\$56,714,952.94</u>	<u>90.8%</u>	<u>\$70,345,919.14</u>	<u>90.5%</u>	<u>\$2,810,000.00</u>	<u>91.0%</u>	<u>\$766,000.00</u>	<u>90.1%</u>	<u>\$2,108,000.00</u>	<u>90.7%</u>	<u>\$197,857,817.03</u>	<u>90.5%</u>
<u>COMMON STOCKS:</u>														
Public Utilities														
Electric	\$ 1,755,784.61	2.4	\$ 1,486,490.29	2.4	\$ 1,928,032.64	2.5	\$ 45,455.89	1.5	\$ 13,960.63	1.7	\$ 41,426.47	1.8	\$ 5,271,150.53	2.4
Gas	308,423.08	0.4	244,517.78	0.4	269,544.25	0.3	16,129.54	0.5	8,538.00	1.0	12,850.00	0.5	860,002.65	0.4
Telephone & Telegraph	179,268.90	0.2	122,286.80	0.2	176,405.30	0.2	19,044.95	0.6	2,645.00	0.3	17,311.97	0.7	516,962.92	0.2
Total Utilities	(\$ 2,243,476.59)	(3.0)	(\$ 1,853,294.87)	(3.0)	(\$ 2,373,982.19)	(3.0)	(\$ 80,630.38)	(2.6)	(\$ 25,143.63)	(3.0)	(\$ 71,588.44)	(3.0)	(\$ 6,648,116.10)	(3.0)
Banks	678,703.19	0.9	609,690.01	1.0	749,827.30	1.0	26,516.26	0.9	11,119.10	1.3	17,835.88	0.8	2,093,691.74	1.0
Insurance	507,231.83	0.7	371,828.73	0.6	498,780.77	0.6	29,550.00	1.0	-	-	16,815.00	0.7	1,424,206.33	0.7
Automotive	239,918.65	0.3	214,544.31	0.3	239,622.76	0.3	21,390.53	0.7	10,877.81	1.3	10,764.59	0.5	737,118.65	0.3
Chemical & Drug	543,806.22	0.8	420,897.94	0.7	565,668.39	0.7	31,058.19	1.0	6,333.50	0.8	15,647.87	0.7	1,583,412.11	0.7
Containers	83,261.15	0.1	68,920.36	0.1	83,521.86	0.1	-	-	-	-	-	-	235,703.37	0.1
Electrical & Electronic	237,725.19	0.3	152,005.44	0.2	275,541.04	0.3	10,543.96	0.3	3,691.53	0.4	15,205.62	0.7	694,712.78	0.3
Food & Beverage	298,582.49	0.4	214,023.50	0.3	293,212.96	0.4	-	-	-	-	-	-	805,818.95	0.4
Machinery & Metals	176,327.88	0.3	136,443.55	0.2	197,324.94	0.2	-	-	-	-	-	-	510,096.37	0.2
Office Equipment	170,452.95	0.2	118,625.00	0.2	160,412.50	0.2	11,058.75	0.4	5,152.50	0.6	9,775.00	0.4	475,476.70	0.2
Paper	66,703.79	0.1	38,656.42	0.1	66,703.80	0.1	-	-	-	-	-	-	172,064.01	0.1
Petroleum	442,981.00	0.6	407,666.84	0.6	513,070.22	0.7	19,696.52	0.6	9,848.46	1.2	15,443.02	0.7	1,408,706.06	0.6
Printing & Publishing	261,231.52	0.4	224,301.90	0.4	283,612.80	0.4	-	-	-	-	-	-	769,146.22	0.4
Railroads & Equipment	415,317.12	0.5	401,024.36	0.5	458,778.33	0.5	16,476.51	0.5	3,222.44	0.4	17,405.18	0.7	1,312,223.94	0.6
Retail Trade	301,218.82	0.4	291,398.59	0.5	332,620.28	0.4	14,213.39	0.5	3,748.06	0.4	13,136.60	0.6	956,335.74	0.4
Miscellaneous	319,553.24	0.5	278,844.03	0.4	375,138.01	0.5	15,022.04	0.5	4,323.80	0.5	11,745.18	0.5	1,004,626.30	0.5
<u>TOTAL COMMON STOCKS</u>	<u>\$ 6,986,491.63</u>	<u>9.6</u>	<u>\$ 5,802,165.85</u>	<u>9.2</u>	<u>\$ 7,467,818.15</u>	<u>9.5</u>	<u>\$ 276,156.53</u>	<u>9.0</u>	<u>\$ 83,460.83</u>	<u>9.9</u>	<u>\$ 215,362.38</u>	<u>9.3</u>	<u>\$ 20,831,455.37</u>	<u>9.5</u>
<u>TOTAL</u>	<u>\$72,109,436.58</u>	<u>100%</u>	<u>\$62,517,118.79</u>	<u>100%</u>	<u>\$77,813,737.29</u>	<u>100%</u>	<u>\$3,086,156.53</u>	<u>100%</u>	<u>\$849,460.83</u>	<u>100%</u>	<u>\$2,323,362.38</u>	<u>100%</u>	<u>\$218,699,272.40</u>	<u>100%</u>

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule III

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING YEAR
IN THE THREE LARGEST RETIREMENT FUNDS
(Five Most Recent Fiscal Periods)
December 31, 1962

DATE	PUBLIC EMPLOYEES RETIREMENT FUND				STATE EMPLOYEES RETIREMENT FUND				TEACHERS' RETIREMENT FUND			
	Book Value of Fund (1)(6)	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	\$54,183,680	\$47,555,893	\$1,753,679.00	3.69%	\$54,499,050	-	-	-	\$63,098,540	\$59,167,380	\$2,140,761.22	3.62%
December 31, 1961	\$61,433,745	-	-	-	\$56,830,438	\$54,432,163	\$1,885,692.64	3.46%	\$67,775,429	-	-	-
June 30, 1962	\$68,132,958	\$61,250,128	\$2,340,665.00	3.82%	\$59,843,686	-	-	-	\$73,187,108	\$68,020,359	\$2,587,612.53	3.80%
December 31, 1962	\$75,195,593	-	-	-	\$62,517,119	\$59,739,414	-	-	\$77,813,737	-	-	-

- (1) Book value figures based on those shown on Treasurer's General Report on State Finances on date listed, with adjustments for investments committed for but not yet received.
- (2) Computed by averaging book value 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.
- (6) Includes the Public Employees Police & Fire Fund for periods after July 1, 1960, when it was established.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule IV-A

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - DECEMBER 31, 1962

COMPANY	ISSUE		COUPON RATE %	PUBLIC	STATE	TEACHERS'	PUBLIC	STATE	HIGHWAY	TOTAL	AVERAGE	
	TYPE OF SECURITY	MATURITY DATE*		EMPLOYEES RETIREMENT FUND (000)	EMPLOYEES RETIREMENT FUND (000)		EMPLOYEES POLICE & FIRE FUND (000)	POLICE OFFICERS RETIREMENT FUND (000)				PATROLMEN'S RETIREMENT FUND (000)
PUBLIC UTILITY OBLIGATIONS:												
ELECTRIC												
Alabama Power	First Mtg.	4-1-90	5	\$ 240	\$ 166	\$ 454	-	-	-	\$ 860	5.02	
Alabama Power	First Mtg.	3-1-91	4 1/2	350	300	150	-	-	\$ 50	850	4.40	
Atlantic City Elec.	First Mtg.	3-1-91	4 1/2	600	-	600	-	-	-	1,200	4.37	
California Elec. Pwr	First Mtg.	5-1-90	5 1/8	400	300	500	-	\$ 40	-	1,240	5.10	
Carolina Pwr & Lgt	First Mtg.	4-1-90	4 7/8	350	-	500	-	-	-	850	4.85	
Central Illinois Lgt	First Mtg.	3-1-90	4 7/8	250	250	500	-	-	-	1,000	4.90	
Central Maine Pwr	First Mtg.	11-1-90	5 1/4	-	299	297	\$ 58	-	39	693	5.10	
Citizens Utilities	Coll.Tr.& 1st Mtg.	12-31-91	4.80	600	400	-	-	-	-	1,000	4.80	
Citizens Utilities	Coll.Tr.& 1st Mtg.	10-1-92	4 5/8	-	-	600	-	-	-	600	4.625	
Georgia Power	First Mtg.	11-1-90	4 7/8	500	200	-	60	-	40	800	4.88	
Hawaiian Electric	First Mtg.	4-1-91	4.65	600	450	500	-	-	-	1,550	4.65	
Iowa-Illinois G. & E.	First Mtg.	4-15-90	5	-	-	500	-	-	-	500	4.935	
Jersey Central Pwr & Lgt	First Mtg.	6-1-90	5 3/8	-	-	443	-	-	-	478	5.20	
Lake Superior Dist. Pwr	First Mtg.	2-1-91	4 5/8	500	-	-	-	-	-	500	4.60	
Louisiana Pwr & Lgt	First Mtg.	4-1-90	5	350	200	500	-	-	-	1,050	5.01	
Metropolitan Edison	First Mtg.	5-1-90	5	350	200	500	-	-	-	1,050	4.95	
Orange & Rockland Util.	First Mtg.	4-15-91	4 7/8	500	350	550	-	-	-	1,400	4.80	
Ottertail Power	First Mtg.	2-1-91	4 7/8	500	300	-	50	-	-	850	4.80	
Pacific Pwr & Lgt	First Mtg.	9-1-90	4 3/4	500	-	400	60	40	50	1,050	4.69	
Public Serv./New Hampshire	First Mtg.	7-1-92	4 5/8	300	350	-	-	-	-	650	4.54	
Public Serv. Elec. & Gas	First Mtg.	9-1-90	4 3/4	-	-	500	60	-	-	560	4.73	
Puget Sound Pwr & Lgt	First Mtg.	4-1-90	5 3/8	350	200	500	-	-	-	1,050	5.30	
Puget Sound Pwr & Lgt	First Mtg.	2-1-91	4 5/8	250	250	-	-	-	-	500	4.65	
Sierra Pacific Pwr	First Mtg.	6-1-92	4 7/8	400	500	430	50	50	-	1,430	4.75	
Southern California Edison	First Mtg.	9-1-85	4 3/8	500	260	500	-	-	-	1,260	4.43	
Southern California Edison	First Mtg.	4-1-86	4 1/2	150	250	150	-	-	-	550	4.42	
Utah Power & Light	First Mtg.	9-1-90	4 7/8	500	260	500	-	-	30	1,290	4.80	
TOTAL ELECTRIC UTILITY OBLIGATIONS				\$9,040	\$5,485	\$ 9,574	\$338	\$130	\$244	\$24,811	4.79%	
GAS												
Laclede Gas	First Mtg.	7-1-85	4 7/8	\$ 247	\$ 199	-	\$ 50	-	-	\$ 496	4.80	
Louisiana Gas Service	First Mtg.	6-1-87	4 1/2	500	500	\$ 400	100	-	\$ 50	1,550	4.70	
Milwaukee Gas Light	First Mtg.	5-15-87	4 5/8	-	-	500	-	-	50	550	4.50	
Mountain Fuel Supply	Debenture	9-1-86	4 7/8	600	-	600	-	-	50	1,250	4.80	
Natural Gas Pipeline/Amer.	First Mtg.	10-1-80	5	484	242	242	-	-	-	968	5.00	
Northern Natural Gas	S-F Debenture	11-1-81	4 7/8	500	-	500	-	\$ 25	-	1,025	4.80	
So. Counties Gas/Calif.	First Mtg.	8-1-85	4 3/4	397	247	493	50	-	-	1,187	4.60	
Southern Natural Gas	First Mtg.	12-1-81	4 3/4	500	400	400	-	-	-	1,300	4.75	
Southern Union Gas	First Mtg.	10-1-86	4.80	600	-	600	-	-	-	1,200	4.80	
Springfield Gas Light	Note	1-15-87	4 7/8	500	300	-	-	-	-	800	4.875	
Texas Eastern Trans.	First Mtg.	12-1-81	4 7/8	400	400	500	-	-	-	1,300	4.915	
Transcontinental Gas P.L.	First Mtg.	11-1-81	5	550	450	570	-	-	-	1,570	5.08	
Transcontinental Gas P.L.	First Mtg.	11-1-82	4 7/8	300	300	300	60	50	50	1,060	4.82	
Trunkline Gas	First Mtg.	1-1-82	5	500	500	500	-	-	-	1,500	5.00	
TOTAL GAS UTILITY OBLIGATIONS				\$6,078	\$3,538	\$ 5,605	\$260	\$ 75	\$200	\$15,756	4.83%	

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - DECEMBER 31, 1962

Schedule IV-A
(Continued)

COMPANY	ISSUE		COUPON RATE %	PUBLIC	STATE	TEACHERS' RETIREMENT FUND (000)	PUBLIC	STATE	HIGHWAY PATROLMEN'S RETIREMENT FUND (000)	TOTAL AMOUNT HELD (000)	AVERAGE YIELD %
	TYPE OF SECURITY	MATURITY DATE*		EMPLOYEES RETIREMENT FUND (000)	EMPLOYEES RETIREMENT FUND (000)		EMPLOYEES POLICE & FIRE FUND (000)	OFFICERS RETIREMENT FUND (000)			
(Totals include figures from previous page)											
TELEPHONE											
American Tel. & Tel.	Debenture	10-1-96	4 3/8	\$ 500	\$ 400	\$ 600	\$100	-	\$ 50	\$ 1,650	4.30
Illinois Bell Telephone	First Mtg.	7-1-97	4 7/8	250	200	-	50	-	-	500	4.75
New York Telephone	Ref. Mtg.	10-1-97	4 5/8	500	-	-	-	-	-	500	4.57
Rochester Telephone	First Mtg.	9-1-93	4 3/4	500	-	500	60	-	50	1,110	4.66
<u>TOTAL TELEPHONE UTILITY OBLIGATIONS</u>				\$1,750	\$ 600	\$ 1,100	\$210	-	\$100	\$ 3,760	4.50%
WATER											
Indianapolis Water	First Mtg.	1-1-92	4 3/4	\$ 400	\$ 300	\$ 300	-	-	-	\$ 1,000	4.70%
<u>TOTAL PUBLIC UTILITY OBLIGATIONS</u>				\$17,268	\$9,923	\$16,579	\$808	\$205	\$544	\$45,327	4.78%
<u>INDUSTRIAL OBLIGATIONS:</u>											
American Sterilizer	Note	8-1-77	4 7/8	\$ 350	\$ 400	-	-	-	-	\$ 750	4.875
Ekco Products	S-F Debenture	8-1-87	4.60	350	400	\$ 600	\$ 50	-	-	1,400	4.60
General Elec. Credit	Note	10-31-82	4 5/8	500	400	600	-	-	-	1,500	4.625
Gimbel Brothers	Debenture	6-1-81	5	500	-	-	-	-	-	500	5.08
Kroger Co.	Note	10-1-81	4.80	500	400	600	-	-	-	1,500	4.80
Shamrock Oil & Gas	Note	11-15-87	4 1/2	500	400	500	100	-	-	1,500	4.50
Swift & Co.	Debenture	6-1-86	4 7/8	500	400	500	-	-	-	1,400	4.875
Union Tank Car	S-F Debenture	8-1-86	5	500	400	400	-	-	-	1,300	5.00
United States Steel	S-F Debenture	4-15-86	4 1/2	500	400	500	-	-	-	1,400	4.55
Worthington Corp.	Note	7-1-81	5	400	300	500	-	-	-	1,200	5.00
<u>TOTAL INDUSTRIAL OBLIGATIONS</u>				\$4,600	\$3,500	\$ 4,200	\$150	-	-	\$12,450	4.76%
<u>RAILROAD EQUIPMENT OBLIGATIONS:</u>											
ACF Industries	Equip.Trust	11-1-63/75	4 3/4	\$ 650	\$ 455	\$ 650	-	-	-	\$ 1,755	4.75
ACF Industries	Equip.Trust	1-15-63/77	4 7/8	510	510	-	-	-	-	1,020	4.875
Chicago, Mil.St.P. & Pac.	Cond. Sale	1-1-63/77	5 3/8	725	580	708(1)	-	-	-	2,013(1)	5.375
Fruit Growers Express	Equip. Trust	12-15-63/75	4 3/4	550	550	550	\$130	-	\$ 91	1,871	4.75
Fruit Growers Express	Equip.Trust	5-1-63/67	4.40	125	-	125	-	-	-	250	4.40
Fruit Growers Express	Equip. Trust	5-1-68/77	4.70	250	-	250	-	-	-	500	4.70
Kansas City Southern Ry	Cond.Sale	12-15-64/6-15-76	4 1/2	720	668	720	-	-	-	2,108	4.50
New York Central	Equip.Trust	2-15-71/74	4 3/4	500	450	-	-	-	-	950	5.00
New York Central	Equip.Trust	6-1-73	4 7/8	-	-	-	-	-	50	50	5.15
North American Car	Equip.Tr.	4-15-68/10-15-72	4.40	-	170	200	-	-	-	370	4.40
North American Car	Equip.Tr.	4-15-73/10-15-77	4.50	-	340	400	-	-	-	740	4.50
St. Louis-San Fran. Ry	Cond.Sale	1-1-63/77	4 3/4	696(2)	493(2)	694(2)	-	-	-	1,883(2)	4.75
St. Louis-San Fran. Ry	Cond.Sale	6-1-63/72	4 1/4	380(3)	379(3)	473(3)	-	-	-	1,232(3)	4.50
Southern Pacific	Equip.Trust	2-1-71/73	4 1/4	450	-	500	35	-	-	985	4.50
Western Fruit Express	Equip.Tr.	1-1-63/7-1-75	4.85	390	260	640	-	-	-	1,290	4.85
Western Fruit Express	Equip.Tr.	9-1-63/64	2 3/8	290	-	-	-	-	-	290	4.73
<u>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</u>				\$6,236	\$4,855	\$ 5,910	\$165	-	\$141	\$17,307	4.78%

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - DECEMBER 31, 1962

COMPANY	ISSUE		COUPON RATE %	PUBLIC	STATE	TEACHERS' RETIREMENT FUND (000)	PUBLIC	STATE	HIGHWAY PATROLMEN'S RETIREMENT FUND (000)	TOTAL AMOUNT HELD (000)	AVERAGE YIELD %
	TYPE OF SECURITY	MATURITY DATE*		EMPLOYEES RETIREMENT FUND (000)	EMPLOYEES RETIREMENT FUND (000)		EMPLOYEES POLICE & FIRE FUND (000)	OFFICERS RETIREMENT FUND (000)			
<u>RAILROAD OBLIGATIONS:</u>											
Louisville & Nashville	Coll.Trust	12-1-87	4 7/8	\$ 500	\$ 400	\$ 450	\$ 50	\$ 50	\$ 50	\$1,500	4.95
Miscellaneous Railroad Bonds	Bonds	Various	Various	-	42(4)	-	-	-	-	42(4)	4.31
<u>TOTAL RAILROAD OBLIGATIONS</u>				<u>\$ 500</u>	<u>\$ 442</u>	<u>\$ 450</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$1,542</u>	<u>4.93%</u>
<u>TOTAL CORPORATE OBLIGATIONS HELD</u>				<u>\$28,604</u>	<u>\$18,720</u>	<u>\$27,139</u>	<u>\$1,173</u>	<u>\$255</u>	<u>\$735</u>	<u>\$76,626</u>	<u>4.78%</u>

(Totals include figures from previous page)

- (1) Figures shown are rounded to the nearest thousand, actual holdings are as follows: Teachers' Retirement Fund \$708,311.44; total \$2,013,311.44.
 - (2) Figures shown are rounded to the nearest thousand, actual holdings are as follows: Public Employees Retirement Fund \$695,974.00; State Employees Retirement Fund \$492,982.00; Teachers' Retirement Fund \$693,944.00; for a total holding of \$1,882,900.00.
 - (3) Figures shown are rounded to the nearest thousand, actual holdings are as follows: Public Employees Retirement Fund \$379,470.95; State Employees Retirement Fund \$379,470.94; Teachers' Retirement Fund \$473,363.70; for a total holding of \$1,232,305.59.
 - (4) Purchased 1930-1951.
- * Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule IV-B

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

COMPANY	ISSUE		COUPON RATE	PUBLIC	STATE	TEACHERS'	PUBLIC	STATE	HIGHWAY	TOTAL	SINKING
	TYPE OF SECURITY	MATURITY DATE		EMPLOYEES RETIREMENT FUND (000)	EMPLOYEES RETIREMENT FUND (000)	RETIREMENT FUND (000)	EMPLOYEES POLICE & FIRE FUND (000)	POLICE OFFICERS RETIREMENT FUND (000)			
CORPORATE BONDS CALLED FOR SINKING FUND PURPOSES - 1962											
Central Maine Power called 12-3-62	First Mtge	11-1-90	5 1/4%	-	-	\$ 1	\$1	-	\$1	\$ 3	\$102.23
Jersey Central Pwr & Lgt called 4-19-62	First Mtge	6-1-90	5 3/8%	-	-	35	-	-	3	38	\$102.61
Laclede Gas called 2-1-62	First Mtge	7-1-85	4 7/8%	\$ 3	\$ 1	-	-	-	-	4	\$101.07
Natural Gas Pipeline/Amer. called 10-1-62	First Mtge	10-1-80	5%	16	8	8	-	-	-	32	\$100.00
So. Counties Gas/Calif. called 8-31-62	First Mtge	8-1-85	4 3/4%	<u>3</u>	<u>3</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>	\$102.12
TOTAL CORPORATE BONDS CALLED				\$22	\$12	\$51	\$1	-	\$4	\$90	
CORPORATE BONDS MATURING - 1962										TOTAL AMOUNT MATURING (000)	
ACF Industries	Equip.Trust	11-1-62	4 3/4%	\$ 50	\$ 35	\$50	-	-	-	\$135	
Chicago, Mil.St.P. & Pac.	Cond. Sale	7-1-62	5 3/8%	25	20	24(1)	-	-	-	69(1)	
Fruit Growers Express	Equip.Trust	12-15-62	4 3/4%	50	50	50	\$ 10	-	\$7	167	
St.Louis-San Fran. Ry	Cond. Sale	12-1-62	4 1/4%	21(2)	21(2)	26(2)	-	-	-	67(2)	
St. Louis-San Fran.Ry	Cond. Sale	7-1-62	4 3/4%	24(3)	17(3)	24(3)	-	-	-	65(3)	
Western Fruit Express	Equip.Trust	1-1-62/7-1-62	4.85	<u>30</u>	<u>20</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>	
TOTAL CORPORATE BONDS MATURING				\$200(4)	\$163(4)	\$204(4)	\$10	-	\$7	\$583(4)	

(1) Rounded to the nearest thousand, actual amount matured is: TRA \$24,424.54; total \$69,424.54.

(2) Rounded to the nearest thousand, actual amounts matured are: PERA \$20,529.05; SERA \$20,529.06; TRA \$25,608.56; total \$66,666.67.

(3) Rounded to the nearest thousand, actual amounts matured are: PERA \$24,026; SERA \$17,018; TRA \$23,956; total \$65,000.

(4) Rounded to the nearest thousand, actual amounts matured are: PERA \$199,555.05; SERA \$162,547.05; TRA \$203,989.10; total \$583,091.20.

MINNESOTA SUBDIVISION BONDS SOLD
DURING THE YEAR ENDING DECEMBER 31, 1962

Schedule IV-B
(Continued)

INDEPENDENT SCHOOL DISTRICT and VILLAGE BONDS SOLD	MATURITY DATE	COUPON RATE %	DATE OF SALE	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 SOLD (000)	PRICE RECEIVED (000)
I.S.D. #11 (Anoka)	(1) 1966/87	3.25-4.20	1-15-62	\$ 272	\$ 730	\$ 366	-	-	-	\$1,368	\$ 97.06
Village of Edina	(2) 1970/88	2.80-3.80	6-26-62	435	265	355	-	-	-	1,055	\$ 96.643
I.S.D. #273 (Edina-Morningside)	(3) 1965/81	2.90-3.90	1-16-62	445	665	63	-	-	\$ 5	1,188	\$ 91.481
I.S.D. #274 (Hopkins)	(7) 1965/77	2.60-3.30	6-26-62	450	505	67	-	-	-	1,022	\$ 96.872
I.S.D. #276 (Minnetonka)	(7) 1968/86	2.00-4.20	6-26-62	23	252	112	-	-	-	387	\$ 96.126
Village of Richfield	(4) 1965/76	3.20-4.00	1-16-62	380	470	355	-	-	-	1,205	\$102.722
I.S.D. #283 (St. Louis Park)	(5) 1969/81	2.80-4.40	1-16-62	700	554	-	-	-	-	1,254	\$ 97.325
I.S.D. #833 (St. Paul Park-Newport)	(6) 1968-84	2.75-3.00	6-26-62	7	200	270	-	-	-	477	\$ 89.80
I.S.D. #284 (Wayzata)	(7) 1973/83	2.70-3.30	6-26-62	237	10	284	-	-	-	531	\$ 91.523
I.S.D. #197 (West St. Paul)	(7) 1967/81	1.75-3.00	6-26-62	190	300	2	-	-	5	497	\$ 94.244
I.S.D. #347 (Willmar)	(6) 1975/87	3.25-3.40	6-26-62	188	-	193	-	\$50	-	431	\$ 94.60
TOTAL BONDS SOLD				\$3,337	\$3,951	\$2,067	-	\$50	\$10	\$9,415	

The bonds listed above were sold to syndicates comprised of the following firms:

- (1) Juran & Moody, Inc. (Manager); Allison-Williams Co.; American National Bank of St. Paul; Caldwell Phillips, Inc.; J. M. Dain & Co.; Kalman & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; The Northwestern National Bank of Minneapolis; John Nuveen & Co.; Paine, Webber, Jackson & Curtis; Phelps, Fenn & Co.; Piper, Jaffray & Hopwood; E. J. Prescott & Co.; Mannheimer-Egan, Inc.; Sampair & Egan, Inc.; Shaughnessy & Co., Inc.; Harold E. Wood & Co.; and Woodard-Elwood & Co.
- (2) Blyth & Co., Inc. (Manager); White, Weld & Co.; Shearson, Hammill & Co.; Commerce Trust Company, Kansas City; and The Milwaukee Co.
- (3) American Securities Corp. and B. J. Van Ingen & Co. (Jointly).
- (4) The First National Bank of St. Paul.
- (5) Halsey, Stuart & Co., Inc. (Manager); Goldman, Sachs & Co.; White, Weld & Co.; Hornblower & Weeks; Dean Witter & Co.; Shearson, Hammill & Co.; Commerce Trust Company, Kansas City; and The Milwaukee Co.
- (6) William S. Morris & Co.
- (7) The Northwestern National Bank of Minneapolis (Manager of Hopkins bid); Kalman & Co. (Manager of Minnetonka bid); E. J. Prescott & Co. (Manager of Wayzata bid); American National Bank of St. Paul (Manager of West St. Paul bid); the remaining members of the syndicate in all bids are as follows: Allison-Williams Co.; Caldwell Phillips, Inc.; Juran & Moody, Inc.; Merrill Lynch, Pierce, Fenner & Smith, Inc.; John Nuveen & Co.; Paine, Webber, Jackson & Curtis; Phelps, Fenn & Co.; Piper, Jaffray & Hopwood; Mannheimer-Egan, Inc.; Sampair & Egan, Inc.; Shaughnessy & Co., Inc.; Harold E. Wood & Co.; and Woodard-Elwood & Co.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

CLASSIFICATION OF CORPORATE BOND HOLDINGS IN RETIREMENT FUNDS
December 31, 1962

<u>BREAKDOWN BY CORPORATE TYPE</u>	<u>Dollar Amount</u>	<u>Percent</u>
Public Utility Bonds:		
Electric Utility	\$24,811,000.00	32.4%
Gas Pipeline and Distribution	15,756,000.00	20.6
Telephone	3,760,000.00	4.9
Water	<u>1,000,000.00</u>	<u>1.3</u>
Total Utility Bonds	(\$45,327,000.00)	(59.2%)
Industrial Bonds	12,450,000.00	16.2
Railroad Equipment Obligations	17,307,517.03	22.6
Railroad Debt Obligations	<u>1,542,000.00</u>	<u>2.0</u>
TOTAL	\$76,626,517.03	100.0%
 <u>BREAKDOWN BY REDEMPTION FEATURE</u>		
Non-Callable	\$17,307,517.03	22.6%
5-year or more call or refunding protection	18,510,000.00	24.2
1-year to 4-year call or refunding protection	21,266,000.00	27.8
More than coupon at time of purchase	4,993,000.00	6.5
Coupon at time of purchase	14,368,000.00	18.7
Less than coupon	<u>182,000.00</u>	<u>0.2</u>
TOTAL	\$76,626,517.03	100.0%

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

COMMON STOCKS HELD IN RETIREMENT FUNDS - DECEMBER 31, 1962

COMPANY	Shares Held in the Various Funds							TOTAL COST
	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	
PUBLIC UTILITIES:								
ELECTRIC DISTRIBUTION								
Allegheny Power System	2,500	1,000	500	1,000	-	-	-	\$ 118,168.88
American Electric Pwr	5,400	1,800	1,800	1,800	-	-	-	176,752.06
Central & South West	4,700	1,500	1,500	1,500	200	-	-	196,164.48
Cincinnati Gas & Elec.	4,500	1,500	1,500	1,500	-	-	-	209,334.63
Commonwealth Edison	4,300	1,500	1,000	1,800	-	-	-	173,460.38
Consolidated Edison/NY	2,800	1,000	800	1,000	-	-	-	215,230.20
Consumers Power	4,200	1,200	1,300	1,500	200	-	-	166,435.67
Detroit Edison	5,400	2,000	1,000	2,000	-	-	-	158,627.08
Florida Power & Light	3,900	1,500	1,000	1,400	-	-	400	271,653.49
General Public Utilities	7,912	2,600	2,500	2,500	-	-	-	226,176.42
Houston Lighting & Power	2,200	600	600	1,000	-	-	312	244,185.00
Indianapolis Pwr & Lgt	4,200	2,200	1,000	1,000	-	-	-	124,495.85
Interstate Power	7,500	2,000	2,000	3,000	300	200	-	182,945.30
Kansas City Pwr & Lgt	1,500	500	500	500	-	-	-	103,857.65
Louisville Gas & Elec.	6,000	2,000	2,000	2,000	-	-	-	190,297.13
Middle South Utilities	1,000	500	-	500	-	-	-	33,606.25
Minnesota Power & Light	6,500	2,000	2,000	2,500	-	-	-	271,109.32
Northern States Pwr (Minn.)	7,100	2,500	2,000	2,000	300	100	200	231,657.32
Ohio Edison	3,500	800	1,200	1,500	-	-	-	162,212.00
Pacific Gas & Elec.	3,200	1,000	700	1,500	-	-	-	105,042.60
Public Service Co./Colo.	5,300	1,500	1,500	2,000	-	-	-	142,165.17
Southern Calif. Edison	5,000	2,000	1,500	1,500	-	-	300	146,559.20
Southern Company	4,800	1,500	1,500	1,500	100	100	100	254,458.04
Texas Utilities	3,500	1,000	1,000	1,500	-	-	-	163,420.17
Tucson Gas, Elec. Lgt & Pwr	6,000	2,000	1,000	3,000	-	-	-	125,625.00
Utah Power & Light	5,000	2,000	1,000	2,000	-	-	-	182,498.80
Virginia Elec. & Power	3,800	1,000	1,200	1,500	100	-	-	221,601.89
Washington Water Power	3,300	1,500	800	1,000	-	-	-	161,621.39
Wisconsin Power & Light	6,000	2,000	2,000	2,000	-	-	-	140,118.50
Wisconsin Public Service	4,100	1,500	1,000	1,600	-	-	-	171,670.66
TOTAL ELECTRIC UTILITIES								\$ 5,271,150.53
GAS DISTRIBUTION AND TRANSMISSION								
Minneapolis Gas Company	6,400	2,000	2,000	2,000	200	100	100	\$ 239,051.00
Tennessee Gas Transmission	11,514	3,838	3,030	3,838	202	202	404	254,792.58
Transcontinental Gas P.L.	7,000	2,500	2,000	2,500	-	-	-	157,625.00
United Gas Corp.	5,600	2,500	1,500	1,500	100	-	-	208,534.07
TOTAL GAS DISTRIBUTION AND TRANSMISSION								\$ 860,002.65
TELEPHONE & TELEGRAPH								
American Tel. & Tel.	4,330	1,500	1,000	1,500	160	20	150	\$ 516,962.92
TOTAL PUBLIC UTILITIES								\$ 6,648,116.10

COMMON STOCKS HELD IN RETIREMENT FUNDS - DECEMBER 31, 1962

COMPANY	TOTAL NUMBER OF SHARES	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	
<u>BANKS:</u>								
Chase Manhattan Bank (N.Y.)	4,100	1,400	1,300	1,400	-	-	-	\$ 320,150.00
Citizens & Southern Natl (Ga.)	2,200	800	600	800	-	-	-	154,025.00
First Bank Stock (Mpls.)	3,600	1,000	1,200	1,000	200	100	100	228,295.38
Morgan Guaranty Trust/N.Y.	1,400	500	400	500	-	-	-	178,369.96
National City Bank/Cleveland	3,500	1,300	1,000	1,200	-	-	-	204,424.00
Northwest Bancorporation	6,900	2,000	2,000	2,500	200	100	100	294,636.42
Security 1st Nat'l Bank(L.A.)	2,500	700	600	1,200	-	-	-	188,050.00
Valley National Bank (Ariz.)	3,445	1,115	1,112	1,115	-	-	103	189,550.00
Wells Fargo Bank	3,200	1,200	800	1,200	-	-	-	196,125.00
Western Bancorporation	4,200	1,000	1,500	1,500	200	-	-	140,065.98
<u>TOTAL BANKS</u>								\$ 2,093,691.74
<u>INSURANCE:</u>								
Continental Casualty	3,220	1,000	700	1,200	200	-	120	\$ 281,240.00
General America	1,900	700	500	700	-	-	-	232,300.00
Hartford Fire Insurance	2,750	1,200	1,000	500	50	-	-	186,775.00
Insurance Co. of N. America	2,200	800	500	900	-	-	-	186,814.28
St. Paul Fire & Marine Insur.	6,825	2,400	2,000	2,075	200	-	150	395,552.25
Travelers Insurance	1,000	300	200	500	-	-	-	141,524.80
<u>TOTAL INSURANCE</u>								\$ 1,424,206.33
<u>AUTOMOTIVE:</u>								
Ford	7,800	2,600	2,400	2,400	200	100	100	\$ 339,489.70
General Motors	7,920	2,600	2,150	2,700	230	115	125	397,628.95
<u>TOTAL AUTOMOTIVE</u>								\$ 737,118.65
<u>CHEMICAL:</u>								
duPont (E.I.) de Nemours	1,840	600	500	600	60	30	50	\$ 378,310.52
Eastman Kodak	2,000	700	600	700	-	-	-	195,787.36
Hercules Powder	5,000	1,800	1,400	1,600	100	-	100	222,007.78
Monsanto Chemical	3,774	1,530	714	1,530	-	-	-	160,512.50
<u>TOTAL CHEMICAL</u>								\$ 956,618.16
<u>CONTAINER:</u>								
American Can	2,600	1,000	600	1,000	-	-	-	\$ 113,066.59
Continental Can	3,000	1,000	1,000	1,000	-	-	-	122,636.78
<u>TOTAL CONTAINER</u>								\$ 235,703.37
<u>DRUG:</u>								
American Home Products	3,400	1,200	1,000	1,200	-	-	-	\$ 203,933.16
Merck & Co.	1,450	400	300	700	50	-	-	144,493.72
Pfizer (Chas.) & Co.	2,600	1,000	400	1,000	200	-	-	119,579.84
Upjohn Co.	5,100	1,600	1,500	2,000	-	-	-	188,787.23
<u>TOTAL DRUG</u>								\$ 626,793.95

COMMON STOCKS HELD IN RETIREMENT FUNDS - DECEMBER 31, 1962

Schedule VI
(Continued)

COMPANY	Shares Held in the Various Funds							TOTAL COST
	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	
<u>ELECTRICAL & ELECTRONIC EQUIPMENT:</u>								
General Electric	3,300	1,000	1,000	1,000	150	50	100	\$ 233,212.13
Gould-National Batteries	4,000	1,500	500	2,000	-	-	-	177,200.45
Minneapolis-Honeywell Reg.	2,600	800	600	1,100	-	-	100	284,300.20
<u>TOTAL ELECTRICAL & ELECTRONIC EQUIPMENT</u>								\$ 694,712.78
<u>FOOD AND BEVERAGE:</u>								
Campbell Soup	2,500	1,000	500	1,000	-	-	-	\$ 222,621.50
Coca-Cola	1,800	800	500	500	-	-	-	154,680.88
Corn Products	3,000	1,000	1,000	1,000	-	-	-	134,406.21
General Foods	2,100	700	500	900	-	-	-	171,664.72
Pepsi-Cola	2,500	1,000	900	500	-	-	-	122,445.64
<u>TOTAL FOOD AND BEVERAGE</u>								\$ 805,818.95
<u>MACHINERY:</u>								
International Harvester	5,500	2,000	1,500	2,000	-	-	-	\$ 270,492.97
<u>METALS:</u>								
Inland Steel	6,000	2,000	1,500	2,500	-	-	-	\$ 239,603.40
<u>OFFICE EQUIPMENT:</u>								
International Business Mach.	1,035	380	250	350	25	10	20	\$ 475,476.70
<u>PAPER:</u>								
Scott Paper	5,000	2,000	1,000	2,000	-	-	-	\$ 172,064.01
<u>PETROLEUM:</u>								
Gulf Oil	4,400	2,000	1,700	700	-	-	-	\$ 169,738.78
Kern County Land	1,400	500	400	500	-	-	-	105,751.10
Louisiana Land & Exploration	2,400	800	700	900	-	-	-	169,879.80
Socony Mobil Oil	8,300	2,500	2,000	3,500	100	100	100	410,543.89
Standard Oil (N.J.)	7,700	2,000	2,200	3,000	300	100	100	386,978.42
Texaco, Inc.	3,100	1,000	1,000	1,000	-	-	100	165,814.07
<u>TOTAL PETROLEUM</u>								\$ 1,408,706.06
<u>PRINTING AND PUBLISHING:</u>								
Donnelley (R.R.) & Sons	8,160	2,652	2,448	3,060	-	-	-	\$ 180,825.00
Dun & Bradstreet	3,400	1,200	1,000	1,200	-	-	-	214,150.00
Prentice-Hall	3,800	1,400	1,000	1,400	-	-	-	116,121.22
Western Publishing	7,200	2,500	2,000	2,700	-	-	-	258,050.00
<u>TOTAL PRINTING AND PUBLISHING</u>								\$ 769,146.22
<u>RAILROAD:</u>								
Norfolk & Western Railway	3,400	1,200	1,000	1,200	-	-	-	\$ 314,764.15
Southern Railway	6,000	2,000	2,000	2,000	-	-	-	300,161.85
Union Pacific Railroad	6,900	2,000	2,000	2,400	200	100	200	215,579.15
<u>TOTAL RAILROAD</u>								\$ 830,505.15

COMMON STOCKS HELD IN RETIREMENT FUNDS - DECEMBER 31, 1962

COMPANY	Shares Held in the Various Funds							TOTAL COST
	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	
<u>RAILROAD EQUIPMENT:</u>								
Gen'l American Transportation	3,200	1,000	1,000	1,000	-	-	200	\$ 227,248.79
Union Tank Car	7,900	2,100	2,400	3,100	300	-	-	254,470.00
<u>TOTAL RAILROAD EQUIPMENT</u>								\$ 481,718.79
<u>RETAIL TRADE:</u>								
Great Atlantic & Pac. Tea	3,900	1,200	1,000	1,500	-	-	200	\$ 168,702.80
Penney (J.C.)	3,900	1,000	1,000	1,500	300	-	100	193,057.71
Red Owl Stores	5,000	2,000	1,500	1,500	-	-	-	252,849.80
Sears, Roebuck	2,650	600	1,000	1,000	-	50	-	180,725.43
Super Valu Stores	6,000	2,000	2,000	2,000	-	-	-	161,000.00
<u>TOTAL RETAIL TRADE</u>								\$ 956,335.74
<u>MISCELLANEOUS:</u>								
Corning Glass Works	1,000	300	200	500	-	-	-	\$ 153,405.37
Gillette	5,400	1,700	1,600	2,100	-	-	-	208,008.51
Minnesota Mining & Mfg	7,150	2,300	2,000	2,500	250	-	100	428,345.32
Proctor & Gamble	2,700	800	1,000	800	-	50	50	214,867.10
<u>TOTAL MISCELLANEOUS</u>								\$ 1,004,626.30
<u>TOTAL COMMON STOCKS</u>								\$20,831,455.37

The income on the above stocks, computed on the basis of the indicated dividend being paid at the time of purchase, provided a yield on cost of 3.00%. The income, based on the indicated annual dividend rate as of December 31, 1962, provides a yield of 3.15%.