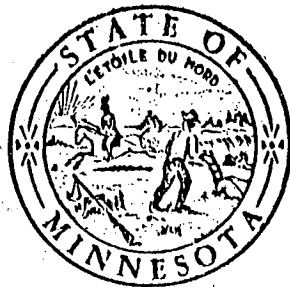


STATE OF MINNESOTA
STATE BOARD OF INVESTMENT
1966 REPORT
of
THE EXECUTIVE SECRETARY



Office of the Executive Secretary
State Capitol
Saint Paul, Minnesota 55101

June 9, 1967

MEMBERS OF THE
STATE BOARD OF INVESTMENT
DURING 1966

HON. KARL F. ROLVAAG, GOVERNOR*

HON. STAFFORD KING, STATE AUDITOR

HON. VAL BJÖRNSSON, STATE TREASURER

HON. JOSEPH L. DONOVAN, SECRETARY OF STATE

HON. ROBERT W. MATTSON, ATTORNEY GENERAL*

**The following newly elected Constitutional officers
became members of the Board as of January 1967:*

HON. HAROLD LEVANDER, GOVERNOR

HON. DOUGLAS M. HEAD, ATTORNEY GENERAL

Investment Department Personnel

Robert E. Blixt, M.S., LL.B., C.F.A.
Executive Secretary

Roger A. Derksen, B.B.A.
Senior Financial Analyst

Grant A. Feldman, Jr., B.S.
Securities Analyst

C. Robert Parsons, B.S.
Securities Analyst

Mary D. Lansing
Dianne K. Heinlen
Agnes A. Eiyneck

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-
-

Secretarial Assistant
Securities Assistant
Securities Assistant



MEMBERS OF BOARD:

GOVERNOR HAROLD LEVANDER
STATE AUDITOR STAFFORD KING
STATE TREASURER VAL BJORNSON
SECRETARY OF STATE JOSEPH L. DONOVAN
ATTORNEY GENERAL DOUGLAS M. HEAD

ROBERT E. BLIXT
EXECUTIVE SECRETARY

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT
115 STATE CAPITOL
SAINT PAUL 55101

June 9, 1967

Members of the Legislature of the State of Minnesota

Gentlemen:

The Minnesota State Board of Investment, established by the Constitution, is responsible for investing all of the State's funds. The Board consists of the Governor, State Auditor, State Treasurer, Secretary of State, and Attorney General. The Executive Secretary advises the Board, recommends policies, and handles the securities transactions. He has a staff of six members to aid in securities and portfolio analysis, accounting, and clerical tasks.

The investment department is aided on matters pertaining to equities by the Advisory Committee on Common Stocks, which was appointed by the State Board of Investment in May 1961, and has now served for six years. The group meets for one afternoon every two months and reviews the stock portfolios in detail. All recommendations regarding the equity program are then submitted to the State Board of Investment. The members of this Advisory Committee are as follows:

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

The Investment Board and the staff of the department have been particularly appreciative of the time and advice given by these investment managers from ten of the State's leading financial institutions and funds. Their service is entirely voluntary; they are not compensated for either time or expense. The contribution of the Committee has been a major factor in the success of the State's investment program.

The accounts supervised by the State Board of Investment are divided into several groups, each governed by individual statutes and managed under different policies. The fund groupings, together with their book value as of December 31, 1966, are as follows:

Permanent School Fund, \$264 million. This trust fund, invested for the benefit of the school children of Minnesota, includes U.S. Treasury securities, corporate bonds of long and short maturity, and common stocks.

Retirement funds, \$364 million. Six State-managed retirement funds, invested for the boards of the associations, include U.S. Treasury, municipal, and other governmental securities, U.S. Government-guaranteed obligations, corporate bonds, short-term corporate notes, and common stocks.

Highway funds, \$92 million. These accounts include U.S. Treasury obligations maturing within the next ten years and short-term corporate notes due within 270 days of the time of purchase. The moneys are used for the building and maintenance of highways, roads, and streets throughout the State.

Invested Treasurer's Cash Fund, \$152 million. This fund includes incoming tax receipts as well as the invested proceeds of certain State bond sales. The moneys are invested in U.S. Treasury obligations maturing within three years.

Miscellaneous welfare, departmental, and temporary funds, \$15 million. These funds are invested according to the terms of particular statutes or applicable policies, primarily in U.S. Treasury securities.

This report is being sent to firms conducting securities business with the State and to legislators and public officials associated with the program. It is designed to answer the many questions concerning the securities transactions, the investment policies and procedures followed by the State, and the distribution of securities business.

The office of the Executive Secretary was established under the terms of a 1959 statute. In 1961, the Legislature passed basic investment laws applicable to the retirement funds; these were revised in 1963, 1965, and 1967. A constitutional amendment pertaining to the Permanent School Fund was initiated by the 1961 Legislature. It was approved by the electorate in 1962; implementing statutes were passed by the 1963 Legislature. The provisions of these statutes as they pertain to the specific funds will be reviewed later in this report. Previous reports for the years 1960 through 1965 provided resumes of the transactions and policies during those periods.

The year 1966 witnessed very marked fluctuations in both the stock and bond markets. The Dow-Jones Industrial Average, after reaching a new high in early February, declined over two hundred points by October. The yearend lows were comparable to the depths reached in October, but the stock market has regained over half of the loss in valuation at the time of this writing in late May. Yields on Government and corporate bonds reached their highest level in forty years during 1966. The unusual phenomenon was that the depths in both the stock market and the bond market occurred at approximately the same time -- in late summer and early fall 1966. During this period, purchases of equities were increased somewhat above normal levels, and commitments for fixed-income securities were made for payment well into 1967. On December 31, 1966, the various retirement funds and the Permanent School Fund had committed for \$20 million of bonds, all of "A" quality or better, at an average yield of 6.02%. Purchases of issues offering comparable income continued during the early months of 1967. Due to these higher yields now in effect, the corporate bond portfolio evidences a market valuation somewhat less than cost price. The common stock portfolio, however, shows a definite market increase above cost, even though most of the equities were purchased during the period of high prices following 1963. By May 17, 1967, the stocks in the Permanent School Fund were worth 5.2% above cost, and the equities in the retirement funds showed a market appreciation of 10.4% above cost.

The following schedule reviews the composition of the trust funds and the retirement funds managed by the State Board of Investment on December 31, 1966:

COMPOSITION OF TRUST FUNDS AND RETIREMENT FUNDS
December 31, 1966
(000)

Type of Security	Permanent School Fund		Internal Improvement Land Fund		Combined Retirement Funds	
	Book Value	%	Book Value	%	Book Value	%*
U.S. Treasury and guaranteed obligations	\$113,501	43.1%	\$425	99.5%	\$ 20,814	5.8%
State and municipal obligations	3,563	1.4	-	-	64,820	17.8%
Short-term corporate obligations	-	-	-	-	5,211	1.4
Corporate debt obligations	103,758	39.4	-	-	180,641	49.8
Common stocks	42,550	16.1	-	-	91,532	25.2
Cash	1	-	2	0.5	- *	-
Totals	\$263,373	100.0%	\$427	100.0%	\$363,018	100.0%

* Percentages regarding retirement funds refer only to investments; cash balances and contributions in collection process are not included.

Such diversification results from the implementation of statutes written since 1960. Under the applicable constitutional provisions, the Permanent School Fund now includes a near maximum commitment in corporate securities. These investments in the retirement funds, however, may be increased substantially under statutes passed by the 1967 Legislature.

THE PERMANENT TRUST FUNDS

The State's permanent trust funds showed their greatest rate of growth during the 1940's and 1950's. Until a constitutional amendment was passed in 1956, half of 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 of Minnesota, and other State institutions. In recent years, the entire receipts from this tax have been applied directly toward meeting the State's current educational needs.

The 1963 Legislature provided for the return of the investment management of the Permanent University Fund to the Regents of the University of Minnesota. The assets of this fund, approximating \$47 million in book value, were transferred to the University in July 1963.

Under the terms of a 1962 constitutional amendment, the State Board of Investment was given broad latitude as to the media to be used in managing assets in the Permanent School Fund. The Internal Improvement Land Fund, a comparatively small fund restricted to the use of Government obligations, also remains under the jurisdiction of the Board.

During the years since 1963, long-term low-coupon U.S. Treasury Bonds have been sold from the Permanent School Fund. The securities had been purchased during the period of low interest rates through the 1940's and early 1950's. The proceeds from these sales have been invested in higher, yielding corporate securities.

In accordance with the terms of the 1962 amendment, corporate bonds have been purchased to nearly 40% of the book value of the Permanent School Fund; common stocks as of May 1967 approximate 17% of the book value of the fund. It is anticipated that these equity commitments will be raised to 20% within the next few years.

Yield from the Permanent School Fund has shown a significant increase during recent years, but is still somewhat below the return earned on many long-term trust funds. This is due largely to the sizable holding of low-coupon U.S. Treasury securities which are likely to remain in the account for a period of years. Constitutional provisions require that at least 40% of this fund continue to be invested in government credits.

These U.S. Treasury obligations were primarily responsible for a market valuation of the trust funds only slightly above 90 cents on the dollar as of December 31, 1966. The recently acquired corporate debt obligations are worth more, but they had also declined in value in 1966 because of the higher interest rates then prevalent. Although the common stocks have performed better market-wise than any group of fixed-income securities, the small percentage of equity investments tends to minimize the effects of this portion of the portfolio on the overall permanent trust fund results.

THE HIGHWAY FUNDS

The funds held for street, road, and highway construction in Minnesota may be invested in bonds eligible for purchase by the Permanent School Fund and commercial paper used in the retirement funds. At present, these funds own short-term U.S. Treasury securities, repurchase contracts backed by U.S. Treasury obligations, and short-term corporate notes. The Commissioner of Highways certifies the amounts not needed in the immediate future, and these sums are invested in maturities approximating the expected disbursement schedule of the highway department. This may extend over a considerable period because of the time necessary for planning, purchase of right-of-way, and construction of highways. The amount of highway funds investments fluctuates throughout the year, but totaled \$92 million in face value on December 31, 1966.

The earnings from the highway funds are substantially above those of a few years ago due to the increase in interest rates, a high degree of financial management by the highway department, and more available funds. The earnings from these accounts increased from \$1.7 million in fiscal 1958 to \$4.5 million in fiscal 1966, and an estimated \$5.0 million in 1967. This income benefits the counties and municipalities in Minnesota directly through the County State Aid Highway Fund and the Municipal State Aid Street Fund. Earnings from the Trunk Highway Fund are used for the overall State highway program.

INVESTED TREASURER'S CASH FUND

The interest earned in the Treasurer's cash account will show a major increase during fiscal 1967 because of the surplus in the General Revenue Fund and the Income Tax School Fund. It is anticipated that this income will approximate \$9.1 million for fiscal 1967, in contrast to \$6.0 million in 1966, and lesser amounts in previous years. It is to be emphasized that the favorable 1967 results are to be based on a set of factors which are not likely to occur in the foreseeable future. The surplus in the State treasury, together with the high level of short-term interest rates at the time substantial amounts of tax receipts were being committed, combined to show an income far above earlier expectations or estimates for future years.

A comparison of the total investments held in the Invested Treasurer's Cash Fund at calendar yearend in recent years shows \$51.6 million in 1964, \$102.9 million in 1965, and \$152.5 million in 1966. On the June 30 fiscal yearend, investments totaled \$132.7 million in 1965 and \$254.9 million in 1966, with an estimate approaching \$300 million for 1967.

The investment department buys and sells according to oral certifications of cash available made by the staff of the Treasurer. In recent years, there has been an increase in the use of U.S. Treasury repurchase agreements and of short-term bills so that funds may earn money even during short periods.

Although the investment department is not responsible for the amount of securities commitments in this fund, we anticipate the income results to be most satisfactory during the next few fiscal years. This is due to the recent high interest rates, an extension of some maturities well into the 1968 and 1969 fiscal years at a high yield, and greater activity in the short-term securities market as a result of a somewhat more intense utilization of the current funds. The earnings from this account could also be increased through the temporary investment of the proceeds from State bond sales. Such money would eventually be used for State building purposes.

Statutes require that securities in the Invested Treasurer's Cash account extend no longer than three years. It has been customary to invest most tax receipts to mature in nine months or less from the date of purchase. In late 1966 and early 1967, however, \$36 million of short-term paper was extended into the 14-month to 2-year range.

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, certain funds designated for welfare purposes, and patient and inmate accounts in both welfare and correctional institutions.

During 1963, a pooled fund was established for the various welfare needs. As a result of this arrangement, it was possible to increase the percentage of these funds which could be invested. Present purchases are being limited to U.S. Treasury obligations.

THE RETIREMENT FUNDS

Investments in various State retirement funds totaled \$363.1 million in book value on December 31, 1966. These funds have been accumulated, for the most part, through payroll deductions affecting employees of the State, Minnesota subdivisions, and school districts. In recent years, however, the Legislature has greatly increased the contributions to these funds by the employers -- the governmental units. The 1965 Legislature added to the incoming funds by raising the maximum salary limits on which these contributions are paid; the 1967 Legislature made contributions payable up to the full extent of the salaries. The basic investment law for retirement funds, passed in 1961, was revised by the 1963, 1965, and 1967 Legislatures so as to permit a higher percentage of corporate bond and stock investments.

Although State, municipal, and school district bonds once comprised over 70% of the total investments in these retirement funds, such holdings were reduced to 17.8% of the total by December 31, 1966. This percentage decline was due primarily to the placement of all new money in other securities, but was partly accounted for by the sale of tax-exempt bonds during the past six years. Sales of municipal bonds from the retirement funds have totaled \$22,276,000 since 1961, including the sale of \$4,142,000 face value of these securities in February 1966. Although tax-exempt bond sales will continue in future years, it appears that a large portion of the present holdings may be in the accounts until maturity. Most of the remaining "municipals" consist of small odd lots that carry either no rating or a rating of "Ba" or "BB." The municipal bond dealers and fiscal agents of the upper Midwest area have been most helpful in completing the sale of these securities. The refunding of certain issues, made possible by action of the 1963 Minnesota Legislature, has increased the value of the affected holdings and may make them more marketable.

Corporate debt obligations now constitute the leading classification of securities in the retirement funds, accounting for 49.8% of total investments on a book value basis. These bonds have been bought since 1960 and were rated "A" or better, at the time of purchase, by at least one of the nationally recognized rating services -- Fitch, Moody's, or Standard & Poor's. The corporate fixed-income investments, yielding 4.76%, provide a higher return to the retirement accounts than any other securities category.

The use of common stocks in the retirement funds was authorized by the 1961 Legislature. Under revised provisions passed in 1967, the State Board of Investment may purchase common stocks up to a maximum of 5% of the funds' book value in each of the years following 1961, until the maximum 35% in equities is reached. By April 14, 1966, the fifth anniversary of the investment law, such investments accounted for 23% of the total value of each fund; this percentage increased to 26.5% by April 14, 1967. On December 31, 1966, the retirement funds held \$272.2 million of corporate securities providing an average yield, at cost, of 4.37%.

The retirement funds showed a market value of 94.25 cents per dollar invested at yearend 1966. The average valuation of the fixed-income securities was below this figure, but the common stock portfolio showed a worth in excess of cost even after the substantial market drop of 1966. With the increases in both the stock and bond prices which have been evident during 1967, the retirement funds now have a value well above the purchase price of the securities.

The 1965 Legislature provided for the refunding of the \$9.8 million of State college revenue bonds presently held in the retirement funds. The State College Board has stated its intent to retire these dormitory issues and sell new bonds whenever it is possible to do so at a favorable interest rate. Within a few months after the 1965 legislative session, however, a marked increase in the level of interest rates made such action impractical from the standpoint of the State College Board. It is hoped that this refunding will take place soon, as it would mean substantially higher income to the State's retirement funds.

It is estimated that the \$55 million of obligations of Minnesota subdivisions was worth approximately 86 cents on the dollar at yearend 1966. Most of these holdings were purchased in the mid-1950's and carry interest rates below those prevailing more recently.

Corporate debt obligations to the extent of \$180.6 million were owned by the retirement funds at yearend 1966. These securities were also worth somewhat less than cost because of the very high interest rates in effect at yearend. Such yields are beneficial to the funds over the longer term, however, due to the greater income being received on current corporate bond commitments.

REVIEW OF ACCOMPANYING SCHEDULES

Schedule I summarizes the composition of the Permanent School Fund and the retirement funds as of December 31, 1966. The rearrangement of the securities in the Permanent School Fund was initiated in mid-1963, and has now been practically completed. The 1962 constitutional limitations regarding corporate securities limit bonds at 40% and common stocks at 20%, both computed on a book value basis. A sizable portion of this account will continue to be invested in governmental fixed-income securities.

The retirement funds now consist primarily of corporate bonds and stocks. Insofar as the flow of incoming cash permits, an attempt is made to maintain an equal diversification among the six retirement funds. There is a difference in the rate of cash flow, however, which has altered the composition of the various retirement funds. The State Employees and Public Employees Retirement Funds certify money on a continuing basis, whereas the Teachers' Retirement Fund is more dependent upon quarterly contributions. Changes in both the bond and stock markets have resulted in some variance in portfolios because of the timing of incoming funds.

Schedule II shows the yield received on the three largest retirement funds during the past eight years; it emphasizes the increased income earned because of higher interest rates and the use of corporate securities. Since 1958, retirement fund yields have increased from approximately 2.9% to over 4.1%. Quality rather than yield has been the basic determinant in the purchase of bonds since 1960. Long-term growth potential has been considered in the making of common stock commitments. Recent issues of corporate bonds provide an income considerably higher than the

funds' average rate of return, but new commitments in common stocks yield less than 3.5%. The use of certain stocks offering a low current income has been continued in the belief that the funds will achieve a higher rate of return over a period of years due to such investments. Dividend increases from these stocks have already indicated their future value to the retirement funds and a favorable impact on yield figures.

The earnings of Minnesota's retirement funds are still somewhat below those of many other public retirement accounts for several reasons. First, the substantial holdings of low-coupon municipal bonds tend to lower the overall yield; secondly, the ultimate income resulting from common stock investments will not be evident for a period of years; and thirdly, statutes specifying quality have limited purchases to highly rated issues, which provide a lesser yield than those of lower quality. A fourth reason is that the Minnesota retirement funds are among the few in the nation which are not authorized to use mortgages. This investment medium has been reviewed several times by the Public Employees Retirement Systems Interim Commission, but it has been decided that certain procedural aspects of a mortgage purchase program will preclude the use of such investments for the funds until a later time.

Schedule III reviews the Permanent School Fund for the decade from June 30, 1956, through December 31, 1966. The schedule indicates that, due to a prevalence of low-coupon U.S. Treasury securities in the fund during the 1950's, the yield was only 2.68%. Certain changes in the U.S. Treasury portfolio during the early 1960's resulted in a higher yield to slightly over 3%, but the increase to a level above 3.5% was achieved only after the passage of a constitutional amendment in 1962, and the subsequent investment in corporate bonds and stocks.

Schedule IV summarizes the short-term corporate notes owned in the various State funds and lists U.S. Treasury obligations held in all accounts on December 31, 1966. Of the funds indicated, the Invested Treasurer's Cash Fund is the most liquid; the securities in it must be available for conversion into cash at any time so as to meet State needs. A portion of the highway funds must be comparatively liquid; the remainder is held for construction projects in progress, but which may take a period of years for completion. Most of the U.S. Treasury obligations in the Permanent School Fund may be regarded as permanent investments.

Schedule V summarizes the holdings of short-term corporate notes held by the highway and retirement funds on December 31, 1966. Because of the flexible maturities obtainable through this investment medium along with the procedural advantages and higher yields offered, use of these securities has increased substantially during the past two years. The State's investments in these notes may be larger as a result of 1967 legislation raising the authorized maximum of commercial paper which may be used in the highway funds.

Schedule VI lists the corporate bond holdings of the Permanent School Fund on December 31, 1966. It is presumed that future fixed-income commitments in this fund will consist almost entirely of U.S. Government-guaranteed issues, as there are no constitutional maximums on this type of security.

Schedule VII lists the corporate bond holdings of the retirement funds on December 31, 1966. Except for the nominal amount of railroad bonds previously owned, these securities were purchased since March 1960.

Most of the bonds listed as holdings in the retirement funds were committed for at the time of original offering, or soon thereafter, from members of the underwriting syndicates. During the past four years, most of the State's fixed-income commitments for the retirement funds and the Permanent School Fund have been in the form of private placements. These issues are purchased directly from the borrowing corporations by a group of institutional buyers, including public retirement funds and trust funds, insurance companies, and bank trust departments. The State Board of Investment has followed the policy of purchasing only those private placements that are of sufficient size to be used by several buyers, so that the investment department is not in the position of setting the interest rate on any individual issue.

Schedule VIII details the types of corporate debt obligations owned by the Permanent School Fund and the various retirement funds on December 31, 1966, as well as the redemption features of the securities purchased during the past year. Since the inception of our corporate investment program, we have stressed call protection and the use of securities offering at least a five-year nonrefundable feature. During 1966, when interest rates were considerably higher than prevalent early in the decade, purchases were concentrated in those fixed-income issues offering call or refunding protection of ten years. Because of these features, the present yield appears to be adequately protected against anticipated fluctuations in interest rates.

Schedule IX lists the common stock holdings in the Permanent School Fund and in the various retirement funds on December 31, 1966. All these securities meet the requirements stated in the applicable statutes and have been approved by the Advisory Committee on Common Stocks.

It is anticipated that the equities now owned in the Permanent School Fund and the retirement funds will show appreciable changes in market valuations during future years. Although sales are being made from these accounts, the Board does not intend to use these funds as trading media, but hopes to establish a solid investment in American industry that will provide future income to the ultimate beneficiaries. The high levels of the stock market in late 1965 and early 1966, together with the recent wide fluctuations and substantial declines, tend to emphasize the necessity of accepting market and economic downturns along with the more favorable trends. The State's stock purchase program continues to be based on long-term earnings expectations. Upon the recommendation of the Advisory Committee, the investment board has recently purchased a limited representation in industries which have been considered favorites by the performance-minded account managers. Because a State investment organization is unable to move as quickly as most mutual funds or trust and insurance accounts, however, it has been found desirable to concentrate the purchases in equities which are likely to perform in a satisfactory manner over a period of years. Owing to higher dividends since the time of acquisition, the stocks added to the retirement funds in 1961, which provided a yield of less than 2.7% at the time of purchase, now provide a return of nearly 4% on the original cost basis. The dividend increases declared during 1966 provided additional income of \$225,093.92 on the stocks owned by the funds during the past year. A comparable upward trend in income, though perhaps to a somewhat lesser degree, may be anticipated over the years as the nation's economy continues to grow.

The Advisory Committee on Common Stocks and the State Board of Investment have emphasized such considerations as management factors and long-term growth potential, as well as current yield, in the selection of equity securities. All stocks recommended for inclusion in these funds are first discussed and approved by the Advisory Committee and then brought before the members of the State Board of Investment.

A review of policies concerning the placement of business, together with a summary of transactions completed during 1966, follows the schedules described above.

* * * * *

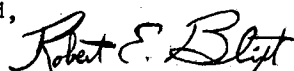
Recent changes and developments in the State's investment program have resulted from the efforts of the Minnesota Legislature in 1961, 1963, 1965, and 1967. During each of these terms, laws were passed which resulted in more realistic investment management, yet assured the necessary restrictions as to investment media. The Public Employees Retirement Systems Interim Commission has been particularly helpful in reviewing the departmental policies, procedures, and needs so as to develop a better investment operation.

The 1967 Legislature increased the maximums of corporate bonds and common stocks eligible for use in the retirement funds and raised the amount of commercial paper which may be used in the highway accounts.

The Legislature also took action to insure the long-term competency of the department by setting statutory requirements for the individual holding the position of Executive Secretary. It is hoped that these professional qualifications may result in an increased level of confidence by the retirement fund beneficiaries in the investment management of their account. Late in the session, the Legislature established a Supplemental Retirement Fund which will form the basis for a choice, by beneficiaries, of an income fund or a growth fund which will provide additional benefits for college teachers. The variable annuity concept, introduced by the growth fund, will provide a new investment challenge to the department and could, over a period of years, eliminate some of the risks inherent in any investment program geared too closely to a presumed dollar of stable value. During the past decades, it has been evident that the purchasing power risk has not been met successfully by those accounts invested primarily in fixed-income securities.

The State Board of Investment and the staff of the investment department appreciate the cooperation that has been received from members of the Legislature and the retirement fund administrations as well as from investment dealers and brokers throughout the nation. The members of the Advisory Committee have been particularly helpful in achieving the improved portfolio balance and noticeably higher income since the initial investment laws were passed in 1961.

Respectfully submitted,


Robert E. Blixt, C.F.A.
Executive Secretary

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

COMPOSITION OF THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS*
December 31, 1966

Schedule I

PERMANENT SCHOOL FUND			RETIREMENT FUNDS													
			Distribution Within Various Funds													
Book Value	%	Type of Security	Total Retirement Funds		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	
			Book Value	%	Book Value	%	Book Value	%	Book Value	%	Book Value	%	Book Value	%	Book Value	%
FIXED-INCOME OBLIGATIONS																
\$108,085,500.00	41.0%	U.S. Treasury	\$ 10,003,000.00	2.8%	\$ 3,400,000.00	2.6%	\$ 640,000.00	0.7%	\$ 4,855,000.00	3.8%	\$ 906,000.00	11.5%	\$ 60,000.00	4.7%	\$ 142,000.00	3.8%
5,416,000.00	2.0	U.S. Guaranteed Merchant Marine Bonds	10,811,000.00	3.0	5,797,000.00	4.5	1,800,000.00	1.9	2,250,000.00	1.7	764,000.00	9.7	-	-	200,000.00	5.4
\$113,501,500.00	43.0%	Total Federal Obligations	\$ 20,814,000.00	5.8%	\$ 9,197,000.00	1%	\$ 2,440,000.00	2.6%	\$ 7,105,000.00	5.5%	\$ 1,670,000.00	21.2%	\$ 60,000.00	4.7%	\$ 342,000.00	9.2%
-	-	Minnesota State	\$ 8,959,000.00**	2.5%	\$ 2,895,000.00	2.2%	\$ 2,408,000.00	2.6%	\$ 3,656,000.00	2.8%	-	-	-	-	-	-
\$ 3,563,280.00	1.4%	Minnesota Subdivisions	55,009,500.00	15.1	15,504,000.00	12.0	17,578,000.00	19.1	20,852,500.00	16.2	-	-	\$ 364,000.00	28.5%	\$ 711,000.00	19.1%
-	-	Other States & Subdivisions	851,000.00	0.2	326,000.00	0.3	367,000.00	0.4	158,000.00	0.1	-	-	-	-	-	-
\$ 3,563,280.00	1.4%	Total State & Municipal Obligations	\$ 64,819,500.00	17.8%	\$ 18,725,000.00	14.5%	\$ 20,353,000.00	22.1%	\$ 24,666,500.00	19.1%	-	-	\$ 364,000.00	28.5%	\$ 711,000.00	19.1%
-	-	Short-term Corporate Obligations	\$ 5,211,000.00	1.4%	\$ 2,810,000.00	2.2%	\$ 1,123,000.00	1.2%	\$ 90,500.00	0.7%	\$ 283,000.00	3.6%	-	-	\$ 90,000.00	2.4%
Long-term Corporate Obligations:																
Public Utility																
\$ 20,662,000.00	7.8%	Electric	\$ 37,947,000.00	10.5%	\$ 13,606,000.00	10.6%	\$ 8,728,000.00	9.5%	\$ 14,279,000.00	11.1%	\$ 773,000.00	9.8%	\$ 130,000.00	10.2%	\$ 431,000.00	11.6%
8,102,000.00	3.1	Gas	29,398,000.00	8.1	11,356,000.00	8.8	7,658,000.00	8.3	9,267,000.00	7.2	484,000.00	6.1	167,000.00	13.1	466,000.00	12.5
10,400,000.00	3.9	Telephone	9,460,000.00	2.6	3,550,000.00	2.8	1,800,000.00	2.0	3,800,000.00	2.9	210,000.00	2.7	-	-	100,000.00	2.7
-	-	Water	1,000,000.00	0.3	400,000.00	0.3	300,000.00	0.3	300,000.00	0.2	-	-	-	-	-	-
\$ 39,164,000.00	14.8%	Total Public Utility	\$ 77,805,000.00	21.5%	\$ 28,912,000.00	22.5%	\$ 18,486,000.00	20.1%	\$ 27,646,000.00	21.4%	\$ 1,467,000.00	18.6%	\$ 297,000.00	23.3%	\$ 997,000.00	26.8%
\$ 3,700,000.00	1.4%	Finance	\$ 8,725,000.00	2.4%	\$ 2,800,000.00	2.2%	\$ 2,150,000.00	2.3%	\$ 3,450,000.00	2.7%	\$ 275,000.00	3.5%	\$ 50,000.00	3.9%	\$ -	-
39,645,479.45	15.1	Industrial	52,637,714.29	14.5	17,570,500.00	13.6	13,925,714.29	15.1	19,959,000.00	15.5	767,500.00	9.7	90,000.00	7.1	\$ 325,000.00	8.7%
4,684,000.00	1.8	Transportation (excluding equipment)	9,902,000.00	2.7	3,248,000.00	2.5	2,406,000.00	2.6	3,683,000.00	2.8	246,000.00	3.1	98,000.00	7.7	221,000.00	5.9
16,564,091.68	6.3	Railroad Equipment	31,571,575.71	8.7	11,074,933.08	8.6	8,839,684.95	9.6	10,419,854.44	8.1	1,124,103.24	14.2	-	-	113,000.00	3.0
\$103,757,571.13	39.4%	Total Long-term Corporate Obligations	\$180,641,290.00	49.8%	\$ 63,605,433.08	49.4%	\$ 45,807,399.24	49.7%	\$ 65,157,854.44	50.5%	\$ 3,879,603.24	49.1%	\$ 535,000.00	42.0%	\$ 1,656,000.00	44.4%
-	-	Preferred Stock (gift)	700.00	-	-	-	-	700.00	-	-	-	-	-	-	-	-
\$220,822,351.13	83.8%	TOTAL FIXED-INCOME OBLIGATIONS	\$271,486,490.00	74.8%	\$ 94,337,433.08	73.2%	\$ 69,723,399.24	75.8%	\$ 97,835,054.44	75.8%	\$ 5,832,603.24	73.9%	\$ 959,000.00	75.2%	\$ 2,799,000.00	75.1%
COMMON STOCKS																
CONSUMER-ORIENTED STOCKS:																
Utilities																
\$ 10,161,322.51	3.9%	Electric	\$ 21,414,853.85	5.9%	\$ 8,425,691.22	6.5%	\$ 4,946,113.35	5.4%	\$ 7,298,919.01	5.6%	\$ 503,215.61	6.4%	\$ 61,825.96	4.9%	\$ 179,088.70	4.8%
860,947.75	0.3	Gas	2,223,984.78	0.6	889,050.54	0.7	543,831.96	0.6	734,414.84	0.6	30,180.00	0.4	7,588.06	0.6	18,919.38	0.5
1,106,754.60	0.4	Telephone	2,684,260.83	0.7	1,018,396.30	0.8	657,310.58	0.7	913,217.51	0.7	61,495.61	0.8	9,077.79	0.7	24,763.04	0.7
\$ 12,129,024.86	4.6%	Total Utilities	\$ 26,323,099.46	7.2%	\$ 10,333,138.06	8.0%	\$ 6,147,255.89	6.7%	\$ 8,946,551.36	6.9%	\$ 594,891.22	7.6%	\$ 78,491.81	6.2%	\$ 222,771.12	6.0%
Financial Services																
\$ 3,989,190.13	1.5%	Banks	\$ 7,375,776.44	2.0%	\$ 2,821,216.93	2.2%	\$ 1,815,680.29	2.0%	\$ 2,496,942.86	1.9%	\$ 149,960.02	1.9%	\$ 25,609.85	2.0%	\$ 66,366.49	1.8%
572,698.60	0.2	Finance	1,761,622.53	0.5	626,167.25	0.5	435,463.47	0.5	621,946.57	0.5	39,843.00	0.5	5,475.00	0.4	32,727.24	0.9
2,261,661.25	0.9	Insurance	4,079,233.09	1.1	1,481,259.33	1.1	1,002,136.62	1.1	1,448,268.39	1.1	94,100.00	1.2	7,822.50	0.6	45,645.25	1.2
\$ 6,823,549.98	2.6%	Total Financial Services	\$ 13,216,632.06	3.6%	\$ 4,928,643.51	3.8%	\$ 3,253,280.38	3.6%	\$ 4,567,157.82	3.5%	\$ 283,903.02	3.6%	\$ 38,907.35	3.0%	\$ 144,739.98	3.9%
Consumers Goods																
\$ 1,491,453.04	0.6%	Food-Beverage	\$ 3,032,897.44	0.8%	\$ 1,132,014.28	0.9%	\$ 707,858.64	0.8%	\$ 1,061,698.12	0.8%	\$ 84,746.54	1.1%	\$ 13,090.56	1.0%	\$ 33,489.30	0.9%
315,567.78	0.1	Printing & Publishing	1,657,033.42	0.5	602,108.56	0.5	461,086.89	0.5	536,313.24	0.4	34,195.21	0.4	7,889.57	0.6	15,439.95	0.4
1,328,577.92	0.5	Retail Trade	2,716,576.49	0.8	1,078,595.74	0.8	614,574.25	0.7	925,179.74	0.7	62,783.50	0.8	7,747.73	0.6	27,695.53	0.7
425,578.50	0.2	Textiles	898,148.54	0.3	357,082.58	0.3	250,491.39	0.3	260,295.82	0.2	14,292.20	0.2	8,084.43	0.6	7,902.12	0.2
756,019.80	0.3	Miscellaneous	1,982,500.75	0.5	770,436.46	0.6	436,274.11	0.5	702,549.05	0.5	37,850.58	0.5	4,323.80	0.3	31,066.75	0.8
\$ 4,317,197.04	1.7%	Total Consumers Goods	\$ 10,287,156.64	2.9%	\$ 3,940,237.62	3.1%	\$ 2,470,285.28	2.8%	\$ 3,486,035.97	2.6%	\$ 233,868.03	3.0%	\$ 41,136.09	3.1%	\$ 115,593.65	3.0%
\$ 23,289,771.88	8.9%	Total Consumer-Oriented Stocks	\$ 49,826,888.16	13.7%	\$ 19,202,019.19	14.9%	\$ 11,870,821.55	13.1%	\$ 16,999,745.15	13.0%	\$ 1,112,662.27	14.2%	\$ 168,535.25	12.3%	\$ 483,104.75	12.9%
RESEARCH STOCKS:																
\$ 3,676,345.55	1.4%	Chemical & Drug	\$ 8,618,128.14	2.4%	\$ 3,364,784.16	2.6%	\$ 2,036,333.60	2.2%	\$ 2,905,192.33	2.3%	\$ 195,134.32	2.5%	\$ 33,342.53	2.6%	\$ 83,341.20	2.3%
1,042,059.27	0.4	Office Equipment	2,310,066.61	0.6	806,026.84	0.6	562,316.97	0.6	774,080.83	0.6	97,114.74	1.2	20,068.64	1.6	50,458.59	1.4
811,769.48	0.3	Miscellaneous	1,354,662.61	0.4	463,606.14	0.4	363,434.62	0.4	489,209.55	0.4	15,022.04	0.2	7,984.44	0.6	15,405.82	0.4
\$ 5,530,174.30	2.1%	Total Research Stocks	\$ 12,282,857.36	3.4%	\$ 4,634,417.14	3.6%	\$ 2,962,085.19	3.2%	\$ 4,168,482.71	3.3%	\$ 307,271.10	3.9%	\$ 61,395.61	4.8%	\$ 149,205.61	4.1%
NATURAL-RESOURCES STOCKS:																
\$ 3,587,041.33	1.4%	Petroleum	\$ 8,864,784.21	2.4%	\$ 3,166,093.84	2.5%	\$ 2,339,269.82	2.5%	\$ 3,030,379.27	2.4%	\$ 199,101.52	2.5%	\$ 34,408.59	2.7%	\$ 95,531.17	2.6%
\$ 3,587,041.33	1.4%	Total Natural-Resources Stocks	\$ 8,864,784.21	2.4%	\$ 3,166,093.84	2.5%	\$ 2,339,269.82	2.5%	\$ 3,030,379.27	2.4%	\$ 199,101.52	2.5%	\$ 34,408.59	2.7%	\$ 95,531.17	2.6%
DURABLES STOCKS:																
\$ 2,416,571.36	0.9%	Automobiles & Automobile Parts	\$ 5,013,431.21	1.4%	\$ 1,794,828.73	1.4%	\$ 1,404,128.97	1.5%	\$ 1,640,835.57	1.3%	\$ 112,568.99	1.4%	\$ 13,108.75	1.0%	\$ 47,960.20	1.3%
1,861,012.00	0.7	Electrical & Electronic Equipment	3,669,310.37	1.0	1,388,232.16	1.1	910,850.74	1.0	1,254,530.33	1.0	75,403.26	0.9	8,591.53	0.7	31,702.35	0.9
1,224,619.51	0.5	Machinery	2,383,754.93	0.7	931,928.53	0.7	591,691.04	0.6	764,789.28	0.6	63,789.91	0.8	4,729.94	0.4	26,826.23	0.7
695,891.32	0.3	Steel	1,247,650.88	0.3	441,362.00	0.3	319,968.93	0.3	444,455.10	0.3	28,886.46	0.4	6,032.49	0.5	6,945.90	0.2
Transportation & Transportation Equipment																
\$ 830,609.27	0.3%	Airlines	\$ 1,781,657.01	0.5%	\$ 689,725.09	0.5%	\$ 437,816.99	0.5%	\$ 597,835.97	0.5%	\$ 34,039.86	0.4%	-	-	\$ 22,239.10	0.6%
1,898,817.86	0.7	Railroads	3,627,101.72	1.0	1,250,971.08	1.0	956,127.45	1.0	1,297,374.27	1.0	74,901.02	0.9	\$ 14,893.27	1.2%	\$ 32,834.63	0.9
553,129.72	0.2	Transportation Equipment	1,385,616.63	0.4	482,126.32	0.4	327,115.27	0.3	528,524.58	0.4	29,440.28	0.4	7,449.88	0.6	10,960.30	0.3
\$ 3,282,556.85	1.2%	Total Trans. & Trans. Equipment	\$ 6,794,375.36	1.9%	\$ 2,422,822.49	1.9%	\$ 1,721,059.71	1.8%	\$ 2,423,734.82	1.9%	\$ 138,381.16	1.7%	\$ 22,343.15	1.8%	\$ 66,034.03	1.8%
682,596.79	0.2	Miscellaneous	1,449,187.28	0.4	560,235.69	0.4	367,529.06	0.4	475,226.49	0.4	23,224.28	0.3	7,141.50	0.6	15,890.26	0.4
\$ 10,163,247.83	3.8%	Total Durables Stocks	\$ 20,557,710.03	5.7%	\$ 7,539,409.60	5.8%	\$ 5,315,228.45	5.6%	\$ 7,003,571.59	5.5%	\$ 442,264.06	5.5%	\$ 61,947.36	5.0%	\$ 195,298.97	5.3%
\$ 42,550,235.34	16.2%	TOTAL COMMON STOCKS	\$ 91,532,239.76	25.2%	\$ 34,541,939.77	26.8%	\$ 22,487,405.01	24.4%	\$ 31,202,178.72	24.2%	\$ 2,061,288.95	26.1%	\$ 316,286.81	24.8%	\$ 923,140.50	24.9%

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule II

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS
IN THE THREE LARGEST RETIREMENT FUNDS
December 31, 1966

	PUBLIC EMPLOYEES RETIREMENT FUND				STATE EMPLOYEES RETIREMENT FUND				TEACHER'S RETIREMENT FUND			
	Book Value (1)(6)	Average Book Value for Year Ending (2)	Income for Year Ending (3)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2)	Income for Year Ending (3,5)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2)	Income 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%	\$ 54,313,000	-	-	-
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	\$59,730,414	\$2,168,821.46	3.63%	\$ 77,813,737	-	-	-
June 30, 1963	\$ 81,436,890	\$ 74,921,814	\$2,990,070.00	3.99%	\$65,432,932	-	-	-	\$ 82,990,550	\$ 77,997,132	\$3,011,190.37	3.86%
December 31, 1963	\$ 92,347,700	-	-	-	\$68,922,451	\$65,624,167	\$2,466,206.57	3.76%	\$ 88,480,685	-	-	-
June 30, 1964	\$ 96,311,091	\$ 90,031,894	\$3,613,002.65	4.01%	\$72,100,574	-	-	-	\$ 96,529,180	\$ 89,333,472	\$3,546,799.82	3.97%
December 31, 1964	\$103,667,519	-	-	-	\$75,485,635	\$72,169,553	\$2,771,915.82	3.84%	\$100,413,219	-	-	-
June 30, 1965	\$110,234,510	\$103,404,373	\$4,193,536.65	4.06%	\$79,128,448	-	-	-	\$109,221,619	\$102,054,673	\$4,124,491.25	4.04%
December 31, 1965	\$120,809,744	-	-	-	\$83,578,973	\$79,397,685	\$3,104,510.00	3.91%	\$113,680,813	-	-	-
June 30, 1966	\$126,016,044	\$119,034,099	\$4,961,041.08	4.17%	\$87,477,671	-	-	-	\$122,392,368	\$115,098,267	\$4,677,205.58	4.06%
December 31, 1966	\$136,773,265	-	-	-	\$92,210,804	\$87,755,816	\$3,599,529.00	4.10%	\$129,037,233	-	-	-

- (1) Book value figures based on those shown on Treasurer's General Report on State Finances on date listed, with adjustments for calls, maturities and 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 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 III

PERMANENT SCHOOL FUND

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS

	Book Value (1)	Average Book Value for Year Ending (2)	Total Investment Income for Year Ending (3,4)	Less Transfer to Principal (5)	Net Investment Income for Year Ending (3,4)	Yield (6)
June 30, 1956	\$239,454,017.45	\$230,514,077.91	\$6,177,810.81	-	\$6,177,810.81	2.68%
December 31, 1956	\$243,004,853.61	-	-	-	-	-
June 30, 1957	\$244,700,475.47	\$242,386,448.84	\$6,486,999.20	-	\$6,486,999.20	2.68%
December 31, 1957	\$248,558,062.99	-	-	-	-	-
June 30, 1958	\$249,513,238.84	\$247,590,592.43	\$6,512,261.41	-	\$6,512,261.41	2.63%
December 31, 1958	\$252,324,357.47	-	-	-	-	-
June 30, 1959	\$253,243,896.53	\$251,693,830.95	\$7,005,142.92	-	\$7,005,142.92	2.78%
December 31, 1959	\$255,520,490.05	-	-	-	-	-
June 30, 1960	\$256,276,151.72	\$255,013,512.77	\$7,116,641.31	-	\$7,116,641.31	2.79%
December 31, 1960	\$259,324,537.57	-	-	-	-	-
June 30, 1961	\$260,019,901.33	\$258,540,196.87	\$7,978,635.92	-	\$7,978,635.92	3.09%
December 31, 1961	\$261,981,702.84	-	-	-	-	-
June 30, 1962	\$262,388,564.04	\$261,463,389.40	\$8,610,672.52*	-	\$8,610,672.52*	3.29%*
December 31, 1962	\$264,203,940.11	-	-	-	-	-
June 30, 1963	\$264,631,949.36	\$263,741,484.50	\$8,048,170.78*	-	\$8,048,170.78*	3.05%*
December 31, 1963	\$263,710,744.23	-	-	-	-	-
June 30, 1964	\$263,552,120.96	\$263,964,938.18	\$8,579,156.81	-	\$8,579,156.81	3.25%
December 31, 1964	\$264,704,185.42	-	-	-	-	-
June 30, 1965	\$262,170,084.20	\$263,475,463.53	\$9,186,790.66	\$ 76,936.86	\$9,109,853.80	3.46%
December 31, 1965	\$262,324,844.32	-	-	-	-	-
June 30, 1966	\$261,686,901.05	\$262,060,609.86	\$9,647,417.30	\$329,472.90	\$9,317,944.40	3.56%
December 31, 1966	\$263,433,844.16	-	-	-	-	-

- (1) Book value figures based on those shown on Treasurer's General Report on State Finances on date listed, with adjustments for calls, maturities and investments committed for but not yet received.
- (2) Computed by averaging book value of fund on last three report dates, ending with date listed.
- (3) Income figures obtained from the State Auditor's office.
- (4) Includes investment income from the Swamp Land Fund which was combined into the Permanent School Fund after passage of a Constitutional Amendment in 1962.
- (5) The transfer of a portion of the income to the principal of the account is called for under the Minnesota Constitution, Article VIII, Section 4, as amended in 1962, and implemented by Minnesota Statutes 1965, Section 11.015, Subdivision 7, in order that the difference between the sales price and original cost of securities be returned to the principal of the account. Sales of low coupon U.S. Treasury securities at less than cost resulted in the transfers during recent years.
- (6) Computed by dividing net investment income of fund for fiscal period by average book value of fund.
- (*) The income received during fiscal 1962 and 1963 was subjected to accounting adjustments which tended to overstate the 1962 figures, due to the accumulation of discounts on bonds purchased (Minnesota Statutes 1965, Section 11.05, Subdivision 2) and understate the 1963 results, due to the combining of the Swamp Land Fund into the Permanent School Fund during that fiscal year.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule IV

U.S. GOVERNMENT OBLIGATIONS HELD BY VARIOUS FUNDS
(ALSO INCLUDING SHORT-TERM CORPORATE NOTES)

December 31, 1966

	Invested Treasurer's Cash Fund	HIGHWAY FUNDS				Permanent School Fund	Internal Improvement Land Fund	Combined Retirement Funds	Miscellaneous Departmental Funds
		Trunk	County State Aid	Municipal State Aid					
<u>SHORT-TERM CORPORATE NOTES</u>									
Maturity less than 30 days	*	-	\$ 860,000	\$ 199,000	*	*	\$ 3,838,000	*	
Maturity 30-90 days	*	\$ 2,023,000	400,000	708,000	*	*	1,373,000	*	
Maturity 3-6 months	*	4,658,000	1,575,000	769,000	*	*	-	*	
TOTAL SHORT-TERM CORPORATE NOTES	*	\$ 6,681,000	\$ 2,835,000	\$ 1,676,000	*	*	\$ 5,211,000	*	
			* * * * *	* * *					
<u>U. S. TREASURY SECURITIES</u>									
<u>BILLS</u>									
Maturity less than 30 days	-	-	\$ 995,000	\$ 550,000	-	-	\$ 71,000	\$ 2,025,000	
Maturity 30-90 days	\$ 2,275,000	\$12,650,000	9,350,000	2,745,000	\$ 1,340,000	-	117,000	4,694,000	
Maturity 3-6 months	20,185,000	1,860,000	-	-	-	-	50,000	2,898,000	
Maturity 6-12 months	30,615,000	5,579,000	1,780,000	-	-	-	-	1,344,000	
TOTAL BILLS	\$53,075,000	\$20,089,000	\$12,125,000	\$ 3,295,000	\$ 1,340,000	-	\$ 238,000	\$10,961,000	
<u>REPURCHASE AGREEMENTS</u>									
Maturity less than 30 days	\$ 5,000,000	-	-	-	\$ 2,586,000	-	-	-	
<u>NOTES AND BONDS</u>									
<u>Series K 2.76%</u>									
Various Maturities to 4-1-67	-	-	-	-	-	-	-	\$ 77,000	
3 5/8% Notes due 2-15-67	\$ 6,000,000	-	-	-	-	-	-	-	
4 1/4% Notes due 5-15-67	1,100,000	-	-	-	-	-	-	-	
3 3/4% Notes due 8-15-67	7,300,000	-	-	-	-	-	-	-	
5 1/4% Cert. due 8-15-67	11,650,000	-	-	-	-	-	-	-	
3 5/8% Bond due 11-15-67	7,000,000	-	-	-	-	-	-	-	
Total maturities less than 1 year	\$33,050,000	-	-	-	-	-	-	\$ 77,000	
5 5/8% Notes due 2-15-68	\$22,000,000	-	-	-	-	-	-	-	
3 7/8% Bonds due 5-15-68	10,950,000	-	-	-	\$ 1,550,000	-	-	\$ 965,000	
3 3/4% Bonds due 8-15-68	13,250,000	-	-	-	-	-	-	636,000	
3 7/8% Bonds due 11-15-68	10,145,000	\$ 3,500,000	\$ 2,350,000	\$ 1,700,000	-	-	-	205,000	
2 1/2% Bonds due 12-15-68/63	-	-	-	-	-	-	\$ 85,000	7,000	
4% Bonds due 2-15-69	5,000,000	-	-	800,000	-	-	-	-	
2 1/2% Bonds due 6-15-69/64	-	-	-	-	-	\$ 50,000	130,000	169,000	
4% Bonds due 10-1-69	-	4,000,000	2,000,000	1,000,000	932,000	67,500	2,400,000	1,006,000	
2 1/2% Bonds due 12-15-69/64	-	-	-	-	3,860,000	-	920,000	16,500	
Total maturities 1-3 years	\$61,345,000	\$ 7,500,000	\$ 4,350,000	\$ 3,500,000	\$ 6,342,000	\$ 117,500	\$ 3,535,000	\$ 3,004,500	
2 1/2% Bonds due 3-15-70/65	*	-	-	-	-	\$ 30,000	-	-	
4% Bonds due 8-15-70	*	\$ 3,500,000	\$ 500,000	-	-	-	\$ 1,900,000	-	
5% Notes due 11-15-70	*	5,000,000	-	-	-	-	-	-	
2 1/2% Bonds due 3-15-71/66	*	-	-	-	-	-	55,000	-	
4% Bonds due 8-15-71	*	-	-	-	-	-	-	2,000	
3 7/8% Bonds due 11-15-71	*	-	-	-	-	43,000	-	105,000	
Total maturities 3-5 years	*	\$ 8,500,000	\$ 500,000	-	-	\$ 73,000	\$ 1,955,000	\$ 107,000	

U.S. GOVERNMENT OBLIGATIONS HELD BY VARIOUS FUNDS (ALSO INCLUDING SHORT-TERM CORPORATE NOTES)
December 31, 1966

Schedule IV
(Page 2)

	Invested Treasurer's Cash Fund	HIGHWAY FUNDS				Internal Improvement Land Fund	Combined Retirement Funds	Miscellaneous Departmental Funds
		Trunk	County State Aid	Municipal State Aid	Permanent School Fund			
U.S. TREASURY SECURITIES								
NOTES AND BONDS (continued)								
4% Bonds due 2-15-72	*	-	-	-	-	-	-	\$ 55,000
2 1/2% Bonds due 6-15-72/67	*	-	-	-	-	-	-	13,000
4% Bonds due 8-15-72	*	-	-	-	-	-	\$ 385,000	-
2 1/2% Bonds due 9-15-72/67	*	-	-	-	-	\$ 1,500	-	3,000
2 1/2% Bonds due 12-15-72/67	*	-	-	-	-	-	65,000	-
4% Bonds due 8-15-73	*	\$ 4,000,000	\$ 2,000,000	\$ 2,000,000	-	-	-	300,500
4 1/8% Bonds due 11-15-73	*	2,000,000	2,000,000	1,000,000	-	-	330,000	113,500
4 1/8% Bonds due 2-15-74	*	1,000,000	1,200,000	500,000	-	-	120,000	302,000
4 1/4% Bonds due 5-15-74	*	4,500,000	-	1,000,000	-	-	40,000	242,000
3 7/8% Bonds due 11-15-74	*	-	-	-	-	126,500	1,400,000	120,000
Total maturities 5-10 years	*	\$11,500,000	\$ 5,200,000	\$ 4,500,000	-	\$ 128,000	\$ 2,340,000	\$1,149,000
4% Bonds due 2-15-80	*	-	-	-	\$ 1,917,500	\$ 6,000	\$ 1,135,000	\$ 1,000
3 1/2% Bonds due 11-15-80	*	-	-	-	1,500,000	-	-	4,000
3 1/4% Bonds due 6-15-83/78	*	-	-	-	21,600,000	50,000	300,000	500
3 1/4% Bonds due 5-15-85	*	-	-	-	34,300,000	-	-	-
4 1/4% Bonds due 5-15-85/75	*	-	-	-	-	-	-	79,000
3 1/2% Bonds due 2-15-90	*	-	-	-	30,000,000	-	500,000	-
3 1/2% Bonds due 11-15-98	*	-	-	-	8,500,000	50,000	-	-
Total maturities more than 10 years	*	-	-	-	\$97,817,500	\$ 106,000	\$ 1,935,000	\$ 84,500
TOTAL U.S. TREASURY NOTES & BONDS		\$94,395,000	\$27,500,000	\$10,050,000	\$ 8,000,000	\$ 424,500	\$ 9,765,000	\$ 422,000
TOTAL U.S. TREASURY SECURITIES		\$152,470,000	\$47,589,000	\$22,175,000	\$11,295,000	\$ 424,500	\$10,003,000	\$15,383,000
OBLIGATIONS GUARANTEED BY THE U.S. GOVERNMENT								
Average maturity about 10 years	-	-	-	-	\$ 5,416,000	-	\$10,811,000	-
TOTAL U.S. GOVERNMENT OBLIGATIONS		\$152,470,000	\$47,589,000	\$22,175,000	\$11,295,000	\$ 424,500	\$20,814,000	\$15,383,000

* These securities are not eligible for purchase in these funds.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule V

SHORT-TERM CORPORATE NOTES HELD BY
HIGHWAY AND RETIREMENT FUNDS

December 31, 1966

Face Amounts Maturing in the Following Months of 1967:

<u>ISSUER</u>	<u>January</u> <u>(000)</u>	<u>February</u> <u>(000)</u>	<u>March</u> <u>(000)</u>	<u>April</u> <u>(000)</u>	<u>May</u> <u>(000)</u>	<u>June</u> <u>(000)</u>	<u>Total</u> <u>(000)</u>
Associates Investment Company (5.875%)	\$ 700	\$ 868	\$ 571	-	-	\$ 293	\$ 2,432
C.I.T. Financial Corporation (5.875%)	227	-	605	\$ 230	-	375	1,437
Commercial Credit Company (5.50%-5.875%)	35	675	-	190	-	-	900
Ford Motor Credit Company (5.45%-5.875%)	-	725	-	-	\$ 629	-	1,354
Gamble-Skogmo, Inc. (6.125%)	371	-	-	-	-	-	371
General Electric Credit Corporation (5.875%)	-	-	-	-	400	-	400
International Harvester Credit Corporation (5.875%)	-	-	-	227	-	-	227
Montgomery Ward Credit Corporation (5.875%)	-	-	-	-	-	568	568
J. C. Penney Credit Corporation (5.80%-5.875%)	610	280	-	-	-	-	890
Seaboard Finance Company (5.90%-6.00%)	1,405	780	-	-	-	1,000	3,185
Sears Roebuck Acceptance Corporation (5.875%)	1,185	-	-	-	-	-	1,185
James Talcott, Inc. (5.90%)	<u>364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,364</u>
TOTAL INVESTMENT	\$4,897	\$3,328	\$1,176	\$ 647	\$1,029	\$3,236	\$14,313

Average Weighted Yield 5.87%

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule VI

UNITED STATES GOVERNMENT-GUARANTEED BONDS AND CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND
December 31, 1966

ISSUE					
Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)
U.S. GOVERNMENT-GUARANTEED OBLIGATIONS					
American President Lines	Govt. Guaranteed Bond	11-1-91	4.80%	4.80	\$ 1,500
States Steamship Company	Govt. Guaranteed Bond	3-31-93	5.10	5.10	1,500
United States Lines	Govt. Guaranteed Bond	10-1-87	5 1/2	5.00	1,500
United States Lines	Govt. Guaranteed Bond	11-1-86	4 3/8	4.375	916
<i>Total U.S. Government-Guaranteed Obligations</i>				4.87%	\$ 5,416
CORPORATE BOND OBLIGATIONS					
PUBLIC UTILITY OBLIGATIONS					
ELECTRIC					
Duke Power Co.	First & Refunding Mortgage	2-1-95	4 1/2	4.47	\$ 1,500
Florida Power & Light Co.	First Mortgage	4-1-94	4 5/8	4.50	1,200
Gulf Power Co.	First Mortgage	9-1-71	3 1/8	4.55	1,348
Hawaiian Electric Co., Ltd.	First Mortgage	7-1-93	4.45	4.45	1,000
Indiana & Michigan Electric Co.	First Mortgage	8-1-93	4 3/8	4.42	1,000
Interstate Power Co.	First Mortgage	5-1-93	4 3/8	4.39	1,000
Iowa Power & Light Co.	S/F Debenture	4-1-89	4 5/8	4.57	1,200
Jersey Central Power & Light Co.	Debenture	10-1-88	4 5/8	4.56	960
Long Island Lighting Co.	First Mortgage	6-1-95	4.55	4.55	1,200
Massachusetts Electric Co.	First Mortgage	12-1-93	4 5/8	4.55	1,100
Montana-Dakota Utilities Co.	S/F Bond	7-1-84	4 5/8	4.615	962
Northern States Power Co.	First Mortgage	9-1-93	4 3/8	4.375	1,000
Otter Tail Power Co.	First Mortgage	11-1-93	4 5/8	4.60	992
Potomac Edison Co.	First Mortgage & Coll. Trust	3-1-94	4 5/8	4.55	1,200
Public Service Co. of Indiana	First Mortgage	7-1-82	3 3/8	4.38	1,100
Public Service Electric & Gas Co.	First & Refunding Mortgage	9-1-94	4 5/8	4.53	1,200
Southern California Edison Co.	First & Refunding Mortgage	3-1-89	4 3/8	4.44	1,500
Southwestern Public Service Co.	First Mortgage	2-1-94	4 1/2	4.50	1,200
<i>Total Electric Utility Obligations</i>				4.50%	\$ 20,662
GAS					
Arkansas Louisiana Gas Co.	First Mortgage	3-1-85	4 1/2	4.55	\$ 1,200
Columbia Gas System, Inc.	Debenture	5-1-89	4 5/8	4.64	1,200
The Gas Service Co.	First Mortgage	6-1-85	4.65	4.65	1,176
Michigan Consolidated Gas Co.	First Mortgage	6-1-89	4 3/4	4.60	1,200
Panhandle Eastern Pipe Line Co.	Debenture	2-1-84	4.60	4.60	1,200
Peoples Gas Light & Coke Co.	First & Refunding Mortgage	7-15-91	5 3/8	5.375	1,200
Suburban Propane Gas Corp.	Note	12-30-84	4 7/8	4.875	926
<i>Total Gas Utility Obligations</i>				4.75%	\$ 8,102
TELEPHONE					
American Telephone & Telegraph Co.	Debenture	9-15-84	3 1/4	4.40	\$ 1,000
American Telephone & Telegraph Co.	Debenture	5-1-99	4 3/8	4.365	1,500
The Bell Telephone Co. of Canada	First Mortgage	9-1-95	4.85	4.85	1,500
General Telephone Co. of Florida	First Mortgage	6-1-95	4 5/8	4.687	1,000
General Telephone Co. of Illinois	First Mortgage	9-1-95	4 7/8	4.875	1,200
General Telephone Co. of Indiana	First Mortgage	8-1-95	4.70	4.70	1,200
New York Telephone Co.	Refunding Mortgage	1-1-2004	4 5/8	4.53	1,500
Pacific Northwest Bell Telephone Co.	Debenture	12-1-2000	4 1/2	4.49	1,500
<i>Total Telephone Utility Obligations</i>				4.61%	\$ 10,400
<i>Total Public Utility Obligations</i>				4.58%	\$ 39,164

UNITED STATES GOVERNMENT-GUARANTEED BONDS AND CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND
December 31, 1966

ISSUE					
Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)
FINANCE OBLIGATIONS					
Beneficial Finance Co.	Note	3-1-89	4.60	4.60	\$ 1,000
Gulf Life Insurance Co.	Capital Note	6-1-89	4 3/4	4.75	1,200
Northwest Bancorporation	Debenture	10-15-90	4 3/4	4.78	1,500
<i>Total Finance Obligations</i>				4.72%	\$ 3,700
INDUSTRIAL OBLIGATIONS					
Aluminum Co. of America	Promissory Note	3-31-88	4 3/8	4.50	\$ 1,468
American Greetings Corp.	Promissory Note	10-1-84	4.70	4.70	1,000
American Metal Climax, Inc.	Note	8-1-88	4.50	4.50	1,000
Burlington Industries	S/F Debenture	7-15-90	4 3/4	4.80	1,200
Burroughs Corp.	Debenture	7-1-88	4 1/2	4.53	1,000
Cincinnati Milling Machine Co.	Note	1-15-85	4.60	4.60	1,000
Cummins Engine Co., Inc.	Note	7-20-90	4.60	4.60	1,200
Diamond Alkali Corp.	Note	5-1-89	4.65	4.65	1,200
Diebold, Inc.	Note	9-15-85	4.80	4.80	1,000
Dow Chemical Co.	Debenture	9-15-88	4.35	4.35	1,000
Dow Chemical Co.	Note	1-15-90	4.50	4.50	250
General Cable Corp.	Note	1-1-89	4 1/2	4.50	1,000
General Mills, Inc.	S/F Debenture	8-1-90	4 5/8	4.625	1,500
Gould National Batteries, Inc.	Note	11-1-80	4.85	4.85	1,200
Honeywell, Inc.	Note	4-1-90	4.55	4.55	1,500
Ingersoll Rand Co.	Note	1-1-91	4.75	4.75	1,150
Kern County Land Co.	Promissory Note	9-1-89	4.65	4.65	1,104
Lone Star Cement Corp.	S/F Debenture	7-1-90	4 7/8	4.875	1,500
Mead Corp.	Note	6-1-78	4 1/4	4.45	1,252
Mead Johnson & Co.	Promissory Note	5-1-84	4 5/8	4.625	1,200
Pillsbury Co.	Promissory Note	12-1-88	4 3/8	4.40	1,000
Scovill Manufacturing Co.	Note	9-15-90	4.80	4.80	1,200
Shell Oil Co.	Note	4-15-90	4 1/2	4.50	1,500
Sinclair Oil Corp.	S/F Debenture	12-15-88	4.60	4.60	1,200
Sprague Electric Co.	S/F Debenture	9-1-88	4 3/8	4.40	1,000
Standard Oil Co. of Indiana	Promissory Note	4-1-66/79	2.90	4.67	1,300
Standard Oil Co. of Indiana	Promissory Note	12-1-66/ 6-1-79	3.00	5.00	1,216
Standard Oil Co. of Ohio	Note	7-15-90	4.55	4.55	1,400
Sun Oil Co.	Debenture	11-15-90	4 5/8	4.69	1,500
Texaco Inc.	Note	12-15-89	4 1/2	4.50	1,500
Union Carbide Corp.	Note	12-31-96	4 1/2	4.47	1,405 ^b
Witco Chemical Co., Inc.	Note	12-1-84	4.65	4.65	1,200
Youngstown Sheet & Tube Co.	First Mortgage S/F	7-1-95	4.60	4.60	1,500
<i>Total Industrial Obligations</i>				4.62%	\$ 39,645
TRANSPORTATION DEBT OBLIGATIONS					
Atchison, Topeka & Santa Fe Railway Co.	General Gold 4's	10-1-95	4	4.40	\$ 1,500
The Greyhound Corp.	Senior Note	5-15-84	4 5/8	4.625	1,200
Seaboard Air Line Railroad Co.	First Mortgage	12-1-88	4 5/8	4.65	1,000
Southern Railway Co.	First Mortgage	6-1-88	4 5/8	4.625	984
<i>Total Transportation Debt Obligations</i>				4.56%	\$ 4,684
RAILROAD EQUIPMENT OBLIGATIONS					
ACF Industries, Inc.	Equipment Trust	4-15-71/80	4.55	4.55	\$ 1,500
Chesapeake & Ohio Railway Co.	Conditional Sale	6-1-66/78	4.40	4.40	1,147 ^c
Chicago, Burlington & Quincy Railroad Co.	Conditional Sale	6-15-66/ 12-15-80	4 7/8	4.875	1,400
General American Transportation Corp.	Equipment Trust	7-15-84	4 5/8	4.59	1,422

UNITED STATES GOVERNMENT-GUARANTEED BONDS AND CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND
December 31, 1966

ISSUE					
Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)
RAILROAD EQUIPMENT OBLIGATIONS (Cont.)					
Kansas City Southern Railway Co.	Conditional Sale	1-15-69/ 7-15-73	4.35	4.35	\$ 984 ^d
Kansas City Southern Railway Co.	Conditional Sale	1-15-74/ 7-15-78	4.45	4.45	492 ^e
Kansas City Southern Railway Co.	Conditional Sale	4-1-71/75	4 5/8	4.625	1,500
Norfolk & Western Railway Co.	Conditional Sale	12-15-70/79	4 1/2	4.50	1,500
North American Car Corp.	Equipment Trust	9-1-69/73	4.55	4.55	500
North American Car Corp.	Equipment Trust	9-1-74/78	4.65	4.65	1,000
Seaboard Air Line Railroad Co.	Equipment Trust	4-15-71/75	4 1/4	4.45	1,500
Southern Pacific Co.	Equipment Trust	4-1-71/73	4 1/4	4.45	1,500
Southern Pacific Co.	Conditional Sale	12-15-66/80	4.80	4.80	1,119 ^f
Western Pacific Railroad Co.	Conditional Sale	3-15-71/80	4.55	4.55	1,000
<i>Total Railroad Equipment Obligations</i>				4.56%	\$ 16,564
TOTAL CORPORATE OBLIGATIONS				4.60%	\$103,757
TOTAL U.S. GOVERNMENT-GUARANTEED AND CORPORATE OBLIGATIONS				4.61%	\$109,173

- a. Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.
- b. Figure shown is rounded to the nearest thousand; actual holding is as follows: \$1,405,479.45
- c. Figure shown is rounded to the nearest thousand; actual holding is as follows: 1,146,789.60
- d. Figure shown is rounded to the nearest thousand; actual holding is as follows: 984,459.19
- e. Figure shown is rounded to the nearest thousand; actual holding is as follows: 492,229.59
- f. Figure shown is rounded to the nearest thousand; actual holding is as follows: 1,118,613.30

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule VII

UNITED STATES GOVERNMENT-GUARANTEED BONDS AND CORPORATE BOND HOLDINGS - RETIREMENT FUNDS

December 31, 1966

ISSUE						Public	State	Teachers'	Public	State Police	Highway
Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)	Employees Retirement Fund (000)	Employees Retirement Fund (000)	Retirement Fund (000)	Employees Police & Fire Fund (000)	Officers Retirement Fund (000)	Patrolmen's Retirement Fund (000)
U.S. GOVERNMENT-GUARANTEED OBLIGATIONS											
American President Lines	Government-Guaranteed Bond	11-1-91	4.80	4.80	\$ 2,300	\$ 750	\$ 600	\$ 750	\$ 100	-	\$ 100
Grace Line Inc.	Government-Guaranteed Bond	12-1-87	4.20	4.20	1,004	913	-	-	91	-	-
Gulf & South American	Government-Guaranteed Bond	12-31-88	4 1/4	4.25	468	468	-	-	-	-	-
Gulf & South American	Government-Guaranteed Bond	12-31-88	4.20	4.20	469	375	-	-	94	-	-
Moore-McCormack Lines, Inc.	Government-Guaranteed Bond	7-1-83	4.20	4.20	962	875	-	-	87	-	-
States Steamship Company	Government-Guaranteed Bond	3-31-93	5.10	5.10	2,400	750	600	750	200	-	100
United States Lines	Government-Guaranteed Bond	10-1-87	5	5.00	2,200	750	600	750	100	-	-
United States Lines	Government-Guaranteed Bond	11-1-86	4 3/8	4.375	1,008	916	-	-	92	-	-
<i>Total United States Government-Guaranteed Obligations</i>				4.71%	\$ 10,811	\$ 5,797	\$ 1,800	\$ 2,250	\$ 764	-	\$ 200
CORPORATE BONDS											
PUBLIC UTILITY OBLIGATIONS											
ELECTRIC											
Alabama Power Co.	First Mortgage	4-1-90	5	5.01	\$ 426	\$ 122	\$ 87	\$ 217	-	-	-
Alabama Power Co.	First Mortgage	3-1-91	4 1/2	4.40	850	350	300	150	-	-	\$ 50
Atlantic City Electric Co.	First Mortgage	3-1-91	4 1/2	4.37	1,200	600	-	600	-	-	-
California Electric Power Co.	First Mortgage	5-1-90	5 1/8	5.10	1,240	400	300	500	-	\$ 40	-
Carolina Power & Light Co.	First Mortgage	4-1-90	4 7/8	4.85	850	350	-	500	-	-	-
Central Illinois Light Co.	First Mortgage	3-1-90	4 7/8	4.90	1,000	250	250	500	-	-	-
Central Maine Power Co.	First Mortgage	11-1-90	5 1/4	5.10	684	-	294	293	\$ 58	-	39
Citizens Utilities Co.	First Mortgage	12-31-91	4.80	4.80	1,000	600	400	-	-	-	-
Citizens Utilities Co.	Coll. Trust & First Mortgage	10-1-92	4 5/8	4.625	600	-	-	600	-	-	-
Consolidated Edison Co.	First & Refunding Mortgage	12-1-93	4 5/8	4.54	800	700	-	-	100	-	-
Dayton Power & Light Co.	First Mortgage	6-1-93	4.45	4.45	1,500	500	400	600	-	-	-
Georgia Power Co.	First Mortgage	11-1-90	4 7/8	4.88	800	500	200	-	60	-	40
Hawaiian Electric Co., Ltd.	First Mortgage	4-1-91	4.65	4.65	1,550	600	450	500	-	-	-
Indiana & Michigan Electric Co.	First Mortgage	8-1-93	4 3/8	4.42	1,600	600	400	600	-	-	-
Interstate Power Co.	First Mortgage	5-1-93	4 3/8	4.39	1,000	-	400	500	50	-	50
Iowa-Illinois Gas & Electric Co.	First Mortgage	4-15-90	5	4.93	487	-	-	487	-	-	-
Jersey Central Power & Light Co.	Debenture	10-1-88	4 5/8	4.56	1,656	576	384	576	72	-	48
Kansas Gas & Electric Co.	First Mortgage	4-1-70	3 3/8	4.50	1,000	-	500	500	-	-	-
Lake Superior District Power Co.	First Mortgage	2-1-91	4 5/8	4.60	500	500	-	-	-	-	-
Long Island Lighting Co.	First Mortgage	4-1-93	4.40	4.40	1,000	500	-	500	-	-	-
Long Island Lighting Co.	First Mortgage	6-1-95	4.55	4.55	500	-	400	-	100	-	-
Louisiana Power & Light Co.	First Mortgage	4-1-90	5	5.01	1,050	350	200	500	-	-	-
Metropolitan Edison Co.	First Mortgage	5-1-90	5	4.95	1,050	350	200	500	-	-	-
Montana-Dakota Utilities Co.	S/F Bond	7-1-84	4 5/8	4.605	1,152	529	-	526	48	-	49
Orange & Rockland Utilities, Inc.	First Mortgage	4-15-91	4 7/8	4.80	1,400	500	350	550	-	-	-
Otter Tail Power Co.	First Mortgage	2-1-91	4 7/8	4.80	825	482	293	-	50	-	-
Otter Tail Power Co.	First Mortgage	11-1-93	4 5/8	4.625	222	197	-	-	25	-	-
Pacific Power & Light Co.	First Mortgage	4-1-92	4 3/4	4.69	1,050	500	-	400	60	40	50
Public Service Co. of New Hampshire	First Mortgage	7-1-92	4 5/8	4.54	650	300	350	-	-	-	-
Public Service Electric & Gas Co.	First & Refunding Mortgage	9-1-94	4 5/8	4.53	1,215	500	400	200	40	-	75

ISSUE		Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)	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)
Company	Type of Security										
PUBLIC UTILITY OBLIGATIONS (Continued)											
Public Service Electric & Gas Co.	First & Refunding Mortgage	9-1-90	4 3/4	4.73	\$ 560	-	-	\$ 500	\$ 60	-	-
Puget Sound Power & Light Co.	First Mortgage	2-1-91	4 5/8	4.65	500	\$ 250	\$ 250	-	-	-	-
Puget Sound Power & Light Co.	First Mortgage	11-1-93	4 5/8	4.60	1,200	350	250	600	-	-	-
Sierra Pacific Power Co.	First Mortgage	6-1-92	4 7/8	4.75	1,430	400	500	430	50	\$ 50	-
Southern California Edison Co.	First & Refunding Mortgage	9-1-85	4 3/8	4.43	1,260	500	260	500	-	-	-
Southern California Edison Co.	First & Refunding Mortgage	4-1-86	4 1/2	4.42	550	150	250	150	-	-	-
Southwestern Public Service Co.	First Mortgage	2-1-94	4 1/2	4.50	700	-	-	700	-	-	-
Tucson Gas & Electric Co.	First Mortgage	2-1-96	4 7/8	4.875	1,600	600	400	600	-	-	-
Utah Power & Light Co.	First Mortgage	9-1-90	4 7/8	4.80	1,290	500	260	500	-	-	\$ 30
Total Electric Utility Obligations					\$ 37,947	\$13,606	\$ 8,728	\$14,279	\$ 773	\$ 130	\$ 431
GAS											
Arkansas Louisiana Gas Co.	First Mortgage	4-1-83	4 3/8	4.45	\$ 1,400	\$ 500	\$ 400	\$ 500	-	-	-
Arkansas Louisiana Gas Co.	First Mortgage	3-1-85	4 1/2	4.55	1,600	600	400	600	-	-	-
Brooklyn Union Gas Co.	First Mortgage	4-1-90	4 5/8	4.56	1,175	600	400	-	\$ 100	-	\$ 75
Columbia Gas System, Inc.	Debenture	1-1-88	4 3/8	4.375	1,650	600	400	600	-	-	50
Gas Service Co.	First Mortgage	5-1-83	4.40	4.40	1,316	423	376	423	-	\$ 47	47
Laclede Gas Co.	First Mortgage	7-1-85	4 7/8	4.80	468	233	189	-	46	-	-
Louisiana Gas Service Co.	First Mortgage	6-1-87	4 1/2	4.70	1,550	500	500	400	100	-	50
Michigan Consolidated Gas Co.	First Mortgage	6-1-89	4 3/4	4.60	1,275	-	400	700	75	50	50
Michigan-Wisconsin Pipe Line Co.	First Mortgage	7-15-83	4 7/8	4.70	1,458	495	395	495	73	-	-
Milwaukee Gas Light Co.	First Mortgage	5-15-87	4 5/8	4.50	539	-	-	489	-	-	50
Mountain Fuel Supply Co.	Debenture	9-1-86	4 7/8	4.80	1,228	594	-	587	-	-	47
Natural Gas Pipeline Co. of America	First Mortgage	10-1-80	5	5.00	872	436	218	218	-	-	-
Northern Natural Gas Co.	Debenture	11-1-81	4 7/8	4.80	975	475	-	477	-	23	-
Northwest Natural Gas Co.	First Mortgage	1-1-89	4 3/4	4.72	1,600	600	400	600	-	-	-
Panhandle Eastern Pipe Line Co.	Debenture	2-1-84	4.60	4.60	650	600	-	-	-	-	50
The Peoples Gas Light & Coke Co.	First & Refunding Mortgage	7-15-91	5 3/8	5.375	400	-	400	-	-	-	-
Southern Counties Gas Co. of California	First Mortgage	8-1-85	4 3/4	4.60	1,165	397	240	492	36	-	-
Southern Natural Gas Co.	First Mortgage	12-1-81	4 3/4	4.75	1,180	452	364	364	-	-	-
Southern Union Gas Co.	First Mortgage	10-1-86	4.80	4.80	1,200	600	-	600	-	-	-
Springfield Gas Light Co.	Note	1-15-87	4 7/8	4.875	776	485	291	-	-	-	-
Suburban Propane Gas Corp.	Note	12-30-84	4 7/8	4.875	926	556	370	-	-	-	-
Texas Eastern Transmission Corp.	First Mortgage	12-1-81	4 7/8	4.915	1,225	377	377	471	-	-	-
Transcontinental Gas Pipe Line Corp.	First Mortgage	11-1-81	5	5.08	1,437	502	413	522	-	-	-
Transcontinental Gas Pipe Line Corp.	First Mortgage	11-1-82	4 7/8	4.82	1,001	287	281	285	54	47	47
Trunkline Gas Co.	First Mortgage	1-1-82	5	5.00	1,332	444	444	444	-	-	-
Washington Gas Light Co.	First Mortgage	3-1-91	5.20	5.20	1,000	600	400	-	-	-	-
Total Gas Utility Obligations					\$ 29,398	\$11,356	\$ 7,658	\$ 9,267	\$ 484	\$ 167	\$ 466
TELEPHONE											
American Telephone & Telegraph Co.	Debenture	10-1-96	4 3/8	4.30	\$ 1,650	\$ 500	\$ 400	\$ 600	\$ 100	-	\$ 50
The Bell Telephone Co. of Canada	First Mortgage	9-1-95	4.85	4.85	500	-	-	500	-	-	-
General Telephone Co. of Florida	First Mortgage	5-1-93	4 1/2	4.50	1,000	500	-	500	-	-	-
General Telephone Co. of Illinois	First Mortgage	9-1-95	4 7/8	4.875	900	-	400	500	-	-	-
General Telephone Co. of Indiana	First Mortgage	8-1-95	4.70	4.70	900	-	400	500	-	-	-
Illinois Bell Telephone Co.	First Mortgage	7-1-97	4 7/8	4.75	500	250	200	-	50	-	-
New York Telephone Co.	Refunding Mortgage	10-1-97	4 5/8	4.57	500	500	-	-	-	-	-
New York Telephone Co.	Refunding Mortgage	1-1-2004	4 5/8	4.53	1,400	700	-	700	-	-	-
Pacific Northwest Bell Telephone Co.	Debenture	12-1-2000	4 1/2	4.49	1,000	600	400	-	-	-	-
Rochester Telephone Corp.	First Mortgage	9-1-93	4 3/4	4.70	1,110	500	-	500	60	-	50
Total Telephone Utility Obligations					\$ 9,460	\$ 3,550	\$ 1,800	\$ 3,800	\$ 210	-	\$ 100
WATER											
Indianapolis Water Co.	First Mortgage	1-1-92	4 3/4	4.70	\$ 1,000	\$ 400	\$ 300	\$ 300	-	-	-
Total Public Utility Obligations				4.69%	\$ 77,805	\$28,912	\$18,486	\$27,646	\$1,467	\$ 297	\$ 997

UNITED STATES GOVERNMENT-GUARANTEED BONDS AND CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - December 31, 1966

 Schedule VII
 Page 3

ISSUE		Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)	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)
FINANCE OBLIGATIONS											
American Investment Co.	Note	1-1-91	5 1/4	5.25	\$ 1,800	\$ 600	\$ 450	\$ 600	\$ 100	\$ 50	-
Beneficial Finance Co.	Note	3-1-89	4.60	4.60	1,475	500	400	500	75	-	-
Family Finance Corp.	Senior Debenture	5-15-90	4 3/4	4.84	1,300	600	-	600	100	-	-
General Electric Credit Corp.	Promissory Note	10-8-82	4 5/8	4.625	1,500	500	400	600	-	-	-
Household Finance Corp.	Debenture	9-15-93	4 7/8	4.91	1,000	-	450	550	-	-	-
John Deere Credit Co.	Debenture	10-31-90	5	5.00	1,650	600	450	600	-	-	-
<i>Total Finance Obligations</i>				4.89%	\$ 8,725	\$ 2,800	\$ 2,150	\$ 3,450	\$ 275	\$ 50	-
INDUSTRIAL OBLIGATIONS											
Aluminum Co. of America	Promissory Note	3-31-88	4 3/8	4.375	\$ 1,439	\$ 480	\$ 384	\$ 575	-	-	-
American Metal Climax, Inc.	Note	8-1-88	4 1/2	4.50	600	-	-	600	-	-	-
American Sterilizer Co.	Note	8-1-77	4 7/8	4.875	686	320	366	-	-	-	-
Archer-Daniels-Midland Co.	Promissory Note	3-1-88	4 3/8	4.39	1,750	650	450	650	-	-	-
Ashland Oil & Refining Co.	S/F Debenture	2-15-88	4.35	4.35	1,500	500	400	600	-	-	-
Beckman Instruments, Inc.	Promissory Note	10-1-86	5 5/8	5.625	1,600	600	400	600	-	-	-
Burlington Industries, Inc.	S/F Debenture	7-15-90	4 3/4	4.80	1,040	-	400	500	\$ 100	\$ 40	-
Burroughs Corp.	Debenture	7-1-88	4 1/2	4.53	1,400	500	400	500	-	-	-
Cummins Engine Co.	Note	7-20-90	4.60	4.60	1,000	500	-	500	-	-	-
Desoto Chemical Coatings, Inc.	Note	12-1-85	5	5.00	1,500	550	400	550	-	-	-
Diebold Inc.	Note	9-15-85	4.80	4.80	500	-	-	500	-	-	-
Dow Chemical Co.	Note	1-15-90	4 1/2	4.50	2,000	700	500	700	100	-	-
Dow Chemical Co.	Note	4-1-91	5	5.125	1,500	550	400	550	-	-	-
Ekco Products Co.	S/F Debenture	8-1-87	4.60	4.60	1,400	350	400	600	50	-	-
Emporium-Capwell Co.	Note	5-1-83	4 1/2	4.50	850	468	340	-	42	-	-
Gimbel Brothers, Inc.	S/F Debenture	6-1-81	5	5.08	500	500	-	-	-	-	-
Gould National Batteries, Inc.	Note	11-1-80	4.85	4.85	900	-	400	500	-	-	-
Halliburton Co.	Note	6-1-86	5.30	5.30	2,000	700	600	700	-	-	-
International Milling Co.	Note	3-1-88	4 1/2	4.50	1,000	500	-	500	-	-	-
Kern County Land Co.	Promissory Note	9-1-89	4.65	4.65	1,472	552	368	552	-	-	-
The Kroger Co.	Note	10-1-81	4.80	4.80	1,425	475	380	570	-	-	-
Lone Star Cement Corp.	Debenture	7-1-90	4.875	4.875	1,260	700	460	-	50	-	\$ 50
Mead Corp.	Note	6-1-78	4 1/4	4.45	984	-	448	536	-	-	-
Mead Johnson & Co.	Promissory Note	5-1-84	4 5/8	4.625	700	-	-	600	50	-	50
Montgomery Ward & Co., Inc.	S/F Debenture	8-1-90	4 7/8	4.90	440	-	440	-	-	-	-
Owens-Illinois, Inc.	Note	2-1-91	5	5.00	1,700	600	400	600	100	-	-
Pillsbury Co.	Promissory Note	12-1-88	4 3/8	4.40	600	-	-	600	-	-	-
Scovill Manufacturing Co.	Note	9-15-90	4.80	4.80	900	-	400	500	-	-	-
Shamrock Oil & Gas Corp.	Promissory Note	11-15-87	4 1/2	4.50	1,500	500	400	500	100	-	-
Shell Oil Co.	Debenture	3-15-91	5	5.00	1,500	550	400	550	-	-	-
Sinclair Oil Corp.	S/F Debenture	12-15-88	4.60	4.60	1,000	600	400	-	-	-	-
The Singer Co.	Note	8-1-86	5 5/8	5.625	1,600	600	400	600	-	-	-
Sprague Electric Co.	S/F Debenture	9-1-88	4 3/8	4.40	600	-	-	550	-	-	50
Standard Oil Co. (California)	Note	4-1-91	5.10	5.10	1,000	600	400	-	-	-	-
Standard Oil Co. (Indiana)	Promissory Note	4-1-67/79	2.90	4.67	866	-	390	476	-	-	-
Standard Oil Co. (Indiana)	Promissory Note	12-1-67/6-1-79	3	5.00	676	676	-	-	-	-	-
Standard Oil Co. (Ohio)	Note	7-15-90	4.55	4.55	400	-	-	400	-	-	-
Sun Oil Co.	Note	7-1-91	5 3/4	5.75	1,750	600	400	600	-	50	100
Swift & Co.	Debenture	6-1-86	4 7/8	4.875	1,400	500	400	500	-	-	-
Union Tank Car Co.	S/F Debenture	8-1-86	5	5.00	1,300	500	400	400	-	-	-
United States Steel Corp.	S/F Debenture	4-15-86	4 1/2	4.55	1,400	500	400	500	-	-	-
Witco Chemical Co., Inc.	Note	12-1-84	4.65	4.65	1,800	650	400	600	75	-	75
Worthington Corp.	Note	7-1-81	5	5.00	1,200	400	300	500	-	-	-
Youngstown Sheet & Tube Co.	First Mortgage	7-1-95	4.60	4.60	2,000	700	500	700	100	-	-
<i>Total Industrial Obligations</i>				4.82%	\$ 52,638	\$17,571	\$13,926	\$19,959	\$ 767	\$ 90	\$ 325

ISSUE		Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)	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)
TRANSPORTATION DEBT OBLIGATIONS											
Atchison, Topeka & Santa Fe Railway Co.	General Gold 4's	10-1-95	4	4.40	\$ 500	-	-	\$ 500	-	-	-
Atlantic Coast Line Railroad Co.	First Mortgage	10-1-88	4 3/4	4.75	1,397	\$ 481	\$ 387	480	-	-	\$ 49
The Greyhound Corp.	Senior Note	5-15-84	4 5/8	4.625	1,600	600	400	600	-	-	-
Louisville & Nashville Railroad Co.	Coll. Trust	12-1-87	4 7/8	4.95	1,500	500	400	450	\$ 50	\$ 50	50
Seaboard Air Line Railroad Co.	First Mortgage	12-1-88	4 5/8	4.65	1,725	600	400	600	75	-	50
Southern Railway Co.	First Mortgage	6-1-88	4 5/8	4.625	1,650	587	393	573	49	48	-
Western Maryland Railway Co.	First Mortgage	10-1-89	4.85	4.85	1,488	480	384	480	72	-	72
Miscellaneous Railroad Bonds	Bond	Various	Various	4.31	42	-	42*	-	-	-	-
<i>Total Transportation Debt Obligations</i>				4.72%	\$ 9,902	\$ 3,248	\$ 2,406	\$ 3,683	\$ 246	\$ 98	\$ 221
RAILROAD EQUIPMENT OBLIGATIONS											
ACF Industries, Inc.	Equipment Trust	11-1-67/75	4 3/4	4.75	\$ 1,215	\$ 450	\$ 315	\$ 450	-	-	-
ACF Industries, Inc.	Equipment Trust	1-15-67/77	4 7/8	4.875	924	374	374	-	\$ 176	-	-
ACF Industries, Inc.	Equipment Trust	4-15-67/81	5 5/8	5.625	800	320	300	-	180	-	-
Atchison, Topeka & Santa Fe Railway System	Conditional Sale	7-15-67/1-15-81	5	5.00	2,204	725	580	725	174	-	-
Chesapeake & Ohio Railway Co.	Conditional Sale	11-1-67/78	4.55	4.55	1,514 ^b	560 ^b	394 ^b	560 ^b	-	-	-
Chicago, Burlington & Quincy Railroad Co.	Conditional Sale	6-15-67/12-15-80	4 7/8	4.875	1,679 ^c	560	559 ^c	560	-	-	-
Chicago, Milwaukee, St. Paul & Pacific Railroad Co.	Conditional Sale	1-1-67/77	5 3/8	5.375	1,449 ^d	522 ^d	417 ^d	510 ^d	-	-	-
Chicago, Milwaukee, St. Paul & Pacific Railroad Co.	Conditional Sale	12-1-71/6-1-81	5 3/8	5.375	1,184 ^e	358 ^e	298 ^e	349 ^e	179 ^e	-	-
Fruit Growers Express Co.	Equipment Trust	5-1-67	4.40	4.40	50	25	-	25	-	-	-
Fruit Growers Express Co.	Equipment Trust	5-1-68/77	4.70	4.70	500	250	-	250	-	-	-
Fruit Growers Express Co.	Equipment Trust	12-15-67/75	4 3/4	4.75	1,203	350	350	350	90	-	\$ 63
General American Transportation Corp.	Equipment Trust	7-15-84	4 5/8	4.59	1,593	638	377	578	-	-	-
Kansas City Southern Railway Co.	Conditional Sale	12-15-67/6-15-76	4 1/2	4.50	1,659 ^f	567 ^f	526 ^f	566 ^f	-	-	-
New York Central Railroad Co.	Equipment Trust	2-15-71,72,74	4-3/4	5.00	950	500	450	-	-	-	-
New York Central Railroad Co.	Equipment Trust	6-1-73	4 7/8	5.15	50	-	-	-	-	-	50
Norfolk & Western Railway Co.	Conditional Sale	11-15-69/5-15-79	4.55	4.55	1,800	690	420	690	-	-	-
Norfolk & Western Railway Co.	Conditional Sale	12-15-70/79	4 1/2	4.50	2,000	700	500	700	100	-	-
Norfolk & Western Railway Co.	Conditional Sale	6-1-72/81	5 1/2	5.50	1,000	300	300	300	100	-	-
North American Car Corp.	Equipment Trust	4-15-68/10-15-72	4.40	4.40	600	200	170	200	30	-	-
North American Car Corp.	Equipment Trust	4-15-73/10-15-77	4 1/2	4.50	1,200	400	340	400	60	-	-
St. Louis-San Francisco Railway Co.	Conditional Sale	6-1-67/72	4 1/4	4.50	691 ^g	213 ^g	213 ^g	265 ^g	-	-	-
St. Louis-San Francisco Railway Co.	Conditional Sale	1-2-67/77	4 3/4	4.75	1,363 ^h	504 ^h	357 ^h	502 ^h	-	-	-
Southern Pacific Co.	Equipment Trust	2-1-71/73	4 1/4	4.50	985	450	-	500	35	-	-
Southern Pacific Co.	Conditional Sale	12-15-67/80	4.80	4.80	839 ⁱ	-	420 ⁱ	419 ⁱ	-	-	-
Western Fruit Express Co.	Equipment Trust	1-1-67/7-1-75	4.85	4.85	970	270	180	520	-	-	-
Western Fruit Express Co.	Equipment Trust	9-1-71/80	4.70	4.70	1,650	600	600	450	-	-	-
Western Pacific Railroad Co.	Conditional Sale	3-15-71/80	4.55	4.55	1,500	550	400	550	-	-	-
<i>Total Railroad Equipment Obligations</i>				4.79%	\$ 31,572	\$11,076	\$ 8,840	\$10,419	\$1,124	-	\$ 113
TOTAL CORPORATE OBLIGATIONS				4.76%	\$180,642	\$63,607	\$45,808	\$65,157	\$3,879	\$ 535	\$1,656
TOTAL UNITED STATES GOVERNMENT-GUARANTEED AND CORPORATE OBLIGATIONS				4.76%	\$191,453	\$69,404	\$47,608	\$67,407	\$4,643	\$ 535	\$1,856

(See Page 5 for footnotes)

FOOTNOTES FOR SCHEDULE VII

Schedule VII

Page 5

United States Government-Guaranteed Bonds
and Corporate Bond Holdings - Retirement Funds
December 31, 1966

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

b. Rounded to nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$ 559,999.99
State Employees Retirement Fund	394,415.64
Teachers' Retirement Fund	<u>560,000.02</u>
Total	\$1,514,415.65

c. Rounded to nearest thousand; actual holding is as follows:

State Employees Retirement Fund	\$ 558,743.69
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d. Rounded to nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$ 521,687.21
State Employees Retirement Fund	417,349.78
Teachers' Retirement Fund	<u>509,678.61</u>
Total	\$1,448,715.60

e. Rounded to nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$ 358,206.49
State Employees Retirement Fund	298,505.40
Teachers' Retirement Fund	348,505.00
Public Employees Police & Fire Fund	<u>179,103.24</u>
Total	\$1,184,320.13

f. Rounded to nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$ 566,598.51
State Employees Retirement Fund	525,677.52
Teachers' Retirement Fund	<u>566,598.51</u>
Total	\$1,658,874.54

g. Rounded to nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$ 212,674.88
State Employees Retirement Fund	212,674.88
Teachers' Retirement Fund	<u>265,296.26</u>
Total	\$ 690,646.02

h. Rounded to nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$ 503,766.00
State Employees Retirement Fund	356,838.00
Teachers' Retirement Fund	<u>502,296.00</u>
Total	\$1,362,900.00

i. Rounded to nearest thousand; actual holdings are as follows:

State Employees Retirement Fund	\$ 419,480.04
Teachers' Retirement Fund	<u>419,480.04</u>
Total	\$ 838,960.08

* Purchased 1930-1951

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule VIII

UNITED STATES GOVERNMENT-GUARANTEED BONDS AND CORPORATE BOND HOLDINGS
PERMANENT SCHOOL FUND AND RETIREMENT FUNDS
December 31, 1966

<u>UNITED STATES GOVERNMENT-GUARANTEED BONDS</u>				
<u>PERMANENT SCHOOL FUND</u>			<u>RETIREMENT FUNDS</u>	
<u>Dollar Amount</u> <u>(000)</u>	<u>%</u>		<u>Dollar Amount</u> <u>(000)</u>	<u>%</u>
\$ 5,416	4.96%		\$ 10,811	5.65%
<u>CORPORATE BOND HOLDINGS</u>				
<u>PERMANENT SCHOOL FUND</u>			<u>RETIREMENT FUNDS</u>	
<u>Dollar Amount</u> <u>(000)</u>	<u>%</u>	<u>CLASSIFICATION BY CORPORATE TYPE</u>	<u>Dollar Amount</u> <u>(000)</u>	<u>%</u>
		Public Utility Obligations		
\$ 20,662	18.93%	Electric	\$ 37,947	19.82%
8,102	7.42	Gas pipeline & distribution	29,398	15.36
10,400	9.53	Telephone	9,460	4.94
-	-	Water	1,000	0.52
\$ 39,164	35.88%	Total Public Utility Obligations	\$ 77,805	40.64%
		Other Obligations		
\$ 3,700	3.39%	Finance	\$ 8,725	4.56%
39,645	36.31	Industrial	52,638	27.49
4,684	4.29	Transportation	9,902	5.17
16,564	15.17	Railroad equipment	31,572	16.49
\$ 64,593	59.16%	Total Other Obligations	\$ 102,837	53.71%
\$ 103,757	95.04%	TOTAL CORPORATE OBLIGATIONS	\$ 180,642	94.35%
\$ 109,173	100.00%	TOTAL UNITED STATES GOVERNMENT-GUARANTEED AND CORPORATE OBLIGATIONS	\$ 191,453	100.00%
<u>DISTRIBUTION BY REDEMPTION FEATURE</u> <u>AT TIME OF PURCHASE</u> <u>BONDS PURCHASED - JANUARY 1 - DECEMBER 31, 1966</u>				
\$ 2,190	24.23%	Noncallable	\$ 8,145	22.85%
6,850	75.77	5-year or more call or refunding protection*	26,500	74.34
-	-	More than coupon at time of purchase	1,000	2.81
\$ 9,040	100.00%	TOTALS	\$ 35,645	100.00%

* All bonds in this group purchased for the Permanent School Fund in 1966 have 10 years call protection. In the Retirement Funds, bonds totaling \$23,250,000 or 87.7% of this group have at least 10 years call protection.

COMMON STOCKS HELD IN THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS - December 31, 1966

Schedule IX
Page 5PERMANENT SCHOOL FUNDRETIREMENT FUNDS

Shares	Cost	Company	Total Shares	RETIREMENT FUNDS					Total Cost	
				Public Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officer's Retirement Fund		Highway Patrolmen's Retirement Fund
<u>Transportation Equipment</u>										
5400	\$ 202,198.81	ACF Industries	11500	4000	3000	4000	500	-	-	\$ 438,956.55
5800	214,804.38	General American Transportation	15400	5500	3500	6000	-	-	400	553,013.05
3500	136,126.53	Union Tank Car	10900	3600	2700	4100	300	200	-	393,647.03
	\$ 553,129.72	Total Transportation Equipment								\$ 1,385,616.63
	\$ 3,282,556.85	Total Transportation & Transportation Equipment								\$ 6,794,375.36
<u>Miscellaneous</u>										
7000	\$ 157,179.00	Ideal Cement	12600	3500	3000	4100	1000	300	700	\$ 290,878.48
4900	365,342.61	National Lead Company	10800	4500	2800	3500	-	-	-	780,080.24
4000	160,075.18	Weyerhaeuser	9500	4000	2500	3000	-	-	-	378,228.56
	\$ 682,596.79	Total Miscellaneous								\$ 1,449,187.28
	\$10,163,247.83	TOTAL DURABLES STOCKS								\$20,557,710.03
	\$42,550,235.34	TOTAL COMMON STOCKS								\$91,532,239.76
	54,072.18	Less profit on stocks sold								108,076.70
	\$42,496,163.16+	Net cost								\$91,424,163.06+

* These stocks have not been approved for investment in the Permanent School Fund.

+ Market valuation, as of 12-31-66, \$41,039,637.38.

± Market valuation, as of 12-31-66, \$92,495,251.51.



MEMBERS OF BOARD:

GOVERNOR HAROLD LE VANDER
STATE AUDITOR STAFFORD KING
STATE TREASURER VAL BJORNSON
SECRETARY OF STATE JOSEPH L. DONOVAN
ATTORNEY GENERAL DOUGLAS M. HEAD

ROBERT E. BLIXT
EXECUTIVE SECRETARY

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT
115 STATE CAPITOL
SAINT PAUL 55101

June 9, 1967

SUPPLEMENT TO 1966 ANNUAL REPORT
DISTRIBUTION OF SECURITIES-BUSINESS

To: Members of the Minnesota Legislature and Investment
Underwriters, Brokers, and Dealers

From: Robert E. Blixt, Executive Secretary

The distribution of securities business by any public account is always of interest to the beneficiaries of the funds, the taxpayers, elected officials, and brokers and dealers concerned. Because of the many detrimental effects which any policy evidencing favoritism could have on a State investment department, we sincerely hope that our dealings are allocated in a way to provide equitable compensation to the brokers and dealers concerned. It is also our intent that all details regarding the State's transactions be available to interested parties.

Those of us in the investment department are very pleased with the cooperation we have received from members of the State Board of Investment, members of the Advisory Committee on Common Stocks, and investment bankers, brokers, and dealers throughout the United States in meeting this problem. We have attempted to distribute business and commissions impartially, realizing the difficulty in avoiding personal preference in the analysis and use of research materials, and in the subsequent placement of orders. On the basis of a review of departmental operations by the Public Employee Retirement Systems Interim Commission, the 1965 Legislature passed a bill, now Minnesota Statutes 1965, Section 11.13, which reads as follows:

"All securities purchased or sold by the state board of investment, except stocks listed or traded on a major United States stock exchange, securities bound by underwriting restrictions, or securities classified as private placements and offered only to a limited number of institutional investors, shall be purchased or sold on the basis of competitive offerings or bids received from at least two firms known to specialize in the securities being traded and likely to position these securities in relevant quantities."

Accompanying schedules list the firms doing business with the State; the descriptions review general policies followed by the investment department. Details concerning each transaction are provided to Board members and representatives of the press at each monthly meeting.

Distribution on a price basis appears to be the most effective method of placing orders. This consists of the acceptance of competitive offerings and bids, on investments to be purchased or sold, from dealers known to be prime markets or who position these securities in the quantities desired for the State funds. During recent years, price has been the dominant factor in transactions involving U.S. Treasury securities, all unlisted stocks, all corporate bonds purchased after the termination of underwriting syndicates, and a significant percentage of our listed stocks.

In many instances, however, a large number of dealers may provide the same merchandise at identical prices. This applies particularly to corporate bonds still in syndicate and to stocks that are purchased over a major exchange. Factors involved in the placement of these orders include the size of participation by various dealers in the bond syndicates, the location of the offices of syndicate members (Minnesota dealers given some preference), and the utility of research material provided by the various firms.

This listing of firms with which the State conducted securities transactions during 1966 in no way signifies approval, endorsement, or license of such firms by any State agency. The regulation of securities and securities dealers in Minnesota is handled by the Securities Division, Department of Commerce.

We have been questioned concerning the possible loss which could result from the bankruptcy of any organization dealing with the State. It is presumed that the accounts would be protected in such an instance because the State pays for securities only after they are received, in good form, by banks in either New York or St. Paul for the State of Minnesota.

Brief résumés of our policies regarding the transactions detailed in the accompanying schedules are as follows:

Schedule 1. U.S. Treasury Securities Transactions

All purchases and sales of U.S. Treasury obligations are placed on a competitive basis. Offerings or bids from the two largest St. Paul banks are received on all U.S. Treasury securities transactions of small size and of short maturity. In transactions of larger size and longer maturity, in which cases it is probable that Minnesota banks do not position the securities in appropriate quantities, offerings or bids are sought from one of several Minnesota bank dealers and from various prime market dealers, including two that have offices in Minnesota. It is our usual policy to request offerings and bids from the bank which holds the funds to be invested or where the funds will be needed; therefore, the State's major depository bank is called in practically all instances. If the Minnesota bank contacted is able to equal the best price quoted by any other dealer, the transaction is completed through the Minnesota bank.

Schedule 2. Purchases and Sales of Short-Term Corporate Notes

Short-term corporate notes of prime quality are purchased for the highway and retirement funds on the basis of the highest yield available for the particular maturity date desired, consistent with the maintenance of adequate diversification of corporate credits in the various funds. It is necessary that we use well-known marketable names and have prior agreements with the vendors that they repurchase the notes, when necessary, if the State funds need cash either for current needs or long-term investment purposes.

Schedule 3. Private Placements of Fixed-Income Securities

These private placements, all of which have received a rating of "A" or better by a recognized service, must meet definite statutory requirements. They are negotiated and purchased through various investment bankers and dealers who are able to offer attractive issues. Such purchases must be made through the investment firms handling the placement for the particular corporation desiring the funds. The private placements indicated were negotiated from mid-1965 through mid-1966. Because of this time lag between commitment date and date of payment, a large portion of the higher yielding fixed-income securities purchased during 1966 will not be paid for until 1967. On December 31, 1966, the State had committed for such issues in an amount of \$19 million, which provide an average yield of 6.02%. These placements, with payment due from January through November 1967, will be listed in the 1967 annual report.

Schedule 4. Corporate Bonds Purchased at Time of Offering on a Designated Basis

Bonds in the amounts indicated on the schedule were purchased in November 1965 for delivery in early 1966, and consist entirely of John Deere Credit Company 5% Debentures. In past years, many issues of public market bonds had been used in the funds. In 1966, however, the department depended almost entirely upon private placements for its commitments in fixed-income securities. This particular issue was handled by a syndicate headed by Harriman, Ripley and Company, Inc., which delivered the bonds, against payment, in large registered pieces and reimbursed the various dealers involved in the transaction. In such purchases, the largest order, whenever feasible, is placed with the syndicate head. Fifty bonds were bought from each major participant having an office in Minnesota. Other dealers which provided definite service to the investment department were included in the order in lesser amounts. The purchase was made when the issue was readily available from the members of the syndicate. The bonds were bought through those firms that assumed the underwriting risk and owned the bonds.

In the supplements to previous annual reports, two additional listings of corporate bond purchases were included. These were titled as follows:

"Corporate Bonds Purchased at or After Time of Offering Through Dealers Having Bonds Available"

"Corporate Bonds Purchased After Termination of Underwriting Syndicate"

Whenever the State Board of Investment purchases bonds at a time when there are problems of availability and differences in price, the transactions are completed through those firms which are able to provide the State with the desired quantities of bonds at the lowest possible prices.

Schedule 5. Corporate Bonds Purchased Through Secondary Offerings

Additional bonds of an issue already owned by State funds were bought on the basis of offerings made to the State Board of Investment. The price was checked with other firms likely to maintain a market in the same or similar securities.

Schedule 6. Common Stock Purchases Allocated by Investment Department

These purchases, completed through a major exchange or at the time of a secondary distribution, were allocated on the basis of service received by the investment department. In the placement of these orders, we favored those firms that provided the most beneficial research material or, to a lesser extent, the investment bankers that furnished attractive private placements of fixed-income securities.

The distribution of brokerage business on the basis of "service" or "research" leads to inequities in the cases of public funds. During the past six years, we have been placed on the mailing list of practically every major investment banker and brokerage house in the United States. We do not have the time or staff to evaluate, file, or read even a small part of this material, and have found it necessary to confine attention primarily to the reports from those firms that have provided particularly valuable information on a continuing basis during the past few years.

Although many outstanding firms have valid reasons for believing that their research materials should be used to a greater extent, it is impossible for us to use the volume of written materials presented to us. It appears unjustified to allocate State business on the basis of the amount of incoming mail or the frequency of sales-oriented memoranda. It also may be inappropriate to deal, to any great degree, with those firms which tend to aim their research materials at the short-term performance-conscious accounts which have dominated the investment field in recent years.

Telephone calls, particularly those regarding securities offerings, are discouraged. The limited size of our staff has necessitated a distribution of business on the basis of written research materials, teletype messages, and discussions with analysts. Some orders are placed to compensate for market information and specialized research often particularly applicable to problems concerning public funds.

It may be desirable to reduce the number of firms with whom we conduct stock transactions in order to simplify our records and dealings, as well as to concentrate our business with those firms who have demonstrated their effectiveness in working with us. In reviewing our list it has been very difficult to so limit our securities business, however, because of the many firms which have evidenced an ability to provide the State with definite service.

Some individuals have suggested that all brokers and dealers in the State should share the State's business, at standard commissions. We feel that this is no more logical than having the State purchase its furniture, automobiles, or other articles and supplies through every dealer in the State at list prices. Although local dealers in all items pay State taxes, it appears mandatory to conduct the securities transactions, as all other State Business, with those firms able to provide the merchandise and service needed at the lowest possible price.

We should like to emphasize that the distribution of business listed under Schedule 6 does not indicate any future allotment of common stock orders; this will vary with our degree of dependence upon various securities organizations for research and service.

Schedule 7. Common Stock Purchases Negotiated or Ordered on the Basis of Lowest Available Price

During 1966, no purchases were made of over-the-counter stocks until the offerings had been checked with two or more dealers. We attempted to contact organizations specializing in the particular stocks to be bought.

This listing includes several transactions that were executed on a major exchange. In these instances, we were notified of a particular block available at what appeared to be an attractive price and agreed to buy at a predetermined level.

The State funds also purchase substantial blocks of stocks from several large firms that buy and sell securities at a negotiated net price. This usually results in a definite saving to the customer when compared with the latest quotations on the major exchanges, including the standard commissions. This off-board, or "third" market, has proved to be very helpful, particularly in obtaining stocks that show comparatively low trading activity on the major exchanges. Our experience during the past four years indicates that savings on these transactions may approximate 3/8 to 1/2 of a point per share, or \$375 to \$500 per thousand shares. The favorable price differential continued to be evident during the period of weaker markets in 1966.

These off-board trades are handled on a competitive basis, with two to four dealers being contacted simultaneously. The dealers are almost always able to make markets of the size needed by our State funds in those stocks in which they specialize. Our trades generally range from 500 to 2000 shares.

Another advantage of off-board transactions is that they allow the State to buy blocks of stock of appropriate size at one predetermined net price for all the various accounts. These third market purchases, besides being most equitable to the funds from the standpoint of price, also result in minimizing the number of separate trades and the accompanying accounting procedures.

Several brokers and dealers have indicated that a possible reason for solicitation of State securities business could be the fact that public fund business does not involve the payment of indirect rebates on commissions in the form of broker-loans, idle cash balances, office space rentals, mutual fund sales, or other considerations. We intend to maintain the policy of conducting business in such a way as to compensate those firms providing us with definite service, and placing the remainder of the orders on the basis of price. In this way, we hope the State can gain some of the benefits which other institutional buyers generally obtain through reciprocity, which apparently has become prevalent in the securities business.

It is not our intent to become unduly concerned with the relative merits of the major exchanges versus the third market; we are simply pointing out the advantages of using all three recognized markets -- major exchanges, over-the-counter market, and the third market-- for the benefit of the State funds.

Schedule 8. Common Stock Sales

The stocks indicated were sold on the basis of what appeared to be the best market at the time of the transactions. Two of the firms shown on this schedule are members of the major exchanges and received the sales business because of research and other securities services. The third market dealer handled the sale through competitive pricing.

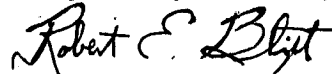
Schedule 9. Sales of Minnesota Subdivision Bonds

The first nine blocks of municipal bonds listed on the schedule were sold by competitive bids after the blocks for sale were advertised in national and local financial publications. The New Hope bonds were sold directly to the Village of New Hope.

* * * * *

Suggestions by other public fund managers and institutional investors regarding the equitable distribution of our securities business have been most helpful; we continue to welcome such advice. The members of the State Board of Investment, acting through the investment department, are trustees for the beneficiaries of the retirement funds, for the State's educational institutions, and for the citizenry of Minnesota. We recognize our responsibility in conducting the securities business so as to retain the confidence of these groups. Their ultimate good must be placed ahead of all other considerations.

Respectfully submitted,



Robert E. Blixt, C.F.A.
Executive Secretary

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule 1

PURCHASES AND SALES OF U.S. TREASURY OBLIGATIONS
January 1 - December 31, 1966

A. PURCHASES (in thousands)

Dealer	1-30 days	31-90 days	91 days- 1 year	Over 1 year	Total
American National Bank & Trust Company (St. Paul)	\$ 455.0	-	\$ 50.0	-	\$ 505.0
Bankers Trust Company	2,055.0	-	45,679.0	-	47,734.0
Blyth & Company, Inc.	-	-	15,820.0	-	15,820.0
Continental Illinois National Bank & Trust Company (Chicago)	850.0	-	1,580.0	-	2,430.0
Discount Corporation	-	-	13,325.0	\$ 5,145.0	18,470.0
First American National Bank, Duluth	-	-	4,500.0	-	4,500.0
First Boston Corporation	-	-	16,280.0	-	16,280.0
First National Bank, Chicago	-	\$ 1,000.0	23,525.0	-	24,525.0
First National Bank, St. Paul	2,896.0	4,559.0	68,636.0	7,397.5	83,488.5
First National City Bank	-	-	3,500.0	10,000.0	13,500.0
Harris Trust & Savings Bank (Chicago)	-	215.0	19,330.0	-	19,545.0
Aubrey G. Lanston & Company, Inc.	-	-	32,425.0	-	32,425.0
Merrill Lynch, Pierce, Fenner & Smith, Inc.	40.0	7,485.0	55,417.0	2,687.0	65,629.0
Morgan Guaranty Trust Company, New York	800.0	1,300.0	34,689.0	-	36,789.0
Northwestern National Bank, Minneapolis	-	-	54.0	-	54.0
Chas. E. Quincy & Company	-	-	1,250.0	-	1,250.0
Salomon Brothers & Hutzler	7,000.0	2,715.0	44,370.0	16,950.0	71,035.0
U.S. Treasury	-	-	9,000.0	-	9,000.0
Totals	\$ 14,096.0	\$ 17,274.0	\$ 389,430.0	\$ 42,179.5	\$ 462,979.5

B. REPURCHASE AGREEMENTS (in thousands)

Dealer	1-30 days	31-90 days	91 days- 1 year	Over 1 year	Total
Briggs & Schaedle Company, Inc.	\$ 5,813.0	-	-	-	\$ 5,813.0
Chemical Bank New York Trust Company	65,259.0	\$ 4,300.0	-	-	69,559.0
First National Bank, Chicago	22,092.0	-	-	-	22,092.0
First National Bank, St. Paul	28,136.0	-	-	-	28,136.0
Salomon Brothers & Hutzler	18,200.0	-	-	-	18,200.0
Totals	\$ 139,500.0	\$ 4,300.0	-	-	\$ 143,800.0

Purchases and Sales of U.S. Treasury Obligations

Schedule 1
(Page 2)

C. SALES (in thousands)

<u>Dealer</u>	<u>1-30 days</u>	<u>31-90 days</u>	<u>91 days- 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
American National Bank & Trust Company (St. Paul)	\$ 90.0	-	-	-	\$ 90.0
Bankers Trust Company	29,315.0	\$ 18,945.0	\$ 9,800.0	\$ 135.0	58,195.0
Blyth & Company, Inc.	700.0	4,000.0	-	1,050.0	5,750.0
Briggs & Schaedle Company, Inc.	-	1,010.0	-	-	1,010.0
Continental Illinois National Bank & Trust Company (Chicago)	-	5,125.0	-	225.0	5,350.0
Discount Corporation	-	5,000.0	-	-	5,000.0
First Boston Corporation	-	9,500.0	-	700.0	10,200.0
First National Bank, Chicago	9,390.0	-	5,030.0	1,500.0	15,920.0
First National Bank, St. Paul	8,906.0	17,660.0	18,290.0	5,425.0	50,281.0
First National City Bank	4,675.0	105.0	5,000.0	3,550.0	13,330.0
Harris Trust & Savings Bank (Chicago)	1,495.0	3,970.0	5,225.0	1,535.0	12,225.0
Aubrey G. Lanston & Company, Inc.	-	2,800.0	-	-	2,800.0
Merrill Lynch, Pierce, Fenner & Smith, Inc.	25,785.0	53,175.0	11,350.0	4,515.0	94,825.0
Morgan Guaranty Trust Company, New York	4,300.0	16,150.0	6,370.0	1,400.0	28,220.0
New York Hanseatic Corporation	-	500.0	-	-	500.0
Salomon Brothers & Hutzler	11,880.0	11,080.0	-	1,803.0	24,763.0
Second District Securities	-	9,860.0	-	-	9,860.0
U.S. Treasury	-	630.0	620.0	-	1,250.0
Totals	\$ 96,536.0	\$159,510.0	\$ 61,685.0	\$ 21,838.0	\$339,569.0

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule 2

PURCHASES AND SALES OF SHORT-TERM CORPORATE NOTES
January 1 - December 31, 1966

A. PURCHASES (in thousands)

<u>Dealer</u>	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Total</u>
Associates Investment Co.	\$ 7,265.0	\$ 2,317.0	-	\$ 1,131.0	\$ 1,646.0	\$12,359.0
C.I.T. Financial Corp.	2,505.0	500.0	\$ 832.0	230.0	2,420.0	6,487.0
Commercial Credit Co.	1,800.0	-	35.0	1,200.0	1,175.0	4,210.0
Ford Motor Credit Co.	2,199.0	151.0	1,111.0	200.0	1,854.0	5,515.0
Lehman Commercial Paper, Inc.	4,619.0	2,283.0	831.0	3,900.0	2,700.0	14,333.0
General Electric Credit Corp.	2,440.0	1,734.0	-	-	605.0	4,779.0
International Harvester Credit Corp.	2,203.0	769.0	-	898.0	1,030.0	4,900.0
Montgomery Ward Credit Corp.	4,114.0	1,268.0	405.0	1,593.0	390.0	7,770.0
J. C. Penney Credit Corp.	3,453.0	843.0	600.0	2,329.0	-	7,225.0
Sears Roebuck Acceptance Corp.	6,366.0	2,060.0	-	1,174.0	530.0	10,130.0
James Talcott, Inc.	4,106.0	1,509.0	315.0	3,246.0	500.0	9,676.0
Totals	\$41,070.0	\$13,434.0	\$ 4,129.0	\$15,901.0	\$12,850.0	\$87,384.0

B. SALES (in thousands)

<u>Dealer</u>	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	<u>Total</u>
Associates Investment Co. \$	48.0	-	-	-	-	\$ 48.0
International Harvester Credit Corp.	301.0	-	-	-	-	301.0
Montgomery Ward Credit Corp.	605.0	-	-	-	-	605.0
James Talcott, Inc.	750.0	-	-	-	-	750.0
Totals	\$ 1,704.0	-	-	-	-	\$ 1,704.0

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule 3

PRIVATE PLACEMENTS OF FIXED-INCOME SECURITIES
Purchased January 1 - December 31, 1966

<u>Face Amount</u>	<u>Company</u>	<u>Type of Security</u>	<u>Int. Rate</u>	<u>Maturity</u>	<u>Negotiated through</u>
\$ 800,000	ACF Industries, Inc.	Equipment Trust Certificate	5.625%	4-15-81	R. W. Pressprich & Co.
\$1,800,000	American Investment Co.	Note	5.25%	1-1-91	Kidder Peabody & Co.
\$3,800,000	American President Lines	Govt.-Guaranteed Bond	4.80%	11-1-91	Lehman Brothers; Mitchell Hutchins & Co.
\$2,280,000	Atchison, Topeka & Santa Fe Railway System	Conditional Sale	5.00%	7-15-66/ 1-15-81	Halsey Stuart & Co.
\$1,600,000	Beckman Instruments, Inc.	Promissory Note	5.625%	10-1-86	Lehman Brothers
\$3,298,653.97	Chicago, Burlington & Quincy Railroad Co.	Conditional Sale	4.875%	6-15-66/ 12-15-80	Dick & Merle-Smith
\$1,190,250	Chicago, Milwaukee, St. Paul & Pacific Railroad Co.	Conditional Sale	5.375%	12-1-71/ 6-1-81	Salomon Brothers & Hutzler
\$1,500,000	Desoto Chemical Coatings, Inc.	Note	5.00%	12-1-85	Goldman, Sachs & Co.
\$1,500,000	The Dow Chemical Co.	Note	5.00%	4-1-91	Smith, Barney & Co.
\$2,000,000	Halliburton Co.	Promissory Note	5.30%	6-1-86	Lehman Brothers; Blyth & Co.
\$1,150,000	Ingersoll-Rand Co.	Note	4.75%	1-1-91	Morgan Stanley & Co.; Smith, Barney & Co.
\$1,000,000	Norfolk & Western Railway Co.	Conditional Sale	5.50%	6-1-72/81	Salomon Brothers & Hutzler
\$1,700,000	Owens-Illinois, Inc.	Note	5.00%	2-1-91	Goldman, Sachs & Co.; Lazard Freres & Co.

Private Placements of Fixed-Income Securities

Schedule 3
(Page 2)

Face Amount	Company	Type of Security	Int. Rate	Maturity	Negotiated through
\$1,600,000	The Peoples Gas Light & Coke Co.	First & Refunding Mortgage Bond	5.375%	7-15-91	The First Boston Corp.
\$1,500,000	Shell Oil Co.	Debenture	5.00%	3-15-91	Morgan Stanley & Co.
\$1,600,000	The Singer Co.	Note	5.625%	8-1-86	Morgan Stanley & Co.
\$1,590,000	Southern Pacific Co.	Conditional Sale	4.80%	12-15-66/80	Kuhn, Loeb & Co.; Salomon Brothers & Hutzler
\$1,000,000	Standard Oil Co. of California (Chevron Stations, Inc.)	Note	5.10%	4-1-91	Blyth & Co.
\$3,900,000	States Steamship Co.	Govt.-Guaranteed Bond	5.10%	3-31-93	Blyth & Co.
\$1,750,000	Sun Oil Co. (Great Canadian Oil Lands Limited)	Note	5.75%	7-1-91	Smith, Barney & Co.; Wood Gundy & Co.; McLeod, Young, Weir, Inc. A. E. Ames
\$1,600,000	Tucson Gas & Electric Co.	First Mortgage Bond	4.875%	2-1-96	Blyth & Co.; The First Boston Corp.
\$3,700,000	United States Lines	Govt.-Guaranteed Bond	5.00%	10-1-87	Smith, Barney & Co.; Lehman Brothers
\$1,000,000	Washington Gas Light Co.	First Mortgage Bond	5.20%	3-1-91	The First Boston Corp.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule 4

CORPORATE BONDS PURCHASED AT TIME OF OFFERING
ON A DESIGNATED BASIS
January 1 - December 31, 1966

Face Amount (000)	Dealer	Face Amount (000)	Dealer
\$ 30	American Securities Corp.	50	Kidder, Peabody & Co., Inc.
40	A. C. Becker & Co., Inc.	40	Kuhn, Loeb & Co., Inc.
20	William Blair & Co.	30	W. C. Langley & Co.
50	Blyth & Co., Inc.	40	Lazard Freres & Co.
50	Clark, Dodge & Co., Inc.	40	Lehman Brothers
40	Dominick & Dominick	40	Carl M. Loeb, Rhoades & Co.
40	Drexel & Co.	50	Merrill Lynch, Pierce, Fenner & Smith, Inc.
40	Eastman Dillon, Union Securities & Co.	40	F. S. Mosely & Co.
30	Estabrook & Co.	50	Paine, Webber, Jackson & Curtis
40	First Boston Corp.	30	R. W. Pressprich & Co.
50	Francis I. duPont, A. C. Allyn, Inc.	40	Reynolds & Co.
40	Glore Forgan, Wm. R. Staats, Inc.	40	Salomon Brothers & Hutzler
40	Goldman, Sachs & Co.	50	Shearson, Hammill & Co., Inc.
150	Harriman, Ripley & Co., Inc.	50	Smith, Barney & Co., Inc.
40	Hayden, Stone Inc.	30	F. S. Smithers & Co.
40	Lee Higginson Corp.	40	Stone & Webster Securities Corp.
50	Hornblower & Weeks-Hemphill, Noyes	30	Tucker, Anthony & R. L. Day
30	E. F. Hutton & Co., Inc.	50	White, Weld & Co.
40	W. E. Hutton & Co.	50	Dean Witter & Co.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule 5

CORPORATE BONDS PURCHASED THROUGH SECONDARY OFFERINGS
January 1 - December 31, 1966

Face Amount (000)	Dealer
\$ 176	R. W. Pressprich & Co., Inc.

Schedule 6

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

COMMON STOCK PURCHASES ALLOCATED BY INVESTMENT DEPARTMENT
January 1 - December 31, 1966

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
<u>CONSUMER-ORIENTED STOCKS</u>					
		<u>Telephone-Telegraph</u>		5200	Investors Div. Serv. "A"
		2500	American Tel. & Tel.	1000	J. M. Dain
			500 Blyth	1000	Lehman Brothers
			500 Dominick & Dominick	1000	Merrill Lynch
			500 Eastman Dillon	200	Paine, Webber
			1000 Kalman	2000	Piper, Jaffray
		4500	General Tel. & Electronics	<u>Insurance</u>	
			1000 Bache	800	Insurance Co. of No. Am.
			500 J. M. Dain		500 Dominick & Dominick
			1000 W. C. Langley		300 Estabrook
			1000 Tucker, Anthony	<u>CONSUMERS GOODS</u>	
			1000 H. C. Wainwright	<u>Food-Beverage</u>	
<u>UTILITIES</u>					
		<u>FINANCIAL SERVICES</u>			
		<u>Banks</u>			
		500	Chase Manhattan Bank	1000	Campbell Soup
			500 Wm. Blair	1000	H. C. Wainwright
100	Central & South West			500	Corn Products
	100 Kalman	1700	Northwest Bancorporation	500	Estabrook
1500	Commonwealth Edison		700 Paine, Webber	500	General Foods
	500 E. F. Hutton		1000 Salomon Brothers	1000	W. C. Langley
	1000 Spencer Trask	5000	Western Bancorporation	500	Blyth
1100	Houston Lighting & Power		1000 Brown Brothers	500	Dean Witter
	500 Donaldson, Lufkin		2000 Dean Witter	2300	Green Giant
	600 Goldman, Sachs		2000 Keefe, Bruyette	300	Piper, Jaffray
600	Interstate Power	<u>Finance</u>			
	600 Hornblower, Weeks	5900	Beneficial Finance	800	Coca-Cola
100	Middle South Utilities		1000 Bache	400	Clark Dodge
	100 Kalman		500 Blyth	400	Paine, Webber
4000	Minnesota Power & Light		1400 Brown Brothers	1000	Pepsi-Co.
	2000 Eppler, Guerin & Turner		600 Courts	500	Blyth
	2000 Thomson & McKinnon		1000 First Manhattan	500	Dominick & Dominick
3100	Northern States Power		1000 Goldman, Sachs	<u>Printing-Publishing</u>	
	100 Walston & Co.		400 Piper, Jaffray	1100	R. R. Donnelley
	3000 White, Weld		2000 Brown Brothers		200 Brown Brothers
1500	Pacific Gas & Electric		1000 Loeb, Rhoades		500 J. M. Dain
	1500 Dean Witter		500 Dean Witter		400 Francis I. duPont
500	Southern California Edison		500 Eastman Dillon	1500	Harcourt Brace
	500 Glore, Forgan		1000 Kidder, Peabody		500 Francis I. duPont
1000	Texas Utilities		500 Smith, Barney		500 Lehman Brothers
	1000 A. G. Becker		1000 H. C. Wainwright		500 The Milwaukee Co.
100	Wisconsin Public Service				
	100 Kalman				
<u>Gas</u>					
1600	Arkansas Louisiana Gas				
	100 Piper, Jaffray				
	1500 White, Weld				
4500	Panhandle Eastern P.L.				
	2000 Bache				
	1500 Merrill Lynch				
	1000 White, Weld				
2500	Peoples Gas Light & Coke				
	1000 Glore, Forgan				
	1500 Salomon Brothers				

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
	<u>Retail Trade</u>		<u>RESEARCH STOCKS</u>		
3000	Montgomery Ward			4800	Union Carbide
	2000 A. G. Becker				1000 Bache
	1000 Salomon Brothers				500 A. G. Becker
3500	J. C. Penney	2000	<u>Chemical & Drug</u>		500 Clark Dodge
	2000 A. G. Becker				1500 Francis I. duPont
	500 Brown Brothers				700 Eastman Dillon
	500 W. C. Langley				600 Harris, Upham
	500 Merrill Lynch	2000	American Home Products	500	Upjohn
2700	Sears Roebuck		1000 Estabrook		500 W. E. Hutton
	500 J. M. Dain		1000 Glore, Forgan		
	500 Kidder, Peabody	5400	Dow Chemical		<u>Office Equipment</u>
	700 Merrill Lynch		300 J. M. Dain	2200	International Bus. Mach.
	1000 Piper, Jaffray		1000 Drexel		100 Blyth
			2000 Eastman Dillon		200 Loeb, Rhoades
			800 H. Hentz		200 Clark Dodge
			300 Piper, Jaffray		100 J. M. Dain
			1000 White, Weld		400 Francis I. duPont
		2500	duPont (E. I.) deNemours		200 Lehman Brothers
			400 Clark Dodge		500 Merrill Lynch
13000	Burlington Industries		200 Dean Witter		100 Paine, Webber
	300 Bear, Stearns		900 Francis I. duPont		300 Piper, Jaffray
	2000 Brown Brothers		200 Lamson Brothers		100 Walston
	500 Dean Witter		200 Merrill Lynch		
	1000 Donaldson, Lufkin		200 Smith, Barney	3300	Xerox
	1500 Glore, Forgan		400 White, Weld		300 A. G. Becker
	2000 Kidder, Peabody				100 Blyth
	1000 Lehman Brothers	1200	Eastman Kodak		200 Clark Dodge
	2100 Merrill Lynch		300 Estabrook		200 Dean Witter
	2400 H. C. Wainwright		300 Hornblower, Weeks		100 Francis I. duPont
	200 Walston		600 Merrill Lynch		300 First Manhattan
		4300	Hercules		200 Harris, Upham
			1000 Loeb, Rhoades		200 Kidder, Peabody
			500 Estabrook		300 Lehman Brothers
9300	J. P. Stevens		300 Piper, Jaffray		600 Merrill Lynch
	500 Bache		2000 Shearson, Hammill		700 Piper, Jaffray
	1000 A. G. Becker		500 Stone & Webster		100 Smith, Barney
	2000 Carter, Berlind				
	1000 Francis I. duPont		5600	<u>Miscellaneous</u>	
	1000 Eastman Dillon		Int'l. Minerals & Chemicals		600 Corning Glass Works
	400 Piper, Jaffray		1000 Blyth		200 Bache
	1000 R. W. Pressprich		1000 J. M. Dain		200 Francis I. duPont
	1000 Smith, Barney		600 Eastman Dillon		200 Lehman Brothers
	1000 H. C. Wainwright		800 Estabrook		
	400 Walston		700 Morgan Stanley	1700	Minnesota Mining
			1000 Piper, Jaffray		200 Piper, Jaffray
			500 Salomon Brothers		1000 Shearson, Hammill
					500 Walston
		600	Merck		
			600 Dempsey, Tegeler		
		4600	Monsanto		
2000	Continental Can		1000 Blyth		
	500 Bache		1500 Donaldson, Lufkin		
	500 Donaldson, Lufkin		400 Paine, Webber		
	1000 Piper, Jaffray		200 Piper, Jaffray		
4000	Gillette		1500 H. C. Wainwright		
	1000 Bear, Stearns	2600	Pfizer (Chas.)		
	1000 Clark Dodge		500 Loeb, Rhoades		
	1000 Legg		1000 Dempsey, Tegeler		
	1000 Walston		100 Piper, Jaffray		
100	Procter & Gamble		1000 R. W. Pressprich		
	100 Piper, Jaffray				
4600	Scott Paper	2600	G. D. Searle		
	1000 W. E. Hutton		500 Hornblower, Weeks		
	1000 Model, Roland		100 Piper, Jaffray	4600	Louisiana Land
	600 Salomon Brothers		1000 Smith, Barney		1000 Loewi
	1000 Smith, Barney		1000 H. C. Wainwright		600 Model, Roland
	1000 H. C. Wainwright				1000 Paine, Webber
					2000 White, Weld

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
7400	Mobil Oil	9400	General Motors		<u>Machinery</u>
	1500 Loeb, Rhoades		100 J. Barth	6800	Caterpillar Tractor
	600 Courts		1300 Caldwell, Phillips		500 Brown Brothers
	500 Dean Witter		1000 Francis I. duPont		1000 J. M. Dain
	1500 Dempsey, Tegeler		1500 Goldman, Sachs		1700 Dominick & Dominick
	1000 Kalman		500 Harris, Upham		1100 Harris, Upham
	400 Merrill Lynch		800 Hayden, Stone		1000 W. C. Langley
	1400 Salomon Brothers		500 Hornblower, Weeks		1000 Salomon Brothers
	500 H. C. Wainwright		1000 Kalman		500 Walston
6800	Standard Oil (Calif.)		500 Lamson Brothers	2000	Clark Equipment
	1000 J. Barth		1000 W. C. Langley		2000 Clark, Dodge
	1500 Drexel		500 The Milwaukee Co.	4000	Deere
	500 Francis I. duPont		200 Piper, Jaffray		1500 Bache
	400 Glore, Forgan		500 Reynolds		500 Clark, Dodge
	500 Model, Roland	7000	Goodyear Tire & Rubber		500 Kalman
	300 Piper, Jaffray		2000 Brown Brothers		1000 Laird
	1000 J. W. Sparks		500 Dean Witter		500 J. W. Sparks
	1200 F. S. Smithers		500 Donaldson, Lufkin	6300	International Harvester
	400 White, Weld		1000 Eastman Dillon		1000 Clark, Dodge
4000	Standard Oil (Ind.)		500 Goodbody & Co.		800 Drexel
	1000 Brown Brothers		500 R. W. Pressprich		500 Glore, Forgan
	1000 E. F. Hutton		1000 Thomson & McKinnon		1000 Goldman, Sachs
	1000 Morgan, Stanley		1000 H. C. Wainwright		1000 Lehman Brothers
	200 Piper, Jaffray	1000	Gould National Batteries		2000 Merrill Lynch
	800 Shearson, Hammill		1000 J. M. Dain		
3800	Standard Oil (N.J.)				<u>Electrical & Electronic Equipment</u>
	500 Drexel				<u>Steel</u>
	1000 Hayden, Stone	7800	General Electric	1500	Armco
	1000 Kidder, Peabody		1800 Clark, Dodge		500 Kuhn Loeb
	1000 Lazard Freres		300 Dean Witter		1000 Morgan, Stanley
	300 H. C. Wainwright		800 Drexel	2500	Inland
6300	Texaco		1500 Glore, Forgan		1000 Kuhn Loeb
	500 Caldwell Phillips		400 Harris, Upham		1000 Merrill Lynch
	1000 Faulkner, Dawkins		300 Hornblower, Weeks		500 Salomon Brothers
	500 First Manhattan		300 H. Hentz		
	1500 Paine, Webber		300 Lamson Brothers		
	100 Piper, Jaffray		1500 Paine, Webber		
	1800 Salomon Brothers		600 H. C. Wainwright		
	400 Shearson, Hammill	4200	Sunbeam		
	500 White, Weld		1000 Brown Brothers		
			500 Paine, Webber		
			1500 Shearson, Hammill		
			500 Smith, Barney		
			700 H. C. Wainwright		
		10800	Westinghouse Electric	6200	American Airlines
			1000 Bache		500 A. G. Becker
			1000 Loeb, Rhoades		1000 Blyth
			800 Clark, Dodge		800 Loeb, Rhoades
			1000 Donaldson, Lufkin		900 Harris, Upham
			500 Faulkner, Dawkins		1000 W. C. Langley
			800 Hayden, Stone		500 Merrill Lynch
			500 Kidder, Peabody		500 Salomon Brothers
			500 Laird		1000 H. C. Wainwright
			1500 Loewi	5200	Delta Air Lines
			500 Merrill Lynch		1000 Bache
			600 Paine, Webber		400 Clark, Dodge
			500 Piper, Jaffray		300 J. M. Dain
			900 Smith, Barney		600 Donaldson, Lufkin
			500 H. C. Wainwright		500 Model, Roland
			200 Walston		500 Morgan, Stanley
		6000	Whirlpool		500 Piper, Jaffray
			2000 Brown Brothers		300 Reynolds
			500 Dean Witter		300 J. W. Sparks
			2000 Hornblower, Weeks		200 Shearson, Hammill
			500 R. W. Pressprich		200 Smith, Barney
			1000 Salomon Brothers		400 White, Weld

DURABLES STOCKSAutomobiles & Auto Parts

7700 Chrysler

2000 A. G. Becker

1500 Donaldson, Lufkin

500 Harris, Upham

500 Kalman

500 John G. Kinnard

500 The Milwaukee Co.

200 Piper, Jaffray

1000 Spencer, Trask

1000 Woodard - Elwood

9300 Ford Motor

500 J. Barth

1000 Caldwell, Phillips

1000 R. S. Dickson

500 John G. Kinnard

500 Lamson Brothers

1000 Lehman Brothers

500 Oppenheimer

1000 Smith, Barney

400 H. C. Wainwright

800 Walston

600 White, Weld

1500 Woodard - Elwood

TRANSPORTATION & TRANS. EQUIP.
Airlines

6200 American Airlines

500 A. G. Becker

1000 Blyth

800 Loeb, Rhoades

900 Harris, Upham

1000 W. C. Langley

500 Merrill Lynch

500 Salomon Brothers

1000 H. C. Wainwright

5200 Delta Air Lines

1000 Bache

400 Clark, Dodge

300 J. M. Dain

600 Donaldson, Lufkin

500 Model, Roland

500 Morgan, Stanley

500 Piper, Jaffray

300 Reynolds

300 J. W. Sparks

200 Shearson, Hammill

200 Smith, Barney

400 White, Weld

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
1600	Northwest Airlines				
	200 Bache			3500	Southern Railway
	300 Clark, Dodge				1500 Dick & Merle Smith
	200 Dean Witter	3500	Great Northern Railway		2000 Spencer, Trask
	200 Francis I. duPont		1000 Dick & Merle Smith	2800	Union Pacific Railroad
	200 Harris, Upham		500 McDonnell		1800 Bache
	400 Piper, Jaffray		1000 Shearson, Hammill		1000 Goldman, Sachs
	100 Walston	2200	Norfolk & Western Ry.		
6400	Pan American World Airways		400 A. G. Becker		<u>Transportation Equipment</u>
	400 Clark, Dodge		900 Hornblower, Weeks	2300	ACF Industries
	1000 Eastman Dillon		800 The Milwaukee Co.		1000 J. Barth
	800 Kuhn Loeb		100 Piper, Jaffray	5900	General Amer. Trans.
	500 Merrill Lynch				1000 Bache
	1500 Morgan, Stanley	6400	Northern Pacific Ry.		1000 Wm. Blair
	200 Piper, Jaffray		1400 Dick & Merle Smith		1900 Drexel
	500 Shearson, Hammill		1000 Donaldson, Lufkin		2000 Smith, Barney
	500 Smith, Barney		500 Francis I. duPont		
	500 Thomson & McKinnon		1000 Eastman Dillon		
	500 H. C. Wainwright		500 Ebin, Robertson		<u>Miscellaneous</u>
7300	United Air Lines		500 Lamson Brothers	2000	National Lead
	1000 Bear Stearns		500 Piper, Jaffray		1000 Dean Witter
	1000 J. M. Dain		1000 Reynolds		500 Dominick & Dominick
	500 Dominick & Dominick	6000	Southern Pacific		500 H. Hentz
	1200 First Manhattan		1000 Clark, Dodge	6000	Weyerhaeuser
	500 W. C. Langley		1000 Dean Witter		2000 A. G. Becker
	500 Model, Roland		1000 Dick & Merle Smith		1000 Clark, Dodge
	800 Oppenheimer		500 Hayden, Stone		1000 J. M. Dain
	300 Smith, Barney		1500 Salomon Brothers		1500 Francis I. duPont
	500 F. S. Smithers		1000 Shearson, Hammill		500 Salomon Brothers
	1000 H. C. Wainwright				

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule 7

COMMON STOCK PURCHASES NEGOTIATED OR ORDERED ON THE BASIS OF
LOWEST AVAILABLE PRICE
January 1 - December 31, 1966

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
<u>CONSUMER-ORIENTED STOCKS</u>					
		6000	Commonwealth Edison	9900	General Public Utilities
			4000 American Securities		1000 American Securities
			500 First Boston		1600 First Boston
			500 J. S. Strauss		1300 J. S. Strauss
			1000 Weeden		6000 Weeden
	<u>UTILITIES</u>	8000	Consolidated Edison	9500	Houston Lighting & Power
	<u>Electric</u>		1000 American Securities		2500 American Securities
14000	Allegheny Power		3000 J. S. Strauss		5500 First Boston
	1000 American Securities		4000 Weeden		1500 Weeden
	6000 First Boston	10700	Consumers Power	11800	Indianapolis Power & Light
	1000 J. S. Strauss		3500 American Securities		4000 American Securities
	6000 Weeden		4500 First Boston		2400 First Boston
6000	American Electric Power		2700 Weeden		5400 Weeden
	1500 American Securities	11000	Detroit Edison	9500	Interstate Power
	2500 J. S. Strauss		4000 American Securities		9500 Weeden
	2000 Weeden		1000 First Boston	8500	Kansas City Power & Light
9900	Central & South West		2000 J. S. Strauss		2000 American Securities
	2500 American Securities		4000 Weeden		2600 First Boston
	1400 First Boston		6200		3900 Weeden
	6000 Weeden		Florida Power & Light	5000	Louisville Gas & Electric
6500	Cincinnati Gas & Electric		1500 American Securities		1000 American Securities
	1500 American Securities		500 J. S. Strauss		4000 Weeden
	3000 First Boston		4200 Weeden		
	2000 Weeden				

Common Stock Purchases, etc. (continued)

Schedule 7
(Page 2)

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
8700	Middle South Utilities			2700	Security First N.B. (L.A.)
	6700 American Securities			1200	Bear Stearns
	1000 First Boston	4000	Arkansas Louisiana Gas	500	Blyth
	1000 Weeden		500 J. S. Strauss	500	Keefe, Bruyette
5500	Minnesota Power & Light		3500 Weeden	500	Salomon Brothers
	5500 Weeden	4225	Peoples Gas Light & Coke	4000	Valley N.B. (Arizona)
13500	Northern States Power		3500 American Securities	1000	Bear Stearns
	7000 American Securities		725 Weeden	2000	Keefe, Bruyette
	1500 First Boston			1000	M. A. Schapiro
	5000 Weeden		<u>Telephone & Telegraph</u>	2000	Wells Fargo
7100	Ohio Edison			2000	First Boston
	2000 American Securities	500	American Telephone & Tel.	2200	Western Bancorporation
	3100 First Boston		500 Weeden	1000	J. S. Strauss
	2000 J. S. Strauss	2100	General Tel. & Electronics	1200	Weeden
2600	Otter Tail Power		1100 American Securities		
	600 Francis I. duPont		1000 First Boston		<u>Finance</u>
	500 Kalman	3900	Western Power & Gas	500	Beneficial Finance
	1500 Piper, Jaffray		1000 Blyth	500	Brown Brothers
5500	Pacific Gas & Electric		1000 Dean Witter		
	1000 American Securities		500 Merrill Lynch		
	2000 First Boston		400 New York Hanseatic		<u>Insurance</u>
	2500 J. S. Strauss		1000 Piper, Jaffray	1000	Aetna Life
6200	Public Service (Colo.)			1000	Francis I. duPont
	4000 First Boston			1900	General America Corp.
	2200 Weeden			1300	Kalman
4600	Public Service (Ind.)			600	Pacific Northwest
	2000 American Securities			500	Hartford Fire
	2100 First Boston			500	Eastman Dillon
	500 Weeden	4000	Chase Manhattan	3500	Northwestern Nat. Life
9300	Southern California Edison		1000 First Boston	1500	Francis I. duPont
	500 American Securities		1000 Keefe, Bruyette	1000	Equitable Securities
	6800 First Boston		2000 M. A. Schapiro	500	Piper, Jaffray
	1000 J. S. Strauss	4000	Citizens & Southern N.B.	500	Shearson, Hammill
	1000 Weeden		1000 Bear Stearns	750	St. Paul Fire & Marine
8000	Southern Company		500 First Boston	150	Francis I. duPont
	3500 American Securities		1000 Merrill Lynch	600	Eastman Dillon
	1000 First Boston		1500 M. A. Schapiro	600	Travelers
	2500 J. S. Strauss	5700	Continental Illinois N.B.	500	Eastman Dillon
	1000 Weeden		1000 Blyth	100	Merrill Lynch
6900	Texas Utilities		2000 First Boston		
	3100 First Boston		2700 Keefe, Bruyette		
	3800 Weeden	1900	First Bank Stock		
1600	Tucson Gas & Electric		200 Francis I. duPont		
	1000 Blyth		1000 Eastman Dillon		
	600 Kidder, Peabody		700 Keefe, Bruyette		
9500	Utah Power & Light	3800	First National City Bank		<u>CONSUMERS GOODS</u>
	3500 American Securities		1000 Blyth		<u>Food-Beverage</u>
	6000 Weeden		1000 First Boston	500	Corn Products
5000	Virginia Electric & Power		1800 Keefe, Bruyette	500	Weeden
	2500 American Securities	5600	Morgan Guaranty Trust	500	General Mills
	700 First Boston		1800 Blyth	500	Weeden
	500 J. S. Strauss		3000 First Boston	2500	Green Giant
	1300 Weeden		500 Keefe, Bruyette	500	C. D. Mahoney
3500	Wisconsin Power & Light		300 Merrill Lynch	2000	Paine, Webber
	1000 Blyth	4200	National City Bank (Cleve.)		
	2500 Smith, Barney		2200 Blyth		<u>Printing-Publishing</u>
11000	Wisconsin Public Service		1000 Keefe, Bruyette	2000	Western Publishing
	1000 American Securities		1000 M. A. Schapiro	500	Francis I. duPont
	2000 First Boston	1600	Northwest Bancorporation	1500	Smith, Barney
	8000 Weeden		1600 Weeden		

Common Stock Purchases, etc. (continued)

Schedule 7
(Page 3)

<u>Total Shares</u>	<u>Issue and Vendor</u>	<u>Total Shares</u>	<u>Issue and Vendor</u>	<u>Total Shares</u>	<u>Issue and Vendor</u>		
<u>Retail Trade</u>			300	Eastman Kodak	1570	Standard Oil (N.J.)	
				300 Weeden	500 J. S. Strauss		
1000	Montgomery Ward	1500	Hercules, Inc.	1070	Weeden		
	1000 Weeden		1500	American Securities			
500	J. C. Penney	700	Monsanto	<u>DURABLES STOCKS</u>			
	500 Weeden		700	American Securities			
500	Sears Roebuck	1300	Pfizer (Chas.)	<u>Automobiles & Auto Parts</u>			
	500 Weeden		1300	Weeden			
1000	Super Valu	900	Union Carbide	1600	Chrysler		
	1000 J. M. Dain		900	American Securities	600	New York Hanseatic	
<u>Textiles</u>			<u>Office Equipment</u>				
500	J. P. Stevens	275	International Bus. Mach.	1000	A. G. Becker		
	500 Dean Witter		200	Morgan Stanley	300	General Motors	
<u>Miscellaneous</u>				75	Weeden	500	Goodyear Tire & Rubber
1500	Scott Paper	60	Xerox	60	Weeden	500	American Securities
	1500 Weeden		60	Weeden		<u>Electrical & Electronic Equip.</u>	
<u>RESEARCH STOCKS</u>			<u>NATURAL RESOURCES STOCKS</u>			950	General Electric
<u>Chemical & Drug</u>			<u>Petroleum</u>			950	New York Hanseatic
30	duPont (E.I.) & Co.	400	Mobil Oil	1600	Westinghouse Electric	700	New York Hanseatic
	30 Weeden	500	Standard Oil (Calif.)	900	J. S. Strauss	<u>Machinery</u>	
			500	Weeden	300	Caterpillar Tractor	
					300	Weeden	
					1300	Deere & Co.	
					1300	Weeden	

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule 8

COMMON STOCK SALES
January 1 - December 31, 1966

<u>Total Shares</u>	<u>Name of Issue and Dealer</u>
<u>Gas</u>	
15769	Tenneco
	6000 Walston
	9769 Weeden
<u>Petroleum</u>	
400	Kern County Land
	400 Merrill Lynch

SALES OF MINNESOTA SUBDIVISION BONDS
January 1 - December 31, 1966

Village of Brooklyn Center, Minnesota; \$472,000 face value of bonds, 3.20% - 4.10%, due 1969-80, sold at \$99.25 on February 8, 1966.

Sold to the First National Bank of St. Paul.

Village of Crystal, Minnesota; \$1,240,000 face value of bonds, 3.30% - 4.40%, due 1969-79, sold at \$96.21 on February 8, 1966.

Purchasing syndicate:
Piper, Jaffray & Hopwood, Manager(a)

Allison-Williams Co.
American National Bank & Trust Co.
Caldwell Phillips, Inc.
J. M. Dain & Co., Inc.
Juran & Moody, Inc.
Kalman & Co.
Merrill Lynch, Pierce, Fenner & Smith, Inc.

Miller & Schroeder, Inc.
Paine, Webber, Jackson & Curtis
Phelps, Fenn & Co.
Piper, Jaffray & Hopwood
E. J. Prescott & Co.
Shaughnessy & Co.
Woodard-Elwood & Co.

City of Fridley, Minnesota; \$482,000 face value of bonds, 3.00% - 4.00%, due 1969-75, sold at \$98.06 on February 8, 1966.

Sold to the First National Bank of St. Paul.

City of Fridley, Minnesota, Refunded Issue; \$165,000 face value of bonds, 4.20%, due 1971-79, sold at \$103.69 on February 8, 1966.

Sold to John Nuveen & Co.

I.S.D. No. 14 (Fridley, Minnesota); \$172,000 face value of bonds, 3.25% - 3.70%, due 1969-81, sold at \$94.52 on February 8, 1966.

Purchasing syndicate:
Allison-Williams Co., Manager(a)
Other syndicate members same as previously mentioned.

Village of Golden Valley, Minnesota; \$749,000 face value of bonds, 2.90% - 4.60%, due 1969-79, sold at \$97.75 on February 8, 1966.

Purchasing syndicate:
E. J. Prescott & Co., Manager(a)
Other syndicate members same as previously mentioned.

I.S.D. No. 166 (Grand Marais, Minnesota); \$210,000 face value of bonds, 3.75%, due 1971-79, sold at \$100.13 on February 8, 1966.

Sold to the First National Bank of St. Paul.

I.S.D. No. 277 (Mound, Minnesota); \$377,000 face value of bonds, 2.50% - 3.75%, due 1969-81, sold at \$92.67 on February 8, 1966.

Purchasing syndicate:
J. M. Dain & Co., Manager(a)
Other syndicate members same as previously mentioned.

I.S.D. No. 653 (Olivia, Minnesota); \$275,000 face value of bonds, 3.00%, due 1970-79, sold at \$93.31 on February 8, 1966.

Sold to the First National Bank of St. Paul.

Village of New Hope, Minnesota; \$37,000 face value of bonds, 4.75% - 5.00%, due 1967-77, sold at \$100.00 on July 1, 1966.

Sold to Village of New Hope, Minnesota, under provisions of Minnesota Statutes 1965, Section 352.06, Subdivision 16.

(a) Members of syndicate winning the above indicated securities were the same in each instance, but a different syndicate member supervised the bidding for each group of bonds.