1995 ANNUAL REPORT

MINNESOTA STATE BOARD OF INVESTMENT

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Section II

MINNESOTA STATE BOARD OF INVESTMENT

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The Minnesota State Board of Investment is pleased to present its report for the fiscal year ending June 30, 1995.

Investment Environment

The U.S. stock and bond markets performed well when compared to historical averages (Wilshire 5000 Stock Index 24.7% and Lehman Brothers Aggregate Bond Index 12.6%). During the last half of the fiscal year, continued reports of strong corporate profits, along with relatively low interest rates and low inflation, worked to boost the stock market dramatically. Declining interest rates also generated positive returns in all sectors of the bond market with corporate bonds outperforming both government and mortgage securities.

In aggregate, the international stock markets produced relatively weak gains during the fiscal year (index of Europe, Australia and Far East, EAFE, 1.7%). The strong gains produced by the larger European markets (U.K. 19.4%, Germany 20.2%, France 16.2%) were diminished by poor performance in the Japanese market (Japan -14.3%).

SBI Results

Several events should be highlighted for the year:

— The Basic Retirement Funds, the largest group of funds managed by the Board, produced a total rate of return of 15.8% for fiscal year 1995. (Refer to page 8.)

— The Post Retirement Fund will provide a life-time benefit increase of 6.4% for eligible retirees beginning January 1, 1996. This is the third post retirement benefit increase generated under the new formula enacted by the 1992 Legislature. (Refer to page 11.)

— The State Board of Investment and the Minnesota State Retirement System worked with the higher education plans to review the structure of the IRAP and College Supplemental Plans and to select product providers. (Refer to page 44.)

On June 30, 1995, assets under management totaled $26.8 billion. This total is the aggregate of several separate pension funds, trust funds and cash accounts, each with differing investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique needs. **The primary purpose of this annual report is to communicate the investment goals, policies and performance of each fund managed by the Board.** Through the investment programs presented in this report, the Minnesota State Board of Investment will continue to enhance the management and investment performance of the funds under its control.

Sincerely,

Howard Bicker

Howard Bicker
Executive Director

State Board of Investment

Governor Arne H. Carlson, Chair
State Auditor Judith H. Dutcher
State Treasurer Michael A. McGrath
Secretary of State Joan Anderson Growe
State Attorney General Hubert H. Humphrey III

Investment Advisory Council

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

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

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

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

Members of the Council*

Gary Austin
Executive Director
Teachers Retirement Association

David Bergstrom
Executive Director
Mn. State Retirement System

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

Roger Durbahn
Governor's Appointee
Retiree Representative

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

Laurie Fiori Hacking
Executive Director
Public Employees Retirement Assoc.

P. Jay Kiedrowski
Executive V.P.
Norwest Bank Minnesota

Laura M. King
Commissioner
Mn. Dept. of Finance

Han Chin Liu
Governor's Appointee
Active Employee Representative

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

Malcolm W. McDonald, Vice Chair
Director & Corp. Secretary
Space Center, Inc.

Gary R. Norstrem
Sr. Vice Pres., Institutional Mktg.
Piper Capital Management

Daralyn Peifer
Manager, Benefits Finance
General Mills, Inc.

Patrick Sexton
Governor's Appointee
Active Employee Representative

Michael Stutzer
Professor, Carlson School of Mgmt.
University of Minnesota

Deborah Veverka
V.P., Pension Investments
Honeywell, Inc.

Jan Yeomans, Chair
Treasurer
3M Co.

* As of December 1995

Staff, Consultants & Custodians*

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Executive Director

Beth Lehman
Assistant Executive Director

Investment Staff

Equities
Michael J. Menssen
Mgr., Domestic Equities

Lois E. Buermann
Analyst, External Equities

A. Arthur Kaese
Analyst, Internal Equities

Karen Vnuk
Analyst, International Equities

Fixed Income
James H. Lukens
Mgr., Fixed Income

Mansco Perry III
Analyst, External Fixed Income

N. Robert Barman
Analyst, Internal Fixed Income

Alternative Assets
John N. Griebenow
Mgr., Alternative Investments

Mark T. Regal
Analyst, Alternative Investments

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

Harold L. Syverson
Security Trader, Short Term

Public Programs
James E. Heidelberg
Mgr., Public Programs

Arthur M. Blauzda
Analyst, Shareholder Services

Deborah Griebenow
Analyst, Management Reporting

Administrative Staff

Finance and Accounting
L. Michael Schmitt
Administrative Director

Mable E. Patrick
Accounting Supervisor

Thomas L. Delmont
Accounting Officer, Intermediate

Nancy L. Wold
Accounting Officer

Kathy Sears
Computer Operator

Support Services
Charlene Olson
Secretary to the Executive Director

Lin Nadeau
Secretary

Carol Nelson
Secretary

Sondra Wagner
Secretary

Consultants

General Consultant
Richards & Tierney, Inc.
Chicago, Illinois

International Consultant
Pension Consulting Alliance
Studio City, California

Deferred Compensation Consultant
The Wyatt Company-PRIMCO
Portland, Oregon

Custodian Banks

Retirement Assets
State Street Bank & Trust Co.
Boston, Massachusetts

Non-Retirement Assets
Norwest Bank
Minneapolis, Minnesota

*As of December 1995

Introduction

The Minnesota State Board of Investment is responsible for the investment management of various retirement funds, trust funds and cash accounts. On June 30, 1995 the market value of all assets was $26.8 billion.

Constitutional and Statutory Authority

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

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

Prudent Person Rule

The prudent person rule, as codified in *Minnesota Statutes* Section 11A.09, requires all members of the Board, Investment Advisory Council, and SBI staff to *"...act in good faith and ...exercise that degree of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived therefrom." Minnesota Statutes* Section 356A.04 contains similar codification of the prudent person rule applicable to the investment of pension fund assets.

Authorized Investments

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

Investment Policies

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

The Board has adopted guidelines concerning investments in stock markets outside the U.S. The guidelines do not prohibit investment in any market, but do require that additional notification/presentation be provided to SBI staff or the SBI Administrative Committee in certain cases (refer to page 45 for more information on these guidelines).

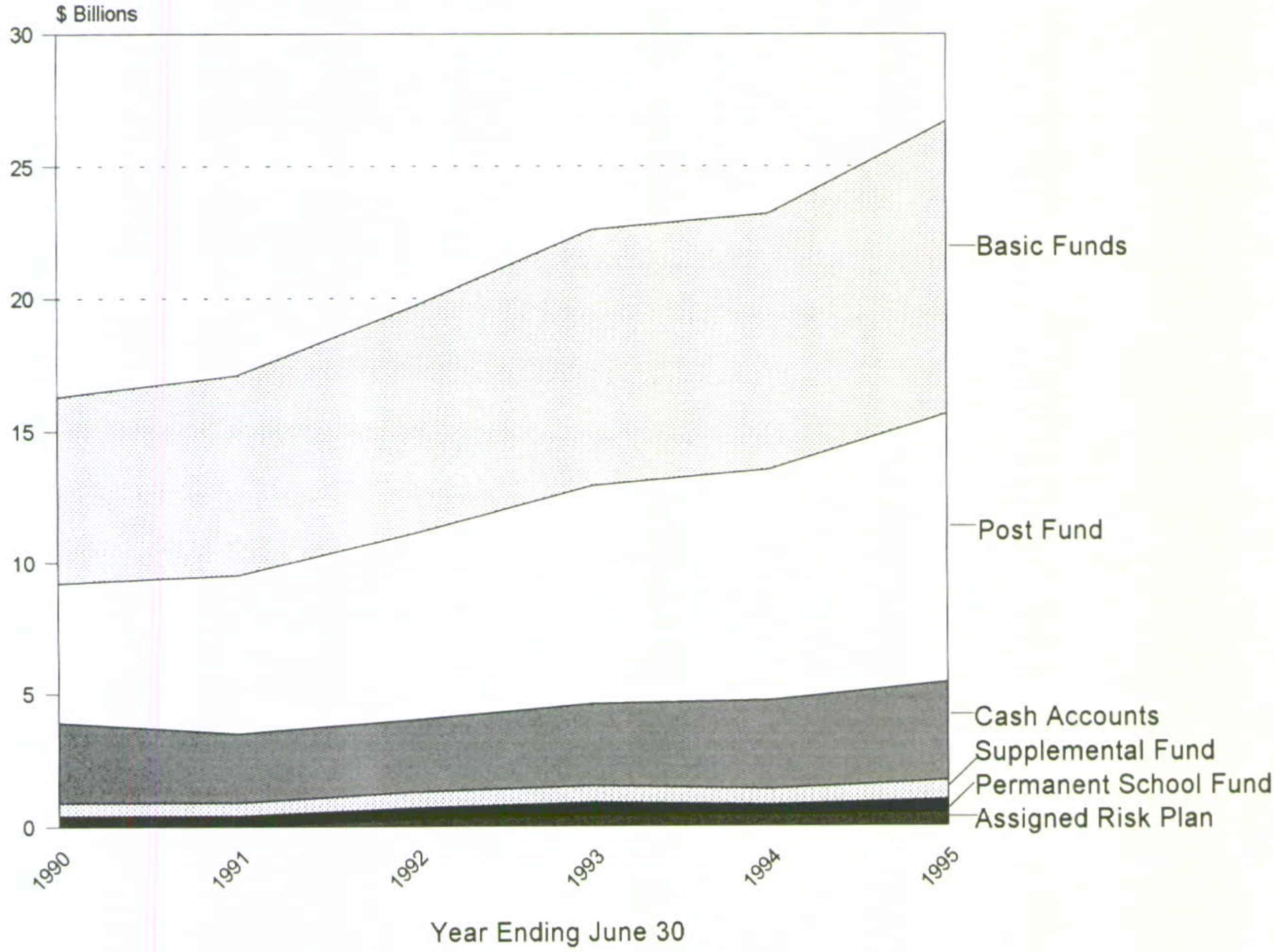
In recent years, the Board, its staff, and the Investment Advisory Council have conducted detailed analyses of each of the funds under the SBI's control that address investment objectives, asset allocation policy and management structure. The results of these studies guide the on-going management of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

Important Notes

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

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

Growth in Assets
Fiscal Years 1991 - 1995



Note: The Environmental Trust Fund is $0.1 billion as of June 30, 1995.

Funds Under Management

	Market Value June 30, 1995

Basic Retirement Funds — $11.1 billion

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

Teachers Retirement Fund	$4,777 million
Public Employees Retirement Fund	2,357 million
State Employees Retirement Fund	2,255 million
Public Employees Police and Fire Fund	1,105 million
Police and Fire Consolidation Fund	336 million
Highway Patrol Retirement Fund	167 million
Correctional Employees Fund	121 million
Judges Retirement Fund	12 million

Post Retirement Fund — 10.2 billion

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

Supplemental Investment Fund — 0.7 billion

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

Income Share Account	stocks and bonds	$331 million
Growth Share Account	actively managed stocks	125 million
Common Stock Index Account	passively managed stocks	67 million
International Share Account	non U.S. stocks	10 million
Bond Market Account	actively managed bonds	22 million
Money Market Account	short-term debt securities	55 million
Fixed Interest Account	guaranteed investment contracts	73 million

Assigned Risk Plan — $0.5 billion

The Minnesota Workers Compensation Assigned Risk Plan is the insurance company of last resort for companies unable to obtain worker compensation insurance through private carriers. The SBI is the investment manager for the Plan's portfolio.

Permanent School Trust Fund — $0.5 billion

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

Environmental Trust Fund — $0.1 billion

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

State Cash Accounts — $3.7 billion

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

Total Assets — $26.8 billion

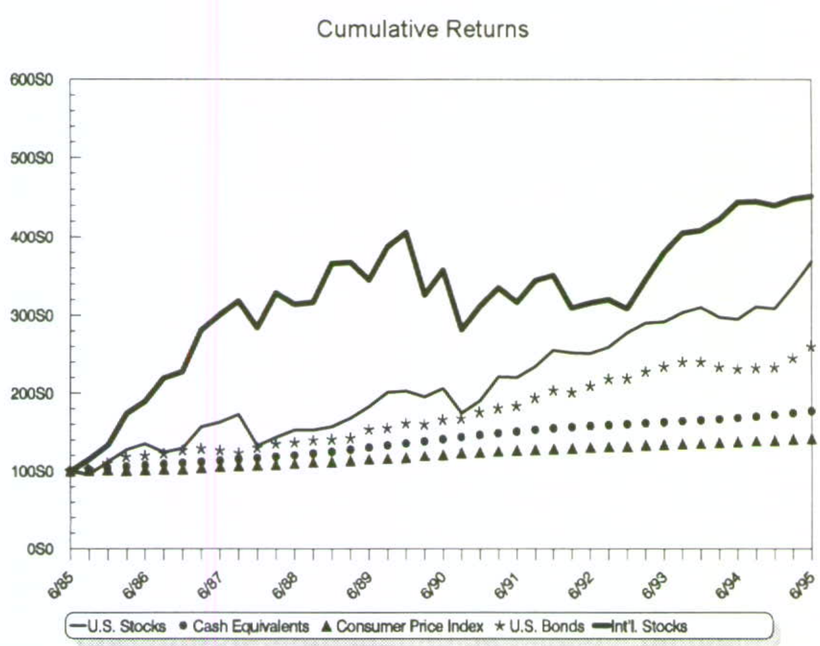
Combined Funds

The "Combined Funds" represent the assets of both active and retired public employees who participate in the defined benefit plans of three state-wide retirement systems: Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA) and the Minnesota State Retirement System (MSRS). On June 30, 1995, the Combined Funds had a market value of $21.3 billion.

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

While the Combined Funds do not exist under statute, the Board finds it instructive to review asset mix and performance of all defined benefit pension assets under its control. This more closely parallels the structure of other public and corporate pension plan assets and therefore allows for more meaningful comparison with other pension fund investors. The comparison universe used by the SBI is the Master Trust portion of the Trust Universe Comparison Service (TUCS). This universe contains information on more than 200 public and corporate pension and trust funds with a balanced asset mix.

Figure 1. Performance of Capital Markets FY 1986-1995



It is important to note that the historical data on the Combined Funds presented in this report reflect only the Basic Retirement Funds through fiscal year 1993. Both the Basic and Post Funds are included for fiscal years 1994 and 1995.

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

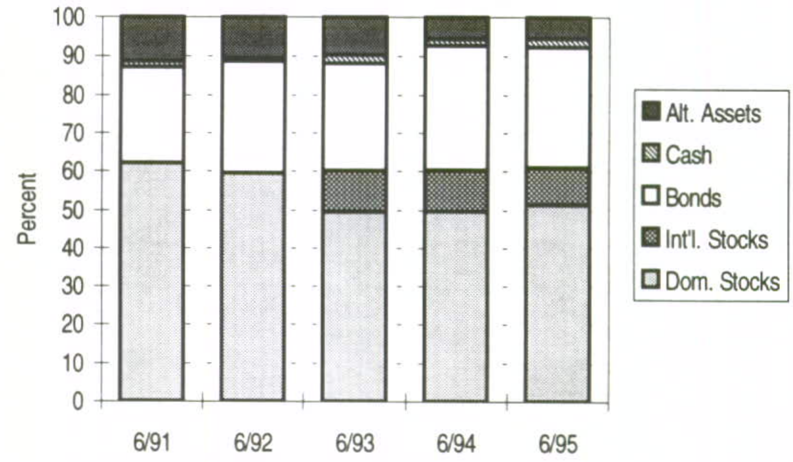
(Please refer to the chapter on the Post Retirement Fund for more information on the change in the benefit increase formula and its impact on the asset allocation strategy for that Fund).

Combined Funds

Asset Allocation

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

Figure 3. Historical Asset Mix FY 1991-1995

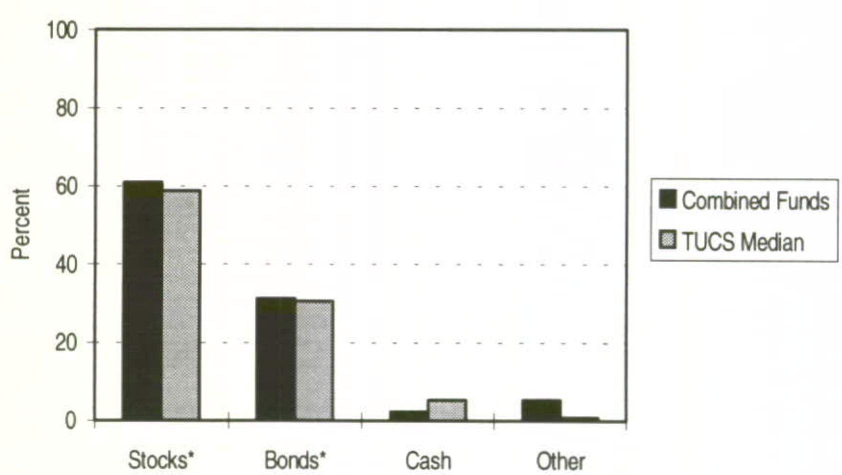


Note: Data for fiscal years prior to 1994 represents the Basic Funds only.

Asset Mix Compared to Other Pension Funds

Comparisons of the Combined Funds' actual asset mix to the median allocation to stocks, bond and other assets of the funds in TUCS on June 30, 1995 are displayed in Figure 2. It shows that the Combined Funds were overweighted in stocks, bonds and alternative investments relative to the median allocation in TUCS and underweighted in their allocation to cash. Historical data on the Combined Funds' asset mix is shown in Figure 3.

Figure 2. Asset Mix Comparison as of June 30, 1995



	Combined Funds	Median Allocation in TUCS
Stocks*	61.0%	58.8%
Bonds*	31.3	30.7
Alt. Assets	5.4	0.7
Cash	2.3	5.4
Total	100.0%	100.0%

* Both international and domestic

Return Objectives

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

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

— ***Exceed Median Fund Returns.*** Over a five year period, the Combined Funds are expected to outperform the return of the median fund in a representative universe of other public and corporate pension and trust funds with a balanced asset mix of stocks and bonds. As noted earlier, the universe used by the SBI is the Master Trust portion of TUCS.

Combined Funds

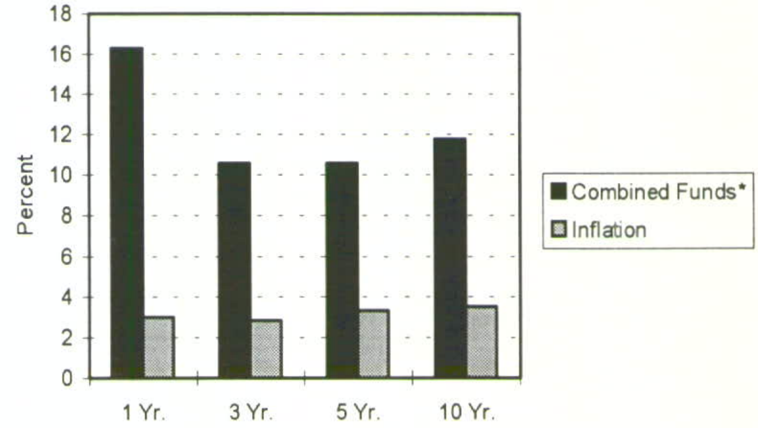
— ***Exceed Market Returns.*** Over a five year period, the Combined Funds are expected to outperform a composite of market indices weighted in a manner that reflects the asset mix of the Combined Funds.

Investment Results

Comparison to Inflation

Over the last ten years, the Combined Funds exceeded inflation by 8.3 percentage points, an amount well in excess of the return objective cited above. Historical results compared to inflation are shown in Figure 4.

Figure 4. Combined Funds Performance vs. Inflation



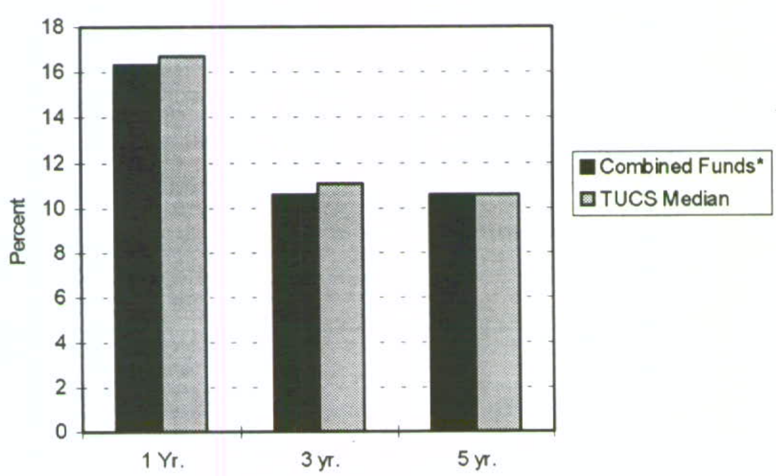
	Annualized			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds*	**16.3%**	**10.6%**	**10.6%**	**11.8%**
Inflation	3.0	2.8	3.3	3.5

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

Comparison to Other Funds

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

Figure 5. Combined Funds Performance vs. Median Fund



	Annualized		
	1 Yr.	3 Yr.	5 Yr.
Combined Funds*	**16.3%**	**10.6%**	**10.6%**
TUCS Median	16.7	11.1	10.6

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

— ***Differing Treatment of Fees.*** All SBI returns in this report are shown net of all management fees while TUCS data is reported before fees. If the SBI reported returns before fees, its returns and rankings would be *higher* than those shown in this report.

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

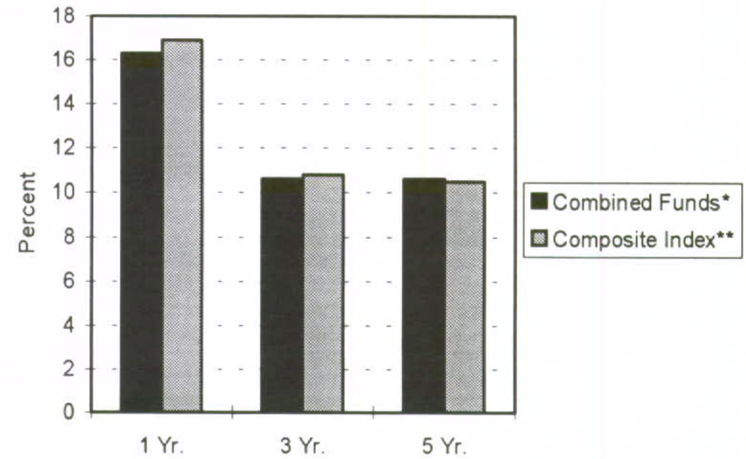
— ***Differing Goals/Liabilities.*** Each pension fund structures its portfolio to meet its own liabilities and risk tolerance. This may result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking may not be relevant to a discussion of how well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

With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds in the Master Trust portion of TUCS is displayed in Figure 5. It shows that the Combined Funds matched the median fund over the last five years. This placed the Combined Funds near the top half (54th percentile) for the period. Returns for the Combined Funds trailed the median for the most recent one and three year periods.

Comparison to Market Returns

The Combined Funds' performance is also evaluated relative to a composite of market indices which is weighted in a manner that reflects the actual asset allocation of the Combined Funds. Performance results and a breakdown of the composite index are shown in Figure 6. The Combined Funds exceeded the composite index by 0.1 percentage point over the last five years and therefore met their stated performance goal. The Funds trailed the composite index by 0.2 percentage point over the last three years and by 0.6 percentage point over the most recent fiscal year. These results are largely a measure of value added or lost from active management after all fees and expenses have been taken into consideration.

Figure 6. Combined Funds Performance vs. Composite Index



	Annualized		
	1 Yr.	**3 Yr.**	**5 Yr.**
Combined Funds*	**16.3%**	**10.6%**	**10.6%**
Composite Index**	16.9	10.8	10.5

* Includes performance Basic Funds through 6/30/93, Basic and Post thereafter.

**Adjusted to reflect the SBI's restriction on liquor and tobacco stocks through 3/31/93 and American Home Product restriction through 10/31/93.

Composite Index on June 30, 1995

Asset Class	Market Index	Composite Index Wts.
Domestic Stocks	Wilshire 5000	50.0%
Int'l. Stocks	EAFE Free	10.0
Domestic Bonds	Lehman Aggregate	32.1***
Alternative Assets	Wilshire Real Estate	2.4***
	Venture Capital Funds	3.0***
	Resource Funds	0.5***
Unallocated Cash	91 Day T-Bills	2.0
Total		100.0%

*** Alternative asset and bond weights are reset quarterly in the composite to reflect the amount of unfunded commitments in alternative asset classes.

Basic Retirement Funds

The Basic Retirement Funds accumulate the retirement assets of public employees during their working years. On June 30, 1995, the Funds covered more than 250,000 active employees and had a market value of $11.1 billion.

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

Investment Objectives

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

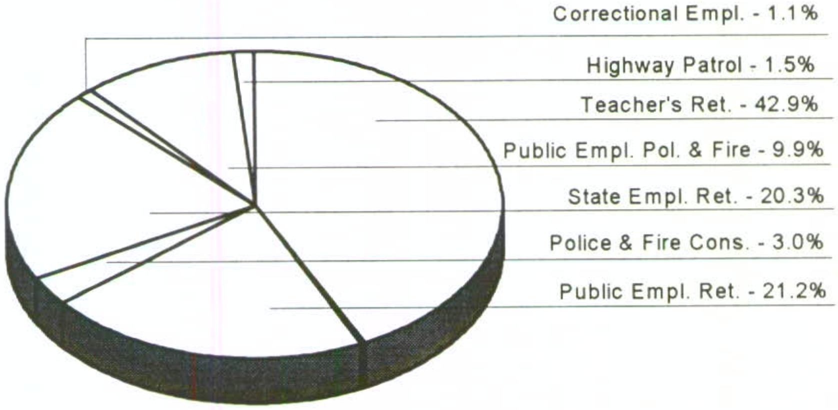
Actuarial Assumed Return

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

Time Horizon

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

Figure 7. Composition of Basic Funds



Return Objective

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

Asset Allocation

The allocation of assets among stocks, bonds, and alternative investments can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. Consequently, the Board has focused considerable attention on the selection of an appropriate long-term asset allocation policy for the Basic Funds.

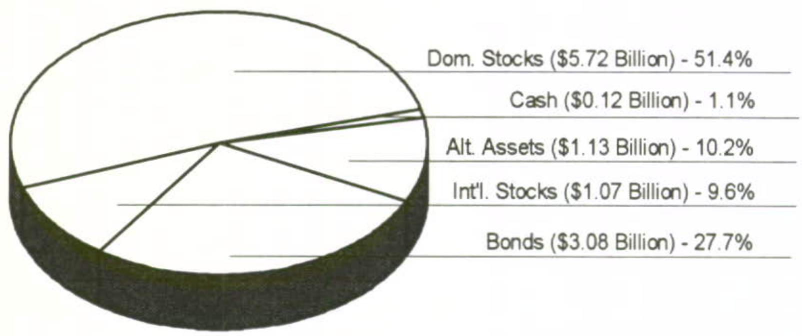
Long-Term Allocation Policy

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

Domestic Stocks	50%
International Stocks	10
Bonds	24
Alternative Assets	15
Unallocated Cash	1

Basic Retirement Funds

Figure 8. Asset Mix as of June 30, 1995



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

Figure 8 presents the actual asset mix of the Basic Funds at the end of fiscal year 1995. Historical asset mix data are displayed in Figure 9.

Total Return Vehicles

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

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

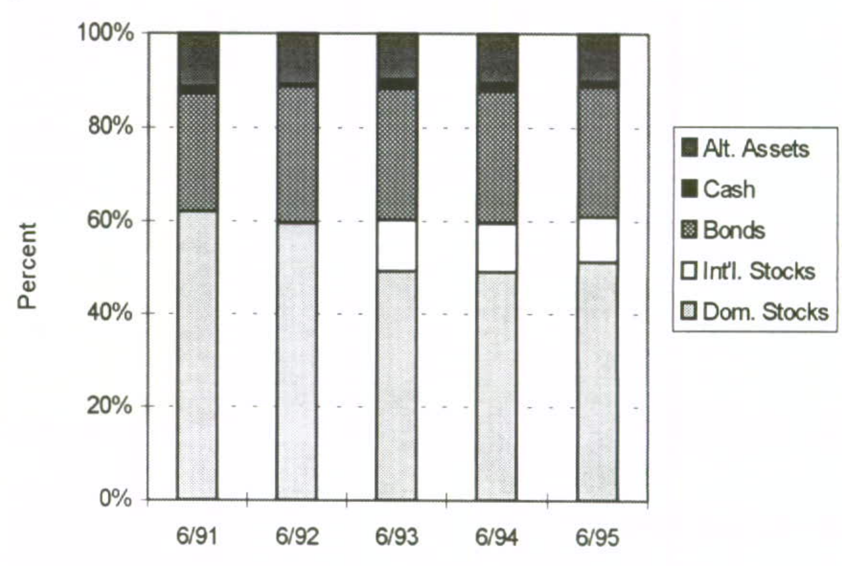
Diversification Vehicles

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

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

The allocation to ***bonds*** acts as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long-term bonds, are expected to protect principal and generate significant capital gains. And, like real estate and resource funds, under normal financial conditions, bonds help to diversify the Basic Funds, thereby controlling return volatility.

Figure 9. Historical Asset Mix FY 1991-1995



Basic Retirement Funds

Investment Management

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

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

Investment Performance

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

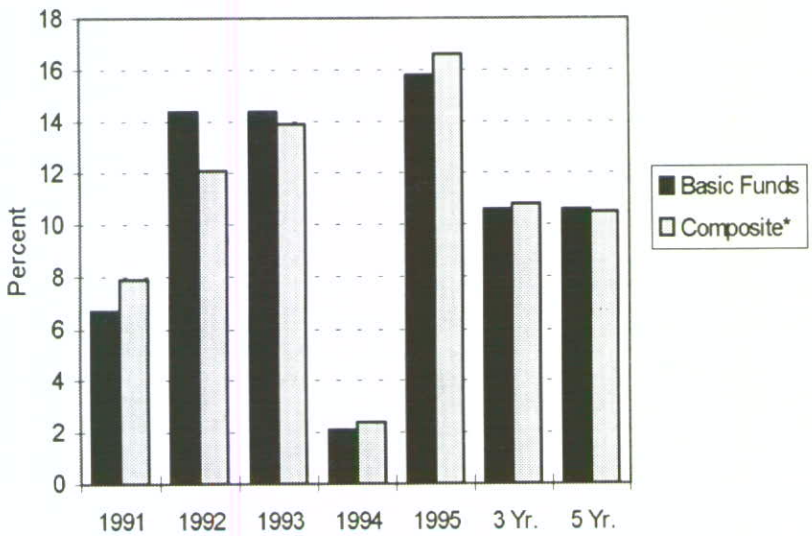
- The ability of the managers selected by the SBI, in aggregate, to add value to the returns available from the broad capital markets.

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

For the five year period ending June 30,1995, the Basic Funds out-performed the composite index by 0.1 percentage point annualized. The primary contributors to the value added came from above index performance by the bond and real estate segments of the portfolio. Value added by these groups of managers was sufficient to counterbalance below index performance by the domestic stock segment during the period. The SBI's policy of periodically rebalancing back to asset allocation targets also contributed importantly to the overall value added during the last five years.

Actual returns relative to the total fund composite index over the last five years are shown in Figure 10. For more information on the performance of each asset class, please refer to the **Investment Pool** section of this report.

Figure 10. Basic Funds' Performance vs. Composite Index



						Annualized	
	1991	1992	1993	1994	1995	3 Yr.	5 Yr.
Basic Funds	**6.7%**	**14.4%**	**14.4%**	**2.1%**	**15.8%**	**10.6%**	**10.6%**
Composite Index*	7.9	12.1	13.9	2.5	16.6	10.8	10.5

* Adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and American Home Product restriction through 10/31/93.

The assets of the Post Retirement Fund are used to finance monthly annuities to retired public employees. These annuities may be adjusted upwards over the life of a retiree based on a formula that reflects both inflation and investment performance. On June 30, 1995, the Post Fund had a market value of $10.2 billion and more than 71,000 retiree participants.

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

Benefit Increase Formula

The retirement benefit increase formula applicable to the Post Retirement Fund was changed through legislation enacted by the 1992 Legislature. The new formula was effective beginning in fiscal year 1993 and is based on a combination of two components:

— ***Inflation Component.*** Each year, retirees receive an inflation-based adjustment equal to 100% of inflation, up to a maximum of 3.5% specified in statute. The inflation component is granted regardless of investment performance. The 3.5% cap maintains the actuarial soundness of the entire plan and is the difference between the 8.5% return assumption for the Basic Funds, and the 5.0% return assumption for the Post Fund.

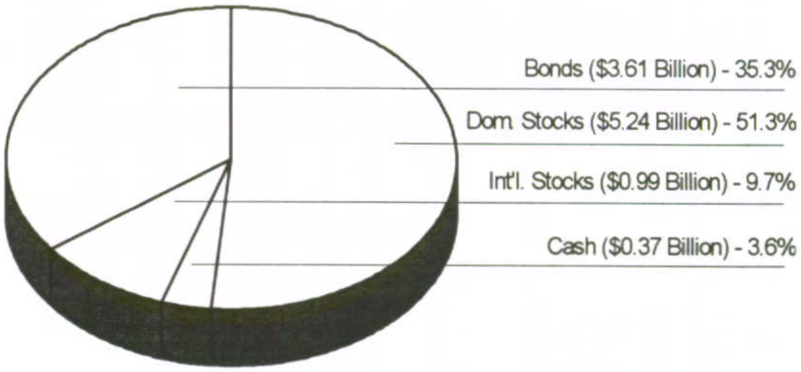
— ***Investment Component.*** Each year, retirees also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's actuarial assumption of 5% and the inflation adjustment. Investment gains and losses will be spread over five years to smooth out the volatility of returns. In addition, all accumulated investment losses must be recovered before an investment-based adjustment is granted.

Because the investment-based component of the new formula will not be implemented fully during the initial years, a temporary transition adjustment may be paid during a phase-in period. The transition adjustment provided in law is:

FY 1993	1.00%
FY 1994	0.75
FY 1995	0.50
FY 1996	0.25

By statute, retirees will receive *either* the investment-based component *or* the transition adjustment, whichever is higher, for the respective year.

Figure 11. Asset Mix as of June 30, 1995



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

Advantages

The new formula has two primary advantages:

- It provides benefit increases that are more sensitive to inflation than those granted under the old formula.

- It allows the Post Fund to maximize the long-term earning power of its assets. Without the need to generate the higher levels of current income required under the old formula, the Post Fund can increase its stock exposure and thereby enhance its prospects for higher total rates of return over the long run.

Investment Objective

Time Horizon

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

Return Objective

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

Asset Allocation

The Board revised its asset allocation strategy for the Post Fund in fiscal year 1993 in order to reflect the goals associated with the new post retirement benefit increase formula. Throughout fiscal year 1993, the actual asset mix of the Post Fund moved gradually toward a 50% allocation to common stocks. During fiscal year 1994, the Board added allocations to international stocks and alternative investments. The current long-term asset allocation for the Post Fund is as follows:

Domestic Stocks	50%
Int'l. Stocks	10
Bonds	32
Alternative Assets	5
Unallocated Cash	3

The Post Funds' year-end asset mix is presented in Figure 11. Historical asset mix data are shown in Figure 12.

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

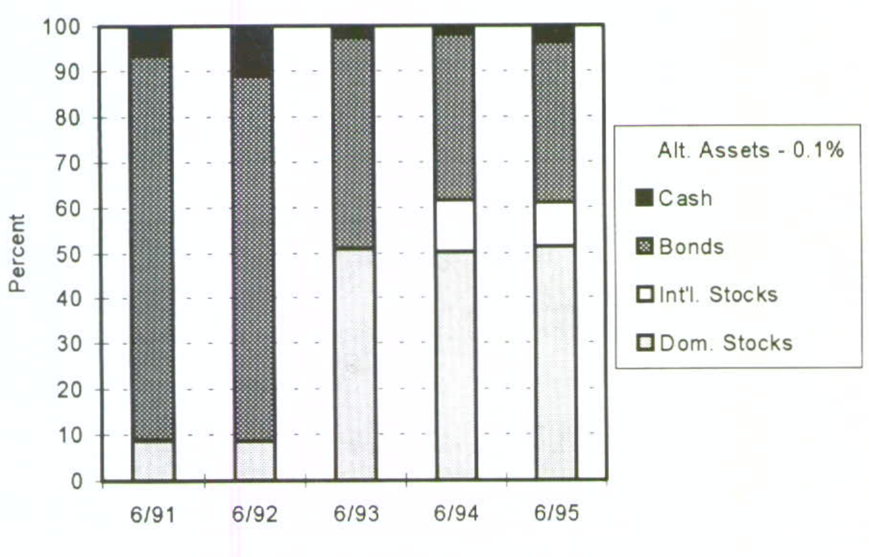
As with the Basic Funds, the Board recognizes that this sizable allocation will be likely to produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters or even years of disappointing results. Nevertheless,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

Diversification Vehicles

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

The ***bonds*** in the Post Fund act as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long term bonds, are expected to protect principal and generate significant

Figure 12. Historical Asset Mix FY 1991-1995



gains. And, under more normal financial conditions, bonds diversify the Post Fund, thereby controlling return volatility on a year-to-year basis.

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

Investment Management

Effective July 1, 1993, assets of the Post Fund were transferred to external managers. In order to gain greater operating efficiency, the Basic and Post Funds have shared the same domestic stock, bond and international stock managers since that time.

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

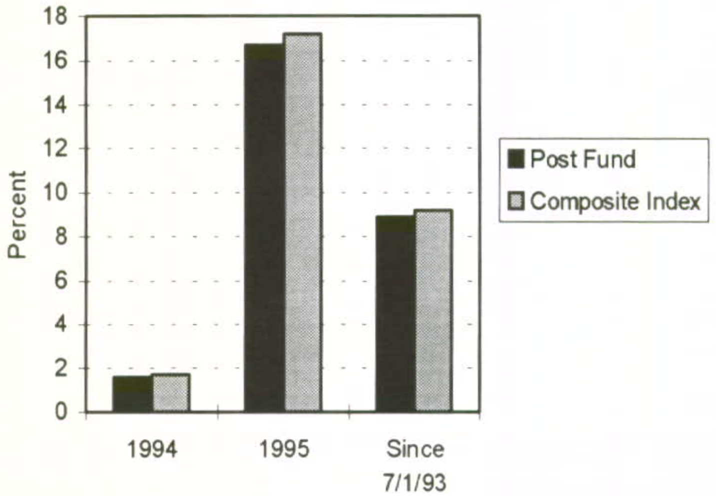
Figure 14. Historical Benefit Increases Granted

Fiscal Year*	Benefit Increase
1986	9.8%
1987	8.1
1988	6.9
1989	4.0
1990	5.1
1991	4.3
1992	4.6
1993**	6.0
1994**	4.0
1995**	6.4

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

** Benefit increase granted under the new formula.

Figure 13. Post Fund's Performance vs. Composite Index



	1994	1995	Annualized Since 7/1/93
Post Fund	**1.6%**	**16.7%**	**8.9%**
Composite Index	1.7	17.2	9.2

* Adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and American Home Product restriction through 10/31/93.

Investment Performance

Total Fund Performance

As stated earlier, the Post Fund is expected to exceed the return of a composite of market indices over a five year period. Since the asset allocation changed dramatically during fiscal year 1993, performance relative to this standard is available only for fiscal years 1994 and 1995. The Post Fund's performance trailed its composite market index by 0.3 percentage point for the two year period since July 1, 1993.

The primary contributor to underperformance for the two year period was below market returns from the domestic stock segment. More information on the performance of each asset class is included in the **Investment Pool** section of this report.

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

Benefit Increase

The Post Fund will provide a benefit increase of 6.4% for fiscal year 1995 payable beginning January 1, 1996. As noted earlier, this increase is comprised of two components:

- ***Inflation component*** of 3.1% which is equal to 100% of the reported Consumer Price Index for wage earners (CPI-W) increase for the twelve months ending June 30, 1995. (This is the same inflation index used to calculate increases in Social Security payments).

- ***Investment component*** of 3.3%. This represents a portion of the market value increase that exceeds the amount needed to cover the actuarial assumed rate of return (5.0%) and the inflation adjustment.

Benefit increases granted for the past ten years are shown in Figure 14. Prior to fiscal year 1993, the benefit increase formula was dependent on the level of excess realized income generated by the Post Fund. The 6.4% increase granted for fiscal year 1995 represents the third post retirement adjustment provided under the new benefit increase formula described above.

More detail on the calculation for the fiscal year 1995 benefit increase is included in the **Statistical Data** section.

Investment Pools

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

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

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

Domestic Stock Pool

The Basic Retirement Funds have participated in the Domestic Stock Pool since its inception in January 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Growth Share Account in the Supplemental Investment Fund has utilized the actively managed portion of the Pool since April 1988. As of June 30, 1995, the dollar value of each fund's participation in the Pool was:

Basic Funds $5.7 billion
(active, passive and semi-passive)

Post Fund $5.2 billion
(active, passive and semi-passive)

Growth Share Account $119 million
(active only)

Management Structure

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

— ***Active Management.*** At the end of fiscal year 1995, approximately 49% of the Stock Pool was actively managed by a group of 14 external money managers. The assets allocated to each manager ranged from $130-900 million.

  In addition, the actively managed segment of the Pool includes 9 managers in the SBI's Emerging Manager Program. Each Emerging Manager has a portfolio of approximately $35 million which gives the entire Emerging Manager Program about the same weight as an average single manager in the rest of the active manager program.

— ***Semi-Passive Management.*** At the end of fiscal year 1995, approximately 24% of the Stock Pool was semi-passively managed by a group of 3 external money managers each with portfolios of approximately $900 million.

— ***Passive Management.*** At the end of fiscal year 1995, approximately 26% of the Stock Pool was managed passively by a single manager.

The goal of the ***actively managed segment*** of the Domestic Stock Pool is to add value. Each active manager is expected to add incremental value over the long run relative to a customized benchmark which reflects its unique investment approach or style.

This type of active manager structure can result in misfit or style bias. "Misfit" can be defined as the difference between the aggregate benchmarks of the active managers and the asset class target (i.e., the Wilshire 5000). Historically, the SBI experienced three major areas of misfit in its active manager group:

— persistent over-exposure to small capitalization stocks

— persistent over-exposure to growth oriented stocks

— persistent under-exposure to yield oriented stocks

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

The SBI's completeness fund had been passively managed since it was first introduced in late fiscal year

1991. During fiscal year 1995, the completeness fund moved from being entirely passively managed to a structure that was half passive/half semi-passive. Semi-passive approaches provide the potential to outperform the completeness fund benchmark, but also incorporate procedures that constrain the level of risk/volatility relative to the benchmark.

FY 1995 Changes

One manager, First Capital Advisors, was deleted from the active manager group during the fiscal year. First Capital had been part of the SBI's Emerging Manager Program.

During fiscal year 1995, the SBI added three semi-passive managers to the Domestic Stock Pool: Franklin Portfolio Associates, J.P. Morgan Investment Management and Wells Fargo Nikko Investment Advisors. These managers were funded in January 1995 with a commensurate decrease in the assets allocated to passive management. At the close of the fiscal year, the SBI also elected to retain Wells Fargo Nikko Investment Advisors to manage the passive component of the Stock Pool. As a result, management of the passive portfolio transferred from Wilshire Asset Management to Wells Fargo at the close of the fiscal year.

More information on these changes and their impact on the future structure of the Domestic Stock Pool is provided in the Major Policy Initiatives section of this report.

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

Investment Performance

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

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

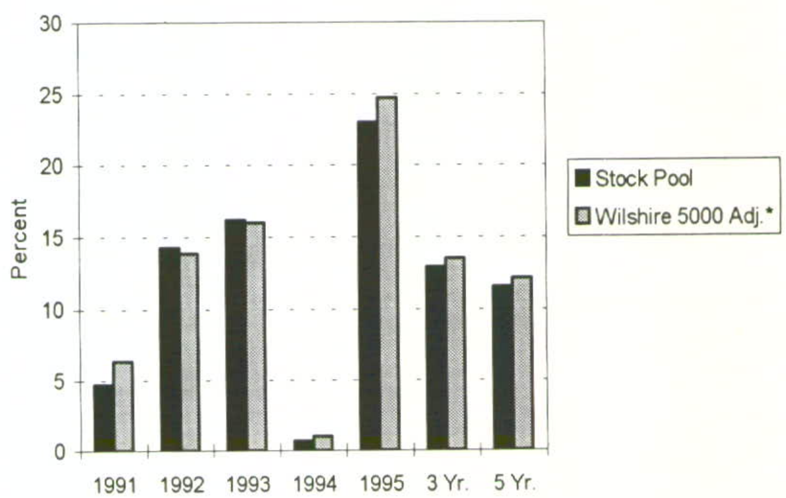
— ***Investment Approach.*** Each manager (active, semi-passive, or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the manager's stated investment approach.

— ***Diversification.*** Each active domestic stock manager is expected to hold a highly non-diversified portfolio, while the passive and semi-passive managers are expected to hold more diversified portfolios. In the short run, the active stock managers may depart from their risk targets as part of their specific investment strategies.

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 1995. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of diversification that were appropriate to their respective active, semi-passive and passive approaches.

The Board's ***return objectives*** for its domestic stock managers are

Figure 15. Domestic Stock Pool Performance FY 1991-1995



	1991	1992	1993	1994	1995	Annualized 3 Yr.	Annualized 5 Yr.
Stock Pool	**4.7%**	**14.3%**	**16.2%**	**0.7%**	**23.0%**	**12.9%**	**11.5%**
Wilshire 5000 Adj.*	6.4	13.9	16.0	1.0	24.7	13.5	12.1

* Adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and American Home Product restriction through 10/31/93.

measured against the performance of customized indices constructed to represent a manager's specific investment approach. This type of custom index is commonly referred to as a "benchmark portfolio." A benchmark portfolio takes into account the equity market forces that at times favorably or unfavorably impact certain investment styles. Thus, an individual benchmark is a more appropriate return target against which to judge a manager's performance than is a broad market index.

Individual active managers are expected to exceed their custom benchmark by 0.50-1.00 percentage point annualized, over time. The semi-passive managers are expected to exceed their benchmark by 0.15-0.30 percentage point, over time, and the passive manager is expected to track its benchmark within ± 0.60 percentage point annually.

In aggregate, the Domestic Stock Pool trailed the Wilshire 5000 for the fiscal year by 1.7 percentage points. The underperformance in fiscal year 1995 was significant enough to overwhelm the value added in both fiscal years 1992 and 1993 and pulled down the relative performance for both the most recent three and five year periods. See Figure 15 for more detail on the historical performance of the entire Pool.

Individual manager performance for fiscal year 1995 is shown in Figure 16. While the returns for all the managers substantially exceeded the historical returns available from the domestic stock market, individual manager performance relative to their respective benchmarks was disappointing. Only three managers (Alliance, Lincoln and Oppenheimer) outperformed their benchmarks. The underperformance of the remaining active managers was compounded by high negative

Figure 16. Domestic Stock Manager Performance FY 1995

	Actual Return	Benchmark Return
Active Managers		
Alliance Capital	30.1%	27.1%
Brinson Partners	22.0	24.7
Forstmann Leff	19.1	26.5
Franklin Portfolio	23.5	24.7
GeoCapital	22.2	32.6
Investment Advisors	24.7	25.4
IDS Advisory	21.4	26.8
Independence Associates	22.5	26.1
Jundt Associates	26.2	32.9
Lincoln Capital	30.7	29.5
Lynch & Mayer	23.0	34.8
Oppenheimer	27.9	22.3
Waddell & Reed	20.6	26.5
Weiss Peck & Greer	26.2	34.2
Semi-Passive Managers		
Franklin	17.7*	18.0*
J.P. Morgan	18.5*	18.0*
Wells Fargo Nikko	19.2*	18.0*
Passive Manager		
Wilshire Associates	21.3	22.2
Stock Pool**	**23.0**	
Performance Standard		
Wilshire 5000 Adj.***	24.7	

* Semi-passive managers were retained on January 1, 1995, therefore the return figures include data for only two quarters.

** Includes Emerging Managers Program, see below.

*** Adjusted for the SBI's restriction on liquor and tobacco through 3/31/93 and American Home Product restriction through 10/31/93.

Figure 17. Emerging Manager Performance FY 1995

	Actual Return	Benchmark Return
CIC Asset Management	19.0%	25.4%
Cohen Klingenstein & Marks	26.1	26.1
Compass Capital	28.9	24.1
Kennedy Capital	16.1	20.1
New Amsterdam	20.3	24.4
Valenzuela Capital	15.5	26.1
Wilke/Thompson	41.9	25.2
Winslow Capital	28.0	30.5
Zevenbergen Capital	26.7	30.5

tracking error by the passive manager against the completeness fund benchmark.

Performance data for the individual managers in the Emerging Manager Program are presented in Figure 17. During fiscal year 1995, staff worked closely with each of the emerging managers to develop more appropriate benchmarks against which to measure their performance. These efforts will continue into fiscal year 1996.

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

Bond Pool

The Basic Retirement Funds have participated in the Bond Pool since its inception in July 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Bond Market Account in the Supplemental Investment Fund has utilized the actively managed portion of the Pool since July 1986. As of June 30, 1995, the dollar value of each fund's participation in the Pool was:

Basic Funds $3.1 billion
(active and semi-passive)

Post Fund $3.6 billion
(active and semi-passive)

Bond Market $22 million
(active only)

Investment Management

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

— ***Active Management.*** No more than one-half of the Bond Pool will be actively managed. At the end of fiscal year 1995, approximately 50% of the Bond Pool was actively managed by a group of seven external money managers with portfolios of $200-900 million each.

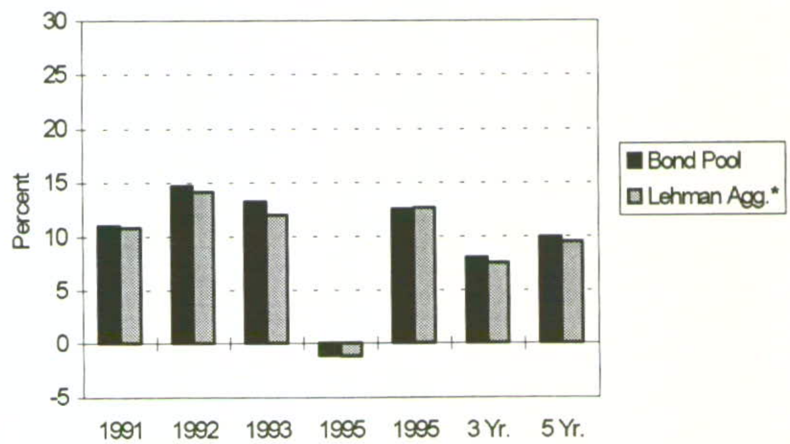
— ***Semi-Passive Management.*** At least one-half of the assets allocated to the Bond Pool will be managed by semi-passive managers. At the end of fiscal year 1995, approximately 50% of the bond segment was invested by three external money managers with portfolios of approximately $1 billion each.

The group of ***active*** bond managers was selected for its blend of investment styles. Each of the managers invests in high quality fixed income securities. The managers vary, however, in the emphasis they place on interest rate anticipation and in the manner in which they approach issue selection and sector weighting decisions.

In keeping with the objective of utilizing the Bond Pool as a deflation hedge, the active managers are restricted regarding the minimum average life of their portfolios. This requirement is designed to prevent the total Pool from assuming an excessively short-lived position and thus, severely diluting its deflation hedge capacity. In addition, to avoid extreme variability in total returns, the SBI constrains the maximum duration (a measure of average life) of the managers' portfolios to a band of three to seven years. The bond managers are permitted to purchase only high quality (BAA or better) fixed income assets.

The goal of the ***semi-passive*** managers is to add incremental value to the Lehman Brothers Aggregate Bond Index through the superior

Figure 18. Bond Pool Performance FY 1991-1995



						Annualized	
	1991	**1992**	**1993**	**1994**	**1995**	**3 Yr.**	**5 Yr.**
Bond Pool	**11.0%**	**14.7%**	**13.3%**	**-1.1%**	**12.5%**	**8.0%**	**9.9%**
Lehman Aggregate*	10.8	14.2	12.0	-1.2	12.6	7.6	9.5

*Lehman Brothers Aggregate Bond Index. Prior to July 1994, the Salomon Broad Investment Grade Bond Index was used.

selection of bonds for the portfolios. The managers adhere very closely to characteristics of the Lehman Aggregate and essentially match its duration and maturity structure. Semi-passive managers seek to add value by exploiting perceived mispricings among individual securities or by making minor alterations in the sector weightings within the portfolio. Although the managers seek to exceed the performance of the index, the possibility exists that the semi-passive approach may slightly under perform the target index during some periods.

FY 1995 Changes

Effective July 1, 1994, the SBI elected to change its asset class target for the Bond Pool from the Salomon Broad Investment Grade (BIG) index to the Lehman Aggregate. Since the two indices are virtually identical in composition, the move had no impact on a policy or programmatic level. Staff recommended the change to improve the SBI's ability to analyze and evaluate portfolio results.

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

Investment Performance

The SBI constrains the ***risk*** of the active bond managers' portfolios to ensure that they fulfill their deflation hedge and total fund diversification roles. As noted earlier, the managers are also restricted in terms of the duration of their portfolios and the quality of their fixed income investments.

The active and semi-passive bond managers successfully fulfilled their long-term risk objectives during fiscal year 1995. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of quality and duration.

As with the stock segment, the ***returns*** of each of the Board's bond managers are compared to an appropriate benchmark. As of July 1, 1994, all the bond managers, both active and semi-passive, use the Lehman Aggregate (or segments thereof in the case of IDS and TCW) as their performance index. Due to the broad diversification of each manager, customized benchmarks are not deemed necessary for the bond managers at this time.

If half of the Bond Pool is actively managed and half is semi-passively managed, the entire Pool is expected to exceed its target, the Lehman Aggregate index, by 0.20-0.35 percentage point annualized, over time. Individual active managers are expected to exceed the target by 0.25-0.50 percentage point annualized, over time, and each semi-passive manager is expected to exceed the target by 0.15-0.25 percentage point annualized, over time.

In aggregate, the Pool trailed the Lehman Aggregate by 0.1 percentage point for the most recent fiscal year. Performance over three and five years has been significantly positive, exceeding the index by 0.4 percentage point annualized over each period. In general, the decision to hold portfolios with a modestly longer duration than the market accounted for the out performance over the longer term. See Figure 18 for more detail on historical performance of the entire Pool.

Individual manager performance for fiscal year 1995 is shown in Figure 19. The relative performance of most of the managers was positive; four of the active managers (BEA, IDS, TCW and Western) and two of the semi-passive managers (Goldman

Figure 19. Bond Manager Performance FY 1995

	Actual Return	Benchmark Return
Active Managers		
BEA Associates	13.5%	12.6%
Investment Advisors	10.4	12.6
IDS Advisory	13.5	12.7*
Miller, Anderson & Sherrerd	12.4	12.6
Standish, Ayer & Wood	11.3	12.6
TCW	13.7	12.2**
Western Asset Management	14.7	12.6
Semi-Passive Managers		
Fidelity Management	11.2	12.6
Goldman Sachs	12.7	12.6
Lincoln Capital	12.7	12.6
Bond Pool	**12.5**	
Performance Standard		
Lehman Aggregate	12.6	

* Government/Corporate only
** Mortgage only

and Lincoln) added value. Unfortunately, the underperformance by the remaining managers was significant enough to overwhelm that value added and the performance for the entire Pool trailed the Lehman Aggregate slightly for the year.

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

International Stock Pool

The SBI began its international stock program in October 1992. The Basic Retirement Funds have participated in the International Stock Pool since its inception. The Post Retirement Fund began utilizing the Pool in October 1993. The International Share Account has participated in the Pool since September 1994. On June 30, 1995 the dollar value of each fund's participation in the International Stock Pool was:

Basic Funds (active and passive)	$1.1 billion
Post Fund (active and passive)	$989 million
International Share Account (active and passive)	$10 million

Management Structure

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

— ***Active Management.*** At least one-half of the International Stock Pool will be actively managed. At the end of fiscal year 1995, approximately 50% of the Pool was actively managed by a group of 6 external money managers with portfolios of approximately $175 million each.

— ***Passive Management.*** No more than one-half of the International Stock Pool will be passively managed. At the end of fiscal year 1995, approximately 50% of the International Stock Pool was passively managed by a single external money manager.

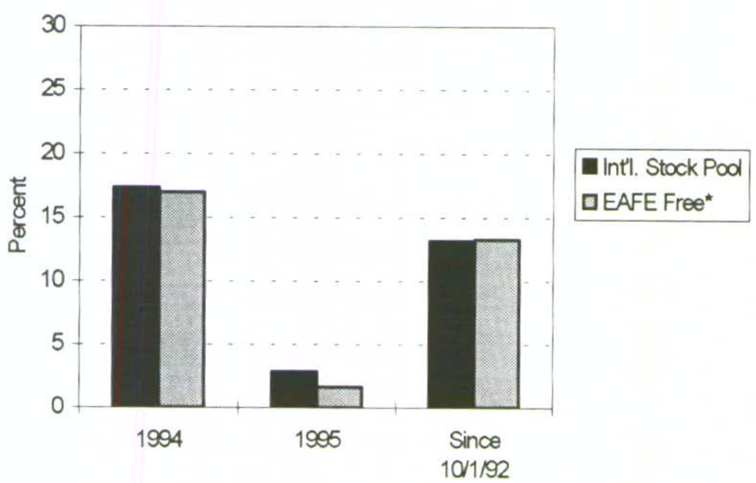
The ***actively managed*** segment of the International Stock Pool is designed to add value to the asset class target. Each active manager is expected to add incremental value over the long run relative to the Morgan Stanley Capital International Index of Europe, Australia and the Far East (EAFE Free). Two of the Board's active managers (Baring and Brinson) follow an active country/passive stock approach where the primary focus is on country selection and currency management rather than stock selection. The remaining four active international managers (Marathon, Rowe Price-Fleming, Scudder and Templeton) use a variety of investment approaches in an attempt to maximize market value and outperform the index, over time.

The ***passively managed*** portion of the International Stock Pool is managed by State Street Global Advisors and is designed to consistently and inexpensively track the EAFE Free index.

FY 1995 Changes

While there were no changes in the manager group during the fiscal year, SBI staff intensified its research on currency management alternatives for the international

Figure 20. International Stock Pool Performance



	1994	1995	Annualized Since 10/1/92
Int'l. Stock Pool	**17.3%**	**2.9%**	**13.2**
EAFE Free*	17.0	1.7	13.3

* Morgan Stanley Capital International Index of Europe, Australia and the Far East, including dividends and net taxes. EAFE Free includes only those stocks available to foreign investors.

stock program. These efforts may result in the addition of a currency overlay program during fiscal year 1996.

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

Investment Performance

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

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

— ***Diversification***. Each active international stock manager is expected to hold a highly non-diversified portfolio, while the index manager is expected to hold a well diversified portfolio which tracks its target index.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 1995. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

At the present time, the Board's ***return objectives*** for the international stock program are stated relative to the Morgan Stanley Capital International Index of Europe, Australia and the Far East (EAFE Free). This index is capitalization weighted and is measured in U.S. dollar terms, unhedged. While the Board would prefer to measure performance relative to customized benchmarks similar to those used for domestic stock managers, such customized benchmarks are not yet available for international assets. In the future, SBI staff, in conjunction with the SBI's consultants and managers, intend to develop more appropriate benchmarks for the international managers within the Pool.

Figure 21. International Manager Performance FY 1995

	Actual Return
Active Managers	
Baring International	0.2%
Brinson Partners	0.9
Marathon Asset Mgmt.	-2.6
Rowe Price-Fleming	5.6
Scudder, Stevens & Clark	5.8
Templeton Investment Counsel	12.2
Passive Manager	
State Street Global Advisors	2.4
International Pool	**2.9**
Performance Standard	
EAFE Free	1.7

If half of the International Stock Pool is actively managed and half is passively managed, the entire Pool is expected to exceed the EAFE Free index by 0.25-0.75 percentage point annualized, over time. Individual active managers are expected to exceed the index by at least 1.00 percentage point annualized, over time, and the index manager is expected to track the index ±0.50 percentage point, annually.

Performance results for the International Stock Pool are shown in Figure 20. In aggregate, the Pool outperformed the target for the year by 1.2 percentage points. Performance since inception (2.75 years) has trailed the index by 0.1 percentage point annualized.

Individual manager performance during fiscal year 1995 is shown in Figure 21. Performance relative to the index is explained in large part by the managers' country weighting decisions. Japan performed poorly relative to the EAFE Free index during the fiscal year and Europe performed well. The three active managers who outperformed the index (Rowe Price, Scudder and Templeton) reflected those weightings within their portfolios. The Pool also benefited from somewhat higher than expected positive tracking error in the passively managed portion of the program.

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

Alternative Investment Pools

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

Statutory Constraints

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

— ***Real Estate.*** State statute authorizes investments in real estate through commingled funds, limited partnerships and trusts, including real estate investment trusts (REIT's). Regardless of its form, each investment must involve at least four other participants and the SBI's investment may not exceed 20% of a given investment. State law does not permit the SBI to invest in real estate through direct investments, separate accounts or individual transactions.

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

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

Alternative Investments Basic Funds

The Basic Retirement Funds began making investments in alternative assets in the early 1980's. Given their long investment time horizon, the Basic Funds are especially well suited to alternative investments that are equity oriented and focus on long-term capital gains. As a result, up to 15% of the Basic Retirement Funds are targeted for alternative investments. A breakdown of the segment is shown in Figure 22. As of June 30, 1995 the market value of current alternative investments was $1.1 billion, or 10.2% of the Basic Funds.

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

Real Estate

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

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

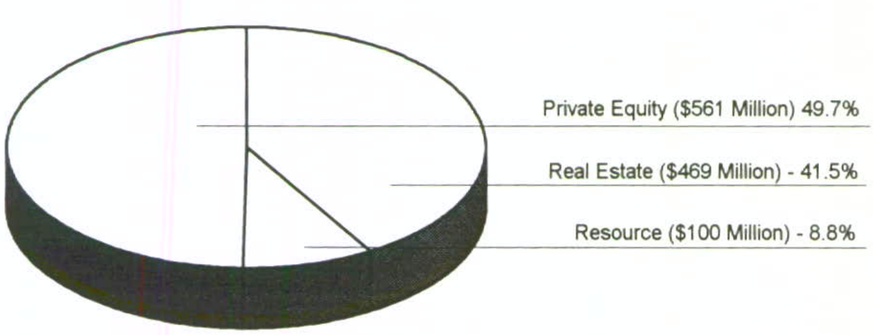
Prospective real estate managers are reviewed and selected based on the manager's experience, investment strategy and performance history.

During fiscal year 1995, the SBI approved one new real estate commitment in Colony Investors II. The SBI will continue to review and add new real estate investments as attractive opportunities are identified.

Private Equity Pool

The Basic Funds maintain a private equity portfolio that is broadly diversified across three dimensions: location, industry type and stage of development of individual portfolio companies. Prospective private

Figure 22. Basic Funds Alternative Investments as of June 30, 1995



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

equity managers are reviewed and selected based, primarily, on the manager's experience, investment strategy, diversification potential and performance history.

During fiscal year 1995, the Board approved a private equity commitment in Warburg Pincus Ventures, L.P. In addition to this new investment, the SBI reduced a commitment it made in fiscal year 1993 to the IMR Fund at the request of the Fund's general partner. The SBI will continue to review and add new private equity investments, as attractive opportunities are identified, to replenish commitments that will expire within the next five years.

Resource Fund Pool

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

During fiscal year 1995, the SBI approved a resource commitment in SCF Partners 1995 Investment Fund. The SBI plans to continue to review resource investments for possible inclusion in the Pool.

Investment Performance

The SBI reviews performance of its ***real estate*** investments relative to two standards:

— The Wilshire Associates Real Estate Index, an index of commingled real estate funds.

— Inflation, as measured by changes in the Consumer Price Index (CPI).

During fiscal year 1995, the SBI's real estate pool outperformed the index and exceeded the rate of inflation (SBI real estate 6.5%, Wilshire Real Estate Index 4.6%, CPI 3.0%). Comparisons over the last five years show that the real estate pool outperformed the real estate index but trailed the rate of inflation (SBI real estate -3.1% annualized, Wilshire index -4.0% annualized, CPI 3.3% annualized). As the above data illustrate, the real estate market as a whole is just beginning to strengthen after a lengthy period of negative performance.

The SBI's ***private equity*** pool provided a 6.4% return in fiscal year 1995 and 17.0% annualized over the last five years. The ***resource*** (oil and gas) pool returns are 14.3% for the year and 12.3% annualized over the last five years.

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

Alternative Investments
Post Fund

The Post Retirement Fund made its first commitment to alternative assets during fiscal year 1994. In comparison to the Basic Funds, the Post Fund has a somewhat shorter investment time horizon and therefore is best suited to investments that will generate a fairly high level of current income. The Board has allocated up to 5% of the Post Retirement Fund to yield-oriented alternative investments. As of June 30, 1995, the market value of the Post Fund's alternative investments was $13 million, 0.1% of the Fund.

Descriptions of each of the Post Fund's alternative investments are included in the **Investment Manager Summaries** section.

Yield-oriented investments (e.g. business loan participations, mortgage loan participations, and income producing private placements) provide additional vehicles to obtain both higher yield and long-term capital appreciation. Typically, these investments are structured more like fixed income securities with an opportunity to participate in the appreciation of the underlying assets. While these investments may have an equity component, they display a return pattern more like a bond. As such, they will help to reduce the volatility of the total portfolio, but should also provide the opportunity to generate higher returns relative to bonds.

During fiscal year 1995, the Board approved three commitments for the Post Fund: Colony Investors II, Kleinwort Benson (KB) Mezzanine Fund II, L.P. and CitiCorp Mezzanine Fund. While these investments cross asset class lines (the first is real estate, the remaining two are private equity), they all meet the criteria of yield oriented vehicles. The SBI will continue to review additional investments for the Post Fund in order to move closer to the 5% allocation target in future years.

Supplemental Investment Fund

The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The Fund serves more than 30,000 individuals who participate in defined contribution or supplemental retirement savings plans. On June 30, 1995, the market value of the entire fund was $683 million.

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

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

— It is one investment vehicle offered to public employees as part of the state's Deferred Compensation Plan, the Individual Retirement Account Plan and College Supplemental Retirement Plan.

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

Fund Structure

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

Fund Management

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

Share Values

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

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

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

Figure 23. Accounts in the Supplemental Investment Fund

Income Share	a balanced portfolio of stocks and bonds
Growth Share	a portfolio of actively managed common stocks
Common Stock Index	a passively managed common stock portfolio
International Share	a portfolio of both actively and passively managed non U.S. stocks
Bond Market	an actively managed fixed income portfolio
Money Market	a portfolio of liquid, short-term debt securities
Fixed Interest	an investment option utilizing guaranteed investment contracts (GIC's)

Supplemental Investment Fund

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

FY 1995 Changes

The International Share Account opened for contributions in September 1994. This Account is invested entirely in non-U.S. stock and uses the same management structure as the International Stock Pool.

In November 1994, the management structure of the Fixed Interest Account was changed to make the Account more flexible. Previously, contributions to the Fixed Interest Account were deposited in a series of guaranteed investment contracts (GIC's), each with a three year term and a fixed interest rate. Transfers or withdrawals were not allowed until the individual GIC matured. Since November 1994, contributions have been deposited in a new pool of GIC's with a blend of maturities and the credited rate changes monthly. Assets in the pool may be transferred in or out of the Account on a monthly basis as well. Galliard Capital Management, a unit of Norwest Bank, N.A. was selected to manage the new GIC pool.

The distribution of assets in the Supplemental Investment Fund as of June 30, 1995 is shown by Account and by Plan in Figure 24.

Figure 24. Composition by Account

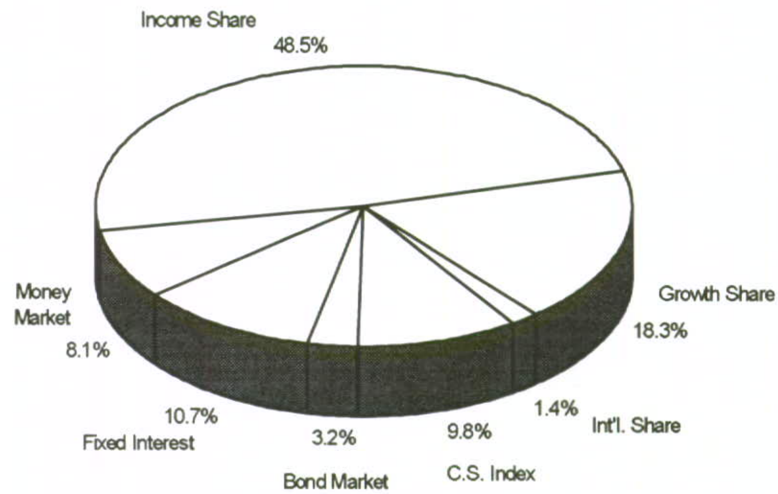
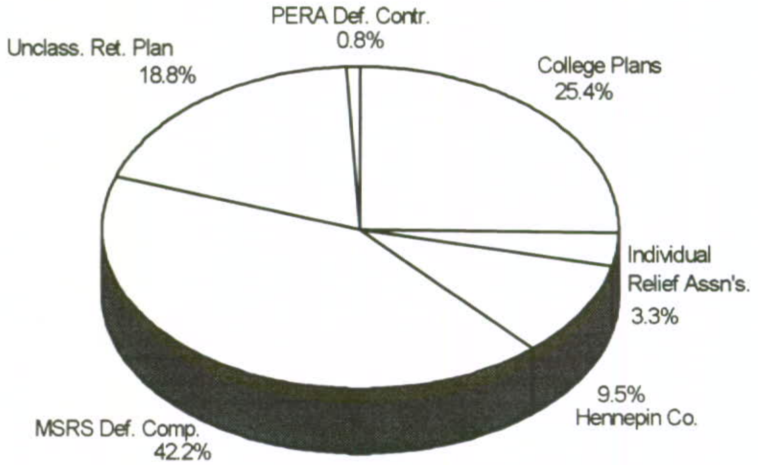


Figure 24. Con't. Participation by Plan



Income Share Account

Objective

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

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

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

At the close of fiscal year 1995, the value of the Income Share Account was $331 million.

Management

The Income Share Account's investment management structure combines internal and external management. SBI staff manage the entire fixed income segment. During the periods shown in this report, the entire common stock segment has been managed by Wilshire Associates as part of a passively managed index fund designed to track the Wilshire 5000.

Performance

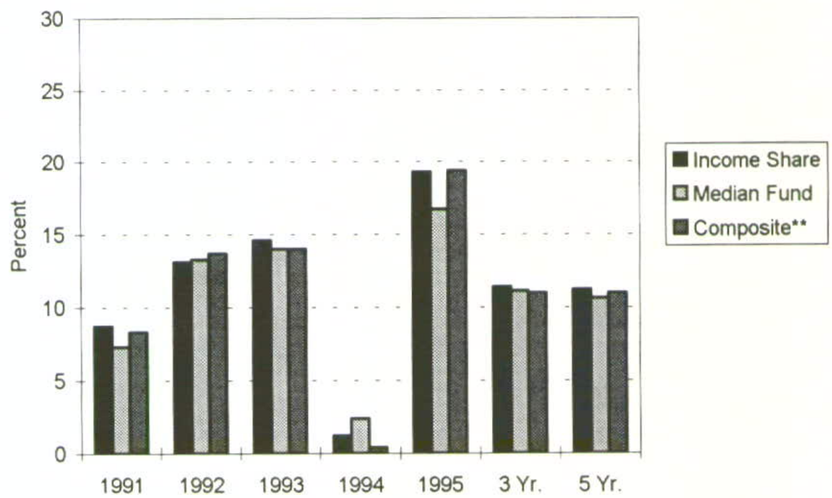
Similar to the other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— ***Total Account.*** The Income Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long term asset allocation. In addition, over time, the Income Share Account's performance is expected to exceed the performance of the median fund from a universe of other balanced funds.

— ***Individual Manager.*** The passive stock manager is expected to track closely the performance of the Wilshire 5000 (adjusted for the SBI's liquor and tobacco restrictions through 3/31/93 and American Home Products through 10/31/93). The internal bond manager for the Account is expected to exceed the performance of the Lehman Brothers Aggregate Bond Index.

The Income Share Account provided a return of 19.3% for fiscal year 1995, outperforming the median fund but trailing its composite index. Over the most recent five years, the Income Share Account has exceeded both its composite and the median fund. A five year history of performance results is presented in Figure 25.

Figure 25. Income Share Account FY 1991-1995



	1991	1992	1993	1994	1995	Annualized 3 Yr.	Annualized 5 Yr.
Income Share	**8.7%**	**13.1%**	**14.6%**	**1.2%**	**19.3%**	**11.4%**	**11.2%**
Median Fund*	7.3	13.3	14.0	2.4	16.7	11.1	10.6
Composite**	8.3	13.7	14.0	0.4	19.4	11.0	11.0

* TUCS Median Master Trust

** 60% Wilshire 5000 Adj./35% Lehman Brothers Aggregate Bond Index/ 5% T-Bill Composite. The Wilshire 5000 has been adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and American Home Product restriction through 10/31/93. Prior to 7/1/94, the Salomon Broad Investment Grade Bond Index was used as the the benchmark and a component of the Composite.

Supplemental Investment Fund

Growth Share Account

Objective
The Board has established above-average capital appreciation as the primary investment objective of the Growth Share Account. To achieve this objective, the Account maintains a large equity exposure with the following long-term asset allocation: 95% domestic stocks, 5% cash equivalents.

The small cash equivalents component represents the normal cash reserves held by the Growth Share Account as a result of new contributions not yet allocated to common stocks.

At the close of fiscal year 1995, the value of the Growth Share Account was $125 million.

Management
The SBI has assigned the entire common stock portfolio of the Growth Share Account to external active managers. The allocation to active management, rather than to an index fund, reflects the more aggressive investment policy of the Growth Share Account. Currently, these assets are managed by the same active managers utilized by the Basic and Post Retirement Funds in the Domestic Stock Pool.

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

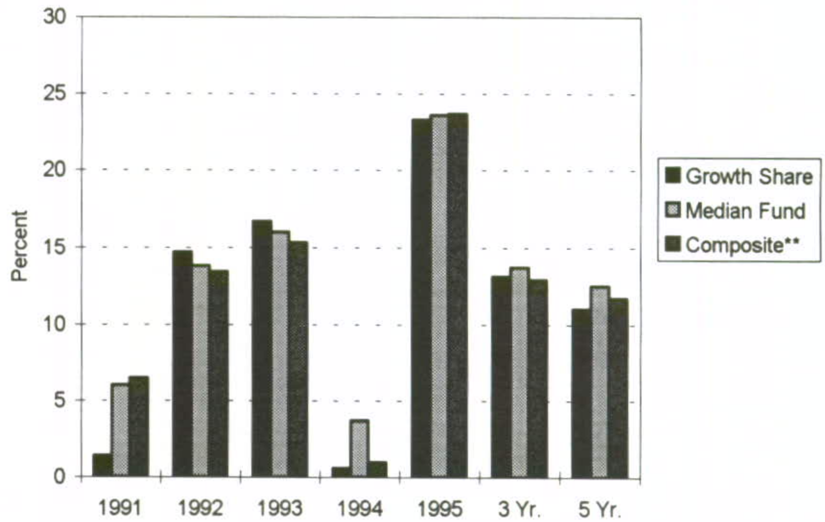
— ***Total Account.*** The Growth Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long term asset allocation. The Account's performance is also expected to surpass the performance of the median fund from a universe of managed equity portfolios.

— ***Individual Manager.*** Performance objectives for the individual managers are described in the **Investment Pool** section.

The Growth Share Account provided a return of 23.3% for the fiscal year, under performing both the composite index and median fund. While the Account benefited from large holdings in the technology sector, these gains were offset by holdings in the consumer durable and financial sectors which under performed market averages.

A five year history of performance results is shown in Figure 26.

Figure 26. Growth Share Account FY 1991-1995



	1991	1992	1993	1994	1995	Annualized 3 Yr.	Annualized 5 Yr.
Growth Share	**1.4%**	**14.7%**	**16.7%**	**0.6%**	**23.3%**	**13.1%**	**11.0%**
Median Pool*	6.0	13.8	16.0	3.7	23.6	13.7	12.5
Composite**	6.5	13.4	15.3	1.0	23.7	12.9	11.7

* TUCS Median Equity Pool

** 95% Wilshire 5000 Adj./5% T-Bill Composite. The Wilshire 5000 has been adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and American Home Product restriction through 10/31/93.

Common Stock Index Account

The Common Stock Index Account began accepting in July 1986. At the end of fiscal year 1995, it had a market value of $67 million.

Objective

The investment objective of the Common Stock Index Account is to generate returns that track the performance of the entire U.S. common stock market, as represented by the Wilshire 5000. To accomplish this objective, the SBI allocates all of the Common Stock Index Account's assets to passively managed domestic stocks.

Management

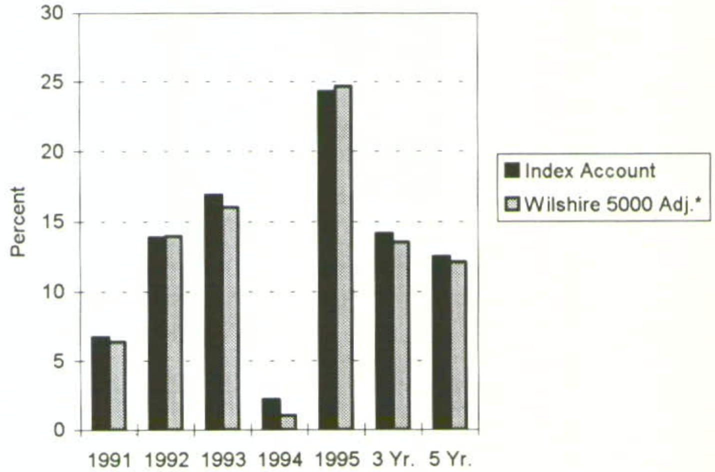
During the time period shown in this report, the Common Stock Index Account was invested entirely by Wilshire Asset Management.

Performance

The performance objective of the Common Stock Index Account is straightforward. The Account is expected to track closely the performance of the Wilshire 5000 (adjusted for the SBI's restrictions on liquor and tobacco through 3/31/93 and American Home Products through 10/31/93). The SBI recognizes that the Account's returns may deviate slightly from those of the Wilshire 5000 due to the effects of management fees, timing of new contributions and tracking error.

During fiscal year 1995, the Common Stock Index Account produced a return of 24.3%, which was 0.4 percentage points below the Wilshire 5000. Total Account results for the last five years are shown in Figure 27.

Figure 27. Common Stock Index Account FY 1991-1995



						Annualized	
	1991	1992	1993	1994	1995	3 Yr.	5 Yr.
Index Account	**6.7%**	**13.8%**	**16.9%**	**2.2%**	**24.3%**	**14.1%**	**12.5%**
Wilshire 5000 Adj.*	6.4	13.9	16.0	1.0	24.7	13.5	12.1

* Adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and American Home Product restriction through 10/31/93.

International Share Account

The International Share Account was added to the Supplemental Investment Fund in September 1994. At the end of fiscal year 1995, it had a market value of nearly $10 million.

Objective

The investment objective of the International Share Account is to earn a high rate of return by investing 100% of assets in the stock of companies outside the U.S.

Typically, a majority of the Account is invested in the four largest international markets (Japan, United Kingdom, Germany and France). Most of the remainder is invested in other well established markets in Canada, Europe and the Pacific region. In addition a portion of the Account may be invested in developing countries or "emerging markets" around the world including those in Latin America and Asia.

Management

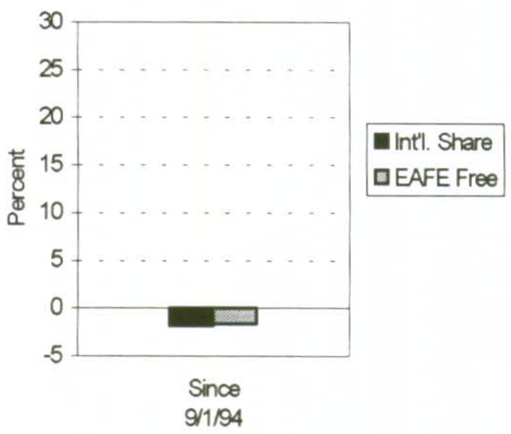
The structure of the International Share Account combines both active and passive management. Approximately one half of the Account is passively managed and is designed to consistently and inexpensively track the return of 20 markets included in the Morgan Stanley Capital International index of Europe, Australia and the Far east (EAFE Free). The remainder of the Account is actively managed by a group of international stock managers who buy and sell stocks in an attempt to maximize market value. The Account uses the same active and passive managers utilized by the Basic and Post Retirement Funds in the International Stock Pool.

Performance

The International Share Account is expected to exceed the performance of the international markets, in aggregate, as represented by the Morgan Stanley Capital International Index of Europe, Australia and the Far East (EAFE Free). Since inception of the Account in September 1994, returns trailed the index by 0.2%.

Total Account results since its inception are shown in Figure 28.

Figure 28. International Share Account Performance



	Since 9/1/94
Int'l. Share Account	**-1.8%**
EAFE Free	-1.6

* Morgan Stanley Capital International Index of Europe, Australia and the Far East, including dividends and net taxes. EAFE Free includes only those stocks available to foreign investors.

Bond Market Account

The Bond Market Account began accepting contributions at the end of July 1986. At the end of fiscal year 1995, the market value of the Account was $22 million.

Objective

The Bond Market Account is invested in investment-grade government bonds, corporate bonds and mortgage securities with intermediate to long maturities. As such, it is a more conservative investment alternative than any of the accounts described in the previous sections.

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

Management

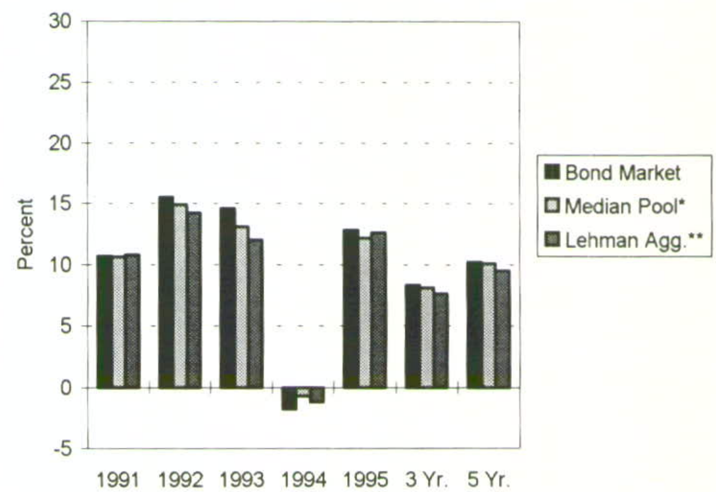
The SBI has assigned the entire bond portfolio to external active managers. These assets are managed by the same active managers utilized by the Basic and Post Retirement Funds in the Bond Pool. A discussion of the SBI's active bond managers is presented in the **Investment Pool** section of this report.

Performance

The Bond Market Account is expected to exceed the performance of the bond market, as represented by the Lehman Brothers Aggregate Bond Index. For fiscal year 1995, the Bond Market Account outperformed this target with a 12.8% return compared to the Lehman index return of 12.6%.

Total account results for the last five years are shown in Figure 29.

Figure 29. Bond Market Account FY 1991-1995



	1991	1992	1993	1994	1995	Annualized 3 Yr.	Annualized 5 Yr.
Bond Market	**10.7%**	**15.5%**	**14.6%**	**-1.8%**	**12.8%**	**8.3%**	**10.2%**
Median Pool*	10.6	14.9	13.1	-0.7	12.2	8.1	10.1
Lehman Aggregate**	10.8	14.2	12.0	-1.2	12.6	7.6	9.5

* TUCS Median Fixed Income Pool

** Lehman Brothers Aggregate Bond Index. Prior to 7/1/94 the Salomon Broad Investment Grade Bond Index was the benchmark.

Money Market Account

Objective

The Money Market Account invests solely in short-term, liquid debt securities. The Account's investment objectives are to preserve capital and offer competitive money market returns. At the end of fiscal year 1995, the Money Market Account had a market value of $55 million.

Management

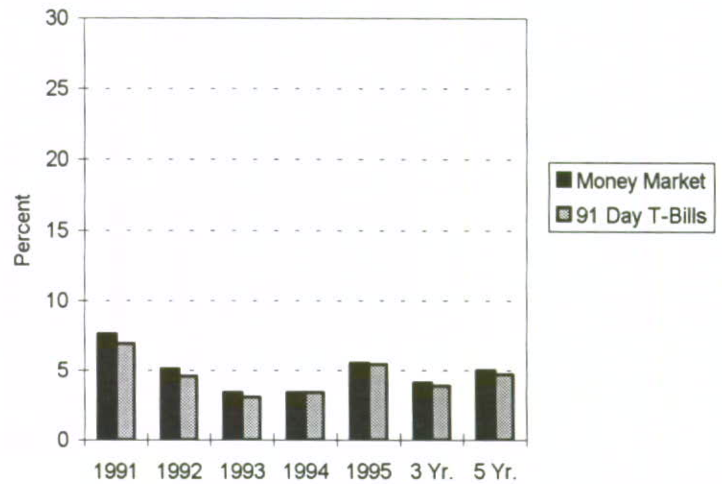
The Account utilizes the same cash manager as the Basic and Post Retirement Funds, which is State Street Bank & Trust Company.

Performance

The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account exceeded that target in fiscal year 1995 with a 5.5% return versus a return on 91 Day Treasury Bills of 5.4%.

Total account results for prior years are shown in Figure 30.

Figure 30. Money Market Account FY 1991-1995



	1991	1992	1993	1994	1995	Annualized 3 Yr.	Annualized 5 Yr.
Money Market	**7.6%**	**5.1%**	**3.4%**	**3.4%**	**5.5%**	**4.1%**	**5.0%**
91 Day T-Bills	6.9	4.6	3.1	3.4	5.4	3.9	4.7

Fixed Interest Account

Objective

The Fixed Interest Account opened for subscription in November 1986. The investment objectives of the Fixed Interest Account are to protect investors from loss of their original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market account. At the end of fiscal year 1995, the Account totaled $73 million.

Management

Contributions made on or after November 1, 1994, the Fixed Interest Account are invested in a pool of guaranteed investment contracts (GIC's) and GIC-type investments offered by major U.S. insurance companies and banks. The pool has a blend of maturities and a credited interest rate that changes monthly. The manager for this GIC pool since its creation has been Galliard Capital Management, a unit of Norwest Bank, N.A.

Prior to November 1, 1994, the SBI invested the Fixed Interest Account in separate three-year guaranteed investment contracts (GIC's) offered by major U.S. insurance companies and banks. Annually, the SBI accepted bids from banks and insurance companies that met financial quality criteria defined by State statute. Generally, the insurance company or bank who bid the highest three-year GIC interest rate was awarded the contract for the three-year period. Participants who made contributions over the following twelve months received the fixed rate for the remainder of the three year contract period.

At the close of fiscal year 1995, two of these prior contracts were still outstanding: the 1992-95 contract was awarded to Norwest Bank and the 1993-96 contract was awarded to Principal Mutual and Hartford Life.

Figure 31 displays the rates in effect for the Account.

Figure 31. Interest Rates in the Fixed Interest Account

GIC Pool	Annualized Credited Interest Rate
Nov. 1994	5.750%
Dec.	6.790
Jan. 1995	6.790
Feb.	7.310
Mar.	6.910
Apr.	6.900
May	6.690
Jun. 1995	7.012

Prior Outstanding Contracts	Annual Effective Interest Rate
Nov. 1, 1992 - Oct. 31, 1995	5.280%
Nov. 1, 1993 - Oct. 31, 1996	4.625

Assigned Risk Plan

The Minnesota Workers Compensation Assigned Risk Plan was established in 1983 to provide workers' compensation coverage to Minnesota employers rejected by a private insurance carrier. On June 30, 1995 the market value of the Plan's portfolio was $513 million.

The Assigned Risk Plan operates as a non-profit, tax exempt entity and is administered by the Department of Commerce. The Plan provides disability income, medical expenses, retraining expenses and death benefits, with payments being made either periodically or in lump sum. Investment management responsibility for the Assigned Risk Plan was transferred from the Department of Commerce to the State Board of Investment (SBI) effective May 1991.

Investment Objectives

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

The SBI has therefore established two investment objectives for the Plan:

— to minimize mismatch between assets and liabilities

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

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

Asset Allocation

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

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

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

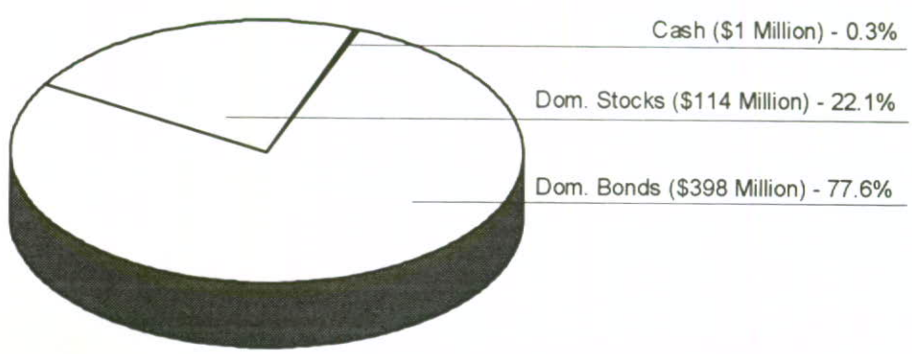
Figure 32 presents actual asset mix of the Assigned Risk Plan at the end of fiscal year 1995. The current long term asset allocation targets for the Fund are as follows:

Domestic Stocks	20%
Domestic Bonds	80

Investment Management

Voyageur Asset Management, Minneapolis, MN, manages the bond segment of the Assigned Risk Plan. GE Investment Management has managed the equity segment since January 1995.

Figure 32. Asset Mix as of June 30, 1995



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

Bond Segment
During fiscal year 1995, the Board allocated 80% of the Assigned Risk Plan to bonds to fund the shorter-term liabilities of the Plan with a target duration of 3 years. The segment is actively managed to add incremental value through sector, security and yield curve decisions.

Stock Segment
During fiscal year 1995, the Board allocated 20% of the Assigned Risk Plan to common stocks to fund the longer-term liabilities of the Plan. Currently, the equity segment is semi-passively managed with a broadly diversified portfolio of high quality, large capitalization companies. Prior to fiscal year 1995, the stock segment was actively managed.

FY 1995 Changes
During the fiscal year, the SBI moved the equity segment from active management to semi-passive management. This change was made to avoid style bias risk and assure market exposure for the Plan's small stock segment. For the first half of the fiscal year, the stock segment was managed through an internally managed index pool designed to track the performance of the S&P 500. The SBI moved the stock segment to semi-passive management in January 1995 when it retained GE Investment Management as the stock manager for the Plan.

Investment Performance

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

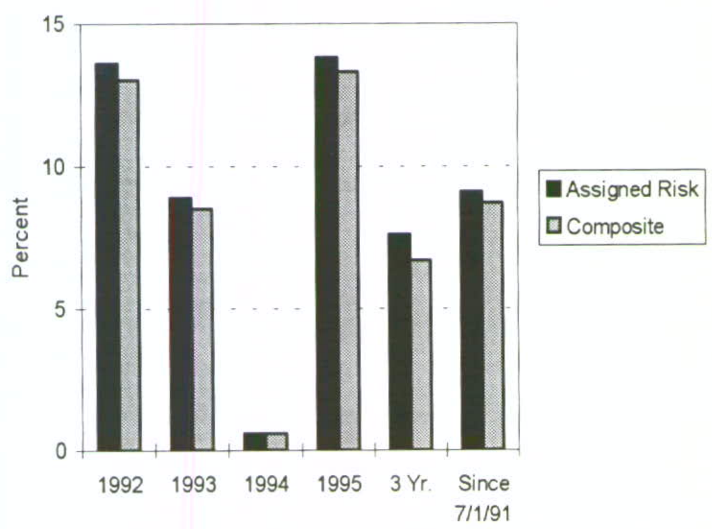
The Assigned Risk Plan is measured against a composite index which is weighted to reflect the asset allocation targets of the Plan. During fiscal year 1995:

- the target for the equity component was the S&P 500.
- the target for the fixed income component reflected the duration target established for the bond segment (approximately 3 years) as well as the manager's suggested sector allocation.

During fiscal year 1995, the ***bond*** segment outperformed its benchmark (10.8% ARP vs. 10.2% benchmark). The ***stock*** segment slightly under performed its benchmark (25.9% ARP vs. 26.1% benchmark).

Overall, the Assigned Risk Plan provided a return of 13.8% for fiscal year 1995, outperforming its composite index by 0.5 percentage point, annualized. Historical performance results are presented in Figure 33.

Figure 33. Assigned Risk Plan Performance FY 1992-1995



	1992	1993	1994	1995	Annualized 3 Yrs.	Annualized Since 7/91
Assigned Risk	**13.6%**	**8.9%**	**0.6%**	**13.8%**	**7.6%**	**9.1%**
Composite Index	13.0	8.5	0.6	13.3	6.7	8.7
Equity Segment	**11.9**	**6.0**	**-1.2**	**25.9**	**9.6**	**10.2**
Benchmark	13.3	5.9	0.4	26.1	10.3	11.0
Bond Segment	**14.2**	**9.6**	**0.9**	**10.8**	**7.0**	**8.8**
Benchmark	12.8	8.9	0.8	10.2	6.6	8.1

The Permanent School Trust Fund is a trust fund created by the Minnesota State Constitution and designated as a long-term source of revenue for public schools. Proceeds from land sales, mining royalties, timber sales, lake shore and other leases are invested in the Fund. Income generated by the Fund's assets is used to offset state school aid payments. On June 30, 1995 the market value of the Fund was $439 million.

Investment Objective

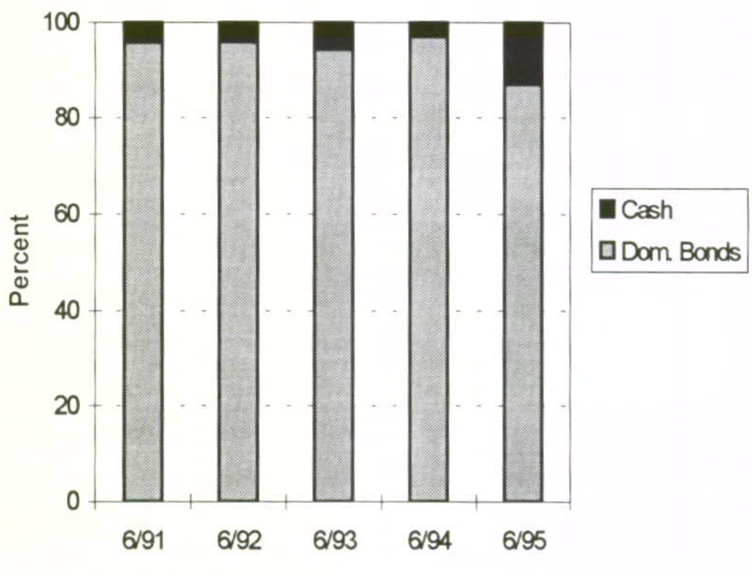
The State Board of Investment (SBI) invests the Permanent School Trust Fund to produce a high, consistent level of income that will assist in offsetting state expenditures on school aids.

Constraints

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

These legal provisions limit the investment time horizon over which the Permanent School Trust Fund is managed. Long run growth in its assets is difficult to achieve without seriously reducing current spendable income and exposing the spendable income stream to unacceptable volatility. The SBI, therefore, invests the Fund's assets to produce the maximum amount of current income, within the constraint of maintaining adequate portfolio quality.

Figure 34. Historical Asset Mix FY1991-1995



Asset Allocation

The SBI has maximized current income by investing all of the Permanent School Trust Fund's assets in fixed income securities.

The SBI has had a strong incentive not to invest in equity assets:

— Common stock yields are considerably lower than bond yields. Thus, common stocks generate less current income than bonds.

— Stock prices are highly volatile and at times may produce realized capital losses that will reduce spendable income.

— Net capital gains become part of the Permanent School Trust Fund's principal. Therefore, the effect of the volatility of common stock prices on the Permanent School Fund's spendable income cannot be smoothed out by including past realized capital gains in spendable income.

Legislation was enacted during fiscal year 1992 to change the amortization period for realized gains and losses from five to ten years. This change makes equities a more attractive investment for the Fund. The SBI hopes to re-introduce equities to the portfolio in future years in order to grow the principal over time. However, since this change would reduce spendable income over the near term, the transition should not occur without the knowledge and agreement of the Legislature.

During the 1995 legislative session, "rider" language was added to legislation which will allow equities to be introduced into the Fund when income levels reach a predetermined level.

Historical asset mix data for the Fund are shown in Figure 34.

Investment Management

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

Prior to fiscal year 1994, staff used a "buy-and-hold" laddered maturity approach to manage the portfolio. As such, the portfolio was dominated by long duration Treasury issues to minimize reinvestment risk and reduce the chance of realizing any losses which would negatively impact spendable income.

Due to the statutory changes regarding amortization of gains and losses, staff moved the portfolio to a more traditional active bond management approach during fiscal year 1994. This approach includes more corporate and mortgage securities as well as a shorter overall duration but should maintain or increase the yield for the Fund. At the same time, the structural change is compatible with the long range goal of reintroducing equities into the total portfolio.

Investment Performance

Corresponding to the change in investment management structure, the Permanent School Fund may now appropriately be measured against market indices which reflect total rates of return.

For fiscal year 1995, the Fund produced a total rate of return of 14.1% which was higher than the return of 12.6% provided by the Lehman Brothers Aggregate Bond Index. On June 30, 1995, the Fund's bond portfolio had a duration (a measure of average life) of 5.2 years which was 0.5 years longer than the duration of the Lehman Aggregate. The longer duration helped the portfolio outperform the index for the fiscal year.

While total rate of return was not an appropriate measure of the buy-and-hold strategy prior to fiscal year 1994, the total return for the Fund for the most recent five year period was calculated at 10.3% annualized.

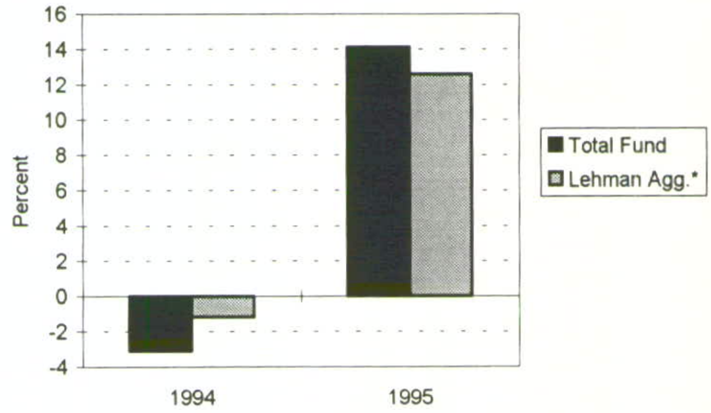
On June 30, 1995, the Fund had the following characteristics:

Duration	5.2 years
Current Yield	7.1%
Average Quality	AAA

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

Fiscal Year	Millions
1991	$34
1992	$35
1993	$34
1994	$33
1995	$31

Figure 35. Permanent School Performance FY1994-1995



	1994	1995
Total Fund	**-3.1%**	**14.1%**
Lehman Agg.*	-1.2	12.6

* Lehman Brothers Aggregate Bond Index used for FY95. Salomon Broad Investment Grade Bond Index used for FY94.

Environmental Trust Fund

The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. On June 30, 1995 the market value of the Fund was $109 million.

In 1990, a constitutional amendment was approved which mandates that 40 percent of the net proceeds from the state lottery be credited to the Fund until the year 2001. The Legislature may fund projects from a portion of revenue deposited in the Fund through 1997 and, thereafter, from earnings on the principal of the Fund. By statute, the State Board of Investment (SBI) invests the assets of the Environmental Trust Fund.

Investment Objective

The Environmental Trust Fund's investment objective is to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity.

Investment Constraints

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

Asset Allocation

By 1993, the Fund had received sufficient contributions to warrant an investment policy that incorporated allocations to longer-term assets such as stocks and bonds. SBI staff worked with the Legislative Commission on Minnesota Resources to establish an asset allocation policy that is consistent with the Commission's goals for spendable income and growth of the Fund.

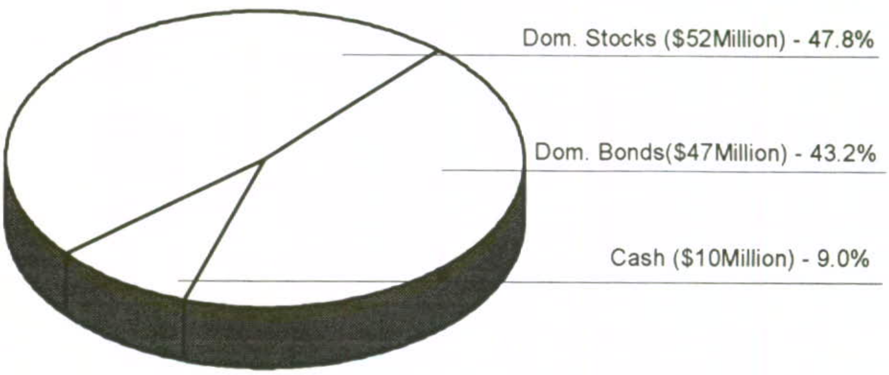
Over the long-term, the principal of the Fund will be invested in a balanced portfolio of 50% common stocks and 50% bonds. The Commission endorsed this approach in a resolution passed on February 6, 1992. However, prior to this resolution, the Legislature enacted spending plans for fiscal year 1993 that required a higher level of income than could be generated by a balanced portfolio of stocks and bonds. As a result, the Commission agreed with the SBI staff's recommendation to invest the portfolio entirely in fixed income securities until the end of fiscal year 1993.

During fiscal year 1994, the SBI introduced equities into the portfolio and moved to the targeted 50% allocation to domestic common stocks.

Figure 36 presents actual asset mix of the Environmental Trust Fund at the end of fiscal year 1995. The current long term asset allocation targets for the Fund are:

Domestic Stocks	50%
Domestic Bonds	50

Figure 36. Asset Mix as of June 30, 1995



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

Environmental Trust Fund

Investment Management

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

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

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

Investment Performance

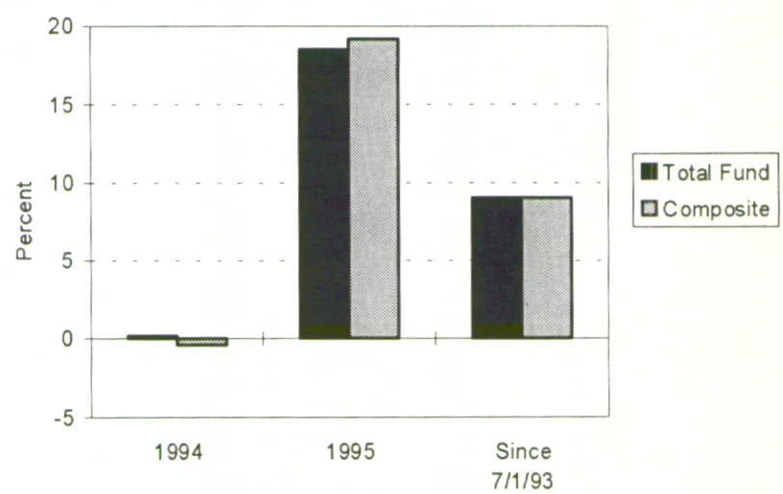
The *stock* segment accomplished its objective of closely tracking the return of the S&P500 benchmark (26.0% ETF vs. 26.1% Benchmark). By investing in most of the stocks in the benchmark at their index weighting, the segment was able to track the benchmark return on a monthly and annual basis. The segment was periodically rebalanced using an optimization model to minimize trading costs while still maintaining an acceptable tracking error relative to the benchmark.

The *bond* segment slightly outperformed its benchmark during the fiscal year (12.7% ETF vs. 12.6% Lehman Aggregate) due to an overweighting in corporates and mortgages vs. the Lehman Aggregate.

Overall, the Environmental Trust Fund provided a return of 18.5% for fiscal year 1995, under performing its composite index by 0.7 percentage point. The cash holdings in the portfolio negatively impacted performance relative to the composite index. Performance results are presented in Figure 37.

Spendable Income
The projected spendable income for the Fund was $3.9 million for fiscal year 1995. The actual yield was $5.2 million, or $1.3 million above projection. The positive variance was due, primarily, to higher than expected yields on bonds due to favorable sector weightings.

Figure 37. Environmental Trust Fund Performance



	1994	1995	Annualized Since 7/1/93
ETF	**0.2%**	**18.5%**	**9.0%**
Composite	-0.4	19.2	9.0
Equity Segment	**1.5**	**26.0**	**13.1**
Benchmark	1.5	26.1	13.1
Bond Segment	**0.4**	**12.7**	**6.4**
Benchmark	-1.2	12.6	5.5

Cash Management & Related Programs

The State Board of Investment (SBI) manages the cash balances in more than 400 state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 1995, the total value of these accounts was $3.7 billion.

Internal Cash Pools

The SBI invests these cash accounts in short-term, liquid, high quality debt securities on a non-leveraged basis. These investments include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, and commercial paper. On June 30, 1995 the combined value of all agency cash balances was $3.7 billion.

Pool Structure

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

— ***Trust Fund Pool.*** This pool contains cash balances of trust fund retirement-related accounts that are managed internally. The Trust Fund Pool had an average daily balance of $112 million during the year.

— ***Treasurer's Cash Pool.*** This pool contains cash balances from the Invested Treasurer's Cash and other accounts necessary for the operation of state agencies. The Treasurer's Cash Pool had an average daily balance of $2.4 billion during the year.

Because of special legal restrictions, a small number of cash accounts cannot be commingled. These accounts are therefore invested separately.

Performance

For fiscal year 1995, both the Trust Fund Pool and the Treasurer's Cash Pool outperformed the total return on 91 Day Treasury Bills.

Trust Fund Pool	**5.6%**
91 Day Treasury Bills	5.4
Treasurer's Cash Pool	**5.8**
Benchmark	6.2
91 Day Treasury Bills	5.4

The SBI also measures the performance of the Treasurer's Cash Pool against a customized benchmark which reflects the maturity structure of the pool. For the benchmark, 75% of the return is tied to the SBI's custodian bank's Short Term Investment Fund and 25% is tied to the return of the Merrill Lynch 1 to 3 year bond index.

Securities Lending Program

The SBI participates in securities lending programs in which securities held by the SBI are loaned to banks and security dealers for a daily fee. These loans are fully collateralized. Currently, the majority of the SBI's securities lending activity is undertaken by the SBI's master custodian bank, State Street Bank and Trust. Securities lending generated additional income of approximately $4.7 million during fiscal year 1995 for all portfolios controlled by the SBI.

Certificate of Deposit Program

The SBI also manages a certificate of deposit (CD) program in which it purchases CD's from Minnesota financial institutions. The SBI receives a market rate of return on these investments, using the average secondary CD market rate quoted by the New York Federal Reserve Bank. Only the cash reserves of the retirement funds are used in the program. The Federal Deposit Insurance Corporation (FDIC) provides $100,000 in insurance coverage for each retirement plan in the Basic Funds in each of the financial institutions participating in the program. Therefore, the maximum CD investment in any financial institution is $800,000. Within these limits, all CD's purchased by the SBI are fully insured by the FDIC.

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

During fiscal year 1995, the SBI purchased over $238 million of CD's from Minnesota financial institutions. Since it began the program in 1980, the SBI has purchased over $2.0 billion of CD's from approximately 500 financial institutions throughout the state.

Legislative Update
Police and Fire Fund Activity

Legislation

Laws of Minnesota for 1995, Chapter 122 added new language to the SBI's investment authority which prohibits the use of leverage in any of the funds managed by the SBI. The new language requires that securities lending be fully collateralized. In addition, the law specifies that options and futures may only be used when there is an offsetting amount of cash or securities to back the instruments that are purchased. The new language codified current SBI practice and therefore did not materially affect the SBI's investment authority.

Police and Fire Fund Consolidations

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

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

There was no consolidation activity during fiscal year 1995. Since 1987, 35 plans with total assets of $538 million have merged with PERA. After consolidation, these assets are managed as part of the Basic and Post Retirement Funds.

Supplemental Investment Fund

Police and fire plans that are not consolidated with PERA may invest their assets with the SBI through the Supplemental Investment Fund.

During fiscal year 1995, 13 additional plans selected the SBI to manage all or a portion of their retirement related assets. This brought the total number of police and fire plans participating in the Supplemental Investment Fund to 89 by the end of the fiscal year.

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

Domestic Equity Program Restructuring

The State Board of Investment (SBI) made several changes to the management structure of its domestic stock pool during fiscal year 1995:

- A semi-passive component was added to the program to complement existing active and passive segments. The new semi-passive component was funded with a commensurate reduction in passive management.

- The completeness fund was moved from passive to semi-passive management in order to better manage the turnover and transactions costs associated with the completeness fund benchmark.

- Since fiscal year 1991, the passive component has been designed to track a completeness fund benchmark. Beginning at the start of fiscal year 1996, the passively managed segment will be designed to track the returns of the Wilshire 5000 index.

Full implementation of the above policy changes will continue into fiscal year 1996. The combined effect will be to move the domestic stock pool from a two part structure (approximately one half active/one half passive) to a three part structure (approximately one third active/one third semi-passive/one third passive).

Rationale for Semi-Passive Management

Passive management involves buying and holding securities that will closely follow the returns of a specified benchmark. A passive approach does not try to add value relative to its assigned benchmark. Typically, passive management will slightly under perform its benchmark over the long-term due to management fees and transaction costs.

Active management entails buying and selling securities with the intention of outperforming a specified benchmark.

Traditionally, active management was the only investment structure typically used by plan sponsors. Passive management was not widely employed until the early to mid 1980's.

Semi-passive management is a hybrid approach that incorporates characteristics from both passive and active strategies. Today, with the advent of more sophisticated risk control methodologies, semi-passive management is gaining greater consideration as a feasible management option. A semi-passive approach will make active bets relative to a specified benchmark but will constrain those bets so that the risk assumed by the plan sponsor is considerably less than under an active strategy. A semi-passive approach provides potential to outperform the benchmark, but also incorporates procedures that constrain the level of risk, or volatility of returns, relative to that benchmark. For example, the returns of most active managers range from ±5 percentage points or more around their benchmark on a year-to-year basis. The returns for a semi-passive manager are likely to be less than ±2 percentage points on a year-to-year basis.

By introducing semi-passive management, the SBI expects to increase returns for the entire domestic stock program without significantly increasing the program's risk. The potential for increased returns is created by reducing the passive strategy (which is expected to slightly underperform its benchmark, over time, due to transactions costs) and replacing it with a semi-passive strategy (which is expected to provide modest value added, over time).

The Board approved the addition of semi-passive equity management in September 1994 and authorized a Manager Search Committee to interview nine finalists. From this group, three firms (*Franklin Portfolio Associates, JP Morgan Investment Management, Wells Fargo Nikko Investment Advisers*) were recommended to the Board.

The Board adopted the recommendation and the three firms were funded with portfolios of approximately $750 million each in January 1995. This moved approximately half of the passive segment to semi-passive management. As a result, the management structure of the entire domestic stock program was approximately half active, one quarter semi-passive and one quarter passive. In the future, staff expects to move the program to approximately one third active, one third semi-passive and one third passive.

Completeness Fund Management

Each active domestic stock manager is expected to add incremental return, over time, to a customized benchmark which reflects the manager's unique investment style. This type of active manager structure can result in misfit or style bias. "Misfit" can be defined as the difference between the aggregate benchmarks of the active managers and the asset class target (i.e. Wilshire 5000). Over time, the SBI has experienced an unintended, persistent small capitalization growth bias in the active manager program.

The SBI attempts to compensate for active manager misfit through a completeness fund. A "completeness fund" is so named because it is intended to fill in, or complete, any areas of market exposure that are not being covered by the aggregate benchmarks of the active managers. This strategy is designed to allow the value added to individual benchmarks to benefit the total domestic stock pool.

The SBI's completeness fund had been passively managed since it was first introduced in late fiscal year 1991. Actual results since that time led staff to conclude that a completeness fund is not well suited to passive management. Tracking error was persistently and substantially negative. This result indicates that it is very difficult for a passive manager to track the type of changing benchmark associated with a completeness fund without incurring unacceptably high turnover and transactions costs.

When the semi-passive component was implemented in January 1995, the completeness fund moved from being entirely passively managed to a structure that was half passive/half semi-passive. Due to the issues cited above, staff subsequently recommended that completeness fund be allocated solely to semi-passive management. Staff believes that semi-passive management is more likely to provide the flexibility necessary to control turnover and minimize related costs.

To implement the change, staff recommended that the assets devoted to passive management in the completeness fund should be converted to a "pure" index fund designed to track the Wilshire 5000. While the portion of the entire pool allocated to the completeness fund function would be reduced, staff concluded that the amount allocated to semi-passive management should continue to be adequate to maintain style bias control for the entire stock pool.

Passive Manager Review

In conjunction with these changes, the SBI convened a Passive Manager Review Committee to review the performance of the SBI's passive domestic stock manager, Wilshire Asset Management. After interviewing Wilshire and two other large index providers, the Committee recommended that the SBI terminate its relationship with Wilshire and retain Wells Fargo Nikko Investment Advisers. The Board adopted this recommendation June 1995 and Wells Fargo will convert the existing portfolio to a Wilshire 5000 index fund during the first quarter of fiscal year 1996.

Below Investment Grade Debt Authority

Historically, the State Board of Investment (SBI) has focused its bond program on high quality debt instruments, i.e., "investment grade" securities rated AAA, AA, A, or BBB by a nationally recognized rating agency. Securities with lower ratings are typically classified as "below investment grade" or "high yield". While below investment grade securities pose additional risk, their correlation and return characteristics make them attractive to long term investors such as the SBI. As part of its legislative program for the 1994 Legislative Session, the SBI sought and received authority to invest up to 5% of a total fund in below investment grade debt. During fiscal year 1995, the SBI developed guidelines to implement the new authority.

Background

Generally, below investment grade debt securities are defined as corporate bonds rated BBB or lower by a major rating agency such as Standard & Poors or Moody's, or if unrated, are of similar quality. Historically, the below investment grade market consisted of bonds whose ratings had been downgraded after the issue date. In the late 1970's, more firms issued debt that carried below investment grade ratings and this segment of the market grew considerably.

The below investment grade debt issues of the 1980's and 1990's have been for friendly mergers and acquisitions, hostile takeovers, leveraged buyouts (LBO's), management buyouts (MBO's), stock buybacks, and spin-offs of new, smaller companies. Certain non-SEC registered and private placement securities are now considered to be part of the below investment grade debt market along with high income hybrid securities. Governments, agencies and corporations from Europe, Canada and Mexico issue U.S. dollar denominated debt that also falls in the below investment grade category.

The reasons for investing in below grade debt securities are similar to the arguments for investing in other asset classes: diversification and the opportunity to enhance returns. High yield bonds are attractive because their returns are not highly correlated with other assets typically held in a portfolio, including investment grade bonds. However, due to the increased possibility of default and subsequent loss, investors demand a yield premium on the securities relative to higher rated bonds.

Research has shown that while there is inherently more risk with lower rated securities, the corresponding volatility is not as significant as once thought. The volatility of BB securities, the highest rating category among high yield debt, is no higher than that of investment grade debt.

Further, both BB and B rated securities are overlooked by a significant portion of investors. Many institutional investors avoid all below investment grade debt as a matter of policy. At the same time, the higher rated issues in the below investment grade category do not carry enough of a yield premium to attract the investors who are investing exclusively in high yield debt.

Based on its research, SBI staff concluded that BB and B rated securities offer a comparatively low risk opportunity to enhance the returns on a typical bond portfolio. Staff also concluded that their inclusion would not significantly increase portfolio risk, provided the amounts allocated to BBB and BB securities was relatively low.

Guidelines

With the above considerations in mind, SBI staff recommended that the SBI's bond managers, both active and semi-passive, be allowed to invest up to 10% of their portfolios in BB or B debt. Staff also recommended that this additional authority be granted on a manager-by-manager basis based on staff's assessment of each firm's capabilities in this area. Since the use of issues outside the index would be quite limited, staff recommended that the Lehman Aggregate continue to be used as the managers' benchmark. The Lehman Aggregate is composed entirely of investment grade issues from the government, corporate and mortgage sectors of the US bond market.

The recommendations were endorsed by the Investment Advisory Council and approved by the Board at their meetings in June 1995. Staff expects to implement new investment guidelines with individual managers during fiscal year 1996.

Major Policy Initiatives

Higher Education Vendor Review

Minnesota Statutes section 354B.05, requires the State Board of Investment (SBI) to select up to 5 financial institutions to provide annuity options for the Individual Retirement Account Plan (IRAP) and College Supplemental Retirement Plan. During fiscal year 1995, the SBI reviewed the structure of the two plans and selected 4 insurance companies to provide a variety of fixed and variable annuity options to plan participants.

Background

Until 1989, the Teachers Retirement Association (TRA) was the administrator for the College Supplemental Plan and the Supplemental Investment Fund was the only investment vehicle available to participants. As suggested by the name, the College Supplement Plan was designed to supplement the defined benefit plan available to employees through TRA.

During the 1988 and 1989 Legislative Sessions, the IRAP plan was established to provide a defined contribution program as an alternative to the TRA plan. The Minnesota State Universities System and the Community College System were charged with administering the IRAP and the responsibility for the College Supplemental Plan was transferred from TRA to the Systems. At that time, the Systems were also given the authority to select additional product providers for both plans.

In 1993 and 1994, the Legislature transferred responsibility for selecting and reviewing product providers for both plans from the Systems to the SBI. The law permitted the retention of up to five product providers in addition to the Supplemental Investment Fund.

Effective July 1, 1995, the State Universities System, the Community Colleges System and the Technical Colleges were merged into a single system administered by a single board, the Board of Trustees of the Minnesota State Colleges and Universities (MnSCU). The IRAP and College Supplemental Plan serve faculty and administrators of the three systems.

Review Process

In June 1994, the Board authorized the Deferred Compensation Review Committee to review the structure of the IRAP and Supplemental Plans, to issue a request for proposal (RFP) to select vendors to provide annuity products for the Plans, and to bring recommendations to the Board. The Committee was assisted by the SBI's deferred compensation program consultant, PRIMCO Capital Management. The Committee also sought and received input from the administrative staff of the higher education systems and faculty representatives.

The Deferred Compensation Review Committee established the following minimum requirements in its RFP for product providers:

- Insurance companies must have at least two ratings within the top two ratings classifications of the following nationally recognized rating agencies: Moody's, Standard & Poors and Duff & Phelps.
- Each vendor must offer at least four products including one in each of the following categories: equity, balanced, bond, international/global, money market and fixed annuity.
- Each vendor must offer participants, without charge, the opportunity to transfer to other product providers in the Plans at least 10% of fixed fund balances each year and 100% of variable fund balances each year.

Seven firms responded to the RFP. Of that group, three firms were eliminated from consideration because they did not meet the minimum criteria. The Committee determined that each of the remaining four firms would provide a high level of service to plan participants and, therefore, all four were recommended:

- Great-West Life & Annuity Insurance Company
- The Minnesota Mutual Life Insurance Company
- Teachers Insurance and Annuity Association-College Retirement Equity Fund (TIAA-CREF)
- The Variable Annuity Life Insurance Company (VALIC)

In December 1994, the Board approved the Committee's selection recommendations. The Board approved MnSCU contracts with the four firms at its June 1995 meeting. MnSCU selected Norwest Bank Employee Benefit Services to provide administrative and marketing services for all four vendors.

Guidelines on International Investing

The State Board of Investment (SBI) made its first international stock investments in 1992. The case for international investing lies in three areas: increased investment opportunity, greater diversification and potential for higher return. Nearly two-thirds of the world's markets now lie outside the U.S. By diversifying across world markets, the Board may reduce the risk/volatility of the total portfolio and increase expected returns.

Japan, U.K., Germany and France comprise about three quarters of the value of the international markets. Sixteen (16) other countries in Europe and the Pacific Basin make up the remainder of the more well established stock markets. Emerging markets in Central and South America, Eastern Europe, Africa and Asia are growing rapidly and pose special investment considerations and limitations.

Task Force

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

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

Guidelines

Based on information compiled from U.S. State Department reports, the Task Force grouped countries into three broad categories. *It is important to note that the guidelines listed below do not prohibit an active stock manager from purchasing the stock traded on the market of any country.* Rather, in certain instances they require additional notification or presentation by the manager regarding the firm's investment strategy:

Group I. These countries have legal protections or practices that generally respect worker and human rights. Because these countries have strong worker and human rights protections, there is little concern that economic and social disruptions may occur which would have an adverse effect on financial markets. As a result, active stock managers should be allowed to invest in these markets without additional notification to the SBI.

Group II. These countries have legal protections for worker and human rights but violations of these rights have been cited in the State Department reports. Because violations of legally protected worker and human rights continue to occur in these countries, there is some concern that economic and social disruptions may occur which may have an adverse effect on their financial markets. An active stock manager may invest in the markets of countries shown under "Group II" if the manager believes that it would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must notify the SBI in writing.

Group III. These countries lack basic protections for worker and human rights and do not appear to be making adequate progress in establishing an appropriate legal structure to address these issues. Because of this basic lack of human and worker rights, the potential exists for economic, political and social unrest that could be adversely affect the stability of the financial markets within these countries. An active stock manager may invest in the markets of countries shown under "Group III" if the manager believes that it would be a breach of fiduciary responsibility not to do so. If a manager chooses to invest in one or more of these markets, the manager must appear at the SBI to present its reasons for the decision to do so.

Review Process

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

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

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

— A manager who elects to purchase stocks traded on markets in Group III will appear before the SBI Administrative Committee to discuss their investment decision.

FY 1995 Changes
Early in fiscal year 1995, SBI staff reviewed country designations based on the most recent information published by the US State Department. The SBI Administrative Committee adopted the revised country groupings as presented in Figure 38 at its August 1994 meeting and this information was reported to the Board at its September 1994 meeting.

Figure 38. International Country Groupings as of September 1994

Group I.	Group II.	Group III.
Australia	Argentina	China
Austria	Brazil	Croatia
Belgium	Chile	Indonesia
Canada	Colombia	Jordan
Czech Republic	Ecuador	Kuwait
Denmark	Egypt	Morocco
Finland	Estonia	Nigeria
France	India	Peru
Germany	Israel	Pakistan
Greece	Jamaica	Vietnam
Hong Kong	Republic of Korea	
Hungary	Malaysia	
Italy	Mauritius	
Ireland	Mexico	
Japan	Philippines	
Luxembourg	Russia	
Netherlands	South Africa	
New Zealand	Sri Lanka	
Norway	Taiwan	
Poland	Thailand	
Portugal	Trinidad & Tobago	
Singapore	Turkey	
Slovak Republic	Venezuela	
Slovenia	Zimbabwe	
Spain		
Sweden		
Switzerland		
United Kingdom		
Uruguay		

Major Policy Initiatives

Mandate on Northern Ireland

Requirements

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

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

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

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

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

Implementation

The SBI uses the services of the Investor Responsibility Research Center (IRRC), Washington D.C., to monitor corporate activity in Northern Ireland. In January 1995, the SBI held stocks or bonds in 40 out of 44 corporations identified by IRRC as having operations in Northern Ireland.

The SBI filed shareholder resolutions with 17 of these corporations during the 1995 proxy season. The resolutions asked corporations to sign the MacBride Principles, to implement affirmative action programs or to report on the steps they have taken to alleviate religious or ethnic discrimination.

Twelve (12) resolutions were withdrawn when the targeted companies agreed to provide information on their employment activity in Northern Ireland.

The voting results on the remaining 5 resolutions are shown below:

Company	Affirmative Vote
Baker Hughes	22.7%
Dun & Bradstreet	14.1
Interface	9.2
James River	7.3
Xerox	15.4

Major Policy Initiatives

Proxy Voting

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

Voting Process

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

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

Voting Guidelines

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

Corporate Governance Issues

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

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

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

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

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

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

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

Social Responsibility Issues

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

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

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

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

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

Summary of FY 1995 Proposals

During fiscal year 1995, the SBI voted proxies for more than 2,140 corporations.

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

— Shareholder proposals regarding executive compensation were supported by an average of 12.6% of the shares voted. Shareholders submitted 29 proposals on various compensation issues.

— Shareholders submitted 9 proposals to redeem "poison pills" (an anti-takeover device) or submit them to shareholder vote. These proposals received average support of 47.0%.

— More than 10 proposals were submitted concerning confidential voting. These proposals received average support of 35.1%.

— Other proposals included the repeal of classified boards which were supported by an average of 38.8% of shares voted; limitations of severance packages to top executives ("golden parachutes") which received support from an average of 39.7% of shares voted; cumulative voting which was supported by an average of 26.1% of shares voted; and requirements for directors to hold a specified minimum number of shares which received support from an average of 12.1% of shares voted.

In the *social responsibility* area, tobacco, environmental and equal employment resolutions dominated, as reflected in information provided by the IRRC.

— Resolutions asking corporations to spin off tobacco business, and add warning labels to all promotional items and logos were on 17 ballots with an average support of 6.7%, down from 9.4% the previous year.

— Ceres Principles or nuclear power issues received 8 resolutions with average support of 8.3%.

— Equal employment issues received 9 resolutions with an average support of 10.2%.

— Military issues received 2 resolutions with an average support level of 9.9%.

— Northern Ireland issues received 6 proposals this year with an average support of 12.7%.

— South Africa issues received 2 resolutions with an average support level of 9.3%.

— Resolutions asking 9 corporations to report on operations of U.S. companies' Maquiladoras operations received average support of 8.1%.

Domestic Common Stock Managers

Alliance Capital Management

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

Brinson Partners

Brinson Partners uses a relative value approach to equity investing. They believe that the market price will ultimately reflect the present value of the cash flows that the security will generate for the investor. They also believe both a macroeconomic theme approach and the bottom-up stock selection process can provide insight into finding opportunistic investments. Brinson uses their own discounted free cash flow model as their primary analytical tool for estimating the intrinsic value of a company. Brinson was retained by the SBI in July 1993.

CIC Asset Management (Emerging Manager Program)

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

Cohen Klingenstein & Marks Inc. (Emerging Manager Program)

Cohen Klingenstein & Marks Inc., seeks to outperform the market by focusing on two variables: 1) economic cycles; and 2) security valuation. Within economic cycles, they believe that stocks exhibit predictable patterns that reflect changing expectations on corporate profits and interest rates. Similarly, they believe that stock prices normally reflect earnings expectations. The firm exploits short run inefficiencies through an unbiased process that relates the price of a stock to consensus earnings expectations. The firm was retained by the SBI in April 1994.

Compass Capital Management (Emerging Manager Program)

Compass Capital Management combines aspects of growth and value investing to achieve the proper blend of return (growth) and risk (value). They use a computer based data network to screen for large, well established companies whose earnings grow in spite of a weak economy. In addition, they look for companies whose earnings have grown well over long time periods, but which may experience earnings pressure with downturns in the economy. Particular focus is given to growth in sales, earnings, dividends, book value and the underlying industry. Due to their "growing company" orientation, their portfolios generally hold no utility, bank, deep cyclical, or oil and gas stocks. Compass was retained by the SBI in April 1994.

Forstmann Leff Associates

Forstmann Leff is a classic example of a "rotational" manager. The firm focuses almost exclusively on sector weighting decisions. Based upon its macroeconomic outlook, the firm will move aggressively into and out of equity sectors over the course of a market cycle. The firm tends to purchase liquid, medium to large capitalization stocks that will benefit the most during the current phase of the market cycle. The firm was retained by the SBI in March 1983.

Franklin Portfolio Associates

Franklin Portfolio Associates manages both active and semi-passive portfolios for the SBI. Franklin's investment decisions are quantitatively driven and controlled. The firm believes that consistent application of integrated multiple valuation models produces superior investment results. The firm's stock selection model is a composite model comprised of 30 valuation measures each of which falls into one of the following groups: fundamental momentum, relative value, future cash flow, and economic cycle analysis. For the *active* product, Franklin's portfolio management process adds value by focusing on buying and selling the right stock rather than attempting to time the market or pick the right sector or industry groups. For the *semi-passive* product, Franklin adds incremental value to a benchmark by buying stocks ranked the highest and selling stocks ranked the lowest, while maintaining the portfolio's systematic risk and industry weightings at levels similar to the benchmark. For semi-passive accounts, Franklin attempts to allocate 75% or more of the total risk level set by the client to specific stock selection and the rest to systematic and industry risk. The firm always remains fully invested. Franklin was retained by the SBI as an active manager in April 1989 and as a semi-passive manager in January 1995.

GeoCapital Corp.

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

Investment Advisers, Inc.-Regional

Investment Adviser's (IAI's) investment philosophy is to own the highest quality companies which demonstrate sustainable growth. IAI tries to achieve this objective by investing at least 80% of the portfolio in companies which have their headquarters in Minnesota, Wisconsin, Illinois, Iowa, Nebraska, Montana, North Dakota and South Dakota. Twenty percent of the portfolio can be used to purchase large capitalization stocks that display the same quality and growth characteristics but have headquarters outside this region. The portfolio uses the same discipline as the IAI, Inc.-Regional Mutual Fund. IAI was retained by the SBI in July 1993.

IDS Advisory

IDS employs a "rotational" style of management, shifting among industry sectors based upon its outlook for the economy and the financial markets. The firm emphasizes both sector weighting and stock selection decisions. Over a market cycle IDS invests in a wide range of industries. The firm tends to buy liquid, large capitalization stocks. Based on their internal research, they purchase stocks that will incur the highest growth rates within the sectors they favor. The firm was retained by the SBI in March 1983.

Independence Associates

Independence believes that individual stocks which outperform the market always have two characteristics: 1) they are intrinsically cheap; and 2) their business is in the process of improving. Independence ranks their universe using a multifactor model. Using input primarily generated by their internal analysts, the model ranks each stock based on ten discreet criteria. Independence constrains their portfolio by using the top 60% of their ranked universe and optimizing it relative to the benchmark selected by the client to minimize the market and industry risks. Independence maintains a fully invested portfolio and rarely holds more than a 1% cash position. The firm was retained by the SBI in February 1992.

J.P. Morgan Investment Management

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

Jundt Associates

Jundt Associates' investment philosophy is growth oriented with a focus on companies generating significant revenue increases. They concentrate on larger-capitalization companies, with at least half the equity securities consisting of companies with annual revenues over $750 million. Within these parameters, the firm aims to establish equity positions in 30 to 50 of the fastest growing corporations in America. Particular emphasis is placed on companies the firm believes will achieve annual revenue growth of 15% or greater. Jundt utilizes a bottom-up stock selection process combined with a top-down theme overlay. The firm attempts to identify five to seven investment themes and typically invests three to five stocks within each theme. The firm was retained by the SBI in July 1993.

Kennedy Capital Management (Emerging Manager Program)

Kennedy Capital Management is dedicated to exploiting pricing inefficiencies in under-followed and misunderstood small capitalization stocks. They believe that stocks are efficiently priced where there is a proper distribution of information. However, many emerging growth companies suffer from lack of analytical coverage and information flow, and therefore, are "invisible" to institutional investors. The firm believes it is this lack of information which creates pricing inefficiencies. They anticipate that by closing this information gap they can transform these holdings into attractive institutional candidates. This, in turn, should increase the price of the stock. Kennedy was retained by the SBI in April 1994.

Lincoln Capital Management

Lincoln Capital concentrates on established, medium to large capitalization companies that have demonstrated historically strong growth and will continue to grow. The firm uses traditional fundamental company analysis and relative price/earnings valuation disciplines in its stock selection process. In addition, companies held by Lincoln generally exhibit premium price/book ratios, high return on equity, strong balance sheets and moderate earnings variability. Lincoln was retained by the SBI in July 1993.

Lynch & Mayer

Lynch & Mayer invests primarily in high-quality, large capitalization growth stocks. They believe that outstanding investments are a function of corporate earnings growth that are considerably above historical trends or consensus expectations. Lynch & Mayer is a bottom-up stock picker and relies very little on economic analysis in its selection process. Lynch & Mayer screens out stocks based on market capitalization and various fundamental criteria. After the screening process they look for at least one of the following four factors: 1) acceleration of growth; 2) improving industry environment; 3) corporate restructuring; or 4) turnaround. The firm generally stays fully invested, with any cash due to lack of attractive investment opportunities. Lynch & Mayer was retained by the SBI in February 1992.

New Amsterdam Partners (Emerging Manager Program)

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

Oppenheimer Capital

Oppenheimer's objectives are to: 1) preserve capital in falling markets; 2) manage risk in order to achieve less volatility than the market; and 3) produce returns greater than the market indices, the inflation rate and a universe of comparable portfolios with similar objectives. The firm achieves its objectives by purchasing securities considered to be undervalued on the basis of known data and strict financial standards. In addition, Oppenheimer will make moderate shifts between cash and equities based on its outlook on the market and the economy, The firm focuses on five key variables when evaluating companies: management, financial strength, profitability, industry position and valuation. Oppenheimer was retained by the SBI in July 1993.

Valenzuela Capital Management (Emerging Manager Program)

Valenzuela Capital Management believes that stock selection and adherence to valuation analysis are the backbone of superior performance. Their investment philosophy is one of risk averse growth. The firm seeks companies undergoing strong rates of change in earnings, cash flow and returns. These companies are experiencing positive changes in revenues, gross and operating margins and financial structure. To be considered for investment, these stocks must sell at or below market valuations. The firm believes that below market valuations provide downside protection during weak market periods. In strong markets the portfolios will be driven by both earnings growth and multiple expansion. Valenzuela was retained by the SBI in April 1994.

Waddell & Reed

Waddell & Reed focuses primarily on small to medium capitalization aggressive growth stocks. However, the firm has demonstrated a willingness to make significant bets against this investment approach for extended periods of time. The firm is an active market timer and will raise levels of cash at various points in the market cycle. Waddell & Reed was retained by the SBI in March 1983.

Weiss, Peck & Greer
Weiss, Peck & Greer's dynamic growth process concentrates on small to medium size growth companies that have demonstrated consistent superior earnings growth rates. The process emphasizes companies in new or dynamic, rapidly growing industries where there is a potential for a major acceleration in earnings growth. The firm also believes that superior stock selection can be achieved through in-depth fundamental company research. The firm was retained by the SBI in July 1993.

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

Wilke/Thompson Capital Management Inc. (Emerging Manager Program)
The investment philosophy of Wilke/Thompson is to invest in high quality growth companies that demonstrate the ability to sustain strong secular earnings growth, notwithstanding overall economic conditions. The firm's investment approach involves a bottom-up fundamental process. The stock selection process favors companies with strong earnings, high unit growth, a proprietary market niche, minimum debt, conservative accounting and strong management practices. They formulate investment ideas by networking with the corporate managers of their current and prospective holdings, as well as with regional brokers, venture capitalists, and other buy-side portfolio managers. The firm was retained by the SBI in April 1994.

Winslow Capital Management (Emerging Manager Program)
Winslow Capital Management believes that investment in companies with above average earnings growth provide the best opportunities for superior portfolio returns over time. The firm believes that a high rate of earnings growth is often found in medium capitalization growth companies of $1 to $10 billion market capitalization. Thus, to seek superior portfolio returns while maintaining good liquidity, Winslow emphasizes a growth strategy buying securities of both medium and large capitalization companies. The objective is to achieve a weighted average annual earnings growth rate of 15-20% over a 2-3 year time horizon. Winslow was retained by the SBI in April 1994.

Zevenbergen Capital Inc. (Emerging Manager Program)
Zevenbergen Capital is a growth manager. Its investment philosophy is based on the belief that earnings drive stock prices while quality provides capital protection. Hence, portfolios are constructed with companies showing above-average earnings growth prospects and strong financial characteristics. They consider diversification for company size, expected growth rates and industry weightings to be important risk control factors. The firm uses a bottom-up fundamental approach to security analysis. Research efforts focus on finding companies with superior products or services showing consistent profitability. Attractive buy candidates are reviewed for sufficient liquidity and to potential for diversification. The firm does not believe in market timing. Zevenbergen was retained by the SBI in April 1994.

Wilshire Asset Management
The index fund managed by Wilshire Asset Management is designed to track a custom index which has been modified to compensate for style bias or "misfit" in the aggregate benchmark of all the active stock managers. The tilting process was initiated during fiscal year 1991. Prior to that time, the Wilshire portfolio was indexed to the Wilshire 5000. The Wilshire 5000 is a broad-based market indicator and is composed of the common stock of all U.S. domiciled corporations for which daily prices are available. Wilshire was retained by the SBI in December 1983.

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

International Stock Managers

Baring International Investment Ltd.
Barings manages an active country/passive stock portfolio for the SBI. Baring's strategic policy team is responsible for country and currency decisions. Country

decisions are based on a macroeconomic framework to identify growing economies as evidenced by positive changes in gross domestic product and interest rates. Barings uses State Street Global Advisors to manage the passive stock portion of the portfolio. Barings advises State Street of the allocation decisions and State Street invests accordingly in their various country index funds. State Street also implements any hedging activity at the direction of Barings. Barings was retained by the SBI in April 1993.

Brinson Partners, Inc.

Brinson manages an active country/passive stock portfolio for the SBI. Brinson uses a proprietary valuation model to rank the relative attractiveness of individual markets based on fundamental considerations. Inputs include forecasts for growth, inflation, risk premiums and foreign exchange movements. Quantitative tools are used to monitor and control portfolio risk, while qualitative judgments from the firm's professionals are used to determine final country allocations. The passive stock portion of the portfolio is managed internally. Brinson constructs its country index funds using a proprietary optimization system. Brinson was retained by the SBI in April 1993.

Marathon Asset Management

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

Rowe Price-Fleming International, Inc.

Rowe Price-Fleming believes that world stock markets are segmented. The firm attempts to add value by identifying and exploiting the resulting pricing inefficiencies. In addition, they believe that growth is frequently under priced in the world markets. The firm establishes its economic outlook based largely on interest rate trends and earnings momentum. The portfolio management team then assesses the country, industry and currency profile for the portfolio. Within this framework, stock selection is the responsibility of regional portfolio managers. Stocks are selected using fundamental analysis that emphasizes companies with above-market earnings growth at reasonable valuations. Information derived from the stock selection process is a key factor in country allocation as well. Rowe Price-Fleming was retained by the SBI in November 1993.

Scudder, Stevens & Clark

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

Templeton Investment Counsel, Inc.

Templeton's goal is to identify those companies selling at the greatest discount to future intrinsic value. The firm takes a long-term approach to investing and believes that, over time, markets are efficient and patience will reward those who have identified undervalued stocks. Stock selection dominates Templeton's investment approach; country, sector and industry weightings are a residual of the stock selection process. Stock ideas are obtained from a worldwide network of research sources and screens of their own global database. From this preliminary list, analysts conduct fundamental analysis to distinguish a "cheap" stock from a "bargain." The firm seeks stocks that are cheap relative to their own price history, their global industry and their domestic market. Each stock on the resulting "bargain list" has established buy and sell price targets and is purchased and sold accordingly. Templeton was retained by the SBI in November 1993.

State Street Global Advisors

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

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

Bond Managers

BEA Associates

BEA Associates' investment approach focuses on security and sector selection rather than forecasts of short term interest rates. BEA keeps the duration close to the benchmark but may be slightly longer or shorter depending on its long-term economic outlook. The firm's approach is distinguished by 1) a quantitative approach which avoids market timing; 2) contrarian weighting of bond sectors; and 3) rigorous call and credit analysis rather than yield driven management. The firm was retained by the SBI in July 1993.

Fidelity Management Trust

Fidelity Management Trust manages a semi-passive bond portfolio designed to track the characteristics of the Lehman Brothers Aggregate Bond index. While matching the risk profile of the index, Fidelity seeks to enhance returns by actively managing yield curve, sector, and issue exposure. The objective is to provide modest increments to the index return on a consistent basis. Fidelity was retained by the SBI in July 1988.

Goldman Sachs Asset Management

Goldman Sachs manages a semi-passive bond portfolio designed to track the Lehman Aggregate index. When analyzing treasuries, the firm models Treasury coupons with an arbitrage based pricing model. This model determines the spread between actual and intrinsic market yields and determines whether the security is rich or cheap. Goldman takes a highly quantitative and analytical approach to value mortgage securities as well. The firm uncovers undervalued securities using proprietary research and internally developed models. In the corporate sector, Goldman performs its own credit review of each issue. The firm adds value to the corporate sector with extensive research, market knowledge and trading skill. Goldman was retained by the SBI in July 1993.

IDS Advisory Group

IDS Advisory Group manages a corporate and treasury portfolio for the SBI. The firm uses duration management combined with in-depth fundamental analysis of the corporate sector to add value to the portfolio. Active duration management begins with an economic overview and interest rate outlook. These factors help IDS determine the direction of both short and long-term interest rates which leads to the portfolio duration decision. After IDS determines duration, they use their extensive corporate research capabilities to determine corporate sector allocation and to select individual issues. The firm was retained by the SBI in July 1993.

Investment Advisers Inc.

Investment Advisers is a traditional top-down bond manger. The firm's approach is oriented toward correct identification of the economy's position in the credit cycle. This analysis leads the firm to its interest rate forecast and maturity decisions, from which the firm derives most of its value-added. Investment Advisers is an active asset allocator, willing to make rapid, significant moves between cash and long maturity investments over the course of an interest rate cycle. Quality, sector and issue selection are secondary decisions. Quality and sector choices are made through yield spread analyses consistent with interest rate forecasts. Individual security selection receives very limited emphasis and focuses largely on specific bond characteristics such as call provisions. Investment Advisers was retained by the SBI in July 1984.

Lincoln Capital Management

Lincoln Capital manages a diversified semi-passive bond portfolio designed to track the Lehman Aggregate index. Lincoln employs quantitative disciplines that model the Lehman index according to a variety of risk variables. Lincoln seeks to enhance returns relative to the index by modest alterations to sector weightings, with the use of undervalued securities, and through an aggressive trading strategy in mortgage securities. The objective is to provide modest increments to the index return on a consistent basis. Lincoln was retained by the SBI in July 1988.

Miller, Anderson & Sherrerd

Miller Anderson focuses its investments in misunderstood or under-researched classes of securities. Over the years this approach has led the firm to emphasize mortgage-backed securities in its portfolios. Based on its economic and interest rate outlook, the firm establishes a desired maturity level for its portfolios. This decision is instituted primarily through the selection of specific types of mortgage securities that have prepayment expectations consistent with the portfolio's desired maturity. In addition, the firm will move in and out of cash gradually over an interest rate cycle. The firm never takes extremely high cash positions and keeps total portfolio maturity within an intermediate three-to-seven year duration band. Unlike other firms that also invest in mortgage securities, Miller Anderson intensively researches and, in some cases, manages the mortgage pools in which it invests. Miller was retained by the SBI in July 1984.

Standish, Ayer & Wood
Standish, Ayer & Wood adds value by capitalizing on market inefficiencies and trading actively through intra and inter-sector swapping. The firm does not forecast interest rates but adds value to the portfolio by buying non-Treasury issues. Key to the approach is active sector trading and relative spread analysis of both sectors and individual issues. In addition to sector spreads, the firm also analyzes how secular trends affect bond pricing. The firm believes that 65% of its value added comes from inter-sector swapping in non-government sectors. Standish was retained by the SBI in July 1993.

Trust Company of the West (TCW)
TCW manages a portfolio consisting of mortgages only for the SBI. The firm focuses on security selection and it invests a significant portion of the portfolio in collateralized mortgage obligations (CMO's). TCW staff analyze various Wall Street models used to evaluate CMO's and determine the validity of their underlying assumptions. Historically, the firm has added significant value by understanding the strengths and weaknesses of these models. This helps them to purchase undervalued securities and avoid those that are overpriced. TCW was retained by the SBI in July 1993.

Western Asset Management
Western recognizes the importance of interest rates changes on fixed income portfolio returns. However, the firm believes that successful interest rate forecasting, particularly short-run forecasting is extremely difficult to accomplish consistently. Thus, the firm attempts to keep portfolio maturity in a narrow band near that of the market, making only relatively small, gradual shifts over an interest rate cycle. It prefers to add value primarily through appropriate sector decisions. Based on its economic analysis, Western will significantly overweight particular sectors, shifting these weights as economic expectations warrant. Issue selection, like its maturity decisions, are of secondary importance to the firm. Western was retained by the SBI in July 1984.

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

Alternative Investment Managers

Basic Retirement Funds

Real Estate

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

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

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

Heitman Advisory Corp. (HAC)
Funds: HAC Group Trust I
HAC Group Trust II
HAC Group Trust III
HAC Group Trust V
HAC Group Trusts are closed-end commingled funds managed by the Heitman Advisory Group. The majority of the trust investments are equity real estate. The real estate portfolios are diversified by the type and location of the properties. Centre Properties, Ltd., an affiliate of Heitman, manages the trusts' wholly-owned properties. Properties that are partially owned by the trusts may be managed by joint venture partners. Heitman Advisory is based in Chicago. The SBI committed to the Group Trusts in August 1984, November 1985, February 1987 and

December 1991. The funds are expected to terminate in 1999, 2001,2002, and 2005.

LaSalle Advisors
Fund: LaSalle Income Parking Fund

The Income Parking Fund is a closed-end commingled fund managed by LaSalle Advisors of Chicago, Illinois. The fund's strategy is to acquire unleveraged parking facilities to maximize current return to the investors. In special situations, the fund may develop new parking facilities, but only when yield requirements can be maintained. LaSalle has considerable expertise in this area, with close to 100,000 parking spaces under management in the U.S. The SBI committed to the Fund in September 1991. The fund is expected to terminate in 2005.

Paine Webber
Funds: Paine Webber Qualified Plan Property Funds I-IV and Mortgage Partners Five, L.P.'s.

The Managing General Partner of Funds I-V is based on Boston, Mass. and is a wholly owned subsidiary of Paine Webber Group, Inc. The Funds have real estate investments which are diversified by location and property type. The SBI received these investments through Police and Fire Plan consolidations.

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

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

The SBI committed to the fund in May 1984. The Fund is expected to terminate in 1996.

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

State Street Real Estate Funds are closed-end commingled funds managed by the State Street Bank and Trust Company of Boston. State Street Bank has retained Aldrich, Eastman and Waltch (AEW) as the funds' advisor. The funds' special orientation is the use of creative investment vehicles such as convertible and participating mortgages to maximize real estate returns. The real estate portfolios are diversified by location and property type. On-site property management typically is contracted to outside firms or conducted by joint venture partners. The SBI committed to the funds in September 1985, September 1986 and December 1987. The funds are expected to terminate in 1999, 2001, and 2002.

TA Associates Realty
Fund: TA Realty Associates Fund III

TA Realty Associates Fund III is a closed-end, commingled real estate fund formed in June 1994 and managed by TA Associates Realty of Boston, MA. The fund will invest in small to medium sized properties generally diversified by location and type. On-site management of properties is contracted to outside firms. The SBI committed to the fund in June 1994. The fund has a ten year term.

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

TCW Realty Funds are closed-end commingled funds. The funds are managed as joint ventures between Trust Company of the West and Westmark Real Estate Investment Services of Los Angeles. These managers utilize specialty investment vehicles such as convertible and participating mortgages to enhance real estate returns. Investments are diversified by location and type. Portfolio properties are typically managed by local property management firms. The SBI committed to the funds in August 1985 and November 1986. The funds are expected to terminate in 1995 and 1996.

Zell/Merrill Lynch
Funds: Zell/Merrill Lynch Real Estate II
Zell/Merrill Lynch Real Estate III

Zell/Merrill Lynch Real Estate Fund II and III are based in Chicago, Illinois. The funds will make equity or equity-related investments in opportunistic real estate situations. The partnerships will acquire office, retail, and residential properties and may also invest in mixed-use and industrial properties. The funds have the authority to acquire convertible or participating mortgages. The SBI committed to the funds in November 1991 and January 1994. The funds are expected to terminate in 2010 and 2015.

Private Equity

Allied Capital
Fund: Allied Venture Partnership

Allied Venture Partnership was formed in September 1985 and has a ten-year term. Based in Washington D.C., the fund focuses on later-stage, low technology companies located in the Southeastern and Eastern U.S. Most investments will be made in syndication with Allied Capital, a large, publicly owned venture capital corporation which was formed in 1958.

Investment Manager Summaries

Blackstone Group
Fund: Blackstone Capital Partners Fund II

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

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

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

ChiCorp Management, Inc.
Fund: Midwest Bank Fund III

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

Churchill Capital, Inc.
Fund: Churchill Capital Partners II

Churchill Capital Partners II was formed in October 1992 and has a twelve year term. Based in Minneapolis, Minnesota, the fund provides subordinated debt to established small and medium-sized companies. Fund investments will not be restricted to any particular region, although it is anticipated that a substantial portion will be in the Midwest.

DSV Management Ltd.
Fund: DSV Partners IV

DSV Partners IV limited partnership was formed in April 1985. It has a twelve-year term. DSV Partners IV is the fourth venture fund to be managed by DSV Management Ltd. since the firm's inception in 1968. The firm has offices in Princeton, New Jersey, and California. DSV Partners' investment emphasis is on portfolio companies in the start-up and early stages of corporate development. The geographic focus of the partnership is on East and West Coast firms. Investments are diversified by industry type.

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

Golder, Thoma and Cressey Funds III and IV are venture capital limited partnerships and were formed in October 1987 and April 1993, respectively. The funds are based in Chicago, Illinois and have ten year terms. The funds will invest in growing private businesses, find and build companies in fragmented industries and invest in small leveraged buyouts. In addition, the portfolio will be diversified geographically and by industry.

Inman & Bowman Management
Fund: Inman & Bowman

The Inman & Bowman limited partnership was formed in June, 1985. Its investment focus is early-stage, high-technology firms. The fund will emphasize investments in California, where the general partner, Inman & Bowman Management, is based. However, the fund will consider investments in the Pacific- Northwest as well. The partnership has a ten-year term.

Coral Group Inc.
Funds: IAI Venture Partners
Coral Partners I
Coral Partners II

The Coral Group Inc. comprised the professional staff of IAI Venture Capital Group prior to the spinout of that group from Investment Advisers, Inc. in the fall of 1993.

Coral Partners I (formerly Superior Ventures) is a Minnesota-based venture capital limited partnership. It was formed in June 1986 and has an eleven-year term. Up to 15% of the fund will be invested in other Minnesota-based venture capital limited partnerships. The remainder of the fund will be invested in operating companies located within the state.

IAI Venture Partners and Coral Partners II (formerly IAI Ventures II) are also Minnesota-based venture capital limited partnerships managed by the Coral Group. These funds have venture capital investment strategies similar to Coral I's but are more diversified geographically. They were formed in 1984 and 1991, respectively and have eleven year terms.

Kohlberg, Kravis, Roberts & Co. (KKR)
Funds: KKR 1984 LBO Fund
KKR 1986 LBO Fund
KKR 1987 LBO Fund
KKR 1991 LBO Fund

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

Matrix Partners
Funds: Matrix Partners II
Matrix Partners III

Matrix Partners II and III are venture capital limited partnerships that were formed in 1985 and 1990, respectively, with terms of ten years. Investment emphasis is on high-technology firms in the early and expansion stages of corporate development. However, for diversification the portfolios will include a sizable component of non-technology firms. The portfolios may include several small leveraged buyout investments as well. The funds are managed by five general partners with offices in Boston, San Jose, and San Francisco.

Norwest Venture Capital Management
Fund: Northwest Venture Partners I

Northwest Venture Partners I was formed in January 1984 and is expected to terminate in 2013. Norwest Venture Capital Management, a wholly owned subsidiary of Norwest Corp., is the general partner and manager of the partnership. Norwest Venture Capital also manages the Northwest Growth Fund, a small business investment company (SBIC), and Northwest Equity Capital, a leveraged buyout fund. Northwest Venture Partners' investment focus is on high technology companies in the early stages of corporate development. However, the partnership's portfolio also includes investments in expansion stage firms and is diversified by the location and industry type of its portfolio companies.

Smith Barney Venture Corp.
Fund: First Century III

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

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

Summit Ventures I and II are limited partnerships formed in 1984 and 1988 with ten-year terms. Fund I is in a two year extension. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. Stamps and Woodsum focus on profitable, expansion stage firms that have not yet received any venture backing. The majority of the partnerships investments are in high tech firms. Investments are diversified by location and industry type.

The Jacobs Group
Fund: IMR Fund, L.P.

The IMR Fund was formed in May 1992 and has a ten year term. The Fund will invest in established operating companies with assets and/or business segments offering opportunities for significantly enhanced appreciation. Investments in financially troubled or excessively leveraged companies, particularly bankrupt or poorly managed companies with high asset bases, will be a focus of the Fund.

T. Rowe Price

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

E.M. Warburg, Pincus & Co., Inc.
Fund: Warburg, Pincus Ventures, L.P.

Warburg Pincus Ventures, L.P. is based in New York, New York and is a follow-on fund to five other Warburg Pincus ventures funds' formed between 1971 and 1989. Like the other funds, this fund will invest in a wide variety of businesses located domestically and abroad. The SBI committed to the fund in September 1994. The fund has a 12 year term.

Zell/Chilmark
Fund: Zell/Chilmark

Zell/Chilmark was formed in July 1990 with a 10 year term. Based in Chicago, Illinois, the Fund focuses on corporate restructuring and rejuvenation situations. The partnership will invest primarily in the assets, debt and/or common and preferred stock of companies with a fair market value of at least $100 million.

Resource Funds

Apache Corporation
Fund: Apache Acquisition Net Profits Interest

Apache Acquisition Net Profits Interest is a private placement that was formed in 1986 to acquire a non-operating interest in the net profit generated by oil and gas properties acquired in 1986 from Occidental Petroleum Company. The fund will remain in effect throughout the producing life of the properties. Investors will receive a 85% net profits interest in the financed share of producing properties until the cumulative total of such payments equals the investment cost plus 8% per year return on investment (the "Payout"). However, if the cumulative net profit discounted at 10% should fail to exceed a defined cumulative cash flow comparably discounted, investors will receive a 90% net profits interest until Payout. After Payout, investors will receive a

75% net profits interest for the life of the producing properties.

First Reserve Corp.
Funds: AMGO I
AMGO II
AMGO IV
AMGO V

American Gas and Oil (AMGO) funds were formed in 1981, 1983, 1988 and 1990, respectively, and are structured as limited partnerships. The funds are expected to terminate in 2001, 2001, 1998 and 2000, respectively. The general partner and manager of the funds is First Reserve Corp. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments. The portfolios are diversified across four dimensions: location, geological structure, investment type, and operating company.

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

Morgan Petroleum Fund II was formed in July 1988 and is managed by J.P. Morgan Investment Management, Inc. The fund managers have an office in Houston, Texas. Fund investments will be diversified geographically and by company. Most investments will take the form of an overriding royalty interest and will include, primarily, property acquisitions and development drilling. The fund has a 15 year term.

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

The funds serves as a vehicles for investment in the oil field service (OFS) and equipment industry. The General Partner is located in Houston, Texas and will endeavor to negotiate transactions that display strong fundamentals, value-added opportunities, reasonable pricing and appropriate financial structuring possibilities. Fund I was formed in 1992 and Fund II was formed in 1994. Both funds have a 10 year term.

Alternative Investment Managers

Post Retirement Fund

Real Estate

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

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

Private Equity

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

Citicorp Mezzanine Fund is a limited partnership formed in 1994 by Citicorp Capital Investors Ltd. Of New York, New York. The fund is a follow on fund to Citicorp Mezzanine Fund I formed in 1989. Like Fund I, Fund II will invest in a broad range of transactions utilizing subordinated debt and equity securities. The SBI committed to Fund II in September 1994. The fund has expected term of 10 years.

Kleinwort Benson
Fund: KB Mezzanine Fund II

KB Mezzanine Fund II is a limited partnership formed in 1994 by Kleinwort Benson Group, a leading London-based merchant banking firm. Like Fund I formed in 1988, Fund II invests in a broad range of transactions including leveraged buyouts, recapitalizations and restructurings, privatizations, corporate joint ventures and expansion financings. The SBI committed to the fund in September 1994. The fund has an expected 8 year term.

Stamps, Woodsum & Co.
Fund: Summit Subordinated Debt Fund

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

Stock Manager Risk Factor Exposure Glossary

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

SBI analysis of a stock manger's portfolio, in part, utilizes the BARRA E2 risk model. The BARRA model contains a number of risk factors that the SBI has found to correlate highly with a manager's investment style. That is, a manager tends to exhibit consistent exposures to many of these risk factors over time. The benchmark construction process includes identifying these persistent exposures and capturing them in the benchmark portfolio.

Factor exposures are calibrated relative to approximately 1400 of the largest market capitalization (HICAP) companies. An exposure level of 0 for a particular stock to a particular factor indicates that the stock has the same exposure as the capitalization-weighted average of the HICAP stocks. Around that zero exposure, deviations are measured in standard deviation units. Thus, an exposure level of +1 indicates that the stock has a greater exposure to the factor than roughly 68% of the HICAP stocks.

Beta
Forecasts the sensitivity of a stock's return to the return on the market portfolio. The BARRA E2 beta is a forecasted beta, based on a company's exposure to thirteen common risk factors and fifty-five industries.

Book-to Price (B/P)
Measures the book value of a company's common equity divided by market capitalization.

Dividend Yield (Div. Yld.)
Used as a predictor of dividend yield for the coming year.

Earnings-to-Price (E/P)
Incorporates several variants of a company's earnings-price ratio. Includes the current earnings-price ratio, the normalized (5 year) earnings-price ratio, and analyst's forecasted earnings-price ratio as compiled by the Institutional Brokerage Estimate Services (IBES).

Earnings Variability (Earn. Var.)
Indicates the variability of a company's earnings. Comprised of six descriptors: historical earnings variance, cash flow variance, earnings covariability with the economy, the level of concentration of the company's earnings from various sources, the incidence of extraordinary items, and the variability of the company's earnings estimates as compiled by IBES.

Equity Allocation (Eq. Alloc.)
Measures the percent of the manager's total portfolio invested in common stocks, preferred stocks and convertible securities.

Financial Leverage
Measures the extent to which a company utilizes financial leverage to finance its operations. Comprised of three descriptors: debt-to-total assets (at market), debt-to-total assets (at book), and uncovered fixed charges.

Foreign Income (For. Inc.)
Measures the extent to which a company's operating income is generated outside of the U.S.

Growth
Indicates potential growth in a company's earnings over the next five years. Comprised of seven descriptors: most recent five-year dividend payout, most recent five-year dividend yield, most recent five-year earnings-price ratio, change in capital structure, normalized (5 year) earnings-price ratio, recent earnings change, and forecasted earnings growth.

Labor Intensity (Labor Int.)
Measures the degree to which labor, as opposed to capital, is used by a company as a factor of production. Derived from three descriptors: labor expense relative to assets, fixed plant and equipment (inflation adjusted) relative to equity, and depreciated plant value relative to gross plant value.

Monthly Turnover (Mo. T/O)
Measures the total equity asset sales divided by the average value of the equity assets in the manager's portfolio.

Size
Indicates the relative size of the company. It includes three descriptors: market capitalization, total assets, and the length of earnings history.

Success (Suc.)
Describes the extent to which a company has been "successful" in the recent past, in terms of both earnings and stock prices. Composed of six descriptors: most recent five-year earnings growth, most recent one-year earnings growth, forecasted next year's earnings growth, historical

alpha, and relative strength. (The last two descriptors are calculated over the most recent year and most recent five years).

Trading Activity (Trad. Act.)
Measures the trading characteristics of a company's stock. Comprised of six descriptors: most recent five-year share turnover, most recent year share turnover, quarterly share turnover, stock price, trading volume relative to stock price variance, and the number of IBES analysts following the stock.

Variability in Markets (Var. Mkts.)
Measures the volatility of a stock's return related to its past behavior and the behavior of its options. Variants of the factor are calculated for optioned stocks, listed but not optioned stocks, and thinly traded stocks. A partial list of the descriptors that make up this factor include: historical beta, option-implied standard deviation of return, daily standard deviation of return, cumulative price range, stock price, and share turnover.

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
July 1990-June 1995

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Alliance Capital															
Minimum	1.12	0.18	0.10	0.19	0.26	0.41	-0.24	-0.49	-0.01	0.00	-0.26	0.15	-0.81	0.72	92%
Average	1.19	0.34	0.34	0.29	0.40	0.63	-0.09	-0.37	0.09	0.15	-0.06	0.28	-0.67	3.51	97%
Maximum	1.25	0.54	0.57	0.38	0.57	0.77	0.11	-0.26	0.28	0.28	0.17	0.42	-0.51	8.28	100%
Bmrk. Avg.	1.13	0.26	0.16	-0.11	0.17	0.46	-0.06	-0.32	-0.07	0.02	-0.10	0.38	-0.55	N.A.	95%
Brinson Partners															
Minimum	1.02	0.05	-0.32	-0.54	0.16	0.01	-0.25	0.15	0.24	0.18	-0.28	0.04	-0.32	0.74	94%
Average	1.05	0.18	-0.16	-0.48	0.28	0.15	-0.02	0.21	0.41	0.30	-0.12	0.12	-0.19	3.47	97%
Maximum	1.09	0.31	0.01	-0.37	0.52	0.29	0.28	0.27	0.60	0.42	0.01	0.18	-0.04	7.98	99%
Bmrk. Avg.	1.02	0.17	-0.08	-0.51	0.15	0.06	-0.02	0.15	0.16	-0.08	-0.26	0.04	-0.05	N.A.	98%
Forstmann Leff															
Minimum	1.04	0.11	-0.28	-1.15	0.07	0.12	-0.25	-0.11	0.13	-0.19	-0.43	-0.37	-0.81	0.76	64%
Average	1.14	0.59	0.15	-0.75	0.53	0.36	0.00	0.17	0.42	0.09	-0.15	-0.06	-0.56	6.52	86%
Maximum%	1.25	1.08	0.70	-0.29	1.04	0.70	0.16	0.50	0.63	0.40	0.19	0.24	-0.33	28.62	99%
Bmrk. Avg.	1.16	0.57	0.05	-0.65	0.50	0.39	-0.03	-0.02	0.24	-0.01	-0.22	0.20	-0.39	N.A.	86%
Franklin Portfolio															
Minimum	1.02	0.10	-0.24	-0.71	0.01	-0.12	0.19	0.05	0.00	-0.23	-0.62	-0.19	-0.27	0.24	95%
Average	1.04	0.21	0.13	-0.41	0.16	0.06	0.34	0.16	0.14	-0.09	-0.38	0.01	-0.09	6.50	98%
Maximum	1.07	0.30	0.32	-0.23	0.32	0.17	0.48	0.34	0.31	0.07	-0.01	0.17	0.12	17.98	100%
Bmrk. Avg.	1.04	0.17	-0.01	-0.43	0.14	0.07	0.01	0.06	0.09	-0.05	-0.29	0.05	-0.09	N.A.	97%
GeoCapital Corp.															
Minimum	1.08	0.70	-0.58	-2.33	0.21	0.78	-0.56	-0.42	0.19	-0.24	-0.71	0.29	-1.03	0.00	88%
Average	1.21	1.08	0.30	-2.13	0.58	0.99	-0.38	-0.28	0.42	0.16	-0.60	0.43	-0.92	1.17	96%
Maximum	1.28	1.38	0.91	-1.95	0.91	1.13	-0.24	-0.15	0.56	0.43	0.00	0.60	-0.75	4.08	100%
Bmrk. Avg.	1.24	1.21	0.62	-2.00	0.82	1.18	-0.45	-0.31	0.51	0.01	-0.46	0.53	-1.04	N.A.	98%

Bmrk. Avg. = Benchmark average.

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures Con't.
July 1990-June 1995

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Investment Advisers															
Minimum	0.98	0.01	0.08	-1.79	-0.19	0.27	-0.06	-0.24	-0.18	-0.41	-0.62	0.31	-0.88	4.71	77%
Average	1.04	0.35	0.40	-1.39	0.10	0.47	0.00	-0.14	-0.02	-0.28	-0.41	0.54	-0.61	10.57	86%
Maximum	1.10	0.66	0.76	-0.95	0.35	0.72	0.12	-0.05	0.12	-0.09	-0.12	0.67	-0.35	21.48	96%
Bmrk. Avg.	1.01	0.16	0.04	-0.79	-0.03	0.19	-0.03	0.01	0.05	-0.09	-0.36	0.24	-0.23	N.A.	95%
IDS Advisory															
Minimum	1.06	-0.03	0.01	-0.27	0.15	-0.01	-0.28	-0.24	-0.10	-0.15	-0.33	-0.11	-0.59	0.00	81%
Average	1.12	0.25	0.26	0.12	0.34	0.23	-0.02	-0.04	0.20	0.03	-0.06	0.09	-0.33	4.83	92%
Maximum	1.19	0.61	0.63	0.51	0.64	0.42	0.35	0.14	0.34	0.29	0.22	0.45	-0.09	15.27	100%
Bmrk. Avg.	1.06	0.11	0.08	0.08	0.18	0.12	-0.01	-0.04	0.06	0.06	0.02	0.10	-0.15	N.A.	93%
Independence Investment Associates															
Minimum	0.99	-0.15	-0.09	0.21	-0.04	-0.20	0.04	-0.01	-0.05	0.06	-0.29	-0.14	0.05	0.00	97%
Average	1.01	-0.07	0.02	0.28	0.05	-0.15	0.13	0.04	0.02	0.15	-0.04	-0.05	0.13	4.60	99%
Maximum	1.02	-0.02	0.12	0.34	0.12	-0.11	0.21	0.10	0.07	0.22	0.08	0.04	0.20	14.04	100%
Bmrk. Avg.	1.00	-0.08	-0.04	0.33	-0.01	-0.09	0.01	-0.01	-0.03	0.06	0.05	-0.05	0.07	N.A.	99%
Jundt Associates															
Minimum	1.25	0.99	0.32	-1.14	0.76	1.15	-0.81	-0.79	0.24	-0.44	-0.49	0.28	-1.20	0.06	63%
Average	1.29	1.15	0.88	-1.00	0.96	1.28	-0.59	-0.70	0.31	-0.30	-0.26	0.40	-1.11	2.70	87%
Maximum	1.35	1.31	1.40	-0.81	1.13	1.37	-0.44	-0.55	0.37	-0.24	-0.08	0.47	-1.00	6.85	96%
Bmrk. Avg.	1.19	0.64	0.51	-0.53	0.57	0.69	-0.24	-0.40	0.08	-0.09	0.09	0.47	-0.70	N.A.	92%
Lincoln Capital Management															
Minimum	1.08	-0.16	-0.19	0.39	-0.13	0.16	-0.18	-0.45	-0.45	0.00	0.05	0.33	-0.51	0.69	84%
Average	1.10	-0.08	0.05	0.51	-0.05	0.25	-0.01	-0.38	-0.41	0.05	0.24	0.36	-0.43	2.59	93%
Maximum	1.12	0.06	0.25	0.66	0.03	0.34	0.11	-0.27	-0.37	0.13	0.39	0.40	-0.31	5.26	99%
Bmrk. Avg.	1.11	0.13	0.04	0.07	0.07	0.35	-0.06	-0.35	-0.27	-0.02	0.06	0.40	-0.40	N.A.	95%

Bmrk. Avg. = Benchmark average.

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures Con't.
July 1990-June 1995

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Lynch & Mayer															
Minimum	1.09	0.11	0.22	-0.28	0.13	0.34	-0.34	-0.38	-0.07	-0.03	-0.07	0.20	-0.83	1.98	88%
Average	1.16	0.47	0.63	0.10	0.46	0.54	-0.18	-0.29	0.24	0.07	0.27	0.33	-0.65	8.68	94%
Maximum	1.24	1.00	1.38	0.36	0.94	0.75	0.01	-0.12	0.60	0.23	0.84	0.46	-0.47	22.09	99%
Bmrk. Avg.	1.20	0.59	0.46	-0.10	0.70	0.62	-0.12	-0.20	0.34	0.02	0.01	0.24	-0.60	N.A.	95%
Oppenheimer Capital															
Minimum	1.03	-0.12	-0.12	-0.08	0.03	-0.12	0.27	-0.08	-0.23	0.03	-0.04	0.24	-0.18	0.00	86%
Average	1.05	-0.04	-0.04	0.05	0.07	-0.05	0.35	0.01	-0.18	0.14	0.01	0.30	-0.10	1.74	91%
Maximum	1.07	0.03	0.06	0.15	0.12	0.05	0.42	0.05	-0.03	0.23	0.09	0.36	-0.05	5.29	97%
Bmrk. Avg.	1.00	-0.08	-0.07	-0.04	-0.04	-0.10	0.10	0.03	-0.11	-0.06	-0.15	0.06	0.05	N.A.	95%
Waddell & Reed															
Minimum	0.99	0.36	-0.30	-1.32	0.36	0.52	-0.50	-0.25	0.26	-0.29	-0.50	0.08	-0.95	0.26	48%
Average	1.20	0.80	0.42	-0.93	0.71	0.77	-0.12	-0.07	0.48	0.05	-0.18	0.30	-0.75	9.74	75%
Maximum	1.31	1.25	0.81	-0.39	1.00	1.05	0.37	0.18	0.69	0.34	0.61	0.48	-0.45	38.12	97%
Bmrk. Avg.	1.15	0.77	0.00	-1.64	0.45	0.60	-0.27	0.14	0.47	0.08	-0.34	0.36	-0.63	N.A.	90%
Weiss Peck & Greer															
Minimum	1.17	1.23	-0.02	-2.58	0.74	1.15	-0.72	-0.32	0.63	-0.31	-0.55	0.39	-1.17	4.19	95%
Average	1.23	1.37	0.29	-2.42	0.96	1.22	-0.54	-0.18	0.72	-0.24	-0.41	0.52	-1.06	8.08	98%
Maximum	1.30	1.50	0.65	-1.88	1.11	1.27	-0.41	-0.08	0.85	-0.15	-0.31	0.60	-0.95	13.29	100%
Bmrk. Avg.	1.26	1.36	0.49	-2.02	0.91	1.28	-0.48	-0.24	0.71	-0.07	-0.42	0.45	-1.11	N.A.	97%
Aggregate															
Minimum	1.13	0.30	-0.02	-0.54	0.27	0.38	-0.16	-0.25	0.09	-0.02	-0.29	0.15	-0.67	N.A.	N.A.
Average	1.17	0.47	0.29	-0.39	0.44	0.49	-0.07	-0.14	0.23	0.07	-0.14	0.21	-0.54	N.A.	N.A.
Maximum	1.21	0.73	0.60	-0.27	0.67	0.64	0.05	-0.05	0.31	0.15	-0.01	0.33	-0.41	N.A.	N.A.

Bmrk. Avg. = Benchmark average.

Aggregate includes data only for active managers retained on 6/30/95.

EXTERNAL EMERGING STOCK MANAGERS

Risk Factor Exposures
April 1994-June 1995

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
CIC Asset Management															
Minimum	0.99	-0.25	-0.29	0.15	-0.16	-0.34	0.21	0.07	-0.16	-0.10	-0.22	0.01	0.18	2.87	91%
Average	1.01	-0.21	-0.24	0.20	-0.12	-0.26	0.31	0.15	-0.09	0.01	-0.16	0.11	0.25	5.93	94%
Maximum	1.02	-0.17	-0.15	0.26	-0.09	-0.19	0.39	0.22	-0.06	0.12	-0.02	0.20	0.31	11.29	98%
Cohen, Klingenstein & Marks															
Minimum	1.09	0.19	0.03	-0.50	0.36	0.14	0.15	-0.33	0.09	0.08	-0.01	0.33	-0.29	0.00	90%
Average	1.11	0.29	0.17	-0.43	0.42	0.17	0.22	-0.29	0.13	0.15	0.11	0.41	-0.25	2.90	97%
Maximum	1.13	0.37	0.34	-0.37	0.48	0.23	0.30	-0.23	0.17	0.21	0.22	0.48	-0.22	9.43	99%
Compass Capital															
Minimum	1.05	-0.06	-0.22	-0.40	-0.22	0.10	-0.21	-0.34	-0.51	-0.40	-0.04	0.48	-0.32	0.00	93%
Average	1.06	0.06	-0.14	-0.37	-0.15	0.13	-0.09	-0.31	-0.47	-0.34	0.09	0.55	-0.30	2.50	97%
Maximum%	1.08	0.20	-0.05	-0.32	-0.12	0.16	0.04	-0.28	-0.44	-0.29	0.15	0.62	-0.29	5.54	99%
Kennedy Capital															
Minimum	0.83	0.15	-0.42	-3.29	-0.44	-0.09	0.49	0.32	0.43	-0.23	-0.77	0.31	-0.13	1.69	37%
Average	0.87	0.37	-0.15	-3.19	-0.34	0.01	0.58	0.61	0.54	-0.18	-0.74	0.39	-0.03	9.30	88%
Maximum	0.94	0.61	0.10	-3.05	-0.21	0.11	0.69	0.78	0.62	-0.04	-0.71	0.44	0.08	44.27	96%
New Amsterdam															
Minimum	1.03	0.29	-0.31	-1.29	0.07	0.19	0.03	0.08	-0.20	-0.30	-0.60	0.04	-0.44	0.00	96%
Average	1.06	0.38	-0.14	-1.16	0.21	0.23	0.20	0.18	-0.16	-0.23	-0.53	0.11	-0.37	3.23	98%
Maximum	1.09	0.52	0.09	-1.02	0.32	0.27	0.32	0.30	-0.14	-0.17	-0.45	0.19	-0.33	7.84	99%
Valenzuela Capital															
Minimum	1.01	0.04	-0.15	-1.06	-0.04	0.01	-0.23	-0.01	-0.06	-0.20	-0.20	0.44	-0.40	0.00	86%
Average	1.03	0.12	-0.06	-0.94	0.10	0.14	-0.09	0.03	0.01	-0.09	-0.05	0.53	-0.32	6.33	90%
Maximum	1.06	0.22	0.05	-0.83	0.18	0.24	0.03	0.08	0.11	0.04	0.08	0.62	-0.25	9.27	94%
Wilke Thompson															
Minimum	1.11	0.97	0.59	-2.59	0.33	1.07	-0.66	-0.46	-0.01	-0.60	-0.70	0.49	-1.14	0.00	94%
Average	1.13	1.04	0.77	-2.53	0.50	1.13	-0.52	-0.40	0.13	-0.56	-0.60	0.52	-1.08	3.15	96%
Maximum	1.15	1.17	1.02	-2.48	0.62	1.20	-0.40	-0.35	0.18	-0.52	-0.52	0.56	-1.03	7.85	98%

EXTERNAL EMERGING STOCK MANAGERS

Risk Factor Exposures Con't.
April 1994-June 1995

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Winslow Capital															
Minimum	1.20	0.61	0.30	-0.57	0.43	0.84	-0.52	-0.67	0.03	-0.32	-0.30	0.31	-1.02	1.44	96%
Average	1.23	0.74	0.54	-0.41	0.57	0.94	-0.37	-0.58	0.10	-0.19	-0.15	0.38	-0.91	5.12	99%
Maximum	1.26	0.87	0.86	-0.28	0.66	1.07	-0.21	-0.53	0.15	-0.02	0.15	0.45	-0.81	10.76	100%
Zevenbergen Capital															
Minimum	1.12	0.27	-0.14	-0.61	0.25	0.69	-0.62	-0.49	-0.02	-0.05	-0.29	0.22	-0.89	0.70	68%
Average	1.18	0.58	0.11	-0.39	0.35	0.82	-0.47	-0.44	0.15	0.02	-0.11	0.29	-0.78	9.56	94%
Maximum	1.24	0.83	0.60	0.01	0.48	0.95	-0.33	-0.36	0.27	0.15	0.05	0.40	-0.62	25.50	98%
Aggregate Emerging Managers															
Minimum	1.07	0.33	0.04	-1.01	0.17	0.35	-0.12	-0.18	-0.03	-0.18	-0.26	0.33	-0.50	3.89	97%
Average	1.08	0.38	0.11	-0.97	0.19	0.38	-0.04	-0.14	0.02	-0.16	-0.22	0.37	-0.43	5.12	95%
Maximum	1.10	0.45	0.24	-0.90	0.21	0.44	0.03	-0.11	0.04	-0.12	-0.19	0.39	-0.38	8.85	85%

Aggregate includes data only for managers retained on 6/30/95.

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
Actual Portfolio Less Benchmark Portfolio
July 1990-June 1995

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Alliance Capital									
Minimum	-11.46	-4.03	-6.88	-4.62	-2.39	-4.68	-2.77	-2.56	0.61
Average	-1.63	-1.17	-4.41	-2.83	-0.07	0.39	1.04	-0.52	9.19
Maximum	10.69	0.55	-2.04	0.61	8.39	7.50	4.48	1.57	16.72
Bmrk. Avg.	53.58	3.92	7.54	6.57	1.95	9.43	2.02	3.25	11.74
Brinson Partners									
Minimum	-6.66	-2.50	-0.82	-2.14	-2.17	-1.65	-0.39	-7.48	1.91
Average	-0.84	-1.12	1.09	-0.23	-1.12	0.38	2.63	-5.64	4.85
Maximum	3.39	1.12	3.29	2.66	0.36	2.58	7.08	-3.80	7.45
Bmrk. Avg.	33.84	3.81	8.77	7.53	6.14	8.16	2.40	13.08	16.26
Forstmann Leff									
Minimum	-19.65	-7.74	-8.31	-5.03	-2.43	-9.14	-2.92	-6.92	-7.16
Average	-0.93	-0.03	-2.07	-2.63	6.97	-3.64	0.61	-0.74	2.47
Maximum	16.46	9.10	8.09	1.92	28.94	2.89	6.41	8.27	9.82
Bmrk. Avg.	39.99	5.65	9.92	6.01	5.17	8.57	3.13	6.58	14.98
Franklin Portfolio									
Minimum	-8.85	-2.82	-8.15	-4.95	-2.39	-1.50	-2.68	-2.26	-2.46
Average	-0.07	1.16	-3.99	-2.27	0.80	2.22	-0.42	0.67	1.89
Maximum	6.35	4.33	1.21	1.63	3.92	5.62	1.85	4.81	5.87
Bmrk. Avg.	31.73	4.46	10.93	6.03	6.19	6.42	2.67	14.01	17.55
GeoCapital Corp.									
Minimum	-6.37	-3.56	-4.63	-8.12	-7.80	-23.15	-3.07	-5.89	4.12
Average	5.93	-0.83	-0.65	-4.95	-2.88	-10.34	-1.03	-0.44	15.19
Maximum	16.17	1.71	2.67	-2.19	0.00	-4.86	1.30	7.13	25.04
Bmrk. Avg.	57.30	2.01	3.15	5.37	2.90	14.19	1.57	4.96	8.56

Bmrk. Avg. = Benchmark average

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights Con't.
Actual Portfolio Less Benchmark Portfolio
July 1990-June 1995

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Investment Advisers									
Minimum	-9.61	-0.17	-4.98	-2.87	-2.22	-3.45	-3.27	-10.01	-6.73
Average	-2.83	2.73	-0.43	2.68	-0.01	3.73	-1.61	-5.03	0.78
Maximum	4.17	4.92	5.28	9.39	2.32	10.76	1.26	3.82	6.58
Bmrk. Avg.	38.47	5.10	8.93	10.06	3.14	5.33	2.95	9.36	16.66
IDS Advisory									
Minimum	-22.11	-3.23	-1.88	-2.16	-4.01	-4.47	-2.25	-18.28	-9.78
Average	-10.05	3.37	5.85	1.99	1.85	-0.19	3.50	-8.89	2.57
Maximum	7.12	8.99	10.75	9.74	7.12	4.28	8.75	1.16	14.97
Bmrk. Avg.	36.49	4.21	8.75	5.68	6.19	8.48	3.17	12.03	15.01
Independence Investment Associates									
Minimum	-5.01	-1.58	-3.17	-1.05	-2.46	-3.86	-0.38	-5.81	0.90
Average	-2.38	1.35	-0.69	1.05	-0.09	-0.87	0.36	-1.94	3.22
Maximum	1.33	3.08	3.14	4.66	2.77	1.53	1.72	2.07	5.43
Bmrk. Avg.	35.16	4.76	8.41	6.17	8.60	6.54	2.01	14.88	13.48
Jundt Associates									
Minimum	1.26	-3.97	-7.03	-3.37	-1.63	-9.57	-3.61	4.12	-8.12
Average	4.77	-2.88	-4.86	-0.89	-1.35	0.24	-2.05	10.37	-3.36
Maximum	8.90	-2.08	-3.24	0.93	-0.90	7.12	-0.35	18.02	1.17
Bmrk. Avg.	60.46	2.90	4.86	3.88	1.35	14.98	2.05	2.28	7.24
Lincoln Capital Management									
Minimum	-11.85	-1.07	-2.30	0.81	-0.57	-4.70	-0.40	-4.16	1.25
Average	-4.57	-0.23	-0.81	1.92	-0.30	0.58	0.16	-1.12	4.38
Maximum	1.33	0.16	1.63	4.36	-0.02	4.71	0.69	1.31	7.01
Bmrk. Avg.	62.05	2.60	4.46	5.25	0.30	7.08	0.30	4.07	13.91

Bmrk. Avg. = Benchmark average

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights Con't.
Actual Portfolio Less Benchmark Portfolio
July 1990-June 1995

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Lynch & Mayer									
Minimum	-16.17	-3.17	-7.27	-4.10	-5.92	-11.05	-5.02	-3.22	-1.28
Average	-3.30	1.85	-1.92	2.53	1.40	-2.01	-2.86	1.27	3.04
Maximum	18.02	8.67	2.09	12.74	8.46	3.45	0.49	7.27	6.89
Bmrk. Avg.	42.45	4.62	5.19	6.09	3.81	13.66	3.47	5.90	14.81
Oppenheimer Capital									
Minimum	-6.65	-1.82	-4.53	1.86	-5.81	-4.56	-2.85	-9.16	11.27
Average	0.52	-0.14	-2.61	3.52	-4.23	-2.80	-2.43	-7.64	15.81
Maximum	6.75	1.27	1.25	6.17	-2.74	-0.09	-1.34	-5.71	18.88
Bmrk. Avg.	34.85	4.51	10.32	6.48	6.83	5.46	2.51	11.57	17.47
Waddell & Reed									
Minimum	-20.15	-6.20	-14.19	-9.60	-5.32	-8.62	-4.17	-1.97	-7.51
Average	-3.13	-1.93	-4.83	-3.91	0.03	0.95	1.75	1.12	9.95
Maximum	17.96	3.65	13.93	0.84	7.69	12.22	9.34	8.24	26.73
Bmrk. Avg.	40.71	7.30	14.71	8.80	7.00	11.63	4.29	1.23	4.34
Weiss Peck & Greer									
Minimum	-4.41	-1.41	-2.35	-5.31	-1.40	-8.80	0.15	-2.30	-1.78
Average	2.11	0.82	-0.76	-2.90	0.32	-2.84	2.73	-0.29	0.81
Maximum	9.67	2.59	1.77	-0.51	3.12	1.96	5.46	0.80	2.65
Bmrk. Avg.	50.24	4.63	5.35	7.83	3.72	14.23	3.25	3.23	7.52
Aggregate									
Minimum	-8.16	2.15	-3.97	-2.61	-1.10	-2.51	-0.43	-3.60	1.11
Average	-1.71	-0.15	-2.25	-1.24	1.42	-0.44	0.62	-0.87	4.61
Maximum	5.59	1.59	0.46	0.58	10.57	1.80	2.74	2.71	8.09

Bmrk. Avg. = Benchmark average

Aggregate includes data only for active managers retained on 6/30/95.

EXTERNAL EMERGING STOCK MANAGERS

Sector Weights
April 1994-June 1995

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
CIC Asset Management									
Minimum	18.26	5.51	4.50	9.35	5.17	2.71	3.82	2.96	20.20
Average	23.25	10.34	8.28	12.00	6.27	4.01	4.40	5.91	25.55
Maximum	28.24	13.39	12.09	14.81	7.12	6.49	5.14	10.62	31.15
Cohen, Klingenstein & Marks									
Minimum	40.30	6.66	7.23	3.98	0.00	2.69	0.00	0.00	15.91
Average	42.90	9.73	10.20	7.01	2.01	5.70	0.00	0.87	21.57
Maximum	45.40	13.05	13.24	8.31	4.03	10.36	0.00	3.43	28.17
Compass Capital									
Minimum	62.68	1.28	2.71	12.30	0.00	3.63	0.00	0.00	0.18
Average	66.58	4.23	8.29	14.64	0.00	4.24	0.00	0.00	2.02
Maximum	71.43	8.72	11.12	17.01	0.00	4.69	0.00	0.00	4.47
Kennedy Capital									
Minimum	23.45	4.86	8.93	16.48	2.48	3.09	0.00	1.86	11.05
Average	26.31	7.65	20.49	19.82	4.15	4.24	0.22	3.21	13.91
Maximum	31.49	10.13	23.09	24.31	6.06	5.34	0.69	6.27	20.34
New Amsterdam									
Minimum	32.86	9.25	6.79	0.62	5.56	9.10	2.24	8.35	13.95
Average	34.95	11.61	8.61	1.15	6.26	11.14	2.55	8.93	14.80
Maximum	36.66	15.05	10.71	3.44	6.74	13.85	2.92	11.22	15.52
Valenzuela Capital									
Minimum	33.77	0.55	11.56	5.70	6.07	2.85	0.00	0.96	12.64
Average	37.37	5.46	13.83	11.41	6.77	4.31	2.74	3.62	14.49
Maximum	43.57	7.66	15.95	18.36	8.10	5.78	8.65	5.27	16.44
Wilke Thompson									
Minimum	64.68	1.40	2.22	2.11	0.00	8.21	0.00	0.00	0.00
Average	74.90	4.48	4.54	4.65	0.00	9.26	0.00	0.00	2.17
Maximum	84.56	9.22	7.07	6.37	0.00	12.21	0.00	0.00	4.42

EXTERNAL EMERGING STOCK MANAGERS

Sector Weights Con't.
April 1994-June 1995

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Winslow Capital									
Minimum	52.24	0.00	0.00	4.16	0.00	8.86	1.78	5.87	1.87
Average	60.39	1.36	0.04	5.48	0.00	12.55	2.61	8.19	9.38
Maximum	68.54	3.45	0.14	7.32	0.00	17.79	3.98	11.45	17.18
Zevenbergen Capital									
Minimum	42.91	0.22	0.09	2.19	0.34	7.53	0.00	10.07	1.16
Average	56.44	2.91	1.84	6.83	1.90	10.39	2.39	11.70	5.60
Maximum	67.67	7.02	3.90	12.63	3.45	13.05	4.44	12.90	8.63
Aggregate Emerging Managers									
Minimum	44.85	4.09	7.21	8.24	2.45	6.79	1.00	4.23	9.96
Average	47.84	6.38	8.11	8.91	2.93	7.42	1.67	4.67	12.07
Maximum	51.37	8.38	9.21	9.73	3.46	9.44	2.62	5.14	13.58

Aggregate includes data only for managers retained on 6/30/95.

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Risk Factor Exposures
As of June 1995

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Franklin Portfolio Associates	0.92	-0.20	-0.13	-0.10	-0.23	-0.23	0.24	0.27	0.00	0.03	-0.20	-0.19	0.26	5.74	99.5%
J.P. Morgan	0.92	-0.23	-0.20	-0.07	-0.26	-0.24	0.12	0.18	-0.04	0.06	-0.22	-0.19	0.26	4.28	99.7%
Wells Fargo Nikko	0.93	-0.16	0.02	-0.15	-0.19	-0.22	0.21	0.25	0.03	0.02	-0.17	-0.17	0.21	5.73	99.4%
Aggregate Semi-Passive Equity	0.92	-0.20	-0.10	-0.10	-0.23	-0.23	0.19	0.23	0.00	0.04	-0.20	-0.18	0.24	N.A.	99.5%
Benchmark	0.91	-0.24	-0.21	-0.15	-0.29	-0.22	0.11	0.19	-0.02	0.05	-0.19	-0.16	0.24	N.A.	99.5%

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Sector Weights
Actual Portfolio Less Benchmark Portfolio
As of June 1995

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Franklin Portfolio Associates	0.52	-0.96	2.23	-0.08	-0.73	-0.79	-0.97	0.52	0.25
J.P. Morgan	-0.60	0.04	-0.10	-0.03	-0.39	-0.70	0.09	0.83	0.87
Wells Fargo Nikko	-1.54	-0.72	1.51	0.33	-0.24	0.10	-0.69	-0.35	1.61
Aggregate Semi-Passive Equity	-0.55	-0.54	1.20	0.07	-0.45	-0.46	-0.52	0.33	0.91
Benchmark	28.31	3.90	9.31	7.59	8.12	5.15	1.79	16.53	19.31

EXTERNAL DOMESTIC STOCK MANAGERS

Quarterly Performance
July 1990-June 1995

	Alliance		Brinson		Forstmann		Franklin		GeoCapital	
	Actual	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**
3Q90	-16.4	-18.3	Manager retained 3Q93.		-8.3	-14.6	-18.8	-17.0	-30.1	-22.3
4Q90	9.7	10.3			2.2	8.0	11.7	10.1	25.8	10.8
1Q91	17.4	17.3			19.3	15.2	17.3	17.9	30.3	24.6
2Q91	-4.3	-0.8			-1.1	0.2	-2.4	0.1	-3.9	-2.1
3Q91	10.0	5.9			11.1	5.1	5.7	6.1	17.9	10.3
4Q91	15.0	10.6			6.6	6.4	9.0	7.9	16.7	12.0
1Q92	-2.0	-3.6			-2.0	1.3	-1.7	-0.3	-3.0	-1.0
2Q92	-0.8	-1.2			-5.1	-0.9	0.3	0.4	-9.4	-9.7
3Q92	4.4	3.6			-0.4	2.1	3.9	3.7	-0.4	3.0
4Q92	9.6	10.0			12.3	7.9	9.3	9.2	16.1	18.8
1Q93	3.9	-1.0			1.0	3.3	8.5	4.9	-0.6	1.2
2Q93	-0.9	-3.1			-0.1	0.4	4.0	0.9	0.5	6.2
3Q93	5.4	2.4	2.6	4.0	6.0	2.0	5.1	4.3	10.8	9.4
4Q93	2.2	3.4	2.2	1.7	3.0	2.7	-1.2	1.8	4.5	3.5
1Q94	-4.5	-2.6	-3.4	-3.3	-3.0	-3.0	-2.2	-3.3	-2.9	-4.2
2Q94	-2.2	-1.5	2.8	-0.8	-4.6	-3.3	-1.3	-1.0	-6.9	-4.6
3Q94	4.0	5.2	5.4	5.5	4.6	8.8	4.4	5.5	8.0	14.0
4Q94	1.0	0.4	-3.4	-1.1	-3.3	-1.3	-0.3	-0.8	-2.2	-0.1
1Q95	8.0	8.9	9.4	9.5	10.4	8.7	9.7	9.7	8.5	10.9
2Q95	14.7	10.5	9.6	9.0	6.6	8.3	8.2	8.7	6.6	4.9

EXTERNAL DOMESTIC STOCK MANAGERS

Quarterly Performance Con't.
July 1990-June 1995

	IAI		IDS		Independence		Jundt		Lincoln	
	Actual	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**
3Q90	Manager retained 3Q93.		-19.4	-14.7	Manager retained 1Q92.		Manager retained 3Q93.		Manager retained 3Q93.	
4Q90			4.7	7.9						
1Q91			19.7	13.3						
2Q91			-1.4	-0.3						
3Q91			5.6	5.3						
4Q91			10.9	8.1						
1Q92			-0.8	1.3	-0.6*	-0.4*				
2Q92			0.1	1.3	2.9	2.4				
3Q92			2.1	3.1	2.4	3.5				
4Q92			10.1	8.3	7.2	5.7				
1Q93			4.6	4.8	5.4	5.3				
2Q93			0.8	0.7	0.3	0.1				
3Q93	9.7	5.7	3.3	4.1	4.4	2.6	2.6	4.2	0.7	0.5
4Q93	-0.2	0.9	2.9	1.8	1.4	1.9	1.1	3.0	3.3	3.3
1Q94	-2.0	-2.9	-2.6	-3.0	-3.9	-3.7	-1.0	-2.8	-3.1	-2.9
2Q94	-4.3	-0.2	-0.3	0.1	0.9	0.4	-8.2	-2.7	0.5	-0.2
3Q94	7.0	6.2	3.0	5.0	3.1	4.9	15.9	8.5	4.9	6.4
4Q94	0.4	0.3	0.9	0.4	-0.9	0.0	-0.2	1.2	1.9	1.3
1Q95	7.1	9.0	6.2	8.9	9.4	9.7	2.9	8.9	10.1	9.7
2Q95	8.3	8.1	9.9	10.4	9.7	9.6	6.1	11.2	11.1	9.6

* Manager retained 2/92. Therefore, only 2 months of return data are available for this quarter.

EXTERNAL DOMESTIC STOCK MANAGERS

Quarterly Performance Con't.
July 1990-June 1995

	Lynch & Mayer		Oppenheimer		Waddell & Reed		Weiss Peck & Greer		Emerging	
	Actual	Bmrk	Actual	Bmrk	Actual	Bmrk	Actual	Bmrk	Actual	Bmrk
3Q90	Manager retained 1Q92.		Manager retained 3Q93.		-15.4	-17.4	Manager retained 3Q93.		Manager group retained 2Q94.	
4Q90					3.3	6.9				
1Q91					14.1	18.5				
2Q91					-1.2	0.2				
3Q91					6.6	5.4				
4Q91					5.3	5.4				
1Q92	0.2*	-2.0*			3.4	3.6				
2Q92	-1.9	-2.0			-3.1	-3.4				
3Q92	3.0	4.6			4.7	2.3				
4Q92	8.7	8.6			9.4	9.9				
1Q93	4.2	2.1			1.9	3.6				
2Q93	-2.0	2.3			6.2	1.9				
3Q93	6.2	6.1	4.4	3.5	6.1	6.4	8.7	8.2		
4Q93	-2.4	1.8	0.7	0.8	-0.8	4.5	-1.8	1.7		
1Q94	-2.2	-2.3	-2.8	-2.7	1.7	-1.4	-4.3	-3.4		
2Q94	-4.1	-2.4	0.6	0.4	-4.4	-3.5	-10.8	-7.1	-2.1	-0.8
3Q94	5.7	6.6	4.2	4.2	5.3	7.9	12.1	10.6	6.0	7.8
4Q94	0.2	1.0	-1.3	-0.7	-1.3	-1.4	-3.3	-0.4	0.0	0.4
1Q95	7.1	8.7	12.0	9.5	5.5	7.9	6.2	9.0	7.5	7.7
2Q95	8.5	15.0	11.1	8.0	10.0	10.1	9.7	11.8	9.0	9.8

* Manager retained 2/92. Therefore, only 2 months of return data are available for this quarter.

EXTERNAL DOMESTIC STOCK MANAGERS

Quarterly Performance Con't.
July 1990-June 1995

	Semi-Passive		Wilshire			Market Index	Market Index
	Actual	Bmrk	Actual	Bmrk	Aggregate*	Wilshire 5000	Wilshire 5000 Adj.**
3Q90	Managers (3) retained 1Q95		-15.2	-15.1	-16.0	-15.2	-15.5
4Q90			8.4	8.7	7.9	8.7	8.6
1Q91			15.6	15.6	16.5	16.5	16.3
2Q91			0.2	0.2	-0.8	-0.3	-0.3
3Q91			5.7	5.8	6.7	6.4	6.2
4Q91			8.2	8.0	9.0	8.7	8.5
1Q92			-1.1	-0.9	-1.1	-1.3	-1.1
2Q92			0.9	1.0	-0.6	-0.1	0.0
3Q92			2.5	2.5	2.5	3.1	3.1
4Q92			6.2	6.3	8.0	7.3	7.2
1Q93			5.1	5.1	4.4	4.3	4.1
2Q93			0.7	1.0	0.6	0.8	0.7
3Q93			3.1	3.0	4.1	4.0	3.7
4Q93			1.7	2.2	1.4	1.8	2.0
1Q94			-4.2	-4.2	-3.5	-3.7	-3.7
2Q94			0.3	0.3	-1.1	-0.8	-0.8
3Q94			4.6	4.7	5.1	5.4	5.4
4Q94			-1.5	-1.1	-1.1	-0.8	-0.8
1Q95	9.0	9.1	9.0	9.1	8.5	9.0	9.0
2Q95	8.7	8.2	8.0	8.1	9.0	9.3	9.3

* Aggregate performance numbers include returns of any managers retained during the time period shown but subsequently terminated by the Board.

** Adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and AHP restriction through 10/31/93.

EXTERNAL DOMESTIC STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 1995

	1 Year		2 Years		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Active Managers								
Alliance	30.1%	27.1%	14.4%	13.6%	15.5%	12.1%	14.3%	10.5%
Brinson	22.0	24.7	12.7	12.4				
Forstmann Leff	19.1	26.5	9.7	11.5	10.7	12.4	10.6	11.2
Franklin	23.5	24.7	11.3	12.5	16.6	14.9	13.3	13.4
GeoCapital	22.2	32.6	13.1	17.1	13.9	21.7	14.5	15.9
IAI	24.7	25.4	13.1	13.8				
IDS Advisory	21.4	26.8	11.9	14.2	14.0	15.4	11.4	13.3
Independence	22.5	26.1	12.1	12.9	13.4	13.7		
Jundt	26.2	32.9	9.1	16.2				
Lincoln	30.7	29.5	15.1	14.2				
Lynch & Mayer	23.0	34.8	9.4	17.8	11.0	18.1		
Oppenheimer	27.9	22.3	14.7	11.6				
Waddell & Reed	20.6	26.5	11.0	15.7	15.2	16.6	11.1	13.1
Weiss Peck & Greer	26.2	34.2	7.2	15.2				
Emerging Managers*								
CIC Asset	19.0	25.4						
Cohen	26.1	26.1						
Compass Capital	28.9	24.1						
Kennedy Capital	16.1	20.1						
New Amsterdam	20.3	24.4						
Valenzuela Capital	15.5	26.1						
Wilke/Thompson	41.9	25.2						
Winslow Capital	28.0	30.5						
Zevenbergen Capital	26.7	30.5						
Semi-Passive Managers**								
Franklin	17.7	18.0						
J.P. Morgan	18.5	18.0						
Wells Fargo Nikko	19.2	18.0						
Passive Manager								
Wilshire Associates	21.3	22.2	10.5	11.1	12.1	12.6	11.3	11.8
Aggregate***	**23.0%**		**11.3%**		**12.9%**		**11.5%**	
Capital Markets Data								
Wilshire 5000	24.7%	---	12.3%	---	13.6%	---	12.3%	---
Wilshire 5000 Adj.****	24.7	---	12.3	---	13.5	---	12.1	---
91-Day Treasury Bills	5.4	---	4.3	---	3.9	---	4.7	---
Inflation	3.0	---	2.8	---	2.8	---	3.3	---

* Emerging Managers were retained on 4/1/94.

** Semi-Passive Managers were retained on 1/1/95. Data is for two quarters only.

*** Aggregate of all domestic stock managers retained during the time period shown.

**** Adjusted to reflect the SBI's restrictions on liquor and tobacco stocks through 3/31/93 and AHP restriction through 10/31/93.

Bond Manager Portfolio Characteristics Glossary

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

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

Bond Allocation (Bond Alloc.)
The percent of the manager's total portfolio invested in bonds.

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

Current Yield (Cur. Yield)
The annual interest payment produced by the manger's total portfolio stated as a percent of the portfolio's market value.

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

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

Quarterly Turnover (Qtr. T/O)
The manager's total bond sales during the quarter divided by the average value of the manager's bond portfolio over the quarter.

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

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

EXTERNAL ACTIVE BOND MANAGERS

Portfolio Characteristics

July 1990 - June 1995

	Qtr T/O	#Of Issues	Bond Alloc.	Coupon	Yield To Mat.	Avg. Qual.	Dur.	Term To Mat.
BEA Associates*								
Minimum	99	54	90%	2.86%	6.00%	AAA	4.40 Yrs.	8.10 Yrs.
Average	183	117	94	6.86	7.07	AAA	4.87	8.63
Maximum	367	161	97	8.89	8.60	AAA	5.31	8.84
IDS Advisory*								
Minimum	0	21	76	6.01	6.00	AAA/AA	5.44	9.54
Average	14	23	89	6.72	6.56	AAA/AA	6.31	11.75
Maximum	35	30	100	7.13	7.00	AAA	7.87	14.94
Investment Advisers								
Minimum	2	11	87	5.41	5.57	AAA	3.68	6.70
Average	59	27	98	6.89	7.33	AAA	6.16	12.85
Maximum	185	61	100	8.82	9.00	AAA	7.08	19.77
Miller Anderson								
Minimum	7	55	89	4.70	6.00	AA+	4.89	9.40
Average	61	107	97	8.93	8.03	AAA	6.30	11.04
Maximum	182	231	100	21.08	9.70	AAA	7.00	16.10
Standish, Ayer & Wood*								
Minimum	35	96	96	6.14	5.90	AAA-	4.43	8.10
Average	88	177	99	8.47	7.41	AAA	5.03	8.63
Maximum	257	235	99	10.72	8.25	AAA	5.70	9.02
TCW*								
Minimum	1	21	89	6.27	7.33	AAA	3.62	6.62
Average	41	35	96	7.13	8.31	AAA	4.87	7.56
Maximum	209	42	100	7.64	9.54	AAA	5.91	8.76
Western								
Minimum	19	46	80	5.25	5.50	AA	4.74	8.74
Average	76	94	94	7.28	7.70	AA	5.44	14.38
Maximum	209	197	100	8.90	9.16	AAA	6.10	18.40
Market Index**								
Minimum				7.37	5.48	Agency	4.39	7.32
Average				8.27	7.50	Agency	4.64	8.96
Maximum				9.04	9.19	Agency	5.16	9.84

* Manager retained as of 7/1/93. Data covers period from 7/1/93 - 6/30/95 only.

** Salomon Broad Investment Grade Bond Index through 6/94. Lehman Brothers Aggregate Bond Index thereafter.

EXTERNAL ACTIVE BOND MANAGERS

Sector Weights
July 1990 - June 1995

(In Percentages)

	Treas	Agcy	Total Govt	Ind	Util	Fin	Tran	Total Corp	Mtgs	Misc	Cash
BEA Associates*											
Minimum	27	0	27	1	0	5	0	27	19	0	3
Average	31	1	33	5	2	6	0	33	31	0	6
Maximum	36	4	36	9	3	8	0	45	38	0	10
IDS Advisory*											
Minimum	49	6	56	4	5	6	0	19	0	0	0
Average	54	11	64	6	7	8	0	24	0	0	11
Maximum	62	17	76	12	9	9	0	28	0	0	24
Investment Advisers											
Minimum	25	6	36	0	0	0	0	0	10	0	0
Average	49	14	63	1	1	6	0	13	21	1	2
Maximum	64	23	81	5	3	15	0	30	31	20	13
Miller Anderson											
Minimum	5	0	5	1	0	5	0	9	34	0	0
Average	26	3	28	6	1	9	1	17	46	5	3
Maximum	40	7	44	10	3	18	2	29	60	11	11
Standish, Ayer & Wood*											
Minimum	4	0	4	9	0	19	0	43	23	0	1
Average	13	1	14	13	0	22	0	49	33	2	1
Maximum	30	4	33	23	0	29	0	58	47	5	4
TCW*											
Minimum	0	0	0	0	0	0	0	0	87	0	0
Average	4	0	4	0	0	0	0	0	93	0	4
Maximum	9	0	9	0	0	0	0	0	100	0	11
Western											
Minimum	6	5	12	10	3	1	0	22	17	3	0
Average	21	8	29	20	8	7	0	36	24	7	6
Maximum	33	13	42	26	19	16	1	49	42	17	20
Market Index**											
Minimum			52					17	26		
Average			53					18	29		
Maximum			55					19	30		

Abbreviations:

Treas	Treasuries	Fin	Financials
Agcy	Government agencies	Tran	Transportation
Ind	Industrials	Mtgs	Mortgages
Util	Utilities	Misc	Miscellaneous or other

* Manager retained as of 7/1/93. Data covers period from 7/1/93 - 6/30/95 only.

** Salomon Broad Investment Grade Bond Index through 6/94. Lehman Brothers Aggregate Bond Index thereafter.

EXTERNAL SEMI-PASSIVE BOND MANAGERS
Portfolio Characteristics
As of June 30, 1995

	Qtr T/O	#Of Issues	Bond Alloc.	Coupon	Yield To Mat.	Avg. Qual.	Dur.	Term To Mat.
Fidelity	103	500	100%	8.08%	7.00%	AA+	4.58 Yrs.	8.30 Yrs.
Goldman	257	275	100	6.00	7.00	AAA-	4.75	8.64
Lincoln	136	879	99	7.60	6.74	AAA	4.51	8.55
Aggregate Average	165	551	100	7.23	6.91	AAA-	4.61	8.50
Lehman Agg.	N/A	5,167	N/A	7.41	6.61	N/A	4.58	8.64

EXTERNAL SEMI-PASSIVE BOND MANAGERS
Sector Weights
As of June 30, 1995

(In Percentages)

	Treas	Agcy	Total Govt	Ind	Util	Fin	Tran	Total Corp	Mtgs	Misc	Cash
Fidelity	35	9	44	2	5	15	0	31	25	0	0
Goldman	21	5	26	15	0	13	0	39	34	0	1
Lincoln	33	11	44	5	3	5	0	23	33	0	1
Aggregate Average	30	8	38	7	3	11	0	31	31	0	1
Lehman Agg.	47	7	54	6	3	4	0	18	28	0	0

EXTERNAL BOND MANAGERS

Quarterly Performance
July 1990-June 1995

	BEA		IDS		IAI		Miller Anderson		Standish	
	Actual	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**	**Actual**	**Bmrk**
3Q90	Manager retained 3Q93		Manager retained 3Q93		-0.6	0.8	-0.5	1.0	Manager retained 3Q93	
4Q90					7.0	5.4	6.1	5.1		
1Q91					2.4	2.3	3.2	2.6		
2Q91					1.2	1.6	1.7	1.8		
3Q91					7.0	6.0	7.3	5.7		
4Q91					6.0	5.0	7.2	5.0		
1Q92					-2.7	-1.2	-2.3	-1.2		
2Q92					4.4	4.1	4.1	4.1		
3Q92					5.9	4.3	4.1	4.3		
4Q92					0.2	0.3	1.3	0.3		
1Q93					5.3	4.2	4.5	4.2		
2Q93					3.8	2.8	3.9	2.8		
3Q93	3.0	2.6	4.3	3.4	3.7	2.6	3.5	2.6	3.0	2.6
4Q93	0.2	0.0	-0.9	-0.3	-0.6	0.0	-0.3	0.0	0.1	0.0
1Q94	-3.0	-2.8	-3.4	-3.1	-3.5	-2.8	-2.9	-2.8	-3.3	-2.8
2Q94	-1.4	-1.0	-1.1	-1.2	-1.7	-1.0	-2.0	-1.0	-1.2	-1.0
3Q94	-0.3	0.6	0.3	0.5	0.1	0.6	0.4	0.6	0.2	0.6
4Q94	1.3	0.4	0.8	0.4	1.2	0.4	0.1	0.4	0.3	0.4
1Q95	5.1	5.0	4.7	5.0	4.2	5.0	5.4	5.0	4.5	5.0
2Q95	6.9	6.1	7.1	6.4	4.6	6.1	6.1	6.1	5.9	6.1

EXTERNAL BOND MANAGERS

Quarterly Performance Con't.
July 1990-June 1995

	TCW		Western		Fidelity		Goldman		Lincoln	
	Actual	Bmrk	Actual	Bmrk	Actual	Bmrk	Actual	Bmrk	Actual	Bmrk
3Q90	Manager retained 3Q93		0.1	0.8	0.8	1.0	Manager retained 3Q93		0.9	1.0
4Q90			5.5	4.8	5.2	5.1			5.3	5.1
1Q91			3.4	3.0	3.3	2.6			2.6	2.6
2Q91			1.9	2.0	1.8	1.8			1.6	1.8
3Q91			6.3	5.8	5.7	5.7			5.6	5.7
4Q91			5.4	5.0	5.1	5.0			5.3	5.0
1Q92			-0.6	-1.2	-1.0	-1.2			-1.2	-1.2
2Q92			3.8	4.1	3.8	4.1			3.9	4.1
3Q92			4.0	4.3	4.5	4.3			4.5	4.3
4Q92			0.9	0.3	0.3	0.3			0.3	0.3
1Q93			5.2	4.2	4.4	4.2			4.3	4.2
2Q93			4.0	2.8	2.9	2.8			2.7	2.8
3Q93	2.9	0.9	3.9	2.6	3.0	2.6	2.8	2.6	2.6	2.6
4Q93	0.1	0.9	0.4	0.0	0.3	0.0	0.3	0.0	0.1	0.0
1Q94	-1.7	-2.1	-3.3	-2.8	-2.5	-2.8	-2.6	-2.8	-2.6	-2.8
2Q94	-5.7	-0.5	-2.1	-1.0	-0.8	-1.0	-0.9	-1.0	-1.1	-1.0
3Q94	5.2	0.9	0.9	0.6	1.1	0.6	0.5	0.6	0.6	0.6
4Q94	-3.4	0.4	0.3	0.4	-0.4	0.4	0.9	0.4	0.5	0.4
1Q95	4.8	5.2	5.8	5.0	4.2	5.0	4.9	5.0	5.3	5.0
2Q95	6.8	5.2	7.1	6.1	6.0	6.1	5.9	6.1	5.9	6.1

EXTERNAL BOND MANAGERS

Quarterly Performance Con't.
July 1990-June 1995

	Aggregate*	Market Index**
3Q90	0.5	1.0
4Q90	5.4	5.1
1Q91	3.0	2.6
2Q91	1.7	1.8
3Q91	6.0	5.7
4Q91	5.5	5.0
1Q92	-1.3	-1.2
2Q92	3.9	4.1
3Q92	4.4	4.3
4Q92	0.5	0.3
1Q93	4.6	4.2
2Q93	3.2	2.8
3Q93	3.2	2.6
4Q93	0.1	0.0
1Q94	-2.8	-2.8
2Q94	-1.5	-1.0
3Q94	0.7	0.6
4Q94	0.2	0.4
1Q95	5.0	5.0
2Q95	6.1	6.1

* Aggregate performance numbers include returns of any managers retained during the time periods shown but subsequently terminated by the Board.

** Customized benchmarks were used prior to 10/91 when the benchmark changed to the Salomon Broad Investment Grade Bond Index. The benchmark was changed to the Lehman Brothers Aggregate Bond Index in 7/94.

EXTERNAL BOND MANAGERS

Annualized Performance Summary
Periods Ending June 30, 1995

	1 Year		2 Years		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Active Managers								
BEA Associates	13.5%	12.6%	5.9%	5.5%				
IDS Advisory	13.5	12.7	5.9	5.5				
Investment Advisers	10.4	12.6	4.1	5.5	7.9	7.6	9.8	9.5
Miller Anderson	12.4	12.6	5.1	5.5	8.2	7.6	10.4	9.5
Standish Ayer & Wood	11.3	12.6	4.7	5.5				
TCW	13.7	12.2	4.2	5.5				
Western	14.7	12.6	6.4	5.5	9.2	7.6	10.8	9.6
Semi-Passive Managers								
Fidelity Management	11.2	12.6	5.4	5.5	7.7	7.6	9.7	9.5
Goldman Sachs	12.7	12.6	5.9	5.5				
Lincoln Capital	12.7	12.6	5.6	5.5	7.8	7.6	9.6	9.5
Aggregate*	**12.5%**		**5.5%**		**8.0%**		**9.9%**	
Capital Markets Data								
Lehman Aggregate**	12.6%	---	5.5%	---	7.6%	---	9.5%	---
91 Day Treasury Bills	5.4	---	4.3	---	3.9	---	4.7	---
Inflation	3.0	---	2.8	---	2.8	---	3.3	---

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

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

EXTERNAL INTERNATIONAL STOCK MANAGERS

Quarterly Performance
October 1992 - June 1995

	Baring	Brinson	Marathon	Rowe	Scudder	Templeton	State Street	Aggregate	EAFE**
4Q92							-3.6	-3.8	-3.9
1Q93							11.9	11.9	11.9
2Q93	5.0	2.7					9.4	8.1	10.1
3Q93	6.6	4.7					7.1	6.8	6.7
4Q93	13.6	2.8	-0.3*	7.5*	4.9*	1.6*	0.9	4.0	0.9
1Q94	-3.6	-0.2	9.8	-2.5	-3.3	1.3	3.3	1.6	3.4
2Q94	3.7	2.9	5.4	0.9	1.6	0.3	5.4	4.0	5.2
3Q94	4.3	2.0	1.5	5.2	2.3	5.4	0.4	1.9	0.2
4Q94	-3.1	-1.3	-0.6	-3.5	-2.6	-3.0	-1.0	-1.7	-1.0
1Q95	-1.1	-3.0	-4.6	-0.8	-0.2	1.4	1.3	-0.1	1.9
2Q95	0.2	3.3	1.2	5.0	6.4	8.4	1.6	2.8	0.8

* November and December only. Not a full quarter.

** Morgan Stanley Capital International Index of Europe, Australia and the Far East (EAFE Free)

EXTERNAL INTERNATIONAL STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 1995

	1 Year		2 Years		Since Inception		
	Actual	Benchmark*	Actual	Benchmark*	Actual	Benchmark	
Active Managers							
Baring	0.2%	1.7%	10.2%	9.1%	11.4%	12.8%	Since 4/1/93
Brinson	0.9	1.7	5.6	9.1	6.2	12.8	Since 4/1/93
Marathon	-2.6	1.7			7.2	4.9	Since 11/1/93
Rowe	5.6	1.7			6.9	4.9	Since 11/1/93
Scudder	5.8	1.7			5.4	4.9	Since 11/1/93
Templeton	12.2	1.7			9.2	4.9	Since 11/1/93
Passive Manager							
State Street	2.4	1.7	9.8	9.1	13.6	13.3	Since 10/1/92
Aggregate	**2.9**	**1.7**	**9.9**	**9.1**	**13.2**	**13.3**	**Since 10/1/92**

* Morgan Stanley Capital International Index of Europe, Australia and the Far East (EAFE Free) for the corresponding period.

ALTERNATIVE ASSETS

Basic Retirement Funds
Summary of Commitments
As of June 30, 1995

	Total Fund Size (Millions)	SBI Inception Date	SBI Commitment	SBI Funded	SBI To Be Funded	Fund Description
Real Estate						
Aetna 013420	$1,230	9/94	$2,591,431	$2,591,431	$ 0	Open End
Aetna 007367	1,230	4/82	40,000,000	40,000,000	0	Open End
AEW III	103	9/85	20,000,000	20,000,000	0	Closed End
AEW IV	100	9/86	17,400,000	15,000,000	2,400,000	Closed End
AEW V	82	12/87	15,000,000	15,000,000	0	Closed End
American Republic*	N.A.	2/90	1	1	0	Closed End
Colony Investors II	625	4/95	40,000,000	671,676	39,328,324	Closed End
Equitable	3,000	10/81	40,000,000	40,000,000	0	Open End
First Asset Realty*	53	4/94	907,097	907,097	0	Closed End
Heitman I	113	8/84	20,000,000	20,000,000	0	Closed End
Heitman II	238	11/85	30,000,000	30,000,000	0	Closed End
Heitman III	200	1/87	20,000,000	20,000,000	0	Closed End
Heitman V	127	12/91	20,000,000	20,000,000	0	Closed End
LaSalle	76	9/91	15,000,000	9,448,127	5,551,873	Closed End
Paine Webber*	124	2/90	500,000	500,000	0	Closed End
Realty Assoc. Fund III	346	6/94	40,000,000	31,400,000	8,600,000	Closed End
RREEF III	773	5/84	75,000,000	75,000,000	0	Closed End
TCW III	216	8/85	40,000,000	40,000,000	0	Closed End
TCW IV	250	11/86	30,000,000	30,000,000	0	Closed End
Zell/Merrill Lynch II	430	11/91	50,000,000	40,388,854	9,611,146	Closed End
Zell/Merrill Lynch III	682	1/94	50,000,000	23,076,000	26,924,000	Closed End
Resource						
AMGO I	$144	9/81	$15,000,000	$15,000,000	$ 0	Later Stage
AMGO II	36	2/83	7,000,000	7,000,000	0	Later Stage
AMGO IV	75	5/88	12,300,000	12,300,000	0	Later Stage
AMGO V	85	5/90	16,800,000	15,925,203	874,797	Later Stage
Apache III	190	12/86	30,000,000	30,000,000	0	Net Profits Interest
Morgan Oil & Gas	135	8/88	15,000,000	13,799,697	1,200,303	Debt with Equity
Simmons OFS	90	8/91	17,000,000	13,011,527	3,988,473	Later Stage
Simmons OFS II	205	6/95	25,000,000	0	25,000,000	Later Stage

* Received from Police and Fire Fund consolidations

ALTERNATIVE ASSETS

Basic Retirement Funds
Summary of Commitments
As of June 30, 1995

	Total Fund Size (Millions)	SBI Inception Date	SBI Commitment	SBI Funded	SBI To Be Funded	Fund Description
Private Equity						
Allied	$ 40	9/85	$ 5,000,000	$ 5,000,000	$ 0	Later Stage
Midwest Bank Fund III	125	10/92	20,000,000	15,000,000	5,000,000	Later Stage
Blackstone Partners II	1,040	11/93	50,000,000	14,549,808	35,450,192	LBO
Brinson I	50	5/88	5,000,000	5,000,000	0	Secondary Interests
Brinson II	110	11/90	20,000,000	15,800,000	4,200,000	Secondary Interests
Churchill Capital II	150	10/92	20,000,000	11,400,000	8,600,000	Later Stage
Coral I*	36	6/86	7,160,972	7,011,923	149,049	Early Stage
Coral II	64	7/90	10,000,000	7,000,000	3,000,000	Early Stage
Coral IV	78	7/94	15,000,000	3,769,110	11,230,890	Early Stage
DSV IV	60	4/85	10,000,000	10,000,000	0	Early Stage
First Century III	100	12/84	10,000,000	10,000,000	0	Early Stage
Golder Thoma III	225	10/87	14,000,000	13,375,000	625,000	Later Stage
Golder Thoma IV	300	4/93	20,000,000	9,700,000	10,300,000	Later Stage
Hellman & Friedman III	1,390	9/94	40,000,000	2,190,239	37,809,761	Later Stage
IAI Ventures I*	50	3/91	1,222,828	1,057,744	165,084	Early Stage
IMR Partnership	500	8/92	15,000,000	1,374,900	13,625,100	LBO
Inman & Bowman	44	6/85	7,500,000	7,500,000	0	Early Stage
KKR 1984 Fund	1,000	6/84	25,000,000	25,000,000	0	LBO
KKR 1986 Fund	2,000	4/86	18,365,339	18,365,339	0	LBO
KKR 1987 Fund	5,600	11/87	145,950,000	145,950,000	0	LBO
KKR 1991 Fund	1,900	5/91	150,000,000	62,541,949	87,458,051	LBO
Matrix II	70	8/85	10,000,000	10,000,000	0	Early Stage
Matrix III	80	5/90	10,000,000	10,000,000	0	Early Stage
Northwest Partners I	60	1/84	10,000,000	10,000,000	0	Later Stage
Summit I	93	12/84	10,000,000	10,000,000	0	Later Stage
Summit II	230	5/88	30,000,000	28,500,000	1,500,000	Later Stage
T. Rowe Price	---	11/87	78,953,726	78,953,726	0	IPO Manager
Warburg Pincus	2,022	12/94	50,000,000	6,000,000	44,000,000	Later Stage
Zell/Chilmark	1,000	7/90	30,000,000	25,573,248	4,426,752	Restructuring

SUMMARY

	SBI Commitment	SBI Funded	SBI To Be Funded
Real Estate Totals	$566,398,529	$ 473,983,186	$92,415,343
Private Equity Totals	838,152,865	571,612,986	266,539,879
Resource Totals	138,100,000	107,036,427	31,063,573
Grand Total	**$1,542,651,394**	**$1,152,632,599**	**$390,018,795**

* Received from Police and Fire Fund consolidations

ALTERNATIVE ASSETS

Post Retirement Fund
Summary of Commitments
As of June 30, 1995

	Total Fund Size (Millions)	SBI Inception Date	SBI Commitment	SBI Funded	SBI To Be Funded	Fund Description
Real Estate						
CB Comm. Mtg. II	$ 50	6/95	$ 10,000,000	$ 0	$10,000,000	Closed End
Colony Investors II	625	12/94	40,000,000	671,676	39,328,324	Closed End

	Total Fund Size (Millions)	SBI Inception Date	SBI Commitment	SBI Funded	SBI To Be Funded	Fund Description
Private Equity						
Citicorp Mezzanine	$ 485	12/94	$40,000,000	$8,799,803	$36,521,739	Later Stage
KB Mezzanine II	180	6/95	25,000,000	0	25,000,000	Later Stage
Summit Sub-Debt Fund	141	3/94	20,000,000	5,000,000	15,000,000	Later Stage

SUMMARY

Real Estate Totals	$ 50,000,000	$ 671,676	$ 49,328,324
Private Equity Totals	85,000,000	13,799,803	76,521,739
Grand Total	**$135,000,000**	**$14,471,479**	**$ 125,850,063**

Time-Weighted Rate of Return

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

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

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

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

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

Where:

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

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

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

n = Number of cash flows in the month

R = Internal rate of return

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

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

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

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

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

Calculation of January 1, 1996 Benefit Increase

Actuarial value of required reserves at Jan. 1, 1996	$ 8,774,278,000
Less: Reserves not eligible for increase	376,397,000
Actuarial eligible reserves at Jan. 1, 1996	8,397,881,000
FY95 CPI inflation rate capped at 3.5%	3.100%
Dollar cost of inflationary increase	260,334,311
June 30, 1995 total required reserves	8,927,159,000
June 30, 1995 total required reserves adjusted for inflationary increase	9,187,493,311
Market value of Assets at June 30, 1995	10,241,831,611
Less: Inflation adjusted required reserves	9,187,493,311
Current year excess market value	1,054,338,300
Negative balance carry forward	278,524,750
Excess market value available for investment based benefit increase	775,813,550
Divided by 5 year pay out period	5
Current year portion of excess market value	155,162,710
Second year portion	-86,222,761
Third year portion	207,805,264
Fourth year portion	0
Fifth year portion	0
Total five year excess market value	276,745,214
Cost of transition adjustment	41,989,405
Greater of current year excess market value or cost of transition adjustment	276,745,214
Divided by eligible required reserves at Jan. 1, 1996	8,397,881,000
Investment based increase for FY95	3.2954%

Summary:

Investment Based Benefit Increase	**3.2954%**
Inflation Based Benefit Increase	**3.1000%**
Total Benefit Increase	**6.3954%**
Total Dollar Value of January 1, 1996 Benefit Increase	**$ 537,079,525**

Commissions and Trading Volume

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Abner Herrman & Brock	$ 3,464,513	$ 6,466	$ 0	$ 0	$ 0
Adams Harkness & Hill	10,460,584	3,423	0	0	0
Adler, Coleman & Co.	2,597,072	3,802	0	0	0
Advest Co.	922,100	1,000	30,225,698	0	0
AIG Capital	2,632,179	0	1,058,104	0	0
Albert E S	533,343	1,059	0	0	0
Alfred Berg	2,525,674	2,522	0	0	0
Allen & Company	143,538	380	5,565,574	0	0
Alpha Management Inc.	43,677,087	66,755	0	0	0
American Express Credit	0	0	0	0	277,556,246
American General Finance	0	0	0	0	113,763,828
Ames (A.E.) & Co.	13,024,038	0	0	0	0
Anthony F. Castellano	0	0	11,034,500	0	0
Anvil Inst.	11,973,139	15,769	0	0	0
ANZ	12,789	63	1,889,070	0	0
Arbor Trading	0	0	74,530,921	0	0
Arbour Securities Inc.	0	0	356,653	0	0
Arnhold	27,097,720	46,963	0	0	0
Arnold S.	669,563	0	0	0	0
Asesores Burasatiles	454,661	2,467	0	0	0
Asia Equity	354,335	0	0	0	0
Asiel & Co	597,370	408	0	0	0
Assoc. Corp. of N. America	0	0	0	0	385,960,243
Autranet	45,660,789	81,059	2,353,500	563	0
AVCO Financial Services	0	0	0	0	200,276,326
B.C. Christopher	0	0	0	0	7,973,911.
B. V. Capital Markets	3,898,514	9,635	0	0	0
BA Securities Inc.	0	0	43,850,174	0	555,966,353
Bacot Allan	2,030,907	0	0	0	0
Bain Securities	1,486,936	4,913	8,427,190	0	0
Baird Patrick and Co.	568,871	850	0	0	0
Banca Comm.	243,750	0	0	0	0
Bancal Tri-State Corp.	0	0	0	0	39,579,986
Banco Serfin	23,389	28	0	0	0
Bancone Capital Corp.	0	0	1,577,029	0	4,943,267
Bank In Liechtenstein	1,728,892	101	0	0	0
Bank Julius	531,662	1,449	0	0	0
Bank of America	0	0	8,677,036	0	24,819,415
Bank of Boston	0	0	0	0	386,255
Bank of Montreal New	0	0	3,537,567	0	0
Bank of NY Securities Inc.	1,770,038	0	1,076,300	0	0
Bankers Trust	370,567	348	43,722,880	1	9,743,750
Banque Paribas	141,020	422	0	0	0
Banque Scandinave	24,925	4	0	0	0
Barclays Dezoete Wedd	3,288,589	9,702	4,953,844	0	0
Baring Securities	4,478,725	13,601	0	0	0
Baron Capital Corp.	200,240	240	0	0	0
Barrington Trading Co.	1,366,978	1,800	4,987,500	0	0
Baum George K. & Co.	564,399	1,032	0	0	0
Bayerische Vereinsbk	3,651,563	10,266	0	0	0
Beal M.R. & Co.	19,682	26	0	0	0
Bear Stearns & Co.	305,472,840	430,038	1,222,376,894	25	1,315,000,000
Beneficial Corp.	0	0	0	0	225,987,956
Benito & M	361,609	902	0	0	0
Bergen	0	0	812,426	0	0
Bernstein Sanford	96,718,896	135,154	0	0	0
Beta Capital	3,611,421	187	0	0	0
BHF Securities	1,233,363	1,401	0	0	0

Commissions and Trading Volume Con't.

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Blair & Company	$ 54,551,388	$ 60,241	$ 0	$ 0	$ 0
Bot Security NY	0	0	7,620,000	0	0
Brad Perry Inc.	1,039,313	2,130	0	0	0
Brandt (Robert) & Co.	28,101,462	34,473	0	0	0
Brick Securities	350,017	815	0	0	0
Bridge Data	707,931	1,096	0	0	0
Bridge Trading Co.	44,901,397	63,718	206,513	155	0
Brimberg	29,842	148	0	0	0
Broadcort Capital	214,911,920	317,261	0	0	0
Brockhouse & Cooper	352,794	244	0	0	0
Brown (Alex) & Sons Inc.	141,666,689	149,485	33,544,360	0	0
Brown Bros. Harriman	8,178,252	16,452	104,079,664	0	0
BSN Sciedad Devalores	962,674	30	0	0	0
BT Securities Corp.	218,749,063	59,115	89,176,706	0	160,434,812
Buckingham Research GRP	256,733	566	0	0	0
Bunting Warvurger Sec.	2,050,265	8,232	0	0	0
Burnham & Co.	94,063	0	0	0	0
Burns Fry & Timmins	196,147	142	0	0	0
Bursamex	238,066	174	0	0	0
BZW Secs.	2,675,842	8,650	0	0	0
C.J. Lawrence	466,643	1,122	0	0	0
C.L. King & Assoc.	391,815	906	0	0	0
C.S.F.B	1,762,791	260	0	0	0
Cannon Securities Inc.	706,000	2,000	0	0	0
Cantor Fitzgerald	235,743,889	307,146	11,912,039	0	0
Capel, James	30,745,483	42,637	51,340	0	0
Capital Inst. Services	9,638,093	16,569	0	0	0
Carnegie	1,253,868	2,714	0	0	0
Cazenove & Co.	14,624,304	33,183	0	0	0
CCF Paris	462,384	636	0	0	0
Chapman Company	876,943	916	0	0	0
Charles, AK	138,191	378	0	0	0
Chase Manhattan Bank	8,450	0	41,526,223	0	7,963,911
Chase Securities Inc.	0	0	49,567,629	0	6,826,000,000
Chemical Bank	0	0	156,968,249	0	23,899,653
Chemical Bank CSI	0	0	0	0	8,429,403
Chemical Bank N.Y.	0	0	67,503,564	0	7,957,100
Chemical Securities Inc.	0	0	20,042,969	0	271,951,522
Cheuvreux	2,109,663	4,815	0	0	0
Chevron Oil Fin. Co.	0	0	0	0	21,839,327
Chicago Corp.	16,101,375	11,215	0	0	0
Cholet Dupont	3,386,874	10,130	0	0	0
CIBC/Wood Gundy	0	0	0	0	142,648,008
CIMO SPA Milan	684,826	343	0	0	0
CIT Group Holdings	0	0	0	0	273,347,404
Citation Financial	37,699,973	45,653	0	0	0
Citation Group	192,068,439	341,766	0	0	0
Citibank	150,499	749	82,386,097	1	0
Citicorp	0	0	12,864,725	0	0
Citicorp Securities Inc.	0	0	3,183,967	0	246,317,765
CL Glazer Inc.	3,796,695	4,410	0	0	0
Clearing Services of America	625,546	990	0	0	0
Cleary Gull Reiland	6,417,536	8,993	0	0	0
Colin Hochstin	0	0	38,567,601	0	0
Commercial Credit Co.	0	0	0	0	193,476,086
Conning & Company	6,473,908	5,193	0	0	0
Consolidation	0	0	0	0	0
Cornerstone Financial	101,246	0	0	0	0
Cosby Securities	0	0	21,564,375	0	0
County Natwest Sec. Corp. USA	139,981,227	230,896	78,030,467	0	0
Covato Lipsitz Inc.	70,106	127	0	0	0

Commissions and Trading Volume Con't.

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Cowen & Co.	$ 86,019,278	$ 87,807	$ 5,270,539	$ 0	$ 0
Credit Anstalt	872	13	0	0	0
Credit Lyonnais	7,389,949	14,802	0	0	0
Credit Research & Trading	192,500	0	0	0	0
Credit Suisse	919,853	2,517	0	0	0
Credit Suisse First Boston Ltd	276,944	880	0	0	0
Creditanstalt Bank	58,332	821	0	0	0
Cresvale Limited London	661,301	6,589	0	0	0
Cresvale Sec. Inc. New York	387,748	541	0	0	0
Cronin & Co Inc.	0	0	6,050,474	0	0
Crosby Securities	1,353,361	10,375	0	0	0
CRT Govt. Securities Ltd.	0	0	8,046,900	0	0
Crutteden Gust & Merh.	90,388	500	0	0	0
Cyrus J. Lawrence	6,519,444	4,548	38,447,285	0	0
D.A. Campbell	907,660	704	0	0	0
DAI ICHI Securities	15,357,656	22,015	0	0	0
Dain Bosworth Inc.	32,633,204	22,074	55,324,210	0	0
Daiwa Sec. America	8,737,583	6,616	5,484,251	0	0
Davis	2,435,406	2,319	0	0	0
DBS Securities	671,623	2,652	0	0	0
Dean Witter Reynolds	42,454,675	31,265	180,315,586	0	934,945,550
Deere & Company	0	0	0	0	172,874,833
Deitsche Bk Cap. Corp.	0	0	499,050	0	0
Delafield Harvey Tabell	816,575	0	0	0	0
Den Norske Bank	430,248	192	0	0	0
Derby Sec.	6,258,906	3,828	0	0	0
Deutsche Bank Capital	994,889	2,644	0	0	0
Deutsche Bank Govt. Sec. Inc.	36,182,635	63,676	0	0	0
Dillon, Read	32,845,070	50,125	62,343,246	0	664,703,500
Discount Corp. (N.Y.)	0	0	136,804,164	0	130,368,931
DLJ Fixed Income	145,870	320	962,616,661	0	0
Dominick & Dominick	146,885	250	0	0	0
Donaldson Lufkin	17,679,660	27,158	301,592,582	0	9,979,000,000
Doyle, Paterson, & Brown	1,060,162	2,523	0	0	0
Dresdner Sec. NY	0	0	1,200,045	0	0
Edge Securities	71,889	133	0	0	0
Edwards & Co.	0	0	0	0	382,624
Edwards A.G. & Sons	729,384	2,145	44,222,486	0	0
EGS Securities	44,750	89	0	0	0
Enskilda Securities	4,606,781	13,143	0	0	0
Equitable Securities	1,869,585	1,413	0	0	0
Equity Securities Trading	151,716	0	0	0	0
Ernst & Co.	10,078,067	17,224	0	0	0
Euro Brokers, Inc.	0	0	0	0	62,839,659
Execution Services Inc.	2,605,503	2,876	0	0	0
Exxon Credit Corp.	0	0	0	0	25,236,000
Factset Data	10,893,218	15,142	0	0	0
Fagenson & Co.	33,387	47	0	0	0
Falmouth Corp.	0	0	0	0	25,355,739
FC Financial Services	7,447,405	12,444	0	0	0
Federal Buy	0	0	608,508	0	0
Federal Home Loan Bank	0	0	72,505,822	0	0
Federated Securities, Inc.	0	0	735,500	0	0
Ferris Paris	104,243	312	0	0	0
FHLMC	0	0	32,437,451	0	0
FIBA Nordic Sec.	702,176	1,116	0	0	0
Fidelity Brokerage	550,510	819	0	0	0
Fidelity C	48,419,359	90,510	0	0	0
Financial Planning Cole, Inc.	0	0	2,382,031	0	2,804,442

Commissions and Trading Volume Con't.

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Finamex	$ 36,421	$ 26	$ 0	$ 0	$ 0
Financial Clearing	375,606	606	0	0	0
First Albany	8,495,009	3,544	3,488,707	0	0
First Analysis Sec. Corp.	1,960,390	2,756	0	0	0
First Boston Corporation	299,598,390	403,525	1,862,766,870	0	1,465,742,343
First Chicago Cap. Mkts. Inc.	0	0	29,049,903	0	97,434,285
First Chicago Corp.	0	0	1,664,008	0	4,771,242
First Manhattan Company	8,914,045	14,655	0	0	0
First National Bank Boston	4,661	0	0	0	0
First Southwest Co.	42,375	0	0	0	0
First Tenn Bank, NA	0	0	8,102,087	0	0
First Union Cap. Mkts	0	0	0	0	68,515,055
Fleming (Robert) Inc.	824,325	476	0	0	0
Ford Financial Services	0	0	0	0	627,915,903
Fourteen Research Corp.	274,643	490	0	0	0
Fox Pitt Kelton Inc.	14,761,706	18,479	0	0	0
Frank Russell	3,009,410	5,902	0	0	0
Franklin Securities Corp.	52,613	110	0	0	0
Frederick Gregory & Co.	0	0	5,665,313	0	0
Freimark Blair	124,909	168	0	0	0
Friedman, Billings & Ramsey	4,440,745	805	0	0	0
Friend (L.H.) & Co.	547,324	245	0	0	0
Fuji Securities	0	0	2,030,475	0	17,350,000
Furman Selz Mager	39,303,650	38,971	784,628	0	0
G. K. Goh.	1,814,221	9,411	56,320	303	0
Gardner Rich & Cole	891,650	1,365	5,919,540	0	0
Gateway CA	272,887	464	0	0	0
General Elec. Capital Corp.	0	0	2,000,000	0	10,507,265,381
General Motors Acceptance	0	0	247,215,000	0	42,534,417,157
Genesis	1,496,723	3,107	0	0	0
Gerard Klaver Madison	63,863	137	0	0	0
Gilder Gagnon	4,438,952	6,132	0	0	0
Glazer, C. L.	44,018	59	0	0	0
GMAC Financial Services	0	0	0	0	151,350,635
GMS Group	0	0	0	0	74,973,880
Goepel Shields & Partners	499,840	2,000	0	0	0
Goldman Sachs & Company	413,432,059	576,115	3,683,149,120	149,641	549,754,222
Goldman Sachs Money Mkt., Inc.	0	0	0	0	9,884,972
Gordon CP	2,313,120	1,145	0	0	0
Greenfield Arbitrage Partners	0	0	921,449	0	0
Greenstreet Advisors	11,767	61	0	0	0
Greenwich Capital Markets Inc.	0	0	1,650,861,246	0	10,124,000,000
Gruntal & Company	16,655,537	15,008	958,750	0	0
GX Clarke	0	0	54,905,465	0	3,493,000
Hall Inter.	1,758,169	2,633	0	0	0
Hambrecht & Quist	9,576,643	8,689	0	0	0
Handlelsba	300,755	1,347	0	0	0
Hanifin	1,237,679	2,331	0	0	0
Heller Capital Mkts Group Inc.	0	0	0	0	130,678,100
Henderson Crosthwait	517,372	804	0	0	0
Henry Cook Lumsden, Ltd.	773	0	0	0	0
Herzog Heine Gedvid	36,601,107	5,675	0	0	0
HG Asia Securities	948,434	6,869	0	0	0
HKS Corp (Helmut)	7,077	17	0	0	0
Hoare Govett	7,652,333	16,679	0	0	0
Hoenig & Co.	14,259,039	31,578	0	0	0
Household International	0	0	0	0	258,470,800
Howard Weil Labouisse Friedric	659,468	1,715	0	0	0
Howe Barnes Investments, Inc.	0	0	5,658,311	0	0
Huntleigh Securities Corp.	226,334	0	0	0	0
IBES	1,224,794	865	0	0	0

Commissions and Trading Volume (Con't)

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
IBM Corp.	$ 0	$ 0	$ 0	$ 0	$ 14,924,875
IBM Credit Corp.	0	0	0	0	50,570,014
Icahn & Co., Inc.	0	0	12,305,625	0	0
Illinois Co. (The)	73,125	0	0	0	0
IMI Securities	735,009	0	0	0	0
Ingalls & Snyder	432,361	1,455	0	0	0
Instinet	923,272,268	605,028	0	0	0
Interacciones	1,163,220	1,300	0	0	0
Intermobiliare Sec.	591,175	157	0	0	0
Interstate	29,810,352	46,004	0	0	0
Interstate Pcs.	167,203	274	0	0	0
Invemed Associates	7,758,238	7,146	0	0	0
Inverlat Intl.	1,700,559	4,431	0	0	0
Investment Technology Corp.	1,275,196,257	941,674	0	0	0
Investment Technology Grp., Inc.	5,160,942	556	0	0	0
Investnet DOM & DOM	77,730	76	0	0	0
ISI Group	9,747,049	15,572	0	0	0
J C Bradford & Co.	1,521,403	1,206	2,322,656	0	0
J. P. Morgan & Co.	3,214,965	2,099	52,824,096	0	49,900,063
J.P. Morgan Securities Inc.	72,589,944	92,103	495,788,498	0	73,913,971
J. B. Were & Son	3,341,936	10,664	0	0	0
Jackson Securities	2,903,298	3,000	0	0	0
James Cape	331	0	0	0	0
Janney Montgomery Scott	4,154,392	12,264	0	0	0
Jardine Fleming	6,004,373	10,733	0	0	0
Jean Pierre Pinatton	4,340,301	1,288	0	0	0
Jefferies & Co.	299,047,559	503,672	7,116,316	0	0
Jensen Securities	98,371	192	0	0	0
Jesup & Lamont	872,078	1,032	0	0	0
John Hancock	2,296,916	2,983	0	0	0
Johnson Rice & Co.	2,397,800	4,866	0	0	0
Jones & Associates	28,384,227	29,049	0	0	0
Josephthal & Co.	1,668,351	4,590	0	0	0
KALB Voorhis & Co.	778,273	2,321	0	0	0
Kankaku Securities	294,747	878	0	0	0
Keane Securities	4,195	18	0	0	0
Keefe Bruyette & Wood	11,519,828	16,383	13,304,399	0	0
Kempen & Co.	210,928	631	0	0	0
Kemper Cap.	3,798,898	4,105	4,957,162	0	0
Kemper Securities Inc.	72,743	98	25,582,754	0	0
Kidder Peabody	58,370,664	79,373	566,642,828	14,914	31,296,213
KIM. Eng. Sec.	1,015,911	3,449	0	0	0
Kinnard (John G.) & Co.	1,058,634	3,123	0	0	0
Kleinworth Benson Inc.	21,571,539	48,731	0	0	0
Kokusai	1,211,904	410	0	0	0
Koonce Sec., Inc.	69,313	0	0	0	0
Kosel Securities	0	0	38,775	0	0
Ladenburg Thalmann	1,717,185	1,740	0	0	0
Lamberson Knight	0	0	0	0	135,069,755
Langen MCA	1,643,078	3,483	0	0	0
Lazard Freres & Co.	1,198,641	2,065	8,447,798	0	0
Legg Mason	4,875,842	8,865	0	0	0
Legg Mason Wood Walk	86,989	108	0	0	0
Lehman Bros Inc.	257,598,232	330,528	1,375,960,926	71,632	631,172,718
Lehman Brothers Inc.	261,684,662	304,101	1,113,724,485	0	28,804,754
Lehman Govt. Securities	0	0	389,572,458	20	1,608,810,000
Lewco Securities Inc.	139,680,435	150,615	8,854,410	0	0
Lipper Analytical Dist.	401,513	1,029	0	0	0
Loewen	0	0	71,978	0	0
Lynch John	0	0	4,947,656	0	0

Commissions and Trading Volume Con't.

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Lynch, Jones & Ryan	$ 91,298,273	$ 122,475	$ 89,645,498	$ 0	$ 0
Mabon Nugent & Co.	18,942,074	31,510	8,567,981	0	0
Macquarie Equities	408,184	1,709	0	0	0
Marine Midland Bank	0	0	0	0	23,893,082
Mark Twain Bank	0	0	3,748,268	0	0
Marlequ Lemire, Inc.	31,994	0	0	0	0
Mayer & Schweitzer Inc.	4,858,880	0	0	0	0
McDonald & Company	6,529,465	10,817	42,862,223	0	989,790
McGraw Hill	241,527	195	0	0	0
McIntosh & Co.	1,085,209	3,949	0	0	0
Mellon Capital Mkts	0	0	0	0	19,836,667
Meridian Securities, Inc.	0	0	1,095,965	3,276	0
Merrill Lynch P F & S	459,958,761	561,266	3,776,552,271	3,371	1,065,960,489
Mesirow and Company	3,392,804	5,817	0	0	44,611,414
Mesirow Capital	46,165	114	0	0	0
Mid-State Securities	0	0	3,996,094	0	0
Midas Corr	155,030	3	0	0	0
Midland Walwyn	1,118,514	6,720	0	0	0
Midwest Discount Securities	227,116	138	0	0	0
Montgomery Securities	124,923,972	164,876	0	0	0
Moran & Co.	567,000	0	0	0	0
Moran & Assoc.	11,741	23	0	0	0
Morgan Grenfell	196,746	977	0	0	0
Morgan Guaranty	0	0	72,606,471	0	0
Morgan Kegan Inc.	16,609,673	8,041	0	0	0
Morgan Stanley & Co.	548,832,537	359,919	1,188,250,674	3,797	647,489,906
Moss Lawson	84,727	127	0	0	0
Muir John / Group 4	17,401	37	0	0	0
Muller and Cole	0	0	2,597,875	0	0
Mutual of Omaha Inv. Corp.	0	0	8,649,446	0	0
National Financial	5,066,353	5,102	0	0	0
Nations Bank	0	0	41,323,463	0	0
Nationsbanc Capital Mkts Inc.	0	0	33,447,750	0	9,200,000,000
Natl. Westminster Bank N.A.	0	0	0	0	9,853,799
Natwest Securities	11,958,770	18,764	0	0	0
Nesbitt Thomson Sec.	0	0	9,967,259	0	0
Neuberger & Berman	25,759,748	40,152	0	0	0
New Japan Securities	80,768	2	0	0	0
Newbridge Securities	577,441	273	0	0	0
Nikko Securities	2,954,516	1,537	0	0	2,649,653,654
Nippon Kangyo	335,780	545	0	0	0
Nomura Securities Intl.	6,375,985	10,990	16,417,731	0	150,000,000
Norwest Bank MN	9,000,000	0	2,000,000	0	12,501,885
Norwest Financial Inc.	0	0	0	0	123,990,469
Norwest Investment Serv. Inc.	0	0	7,429,773	0	346,983,745
Not Applicable*	931,146,811	2,667	3,515,867,437	0	254,191,756
Noyes Partners	1,008,357	1,128	0	0	0
Nutmeg Securities	61,230	85	0	0	0
Nuveen John & Company	0	0	21,528,875	0	0
O'Neil (Wm Co., Inc.)	1,647,436	2,836	0	0	0
Oddo Desache' Paris	277,614	166	0	0	0
Oppenheimer & Co.	71,723,365	109,343	4,230,118	0	0
ORD Minnett	3,496,388	10,613	0	0	0
ORO Financial	2,633,372	3,228	0	0	0
Oscar Grussman	202,708	408	0	0	0
Pacific Cr.	2,018,993	3,540	0	0	0
Pacific Crest Securities	12,031	28	0	0	0
Pacific Eq. Research, Inc.	163,541	812	0	0	0

Commissions and Trading Volume Con't.

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Paine Webber Inc.	$ 10,038,043	$ 80,778	$ 176,007,863	$ 13,067	$7,655,261,883
Paine Webber J & C	433,198,155	577,950	638,404,638	1,097	18,643,706
Pari Passu	0	0	0	0	0
Paribas Co.	2,806,280	0	4,370,152	0	0
Paul Conarad	0	0	249,102	0	0
Pauli & Co.	447,125	0	0	0	0
Paulsen, Dowling	95,669	156	0	0	0
PBI Securities	790,332	515	0	0	0
Pension Consulting Serv.	144,692	232	0	0	0
Peregrine Securities	83,913	417	0	0	0
Pershing	130,496,528	161,042	1,055,380,776	0	0
Peterbroeck	259,895	775	0	0	0
Peters & Co.	1,235,867	3,040	0	0	0
Pflueger and Baerwald	0	0	109,361	0	0
Pforzheimer Carl H.	880,436	1,462	0	0	0
Phil. Intl. NY	0	0	7,815,000	0	0
Phillips & Drew	5,450,542	12,258	0	0	0
Piper Capital Mgmt.	563,340	840	0	0	0
Piper Jaffray Inc.	22,727,871	20,216	14,173,363	0	4,936,426
Piper, G. W. & Co.	878,581	1,890	0	0	0
Potter Partners	954,297	2,429	0	0	0
Pressprich (R.W.) & Co.	0	0	2,147,425	0	0
Prudential	4,501,439	5,391	114,054,967	0	3,957,767
Prudential Funding Corp.	0	0	12,119,929	0	74,435,769
Prudential Securities Inc.	125,877,204	154,112	119,015,685	8,077	2,656,000,000
Prudential-Bache Sec.	0	0	44,424,066	0	0
Pryor McClendon	1,719,013	2,186	384,197	0	4,980,000
Pryor McClendon Counts & Co., Inc.	0	0	0	0	4,516,912
Punk Ziege	5,304,356	126	0	0	0
Q&R Clearing Corp.	2,783,603	4,233	0	0	0
Quaker Sec., Inc.	38,377,850	13,248	0	0	0
Quest Securities, Inc.	46,712	0	0	0	0
R. L. Renck	144,604	132	0	0	0
Rauscher P.	2,628,505	4,323	0	0	0
Raymond James & Associates	5,958,221	8,647	5,875,470	0	0
RBC Dominion Securities	3,620,061	11,120	1,939,660	0	0
Reaves (W.H.) & Co.	3,595,714	2,772	0	0	0
Republic Natl. Bank N.Y.	1,203,986	753	54,216	0	0
Richardson Securities	329,714	481	0	0	0
Roach Ward Guest	0	0	4,648,828	0	0
Robbins	169,562	301	0	0	0
Robert Fleming	1,825,252	2,629	0	0	0
Robert Thomas	14	0	0	0	0
Robert W. Baird & Co.	20,564,786	22,155	0	0	0
Robertson Colman & Stephens	61,834,893	23,341	76,475	238	0
Robinson-Humphrey Co.	23,485,519	28,382	0	0	0
Rochdale Securities Corp.	8,560,066	16,279	0	0	0
Rodman & Renshaw	609,476	276	0	0	0
Roulston & Company	2,036,003	5,628	0	0	0
Rowan, Dartington & Co.	161,511	321	0	0	0
Salomon Brothers	389,701,591	540,581	4,315,389,609	29,306	975,422,219
Sanwa-BGK	0	0	562,669,566	0	0
Sarasin Securities	699,889	1,895	0	0	0
SBS Securities	31,165	57	0	0	0
Schapiro (M.A.) & Co.	238,500	0	0	0	0
Schroder Munchmeyer	51,883	110	0	0	0
Schroder Securities	2,913,361	9,436	0	0	0
Scotia McLeod	2,287,263	3,917	0	0	0

Commissions and Trading Volume Con't.

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Seaport Securities	$ 3,252,839	$ 5,310	$ 0	$ 0	$ 0
Securities Settlement Corp.	0	0	46,954,208	0	0
SEI Funds Evaluation	79,060,844	117,299	0	0	0
Shaw Data	11,014,742	13,254	0	0	0
Shearson Lehman	0	0	245,526,463	0	0
Sherwood Securities	4,355,106	1,321	0	0	0
Siff Marks+Oakley	162,219	179	0	0	0
Simmons First Natl. Bank	0	0	3,519,141	0	16,555,786
Skandinaviska Enskilda	0	0	6,092,386	0	0
Smith Barney & Company	13,337,958	31,035	150,080,749	0	1,636,884,617
Smith New Court	19,372,706	28,239	0	0	0
Societe General	73,269,085	47,785	401,267	0	0
Societe Generale NA	0	0	19,698,741	0	0
Sogen (French)	2,978,879	893	0	0	0
Soundview	38,791,930	32,306	0	0	0
Southcoast Capital Corp.	1,032,963	3,634	0	0	0
Southeast Research Partners	77,700	300	0	0	0
Spear, Leeds & Kellogg	11,813	0	0	0	0
SPS Clearing	0	0	513,961	0	0
SSGA External	947,329	0	0	0	0
Standard & Poor Securities	83,331,853	143,836	0	0	0
State ST BK & Trust	72,808,547	444	43,740,028	0	15,604,169,292
Stephens Inc.	745,502	14	0	0	0
Sterne, Agee & Leach	584,571	0	0	0	0
Stolper & Co.	3,010,304	4,458	0	0	0
Stover, Haley	1,653,572	1,190	0	0	0
Sutro and Company Inc.	5,642,966	8,544	6,344,630	0	0
Swiss Bank	740,737	1,797	5,839,146	0	0
Thamesway Secs	3,147,835	6,325	0	0	0
Thomson Institutional Services	167,950	308	0	0	0
Tonge Co.	3,446,451	5,245	0	0	0
Toronto Dominion Sec., Inc.	0	0	0	0	54,155,196
Travelers, Inc.	0	0	0	0	56,758,819
Troster Singer	452,257	37	0	0	0
Tucker Anthony Inc.	844,756	384	166,116	0	0
Tucker, Anthony & R. L. Day, Inc.	4,288,721	5,910	0	0	0
U. S. Clearing	10,368,007	14,381	0	0	0
UBS Securities	3,106,156	448	300,825,533	0	0
UBS-DB Corporation	41,688,665	41,324	1,685,075,863	9	0
Unibank	1,631,002	573	136,288	7	0
Union Bk-Swiss Zurich	4,064,380	8,014	0	0	0
United Kansas BK & Trust	0	0	0	0	0
United Securities	1,266,006	0	3,705,184	0	0
Unterburg Harris & Desantis	1,003,218	74	0	0	0
Utendahl	0	0	28,713,459	0	0
Valores Finamex	16,647	20	0	0	0
Venhu Securities	0	0	42,045,337	0	0
Volpe Welt	7,364,557	900	0	0	0
Vontobel	2,915,545	8,771	0	0	0
W. I. Carr	415,090	1,390	0	0	0
W. S. Clear	1,056,409	1,064	0	0	0
Wagner Stott & Co.	7,423,651	10,105	0	0	0
Wainwright Securities	1,366,424	1,400	0	0	0
Wako Securities	664,014	935	0	0	0
Warburg S. G.	49,987,976	85,512	0	0	0
Wasserstei	563,404	1,412	0	0	0
Wedbush Securities	986,076	1,074	0	0	0

Commissions and Trading Volume Con't.

By Broker for Fiscal Year 1995

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
Weeden & Company	$223,243,038	$ 248,305	$ 0	$ 0	$ 0
Weiss	84,988,426	249,061	0	0	0
Wertheim & Co.	5,635,976	11,334	0	0	0
Wertheim Lewco Sec., Ltd.	91,817	102	0	0	0
Wertheim Schroder & Co. Inc.	5,244,448	7,832	0	0	0
Weschler	0	0	212,005	0	0
Wessels, Arnold	24,481,896	8,304	0	0	0
Westminster	708,545	1,584	0	0	0
Whale Securities	595,000	0	0	0	0
Wheat First Securities	2,250	0	0	0	29,641,593
Wheaton First Securities Inc.	6,288,838	5,960	0	0	0
Wiliam R. Hough & Co.	0	0	0	0	1,190,660
William Blair & Co.	72,745	88	0	0	0
Williams	389,933	498	0	0	16,917,400
Williams Cap Growth	6,127	7	0	0	0
Williams, Mackay	243,332	1,270	0	0	0
Wilshire Associates	7,072,497	11,700	0	0	0
Wm. C. Roney & Co.	13,791	25	0	0	0
Wood Gundy & Company	1,347,500	0	0	0	0
Yamaichi	374,416	1,102	0	0	0
Yamatane	120,022	4	0	0	0
Zions Capital Markets	0	0	0	0	67,393,872
Broker not available**	5,849,698,146	149,677	2,829,391,415	9	10,949,962,530
All Brokers Combined	**$17,229,672,633**	**$12,178,607**	**$37,220,845,127**	**$296,234**	**$146,976,954,244**

* Includes income reinvestment and option exercise volume.

** Includes transactions where broker data was incomplete.

Note: Totals may not add due to rounding.

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STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
CENTENNIAL BUILDING, 658 CEDAR STREET • ST. PAUL, MN 55155 • 612/296-4708 • TDD RELAY 612/297-5353
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Supplemental Retirement Fund and the Post Retirement Investment Fund which constitute the Investment Trust Funds of the State of Minnesota as of and for the year ended June 30, 1995, as shown on pages 106 to 112. These financial statements are the responsibility of the State Board of Investment's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The financial statements present only the Investment Trust Funds of the State of Minnesota and are not intended to present fairly the financial position and results of operations of the State Board of Investment or the State of Minnesota in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets and participation of the Investment Trust Funds of the State of Minnesota at June 30, 1995, and the results of their operations and changes in their net assets for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements and supporting schedules on pages 114 to 136 are presented for the purposes of additional analysis and are not a required part of the Investment Trust Funds of the State of Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

James R. Nobles
James R. Nobles
Legislative Auditor

John Asmussen
John Asmussen, CPA
Deputy Legislative Auditor

December 1, 1995

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1995
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL(5)	POST RETIREMENT INVESTMENT FUND (6)
ASSETS:		
Investments (at market value) (3)		
Common Stock	$ 405,202	$ 6,242,421
Alternative Equities	0	0
Fixed Income Securities	194,114	3,606,736
Short Term Securities	81,607	365,501
Total Investments (4)	$ 680,923	$ 10,214,658
Cash	0	0
Security Sales Receivable	0	0
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	15,160
Accounts Receivable-Participants	0	15,357
Accrued Interest	1,749	0
Accrued Dividends	0	0
Accrued Short Term Gain	417	1,518
TOTAL ASSETS	$ 683,089	$ 10,246,693
LIABILITIES:		
Management Fees Payable	149	3,828
Security Purchases Payable	0	0
Accounts Payable-Participants	0	0
Accounts Payable-Mortality	0	1,033
TOTAL LIABILITIES	$ 149	$ 4,861
NET ASSETS AT JUNE 30, 1995	$ 682,940	$ 10,241,832

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1995
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL	POST RETIREMENT INVESTMENT FUND
FROM INVESTMENT ACTIVITY:		
Net Investment Income	$ 30,505	$ 615,309
Realized Gains (Losses)	622	(45,426)
Unrealized Gains (Losses)	68,685	877,539
TOTAL INCOME	$ 99,812	$ 1,447,422
Less Distribution To Participant Accounts	(99,846)	(716,951)
Undistributed Dedicated Income	0	0
Net Change In Undistributed Income	($ 34)	$ 730,471
FROM PARTICIPANT TRANSACTIONS:		
Additions To Participant Accounts		
Participant Contributions	40,793	640,515
Income Distribution	99,846	716,951
Income To Be Distributed	0	0
Total Additions	$ 140,639	$ 1,357,466
Deductions From Participant Accounts		
Withdrawals	35,360	807,939
Total Deductions	$ 35,360	$ 807,939
Net Change In Participation	$ 105,279	$ 549,527
TOTAL CHANGE IN ASSETS	$ 105,245	$ 1,279,998
NET ASSETS:		
Beginning Of Period	577,695	8,961,834
End Of Period	$ 682,940	$ 10,241,832

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1995
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL		POST RETIREMENT INVESTMENT FUND	
INVESTMENT INCOME:				
Interest	$	10,340	$	176,764
Dividends		16,186		444,565
Short Term Gains		4,505		9,613
Income Before Expenses	$	31,031	$	630,942
Management Fees		526		15,633
NET INCOME	$	30,505	$	615,309
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS				
Realized:				
Proceeds From Sales	$	62,326	$	2,300,936
Cost Of Securities Sold		61,704		2,346,362
Net Realized Gain (Loss)	$	622	($	45,426)
Unrealized:				
Beginning Of Period		39,083		(511,110)
End Of Period		107,768		366,429
Increase (Decrease) In Unrealized Appreciation	$	68,685	$	877,539
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$	69,307	$	832,113

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Risk Categories: At June 30, 1995, all investments of the Investment Trust Funds and pooled investment accounts are insured or registered, or are held by the state or its agent in the state's name. The state's investment risk for repurchase agreements is reduced by a State Board of Investment policy which limits transactions to those with primary government securities dealers whose net excess capital is greater than $200,000,000.

Security Valuation: All securities are valued at market except for U.S. Government short-term securities and commercial paper, which are valued at market less accrued interest. Accrued short-term interest is recognized as income as part of "Short-Term Gain". For long-term fixed income securities the State Board uses the Merrill Lynch valuation system. This pricing service is capable of providing prices for both actively traded and privately placed bonds. For equity securities the State Board uses a valuation service provided by Financial Control Systems, Inc.

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

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

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

Loaning Securities: Certain U.S. Government and Government Agency securities are loaned out by the State Board to banks and brokers for additional income. Collateral in the amount of 100% of the market value of the security loaned is required.

2. PORTFOLIO LISTING

Asset listings summarizing the securities held by these funds can be found starting on page 137 of this report. A complete listing is available by contacting the State Board's office. Fixed income and equity securities are presented at market value.

3. COST OF INVESTMENTS

At June 30, 1995, the cost of investments for the Investment Trust Funds was:

Supplemental Investment Fund	$ 573,156,063
Post Retirement Fund	$ 9,848,228,943

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1995

4. LOANED SECURITIES

The market value of loaned securities outstanding at June 30, 1995 was:

Supplemental Investment Fund	$	21,453,865
Post Retirement Fund	$	-0-

5. SUPPLEMENTAL INVESTMENT FUND

The Supplemental Investment Fund serves as an investment vehicle for the various state and locally administered pension plans. During Fiscal Year 1995 the fund included seven separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages 114 to 125 of this report. Participation in the Supplemental Investment Fund accounts is determined in accordance with various statutory requirements.

6. POST RETIREMENT INVESTMENT FUND

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

Participation in the POST Fund is equal to the actuarially determined required reserves for retirement benefits as of June 30, 1995. It includes a 5% assumed income distribution, in accordance with *Minnesota Statutes* Section 11A.18, and any mortality gains or losses as determined by an independent actuary hired by the State Legislature.

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

Pursuant to ***Minnesota Statutes* Section 11A.18, Subdivision 9**, the inflation increase is based on the change during the Fiscal Year in the *Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor.* In addition to the inflation based increase, a portion of the June 30, 1995 net market value in excess of Required Reserves is available for distribution as an investment based benefit increase to pension fund participants in January 1996.

The benefit increase is stated as a percentage of eligible required reserves. In accordance with statutory provisions, the amount available for the benefit increase is certified to each participating pension fund for distribution to eligible individuals. Annuitants and other individuals receiving benefits at May 31, 1995 are eligible to receive the January 1, 1996 benefit increase.

Inflation Based Benefit Increase	3.1000%
Investment Based Benefit Increase	3.2954%
Total Benefit Increase	**6.3954%**

7. POOLED INVESTMENT ACCOUNTS

The State Board of Investment manages ten pooled investment accounts for the Investment Trust Funds, the Supplemental Investment Fund and the Defined Benefit Pension Funds of the State of Minnesota. The assets of the pooled accounts are held by our master custodian, State Street Bank of Boston. Financial information on these pooled accounts is shown on pages 126 to 133 of this report.

STATE BOARD OF INVESTMENT

MINNESOTA INVESTMENT TRUST FUNDS

SCHEDULE OF PARTICIPATION

JUNE 30, 1995

AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL	POST RETIREMENT INVESTMENT FUND
Teacher's Retirement Fund	$ 0	$ 3,790,813
Public Employees Retirement Fund	0	2,900,042
State Employees Retirement Fund	0	1,313,386
Public Employees Police & Fire Fund	0	339,181
Public Employees Consolidation Fund	0	346,613
Highway Patrolmen's Retirement Fund	0	128,279
Legislators & Survivors Retirement Fund	0	14,862
Correctional Employees Retirement Fund	0	48,776
Judges Retirement Fund	0	45,207
Income Share Account	331,259	0
Growth Share Account	124,738	0
Money Market Account	55,318	0
Common Stock Index Account	67,120	0
International Stock Account	9,458	
Bond Market Account	22,181	0
Fixed Interest Account	72,903	0
TOTAL PARTICIPATION	$ 682,977	$ 8,927,159
Adjustments		
Unrealized Appreciation (Depreciation) of Investments	0	366,429
Undistributed Earnings	(37)	948,244
NET ASSETS	$ 682,940	$ 10,241,832

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Supplemental Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1995
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
ASSETS:			
Investments (at market value) (2)			
Common Stock	$ 209,977	$ 118,639	$ 0
Alternative Equities	0	0	0
Fixed Income Securities	101,256	0	0
Short Term Securities	18,470	6,149	55,040
Total Investments (3)	$ 329,703	$ 124,788	$ 55,040
Cash	0	0	0
Security Sales Receivable	0	0	0
Accounts Receivable-Fee Refunds	0	0	0
Accounts Receivable-Mortality	0	0	0
Accounts Receivable-Participants	0	0	0
Accrued Interest	1,470	0	0
Accrued Dividends		0	0
Accrued Short Term Gain	101	32	278
TOTAL ASSETS	$ 331,274	$ 124,820	$ 55,318
LIABILITIES:			
Management Fees Payable	15	82	1
Security Purchases Payable	0	0	0
Accounts Payable-Participants	0	0	0
Options Premiums Received	0	0	0
TOTAL LIABILITIES	$ 15	$ 82	$ 1
NET ASSETS AT JUNE 30, 1995	$ 331,259	$ 124,738	$ 55,317

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 67,124	$ 9,462	$ 0	$ 0	$ 405,202
0	0	0	0	0
0	0	22,190	70,668	194,114
0	0	0	1,948	81,607
$ 67,124	$ 9,462	$ 22,190	$ 72,616	$ 680,923
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	279	1,749
0	0	0	0	0
0	0	0	6	417
$ 67,124	$ 9,462	$ 22,190	$ 72,901	$ 683,089
4	4	9	34	149
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
$ 4	$ 4	$ 9	$ 34	$ 149
$ 67,120	$ 9,458	$ 22,181	$ 72,867	$ 682,940

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1995
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
FROM INVESTMENT ACTIVITY:			
Net Investment Income	$ 14,840	$ 5,779	$ 3,071
Realized Gains (Losses)	310	0	0
Unrealized Gains (Losses)	38,836	17,949	0
TOTAL INCOME	$ 53,986	$ 23,728	$ 3,071
Less Distribution To	(53,986)	(23,728)	(3,071)
Participant Accounts	0	0	0
Undistributed Dedicated Income	$ 0	$ 0	$ 0
Net Change In Undistributed Income			
FROM PARTICIPANT TRANSACTIONS:			
Additional To Participant Accounts	5,554	3,635	2,362
Participant Contributions	53,986	23,728	3,071
Income Distribution	0	0	0
Income To Be Distributed	$ 59,540	$ 27,364	$ 5,433
Total Additions			
Deductions From Participant Accounts	8,578	4,335	9,909
Withdrawals	$ 8,578	$ 4,336	$ 9,909
Total Deductions	$ 50,962	$ 23,028	($ 4,476)
Net Change In Participation	$ 50,962	$ 23,028	($ 4,476)
TOTAL CHANGE IN ASSETS			
NET ASSETS:	280,297	101,710	59,793
Beginning Of Period	$ 331,259	$ 124,738	$ 55,317

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 2,413	$ 69	$ 1,082	$ 3,251	$ 30,505
95	(4)	(59)	280	622
10,175	(74)	1,522	277	68,685
$ 12,683	($ 9)	$ 2,545	$ 3,808	$ 99,812
(12,683)	9	(2,545)	(3,842)	(99,846)
0	0	0	0	0
$ 0	$ 0	$ 0	($ 34)	($ 34)
7,793	9,582	1,458	10,409	40,793
12,683	(9)	2,545	3,842	99,846
0	0	0	0	0
$ 20,476	$ 9,573	$ 4,003	$ 14,251	$ 140,640
829	115	2,523	9,071	35,360
$ 829	$ 115	$ 2,523	$ 9,071	$ 35,361
$ 19,647	$ 9,458	$ 1,480	$ 5,180	$ 105,279
$ 19,647	$ 9,458	$ 1,480	$ 5,146	$ 105,245
47,473	0	20,701	67,721	577,695
$ 67,120	$ 9,458	$ 22,181	$ 72,867	$ 682,940

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1995
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
INVESTMENT INCOME:			
Interest	$ 6,030	$ 0	$ 0
Dividends	7,917	5,763	0
Short Term Gains	945	388	3,076
Income Before Expenses	$ 14,892	$ 6,151	$ 3,076
Management Fees	52	372	5
NET INCOME	$ 14,840	$ 5,779	$ 3,071
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Realized:			
Proceeds From Sales	14,434	0	0
Cost Of Securities Sold	14,124	0	0
Net Realized Gain (Loss)	$ 310	$ 0	$ 0
Unrealized:			
Beginning Of Period	31,476	6,068	0
End Of Period	70,312	24,017	0
Increase (Decrease) In Unrealized Appreciation	$ 38,836	$ 17,949	$ 0
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 39,146	$ 17,949	$ 0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 1,117	$ 3,193	$ 10,340
2,426	80	0	0	16,186
0	0	0	96	4,505
$ 2,426	$ 80	$ 1,117	$ 3,289	$ 31,031
13	11	35	38	526
$ 2,413	$ 69	$ 1,082	$ 3,251	$ 30,505
$ 834	$ 152	$ 2,525	$ 44,381	$ 62,326
739	156	2,584	44,101	61,704
$ 95	($ 4)	($ 59)	$ 280	$ 622
2,514	0	(975)	0	39,083
12,689	(74)	547	277	107,768
$ 10,175	($ 74)	$ 1,522	$ 277	$ 68,685
$ 10,270	($ 78)	$ 1,463	$ 557	$ 69,307

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1995
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Community College	$ 40,933	$ 15,761	$ 1,997
Community College (IRA)	697	86	78
Fire Relief Associations	18,274	1,683	231
Hennepin County Supplemental Retirement	37,480	15,136	5,135
Minnesota State Retirement System Deferred	85,702	46,563	33,608
Minnesota State Retirement System Unclassified	68,813	21,173	11,040
Public Employees Retirement Assoc. Defined Cont	2,144	904	440
State University	77,216	23,432	2,789
TOTAL PARTICIPATION	$ 331,259	$ 124,738	$ 55,318
Adjustments			
Unrealized Appreciation			
(Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	(1)
NET ASSETS	$ 331,259	$ 124,738	$ 55,317

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 2,108	$ 234	$ 1,007	$ 2,208	$ 64,248
31	1	28	18	939
1,805	98	579	113	22,783
4,599	827	1,421	0	64,598
44,799	4,707	12,360	60,205	287,944
11,367	3,229	4,603	8,322	128,547
640	16	353	656	5,153
1,771	346	1,830	1,381	108,765
$ 67,120	$ 9,458	$ 22,181	$ 72,903	$ 682,977
0	0	0	0	0
0	0	0	(36)	(37)
$ 67,120	$ 9,458	$ 22,181	$ 72,867	$ 682,940

STATE BOARD OF INVESTMENT
FIRE RELIEF ASSOCIATIONS
SUPPLEMENTAL INVESTMENT FUND PARTICIPATION
JUNE 30, 1995
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Adrian Fire	$ 45	$ 0	$ 0
Alborn Fire	13	0	0
Almelund Fire	13	0	0
Audubon Fire	40	0	0
Austin Fire	951	0	0
Bagley Fire	36	0	1
Balsam Fire	33	15	0
Belle Plaine Fire	0	20	0
Bemidji Fire	61	0	0
Benson Fire	3	3	0
Bloomington Fire	10,882	0	0
Buffalo Lake Fire	30	30	0
Canby Fire	23	25	0
Center City Fire	29	4	0
Chaska Fire	107	0	0
Cherry Fire	24	0	0
Chisago City Fire	167	0	0
Chokio Fire	50	0	0
Clarkfield Fire	11	0	0
Clear Lake Fire	33	35	66
Crane Lake Fire	8	4	5
Dawson Fire	82	55	0
Deerwood Fire	25	0	0
Edgerton Fire	35	0	0
Elbow Lake Fire	58	0	0
Emmons Fire	17	13	0
Excelsior Fire	528	0	0
Forest Lake Fire	285	32	0
Golden Valley Fire	437	0	0
Good Thunder Fire	59	0	0
Greenwood Fire	5	13	0
Grey Eagle Fire	27	0	7
Hackensack Fire	16	0	0
Hamel Fire	66	0	11
Hayward Fire	8	31	0
Hector Fire	148	0	0
Henning Fire	0	0	0
Industrial Fire	12	0	0
Jackson Fire	0	0	0
Jordan Fire	26	20	0
Kabetogama Fire	0	20	0
Kandiyohi Fire	4	4	0
Lafayette Fire	52	9	0
Lake City Fire	171	0	0
Leaf Valley Fire	6	6	0
Lewiston Fire	11	12	0
Linwood Fire	195	0	0
Lowry Fire	0	0	0
Mapleton Fire	18	6	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	FIRE RELIEF FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 45
1	0	12	0	26
0	0	0	0	13
0	0	0	0	40
0	0	0	0	951
0	0	76	0	113
0	0	0	0	48
0	0	0	57	77
0	0	0	0	61
4	0	3	0	13
714	0	0	0	11,596
0	0	0	0	60
0	0	0	0	48
0	3	0	0	36
0	0	0	0	107
0	0	0	0	24
0	0	81	0	248
0	0	0	0	50
4	0	0	0	15
0	0	0	0	134
0	0	0	0	17
0	0	0	0	137
0	0	0	0	25
0	0	0	0	35
0	0	0	0	58
13	0	0	0	43
0	0	0	0	528
26	0	68	0	411
410	0	41	0	888
0	0	0	34	93
0	0	6	0	24
0	0	0	0	34
0	0	0	0	16
0	0	0	0	77
8	0	7	0	54
0	0	0	0	148
0	10	0	0	10
0	0	11	0	23
78	0	0	0	78
0	0	12	0	58
0	0	0	0	20
4	0	3	0	15
11	0	6	0	78
0	0	0	0	171
0	0	0	0	12
0	0	0	0	23
0	0	0	0	195
6	0	0	0	6
0	0	0	0	24

STATE BOARD OF INVESTMENT
FIRE RELIEF ASSOCIATIONS
SUPPLEMENTAL INVESTMENT FUND PARTICIPATION
JUNE 30, 1995
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Mapleview Fire	$ 17	$ 23	$ 0
Marine St Croix Fire	33	44	0
Mayer Fire	22	0	0
Maynard Fire	25	0	0
McDavitt Fire	12	6	0
Medicine Lake Fire	169	0	0
Menahga Fire	21	0	0
Milan Fire	4	4	0
Minneota Fire	9	0	0
Minnetonka Fire	1,448	0	0
Morris Fire	0	17	0
Morristown Fire	60	0	0
New Brighton Fire	0	610	0
New Ulm Fire	0	0	0
Nodine Fire	0	0	0
North Branch Fire	6	6	0
Northfield Fire	221	0	0
Norwood Fire	11	0	0
Osakis Fire	0	11	0
Ottertail Fire	46	0	0
Pine Island Fire	48	22	0
Plato Fire	16	34	0
Randall Fire	0	34	0
Randolph Fire	46	0	0
Redwood Falls Fire	26	12	0
Renville Fire	12	12	0
Roseville Fire	173	117	0
Rush City Fire	6	0	0
Sandstone Fire	54	0	0
Scandia Valley Fire	83	0	0
Shakopee Fire	0	78	0
Sherburn Fire	59	0	0
Silver Bay Fire	9	10	0
Stillwater Fire	76	0	0
Vergas Fire	18	0	0
Vermillion Lake Fire	26	0	0
Winnebago Fire	12	0	0
Woodbury Fire	569	286	141
Wykoff Fire	38	0	0
Zumbro Falls Fire	49	0	0
TOTAL PARTICIPATION	$ 18,274	$ 1,683	$ 231
Adjustments			
Unrealized Appreciation (Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	(1)
NET ASSETS	$ 18,274	$ 1,683	$ 230

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	FIRE RELIEF FUND TOTAL
$ 0	$ 0	$ 17	$ 0	$ 57
0	0	18	0	95
27	0	21	0	70
0	0	0	0	25
0	0	11	0	29
23	0	0	0	192
0	0	18	0	39
4	0	3	0	15
0	0	8	0	17
0	0	0	0	1,448
17	15	0	0	49
64	0	0	0	124
0	0	0	0	610
47	0	0	0	47
7	4	10	0	21
6	5	0	0	23
0	0	0	0	221
0	0	0	0	11
11	0	0	0	22
0	0	0	0	46
0	0	0	0	70
18	0	0	0	68
0	29	0	0	63
47	0	0	0	93
12	0	15	0	65
0	0	12	0	36
0	0	0	0	290
6	0	0	22	34
0	0	0	0	54
0	0	0	0	83
51	25	0	0	154
0	0	0	0	59
0	7	0	0	26
0	0	0	0	76
0	0	0	0	18
0	0	0	0	26
0	0	0	0	12
186	0	120	0	1,302
0	0	0	0	38
0	0	0	0	49
$ 1,805	$ 98	$ 579	$ 113	$ 22,783
0	0	0	0	0
0	0	0	0	(1)
$ 1,805	$ 98	$ 579	$ 113	$ 22,782

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF ASSETS AND LIABILITIES
JUNE 30, 1995
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT(4)	ACTIVE BOND ACCOUNT
ASSETS:				
Investments (at market value) (2)				
Common Stock	$ 0	$ 0	$ 0	$ 13,057
Alternative Equities	471,348	90,365	555,815	0
Fixed Income Securities	0	0	0	3,036,823
Short Term Securities	135	9,550	4,869	510,204
Total Investments (3)	$ 471,483	$ 99,915	$ 560,684	$ 3,560,084
Cash	0	0	0	12,597
Security Sales Receivable	0	0	465	69,446
Accounts Receivable-Fee Refunds	0	0	0	0
Accounts Receivable-Mortality	0	0	0	0
Accounts Receivable-Participants	0	0	0	0
Accrued Interest	0	0	0	37,830
Accrued Dividends	2,522	0	119	0
Accrued Short Term Gain	0	17	6	2,666
TOTAL ASSETS	$ 474,005	$ 99,932	$ 561,274	$ 3,682,623
LIABILITIES:				
Management Fees Payable	0	0	0	1,307
Security Purchases Payable	0	0	0	316,905
Accounts Payable-Participants	0	0	0	0
Options Premiums Received	0	0	0	0
TOTAL LIABILITIES	$ 0	$ 0	$ 0	$ 318,212
NET ASSETS AT JUNE 30, 1995	$ 474,005	$ 99,932	$ 561,274	$ 3,364,411

SEMI PASSIVE BOND ACCOUNT	DOMESTIC ACTIVE EQUITY ACCOUNT	DOMESTIC PASSIVE EQUITY ACCOUNT	DOMESTIC SEMI-PASSIVE EQUITY ACCOUNT	INTERNATIONAL ACTIVE EQUITY ACCOUNT	INTERNATIONAL ACTIVE COUNTRY ACCOUNT	INTERNATIONAL PASSIVE EQUITY ACCOUNT
$ 0	$5,132,330	$3,084,119	$2,760,381	$ 624,981	$ 332,785	$1,029,970
0	0	0	0	0	0	0
3,274,610	8,622	4	0	5,783	0	0
474,424	326,474	16,458	13,947	47,010	12,986	965
$3,749,034	$5,467,426	$3,100,581	$2,774,328	$ 677,774	$ 345,771	$1,030,935
0	0	0	0	6,565	2,850	5,090
134,299	22,775	2,990	25,675	2,371	276	641
16	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
41,742	157	8	0	60	0	0
0	7,857	8,273	7,491	2,495	1,845	5,123
2,148	1,556	69	77	(5,061)	1,579	202
$3,927,239	$5,499,771	$3,111,921	$2,807,571	$ 684,204	$ 352,321	$1,041,991
317	3,649	122	870	769	162	65
585,620	34,837	0	27,065	4,129	316	1,720
0	0	0	0	0	0	0
0	0	0	0	0	0	0
$ 585,937	$ 38,486	$ 122	$ 27,935	$ 4,898	$ 478	$ 1,785
$3,341,302	$5,461,285	$3,111,799	$2,779,636	$ 679,306	$ 351,843	$1,040,206

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1995
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT(4)	ACTIVE BOND ACCOUNT
FROM INVESTMENT ACTIVITY:				
Net Investment Income	$ 14,262	$ 6,412	$ 5,195	$ 173,681
Realized Gains (Losses)	(7,344)	4,600	59,506	(12,247)
Unrealized Gains (Losses)	23,168	1,319	(31,020)	221,376
TOTAL INCOME	$ 30,086	$ 12,331	$ 33,681	$ 382,810
Less Distribution To				
Participant Accounts	(4,373)	(6,346)	(63,305)	(162,954)
Undistributed Dedicated Income	(2,545)	(4,666)	(1,396)	1,520
Net Change In Undistributed Income	$ 23,168	$ 1,319	($ 31,020)	$ 221,376
FROM PARTICIPANT TRANSACTIONS:				
Additional To Participant Accounts				
Participant Contributions	36,450	9,256	82,274	1
Income Distribution	4,373	6,346	63,305	162,954
Income To Be Distributed	2,545	4,666	1,396	(1,520)
Total Additions	$ 43,368	$ 20,268	$ 146,975	$ 161,435
Deductions From Participant Accounts				
Withdrawals	15,477	2,168	57,298	1,067
Total Deductions	$ 15,477	$ 2,168	$ 57,298	$ 1,067
Net Change In Participation	$ 27,891	$ 18,100	$ 89,677	$ 160,368
TOTAL CHANGE IN ASSETS	$ 51,059	$ 19,419	$ 58,657	$ 381,744
NET ASSETS:				
Beginning Of Period	422,946	80,513	502,617	2,982,667
End Of Period	$ 474,005	$ 99,932	$ 561,274	$ 3,364,411

SEMI PASSIVE BOND ACCOUNT	DOMESTIC			INTERNATIONAL		
	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	SEMI-PASSIVE EQUITY ACCOUNT	ACTIVE EQUITY ACCOUNT	ACTIVE COUNTRY ACCOUNT	PASSIVE EQUITY ACCOUNT
$ 208,385	$ 80,161	$ 123,236	$ 37,954	$ 8,177	($ 5,237)	$ 20,191
(43,255)	172,922	323,920	51,317	9,983	30,013	51,636
198,456	840,378	189,859	342,909	14,710	(22,935)	(47,773)
$ 363,586	$ 1,093,461	$ 637,015	$ 432,180	$ 32,870	$ 1,841	$ 24,054
(165,024)	(252,048)	(447,106)	(90,122)	(22,548)	(19,438)	(71,615)
(106)	(1,035)	(50)	851	4,388	(5,338)	(212)
$ 198,456	$ 840,378	$ 189,859	$ 342,909	$ 14,710	($ 22,935)	($ 47,773)
0	0	38,012	2,347,456	0	0	0
165,024	252,048	447,106	90,122	22,548	19,438	71,615
106	1,035	50	(851)	(4,388)	5,338	212
$ 165,130	$ 253,083	$ 485,168	$ 2,436,727	$ 18,160	$ 24,776	$ 71,827
0	152,813	2,517,600	0	0	0	0
$ 0	$ 152,813	$ 2,517,600	$ 0	$ 0	$ 0	$ 0
$ 165,130	$ 100,270	($ 2,032,432)	$ 2,436,727	$ 18,160	$ 24,776	$ 71,827
$ 363,586	$ 940,648	($ 1,842,573)	$ 2,779,636	$ 32,870	$ 1,841	$ 24,054
2,977,716	4,520,637	4,954,372	0	646,436	350,002	1,016,152
$ 3,341,302	$ 5,461,285	$ 3,111,799	$ 2,779,636	$ 679,306	$ 351,843	$ 1,040,206

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 1995
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT(4)	ACTIVE BOND ACCOUNT
INVESTMENT INCOME:				
Interest	$ 521	$ 0	$ 0	$ 164,370
Dividends	13,717	6,391	5,315	0
Short Term Gains	24	21	120	14,319
Income Before Expenses	$ 14,262	$ 6,412	$ 5,435	$ 178,689
Management Fees	0	0	240	5,008
NET INCOME	$ 14,262	$ 6,412	$ 5,195	$ 173,681
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS				
Realized:				
Proceeds From Sales	$ 30,008	$ 5,305	$ 142,953	$ 7,998,421
Cost Of Securities Sold	37,352	705	83,447	8,010,668
Net Realized Gain (Loss)	($ 7,344)	$ 4,600	$ 59,506	($ 12,247)
Unrealized:				
Beginning Of Period	(20,364)	(4,120)	140,882	(142,570)
End Of Period	2,804	(2,801)	109,862	78,806
Increase (Decrease) In Unrealized Appreciation	$ 23,168	$ 1,319	($ 31,020)	$ 221,376
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 15,824	$ 5,919	$ 28,486	$ 209,129

SEMI PASSIVE BOND ACCOUNT	DOMESTIC ACTIVE EQUITY ACCOUNT	DOMESTIC PASSIVE EQUITY ACCOUNT	DOMESTIC SEMI-PASSIVE EQUITY ACCOUNT	INTERNATIONAL ACTIVE EQUITY ACCOUNT	INTERNATIONAL ACTIVE COUNTRY ACCOUNT	INTERNATIONAL PASSIVE EQUITY ACCOUNT
$ 195,092	$ 973	$ 96	$ 0	$ 277	$ 0	$ 0
0	78,983	122,444	39,128	14,078	5,656	19,990
15,018	17,295	1,284	510	(3,175)	(10,244)	456
$ 210,110	$ 97,251	$ 123,824	$ 39,638	$ 11,180	($ 4,588)	$ 20,446
1,725	17,090	588	1,684	3,003	649	255
$ 208,385	$ 80,161	$ 123,236	$ 37,954	$ 8,177	($ 5,237)	$ 20,191

$ 6,332,764	$ 3,703,963	$ 3,096,441	$ 1,087,747	$ 230,572	$ 268,379	$ 190,121
6,379,019	3,531,041	2,772,521	1,036,430	220,589	238,366	138,485
($ 46,255)	$ 172,922	$ 323,920	$ 51,317	$ 9,983	$ 30,013	$ 51,636
(101,350)	221,407	504,534	0	37,583	43,159	255,268
97,106	1,061,785	694,393	342,909	52,293	20,224	207,495
$ 198,456	$ 840,378	$ 189,859	$ 342,909	$ 14,710	($ 22,935)	($ 47,773)
$ 152,201	$ 1,013,300	$ 513,779	$ 394,226	$ 24,693	$ 7,078	$ 3,863

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF PARTICIPATION
JUNE 30, 1995
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT(4)	ACTIVE BOND ACCOUNT
BASIC RETIREMENT FUNDS				
Teachers Retirement Fund	$ 207,445	$ 43,734	$ 245,645	$ 572,156
Public Employees Retirement Fund	98,840	20,838	117,003	285,702
State Employees Retirement Fund	94,579	19,940	112,025	273,382
Public Employees Police & Fire Fund	46,365	9,775	54,899	134,021
Highway Patrolmen's Retirement Fund	7,113	1,500	8,423	20,561
Judges Retirement Fund	502	106	594	1,451
Police & Fire Consolidation Fund	14,080	2,968	16,669	40,324
Correctional Employees Retire. Fund	5,081	1,071	6,016	14,686
TOTAL	$ 474,005	$ 99,932	$ 561,274	$ 1,342,283
Post Retirement Fund	0	0	0	1,999,946
Supplemental Income Share Account	0	0	0	0
Supplemental Growth Share Account	0	0	0	0
Supplemental Index Share Account	0	0	0	0
Supplemental Bond Market Account	0	0	0	22,182
Supplemental International Share Account				
TOTAL PARTICIPATION	$ 474,005	$ 99,932	$ 561,274	$ 3,364,411

SEMI PASSIVE BOND ACCOUNT	DOMESTIC ACTIVE EQUITY ACCOUNT	DOMESTIC PASSIVE EQUITY ACCOUNT	DOMESTIC SEMI-PASSIVE EQUITY ACCOUNT	INTERNATIONAL ACTIVE EQUITY ACCOUNT	INTERNATIONAL ACTIVE COUNTRY ACCOUNT	INTERNATIONAL PASSIVE EQUITY ACCOUNT
$ 739,579	$1,201,337	$ 637,528	$ 616,033	$ 149,630	$ 77,569	$ 231,364
369,262	590,448	313,276	307,190	74,819	38,639	114,449
353,341	564,990	299,769	293,945	71,593	36,973	109,514
173,218	276,976	146,956	144,101	35,097	18,126	53,687
26,575	41,366	22,545	22,107	5,384	2,781	8,237
1,875	2,999	1,591	1,560	380	196	581
52,602	84,110	44,627	43,760	10,658	5,504	16,304
18,982	30,352	16,104	15,791	3,846	1,986	5,883
$1,735,434	$2,792,578	$1,482,396	$1,444,487	$ 351,407	$ 181,774	$ 540,019
1,605,868	2,550,148	1,352,313	1,335,149	325,510	167,774	495,414
0	0	209,969	0	0	0	0
0	118,559	0	0	0	0	0
0	0	67,121	0	0	0	0
0	0	0	0	0	0	0
				2,389	2,295	4,773
$3,341,302	$5,461,285	$3,111,799	$2,779,636	$ 679,306	$ 351,843	$1,040,206

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS
JUNE 30, 1995

1. PORTFOLIO LISTING:

Asset listings summarizing securities held by these funds can be found starting on page 137 of this report. Fixed income and equity securities are presented at market value.

2. COST OF INVESTMENTS:

At June 30, 1995 the cost of investments for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund was:

DOMESTIC ACCOUNTS	
Active Equity Account	$ 4,405,640,014
Passive Equity Account	$ 2,406,186,836
Semi-Passive Equity Account	$ 2,431,418,737
Active Bond Account	$ 3,481,278,034
Semi-Passive Bond Account	$ 3,651,927,380
Real Estate Account	$ 468,678,565
Resource Account	$ 102,714,913
Venture Capital Account	$ 450,821,985
INTERNATIONAL ACCOUNTS	
Passive Equity Account	$ 823,439,162
Active Country Account	$ 325,546,862
Active Equity Account	$ 625,480,612
SUPPLEMENTAL INVESTMENT FUND	
Income Share Account	$ 259,391,313
Growth Share Account	$ 100,770,388
International Share Account	$ 9,535,786
Money Market Account	$ 55,039,985
Stock Index Account	$ 54,435,228
Bond Market Account	$ 21,643,910
Fixed Interest Account	$ 72,339,453

3. LOANED SECURITIES:

The market value of loaned securities outstanding at June 30, 1995 for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund was:

DOMESTIC ACCOUNTS	
Active Equity Account	$ 414,164,412
Passive Equity Account	$ 135,899,343
Semi-Passive Equity Account	$ 187,001,778
Active Bond Account	$ 530,934,868
Semi-Passive Bond Account	$ 753,874,575
INTERNATIONAL ACCOUNTS	
Passive Equity Account	$ 159,462,071
Active Equity Account	$ 62,398,694

EXTERNAL STOCK AND BOND MANAGERS FEES

Total Payments for Fiscal Year 1995

Active Domestic Stock Managers (1)		
Alliance Capital	$	2,274,914
Brinson Partners		714,275
Forstmann Leff Associates		873,321
Franklin Portfolio Associates		1,077,623
GeoCapital Corp.		1,034,217
IDS Advisory		758,668
Independence Investment Associates		1,024,779
Investment Advisers Inc.		544,645
Jundt Associates		2,075,372
Lincoln Capital		872,235
Lynch & Mayer		1,212,145
Oppenheimer Capital		810,937
Waddell & Reed		773,952
Weiss Peck & Greer		1,035,533
CIC Asset Management		176,001
Cohen, Klingenstein & Marks		174,473
Compass Capital Management		171,494
First Capital Advisors *		152,147
Kennedy Capital Management		313,377
New Amsterdam Partners		132,463
Valenzuela Capital		187,555
Wilke/Thompson Capital		195,327
Winslow Capital		230,549
Zevenbergen Capital		273,792
Passive Domestic Stock Managers (2)		
Wilshire Asset Management *		587,852
Semi-Passive Domestic Equity Managers (2)		
Franklin Portfolio		489,407
J P Morgan Investment Management		593,692
Wells Fargo Nikko Investment Advisor		601,560
Active Domestic Bond Managers (2)		
BEA Associates		652,268
IDS Advisory		296,696
Investment Advisers Inc.		672,342
Miller Anderson Sherrerd		910,933
Standish Ayer Woods		817,133
Trust Company of the West		539,156
Western Asset Management.		1,119,173

EXTERNAL STOCK AND BOND MANAGERS FEES

Total Payments for Fiscal Year 1995

Semi-Passive Domestic Bond Managers (3)		
Fidelity Management Trust	$	516,145
Goldman Sachs Asset Management		781,978
Lincoln Capital Management		426,623
International Stock Managers (2)		
Baring Investment LTD.		299,060
Brinson Partners		350,029
Marathon Asset Management		649,574
Rowe Price - Fleming International		897,320
Scudder Stevens & Clark		687,810
State Street Global Advisors		254,713
Templeton Investment Council		768,308
Assigned Risk Plan		
GE Investment Management		183,701
Voyageur Asset Management		395,727

* Manager terminated during fiscal year 1995.

(1) Active stock managers are compensated on a performance-based fee formula. Four fee options are available and fees earned range from zero to twice the manager's base fee, depending on the manager's performance relative to an established benchmark.

(2) The passive stock manager, international stock managers, active bond managers and two semi-passive bond managers are compensated based on a specified percentage of assets under management.

(3) One semi-passive bond manager is compensated on a performance-based fee formula. Fees earned range from 5 to 10 basis points of assets under management, depending on the manager's performance relative to an established benchmark.

Alliance Capital Management

Equities	Market Value	%
Basic Industries	$0.00	0.0%
Capital Goods	34,509,500.00	4.0
Consumer Basics	192,715,231.25	22.0
Consumer Durables	0.00	0.0
Consumer Non-Dur.	51,774,137.50	5.9
Consumer Services	88,627,050.00	10.1
Energy	0.00	0.0
Finance	115,677,062.50	13.2
General Business	144,720,026.99	16.5
Miscellaneous	0.00	0.0
Shelter	0.00	0.0
Technology	206,726,006.25	23.6
Transportation	9,303,450.00	1.1
Utilities	21,734,100.00	2.5
All Non U.S.	0.00	0.0
Total Equities	865,786,564.49	98.9
Cash Equivalents	9,779,976.82	1.1
Grand Total	**$875,566,541.31**	**100.0%**

CIC Asset Management Inc.

Equities	Market Value	%
Basic Industries	$2,074,037.50	5.9%
Capital Goods	4,601,975.00	13.0
Consumer Basics	4,860,225.00	13.7
Consumer Durables	1,866,262.50	5.3
Consumer Non-Dur.	2,762,462.50	7.8
Consumer Services	0.00	0.0
Energy	1,904,237.50	5.4
Finance	6,691,200.00	18.9
General Business	0.00	0.0
Miscellaneous	1,143,650.00	3.2
Shelter	580,500.00	1.6
Technology	1,830,075.00	5.2
Transportation	1,532,025.00	4.3
Utilities	3,664,950.00	10.4
All Non U.S.	0.00	0.0
Total Equities	33,511,600.00	94.7
Cash Equivalents	1,875,338.28	5.3
Grand Total	**$35,386,938.28**	**100.0%**

Brinson Partners

Equities	Market Value	%
Basic Industries	$21,599,337.50	6.9%
Capital Goods	15,525,306.25	4.9
Consumer Basics	64,156,955.00	20.4
Consumer Durables	9,592,546.12	3.1
Consumer Non-Dur.	21,476,331.25	6.8
Consumer Services	737,467.50	0.2
Energy	18,875,425.00	6.0
Finance	57,006,025.00	18.1
General Business	19,248,525.00	6.1
Miscellaneous	1,055,712.50	0.3
Shelter	38,500.00	0.0
Technology	44,768,700.00	14.2
Transportation	10,166,050.00	3.2
Utilities	22,811,962.50	7.2
All Non U.S.	0.00	0.0
Total Equities	307,058,843.62	97.4
Cash Equivalents	8,290,408.96	2.6
Grand Total	**$315,349,252.58**	**100.0%**

Cohen, Klingenstein & Marks, Inc.

Equities	Market Value	%
Basic Industries	$1,921,375.00	5.0%
Capital Goods	1,305,000.00	3.4
Consumer Basics	10,753,187.50	27.9
Consumer Durables	2,999,500.00	7.8
Consumer Non-Dur.	2,091,000.00	5.4
Consumer Services	0.00	0.0
Energy	0.00	0.0
Finance	9,973,546.87	25.9
General Business	0.00	0.0
Miscellaneous	1,246,000.00	3.2
Shelter	0.00	0.0
Technology	6,548,562.50	17.0
Transportation	0.00	0.0
Utilities	0.00	0.0
All Non U.S.	0.00	0.0
Total Equities	36,838,171.87	95.6
Cash Equivalents	1,688,829.85	4.4
Grand Total	**$38,527,001.72**	**100.0%**

Compass Capital Management Inc.

Equities	Market Value	%
Basic Industries	$4,318,537.50	11.4%
Capital Goods	1,383,950.00	3.7
Consumer Basics	10,495,000.00	27.6
Consumer Durables	3,004,137.50	7.9
Consumer Non-Dur.	4,835,650.00	12.7
Consumer Services	1,721,500.00	4.5
Energy	0.00	0.0
Finance	1,585,625.00	4.2
General Business	4,240,500.00	11.2
Miscellaneous	0.00	0.0
Shelter	1,485,562.50	3.9
Technology	4,640,975.00	12.2
Transportation	0.00	0.0
Utilities	0.00	0.0
All Non U.S.	0.00	0.0
Total Equities	37,711,437.50	99.3
Cash Equivalents	263,872.93	0.7
Grand Total	**$37,975,310.43**	**100.0%**

Franklin Portfolio Associates

Equities	Market Value	%
Basic Industries	$36,313,012.50	8.2%
Capital Goods	16,029,612.50	3.7
Consumer Basics	78,514,910.37	17.8
Consumer Durables	23,077,300.00	5.2
Consumer Non-Dur.	14,582,087.50	3.3
Consumer Services	12,758,737.50	2.9
Energy	28,792,850.00	6.5
Finance	58,418,575.00	13.3
General Business	42,531,812.50	9.7
Miscellaneous	10,340,437.50	2.4
Shelter	4,882,150.00	1.1
Technology	54,304,700.00	12.3
Transportation	6,998,400.00	1.6
Utilities	50,217,987.50	11.4
All Non-U.S.	0.00	0.0
Total Equities	437,762,572.87	99.4
Cash Equivalents	2,677,909.52	0.6
Grand Total	**$440,440,482.39**	**100.0%**

Forstmann-Leff Associates

Equities	Market Value	%
Basic Industries	$15,720,906.25	4.7%
Capital Goods	19,406,262.50	5.8
Consumer Basics	40,624,815.12	12.2
Consumer Durables	5,504,775.00	1.6
Consumer Non-Dur.	22,746,662.50	6.8
Consumer Services	42,601,474.36	12.8
Energy	38,484,506.25	11.5
Finance	29,962,131.25	9.0
General Business	15,430,746.00	4.6
Miscellaneous	23,103,862.50	6.9
Shelter	6,205,420.00	1.9
Technology	40,626,162.49	12.2
Transportation	11,977,875.00	3.6
Utilities	14,694,237.37	4.4
All Non-U.S.	0.00	0.0
Total Equities	327,089,836.59	98.0
Fixed Income	5,179,680.00	1.5
Cash Equivalents	1,675,352.84	0.5
Grand Total	**$333,944,869.43**	**100.0%**

GeoCapital

Equities	Market Value	%
Basic Industries	$11,616,712.50	4.0%
Capital Goods	2,293,500.00	0.8
Consumer Basics	42,676,071.12	14.6
Consumer Durables	0.00	0.0
Consumer Non-Dur.	6,930,512.50	2.4
Consumer Services	33,720,891.00	11.6
Energy	1,788,500.00	0.6
Finance	48,621,010.00	16.6
General Business	64,899,176.87	22.2
Miscellaneous	5,415,236.50	1.9
Shelter	0.00	0.0
Technology	55,268,031.25	18.9
Transportation	1,494,865.00	0.5
Utilities	0.00	0.0
All Non-U.S.	0.00	0.0
Total Equities	274,724,506.74	94.1
Cash Equivalents	17,208,362.66	5.9
Grand Total	**$291,932,869.40**	**100.0%**

Summarized Asset Listings - Domestic Stock Managers — *As of June 30, 1995*

Investment Advisors Inc.

Equities	Market Value	%
Basic Industries	$8,507,850.00	6.4%
Capital Goods	14,600,237.50	11.1
Consumer Basics	17,443,200.00	13.2
Consumer Durables	10,635,362.50	8.0
Consumer Non-Dur.	5,017,575.00	3.8
Consumer Services	4,527,250.00	3.4
Energy	3,948,750.00	3.0
Finance	9,875,575.00	7.5
General Business	9,541,675.00	7.2
Miscellaneous	1,688,000.00	1.3
Shelter	0.00	0.0
Technology	12,756,025.00	9.7
Transportation	5,120,000.00	3.9
Utilities	3,168,000.00	2.4
All Non-U.S.	0.00	0.0
Total Equities	106,829,500.00	80.9
Cash Equivalents	25,287,363.69	19.1
Grand Total	**$132,116,863.69**	**100.0%**

Independence Investment Associates

Equities	Market Value	%
Basic Industries	$44,120,850.00	10.1%
Capital Goods	24,260,950.00	5.6
Consumer Basics	88,293,258.25	20.3
Consumer Durables	7,755,125.00	1.8
Consumer Non-Dur.	35,913,687.50	8.2
Consumer Services	11,116,575.00	2.6
Energy	34,321,187.50	7.9
Finance	70,417,725.00	16.2
General Business	11,509,875.00	2.6
Miscellaneous	1,348,350.00	0.3
Shelter	6,463,350.00	1.5
Technology	51,982,509.37	11.9
Transportation	4,492,825.00	1.0
Utilities	40,305,305.62	9.2
All Non-U.S.	0.00	0.0
Total Equities	432,301,573.24	99.2
Cash Equivalents	3,326,574.68	0.8
Grand Total	**$435,628,147.92**	**100.0%**

IDS Advisory

Equities	Market Value	%
Basic Industries	$29,476,300.00	6.8%
Capital Goods	39,212,100.00	9.0
Consumer Basics	77,933,642.50	17.8
Consumer Durables	13,969,537.50	3.2
Consumer Non-Dur.	32,319,850.00	7.4
Consumer Services	0.00	0.0
Energy	39,656,512.50	9.1
Finance	69,093,362.50	15.8
General Business	0.00	0.0
Miscellaneous	0.00	0.0
Shelter	3,965,062.50	0.9
Technology	38,923,356.25	8.9
Transportation	9,211,500.00	2.1
Utilities	26,382,512.50	6.0
All Non-U.S.	0.00	0.0
Total Equities	380,143,736.25	87.0
Cash Equivalents	56,604,397.03	13.0
Grand Total	**$436,748,133.28**	**100.0%**

Jundt Associates

Equities	Market Value	%
Basic Industries	$0.00	0.0%
Capital Goods	0.00	0.0
Consumer Basics	37,361,075.00	15.4
Consumer Durables	5,238,562.50	2.2
Consumer Non-Dur.	20,550,400.00	8.4
Consumer Services	7,737,474.37	3.2
Energy	0.00	0.0
Finance	0.00	0.0
General Business	32,970,593.75	13.5
Miscellaneous	0.00	0.0
Shelter	0.00	0.0
Technology	60,713,762.50	24.9
Transportation	0.00	0.0
Utilities	25,087,362.50	10.3
All Non-U.S.	0.00	0.0
Total Equities	189,659,230.62	77.9
Cash Equivalents	53,800,644.96	22.1
Grand Total	**$243,459,875.58**	**100.0%**

Kennedy Capital Management

Equities	**Market Value**	**%**
Basic Industries	$2,311,087.50	6.8%
Capital Goods	3,049,712.50	9.0
Consumer Basics	2,662,778.12	7.9
Consumer Durables	2,763,628.12	8.2
Consumer Non-Dur.	2,982,389.00	8.8
Consumer Services	227,000.00	0.7
Energy	1,007,062.50	3.0
Finance	3,396,181.25	10.0
General Business	1,337,343.00	4.0
Miscellaneous	5,522,475.00	16.3
Shelter	871,218.75	2.6
Technology	3,202,443.75	9.5
Transportation	1,606,762.50	4.8
Utilities	635,375.00	1.9
All Non U.S.	432,118.68	1.3
Total Equities	32,007,575.67	94.8
Fixed Income	1,381,045.00	4.1
Cash Equivalents	392,310.15	1.1
Grand Total	**$33,780,930.82**	**100.0%**

Lynch & Mayer, Inc.

Equities	**Market Value**	**%**
Basic Industries	$0.00	0.0%
Capital Goods	30,184,212.50	9.9
Consumer Basics	76,034,000.00	24.9
Consumer Durables	0.00	0.0
Consumer Non-Dur.	8,904,762.50	2.9
Consumer Services	19,548,500.00	6.4
Energy	10,567,462.50	3.4
Finance	29,233,987.50	9.6
General Business	26,222,350.00	8.6
Miscellaneous	7,578,750.00	2.5
Shelter	0.00	0.0
Technology	79,932,881.25	26.2
Transportation	0.00	0.0
Utilities	2,905,012.50	0.9
All Non-U.S.	0.00	0.0
Total Equities	291,111,918.75	95.3
Cash Equivalents	14,272,538.21	4.7
Grand Total	**$305,384,456.96**	**100.0%**

Lincoln Capital Management

Equities	**Market Value**	**%**
Basic Industries	$9,722,125.00	3.1%
Capital Goods	21,155,175.00	6.6
Consumer Basics	109,962,925.00	34.4
Consumer Durables	0.00	0.0
Consumer Non-Dur.	32,111,087.50	10.0
Consumer Services	22,088,775.00	6.9
Energy	0.00	0.0
Finance	31,745,925.00	9.9
General Business	21,533,175.00	6.7
Miscellaneous	0.00	0.0
Shelter	0.00	0.0
Technology	42,649,475.00	13.3
Transportation	0.00	0.0
Utilities	15,715,337.50	4.9
All Non-U.S.	6,120,513.28	1.9
Total Equities	312,804,513.28	97.7
Cash Equivalents	7,189,656.37	2.3
Grand Total	**$319,994,169.65**	**100.0%**

New Amsterdam Partners

Equities	**Market Value**	**%**
Basic Industries	$3,298,975.00	9.6%
Capital Goods	0.00	0.0
Consumer Basics	6,742,725.00	19.6
Consumer Durables	1,503,815.62	4.4
Consumer Non-Dur.	4,917,637.50	14.3
Consumer Services	129,412.50	0.4
Energy	2,280,500.00	6.6
Finance	4,655,125.00	13.5
General Business	909,375.00	2.7
Miscellaneous	0.00	0.0
Shelter	0.00	0.0
Technology	5,720,937.50	16.6
Transportation	759,000.00	2.2
Utilities	2,909,075.00	8.5
All Non U.S.	0.00	0.0
Total Equities	33,826,578.12	98.4
Cash Equivalents	564,057.67	1.6
Grand Total	**$34,390,635.79**	**100.0%**

Oppenheimer & Company

Equities	Market Value	%
Basic Industries	$33,114,510.62	10.2%
Capital Goods	24,516,250.00	7.5
Consumer Basics	37,685,625.00	11.6
Consumer Durables	0.00	0.0
Consumer Non-Dur.	34,616,250.00	10.6
Consumer Services	2,985,000.00	0.9
Energy	13,030,000.00	4.0
Finance	95,297,500.00	29.2
General Business	9,540,000.00	2.9
Miscellaneous	0.00	0.0
Shelter	0.00	0.0
Technology	34,906,875.00	10.7
Transportation	0.00	0.0
Utilities	8,406,250.00	2.6
All Non-U.S.	0.00	0.0
Total Equities	294,098,260.62	90.2
Cash Equivalents	31,797,178.13	9.8
Grand Total	**$325,895,438.75**	**100.0%**

Waddell & Reed

Equities	Market Value	%
Basic Industries	$26,631,700.00	5.9%
Capital Goods	30,363,500.00	6.7
Consumer Basics	63,082,412.50	14.0
Consumer Durables	0.00	0.0
Consumer Non-Dur.	7,343,918.50	1.6
Consumer Services	4,662,787.50	1.0
Energy	0.00	0.0
Finance	14,273,317.50	3.2
General Business	51,032,436.12	11.3
Miscellaneous	6,075,000.00	1.4
Shelter	9,178,150.00	2.0
Technology	145,707,531.25	32.3
Transportation	0.00	0.0
Utilities	17,787,500.00	4.0
All Non-U.S.	0.00	0.0
Total Equities	376,138,253.37	83.4
Fixed Income	1,357,000.00	0.3
Cash Equivalents	73,579,134.04	16.3
Grand Total	**$451,074,387.41**	**100.0%**

Valenzuela Capital Management

Equities	Market Value	%
Basic Industries	$5,009,812.50	14.3%
Capital Goods	2,577,137.50	7.4
Consumer Basics	2,788,337.50	8.0
Consumer Durables	985,725.00	2.8
Consumer Non-Dur.	5,591,812.50	16.0
Consumer Services	0.00	0.0
Energy	2,156,262.50	6.1
Finance	5,131,100.00	14.6
General Business	3,262,837.50	9.3
Miscellaneous	841,500.00	2.4
Shelter	0.00	0.0
Technology	3,405,325.00	9.7
Transportation	0.00	0.0
Utilities	264,000.00	0.8
All Non U.S.	0.00	0.0
Total Equities	32,013,850.00	91.4
Cash Equivalents	3,029,097.84	8.6
Grand Total	**$35,042,947.84**	**100.0%**

Weiss Peck & Greer

Equities	Market Value	%
Basic Industries	$6,617,712.50	2.8%
Capital Goods	7,186,125.00	3.1
Consumer Basics	45,489,056.64	19.6
Consumer Durables	3,425,000.00	1.5
Consumer Non-Dur.	20,011,375.00	8.6
Consumer Services	19,704,012.50	8.5
Energy	10,579,950.00	4.5
Finance	12,325,937.50	5.3
General Business	18,081,100.00	7.8
Miscellaneous	18,526,325.00	8.0
Shelter	1,253,500.00	0.5
Technology	56,142,025.00	24.1
Transportation	733,593.75	0.3
Utilities	1,354,062.50	0.6
All Non-U.S.	245,722.51	0.1
Total Equities	221,675,498.00	95.3
Fixed Income	145,542.50	0.1
Cash Equivalents	10,800,303.40	4.6
Grand Total	**$232,621,343.90**	**100.0%**

Wilke/Thompson Capital Mgmt.

Equities	Market Value	%
Basic Industries	$843,600.00	2.1%
Capital Goods	802,000.00	2.0
Consumer Basics	6,311,868.75	15.9
Consumer Durables	1,198,125.00	3.0
Consumer Non-Dur.	4,166,556.25	10.5
Consumer Services	2,963,162.50	7.4
Energy	0.00	0.0
Finance	0.00	0.0
General Business	9,392,775.00	23.6
Miscellaneous	0.00	0.0
Shelter	1,177,168.75	3.0
Technology	11,100,031.25	27.9
Transportation	0.00	0.0
Utilities	0.00	0.0
All Non U.S.	0.00	0.0
Total Equities	37,955,287.50	95.4
Cash Equivalents	1,818,078.98	4.6
Grand Total	**$39,773,366.48**	**100.0%**

Zevenbergen Capital Inc.

Equities	Market Value	%
Basic Industries	$0.00	0.0%
Capital Goods	0.00	0.0
Consumer Basics	7,977,737.50	22.4
Consumer Durables	0.00	0.0
Consumer Non-Dur.	1,808,600.00	5.1
Consumer Services	1,874,225.00	5.3
Energy	0.00	0.0
Finance	2,396,912.50	6.7
General Business	9,969,662.50	28.0
Miscellaneous	0.00	0.0
Shelter	0.00	0.0
Technology	7,712,875.00	21.7
Transportation	0.00	0.0
Utilities	3,397,212.50	9.5
All Non U.S.	0.00	0.0
Total Equities	35,137,225.00	98.7
Cash Equivalents	444,387.21	1.3
Grand Total	**$35,581,612.21**	**100.0%**

Winslow Capital Management

Equities	Market Value	%
Basic Industries	$0.00	0.0%
Capital Goods	784,854.87	2.1
Consumer Basics	7,899,693.75	21.5
Consumer Durables	0.00	0.0
Consumer Non-Dur.	6,913,475.50	18.8
Consumer Services	1,662,787.50	4.5
Energy	0.00	0.0
Finance	752,625.00	2.0
General Business	3,595,507.00	9.8
Miscellaneous	0.00	0.0
Shelter	0.00	0.0
Technology	13,614,443.75	37.0
Transportation	0.00	0.0
Utilities	1,479,150.00	4.0
All Non U.S.	0.00	0.0
Total Equities	36,702,537.37	99.7
Cash Equivalents	107,650.40	0.3
Grand Total	**$36,810,187.77**	**100.0%**

Wilshire Asset Management*

Equities	Market Value	%
Basic Industries	$236,056,063.79	8.4%
Capital Goods	150,494,860.61	5.3
Consumer Basics	460,512,804.85	16.3
Consumer Durables	94,424,515.36	3.3
Consumer Non-Dur.	144,206,111.68	5.1
Consumer Services	39,602,214.01	1.4
Energy	245,131,379.61	8.7
Finance	552,403,917.92	19.6
General Business	136,296,334.67	4.8
Miscellaneous	26,718,338.75	1.0
Shelter	39,810,799.62	1.4
Technology	167,380,301.84	5.9
Transportation	50,314,326.25	1.8
Utilities	465,739,800.01	16.5
All Non U.S.	0.00	0.0
Total Equities	2,809,091,768.97	99.5
Fixed Income	4,148.51	0.0
Cash Equivalents	14,955,535.70	0.5
Grand Total	**$2,824,051,453.18**	**100.0%**

* Same as Domestic Passive Equity Account shown in the Financial Statements.

Franklin Portfolio Associates*

Equities	Market Value	%
Basic Industries	$ 92,753,951.62	10.2%
Capital Goods	50,785,325.00	5.5
Consumer Basics	158,449,419.37	17.4
Consumer Durables	24,379,612.50	2.7
Consumer Non-Dur.	39,999,875.00	4.4
Consumer Services	13,104,662.50	1.4
Energy	77,756,837.50	8.5
Finance	171,502,881.62	18.8
General Business	44,680,796.87	4.9
Miscellaneous	8,874,932.50	1.0
Shelter	10,237,287.50	1.1
Technology	52,488,327.50	5.8
Transportation	11,754,112.50	1.3
Utilities	149,329,292.66	16.3
Non U.S.	0.00	0.0
Total Equities	906,097,314.64	99.3
Cash Equivalents	6,618,908.16	0.7
Grand Total	**$912,716,222.80**	**100.0%**

Wells Fargo Nikko *

Equities	Market Value	%
Basic Industries	$ 98,443,611.12	10.6%
Capital Goods	54,512,400.00	5.9
Consumer Basics	142,759,958.37	15.5
Consumer Durables	21,834,362.50	2.4
Consumer Non-Dur.	32,184,400.93	3.5
Consumer Services	17,647,637.50	1.9
Energy	75,917,100.00	8.2
Finance	185,867,127.23	20.1
General Business	42,832,526.37	4.6
Miscellaneous	11,472,043.75	1.2
Shelter	9,199,962.50	1.0
Technology	74,446,485.25	8.1
Transportation	4,631,906.25	0.5
Utilities	147,479,352.60	16.0
Non U.S.	0.00	0.0
Total Equities	919,228,874.37	99.5
Cash Equivalents	4,949,622.78	0.5
Grand Total	**$924,178,497.15**	**100.0%**

J.P. Morgan Investment Mgmt.*

Equities	Market Value	%
Basic Industries	$ 70,349,412.50	7.5%
Capital Goods	60,066,081.25	6.4
Consumer Basics	151,193,117.50	16.1
Consumer Durables	30,294,987.50	3.2
Consumer Non-Dur.	45,755,553.30	4.9
Consumer Services	16,156,200.00	1.7
Energy	79,617,287.50	8.5
Finance	181,230,265.50	19.3
General Business	47,377,925.00	5.1
Miscellaneous	12,385,336.25	1.3
Shelter	13,970,625.00	1.5
Technology	56,099,914.00	6.0
Transportation	16,260,650.00	1.7
Utilities	154,297,300.00	16.5
Non U.S.	0.00	0.0
Total Equities	935,054,655.30	99.7
Cash Equivalents	2,378,348.62	0.3
Grand Total	**$937,433,003.92**	**100.0%**

Summarized Asset Listings - Domestic Stock Managers — *As of June 30, 1995*

Aggregate Domestic Stock Pool**

Equities	**Market Value**	**%**
Basic Industries	$ 760,821,480.90	6.9%
Capital Goods	609,606,027.98	5.5
Consumer Basics	1,945,380,030.96	17.6
Consumer Durables	264,452,880.22	2.3
Consumer Non Dur.	612,514,161.41	5.5
Consumer Services	365,904,796.24	3.3
Energy	685,815,810.86	6.2
Finance	1,767,534,641.64	16.0
General Business	771,157,075.24	7.0
Miscellaneous	143,335,950.25	1.3
Shelter	109,319,257.12	1.0
Technology	1,333,598,737.95	12.0
Transportation	146,357,341.25	1.3
Utilities	1,179,765,138.26	10.7
All Non-U.S.	6,798,354.47	0.1
Total Equities	10,702,361,684.75	96.7
Fixed Income	8,067,416.01	0.1
Cash Equivalents	355,375,839.88	3.2
Grand Total	**$11,065,804,940.64**	**100.0%**

** Aggregate of all managers in the Domestic Stock Pool. Includes both Domestic Active Equity Account, Domestic Passive Equity Account and the Domestic Semi-Passive Equity Account shown in the Financial Statements.

Supplemental Passive Stock Pool*

Equities	**Market Value**	**%**
Basic Industries	$19,899,667.48	7.2%
Capital Goods	15,280,544.24	5.5
Consumer Basics	50,395,797.24	18.2
Consumer Durables	7,985,615.75	2.9
Consumer Non-Dur.	17,416,493.50	6.3
Consumer Services	8,472,843.62	3.1
Energy	18,042,761.87	6.5
Finance	39,078,004.02	14.1
General Business	19,489,547.60	7.0
Miscellaneous	4,635,358.12	1.7
Shelter	2,381,617.50	0.9
Technology	37,791,275.43	13.7
Transportation	3,786,578.75	1.4
Utilities	30,370,750.05	11.0
Non U.S.	0.00	0.0
Total Equities	275,026,855.17	99.5
Cash Equivalents	1,502,231.77	0.5
Grand Total	**$276,529,086.94**	**100.0%**

* Part of the Domestic Passive Equity Account shown in the Financial Statements. This pool is used by the Income Share and Common Stock Index Accounts in the Supplemental Investment Fund. All assets in this pool are managed by Wilshire Asset Management.

Summarized Asset Listings - Alternative Assets — *As of June 30, 1995*

Asset listings for the Alternative Asset Pools can be found on pages 88-90 of this report.

Baring International

Exposure by Country	Market Value	%
Australia	$8,951,044.89	4.9%
France	18,229,712.88	10.0
Germany Rep	9,985,656.37	5.5
Hong Kong	6,970,208.34	3.8
Italy	1,838,598.57	1.0
Japan	72,920,666.07	39.9
Mexico	14,912.04	0.0
Netherlands	8,304,507.28	4.5
Singapore	2,516,049.58	1.4
Spain	4,052,844.92	2.2
Switzerland	5,656,279.63	3.1
Thailand	4,480,068.15	2.5
United Kingdom	26,706,953.48	14.6
United States	12,066,445.04	6.6
Grand Total	**$182,693,947.24**	**100.0%**

Marathon Asset Management

Exposure by Country	Market Value	%
Australia	$11,974,164.24	7.0%
Austria	123,151.95	0.1
Denmark	794,353.07	0.5
Finland	4,208,376.21	2.5
France	4,534,502.61	2.6
Germany Rep.	5,925,550.54	3.5
Hong Kong	2,841,053.96	1.7
Italy	3,084,285.72	1.8
Japan	62,395,917.97	36.4
Malaysia	4,182,333.92	2.4
Netherlands	2,675,537.84	1.6
New Zealand	2,814,378.35	1.6
Norway	1,648,425.41	1.0
Portugal	2,172,501.96	1.3
Singapore	2,309,874.78	1.3
South Africa	4,659,544.06	2.7
Spain	2,082,645.37	1.2
Sweden	8,166,724.79	4.8
Switzerland	2,548,558.38	1.5
United Kingdom	29,416,102.10	17.2
United States	12,826,183.76	7.5
Grand Total	**$171,384,166.99**	**100.0%**

Brinson Partners

Exposure by Country	Market Value	%
Australia	$10,796,740.40	6.5%
Belgium	4,792,112.11	2.9
Canada	4,916,810.50	3.0
France	11,850,318.86	7.1
Germany Rep.	7,413,826.63	4.5
Hong Kong	4,863,578.29	2.9
Italy	3,710,394.83	2.2
Japan	52,678,927.58	31.7
Malaysia	1,058,895.31	0.6
Netherlands	10,576,910.64	6.4
New Zealand	3,492,204.30	2.1
Spain	3,966,425.89	2.4
Sweden	6,872,932.59	4.1
Switzerland	6,219,926.34	3.7
United Kingdom	31,194,669.21	18.8
United States	1,534,300.16	0.9
Grand Total	**$165,938,973.64**	**100.0%**

Rowe Price-Fleming International

Exposure by Country	Market Value	%
Argentina	146,198.91	0.1%
Australia	3,772,718.84	2.3
Austria	334,411.08	0.2
Belgium	2,163,905.25	1.3
Canada	667,255.19	0.4
Denmark	490,032.40	0.3
Finland	426,609.22	0.3
France	12,992,029.69	7.8
Germany Rep.	8,355,873.47	5.0
Hong Kong	3,392,215.63	2.0
Italy	3,775,617.07	2.3
Japan	37,009,480.72	22.2
Malaysia	5,537,138.64	3.3
Mexico	1,120,049.16	0.7
Netherlands	15,602,302.60	9.4
New Zealand	1,840,482.49	1.1
Norway	2,542,894.09	1.5
Portugal	549,962.93	0.3
Singapore	3,991,323.54	2.4
Spain	4,132,489.36	2.5
Sweden	3,425,932.11	2.1
Switzerland	6,257,383.40	3.7
Thailand	1,953,895.08	1.2
United Kingdom	24,993,979.07	15.0
United States	21,393,715.27	12.8
Grand Total	**$166,867,895.21**	**100.0%**

Summarized Asset Listings - International Stock Managers — *As of June 30, 1995*

Scudder, Stevens & Clark

Exposure by Country	Market Value	%
Australia	$4,908,733.10	2.9%
Canada	2,323,455.56	1.4
Finland	1,273,439.48	0.8
France	14,352,395.22	8.6
Germany Republic	19,055,374.23	11.4
Hong Kong	9,561,008.95	5.7
Italy	3,238,309.85	1.9
Japan	28,910,850.09	17.2
Malaysia	3,703,871.11	2.2
Netherlands	12,826,410.30	7.6
New Zealand	991,451.13	0.6
Norway	4,170,275.01	2.5
Singapore	496,983.90	0.3
Spain	2,549,413.14	1.5
Sweden	6,447,116.67	3.8
Switzerland	15,685,943.54	9.3
Thailand	568,539.60	0.3
United Kingdom	20,824,396.62	12.4
United States	15,883,264.66	9.5
Grand Total	**$167,771,232.16**	**100.0%**

Templeton Investment Counsel

Exposure by Country	Market Value	%
Australia	$9,774,809.12	5.5%
Austria	3,555,224.23	2.0
Belgium	5,578,464.46	3.1
Canada	4,080,123.77	2.3
Czechoslovakia	1,867,522.47	1.0
Finland	3,291,564.34	1.8
France	11,307,567.97	6.3
Germany Rep.	5,664,733.52	3.2
Greece	1,046,883.47	0.6
Hong Kong	8,272,732.58	4.6
Italy	6,848,189.45	3.8
Japan	5,212,977.82	2.9
Malaysia	0.01	0.0
Mexico	1,838,575.00	1.0
Netherlands	9,056,853.08	5.1
New Zealand	5,146,734.78	2.9
Norway	5,440,899.13	3.1
Portugal	2,049,760.77	1.1
Spain	13,311,310.63	7.5
Sweden	11,967,480.83	6.7
Switzerland	11,096,392.18	6.2
United Kingdom	16,286,472.20	9.1
United States	35,618,516.57	20.0
Grand Total	**$178,313,788.38**	**100.0%**

State Street Global Advisors*

Exposure by Country	Market Value	%
Australian	26,499,547.87	2.6%
Austrian	4,328,748.08	0.4
Belgium	12,920,302.61	1.2
Denmark	8,858,972.99	0.9
Finland	5,716,182.84	0.6
France	64,226,410.71	6.2
Germany Rep.	72,429,885.14	7.0
Hong Kong	33,985,698.14	3.3
Ireland	3,022,072.29	0.3
Italy	22,078,118.48	2.1
Japan	424,392,414.47	41.0
Malaysia	25,129,220.19	2.4
Netherlands	41,037,821.45	4.0
New Zealand	4,461,146.66	0.4
Norway	4,572,754.39	0.4
Singapore	12,675,382.75	1.2
Spain	18,305,395.99	1.8
Sweden	19,112,565.10	1.8
Switzerland	57,268,049.60	5.5
United Kingdom	173,971,267.91	16.8
United States	1,111,189.60	0.1
Grand Total	**$1,036,103,147.26**	**100.0%**

* Same as International Passive Equity Account shown in the Financial Statements.

Aggregate International Stock Pool**

Exposure by Country	Market Value	%
Argentina	146,198.91	0.0
Australia	76,677,758.46	3.7
Austria	8,341,535.34	0.4
Belgium	25,454,784.43	1.2
Canada	11,987,645.02	0.6
Czechoslovakia	1,867,522.47	0.1
Denmark	10,143,358.46	0.5
Finland	14,916,172.09	0.7
France	137,492,937.94	6.6
Germany Rep.	128,830,899.90	6.2
Greece	1,046,883.47	0.1
Hong Kong	69,886,495.89	3.4
Ireland	3,022,072.29	0.1
Italy	44,573,513.97	2.2
Japan	683,521,234.72	33.0
Malaysia	39,611,459.18	1.9
Mexico	2,973,536.20	0.1
Netherlands	100,080,343.19	4.8
New Zealand	18,746,397.71	0.9
Norway	18,375,248.03	0.9
Portugal	4,772,225.66	0.2
Singapore	21,989,614.55	1.1
South Africa	4,659,544.06	0.2
Spain	48,400,525.30	2.3
Sweden	55,992,752.09	2.7
Switzerland	104,732,533.07	5.1
Thailand	7,002,502.83	0.3
United Kingdom	323,393,840.59	15.6
United States	100,433,615.06	4.9
Grand Total	**$2,069,073,150.88**	**100.0%**

** Aggregate of all managers in the International Stock Pool. Includes the International Active Equity, Active Country and Passive Equity Accounts shown in the Financial Statements.

BEA Associates

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$98,336,761.82	28.4%
U.S. Corporates	40,411,928.25	11.7
U.S. Finance	0.00	0.0
U.S. Mtg. Rel	112,848,207.41	32.6
U.S. Municipals	4,582,618.45	1.3
Miscellaneous	0.00	0.0
All Non U.S.	26,143,248.79	7.5
Total Fixed Income	282,322,764.72	81.5
Cash Equivalents		
U.S.	64,080,622.74	18.5
All Non U.S.	104,503.69	0.0
Total Cash Equivalents	64,185,126.43	18.5
Grand Total	**$346,507,891.15**	**100.0%**

Investment Advisors, Inc.

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$160,997,649.80	30.0
U.S. Corporates	99,670,833.90	18.6
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	178,995,252.56	33.4
U.S. Municipals	0.00	0.0
Miscellaneous	0.00	0.0
All Non U.S.	0.00	0.0
Total Fixed Income	439,663,736.26	82.0
Cash Equivalents		
U.S.	96,935,677.67	18.0
All Non U.S.	0.00	0.0
Total Cash Equivalents	96,935,677.67	18.0
Grand Total	**$536,599,413.93**	**100.0%**

IDS Advisory

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$192,598,584.00	73.3%
U.S. Corporates	69,404,540.00	26.4
U.S. Finance	0.00	0.0
U.S. Mtg.Rel.	0.00	0.0
U.S. Municipals	0.00	0.0
Miscellaneous	0.00	0.0
All Non U.S.	0.00	0.0
Total Fixed Income	262,003,124.00	99.7
Cash Equivalents		
U.S.	900,458.87	0.3
All Non U.S.	0.00	0.0
Total Cash Equivalents	900,458.87	0.3
Grand Total	**$262,903,582.87**	**100.0%**

Miller Anderson & Sherrerd

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$39,906,259.00	6.2%
U.S. Corporates	108,115,474.65	16.8
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	296,039,871.79	46.2
U.S. Municipals	6,266,524.73	1.0
Miscellaneous	0.00	0.0
All Non U.S.	54,371,522.68	8.5
Total Fixed Income	504,699,652.85	78.7
Cash Equivalents		
U.S.	131,147,265.36	20.5
All Non U.S.	5,524,404.48	0.8
Total Cash Equivalents	136,671,669.84	21.3
Grand Total	**$641,371,322.69**	**100.0%**

Standish, Ayer & Wood

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$42,632,844.50	7.9%
U.S. Corporates	157,822,511.34	29.4
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	240,778,730.94	44.9
U.S. Municipals	0.00	0.0
Miscellaneous	9,691,540.56	1.8
All Non U.S.	16,180,575.57	3.0
Total Fixed Income	467,106,202.91	87.0
Cash Equivalents		
U.S.	68,152,313.38	12.7
All Non U.S.	1,416,578.64	0.3
Total Cash Equivalents	69,568,892.02	13.0
Grand Total	**$536,675,094.93**	**100.0%**

Trust Company of the West

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$19,945,300.00	7.4%
U.S. Corporates	0.00	0.0
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	237,322,343.03	87.6
U.S. Municipals	0.00	0.0
Miscellaneous	0.00	0.0
All Non U.S.	0.00	0.0
Total Fixed Income	257,267,643.03	95.0
Cash Equivalents		
U.S.	13,673,563.64	5.0
All Non U.S.	0.00	0.0
Total Cash Equivalents	13,673,563.64	5.0
Grand Total	**$270,941,206.67**	**100.0%**

Western Asset Management

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$221,358,920.94	22.8%
U.S. Corporates	336,052,204.65	34.6
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	223,624,777.80	23.0
U.S. Municipals	43,118,178.40	4.4
Miscellaneous	0.00	0.0
All Non U.S.	2,003,220.00	0.2
Total Fixed Income	826,157,301.79	85.0
Total Equities	13,056,900.00	1.3
Cash Equivalents		
U.S.	132,927,773.43	13.7
All Non U.S.	0.00	0.0
Total Cash Equivalents	132,927,773.43	13.7
Grand Total	**$972,141,975.22**	**100.0%**

Fidelity Investment

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$ 418,305,344.69	34.6%
U.S. Corporates	290,161,090.59	24.0
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	373,209,349.72	30.9
U.S. Municipals	0.00	0.0
Miscellaneous	0.00	0.0
All Non U.S.	7,278,762.50	0.6
Total Fixed Income	1,088,954,547.50	90.1
Cash Equivalents		
U.S.	119,541,153.90	9.9
All Non U.S.	0.00	0.0
Total Cash Equivalents	119,541,153.90	9.9
Grand Total	**$1,208,495,701.40**	**100.0%**

Lincoln Capital Management

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$469,478,238.15	39.3%
U.S. Corporates	216,615,668.40	18.1
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	380,525,418.55	31.9
U.S. Municipals	2,862,837.00	0.3
Miscellaneous	0.00	0.0
All Non U.S.	8,705,572.35	0.7
Total Fixed Income	1,078,187,734.45	90.3
Cash Equivalents		
U.S.	116,282,007.07	9.7
All Non U.S.	0.00	0.0
Total Cash Equivalents	116,282,007.07	9.7
Grand Total	**$1,194,469,741.52**	**100.0%**

Goldman Sachs Asset Management

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$ 279,333,944.90	20.8%
U.S. Corporates	407,075,069.46	30.2
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	404,916,392.67	30.1
U.S. Municipals	0.00	0.0
Miscellaneous	0.00	0.0
All Non U.S.	16,142,000.00	1.2
Total Fixed Income	1,107,467,407.03	82.3
Cash Equivalents		
U.S.	238,600,584.39	17.7
All Non U.S.	0.00	0.0
Total Cash Equivalents	238,600,584.39	17.7
Grand Total	**$1,346,067,991.42**	**100.0%**

Aggregate Bond Pool*

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$1,942,893,847.80	26.5%
U.S. Corporates	1,725,329,321.24	23.6
U.S. Finance	0.00	0.0
U.S. Mtg. Rel.	2,448,260,344.47	33.5
U.S. Municipals	56,830,158.58	0.8
Miscellaneous	9,691,540.56	0.1
All Non U.S.	130,824,901.89	1.8
Total Fixed Income	6,313,830,114.54	86.3
Total Equities	13,056,900.00	0.2
Cash Equivalents		
U.S.	982,241,420.45	13.4
All Non U.S.	7,045,486.81	0.1
Total Cash Equivalents	989,286,907.26	13.5
Grand Total	**$7,316,173,921.80**	**100.0%**

* Aggregate of all managers in the Bond Pool. Includes both Active Bond Account and Semi-Passive Bond Account shown in the Financial Statements.

Income Share Account

	Market Value	%
Supplemental Passive Stock Pool	$211,493,137.64	63.9%
Bonds	109,299,083.02	33.0
Cash Equivalents	10,427,133.84	3.1
Grand Total	**$331,219,354.50**	**100.0%**

Growth Share Account

	Market Value	%
Domestic Stock Pool	$118,638,532.15	95.1%
Cash Equivalents	6,148,689.42	4.9
Grand Total	**$124,787,221.57**	**100.0%**

Common Stock Index Account

	Market Value	%
Supplemental Passive Stock Pool	$67,123,845.16	100.0%
Cash Equivalents	0.00	0.0
Grand Total	**$67,123,845.16**	**100.0%**

International Share Account

	Market Value	%
International Pool	$9,461,866.76	100.0%
Cash Equivalents	0.00	0.0
Grand Total	**$9,461,866.76**	**100.0%**

Bond Market Account

	Market Value	%
Bond Pool	$22,190,773.12	100.0%
Cash Equivalents	0.00	0.0
Grand Total	**$22,190,773.12**	**100.0%**

Money Market Account

	Market Value	%
Cash Equivalents	$55,039,984.85	100.0%
Grand Total	**$55,039,984.85**	**100.0%**

Fixed Interest Account

	Market Value	%
1992-1995 Contract	$17,164,890.58	23.6%
1993-1996 Contract	19,490,092.71	26.8
GIC Pool	36,100,762.25	49.6
Grand Total	**$72,755,745.54**	**100.0%**

Supplemental Investment Fund

	Market Value	%
Accounts		
Income Share	$331,219,354.50	48.5%
Growth Share	124,787,221.57	18.3
Common Stock Index	67,123,845.16	9.8
International Share	9,461,866.76	1.4
Bond Market	22,190,773.12	3.3
Money Market	55,039,984.85	8.1
Fixed Interest	72,755,745.54	10.6
Total Supplemental Investment Fund	**$682,578,792.50**	**100.0%**

Assigned Risk Plan*

	Market Value	%
Equities		
Basic Industries	$19,398,879	3.8%
Capital Goods	8,192,638	1.6
Consumer Basics	334,743	0.1
Consumer Durables	2,141,114	0.4
Consumer Non. Dur.	13,256,434	2.6
Consumer Services	3,136,278	0.6
Energy	10,495,339	2.0
Finance	16,565,418	3.2
General Business	148,680	0.1
Miscellaneous	311,032	0.1
Shelter	302,841	0.1
Technology	9,320,774	1.8
Transportation	9,923,900	1.9
Utilities	11,598,879	2.3
All Non U.S.	0	0.0
Total Equities	105,126,949	20.5
Fixed Income		
U.S. Gov't./Sponsored	81,237,050	15.8
U.S. Corporates	186,806,318	36.4
U.S. Mtg. Rel.	124,036,263	24.2
U.S. Municipals	0	0.0
All Non U.S.	0	0.0
Total Fixed Income	392,079,631	76.4
Cash Equivalents	15,806,522	3.1
Grand Total	**$513,013,102**	**100.0%**

Permanent School Fund*

Fixed Income	Market Value	%
U.S. Gov't./Sponsored	$160,094,927	36.5%
U.S. Corporates	77,635,074	17.7
U.S. Mtg. Rel.	144,304,742	32.9
U.S. Municipals	0	0.0
All Non U.S.	0	0.0
Total Fixed Income	381,925,030	87.1
Cash Equivalents	56,691,209	12.9
Grand Total	**$438,616,238**	**100.0%**

Environmental Trust Fund*

	Market Value	%
Equities		
Equity Index Pool	$52,087,473	47.8%
Fixed Income		
U.S. Gov't./Sponsored	18,959,763	17.4
U.S. Corporates	10,460,175	9.6
U.S. Mtg. Rel.	17,652,129	16.2
U.S. Municipals	0	0.0
All Non U.S.	0	0.0
Total Fixed Income	47,072,037	43.2
Cash Equivalents	9,809,949	9.0
Grand Total	**$108,969,459**	**100.0%**

* All amounts are rounded to the nearest dollar, therefore totals may not add due to rounding.

Notes applicable to all Summarized Asset Listings:

— The data source for Domestic Stock Managers, International Stock Managers, and Bond Managers was State Street Bank & Trust, the SBI's custodian for retirement-related assets.

— The data source for the Assigned Risk Plan, Permanent School Fund and the Environmental Trust Fund was Financial Control Systems, the SBI's external accounting vendor.

— Market value figures in the Summarized Asset Listings may not reconcile to the amounts shown for various Accounts in the Financial Statements due to minor pricing differences between Financial Controls and State Street Bank as well as trade adjustments that were reflected in the Financial Statements.

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