

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

1963 REPORT
OF
THE EXECUTIVE SECRETARY

Office of the Executive Secretary
Room 115, State Capitol
Saint Paul, Minnesota 55101

June 10, 1964

MEMBERS
of the
STATE BOARD OF INVESTMENT
during 1963

HON. KARL F. ROLVAAG, GOVERNOR
HON. ELMER L. ANDERSEN, GOVERNOR *
HON. STAFFORD KING, STATE AUDITOR
HON. VAL BJÖRNSON, STATE TREASURER
HON. JOSEPH L. DONOVAN, SECRETARY OF STATE
HON. WALTER F. MONDALE, ATTORNEY GENERAL

* Governor Karl F. Rolvaag replaced Governor Elmer L. Andersen on the Board on March 25, 1963.

Investment Department Personnel

Robert E. Blixt, M.S., LL.B.
Executive Secretary

Edmund H. Kase, Jr., Ph. D., LL.D.
Senior Financial Analyst

Vernon E. Rude, B.S.B.
Senior Securities Analyst

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

Virginia M. Hayden	-	Stenographer-Accountant
Frances R. Connolly	-	Clerk-Stenographer
Ethel C. Larsen	-	Clerk-Typist



MEMBERS OF BOARD:

GOVERNOR KARL F. ROLVAAG
STATE AUDITOR STAFFORD KING
STATE TREASURER VAL BJORNSON
SECRETARY OF STATE JOSEPH L. DONOVAN
ATTORNEY GENERAL WALTER F. MONDALE

**STATE OF MINNESOTA
STATE BOARD OF INVESTMENT
115 STATE CAPITOL
SAINT PAUL 1**

**ROBERT E. BLIXT
EXECUTIVE SECRETARY**

June 10, 1964

Members of the Legislature of the State of Minnesota

Gentlemen:

This report, the fourth to be submitted since the investment department was established in 1960, reviews the work of the State Board of Investment during the calendar year 1963. In addition to informing legislators and other interested individuals concerning the various securities portfolios under the Board's control, as well as related investment policies, the report is designed to accommodate the continuing requests from investment dealers, brokers, and research organizations for general information regarding the State's investment operations.

The 1963 Legislature made several significant changes in the relevant investment statutes. Corrective modifications were made in the retirement funds statutes, and the maximum authorized percentage of corporate bonds was increased from 40 to 50 percent. Chapter 567, Laws of Minnesota 1963, provided a detailed implementation of the trust fund amendment to the Minnesota constitution, which was approved by the electorate in November 1962. This statute, applicable to the Permanent School Fund, makes possible an eventual conversion of assets so that 40 percent may be in corporate bonds, and 20 percent in common stocks. The statute also authorizes the use of a wide range of government and U.S. Government-guaranteed obligations.

All investment policies pertaining to the various State funds are determined by the State Board of Investment, consisting of the Governor, State Auditor, State Treasurer, Secretary of State, and Attorney General. The Executive Secretary advises the Board, recommends policies, and is responsible for handling the securities transactions. He has a staff of six members to aid in securities analysis, accounting, and secretarial work.

A résumé of investment transactions and policies during the years 1960, 1961, and 1962 may be found in the annual reports for those years.

THE PERMANENT TRUST FUNDS

The State's Permanent Trust Funds showed their greatest rate of growth during the 1940's and 1950's. Until a constitutional amendment was passed in 1956, half of the receipts from the iron ore occupation tax accrued to the principal of the Permanent

Trust Funds, which were invested for the benefit of the schools, the University of Minnesota, and other State institutions. In recent years, the entire receipts from this tax have been applied directly toward meeting the current needs of the State's educational institutions.

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

Under the terms of the 1962 constitutional amendment, the assets of the Permanent School Fund and the Swamp Land Fund were combined into one \$264-million fund known as the Permanent School Fund. The State Board of Investment was given new latitude as to the media to be used in managing these assets. The Internal Improvement Land Fund, a comparatively small fund restricted to the use of government obligations, also remains under the jurisdiction of the State Board of Investment.

The following schedule reviews the composition of the trust funds managed by the State Board of Investment on December 31, 1963:

COMPOSITION OF TRUST FUNDS
December 31, 1963

Type of Security	Permanent School Fund*		Internal Improvement Land Fund	
	Book Value	%	Book Value	%
U.S. Treasury obligations	\$229,812,500.00	87.1	\$415,000.00	99.6
U.S. Government-guaranteed obligations	1,000,000.00	0.4	-	
Minnesota State obligations	2,731,485.00	1.0	-	
Obligations of Minnesota subdivisions	2,347,000.00	0.9	-	
Corporate debt obligations	22,610,175.78	8.6	-	
Common stocks	5,215,640.61	2.0	-	
Cash	<u>6,974.39</u>	<u>0.0</u>	<u>1,833.03</u>	<u>0.4</u>
Totals	\$263,723,775.78	100.0%	\$416,833.03	100.0%

* The assets of two previous trust funds, the Permanent School Fund (\$235.6 million) and the Swamp Land Fund (\$28.6 million), were consolidated into one fund, the Permanent School Fund, as of November 23, 1962, as a result of the passage of Amendment No. 1 by the Minnesota electorate on November 6, 1962.

The trust funds managed by the State Board of Investment were worth approximately \$92.14 per \$100 invested on December 31, 1963. The market valuations of U.S. Treasury

securities, corporate bonds, and common stocks were taken from yearend quotations on these securities. The estimated market value of loans to Minnesota subdivisions is based on the investment worth to the trust funds. The securities are valued at less than cost or face value because they carry interest rates lower than the general levels now prevailing. The current worth of the various classifications of securities owned by the trust funds on December 31, 1963 was as follows:

APPROXIMATE MARKET VALUE OF COMBINED TRUST FUNDS INVESTMENTS
December 31, 1963

Type of Security	Face Value or Cost	Market Value	Value per \$100 Invested
U.S. Treasury and U.S. Government-guaranteed obligations	\$231,227,500.00	\$210,692,395.86	\$ 91.12
Minnesota State obligations	2,731,485.00	2,526,623.63	92.50
Obligations of Minnesota subdivisions	2,347,000.00	2,147,505.00	91.50
Corporate debt obligations	22,610,175.78	22,678,006.31	100.30
Common stocks	<u>5,215,640.61</u>	<u>5,314,746.13</u>	<u>101.90</u>
Totals and average value	\$264,131,801.39	\$243,359,276.93	\$ 92.14

It is to be noted that the trust funds included a higher percentage of U.S. Government obligations at the close of 1963 than at any time in recent years. This occurred despite the sale of certain U.S. Treasury securities and the reinvestment of the proceeds in corporate bonds and stocks. Approximately \$38 million of Minnesota State obligations held by the trust funds was refunded into a new publicly owned issue in December 1963. The proceeds from this sale were invested in short-term U.S. Treasury obligations; this accounted for the net increase in Treasury holdings during the year, notwithstanding the gradual switch into corporate securities.

It may require a considerable period of years before the Permanent School Fund will have been rearranged in the form outlined by the 1963 Legislature. Except for the short-term U.S. Treasury securities purchased in late 1963, the Treasury portfolio consists primarily of long maturities concentrated in the 1980-1995 range. These securities have a market value considerably less than cost.

THE HIGHWAY FUNDS

Under the terms of a 1963 statute, the State Board of Investment may invest the highway funds in those bonds eligible for purchase by the Permanent School Fund. At present, highway funds are invested in short-term U.S. Treasury securities. The Commissioner of Highways certifies the amounts not needed in the immediate future, and these sums are invested in maturities approximating the expected disbursement schedule of the Highway Department. Because of the time necessary for planning, purchase of right-of-way, and construction of highways, funds are available for investment for

considerable periods. The total of highway funds investments fluctuates considerably throughout the year. U.S. Treasury securities in the various highway accounts totaled \$75,990,000 in face value on December 31, 1963.

INVESTED TREASURER'S CASH FUND

Accumulations in the Treasurer's cash account have been invested in U.S. Treasury securities since 1949, when a statute was passed authorizing such an investment program. The earnings from the Invested Treasurer's Cash Fund were particularly significant during the period when there was a surplus in the two major State funds, the Income Tax School Fund and the General Revenue Fund. There were also sizable earnings during 1960 and early 1961 because of the investment of the proceeds from the sale of Minnesota debt issues. The withholding method of collection of State income taxes, initiated in late 1961, substantially reduced the average level of investment in the Invested Treasurer's Cash Fund. The income tax monies are now used at approximately the time of receipt, except for accumulations held through the summer for autumn and winter school aid payments.

The 1963 increase in the securities held in this fund resulted primarily from investment of the proceeds from the sales of State bond issues.

Securities held in the Invested Treasurer's Cash Fund totaled \$18 million on December 31, 1962 and \$75 million on December 31, 1963. These investments reached a high of \$119 million in August 1963, just before payment of the initial school aid distribution.

Although the withholding method of taxation, combined with increased financial needs, may result in a reduced amount of cash available for investment in the foreseeable future, there has been renewed interest on the part of Board members in obtaining the maximum possible income from these funds. In late 1963, a study was initiated by the Executive Council which was aimed at determining more accurately the funds available for investment purposes.

Except for the securities held for the State's building program, practically all the U.S. Treasury obligations held in the Invested Treasurer's Cash Fund mature in less than 9 months from the date of purchase. The statute requires that these investments mature within 3 years.

STATE COLLEGES, WELFARE, AND DEPARTMENT OF CORRECTIONS

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

During 1963, a pooled fund was established for the patients at the various welfare institutions. As a result of this pooling arrangement, it is expected that, over a period of time, it will be possible to invest a greater percentage of the funds combined in this manner. Studies are now being made as to the applicability of such procedures to other funds in the State.

THE RETIREMENT FUNDS

Investments in the various State retirement funds totaled approximately \$253.4 million in book value on December 31, 1963. These funds have been accumulated, for the most part, through payroll deductions affecting employees of the State, subdivisions of the State, and school districts. In recent years, however, the Legislature has greatly increased the contributions to these funds by the employers -- the governmental units. The basic investment law for retirement funds, passed in 1961, was revised by the 1963 Legislature so as to permit an increased percentage of corporate bond investments.

Although State, municipal, and school district bonds once accounted for approximately 70 percent of the total investments in these retirement accounts, such holdings were reduced to approximately 27 percent of the total by December 31, 1963. This percentage decline was due primarily to the placement of all new money in other securities, but was partly accounted for by the sale of tax-exempt bonds during the past 3 years. Sales of such securities totaled \$4,552,000 in 1963. Although these tax-exempt bond sales will continue in future years, it is anticipated that most of the present holdings will be held until maturity. The remaining "municipals" consist primarily of small odd lots that carry either no rating or a rating of "Ba" (or "BB") by the leading services. The refunding of certain of these issues, made possible by action of the 1963 Minnesota Legislature, has increased the value of the affected holdings and may make them more marketable.

Corporate debt obligations now constitute the leading classification of securities in the retirement funds, accounting for 43.2 percent of total investments on a book value basis. All these securities have been purchased since 1960 and were rated "A" or better, at the time of purchase, by at least one of the nationally recognized rating services -- Fitch, Moody's, or Standard & Poor's. These corporate fixed-income investments, yielding 4.69 percent, provide a higher return to the retirement accounts than any other securities category.

The use of common stocks in the retirement funds was authorized by the 1961 Legislature. The State Board of Investment may purchase common stocks up to a maximum of 5 percent of the funds' book values in each of the years following 1961, until a maximum investment of 25 percent in common stocks is reached. By April 14, 1963, the second anniversary of the investment law, such investments accounted for almost 10 percent of the total value of each fund; this percentage increased to nearly 15 percent by April 14, 1964.

On December 31, 1963, the retirement funds held \$140,498,250 of corporate securities, providing an average yield, at cost, of 4.39 percent. The current yield on investments purchased in 1963 decreased somewhat from that obtained during recent years owing to higher bond prices, with accompanying lower interest rates, and because of a continuing high level of investment in common stocks.

The following schedule gives an approximate market valuation of the securities in the combined retirement accounts as of December 31, 1963:

APPROXIMATE MARKET VALUE OF COMBINED RETIREMENT FUNDS INVESTMENTS
December 31, 1963

<u>Type of Security</u>	<u>Face Value or Cost</u>	<u>Market Value</u>	<u>Value per \$100 Invested</u>
U.S. Treasury and U.S. Government-guaranteed obligations	\$34,611,000.00	\$33,245,177.94	\$96.05
Minnesota State obligations	10,317,000.00	9,543,225.00	92.50
Obligations of Minnesota subdivisions	67,932,500.00	62,158,237.50	91.50
Corporate debt obligations	109,539,686.27	112,278,178.43	102.50
Common stocks	<u>30,959,263.75</u>	<u>34,323,981.77</u>	<u>110.87</u>
Totals and average value	\$253,359,450.02	\$251,548,800.64	\$99.29

The U.S. Treasury obligations have a market value less than cost because they were purchased during the period of lower interest rates in the late 1940's and early 1950's. The Minnesota State securities are State college revenue issues sold to the retirement funds in connection with the financing of dormitories. These securities are listed at an estimated value based on their worth to the State retirement funds; they are not public issues and are not negotiable. The low market value assumed for these securities is due to their comparatively low interest rates.

The market value assigned to the municipal holdings is merely an estimate because of the impossibility of valuing this portfolio, which consists of numerous small holdings and hundreds of individual issues. If an attempt were made to sell these bonds in a short period of time, the price received would be substantially lower than that indicated, because of the difficulty of marketing, in a limited period, such a large number of municipal securities from a comparatively small geographical area. Most of these holdings were purchased in the mid-1950's and carry interest rates somewhat below those prevailing more recently.

The average yield of 4.69 percent provided by the corporate bond holdings is above the rate that could be obtained on comparable investments on December 31, 1963. For the most part, the market value of such securities can only be estimated, because many were issued in the form of private placements. The book profit in the corporate bond accounts reflects the lower interest rates prevailing at yearend 1963 than at the times most of these bonds were purchased. The listed common stocks were valued from closing prices on the New York Stock Exchange. The prices of unlisted stocks were based on the bid prices appearing in the Wall Street Journal or in other leading financial publications.

REVIEW OF ACCOMPANYING SCHEDULES

Schedule I summarizes the composition of the Permanent School Fund and the retirement funds on December 31, 1963. The rearrangement of the Permanent School Fund has

only begun; under the recent statute, the composition of this fund will eventually include a substantial percentage in corporate securities. Although the Permanent School Fund does not have the problem of large quantities of low-yielding municipal bonds, such as was faced in rearranging the retirement accounts, the high percentage of low-coupon long-term U.S. Treasury obligations will necessitate a cautious and gradual rearrangement of this portfolio. It is expected that the percentage of common stock investments will increase over the years, but the funds will continue to be invested primarily in fixed-income securities.

Schedule II shows the yield received on the three largest retirement funds during the past 6 years and emphasizes the increased income earned because of higher interest rates and the use of corporate securities. Since 1958, retirement fund yields have increased from approximately 2.9 percent to nearly 4 percent. An average of 4 percent should be reached during 1964. It is believed that yield has not been unduly emphasized since 1960. Quality has been stressed in the purchase of bonds, and growth potential in the making of common stock commitments. The use of many stocks offering a low current yield has been continued; dividend increases from such stocks have already indicated their future value to the retirement funds and an eventual favorable impact on yield figures.

The different rates of growth experienced by the three major retirement funds account for the variance in the current yields of these funds. The Public Employees Retirement Fund has shown the highest rate of growth during the past 6 years. It has been possible to place a larger percentage of this fund in higher yielding corporate bonds. The State Employees Retirement Fund has shown a comparatively slow rate of growth in recent years. A larger part of the investments in this fund were purchased during the 1950's, at a time of lower bond yields. This fund now includes a higher percentage of Minnesota school and municipal bonds than the other two major retirement funds and a smaller percentage of higher yielding corporate fixed-income securities. The variance in progress of the three funds during individual years appears to be due to differing accounting procedures used by these funds. Identical policies have been followed in the handling of these accounts since 1960, but purchases have varied because of the amounts of cash available and the timing of the contributions to the individual funds.

Schedule III lists the corporate bond holdings of the Permanent School Fund on December 31, 1963. Because all these securities were purchased in the few months since the trust fund investment statute was passed by the Legislature in May 1963, it has not yet been possible to achieve the degree of diversification desirable in this account. At the time this report is being written, in mid-June 1964, corporate bond purchases and commitments total \$44,190,176 and provide an average yield to maturity of 4.51 percent.

Schedule IV lists the corporate bond holdings of the retirement funds on December 31, 1963. Except for the nominal amount of railroad bonds previously owned, these securities were purchased since March 1960. Practically all these bonds were purchased at the time of original offering, or soon thereafter, from members of the underwriting syndicates.

Both the Permanent School Fund and the retirement funds own issues that were purchased directly from the borrowing corporations by numerous institutional buyers,

including public retirement funds, insurance companies, and bank trust departments. The State Board of Investment usually follows a policy of buying only those private placements that are of sufficient size to be purchased by several buyers, so that the investment department is not in a position of setting the interest rate on any particular issue. Commitments are made for privately placed issues only after they have been reviewed by both the Minnesota investment staff and at least one of the three nationally recognized rating agencies, and have been declared to be of "A" quality or above.

Schedule V details the types of corporate debt obligations owned by the Permanent School Fund and the various retirement funds on December 31, 1963, as well as the redemption features of these securities. Because the Permanent School Fund will not evidence the growth expected in the retirement funds during the next few years, and because the U.S. Treasury securities presently owned by the Permanent School Fund are of very long maturities, a greater emphasis is expected on railroad equipment obligations and shorter term industrial notes and bonds in the Permanent School account. The continuing flow of incoming cash into the retirement funds justifies the somewhat longer average maturity in those funds.

The Board has emphasized call protection on all bonds purchased during the past 4 years. Those securities listed as having call or refunding protection of from 1 to 4 years were purchased prior to 1963 but had 5 or more years of such protection on the purchase date. Approximately 80 percent of the purchases since 1960 have been of securities that either are noncallable or had at least 5 years of call or refunding protection. Because of these noncallable or nonrefundable features, the portfolio appears to be adequately protected against anticipated fluctuations in interest rates.

Schedule VI lists the common stock holdings in the Permanent School Fund and in the various retirement funds on December 31, 1963. All these securities meet the requirements stated in the applicable statutes and have been approved by the Advisory Committee on Common Stocks. This committee, which was appointed by the State Board of Investment in May 1961, has now served for 3 years and has made a significant contribution to the investment program of the State. The group was originally formed to guide the equity program being established for the retirement funds; it has now been used to formulate the program for stock investments in the Permanent School Fund. The members of the Board and the staff of the investment department are very appreciative of the time and advice that have been contributed by the 10 members chosen from among the State's leading investment managers. The members of this advisory committee are as follows:

Hermon J. Arnott	President	Farmers & Mechanics Savings Bank of Minneapolis
Franklin Briesse	Executive Vice President	The Minnesota Mutual Life Insurance Company
Robert S. Davis	Vice President and Investment Officer	St. Paul Fire & Marine Insurance Company
Gaylord W. Glarner	Vice President	First Trust Company of St. Paul

James C. Harris	Vice President	Northwestern National Bank of Minneapolis
John M. Harris	Trust Investment Officer	Northern City National Bank, Duluth
Francis H. Hassing	Investment Counsel	University of Minnesota
Maxwell B. Hight	Section of Administration	Mayo Clinic, Rochester
Donald E. Jondahl	Vice President - Finance	Northwestern National Life Insurance Company
Norman Terwilliger	Executive Secretary	Minneapolis Teachers Retirement Association

Schedule VI indicates that at yearend 1963 the equities in the Permanent School Fund, costing \$5,215,640.61, had a value of \$5,314,746.13; by June 1, 1964, the equities in this account totaled \$13,552,423.20 and had a market value of \$14,108,773.25, or a gain of 4.11 percent. The schedule also indicates that on December 31, 1963, the retirement funds owned common stocks costing \$30,958,563.75 and having a market value of \$34,323,281.77. By June 1, 1964, the stocks in the combined retirement funds portfolio had a market value of \$44,909,795.65, compared with an original cost of \$39,392,863.73, thereby showing a gain of 14.00 percent.

The equities now owned in the Permanent School Fund and the retirement funds are expected to show substantial market fluctuations during future years. The Board, however, does not intend to use these funds as trading media, but hopes to establish a solid investment in American industry that will provide future income to the accounts. The stocks purchased for the retirement funds in 1961, which provided at the time of purchase a yield of 2.67 percent, now provide a yield of 3.19 percent on the original cost basis, owing to dividend increases since the time of acquisition. A comparable increase in income may be anticipated over a period of years as the nation's economy continues to grow.

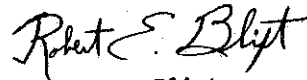
The Advisory Committee on Common Stocks and the State Board of Investment have emphasized such considerations as management factors and growth potential, as well as current yield, in the selection of equity securities. All stocks suggested for inclusion in these funds are first discussed and approved by the Advisory Committee and then brought before the members of the State Board of Investment. The actual purchase program is subject to continuing advice and suggestions by the Advisory Committee on Common Stocks.

A list has been compiled of all investment firms with which the State Board of Investment had dealings during 1963; a résumé summarizing the investment department's policies and procedures regarding the distribution of business accompanies this listing. Although, for reasons of economy, this material has not been included in this report, it is available to anyone at the office of the Executive Secretary, Room 115, State Capitol, or will be mailed upon request.

For the most part, existing legislation applicable to the various funds has proved workable. The department will cooperate with the Public Employee Retirement Systems Interim Commission, as in the past, regarding any technical changes needed in the statutes. Minor revisions would be helpful with respect to standards set for investment in various types of corporate securities, as well as more specific language applicable to other types of investment media.

The staff of the investment department appreciates the cooperation received from the Legislature in effecting investment changes that have resulted in improved portfolio balance and noticeably higher income during the past 4 years.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Robert E. Blixt". The signature is fluid and cursive, with the first and last names being more prominent.

Robert E. Blixt
Executive Secretary

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule I

COMPOSITION OF THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS
December 31, 1963

PERMANENT SCHOOL FUND

PERMANENT SCHOOL FUND		RETIREMENT FUNDS														
		Distribution Within Various Funds														
Book Value	%	Type of Security	Total Retirement Funds Book Value	%	Public Employees Retirement Fund Book Value	%	State Employees Retirement Fund Book Value	%	Teachers' Retirement Fund Book Value	%	Public Employees Police & Fire Fund Book Value	%	Officers Retirement Fund Book Value	%	Highway Patrolmen's Retirement Fund Book Value	%
FIXED-INCOME OBLIGATIONS																
29,812,500.00	87.2%	U.S. Treasury	\$ 30,355,000.00	12.0%	\$ 10,935,000.00	12.4%	\$ 6,775,000.00	9.8%	\$10,560,000.00	11.9%	\$1,615,000.00	37.2%	\$ 50,000.00	5.4%	\$ 420,000.00	15.7
1,000,000.00	0.4	U.S.-Guaranteed Merchant Marine Bonds	4,256,000.00	1.7	3,860,000.00	4.4	-	-	-	-	396,000.00	9.1	-	-	-	-
30,812,500.00	87.6%	Total Federal Obligations	\$ 34,611,000.00	13.7%	\$ 14,795,000.00	16.8%	\$ 6,775,000.00	9.8%	\$10,560,000.00	11.9%	\$2,011,000.00	46.3%	\$ 50,000.00	5.4%	\$ 420,000.00	15.7
2,731,485.00	1.0%	Minnesota State	\$ 9,406,000.00	3.7%	\$ 3,202,000.00	3.6%	\$ 2,548,000.00	3.7%	\$ 3,656,000.00	4.1%	-	-	-	-	-	-
2,347,000.00	0.9	Minnesota Subdivisions	67,932,500.00	26.8	18,004,000.00	20.5	24,449,000.00	35.4	24,246,500.00	27.4	-	-	\$416,000.00	44.6%	\$ 817,000.00	30.5
-	-	Other States & Subdivisions	911,000.00	0.4	333,000.00	0.4	376,000.00	0.5	202,000.00	0.2	-	-	-	-	-	-
5,078,485.00	1.9%	Total State and Municipal Obligations	\$ 78,249,500.00	30.9%	\$ 21,539,000.00	24.5%	\$ 27,373,000.00	39.6%	\$28,104,500.00	31.7%	-	-	\$416,000.00	44.6%	\$ 817,000.00	30.5
Corporate Obligations:																
Public Utility																
6,000,000.00	2.3%	Electric	\$ 32,998,000.00	13.0%	\$ 12,249,000.00	13.9%	\$ 7,305,000.00	10.6%	\$12,442,000.00	14.1%	\$ 563,000.00	13.0%	\$130,000.00	13.9%	\$ 309,000.00	11.6
-	-	Gas	21,563,000.00	8.5	8,083,000.00	9.2	5,109,000.00	7.4	7,612,000.00	8.6	334,000.00	7.7	125,000.00	13.4	300,000.00	11.2
3,000,000.00	1.1	Telephone	5,760,000.00	2.3	2,850,000.00	3.2	1,000,000.00	1.5	1,600,000.00	1.8	210,000.00	4.8	-	-	100,000.00	3.7
-	-	Water	1,000,000.00	0.4	400,000.00	0.5	300,000.00	0.4	300,000.00	0.3	-	-	-	-	-	-
9,000,000.00	3.4%	Total Public Utility	\$ 61,321,000.00	24.2%	\$ 23,582,000.00	26.8%	\$ 13,714,000.00	19.9%	\$21,954,000.00	24.8%	\$1,107,000.00	25.5%	\$255,000.00	27.3%	\$ 709,000.00	26.5
1,000,000.00	0.4%	Finance	\$ 2,975,000.00	1.2%	\$ 1,000,000.00	1.1%	\$ 800,000.00	1.2%	\$ 1,100,000.00	1.2%	\$ 75,000.00	1.7%	-	-	-	-
6,200,000.00	2.4	Industrial	21,900,000.00	8.6	7,900,000.00	9.0	5,550,000.00	8.1	8,200,000.00	9.3	200,000.00	4.6	-	-	\$ 50,000.00	1.9
2,000,000.00	0.7	Railroad Debt	7,352,000.00	2.9	2,700,000.00	3.1	2,092,000.00	3.0	2,135,000.00	2.4	175,000.00	4.0	\$100,000.00	10.7%	150,000.00	5.6
4,410,175.78	1.7	Railroad Equipment	15,991,686.27	6.3	5,856,021.06	6.7	4,150,307.81	6.0	5,606,357.40	6.3	245,000.00	5.7	-	-	134,000.00	5.0
22,610,175.78	8.8%	Total Corporate Obligations	\$108,539,886.27	43.2%	\$ 41,038,021.06	46.7%	\$ 26,308,307.81	38.2%	\$38,898,357.40	44.0%	\$1,808,000.00	41.8%	\$355,000.00	38.0%	\$1,043,000.00	39.0
-	-	Preferred Stock (gift)	700.00	-	-	-	-	-	700.00	-	-	-	-	-	-	-
158,501,160.78	98.1%	TOTAL FIXED-INCOME OBLIGATIONS	\$222,400,886.27	87.8%	\$ 77,372,021.06	88.0%	\$ 60,454,307.81	87.6%	\$77,860,557.40	87.6%	\$3,813,000.00	87.8%	\$821,000.00	88.0%	\$2,880,000.00	85.2
COMMON STOCKS																
CONSUMER-ORIENTED STOCKS:																
Utilities																
1,210,126.20	0.5%	Electric	\$ 7,350,447.32	2.9%	\$ 2,422,613.19	2.8%	\$ 2,157,491.17	3.1%	\$ 2,526,519.09	2.9%	\$ 117,690.57	2.7%	\$ 22,474.94	2.4%	\$ 103,658.36	3.9%
53,668.27	-	Gas	1,447,288.83	0.6	477,549.68	0.5	381,919.87	0.6	514,600.65	0.6	40,368.11	0.9	10,552.38	1.1	22,298.14	0.8
103,769.24	-	Telephone	725,996.59	0.3	254,077.41	0.3	182,754.50	0.3	250,162.76	0.3	19,044.95	0.4	2,645.00	0.3	17,311.97	0.6
1,367,563.71	0.5%	Total Utilities	\$ 9,523,732.74	3.8%	\$ 3,154,240.28	3.6%	\$ 2,722,165.54	4.0%	\$ 3,291,282.50	3.8%	\$ 177,103.63	4.0%	\$ 35,672.32	3.8%	\$ 143,268.47	5.3%
Financial Services																
571,096.83	0.2%	Banks	\$ 3,238,668.61	1.3%	\$ 1,139,736.47	1.3%	\$ 872,172.31	1.3%	\$ 1,158,753.33	1.3%	\$ 34,569.14	0.8%	\$ 11,119.10	1.2%	\$ 22,318.26	0.8%
59,423.98	-	Finance	147,421.33	0.1	29,613.29	0.1	47,069.84	0.1	59,048.60	0.1	11,689.60	0.3	-	-	-	-
302,200.00	0.1	Insurance	1,683,118.83	0.7	638,031.83	0.7	445,653.73	0.7	535,318.27	0.6	29,550.00	0.7	-	-	34,565.00	1.3
932,720.81	0.3%	Total Financial Services	\$ 5,069,208.77	2.1%	\$ 1,807,381.59	2.1%	\$ 1,364,895.88	2.1%	\$ 1,753,120.20	2.0%	\$ 75,808.74	1.8%	\$ 11,119.10	1.2%	\$ 56,883.26	2.1%
Consumers Goods																
88,141.66	-	Containers	\$ 411,609.76	0.2%	\$ 169,191.75	0.2%	\$ 92,124.08	0.1%	\$ 141,638.05	0.2%	\$ 8,655.88	0.2%	-	-	-	-
211,666.41	0.1%	Food-Beverage	1,278,247.05	0.5	429,073.73	0.5	319,256.49	0.5	495,601.71	0.6	16,594.50	0.4	-	-	\$ 17,720.62	0.7%
80,347.50	-	Printing & Publishing	969,891.89	0.4	326,276.77	0.4	289,583.64	0.4	333,715.30	0.4	20,316.18	0.5	-	-	-	-
175,151.41	0.1	Retail Trade	1,242,109.13	0.5	426,148.67	0.5	334,861.09	0.5	429,664.92	0.5	29,706.79	0.7	\$ 3,748.06	0.4%	17,979.60	0.7
76,378.80	-	Miscellaneous	768,088.81	0.3	259,384.78	0.3	211,828.07	0.3	269,031.91	0.3	-	-	4,323.80	0.5	23,520.25	0.9
631,685.78	0.2%	Total Consumers Goods	\$ 4,669,946.64	1.9%	\$ 1,610,075.70	1.9%	\$ 1,247,653.37	1.8%	\$ 1,669,651.89	2.0%	\$ 75,273.35	1.8%	\$ 8,071.86	0.9%	\$ 59,220.47	2.3%
2,931,970.30	1.0%	Total Consumer-Oriented Stocks	\$ 19,262,888.16	7.8%	\$ 6,571,697.57	7.6%	\$ 5,334,714.79	7.9%	\$ 6,714,054.59	7.8%	\$ 328,185.72	7.6%	\$ 54,863.28	5.8%	\$ 259,372.20	9.7%
RESEARCH STOCKS:																
516,994.43	0.2%	Chemical & Drug	\$ 2,443,551.31	1.0%	\$ 811,819.23	0.9%	\$ 704,242.94	1.0%	\$ 855,787.18	1.0%	\$ 38,884.95	0.9%	\$ 6,333.50	0.7%	\$ 26,483.51	1.0%
89,800.00	-	Office Equipment	600,901.70	0.2	213,352.95	0.2	160,350.00	0.2	201,212.50	0.2	11,058.75	0.3	5,152.50	0.6	9,775.00	0.4
122,538.90	0.1	Miscellaneous	687,379.98	0.3	215,857.52	0.2	184,911.08	0.3	264,167.96	0.3	15,022.04	0.4	-	-	7,421.38	0.3
729,333.33	0.3%	Total Research Stocks	\$ 3,731,832.99	1.5%	\$ 1,241,029.70	1.3%	\$ 1,049,504.02	1.5%	\$ 1,321,107.04	1.5%	\$ 64,965.74	1.6%	\$ 11,486.00	1.3%	\$ 43,679.89	1.7%
NATURAL-RESOURCES STOCKS:																
542,641.31	0.2%	Petroleum	\$ 2,823,198.60	1.1%	\$ 1,012,022.15	1.1%	\$ 752,753.28	1.1%	\$ 970,758.77	1.1%	\$ 47,680.32	1.1%	\$ 9,848.46	1.0%	\$ 30,135.62	1.1%
542,641.31	0.2%	Total Natural-Resources Stocks	\$ 2,823,198.60	1.1%	\$ 1,012,022.15	1.1%	\$ 752,753.28	1.1%	\$ 970,758.77	1.1%	\$ 47,680.32	1.1%	\$ 9,848.46	1.0%	\$ 30,135.62	1.1%
DURABLES STOCKS:																
234,988.33	0.1%	Automobiles	\$ 1,153,430.33	0.3%	\$ 432,093.57	0.5%	\$ 268,410.26	0.4%	\$ 397,985.26	0.5%	\$ 21,390.53	0.5%	\$ 10,877.81	1.2%	\$ 22,672.90	0.8
104,106.40	-	Electrical & Electronic Equipment	1,001,635.41	0.4	354,967.98	0.4	242,401.35	0.3	374,824.97	0.4	10,543.96	0.2	3,691.53	0.4	15,205.62	0.6
98,331.31	0.1	Machinery	406,627.91	0.2	143,457.86	0.2	115,794.17	0.2	142,645.94	0.2	-	-	4,729.94	0.5	-	-
201,050.90	0.1	Railroads	1,085,772.55	0.4	371,889.08	0.4	333,166.52	0.5	345,329.89	0.4	18,470.86	0.4	3,222.44	0.3	13,693.76	0.5
129,327.20	-	Railroad Equipment	580,678.29	0.2	173,136.15	0.2	171,953.47	0.2	214,596.74	0.2	10,031.63	0.2	-	-	10,960.30	0.4
97,093.93	-	Steel	596,941.73	0.2	214,501.19	0.2	146,679.63	0.2	216,887.66	0.2	12,840.76	0.3	6,032.49	0.6	-	-
146,797.60	0.1	Miscellaneous	315,557.79	0.1	121,808.96	0.1	52,765.94	0.1	121,875.74	0.1	11,965.65	0.3	7,141.50	0.8	-	-
1,011,695.67	0.4%	Total Durables Stocks	\$ 5,140,844.01	1.8%	\$ 1,811,864.79	2.0%	\$ 1,331,171.34	1.9%	\$ 1,814,146.20	2.0%	\$ 85,243.39	1.9%	\$ 35,696.71	3.8%	\$ 62,532.68	2.3
5,815,840.61	1.9%	TOTAL COMMON STOCKS	\$ 30,958,563.75	12.2%	\$ 10,636,504.21	12.0%	\$ 8,468,143.43	12.4%	\$10,880,127.20	12.4%	\$ 526,075.17	12.2%	\$111,893.45	12.0%	\$ 395,720.29	14.8
263,716,801.39	100.0%	TOTAL	\$253,359,450.02	100.0%	\$ 88,008,625.27	100.0%	\$ 68,922,451.24	100.0%	\$88,480,684.60	100.0%	\$4,339,075.17	100.0%	\$932,893.45	100.0%	\$2,675,720.29	100.0

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule II

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS
IN THE THREE LARGEST RETIREMENT FUNDS
December 31, 1963

	PUBLIC EMPLOYEES RETIREMENT FUND				STATE EMPLOYEES RETIREMENT FUND				TEACHERS' RETIREMENT FUND			
	Book Value of Fund (1)(6)	Average Book Value of Fund for Year Ending (2)	Income of Fund for Year Ending (3)	Yield (4)	Book Value of Fund (1)	Average Book Value of Fund for Year Ending (2)	Income of Fund for Year Ending (3)(5)	Yield (4)	Book Value of Fund (1)	Average Book Value of Fund for Year Ending (2)	Income of Fund for Year Ending (3)	Yield (4)
June 30, 1956	\$17,357,500	-	-	-	\$32,872,500	-	-	-	\$27,471,100	-	-	-
December 31, 1956	\$18,286,750	-	-	-	\$34,910,000	-	-	-	\$29,748,400	-	-	-
June 30, 1957	\$19,301,750	-	-	-	\$36,797,000	\$34,859,833	\$1,016,556.48	2.92%	\$31,853,900	-	-	-
December 31, 1957	\$20,588,750	-	-	-	\$39,577,500	-	-	-	\$34,149,700	-	-	-
June 30, 1958	\$23,625,000	\$21,171,833	\$ 614,096.77	2.90%	\$39,715,500	-	-	-	\$37,242,200	\$34,415,267	\$1,018,014.26	2.90%
December 31, 1958	\$27,515,000	-	-	-	\$41,985,500	\$40,426,167	\$1,225,833.46	3.03%	\$42,777,200	-	-	-
June 30, 1959	\$31,563,000	\$27,567,667	\$ 880,223.48	3.19%	\$44,659,000	-	-	-	\$48,523,300	\$42,847,567	\$1,409,995.45	3.29%
December 31, 1959	\$35,414,500	-	-	-	\$46,911,500	\$44,518,667	\$1,378,022.98	3.10%	\$54,313,300	-	-	-
June 30, 1960	\$41,548,500	\$36,175,333	\$1,211,061.33	3.35%	\$49,816,500	-	-	-	\$55,243,300	\$52,693,300	\$1,823,482.03	3.46%
December 31, 1960	\$46,935,500	-	-	-	\$51,967,000	\$49,565,000	\$1,631,458.61	3.29%	\$59,160,300	-	-	-
June 30, 1961	\$54,183,680	\$47,555,893	\$1,753,679.00	3.69%	\$54,499,050	-	-	-	\$63,098,540	\$59,167,380	\$2,140,761.22	3.62%
December 31, 1961	\$61,433,745	-	-	-	\$56,830,438	\$54,432,163	\$1,885,692.64	3.46%	\$67,775,429	-	-	-
June 30, 1962	\$68,132,958	\$61,250,128	\$2,340,665.00	3.82%	\$59,843,686	-	-	-	\$73,187,108	\$68,020,359	\$2,587,612.53	3.80%
December 31, 1962	\$75,195,593	-	-	-	\$62,517,119	\$59,730,414	\$2,168,821.46	3.63%	\$77,813,737	-	-	-
June 30, 1963	\$81,436,890	\$74,921,814	\$2,990,070.00	3.99%	\$65,432,932	-	-	-	\$82,990,550	\$77,997,132	\$3,011,190.37	3.86%
December 31, 1963	\$92,347,700	\$82,993,394	\$3,330,588.80 ⁽⁷⁾	4.01%	\$68,922,451	\$65,624,167	\$2,466,206.57	3.76%	\$88,480,685	\$83,094,991	\$3,238,837.13 ⁽⁷⁾	3.90%

(1) Book value figures based on those shown on Treasurer's General Report on State Finances on date listed, with adjustments for investments committed for but not yet received.

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

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

(4) Computed by dividing income of Fund for fiscal period by average book value of Fund during period.

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

(6) Includes the Public Employees Police & Fire Fund for periods after July 1, 1960, when it was established.

(7) The Public Employees and Teachers' Retirement Funds are on a fiscal-year basis. These figures were calculated by the Fund administrations upon request.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule III

CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND
December 31, 1963

ISSUE						
Company	Type of Security	Maturity Date (1)	Coupon Rate %	Total Amount (000)	Average Yield %	
PUBLIC UTILITY OBLIGATIONS						
ELECTRIC						
Hawaiian Electric Co.	First Mortgage	7-1-93	4.45	\$1,000	4.45	
Indiana & Michigan Electric Co.	First Mortgage	8-1-93	4 3/8	1,000	4.42	
Interstate Power Co.	First Mortgage	5-1-93	4 3/8	1,000	4.39	
Jersey Central Power & Light Co.	Debenture	10-1-88	4 5/8	1,000	4.56	
Northern States Power Co.	First Mortgage	9-1-93	4 3/8	1,000	4.38	
Otter Tail Power Co.	First Mortgage	11-1-93	4 5/8	1,000	4.60	
Total Electric Utility Obligations				\$6,000	4.47%	
TELEPHONE						
American Telephone & Telegraph Co.	Debenture	5-1-99	4 3/8	\$1,500	4.365	
Pacific Northwest Bell Telephone Co.	Debenture	12-1-2000	4 1/2	1,500	4.49	
Total Telephone Utility Obligations				\$3,000	4.43%	
Total Public Utility Obligations				\$9,000	4.45%	
FINANCE OBLIGATIONS						
Beneficial Finance	Note	3-1-89	4.60	\$1,000	4.60	
Total Finance Obligations				\$1,000	4.60%	
INDUSTRIAL OBLIGATIONS						
American Metal Climax, Inc.	Note	8-1-88	4.45	\$1,000	4.50	
Burroughs Corp.	Debenture	7-1-88	4 1/2	1,000	4.53	
Dow Chemical Co.	Debenture	9-15-88	4.35	1,000	4.35	
Pillsbury Co.	Promissory Note	12-1-88	4 3/8	1,000	4.40	
Sinclair Oil Corp.	S/F Debenture	12-15-88	4.60	1,200	4.60	
Sprague Electric Co.	S/F Debenture	9-1-88	4 3/8	1,000	4.40	
Total Industrial Obligations				\$6,200	4.47%	
RAILROAD EQUIPMENT OBLIGATIONS						
Chesapeake & Ohio Railway Co.	Cond. Sale	6-1-64/78	4.40	\$1,433 ⁽²⁾	4.40	
Kansas City Southern Railway Co.	Cond. Sale	1-15-69/7-15-73	4.35	984 ⁽³⁾	4.35	
Kansas City Southern Railway Co.	Cond. Sale	1-15-74/7-15-78	4.45	492 ⁽⁴⁾	4.45	
North American Car Corp.	Equip. Trust	9-1-69/73	4.55	500	4.55	
North American Car Corp.	Equip. Trust	9-1-74/78	4.65	1,000	4.65	
Total Railroad Equipment Obligations				\$4,409	4.47%	
RAILROAD DEBT OBLIGATIONS						
Seaboard Air Line Railroad Co.	First Mortgage	12-1-88	4 5/8	\$1,000	4.65	
Southern Railway Co.	First Mortgage	6-1-88	4 5/8	1,000	4.625	
Total Railroad Debt Obligations				\$2,000	4.64%	
TOTAL CORPORATE OBLIGATIONS				\$22,609	4.48%	

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

(2) Figure shown is rounded to the nearest thousand; actual holding is as follows: \$1,433,487.00.

(3) Figure shown is rounded to the nearest thousand; actual holding is as follows: \$984,459.19.

(4) Figure shown is rounded to the nearest thousand; actual holding is as follows: \$492,229.59.

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Schedule IV

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS

December 31, 1963

December 31, 1983											
ISSUE											
Company	Type of Security	Maturity Date (1)	Coupon Rate %	Total Amount (000)	Average Yield %	Public Employees Retirement Fund (000)	State Employees Retirement Fund (000)	Teachers' Retirement Fund (000)	Public Employees Police & Fire Fund (000)	State Police Officers Retirement Fund (000)	Highway Patrolmen's Retirement Fund (000)
PUBLIC UTILITY OBLIGATIONS											
ELECTRIC											
Alabama Power Co.	First Mortgage	4-1-90	5	\$ 708	5.01	\$ 202	\$ 140	\$ 366	-	-	-
Alabama Power Co.	First Mortgage	3-1-91	4 1/2	850	4.40	350	300	150	-	-	\$ 50
Atlantic City Electric Co.	First Mortgage	3-1-91	4 1/2	1,200	4.37	600	-	600	-	-	-
California Electric Power Co.	First Mortgage	5-1-90	5 1/8	1,240	5.10	400	300	500	-	\$ 40	-
Carolina Power & Light Co.	First Mortgage	4-1-90	4 7/8	850	4.85	350	-	500	-	-	-
Central Illinois Light Co.	First Mortgage	3-1-90	4 7/8	1,000	4.90	250	250	500	-	-	-
Central Maine Power Co.	First Mortgage	11-1-90	5 1/4	690	5.10	-	297	296	\$ 58	-	39
Citizens Utilities Co.	Coll. Tr. & First Mtge.	12-31-91	4.80	1,000	4.80	600	400	-	-	-	-
Citizens Utilities Co.	Coll. Tr. & First Mtge.	10-1-92	4 5/8	600	4.625	-	-	600	-	-	-
Consolidated Edison Co.	First & Refunding Mtge.	12-1-93	4 5/8	800	4.54	700	-	-	100	-	-
Dayton Power & Light Co.	First Mortgage	6-1-93	4.45	1,500	4.45	500	400	600	-	-	-
Georgia Power Co.	First Mortgage	11-1-90	4 7/8	800	4.88	500	200	-	60	-	40
Hawaiian Electric Co., Ltd.	First Mortgage	4-1-91	4.65	1,550	4.65	600	450	500	-	-	-
Indiana & Michigan Electric Co.	First Mortgage	8-1-93	4 3/8	1,600	4.42	600	400	600	-	-	-
Interstate Power Co.	First Mortgage	5-1-93	4 3/8	1,000	4.39	-	400	500	50	-	50
Iowa-Illinois Gas & Electric Co.	First Mortgage	4-15-90	5	500	4.93	-	-	500	-	-	-
Jersey Central Power & Light Co.	Debenture	10-1-88	4 5/8	1,725	4.56	600	400	600	75	-	50
Lake Superior District Power Co.	First Mortgage	2-1-91	4 5/8	500	4.60	500	-	-	-	-	-
Long Island Lighting Co.	First Mortgage	4-1-93	4.40	1,000	4.40	500	-	500	-	-	-
Louisiana Power & Light Co.	First Mortgage	4-1-90	5	1,050	5.01	350	200	500	-	-	-
Metropolitan Edison Co.	First Mortgage	5-1-90	5	1,050	4.95	350	200	500	-	-	-
Orange & Rockland Utility Co.	First Mortgage	4-15-91	4 7/8	1,400	4.80	500	350	550	-	-	-
Otter Tail Power Co.	First Mortgage	2-1-91	4 7/8	845	4.80	497	298	-	50	-	-
Pacific Power & Light Co.	First Mortgage	4-1-92	4 3/4	1,050	4.69	500	-	400	60	40	50
Public Service Co. of New Hampshire	First Mortgage	7-1-92	4 5/8	650	4.54	300	350	-	-	-	-
Public Service Electric & Gas Co. First	& Refunding Mtge.	9-1-90	4 3/4	560	4.73	-	-	500	60	-	-
(2) Puget Sound Power & Light Co.	First Mortgage	4-1-90	5 3/8	1,050	5.30	350	200	500	-	-	-
Puget Sound Power & Light Co.	First Mortgage	2-1-91	4 5/8	500	4.65	250	250	-	-	-	-
Puget Sound Power & Light Co.	First Mortgage	11-1-93	4 5/8	1,200	4.60	350	250	600	-	-	-
Sierra Pacific Power Co.	First Mortgage	6-1-92	4 7/8	1,430	4.75	400	500	430	50	50	-
Southern California Edison Co.	First & Refunding Mtge.	9-1-85	4 3/8	1,260	4.43	500	260	500	-	-	-
Southern California Edison Co.	First & Refunding Mtge.	4-1-86	4 1/2	550	4.42	150	250	150	-	-	-
Utah Power & Light Co.	First Mortgage	9-1-90	4 7/8	1,290	4.80	500	260	500	-	-	30
Total Electric Utility Obligations				\$32,998	4.70%	\$12,249	\$7,305	\$12,442	\$563	\$130	\$309
GAS											
Arkansas Louisiana Gas Co.	First Mortgage	4-1-83	4 3/8	\$ 1,400	4.45	\$ 500	\$ 400	\$ 500	-	-	-
Columbia Gas System, Inc.	Debenture	1-1-88	4 3/8	1,650	4.375	600	400	600	-	-	\$ 50
Gas Service Co.	First Mortgage	5-1-83	4.40	1,400	4.40	450	400	450	-	\$ 50	50
Laclede Gas Co.	First Mortgage	7-1-85	4 7/8	489	4.80	242	198	-	\$ 49	-	-
Louisiana Gas Service Co.	First Mortgage	6-1-87	4 1/2	1,550	4.70	500	500	400	100	-	50
Michigan-Wisconsin Pipe Line Co.	First Mortgage	7-15-83	4 7/8	1,475	4.70	500	400	500	75	-	-
Milwaukee Gas Light Co.	First Mortgage	5-15-87	4 5/8	539	4.50	-	-	489	-	-	50
Mountain Fuel Supply Co.	Debenture	9-1-86	4 7/8	1,250	4.80	600	-	600	-	-	50
Natural Gas Pipeline Co. of America	First Mortgage	10-1-80	5	936	5.00	468	234	234	-	-	-
Northern Natural Gas Co.	Debenture	11-1-81	4 7/8	1,025	4.80	500	-	500	-	25	-
Southern Counties Gas/California	First Mortgage	8-1-85	4 3/4	1,187	4.60	397	247	493	50	-	-
Southern Natural Gas Co.	First Mortgage	12-1-81	4 3/4	1,300	4.75	500	400	400	-	-	-
Southern Union Gas Co.	First Mortgage	10-1-86	4.80	1,200	4.80	600	-	600	-	-	-
Springfield Gas Light Co.	Note	1-15-87	4 7/8	800	4.875	500	300	-	-	-	-
Texas Eastern Transmission Corp.	First Mortgage	12-1-81	4 7/8	1,300	4.915	400	400	500	-	-	-
Transcontinental Gas Pipe Line Corp.	First Mortgage	11-1-81	4 7/8	1,526	5.08	534	438	554	-	-	-
Transcontinental Gas Pipe Line Corp.	First Mortgage	11-1-82	4 7/8	1,060	4.82	300	300	300	60	50	50
Trunkline Gas Co.	First Mortgage	11-1-82	5	1,476	5.00	492	492	492	-	-	-
Total Gas Utility Obligations				\$21,563	4.74%	\$ 8,083	\$ 5,109	\$ 7,612	\$334	\$125	\$300

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - December 31, 1963

Schedule IV
(Continued)

ISSUE												(Continued)
Company	Type of Security	Maturity Date (1)	Coupon Rate %	Total Amount (000)	Average Yield %	Public Employees Retirement Fund (000)	State Employees Retirement Fund (000)	Teachers' Retirement Fund (000)	Public Employees Police & Fire Fund (000)	State Police Officers Retirement Fund (000)	Highway Patrolmen's Retirement Fund (000)	
TELEPHONE												
American Telephone & Telegraph Co.	Debenture	10-1-96	4 3/8	\$1,650	4.30	\$ 500	\$ 400	\$ 600	\$100	-	\$50	
General Telephone Co. of Florida	First Mortgage	5-1-93	4 1/2	1,000	4.50	500	-	500	-	-	-	
Illinois Bell Telephone Co.	First Mortgage	7-1-97	4 7/8	500	4.75	250	200	-	50	-	-	
New York Telephone Co.	Refunding Mtge.	10-1-97	4 5/8	500	4.57	500	-	-	-	-	-	
Pacific Northwest Bell Telephone Co.	Debenture	12-1-2000	4 1/2	1,000	4.49	600	400	-	-	-	-	
Rochester Telephone Corp.	First Mortgage	9-1-93	4 3/4	1,100	4.74	500	-	500	60	-	50	
Total Telephone Utility Obligations				\$5,760	4.51%	\$2,850	\$1,000	\$1,600	\$210	-	\$100	
WATER												
Indianapolis Water Co.	First Mortgage	1-1-92	4 3/4	\$1,000	4.70%	\$ 400	\$ 300	\$ 300	-	-	-	
Total Public Utility Obligations				\$61,321	4.69%	\$23,582	\$13,714	\$21,954	\$1,107	\$255	\$709	
FINANCE OBLIGATIONS												
Beneficial Finance Co.	Note	3-1-89	4.60	\$1,475	4.60	\$ 500	\$ 400	\$ 500	\$75	-	-	
General Electric Credit Corp.	Promissory Note	10-31-82	4 5/8	1,500	4.625	500	400	600	-	-	-	
Total Finance Obligations				\$2,975	4.62%	\$1,000	\$ 800	\$1,100	\$75	-	-	
INDUSTRIAL OBLIGATIONS												
Aluminum Co. of America	Promissory Note	3-1-88	4 3/8	\$1,500	4.375	\$ 500	\$ 400	\$ 600	-	-	-	
American Metal Climax, Inc.	Note	8-1-88	4.45	600	4.50	-	-	600	-	-	-	
American Sterilizer Co.	Note	8-1-77	4 7/8	750	4.875	350	400	-	-	-	-	
Archer-Daniels-Midland Co.	Promissory Note	3-1-88	4 3/8	1,750	4.39	650	450	650	-	-	-	
Ashland Oil & Refining Co.	S/F Debenture	2-15-88	4.35	1,500	4.35	500	400	600	-	-	-	
Burroughs Corp.	Debenture	7-1-88	4 1/2	1,400	4.53	500	400	500	-	-	-	
Ekco Products Co.	S/F Debenture	8-1-87	4.60	1,400	4.60	350	400	600	\$50	-	-	
Emporium-Capwell Co.	Note	5-1-83	4.50	1,000	4.50	550	400	-	50	-	-	
Gimbel Brothers, Inc.	S/F Debenture	6-1-81	5	500	5.08	500	-	-	-	-	-	
International Milling Co.	Note	3-1-88	4 1/2	1,000	4.50	500	-	500	-	-	-	
Kroger Co.	Note	10-1-81	4.80	1,500	4.80	500	400	600	-	-	-	
Pillsbury Co.	Promissory Note	12-1-88	4 3/8	600	4.40	-	-	600	-	-	-	
Shamrock Oil & Gas Corp.	Promissory Note	11-15-87	4 1/2	1,500	4.50	500	400	500	100	-	-	
Sinclair Oil Corp.	S/F Debenture	12-15-88	4.60	1,000	4.60	600	400	-	-	-	-	
Sprague Electric Co.	S/F Debenture	9-1-88	4 3/8	600	4.40	-	-	550	-	-	\$50	
Swift & Co.	Debenture	6-1-86	4 7/8	1,400	4.875	500	400	500	-	-	-	
Union Tank Car Co.	S/F Debenture	8-1-86	5	1,300	5.00	500	400	400	-	-	-	
United States Steel Corp.	S/F Debenture	4-15-86	4 1/2	1,400	4.55	500	400	500	-	-	-	
Worthington Corp.	Note	7-1-81	5	1,200	5.00	400	300	500	-	-	-	
Total Industrial Obligations				\$21,900	4.61%	\$7,900	\$5,550	\$8,200	\$200	-	\$50	
RAILROAD EQUIPMENT OBLIGATIONS												
ACF Industries, Inc.	Equip. Trust	11-1-63/75	4 3/4	\$1,620	4.75	\$ 600	\$ 420	\$ 600	-	-	-	
ACF Industries, Inc.	Equip. Trust	1-15-63/77	4 7/8	952	4.87	476	476	-	-	-	-	
Chicago, Mil., St. Paul & Pac. RR. Co.	Cond. Sale	1-1-63/77	5 3/8	1,871 ⁽¹⁾	5.375	674 ⁽³⁾	539 ⁽³⁾	658 ⁽³⁾	-	-	-	
Fruit Growers Express Co.	Equip. Trust	12-15-63/75	4 3/4	1,704	4.75	500	500	500	\$120	-	\$84	
Fruit Growers Express Co.	Equip. Trust	5-1-63/67	4.40	200	4.40	100	-	100	-	-	-	
Fruit Growers Express Co.	Equip. Trust	5-1-68/77	4.70	500	4.70	250	-	250	-	-	-	
Kansas City Southern Ry. Co.	Cond. Sale	12-15-64/6-15-76	4 1/2	2,108	4.50	720	668	720	-	-	-	
New York Central RR. Co.	Equip. Trust	2-15-71/72, 74	4.75	950	5.00	500	450	-	-	-	-	
New York Central RR. Co.	Equip. Trust	6-1-73	4 7/8	50	5.15	-	-	-	-	-	50	
North American Car Corp.	Equip. Trust	4-15-68/10-15-72	4.40	600	4.40	200	170	200	30	-	-	
North American Car Corp.	Equip. Trust	4-15-73/10-15-77	4.50	1,200	4.50	400	340	400	60	-	-	
St. Louis-San Francisco Ry. Co.	Cond. Sale	6-1-63/72	4 1/4	1,098 ⁽²⁾	4.50	338 ⁽⁴⁾	338 ⁽⁴⁾	422 ⁽⁴⁾	-	-	-	
St. Louis-San Francisco Ry. Co.	Cond. Sale	1-2-63/77	4 3/4	1,753 ⁽³⁾	4.75	648 ⁽⁵⁾	459 ⁽⁵⁾	646 ⁽⁵⁾	-	-	-	
Southern Pacific Co.	Equip. Trust	2-1-71/73	4.25	985	4.50	450	-	500	35	-	-	
Western Fruit Express Co.	Equip. Trust	1-1-63/7-1-75	4.85	1,210	4.85	360	240	610	-	-	-	
Western Fruit Express Co.	Equip. Trust	9-1-63/64	2 3/8	140	4.73	140	-	-	-	-	-	
Total Railroad Equipment Obligations				\$16,941	4.75%	\$6,356	\$4,600	\$5,606	\$245	-	\$134	

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - December 31, 1963

Schedule IV
(Continued)

Company	Type of Security	Maturity Date (1)	Coupon Rate %	Total Amount (000)	Average Yield %	Public Employees Retirement Fund (000)	State Employees Retirement Fund (000)	Teachers' Retirement Fund (000)	Public Employees Police & Fire Fund (000)	State Police Officers Retirement Fund (000)	Highway Patrolmen's Retirement Fund (000)
RAILROAD DEBT OBLIGATIONS											
Atlantic Coast Line RR. Co.	First Mortgage	10-1-88	4 3/4	\$1,450	4.75	\$ 500	\$ 400	\$ 500	-	-	\$50
Louisville & Nashville RR. Co.	Coll. Trust Bond	12-1-87	4 7/8	1,500	4.95	500	400	450	\$50	\$50	50
Seaboard Air Line RR. Co.	First Mortgage	12-1-88	4 5/8	1,725	4.65	600	400	600	75	-	50
Southern Ry. Co.	First Mortgage	6-1-88	4 5/8	1,685	4.625	600	400	585	50	50	-
Miscellaneous Railroad Bonds	Bond	Various	Various	42	4.31	-	42 ⁽⁶⁾	-	-	-	-
<i>Total Railroad Debt Obligations</i>				<u>\$8,402</u>	<u>4.74%</u>	<u>\$2,200</u>	<u>\$1,642</u>	<u>\$2,135</u>	<u>\$175</u>	<u>\$100</u>	<u>\$150</u>
TOTAL CORPORATE OBLIGATIONS				\$109,539	4.69%	\$41,038	\$26,306	\$38,995	\$1,802	\$355	\$1,043

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

(2) The Company announced the call of this issue on November 27, 1963 as of January 3, 1964.

(3) Figures shown are rounded to the nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$673,686.21
State Employees Retirement Fund	\$538,948.97
Teachers' Retirement Fund	\$658,178.82
Total	\$1,870,814.00

(4) Figures shown are rounded to the nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$338,412.84
State Employees Retirement Fund	\$338,412.84
Teachers' Retirement Fund	\$422,146.58
Total	\$1,098,972.27

(5) Figures shown are rounded to the nearest thousand; actual holdings are as follows:

Public Employees Retirement Fund	\$647,922.00
State Employees Retirement Fund	\$458,946.00
Teachers' Retirement Fund	\$646,032.00
Total	\$1,752,900.00

(6) Purchased 1930-1951.

Schedule V

STATE OF MINNESOTA
STATE BOARD OF INVESTMENTCORPORATE BOND HOLDINGS IN PERMANENT SCHOOL FUND AND RETIREMENT FUNDS
December 31, 1963PERMANENT SCHOOL FUND

<u>Dollar Amount (000)</u>	<u>%</u>
\$ 6,000	26.5%
--	--
3,000	13.3
--	--
\$ 9,000	39.8%
1,000	4.4
6,200	27.4
4,409	19.5
2,000	8.9
\$22,609	100.0%

CLASSIFICATION BY CORPORATE TYPE

Public Utility Bonds:

Electric utility
Gas pipeline & distribution
Telephone
Water

Total Utility Bonds

Finance obligations

Industrial bonds

Railroad equipment obligations

Railroad debt obligations

TOTALS

RETIREMENT FUNDS

<u>Dollar Amount (000)</u>	<u>%</u>
\$ 32,998	30.1%
21,563	19.7
5,760	5.3
1,000	0.9
\$ 61,321	56.0%
2,975	2.7
21,900	20.0
16,941	15.5
6,402	5.8
\$109,539	100.0%

DISTRIBUTION BY REDEMPTION FEATURE

\$ 4,409	19.5%	Noncallable	\$ 19,191	17.5%
13,200	58.4	5-year or more call or refunding protection	29,010	26.5
--	--	1-year to 4-year call or refunding protection	35,544	32.4
5,000	22.1	More than coupon at time of purchase	7,447	6.8
--	--	Coupon at time of purchase	18,165	16.6
--	--	Less than coupon at time of purchase and miscellaneous	182	0.2
\$22,609	100.0%	TOTALS	\$109,539	100.0%

Schedule VI

PERMANENT SCHOOL FUND

Shares	Cost	Company	Total Shares	Public Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officers Retirement Fund	Highway Patrolmen's Retirement Fund	Total Cost
CONSUMER-ORIENTED STOCKS:										
Utilities										
Electric										
1000	\$52,750.00	Allegheny Power System	5500	2000	1500	2000	-	-	-	\$270,406.76
1030	36,250.00	American Elec. Power	6077	1854	1854	2369	-	-	-	193,743.61
1000	44,750.00	Central & South West	6800	2000	2500	2000	200	100	-	285,893.74
1000	25,125.00	Cincinnati Gas & Elec.	9000	3000	3000	3000	-	-	-	209,334.63
2015	96,680.60	Commonwealth Edison	8901	3037	2530	3334	-	-	-	397,304.61
1000	84,875.00	Consolidated Edison	4600	1500	1400	1500	200	-	-	369,952.98
1500	75,471.60	Consumers Power	6900	2500	2200	2000	200	-	-	295,171.69
1000	34,375.00	Detroit Edison	6900	2000	2000	2500	-	-	400	208,814.58
800	56,305.45	Florida Power & Light	3900	1500	1000	1400	-	-	-	271,653.49
1000	34,125.00	General Public Utilities	7912	2600	2500	2500	-	-	312	244,185.00
1000	42,875.00	Houston Lighting & Power	6600	1800	1800	3000	-	-	-	226,176.42
1000	32,000.00	Indianapolis Power & Light	5700	2200	1700	1800	-	-	-	173,020.85
1000	25,750.00	Interstate Power	7832	2088	2088	3133	314	209	-	191,162.30
1000	41,143.80	Kansas City Power & Light	6000	2000	2000	2000	-	-	-	224,583.25
1000	37,000.00	Louisville Gas & Elec.	6000	2000	2000	2000	-	-	-	190,297.13
1000	37,500.00	Middle South Utilities	5100	1500	1500	2000	-	100	-	188,178.55
1000	42,183.95	Minnesota Power & Light	6800	2000	2000	2500	-	-	300	284,145.90
1000	34,862.50	Northern States Power	9100	3000	2500	2800	300	100	400	302,889.86
1000	46,671.30	Ohio Edison	4200	1500	1200	1500	-	-	-	194,881.91
-	-	* Otter Tail Power	5300	1700	1600	1500	500	-	-	130,512.50
1500	49,655.70	Pacific Gas & Elec.	7000	2500	2000	2000	500	-	-	230,618.93
2000	58,500.00	Public Serv. of Colorado	5300	1500	1500	2000	-	-	300	142,165.17
1000	39,887.50	Public Serv. of Indiana	3200	900	1000	1000	-	-	300	118,779.65
1000	33,103.80	Southern Calif. Edison	6000	2000	2000	2000	-	-	-	178,029.80
-	-	Southern Company	6000	2000	1500	2000	200	100	200	321,279.83
-	-	Texas Utilities	5000	1800	1500	1500	200	-	-	243,309.42
-	-	Tucson Gas & Elec.	7900	2500	2000	3000	400	-	-	171,370.52
1500	58,125.00	Utah Power & Light	8500	3000	2200	3000	-	-	300	313,873.80
1000	44,410.00	Virginia Elec. & Power	6000	1500	1800	2250	150	-	300	234,924.89
-	-	* Washington Water Power	3300	1500	800	1000	-	-	-	161,621.39
-	-	* Wisconsin Power & Light	8000	3000	2000	3000	-	-	-	188,368.50
1000	45,750.00	Wisconsin Public Service	4600	1500	1500	1600	-	-	-	193,795.66
	\$1,210,126.20	Total Electric								\$ 7,350,447.32
Gas										
-	-	* Minneapolis Gas	7500	2500	2000	2600	200	100	100	\$284,151.00
-	-	Panhandle Eastern P.L.	1024	-	307	512	205	-	-	69,834.39
1000	\$53,668.27	Peoples Gas, Light & Coke	5100	2000	1000	2000	-	-	100	267,747.63
-	-	* Tennessee Gas Trans.	15614	4838	4530	4838	502	302	604	336,809.05
-	-	* Transcontinental Gas P.L.	110							

[illegible]

PERMANENT SCHOOL FUND			RETIREMENT FUNDS							
Shares	Cost	Company	Total Shares	Public Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officers Retirement Fund	Highway Patrolmen's Retirement Fund	Total Cost
<u>Consumers Goods</u>										
<u>Containers</u>										
1000	\$45,666.30	American Can	4600	2000	1100	1500	-	-	-	\$201,999.63
1000	<u>42,475.36</u>	Continental Can	5000	2000	1000	1800	200	-	-	<u>209,610.13</u>
	\$88,141.66	Total Containers								\$411,609.76
<u>Food-Beverage</u>										
-	-	Campbell Soup	2500	1000	500	1000	-	-	-	\$222,621.50
600	\$62,846.58	Coca-Cola	2200	800	500	900	-	-	-	196,578.60
-	-	Corn Products	4000	1500	1000	1500	-	-	-	186,347.71
800	66,378.00	General Foods	3500	1000	900	1200	200	-	200	291,604.84
-	-	* Green Giant	4900	1700	1500	1700	-	-	-	180,325.00
1500	<u>82,441.83</u>	Pepsi-Cola	3900	1300	1200	1400	-	-	-	<u>200,769.40</u>
	\$211,666.41	Total Food-Beverage								\$1,278,247.05
<u>Printing-Publishing</u>										
2040	\$48,500.00	Donnelley (R.R.)	10200	3570	3060	3570	-	-	-	\$225,445.00
-	-	* Dun & Bradstreet	3400	1200	1000	1200	-	-	-	214,150.00
1000	31,847.50	Prentice-Hall	6500	2400	1900	1900	300	-	-	207,121.89
-	-	* Western Publishing	10200	3000	3000	3700	500	-	-	<u>323,175.00</u>
	\$80,347.50	Total Printing-Publishing								\$969,891.89
<u>Retail Trade</u>										
-	-	Great A. & P. Tea	3978	1224	1020	1530	-	-	204	\$168,702.80
1000	\$44,410.00	Penney (J.C.)	6000	2000	1500	2000	300	-	200	291,343.72
1000	23,123.26	Red Owl Stores	10000	4000	3000	3000	-	-	-	252,849.80
1100	107,618.15	Sears, Roebuck	4450	1500	1200	1500	200	50	-	342,897.81
-	-	* Super Valu Stores	7000	2000	2000	3000	-	-	-	<u>186,315.00</u>
	\$175,151.41	Total Retail Trade								\$1,242,109.13
<u>Miscellaneous</u>										
1000	\$38,128.80	Gillette	8500	2800	2100	3000	-	-	600	\$305,680.50
500	38,250.00	Procter & Gamble	3300	1100	1000	1100	-	50	50	258,344.30
-	-	Scott Paper	6000	2000	2000	2000	-	-	-	<u>204,064.01</u>
	\$76,378.80	Total Miscellaneous								\$768,088.81
	<u>\$631,685.78</u>	Total Consumers Goods								\$4,669,946.64
<u>\$2,931,970.30</u>			<u>\$19,262,888.15</u>							
TOTAL CONSUMER-ORIENTED STOCKS										

[illegible]

COMMON STOCKS HELD IN THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS - DECEMBER 31, 1963

PERMANENT SCHOOL FUND			RETIREMENT FUNDS							
Shares	Cost	Company	Total Shares	Public Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officers Retirement Fund	Highway Patrolmen's Retirement Fund	Total Cost
800	\$65,977.60	Electrical & Electronic Equipment								
-	-	General Electric	5700	2000	1400	2000	150	50	100	\$425,333.93
		Minneapolis-Honeywell	2600	800	600	1100	-	-	100	284,300.20
	\$65,977.60	Total Elec. & Electronics								\$709,634.13
		Machinery								
1000	\$44,125.00	Caterpillar Tractor	3100	1000	1000	1000	-	100	-	\$136,134.94
1000	54,206.31	International Harvester	5500	2000	1500	2000	-	-	-	270,492.97
	\$98,331.31	Total Machinery								\$406,627.91
		Railroads								
700	\$82,029.70	Norfolk & Western	4200	1500	1200	1400	100	-	-	\$409,120.11
1000	60,324.90	Southern	6000	2000	2000	2000	-	-	-	300,161.85
1500	58,696.30	Union Pacific	11100	3600	3500	3300	200	100	400	376,490.59
	\$201,050.90	Total Railroads								\$1,085,772.55
		Railroad Equipment								
800	\$61,247.86	General American Trans.	4100	1000	1300	1600	-	-	200	\$292,664.81
2000	68,079.34	Union Tank Car	8900	3100	2400	3100	300	-	-	288,013.48
	\$129,327.20	Total Railroad Equipment								\$580,678.29
		Steel								
1500	\$97,093.93	Armco	4300	1500	1000	1500	200	100	-	\$275,713.33
-	-	* Inland	8000	3000	2000	3000	-	-	-	321,228.40
	\$97,093.93	Total Steel								\$596,941.73
		Miscellaneous								
3000	\$72,740.68	Ideal Cement	5800	2000	1000	2000	500	300	-	\$139,331.69
1000	74,056.92	National Lead	2400	1000	400	1000	-	-	-	176,226.10
	\$146,797.60	Total Miscellaneous								\$315,557.79
	\$1,011,695.67	TOTAL DURABLES STOCKS								\$5,140,644.01
	\$5,215,640.61 †	TOTAL COMMON STOCKS								\$30,958,563.75 ‡

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

† Market valuation, as of 12-31-63, \$5,314,746.13.

‡ Market valuation, as of 12-31-63, \$34,323,281.77.