MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
June 5, 2002

&

INVESTMENT ADVISORY
COUNCIL MEETING
June 4, 2002

AGENDA
STATE BOARD OF INVESTMENT MEETING
Wednesday, June 5, 2002
9:00 A.M. - Room 107
State Capitol - Saint Paul

	TAB
1. Approval of Minutes of March 6, 2002	
2. Report from the Executive Director (H. Bicker)	**A**
A. Quarterly Investment Review (January 1, 2002 – March 31, 2002)	
B. Administrative Report	**B**
1. Reports on budget and travel.	
2. Legislative Update.	
3. Litigation Update.	
4. Authorization to form a Review Committee and issue an RFP for accounting services.	
5. Asset Allocation Changes Due to Legislative Mandates.	
6. Review of Security Custodian Services and Securities Lending for State Cash Accounts.	
3. Report from the SBI Administrative Committee (Carol Johnson)	**C**
4. Reports from the Investment Advisory Council (Jan Yeomans)	**D**
A. Stock and Bond Manager Committee	
1. Review of manager performance.	
2. Review the domestic equity benchmark analysis.	
3. Update on the fixed income short list.	
4. Update on the international equity EAFE short list.	
5. Increased high yield and non-dollar debt authority for American Express Asset Management and Western Asset Management.	
6. Recommendation to terminate Montgomery Asset Management.	
7. Recommendation to approve changes to the MN State Deferred Compensation Plan Fixed Fund.	
B. Alternative Investment Committee	**E**
1. Review of current strategy.	
2. Approval of one commitment with an existing manager for the Basic Retirement Fund: • Blackstone	
3. Approval of one commitment with a new manager for the Basic Retirement Fund: • Lumina (Lumina is a spin-off from Coral Group, an existing private equity manager)	
4. Approval of one commitment with an existing manager for the Basic Retirement Fund: • TA Realty	

Minutes
State Board of Investment
March 6, 2002

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, March 6, 2002 in Room 125 State Capitol, St. Paul, Minnesota. Governor Jesse Ventura; State Auditor Judith H. Dutcher; State Treasurer Carol C. Johnson; Secretary of State Mary Kiffmeyer and Attorney General Mike Hatch were present. The minutes of the December 5, 2001 Board meeting were approved.

Executive Director's Report

Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and reported that the Combined Funds had exceeded inflation over the ten year period ending December 31, 2001 (Combined Funds 10.0% vs. Inflation 2.5%), trailed the median fund (58th percentile) and outperformed its composite index (Combined Funds 8.5% vs. Composite 8.0%) for the most recent five year period. He stated that the Basic Funds have exceeded its composite index (Basic Funds 8.7% vs. Composite 8.2%) over the last five years and reported that the Post Fund has outperformed its composite index over the last five years period (Post Fund 8.2% vs. Composite 7.7%).

Mr. Bicker reported that the Basic Fund's assets increased 6.1% for the quarter ending December 31, 2001 due to positive investment returns. He said that the asset mix is on target. He reported that the Basic Funds matched its composite index for the quarter (Basic Funds 5.9% vs. Composite 5.9%) and outperformed for the year (Basic Funds –7.0% vs. Composite –8.0%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 5.5% for the quarter ending December 31, 2001. He said the Post Fund asset mix is on target and that the Post Fund outperformed its composite index for the quarter (Post Fund 7.6% vs. Composite 7.5%) and for the year (Post Fund –5.1% vs. Composite –6.1%).

Mr. Bicker reported that the domestic stock manager group slightly underperformed its target for the quarter (Domestic Stocks 12.5% vs. Wilshire 5000 Investable 12.6%) and outperformed for the year (Domestic Stocks –11.1% vs. Wilshire 5000 Investable –11.7%). He said that the International Stock manager group outperformed its composite index for the quarter (International Stocks 8.5% vs. Int'l Composite 8.2%) and for the year (International Stocks –19.8% vs. Int'l Composite –20.1%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.5% vs. Lehman Aggregate 0.0%) and for the year (Bonds 9.3% vs. Lehman Aggregate 8.4%). He concluded his report with the comment that as of December 31, 2001, the SBI was responsible for over $46 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for the quarterly updates on budget and travel.

Mr. Bicker reported that the Legislative Auditor had completed its financial audit of the SBI and that the SBI received a "clean audit" opinion on its financial statements.

Mr. Bicker referenced the legislative update he distributed to members and noted that discussion of several of those items would take place later in the agenda (see **Attachment A**).

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of three active litigation cases. She stated that in the Mercury case final distributions may be made by mid-summer 2002. She reported that several hearings have taken place for the McKesson case and that a third hearing to hear a motion to dismiss is scheduled for April 23, 2002. Ms. Eller stated that the SBI was recently appointed lead plaintiff in a securities case against Broadcom and that as expected, a motion to dismiss the state's claim will be heard on March 11, 2002.

Mr. Bicker reported that staff is recommending a change to the SBI s contract with the Minnesota State Colleges and Universities (MnSCU) regarding the investment of their bond related assets. He noted that the change is administrative in nature. Governor Ventura moved approval of staff's recommendation, as stated in the Executive Director's Administrative Report, which reads: "Staff recommends that the Board authorize the Executive Director, with assistance from legal counsel, to enter into a contract with MnSCU to carry out the necessary investments of MnSCU bond issue related assets." Ms. Johnson seconded the motion. The motion passed.

Mr. Bicker stated that as a result of impending state budget concerns, there is a budget balancing bill that could affect the assets of the Assigned Risk Plan and the Tobacco Endowment Funds. Mr. Bicker said that staff is requesting authorization for staff and Board designees to alter the asset allocation of the various funds as necessary, depending on the final legislation. In response to a question from Governor Ventura, Mr. Bicker confirmed that the majority of the potential changes to the funds were a result of HF 351. Governor Ventura stated that he will abstain from voting on this recommendation. Mr. Hatch moved approval of staff's recommendation, as stated in the Executive Director's Administrative Report, which reads: "Staff recommends that the SBI authorize the Executive Director, in consultation with Board deputies, to alter the asset allocation of Funds that may be subject to full or partial liquidation as a result of legislative budget actions." Ms. Dutcher seconded the motion. The motion passed.

Mr. Bicker distributed to members a memo regarding a request for waivers from the contract moratorium (see **Attachment B**). He stated that the SBI needs these waivers in order to continue to operate. Ms. Johnson moved approval of the staff recommendation, as stated in Attachment B, which reads: "Staff recommends that the Board support the Executive Director's application to the Commissioner of Administration for waivers from the moratorium for those contracts that the Executive Director deems necessary to enter into or renew to carryout the duties and responsibilities of the SBI." Ms. Kiffmeyer seconded the motion. The motion passed.

Mr. Bicker also distributed an additional memo from the Proxy Voting Committee (see **Attachment C**). He said that the Committee is recommending that the Proxy Voting Guidelines be revised so that the international passive manager is authorized to vote the international proxies in that portfolio. He said that shorter time constraints and blocking requirements impact staff's ability to vote effectively. He noted that the manager will still abide by the Board's Guidelines and that the SBI will still have the ability to have input on significant issues not covered by the guidelines. Ms. Dutcher moved approval of the Committee's recommendation, as stated in Attachment C, which reads: "The Proxy Voting Committee recommends that the Board adopt the revised Proxy Voting Guidelines to reflect the voting of proxies by the passive international equity manager when the proxy issues are covered by the Board's Guidelines and, to the extent feasible, the forwarding to the SBI for voting those issues not covered by the Board's Guidelines." Ms. Johnson seconded the motion. The motion passed.

Master Custody Review Committee Report

Mr. Manahan introduced himself and referred members to Tab C of the meeting materials. He stated that the SBI's master custody contract expires in a year and that Requests for Proposals (RFP's) were sent to several leading providers. He said that seven (7) providers responded and that the Committee is recommending that State Street Bank and Trust, the SBI's current custodian, be awarded the new contract. Ms. Dutcher moved approval of the Committee's recommendation, as stated in the Committee Report, which reads: "Based on the results of the RFP, the Committee unanimously recommends that the Board authorize the Executive Director, with the assistance of SBI counsel, to negotiate and execute a contract with State Street Bank and Trust Company, Boston MA, for Master Custodial services for a five year period ending April 30, 2008.

Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligation on the State Board of Investment and neither the State of Minnesota, the State Board of Investment or its Executive Director have any liability for reliance by State Street Bank and Trust Company upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on State Street Bank and Trust or reduction or termination of the commitment." Ms. Johnson seconded the motion. In response to a question from Ms. Kiffmeyer, Ms. Eller and Mr. Bicker confirmed that a waiver for the contract moratorium was not needed for this type of contract. The motion passed.

Stock and Bond Manager Committee Report

Ms. Yeomans referred members to Tab D of the meeting materials and noted that Mr. Bicker had already reviewed the stock and bond performance in his report. She said that during the quarter, staff had reviewed and updated the Domestic Equity semi-passive manager short list in case the SBI needs to conduct a manager search in the future.

Ms. Yeomans reported that the Committee is recommending the adoption of the fixed income position paper that reviewed three extended sectors of the fixed income market:

U.S. High Yield, Non-dollar and Emerging Market Debt. She stated that the staff recommendation included in the position paper is to expand investment authority in the high yield and non-dollar sectors. Ms. Johnson moved approval of the Committee's recommendation, as stated in the Committee Report, which reads: "The Committee recommends that the SBI adopt the attached position paper regarding investment in extended sectors of the fixed income market and authorize staff to proceed with the implementation plan outlined in the recommendation section of the paper." Ms. Kiffmeyer seconded the motion. The motion passed.

Ms. Yeomans stated that the Committee is recommending the termination of Zurich Scudder due to major changes in ownership, staff, the investment process and philosophy. Ms. Dutcher moved approval of the Committee's recommendation, as stated in the Committee Report, which reads: "The Committee recommends that the SBI terminate its relationship with Zurich Scudder Investments for investment management services in the International Equity Program." Ms. Johnson seconded the motion. The motion passed.

Ms. Yeomans reported that the Committee is also recommending the renewal of five investment manager contracts. Ms. Dutcher moved approval of the Committee's recommendation, as stated in the Committee Report, which reads "The Committee recommends that the SBI authorize the Executive Director, with the assistance from SBI's legal counsel, to negotiate and execute five year contract extensions with the following firms, subject to inclusion of a provision which provides for immediate termination:

Semi-Passive Domestic Equity Managers:
Barclays Global Investors
Franklin Portfolio Associates, LLC
J.P. Morgan Investment Management, Inc.

Assigned Risk Plan:
GE Asset Management

Stable Asset Manager:
Galliard Capital Management."

Ms. Johnson seconded the motion. Ms. Kiffmeyer requested a friendly amendment to the motion, which makes the motion subject to the approval of the contract waivers. The amended motion passed.

Alternative Investment Committee Report

Ms. Yeomans referred members to Tab E of the meeting materials and stated that the Committee is recommending an investment for the Post Retirement Fund with an existing real estate manager, GMAC Institutional Advisors. She noted that this fund is a mortgage fund so it will behave somewhat like a fixed income instrument. Ms. Kiffmeyer moved approval of the Committee's recommendation, as stated in the Committee Report, which reads: "The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $60 million or 20%, whichever is less, in GMAC Commercial Mortgage Fund, LLC. This commitment will be allocated to the Post Retirement Fund.

Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by GMAC Institutional Advisors upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on GMAC Institutional Advisors or reduction or termination of the commitment." Ms. Dutcher seconded the motion. The motion passed.

Ms. Yeomans said that the Committee is also recommending pre-approval, subject to final approval, of a follow-on investment with an existing private equity manager, Warburg Pincus, for the Basic Retirement Funds. In response to a question from Ms. Dutcher, Ms. Yeomans stated that the size of the fund is the same as the previous fund and that returns on this fund are expected to be in the high teens to low 20%. Governor Ventura moved approved of the Committee's recommendation, as stated in the Committee Report, which reads: "The Committee recommends that the SBI authorize the Executive Director, with final approval from the Committee, which will be comprised of members of the IAC Alternative Investment Committee and a designee of each Board member, and assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $100 million or 20%, whichever is less, additional investment for the Basic Retirement Fund with Warburg Pincus, in Warburg Pincus Private Equity Fund VIII, L.P.

Approval by the SBI of these potential commitments is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Warburg Pincus upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on Warburg Pincus, or reduction or termination of the commitment." Ms. Kiffmeyer seconded the motion. The motion passed.

The meeting adjourned at 9:35 A.M.

Respectfully submitted,

Howard Bicker

Howard Bicker
Executive Director

Bills of Interest to the Minnesota State Board of Investment
2002 Legislative Session
Includes Action Through 3/5/02

Description of Bill	**HF/SF # and Author**	**Current Status**
State Agency Budget Bill - SBI budget reduction	HF 351	Veto override
Tobacco Endowment Funds - Tobacco used as cash flow back-up	HF 351 article 13, section 6	Veto override
Transferring Assigned Risk Plan surplus	HF 351 article 13, section 9	Veto override
Reduction in Professional-Technical contracts	HF 351 article 10, sec. 36 and 37	Veto override
Transferring State Treasurer's duties	SF 2963 (Rest)	On General Orders in Senate
	HF 2761 (Erickson)	Amended and passed House Gov't Op; referred to House State Gov't Finance
Tobacco Prevention Fund	SF 3394 (Day)	Referred to Health and Family Security
- Transfers to General Fund	HF 3621 (Abrams)	Referred to Ways and Means

MINNESOTA STATE BOARD OF INVESTMENT

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DATE: March 6, 2002

TO: Members, State Board of Investment

From: Howard Bicker

SUBJECT: Request for Waivers from Contract Moratorium

The recently enacted budget legislation contains provisions that place a moratorium on entering into new contracts or renewing existing contracts for professional or technical services. These provisions are in effect through the end of the current biennium, June 30, 2003.

The current operations of the SBI rely on contractual relationships with investment managers and other external parties to carry out necessary duties and responsibilities of the SBI. There are no general fund dollars used in any investment related contract entered into by the SBI. A provision of the legislation allows agencies to apply to the Commissioner of Administration for a waiver from the moratorium. If the commissioner finds the contract to be necessary, he can issue a waiver. The commissioner's decision is final.

Staff is requesting Board support for the Executive Director to apply to the Commissioner of Administration for necessary waivers.

RECOMMENDATION:

Staff recommends that the Board support the Executive Director's application to the Commissioner of Administration for waivers from the moratorium for those contracts that the Executive Director deems necessary to enter into or renew to carryout the duties and responsibilities of the SBI.

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DATE: March 6, 2002

TO: Members, State Board of Investment

FROM: Proxy Voting Committee

SUBJECT: Proxy Voting Guidelines Concerning International Proxies

The Proxy Committee recommends that the Board adopt revised Proxy Voting Guidelines that reflect the voting of SBI's proxies by the passive international equity manager. Currently, the SBI's active international managers vote proxies of the companies in their portfolios. The SBI votes the proxies of the passive international manager.

SBI staff has voted international proxies for a number of years. We are recommending the shift to manager voting for the following reasons: 1) The voting of international proxies is subject to much tighter time constraints and limitations on company specific information compared to the voting of domestic proxies. It is very difficult to review the necessary information, have a committee meeting, and vote the share within the time allotted. 2) The proxies of the passive international manager represent a small portion of the whole portfolio. The international allocation is 15% of the whole portfolio and the passive account is about a third of the international stock portfolio. 3) The SBI like other investors faces the constraint of not being able to vote some of the passive international proxies due to blocking, a rule in some markets that requires the manager to hold a stock through the annual meeting period in order to vote the proxy. When the SBI's manager rebalances the passive portfolio, the firm faces the blocking issue and the proxies of affected companies are not voted. About 30 percent of the passive account proxies are not voted due to blocking. 4) Finally, only a handful of international proxy issues require Proxy Committee attention.

The proposal would place the voting of proxies of the passive international manager on a similar basis as the voting of proxies of the active international managers. With the change, the passive manager would vote the SBI's proxies according to the SBI's Proxy Voting Guidelines just as the active international managers do.

RECOMMENDATION:

The Proxy Voting Committee recommends that the Board adopt the revised Proxy Voting Guidelines to reflect the voting of proxies by the passive international equity manager when the proxy issues are covered by the Board's Guidelines and, to the extent feasible, the forwarding to the SBI for voting those issues not covered by the Board's Guidelines.

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, June 4, 2002
2:00 P.M. - Board Room – First Floor
60 Empire Drive
St. Paul, MN

	TAB
1. Approval of Minutes of March 5, 2002	
2. Report from the Executive Director (H. Bicker)	**A**
A. Quarterly Investment Review (January 1, 2002 – March 31, 2002)	
B. Administrative Report	**B**
1. Reports on budget and travel.	
2. Legislative Update.	
3. Litigation Update.	
4. Authorization to form a Review Committee and issue an RFP for accounting services.	
5. Asset Allocation Changes Due to Legislative Mandates.	
6. Review of Security Custodian Services and Securities Lending for State Cash Accounts.	
3. Report from the SBI Administrative Committee	**C**
4. Reports from the Investment Advisory Council	**D**
A. Stock and Bond Manager Committee (John Bohan)	
1. Review of manager performance.	
2. Review the domestic equity benchmark analysis.	
3. Update on the fixed income short list.	
4. Update on the international equity EAFE short list.	
5. Increased high yield and non-dollar debt authority for American Express Asset Management and Western Asset Management.	
6. Recommendation to terminate Montgomery Asset Management.	
7. Recommendation to approve changes to the MN State Deferred Compensation Plan Fixed Fund.	
B. Alternative Investment Committee (Ken Gudorf)	**E**
1. Review of current strategy.	
2. Approval of one commitment with an existing manager for the Basic Retirement Fund: • Blackstone	
3. Approval of one commitment with a new manager for the Basic Retirement Fund: • Lumina (Lumina is a spin-off from Coral Group, an existing private equity manager)	
4. Approval of one commitment with an existing manager for the Basic Retirement Fund: • TA Realty	

Minutes
Investment Advisory Council
March 5, 2002

MEMBERS PRESENT:	Gary Austin; Dave Bergstrom; Ken Gudorf; Han Chin Liu; Malcolm McDonald; Mike Troutman; Mary Vanek; Jan Yeomans.
MEMBERS ABSENT:	John Bohan; Doug Gorence; P. Jay Kiedrowski; Gary Norstrem; Judy Mares; Daralyn Peifer; Mary Stanton; Elaine Voss; and Pam Wheelock.
SBI STAFF:	Howard Bicker; Mansco Perry; Jim Heidelberg; Lois Buermann; Andy Christensen; Tammy Brusehaver-Derby; Debbie Griebenow; John Griebenow; Jason Matz; Charlene Olson; and Carol Nelson.
OTHERS ATTENDING:	Ann Posey, Richards & Tierney; Christie Eller; Jake Manahan; Jennifer Mohlenhoff; Peter Sausen; Diane Drewry, Office of the Governor; Dale Hanke, Robert Heimerl, Lloyd Belford, Jerry Irsfeld; Margaret Anzevino, REAM.

The minutes of December 4, 2002 meeting were approved.

Executive Director's Report
Mr. Bicker, Executive Director, referred members to Tab A of the meeting materials and reported that the Combined Funds had exceeded inflation over the ten year period ending December 31, 2001 (Combined Funds 10.0% vs. Inflation 2.5%), trailed the median fund (58^{th} percentile) and outperformed its composite index (Combined Funds 8.5% vs. Composite 8.0%) for the most recent five year period. He stated that the Basic Funds have exceeded its composite index (Basic Funds 8.7% vs. Composite 8.2%) over the last five years and reported that the Post Fund has outperformed its composite index over the last five years period (Post Fund 8.2% vs. Composite 7.7%).

Mr. Bicker reported that the Basic Fund's assets increased 6.1% for the quarter ending December 31, 2001 due to positive investment returns. He said that the asset mix is on target. He reported that the Basic Funds matched its composite index for the quarter (Basic Funds 5.9% vs. Composite 5.9%) and outperformed for the year (Basic Funds –7.0% vs. Composite –8.0%).

Mr. Bicker reported that the market value of the Post Fund's assets increased 5.5% for the quarter ending December 31, 2001. He said the Post Fund asset mix is on target and that the Post Fund outperformed its composite index for the quarter (Post Fund 7.6% vs. Composite 7.5%) and for the year (Post Fund –5.1% vs. Composite –6.1%).

Mr. Bicker reported that the domestic stock manager group slightly underperformed its target for the quarter (Domestic Stocks 12.5% vs. Wilshire 5000 Investable 12.6%) and outperformed for the year (Domestic Stocks –11.1% vs. Wilshire 5000 Investable –11.7%). He said that the International Stock manager group outperformed its composite index for the quarter (International Stocks 8.5% vs. Int'l Composite 8.2%) and for the year (International Stocks –19.8% vs. Int'l Composite –20.1%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.5% vs. Lehman Aggregate 0.0%) and for the year (Bonds 9.3% vs. Lehman Aggregate 8.4%). He concluded his report with the comment that as of December 31, 2001, the SBI was responsible for over $46 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for the quarterly updates on budget and travel.

Mr. Bicker reported that the Legislative Auditor had completed its financial audit of the SBI and that the SBI received a "clean audit" opinion on its financial statements.

Mr. Bicker distributed an updated listing of legislative actions (see **Attachment A**) and noted that more discussion would follow later in the agenda.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of three active litigation cases. She stated that in the Mercury case final distributions may be made by mid-summer 2002. She reported that several hearings have taken place for the McKesson case and that a third hearing to hear a motion to dismiss is scheduled for April 23, 2002. Ms. Eller stated that the SBI was recently appointed lead plaintiff in a securities case against Broadcom and that as expected, a motion to dismiss the state's claim will be heard on March 11, 2002.

Mr. Bicker reported that staff is recommending a change to the SBI's contract with the Minnesota State Colleges and Universities (MnSCU) regarding the investment of their bond related assets. He noted that he change is administrative in nature.

Mr. Bicker stated that as a result of impending state budget concerns, there is a budget balancing bill that could affect the assets of the Assigned Risk Plan and the Tobacco Endowment Funds. He noted that the Legislature is taking away $120 million from the Assigned Risk Plan as of June 30, 2002. He also stated that the Tobacco Education Funds' assets of roughly $510 million will now be used as a cash flow account for the State. Mr. Bicker stated that staff is requesting authorization from the Board for staff and Board designees to alter the asset allocation of these funds as necessary, depending on the final legislation. In response to questions from Mr. Troutman and Mr. McDonald, Mr.

Bicker said that the SBI does have authority to utilize futures and options and that it is not clear at this time whether the funds will be replenished over time.

Mr. Bicker noted that the SBI is being affected by travel freezes, hiring freezes and budget cuts. In response to a question from Mr. Troutman, Mr. Bicker noted that staff has been granted exemption to do some travel to meet the SBI's fiduciary responsibilities.

Mr. Bicker distributed to members a memo regarding a request for waivers from the contract moratorium (see **Attachment B**). He stated that the SBI needs these waivers in order to continue to operate.

Mr. Bicker also distributed an additional memo from the Proxy Voting Committee (see **Attachment C**). He said that the Committee is recommending that the Proxy Voting Guidelines be revised so that the international passive manager is authorized to vote the international proxies in that portfolio. He said that shorter time constraints and blocking requirements impact staff's ability to vote effectively. Mr. McDonald moved approval of the Proxy Voting Committee's recommendation, and the recommendation regarding a request for waivers from the contract moratorium, as stated in the meeting materials. Mr. Troutman seconded the motion. The motion passed. Mr. Troutman commented that he agreed with the proxy voting recommendation. Mr. Bicker noted that the manager will still abide by the Board's Guidelines and that the Proxy Voting Committee will still have the ability to have input on some issues not covered by the guidelines.

Master Custody Review Committee Report
Mr. Sausen referred members to Tab C of the meeting materials. He stated that the SBI's master custody contract expires in a year and that Requests for Proposals (RFP's) were sent to several leading providers. He said that seven (7) providers responded and that the Committee is recommending that State Street Bank and Trust, the SBI's current custodian, be awarded the new contract. In response to a question from Mr. McDonald, Mr. Bicker noted that the SBI is guaranteed a zero net fee. Mr. McDonald moved approval of the Committee's recommendation, as stated in the Committee Report. Ms. Vanek seconded the motion. The motion passed.

Stock and Bond Manager Committee Report
Mr. Troutman referred members to Tab D of the meeting materials and briefly reviewed the stock and bond performance. He said that during the quarter, staff had reviewed and updated the Domestic Equity semi-passive manager short list in case the SBI needs to conduct a manager search in the future.

Mr. Troutman reported that the Committee is recommending the adoption of the fixed income position paper that reviewed three extended sectors of the fixed income market: U.S. High yield, Non-dollar and Emerging Market Debt. He stated that the staff recommendation included in the position paper is to expand investment authority in the high yield and non-dollar sectors. He noted that the Committee gave unanimous support to increasing authorization for non-dollar bonds and he said that there were two different objections to the recommendation for high yield bonds. In response to a question from

Ms. Yeomans, Mr. Bicker clarified that 2% of the total portfolio could be in high yield or non-dollar bonds. Mr. Bicker briefly explained more of the issues involved in these two areas. Ms. Posey commented that she agreed with the decision to keep the bond ratings to single B or higher. Mr. Bergstrom moved approval of the Committee's recommendation, as stated in the Committee Report. Mr. McDonald seconded the motion. The motion passed, and Ms. Yeomans noted that Mr. Gudorf, Mr. Gorence and Mr. Troutman were opposed to the motion.

Mr. Troutman stated that the Committee is recommending the termination of Zurich Scudder due to major changes in ownership, staff, the investment process and philosophy. Mr. Gudorf moved approval of the Committee' recommendation, as stated in the Committee Report. Mr. McDonald seconded the motion. The motion passed.

Mr. Troutman reported that the Committee is also recommending the renewal of five investment manager contracts for the following:

<u>Semi-Passive Domestic Equity Managers:</u>
Barclays Global Investors
Franklin Portfolio Associates, LLC
J.P. Morgan Investment Management, Inc.

<u>Assigned Risk Plan:</u>
GE Asset Management

<u>Stable Asset Manager:</u>
Galliard Capital Management

and he moved approval of the Committee's recommendation, as stated in the Committee Report. Mr. McDonald seconded the motion. The motion passed. Mr Bicker noted that staff has been pleased with GE's performance, and that if funds are removed from their portfolio for the Assigned Risk Plan, staff may in the future consider allocating some retirement related assets to them. In response to a question from Mr. McDonald, Ms. Eller confirmed that the assets of the Assigned Risk Plan belong to the State of Minnesota.

Alternative Investment Committee Report
Mr. Gudorf referred members to Tab E of the meeting materials and stated that the Committee is recommending an investment for the Post Retirement Fund with an existing real estate manager, GMAC Institutional Advisors. He noted that this fund is a mortgage fund so it will behave somewhat like a fixed income instrument. Mr. Gudorf said the Committee is also recommending pre-approval, subject to final approval, of a follow-on investment with an existing private equity manager, Warburg Pincus, for the Basic Retirement Funds. Ms. Vanek moved approval of both of the Committee's recommendations, as stated in the Committee Report. Mr. McDonald seconded the motion. The motion passed.

Mr. Gudorf noted that the Board had previously approved an investment in Crescendo Ventures, however, he stated that the firm has closed their fund raising and that the SBI will not be proceeding with that investment.

The meeting adjourned at 3:46 P.M.

Respectfully submitted,

Howard Bicker

Howard Bicker
Executive Director

Bills of Interest to the Minnesota State Board of Investment
2002 Legislative Session
Includes Action Through 3/5/02

Description of Bill	**HF/SF # and Author**	**Current Status**
State Agency Budget Bill - SBI budget reduction	HF 351	Veto override
Tobacco Endowment Funds - Tobacco used as cash flow back-up	HF 351 article 13, section 6	Veto override
Transferring Assigned Risk Plan surplus	HF 351 article 13, section 9	Veto override
Reduction in Professional-Technical contracts	HF 351 article 10, sec. 36 and 37	Veto override
Transferring State Treasurer's duties	SF 2963 (Rest)	On General Orders in Senate
	HF 2761 (Erickson)	Amended and passed House Gov't Op; referred to House State Gov't Finance
Tobacco Prevention Fund	SF 3394 (Day)	Referred to Health and Family Security
- Transfers to General Fund	HF 3621 (Abrams)	Referred to Ways and Means

MINNESOTA STATE BOARD OF INVESTMENT

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DATE: March 6, 2002

TO: Members, State Board of Investment

From: Howard Bicker

SUBJECT: Request for Waivers from Contract Moratorium

The recently enacted budget legislation contains provisions that place a moratorium on entering into new contracts or renewing existing contracts for professional or technical services. These provisions are in effect through the end of the current biennium, June 30, 2003.

The current operations of the SBI rely on contractual relationships with investment managers and other external parties to carry out necessary duties and responsibilities of the SBI. There are no general fund dollars used in any investment related contract entered into by the SBI. A provision of the legislation allows agencies to apply to the Commissioner of Administration for a waiver from the moratorium. If the commissioner finds the contract to be necessary, he can issue a waiver. The commissioner's decision is final.

Staff is requesting Board support for the Executive Director to apply to the Commissioner of Administration for necessary waivers.

RECOMMENDATION:

Staff recommends that the Board support the Executive Director's application to the Commissioner of Administration for waivers from the moratorium for those contracts that the Executive Director deems necessary to enter into or renew to carryout the duties and responsibilities of the SBI.

MINNESOTA STATE BOARD OF INVESTMENT

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DATE: March 6, 2002

TO: Members, State Board of Investment

FROM: Proxy Voting Committee

SUBJECT: Proxy Voting Guidelines Concerning International Proxies

The Proxy Committee recommends that the Board adopt revised Proxy Voting Guidelines that reflect the voting of SBI's proxies by the passive international equity manager. Currently, the SBI's active international managers vote proxies of the companies in their portfolios. The SBI votes the proxies of the passive international manager.

SBI staff has voted international proxies for a number of years. We are recommending the shift to manager voting for the following reasons: 1) The voting of international proxies is subject to much tighter time constraints and limitations on company specific information compared to the voting of domestic proxies. It is very difficult to review the necessary information, have a committee meeting, and vote the share within the time allotted. 2) The proxies of the passive international manager represent a small portion of the whole portfolio. The international allocation is 15% of the whole portfolio and the passive account is about a third of the international stock portfolio. 3) The SBI like other investors faces the constraint of not being able to vote some of the passive international proxies due to blocking, a rule in some markets that requires the manager to hold a stock through the annual meeting period in order to vote the proxy. When the SBI's manager rebalances the passive portfolio, the firm faces the blocking issue and the proxies of affected companies are not voted. About 30 percent of the passive account proxies are not voted due to blocking. 4) Finally, only a handful of international proxy issues require Proxy Committee attention.

The proposal would place the voting of proxies of the passive international manager on a similar basis as the voting of proxies of the active international managers. With the change, the passive manager would vote the SBI's proxies according to the SBI's Proxy Voting Guidelines just as the active international managers do.

RECOMMENDATION:

The Proxy Voting Committee recommends that the Board adopt the revised Proxy Voting Guidelines to reflect the voting of proxies by the passive international equity manager when the proxy issues are covered by the Board's Guidelines and, to the extent feasible, the forwarding to the SBI for voting those issues not covered by the Board's Guidelines.

Tab A

LONG TERM OBJECTIVES
Period Ending 3/31/2002

COMBINED FUNDS: $36.3 Billion	Result	Compared to Objective
Provide Real Return (10 yr.) Provide returns that are 3-5 percentage points greater than inflation over the latest 10 year period.	**10.2%** (1)	7.7 percentage points above CPI
Exceed Composite Index (5 yr.) Outperform a composite market index weighted in a manner that reflects the actual asset mix of the Combined Funds over the latest 5 year period.	**8.5%**	0.4 percentage point above composite index
Exceed Median Fund (5 yr.) Provide returns that are ranked in the top half of universe of public and corporate plans over the latest 5 year period.	**61st percentile** (2)	below the median fund in TUCS

BASIC RETIREMENT FUNDS: $18.0 Billion	Result	Compared to Objective
Exceed Composite Index (5 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Basic Funds over the latest 5 year period.	**8.7%**	0.4 percentage point above target

POST RETIREMENT FUND: $18.3 Billion	Result	Compared to Objective
Exceed Composite Index (5 Yr.) Outperform a composite market index weighted in a manner that reflects the long-term asset allocation of the Post Fund over the latest 5 year period.	**8.3%**	0.5 percentage point above target

(1) Reflects performance of Basic Funds only through 6/30/93, Combined Funds thereafter. Performance is calculated net of fees.

(2) The SBI's stated objective is to rank in the top half (above 50th percentile) of the comparative universe. The SBI will strive to achieve performance which ranks in the top third (above 33rd percentile). Performance is ranked gross of fees.

SUMMARY OF ACTUARIAL VALUATIONS

MSRS, TRA, PERA General Plans
July 1, 2001

	Active (Basics)	Retired (Post)	Total (Combined)
Liability Measures			
1. Current and Future Benefit Obligation	$25.0 billion	$17.5 billion	$42.5 billion
2. Accrued Liabilities	17.1	17.5	34.6
Asset Measures			
3. Current and Future Actuarial Value	$25.8 billion	$17.5 billion	$43.3 billion
4. Current Actuarial Value	17.3	17.5	34.8
Funding Ratios			
Future Obligations vs. Future Assets (3 – 1)	103%	100%	102%
Accrued Liabilities vs. Current Actuarial Value (4 – 2)	101%	100%	100%*

* Ratio most frequently used by the Legislature and Retirement Systems.

Notes:

1. Present value of projected benefits that will be due to all current participants.
2. Liabilities attributed to past service calculated using entry age normal cost method.
3. Present value of future statutory contributions plus current actuarial value.
4. Same as required reserves for Post; Difference between actual returns and actuarially expected returns spread over five years.

Actuarial Assumptions:

Salary Growth: 6.5%, resulting from a graded rate future increase assumption
Interest/Discount Rate: 8.5% Basics, 6.0% Post
Full Funding Target Date: 2031

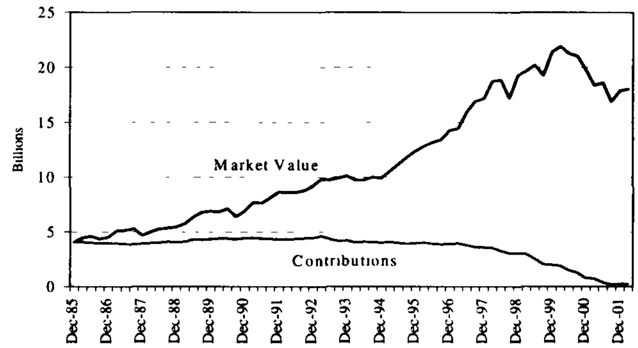
EXECUTIVE SUMMARY

Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds increased 0.8% during the first quarter of 2002. Positive investment returns accounted for the increase.

	Asset Growth During First Quarter 2002 (Millions)
Beginning Value	$ 17,874
Net Contributions	-13
Investment Return	154
Ending Value	$ 18,014

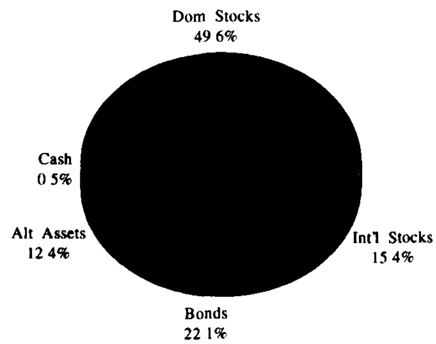


Asset Mix

During the quarter a cash transfer to the Post Fund reduced the unallocated cash position. As a result, other asset classes realized a slight increase in their respective allocation.

	Policy Targets	Actual Mix 3/31/2002	Actual Market Value (Millions)
Domestic Stocks	**45.0%**	49.6%	$8,938
Int'l. Stocks	**15.0**	15.4	2,766
Bonds	**24.0**	22.1	3,983
Alternative Assets*	**15.0**	12.4	2,238
Unallocated Cash	**1.0**	0.5	89
	100.0%	100.0%	$18,014

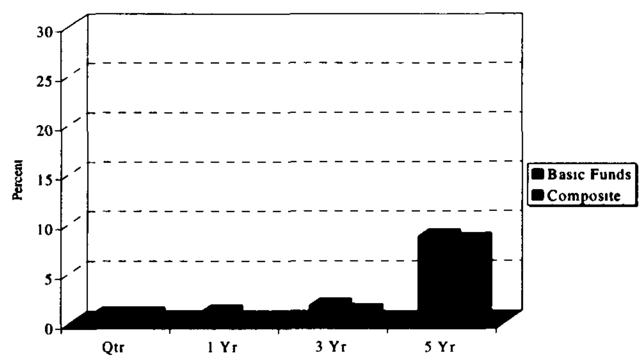
* Any uninvested allocation is held in domestic stocks



Fund Performance (Net of Fees)

The Basic Funds matched its composite market index for the quarter and outperformed for all other time periods shown.

	Qtr.	1 Yr.	3 Yr.	5 Yr.
	Period Ending 3/31/2002		Annualized	
Basics	**0.9%**	**1.1%**	**1.7%**	**8.7%**
Composite	0.9	0.4	1.2	8.3



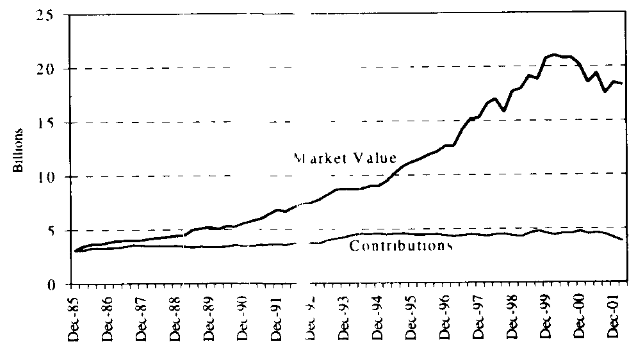
EXECUTIVE SUMMARY

Post Retirement Fund (Net of Fees)

Asset Growth

The market value of the Post Fund decreased by 0.9% during the first quarter of 2002. Negative net contributions accounted for the decrease.

	Asset Growth During First Quarter 2002 (Millions)
Beginning Value	$18,475
Net Contributions	-304
Investment Return	141
Ending Value	$18,312

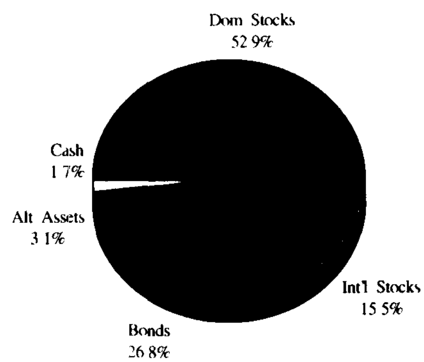


Asset Mix

During the quarter the net benefit payment reduced the unallocated cash position. As a result, other asset classes realized a slight increase in their respective allocation.

	Policy Targets	Actual Mix 3/31/2002	Actual Market Value (Millions)
Domestic Stocks	**50.0%**	52.9%	$9,679
Int'l Stocks	**15.0**	15.5	2,837
Bonds	**27.0**	26.8	4,914
Alternative Assets*	**5.0**	3.1	570
Unallocated Cash	**3.0**	1.7	312
	100.0%	100.0%	$18,312

* Any uninvested allocation is held in bonds

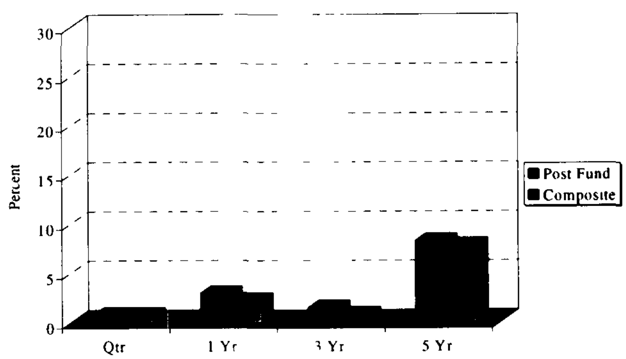


Fund Performance (Net of Fees)

The Post Fund matched its composite market index for the quarter and outperformed for all other periods shown.

Period Ending **3/31/2002**

	Qtr	1 Yr	3 Yr (Annualized)	5 Yr. (Annualized)
Post	**0.8%**	**3.0%**	**1.5%**	**8.3%**
Composite	0.8	2.3	0.9	7.8



EXECUTIVE SUMMARY
Stock and Bond Manager Performance
(Net of Fees)

Domestic Stocks

The domestic stock manager group (active, semi-passive and passive combined) underperformed its target for the quarter.

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Dom. Stocks	**0.4%**	**1.8%**	**-2.2%**	**9.3%**
Wilshire 5000 Investable*	0.8	2.0	-2.2	9.3

* Restated to incorporate the Wilshire 5000 Investable Index beginning 7/1/99. From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments.

International Stocks

The international stock manager group (active and passive combined) outperformed its target for all time periods shown.

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Int'l. Stocks	**2.8%**	**-4.6%**	**-2.9%**	**1.4%**
Composite Index*	1.5	-6.9	-4.5	0.4

* The international benchmark is EAFE Free plus Emerging Markets Free (EMF). The weighting of each index fluctuates with market capitalization. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE-Free/13% EMF. On 5/1/96 the portfolio began transitioning from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.

Bonds

The bond manager group (active and passive combined) outperformed its target for all time periods shown.

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Bonds	**0.2%**	**6.1%**	**6.8%**	**7.9%**
Lehman Agg.	0.1	5.3	6.5	7.6

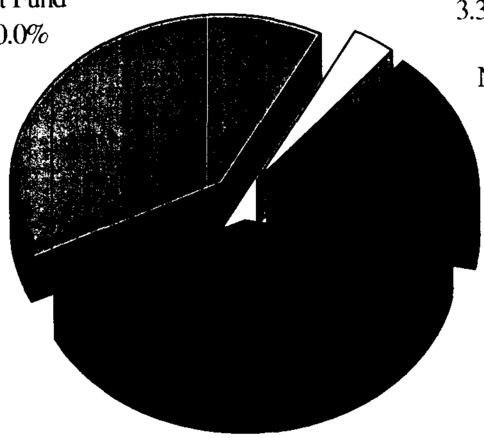
Wilshire 5000 Investable: The Wilshire 5000 Investable stock index reflects the performance of a broad range of publicly traded stocks of companies domiciled in the U.S. It does not include the smallest and least liquid securities in the W5000 that generally are not owned by large pension plans.

Lehman Aggregate: The Lehman Brothers Aggregate Bond Index reflects the performance of the broad bond market for investment grade (Baa or higher) bonds, U.S. treasury and agency securities, and mortgage obligations with maturities greater than one year.

EAFE-Free: The Morgan Stanley Capital International (MSCI) index of 21 stock markets in Europe, Australasia and the Far East. EAFE-Free includes only those securities foreign investors are allowed to hold.

Emerging Markets Free: The Morgan Stanley Capital International index of 26 markets in developing countries throughout the world. Emerging Markets Free includes only those securities foreign investors are allowed to hold.

EXECUTIVE SUMMARY
Funds Under Management



	3/31/2002 Market Value (Billions)
Retirement Funds	
Basic Retirement Funds	$18.0
Post Retirement Fund	18.3
Supplemental Investment Fund	1.5
Non Retirement Funds*	
Assigned Risk Plan	0.3
Permanent School Fund	0.5
Environmental Trust Fund	0.3
Tobacco Prevention Fund	0.5
Medical Education Fund	0.3
Academic Health Center Fund	0.2
State Cash Accounts	5.8
Total	$45.7

MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT
First Quarter 2002
(January 1, 2002 - March 31, 2002)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 3/31/2002				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Wilshire 5000	1.0%	2.5%	-1.6%	9.8%	12.5%
Dow Jones Industrials	4.3	7.2	3.8	11.5	14.9
S&P 500	0.3	0.2	-2.5	10.2	13.3
Russell 2000	4.0	14.0	9.8	9.5	11.1
Domestic Fixed Income					
Lehman Aggregate*	0.1	5.3	6.5	7.6	7.4
Lehman Gov't./Corp.	-0.5	4.6	6.2	7.5	7.4
3 month U.S. Treasury Bills	0.4	2.8	4.6	4.8	4.6
International					
EAFE**	0.5	-8.5	-5.3	1.3	5.8
Emerging Markets Free***	11.3	14.7	3.6	-5.3	2.2
Salomon Non U.S. Gov't. Bond	-1.9	-0.5	-2.8	0.9	5.1
Inflation Measure					
Consumer Price Index****	1.2	1.5	2.7	2.2	2.5

* Lehman Brothers Aggregate Bond index. Includes governments, corporates and mortgages.

** Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE).

*** Morgan Stanley Capital International Emerging Markets Free index.

**** Consumer Price Index (CPI) for all urban consumers, also known as CPI-U.

FINANCIAL MARKETS REVIEW

DOMESTIC STOCKS

The U.S. stock market, as represented by the Wilshire 5000, returned 1.0% in the first quarter. Equity markets were down early in the quarter on concerns of accounting irregularities and disappointing earnings, but rebounded on improving consumer confidence, continued consumer spending, and rising industrial production. Materials, energy, and consumer staples were the top performing sectors during the quarter. Technology gave back some of the 30% gain experienced in the fourth quarter with a 7% decline this quarter. Telecommunications and utilities were the worst performing sectors declining over 20%. Small value was the best performing style for the quarter as value and small stocks outperformed growth and large stocks during the quarter.

Performance among the different Wilshire Style Indices for the quarter is shown below:

Large Value	3.5%
Small Value	9.0
Large Growth	-1.9
Small Growth	-2.9

The Wilshire 5000 declined 2.5% for the year ending March 31, 2002.

DOMESTIC BONDS

The bond market rose slightly over the first quarter of 2002, ending the quarter up 0.1% from where it stood at year-end. During the quarter, the Fed kept its Fed Funds target rate at 1.75%, but shifted its policy outlook back to neutral from an easing bias.

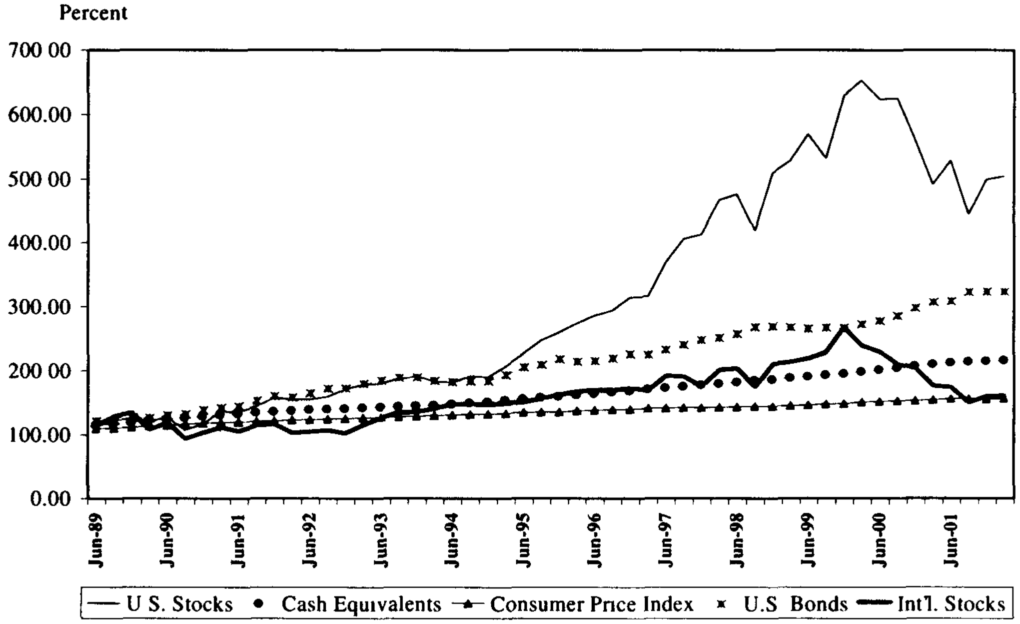
Within specific sectors, mortgages outperformed significantly as prepayments slowed and rate volatility declined over the quarter. Credit also outperformed as spreads generally narrowed despite continued headlines from several corporate names.

Overall, the Lehman Brothers Aggregate Bond Index gained 0.1% during the first quarter. The Lehman Aggregate sector returns for the quarter were:

Treasury/Agency	-0.6%
Credit	-0.3
Mortgages	1.0

The Lehman Aggregate returned 5.3% for the year ending March 31, 2002.

PERFORMANCE OF CAPITAL MARKETS
Cumulative returns



Indices used are: Wilshire 5000 Stock Index for U.S. Stocks; 3 month Treasury Bills for Cash Equivalents; Consumer Price Index; Lehman Brothers Aggregate Bond Index for U.S. Bonds; and the Morgan Stanley's Index of Europe, Australasia and the Far East (EAFE) for International Stocks.

FINANCIAL MARKETS REVIEW

INTERNATIONAL STOCKS

In aggregate, developed international stock markets (as measured by the EAFE index) provided a return of 0 5% for the quarter The quarterly performance of the five largest stock markets is shown below:

United Kingdom	-0.3%
Japan	1.5
France	-0 6
Switzerland	3.4
Germany	1 7

The EAFE index decreased by 8 5% during the last year.

The EAFE index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 21 markets located in Europe, Australasia and the Far East. The major markets listed above comprise about 72% of the value of the international markets in the index.

EMERGING MARKETS

Emerging markets (as measured by MSCI Emerging Markets Free index) provided a return of 11 3% for the quarter The quarterly performance of the five largest stock markets in the index is shown below.

Korea	29 3%
Taiwan	8.6
Mexico	17 3
Brazil	7.1
South Africa	12 2

The Emerging Markets Free index increased by 14 7% during the last year

The Emerging Markets Free (EMF) index is compiled by MSCI and measures performance of 26 stock markets in Latin America, Asia, Africa and Eastern Europe. EMF includes only those securities foreign investors are allowed to hold. The markets listed above comprise about 57% of the value of the international markets in the index

REAL ESTATE

Real estate has been hurt somewhat by the slowdown in the economy over the last several months and is expected to return to a moderate growth phase in the latter half of 2002. Real estate returns through this period are generally expected to be overall positive with strong cashflows and yields in excess of any value declines Overall, the real estate downturn should be modest as the fundamental factors that influence real estate returns never became grossly unbalanced

PRIVATE EQUITY

U.S private equity firms raised $99.6 billion for private equity limited partnerships of all types, from venture capital to buyouts in 2001 That represents a 42 8% decrease from the revised prior year total of $174 billion and marks an end to seven consecutive years of increases in funds raised The first quarter 2002 total raised was $4 5 billion, 82% less than the total raised first quarter 2001.

RESOURCE FUNDS

During the first quarter of 2002, West Texas Intermediate crude oil averaged $21 60 per barrel, up from an average price of $20 53 during the fourth quarter of 2001. The recent upward trend may reflect the relative instability in the Middle East

COMBINED FUNDS

The "Combined Funds" represent the assets of both the Basic and Post Retirement Funds. 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.

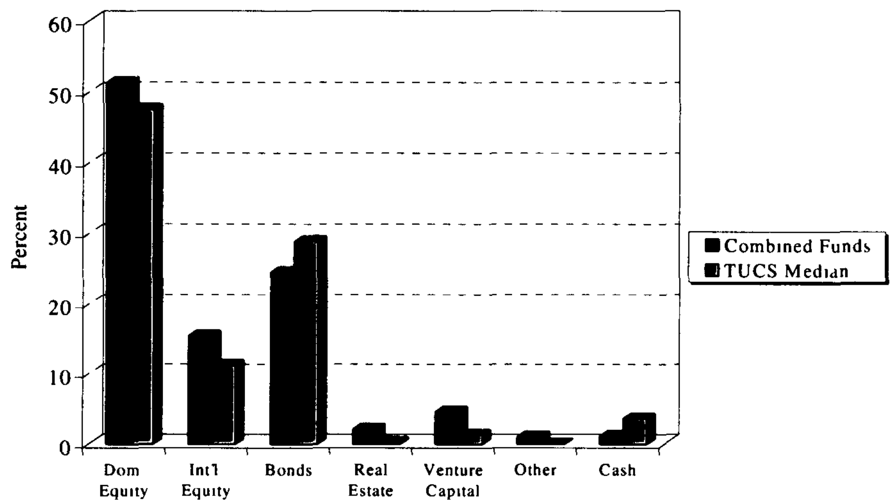
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over $1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On March 31, 2002, the actual asset mix of the Combined Funds was:

	$ Millions	%
Domestic Stocks	$18,616	51.3%
International Stocks	5,603	15.4
Bonds	8,896	24.5
Alternative Assets	2,808	7.7
Unallocated Cash	402	1.1
Total	$36,325	100.0%

Comparisons of the Combined Funds' asset mix to the median allocation to stocks, bond and other assets of the public and corporate funds in TUCS over $1 billion are shown below:



	Dom. Equity	Int'l Equity	Bonds	Real Estate	Venture Capital	Other	Cash
Combined Funds	**51.3%**	**15.4%**	**24.5%**	**2.1%**	**4.6%**	**1.0%**	**1.1%**
Median Allocation in TUCS*	47.5	11.2	28.9	0.2	1.3	0.0	3 6

* Public and corporate plans over $1 billion.

COMBINED FUNDS
Performance Compared to Other Pension Funds

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

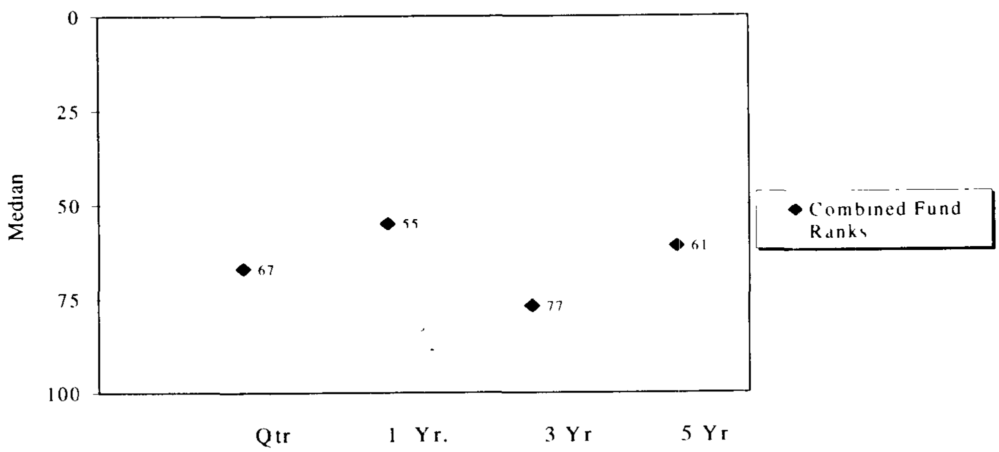
— **Differing Allocations.** Asset allocation will have a dominant effect on return The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports 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 will result in different choices on asset mix Since asset mix will largely determine investment results, a universe ranking is not 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 Trust Universe Comparison Service (TUCS) are shown below.

The SBI's returns are ranked against public and corporate plans with over $1 billion in assets All funds in TUCS report their returns gross of fees

The SBI's stated performance objective is that the Combined Funds will rank in the top half of the universe (above the 50th percentile) over the most recent five year period The SBI will strive to achieve performance which ranks in the top third (above the 33rd percentile)



Period Ending 3/31/2002

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Combined Funds Percentile Rank in TUCS*	67th	55th	77th	61st

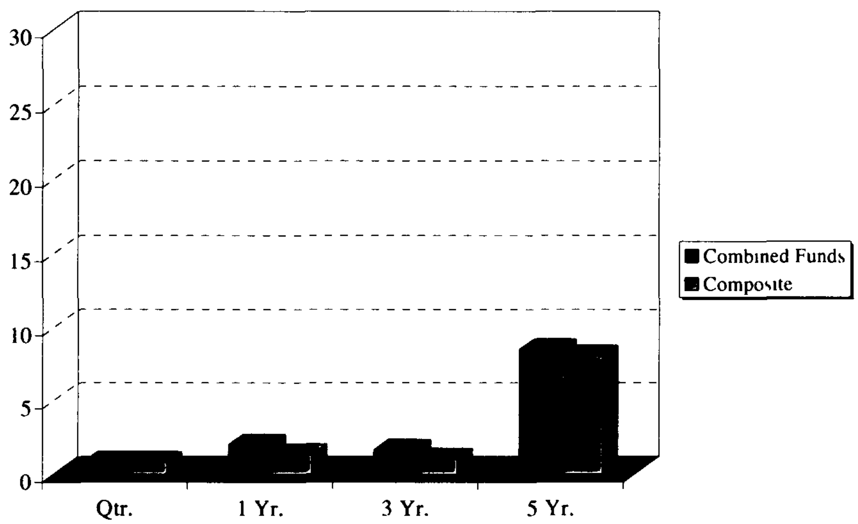
* Compared to public and corporate plans greater than $1 billion, gross of fees.

COMBINED FUNDS
Performance Compared to Composite Index

The Combined Funds' performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the asset allocation of the Combined Funds:

	Market Index	Combined Funds Composite* 1Q02
Domestic Stocks	Wilshire 5000 Investable	48.9%*
Int'l. Stocks	Int'l. Composite	15.0
Bonds	Lehman Aggregate	26.5*
Alternative Assets	Real Estate Funds	2.1*
	Private Equity Funds	4.6*
	Resource Funds	0.9*
Unallocated Cash	3 Month T-Bills	2.0
		100.0%

* Alternative asset, bond and domestic equity weights are reset in the composite at the start of each month to reflect the amount of unfunded commitments in alternative asset classes. The above Combined Funds Composite weighting was as of the beginning of the quarter.



Period Ending 3/31/2002

	Qtr.	1 Yr.	3 Yr. (Annualized)	5 Yr. (Annualized)
Combined Funds**	0.8%	2.0%	1.6%	8.5%
Composite Index	0.8	1.3	1.0	8.1

**Includes performance of Basic Funds through 6/30/93, Basic and Post Funds thereafter. Actual returns are reported net of fees.

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BASIC RETIREMENT FUNDS

Investment Objectives

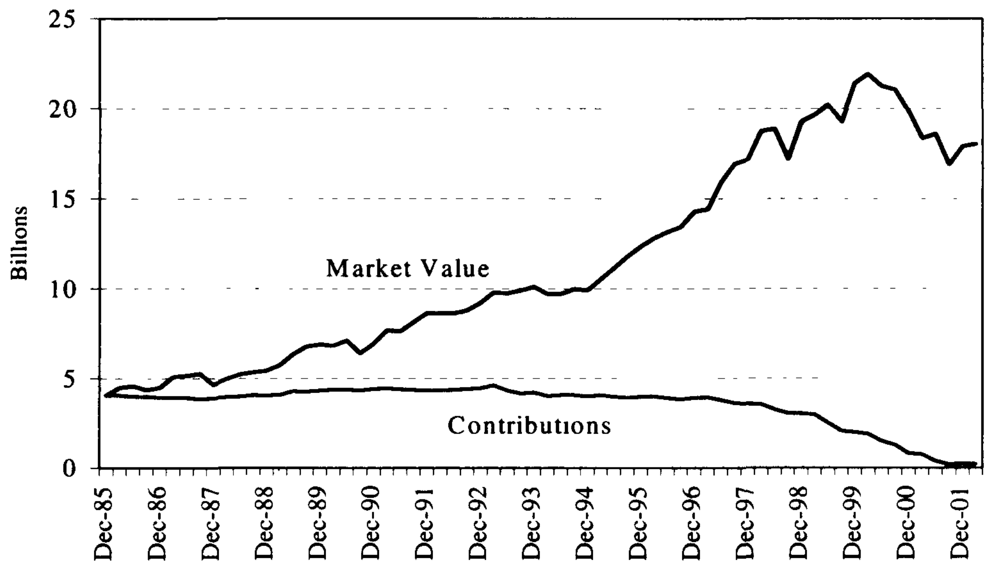
The Basic Retirement Funds are composed of the retirement assets for currently working participants in eight statewide retirement funds. The Funds serve as accumulation pools for the pension contributions of public employees and their employers during the employees' years of active service. Approximately 300,000 public employees participate in the Basic Funds.

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 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.

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 an aggressive, high expected return investment policy which incorporates a sizeable equity component in order to meet or exceed its actuarial return target.

Asset Growth

The market value of the Basic Funds increased 0.8% during the first quarter of 2002. Positive investment returns accounted for the increase.



Last Five Years In Millions

	12/97	12/98	12/99	12/00	12/01	Latest Qtr. 3/02
Beginning Value	$14,275	$17,146	$19,244	$21,365	$19,807	17,874
Net Contributions	-337	-539	-1,065	-1,186	-572	-14
Investment Return	3,208	2,637	3,186	-372	-1,361	154
Ending Value	$17,146	$19,244	$21,365	$19,807	$17,874	$18,014

BASIC RETIREMENT FUNDS
Asset Mix

The long-term asset allocation of the Basic Funds is based on the superior performance of common stocks over the history of the capital markets The asset allocation policy is designed to add value to the Basic Funds over their long-term investment time horizon.

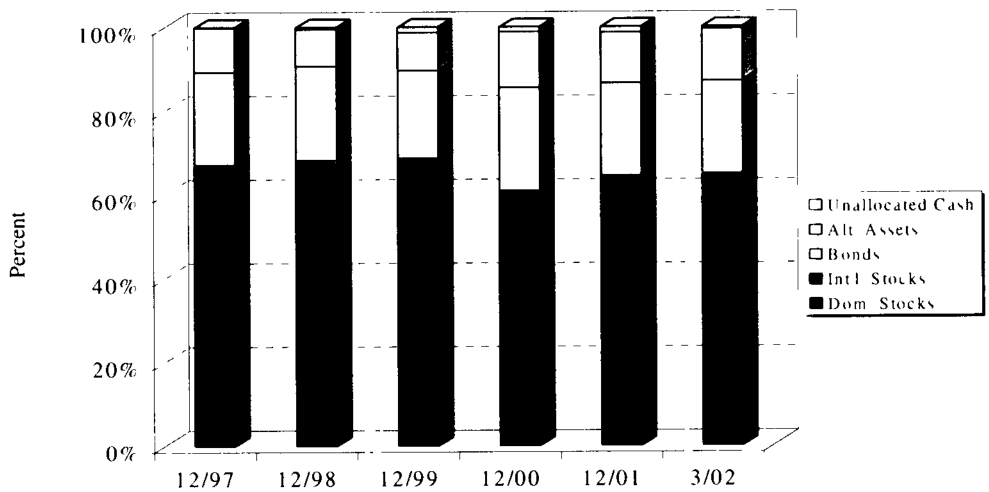
Domestic Stocks	45 0%
Int'l Stocks	15 0
Bonds	24 0
Alternative Assets*	15 0
Unallocated Cash	1.0

* Alternative assets include equity-oriented real estate, venture capital and resource funds Any uninvested allocation is held in domestic stocks

In October 1995, the Board revised its long term asset allocation targets for the Basic Funds, increasing international stocks from 10% to 15% and decreasing domestic stocks from 50% to 45% The change was implemented over several quarters.

Over the last year, the allocation to domestic stocks increased due to rebalancing from bonds.

During the quarter, a cash transfer to the Post Fund reduced the unallocated cash position. As a result, other asset classes realized a slight increase in their respective allocation



	Last Five Years					Latest Qtr.
	12/97	**12/98**	**12/99**	**12/00**	**12/01**	**3/02**
Domestic Stocks	53.6%	53.8%	51 9%	44.3%	49.5%	49.6%
Int'l. Stocks	13.6	14.4	16.8	16.6	15.0	15 4
Bonds	22 2	22.6	21.0	24.7	22 1	22 1
Real Estate	4 1	3 7	3 5	4.1	3 4	3.4
Private Equity	5 0	4 4	4 8	8.0	7 4	7.4
Resource Funds	1.4	0 7	0 8	1 2	1.3	1 6
Unallocated Cash	0.1	0 4	1.2	1 1	1.3	0.5
Total	100 0%	100 0%	100 0%	100 0%	100 0%	100 0%

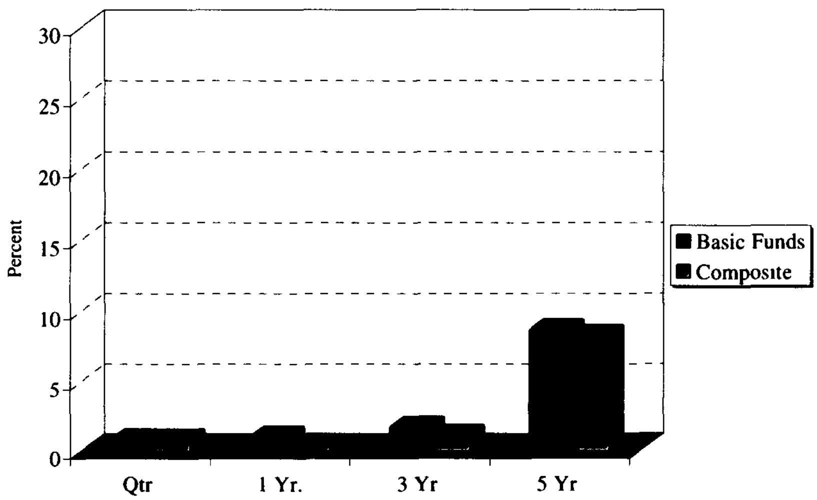
BASIC RETIREMENT FUNDS

Total Fund Performance (Net of Fees)

The Basic Funds' performance is evaluated relative to a composite of market indices. The composite is weighted in a manner that reflects the long-term asset allocation of the Funds:

	Basics Target	Market Index	Basics Composite* 1Q02
Domestic Stocks	45.0%	Wilshire 5000 Investable	47.8%*
Int'l. Stocks	15.0	Int'l Composite	15.0
Bonds	24.0	Lehman Aggregate	24.0
Alternative Assets	15.0	Real Estate Funds	3.4*
		Private Equity Funds	7.5*
		Resource Funds	1.3*
Unallocated Cash	1.0	3 Month T-Bills	1.0
	100.0%		100.0%

* Alternative asset and domestic stock weights are reset in the composite at the start of each month to reflect the uninvested portion of the allocation to alternative assets. The above Basic Funds Composite weighting was as of the beginning of the quarter.



	Period Ending 3/31/2002			
			Annualized	
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Basic Funds**	**0.9%**	**1.1%**	**1.7%**	**8.7%**
Composite Index	0.9	0.4	1.2	8.3

**Returns are reported net of fees.

Effective July 1, 1993, the Basic and Post Funds share the same domestic stock, international stock, and bond managers. See page 15 for the performance of these asset pools. Performance of the Basic Funds' alternative assets is on page 16.

POST RETIREMENT FUND

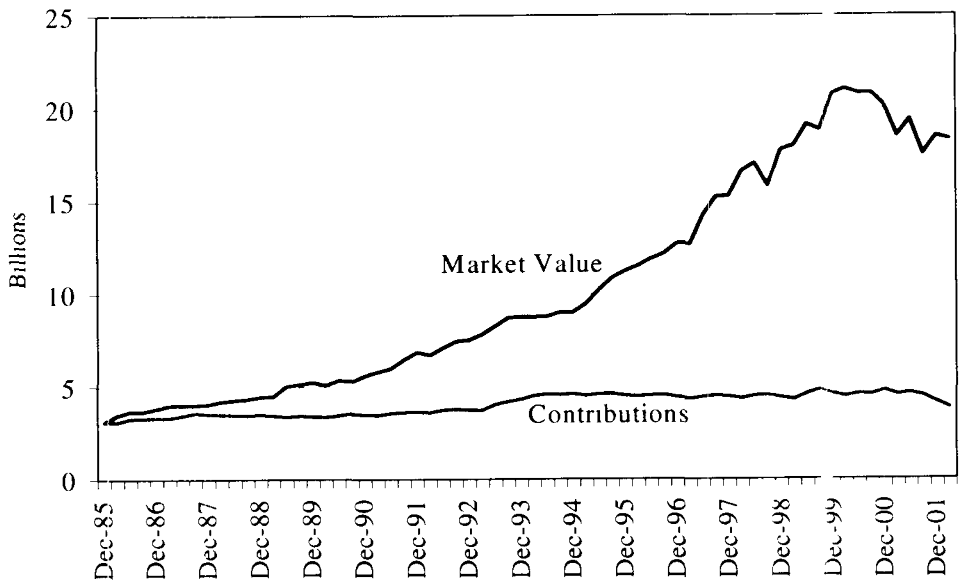
The Post Retirement Investment Fund contains the pension assets of retired public employees covered by statewide retirement plans. Approximately 95,000 retirees receive monthly annuities from the assets of the Fund.

Upon an employee's retirement, a sum of money sufficient to finance the fixed monthly annuity is transferred from accumulation pools in the Basic Funds to the Post Fund. In order to support promised benefits, the Post Fund must "earn" at least 6% on its invested assets on an annualized basis. If the Post Fund exceeds this earnings rate, excess earnings are used to finance permanent benefit increases for eligible retirees

The post retirement benefit increase formula is based on the total return of the Fund As a result, the Board maintains a long-term asset allocation strategy for the Post Fund which incorporates a substantial commitment to common stocks

Asset Growth

The market value of the Post Fund decreased by 0 9% during the first quarter of 2002. Negative net contributions accounted for the decrease



Last Five Years In Millions / **Latest Qtr.**

	12/97	12/98	12/99	12/00	12/01	3/02
Beginning Value	$15,273	$17,743	$20,768	$20,768	$20,153	$18,475
Net Contributions	-45	211	167	167	-647	-304
Investment Return	2,515	2,814	-782	-782	1,031	141
Ending Value	$17,743	$20,768	$20,153	$20,153	$18,475	$18,312

POST RETIREMENT FUND
Asset Mix

The Board adopted an asset allocation strategy for the Post Fund in fiscal year 1993 which reflects the post retirement benefit increase formula enacted by the Legislature. Throughout fiscal year 1993, the actual asset mix of the Post Fund moved toward a 50% allocation to common stocks. In fiscal year 1994, the Board added allocations to international stocks and alternative investments.

Domestic Stocks	50.0%
Int'l. Stocks	15.0
Bonds	27.0
Alternative Assets*	5.0
Unallocated Cash	3.0
	100.0%

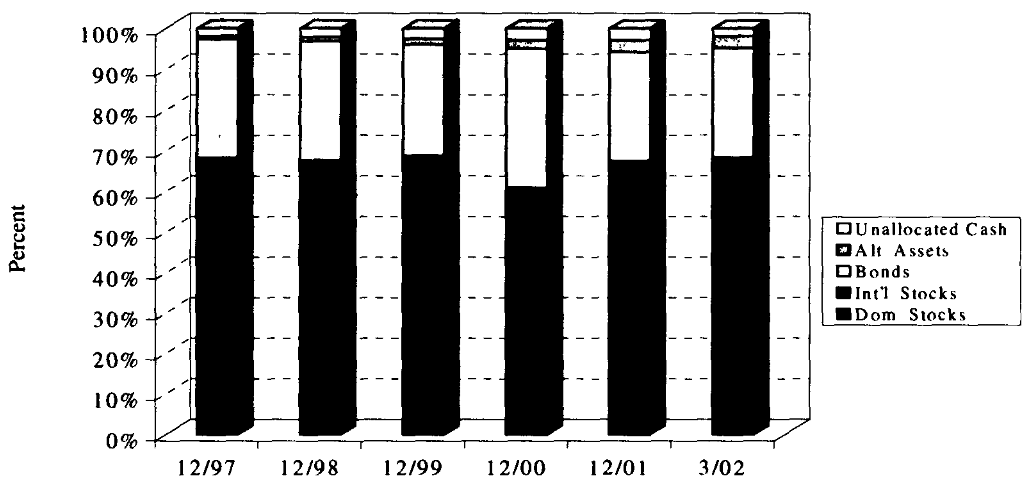
* Alternative assets include yield oriented investment vehicles. Any uninvested allocation is held in bonds.

The large allocation to common stocks allows the Fund to increase the long-term earning power of its assets and allow the Fund to focus on generating higher long-term total rates of return.

In October 1995, the Board revised its long term asset allocation targets for the Post Fund, increasing international stocks from 10% to 15% and decreasing bonds from 32% to 27%.

Over the last year, the allocation to domestic stocks and international stocks has increased due to rebalancing from bonds.

During the quarter, the net benefit payment reduced the unallocated cash position. As a result, other asset classes realized a slight increase in their respective allocation.



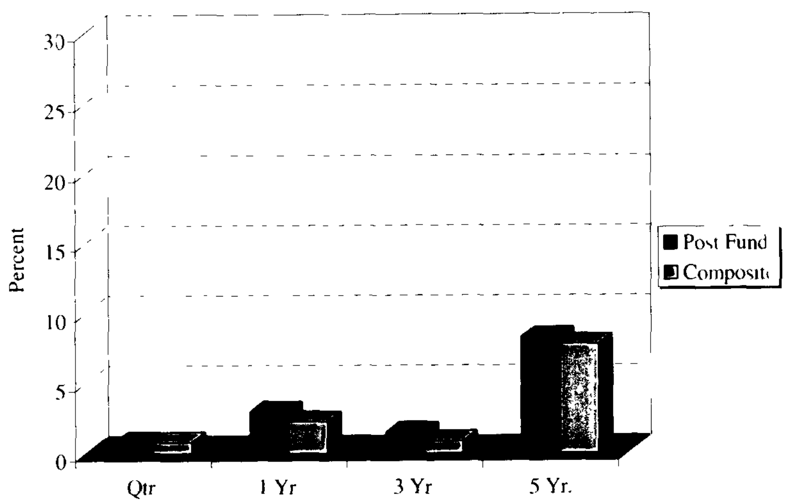
	Last Five years					Latest Qtr.
	12/97	**12/98**	**12/99**	**12/00**	**12/01**	**3/02**
Dom. Stocks	54.7%	53.2	52.0%	47.5%	52.4%	52.9
Int'l. Stocks	13.6	14.5	16.9	13.5	15.1	15.5
Bonds	29.1	29.2	27.2	34.0	26.7	26.8
Alt. Assets	0.9	1.1	1.5	2.3	3.1	3.1
Unallocated Cash	1.7	2.0	2.4	2.7	2.7	1.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

POST RETIREMENT FUND
Total Fund Performance (Net of Fees)

The Post Fund's performance is evaluated relative to a composite of market indices The composite is weighted in a manner that reflects the long-term asset allocation of the Fund.

Asset Class	Post Target	Market Index	Post Composite* 1Q02
Domestic Stocks	50 0%	Wilshire 5000 Investable	50.0%
Int'l Stocks	15 0	Int'l Composite	15 0
Bonds	27 0	Lehman Aggregate	28 9*
Alternative Assets	5 0	Real Estate Funds	0 9*
		Private Equity Funds	1 7*
		Resource Funds	0 5*
Unallocated Cash	3 0	3 Month T-Bills	3 0
	100 0%		100.0%

*Alternative assets and bond weights are reset in the composite at the start of each month to reflect the uninvested portion of the allocation to alternative assets The above Post Fund Composite weighting was as of the beginning of the quarter.



Period Ending 3/31/2002

	Qtr.	1 Yr.	Annualized 3 Yr.	5 Yr.
Post Fund**	**0.8%**	**3.0%**	**1.5%**	**8.3%**
Composite Index	0 8	2.3	0 9	7.8

** Returns are reported net of fees

Effective July 1, 1993, the Basic and Post Funds share the same domestic stock, international stock, and bond managers See page 15 for the performance of these asset pools.

STOCK AND BOND MANAGERS
Performance of Asset Pools (Net of Fees)

Domestic Stocks

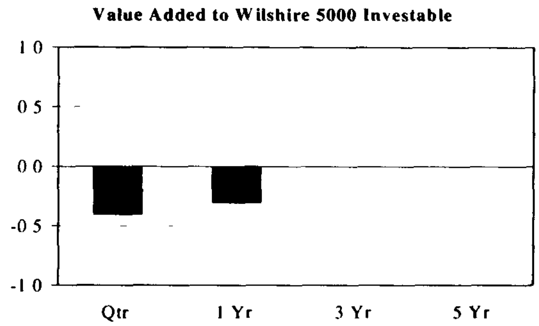
Target: Wilshire 5000 Investable

Expectation: If one-third of the pool is actively managed, one-third is semi-passively managed, and one-third is passively managed, the entire pool is expected to exceed the target by +.18 - .40% annualized, over time.

Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yrs.	5 Yrs.
Domestic Stocks	**0.4%**	**1.8%**	**-2.2%**	**9.3%**
W5000 Investable*	0.8	2.0	-2.2	9.3

* Restated to incorporate the Wilshire 5000 Investable Index beginning 7/1/99. W5000 prior to 7/1/99.



International Stocks

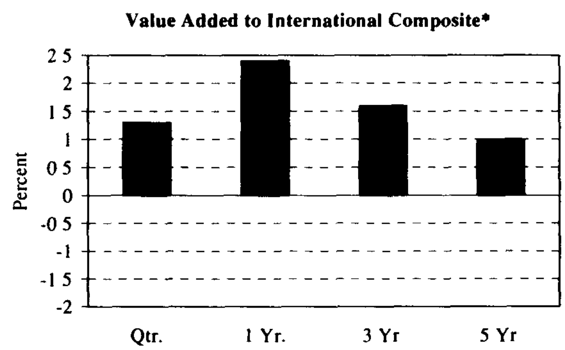
Target: Composite of EAFE-Free and Emerging Markets Free*

Expectation: If at least one-third of the pool is managed actively and at least one-third is passively managed, the entire pool is expected to exceed the target by +.25%-.75% annualized, over time.

Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yr.	5 Yrs.
Int'l. Stocks	**2.8%**	**-4.6%**	**-2.9%**	**1.4%**
Composite Index*	1.5	-6.9	-4.5	0.4

* The international benchmark is EAFE Free plus Emerging Markets Free (EMF). The weighting of each index fluctuates with market capitalization. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE-Free/13% EMF. On 5/1/96 the portfolio began transitioning from 100% EAFE to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.



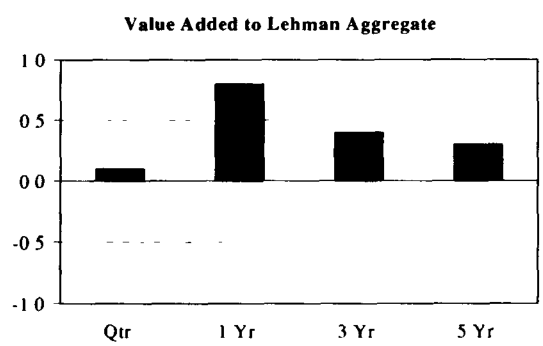
Bonds

Target: Lehman Brothers Aggregate Bond Index

Expectation: If half of the pool is actively managed and half is managed semi-passively, the entire pool is expected to exceed the target by +.20-.35% annualized, over time.

Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yrs.	5 Yrs.
Bonds	**0.2%**	**6.1%**	**6.8%**	**7.9%**
Lehman Agg.	0.1	5.3	6.5	7.6



ALTERNATIVE ASSET MANAGERS

Performance of Asset Pools
(Net of Fees)

Real Estate Pool (Basic Funds only)

Expectation: Real estate investments are expected to exceed the rate of inflation by 3-5% annualized, over the life of the investment

The SBI began its real estate program in the mid-1980's and periodically makes new investments. Some of the existing investments, therefore, are relatively immature and returns may not be indicative of future results

	Period Ending 3/31/2002			
		Annualized		
	Qtr	**Yr.**	**3 Yrs.**	**5 Yrs.**
Real Estate	**-0.1%**	**4.4%**	**9.3%**	**14.3%**
Inflation	1.2	1.5	2.7	2.2

Private Equity Pool (Basic Funds only)

Expectation: Private equity investments are expected to provide annualized returns at least 3% greater than historical public equity returns, over the life of the investment. This equates to an absolute return of approximately 13-14% annualized

The SBI began its private equity program in the mid-1980's and periodically makes new investments. Some of the existing investments, therefore, are relatively immature and returns may not be indicative of future results.

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	**Yr.**	**3 Yrs.**	**5 Yrs.**
Private Equity	**-0.5%**	**-15.4%**	**9.1%**	**13.7%**

Resource Pool (Basic Funds only)

Expectation: Resource investments (primarily oil and gas) are expected to exceed the rate of inflation by 3-5% annualized, over the life of the investment

The SBI began its resource program in the mid-1980's and periodically makes new investments. Some of the existing investments, therefore, are relatively immature and returns may not be indicative of future results

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	**Yr.**	**3 Yrs.**	**5 Yrs.**
Resource Funds	**17.8%**	**-3.1%**	**21.4%**	**9.9%**

Yield Oriented Pool (Post Fund only)

Expectation: Yield oriented investments are expected to provide annualized returns at least 2% greater than historical public debt returns over the life of the investment This equates to an absolute return of 10-11% annualized

The SBI made its first commitment to the alternative investment program for the Post Fund in March 1994. Some of the existing investments, therefore, are relatively immature and returns may not be indicative of future results

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	**Yr.**	**3 Yrs.**	**5 Yrs.**
Yield Oriented	**2.2%**	**9.3%**	**12.3%**	**12.9%**

SUPPLEMENTAL INVESTMENT FUND

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The different participating groups use the Fund for a variety of purposes:

1. It functions as the investment manager for all assets of the Unclassified Employees Retirement Plan, Public Employees Defined Contribution Plan and Hennepin County Supplemental Retirement Plan.
2. It is one investment vehicle offered to employees as part of the state's Deferred Compensation Plan, the Individual Retirement Account Plan and College Supplemental Retirement Plan.
3. It serves as an external money manager for a portion of some local police and firefighter retirement plans.

A wide diversity of investment goals exists among the Fund's participants. In order to meet those needs, the 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 the statutory requirements and rules established by the participating organizations. Participation in the Fund is accomplished through the purchase or sale of shares in each account.

The investment returns shown in this report are calculated using a time-weighted rate of return formula. They are net of investment management fees.

On March 31, 2002 the market value of the entire Fund was $1.5 billion.

Investment Options

	3/31/2002 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	$572
Growth Share Account – an actively managed, all common stock portfolio.	$245
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	$321
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	$45
Bond Market Account – an actively managed, all bond portfolio.	$123
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	$94
Fixed Interest Account – a portfolio of guaranteed investment contracts (GIC's) and GIC type investments which offer a fixed rate of return for a specified period of time.	$97

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

INCOME SHARE ACCOUNT

Investment Objective

The primary investment objective of the Income Share Account is similar to that of the Combined Funds. The Account seeks to maximize long-term real rates of return, while limiting short-run portfolio return volatility.

Asset Mix

The Income Share Account is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification

	Target	Actual
Stocks	60 0%	63.1%
Bonds	35 0	33.4
Unallocated Cash	5 0	3.5
	100.0%	100 0%

Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yr.	5 Yr.
Total Account	**0.5%**	**3.2%**	**1.8%**	**9.2%**
Composite*	0.6	3 7	1 7	9 1

* 60% Wilshire 5000/35% Lehman Aggregate Bond Index/5% T-Bills Composite

GROWTH SHARE ACCOUNT

Investment Objective

The Growth Share Account's investment objective is to generate above-average returns from capital appreciation on common stocks.

Asset Mix

The Growth Share Account is invested primarily in the common stocks of US companies. The managers in the account also hold varying levels of cash.

Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yr.	5 Yr.
Total Account	**0.1%**	**1.6%**	**-2.6%**	**9.1%**
Composite*	0 8	2 0	-2.2	9.3

* 100% Wilshire 5000 Investable since July 1999. 100% Wilshire 5000 from November 1996 to June 1999. 95% Wilshire 5000/5% T-Bills Composite through October 1996

COMMON STOCK INDEX ACCOUNT

Investment Objective and Asset Mix

The investment objective of the Common Stock Index Account is to generate returns that track those of the U.S stock market as a whole. The Account is designed to track the performance of the Wilshire 5000 Investable, a broad-based equity market indicator.

The Account is invested 100% in common stock

Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yr.	5 Yr.
Total Account	**0.9%**	**1.9%**	**-1.6%**	**9.9%**
Wilshire 5000 Investable*	0.8	2 0	-1.9	9.5

* Wilshire 5000 through June 2000 Wilshire 5000 Investable thereafter.

INTERNATIONAL SHARE ACCOUNT

Investment Objective and Asset Mix

The investment objective of the International Share Account is to earn a high rate of return by investing in the stock of companies outside the U.S. At least one-third of the Account is "passively managed" and is designed to track the return of 21 markets included in the Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE-Free) The remainder of the Account is "actively managed" by several international managers and emerging markets specialists who buy and sell stocks in an attempt to maximize market value.

Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yr.	5 Yrs.
Total Account	**2.8%**	**-4.5%**	**-2.8%**	**1.4%**
Composite*	1 5	-6 9	-4.5	0.4

* The international benchmark is EAFE Free plus Emerging Markets Free (EMF). The weighting of each index fluctuates with market capitalization From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE-Free/13% EMF On 5/1/96 the portfolio began transitioning from 100% EAFE Free to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.

SUPPLEMENTAL INVESTMENT FUND ACCOUNTS

BOND MARKET ACCOUNT

Investment Objective
The investment objective of the Bond Market Account is to exceed the return of the broad domestic bond market by investing in fixed income securities.

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**
Total Account	**0.2%**	**6.1%**	**6.9%**	**7.9%**
Lehman Agg.	0.1	5.3	6.5	7.6

Asset Mix
The Bond Market Account invests primarily in high-quality, government and corporate bonds that have intermediate to long-term maturities, usually 3 to 20 years.

MONEY MARKET ACCOUNT

Investment Objective
The investment objective of the Money Market Account is to purchase short-term, liquid debt securities that pay interest rates that are competitive with those available in the money market.

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**
Total Account	**0.5%**	**3.3%**	**5.2%**	**5.3%**
3 month T-Bills	0.4	2.8	4.6	4.8

Asset Mix
The Money Market Account is invested entirely in high quality short-term investments such as U.S. Treasury Bills, bank certificates of deposit, repurchase agreements, and high grade commercial paper. The average maturity of these investments is 30 to 60 days.

FIXED INTEREST ACCOUNT

Investment Objectives
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.

	Period Ending 3/31/2002			
		Annualized		
	Qtr.	**1 Yr.**	**3 Yr.**	**5 Yr.**
Total Account	**1.5%**	**6.2%**	**6.3%**	**6.3%**
Benchmark*	1.0	4.1	5.4	5.5

* The Fixed Interest Benchmark is the 3 year Constant Maturity Treasury Bill +30 basis points.

Asset Mix
The assets in the Account are **invested primarily in stable value instruments** such as insurance company investment contracts, bank investment contracts, and security backed contracts. These instruments are issued by highly rated U.S. financial institutions, typically have maturities of 3-6 years and are rated "A" or better at the time of purchase. The interest rate credited will change, reflecting the blended interest rate available from all investments in the account including cash reserves which are maintained to provide liquidity. The Fixed Interest Benchmark in the 3 year Constant Maturity Treasury Bill +30 basis points.

ASSIGNED RISK PLAN

Investment Objectives
The Assigned Risk Plan has two investment objectives. to minimize the mismatch between assets and liabilities and to provide sufficient liquidity for the payment of on-going claims and operating expenses

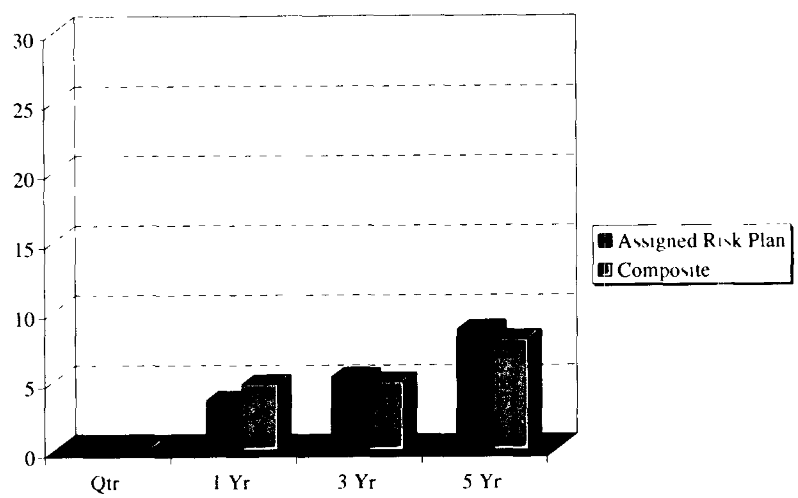
Asset Mix
The Assigned Risk Plan is invested in a portfolio of common stocks and bonds The actual asset mix will fluctuate in response to changes in the Plan's liability stream

	3/31/2002 Target	3/31/2002 Actual
Stocks	20.0%	22.2%
Bonds	80.0	77.8
Total	100 0%	100.0%

Investment Management
Voyageur Asset Management manages the bond segment of the Fund GE Investment Management manages the equity segment

Performance Benchmarks
A custom benchmark has been established for the fixed income portfolio. It reflects the duration of the liability stream and the long-term sector allocation of Voyageur Asset Management Since July 1, 1994, the equity benchmark has been the S&P 500 index. The total fund benchmark is a combination of the fixed income and equity benchmarks, weighted according to the total fund asset allocation targets.

Market Value
On March 31, 2002 the market value of the Assigned Risk Plan was $345 million



Period Ending 3/31/2002

	Qtr.	Annualized 1 Yr.	3 Yr.	5 Yr.
Total Fund*	0 4%	3 6%	5.3%	8 7%
Composite	0.2	4 8	4 9	8.0
Equity Segment*	1.5	1 2	2 0	13.1
Benchmark	0.3	0.2	-2.5	10.2
Bond Segment*	0.0	3 7	5 4	6.4
Benchmark	0.1	5 5	6 5	7.1

* Actual returns are calculated net of fees.

PERMANENT SCHOOL FUND

Investment Objectives
The investment objective of the Permanent School Fund is to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity. The income from the portfolio is used to offset expenditures on school aid payments to local school districts.

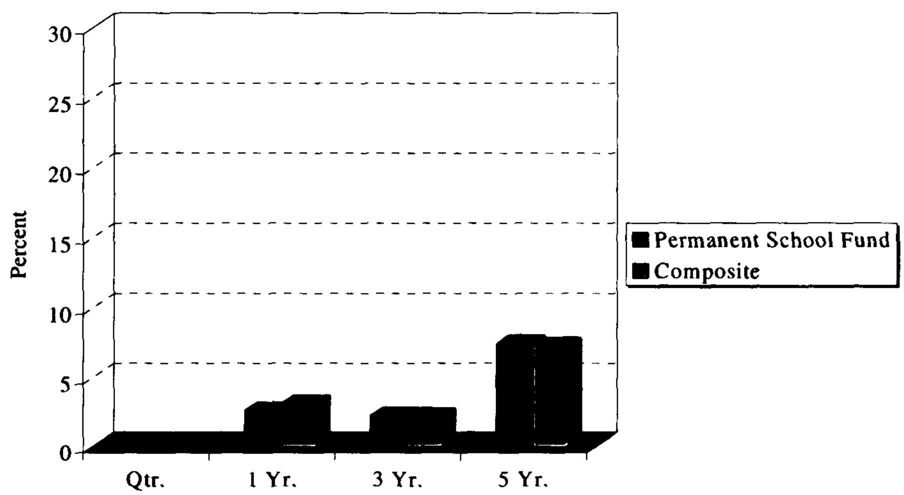
Asset Mix
Effective with FY98, the Permanent School Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds provide portfolio diversification and a more stable stream of current income.

	3/31/2002 Target	3/31/2002 Actual
Stocks	50.0%	52.0%
Bond	48.0	46.4
Unallocated Cash	2.0	1.6
Total	100.0%	100.0%

Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management
SBI staff manages all assets of the Permanent School Fund. The stock segment is passively managed to track the performance of the S&P 500. The bond segment is actively managed to add incremental value through sector, security and yield curve decisions.

Market Value
On March 31, 2002 the market value of the Permanent School Fund was $536 million.



	Period Ending 3/31/2002 Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund (1) (2)	**0.0%**	**2.7%**	**2.3%**	**7.5%**
Composite	0.2	3.2	2.2	7.3
Equity Segment (1) (2)	**0.3**	**-0.1**	**-2.5**	**N/A**
S&P 500	0.3	0.2	-2.5	N/A
Bond Segment (1)	**-0.3**	**5.5**	**6.7**	**7.7**
Lehman Aggregate	0.1	5.3	6.5	7.6

(1) Actual returns are calculated net of fees.
(2) Equities were added to the asset mix effective July 28, 1997. Prior to that date the fund was invested entirely in bonds. The composite Index has been weighted accordingly.

ENVIRONMENTAL TRUST FUND

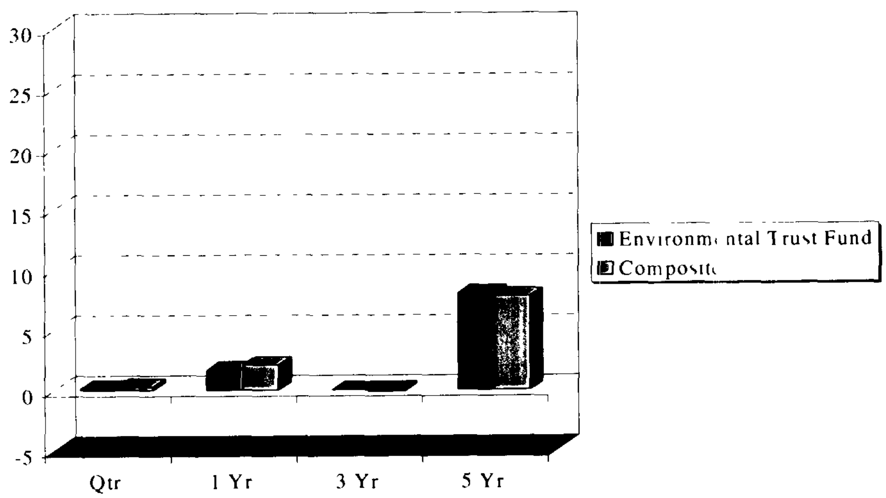
Investment Objective
The objective of the Environmental Trust Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending

Asset Mix
The Environmental Trust Fund is invested in a balanced portfolio of common stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification. As of July 1, 1999, the asset allocation changed from 50% stocks/50% fixed income to 70% stocks /30% fixed income

Investment Management
SBI staff manage all assets of the Environmental Trust Fund The bond segment is actively managed to add incremental value through sector, security and yield curve decisions. The stock segment is passively managed to track the performance of the S&P 500.

Market Value
On March 31, 2002 the market value of the Environmental Trust Fund was $300 million

	3/31/2002 Target	3/31/2002 Actual
Stocks	70 0%	70.7%
Bonds	28 0	28.6
Unallocated Cash	2 0	0.7
Total	100.0%	100 0%



	Period Ending 3/31/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund*	0.1%	1.7%	0.0%	8.0%
Composite	0 3	2.1	-0.1	7.7
Equity Segment*	0 3	-0.1	-2.5	10 3
S&P 500	0 3	0.2	-2 5	10 2
Bond Segment*	-0 3	5.5	6.7	8.0
Lehman Agg	0 1	5 3	6.5	7 6

* Actual returns are calculated net of fees.

TOBACCO PREVENTION FUND

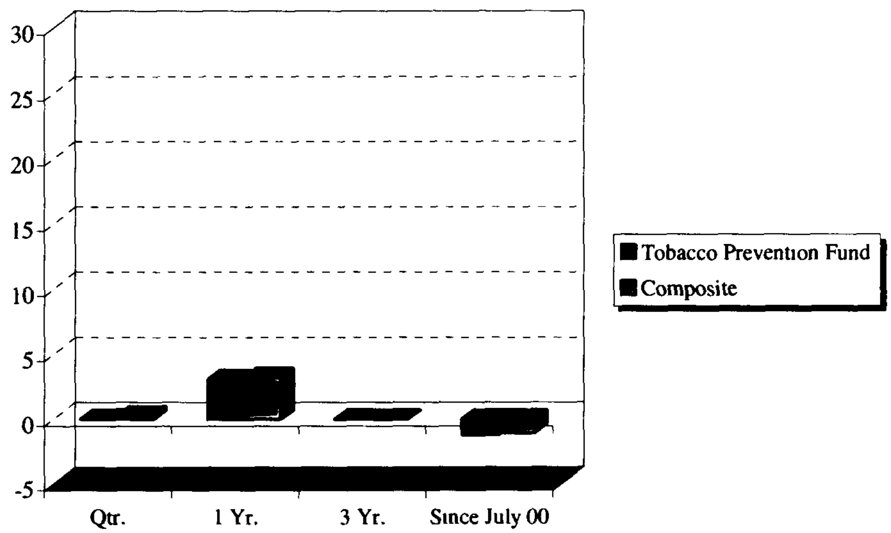
Investment Objectives
The investment objective of the Tobacco Prevention Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending.

Asset Mix
The Fund is invested in a balanced portfolio of stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification.

	3/31/2002 Target	3/31/2002 Actual
Stocks	50.0%	52.5%
Bonds	50.0	47.2
Unallocated Cash	0.0	0.3
Total	100.0%	100.0%

Investment Management
SBI staff manages all assets of the Tobacco Prevention Fund.

Market Value
On March 31, 2002 the market value of the Tobacco Prevention Fund was $517 million.



Period Ending 3/31/2002

	Qtr.	1 Yr.	3 Yr.	Since 7/1/00
Total Fund*	0.0%	3.0%	N/A	-1.2%
Composite	0.2	3.2	N/A	-1.0
Equity Segment*	0.3	-0.1	N/A	-11.6
S&P 500	0.3	0.2	N/A	-11.6
Bond Segment*	-0.3	5.5	N/A	9.2
Lehman Agg.	0.1	5.3	N/A	9.1

* Actual returns are calculated net of fees.

MEDICAL EDUCATION FUND

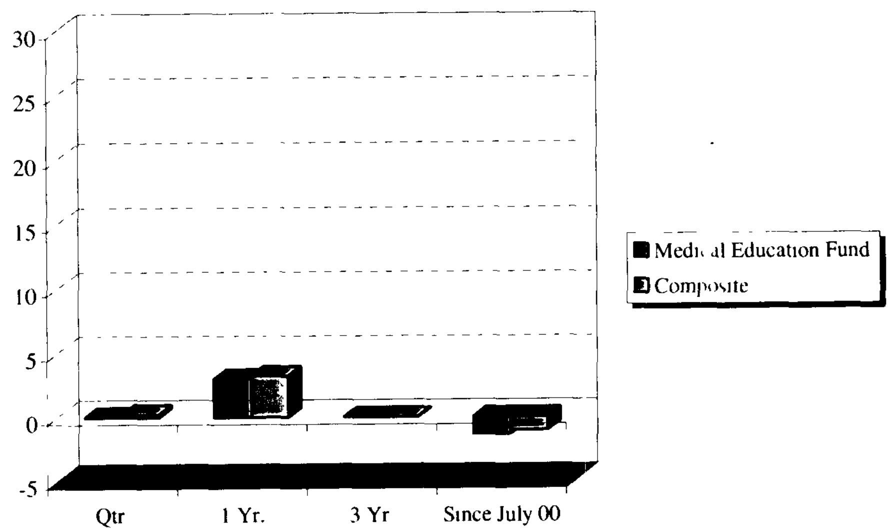
Investment Objectives
The investment objective of the Medical Education Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending

Asset Mix
The Fund is invested in a balanced portfolio of stocks and bonds Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification.

	3/31/2002 Target	3/31/2002 Actual
Stocks	50 0%	51.9%
Bonds	50.0	47.8
Unallocated Cash	0 0	0.3
Total	100 0%	100.0%

Investment Management
SBI staff manages all assets of the Medical Education Fund.

Market Value
On March 31, 2002 the market value of the Medical Education Fund was $321 million.



Period Ending 3/31/2002

	Qtr.	1 Yr.	3 Yr.	Since 7/1/00
Total Fund*	0.0%	3 0%	N/A	-1.3%
Composite	0.2	3.2	N/A	-1.0
Equity Segment*	0.3	-0.1	N/A	-11 6
S&P 500	0 3	0.2	N/A	-11.6
Bond Segment*	-0 3	5 6	N/A	9.2
Lehman Agg.	0 1	5 3	N/A	9 1

* Actual returns are calculated net of fees.

ACADEMIC HEALTH CENTER FUND

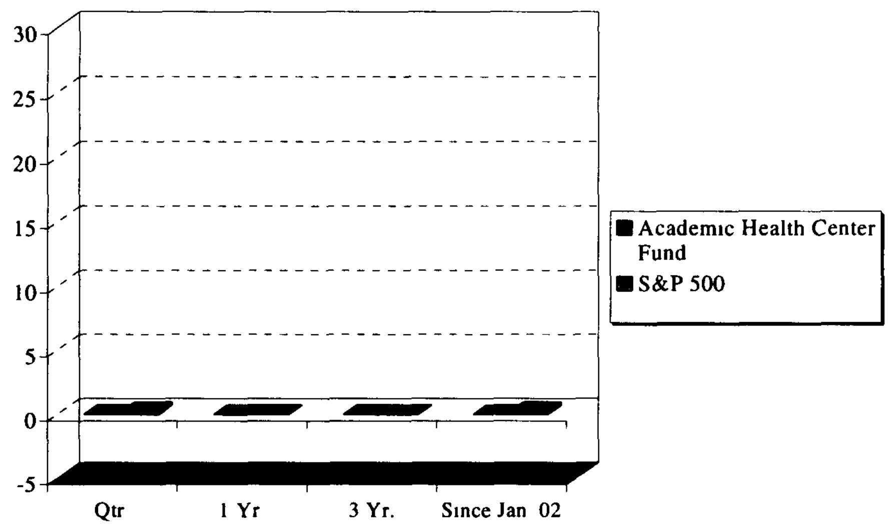
Investment Objectives
The investment objective of the Academic Health Center Fund is to increase the market value of the Fund over time in order to increase the annual amount made available for spending.

Asset Mix
The Fund is invested in a balanced portfolio of stocks and bonds. Common stocks provide the potential for significant capital appreciation, while bonds act as a deflation hedge and provide portfolio diversification.

Investment Management
SBI staff manages all assets of the Academic Health Center Fund.

Market Value
On March 31, 2002 the market value of the Medical Education Fund was $219 million.

	3/31/2002 Target	3/31/2002 Actual
Stocks	50.0%	50.1%
Bonds	50.0	49.6
Unallocated Cash	0.0	0.3
Total	100.0%	100.0%



Period Ending 3/31/2002

	Qtr.	1 Yr.	3 Yr.	Since 1/1/02
Total Fund*	0.0%	N/A	N/A	0.0%
Composite	0.2	N/A	N/A	0.2
Equity Segment*	0.3	N/A	N/A	0.3
S&P 500	0.3	N/A	N/A	0.3
Bond Segment*	-0.3	N/A	N/A	-0.3
Lehman Agg.	0.1	N/A	N/A	0.1

* Actual returns are calculated net of fees.

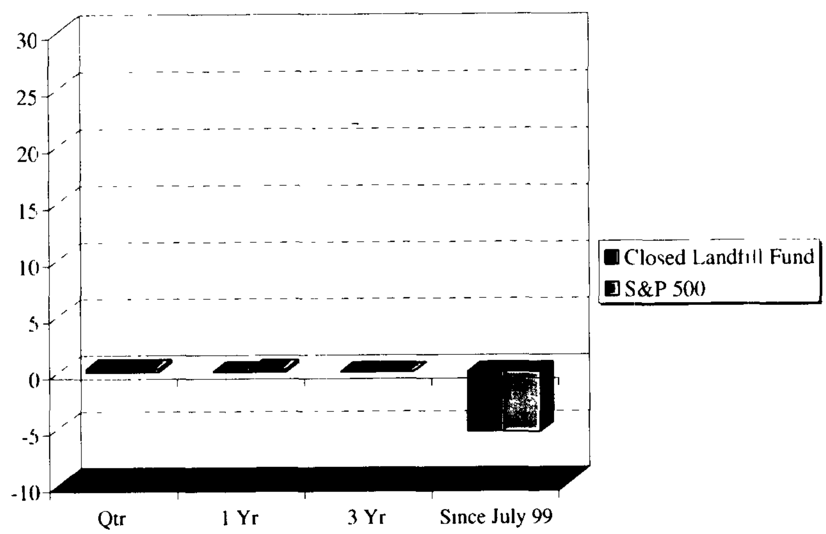
CLOSED LANDFILL INVESTMENT FUND

Investment Objectives
The investment objective of the Closed Landfill Investment Fund is to generate high returns from capital appreciation. The Fund will be used by the Commissioner of the PCA (Pollution Control Agency) to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. However, by statute, the assets of the Fund are unavailable for expenditure until after fiscal year 2020.

Asset Mix
Effective July 1999, the Closed Landfill Investment Fund is invested entirely in common stock. Given the long time horizon of this Fund and the lack of need for any short or mid-term withdrawals, this strategy will maximize the long-term gain of the Fund

Investment Management
SBI staff manage all assets of the Closed Landfill Investment Fund The assets are managed to passively track the performance of the S&P 500 index

Market Value
On March 31, 2002, the market value of the Closed Landfill Investment Fund was $13.4 million.



Period Ending 3/31/2002

	Qtr.	1 Yr.	3 Yr.	Since 7/1/99
Total Fund (1)	**0.3%**	**0.1%**	N/A	**-5.3%**
S&P 500 (2)	0 3	0 2	N/A	-5.4

(1) Actual returns are calculated net of fees.
(2) The benchmark of the fund is the S&P 500 The portfolio was initially invested in mid July 1999. The benchmark was adjusted to reflect this mid month starting period.

STATE CASH ACCOUNTS

Description
State Cash Accounts represent the cash balances in more than 400 separate accounts that flow through the Minnesota State Treasury. These accounts range in size from $5,000 to over $400 million.

Most accounts are invested by SBI staff through two short-term pooled funds:

1. Trust Fund Pool contains the temporary cash balances of certain trusts and retirement-related accounts.

2. Treasurer's Cash Pool contains the cash balances of special or dedicated accounts necessary for the operation of certain State agencies and non dedicated cash in the State Treasury.

In addition, each State of Minnesota bond sale requires two additional pools; one for bond proceeds and one for the debt reserve transfer.

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

Investment Objectives

Safety of Principal. To preserve capital.

Competitive Rate of Return. To provide a high level of current income.

Liquidity. To meet cash needs without the forced sale of securities at a loss.

Asset Mix
The SBI maximizes current income while preserving capital by investing all cash accounts in high quality, liquid short term investments. These include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, commercial paper, and certificates of deposit.

Investment Management
All state cash accounts are managed by the SBI investment staff. As noted above, most of the assets of the cash accounts are invested through two large commingled investment pools.

Period Ending 3/31/2002

	Market Value (Millions)	Qtr.	1 Yr.	Annualized 3 Yr.	Annualized 5 Yr.
Treasurer's Cash Pool*	**$4,871**	**0.4%**	**3.8%**	**5.5%**	**5.5%**
Custom Benchmark**		0.2	3.8	5.0	5.1
Trust Fund Cash Pool*	**$66**	**0.5**	**3.3**	**5.2**	**5.4**
Custom Benchmark***		0.4	2.7	4.5	4.7
3 month T-Bills		0.4	2.8	4.6	4.8

* Actual returns are calculated net of fees.

** Beginning in January 1997, the Treasurer's Cash Pool is measured against a blended benchmark consisting of the Lehman Brother's 1 to 3 year Government Index for the first $2.0 billion and the IBC all Taxable Money Fund Index for the balance of the portfolio. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% 1-3 year Treasuries.

*** Beginning in January 1997, the Trust Fund Pool is measured against the IBC All Taxable Money Fund Index. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% 1-3 year Treasuries.

MINNESOTA STATE BOARD OF INVESTMENT

Composition of State Investment Portfolios By Type of Investment

Market Value March 31, 2002 (in Thousands)

	Cash and Short term Securities	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
BASIC RETIREMENT FUNDS:								
Teachers Retirement Fund	44,468	0	1,507,405	0	3,383,614	1,047,454	845,841	6,828,782
	0.65%		22.07%		49.55%	15.34%	12.39%	100%
Public Employees Retirement Fund	17,602	0	969,103	0	2,174,783	673,403	543,786	4,378,677
	0.40%		22.13%		49.67%	15.38%	12.42%	100%
State Employees Retirement Fund	16,229	0	887,728	0	1,991,185	615,439	501,463	4,012,044
	0.40%		22.13%		49.63%	15.34%	12.50%	100%
Public Employees Police & Fire	9,099	0	501,734	13	1,125,951	348,641	281,536	2,266,974
	0.40%		22.13%	0.00%	49.67%	15.38%	12.42%	100%
Highway Patrol Retirement Fund	912	0	50,191	0	112,633	34,876	28,163	226,775
	0.40%		22.13%		49.67%	15.38%	12.42%	100%
Judges Retirement Fund	110	0	6,084	0	13,653	4,227	3,414	27,488
	0.40%		22.13%		49.67%	15.38%	12.42%	100%
Correctional Employees Retirement	975	0	53,671	0	120,445	37,295	30,117	242,503
	0.40%		22.13%		49.67%	15.38%	12.42%	100%
Public Employees Correctional	125	0	6,828	0	15,323	4,745	3,830	30,851
	0.41%		22.13%		49.67%	15.38%	12.41%	100%
TOTAL BASIC FUNDS	89,520	0	3,982,744	13	8,937,587	2,766,080	2,238,150	18,014,094
	0.50%		22.11%	0.00%	49.61%	15.36%	12.42%	100%
POST RETIREMENT FUND	312,282	0	4,913,466	0	9,678,831	2,836,657	570,188	18,311,424
	1.71%		26.83%		52.86%	15.49%	3.11%	100%
TOTAL BASIC AND POST	401,802	0	8,896,210	13	18,616,418	5,602,737	2,808,338	36,325,518
	1.11%		24.49%	0.00%	51.25%	15.42%	7.73%	100%

	Cash and Short term Securities	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Alternative Assets	Total
MINNESOTA SUPPLEMENTAL FUNDS:								
Income Share Account	19,910 3.48%	191,123 33.41%	0	0	361,104 63.11%	0	0	572,137 100%
Growth Share Account	0	0	0	0	245,098 100.00%	0	0	245,098 100%
Money Market Account	26,065 100.00%	0	0	0	0	0	0	26,065 100%
Common Stock Index	0	0	0	0	321,249 100.00%	0	0	321,249 100%
Bond Market Account	0	0	123,467 100.00%	0	0	0	0	123,467 100%
International Share Account	0	0	0	0	0	45,359 100.00%	0	45,359 100%
Fixed Interest Account	2,344 2.41%	0	94,972 97.59%	0	0	0	0	97,316 100%
Money Market Deferred Comp	67,556 100.00%	0	0	0	0	0	0	67,556 100%
TOTAL SUPPLEMENTAL FUNDS	115,875 7.73%	191,123 12 76%	218,439 14.58%	0	927,451 61.90%	45,359 3.03%	0	1,498,247 100%
TOTAL RETIREMENT FUNDS	517,677 1.37%	191,123 0.51%	9,114,649 24.10%	13 0.00%	19,543,869 51.67%	5,648,096 14.93%	2,808,338 7.42%	37,823,765 100%

	Cash and Short Term Securities	Bond Internal	Bond External	Stock Internal	Stock External	External Int'l	Alternative Assets	Total
ASSIGNED RISK PLAN	17,170 4 98%	0	252,184 73 10%	0	75,627 21 92%	0	0	344,981 100%
ENVIRONMENTAL FUND	1,919 0 64%	85,895 28 62%	0	212,290 70 74%	0	0	0	300,104 100%
PERMANENT SCHOOL FUND	8,641 1 61%	248,529 46 36%	0	278,906 52 03%	0	0	0	536,076 100%
TOBACCO SETTLEMENT POOL	3,131 0 30%	506,065 47 88%	0	547,644 51 82%	0	0	0	1,056,840 100%
CLOSED LANDFILL INVESTMENT	12 0 09%	0	0	13,341 99 91%	0	0	0	13,353 100%
TREASURERS CASH	4,850,639 100.00%	0	0	0	0	0	0	4,850,639 100%
HOUSING FINANCE AGENCY	152,610 50.38%	150,282 49 62%	0	0	0	0	0	302,892 100%
MINNESOTA DEBT SERVICE FUND	73,020 30 60%	165,599 69 40%	0	0	0	0	0	238,619 100%
MISCELLANEOUS ACCOUNTS	208,106 53 60%	149,966 38 62%	0	30,209 7 78%	0	0	0	388,281 100%
GRAND TOTAL	5,832,925 12.72%	1,497,459 3.27%	9,366,833 20 43%	1,082,403 2 36%	19,619,496 42.78%	5,648,096 12 32%	2,808,338 6.12%	45,855,550 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: May 28, 2002

TO: Members, State Board of Investment

FROM: Howard Bicker

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the period ending April 30, 2002 is included as **Attachment A**.

A report on travel for the period from February 16, 2002 - May 15, 2002 is included as **Attachment B**.

2. Legislative Update

A summary of legislative activity of interest to the SBI is in **Attachment C**.

3. Litigation Update

The SBI is involved in class action and securities litigation suits. SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on June 5, 2002.

4. Authorization to form a Review Committee and issue an RFP for accounting services.

The contract with the SBI's accounting vendor (currently, Financial Control Systems) will expire on June 30, 2003. In order to proceed with an orderly review of available services, the Board needs to authorize a Review Committee to proceed with the request for proposal (RFP) process at this time.

RECOMMENDATION:

The Executive Director recommends that the SBI authorize a Review Committee to evaluate the SBI's needs for accounting services through the RFP process. The Review Committee should be comprised of a designee of each Board member and at least two members of the IAC. The Review Committee should report its recommendations to the SBI by December 2002.

5. Asset Allocation Changes Due to Legislative Mandates.

At its March 2002 meeting, the Board authorized the Executive Director, in consultation with Board deputies, to alter the asset allocation of Funds that may be subject to full or partial liquidation as a result of legislative budget actions.

The Funds affected by recent legislation and the resulting actions taken are as follows:

Invested Treasurer's Cash
Currently, the SBI's investment policy for the Invested Treasurer's Cash pool calls for a target of $2 billion to be invested in securities which have a 1 to 3 year maturity to enhance the yield to the pool. Based on Department of Finance projection of cash needs, it was determined that the target for the 1 to 3 year portion of the pool be decreased to $500 million. After consultation with Board deputies, Staff has decreased this segment to $500 million.

Assigned Risk Plan
The first budget balancing bill required that $120 million be removed from the Assigned Risk Plan and transferred to the General Fund. The second budget balancing bills calls for an additional $14 million to be transferred from the Assigned Risk Plan to the General Fund.

After consultation with the Board deputies, Staff has instructed Voyageur Asset Management to raise $103 million and GE Asset Management to raise $31 million. On May 7, 2002, $25.1 million was transferred to the State's General Fund. The remaining balance of $108.9 million will be transferred to the General Fund by June 30, 2002.

Tobacco Endowment Funds
The enacted budget balancing legislation has designated the Tobacco Endowment Funds as "cashflow accounts" in the event the receipts to the General Fund are insufficient to meet the need for expenditures from the General Fund during the remainder of the current fiscal biennium. The Tobacco Funds are invested 50% in equities and 50% in fixed income.

Two alternative approaches have been discussed to execute this directive. The more conservative approach would be to liquidate the Tobacco Endowment Funds immediately and invest in cash. This approach would remove all market risk from these assets and ensure that the full amount anticipated to be used would be available.

After consulting with the Commissioner of Finance and the Board deputies, it was decided that the Tobacco Funds should not be liquidated. It is anticipated that the funds would not be needed until the latter part of the biennium. Therefore, the opportunity remains for potential market appreciation. Staff will monitor the Tobacco Fund balances and Department of Finance cashflow forecasts closely to minimize the possibility that the Tobacco Funds would be unable to meet the needs of the anticipated General Fund deficiency.

6. **Review of Security Custodian Services and Securities Lending for State Cash Accounts.**

The SBI, in conjunction with the Department of Finance and the State Treasurer's Office have a contract for banking, securities lending and custodial services for the State's cash accounts. The current contract with Wells Fargo & Co. expires in December 2002.

An RFP for a new contract has been published and responses have been received. The RFP is currently being evaluated, but final recommendations have not been developed as of the time SBI Staff is publishing this quarterly report. Plans are to present recommendations at the June 5, 2002 Executive Council and SBI meetings. SBI Staff will forward the recommendations to Board members as soon as it is available.

ATTACHMENT A

STATE BOARD OF INVESTMENT
FISCAL YEAR 2002 ADMINISTRATIVE BUDGET REPORT
GENERAL FUND APPROPRIATION
FISCAL YEAR TO DATE THROUGH APRIL 30, 2002

ITEM	FISCAL YEAR 2002 BUDGET	FISCAL YEAR 2002 EXPENDITURES
PERSONAL SERVICES		
FULL TIME EMPLOYEES	$ 1,920,000	$ 1,531,870
SEVERENCE PAYOFF	20,000	24,501
WORKERS COMPENSATION INSURANCE	1,000	555
MISCELLANEOUS PAYROLL	1,000	5,188
SUBTOTAL	**$ 1,942,000**	**$ 1,562,114**
STATE OPERATIONS		
RENTS & LEASES	130,000	97,706
REPAIRS/ALTERATIONS/MAINTENANCE	30,000	12,264
PRINTING & BINDING	20,000	12,614
PROFESSIONAL/TECHNICAL SERVICES	10,000	0
COMPUTER SYSTEMS SERVICES	13,000	8,699
COMMUNICATIONS	30,000	19,886
TRAVEL, IN-STATE	3,000	898
TRAVEL, OUT-STATE	55,000	34,030
SUPPLIES	50,000	30,692
EQUIPMENT	10,000	2,201
EMPLOYEE DEVELOPMENT	15,000	8,217
OTHER OPERATING COSTS	42,000	30,364
SUBTOTAL	**$ 408,000**	**$ 257,571**
TOTAL GENERAL FUND	**$ 2,350,000**	**$ 1,819,685**

ATTACHMENT B

STATE BOARD OF INVESTMENT

Travel Summary by Date
SBI Travel February 16, 2002 – May 15, 2002

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Alternative Investments IX sponsored by Pensions 2000	H. Bicker	West Palm Beach, FL 2/24-2/26	$746.00
Manager Monitoring: **External Equity Manager:** Artemis Investment Mgmt.; Cohen Klingenstein & Marks; Forstmann-Leff; Geo-Capital Corp.; J.P. Morgan Fleming; New Amsterdam Partners; Oppenheimer Capital; Valenzuela Capital Partners **Manager Search:** **External Equity Managers:** Pzena Investment Mgmt.; Goldman Sachs; Systematic Financial Mgmt. **Conference:** Equity Research and Valuation Techniques sponsored by AIMR	J. Matz	New York, NY 2/24-3/4	$3,089.02
Manager Monitoring: **External Fixed Income Managers:** Dodge & Cox; Metropolitan West; Western Asset	E. Sonderegger M. Menssen	San Francisco, CA Los Angeles, CA 3/4-3/6	$2,976.70
Manager Monitoring: **Alternative Investment Managers:** Blackstone; DLJ/CSFB Merchant Banking; CT Mezzanine; Citicorp Mezzanine Partners; Goldman Sachs; Vestar; Warburg Pincus; Welsh, Carson, Anderson & Stowe **Manager Search:** **Alternative Investment Managers:** Blackstone Group; Warburg Pincus; Welsh, Carson, Anderson & Stowe	A. Christensen	New York, NY 3/12-3/14	$1,459.50

Purpose	Name(s)	Destination and Date	Total Cost
Conference: Morgan Stanley Fixed Income Conference **Other:** Arizona State Ret. System Meeting	M. Menssen	Phoenix, AZ 4/5-4/10	$701.97
Manager Monitoring: **Alternative Investment Managers:** Bank Fund; Golder Rauner Annual Meeting; LaSalle; Prudential; Thoma Cressey; William Blair	J. Griebenow	Chicago, IL 4/15-4/17	$633.50
Conference: Moody's ABC's of ABCP sponsored by Moody's	S. Kuettel	Chicago, IL 4/17-4/19	$949.32
Manager Monitoring: **External Fixed Income Managers:** BlackRock; Deutsche Asset Mgmt.; Goldman Sachs; Morgan Stanley; Financial Control Systems (Accounting); State Street Bank & Trust (Custodian)	M. Menssen E. Sonderegger	Philadelphia, PA; New York, NY; Boston, MA 4/19-4/26	$3,945.42
Manager Monitoring: **Alternative Investment Manager:** KKR	A. Christensen	Palm Springs, CA 4/28-4/30	$838.57
Manager Monitoring: **Deferred Compensation:** Great West Life	J. Heidelberg T. Brusehaver-Derby	Denver CO 5/7	$785.72
Manager Monitoring: **External Fixed Income Manager:** Lincoln Capital Mgmt. **Conference:** CMS Bond Users Conference **Consultant Visit:** Richards & Tierney **Other:** Stevens Inc. Brokerage	E. Sonderegger	Chicago, IL 5/13-5/14	$654.47

ATTACHMENT C

Bills of Interest to the Minnesota State Board of Investment
2002 Legislative Session
Includes Action Through 5/22/02

Description of Bill	HF/SF # and Author	Current Status
State Agency Budget Bill - SBI budget reduction	HF 351	Laws of 2002, Chapter 220
Tobacco Endowment Funds - Tobacco used as cash flow back-up	HF 351 article 13, section 6	Laws of 2002, Chapter 220
Transfers Assigned Risk Plan surplus	HF 351 article 13, section 9 ---------------------- See also HF 3270	Laws of 2002, Chapter 220
Reduction in Professional-Technical contracts	HF 351 article 10, sec. 36 and 37 ---------------------------- Amended in HF 3270, Article 7, sec. 10, 11	Laws of 2002, Chapter 220 ------------------------------ Laws of 2002, Chapter 374
State Treasurer's duties - Adds 18th member to IAC	HF 2963 (Rest) (Erickson) Provision dropped from budget bill HF 3270	DID NOT PASS
Stadium bill - SBI would contract with investor of sports facilities fund	HF 2214 (Mares) (Johnson, Dean)	Laws of 2002, Chapter 397
Tobacco Endowment Funds - Both Funds used as cash flow back-up	HF 3270 (Goodno) (Doug Johnson) Article 8, section 1, 3	Laws of 2002, Chapter 374
Additional Assigned Risk Transfers	HF 3270 (Goodno) (Doug Johnson) Article 8, section 2, 5	Laws of 2002, Chapter 374

Tab C

CAROL C. JOHNSON
Minnesota State Treasurer

DATE: May 28, 2002

TO: Members, State Board of Investment

FROM: Carol C. Johnson, Chair
Administrative Committee

SUBJECT: Report from the SBI Administrative Committee

The Administrative Committee met on May 23, 2002 to consider the following agenda items:

- Review of Executive Director's proposed workplan for FY03.
- Review of budget plan for FY03.
- Review of Continuing Fiduciary Education Plan.
- Review of Executive Director's Evaluation Process.

1. Review of Executive Director's proposed workplan for FY03.

Mr. Bicker presented his proposed workplan for FY03. As in previous workplans, the FY03 plan follows the same category order found in the Executive Director's position description. The plan is a compilation of on-going responsibilities as well as the new initiatives the Executive Director will undertake during the next fiscal year.

A summary of the proposed plan is shown in **Attachment A** on **page 5** of this tab. Supporting information was sent to each Board member in May 2002 as part of the FY03 Management and Budget Plan document.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY03 Executive Director's Workplan. Further, the Committee recommends that the workplan serve as the basis for the Executive Director's performance evaluation for FY03.

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E-mail: state.treasurer@state.mn.us · Web Site· http.//www.treasurer.state.mn us

2. **FY03 Administrative Budget Plan.**

The SBI's Administrative budget is funded by a legislative appropriation from the general fund. All expenditures are billed back to the various funds under the supervision of the SBI and the receipts are deposited in the general fund as non-dedicated revenue.

An overview of the budget is in **Attachment B** on **page 7** of this tab. Supporting information was sent to each Board member in May 2002 as part of the FY03 Management and Budget Plan.

RECOMMENDATION:

The Committee recommends that the SBI approve the FY03 Administrative Budget Plan and that the Executive Director has the flexibility to reallocate funds between budget categories in the event budgeting needs change during the year.

3. **Review of Continuing Fiduciary Education Plan.**

Minnesota Statutes Chapter 356A requires each public pension plan to establish a continuing education plan for its fiduciaries. The plan approved by the Committee is in **Attachment C** on **page 9** of this tab. Please note that the travel allocation policy for Board members and their designees is included in the plan.

RECOMMENDATION:

The Committee recommends that the SBI adopt the attached Continuing Fiduciary Education Plan.

4. **Review of Executive Director's Evaluation Process.**

The Committee discussed the process that will be used by the Board to evaluate the Executive Director for FY02. The Committee members agreed that the performance reviews should be completed prior to the September 2002 meeting of the SBI and should follow the process used in the past.

RECOMMENDATION:

The Committee recommends that the SBI adopt the following process for the Executive Director's FY02 performance evaluation:

- **The evaluation will be completed prior to the September 2002 meeting of the SBI and will be based on the results of the Executive Director's workplan for FY02.**

- **The SBI deputies/designees will develop an appropriate evaluation form for use by each member, which will reflect the categories in the Executive Director's position description and workplan.**

- **As the Chair of the Board, the Governor's representative (Department of Finance), will coordinate distribution and collection of the evaluation forms and will forward the completed forms to the Executive Director. Board members are encouraged to meet individually with the Executive Director to review their own evaluation.**

STATE BOARD OF INVESTMENT
Executive Director's Proposed Workplan

FY03
(Categories A, B, C, D, E correspond to the position description)

	Projected Time Frame
A. DEVELOPMENT OF INVESTMENT POLICIES	
1. Respond to required asset allocation changes due to legislative action.	Ongoing
2. Review of programs to reflect changes from Treasurer's office.	April-May
3. Asset Allocation Study for the Basic and Post Retirement Funds.	Jan-Apr
B. IMPLEMENTATION OF INVESTMENT POLICIES APPROVED BY THE SBI	
1. Meet or exceed the performance objectives.	Ongoing
2. Conduct Investment Manager Compliance Reviews.	Ongoing
3. Maintain External Investment Manager Short-lists.	Ongoing
4. Investments with New/Existing Alternative Asset Managers.	On-going
5. Review Domestic Equity Customized Benchmark Quality.	April-May
6. Increased Investment Authority for Below Investment Grade and International Bonds.	Jun-Sep
C. REVIEW AND CONTROL OF INVESTMENT POLICIES	
1. Monitor and evaluate investment Manager performance.	Semi-annual
2. Annual Review of Investment Manager Guidelines.	Nov-Dec

3.	Monitor Implementation of Northern Ireland Mandate.	Dec-Mar
4.	Provide Staff Support to Proxy Committee for Proxy Voting and Shareholder Initiatives.	Mar-May

D. ADMINISTRATIVE AND MANAGEMENT OF STAFF OPERATIONS

1.	Coordinate Financial Audit by Legislative Auditor.	Jul Dec
2.	Review of Security Custodian Services.	Apr-Jun
3.	Prepare 2003 Legislative package.	Dec-May
4.	FY04 Management and Budget Plan.	Jan-Jun
5.	RFP for Account System.	Apr-Jul
6.	Update Disaster Recovery Plan.	April

E. COMMUNICATION AND REPORTING

1.	Prepare reports on investment results.	Qtly
2.	Prepare status reports.	As requested
3.	Meet with SBI and IAC.	Qtly
4.	Meet with Board's designees.	Qtly
5.	FY 2002 Annual Report.	Jul-Dec
6.	Prepare Annual SIF Investment Options Prospectus.	Jul-Aug
7.	Coordinate Public Pension Plan Performance Reporting Disclosure.	On-going
8.	Manager Round Tables.	Periodic

Administrative Budget
FY 03 Budget Plan
Overview

The FY03 budget plan is based on the SBI's FY02-03 Biennial Budget Request:

	FY02 Request	FY03 Request	Difference
Personal Services	$2,020,000	$2,105,000	$ +85,000
Operating Expenses	457,000	430,000	-27,000
	$2,477,000	**$2,535,000**	**$ + 58,000**

Personal Services: **83% of the budget**
Salaries, retirement, insurance, FICA, severance

Personnel costs during the next biennium will not be known for certain until after the Legislature ratifies bargaining agreements with the unions representing its various employee groups. It is unclear at this time if managerial employees will receive an increase this fiscal year. If an increase is granted before the Legislative session ends, personnel costs will increase by the amount of those increases. This information should be available when the Legislature finishes the 2002 session.

Operating Expenses: **17% of the budget**
Rents, leases, printing, data processing
Professional/technical contracts
Communications, travel, employee development, misc. fees
Office equipment, furnishings, supplies

Overall, operating expenses will be approximately the same as the amount spent in FY 02.

STATE BOARD OF INVESTMENT
FISCAL YEAR 2003 BUDGET PLAN
GENERAL FUND SUMMARY

DESCRIPTION	FY 2000 ACTUAL	FY 2001 ACTUAL	FY2002 PROJECTED	FY2003 BUDGET
PERSONAL SERVICES				
FULL TIME EMPLOYEES	$ 1,704,758	$ 1,822,180	$ 1,961,165	$ 2,080,000
PART TIME EMPLOYEES	-	-	-	-
SEVERENCE PAYOFF	226	42,025	22,500	20,000
WORKERS COMPENSATION INSURANCE	854	911	1,120	1,000
MISCELLANEOUS PAYROLL	-	2,754	5,188	4,000
SUBTOTAL	$ 1,705,838	$ 1,867,870	$ 1,989,973	$ 2,105,000
STATE OPERATIONS				
RENTS & LEASES	128,647	132,636	128,745	192,000
REPAIRS/ALTERATIONS/MAINTENANCE	19,082	24,280	17,768	15,000
PRINTING & BINDING	15,544	17,868	13,333	15,000
PROFESSIONAL/TECHNICAL SERVICES	1,990	8,659	-	10,000
COMPUTER SYSTEMS SERVICES	12,523	12,918	15,000	10,000
COMMUNICATIONS	30,010	27,038	24,140	20,000
TRAVEL, IN-STATE	679	544	272	3,000
TRAVEL, OUT-STATE	51,557	58,541	52,069	65,000
SUPPLIES	54,597	69,178	44,997	40,000
EQUIPMENT	54,714	105,814	10,000	20,000
EMPLOYEE DEVELOPMENT	21,135	18,537	11,554	15,000
OTHER OPERATING COSTS	4,228	7,894	41,553	25,000
SUBTOTAL	$ 394,706	$ 483,907	$ 359,431	$ 430,000
TOTAL GENERAL FUND	$ 2,100,544	$ 2,351,777	$ 2,349,404	$ 2,535,000
PERCENT INCREASE OVER PRIOR YEAR		12.0%	-0.1%	7.9%

CONTINUING FIDUCIARY EDUCATION PLAN

REQUIRED BY MS 356A.13

The State Board of Investment (SBI) undertakes the following activities related to fiduciary education. Taken as a group, these activities shall constitute the plan for continuing fiduciary education required by Minnesota Statutes 356A.13 (copy attached). In addition, pursuant to statutory requirements of qualification, the SBI executive director and many members of the Board's Investment Advisory Council (IAC) can be reasonably considered to be experts with respect to their duties as fiduciaries.

1. Briefing for New Board/IAC Members

Shortly after election to the Board or appointment to the IAC, each new member is briefed on SBI operations and policies. As part of the briefing, SBI's legal counsel will review the member's fiduciary obligations and responsibilities as specified in Minnesota Statutes Chapters 11A and 356A.

2. Development and Review of Investment Policies

The SBI adopts comprehensive investment policies for each fund under its control. The policies cover investment objectives, asset allocation, management structure and performance evaluation. Policy papers or reports on these topics are developed and written by SBI staff in conjunction with the IAC and consultants. Relevant research and analyses from the academic and professional investment fields are used to formulate these policy guidelines.

After they are formally adopted by the Board, these written policies guide the management of all assets under the SBI's control. The SBI intends to review its stated investment policies periodically. This review may occur within the framework of the SBI's regular quarterly meetings or may take place at special meetings or seminars specifically designated for this purpose.

3. Input from Board's Consultants

The SBI retains outside investment consultants to advise the Board members on a wide variety of investment management issues. As part of their contracts with the SBI, the consultants offer to meet with the Board members or their designees to discuss investment-related issues. These individual consultations occur throughout the year. In addition, the general consultant is available at each meeting of the Board and IAC. These meetings are supplemented by quarterly reports on investment performance prepared by the general consultant.

4. Manager "Round Tables"

The SBI intends to convene small groups of its external money managers to discuss issues related to investment management and the financial markets. These "round table" discussions will be held periodically throughout the year and will be open to Board members and their designees, IAC members and other interested parties. It is anticipated that 1-2 round tables will be held each year.

5. Travel Allocation

The SBI allocates $2,500 annually to each Board member (or their designee) for costs associated with attendance at investment-related seminars and conferences. This allocation is used at the discretion of each Board member.

Date: May, 2002

1996 Minnesota Statutes

356A.13. CONTINUING FIDUCIARY EDUCATION.

Subdivision 1. **Obligation of fiduciaries**. A fiduciary of a covered pension plan shall make reasonable effort to obtain knowledge and skills sufficient to enable the fiduciary to perform fiduciary activities adequately. At a minimum, a fiduciary of a covered pension plan shall comply with the program established in accordance with subdivision 2.

Subd. 2. **Continuing fiduciary education program**. The governing boards covered pension plans shall each develop and periodically revise a program for the continuing education of any of their board members and any of their chief administrative officers who are not reasonably considered to be experts with respect to their activities as fiduciaries. The program must be designed to provide those persons with knowledge and skills sufficient to enable them to perform their fiduciary activities adequately.

Tab D

COMMITTEE REPORT

DATE: May 28, 2002

TO: Members, State Board Investment
Members, Investment Advisory Council

FROM: Stock and Bond Manager Committee

The Stock and Bond Manager Committee met on Wednesday, May 15, 2002 to consider the following agenda items:

- Review the manager performance for the period ending March 31, 2002.
- Review the domestic equity benchmark quality analysis.
- Update on the fixed income short list.
- Update on the international equity EAFE short list.
- Increased high yield and non-dollar debt authority for American Express Asset Management and Western Asset Management.
- Recommendation to terminate Montgomery Asset Management.
- Recommendation to approve changes to the MN State Deferred Compensation Plan Fixed Fund.

Action is required by the SBI / IAC on the last three items.

INFORMATION ITEMS:

1. **Review of manager performance for the period ending March 31, 2002.**

- ***Domestic Equity Managers***

For the period ending March 31, 2002, the **Domestic Equity Manager Program** under-performed the Wilshire 5000 Investable during the quarter and the year, and matched the index over the three and five-year time periods. The **current managers** under-performed the Aggregate Benchmark during the quarter, one and three-year time periods, but out-performed during the five-year period.

Time period	Total Program	Wilshire 5000 Investable
Quarter	0.4%	0.8%
1 Year	1.8	2.0
3 Years	-2.2	-2.2
5 Years	9.3	9.3

Current Mgrs. Only	Aggregate Benchmark
0.4%	0.9%
1.8	3.8
-1.9	-1.4
10.7	9.9

The performance evaluation reports for the domestic equity managers start on the **blue page A-1** of this Tab.

- *Fixed Income Managers*

For the period ending March 31, 2002, the **Fixed Income Manager Program** and the **current managers** out-performed the Lehman Aggregate and Aggregate Benchmark, respectively, over all time periods.

Time period	Total Program	Lehman Aggregate
Quarter	0.2%	0.1%
1 Year	6.1	5.3
3 Years	6.8	6.5
5 Years	7.9	7.6

Current Mgrs. Only	Aggregate Benchmark
0.2%	0.1%
6.1	5.3
6.9	6.5
7.9	7.6

The performance evaluation reports for the fixed income managers start on the **blue page A-33** of this Tab.

- *International Equity Managers*

For the period ending March 31, 2002, the **International Equity Program** and the **equity managers** (excluding the currency overlay) outperformed the composite index over all time periods.

Time Period	Total* Program	Composite Index**
Quarter	2.8	1.5
1 Year	-4.6	-6.9
3 Year	-2.9	-4.5
5 Year	1.4	0.4

Equity*** Mgrs. Only
2.8
-4.6
-2.9
1.2

* Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.

** The international benchmark is EAFE-Free plus Emerging Markets Free. The weighting of each index fluctuates with market capitalization. From 12/31/96 to 6/30/99, the benchmark was fixed at 87% EAFE-Free/13% Emerging Markets Free. On 5/1/96, the portfolio began transitioning from 100% EAFE-Free to the 12/31/96 fixed weights. Prior to 5/1/96, the benchmark was 100% EAFE-Free.

*** Includes impact of terminated managers, but excludes impact of currency overlay.

The performance evaluation reports for the international equity managers start on the **blue page A-47** of this Tab.

2. **Review of the domestic equity benchmark quality analysis.**

In accordance with the SBI's Manager Continuation Policy, staff reviews all custom benchmarks for active domestic stock managers on an annual basis. The purpose of the analysis is to determine whether a benchmark adequately reflects the manager's unique investment style and therefore can be used as a valid performance measurement standard for the manager.

This year's evaluation indicates that the custom benchmarks for the active domestic stock managers are generally satisfactory and continue to show characteristics of benchmarks that reflect the investment style of each manager.

The benchmarks of Artemis and Earnest Partners merit further attention. These Emerging Managers were hired in July 2000, and this first benchmark review has highlighted several issues. Staff reviewed these concerns with the managers and believes their benchmark construction processes are reasonable. However, staff is working with the managers to determine if a more representative weighting scheme for their benchmark names can be devised.

Staff continues to monitor, evaluate, and discuss all of the benchmarks and their construction processes with the Managers during portfolio review meetings. A summary of the benchmark quality evaluation and a description of the benchmark quality measures are included beginning on **page 7** of this tab.

3. **Update of the fixed income short list.**

The SBI has established a Manager Monitoring Program to identify a short list of potential candidates intended to serve as the starting point for any manager search deemed necessary in the future. These firms are monitored on an ongoing basis to ensure that the SBI is familiar with the best investment managers in the industry. Up to ten firms may be identified for each asset class. The firms currently identified for the fixed income manager short list are shown below:

Potential Active Fixed Income Managers

Advantus Capital Management
Banc One Investment Advisors
Pacific Investment Management Company (PIMCO)
Reams Asset Management

Potential Semi-Passive Fixed Income Managers

Barclays Global Investors (BGI)
Galliard Capital Management
T. Rowe Price Associates
Wellington Management

Summary level information on these firms begins on **page 17**, and detailed manager reports begin on **page 19**.

4. **Update of the international equity EAFE short list.**

The SBI has established a Manager Monitoring Program to identify a short list of potential candidates intended to serve as the starting point for any manager search deemed necessary in the future. These firms are monitored on an ongoing basis to ensure that the SBI is familiar with the best investment managers in the industry. Approximately ten firms may be identified for each asset class. The firms currently identified for the developed markets (EAFE) manager short list are shown below:

Potential Developed Markets Equity Managers

Core EAFE

Bank of Ireland
GE Asset Management
JP Morgan Fleming

Growth EAFE

Artisan Partners
Clay Finlay, Inc.
Fidelity Management Trust Co.
Marvin & Palmer

Value EAFE

Delaware Investment Advisors
Grantham, Mayo, van Otterloo

Enhanced EAFE

Barclays Global Investors (BGI)
Goldman Sachs

Summary level information on these firms begins on **page 43**, and detailed manager reports begin on **page 45.**

5. **Increased high yield and non-dollar debt authority for American Express Asset Management and Western Asset Management.**

Last quarter, the Board adopted a position paper permitting increased exposure to the below investment grade and non-dollar fixed income sectors through the expansion of the current tactical approach. As a result, individual fixed income managers may be granted expanded authority in these sectors following a review of the manager's experience and expertise in each area.

At the Committee meeting, two managers in the Fixed Income Program presented their capabilities in the high yield and non-dollar sectors:

- **American Express Asset Management**
- **Western Asset Management**

Each manager currently has authority to invest in below investment grade bonds up to 10% of the portfolio's value; but neither currently has the authority to invest in non-dollar bonds in the SBI portfolio.

The Committee approved the Staff recommendation that each manager be given full authority to invest up to 15% of their portfolio in both the below investment grade and non-dollar bond sectors subject to a combined 20% maximum exposure.

ACTION ITEMS:

6. Recommendation to terminate Montgomery Asset Management.

Staff is recommending the termination of Montgomery Asset Management from the International Equity Program. Montgomery Asset Management manages both a developed and emerging markets portfolio. Staff is recommending termination of both portfolios.

This decision is prompted primarily by the need to raise $400M in cash due to rebalancing requirements and cash needs of the Basic and Post Retirement Funds. In addition, within the International Equity Program, the SBI's total investments in the emerging markets exceeds their market cap weight within the asset class target by 2 percentage points. The overweight is a result of recent changes by MSCI to float weight their benchmarks, which reduced the market cap weight of emerging markets within the asset class target. Staff recommends rebalancing at this time, to correct the overweight to emerging markets caused by changes to the MSCI benchmarks.

Staff has concerns about Montgomery's organization, which have been expressed at the last two Committee meetings. In October of 2001, Montgomery terminated seven of twenty analysts on the EAFE team and one of six analysts on the emerging markets team in an effort to streamline processes and reduce cost structure given the level of assets under management in the products. Asset levels had declined significantly due to asset value depreciation and account loss. This was part of an overall reduction in staff throughout the organization. Subsequently, two more analysts left the EAFE team. Eleven analysts remain on the EAFE product and five remain on the emerging markets product.

As of March 31, 2002, there were $1.2 billion and $0.8 billion in total assets under management in Montgomery's Developed Markets and Emerging Markets products respectively. The SBI's portfolios are 20% and 16% percent of Montgomery's assets under management in each product respectively.

RECOMMENDATION:

The Committee recommends that the SBI terminate its relationship with Montgomery Asset Management for investment management services in both the developed and emerging markets portfolios of the International Equity Program.

7. **Recommendation to approve modifications to the MN State Deferred Compensation Plan Fixed Fund.**

Staff has reviewed the structure of the fixed rate option in the 457 State Deferred Compensation Plan, including how new cashflows into the option are bid and awarded to the three insurance companies currently retained by the SBI. The objective of the bid process is to provide competitive rates on a consistent basis. Recent bid rate discrepancies have illustrated two flaws in the current program. The current bid allocation formulas distribute a minimum of 20% of the new cashflows to a bidder, regardless of the rate spread between the three insurance companies, which can have an adverse short-term effect on the total fund. The second issue is that a company's quarterly bid rate applies to both cashflows for the quarter and post-July 1, 1999 assets invested by the insurance company for the Fund.

To encourage a more competitive bidding process, additional bid allocation scenarios are recommended to include the risk of receiving no cashflow due to a low bid and the potential of receiving a high portion of cashflow due to a high bid. Staff also recommends the adoption of a bid structure such that a company's bid rate, applied to the cashflows awarded to the insurance company during the quarter, is fixed for a five-year period. Assuming competitive bids, each quarter could see up to three new five-year rate pieces (GIC like investments) added to the Fund for incorporation into the weighted average rate that is credited to each participant. The five-year period creates longer fixed commitments for the insurance company and reduces the impact of short-term considerations on the portfolio. Further, as a result of these changes, the rates to be applied to the assets invested in the Fund from July 1, 1999 to the present and the amount of these assets to be rolled into cashflows in future quarterly bids would have to be established.

The Committee concurred with Staff's recommendation to make these improvements to the fixed rate option, and to negotiate these modifications with each of the three insurance companies currently under contract.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with the assistance from SBI's legal counsel, to negotiate and execute the modifications to the Fixed Fund.

The Committee also recommends that the SBI authorize the Executive Director, with the assistance from SBI's legal counsel, to negotiate and execute five year extensions with the following firms, subject to inclusion of a provision which provides for immediate termination:

Great-West Life & Annuity Insurance Co.
Minnesota Life Insurance Co.
Principal Life Insurance Co.

MINNESOTA STATE BOARD OF INVESTMENT

60 Empire Drive
Suite 355
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
E-mail:
minn.sbi@state.mn.us
www.sbi.state.mn.us

DATE: May 8, 2002

TO: Members, Stock and Bond Manager Committee

FROM: Lois Buermann LB
Jason Matz JM

SUBJECT: Annual Custom Benchmark Evaluation

The SBI's Manager Continuation Policy requires staff to review all custom benchmarks for active domestic stock managers on an annual basis. The purpose of the analysis is to determine whether a benchmark adequately reflects the manager's unique investment style and therefore can be used as a valid performance measurement standard for the manager.

Attached is a summary of the benchmark evaluation showing the key characteristics of the benchmarks through December 2001, and staff's assessment of each manager's benchmark. A glossary of terms is included for your reference.

The custom benchmarks for the active domestic stock managers are generally satisfactory and continue to show characteristics of benchmarks that reflect the investment style of each manager.

The benchmarks of Artemis and Earnest Partners merit further attention. These Emerging Managers were hired in July 2000, and this first benchmark review has highlighted several issues. Staff reviewed these concerns with the managers and believes their benchmark construction processes are reasonable. However, staff is working with the managers to determine if a more representative weighting scheme for their benchmark names can be devised. Staff continues to monitor, evaluate, and discuss all of the benchmarks and their construction processes with the Managers during portfolio review meetings.

GLOSSARY

Benchmark coverage measures the percentage of securities held in the actual portfolio which also are contained in the benchmark portfolio. If a benchmark truly captures the securities on which the manager has an investment opinion, it will have a high coverage ratio. Coverage ratios vary according to the level of discipline exhibited in a manager's definition and implementation of the investment process. A valid benchmark should produce a coverage ratio of 80% or greater.

An **active position** is the difference between the actual portfolio weight of a security less the corresponding benchmark weight of the same security. A good benchmark will generate positive active positions with very rare exceptions. The weighting of each holding in the active portfolio should exceed the corresponding weights assigned to the same securities in the benchmark because if a manager finds a particular stock attractive, he will hold more than the benchmark position. Conversely, if a manager feels a security is unattractive, he will not hold the security at all.

Benchmark turnover measures the proportion of the benchmark's market value allocated to purchases and reinvestment of income during a periodic rebalancing. A valid and investable benchmark should experience reasonable levels of turnover. Semi-annual turnover in the 20 to 30% range is consistent with a passive investment in the benchmark.

Active Risk analysis is a useful measure in determining explanatory power of a customized benchmark. It is the variability (standard deviation) of the manager's active return (active portfolio return less benchmark return). Since a customized benchmark is constructed to capture a manager's investment style, a good benchmark should produce lower active risk than using a market index as the benchmark. This indicates that the benchmark more effectively screens out random noise associated with factors unrelated to a manager's investment style. To indicate the amount of return the manager generates relative to the risk they take, an information ratio (IR) can be calculated. An IR is calculated by dividing the Value of Active Management (VAM or active return) by the active risk. Holding everything else constant, the lower active risk resulting from a valid benchmark will produce a higher information ratio (IR) than a market index. In general, the higher the information ratio the shorter the time frame needed to determine whether the manager can or cannot add value at a statistically significant level.

Correlation analysis: The explanatory power of a manager's benchmark can also be evaluated by looking at the correlation between three residual return series: the manager's actual returns versus those of the market, the benchmark returns versus those of the market, and the actual portfolio returns versus those of the benchmark.

A good benchmark should exhibit significantly positive correlation between portfolio vs. market and benchmark vs. market, because when the manager's benchmark, or investment style, performs well relative to the market, the actual portfolio should also do well relative to the market. A good benchmark will have a correlation between portfolio vs. market and benchmark vs. market greater than 0.50.

If a manager's investment style is accurately reflected in the benchmark, the manager's ability to add value relative to the benchmark should not be affected by the performance of its investment style relative to the market. Therefore, the correlation between benchmark vs. market and portfolio vs. benchmark should be essentially zero over time.

BENCHMARK QUALITY EVALUATION

For Period Ending
December 2001

	General Guidelines	Alliance Capital	Brinson Partners	Cohen, Klingenstein & Marks	Forstmann-Leff	Franklin Portfolio
Benchmark Provider	NA	Manager	R&T	Mngr 5/94-6/98 R&T 7/98-10/00 Mngr 11/00-12/01	R&T	Manager
Benchmark Evaluation Period		1/86 - 12/01	8/93 - 12/01	5/94 - 12/01	1/86 - 12/01	5/89 - 12/01
Benchmark Coverage (Recent)	≥ 85%	75%	97%	97%	81%	100%
Positive Active Positions (Recent)	Near 100%	95%	100%	100%	99%	100%
Turnover (Recent semi-annual)	< 25%	35%	8%	25%	18%	5%
Active Risk						
Annualized Std. Dev. of VAM - Portfolio vs. S&P500	Larger #	6.29	8.61	8.03	10.00	6.50
- Portfolio vs. Bnmk	Smaller #	4.84	8.81	8.52	8.79	4.67
Risk Reduction	% Change	23%	-2%	-6%	12%	28%
Correlation Analysis						
Portfolio vs S&P500 correlation to Bnmk vs S&P500	> 0.500	0.642	0.210	0.382	0.502	0.700
Portfolio vs Bnmk correlation to Bnmk vs S&P500	-0.2 to 0.2	-0.101	-0.292	-0.493	-0.177	0.099
Relative Style Coordinate Analysis (Portfolio located closer to bnmk than S&P500?)	Yes	Yes	Yes	Yes	Yes	Yes
Risk Characteristics (B/P, E/P, Growth, Etc.) (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes	Yes
Economic Sector Weights (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes	Yes

BENCHMARK QUALITY EVALUATION

For Period Ending
December 2001

	General Guidelines	GeoCapital Corporation	Lincoln Capital	Oppenheimer Capital	New Amsterdam Partners
Benchmark Provider	NA	Barra 5/90-6/91 R&T 7/91-12/01	R&T	Barra 8/93-6/00 R&T 7/00-12/01	R&T
Benchmark Evaluation Period		5/90 - 12/01	8/93 - 12/01	8/93 - 12/01	5/94 - 12/01
Benchmark Coverage (Recent)	≥ 85%	85%	95%	95%	100%
Positive Active Positions (Recent)	Near 100%	99%	100%	100%	100%
Turnover (Recent semi-annual)	< 25%	24%	13%	21%	30%
Active Risk					
Annualized Std. Dev. of VAM - Portfolio vs. S&P500	Larger #	17.41	9.43	7.26	7.17
- Portfolio vs Bnmk	Smaller #	9.90	4.47	6.98	6.20
Risk Reduction	% Change	43%	53%	4%	14%
Correlation Analysis					
Portfolio vs S&P500 correlation to Bnmk vs S&P500	> 0.500	0.831	0.882	0.350	0.622
Portfolio vs Bnmk correlation to Bnmk vs S&P500	-0.2 to 0.2	-0.204	0.107	-0.225	-0.043
Relative Style Coordinate Analysis (Portfolio located closer to bnmk than S&P500?)	Yes	Yes	Yes	Yes	Yes
Risk Characteristics (B/P, E/P, Growth, Etc.) (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes
Economic Sector Weights (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes

BENCHMARK QUALITY EVALUATION

For Period Ending
December 2001

	General Guidelines	Valenzuela Capital	Zevenbergen Capital	Artemis Partners	Bay Isle Financial
Benchmark Provider	NA	R&T	Manager	FR2 8/00-9/00 Mngr 10/00-12/01	FR1V 8/00-9/00 R&T 10/00-12/01
Benchmark Evaluation Period		5/94 - 12/01	5/94 - 12/01	10/00-12/01	10/00-12/01
Benchmark Coverage (Recent)	$\geq$ 85%	93%	97%	85%	83%
Positive Active Positions (Recent)	Near 100%	100%	96%	100%	100%
Turnover (Recent semi-annual)	< 25%	30%	60%	20%	20%
Active Risk					
Annualized Std. Dev. of VAM - Portfolio vs. S&P500	Larger #	9.80	18.89	14.95	7.69
- Portfolio vs. Bnmk	Smaller #	6.91	12.00	10.41	6.42
Risk Reduction	% Change	29%	36%	30%	17%
Correlation Analysis					
Portfolio vs S&P500 correlation to Bnmk vs S&P500	> 0.500	0.728	0.774	0.804	0.563
Portfolio vs Bnmk correlation to Bnmk vs S&P500	-0.2 to 0.2	-0.230	0.080	-0.518	-0.138
Relative Style Coordinate Analysis (Portfolio located closer to bnmk than S&P500?)	Yes	Yes	Yes	Yes	Yes
Risk Characteristics (B/P, E/P, Growth, Etc.) (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes
Economic Sector Weights (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes

BENCHMARK QUALITY EVALUATION

For Period Ending
December 2001

	General Guidelines	Earnest Partners	Holt-Smith & Yates	Next Century Growth	Peregrine Capital
Benchmark Provider	NA	FR1V 8/00-9/00 Mngr 10/00-12/01	S&P500 8/00-9/00 Mngr 10/00-12/01	FR25G 8/00-9/00 Mngr 10/00-12/01	FR2V 8/00-9/00 Mngr 10/00-12/01
Benchmark Evaluation Period		10/00-12/01	10/00-12/01	10/00-12/01	10/00-12/01
Benchmark Coverage (Recent)	≥ 85%	98%	90%	94%	87%
Positive Active Positions (Recent)	Near 100%	100%	100%	100%	100%
Turnover (Recent semi-annual)	< 25%	25%	21%	4%	11%
Active Risk					
Annualized Std. Dev of VAM - Portfolio vs. S&P500	Larger #	9.29	8.15	31.24	17.43
- Portfolio vs. Bnmk	Smaller #	12.94	9.75	14.01	6.09
Risk Reduction	% Change	-39%	-20%	55%	65%
Correlation Analysis					
Portfolio vs S&P500 correlation to Bnmk vs S&P500	> 0.500	-0.156	0.303	0.917	0.950
Portfolio vs Bnmk correlation to Bnmk vs S&P500	-0.2 to 0.2	-0.705	-0.604	0.453	0.444
Relative Style Coordinate Analysis (Portfolio located closer to bnmk than S&P500?)	Yes	No	Yes	Yes	Yes
Risk Characteristics (B/P, E/P, Growth, Etc.) (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes
Economic Sector Weights (Portfolio similar to bnmk over time?)	Yes	Yes	Yes	Yes	Yes

BENCHMARK QUALITY EVALUATION

For Period Ending
December 2001

	General Guidelines	Voyageur- Chicago Equity	Winslow Capital- Small Cap
Benchmark Provider	NA	FR1G 8/00-9/00 Mngr 10/00-12/01	FR2G 7/00-9/00 R&T 10/00-12/01
Benchmark Evaluation Period		10/00-12/01	10/00-12/01
Benchmark Coverage (Recent)	$\geq$ 85%	92%	97%
Positive Active Positions (Recent)	Near 100%	100%	19%
Turnover (Recent semi-annual)	< 25%	22%	100%
Active Risk			
Annualized Std. Dev. of VAM - Portfolio vs. S&P500	Larger #	8.04	26.65
- Portfolio vs. Bnmk	Smaller #	6.46	12.28
Risk Reduction	% Change	20%	54%
Correlation Analysis			
Portfolio vs S&P500 correlation to Bnmk vs S&P500	> 0.500	0.647	0.895
Portfolio vs Bnmk correlation to Bnmk vs S&P500	-0.2 to 0.2	-0.317	0.250
Relative Style Coordinate Analysis (Portfolio located closer to bnmk than S&P500?)	Yes	Yes	Yes
Risk Characteristics (B/P, E/P, Growth, Etc.) (Portfolio similar to bnmk over time?)	Yes	Yes	Yes
Economic Sector Weights (Portfolio similar to bnmk over time?)	Yes	Yes	Yes

POTENTIAL MANAGER SUMMARY
ACTIVE CORE AND SEMI-PASSIVE FIXED INCOME
AS OF DECEMBER 2001

ACTIVE CORE MANAGERS									
Advantus	16,302	Full Duration Fixed Income	1,146	235	12	+/-10%	Duration/YC 20% Security 60% Sector 20%	60-90	40-60 b.p
Banc One	142,500	Core Bond Style	6,726	901	63	+/-10%	Duration/YC 20% Security 50% Sector 25% Execution 5%	75-150	80-100 b.p
PIMCO	241,289	Total Return Full Authority	135,942	1,841	350	+/-30%	Duration 25% Yield Curve 25% Sector 30% Security 20%	50-75	75-150 b p
Reams	12,683	Core Fixed Income	2,959	737	28	+/-20%	Duration 30% Security 60% Sector 10%	90-140	75-100 b p
SEMI-PASSIVE CORE MANAGERS									
BGI	768,730	CoreActive Bond	931	564	5	+/-5%	Duration/YC 10% Sector 60% Security 30%	150-200	50-75 b.p
Galliard	10,381	Controlled Income	3,057	234	21	+/-10%	Duration 20% Sector 40% Security 40%	150-200	50 b p
T. Rowe Price	156,000	Enhanced Aggregate	669	205	8	+/-5%	Duration/YC 20% Security 60% Sector 20%	150-200	50 b.p.
Wellington	311,372	Core Bond High Quality	17,918	1,427	91	+/-20%	Duration 40% Sector 40% Security 20%	100-125	25-50 b p.

SUMMARY OF MANAGER PERFORMANCE
ANNUALIZED RETURNS FOR PERIODS ENDING DECEMBER 31, 2001

[redacted]

ACTIVE CORE MANAGERS

ADVANTUS CAPITAL MANAGEMENT	8.67	10 66	6.66	7.36	7.98	8.76	7.53	8 32	0.93	Jan-91
LEHMAN AGGREGATE	8.44	10.02	6.28	6.88	7.43	8.38	7 23	8.00		
Assets: 1,146	0.20	0.58	0.35	0 45	0 51	0 35	0 27	0.29		
BANC ONE INVESTMENT ADVISORS	9.12	10.88	7.17	7.60	8.22	9.99	8.28	9 41	1 00	Jan-88
LEHMAN AGGREGATE	8.44	10 02	6.28	6.88	7.43	8.38	7.23	8.52		
Assets: 6,726	0.63	0 78	0.84	0.67	0.73	1 49	0 98	0.82		
PIMCO	9.43	10.79	6.91	7.66	8.28	9.72	8.66	10 58	1.11	Jan-76*
LEHMAN AGGREGATE	8.43	10.02	6.27	6.87	7.43	8.38	7.23	9 30		
Assets: 135,942	0.91	0 70	0.59	0.74	0.80	1 23	1 33	1 44		
REAMS ASSET MANAGEMENT	8.38	10.92	7.24	7.69	8 08	9 07		7 79	0 93	Aug-92
LEHMAN AGGREGATE	8.44	10.02	6.28	6.88	7 43	8.38		7 11		
Assets. 2,959	-0.06	0.82	0.90	0.76	0.60	0.64		0.63		

SEMI-PASSIVE CORE MANAGERS

BARCLAYS GLOBAL INVESTORS	9 27	10.68						10.68	N/A	Jan-00
LEHMAN AGGREGATE	8 44	10.02						10.02		
Assets: 931	0 76	0.59						0.59		
GALLIARD CAPITAL MANAGEMENT	8.48	10 47	6.82	7.24	7 74			7 59	0 70	Oct-95
LEHMAN AGGREGATE	8.44	10 03	6.28	6.87	7 43			7.22		
Assets 3,057	0 03	0.41	0 51	0.34	0.29			0 35		
T. ROWE PRICE	8 86	10.31	6 44	6 90	7 51	8 50	7.40	8 39	0 27	Jul-90
LEHMAN AGGREGATE	8 44	10 02	6.28	6 88	7 43	8 38	7 23	8 18		
Assets 669	0.38	0.26	0.15	0.02	0 08	0.11	0 16	0 19		
WELLINGTON MANAGEMENT	8.76	10.26	6 50	7.18	7.75	8 79	7 63	8 49	0 64	Jan-87
LEHMAN AGGREGATE	8.44	10.02	6.28	6.88	7.43	8 38	7 23	8 12		
Assets: 17,918	0.29	0.21	0 20	0.28	0.30	0 38	0.37	0 34		

* Since inception of Lehman Aggregate Index. PIMCO's complete return history dates back to December 1973

FIXED INCOME MANAGER FACT SHEET

Manager: **Advantus Capital Management**

Product Name: **Full Duration Fixed Income**

Investment Style: **Active core, bottom-up issue selection, top-down**

Investment Philosophy:

Advantus identifies three themes as central to their investment philosophy. First, a bottom-up approach is the best way to create alpha in actively managed fixed income portfolios. Second, interest rate forecasting is a flawed strategy. Third, asset base size must be carefully managed to assure that value-oriented strategies can be implemented consistently across all portfolios.

Investment Process:

Advantus manages portfolios with an emphasis on relative value for both sectors and individual securities. Portfolio managers and analysts spend most of their time working both independently and as a team conducting bottom-up research, market analysis and developing a relative value view. On a weekly basis, the portfolio management team establishes a formal sector outlook in concert with the corporate and structured product research teams. The best ideas within sectors are actively discussed on an ongoing basis and portfolio managers constantly compare prospective trades with those already in the portfolio to determine optimal holdings. Advantus places an emphasis on an established sell discipline

On a monthly basis, the Investment Policy Committee (IPC) meets to discuss top-down, macro factors influencing the financial markets, including economic and business cycles, inflation outlook, fiscal and monetary policy, and broad relative value themes. The committee formally sets portfolio duration targets, and reviews the portfolio team's sector call for consistency with the macro view(s).

<u>Duration/Yield Curve</u>

Duration is generally viewed as a strategic variable that has a limited role to play in the active management of fixed income portfolios. When duration is used actively, it is guided by the macro, top-down view established on a monthly basis by the Investment Policy Committee and generally provides only a backdrop for the team's core emphasis on sector and security selection. Advantus typically constrains the duration call to within +/-10% of the benchmark duration.

<u>Sector Allocation</u>

Advantus' collaborative, bottom-up research-focused culture is most evident in the team's approach to the sector decision and to individual security selection. Portfolio managers and analysts interact constantly throughout the day regarding trade ideas, relative value opportunities and the best way to express views in a particular sector of the market. Each of the portfolio managers has a research background in his/her area of expertise, and is well equipped to quickly synthesize information about valuation. structure, optionality, liquidity and other issues across specific opportunities within the sector to arrive at a relative value view.

The weekly meeting with portfolio management and research analysts provides an important forum for cross-sector discussions about relative value. Sector-specialist PMs and research analysts share market insights and arrive at a sector allocation decision that represents the team's view on the best risk-adjusted returns available in the bond market.

Security Selection

With security selection as well, collaboration and fundamental research are the key drivers. The sector-specialist portfolio managers act both as a sounding board for new ideas from research analysts and as the initiators of research effort resulting from market relative value observations. Within the Structured Finance team, many analysts and portfolio managers have significant experience with commercial real estate lending, which they believe offers them a distinct advantage in terms of valuing structured cash flows. On the Corporate team, a number of analysts and portfolio managers have experience with direct lending and can leverage that experience in developing credit opinions of public issuers.

Ownership:

Advantus is a wholly owned subsidiary of Securian Financial Group, which in turn is ultimately owned by Minnesota Mutual Companies, Inc. Securian Financial Group is also the parent company of Minnesota Life Insurance Company.

Advantus' investment professionals participate in a long-term phantom equity program with a rolling four-year vesting horizon.

Key Information as of December 31, 2001:

Number of Portfolio Managers:	4
Number of Analysts:	11
Firm Founded:	1880
Product Inception:	1991
Total Firm Assets:	$16,302 million
Active Core Assets:	$1,146 million
Active Core Accounts:	12
Largest Active Core Account:	$235 million (Insurance Series Fund)

FIXED INCOME MANAGER FACT SHEET

Manager: **Banc One Investment Advisors**

Product Name: **Core Bond Style**

Investment Style: **Active core, value driven bottom-up issue selection, top-down duration management**

Investment Philosophy:

Banc One Investment Advisors (BOIA) uses a value-oriented approach to fixed income investment. The key theme of this approach is an emphasis on identifying securities that are priced inefficiently and therefore offer a superior risk-reward relationship through a bottom-up, value-oriented methodology. The BOIA approach is also characterized by an emphasis on the higher quality end of the spread sector markets, particularly mortgage-backed securities, asset-backed securities and high quality corporates. Typically, more than 85% of portfolio holdings are Treasuries/Agencies or are rated AAA.

To supplement the firm's bottom-up issue selection approach, BOIA uses an extensive risk management framework to measure and manage risk. The process measures key portfolio risks relative to the benchmark and defines allocation ranges for each risk variable for a given confidence interval. In addition, stress testing and scenario analyses are performed to ensure that exposures are managed across a range of possible outcomes.

Investment Process:

BOIA's process is dominated by the security selection decision. Portfolio managers are generalists across sectors, but maintain specific sector responsibilities as part of a sector team. Analysts within the sector teams focus on bottom-up fundamental research that forms the basis of the relative value call. Portfolio managers have account responsibilities and are responsible for executing the team's sector and issue-level calls within portfolios. PMs also utilize BOIA's risk exposure framework to ensure that their portfolios have the desired risk exposures.

<u>Duration/Yield Curve</u>

BOIA manages duration to control interest rate risk in fixed income portfolios and uses it sparingly as an active management tool. The duration decision is based on the interest rate forecast, which uses many factors including the outlook for inflation, the monetary aggregates, anticipated Federal Reserve policy and the overall economic environment. Duration is adjusted periodically, typically in small increments, to enhance returns when the market is undervalued and to protect portfolio value when the market is overvalued. Duration is generally managed within +/- 10% of the Lehman Brothers Aggregate Bond Index.

In concert with the economic analysis conducted with respect to the duration decision, broad interest rate trends and supply and demand relationships that are anticipated to influence the shape of the yield curve are also identified. The yield curve management process includes the evaluation of the risk/reward posture of each maturity along the yield curve. For a given duration target, the yield curve strategy seeks to find the optimal yield curve exposure.

Sector Allocation

Although the fixed income investment process is driven largely by a bottom-up approach emphasizing security selection, close attention is paid to sector and sub-sector valuations and the weightings of sectors and sub-sectors in all portfolios. Sectors are analyzed and their value is based on an assessment of economic and industry factors as well as supply and demand conditions. Any over- or under-weighting is measured with respect to the benchmark Historical spread analysis is conducted to identify sectors, which are over or undervalued and to establish the risk/return tradeoff between sectors. Sectors will be emphasized when the sector dynamics are attractive and undervalued securities within the sector can be readily identified.
In general, BOIA tends to have a bias towards mortgage-backed securities (MBS) and away from Corporates. Within MBS, BOIA emphasizes structured instruments and also uses principal-only Strips (POs) to manage prepayment/extension risk. Sector allocations generally fall within the following ranges:

Treasury	15-35%
Corporate/Asset-Backed	15-40%
Mortgage-Backed/Agency	40-60%

Security Selection

The universe of securities considered for fixed income portfolios is generally guided by the benchmark used. However, BOIA's focus on identifying undervalued securities occasionally leads to limited out-of-index strategies. BOIA's approach to security selection combines extensive fundamental research performed by the research teams in each sector and an emphasis on total return modeling and horizon analysis that uncovers undervalued securities.

BOIA's process generally tends to emphasize higher quality sectors and issues. In particular, BOIA has consistently maintained a bias towards MBS, a market that it believes to be mis-priced on a consistent basis. BOIA's credit analysts tend to focus on the top 200 issuers in the index, which together represent 80% of the index. Analysts perform extensive fundamental research and market surveillance and communicate views to the broader team.

Ownership:

Banc One Investment Advisors is a direct subsidiary of Bank One, N.A., and an indirect, wholly owned subsidiary of Bank One Corporation. Bank One Corporation is a super-regional banking institution that offers a full range of consumer and commercial banking-related financial services. The firm is publicly held and listed on the New York Stock Exchange (Ticker: ONE).

Key Information as of December 31, 2001:

Number of Portfolio Managers:	7
Number of Analysts:	5
Firm Founded:	1992
Product Inception:	1988
Total Firm Assets:	$142.5 billion
Active Core Assets:	$6,726 million
Active Core Accounts:	63
Largest Active Core Account:	$901 million (Pension fund)

FIXED INCOME MANAGER FACT SHEET

Manager: **Pacific Investment Management Company (PIMCO)**

Product Name: **Total Return Full Authority**

Investment Style: **Core plus, top-down and bottom-up, sector rotation, team-oriented**

Investment Philosophy:

PIMCO's fixed income philosophy embodies three key principles. First, major shifts in portfolio strategy are driven by long-term, secular trends as opposed to short-term movements in interest rates. Second, consistent investment performance is achieved by avoiding extreme swings in the maturity/duration of a portfolio. Third, an emphasis is placed on adding value through multiple, diversified strategies using internally developed software analytics to measure and manage active risk.

Investment Process:

PIMCO manages portfolios on a team basis with sector specialists supporting generalist portfolio managers. Each portfolio is assigned to a generalist who functions as the primary portfolio manager for that portfolio. All portfolio managers and other investment professionals contribute to the top level of strategy setting, as opposed to a group of economists. Portfolio managers also conduct all trading.

<u>Duration/Yield Curve</u>

To set the duration target on a portfolio, PIMCO focuses on long-term (three to five year) trends such as demographics, political factors, and structural changes in the domestic and international economies, which they believe exert sustained influences on interest rates. The secular outlook is updated annually and determines a general maturity/duration range for the portfolio in relation to the market. Shorter-term, cyclical economic considerations determine the firm's ongoing shifts within this range. PIMCO adds value from yield curve positioning by forecasting changes in the shape of the yield curve and positioning the maturity structure of portfolios to benefit from their forecasted change.

<u>Sector Allocation</u>

PIMCO's portfolio management group establishes sector targets based on consideration of volatility analysis, an assessment of current and historical spread relationships, and the secular and economic forecasts as they impact various sectors. To aid in these analyses, PIMCO has developed extensive software analytics, which assist in the evaluation of sector opportunities. PIMCO utilizes all sectors of the bond market and rotates between sectors based upon changes in relative valuations among the sectors. Over a market cycle, PIMCO will execute significant sector shifts in an attempt to capture excess returns from the sector call. For example, PIMCO Full Authority portfolios may exhibit the following sector allocation ranges:

Sector	**Max**	**Min**
Treasury/Agency	70%	10%
Corporates	50%	5%
MBS	70%	15%
Cash	30%	0%
Non-Index Sectors	55%	0%

Security Selection

After the major top down strategies have been decided, PIMCO selects securities that in aggregate, achieve the portfolio's target risk attributes and characteristics. Security selection is driven by relative value as well, and is accomplished through quantitative and credit research. Quantitative research efforts are focused on finding value by identifying and quantifying the risks inherent in different portfolio structures/strategies, specific bond market sectors, and securities within those sectors. In their credit research, PIMCO focuses on companies that show improving credit quality and the potential for upgrades by the rating agencies and, therefore, greater capital appreciation PIMCO also looks for companies with strong competitive positions within their industry A prerequisite for the evaluation of an issuer is to have access to their management.

With respect to trade execution, the portfolio management group does all trading. All portfolio managers have constant access to live market information and direct lines to all the major dealers. All trades are aggregated in order to trade in the largest blocks possible in order to command the best bid-ask spread. Post-execution, all accounts with similar objectives and constraints receive an allocation based on a model portfolio.

Ownership:

PIMCO is majority owned by Allianz Dresdner Asset Management of America, L.P. Allianz AG, a publicly traded German financial services conglomerate, owns 70% of Allianz Dresdner, with the remaining 30% owned by Pacific Life Insurance Company. Allianz AG is publicly traded on various world markets including on the NYSE (in ADR form) under ticker "AZ". PIMCO's key professionals participate in a profit pool that totals approximately 36% of PIMCO's annual profits.

While PIMCO has no direct interaction with Allianz's other asset management or insurance affiliates, PIMCO and Allianz of America have formed a joint venture, PIMCO Specialty Markets, which specializes in fixed income management for insurance companies and other institutional clients that operate under constrained investment guidelines.

Key Information as of December 31, 2001:

Number of Portfolio Managers:	40
Number of Analysts:	13
Firm Founded:	1971
Product Inception:	1974
Total Firm Assets:	$241,289 million
Active Core Assets:	$135,942 million
Active Core Accounts:	350
Largest Active Core Account:	$1,841 million (Corporate Client)

FIXED INCOME MANAGER FACT SHEET

Manager: **Reams Asset Management Company, LLC**

Product Name: **Core Fixed Income**

Investment Style: **Active core, top-down duration management, bottom-up issue selection**

Investment Philosophy:

Reams seeks to consistently outperform the bond market with active interest rate management and with a bond selection process that uncovers unique opportunities. They attempt to maximize total return over a long-term horizon through opportunistic investing in a broad array of eligible sectors. The investment process combines active duration and yield-curve management with bottom-up issue selection, focusing on undervalued sectors of the fixed income market.

Investment Process:

Reams employs a two-step, team-based process to manage fixed income portfolios. The first step is to determine whether the bond market is rich or cheap in order to establish portfolio duration. The firm uses a proprietary model to forecast inflation. Using this forecast, Reams determines bond market attractiveness by comparing current real, or inflation-adjusted, yields to historical levels of real interest rates. When current real rates are relatively high (10-year Treasury yields above 3.5%) the market appears attractive and portfolio duration is lengthened above benchmark levels. Conversely, when current real rates fall below 3% (10-year Treasury), the market appears overvalued and portfolio duration is gradually shortened below benchmark levels.

Once the market strategy is set, Reams' second step is issue selection. Reams concentrates on relative total return opportunities rather than an emphasis on yield alone. Portfolio managers and research analysts screen securities via scenario analyses that incorporate the firm's interest rate outlook, internal fundamental analysis and option-adjusted spread analysis. This process helps identify which bonds should perform best under the most likely interest-rate scenarios.

<u>Duration/Yield Curve</u>

Active duration management is an explicit component of Reams' process. When Reams perceives that the market is cheap (rich) as described in the above section, they generally position the portfolio's duration long (short) relative to the benchmark duration. Portfolio duration is limited to a range of plus or minus 20% of the benchmark duration.

Within a set duration target, the portfolio may be barbelled, laddered or bulleted with respect to the yield curve depending on the firm's assessment of relative values along the curve. Generally, Reams' yield curve positioning is secondary to duration as a driver of portfolio returns.

Sector Allocation

The sector weighting decision is dominated by Reams' focus on relative value at the bond selection level. Reams uses a bottom up approach to issue selection that focuses on the relative total return potential of each bond considered. Securities purchased are generally from traditional fixed income sectors, such as Treasuries and Agencies, investment-grade corporates and mortgage and asset-backed securities. Allocations among these sectors would typically range between the following:

Sector	**Min/Max**
Treasuries/Agencies	20-100%
Corporates	0- 60%
Mortgage-Backed	10- 50%
Asset-Backed	0- 25%

Security Selection

Reams' portfolio managers and research analysts spend the majority of their time on security analysis and relative value decisions. Reams believes that interest rates will continue to be volatile, and therefore has an intellectual bias towards securities that will benefit from a volatile interest rate environment, such as well-structured ABS and CMBS issues and corporates with bullet structures or mis-priced call/put features. In general, Reams' emphasis on performance in volatile rate environments leads to an underweighting in MBS, where negative convexity exposure can detract from performance during volatile periods. In addition, Reams believes that unconventional sectors and securities can offer significant opportunity. For instance, unique securities such as putable bonds and smaller issues are often inefficiently priced.

With respect to security selection, Reams emphasizes total return rather than yield alone in making relative value judgments. The team utilizes a scenario analysis framework to compare the distribution of potential returns for each security considered. The framework incorporates fundamental credit analysis, embedded-option valuation and the firm's outlook for interest rates. Securities with the best risk-adjusted returns are selected for the portfolio.

Ownership:

Reams is 100% employee-owned. Three senior members of the firm hold the vast majority of the equity in the firm. A plan for broadening equity participation among the company's investment professionals recently has been adopted.

Key Information as of December 31, 2001:

Number of Portfolio Managers:	4
Number of Analysts:	5
Firm Founded:	1981
Product Inception:	1992
Total Firm Assets:	$12,683 million
Active Core Assets:	$2,959 million
Active Core Accounts:	28
Largest Active Core Account:	$737 million (Public Fund)

FIXED INCOME MANAGER FACT SHEET

Manager: **Barclays Global Investors, N.A.**

Product Name: **CoreActive Bond**

Investment Style: **Risk-constrained active core, quantitatively-focused micro-sector allocation, bottom-up issue selection**

Investment Philosophy:

Barclays Global Investors' (BGI) investment philosophy is based on the conscious and structured balancing of risk, return and cost, a practice that they term Total Performance Management. BGI's primary objective is to deliver the highest quality returns possible, providing the highest return possible per unit of risk.

Investment Process:

BGI's CoreActive strategy seeks to add value through micro-sector selection and security selection, with sector selection typically adding two-thirds of excess returns and security selection contributing one-third of excess returns. Generally, duration and yield curve exposures are kept neutral to the benchmark.

BGI's portfolio construction process begins with the segmentation of the benchmark into 74 micro-sectors, which consist of traditional asset class sectors further broken-down by quality and maturity. BGI employs both valuation and mean reversion signals to forecast excess returns for all 74 micro-sectors. Additionally, transaction costs for each micro-sector are modeled based on bid-ask spread in the market. Risk is measured through a proprietary structural risk model that measures 15 risk factors relative to the benchmark to manage tracking error. To make the sector allocation call, BGI uses an optimization model that evaluates expected return, risk and trading cost forecasts to develop an optimal allocation. As a final step, portfolio managers review the optimization results and incorporate extraneous variables not captured by the model to arrive at the final micro-sector allocation call.

Once the optimal micro-sector allocation is established, sector-specific teams employ proprietary sector-specific relative value models and traditional credit research and security-specific analysis to identify attractive securities. Typical credit analysis includes industry trends and developments, issue financials, liquidity and overall market conditions.

With an approach that produces a number of small bets across micro-sectors combined with active risk management across 15 factors, BGI believes that it creates a highly diversified and risk-controlled portfolio that will consistently produce better risk-adjusted returns than the benchmark.

Duration/Yield Curve

Duration and yield curve exposures are explicitly measured and controlled within the 15-factor risk model. Generally, BGI maintains neutral, benchmark-like exposures to duration and yield curve risk. However, occasionally they will employ yield curve strategies on an opportunistic basis.

Sector Allocation

The sector allocation call is made using a mean-variance optimization model that evaluates 74 micro-sectors based on expected return, risk and trading cost inputs. The optimization is generally run twice per month, or as needed based on market conditions.

Security Selection

The sector-specific portfolio management teams are responsible for selecting individual securities to express the sector allocation call. The teams use a bottom-up, relative value style, leveraging quantitative sector-specific valuation models combined with extensive fundamental and issue-specific analysis.

Ownership:

Barclays Global Investors, N.A., as a national bank with limited trust powers, is a wholly owned indirect subsidiary of Barclays Bank PLC. BGI's parent, Barclays Bank PLC, is wholly owned by Barclays PLC, a publicly listed holding company based in London, England.

In April 2000, shareholders of Barclays PLC approved the implementation of a BGI stock option plan that would enable equity in BGI UK Holdings Ltd to be granted to senior management of BGI in the form of stock options. Under the terms of the Plan (even when fully implemented over the next five to seven years), Barclays PLC will remain the majority shareholder with at least 80% ownership of BGI UK Holdings Ltd.

Key Information as of December 31, 2001:

Number of Portfolio Managers:	6
Number of Analysts:	14
Firm Founded:	1922
Product Inception:	2000
Total Firm Assets:	$768.73 billion
Active Core Assets:	$930.7 million
Active Core Accounts:	5
Largest Active Core Account:	$563.8 million (Corporate client)

FIXED INCOME MANAGER FACT SHEET

Manager: **Galliard Capital Management, Inc.**

Product Name: **Controlled Income**

Investment Style: **Active core, sector and security selection emphasizing bottom-up analysis**

Investment Philosophy:

Galliard believes that the appropriate role of fixed income investment management is to control risk and deliver competitive total returns over a longer time horizon. To accomplish this, Galliard actively manages portfolios within a risk management framework that ensures that portfolio risk never deviates substantially from the benchmark. Galliard seeks to add value primarily through sector positioning and individual security selection using a fundamental valuation process. Constructing a consistent yield advantage is a major focus of the strategy, while duration and curve positioning based on interest rate forecasts is minimized.

Investment Process:

Galliard has established a risk control framework that includes duration and convexity target ranges, sector concentration limits and specific issuer limits based on quality, liquidity and volatility. Within this framework, the team seeks to add value by positioning the portfolio with sector, security and to a lesser extent duration and yield curve trades with risk-reward characteristics superior to the index.

Organizationally, Galliard functions as a series of small coordinated teams that share responsibility for portfolio performance. Several senior members of the team form the Fixed Income Committee, which helps set the team's macro, top-down outlook with respect to the economic cycle and interest rates. The team's portfolio managers and sector team heads form the Fixed Income Management Team, which integrates the top-down view with a sector relative value view to create the team's sector allocation. Working together, the Management Team and all sector team members construct the portfolio on an issue-by-issue basis, leveraging the best risk-adjusted ideas of each team.

<u>Duration/Yield Curve</u>

Galliard generally maintains a portfolio duration that is slightly longer than the index in an effort to capture incremental yield from rolling down the yield curve. However, the team will position the portfolio at neutral (or short) duration during highly volatile or uncertain periods. Typically, Galliard uses duration and yield curve strategies sparingly as an active management tool, preferring instead to focus on sector and security calls to add incremental return. When duration is used as an active strategy, Galliard limits the portfolio's duration range to within +/-10% of the index duration.

Sector Allocation

Galliard's sector positioning is the result of both top-down and bottom-up analysis performed by the team. Sector specialists provide in-depth fundamental, technical and relative value analysis on each sector to the Fixed Income Management Team. The Management Team synthesizes this sector-level analysis with the macro, top-down view generated by senior team members in the Fixed Income Committee to arrive at sector weighting decisions. Examples of decision inputs include Galliard's strategic target ranges for each asset class, macro-economic, business cycle and interest rate environments, historical spread analysis and sector-specific valuation model results.

Security Selection

Once the team arrives at appropriate sector weightings, the sector teams work dynamically with the Management Team to execute sector decisions through individual security selection and trade execution. Analysts conduct extensive security-specific research using a proprietary economic value model that stresses the quantification or pricing of an instrument's cash flows, embedded options, credit and/or structure risk and liquidity or other market issues. Credit analysts perform extensive fundamental research and also leverage brokerage firm and rating agency credit work in the development of a credit opinion.

To ensure adequate diversification and oversight with respect to credit, Galliard has developed a formal credit management process. As part of the process, Galliard classifies each corporate issuer into one of two categories based on liquidity and credit strength. Issuer concentration limits are then based on this categorization, with a smaller limit being placed on less liquid, less secure credits. In addition, Galliard's corporate sector team regularly reviews all issuers to ensure that the entire team remains comfortable with all issues held in the portfolio.

Ownership:

Galliard Capital Management is a wholly owned subsidiary of Wells Fargo & Company. The firm has a revenue sharing agreement with Wells Fargo, which is designed to promote the long-term continuity of key professionals.

Key Information as of December 31, 2001:

Number of Portfolio Managers:	5
Number of Analysts:	4
Firm Founded:	1995
Product Inception:	1995
Total Firm Assets:	$10,381 million
Controlled Income Assets:	$3,057 million
Controlled Income Accounts:	21
Largest Controlled Income Account:	$234 (Defined Benefit Plan)

FIXED INCOME MANAGER FACT SHEET

Manager: **T. Rowe Price**

Product Name: **Enhanced Aggregate Strategy**

Investment Style: **Enhanced Core, quantitative portfolio construction, bottom-up sector and issue relative value selection**

Investment Philosophy:

T. Rowe Price believes that bond markets are relatively inefficient and opportunities exist to add value and control risk through a combination of fundamental research and quantitative techniques. Enhanced index fixed income portfolios are managed with an emphasis on structural similarity to the benchmark, return enhancement, downside protection, and risk control. T. Rowe enhances portfolio returns through individual security analysis, as well as through the development of macro investment themes based on factors such as economic and market cycle analysis. By employing these techniques, T. Rowe believes they are able to make the best relative value decisions concerning security, sector, yield curve, spread and maturity composition. Throughout the process, risk is controlled through the use of quantitative techniques, scenario analysis and through a detailed knowledge of portfolio investments based on extensive fundamental research.

Investment Process:

T. Rowe's investment process begins with an evaluation of the portfolio and benchmark based on a number of characteristics, including duration, yield, credit quality, option-adjusted spread and convexity. The index is deconstructed into sectors and subsectors, and ultimately into individual duration cells for each component sector and subsector. The actual portfolio is constructed from bonds in each cell, which they believe is the most accurate way to replicate or enhance an index containing dozens of issues per cell. This construction technique is supported by an analytical framework that includes scenario analysis, multi-factor risk analysis and performance attribution.

<u>Duration/Yield Curve</u>

Duration and yield curve views are typically expressed as small deviations from the benchmark and are based on the team's macro investment views as well as the team's opinion on the risk-reward tradeoffs offered at various points along the curve. Typical guidelines for this product constrain the portfolio's duration range to within +/-5% of the benchmark duration.

Sector Allocation

To develop an optimal sector allocation, the investment team explicitly ranks each sector along a number of fundamental and technical factors. The team synthesizes these factors into a relative weight view for each sector: Overweight, Underweight or Neutral. The degree of the relative weighting is scaled by the team's conviction to the view as well as the trade's risk (measured by contribution to expected tracking error).

Security Selection

Rigorous research of individual securities and sectors is the cornerstone of T. Rowe's alpha-generating process. Analysts and portfolio managers develop investment themes based on micro-level analysis including:

- Independent credit research,
- Market valuations for individual securities,
- Sector-specific risk trends,
- Supply/demand technicals, and
- Structure analysis.

Portfolios are constructed by integrating the team's micro-sector analysis and security recommendations within the framework of the larger macro-level investment themes, including:

- Global market and economic data,
- Yield curve analysis,
- Performance of swap spreads,
- Analysis of volatility and technical factors, and
- Review of global risk trends.

Seven investment grade credit analysts, six high yield analysts and sector specialists for MBS and ABS sectors provide detailed credit and market insight to the portfolio management team.

Ownership:

T. Rowe Price Associates, Inc. is a wholly owned subsidiary of the T. Rowe Price Group, a publicly traded holding company formed listed on the NASDAQ under symbol "TROW".

Key Information as of December 31, 2001:

Number of Portfolio Managers:	4
Number of Analysts:	7
Firm Founded:	1937
Product Inception:	1990
Total Firm Assets:	$156,000 million
Enhanced Aggregate Assets:	$669 million
Enhanced Aggregate Accounts:	8
Largest Enh. Agg. Account:	$205 million

FIXED INCOME MANAGER FACT SHEET

Manager: **Wellington Management**

Product Name: **Core Bond High Quality**

Investment Style: **Active core, top-down strategy, research-intensive issue selection**

Investment Philosophy:

Wellington Management's fixed income investment philosophy is based on the following beliefs: 1) take no more risk than return expectations justify; 2) emphasize fundamental, internal research; 3) manage risk in all dimensions.

Investment Process:

Wellington is structured along team lines with generalist portfolio managers receiving portfolio construction guidelines and extensive research support from the strategy and sector-based research teams. Collectively, the team uses a four-step process to construct and manage fixed active income portfolios:

Step 1: Strategy Team sets broad strategy targets

Step 2: Research generates best ideas in Corporate, Mortgage and Asset-Backed sectors

Step 3: Portfolio manager integrates best ideas with strategy targets to construct portfolios

Step 4: Various groups manage risk control to ensure guideline compliance and desired risk profiles

The Core Bond Strategy Group is responsible for forming top-down decisions regarding duration and yield curve exposures and sector decisions. This group consists of four portfolio managers representing all sector groups. At a minimum, a formal strategy reviews occur monthly; however, informal reviews often occur daily.

Duration/Yield Curve

The Core Bond Strategy Group determines duration and yield curve positioning for the Core Bond style. The group starts with Wellington's global economic and inflation view, which is developed by Wellington's Macroanalysis Group. The team then determines what the forecast implies for monetary policy and future interest rates. The duration decision is further influenced by the market's expectations for rates as expressed in forward rates, Treasury supply/demand factors and yield curve shape.

Sector Allocation

Core Bond Strategy Group formulates sector strategy based on relative value and yield spreads among security types and among quality and industry sectors. The foundation of the sector call is fundamental and technical analysis of economic and financial market conditions and yield spread analysis, both historical and prospective, combined with the industry insights of the research analysts.

Security Selection

Once the Strategy Group sets the major top-down themes, the portfolio manager combines these inputs with client's investment guidelines to construct the portfolio. While the portfolio manager is ultimately responsible for all buy and sell decisions in the portfolio, the three sector teams provide significant support in terms of idea generation and fundamental research. For example, within the MBS and ABS sectors, managers select securities using recommendations from the MBS and ABS sector teams. Within the investment grade corporate sector, managers are restricted to an approved list of issuers that have passed an internal credit screening process managed by the Corporate team. Throughout the strategy implementation process, the portfolio manager must make trade-offs based on the relative value and the contribution of a security to the desired characteristics of the overall portfolio. Security selection decisions are based on the guidelines set forth by the Core Bond Strategy Group giving the portfolio manager flexibility with the prescribed ranges. Relative valuation analysis incorporates scenario testing where risk-adjusted return must look compelling given a variety of probable interest rates and yield spread scenarios.

Wellington is committed to research as the cornerstone of its Core Bond style and a primary driver of value added. Wellington does intensive fundamental research, whether through their global approach to credit research, structural analysis of MBS and ABS, or option-adjusted analysis of option-dependent cash flows. They rely on their in-house credit and MBS research teams and have developed significant technology to assist with the analysis. All analysis functions are organized along sector team lines, with each team leader responsible for coordinating research in their sector, both for developing trade ideas and for performing research on ideas that come from the portfolio management teams.

Ownership:

Wellington Management Company, LLP is one of America s largest independent investment management companies, and is an employee-owned partnership whose sole business is investment management. The firm is owned by 76 partners, all active employees of the firm.

Key Information as of December 31, 2001:

Number of Portfolio Managers:	4
Number of Analysts:	25
Firm Founded:	1928
Product Inception:	1987
Total Firm Assets:	$311,372 million
Active Core Assets:	$17,918 million
Active Core Accounts:	91
Largest Active Core Account:	$1,427 million (Public Fund)

POTENTIAL MANAGER SUMMARY
INTERNATIONAL EQUITY - EAFE MANAGERS
As of December 2001

Manager	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Tracking [illegible]
Bank of Ireland	Int'l Equity	core	bottom-up	$24.9B	$22.7B	253	70-90	Yes	4.36%
GE Asset Mgmt.	Core Int'l Equity	core	bottom-up	$100.8B	$8B	15	100-126	No	5.27%
JP Morgan	EAFE Plus	core	bottom-up	$604B	$1B	6	90-120	Defensively	4.90%
Artisan Partners	Artisan Int'l	growth	bottom-up / thematic	$15.6B	$3B	25	80-120	No	14.08%
Clay Finlay	Int'l Equity	growth	bottom-up	$5.1B	$3.6B	8	50-60	No	7.83%
Fidelity	Int'l Growth	growth	bottom-up	$68.3B	$3.2B	27	200-250	No	4.70%
Marvin & Palmer	Non US Equity	growth	top-down / bottom-up	$7.1B	$4.5B	35	90-120	Defensively	15.07%
Delaware	Int'l Equity	value	bottom-up / top-down	$13.6B	$9.4B	54	35-55	Yes	7.05%
GMO	Int'l Active	value	quant / bottom-up	$22.8B	$6B	77	350-450	Yes	5.44%
BGI	Int'l Alpha Tilts	Enhanced	bottom-up	$768.7B	$5.9B	26	714	No	0.73%
Goldman	Core Structured Int'l.	Enhanced w/ overlay	top-down / bottom-up	$306B	$1.7B	13	370	Yes	3.41%

SUMMARY OF MANAGER PERFORMANCE

Core EAFE										
Bank of Ireland	-18.80	-13.20	0.11	4.07	4.49	7.55	9.34	10.09	0.82	Jan-90
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	2.37		
	3.36	5.71	5.50	3.40	3.63	5.76	6.15	7.54		
GE Asset Management	-18.61	-14.78	-1.07	3.52	4.41	6.07	7.05	7.75	0.76	Jan-88
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	4.59		
	3.60	3.79	4.26	2.85	3.55	4.31	3.92	3.02		
JP Morgan-EAFE Plus	-16.68	-14.83	3.52	6 81	5.97	7.21	8.13	8.74	0.99	Jan-91
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	5.12		
	6.06	3.73	9.09	6.12	5.10	5.43	4.97	3.44		
Growth EAFE										
Artisan Partners	-14.91	-12.24	12.01	17.17	14.63	18.00	16.73	18.00	0.99	Jan-96
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	1.69		
	8.31	6.88	18.04	16.41	13.69	16.04	13.32	16.04		
Clay Finlay, Inc.	-22.36	-18.71	2.60	5.92	6.59	7.29	7.53	12.42	0.74	Apr-84
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	10.37		
	-1.17	-1.00	8.13	5.24	5.71	5.51	4.39	1.86		
Fidelity	-22.54	-17.35	0.18	4.23	5.43	6.32		6.32	0.99	Jan-96
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69		1.69		
	-1.40	0.66	5.57	3.56	4.56	4.55		4.55		
Marvin & Palmer	-28.93	-25.26	1.42	7.22	9.53	9.63	9.73	10.02	0.64	Oct-88
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	4.04		
	-9.53	-8.98	6.88	6.53	8.63	7.81	6.52	5.75		
Value EAFE										
Delaware Investment Advisors	-9.91	-4.04	2.25	4.39	5.27	7.95	8.70	10.27	0.59	Sep-92
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	5.56		
	14.68	16.87	7.76	3.72	4.40	6.16	5.52	4.46		
Grantham, Mayo, van Otterloo	-9.43	-7.55	3.48	6.17	6.46	7.93	8.85	15.97	0.91	Jun-81
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83	1.69	3.01	10.61		
	15.29	12.59	9.05	5.48	5.58	6.14	5.67	4.85		
Enhanced EAFE										
BGI	-18.39	-15.49	-3.21	1 77	1.56	2.77	4 08	7.15	0.48	May-92
MSCI EAFE	-21.44	-17.89	-5.11	0 65	0.83	1.69	3.01	5.94		
	3.88	2.92	2.00	1.11	0.72	1.06	1.04	1.14		
Goldman (w/overlay)	-16.05	-15.72	-1 76	3.16	4.36			5.68	0.82	Jul-96
MSCI EAFE	-21.44	-17.89	-5.11	0.65	0.83			1.05		
	6 86	2 64	3.53	2.49	3.50			4.58		

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Bank of Ireland Asset Management (U.S.) Ltd. (BIAM (U.S.))

Name of Product: International Equity

Investment Style: Bottom-up

Investment Philosophy:
BIAM (U.S.)'s investment philosophy is based on the belief that active investment management, based on rigorous fundamental analysis and disciplined stock selection, will consistently add value to client portfolios over the longer term. BIAM (U.S.) implements this philosophy through a bottom-up stock selection process and value discipline.

Investment Process:
Our investment process is guided by the Investment Strategy Group who meet formally on a monthly basis to review economic developments and determine policy for the model portfolios. The decisions of the group are communicated to the entire Asset Management Team, which is responsible for stock research and selection.

Country selection/allocation:
Actual country weightings are the residual of our bottom-up stock selection approach. Therefore, we do not have minimum or maximum exposure guidelines in absolute terms or relative to any benchmark.

We believe the country of nominal stock market quotation is of lesser importance than 'real' country exposure, defined as the economy to which the corporate activity is exposed. The critical aspect of country exposure to us is the diversity of the sources of earnings and earnings growth. We examine, however, the diversity of the sources of earnings and earnings growth to avoid any over-concentration to either specific markets or sectors.

Sector selection/allocation:
Actual weightings are, again, a residual of our bottom-up stock selection approach. Constructed portfolios are, however examined to ensure that no over-exposure to either country or sector/industry exists.

Stock selection:
The Asset Management equity team is organized into three broad regional groups, the Americas, Europe and Asia. Each group focuses on a regional universe of stocks, located in liquid, well-regulated international markets. Fundamentally undervalued stocks are examined, on a global basis by reference to a range of characteristics.

Companies are screened on the basis of qualitative criteria, which include balance sheet strength, visibility of earnings, quality of management and competitive position within industries. This process identifies a universe of quality companies Price valuation ultimately determines which of these stocks are purchased for our portfolios.

Our assessment of value is based on a comparison between the current stock price and the future earnings stream that we are buying into. The attractiveness of a stock is determined by its intrinsic value, as well as its relative value and will only be bought if the share price significantly underestimates its underlying value.

Portfolio Construction:
Responsibility for ensuring the appropriate policy is implemented for each client rests with the Portfolio Construction Team. This team is not involved in strategy formulation, stock research or stock selection. The team ensures all client portfolios with similar mandates have similar stocks and weightings, regardless of client size or type.

Currency:
Currency considerations are taken into account by the asset managers in carrying out their stock analysis and selection.

Based on currency forecasts created, we may decide to hedge part of the portfolio. Any hedging is purely defensive in nature. We will not hedge more that 25% of the total portfolio.

Ownership:
BIAM (U.S.) is a wholly owned subsidiary of the Bank of Ireland Group.

Firm's total assets under management:	$24,925m
Tax-exempt assets under management in this product:	$22,696m
Number of tax-exempt accounts in this product:	253
Number of Portfolio Managers on this product:	17
Number of Analysts on this product:	*
Number of Traders on this product:	*

* BIAM (U.S.)'s team of Asset Managers is responsible for the research, analysis and stock selection functions.

Largest Accounts:
The five largest tax exempt institutional separate accounts managed by BIAM (U.S.) are listed below.

Type	*Dollar Value*
Public	$1,951m
Public	$818m
Public	$688m
Public	$686m
Public	$595m

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: GE Asset Management

Name of Product: Core International Equity

Investment Style: Bottom-up stock selection.

Investment Philosophy:
GEAM believes that an active, bottom-up approach which emphasizes fundamental global research can produce superior long-term results over time. Our stock selection is based on detailed knowledge of companies gained through extensive internal research, direct contacts with company managements, and access to the GE Global Network, as well as to sell-side research available to all leading global investment institutions. In this way we seek to invest in attractively valued growth companies irrespective of their domicile. We maintain a long-term view and consistently apply our philosophy without deviation. We have been successfully investing in international markets using this approach since 1991.

Investment Process:
The investment process begins by screening 11,000+ MSCI EAFE stocks plus emerging markets companies with market capitalizations >$1.5B. Initial stock selection screen is based on a comparison of the price/cash earnings (EPS + depreciation / share) to growth projections. Execution, liquidity, risk controls and portfolio manager conviction are additional factors analyzed prior to purchase.

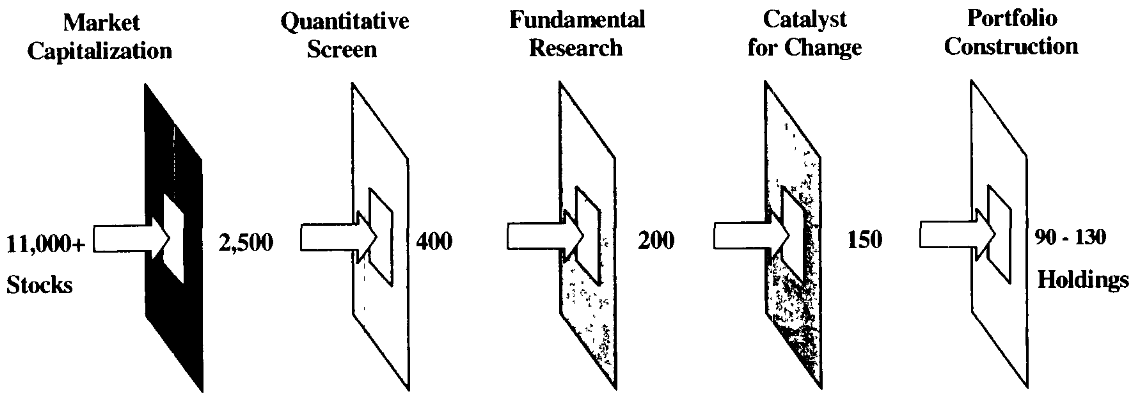
Country selection/allocation:
Country and regional allocation is principally the direct result of our bottom-up stock selection process. Factors such as the rate of GDP growth, interest rate levels, and budgetary deficit/surplus situations are important in evaluating the environment in which a company operates. Political and economic risks are evaluated as well as the analyst's judgment of political stability for the macro-region covered. The team's current viewpoint of a country affects the level of conviction and confidence in companies operating in specific countries. Emerging markets exposure is limited to 5% for any one country and 15% for the portfolio as a whole.

Sector selection/allocation:
Sector and industry allocations are substantially a by-product of the stock selection process and no minimum or maximum parameters are determined. Part of the risk monitoring process includes a "top-down" review of sector and industry weights to ensure prudent diversification. We compare the portfolio weights in total and against benchmark weights to monitor risks and test conviction. In practice our portfolio has included 90 - 130 names and has been well diversified by sectors and industries.

Stock selection:
Security selection is a result of our bottom-up philosophy. The number of names held, concentrations, stock-specific fundamentals (price/book, price/growth, price/earnings, growth rates, beta, liquidity), constraints by portfolio weight and market capitalization, and liquidity are among the analytical details constantly updated to manage portfolio risk.

Portfolio Construction:
The initial stock selection screen is based on a comparison of the P/CE to 3 - 5 year cash earnings growth projections. Stocks with ratios less than 0.75 are generally considered potential buy candidates, ratios exceeding 1.0 are considered fairly valued and are generally not considered. The portfolio generally holds 90-130 securities.

Investment Process Overview



Currency:
GEAM does not take active currency hedging positions with its portfolios. We believe that the assessment of currency exposure is implicit in the security selection process. An integral part of the stock selection process involves making judgments regarding the relative competitive positions of businesses at various currency levels

Ownership:
GE Asset Management Incorporated (GEAMI) is a wholly owned subsidiary of GE Company, a widely held public corporation. The staff of GEAMI are employed by GE and have no direct ownership of the firm. There have been no changes to that relationship since the firm's creation in 1988. A significant number of employees, however, own shares of GE stock in their pension and retirement plans.

Firm's total assets under management:	$100.8 Billion
Tax-exempt assets under management in this product:	$8.0 Billion
Number of tax-exempt accounts in this product:	15
Number of Portfolio Managers on this product:	5
Number of Analysts on this product:	18
Number of Traders on this product:	7

Largest Accounts:

Type of Organization	Assets as of 12/31/01 (millions)
Corporate Client	$5,188
Public Client	$1,191
Corporate Client	$641
Public Client	$586
Public Client	$268

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: JPMorgan Fleming Asset Management

Name of Product: JPMF EAFE Plus

Investment Style: Our investment style is active, bottom-up.

Investment Philosophy:
We are first and foremost stock pickers. Our teams of locally based regional specialists provide us with a local edge. Our global sector analysts provide global context. By building portfolios from the bottom-up, utilizing the best ideas of our local specialists put into a global sector framework, we are able to maximize performance per unit of risk. A team of experienced portfolio constructors, using disciplined portfolio construction techniques and formal risk control, is best placed to ensure we provide consistent out-performance of a client's benchmark.

Investment Process:

- 211 investment professionals
- 1300 stocks ranked
- All stocks ranked 1 (strong buy) to 5 (strong sell)

- 9 global sector analysts in GPG
- Analyze global industrial drivers and valuations
- Seek winners in each industry based on local knowledge

- 6 senior portfolio managers in GPG
- Emphasis on bottom-up stock picking
- Holistic understanding of risk
- Low turnover

Country selection/allocation:
Our EAFE Plus process results from our belief that stock selection, rather than asset allocation, sector rotation, or country allocation, is the principal driver of performance. All of our views, be they country or sector, are heavily influenced by bottom up considerations. While asset allocation is an integral part of our process, more time is spent utilizing the resources of the whole organization and focusing on the best long-term stock ideas from our regional specialists. It follows that the key driver of performance within our portfolios comes from stock selection. Indeed around 70% of performance typically comes from this source.

Sector selection/allocation:
Please see the above response to country selection/allocation.

Stock selection:
Please see the above response to country selection/allocation.

Portfolio Construction:
We build portfolios at the global level (not in regional "silos") to capture the best stock ideas of our regional investment experts, filtered through global sector analysts who provide the proper context. Portfolio construction controls risk relative to the benchmark by anticipating and neutralizing macro risk factors. This ensures that our risk budget is focused on stock selection decisions, which in turn will drive returns.

Currency:
We believe our key strength is stock selection. Consequently, we are not inclined to hedge or make large market timing judgements. Where we do hedge currencies, we do so predominantly as a risk reduction measure rather than as a means of seeking to enhance 'alpha' in equity portfolios.

Ownership:
J.P. Morgan Investment Management Inc. is a registered investment advisor and a wholly owned subsidiary of J.P. Morgan Chase & Co., a firm with a market capitalization over $71 billion as of December 31, 2001 Directors and employees of J.P. Morgan Investment Management Inc. do own shares in the firm's parent company, J.P. Morgan Chase & Co. Specific ownership positions are unavailable for disclosure. As of December 31, 2001, employees held 5.6% of shares outstanding.

Firm's total assets under management:	$604,660mm
Tax-exempt assets under management in this product:	$1,011mm
Number of tax-exempt accounts in this product:	6
Number of Portfolio Managers on this product:	6*
Number of Analysts on this product:	9*
Number of Traders on this product:	15

- *Over 200 Investment Professionals from the regional investment teams around the world also contribute to the EAFE Plus process.*

Largest Accounts:
(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Type of Account	Size
Commingled Fund*	$396mm
Public Sector Fund**	$301mm
Pension Fund	$234mm
Endowment	$42mm
Pension Fund	$38mm

Source: JPMorgan Fleming Asset Management, as of December 31, 2001

* *This is a large Commingled Fund which we have managed since March 1982. It is accessed by multiple tax exempt investors.*

** *This is a provincial government fund managed as a separate account which pools together a number of underlying accounts including significant tax exempt accounts.*

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Artisan Partners Limited Partnership

Name of Product: Artisan International

Investment Style: Bottom-up / Growth

Investment Philosophy:
Artisan International Equity is a growth-oriented equity strategy. Artisan's international equity team employs a bottom-up investment process to construct a diversified portfolio of international growth stocks, concentrating on industries or themes that present accelerating growth prospects and companies well positioned to capitalize on that growth. The portfolio has a primary emphasis on developed markets and is constructed without regard to EAFE index weightings; it holds up to a maximum of 20% in emerging markets.

Investment Process:
Our investment process encompasses identifying global themes and industries currently offering or likely to offer growth profiles exceeding those of their underlying economies. Investment themes and growth industries are identified from a variety of sources including company visits, company documents, analyst meetings, extrapolation of U.S. trends and empirical observations.

Country selection/allocation:
The portfolio has a primary emphasis on developed markets and is constructed without regard to EAFE index weightings. Exposures are a residual of stock selection within acceptable diversification and risk management parameters. Typically, at least 20 countries will be represented in the portfolio. The maximum exposure to a single country is 20% with the exception of The United Kingdom and Japan which have a maximum exposure of 25%.

Sector selection/allocation:
Although there are no quantitative guidelines with respect to sectors, no extraordinary concentration will be made to any individual sector. The maximum exposure to any one industry is 25%.

Stock selection:
Within identified themes, rigorous quantitative and qualitative research narrows the field of candidates to a watch list of approximately 300-400 securities based on growth, valuation, liquidity and location. The investment team conducts its own fundamental analysis on each investment candidate. Each member of the team travels overseas extensively; management visits are an integral part of the process. The company visits ensure the repeatability of the process through in-depth company and industry specific analysis, confirmation of the growth themes identified, and the identification of future

themes that may be catalysts for growth. Particular emphasis is placed on researching well-managed companies with dominant or increasing market shares leading to sustained earnings growth and margins. Importantly, careful attention is paid to valuation relative to its market or global industry. Securities purchased are those offering the most compelling combination of earnings growth relative to their price/earnings ratio or the most relevant measure of valuation.

Portfolio Construction:
Portfolios are broadly diversified by country and region; final exposures are a residual of stock selection within acceptable diversification and risk management parameters. Portfolios hold between 80 and 120 stocks. Initial security positions average between 1% and 3%, and positions are limited to a maximum of 5% at purchase.

Currency:
Portfolios remain unhedged. Artisan believes foreign currency exposure is a desirable element of portfolio diversification, with individual fluctuations offsetting each other over longer periods. In rare circumstances of extreme currency overvaluation among otherwise very attractive securities, the firm may employ selective hedging using currency forward contracts.

Ownership:
Artisan Partners is an independent firm controlled by its general partner, a corporation owned by Andy and Carlene Ziegler and their family. All of the senior professionals, including all of the firm's portfolio managers, own significant partnership interests in the business as well.

A group of private investors led by the partners of Hellman & Friedman, a San Francisco based investment banking firm, and Sutter Hill Ventures, a Palo Alto based venture capital firm, are limited partners of Artisan Partners Limited Partnership. In this capacity, they provided start-up equity financing to the firm. This equity financing adds financial stability to Artisan Partners and assists us in attracting professionals. Hellman & Friedman and Sutter Hill Ventures own a minority position in the firm and are not involved in portfolio management or day-to-day operational management.

Artisan Partners is a private firm and we do not release detailed information on individual ownership, other than that available in our Form ADV.

Data as of 12/31/01, except where otherwise noted:

Firm's total assets under management:	$15,563 mm
Tax-exempt assets under management in this product:	$2,988 mm
Number of tax-exempt accounts in this product:	25
Number of Portfolio Managers on this product:	1*
Number of Analysts on this product:	5*
Number of Traders on this product:	2*

*As of 2/28/02

Largest Accounts:
(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Public Plan	$614 million
Public Plan	$368 million
Endowment	$297 million
Public Plan	$286 million
Corporate Pension	$224 million

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Clay Finlay Inc.

Name of Product: International Equity

Investment Style: Disciplined growth-oriented approach with a bottom-up driven investment process.

Investment Philosophy:
Clay Finlay's International Equity investment philosophy is based on the belief that a portfolio constructed from carefully selected and well-managed companies, with steady, sustainable earnings growth rates, priced reasonably in relation to those growth rates, will outperform over the longer-term. We combine a team based investment approach with a disciplined and fundamentally focused research process. Portfolio construction is driven primarily by stock selection considerations. We aim to create concentrated yet risk controlled portfolios, which are comprised of the securities in which our investment specialists have the highest degree of conviction.

Investment Process:
Securities are identified as a result of a disciplined, fundamentally based research and investment process, which focuses on the following criteria: valuation to long-term earnings growth, management, financial strength and competitive positioning. Portfolio construction is driven 80% by stock selection, 10% by sector allocation, and 10% by geographic allocation.

Country selection/allocation:
The geographic allocation and selection is driven primarily by our security selection process. Clay Finlay's Investment Policy Committee is responsible for determining the regional (Europe, Pacific Basin ex Japan, Japan, Global Emerging Markets and North America) allocation for the International Equity portfolios and establishing a consensus outlook for global economies, sectors, currencies, aggregate corporate earnings and relative market valuations. The heads of each of the regional research teams are members of the IPC and, as the Global Equity Team Leaders, are responsible for the management of the Portfolios by integrating the highest conviction holdings and verifying that each stock fits within the overall macroeconomic framework provided by the IPC. While geographic allocation is driven by bottom-up factors, the weighting to the major (greater than 20%) regions of the benchmark are unlikely to be less than 50% or more than 150% weighted in relation to the benchmark index.

Sector selection/allocation:
The sector allocation and selection is driven primarily by our security selection process. Clay Finlay's Global Equity Team consists of twenty-three investment professionals. Each member of the Team is an analyst with a primary regional and a secondary industry research focus. The heads of each of the regional research teams are members of the

Investment Policy Committee and, as the Global Equity Team Leaders, are responsible for the management of the Portfolios by integrating the highest conviction holdings and verifying that each stock fits within the overall macroeconomic framework provided by the IPC. While sector allocation is driven by bottom-up factors, the weighting to the major (greater than 20%) regions of the benchmark are unlikely to be less than 50% or more than 150% weighted in relation to the benchmark index.

Stock selection:
The initial step in Clay Finlay's security selection process is to create a focused universe by removing stocks with insufficient market capitalization and/or liquidity constraints. The resulting universe is then continuously screened by country, region, local and global industry on a relative valuation basis focusing primarily on the ratio of price/earnings to forward (3-5 years) earnings growth rate, which we call "Xi". Fundamental research is then conducted by our regional research teams on those stocks that have screened attractively by evaluating these companies on their financial strength, management, and competitive positioning. A security that screens attractively and meets fundamental requirements is further reviewed in order to ensure an understanding of the stock's valuation and its sensitivity to macroeconomic changes; consider if there is an existing or emerging regional or global theme that might alter the investment team's opinion; and review our understanding of the market's expectations for the security

Portfolio Construction:
International Equity portfolios are managed on a team basis by the Global Equity Team Leaders. Portfolio construction is driven by bottom-up factors and the Global Team Leaders are responsible for integrating the highest conviction holdings selected by the regional research teams into a single portfolio and for verifying that each stock fits within the overall macroeconomic framework provided by the Investment Policy Committee. International Equity portfolios are invested, with adherence to client guidelines, in 50 – 60 securities. Portfolios are constructed on a conviction-weighted basis with strong benchmark awareness. Typical security positions range 1-3% and allocations to the major (>20%) components of the benchmark are unlikely to be less than 50% or more than 150% weighted in relation to the benchmark. The risk profile of the portfolios is evaluated and reviewed on a monthly basis using BARRA and sensitivity analysis.

Currency:
The currency exposure is not actively hedged. We regard country, stock, and currency decisions as integral parts of a single decision matrix. We consider our portfolios at any time partly "hedged internally" as a result of the attention paid to the impact of currencies on a company's earnings forecasts.

Ownership:
Clay Finlay is a wholly owned subsidiary of Old Mutual plc, an international financial services group listed on the London Stock Exchange. Clay Finlay's employees have stock appreciation rights based on a 20% equity interest in the company, which has been spread among 40% of the firm's employees.

Assets as of December 31, 2001	
Firm's total assets under management:	$5,153.53
Tax-exempt assets under management in this product:	$3,562.26
Number of tax-exempt accounts in this product:	8
Number of Portfolio Managers on this product:	4
Number of Analysts on this product:	15
Number of Traders on this product:	1

Largest Accounts:

(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

As at December 31, 2001

Client Type	Assets $ Millions
Public	274.30
Corporate	188.27
Public	167.43
Mutual Fund	96.50
Mutual Fund	91.11

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Fidelity Management Trust Company

Name of Product: International Growth

Investment Style: Bottom-up fundamental, core to core/growth

Investment Philosophy:
We believe international equity markets are semi-efficient and pricing anomalies exist. We seek to exploit market inefficiencies at the stock level:

- Greater mispricing opportunities exist in foreign markets, since these markets are less efficient than those in the U.S.
- Fidelity aims to exploit these inefficiencies through fundamental company research.
- Because individual company growth prospects can be predicted with a greater degree of accuracy than macroeconomic factors and themes, we primarily utilize a bottom-up security selection process.
- As a result of our focused research-driven stock selection process, approximately 80% of portfolio return is attributable to stock selection.

Investment Process:
The investment process combines active stock selection and regional asset allocation. Regional portfolio managers, who have full discretion over the selection and weighting of individual stocks in their portfolios within policy guidelines, create client portfolios. Stock selection is based on bottom-up fundamental research in Europe, Japan, and Pacific Basin ex Japan.

Country Selection/Allocation:
Country positions in the regional sub portfolios are a residual of the bottom-up stock selection process and are limited to ±5% of the benchmark weight within each region, which is sufficient to allow portfolio managers to meaningfully incorporate their best stock ideas. These constraints also ensure there is no undue exposure to any single country that would add unwanted risk to the portfolio. The International Growth portfolio invests only in those countries represented in the MSCI EAFE Index.

Sector Selection/Allocation:
Sector weights relative to the benchmark are a residual of the stock selection process, not a result of any top-down process. Active sector weights are constrained to ±5% of the benchmark weight.

Stock Selection:
The regional portfolio managers will consider for inclusion in the portfolio all the stocks that are rated as "buys" by the analysts or are included in analyst-run industry portfolios. The portfolio managers are individually responsible for the selection and active weight of stocks within their portfolios within broad policy guidelines.
The extent to which the portfolio manager overweights or underweights any particular security will be a function of the analyst's rating of the stock and the portfolio manager's degree of conviction in the stock theme. A full active weighting of ± 3% relative to the benchmark weight will only occur where both analyst and portfolio manager have very strong conviction. Such full weightings tend to be a small minority of the holdings in the portfolio.

Portfolio Construction:
Regional portfolio managers use experience and judgment to build portfolios from the analysts' universe of buy-rated stocks. Guidelines seek to ensure the risks taken in the portfolio are commensurate with the performance target and to focus active risk on stock selection. The regional portfolios are combined using the asset allocation process.

Currency:
Currency exposure is limited to the value of the underlying securities The portfolio does not engage in currency hedging or use forward contracts or options. We believe it is inappropriate to jeopardize the value added from stock selection by trying to time currency markets.

Ownership:
Fidelity Management & Research Corporation (FMR Corp.), commonly known as Fidelity Investments, is the parent company of Fidelity Management Trust Company (FMTC). Fidelity Investments and its subsidiaries are 100% employee-owned and are privately held companies.

Firm's total assets under management:	$68.3 billion
Tax-exempt assets under management in this product:	$3.2 billion
Number of tax-exempt accounts in this product:	27*
Number of Portfolio Managers on this product:	4
Number of Analysts on this product:	96
Number of Traders on this product:	24

* This number includes 10 separately managed accounts and 17 pool participants.

Largest Accounts:
The following table shows the five largest tax-exempt institutional separate International Growth accounts:

Account Type	Assets (US $Million)
Public	$511.44
Public	$474.98
Public	$450.08
Corporate	$450.02
Corporate	$270.41

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Marvin & Palmer Associates

Name of Product: Marvin & Palmer Non-U.S. Equity

Investment Style:
We combine a top-down approach with bottom-up fundamental research and invest primarily in growth stocks.

Investment Philosophy:
Marvin & Palmer Associates believes that equity returns are driven by a combination of market and fundamental factors. Our investment process addresses both factors through our proprietary relative price strength screen and focused fundamental research.

Investment Process:
Through our proprietary relative price strength screen we analyze regions, countries, sectors, currencies and individual issuers based on relative price movement. Second, we use fundamental analysis to validate or reject the screening output. Third, we construct portfolios by setting country allocations, determining sector and thematic allocations and selecting the stocks.

Country selection/allocation:
When constructing our clients' portfolios, we will overweight those countries that are rated a positive (leading the benchmark) on our relative price strength screen. The degree of overweight depends on our qualitative assessment of the fundamental profile of the country and the companies within that country. Some fundamental factors we consider are:

- Taxation, privatization and deregulation trends
- GDP growth, inflation, interest rate trends, currency policy
- Business/government relationship
- Politics

One of our risk control measures limits maximum and minimum country and regional weightings in the portfolio depending on a country or region's weighting in the benchmark.

Sector selection/allocation:
Industry/sector allocations are determined using the same fundamental and technical analysis used in the country weighting decision. Technical analysis is used to identify the absolute and relative attractiveness of each industry sector as compared to other sectors within the same country or with the same sectors across countries. There may at times be a high concentration in a select number of economic sectors in the portfolio.

Stock selection:
In analyzing companies for investment, Marvin & Palmer generally looks for the following characteristics, among others: positive price strength, above average earnings growth per share; high return on invested capital, a healthy balance sheet; sound financial and accounting policies and overall financial strength; strong competitive advantages; effective research and product development and marketing; efficient customer service; pricing flexibility; effective management; and general operating characteristics that will enable the company to compete successfully. Marvin & Palmer Associates generally considers a company for inclusion in the portfolio if it has been operating for at least three fiscal years.

Portfolio Construction:
Marvin & Palmer Associates publishes and adheres to regional and country, and sector guideline allocation ranges. We use a target number of stocks determined by mandate and a minimum position size (0.5%) to ensure that our portfolio manager's decisions are concentrated and that turnover costs are minimized.

Currency:
Our hedging strategy is done for defensive purposes only. Therefore, we do not target added value through currency selection; but rather intend to offset potential currency losses.

Ownership:
Employees own approximately 90% of the stock of Marvin & Palmer Associates. The additional 10% is owned by individual initial investors.

Firm's total assets under management:	$7.132.0 million
Tax-exempt assets under management in this product:	$4.499.2 million
Number of tax-exempt accounts in this product:	35
Number of Portfolio Managers on this product:	8
Number of Analysts on this product:	5
Number of Traders on this product:	3

Largest Accounts:
(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Public Fund	$1,309.7 million
Public Fund	$ 550.1 million
Public Fund	$ 383.3 million
Public Fund	$ 371.7 million
Corporate	$ 200.7 million

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Delaware International Advisers Ltd.

Name of Product: International Equity

Investment Style: Delaware International is an active value-oriented defensive manager.

Investment Philosophy:
Delaware International is an active value-oriented defensive manager. In the management of international/global equity assets, we invest in securities where rigorous dividend discount analysis identifies value in terms of the long-term flow of income. Our methodology is applied consistently to individual securities across all markets and industries.

Delaware International's investment approach has generated three specific investment goals:

- Provide a rate of return meaningfully greater than the client's domestic rate of inflation.
- Structure client portfolios that preserve capital during protracted international market declines.
- Provide portfolio performance that is less volatile than both benchmark indices and other managers.

Investment Process:
- Value oriented dividend discount methodology toward individual security/market analysis which isolates value across country boundaries.
- Long-term oriented purchasing power parity approach supplemented by shorter-term probability assessment is the cornerstone of on-going currency analysis.
- Extensive world-wide fundamental research with the emphasis on company visits being the central focus of the research process.

Country selection/allocation:
Tied to the security selection is a top-down country allocation overlay that helps to structure Delaware International's equity portfolios. Equity market valuations are based on inflation adjusted dividend discount analysis, coupled with long term purchasing power parity analysis of currencies. The resulting currency and market valuations, together with client objectives and shorter term political and economic factors, are then analyzed with the help of a computer based optimization program, which produces a list of attractive portfolios that bring together the best international value within guidelines set by the client. This optimization helps the firm to choose portfolio allocations at appropriate points along the efficient risk/return frontier.

Sector selection/allocation:
Sector/Industry selection forms a secondary part of Delaware International's portfolio construction process. Levels of all allocations to sectors relative to the benchmark are monitored to ensure prudent diversification, rather than being set at target levels themselves.

Stock selection:
Stock selection is the most important part of Delaware International's equity investment process. Delaware International uses the same dividend discount valuation model of future income streams across all markets, securities and industries Stocks which are significantly mispriced relative to the dividend discount valuation are purchase and sale candidates.

Key to the security selection process is fundamental company analysis and a regular program of visiting current and prospective holdings. Visiting with the management of holdings is extremely important to the investment process. The firm uses forward-looking valuations, and, therefore, the business plans and projections for a company's future are extremely important. This type of forward-looking analysis has helped Delaware International to be ahead of the markets in a number of instances.

Portfolio Construction:
Delaware International equity portfolios contain 35 to 55 issues. Individual securities are equally weighted within the portfolios and generally will not constitute more than 3-4% of a portfolio. Small amounts of fixed income may be held if client objectives permit. Portfolios are generally fully invested cash levels not exceeding 5%.

Currency:
As a defensive measure to protect real returns, Delaware International will hedge a currency when its real exchange rate suggests that it is overvalued. This approach is supplemented by a shorter-term assessment of the key identifiable factors, which result in deviations from purchasing power parity.

Ownership:
Delaware International Advisers Ltd. was founded and SEC registered in 1990. Delaware International is an indirect, wholly-owned subsidiary of Delaware Management Holdings, Inc., a Delaware corporation founded in 1988. Delaware Management Holdings, Inc. is also the parent company of Delaware Investment Advisers and Delaware Management Company. In April 1995, Delaware was acquired by Lincoln National Corporation. Delaware is an indirect, wholly owned subsidiary of Lincoln National Corporation.

Firm's total assets under management:	$13,647
Tax-exempt assets under management in this product:	$9,366
Number of tax-exempt accounts in this product:	54
Number of Portfolio Managers on this product:	17
Number of Analysts on this product:	6
Number of Traders on this product:	2

Largest Accounts:
(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Public Fund	650+
Public Fund	600+
Public Fund	550+
Corporate Fund	500+
Corporate Fund	500+

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Grantham, Mayo, Van Otterloo and Co. LLC (GMO)

Name of Product: GMO International Active Strategy

Investment Style:
Value oriented, active, bottom-up process for stock and country selection.

Investment Philosophy:
The overarching investment philosophy is that the successful hunt for value will lead to the best risk adjusted return for our clients. Through the reasoned combination of quantitative analysis with rigorous fundamental research a structured value portfolio is produced. Asset growth and portfolio turnover are controlled to safeguard value added.

Investment Process:
The International Active division offers a value oriented active management approach to foreign markets. We seek to uncover value in markets and stocks that have been overlooked by the majority of investors. We combine rigorous fundamental research with quantitative analysis to achieve superior returns.

Country selection/allocation:
Country weights are determined by sorting countries on value measures. The first measure of value used is our price to fair value model, a dividend discount model based on an estimate of each country's future GDP growth rate, the current market yield and a discount factor. Other value measures used are the aggregate market price to earnings and price to book ratios. Over- and under-weightings relative to the EAFE Index are determined by a cumulative value score for each country and by input from the portfolio manager responsible for that country. Market valuations change very gradually and excessive turnover is costly to the portfolio. Country selection has accounted for approximately 35% of value added in this division.

Regarding country limitations, GMO would overweight no more than 2x a large country or 10x a small country. GMO would consider underweighting to as low as 0%.

Sector selection/allocation:
Industry and sector weightings are diversified throughout the portfolio but are a reflection of the underlying stock selection and not targeted.

GMO invests no more than 25% of the fund assets in any one industry. There are no *a priori* exclusions of industries.

Stock selection:
Stock selection starts with a disciplined quantitative stock screening process that sorts companies within countries. Well over 4000 stocks in the database are sorted by value measures of price to earnings, price to book, price to cash flow and yield. The principle driver of stock selection is traditional fundamental research by the portfolio managers. The managers have sole responsibility by country. Their attention is focused on the companies that fall in the cheapest 30% of the market on any of these four measures. Their research includes a review of the sector, published company information and analysis, and frequent travel to meet with companies and other knowledgeable market participants. In 2001 the team conducted over 1300 company visits.

All companies outside the U.S. are eligible for inclusion. Exposure to emerging markets will range between 0 and 10%. GMO invests no more than 5% of the portfolio in any one security.

Portfolio Construction:
The portfolios managed by International Active have diversified stock positions and may have, depending on market valuations, aggressive country bets against the EAFE Index. The portfolios may be up to 30% hedged. There is no cross hedging in this product.

Currency:
The Strategy will hedge to 30% of the portfolio to protect its dollar value should foreign currencies weaken against the dollar. Our experience indicates that, in the long run, hedging does not add value. Therefore, we only hedge when circumstances indicate that a dramatic anomaly exists. We are currently unhedged.

Ownership:
GMO is primarily employee owned, with the remainder owned by one of the founding partners. Ownership is shared by GMO's LLC members (partners). Currently there are 39 active members, representing approximately 17% of the total employees at GMO.

All answers as of December 31, 2001.

Firm's total assets under management at:	$22,757 Million
Tax-exempt assets under management in this product:	$6,031 Million
Number of tax-exempt accounts in this product:	77
Number of Portfolio Managers on this product:	4
Number of Analysts on this product:	4
Number of Traders on this product:	3

Largest Accounts:

Client Name/Type	Assets under Management (Millions)
CalPERS	$702
Endowment	$616
State of Connecticut	$572
Private Foundation	$286
Corporate Pension	$258

MINNESOTA STATE BOARD OF INVESTMENT

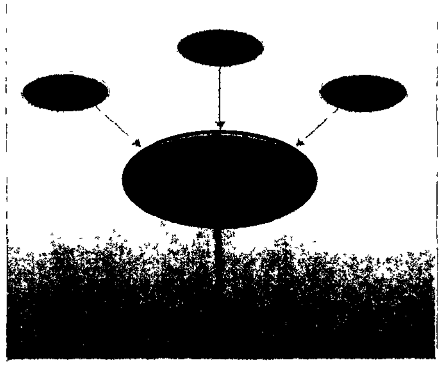
SUMMARY INFORMATION

Firm's Name: Barclays Global Investors

Name of Product: International Alpha Tilts

Investment Style: Large/Mid Cap Active International Equity

Investment Philosophy:
We believe that superior investment outcomes are most reliably achieved through **Total Performance Management** – the management of return, risk, and cost. The International Alpha Tilts investment process systematically exploits equity market inefficiencies to deliver consistent outperformance relative to a stated benchmark, while minimizing uncompensated risks and implementation costs.
The objective of our International Alpha Tilts strategy is to add 1-2% annually relative to the MSCI EAFE Equity Index at less than 2% active risk (measured as the annualized standard deviation of monthly alpha).



Investment Process:
BGI uses a proprietary alpha forecasting model along with an optimization process to select stocks. On a daily basis, this model, called the CoreAlpha model, identifies which sources of equity returns are slightly mispriced by the market. Portfolio managers then structure the portfolio to capture these misvalutations.

Country selection/allocation:
The strategy does not employ any country selection. To minimize unintended bets, the portfolio's country weights are held within a narrow tolerance around their EAFE market-capitalization weights subject to a maximum of +/-1% of the country's weight in the index. Typical over/underweights are closer to +/-0.25%.

Sector selection/allocation:
The strategy does not take bets on sectors, and portfolio exposures in this area are constrained to a narrow range around the index. Exposures are managed to a +/-1% tolerance using Barra industry definitions and BGI defined industries in those cases where the Barra definition is too broad.

Stock selection:
The CoreAlpha model chooses which stocks to "tilt" — over or under weight — where the upper and lower adjustment bounds for each stock's weight in the portfolio are limited to 1% of the stock's benchmark weight. Stocks are evaluated along 4 criteria: earning sustainability, relative value, analyst expectations, management and market signals. A stock in the portfolio but not in the benchmark would not be purchased in a weight greater than 1% of the portfolio.

Portfolio Construction:
We construct and rebalance the portfolios using an optimization process that produces a recommended trade list that will move the current portfolio to the new optimal portfolio. The decision to buy or sell a security from this universe of eligible securities is based solely on whether or not the transaction will improve the portfolio's opportunity to outperform the benchmark, net of transaction costs.

Currency:
BGI views currency hedging as a separate decision from international stock selection. The strategy is valued in US dollars and managed on an unhedged basis. The CoreAlpha model uses data in local currency to predict stock returns, and does not attempt to predict the direction or magnitude of currency returns.

Ownership:
Barclays Global Investors, NA., as a national bank with limited trust powers, is a wholly-owned indirect subsidiary of Barclays Bank PLC. Our parent, Barclays Bank PLC, is wholly-owned by Barclays PLC, a publicly listed holding company based in London, England.
In April 2000, shareholders of Barclays PLC approved the implementation of a BGI stock option plan which would enable equity in BGI UK Holdings Ltd to be granted to senior management of BGI in the form of stock options. Under the terms of the Plan (even when fully implemented over the next five to seven years) Barclays PLC will remain the majority shareholder with at least 80% ownership of BGI UK Holdings, Ltd.

Firm's total assets under management:	**$768.7 B**
Tax-exempt assets under management in this product:	**$28.2 B Globally*** **$5.9 B US-managed†**
Number of tax-exempt accounts in this product:	**26**
Number of Portfolio Managers on this product:	**4**
Number of Analysts on this product:	**8‡**
Number of Traders on this product	**4**

- BGI's stock selection investment model has successfully been applied throughout our global offices and across a variety of global equity benchmarks. Global assets are managed out of BGI's San Francisco, Toronto, London, Tokyo, and Sydney offices.

† San Francisco-based actively managed assets managed to MSCI benchmarks.

‡ US-based analysts. BGI's analysts are not traditional analysts with sector or industry focuses but rather research professionals pursuing research at a level that might normally be described as academic.

Largest Accounts:
Currently, five clients are invested in the International Alpha Tilts strategy separate accounts (please see below). The majority of BGI's clients choose to employ commingled funds.

International Alpha Tilts Separate Accounts

Name/ Client Type	Dollar Amount
Public	$1,027.6 M
Corporate	$386.4 M
Corporate	$275.5 M
Corporate	$106.2 M
Religious Organization	$55.3 M

MINNESOTA STATE BOARD OF INVESTMENT

SUMMARY INFORMATION

Firm's Name: Goldman Sachs Asset Management

Name of Product: CORE^{SM} Structured International

Investment Style: Top-down market views and bottom-up stock selection.

Investment Philosophy:
CORE Structured International is based on four beliefs:

- **Markets are competitive, but not entirely efficient.** Capitalizes on market inefficiencies by adding value through stock selection and eliminating unintended bets.
- **A portfolio benefits from having a number of uncorrelated sources of return.** Top-down market views and bottom-up stock selection can result in higher alphas with less risk.
- **A combination of qualitative and quantitative insights enhances results.** Combining quantitative and qualitative approaches leverages their benefits while offsetting their shortcomings.
- **Rigorous risk management adds value.** Our proprietary model allocates risk to our investment criteria, while managing other risks and reacting swiftly to market conditions.

Investment Process:
The CORE investment process combines traditional fundamental analysis with sophisticated quantitative modeling while carefully managing the risk in our portfolios. The CORE process aims to outperform a given index by overweighting stocks, countries and currencies that are more likely to beat the benchmark, while underweighting stocks, countries and currencies we believe will lag the index.

The portfolio risk management process includes an effort to monitor and manage risk, but should not be confused with and does not imply low risk.

Country selection/allocation:
We forecast the returns of 23 stock markets and 11 currencies on a daily basis. The models are based upon several investment themes: **Valuation**, **Momentum**, **Macroeconomic Policy** and **Risk Premium**. Valuation looks at equity markets and currencies to determine which appear cheap relative to accounting measures. The Momentum factor favors those that have had strong recent outperformance. Macroeconomic Policy assesses whether there is a supportive interest rate environment and expansive economic opportunities. Risk Premium evaluates whether a country is overcompensating investors for political and financial risk.

Optimal active country and currency weights are determined after accounting for historical returns, correlations and estimated implementation costs. The strategy attempts to add value by actively managing exposures to international stock markets and currencies. The models use both time-series and cross-sectional comparisons. We seek to outperform a benchmark index by overweighting markets we find most attractive and underweighting markets that appear least attractive.

Sector selection/allocation:
We seek to add value from stock selection rather than sector rotation strategies or market timing. With our daily, proprietary risk models, we are able to concentrate the risk we take in areas where we feel we will be compensated and avoid sources of risk that do not appear to be sources of return as well. As a result, we typically construct portfolios to have sector and industry exposures, size and style characteristics that are very similar to their respective benchmarks.

Stock selection:
We forecast expected returns for approximately 3,500 stocks on a daily basis. Stock return forecasts are determined using proprietary models. Models are based on four investment themes—**Momentum**, **Valuation**, **Fundamental Research** and **Stability**. Momentum measures the firm's recent market performance. Stocks with strong momentum are expected to outperform those with poor momentum. Valuation, attempts to capture potential mispricings of securities, typically by comparing a measure of the firm's financial health to its market value. The Fundamental Research theme examines how Wall Street analysts view the current trends in a company's earnings and prospects, and how these patterns change over time. Finally, Stability looks at indicators of earnings and price stability, where less risky stocks are preferred to more risky alternatives. Each theme is a composite of a number of signals (for example, Valuation includes P/B ratio comparisons). Signals are industry neutral and are adjusted for comparability across countries.

Portfolio Construction:
We use computer optimization for portfolio construction. A potential benefit is that we optimize by region rather than as a single portfolio. This gives us increased control over unintended active exposures to industries and risk factors. We effect this using GSAM proprietary daily models along with BARRA models.

Currency:
Currency return forecasts are determined using models developed by the Quantitative Strategy Group and are based on our investment themes. Optimal active country and currency weights are determined after accounting for historical returns and correlations, as well as estimated implementation costs. The models forecast currency returns using both time-series and cross-sectional comparisons.

Ownership:
In May of 1999, GS&Co.'s principal owner, The Goldman Sachs Group, L.P. ("Group LP") and its general partner merged into The Goldman Sachs Group. Inc. ("GSG Inc.") in connection with an initial public offering of shares of GSG Inc. GSG Inc. has succeeded to all of the assets and liabilities of Group LP and its general partner. Upon the merger of Group LP into GSG Inc., GSG Inc. became the parent company of the Goldman Sachs group of companies None of our other operating companies were changed as a result of this merger or the initial public offering of shares. As of September 1, 1999, the Investment Management Division was established as a new operating division of Goldman, Sachs & Co. This newly formed entity includes Goldman Sachs Asset Management, which was founded in 1988 and has been providing discretionary investment advisory services since 1989.
As of January 11, 2002, GS&Co. employees, including former partners, now own approximately 62% of GSG Inc.

(As of 12/31/01)

Firm's total assets under management:	$306,013.7 MM
Tax-exempt assets under management in this product:	$1,720.8 MM
Number of tax-exempt accounts in this product:	13
Number of Portfolio Managers on this product:	13*
Number of Analysts on this product:	4*
Number of Traders on this product:	4*

* Includes Vice Presidents and above from both the Global Quantitative Equity and Quantitative Strategy Teams. The trading and portfolio management functions in the Global Quantitative Equity Group are combined, so our Portfolio Managers have Trading responsibilities and vice versa.

Largest Accounts:
(List the name and/or type and dollar amount of the firm's five largest tax-exempt institutional separate accounts for the product being considered.)

Client Type	**Acct. Size (12/31/01)**
Public	339.6 MM
Public	250.0 MM
Public	250.0 MM
Private	147.8 MM
Private	147.8 MM

STATE BOARD OF INVESTMENT

Stock Manager Evaluation Reports

First Quarter, 2002

COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending March, 2002

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market	
	Actual %	**Bmk %**	**Actual %**	**Bmk %**	**Actual %**	**Bmk %**	**Actual %**	**Bmk %**	**Actual %**	**Bmk %**	**Value (in millions)**	**Pool %**
Active Managers												
Alliance Capital	-3 7	-2 0	-2 4	-1 7	-3 6	-4 0	16 2	12 0	17 5	12 9	$903 5	4 6%
Cohen, Klingenstein & Marks	-4 0	1 6	-16 2	4.8	-8 6	-0 9	8 4	11 1	13 6	14 3	$618 8	3 2%
Forstmann-Leff	-2 7	4 9	-6 5	9 1	-1 7	12 3	13.1	14 7	13 6	13.3	$655 2	3 4%
Franklin Portfolio	3 7	2 8	4 6	5 4	6 4	3 2	12 8	11 6	14 2	13 2	$650 5	3 3%
GeoCapital	-1 0	-0 9	-8 6	8 1	-3 4	5 0	4 1	5 9	9 8	11 3	$653 0	3 3%
Lincoln	-1 0	-1 9	-2 1	2 1	-14 4	-9 8	4 1	8 5	10 4	12 6	$577 2	3 0%
New Amsterdam Partners	1 6	2 6	4 4	17 2	9 3	12 4	17 4	17 3	17 1	17 3	$351 0	1 8%
Oppenheimer	0 6	2 6	-0 3	-1 3	3 9	4 3	12 5	13 8	15 6	14 9	$695 1	3 6%
UBS Global	3 0	1 3	10 8	2 7	1 4	2 3	8 5	11 0	12 7	13 0	$709 2	3 6%
Emerging Managers (2)	2 1	3 8	7 2	14 3	2 4	9 7	12 9	16 3	14 4	17 3	$755 4	3 9%
Semi-Passive Managers												
Barclays Global Investors	0 8	0 5	5 2	4 0	-3 0	-4 8	8 0	7 7	13 9	13 2	$2,422 3	12 4%
Franklin Portfolio	0 4	0 5	3 8	4 0	-4 3	-4 8	7 3	7 7	12 8	13 2	$1,861 9	9 5%
JP Morgan	0 6	0 5	3 1	4 0	-3 9	-4 8	8 3	7 7	13 7	13 2	$2,169 8	11 1%
Passive Manager												
Barclays Global Investors	0 9	0 8	1 9	2 0	-1 6	-1 9	9 8	9 5	12 6	12 3	$6,521 1	33 4%
									Since 1/1/84			
Current Aggregate	0 4	0 9	1.8	3 8	-1 9	-1 4	10 7	9 9	14 7	12 4	$19,543 9	100 0%
Historical Aggregate (3)	**0.4**	**0.9**	**1.8**	**3.8**	**-2.2**	**-1.6**	**9.3**	**9.7**	**12.9**	**13.2**		
Wilshire 5000 Investable (4)		0 8		2 0		-2 2		9 3		13 1		
Wilshire 5000		1 0		2 5		-1 6		9 8		13 4		

(1) Since retention by the SBI Time period varies for each manager
(2) Aggregate of emerging manager group The benchmark reflects a composite of the individual manager customized benchmarks since inception of the program on 4/1/94
(3) Includes the performance of terminated managers
(4) Restated to incorporate the Wilshire 5000 Investable Index beginning 7/1/99
From 11/1/93 to 6/30/99, the target was the Wilshire 5000 as reported with no adjustments
Prior to 11/1/93, the Wilshire 5000 was adjusted to reflect SBI mandated restrictions, which included liquor and tobacco, American Home Products and South Africa

ALLIANCE CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Jack Koltes | **Assets Under Management: $903,502,403**

Investment Philosophy

Alliance searches for companies likely to experience high rates of earnings growth, on either a cyclical or secular basis. Alliance invests in a range of medium to large growth and cyclically sensitive companies. There is no clear distinction on the part of the firm as to an emphasis 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.

Staff Comments

Staff met with Alliance in our office during the quarter to review the portfolio and benchmark and discuss recent performance. Alliance underperformed the benchmark over the past quarter and year. During the quarter, an underweight to industrials combined with poor stock selection in the sector hurt relative performance.

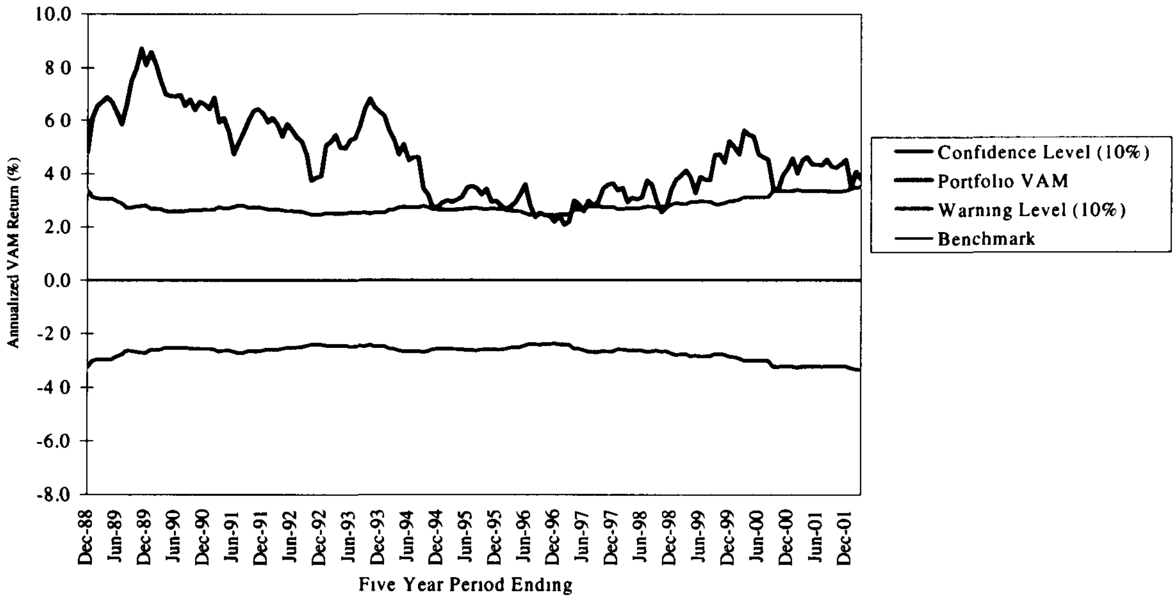
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-3.7%	-2.0%
Last 1 year	-2.4	-1.7
Last 2 years	-18.1	-16.6
Last 3 years	-3.6	-4.0
Last 4 years	5.8	3.4
Last 5 years	16.2	12.0
Since Inception (1/84)	17.5	12.9

Recommendation

No action required.

ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM



COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending March, 2002

Portfolio Manager: George Cohen | **Assets Under Management: $618,785,455**

Investment Philosophy

Cohen Klingenstein & Marks Inc. (CKM) 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 CKM exploits short run inefficiencies through an unbiased process that relates the price of a stock to the consensus earnings expectations

Staff Comments

Staff visited Cohen in their New York office during the quarter to review the portfolio and benchmark and discuss recent results Cohen's underperformance over the past quarter and year is largely attributable to poor stock selection, concentrated within the technology and telecommunications sectors Cohen was early to overweight these sectors in early 2001, which also detracted from relative performance.

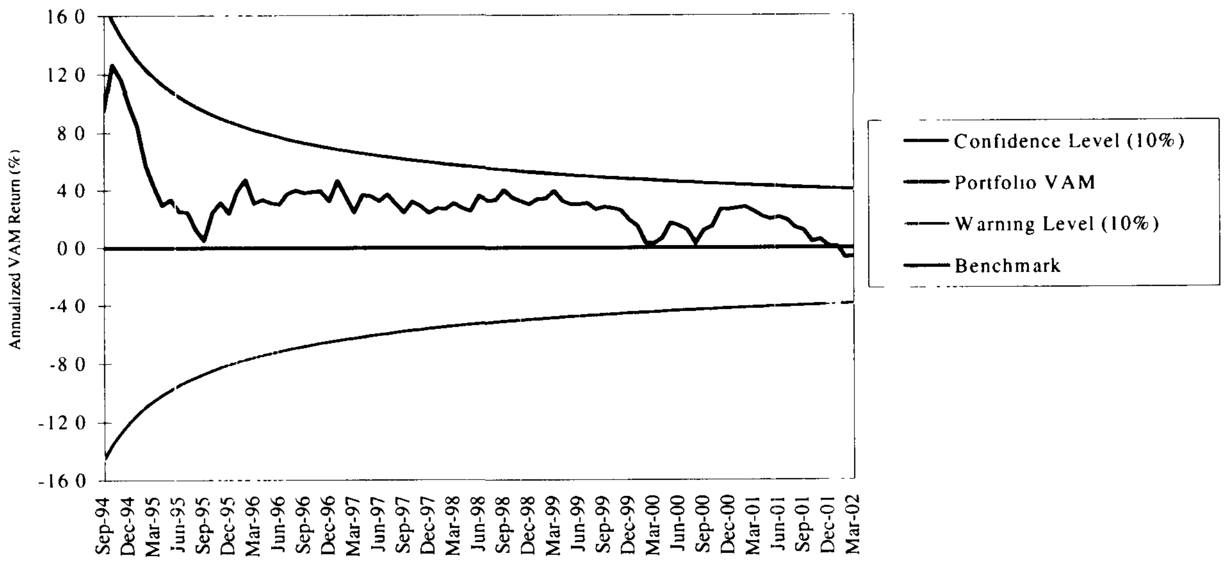
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-4 0%	1.6%
Last 1 Year	-16 2	4 8
Last 2 Years	-18 2	-15.5
Last 3 Years	-8 6	-0.9
Last 4 Years	-0.5	3 9
Last 5 Years	8.4	11.1
Since Inception (4/94)	13 6	14.3

Recommendation

No action required.

COHEN KLINGENSTEIN & MARKS
Cumulative Tracking



FORSTMANN-LEFF ASSOCIATES
Periods Ending March, 2002

Portfolio Manager: Bill Harnisch | **Assets Under Management: $655,177,528**

Investment Philosophy

Forstmann-Leff is a classic example of a "rotational" manager. The firm focuses initially 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.

Staff Comments

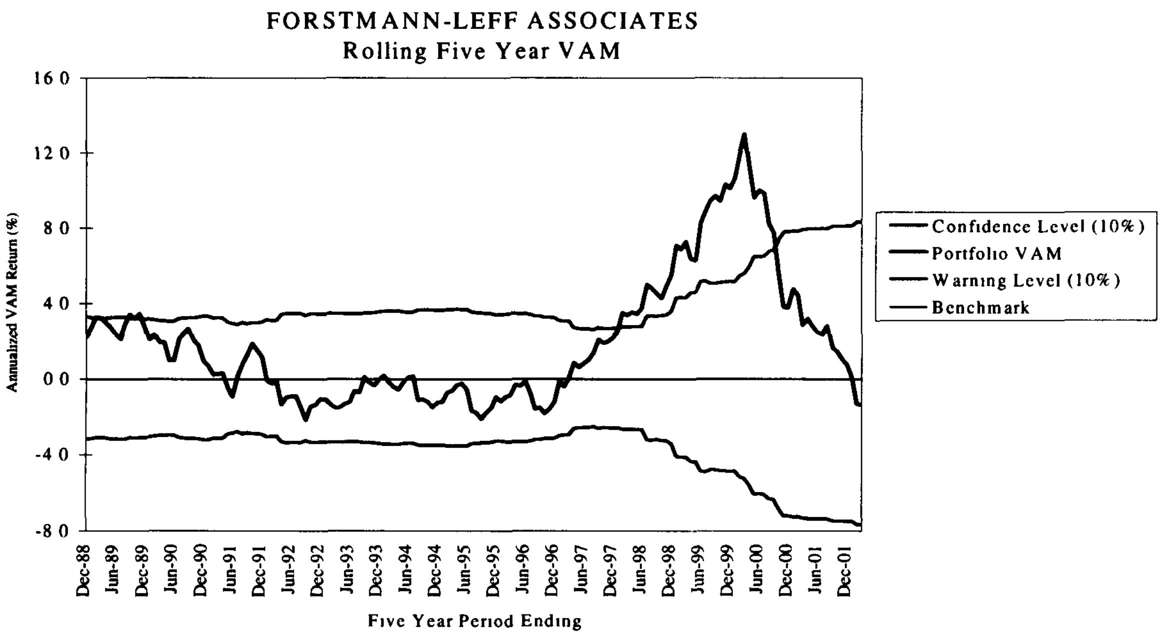
Staff visited Fortsmann in their New York office during the quarter to review the portfolio and benchmark and discuss recent performance and future strategy. Forstmann underperformed the benchmark during the quarter on poor stock selection in the technology and consumer discretionary sectors. Individual stocks that caused most of the shortfall include Computer Associates, AOL Time Warner, and eBay. Underperformance over the past year is largely the result of poor technology stock selection and a growth tilt in the portfolio relative to the benchmark.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.7%	4.9%
Last 1 year	-6.5	9.1
Last 2 years	-22.1	5.3
Last 3 years	-1.7	12.3
Last 4 years	4.7	9.5
Last 5 years	13.1	14.7
Since Inception (1/84)	13.6	13.3

Recommendation

No action required.



FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2002

Portfolio Manager: John Cone **Assets Under Management: $650,547,544**

Investment Philosophy
Active

Franklin believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Franklin builds a portfolio by using a series of more than 30 integrated computer models that value a universe of 3500 stocks Their models rank each security based on fundamental momentum, relative value, future cash flow, and supplementary models, then a composite ranking provides one ranked list of securities reflecting their relative attractiveness. Stocks that fall below the median ranking are sold and proceeds reinvested in stocks from the top deciles in the ranking system. Franklin uses the BARRA E3 risk model to monitor the portfolio's systematic risk and industry weightings, relative to the selected benchmark, to achieve a residual risk of 4 0 to 4.5 percent for the active portfolio.

Staff Comments

Franklin beat the benchmark for the quarter but underperformed for the year During the quarter, weak stock selection in consumer discretionary and telecommunications was more than offset by strong stock selection in technology, healthcare, and energy.

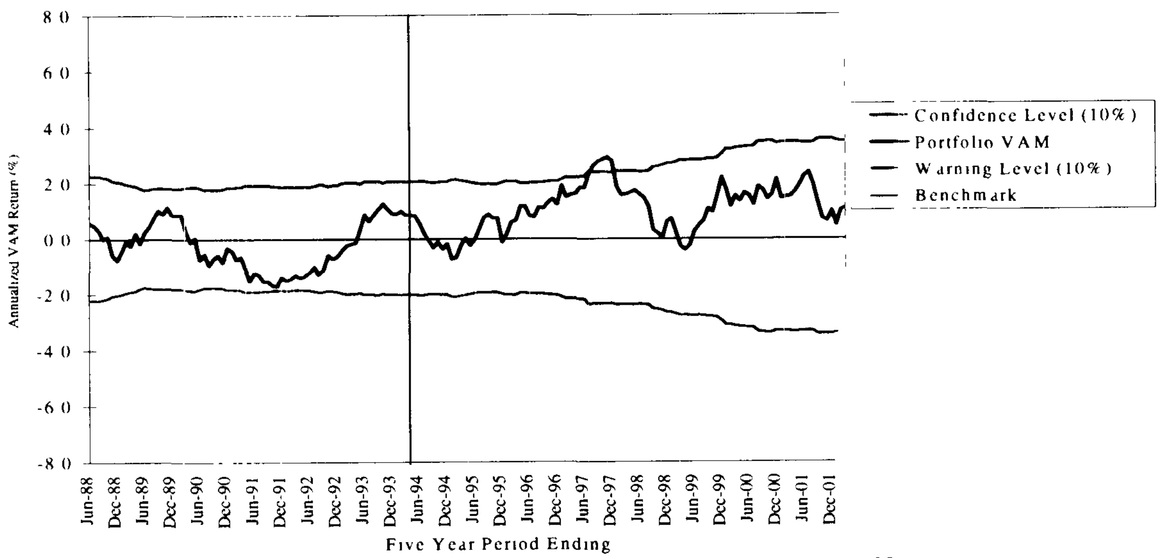
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3 7%	2.8%
Last 1 year	4.6	5.4
Last 2 years	-2 0	-2.5
Last 3 years	6.4	3 2
Last 4 years	4.9	4.4
Last 5 years	12 8	11.6
Since Inception (4/89)	14.2	13 2

Recommendation

No action required

FRANKLIN PORTFOLIO ASSOCIATES - Active
Rolling Five Year VAM



Note Area to the left of vertical line includes performance prior to retention by the SBI

GEOCAPITAL CORP.
Periods Ending March, 2002

Portfolio Manager: Barry Fingerhut | **Assets Under Management: $652,970,609**

Investment Philosophy

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 special situation areas of the market. In the growth/technology area, GeoCapital looks for companies that will have above average growth due to good product development and limited competition. In the special situation area, the key factors are corporate assets, free cash flow, and a catalyst that will cause a positive change in the company. The firm generally stays fully invested, with any cash positions due to a lack of attractive investment opportunities.

Staff Comments

Staff visited Geo in their New York office during the quarter to review the portfolio and benchmark and discuss recent performance. Geo performed in line with the benchmark over the quarter but has significantly lagged over the past year. During the quarter, poor stock selection in industrials was offset by overweights to energy and financials and strong results in technology. The past year's shortfall can be attributed to the technology sector, both an underweight and poor stock selection.

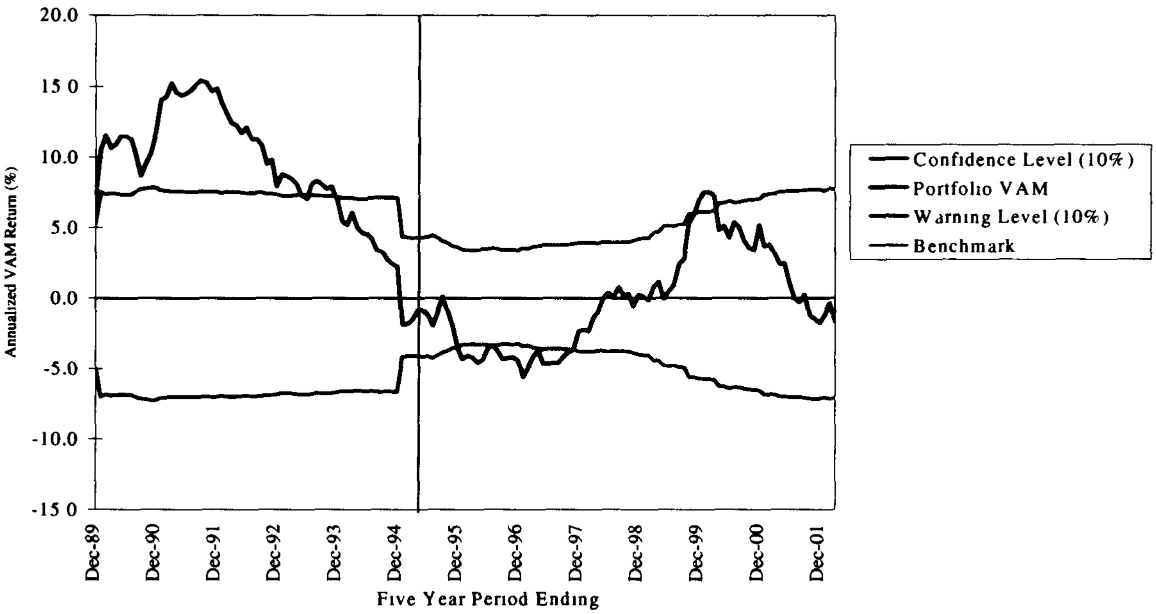
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.0%	-0.9%
Last 1 year	-8.6	8.1
Last 2 years	-29.1	-11.7
Last 3 years	-3.4	5.0
Last 4 years	-5.2	-1.4
Last 5 years	4.1	5.9
Since Inception (4/90)	9.8	11.3

Recommendation

No action required.

GEOCAPITAL CORP.
Rolling Five Year VAM



Note: Scale differs from other VAM graphs.
Area to the left of vertical line includes performance prior to retention by the SBI.

LINCOLN CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: David Fowler | **Assets Under Management: $577,229,364**

Investment Philosophy

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.

Staff Comments

Lincoln outperformed for the quarter but remains behind the benchmark for the year and all other time periods. During the quarter, poor stock selection in consumer discretionary and industrials was offset by positive selection in technology, healthcare, and financials. Over the past year, a mix of negative sector allocations and stock selection, particularly within retail and energy caused the shortfall to the benchmark. Longer term results continue to be tainted by Lincoln's underperformance in the technology sector in 2001.

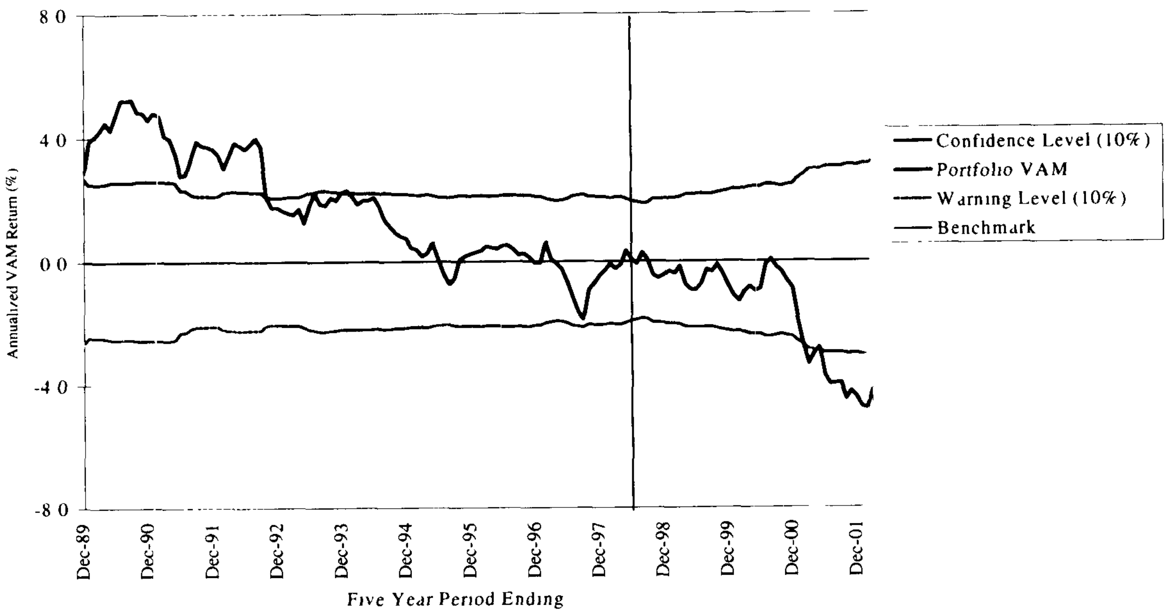
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.0%	-1.9%
Last 1 year	-2.1	2.1
Last 2 years	-28.2	-23.7
Last 3 years	-14.4	-9.8
Last 4 years	-4.3	-0.8
Last 5 years	4.1	8.5
Since Inception (7/93)	10.4	12.6

Recommendation

No action required

LINCOLN CAPITAL MANAGEMENT - Domestic Equity
Rolling Five Year VAM



Note: Area to the left of vertical line includes performance prior to retention by the SBI

NEW AMSTERDAM PARTNERS
Periods Ending March, 2002

Portfolio Manager: Michelle Clayman | **Assets Under Management: $351,018,576**

Investment Philosophy

New Amsterdam Partners believes 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.

Staff Comments

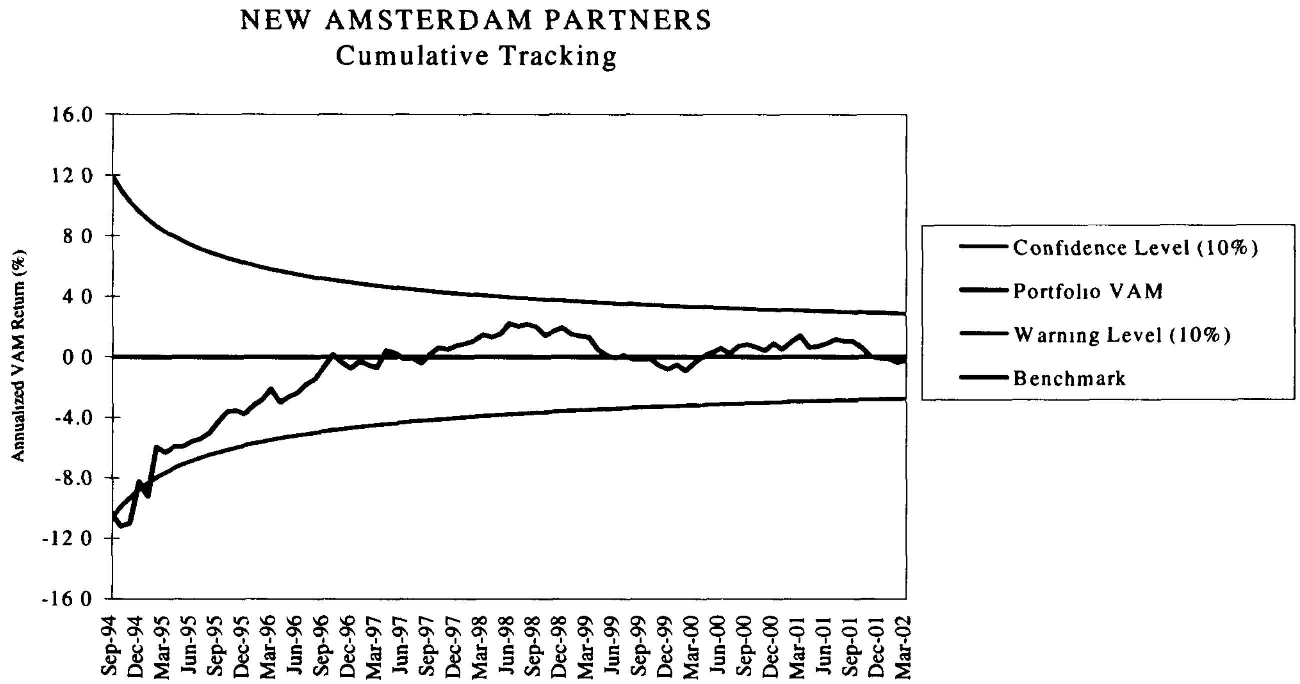
Staff visited New Amsterdam in their New York office during the quarter to review the portfolio and benchmark and discuss recent performance. New Amsterdam underperformed for the quarter but is well below the benchmark for the year due to poor results in the fourth quarter. During the quarter, very strong healthcare stock selection was offset by poor selection in utilities, industrials, consumer staples, and technology.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.6%	2.6%
Last 1 Year	4.4	17.2
Last 2 Years	1.3	1.0
Last 3 Years	9.3	12.4
Last 4 Years	8.8	11.0
Last 5 Years	17.4	17.3
Since Inception (4/94)	17.1	17.3

Recommendation

No action required.



OPPENHEIMER CAPITAL
Periods Ending March, 2002

Portfolio Manager: John Lindenthal | **Assets Under Management: $695,097,319**

Investment Philosophy

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 and by making timely changes in the asset mix Oppenheimer focuses on five key variables when evaluating companies: management, financial strength, profitability, industry position, and valuation

Staff Comments

Oppenheimer underperformed for the quarter but remains ahead of the benchmark over the past year. During the quarter, strong technology stock selection and an underweight to the sector was offset by weak stock selection across several other sectors, most notably telecommunications.

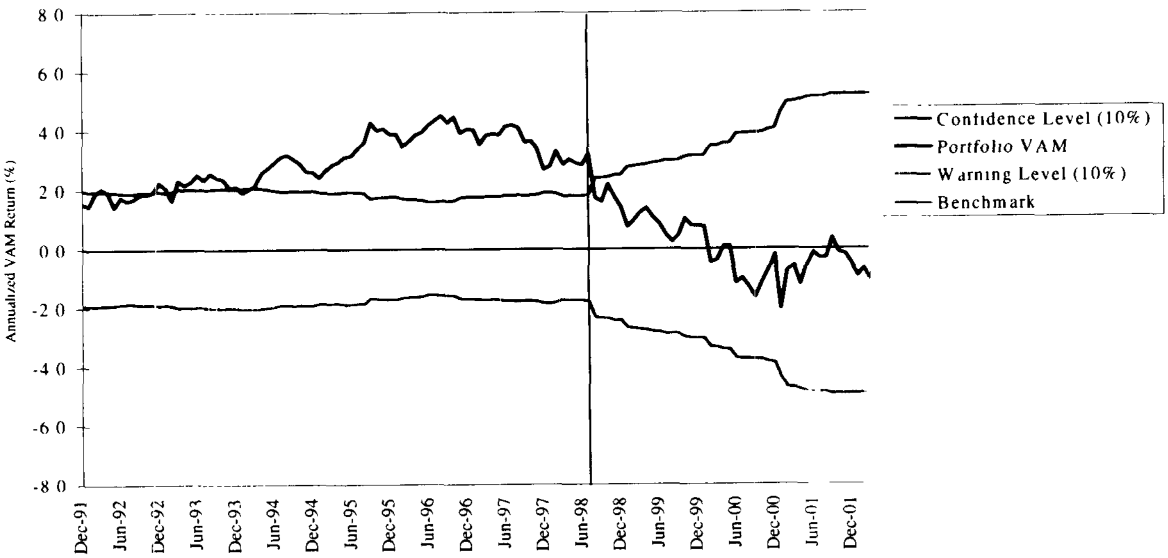
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	2.6%
Last 1 year	-0.3	-1 3
Last 2 years	1.3	-1 2
Last 3 years	3 9	4.3
Last 4 years	4 9	6.7
Last 5 years	12.5	13.8
Since Inception (7/93)	15 6	14.9

Recommendation

No action required

OPPENHEIMER CAPITAL
Rolling Five Year VAM



Note Area to the left of vertical line includes performance prior to retention by the SBI

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2002

Portfolio Manager: John Leonard | **Assets Under Management: $709,163,617**

Investment Philosophy

UBS uses a relative value approach to equity investing. They believe that the market price will ultimately reflect the present value of the cash flows the security will generate for the investor. They focus on a bottom-up stock selection process to provide insight into finding opportunistic investments. UBS uses their own discounted free cash flow model as their primary analytical tool for estimating the intrinsic value of a company.

Staff Comments

Brinson Partners changed their name to UBS Global Asset Management to unify all asset management affiliates of UBS AG under the same brand. UBS beat the benchmark during the quarter, primarily from an overweight in the industrials sector combined with strong stock selection in industrials and consumer discretionary. An underweight in the technology sector and a tilt towards value and midcap also contributed to relative performance. UBS beat the benchmark by a wide margin over the past year on positive stock selection in healthcare, energy, telecommunications, and an underweight in technology.

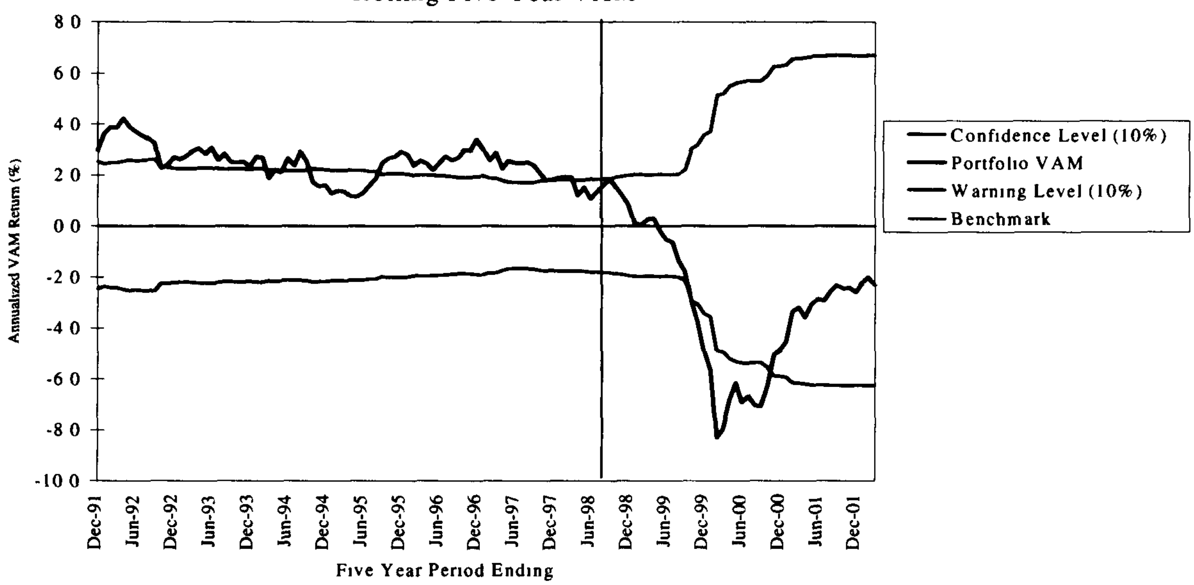
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.0%	1.3%
Last 1 year	10.8	2.7
Last 2 years	10.6	-9.2
Last 3 years	1.4	2.3
Last 4 years	1.1	3.4
Last 5 years	8.5	11.0
Since Inception (7/93)	12.7	13.0

Recommendation

No action required.

UBS GLOBAL ASSET MANAGEMENT, INC.
Rolling Five Year VAM



Note Area to the left of vertical line includes performance prior to retention by the SBI

BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2002

Portfolio Manager: Rhonda Vitanye **Assets Under Management: $2,422,320,715**

Investment Philosophy
Semi-Passive

The Core Alpha Model desegregates individual equity returns for each of the 3500 stocks in their universe into fundamental, expectational, and technical components. 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 then calculated and are used in a portfolio optimization algorithm to identify the optimal portfolio.

Staff Comments

Staff met with BGI in our office during the quarter to review their investment process and our portfolio. BGI outperformed the benchmark during the quarter on strong stock selection and positive industry allocations. BGI beat the benchmark over the past year on strong stock selection.

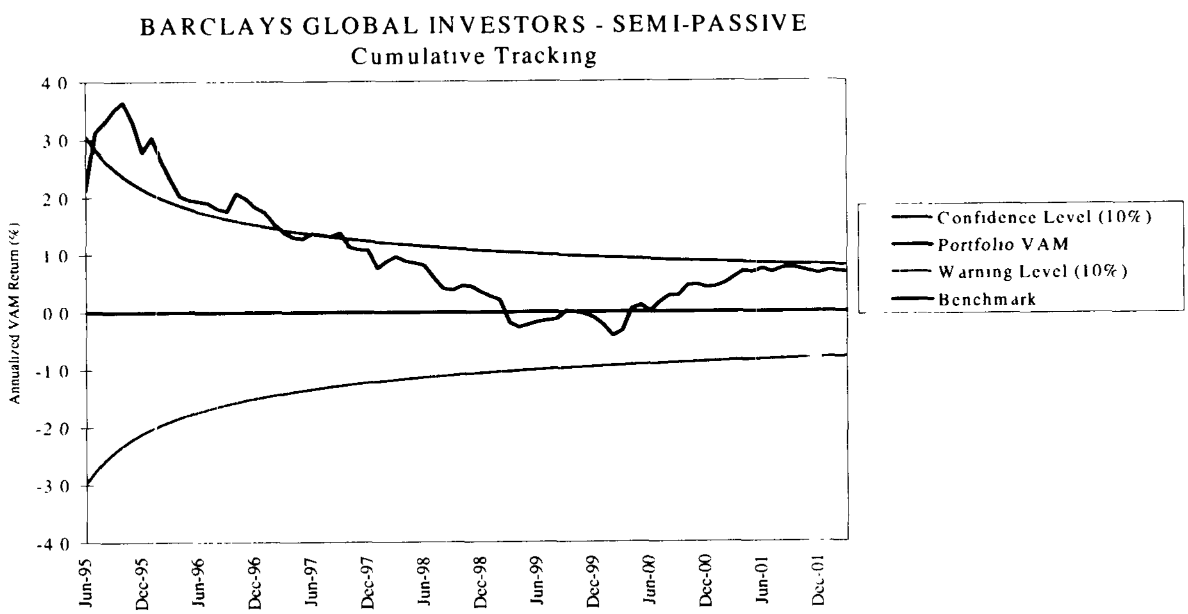
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.8%	0 5%
Last 1 year	5.2	4.0
Last 2 years	-10.7	-13.5
Last 3 years	-3.0	-4 8
Last 4 years	-0.3	-0.7
Last 5 years	8 0	7.7
Since Inception (1/95)	13.9	13.2

* Completeness Fund

Recommendation

No action required



FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending March, 2002

Portfolio Manager: John Cone **Assets Under Management: $1,861,864,263**

Investment Philosophy
Semi-Passive

Franklin believes that rigorous and consistent application of fundamentally based valuation criteria will produce value added investment returns. Franklin builds a portfolio by using a series of more than 30 integrated computer models that value a universe of 3500 stocks. Their models rank each security based on fundamental momentum, relative value, future cash flow, and supplementary models. A composite ranking then provides one ranked list of securities reflecting their relative attractiveness. Stocks that fall below the median ranking are sold, and proceeds are reinvested in stocks from the top deciles in the ranking system. They use the BARRA risk model to monitor the portfolio's systematic risk and industry weightings relative to the selected benchmark. For this semi-passive mandate, they seek to achieve a residual risk of 1.5% or less. The firm remains fully invested at all times.

Staff Comments

Franklin slightly underperformed over the past quarter and year. During the quarter poor stock selection was offset somewhat by positive sector allocations. A position in Tyco also hurt Franklin during the quarter. Over the past year returns from sector allocations were negative while returns to stock selection were positive.

Quantitative Evaluation

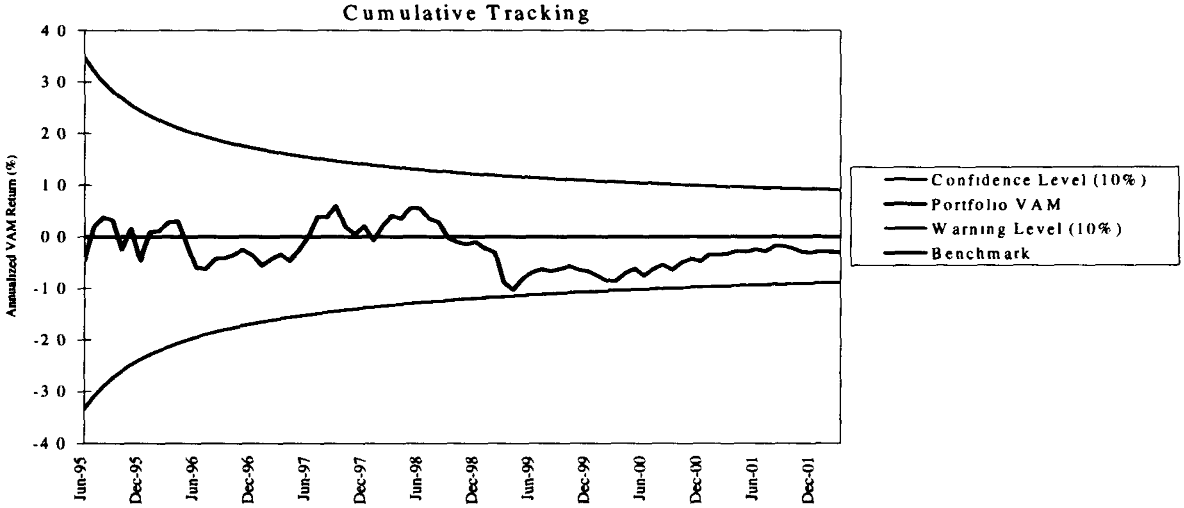
	Actual	Benchmark*
Last Quarter	0.4%	0.5%
Last 1 year	3.8	4.0
Last 2 years	-12.5	-13.5
Last 3 years	-4.3	-4.8
Last 4 years	-1.6	-0.7
Last 5 years	7.3	7.7
Since Inception (1/95)	12.8	13.2

* Completeness Fund

Recommendation

No action required.

FRANKLIN PORTFOLIO ASSOCIATES - SEMI-PASSIVE
Cumulative Tracking



J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending March, 2002

Portfolio Manager: Tim Devlin **Assets Under Management: $2,169,760,669**

Investment Philosophy
Semi-Passive

J.P Morgan 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 the earnings and dividends for the 650 stock universe and enter them 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 sectors. The most undervalued stocks are placed in the first quintile The portfolio includes stocks from the first four quintiles, always favoring the highest ranked stocks whenever possible. Stocks in the fifth quintile are sold. In addition, the portfolio closely approximates the sector, style, and security weightings of the index chosen by the plan sponsor. The firm remains fully invested at all times.

Staff Comments

Staff visited JP Morgan in their New York office during the quarter to review the portfolio and discuss recent performance. The firm appointed Helge Skibeli head of US equity research Helge had been deputy head of equity research and replaces Tom Luddy, who will return to portfolio management JP Morgan beat the benchmark during the quarter but remains behind for the past year. Stock selection in the quarter was positive in technology, financials, energy, and utilities offset somewhat by poor selection within industrials, consumer discretionary, and telecommunications. Underperformance for the past year is the result of poor stock selection concentrated in the industrial, retail, and telecommunications sectors

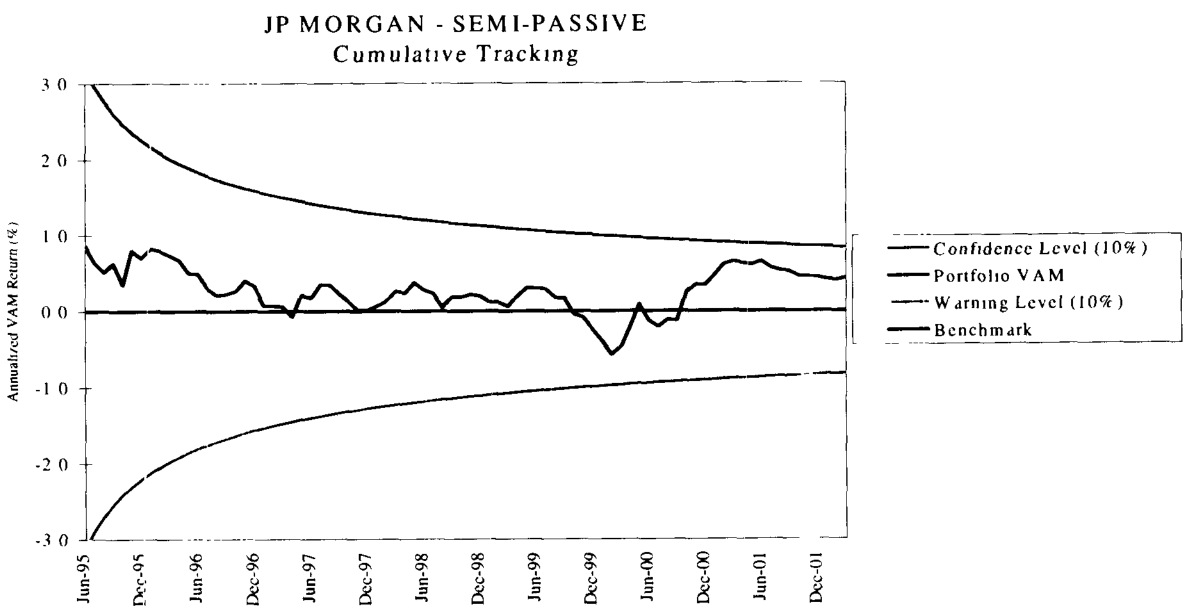
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.6%	0.5%
Last 1 year	3.1	4.0
Last 2 years	-11 1	-13.5
Last 3 years	-3.9	-4.8
Last 4 years	-0 2	-0.7
Last 5 years	8.3	7 7
Since Inception (1/95)	13.7	13 2

* Completeness Fund

Recommendation

No action required



BARCLAYS GLOBAL INVESTORS
Periods Ending March, 2002

Portfolio Manager: Amy Schioldager **Assets Under Management: $6,521,051,534**

Investment Philosophy
Passive

Barclays Global Investors passively manages the portfolio against the Wilshire 5000 Investable by minimizing tracking error and trading costs, and maximizing control over all investment and operational risks. Their strategy is to invest across the broad market while excluding smaller, illiquid securities from the investment universe. An optimized approach is taken to security selection. The optimizer weighs the cost of a trade against its contribution to expected tracking error to determine which trades should be executed.

Staff Comments

BGI slightly beat the benchmark over the quarter but trailed over the past year. During the quarter, a modest technology underweight contributed to positive performance.

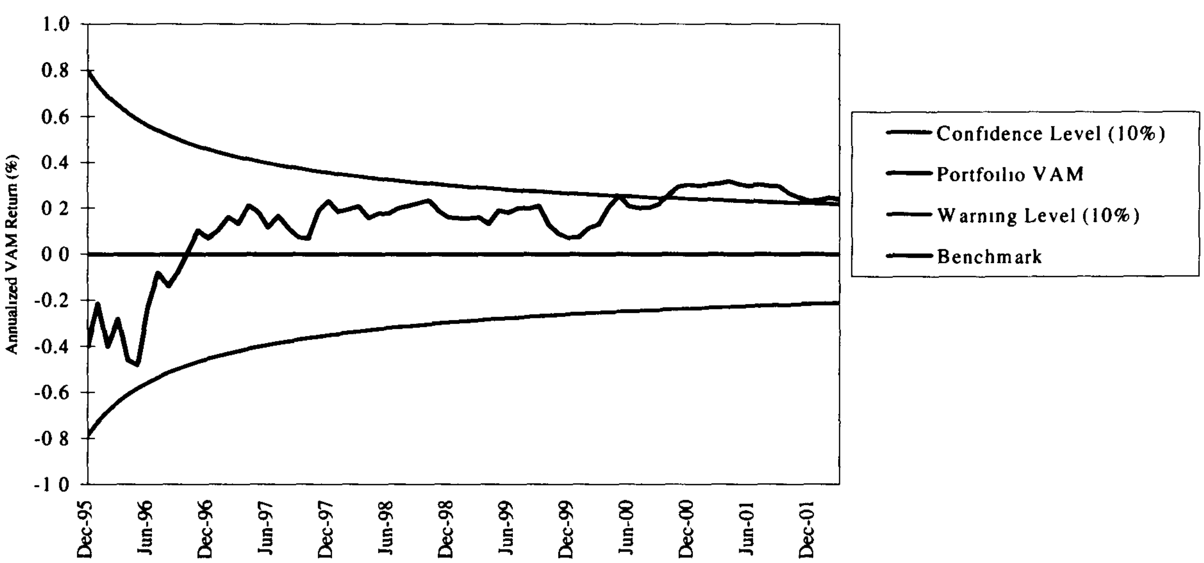
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.9%	0.8%
Last 1 year	1.9	2.0
Last 2 years	-12.2	-12.6
Last 3 years	-1.6	-1.9
Last 4 years	1.9	1.6
Last 5 years	9.8	9.5
Since Inception (7/95)	12.6	12.3

Recommendation

No action required.

BARCLAYS GLOBAL INVESTORS - PASSIVE
Cumulative Tracking



STATE BOARD
OF INVESTMENT

Emerging Stock Manager Evaluation Reports

First Quarter, 2002

COMBINED RETIREMENT FUNDS
EMERGING EQUITY MANAGERS
Periods Ending March, 2002

	Quarter		1 Year		3 years		5 Years		Since Inception (1)		Market	
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Value (in millions)	Pool %
Active Managers												
Artemis	1.9	4.1	14.7	23 9					-9.9	3.8	$41.9	5.6%
Bay Isle Financial	2.2	3.7	4 1	5 9					1.4	3 1	$51.2	6.8%
Earnest Partners	-0.8	6.5	3 1	24 1					-4.3	18.8	$46 6	6 2%
Holt-Smith & Yates	-3 6	4.3	8.6	18 3					-6.9	3 8	$44 7	5 9%
Next Century Growth	-6 3	-1.7	-0 6	17.4					-27 5	-15 4	$28 8	3.8%
Peregrine Capital	15 4	10 3	29 9	32.5					30 9	30.3	$146 2	19 4%
Valenzuela Capital	7.6	8.2	4.9	15.8	4 8	11 6	8 2	12.3	12.9	14 2	$79 2	10 5%
Voyageur-Chicago Equity	0 6	3.4	-0 4	6.8					-8.1	-9.4	$43 7	5.8%
Winslow-Small Cap	0 5	1.1	16 6	20 0					-9 2	-8 3	$148 4	19.7%
Zevenbergen Capital	-6.2	-1 4	-6.5	1 7	-13 0	5.6	10 8	16 2	12 7	17 0	$124 5	16.5%
											$755.4	**100.0%**
									Since 4/1/94			
Current Aggregate	2.1	3.8	8 8	16.1	3.0	12.0	15 1	16.9	16.2	17.2		
Historical Aggregate (2)	**2.1**	**3.8**	**7.2**	**14.3**	**2.4**	**9.7**	**12.9**	**16.3**	**14.4**	**17.3**		

(1) Since retention by the SBI. Time period varies for each manager.

(2) Includes the performance of terminated managers

ARTEMIS INVESTMENT MANAGEMENT, LLC

Periods Ending March, 2002

Portfolio Manager: Joyce Capuano **Assets Under Management: $41,940,541**

Investment Philosophy

Artemis believes that excess rates of return above benchmark indices are derived from investments in companies that initiate and embrace change in their businesses. They want to identify those small cap companies that they believe (1) have catalysts that can accelerate future earnings and cash flow growth rates; and (2) are attractively valued relative to their respective peer groups. In order to implement their investment philosophy, they use relative value analysis, which is a bottom-up, stock picking approach driven by fundamental research and frequent meetings with company managements. The portfolio is diversified in terms of growth rates and opportunities for exposure in all economic sectors.

Staff Comments

Staff visited Artemis in their New York office during the quarter to review the portfolio and benchmark and discuss recent performance. Artemis underperformed the benchmark over the quarter on poor stock selection in consumer discretionary, consumer staples, and energy offset somewhat by positive selection in healthcare, industrials, and technology. Over the past year, a mix of poor sector allocation and stock selection lead to disappointing relative performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.9%	4.1%
Last 1 Year	14.7	23.9
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-9.9	3.8

Recommendation

No action required.

VAM Graph will be drawn for period ending 6/30/02.

BAY ISLE FINANCIAL CORP.
Periods Ending March, 2002

Portfolio Manager: William Schaff | **Assets Under Management: $51,211,934**

Investment Philosophy

Bay Isle Financial believes that companies with strong fundamentals and management will outperform and that these companies can be found at a discount to fair value. To capitalize on these ideas, they perform rigorous fundamental analysis on cash flow growth and balance sheet strength and evaluate a company's business, major competitors and management strength. Bay Isle closely monitors risk levels relative to the benchmark and the portfolio is diversified across most industry sectors.

Staff Comments

Bay Isle trailed the benchmark for the quarter and year. During the quarter, strong stock selection in technology, healthcare and the consumer sectors was more than offset by poor selection in industrials and telecommunications.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.2%	3.7%
Last 1 Year	4 1	5.9
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	1 4	3.1

Recommendation

No action required

VAM Graph will be drawn for period ending 6/30/02.

EARNEST PARTNERS, LLC
Periods Ending March, 2002

Portfolio Manager: Paul Viera **Assets Under Management: $46,620,814**

Investment Philosophy

Earnest Partners utilizes its proprietary Return Pattern Recognition model and rigorous fundamental review to identify stocks with the most attractive relative returns. They have identified six performance drivers – valuation measures, operating trends, market trends, growth measures, profitability measures and macroeconomic measures – and have done extensive research to determine which combination of performance drivers, or return patterns, precede out-performance for stocks in each sector. They select stocks whose return patterns suggest favorable performance and control risk using a statistical program designed to measure and control the prospects of substantially under-performing the benchmark. The portfolio is diversified across industry groups.

Staff Comments

Staff met with Earnest Partners in our office to review their investment process and philosophy and discuss their benchmark construction process. Earnest's performance relative to their custom benchmark is a major concern. However, their performance is in line with published large value indices. A tilt toward larger companies in the portfolio is the cause of much of the underperformance over the past year. Earnest equal weights their benchmark, which has lead to a small cap bias in the benchmark in a period where small has significantly outperformed large.

Earnest and Staff are currently assessing the custom benchmark and will revise the benchmark construction process to better reflect Earnest's investment process. Staff will report the construction changes and their resulting affect on past benchmark performance at the next Committee meeting.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.8%	6.5%
Last 1 Year	3.1	24.1
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-4.3	18.8

Recommendation

No action required.

VAM Graph will be drawn for period ending 6/30/02.

HOLT-SMITH & YATES ADVISORS
Periods Ending March, 2002

Portfolio Manager: Kristin Yates | **Assets Under Management: $44,700,037**

Investment Philosophy

Holt-Smith & Yates invest in companies demonstrating superior growth in earnings over a long period of time. They use bottom-up fundamental analysis, focusing on historical and forecasted sales and earnings trends, profit margin trends, debt levels and industry conditions. They seek to purchase large-cap companies that meet their strict valuation criteria and that have superior fundamentals to that of the benchmark. Companies must currently have a five year projected growth rate of over 20% and a PEG (P/E ratio to growth rate) ratio of below 150% They hold concentrated portfolios, industry positions are limited to one stock per industry, and the portfolio has low turnover.

Staff Comments

Staff met with Holt-Smith at our office during the quarter to review their investment process and philosophy and discuss their benchmark construction process. Holt-Smith lagged the benchmark over the past quarter and year but, they performed in line with published large growth indices. Two stocks in particular hurt results for the quarter, Tyco and Elan, neither of which are in Holt-Smith's benchmark. Part of the performance disparity is due to Holt-Smith's benchmark construction

Holt-Smith and Staff are currently assessing the custom benchmark and may revise the benchmark construction process to better reflect Holt-Smith's investment process. Staff will report any construction changes and their resulting affect on past benchmark performance at the next Committee meeting.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-3 6%	4 3%
Last 1 Year	8 6	18.3
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-6 9	3 8

Recommendation

No action required.

VAM Graph will be drawn for period ending 6/30/02.

NEXT CENTURY GROWTH INVESTORS, LLC

Periods Ending March, 2002

Portfolio Manager: Thomas Press and Don Longlet **Assets Under Management: $28,806,107**

Investment Philosophy

Next Century Growth's (NCG) goal is to invest in the highest quality and fastest growing companies in America. They believe that growth opportunities exist regardless of the economic cycle. NCG uses fundamental analysis to identify companies that will surpass consensus earnings estimates which they believe to be the number one predictor of future out-performance. Their investment process focuses on growth companies that have superior top line revenue growth (15% or greater), high profitability, and strong balance sheets that are well poised to outperform the market. NCG believes in broad industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent.

Staff Comments

Staff met with Next Century at our office during the quarter to review their investment process and philosophy and discuss their benchmark construction process and recent performance. During the quarter, strong stock selection in consumer discretionary and industrials was more than offset by poor results in technology. The past year's underperformance results primarily from the third quarter of last year, as Next Century's aggressive growth portfolio suffered in the wake of the terrorist attacks. Next Century's decision to position the portfolio defensively subsequent to the attacks hurt their relative performance as they rotated out of some of the most aggressive stocks that performed the best in the fourth quarter.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-6.3%	-1.7%
Last 1 Year	-0.6	17.4
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-27.5	-15.4

Recommendation

No action required.

VAM Graph will be drawn for period ending 6/30/02.

PEREGRINE CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Doug Pugh and Tasso Coin **Assets Under Management: $146,168,585**

Investment Philosophy

Peregrine's Small Cap Value investment process begins with the style's proprietary valuation analysis, which is designed to identify the small cap value stocks most likely to outperform The valuation analysis identifies the most under-priced securities on a sector-by-sector basis. Drawing on thirty years of data, the analysis looks at different combinations of sixty fundamental factors most relevant in each independent sector, to identify stocks that offer significant value relative to the companies' underlying fundamentals. The focus of the team's fundamental research is to determine if one or more of the style's "Value Buy Criteria" are present – these include short-term problems, unrecognized assets, take-over potential, and catalysts for change. The portfolio is diversified and sector weights are aligned closely to the benchmark. This allows stock selection to drive performance.

Staff Comments

Staff visited recently with Peregrine at our office to review their investment process and philosophy and discuss their benchmark construction process and recent results. Peregrine generated strong results for the quarter on positive stock selection in financials, consumer discretionary healthcare, and utilities.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	15 4%	10.3%
Last 1 Year	29.9	32.5
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	30.9	30 3

Recommendation

No action required

Vam Graph will be drawn for period ending 6/30/02.

VALENZUELA CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Tom Valenzuela | **Assets Under Management: $79,209,960**

Investment Philosophy

Valenzuela Capital Management (VCM) believes that stock selection and adherence to valuation analysis are the backbone of superior performance. Their investment philosophy is one of risk averse growth. VCM 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. VCM 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.

Staff Comments

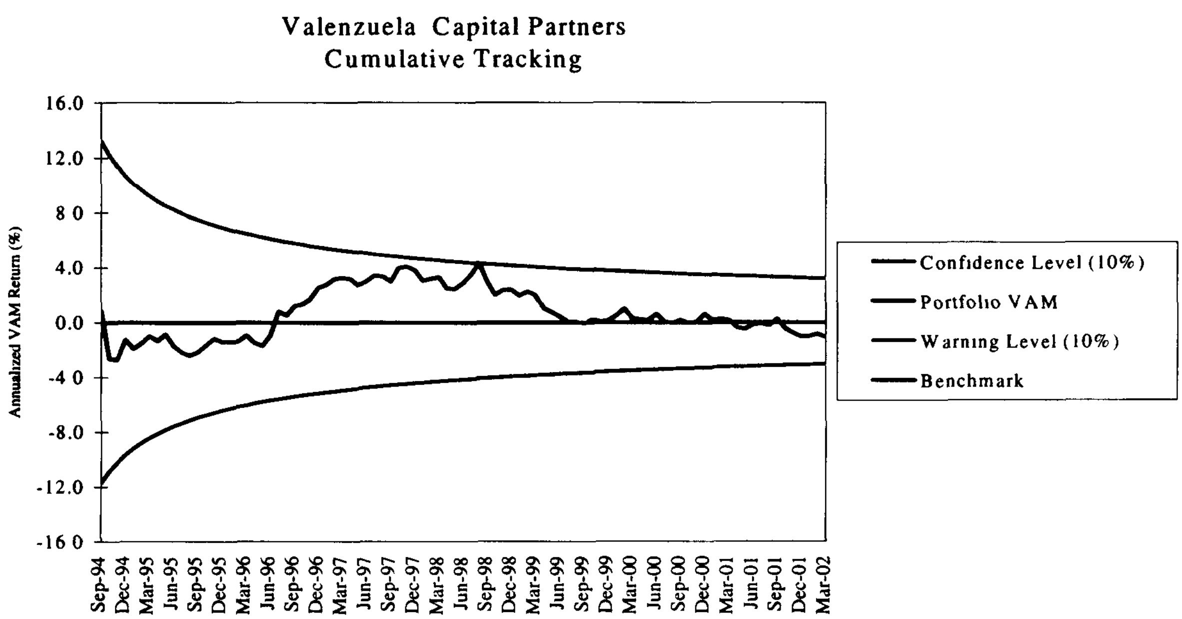
Staff met with Valenzuela in their New York office durng the quarter to review the portfolio and benchmark and discuss recent performance. Valenzuela lagged the benchmark during the quarter and significantly underperformed for the past year, which has lead to poor relative performance over all periods. The slight shortfall during the quarter was caused by weak stock selection across most sectors, most notably financials. Underperformance over the past year was due to a move to a lower beta portfolio and high cash level during the fourth quarter as the market rebounded and higher beta stocks outperformed.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	7.6%	8.2%
Last 1 Year	4.9	15.8
Last 2 Years	5.4	11.0
Last 3 Years	4.8	11.6
Last 4 Years	-0.3	5.3
Last 5 Years	8.2	12.3
Since Inception (4/94)	12.9	14.2

Recommendation

No action required.



VOYAGEUR ASSET MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Charles Henderson | **Assets Under Management: $43,746,664**

Investment Philosophy

Voyageur's Large Cap Growth Equity strategy is focused on achieving consistent, superior performance with near-benchmark risk. They seek high quality growth companies with exceptional financial strength and proven growth characteristics. They believe that sound fundamental analysis reveals those companies with superior earnings achievement and potential. Their screening process identifies companies that over the past five years have had higher growth in sales, earnings, return on equity, earnings stability and have lower debt ratios relative to their benchmark. Because they focus on diversification and sector limitations, they believe they can continue to outperform as different investment styles move in and out of favor.

Staff Comments

Voyageur lagged the benchmark during the quarter and year but remains ahead since inception. The portfolio lagged the benchmark last quarter on weak stock selection in industrials, technology, consumer discretionary, and utilities. Voyageur held Tyco during the quarter, which also hurt performance. The past year's underperformance results from a mix of negative sector allocations, a residual of their bottom up stock picking process, and negative stock selection.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0 6%	3 4%
Last 1 Year	-0.4	6.8
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-8 1	-9.4

Recommendation

No action required

VAM Graph will be drawn for period ending 6/30/02.

WINSLOW CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Joseph Docter **Assets Under Management: $148,442,017**

Investment Philosophy

Winslow Capital believes that companies with above average earnings growth rates provide the best opportunities for superior portfolio returns. They look for companies with three to five year records of increased sales and earnings, steady 20-30% growth, low financial leverage with strong cash flow, and significant management ownership. Through internal fundamental research, they calculate projected fundamentals – earnings projections, forecasts of relative P/E ratios, and projected 12-18 month returns – which are used in the valuation model to rank securities. Individual positions do not exceed five percent. The portfolio is diversified across sectors.

Staff Comments

Staff met with Winslow at our office to review the portfolio and benchmark and discuss recent performance. Winlsow trailed the benchmark slightly for the quarter and year. During the quarter, poor stock selection in consumer discretionary and industrials was offset somewhat by strong selection in technology and healthcare.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.5%	1.1%
Last 1 Year	16.6	20.0
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-9.2	-8.3

Recommendation

No action required.

Vam Graph will be drawn for period ending 6/30/02.

ZEVENBERGEN CAPITAL INC.
Periods Ending March, 2002

Portfolio Manager: Nancy Zevenbergen **Assets Under Management: $124,532,733**

Investment Philosophy

Zevenbergen is an equity growth manager. The 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. Zevenbergen 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 potential diversification. The firm emphasizes that they are not market timers.

Staff Comments

Zevenbergen continues to struggle, lagging the benchmark during the quarter due to poor stock selection in technology and an overweight and poor stock selection in telecommunications. Negative results in these sectors were offset somewhat by strong stock selection in financials. Over the past year, weak stock selection in technology, telecommunications, healthcare, and consumer discretionary lead to relative underperformance When compared to published large growth indices, Zevenbergen's performance appears stronger.

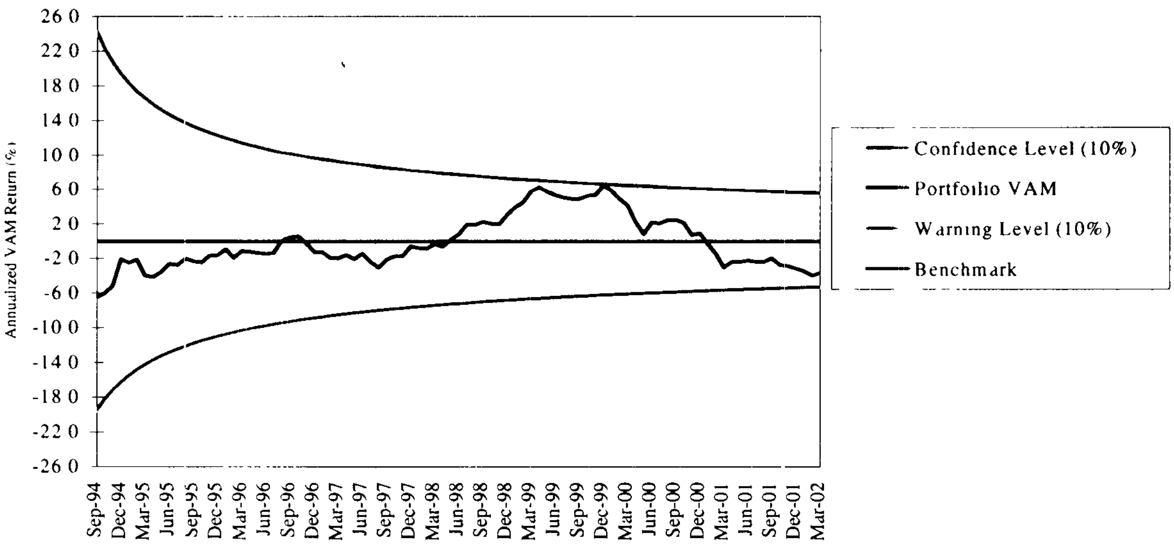
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-6.2%	-1.4%
Last 1 Year	-6.5	1.7
Last 2 Years	-36.7	-17.0
Last 3 Years	-13.0	5 6
Last 4 Years	1.4	8 9
Last 5 Years	10.8	16 2
Since Inception (4/94)	12.7	17.0

Recommendation

No action required

Zevenbergen Capital Management
Cumulative Tracking



STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

First Quarter, 2002

COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending March, 2002

	Quarter Actual %	Quarter Bmk %	1 Year Actual %	1 Year Bmk %	3 Years Actual %	3 Years Bmk %	5 Years Actual %	5 Years Bmk %	Since (1) Inception Actual %	Since (1) Inception Bmk %	Market Value (in millions)	Pool %
Active Managers												
American Express (AMG)	0.2	0.1	5.9	5.3	6.6	6.5	7.8	7.6	6.8	6.7	$793.8	8.8%
Deutsche	-0.3	0.1	5.5	5.3					9.4	9.2	$635.5	7.0%
Dodge & Cox	0.8	0.1	7.4	5.3					10.6	9.2	$745.6	8.3%
Metropolitan West	0.8	0.1	5.3	5.3					8.3	9.2	$298.2	3.3%
Morgan Stanley	0.0	0.1	6.8	5.3	7.0	6.5	7.7	7.6	10.2	9.9	$858.8	9.5%
Western	0.6	0.1	7.0	5.3	7.6	6.5	8.7	7.6	11.1	9.9	$1,253.8	13.9%
Semi-Passive Managers												
BlackRock	0.1	0.1	5.3	5.3	6.8	6.5	7.8	7.6	7.4	7.1	$1,494.7	16.6%
Goldman	0.2	0.1	6.0	5.3	6.8	6.5	7.7	7.6	6.9	6.6	$1,464.7	16.2%
Lincoln	0.1	0.1	5.8	5.3	6.7	6.5	7.7	7.6	8.4	8.3	$1,474.8	16.4%
											$9,019.9	**100.0%**
									Since 7/1/84			
Current Aggregate	0.2	0.1	6.1	5.3	6.9	6.5	7.9	7.6	10.4	9.9		
Historical Aggregate (2)	**0.2**	**0.1**	**6.1**	**5.3**	**6.8**	**6.5**	**7.9**	**7.6**	**10.0**	**9.8**		
Lehman Aggregate (3)		0.1		5.3		6.5		7.6		9.9		

(1) Since retention by the SBI. Time period varies for each manager.
(2) Includes performance of terminated managers.
(3) Prior to July 1994, this index reflects the Salomon BIG.

AMERICAN EXPRESS ASSET MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Jim Snyder | **Assets Under Management: $793,782,215**

Investment Philosophy

American Express manages portfolios using a top-down approach culminating with in-depth fundamental research and credit analysis. Five portfolio components are actively managed: duration, maturity structure, sector selection, industry emphasis, and security selection. Duration and maturity structure are determined by the firm's economic analysis and interest rate outlook. This analysis also identifies sectors and industries expected to produce the best risk adjusted return. In-depth fundamental research and credit analysis combined with proprietary valuation disciplines is used to identify attractive individual securities. American Express was retained by the SBI in July 1993.

Staff Comments

American Express slightly outperformed the index for the quarter due to an overweight to spread product and a modest flattening yield curve strategy that added value as short end rates underperformed the long end. Offsetting this contribution was poor issue selection within investment grade corporates. The portfolio's allocation to high yield bonds was also a source of added value during the quarter. For the year, American Express added value through an overweight to spread product. Staff met with American Express during the quarter to review process and organizational structure and to discuss the firm's capabilities in the non-dollar sector of the market.

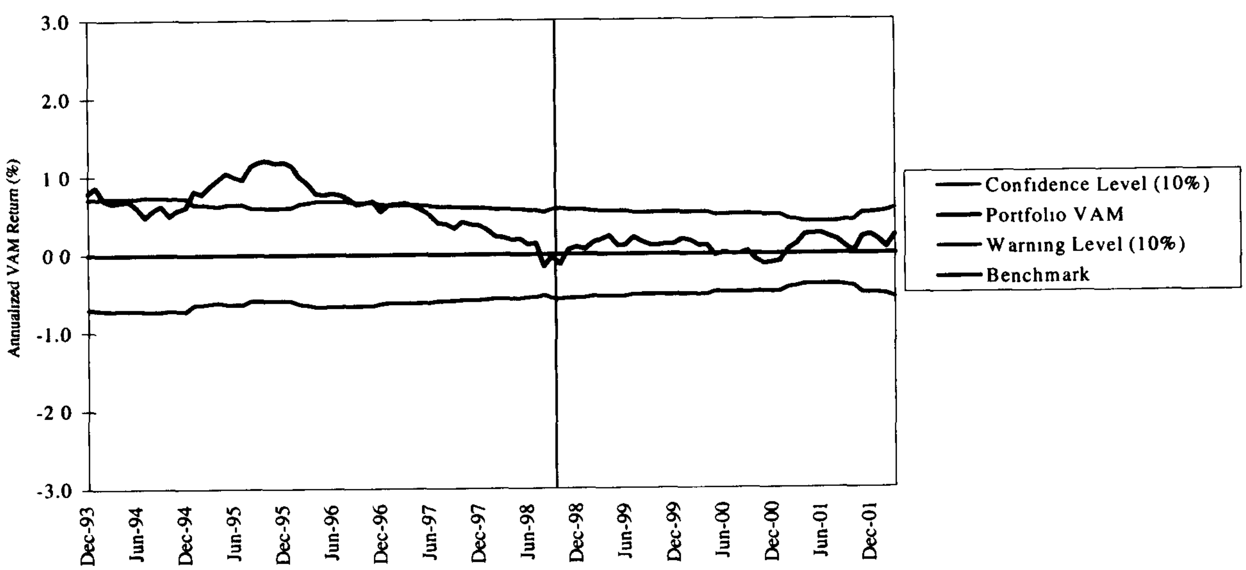
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.2%	0.1%
Last 1 year	5.9	5.3
Last 2 years	9.3	8.9
Last 3 years	6.6	6.5
Last 4 years	6.7	6.5
Last 5 years	7.8	7.6
Since Inception (7/93)	6.8	6.7

Recommendations

No action required.

AMERICAN EXPRESS ASSET MANAGEMENT - Fixed Income
Rolling Five Year VAM



Five Year Period Ending

Note Area to the left of the vertical line includes performance prior to retention by the SBI

DEUTSCHE ASSET MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Warren Davis **Assets Under Management: $635,467,440**

Investment Philosophy

Deustche believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance versus the benchmark over time. The firm's valued added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise and construct portfolios from the bottom-up, bond by bond Sector weightings are a byproduct of the bottom-up security selection. Deutsche was retained by the SBI in February 2000

Staff Comments

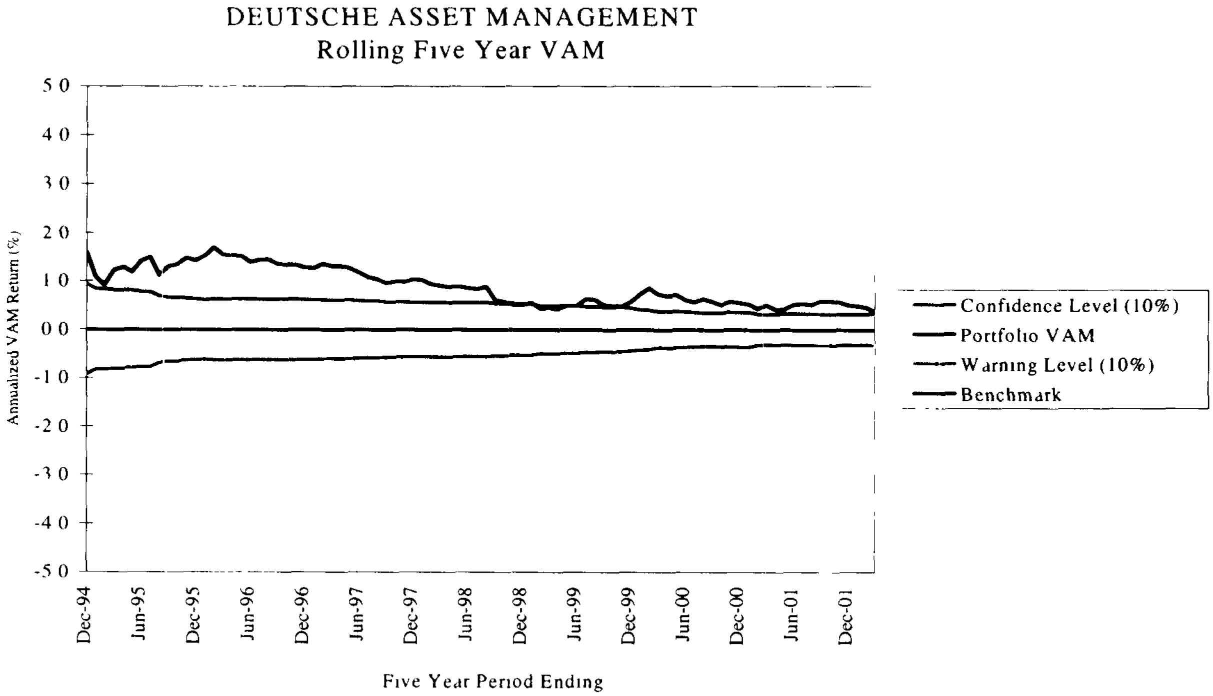
Deutsche underperformed during the quarter as negative issue selection within the spread sectors swamped the portfolio's generally positive sector selection. Over the past 12 months, Deutsche's overweight to the spread sectors contributed to the portfolio's outperformance of the index. Staff met with Deutsche recently in their Philadelphia offices to review investment process, organizational structure and the firm's capabilities in the high yield and non-dollar extended sectors Deutsche continued to make progress on the Zurich Scudder acquisition during the quarter. In April, Deutsche officially took over responsibility for Scudder's institutional and retail funds. Deutsche continues to focus on adding resources as necessary to support the growth in their business

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0 3%	0.1%
Last 1 year	5 5	5.3
Last 2 years	9 1	8.9
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (2/00)	9.4	9.2

Recommendations

No action required



Note Shaded area includes performance prior to the retention by the SBI

DODGE & COX INVESTMENT MANAGERS
Periods Ending March, 2002

Portfolio Manager: Dana Emery | **Assets Under Management: $745,626,259**

Investment Philosophy

Dodge & Cox manages a high quality, diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in market sectors and individual securities. The firm combines this fundamental research with a disciplined program of risk analysis. To seek superior returns over the long-term, Dodge & Cox emphasizes sector and security selection, strives to build portfolios that have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

Staff Comments

Dodge & Cox outperformed significantly over the quarter as a result of a lower than benchmark duration and overweights to the corporate and mortgage sectors. Within corporates, issue selection helped performance as the portfolio's corporate holdings outperformed the broader credit index. An allocation to Treasury inflation-indexed bonds (TIPS) also added to performance over the quarter as real yields fell. Over the last 12 months, Dodge & Cox benefited from an overweight to spread product versus Treasuries and positive security selection within the spread sectors. Staff met with Dodge & Cox during the quarter in their San Francisco offices to review investment process and organizational structure.

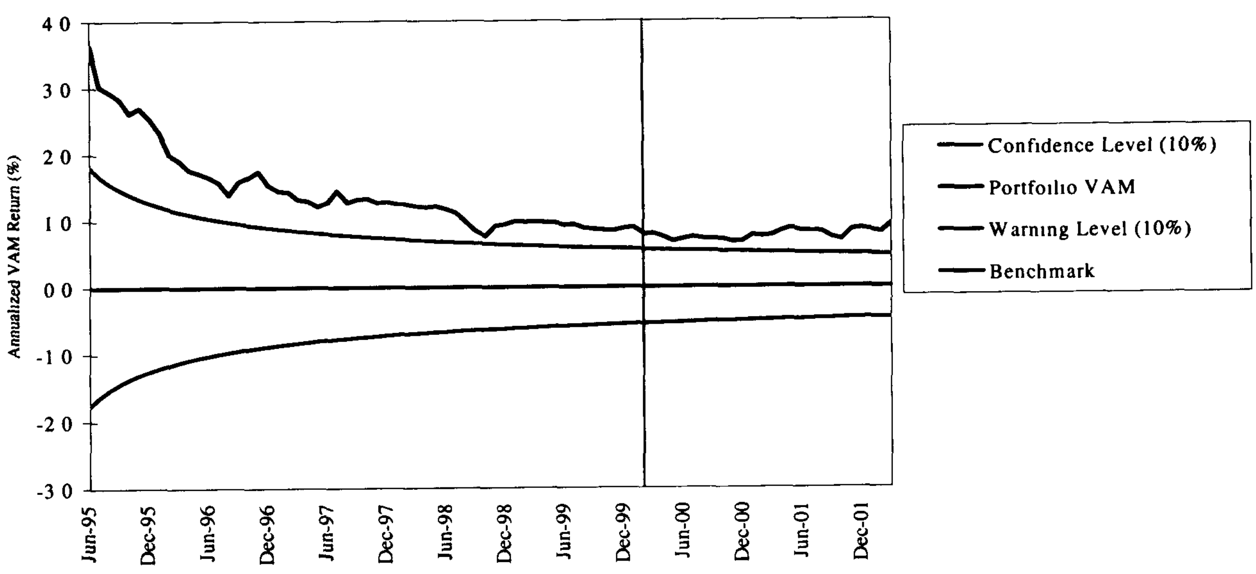
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	0.1%
Last 1 year	7.4	5.3
Last 2 years	10.3	8.9
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (2/00)	10.6	9.2

Recommendations

No action required.

DODGE & COX INVESTMENT MANAGERS
Cumulative Tracking



Note Area to the left of the vertical line represents performance prior to retention by the SBI

METROPOLITAN WEST ASSET MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Tad Rivelle | **Assets Under Management: $298,156,051**

Investment Philosophy

MWAM manages portfolios through the application of five value-added strategies. duration shifts, yield curve management, sector and security selection, and buy/sell execution strategies. MWAM formulates investment strategies based on their long-term fundamental economic outlook, which is debated and revised quarterly. Duration is limited to a one-year band around the benchmark and is determined by the economic outlook. The economic outlook combined with quantitative analysis determines yield curve strategies. Sector allocations are determined based on relative value comparisons and the economic outlook MWAM employs proprietary models and credit analysis to select individual securities Metropolitan West was retained by the SBI in February 2000.

Staff Comments

MetWest outperformed during the quarter due to its continued overweight to the spread sectors of the market, most notably corporates and asset-backed securities. In addition, the portfolio benefited from a lower than benchmark duration as rates rose over the quarter. For the year, MetWest's performance matched the benchmark as the portfolio's overweight to spread product generally paid off but was negated by poor issue selection within corporates. Staff met with MetWest during the quarter in their Los Angeles offices to review investment process and organizational structure.

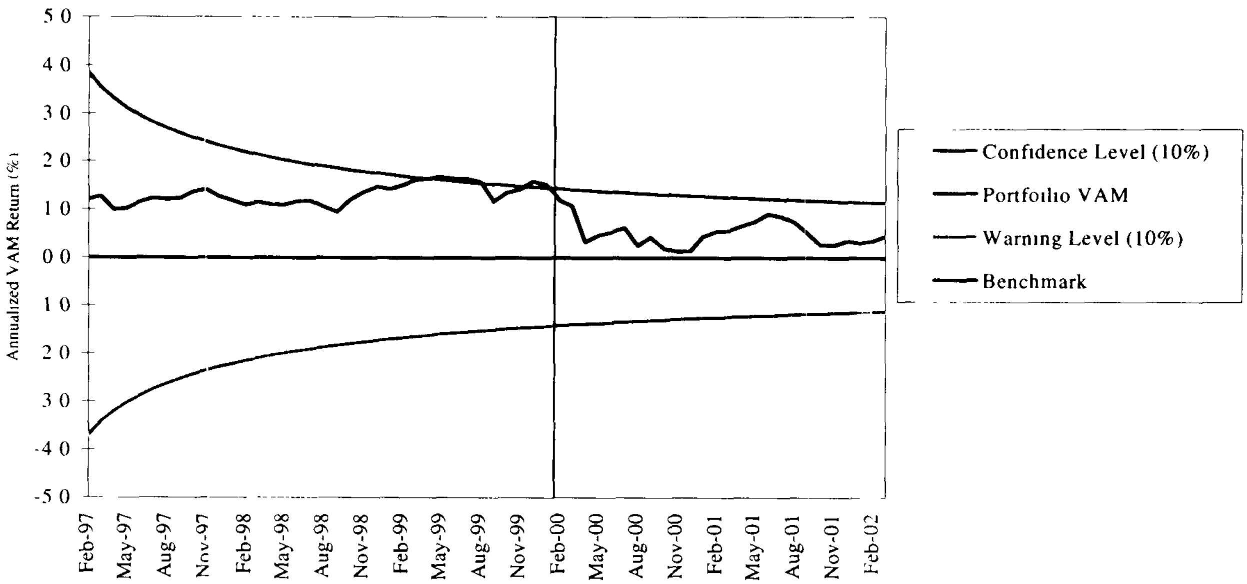
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	0.1%
Last 1 year	5.3	5.3
Last 2 years	8.2	8.9
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (2/00)	8.3	9.2

Recommendations

No action required

METROPOLITAN WEST ASSET MANAGEMENT
Cumulative Tracking



Note Area to the left of the vertical line represents performance prior to retention by the SBI

MORGAN STANLEY DEAN WITTER INVESTMENT MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Tom Bennett | **Assets Under Management: $858,813,192**

Investment Philosophy

MSDW focuses on four key portfolio decisions: interest-rate sensitivity, yield-curve exposure, credit quality, and prepayment risk. The firm is a value investor, purchasing securities they believe are relatively cheap and holding them until relative values change or until other securities are identified which are better values. In developing interest-rate strategy, the firm relies on value-based criteria to determine when markets are offering generous compensation for bearing interest-rate risk, rather than trying to anticipate interest rates. Value is added in the corporate sector by selecting the cheapest bonds and controlling credit risk through diversification. MSDW has developed significant expertise in mortgage securities, which are often used to replace U.S. Treasuries in portfolios. Morgan Stanley was retained by the SBI in July 1984.

Staff Comments

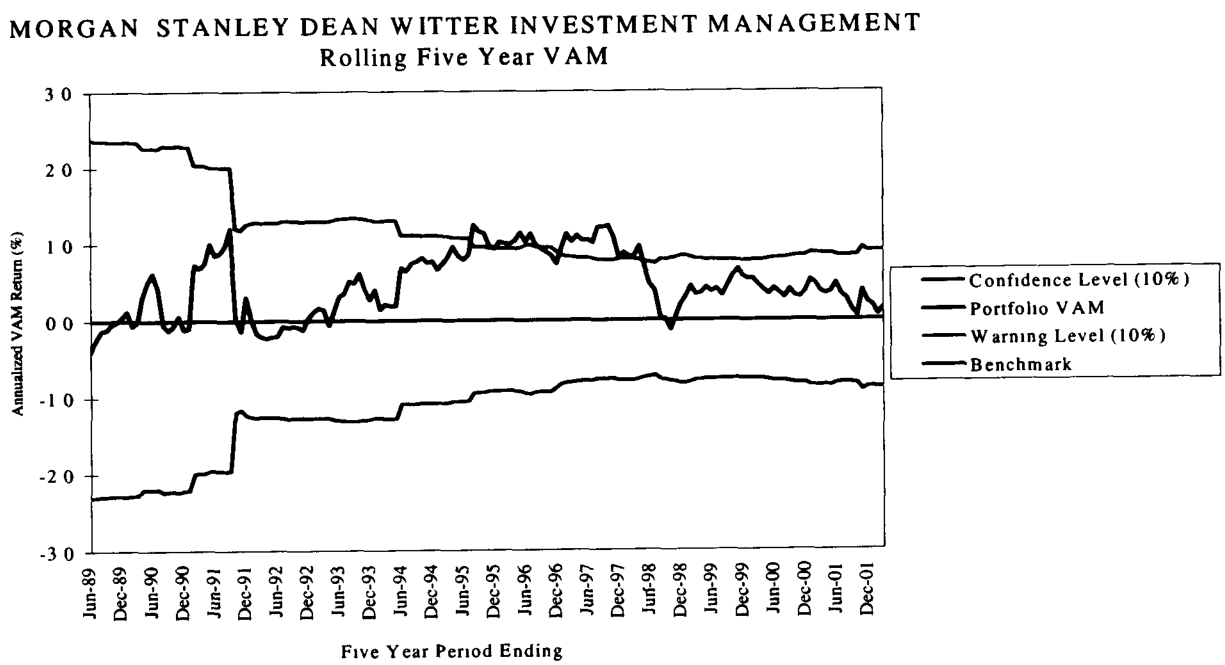
MSDW slightly underperformed the index over the quarter, though for the year the portfolio outperformed the benchmark. Over the year, the spread product overweight was the main driver of outperformance. Morgan Stanley lost five fixed income professionals during the quarter, including two senior portfolio managers and one senior risk professional. As a result, Morgan has reorganized several sector teams to ensure adequate depth on each team. Staff met with MSDW recently in their Philadelphia offices to discuss the organizational changes. While the turnover is concerning, staff believes that the firm is making appropriate adjustments and staff remains confident in the abilities of the personnel remaining at the firm. Staff will continue to monitor the situation very closely.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.0%	0.1%
Last 1 year	6.8	5.3
Last 2 years	9.9	8.9
Last 3 years	7.0	6.5
Last 4 years	6.6	6.5
Last 5 years	7.7	7.6
Since Inception (7/84)	10.2	9.9

Recommendations

No action required.



WESTERN ASSET MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Ken Leech **Assets Under Management: $1,253,795,541**

Investment Philosophy

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining interest rate risk. Multiple strategies are proportioned so that results do not depend on one or two opportunities. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, and market valuation. Western believes that successful interest rate forecasting is extremely difficult and consequently keeps portfolio duration within a narrow band around the benchmark. Western was retained by the SBI in July 1984

Staff Comments

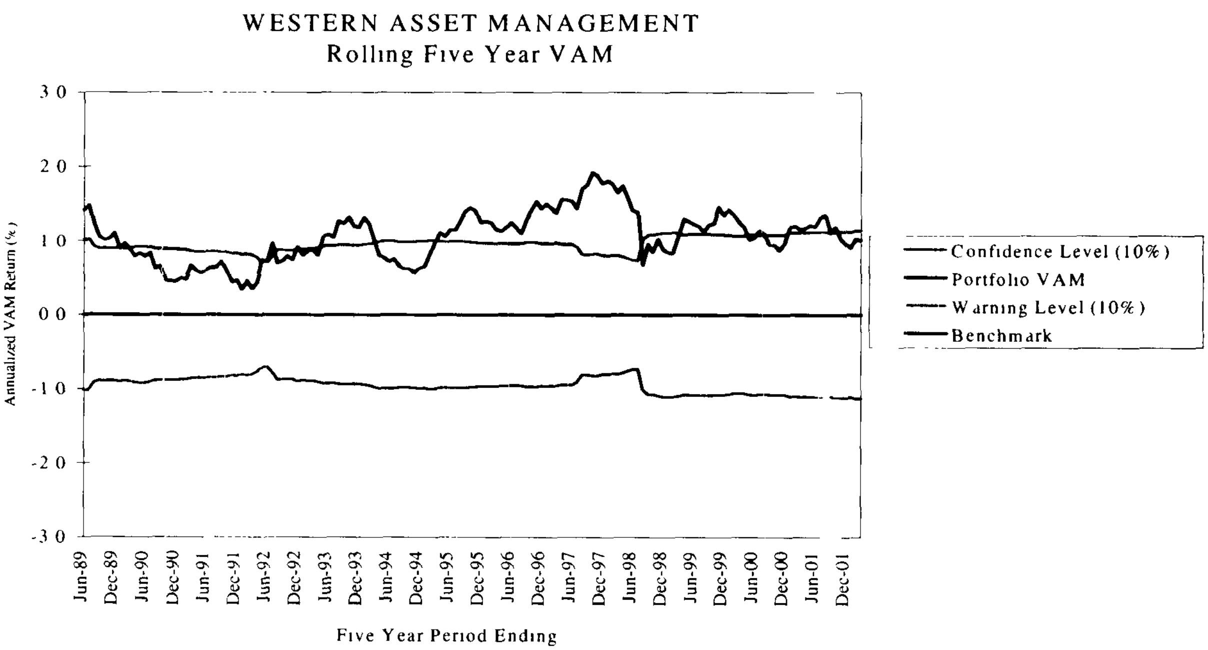
Western outperformed during the quarter due to overweights in corporates and mortgage-backed securities and an allocation to high yield corporate bonds. The portfolio's long duration position hurt performance as rates rose over the quarter. Over the full year, Western's outperformance was driven by a consistent overweight to the spread sectors, an allocation to TIPS and several yield curve strategies executed during the year. Staff met with Western during the quarter in their Pasadena, CA offices to review investment process and organizational structure.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	0 1%
Last 1 year	7 0	5.3
Last 2 years	10.1	8.9
Last 3 years	7.6	6.5
Last 4 years	7.2	6.5
Last 5 years	8.7	7.6
Since Inception (7/84)	11 1	9.9

Recommendations

No action required



BLACKROCK FINANCIAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Keith Anderson **Assets Under Management: $1,494,735,499**

Investment Philosophy

BlackRock manages an enhanced index portfolio closely tracking the Lehman Aggregate. The firm's enhanced index strategy is a controlled-duration, sector rotation style, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through: (i) controlling portfolio duration within a narrow band relative to the benchmark, (ii) relative value sector/sub-sector rotation and security selection, (iii) rigorous quantitative analysis to the valuation of each security and of the portfolio as a whole, (iv) intense credit analysis and review, and (v) the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent value added and controlled volatility. BlackRock was retained by the SBI in April 1996.

Staff Comments

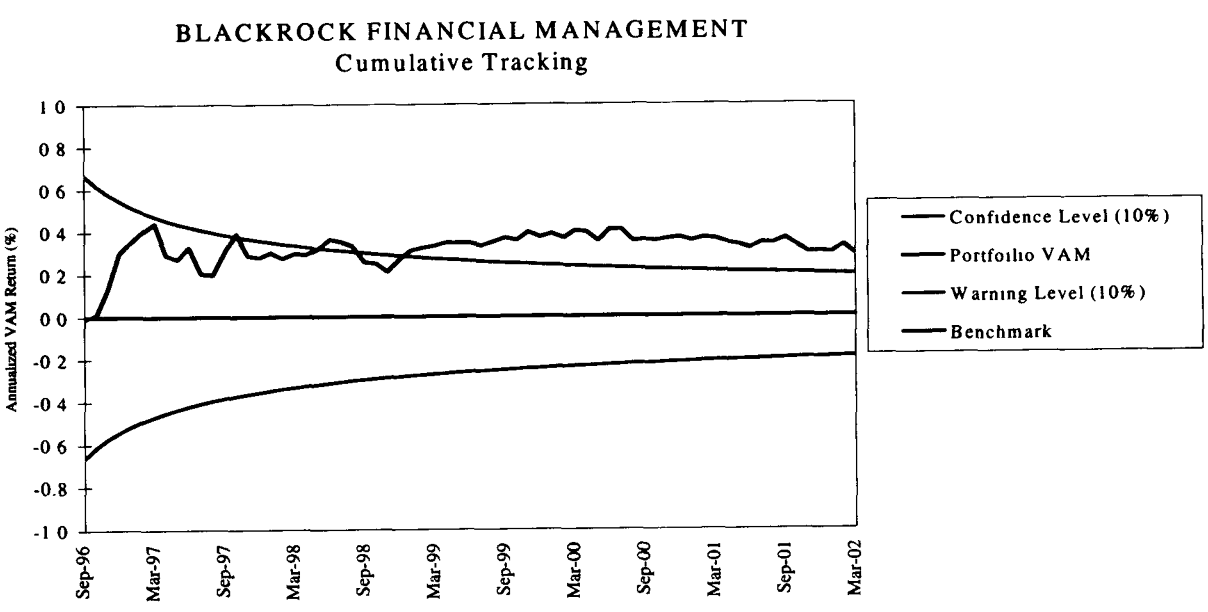
BlackRock matched the performance of the index over the quarter and year ending March 31, 2002. The portfolio's overweight to mortgages helped performance over the quarter and year. Offsetting this contribution were an underweight to corporates and a longer than benchmark duration, which detracted from performance as rates backed-up during the quarter. Staff met with BlackRock recently in their New York offices to review investment process, organizational structure and review the firm's capabilities in the high yield and non-dollar extended sectors.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.1%	0.1%
Last 1 year	5.3	5.3
Last 2 years	8.9	8.9
Last 3 years	6.8	6.5
Last 4 years	6.8	6.5
Last 5 years	7.8	7.6
Since Inception (4/96)	7.4	7.1

Recommendation

No action required.



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Jonathon Beinner — **Assets Under Management: $1,464,666,446**

Investment Philosophy

Goldman manages an enhanced index portfolio closely tracking the Lehman Aggregate. Goldman's process can be viewed as active management within a very risk-controlled framework The firm relies primarily on sector allocation and security selection strategies to generate incremental return To a lesser degree, term structure strategies are also implemented. Goldman combines long-term strategic investment tilts with short-term tactical trading opportunities. Strategic tilts are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

Staff Comments

Goldman outperformed slightly over the quarter as the result of positive duration positioning during the quarter and overweight positions in corporates and mortgages. During the past year the portfolio significantly outperformed the index as the result of good sector selection and excellent security selection within corporates and mortgages, and a generally lower quality bias within corporates. Staff met with Goldman recently in their New York offices to review investment process, organizational structure and review the firm's capabilities in the high yield and non-dollar extended sectors.

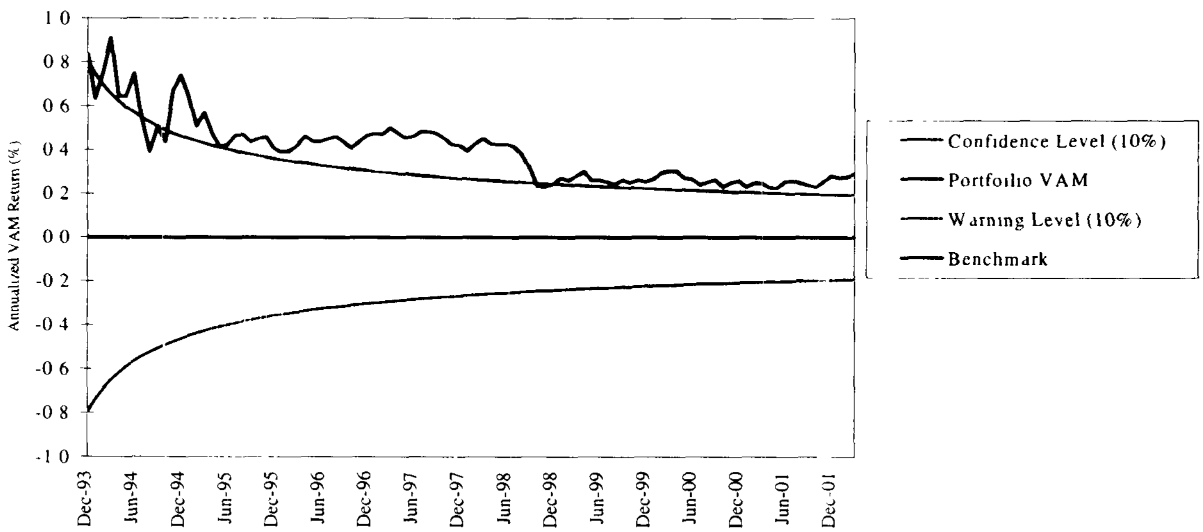
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.2%	0.1%
Last 1 year	6.0	5.3
Last 2 years	9.2	8 9
Last 3 years	6.8	6.5
Last 4 years	6 6	6.5
Last 5 years	7.7	7.6
Since Inception (7/93)	6 9	6.6

Recommendations

No action required

GOLDMAN SACHS
Cumulative Tracking



LINCOLN CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Andrew Johnson | **Assets Under Management: $1,474,844,560**

Investment Philosophy

Lincoln manages an enhanced index portfolio closely tracking the Lehman Aggregate. Lincoln's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their process. Lincoln uses proprietary risk exposure measures to analyze 25 interest rate factors, and over 30 spread-related factors. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting target active risk exposures that must fall within pre-established maximums controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Lincoln was retained by the SBI in July 1988.

Staff Comments

Lincoln's performance matched the benchmark for the first quarter. In general, Lincoln's decision to be neutral mortgage-backed securities in favor of asset-backed and CMBS was a negative contributor to performance over the quarter. An overweight to corporate bonds and positive issue selection within corporates helped performance. Over the full year, Lincoln's corporate and ABS/CMBS overweights contributed to outperformance, as did good issue selection within the corporate and mortgage sectors.

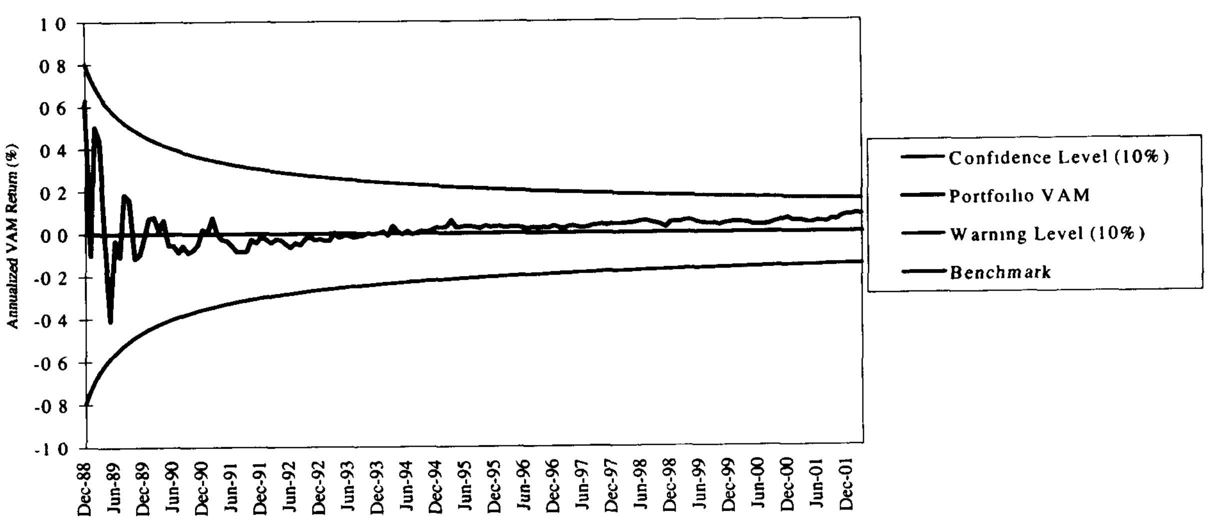
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.1%	0.1%
Last 1 year	5.8	5.3
Last 2 years	9.2	8.9
Last 3 years	6.7	6.5
Last 4 years	6.7	6.5
Last 5 years	7.7	7.6
Since Inception (7/88)	8.4	8.3

Recommendations

No action required.

LINCOLN CAPITAL MANAGEMENT - Fixed Income
Cumulative Tracking



STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

First Quarter, 2002

COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending March, 2002

	Quarter* Actual %	Quarter* Bmk %	1 Year Actual %	1 Year Bmk %	3 years Actual %	3 years Bmk %	5 Years Actual %	5 Years Bmk %	Since (1) Inception Actual %	Since (1) Inception Bmk %	Market Value (in millions)	Pool %
Active EAFE												
American Express	1.3	0.6	-11.3	-8.6					-21.9	-15.5	$459.5	8 4%
Blairlogie	0.8	0.6	-7.9	-8.6					-16.5	-15.5	$148.6	2.7%
Invesco	4.5	0.6	-2.5	-8.6					-6.7	-15.5	$545.7	9.9%
Marathon	6.0	3.3	0.3	-4.1	3.8	-2.7	4.5	1.1	6.3	3.0	$543.1	9.9%
Montgomery	1.1	0.6	-11.4	-8.6					-25.3	-15.5	$238.6	4.3%
T. Rowe Price	0.6	0.6	-7.2	-8.6	-3.3	-5.4	1.8	1.2	5.1	3.2	$497.7	9.1%
UBS Global	0.3	0.6	-3.1	-8 6	0.6	-5 4	5.2	1.2	7.6	5.2	$576.5	10.5%
Zurich Scudder	0.6	0.6	-9.8	-8.6	-4 7	-5.4	1.3	1.2	5.1	3.2	$384.2	7.0%
Active Emerging Markets												
Alliance Capital	12.7	11.8	15.3	16.5					-6.9	-2.8	$122.5	2.2%
Capital International	12.5	11.8	17.8	16.5					-7.6	-2 8	$121.8	2.2%
Montgomery	10.2	11.8	14 1	16.5	6.7	4.2	-6.0	-5.0	-3.5	-3.6	$127.7	2.3%
Morgan Stanley	13.5	11.8	21.7	16.5					-2.8	-2.8	$119.4	2.2%
Schroders	10.7	11.8	11.6	16 5					-8.0	-2.8	$122 4	2.2%
Passive EAFE												
State Street	1.1	0.6	-7.9	-8.6	-5.0	-5.4	1.6	1.2	6.0	5.7	$1,640.4	29.9%
									Since 10/1/92			
Equity Only (2) (4)	2.8	1.5	-4.6	-6.9	-2.9	-4.5	1.2	0.4	6.3	5.3	$5,494.4	100 0%
Total Program (3) (4)	**2.8**	**1.5**	**-4.6**	**-6.9**	**-2.9**	**-4.5**	**1.4**	**0.4**	**6.7**	**5.3**	**$5,494.4**	

* Due to U.S. holiday on Friday, March 29, 2002, actual portfolios were valued on March 28, 2002.
MSCI Provisional EAFE, EMF, and EAFE + EMF benchmarks were valued as of March 29, 2002.

(1) Since retention by the SBI. Time period varies for each manager.
(2) Equity managers only. Includes impact of terminated managers.
(3) Includes impact of currency overlay on the passive EAFE portfolio from 12/1/95-10/31/00.
(4) As of October 1, 2001 all international benchmarks being reported are the MSCI Provisional indices.
The overall international benchmark is EAFE-Free plus Emerging Markets Free (EMF).
The weighting of each index fluctuates with market capitalization. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE-Free/13% Emerging Markets Free. On 5/1/96, the portfolio began transitioning from 100% EAFE to the 12/31/96 fixed weights.
100% EAFE-Free prior to 5/1/96.

AMERICAN EXPRESS ASSET MANAGEMENT INTERNATIONAL, INC.
Periods Ending March, 2002

Portfolio Manager: Mark Fawcett **Assets Under Management: $459,544,336**

Investment Philosophy

American Express Asset Management's (AEAM) objective is to identify inefficiencies in market value at the regional, country and stock level. Their investment process concentrates on identifying non-consensus views that they can exploit. AEAM's core international equity approach is a blend of top-down and bottom up styles with an emphasis on large cap growth stocks. They start the decision making process with the development of their geopolitical and macroeconomic outlook. The bottom-up stage of their process begins with real-time relative valuation comparisons of the stocks in their investable universe. The most attractively priced stocks then go through in depth fundamental analysis.

Staff Comments

The portfolio benefited during the quarter by its' underweight to technology and telecom, which were the worst performing sectors. Stock selection within Europe was also positive.

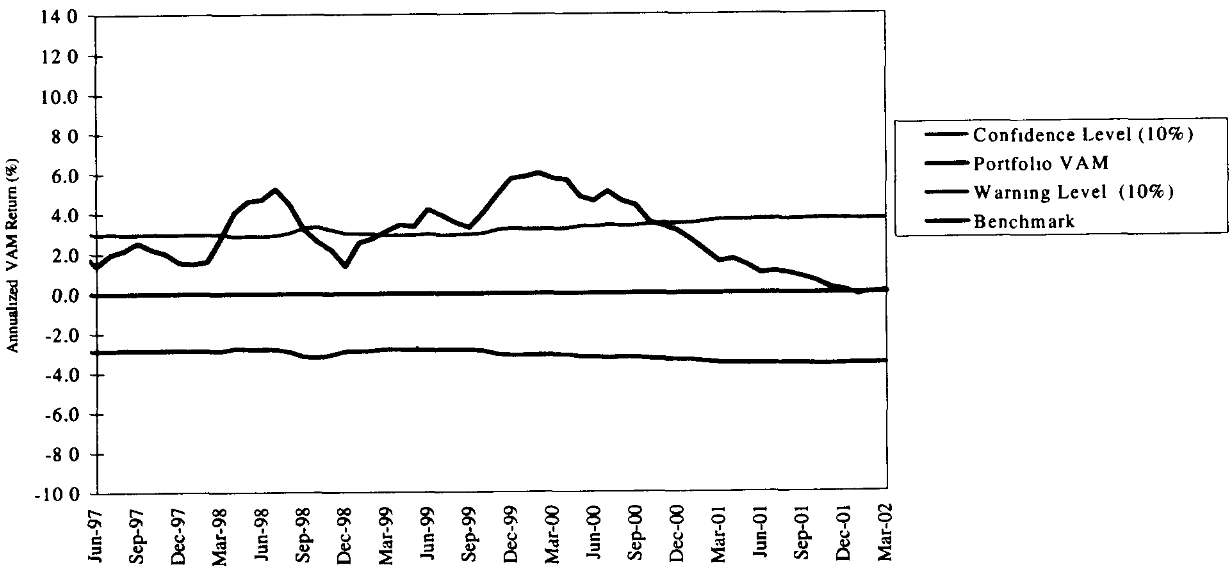
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.3%	0.6%
Last 1 year	-11.3	-8.6
Last 2 years	-24.0	-17.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/00)	-21.9	-15.5

Recommendations

No action required.

AMERICAN EXPRESS ASSET MANAGEMENT INT'L
Rolling Five Year VAM



5 Year Period Ending

Note: Shaded area includes performance prior to managing SBI account

BLAIRLOGIE CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: James Smith | **Assets Under Management: $148,610,034**

Investment Philosophy

Blairlogie is primarily a top-down manager, but incorporates bottom-up stock selection. They seek to combine qualitative and quantitative judgment, but believe that objective, measurable facts must always be the starting point for making sound investment decisions. Blairlogie has developed country and sector models which analyze a broad-based collection of current and historical data. The models rank countries and sectors according to their overall score on variables which are grouped into five categories including Value, Macro, Earnings, Monetary and Technical. Regional analysts then select the best companies based on fundamental analysis. The objective of the process is to add value over the benchmark consistently in any market environment while controlling risk and volatility. Blairlogie's portfolio is broadly diversified in developed markets both by country and by sector, and has a large-cap emphasis.

Staff Comments

During the quarter, Blairlogie staff relocated to Britannic Asset Management's office in Glasgow. SBI staff met with James Smith and Gavin Dobson at SBI offices in January and again spoke with the team later in the quarter to discuss the transition, which has gone smoothly. Blairlogie is benefiting from Britannic's additional resources, however the SBI's portfolio continues to be managed by James Smith according to the Blairlogie investment process. Staff will continue to monitor this transition and its' effect on the portfolio

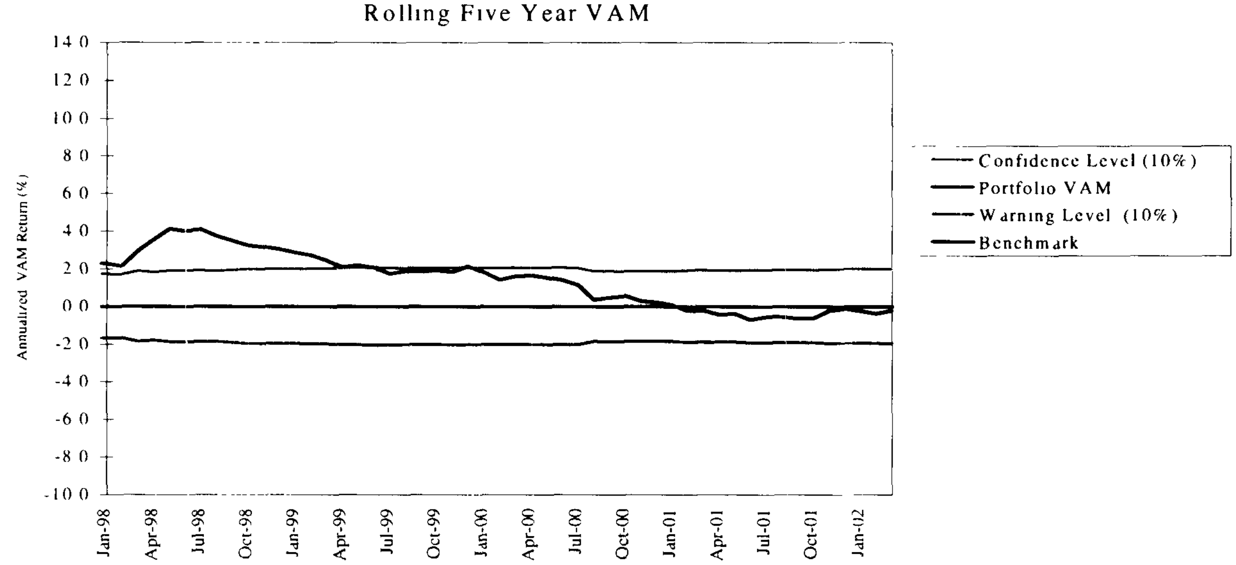
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.8%	0.6%
Last 1 year	-7.9	-8.6
Last 2 years	-19.0	-17.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/00)	-16.5	-15.5

Recommendations

No action required

BLAIRLOGIE CAPITAL MANAGEMENT
Rolling Five Year VAM



5 Year Period Ending
Note Shaded area includes performance prior to managing SBI account

INVESCO GLOBAL ASSET MANAGMENT
Periods Ending March, 2002

Portfolio Manager: Erik Granade | **Assets Under Management: $545,680,039**

Investment Philosophy

INVESCO believes they can add value by identifying and investing in companies whose share price does not reflect the proven and sustainable growth of the company's earnings and assets. They also believe that a systematic process that identifies mis-valued companies, combined with a consistently applied portfolio design process, can control the predictability and consistency of returns. Portfolios are constructed on a bottom-up basis; they select individual companies rather than countries, themes, or industry groups. This is the first of four cornerstones of their investment approach. Secondly, they conduct financial analysis on a broad universe of non-U.S. companies whose key financial data is adjusted to be comparable across borders and currencies. Third, Invesco believes that using local investment professionals enhances fundamental company research. Finally, they manage risk and assure broad diversification relative to clients' benchmarks through a statistics-based portfolio construction approach rather than resorting to country or industry constraints.

Staff Comments

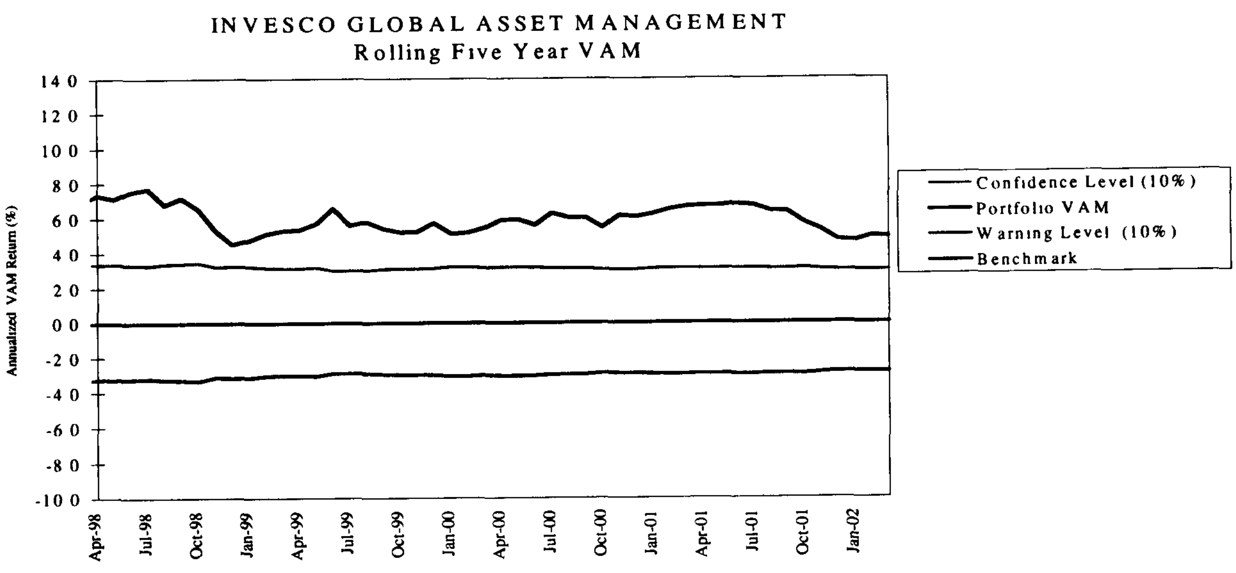
The portfolio significantly outperformed the Provisional EAFE index during the quarter. Positive stock selection in the UK, Switzerland, and France and underweighting poorly performing countries, Ireland, Finland and Sweden, contributed to the outperformance. During the year, stock selection in Japan, France and the UK was positive, while value added from country exposures was neutral.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.5%	0.6%
Last 1 year	-2.5	-8.6
Last 2 years	-8.3	-17.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/00)	-6.7	-15.5

Recommendations

No action required.



Note Shaded area includes performance prior to managing SBI account

MARATHON ASSET MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: William Arah | **Assets Under Management: $543,073,311**

Investment Philosophy

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 they believe 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

Staff Comments

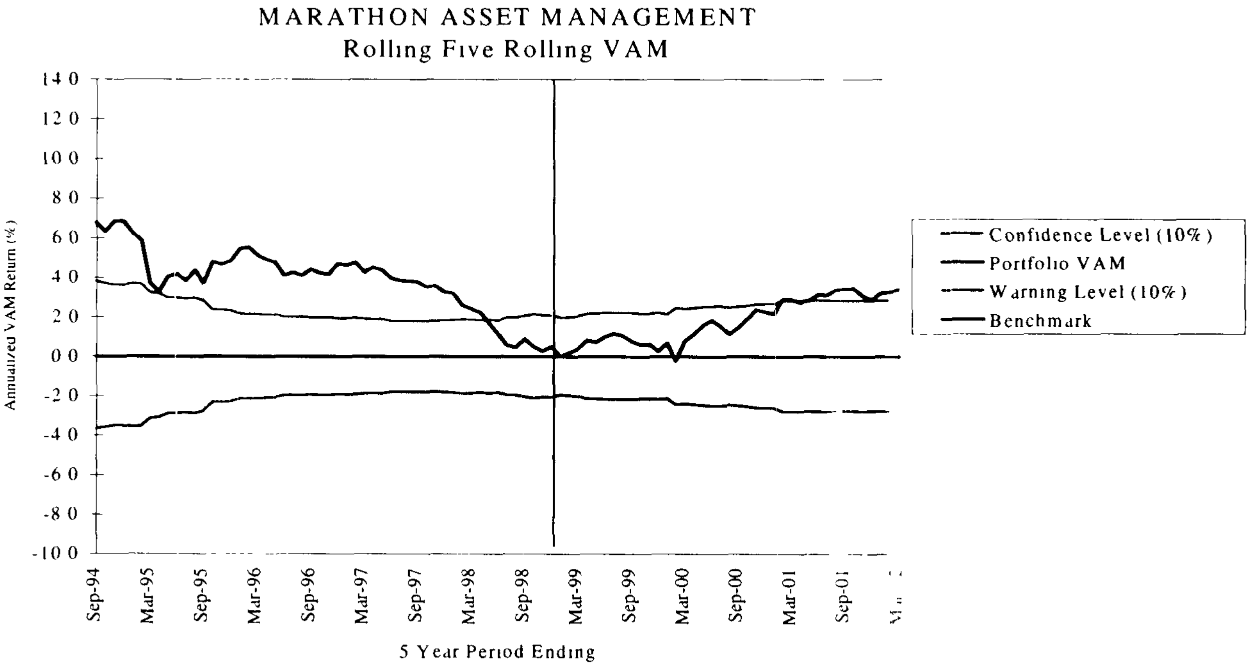
The portfolio outperformed due to an overweight position in industrial and materials, two of the best performing sectors during the quarter, and due to an underweight in telecom Marathon also gained from an overweight to Japan Stock selection overall was positive, particularly in Europe. Staff met with the portfolio manager in our office during the quarter to discuss the organization, investment strategy and portfolio holdings Staff found no issues to report

Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	6.0%	3.3%
Last 1 year	0.3	-4.1
Last 2 years	-6.0	-14.2
Last 3 years	3.8	-2.7
Last 4 years	3.1	-1.8
Last 5 years	4.5	1.1
Since Inception (11/93)	6.3	3.0

Recommendations

No action required



Note Area to the left of vertical line includes performance prior to retention by the SBI

MONTGOMERY ASSET MANAGEMENT, LLC (EAFE)
Periods Ending March, 2002

Portfolio Manager: Oscar Castro **Assets Under Management: $238,572,628**

Investment Philosophy

Montgomery manages a developed markets portfolio for the SBI, in addition to an emerging portfolio. Montgomery believes that a consistent process, centered on accountability, sector specialization and primary, original research provides a sustainable edge in international equity investing. Their international equity investing combines thorough sector and country research with a disciplined bottom-up stock selection process to identify securities with long-term projected earnings growth, attractive valuation versus applicable peers, positive business momentum and the potential to achieve minimum required returns.

Staff Comments

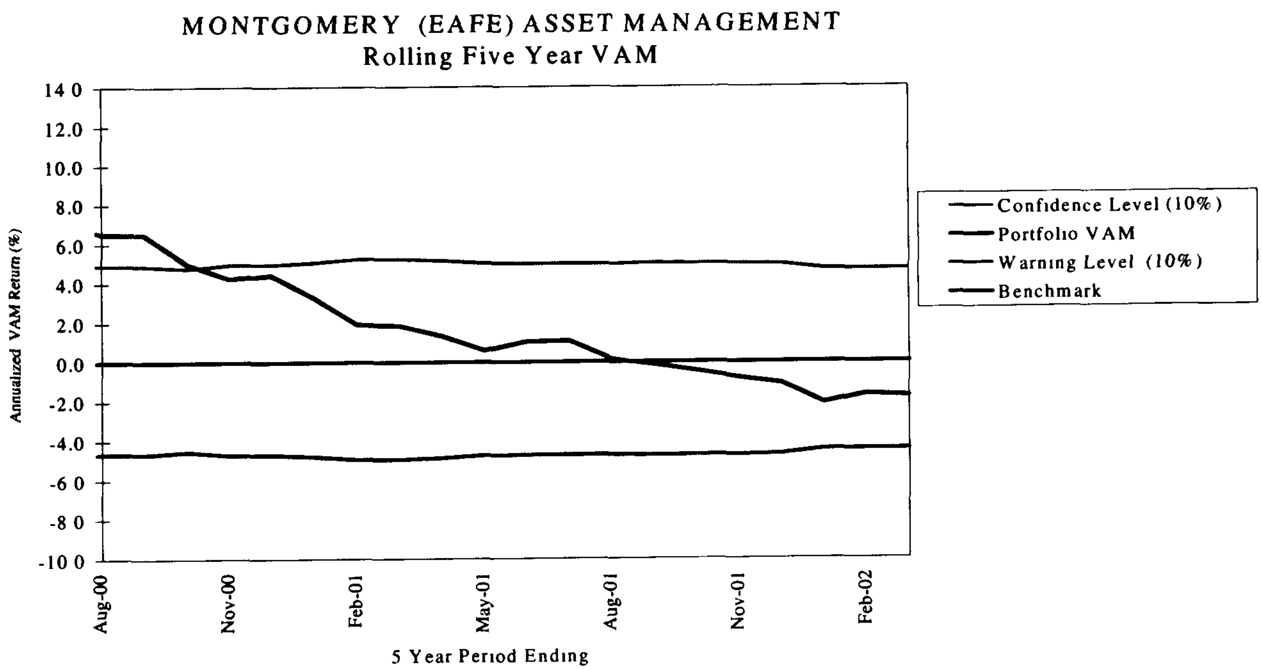
Strong stock selection in the technology and finance sectors contributed to outperformance during the quarter. Despite the weak performance of the technology sector in the benchmark during the quarter, portfolio holdings in software and semiconductors performed well, as did European banks.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.1%	0.6%
Last 1 year	-11.4	-8.6
Last 2 years	-26.5	-17.7
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/00)	-25.3	-15.5

Recommendations

No action required.



Note: Shaded area includes performance prior to managing SBI account

T. ROWE PRICE INTERNATIONAL, INC.
Periods Ending March, 2002

Portfolio Manager: David Warren | **Assets Under Management: $497,706,809**

Investment Philosophy

T Rowe Price 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 T. Rowe Price 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.

Staff Comments

No comments at this time.

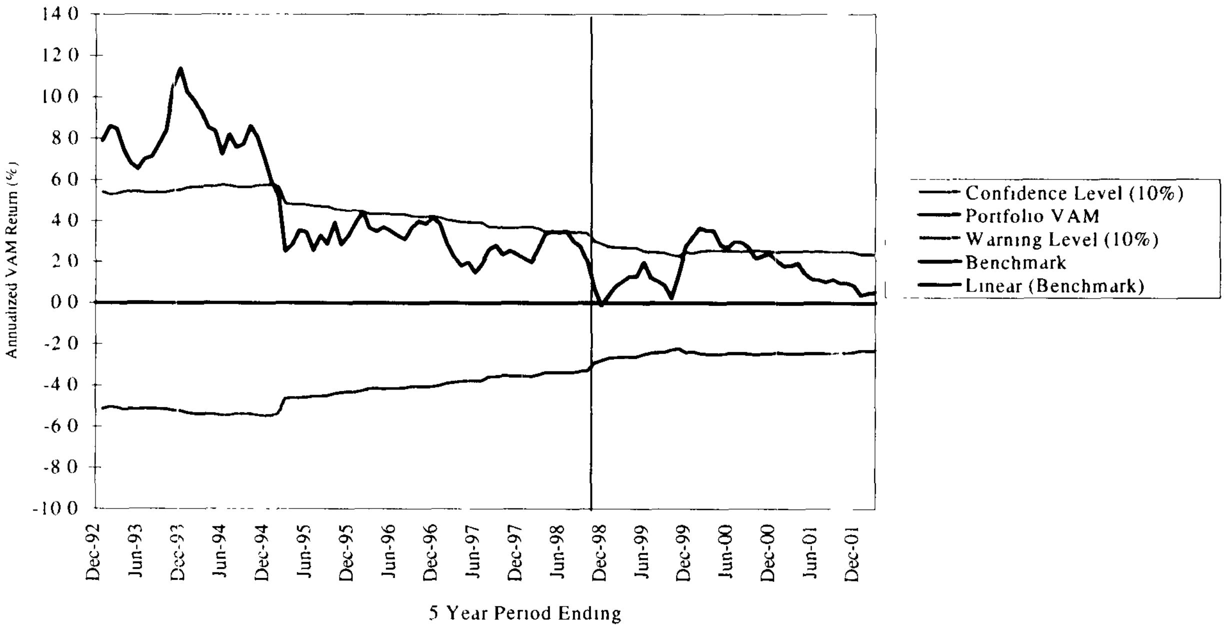
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.6%	0 6%
Last 1 year	-7.2	-8 6
Last 2 years	-18.1	-17.7
Last 3 years	-3 3	-5.4
Last 4 years	-1.6	-2 7
Last 5 years	1 8	1.2
Since Inception (11/93)	5.1	3.2

Recommendations

No action required

T ROWE PRICE INTERNATIONAL
Rolling Five Year VAM



Note Area to the left of vertical line includes performance prior to retention by the SBI

UBS GLOBAL ASSET MANAGEMENT, INC.
Periods Ending March, 2002

Portfolio Manager: Thomas Madsen | **Assets Under Management: $576,486,931**

Investment Philosophy

UBS is a fundamental, long-term, value-oriented investor. UBS uses a proprietary valuation model to rank the relative attractiveness of individual markets based on fundamental considerations. Inputs include forecasts for growth, inflation rates, 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 allocations. UBS establishes an allocation range around the target index to define the limits of their exposure to individual countries and to assure diversification.

UBS utilizes currency equilibrium bands to determine which currencies are over or under valued. The firm will hedge to control the potential risk for real losses from currency depreciation.

Staff Comments

Effective April 8th, 2002, Brinson Partners' name changed to UBS Global Asset Management. This is the new worldwide brand name for the investment activities of UBS AG, which previously included regional brand names such as Brinson Partners in the U.S. and Phillips & Drew in the U.K. On this date it was also announced that Brian Storms, currently President and COO, Americas, would succeed Benjamin Lenhardt as CEO, Americas, on July 1, 2002. Lenhardt will remain chairman of UBS Global Asset Management, Americas, until his planned retirement in December 2003. There have been no changes to the investment process or team, which continues to be led by Jeffrey Diermeier, global CIO.

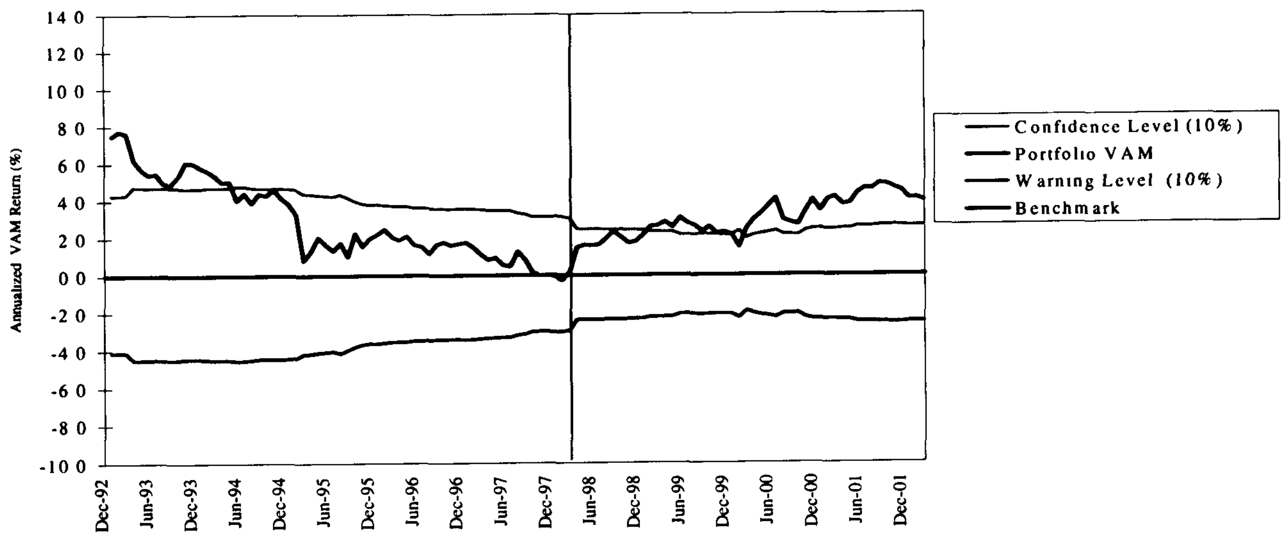
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.3%	0.6%
Last 1 year	-3.1	-8.6
Last 2 years	-6.9	-17.7
Last 3 years	0.6	-5.4
Last 4 years	2.3	-2.7
Last 5 years	5.2	1.2
Since Inception (4/93)	7.6	5.2

Recommendations

No action required.

UBS GLOBAL ASSET MANAGEMENT, INC. (INT'L)
Rolling Five Year VAM



5 Year Period Ending

Note Area to the left of vertical line includes performance prior to retention by the SBI

ZURICH SCUDDER INVESTMENTS
Periods Ending March, 2002

Portfolio Manager: Theresa Gusman **Assets Under Management: $384,205,011**

Investment Philosophy

Zurich 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 Zurich 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

Staff Comments

Following Staff recommendation, the Board concurred with the IAC and voted to terminate Zurich Scudder on March 6th, 2002 Scudder ceased trading on the SBI account as of the close of business on that day. The assets in the portfolio were subsequently transferred to other EAFE managers in the international equity program

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0 6%	0.6%
Last 1 year	-9 8	-8.6
Last 2 years	-20.5	-17.7
Last 3 years	-4 7	-5.4
Last 4 years	-2.6	-2.7
Last 5 years	1 3	1.2
Since Inception (11/93)	5.1	3 2

Recommendations

Zurich Scudder was terminated effective March 6, 2002.

ZURICH SCUDDER INVESTMENTS
Rolling Five Year VAM

5 Year Period Ending
Note Area to the left of vertical line includes performance prior to retention by the SBI

ALLIANCE CAPITAL MANAGEMENT INTERNATIONAL
Periods Ending March, 2002

Portfolio Manager: Edward Baker **Assets Under Management: $122,488,565**

Investment Philosophy

Alliance employs a growth style of investment management. They believe that fundamental research-driven stock selection, structured by industries within regions, will produce superior investment performance. Their strategy emphasizes bottom-up, large capitalization stock selection. Country and industry exposures are a by-product of stock selection. Alliance looks for companies with the best combination of forward-looking growth and valuation attractiveness.

Staff Comments

The portfolio's overweight in Asia and underweight in Latin America led to outperformance this quarter. The portfolio benefited particularly from an overweight position in Korea which was one of the best performing markets. Stock selection in Latin America and the Eastern Europe / Middle East / Africa region was strong, as were holdings in Russian oil companies and Central European banks.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	12.7	11.8
Last 1 year	15.3	16.5
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/01)	-6.9	-2.8

Recommendations

No action required.

VAM Graph will be drawn for period ending 3/31/2003.

CAPITAL INTERNATIONAL, INC.
Periods Ending March, 2002

Portfolio Manager: Shaw Wagner | **Assets Under Management: $121,787,942**

Investment Philosophy

Capital International's philosophy is value-oriented, as they focus on identifying the difference between the underlying value of a company and the price of its securities in its home market. Capital International's basic, fundamental, bottom-up approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. The team of portfolio managers and analysts each select stocks for the portfolio based on extensive field research and direct company contact

Staff Comments

The portfolio's Korean holdings contributed positively to returns, as that market increased significantly during the quarter. An overweight position in Mexico, and underweight positions in Argentina and Israel also helped returns. For the year, stock selection in Taiwan contributed to the portfolio's outperformance

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	12.5	11.8
Last 1 year	17.8	16.5
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/01)	-7.6	-2.8

Recommendations

No action required

VAM Graph will be drawn for period ending 3/31/2003.

MONTGOMERY ASSET MANAGEMENT, LLC (EMF)
Periods Ending March, 2002

Portfolio Manager: Josephine Jimenez **Assets Under Management: $127,679,803**

Investment Philosophy

Montgomery believes that successful investing in the emerging markets is best achieved through a combination of creative, independent research within a disciplined investment framework designed to anticipate and control market-specific risk. The firm's team of emerging market's specialists focus on rigorous, fundamental analysis at both the country and stock level to identify strong, rapidly growing companies whose growth rates are not fully reflected in their prices. Excess return is generated through the firm's research effort and captured through effective portfolio construction and risk management processes, employing both quantitative tools and qualitative insights. Quantitative work emphasizes risk management tools designed to construct portfolios of 80-120 securities prudently diversified across countries and sectors. The investment process is designed to achieve excess returns with equal or lower absolute risk than the MSCI Emerging Markets Free Index.

Staff Comments

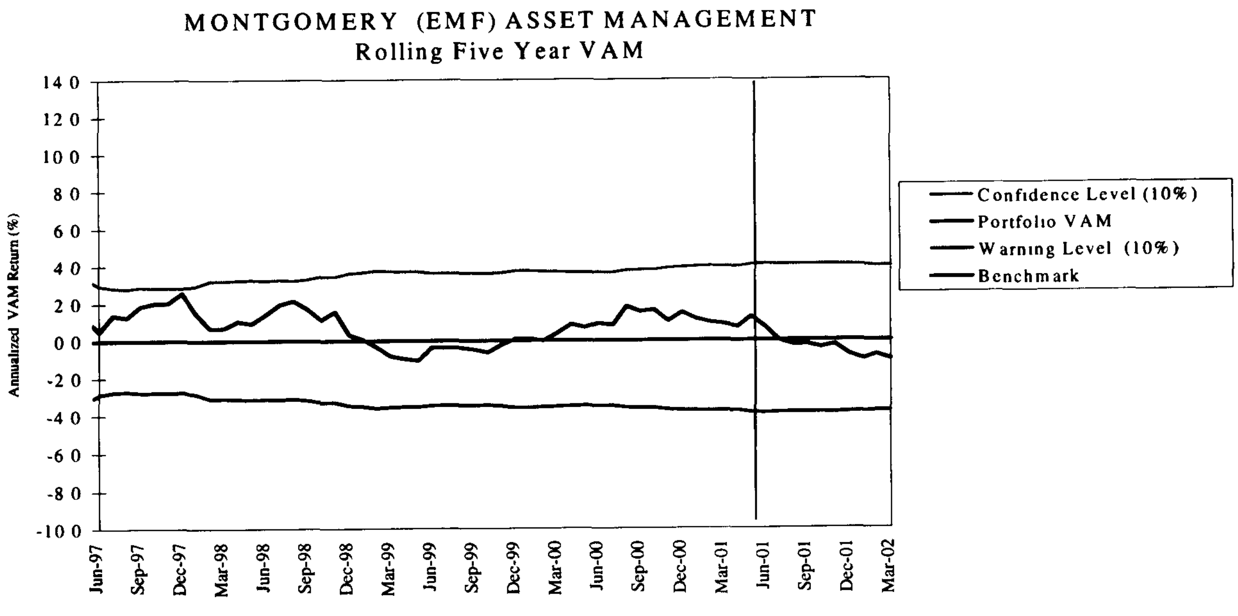
The portfolio underperformed during the quarter due to an underweight position in Korea and an overweight position in telecom, one of the weakest performing sectors. Holdings in Israel also declined, as regional tensions in the Middle East reached a highpoint.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	10.2%	11.8%
Last 1 year	14.1	16.5
Last 2 years	-14.2	-13.6
Last 3 years	6.7	4.2
Last 4 years	-4.2	-2.8
Last 5 years	-6.0	-5.0
Since Inception (5/96)	-3.5	-3.6

Recommendations

No action required.



Note Area to the left of vertical line includes performance prior to retention by SBI

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Narayan Ramachandran **Assets Under Management: $119,407,135**

Investment Philosophy

Morgan Stanley's style is core with a growth bias. They follow a top-down approach to country allocation and a bottom-up approach to stock selection. Morgan Stanley's macro-economic and stock selection analyses are qualitative as well as quantitative, concentrating on fundamentals Their top-down analysis highlights countries with improving fundamentals and attractive valuations. Their bottom-up approach to stock selection focuses on purchasing companies with strong operating earnings potential at attractive valuations.

Staff Comments

An overweight position in Korea and Indonesia along with an underweight position in Argentina, Israel and Chile contributed to the portfolio's outperformance. Stock selection in South Africa, India and Korea was also positive.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	13 5%	11.8%
Last 1 year	21.7	16.5
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/01)	-2 8	-2.8

Recommendations

No action required

VAM Graph will be drawn for period ending 3/31/2003.

SCHRODERS INVESTMENT MANAGEMENT NORTH AMERICA INC.
Periods Ending March, 2002

Portfolio Manager: Mark Bridgeman **Assets Under Management: $122,411,304**

Investment Philosophy

Schroders believes in investing in growth at a reasonable price. They focus on identifying companies that can leverage the superior economic growth in emerging markets to generate above-average growth in earnings and cash flow. Their style aims to generate consistency of performance by taking multiple active positions in what are highly inefficient markets. Schroders uses a combination of top-down analysis and bottom-up stock selection, which varies with the state of development of the market.

Staff Comments

Staff met with Peter Clark, the new Head of Emerging Markets, at SBI offices during the quarter. The portfolio underperformed due to financial holdings in Korea which declined. Stock selection in the material and technology sectors in Korea and in the technology sector in Taiwan was also negative during the quarter. Over the past year, an overweight position in telecom and technology detracted from performance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	10.7	11.8
Last 1 year	11.6	16.5
Last 2 years	N/A	N/A
Last 3 years	N/A	N/A
Last 4 years	N/A	N/A
Last 5 years	N/A	N/A
Since Inception (3/01)	-8.0	-2.8

Recommendations

No action required.

VAM Graph will be drawn for period ending 3/31/2003.

STATE STREET GLOBAL ADVISORS
Periods Ending March, 2002

Portfolio Manager: Lynn Blake **Assets Under Management: $1,640,393,838**

Investment Philosophy

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) index of 20 markets located in Europe, Australia and the Far East (EAFE). They buy only securities which are eligible for purchase by foreign investors, therefore they are benchmarked against the MSCI EAFE-Free index SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs. The MSCI EAFE-Free reinvests dividends at the Belgian tax rate The portfolio reinvests dividends at the lower U.S tax rate, which should result in modest positive tracking error, over time

Staff Comments

The portfolio incurred 50 basis points of positive tracking error during the quarter. Most of the positive tracking error occurred in March. The portfolio was valued using March 28 closing prices, due to the U.S. holiday on the 29th, whereas the benchmark was valued through March 29th. All EAFE markets were closed on the 29th except Japan which lost 2.18% on that day. The difference in the closing valuation date of the portfolio contributed 46 basis points of the quarter's tracking error This will reverse next quarter.

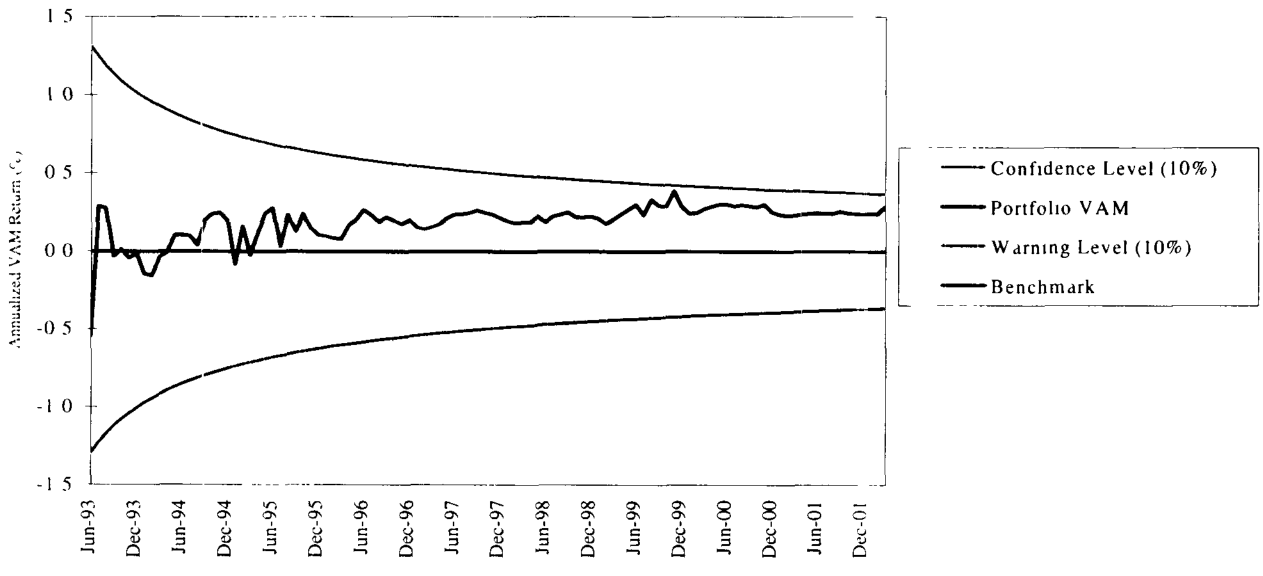
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.1%	0.6%
Last 1 year	-7.9	-8.6
Last 2 years	-17.4	-17.7
Last 3 years	-5 0	-5.4
Last 4 years	-2 2	-2.7
Last 5 years	1.6	1 2
Since Inception (10/92)	6 0	5.7

Recommendation

No action required

STATE STREET GLOBAL ADVISORS
Cumulative Tracking



STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

First Quarter, 2002

NON - RETIREMENT MANAGERS
Periods Ending March, 2002

	Quarter		1 Year		3 years		5 Years		Since (1) Inception		Market Value
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	(in millions)
GE Investment Management (S&P 500 Index)*	1.5	0 3	1.2	0.2	2 0	-2.5	13 1	10.2	17.2	15 4	$76.5
Voyageur Asset Management (Custom Benchmark)*	0 0	0.1	3 7	5.6	5 4	6.6	6.4	7 1	7.2	7.3	$268.6
Galliard Capital Management (3 yr. Constant Maturity Treasury + 30 bp)*	1.5	1 0	6.2	4 1	6 3	5 4	6 3	5 5	6.5	5 8	$97.3
Internal Stock Pool (S&P 500 Index)*	0 3	0.3	-0 1	0.2	-2 5	-2 5	10 3	10.2	13.4	13.4	$1,082.4
Internal Bond Pool - Income Share (Lehman Aggregate)*(2)	-0.3	0 1	5.6	5.3	6 6	6.5	7 8	7 6	8.5	8.2	$191.1
Internal Bond Pool - Trust (Lehman Aggregate)*	-0 3	0.1	5.5	5 3	6 7	6.5	7.8	7 6	8.1	7.7	$867.4

* Benchmarks for the Funds are notated in parentheses below the Fund names.

(1) Since retention by the SBI. Time period varies by manager.
(2) Prior to July 1994, the benchmark was the Salomon BIG

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2002

Portfolio Manager: Gene Bolton **Assets Under Management: $76,494,966**

Investment Philosophy
Assigned Risk Plan

GE's Multi-Style Equity program attempts to outperform the S&P 500 consistently while controlling overall portfolio risk through a multiple manager approach. Three portfolio managers with value or growth orientations are supported by a team of analysts. The three portfolios are combined to create a well diversified equity portfolio while maintaining low relative volatility and a style-neutral position between growth and value. All GE managers focus on stock selection from a bottom-up perspective.

Staff Comments

GE outperformed the benchmark for the quarter and year. Solid stock selection in the technology sector, as well as the underweight, helped the return for both periods.

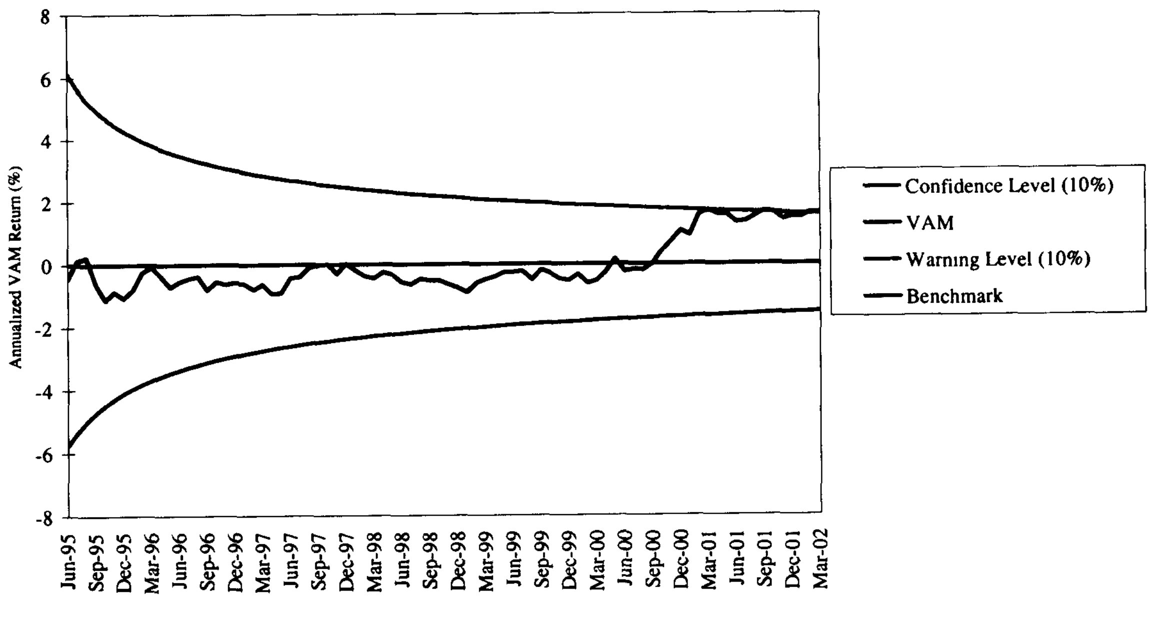
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	0.3%
Last 1 year	1.2	0.2
Last 2 years	-4.8	-11.4
Last 3 years	2.0	-2.5
Last 4 years	5.7	2.3
Last 5 years	13.1	10.2
Since Inception (1/95)	17.2	15.4

Recommendation

No recommendation at this time.

GE INVESTMENT MANAGEMENT
Cumulative Tracking



VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending March, 2002

Portfolio Manager: Tom McGlinch **Assets Under Management: $268,605,707**

Investment Philosophy
Assigned Risk Plan

Voyageur uses a top-down approach to fixed income investing Their objective is to obtain superior long-term investment returns over a pre-determined benchmark that reflects the quality constraints and risk tolerance of the Assigned Risk Plan. Due to the specific liability requirement of the plan, return enhancement will focus on sector analysis and security selection Yield curve and duration analysis are secondary considerations

Staff Comments

Voyageur trailed the quarterly benchmark The portfolio was impacted by the price reduction of three corporate bond issues for the quarter. The one-year underperformance was due to several credit downgrades.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	0.0%	0.1%
Last 1 year	3.7	5.6
Last 2 years	6.7	8 4
Last 3 years	5.4	6.6
Last 4 years	5.6	6.6
Last 5 years	6 4	7.1
Since Inception (7/91)	7.2	7.3

*Custom benchmark since inception date.

Recommendation

No action required

VAM Graph will be drawn for period ending 3/31/04.

GALLIARD CAPITAL MANAGEMENT
Periods Ending March, 2002

Portfolio Manager: Karl Tourville — **Assets Under Management: $97,316,031**

Investment Philosophy

Galliard Capital Management manages the Fixed Interest Account in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests cash flows to optimize yields. The manager invests in high quality instruments diversified among traditional guaranteed investment contracts (GIC's) and alternative investment contracts with U.S. and non-U.S. financial institutions. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes.

Staff Comments

No comments at this time.

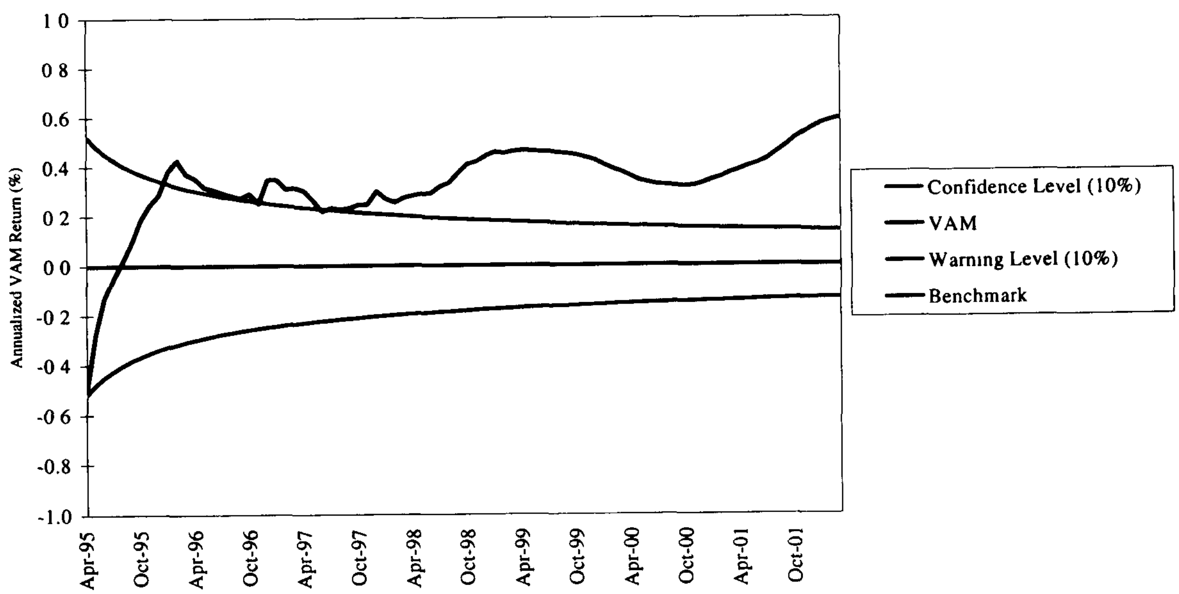
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	1.0%
Last 1 year	6.2	4.1
Last 2 years	6.3	5.0
Last 3 years	6.3	5.4
Last 4 years	6.3	5.4
Last 5 years	6.3	5.5
Since Inception (11/94)	6.5	5.8

Recommendation

No action required.

Galliard Capital Management
Cumulative Tracking



INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending March, 2002

Portfolio Manager: Mike Menssen — **Assets Under Management: $1,082,391,107**

Investment Philosophy
Environmental Trust Fund
Permanent School Fund
Tobacco Endowment Funds

The current manager assumed responsibility for the account in December 1996 The Internal Equity Pool is managed to closely track the S&P 500 Index. The strategy replicates the S&P 500 by owning all of the names in the index at weightings similar to those of the index The optimization model's estimate of tracking error with this strategy is approximately 10 basis points per year

Staff Comments

The portfolio matched the index for the quarter. The one-year negative tracking error was primarily due to a cashflow received when the funds were rebalanced in October.

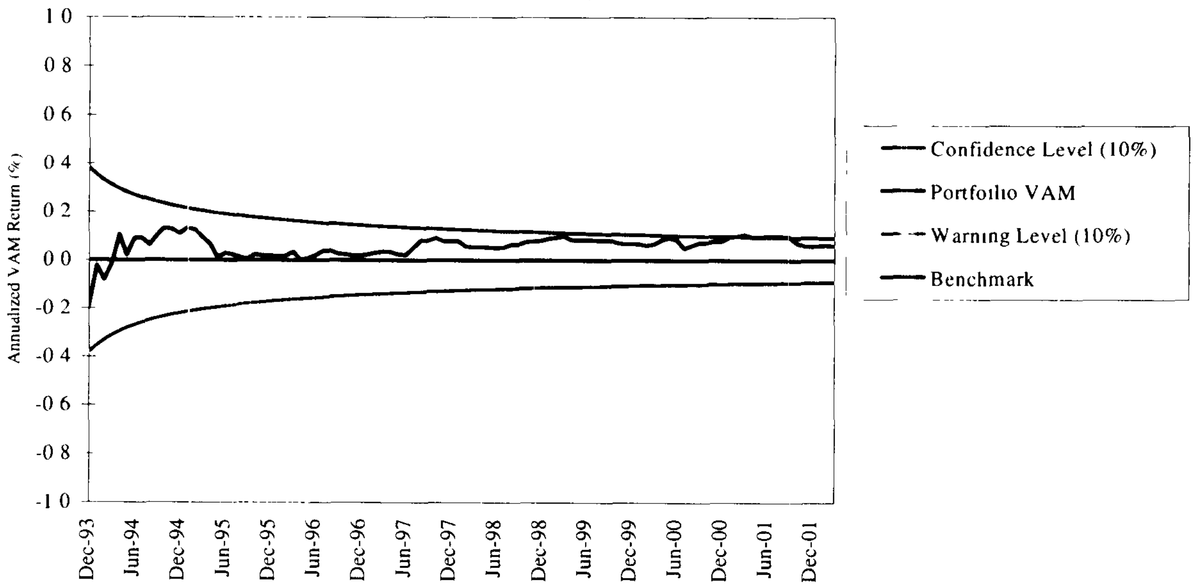
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.3%	0 3%
Last 1 year	-0 1	0.2
Last 2 years	-11 4	-11.4
Last 3 years	-2.5	-2 5
Last 4 years	2.4	2.3
Last 5 years	10.3	10.2
Since Inception (7/93)	13 4	13.4

Recommendation

No action required

INTERNAL STOCK POOL
Trust/Non-Retirement Assets
Cumulative Tracking



INTERNAL BOND POOL - Income Share Account
Periods Ending March, 2002

Portfolio Manager: Mike Menssen **Assets Under Management: $191,126,399**

Investment Philosophy
Income Share Account

The current manager assumed responsibility for this portfolio in December 1996. The investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues. The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings. The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook.

Staff Comments

The internal bond pool trailed the quarterly benchmark. The underperformance was due to specific holdings in Computer Associates, WorldCom, Sprint and Qwest. The one-year outperformance was helped by an overweighting of spread product and an underweight in treasuries.

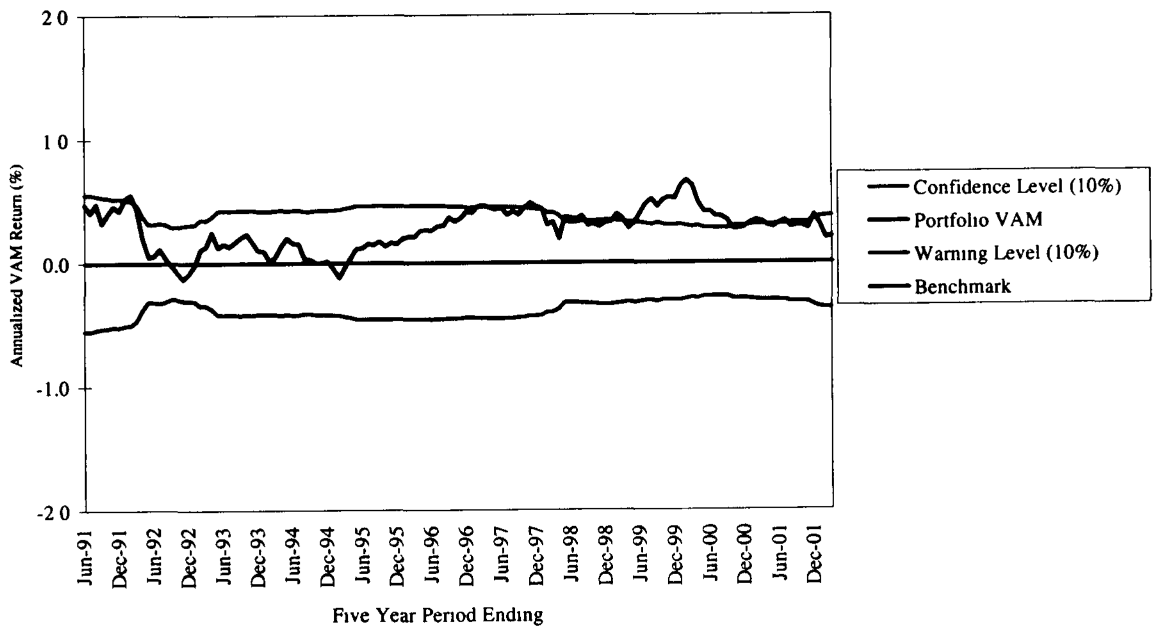
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.3%	0.1%
Last 1 year	5.6	5.3
Last 2 years	8.8	8.9
Last 3 years	6.6	6.5
Last 4 years	6.7	6.5
Last 5 years	7.8	7.6
Since Inception (7/86)	8.5	8.2

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending March, 2002

Portfolio Manager: Mike Menssen | **Assets Under Management: $867,363,486**

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund
Tobacco Endowment Funds

The current manager assumed responsibility for the portfolio in December 1996 The internal bond portfolio's investment approach emphasizes sector and security selection. The approach utilizes sector trading and relative spread analysis of both sectors and individual issues The portfolio weightings in mortgage and corporate securities are consistently equal to or greater than the market weightings The portfolio duration remains close to the benchmark duration but may be shortened or lengthened depending on changes in the economic outlook

Staff Comments

The internal bond pool trailed the quarterly benchmark. The underperformance was due to specific holdings in Computer Associates, WorldCom, Sprint and Qwest The one-year outperformance was helped by an overweighting of spread product and an underweight in treasuries

Quantitative Evaluation

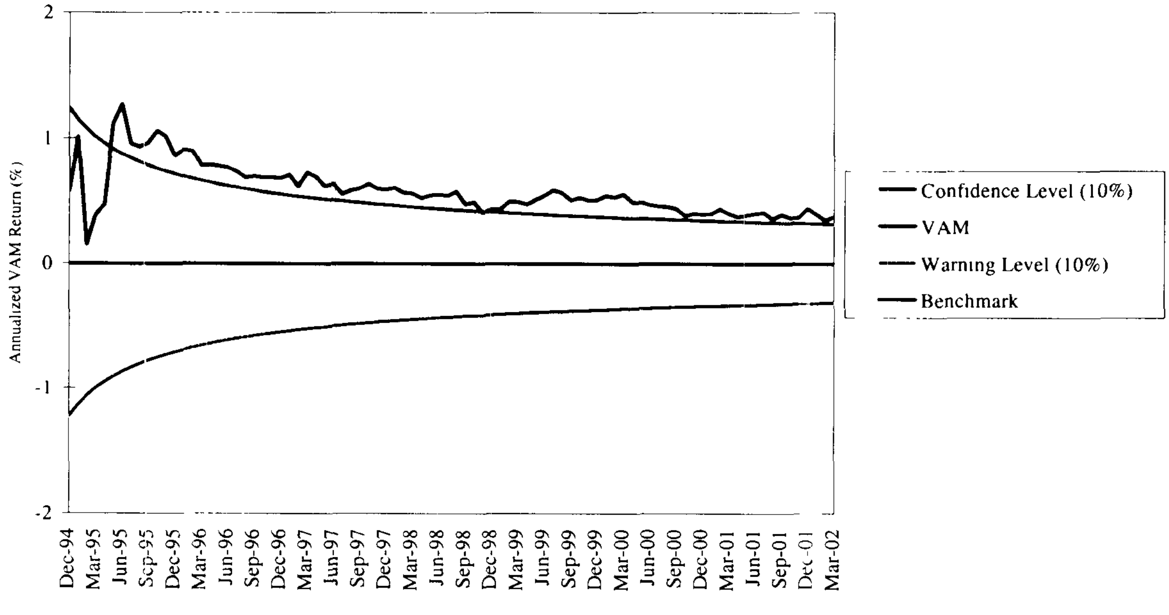
	Actual	Benchmark
Last Quarter	-0.3%	0 1%
Last 1 year	5.5	5 3
Last 2 years	8.7	8.9
Last 3 years	6.7	6 5
Last 4 years	6.7	6 5
Last 5 years	7.8	7.6
Since Inception (7/94)*	8.1	7.7

Recommendation

No action required

* Date started managing the Permanent School Fund against the Lehman Aggregate

INTERNAL BOND POOL - TRUST/NON-RETIREMENT ASSETS
Cumulative Tracking



STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

First Quarter, 2002

MN STATE 457 DEFERRED COMPENSATION PLAN

MUTUAL FUND MANAGERS

Periods Ending March, 2002

457 Mutual Funds	Quarter Actual %	Quarter Bmk %	1 Year Actual %	1 Year Bmk %	3 years Actual %	3 years Bmk %	5 Years Actual %	5 Years Bmk %	Since Retention by SBI* %	Since Retention by SBI* %	State's Participation In Fund ($ millions)
Large Cap Equity:											
Janus Twenty	-5.7	0.3	-11.5	0 2	-15 4	-2 5	10.5	10.2	-15 4	-5.1	$238.7
(S&P 500)**											
Mid Cap Equity:											
Morgan Stanley Mid-Cap Value Instl.	1.2	6.7	6.9	19 5	10.8	16 2	16.2	18.5	1.2	6.7	$3.84
(S&P Mid-Cap 400)											
Small Cap Equity:											
T. Rowe Price Small-Cap Stock	4.2	4.0	21.7	14.1	17.9	9 9	14.1	9.5	14 0	5.1	$277.4
(Russell 2000)**											
Equity Index:											
Vanguard Institutional Index Plus	0.3	0.3	0.2	0.2	-2.5	-2.5	10 3	10.2	-5.1	-5.1	$186.9
(S&P 500)**											
Balanced:											
INVESCO Total Return	1.3	0.3	4.2	2.7	-1 0	0.5	5.9	9.1	-3.9	-0.8	$93.1
(60% S&P 500/40% Lehman Gov-Corp)**											
Bond:											
Dodge & Cox Income Fund	1.0	0.1	7.3	5.3	7.1	6 5	8 0	7.6	8.1	7.4	$43.8
(Lehman Aggregate)**											
International:											
Fidelity Diversified International	2.5	0.6	1.0	-8.6	6.0	-5.4	9.2	1 2	4.0	-6.7	$79.2
(MSCI EAFE-Free)**											

Numbers in black are returns **since** retention by SBI.

Numbers in blue include returns **prior** to retention by SBI.

*The mutual fund managers were retained by the SBI in July 1999.

**Benchmarks for the Funds are notated in parentheses below the Fund names.

Fixed Fund:	%
Blended Yield Rate for current quarter***:	6.1
Bid Rates for current quarter:	
Great West Life	6.2
Minnesota Life	6.5
Principal Life	6 4

***The Blended Yield Rate for the current quarter includes the return on the existing porfolio assets and also the Liquidity Buffer Account (money market). The Bid Rates for the current quarter determine the allocation of new cash flow.

MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending March, 2002

State's Participation in Fund: $238,711,570

Portfolio Manager: Scott W. Schoelzel **Total Assets in Fund: $13,732,200,000**

Investment Philosophy
Janus Twenty

The investment objective of this fund is long-term growth of capital from increases in the market value of the stocks it owns. The fund will concentrate its investments in a core position of between twenty to thirty common stocks. This non-diversified fund seeks to invest in companies that the portfolio manager believes have strong current financial positions and offer growth potential.

Staff Comments

Janus underperformed the quarterly benchmark. Performance was hurt by the AOL Time Warner and QUALCOMM positions. The one-year return continues to lag the benchmark due to the telecommunication holdings.

Quantitative Evaluation

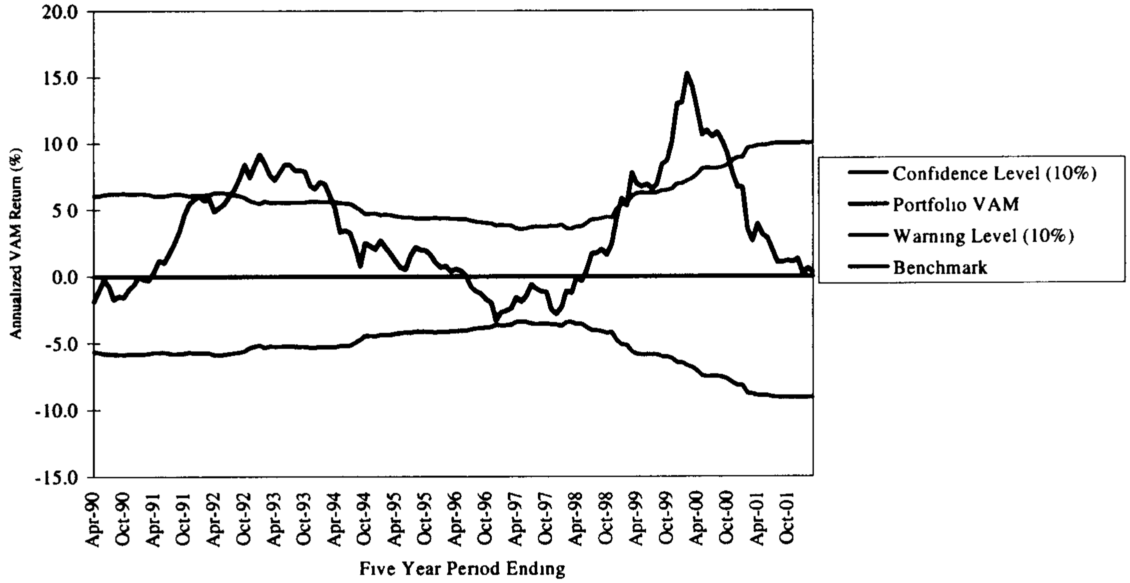
	Actual	Benchmark*
Last Quarter	-5.7%	0.3%
Last 1 year	-11.5	0.2
Last 2 years	-34.6	-11.4
Last 3 years	-15.4	-2.5
Last 4 years	2.1	2.3
Last 5 years	10.5	10.2
Since Retention by SBI (7/99)	-15.4	-5.1

*Benchmark is the S&P 500.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.

LARGE CAP EQUITY - JANUS TWENTY
Rolling Five Year VAM



Note Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
MORGAN STANLEY MID-CAP VALUE INSTITUTIONAL
Periods Ending March, 2002

State's Participation in Fund:	**$3,838,944**
Total Assets in Fund:	**$1,482,770,850**

Portfolio Manager:

Investment Philosophy
Morgan Stanley Mid-Cap Value Institutional

The investment objective of this fund is capital growth. The strategy is to produce a portfolio that focuses on medium-sized companies that are viewed as undervalued. The fund normally invests in all economic sectors of the market and distinguishes itself through a value-driven approach to security selection, which combines quantitative and fundamental elements. Economic sector weights are normally kept within 5 percentage points of those of the S&P MidCap 400 Index The fund focuses on companies with market capitalizations from $500 million to $5 billion.

Staff Comments

Morgan Stanley trailed the quarterly benchmark. The top three holdings were the largest detractors and accounted for approximately half of the underperformance.

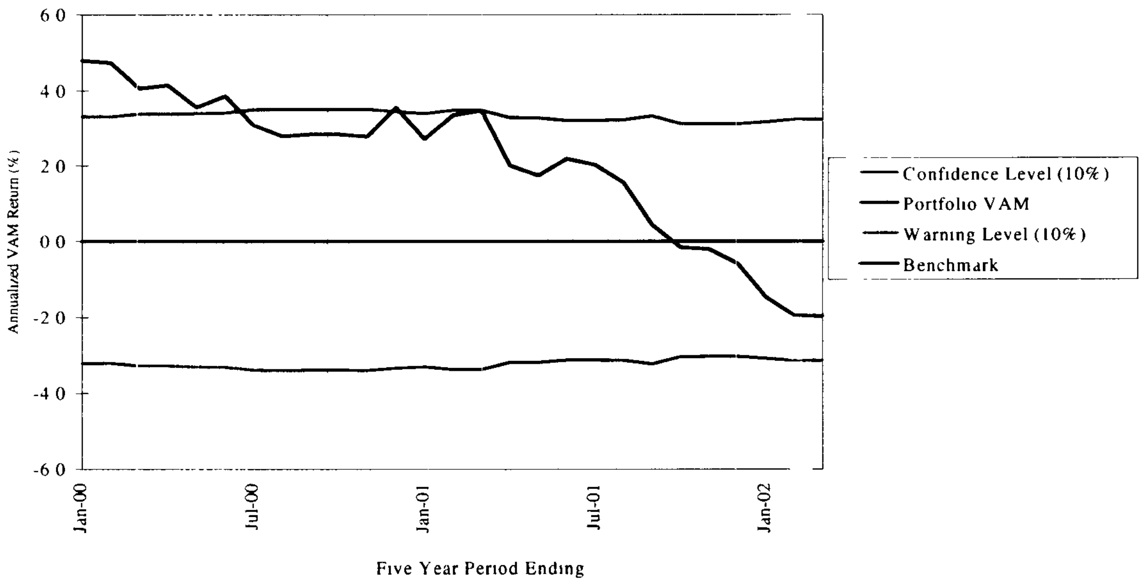
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	1.2%	6.7%
Last 1 year	6.9	19.5
Last 2 years	0.1	6.2
Last 3 years	10.8	16.2
Last 4 years	7.9	11.9
Last 5 years	16.2	18.5
Since Retention By SBI (1/02)	1.2	6.7

Recommendation

No action required

MID CAP EQUITY - MORGAN STANLEY
Rolling Five Year VAM



Note Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP STOCK FUND
Periods Ending March, 2002

State's Participation in Fund: $277,434,094

Portfolio Manager: Gregory A. McCrickard **Total Assets in Fund: $3,720,041,610**

Investment Philosophy
T. Rowe Price Small Cap Equity Fund

The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities traded in the U.S over-the-counter market. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds.

Staff Comments

T. Rowe Price outperformed the quarterly benchmark. The underweight to the weak telecommunication services and technology sectors aided results, along with the overweight in the industrials and business services sector. The one-year outperformance was due to stock selection in various sectors.

Quantitative Evaluation

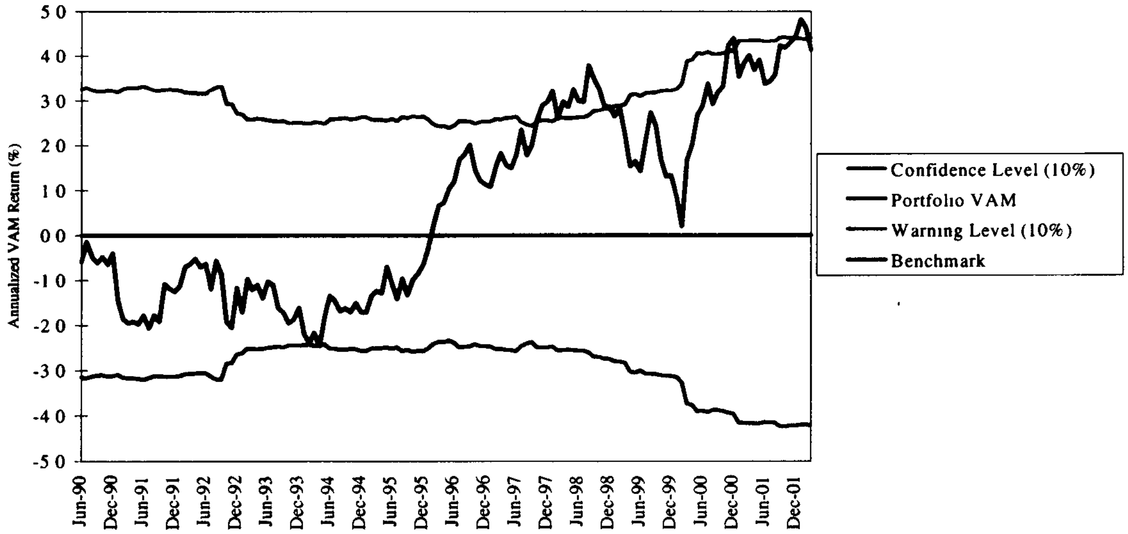
	Actual	Benchmark*
Last Quarter	4.2%	4.0%
Last 1 year	21.7	14.1
Last 2 years	9.3	-1.7
Last 3 years	17.9	9.9
Last 4 years	7.4	2.7
Last 5 years	14.1	9 5
Since Retention by SBI (7/99)	14.0	5.1

*Benchmark is the Russell 2000.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.

SMALL CAP EQUITY - T. ROWE PRICE SMALL CAP EQUITY FUND
Rolling Five Year VAM



Five Year Period Ending
Note Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending March, 2002

State's Participation in Fund: $186,934,468
Portfolio Manager: George U. Sauter **Total Assets in Fund: $12,357,688,325**

Investment Philosophy
Vanguard Institutional Index

This fund attempts to provide investment results, before fund expenses, that parallel the performance of the Standard & Poor's 500 Index The fund invests in all 500 stocks listed in the S&P 500 index in approximately the same proportions as they are represented in the index. The managers have tracked the S&P 500's performance with a high degree of accuracy. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stock

Staff Comments

No comments at this time

Quantitative Evaluation

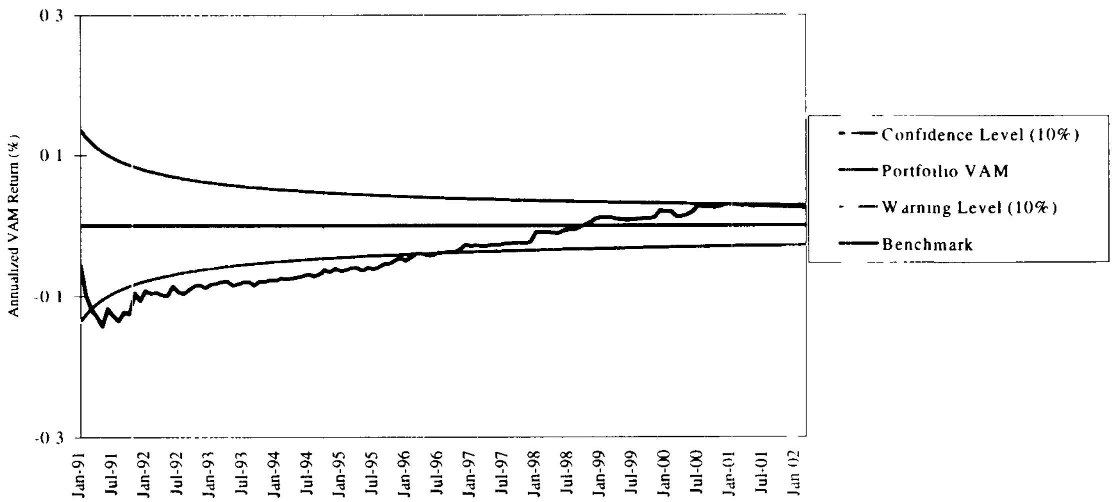
	Actual	Benchmark*
Last Quarter	0.3%	0.3%
Last 1 year	0.2	0.2
Last 2 years	-11.3	-11.4
Last 3 years	-2 5	-2 5
Last 4 years	2 4	2 3
Last 5 years	10 3	10 2
Since Retention by SBI (7/99)	-5.1	-5.1

*Benchmark is the S&P 500.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required

EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX
Cumulative Tracking



Note Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – INVESCO TOTAL RETURN
Periods Ending March, 2002

Portfolio Manager: Charlie Mayer

State's Participation in Fund: $93,066,666
Total Assets in Fund: $1,205,030,000

Investment Philosophy
Invesco Total Return

This fund is designed for investors who want to invest in a mix of stocks and bonds in the same fund. The fund seeks both capital appreciation and current income. The managers start from a 60% stock / 40% bond asset allocation and adjusts the mix based on the expected risks and returns of each asset class. The fund invests in mid- to large-cap value stocks and in high quality bonds with the bond portfolio having a duration somewhat less than the bond market as a whole.

Staff Comments

INVESCO outperformed its benchmark for the quarter. The portfolio was helped by strong stock selection, especially in the consumer staples and energy sectors. Throughout the course of the year, stock selection along with the position in U.S. Treasury securities helped the fund outperform the benchmark.

Quantitative Evaluation

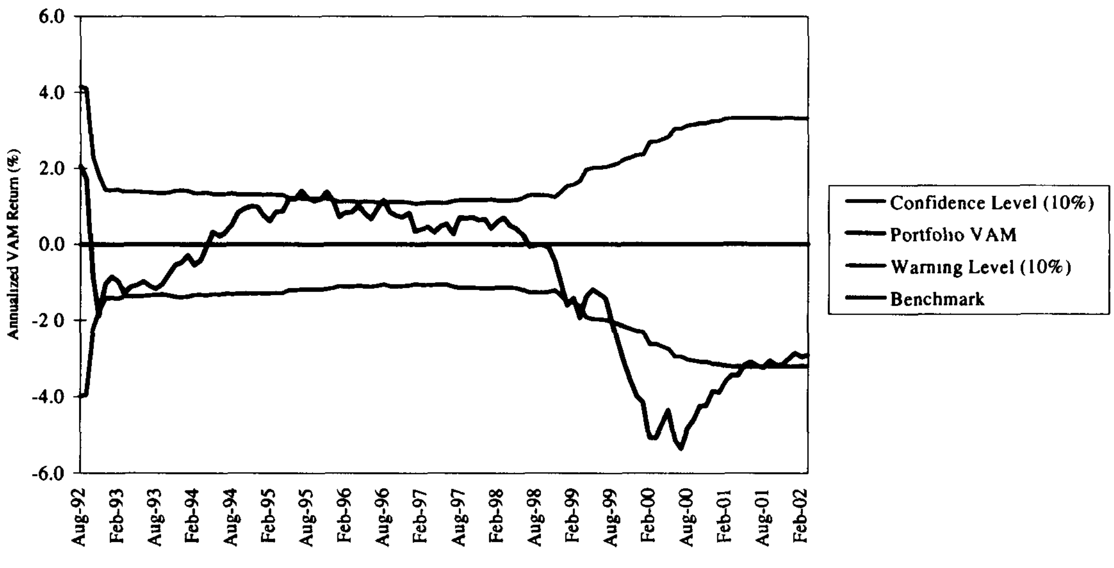
	Actual	Benchmark*
Last Quarter	1.3%	0.3%
Last 1 year	4.2	2.7
Last 2 years	0.1	-4.6
Last 3 years	-1.0	0.5
Last 4 years	0.0	3.8
Last 5 years	5.9	9.1
Since Retention by SBI (7/99)	-3.9	-0.8

*Benchmark is the 60% S&P 500/ 40% Lehman Gov-Corp.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.

BALANCED - INVESCO TOTAL RETURN
Rolling Five Year VAM



Note Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending March, 2002

State's Participation in Fund: $43,838,093
Portfolio Manager: Dana Emery **Total Assets in Fund: $1,747,772,813**

Investment Philosophy
Dodge & Cox Income Fund

The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio is invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While the fund invests primarily in the U. S. bond market, it may invest a small portion of assets in dollar-denominated foreign securities. The duration of the portfolio is kept near that of the bond market as a whole.

Staff Comments

Dodge and Cox exceeded the benchmark this quarter due to their security selection and overweight of the corporate and mortgage sectors.

Quantitative Evaluation

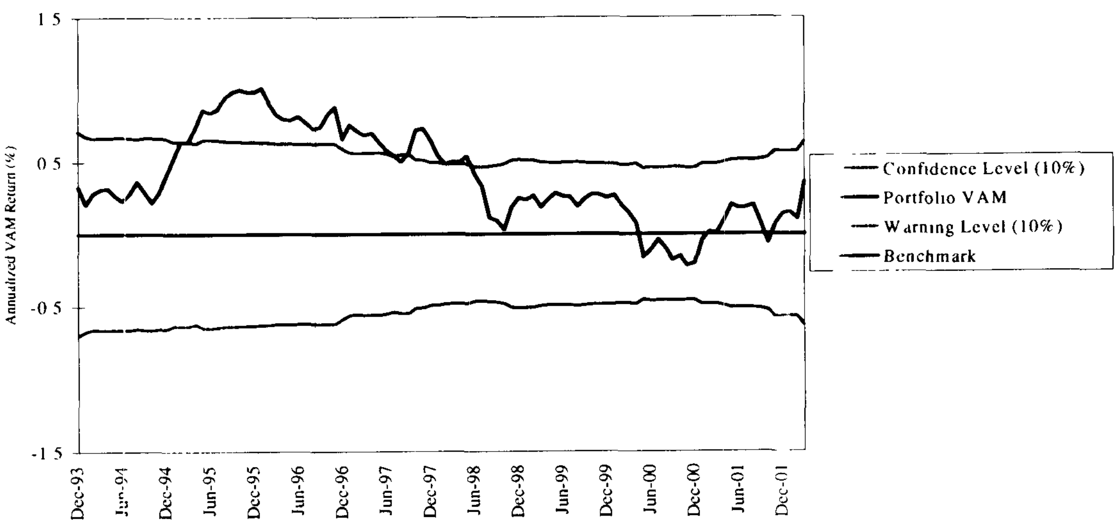
	Actual	Benchmark*
Last Quarter	1.0%	0.1%
Last 1 year	7.3	5.3
Last 2 years	9.9	8.9
Last 3 years	7.1	6.5
Last 4 years	6.9	6.5
Last 5 years	8.0	7.6
Since Retention By SBI (7/99)	8.1	7.4

*Benchmark is the Lehman Aggregate
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI

Recommendation

No action required

BOND - DODGE & COX INCOME FUND
Rolling Five Year VAM



Note Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending March, 2002

State's Participation in Fund: $79,233,439

Portfolio Manager: William Bower **Total Assets in Fund: $6,988,765,480**

Investment Philosophy
Fidelity Diversified International

The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in companies that have a market capitalization of $100 million or more and which are located in developed countries. To select the securities, the fund utilizes a rigorous computer-aided quantitative analysis supplemented by relevant economic and regulatory factors. The manager rarely invests in currency to protect the account from exchange fluctuations.

Staff Comments

Fidelity's quarterly performance was helped by strong stock selection in the financial sector. For the year, the relative outperformance was mainly due to favorable stock selection in the poor performing financial sector.

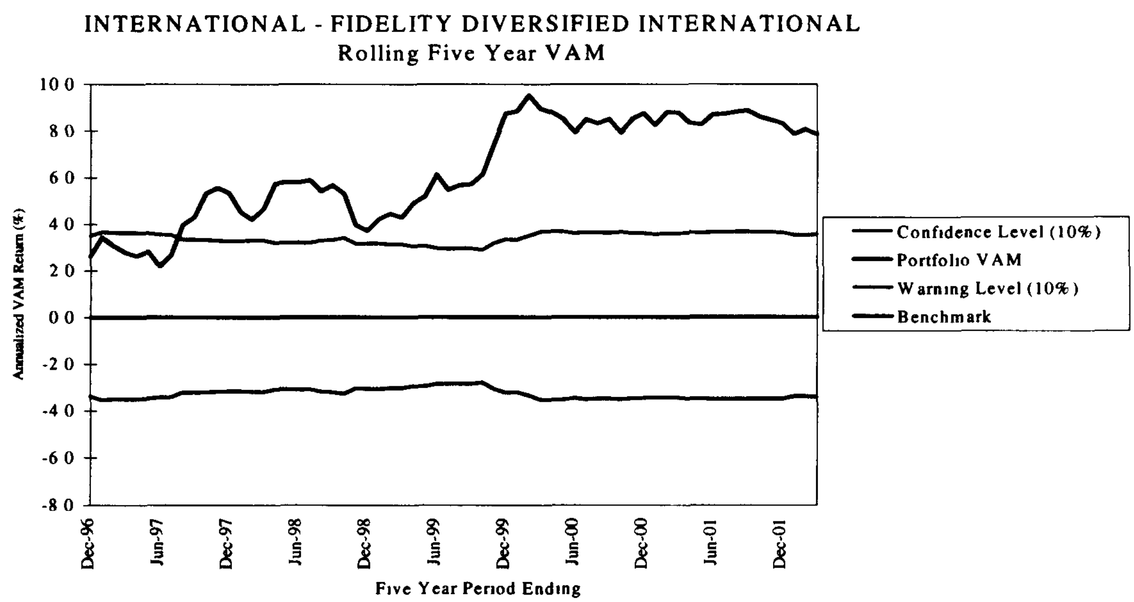
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	2.5%	0.6%
Last 1 year	1.0	-8.6
Last 2 years	-10.0	-17.7
Last 3 years	6.0	-5.4
Last 4 years	5.4	-2.7
Last 5 years	9.2	1.2
Since Retention By SBI (7/99)	4.0	-6.7

*Benchmark is the MSCI EAFE-Free.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI.

Recommendation

No action required.



Note Shaded area includes performance prior to managing SBI account

MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending March, 2002

Total Assets in MN Fixed Fund: $276,469,721 *
*Includes $14-18M in Liquidity Buffer Account

Total Assets in 457 Plan: $592,896,905 **
**Includes all assets in new and old fixed options

Principal Life

Ratings:	Moody's	Aa2
	S&P	AA
	A.M. Best	A+
	Duff & Phelps	AA+

Assets in MN Fixed Fund: $92,303,131

Investment Philosophy

The manager invests in fixed income securities, commercial mortgages, mortgage-backed securities and residential whole loans, with lesser amounts invested in stock, cash equivalents and direct real estate. The manager relies upon in-house analysis and prefers investments that offer more call protection. The manager strongly prefers private placements to corporate bonds in the belief that private placements offer higher yields and superior protective covenants compared to public bonds. A portion of the fixed income portfolio is invested in US dollar-denominated foreign corporate bonds. Mortgage-backed bonds are actively managed to prices at or below par to reduce prepayment risk. Conservative underwriting standards, small loan sizes and an emphasis on industrial properties minimizes commercial loan risk.

Minnesota Life

Ratings:	Moody's	Aa2
	S&P	AA+
	A.M. Best	A++
	Duff & Phelps	AA+

Assets in MN Fixed Fund: $103,562,561

Assets in Prior MN 457 Plan: $141,186,282

Total Assets: $244,748,843

Investment Philosophy

Investment decisions support an asset/liability match for the company's many product lines. A conservative investment philosophy uses a number of active and passive investment strategies to manage general account assets and cash flow. Assets are primarily invested in a widely diversified portfolio of high quality fixed income investments that includes public and private corporate bonds, commercial mortgages, residential mortgage securities and other structured investment products, providing safety of principal and stable, predictable cash flow to meet liabilities and to invest in and produce consistent results in all phases of the economic cycle.

Great West Life

Ratings:	Moody's	Aa2
	S&P	AA+
	A.M. Best	A++
	Duff & Phelps	AAA

Assets in MN Fixed Fund: $74,935,470

Assets in Prior MN 457 Plan: $175,240,902

Total Assets: $250,176,372

Investment Philosophy

The Company observes strict asset/liability matching guidelines to ensure that the investment portfolio will meet the cash flow and income requirements of its liabilities. The manager invests in public and privately placed corporate bonds, government and international bonds, common stocks, mortgage loans, real estate, redeemable preferred stocks and short-term investments. To reduce portfolio risk, the manager invests primarily in investment grade fixed maturities rated by third-party rating agencies or by the manager if private placements. Mortgage loans reflect a broadly diversified portfolio of commercial and industrial mortgages subject to strict underwriting criteria

MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending March, 2002

Current Quarter

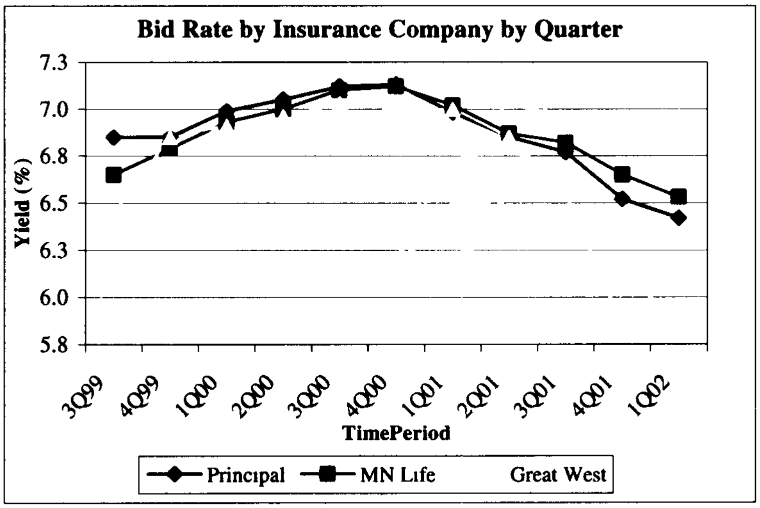
Dollar Amount of Bid: $11,700,000 **Blended Rate: 6.14%**

Bid Rates:

Principal Life	6.42%
Minnesota Life	6.53%
Great West Life	6.15%

Dollar Amount in existing Minnesota Life portfolio: $141,186,282

Rate on existing Minnesota Life portfolio: 5.96 %



Staff Comments on Bid Rates

The spread in the bid rates by the three insurance companies on the new inflow of dollars into the MN Fixed Fund in the first quarter decreased from last quarter. The overall bid rates decreased from the prior quarter.

Staff Comments

	2Q01	3Q01	4Q01	1Q02
Principal Life	33.3%	40.0%	30.0%	30.0%
Minnesota Life	33.3%	40.0%	50.0%	50.0%
Great West Life	33.3%	20.0%	20.0%	20.0%

For the first quarter, Great West Life had a lower percentage allocation of bid dollars since their bid rate was more than 20 basis points less than the top bid. The top two bids were between 10 and 20 basis points of each other.

Tab E

COMMITTEE REPORT

DATE: May 17, 2002

TO: Members, State Board of Investment
Members, Investment Advisory Council

FROM: **Alternative Investment Committee**

The Alternative Investment Committee met on May 15, 2002 to review the following information and action agenda items:

- Review of current strategy.
- Investment for the Basic Retirement Fund with an existing private equity manager, Blackstone.
- Investment for the Basic Retirement Fund with a new private equity manager, Lumina Ventures (Lumina is a spin-off from Coral Group, an existing private equity manager).
- Investment for the Basic Retirement Fund with an existing real estate manager, TA Realty.

Board/IAC action is required on the last three items.

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 15% of the Basic Retirement Funds and 5% of the Post Retirement Fund are allocated to alternative investments. Alternative investments include real estate, private equity and resource investments where Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

Basic Funds

- The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs), open-end commingled funds and closed-end commingled funds. The remaining portion of the portfolio can include investments in less diversified, more focused (specialty) commingled funds and REITs.

- The private equity investment strategy is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.

- The strategy for resource investment is to establish and maintain a portfolio of resource investment vehicles that are specifically designed for institutional investors to provide an inflation hedge and additional diversification. Individual resource investments will include proved producing oil and gas properties, royalties and other investments that are diversified geographically and by type.

Post Fund

- The Post Fund assets allocated to alternative investments will be invested separately from the Basic Funds' alternative investments to assure that returns are accounted for appropriately. Since the Post Fund invests the retired employees' pension assets, an allocation to yield oriented alternative investments will be emphasized. The Basic Retirement Funds' invest the active employees' pension assets and have less concern regarding the current yield for their alternative investments.

ACTION ITEMS

1) Investment for the Basic Retirement Fund with an existing private equity manager, Blackstone, in Blackstone Capital Partners IV.

Blackstone is seeking investors for a new $5-6 billion private equity fund. This fund is a successor to other similar private equity funds managed by Blackstone. The SBI has invested in a prior Blackstone fund. This fund, like the prior funds, will specialize in diversified private equity investments.

More information on Blackstone Capital Partners IV, is included as **Attachment C**.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $70 million or 20%, whichever is less, in Blackstone Capital Partners IV. This commitment will be allocated to the Basic Retirement Fund.

Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Blackstone upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on Blackstone or reduction or termination of the commitment.

2) **Investment for the Basic Retirement Fund with a new private equity manager, Lumina Ventures (Lumina is a spin-off from Coral Group, one of the SBI's existing private equity managers) in Lumina Ventures, L.P.**

Lumina Ventures is seeking investors for a new $250 million private equity fund. This fund is a spin-off of the health care investing team from Coral Ventures, one of the SBI's existing private equity fund managers. This fund will specialize in healthcare private equity investments.

More information on Lumina Ventures, L.P., is included as **Attachment D**.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $30 million or 20%, whichever is less, in Lumina Ventures, L.P. This commitment is contingent upon the Lumina fund reaching a minimum fund size of at least $100 million. This commitment will be allocated to the Basic Retirement Fund.

Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Lumina Ventures upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on Lumina Ventures or reduction or termination of the commitment.

3) **Investment for the Basic Retirement Fund with an existing real estate manager, TA Realty in The Realty Associates Fund VI.**

TA Realty is seeking investors for a new $650 million real estate fund. This fund is a successor to other similar real estate funds managed by TA Realty. The SBI has invested in a three prior TA Realty funds. This fund, like the prior funds, will invest in diversified real estate investments.

More information on TA Realty, is included as **Attachment E**.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute a commitment of up to $50 million or 20%, whichever is less, in The Realty Associates Fund VI. This commitment will be allocated to the Basic Retirement Fund.

Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by TA Realty upon this approval. Until a formal agreement is executed by the Executive Director on behalf of the SBI, further due diligence and negotiations may result in the imposition of additional terms and conditions on TA Realty or reduction or termination of the commitment.

ATTACHMENT A

Minnesota State Board of Investment

Alternative Investments
Basic Retirement Funds
March 31, 2002

Market Value of Basic Retirement Funds	$18,014,161,473
Amount Available for Investment	**$255,401,174**

	Current Level	Target Level	Difference
Market Value	$2,230,777,420	$2,702,124,221	$471,346,801
MV +Unfunded	$3,347,431,120	$3,602,832,295	$255,401,174

Asset Class	Market Value	Unfunded Commitment	Total
Real Estate	$604,074,674	$3,418,182	$607,492,856
Private Equity	$1,341,216,163	$1,021,273,510	$2,362,489,673
Resource	$285,486,583	$91,962,008	$377,448,591
Total	$2,230,777,420	$1,116,653,700	$3,347,431,120

Minnesota State Board of Investment

Alternative Investments
Post Retirement Funds
March 31, 2002

Market Value of Post Retirement Funds	$18,311,515,346
Amount Available for Investment	**$350,043,590**

	Current Level	Target Level	Difference
Market Value	$565,532,178	$915,575,767	$350,043,590
MV +Unfunded	$1,274,119,430	$1,831,151 535	$557,032,105

Asset Class	Market Value	Unfunded Commitment	Total
Real Estate	$166,842,562	$133,356 762	$300,199,325
Private Equity	$329,339,356	$462,211 950	$791,551,306
Resource	$69,350,259	$113,018 540	$182,368,799
Total	$565,532,178	$708,587.252	$1,274,119,430

ATTACHMENT B

Minnesota State Board of Investment
Alternative Investments
As of March 31, 2002

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Real Estate - Basic							
Colony Capital							
Colony Investors II	40,000,000	38,985,164	9,560,005	35,281,500	1,014,836	5 28	7 00
Colony Investors III	100,000,000	97,952,253	60,895,497	61,383,616	2,047,747	10 04	4 25
Equity Office Properties Trust	140,388,854	140,388,854	59,010,956	223,359,987	0	19 22	10 34
Heitman							
Heitman Advisory Fund II	30,000,000	30,000,000	3,267,519	40,389,859	0	4 14	16 36
Heitman Advisory Fund V	20,000,000	20,000,000	7,385,845	23,928,763	0	7 94	10 32
Lasalle Income Parking Fund	15,000,000	14,644,401	6,189,686	21,361,030	355,599	11 27	10 53
Lend Lease Real Estate Investments	40,000,000	40,000,000	136,791,639	3,899,441	0	6 55	20 47
RREEF USA Fund III	75,000,000	75,000,000	650,568	121,039,987	0	4 76	17 89
T.A. Associates Realty							
Realty Associates Fund III	40,000,000	40,000,000	55,331,538	26,650,761	0	13 07	7 83
Realty Associates Fund IV	50,000,000	50,000,000	60,703,482	19,471,919	0	12 96	5 16
Realty Associates Fund V	50,000,000	50,000,000	52,416,395	6,984,956	0	9 12	2 85
UBS Realty	42,376,529	42,376,529	151,504,206	0	0	7 18	19 92
Funds in Liquidation (AEW III, AEW V, First Asset Realty Fund, Heitman I, Heitman III)	75,916,185	75,916,185	367,338	81,186,883	0	N/A	N/A
Real Estate - Basic Total	718,681,568	715,263,386	604,074,674	664,938,702	3,418,182		
Real Estate-Post							
Carbon Capital	50,000,000	0	0	0	50,000,000	N/A	0 07
Colony Capital	40,000,000	38,985,164	9,560,005	35,281,500	1,014,836	5 28	7 00
CT Mezzanine Partners	100,000,000	17,985,521	17,089,625	1,228,759	82,014,479	N/A	0 52
Equity Office Properties Trust	117,673,360	117,673,360	59,010,956	69,702,844	0	N/A	0 99
GMAC Institutional Advisors							
Institutional Commercial Mortgage Fund II	13,500,000	13,397,500	9,690,671	10,247,374	102,500	9 54	6 68
Institutional Commercial Mortgage Fund III	21,500,000	21,275,052	20,037,782	9,638,942	224,948	8 94	5 33
Institutional Commercial Mortgage Fund IV	14,300,000	14,300,000	14,150,765	3,994,061	0	8 49	4 25
Institutional Commercial Mortgage Fund V	37,200,000	37,200,000	37,302,760	4,819,550	0	9 81	2 66
Real Estate Post - Total	394,173,360	260,816,598	166,842,562	134,913,029	133,356,762		
Real Estate Total	1,112,854,928	976,079,984	770,917,236	799,851,731	136,774,944		

Minnesota State Board of Investment
Alternative Investments
As of March 31, 2002

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity-Basic							
Bank Fund							
Banc Fund IV	25,000,000	25,000,000	30,914,475	10,826,263	0	12 92	6 12
Banc Fund V	48,000,000	43,200,000	46,792,037	2,995,039	4,800,000	7 50	3 71
Blackstone Capital Partners II	50,000,000	47,271,190	30,146,999	60,862,309	2,728,810	35 76	8 35
BLUM Capital Partners							
BLUM Strategic Partners	50,000,000	49,217,527	50,815,311	19,468,062	782,473	14 51	3 27
BLUM Strategic Partners II	50,000,000	13,789,486	14,990,674	0	36,210,514	N/A	0 70
Brinson Partners II	20,000,000	19,579,998	1,387,785	38,207,210	420,002	25 88	11 34
Churchill Capital Partners II	20,000,000	20,000,000	3,285,486	23,010,789	0	10 02	9 42
Citigroup VC Equity Partners	100,000,000	22,517,295	22,627,787	0	77,482,705	N/A	0 30
Contrarian Capital Fund II L P.	37,000,000	36,938,217	30,985,438	1,859,356	61,783	-3 04	4 83
Coral Partners							
Coral Partners Fund II	10,000,000	8,069,315	802,275	36,117,047	1,930,685	25 06	11 68
Coral Partners Fund IV	15,000,000	15,000,000	6,552,593	10,744,0[illegible]4	0	4 29	7 69
Coral Partners Fund V	15,000,000	13,500,000	9,521,522	152,4[illegible]1	1,500,000	-14 83	3 79
Crescendo							
Crescendo II	15,000,000	15,000,000	3,625,412	20,347,0[illegible]9	0	27 04	5 24
Crescendo III	25,000,000	25,000,000	10,337,689	8 084,795	0	-15 62	3 40
Crescendo IV	101,500,000	63,330,047	31,046,416	185, [illegible]4	38,169,953	-38 18	2 06
DLJ							
DLJ Merchant Banking Partners III	125,000,000	34,178,461	31,543,477	3 113 [illegible]50	90,821,539	-6 15	1 50
DLJ Strategic Partners	100 000,000	42,530 681	39,076,270	7 872,[illegible]7	57 469,319	15 10	1 19
DSV Partners IV	10,000,000	10,000,000	1,261,358	27,596 [illegible]4	0	9 54	16 97
First Century Partners III	10,000,000	10,000,000	1,684,546	14,818,[illegible]7	0	8 41	17 29
Fox Paine Capital Fund							
Fox Paine Capital Fund	40,000,000	40,000,000	45,621,240	0	0	5 58	3 94
Fox Paine Capital Fund II	50,000,000	4,726,472	3 069,541	0	45,273,528	-55 88	1 75
Golder,Thoma, Cressey, Rauner							
Golder Thoma Cressey Fund III	14,000,000	14,000,000	4,408,756	55,522 [illegible]86	0	30 28	14 42
Golder, Thoma Cressey & Rauner Fund IV	20,000 000	20,000 000	3,913,067	34,948 [illegible]8	0	24 17	8 16
Golder Thoma Cressey & Rauner Fund V	30,000,000	30,000,000	27,657,590	9,707 [illegible]79	0	6 46	5 75
GS Capital Partners 2000	50,000,000	14,842 581	12,902,938	0	35,157,419	-16 90	1 58
GTCR Golder Rauner							
GTCR VI	90,000,000	89,137,778	41,927,190	49,263 [illegible]09	862,222	1 65	3 75
GTCR Fund VII.	175,000,000	98,109,375	78,281,816	33 875 [illegible]56	76,890,625	15 56	2 14
GHJM Marathon Fund L.P IV	40,000,000	27,670,000	24,412,992	0	12,330,000	-11 71	2 96
Hellman & Friedman							
Hellman & Friedman Capital Partners III	40,000,000	32,432,434	7,911,362	54,681 [illegible]24	7,567,566	33 62	7 53
Hellman & Friedman Capital Partners IV	150,000,000	67,899,722	41,885,099	35,773 646	82,100,278	27 34	2 25
Kohlberg Kravis Roberts							
KKR 1986 Fund	18,365,339	18,365,339	10,383,194	202,769, [illegible]19	0	28 13	15 96
KKR 1987 Fund	145,950,000	145,373,652	88,519,747	330,583 [illegible]43	576,348	9 86	14 35
KKR 1993 Fund	150,000,000	150,000,000	38,799,991	260,983 [illegible]14	0	17 35	8 28
KKR 1996 Fund	200,000,000	192,479,037	180,290,063	78,078 [illegible]86	7,520,963	11 26	5 58
KKR Millennium Fund	200,000,000	0	0	0	200,000,000	N/A	0 85
Matrix Partners III	10,000,000	10,000,000	534,925	[illegible]7,327 [illegible]44	0	75 14	11 90
Piper Jaffray Healthcare							
Piper Jaffray Healthcare Fund II	10,000,000	9,700,000	8,470,643	1,450 [illegible]15	300,000	0 70	5 08
Piper Jaffray Healthcare Fund III	20,000,000	17,231,115	14,624,643	1,304 [illegible]49	2,768,885	-5 14	3 19
Summit Partners							
Summit Ventures II	30,000,000	28,500,000	1,911,397	71,715 485	1,500,000	28 77	13 88
Summit Ventures V	25,000,000	18,822,973	13,649,105	7,352 [illegible]56	6,177,027	4 82	4 00
T Rowe Price	515,982,545	515,982,545	16 950,992	500,986 608	0	2 81	N/A
Thoma Cressey							
Thoma Cressey Fund VI	35,000,000	32,375,000	24,081,662	1,754 [illegible]57	2,625,000	-11 20	3 61
Thoma Cressey Fund VII	50,000,000	4,000,000	3,380,548	0	46,000,000	-11 14	1 60
Vestar Capital Partners IV	55,000,000	13,054,134	10,343,307	369 [illegible]85	41,945,866	-21 36	2 29
Warburg Pincus							
Warburg, Pincus Equity Partners	100,000,000	98,000,000	88,356,540	24,654 [illegible]22	2,000,000	8 29	3 76
Warburg, Pincus Ventures	50,000,000	50,000,000	67,059,045	173,923 668	0	52 41	7 25
Welsh, Carson, Anderson & Stowe							
Welsh, Carson, Anderson & Stowe VIII	100,000,000	97,000,000	82,200,904	0	3,000,000	-6 75	3 69
Welsh, Carson, Anderson & Stowe IX	125,000,000	31,250,000	22,246,875	0	93,750,000	-22 53	1 76
William Blair Capital Partners	50,000,000	9,450,000	9,152,675	0	40,550,000	-5 69	1 06
Funds in Liquidation (Brinson I, Coral I, Matrix II, Summit I, and Zell/Chilmark)	62,011,923	62,011,923	870,764	156,809 219	0		
Private Equity - Basic Total	3,477,809,807	2,456,536,296	1,341,216,163	2 450,094 365	1,021,273,510		

Minnesota State Board of Investment
Alternative Investments
As of March 31, 2002

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity - Post							
Citicorp Mezzanine							
Citicorp Mezzanine II	40,000,000	40,000,000	19,179,967	32,628,566	0	10.32	7 25
Citicorp Mezzanine III	100,000,000	35,453,022	35,743,932	5,638,772	64,546,979	12.28	2 41
DLJ Investment Partners II	50,000,000	16,628,082	24,199,992	1,089,193	33,371,918	20 64	2.25
GS Mezzanine Partners II	100,000,000	11,055,068	7,174,927	1,513,884	88,944,932	-11 00	2.08
GTCR Capital Partners	80,000,000	61,643,999	55,855,442	14,111,432	18,356,001	7 90	2 38
KB Mezzanine Partners Fund II	25,000,000	24,999,999	13,268,765	7,151,873	1	-6 26	6.50
Prudential Capital Partners	100,000,000	22,346,058	21,095,774	1,775,651	77,653,942	N/A	0 95
Summit Partners							
Summit Sub Debt Fund I	20,000,000	18,000,000	730,035	30,437,528	2,000,000	30 55	8 00
Summit Sub Debt Fund II	45,000,000	27,000,000	15,070,171	56,110,172	18,000,000	63 75	4 66
T. Rowe Price	52,990,378	52,990,378	249,010	51,840,522	0	-10 58	N/A
TCW/Crescent Mezzanine							6 00
TCW/Crescent Mezzanine Partner	40,000,000	39,851,211	25,662,478	23,662,207	148,789	8 07	6 00
TCW/Crescent Mezzanine Partner II	100,000,000	86,389,655	57,693,413	50,218,231	13,610,345	11 43	3 35
TCW/Crescent Mezzanine Partners III	75,000,000	7,154,972	5,286,177	862,015	67,845,028	N/A	1 00
William Blair Mezzanine III	60,000,000	35,721,600	34,634,234	1,100,400	24,278,400	0 03	2 25
Windjammer Mezzanine & Equity Fund II	66,708,861	13,253,246	13,495,038	1,000,000	53,455,615	-6 52	2 00
Private Equity - Post Total	954,699,239	492,487,289	329,339,356	279,140,447	462,211,950		
Private Equity Total	4,432,509,046	2,949,023,586	1,670,555,518	2,729,234,812	1,483,485,460		

Minnesota State Board of Investment
Alternative Investments
As of March 31, 2002

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Resource-Basic							
Apache Corp III	30,000,000	30,000,000	13,989,870	46,628,746	0	13 21	15 25
First Reserve							
First Reserve VII	40,000,000	40,000,000	28,168,000	27,100,697	0	11 36	5 75
First Reserve VIII	100,000,000	100,000,000	114,334,040	20,561,173	0	16 03	3 92
First Reserve IX	100,000,000	32,400,796	31,979,456	0	67,599,204	N/A	0 97
JP Morgan Petroleum Fund II	15,000,000	15,000,000	4,037,408	20,906,987	0	6 97	13 60
Simmons							
Simmons - SCF Fund II	17,000,000	14,847,529	16,605,752	14 438,1[illegible]5	2,152,471	9 40	10 65
Simmons - SCF Fund III	25,000,000	22,021,139	32,902,757	17,225,929	2,978,862	18 65	6 75
Simmons - SCF Fund IV	50,000,000	30,768,528	35,014,898	4,832,1[illegible]1	19,231,472	7 28	4 00
T. Rowe Price	17,396,296	17,396,296	7,859,000	5,504,102	0	-30 30	N/A
Funds in Liquidation (First Reserve I, First Reserve II, First Reserve V)	38,800,000	38,800,000	595,402	79,693,8[illegible]1	0	N/A	N/A
Resource - Basic Total	433,196,296	341,234,287	285,486,583	236 891,8[illegible]1	91,962,008		
Resource-Post							
Merit Energy Partners							
Merit Energy Partners B	24,000,000	24,000,000	29,259,090	12 908,4[illegible]	0	17 25	5 75
Merit Energy Partners C	50 000,000	20,781 460	35,953,955	3 905,9[illegible]1	29,218,540	25 46	3 42
Merit Energy Partners D	88,000,000	4,200,000	4,137,214	147,000	83,800,000	2 02	0 85
Resource - Post Total	162,000,000	48,981,460	69,350,259	16,961,400	113,018,540		
Resource - Total	595,196,296	390,215,747	354,836,843	253 853,2[illegible]1	204,980,548		

PRIVATE EQUITY MANAGER SUMMARY PROFILE – BASIC FUND

I. Background Data

Name of Fund:	Blackstone Capital Partners IV, L.P.
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	$5-6 billion
Fund Manager:	Blackstone Capital Partners
Manager Contact:	Steven Schwarzman 345 Park Ave. New York, NY 10154 phone: (212) 583-5823 e-mail: schwarzman@blackstone.com

II. Organization and Staff

The Blackstone Group, a privately held merchant banking firm founded in 1985 by Peter G. Peterson and Stephen A. Schwarzman, is sponsoring its fourth general corporate private equity fund, Blackstone Capital Partners IV L.P. ("BCP IV" or the "Partnership"). BCP IV will pursue a broad range of equity and equity-related investments.

Blackstone is one of the largest alternative asset managers in the world, having raised $12 billion for alternative asset investing in addition to managing $2 billion for liquid alternative asset investing. To date, Blackstone has raised $6 billion of capital for general corporate private equity investing through BCP I (October 1987), BCP II (October 1993), and BCP III (August 1997). In addition, Blackstone raised approximately $2 billion for Blackstone Communications Partners ("BCOM"), which had its initial closing in June 2000. To date, BCOM has invested approximately $200 million in four separate investments.

Blackstone currently has 41 professionals in the corporate private equity group, who collectively have approximately 175 years of experience in private equity investing at Blackstone. In addition to Blackstone's two Founding Members, there are 11 Senior Managing Directors in the corporate private equity group, who have been at Blackstone for 10 years on average.

III. Investment Strategy

For BCP IV, Blackstone has identified a number of targeted areas for its core competencies, including:

"Core Economy" Value Plays. While the highest valued companies in the Fortune 500 continue to trade at lofty levels, the rest of the market has returned to valuations reminiscent of the overall market in 1987; companies outside the top quartile now trade at less than 16x forward earnings (versus 42x for the top quartile). Blackstone believes that shareholders and boards will increasingly consider private equity transactions at precisely the time that competition from many would-be strategic acquirers is abating.

Situations Arising from Capital Market Contraction/Volatility. Notwithstanding the general decline in the availability of debt financing to financial buyers over the last several years, there were many companies to which the bank and public debt markets extended high levels of credit—especially in the communications sector. Many of these companies will be coming to market for additional financing at a time when the market has dramatically scaled back its willingness to provide capital to such enterprises. The IPO market, for example, is not currently receptive to companies in need of substantial growth capital, even those in non-communications areas. Blackstone believes that it is well positioned to evaluate and invest in these opportunities.

Expanding European Presence. Blackstone has been cautious in pursuing opportunities outside the U.S. In 1994, for example, the firm opened a Hong Kong office to participate in the "Asian miracle." After two years of passing on opportunities which it perceived to have unacceptable risk/return profiles, Blackstone decided to refocus these resources on opportunities in the U.S. Over the last several years, Blackstone has gradually increased its presence in the European market including the opening of a London office in 2000. Since 1996, Blackstone has invested or committed to invest $820 million of equity capital in 16 separate transactions in Europe through its corporate and real estate funds, including being the major sponsor of the largest private equity transaction to date in Continental Europe in connection with Deutsche Telekom's cable system divestitures. For a variety of macroeconomic and microeconomic reasons, Blackstone believes that the time is now right for a major deployment of resources to pursue private equity opportunities in Europe. To this end, Blackstone entered into a preliminary agreement to form a strategic alliance with Roland Berger & Partner GmbH ("Berger"), the largest international management consulting firm of European origin.

IV. Investment Performance

Previous fund performance as of December 2001 for Blackstone and the SBI's investments with previous funds, where applicable, is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception
Blackstone Capital Partners III	1997	$3.8 billion	--	13%
Blackstone Capital Partners II	1993	$1.3 billion	$50 million	35%
Blackstone Capital Partners I	1987	$753 million	--	19%

Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results.

V. General Partner's Investment

Blackstone is expected to invest 2.5% of Capital Commitments up to $150 million, plus up to an additional 6% in each investment on a side-by-side basis (based on an annual election).

VI. Takedown Schedule

The General Partner will give at least ten days' written notice prior to any takedown of Capital Commitments, which, in the case of a takedown notice for an Investment, will include a brief description of the Investment and the business to which it relates. Funds will be taken down as needed to make Investments, to pay Partnership Expenses, to make additional contributions to existing Investments, to repay borrowings or satisfy guarantees or other obligations of the Partnership.

VII. Fees

Management fees are payable quarterly in advance based on the following:

- During the Investment Period: 1.5% of aggregate Capital Commitments;
- After the Investment Period: 0.75% of invested capital.

Management Fees will be reduced by:

- 100% of net breakup, topping, commitment, monitoring, directors', and organizational fees up to the amount of broken deal expenses;
- 80% of net breakup, topping, and commitment fees in excess of broken deal expenses; and
- 50% of net monitoring, directors', and organizational fees in excess of broken deal expenses.

VIII. Allocations and Distributions

Upon disposition of an Investment (calculated separately for each Limited Partner):

- First, 100% to the Limited Partner until it receives a return of capital and Allocated Fees and Expenses for the Investment which has been disposed of, unrecouped losses on Investments previously disposed of, unrealized losses on Investments not disposed of, and a 10% compound annual return on capital contributions on investments disposed of;

- Second, 80% to the General Partner and 20% to the Limited Partner until the General Partner receives its 20% carried interest; and

- Thereafter, 80% to the Limited Partner and 20% to the General Partner.

Current Income is generally distributed as described above, except that distributions are made on an investment-by-investment basis and will not take into account a return of capital or any writedowns but will take into account actual unrecouped losses from prior dispositions.

IX. Investment Period and Term

The Fund's Investment Period is six years, and the Fund's term is eleven years, subject to two one-year extensions (unless vetoed by the L.P. Advisory Committee).

ATTACHMENT D

PRIVATE EQUITY MANAGER SUMMARY PROFILE – BASIC FUND

I. Background Data

Name of Fund:	Lumina Ventures, L.P.
Type of Fund:	Private Equity Limited Partnership
Total Fund Size:	$250 million
Fund Manager:	Thomas, McNerney & Partners, LLC
Manager Contact:	Pete McNerney 60 South 6th Street, Ste. 3510 Minneapolis MN 55402 phone: 612-335-8681 e-mail: pmcnerney@tm-partners.com

II. Organization and Staff

Lumina Ventures, L.P. (the "Partnership") is being formed to seek substantial capital appreciation through private equity investments in health care companies, with a focus on life sciences and medical technology. The Partnership is targeting $250 million in total capital commitments and will be managed by Thomas, McNerney & Partners, L.L.C. ("TMP" or the "General Partner"), which has been formed by James E. Thomas, Peter H. McNerney and Karen M. Boezi (collectively, the "Principals"). Mr. Thomas was formerly the head of the medical technology private equity practice at E.M. Warburg, Pincus & Co., L.L.C. ("Warburg"), a leading private equity firm which he joined in 1989. During his eight years in Warburg's medical technology group, Mr. Thomas had responsibility for making investments in biotechnology, pharmaceutical, medical device and diagnostic companies. Mr. McNerney and Ms. Boezi have been the health care investment team at Coral Ventures ("Coral"), a venture capital firm co-founded by Mr. McNerney in 1992, which has made private equity investments in the health care and technology industries. Prior to joining Coral in 1994, Ms. Boezi worked with Mr. Thomas during two of her three years in Warburg's medical technology group.

III. Investment Strategy

The Partnership will pursue investments in companies at all stages of development and across all sectors of the health care industry. By diversifying across a range of sectors and stages, the Principals expect the Fund will be less vulnerable to public market cycles and have the flexibility to invest in companies with the highest potential returns, irrespective of stage or sector. The Principals believe that they have the experience, networks and financial expertise to aid earlier stage companies in realizing significant value and to source and create attractive investments in more mature companies, thereby producing strong returns for the Partnership. The Fund also is designed to have a geographically diversified investment strategy. The Principals believe that many attractive opportunities will exist in areas outside of traditional venture capital hubs and the Principals will use their broad geographic experience and relationships to pursue the best investments independent of their location. With offices in New York, Minneapolis and California, the firm is well positioned to pursue early stage opportunities throughout the country and to source later stage investments from the major medical technology companies concentrated in the East and Upper Midwest.

IV. Investment Performance

Previous performance as of December 31, 2001 for the Principals of Lumina Ventures is shown below:

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception
Lumina Principals' Prior Investments	1988	$514 million	*	25.7%**

* Lumina's Principals have made health care investments individually and on behalf of the SBI in the past through the SBI's participation in Coral Ventures Funds and Warburg Pincus funds. This track record is comprised of these investments

** This figure represents Lumina's Principals' previous investments net of the proposed Fund's management fees and expenses

Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results

V. General Partner's Investment

The Principals intend to contribute ten million dollars ($10,000,000), of which an amount equal to one percent (1%) of the capital contributed by all Partners will be contributed through the General Partner, and the balance of which shall be contributed to parallel funds.

VI. Takedown Schedule

The Principals will draw down capital as needed.

VII. Fees

A quarterly management fee will be payable by the Partnership to the General Partner in advance. The annual management fee will equal two and one-half percent (2.50%) of the Partnership's committed capital. Beginning seven (7) years from the date of the initial closing, the annual management fee shall be reduced by ten percent (10%).

VIII. Allocations and Distributions

Net profits and losses will be allocated eighty percent (80%) to the Partners in accordance with contributed capital. The remaining twenty percent (20%) of net profits and losses will be allocated to the General Partner. To the extent that the allocation to the General Partner of a disproportionate share of the Partnership's net losses would reduce the General Partner's capital account below zero (0), then such net loss shall instead be allocated to the Limited Partners as a ''Contingent Loss.'' Contingent Losses shall be restored to the extent of future net profits that would otherwise be disproportionately allocated to the General Partner.

IX. Investment Period and Term

After the date six (6) years from the Partnership's initial closing (the ''Commitment Period''), the General Partner may not call additional capital except to the extent necessary to: (i) cover the expenses of the Partnership, including management fees; (ii) complete investments by the Partnership in transactions which are in process as of the end of the Commitment Period; and (iii) fund follow-on investments in existing portfolio companies. The Partnership will terminate on the date ten (10) years from its commencement. The General Partner shall have the discretion to extend the Partnership's term for two (2) consecutive one-year periods.

ATTACHMENT E

REAL ESTATE MANAGER PROFILE – BASIC FUND

I. Background Data

Name of Fund:	The Realty Associates Fund VI
Type of Fund:	Real Estate Limited Partnership
Total Fund Size:	$650 million
Fund Manager:	TA Associates Realty 28 State Street Boston, MA 02109 Phone (617) 476-2700 Fax (617) 476-2799
Manager Contact:	Michael A. Ruane

II. Organization and Staff

TA Associates Realty (TA) was formed in 1983. TA currently has forty-seven real estate professional employees.

Property management at the local level is typically administered through third party contractors. These contractors are responsible for all aspects of the day to day operations and are overseen by the asset management group at TA.

The Realty Associates Fund VI is the sixth commingled, closed-end fund for TA. Total real estate assets under management, including both commingled and separate accounts, exceeds $5.5 billion.

III. Investment Strategy

The investment strategy of The Realty Associates Fund VI is to create portfolios that are diversified as to property type, location, age, lease, structure, tenant size, credit and type of business. The portfolios primarily consist of office, industrial, multifamily and retail properties.

There will be not more than 35% of the Capital Commitments in any one market, nor more than 20% in any one property. Small to medium-sized properties generally ranging from $10 to $40 million per property are the planned typical investment. Leverage will not exceed 50% of the value of the real estate investments at the time the indebtedness is incurred.

IV. Investment Performance

Previous fund performance as of 12/31/01 for the SBI's investments with TA Realty is shown below :

Fund	Inception Date	Total Equity Commitments	SBI Investment	Net IRR from Inception
Realty Assoc. V	1999	$562 million	$50 million	8.6%
Realty Assoc. IV	1996	$450 million	$50 million	13.1%
Realty Assoc. III	1994	$487 million	$40 million	13.5%

Previous Fund investments may be relatively immature and therefore, returns may not be indicative of future results

V. Takedown Schedule

Capital will be called as needed.

VI. Management Fee

Year	*Fee*	*Basis*
1	.500%	Committed Capital
2	.800%	Committed Capital
3	1.100%	Committed Capital
4	1.200%	Committed Capital
5	.875%	Aggregate Invested Equity
6	.850%	Aggregate Invested Equity
7	.800%	Aggregate Invested Equity
8 and thereafter	.600%	Aggregate Invested Equity

VII. Term

The acquisition period will last between two and four years depending on the ultimate size of the fund and the state of the real estate markets during the acquisition phase. Liquidation is expected within ten years from being fully invested.

VIII. Distributions

Distributions are made quarterly at the discretion of the advisor, after appropriate reserves are established. The advisor may reinvest proceeds from sales or debt financing during the two to four year property acquisition period.

Distributions are allocated 100% to the investors until they have received a return of capital and an annual compound preference return equal to inflation. Thereafter, distributions will be shared 95% to investors and 5% to the advisor.

At 1% real, all income is divided 94.0% to the investor and 6.0% to the advisor;

At 2% real, all income is divided 92.5% to the investors and 7.5% to the advisor;

At 3% real, all income is divided 90.5% to the investors and 9.5% to the advisor;

At 4% real, all income is divided 88.5% to the investors and 11.5% to the advisor;

At 5% real, all income is divided 86.5% to the investors and 13.5% to the advisor;

At 6% real, all income is divided 84.5% to the investors and 15.5% to the advisor;

At 7% real, all income is divided 82.5% to the investors and 17.5% to the advisor;

At 8% real and thereafter, all income is divided 80% to the investors and 20% to the advisor.