

MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
September 4, 2002

&

INVESTMENT ADVISORY
COUNCIL MEETING
September 3, 2002

STATE BOARD OF INVESTMENT

AGENDA AND MINUTES

September 4, 2002

AGENDA
STATE BOARD OF INVESTMENT MEETING
Wednesday, September 4, 2002
9:00 A.M. - Room 107
State Capitol - Saint Paul

- | | |
|---|------------|
| 1. Approval of Minutes of June 5, 2002 | TAB |
| 2. Report from the Executive Director (H. Bicker) | A |
| A. Quarterly Investment Review
(April 1, 2002 – June 30, 2002) | |
| B. Administrative Report | B |
| 1. Reports on budget and travel. | |
| 2. Litigation Update. | |
| 3. Reports from the Investment Advisory Council (Jan Yeomans) | C |
| A. Stock and Bond Manager Committee | |
| 1. Review of manager performance. | |
| B. Alternative Investment Committee | D |
| 1. Review of current strategy. | |
| 2. Review meeting with one of the SBI's existing managers. | |
| 3. Investment opportunities in smaller Minnesota-oriented private equity funds. | |

**Minutes
State Board of Investment
June 5, 2002**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, June 5, 2002 in Room 107 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 March 6, 2002 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 March 31, 2002 (Combined Funds 10.2% vs. Inflation 2.5%), trailed the median fund (61st percentile) and outperformed its composite index (Combined Funds 8.5% vs. Composite 8.1%) for the most recent five year period. He stated that the Basic Funds have exceeded its composite index (Basic Funds 8.7% vs. Composite 8.3%) over the last five years and reported that the Post Fund has outperformed its composite index over the last five years period (Post Fund 8.3% vs. Composite 7.8%).

Mr. Bicker reported that the Basic Fund's assets increased 0.8% for the quarter ending March 31, 2002 due to positive investment returns. He said that the asset mix is in the process of being rebalanced. He reported that the Basic Funds matched its composite index for the quarter (Basic Funds 0.9% vs. Composite 0.9%) and outperformed for the year (Basic Funds 1.1% vs. Composite 0.4%).

Mr. Bicker reported that the market value of the Post Fund's assets decreased 0.9% for the quarter ending March 31, 2002. He said the Post Fund asset mix is also being rebalanced and that the Post Fund matched its composite index for the quarter (Post Fund 0.8% vs. Composite 0.8%) and outperformed it for the year (Post Fund 3.0% vs. Composite 2.3%).

Mr. Bicker reported that the domestic stock manager group underperformed its target for the quarter (Domestic Stocks 0.4% vs. Wilshire 5000 Investable 0.8%) and for the year (Domestic Stocks 1.8% vs. Wilshire 5000 Investable 2.0%). He said that the International Stock manager group outperformed its composite index for the quarter (International Stocks 2.8% vs. Int'l Composite 1.5%) and for the year (International Stocks -4.6% vs. Int'l Composite -6.9%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.2% vs. Lehman Aggregate 0.1%) and for the year (Bonds 6.1% vs. Lehman Aggregate 5.3%). He concluded his report with the comment that as of March 31, 2002, the SBI was responsible for over \$45 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 briefly updated members on the SBI's legislative activity during the 2002 legislative session. He reported that the SBI's budget was reduced by \$127,000 and that the reduction will be absorbed by reducing expenditures and by leaving a position unfilled at this time. He noted that the Tobacco Endowment Funds are now being used as cash flow accounts and he said that more discussion on that issue would follow later in the meeting. Mr. Bicker stated that assets were transferred out of the Assigned Risk Plan in both budget-balancing bills. He said that the Board has received an exemption for the professional/technical contracts the SBI has with the investment managers who invest assets for the state. He reported that staff will continue to monitor the situation regarding the transfer of duties of the Office of the State Treasurer when it is officially abolished on January 1, 2003. Mr. Bicker briefly reviewed the SBI's responsibilities in the newly enacted stadium bill legislation. He stated that if the stadium proceeds, the SBI will be responsible for managing the assets in the debt service fund and would re-invest the proceeds from a \$330 million bond sale. He added that there may be a football account created which also may need to be invested by the SBI.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of the three active litigation cases. She stated that in the Mercury case, there is one remaining appeal to be heard and that distribution could begin soon after that decision. She reported that a hearing had taken place for the McKesson case on April 23, 2002 and that to date she has not heard a ruling from the judge on that hearing. She said that the State has refiled complaints in the Broadcom case and that those motions are scheduled to be argued on July 22, 2002.

Mr. Bicker stated that staff is recommending that the Board approve authorization to form a Review Committee to issue a request for proposal (RFP) for accounting services. Governor Ventura moved approval of staff's recommendation, as stated in Tab B of the meeting materials, which reads: "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." Ms. Johnson seconded the motion. The motion passed.

Mr. Bicker reminded members that at its March 2002 meeting, the Board authorized the Executive Director, in consultation with the Board deputies, to alter the asset allocation of three Funds that may be subject to full or partial liquidation as a result of legislative budget actions. He stated that a portion of the Invested Treasurer's Cash pool has been decreased from a balance of \$2 billion down to \$500 million. He said that the investment managers for the Assigned Risk Plan have been instructed to liquidate \$134 million in assets to be deposited in the State's Treasury by June 30, 2002. Mr. Bicker reported that the Department of Finance is estimating that approximately \$700 million in Tobacco

Endowment Funds money will be needed for cash flow purposes but that the funds are not expected to be needed until March 2003. He said that after consulting with the Commissioner of Finance and the Board deputies it was decided that the Tobacco Funds should not be liquidated at this time in order to allow for the opportunity for potential market appreciation. He added that staff and the Department of Finance will continue to monitor the cash flow needs closely in case earlier liquidation is warranted. In response to questions from Ms. Dutcher, Mr. Bicker stated that there is currently a \$350 million cushion in market value and that if the cushion declines to approximately \$150 million, staff can liquidate. He added that the Deputies can be convened at any time and that the Board had authorized this action at its previous meeting. Ms. Kiffmeyer noted the importance that the process is flexible enough to handle changing market conditions.

Mr. Bicker referred members to the handout distributed at the beginning of the meeting (see **Attachment A**) and stated that staff is recommending that Wells Fargo be retained to continue to provide securities lending and custodial services for the State's cash accounts. He noted that U.S. Bank is being recommended to the Executive Council to provide the banking services portion. Governor Ventura moved approval of the recommendation, as stated in Attachment A. Mr. Hatch seconded the motion. The motion passed.

Ms. Dutcher stated that she would like to commend State Treasurer Johnson on the way she has conducted her duties during the process of abolishing the office position of State Treasurer. She noted her concern regarding the Legislature's lack of action in determining how and who would assume those duties. Governor Ventura concurred.

SBI Administrative Committee Report

Ms. Johnson referred members to Tab C of the meeting materials and stated that the Committee had four recommendations for the Board's consideration. She stated that the first recommendation is the approval of the Executive Director's proposed Workplan for FY 03. She said the second recommendation is to approve the Administrative Budget Plan and that the third recommendation is the approval of the Continuing Fiduciary Education Plan. She reported that the fourth recommendation is approval of the Executive Director's Evaluation process and she noted that Mr. Sausen, on behalf of the Finance Department, had agreed to coordinate the distribution and coordination of the evaluation forms. Governor Ventura moved approval of the Committee's four recommendations, as stated in the Committee Report, which reads: "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. 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. The Committee recommends that the SBI adopt the attached Continuing Fiduciary Education Plan. 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." Ms. Dutcher seconded the motion. The motion passed.

Stock and Bond Manager Committee Report

Ms. Yeomans referred members to Tab D of the meeting materials and briefly reviewed several informational items. She stated that several domestic equity managers would receive increased scrutiny due to performance concerns. Ms. Yeomans said that during the quarter, staff had reviewed the domestic equity benchmarks and had determined that the benchmarks were reasonable. She noted, however, that the benchmarks for Artemis and Earnest Partners will be further evaluated.

Ms. Yeomans stated that staff had also updated the fixed income manager and international equity manager short lists in order to be better prepared for a potential manager search.

Ms. Yeomans said that the last information item to be reported on involves increasing the high-yield and non-dollar debt authority for American Express Asset Management and Western Asset Management. She reminded members that they had approved this policy change at the March 2002 meeting and that during the last quarter American Express and Western had requested the expanded investment authority to invest up to 15% of their portfolio in both the investment grade and non-dollar bond sectors, subject to a combined 20% maximum exposure.

Ms. Yeomans stated that the Committee is recommending that Montgomery Asset Management be terminated due to concerns with the organizational changes, the need to raise cash and rebalancing in the international area. She noted that the firm currently manages two portfolios for the SBI, one in the developed markets and one in the emerging markets area.

In response to questions from Mr. Hatch, Ms. Yeomans and Mr. Bicker confirmed that the level of high-yield and non-dollar debt authority had doubled from 10% of a manager's portfolio to the current 20% cap and that managers would be able to choose how much of the 20% is invested in each sector.

Governor Ventura moved approval of the Committee's recommendation regarding terminating Montgomery Asset Management, as stated in the Committee Report, which reads: "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." Ms. Kiffmeyer seconded the motion. The motion passed.

Ms. Yeomans reported that the Committee is recommending modifications to the Minnesota State Deferred Compensation Plan Fixed Fund in how bids are conducted. She said the changes will make the process more straightforward and that participants will have a clearer understanding of the rates and terms. Mr. Bicker clarified that the recommendation involves issuing new 5-year contracts with the three current firms reflecting these improvements to the fixed rate option. 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 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. Mr. Hatch seconded the motion. The motion passed.

Alternative Investments Committee Report

Ms. Yeomans referred members to Tab E of the meeting materials and stated that the Committee is recommending three investments this quarter. She stated that the first recommendation is for the Basic Retirement Fund, with Blackstone, an existing private equity manager. 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 \$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." Governor Ventura seconded the motion. The motion passed.

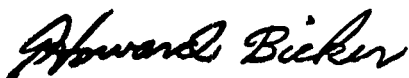
Ms. Yeomans said that the Committee is recommending an investment for the Basic Funds with a new private equity manager, Lumina Ventures. She noted that Lumina is a spin-off from the Coral Group, an existing private equity manager. Mr. Bicker clarified that the recommendation is dependent on the firm being able to raise a minimum of \$100 million. Ms. Johnson 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 \$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.” Governor Ventura seconded the motion. The motion passed.

Ms. Yeomans reported that the Committee is recommending an investment for the Basic Funds with an existing real estate manager, TA Realty. Governor Ventura 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 \$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.” Ms. Johnson seconded the motion. The motion passed.

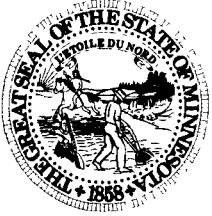
The meeting adjourned at 9:45 A.M.

Respectfully submitted,



Howard J. Bicker
Executive Director

**MINNESOTA
STATE
BOARD OF
INVESTMENT**



Board Members

Governor
Jesse Ventura

State Auditor
Judi Dutcher

State Treasurer
Carol C. Johnson

Secretary of State
Mary Kiffmeyer

Attorney General
Mike Hatch

Executive Director:

Howard J. Bicker

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

An Equal Opportunity
Employer

DATE: May 30, 2002
TO: Members, State Board of Investment
FROM: *Howard Bicker*
Howard Bicker, Executive Director

**SUBJECT: Securities Lending and Custodial Services for State Cash
Accounts**

The State Board of Investment, in conjunction with the Departments of Finance, Department of Revenue, 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 & Company expires in December 2002. Under the current contract, Wells Fargo is responsible for providing all services.

SBI staff recommends that Wells Fargo be retained to continue to provide securities lending and custodial services. A separate recommendation will be made to the Executive Council to award the banking services segments to U.S. Bank.

In the Request for Proposal (RFP) process, Wells Fargo presented the lowest cost bid for custodial services. Wells Fargo will also provide securities lending services on a fully indemnified basis and is the only respondent to offer full indemnification. Over the course of the current contact, Wells Fargo has demonstrated the ability to provide superior quality service for custody and securities lending.

U.S. Bank was the low cost bidder for banking services.

RECOMMENDATION

SBI Staff recommends that the Board authorize the Executive Director, with assistance of SBI counsel, to negotiate and execute a contract with Wells Fargo and Company for custodial services and securities lending for the State's cash accounts for a five year period ending December 31, 2007.

INVESTMENT ADVISORY COUNCIL

AGENDA AND MINUTES

September 3, 2002

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, September 3, 2002
2:00 P.M. - Board Room – First Floor
60 Empire Drive
St. Paul, MN

- | | |
|---|------------|
| 1. Approval of Minutes of June 4, 2002 | TAB |
| 2. Report from the Executive Director (H. Bicker) | A |
| A. Quarterly Investment Review
(April 1, 2002 – June 30, 2002) | |
| B. Administrative Report | B |
| 1. Reports on budget and travel. | |
| 2. Litigation Update. | |
| 3. Reports from the Investment Advisory Council | C |
| A. Stock and Bond Manager Committee (M. Troutman) | |
| 1. Review of manager performance. | |
| B. Alternative Investment Committee (M. McDonald) | D |
| 1. Review of current strategy. | |
| 2. Review meeting with one of the SBI's existing managers. | |
| 3. Investment opportunities in smaller Minnesota-oriented private equity funds. | |

**Minutes
Investment Advisory Council
June 4, 2002**

MEMBERS PRESENT: Gary Austin; John Bohan; Ken Gudorf; P. Jay Kiedrowski; Han Chin Liu; Judy Mares; Malcolm McDonald; Gary Norstrom; Daralyn Peifer; Mary Stanton; Mary Vanek; Elaine Voss; Jan Yeomans.

MEMBERS ABSENT: Dave Bergstrom; Doug Gorence; Mike Troutman; and Pam Wheelock.

SBI STAFF: Howard Bicker; Mansco Perry; Jim Heidelberg; Lois Buermann; Andy Christensen; Tammy Brusehaver-Derby; Stephanie Gleeson; Debbie Griebenow; John Griebenow; Jason Matz; Mike Menssen; Erol Sonderegger; Charlene Olson; and Carol Nelson.

OTHERS ATTENDING: Ann Posey, Richards & Tierney; Christie Eller; Dale Hanke, Robert Heimerl, Lloyd Belford, REAM; Conrad deFiebre, Star Tribune; and Eugene Edie, private citizen.

Ms. Yeomans called the meeting to order and the minutes of the March 5, 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 March 31, 2002 (Combined Funds 10.2% vs. Inflation 2.5%), trailed the median fund (61st percentile) due to the SBI's higher equity exposure and outperformed its composite index (Combined Funds 8.5% vs. Composite 8.1%) for the most recent five year period. He stated that the Basic Funds have exceeded its composite index (Basic Funds 8.7% vs. Composite 8.3%) over the last five years and reported that the Post Fund has outperformed its composite index over the last five years period (Post Fund 8.3% vs. Composite 7.8%).

Mr. Bicker reported that the Basic Fund's assets increased 0.8% for the quarter ending March 31, 2002 due to positive investment returns. He said that the asset mix is in the process of being rebalanced. He reported that the Basic Funds matched its composite index for the quarter (Basic Funds 0.9% vs. Composite 0.9%) and outperformed for the year (Basic Funds 1.1% vs. Composite 0.4%).

Mr. Bicker reported that the market value of the Post Fund's assets decreased 0.9% for the quarter ending March 31, 2002. He said the Post Fund asset mix is also being

rebalanced and that the Post Fund matched its composite index for the quarter (Post Fund 0.8% vs. Composite 0.8%) and outperformed it for the year (Post Fund 3.0% vs. Composite 2.3%).

Mr. Bicker reported that the domestic stock manager group underperformed its target for the quarter (Domestic Stocks 0.4% vs. Wilshire 5000 Investable 0.8%) and for the year (Domestic Stocks 1.8% vs. Wilshire 5000 Investable 2.0%). He said that the International Stock manager group outperformed its composite index for the quarter (International Stocks 2.8% vs. Int'l Composite 1.5%) and for the year (International Stocks -4.6% vs. Int'l Composite -6.9%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 0.2% vs. Lehman Aggregate 0.1%) and for the year (Bonds 6.1% vs. Lehman Aggregate 5.3%). He concluded his report with the comment that as of March 31, 2002, the SBI was responsible for over \$45 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 briefly updated members on the SBI's legislative activity during the 2002 legislative session. He reported that the SBI's budget was reduced by \$127,000 and that the reduction will be absorbed by reducing expenditures and by leaving a position unfilled at this time. He noted that the Tobacco Endowment Funds are now being used as cash flow accounts and he said that more discussion on that issue would follow later in the meeting. Mr. Bicker stated that more discussion will follow later in the meeting regarding asset transfers out of the Assigned Risk Plan. He said that the Board has received an exemption for the professional/technical contracts the SBI has with the investment managers who invest assets for the state. He reported that staff will continue to monitor the situation regarding the transfer of duties of the Office of the State Treasurer when it is officially abolished on January 1, 2003. Mr. Bicker briefly reviewed the SBI's responsibilities in the newly enacted stadium bill legislation. He stated that if the stadium proceeds, the SBI will be responsible for managing the assets in the debt service fund and would re-invest the proceeds from a \$330 million bond sale. He added that there may also be a football account created which may also need to be invested by the SBI. In response to questions from Mr. Kiedrowski, Mr. Bicker reminded members that 85-90% of the SBI's budget is billed back to the funds. Mr. Kiedrowski indicated his willingness to address the issue of how the SBI's budget is appropriated at an appropriate time in the future.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of the three active litigation cases. She stated that in the Mercury case, there is one remaining appeal to be heard and that distribution could begin soon after that decision. She reported that a hearing had taken place for the McKesson case on April 23, 2002 and that to date she has not heard a ruling from the Judge on that hearing. She said that the State has filed the second amended complaints in the Broadcom case and that those motions are scheduled to be argued on July 22, 2002.

Mr. Bicker stated that staff is recommending that the Board authorize the formation of a Review Committee to issue a request for proposal (RFP) for accounting services.

Mr. Bicker updated members on the status of legislative actions involving the SBI. He reminded members that at its March 2002 meeting, the Board authorized the Executive Director, in consultation with the Board deputies, to alter the asset allocation of three Funds that may be subject to full or partial liquidation as a result of legislative budget actions. He stated that a portion of the Invested Treasurer's Cash pool invested in 1-3 year maturities, which provide higher yields to this portfolio, has been decreased from a balance of \$2 billion down to \$500 million. He said that the investment managers for the Assigned Risk Plan have been instructed to liquidate \$134 million in assets to be deposited in the State's Treasury by June 30, 2002. Mr. Bicker reported that the Department of Finance is estimating that approximately \$700 million in Tobacco Endowment Funds money will be needed for cash flow purposes but that the funds are not expected to be needed until March 2003. He said that after consulting with the Commissioner of Finance and the Board deputies it was decided that the Tobacco Funds should not be liquidated at this time in order to allow for the opportunity for potential market appreciation. He added that staff and the Department of Finance will continue to monitor the cash flow needs closely in case earlier liquidation is warranted.

Mr. Bicker stated that staff is recommending that Wells Fargo be retained to continue to provide securities lending and custodial services for the State's cash accounts. Mr. Kiedrowski stated that he would abstain from any voting or discussion on this issue.

Ms. Yeomans noted any IAC member interested in serving on the Search Committee for accounting services should notify Mr. Bicker. In response to questions from Ms. Mares, Mr. Bicker stated that the current law stipulates that the Tobacco Endowment Funds assets are required to be replenished and that the funds are held harmless for the principle plus 5%.

SBI Administrative Committee Report

Mr. Bicker stated that no action is required by the IAC on items included in Tab C of meeting materials.

Stock and Bond Manager Committee Report

Mr. Bohan referred members to Tab D of the meeting materials and reviewed performance in the stock and bond segments and several informational items. He noted that several domestic equity managers would receive increased scrutiny due to performance concerns. Mr. Bohan said that during the quarter, staff had reviewed the domestic equity benchmarks and had determined that the benchmarks were reasonable, however, he noted that the benchmarks for Artemis and Earnest Partners will be further evaluated.

Mr. Bohan stated that staff had also updated the fixed income manager and international equity manager short lists in order to be better prepared for a potential search for future managers.

Mr. Bohan said that the last information item to be reported on involves increasing the authority to invest in high-yield and non-dollar debt for American Express Asset Management and Western Asset Management. He reminded members that they had approved this policy change at the March 2002 meeting and that during the last quarter American Express and Western had requested the expanded investment authority to invest up to 15% of their portfolio in both the investment grade and non-dollar bond sectors, subject to a combined 20% maximum exposure.

Mr. Bohan stated that the Committee is recommending that Montgomery Asset Management be terminated due to concerns with organizational changes and some performance issues. He noted that the firm currently manages two portfolios for the SBI, one in the developed markets and one in the emerging markets area. Mr. McDonald moved approval of the Committee's recommendation, as stated in the Committee Report. Ms. Mares seconded the motion. The motion passed. Mr. Bicker clarified that the SBI needed to raise cash in the international area and that the termination was not an indictment against Montgomery.

Mr. Bohan reported that the Committee is recommending modifications to the Minnesota State Deferred Compensation Plan Fixed Fund. He said the changes will make the bid process more straightforward and that participants will have a clearer understanding of the rates and terms. Mr. Bohan moved approval of the Committee's recommendation, as stated in the Committee Report. Ms. Vanek seconded the motion. The motion passed.

Alternative Investments Committee Report

Mr. Gudorf referred members to Tab E of the meeting materials and stated that the Committee is recommending three investments this quarter. He stated that the first recommendation is for the Basic Retirement Fund, with Blackstone, an existing private equity manager. Mr. Gudorf said that the Committee is recommending an investment for the Basic Funds with a new private equity manager, Lumina Ventures. He stated that Lumina is a spin-off from Coral Group, an existing private equity manager. He added that the recommendation is dependent on the firm being able to raise a minimum of \$100 million. Mr. Gudorf reported that the Committee is recommending an investment for the Basic Funds with an existing real estate manager, TA Realty. Ms. Mares moved approval of all three of the Committee's recommendations, as stated in the Committee Report. Mr. McDonald seconded the motion. The motion passed.

The meeting adjourned at 2:40 P.M.

Respectfully submitted,



Howard J. Bicker
Executive Director

Tab A

LONG TERM OBJECTIVES

Period Ending 6/30/2002

COMBINED FUNDS: \$33.7 Billion	Result	Compared to Objective
<p>Provide Real Return (10 yr.)</p> <p>Provide returns that are 3-5 percentage points greater than inflation over the latest 10 year period.</p>	9.4% (1)	6.9 percentage points above CPI
<p>Exceed Composite Index (5 yr.)</p> <p>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.</p>	4.8%	0.3 percentage point above composite index
<p>Exceed Median Fund (5 yr.)</p> <p>Provide returns that are ranked in the top half of universe of public and corporate plans with over \$1 Billion in assets over the latest 5 year period.</p>	72nd percentile (2)	below the median fund in TUCS

BASIC RETIREMENT FUNDS: \$16.7 Billion	Result	Compared to Objective
<p>Exceed Composite Index (5 Yr.)</p> <p>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.</p>	5.0%	0.2 percentage point above target

POST RETIREMENT FUND: \$17.0 Billion	Result	Compared to Objective
<p>Exceed Composite Index (5 Yr.)</p> <p>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.</p>	4.5%	0.3 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

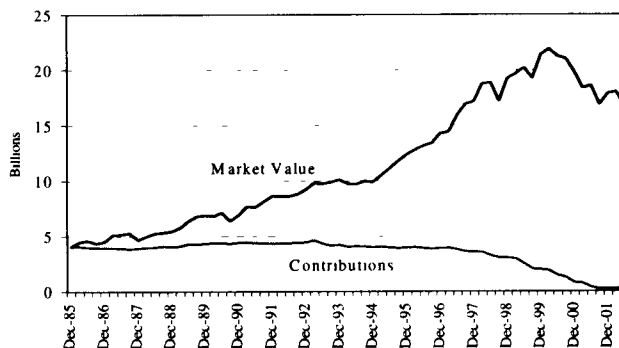
Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds decreased 7.1% during the second quarter of 2002. Negative investment returns and net contributions accounted for the decrease.

Asset Growth During Second Quarter 2002 (Millions)

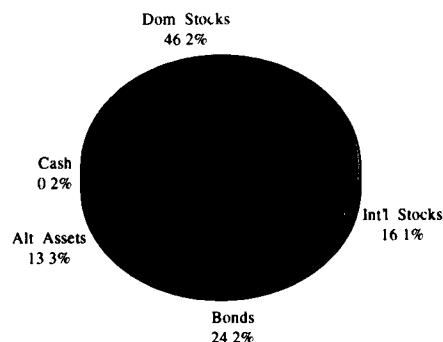
Beginning Value	\$ 18,014
Net Contributions	-176
Investment Return	-1,097
Ending Value	\$ 16,741



Asset Mix

The bond allocation increased due to positive returns, while the domestic stock allocation decreased due to negative returns.

	Policy Targets	Actual Mix 6/30/2002	Actual Market Value (Millions)
Domestic Stocks	45.0%	46.2%	\$7,740
Int'l. Stocks	15.0	16.1	2,684
Bonds	24.0	24.2	4,049
Alternative Assets*	15.0	13.3	2,230
Unallocated Cash	1.0	0.2	38
	100.0%	100.0%	\$16,741



* Any uninvested allocation is held in domestic stocks

Fund Performance (Net of Fees)

The Basic Funds underperformed its composite market index for the quarter and one-year time periods and outperformed for all other time periods shown.

	Period Ending 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Basics	-6.1%	-8.2%	-2.0%	5.0%
Composite	-5.6	-8.1	-2.4	4.8



EXECUTIVE SUMMARY

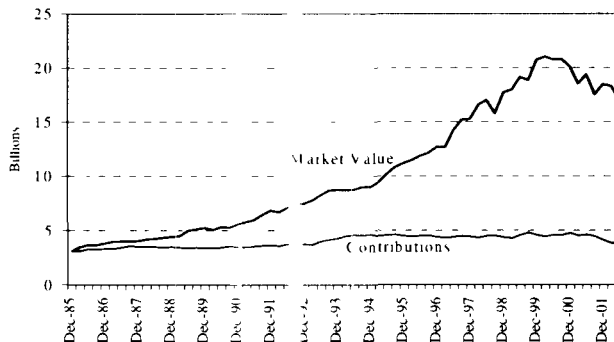
Post Retirement Fund (Net of Fees)

Asset Growth

The market value of the Post Fund decreased by 7.2% during the second quarter of 2002. Negative investment returns and net contributions accounted for the decrease.

**Asset Growth
During Second Quarter 2002
(Millions)**

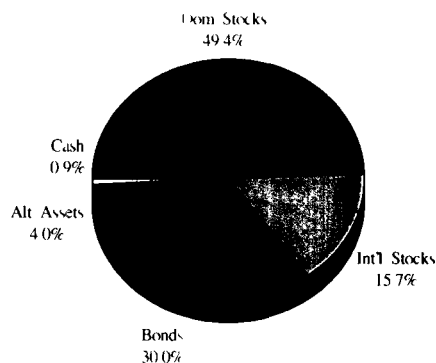
Beginning Value	\$18,311
Net Contributions	-134
Investment Return	-1,182
Ending Value	\$16,995



Asset Mix

The bond allocation increased due to positive returns, while the domestic stock allocation decreased due to negative returns.

	Policy Targets	Actual Mix 6/30/2002	Actual Market Value (Millions)
Domestic Stocks	50.0%	49.4%	\$8,405
Int'l Stocks	15.0	15.7	2,659
Bonds	27.0	30.0	5,094
Alternative Assets*	5.0	4.0	677
Unallocated Cash	3.0	0.9	160
	100.0%	100.0%	\$16,995

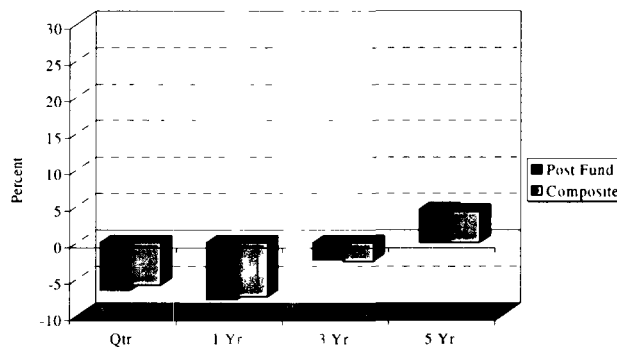


* Any uninvested allocation is held in bonds

Fund Performance (Net of Fees)

The Post Fund underperformed its composite market index for the quarter and one-year time periods and outperformed for all other time periods shown.

	Period Ending 6/30/2002			
	Qtr	1 Yr	3 Yr	5 Yr
Post	-6.6%	-7.8%	-2.3%	4.5%
Composite	-5.9	-7.4	-2.6	4.2



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 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.
Dom. Stocks	-13.2%	-18.0%	-9.0%	3.0%
Wilshire 5000 Investable*	-12.9	-17.3	-8.9	3.1

* 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 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.
Int'l. Stocks	-2.0%	-7.0%	-5.4%	-1.3%
Composite Index*	-2.4	-8.7	-6.8	-2.4

* 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) underperformed its target for the quarter.

	Period Ending 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.
Bonds	2.8%	8.2%	8.2%	7.6%
Lehman Agg.	3.7	8.6	8.1	7.6

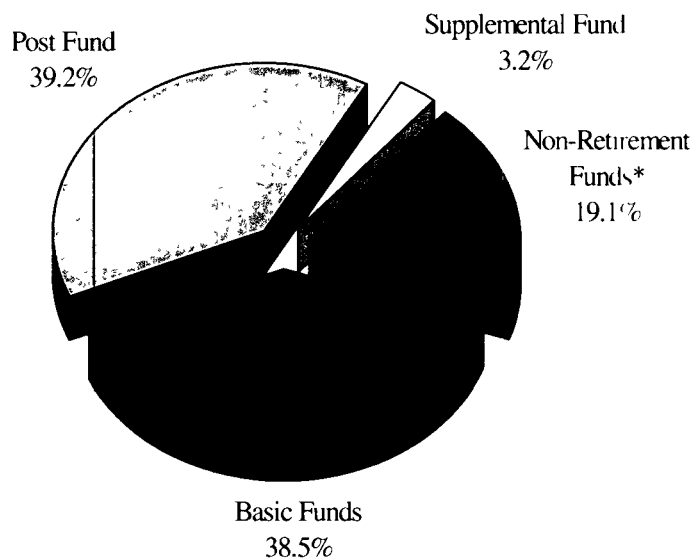
Wilshire 5000 Investable: The Wilshire 5000 Investable stock index reflects the performance of a broad range of publicly traded stocks of companies domiciled in the U.S. It does not include the smallest and least liquid securities in the W5000 that generally are not owned by large pension plans.

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



6/30/2002
Market Value
(Billions)

Retirement Funds	
Basic Retirement Funds	\$16.7
Post Retirement Fund	17.0
Supplemental Investment Fund	1.4
Non Retirement Funds*	
Assigned Risk Plan	0.2
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	6.3
Total	\$43.4

MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

Second Quarter 2002
(April 1, 2002 - June 30, 2002)

Table of Contents

	Page
Capital Market Indices	2
Financial Markets Review	3
Combined Funds.....	5
Basic Retirement Funds	9
Post Retirement Fund	12
Stock and Bond Manager Pools.....	15
Alternative Asset Pools.....	16
Supplemental Investment Fund.....	17
Fund Description	
Income Share Account	
Growth Share Account	
Common Stock Index Account	
International Share Account	
Bond Market Account	
Money Market Account	
Fixed Interest Account	
Assigned Risk Plan	20
Permanent School Fund	21
Environmental Trust Fund.....	22
Tobacco Prevention Fund	23
Medical Education Fund.....	24
Academic Health Center Account.....	25
Closed Landfill Investment Fund.....	26
State Cash Accounts	27
Composition of State Investment Portfolios.....	28

VARIOUS CAPITAL MARKET INDICES

	Period Ending 6/30/2002				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Wilshire 5000	-12.6%	-16.6%	-8.2%	3.6%	11.0%
Dow Jones Industrials	-10.7	-10.4	-4.0	5.6	13.2
S&P 500	-13.4	-18.0	-9.2	3.7	11.4
Russell 2000	-8.4	-8.6	1.7	4.4	11.0
Domestic Fixed Income					
Lehman Aggregate*	3.7	8.6	8.1	7.6	7.3
Lehman Gov't./Corp.	3.8	8.2	7.9	7.5	7.4
3 month U.S. Treasury Bills	0.4	2.3	4.4	4.6	4.6
International					
EAFE**	-2.1	-9.5	-6.8	-1.5	5.4
Emerging Markets Free***	-8.4	1.3	-6.3	-8.4	2.5
Salomon Non U.S. Gov't. Bond	14.0	15.7	3.1	3.0	5.6
Inflation Measure					
Consumer Price Index****	0.6	1.0	2.7	2.3	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 US stock market, as represented by the Wilshire 5000, declined -12.6%. Despite signs of a strengthening economy and a slight rebound in corporate profits, equity markets fell to levels near their September 21, 2001 lows. Continued concerns about corporate credibility and accounting restatements, declining consumer confidence, and continued uncertainty over the direction of the economy led the market lower in the second quarter. Sectors generating the best returns were basic materials and consumer staples while the technology and telecommunications sectors performed poorly. Small value was the best performing style for the second quarter in a row, albeit with a negative return, as value outperformed growth again during the second quarter.

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

Large Value	-10.1%
Small Value	-4.7
Large Growth	-16.6
Small Growth	-16.7

The Wilshire 5000 declined -16.6% for the year ending June 30, 2002.

DOMESTIC BONDS

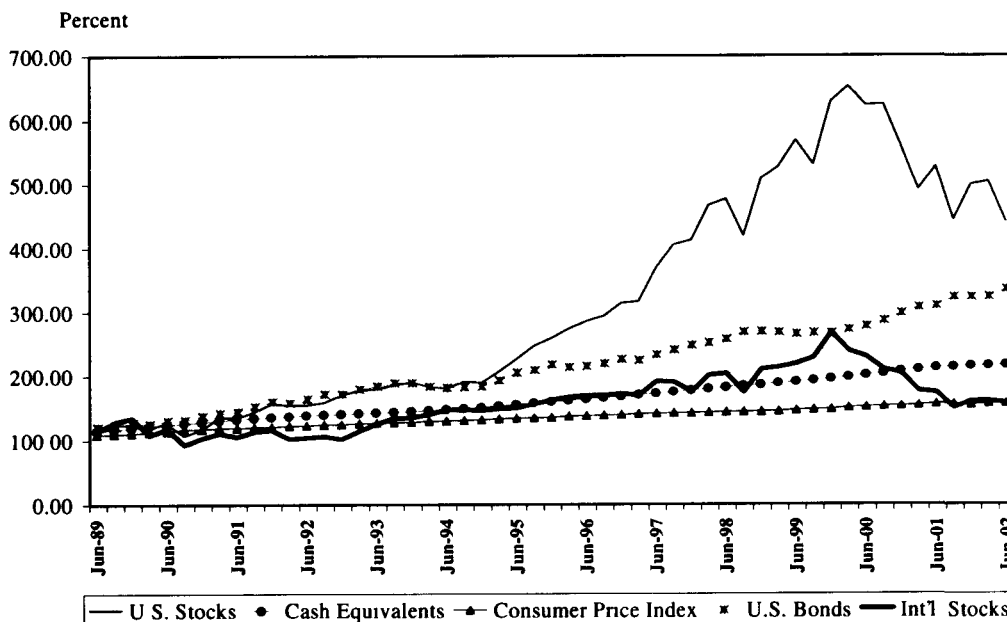
The bond market rose 3.7% over the second quarter of 2002. During the quarter, Fed policy remained neutral and evidence of a slow-but-steady economic recovery was overshadowed by high profile accounting scandals and a deepening crisis of confidence in corporate governance. Treasury and Agency issues benefited from a significant flight-to-quality, and Mortgages outperformed as prepayments moderated and demand was strong. Corporate bonds suffered as investors increasingly shunned credit risk in the wake of the accounting problems.

Overall, the Lehman Aggregate Bond Index gained 3.7% during the second quarter. The Lehman Aggregate sector returns for the quarter were:

Treasury/Agency	4.4%
Credit	2.9
Mortgages	3.5

The Lehman Aggregate returned 8.6% for the year ending June 30, 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 -2.1% for the quarter. The quarterly performance of the five largest stock markets is shown below:

United Kingdom	-5.5%
Japan	6.6
France	-4.1
Switzerland	2.4
Germany	-6.9

The EAFE index decreased by -9.5% 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 -8.4% for the quarter. The quarterly performance of the five largest stock markets in the index is shown below:

Korea	-3.5%
Taiwan	-14.0
South Africa	7.8
Mexico	-18.7
Brazil	-25.0

The Emerging Markets Free index increased by 1.3% 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 66% 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 are not grossly unbalanced.

PRIVATE EQUITY

U.S. private equity firms raised \$103 billion for private equity limited partnerships of all types, from venture capital to buyouts in 2001. That represents a 40.8% 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 half of 2002 total raised was \$18.6 billion, 60% less than the total raised in the first half 2001.

RESOURCE FUNDS

During the second quarter of 2002, West Texas Intermediate crude oil averaged \$26.27 per barrel, up from an average price of \$21.60 during the first quarter of 2002. 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.

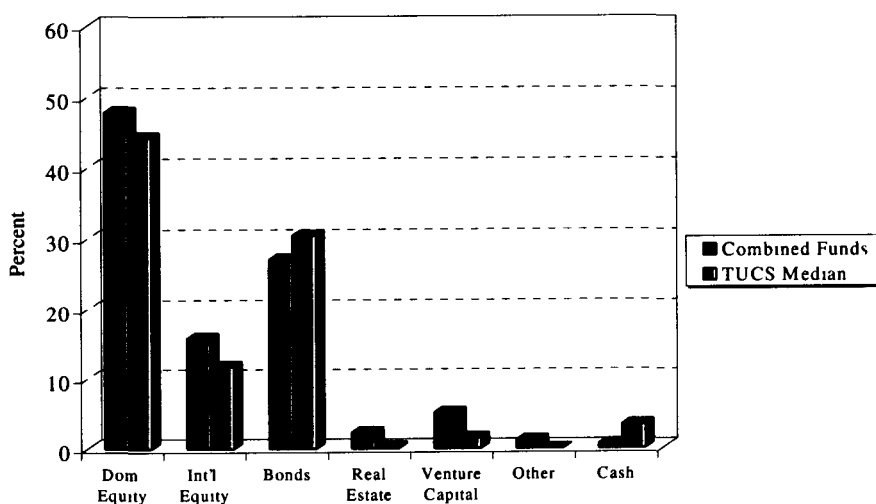
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On June 30, 2002, the actual asset mix of the Combined Funds was:

	\$ Millions	%
Domestic Stocks	\$16,145	47.9%
International Stocks	5,343	15.8
Bonds	9,143	27.1
Alternative Assets	2,908	8.6
Unallocated Cash	197	0.6
Total	\$33,736	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	47.9%	15.8%	27.1%	2.3%	5.1%	1.2%	0.6%
Median Allocation in TUCS*	44.3	11.7	30.5	0.2	1.5	0.0	3.4

* Public and corporate plans over \$1 billion.

**COMBINED FUNDS
Performance Compared to Other Pension Funds**

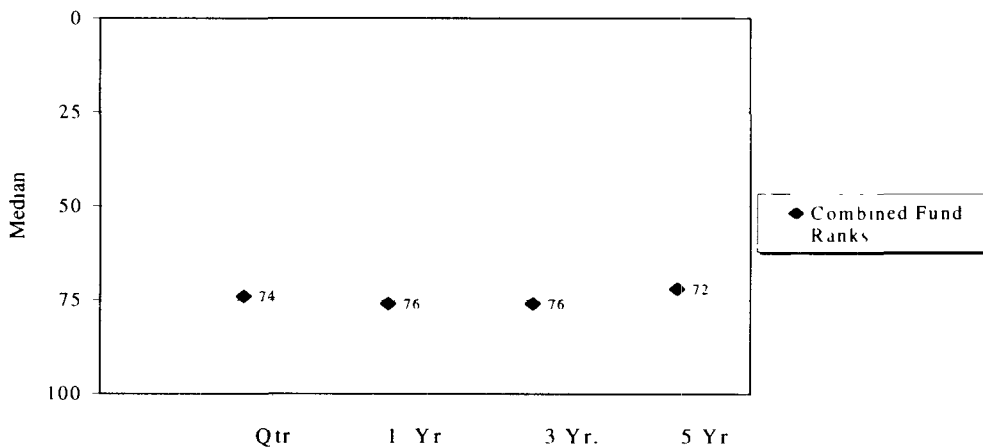
While the SBI is concerned with how its returns compare to other pension investors, universe comparisons should be used with great care. There are several reasons why such comparisons will provide an “apples to oranges” look at performance:

- **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 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Combined Funds Percentile Rank in TUCS*	74th	76th	76th	72nd

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

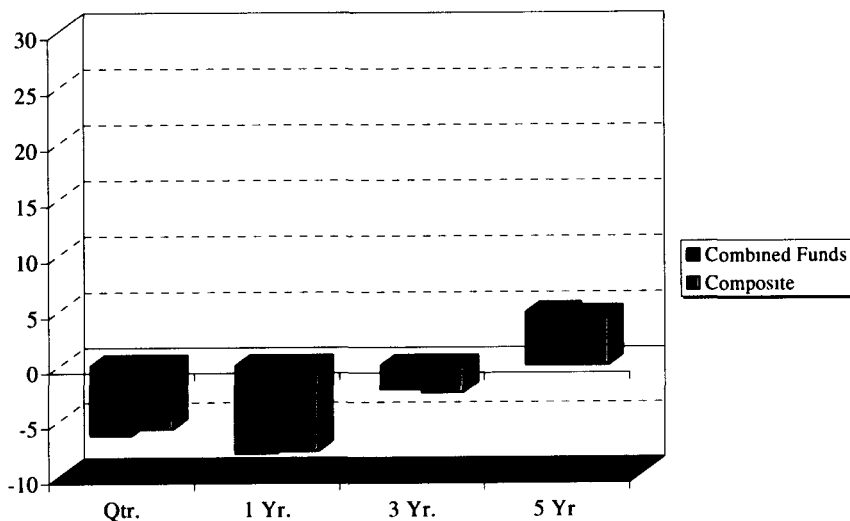
COMBINED FUNDS
Performance Compared to Composite Index

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* 2Q02
Domestic Stocks	Wilshire 5000 Investable	48.8%*
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	1.0*
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 6/30/2002

	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Combined Funds**	-6.3%	-8.0%	-2.2%	4.8%
Composite Index	-5.7	-7.8	-2.5	4.5

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

This page intentionally left blank.

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

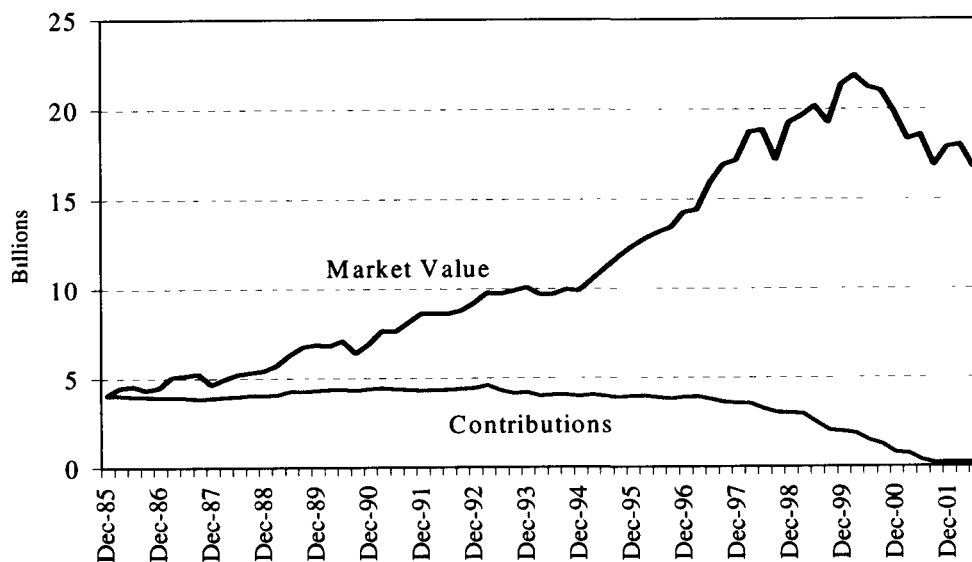
projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

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 decreased 7.1% during the second quarter of 2002. Negative investment

returns and net contributions accounted for the decrease.



	Last Five Years					Latest Qtr.	
	12/97	12/98	12/99	12/00	12/01	3/02	6/02
Beginning Value	\$14,275	\$17,146	\$19,244	\$21,365	\$19,807	17,874	\$18,014
Net Contributions	-337	-539	-1,065	-1,186	-572	-14	-176
Investment Return	3,208	2,637	3,186	-372	-1,361	154	-1,097
Ending Value	\$17,146	\$19,244	\$21,365	\$19,807	\$17,874	\$18,014	\$16,741

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.

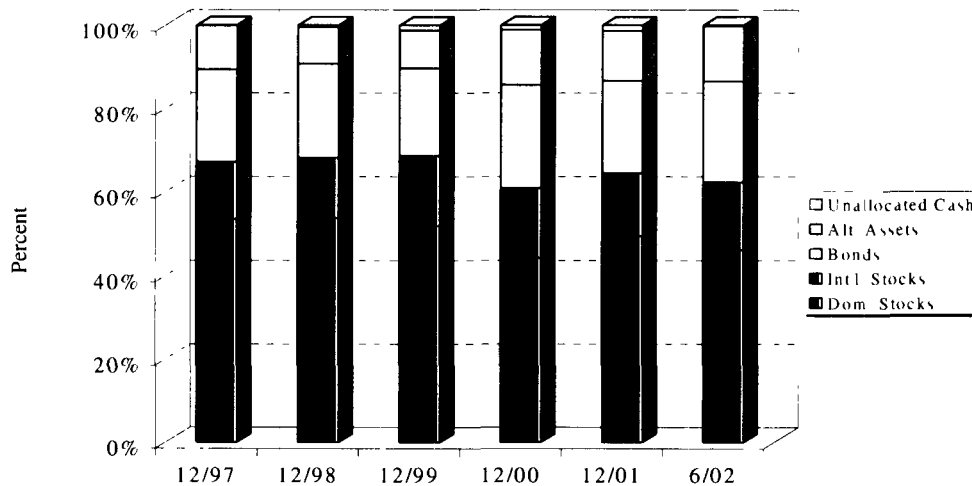
In October 1995, the Board revised its long term asset allocation targets for the Basic Funds, increasing international stocks from 10% to 15% and decreasing domestic stocks from 50% to 45%. The change was implemented over several quarters.

Domestic Stocks	45.0%
Int'l Stocks	15 0
Bonds	24 0
Alternative Assets*	15 0
Unallocated Cash	1 0

Over the last year, the allocation to domestic stocks decreased slightly due to negative returns. The international stock allocation increased due to rebalancing from bonds.

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

During the quarter, the bond allocation increased due to positive returns, while the domestic stock allocation decreased due to negative returns.



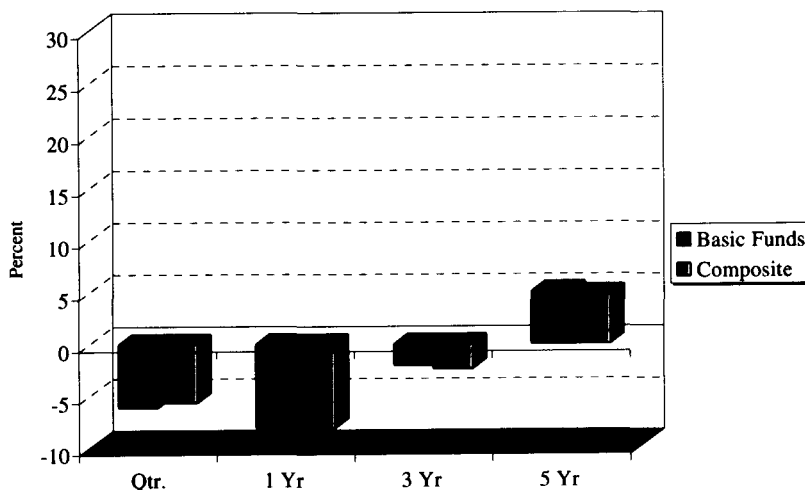
		Last Five Years					Latest Qtr.	
	12/97	12/98	12/99	12/00	12/01	3/02	6/02	
Domestic Stocks	53.6%	53.8%	51.9%	44.3%	49.5%	49.6%	46.2%	
Int'l. Stocks	13.6	14.4	16.8	16.6	15.0	15.4	16.1	
Bonds	22.2	22.6	21.0	24.7	22.1	22.1	24.2	
Real Estate	4.1	3.7	3.5	4.1	3.4	3.4	3.6	
Private Equity	5.0	4.4	4.8	8.0	7.4	7.4	8.0	
Resource Funds	1.4	0.7	0.8	1.2	1.3	1.6	1.7	
Unallocated Cash	0.1	0.4	1.2	1.1	1.3	0.5	0.2	
Total	100.0%	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* 2Q02
Domestic Stocks	45.0%	Wilshire 5000 Investable	47.6%*
Int'l. Stocks	15.0	Int'l Composite	15.0
Bonds	24.0	Lehman Aggregate	24.0
Alternative Assets	15.0	Real Estate Funds	3.3*
		Private Equity Funds	7.5*
		Resource Funds	1.6*
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 6/30/2002

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Basic Funds**	-6.1%	-8.2%	-2.0%	5.0%
Composite Index	-5.6	-8.1	-2.4	4.8

**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. 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.

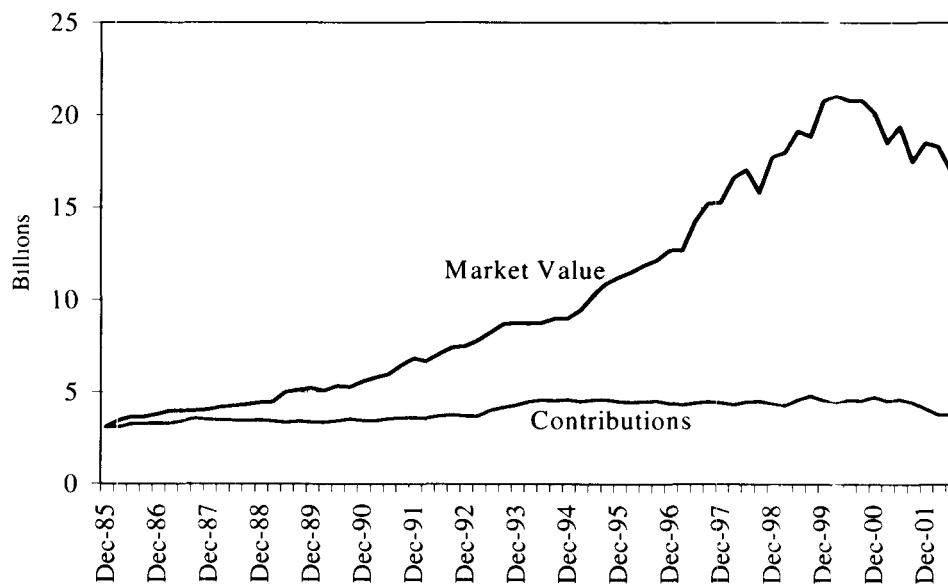
The post retirement benefit increase formula is based on the total return of the Fund. As a result, the Board maintains a long-term asset allocation strategy for the Post Fund which incorporates a substantial commitment to common stocks.

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.

Asset Growth

The market value of the Post Fund decreased by 7.2% during the second quarter of 2002. Negative investment

returns and net contributions accounted for the decrease.



	Last Five Years						Latest Qtr.
	In Millions						
	12/97	12/98	12/99	12/00	12/01	3/02	6/02
Beginning Value	\$15,273	\$17,743	\$20,768	\$20,768	\$20,153	\$18,475	\$18,311
Net Contributions	-45	211	167	167	-647	-304	-134
Investment Return	2,515	2,814	-782	-782	1,031	141	-1,182
Ending Value	\$17,743	\$20,768	\$20,153	\$20,153	\$18,475	\$18,311	\$16,995

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.

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.

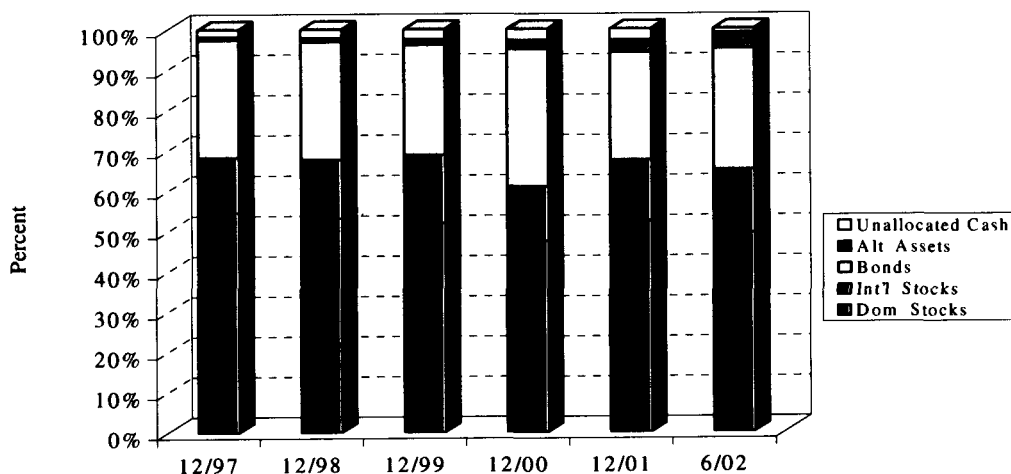
In October 1995, the Board revised its long term asset allocation targets for the Post Fund, increasing international stocks from 10% to 15% and decreasing bonds from 32% to 27%.

Over the last year, the allocation to domestic stocks decreased due to negative returns. The bond allocation has increased due to positive returns.

The bond allocation increased due to positive returns, while the domestic stock allocation decreased due to negative returns.

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.



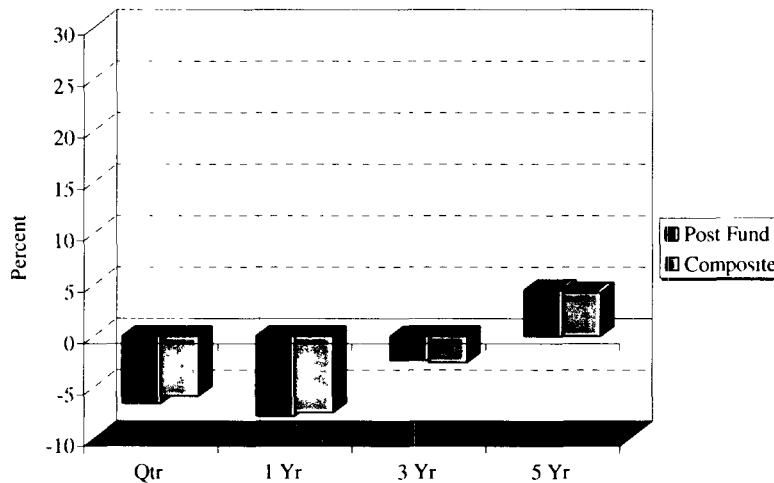
	Last Five years					Latest Qtr.	
	12/97	12/98	12/99	12/00	12/01	3/02	6/02
Dom. Stocks	54.7%	53.2	52.0%	47.5%	52.4%	52.9%	49.4%
Int'l. Stocks	13.6	14.5	16.9	13.5	15.1	15.5	15.7
Bonds	29.1	29.2	27.2	34.0	26.7	26.8	30.0
Alt. Assets	0.9	1.1	1.5	2.3	3.1	3.1	4.0
Unallocated Cash	1.7	2.0	2.4	2.7	2.7	1.7	0.9
Total	100.0%	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* 2Q02
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	1.8*
		Resource Funds	0.4*
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 6/30/2002

	Qtr.	1 Yr.	3 Yr.	Annualized 5 Yr.
Post Fund**	-6.6%	-7.8%	-2.3%	4.5%
Composite Index	-5.9	-7.4	-2.6	4.2

** 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

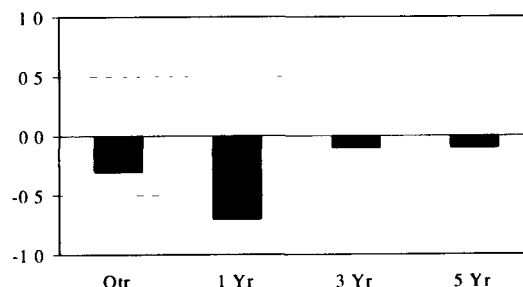
Target: Wilshire 5000 Investable

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 6/30/2002			
	Qtr.	1 Yr.	3 Yrs.	5 Yrs.
Domestic Stocks	-13.2%	-18.0%	-9.0%	3.0%
W5000 Investable*	-12.9	-17.3	-8.9	3.1

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

Value Added to Wilshire 5000 Investable



International Stocks

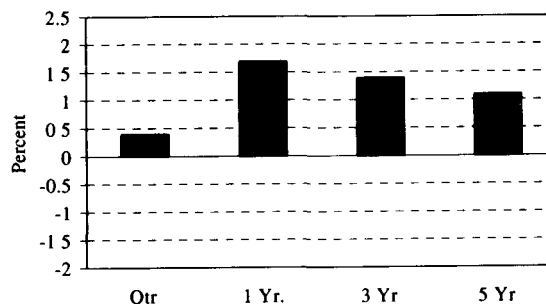
Target: Composite of EAFE-Free and Emerging Markets Free*

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 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yrs.
Int'l. Stocks	-2.0%	-7.0%	-5.4%	-1.3%
Composite Index*	-2.4	-8.7	-6.8	-2.4

* 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.

Value Added to International Composite*



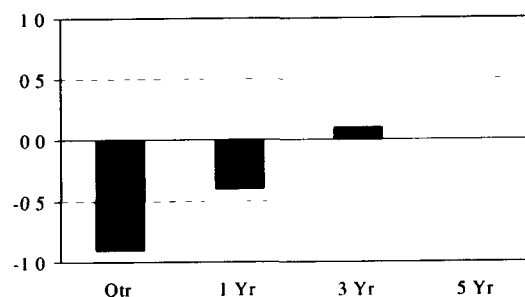
Bonds

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 6/30/2002			
	Qtr.	1 Yr.	3 Yrs.	5 Yrs.
Bonds	2.8%	8.2%	8.2%	7.6%
Lehman Agg.	3.7	8.6	8.1	7.6

Value Added to Lehman Aggregate



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 6/30/2002			
	Qtr.	Yr.	3 Yrs.	5 Yrs.
Real Estate	1.5%	2.9%	9.2%	14.4%
Inflation	0.6	1.0	2.7	2.3

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 6/30/2002			
	Qtr.	Yr.	3 Yrs.	5 Yrs.
Private Equity	-0.2%	-7.6%	7.1%	12.9%

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 6/30/2002			
	Qtr.	Yr.	3 Yrs.	5 Yrs.
Resource Funds	5.2%	-3.2%	18.9%	9.6%

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 6/30/2002			
	Qtr.	Yr.	3 Yrs.	5 Yrs.
Yield Oriented	2.1%	6.7%	12.5%	13.6%

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 June 30, 2002 the market value of the entire Fund was \$1.4 billion.

Investment Options

	6/30/2002 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$526
Growth Share Account – an actively managed, all common stock portfolio.	\$210
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$279
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$44
Bond Market Account – an actively managed, all bond portfolio.	\$127
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$92
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.	\$101

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%	59.7%
Bonds	35.0	36.9
Unallocated Cash	5.0	3.4
	100.0%	100.0%

Period Ending 6/30/2002

	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	-7.7%	-8.8%	-2.4%	5.1%
Composite*	-6.6	-7.6	-2.0	5.3

* 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 6/30/2002

	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	-13.3%	-18.3%	-9.4%	2.7%
Composite*	-12.9	-17.3	-8.9	3.1

* 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 6/30/2002

	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	-13.0%	-17.6%	-8.4%	3.6%
Wilshire 5000 Investable*	-12.9	17.3	-8.7	3.3

* 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 6/30/2002

	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yrs.
Total Account	-1.7%	-6.7%	-5.2%	-1.2%
Composite*	-2.4	-8.7	-6.8	-2.4

* 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 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	2.8%	8.3%	8.2%	7.7%
Lehman Agg.	3.7	8.6	8.1	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 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	0.5%	2.6%	4.9%	5.2%
3 month T-Bills	0.4	2.3	4.4	4.6

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 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	1.5%	6.2%	6.2%	6.3%
Benchmark*	0.9	3.9	5.3	5.4

* 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

	6/30/2002 Target	6/30/2002 Actual
Stocks	20.0%	16.5%
Bonds	80.0	83.5
Total	100.0%	100.0%

Investment Management

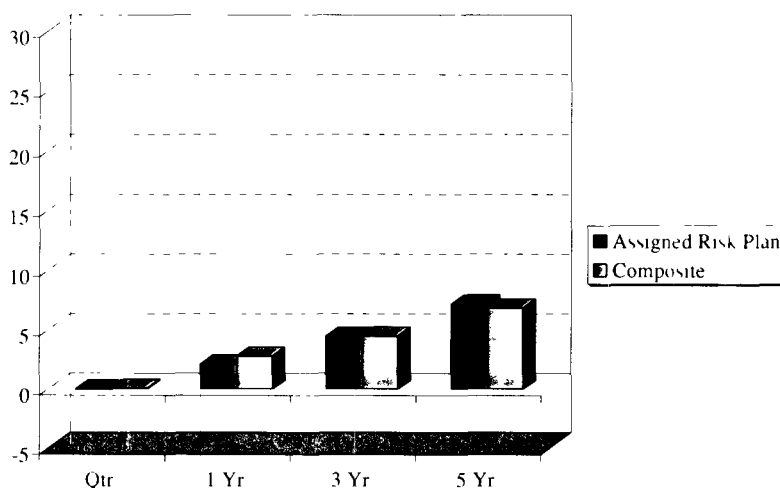
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment

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 June 30, 2002 the market value of the Assigned Risk Plan was \$218 million



Period Ending 6/30/2002

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund*	-0.1%	2.1%	4.5%	7.2%
Composite	0.1	2.8	4.5	6.8
Equity Segment*	-12.7	-14.8	-5.0	6.5
Benchmark	-13.4	-18.0	-9.2	3.7
Bond Segment*	3.6	6.5	6.7	6.6
Benchmark	3.6	8.2	7.8	7.2

* 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.

	6/30/2002 Target	6/30/2002 Actual
Stocks	50.0%	48.6%
Bond	48.0	49.7
Unallocated Cash	2.0	1.7
Total	100.0%	100.0%

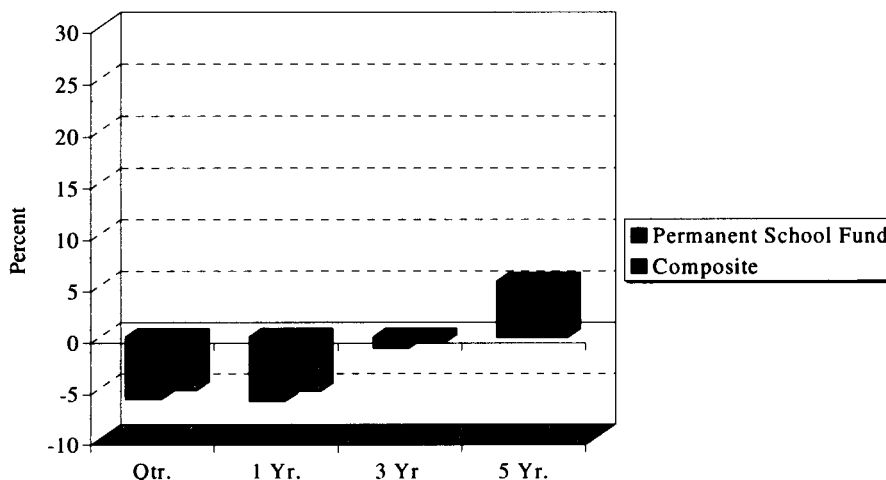
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

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 June 30, 2002 the market value of the Permanent School Fund was \$503 million.



	Period Ending 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund (1) (2)	-6.0%	-6.2%	-1.0%	5.4%
Composite	-5.1	-5.2	-0.6	5.4
Equity Segment (1) (2)	-13.4	-18.2	-9.2	N/A
S&P 500	-13.4	-18.0	-9.2	N/A
Bond Segment (1)	2.1	7.1	7.6	7.4
Lehman Aggregate	3.7	8.6	8.1	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

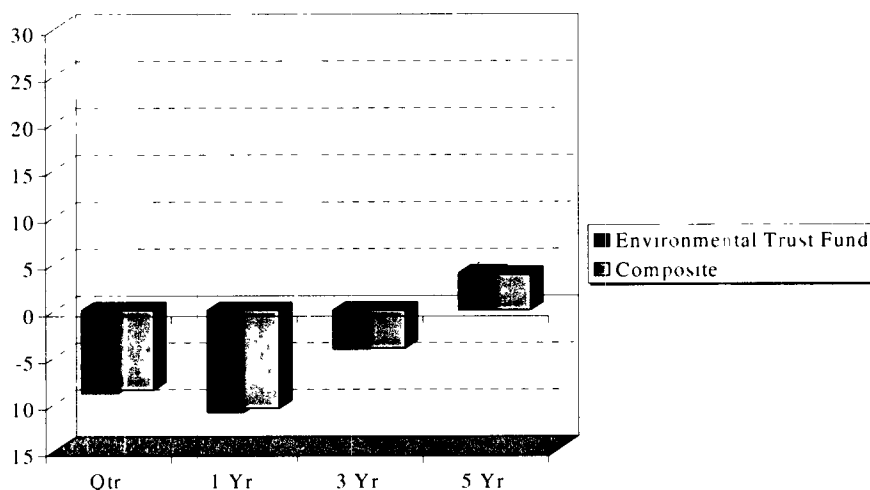
Investment Management

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 June 30, 2002 the market value of the Environmental Trust Fund was \$274 million.

	6/30/2002 Target	6/30/2002 Actual
Stocks	70.0%	67.4%
Bonds	28.0	31.8
Unallocated Cash	2.0	0.8
Total	100.0%	100.0%



	Period Ending 6/30/2002			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund*	-8.9%	-10.9%	-4.2%	3.9%
Composite	-8.5	-10.5	-4.0	3.8
Equity Segment*	-13.4	-18.2	-9.1	3.8
S&P 500	-13.4	-18.0	-9.2	3.7
Bond Segment*	2.1	7.0	7.6	7.7
Lehman Agg.	3.7	8.6	8.1	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.

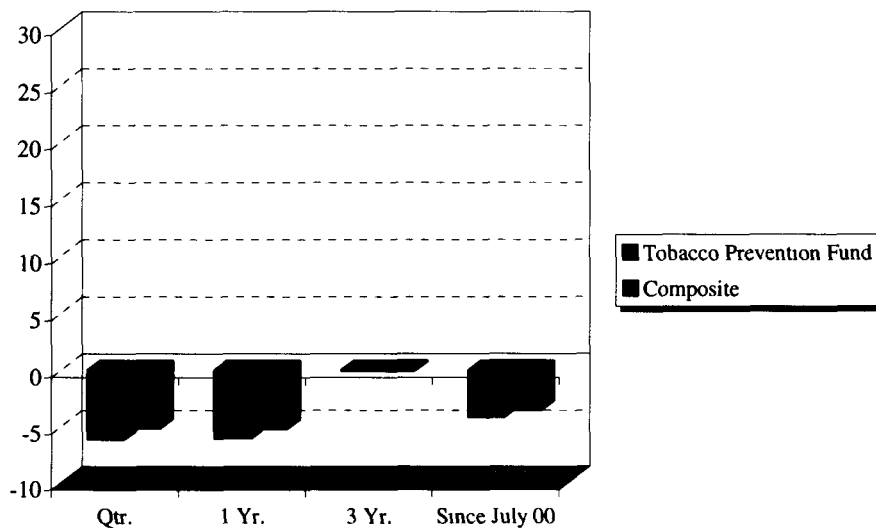
Investment Management

SBI staff manages all assets of the Tobacco Prevention Fund.

Market Value

On June 30, 2002 the market value of the Tobacco Prevention Fund was \$486 million.

	6/30/2002 Target	6/30/2002 Actual
Stocks	50.0%	48.4%
Bonds	50.0	51.3
Unallocated Cash	0.0	0.3
Total	100.0%	100.0%



Period Ending 6/30/2002

	Qtr.	1 Yr.	3 Yr.	Since 7/1/00
Total Fund*	-6.0%	-5.9%	N/A	-4.1%
Composite	-5.1	-5.1	N/A	-3.5
Equity Segment*	-13.4	-18.2	N/A	-16.4
S&P 500	-13.4	-18.0	N/A	-16.4
Bond Segment*	2.1	7.0	N/A	9.1
Lehman Agg.	3.7	8.6	N/A	9.9

* 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

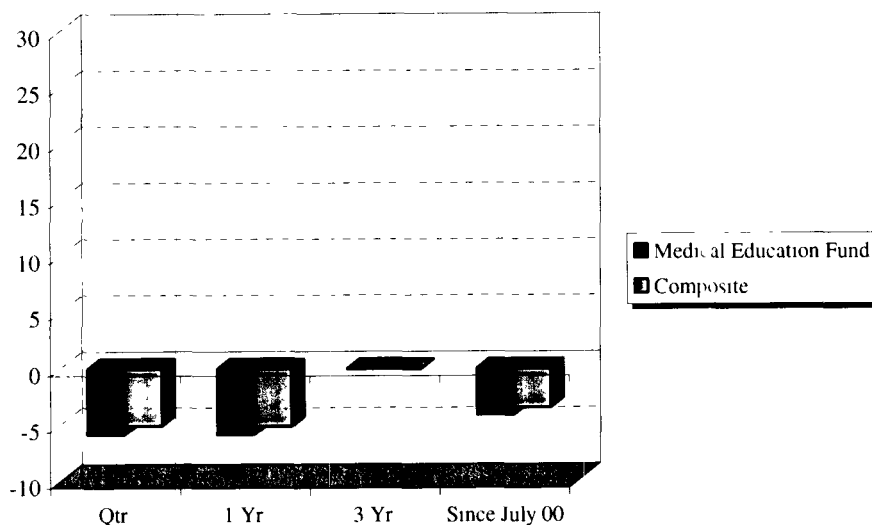
Investment Management

SBI staff manages all assets of the Medical Education Fund

Market Value

On June 30, 2002 the market value of the Medical Education Fund was \$298 million

	6/30/2002 Target	6/30/2002 Actual
Stocks	50.0%	47.1%
Bonds	50.0	52.5
Unallocated Cash	0.0	0.4
Total	100.0%	100.0%



Period Ending 6/30/2002

	Qtr.	1 Yr.	3 Yr.	Since 7/1/00
Total Fund*	-5.8%	-5.8%	N/A	-4.1%
Composite	-5.1	-5.1	N/A	-3.5
Equity Segment*	-13.4	-18.2	N/A	-16.4
S&P 500	-13.4	-18.0	N/A	-16.4
Bond Segment*	2.1	7.0	N/A	9.1
Lehman Agg.	3.7	8.6	N/A	9.9

* 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.

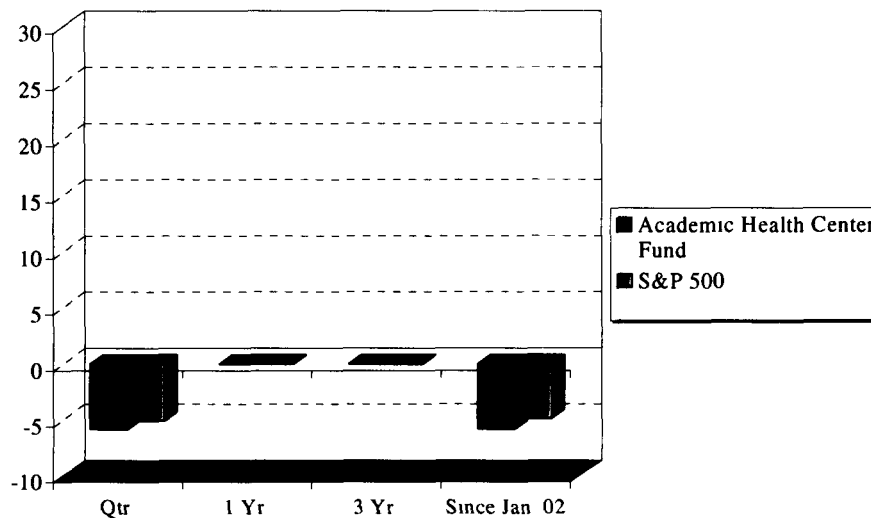
Investment Management

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

Market Value

On June 30, 2002 the market value of the Medical Education Fund was \$210.0 million.

	6/30/2002 Target	6/30/2002 Actual
Stocks	50.0%	47.5%
Bonds	50.0	52.2
Unallocated Cash	0.0	0.3
Total	100.0%	100.0%



Period Ending 6/30/2002

	Qtr.	1 Yr.	3 Yr.	Since 1/1/02
Total Fund*	-5.8%	N/A	N/A	-5.8%
Composite	-5.1	N/A	N/A	-4.8
Equity Segment*	-13.4	N/A	N/A	-13.1
S&P 500	-13.4	N/A	N/A	-13.2
Bond Segment*	2.1	N/A	N/A	1.8
Lehman Agg.	3.7	N/A	N/A	3.8

* 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.

Investment Management

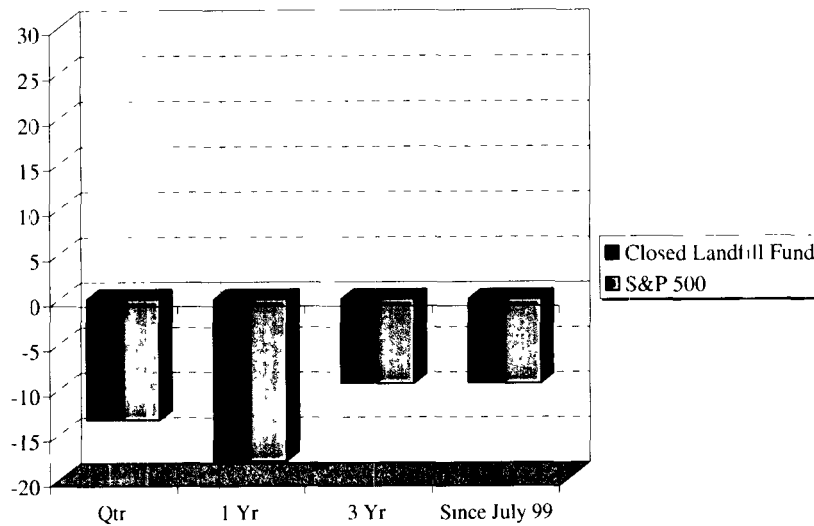
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value

On June 30, 2002, the market value of the Closed Landfill Investment Fund was \$11.6 million.

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.



Period Ending 6/30/2002
Qtr. 1 Yr. 3 Yr. Since 7/1/99

Total Fund (1)	-13.4%	-18.1%	-9.3	-9.3%
S&P 500 (2)	-13.4	-18.0	-9.4	-9.4

- (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.

	Market Value (Millions)	Period Ending 6/30/2002			
		Qtr.	1 Yr.	3 Yr.	5 Yr.
Treasurer's Cash Pool*	\$5,358	0.7%	3.2%	5.4%	5.5%
Custom Benchmark**		0.6	3.2	4.9	4.9
Trust Fund Cash Pool*	\$102	0.5	2.6	4.9	5.2
Custom Benchmark***		0.3	2.0	4.2	4.5
3 month T-Bills		0.4	2.3	4.4	4.6

* 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 1-3 year Government Index and the IBC All Taxable Money Fund Index. The proportion of each component of the blended benchmark is adjusted periodically as the asset allocation of the Cash Pool is modified. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% Lehman Brothers 1-3 Year Treasury Index.

*** 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 June 30, 2002 (in Thousands)**

Cash and Short term Securities	Bonds		Stocks		External		Alternative Assets	Total
	Internal	External	Internal	External	Int'l			
BASIC RETIREMENT FUNDS:								
Teachers Retirement Fund	16,020 0.26%	1,507,110 24.15%	0	2,877,922 46.11%	0	994,387 15.93%	845,454 13.55%	6,240,893 100%
Public Employees Retirement Fund	15,309 0.37%	996,526 24.16%	0	1,907,566 46.25%	0	662,855 16.07%	542,113 13.15%	4,124,369 100%
State Employees Retirement Fund	821 0.02%	913,086 24.25%	0	1,747,350 46.41%	0	607,353 16.13%	496,723 13.19%	3,765,333 100%
Public Employees Police & Fire	456 0.02%	511,902 24.24%	13 0.00%	978,973 46.36%	339,811 16.09%	280,668 13.29%	2,111,823 100%	
Highway Patrol Retirement Fund	750 0.35%	51,611 24.24%	0	98,116 46.09%	34,330 16.13%	28,076 13.19%	212,883 100%	
Judges Retirement Fund	91 0.35%	6,256 24.24%	0	11,893 46.09%	4,161 16.13%	3,403 13.19%	25,804 100%	
Correctional Employees Retirement	799 0.35%	55,190 24.24%	0	104,921 46.09%	36,711 16.13%	30,024 13.19%	227,645 100%	
Public Employees Correctional	3,101 9.70%	7,021 21.97%	0	13,348 41.77%	4,670 14.61%	3,820 11.95%	31,960 100%	
TOTAL BASIC FUNDS	37,347 0.22%	4,048,702 24.19%	13 0.00%	7,740,089 46.24%	2,684,278 16.03%	2,230,281 13.32%	16,740,710 100%	
POST RETIREMENT FUND	159,666 0.94%	5,093,918 29.97%	0	8,404,708 49.45%	2,658,876 15.65%	677,553 3.99%	16,994,721 100%	
TOTAL BASIC AND POST	197,013 0.58%	9,142,620 27.10%	13 0.00%	16,144,797 47.86%	5,343,154 15.84%	2,907,834 8.62%	33,735,431 100%	

	Cash and Short term Securities		Bonds		Stocks		External Int'l		Alternative Assets		Total	
	Internal	External	Internal	External	Internal	External	Int'l	Assets	Int'l	Assets		
MINNESOTA SUPPLEMENTAL FUNDS:												
Income Share Account	17,844	193,973	0	0	0	313,906	0	0	0	0	525,723	100%
	3.39%	36.90%				59.71%					100%	
Growth Share Account	0	0	0	0	0	210,004	0	0	0	0	210,004	100%
						100.00%					100%	
Money Market Account	25,571	0	0	0	0	0	0	0	0	0	25,571	100%
	100.00%										100%	
Common Stock Index	0	0	0	0	0	279,207	0	0	0	0	279,207	100%
						100.00%					100%	
Bond Market Account	0	0	127,357	0	0	0	0	0	0	0	127,357	100%
			100.00%								100%	
International Share Account	0	0	0	0	0	0	44,367	100.00%	0	0	44,367	100%
											100%	
Fixed Interest Account	1,055	0	99,625	0	0	0	0	0	0	0	100,680	100%
	1.05%		98.95%								100%	
Money Market Deferred Comp	66,260	0	0	0	0	0	0	0	0	0	66,260	100%
	100.00%										100%	
TOTAL SUPPLEMENTAL FUNDS												
	110,730	193,973	226,982	0	0	803,117	44,367	0	0	0	1,379,169	100%
	8.03%	14.06%	16.46%			58.23%	3.22%				100%	
TOTAL RETIREMENT FUNDS												
	307,743	193,973	9,369,602	13	16,947,914	5,387,521	2,907,834	35,114,600	8.28%	15.34%	8.28%	100%
	0.88%	0.55%	26.68%	0.00%	48.27%	15.34%	8.28%				100%	

	Cash and Short Term Securities	Bond		Stock		External Int'l	Alternative Assets	Total
		Internal	External	Internal	External			
ASSIGNED RISK PLAN	15,631 7.16%	0	167,350 76.64%	0	35,384 16.20%	0	0	218,365 100%
ENVIRONMENTAL FUND	1,981 0.72%	87,128 31.84%	0	184,531 67.44%	0	0	0	273,640 100%
PERMANENT SCHOOL FUND	8,699 1.73%	249,948 49.67%	0	244,600 48.60%	0	0	0	503,247 100%
TOBACCO SETTLEMENT POOL	3,269 0.33%	515,357 51.85%	0	475,267 47.82%	0	0	0	993,893 100%
CLOSED LANDFILL INVESTMENT	16 0.14%	0	0	11,553 99.86%	0	0	0	11,569 100%
TREASURERS CASH	5,340,390 100.00%	0	0	0	0	0	0	5,340,390 100%
HOUSING FINANCE AGENCY	33,095 12.11%	240,183 87.89%	0	0	0	0	0	273,278 100%
MINNESOTA DEBT SERVICE FUND	73,813 29.96%	172,595 70.04%	0	0	0	0	0	246,408 100%
MISCELLANEOUS ACCOUNTS	235,274 58.13%	142,556 35.22%	0	26,902 6.65%	0	0	0	404,732 100%
GRAND TOTAL	6,019,911 13.88%	1,601,740 3.69%	9,536,952 21.99%	942,866 2.17%	16,983,298 39.15%	5,387,521 12.42%	2,907,834 6.70%	43,380,122 100%

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: August 27, 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 fiscal year ended June 30, 2002 is included as **Attachment A**.

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

2. 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 September 4, 2002.

ATTACHMENT A

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2002 ADMINISTRATIVE BUDGET REPORT
GENERAL FUND APPROPRIATION
FISCAL YEAR ENDED JUNE 30, 2002**

ITEM	FISCAL YEAR 2002 BUDGET	FISCAL YEAR 2002 EXPENDITURES
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 1,920,000	\$ 1,877,617
SEVERENCE PAYOFF	20,000	24,339
WORKERS COMPENSATION INSURANCE	1,000	957
MISCELLANEOUS PAYROLL	1,000	5,188
SUBTOTAL	\$ 1,942,000	\$ 1,908,101
STATE OPERATIONS		
RENTS & LEASES	130,000	128,747
REPAIRS/ALTERATIONS/MAINTENANCE	30,000	16,286
PRINTING & BINDING	20,000	12,967
PROFESSIONAL/TECHNICAL SERVICES	10,000	0
COMPUTER SYSTEMS SERVICES	13,000	11,652
COMMUNICATIONS	30,000	25,441
TRAVEL, IN-STATE	3,000	1,009
TRAVEL, OUT-STATE	55,000	44,521
SUPPLIES	50,000	45,989
EQUIPMENT	10,000	2,201
EMPLOYEE DEVELOPMENT	15,000	11,259
OTHER OPERATING COSTS	42,000	31,756
SUBTOTAL	\$ 408,000	\$ 331,828
TOTAL GENERAL FUND	\$ 2,350,000	\$ 2,239,929

ATTACHMENT B

STATE BOARD OF INVESTMENT

**Travel Summary by Date
SBI Travel May 16, 2002 – August 15, 2002**

<u>Purpose</u>	<u>Name(s)</u>	<u>Destination and Date</u>	<u>Total Cost</u>
Manager Monitoring: External Equity Manager: Franklin Portfolio Associates, LLC Custodial Visit: State Street Bank & Trust	M. Perry	Boston, MA 6/17-6/21	\$480.08
Manager Monitoring: Emerging Markets Managers: Alliance Capital; Capital International; Morgan Stanley Inv. Mgmt.; Schroders; International Manager: State Street Global Advisors Manager Search: International Managers: Clay Finlay; Fidelity, Goldman Sachs; GMO; J. P. Morgan Custodial Visit: State Street Bank & Trust	Lois Buermann Stephanie Gleeson	New York, NY Boston, MA 6/17-6/21	\$3,468.81
Manager Monitoring: Deferred Compensation: Principal Life	T. Brusehaver	Des Moines, IA 6/17	\$139.74
Conference: "Investing In A Higher Risk World" sponsored by Lend Lease Real Estate Investments	H. Bicker	Colorado Springs, CO 6/20-6/23	\$438.50
Manager Monitoring: External Equity Manager: Lincoln Capital Mgmt. Consultant Visit: Richards & Tierney	H. Bicker	Chicago, IL 7/16-7/17	\$742.76

<u>Purpose</u>	<u>Name(s)</u>	<u>Destination and Date</u>	<u>Total Cost</u>
Manager Monitoring: Alternative Investment Managers: Aldred, Eastman & Walsh; Summit Partners; T. A. Realty; Manager Monitoring: International Manager: State Street Global Advisors Manager Monitoring: Deferred Comp. Manager: Fidelity Custodial Visit: State Street Bank & Trust Co.	H. Bicker	Boston, MA 8/5-8/9	\$1,816.16

Tab C

COMMITTEE REPORT

DATE: August 27, 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, August 14, 2002 to consider the following agenda items:

- Review the manager performance for the period ending June 30, 2002.

No action is required by the SBI / IAC on this item.

INFORMATION ITEMS:

1. Review of manager performance for the period ending June 30, 2002.

- *Domestic Equity Managers*

For the period ending June 30, 2002, the **Domestic Equity Manager Program** under-performed the Wilshire 5000 Investable during all 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	Current Mgrs. Only	Aggregate Benchmark
Quarter	-13.2%	-12.9%	-13.2%	-13.0%
1 Year	-18.0	-17.3	-18.0	-16.0
3 Years	-9.0	-8.9	-8.7	-8.3
5 Years	3.0	3.1	4.3	3.7

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 June 30, 2002, the **Fixed Income Manager Program** under-performed the Lehman Aggregate over the quarter and the year, out-performed over the three-year period and matched the benchmark over the five-year time period. The **current managers** under-performed the Aggregate Benchmark over the quarter and year and out-performed over the three and five-year time periods.

Time period	Total Program	Lehman Aggregate
Quarter	2.8%	3.7%
1 Year	8.2	8.6
3 Years	8.2	8.1
5 Years	7.6	7.6

Current Mgrs. Only	Aggregate Benchmark
2.8%	3.7%
8.2	8.6
8.3	8.1
7.7	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 June 30, 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	-2.0	-2.4
1 Year	-7.0	-8.7
3 Year	-5.4	-6.8
5 Year	-1.3	-2.4

Equity*** Mgrs. Only
-2.0
-7.0
-5.3
-1.6

* 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.



STATE BOARD OF INVESTMENT

Stock Manager Evaluation Reports

Second Quarter, 2002

**COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending June, 2002**

	Quarter		1 Year		3 Years		5 Years		Since Inception (1)		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active Managers												
Alliance Capital	-15.4	-15.7	-21.9	-22.0	-10.0	-11.1	8.1	4.5	16.2	11.6	\$764.4	4.5%
Cohen, Klingenstein & Marks	-24.0	-18.2	-39.8	-20.8	-17.5	-9.4	-1.0	3.6	9.5	11.1	\$470.3	2.8%
Forstmann-Leff	-16.6	-14.2	-29.2	-14.6	-11.9	2.8	5.9	7.9	12.3	12.2	\$546.6	3.2%
Franklin Portfolio	-12.8	-12.9	-16.7	-14.7	-2.4	-4.6	6.5	5.5	12.8	11.8	\$567.6	3.3%
GeoCapital	-21.7	-18.2	-33.1	-24.4	-12.9	-5.4	-3.6	-1.6	7.4	9.3	\$511.6	3.0%
Lincoln	-16.9	-18.3	-24.2	-23.5	-19.9	-16.8	-3.1	0.3	7.9	9.7	\$479.4	2.8%
New Amsterdam Partners	-9.3	-12.8	-13.7	-9.9	3.8	3.0	11.2	10.7	15.1	14.8	\$318.3	1.9%
Oppenheimer	-9.4	-11.5	-15.1	-16.0	-1.4	-2.4	6.9	7.7	13.9	12.9	\$630.1	3.7%
UBS Global	-10.0	-12.9	-7.2	-15.2	-5.6	-5.9	3.1	4.9	11.1	10.9	\$638.6	3.8%
Emerging Managers (2)	-11.9	-10.1	-15.9	-8.7	-3.9	2.4	6.6	10.3	12.2	15.2	\$665.6	3.9%
Semi-Passive Managers												
Barclays Global Investors	-11.6	-11.5	-13.8	-13.8	-9.2	-10.8	2.2	2.0	11.6	10.9	\$2,142.0	12.6%
Franklin Portfolio	-11.3	-11.5	-14.1	-13.8	-10.5	-10.8	1.6	2.0	10.6	10.9	\$1,652.2	9.7%
JP Morgan	-12.8	-11.5	-15.9	-13.8	-10.7	-10.8	2.2	2.0	11.1	10.9	\$1,892.5	11.2%
Passive Manager												
Barclays Global Investors	-13.1	-12.9	-17.6	-17.3	-8.4	-8.7	3.5	3.3	9.9	9.7	\$5,668.7	33.4%
Current Aggregate	-13.2	-13.0	-18.0	-16.0	-8.7	-8.3	4.3	3.7	13.6	11.4	\$16,947.9	100.0%
Historical Aggregate (3)	-13.2	-13.0	-18.0	-16.0	-9.0	-8.4	3.0	3.4	11.9	12.2		
Wilshire 5000 Investable (4)		-12.9		-17.3		-8.9		3.1		12.1		
Wilshire 5000		-12.6		-16.6		-8.2		3.6		12.4		

(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 June, 2002

Portfolio Manager: Jack Koltes

Assets Under Management: \$764,445,678

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

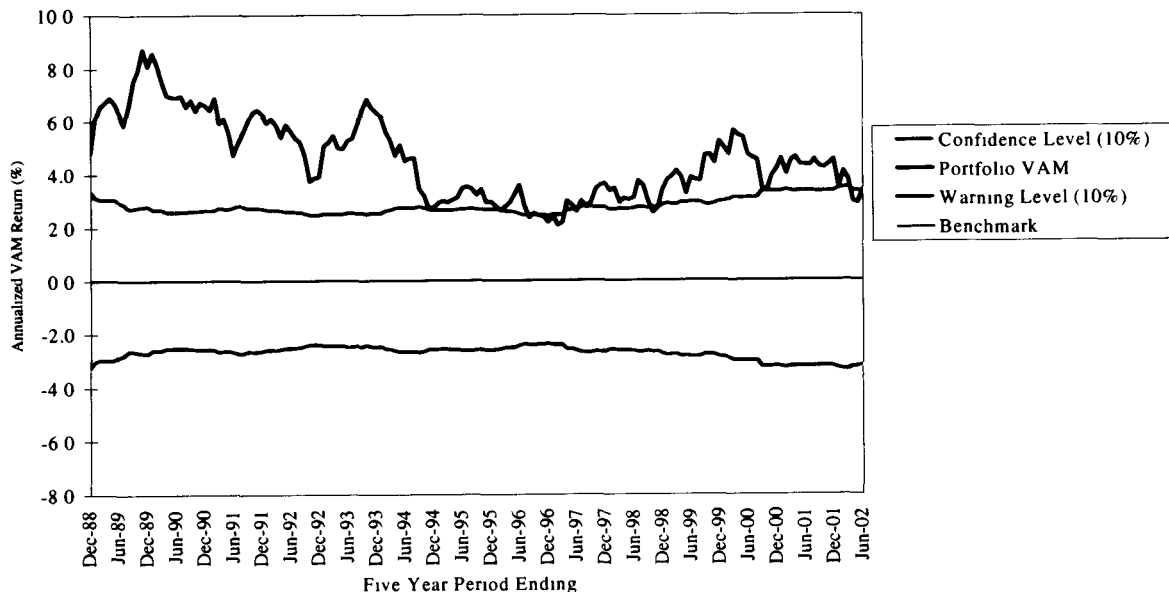
No comments at this time.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	-15.4%	-15.7%	No action required.
Last 1 year	-21.9	-22.0	
Last 2 years	-23.1	-22.0	
Last 3 years	-10.0	-11.1	
Last 4 years	-0.6	-2.1	
Last 5 years	8.1	4.5	
Since Inception (1/84)	16.2	11.6	

Recommendation

ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM



COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending June, 2002

Portfolio Manager: George Cohen

Assets Under Management: \$470,292,625

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 met recently with Cohen at our office to discuss recent investment performance and their thoughts on the stock market and economy. Cohen's performance during the quarter was hurt by a large position in Worldcom stock, which they have since sold. Cohen has had the portfolio positioned for an economic recovery. Beginning in March 2001, the portfolio has had nearly twice the benchmark weight in technology and telecommunications companies, which have performed poorly.

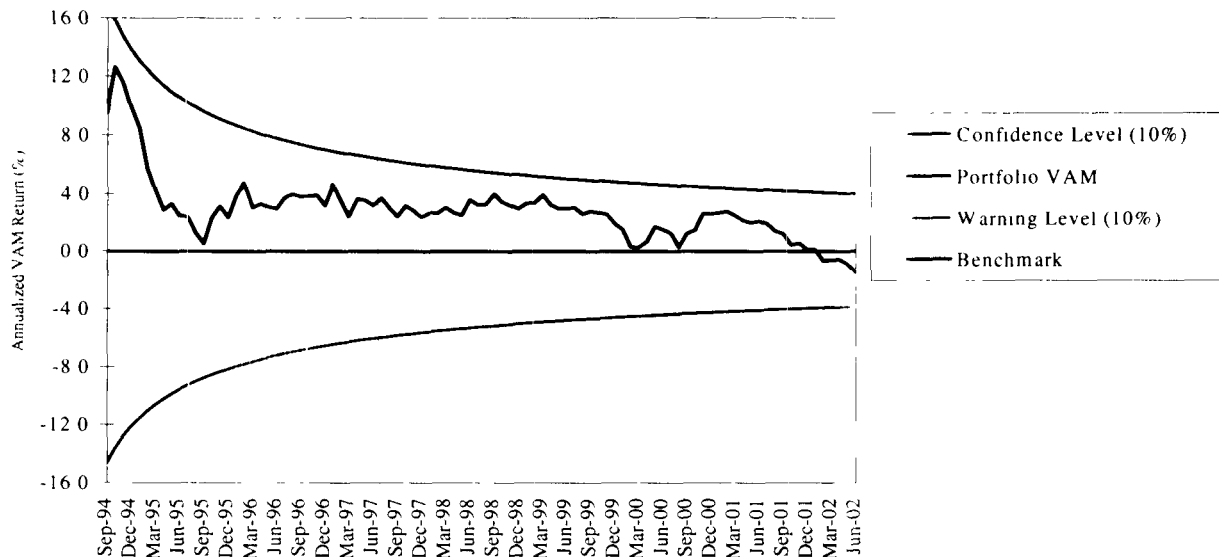
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-24.0%	-18.2%
Last 1 Year	-39.8	-20.8
Last 2 Years	-28.2	-19.9
Last 3 Years	-17.5	-9.4
Last 4 Years	-8.2	-1.7
Last 5 Years	-1.0	3.6
Since Inception (4/94)	9.5	11.1

Recommendation

No action required

COHEN KLINGENSTEIN & MARKS
Cumulative Tracking



FORSTMANN-LEFF ASSOCIATES
Periods Ending June, 2002

Portfolio Manager: Bill Harnisch

Assets Under Management: \$546,629,439

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

Joel Leff passed away earlier this year. He was co-founder of the firm, and had been involved in the management of the SBI account since 1984. Staff believes the firm is staffed adequately, and does not believe there will be an adverse impact on the portfolio.

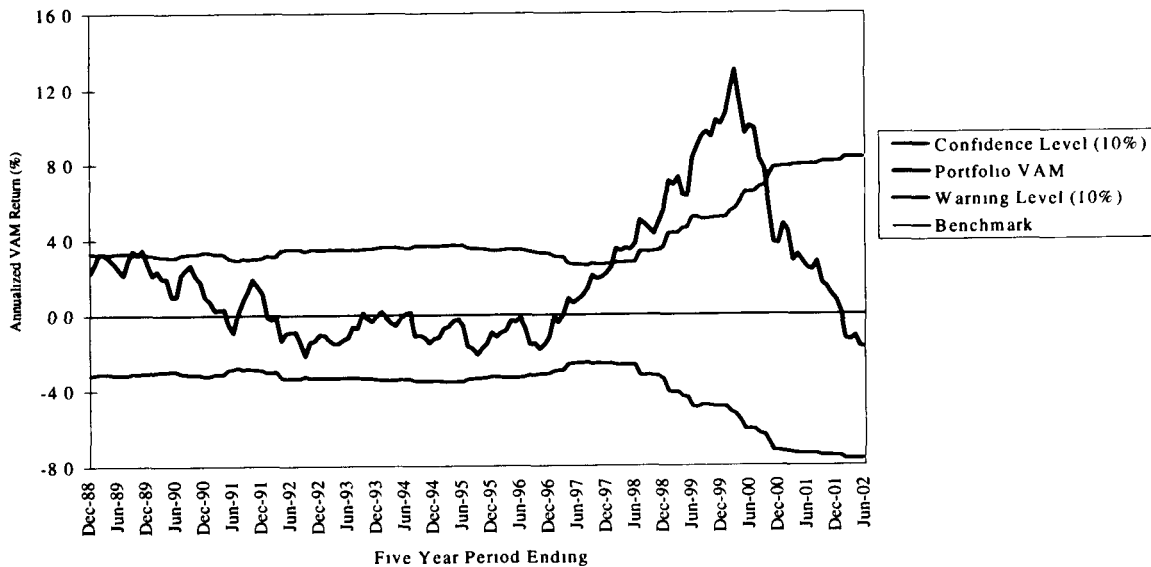
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-16.6%	-14.2%
Last 1 year	-29.2	-14.6
Last 2 years	-22.1	-1.0
Last 3 years	-11.9	2.8
Last 4 years	0.2	5.9
Last 5 years	5.9	7.9
Since Inception (1/84)	12.3	12.2

Recommendation

No action required.

FORSTMANN-LEFF ASSOCIATES
Rolling Five Year VAM



FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending June, 2002

Portfolio Manager: John Cone

Assets Under Management: \$567,576,206

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

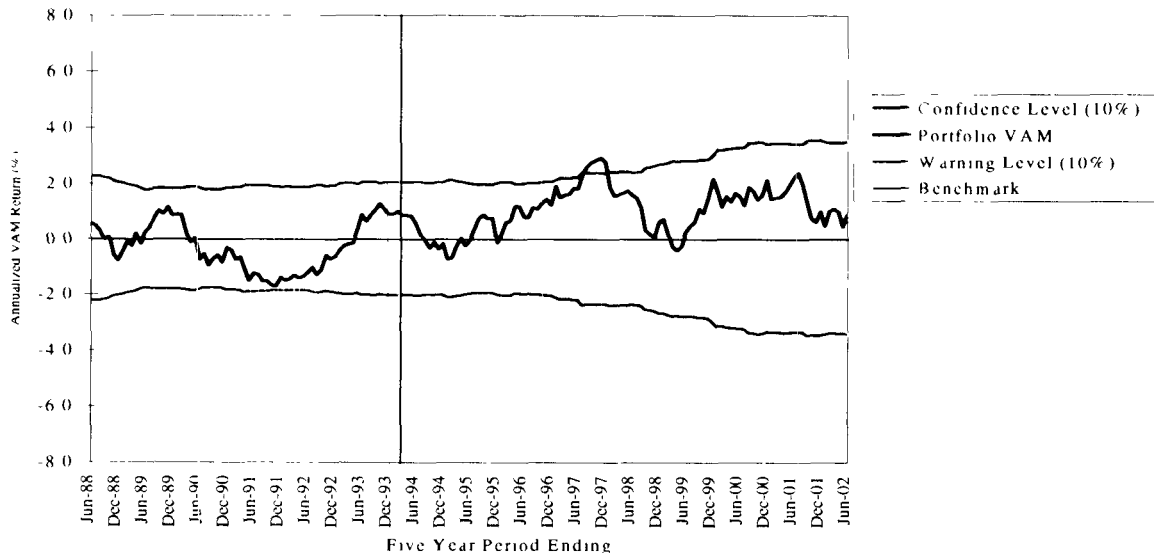
No comments at this time.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	-12.8%	-12.9%	No action required
Last 1 year	-16.7	-14.7	
Last 2 years	-7.4	-8.1	
Last 3 years	-2.4	-4.6	
Last 4 years	0.5	0.7	
Last 5 years	6.5	5.5	
Since Inception (4/89)	12.8	11.8	

Recommendation

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 June, 2002

Portfolio Manager: Barry Fingerhut

Assets Under Management: \$511,586,481

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

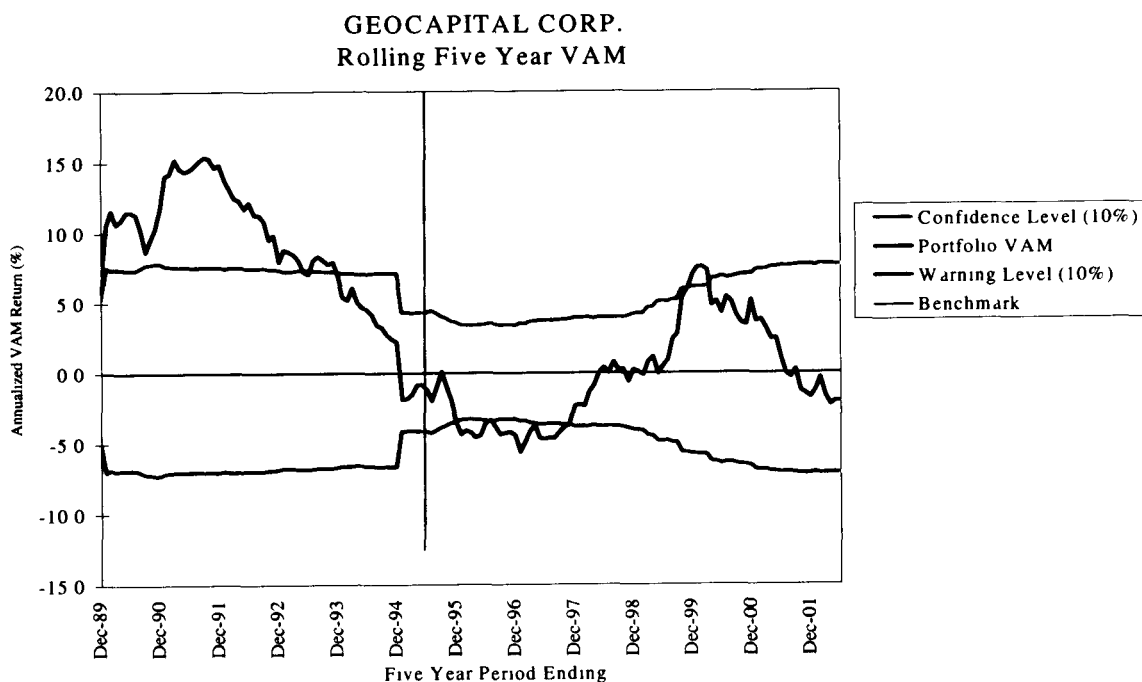
No comments at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-21.7%	-18.2%
Last 1 year	-33.1	-24.4
Last 2 years	-31.4	-18.1
Last 3 years	-12.9	-5.4
Last 4 years	-10.2	-4.7
Last 5 years	-3.6	-1.6
Since Inception (4/90)	7.4	9.3

Recommendation

No action required.



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 June, 2002

Portfolio Manager: David Fowler

Assets Under Management: \$479,442,270

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

Staff recently met with Lincoln at our office to discuss their investment performance and organization. Although Lincoln's long term performance has been poor, Staff is confident in the firm's ability to add value in the future. Lincoln's process has remained the same since we retained the firm, though in the last two years the firm has made several process improvements which have resulted in improved performance.

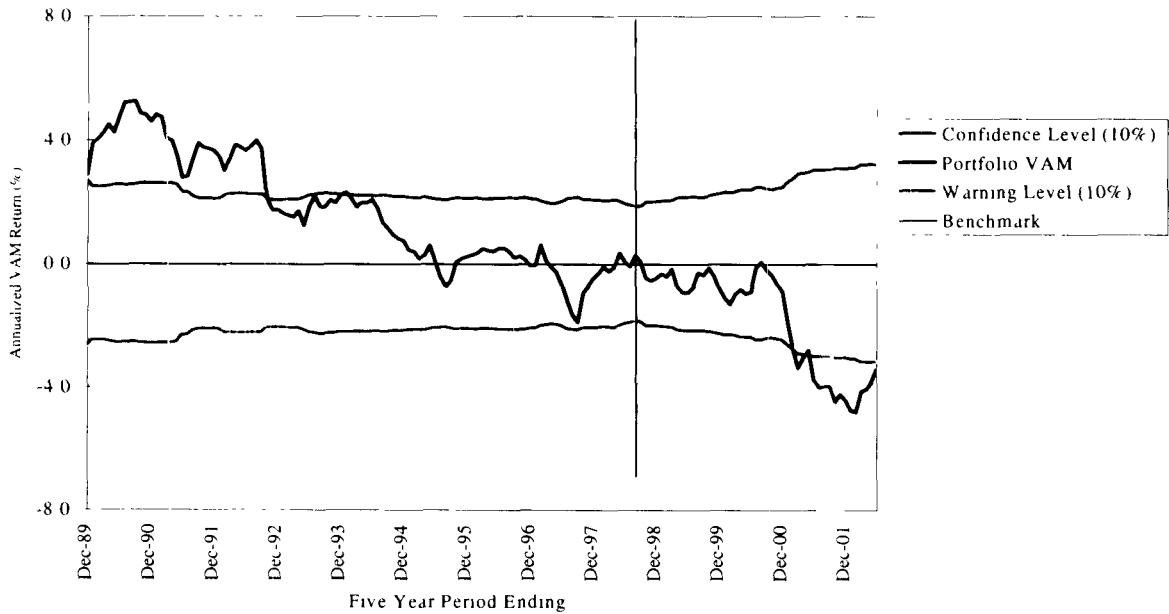
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-16.9%	-18.3%
Last 1 year	-24.2	-23.5
Last 2 years	-34.1	-30.0
Last 3 years	-19.9	-16.8
Last 4 years	-10.5	-7.0
Last 5 years	-3.1	0.3
Since Inception (7/93)	7.9	9.7

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 June, 2002

Portfolio Manager: Michelle Clayman

Assets Under Management: \$318,344,284

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

No comments at this time.

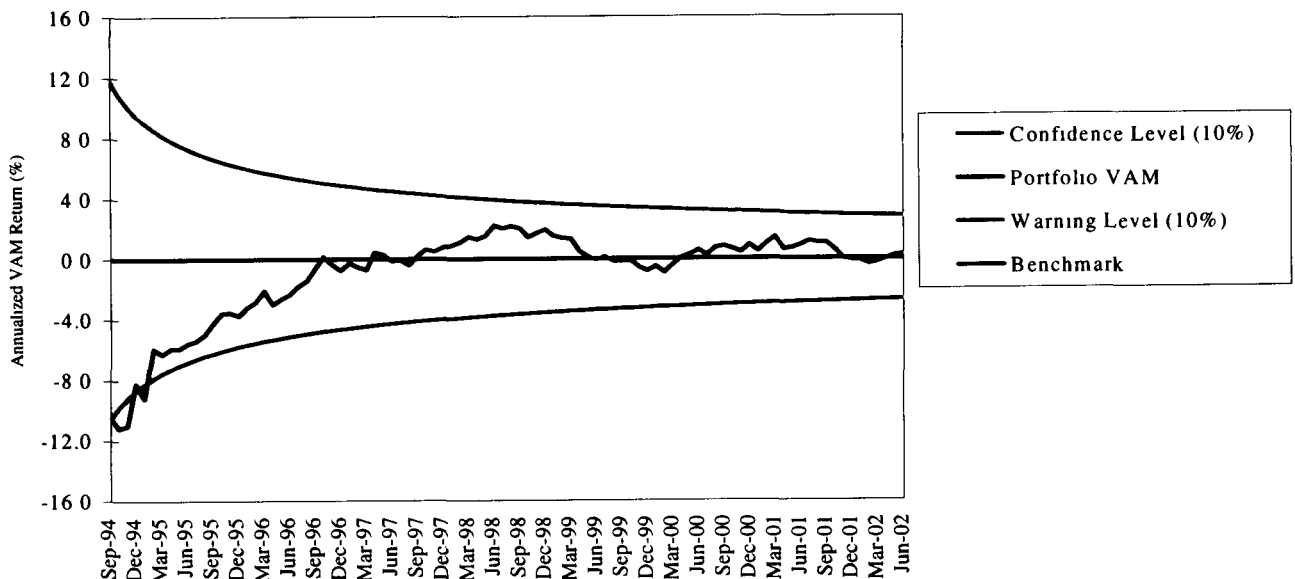
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.3%	-12.8%
Last 1 Year	-13.7	-9.9
Last 2 Years	-4.2	-3.6
Last 3 Years	3.8	3.0
Last 4 Years	5.4	7.3
Last 5 Years	11.2	10.7
Since Inception (4/94)	15.1	14.8

Recommendation

No action required.

NEW AMSTERDAM PARTNERS
Cumulative Tracking



OPPENHEIMER CAPITAL
Periods Ending June, 2002

Portfolio Manager: John Lindenthal

Assets Under Management: \$630,074,234

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

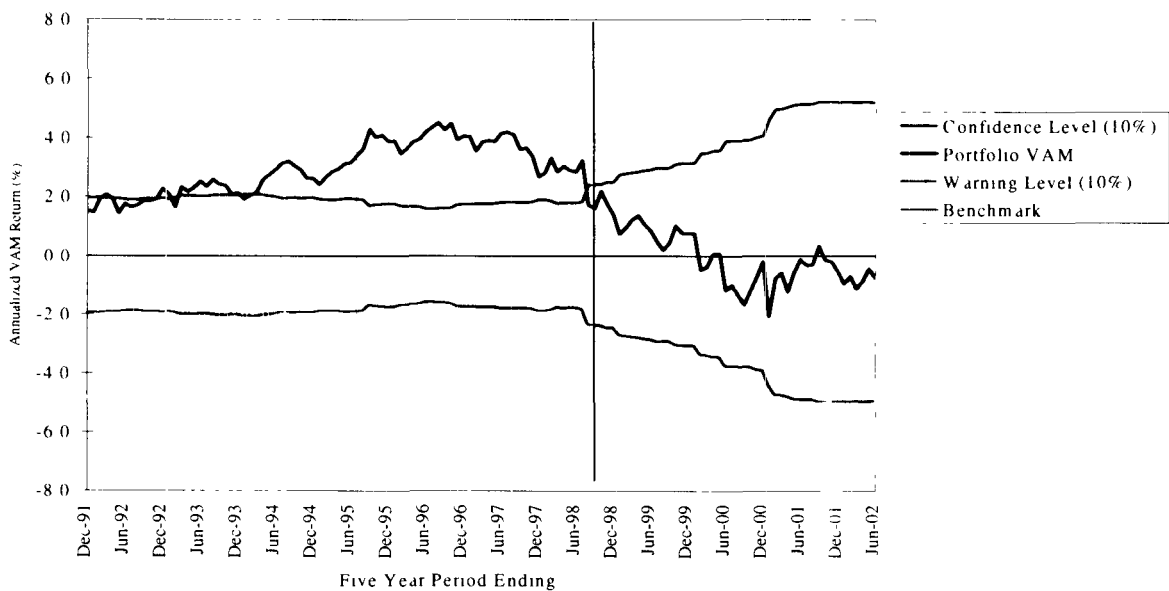
Staff met with Oppenheimer during the quarter at our office to review performance and future strategy. Oppenheimer outperformed this quarter due to strong stock selection in technology and financials, and a higher than average allocation to cash.

Quantitative Evaluation

	Actual	Benchmark	No action required
Last Quarter	-9.4%	-11.5%	
Last 1 year	-15.1	-16.0	
Last 2 years	-2.3	-6.4	
Last 3 years	-1.4	-2.4	
Last 4 years	1.4	2.9	
Last 5 years	6.9	7.7	
Since Inception (7/93)	13.9	12.9	

Recommendation

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 June, 2002

Portfolio Manager: John Leonard

Assets Under Management: \$638,560,495

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

UBS continues to perform well in the market environment and benefited this quarter from strong stock selection in healthcare, industrials, and technology, as well as an underweight to the technology sector.

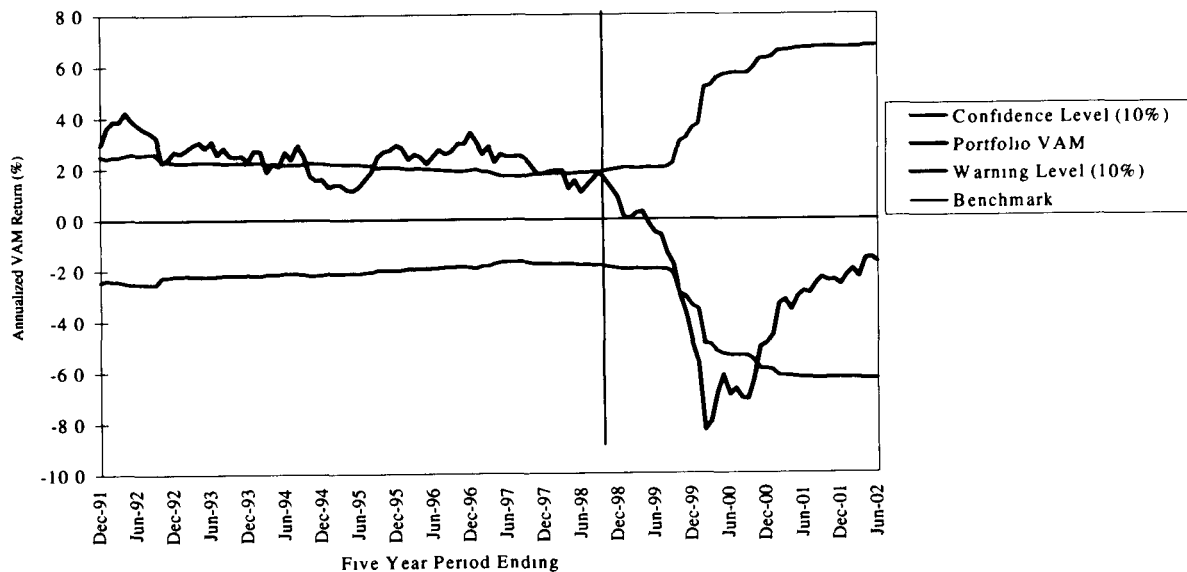
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-10.0%	-12.9%
Last 1 year	-7.2	-15.2
Last 2 years	3.1	-14.1
Last 3 years	-5.6	-5.9
Last 4 years	-1.1	-0.1
Last 5 years	3.1	4.9
Since Inception (7/93)	11.1	10.9

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 June, 2002

Portfolio Manager: Rhonda Vitanye

Assets Under Management: \$2,141,964,026

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

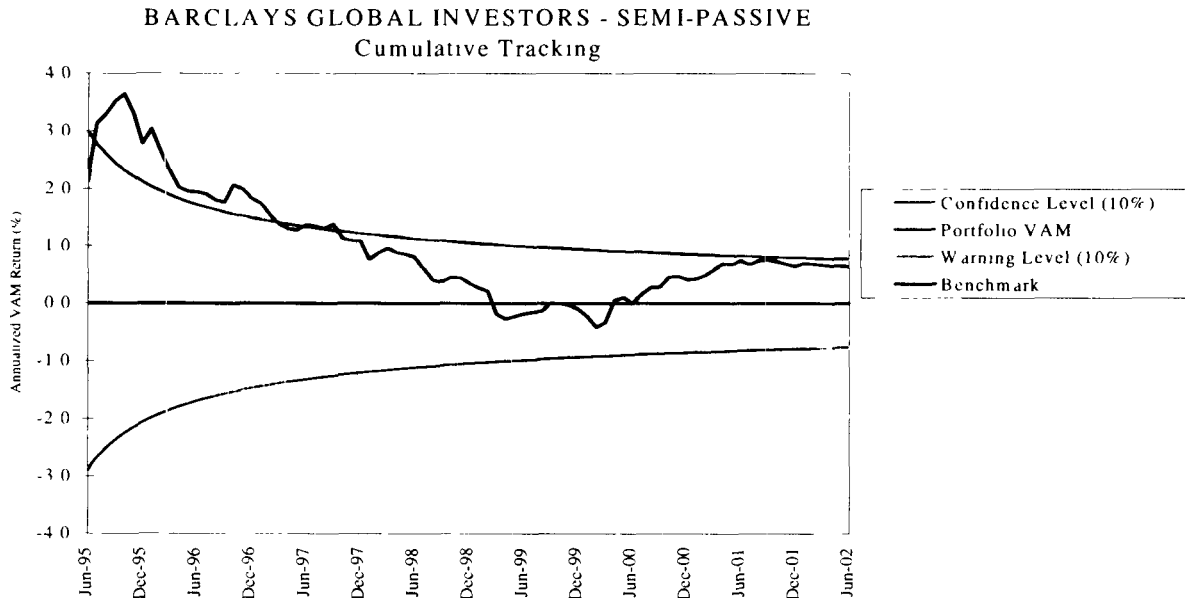
No comments at this time.

Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	-11.6%	-11.5%	No action required
Last 1 year	-13.8	-13.8	
Last 2 years	-14.9	-16.9	
Last 3 years	-9.2	-10.8	
Last 4 years	-3.7	-4.1	
Last 5 years	2.2	2.0	
Since Inception (1/95)	11.6	10.9	

Recommendation

* Completeness Fund



FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending June, 2002

Portfolio Manager: John Cone

Assets Under Management: \$1,652,157,824

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

No comments at this time.

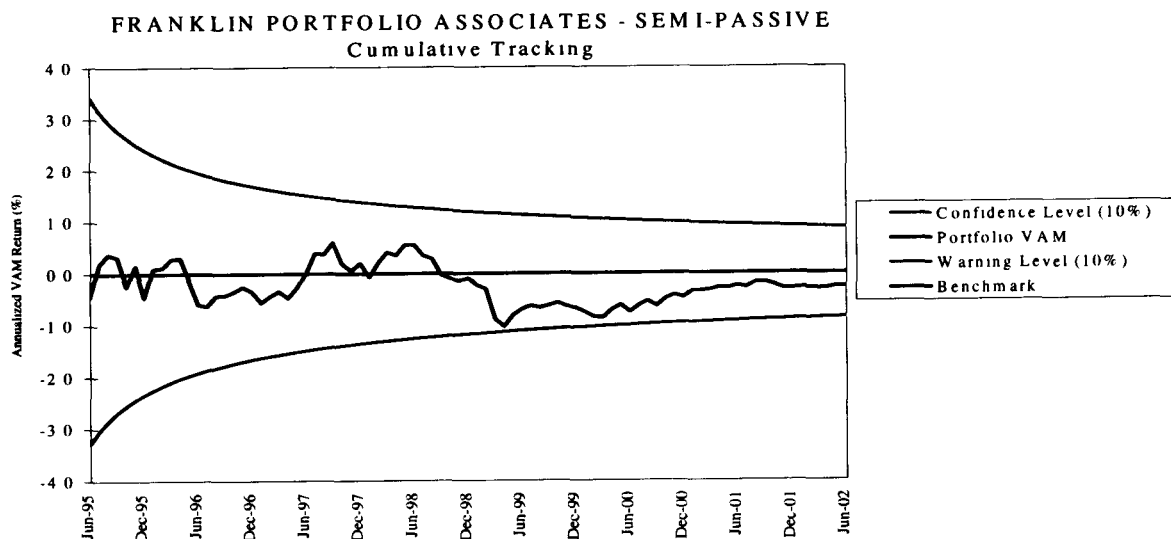
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-11.3%	-11.5%
Last 1 year	-14.1	-13.8
Last 2 years	-15.9	-16.9
Last 3 years	-10.5	-10.8
Last 4 years	-5.1	-4.1
Last 5 years	1.6	2.0
Since Inception (1/95)	10.6	10.9

Recommendation

No action required.

* Completeness Fund



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

Portfolio Manager: Tim Devlin

Assets Under Management: \$1,892,542,689

Investment Philosophy
Semi-Passive

JP 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 met with Tim Devlin, our portfolio manager, and Rick Nelson, head of US equity to review their performance and receive an update on the organization. JP Morgan slightly underperformed for the quarter on poor stock selection in telecommunications, technology, and industrials.

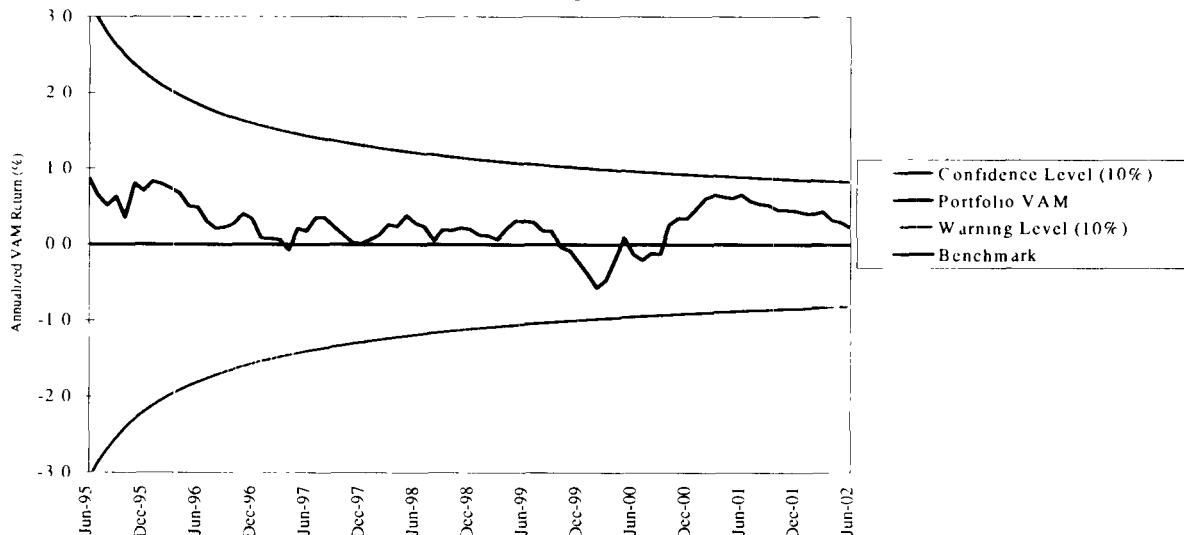
Quantitative Evaluation

	Actual	Benchmark*	
Last Quarter	-12.8%	-11.5%	No action required
Last 1 year	-15.9	-13.8	
Last 2 years	-15.9	-16.9	
Last 3 years	-10.7	-10.8	
Last 4 years	-4.0	-4.1	
Last 5 years	2.2	2.0	
Since Inception (1/95)	11.1	10.9	

Recommendation

* Completeness Fund

JP MORGAN - SEMI-PASSIVE
Cumulative Tracking



BARCLAYS GLOBAL INVESTORS
Periods Ending June, 2002

Portfolio Manager: Amy Schioldager

Assets Under Management: \$5,668,727,436

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

No comments at this time.

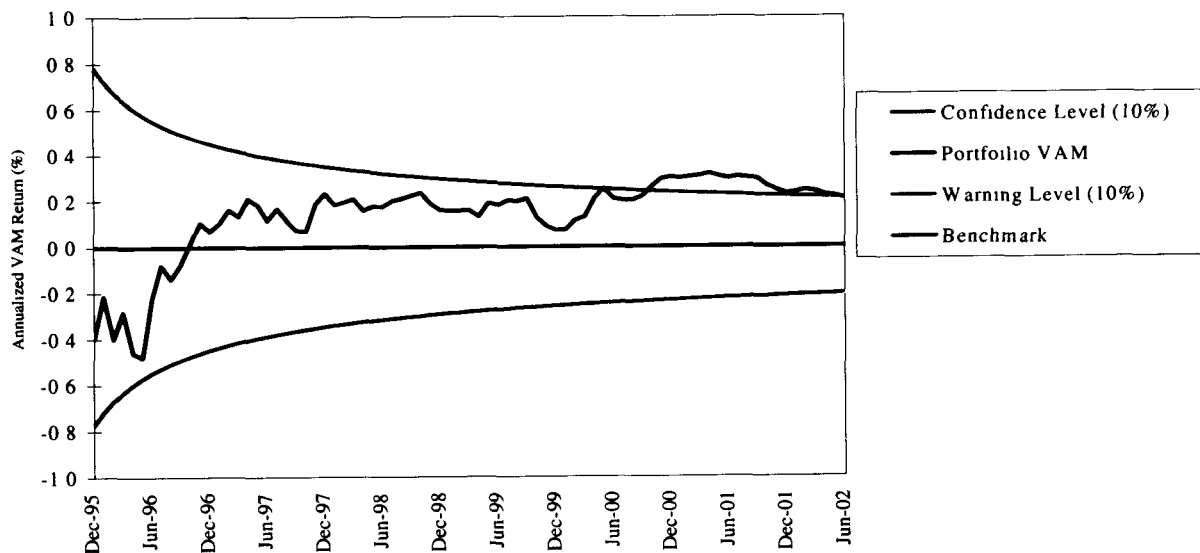
Quantitative Evaluation

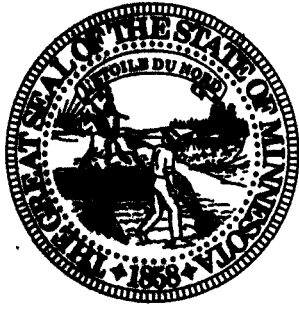
	Actual	Benchmark
Last Quarter	-13.1%	-12.9%
Last 1 year	-17.6	-17.3
Last 2 years	-16.4	-16.6
Last 3 years	-8.4	-8.7
Last 4 years	-2.1	-2.3
Last 5 years	3.5	3.3
Since Inception (7/95)	9.9	9.7

Recommendation

No action required.

BARCLAYS GLOBAL INVESTORS - PASSIVE
Cumulative Tracking





STATE BOARD OF INVESTMENT

Emerging Stock Manager Evaluation Reports

Second Quarter, 2002

ARTEMIS INVESTMENT MANAGEMENT, LLC
Periods Ending June, 2002

Portfolio Manager: Joyce Capuano

Assets Under Management: \$38,711,810

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

No comments at this time.

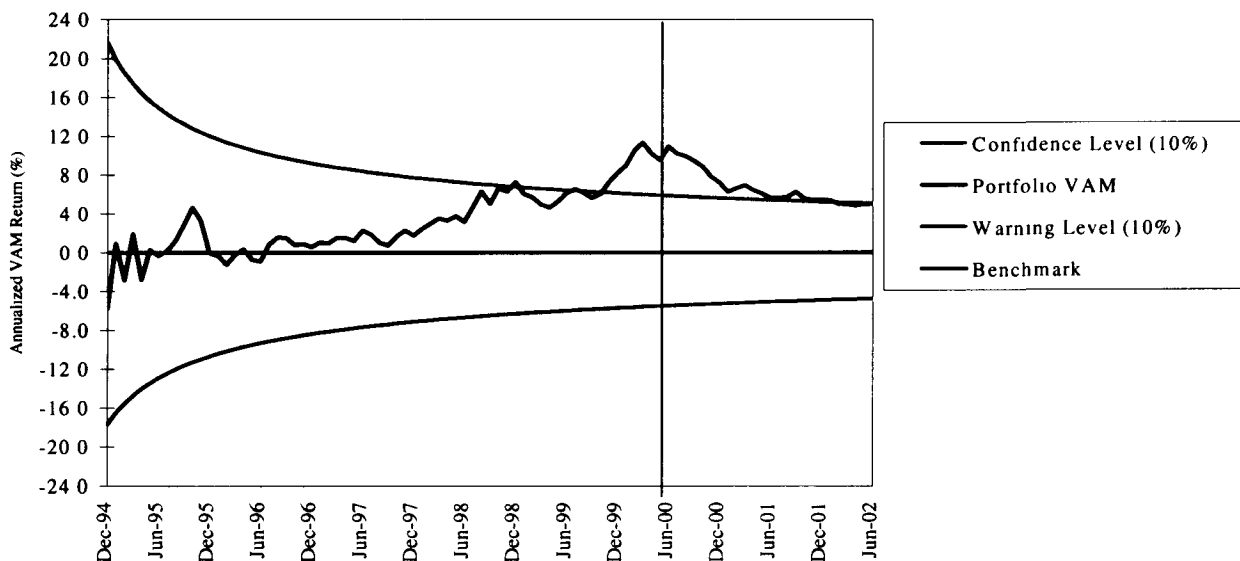
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-7.7%	-8.9%
Last 1 Year	-3.8	-4.5
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)	-12.3	-1.4

Recommendation

No action required.

**Artemis Investment Management
 Cumulative Tracking**



BAY ISLE FINANCIAL CORP.
Periods Ending June, 2002

Portfolio Manager: William Schaff

Assets Under Management: \$44,531,990

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

No comments at this time

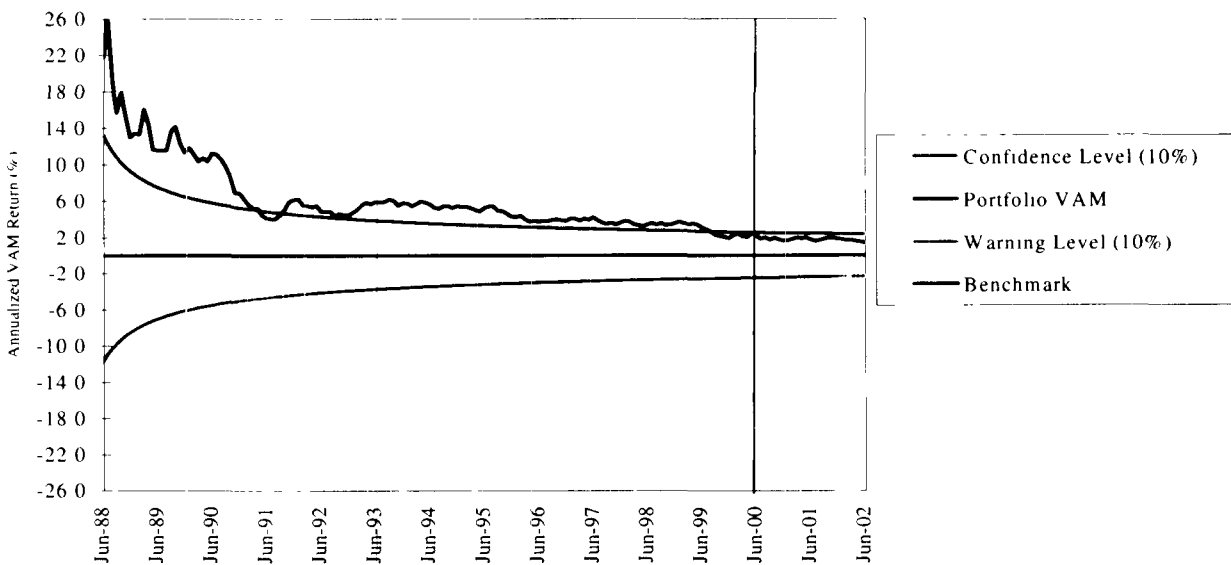
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-13.0%	-9.9%
Last 1 Year	-13.0	-9.7
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)	-5.6	-2.5

Recommendation

No action required.

**Bay Isle Financial
 Cumulative Tracking**



EARNEST PARTNERS, LLC
 Periods Ending June, 2002

Portfolio Manager: Paul Viera

Assets Under Management: \$42,510,269

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

During the last quarter, Staff and Earnest Partners worked together to assess their benchmark construction process. As a result of the analysis, Earnest Partners has modified the weighting scheme it applied to its universe of stocks. The revised weighting scheme better reflects their portfolio construction process.

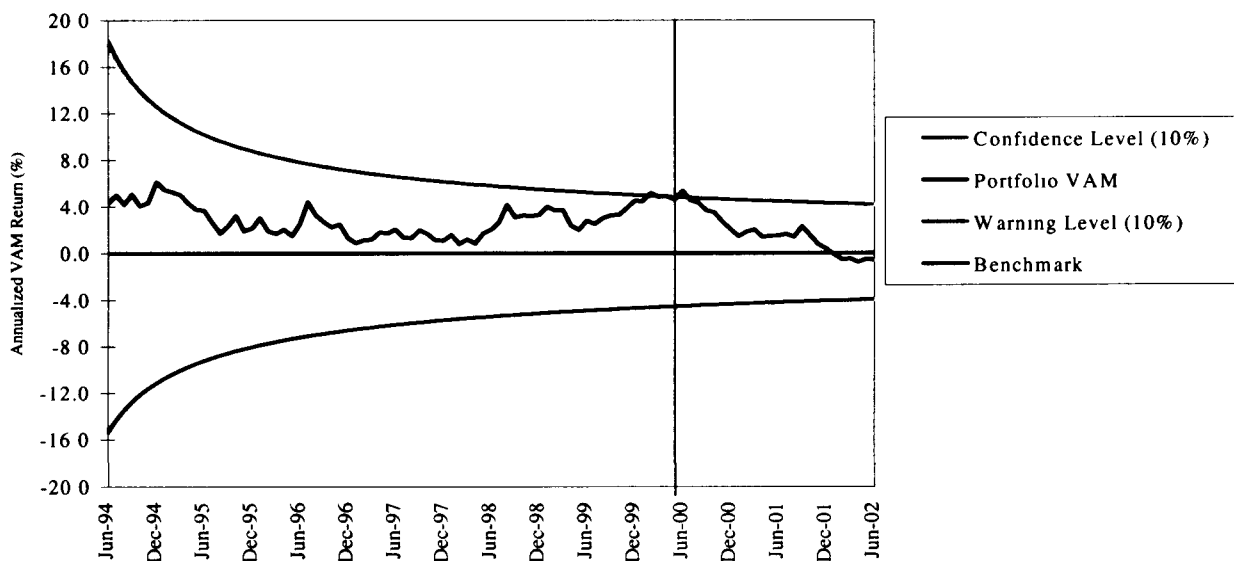
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-8.8%	-7.9%
Last 1 Year	-13.9	1.1
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)	-8.1	11.6

Recommendation

No action required.

**EARNEST Partners
 Cumulative Tracking**



HOLT-SMITH & YATES ADVISORS
 Periods Ending June, 2002

Portfolio Manager: Kristin Yates

Assets Under Management: \$39,105,597

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

During the last quarter, Staff and Holt-Smith worked together to assess their benchmark construction process. As a result of the analysis, Holt-Smith has modified the weighting scheme applied to its universe of stocks. The revised weighting scheme better reflects their portfolio construction process.

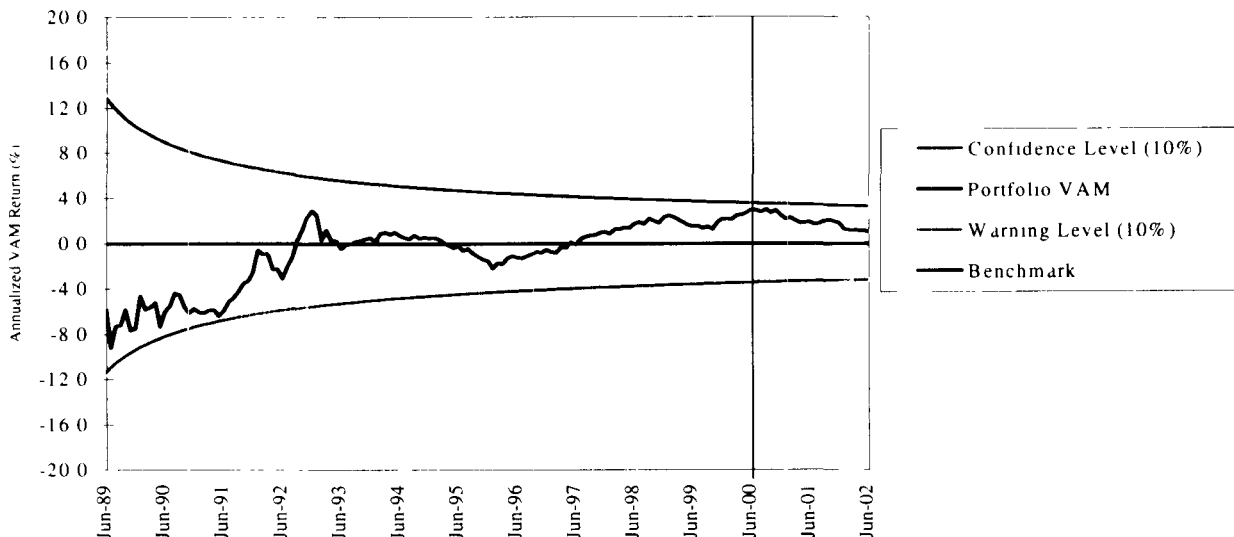
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-12.5%	-10.6%
Last 1 Year	-15.9	-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)	-12.1	-2.3

Recommendation

No action required.

**Holt-Smith & Yates
 Cumulative Tracking**



NEXT CENTURY GROWTH INVESTORS, LLC
Periods Ending June, 2002

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$24,591,548

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 their Minneapolis office to discuss recent performance and receive an update on the organization. Next Century benefited this quarter from strong industrial and technology stock selection, as well as a modest underweight to technology.

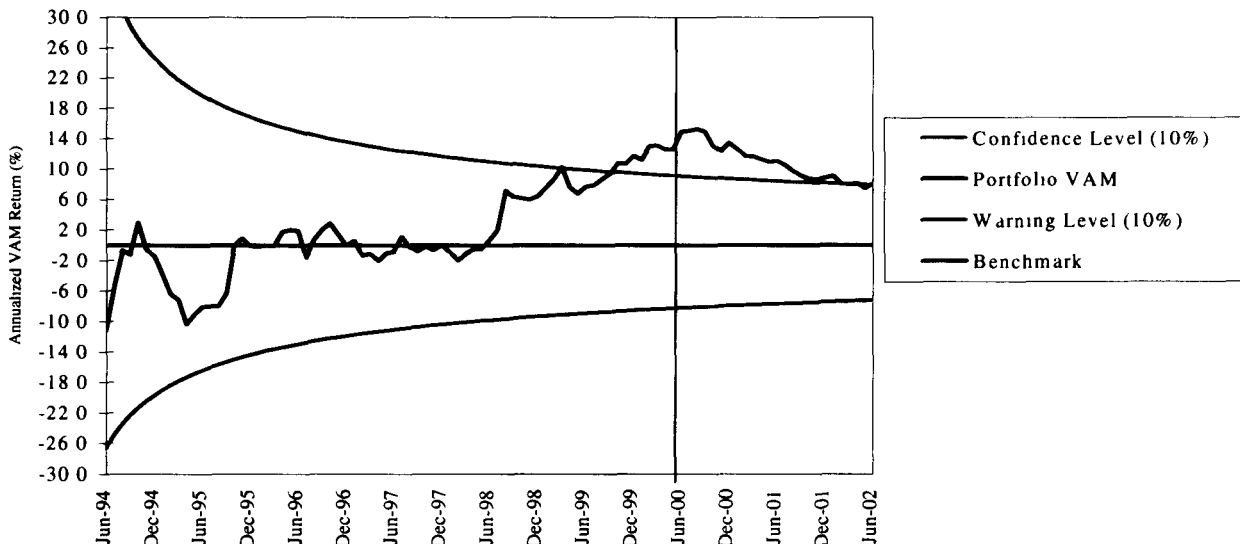
Recommendation

No action required.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-14.6%	-17.1%
Last 1 Year	-31.5	-22.3
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A </td <td>N/A</td>	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-30.3	-21.3

**Next Century Growth Investors
 Cumulative Tracking**



PEREGRINE CAPITAL MANAGEMENT
 Periods Ending June, 2002

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$142,012,201

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

No comments at this time

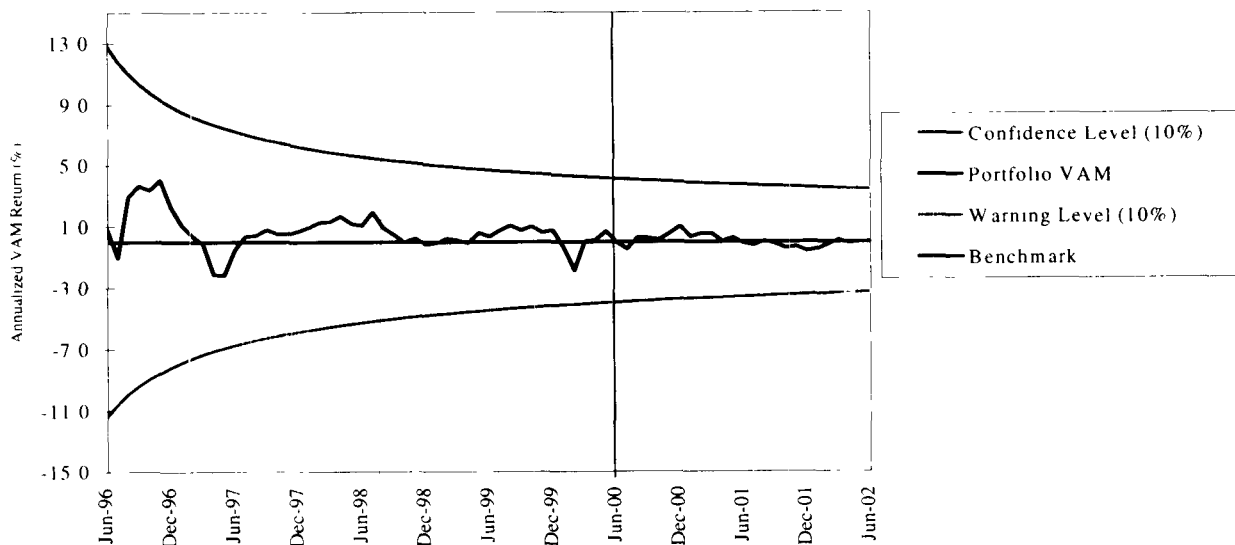
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.8%	-2.0%
Last 1 Year	11.4	10.9
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A </td <td>N/A</td>	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	24.8	24.8

Recommendation

No action required

Peregrine Capital Management
 Cumulative Tracking



VALENZUELA CAPITAL MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Tom Valenzuela

Assets Under Management: \$75,232,969

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 at our office to discuss recent performance and future strategy. Valenzuela outperformed for the quarter on strong stock selection in consumer staples, energy, healthcare, and utilities offset somewhat by weak selection in financials.

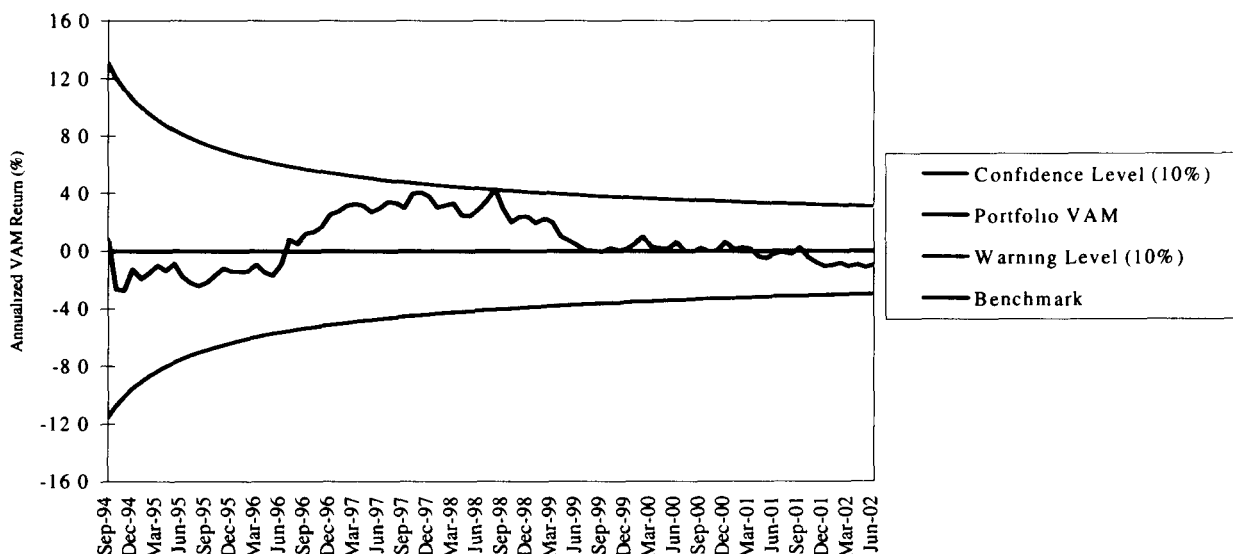
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-5.0%	-5.7%
Last 1 Year	-4.4	2.4
Last 2 Years	2.3	8.5
Last 3 Years	1.8	5.4
Last 4 Years	-0.5	4.7
Last 5 Years	4.0	7.7
Since Inception (4/94)	11.8	12.9

Recommendation

No action required.

**Valenzuela Capital Partners
 Cumulative Tracking**



VOYAGEUR ASSET MANAGEMENT
 Periods Ending June, 2002

Portfolio Manager: Charles Henderson

Assets Under Management: \$38,704,876

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

No comments at this time

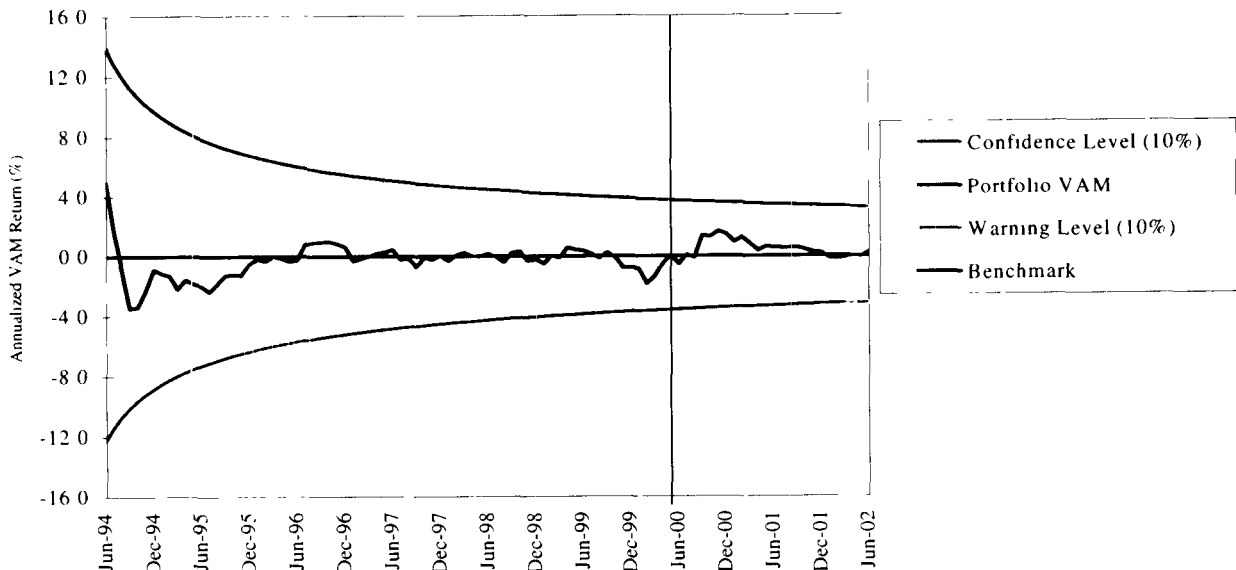
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-11.5%	-14.2%
Last 1 Year	-16.5	-14.5
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)	-12.7	-15.0

Recommendation

No action required

Voyageur Asset Management
 Cumulative Tracking



WINSLOW CAPITAL MANAGEMENT

Periods Ending June, 2002

Portfolio Manager: Joseph Docter

Assets Under Management: \$122,439,286

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

No comments at this time.

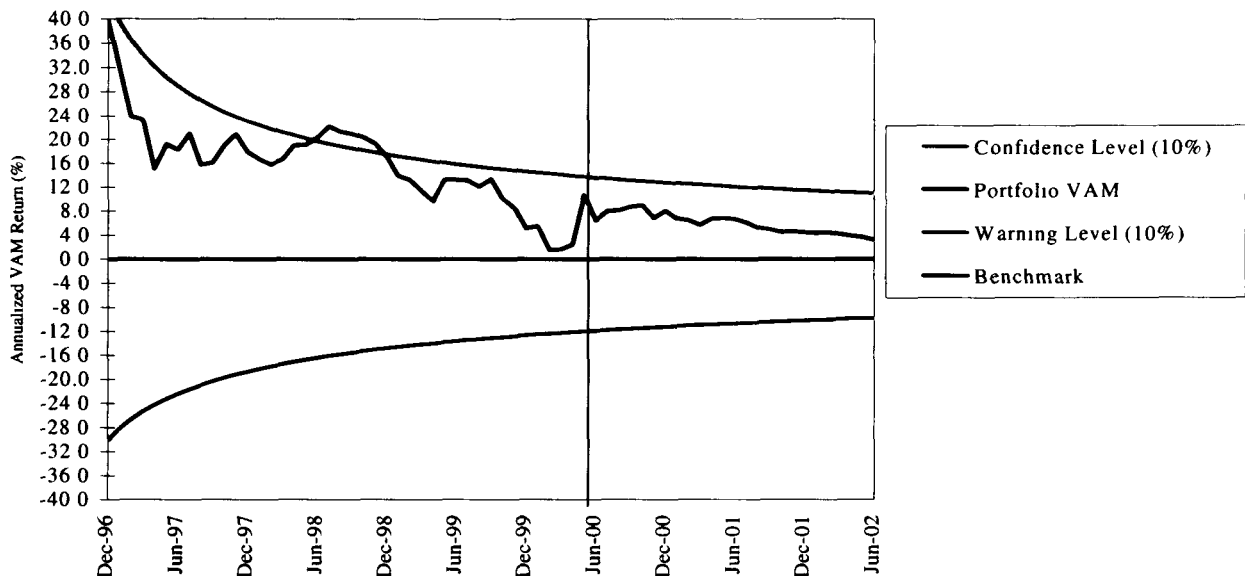
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-17.5%	-13.7%
Last 1 Year	-27.9	-17.5
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)	-16.5	-13.9

Recommendation

No action required.

**Winslow Capital Management
Cumulative Tracking**



ZEVENBERGEN CAPITAL INC.
Periods Ending June, 2002

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$97,729,359

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

No comments at this time

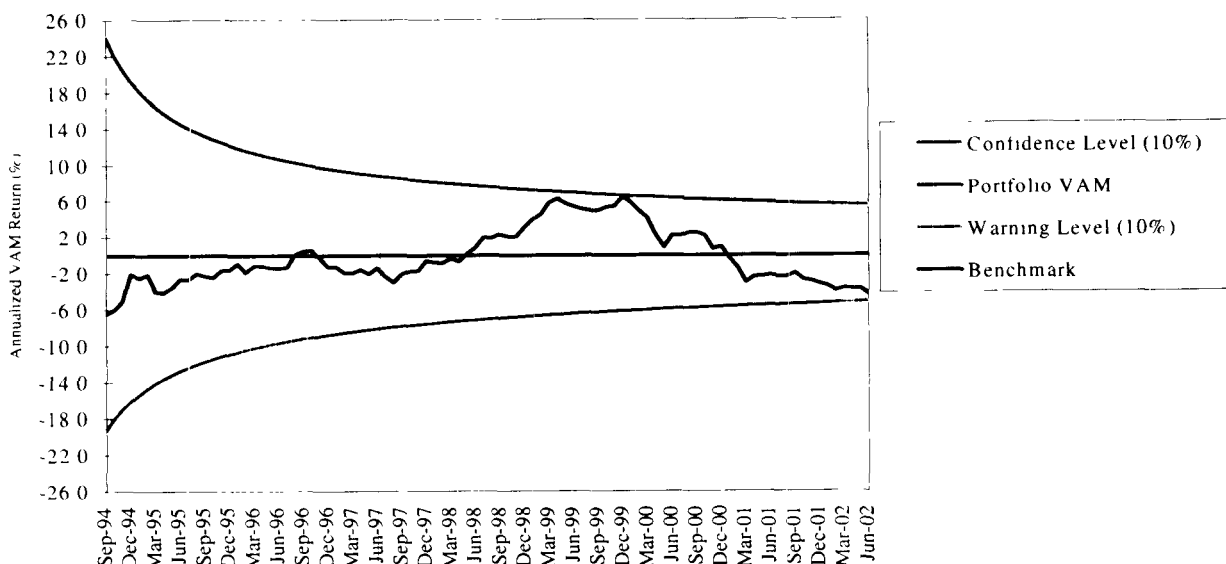
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-21.5%	-15.7%
Last 1 Year	-35.9	-21.1
Last 2 Years	-39.6	-22.2
Last 3 Years	-22.4	-3.8
Last 4 Years	-6.2	3.8
Last 5 Years	1.7	8.5
Since Inception (4/94)	9.0	14.0

Recommendation

No action required

**Zevenbergen Capital Management
 Cumulative Tracking**





STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

Second Quarter, 2002

**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending June, 2002**

	Quarter		1 Year		3 Years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active Managers												
American Express (AMG)	0.1	3.7	5.5	8.6	7.1	8.1	7.1	7.6	6.7	6.9	\$794.9	8.6%
Deutsche	4.0	3.7	9.0	8.6					10.2	9.9	\$661.1	7.1%
Dodge & Cox	3.0	3.7	9.4	8.6					10.8	9.9	\$768.3	8.3%
Metropolitan West	-1.2	3.7	1.6	8.6					6.9	9.9	\$294.6	3.2%
Morgan Stanley	3.1	3.7	8.8	8.6	8.7	8.1	7.6	7.6	10.3	10.0	\$885.3	9.5%
Western	2.7	3.7	8.6	8.6	9.0	8.1	8.3	7.6	11.1	9.9	\$1,287.2	13.9%
Semi-Passive Managers												
BlackRock	3.4	3.7	8.4	8.6	8.2	8.1	7.8	7.6	7.7	7.4	\$1,545.7	16.7%
Goldman	2.7	3.7	8.1	8.6	8.1	8.1	7.5	7.6	7.1	6.9	\$1,504.2	16.2%
Lincoln	3.7	3.7	9.1	8.6	8.3	8.1	7.8	7.6	8.5	8.5	\$1,529.1	16.5%
											\$9,270.4	100.0%
									Since 7/1/84			
Current Aggregate	2.8	3.7	8.2	8.6	8.3	8.1	7.7	7.6	10.4	9.9		
Historical Aggregate (2)	2.8	3.7	8.2	8.6	8.2	8.1	7.6	7.6	10.0	9.9		
Lehman Aggregate (3)		3.7		8.6		8.1		7.6		9.6		

(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 June, 2002

Portfolio Manager: Jim Snyder

Assets Under Management: \$794,933,519

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 significantly underperformed the index for the quarter due to the portfolio's overweight to corporate bonds, an emphasis on lower quality issues, and a shorter than benchmark duration position. The portfolio's overweight in the Telecom sector, including a position in WorldCom, detracted significantly from performance.

For the year, an overweight to Corporates and an allocation to high yield had benefited performance prior to the second quarter of 2002. This benefit was retraced over the quarter as both sectors underperformed the broader market. Issue selection among high yield Corporates was positive, while issue selection in investment grade credit was poor.

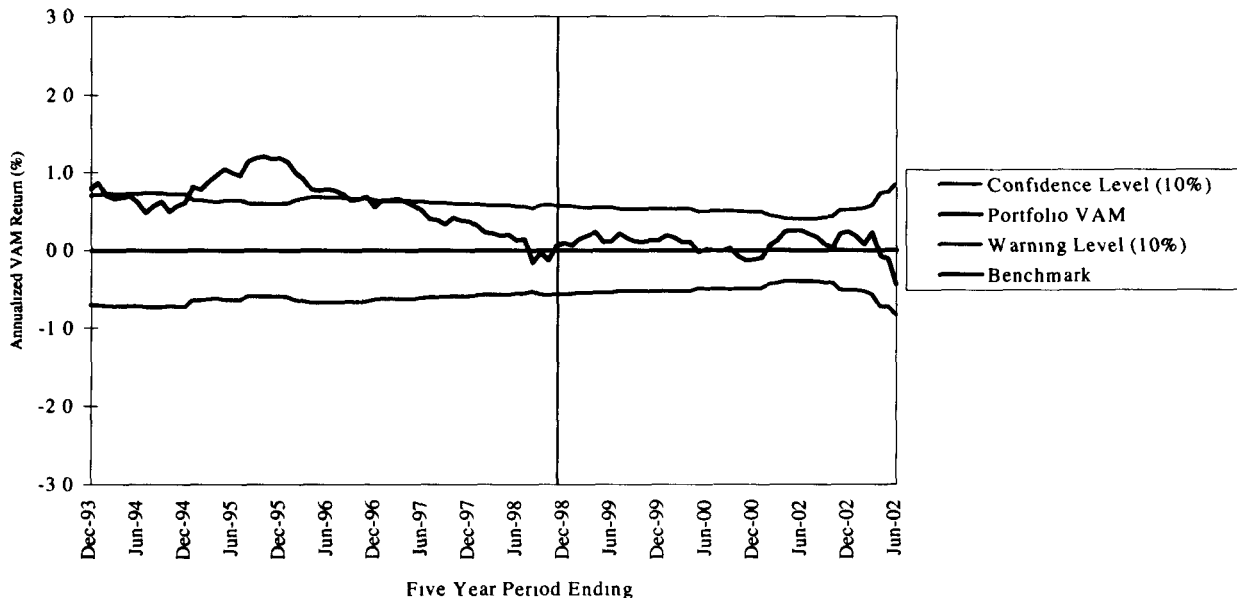
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.1%	3.7%
Last 1 year	5.5	8.6
Last 2 years	8.2	9.9
Last 3 years	7.1	8.1
Last 4 years	6.1	6.8
Last 5 years	7.1	7.6
Since Inception (7/93)	6.7	6.9

Recommendations

No action required.

AMERICAN EXPRESS ASSET MANAGEMENT - Fixed Income
Rolling Five Year VAM



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

DEUTSCHE ASSET MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Warren Davis

Assets Under Management: \$661,100,537

Investment Philosophy

Deutsche 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 outperformed the index over the quarter as the result of good issue selection within corporate bonds and mortgage-backed securities, an overweight to CMBS and ABS securities, and a generally high quality bias. Small positions in telecom names Qwest and Worldcom detracted from performance during the quarter.

For the year, Deutsche's outperformance was the result of a moderate overweight to the spread sectors of the market combined with good issue selection in the second quarter of 2002. The portfolio's generally higher quality bias hurt performance for most of the year, but benefited the portfolio significantly in the second quarter of 2002.

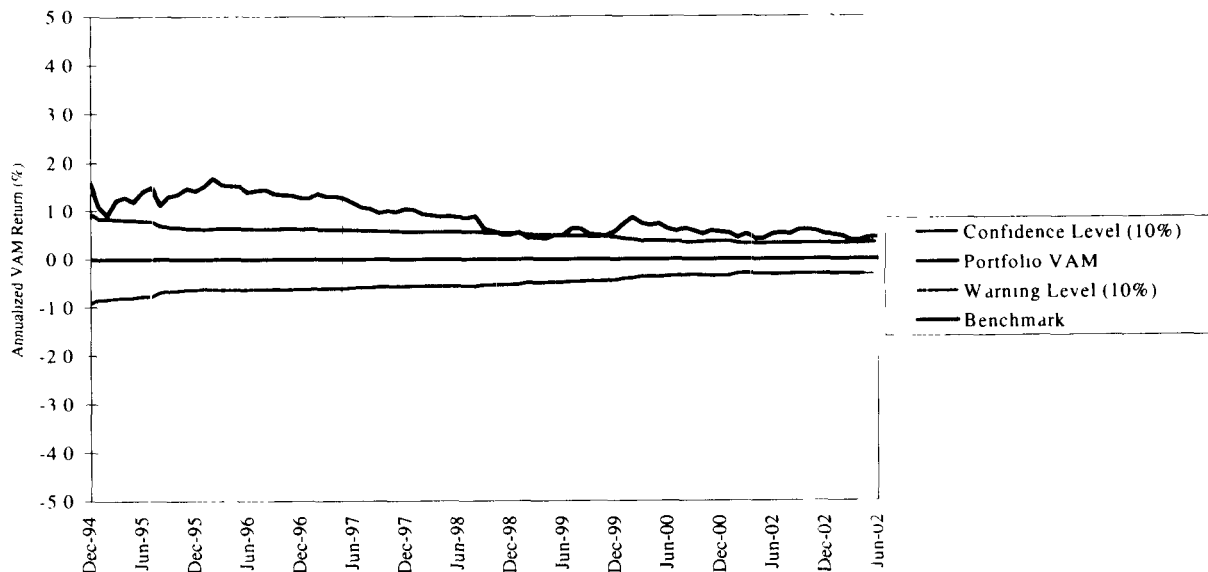
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.0%	3.7%
Last 1 year	9.0	8.6
Last 2 years	10.4	9.9
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)	10.2	9.9

Recommendations

No action required

DEUTSCHE ASSET MANAGEMENT
Rolling Five Year VAM



Note: Shaded area includes performance prior to the retention by the SBI

DODGE & COX INVESTMENT MANAGERS
Periods Ending June, 2002

Portfolio Manager: Dana Emery

Assets Under Management: \$768,288,616

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 underperformed the benchmark for the quarter as the portfolio's overweight to Corporates and a lower quality bias within the sector hurt performance. Issue selection within Corporates was generally neutral over the quarter. The portfolio's slight overweight to Mortgages helped performance, as did a sizable allocation to Treasury Inflation-Protected bonds (TIPS).

Over the full year, Dodge & Cox's outperformance was driven by an overweight to the spread sectors of the market and positive issue selection within these sectors.

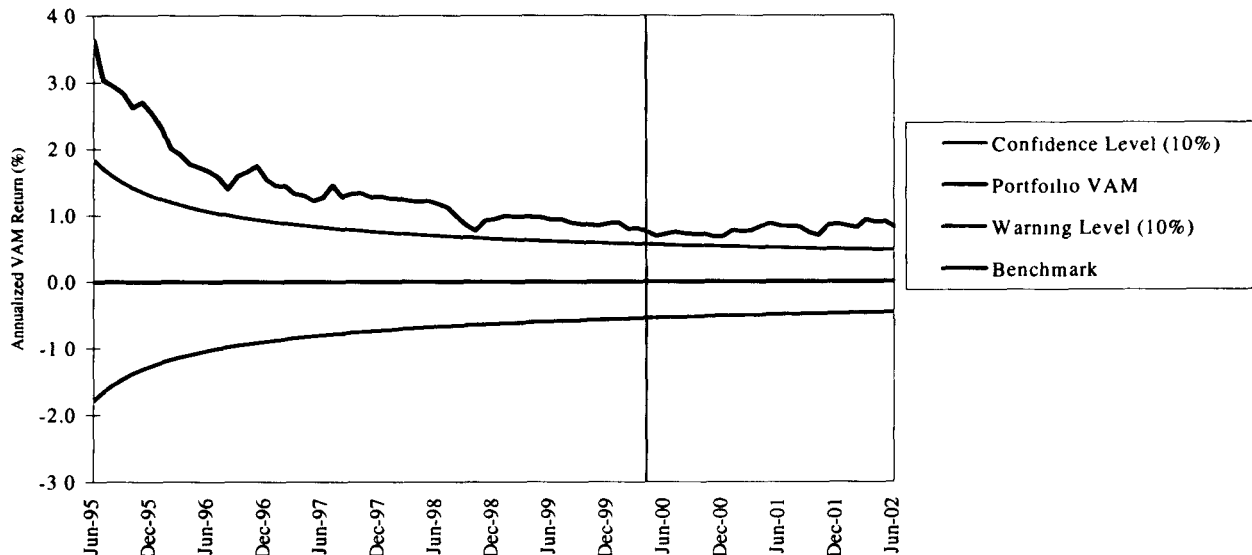
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.0%	3.7%
Last 1 year	9.4	8.6
Last 2 years	11.1	9.9
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)	10.8	9.9

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 June, 2002

Portfolio Manager: Tad Rivelle

Assets Under Management: \$294,589,806

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

Met West significantly underperformed the benchmark for the quarter as the result of significant price declines in several key portfolio holdings in the telecom sector (WorldCom, Qwest, Sprint) and energy sector (Calpine and Williams). More broadly, the portfolio's overweight to Corporates, a shorter than benchmark duration, and a lower quality bias all hurt performance during the quarter.

Over the full year, performance lagged the benchmark significantly, mostly reflecting the cumulative effects of poor issue selection within Corporates. In general however, the decision to overweight spread product was a positive contributor to performance during the year.

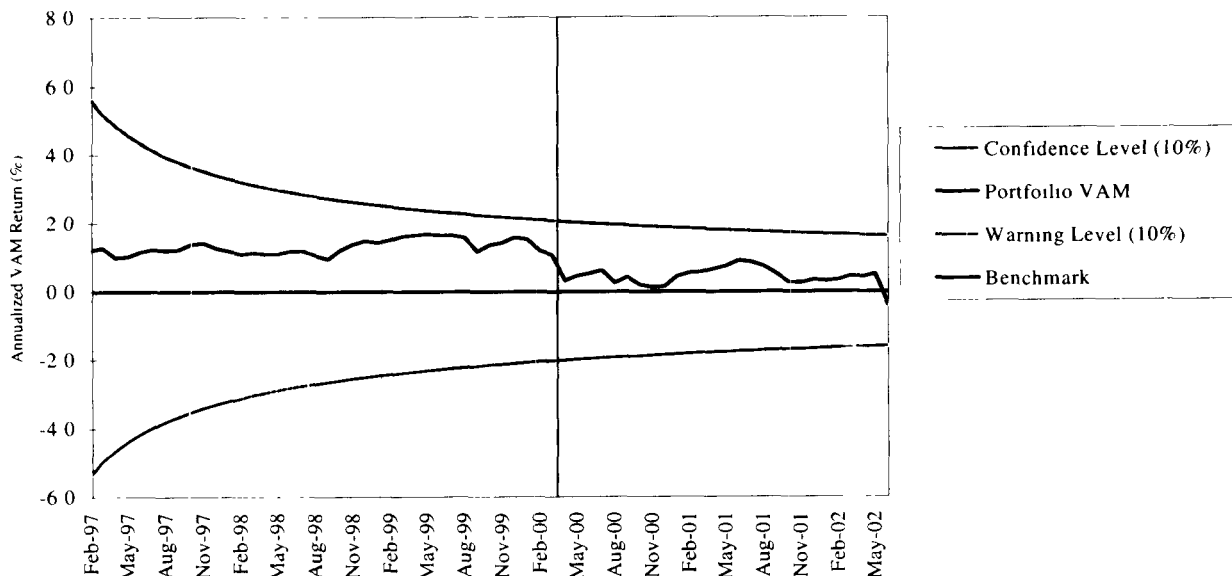
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.2%	3.7%
Last 1 year	1.6	8.6
Last 2 years	7.5	9.9
Last 3 years	N/A	N/A
Last 4 years	N/A </td <td>N/A</td>	N/A
Last 5 years	N/A	N/A
Since Inception (2/00)	6.9	9.9

Recommendations

The underperformance experienced in the portfolio during the quarter underscores the volatility potential inherent in MetWest's approach of emphasizing concentrated positions in stressed corporate issuers. While disappointed with the manager's results this quarter, staff remains confident in their ability to add value over a longer horizon. Staff will meet with MetWest in St. Paul during next quarter to review areas of the firm's process.

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 June, 2002

Portfolio Manager: Tom Bennett

Assets Under Management: \$885,305,467

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

Morgan Stanley underperformed the benchmark for the quarter due to the portfolio's moderate overweight to corporate bonds, and in particular the portfolio's lower quality bias within the corporate sector. The portfolio's significant underweight in Treasuries and Agencies also hurt relative performance as few sectors outperformed the Government sector over the quarter. Over the quarter, the portfolio maintained index-neutral duration and yield curve positioning.

Over the twelve months ended June 30, 2002, Morgan outperformed the benchmark due to the portfolio's overweight to mortgages and positive contribution from interest rate decisions.

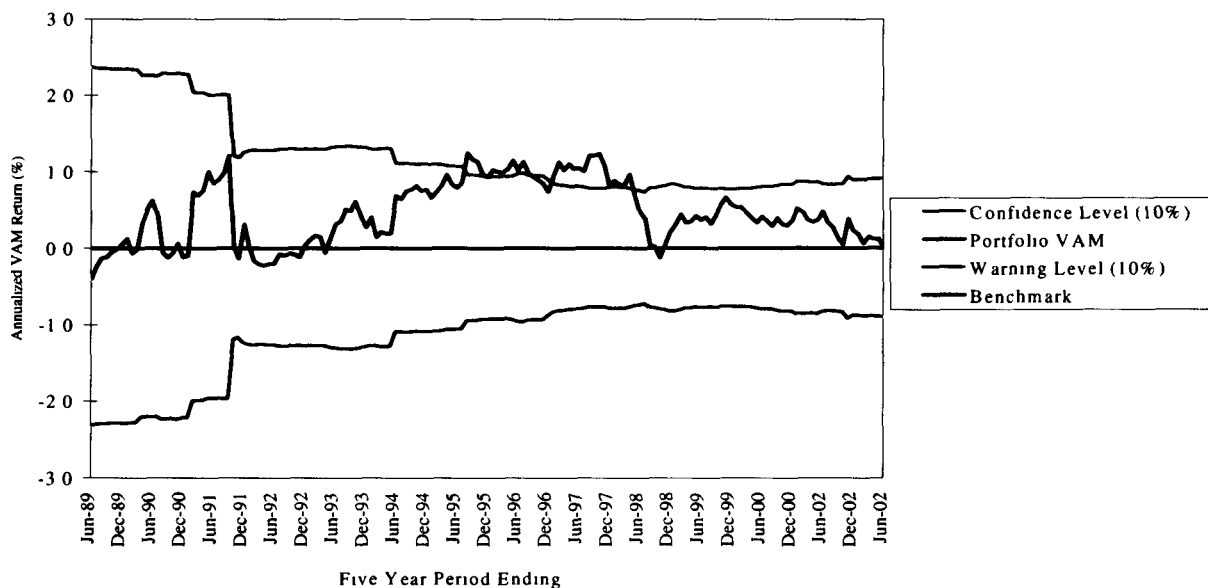
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.1%	3.7%
Last 1 year	8.8	8.6
Last 2 years	10.8	9.9
Last 3 years	8.7	8.1
Last 4 years	7.0	6.8
Last 5 years	7.6	7.6
Since Inception (7/84)	10.3	10.0

Recommendations

No action required.

MORGAN STANLEY DEAN WITTER INVESTMENT MANAGEMENT
Rolling Five Year VAM



WESTERN ASSET MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Ken Leech

Assets Under Management: \$1,287,183,995

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 underperformed the Lehman Aggregate index over the quarter as the portfolio's overweight to corporate bonds and a small high yield position significantly underperformed the index. A longer than index duration and a steepening yield curve bias helped performance over the quarter, as did positive issue selection in mortgages and an exposure to TIPS.

Over the full year, Western matched the benchmark's performance as deterioration in credit spreads over the last quarter eroded earlier gains. The portfolio's mortgage overweight and TIPS position helped performance over the year, as did a longer than benchmark duration.

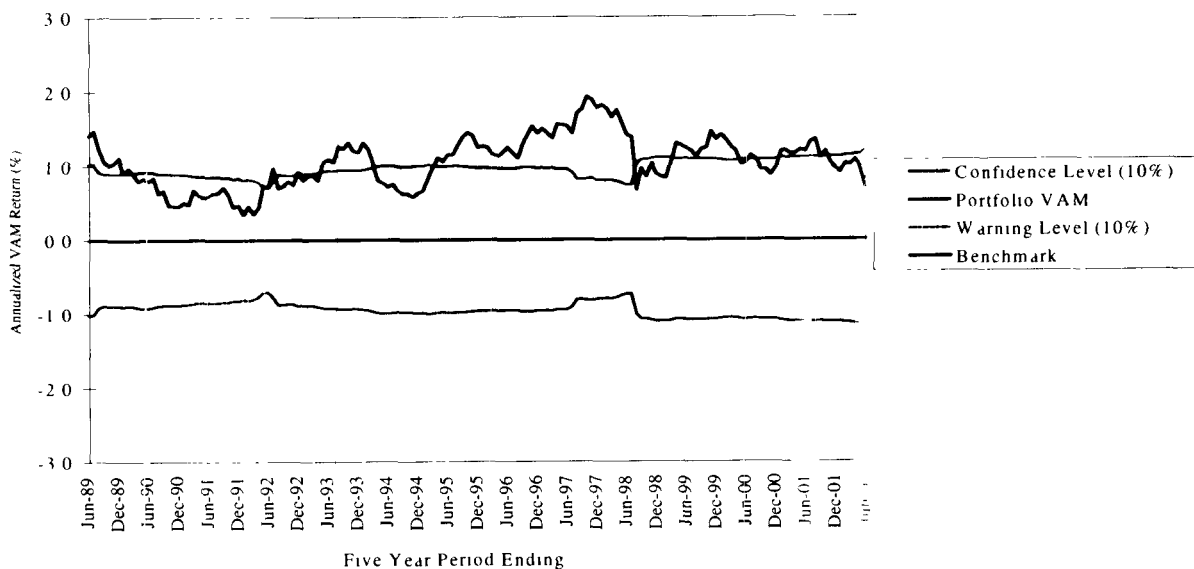
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.7%	3.7%
Last 1 year	8.6	8.6
Last 2 years	10.7	9.9
Last 3 years	9.0	8.1
Last 4 years	7.2	6.8
Last 5 years	8.3	7.6
Since Inception (7/84)	11.1	9.9

Recommendations

No action required

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK FINANCIAL MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Keith Anderson

Assets Under Management: \$1,545,664,747

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 underperformed the index over the quarter as the result of poor issue selection within corporates, including exposure to poorly performing issuers Worldcom, Qwest and AOL Time Warner. In addition, mortgage issue selection was a modest negative as was the portfolio's yield curve positioning. Positive performance contributors during the quarter were an overall underweight to corporates, a bias to higher quality than the index, and a slightly longer than index duration position.

Over the year, BlackRock underperformed the benchmark largely due to poor performance of specific corporate holdings. In addition, an underweight to CMBS hurt performance as this sector performed well. The portfolio's mortgage and ABS overweights helped performance over this period.

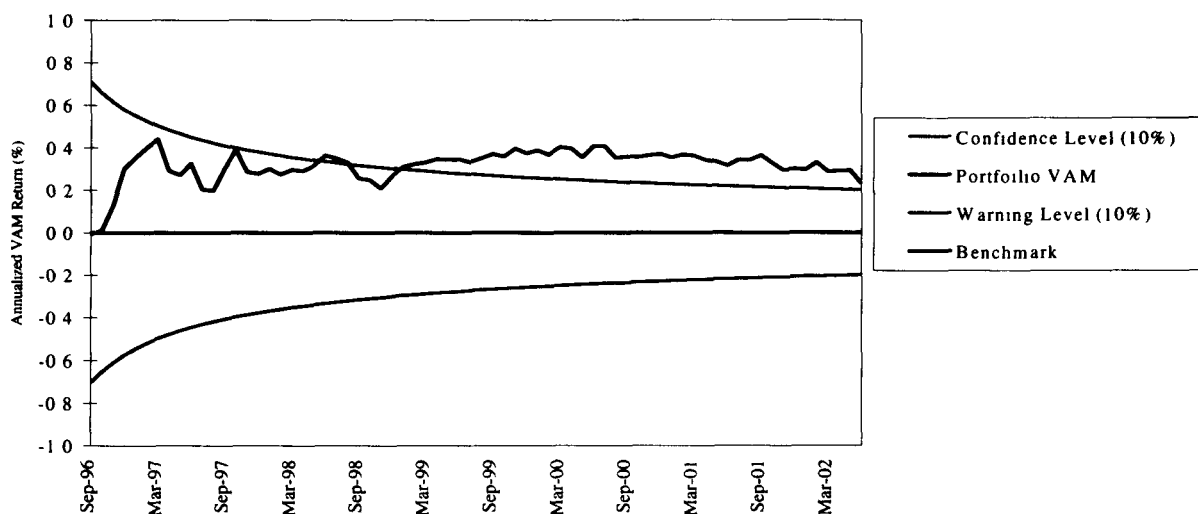
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.4%	3.7%
Last 1 year	8.4	8.6
Last 2 years	9.8	9.9
Last 3 years	8.2	8.1
Last 4 years	7.0	6.8
Last 5 years	7.8	7.6
Since Inception (4/96)	7.7	7.4

Recommendation

No action required.

BLACKROCK FINANCIAL MANAGEMENT
Cumulative Tracking



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Jonathon Beinner

Assets Under Management: \$1,504,206,549

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 Sachs significantly underperformed the benchmark during the quarter as the result of a dramatic decline in lower quality corporates, in particular the Telecom sector where the portfolio was overweight. Exposure to Worldcom, Qwest, Sprint and AT&T materially hurt performance. In addition, the portfolio's shorter than benchmark duration strategy underperformed as rates fell significantly during the quarter.

Over the full year, Goldman underperformed the index as negative issue selection within corporates dominated positive sector and issue selection within mortgages and ABS.

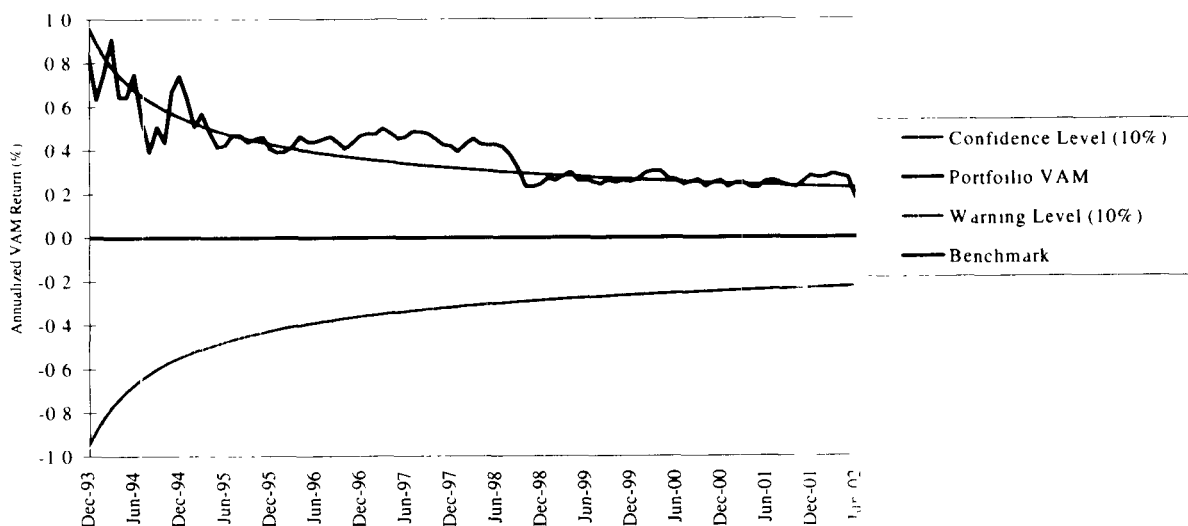
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	2.7%	3.7%
Last 1 year	8.1	8.6
Last 2 years	9.8	9.9
Last 3 years	8.1	8.1
Last 4 years	6.7	6.8
Last 5 years	7.5	7.6
Since Inception (7/93)	7.1	6.9

Recommendations

No action required

GOLDMAN SACHS
Cumulative Tracking



LINCOLN CAPITAL MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,529,149,961

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 matched the performance of the benchmark over the quarter largely due to the avoidance of significant issue specific "blow ups" within corporates, and a generally higher quality bias than the index. A modest overweight to corporates hurt performance slightly, but this detractor was offset by positive issue selection within mortgages.

For the full year, Lincoln outperformed the benchmark. Positive security selection within mortgages and corporates helped performance, as did the portfolio's overweight position in ABS, CMBS and corporates.

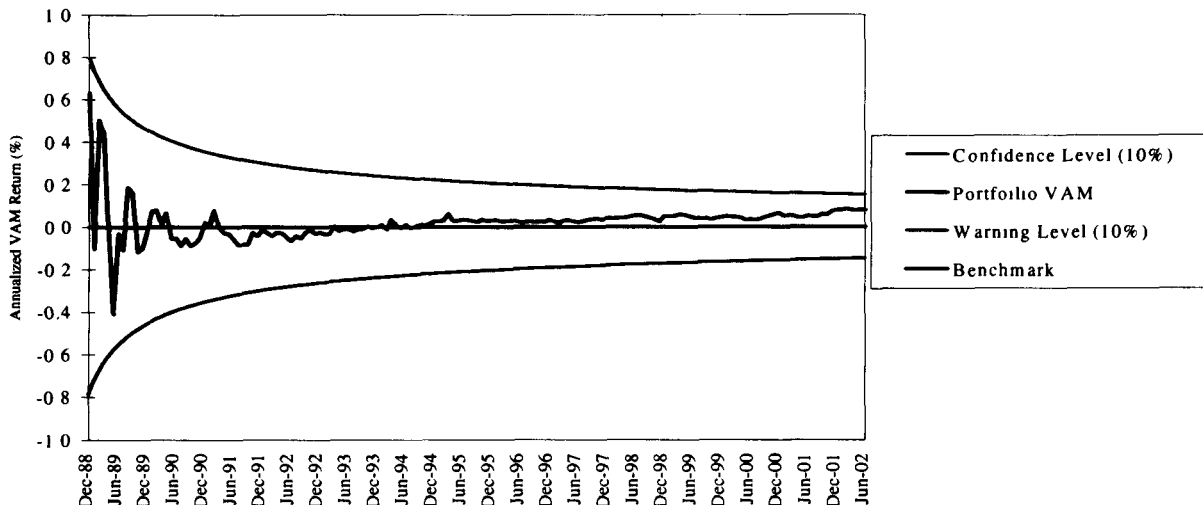
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.7%	3.7%
Last 1 year	9.1	8.6
Last 2 years	10.3	9.9
Last 3 years	8.3	8.1
Last 4 years	7.0	6.8
Last 5 years	7.8	7.6
Since Inception (7/88)	8.5	8.5

Recommendations

No action required.

LINCOLN CAPITAL MANAGEMENT - Fixed Income
Cumulative Tracking





STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

Second Quarter, 2002

**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending June, 2002**

	Quarter*		1 Year		3 years		5 Years		Since (1) Inception		Market Value (in millions)	Pool %
	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk	Actual	Bmk		
	%	%	%	%	%	%	%	%	%	%		
Active EAFE												
American Express	-0.8	-1.8	-10.6	-9.3					-20.0	-14.7	\$455.7	8.5%
Britannic (Blairlogie)	-2.8	-1.8	-8.1	-9.3					-15.9	-14.7	\$280.1	5.2%
Invesco	1.4	-1.8	-2.7	-9.3					-5.4	-14.7	\$553.4	10.3%
Marathon	3.6	0.2	0.4	-5.1	1.8	-4.3	3.2	-0.9	6.5	3.0	\$562.6	10.4%
Montgomery**	-7.6	-1.8	-19.1	-9.3					-25.5	-14.7	\$72.3	1.3%
T. Rowe Price	-3.2	-1.8	-8.5	-9.3	-5.3	-6.7	-1.2	-1.6	4.5	2.9	\$481.7	8.9%
UBS Global	0.1	-1.8	-4.9	-9.3	-0.2	-6.7	2.7	-1.6	7.4	4.8	\$577.1	10.7%
Active Emerging Markets												
Alliance Capital	-6.4	-7.8	2.9	3.3					-10.0	-7.7	\$114.7	2.1%
Capital International	-13.1	-7.8	-6.2	3.3					-15.2	-7.7	\$105.8	2.0%
Montgomery**	-7.8	-7.8	-0.7	3.3	-3.7	-5.7	-9.6	-8.1	-4.6	-4.7	\$117.7	2.2%
Morgan Stanley	-7.1	-7.8	5.8	3.3					-7.2	-7.7	\$110.9	2.1%
Schroders	-8.7	-7.8	-1.9	3.3					-12.5	-7.7	\$111.7	2.1%
Passive EAFE												
State Street	-2.2	-1.8	-9.1	-9.3	-6.6	-6.7	-1.3	-1.6	5.6	5.4	\$1,843.6	34.2%
									Since 10/1/92			
Equity Only (2) (4)	-2.0	-2.4	-7.0	-8.7	-5.3	-6.8	-1.6	-2.4	5.9	4.9	\$5,387.5	100.0%
Total Program (3) (4)	-2.0	-2.4	-7.0	-8.7	-5.4	-6.8	-1.3	-2.4	6.3	4.9	\$5,387.5	

* Due to U.S. holiday on Friday, March 29, 2002, the closing valuation date of the actual portfolios in March was March 28, 2002. MSCI Provisional EAFE, EMF, and EAFE + EMF benchmarks were valued as of the close March 29, 2002

** Montgomery's EAFE and emerging markets portfolios were terminated effective June 5th, 2002. The manager ceased trading in both accounts as of the close that day.

(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) From October 1, 2001 to May 31, 2002 all international benchmarks being reported were 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 June, 2002

Portfolio Manager: Mark Burgess

Assets Under Management: \$455,728,876

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

Positive stock selection in Europe and the Pacific ex-Japan, led to the portfolio's outperformance during the 2Q02. Stock selection within information technology and European financials was particularly beneficial.

In May 2002, AEAM announced that Mark Fawcett, co-CIO with Mark Burgess, was resigning and that Mark Burgess would assume full CIO responsibilities. It was also announced that Fiona Stewart, Sr. Portfolio Manager Japan, was leaving the firm. She will be replaced by Ed Gaunt in September. Staff discussed these changes with AEAM, and is confident that they are part of an overall restructuring plan to pursue improved performance.

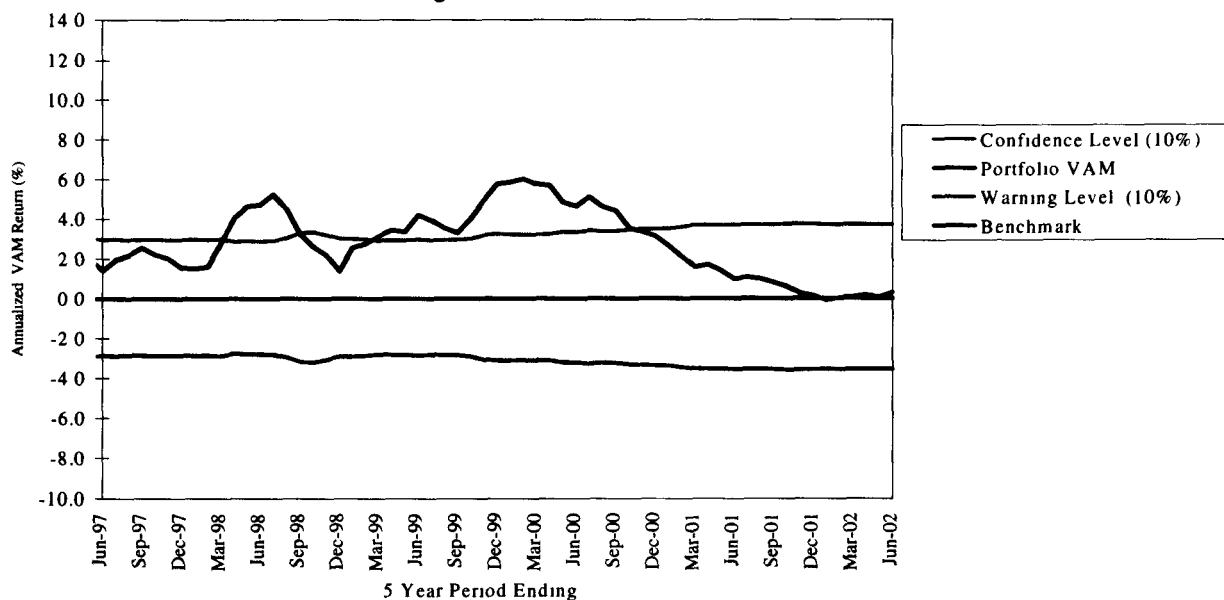
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.8%	-1.8%
Last 1 year	-10.6	-9.3
Last 2 years	-21.4	-16.8
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)	-20.0	-14.7

Recommendations

No action required.

AMERICAN EXPRESS ASSET MANAGEMENT INT'L
Rolling Five Year VAM



Note: Shaded area includes performance prior to managing SBI account

BRITANNIC ASSET MANAGEMENT (Blairlogie)
Periods Ending June, 2002

Portfolio Manager: James Smith

Assets Under Management: \$280,114,431

Investment Philosophy

Britannic 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. Britannic 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. Britannic's portfolio is broadly diversified in developed markets both by country and by sector, and has a large-cap emphasis.

Staff Comments

The portfolio underperformed during the quarter due to negative stock selection in Japan and Germany and due to an overweight position in Finland and France. The portfolio is positioned for cyclical recovery, which has been delayed during a period of market concern about terrorism, earnings deterioration, and accounting irregularities.

In July 2002, Blairlogie rebranded the firm's name for global marketing purposes to Britannic Asset Management International. Blairlogie Capital Management however, remains the legally regulated entity. Blairlogie was acquired by Britannic in December 2001. Blairlogie's staff are now fully integrated in Britannic's Glasgow office.

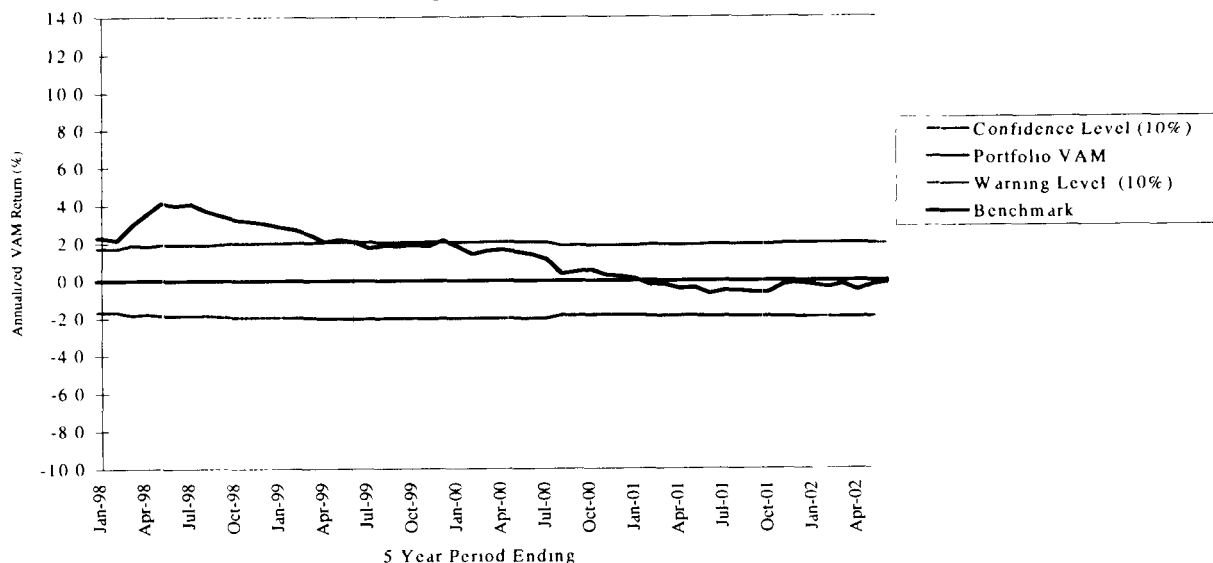
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.8%	-1.8%
Last 1 year	-8.1	-9.3
Last 2 years	-18.2	-16.8
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)	-15.9	-14.7

Recommendations

No action required

BRITANNIC ASSET MANAGEMENT
Rolling Five Year VAM



Note: Shaded area includes performance prior to managing SBI account

INVESCO GLOBAL ASSET MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Erik Granade

Assets Under Management: \$553,428,026

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

INVESCO's portfolio has significantly outperformed over all time periods. During the quarter, both country and stock selection added value. However stock selection, particularly in the UK, Germany and Australia, had the largest positive impact.

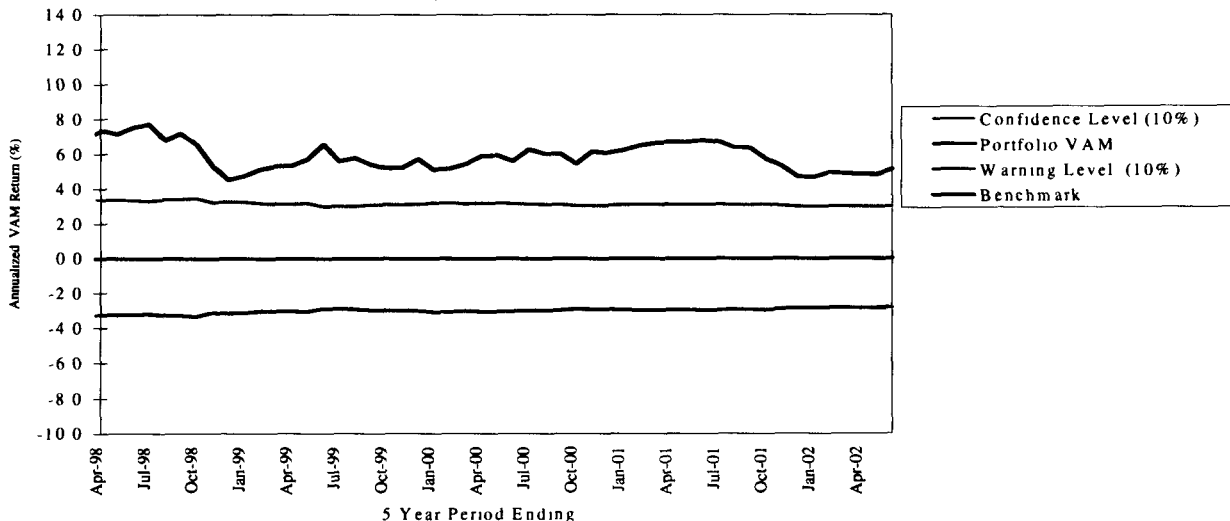
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.4%	-1.8%
Last 1 year	-2.7	-9.3
Last 2 years	-8.1	-16.8
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)	-5.4	-14.7

Recommendations

No action required.

INVESCO GLOBAL ASSET MANAGEMENT
Rolling Five Year VAM



Note: Shaded area includes performance prior to managing SBI account

MARATHON ASSET MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: William Arah

Assets Under Management: \$562,631,299

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 significantly outperformed during the quarter due to positive stock selection in all regions, and most notably in Japan. Country allocations added a small amount of value. The portfolio maintains its three main biases (Asia, mid cap, value) and has outperformed over all time periods.

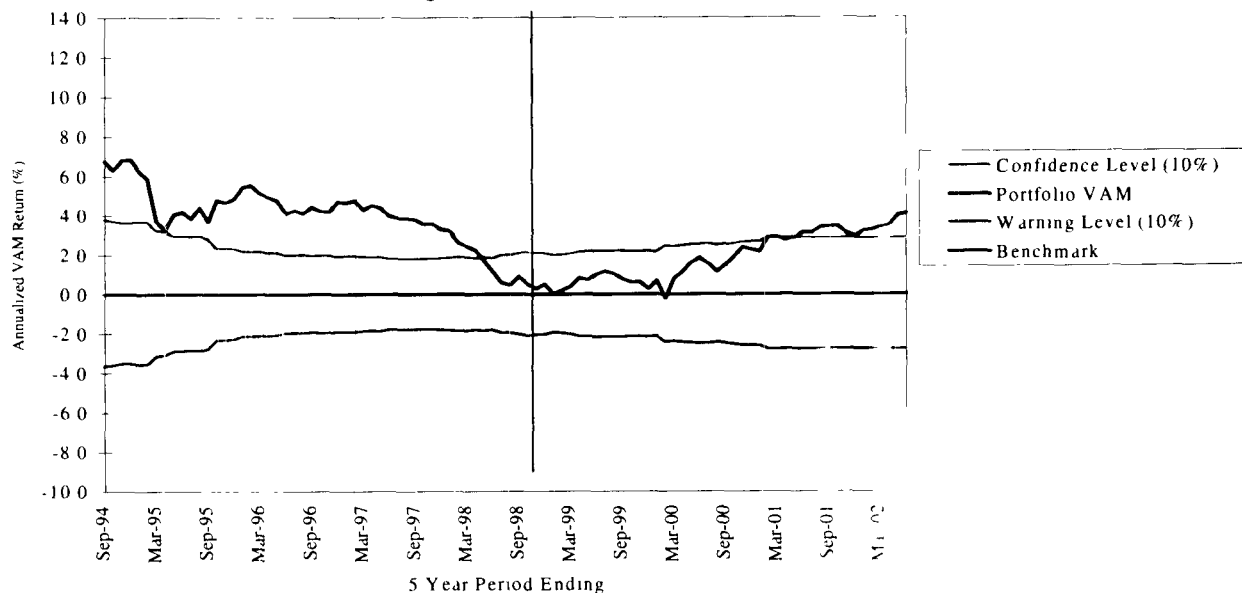
Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	3.6%	0.2%
Last 1 year	0.4	-5.1
Last 2 years	-5.6	-12.9
Last 3 years	1.8	-4.3
Last 4 years	4.5	-1.6
Last 5 years	3.2	-0.9
Since Inception (11/93)	6.5	3.0

Recommendations

No action required

MARATHON ASSET MANAGEMENT
Rolling Five Rolling VAM



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

T. ROWE PRICE INTERNATIONAL, INC.
Periods Ending June, 2002

Portfolio Manager: David Warren

Assets Under Management: \$481,714,941

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

The portfolio's underweight position and negative stock selection in Japan contributed significantly to the underperformance during the quarter. Stock selection within countries overall was negative. Overweighting media and underweighting utilities and materials also hurt recent returns.

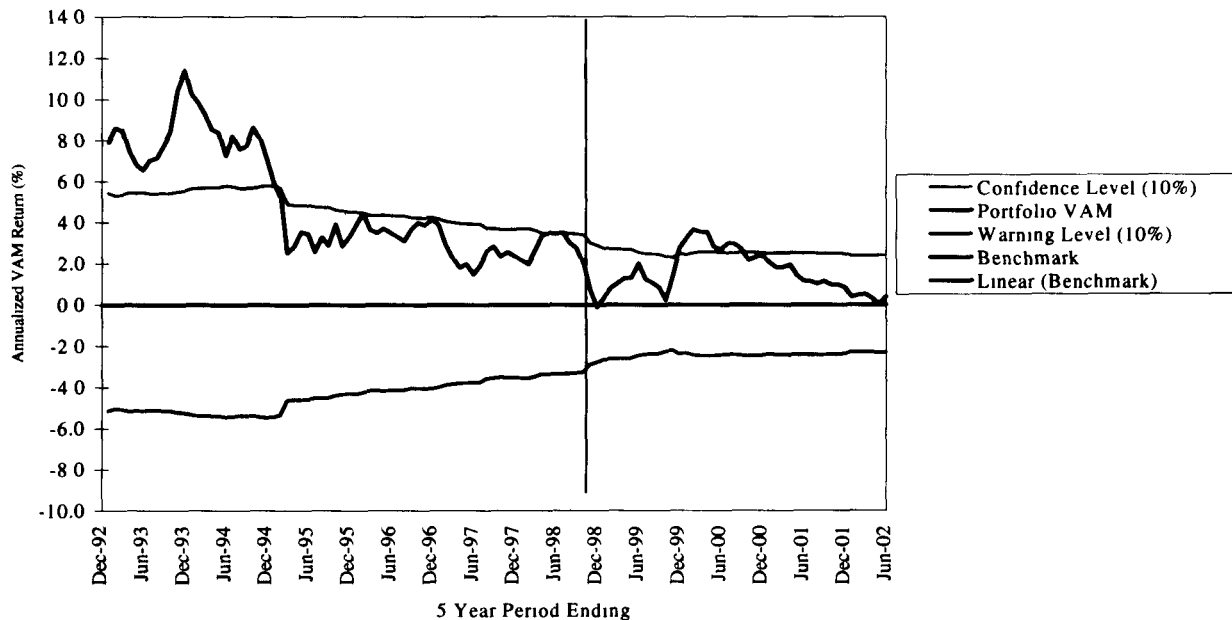
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-3.2%	-1.8%
Last 1 year	-8.5	-9.3
Last 2 years	-17.8	-16.8
Last 3 years	-5.3	-6.7
Last 4 years	-2.5	-3.4
Last 5 years	-1.2	-1.6
Since Inception (11/93)	4.5	2.9

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 June, 2002

Portfolio Manager: Thomas Madsen

Assets Under Management: \$577,099,819

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

UBS added value during the quarter from all areas of their investment process, including industry and stock selection as well as market and currency strategies. Holdings in energy and consumer discretionary helped performance along with the underweights to information technology and telecom.

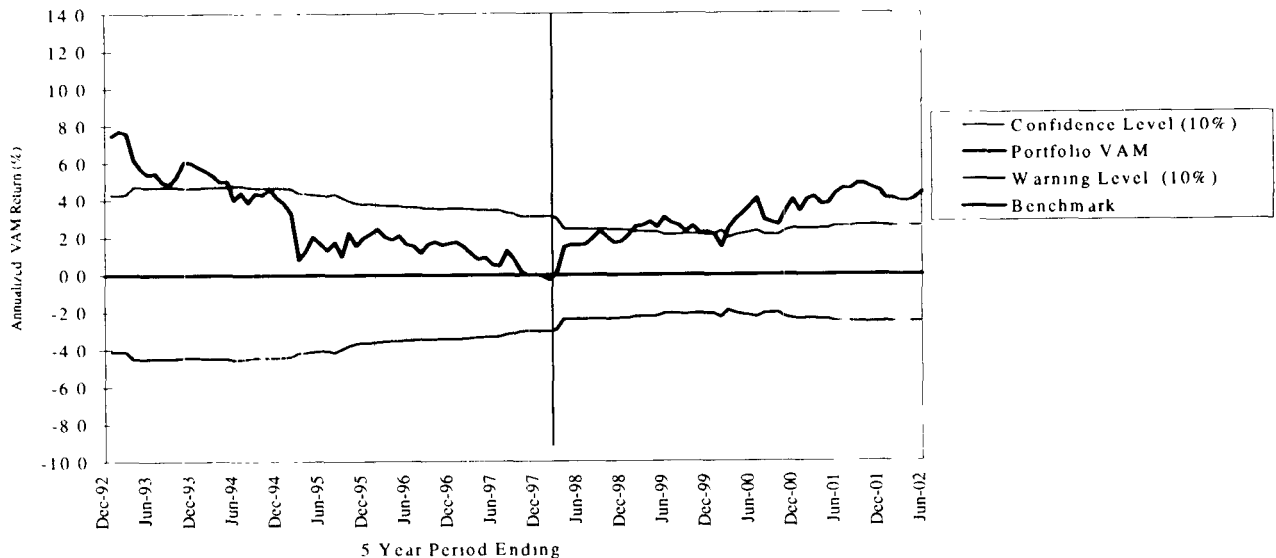
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	0.1%	-1.8%
Last 1 year	-4.9	-9.3
Last 2 years	-8.8	-16.8
Last 3 years	-0.2	-6.7
Last 4 years	2.1	-3.4
Last 5 years	2.7	-1.6
Since Inception (4/93)	7.4	4.8

Recommendations

No action required.

UBS GLOBAL ASSET MANAGEMENT, INC (INT'L)
Rolling Five Year VAM



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

ALLIANCE CAPITAL MANAGEMENT INTERNATIONAL
Periods Ending June, 2002

Portfolio Manager: Edward Baker

Assets Under Management: \$114,653,110

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

Staff met with Alliance in their NY offices in June and reviewed the investment process and organization. The portfolio outperformed during the second quarter. It benefited from export-oriented companies in Latin America, despite being the poorest performing region during the quarter, along with Russian oil stocks, South African resource names, and central European banks.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-6.4	-7.8
Last 1 year	2.9	3.3
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 (3/01)	-10.0	-7.7

Recommendations

No action required.

VAM Graph will be drawn for period ending 3/31/2003.

CAPITAL INTERNATIONAL, INC.
Periods Ending June, 2002

Portfolio Manager: Shaw Wagner

Assets Under Management: \$105,777,743

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

Staff met with Capital International in their NY offices in June and reviewed the investment process and organization, which are stable. The portfolio significantly underperformed during the quarter due to the large number of holdings in Mexico, Brazil, and Turkey. These countries performed poorly during the period. An underweight position in South Africa and Korea, also detracted from recent performance. While the portfolio's bets did not add value during the second quarter, Capital Int'l believes the underlying fundamentals of the companies in the portfolio are sound.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-13.1	-7.8
Last 1 year	-6.2	3.3
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 (3/01)	-15.2	-7.7

Recommendations

No action required

VAM Graph will be drawn for period ending 3/31/2003.

MORGAN STANLEY INVESTMENT MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Narayan Ramachandran

Assets Under Management: \$110,938,793

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

Staff met with Morgan Stanley in their NY offices in June and reviewed the investment process and organization. The portfolio outperformed during the quarter due to favorable country allocation overall. Overweight positions in Indonesia, India and Russia, along with positive stock selection in India, Turkey and Israel helped recent performance. Over the one-year period, both stock selection and country allocation contributed to the portfolio's outperformance.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-7.1%	-7.8%
Last 1 year	5.8	3.3
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 (3/01)	-7.2	-7.7

Recommendations

No action required.

VAM Graph will be drawn for period ending 3/31/2003.

SCHRODERS INVESTMENT MANAGEMENT NORTH AMERICA INC.
Periods Ending June, 2002

Portfolio Manager: Mark Bridgeman

Assets Under Management: \$111,741,724

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

The portfolio underperformed during the quarter due to overweight positions in Turkey and Brazil, and technology holdings in Taiwan.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-8.7	-7.8
Last 1 year	-1.9	3.3
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 (3/01)	-12.5	-7.7

Recommendations

No action required

VAM Graph will be drawn for period ending 3/31/2003.

STATE STREET GLOBAL ADVISORS
Periods Ending June, 2002

Portfolio Manager: Lynn Blake

Assets Under Management: \$1,843,644,458

Investment Philosophy

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) index of 21 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

Staff met with the portfolio manager at SSgA's Boston offices in June and reviewed the investment process and organization. The portfolio incurred 35bps in negative tracking error during the quarter. All of this occurred in April, reversing the 49bps of positive tracking error from March 2002. The difference in the closing valuation date of the portfolio vs. the benchmark in March (the portfolio was valued using March 28th closing prices, due to the U.S. holiday on the 29th whereas the benchmark was valued through March 29th) accounted for the majority of the tracking error, which then reversed in April 2002.

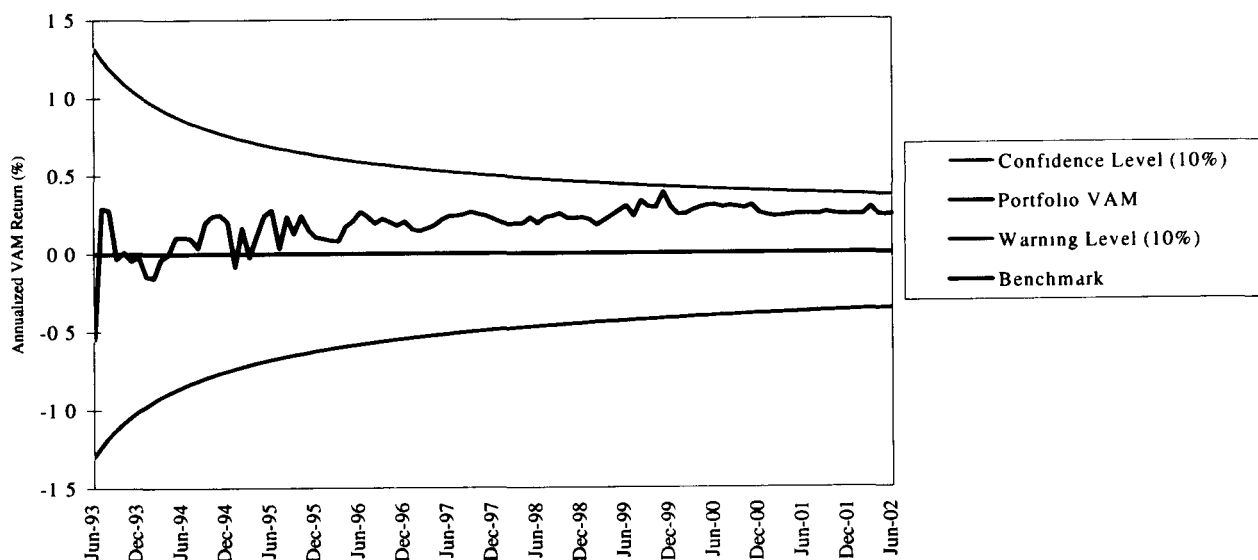
Quantitative Evaluation

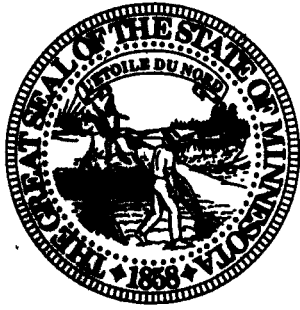
	Actual	Benchmark
Last Quarter	-2.2%	-1.8%
Last 1 year	-9.1	-9.3
Last 2 years	-16.8	-16.8
Last 3 years	-6.6	-6.7
Last 4 years	-3.0	-3.4
Last 5 years	-1.3	-1.6
Since Inception (10/92)	5.6	5.4

Recommendation

No action required.

STATE STREET GLOBAL ADVISORS
Cumulative Tracking





STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

Second Quarter, 2002

NON - RETIREMENT MANAGERS
Periods Ending June, 2002

	Quarter		1 Year		3 years		5 Years		Since (1) Inception		Market Value (in millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
GE Investment Management (S&P 500 Index)*	-12.7	-13.4	-14.8	-18.0	-5.0	-9.2	6.5	3.7	14.5	12.6	\$36.1
Voyageur Asset Management (Custom Benchmark)*	3.6	3.6	6.5	8.3	6.7	7.8	6.6	7.3	7.4	7.4	\$182.3
Galliard Capital Management (3 yr Constant Maturity Treasury + 30 bp)*	1.5	0.9	6.2	3.9	6.2	5.3	6.3	5.4	6.5	5.8	\$100.7
Internal Stock Pool (S&P 500 Index)*	-13.4	-13.4	-18.2	-18.0	-9.2	-9.2	3.8	3.7	11.3	11.2	\$942.9
Internal Bond Pool - Income Share (Lehman Aggregate)*(2)	1.5	3.7	6.4	8.6	7.4	8.1	7.3	7.6	8.5	8.3	\$194.0
Internal Bond Pool - Trust (Lehman Aggregate)*	2.1	3.7	7.0	8.6	7.6	8.1	7.4	7.6	8.1	7.9	\$880.3

* 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 June, 2002

Portfolio Manager: Gene Bolton

Assets Under Management: \$36,072,312

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. The portfolio outperformed both periods primarily due to stock selection in the technology, utilities and capital goods sectors.

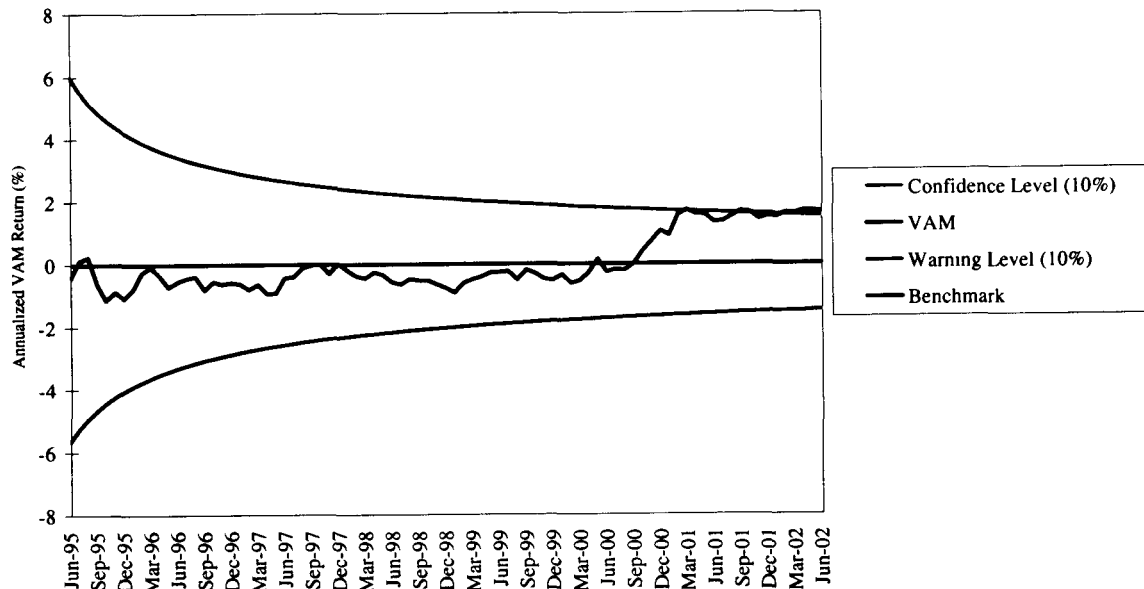
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-12.7%	-13.4%
Last 1 year	-14.8	-18.0
Last 2 years	-10.5	-16.4
Last 3 years	-5.0	-9.2
Last 4 years	1.5	-2.1
Last 5 years	6.5	3.7
Since Inception (1/95)	14.5	12.6

Recommendation

No recommendation at this time.

GE INVESTMENT MANAGEMENT
Cumulative Tracking



**VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending June, 2002**

Portfolio Manager: Tom McGlinch

Assets Under Management: \$182,292,396

**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 matched the quarterly benchmark. The one-year underperformance was due to several credit downgrades.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	3.6%	3.6%
Last 1 year	6.5	8.3
Last 2 years	8.0	9.4
Last 3 years	6.7	7.8
Last 4 years	6.1	7.0
Last 5 years	6.6	7.3
Since Inception (7/91)	7.4	7.4

Recommendation

No action required

*Custom benchmark since inception date.

VAM Graph will be drawn for period ending 3/31/04.

GALLIARD CAPITAL MANAGEMENT
Periods Ending June, 2002

Portfolio Manager: Karl Tourville

Assets Under Management: \$100,679,990

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.

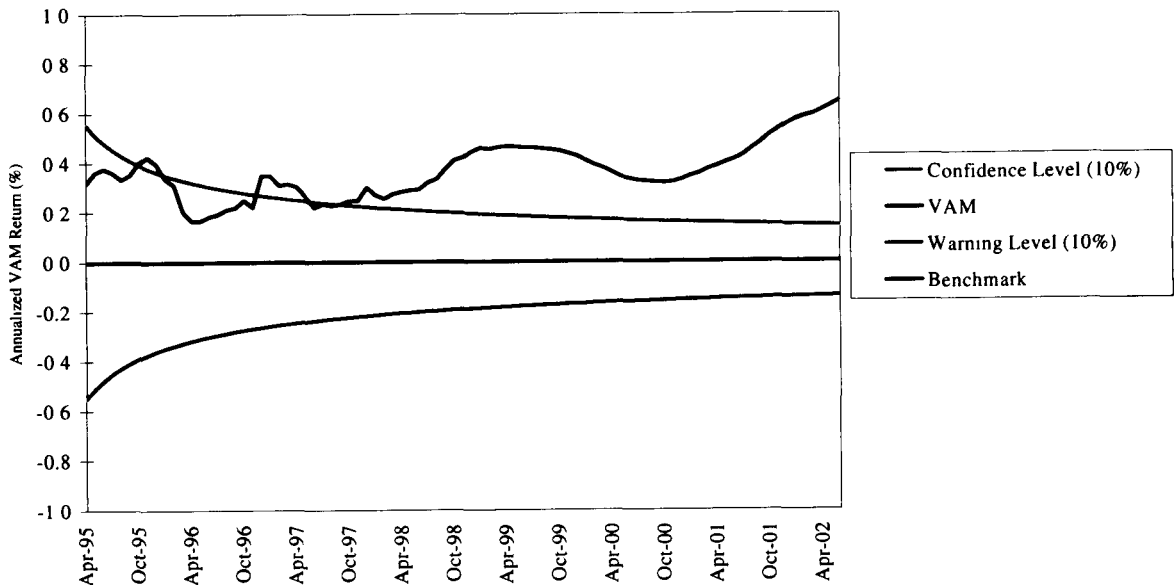
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	0.9%
Last 1 year	6.2	3.9
Last 2 years	6.3	4.6
Last 3 years	6.2	5.3
Last 4 years	6.3	5.2
Last 5 years	6.3	5.4
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 June, 2002

Portfolio Manager: Mike Messen

Assets Under Management: \$942,852,113

Investment Philosophy
Environmental Trust Fund
Permanent School Fund
Tobacco Endowment Funds

Staff Comments

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.

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.

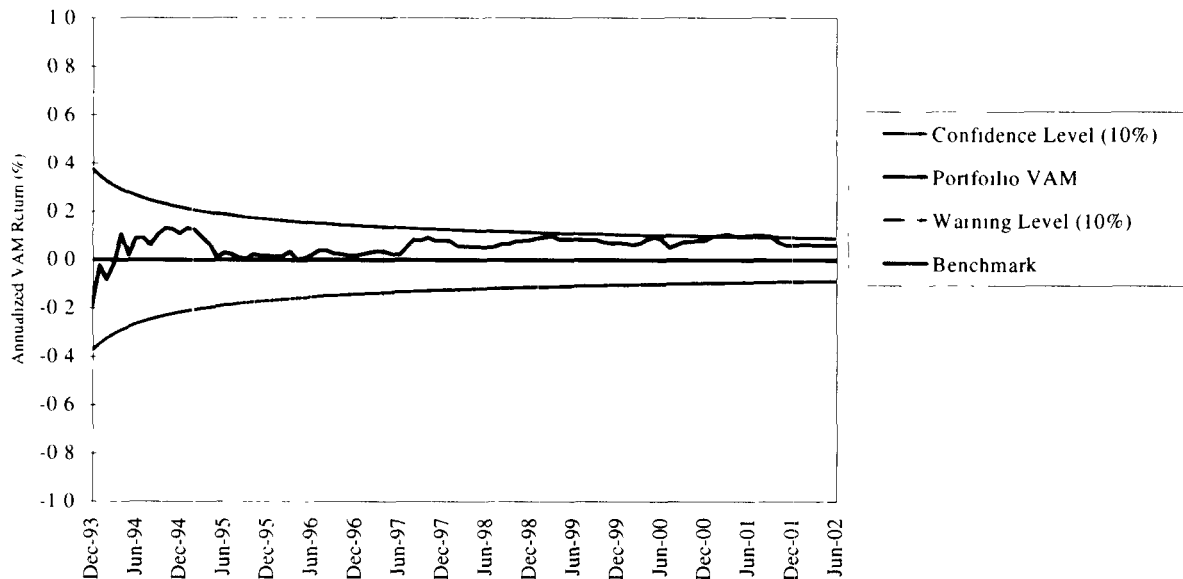
Quantitative Evaluation

Recommendation

	Actual	Benchmark
Last Quarter	-13.4%	-13.4%
Last 1 year	-18.2	-18.0
Last 2 years	-16.4	-16.4
Last 3 years	-9.2	-9.2
Last 4 years	-2.0	-2.1
Last 5 years	3.8	3.7
Since Inception (7/93)	11.3	11.2

No action required.

INTERNAL STOCK POOL
Trust/Non-Retirement Assets
Cumulative Tracking



INTERNAL BOND POOL - Income Share Account
Periods Ending June, 2002

Portfolio Manager: Mike Messen

Assets Under Management: \$193,973,159

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 and one-year benchmark. The underperformance for both periods was due to the overweight in telecommunications and cable and media.

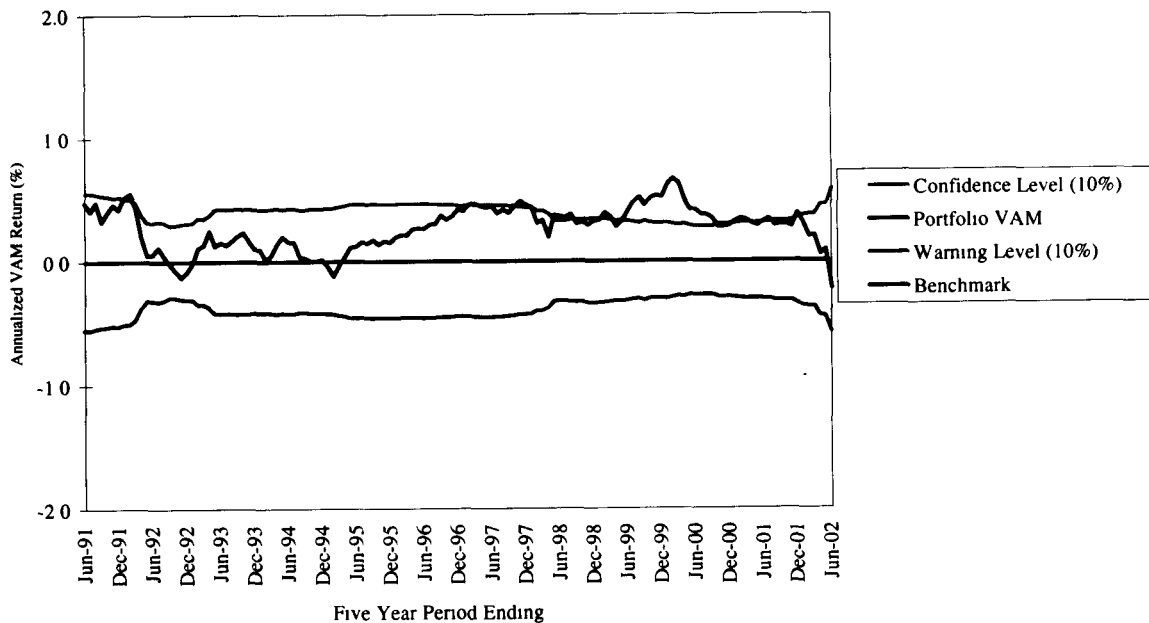
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	1.5%	3.7%
Last 1 year	6.4	8.6
Last 2 years	8.9	9.9
Last 3 years	7.4	8.1
Last 4 years	6.4	6.8
Last 5 years	7.3	7.6
Since Inception (7/86)	8.5	8.3

Recommendation

No action required.

INTERNAL BOND POOL - INCOME SHARE ACCOUNT
Rolling Five Year VAM



INTERNAL BOND POOL - Trust/Non-Retirement Assets
Periods Ending June, 2002

Portfolio Manager: Mike Messen

Assets Under Management: \$880,259,284

Investment Philosophy
Environmental Trust Fund
Permanent School Trust Fund
Tobacco Endowment Funds

Staff Comments

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.

The internal bond pool trailed the quarterly and one-year benchmark. The underperformance for both periods was due to the overweight in telecommunications and cable and media.

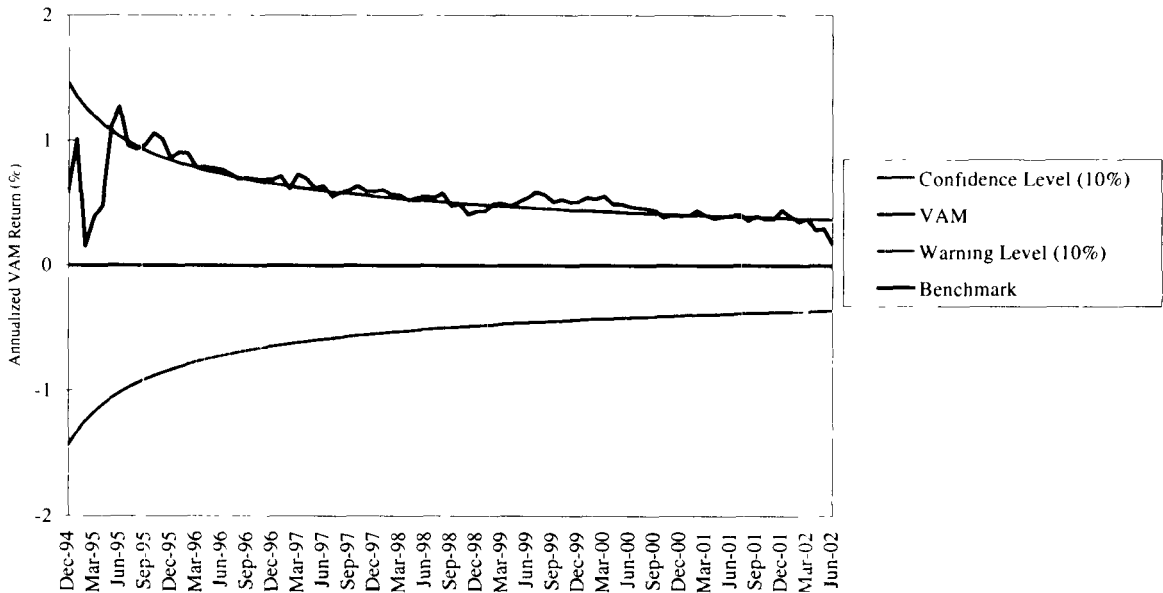
Quantitative Evaluation

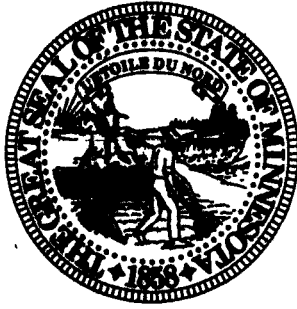
Recommendation

	Actual	Benchmark	
Last Quarter	2.1%	3.7%	No action required
Last 1 year	7.0	8.6	
Last 2 years	9.1	9.9	
Last 3 years	7.6	8.1	
Last 4 years	6.6	6.8	
Last 5 years	7.4	7.6	
Since Inception (7/94)*	8.1	7.9	

* 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

Second Quarter, 2002

MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending June, 2002

457 Mutual Funds	Quarter		1 Year		3 years		5 Years		Since Retention by SBI*		State's Participation In Fund (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	%	%	
Large Cap Equity:											
Janus Twenty (S&P 500)**	-11.6	-13.4	-26.7	-18.0	-17.7	-9.2	4.3	3.7	-17.7	-9.2	\$207.5
Mid Cap Equity:											
Morgan Stanley Mid-Cap Value Instl. (S&P Mid-Cap 400)	-17.5	-9.2	-20.3	-4.4	-1.6	7.5	8.3	13.1	-16.5	-3.1	\$5.98
Small Cap Equity:											
T. Rowe Price Small-Cap Stock (Russell 2000)**	-6.8	-8.4	-1.2	-8.6	10.1	1.7	9.3	4.5	10.1	1.7	\$261.8
Equity Index:											
Vanguard Institutional Index Plus (S&P 500)**	-13.4	-13.4	-18.0	-18.0	-9.1	-9.2	3.8	3.7	-9.1	-9.2	\$161.8
Balanced:											
INVESCO Total Return (60% S&P 500/40% Lehman Gov-Corp)**	-7.5	-6.8	-7.6	-7.8	-6.1	-3.0	1.9	5.2	-6.1	-3.0	\$86.2
Bond:											
Dodge & Cox Income Fund (Lehman Aggregate)**	3.1	3.7	9.2	8.6	8.5	8.1	7.8	7.6	8.5	8.1	\$48.1
International:											
Fidelity Diversified International (MSCI EAFE-Free)**	0.7	-1.8	-0.9	-9.3	3.9	-6.7	6.9	-1.6	3.9	-6.7	\$80.8

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 portfolio 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 June, 2002**

Portfolio Manager: Scott W. Schoelzel

**State's Participation in Fund: \$207,491,633
Total Assets in Fund: \$11,447,100,000**

**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 outperformed the quarterly S&P 500 benchmark and significantly trailed the one-year benchmark. Stock selection contributed positively to the Fund's relative outperformance for the quarter. AOL continues to be one of their top holdings and has detracted from performance in both periods.

Quantitative Evaluation

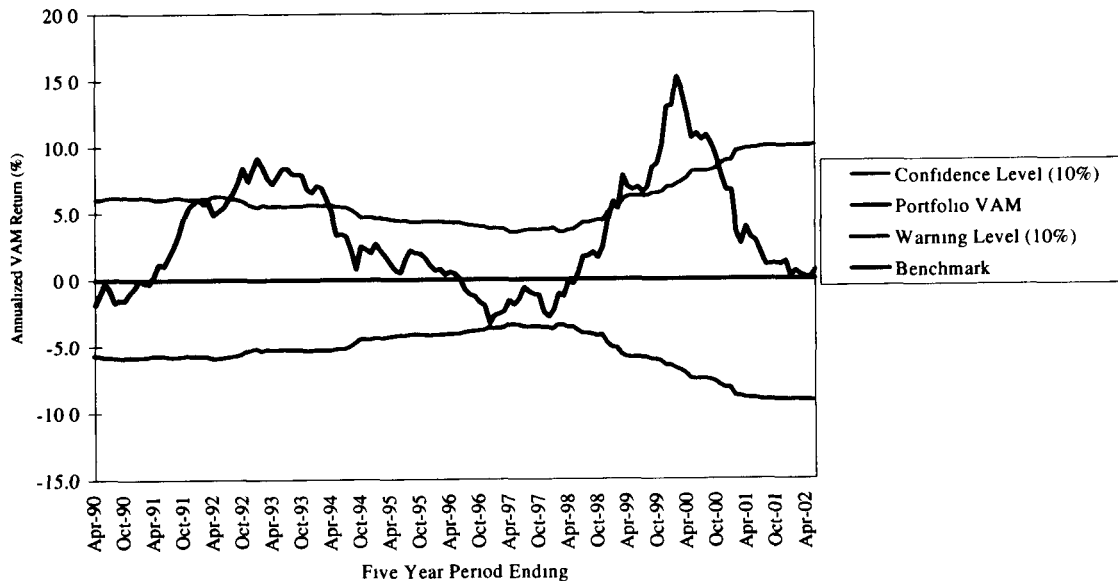
	Actual	Benchmark*
Last Quarter	-11.6%	-13.4%
Last 1 year	-26.7	-18.0
Last 2 years	-34.4	-16.4
Last 3 years	-17.7	-9.2
Last 4 years	-4.3	-2.1
Last 5 years	4.3	3.7
Since Retention by SBI (7/99)	-17.7	-9.2

Recommendation

No action required.

*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.

**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 June, 2002**

Portfolio Manager: William Gerlach

**State's Participation in Fund: \$5,984,538
Total Assets in Fund: \$1,034,655,570**

**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 underperformed the benchmark for the quarter and year. Despite their diversified portfolio, stock selection was the primary driver of the underperformance.

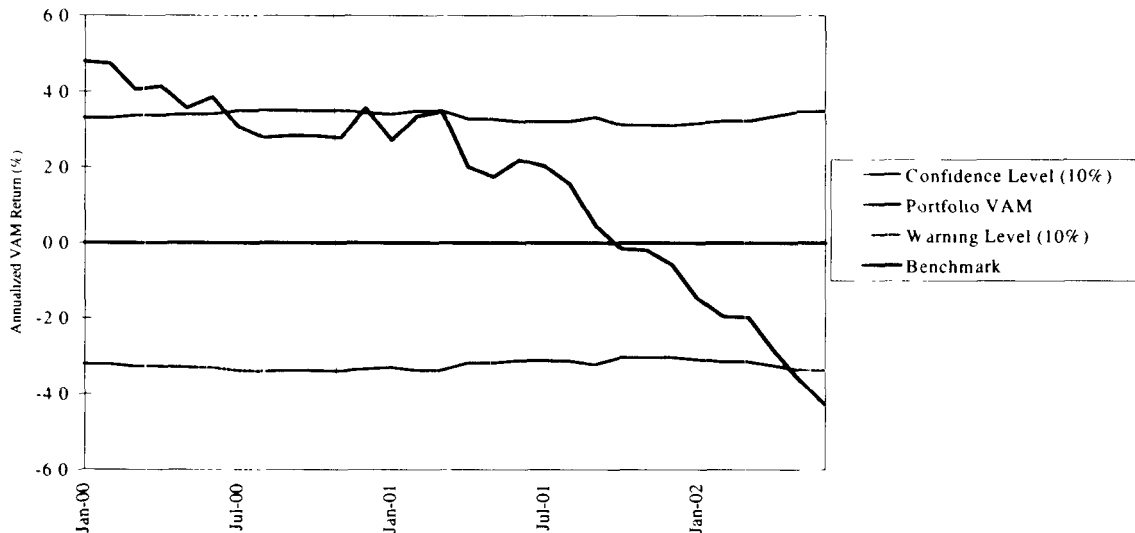
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-17.5%	-9.2%
Last 1 year	-20.3	-4.4
Last 2 years	-7.9	2.6
Last 3 years	-1.6	7.5
Last 4 years	3.4	9.8
Last 5 years	8.3	13.1
Since Retention By SBI (1/02)	-16.5	-3.1

Recommendation

No action required

**MID CAP EQUITY - MORGAN STANLEY
Rolling Five Year VAM**



Five Year Period Ending
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 June, 2002**

Portfolio Manager: Gregory A. McCrickard

**State's Participation in Fund: \$261,763,731
 Total Assets in Fund: \$3,793,162,798**

**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 was helped by good stock selection that drove the portfolio's quarterly results versus the index. The one-year return continued to benefit from strong stock selection across a number of sectors, including information technology and health care.

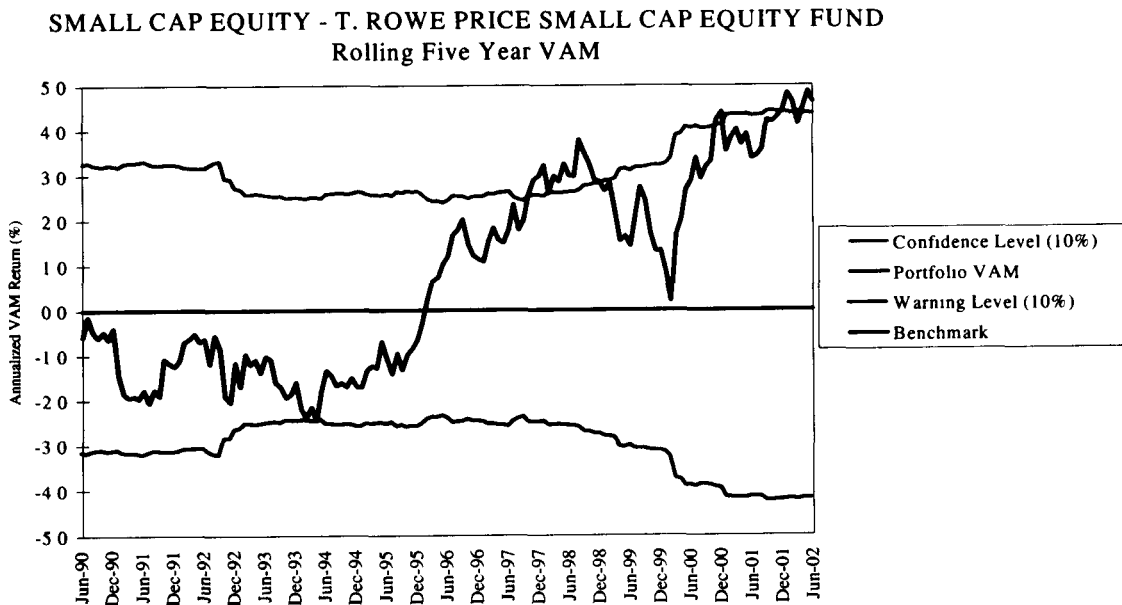
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-6.8%	-8.4%
Last 1 year	-1.2	-8.6
Last 2 years	4.6	-4.1
Last 3 years	10.1	1.7
Last 4 years	6.6	1.6
Last 5 years	9.3	4.5
Since Retention by SBI (7/99)	10.1	1.7

Recommendation

No action required.

*Benchmark is the Russell 2000.
 Numbers in black are returns since retention by SBI.
 Numbers in blue include returns prior to retention by SBI.



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 June, 2002**

Portfolio Manager: George U. Sauter **State's Participation in Fund: \$161,808,492**
Total Assets in Fund: \$11,205,710,902

**Investment Philosophy
Vanguard Institutional Index**

Staff Comments

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.

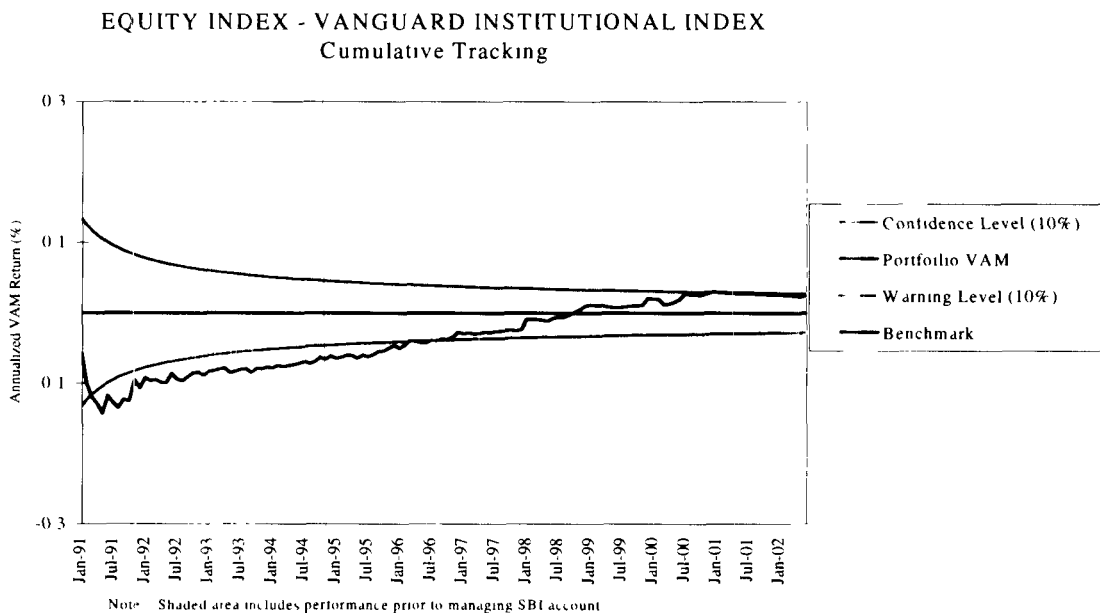
No comment at this time

Quantitative Evaluation

Recommendation

	Actual	Benchmark*	No action required
Last Quarter	-13.4%	-13.4%	
Last 1 year	-18.0	-18.0	
Last 2 years	-16.4	-16.4	
Last 3 years	-9.1	-9.2	
Last 4 years	-2.0	-2.1	
Last 5 years	3.8	3.7	
Since Retention by SBI (7/99)	-9.1	-9.2	

*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



**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – INVESCO TOTAL RETURN
Periods Ending June, 2002**

Portfolio Manager: Charlie Mayer

**State's Participation in Fund: \$86,189,007
Total Assets in Fund: \$1,038,900,000**

**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 underperformed the quarterly benchmark. The fund was negatively impacted by its exposure to technology and health care. The one-year return was helped by the strong performance of the fixed-income securities.

Quantitative Evaluation

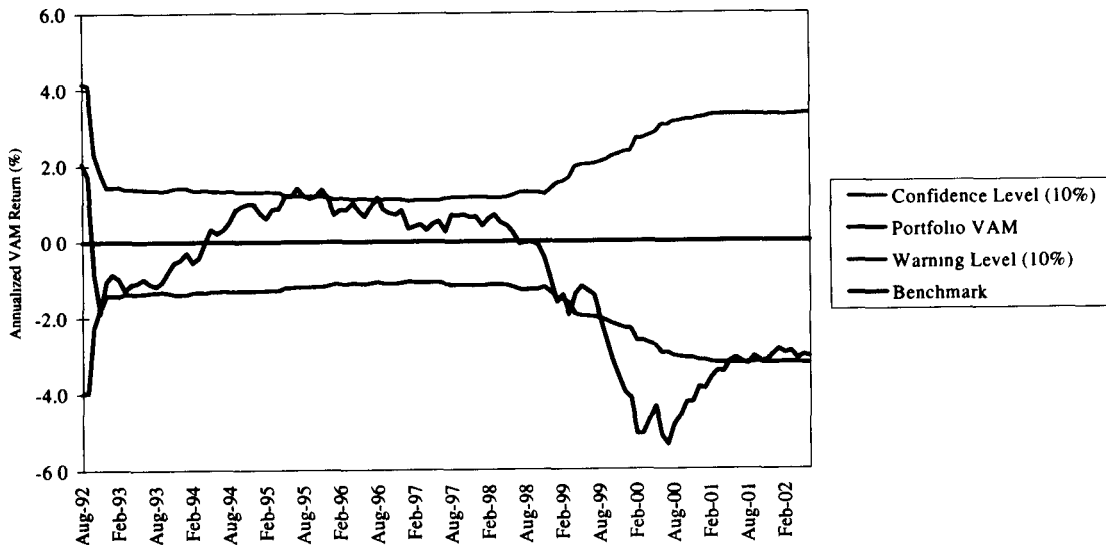
	Actual	Benchmark*
Last Quarter	-7.5%	-6.8%
Last 1 year	-7.6	-7.8
Last 2 years	-2.9	-7.4
Last 3 years	-6.1	-3.0
Last 4 years	-2.1	1.2
Last 5 years	1.9	5.2
Since Retention by SBI (7/99)	-6.1	-3.0

Recommendation

No action required.

*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.

**BALANCED - INVESCO TOTAL RETURN
Rolling Five Year VAM**



Five Year Period Ending
Note: Shaded area includes performance prior to managing SBI account.

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending June, 2002**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$48,112,768
Total Assets in Fund: \$2,195,706,615**

**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 continues to position the portfolio with a higher allocation to corporate securities. The overweight position and emphasis on lower-rated issuers negatively impacted the quarterly performance.

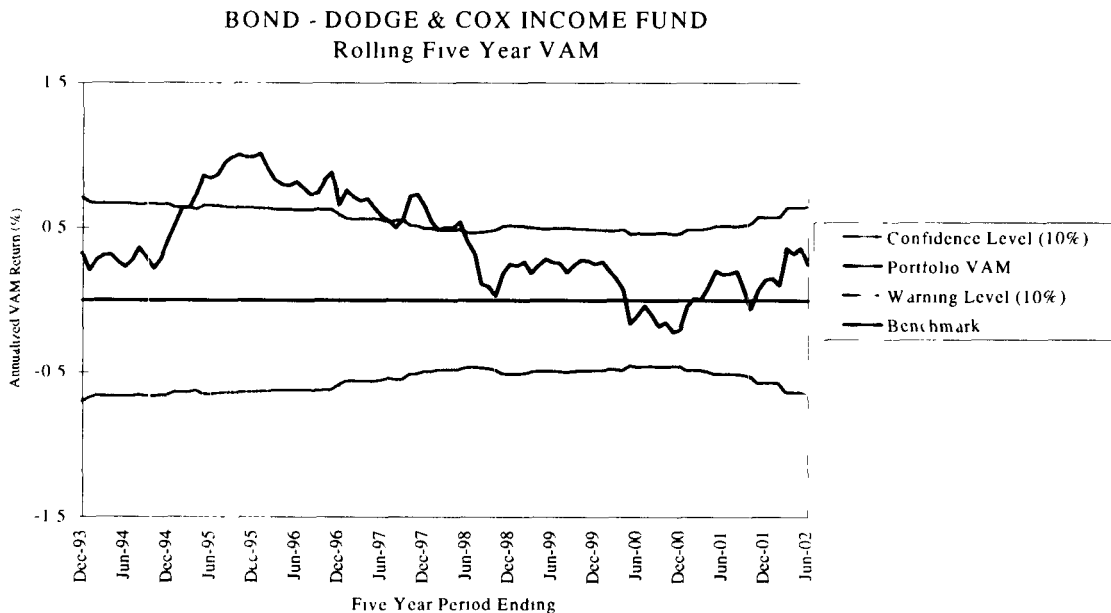
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	3.1%	3.7%
Last 1 year	9.2	8.6
Last 2 years	10.9	9.9
Last 3 years	8.5	8.1
Last 4 years	7.0	6.8
Last 5 years	7.8	7.6
Since Retention By SBI (7/99)	8.5	8.1

Recommendation

No action required

*Benchmark is the Lehman Aggregate.
Numbers in black are returns since retention by SBI.
Numbers in blue include returns prior to retention by SBI



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending June, 2002**

Portfolio Manager: William Bower

**State's Participation in Fund: \$80,847,172
Total Assets in Fund: \$7,438,616,899**

**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 outperformed the quarterly benchmark due to stock selection in the financial sector. Favorable stock selection within the information technology sector contributed significantly to the fund's one-year performance.

Quantitative Evaluation

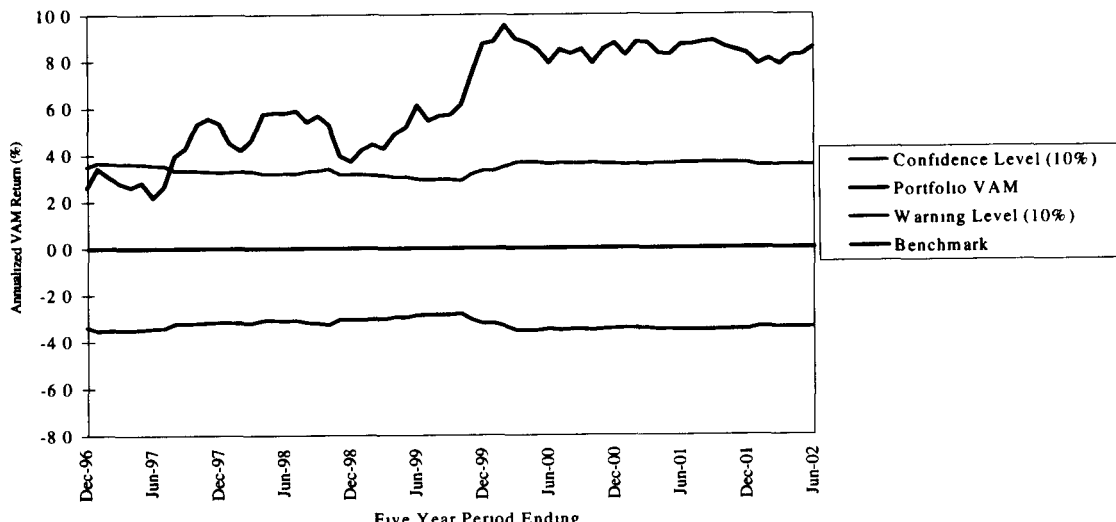
	Actual	Benchmark*
Last Quarter	0.7%	-1.8%
Last 1 year	-0.9	-9.3
Last 2 years	-7.9	-16.8
Last 3 years	3.9	-6.7
Last 4 years	4.9	-3.4
Last 5 years	6.9	-1.6
Since Retention By SBI (7/99)	3.9	-6.7

Recommendation

No action required.

*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.

**INTERNATIONAL - FIDELITY DIVERSIFIED INTERNATIONAL
Rolling Five Year VAM**



Note Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
MN FIXED FUND
Periods Ending June, 2002**

Total Assets in MN Fixed Fund: \$306,266,578 *
*Includes \$14-18M in Liquidity Buffer Account

Total Assets in 457 Plan: \$596,708,459 **
**Includes all assets in new and old fixed options

Principal Life

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA
 A.M. Best A+
 Duff & Phelps AA+

Assets in MN Fixed Fund: \$98,493,151

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

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA+
 A.M. Best A++
 Duff & Phelps AA+

Assets in MN Fixed Fund: \$109,949,476

Assets in Prior MN 457 Plan: \$128,927,363

Total Assets: \$238,876,838

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

Investment Philosophy

Ratings: Moody's Aa2
 S&P AA+
 A.M. Best A++
 Duff & Phelps AAA

Assets in MN Fixed Fund: \$78,433,139

Assets in Prior MN 457 Plan: \$161,514,519

Total Assets: \$239,947,659

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 June, 2002**

Current Quarter

Dollar Amount of Bid: \$24,300,000

Blended Rate: 6.12%

Bid Rates:

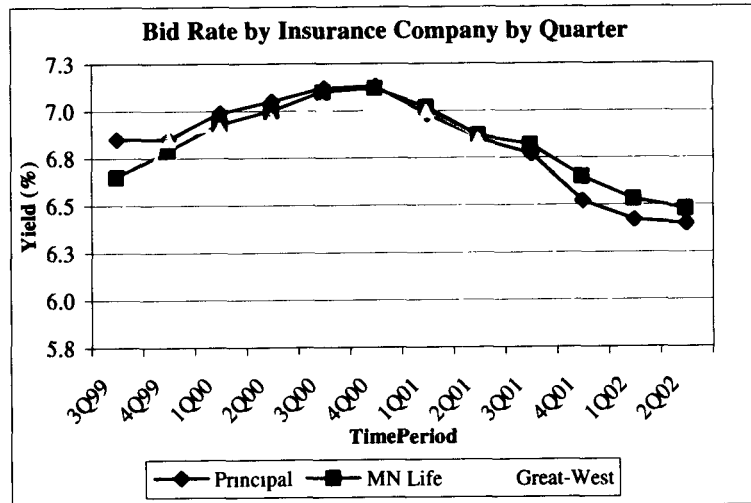
Principal Life 6.40%

Minnesota Life 6.48%

Great-West Life 6.15%

**Dollar Amount in existing
Minnesota Life portfolio: \$128,927,363**

**Rate on existing
Minnesota Life portfolio: 5.95 %**



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 second quarter slightly decreased from last quarter. The overall bid rates decreased slightly from the prior quarter.

Staff Comments

	3Q01	4Q01	1Q02	2Q02
Principal Life	40.0%	30.0%	30.0%	40.0%
Minnesota Life	40.0%	50.0%	50.0%	40.0%
Great-West Life	20.0%	20.0%	20.0%	20.0%

For the second quarter, Great-West had a lower percentage allocation of bid dollars as their bid rate was more than 20 bp less than the top bid. The top two bids were within 10 bp of each other.

Contracts were renewed in June 2002. Bid rate bands were narrowed to 8 bp from 10 bp and additional scenarios were added (bid rates will be effective for five years on new cash flows). All changes are effective for the 3Q bids.

Tab D

COMMITTEE REPORT

DATE: August 27, 2002

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

FROM: **Alternative Investment Committee**

The Alternative Investment Committee met on August 14, 2002 to review the following information agenda items:

- Review of current strategy.
- Review meeting with one of the SBI's existing alternative investment managers, Kevin Richardson and Jeff Cozad of Blum Capital, to discuss investment performance and current market conditions.
- Discussion of investment opportunities in smaller Minnesota-oriented private equity funds.

No Board/IAC action is required.

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.

2) Review meetings with one of the SBI's existing managers.

The Committee and Staff met Kevin Richardson and Jeff Cozad of Blum Capital, one of the SBI's existing private equity managers. This manager provided the Committee and Staff with information regarding the current investment environment and current performance of the SBI's investments with them. The Committee and Staff are satisfied with the performance of this manager.

3) Investment opportunities in smaller Minnesota-oriented private equity funds.

In the interest of further diversifying the alternative investment portfolio and potentially enhancing returns, the Committee will explore a program to target and potentially recommend to the SBI for investment, smaller venture capital and private equity funds. Preference would be given to Minnesota-oriented funds. The investment criteria and approval process would be the same as for existing SBI private equity investments and it is contemplated that the program could reach a total dollar investment of approximately \$50 million over a three year period.

ATTACHMENT A

Minnesota State Board of Investment

Alternative Investments

Basic Retirement Funds

June 30, 2002

Market Value of Basic Retirement Funds	\$16,740,905,397
Amount Available for Investment	\$0

	Current Level	Target Level	Difference
Market Value	\$2,278,193,347	\$2,511,135,810	\$232,942,463
MV +Unfunded	\$3,647,423,947	\$3,348,181,079	(\$299,242,867)

Asset Class	Market Value	Unfunded Commitment	Total
Real Estate	\$591,643,727	\$53,418,182	\$645,061,909
Private Equity	\$1,411,097,721	\$1,222,814,046	\$2,633,911,767
Resource	\$275,451,899	\$92,998,372	\$368,450,271
Total	\$2,278,193,347	\$1,369,230,600	\$3,647,423,947

Minnesota State Board of Investment
Alternative Investments
Post Retirement Funds
June 30, 2002

Market Value of Post Retirement Funds	\$16,994,967,272
Amount Available for Investment	\$172,977,347

	Current Level	Target Level	Difference
Market Value	\$676,771,017	\$849,748,364	\$172,977,347
MV +Unfunded	\$1,263,763,545	\$1,699,496,727	\$435,733,182

Asset Class	Market Value	Unfunded Commitment	Total
Real Estate	\$180,044,236	\$120,458,172	\$300,502,409
Private Equity	\$360,181,059	\$418,155,366	\$778,336,425
Resource	\$136,545,722	\$48,378,990	\$184,924,712
Total	\$676,771,017	\$586,992,528	\$1,263,763,545

ATTACHMENT B

State of Minnesota
- Alternative Investments -
As of June 30, 2002

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Real Estate-Basic							
UBS Realty	42,376,529	42,376,529	154,481,331	0	0	7.19	20.17
Colony Capital							
<i>Colony Investors II</i>	40,000,000	38,985,164	9,611,693	35,281,500	1,014,836	5.23	7.25
<i>Colony Investors III</i>	100,000,000	97,952,253	58,941,985	64,743,616	2,047,747	10.03	4.50
Equity Office Properties Trust	140,388,854	140,388,854	59,223,852	223,359,987	0	19.21	10.59
Heitman Fund V	20,000,000	20,000,000	7,389,212	24,249,683	0	8.01	10.57
Lasalle Income Parking Fund	15,000,000	14,644,401	6,190,569	21,579,842	355,599	11.30	10.78
Lend Lease Real Estate Investments	40,000,000	40,000,000	135,342,413	4,185,707	0	6.40	20.72
RREEF USA Fund III	75,000,000	75,000,000	702,266	121,396,687	0	4.78	18.14
T.A. Associates Realty							
<i>Realty Associates Fund III</i>	40,000,000	40,000,000	51,445,161	31,675,494	0	12.98	8.08
<i>Realty Associates Fund IV</i>	50,000,000	50,000,000	55,092,616	26,175,399	0	12.72	5.41
<i>Realty Associates Fund V</i>	50,000,000	50,000,000	52,651,584	8,096,358	0	9.29	3.10
<i>Realty Associates Fund VI</i>	50,000,000	0	0	0	50,000,000	N/A	0.01
Funds in Liquidation (AEW III & IV, Heitman I, II & III)	105,000,000	105,000,000	571,045	123,511,855	0	N/A	N/A
Real Estate-Basic Total	767,765,383	714,347,201	591,643,727	684,256,128	53,418,182		
Real Estate-Post							
Carbon Capital II	50,000,000	7,234,067	7,234,067	0	42,765,933	N/A	0.32
Colony Capital	40,000,000	38,985,164	9,611,693	35,281,500	1,014,836	5.23	7.25
CT Mezzanine Partners II	100,000,000	23,650,043	23,751,668	2,122,778	76,349,957	N/A	0.77
Equity Office Properties Trust	117,673,360	117,673,360	59,223,852	69,702,844	0	26.74	1.24
GMAC Institutional Advisors							
<i>Institutional Commercial Mortgage Fund II</i>	13,500,000	13,397,500	9,118,944	11,169,544	102,500	9.68	6.93
<i>Institutional Commercial Mortgage Fund III</i>	21,500,000	21,275,052	19,955,823	9,982,749	224,948	8.77	5.58
<i>Institutional Commercial Mortgage Fund IV</i>	14,300,000	14,300,000	14,123,053	4,254,828	0	8.36	4.50
<i>Institutional Commercial Mortgage Fund V</i>	37,200,000	37,200,000	37,025,137	5,447,270	0	8.92	2.91
Real Estate-Post Total	394,173,360	273,715,188	180,044,236	137,961,513	120,458,172		
Real Estate Total	1,161,938,743	988,062,389	771,687,963	822,217,642	173,876,354		

State of Minnesota
- Alternative Investments -
As of June 30, 2002

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity-Basic							
Bank Fund							
<i>Banc Fund IV</i>	25,000,000	25,000,000	29,825,975	11,844,069	0	12.34	6.37
<i>Banc Fund V</i>	48,000,000	48,000,000	54,948,912	3,269,764	0	10.02	3.96
Blackstone Capital Partners II	50,000,000	47,271,190	30,883,914	68,643,924	2,728,810	37.33	8.60
BLUM Capital Partners							
<i>BLUM Strategic Partners I</i>	50,000,000	49,217,527	49,518,717	20,978,432	782,473	13.56	3.52
<i>BLUM Strategic Partners II</i>	50,000,000	17,942,268	21,276,803	0	32,057,732	N/A	0.95
Brinson Partners II	20,000,000	20,000,000	1,464,706	36,620,522	0	25.91	11.59
Churchill Capital Partners II	20,000,000	20,000,000	3,479,996	23,051,420	0	10.17	9.67
Citigroup Venture Capital Equity	100,000,000	25,419,302	24,535,905	117,642	74,580,698	N/A	0.55
Contrarian Capital Fund II	37,000,000	33,244,395	31,503,523	12,446	3,755,605	-1.21	5.08
Coral Partners							
<i>Coral Partners Fund II</i>	10,000,000	8,069,315	711,747	36,117,047	1,930,685	25.01	11.93
<i>Coral Partners Fund IV</i>	15,000,000	15,000,000	6,428,305	10,744,034	0	3.98	7.94
<i>Coral Partners Fund V</i>	15,000,000	13,875,000	9,835,190	152,481	1,125,000	-13.53	4.04
Crescendo Ventures							
<i>Crescendo II</i>	15,000,000	15,000,000	3,153,794	20,347,039	0	25.94	5.49
<i>Crescendo III</i>	25,000,000	25,000,000	8,771,912	8,084,795	0	-18.80	3.65
<i>Crescendo IV</i>	101,500,000	63,437,500	26,413,091	292,561	38,062,500	-39.69	2.31
DLJ	225,000,000	79,735,185	72,997,928	13,372,455	145,264,815	3.21	1.75
<i>DLJ Merchant Banking Partners III</i>	125,000,000	36,584,661	32,938,588	4,050,112	88,415,339	-5.26	1.75
<i>DLJ Strategic Partners</i>	100,000,000	43,150,524	40,059,340	9,322,344	56,849,476	16.35	1.44
DSV Partners IV	10,000,000	10,000,000	1,261,418	27,596,934	0	9.54	17.22
First Century Partners III	10,000,000	10,000,000	1,571,158	14,955,832	0	8.40	17.54
Fox Paine Capital							
<i>Fox Paine Capital Fund</i>	40,000,000	40,000,000	44,251,560	0	0	3.87	4.19
<i>Fox Paine Capital Fund II</i>	50,000,000	4,726,472	2,820,286	0	45,273,528	-47.73	2.00
Golder, Thoma, Cressey, Rauner							
<i>Golder, Thoma, Cressey Fund III</i>	14,000,000	14,000,000	4,400,539	55,522,386	0	30.26	14.67
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	20,000,000	4,984,038	34,948,178	0	24.57	8.41
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	21,217,710	17,042,128	0	6.88	6.00
GS Capital Partners 2000	50,000,000	15,266,062	13,218,013	0	34,733,938	-13.62	1.83
GTCR Golder Rauner							
<i>GTCR VI</i>	90,000,000	89,137,778	41,717,478	49,263,204	862,222	1.37	4.00
<i>GTCR VII</i>	175,000,000	98,765,625	78,979,960	33,875,156	76,234,375	13.22	2.39
GHJM Marathon Fund IV	40,000,000	29,881,000	26,748,156	0	10,119,000	-10.40	3.21
Hellman & Friedman							
<i>Hellman & Friedman Capital Partners III</i>	40,000,000	32,113,684	8,557,644	54,957,136	7,886,316	34.34	7.78
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	69,910,641	42,691,639	36,659,565	80,089,359	21.38	2.49
Kohlberg Kravis Roberts							
<i>KKR 1986 Fund</i>	18,365,339	18,365,339	16,027,565	202,769,714	0	28.21	16.21
<i>KKR 1987 Fund</i>	145,950,000	145,373,652	74,892,452	330,583,743	576,348	9.43	14.60
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	38,024,159	260,983,114	0	17.17	8.53
<i>KKR 1996 Fund</i>	200,000,000	192,970,037	172,772,260	99,089,020	7,029,963	12.46	5.83
<i>KKR Millenium Fund</i>	200,000,000	0	0	0	200,000,000	N/A	1.10
Matrix Partners III	10,000,000	10,000,000	508,105	77,327,244	0	75.14	12.15
Piper Jaffrey Healthcare							
<i>Piper Jaffrey Healthcare Fund II</i>	10,000,000	9,700,000	8,429,562	1,450,415	300,000	0.53	5.33
<i>Piper Jaffrey Healthcare Fund III</i>	20,000,000	17,200,002	14,033,816	1,304,349	2,799,998	-6.47	3.44
Summit Ventures V	25,000,000	19,375,000	12,815,761	7,904,383	5,625,000	2.84	4.25
T. Rowe Price	522,082,488	522,082,488	19,061,843	500,984,280	0	0.35	N/A
Thoma Cressey							
<i>Thoma Cressey Fund VI</i>	35,000,000	33,565,000	23,185,807	2,948,483	1,435,000	-11.50	3.86
<i>Thoma Cressey Fund VII</i>	50,000,000	4,500,000	3,652,641	0	45,500,000	-12.98	1.85
Vestar Capital Partners IV	55,000,000	13,054,134	12,293,073	369,185	41,945,866	-7.95	2.54
Warburg Pincus							
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	63,239,059	176,073,954	0	51.80	7.50
<i>Warburg, Pincus Equity Partners</i>	100,000,000	98,000,000	82,933,792	26,690,440	2,000,000	5.88	4.01
<i>Warburg Pincus Private Equity VIII</i>	100,000,000	14,000,000	14,000,000	0	86,000,000	N/A	0.21
Welsh, Carson, Anderson & Stowe							
<i>Welsh, Carson, Anderson & Stowe VIII</i>	100,000,000	97,000,000	72,355,889	0	3,000,000	-10.64	3.93
<i>Welsh, Carson, Anderson & Stowe IX</i>	125,000,000	38,750,000	29,899,888	0	86,250,000	-18.77	2.01
William Blair Capital Partners VII	50,000,000	11,600,000	11,202,862	0	38,400,000	-5.08	1.31
Funds in Liquidation (Brinson I, Matrix II, Summit I, and Zell/Chimark)	55,000,000	53,800,000	601,244	150,379,554	1,200,000	N/A	N/A
Private Equity-Basic Total	3,771,897,827	2,549,083,781	1,411,097,721	2,430,699,506	1,222,814,046		

State of Minnesota
- Alternative Investments -
As of June 30, 2002

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
Private Equity-Post							
Citicorp Mezzanine							
<i>Citicorp Mezzanine II</i>	40,000,000	40,000,000	18,561,889	33,971,788	0	10.49	7.50
<i>Citicorp Mezzanine III</i>	100,000,000	35,368,162	36,045,451	6,000,527	64,631,838	11.80	2.66
DLJ Investment Partners II	50,000,000	16,687,439	24,159,350	1,458,709	33,312,561	19.37	2.49
GS Mezzanine Partners II	100,000,000	36,100,342	30,072,271	1,513,884	63,899,658	-18.54	2.33
GTCR Capital Partners	80,000,000	56,064,772	49,688,694	18,083,883	23,935,228	9.90	2.63
KB Mezzanine Partners Fund II	25,000,000	24,999,999	12,120,871	7,151,873	1	-7.63	6.75
Prudential Capital Partners	100,000,000	24,566,560	23,034,810	2,244,557	75,433,440	0.74	1.20
Summit Partners							
<i>Summit Sub Debt Fund I</i>	20,000,000	18,000,000	701,329	30,437,528	2,000,000	30.50	8.25
<i>Summit Sub Debt Fund II</i>	45,000,000	27,000,000	14,430,011	56,110,172	18,000,000	62.66	4.91
T. Rowe Price	52,990,378	52,990,378	115,320	51,840,522	0	-12.57	N/A
TCW/Crescent Mezzanine							
<i>TCW/Crescent Mezzanine Partners</i>	40,000,000	36,756,265	23,348,362	30,825,611	3,243,735	17.20	6.25
<i>TCW/Crescent Mezzanine Partners II</i>	100,000,000	86,135,947	51,104,164	59,183,106	13,864,053	11.99	3.60
<i>TCW/Crescent Mezzanine Partners III</i>	75,000,000	18,279,683	17,097,667	862,015	56,720,317	-19.89	1.25
William Blair Mezz. Fund III	60,000,000	38,961,600	37,413,819	2,480,400	21,038,400	1.57	2.49
Windjammer Mezzanine & Equity Fund II	66,708,861	24,632,726	22,287,050	1,280,000	42,076,135	-5.10	2.25
Private Equity-Post Total	954,699,239	536,543,873	360,181,059	303,444,576	418,155,366		
Private Equity Total	4,726,597,066	3,085,627,654	1,771,278,780	2,734,144,082	1,640,969,412		

State of Minnesota
- Alternative Investments -
As of June 30, 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	3,664,560	46,771,441	0	11.63	15.50
First Reserve							
<i>First Reserve VII</i>	40,000,000	40,000,000	28,568,645	29,806,287	0	12.66	6.00
<i>First Reserve VIII</i>	100,000,000	100,000,000	114,652,423	26,681,863	0	16.87	4.17
<i>First Reserve IX</i>	100,000,000	30,364,432	31,428,645	()	69,635,568	4.90	1.22
Simmons							
<i>Simmons - SCF Fund II</i>	17,000,000	14,847,529	12,363,075	23,301,304	2,152,471	11.21	10.90
<i>Simmons - SCF Fund III</i>	25,000,000	22,021,139	38,874,621	17,225,929	2,978,862	20.81	7.00
<i>Simmons - SCF Fund IV</i>	50,000,000	31,768,528	38,894,916	7,332,131	18,231,472	11.86	4.25
T. Rowe Price	17,396,296	17,396,296	6,617,500	5,504,102	0	-34.28	N/A
Funds in Liquidation (First Reserve I, II & V)	38,800,000	38,800,000	387,514	79,693,851	0	N/A	N/A
Resource-Basic Total	418,196,296	325,197,923	275,451,899	236,316,906	92,998,372		
Resource-Post							
Merit Energy Partners							
<i>Merit Energy Partners B</i>	24,000,000	24,000,000	30,666,147	12,908,459	0	17.41	6.00
<i>Merit Energy Partners C</i>	50,000,000	44,353,158	60,322,996	3,905,941	5,646,842	24.09	3.67
<i>Merit Energy Partners D</i>	88,000,000	45,267,852	45,556,578	147,000	42,732,148	7.43	1.10
Resource-Post Total	162,000,000	113,621,010	136,545,722	16,961,400	48,378,990		
Resource Total	580,196,296	438,818,933	411,997,620	253,278,306	141,377,362		