

MINNESOTA STATE BOARD
OF INVESTMENT
MEETING
March 8, 2001

&

INVESTMENT ADVISORY
COUNCIL MEETING
March 6, 2001

AGENDA
STATE BOARD OF INVESTMENT MEETING
Thursday, March 8, 2001
10:00 A.M. -Room 125
State Capitol - Saint Paul

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| | TAB |
| 1. Approval of Minutes of December 13, 2000 | |
| 2. Report from the Executive Director (H. Bicker) | |
| A. Quarterly Investment Review
(October 1, 2000 – December 31, 2000) | A |
| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Results of FY00 Audit | |
| 3. Legislative Update | |
| 4. Litigation Update | |
| 5. Update on Tobacco Information | |
| 3. Report from the SBI Administrative Committee (C. Johnson) | C |
| 4. Reports from the Investment Advisory Council (Jan Yeomans) | |
| A. Stock and Bond Manager Committee | D |
| 1. Review of manager performance. | |
| 2. Update on the emerging markets manager funding and plan rebalancing. | |
| 3. Update on the 457 Deferred Compensation Plan short list. | |
| 4. Recommendation to renew investment management contracts. | |
| B. Alternative Investment Committee | E |
| 1. Review of current strategy. | |
| 2. Transfer of up to \$125 million of common stock of Equity Office Properties Trust from the Basic Retirement Funds to the Post Retirement Fund. | |
| 3. Additional investment of \$1.5 million for the Basic Retirement Funds with an existing private equity manager, Crescendo, in Crescendo IV, L.P. | |

**Minutes
State Board of Investment
December 13, 2000**

The State Board of Investment (SBI) met at 9:00 A.M. Wednesday, December 13, 2000 in Room 125 State Capitol, St. Paul, Minnesota. Governor Jesse Ventura; State Auditor Judith H. Dutcher; State Treasurer Carol C. Johnson; Secretary of State Mary Kiffmeyer and Attorney General Mike Hatch were present. The minutes of the September 6, 2000 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 September 30, 2000 (Combined Funds 14.5% vs. Inflation 2.7%), exceeded the median fund (38th percentile) and outperformed its composite index (Combined Funds 14.8% vs. Composite 14.4%) for the most recent five year period. He stated that the Basic Funds have exceeded its composite index (Basic Funds 15.4% vs. Composite 15.1%) over the last five years and reported that the Post Fund had outperformed its composite index over the last five years period (Post Fund 14.2% vs. Composite 13.7%).

Mr. Bicker reported that the Basic Funds' assets decreased 0.1% for the quarter ending September 30, 2000 due to negative net contributions. He said that the asset mix had been rebalanced and is now on target. He reported that the Basic Funds outperformed its composite index for the quarter (Basic Funds 0.0% vs. Composite -0.1%) and matched the composite for the year (Basic Funds 13.3% vs. Composite 13.3%).

Mr. Bicker reported that the market value of the Post Fund's assets remained essentially unchanged for the quarter ending September 30, 2000. He said that the Post Fund asset mix had also been rebalanced. He said that the Post Fund outperformed its composite index for the quarter (Post Fund 0.3% vs. Composite 0.0%) and outperformed for the year (Post Fund 11.9% vs. Composite 11.6%).

Mr. Bicker reported that the domestic stock manager group underperformed its target for the quarter (Domestic Stocks 0.2% vs. Wilshire 5000 Investable 0.3%) and for the year (Domestic Stocks 15.8% vs. Wilshire 5000 Investable 16.7%). He said that the International Stock manager group outperformed its composite index for the quarter (International Stocks -7.5% vs. Int'l Composite -8.6%) and for the year (International Stocks 5.5% vs. Int'l Composite 2.8%). Mr. Bicker stated that the bond segment outperformed its target for the quarter (Bonds 3.1% vs. Lehman Aggregate 3.0%) and for the year (Bonds 7.2% vs. Lehman Aggregate 7.0%). He concluded his report with the comment that as of September 30, 2000, the SBI was responsible for over \$52 billion in assets.

Executive Director's Administrative Report

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

Mr. Bicker reported that the Post Retirement benefit increase is 9.5%, payable January 1, 2001. He reminded members that during last year's legislative session there was a proposed change to lengthen the amortization period for the benefit increase. He said that the proposal has been slightly modified and that the SBI will continue to support the proposal during the 2001 legislative session.

Mr. Bicker stated that staff continues to work with the Federal Deposit Insurance Corporation (FDIC) regarding the SBI's Certificate of Deposit program. He noted that most of the issues have been resolved and that he will update the Board again when all the issues have been resolved.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of two class action lawsuits. Ms. Eller stated that in the Mercury Finance Corporation case, there have been two major settlements in the case, which are being appealed. She said tentative settlements of the appeals are in progress but that no distributions will be made until the settlements have been finalized. Ms. Eller stated that in the McKesson case, motions to dismiss have been postponed and that arguments will be heard in mid-January 2001. She said that the State will continue to proceed in state court since the federal case against McKesson is proceeding very slowly.

Mr. Bicker reported that the SBI has not yet received the final version of its audit report but that it is staff's understanding that there will be no findings.

Mr. Bicker stated that members had earlier received a draft of the SBI's FY00 annual report and that the final report would be ready for distribution in January 2001.

Mr. Bicker noted the tentative meeting dates for calendar year 2001 and said that staff will work to confirm these dates with each member's office.

Mr. Bicker reported that updated information in the SBI's tobacco holdings is also included in Tab B of the meeting materials. He noted that there are currently 500,000 shares of tobacco related holdings.

Emerging Markets Equity Search Committee Report

Mr. Sausen referred members to Tab C of the meeting materials and stated that the Committee had re-interviewed two current managers, City of London and Genesis Asset Management and had interviewed six potential managers. He stated that based on the interviews and information gathered, the Committee is recommending the termination of City of London and Genesis and the retention of four new managers, Alliance Capital, Capital International, Morgan Stanley Dean Witter, and Schroder Investment Management. Governor Ventura moved approval of the Committee's recommendation, as stated in the Committee Report, which reads: "The Committee recommends that City

of London Investment Management Company Ltd. and Genesis Asset Management Limited be terminated for investment management services. The Committee recommends that the SBI authorize the Executive Director, with assistance from SBI legal counsel, to negotiate and execute contracts with the following firms for active emerging markets equity management services:

Alliance Capital Management International
1 Mayfair Place
London W1X 6JJ, UK

Capital International, Inc./Capital Guardian Trust Co.
11100 Santa Monica Blvd., 15th Floor
Los Angeles, CA 90025-3384

Morgan Stanley Dean Witter Investment Management
1221 Avenue of the Americas
New York, NY 10020-1001

Schroder Investment Management North America Inc.
31 Gresham Street
London EC2V 7QA UK”

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 the stock and bond segments’ performance.

Ms. Yeomans stated that staff had completed their annual review of the investment manager guidelines. She noted that the changes are basically housekeeping in nature and she said that no formal action by the Board is required at this time.

Ms. Yeomans said that the Committee is recommending that the SBI review its investment management contracts with 17 equity and fixed income managers. She noted that the current contracts expire on June 30, 2001 and that the recommendation is to renew them for another five-year period. She reminded members that all of the contracts include an immediate termination clause. Ms. Kiffmeyer moved approval of the Committees’ recommendation, as stated in the Committee Report, which reads: “The Committee recommends that the SBI authorize the Executive Director, with assistance from SBI’s legal counsel, to negotiate and execute five year contract extensions with the following firms, subject to inclusion of a provision which provides for immediate termination:

Domestic Equity – Active Managers
Alliance Capital Management
Brinson Partners Inc.

Forstmann Leff Associates
Franklin Portfolio Associates Trust
GeoCapital Corporation
Lincoln Capital Management Co.
Oppenheimer Capital

Fixed Income – Active Managers

American Express Asset Management
Morgan Stanley Dean Witter
Standish Ayer Wood, Inc.
Western Asset Management

Fixed Income – Semi-Passive Managers

BlackRock Financial Management
Goldman Sachs Asset Management
Lincoln Capital Management Co.

International Equity – Active Developed Manager

Brinson Partners Inc.

International Equity – Active Emerging Markets Manager

Montgomery Asset Management LP

Assigned Risk Plan – Fixed Income Manager

Voyageur Asset Management”

Ms. Johnson seconded the motion. The motion passed.

In response to questions from Ms. Dutcher regarding the termination of City of London and Genesis, Mr. Bicker explained that there were many administrative issues that contributed to the termination of the City of London. He said that the closed-end mutual fund structure of the firm posed many difficulties, including the need to have a closed-end mutual fund structure with the City of Philadelphia, another domestic manager, in order to handle the assets of City of London. He added that Genesis had problems with their performance, due in large part to their decision not to invest in several emerging market countries which ended up having very strong performance. He stated that City of London had \$30 million under management and that Genesis was managing approximately \$150 million for the SBI. He noted that each of the four new managers will manage approximately \$100 million in assets.

Alternative Asset Committee Report

Ms. Yeomans referred members to Tab E of the meeting materials and stated that the Committee is recommending an investment for the Basic Retirement Funds with an existing private equity manager, Citicorp Venture Capital.

Ms. Yeomans stated that the Committee is recommending an investment for the Post Retirement Fund with a new real estate mezzanine manager, Capital Trust, Inc.

In response to a request from Ms. Kiffmeyer, Governor Ventura agreed to discuss and vote on the recommendations individually. Ms. Dutcher moved approval of the Committee's recommendation regarding Citicorp, 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 \$100 million or 20%, whichever is less, in Citicorp Venture Capital Equity Partners, L.P. 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 CVC Management 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 CVC Management or reduction or termination of the commitment." Ms. Kiffmeyer seconded the motion. The motion passed.

Ms. Dutcher moved approval of the Committee's recommendation regarding Capital Trust, Inc., 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 \$100 million or 20%, whichever is less, in CT Mezzanine Partners II, L.P. This commitment will be allocated to the Post Retirement Fund. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Capital Trust, Inc. 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 Capital Trust, Inc. or reduction or termination of the commitment." Ms. Johnson seconded the motion. The motion passed.

Ms. Yeomans said that the Committee is recommending an investment for the Post Retirement Fund with a new real estate manager, BlackRock Financial Management. 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 \$50 million or 20%, whichever is less, in Carbon Capital. This commitment will be allocated to the Post Retirement Fund. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by BlackRock Financial Management, Inc. 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 BlackRock Financial Management, Inc. or reduction or termination of the commitment.” Governor Ventura seconded the motion. The motion passed.

Ms. Yeomans stated that the Committee is recommending an investment for the Post Retirement Fund with an existing private equity manager, TCW. In response to questions from Ms. Dutcher, Mr. Bicker stated that this private equity fund is debt related rather than equity, so the level of risk and the expected returns are lower and still attractive as a replacement in the fixed income area. 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 \$75 million or 20%, whichever is less, in TCW/ Crescent Mezzanine Partners III, L.P. This commitment will be allocated to the Post Retirement Fund. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by TCW Crescent Mezzanine 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 TCW Crescent Mezzanine or reduction or termination of the commitment.” Ms. Johnson seconded the motion. The motion passed.

Ms. Yeomans reported that the Committee is recommending an investment for the Post Retirement Fund with a new private equity manager, Prudential Capital Group. 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 \$100 million or 20%, whichever is less, in Prudential Capital Partners, L.P. This commitment will be allocated to the Post Retirement Fund. Approval by the SBI of this potential commitment is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by Prudential Capital Group 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 Prudential Capital Group or reduction or termination of the commitment.” Governor Ventura seconded the motion. The motion passed.

Ms. Yeomans stated that the Committee is requesting pre-approval to invest in four new funds that will require commitments prior to the March 2001 Board meeting. She said the investments are with Kohlberg Kravis and Roberts & Co. (KKR), Crescendo Ventures, BLUM Capital Partners, and First Reserve Corp. She noted that all four managers are existing managers for the SBI. 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 final approval from the Committee, which will be comprised of members of the IAC Alternative Investment Committee and a designee of each Board member, and assistance from the SBI's legal counsel, to negotiate and execute commitments of:

- \$200 million or 20%, whichever is less, additional investment for the Basic Retirement Fund with Kohlberg, Kravis Roberts & Co. (KKR), in KKR Millennium Fund.
- \$100 million or 20%, whichever is less, additional investment for the Basic Retirement Fund with Crescendo Ventures, in Crescendo V.
- \$50 million or 20%, whichever is less, additional investment for the Basic Retirement Fund with BLUM Capital Partners, in BLUM Strategic Partners II.
- \$100 million or 20%, whichever is less, additional investment for the Basic Retirement Fund with First Reserve Corp., in First Reserve IX.

Approval by the SBI of these potential commitments is not intended to be, and does not constitute in any way, a binding or legal agreement or impose any legal obligations on the State Board of Investment and neither the State of Minnesota, the State Board of Investment nor its Executive Director have any liability for reliance by KKR, Crescendo, BLUM and First Reserve 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 KKR, Crescendo, BLUM and First Reserve or reduction or termination of the commitments." Ms. Dutcher seconded the motion. The motion passed.

The meeting adjourned at 9:36 A.M.

Respectfully Submitted,



Howard Bicker
Executive Director

AGENDA
INVESTMENT ADVISORY COUNCIL MEETING
Tuesday, March 6, 2001
2:00 P.M. - SBI Conference Room
Room 10, Capitol Professional Office Building
590 Park Street, St. Paul, MN

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| | TAB |
| 1. Approval of Minutes of December 5, 2000 | |
| 2. Report from the Executive Director (H. Bicker) | |
| A. Quarterly Investment Review
(October 1, 2000 – December 31, 2000) | A |
| B. Administrative Report | B |
| 1. Reports on budget and travel | |
| 2. Results of FY00 Audit | |
| 3. Legislative Update | |
| 4. Litigation Update | |
| 5. Update on Tobacco Information | |
| 3. Report from the SBI Administrative Committee | C |
| 4. Reports from the Investment Advisory Council | |
| A. Stock and Bond Manager Committee (John Bohan) | D |
| 1. Review of manager performance. | |
| 2. Update on the emerging markets manager funding and
plan rebalancing. | |
| 3. Update on the 457 Deferred Compensation Plan short list. | |
| 4. Recommendation to renew investment management contracts. | |
| B. Alternative Investment Committee (Ken Gudorf) | E |
| 1. Review of current strategy. | |
| 2. Transfer of up to \$125 million of common stock of
Equity Office Properties Trust from the Basic Retirement
Funds to the Post Retirement Fund. | |
| 3. Additional investment of \$1.5 million for the Basic Retirement
Funds with an existing private equity manager, Crescendo, in
Crescendo IV, L.P. | |

**Minutes
Investment Advisory Council
December 5, 2000**

- MEMBERS PRESENT:** Gary Austin; John Bohan; Ken Gudorf; Han Chin Liu; P. Jay Kiedrowski; Judy Mares; Malcolm McDonald; Gary Norstrem; Mike Troutman; Mary Vanek; Pam Wheelock; and Jan Yeomans.
- MEMBERS ABSENT:** Dave Bergstrom; Doug Gorence; Daralyn Peifer; Mary Stanton and Elaine Voss.
- SBI STAFF:** Howard Bicker; Mansco Perry; Jim Heidelberg; Lois Buermann; Andy Christensen; Tammy Brusehaver-Derby; Stephanie Gleeson; Debbie Griebenow; John Griebenow; Cassandra Knutson; Jason Matz; Charlene Olson; and Carol Nelson.
- OTHERS ATTENDING:** Ann Posey, Richards & Tierney; Christie Eller, Jennifer Mohlenhoff; Dale Hanke, Robert Heimerl, Lloyd Belford, Jerry Irsfeld, Gordon Wagner, Juel Dragland REAM; Edward Rapp, Richard Bennett, Education Minnesota; Conrad deFiebre, Star Tribune; Eugene Edie and Mary Zbikowski, private citizens.

Ms. Yeomans called the meeting to order and the minutes of the September 5, 2000 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 September 30, 2000 (Combined Funds 14.5% vs. Inflation 2.7%), exceeded the median fund (38th percentile) and outperformed its composite index (Combined Fund 14.8% vs. Composite 14.4%) for the most recent five year period. He stated that the Basic and Post Funds have each exceeded their composite index (Basic Funds 15.4% vs. Composite 15.1%) (Post Fund 14.2% vs. Composite 13.7%) over the last five years.

Mr. Bicker reported that the Basic Funds' assets decreased 0.1% for the quarter ending September 30, 2000 due to negative net contributions. He said that the asset mix has been rebalanced and is on target. He said that the Basic Funds outperformed its composite index for the quarter (Basic Funds 0.0% vs. Composite -0.1%) and matched it for the year (Basic Funds 13.3% vs. Composite 13.3%). Mr. Bicker reported that the Post Fund's assets remained the same for the quarter ending September 30, 2000. He said that

the Post Fund asset mix is also on target. He said that the Post Fund outperformed its composite index for the quarter (Post Fund 0.3% vs. Composite 0.0%) and for the year (Post Fund 11.9% vs. Composite 11.6%).

Mr. Bicker reported that the domestic stock manager group underperformed its target for the quarter (Domestic Stocks 0.2% vs. Wilshire 5000 Investable 0.3%) and for the year (Domestic Stocks 15.8% vs. Wilshire 5000 Investable 16.7%). He noted that the semi-passive segment underperformed during the last year. He said that the International Stock manager group outperformed its composite index for the quarter (International Stocks -7.5% vs. Int'l Composite -8.6%) and that the bond segment outperformed its target for the quarter (Bonds 3.1% vs. Lehman Aggregate 3.0%) and year (Bonds 7.2% vs. Lehman Aggregate 7.0%). He concluded his report with the comment that as of September 30, 2000, the SBI was responsible for over \$52 billion in assets.

Executive Director's Administrative Report

Mr. Bicker referred members to Tab B of the meeting materials for the quarterly updates on budget and travel. Mr. Bicker reported that the Post Retirement benefit increase is 9.5%, payable January 1, 2001. He reminded members that during last year's legislative session there was a proposed change to lengthen the amortization period for the benefit increase. He said that the proposal has been slightly modified and that the SBI will continue to support the proposal during the 2001 legislative session. He explained that the new proposal allows the amortization period to stay at five years as long as the investment component of the formula is positive. He said that when the investment component turns negative the amortization period changes to seven years and must remain at that length of time for the next seven years, regardless of performance during that period. He added that if another negative period occurs after the seven year period, then the amortization would lengthen to 10 years. Mr. Bicker stated that the majority of retiree organizations support this change and that he believes the change is good public policy. Ms. Vanek and Mr. Austin stated that, overall, their participants support the change and that they are working hard to educate those individuals who believe retirees will lose money because of the change.

In response to a question from Mr. Norstrom, Mr. Kiedorski made a motion to support staff's position on lengthening the amortization period. Mr. McDonald seconded the motion. A discussion followed on whether this issue is an investment related issue or a public policy issue and Mr. Bicker stated his belief that it is an investment related matter. More discussion followed among members regarding the appropriate wording of the motion. The motion passed, with members agreeing to approve the final wording of the motion later in the meeting.

Mr. Bicker stated that staff continues to work with the Federal Deposit Insurance Corporation (FDIC) regarding the SBI's Certificate of Deposit program. He noted that most of the issues have been resolved and that he will update members again when all the issues have been resolved.

Mr. Bicker asked Christie Eller, Assistant Attorney General, to update members on the status of two class action lawsuits. Ms. Eller stated that in the Mercury Finance Corporation case, there have been two major settlements in the case, which are being appealed. She said tentative settlement of the appeals are in progress but that no distributions will be made until the settlements have been finalized. Ms. Eller stated that in the McKesson case, motions to dismiss have been postponed and that arguments will be heard in mid-January 2001.

Mr. Bicker reported that the SBI has not yet received the final version of its audit report but that it is staff's understanding that there will be no findings.

Mr. Bicker stated that members had earlier received a draft of the SBI's FY00 annual report and that the final report would be ready for distribution in January 2001. In response to a question from Mr. Kiedrowski, Mr. Bicker said that staff had received comments from one Board member. Mr. Bicker noted the tentative meeting dates for calendar year 2001 and said that staff will work to confirm these dates with each member's office. Mr. Bicker noted that updated information in the SBI's tobacco holdings is also included in Tab B of the meeting materials. He noted that there are currently 500,000 shares of tobacco related holdings.

Emerging Markets Equity Search Committee Report

Mr. Sausen referred members to Tab C of the meeting materials and stated that the Committee had re-interviewed two current managers, City of London and Genesis Asset Management and had interviewed six potential managers. He stated that based on the interviews and information gathered, the Committee is recommending the termination of City of London and Genesis and the retention of four new managers, Alliance Capital, Capital International, Morgan Stanley Dean Witter and Schroder Investment Management. He noted that the Stock and Bond Committee had endorsed the Committee's recommendation. Mr. McDonald moved approval of the Committee's recommendation, as stated in the Committee Report. Ms. Vanek seconded the motion. The motion passed.

Stock and Bond Manager Committee Report

Mr. Bohan referred members to Tab D of the meeting materials and briefly reviewed the stock and bond segments' performance.

Mr. Bohan stated that staff had completed their annual review of the investment manager guidelines. He noted that the changes are basically housekeeping in nature and he said that no formal action by the IAC is required at this time.

Mr. Bohan said that the Committee is recommending that the SBI renew its investment management contracts with 17 equity and fixed income managers. He noted that the recommendation is to renew the contracts for another five-year period, and he reminded members that all of the contracts include an immediate termination clause. Mr. McDonald moved approval of the Committee's recommendation, as stated in the Committee Report. Ms. Vanek seconded the motion. The motion passed.

Alternative Investment Committee Report

Mr. Gudorf referred members to Tab E of the meeting materials and stated that the Committee has several recommendations and he briefly reviewed each one. He said the Committee is recommending an investment for the Basic Retirement Funds with an existing private equity manager, Citicorp Venture Capital.

Mr. Gudorf stated that the Committee is recommending an investment for the Post Retirement Fund with a new real estate mezzanine manager, Capital Trust, Inc. Mr. Gudorf said that the Committee is recommending an investment for the Post Retirement Fund with a new real estate manager, BlackRock Financial Management. He stated that the Committee is recommending an investment for the Post Retirement Fund with an existing private equity manager, TCW.

Mr. Gudorf reported that the Committee is recommending an investment for the Post Retirement Fund with a new private equity manager, Prudential Capital Group.

Mr. Gudorf stated that the Committee is requesting pre-approval to invest in four new funds that will require commitments prior to the March 2001 Board meeting. He said the investments are with Kohlberg Kravis and Roberts (KKR), Crescendo, BLUM, and First Reserve. He noted that all four managers are existing managers for the SBI. Ms. Mares moved approval of all of the Committee's recommendations, as stated in the Committee Report. Mr. McDonald seconded the motion. The motion passed.

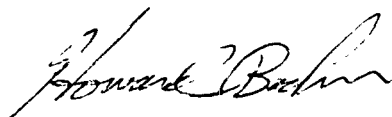
Mr. Bohan read and the IAC agreed to the final wording of the motion regarding the amortization for the Post Fund benefit increase legislation, which members approved earlier in the meeting. The motion reads as follows:

Motion regarding Post Fund benefit increase amortization period:

"Given the long-term nature of pension obligations and the long term focus of the investment program to meet these obligations, and given the objective of smoothing benefit increases over time, now therefore the IAC again expresses its support for moving to a ten year amortization program from the present five year amortization program. However, recognizing that moving to a seven year amortization program is directionally correct, the IAC is supportive of such a move."

The meeting adjourned at 2:45 P.M.

Respectfully submitted,



Howard J. Bicker
Executive Director

Tab A

LONG TERM OBJECTIVES

Period Ending 12/31/00

COMBINED FUNDS: \$40.0 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>	13.3% (1)	10.6 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>	13.0%	0.5 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 over the latest 5 year period.</p>	42nd percentile (2)	above the median fund in TUCS

BASIC RETIREMENT FUNDS: \$19.8 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>	13.6%	0.4 percentage point above target

POST RETIREMENT FUND: \$20.2 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>	12.3%	0.7 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, 2000

	Active (Basics)	Retired (Post)	Total (Combined)
Liability Measures			
1. Current and Future Benefit Obligation	\$23.9 billion	\$15.6 billion	\$39.5 billion
2. Accrued Liabilities	16.4	15.6	32.0
Asset Measures			
3. Current and Future Actuarial Value	\$24.1 billion	\$15.6 billion	\$39.7 billion
4. Current Actuarial Value	16.3	15.6	31.9
Funding Ratios			
Future Obligations vs. Future Assets (3 ÷ 1)	101%	100%	100%
Accrued Liabilities vs. Current Actuarial Value (4 ÷ 2)	99%	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: 2024, with a surplus of plan actuarial assets compared to accrued liabilities credited over a period through 2030.

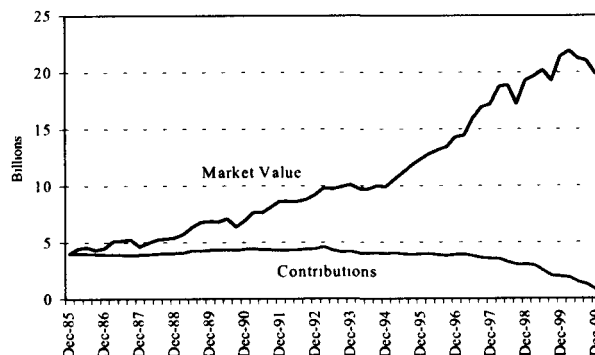
EXECUTIVE SUMMARY
Basic Retirement Funds (Net of Fees)

Asset Growth

The market value of the Basic Funds decreased 5.7% during the fourth quarter of 2000. Negative net contributions and investment returns accounted for the decrease.

Asset Growth
During Fourth Quarter 2000
(Millions)

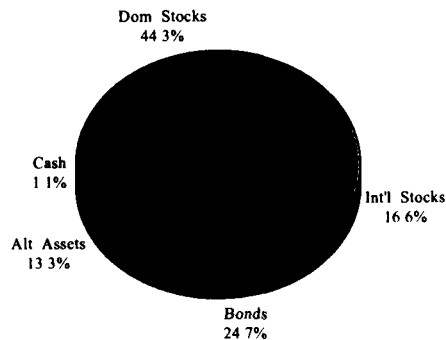
Beginning Value	\$ 21,014
Net Contributions	-474
Investment Return	-732
Ending Value	\$ 19,807



Asset Mix

The allocation to international stocks increased as funds were reallocated into the international program. This funding came from bonds, which decreased the bond allocation. The domestic stock allocation decreased over the quarter due to negative stock returns.

	Policy Targets	Actual Mix 12/31/00	Actual Market Value (Millions)
Domestic Stocks	45.0%	44.3%	\$8,776
Int'l. Stocks	15.0	16.6	3,280
Bonds	24.0	24.7	4,892
Alternative Assets*	15.0	13.3	2,639
Unallocated Cash	1.0	1.1	220
	100.0%	100.0%	\$19,807

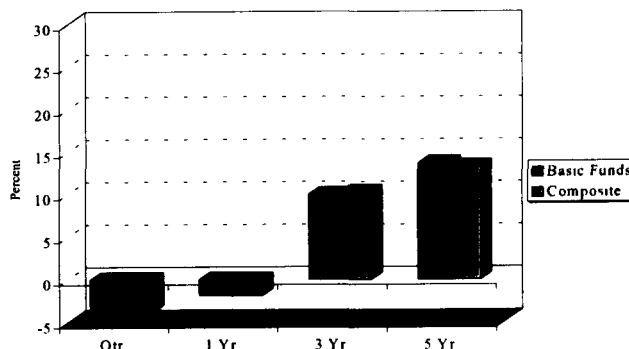


* Any uninvested allocation is held in domestic stocks

Fund Performance (Net of Fees)

The Basic Funds outperformed its composite market index for the quarter, one-year and five-year periods. The fund underperformed for the three-year period.

	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Basics	-3.5%	-1.8%	9.9%	13.6%
Composite	-3.8	-1.9	10.3	13.2



EXECUTIVE SUMMARY

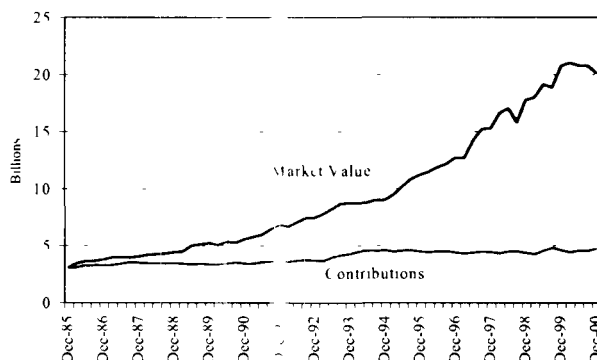
Post Retirement Fund (Net of Fees)

Asset Growth

The market value of the Post Fund decreased by 3.1% during the fourth quarter of 2000. The negative investment return accounted for the decrease.

Asset Growth During Fourth Quarter 2000 (Millions)

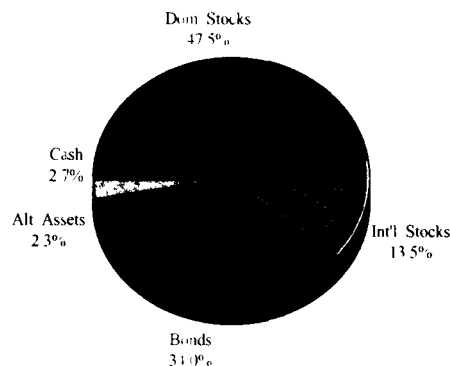
Beginning Value	\$20,806
Net Contributions	215
Investment Return	-868
Ending Value	\$20,153



Asset Mix

The domestic stock allocation decreased over the quarter due to negative returns. International stocks did better than domestic stocks on a relative basis, which resulted in a slight increase to the international allocation. Positive returns in bonds caused its allocation to rise over the quarter.

	Policy Targets	Actual Mix 12/31/00	Actual Market Value (Millions)
Domestic Stocks	50.0%	47.5%	\$9,569
Int'l Stocks	15.0	13.5	2,724
Bonds	27.0	34.0	6,853
Alternative Assets*	5.0	2.3	453
Unallocated Cash	3.0	2.7	553
	100.0%	100.0%	\$20,153

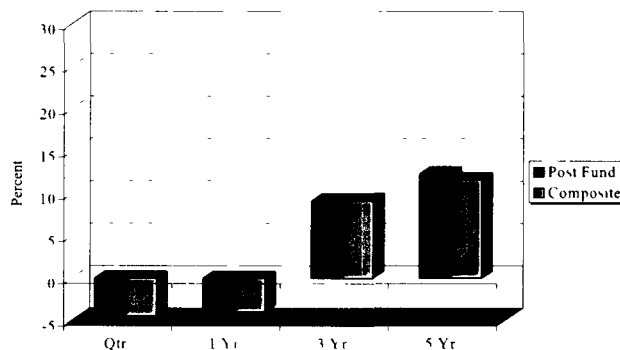


* Any uninvested allocation is held in bonds.

Fund Performance (Net of Fees)

The Post Fund outperformed its composite market index for the quarter, one-year and five-year periods. The fund slightly underperformed for the three-year period.

	Period Ending 12/31/00			
	Qtr	1 Yr	3 Yr	5 Yr
Post	-4.2%	-3.8%	9.1%	12.3%
Composite	-4.4	-4.0	9.2	11.6



EXECUTIVE SUMMARY

Stock and Bond Manager Performance (Net of Fees)

Domestic Stocks

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

	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Dom. Stocks	-10.4%	-11.0%	9.9%	16.5%
Wilshire 5000 Investable*	-10.5	-10.8	10.4	16.4

* 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.

International Stocks

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

	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Int'l. Stocks	-3.1%	-14.3%	8.3%	7.9%
Composite Index*	-3.9	-16.1	7.8	5.8

* 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 semi-passive combined) matched its target for the quarter and outperformed for the one-year period.

	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Bonds	4.2%	11.7%	6.4%	6.8%
Lehman Agg.	4.2	11.6	6.4	6.5

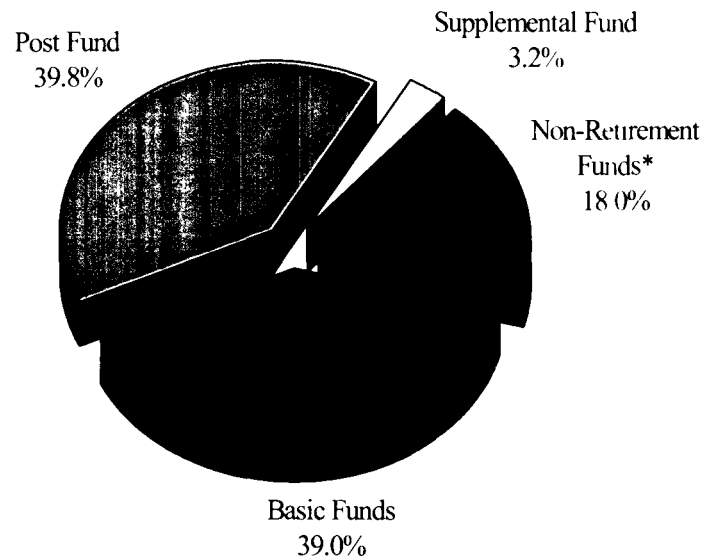
Wilshire 5000 Investable: The Wilshire 5000 Investable stock index reflects the performance of a broad range of publicly traded stocks of companies domiciled in the U.S. It does not include the smallest and least liquid securities in the W5000 that generally are not owned by large pension plans.

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 20 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



**12/31/00
 Market Value
 (Billions)**

Retirement Funds

Basic Retirement Funds	\$19.8
Post Retirement Fund	20.2
Supplemental Investment Fund	1.6

Non Retirement Funds*

Assigned Risk Plan	0.3
Permanent School Fund	0.6
Environmental Trust Fund	0.3
Tobacco Prevention Fund	0.4
Medical Education Fund	0.3
State Cash Accounts	7.3

Total	\$50.8
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MINNESOTA STATE BOARD OF INVESTMENT

QUARTERLY INVESTMENT REPORT

Fourth Quarter 2000

(October 1, 2000 - December 31, 2000)

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VARIOUS CAPITAL MARKET INDICES

	Period Ending 12/31/00				
	Qtr.	Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity					
Wilshire 5000	-10.3%	-10.9%	10.8%	16.7%	17.0%
Dow Jones Industrials	1.7	-4.7	12.7	18.2	17.9
S&P 500	-7.8	-9.1	12.3	18.3	17.5
Russell 2000	-6.9	-3.0	4.6	10.3	15.5
Domestic Fixed Income					
Lehman Aggregate*	4.2	11.6	6.4	6.5	8.0
Lehman Gov't./Corp.	4.4	11.9	6.2	6.2	8.0
3 month U.S. Treasury Bills	1.6	6.1	5.3	5.3	4.9
International					
EAFE**	-2.7	-14.2	9.4	7.1	8.2
Emerging Markets Free***	-13.3	-30.6	-4.8	-4.2	8.3
Salomon Non U.S. Gov't. Bond	4.0	-2.6	2.9	1.6	6.8
Inflation Measure					
Consumer Price Index****	0.2	3.4	2.5	2.5	2.7

* 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 stock market, as represented by the Wilshire 5000, declined by 10.3% in the fourth quarter. During the period, while the economy continued to slow and consumer demand softened, the Fed did not lower rates. The fourth quarter saw the complete unwinding of the speculation on technology stocks as the NASDAQ fell over 32%. Defensive sectors performed well including financials and healthcare. Value stocks outperformed growth stocks.

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

Large Value	0.4
Small Value	10.2
Large Growth	-21.8
Small Growth	-26.5

The Wilshire 5000 decreased by -10.9% for the year ending December 31, 2000.

DOMESTIC BONDS

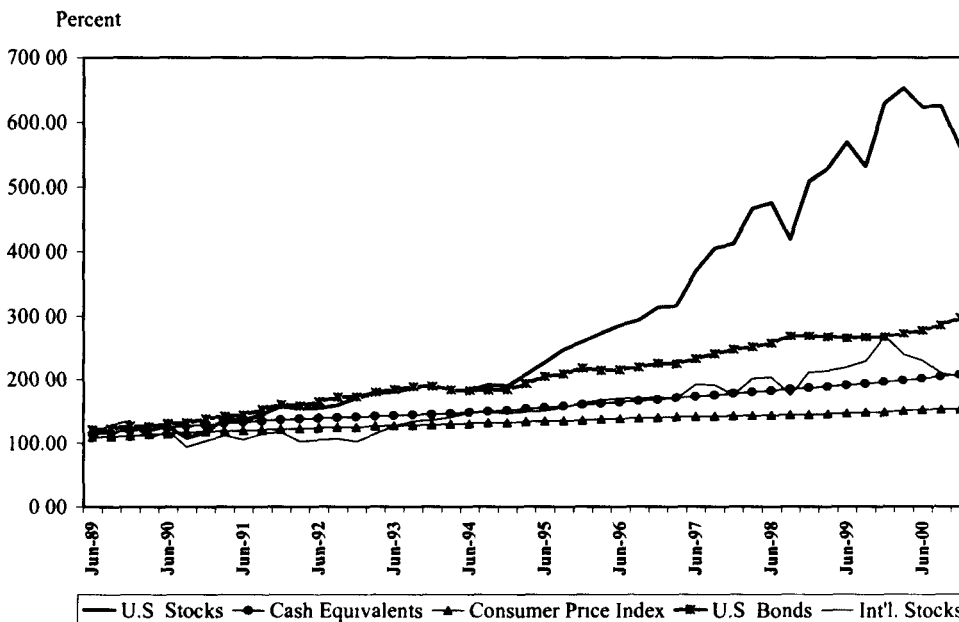
The bond market generated positive returns in the fourth quarter, outperforming equities over the quarter and past year. The government sector of the Lehman aggregate outpaced the credit and mortgage sectors as a weakening economy drove Treasury rates lower. Lower than expected earnings, weakness in equity markets, investors' decreased appetite for risk, and ratings downgrades contributed to the lagging performance in the credit sector.

Overall, the Lehman Brothers Aggregate Bond Index returned 4.2% for the quarter. The Lehman Aggregate sector returns for the quarter were:

Treasury/Agency	5.0%
Credit	3.4
Mortgages	3.9

The Lehman Aggregate returned 11.6% for the latest year.

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-Free index) provided a return of -2.7% for the quarter. Performance of the five largest stock markets is shown below:

Japan	-15.2%
United Kingdom	1.3
France	0.4
Germany	1.3
Switzerland	14.8

The EAFE-Free index decreased by 14.2% during the last year.

The EAFE-Free index is compiled by Morgan Stanley Capital International (MSCI) and is a measure of 20 markets located in Europe, Australasia and the Far East. EAFE-Free includes only those securities foreign investors are allowed to hold. 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 -13.3% for the quarter. The performance of the five largest stock markets in the index is shown below:

Taiwan	-26.2%
Korea	-27.1
Brazil	-6.6
Mexico	-10.4
South Africa	-4.5

The Emerging Markets Free index decreased by 30.6% 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 51% of the value of the international markets in the index.

REAL ESTATE

U.S. property markets are in their seventh year of recovery and expansion. Although the cycle has reached a mature stage, market fundamentals remain healthy and appear likely to support an extended period of equilibrium.

PRIVATE EQUITY

U.S. private equity firms raised an unprecedented \$153.9 billion for private equity limited partnerships of all types, from venture capital to buyouts in 2000. That represents a 58.2% increase from the upwardly revised 1999 total of \$97.3 billion. It was the seventh consecutive record year for fundraising.

RESOURCE FUNDS

During the fourth quarter of 2000, West Texas Intermediate crude oil averaged \$31.89 per barrel compared to an average price of \$31.58 per barrel during the third quarter of 2000. With the relatively high oil prices, oil companies may be considering boosting their budgets for oil and gas exploration and drilling.

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.

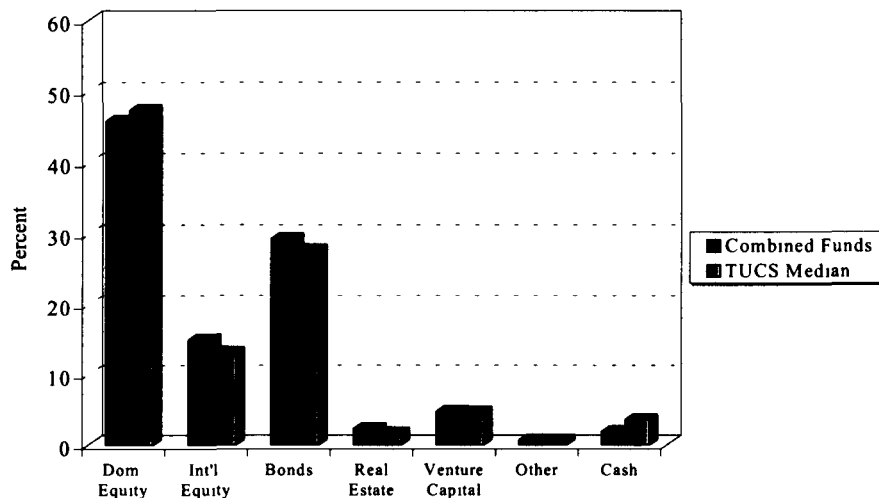
The comparison universe used by the SBI is the Trust Universe Comparison Service (TUCS). Only funds with assets over \$1 billion are included in the comparisons shown in this section.

Asset Mix Compared to Other Pension Funds

On December 31, 2000, the actual asset mix of the Combined Funds was:

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:

	\$ Millions	%
Domestic Stocks	\$18,345	45.9%
International Stocks	6,003	15.0
Bonds	11,746	29.4
Alternative Assets	3,092	7.8
Unallocated Cash	773	1.9
Total	\$39,959	100.0%



	Dom. Equity	Int'l Equity	Bonds	Real Estate	Venture Capital	Other	Cash
Combined Funds	45.9%	15.0%	29.4%	2.3%	4.8%	0.7%	1.9%
Median Allocation in TUCS*	47.5	13.8	28.8	2.4	4.6	0.7	3.6

* Public and corporate plans over \$1 billion.

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

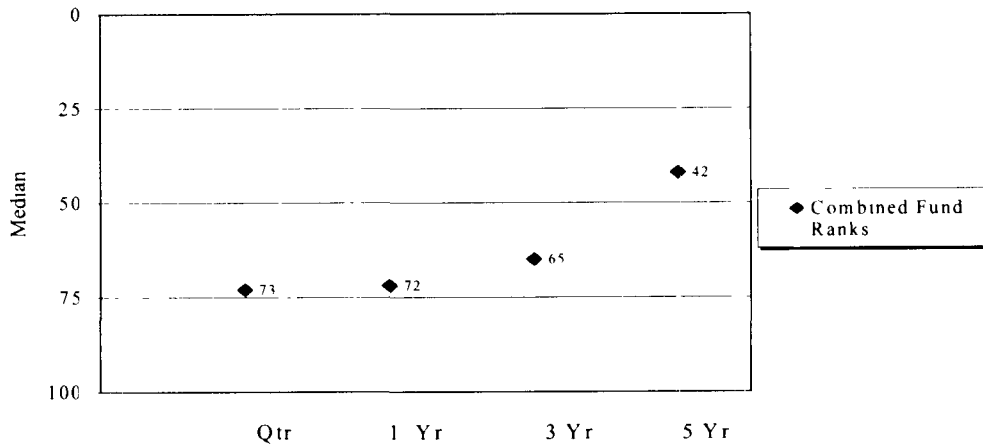
While the SBI is concerned with how its returns compare to other pension investors, universe comparisons should be used with great care. There are several reasons why such comparisons will provide an “apples to oranges” look at performance:

- **Differing Allocations.** Asset allocation will have a dominant effect on return. The allocation to stocks among the funds in TUCS typically ranges from 20-90%, a very wide range for meaningful comparison. In addition, it appears that many funds do not include alternative asset holdings in their reports to TUCS. This further distorts comparisons among funds.
- **Differing Goals/Liabilities.** Each pension fund structures its portfolio to meet its own liabilities and risk tolerance. This will result in different choices on asset mix. Since asset mix will largely determine investment results, a universe ranking is not relevant to a discussion of how well a plan sponsor is meeting its long-term liabilities.

With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds in Trust Universe Comparison Service (TUCS) are shown below.

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

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



Combined Funds	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Percentile Rank in TUCS*	73rd	72nd	65th	42nd

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

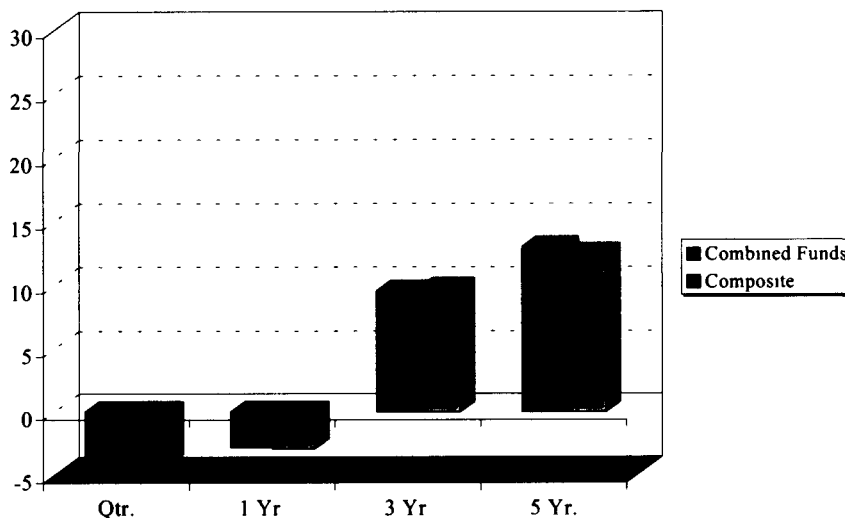
**COMBINED FUNDS
Performance Compared to Composite Index**

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* 4Q00
Domestic Stocks	Wilshire 5000 Investable	49.0%*
Int'l. Stocks	Int'l. Composite	15.0
Bonds	Lehman Aggregate	27.0*
Alternative Assets	Real Estate Funds	2.1*
	Private Equity Funds	4.2*
	Resource Funds	0.7*
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 12/31/00

	Qtr.	1 Yr.	Annualized	
			3 Yr.	5 Yr.
Combined Funds**	-3.8%	-2.8%	9.5%	13.0%
Composite Index	-4.1	-2.9	9.7	12.5

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

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BASIC RETIREMENT FUNDS
Investment Objectives

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

Employee and employer contribution rates are specified in state law as a percentage of an employee's salary. The rates are set so that contributions plus expected investment earnings will cover the projected cost of promised pension benefits. In order to meet these

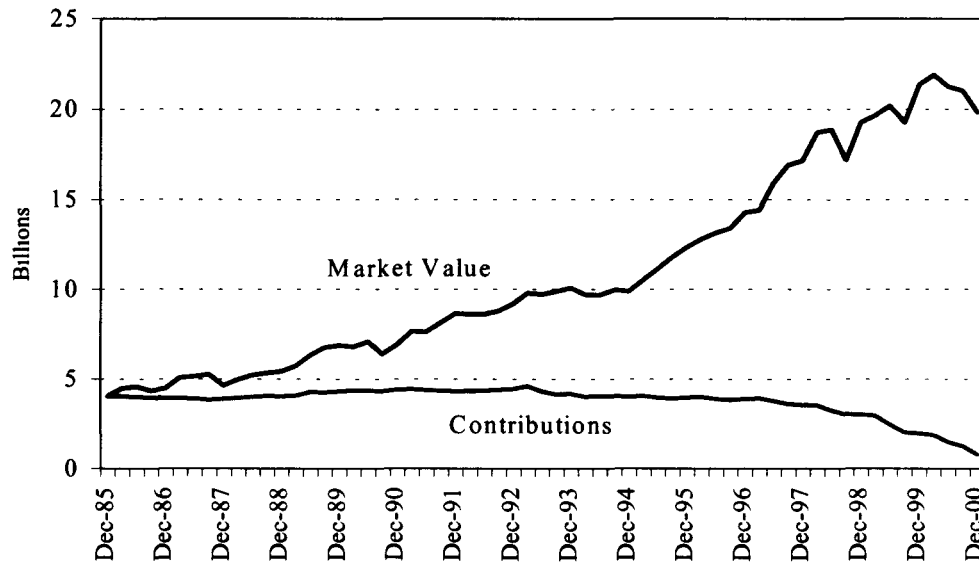
projected pension costs, the Basic Retirement Funds must generate investment returns of at least 8.5% on an annualized basis, over time.

Normally, pension assets will accumulate in the Basic Retirement Funds for thirty to forty years during an employee's years of active service. This provides the Basic Funds with a long investment time horizon and permits the Board to take an aggressive, high expected return investment policy which incorporates a sizeable equity component in order to meet or exceed its actuarial return target.

Asset Growth

The market value of the Basic Funds decreased 5.7% during the fourth quarter of 2000. Negative net

contributions and investment returns accounted for the decrease.



Last Five Years

	In Millions								Latest Qtr.
	12/95	12/96	12/97	12/98	12/99	3/00	6/00	9/00	12/00
Beginning Value	\$9,890	\$12,338	\$14,275	\$17,146	\$19,244	\$21,365	\$21,885	\$21,229	\$21,014
Net Contributions	-29	-59	-337	-539	-1,065	-98	-397	-217	-474
Investment Return	2,477	1,996	3,208	2,637	3,186	618	-259	2	-732
Ending Value	\$12,338	\$14,275	\$17,146	\$19,244	\$21,365	\$21,885	\$21,229	\$21,014	\$19,807

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.

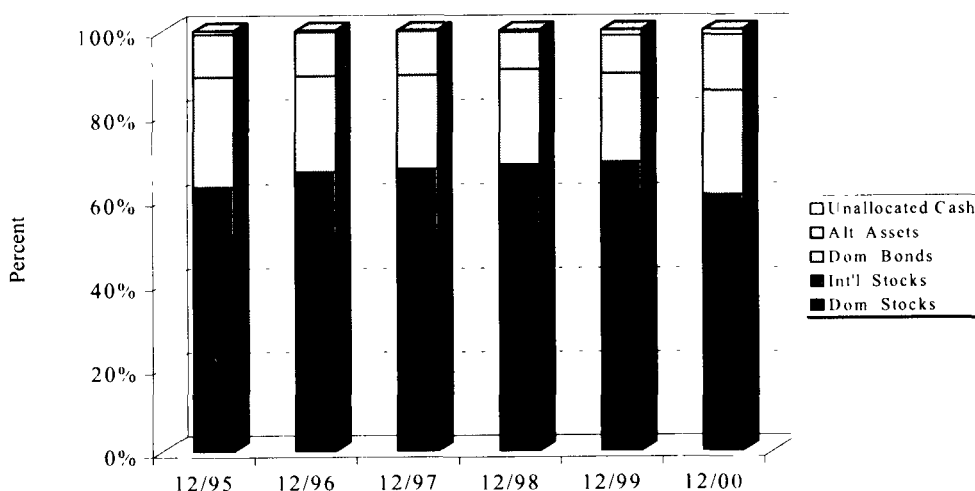
In October 1995, the Board revised its long term asset allocation targets for the Basic Funds, increasing international stocks from 10% to 15% and decreasing domestic stocks from 50% to 45%. The change was implemented over several quarters.

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 international stocks increased due to rebalancing from bonds. Despite positive returns, the bond allocation decreased due to the rebalancing. The domestic stock allocation declined as a result of negative returns

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

During the quarter, the allocation to international stocks increased as funds were reallocated into the international program. This funding came from bonds, which decreased the bond allocation. The domestic stock allocation decreased over the quarter due to negative stock returns.



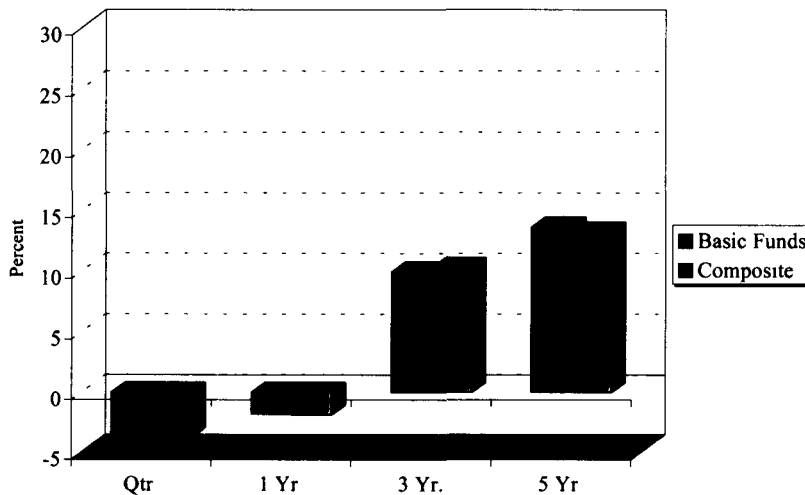
	Last Five Years								Latest Qtr.
	12/95	12/96	12/97	12/98	12/99	3/00	6/00	9/00	12/00
Domestic Stocks	51.7%	52.0%	53.6%	53.8%	51.9%	51.0%	49.4%	48.1%	44.3%
Int'l. Stocks	11.3	14.5	13.6	14.4	16.8	14.8	14.3	13.2	16.6
Bonds	26.1	22.8	22.2	22.6	21.0	24.0	24.0	25.0	24.7
Real Estate	4.1	3.9	4.1	3.7	3.5	3.4	3.7	3.8	4.1
Private Equity	5.4	5.5	5.0	4.4	4.8	5.7	6.7	6.9	8.0
Resource Funds	0.7	1.0	1.4	0.7	0.8	0.9	0.9	1.2	1.2
Unallocated Cash	0.7	0.3	0.1	0.4	1.2	0.2	1.0	1.8	1.1
Total	100.0%	100.0%	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* 4Q00
Domestic Stocks	45.0%	Wilshire 5000 Investable	48.1%*
Int'l. Stocks	15.0	Int'l Composite	15.0
Bonds	24.0	Lehman Aggregate	24.0
Alternative Assets	15.0	Real Estate Funds	3.8*
		Private Equity Funds	6.9*
		Resource Funds	1.2*
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 12/31/00

	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Basic Funds**	-3.5%	-1.8%	9.9%	13.6%
Composite Index	-3.8	-1.9	10.3	13.2

**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. 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.

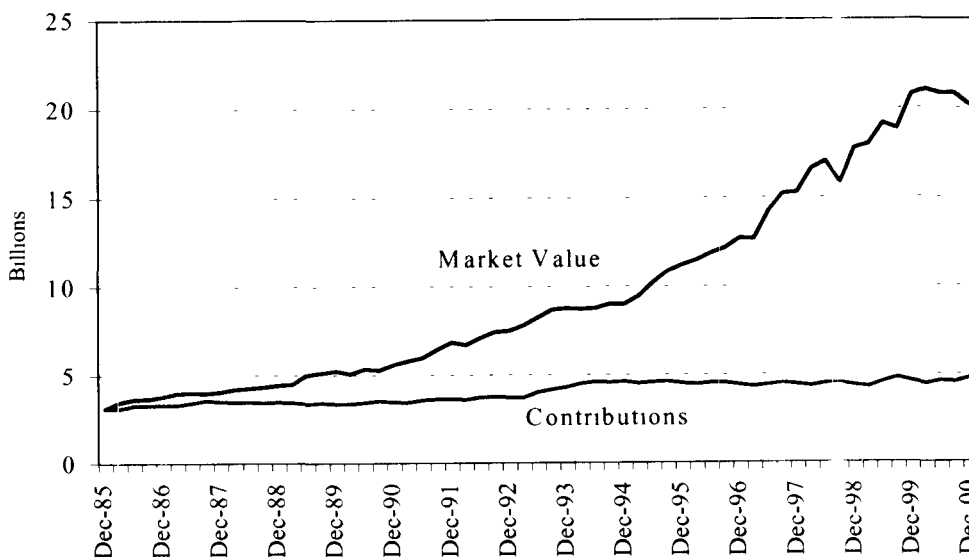
The post retirement benefit increase formula is based on the total return of the fund. As a result, the Board maintains a long-term asset allocation strategy for the Post Fund which incorporates a substantial commitment to common stocks.

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 Retirement Fund decreased by 3.1% during the fourth quarter of 2000.

The negative investment return accounted for the decrease.



	Last Five Years In Millions							Latest Qtr.	
	12/95	12/96	12/97	12/98	12/99	3/00	6/00	9/00	12/00
Beginning Value	\$9,001	\$11,216	\$12,705	\$15,273	\$17,743	\$20,768	\$21,044	\$20,794	\$20,806
Net Contributions	-102	-94	23	-45	211	-165	160	-43	215
Investment Return	2,317	1,583	2,545	2,515	2,814	441	-410	55	-868
Ending Value	\$11,216	\$12,705	\$15,273	\$17,743	\$20,768	\$21,044	\$20,794	\$20,806	\$20,153

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.

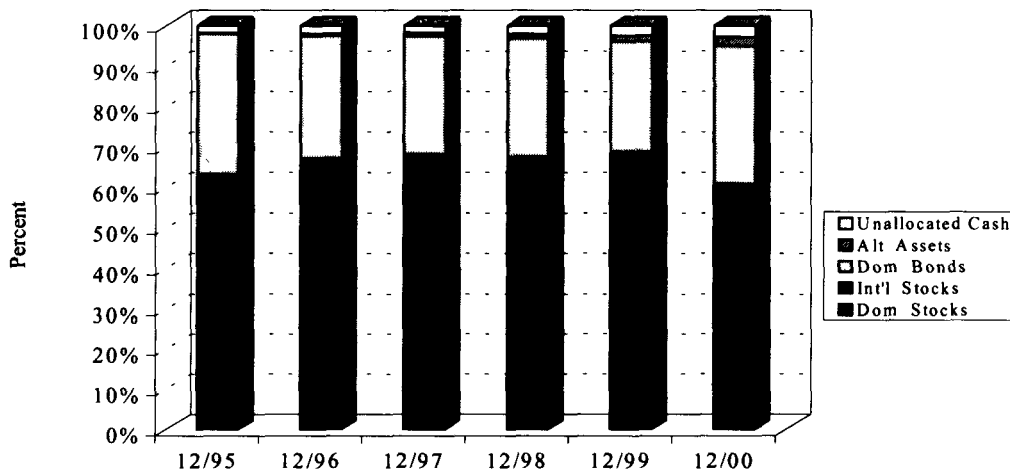
In October 1995, the Board revised its long term asset allocation targets for the Post Fund, increasing international stocks from 10% to 15% and decreasing bonds from 32% to 27%.

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

Over the last year, the allocation to bonds increased due to outperformance. The allocation to domestic stocks and international stocks declined due to negative performance. Positive one-year returns and additional funding in alternative assets increased the allocation.

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

The domestic stock allocation decreased over the quarter due to negative returns. International stocks did better than domestic stocks on a relative basis, which resulted in a slight increase to the international allocation. Positive returns in bonds caused its allocation to rise over the quarter.



	Last Five years					Latest Qtr.			
	12/95	12/96	12/97	12/98	12/99	3/00	6/00	9/00	12/00
Dom. Stocks	51.9%	52.7%	54.7%	53.2	52.0%	51.3%	50.8%	49.9%	47.5%
Int'l. Stocks	11.4	14.6	13.6	14.5	16.9	14.7	14.1	13.3	13.5
Bonds	34.7	30.2	29.1	29.2	27.2	30.5	30.6	31.5	34.0
Alt. Assets	0.2	0.6	0.9	1.1	1.5	1.7	1.9	2.1	2.3
Unallocated Cash	1.8	1.9	1.7	2.0	2.4	1.8	2.6	3.2	2.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

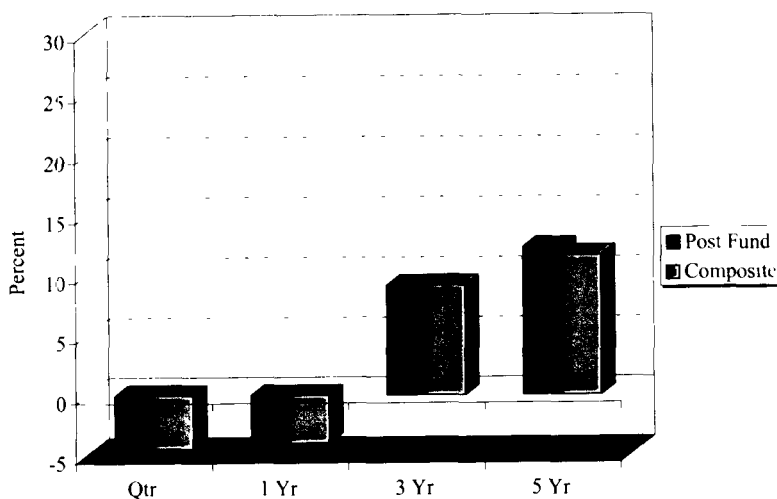
POST RETIREMENT FUND
Total Fund Performance (Net of Fees)

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* 4Q00
Domestic Stocks	50.0%	Wilshire 5000 Investable	50.0%
Int'l Stocks	15.0	Int'l. Composite	15.0
Bonds	27.0	Lehman Aggregate	29.9*
Alternative Assets	5.0	Real Estate Funds	.4*
		Private Equity Funds	1.5*
		Resource Funds	0.2*
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.

The asset mix of the Post Fund moved to a 50% stock allocation during fiscal year 1993.



Period Ending 12/31/00

	Annualized			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Post Fund**	-4.2%	-3.8%	9.1%	12.3%
Composite Index	-4.4	-4.0	9.2	11.6

** 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)

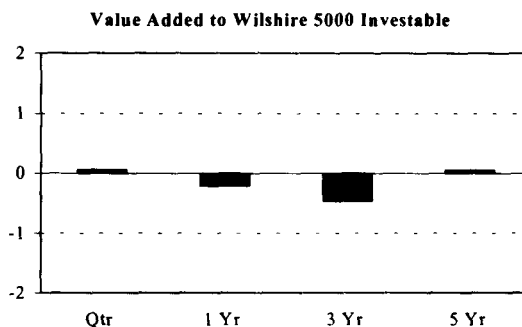
Domestic Stock Pool

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 12/31/00			
	Qtr.	1 Yr.	3 Yrs.	5 Yrs.
Stock Pool	-10.4%	-11.0%	9.9%	16.5%
W5000 Investable*	-10.5	-10.8	10.4	16.4

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



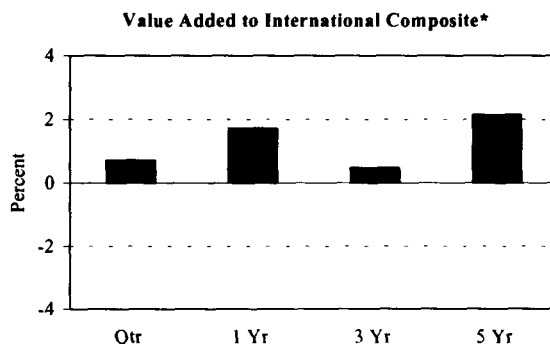
International Stock Pool

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 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yrs.
Int'l. Pool	-3.1%	-14.3%	8.3%	7.9%
Composite Index*	-3.9	-16.1	7.8	5.8

* 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.

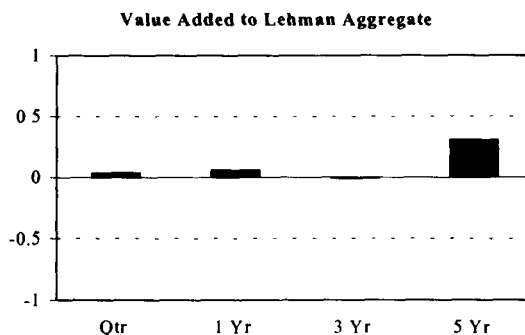


Bond Pool

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 12/31/00			
	Qtr.	1 Yr.	3 Yrs.	5 Yrs.
Bond Pool	4.2%	11.7%	6.4%	6.8%
Lehman Agg.	4.2	11.6	6.4	6.5



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 12/31/00			
	Qtr.	Yr.	3 Yrs.	Annualized 5 Yrs.
Real Estate	4.3%	19.1%	9.9%	14.3%
Inflation	0.2	3.4	2.5	2.5

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 12/31/00			
	Qtr.	Yr.	3 Yrs.	Annualized 5 Yrs.
Private Equity	9.4%	44.1%	26.4%	29.1%

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 12/31/00			
	Qtr.	Yr.	3 Yrs.	Annualized 5 Yrs.
Resource Funds	-0.3%	39.2%	-5.3%	16.2%

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 12/31/00			
	Qtr.	Yr.	3 Yrs.	Annualized 5 Yrs.
Yield Oriented	3.2%	22.0%	15.9%	12.6%

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 December 31, 2000 the market value of the entire Fund was \$1.6 billion.

Investment Options

	12/31/00 Market Value (In Millions)
Income Share Account – a balanced portfolio utilizing both common stocks and bonds.	\$605
Growth Share Account – an actively managed, all common stock portfolio.	\$284
Common Stock Index Account – a passively managed, all common stock portfolio designed to track the performance of the entire U.S. stock market.	\$388
International Share Account – a portfolio of non U.S. stocks that incorporates both active and passive management.	\$46
Bond Market Account – an actively managed, all bond portfolio.	\$119
Money Market Account – a portfolio utilizing short-term, liquid debt securities.	\$86
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.	\$86

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%	58.9%
Bonds	35.0	40.6
Unallocated Cash	5.0	0.5
	100.0%	100.0%

Period Ending 12/31/00

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	-4.8%	-2.3%	9.4%	13.1%
Composite*	-4.8	-2.4	9.4	12.8

* 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 12/31/00

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	-10.6%	-11.6%	9.4%	16.2%
Composite*	-10.5	-10.8	10.4	16.3

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

COMMON STOCK INDEX ACCOUNT

Investment Objective and Asset Mix

The investment objective of the Common Stock Index Account is to generate returns that match 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 12/31/00

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	-10.0%	-9.7%	11.2%	17.1%
Wilshire 5000 Investable*	-10.5	-11.0	10.7	16.7

* 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 20 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 12/31/00

Annualized

	Qtr.	1 Yr.	3 Yr.	5 Yrs.
Total Account	-3.1%	-14.3%	8.4%	7.9%
Composite*	-3.9	-16.1	7.8	5.8

* 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 on the broad domestic bond market by investing in fixed income securities.

	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	4.2%	11.7%	6.4%	6.8%
Lehman Agg.	4.2	11.6	6.4	6.5

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 fixed income investments that pay interest at rates competitive with those available in the money market.

	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	1.7%	6.6%	5.9%	5.8%
3 month T-Bills	1.6	6.1	5.3	5.3

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 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Account	1.6%	6.3%	6.3%	6.4%

Asset Mix

The Fixed Interest Account is invested primarily in stable value instruments which are guaranteed investment contracts (GIC's) and GIC type investments offered by major U.S. companies and banks. Contributions into the Account are deposited into a single pool of these investments which have varying maturities, typically 3 to 5 years. The pool has a credited interest rate that changes monthly.

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.

	12/31/00 Target	12/31/00 Actual
Stocks	20.0%	19.4%
Bonds	80.0	80.6
Total	100.0%	100.0%

Investment Management

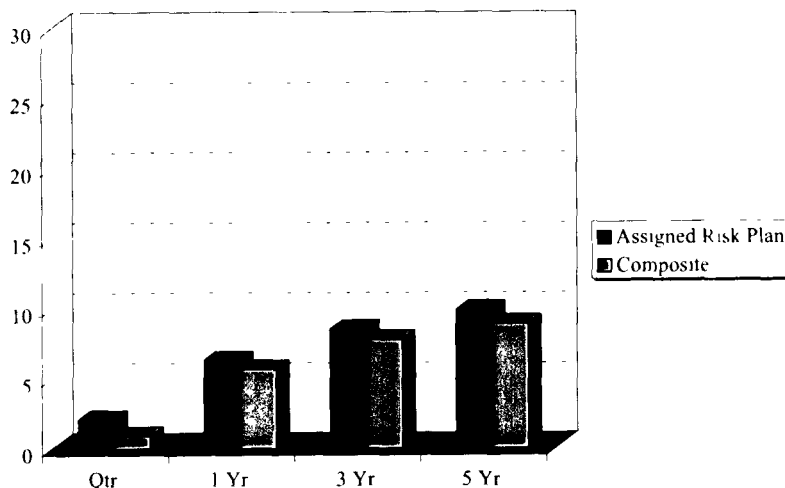
Voyageur Asset Management manages the bond segment of the Fund. GE Investment Management manages the equity segment

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 December 31, 2000 the market value of the Assigned Risk Plan was \$328 million.



Period Ending 12/31/00

	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund*	2.1%	6.3%	8.5%	9.9%
Composite	0.9	5.7	7.8	8.9
Equity Segment*	-1.8	-0.6	14.6	20.1
Benchmark	-7.8	-9.1	12.3	18.3
Bond Segment*	3.1	8.5	5.9	6.1
Benchmark	3.1	9.5	6.4	6.4

* 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.

	12/31/00 Target	12/31/00 Actual
Stocks	50.0%	50.0%
Bond	48.0	48.4
Unallocated Cash	2.0	1.6
Total	100.0%	100.0%

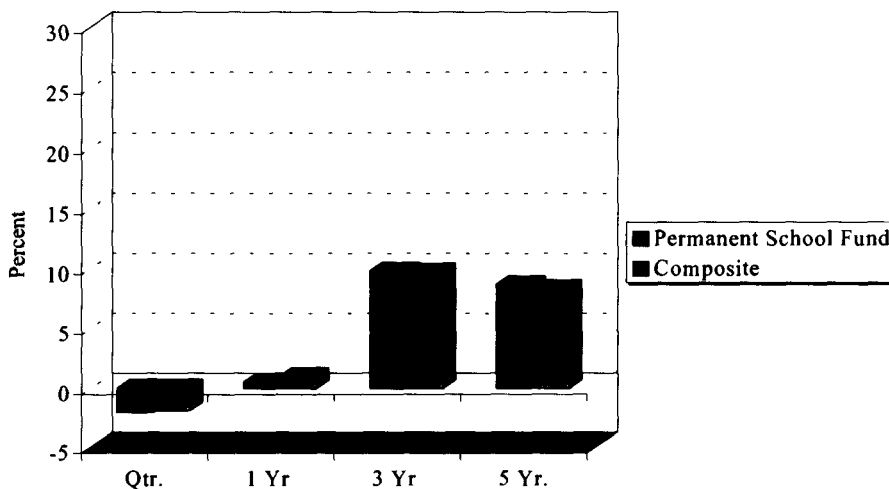
Prior to FY98, the Fund was invested entirely in fixed income securities in order to maximize current income. It is understood that the change in asset mix will reduce portfolio income in the short term, but will enhance the value of the fund, over time.

Investment Management

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

Market Value

On December 31, 2000 the market value of the Permanent School Fund was \$561 million.



	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund (1) (2)	-2.0%	0.5%	9.8%	8.6%
Composite	-1.9	1.0	9.7	8.3
Equity Segment (1) (2)	-7.8	-9.0	12.3	N/A
S&P 500	-7.8	-9.1	12.3	N/A
Bond Segment (1)	4.0	11.4	6.5	6.7
Lehman Aggregate	4.2	11.6	6.4	6.5

(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.

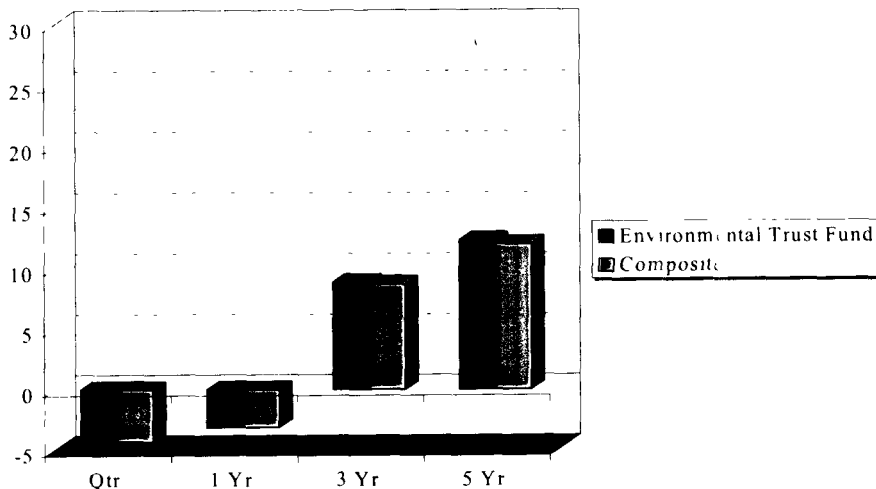
Investment Management

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 December 31, 2000 the market value of the Environmental Trust Fund was \$306 million.

	12/31/00 Target	12/31/00 Actual
Stocks	70.0%	67.8%
Bonds	28.0	31.5
Unallocated Cash	2.0	0.7
Total	100.0%	100.0%



	Period Ending 12/31/00			
	Qtr.	1 Yr.	3 Yr.	5 Yr.
Total Fund*	-4.3%	-3.1%	8.8%	12.3%
Composite	-4.3	-3.1	8.7	12.0
Equity Segment*	-7.8	-8.9	12.4	18.5
S&P 500	-7.8	-9.1	12.3	18.3
Bond Segment*	4.0	11.4	6.5	7.0
Lehman Agg	4.2	11.6	6.4	6.5

* 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.

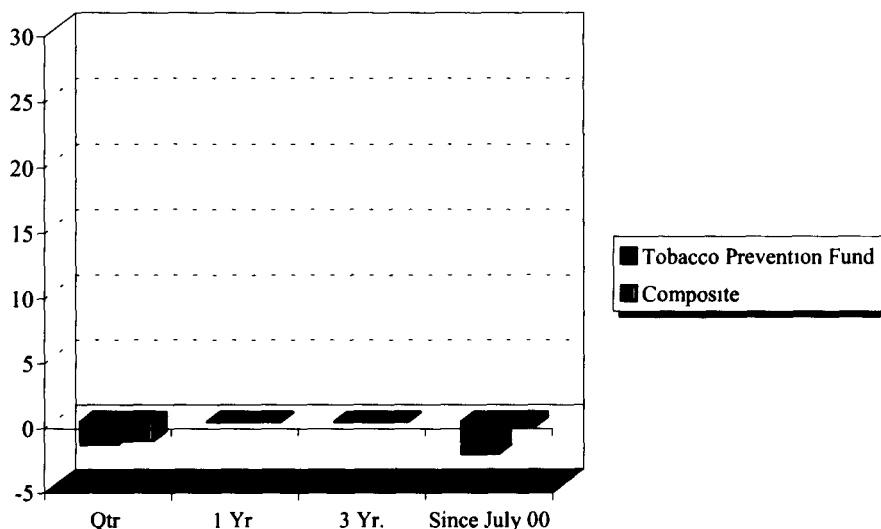
Investment Management

SBI staff manages all assets of the Tobacco Prevention Fund.

Market Value

On December 31, 2000 the market value of the Tobacco Prevention Fund was \$404 million.

	12/31/00 Target	12/31/00 Actual
Stocks	50.0%	53.9%
Bonds	50.0	45.8
Unallocated Cash	0.0	0.3
Total	100.0%	100.0%



Period Ending 12/31/00

	Qtr.	1 Yr.	3 Yr.	Since 7/1/00
Total Fund*	-1.7%	N/A	N/A	-2.5%
Composite	-1.5	N/A	N/A	-0.4
Equity Segment*	-7.8	N/A	N/A	-8.7
S&P 500	-7.8	N/A	N/A	-8.7
Bond Segment*	4.0	N/A	N/A	7.1
Lehman Agg.	4.2	N/A	N/A	7.3

* 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.

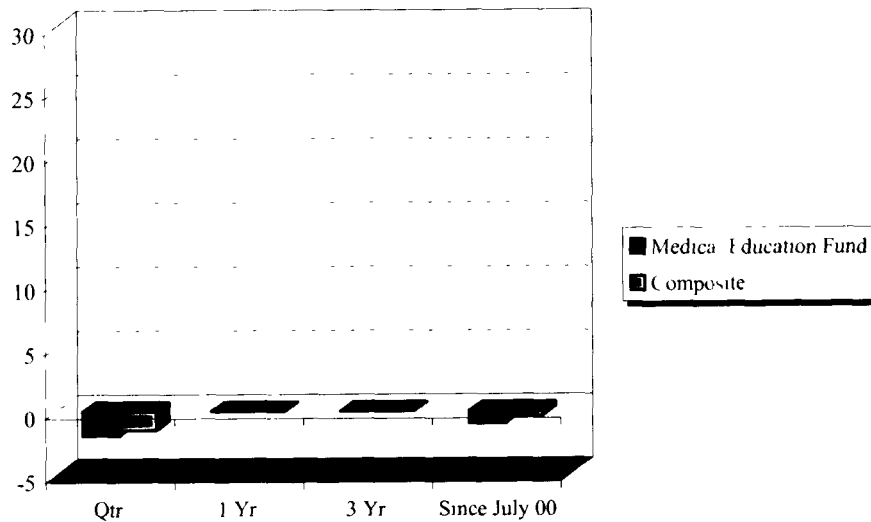
Investment Management

SBI staff manages all assets of the Medical Education Fund.

Market Value

On December 31, 2000 the market value of the Medical Education Fund was \$255 million.

	12/31/00 Target	12/31/00 Actual
Stocks	50.0%	52.7%
Bonds	50.0	47.0
Unallocated Cash	0.0	0.3
Total	100.0%	100.0%



Period Ending 12/31/00

	Qtr.	1 Yr.	3 Yr.	Since 7/1/00
Total Fund*	-1.9%	N/A	N/A	-0.9%
Composite	-1.5	N/A	N/A	-0.4
Equity Segment*	-7.8	N/A	N/A	-8.7
S&P 500	-7.8	N/A	N/A	-8.7
Bond Segment*	4.0	N/A	N/A	7.1
Lehman Agg	4.2	N/A	N/A	7.3

* 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

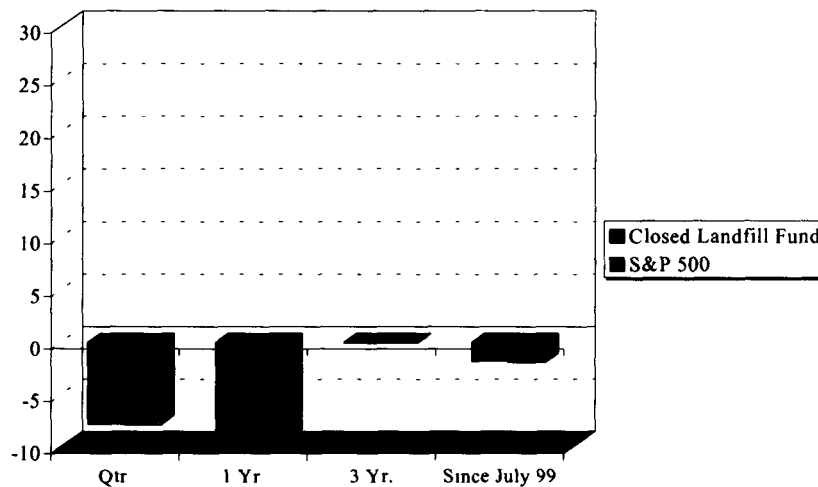
SBI staff manage all assets of the Closed Landfill Investment Fund. The assets are managed to passively track the performance of the S&P 500 index.

Market Value

On December 31, 2000, the market value of the Closed Landfill Investment Fund was \$9.7 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 12/31/00			
	Qtr.	1 Yr.	3 Yr.	Since 7/1/99
Total Fund (1)	-7.8%	-9.0%	N/A	-1.7%
S&P 500 (2)	-7.8	-9.1	N/A	-1.9

- (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 12/31/00		Annualized	
		Qtr.	1 Yr.	3 Yr.	5 Yr.
Treasurer's Cash Pool*	\$6,369	2.0%	7.1%	6.0%	5.8%
Custom Benchmark**		1.8	6.5	5.3	5.4
Trust Fund Cash Pool*	\$48	1.8	6.8	5.9	5.8
Custom Benchmark***		1.5	5.9	5.2	5.2
3 month T-Bills		1.6	6.1	5.3	5.3

* Actual returns are calculated net of fees

** Beginning in January 1997, the Treasurer's Cash Pool is measured against a blended benchmark consisting of the Lehman Brother's 1 to 3 year Government Index for the first \$1.2 billion and the IBC All Taxable Money Fund Index for the balance of the portfolio. From April 1993 through December 1996, the benchmark was 75% State Street Short Term Investment Fund/25% 1-3 year Treasuries

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

MINNESOTA STATE BOARD OF INVESTMENT

Composition of State Investment Portfolios By Type of Investment

Market Value December 31, 2000 (in Thousands)

Cash and

	Short term Securities	Bonds		Stocks		External Int'l	Alternative Assets	Total
		Internal	External	Internal	External			
BASIC RETIREMENT FUNDS:								
Teachers Retirement Fund	76,498 0.99%	0	1,915,517 24.84%	0	3,423,702 44.40%	1,278,971 16.59%	1,016,327 13.18%	7,711,015 100%
Public Employees Retirement Fund	48,552 1.04%	0	1,146,766 24.52%	0	2,068,761 44.24%	775,092 16.58%	636,733 13.62%	4,675,904 100%
State Employees Retirement Fund	44,904 1.03%	0	1,078,263 24.63%	0	1,939,267 44.30%	726,224 16.59%	588,890 13.45%	4,377,548 100%
Public Employees Police & Fire	42,550 1.72%	260 0.01%	610,597 24.65%	0	1,092,214 44.10%	408,644 16.50%	322,519 13.02%	2,476,784 100%
Highway Patrol Retirement Fund	2,613 1.01%	0	63,980 24.76%	0	114,665 44.37%	42,916 16.60%	34,275 13.26%	258,449 100%
Judges Retirement Fund	252 1.00%	0	6,240 24.82%	0	11,162 44.40%	4,177 16.62%	3,308 13.16%	25,139 100%
Correctional Employees Retirement	2,699 1.00%	0	66,775 24.82%	0	119,448 44.40%	44,692 16.62%	35,395 13.16%	269,009 100%
Public Employees Correctional	2,093 13.03%	0	3,916 24.37%	0	6,293 39.17%	1,899 11.82%	1,865 11.61%	16,066 100%
TOTAL BASIC FUNDS	220,161 1.11%	260 0.00%	4,892,054 24.70%	0	8,775,512 44.30%	3,282,615 16.57%	2,639,312 13.32%	19,809,914 100%
POST RETIREMENT FUND	553,347 2.74%	0	6,852,949 34.00%	0	9,569,133 47.48%	2,726,895 13.53%	452,866 2.25%	20,155,190 100%
TOTAL BASIC AND POST	773,508 1.93%	260 0.00%	11,745,003 29.39%	0	18,344,645 45.90%	6,009,510 15.04%	3,092,178 7.74%	39,965,104 100%

	Cash and		Bonds		Bonds		Stocks		Stocks		External		Alternative		Total
	Short term Securities	Bonds Internal	Bonds External	Stocks Internal	Stocks External	External Int'l	Assets	Total	Assets	Total	Assets	Total			
MINNESOTA SUPPLEMENTAL FUNDS:															
Income Share Account	2,722	245,795	0	0	356,265	0	0	604,782							
	0.45%	40.64%			58.91%		100%								
Growth Share Account	0	0	0	0	283,540	0	0	283,540							
					100.00%		100%								
Money Market Account	25,384	0	0	0	0	0	0	25,384							
	100.00%							100%							
Common Stock Index	0	0	0	0	388,453	0	0	388,453							
					100.00%			100%							
Bond Market Account	0	0	119,109	0	0	0	0	119,109							
			100.00%					100%							
International Share Account	0	0	0	0	0	45,710	0	45,710							
						100.00%		100%							
Fixed Interest Account	1,294	0	84,713	0	0	0	0	86,007							
	1.50%		98.50%					100%							
Money Market Deferred Comp	60,661	0	0	0	0	0	0	60,661							
	100.00%							100%							
TOTAL SUPPLEMENTAL FUNDS															
	90,061	245,795	203,822	0	1,028,258	45,710	0	1,613,646							
	5.58%	15.23%	12.63%		63.72%	2.84%		100%							
TOTAL RETIREMENT FUNDS															
	863,569	246,055	11,948,825	0	19,372,903	6,055,220	3,092,178	41,578,750							
	2.08%	0.59%	28.74%	0.00%	46.59%	14.56%	7.44%	100%							

	Cash and		Bond	Bond	Stock	Stock	External	Int'l	Alternative	Total
	Short Term	Securities								
ASSIGNED RISK PLAN	5,297	0	261,193	0	61,822	0	0	0	0	328,312
	1.61%		79.56%		18.83%					100%
ENVIRONMENTAL FUND	1,991	96,432	0	207,874	0	0	0	0	0	306,297
	0.65%	31.48%		67.87%						100%
PERMANENT SCHOOL FUND	9,041	280,283	0	271,432	0	0	0	0	0	560,756
	1.61%	49.98%		48.41%						100%
TOBACCO SETTLEMENT POOL	2,317	351,934	0	304,709	0	0	0	0	0	658,960
	0.35%	53.41%		46.24%						100%
CLOSED LANDFILL INVESTMENT	10	0	0	9,642	0	0	0	0	0	9,652
	0.10%			99.90%						100%
TREASURERS CASH	6,276,610	0	0	0	0	0	0	0	0	6,276,610
	100.00%									100%
HOUSING FINANCE AGENCY	47,402	268,156	0	0	0	0	0	0	0	315,558
	15.02%	84.98%								100%
MINNESOTA DEBT SERVICE FUND	110,197	162,996	0	0	0	0	0	0	0	273,193
	40.34%	59.66%								100%
MISCELLANEOUS ACCOUNTS	189,634	234,690	0	32,318	0	0	0	0	0	456,642
	41.53%	51.39%		7.08%						100%
GRAND TOTAL	7,506,068	1,640,546	12,210,018	825,975	19,434,725	6,055,220	3,092,178	50,764,730		
	14.79%	3.23%	24.05%	1.63%	38.28%	11.93%	6.09%	100%		

Tab B

EXECUTIVE DIRECTOR'S ADMINISTRATIVE REPORT

DATE: February 27, 2001

TO: Members, State Board of Investment

FROM: **Howard Bicker**

1. Reports on Budget and Travel

A report on the SBI's administrative budget for the period ending January 31, 2001 is included as **Attachment A**.

A report on travel for the period from November 16, 2000 - February 15, 2001 is included as **Attachment B**.

2. Results of FY00 Financial Audit

The Office of the Legislative Auditor has completed its audit of SBI operations for Fiscal Year 2000. I am pleased to report that the SBI received a "clean opinion" on its financial statements. See **Attachment C**.

3. Legislative Update

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

4. Litigation Update

The SBI has been designated lead plaintiff in a class action suit against Mercury Finance Corporation. The SBI is also a party to a securities litigation suit against McKesson HBOC. SBI legal counsel will give the Board a verbal update on the status of the litigation at the Board meeting on March 8, 2001.

5. Update on Tobacco Information

The resolution adopted by the Board at its September 2, 1998 meeting requires active managers to divest by September 2001 holdings in stock of companies that derive at least fifteen percent of revenues from tobacco products

From September 30, 2000 to December 31, 2000 shares in the SBI active stock portfolios were reduced by 298,100 shares, dropping from approximately 0.5 million shares to approximately 0.2 million shares. The market value of these holdings decreased from approximately \$15 million to approximately \$9.5 million. Tables showing the holdings for the SBI active and semi-passive managers are in **Attachment E**.

ATTACHMENT A

**STATE BOARD OF INVESTMENT
FISCAL YEAR 2001 ADMINISTRATIVE BUDGET REPORT
GENERAL FUND APPROPRIATION
FISCAL YEAR TO DATE THROUGH JANUARY 31, 2001**

ITEM	FISCAL YEAR 2001 BUDGET	FISCAL YEAR 2001 EXPENDITURES
PERSONAL SERVICES		
FULL TIME EMPLOYEES	\$ 1,884,000	\$ 980,419
SEVERENCE PAYOFF	20,000	14,886
WORKERS COMPENSATION INSURANCE	1,000	445
MISCELLANEOUS PAYROLL	1,000	0
SUBTOTAL	\$ 1,906,000	\$ 995,750
STATE OPERATIONS		
RENTS & LEASES	130,000	77,820
REPAIRS/ALTERATIONS/MAINTENANCE	30,000	10,413
PRINTING & BINDING	20,000	4,623
PROFESSIONAL/TECHNICAL SERVICES	35,000	8,659
COMPUTER SYSTEMS SERVICES	0	6,913
COMMUNICATIONS	30,000	13,964
TRAVEL, IN-STATE	3,000	399
TRAVEL, OUT-STATE	65,000	29,915
SUPPLIES	50,000	24,778
EQUIPMENT	50,000	16,050
EMPLOYEE DEVELOPMENT	15,000	9,564
OTHER OPERATING COSTS	42,000	4,040
SUBTOTAL	\$ 470,000	\$ 207,138
TOTAL GENERAL FUND	\$ 2,376,000	\$ 1,202,888

ATTACHMENT B

STATE BOARD OF INVESTMENT

**Travel Summary by Date
SBI Travel November 16, 2000 – February 15, 2001**

<u>Purpose</u>	<u>Name(s)</u>	<u>Destination and Date</u>	<u>Total Cost</u>
Staff Conference: “Public Funds Boards Forum” sponsored by Institute for International Research Manager Monitoring External Equity Manager: Barclays Global Investors	M. Perry	San Francisco, CA 12/7-12/12	\$2,957.50
Consultant: Richards & Tierney	M. Perry	Chicago, IL 1/15-1/16	\$987.60
Manager Search Deferred Compensation Plan Manager: Brinson Partners	J. Heidelberg	Chicago, IL 1/18	\$141.50
Manager Monitoring Alternative Investment Managers: Crescendo Ventures, Fox Paine, Hellman & Friedman, KKR, BLUM Capital	A. Christensen	San Francisco, CA 1/22-1/24	\$1,582.72
Staff Conference: SCF Partners’ 2001 Investor Conference	J. Griebenow	Houston, TX 2/6-2/7	\$1,459.50
Manager Search Deferred Compensation Plan Manager: American Century Institutional	J. Heidelberg	Kansas City, MO 2/12-2/13	\$249.50

ATTACHMENT C

Minnesota State Board of Investment

Table of Contents

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Report Summary	1
Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2
Status of Prior Audit Issues	4

Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia J Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
Jack Hirschfeld, CPA	Audit Director
Patrick Phillips, CPA	Auditor
Alan Sasse	Auditor
Ellen Sibley	Auditor
Amanda Voltz	Intern

Exit Conference

We discussed this report and other issues involving the internal control structure with the following State Board of Investment staff at an exit conference on December 20, 2000:

Howard Bicker	Executive Director
L. Michael Schmitt	Administrative Director
Mansco Perry, III	Assistant Executive Director
Bill Nicol	Accounting Supervisor Senior

Minnesota State Board of Investment

Report Summary

Audit Conclusions:

- We issued an unqualified opinion on the financial statements of the Supplemental Investment Fund and the Post Retirement Fund for the year ended June 30, 2000.
- We issued a Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. We did not report any material weaknesses involving the internal control over financial reporting and its operation or noncompliance that would be required to be reported under *Government Auditing Standards*
- We audited payroll and other administrative expenditures of the Minnesota State Board of Investment (SBI) for the three years ended June 30, 2000. We concluded that SBI's controls provided reasonable assurance that administrative expenditures were properly recorded in the accounting records and complied with applicable legal provisions.

Background Information:

SBI manages the investment of retirement fund assets of the Minnesota State Retirement System, Teachers Retirement Association, and the Public Employees Retirement Association. SBI also invests funds for other state agencies, including invested treasurer's cash which is the idle cash in state accounts. At June 30, 2000, SBI administered over \$53 billion in state assets. SBI uses both internal staff and external investment managers to fulfill its responsibilities. The external firms invest and manage the assets of the retirement funds and the assigned risk plan. SBI staff manage the other state investments.

SBI incurs approximately \$3.3 million annually in expenditures for payroll and other administrative costs such as rent, supplies, equipment, and travel. SBI finances approximately \$2.3 million of the administrative expenditures from General Fund appropriations. SBI charges the remaining administrative costs directly to the funds receiving the investment services. State agencies reimburse SBI for the investment services provided. SBI deposits the reimbursements in the General Fund as nondedicated receipts.



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

**Report on Compliance and Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Representative Dan McElroy, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Members of the Minnesota State Board of Investment

Howard J. Bicker, Executive Director
Minnesota State Board of Investment

We have audited the financial statements of the Supplemental Investment Fund and the Post Retirement Investment Fund of the Minnesota State Board of Investment as of and for the year ended June 30, 2000, and have issued our report thereon dated December 1, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Minnesota State Board of Investment's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

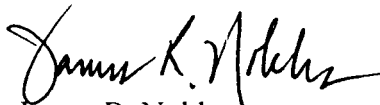
Internal Control Over Financial Reporting


In planning and performing our audit, we considered the Minnesota State Board of Investment's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over

Representative Dan McElroy, Chair
Members of the Legislative Audit Commission
Members of the Minnesota State Board of Investment
Howard J. Bicker, Executive Director
Page 2

financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Legislative Audit Commission and the Minnesota State Board of Investment, and is not intended to be and should not be used by anyone other than these specified parties.


James R. Nobles
Legislative Auditor


Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: December 1, 2000

Report Signed On: December 21, 2000

Minnesota State Board of Investment

Status of Prior Audit Issues As of December 1, 2000

Most Recent Audit

February 10, 2000, Legislative Audit Report 00-02 covered the fiscal year ended June 30, 1999. The audit scope included the investment functions material to the State of Minnesota's financial statements and the Supplemental Investment Fund and the Post Retirement Investment Fund included in the Minnesota State Board of Investment's (SBI) Annual Report. We audit SBI on an annual basis. The report had one reportable issue. We questioned whether the statutory basis used to calculate participation in the Post Retirement Investment Fund (Post Fund) should be used for financial reporting purposes. As we recommended, SBI consulted with the Department of Finance, retirement fund administrators, and staff of Governmental Accounting Standards Board (GASB) regarding methods for calculating participation in the Post Fund. The parties concluded that the current method of calculating participation was acceptable.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

ATTACHMENT D

**Bills of Interest to the Minnesota State Board of Investment
2001 Legislative Session
Includes Action Through 2/15/01**

Description of Bill	HF/SF # and Author	Current Status
Health care reimbursement plan for state employees	HF 695 (Osskopp)	Referred to Govt'l Operations
- SBI would invest assets of plan	SF 641 (Pogemiller)	Referred to State & Local Govt'l Operations
<hr/>		
Creating a hightech seed capital fund	SF 501 (Cohen)	Referred to Jobs, Housing and Community Development
- SBI would receive new investment authority and appropriation		
<hr/>		
State Agency Budget Bill	HF 218 (Krinkie)	Budget presentation on 2/15
<hr/>		
PERA Funding Bill	HF 855 (Mares)	Referred to Govt'l Operations
<hr/>		

ATTACHMENT E

SBI Active Stock Holdings Tobacco Companies Identified by the IRRC that derive at least fifteen percent of revenue from tobacco products September 30, 2000

Domestic Common Stocks and American Depository Receipts (ADR's)

Company	Percent Revenue from Tobacco in 1997	SBI Shares 9/30/00	SBI Cost Value 9/30/00	SBI Market Value 9/30/00
Philip Morris Cos., Inc.	46	514,800	14,922,464	15,154,425
Subtotal		514,800	\$14,922,464	\$15,154,425

International Stocks

Company	Percent Revenue from Tobacco in 1997	SBI Shares 9/30/00	SBI Cost Value 9/30/00	SBI Market Value 9/30/00
N/A		0	0	0
Subtotal		0	0	0
Total SBI Holdings		514,800	\$14,922,464	\$15,154,425

Sources: The publication, "The Tobacco Industry," Eighth Edition, 1998, by the Investor Responsibility Research Center (IRRC), Washington D.C. is the source for the tobacco revenue information. SBI holdings data are from SBI bank records.

*1998 data

SBI Active Stock Holdings
Tobacco Companies Identified by the IRRC
that derive at least fifteen percent of revenue from tobacco products
December 31, 2000

Domestic Common Stocks and American Depository Receipts (ADR's)

Company	Percent Revenue from Tobacco in 1997	SBI Shares 12/31/00	SBI Cost Value 12/31/00	SBI Market Value 12/31/00
Philip Morris Cos., Inc.	46	216,700	6,281,464	9,534,800
Subtotal		216,700	\$6,281,464	\$9,534,800

International Stocks

Company	Percent Revenue from Tobacco in 1997	SBI Shares 12/31/00	SBI Cost Value 12/31/00	SBI Market Value 12/31/00
N/A		0	0	0
Subtotal		0	0	0
Total SBI Holdings		216,700	\$6,281,464	\$9,534,800

Sources: The publication, "The Tobacco Industry," Eighth Edition, 1998, by the Investor Responsibility Research Center (IRRC), Washington D.C is the source for the tobacco revenue information. SBI holdings data are from SBI bank records.

*1998 data

Tab C



CAROL C. JOHNSON
Minnesota State Treasurer

DATE: February 27, 2001

TO: Members, State Board of Investment

FROM: Carol C. Johnson, Chair
Administrative Committee

SUBJECT: Report from the SBI Administrative Committee

1. Review of Potential Legislative Issues.

There may be a number of issues of interest to the SBI during the current legislative session. Mr. Bicker discussed the need of PERA for additional contributions and the provision to extend the amortization of the investment component of the Post Fund benefit formula from five to ten years. These bills and other items will be handled by the retirement systems or others. The SBI does not have an agency bill.

2. Presentations on Group 3 Countries

The Board's International Investing Guidelines group countries into three broad categories based on human and worker rights laws and practices. These guidelines do not prohibit a manager from investing in the market of any country. Rather, they require either written notification (for Group II markets) or personal presentation from the Manager (for Group III markets).

The Committee heard presentations from the SBI's recently hired Emerging Markets Managers (*Alliance Capital, Capital International, Morgan Stanley, and Schroders*) concerning their interest in investing in Group III markets. The Managers' comments can be summarized as follows:

- Each Manager believes that investing in Group III emerging markets offers significant return opportunity as these markets are reforming, liberalizing, and privatizing.
- Reforms at the company level are leading to improved focus on shareholder value, allowing the Managers to have an influence at the company level.

- A rise in foreign investment spurs economic growth and efficiency, which in turn may lead to improvements in worker and human rights.
- As of December 31, 2000, six Group III countries (or 10% of the Managers' benchmark) were included in the MSCI Emerging Market Free Index.

The Administrative Committee voted to authorize the use of Group III markets by all four Managers.

Tab D

COMMITTEE REPORT

DATE: February 27, 2001

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

FROM: Stock and Bond Manager Committee

The Stock and Bond Manager Committee met on February 14, 2001 to consider the following agenda items:

- Review the manager performance for the period ending December 31, 2000.
- Update on emerging markets manager funding and plan rebalancing.
- Update on the 457 Deferred Compensation Plan short list.
- Recommendation to renew investment management contracts.

Action is required by the SBI / IAC on the last item.

INFORMATION ITEMS:

1. Review of manager performance for the period ending December 31, 2000.

- *Domestic Equity Managers*

For the period ending December 31, 2000, the **Domestic Equity Manager Program** out-performed the Wilshire 5000 Investable during the quarter and five-year time periods, but under-performed during the one and three-year time periods. The **current managers** out-performed the aggregate benchmark for the quarter, three and five-year time periods, and under-performed for the one-year period.

Time period	Total Program	Wilshire 5000 Investable	Current Mgrs. Only	Aggregate Benchmark
Quarter	-10.4%	-10.5%	-10.4%	-11.2%
1 Year	-11.0	-10.8	-10.7	-10.6
3 Years	9.9	10.4	11.8	11.6
5 Years	16.5	16.4	18.2	17.4

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 December 31, 2000, the **Fixed Income Manager Program** out-performed the Lehman Aggregate for the one and five-year periods, and matched the index during the quarter and three-year time periods. The **current managers** outperformed the aggregate benchmark for the one and five-year periods and matched the index for the quarter and three-year time periods.

Time period	Total Program	Lehman Aggregate
Quarter	4.2%	4.2%
1 Year	11.7	11.6
3 Years	6.4	6.4
5 Years	6.8	6.5

Current Mgrs. Only	Aggregate Benchmark
4.2%	4.2%
11.7	11.6
6.4	6.4
6.7	6.5

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 December 31, 2000, the **International Equity Program** outperformed its composite index during all time periods. Performance of the **equity managers** (excluding the currency overlay) also outperformed during all time periods.

Time Period	Total Program	Composite Index*
Quarter	-3.1%	-3.9%
1 Year	-14.3	-16.1
3 Year	8.3	7.8
5 Year	7.9	5.8

Equity Mgrs. Only
-3.1%
-14.3
8.3
7.2

* 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.

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

2. Update on emerging markets manager funding and plan rebalancing.

At the December 2000 meeting, the State Board of Investment hired four new investment firms for the International Program to actively manage emerging markets stock portfolios. They included the *Alliance Capital Limited, Capital International, Inc., Morgan Stanley Dean Witter Investment Management, and Schroder Investment Management North America, Limited.*

These firms were funded on January 2, 2001 with approximately \$110-\$120 million each. This was accomplished by transferring approximately \$200 million in stock from Genesis Asset Management, who was terminated on December 13, 2000, and approximately \$90 million in stock from Montgomery Asset Management. An additional \$200 million from the cash accounts completed their funding. At the beginning of January 2001, the emerging markets program totaled just over \$600 million or 10% of the International Equity Program, and was invested in five similarly sized portfolios.

Also during the quarter, plan assets were rebalanced to policy targets. On December 1, 2000, \$550 million was transferred out of Fixed Income and into International EAFE portfolios. On January 1, 2001, an additional \$400 million was withdrawn from Fixed Income and reallocated to Domestic Equity.

3. Update on the 457 Deferred Compensation Plan short list.

At its June 1998 meeting, the Board approved a recommendation from the Deferred Compensation Review Committee to retain one mutual fund in each of six asset class categories as investment options for the State's new 457 Deferred Compensation Plan. The Stock and Bond Manager Committee now evaluates these six mutual fund managers in the same manner that it reviews other managers retained by the SBI.

Staff has developed a short list of potential candidates as a starting point for any search if it becomes necessary to replace one or more of the existing mutual fund managers. Up to four mutual funds were identified for each asset class category for the 457 Deferred Compensation Plan short list as shown below:

Large Cap Domestic Equity

Legg Mason Value Trust - Navigator
Wells Fargo Large Company Growth
White Oak Growth

Balanced Funds

Columbia Balanced
Dodge & Cox Balanced
Fidelity Asset Manager

S&P 500 Index Funds

Dreyfus Basic S&P 500 Stock
SEI Index S&P 500 Index E
SSgA S&P 500 Index

International Equity Funds

Janus Aspen International Growth Institutional
Scudder International S
T Rowe Price International Stock
Vanguard International Growth

Small Cap Domestic Equity Funds

Neuberger Berman Genesis
SAFECO Growth Opportunity
UAM ICM Small Company

Domestic Bond Funds

Northern Institutional Bond A
PIMCO Total Return II Institutional
Western Asset Core Portfolio

ACTION ITEM:

4. Recommendation to renew investment management contracts.

The contracts of four (4) international equity managers will expire on or before September 30, 2001. Currently, the standing of each of these managers is satisfactory. Staff recommends renewal of each of these contracts for a five-year period with an immediate termination clause. All other terms and conditions of the contracts are expected to remain unchanged.

RECOMMENDATION:

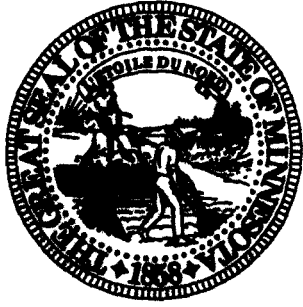
The Committee recommends that the SBI authorize the Executive Director, with assistance from SBI's legal counsel, to negotiate and execute five year contract extensions with the following firms, subject to inclusion of a provision which provides for immediate termination:

International Equity – Active Developed Markets

**Marathon Asset Management
Scudder Kemper Investments
T. Rowe Price International, Inc.**

Passive Developed Markets

State Street Global Advisors



STATE BOARD OF INVESTMENT

Stock Manager Evaluation Reports

Fourth Quarter, 2000

**COMBINED RETIREMENT FUNDS
DOMESTIC STOCK MANAGERS
Periods Ending December, 2000**

	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	-10.0	-11.7	-13.7	-11.4	21.2	17.0	26.8	21.7	20.2	15.1	\$1,420.90	7.3%
Brinson Partners	4.1	-9.9	3.6	-1.0	3.6	12.6	12.0	17.8	13.8	17.0	\$654.77	3.4%
Cohen, Klingenstein & Marks	-6.5	-15.2	-6.0	-12.1	17.5	14.1	21.9	18.7	22.1	19.0	\$418.99	2.2%
Forstmann-Leff	-11.6	6.3	-12.3	18.1	16.5	16.0	22.9	18.4	15.6	14.2	\$607.74	3.1%
Franklin Portfolio	-5.4	-3.9	-1.6	0.3	11.2	11.3	18.8	16.3	16.2	15.0	\$671.75	3.5%
GeoCapital	-17.2	-16.9	-27.8	-13.0	7.2	2.6	11.8	6.3	14.0	13.0	\$429.51	2.2%
Lincoln	-23.9	-22.3	-22.4	-24.5	11.8	12.1	17.7	18.8	18.0	18.2	\$837.44	4.3%
Oppenheimer	8.3	1.4	11.2	10.3	14.4	16.4	20.3	20.5	19.5	18.7	\$943.85	4.9%
Emerging Managers (2)	-9.3	-7.2	-6.0	0.3	13.9	15.8	18.3	19.2	18.4	19.1	\$819.25	4.2%
Semi-Passive Managers (3)												
Franklin Portfolio	-13.3	-14.0	-15.9	-16.3	5.2	6.4	14.2	14.7	17.5	18.0	\$2,038.22	10.5%
JP Morgan	-11.6	-14.0	-13.6	-16.3	7.1	6.4	15.0	14.7	18.4	18.0	\$2,188.26	11.3%
Barclays Global Investors	-13.2	-14.0	-13.8	-16.3	6.1	6.4	14.7	14.7	18.5	18.0	\$2,154.04	11.1%
Passive Manager (4)												
Barclays Global Investors	-10.0	-10.5	-9.8	-11.0	11.1	10.7	17.1	16.7	18.2	17.8	\$6,188.20	31.9%
Since 1/1/84												
Current Aggregate	-10.4	-11.2	-10.7	-10.6	11.8	11.6	18.2	17.4	16.6	14.2	\$19,372.91	100.0%
Historical Aggregate (5)	-10.4	-11.2	-11.0	-10.7	9.9	10.1	16.5	16.3	14.7	14.9		
Wilshire 5000 Investable (6)		-10.5		-10.8		10.4		16.4		14.9		
Wilshire 5000		-10.3		-10.9		10.8		16.7		15.2		

(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) Semi-passive managers retained 1/95. All use completeness fund benchmark.

(4) Passive manager retained 7/95 to manage a Wilshire 5000 index fund.

(5) Includes the performance of terminated managers.

(6) 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 December, 2000

Portfolio Manager: Jack Koltes

Assets Under Management: \$1,420,895,015

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

Alliance modestly out-performed during the quarter, a difficult one for growth managers, due to financial and healthcare holdings. Technology, communication services and consumer staples contributed to the portfolio's under-performance for the year. Staff met with Alliance at their Minneapolis office during the quarter and uncovered no areas of concern.

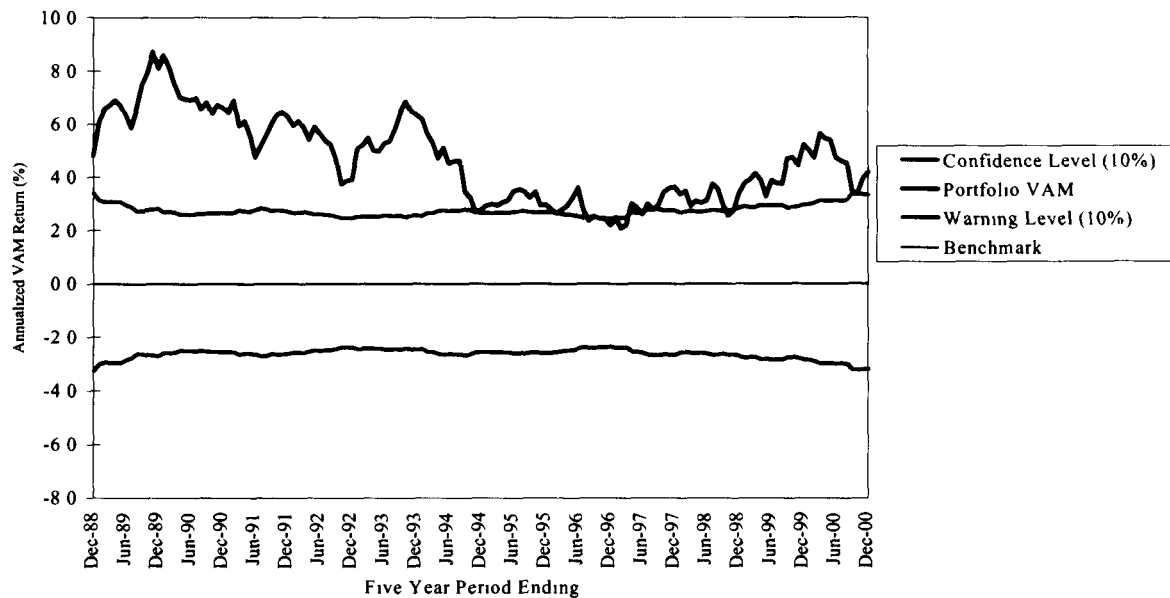
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-10.0%	-11.7%
Last 1 year	-13.7	-11.4
Last 2 years	9.1	7.5
Last 3 years	21.2	17.0
Last 4 years	27.6	21.3
Last 5 years	26.8	21.7
Since Inception (1/84)	20.2	15.1

Recommendation

No action required.

ALLIANCE CAPITAL MANAGEMENT
Rolling Five Year VAM



BRINSON PARTNERS
Periods Ending December, 2000

Portfolio Manager: John Leonard

Assets Under Management: \$654,765,410

Investment Philosophy

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

Staff Comments

Brinson's out-performance for the quarter was helped by financial and healthcare holdings as well as the portfolio's under-weight to the largest capitalization stocks in the benchmark and to the internet and computer hardware industries. The portfolio's out-performance for the year was helped significantly by holdings in the medical products industry.

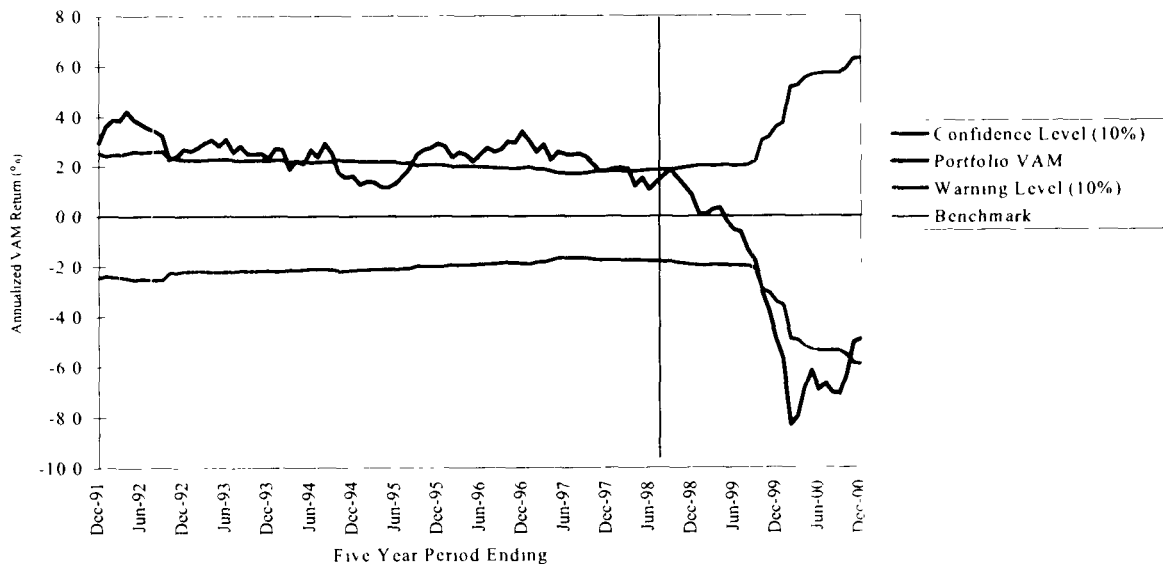
Bob Moore, who is the co-head of U.S. Equities with John Leonard, will be retiring at the beginning of 2001. John Leonard will be the portfolio manager going forward and staff does not believe that this will have an adverse impact on the investment process.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	4.1%	-9.9%	No action required
Last 1 year	3.6	-1.0	
Last 2 years	-2.7	9.7	
Last 3 years	3.6	12.6	
Last 4 years	8.8	17.2	
Last 5 years	12.0	17.8	
Since Inception (7/93)	13.8	17.0	

Recommendation

BRINSON PARTNERS
Rolling Five Year VAM



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

COHEN KLINGENSTEIN & MARKS INCORPORATED
Periods Ending December, 2000

Portfolio Manager: George Cohen

Assets Under Management: \$418,986,266

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

Cohen out-performed the benchmark during the quarter due to an under-weighting in technology and over-weighting in healthcare and financials which performed well during the period. For the year, performance was helped by under-weighting economic cyclicals and technology and over-weighting healthcare.

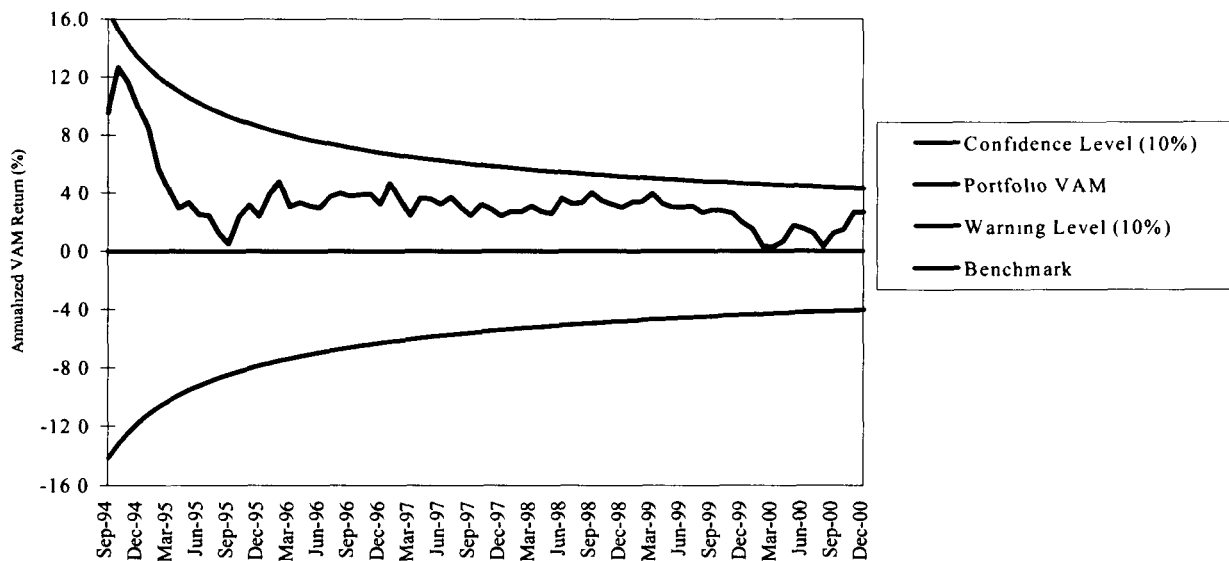
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-6.5%	-15.2%
Last 1 Year	-6.0	-12.1
Last 2 Years	8.3	6.4
Last 3 Years	17.5	14.1
Last 4 Years	20.5	17.9
Last 5 Years	21.9	18.7
Since Inception (4/94)	22.1	19.0

Recommendation

No action required.

COHEN KLINGENSTEIN & MARKS
Cumulative Tracking



FORSTMANN-LEFF ASSOCIATES
Periods Ending December, 2000

Portfolio Manager: Bill Harnisch

Assets Under Management: \$607,735,251

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

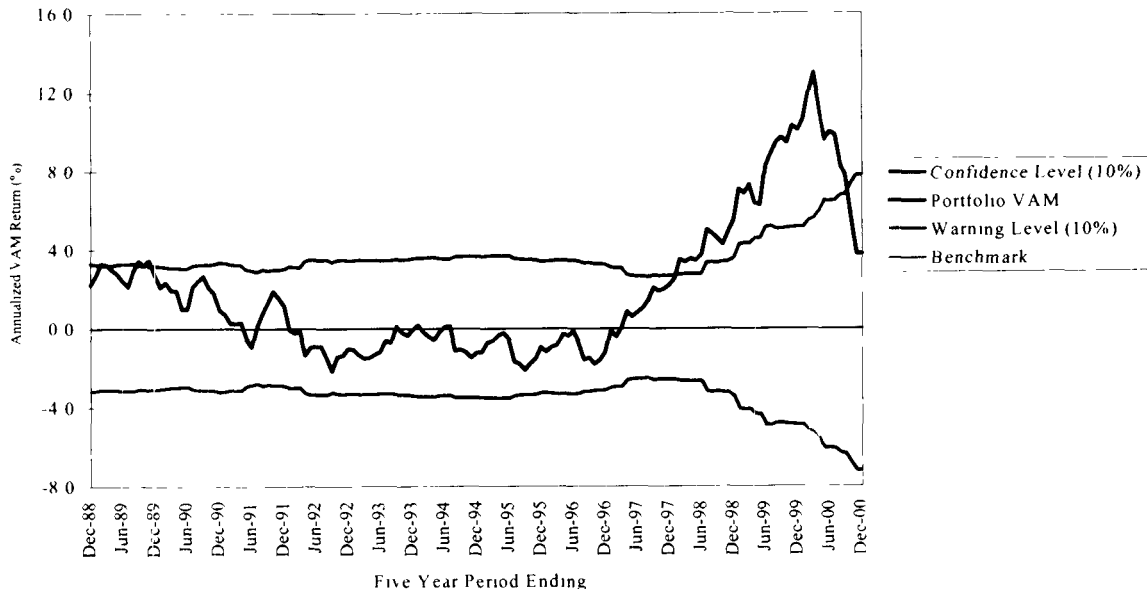
While many areas added value during the recent period, significant under-performance for the quarter and the year was due to Best Buy, which was heavily weighted in the portfolio. The stock tumbled after the company adjusted earnings estimates for the second half of 2000 and the full year 2001. While Forstmann continues to believe in the strong product cycle in consumer electronics, they have trimmed their holdings in this area. The portfolio continues to emphasize the digital revolution - consumer electronics, wireless, broadband and storage - and has repositioned into names that may benefit from a Fed rate decrease as well as natural gas shortages and the de-regulation of electricity.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	-11.6%	6.3%	No action required
Last 1 year	-12.3	18.1	
Last 2 years	10.1	19.3	
Last 3 years	16.5	16.0	
Last 4 years	21.5	17.9	
Last 5 years	22.9	18.4	
Since Inception (1/84)	15.6	14.2	

Recommendation

FORSTMANN-LEFF ASSOCIATES
Rolling Five Year VAM



FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending December, 2000

Portfolio Manager: John Cone

Assets Under Management: \$671,747,938

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

The portfolio under-performed during the quarter due to negative stock selection. The largest negative contributors were from holdings in the technology and telecommunications sectors, which were hard hit during the period.

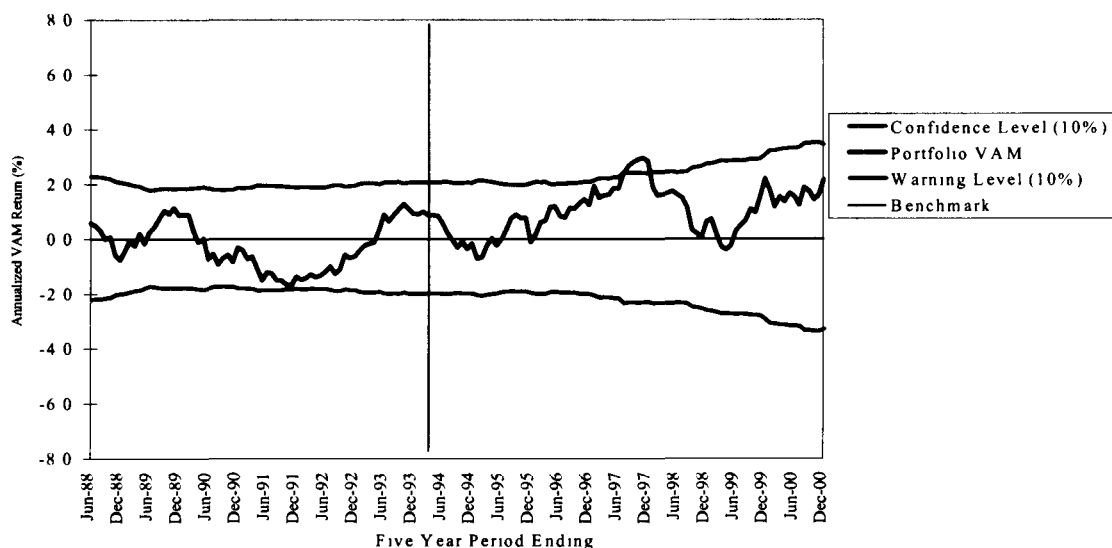
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-5.4%	-3.9%
Last 1 year	-1.6	0.3
Last 2 years	11.4	8.0
Last 3 years	11.2	11.3
Last 4 years	17.4	15.6
Last 5 years	18.8	16.3
Since Inception (4/89)	16.2	15.0

Recommendation

No action required.

FRANKLIN PORTFOLIO ASSOCIATES - Active
Rolling Five Year VAM



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

GEOCAPITAL CORP.
Periods Ending December, 2000

Portfolio Manager: Barry Fingerhut

Assets Under Management: \$429,514,559

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

GeoCapital struggled through October and November due to holdings in technology and the unfavorable market environment in that sector, but gained ground in December ending the quarter slightly behind the benchmark. Portfolio under-performance for the year was also due to technology holdings. While having been more heavily weighted in emerging growth vs. special situation companies in prior quarters, the portfolio is now more evenly weighted between the two. Staff met with GeoCapital during the quarter at SBI offices to review the portfolio and uncovered no areas of concern.

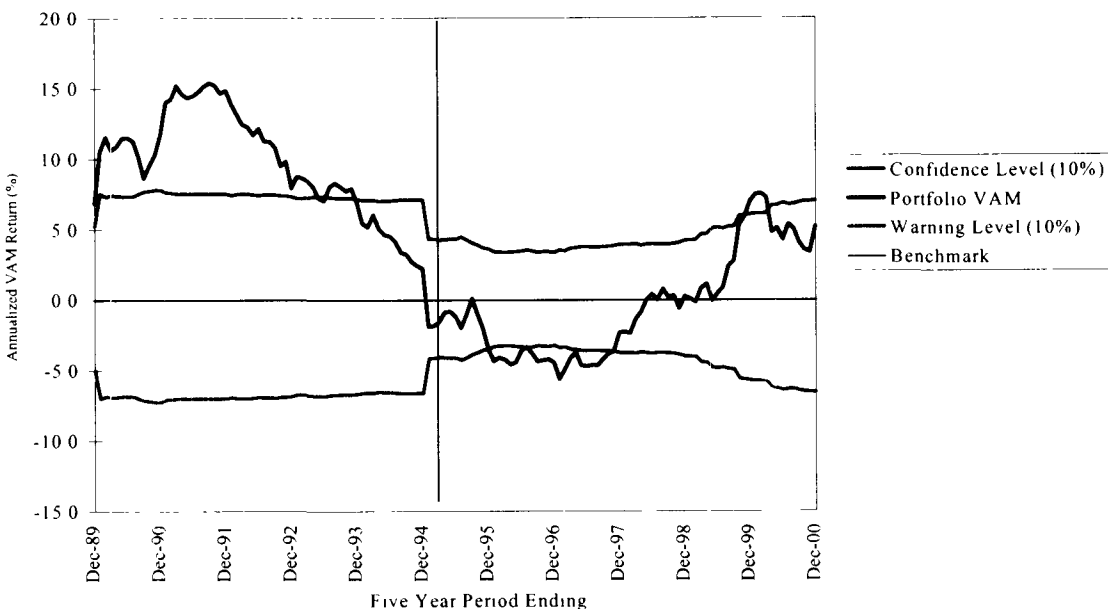
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-17.2%	-16.9%
Last 1 year	-27.8	-13.0
Last 2 years	7.4	4.6
Last 3 years	7.2	2.6
Last 4 years	10.0	5.5
Last 5 years	11.8	6.3
Since Inception (4/90)	14.0	13.0

Recommendation

No action required

GEOCAPITAL CORP.
Rolling Five Year VAM



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

LINCOLN CAPITAL MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: David Fowler

Assets Under Management: \$837,441,000

Investment Philosophy

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

Staff Comments

Lincoln's portfolio under-performed for the quarter amidst a difficult period for growth managers but out-performed for the year. Technology and retail holdings accounted for most of the quarter's negative performance. Going forward, the portfolio remains under-weight the semiconductor area and over-weight storage stocks, reflecting Lincoln's belief that there will be dispersion of returns within technology.

In continuing to implement the previously disclosed transition plan for management of Lincoln, Parker Hall, Chairman, sold his remaining equity to other professionals at Lincoln at the end of the year and assumed the title of Chairman Emeritus.

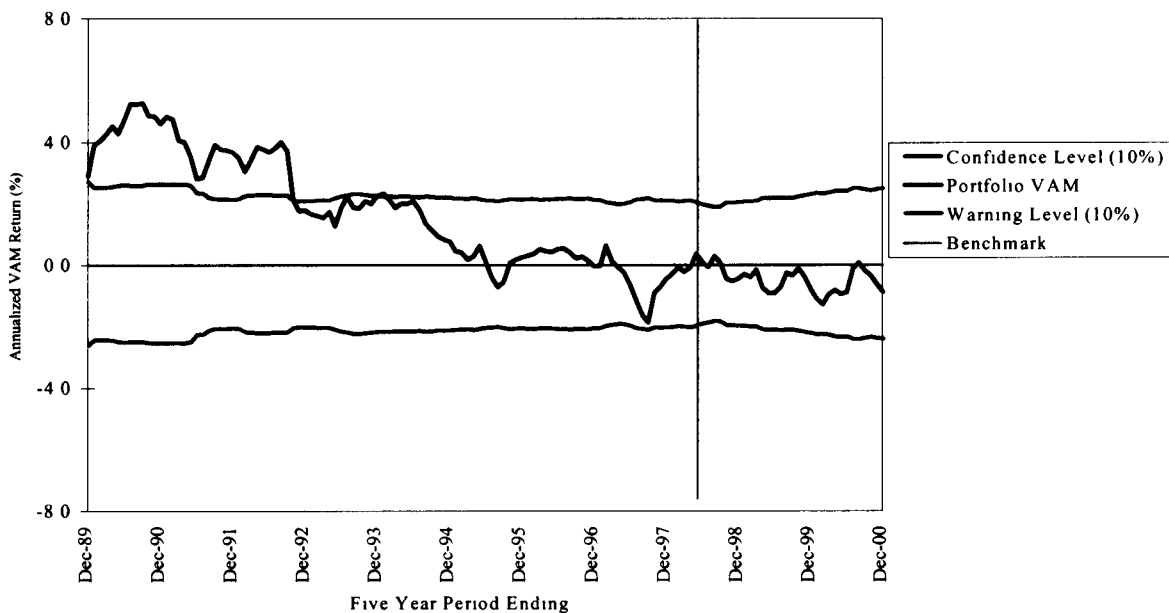
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-23.9%	-22.3%
Last 1 year	-22.4	-24.5
Last 2 years	-0.9	-1.2
Last 3 years	11.8	12.1
Last 4 years	15.6	17.4
Last 5 years	17.7	18.8
Since Inception (7/93)	18.0	18.2

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

OPPENHEIMER CAPITAL
Periods Ending December, 2000

Portfolio Manager: John Lindenthal

Assets Under Management: \$943,846,574

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

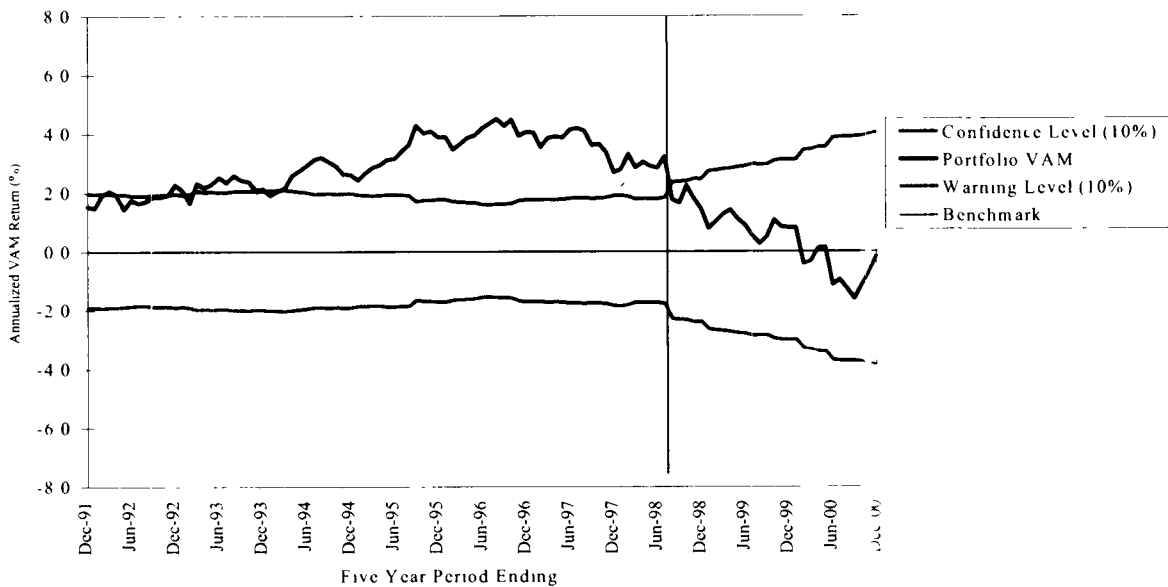
The portfolio out-performed significantly during the quarter due to stock selection in the financials, capital goods and consumer staples sectors. For the year, the five largest contributors leading to out-performance were all financial stocks. Oppenheimer's portfolio has benefited from the market's rotation back to value stocks.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	8.3%	1.4%	No action required
Last 1 year	11.2	10.3	
Last 2 years	11.0	12.6	
Last 3 years	14.4	16.4	
Last 4 years	18.6	20.1	
Last 5 years	20.3	20.5	
Since Inception (7/93)	19.5	18.7	

Recommendation

OPPENHEIMER CAPITAL
Rolling Five Year VAM



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

FRANKLIN PORTFOLIO ASSOCIATES
Periods Ending December, 2000

Portfolio Manager: John Cone

Assets Under Management: \$2,038,221,580

Investment Philosophy
Semi-Passive

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

Staff Comments

Franklin out-performed for the quarter and the year due to risk and industry factor bets. During the quarter, stock selection was positive along with under-weights to momentum and volatility and over-weights in consumer non-cyclicals and industrials. For the year, an over-weight in earning yield, utilities and healthcare along with an under-weight in technology added value.

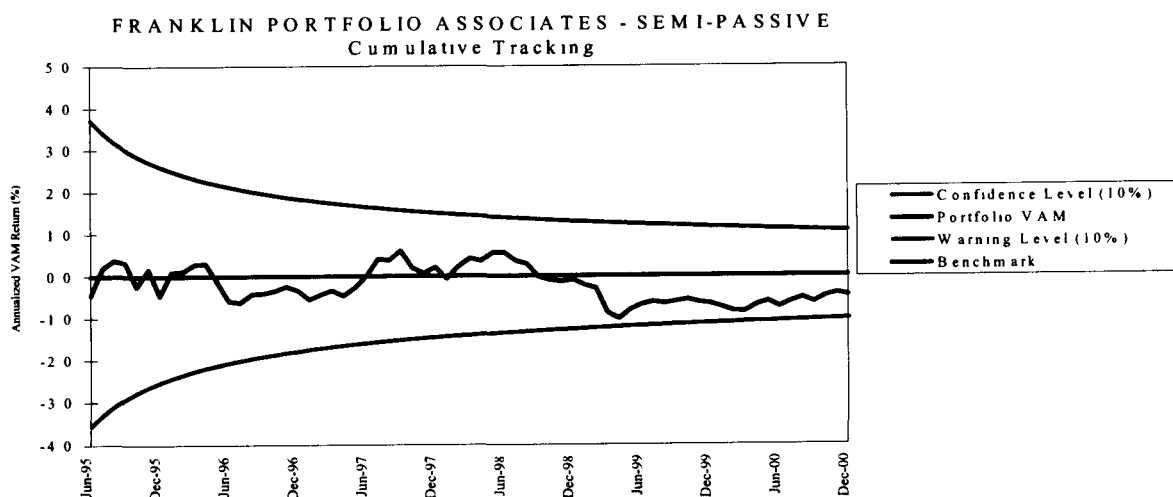
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-13.3%	-14.0%
Last 1 year	-15.9	-16.3
Last 2 years	-2.6	-1.3
Last 3 years	5.2	6.4
Last 4 years	12.4	13.0
Last 5 years	14.2	14.7
Since Inception (1/95)	17.5	18.0

Recommendation

No action required.

* Completeness Fund



J.P. MORGAN INVESTMENT MANAGEMENT, INC.
Periods Ending December, 2000

Portfolio Manager: Tim Devlin

Assets Under Management: \$2,188,259,989

Investment Philosophy
Semi-Passive

J P Morgan believes that superior stock selection is necessary to achieve excellent investment results. To accomplish this objective, they use fundamental research and a systematic valuation model. Analysts forecast the earnings and dividends for the 650 stock universe and enter them into a stock valuation model that calculates an expected return for each security. The stocks are ranked according to their expected return within their economic sectors. The most undervalued stocks are placed in the first quintile. The portfolio includes stocks from the first four quintiles, always favoring the highest ranked stocks whenever possible. Stocks in the fifth quintile are sold. In addition, the portfolio closely approximates the sector, style, and security weightings of the index chosen by the plan sponsor. The firm remains fully invested at all times.

Staff Comments

JP Morgan out-performed significantly during the quarter and the year. The portfolio remains sector neutral, therefore value added comes from the over or under-weighting of individual stocks. For the year, stock selection in the finance, consumer cyclical and insurance sectors was strong.

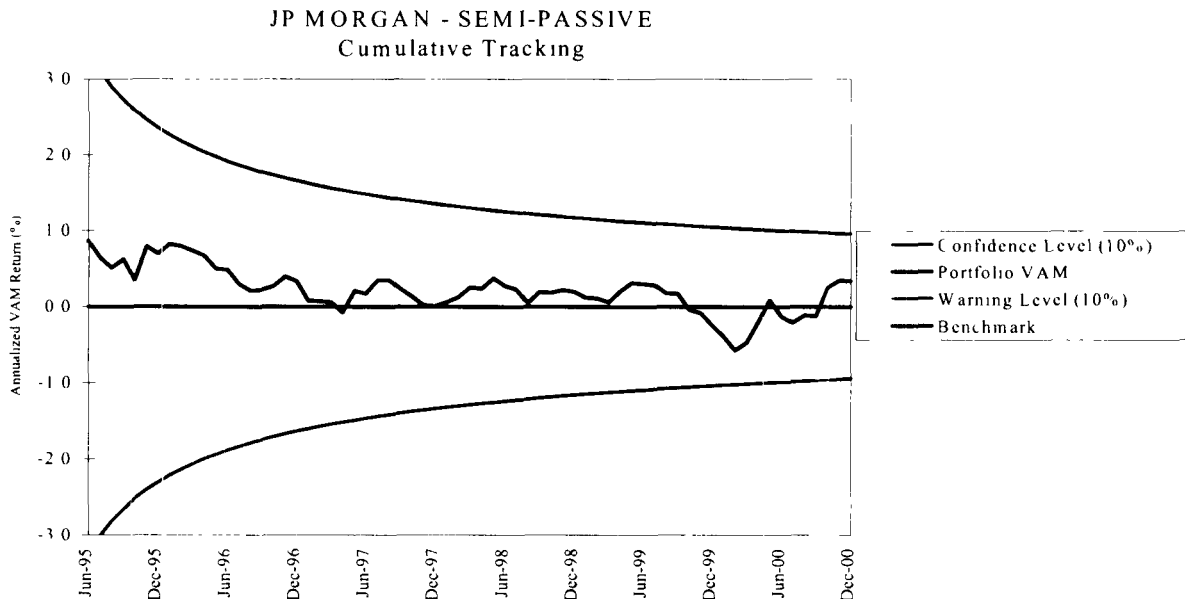
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-11.6%	-14.0%
Last 1 year	-13.6	-16.3
Last 2 years	-0.7	-1.3
Last 3 years	7.1	6.4
Last 4 years	13.4	13.0
Last 5 years	15.0	14.7
Since Inception (1/95)	18.4	18.0

Recommendation

No action required.

* Completeness Fund



BARCLAYS GLOBAL INVESTORS
Periods Ending December, 2000

Portfolio Manager: Nancy Feldkircher

Assets Under Management: \$2,154,035,852

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

BGI's portfolio out-performed for the quarter. The Alpha Tilts Strategy added value through its valuation and signaling components. Investors were more concerned with earnings multiples and the sustainability of earnings, therefore relative valuation and earnings quality measures added to performance. For the year, all three components of the CoreAlpha model added value: valuation inputs, analyst criteria, and signaling criteria.

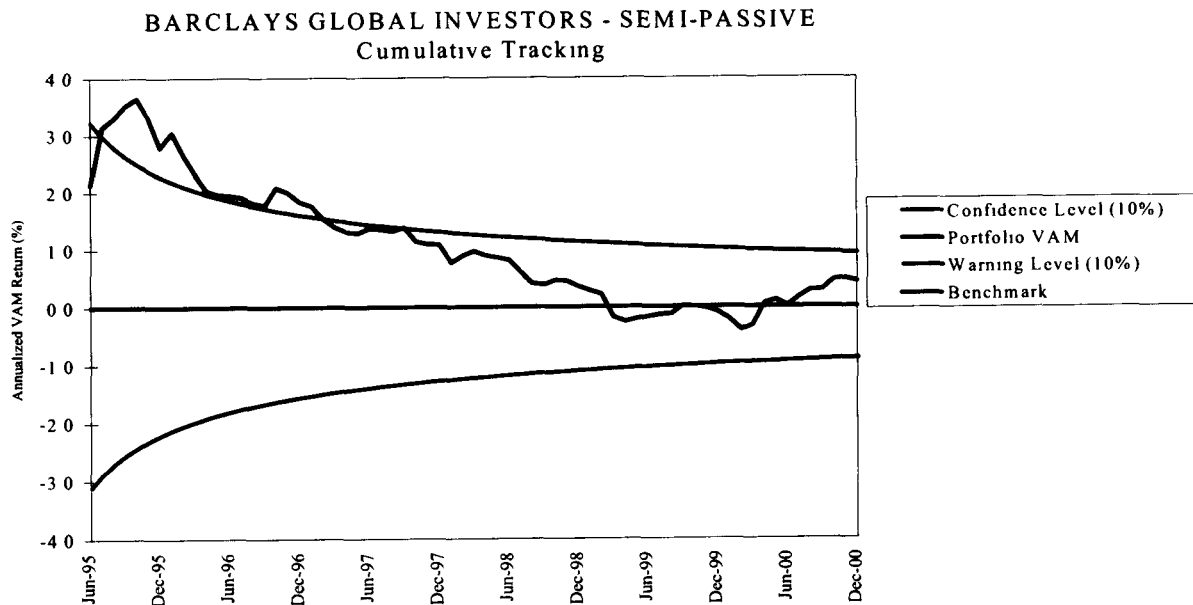
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-13.2%	-14.0%
Last 1 year	-13.8	-16.3
Last 2 years	-0.8	-1.3
Last 3 years	6.1	6.4
Last 4 years	12.7	13.0
Last 5 years	14.7	14.7
Since Inception (1/95)	18.5	18.0

Recommendation

No action required.

* Completeness Fund



BARCLAYS GLOBAL INVESTORS
Periods Ending December, 2000

Portfolio Manager: Brad Pope

Assets Under Management: \$6,188,203,034

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

The passive account, managed to the Wilshire 5000 Investable, incurred significant positive tracking error particularly during the first two months of the quarter. The out-performance was primarily influenced by optimization techniques. These are used to select holdings, which will achieve the overall risk characteristics of the portfolio when issues cannot be held at their full index weight due to liquidity or unavailability of shares on the open market.

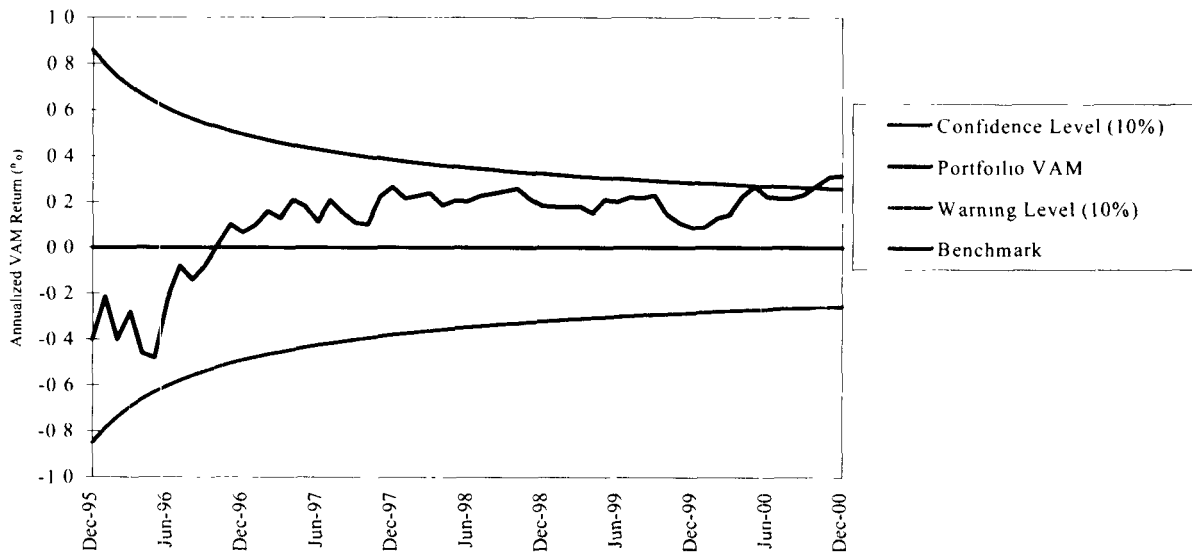
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-10.0%	-10.5%
Last 1 year	-9.8	-11.0
Last 2 years	5.4	4.9
Last 3 years	11.1	10.7
Last 4 years	16.0	15.5
Last 5 years	17.1	16.7
Since Inception (7/95)	18.2	17.8

Recommendation

No action required

BARCLAYS GLOBAL INVESTORS - PASSIVE
Cumulative Tracking





STATE BOARD OF INVESTMENT

Emerging Stock Manager Evaluation Reports

Fourth Quarter, 2000

**COMBINED RETIREMENT FUNDS
EMERGING EQUITY MANAGERS
Periods Ending December, 2000**

	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												
Artemis	-18.9	-9.3							-22.7	-8.3	\$38.93	5.3%
Bay Isle Financial	-1.0	0.2							1.9	8.1	50.94	7.0%
CIC Asset	4.3	8.2	10.8	17.6	4.9	12.3	13.4	18.6	15.3	19.5	78.55	10.8%
Earnest Partners	-4.4	5.6							-6.3	13.9	47.18	6.5%
Holt-Smith & Yates	-7.1	-1.5							-6.8	-2.2	47.19	6.5%
New Amsterdam	-4.4	-5.2	15.0	3.1	18.6	17.3	23.0	19.9	20.8	19.7	107.62	14.8%
Next Century Growth	-22.0	-17.1							-21.3	-19.6	39.80	5.5%
Peregrine Capital	13.5	9.2							23.4	17.2	62.82	8.6%
Valenzuela Capital	7.0	3.8	18.9	14.9	3.4	6.9	15.2	13.7	15.6	14.9	79.74	10.9%
Voyageur-Chicago Equity	-1.2	-2.1							6.3	-7.4	53.93	7.4%
Winslow-Small Cap	-16.0	-15.5							-10.5	-18.8	95.70	13.1%
Zevenbergen Capital	-29.7	-22.5	-38.2	-16.6	22.9	19.5	24.0	21.8	22.3	21.2	116.86	16.0%
											729.39	100.0%
									Since 4/1/94			
Current Aggregate	-9.3	-7.2	-10.3	-0.7	13.2	14.7	19.6	19.0	19.1	19.3		
Historical Aggregate (2)	-9.3	-7.2	-6.0	0.3	13.9	15.8	18.3	19.2	18.4	19.1		

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

(2) Includes the performance of terminated managers.

ARTEMIS INVESTMENT MANAGEMENT, LLC
Periods Ending December, 2000

Portfolio Manager: Joyce Capuano

Assets Under Management: \$38,926,300

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

Artemis suffered during the quarter due to the portfolio's increased exposure to technology and telecom, which they have since reduced to below benchmark weighting.

In December, the firm added Lisa McDonald, a research analyst with seven years of experience most recently with Schroder & Co, and James Idler, a trader from Oppenheimer Capital with eleven years of experience.

Recommendation

No action required.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-18.9%	-9.3%
Last 1 Year	N/A	N/A
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)	-22.7	-8.3

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

BAY ISLE FINANCIAL CORP.
Periods Ending December, 2000

Portfolio Manager: William Schaff

Assets Under Management: \$50,939,791

Investment Philosophy

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

Staff Comments

Bay Isle narrowly under-performed for the quarter. While they feel that there are few under-valued areas left, they have added companies to the portfolio with growing cash flow, competitive positioning and lower sensitivity to economic swings. This quarter, Bay Isle feels that they avoided further losses by avoiding technology and communication stocks.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.0%	0.2%
Last 1 Year	N/A	N/A
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	1.9	8.1

Recommendation

No action required.

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

CIC ASSET MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Jorge Castro

Assets Under Management: \$78,547,301

Investment Philosophy

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

Staff Comments

While CIC feel that their deep value approach is now being rewarded in the market, the portfolio underperformed the custom benchmark in the recent period due to under-weight positions in consumer non-durables and in basic materials. Over the one-year time frame, the portfolio suffered from being under-weight technology in Q1 and from the sector weighting in basic materials thereafter. Staff met with Jorge Castro at SBI offices during the period to discuss CIC's process and the portfolio which remain consistent.

Quantitative Evaluation

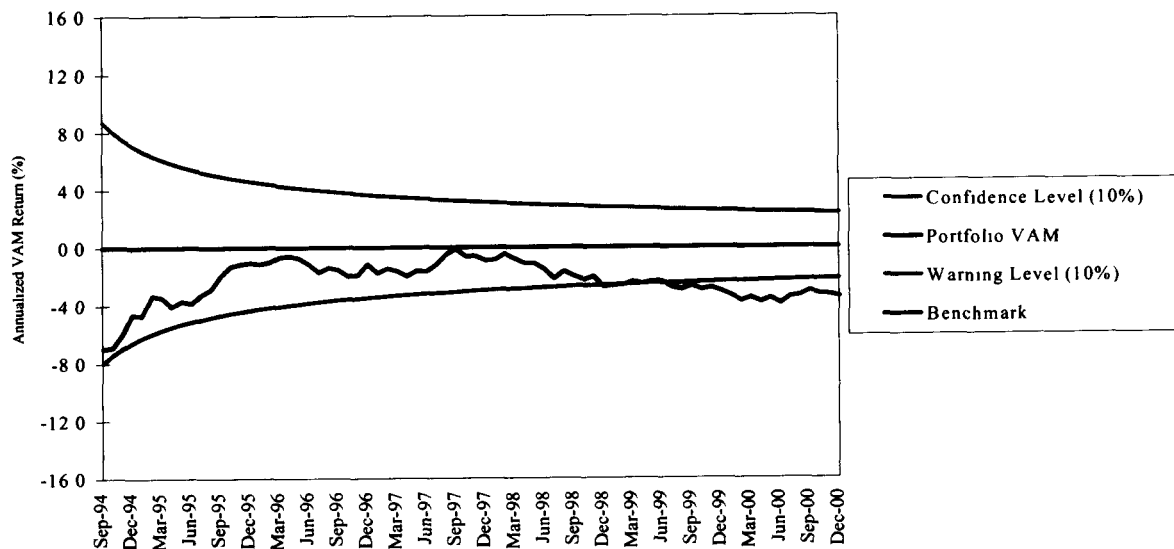
	Actual	Benchmark*
Last Quarter	4.3%	8.2%
Last 1 Year	10.8	17.6
Last 2 Years	5.6	11.4
Last 3 Years	4.9	12.3
Last 4 Years	11.4	17.4
Last 5 Years	13.4	18.6
Since Inception (4/94)	15.3	19.5

Recommendation

No action required.

* Custom benchmark since inception date.

**CIC Asset Management
 Cumulative Tracking**



EARNEST PARTNERS, LLC
Periods Ending December, 2000

Portfolio Manager: Paul Viera

Assets Under Management: \$47,179,255

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

Earnest Partners under performed for the quarter. The under-weight positions in basic materials and consumer cyclicals had the largest negative impact, despite positive stock selection in both areas. While an over-weight in communication services along with stock selection in tech and consumer staples were negative, over-weights in financials and healthcare boosted performance

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-4.4%	5.6%
Last 1 Year	N/A	N/A
Last 2 Years	NA	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-6.3	13.9

Recommendation

No action required

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

HOLT-SMITH & YATES ADVISORS
Periods Ending December, 2000

Portfolio Manager: Kristin Yates

Assets Under Management: \$47,186,930

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

Holt-Smith & Yates (HSY) under-performed their custom benchmark during the period. The portfolio's performance lagged the benchmark due to holdings in healthcare and technology.

The group added Michael Wilson, an Assistant Portfolio Manager, during the quarter. Staff met with HSY at SBI offices during the period.

Recommendation

No action required.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-7.1%	-1.5%
Last 1 Year	N/A	N/A
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	-6.8	-2.2

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

NEW AMSTERDAM PARTNERS
Periods Ending December, 2000

Portfolio Manager: Michelle Clayman

Assets Under Management: \$107,615,892

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

The portfolio narrowly out-performed during the quarter due primarily to over-weight positions in health services, process industries and energy minerals along with an under-weight in technology. Over the one-year time frame, strong stock selection in technology, consumer non-durables and utilities contributed to the significant out-performance.

Quantitative Evaluation

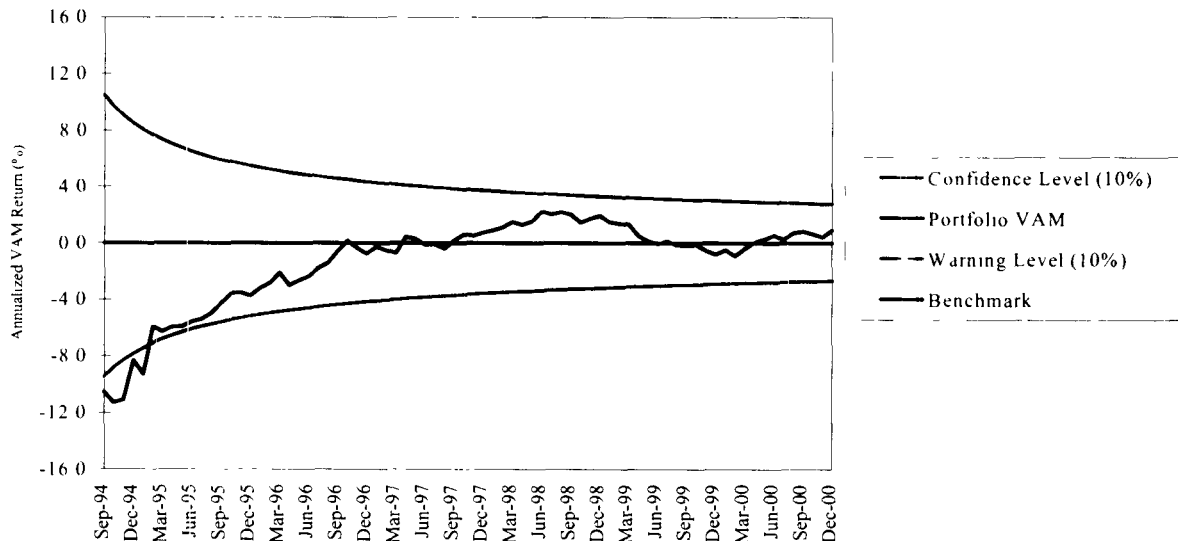
	Actual	Benchmark*
Last Quarter	-4.4%	-5.2%
Last 1 Year	15.0	3.1
Last 2 Years	15.0	16.7
Last 3 Years	18.6	17.3
Last 4 Years	22.8	20.3
Last 5 Years	23.0	19.9
Since Inception (4/94)	20.8	19.7

Recommendation

No action require

* Custom benchmark since inception date

**New Amsterdam Capital Partners
 Cumulative Tracking**



NEXT CENTURY GROWTH INVESTORS, LLC

Periods Ending December, 2000

Portfolio Manager: Thomas Press and Don Longlet

Assets Under Management: \$39,804,496

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

Next Century Growth (NCG) under-performed during this difficult quarter for growth managers. While the portfolio out-performed in the financials, healthcare and transportation areas, the over-weighting in technology explained all of the under-performance. Staff met with NCG at SBI offices during the quarter to discuss their process and the portfolio and uncovered no areas of concern.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-22.0%	-17.1%
Last 1 Year	N/A	N/A
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)	-21.3	-19.6

Recommendation

No action required.

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

PEREGRINE CAPITAL MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Doug Pugh and Tasso Coin

Assets Under Management: \$62,822,946

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

Peregrine out-performed their custom benchmark during a very favorable period for small-cap value stocks. The portfolio benefited most from holdings in financials, healthcare and energy as well as a minimal sector weighting in technology which had a difficult period. Tech names, which have met Peregrine's strict valuation methodologies and fundamental analysis, are now being added to the portfolio due to their compelling valuations.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	13.5%	9.2%
Last 1 Year	N/A	N/A
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)	23.4	17.2

Recommendation

No action required

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

VALENZUELA CAPITAL MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Tom Valenzuela

Assets Under Management: \$79,736,273

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

Valenzuela out-performed during the period due primarily to over-weightings in healthcare and in financials as well as strong security selection in these areas, which were favored during the quarter. For the year, energy, financials and healthcare led the out-performance.

During the quarter, Lisa Parisi, a research analyst left Valenzuela Partners and the firm is conducting a search to replace her. Staff plans to meet with Tom Valenzuela at SBI offices prior to the Committee meeting to discuss changes to the organization.

Quantitative Evaluation

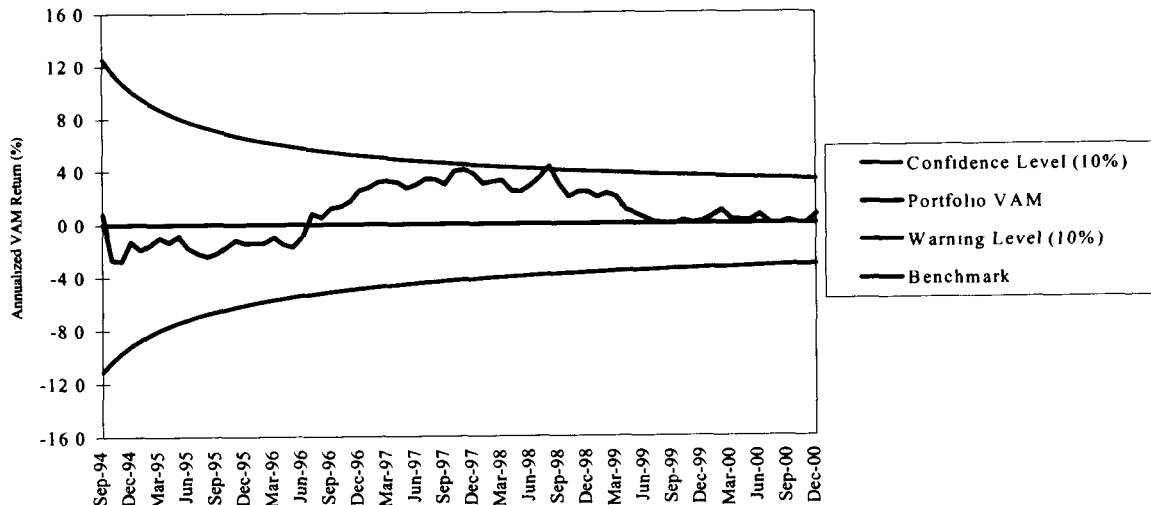
	Actual	Benchmark*
Last Quarter	7.0%	3.8%
Last 1 Year	18.9	14.9
Last 2 Years	5.3	9.1
Last 3 Years	3.4	6.9
Last 4 Years	11.3	12.1
Last 5 Years	15.2	13.7
Since Inception (4/94)	15.6	14.9

Recommendation

No action required.

* Custom benchmark since inception date.

**Valenzuela Capital Partners
 Cumulative Tracking**



VOYAGEUR ASSET MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Charles Henderson

Assets Under Management: \$53,932,104

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

Staff met with Voyageur at SBI offices during the period and uncovered no areas of concern. Their process added value this quarter due to under-weighting and good stock selection in the technology sector and over-weighting healthcare.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.2%	-2.1%
Last 1 Year	N/A	N/A
Last 2 Years	N/A	N/A
Last 3 Years	N/A	N/A
Last 4 Years	N/A	N/A
Last 5 Years	N/A	N/A
Since Inception (7/00)	6.3	-7.4

Recommendation

No action required

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

WINSLOW CAPITAL MANAGEMENT

Periods Ending December, 2000

Portfolio Manager: Joseph Docter

Assets Under Management: \$95,701,717

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

Winslow modestly under-performed during the period. The portfolio's gain in December did not offset the significant decline across all small cap growth names in October and in November in particular. Returns from sector bets were flat, while stock selection in consumer and healthcare was positive. Technology stocks detracted from performance. Profit taking in this area early in the quarter offset a majority of this weakness. Staff met with Winslow during the period at SBI offices and uncovered no areas of concern.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-16.0%	-15.5%
Last 1 Year	N/A	N/A
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)	-10.5	-18.8

Recommendation

No action required.

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

ZEVENBERGEN CAPITAL INC.
Periods Ending December, 2000

Portfolio Manager: Nancy Zevenbergen

Assets Under Management: \$116,859,835

Investment Philosophy

Zevenbergen is an equity growth manager. The investment philosophy is based on the belief that earnings drive stock prices while quality provides capital protection. Hence, portfolios are constructed with companies showing above-average earnings growth prospects and strong financial characteristics. They consider diversification for company size, expected growth rates and industry weightings to be important risk control factors. Zevenbergen uses a bottom-up fundamental approach to security analysis. Research efforts focus on finding companies with superior products or services showing consistent profitability. Attractive buy candidates are reviewed for sufficient liquidity and potential diversification. The firm emphasizes that they are not market timers.

Staff Comments

Zevenbergen suffered during the quarter due to the overall sell-off in the market in technology, in which the portfolio is heavily weighted. The portfolio remains narrowly focused in particular areas of growth – communication infrastructure, electronic manufacturing services and communication specific chips – where Zevenbergen sees the strongest long-term growth prospects in technology. Bio-pharmaceutical holdings in the portfolio also contributed to under-performance during the period, as investors preferred the more defensive large pharmaceuticals within the healthcare sector. Companies within the portfolio have solid balance sheets, execution-driven management and above-average organic growth.

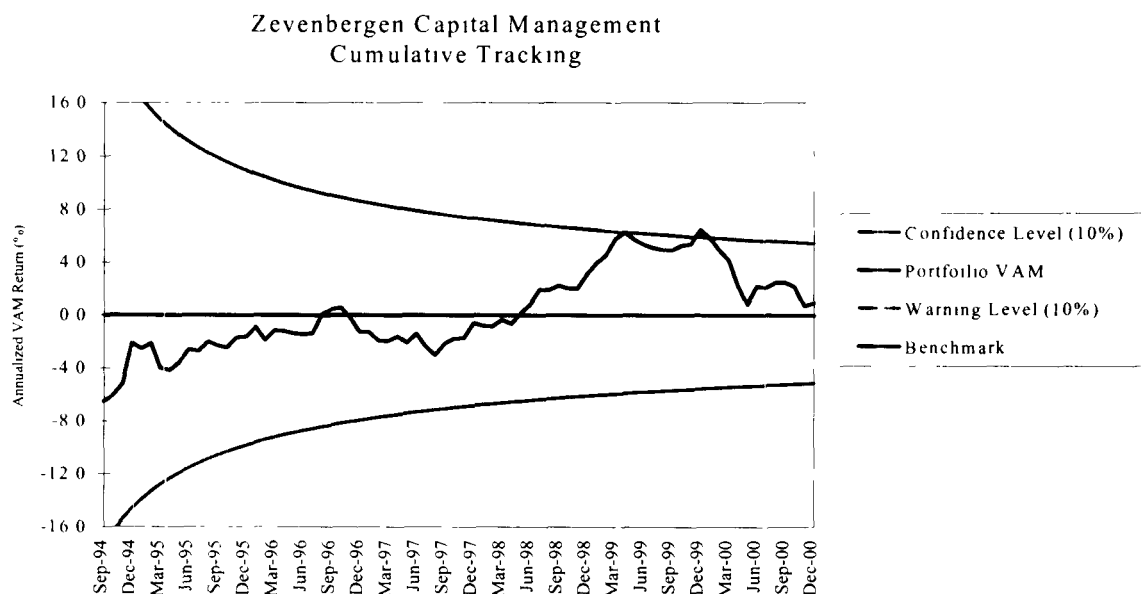
Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-29.7%	-22.5%
Last 1 Year	-38.2	-16.6
Last 2 Years	9.6	14.3
Last 3 Years	22.9	19.5
Last 4 Years	24.5	21.6
Last 5 Years	24.0	21.8
Since Inception (4/94)	22.3	21.2

Recommendation

No action required

* Custom benchmark since inception date.





STATE BOARD OF INVESTMENT

Bond Manager Evaluation Reports

Fourth Quarter, 2000

**COMBINED RETIREMENT FUNDS
BOND MANAGERS
Periods Ending December, 2000**

	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)	4.2	4.2	11.7	11.6	6.6	6.4	6.3	6.5	6.8	6.7	\$828.62	7.0%
Deutsche	4.4	4.2							10.8	10.7	\$674.51	5.7%
Dodge & Cox	4.2	4.2							10.7	10.7	\$668.95	5.6%
Metropolitan West	3.0	4.2							6.8	10.7	\$269.49	2.3%
Morgan Stanley	3.9	4.2	11.0	11.6	5.9	6.4	6.8	6.5	10.4	10.1	\$1,248.38	10.5%
Standish	4.2	4.2	11.6	11.6	5.3	6.4	6.2	6.5	6.3	6.6	\$680.50	5.7%
Western	4.3	4.2	11.7	11.6	6.5	6.4	7.5	6.5	11.3	10.1	\$1,598.12	13.5%
Semi-Passive Managers												
BlackRock	4.4	4.2	12.0	11.6	6.8	6.4			7.6	7.2	2,016.33	17.0%
Goldman	4.2	4.2	11.9	11.6	6.4	6.4	6.7	6.5	6.9	6.6	1,933.09	16.3%
Lincoln	4.5	4.2	12.0	11.6	6.5	6.4	6.6	6.5	8.6	8.5	1,946.77	16.4%
											\$11,864.77	100.0%
									Since 7/1/84			
Current Aggregate	4.2	4.2	11.7	11.6	6.4	6.4	6.7	6.5	10.6	10.1		
Historical Aggregate (2)	4.2	4.2	11.7	11.6	6.4	6.4	6.8	6.5	10.1	10.0		
Lehman Aggregate (3)		4.2		11.6		6.4		6.5		9.7		

(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 December, 2000

Portfolio Manager: Jim Snyder

Assets Under Management: \$828,618,321

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

Jack Udder, one of three portfolio managers for the high yield portion of our account, retired during the quarter. Brian Lavin, one of the other high yield portfolio managers will replace Jack. The firm is currently interviewing candidates and expects to fill the third position on the high yield team shortly. Staff is not concerned with this change.

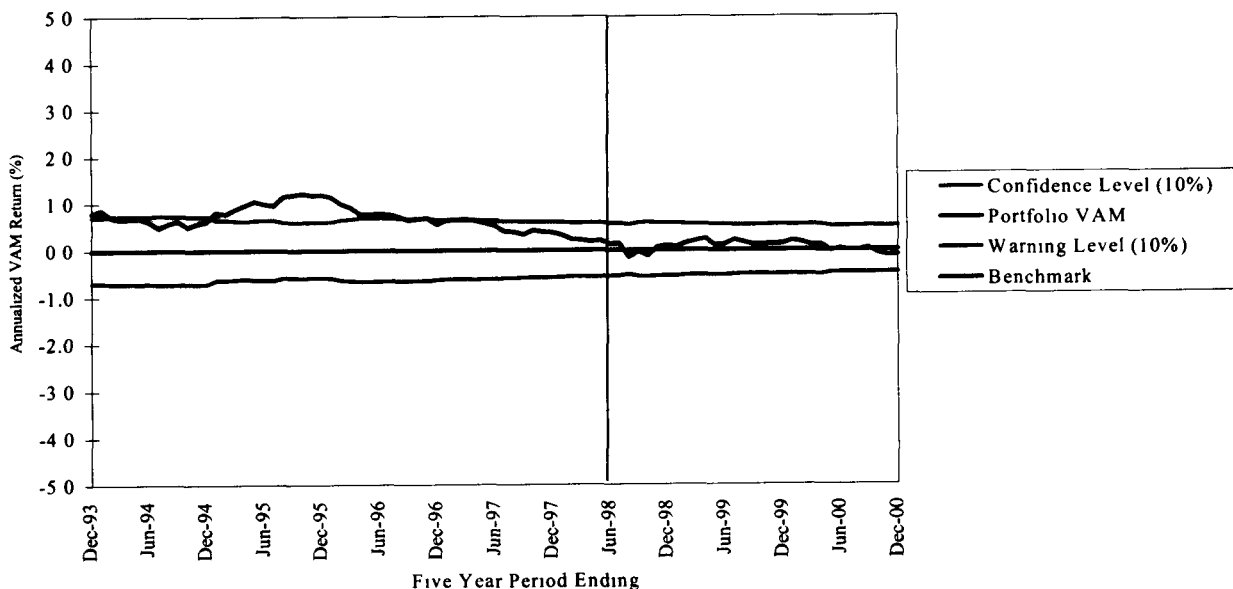
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.2%	4.2%
Last 1 year	11.7	11.6
Last 2 years	5.3	5.2
Last 3 years	6.6	6.4
Last 4 years	7.5	7.2
Last 5 years	6.3	6.5
Since Inception (7/93)	6.8	6.7

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 December, 2000

Portfolio Manager: Warren Davis

Assets Under Management: \$674,514,717

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 value 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

No comments at this time

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.4%	4.2%
Last 1 year	N/A	N/A
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 (3/00)	10.8	10.7

Recommendations

No action required

Tracking graph will be created for period ending 3/31/02.

DODGE & COX INVESTMENT MANAGERS
Periods Ending December, 2000

Portfolio Manager: Dana Emery

Assets Under Management: \$668,952,612

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

No comments at this time.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.2%	4.2%
Last 1 year	N/A	N/A
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 (3/00)	10.7	10.7

Recommendations

No action required.

Tracking graph will be created for period ending 3/31/02.

METROPOLITAN WEST ASSET MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Tad Rivelle

Assets Under Management: \$269,486,948

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

Metropolitan West underperformed during the quarter, mostly due to poor performance in their Finova holdings during the month of October. Through the end of the year, Finova's situation remained the same while Consec's situation has steadily improved as they have raised cash through asset sales. Since year-end both Consec and Finova bond prices have improved as reports surfaced that both company's bonds were the target of investments by Berkshire Hathaway. The two finance companies have also benefited from lower funding costs due to the Federal Reserve cut. MetWest continues to monitor both situations and has completed extensive analytical work resulting in their decision to hold the bonds.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.0%	4.2%
Last 1 year	N/A	N/A
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 (3/00)	6.8	10.7

Recommendations

No action required

Tracking graph will be created for period ending 3/31/02.

MORGAN STANLEY DEAN WITTER INVESTMENT MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Tom Bennett

Assets Under Management: \$1,248,379,329

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

No comments at this time.

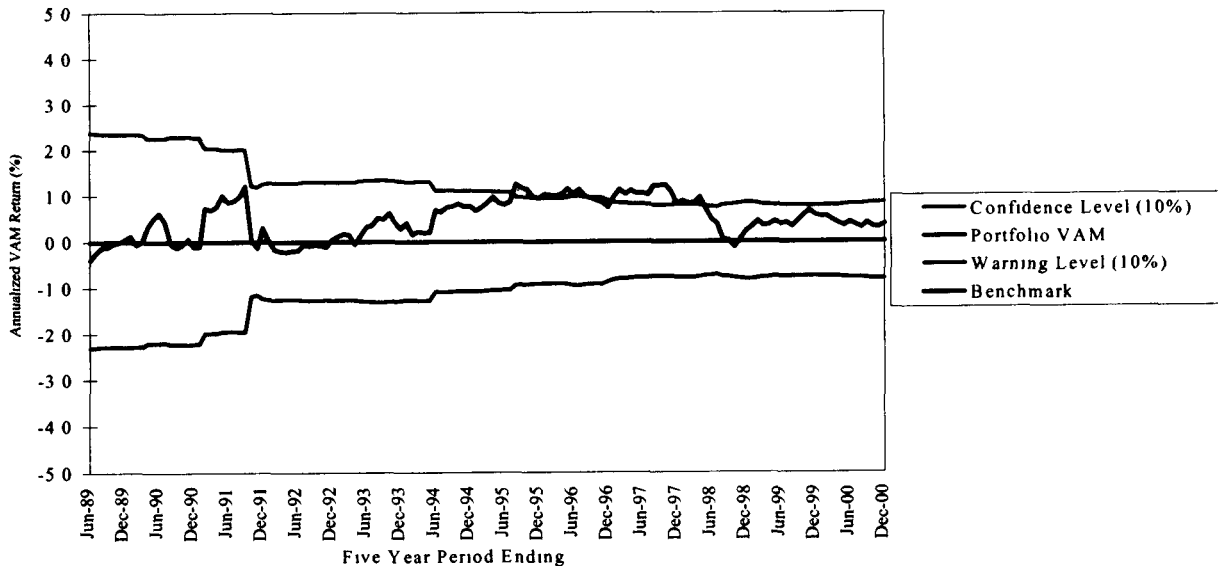
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.9%	4.2%
Last 1 year	11.0	11.6
Last 2 years	5.1	5.2
Last 3 years	5.9	6.4
Last 4 years	6.9	7.2
Last 5 years	6.8	6.5
Since Inception (7/84)	10.4	10.1

Recommendations

No action required.

MORGAN STANLEY DEAN WITTER INVESTMENT MANAGEMENT
Rolling Five Year VAM



STANDISH, AYER & WOOD
Periods Ending December, 2000

Portfolio Manager: Austin Smith

Assets Under Management: \$680,495,091

Investment Philosophy

Standish seeks to add consistent value to a bond portfolio by uncovering undervalued securities, and to a secondary degree through sector rotation. Intensive research and credit analysis are the driving forces in finding undervalued issues. U.S. Treasury and agency issue holdings are minimized except during flights of quality but provide balance to portfolio quality, maturity distribution, and liquidity. A conservative approach to interest rate anticipation is employed, therefore, portfolio risk is derived not so much from interest rate volatility as from the liquidity and credit risk of non-Treasury holdings, where the offset is higher yields and appreciation potential. Standish was retained by the SBI in July 1993.

Staff Comments

Staff met with Austin Smith and Marc Seidner of Standish at the SBI offices in early February. Standish is evaluating the possible sale of the firm in an effort to increase their distribution capabilities and growth prospects. The firm has struggled to grow assets as both their fixed income and equity performance has been lackluster. While Staff believes it is too early to determine whether or not an acquisition would be positive or negative, this uncertainty combined with their performance is a concern.

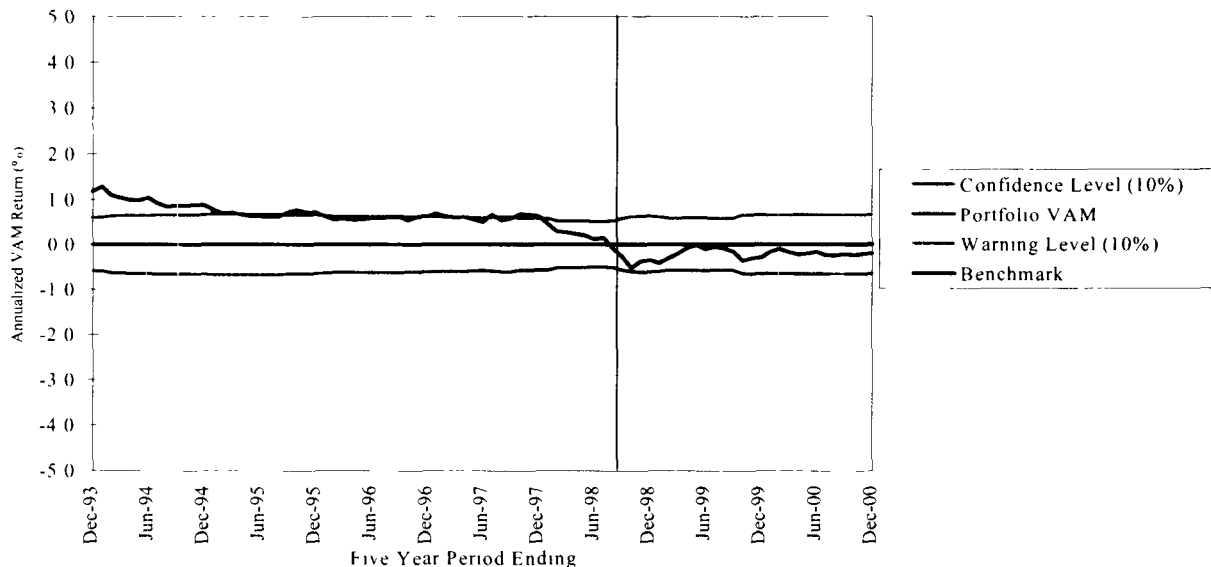
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.2%	4.2%
Last 1 year	11.6	11.6
Last 2 years	4.7	5.2
Last 3 years	5.3	6.4
Last 4 years	6.4	7.2
Last 5 years	6.2	6.5
Since Inception (7/93)	6.3	6.6

Recommendations

No action required. However, staff is monitoring Standish closely and would move to terminate if any acquisition were to occur that we did not feel was positive for the management of our portfolio.

STANDISH, AYER & WOOD
Rolling Five Year VAM



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

WESTERN ASSET MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Ken Leech

Assets Under Management: \$1,598,122,674

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

No comments at this time.

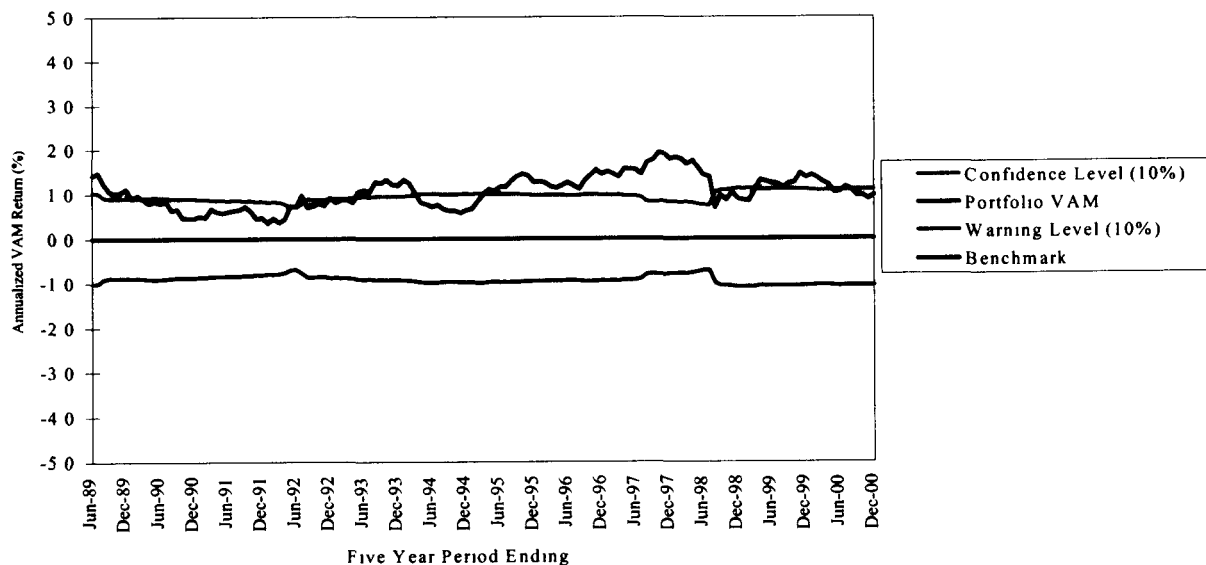
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.3%	4.2%
Last 1 year	11.7	11.6
Last 2 years	5.8	5.2
Last 3 years	6.5	6.4
Last 4 years	7.9	7.2
Last 5 years	7.5	6.5
Since Inception (7/84)	11.3	10.1

Recommendations

No action required.

WESTERN ASSET MANAGEMENT
Rolling Five Year VAM



BLACKROCK FINANCIAL MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Keith Anderson

Assets Under Management: \$2,016,334,316

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

No comments at this time

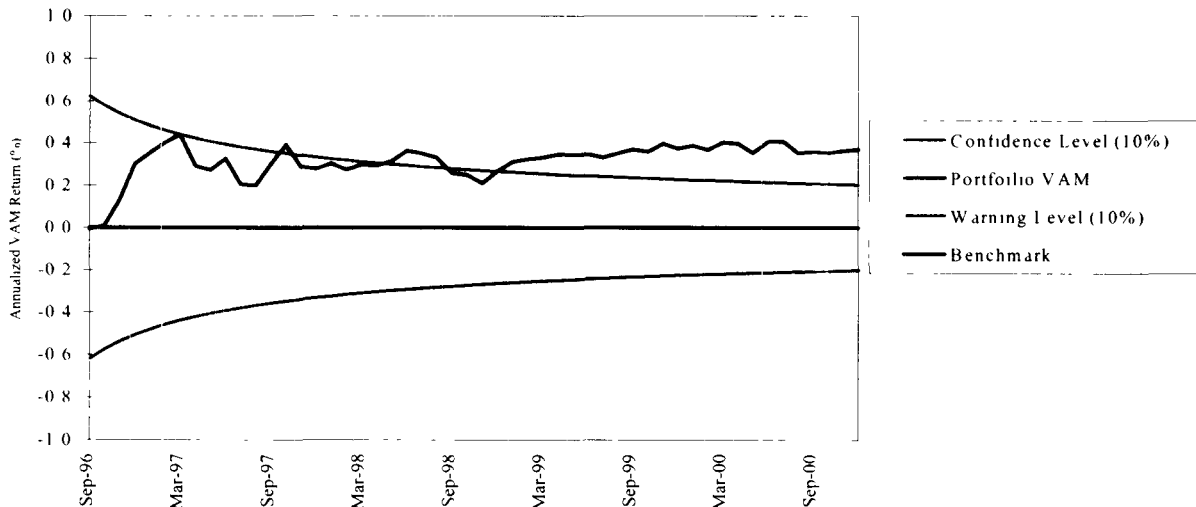
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.4%	4.2%
Last 1 year	12.0	11.6
Last 2 years	5.8	5.2
Last 3 years	6.8	6.4
Last 4 years	7.6	7.2
Last 5 years	N/A	N/A
Since Inception (4/96)	7.6	7.2

Recommendation

No action required

BLACKROCK FINANCIAL MANAGEMENT
Cumulative Tracking



GOLDMAN SACHS ASSET MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Sharmin Mossavar Rahmani

Assets Under Management: \$1,933,089,718

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

Rich Lucy, co-head of fixed income, is stepping down from his role and Goldman is searching for a replacement. Ben Johnson, head of corporate credit research will temporarily assume Rich's role until a replacement is found. Jonathon Beiner remains co-head of fixed income while Sharmin Mossavar Rahmani remains chief investment officer for fixed income and the SBI's portfolio manager. Staff sees no reason to be concerned with this change.

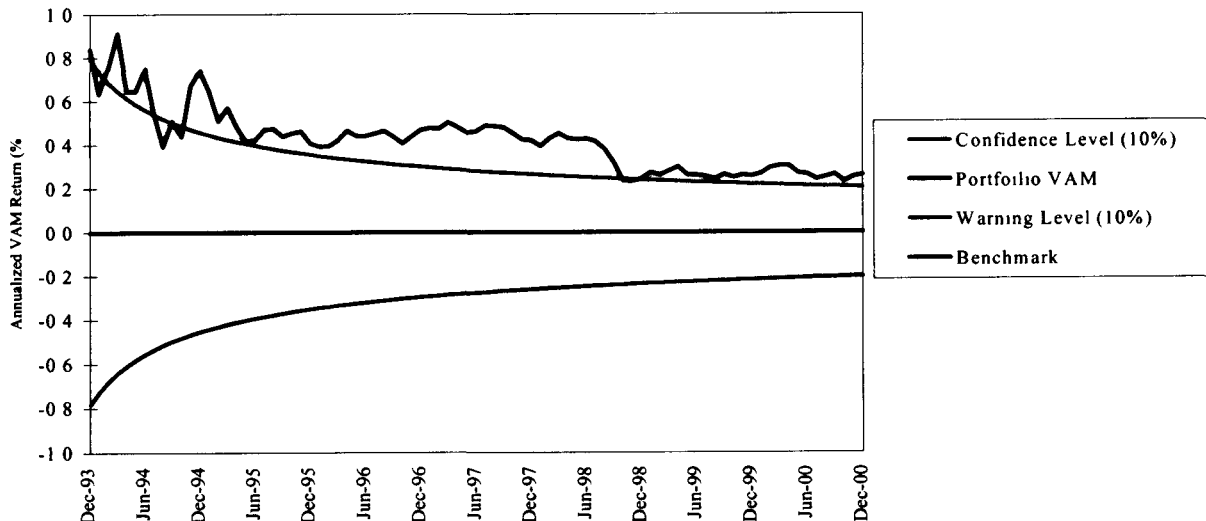
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	4.2%	4.2%
Last 1 year	11.9	11.6
Last 2 years	5.5	5.2
Last 3 years	6.4	6.4
Last 4 years	7.3	7.2
Last 5 years	6.7	6.5
Since Inception (7/93)	6.9	6.6

Recommendations

No action required.

GOLDMAN SACHS
Cumulative Tracking



LINCOLN CAPITAL MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Andrew Johnson

Assets Under Management: \$1,946,772,349

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

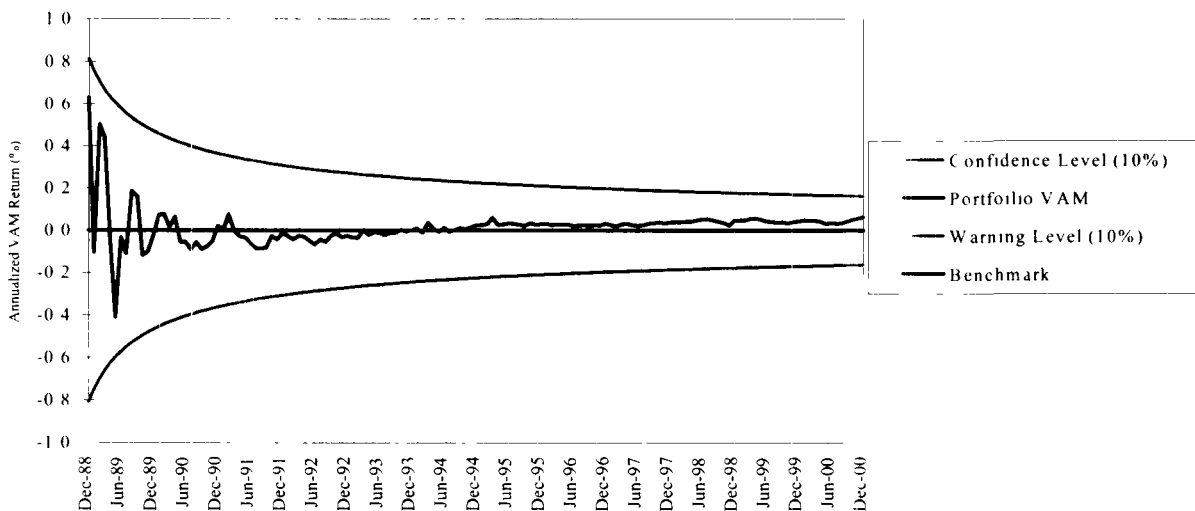
Staff met with Andy Johnson and Bob Schank, our client service contact, during the quarter at the SBI offices to review the portfolio and the firm's current strategies. Lincoln had strong performance over the past quarter and year as they benefited from their longstanding strategy of over-weighting asset-backed securities. Lincoln also benefited from an emphasis on high quality corporate securities as lower quality securities underperformed significantly in the fourth quarter.

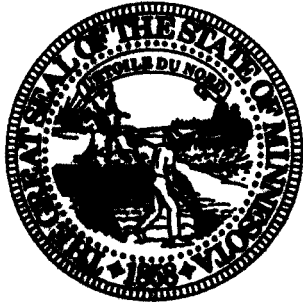
Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	4.5%	4.2%	No action required
Last 1 year	12.0	11.6	
Last 2 years	5.4	5.2	
Last 3 years	6.5	6.4	
Last 4 years	7.3	7.2	
Last 5 years	6.6	6.5	
Since Inception (7/88)	8.6	8.5	

Recommendations

LINCOLN CAPITAL MANAGEMENT - Fixed Income
Cumulative Tracking





STATE BOARD OF INVESTMENT

International Manager Evaluation Reports

Fourth Quarter, 2000

**COMBINED RETIREMENT FUNDS
INTERNATIONAL STOCK MANAGERS
Periods Ending December, 2000**

	Quarter		1 Year		3 years		5 Years		Since Inception		Market Value (in millions)	Equity Pool %
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %		
Active EAFE												
American Express (6)	-7.6	-2.7							-16.7	-10.7	\$353.05	5.8%
Blairlogie (6)	-4.2	-2.7							-12.1	-10.7	190.29	3.1%
Brinson (1)	5.3	-2.7	-1.8	-14.2	13.5	9.3	11.3	7.1	11.3	9.4	681.22	11.3%
Invesco (6)	-0.4	-2.7							-2.5	-10.7	492.72	8.1%
Marathon (2)	-0.2	-4.2	-4.3	-12.0	12.2	8.6	8.2	5.8	8.9	6.1	476.47	7.9%
Montgomery (6)	-9.0	-2.7							-22.3	-10.7	340.90	5.6%
Scudder (2)	-3.8	-2.7	-16.4	-14.2	10.0	9.3	10.7	7.1	10.2	7.3	506.44	8.4%
T. Rowe Price (2)	-5.1	-2.7	-14.7	-14.2	9.9	9.3	9.6	7.1	9.4	7.3	494.09	8.2%
Active Emerging Markets												
City of London (3)	-4.4	-13.3	-18.8	-30.6	-1.0	-4.8			-0.3	-5.8	34.21	0.6%
Genesis (4)	-8.2	-13.3	-24.9	-30.6	-8.1	-4.8			-5.6	-6.5	202.87	3.4%
Montgomery (4)	-14.0	-13.3	-25.8	-30.6	-8.2	-4.8			-5.4	-6.5	121.71	2.0%
Passive EAFE												
State Street (5)	-2.9	-2.7	-14.2	-14.2	9.7	9.3	7.5	7.1	10.0	9.7	2,066.72	34.2%
									Since 10/1/92			
Equity Only (7)	-3.1	-3.9	-14.3	-16.1	8.3	7.8	7.2	5.8	9.9	8.9	6,048.96	100.0%
Total Program (8)*	-3.1	-3.9	-14.3	-16.1	8.3	7.8	7.9	5.8	10.3	8.9	\$6,048.96	

(1) Fully active since 10/1/99. Active country/passive stock from inception to 9/30/99. Retained April 1, 1993.

(2) Retained November 1, 1993. Marathon's performance is measured against a custom benchmark since inception.

(3) Retained November 1, 1996.

(4) Retained May 1, 1996.

(5) Retained October 1, 1992.

(6) Retained February 1, 2000.

(7) Equity managers only. Includes impact of terminated managers. 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% Emerging Markets Free. On 5/1/96, the portfolio began transition from 100% EAFE to the 12/31/96 fixed weights. 100% EAFE-Free prior to 5/1/96.

(8) Includes impact of currency overlay unrealized gain/loss. 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% 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.

* Total includes \$88 million in transition account in December.

Impact of Currency Overlay Program

Cumulative Dollar Value Added \$154,066,206
(Since inception, December 1, 1995)

AMERICAN EXPRESS ASSET MANAGEMENT INTERNATIONAL, INC.
Periods Ending December, 2000

Portfolio Manager: Mark Fawcett

Assets Under Management: \$353,048,177

Investment Philosophy

American Express Asset Management's (AEAM) objective is to identify inefficiencies in market value at the regional, country and stock level. Their investment process concentrates on identifying non-consensus views that they can exploit. AEAM's core international equity approach is a blend of top-down and bottom up styles with an emphasis on large cap growth stocks. They start the decision making process with the development of their geopolitical and macroeconomic outlook. The bottom-up stage of their process begins with real-time relative valuation comparisons of the stocks in their investable universe. The most attractively priced stocks then go through in depth fundamental analysis.

Staff Comments

The SBI portfolio underperformed for the quarter, in large part due to stock selection in Information Technology and Telecommunications stocks, which faced a decline in value.

Going forward, American Express has lowered the portfolio's exposure to Japan and the telecom sector, as well as the exposure to pharmaceuticals, food, retail and utilities. They are starting to purchase cyclical and interest rate sensitive stocks, in order to take advantage of anticipated interest rate cuts and accelerating growth in the second half of the year.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-7.6%	-2.7%
Last 1 year	N/A	N/A
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 (3/00)	-16.7	-10.7

Recommendations

No action required.

VAM Graph will be drawn for period ending 3/31/2002.

BLAIRLOGIE CAPITAL MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: James Smith

Assets Under Management: \$190,287,395

Investment Philosophy

Blairlogie has developed a model that ranks countries based on a collection of current and historical data. Their quantitative analysis is enhanced with significant qualitative assessments to evaluate things a model cannot review. They continuously strive for the optimum combination of quantitative and judgmental inputs but believe that objective, measurable facts must always be the starting point for making sound investment decisions. Blairlogie is primarily top-down, but incorporates bottom-up stock selection. Their process is based upon an underlying objective of producing premium returns above their benchmark consistently in any market environment while consciously controlling risk and limiting volatility. Blairlogie's portfolio is broadly diversified in international markets both by country and stock.

Staff Comments

During the quarter, Blairlogie's parent company, Alleghany Asset Management, announced an agreement to be acquired by ABN AMRO, a leading international banking group in the Netherlands. With the cooperation of ABN AMRO, Blairlogie will be seeking a new partner, due to a perceived incompatibility between the investment styles of the two firms. The philosophy and investment management process of the Blairlogie team will remain the same.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-4.2%	-2.7%
Last 1 year	N/A	N/A
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 (3/00)	-12.1	-10.7

Recommendations

No action required

VAM Graph will be drawn for period ending 3/31/2002.

BRINSON PARTNERS
Periods Ending December, 2000

Portfolio Manager: Thomas Madsen

Assets Under Management: \$681,220,989

Investment Philosophy

Brinson is a fundamental, long-term, value-oriented investor. Brinson 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. Brinson establishes an allocation range around the target index to define the limits of their exposure to individual countries and to assure diversification.

Brinson 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

No comments at this time.

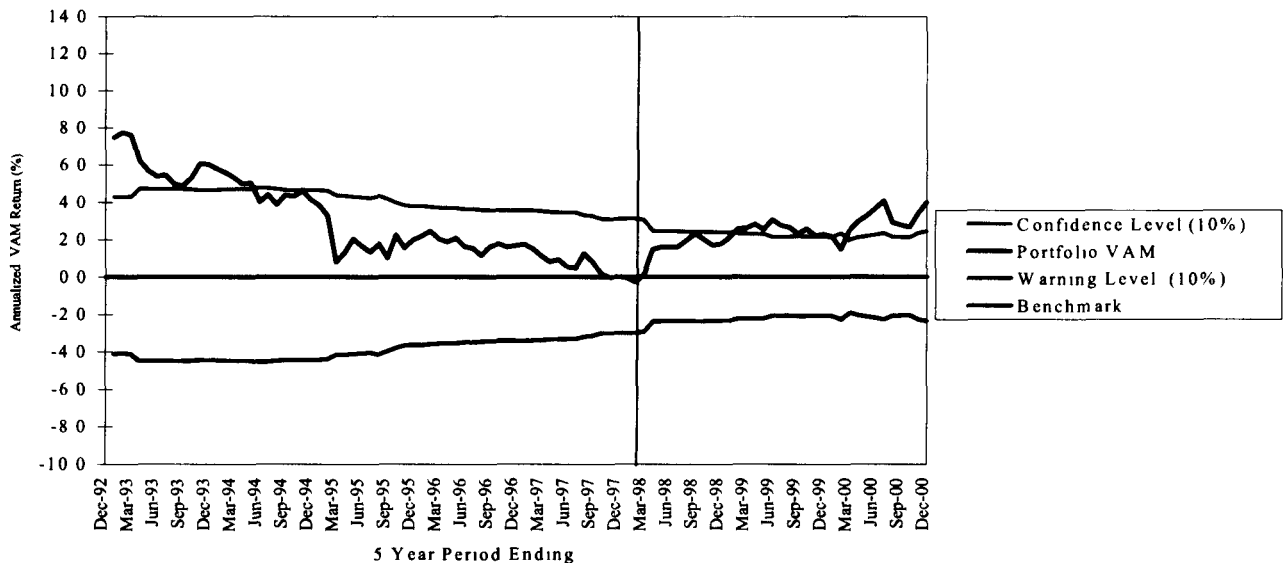
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	5.3%	-2.7%
Last 1 year	-1.8	-14.2
Last 2 years	10.7	4.3
Last 3 years	13.5	9.3
Last 4 years	11.3	7.3
Last 5 years	11.3	7.1
Since Inception (4/93)	11.3	9.4

Recommendations

No action required.

BRINSON PARTNERS, INC. (INT'L)
Rolling Five Year VAM



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

INVESCO GLOBAL ASSET MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: Erik Granade

Assets Under Management: \$492,718,139

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

Stephen Thomas joined INVESCO Global Asset Management the last week of December in a new position as one of six portfolio managers. Stephen was formerly an international equity portfolio manager at SunTrust and will be a member of the Atlanta based international equity investment team.

Erik B. Granade, who has been serving as co-CIO with John Rogers, will now be the CIO of the international team. John, who had been serving as the CEO and co-CIO of INVESCO's international business in North America, has been promoted to CEO of all of INVESCO's US institutional business. Staff will meet with INVESCO next quarter to discuss the change.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-0.4%	-2.7%
Last 1 year	N/A	N/A
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 (3/00)	-2.5	-10.7

Recommendations

No action required.

VAM Graph will be drawn for period ending 3/31/2002.

MARATHON ASSET MANAGEMENT
Periods Ending December, 2000

Portfolio Manager: William Arah

Assets Under Management: \$476,466,898

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

No comments at this time.

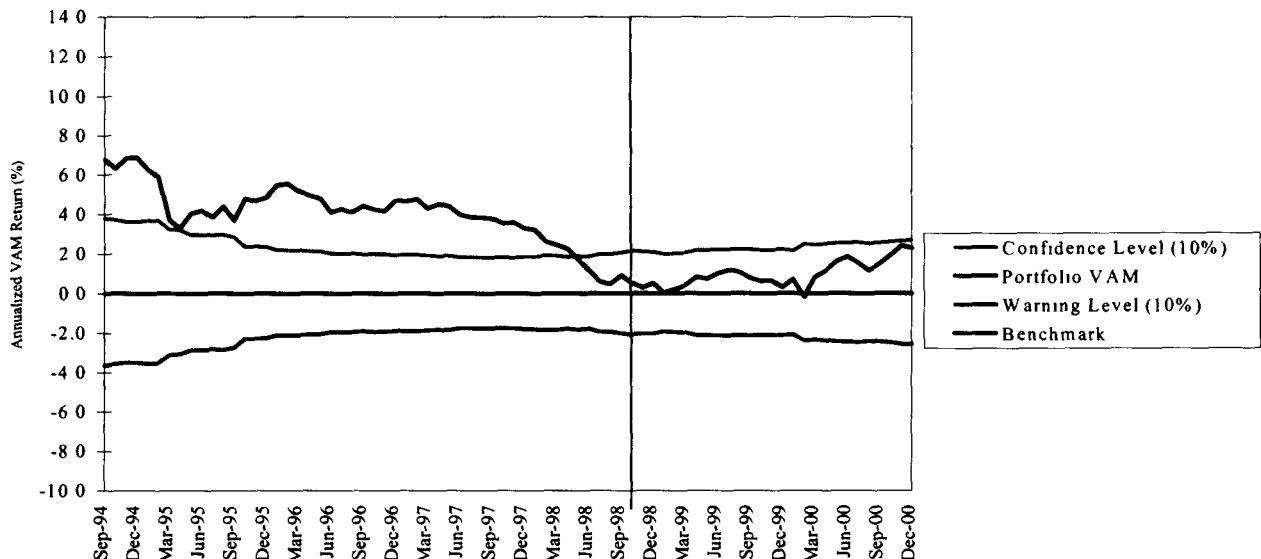
Quantitative Evaluation

	Actual	Custom Benchmark
Last Quarter	-0.2%	-4.2%
Last 1 year	-4.3	-12.0
Last 2 years	13.9	5.8
Last 3 years	12.2	8.6
Last 4 years	7.9	5.5
Last 5 years	8.2	5.8
Since Inception (11/93)	8.9	6.1

Recommendations

No action required.

MARATHON ASSET MANAGEMENT
Rolling Five Rolling VAM



5 Year Period Ending

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

MONTGOMERY ASSET MANAGEMENT, LLC (EAPE)
Periods Ending December, 2000

Portfolio Manager: John Boich

Assets Under Management: \$340,896,371

Investment Philosophy

Montgomery manages a developed markets portfolio for the SBI, in addition to an emerging portfolio. Montgomery believes that a consistent process, centered on accountability, sector specialization and primary, original research provides a sustainable edge in international equity investing. Their international equity investing combines thorough sector and country research with a disciplined bottom-up stock selection process to identify securities with long-term projected earnings growth, attractive valuation versus applicable peers, positive business momentum and the potential to achieve minimum required returns

Staff Comments

The portfolio's underperformance was a reflection of the weakness of growth-oriented stocks over most of the reporting period. The portfolio's overweight in the technology sector and stock selection in the communications and capital goods sectors were significant factors in the portfolio's underperformance.

As of January 1st 2001 several promotions have occurred at the executive level of management at Montgomery due to the CEO's move into a new role as Vice Chairman. These changes will not affect the management of the portfolio.

Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-9.0%	-2.7%
Last 1 year	N/A	N/A
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 (3/00)	-22.3	-10.7

Recommendations

No action required

VAM Graph will be drawn for period ending 3/31/2002.

SCUDDER KEMPER INVESTMENTS
Periods Ending December, 2000

Portfolio Manager: Theresa Gusman

Assets Under Management: \$506,437,509

Investment Philosophy

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

Staff Comments

Although there will be no change in ownership, organization or management of the portfolio, there has been a name change to Zurich Scudder Investments as of January 1st, 2001.

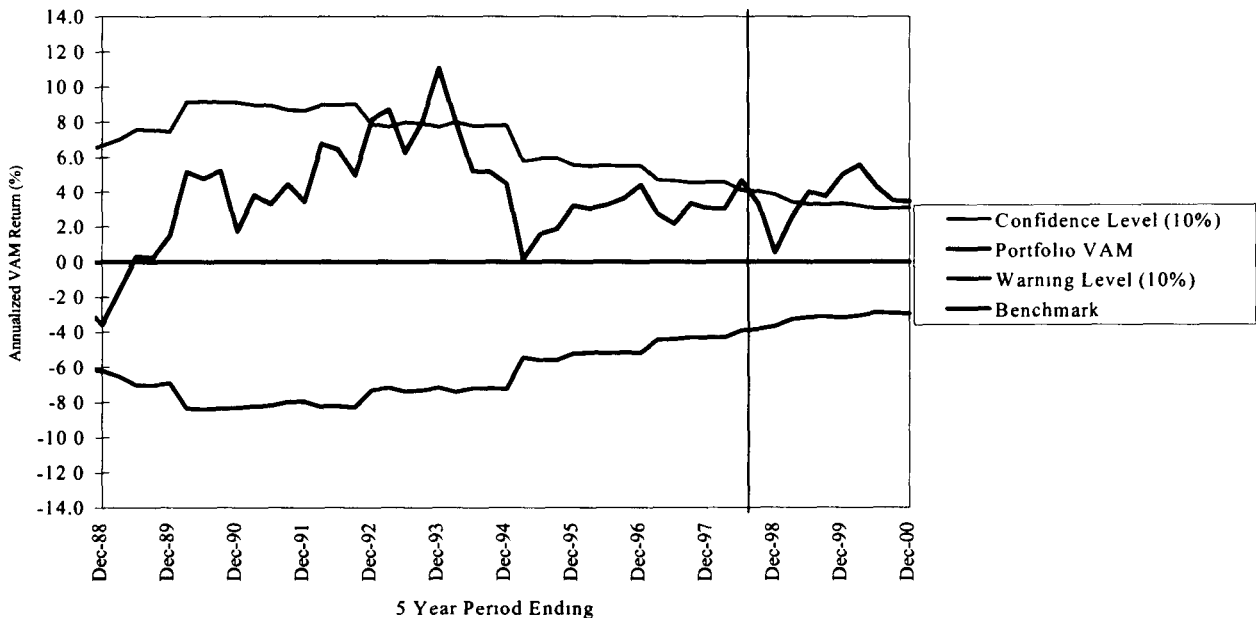
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-3.8%	-2.7%
Last 1 year	-16.4	-14.2
Last 2 years	9.5	4.3
Last 3 years	10.0	9.3
Last 4 years	9.3	7.3
Last 5 years	10.7	7.1
Since Inception (11/93)	10.2	7.3

Recommendations

No action required.

SCUDDER KEMPER INVESTMENTS
Rolling Five Year VAM



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

T. ROWE PRICE INTERNATIONAL, INC.
Periods Ending December, 2000

Portfolio Manager: David Warren

Assets Under Management: \$494,088,159

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 underperformed for the quarter due primarily to overweighting the technology and media growth sectors and underweighting the defensive insurance sector and the deep value materials sector. Country weightings were neutral for the fourth quarter.

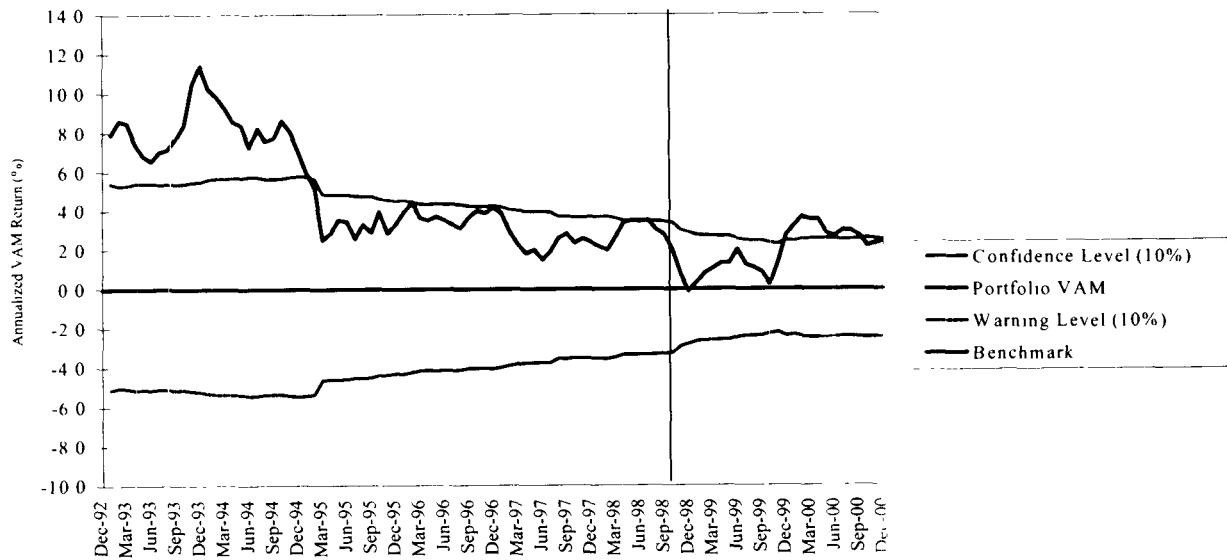
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-5.1%	-2.7%
Last 1 year	-14.7	-14.2
Last 2 years	7.3	4.3
Last 3 years	9.9	9.3
Last 4 years	8.2	7.3
Last 5 years	9.6	7.1
Since Inception (11/93)	9.4	7.3

Recommendations

No action required

T. ROWE PRICE INTERNATIONAL
Rolling Five Year VAM



5 Year Period Ending

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

MONTGOMERY ASSET MANAGEMENT, LLC (EMF)
Periods Ending December, 2000

Portfolio Manager: Josephine Jimenez

Assets Under Management: \$121,712,650

Investment Philosophy

Montgomery is an emerging markets specialist. The firm combines quantitative investment techniques and fundamental stock selection to take advantage of market inefficiencies and low correlations within the emerging markets. Their top-down analysis begins with a quantitative approach which evaluates historical volatility and correlations between markets. The model identifies attractive countries which are then qualitatively analyzed for "event risk" which the model cannot take into account. Fundamental analysis is used to evaluate the financial condition, quality of management, and competitive position of each stock. Stocks will come from two tiers. Tier 1 will be 60-100 blue chip stocks. Tier 2 will be 100-150 smaller cap stocks with substantial growth potential. Characteristics of selected stocks may include low PE's to internal growth rates, above average earnings growth potential or undervalued/hidden assets.

Staff Comments

As of January 1st 2001, several promotions have occurred at the executive level of management at Montgomery due to the CEO's move into a new role as Vice Chairman. These changes will not affect the management of the portfolio.

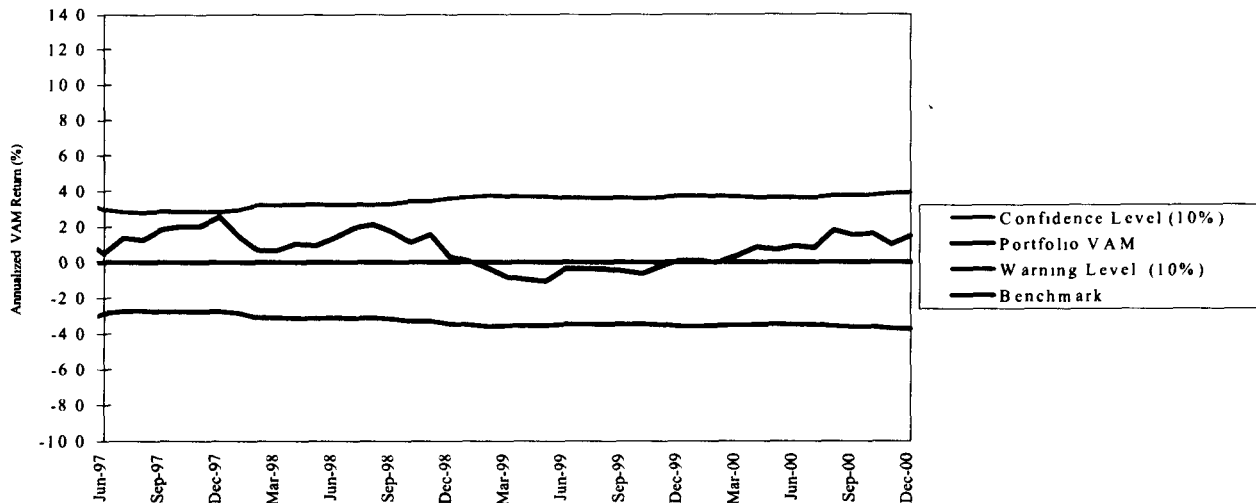
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-14.0%	-13.3%
Last 1 year	-25.8	-30.6
Last 2 years	10.4	7.5
Last 3 years	-8.2	-4.8
Last 4 years	-6.7	-6.6
Last 5 years	N/A	N/A
Since Inception (5/96)	-5.4	-6.5

Recommendations

No action required.

MONTGOMERY ASSET MANAGEMENT
Rolling Five Year VAM



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

STATE STREET GLOBAL ADVISORS
Periods Ending December, 2000

Portfolio Manager: Lynn Blake

Assets Under Management: \$2,066,720,690

Investment Philosophy

State Street Global Advisors passively manages the portfolio against the Morgan Stanley Capital International (MSCI) index of 20 markets located in Europe, Australia and the Far East (EAFE). They buy only securities which are eligible for purchase by foreign investors, therefore they are benchmarked against the MSCI EAFE-Free index. SSgA fully replicates the index whenever possible because it results in lower turnover, higher tracking accuracy and lower market impact costs. The MSCI EAFE-Free reinvests dividends at the Belgian tax rate. The portfolio reinvests dividends at the lower US tax rate, which should result in modest positive tracking error, over time.

Staff Comments

No comments at this time

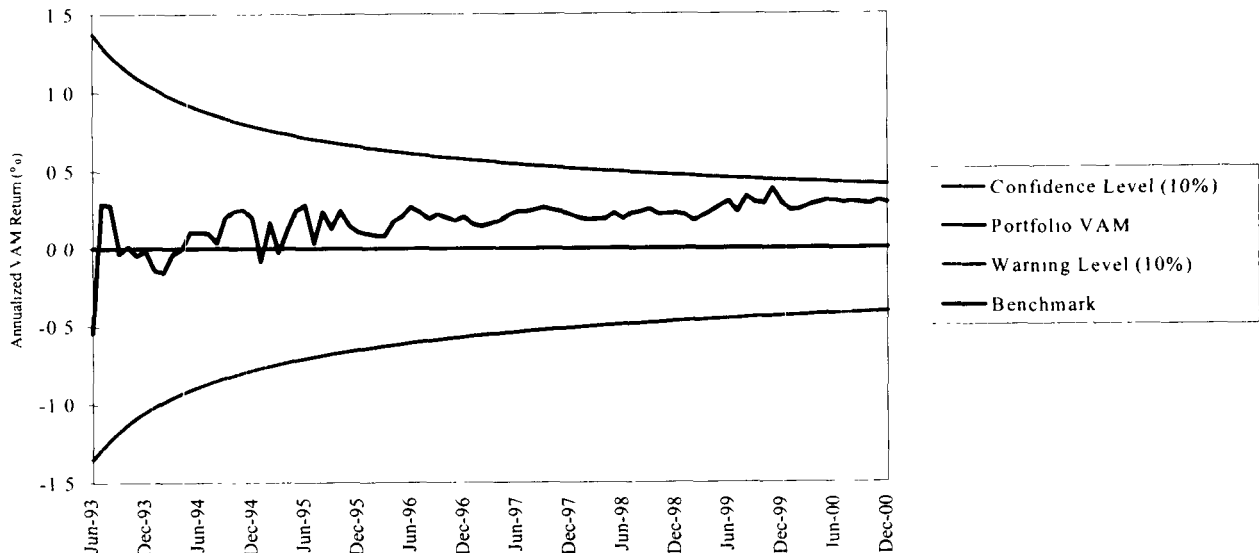
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-2.9%	-2.7%
Last 1 year	-14.2	-14.2
Last 2 years	4.6	4.3
Last 3 years	9.7	9.3
Last 4 years	7.6	7.3
Last 5 years	7.5	7.1
Since Inception (10/92)	10.0	9.7

Recommendation

No action required

STATE STREET GLOBAL ADVISORS
Cumulative Tracking





STATE BOARD OF INVESTMENT

Non-Retirement Manager Evaluation Reports

Fourth Quarter, 2000

**COMBINED RETIREMENT FUNDS
NON - RETIREMENT MANAGERS
Periods Ending December, 2000**

	Quarter		1 Year		3 years		5 Years		Since Inception		Market Value (\$ millions)
	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	Actual %	Bmk %	
GE Investment Management (1)	-1.8	-7.8	-0.6	-9.1	14.6	12.3	20.1	18.3	22.6	21.3	\$63.80
Voyageur Asset Management (2)	3.1	3.1	8.5	9.5	5.9	6.4	6.1	6.4	7.4	7.3	264.51
Internal Stock Pool (3)	-7.8	-7.8	-9.0	-9.1	12.3	12.3	18.5	18.3	17.8	17.7	825.98
Internal Bond Pool - Income Share (4)	3.9	4.2	11.3	11.6	6.4	6.4	6.8	6.5	8.7	8.3	245.80
Internal Bond Pool - Trust (5)	4.0	4.2	11.4	11.6	6.5	6.4	6.7	6.5	8.3	7.9	753.66

- (1) GE Investment Management was retained by the SBI in January 1995.
The benchmark is the S&P 500 Index.
- (2) Voyageur Asset Management was retained by the SBI in July 1991.
The benchmark is a custom index.
- (3) The Internal Stock Pool was initiated in July 1993.
The benchmark is the S&P 500 Index
- (4) The Income Share Account was initiated in July 1986.
The benchmark is the Lehman Aggregate.
Prior to July 1994, the benchmark was the Salomon BIG.
- (5) The Trust Account was initiated in July 1994.
The benchmark is the Lehman Aggregate.

GE ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending December, 2000

Portfolio Manager: Gene Bolton

Assets Under Management: \$63,795,552

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 significantly outperformed the benchmark for the fourth quarter. Over/under-weighting the right sectors and solid stock selection in almost all sectors helped the portfolio. For the year, the underweight to technology was the biggest single reason for the Fund's significant outperformance of the S&P 500.

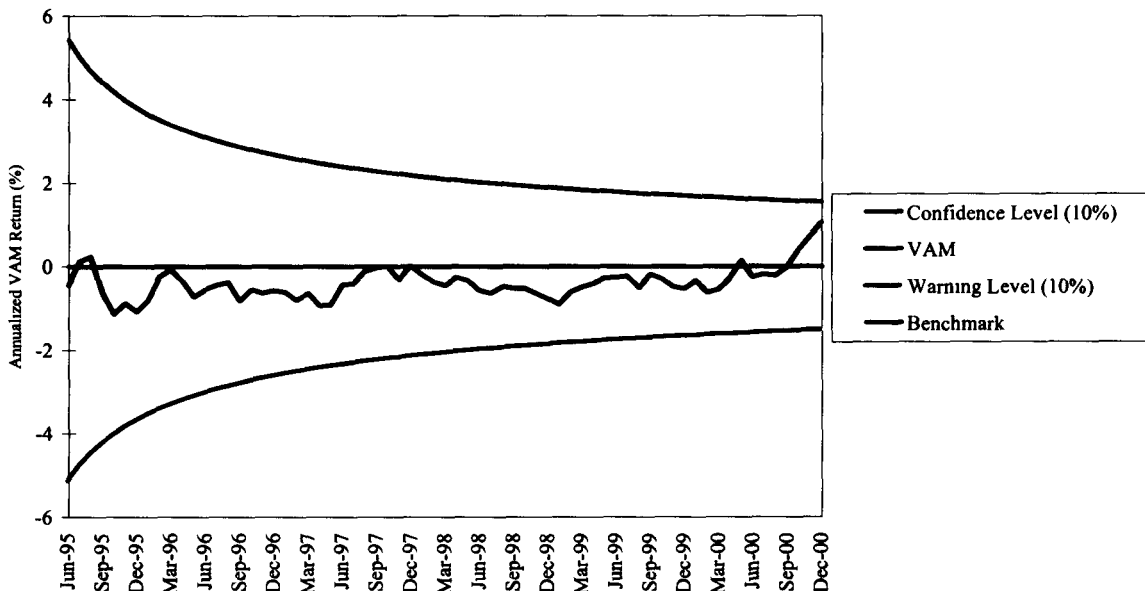
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	-1.8%	-7.8%
Last 1 year	-0.6	-9.1
Last 2 years	9.9	4.9
Last 3 years	14.6	12.3
Last 4 years	19.4	17.2
Last 5 years	20.1	18.3
Since Inception (1/95)	22.6	21.3

Recommendation

No recommendation at this time.

GE INVESTMENT MANAGEMENT
Cumulative Tracking



VOYAGEUR ASSET MANAGEMENT - Assigned Risk Plan
Periods Ending December, 2000

Portfolio Manager: Tom McGlinch

Assets Under Management: \$264,514,642

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

At the end of December, Voyageur announced that Melissa Uppgren would be transitioning into a client service role. Tom McGlinch, CIO, will be the lead portfolio manager effective immediately. Greg Poppett, who came from Dain Rauscher, is also a portfolio manager on this account.

The annual benchmark review was completed and a new benchmark will be effective January 1, 2001. The custom benchmark will be 40% Lehman 1-3 U.S. Gov/Credit and 60% Lehman Aggregate.

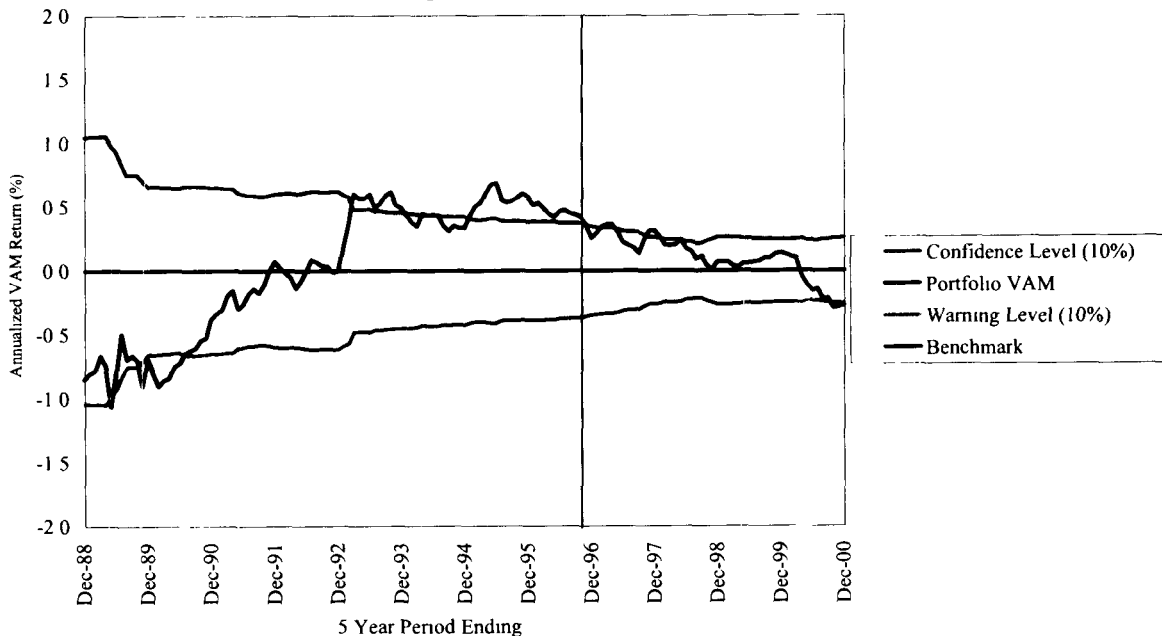
Staff met with Voyageur in January and will continue to closely monitor the changes.

Quantitative Evaluation

	Actual	Benchmark	
Last Quarter	3.1%	3.1%	No action required
Last 1 year	8.5	9.5	
Last 2 years	5.2	5.7	
Last 3 years	5.9	6.4	
Last 4 years	6.5	6.7	
Last 5 years	6.1	6.4	
Since Inception (7/91)	7.4	7.3	

Recommendation

VOYAGEUR ASSET MANAGEMENT
Rolling Five Year VAM



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

INTERNAL STOCK POOL - Trust/Non-Retirement Assets
Periods Ending December, 2000

Portfolio Manager: Mike Messen

Assets Under Management: \$825,979,914

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.

No comments at this time.

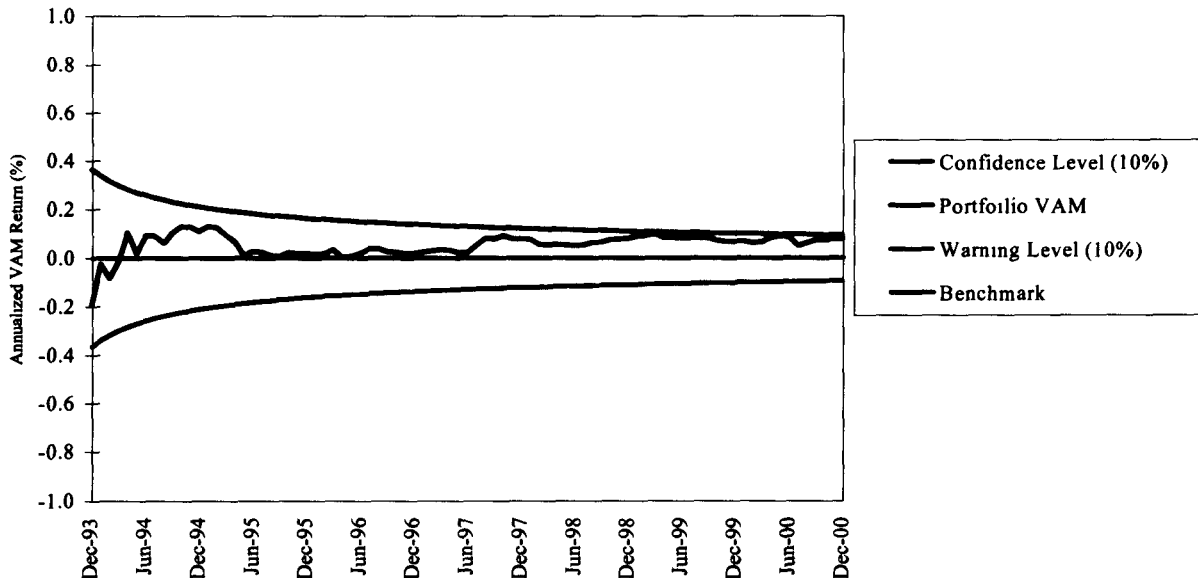
Quantitative Evaluation

Recommendation

	Actual	Benchmark
Last Quarter	-7.8%	-7.8%
Last 1 year	-9.0	-9.1
Last 2 years	5.0	4.9
Last 3 years	12.3	12.3
Last 4 years	17.4	17.2
Last 5 years	18.5	18.3
Since Inception (7/93)	17.8	17.7

No action required.

INTERNAL STOCK POOL
Trust/Non-Retirement Assets
Cumulative Tracking



INTERNAL BOND POOL - Income Share Account
Periods Ending December, 2000

Portfolio Manager: Mike Menssen

Assets Under Management: \$245,796,065

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 portfolio slightly underperformed the benchmark due to Owens Illinois' exposure to asbestos litigation.

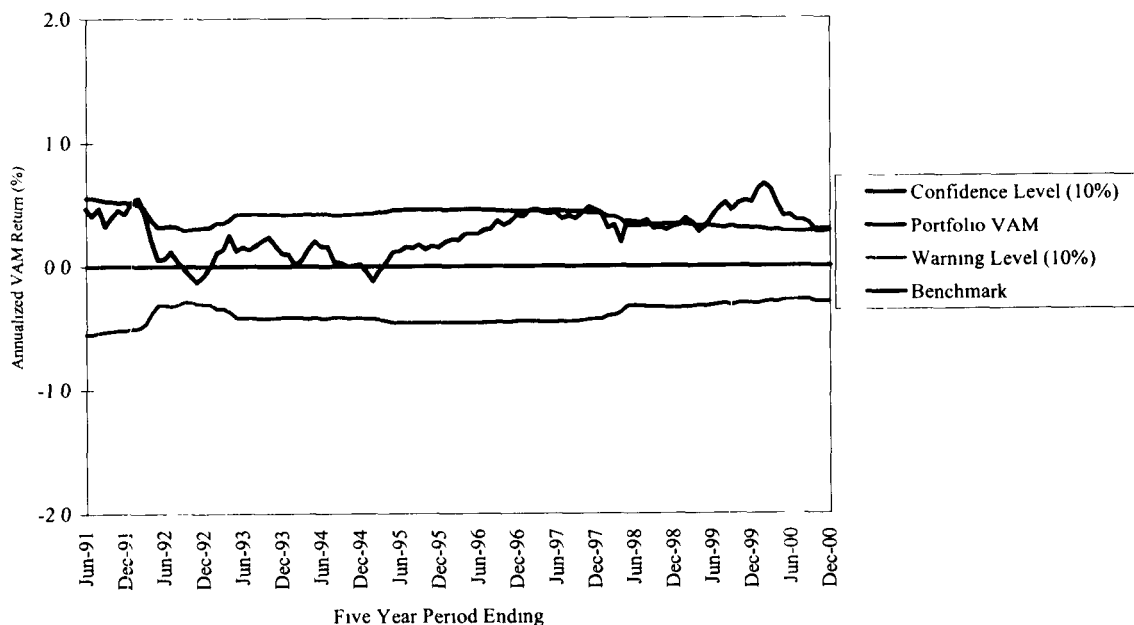
Quantitative Evaluation

	Actual	Benchmark
Last Quarter	3.9%	4.2%
Last 1 year	11.3	11.6
Last 2 years	5.2	5.2
Last 3 years	6.4	6.4
Last 4 years	7.4	7.2
Last 5 years	6.8	6.5
Since Inception (7/86)	8.7	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 December, 2000

Portfolio Manager: Mike Messen

Assets Under Management: \$753,658,369

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.

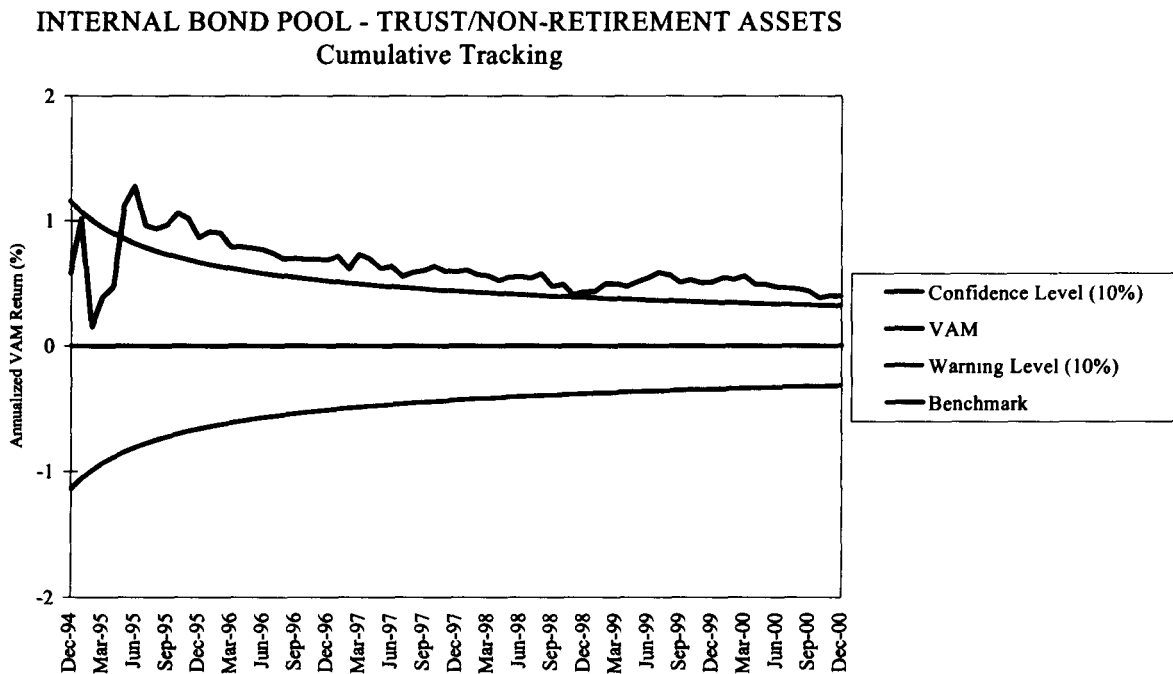
The portfolio slightly underperformed the benchmark due to Owens Illinois' exposure to asbestos litigation.

Quantitative Evaluation

Recommendation

	Actual	Benchmark	
Last Quarter	4.0%	4.2%	No action required.
Last 1 year	11.4	11.6	
Last 2 years	5.5	5.2	
Last 3 years	6.5	6.4	
Last 4 years	7.4	7.2	
Last 5 years	6.7	6.5	
Since Inception (7/94)*	8.3	7.9	

* Date started managing the Permanent School Fund against the Lehman Aggregate.





STATE BOARD OF INVESTMENT

Deferred Compensation Plan Evaluation Reports

Fourth Quarter, 2000

MN STATE 457 DEFERRED COMPENSATION PLAN
MUTUAL FUND MANAGERS
Periods Ending December, 2000

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)**	-25.4	-7.8	-32.4	-9.1	24.6	12.3	26.2	18.3	-3.6	-1.4	338.08
Small Cap Equity:											
T. Rowe Price Small-Cap Equity (Russell 2000)	0.4	-6.9	17.4	-3.0	9.1	4.6	15.2	10.3	18.4	5.0	232.40
Equity Index:											
Vanguard Institutional Index (S&P 500)	-7.8	-7.8	-9.0	-9.1	12.4	12.3	18.5	18.3	-1.2	-1.4	191.09
Balanced:											
INVESCO Total Return (60% S&P 500/40% Lehman Gov-Corp)	0.8	-3.0	-3.6	-3.3	2.6	9.4	8.8	13.2	-7.4	0.9	86.27
Bond:											
Dodge & Cox Income Fund (Lehman Aggregate)	4.2	4.2	10.7	11.6	5.9	6.4	6.2	6.5	7.4	8.0	25.50
International:											
Fidelity Diversified International (MSCI EAFE-Free)	-2.3	-2.7	-9.0	-14.2	16.2	9.3	16.5	7.1	16.1	3.2	83.85

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***:	6.4
Bid Rates for current quarter:	
Great West Life	7.0
Minnesota Life	7.0
Principal Life	7.0

***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 are for the new cash flow only.

**MN STATE 457 DEFERRED COMPENSATION PLAN
LARGE CAP EQUITY – JANUS TWENTY
Periods Ending December, 2000**

Portfolio Manager: Scott W. Schoelzel

**State's Participation in Fund: \$338,082,542
Total Assets in Fund: \$24,253,485,809**

**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

As expected, volatility persisted for equities resulting in a difficult fourth quarter. The technology companies were among the hardest hit and make up the majority of the holdings in the Janus Twenty portfolio. The one-year return also lags the benchmark due to volatile periods, especially the most recent quarter. Janus expects the volatility to persist as investors face a potentially slowing economy.

Quantitative Evaluation

	Actual	Benchmark*
Last Quarter	-25.4%	-7.8%
Last 1 year	-32.4	-9.1
Last 2 years	5.6	4.9
Last 3 years	24.6	12.3
Last 4 years	25.8	17.2
Last 5 years	26.2	18.3
Since Retention by SBI (7/99)	-3.6	-1.4

Recommendation

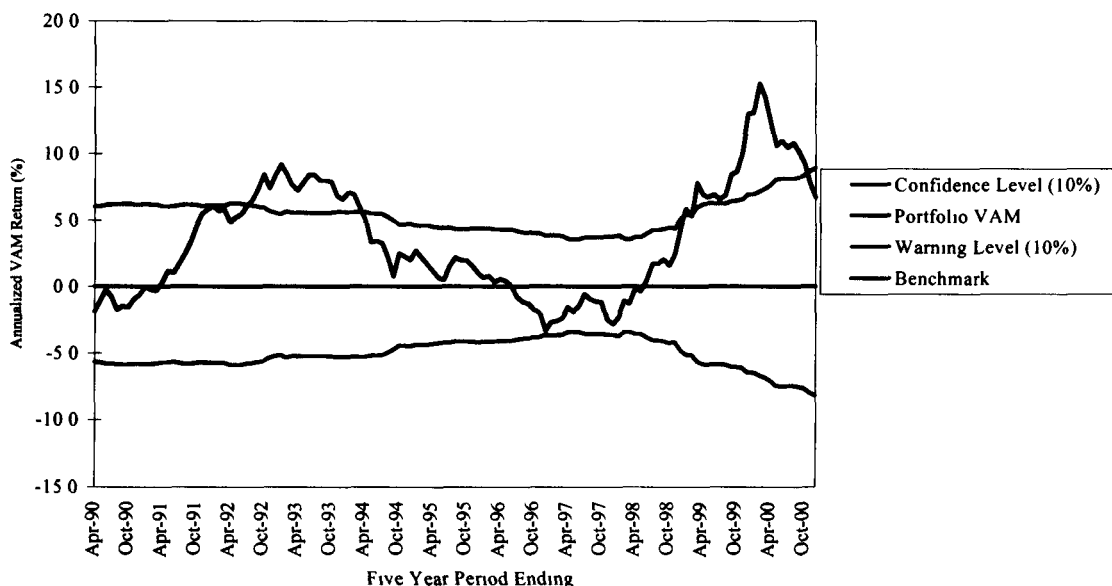
No action required.

*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
 SMALL CAP EQUITY – T. ROWE PRICE SMALL CAP EQUITY FUND
 Periods Ending December, 2000**

Portfolio Manager: Gregory A. McCrickard

**State's Participation in Fund: \$232,399,850
 Total Assets in Fund: \$2,262,862,060**

**Investment Philosophy
 T. Rowe Price Small Cap Equity Fund**

Staff Comments

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

No comments at this time.

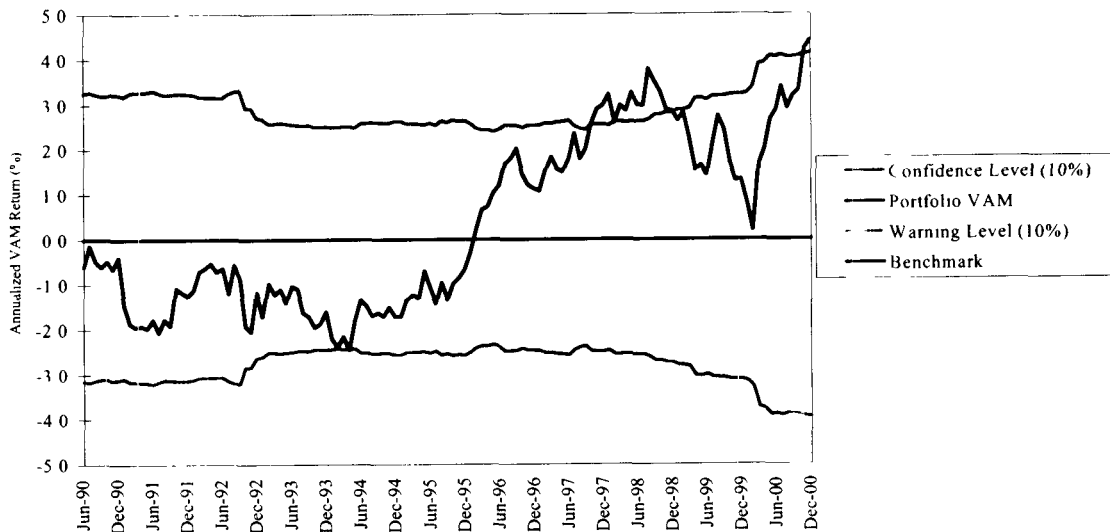
Quantitative Evaluation

Recommendation

	Actual	Benchmark*	
Last Quarter	0.4%	-6.9%	No action required.
Last 1 year	17.4	-3.0	
Last 2 years	16.0	8.4	
Last 3 years	9.1	4.6	
Last 4 years	13.8	8.8	
Last 5 years	15.2	10.3	
Since Retention by SBI (7/99)	18.4	5.0	

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

**SMALL CAP EQUITY - T. ROWE PRICE SMALL CAP EQUITY FUND
 Rolling Five Year VAM**



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

**MN STATE 457 DEFERRED COMPENSATION PLAN
EQUITY INDEX – VANGUARD INSTITUTIONAL INDEX PLUS
Periods Ending December, 2000**

Portfolio Manager: George U. Sauter

**State's Participation in Fund: \$191,093,109
Total Assets in Fund: \$10,765,048,092**

**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 comments at this time.

Quantitative Evaluation

Recommendation

	Actual	Benchmark*
Last Quarter	-7.8%	-7.8%
Last 1 year	-9.0	-9.1
Last 2 years	5.0	4.9
Last 3 years	12.4	12.3
Last 4 years	17.3	17.2
Last 5 years	18.5	18.3
Since Retention by SBI (7/99)	-1.2	-1.4

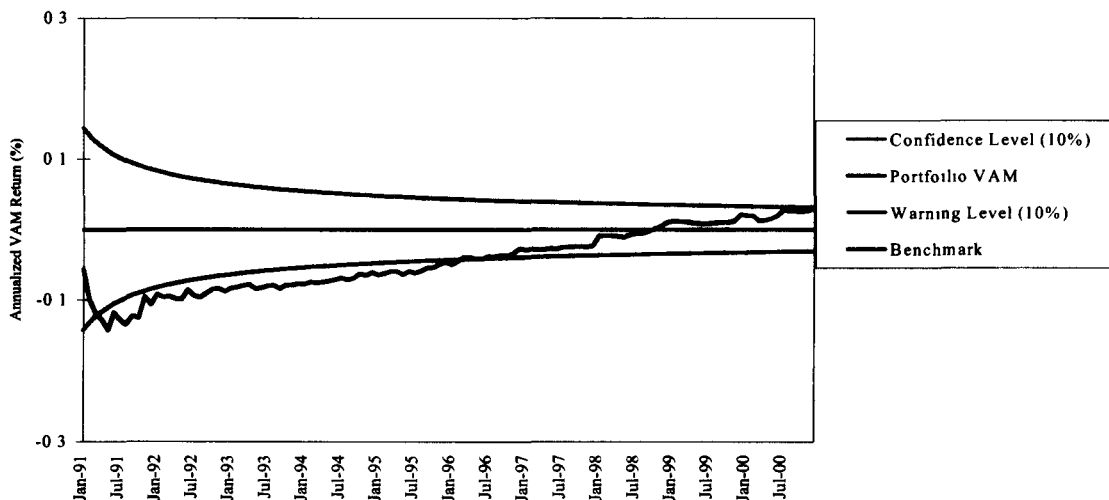
No action required.

*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.

**EQUITY INDEX - VANGUARD INSTITUTIONAL INDEX
Cumulative Tracking**



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
BALANCED – INVESCO TOTAL RETURN
Periods Ending December, 2000**

Portfolio Manager: Charlie Mayer

**State's Participation in Fund: \$86,269,193
Total Assets in Fund: \$1,827,900,000**

**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

Staff met with INVESCO at their offices in December to discuss portfolio manager changes. INVESCO transitioned the Total Return Fund to a new management team, effective January 1, 2001. Charlie Mayer, Director of Income Equity Investments, will lead the INVESCO Funds value investment team. The fund will be based in their Denver office, which brings all of their domestic retail funds together in one location. The allocation methodology remains the same.

Quantitative Evaluation

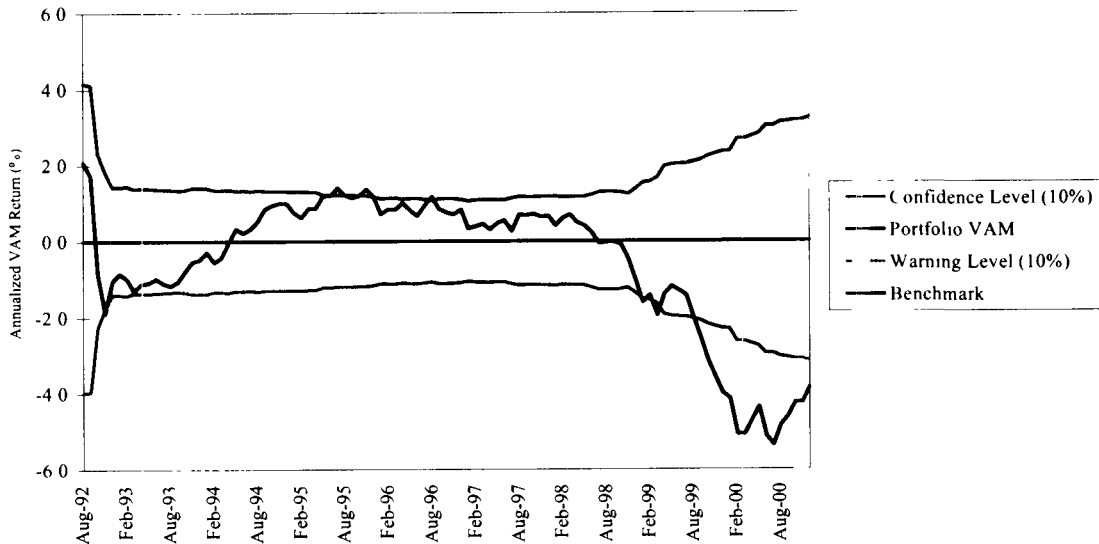
	Actual	Benchmark*
Last Quarter	0.8%	-3.0%
Last 1 year	-3.6	-3.3
Last 2 years	-2.5	3.8
Last 3 years	2.6	9.4
Last 4 years	7.8	12.8
Last 5 years	8.8	13.2
Since Retention by SBI (7/99)	-7.4	0.9

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**



Note: Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
BOND – DODGE & COX INCOME FUND
Periods Ending December, 2000**

Portfolio Manager: Dana Emery

**State's Participation in Fund: \$25,499,016
Total Assets in Fund: \$1,020,781,779**

**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 matched the benchmark for the fourth quarter. The one year return was negatively affected by the funds overweight position in long corporate securities.

Quantitative Evaluation

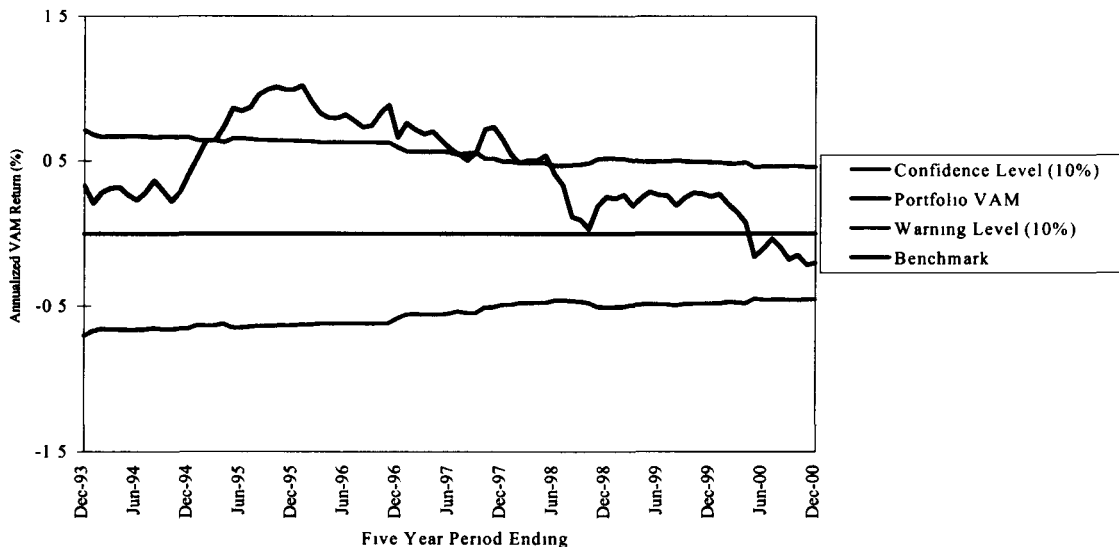
	Actual	Benchmark*
Last Quarter	4.2%	4.2%
Last 1 year	10.7	11.6
Last 2 years	4.8	5.2
Last 3 years	5.9	6.4
Last 4 years	6.9	7.2
Last 5 years	6.2	6.5
Since Retention By SBI (7/99)	7.4	8.0

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.

**BOND - DODGE & COX INCOME FUND
Rolling Five Year VAM**



Note Shaded area includes performance prior to managing SBI account

**MN STATE 457 DEFERRED COMPENSATION PLAN
INTERNATIONAL – FIDELITY DIVERSIFIED INTERNATIONAL
Periods Ending December, 2000**

Portfolio Manager: Gregory Fraser

**State's Participation in Fund: \$83,846,270
Total Assets in Fund: \$6,579,700,000**

**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

No comments at this time

Quantitative Evaluation

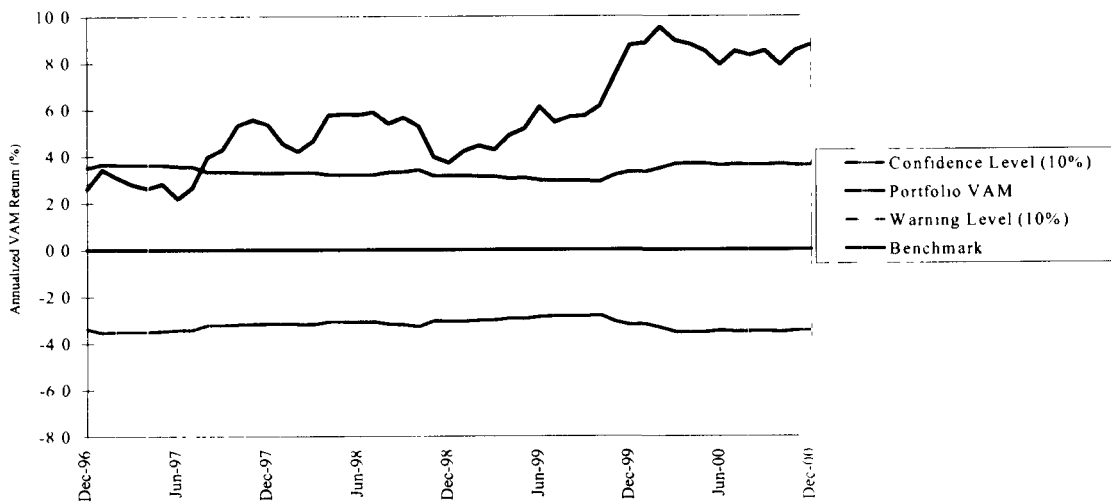
	Actual	Benchmark*
Last Quarter	-2.3%	-2.7%
Last 1 year	-9.0	-14.2
Last 2 years	17.1	4.3
Last 3 years	16.2	9.3
Last 4 years	15.6	7.3
Last 5 years	16.5	7.1
Since Retention By SBI (7/99)	16.1	3.2

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 December, 2000**

Total Assets in MN Fixed Fund: \$132,400,415 *

*Includes \$10-12M in Liquidity Buffer Account

Total Assets in 457 Plan: \$584,711,535 **

**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: \$41,907,396

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: \$38,836,350

Assets in Prior MN 457 Plan: \$196,964,738

Total Assets: \$235,801,088

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: \$36,217,600

Assets in Prior MN 457 Plan: \$255,346,381

Total Assets: \$291,563,982

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 December, 2000**

Current Quarter

Dollar Amount of Bid: \$21,000,000

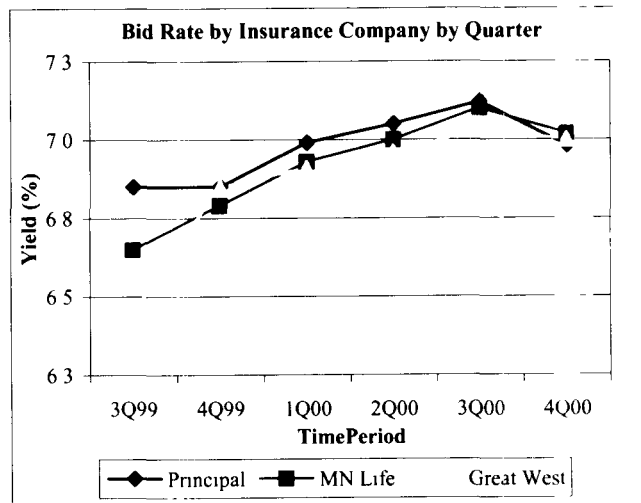
Blended Rate: 6.39%

Bid Rates:

Principal Life 7.13%
Minnesota Life 7.12%
Great West Life 7.00%

**Dollar Amount in existing
Minnesota Life portfolio: \$196,964,738**

**Rate on existing
Minnesota Life portfolio: 5.98 %**



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

Percentage Allocation of Dollars by Quarter

	1Q00	2Q00	3Q00	4Q00
Principal Life	33.3%	33.3%	33.3%	35.0%
Minnesota Life	33.3%	33.3%	33.3%	35.0%
Great West Life	33.3%	33.3%	33.3%	30.0%

Staff Comments

For the fourth quarter, Great West Life had a slightly lower percentage allocation of bid dollars due to their bid rate being more than 10 basis points lower than Principal Life and Minnesota Life.

Tab E

COMMITTEE REPORT

DATE: February 27, 2001

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

FROM: **Alternative Investment Committee**

The Alternative Investment Committee met on February 15, 2001 to review the following information and action items:

- Review of current strategy.
- Transfer of up to \$125 million of common stock of Equity Office Properties Trust (symbol: EOP) from the Basic Retirement Funds to the Post Retirement Fund.
- Additional investment of \$1.5 million for the Basic Retirement Funds with an existing private equity manager, Crescendo, in Crescendo IV, L.P.

The Board/IAC action is required on the last two items.

The Committee and Board Designees also met on February 15, 2001 to consider and finalize approval on potential investments that had previously been pre-approved by the Board at its December 13, 2001 meeting. All of the pre-approvals were finalized and approved at this meeting. The managers considered included: KKR (up to a \$200 million commitment for the Basic Retirement Funds in KKR Millennium Fund), Crescendo (up to a \$100 million commitment for the Basic Retirement Funds in Crescendo V), BLUM (up to a \$50 million commitment for the Basic Retirement Funds in BLUM Strategic Partners II) and First Reserve (up to a \$100 million for the Basic Retirement Funds in First Reserve IX).

INFORMATION ITEMS:

1) Review of Current Strategy.

To increase overall portfolio diversification, 15% of the Basic Retirement Funds and 5% of the Post Retirement Fund are allocated to alternative investments. Alternative investments include real estate, private equity and resource investments where Minnesota State Board of Investment (SBI) participation is limited to commingled funds or other pooled vehicles. Charts summarizing the Board's current commitments are attached (see **Attachments A and B**).

Basic Funds

- The real estate investment strategy calls for the establishment and maintenance of a broadly diversified real estate portfolio comprised of investments that provide overall diversification by property type and location. The main component of this portfolio consists of investments in diversified Real Estate Investment Trusts (REITs), open-end commingled funds and closed-end commingled funds. The remaining portion of the portfolio can include investments in less diversified, more focused (specialty) commingled funds and REITs.
- The private equity investment strategy is to establish and maintain a broadly diversified private equity portfolio comprised of investments that provide diversification by industry type, stage of corporate development and location.
- The strategy for resource investment is to establish and maintain a portfolio of resource investment vehicles that are specifically designed for institutional investors to provide an inflation hedge and additional diversification. Individual resource investments will include proved producing oil and gas properties, royalties and other investments that are diversified geographically and by type.

Post Fund

- The Post Fund assets allocated to alternative investments will be invested separately from the Basic Funds' alternative investments to assure that returns are accounted for appropriately. Since the Post Fund invests the retired employees' pension assets, an allocation to yield oriented alternative investments will be emphasized. The Basic Retirement Funds' invest the active employees' pension assets and have less concern regarding the current yield for their alternative investments.

ACTION ITEMS:

- 1) **Transfer of up to \$125 million of common stock of Equity Office Properties Trust (symbol: EOP) from the Basic Retirement Funds to the Post Retirement Fund.**

The Basic Retirement Funds currently own approximately \$250 million of common stock of Equity Office Properties Trust (symbol: EOP). This real estate investment held within the Basic Funds' Alternative Investment allocation was acquired through the consolidation and IPO (initial public offering) of several real estate limited partnership investments made with Sam Zell in the early 1990's. Since inception, this investment has produced an annualized IRR (internal rate of return) of 17% and currently annually yields 6% in dividends. The Committee and Staff feel that a transfer of some of the EOP stock to the Post Retirement Fund from the Basic Retirement Funds is appropriate because:

- EOP has growth and income characteristics which are attractive to both the Basics and Post funds.
- The Post Fund would obtain a new real estate investment with an existing manager without paying any start-up costs or stock purchase commissions.
- The Post Fund has a larger uninvested alternative investment allocation.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director to execute a transfer of up to \$125 million of Equity Office Properties Trust (symbol: EOP) stock from the Basic Retirement Funds to the Post Retirement Fund.

2) Additional investment of \$1.5 million for the Basic Retirement Funds with an existing private equity manager, Crescendo, in Crescendo IV, L.P.

A small investment commitment of \$1.5 million in Crescendo IV, L.P. is being sold by a Minneapolis based investment manager, Knelman Asset Management Group LLC. The Basic Retirement Funds currently has an investment commitment of \$100 million in Crescendo IV, L.P with Crescendo Ventures. Staff and the Alternative Investment Committee have been satisfied with Crescendo's performance and are recommending purchase of Knelmans \$1.5 million investment commitment in Crescendo IV, L.P.

RECOMMENDATION:

The Committee recommends that the SBI authorize the Executive Director, with assistance from the SBI's legal counsel, to negotiate and execute an additional investment of up to \$1.5 million in Crescendo IV, L.P. This will be allocated to the Basic Retirement Funds.

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 Crescendo Ventures or Knelman Asset Management Group LLC 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 Crescendo Ventures or Knelman Asset Management Group LLC or reduction or termination of the commitment.

ATTACHMENT A

Minnesota State Board of Investment

Alternative Investments

Basic Retirement Funds

December 31, 2000

Market Value of Basic Retirement Funds	\$19,810,183,796
Amount Available for Investment	\$333,929,549

	Current Level	Target Level	Difference
Market Value	\$2,637,598,021	\$2,971,527,569	\$333,929,549
MV +Unfunded	\$3,566,157,111	\$3,962,036,759	\$395,879,649

Asset Class	Market Value	Unfunded Commitment	Total
Real Estate	\$812,119,477	\$21,735,056	\$833,854,533
Private Equity	\$1,590,406,585	\$839,701,634	\$2,430,108,219
Resource	\$235,071,959	\$67,122,400	\$302,194,359
Total	\$2,637,598,021	\$928,559,090	\$3,566,157,111

Minnesota State Board of Investment
Alternative Investments
Post Retirement Funds
December 31, 2000

Market Value of Post Retirement Funds	\$20,155,567,825
Amount Available for Investment	\$564,874,126

	Current Level	Target Level	Difference
Market Value	\$442,904,265	\$1,007,778,391	\$564,874,126
MV +Unfunded	\$953,504,669	\$2,015,556,783	\$1,062,052,113

Asset Class	Market Value	Unfunded Commitment	Total
Real Estate	\$81,229,035	\$14,450,781	\$95,679,815
Private Equity	\$302,665,940	\$361,426,109	\$664,092,048
Resource	\$59,009,291	\$134,723,515	\$193,732,806
Total	\$442,904,265	\$510,600,404	\$953,504,669

ATTACHMENT B

State of Minnesota - Alternative Investments -

As of December 31, 2000

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<u>Real Estate-Basic</u>							
Aetna	42,376,529	42,376,529	145,096,775	0	0	7.44	18.67
AEW V	15,000,000	15,000,000	363,283	11,169,287	0	-2.79	13.05
Colony Capital							
<i>Colony Investors II</i>	40,000,000	38,985,164	11,794,134	31,997,001	1,014,836	4.93	5.75
<i>Colony Investors III</i>	100,000,000	89,635,379	76,448,819	14,968,455	10,364,621	-0.16	3.00
Equity Office Properties Trust	140,388,854	140,388,854	274,220,955	35,276,674	0	18.89	9.10
First Asset Realty Fund	916,185	916,185	119,778	963,927	0	4.91	6.67
Heltman							
<i>Heltman Advisory Fund I</i>	20,000,000	20,000,000	2,309,478	20,190,280	0	1.50	16.39
<i>Heltman Advisory Fund II</i>	30,000,000	30,000,000	3,387,974	39,808,713	0	3.93	15.11
<i>Heltman Advisory Fund III</i>	20,000,000	20,000,000	76,471	22,174,237	0	1.31	13.94
<i>Heltman Advisory Fund V</i>	20,000,000	20,000,000	9,472,415	22,337,452	0	7.92	9.08
Lasalle Income Parking Fund	15,000,000	14,844,401	5,245,638	17,104,844	355,599	8.40	9.28
Lend Lease Real Estate Investments	40,000,000	40,000,000	129,529,619	2,467,225	0	6.69	19.23
RREEF USA Fund III	75,000,000	75,000,000	488,554	121,039,987	0	4.75	16.85
T.A. Associates Realty							
<i>Realty Associates Fund III</i>	40,000,000	40,000,000	53,116,312	21,863,409	0	13.39	6.58
<i>Realty Associates Fund IV</i>	50,000,000	50,000,000	58,130,648	12,079,058	0	12.51	3.91
<i>Realty Associates Fund V Corporation</i>	50,000,000	40,000,000	40,492,280	3,399,305	10,000,000	7.81	1.60
TCW							
<i>TCW Realty Fund IV</i>	30,000,000	30,000,000	1,818,663	27,223,733	0	-0.34	14.16
Fund in Liquidation (AEW III)	20,000,000	20,000,000	7,680	24,134,114	0	1.75	15.32
Real Estate - Basic Totals	748,681,568	726,946,512	812,119,477	428,197,701	21,735,056		
<u>Real Estate-Post</u>							
Colony Capital	40,000,000	38,985,164	11,794,134	31,997,001	1,014,836	4.93	5.75
Westmark Realty Advisors							
<i>Westmark Coml MTG Fund II</i>	13,500,000	13,397,500	11,173,759	7,644,228	102,500	9.55	5.43
<i>Westmark Coml MTG Fund III</i>	21,500,000	21,275,052	20,356,179	6,544,717	224,948	8.00	4.08
<i>Westmark Coml MTG Fund IV</i>	14,300,000	14,300,000	13,781,719	2,420,658	0	6.87	3.01
<i>Westmark Coml MTG Fund V</i>	37,200,000	24,091,503	24,123,243	1,272,125	13,108,497	10.02	1.42
Real Estate - Post Totals	126,500,000	112,049,219	81,229,035	49,878,730	14,450,781		
Real Estate Totals	875,181,568	838,995,731	893,348,512	478,076,431	36,185,837		

**State of Minnesota
- Alternative Investments -**

As of December 31, 2000

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<u>Private Equity-Basic</u>							
Bank Fund							
<i>Banc Fund III</i>	20,000,000	20,000,000	12,529,437	30,294,316	0	15.70	8.18
<i>Banc Fund IV</i>	25,000,000	25,000,000	22,373,275	7,416,810	0	5.66	4.88
<i>Banc Fund V</i>	48,000,000	28,800,000	25,659,130	527,419	19,200,000	-6.94	2.46
Blackstone Capital Partners II	50,000,000	47,042,314	27,568,179	56,298,390	2,957,686	37.30	7.11
Brinson Partners							
<i>Brinson Partners I</i>	5,000,000	5,000,000	600,265	9,052,616	0	11.39	12.64
<i>Bnnon Partners II</i>	20,000,000	19,579,998	3,301,820	36,821,221	420,002	26.26	10.09
Churchill Capital Partners II	20,000,000	20,000,000	6,535,865	22,774,716	0	13.16	8.18
Contrarian Capital Fund II L.P.	37,000,000	37,000,000	33,466,820	12,446	0	-3.74	3.59
Coral Partners							
<i>Coral Partners Fund I</i>	7,011,923	7,011,923	1,898,942	6,429,665	0	2.48	14.54
<i>Coral Partners Fund II</i>	10,000,000	8,069,315	2,529,997	35,052,299	1,930,685	25.43	10.43
<i>Coral Partners Fund IV</i>	15,000,000	15,000,000	18,199,135	9,641,107	0	20.10	6.45
<i>Coral Partners Fund V</i>	15,000,000	12,035,815	16,301,488	152,481	2,964,185	30.02	2.54
Crescendo							
<i>Crescendo II</i>	15,000,000	14,994,773	11,773,341	20,341,812	5,227	44.75	4.00
<i>Crescendo III, L.P.</i>	25,000,000	25,000,000	74,690,057	5,317,496	0	143.17	2.15
<i>Crescendo IV</i>	100,000,000	57,541,174	56,693,708	0	42,458,826	N/A	0.81
DLJ Merchant Banking Partners III	125,000,000	22,821,963	22,821,963	0	102,178,037	N/A	0.25
DSV Partners IV	10,000,000	10,000,000	1,701,501	27,382,838	0	9.63	15.73
First Century Partners III	10,000,000	10,000,000	3,142,494	14,103,791	0	9.04	16.05
Fox Paine Capital Fund							
<i>Fox Paine Capital Fund</i>	40,000,000	34,380,654	113,533,102	0	5,619,346	118.88	2.69
<i>Fox Paine Capital Fund II</i>	50,000,000	782,544	451,971	0	49,217,456	N/A	0.50
Golder, Thoma, Cressey, Rauner							
<i>Golder, Thoma, Cressey Fund III</i>	14,000,000	14,000,000	4,631,003	55,444,382	0	30.37	13.17
<i>Golder, Thoma, Cressey & Rauner Fund IV</i>	20,000,000	19,750,000	10,103,064	33,351,637	250,000	27.86	6.92
<i>Golder, Thoma, Cressey & Rauner Fund V</i>	30,000,000	30,000,000	36,031,363	8,285,224	0	15.91	4.50
GS Capital Partners 2000	50,000,000	4,554,446	4,554,446	0	45,445,554	N/A	0.33
GTCR Golder Rauner							
<i>GTCR VI</i>	90,000,000	79,687,778	71,542,648	49,263,209	10,312,222	45.63	2.50
<i>GTCR Fund VII</i>	175,000,000	45,952,603	44,610,236	0	129,047,397	N/A	0.92
Hellman & Friedman							
<i>Hellman & Friedman Capital Partners III</i>	40,000,000	32,432,434	14,360,704	53,199,542	7,567,566	37.78	6.28
<i>Hellman & Friedman Capital Partners IV</i>	150,000,000	32,031,564	12,289,699	34,136,841	117,968,436	95.20	1.00
Kohlberg Kravis Roberts							
<i>KKR 1986 Fund</i>	18,365,339	18,365,339	9,429,848	202,769,694	0	28.13	14.71
<i>KKR 1987 Fund</i>	145,950,000	145,373,852	194,622,142	265,088,338	576,348	11.25	13.11
<i>KKR 1993 Fund</i>	150,000,000	150,000,000	61,081,576	260,983,114	0	20.08	7.03
<i>KKR 1996 Fund</i>	200,000,000	180,743,675	160,087,876	49,961,368	19,256,325	8.20	4.33
GHJM Marathon Fund IV	40,000,000	14,870,000	14,829,509	0	25,130,000	-11.47	1.71
Piper Jaffrey Healthcare							
<i>Piper Jaffrey Healthcare Fund II</i>	10,000,000	9,200,000	8,885,015	658,415	800,000	1.63	3.84
<i>Piper Jaffrey Healthcare Fund III</i>	20,000,000	10,831,115	10,570,063	197,173	9,168,885	-1.74	1.94
RCBA Strategic Partners	50,000,000	49,302,291	48,097,244	6,225,368	697,709	7.75	2.03
Summit Partners							
<i>Summit Ventures II, L.P.</i>	30,000,000	28,500,000	2,661,491	70,684,540	1,500,000	28.80	12.64
<i>Summit Ventures V, L.P.</i>	25,000,000	18,125,000	18,286,027	4,505,779	6,875,000	16.27	2.75
T. Rowe Price	505,392,158	505,392,158	38,740,838	496,843,654	0	14.27	N/A
Thoma Cressey							
<i>Thoma Cressey Fund VI, L.P.</i>	35,000,000	29,050,000	36,944,715	0	5,950,000	26.37	2.37
<i>Thoma Cressey Fund VII, L.P.</i>	50,000,000	0	0	0	50,000,000	N/A	0.35
Vestar Capital Partners IV, L.P.	55,000,000	8,045,257	7,825,673	369,185	46,954,743	-16.33	1.05
Warburg Pincus							
<i>Warburg, Pincus Equity Partners</i>	100,000,000	75,000,000	81,857,822	5,570,038	25,000,000	15.99	2.52
<i>Warburg, Pincus Ventures</i>	50,000,000	50,000,000	99,450,988	162,107,869	0	58.26	6.00
Welsh, Carson, Anderson & Stowe							
<i>WCAS VIII</i>	100,000,000	91,000,000	119,396,095	0	9,000,000	23.31	2.44
<i>WCAS IX</i>	125,000,000	23,750,000	23,333,354	0	101,250,000	N/A	0.51
Funds in Liquidation (Allied, Summit I & Zell/Chillmark)	45,000,000	45,000,000	410,656	102,843,554	0	N/A	N/A
Private Equity - Basic Totals	2,970,719,420	2,131,017,786	1,590,406,586	2,144,108,346	839,701,634		

State of Minnesota
- Alternative Investments -

As of December 31, 2000

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<i>Private Equity-Post</i>							
Citicorp Mezzanine							
<i>Citicorp Mezzanine II</i>	40,000,000	40,000,000	28,967,759	25,423,833	0	14.80	6.00
<i>Citicorp Mezzanine III</i>	100,000,000	22,197,828	22,798,834	456,577	77,802,172	8.82	1.17
DLJ Investment Partners II	50,000,000	19,941,041	19,992,103	53,269	30,058,959	0.99	1.00
GS Mezzanine Partners II	100,000,000	12,000,000	12,353,376	0	88,000,000	N/A	0.84
GTCR Capital Partners	80,000,000	50,800,000	51,662,482	3,019,387	29,200,000	10.84	1.14
KB Mezzanine Partners Fund II	25,000,000	24,999,999	21,400,165	4,569,257	1	1.21	5.25
Summit Partners							
<i>Summit Sub. Debt Fund I</i>	20,000,000	18,000,000	1,077,361	30,380,469	2,000,000	31.02	6.75
<i>Summit Sub. Debt Fund II</i>	45,000,000	24,750,000	13,968,679	54,701,223	20,250,000	69.73	3.42
T. Rowe Price	52,990,378	52,990,378	1,735,659	51,835,575	0	6.22	N/A
TCW/Crescent Mezzanine							
<i>TCW Crescent Mezzanine Partner</i>	40,000,000	39,488,566	26,324,990	19,892,788	511,434	7.15	4.75
<i>TCW Crescent Mezzanine Partner II</i>	100,000,000	91,273,718	80,325,402	21,767,151	8,726,282	11.77	2.11
William Blair Mezzanine III	60,000,000	21,831,600	22,059,129	0	38,168,400	1.61	1.00
Windjammer Mezzanine & Equity Fund II	66,708,861	0	0	0	66,708,861	N/A	0.75
Private Equity - Post Totals	779,699,239	418,273,130	302,665,940	212,099,529	361,426,109		
Private Equity Totals	3,750,418,659	2,549,290,916	1,893,072,525	2,356,207,875	1,201,127,743		

**State of Minnesota
- Alternative Investments -**

As of December 31, 2000

Investment	Total Commitment	Funded Commitment	Market Value	Distributions	Unfunded Commitment	IRR %	Period Years
<u>Resource-Basic</u>							
Apache Corp	30,000,000	30,000,000	3,975,210	44,109,377	0	11.24	14.00
First Reserve							
<i>First Reserve I</i>	15,000,000	15,000,000	1,114,000	14,375,857	0	0.17	19.25
<i>First Reserve II</i>	7,000,000	7,000,000	1,527,000	14,708,388	0	6.53	17.91
<i>First Reserve VII</i>	40,000,000	40,000,000	45,497,010	16,696,014	0	19.79	4.50
<i>First Reserve VIII</i>	100,000,000	63,919,792	89,798,096	4,532,020	36,080,208	34.56	2.67
Morgan Oil & Gas	15,000,000	15,000,000	3,836,603	20,906,987	0	8.82	12.35
Simmons							
<i>Simmons - SCF Fund II</i>	17,000,000	14,847,529	27,611,989	6,662,864	2,152,471	12.14	9.40
<i>Simmons - SCF Fund III</i>	25,000,000	21,155,279	34,115,288	10,226,217	3,844,721	20.72	5.50
<i>Simmons - SCF Fund IV</i>	50,000,000	24,955,000	27,308,264	0	25,045,000	2.25	2.75
T. Rowe Price	608,962	608,962	137,500	395,571	0	-28.32	N/A
Fund in Liquidation (First Reserve V)	<u>16,800,000</u>	<u>16,800,000</u>	<u>150,999</u>	<u>50,261,377</u>	0	16.23	10.67
Resource - Basic Totals:	299,608,962	232,486,562	234,920,960	132,613,294	67,122,400		
<u>Resource-Post</u>							
Merit Energy Partners							
<i>Merit Energy Partners B L P</i>	24,000,000	18,356,900	26,066,402	3,034,142	5,643,100	16.66	4.50
<i>Merit Energy Partners C</i>	50,000,000	20,919,585	32,942,888	684,814	29,080,415	34.21	2.18
<i>Merit Energy Partners D</i>	<u>100,000,000</u>	0	0	0	<u>100,000,000</u>	N/A	0.00
Resource - Post Totals	174,000,000	39,276,485	59,009,291	3,718,956	134,723,515		
Resource Totals	473,608,962	271,763,047	293,930,250	136,332,250	201,845,915		