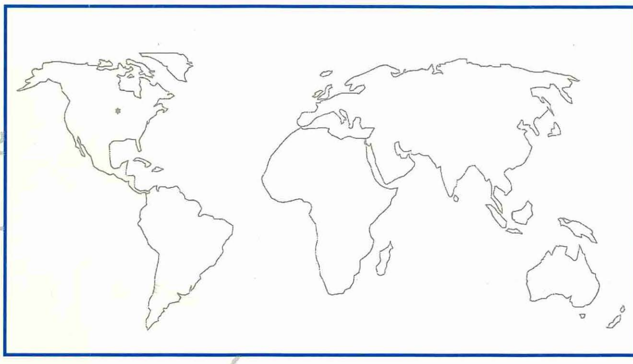
1999 Annual Report



Minnesota State Board of Investment

Table of Contents

Section II

MINNESOTA STATE BOARD OF INVESTMENT

Capitol Professional Office Building
Suite 200
590 Park Street
St. Paul, MN 55103
(651) 296-3328
FAX (651) 296-9572
E-mail:
minn.sbi@state.mn.us.
www.sbi.state.mn.us

December, 1999

The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 1999.

Investment Environment
Fiscal year 1999 was another strong year for most financial assets. Amid continued positive corporate earnings reports and high cash inflows, the U.S. stock market produced exceptionally strong returns for the fifth consecutive year. The Wilshire 5000 Stock Index increased 19.6% which is significantly more than its historical average. With rising long-term interest rates and poor performance in the corporate sector for the 12 month period, the U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, provided a gain of 3.1%, which is less than its historical average.

The performance of international stock markets was mixed during the year. Developed markets lagged the U.S. market and were below historical averages. The Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE) gained 7.6% for the twelve months ended June 30, 1999. The markets of developing countries, often referred to as "emerging markets", performed well, returning 28.7% over the fiscal year.

SBI Results
Within this investment environment, the retirement assets under the Board's control performed well:

- The Basic Retirement Funds gained 11.3% during fiscal year 1999. The Funds benefited from their high US stock exposure as well as strong returns from international equities. (See page 8.)

- The Post Retirement Fund advanced 12.1% for the year. This gain, combined with strong returns in prior years, will provide a lifetime post retirement benefit increase of 11.1% for eligible retirees. (See page 11.)

On June 30, 1999, assets under management totaled $50.4 billion. This total is the aggregate of several separate pension funds, trust funds and cash accounts, each with different investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique needs. **The primary purpose of this annual report is to communicate the investment goals, policies and performance of each fund managed by the Board.** Through the investment programs presented in this report, the Minnesota State Board of Investment will continue to enhance the management and performance of the funds under its control.

Sincerely,

Howard Bicker

Howard Bicker
Executive Director

State Board of Investment

Governor Jesse Ventura, Chair
State Auditor Judith H. Dutcher
State Treasurer Carol C. Johnson
Secretary of State Mary Kiffmeyer
State Attorney General Mike Hatch

Investment Advisory Council

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

— The Board appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and St. Paul corporate investment community.

— The Commissioner of Finance and the Executive Directors of the three statewide retirement systems are permanent members of the Council.

— Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

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

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

Members of the Council*

Gary Austin
Executive Director
Teachers Retirement Association

David Bergstrom
Executive Director
Mn. State Retirement System

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

Douglas Gorence
Chief Investment Officer
U of M Foundation Investment Advisors

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

P. Jay Kiedrowski
Executive Vice President
Norwest Bank/Wells Fargo & Co.

Han Chin Liu
Governor's Appointee
Active Employee Representative

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

Malcolm W. McDonald, Vice Chair
Director & Senior Vice President
Space Center, Inc.

Gary R. Norstrem, Retired
Treasurer
City of St. Paul

Daralyn Peifer
Managing Director,
Private Investments
General Mills, Inc.

Mary Stanton
Governor's Appointee
Active Employee Representative

Michael L. Troutman
V.P., Finance and Investments
Evangelical Lutheran Church in America

Mary Vanek
Executive Director
Public Employees Retirement Assoc.

Elaine Voss
Governor's Appointee
Retiree Representative

Pamela Wheelock
Commissioner
Mn. Dept. of Finance

Jan Yeomans, Chair
Treasurer
3M Co.

* As of December 1999

*Staff, Consultants & Custodians**

Howard Bicker
Executive Director

Mansco Perry III
Assistant Executive Director

Investment Staff

Public Investments
Lois E. Buermann
Mgr., Public Investments

Jason Matz
Analyst, Fixed Income

Stephen Koessl
Analyst, Domestic Equities

Tammy Brusehaver-Derby
Analyst, International Equities

Internal Investments
Michael J. Menssen
Mgr., Internal Investments

Alternative Assets
John N. Griebenow
Mgr., Alternative Investments

Andrew Christensen
Analyst, Alternative Investments

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

Harold L. Syverson
Analyst, Short Term Accounts

Public Programs
James E. Heidelberg
Mgr., Public Programs

Stephanie Gleeson
Analyst, Public Programs

Deborah Griebenow
Analyst, Shareholder Services

N. Robert Barman
Analyst, Shareholder Services

Administrative Staff

Finance and Accounting
L. Michael Schmitt
Administrative Director

Thomas L. Delmont
Accounting Officer, Intermediate

Nancy L. Wold
Accounting Officer, Intermediate

Kathy Leisz
Accounting Officer, Intermediate

John Bottomley
Accounting Technician

Support Services
Charlene Olson
Secretary to the Executive Director

Carol Nelson
Secretary

Sondra Wagner
Secretary

Pat Koshenina
Secretary

Consultants

General Consultant
Richards & Tierney, Inc.
Chicago, Illinois

Special Projects Consultant
Pension Consulting Alliance
Studio City, California

Deferred Compensation Programs
Watson Wyatt
Minneapolis, Minnesota

Custodian Banks

Retirement and Trust Funds
State Street Bank & Trust Co.
Boston, Massachusetts

State Cash Accounts
Norwest Bank/Wells Fargo & Co.
St. Paul, Minnesota

*As of December 1999

Introduction

The Minnesota State Board of Investment is responsible for the investment management of various retirement funds, trust funds and cash accounts. On June 30, 1999, the market value of all assets was $50.4 billion.

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

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

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

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

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

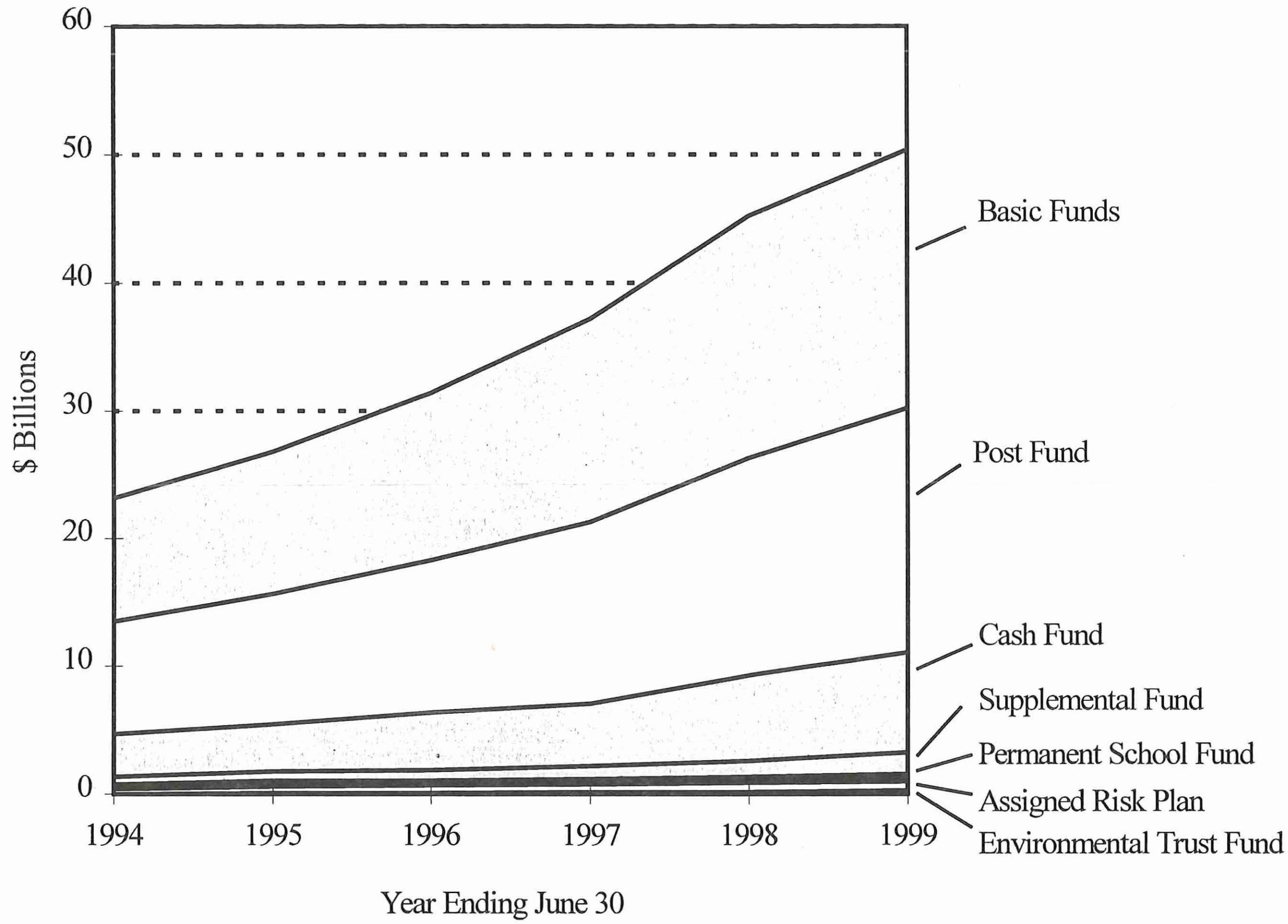
The Board has adopted guidelines concerning investments in stock markets outside the U.S. The guidelines do not prohibit investment in any market, but do require that additional notification/presentation be provided to SBI staff or the SBI Administrative Committee in certain cases (refer to page 42 for more information on these guidelines).

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

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

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

Growth in Assets
Fiscal Years 1995 - 1999



Funds Under Management

	Market Value June 30, 1999

Basic Retirement Funds — $20.2 billion

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

Teachers Retirement Fund TRA	$8,189 million
Public Employees Retirement Fund PERA	4,522 million
State Employees Retirement Fund SERA	4,318 million
Public Employees Police and Fire Fund	2,115 million
Police and Fire Consolidation Fund	492 million
Highway Patrol Retirement Fund	272 million
Correctional Employees Fund	255 million
Judges Retirement Fund	24 million

Post Retirement Fund — $19.1 billion

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

Supplemental Investment Fund — $1.7 billion

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

Income Share Account	stocks and bonds	$643 million
Growth Share Account	actively managed stocks	323 million
Common Stock Index Account	passively managed stocks	389 million
International Share Account	non U.S. stocks	26 million
Bond Market Account	actively managed bonds	132 million
Money Market Account	short-term debt securities	56 million
Fixed Interest Account	guaranteed investment contracts	87 million

Assigned Risk Plan — $0.7 billion

The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.

Permanent School Fund — $0.6 billion

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

Environmental Trust Fund — $0.3 billion

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

State Cash Accounts — $7.8 billion

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

Total Assets — $50.4 billion

Combined Funds

The "Combined Funds" represent the assets of both active and retired public employees who participate in the defined benefit plans of three state-wide retirement systems: Teachers Retirement Association (TRA), Public Employees Retirement Association (PERA) and the Minnesota State Retirement System (MSRS). On June 30, 1999, the Combined Funds had a market value of $39.3 billion.

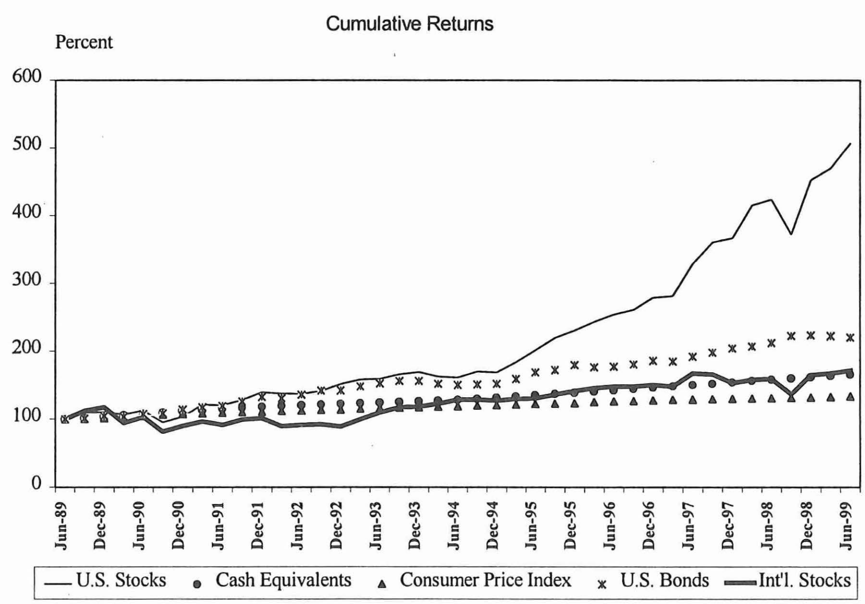
The Combined Funds are so named because they represent the combined assets of both the Basic Retirement Funds (the fund for active employees) and Post Retirement Fund (the fund for retired employees). Unlike most other public and corporate pension plans, the assets of active and retired employees are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

While the Combined Funds do not exist under statute, the Board finds it instructive to review asset mix and performance of all defined benefit pension assets under its control. This more closely parallels the structure of other public and corporate pension plan assets and therefore allows for more meaningful comparison with other pension fund investors. The comparison universe used by the SBI is the Master Trust portion of the Trust Universe Comparison Service (TUCS). This universe contains information on public and corporate pension and trust funds with a balanced asset mix and over $1 billion in size.

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

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

Figure 1. Performance of Capital Markets FY 1990-1999

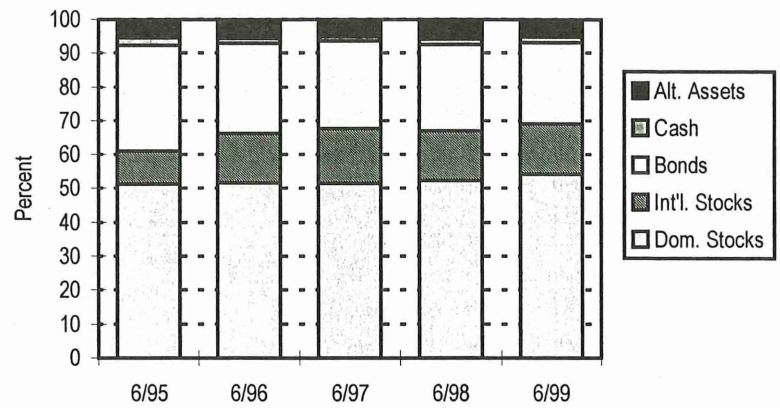


Combined Funds

Asset Allocation

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

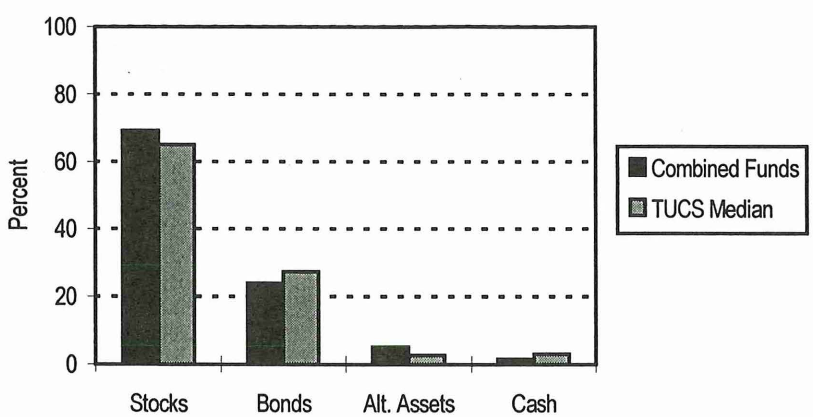
Figure 3. Historical Asset Mix FY 1995-1999



Asset Mix Compared to Other Pension Funds

Comparisons of the Combined Funds' actual asset mix to the median allocation to stocks, bond and other assets of the funds in TUCS on June 30, 1999 are displayed in Figure 2. It shows that the Combined Funds were overweighted in stocks relative to the median allocation in TUCS and underweighted in their allocation to bonds and cash. Historical data on the Combined Funds' asset mix is shown in Figure 3.

Figure 2. Asset Mix Comparison as of June 30, 1999



	Combined Funds	Median Allocation in TUCS*
Stocks**	69.2%	65.0%
Bonds	24.0	27.4
Alternative Assets	5.2	2.6***
Cash	1.6	3.1

* Represents the median allocation by asset class, and does not add to 100%.
** Both international and domestic
*** All other assets in TUCS

Return Objectives

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

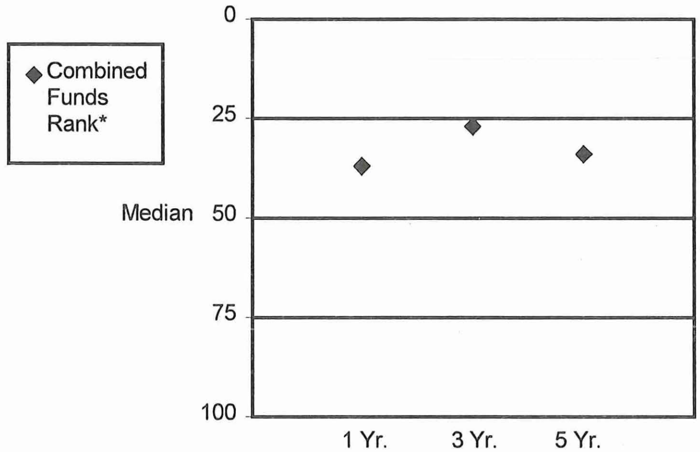
— ***Provide Real Returns.*** Over a ten year period, the Combined Funds are expected to produce returns that exceed inflation by 3-5 percentage points on an annualized basis.

— ***Exceed Median Fund Returns.*** Over a five year period, the Combined Funds are expected to outperform the return of the median fund in a representative universe of other public and corporate pension and trust funds with a balanced asset mix of stocks and bonds. As noted earlier, the universe used by the SBI is the Master Trust portion of TUCS and includes funds with assets of more than $1 billion. All funds in TUCS report their returns gross of fees. For purposes of the TUCS comparison, the SBI returns are ranked on a gross of fees rather than a net of fee basis.

Combined Funds

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

Figure 5. Combined Funds Performance Compared to Other Pension Funds



	Annualized		
	1 Yr.	3 Yr.	5 Yr.
Combined Funds Percentile Rank in TUCS*	37th	27th	34th

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

Investment Results

Comparison to Inflation

Over the last ten years, the Combined Funds exceeded inflation by 10.5 percentage points, an amount well in excess of the return objective cited above. Historical results compared to inflation are shown in Figure 4.

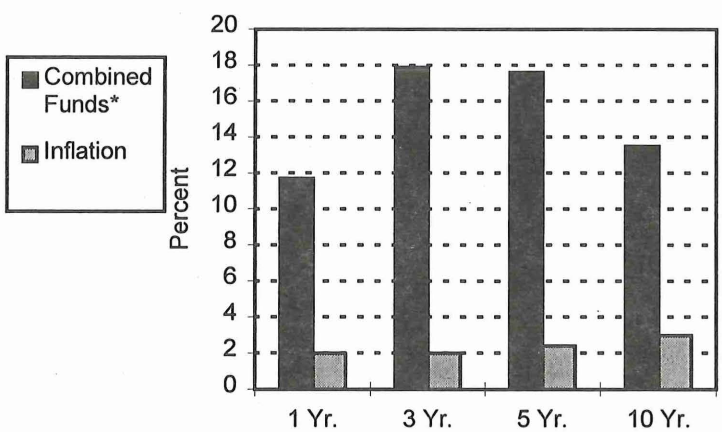
Comparison to Other Funds

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

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

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

Figure 4. Combined Funds Performance vs. Inflation



	Annualized			
	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Combined Funds*	**11.7%**	**17.9%**	**17.6%**	**13.5%**
Inflation	2.0	2.0	2.4	3.0

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

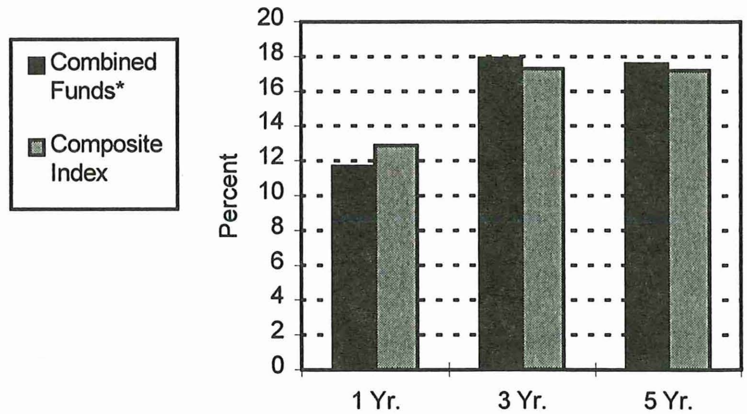
Combined Funds

With these considerations in mind, the performance of the Combined Funds compared to other public and corporate pension funds with over $1 billion in assets in the Master Trust portion of TUCS is displayed in Figure 5 on the previous page. It shows that the Combined Funds have ranked in the top half of the comparison universe over the last one, three, and five year periods.

Comparison to Market Returns

The Combined Funds' performance is also evaluated relative to a composite of market indices which is weighted in a manner that reflects the actual asset allocation of the Combined Funds. Performance results and a breakdown of the composite index are shown in Figure 6. The Combined Funds exceeded the composite index by 0.4 percentage point over the last five years and therefore met their stated performance goal. The Funds exceeded the composite index by 0.6 percentage point over the last three years but trailed the composite index by 1.2 percentage points over the most recent fiscal year. These results are largely a measure of value added or lost from active management after all fees and expenses have been taken into consideration.

Figure 6. Combined Funds Performance vs. Composite Index



	Annualized		
	1 Yr.	**3 Yr.**	**5 Yr.**
Combined Funds*	**11.7%**	**17.9%**	**17.6%**
Composite Index	12.9	17.3	17.2

* After fees.

Composite Index on June 30, 1999

Asset Class	**Market Index**	**Composite Index Wts.***
Domestic Stocks	Wilshire 5000	50.5%
Int'l. Stocks	Int'l. Composite**	15.0
Domestic Bonds	Lehman Aggregate	27.2
Alternative Assets	Real Estate Funds	2.0
	Venture Capital Funds	2.9
	Resource Funds	0.4
Unallocated Cash	3 Month T-Bills	2.0
Total		100.0%

* Weights are reset in the composite at the start of each month to reflect the combined allocation policies of the Basic and Post Funds.

** Composite of MSCI EAFE Free and MSCI Emerging Markets Free.

Basic Retirement Funds

The Basic Retirement Funds accumulate the retirement assets of public employees during their working years. On June 30, 1999, the Funds covered more than 301,000 active employees and had a market value of $20.2 billion.

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

Investment Objectives

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

Actuarial Assumed Return

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

Time Horizon

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

Return Objective

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

Asset Allocation

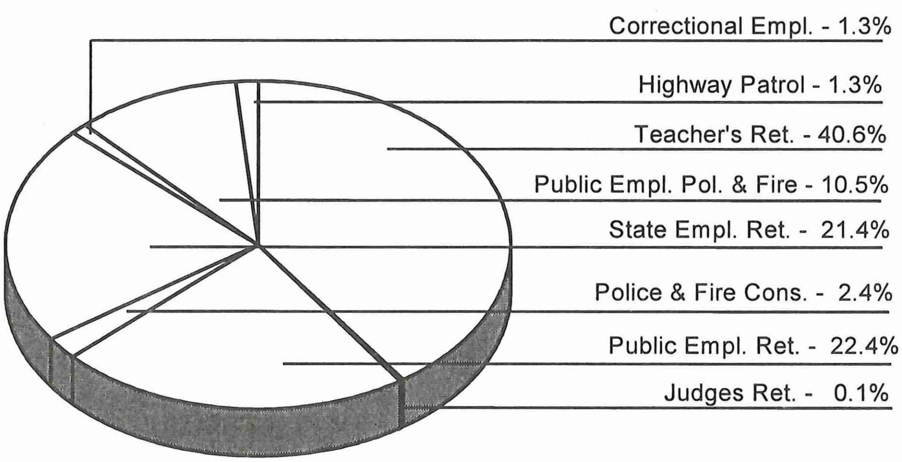
The allocation of assets among stocks, bonds, and alternative investments can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. The asset allocation of the fund is under constant review. No significant changes were made during fiscal year 1999.

Long-Term Allocation Policy

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

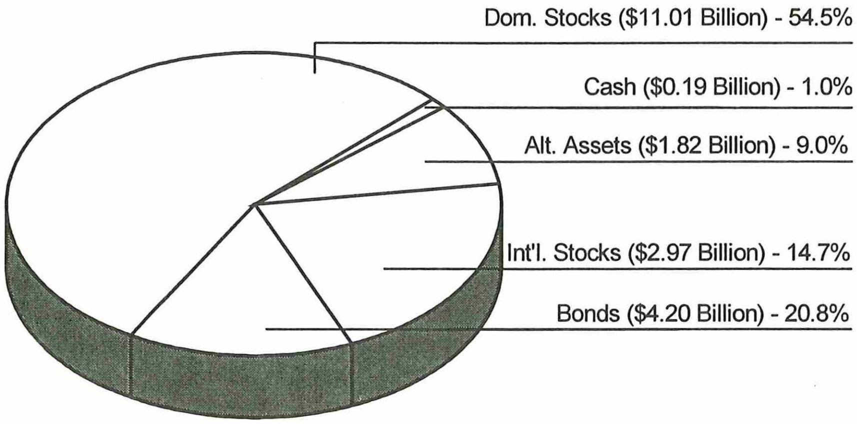
Domestic Stocks	45%
International Stocks	15
Bonds	24
Alternative Assets	15
Unallocated Cash	1

Figure 7. Composition of Basic Funds as of June 30, 1999



Basic Retirement Funds

Figure 8. Asset Mix as of June 30, 1999



Notes: Percentages may differ slightly due to rounding of values.
Uninvested portions of the allocation to Alternative Assets are held in Domestic Stocks.

It should be noted that the unfunded allocation to alternative investments in the Basic Funds is held in domestic stocks until it is needed for investment. As a result, the actual amount invested in domestic stocks was above its long-term target.

Figure 8 presents the actual asset mix of the Basic Funds at the end of fiscal year 1999. Historical asset mix data are displayed in Figure 9.

Total Return Vehicles

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

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

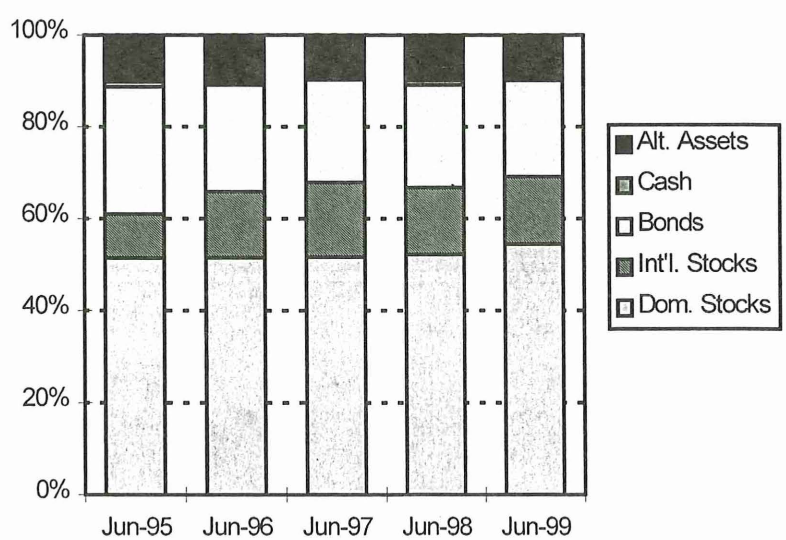
Diversification Vehicles

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

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

The allocation to ***bonds*** acts as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long-term bonds, are expected to protect principal and generate significant capital gains. And, like

Figure 9. Historical Asset Mix FY 1995-1999



real estate and resource funds, under normal financial conditions, bonds help to diversify the Basic Funds, thereby controlling return volatility.

Investment Management

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

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

Investment Performance

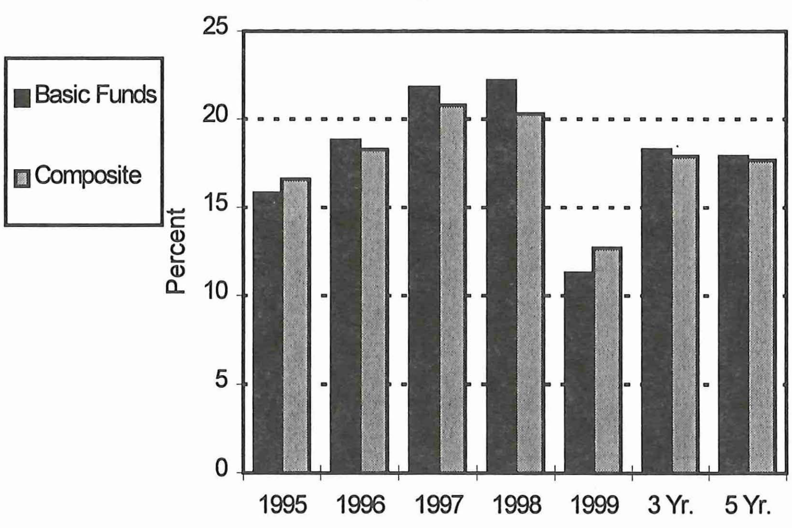
As stated earlier, the Basic Funds are expected to exceed the return of a composite of market indices over a five year period. Performance relative to this standard will measure two effects:

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

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

For the five year period ending June 30, 1999, the Basic Funds out-performed the composite index by 0.2 percentage point annualized. The primary contributors to the value added came from above index performance by the international stock and bond portions of the portfolio, while the domestic stock segment underperformed index performance during the period. Actual returns relative to the total fund composite index over the last five years are shown in Figure 10.

Figure 10. Basic Funds' Performance vs. Composite Index FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Basic Funds	**15.8%**	**18.8%**	**21.8%**	**22.2%**	**11.3%**	**18.3%**	**17.9%**
Composite Index	16.6	18.3	20.8	20.3	12.7	17.9	17.7

Post Retirement Fund

The assets of the Post Retirement Fund are used to finance monthly annuities to retired public employees. These annuities may be adjusted upwards over the life of a retiree based on a formula that reflects both inflation and investment performance. On June 30, 1999, the Post Fund had a market value of $19.1 billion and more than 99,000 retiree participants.

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

Benefit Increase Formula

The retirement benefit increase formula of the Post Retirement Fund is based on a combination of two components:

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

The return assumption in the Basic Funds is 8.5%. The return assumption for the Post Fund was 5.0% through fiscal year 1997. In fiscal year 1998, the return assumption for the Post Fund was changed to 6.0%. This means the cap on the inflation adjustment was 3.5% for fiscal years 1993-1997. From fiscal year 1998 forward, the inflation cap will be 2.5%. Retirees were given a one time permanent adjustment in their pension to compensate them for the increase in the assumed rate.

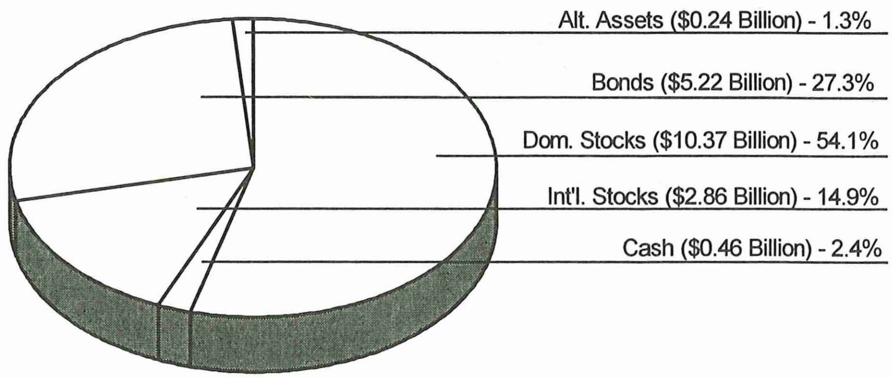
— ***Investment Component.*** Each year, retirees can also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's actuarial assumption and the inflation adjustment. Investment gains and losses are spread over five years to smooth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

Investment Objective

Time Horizon

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

Figure 11. Asset Mix as of June 30, 1999



Notes: Percentages may differ slightly due to rounding of values.
Uninvested portions of the Alternative Assets allocation are held in Bonds.

Post Retirement Fund

Return Objective

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

Asset Allocation

The current long-term asset allocation for the Post Fund is as follows:

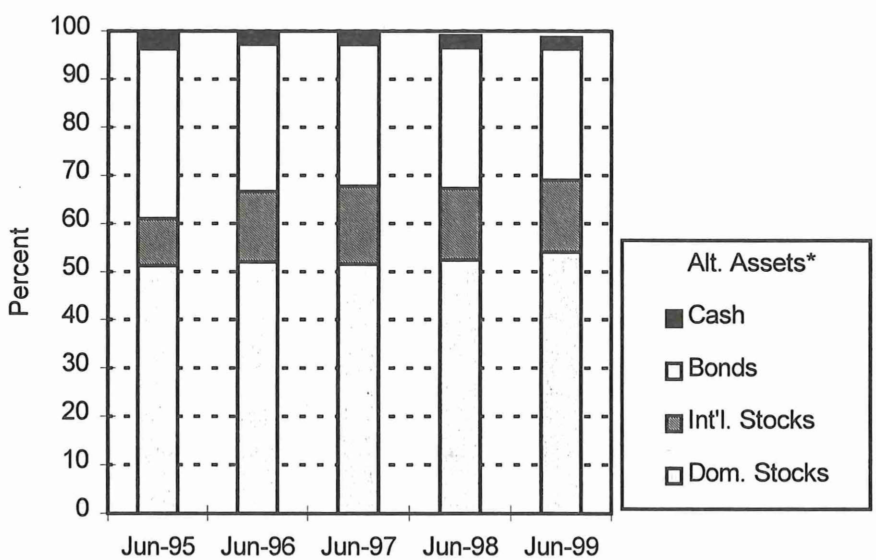
Domestic Stocks	50%
Int'l. Stocks	15
Bonds	27
Alternative Assets	5
Unallocated Cash	3

The Post Fund's year-end asset mix is presented in Figure 11 on the previous page. Historical asset mix data are shown in Figure 12.

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

As with the Basic Funds, the Board recognizes that this sizable allocation will be likely to produce more volatile portfolio returns than a more conservative policy focused on fixed income securities. It is understood that this policy may result in quarters, or even years, of disappointing results. Nevertheless, the long run return benefits of this policy are expected to compensate for the additional volatility. The asset allocation is under constant review. No substantial change occurred during fiscal year 1999.

Figure 12. Historical Asset Mix FY 1995-1999



*Alternative Assets were 0.9% as of June 98 and 1.3% as of June 99.

Diversified Vehicles

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

The ***bonds*** in the Post Fund act as a hedge against a deflationary economic environment. In the event of a major deflation, high quality fixed income assets, particularly long term bonds, are expected to protect principal and generate significant gains. And, under more normal financial conditions, bonds diversify the Post Fund, thereby controlling return volatility on a year-to-year basis.

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

Post Retirement Fund

While the Board made several commitments to yield oriented alternative investments during the year, the market value of the alternative segment was only 1.3% of the total fund on June 30, 1999. The Board expects this percentage to increase gradually over the next three to five years. Until appropriate vehicles are identified, the uninvested portion of the alternative asset allocation is held in bonds. As a result, the actual amount invested in bonds was above its long-term target.

Investment Management

In order to gain greater operating efficiency, the Basic and Post Funds share the same domestic stock, bond and international stock managers.

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

Investment Performance

Total Fund Performance

As stated earlier, the Post Fund is expected to exceed the return of a composite of market indices over a five year period. The Post Fund's performance exceeded its composite market index by 0.5 percentage point for the most recent five year period.

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

Benefit Increase

The Post Fund will provide a benefit increase of 11.1% for fiscal year 1999 payable beginning January 1, 2000. As noted earlier, this increase is comprised of two components:

— ***Inflation component*** of 1.9% which is equal to 100% of the increase in the Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 1999. (This is the same inflation index used to calculate increases in Social Security payments).

— ***Investment component*** of 9.2% This represents a portion of the market value increase that exceeds the amount needed to cover the actuarial assumed rate of return (6.0% beginning FY98) and the inflation adjustment.

Figure 14. Historical Benefit Increases Granted

Fiscal Year*	Benefit Increase
1990**	5.1%
1991**	4.3
1992**	4.6
1993	6.0
1994	4.0
1995	6.4
1996	8.0
1997	10.1
1998	9.8
1999	11.1

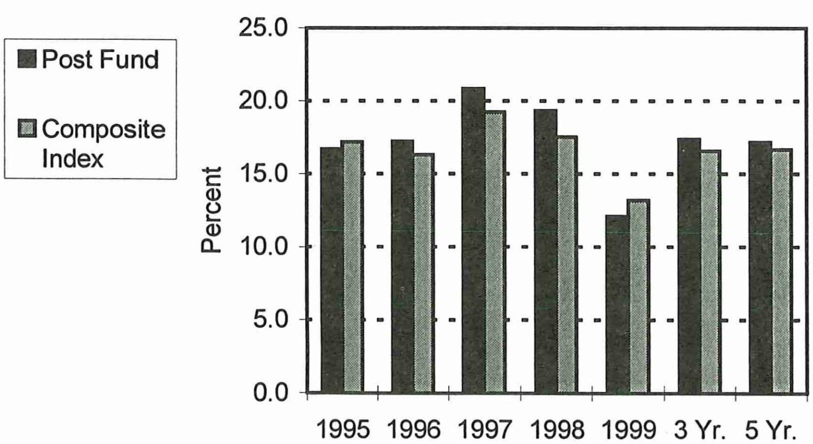
* Payable beginning January 1, of the following calendar year.

** Benefit increase granted under the previous formula.

Benefit increases for the past ten years are shown in Figure 14. The 11.1% increase granted for fiscal year 1999 represents the seventh post retirement adjustment provided under the revised benefit increase formula described above. Prior to fiscal year 1993, the benefit increase formula was dependent on the level of excess realized income generated by the Post Fund.

More detail on the calculation for the fiscal year 1999 benefit increase is included in the **Statistical Data** section.

Figure 13. Post Fund's Performance vs. Composite Index FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Post Fund	**16.7%**	**17.2%**	**20.8%**	**19.4%**	**12.1%**	**17.4%**	**17.2%**
Composite Index	17.2	16.3	19.3	17.6	13.2	16.6	16.7

Investment Pools

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

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

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

Domestic Stock Pool

The Basic Retirement Funds have participated in the Domestic Stock Pool since its inception in January 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Growth Share Account, Common Stock Index Account, and the stock portion of the Income Share Account in the Supplemental Investment Fund have utilized a portion of the Pool.

As of June 30, 1999, the dollar value of each fund's participation in the Pool was:

Basic Funds $11.0 billion
(active, passive and semi-passive)

Post Fund $10.4 billion
(active, passive and semi-passive)

Growth Share Account $323 million
(active and semi-passive)

Common Stock Index Account $389 million
(passive)

Stock portion of the Income Share Account $394 million
(passive)

Management Structure

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

— ***Active Management.*** At the end of fiscal year 1999, approximately 34% of the Domestic Stock Pool was actively managed by a group of external money managers. The assets allocated to each of eight managers ranged from $500 million to $1.8 billion.

In addition, the actively managed segment of the Pool includes eight managers in the SBI's Emerging Manager Program. Emerging Managers have portfolios of $50 to $200 million which, in aggregate, gives the Emerging Manager Program about the same weight as an average single manager in the active manager program.

— ***Semi-Passive Management.*** At the end of fiscal year 1999, approximately 32% of the Domestic Stock Pool was managed by a group of three semi-passive external money managers with portfolios of approximately $2.4 billion each.

— ***Passive Management.*** At the end of fiscal year 1999, approximately 34% of the Stock Pool was managed passively by a single manager.

The goal of the Domestic Stock Pool is to add value to the asset class target which is the Wilshire 5000. Each active manager is expected to add incremental value over the long run relative to a customized benchmark which reflects its unique investment approach or style.

This type of active manager structure can result in misfit or style bias. "Misfit" can be defined as the difference between the aggregate benchmarks of the active managers and the asset class target. Some examples of misfit that the SBI has experienced are the following:

— an over-exposure to mid and small-capitalization stocks and an under-exposure to large capitalization stocks;

— an over-exposure to growth oriented stocks and an under-exposure to value oriented stocks; or

— an over-exposure to the consumer non-durable sector and an under-exposure in the utility sector.

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

The SBI's completeness fund had been passively managed since it was first introduced in October 1990 until December 1994. During fiscal year 1995, the completeness fund moved from being entirely passively managed to a structure that was half passive/half semi-passive. At the start of fiscal year 1996, the completeness fund was allocated entirely to semi-passive management. Semi-passive approaches provide the potential to outperform the completeness fund benchmark, but also incorporate procedures that constrain the level of risk/volatility relative to the benchmark.

During fiscal year 1997, several current active managers modified their investment processes in order to increase the probability of producing value added in their portfolios. Six managers (Alliance, American Express, Forstmann, Franklin, Lincoln, and Oppenheimer) were asked to increase the level of active risk in their portfolio resulting in a reduction in the number of issues held at any one time. In effect, these managers now hold more concentrated portfolios and make larger bets on their "best" stock ideas.

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

FY 1999 Changes

Three domestic stock managers (Weiss Peck & Greer, Investment Advisers and American Express) were terminated from the active manager group during the fiscal year.

Investment Performance

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

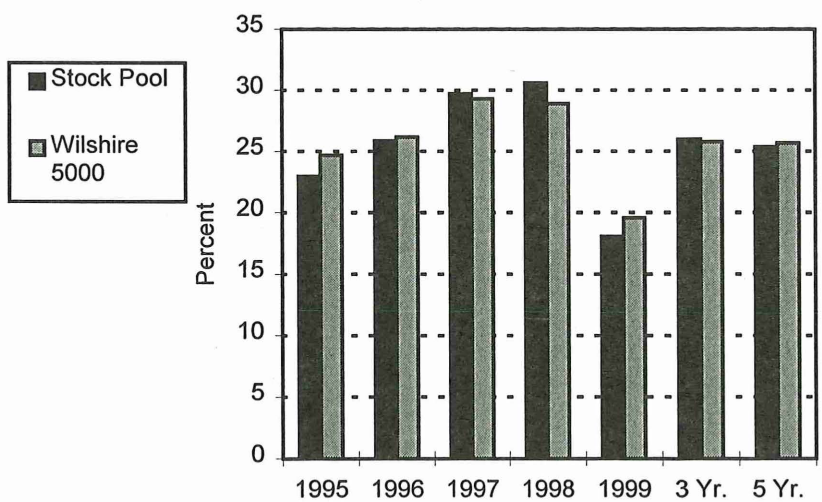
Two primary long run ***risk objectives*** have been established for the domestic stock managers:

— ***Investment Approach.*** Each manager (active, semi-passive, or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the manager's stated investment approach. In the short run, the active stock managers may depart from their risk targets as part of their specific investment strategies.

— ***Diversification.*** The passive and semi-passive managers are expected to hold highly diversified portfolios, while each active domestic stock manager is expected to hold a less diversified portfolio.

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 1999. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of

Figure 15. Domestic Stock Pool Performance FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Stock Pool	**23.0%**	**25.9%**	**29.7%**	**30.6%**	**18.1%**	**26.0%**	**25.4%**
Wilshire 5000	24.7	26.2	29.3	28.9	19.6	25.8	25.7

diversification that were appropriate to their respective active, semi-passive and passive approaches. The Board's ***return objectives*** for its active and semi-passive stock managers are measured against the performance of customized indices constructed to represent a manager's specific investment approach. This type of custom index is commonly referred to as a "benchmark portfolio." A benchmark portfolio takes into account the equity market forces that at times favorably or unfavorably impact certain investment styles. Thus, an individual benchmark is a more appropriate return target against which to judge a manager's performance than a broad market index.

Individual active managers are expected to exceed their custom benchmark by 0.50-1.00 percentage point annualized, over time. The semi-passive managers are expected to exceed their benchmark by 0.15-0.30 percentage point, over time, and the passive manager is expected to track its market index within ± 0.10 percentage point annualized, over time.

In aggregate, the Domestic Stock Pool underperformed the Wilshire 5000 by 1.5 percentage points for the year. The active and semi-passive components underperformed their respective benchmarks, however the passive component outperformed its target. Relative to their aggregate benchmarks, the active manager group's underperformance was due to an overweight in value oriented stock issues and an underweight in growth oriented large capitalization companies. The semi-passive managers underperformed due to the economic uncertainty, stock volatility, and narrow market leadership that was prevalent throughout the year. The passive segment outperformed due to positive tracking during the year.

Figure 16. Domestic Stock Manager Performance FY 1999

	Actual Return	Benchmark Return
Active Managers		
Alliance Capital Management	34.3%	30.1%
American Express Asset Mgmt.	15.8	26.9
Brinson Partners	13.6	19.8
Forstmann Leff Associates	47.4	16.1
Franklin Portfolio Associates	9.5	18.5
GeoCapital	-1.5	-2.9
Lincoln Capital Management	24.9	30.3
Oppenheimer Capital	10.7	20.7
Semi-Passive Managers		
Barclays Global Investors	14.8	19.0
Franklin Portfolio Associates	13.2	19.0
J.P. Morgan Investment Mgmt.	19.5	19.0
Passive Manager		
Barclays Global Investors	19.8	19.6
Aggregate Stock Pool*	**18.1**	
Asset Class Target		
Wilshire 5000	19.6	

* Includes Emerging Manager Program, see below.

Figure 17. Emerging Manager Performance FY 1999

	Actual Return	Benchmark Return
CIC Asset Management	5.3%	12.0%
Cohen Klingenstein & Marks	26.4	25.7
Compass Capital Management	15.3	23.8
New Amsterdam Partners	10.3	21.4
Valenzuela Capital Partners	-7.1	2.6
Wilke/Thompson Capital Mgmt.	0.8	3.3
Winslow Capital Management	8.0	32.3
Zevenbergen Capital	65.3	30.3

Figure 15 provides more detail on the historical performance of the entire pool.

While the returns for the Pool slightly trailed the historical returns available from the domestic stock market, individual manager performance relative to their respective benchmarks was mixed. Three active managers outperformed their benchmarks while five underperformed. One of the three semi-passive managers outperformed the completeness fund benchmark and the passive manager outperformed its target, the Wilshire 5000 index.

Investment Pools

Individual manager performance for fiscal year 1999 is shown in Figure 16.

Performance data for the individual managers in the Emerging Manager Program are presented in Figure 17. The emerging managers also had mixed performance for the fiscal year. Two managers outperformed their benchmarks and six managers underperformed.

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

Bond Pool

The Basic Retirement Funds have participated in the Bond Pool since its inception in July 1984. The Post Retirement Fund has participated in the Pool since July 1993. In addition, the Bond Market Account in the Supplemental Investment Fund has utilized portions of the Pool since July 1986.

As of June 30, 1999, the dollar value of each fund's participation in the Pool was:

Basic Funds (active and semi-passive)	$4.2 billion
Post Fund (active and semi-passive)	$5.2 billion
Bond Market Account (active and semi-passive)	$132 million

Investment Management

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

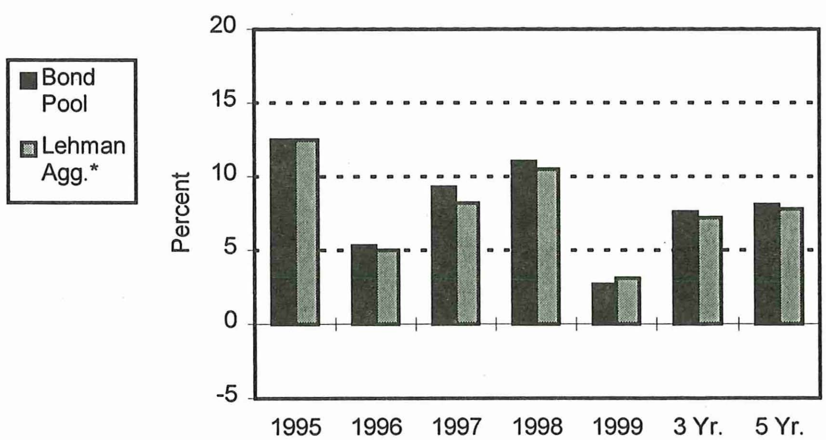
— ***Active Management.*** No more than one-half of the Bond Pool will be actively managed. At the end of fiscal year 1999, approximately 50% of the Bond Pool was actively managed by a group of six external money managers with portfolios of $590 million-$1.3 billion each.

— ***Semi-Passive Management.*** At least one-half of the assets allocated to the Bond Pool will be managed by semi-passive managers. At the end of fiscal year 1999, approximately 50% of the bond segment was invested by three managers with portfolios of approximately $1.6 billion each.

The group of ***active*** bond managers was selected for its blend of investment styles. Each active manager has the goal of adding incremental value to the Lehman Aggregate Bond Index by focusing on high quality fixed income securities across all sectors of the market. The managers vary, however, in the emphasis they place on interest rate anticipation and in the manner in which they approach issue selection and sector weighting decisions.

In keeping with the objective of utilizing the Bond Pool as a deflation hedge, the active managers are restricted regarding the minimum average life of their portfolios. This requirement is designed to prevent the total Pool from assuming an excessively short-lived position and thus, severely diluting its deflation hedge capacity. In addition, to avoid extreme variability in total returns, the SBI constrains the duration range (a measure of average life) of the managers' portfolios to a band of three to seven years. The active bond managers focus on high quality (BBB or better) rated bonds. Some managers have been granted authority to invest a limited portion of their portfolios in BB and B rated dollar denominated debt or in non-dollar denominated issues. The managers use this additional authority on a tactical basis.

Figure 18. Bond Pool Performance FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Bond Pool	**12.5%**	**5.3%**	**9.3%**	**11.0%**	**2.7%**	**7.6%**	**8.1%**
Lehman Aggregate*	12.5	5.0	8.2	10.5	3.1	7.2	7.8

* Lehman Brothers Aggregate Bond Index.

Investment Pools

The goal of the ***semi-passive*** managers is to add incremental value to the Lehman Brothers Aggregate Bond Index through the superior selection of bonds. The managers essentially match the duration and maturity structure of the Lehman Aggregate. Semi-passive managers seek to add value by exploiting perceived mispricings among individual securities or by making minor alterations in the sector weightings within the portfolio. Although the managers seek to exceed the performance of the index, the possibility exists that the semi-passive approach may slightly under perform the target index during some periods.

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

FY 1999 Changes

The active and semi-passive structure and the individual managers in the Bond Pool were unchanged during fiscal year 1999.

Figure 19. Bond Manager Performance FY 1999

	Actual Return
Active Managers	
American Express Asset Mgmt.	3.2%
Credit Suisse	3.3
Investment Advisers	2.6
Morgan Stanley	2.1
Standish, Ayer & Wood	1.7
Western Asset Management	2.2
Semi-Passive Managers	
BlackRock Financial	3.5
Goldman Sachs Asset Mgmt.	2.6
Lincoln Capital Management	3.1
Aggregate Bond Pool	**2.7**
Asset Class Target	
Lehman Aggregate	3.1

Investment Performance

The SBI constrains the ***risk*** of the active bond managers' portfolios to ensure that they fulfill their deflation hedge and total fund diversification roles. As noted earlier, the managers are restricted in terms of the duration of their portfolios and the quality of their fixed income investments. The active and semi-passive bond managers successfully fulfilled their long-term risk objectives during fiscal year 1999. The managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of quality and duration.

The ***returns*** of each of the Board's bond managers is compared to the Lehman Aggregate. Due to the broad diversification of each manager, customized benchmarks are not deemed necessary for the bond managers at this time. Individual active managers are expected to exceed the target by 0.25-0.50 percentage point annualized, over time, and each semi-passive manager is expected to exceed the target by 0.15-0.25 percentage point annualized, over time.

In aggregate, the Pool trailed the Lehman Aggregate benchmark by 0.4 percentage point for the recent fiscal year. Relative to the benchmark, the Pool was hurt by an overweighting in the corporate and mortgage sectors. The pool's slightly longer duration relative to the benchmark also detracted from performance over the fiscal year.

Performance over longer periods has been positive, exceeding the benchmark by 0.4 percentage point annualized over the three-year period and 0.3 percentage point over the five year period ended June 30, 1999. In general, the decision to hold portfolios with a modestly longer duration than the benchmark accounted for the outperformance over the longer term.

The relative performance of the active managers was generally poor over fiscal year 1999; four of the active managers lagged the benchmark while only two added value. One semi-passive manager added value during fiscal year 1999 while one matched the benchmark and another lagged.

Figure 18 shows historical performance for the entire Pool. Individual manager performance for fiscal year 1999 is shown in Figure 19.

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

International Stock Pool

The SBI began its international stock program in October 1992. The Basic Retirement Funds have participated in the International Stock Pool since its inception. The Post Retirement Fund began utilizing the Pool in October 1993. The International Share Account in the Supplemental Investment Fund has participated in the Pool since September 1994.

On June 30, 1999, the dollar value of each fund's participation in the International Stock Pool was:

Basic Funds (active and passive)	$3.0 billion
Post Fund (active and passive)	$2.9 billion
International Share Account (active and passive)	$26 million

Management Structure

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

— ***Active Management.*** The target is to have at least one-half of the International Stock Pool managed actively. At the end of fiscal year 1999, approximately 48% of the Pool was actively managed by a group of 7 external money managers with portfolios ranging from $225 to $610 million each. Four of these managers focus on developed markets and three are emerging markets specialists.

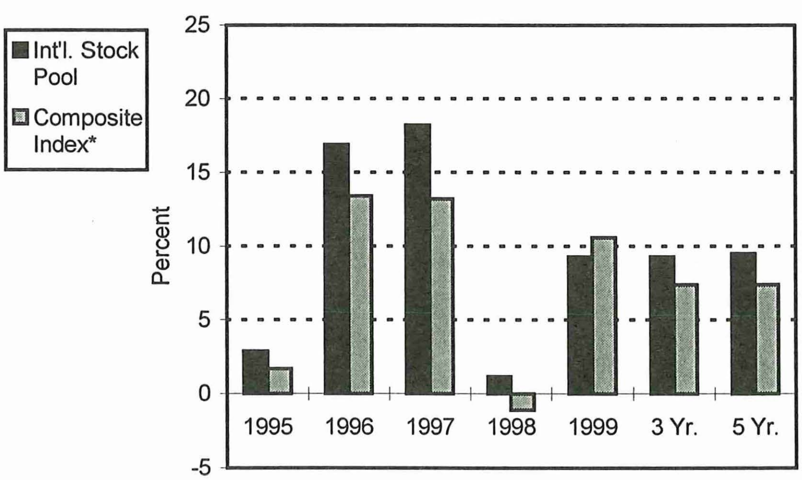
— ***Passive Management.*** The target is to have no more than one-half of the International Stock Pool managed passively. At the end of fiscal year 1999, approximately 52% of the International Stock Pool was passively managed by a single manager.

The International Stock Pool is designed to add value to the asset class target which is a blended index weighted 87% to the Morgan Stanley Capital International (MSCI) index of Europe, Australasia and the Far East Free (EAFE Free) and 13% to MSCI Emerging Markets Free.

The four ***active*** managers who focus on developed markets use a variety of investment approaches in an attempt to maximize market value and outperform the EAFE Free index, over time. These managers address currency management as part of their investment process. Their views on currency may be factored into their country and security selection or they may explicitly hedge currency exposure on an opportunistic basis.

The remaining three active managers are emerging markets specialists. They are expected to add incremental value, over time, to the MCSI Emerging Markets Free index of markets in developing countries throughout the world.

Figure 20. International Stock Pool Performance FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Int'l. Stock Pool	**2.9%**	**16.9%**	**18.2%**	**1.2%**	**9.3%**	**9.3%**	**9.5%**
Composite Index*	1.7	13.4	13.2	-1.1	10.6	7.4	7.4

* EAFE Free through 4/31/96. Composite of EAFE-Free and Emerging Markets Free since 5/1/96.

The ***passive*** manager in the International Stock Pool designs its' portfolio to consistently and inexpensively track the EAFE Free index. A portion of the currency exposure of the index fund is managed in a dynamic hedging program that is designed to avoid currency losses during periods of US dollar strength. The manager of this ***currency overlay*** program is Record Treasury Management.

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

FY 1999 Changes

During fiscal year 1999, the introduction of the Euro currency reduced the currencies in the overlay program from six to four. (Euro, Swiss Franc, Japanese Yen and British Pound.)

Investment Performance

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

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

— ***Diversification.*** While the index manager is expected to hold a well diversified portfolio which tracks its target index, each active manager is expected to hold a less diversified portfolio.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 1999. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

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

Individual active managers are expected to exceed their index by at least 1.00 percentage point annualized, over time, and the index manager is expected to track its index by ±0.50 percentage point, annually. The currency overlay program is expected to add value to the passively managed portion of the pool in periods when the US dollar strengthens relative to major currencies. The actual value added through the currency overlay program will be correlated to the extent of the US dollar's rise in any given period.

Performance results for the International Stock Pool are shown in Figure 20 on the previous page. In aggregate, the Pool underperformed the target for the year by 1.3 percentage points.

Figure 21. International Manager Performance FY 1999

	Actual Return	Benchmark
Active EAFE Managers		
Brinson Partners	9.1%	7.6%
Marathon Asset Management	12.9	7.6
Rowe Price-Fleming International	6.5	7.6
Scudder Kemper Investments	7.1	7.6
Active Emerging Markets Managers		
City of London Investment Management	21.4	28.7
Genesis Asset Managers International	5.2	28.7
Montgomery Asset Management	12.0	28.7
Passive EAFE Manager		
State Street Global Advisors	8.6	7.6
Equity Only Aggregate	**9.5**	
Aggregate International Pool*	**9.3**	
Asset Class Target **	10.6	

* Includes impact of currency overlay gain/loss. During fiscal year 1999, Record Treasury Management detracted 0.2% from the total program.

** The composite was weighted 87% EAFE Free and 13% Emerging Markets Free.

Performance over the last three and five year periods exceeded the benchmark by 1.9 and 2.1 percentage points annualized, respectively.

Individual manager performance during fiscal year 1999 is shown in Figure 21. The fiscal year proved to be a period of significant market volatility with investors seeking refuge in large quality firms. This hurt performance for managers that maintained a diversified portfolio strategy. Two Active EAFE Managers outperformed the EAFE Free index, while two under-performed. The emerging markets index rose more than 28% during the fiscal year, however, all of the Emerging Market Managers underperformed the index. The passively managed portion of the program exceeded EAFE Free by 100 basis points for the year. The currency overlay program slightly detracted from the International Stock Pool.

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

Alternative Investment Pools

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

Statutory Constraints
The statutory constraints regarding the SBI's investments to alternative

assets are the same in both the Basic and Post Funds:

— ***Real Estate.*** State statutes authorize investments in real estate through commingled funds, limited partnerships and trusts, including real estate investment trusts (REIT's). Regardless of its form, each investment must involve at least four other participants and the SBI's investment may not exceed 20% of a given investment.

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

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

Alternative Investments Basic Funds

The Basic Retirement Funds began making investments in alternative assets in the early 1980's. Given their long investment time horizon, the Basic Funds are especially well suited to alternative investments that are equity oriented and focus on long-term capital gains. As a result, up to 15% of the Basic Retirement Funds are targeted for alternative investments. A breakdown of the segment is shown in Figure 22. As of June 30, 1999 the market value of current alternative investments was $1.8 billion, or 9.0% of the Basic Funds.

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

Real Estate Pool

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

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

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

During fiscal year 1999, the SBI approved one new real estate commitment in The Realty Associates Fund V. The SBI will continue to review and add new real estate investments as attractive opportunities are identified.

Private Equity Pool

The Basic Funds maintain a private equity portfolio that is broadly diversified across three dimensions: location, industry type and stage of development of individual portfolio companies. Prospective private equity managers are reviewed and selected based, primarily, on the manager's experience, investment strategy, diversification potential and performance history.

During fiscal year 1999, the Board approved commitments to Marathon Fund Limited Partnership IV, Hellman & Friedman Capital Partners IV, Piper Jaffray Healthcare Fund III and Crescendo Fund III. The SBI will continue to review and add new private equity investments, as attractive opportunities are identified, to replenish commitments that will expire within the next five years.

Resource Fund Pool

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

During fiscal year 1999, the SBI continued to review resource investments for possible inclusion in the Pool.

Investment Performance

The SBI reviews performance of its ***real estate*** investments relative to inflation, as measured by changes in the Consumer Price Index (CPI).

During fiscal year 1999, the SBI's real estate pool exceeded the rate of inflation (SBI real estate 6.7%, CPI 2.0%). Comparisons over the last five years show that the real estate pool exceeded the rate of inflation (SBI real estate 12.4% annualized, CPI 2.4% annualized).

The SBI's ***private equity*** pool provided a –0.1% return in fiscal year 1999 and 23.3% annualized over the last five years. The ***resource*** (oil and gas) pool returns are –29.2% for the year and 9.8% annualized over the last five years.

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

Alternative Investments Post Fund

The Post Retirement Fund made its first commitment to alternative assets during fiscal year 1994. The Post Fund has a somewhat shorter investment time horizon than the Basic Funds and therefore is best suited to investments that will generate a fairly high level of current income. The Board has allocated up to 5% of the Post Retirement Fund to yield-oriented alternative investments. As of June 30, 1999, the market value of the Post Fund's alternative investments was $241.7 million, 1.3% of the Post Fund.

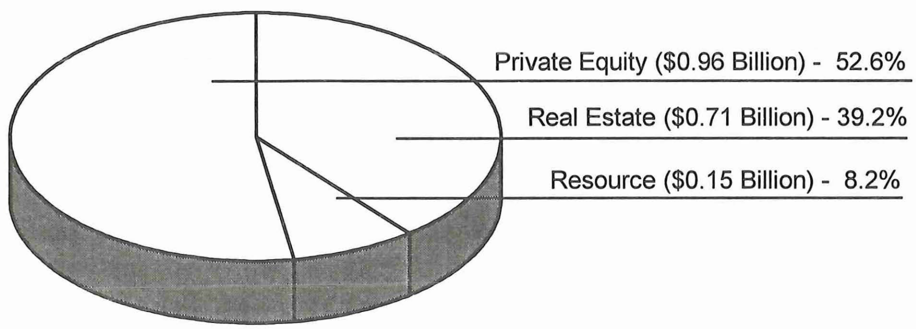
Descriptions of each of the Post Fund's alternative investments are included in the **Investment Manager Summaries** section.

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

During fiscal year 1999, the Board approved four yield-oriented commitments for the Post Fund: TCW Crescent Mezzanine Partners II (real estate), CB Richard Ellis Investors Commercial Mortgage Fund V (real estate), GTCR Capital Partners (private equity) and William Blair Mezzanine Capital Partners III (private equity). The SBI will continue to review additional investments for the Post Fund in order to move closer to the 5% allocation target in future years.

The SBI's yield-oriented investments provided a 15.5% return for the year and 11.7% annualized return over the last three years.

Figure 22. Basic Funds' Alternative Investments as of June 30, 1999



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

Supplemental Investment Fund

The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The Fund serves approximately 43,000 individuals who participate in defined contribution or supplemental retirement savings plans. On June 30, 1999, the market value of the entire Fund was $1.65 billion.

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

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

— It is one investment vehicle offered to public employees as part of the state's Deferred Compensation Plan, as well as the Individual Retirement Account Plan and College Supplemental Retirement Plan offered by Minnesota State Colleges and Universities (MnSCU).

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

Fund Structure

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

Fund Management

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

Share Values

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

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

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

Figure 23. Accounts in the Supplemental Investment Fund

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

Supplemental Investment Fund

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

The distribution of assets in the Supplemental Investment Fund as of June 30, 1999 is shown by Account in Figure 24 and by Plan in Figure 25.

Figure 24. Composition by Account as of June 30, 1999

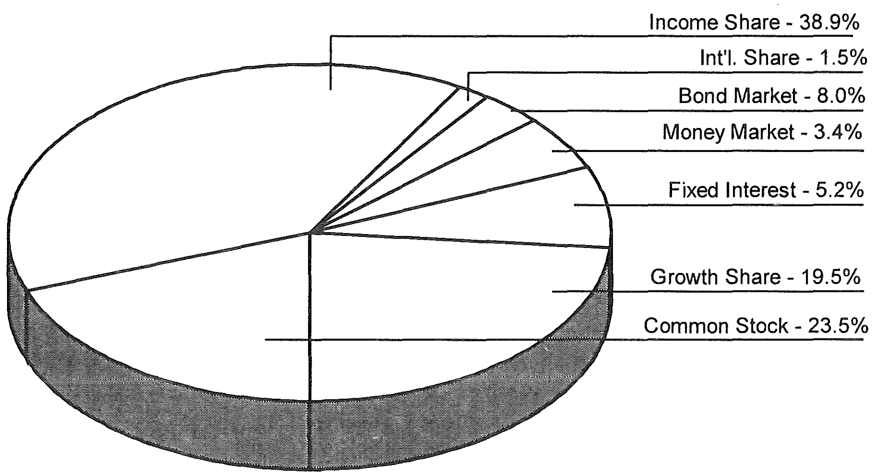
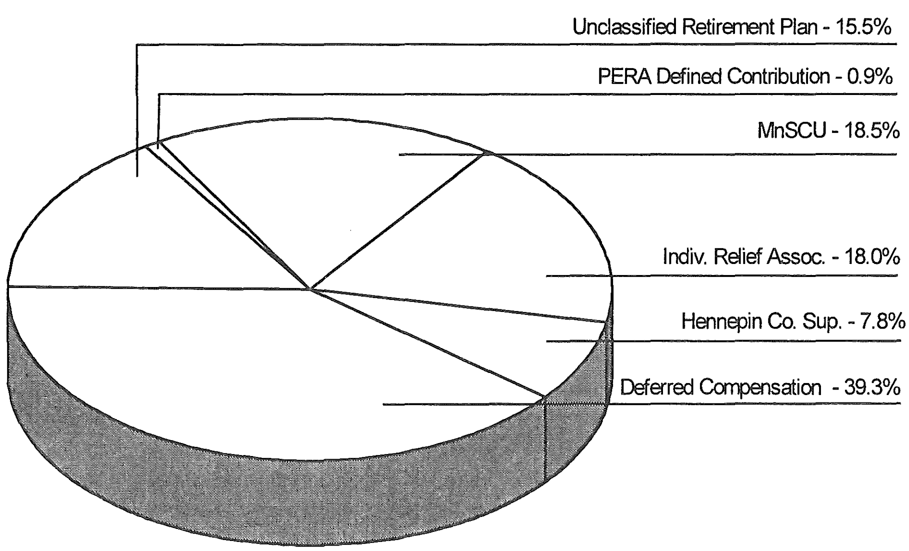


Figure 25. Participation by Plan as of June 30, 1999



Income Share Account

Objective

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

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

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

At the close of fiscal year 1999, the value of the Income Share Account was $643 million.

Management

The Income Share Account's investment management structure combines internal and external management. SBI staff manage the fixed income segment. The common stock segment is managed externally as part of a passively managed index fund designed to track the Wilshire 5000. The manager for this portion of the Account is Barclays Global Investors.

Performance

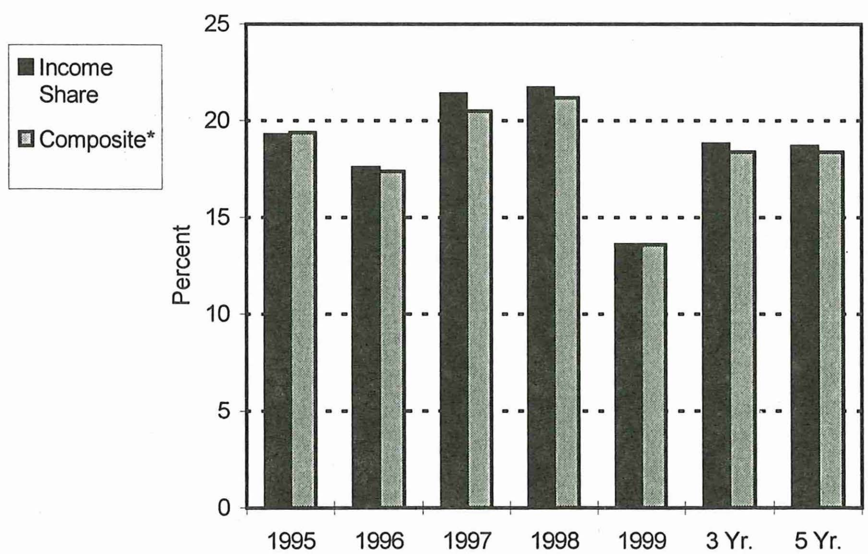
Similar to the other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— ***Total Account.*** The Income Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its long term asset allocation.

— ***Individual Manager.*** The passive stock manager is expected to track closely the performance of the Wilshire 5000. The internal bond manager for the Account is expected to exceed the performance of the Lehman Brothers Aggregate Bond Index.

The Income Share Account provided a return of 13.6% for fiscal year 1999, matching its composite index. Over the most recent five years, the Income Share Account has exceeded its composite. Figure 26 shows a five year history of performance results.

Figure 26. Income Share Account FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Income Share	**19.3%**	**17.6%**	**21.4%**	**21.7%**	**13.6%**	**18.8%**	**18.7%**
Composite*	19.4	17.4	20.5	21.2	13.6	18.4	18.4

*60% Wilshire 5000/35% Lehman Brothers Aggregate Bond Index/ 5% 3 Month T-Bill Composite.

Growth Share Account

Objective

The investment objective of the Growth Share Account is to generate high returns from capital appreciation. To achieve this objective, the Account is invested primarily in U.S common stock.

At the close of fiscal year 1999, the value of the Growth Share Account was $323 million.

Management

The assets of the Growth Share Account are invested by the external active and semi-passive domestic equity managers. This allocation reflects a more aggressive investment than is available through passive management. Since July 1997, these assets have been managed by the same active and semi-passive managers utilized by the Basic and Post Retirement Funds in the Domestic Stock Pool. (Prior to July 1997, the Account used only active managers.) The Account may hold a small amount of cash that represents new contributions received prior to their investment in the market and cash that may be held by the individual managers in the Account.

Performance

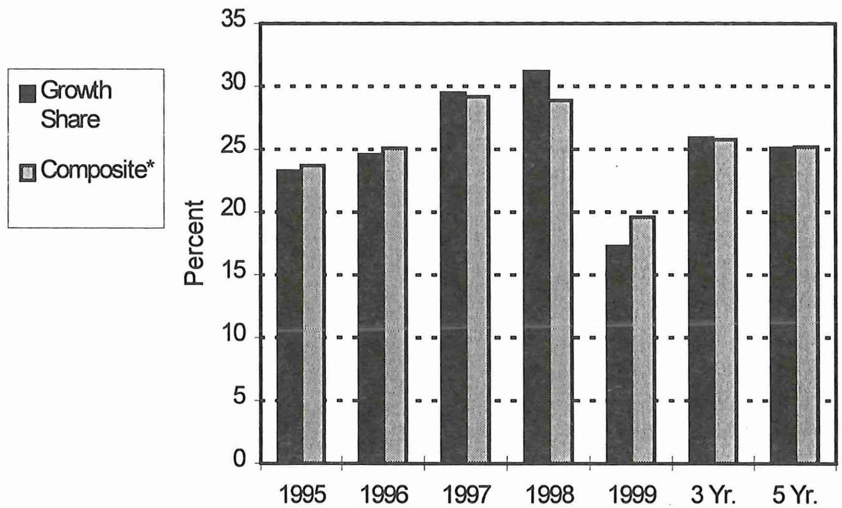
Like the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

— ***Total Account.*** The Growth Share Account is expected to exceed the returns of the Wilshire 5000.

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

The Growth Share Account provided a return of 17.3% for the fiscal year, underperforming its composite index by 2.3 percentage points. Individual manager performance relative to their benchmarks was mixed, see the discussion starting on page 14 concerning the Domestic Stock Pool. Over the most recent three years, the Account has outperformed by 0.1 percentage point annually while the Account has underperformed by 0.1 percentage point annually over the last five years. A five year history of performance results is shown in Figure 27.

Figure 27. Growth Share Account FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Growth Share	**23.3%**	**24.6%**	**29.5%**	**31.2%**	**17.3%**	**25.9%**	**25.1%**
Composite*	23.7	25.1	29.2	28.9	19.6	25.8	25.2

* 95% Wilshire 5000/5% T-Bill Composite through October 1996.
100% Wilshire 5000 since November 1996.

Common Stock Index Account

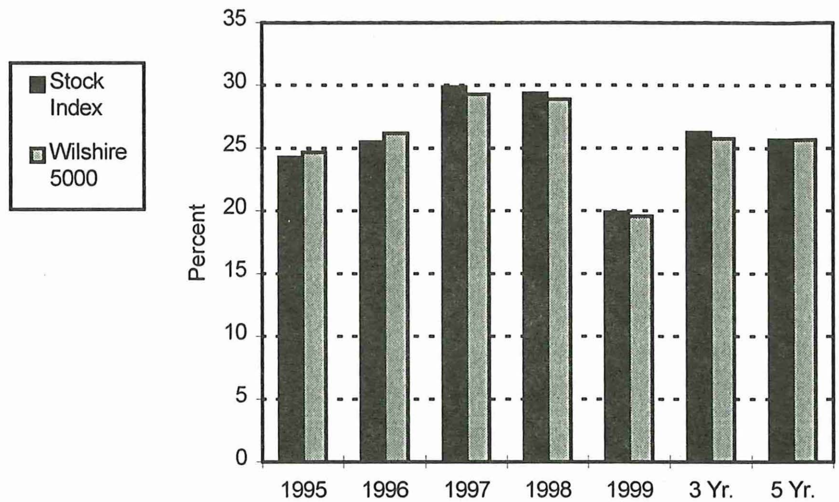
Objective
The investment objective of the Common Stock Index Account is to generate returns that track the performance of the entire U.S. common stock market as represented by the Wilshire 5000. To accomplish this objective, the SBI allocates all of the Common Stock Index Account's assets to passively managed domestic stocks. At the end of fiscal year 1999, the Account had a market value of $389 million.

Management
The Account participates in the passive portfolio of the Domestic Stock Pool, which is managed by Barclays Global Investors.

Performance
The performance objective of the Common Stock Index Account is to track the performance of the Wilshire 5000. The SBI recognizes that the Account's returns may deviate slightly from those of the Wilshire 5000 due to the effects of management fees, timing of new contributions and tracking error.

During fiscal year 1999, the Common Stock Index Account produced a return of 19.9%, which was 0.3 percentage point above the Wilshire 5000. Over the most recent three year period, the Account has outperformed the index by 0.5 percentage point while matching the index over the five year period. Total Account results for the last five years are shown in Figure 28.

Figure 28. Common Stock Index Account FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Stock Index	**24.3%**	**25.5%**	**29.9%**	**29.4%**	**19.9%**	**26.3%**	**25.7%**
Wilshire 5000	24.7	26.2	29.3	28.9	19.6	25.8	25.7

International Share Account

The International Share Account was added to the Supplemental Fund in September 1994. At the end of fiscal year 1999, it had a market value of nearly $26 million.

Objective

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.

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

Management

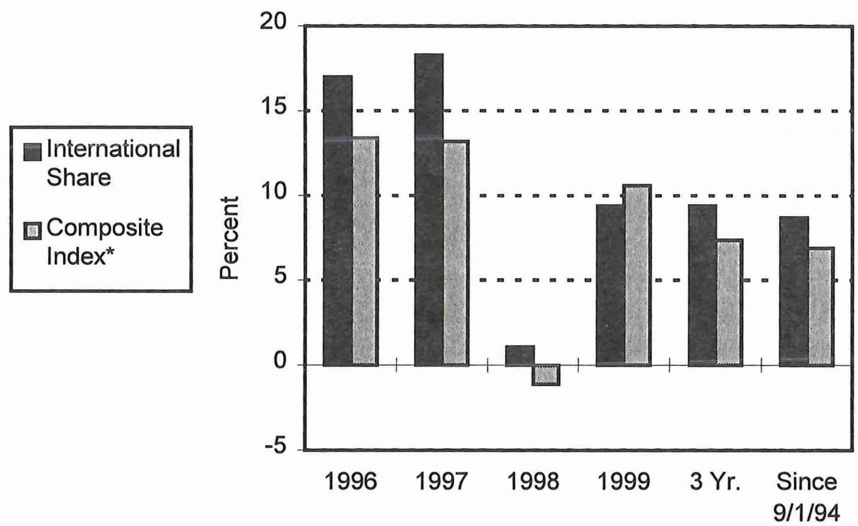
The structure of the International Share Account combines both active and passive management. Approximately one half of the Account is passively managed and is designed to consistently and inexpensively track the return of the Morgan Stanley Capital International index of Europe, Australasia and the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

Performance

The International Share Account is expected to exceed the performance of a composite of international indices. During fiscal year 1999, the International Share Account produced a return of 9.4%, which was 1.2 percentage points below its composite index. Since inception of the Account in September 1994, returns exceeded the index by 1.8% annualized.

See the discussion on performance of the international managers on pages 19 and 20. Total Account results since its inception are shown in Figure 29.

Figure 29. International Share Account FY 1996-1999



	1996	1997	1998	1999	3 Yr.	Since 9/1/94
International Share	**17.0%**	**18.2%**	**1.1%**	**9.4%**	**9.4%**	**8.7%**
Composite Index*	13.4	13.2	-1.1	10.6	7.4	6.9

*EAFE Free through 4/31/96. Composite of EAFE-Free and Emerging Markets Free since 5/1/96.

Bond Market Account

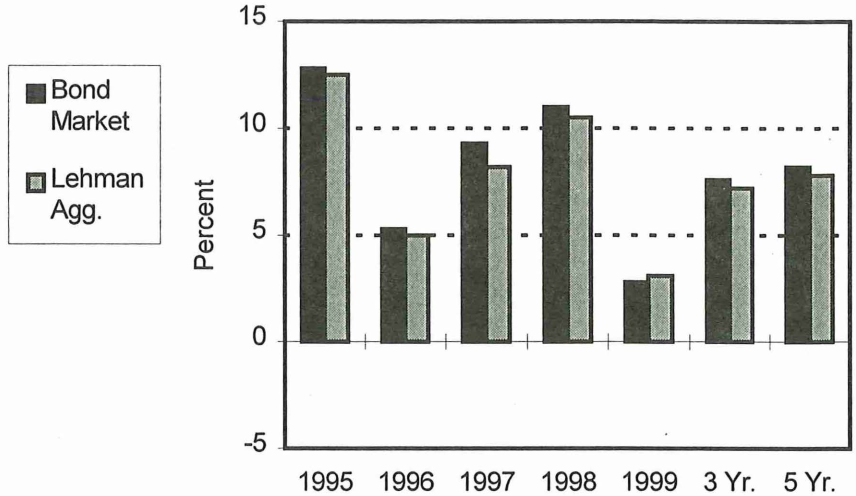
Objective
The objective of the Bond Market Account is to earn high returns from fixed income securities. The Account is invested primarily in investment-grade government bonds, corporate bonds and mortgage securities with intermediate to long maturities. As such, it is a more conservative investment alternative than the accounts described in the previous sections. At the end of fiscal year 1999, the market value of the Account was $132 million.

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

Management
Since July 1997, the structure of the Bond Market Account has included active and semi-passive managers and has invested in the Bond Pool utilized by the Basic and Post Funds. (Prior to July 1997, the Bond Market Account used only active managers.)

Performance
The Bond Market Account is expected to exceed the performance of the bond market, as represented by the Lehman Brothers Aggregate Bond Index. For fiscal year 1999, the Account underperformed by 0.3 percentage point. For the most recent five years, the Account has outperformed by 0.4 percentage point annualized. See the discussion of bond manager performance on page 18. Total Account results for the last five years are shown in Figure 30.

Figure 30. Bond Market Account FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	5 Yr.
Bond Market	**12.8%**	**5.3%**	**9.3%**	**11.0%**	**2.8%**	**7.6%**	**8.2%**
Lehman Aggregate	12.5	5.0	8.2	10.5	3.1	7.2	7.8

Money Market Account

Objective

The Money Market Account invests solely in short-term, liquid debt securities. The Account's investment objectives are to preserve capital and offer competitive money market returns. At the end of fiscal year 1999, the Money Market Account had a market value of $56 million.

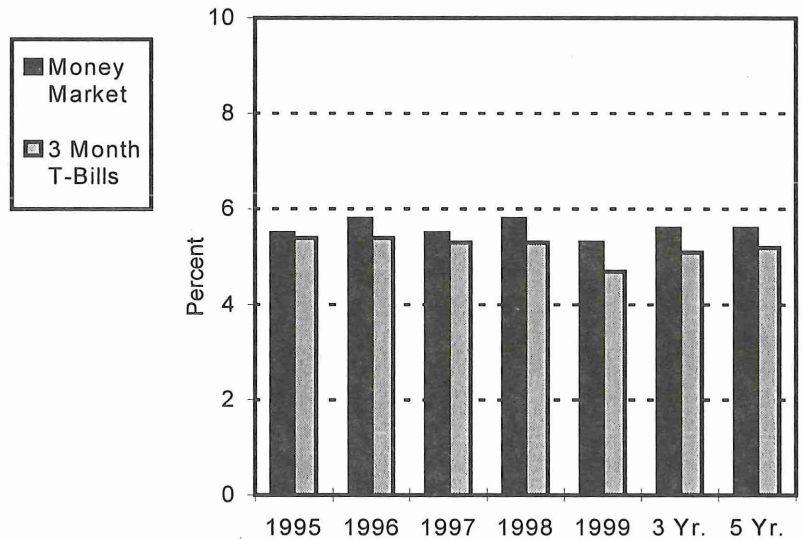
Management

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

Performance

The Account is expected to produce returns competitive with those available from short-term debt securities. The Money Market Account exceeded that target in fiscal year 1999 with a 5.3 % return versus a 4.7% return on the 3 Month Treasury Bill. Total account results for prior years are shown in Figure 31.

Figure 31. Money Market Account FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Money Market	**5.5%**	**5.8%**	**5.5%**	**5.8%**	**5.3%**	**5.6%**	**5.6%**
3 Month T-Bills	5.4	5.4	5.3	5.3	4.7	5.1	5.2

Fixed Interest Account

Objective

The investment objectives of the Fixed Interest Account are to protect investors from loss of their original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market account. At the end of fiscal year 1999, the Account totaled $87 million.

Management

The assets in the Account are invested primarily in stable value instruments which are guaranteed investment contracts (GIC's) and GIC-type investments offered by major U.S. insurance companies and banks with varying maturities, typically 3 to 5 years. The assets also may be invested in comparable investments offered by non-U.S. financial institutions. The interest rate credited changes monthly and reflects the blended interest rate available from all investments in the pool each month along with any cash held for liquidity purposes.

The manager for the Account is Galliard Capital Management, a unit of Wells Fargo Bank. Galliard has managed the Account since November 1994 when the Account was changed to its current portfolio structure.

Performance results for the Fixed Interest Account are shown in Figure 32.

Figure 32. Fixed Interest Account

1996	6.7%
1997	6.6
1998	6.5
1999	6.3
	Annualized
3 Yr.	6.5%
Since 11/1/94	6.6

Assigned Risk Plan

The Minnesota Workers Compensation Assigned Risk Plan was established in 1983 to provide workers' compensation coverage to Minnesota employers rejected by a private insurance carrier. On June 30, 1999, the market value of the Plan's portfolio was $735 million.

The Assigned Risk Plan operates as a non-profit, tax-exempt entity and is administered by the Department of Commerce. The Plan provides disability income, medical expenses, retraining expenses and death benefits, with payments being made either periodically or in lump sum.

Investment Objectives

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

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

— to minimize mismatch between assets and liabilities

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

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

Asset Allocation

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

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

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

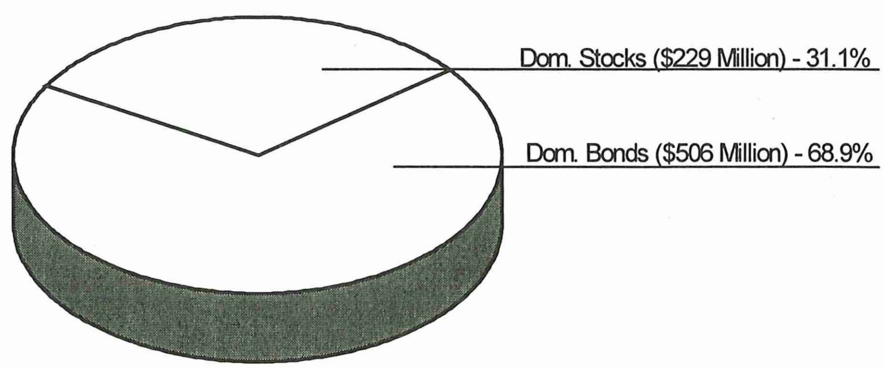
Figure 33 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 1999. The current long term asset allocation targets for the Fund are as follows:

Domestic Stocks	20%
Domestic Bonds	80

Investment Management

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

Figure 33. Assigned Risk Plan Asset Mix as of June 30, 1999



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

Assigned Risk Plan

Bond Segment

The bond segment is designed to fund the shorter-term liabilities of the Plan with a target duration of 3 years. The segment is actively managed to add incremental value through sector, security and yield curve decisions.

Stock Segment

The stock segment is structured to fund the longer-term liabilities of the Plan. Currently, the equity segment is semi-passively managed with a broadly diversified portfolio of high quality, large capitalization companies. Prior to fiscal year 1995, the stock segment was actively managed.

Investment Performance

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

The Assigned Risk Plan is measured against a composite index which is weighted to reflect the asset allocation of the Plan:

- the target for the equity component is the S&P 500.
- the target for the fixed income component is a custom benchmark which reflects the duration target established for the bond segment (approximately 3 years) as well as the manager's suggested sector allocation.

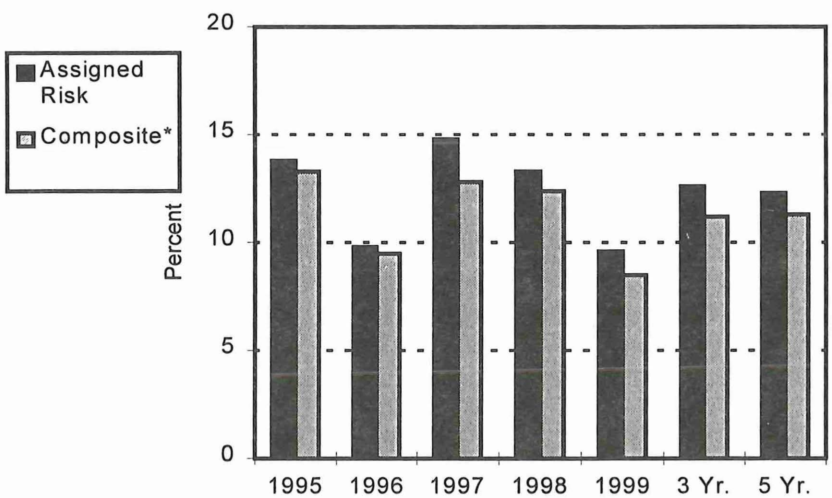
During fiscal year 1999, the ***bond*** segment underperformed its benchmark by 0.5 percentage point. The ***stock*** segment outperformed its benchmark by 0.9 percentage point.

Overall, the Assigned Risk Plan provided a return of 9.6% for fiscal year 1999, outperforming its composite index by 1.1 percentage points, annualized. The stock segment was overweighted during much of the year. Due to the strong performance of stocks relative to bonds, the total fund outperformed its composite index for the period.

Over the last five years, the total portfolio has outperformed its composite index by 1.0 percentage point, annualized. The outperformance was attributable to the portfolio's overweighting in stocks in the last four fiscal years as well as above benchmark performance in the bond segment of the portfolio during prior periods.

Historical performance results are presented in Figure 34.

Figure 34. Assigned Risk Plan Performance FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Assigned Risk	**13.8%**	**9.8%**	**14.8%**	**13.3%**	**9.6%**	**12.6%**	**12.3%**
Composite Index*	13.3	9.5	12.8	12.4	8.5	11.2	11.3
Stock Segment	**25.9**	**25.2**	**34.4**	**28.9**	**23.7**	**28.9**	**27.6**
S&P 500	26.1	26.2	34.7	30.3	22.8	29.2	28.0
Bond Segment	**10.8**	**5.4**	**7.8**	**8.4**	**4.2**	**6.8**	**7.3**
Benchmark	10.2	5.6	7.7	8.1	4.7	6.8	7.2

*Weighted 20% stocks, 80% bonds.

Permanent School Fund

The Permanent School Fund is a trust fund created by the Minnesota State Constitution and designated as a long-term source of revenue for public schools. Proceeds from land sales, mining royalties, timber sales, lake shore and other leases are invested in the Fund. Income generated by the Fund's assets is used to offset state school aid payments. On June 30, 1999 the market value of the Fund was $558 million.

Investment Objective

The State Board of Investment (SBI) invests the Permanent School Fund to produce a growing level of spendable income, within the constraints of maintaining adequate portfolio quality and liquidity that will assist in offsetting state expenditures on school aid.

Investment Constraints

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

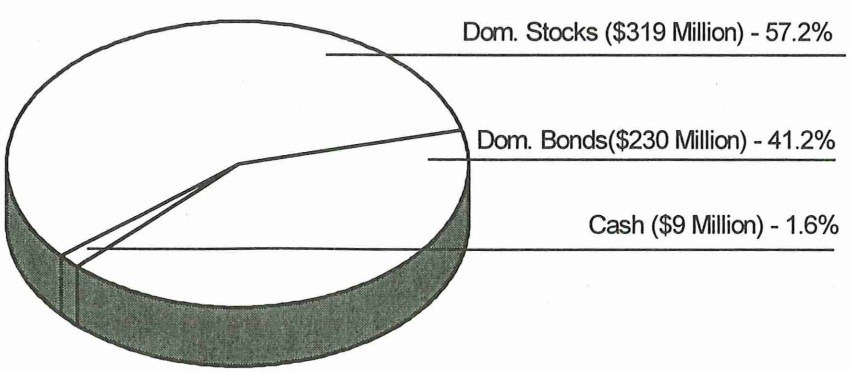
Asset Allocation

Prior to FY 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, over time.

Both issues could be addressed by re-introducing equities to the Fund's asset mix. While this would be beneficial over the long term, such a move would reduce income over the short term and, therefore, had budgetary implications for the state. As a result, such an asset allocation change could not be implemented without the consent of the executive and legislative branches.

During fiscal year 1997, a proposal to introduce equities was favorably received by the Legislature and incorporated into the K-12 education finance bill. As a result, the Fund allocation was shifted to a 50% stock/48% fixed income/2% cash allocation during July 1997. Figure 35 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 1999.

Figure 35. Permanent School Fund Asset Mix as of June 30, 1999



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

Investment Management

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

Stock Segment

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

Bond Segment

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

Permanent School Fund

Investment Performance

The ***stock*** segment of the Permanent School Fund outperformed its benchmark, the S&P 500, during the fiscal year by 0.3 percentage point. By investing in all the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis. The portfolio was periodically rebalanced to minimize trading costs while still maintaining an acceptable tracking error relative to the benchmark.

The ***bond*** segment outperformed its benchmark during the current fiscal year by 0.6 percentage point due to the sector weightings held and the duration of the portfolio versus the Lehman Aggregate Index.

Overall, the Permanent School Fund provided a return of 14.0% for fiscal year 1999, outperforming its composite index by 0.7 percentage point.

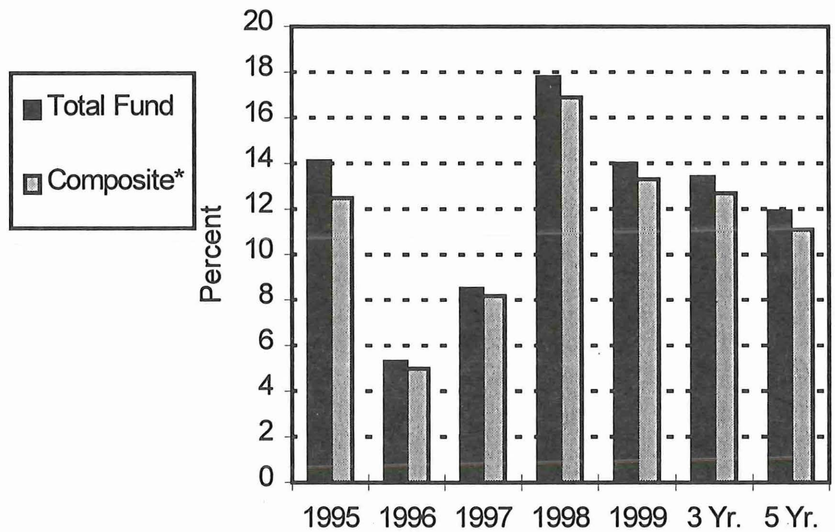
Total account results for the last five years are shown in Figure 36.

Spendable Income

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

Fiscal Year	Millions
1995	$31
1996	$31
1997	$30
1998	$20
1999	$19

Figure 36. Permanent School Performance FY1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	5 Yr.
Total Fund	**14.1%**	**5.3%**	**8.5%**	**17.8%**	**14.0%**	**13.4%**	**11.9%**
Composite*	12.5	5.0	8.2	16.9	13.3	12.7	11.1
Stock Segment	NA	NA	NA	22.8	23.1	NA	NA
S&P 500	NA	NA	NA	22.7	22.8	NA	NA
Bond Segment	15.0	6.0	8.6	10.7	3.7	7.6	8.7
Lehman Agg	12.5	5.0	8.2	10.5	3.1	7.2	7.8

* 50% S&P 500, 48% Lehman Aggregate, 2% 3 Month T-Bills. Prior to July 1, 1998, the Fund's benchmark was 100% Lehman Aggregate.

Environmental Trust Fund

The Environmental Trust Fund was established in 1988 by the Minnesota Legislature to provide a long-term, consistent and stable source of funding for activities that protect and enhance the environment. On June 30, 1999, the market value of the Fund was $285 million.

By statute, the State Board of Investment (SBI) invests the assets of the Environmental Trust Fund. The Legislature could fund environmental projects from a portion of revenue deposited in the Fund through 1997 and, thereafter, from earnings on the principal of the Fund.

Investment Objective

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

Investment Constraints

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

Asset Allocation

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

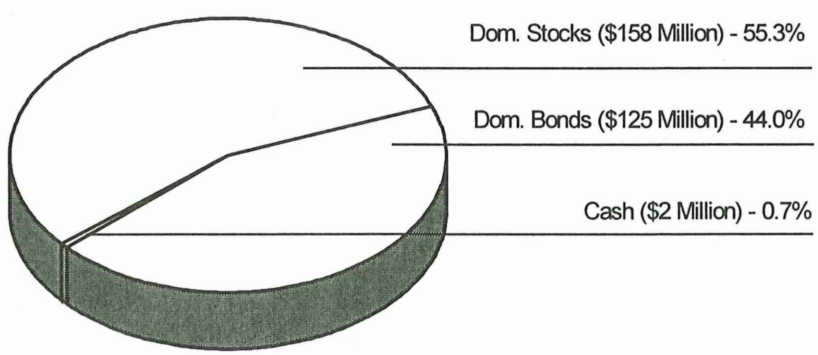
During fiscal year 1994, the SBI introduced equities into the portfolio and moved to a targeted 50% allocation to domestic common stocks and 50% to bonds. This allocation has been maintained since then. Figure 37 presents the actual asset mix of the Environmental Trust Fund at the end of fiscal year 1999. The current long term asset allocation targets for the Fund are:

Domestic Stocks	50%
Domestic Bonds	48
Cash	2

Investment Management

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

Figure 37. Environmental Trust Fund Asset Mix as of June 30, 1999



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

Environmental Trust Fund

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

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

Investment Performance

During the Fiscal Year, the ***stock*** segment accomplished its objective of closely tracking the return of the S&P 500 benchmark, returning 0.3 percentage point more than the S&P 500. By investing all of the stocks in the benchmark at their index weighting, the segment attempts to track the benchmark return on a monthly and annual basis. The portfolio was periodically rebalanced to minimize trading costs while still maintaining an acceptable tracking error relative to the benchmark.

The ***bond*** segment outperformed its benchmark by 0.6 percentage points due to the sector weightings held in and the duration of the portfolio versus the Lehman Aggregate.

Overall, the Environmental Trust Fund provided a return of 13.6% for fiscal year 1999, outperforming its composite index by 0.3 percentage point. The bond segment's outperformance accounted for the majority of the total fund's outperformance for the fiscal year. The fund experienced modest outperformance over the last three and five years due to the incremental value added by the bond segment. Performance results are presented in Figure 38.

Spendable Income

Spendable income generated by the Fund follows:

Fiscal Year	Millions
1995	\$5.2
1996	\$6.0
1997	\$6.8
1998	\$8.8
1999	\$9.7

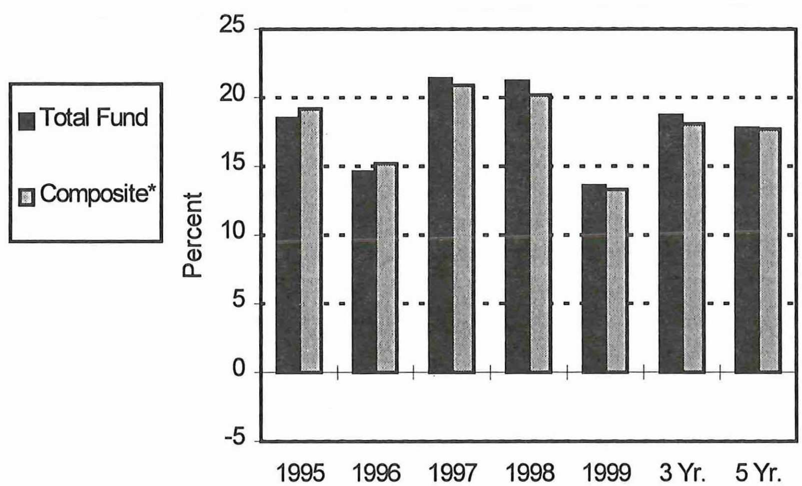
Constitutional Amendment

Beginning in July 1999, the Fund will no longer be subject to the same legal restrictions governing its investments. In November 1998, Minnesota voters passed a constitutional amendment that continues through 2025 the mandate that 40 percent of the net proceeds from the state lottery be credited to the Fund.

The amendment also eliminates the accounting restrictions on capital gains and losses. The amendment provides for spending 5.5 percent of the Fund's market value annually, beginning fiscal year 2000.

As a result of the new spending guidelines, the Board approved a 70% stock and 30% fixed income asset allocation. This will position the Fund for the best long-term growth potential while meeting the objective of the Fund to produce a growing level of income for expenditures. The SBI will implement the new allocation as of July 1, 1999.

Figure 38. Environmental Trust Fund Performance FY 1995-1999



	1995	1996	1997	1998	1999	Annualized 3 Yr.	Annualized 5 Yr.
Total Fund	**18.5%**	**14.6%**	**21.4%**	**21.2%**	**13.6%**	**18.7%**	**17.8%**
Composite*	19.2	15.2	20.9	20.2	13.3	18.1	17.7
Stock Segment	**26.0**	**26.0**	**34.7**	**30.4**	**23.1**	**29.3**	**28.0**
S&P 500	26.1	26.2	34.7	30.3	22.8	29.2	28.0
Bond Segment	**12.7**	**4.8**	**8.6**	**12.1**	**3.7**	**8.1**	**8.3**
Lehman Aggregate	12.5	5.0	8.2	10.5	3.1	7.2	7.8

* Weighted 50% S&P 500, 48% Lehman Aggregate, 2% 3 Month T-Bills.

The State Board of Investment (SBI) manages the cash balances in more than 400 state agency accounts with the objectives of preserving capital and providing competitive money market returns. On June 30, 1999, the total value of these accounts was $7.8 billion.

Internal Cash Pools

The SBI invests these cash accounts in short-term, liquid, high quality debt securities on a non-leveraged basis. These investments include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, and commercial paper. On June 30, 1999, the combined value of all agency cash balances was $7.8 billion.

Pool Structure

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

— ***Trust Fund Pool.*** This pool contains cash balances of trust fund and retirement-related accounts that are managed internally. The Trust Fund Pool had an average daily balance of $86.1 million during the year.

— ***Treasurer's Cash Pool.*** This pool contains cash balances from the Invested Treasurer's Cash and other accounts necessary for the operation of state agencies. The Treasurer's Cash Pool had an average daily balance of $6.3 billion during the year.

Staff also manages approximately $1 billion of assets in separately managed dedicated accounts because of special legal restrictions. The vast majority of these assets are related to state or state agency debt issuance including debt service reserves and proceeds.

Performance

The SBI measures the performance of both pools against customized benchmarks which reflect the maturity structure of each pool.

For fiscal year 1999, the Trust Fund Pool and the Treasurer's Cash Pool outperformed their respective benchmarks. Both pools also outperformed the total return on 3 Month Treasury Bills.

Trust Fund Pool	**5.3%**
Benchmark	4.7
Treasurer's Cash Pool	**5.0**
Benchmark	4.7
3 Month Treasury Bills	4.7

From April 1993 through December 1996, the benchmark for both pools was weighted 75% State Street Short Term Investment Fund and 25% 1-3 year Treasuries.

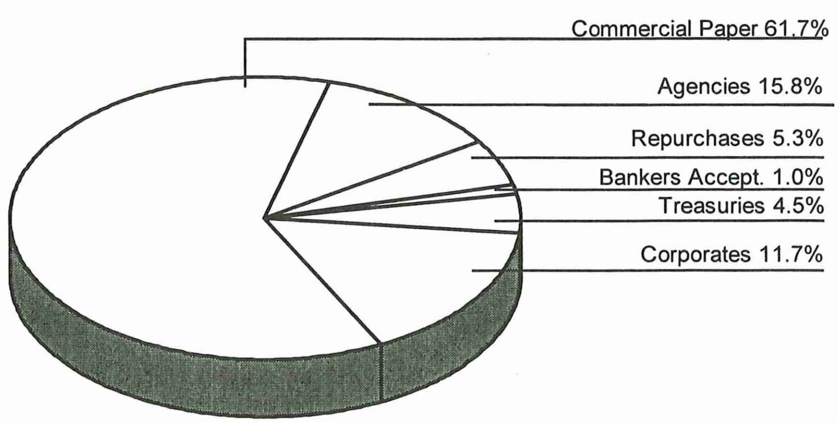
Beginning in January 1997, the Trust Fund Pool is measured against the IBC All Taxable Money Fund Index.

Beginning in January 1997, the Treasurer's Cash Pool is measured against a blended benchmark consisting of the Lehman Brother's 1-3 year Government Index for a portion of the portfolio and the IBC All Taxable Money Fund Index for the balance.

Treasurer's Cash Pool

On June 30, 1999, the Treasurer's Cash Pool was dominated by high quality commercial paper holdings. The composition of the pool is

Figure 39. Invested Treasurer's Cash Fund Distribution as of June 30, 1999



shown in Figure 39. At the end of the fiscal year, the pool had a current yield of 5.3% and an average maturity of 109 days.

Securities Lending Program

The SBI participates in securities lending programs in which securities held by the SBI are loaned to banks and security dealers for a daily fee. These loans are fully collateralized. Currently, the majority of the SBI's securities lending activity is undertaken by the SBI's master custodian bank, State Street Bank and Trust. Securities lending generated additional income of approximately $17.7 million during fiscal year 1999 for all portfolios controlled by the SBI.

Certificate of Deposit Program

The SBI also manages a certificate of deposit (CD) program in which it purchases CD's from Minnesota financial institutions. The SBI receives a market rate of return on these investments, using the average secondary CD market rate quoted by the New York Federal Reserve Bank.

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

Only the cash reserves of the retirement funds are used in the program. The Federal Deposit Insurance Corporation (FDIC) provides $100,000 in insurance coverage for each retirement plan in the Basic Funds for each of the financial institutions participating in the program. Therefore, the maximum CD investment in any financial institution is $750,000. Within these limits, all CD's purchased by the SBI are fully insured by the FDIC.

During fiscal year 1999, the SBI purchased over $261.0 million of CD's from Minnesota financial institutions. Since it began the program in 1980, the SBI has purchased over $3.0 billion of CD's from approximately 500 financial institutions throughout the state.

Securities Repurchase Program

Since 1980, the SBI has invested in banks throughout Minnesota through the SBI's Certificate of Deposit (CD) program. In recent years, community banks throughout Minnesota have experienced an increased need for funds due to a reduction in local deposits and a reduced ability to sell investments held in bank portfolios due to changes in federal accounting requirements. The SBI created the Securities Repurchase Program to help meet the increased needs of banks throughout the state.

Under the program, the SBI temporarily buys securities such as Treasuries and Governments from banks under a repurchase agreement (repo). At the end of the agreement period, the securities are returned to the selling banks (i.e. "repurchased") and the bank pays the SBI principal and interest.

The transactions are fully collateralized and range in size from $100,000 to $2 million per institution. Amounts above $500,000 are based on availability of funds and other factors such as a bank's preferred lending ranking by the Small Business Administration (SBA).

For ease of administration, the program uses the same rates, offering dates and maturity dates as the SBI's CD program.

With the support of both the Minnesota Department of Commerce and the SBA, a proposal for a pilot program was approved by the Board at its meeting in December 1995. The initial offering was made in April 1996 with 10 banks participating in the placement of $6.5 million.

During fiscal year 1999, the SBI purchased $16.7 million in repos from Minnesota financial institutions.

Legislative Update

The SBI did not initiate any legislative proposals for the 1999 Legislative Session. The Legislature did, however, enact several measures that affect SBI operations.

The Omnibus Pension Bill, enacted as Laws of Minnesota 1999, Chapter 222, contains several provisions of interest to the SBI:

- Investment flexibility for the Minnesota State Colleges and Universities (MnSCU) Retirement Plans. This provision will allow the SBI to provide participants in the Individual Retirement Account Plan and Supplemental Plan of MnSCU with a range of investment choices in addition to insurance company investment products. These additional choices may include direct ownership of mutual fund shares as well as investment options sponsored by registered investment management firms and qualified banks.

- Study and Selection of 403(b) Tax Sheltered Annuities. This provision directs the Legislative Commission on Pensions & Retirement to study the issue of the appropriate means to provide 403(b) employer match opportunities for employees. This provision expands the number of insurance companies that may offer investment products for the match opportunity and includes mutual funds in the list of companies that can offer investment products. The SBI is required to make a new selection of companies by July 1, 2000.

The Higher Education Funding Bill, enacted as Laws of Minnesota 1999, Chapter 214, makes necessary amendments to the Edvest college savings program to retain an investment manager and recordkeeper at a lower cost to the program. Edvest provides tax deferred savings and matching dollars to participants who contribute to the program. As required by 1997 legislation, the SBI assists the Higher Education Services Office (HESO) in selecting a recordkeeper and investment manager for the program. The program is expected to be operational in calendar year 2000.

The Environmental and Agricultural Funding Bill, enacted as Laws of Minnesota 1999, Chapter 231, establishes a Closed Landfill Investment Fund that is to be invested by the SBI. The Fund will receive $5.1 million each fiscal year starting with fiscal year 2000 through fiscal year 2003. Money may be spent from the Fund after 2020.

The Health and Human Services Funding Bill, enacted as Laws of Minnesota 1999, Chapter 245, establishes two endowment funds using tobacco settlement proceeds, the Medical Education Fund and the Tobacco Use Prevention and Local Public Health Endowment Fund. The SBI will invest the funds. The initial deposits in fiscal year 2000 for the two funds will total approximately $460 million. While the principle must remain inviolate, earnings up to 5 percent of the market value of each fund may be expended in each year. When each Fund expires in 2015, the principal and any remaining earnings must be transferred to the General Fund.

Responsibility for Deferred Compensation Programs

The State Board of Investment (SBI) has responsibilities for several deferred compensation-related programs:

— The SBI selects investment product providers for the State Deferred Compensation Plan, an Internal Revenue Code (IRC) 457 plan administered by the Minnesota State Retirement System (MSRS).

— The SBI selects insurance company providers for the employer match to IRC 403(b) tax sheltered annuities for K-12 teachers.

— The SBI selects investment product providers for the Minnesota State Colleges and Universities (MnSCU) and the Minnesota Historical Society for their IRC 401(a) defined contribution retirement plans.

The investment product providers currently used by these programs are shown in Figure 40.

The SBI conducted a thorough review of all aspects of the 403(b) market place and presented its findings to the Legislature in 1998. The main conclusion drawn from the study is that establishing a statewide plan would be the most efficient and effective delivery mechanism for the 403(b) program. During the 1999 Session, the Legislature directed the Legislative Commission on Pensions and Retirement to study the issue of how to best provide employer match opportunities for education employees and increased the number and type of providers that the SBI must select.

In fiscal years 1998 and 1999, the SBI and MSRS restructured the 457 Plan. The SBI selected six mutual funds as external stock and bond investment options and three insurance companies to jointly provide a fixed interest option.

MSRS selected a central recordkeeper and a central service/communication firm. The restructured Plan is scheduled to take effect July 1, 1999.

In fiscal 1999, the SBI and MnSCU began discussions about restructuring the MnSCU plans. The potential restructuring may result in the retention of a different set of investment product providers.

Figure 40. Investment Product Providers Selected or Approved by the SBI

State Deferred Compensation 457 Plan (effective July 1, 1999)
Dodge & Cox, Inc.
Fidelity Management & Research Company
INVESCO Funds Group, Inc.
Janus Capital Corporation
T. Rowe Price Associates, Inc.
The Vanguard Group
Great-West Life & Annuity Insurance Co.
Minnesota Life Insurance Co.
Principal Life Insurance Co.

403(b) Match Program
Aetna Life Insurance & Annuity Co.
Great-West Life & Annuity Insurance Co.
American Express Life Insurance Co.
Metropolitan Life Insurance Co.
The Minnesota Mutual Life Insurance Co.
Nationwide Life Insurance Co.
United Investors Life Insurance Co.
The Variable Annuity Life Insurance Co. (VALIC)

MnSCU 401(a) Plans (through June 30, 2000)
Great-West Life & Annuity Insurance Co.
Minnesota Life Insurance Co.
Teachers Insurance & Annuity Association-College Retirement Equities Fund (TIAA-CREF)
The Variable Annuity Life Insurance Co. (VALIC)

Historical Society 401(a) Plan (through June 30, 2000)
Teachers Insurance & Annuity Association-College Retirement Equities Fund (TIAA-CREF)

Major Policy Initiatives

Police and Fire Fund Activity

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

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

One plan consolidated during fiscal year 1999 with assets of $1.5 million. Since 1987, 44 plans with total assets of $603 million have merged with PERA. After consolidation, these assets are managed as part of the Basic and Post Retirement Funds. (Please note that there remain only three local police plans and two salaried firefighter plans that have not merged with PERA. These five plans also have the statutory authority to invest in the Supplemental Investment Fund [SIF]).

Volunteer Fire Plans Investment: Volunteer firefighter retirement plans are not eligible to be consolidated with PERA. They may invest their assets with the SBI through the SIF. There are more than 700 local volunteer firefighter plans with investment authority.

During fiscal year 1999, an additional 38 volunteer firefighter plans selected the SIF for all or a portion of their retirement assets. This brought the total number of plans participating in the SIF to 190 by the end of the fiscal year.

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

Local Plan Performance Reports: The SBI provides the local plans that participate in the SIF reports displaying their annual returns and market values from the SIF in compliance with *Minnesota Statutes*, Chapter 356. The local plans are responsible for providing their specific data to the Office of the State Auditor.

Guidelines on International Investing

As noted in prior sections of this report, the State Board of Investment (SBI) made its first international stock investments in 1992. The case for international investing lies in three areas: increased investment opportunity, greater diversification and potential for higher return. Approximately one-half of the world's markets lie outside the U.S.

U.K., Japan, Germany and France comprise nearly two-thirds of the value of the international markets. Together with seventeen (17) other countries in Europe and the Pacific Basin, these countries comprise the more well established stock markets. Emerging markets in Central and South America, Eastern Europe, Africa and Asia make up the remainder of the international markets and pose special investment considerations and limitations.

Task Force

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

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

Guidelines

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

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

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

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

Review Process

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

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

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

— A manager who elects to purchase stocks of companies domiciled in Group III countries will appear before the SBI Administrative Committee to discuss their investment decision.

In 1998, the SBI updated the country groupings. Figure 41 displays the revised groupings.

*Figure 41. Current International Investing Guidelines Country Groupings**

Group I	**Group II**	**Group III**
Australia	Argentina	Bangladesh
Austria	Bolivia	China, Peoples Republic of
Barbados	Botswana	Croatia
Belgium	Brazil	Egypt
Canada	Bulgaria	Guatemala
Chile	Colombia	Indonesia
Costa Rica	Cote d'Ivorie	Jordan
Cyprus	Dominican Republic	Kuwait
Czech Republic	Ecuador	Lebanon
Denmark	Ghana	Liberia
Estonia	Hong Kong	Mauritania
Finland	India	Morocco
France	Israel	Myanmar (Burma)
Germany	Jamaica	Nigeria
Greece	Kazakhstan	Oman
Hungary	Kenya	Parkistan
Ireland	Korea, Republic of	Paraguay
Italy	Latvia	Peru
Japan	Lithuania	Russia
Luxembourg	Malawi	Saudi Arabia
Mauritius	Malaysia	Turkmenistan
Netherlands	Mexico	United Arab Emirates
New Zealand	Mongolia	Uzbekistan
Norway	Namibia	Vietnam
Poland	Nepal	
Portugal	Panama	
Singapore	Papua New Guinea	
Slovak Republic	Philippines	
Slovenia	Romania	
Spain	South Africa	
Sweden	Sri Lanka	
Switzerland	Swaziland	
Trinidad & Tobago	Taiwan	
United Kingdom	Thailand	
Uruguay	Tunisia	
	Turkey	
	Ukraine	
	Venezuela	
	Zambia	
	Zimbabwe	

** last revised in June 1998*

Mandate on Northern Ireland

Requirements

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

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

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

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

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

Implementation

The SBI uses the services of the Investor Responsibility Research Center (IRRC), Washington D.C., to monitor corporate activity in Northern Ireland. In January 1999, the SBI held stocks or bonds in 60 of 66 corporations identified by IRRC as having operations in Northern Ireland.

The SBI filed shareholder resolutions with 5 of these corporations during the 1999 proxy season. The resolutions asked corporations to sign the MacBride Principles, to implement affirmative action programs or to report on the steps they have taken to alleviate religious or ethnic discrimination.

The voting results on the 5 resolutions are shown below:

Company	Affirmative Vote
Baker Hughes	22.9%
Dun & Bradstreet	14.0
Interface	14.5
TJX Cos.	10.1
United Technologies	9.1

Tobacco Issues

At its September 1998 meeting, the Board adopted a resolution that requires each active and semi-passive equity manager to divest by September 2001 shares of any company which obtains more than 15 percent of its revenues from the manufacture of consumer tobacco products. Staff notified each active and semi-passive equity manager of the new policy.

As in the previous fiscal year, the Board received updates on the SBI's holdings of tobacco related stocks at each of its quarterly meetings.

Directives to Stock Managers

The new policy follows many quarters of work by the Board on the tobacco issue. At its December 1997 meeting, the Board adopted a resolution requiring the SBI's stock managers to provide written justification to SBI staff if a manager chose to make new or additional purchases of stock in companies which obtain more than 50% of their revenues from the sale of tobacco.

At its June 1998 meeting, the Board took further action regarding SBI investment in tobacco-related stocks.

The first resolution required the SBI active and semi-passive equity managers to discontinue purchases of shares of any company that generates more than 15 percent of its revenue from the manufacture of consumer tobacco products. The second resolution required the SBI staff to prepare and submit to the Board a plan for divestiture of shares of any company that generates more than 15 percent of its revenue from the manufacture of consumer tobacco products held in the SBI's actively and semi-passively managed equity portfolios.

The new policy requiring divestment follows directly from the latter resolution.

The Board will continue to receive updates on the SBI's holdings of tobacco-related stocks and is expected to continue to monitor the issue very closely.

Shareholder Resolutions

During the 1999 proxy season, the SBI cosponsored five (5) tobacco-related resolutions. One resolution was withdrawn when the 1998 Federal tobacco settlement made the issue moot. The Securities and Exchange Commission (SEC) also allowed the omission of one other resolution on the grounds that it addressed ordinary business concerns.

The resolution at Philip Morris requested that management implement the same programs the Company has voluntarily proposed and adopted in the U.S. to prevent youth from smoking and buying cigarettes in developing countries. This resolution received support from 7.2% of the votes cast.

The resolution at Loews requested a report on the steps the company will take to warn women of child-bearing age of the harm caused by their tobacco use. The resolution received support from 5.9% of the votes cast.

The resolution at UST, Inc. dealt with a request to ensure tobacco ads are not youth friendly. This resolution garnered support from 3.9% of the votes cast.

Proxy Voting

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

Voting Process

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

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

Voting Guidelines

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

Corporate Governance Issues

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

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

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

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

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

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

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

Social Responsibility Issues

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

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

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

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

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

Summary of FY 1999 Proposals

During fiscal year 1999, the SBI voted proxies for approximately 4,300 U.S. corporations and more than 1,000 international companies.

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

— Shareholders submitted 54 proposals regarding the restriction of executive compensation which were supported by an average of 7.7% of the shares voted.

— Shareholders submitted 15 proposals to prohibit repricing of underwater stock options (lowering the price of options whose stock price had declined). These proposals received average support of 30.7%.

— Shareholders submitted 37 proposals to redeem "poison pills" (an anti-takeover device) or submit them to shareholder vote. These proposals received average support of 59.7%.

— Seven (7) proposals were submitted concerning confidential voting. These proposals received average support of 42.4%.

— Other proposals included the repeal of classified boards which were supported by an average of 47.5% of shares voted; limitations of severance packages to top executives ("golden parachutes") which received support from an average of 25.3% of shares voted; cumulative voting which was supported by an average of 23.8% of shares voted; and requirements for the majority of directors to be independent received support from an average of 28.0% of shares voted.

In the *social responsibility* area, the environment, fair employment issues-both domestic and international, and tobacco were the major issues, as reflected in information provided by the IRRC:

— Ceres Principles resolutions received 14 resolutions with average support of 8.2%.

— Energy related issues received 6 resolutions with an average support level of 6.7%.

— Equal employment issues received 11 resolutions with an average support of 10.0%.

— Resolutions on a variety of tobacco-related issues were on 10 ballots with an average support of 6.6%.

— Human rights issues received 4 resolutions with an average support level of 6.2%.

— Northern Ireland issues received 7 proposals this year with an average support of 12.8%.

Domestic Equity Program Managers

Alliance Capital Management Corporation

Alliance searches for companies likely to experience high rates of earnings growth on either a cyclical or secular basis. Alliance invests in a wide range of medium to large growth companies and the firm does not tend to concentrate on one particular type of growth company over another. However, the firm's decision-making process appears to be much more oriented toward macroeconomic considerations than is the case with most other growth managers. Accordingly, cyclical earnings prospects, rather than secular, appear to play a larger role in terms of stock selection. Alliance is not an active market timer, rarely raising cash above minimal levels. They manage a concentrated stock portfolio of about 40 companies. The firm was retained by the SBI in March 1983.

Barclays Global Investors

Barclays manages both passive and semi-passive portfolios for the SBI. For the *semi-passive* account, the firm uses a Core Alpha Model which disaggregates individual equity returns for each of the 3500 stocks in their universe into three inputs: fundamental, expectational, and technical. The fundamental inputs 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 inputs incorporate future earnings and growth rate forecasts made by over 2500 security analysts. The technical inputs provide a measure of recent changes in company fundamentals, consensus expectations, and performance. Estimated alphas are used in a portfolio optimization algorithm to identify the optimal portfolio that maximizes the portfolio's alpha while maintaining a risk level specified by the client.

For the *passive account*, Barclays minimizes tracking error and trading costs, and controls overall investment and operational risks. Their strategy is to fully replicate the larger capitalization segments of the market and to use an optimization approach for the smaller capitalization segments. The optimizer weighs the cost of a trade against its contribution to expected tracking error to determine which trades should be executed.
The firm was retained by the SBI for semi-passive management in January 1995 and for passive management in July 1995.

Brinson Partners, Inc.

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

CIC Asset Management, Inc. (Emerging Manager Program)

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

Cohen Klingenstein & Marks, Inc. (Emerging Manager Program)

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

Compass Capital Management, Inc. (Emerging Manager Program)

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

Forstmann Leff Associates Asset Management, Inc.

Forstmann Leff is a classic example of a "rotational" manager. The firm focuses almost exclusively on sector weighting decisions. Based upon its macroeconomic outlook, the firm will move aggressively into and out of equity sectors over the course of a market cycle. The firm tends to purchase liquid, medium to large capitalization stocks that will benefit the most during the current phase of the market cycle. During fiscal year 1997, Forstmann Leff was asked to begin weighting their top stock ideas more heavily. The firm was retained by the SBI in March 1983.

Franklin Portfolio Associates

Franklin Portfolio Associates manages both active and semi-passive portfolios for the SBI. Franklin's investment decisions are quantitatively driven and controlled. The firm believes that consistent application of integrated multiple valuation models produces superior investment results. The firm's stock selection model is a composite model comprised of 30 valuation measures each of which falls into one of the following groups: fundamental momentum, relative value, future cash flow, and economic cycle analysis.

For the *active* product, Franklin's portfolio management process adds value by focusing on buying and selling the right stock rather than attempting to time the market or pick the right sector or industry groups. During fiscal year 1997, Franklin moved the active account to a more concentrated portfolio approach. The firm now limits its holdings in the SBI account to approximately 30 to 40 issues.

For the *semi-passive* product, Franklin adds incremental value to a benchmark by buying stocks ranked the highest and selling stocks ranked the lowest, while maintaining the portfolio's systematic risk and industry weightings at levels similar to the benchmark. Franklin attempts to allocate 75% or more of the total risk level set by the client to specific stock selection and the rest to systematic and industry risk. The firm always remains fully invested.

Franklin was retained by the SBI as an active manager in April 1989 and as a semi-passive manager in January 1995.

GeoCapital, LLC

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

J.P. Morgan Investment Management Inc.

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

Lincoln Capital Management Company

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. During fiscal year 1997, Lincoln moved the SBI account to a more concentrated approach holding approximately 30 to 35 issues. Lincoln was retained by the SBI in July 1993.

New Amsterdam Partners L.L.C. (Emerging Manager Program)

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

Oppenheimer Capital

Oppenheimer's objectives are to: 1) preserve capital in falling markets; 2) manage risk in order to achieve less volatility than the market; and 3) produce returns greater than the market indices, the inflation rate and a universe of comparable portfolios with similar objectives. The firm achieves its objectives by purchasing securities considered to be undervalued on the basis of known data and strict financial standards. In addition, Oppenheimer will make moderate shifts between cash and equities based on its outlook on the market and the economy. The firm focuses on five key variables when evaluating companies: management, financial strength, profitability, industry position and valuation. While Oppenheimer has always held a concentrated portfolio of about 40 issues, since fiscal year 1997, they have held 30 to 35 issues in the SBI's account. Oppenheimer was retained by the SBI in July 1993.

Valenzuela Capital Partners, Inc. (Emerging Manager Program)

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

Wilke/Thompson Capital Management, Inc. (Emerging Manager Program)

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

Winslow Capital Management, Inc. (Emerging Manager Program)

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

Zevenbergen Capital, Inc. (Emerging Manager Program)

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

Investment Manager Summaries

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

International Program Managers

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

City of London Investment Management Company Ltd.
City of London is an emerging markets specialist. The firm invests in closed-end country and regional funds to enhance performance when discounts to net asset value (NAV) narrow and to assure broad diversification within markets. They perform two levels of analysis. The first level is to compile macro-economic data for each country in their universe. Countries are ranked nominally according to the relative strength of their fundamentals and the expected upward potential of their stock markets. The second level is research on closed-end country and regional funds, where they analyze funds for corporate activity, liquidation dates, liquidity and discounts to NAV. They also analyze the quality and expertise of the closed-end fund managers. Countries are then re-ranked according to the relative pricing and discounts to NAV of country specific funds. City of London was retained by the SBI in May 1996.

Genesis Asset Managers International Ltd.
Genesis is an emerging markets specialist. Genesis believes that the critical factor for successful investment performance in emerging markets is stock selection. They also believe that structural changes in emerging markets will continue to create both winners and losers in the corporate sector. Finally, they believe that following index stocks will not necessarily expose an investor to the highest returns since those stocks are typically concentrated in large capitalization companies that have already attained a certain level of recognition. They identify those countries in which structural change will most likely generate growth opportunities for business and/or where the environment is supportive of a flourishing private sector. Stock selection is based on Genesis' estimate of the value of the company's future real earnings stream over five years relative to its current price. The portfolio consists of the most undervalued stocks across all markets with emphasis on growth with value. The SBI retained Genesis in May 1996.

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

Montgomery Asset Management
Montgomery manages an emerging markets portfolio for the SBI. The firm combines quantitative investment techniques and fundamental stock selection to take advantage of market inefficiencies and low correlation 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 I 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. Montgomery was retained by the SBI in May 1996.

Record Treasury Management Ltd.
Record Treasury manages currency exposure for the SBI. Record Treasury avoids all forms of forecasting in its approach to currency management. Rather, the

firm employs a systematic model which uses a form of dynamic hedging. The firm creates a portfolio of synthetic currency options using forward contracts. Like traditional options, Records' "in-house options" allow the client to participate in gains associated with foreign currency depreciation. As with all dynamic hedging programs, Record Treasury will tend to sell foreign currency as it weakens and buy as it strengthens. In April 1998, the SBI reduced the size of the currency overlay program by about one half to reduce its impact on the International Program return volatility. The SBI retained Record Treasury in December 1995.

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

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

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

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

Fixed Income Program Managers

American Express Asset Management Group Inc.
American Express (formerly IDS Advisory) uses duration and yield curve management combined with in-depth fundamental analysis of the corporate and mortgage sectors to add value to the portfolio. Active duration management begins with an economic overview and interest rate outlook. These factors help American Express determine the direction of both short and long-term interest rates which leads to the portfolio duration and yield curve position decisions. After the firm determines duration, they use their extensive corporate and mortgage research capabilities to determine sector allocations and to select individual issues. The firm was retained by the SBI in July 1993.

BlackRock Financial Management
BlackRock manages a semi-passive bond portfolio designed to track the Lehman Aggregate index and uses a controlled duration style of management. BlackRock's enhanced index strategy can be described as active management with tighter duration and sector constraints to ensure that the portfolio's aggregate risk characteristics and tracking error never significantly differ from the designated index. BlackRock's value added is derived primarily from sector and security selection driven by relative value analysis while applying disciplined risk control techniques. BlackRock was retained by the SBI in April 1996.

Credit Suisse Asset Management
Credit Suisse (formerly BEA Associates) focuses on security and sector selection rather than forecasts of interest rates to add value. Credit Suisse keeps the duration close to the benchmark but may be slightly longer or shorter depending on its long-term economic outlook. The firm's approach is distinguished by 1) a quantitative approach which avoids market timing; 2) contrarian weighting of bond sectors; and 3) rigorous call and credit analysis rather than yield driven

management. The firm was retained by the SBI in July 1993.

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

Investment Advisers, Inc.
Investment Advisers' approach is based on top-down fundamental economic analysis and quantitative assessments of relative value and risk. Analysis of a variety of economic and monetary indicators helps the firm identify the economy's current position in the credit cycle. The interest rate forecast derived from this analysis determines the duration and yield curve strategy in the portfolio. Yield curve and duration strategies drive much of the firm's value added results. Portfolio risk is controlled through disciplined management of key risk variables. Sector allocation decisions are made by linking the top-down economic assessment with bottom-up relative value analysis among bond market segments. Individual security selection focuses largely on relative value analysis of each issue. Investment Advisers was retained by the SBI in July 1984.

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

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

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

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

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

Alternative Investment Managers

Basic Retirement Funds

Real Estate

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

Colony Advisors
Funds: Colony Investors II, L.P.
Colony Investors III, L.P.
Colony Investors II and III are closed-end commingled real estate funds managed by Colony Capital Inc. of Los Angeles, CA. The funds' strategy is to invest in undervalued equity and debt real estate-related assets. The SBI committed to Fund II in 1994 and Fund III in 1998. Fund II is expected to terminate in 2003 and Fund III in 2008.

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

First Asset Realty
Fund: First Asset Realty Fund
First Asset Realty Fund (FAREEF), was created by First Bank in 1981 as an open-end real estate fund and in 1990 adopted a closed-end format. The fund is currently in liquidation and property sale proceeds are being distributed to unit holders. The SBI received this investment through Police and Fire Fund consolidations.

Heitman Advisory Corp. (HAC)
Funds: HAC Group Trust I
HAC Group Trust II
HAC Group Trust III
HAC Group Trust V
HAC Group Trusts are closed-end commingled funds managed by the Heitman Advisory Group. The majority of the trust investments are equity real estate. The real estate portfolios are diversified by the type and location of the properties. Heitman manages the trusts' wholly-owned properties. Heitman Advisory is based in Chicago. The SBI committed to the Group Trusts in 1984, 1985, 1987 and 1991. The funds are expected to terminate in 1999, 2001, 2002, and 2005.

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

Rosenberg Real Estate Equity Funds (RREEF)
Fund: RREEF USA III
RREEF USA III is a closed-end commingled fund managed by the Rosenberg Real Estate Equity Funds. Typically, the trust purchases 100% of the equity of its properties with cash. The trust generally does not utilize leverage or participating mortgages. Properties are diversified by location and type. RREEF's in-house staff manages the trust's real estate properties. The firm's primary office is located in San Francisco. The SBI committed to the fund in May 1984. The Fund has reached the end of its investment term and is liquidating its property holdings.

State Street Bank & Trust
Funds: AEW - State Street Real Estate Fund III
AEW - State Street Real Estate Fund IV
AEW - State Street Real Estate Fund V
State Street Real Estate Funds are closed-end commingled funds managed by the State Street Bank and Trust Company of Boston. State Street Bank has retained Aldrich, Eastman and Waltch (AEW) as the funds' advisor. The funds' special orientation is the use of creative investment vehicles such as convertible and participating mortgages to maximize real estate returns. The real estate portfolios

are diversified by location and property type. On-site property management typically is contracted to outside firms or conducted by joint venture partners. The SBI committed to the funds in 1985, 1986 and 1987. The funds are expected to terminate in 1999, 2001, and 2002.

TA Associates Realty
Funds: TA Realty Associates Fund III
TA Realty Associates Fund IV
TA Realty Associates Fund V

TA Realty Associates Funds III, IV and V are closed-end, commingled real estate funds managed by TA Associates Realty of Boston, MA. The funds invest in small to medium sized properties generally diversified by location and type. On-site management of properties is contracted to outside firms. The SBI committed to the funds in 1994, 1997 and 1999, respectively. Each fund has a ten year term.

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

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

Equity Office Properties Trust
Fund: Equity Office Properties Trust (EOP)

Equity Office Properties Trust (EOP), based in Chicago, is the successor entity to three Zell/ Merrill Lynch Real Estate funds in which the SBI had prior investments. In 1997, the Zell/ Merrill Lynch Real Estate funds were combined into a single publicly traded entity and the SBI received shares in EOP. Like the original Zell/Merrill Lynch Real Estate funds, EOP focuses primarily on office property real estate investments located throughout the U.S. As a publicly-traded company, EOP has an indefinite life.

Private Equity

Allied Capital
Fund: Allied Venture Partnership

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

Blackstone Group
Fund: Blackstone Capital Partners Fund II

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

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

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

ChiCorp Management, Inc.
Funds: Midwest Bank Fund III
Banc Fund IV
Banc Fund V

Midwest Bank Fund III was formed in 1992 and has a nine year term. Fund IV was formed in 1996 and has an eight year term. Fund V was formed in 1998 and has a nine year term. Based in Chicago, Illinois, the funds will invest primarily in sub-regional banks, located primarily in the Midwest, which have demonstrated above average growth and are likely acquisition targets.

Churchill Capital, Inc.
Fund: Churchill Capital Partners II

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

Investment Manager Summaries

Contrarian Capital Management
Fund: Contrarian Capital Fund II
Contrarian Capital Fund II was formed in 1997 with a term of 7 years. Based in Greenwich, CT the fund focuses on investments in distressed debt securities.

Coral Group Inc.
Funds: Coral Partners I
Coral Partners II
Coral Partners IV
Coral Partners V
Coral Partners I (formerly Superior Ventures) is a Minnesota-based venture capital limited partnership. Up to 15% of the fund will be invested in other Minnesota-based venture capital limited partnerships. The remainder of the fund will be invested in operating companies located within the state. It was formed in 1986 and is currently selling remaining fund investments.

Coral Partners II, IV and V are Minnesota-based venture capital limited partnerships managed by the Coral Group. These funds have venture capital investment strategies similar to Coral I's but are more diversified geographically. They were formed in 1991, 1994 and 1998, respectively, and have eleven year terms.

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

Fox Paine and Company, L.P.
Fund: Fox Paine Capital Fund
Fox Paine Capital Fund was formed in 1998 and has a ten year term. Based in Foster City, CA, the fund focuses on private equity investments in middle market operating businesses in a wide variety of industries.

Golder, Thoma, Cressey and Rauner
Funds: Golder, Thoma and Cressey Fund III
Golder, Thoma and Cressey Fund IV
Golder, Thoma and Cressey Fund V
Golder, Thoma and Cressey Funds III, IV and V are venture capital limited partnerships and were formed in 1987, 1993 and 1996, respectively. The funds are based in Chicago, Illinois and have ten year terms. Fund III is currently in liquidation. The funds invest in growing private businesses, find and build companies in fragmented industries and invest in small leveraged buyouts. In addition, each fund is diversified geographically and by industry.

GTCR Golder Rauner, L. P.
Fund: GTCR Golder Rauner Fund VI
GTCR Golder Rauner Fund VI, formed in 1998, is one of two successor firms to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several investments with Golder, Thoma, Cressey and Rauner. The fund has a ten year term. Based in Chicago, the fund focuses primarily on a wide variety of private equity investments in consolidating and fragmented industries.

Goldner Hawn Johnson and Morrison
Fund: GHJM Marathon Fund IV
GHJM Marathon Fund IV was organized in 1998 and has a 10 year term. Based in Minneapolis, the fund will pursue primarily middle market private equity investments located in the midwest and other parts of the U.S.

Hellman and Friedman
Fund: Hellman and Friedman III
Hellman and Friedman III (H&F) was organized in 1994 and has a ten year term. Based in San Francisco, the fund will pursue opportunistic private equity investment located in the U.S. and internationally.

Crescendo Ventures
Funds: Crescendo Venture Fund II
Crescendo Venture Fund III
Crescendo Venture Funds II and III were organized in 1997 and 1999, respectively and have ten year terms. Based in Minneapolis, Minnesota the funds will pursue opportunistic venture capital investments throughout the U.S. with an emphasis on Minnesota and the Midwest.

Kohlberg, Kravis, Roberts & Co. (KKR)
Funds: KKR 1984 Fund
KKR 1986 Fund
KKR 1987 Fund
KKR 1993 Fund
KKR 1996 Fund
KKR's Funds are structured as limited partnerships. The funds invest in large leveraged buyouts but may include other types of investments as well. The partnerships' portfolio companies are often mature, low technology companies with very diversified operations. Kohlberg, Kravis, Roberts and Co. operates offices in New York and San Francisco. The funds were formed in the years

cited above and have terms of twelve years.

Matrix Partners
Funds: Matrix Partners II
Matrix Partners III

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

Piper Jaffray Ventures
Funds: Piper Jaffray Healthcare Fund II
Piper Jaffray Healthcare Fund III

Piper Jaffray Healthcare Funds II and III were organized in 1997 and 1999, respectively, with ten year terms. Based in Minneapolis, Minnesota the funds will focus on a geographically diverse portfolio of healthcare venture capital investments.

Richard C. Blum and Associates
Fund: RCBA Strategic Partners, L.P.

RCBA Strategic Partners, L.P. was organized in 1998 and has a ten year term. Based in San Francisco, the fund will focus on value-oriented private and public equity investments located primarily in the U.S.

Smith Barney Venture Corp.
Fund: First Century III

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

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

Summit Ventures I, II and V are limited partnerships formed in 1986, 1988 and 1998 with ten-year terms. Fund I and II are being liquidated. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. Stamps and Woodsum focus on profitable, expansion stage firms that have not yet received any venture backing. The majority of the partnership investments are in high tech firms. Investments are diversified by location and industry type.

Thoma Cressey Equity Partners
Fund: Thoma Cressey Fund VI

Thoma Cressey Fund VI, formed in 1998, is one of two successor firms to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several investments with Golder, Thoma, Cressey and Rauner. The fund has a ten year term. Based in Chicago, the fund focuses primarily on a wide variety of private equity investments in consolidating and fragmented industries.

T. Rowe Price

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

E.M. Warburg, Pincus & Co., Inc.
Funds: Warburg, Pincus Ventures, L.P.
Warburg, Pincus Equity Partners

Warburg Pincus is based in New York, New York. These funds will invest private equity in a wide variety of businesses located domestically and abroad. The SBI committed to the first fund in 1994 and the second fund in 1998. Both funds have a 12 year term.

Welsh, Carson, Anderson and Stowe
Fund: Welsh, Carson, Anderson and Stowe Fund VIII

Welsh, Carson, Anderson and Stowe Fund VIII was formed in 1998 and has a twelve year term. Based in New York, N.Y., the fund focuses on private equity investments in the healthcare and information services industries.

Resource Funds

Apache Corporation
Fund: Apache Acquisition Net Profits Interest

Apache Corporation is a Houston based oil and gas company. Apache Acquisition Net Profits Interest is a private placement that was formed in 1986 to acquire a non-operating interest in the net profit generated by oil and gas properties acquired in 1986 from Occidental Petroleum Company. The fund will remain in effect throughout the producing life of the properties.

First Reserve Corp.
Funds: AMGO I
AMGO II
First Reserve SEA
First Reserve V
First Reserve VII
First Reserve VIII

American Gas and Oil (AMGO) funds were formed in 1981, 1983, 1988, 1990, 1996 and 1998, respectively, and are structured as limited partnerships. The funds are expected to terminate in 2001, 2001, 1998, 2000, 2006 and 2008, respectively after which they will sell remaining fund investments over, typically, a period of years. The general partner and manager of the funds is First Reserve Corp. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments. The portfolios are diversified across four dimensions: location, geological structure, investment type, and operating company.

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

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

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

The Funds serve as vehicles for investment in the oil field service (OFS) and equipment industry. The General Partner is located in Houston, Texas and will endeavor to negotiate transactions that display strong fundamentals, value-added opportunities, reasonable pricing and appropriate financial structuring possibilities. Fund II was formed in 1992, Fund III was formed in 1994 and Fund IV was formed in 1998. All funds have a 10 year term.

Alternative Investment Managers

Post Retirement Fund

Real Estate

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

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

Westmark Realty Advisors
Funds: Westmark Commercial Mortgage Fund II
Westmark Commercial Mortgage Fund III
Westmark Commercial Mortgage Fund IV

Westmark Commercial Mortgage Fund II, III and IV are funds formed in 1995, 1996 and 1997, respectively, with ten year terms. Based in Los Angeles, California, the funds focus on mortgage investment in real estate located throughout the U.S.

Private Equity

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

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

Kleinwort Benson
Fund: KB Mezzanine Fund II

KB Mezzanine Fund II is a limited partnership formed in 1994 by Kleinwort Benson Group, a leading London-based merchant banking firm. Fund II invests in a broad range of transactions including utilizing subordinated debt and equity securities. The SBI committed to the fund in 1994. The fund has an expected 8 year term.

Stamps, Woodsum & Co.
Funds: Summit Subordinated Debt Fund I
Summit Subordinated Debt Fund II

Summit Subordinated Debt Fund I and II are limited partnerships formed in 1994 and 1996, respectively, with ten year terms. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund. The fund will invest in many of the same companies as the Summit Venture funds. Investments by this partnership will principally take the form of subordinated debt with equity features. These yield-oriented investments will provide current income over the life of the investment with the potential for additional returns.

Investment Manager Summaries

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

TCW/Crescent Mezzanine, L.L.C.
Funds: TCW/Crescent Mezzanine Partners, L.P.
TCW/Crescent Mezzanine Partners II
TCW/Crescent Mezzanine Partners, L.P. and TCW/Crescent Mezzanine Partners II are Los Angeles based limited partnerships formed in 1996 and 1999, respectively. The Funds will make mezzanine investments including subordinated debt with equity participations primarily in profitable, middle market companies. The Funds are expected to terminate in 2006 and 2009, respectively.

Resource Funds

Merit Energy Company
Fund: Merit Energy Partners B and C
Merit Energy Partners B and C were formed in 1996 and 1998, respectively, and each fund has a eight year initial term. Based in Dallas, TX., the funds will focus on resource investments in producing oil and gas properties.

Assigned Risk Plan Managers

GE Investment Management
GE Investment manages a semi-passive stock portfolio for the Assigned Risk Plan. They believe that style leadership cannot be predicted in the equity market and can overwhelm stock selection in the short-term. Their strategy is to neutralize the style bet and focus on fundamental, bottom-up stock selection to add value. This is accomplished by combining the expertise of three portfolio managers, each with different styles ranging from value to growth, supported by a staff of nine industry analysts. Each analyst is responsible for one or more industries and together provide analytical coverage across the full spectrum of industries. The three portfolios are combined to create a well-diversified portfolio while maintaining a style-neutral position between value and growth. GE Investments was retained by the SBI in January 1995.

Vogageur Asset Management
Voyageur manages the fixed income portfolio for the Assigned Risk Plan. The main objective for the portfolio is to provide cash for the payment of workers compensation claims on the required dates. Because of the uncertainty of premium and liability cash flows, the fund is invested conservatively. Voyageur uses a top-down approach to bond selection. They focus on sector analysis and security selection. Yield curve and duration analysis are secondary considerations. Voyageur was responsible for the stock and bond portfolios when the SBI assumed responsibility for the plan in 1991. The firm has managed only the bond portfolio since 1994.

Stable Value Manager

Galliard Capital Management, Inc.
Galliard Capital Management manages the Fixed Interest Account in the Supplemental Investment Fund. The stable value fund is managed to protect principal and provide competitive interest rates using instruments somewhat longer than typically found in money market-type accounts. The manager invests cashflows to optimize yields. The manager invests in high quality instruments diversified among traditional guaranteed investment contracts (GIC's) and alternative investment contracts with U.S. and non-U.S. financial institutions. To maintain necessary liquidity, the manager invests a portion of the portfolio in its Stable Return Fund and in cash equivalents. The Stable Return Fund is a large, daily priced fund consisting of a wide range of stable value instruments that is available to retirement plans of all sizes.

This page intentionally left blank.

Stock Manager Risk Factor Exposure Glossary

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

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

Factor exposures are calibrated relative to approximately 1500 of the largest market capitalization (HICAP) companies. An exposure level of 0 for a particular stock to a particular factor indicates that the stock has the same exposure as the capitalization-weighted average of the HICAP stocks. Around that zero exposure, deviations are measured in standard deviation units. Thus, an exposure level of +1 indicates that the stock has a greater exposure to the factor than roughly 68% of the HICAP stocks.

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

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

Success (Suc.)
Describes the extent to which a company has been "successful" in the recent past, in terms of stock prices and to a lesser degree, earnings growth information. Composed of six descriptors: relative strength over the last twelve months, historical alpha based on five-year regression to the S&P500, most recent one-year earnings growth, forecasted next year's earnings growth, the average dividend cut over the last five years, and earnings growth for the last five years.

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

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

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

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

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

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

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

Statistical Data

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

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

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

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

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

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
July 1994 - June 1999

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Alliance Capital Management															
Minimum	1.10	0.12	0.00	0.22	-0.10	0.28	-0.22	-0.47	-0.09	-0.24	-0.21	0.10	-0.72	1.40	78.1%
Average	1.16	0.31	0.37	0.38	0.20	0.45	-0.06	-0.34	0.04	-0.04	0.09	0.19	-0.47	3.16	98.9%
Maximum	1.22	0.47	0.70	0.48	0.40	0.77	0.11	-0.24	0.28	0.13	0.25	0.33	-0.33	7.17	100.0%
Bmrk. Avg.	1.09	0.16	0.14	0.17	0.11	0.25	-0.05	-0.18	-0.02	0.03	0.05	0.24	-0.29	N.A.	98.0%
American Express Asset Management (7/94-5/99)															
Minimum	1.04	-0.04	-0.06	-0.44	0.11	-0.01	-0.10	-0.21	-0.10	-0.21	-0.21	-0.09	-0.49	2.84	83.0%
Average	1.09	0.18	0.15	0.04	0.30	0.27	0.06	-0.07	0.11	-0.03	0.04	0.15	-0.28	9.45	93.4%
Maximum	1.14	0.50	0.56	0.51	0.47	0.59	0.35	0.14	0.36	0.27	0.27	0.33	-0.09	24.52	99.8%
Bmrk. Avg.	1.06	0.12	0.09	0.00	0.21	0.15	-0.03	-0.08	0.04	0.03	0.07	0.15	-0.17	N.A.	97.9%
Brinson Partners															
Minimum	0.92	-0.19	-0.56	-0.71	0.01	-0.20	-0.11	0.09	0.03	0.00	-0.39	-0.14	-0.24	2.21	95.8%
Average	0.99	-0.02	-0.21	-0.52	0.13	-0.01	0.13	0.22	0.18	0.14	-0.26	0.09	-0.03	3.77	97.7%
Maximum	1.04	0.20	-0.02	-0.38	0.28	0.18	0.30	0.40	0.41	0.36	-0.09	0.18	0.17	5.68	99.3%
Bmrk. Avg.	0.99	0.08	-0.16	-0.60	0.15	0.04	0.03	0.17	0.15	-0.06	-0.27	0.01	-0.01	N.A.	99.3%
Forstmann Leff Associates															
Minimum	1.04	0.11	-0.28	-1.35	0.07	0.19	-0.43	-0.11	0.13	-0.21	-0.69	-0.37	-0.72	3.42	84.8%
Average	1.09	0.46	0.29	-0.89	0.47	0.64	-0.21	0.08	0.47	0.07	-0.41	-0.06	-0.54	7.34	96.6%
Maximum	1.17	0.79	0.99	-0.29	0.78	1.00	0.16	0.50	0.77	0.26	0.01	0.15	-0.33	11.56	100.0%
Bmrk. Avg.	1.10	0.46	-0.05	-0.80	0.53	0.39	-0.01	0.03	0.26	-0.03	-0.23	0.10	-0.32	N.A.	98.0%
Franklin Portfolio Associates															
Minimum	0.93	-0.14	-0.19	-0.75	0.04	-0.09	0.13	0.01	0.00	-0.28	-0.61	-0.34	-0.17	4.64	97.0%
Average	1.01	0.13	0.11	-0.43	0.22	0.06	0.31	0.18	0.15	-0.09	-0.34	-0.07	-0.04	8.43	99.2%
Maximum	1.06	0.27	0.34	-0.23	0.50	0.24	0.51	0.35	0.39	0.13	-0.01	0.24	0.15	14.68	100.0%
Bmrk. Avg.	1.00	0.05	-0.11	-0.41	0.15	0.03	0.05	0.09	0.08	-0.04	-0.24	-0.02	-0.02	N.A.	99.0%

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
July 1994 - June 1999

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
GeoCapital Corp.															
Minimum	0.96	0.32	-0.39	-2.53	-0.02	0.66	-0.52	-0.29	0.19	-0.32	-0.67	0.25	-0.88	1.07	88.5%
Average	1.05	0.68	0.06	-2.27	0.19	0.80	-0.34	-0.06	0.32	-0.13	-0.53	0.38	-0.66	2.39	97.2%
Maximum	1.14	0.96	0.42	-2.04	0.46	0.90	-0.02	0.19	0.61	0.35	-0.40	0.52	-0.42	4.19	100.0%
Bmrk. Avg.	1.15	1.13	0.10	-2.47	0.57	1.11	-0.52	-0.04	0.68	-0.02	-0.62	0.34	-0.80	N.A.	99.2%
Investment Advisors (7/94-8/98)															
Minimum	0.89	0.01	-0.63	-2.14	-0.20	0.27	-0.22	-0.21	-0.18	-0.40	-0.67	0.21	-0.78	3.17	77.4%
Average	0.97	0.15	-0.02	-1.66	-0.08	0.48	-0.08	-0.03	0.13	-0.09	-0.46	0.45	-0.45	7.95	89.9%
Maximum	1.07	0.44	0.45	-0.95	0.24	0.68	0.04	0.18	0.33	0.13	-0.12	0.58	-0.23	17.33	99.8%
Bmrk. Avg.	0.96	0.07	-0.09	-1.13	-0.11	0.22	0.02	0.11	0.11	-0.05	-0.44	0.23	-0.20	N.A.	97.5%
Lincoln Capital Management															
Minimum	1.06	-0.15	0.02	0.32	-0.21	0.04	-0.36	-0.47	-0.45	-0.06	0.26	0.25	-0.45	1.63	90.2%
Average	1.08	0.03	0.23	0.54	-0.06	0.17	-0.21	-0.40	-0.26	0.06	0.49	0.32	-0.30	4.78	98.0%
Maximum	1.10	0.19	0.49	0.69	0.07	0.27	0.05	-0.28	-0.04	0.22	0.71	0.40	-0.19	10.16	99.9%
Bmrk. Avg.	1.10	0.14	0.15	0.22	0.09	0.31	-0.21	-0.31	-0.16	-0.01	0.21	0.31	-0.35	N.A.	98.0%
Oppenheimer Capital															
Minimum	1.01	-0.10	-0.36	-0.08	-0.18	-0.20	0.23	-0.01	-0.28	-0.10	-0.04	0.08	-0.22	0.20	85.6%
Average	1.05	0.00	0.00	0.00	0.05	-0.05	0.32	0.06	-0.08	0.09	0.33	0.23	-0.14	2.28	94.1%
Maximum	1.10	0.17	0.23	0.09	0.23	0.08	0.42	0.17	0.09	0.24	0.82	0.36	0.04	7.36	98.6%
Bmrk. Avg.	0.98	-0.11	-0.10	0.00	-0.04	-0.12	0.11	0.03	-0.09	-0.02	-0.11	0.02	0.07	N.A.	98.0%
Weiss Peck & Greer (7/94-2/99)															
Minimum	1.05	0.68	-1.09	-2.67	0.36	0.57	-0.87	-0.28	0.62	-0.31	-0.55	-0.13	-1.09	4.81	83.2%
Average	1.16	1.24	-0.01	-2.53	0.76	1.18	-0.58	0.00	0.87	-0.05	-0.35	0.30	-0.83	7.39	95.6%
Maximum	1.24	1.50	0.97	-2.38	1.05	1.38	-0.15	0.55	1.20	0.72	-0.21	0.55	-0.40	13.62	100.0%
Bmrk. Avg.	1.20	1.29	0.23	-2.38	0.78	1.22	-0.49	-0.05	0.77	-0.03	-0.49	0.30	-0.87	N.A.	98.9%

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
July 1994 - June 1999

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Aggregate Active Stock managers*															
Minimum	1.04	0.13	0.03	-0.55	0.04	0.24	-0.15	-0.18	0.06	-0.09	-0.11	0.09	-0.47	3.26	88.8%
Average	1.08	0.28	0.15	-0.41	0.22	0.35	-0.05	-0.08	0.14	-0.03	-0.06	0.17	-0.34	4.32	95.8%
Maximum	1.13	0.42	0.27	-0.26	0.35	0.44	0.05	-0.02	0.22	0.05	0.01	0.25	-0.20	6.05	98.1%
Bmrk. Avg.	1.07	0.29	0.03	-0.51	0.24	0.30	-0.08	-0.04	0.13	-0.02	-0.12	0.16	-0.27	N.A.	98.4%

Bmrk. Avg. = Benchmark Average

*Aggregate includes all managers that were part of the External Active Stock Manager Program at any time during the period July 1994-June 1999.

EXTERNAL EMERGING STOCK MANAGERS

Risk Factor Exposures
July 1994 - June 1999

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	rowth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
CIC Asset Management															
Minimum	0.86	-0.38	-0.79	-0.77	-0.16	-0.59	0.26	0.07	-0.16	-0.23	-0.32	-0.44	0.15	3.73	92.3%
Average	0.95	-0.22	-0.37	-0.25	0.03	-0.34	0.37	0.28	-0.01	-0.05	-0.13	-0.10	0.32	8.06	96.9%
Maximum	1.02	-0.04	-0.10	0.26	0.33	-0.22	0.52	0.58	0.18	0.12	0.06	0.15	0.50	13.37	100.0%
Bmrk. Avg.	0.96	-0.19	-0.20	-0.01	-0.06	-0.24	0.27	0.16	-0.05	-0.01	-0.16	-0.13	0.22	N.A.	99.0%
Cohen, Klingenstein & Marks															
Minimum	1.09	0.19	-0.08	-0.50	0.15	0.14	-0.23	-0.39	-0.05	-0.09	-0.14	0.14	-0.45	0.00	93.6%
Average	1.13	0.36	0.14	-0.35	0.45	0.32	0.06	-0.27	0.10	0.07	0.05	0.27	-0.32	3.54	98.1%
Maximum	1.18	0.50	0.51	-0.16	0.87	0.47	0.30	-0.15	0.34	0.20	0.22	0.48	-0.23	17.47	99.9%
Bmrk. Avg.	1.08	0.24	-0.06	-0.49	0.37	0.19	-0.01	0.04	0.19	0.08	-0.04	0.27	-0.21	N.A.	98.8%
Compass Capital Management															
Minimum	0.93	-0.27	-0.51	-0.65	-0.29	-0.16	-0.27	-0.34	-0.51	-0.40	-0.23	0.32	-0.32	0.26	94.4%
Average	0.99	-0.10	-0.24	-0.44	-0.22	0.08	-0.10	-0.23	-0.35	-0.29	-0.08	0.45	-0.15	2.20	98.6%
Maximum	1.08	0.20	-0.01	-0.31	-0.12	0.16	0.21	0.05	-0.25	-0.16	0.13	0.62	0.14	4.67	99.7%
Bmrk. Avg.	1.06	0.11	-0.03	-0.45	0.00	0.20	-0.11	-0.19	-0.24	-0.11	0.01	0.40	-0.31	N.A.	98.8%
New Amsterdam Partners															
Minimum	0.99	0.16	-0.31	-1.26	-0.05	0.18	-0.06	-0.13	-0.23	-0.30	-0.60	-0.01	-0.45	1.62	95.7%
Average	1.03	0.27	0.01	-0.95	0.09	0.28	0.12	-0.01	-0.15	-0.13	-0.32	0.08	-0.37	2.76	97.9%
Maximum	1.08	0.50	0.32	-0.72	0.29	0.42	0.32	0.30	-0.11	0.05	-0.03	0.17	-0.29	5.75	99.9%
Bmrk. Avg.	1.06	0.28	-0.08	-0.67	0.30	0.19	0.14	0.15	0.16	-0.03	-0.17	0.07	-0.16	N.A.	99.6%
Valenzuela Capital Partners															
Minimum	0.93	-0.06	-0.32	-1.38	-0.04	0.01	-0.25	-0.12	-0.06	-0.20	-0.98	0.11	-0.49	2.55	86.3%
Average	1.01	0.13	0.09	-1.10	0.19	0.24	-0.02	0.04	0.21	0.05	-0.43	0.38	-0.34	6.14	92.8%
Maximum	1.05	0.28	0.58	-0.78	0.36	0.52	0.24	0.24	0.47	0.29	0.08	0.62	-0.20	10.44	97.8%
Bmrk. Avg.	1.02	0.23	-0.18	-1.29	0.19	0.26	0.11	0.19	0.19	-0.04	-0.45	0.15	-0.25	N.A.	98.4%

EXTERNAL EMERGING STOCK MANAGERS

Risk Factor Exposures
July 1994 - June 1999

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	rowth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Wilke Thompson Capital Management															
Minimum	0.94	0.44	-0.71	-3.03	0.01	0.97	-0.71	-0.46	0.07	-0.70	-0.82	0.21	-1.10	1.70	91.8%
Average	1.07	0.87	0.25	-2.68	0.37	1.11	-0.47	-0.20	0.28	-0.60	-0.59	0.45	-0.92	4.08	96.3%
Maximum	1.18	1.19	1.10	-2.49	0.69	1.23	-0.11	0.05	0.59	-0.47	-0.36	0.56	-0.67	7.56	99.9%
Bmrk. Avg.	1.10	0.98	0.06	-2.65	0.43	0.92	-0.22	0.09	0.40	-0.27	-0.64	0.39	-0.78	N.A.	98.0%
Winslow Capital Management															
Minimum	1.10	0.22	-0.20	-0.68	0.14	0.60	-0.56	-0.67	-0.02	-0.56	-0.54	0.17	-0.98	2.58	88.0%
Average	1.17	0.59	0.28	-0.49	0.38	0.85	-0.37	-0.40	0.12	-0.33	-0.21	0.31	-0.73	5.49	96.9%
Maximum	1.26	0.85	0.64	-0.28	0.68	1.00	-0.04	-0.07	0.32	-0.02	0.17	0.45	-0.47	8.43	100.0%
Bmrk. Avg.	1.17	0.52	0.20	-0.42	0.44	0.69	-0.21	-0.19	0.21	-0.14	0.01	0.34	-0.62	N.A.	98.8%
Zevenbergen Capital															
Minimum	1.04	0.20	-0.14	-0.77	0.00	0.33	-0.69	-0.49	-0.03	-0.15	-0.32	0.02	-0.87	3.91	93.9%
Average	1.13	0.52	0.42	-0.49	0.29	0.70	-0.51	-0.30	0.19	0.00	-0.14	0.26	-0.59	6.96	98.5%
Maximum	1.22	0.93	1.35	0.01	0.59	0.98	-0.33	-0.12	0.72	0.24	0.18	0.51	-0.26	10.78	100.0%
Bmrk. Avg.	1.15	0.53	0.23	-0.47	0.42	0.65	-0.32	-0.31	0.12	-0.11	0.01	0.31	-0.59	N.A.	98.4%
Aggregate Emerging Stock Managers*															
Minimum	1.02	0.15	-0.03	-1.11	0.12	0.31	-0.16	-0.18	0.01	-0.18	-0.29	0.09	-0.46	3.18	87.5%
Average	1.06	0.31	0.08	-0.90	0.18	0.39	-0.09	-0.11	0.08	-0.14	-0.23	0.26	-0.37	4.59	96.7%
Maximum	1.10	0.45	0.22	-0.69	0.25	0.46	0.03	-0.04	0.20	-0.02	-0.14	0.39	-0.28	7.11	98.2%
Bmrk. Avg.	1.07	0.38	0.03	-0.98	0.23	0.38	-0.06	-0.01	0.08	-0.12	-0.21	0.22	-0.36	N.A.	99.6%

Bmrk. Avg. = Benchmark Average

*Aggregate includes all managers that were part of the External Emerging Stock Manager Program at any time during the period July 1994-June 1999.

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Risk Factor Exposures
January 1995 - June 1999

	Beta	Var. Mkts.	Suc.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Barclays Global Investors															
Minimum	0.90	-0.22	-0.19	-0.21	-0.23	-0.31	0.08	0.06	-0.11	-0.04	-0.24	-0.28	0.13	3.29	98.7%
Average	0.92	-0.16	-0.03	-0.13	-0.18	-0.25	0.22	0.21	-0.03	0.02	-0.16	-0.17	0.22	4.46	99.3%
Maximum	0.95	-0.11	0.05	0.04	-0.12	-0.17	0.30	0.32	0.06	0.09	-0.01	-0.07	0.30	6.56	100.0%
Franklin Portfolio Associates															
Minimum	0.90	-0.24	-0.21	-0.21	-0.27	-0.29	0.11	0.10	-0.07	-0.04	-0.22	-0.25	0.16	4.41	98.7%
Average	0.93	-0.18	-0.07	-0.09	-0.19	-0.23	0.23	0.19	-0.02	0.03	-0.17	-0.17	0.24	6.04	99.4%
Maximum	0.95	-0.11	0.04	0.03	-0.09	-0.13	0.32	0.35	0.05	0.09	-0.04	-0.10	0.35	8.37	100.0%
J.P. Morgan Investment Management															
Minimum	0.90	-0.27	-0.20	-0.13	-0.29	-0.30	0.05	0.05	-0.09	-0.02	-0.25	-0.20	0.16	3.07	99.3%
Average	0.92	-0.21	-0.13	-0.07	-0.21	-0.22	0.12	0.15	-0.04	0.04	-0.12	-0.15	0.22	4.49	99.6%
Maximum	0.95	-0.16	-0.06	0.02	-0.13	-0.16	0.19	0.23	0.02	0.12	0.00	-0.09	0.33	6.98	99.9%
Aggregate Semi-Passive Equity															
Minimum	0.90	-0.24	-0.20	-0.17	-0.25	-0.30	0.11	0.08	-0.09	-0.01	-0.23	-0.24	0.16	3.54	99.1%
Average	0.92	-0.18	-0.08	-0.10	-0.19	-0.23	0.19	0.18	-0.03	0.03	-0.15	-0.17	0.23	4.52	99.4%
Maximum	0.95	-0.14	0.01	0.00	-0.12	-0.16	0.27	0.29	0.03	0.08	-0.02	-0.09	0.32	6.33	99.7%
Bmrk. Avg.*	0.92	-0.21	-0.11	-0.05	-0.26	-0.23	0.10	0.13	-0.04	0.07	-0.12	-0.14	0.23	N.A.	99.8%

Bmrk. Avg. = Benchmark Average

*All semi-passive managers use the same benchmark.

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
July 1994 - June 1999
(In Percentages)

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Alliance Capital Management									
Minimum	41.04	0.00	0.00	2.42	0.00	11.01	0.85	1.49	13.76
Average	47.72	1.35	0.27	4.27	0.14	17.18	4.20	3.52	21.35
Maximum	52.82	5.97	1.96	7.37	0.99	23.19	6.96	6.71	28.80
Bmrk. Avg.	46.06	4.11	4.46	6.93	1.48	14.07	1.67	4.34	16.89
American Express Capital Management (7/94-5/99)									
Minimum	21.07	0.31	0.76	2.43	0.00	9.06	0.00	1.34	12.69
Average	37.05	3.99	8.80	7.12	4.49	14.72	2.58	4.34	16.92
Maximum	58.61	8.13	15.40	13.10	9.74	23.14	9.37	9.24	25.36
Bmrk. Avg.	42.21	3.00	6.55	6.27	4.69	13.60	2.15	6.57	14.96
Brinson Partners									
Minimum	28.23	1.30	5.92	4.47	1.41	4.00	1.98	5.04	12.85
Average	37.12	3.44	9.11	7.15	2.92	8.34	5.78	7.54	18.60
Maximum	42.01	5.21	13.19	11.57	6.38	13.12	9.95	10.68	24.09
Bmrk. Avg.	35.52	3.00	7.45	7.37	5.22	11.11	1.87	10.95	17.50
Forstmann Leff Associates									
Minimum	30.57	0.00	1.60	0.00	1.83	1.90	0.05	1.37	2.99
Average	48.75	2.47	6.18	4.40	8.38	10.98	2.76	5.55	10.53
Maximum	62.05	15.95	14.50	9.87	12.31	26.30	7.30	13.37	20.37
Bmrk. Avg.	40.95	6.45	7.27	6.60	7.28	10.29	2.45	7.11	11.61
Franklin Portfolio Associates									
Minimum	20.50	1.94	2.43	1.59	0.10	2.34	0.00	4.92	8.35
Average	31.92	4.34	7.25	6.59	6.35	10.59	2.51	11.54	18.92
Maximum	42.76	8.34	13.04	11.35	14.15	21.94	4.82	17.08	28.58
Bmrk. Avg.	34.45	4.21	9.92	6.37	5.81	9.48	2.16	10.81	16.79

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
July 1994 - June 1999
(In Percentages)

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
GeoCapital									
Minimum	58.15	1.52	0.69	0.00	0.00	2.04	0.79	0.00	8.04
Average	71.87	3.14	2.29	0.52	0.04	4.94	2.33	0.84	14.03
Maximum	80.24	5.37	4.43	5.10	0.70	8.89	4.14	4.11	28.76
Bmrk. Avg.	62.57	1.91	2.06	5.05	1.13	9.51	1.34	2.02	14.42
Investment Advisors (7/94-8/98)									
Minimum	28.27	0.75	5.32	9.82	1.24	3.30	0.00	1.13	7.87
Average	34.42	4.86	10.97	20.37	2.25	8.02	3.67	3.42	12.01
Maximum	49.04	10.03	15.01	25.59	5.02	12.11	7.45	6.59	22.21
Bmrk. Avg.	38.15	4.56	8.66	12.97	2.07	7.09	2.71	7.07	16.72
Lincoln Capital Management									
Minimum	51.85	0.00	0.90	2.44	0.00	9.18	0.00	0.00	7.72
Average	61.01	0.53	4.28	4.99	0.10	14.79	0.40	2.52	11.39
Maximum	68.69	2.77	8.59	8.13	0.62	26.53	1.08	5.73	19.11
Bmrk. Avg.	58.86	1.01	3.24	5.66	0.82	14.22	0.19	3.81	12.19
Oppenheimer Capital									
Minimum	17.74	0.00	3.63	8.41	0.10	1.72	0.00	2.29	31.41
Average	25.07	2.51	9.78	11.26	0.89	6.36	2.40	3.24	38.49
Maximum	39.54	5.86	14.46	13.43	3.86	9.74	6.00	4.81	46.51
Bmrk. Avg.	36.65	3.45	8.37	6.61	5.65	7.56	2.14	10.27	19.31
Weiss Peck & Greer									
Minimum	26.15	2.53	1.95	2.03	1.91	4.73	2.80	0.87	4.94
Average	47.70	4.00	4.60	5.43	5.79	13.84	4.81	4.14	9.68
Maximum	58.82	6.42	9.75	12.60	11.15	19.54	7.67	11.50	21.95
Bmrk. Avg.	47.45	4.27	6.03	8.29	5.01	16.22	2.28	2.52	7.94

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
July 1994 - June 1999
(In Percentages)

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Aggregate Active Stock Managers*									
Minimum	38.98	1.58	2.80	4.43	1.04	8.92	1.80	3.55	13.78
Average	44.73	2.83	5.61	6.22	3.10	12.16	2.66	5.34	17.36
Maximum	48.53	6.32	8.04	8.03	4.60	17.01	3.82	6.68	21.09
Bmrk. Avg.	43.79	3.67	6.41	6.76	3.91	12.39	1.87	6.48	14.73

Bmrk. Avg. = Benchmark Average

*Aggregate includes all managers that were part of the External Active Stock Manager Program at any time during the period July 1994-June 1999.

EXTERNAL EMERGING STOCK MANAGERS

Sector Weights
July 1994 - June 1999
(In Percentages)

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
CIC Asset Management									
Minimum	10.06	2.21	4.50	2.25	5.17	2.71	0.00	2.96	5.89
Average	22.09	6.14	13.36	9.00	9.30	6.23	3.04	10.82	20.02
Maximum	34.95	13.30	22.29	14.81	13.68	11.90	6.60	19.37	31.15
Bmrk. Avg.	25.96	6.29	9.65	7.83	8.01	6.92	2.29	12.75	20.30
Cohen, Klingenstein & Marks									
Minimum	34.26	0.00	0.23	0.00	0.00	4.78	0.00	0.00	15.01
Average	46.03	5.42	4.56	1.95	0.37	14.98	0.89	3.18	22.62
Maximum	60.07	13.05	13.24	8.31	3.63	22.87	3.14	9.47	30.95
Bmrk. Avg.	45.76	5.86	7.97	6.70	0.99	14.27	1.64	1.88	14.94
Compass Capital Management									
Minimum	53.56	1.01	2.71	12.30	0.00	3.23	0.00	0.00	0.18
Average	60.56	2.67	7.11	19.10	0.00	4.37	0.00	0.00	6.19
Maximum	71.17	8.66	11.12	23.78	0.00	6.38	0.00	0.00	9.79
Bmrk. Avg.	59.27	4.00	6.76	8.26	0.19	11.66	1.52	0.26	8.09
New Amsterdam Partners									
Minimum	33.18	5.62	1.23	0.00	1.33	4.21	0.00	6.62	8.65
Average	43.12	9.95	6.12	2.04	3.81	8.73	1.69	9.06	15.48
Maximum	53.13	12.94	10.71	4.34	6.74	13.85	2.92	12.09	20.46
Bmrk. Avg.	38.76	3.90	7.67	6.59	4.60	13.20	2.06	7.48	15.73
Valenzuela Capital Partners									
Minimum	33.77	0.00	2.69	0.58	2.28	0.71	0.00	0.00	11.43
Average	44.01	4.28	8.42	10.25	6.79	4.90	1.32	1.58	18.45
Maximum	59.65	10.48	15.95	18.36	10.82	10.52	7.01	6.53	28.85
Bmrk. Avg.	38.70	5.27	10.95	7.40	4.82	7.41	3.41	4.72	17.32

EXTERNAL EMERGING STOCK MANAGERS

Sector Weights
July 1994 - June 1999
(In Percentages)

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Wilke Thompson Capital Management									
Minimum	66.74	0.00	0.00	0.86	0.00	3.22	0.00	0.00	0.00
Average	85.04	1.48	1.60	3.62	0.00	7.51	0.00	0.24	0.51
Maximum	90.51	7.89	6.44	8.23	0.00	12.21	0.00	2.59	4.42
Bmrk. Avg.	59.27	8.56	5.45	10.23	1.54	11.81	0.32	0.24	2.57
Winslow Capital Management									
Minimum	51.20	0.00	0.00	0.00	0.00	6.59	0.00	0.65	1.73
Average	62.53	1.38	2.21	2.50	1.16	12.14	1.42	7.18	9.49
Maximum	70.37	3.98	7.12	6.77	7.88	22.38	3.98	11.99	17.21
Bmrk. Avg.	51.47	2.73	4.29	6.63	1.99	18.60	1.47	3.30	9.51
Zevenbergen Capital									
Minimum	46.68	0.00	0.00	0.59	0.00	6.68	0.00	2.70	1.16
Average	59.37	1.48	0.85	3.93	1.82	12.07	0.48	8.93	11.06
Maximum	67.67	4.48	3.82	9.67	6.03	21.69	3.85	18.72	21.71
Bmrk. Avg.	56.03	1.72	3.82	4.94	2.29	19.13	0.53	4.59	6.96
Aggregate Emerging Stock Managers*									
Minimum	44.85	2.17	3.62	3.48	1.45	6.79	0.38	3.25	9.96
Average	51.24	4.16	6.00	6.79	2.81	9.33	0.99	5.17	13.51
Maximum	57.19	7.79	9.21	9.73	4.06	12.92	2.31	8.87	16.75
Bmrk. Avg.	47.11	4.47	6.44	6.73	2.36	13.05	1.86	4.81	13.18

Bmrk. Avg. = Benchmark Average

*Aggregate includes all managers that were part of the External Emerging Stock Manager Program at any time during the period July 1994-June 1999.

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Sector Weights
January 1995 - June 1999
(In Percentages)

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Barclays Global Investors									
Minimum	24.63	2.23	4.69	4.14	6.10	3.34	0.44	12.80	18.20
Average	29.30	3.76	7.85	7.14	8.10	5.45	1.04	15.69	21.68
Maximum	37.46	4.92	11.60	9.20	10.16	9.29	1.75	19.45	23.96
Franklin Portfolio Associates									
Minimum	26.52	2.00	4.27	4.40	4.90	3.03	0.24	12.15	18.34
Average	30.60	3.34	8.24	6.91	8.10	5.34	0.75	15.71	21.01
Maximum	37.07	4.85	11.82	8.46	9.97	8.60	1.42	18.86	23.48
J.P. Morgan Investment Management									
Minimum	25.97	2.11	4.88	4.36	6.18	3.74	1.06	12.24	19.06
Average	29.82	3.35	7.67	6.88	8.19	6.14	1.49	15.34	21.13
Maximum	36.44	4.93	9.49	8.02	9.63	8.88	2.04	18.42	23.07
Aggregate Semi-Passive Equity									
Minimum	25.94	2.17	4.85	4.40	5.79	4.09	0.79	12.51	18.74
Average	29.90	3.48	7.91	6.97	8.13	5.65	1.10	15.58	21.27
Maximum	36.92	4.57	10.82	8.28	9.61	8.91	1.48	18.82	23.16
Bmrk. Avg.*	30.14	2.99	7.80	6.93	8.11	5.98	1.54	15.00	21.51

Bmrk. Avg. = Benchmark Average

*All semi-passive managers use the same benchmark.

EXTERNAL DOMESTIC STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 1999

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Active Managers						
Alliance Capital Management	34.3%	30.1%	42.0%	33.7%	35.6%	30.5%
American Express Asset Mgmt.	15.8	26.9	21.0	30.6	21.7	28.8
Brinson Partners	13.6	19.8	22.5	25.3	24.0	24.7
Forstmann Leff Associates	47.4	16.1	36.3	19.4	31.8	21.8
Franklin Portfolio Associates	9.5	18.5	24.6	23.9	24.2	23.9
GeoCapital	-1.5	-2.9	11.3	4.8	16.3	15.8
Lincoln Capital Management	24.9	30.3	30.0	33.9	30.6	31.8
Oppenheimer Capital	10.7	20.7	26.1	27.0	26.8	25.7
Emerging Managers (1)						
CIC Asset Management	5.3	12.0	20.0	24.1	21.3	24.3
Cohen, Klingenstein & Marks	26.4	25.7	32.7	28.8	29.8	26.7
Compass Capital Management	15.3	23.8	22.5	28.2	24.1	26.9
New Amsterdam Partners	10.3	21.4	27.0	24.9	24.5	23.6
Valenzuela Capital Partners	-7.1	2.6	17.9	16.3	18.6	18.7
Wilke/Thompson Capital Mgmt.	0.8	3.3	3.5	10.4	12.8	16.5
Winslow Capital Management	8.0	32.3	21.3	30.0	22.2	27.7
Zevenbergen Capital	65.3	30.3	43.1	29.2	35.6	27.8
Semi-Passive Managers (2)						
Barclays Global Investors	14.8	19.0	25.7	27.2		
Franklin Portfolio Associates	13.2	19.0	26.3	27.2		
J.P. Morgan Investment Mgmt.	19.5	19.0	27.5	27.2		
Passive Manager						
Barclays Global Investors	19.8	19.6	26.3	25.8		
Aggregate (3)	**18.1%**		**26.0%**		**25.4%**	
Capital Markets Data						
Wilshire 5000		19.6%		25.8%		25.7%
90-Day Treasury Bills		4.7		5.1		5.2
Inflation		2.0		2.0		2.4

(1) Emerging Managers were retained on 4/1/94.

(2) Semi-Passive Managers were retained on 1/1/95.

(3) Aggregate of all Domestic Stock Managers retained during the time period shown.

Bond Manager Portfolio Characteristics Glossary

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

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

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

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

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

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

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

EXTERNAL ACTIVE BOND MANAGERS
Portfolio Characteristics
FY1998-1999

	#Of Issues	Avg. Qual.	Coupon	Yield To Mat.	Duration	Term To Mat.
American Express Asset Management						
June-99	106	AAA/AA	6.72%	6.96%	4.30 Yrs.	15.39 Yrs.
June-98	95	AAA/AA	6.79	6.30	5.79	13.4
Credit Suisse						
June-99	169	AA	6.78	7.30	4.80	8.8
June-98	123	AA	6.80	7.00	4.50	8.7
Investment Advisers						
June-99	115	AA+	6.05	6.72	5.85	10.4
June-98	93	AA+	5.74	6.18	4.83	8.3
Morgan Stanley						
June-99	304	AA+	7.14	7.67	5.86	11.4
June-98	245	AA+	7.41	6.70	4.00	9.7
Standish, Ayer & Wood						
June-99	308	AAA-	6.77	6.68	5.11	9.0
June-98	319	AA+	7.27	6.56	4.69	9.2
Western Asset Management						
June-99	256	AA	7.68	8.21	5.68	11.1
June-98	190	AA	6.30	6.73	4.92	9.1
Lehman Aggregate						
June-99	7,520	Agency	6.75	6.55	4.88	0.0
June-98	6,909	Agency	7.03	6.13	4.49	8.7

EXTERNAL ACTIVE BOND MANAGERS

Sector Weights
FY1998-1999
(In Percentages)

	Gov't.	Corp.	Mtgs.	ABS	Misc.	Intl.	High Yield	Cash
American Express Asset Management								
June 99	13	32	36	1	0	0	13	18
June-98	48	31	16	2	0	0	8	3
Credit Suisse								
June-99	7	37	52	3	0	0	10	2
June-98	28	41	32	6	0	0	10	0
Investment Advisers								
June-99	30	26	30	12	0	0	0	2
June-98	26	21	33	16	0	0	0	3
Morgan Stanley								
June-99	15	29	50	1	0	0	8	0
June-98	8	23	54	10	0	2	9	0
Standish, Ayer & Wood								
June-99	14	38	31	4	0	7	9	1
June-98	17	37	36	6	0	7	10	1
Western Asset Management								
June-99	18	29	52	9	4	0	9	0
June-98	24	22	48	16	6	0	10	0
Lehman Aggregate								
June-99	43	21	35	1	0	0	0	0
June-98	48	21	31	1	0	0	0	0

Abbreviations:

Gov't.	Government securities
Corp.	Corporate securities
Mtgs.	Mortgage securities
ABS	Asset Backed securities
Misc.	Miscellaneous or other
Int'l.	Non-dollar securities
Hi-Yld	Securities rated below investment grade

EXTERNAL SEMI-PASSIVE BOND MANAGERS
Portfolio Characteristics
June 1998 - June 1999

	#Of Issues	Avg. Qual.	Coupon	Yield To Mat.	Dur.	Term To Mat.
BlackRock Financial						
June-99	841	AA+	6.22%	6.47%	4.88 Yrs.	9.2 Yrs.
June 98	698	AA+	6.38	6.15	4.6	9.0
Goldman Sachs Asset Management						
June-99	402	AAA-	6.12	6.93	4.86	7.11
June 98	362	AAA-	6.52	6.47	4.58	7.19
Lincoln Capital Managemen						
June-99	1,126	AAA	7.18	6.75	5.02	9.32
June 98	956	AAA	7.58	6.14	4.65	8.37
Lehman Aggregate						
June-99	7,520	Agency	6.75	6.55	4.88	9.0
June 98	6,909	Agency	7.03	6.13	4.49	8.73

Sector Weights
June 1998 June 1999
(In Percentages)

	Gov't.	Corp.	Mtgs.	ABS	Misc.	Cash
Blackrock Financial						
June-99	31	18	33	8	0	11
June 98	36	21	25	14	0	4
Goldman Sachs Asset Management						
June-99	14	36	35	12	3	0
June 98	19	30	35	12	0	1
Lincoln Capital Management						
June-99	30	24	33	12	0	1
June 98	35	20	29	14	0	2
Lehman Aggregate						
June-99	43	21	35	1	0	0
June 98	48	21	31	1	0	0

EXTERNAL BOND MANAGERS

Annualized Performance Summary
Periods Ending June 30, 1999

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Active Managers						
American Express Asset Mgmt. (1)	3.2%	3.1%	7.7%	7.2%	8.0%	7.9%
Credit Suisse Asset Mgmt.	3.3	3.1	8.2	7.2	8.5	7.8
Investment Advisers	2.6	3.1	6.9	7.2	7.2	7.8
Morgan Stanley Dean Witter	2.1	3.1	7.6	7.2	8.2	7.8
Standish Ayer & Wood	1.7	3.1	7.2	7.2	7.7	7.8
Western Asset Management	2.2	3.1	8.5	7.2	9.2	7.8
Semi-Passive Managers						
BlackRock Financial	3.5	3.1	7.7	7.2		
Goldman Sachs Asset Management	2.6	3.1	7.3	7.2	8.0	7.8
Lincoln Capital Management	3.1	3.1	7.3	7.2	7.9	7.8
Aggregate (2)	**2.7%**		**7.6%**		**8.1%**	
Capital Markets Data						
Lehman Aggregate (3)	3.1%		7.2%		7.8%	
90 Day Treasury Bills	4.7		5.1		5.2	
Inflation	2.0		2.0		2.4	

(1) Prior to 1/1/96, manager had a government/corporate mandate only.

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

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

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION
EAFE MANAGERS

Fiscal Year 1999

Local Returns	**State Street Global Advisors**	**Brinson Partners**	**Marathon Asset Mgmt.**	**Rowe Price-Fleming Int'l.**	**Scudder Kemper Investments**
Country Selection	0.2	1.1	7.9	-0.4	1.9
Stock Selection	1.1	1.1	-3.1	1.3	-0.5
Timing	0.6	0.3	0.4	0.3	0.3
Currency Returns					
Currency Effect	-0.5	0.3	0.1	-0.4	-0.7
Hedging Activity	0.0	1.4	-0.8	0.0	-0.5
Timing	-0.2	-2.3	1.2	-2.0	-0.5
Base Return					
Total Value Added	**1.0%**	**1.8%**	**5.8%**	**-1.3%**	**-0.1%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the report'.

Definitions:
Local Returns - The return in local currency for each country in the portfolio relative to the benchmark.

Country Selection - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

Currency Returns - The relative difference between the base currency return and the local currency return.

Currency Effect - The difference between the currency effect of a manager's unhedged portfolio and the benchmark that is caused by the timing of purchases and sales of securities and spots to cover them.

Hedging Effect - The difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Base Return –The return after conversion from local currencies to U.S. dollars.

Total Value Added - The difference between the portfolio's base return and the benchmark's base return.

INTERNATIONAL EQUITY MANAGERS' ATTRIBUTION EMERGING MARKETS MANAGERS

Fiscal Year 1999

Local Returns	**Genesis Asset Managers Int'l.**	**Montgomery Asset Mgmt.**
Country Selection	-6.2	-6.4
Stock Selection	4.7	-4.9
Timing	1.6	0.1
Currency Returns		
Currency Effect	-5.4	-2.7
Hedging Activity	0.0	0.0
Timing	-11.2	-1.5
Base Return		
Total Value Added	**-22.6%**	**-15.8%**

Note: All attribution numbers are based on gross returns, not net returns as found in the 'front part of the report'. Attribution data is not applicable for City of London's closed end funds approach.

Definitions:
Local Returns - The return in local currency for each country in the portfolio relative to the benchmark.

Country Selection - The portion of return that can be attributed to over/underweighting countries relative to the benchmark. Country selection will be positive if the manager has overweighted countries that performed well and underweighted countries that did not perform well.

Stock Selection - The portion of return that can be attributed to the selection of securities within a country relative to the benchmark. Stock selection will be positive if a portfolio's local country return is greater than the benchmark.

Currency Returns - The relative difference between the base currency return and the local currency return.

Currency Effect - The difference between the currency effect of a manager's unhedged portfolio and the benchmark that is caused by the timing of purchases and sales of securities and spots to cover them.

Hedging Effect - The difference between the currency return of the manager's hedged portfolio and the currency return of the unhedged portfolio.

Base Return –The return after conversion from local currencies to U.S. dollars.

Total Value Added - The difference between the portfolio's base return and the benchmark's base return.

EXTERNAL INTERNATIONAL STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 1999

	1 Year		3 Years		5 Years	
	Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Active EAFE						
Brinson Partners (1)	9.1%	7.6%	10.8%	8.7%	11.5%	8.2%
Marathon Asset Mgmt. (2)	12.9	7.6	6.7	8.7	7.3	8.2
Rowe Price-Fleming Int'l. (2)	6.5	7.6	9.5	8.7	10.3	8.2
Scudder Kemper Investments (2)	7.1	7.6	11.8	8.7	12.5	8.2
Active Emerging Markets						
City of London Investment Mgmt. (3)	21.4	28.7				
Genesis Asset Managers Int'l. (4)	5.2	28.7	-5.7	-4.0		
Montgomery Asset Management (4)	12.0	28.7	-6.3	-4.0		
Passive EAFE						
State Street Global Advisors (5)	8.6	7.6	9.1	8.7	8.6	8.2
Equity Only*	9.5	10.6	8.0	7.4	8.7	7.4
Total Program**	**9.3%**	**10.6%**	**9.3%**	**7.4%**	**9.5%**	**7.4%**
Capital Markets Data						
EAFE		7.6%		8.8%		8.2%
EAFE Free		7.6		8.7		8.2
EMF		28.7		-4.0		N/A

* Equity managers only. Includes impact of terminated managers. Aggregate benchmark weighted 87% EAFE Free/13% emerging Markets Free as of 12/30/96. 100% EAFE Free prior to 5/1/96.

** Includes impact of currency overlay unrealized gain/loss. Aggregate benchmark weighted 87% EAFE Free/13% Emerging Markets Free as of 12/30/96. 100% EAFE Free prior to 5/1/96.

(1) Active country/passive stock manager. Retained April 1, 1993.
(2) Fully active manager. Retained November 1, 1993.
(3) Manager retained November 1, 1996.
(4) Manager retained May 1, 1996.
(5) Manager retained October 1, 1992.

Impact of Currency Overlay Program

Cummulative Dollar Value Added (Since inception, December 1, 1995)	$176,453,499

The currency overlay program, implemented by Record Treasury Management, was phased-in from Dec. 95-Nov.96.

ALTERNATIVE INVESTMENTS – REAL ESTATE
June 30, 1999

BASIC FUNDS	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
AETNA	$42,376,529	$42,376,529	$0	17.2
AEW FUND V	15,000,000	15,000,000	0	11.5
COLONY CAPITAL				
Colony Investors II	40,000,000	36,986,764	3,013,236	4.2
Colony Investors III	100,000,000	55,531,005	44,468,995	1.5
EQUITABLE PRIME PROPERTY	40,000,000	40,000,000	0	17.7
EQUITY OFFICE PROPERTIES TRUST	140,388,854	140,388,854	0	7.6
FIRST ASSET REALTY	916,185	916,185	0	5.2
HEITMAN				
Fund I	20,000,000	20,000,000	0	14.9
Fund II	30,000,000	30,000,000	0	13.6
Fund III	20,000,000	20,000,000	0	12.4
Fund V	20,000,000	20,000,000	0	7.6
LASALLE INCOME PARKING FUND	15,000,000	14,644,401	355,599	7.8
RREEF USA FUND III	75,000,000	75,000,000	0	15.1
TA REALTY ASSOCIATES				
Fund III	40,000,000	40,000,000	0	5.1
Fund IV	50,000,000	50,000,000	0	2.4
Fund V	50,000,000	5,000,000	45,000,000	0.1
TCW				
Fund III	40,000,000	40,000,000	0	13.9
Fund IV	30,000,000	30,000,000	0	12.7
Funds in Liquidation (AEW III, AEW IV)	35,000,000	35,000,000	0	N/A
TOTAL REAL ESTATE (BASICS)	**$803,681,568**	**$710,843,738**	**$92,837,830**	

POST FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
COLONY INVESTORS II	$40,000,000	$36,986,764	$3,013,236	4.2
WESTMARK COMMERCIAL				
Mtg. Fund II	13,500,000	13,397,500	102,500	3.9
Mtg. Fund III	21,500,000	21,275,052	224,948	2.6
Mtg. Fund IV	14,300,000	10,610,928	3,689,072	1.5
TOTAL REAL ESTATE (POST)	**$89,300,000**	**$82,270,245**	**$7,029,755**	
TOTAL REAL ESTATE	**$892,981,568**	**$793,113,983**	**$99,867,585**	

ALTERNATIVE INVESTMENTS – PRIVATE EQUITY
June 30, 1999

BASIC FUNDS	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
ALLIED	$5,000,000	$5,000,000	$0	13.8
BANK FUND				
Fund III Trust	20,000,000	20,000,000	0	6.7
Fund IV Trust	25,000,000	25,000,000	0	3.4
Fund V Trust	48,000,000	12,000,000	36,000,000	1.0
BLACKSTONE PARTNERS II	50,000,000	46,469,934	3,530,066	5.6
BRINSON PARTNERS				
VPAF I	5,000,000	5,000,000	0	11.1
VPAF II	20,000,000	18,779,998	1,220,002	8.6
CHURCHILL CAPITAL PARTNERS II	20,000,000	20,000,000	0	6.7
CONTRARIAN CAPITAL FUND II	37,000,000	29,612,357	7,387,643	2.1
CORAL PARTNERS				
Fund I (Superior)	7,011,923	7,011,923	0	13.0
Fund II	10,000,000	8,069,315	1,930,685	8.9
Fund IV	15,000,000	12,000,000	3,000,000	4.9
Fund V	15,000,000	3,035,815	11,964,185	1.0
CRESCENDO VENTURES				
Fund II	15,000,000	13,344,773	1,655,227	2.5
Fund III	25,000,000	9,500,000	15,500,000	0.6
DSV	10,000,000	10,000,000	0	14.2
FIRST CENTURY	10,000,000	10,000,000	0	14.5
FOX PAINE FUND I	40,000,000	17,028,434	22,971,566	1.2
GOLDER THOMA				
Fund III	14,000,000	14,000,000	0	11.7
Fund IV	20,000,000	19,750,000	250,000	5.4
Fund V	30,000,000	26,550,000	3,450,000	3.0
GTCR GOLDER RAUNER FUND VI	90,000,000	31,275,000	58,725,000	1.0
GHJM FUND IV	40,000,000	2,390,000	37,610,000	0.2
HELLMAN & FRIEDMAN III	40,000,000	28,026,638	11,973,362	4.8
KOHLBERG KRAVIS ROBERTS				
1986 Fund	18,365,339	18,365,339	0	13.2
1987 Fund	145,950,000	145,950,000	0	11.6
1993 Fund	150,000,000	150,000,000	0	5.5
1996 Fund	200,000,000	102,653,675	97,346,325	2.8
MATRIX				
Fund II	10,000,000	10,000,000	0	13.9
Fund III	10,000,000	10,000,000	0	9.1
PIPER JAFFRAY HEALTHCARE				
Fund II	10,000,000	7,000,000	3,000,000	2.3
Fund III	9,631,250	2,407,814	7,223,436	0.4
RCBA STRATEGIC PARTNERS	50,000,000	28,833,804	21,166,196	0.5
SUMMIT PARTNERS				
Fund II	30,000,000	28,500,000	1,500,000	11.1
Fund V	25,000,000	10,000,000	15,000,000	1.2
T. ROWE PRICE	216,765,350	216,765,350	0	11.6
THOMA CRESSEY FUND VI	35,000,000	3,500,000	31,500,000	0.9
WARBURG PINCUS VENTURE PARTNERS	50,000,000	50,000,000	0	4.5
WARBURG PINCUS EQUITY PARTNERS	100,000,000	21,000,000	79,000,000	1.0
WELSH CARSON FUND VIII	100,000,000	28,000,000	72,000,000	0.9
Funds in Liquidation (KKR 1984, SUMMIT I)	35,000,000	35,000,000	0	N/A
TOTAL PRIVATE EQUITY (BASICS)	**$1,806,723,862**	**$1,261,820,169**	**$544,903,693**	

ALTERNATIVE INVESTMENTS – PRIVATE EQUITY (con't)
June 30, 1999

POST FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
CITICORP MEZZANINE	$40,000,000	$37,725,565	$2,274,435	4.5
KLEINWORT BENSON MEZZANINE	25,000,000	21,120,692	3,879,308	3.7
SUMMIT PARTNERS				
Sub Debt Fund I	20,000,000	18,000,000	2,000,000	5.2
Sub Debt Fund II	45,000,000	22,500,000	22,500,000	1.9
TCW/CRESCENT MEZZANINE				
Fund I	40,000,000	39,783,392	216,608	3.2
Fund II	100,000,000	16,399,856	83,600,144	0.6
T. ROWE PRICE - POST	8,777,302	8,777,302	0	2.3
TOTAL PRIVATE EQUITY (POST)	**$278,777,302**	**$164,306,808**	**$114,470,495**	
TOTAL PRIVATE EQUITY	**$2,085,501,164**	**$1,426,126,977**	**$659,374,188**	

ALTERNATIVE INVESTMENTS – RESOURCE
June 30, 1999

BASIC FUNDS	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
APACHE III	30,000,000	30,000,000	$0	12.5
FIRST RESERVE CORP.				
AMGO I	$15,000,000	$15,000,000	0	17.7
AMGO II	7,000,000	7,000,000	0	16.4
First Reserve Fund SEA	12,300,000	12,300,000	0	11.1
First Reserve Fund V	16,800,000	16,800,000	0	9.2
First Reserve Fund VII	40,000,000	36,600,240	3,399,760	3.0
First Reserve Fund VIII	100,000,000	23,624,224	76,375,776	1.2
MORGAN OIL & GAS	15,000,000	15,000,000	0	10.8
SCF				
SCF Fund II	17,000,000	14,847,529	2,152,471	7.9
SCF Fund III	25,000,000	19,156,791	5,843,209	4.0
SCF Fund IV	50,000,000	14,125,000	35,875,000	1.2
TOTAL RESOURCE (BASICS)	**$328,100,000**	**$204,453,784**	**$123,646,216**	

POST FUND	TOTAL $ COMMITMENT	FUNDED $ COMMITMENT	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
MERIT ENERGY PARTNERS				
Merit Energy Partners B	$24,000,000	$19,632,849	$4,367,151	3.0
Merit Energy Partners C	50,000,000	10,828,356	39,171,644	0.7
TOTAL RESOURCE (POST)	**$74,000,000**	**$30,461,205**	**$43,538,795**	
TOTAL RESOURCE	**$402,100,000**	**$234,914,989**	**$167,185,011**	

Time-Weighted Rate of Return

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

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

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

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

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

Where:

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

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

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

n = Number of cash flows in the month

R = Internal rate of return

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

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

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

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

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

Calculation of January 1, 2000 Benefit Increase

Actuarial value of required reserves at January 1, 2000	$14,713,027,000
Less: Reserves not eligible for increase	1,042,511,000
Actuarially determined eligible reserves at Janaury 1, 2000	13,670,516,000
CPI Inflation rate capped at 2.5%	1.9%
Dollar cost of inflationary increase	259,739,804
June 30, 1999 total required reserves	15,017,360,057
June 30, 1999 total required reserves adjusted for inflationary increase	15,277,099,861
Market value of Assets at June 30, 1999	19,293,456,020
Less:Inflation adjusted required reserves	15,277,099,861
Current year excess market value	4,016,356,159
Negative balance carry forward	3,095,675,246
Excess market value available for investment based benefit increase	920,680,913
Divided by 5 year pay out period	5
Current year portion of excess market value	184,136,183
Second year portion	374,194,800
Third year portion	343,426,405
Fourth year portion	206,727,061
Fifth year portion	155,162,710
Total five year excess market value	1,263,647,159
Greater of current year excess market value or cost of transition adjustment	1,263,647,159
Divided by eligible required reserves at January 1, 2000	13,670,516,000
Investment based increase for FY99	9.2436%
Summary:	
Investment Based Benefit Increase	**9.2436%**
Inflation Based Benefit Increase	**1.9000%**
Total Benefit Increase	**11.1436%**
Total Dollar Value of January 1, 2000 Benefit Increase	**$1,523,386,963**

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
A & C BROKERAGE	0	0	16,620,672	0	0
A.J. WEED & CO	0	0	200,750	0	0
ABD SECURITIES	24,132,879	27,917	0	0	0
ABG SECURITIES	1,403,257	693	0	0	0
ABN AMRO ASIA SECS LTD	2,423,705	4,585	526,627	0	0
ABN AMRO BANK NV	0	0	935,441	0	0
ABN AMRO SECURITIES	66,735,416	50,299	104,434,918	0	0
ABNER HERRMAN & BROCK	52,148	70	0	0	0
ACCIONES Y VALORES	3,491,751	770	0	0	0
ADAMS HARKNESS & HILL	6,317,374	203	0	0	0
ADVEST CO.	2,306,375	1,395	16,101,816	0	0
AFIN SECURITIES	2,278,920	692	0	0	0
ALBERT WILL	0	0	0	0	65,399
ALFRED BERG	3,353,905	1,703	0	0	0
ALPHA MANAGEMENT INC	36,196,966	25,874	0	0	0
AMADON CORPORATION	8,034,969	19,644	0	0	0
AMERICAN EXPRESS CREDIT	0	0	0	0	290,906,530
AMERICAN GENERAL FINANCE	0	0	0	0	183,296,585
AMES (A. E.) & CO	844	0	0	0	0
AMHERST SECURITIES GROUP INC.	0	0	643,516	0	0
ARGENTARIA MADRID	1,913,705	34	0	0	0
ARNHOLD	31,620,119	29,814	0	0	0
ASESORES BURSATILES	1,782,871	43	0	0	0
ASSOC CORP OF N AMER	0	0	0	0	2,196,600,257
AUBREY G LANSTON	11,353,940	6,348	154,094,032	0	0
AUERBACH GRAYSON	1,016,401	7,887	0	0	0
AUTRANET	46,476,242	82,882	0	0	0
B-TRADE SERVICES LLC	1,386,438	490	0	0	0
B.V. CAPITAL MARKETS	135,315	180	0	0	0
BA SECURITIES INC	0	0	442,126,990.00		1,506,121,299
BAIRD, ROBERT W & CO.	297,818	0	0	0	0
BALCOR SECURITIES CO.	0	0	16,356,903	0	0
BANCBOSTON SECURITIES INC.	0	0	1,151,804	0	0
BANCO BOZANO SIMONSEN (BBS)	158,435	387	0	0	0
BANCO DE CARACAS	26,045	0	0	0	0
BANCO GENERAL DE NEGOCIOS SA	459,969	292	0	0	0
BANCO SERFIN	891,971	265	0	0	0
BANK INDOSUEZ	51,388	111	0	0	0
BANK JULIUS	652,134	907	0	0	0
BANK OF BOSTON	0	0	311,000	0	0
BANK OF NY SECURITIES INC	37,200	0	815,045	0	29,546,794
BANKERS TRUST	246,000	0	10,423,110	0	0
BANQUE NATIONALE DE PARIS	518,507	0	0	0	0
BANQUE PARIBAS	2,032	2	0	0	0
BARCLAYS BANK	0	0	16,004,608	0	0
BARCLAYS DEZOETE WEDD	0	0	97,192,339	0	0
BARING SECURITIES	18,244,031	6,176	2,634,044	0	0
BARNARD JACOBS AND CO (PTY) LTD	3,860,858	1,877	0	0	0
BEAR, STEARNS & CO.	1,007,983,995	909,622	4,033,662,774	0	0
BELL SECURITIES	2,063,853	3,821	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
BERNARD L MADOFF	515,520	132	0	0	0
BERNSTEIN SANFORD	142,230,643	166,880	0	0	0
BHF SECURITIES	1,123,781	1,528	0	0	0
BISHOP ROSEN + CO. INC.	3,521,691	2,010	0	0	0
BLACKFORD SECURITIES CORP	8,368,263	8,100	0	0	0
BLAIR & COMPANY	38,852,264	19,600	34,162,034	0	0
BLAYLOCK	2,660,027	2,596	8,716,260	0	0
BNDMBS DONY/DEUTSCHE BK MBS	0	0	22,479,842	0	0
BNDRG BANK OF NEW YORK	0	0	2,946,268	0	0
BNP FINANCE, PARIS FRANCE	18,865	26	0	0	0
BNP SECURITIES	830,141	585	0	0	0
BNP-BANQUE NATIONALE DE PARIS	95,964	131	0	0	0
BNY ESI & CO	84,255,455	78,090	0	0	0
BOSTON INST. SERVICES	298,022	250	0	0	0
BOZANO SIMONSEN SA	1,011,983	2,852	0	0	0
BPI SECURITIES	303,957	4	0	0	0
BRADLEY WOODS	3,830,449	4,200	0	0	0
BRANDT (ROBERT) & CO	7,125,691	9,407	0	0	0
BRICK SECURITIES	2,189,478	2,964	0	0	0
BRIDGE TRADING CO.	63,075,931	59,750	0	0	0
BROADCORT CAPITAL	129,618,946	132,926	0	0	0
BROCKHOUSE & COOPER	1,954,072	3,348	0	0	0
BROWN (ALEX) & SONS INC	251,846,238	255,181	12,466,929	0	0
BROWN BROS. HARRIMAN	16,146,821	18,974	0	0	0
BT INT	8,842,781	19,182	0	0	0
BT SECURITIES CORP	837,045	367	4,175,596	0	44,560,701
BTRST-BANKERS TR. CO. CUSTODY	0	0	3,225,625	0	0
BUCKINGHAM RESEARCH GRP	25,360,277	21,975	0	0	0
BURDETT BUCKERIDGE & YOUNG LTD	313,332	603	0	0	0
BZW SECS	0	0	22,977,094	0	0
C I B C	13,889	0	0	0	0
C.J. LAWRENCE	348,719	390	0	0	0
C.L. KING & ASSOC.	4,810,847	6,732	0	0	0
C.S.F.B.	549,170	1036	135,927,506	0	1,990,317
CAMBRIDGE INTERNATIONAL	0	0	102,630	0	0
CANTOR FITZGERALD	208,359,727	177,315	130,516,409	0	0
CAPEL JAMES	51,131,791	39,120	0	0	0
CAPITAL INST. SERVICES	188,239,509	207,362	0	0	0
CARNEGIE	8,176,952	4,342	0	0	0
CARROLL MCENTEE & MCG	7,711,164	2,850	21,816,210	0	50,339,037
CATHAY FINANCIAL	1,509,068	1,317	0	0	0
CAZENOVE & CO.	22,358,306	39,465	0	0	0
CCF INTL FINANCE CORP.	9,874,343	4,429	0	0	0
CENTENNIAL STATE SECURITIES INC	0	0	12,569,330	0	0
CENTRAL INVESTMENT	3,018,827	47	0	0	0
CHAPMAN COMPANY	3,281,042	4,850	0	0	0
CHARLES, AK	6,482,029	5,800	0	0	0
CHASE MANHATTAN BANK	0	0	204,363,209	0	0
CHASE SECURITIES INC	0	0	18,910,140	0	607,572,721
CHEMICAL BANK	0	0	205,954,286	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
CHEUVREUX	796,400	60	0	0	0
CHEUVREUX DE NORDIC A B	367,798	114	0	0	0
CHEVRON OIL FIN. CO.	0	0	0	0	178,638,048
CHICAGO CORP	52,176,356	49,773	16,953,169	0	0
CHRYSLER FINL CO LLC	0	0	0	0	24,685,479
CIBC/WOOD GUNDY	5,998,350	9,000	18,313,360	0	188,013,242
CIT GROUP HOLDINGS	0	0	0	0	108,765,353
CITATION GROUP	246,311,254	266,056	0	0	0
CITIBANK	0	0	0	0	88,759,703
CITICORP	0	0	0	0	9,604,875
CITICORP SECURITIES INC	0	0	0	0	270,204,546
CL GLAZER INC.	4,649,029	12,922	0	0	0
CLARKE & CO	0	0	27,914,296	0	0
CLEARING SERVICES OF AMERICA	199,824	26	0	0	0
CLEARY GULL REILAND	2,029,850	987	0	0	0
COMMERCIAL CREDIT CO.	0	0	0	0	501,433,118
COMMERZBANK AG	3,474,890	5,639	26,507,316	0	0
COMMONWEALTH BANK OF AUSTRALIA	0	0	773,343	0	0
CONCORD SECURITIES GROUP INC	1,997,590	35	0	0	0
CONNING & COMPANY	2,675,540	3,603	0	0	0
CORNA AND CO. INC.	0	0	1,369,600	0	0
COUNTY NATWEST SEC CORP USA	382,750,495	504,244	60,576,719	0	0
COWEN&CO	100,033,733	89,879	410,000	0	0
CRAIG-HALLUM INC	1,643,074	840	0	0	0
CREDIT AGRI INDOSUEZ CHEUVREAUX	54,595	185	0	0	0
CREDIT ANSTALT	419,514	74	0	0	0
CREDIT LYONNAIS	8,424,060	3,037	0	0	0
CREDIT SUISSE	1,560,503	1,473	0	0	0
CREDIT SUISSE FIRST BOSTON LTD	6,134,716	12,620	0	0	24,690,139
CREDITANSTALT BANK	1,893,041	343	0	0	0
CRESVALE LIMITED LONDON	117,343	32	0	0	0
CRESVALE SEC. INC. NEW YORK	78,866	11	0	0	0
CREWS & ASSOCIATES	0	0	10,217,708	0	0
CRONIN & CO INC	0	0	13,878,244	0	0
CROSSING NETWORK	25,354	20	0	0	0
CT SECURITIES	0	0	3,196,281	0	0
CUST SEG FUNDS FOR CARR FUTERES IN	0	0	0	0	0
D.A. DAVIDSON	30,371	40	0	0	0
DAIMLER CHRYSLER N.A. HLDG	0	0	0	0	78,708,967
DAIN RAUSCHER INC	13,236,810	6,228	21,667,657	0	0
DAIWA SEC. AMERICA	2,866,134	43	27,424,197	0	0
DAVENPORT & CO	392,516	558	0	0	0
DEAN WITTER REYNOLDS	0	0	70,219,016	0	0
DEERE & COMPANY	0	0	0	0	176,967,900
DEN DANSKE BANK	542,520	172	0	0	0
DEPCO-PARTICIPANTS TR CO.	0	0	668,817	0	0
DEUTSCHE B	4,284,981	4,153	0	0	0
DEUTSCHE BANK CAPITAL	58,008,077	97,674	69,117,986	0	0
DEUTSCHE BANK GOVT SEC INC	187,645,195	49,370	1,069,525,934	0	29,269,668,010
DEUTSCHE BANK SECS	765,425	1,302	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
DEUTSCHE CAPITAL MARKETS	2,305,688	693	0	0	0
DEUTSCHE MORGAN GREINFELL	54,086,830	75,592	234,315,018	0	0
DEUTSCHE MORGAN GREINFELL (LONDON)	256,440	472	0	0	0
DEUTSCHE SECURITIES ASIA	806,765	48	0	0	0
DIRECT BROKERAGE SVCS.	48,191	264	0	0	0
DLJ FIXED INCOME	257,703	0	1,244,073,314	0	0
DMG AND PARTNERS SECS.	0	0	4,343,191	0	0
DOMINION SEC. H & P	932,927	844	0	0	0
DONALDSON LUFKIN	7,775,954	10,202	172,203,217	0	4,502,000,000
DONGWON SECURITY	7,754,410	29	0	0	0
DORSEY & PEPE	0	0	102,041	0	0
DOYLE, PATERSON, & BROWN	4,142,047	8,441	0	0	0
DRESDNER BANK	0	0	456,962	0	0
DRESDNER KLEINWORT BENSON ASIA	0	0	473,352	0	0
DRESDNER KLEINWORT BENSONS	77,212,673	42,305	6,190,864	0	0
DRESDNER SEC (USA) INC	1,016,987	1,378	0	0	0
EDGE SECURITIES	745,214	710	0	0	0
EDWARDS A.G. & SONS	3,324,309	7,240	4,169,572	0	0
ENSKILDA SECURITIES	8,851,216	4,973	0	0	0
EQUITABLE SECURITIES	1,201,920	6,100	0	0	0
ERNST & CO.	78,512,332	67,520	0	0	0
ESI SECURITIES CO.	2,652,645	3,125	0	0	0
EUROPEAN AMERICAN BANK	0	0	15,039,138	0	0
EXANE, PARIS	7,546,604	3,340	0	0	0
EXECUTION SERVICES INC	48,640,675	56,460	0	0	0
FACTSET DATA	45,784,182	51,376	0	0	0
FATOR	4,984,828	7,911	0	0	0
FC FINANCIAL SERVICES	1,104,594	1,872	0	0	0
FECHTOR	127,736	360	0	0	0
FERRIS & CO	116,833	156	0	0	0
FHLMC	0	0	15,367,070	0	0
FIDELITY C	114,059,022	170,163	0	0	0
FINANCIAL BROKERAGE	597,446	127	0	0	0
FIRST AFFILIATED SEC.	92,824	258	0	0	0
FIRST ALBANY	42,890,536	36,920	3,480,753	0	0
FIRST ANALYSIS SEC. CORP.	1,554,783	2,764	0	0	0
FIRST BANK CAPITAL MKTS	0	0	0	0	15,000,000
FIRST BOSTON CORPORATION	450,864,949	420,607	6,602,059,975	0	5,466,823,538
FIRST CHICAGO CAP MKTS INC	0	0	15,610,880	0	271,609,574
FIRST CHICAGO INVESTMENT SERV.	0	0	12,590,612	0	0
FIRST GLOBAL CAPITAL CORP	83,974	38	0	0	0
FIRST HERITAGE CORP.	0	0	7,266,193	0	0
FIRST MANHATTAN COMPANY	415,869	804	0	0	0
FIRST OPTIONS OF CHICAGO	861,134	626	0	0	0
FIRST SOUTHWEST CO.	0	0	423,362	0	0
FIRST TENN BANK, NA	0	0	7,304,947	0	0
FIRST UNION CAP MKTS	6,022,420	3,207	168,589,927	0	0
FITZGERALD & CO. INC.	929,911	1,165	0	0	0
FLEMING (ROBERT) INC	672,970	1,770	0	0	0
FLEMING SECURITIES LTD.	26,094,536	30,676	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
FORD FINANCIAL SERVICES	0	0	0	0	1,117,808,742
FOURTEEN RESEARCH CORP.	6,999,127	7,140	0	0	0
FOX PITT KELTON INC	30,802,217	35,328	0	0	0
FRANK RUSSEL	14,753,534	18,649	0	0	0
FREDDIE MAC SECS AND TRADE	0	0	45,742,303	0	0
FREIMARK BLAIR	2,912,789	1,660	0	0	0
FRIEDMAN, BILLINGS & RAMSEY	6,442,095	3,444	0	0	0
FUJI SECURITIES	0	0	31,759,662	0	0
FURMAN SELZ MAGER	78,054,069	63,302	0	0	0
G.K. GOH	199,499	528	0	0	0
GARANTIA INC.	1,890,860	6,146	0	0	0
GARBAN CORPORATES, INC	3,188,496	3,600	0	0	0
GARDNER RICH & COLE	513,780	1,110	0	0	0
GENA INC.	5,461,719	6,575	0	0	0
GENERAL ELEC CAPITAL CORP	0	0	0	0	1,744,446,158
GENESIS	223,739	230	0	0	0
GLEACHER NATWEST, INC.	0	0	2,090,000	0	0
GLOBAL SECURITIES	3,285,253	0	0	0	0
GMAC FINANCIAL SERVICES	0	0	0	0	360,286,254
GOLDMAN SACHS & COMPANY	658,077,703	473,596	7,410,529,225	334,746	2,862,437,107
GOLDMAN SACHS INTL.	0	0	2,502,500	0	0
GOODBODY STOCKBROKERS	305,713	295	0	0	0
GORDON CP	4,371,696	12,339	0	0	0
GORDON HASKETT & CO.	2,511,050	2,700	0	0	0
GRANTCHESTER SECS. INC.	0	0	3,287,025	0	0
GREEN STREET	207,324	287	0	0	0
GREENFIELD ARBITRAGE PARTNERS	0	0	132,445,344	0	0
GREENWICH CAPITAL MARKETS INC	0	0	2,649,565,904	0	23,056,000,000
GRUNTAL & COMPANY	5,397,290	4,950	8,021,489	0	0
GRUNTEL & CO UC CAP MKTS	0	0	12,692,454	0	0
GRUPO MONEDA	1,209,886	631	0	0	0
GS2 SECURITIES INC.	1,603,986	1,200	0	0	0
GUZMAN & CO.	39,496,805	46,520	0	0	0
GX CLARKE	0	0	9,047,344	0	2,279,973
HALL INTER	800,452	5	0	0	0
HAMBRECHT & QUIST	988,287	1,860	0	0	0
HANIFIN	1,624,875	1,750	0	0	0
HBSC SECURITIES	610,213	244	44,911,980	0	26,091,172
HENDERSON BROTHERS	38,572	22	0	0	0
HENDERSON CROSTHWAIT	1,694,665	2,713	0	0	0
HERZOG HEINE GEDVID	30,465,045	0	0	0	0
HOAK SECURITIES	45,196	195	0	0	0
HOARE GOVETT	17,075,512	12,789	0	0	0
HOEFFER & ARNETT	57,918	80	0	0	0
HOENIG & CO.	37,357,213	53,413	0	0	0
HOENIG (FAR EAST) LIMITED	67,105	0	0	0	0
HONG KONG & SHANG HIGH BANKING COR	536,408	2	2,918,173	0	0
HONG KONG BANK	288,605	1	0	0	0
HOUSEHOLD INTERNATIONAL	0	0	0	0	306,677,129
HSBC INVESTMENT BANK	3,558,630	319	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
HSBC JAMES CAPEL	9,179,188	1,948	0	0	0
HSBC SECURITIES INC	17,286,344	9,185	61,181,091	0	54,394,031
HWANG DBS SECS	50,615	91	0	0	0
IBM CREDIT CORP	0	0	0	0	81,058,892
ICATU	414,384	1,229	0	0	0
IMI SECURITIES	103,481	0	0	0	0
IMI SIGECO UK LTD	961,114	1	0	0	0
INDOSUEZ CAPITAL SECURITIES	3,147,921	872	0	0	0
INDUSTIAL BK OF JAPAN	641,956	0	0	0	0
ING BANK BRAZIL	1,370,897	661	0	0	0
ING BARING	3,241,324	845	0	0	0
INGALLS & SNYDER	24,374	135	0	0	0
INSTINET	1,231,824,540	683,552	0	0	0
INSTITUTIONAL SERVICES UNLIMITED	490,969	405	0	0	0
INTERACCIONES	328,350	141	0	0	0
INTERMOBILIARE SEC.	6,845,673	3,645	0	0	0
INTERNATIONALE' NEDERLANDEN BK, NV	0	0	172,250	0	0
INTERSTATE	67,775,770	80,563	883,035	0	0
INVESTEC SECURITIES LTD	244,085	1,206	0	0	0
INVESTMENT & INSURANCE CONSULTANTS	1,184,601	3,460	0	0	0
INVESTMENT TECHNOLOGY CORP	2,460,681,798	1,355,589	0	0	0
ISI GROUP	9,010,432	9,697	18,879,168	0	0
ITGL	21,300	34	0	0	0
J C BRADFORD & CO	4,864,276	5,327	235,893	0	0
JP MORGAN	229,109	571	2,719,884	0	25,021,770
J P MORGAN SECURITIES INC	429,627,392	468,295	1,571,587,958	0	1,079,046,475
J. UONTOBEL	3,648,944	7,029	0	0	0
J.B. WERE & SON	2,009,964	2,751	0	0	0
JACKSON PARTNERS & ASSOCIATES INC	32,302,947	16,561	0	0	0
JAMES CAPE	66,111,534	49,852	0	0	0
JANNEY MONTGOMERY SCOTT	7,709,160	7,478	5,481,868	0	0
JARDINE FLEMING	1,096,310	6	0	0	0
JAVELIN SECS.	10,865,529	17,895	0	0	0
JB WERE AND SON MELBOURNE	9,943,638	21,248	0	0	0
JEAN PIERRE PINATTON	8,679,690	576	0	0	0
JEFFERIES & CO	251,345,557	315,956	5,329,226	0	0
JOHNSON RICE & CO	4,165,334	8,772	0	0	0
JONES & ASSOCIATES	186,305,342	252,698	0	0	0
JOSEPHTHAL & CO.	11,097,569	12,000	0	0	0
KALB VOORHIS & CO	2,449,130	2,510	0	0	0
KEEFE BRUYETTE & WOOD	10,473,529	8,655	15,750,843	0	0
KEMPER CAP	14,986,455	16,392	4,488,404	0	0
KIM. ENG. SEC.	2,484,510	1,595	0	0	0
KINNARD (JOHN G.) & CO	625,750	0	0	0	0
KNIGHT SECURITIES	113,781,710	72,036	0	0	0
KSH	0	0	24,370,313	0	0
LAIDLAW AD	0	0	0	0	99,207
LAMBERSON KNIGHT	0	0	0	0	160,298,206
LASKER STONE AND STERN	963,967	925	0	0	0
LATINVEST	65,510	550	0	0	0

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
LAWRENCE	235,273	1,000	0	0	0
LAZARD BROS CAPITAL MKT	110,200	0	0	0	0
LAZARD FRERES & CO	16,422,392	12,255	19,614,905	0	0
LEGG MASON	3,303,368	1,210	70,659,886	0	0
LEHMAN BROS INC	1,948,636,585	1,182,065	3,654,741,243	0	2,528,047,778
LEHMAN GOVT SECURITIES	0	0	1,634,865,964	0	249,792,600
LEWCO SECURITIES INC.	175,784,248	147,581	37,743,281	0	0
LINCOLN TRUST CO	0	0	2,792,580	0	0
LINK SECURITIES	0	0	1,104,314	0	0
LORRAINE L BLAIR INC	0	0	443,400	0	0
LYNCH, JONES & RYAN	226,044,744	258,292	19,063,013	478	0
M A SIDEL & COMPANY	0	0	22,554,246	0	0
M L PIERCE FENNER	0	0	63,077,364	0	0
MACQUARIE EQUITIES	1,634,430	3,494	0	0	0
MAGNA SECURITIES CORP	1,562,533	2,161	0	0	0
MALACHI GROUP	3,016,808	3,938	0	0	0
MALONEY & CO	594,409	285	0	0	0
MAXUS CORP.	4,024,421	7,179	0	0	0
MAY DAVIS	19,497,609	19,405	0	0	0
MAYER & SCHWEITZER INC	1,466,537	0	0	0	0
MCDONALD & COMPANY	6,905,690	4,814	26,321,230	0	0
MEESPIERSON	3,733,268	4,978	0	0	0
MELLON CAPITAL MKTS	0	0	0	0	19,794,889
MERRILL LYNCH P F & S	905,291,817	743,975	8,823,107,453	0	1,609,917,406
MESIROW FINANCIAL INC	0	0	75,837,148	0	0
MHBDC-MHT BROKER - DEALER	0	0	957,868	0	0
MIDLAND WALWYN	1,466,757	2,034	0	0	0
MIDWEST RESEARCH	554,444	300	0	0	0
MILLER JOHNSON KUEHN INC.	44550	0	56,810	0	0
MILLER SEC. INC.	23,875	0	0	0	0
MONTGOMERY SECURITIES	152,399,884	120,701	0	0	0
MOORS & CABOT	745,694	876	0	0	0
MORGAN GRENFELL	527,470	963	458,525	0	0
MORGAN KEGAN INC.	3,604,543	1,795	2,861,791	0	0
MORGAN STANLEY & CO	827,349,717	1,055,788	2,055,955,725	0	1,363,581,180
MORRIS BRIDGER SECURITIES INC.	0	0	662,505	0	0
NATIONAL FINANCIAL	2,285,688	1,213	8,720,760	0	0
NATIONSBANC CAPITAL MKTS INC	0	0	97,066,268	0	98,761,868
NATIONSBANK	0	0	491,144,334	0	0
NATWEST SECURITIES	41,976	0	7,308,603	0	0
NBC CAP MKTS CORP INC	0	0	13,756,351	0	0
NBC CLEARING SVCS INC	0	0	996,540	0	0
NEUBERGER & BERMAN	41,681,484	49,620	0	0	0
NEW CREST CAP INC.	347,235	1,642	0	0	0
NEWBRIDGE SECURITIES	242,221,430	312,014	0	0	0
NIKKO SECURITIES	1,903,303	28	0	0	0
NOMURA BANK	0	0	54,739,803	0	0
NOMURA SECURITIES INTL	18,579,712	714	2,253,342,449	8	0
NORWEST FINANCIAL INC	0	0	0	0	64,475,287
NORWEST INVESTMENT SERV INC	0	0	492,002	0	247,185,758

Statistical Data

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
NUTMEG SECURITIES	757,605	900	0	0	0
O'NEIL (WM COMPNY INC	3,549,867	2,900	0	0	0
OCBC SECURITIES	114,730	52	0	0	0
ODDO DESACHE' PARIS	194,314	102	0	0	0
OFEK SEC AND INV	4,917,851	2,945	0	0	0
OPERADORA DE BOLSA	1,590,840	477	0	0	0
OPPENHEIMER & CO	141,866,210	202,030	29,798,847	0	0
ORD MINNETT	21,634,401	49,496	0	0	0
ORMES CAPITAL	1,067,524	1,602	59,167,050	0	0
OROSEY & PEPE CAPITAL	0	0	222,501	0	0
OTA LTD PARTNERSHIP	3,617,796	4,530	0	0	0
PACIFIC AMERICAN SECURITIES	1,767,199	1,196	0	0	0
PACIFIC CR	13,399,302	19,642	0	0	0
PACIFIC GROWTH EQUITIES	1,438,952	0	0	0	0
PACTUAL	5,383,402	12,348	0	0	0
PAGOGB2LBIC	0	0	37,875	0	0
PAINE WEBBER INC	272,291,057	322,221	2,276,784,083	93,228	7,267,328,039
PANMURE GORDON	2,004,699	6,674	0	0	0
PARIBAS CAPITAL MARKETS	5,167,049	3,060	34,958,875	0	0
PARIBAS CO	1,219,211	791	50,837,242	0	0
PAULSEN, DOWLING	159,198	207	0	0	0
PCS SECURITIES INC.	14,622,439	10,805	0	0	0
PERSHING	329,510,709	332,065	5,690,999,027	0	0
PHILEO ALLIED SECURITIES	108,957	437	0	0	0
PIPER JAFFRAY INC	51,409,964	35,291	45,206,660	0	0
PKO POLAND	810,386	933	0	0	0
POSIT	80,269	128	0	0	0
PREBON SECURITIES INC	0	0	0	0	19,788,056
PRUDENTIAL	341,998	0	12,527,374	0	0
PRUDENTIAL FUNDING CORP	0	0	0	0	252,865,908
PRUDENTIAL SECURITIES INC	241,373,540	274,616	1,118,188,296	0	118,000,000
PRUFUNDING	0	0	213,213	0	0
PRYOR MCCLENDON	30,899,551	41,670	0	0	0
PUNK ZIEGE	941,600	0	0	0	0
RAYMOND JAMES & ASSOCIATES	15,973,682	17,231	21,946,638	0	0
RBC DOMINION SECURITIES	6,126,441	3,074	1,441,749	0	0
REPUBLIC NATIONAL BANK, NY	0	0	826,496	0	0
REPUBLIC NATL. BANK N.Y.	0	0	1,028,610	0	0
REYNOLDS SECURITIES	0	0	177,600	0	0
ROBERT FLEMING	3,488,025	2,416	0	0	0
ROBERT FLEMING INC.	8,364,968	5,640	1,712,863	541	0
ROBERT W. BAIRD & CO	37,945,793	18,639	10,194,882	0	0
ROBERTSON COLMAN & STEPHENS	51,189,966	20,859	0	0	0
ROBINSON-HUMPHREY CO	22,010,675	22,205	0	0	0
ROCHDALE SECURITIES CORP	39,818,854	40,157	0	0	0
ROTHSCHILD	496,296	725	0	0	0
RYAN BECK & CO.	4,440,990	4,124	0	0	0
SALOMON BROTHERS	68,361,265	96,339	10,356,029,391	0	8,088,309,648
SALOMON SMITH BARNEY HOLDINGS	30,765,272	9,985	19,098,656	0	0
SAMSUNG SECURITIES	1,876,426	7	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
SANDERS, MORRIS & MUNDY INC.	1,666,785	1,638	0	0	0
SANDS BROTHERS & CO LTD.	5,057,892	10,545	0	0	0
SANTANDER INVESTMENT SEC'S.	1,401,550	2,780	0	0	0
SASSOON SECURITIES	381,553	1,327	0	0	0
SBC WARBURG, LONDON	20,911,020	14,445	521,213	0	0
SBCI + ASSOCIATES	0	0	1,149,850	0	0
SCHRODER SECURITIES	11,425,579	1,625	0	0	0
SCHROEDER BK & TR	1,169,163	571	0	0	0
SCOTT & STRINGFELLOW	3,120,378	4,992	0	0	0
SECURITY PACIFIC NATL BANK	0	0	5,391,606	0	0
SEI FINANCIAL SCVS.	44,703,734	70,235	0	0	0
SEIDLER COMPANIES (THE)	62,949	80	0	0	0
SG COWEN SECURITIES CORP	539,312	215	0	0	0
SHARPE CAPITAL INC., NY	175,817	206	0	0	0
SHEARSON LEHMAN AMER EXPRESS	0	0	228,133,107	0	0
SHERWOOD SECURITIES	3,954,416	1,200	0	0	0
SHIELDS CAPITAL CORP	48,416	68	0	0	0
SIFF MARKS+OAKLEY	16,982	13	0	0	0
SIGMA SECS, ATHENS	26,151,439	136	0	0	0
SIMMONS FIRST NATL BANK	0	0	340,243,813	0	0
SK INTERNATIONAL SECURITIES	986,741	3,126	0	0	0
SKANDINAVISKA ENSKILDA	0	0	1,995,596	0	0
SLOATE,WIESMAN	11,881,740	9,920	0	0	0
SOCIETE GENERAL	11,363,154	9,371	0	0	0
SOUNDVIEW	32,310,015	33,978	0	0	0
SOUTHCOAST CAPITAL CORP	11,215,807	10,578	0	0	0
SOUTHEAST RESEARCH PARTNERS	617,098	1,008	0	0	0
SOUTHWEST SECURITIES	200,750	56	3,805,570	0	0
SPEAR,LEEDS & KELLOGG	2,177,870	1,668	10,809,584	0	0
SSGA EXTERNAL	113,211,041	0	0	0	0
STANDARD & POOR SECURITIES	287,197,827	337,870	0	0	0
STANDARD BANK OF SA JOHANNESBURG	4,224,709	2,120	0	0	0
STATE BOARD OF INVESTMENT	0	0	4,882,283	0	20,756,018
STATE ST BK & TRUST	2,861,187,965	9,351	735,256,082	0	26,542,771,593
STEPHENS, INC.	2,569,533	2,535	0	0	0
STIFEL NICOLAUS & COMPANY	479,700	0	0	0	0
STIRLING	0	0	50,399	0	0
STURDIVANT & CO.	8,969,174	6,472	0	0	0
SUN COAST CAPITAL GROUP INC.	0	0	31,174,065	0	0
SUNCOAST	0	0	1,996,953	0	0
SUTRO AND COMPANY INC.	2,449,339	6,960	0	0	0
SVENSKA HANDELSBANKEN	717,157	255	786,021	0	0
SWISS AMERICAN SECURITIES	0	0	8,020,615	0	0
SWISS BANK	104,006,966	123,568	508,118,673	1,375	0
T. HOARE & CO. LTD.	803,149	3,929	0	0	0
TEXACO INC	0	0	0	0	21,888,564
THOMAS WEISEL PARTNERS	5,732,731	0	0	0	0
THOMASON INV	3,292,352	4,320	0	0	0
THOMSON INSTITUTIONAL SERVICES	5,919,357	9,136	0	0	0
TIR SECURITIES	8,047,850	19,137	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1999

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short-Term $ Volume
TONGE CO.	24,784,870	20,130	38,371,538	0	0
TORONTO DOMINION SEC INC	1,005,000	0	1,475,863	0	263,290,687
TUCKER, ANTHONY & R.L. DAY, IN	3,404,429	4,620	0	0	0
U.S. BANCORP INVESTMENT	0	0	0	0	13,887,000
U.S. CLEARING	12,131,218	10,780	0	0	0
UBS AG	0	0	309,918	0	0
UBS PHILLIPS & DREW SEC.	355,129	935	0	0	0
UBS-DB CORPORATION	0	0	4,438,058	0	0
UNIBANCO	5,030,453	17,074	0	0	0
UNIBANK	0	0	2,607,049	0	0
UNION BANK OF L.A.	0	0	203,044	0	0
UNITED FINANCIAL INVESTMENTS, INC.	1,195,006	10,848	0	0	0
UNITED SECURITIES	245,081	0	17,902,340	0	0
UTENDAHL	0	0	25,872,655	0	0
VECTOR SECURITIES INC	4,261,693	3,086	0	0	0
VENHU SECURITIES	0	0	243,887,033	0	0
VOLPE WELT	298,847	0	0	0	0
VONTOBEL	795,907	1,359	0	0	0
VOTORANTIM BROKERAGE	911,053	1,888	0	0	0
W.I. CARR	1,207,436	260	0	0	0
WACHOVIA BANK N.A.	0	0	9,937,684	0	265,424,560
WAGNER STOTT & CO.	11,100,816	10,741	0	0	0
WARBURG, DILLON READ	62,531,502	37,252	67,565,442	0	96,449,777
WASSERSTEI	500,465	2,717	768,750	0	0
WEEDEN & COMPANY	120,045,802	127,510	0	0	0
WEISS	79,480,037	171,835	0	0	0
WERTHEIM SCHRODER & CO INC	2,047,273	41	0	0	0
WEST LB SECURITIES	7,393,861	15,726	0	0	0
WESTMINSTER	19,921,653	44,822	0	0	0
WHEATON FIRST SECURITIES INC	9,339,874	15,246	0	0	0
WHITMAN, MJ	0	0	1,606,375	0	0
WICAR	1,557,805	403	0	0	0
WILLIAM HEWLETT ASSOC.	0	0	346,000	0	0
WILLIAMS CAP GRP LP	16,464,337	16,464,337	0	0	125,512,948
WILSHIRE ASSOCIATES	8,696,381	11,468	0	0	0
WILSON SECURITIES CORP	189,869	128	0	0	0
WORLD CO INC	1,274,185	342	0	0	0
YORKTON SECURITIES INC	242,538	810	0	0	0
ZANNEX SECURITIES	1,027,518	1,009	0	0	0
ZIONS CAPITAL MARKETS	0	0	20,419,348	0	0
BROKER NOT AVAILABLE*	3,908,781,499	218,971	2,574,586,058	100	18,890,959,979
ALL BROKERS COMBINED	**$24,611,406,289**	**$32,247,919**	**$71,839,409,998**	**$430,476**	**$145,131,306,791**

* Includes transactions where broker data was imcomplete, income reinvestment transactions and transfers and adjustments between funds.

Note: Totals may not add due to rounding.

Table of Contents

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the State of Minnesota's Supplemental Investment Fund and the Post Retirement Investment Fund for the year ended June 30, 1999, as shown on pages 102 to 107. These financial statements are the responsibility of the State Board of Investment's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements present only the Supplemental Investment Fund and the Post Retirement Investment Fund of the State of Minnesota and are not intended to present fairly the financial position and results of operation of the State Board of Investment or the State of Minnesota in conformity with generally accepted accounting principles.

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

In our opinion, the financial statements of the Supplemental Investment Fund and the Post Retirement Investment Fund referred to above present fairly, in all material respects, the net assets as of June 30, 1999, and the changes in net assets and results of operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements and supporting schedules on pages 109 to 152 are presented for the purpose of additional analysis and are not a required part of the Supplemental Investment and Post Retirement Funds of the State of Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Centennial Building, 658 Cedar Street, Saint Paul, Minnesota 55155 • Tel: 651/296-4708 • Fax: 651/296-4712
E-mail: auditor@state.mn.us • TDD Relay: 651/297-5353 • Website: www.auditor.leg.state.mn.us

State Board of Investment
and
Howard J. Bicker, Executive Director
Page 2

The year 2000 supplementary information, on page 108, is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We did not audit the information and do not express an opinion on it. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the State of Minnesota is or will become year 2000 compliant, the state's year 2000 remediation efforts will be successful in whole or in part, or that parties which the state does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 1999, on our consideration of the State Board of Investment's control structure and compliance with laws and regulations.

James R. Nobles
James R. Nobles
Legislative Auditor

Claudia J. Gudvangen
Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 1, 1999

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1999
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL(5)		POST RETIREMENT INVESTMENT FUND (6)	
ASSETS:				
Investments (at market value) (2),(3):				
Common Stock	$	1,130,777	$	13,466,579
Alternative Equities		0		0
Fixed Income Securities		416,989		5,220,063
Short Term Securities		103,138		453,796
Short Term Securities-Lending Collateral(4b)		116,190		1,980,853
Total Investments (4a)	$	1,767,094	$	21,121,291
Cash		28		0
Security Sales Receivable		17		0
Accounts Receivable-Fee Refunds		0		0
Accounts Receivable-Mortality		0		22,651
Accounts Receivable-Participants		0		208,512
Accrued Interest		2,416		0
Accrued Dividends		0		0
Accrued Short Term Gain		442		1,561
Reserve Adjustment		0		0
TOTAL ASSETS	$	1,769,997	$	21,354,015
LIABILITIES:				
Management Fees Payable		275		6,695
Security Purchases Payable		0		0
Accounts Payable-Participants		0		0
Accounts Payable-Mortality		0		73,011
Payable to MSRS		0		0
Reserve Adjustment		0		0
Securities-Lending Collateral (4b)		116,190		1,980,853
TOTAL LIABILITIES	$	116,465	$	2,060,559
NET ASSETS AT JUNE 30, 1999	$	1,653,532	$	19,293,456

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1999
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL		POST RETIREMENT INVESTMENT FUND	
FROM INVESTMENT ACTIVITY:				
Net Investment Income	$	93,862	$	1,291,918
Realized Gains (Losses)		30,409		152,662
Unrealized Gains (Losses)		75,596		573,982
TOTAL INCOME	$	199,867	$	2,018,562
Less Distribution To Participant Accounts		(199,843)		(1,960,031)
Undistributed Dedicated Income		0		515,451
Net Change In Undistributed Income	$	24	$	573,982
FROM PARTICIPANT TRANSACTIONS:				
Additions To Participant Accounts				
Participant Contributions		293,214		1,664,299
Income Distribution		199,844		1,960,031
Income To Be Distributed		0		(515,451)
Total Additions	$	493,058	$	3,108,879
Deductions From Participant Accounts				
Withdrawals		86,502		1,484,079
Total Deductions	$	86,502	$	1,484,079
Net Change In Participation	$	406,556	$	1,624,800
TOTAL CHANGE IN ASSETS	$	406,580	$	2,198,782
NET ASSETS:				
Beginning Of Period		1,246,952		17,094,674
End Of Period	$	1,653,532	$	19,293,456

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1999
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL	POST RETIREMENT INVESTMENT FUND
INVESTMENT INCOME:		
Interest	$ 24,318	$ 332,205
Dividends	65,094	957,199
Short Term Gains	4,772	17,621
Security Lending Gross Earnings(4c)	6,772	102,504
Less: Borrower Rebates	(5,958)	(90,429)
Less: Fees Paid to Agents	(195)	(3,125)
Security Lending Net Earnings	619	8,950
Income Before Expenses	$ 94,803	$ 1,315,975
Management Fees	941	24,057
NET INCOME	$ 93,862	$ 1,291,918
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	$ 240,223	$ 1,080,742
Cost Of Securities Sold	209,814	928,080
Net Realized Gain (Loss)	$ 30,409	$ 152,662
Unrealized:		
Beginning Of Period	256,564	2,103,770
End Of Period	332,159	2,677,752
Increase (Decrease) In Unrealized Appreciation	$ 75,595	$ 573,982
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 106,004	$ 726,644

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Risk Categories: At June 30, 1999, all investments of the Investment Trust Funds and pooled investment accounts are insured or registered, or are held by the state or its agent in the state's name. In addition, all security lending transactions are collateralized by at least 100% of the value of loaned securities. A State Board of Investment policy, which limits transactions to those with primary government securities dealers whose net excess capital is greater than $200,000,000 reduces the state's investment risk for repurchase agreements.

Security Valuation: All securities are valued at market except for U.S. Government short-term securities and commercial paper, which are valued at market less accrued interest. Accrued short-term interest is recognized as income as part of "Short-Term Gain". For long-term fixed income securities the SBI uses the Merrill Lynch valuation system. This pricing service is capable of providing prices for both actively traded and privately placed bonds. For equity securities the State Board uses a valuation service provided by Financial Control Systems, Inc. The basis for determining the fair value of investments that are not based on market quotations includes audited financial statements, analysis of future cash flows, and independent appraisals.

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

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

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

Loaning Securities: State Statutes do not prohibit the SBI from participating in security lending. As such, domestic and international corporate securities as well as certain US Government and Government Agency securities are loaned out by the State Board to banks and brokers for additional income. Collateral in the amount of 100% of the market value of the security loaned is required. The collateral held and the market value of securities on loan for the State Board as of June 30, 1999 were $4,184,333,079 and $ 4,066,934,632 respectively.

The SBI utilizes State Street Bank (SSB) to manage its Securities Lending program. SSB provides the SBI indemnification in the event a borrower defaults by failing to return a loaned security.

2. PORTFOLIO LISTING

Asset listings summarizing the securities held by these funds can be found starting on page 139 of this report. A complete listing is available by contacting the State Board's office. Fixed income and equity securities are presented at market value.

3. COST OF INVESTMENTS

At June 30, 1999, the cost of investments for the Investment Trust Funds, excluding security lending collateral, was:

Supplemental Investment Fund	$ 1,318,745,401
Post Retirement Fund	$ 16,462,686,840

4. LOANED SECURITIES

4(a) The market value of loaned securities outstanding at June 30, 1999 was:

Supplemental Investment Fund	$ 113,397,145
Post Retirement Fund	$ 1,924,509,910

4(b) In accordance with GASB_28, Accounting and Financial Reporting for Security Lending Transactions, the amount of cash collateral is concurrently an asset and a liability as at balance sheet date.

Non-cash collateral is considered an asset and a liability only if the lender has the right to sell collateral absent of borrower default. There is no such right in our case.

4(c) In accordance with GASB_28, Accounting and Financial Reporting for Security Lending Transactions, Gross lending income, borrower rebate and agent fees must be reported on the face of the Statement of Operations.

5. SUPPLEMENTAL INVESTMENT FUND

The Supplemental Investment Fund serves as an investment vehicle for the various state and locally administered pension plans. During Fiscal Year 1999 the fund included seven separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages **110 to 125** of this report. Participation in the Supplemental Investment Fund accounts is determined in accordance with various statutory requirements.

6. POST RETIREMENT INVESTMENT FUND

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

Participation in the POST Fund is equal to the actuarially determined required reserves for retirement benefits as of June 30, 1999. It includes a 6% assumed income distribution, in accordance with *Minnesota Statutes* Section 11A.18, and any mortality gains or losses as determined by an independent actuary hired by the State Legislature.

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

Pursuant to ***Minnesota Statutes* Section 11A.18, Subdivision 9**, the inflation increase is based on the change during the Fiscal Year in the *Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor.* In addition to the inflation based increase, a portion of the June 30, 1999 net market value in excess of Required Reserves is available for distribution as an investment based benefit increase to pension fund participants in January 2000.

The benefit increase is stated as a percentage of eligible required reserves. In accordance with statutory provisions, the amount available for the benefit increase is certified to each participating pension fund for distribution to eligible individuals. Annuitants and other individuals receiving benefits at May 31, 1999 are eligible to receive the January 1, 2000 benefit increase.

Inflation Based Benefit Increase	1.9000%
Investment Based Benefit Increase	9.2436%
Total Benefit Increase	**11.1436%**

7. POOLED INVESTMENT ACCOUNTS

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

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
SCHEDULE OF PARTICIPATION
JUNE 30, 1999
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL	POST RETIREMENT INVESTMENT FUND
Teacher's Retirement Fund	$ 0	$ 6,751,682
Public Employees Retirement Fund	0	4,336,210
State Employees Retirement Fund	0	2,054,794
Public Employees Police & Fire Fund	0	718,623
Public Employees Consolidation Fund	0	681,453
Highway Patrolmen's Retirement Fund	0	225,179
Legislators & Survivors Retirement Fund	0	26,737
Correctional Employees Retirement Fund	0	99,324
Judges Retirement Fund	0	72,997
Income Share Account	642,677	0
Growth Share Account	322,381	0
Money Market Account	55,582	0
Common Stock Index Account	388,585	0
International Stock Account	25,750	0
Bond Market Account	131,721	0
Fixed Interest Account	86,838	0
TOTAL PARTICIPATION	$ 1,653,534	$ 14,966,999
Adjustments		
Unrealized Appreciation (Depreciation) of Investments	0	2,677,752
Undistributed Earnings	(2)	1,648,705
NET ASSETS	$ 1,653,532	$ 19,293,456

Minnesota State Board of Investment

REQUIRED SUPPLEMENTARY INFORMATION

Year 2000 Compliance (unaudited)

Year 2000 (Y2K) Readiness: Technical issues associated with the arrival of the year 2000 have the potential of severely disrupting certain types of business activity, including investment management, which relies heavily on computer systems. The usage of two digits (i.e., 99) to represent the year in many older computer programs, data files or chips may be recognized incorrectly when the year 2000 arrives. To eliminate the problem, all software, data and hardware that rely on a two-digit field to represent the year must be converted to four digits prior to December 31, 1999. The SBI has been planning for this event for several years to insure that it will not be adversely impacted.

- The SBI utilizes State Street Bank (SSB) as its custodial bank. Various state and federal regulators have imposed strict Y2K readiness standards and compliance reporting requirements on banks, including SSB. The management of State Street Bank has provided assurances that the software they use to provide custody services to the SBI have been tested and the required remediation has been completed.

- The SBI uses Financial Controls Systems (FCS) as its accounting system vendor. The management of FCS has provided assurances that the software they use to provide services to the SBI have been tested and the required remediation has been completed.

- The SBI utilizes a number of firms to provide investment management services for its Investment Trust Funds. The management of these financial services firms has been asked to provide assurances that computer software and systems utilized in the management of SBI assets are Y2K compliant.

As of June 30, 1999, the SBI had no specific contracts outstanding to make computer systems or other electronic equipment Y2K compliant.

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF ASSETS AND LIABILITIES
JUNE 30, 1999
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
ASSETS:			
Investments (at market value) (2), (3):			
Common Stock	$ 393,868	$ 322,542	$ 0
Alternative Equitites	0	0	0
Fixed Income Securities	200,098	0	0
Short Term Securities	46,398	0	55,358
Securities-Lending Collateral (4b)	56,113	16,900	0
Total Investments (3)	$ 696,477	$ 339,442	$ 55,358
Cash	28	0	0
Security Sales Receivable	17	0	0
Account Receivable- Fee Refunds	0	0	0
Account Receivable-Mortality	0	0	0
Account Receivable-Participants	0	0	0
Accrued Interest	2,079	0	0
Accrued Dividend	0	0	0
Accrued Short Term Gain	208	0	224
TOTAL ASSETS	$ 698,809	$ 339,442	$ 55,582
LIABILITIES:			
Management Fees Payable	19	162	1
Security Purchases Payable	0	0	0
Accounts Payable-Participants	0	0	0
Options Premiums Received	0	0	0
Securities-Lending Collateral (4b)	56,113	16,900	0
TOTAL LIABILITIES	$ 56,132	$ 17,062	$ 1
NET ASSETS AT JUNE 30, 1999	$ 642,677	$ 322,380	$ 55,581

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 388,601	$ 25,766	$ 0	$ 0	$ 1,130,777
0	0	0	0	0
0	0	131,755	85,136	416,989
0	0	0	1,382	103,138
21,413	6,423	15,341	0	116,190
$ 410,014	$ 32,189	$ 147,096	$ 86,518	$ 1,767,094
0	0	0	0	28
0	0	0	0	17
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	337	2,416
0	0	0	0	0
0	0	0	10	442
$ 410,014	$ 32,189	$ 147,096	$ 86,865	$ 1,769,997
16	16	34	27	275
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
21,413	6,423	15,341	0	116,190
$ 21,429	$ 6,439	$ 15,375	$ 27	$ 116,465
$ 388,585	$ 25,750	$ 131,721	$ 86,838	$ 1,653,532

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1999
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
FROM INVESTMENT ACTIVITY:			
Net Investment Income	$ 32,729	$ 33,374	$ 2,681
Realized Gains (Losses)	15,039	2,057	0
Unrealized Gains (Losses)	29,200	12,755	0
TOTAL INCOME	76,968	48,186	2,681
Less Distributions to participants Account	($ 76,968)	($ 48,186)	($ 2,681)
Undistributed Dedicated Income	0	0	0
Net Change In Undistributed Income	$ 0	$ 0	$ 0
FROM PARTICIPANT TRANSACTIONS:			
Additions To Participant Accounts			
Participant Contributions	8,586	6,819	8,014
Income Distributions	76,967	48,187	2,681
Income To Be Distributed	0	0	0
Total Additions	85,553	55,006	10,695
Deductions From Participant Accounts			
Withdrawals	17,548	10,618	2,476
Total Deductions	17,548	10,618	2,476
Net change In Participation	$ 68,005	$ 44,388	$ 8,219
TOTAL CHANGE IN ASSETS	$ 68,005	$ 44,388	$ 8,219
NET ASSETS:			
Beginning Of Period	$ 574,672	$ 277,992	$ 47,362
End Of Period	$ 642,677	$ 322,380	$ 55,581

	STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
	$ 14,876	$ 580	$ 5,657	$ 3,965	$ 93,862
	12,133	20	266	894	30,409
	37,013	1,533	(5,017)	112	75,596
	64,022	2,133	906	4,971	199,867
	($ 64,022)	($ 2,133)	($ 906)	($ 4,947)	($ 199,843)
	0	0	0	0	0
	$ 0	$ 0	$ 0	$ 24	$ 24
	153,731	860	107,619	7,585	293,214
	64,022	2,134	906	4,947	199,844
	0	0	0	0	0
	217,753	2,994	108,525	12,532	493,058
	41,642	1,747	11,777	694	86,502
	41,642	1,747	11,777	694	86,502
	$ 176,111	$ 1,247	$ 96,748	$ 11,838	$ 406,556
	$ 176,111	$ 1,247	$ 96,748	$ 11,862	$ 406,580
	$ 212,474	$ 24,503	$ 34,973	$ 74,976	$ 1,246,952
	$ 388,585	$ 25,750	$ 131,721	$ 86,838	$ 1,653,532

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1999
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
INVESTMENT INCOME:			
Interest	$ 14,673	$ 0	$ 0
Dividends	15,973	33,836	0
Short Term Gains	1,861	28	2,683
Security Lending Gross Earnings (4c)	3,339	948	0
Less: Borrower Rebates	(2,960)	(852)	0
Less:Fees Paid to Agents	(87)	(24)	0
Security Lending Net Earnings	292	72	0
Income Before Expenses	$ 32,799	$ 33,936	$ 2,683
Management Fees	70	562	2
NET INCOME	$ 32,729	$ 33,374	$ 2,681
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Realized:			
Proceeds From Sales	$ 120,220	$ 10,638	$ 0
Cost Of Securities Sold	105,181	8,581	0
Net Realized Gain (Loss)	15,039	2,057	0
Unrealized:			
Beginning Of Period	$ 139,811	$ 44,174	$ 0
End Of Period	$ 169,011	$ 56,929	$ 0
Increase (decrease) In Unrealized Appreciation	29,200	12,755	0
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 44,239	$ 14,812	$ 0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 5,679	$ 3,966	$ 24,318
14,692	593	0	0	65,094
64	15	16	105	4,772
1,398	294	793	0	6,772
(1,174)	(251)	(721)	0	(5,958)
(56)	(13)	(15)	0	(195)
168	30	57	0	619
$ 14,924	$ 638	$ 5,752	$ 4,071	$ 94,803
48	58	95	106	941
$ 14,876	$ 580	$ 5,657	$ 3,965	$ 93,862
$ 41,654	$ 1,753	$ 11,780	$ 54,178	$ 240,223
29,521	1,733	11,514	53,284	209,814
12,133	20	266	894	30,409
$ 69,456	$ 1,375	$ 441	$ 1,307	$ 256,564
$ 106,469	$ 2,907	($ 4,576)	$ 1,419	$ 332,159
37,013	1,532	(5,017)	112	75,595
$ 49,146	$ 1,552	($ 4,751)	$ 1,006	$ 106,004

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1999

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
PARTICIPATION			
Adrian Fire	$ 118,185	$ 45,096	$ 0
Alborn Fire	24,924	5,383	9,453
Alden Fire	0	19,168	19,494
Almelund Fire	28,112	62,832	0
Amboy Fire	0	0	39,566
Argyle Fire	10,441	10,790	0
Askov Fire	43,949	0	0
Audubon Fire	106,036	0	0
Austin Part-time Fire	68,531	54,680	0
Bagley Fire	22,894	0	0
Balsam Fire	84,236	62,628	0
Beaver Creek Fire	0	0	10,190
Belle Plaine Fire	94,423	0	0
Bemidji Fire	249,650	0	96,118
Benson Fire	34,472	41,634	42,619
Bertha Fire	28,398	0	0
Bigfork Fire	8,892	50,116	50,659
Bird Island Fire	12,877	13,961	0
Biwabik Township Fire	15,570	0	5,507
Blooming Prairie Fire	33,520	0	35,068
Bloomington Fire	22,440,150	0	1,803,168
Bricelyn Fire	130,186	0	0
Brooklyn Park Fire	4,332,595	0	1,382,576
Brooten Fire	0	0	151,277
Buffalo Lake Fire	71,013	113,640	0
Caledonia Fire	48,075	14,303	0
Canby Fire	77,045	96,957	0
Carlton Fire	0	52,051	52,576
Center City Fire	63,827	10,367	0
Ceylon Fire	28,470	29,780	30,311
Chaska Fire	597,014	0	0
Chatfield Fire	15,236	0	0
Cherry Fire	59,174	12,603	0
Chisago City Fire	400,716	0	0
Chokio Fire	97,823	0	0
Clarkfield Fire	124,545	39,037	10,748
Clear Lake Fire	150,255	156,201	0
Cleveland Fire	0	0	21,687
Crane Lake Fire	24,492	25,863	0
Dawson Fire	212,037	170,559	0
Deer Creek Fire	51,164	19,249	0
Deerwood Fire	108,366	0	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 13,232	$ 0	$ 0	$ 176,513
0	0	0	0	39,760
0	0	0	0	38,662
0	0	0	0	90,944
24,697	0	0	0	64,263
0	0	0	0	21,231
0	0	0	0	43,949
0	0	0	0	106,036
0	0	0	0	123,211
46,814	0	14,153	0	83,861
0	0	405	0	147,269
7,443	0	0	0	17,633
0	0	0	0	94,423
163,439	137,038	100,922	0	747,167
24,281	0	0	0	143,006
0	0	0	0	28,398
0	9,261	0	0	118,928
0	0	0	0	26,838
0	0	0	0	21,077
32,494	0	0	0	101,082
0	0	0	0	24,243,318
0	0	0	0	130,186
0	0	0	0	5,715,171
0	0	0	0	151,277
0	0	0	0	184,653
0	6,533	0	0	68,911
0	0	14,809	0	188,811
0	0	0	0	104,627
0	5,389	0	0	79,583
0	0	0	0	88,561
0	0	0	0	597,014
0	0	0	0	15,236
0	0	1,347	0	73,124
72,389	0	0	0	473,105
0	0	0	0	97,823
30,343	0	0	0	204,673
0	0	0	0	306,456
12,448	0	18,756	0	52,891
0	0	6,020	0	56,375
0	0	0	0	382,596
0	0	0	0	70,413
0	0	0	0	108,366

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1999

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
PARTICIPATION			
Delano Fire	$ 0	$ 15,754	$ 16,033
Dover Fire	44,648	0	21,165
East Grand Forks Fire	588,540	0	0
Edgerton Fire	96,701	0	54,658
Edina Fire	2,854,203	318,482	319,310
Elbow Lake Fire	129,027	44,540	0
Elk River Fire	449,930	135,627	137,377
Elmore Fire	0	17,181	15,391
Emmons Fire	33,007	28,699	29,439
Excelsior Fire	1,127,012	531,686	192,959
Farmington Cataract	81,731	0	94,939
Fayal Fire	19,195	17,883	12,603
Fergus Falls Fire	0	297,660	302,563
Forest Lake Fire	383,788	0	91,984
Frazee Fire	89,573	7,829	6,678
Frost Fire	9,853	11,118	11,237
Golden Valley Fire	1,644,923	0	1,960,911
Gonvick Fire	26,606	30,724	0
Good Thunder Fire	123,130	78,322	80,375
Goodland Fire	0	36,867	0
Grand Marais Fire	36,695	41,933	0
Grand Meadow Fire	37,284	42,031	42,344
Grand Rapids Fire	534,734	0	0
Greenwood Fire	22,613	74,367	0
Grey Eagle Fire	76,128	0	0
Hackensack Fire	30,930	0	0
Hamel Fire	229,027	213,121	0
Harmony Fire	0	0	15,337
Hawley Fire	53,795	0	36,946
Hayward Fire	28,790	75,330	101,443
Hector Fire	326,189	0	0
Henning Fire	37,179	22,765	45,152
Hibbing Fire	35,717	68,746	62,778
Hinckley Fire	11,578	12,429	12,648
Holdingford Fire	6,943	7,638	7,739
Holland Fire	31,583	0	11,633
Hovland Fire	0	0	11,202
Industrial Fire	32,482	0	36,552
Isanti Fire	0	207,094	105,199
Jacobson Fire	8,743	9,515	0
Jasper Fire	0	28,833	0
Jordan Fire	94,275	0	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 31,787
31,187	0	30,362	0	127,362
0	0	0	0	588,540
0	0	0	0	151,359
1,358,543	0	1,035	0	4,851,573
0	0	0	0	173,567
144,230	0	1,983	0	869,147
0	0	0	0	32,572
0	6,879	0	0	98,024
53,187	0	0	0	1,904,844
0	0	0	0	176,670
2,333	6,019	1,514	0	59,547
262,072	0	0	0	862,295
0	0	0	0	475,772
19,781	0	0	0	123,861
0	0	0	0	32,208
104,464	0	0	0	3,710,298
0	0	0	0	57,330
0	11,459	0	0	293,286
0	0	0	0	36,867
57,693	0	44,219	0	180,540
0	0	0	0	121,659
0	0	0	0	534,734
7,596	0	0	0	104,576
0	9,068	0	0	85,196
0	0	0	0	30,930
0	18,678	39,386	0	500,212
0	9,053	0	0	24,390
0	0	0	0	90,741
0	0	0	0	205,563
0	0	0	0	326,189
19,285	21,477	0	0	145,858
0	26,568	0	0	193,809
10,003	3,539	0	0	50,197
0	0	0	0	22,320
8,892	0	14,576	0	66,684
0	0	0	0	11,202
0	0	0	0	69,034
0	93,772	0	0	406,065
0	0	7,535	0	25,793
0	0	0	0	28,833
15,869	0	0	0	110,144

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1999

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
PARTICIPATION			
Kabetogama Fire	$ 0	$ 68,828	$ 0
Kandiyohi Fire	14,969	8,171	7,195
Kelliher Fire	14,514	15,358	15,595
Kerkhoven Fire	22,818	25,484	25,896
Kiester Fire	0	11,943	12,232
Kimball Fire	38,049	39,250	34,421
Lafayette Fire	102,936	22,361	50,084
Lake City Fire	337,502	0	0
Lake Crystal Fire	96,170	103,579	111,591
Lakeville Fire	166,237	141,901	581,566
Lewiston Fire	89,127	73,002	0
Linwood Fire	336,861	0	0
Lismore Fire	10,491	4,058	4,113
Littlefork Fire	73,040	12,603	55,319
Lowry Fire	0	0	45,061
Madelia Fire	0	20,159	20,326
Madison Fire	58,207	61,501	62,593
Madison Lake Fire	19,657	21,408	0
Mahtomedi Fire	325,600	0	0
Mapleton Fire	60,891	33,622	0
Mapleview Fire	38,748	58,712	0
Maplewood Fire	0	0	670,414
Marine St Croix Fire	65,425	117,062	64,860
Mayer Fire	75,457	0	125,017
Maynard Fire	69,941	0	0
McDavitt Fire	47,979	41,683	0
McGrath Fire	8,781	5,747	0
McIntosh Fire	38,881	44,771	45,472
Medicine Lake Fire	414,168	0	75,741
Menahga Fire	47,014	0	0
Mendota Heights Fire	0	373,122	370,938
Milaca Fire	20,897	0	0
Milan Fire	24,842	27,884	28,463
Minneapolis Fire	0	0	33,625,181
Minneapolis Police	0	0	86,337,438
Minneota Fire	17,339	0	0
Minnetonka Fire	3,385,454	0	0
Montrose Fire	5,073	8,295	9,788
Morris Fire	42,832	41,244	42,329
Morristown Fire	208,030	0	358,013
New Brighton Fire	0	1,551,463	0
New Germany Fire	36,202	0	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 68,828
10,428	0	0	0	40,763
0	0	0	0	45,467
0	0	0	0	74,198
0	10,774	0	0	34,949
0	0	0	0	111,720
37,272	0	0	0	212,653
0	0	0	0	337,502
0	0	0	0	311,340
0	0	0	0	889,704
0	0	0	0	162,129
0	0	0	0	336,861
0	0	0	0	18,662
0	0	0	0	140,962
0	0	0	0	45,061
0	0	0	0	40,485
0	0	0	0	182,301
0	12,336	0	0	53,401
0	0	0	0	325,600
0	0	0	0	94,513
22,763	6,705	0	0	126,928
634,197	0	0	0	1,304,611
23,985	0	0	0	271,332
27,003	0	0	0	227,477
0	0	0	0	69,941
16,609	9,016	0	0	115,287
4,623	0	0	0	19,151
0	0	0	0	129,124
0	0	0	0	489,909
42,849	0	0	0	89,863
426,638	143,801	0	0	1,314,499
0	0	0	0	20,897
0	0	0	0	81,189
29,619,729	0	0	0	63,244,910
57,327,607	0	0	0	143,665,045
10,586	0	0	0	27,925
0	0	0	0	3,385,454
0	0	0	0	23,156
0	23,334	0	0	149,739
0	0	0	0	566,043
914,030	0	0	0	2,465,493
0	0	0	0	36,202

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1999

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
PARTICIPATION			
New Ulm Fire	$ 60,253	$ 0	$ 283,655
New York Mills Fire	82,389	0	0
Nodine Fire	0	0	27,811
North Branch Fire	24,533	29,737	30,267
North Mankato Fire	65,245	78,210	159,489
North Star Fire	0	0	12,794
Northfield Fire	846,943	337,726	550,346
Northrop Fire	22,173	34,299	0
Norwood Young America Fire	29,697	21,095	0
Oak Grove Fire	0	286,102	0
Osakis Fire	0	90,389	90,294
Ottertail Fire	153,444	0	0
Owatonna Fire	0	633,557	0
Pine Island Fire	108,054	78,180	0
Pipestone Fire	50,968	0	55,405
Porter Fire	12,045	12,826	0
Randall Fire	25,608	161,058	77,956
Randolph Fire	90,700	0	119,757
Redwood Falls Fire	0	0	0
Remer Fire	2,183	2,292	2,332
Renville Fire	27,632	34,809	0
Rice Lake Fire	167,665	90,839	91,161
Rosemount Fire	157,168	0	0
Roseville Fire	421,450	1,619,071	1,647,369
Rush City Fire	42,142	68,827	92,448
Ruthton Fire	6,284	6,460	6,476
Sandstone Fire	128,685	0	0
Scandia Valley Fire	225,811	0	0
Schroeder Fire	0	51,612	0
Shakopee Fire	0	370,387	375,037
Sherburn Fire	149,565	0	0
Shevlin Fire	0	0	0
Silver Bay Fire	30,721	38,520	0
Solway Fire	31,400	0	0
Spring Lake Park Fire	939,708	1,396,950	1,412,147
Stephen Fire	44,684	71,678	0
Stewart Fire	50,795	0	28,973
St. Clair Fire	38,701	40,428	53,971
St. James Fire	0	72,957	72,568
St. Michael Fire	0	17,156	17,299

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 0	$ 0	$ 343,908
0	0	0	0	82,389
21,493	11,642	0	0	60,946
0	13,420	0	0	97,957
0	0	0	0	302,944
0	0	0	0	12,794
0	0	0	0	1,735,015
0	0	0	0	56,472
0	0	0	0	50,792
0	0	0	0	286,102
85,343	12,445	0	0	278,471
0	0	0	0	153,444
0	0	0	0	633,557
0	0	0	0	186,234
0	0	0	0	106,373
0	0	0	0	24,871
0	0	0	0	264,622
0	0	0	0	210,457
20,445	0	0	0	20,445
0	2,062	0	0	8,869
18,113	0	0	0	80,554
78,377	0	0	0	428,042
0	0	0	0	157,168
1,974,808	522,585	0	0	6,185,283
0	0	0	0	203,417
5,934	0	0	0	25,154
0	0	0	0	128,685
0	0	0	0	225,811
0	0	0	0	51,612
0	84,753	0	0	830,177
0	0	0	0	149,565
19,731	0	0	0	19,731
0	10,493	0	0	79,734
27,762	0	0	0	59,162
0	0	0	0	3,748,805
0	0	0	0	116,362
0	0	0	0	79,768
0	0	0	0	133,100
0	0	0	0	145,525
0	12,684	0	0	47,139

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1999

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
PARTICIPATION			
St. Peter Fire	$ 0	$ 53,948	$ 27,027
Stillwater Fire	195,410	217,387	0
Sturgeon Lake Fire	0	6,801	0
Thomson Township Fire	23,045	28,147	28,473
Tofte Fire	36,213	0	33,519
Truman Fire	28,263	32,624	34,520
Two Harbors Fire	0	149,035	0
Vadnais Heights Fire	50,788	0	0
Vergas Fire	121,117	0	0
Vermillion Lake Fire	66,241	0	0
Wabasha Fire	54,892	31,662	5,604
Waconia Fire	63,001	70,053	0
Warba-Feeley-Sago Fire	8,238	9,464	0
Warroad Area Fire	151,919	0	0
Williams Fire	19,158	18,775	19,089
Willow River Fire	0	0	0
Winnebago Fire	22,817	0	0
Woodbury Fire	1,235,867	927,678	652,424
Woodstock Fire	8,690	9,454	3,188
Wright Fire	54,358	0	0
Wykoff Fire	73,247	0	0
Wyoming Fire	84,308	0	0
Zumbro Falls Fire	101,598	15,860	14,935
Deferred Comp	192,789,171	138,879,841	179,142,133
Unclassified	124,376,858	56,010,153	41,391,093
PERA-DCP	5,770,050	3,409,137	2,544,854
Hennepin County	67,467,583	37,439,342	15,222,379
MnSCU	200,169,569	73,010,167	13,881,274
TOTAL PARTICIPATION	$642,677,024	$322,380,976	$388,585,325
Adjustments			
Unrealized Appreciation (Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	0
NET ASSETS	**$642,677,024**	**$322,380,976**	**$388,585,325**

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 100,233	$ 26,764	$ 0	$ 0	$ 207,972
0	0	0	0	412,797
5,929	0	10,205	0	22,935
0	0	0	0	79,665
0	0	0	0	69,732
19,781	0	0	0	115,188
0	0	0	0	149,035
0	0	0	0	50,788
0	0	0	0	121,117
0	0	0	0	66,241
0	0	0	0	92,158
0	0	0	0	133,054
0	0	0	0	17,702
0	0	0	0	151,919
0	0	0	0	57,022
17,692	0	41,712	0	59,404
0	0	0	0	22,817
94,333	114,802	32,334	0	3,057,438
2,759	0	0	0	24,091
0	0	0	0	54,358
0	0	0	0	73,247
65,972	0	0	0	150,280
16,106	0	0	0	148,499
24,444,891	14,809,803	31,212,918	68,403,585	649,682,342
6,691,864	6,322,454	11,428,145	11,035,759	257,256,326
609,809	251,980	657,490	1,105,964	14,349,284
1,879,912	1,371,568	5,491,000	0	128,871,784
3,891,846	1,598,000	6,411,066	6,293,530	305,255,452
$131,720,935	$ 25,749,386	$ 55,581,892	$ 86,838,838	$ 1,653,534,376
0	0	0	0	0
0	0	(681)	(1,098)	(1,779)
$131,720,935	**$ 25,750,351**	**$ 55,581,211**	**$ 86,837,740**	**$ 1,653,532,597**

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF ASSETS AND LIABILITIES
JUNE 30, 1999
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
ASSETS:		
Investments (at market value) (2),(3):		
Common Stock	$ 0	$ 0
Alternative Equities	718,544	143,853
Fixed Income Securities	0	0
Short Term Securities	0	4,518
Securities-Lending Collateral(4b)	0	0
Total Investments	$ 718,544	$ 148,371
Cash	2,067	0
Security Sales Receivable	0	0
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	0
Accounts Receivable-Participants	0	0
Accrued Interest	0	0
Accrued Dividends	3,042	0
Accrued Short Term Gain	0	16
TOTAL ASSETS	$ 723,653	$ 148,387
LIABILITIES:		
Management Fees Payable	0	0
Security Purchases Payable	0	0
Accounts Payable-Participants	0	0
Options Premiums Received	0	0
Securities-Lending Collateral(4b)	0	0
TOTAL LIABILITIES	$ 0	$ 0
NET ASSETS AT JUNE 30, 1999	$ 723,653	$ 148,387

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 0	$ 60,671	$ 21,628,927	$ 5,659,746
952,822	0	0	0
0	9,375,783	779	1,498
1,651	1,352,201	823,367	96,699
0	534,328	586,285	739,750
$ 954,473	$ 11,322,983	$ 23,039,358	$ 6,497,693
2,021	3,915	7,580	63,594
0	255,415	21,184	15,783
0	0	186	0
0	0	0	0
0	0	0	0
0	98,695	29	3
0	0	30,652	10,636
2	7,153	1,564	20,687
$ 956,496	$ 11,688,161	$ 23,100,553	$ 6,608,396
0	2,246	7,473	2,927
0	1,599,605	38,299	15,441
0	0	0	0
0	0	0	0
0	534,328	586,285	739,750
$ 0	$ 2,136,179	$ 632,057	$ 758,118
$ 956,496	$ 9,551,982	$ 22,468,496	$ 5,850,278

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF CHANGES IN NET ASSETS
JUNE 30, 1999
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
FROM INVESTMENT ACTIVITY:		
Net Investment Income	$ 40,393	$ 13,647
Realized Gains (Losses)	0	(3,988)
Unrealized Gains (Losses)	9,269	(53,434)
TOTAL INCOME	$ 49,662	($ 43,775)
Less Distribution To Participant Accounts	(40,393)	(659)
Undistributed Dedicated Income	0	(9,000)
Net Change In Undistributed Income	$ 9,269	($ 53,434)
FROM PARTICIPANT TRANSACTIONS:		
Additional To Participant Accounts		
Participant Contributions	29,957	44,408
Income Distribution	40,393	9,658
Income To Be Distributed	0	0
Total Additions	$ 70,350	$ 54,066
Deductions From Participant Accounts		
Withdrawals	78,921	11,707
Total Deductions	$ 78,921	$ 11,707
Net Change In Participation	($ 8,571)	$ 42,359
TOTAL CHANGE IN ASSETS	$ 698	($ 11,075)
NET ASSETS:		
Beginning Of Period	722,955	159,462
End Of Period	$ 723,653	$ 148,387

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 202,742	$ 602,011	$ 279,901	$ 80,009
(8,446)	7,871	1,567,212	40,474
(193,751)	(357,413)	1,623,740	383,263
$ 545	$ 252,469	$ 3,470,853	$ 503,746
(194,297)	(608,448)	(1,848,157)	(127,910)
1	(1,434)	1,044	7,427
($ 193,751)	($ 357,413)	$ 1,623,740	$ 383,263
158,849	70,614	165,383	199,200
194,297	608,448	1,848,157	127,910
(1)	1,434	(1,044)	(7,427)
$ 353,145	$ 680,496	$ 2,012,496	$ 319,683
206,210	1,760	795,620	145,713
$ 206,210	$ 1,760	$ 795,620	$ 145,713
$ 146,935	$ 678,736	$ 1,216,876	$ 173,970
($ 46,816)	$ 321,323	$ 2,840,616	$ 557,233
1,003,312	9,230,659	19,627,880	5,293,045
$ 956,496	$ 9,551,982	$ 22,468,496	$ 5,850,278

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 1999
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
Interest	$ 0	$ 0
Dividends	40,498	14,860
Short Term Gains	173	50
Security Lending Gross Earnings(4c)	0	0
Less: Borrower Rebates	0	0
Less: Fees Paid to Agents	0	0
Security Lending Net Earnings	0	0
Income Before Expenses	$ 40,671	$ 14,910
Management Fees	278	1,263
NET INCOME	$ 40,393	$ 13,647
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	$ 70,559	$ 10,482
Cost Of Securities Sold	70,559	14,470
Net Realized Gain (Loss)	$ 0	($ 3,988)
Unrealized:		
Beginning Of Period	185,304	29,223
End Of Period	194,573	(24,211)
Increase (Decrease) In Unrealized Appreciation	$ 9,269	($ 53,434)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 9,269	($ 57,422)

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 0	$ 533,377	($ 550)	($ 246)
206,099	10,191	289,694	91,011
430	65,497	14,348	(3,226)
0	27,730	34,697	33,821
0	(25,263)	(30,412)	(28,845)
0	(518)	(1,071)	(1,488)
0	1,949	3,214	3,488
$ 206,529	$ 611,014	$ 306,706	$ 91,027
3,787	9,003	26,805	11,018
$ 202,742	$ 602,011	$ 279,901	$ 80,009

$ 145,323	$ 38,651,541	$ 8,723,504	$ 1,476,241
153,769	38,643,670	7,156,292	1,435,767
($ 8,446)	$ 7,871	$ 1,567,212	$ 40,474
341,903	147,091	7,500,399	879,298
148,152	(210,322)	9,124,139	1,262,561
($ 193,751)	($ 357,413)	$ 1,623,740	$ 383,263
($ 202,197)	($ 349,542)	$ 3,190,952	$ 423,737

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF PARTICIPATION
JUNE 30, 1999
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
Teachers Retirement Fund	$ 303,196	$ 62,172
Public Employees Retirement Fund	158,453	32,477
State Employees Retirement Fund	151,134	30,990
Public Employees Police & Fire Fund	74,199	15,229
Highway Patrolmen's Retirement Fund	9,534	1,955
Judges Retirement Fund	824	169
Police & Fire Consolidation Fund	17,389	3,566
Correctional Employees Retire. Fund	8,924	1,829
TOTAL BASIC RETIREMENT FUNDS	$ 723,653	$ 148,387
Post Retirement Fund	0	0
Supplemental Income Share Account	0	0
Supplemental Growth Share Account	0	0
Supplemental Index Share Account	0	0
Supplemental Bond Market Account		0
Supplemental International Equity Account	0	0
TOTAL PARTICIPATION	$ 723,653	$ 148,387

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 400,749	$ 1,683,505	$ 4,468,486	$ 1,191,934
209,455	948,899	2,462,528	668,653
199,763	906,674	2,351,454	638,817
98,057	443,869	1,151,766	312,771
12,602	57,195	148,336	40,298
1,089	4,945	12,824	3,484
22,983	102,813	267,791	72,504
11,798	53,522	138,807	37,710
$ 956,496	$ 4,201,422	$ 11,001,992	$ 2,966,171
0	5,218,836	10,361,667	2,858,353
0	0	393,858	0
0	0	322,388	0
0	0	388,591	0
0	131,724	0	0
0	0	0	25,754
$ 956,496	$ 9,551,982	$ 22,468,496	$ 5,850,278

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS
JUNE 30, 1999

1. PORTFOLIO LISTING:

Asset listings summarizing securities held by these funds can be found starting on page 139 of this report. Fixed income and equity securities are presented at market value.

2. COST OF INVESTMENTS:

At June 30, 1999 the cost of investments for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund, exluding security lending collateral, was:

MINNESOTA POOLED INVESTMENT ACCOUNTS

DOMESTIC ACCOUNTS	
Equity Account	$ 13,328,934,626
Bond Account	$ 10,998,977,279
Real Estate Account	$ 523,970,131
Resource Account	$ 172,582,986
Venture Capital Account	$ 806,321,502
INTERNATIONAL ACCOUNTS	
Equity Account	$ 4,495,381,756

SUPPLEMENTAL INVESTMENT FUND

Income Share Account	$ 471,353,414
Growth Share Account	$ 265,612,906
International Share Account	$ 22,859,323
Money Market Account	$ 55,358,244
Stock Index Account	$ 282,131,372
Bond Market Account	$ 136,330,902
Fixed Interest Account	$ 85,099,240

3. LOANED SECURITIES:

The market value of loaned securities outstanding at June 30, 1999 for the Minnesota Pooled Investment Accounts included in the total investments figure was:

Equity Account (Domestic)	$ 770,427,228
Equity Index Account (Domestic)	$ 406,808,031
Bond Account (Domestic)	$ 1,284,936,088
International Equity Account	$ 1,406,815,777

The market value for non-pooled investment accounts includes:

Money Market Account	$ 157,542,953
Income share Account Fixed Income	$ 34,241,715

EXTERNAL STOCK AND BOND MANAGERS FEES

Total Payments for Fiscal Year 1999

Active Domestic Stock Managers (1)		
Alliance Capital	$	4,487,912
Brinson Partners		1,287,843
Forstmann Leff Associates		2,080,299
Franklin Portfolio Associates		1,669,390
GeoCapital Corp.		1,850,307
American Express**		19,327
Investment Advisors Inc.**		-122,348
Lincoln Capital		1,914,364
Oppenheimer Capital		1,831,191
Weiss Peck & Greer**		483,599
CIC Asset Management		308,636
Cohen, Davis & Marks		621,353
Compass Capital Management		331,547
New Amsterdam Partners		297,175
Valenzuela Capital		323,784
Wilke Thompson Capital		265,535
Winslow Capital		499,507
Zevenbergen Capital		622,357
Passive Domestic Stock Managers (2)		
BZW Barclays		798,318
Semi-Passive Domestic Equity Managers (2)		
Franklin Portfolio		1,955,862
J P Morgan		2,285,749
BZW Barclays		2,397,202
Active Domestic Bond Managers (2)		
Credit Suisse Asset Management		980,830
American Express		647,351
Investment Advisors		859,853
Morgan Stanley Dean Witter		1,419,769
Standish Ayer Woods		1,063,725
Western Asset Mgmt.		1,329,742

EXTERNAL STOCK AND BOND MANAGERS FEES

Total Payments for Fiscal Year 1999

Semi-Passive Domestic Bond Managers (3)		
Blackrock Financial	$	958,091
Goldman Sachs		1,195,556
Lincoln Capital Management		548,438
International Stock Managers (2)		
Brinson Partners International		911,961
Genesis		1,558,399
Marathon		1,274,048
Montgomery		1,365,734
Record Treasury Ltd.		1,094,299
Rowe Price - Fleming		2,576,896
Scudder Stevens		1,318,064
State Street Global Advisors		618,882
City of London		2,109,718
Assigned Risk Plan		
G E Investment Management		457,948
Voyageur Asset Management		512,364

** Manager Terminated in Fiscal '99

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

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

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

This page intentionally left blank.

ALLIANCE CAPITAL MANAGEMENT L.P.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	159,764,098.12	8.96
BUSINESS SERVICES	63,379,900.00	3.56
CAPITAL GOODS	101,644,800.00	5.70
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	64,921,675.00	3.64
CONSUMER SERVICES	179,719,244.25	10.08
ENERGY	0.00	0.00
FINANCIAL SERVICES	161,077,663.00	9.04
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	230,242,487.50	12.92
MULTI-INDUSTRY	0.00	0.00
RAW MATERIALS	0.00	0.00
RETAIL	268,761,781.25	15.08
SHELTER	0.00	0.00
TECHNOLOGY	495,841,875.00	27.81
TRANSPORTATION	13,243,750.00	0.74
UNCLASSIFIED	0.00	0.00
UTILITIES	39,827,175.00	2.23
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	1,778,424,449.12	99.76
Cash Equivalents	4,227,494.76	0.24
Grand Total	**$1,782,651,943.88**	**100.00 %**

CIC ASSET MANAGEMENT INC.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	4,714,959.37	6.01
BUSINESS SERVICES	2,001,387.50	2.55
CAPITAL GOODS	0.00	0.00
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	3,384,050.00	4.32
CONSUMER SERVICES	0.00	0.00
ENERGY	11,489,220.61	14.66
FINANCIAL SERVICES	20,898,218.72	26.66
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	4,054,225.00	5.17
MULTI-INDUSTRY	0.82	0.00
RAW MATERIALS	7,604,880.62	9.70
RETAIL	5,510,312.18	7.03
SHELTER	0.00	0.00
TECHNOLOGY	2,677,125.00	3.42
TRANSPORTATION	2,089,920.00	2.67
UNCLASSIFIED	0.00	0.00
UTILITIES	11,338,065.67	14.46
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	75,762,365.49	96.64
		0.00
Cash Equivalents	2,630,379.37	3.36
		0.00
Grand Total	**$78,392,744.86**	**100.00 %**

BRINSON PARTNERS, INC.

Equities	Market Value	%
BANKS	$75,260,637.25	9.94 %
BASIC INDUSTRIES	0.00	0.00
BUSINESS SERVICES	55,695,720.87	7.36
CAPITAL GOODS	47,969,725.74	6.34
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	58,931,411.25	7.78
CONSUMER NON DURABLES	43,803,551.56	5.79
CONSUMER SERVICES	12,897,900.00	1.70
CONVERTIBLES	67,450.00	0.01
ENERGY	7,023,872.87	0.93
FINANCIAL SERVICES	55,348,436.37	7.31
FUTURES	0.00	0.00
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	86,581,355.02	11.44
RAW MATERIALS	41,821,856.25	5.52
RETAIL	24,518,752.50	3.24
SHELTER	0.00	0.00
TECHNOLOGY	122,359,623.87	16.16
TRANSPORTATION	62,466,059.37	8.25
UNCLASSIFIED	226,687.50	0.03
UTILITIES	40,408,418.75	5.34
ALL NON U.S.	0.00	0.00
		0.00
Total Equities	735,381,459.17	97.13
Cash Equivalents	21,705,482.67	2.87
Grand Total	**$757,086,941.84**	**100.00 %**

COHEN, KLINGENSTEIN, AND MARKS INC.

Equities	Market Value	%
BANKS	$11,789,568.75	5.87 %
BASIC INDUSTRIES	0.00	0.00
BUSINESS SERVICES	0.00	0.00
CAPITAL GOODS	0.00	0.00
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	10,027,450.00	4.99
CONSUMER SERVICES	8,628,375.00	4.29
CONVERTIBLES	0.00	0.00
ENERGY	0.00	0.00
FINANCIAL SERVICES	17,978,262.50	8.94
FUTURES	0.00	0.00
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	44,961,799.99	22.37
RAW MATERIALS	0.00	0.00
RETAIL	34,270,978.75	17.05
SHELTER	0.00	0.00
TECHNOLOGY	47,169,929.87	23.47
TRANSPORTATION	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	19,794,040.62	9.85
ALL NON U.S.	0.00	0.00
Total Equities	194,620,405.48	96.83
Cash Equivalents	6,369,606.03	3.17
Grand Total	**$200,990,011.51**	**100.00 %**

COMPASS CAPITAL MANAGEMENT INC.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	6,935,337.50	8.01
BUSINESS SERVICES	3,552,125.00	4.10
CAPITAL GOODS	13,255,393.75	15.31
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	6,417,287.50	7.41
CONSUMER NON DURABLES	14,031,712.50	16.21
CONSUMER SERVICES	2,804,762.50	3.24
ENERGY	0.00	0.00
FINANCIAL SERVICES	0.00	0.00
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	13,315,525.00	15.38
RAW MATERIALS	7,604,806.25	8.78
RETAIL	9,574,193.75	11.06
RIGHTS/WARRANTS	0.00	0.00
SHELTER	0.00	0.00
TECHNOLOGY	7,696,625.00	8.89
TRANSPORTATION	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
Total Equities	85,187,768.75	98.40
Cash Equivalents	1,388,584.64	1.60
Grand Total	**$86,576,353.39**	**100.00 %**

FRANKLIN PORTFOLIO ASSOC.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	60,651,193.75	9.93
BUSINESS SERVICES	43,559,143.75	7.13
CAPITAL GOODS	6,543,100.00	1.07
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	30,252,131.25	4.95
CONSUMER NON DURABLES	15,761,850.00	2.58
CONSUMER SERVICES	77,961,125.00	12.77
ENERGY	0.00	0.00
FINANCIAL SERVICES	111,180,068.75	18.21
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	0.00	0.00
RAW MATERIALS	23,391,562.50	3.83
RETAIL	63,063,037.50	10.33
RIGHTS/WARRANTS	0.00	0.00
SHELTER	0.00	0.00
TECHNOLOGY	125,073,962.50	20.48
TRANSPORTATION	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	46,922,387.50	7.68
ALL NON U. S.	0.00	0.00
Total Equities	604,359,562.50	98.97
Cash Equivalents	6,260,982.93	1.03
Grand Total	**$610,620,545.43**	**100.00 %**

FORSTMANN-LEFF ASSOC.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	27,272,249.99	3.24
BUSINESS SERVICES	1,944,168.75	0.23
CAPITAL GOODS	3,110,599.50	0.37
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	19,660,596.87	2.33
CONSUMER SERVICES	82,397,787.50	9.78
ENERGY	77,392,786.14	9.18
FINANCIAL SERVICES	18,431,157.75	2.19
HEALTH CARE	7,920,067.18	0.94
RAW MATERIALS	46,075,624.87	5.47
RETAIL	297,589,181.25	35.31
RIGHTS/WARRANTS	0.00	0.00
SHELTER	0.00	0.00
TECHNOLOGY	156,843,983.93	18.61
TRANSPORTATION	10,161,800.00	1.21
UNCLASSIFIED	0.00	0.00
UTILITIES	80,150,684.36	9.51
ALL NON U. S.	0.00	0.00
Total Equities	828,950,688.09	98.36
Cash Equivalents	13,780,367.51	1.64
Grand Total	**$842,731,055.60**	**100.00 %**

GEO CAPITAL

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	18,722,000.00	3.64
BUSINESS SERVICES	231,108,236.24	44.92
CAPITAL GOODS	5,596,312.50	1.09
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	3,380,725.00	0.66
CONSUMER NON DURABLES	13,512,562.50	2.63
CONSUMER SERVICES	34,637,901.87	6.73
ENERGY	16,375,768.75	3.18
FINANCIAL SERVICES	33,486,389.00	6.51
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	15,518,325.00	3.02
REAL ESTATE	6,070,039.25	1.18
RETAIL	8,497,706.25	1.65
SHELTER	0.00	0.00
TECHNOLOGY	86,637,995.37	16.84
TRANSPORTATION	9,102,150.00	1.77
UNCLASSIFIED	90,400.00	0.02
UTILITIES	6,764,625.00	1.31
ALL NON U. S.	0.00	0.00
Total Equities	489,501,136.73	95.14
Cash Equivalents	24,980,136.60	4.86
Grand Total	**$514,481,273.33**	**100.00 %**

LINCOLN CAPITAL MANAGEMENT

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	44,596,337.50	4.78
BUSINESS SERVICES	20,574,400.00	2.20
CAPITAL GOODS	98,703,150.00	10.57
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	105,051,093.75	11.25
CONSUMER SERVICES	17,448,900.00	1.87
ENERGY	0.00	0.00
FINANCIAL SERVICES	37,554,081.25	4.02
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	189,201,337.50	20.26
RAW MATERIALS	17,281,512.50	1.85
RETAIL	77,448,100.00	8.29
SHELTER	0.00	0.00
TECHNOLOGY	289,677,087.50	31.02
TRANSPORTATION	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	26,971,987.50	2.89
ALL NON U.S.	0.00	0.00
Total Equities	924,507,987.50	99.00
Cash Equivalents	9,298,562.86	1.00
Grand Total	**$933,806,550.36**	**100.00 %**

OPPENHEIMER CO.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	124,490,625.00	14.91
BUSINESS SERVICES	16,125,000.00	1.93
CAPITAL GOODS	29,087,500.00	3.48
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	50,343,750.00	6.03
CONSUMER SERVICES	65,118,750.00	7.80
ENERGY	0.00	0.00
FINANCIAL SERVICES	165,328,750.00	19.80
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	24,125,625.00	2.89
MULTI-INDUSTRY	11,906,250.00	1.43
RAW MATERIALS	57,243,750.00	6.85
RETAIL	18,393,750.00	2.20
SHELTER	0.00	0.00
TECHNOLOGY	146,153,437.50	17.50
TRANSPORTATION	28,381,250.00	3.40
UNCLASSIFIED	13,781,250.00	1.65
UTILITIES	33,800,000.00	4.05
ALL NON U.S.	0.00	0.00
Total Equities	784,279,687.50	93.91
Cash Equivalents	50,833,280.37	6.09
Grand Total	**$835,112,967.87**	**100.00 %**

NEW AMSTERDAM PARTNERS

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	0.00	0.00
BUSINESS SERVICES	2,848,000.00	3.33
CAPITAL GOODS	2,062,425.00	2.41
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	1,940,250.00	2.27
CONSUMER NON DURABLES	10,385,518.75	12.13
CONSUMER SERVICES	6,750,367.18	7.88
ENERGY	1,937,031.25	2.26
FINANCIAL SERVICES	7,528,581.25	8.79
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	11,703,647.50	13.67
RAW MATERIALS	2,784,150.00	3.25
RETAIL	9,390,700.00	10.97
SHELTER	0.00	0.00
TECHNOLOGY	16,364,993.75	19.11
TRANSPORTATION	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	9,332,643.75	10.90
ALL NON U.S.	0.00	0.00
Total Equities	83,028,308.43	96.98
Cash Equivalents	2,586,325.31	3.02
Grand Total	**$85,614,633.74**	**100.00 %**

VALENZUELA CAPITAL MANAGEMENT

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	4,552,910.93	6.42
BUSINESS SERVICES	3,376,409.37	4.76
CAPITAL GOODS	744,956.25	1.05
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	6,845,675.00	9.65
CONSUMER NON DURABLES	6,322,912.50	8.91
CONSUMER SERVICES	7,778,756.25	10.96
ENERGY	6,662,962.50	9.39
FINANCIAL SERVICES	3,175,875.00	4.48
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	5,130,450.00	7.23
RAW MATERIALS	5,942,850.00	8.37
RETAIL	5,078,788.00	7.16
SHELTER	0.00	0.00
TECHNOLOGY	7,939,556.25	11.19
TRANSPORTATION	632,100.00	0.89
UNCLASSIFIED	0.00	0.00
UTILITIES	1,425,656.25	2.01
ALL NON U.S.	0.00	0.00
Total Equities	65,609,858.30	92.46
Cash Equivalents	5,353,838.41	7.54
Grand Total	**$70,963,696.71**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers

June 30, 1999

WILKE THOMPSON CAPITAL MGMT.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	0.00	0.00
BUSINESS SERVICES	15,791,196.87	31.09
CAPITAL GOODS	2,417,550.00	4.76
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	3,996,143.75	7.87
CONSUMER SERVICES	2,302,831.25	4.53
ENERGY	0.00	0.00
FINANCIAL SERVICES	0.00	0.00
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	7,108,868.75	14.00
RAW MATERIALS	2,647,425.00	5.21
RETAIL	5,600,750.00	11.03
SHELTER	0.00	0.00
TECHNOLOGY	9,848,762.50	19.39
TRANSPORTATION	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
Total Equities	49,713,528.12	97.88
Cash Equivalents	1,078,846.80	2.12
Grand Total	**$50,792,374.92**	**100.00 %**

ZEVENBERGEN CAPITAL, INC.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	940,900.00	0.72
BUSINESS SERVICES	21,271,443.75	16.31
CAPITAL GOODS	0.00	0.00
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	0.00	0.00
CONSUMER NON DURABLES	10,370,525.00	7.95
CONSUMER SERVICES	25,537,604.75	19.58
ENERGY	0.00	0.00
FINANCIAL SERVICES	1,756,350.00	1.35
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	13,282,425.00	10.18
RAW MATERIALS	0.00	0.00
RETAIL	2,385,862.50	1.83
SHELTER	0.00	0.00
TECHNOLOGY	31,298,218.75	23.99
TRANSPORTATION	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	23,269,580.43	17.84
ALL NON U.S.	0.00	0.00
		0.00
Total Equities	130,112,910.18	99.74
Cash Equivalents	339,219.32	0.26
Grand Total	**$130,452,129.50**	**100.00 %**

WINSLOW CAPITAL MANAGEMENT INC.

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	5,904,571.99	7.44
BUSINESS SERVICES	11,209,100.00	14.12
CAPITAL GOODS	5,646,500.00	7.11
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	1,100,137.50	1.39
CONSUMER NON DURABLES	1,190,700.00	1.50
CONSUMER SERVICES	9,848,599.37	12.41
ENERGY	0.00	0.00
FINANCIAL SERVICES	5,201,600.00	6.55
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	8,341,256.25	10.51
RETAIL	6,681,850.00	8.42
SHELTER	0.00	0.00
TECHNOLOGY	16,436,468.75	20.71
TRANSPORTATION	1,882,468.75	2.37
UNCLASSIFIED	0.00	0.00
UTILITIES	4,245,768.75	5.35
ALL NON U.S.	0.00	0.00
Total Equities	77,689,021.36	97.87
Cash Equivalents	1,694,580.44	2.13
Grand Total	**$79,383,601.80**	**100.00 %**

BZW BARCLAY'S GLOBAL INVESTORS

(Semi - Passive)

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	260,888,689.00	11.06
BUSINESS SERVICES	83,478,581.25	3.54
CAPITAL GOODS	137,998,281.75	5.85
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	51,152,950.68	2.17
CONSUMER NON DURABLES	174,978,933.93	7.42
CONSUMER SERVICES	147,753,601.87	6.26
ENERGY	145,649,418.75	6.17
FINANCIAL SERVICES	171,825,240.11	7.28
HEALTH CARE	240,682,554.75	10.20
MULTI-INDUSTRY	437,200.00	0.02
RAW MATERIALS	107,557,837.00	4.56
RETAIL	86,195,054.24	3.65
TECHNOLOGY	350,839,327.72	14.87
TRANSPORTATION	28,731,947.24	1.22
US TREASURY	0.00	0.00
UTILITIES	357,330,638.43	15.15
ALL NON U.S.	0.00	0.00
Total Equities	2,345,500,256.72	99.41
Cash Equivalents	13,834,734.71	0.59
Grand Total	**$2,359,334,991.43**	**100.00 %**

FRANKLIN PORTFOLIO ASSOC.
(Semi - Passive)

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	270,205,721.79	11.75
BUSINESS SERVICES	84,055,287.50	3.66
CAPITAL GOODS	99,906,373.06	4.34
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	45,112,698.06	1.96
CONSUMER NON DURABLES	162,332,331.81	7.06
CONSUMER SERVICES	142,471,407.25	6.20
ENERGY	126,361,191.00	5.50
FINANCIAL SERVICES	187,615,194.12	8.16
GENERAL BUSINESS	0.00	0.00
HEALTH CARE	225,957,810.12	9.83
MULTI-INDUSTRY	43,839.37	0.00
RAW MATERIALS	115,032,247.37	5.00
RETAIL	108,106,906.25	4.70
SHELTER	0.00	0.00
TECHNOLOGY	350,092,488.25	15.23
TRANSPORTATION	13,109,356.25	0.57
UNCLASSIFIED	0.00	0.00
UTILITIES	347,085,671.74	15.09
ALL NON U.S.	0.00	0.00
Total Equities	2,277,488,523.94	99.05
Cash Equivalents	21,926,834.81	0.95
Grand Total	**$2,299,415,358.75**	**100.00 %**

J.P. MORGAN NEW YORK
(Semi - Passive)

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
BANKS	263,355,130.50	10.71
BUSINESS SERVICES	104,621,404.50	4.26
CAPITAL GOODS	116,857,112.50	4.75
CONSUMER DURABLES	54,766,793.75	2.23
CONSUMER NON DURABLES	183,075,779.12	7.45
CONSUMER SERVICES	121,922,607.52	4.96
ENERGY	157,576,993.75	6.41
FINANCIAL SERVICES	207,208,705.12	8.43
HEALTH CARE	236,911,529.08	9.64
MULTI-INDUSTRY	3,654,675.00	0.15
RAW MATERIALS	107,091,347.50	4.36
RETAIL	93,839,439.69	3.82
RIGHTS/WARRANTS	148,525.87	0.01
TECHNOLOGY	371,661,080.31	15.12
TRANSPORTATION	26,065,287.50	1.06
UNCLASSIFIED	1,493,887.50	0.06
US TREASURY	702,954.00	0.03
UNCLASSIFIED	0.00	0.00
UTILITIES	394,259,300.51	16.04
ALL NON U.S.	0.00	0.00
Total Equities	2,445,212,553.72	99.47
Cash Equivalents	12,917,242.56	0.53
Grand Total	**$2,458,129,796.28**	**100.00 %**

BZW BARCLAY'S GLOBAL INVESTORS
(Passive)

Equities	Market Value	%
BANKS	$649,161,231.39	8.48 %
BUSINESS SERVICES	478,177,613.04	6.25
CAPITAL GOODS	394,094,987.23	5.15
CONSUMER DURABLES	160,209,371.96	2.09
CONSUMER NON DURABLES	541,735,116.09	7.08
CONSUMER SERVICES	415,612,798.32	5.43
ENERGY	349,697,277.45	4.57
FINANCIAL SERVICES	698,423,803.31	9.13
HEALTH CARE	775,713,643.60	10.14
MULTI-INDUSTRY	11,859,278.17	0.15
PREFERRED STOCK	12,300.00	0.00
RAW MATERIALS	278,549,341.12	3.64
RETAIL	444,578,105.57	5.81
RIGHTS/WARRANTS	5,225.00	0.00
SHELTER	0.00	0.00
TECHNOLOGY	1,486,647,193.92	19.43
TRANSPORTATION	85,259,653.24	1.11
UNCLASSIFIED	2,067,934.11	0.03
UTILITIES	808,982,319.63	10.57
VENTURE CAPITAL	3,883.31	0.00
BONDS	148,645.99	0.00
Total Equities	7,580,939,722.45	99.07
Cash Equivalents	70,807,315.05	0.93
Grand Total	**$7,651,747,037.50**	**100.00 %**

MINNESOTA STATE BOARD OF INVESTMENT
(Transition Account)

Equities	Market Value	%
BASIC INDUSTRIES	$0.00	0.00 %
CAPITAL GOODS	$0.00	0.00
CONSUMER BASICS	$0.00	0.00
CONSUMER DURABLES	$1,652.06	0.00
CONSUMER NON DURABLES	$8,562,500.00	1.37
CONSUMER SERVICES	$0.00	0.00
ENERGY	$0.00	0.00
FINANCIAL SERVICES	$0.00	0.00
FUTURES	$0.00	0.00
GENERAL BUSINESS	$0.00	0.00
HEALTH CARE	$13,898,687.50	2.22
SHELTER	$0.00	0.00
TECHNOLOGY	$46,583,250.00	7.46
TRANSPORTATION	$0.00	0.00
UNCLASSIFIED	$0.00	0.00
UTILITIES	$4,389,187.50	0.70
ALL NON U.S.	$0.00	0.00
		0.00
Total Equities	$73,435,277.06	11.75
Cash Equivalents	$551,353,447.58	88.25
Grand Total	**$624,788,724.64**	**100.00 %**

AGGREGATE DOMESTIC EQUITY POOL*

Equities	Market Value	%
BANKS	$1,989,206,162.83	8.86 %
BASIC INDUSTRIES	0.00	0.00
BUSINESS SERVICES	1,242,769,118.39	5.53
CAPITAL GOODS	1,065,638,767.28	4.75
CONSUMER BASICS	0.00	0.00
CONSUMER DURABLES	420,111,084.01	1.87
CONSUMER NON DURABLES	1,443,448,753.13	6.43
CONSUMER SERVICES	1,361,593,319.88	6.06
CONVERTIBLES	67,450.00	0.00
ENERGY	900,166,523.07	4.01
FINANCIAL SERVICES	1,904,018,376.25	8.48
HEALTH CARE	2,154,651,619.74	9.60
MULTI-INDUSTRY	27,901,243.36	0.12
PREFERRED STOCK	12,300.00	0.00
RAW MATERIALS	820,629,190.98	3.65
REAL ESTATE	6,070,039.25	0.03
RETAIL	1,569,485,249.68	6.99
RIGHTS/WARRANTS	153,750.87	0.00
SHELTER	0.00	0.00
TECHNOLOGY	4,167,842,985.74	18.56
TRANSPORTATION	281,125,742.35	1.25
UNCLASSIFIED	17,660,159.11	0.08
US TREASURY	702,954.00	0.00
UTILITIES	2,256,298,151.39	10.05
VENTURE CAPITAL	3,883.31	0.00
ALL NON U.S.	0.00	0.00
BONDS	148,645.99	0.00
		0.00
Total Equities	21,629,705,470.61	96.33
Cash Equivalents	823,367,262.73	3.67
Grand Total	**$22,453,072,733.34**	**100.00 %**

* Aggregate of all managers in the Domestic Equity Account in the financial statements. Includes Active, Semi-Passive, and Passive Managers.

ALTERNATIVE ASSETS

Asset listing for the Alternative Asset Pools can be found on pages 84-86 of this report.

STATE STREET GLOBAL ADVISORS

Exposure by Country	Market Value	%
AUSTRALIA	$88,365,476.13	2.92 %
CANADA	978.65	0.00
DENMARK	23,360,009.38	0.77
EURO	1,110,869,410.61	36.77
HONG KONG	75,950,107.16	2.51
ISRAEL	1.59	0.00
JAPAN	723,530,794.68	23.95
MALAYSIA	23,543,128.72	0.78
MEXICO	0.03	0.00
NEW ZEALAND	6,097,846.09	0.20
NORWAY	12,438,424.71	0.41
SINGAPORE	30,133,872.09	1.00
SWEDEN	86,204,180.73	2.85
SWITZERLAND	197,349,006.25	6.53
THAILAND	47.93	0.00
UNITED KINGDOM	643,585,794.31	21.30
UNITED STATES	101,863.45	0.00
FORWARD CURR CONTR.	0.00	0.00
Grand Total	**$3,021,530,942.51**	**100.00 %**

SCUDDER, STEVENS & CLARK

Exposure by Country	Market Value	%
AUSTRALIA	$6,614,801.36	1.41 %
CANADA	3,599,893.38	0.77
EURO	168,068,524.05	35.88
HONG KONG	18,437,601.91	3.94
JAPAN	111,122,693.96	23.72
MEXICO	0.03	0.00
NEW ZEALAND	-0.60	0.00
SINGAPORE	-0.76	0.00
SWEDEN	12,961,335.65	2.77
SWITZERLAND	23,610,583.17	5.04
UNITED KINGDOM	87,571,831.05	18.69
UNITED STATES	36,193,580.89	7.73
FORWARD CURR CONTR.	267,004.38	0.06
Grand Total	**$468,447,848.47**	**100.00 %**

CITY OF LONDON INVT. MGMT.

(Emerging Markets)

Exposure by Country	Market Value	%
UNITED STATES	$263,614,391.44	100.00 %
FORWARD CURRENCY CONTR.	0.00	0.00
Grand Total	**$263,614,391.44**	**100.00 %**

MONTGOMERY ASSET MGMT.

(Emerging Markets)

Exposure by Country	Market Value	%
ARGENTINA	$12.52	0.00 %
BRAZIL	16,925,075.72	7.48
CZECH REPUBLIC	0.00	0.00
EGYPT	6,236,026.99	2.76
EURO	55.60	0.00
GREECE	3,219,016.31	1.42
HONG KONG	3,284,415.68	1.45
HUNGARY	3,539,187.08	1.56
INDONESIA	4,204,437.78	1.86
ISRAEL	6,752,828.80	2.98
JORDAN	9.25	0.00
MALAYSIA	5,459,520.79	2.41
MEXICO	14,865,629.61	6.57
NEW TAIWAN	18,664,153.97	8.25
PAKISTAN	171,651.09	0.08
PHILIPPINES	5,650,155.15	2.50
POLAND	650,716.92	0.29
SINGAPORE	990,406.38	0.44
SOUTH AFRICA	21,485,242.45	9.49
SOUTH KOREA	28,302,296.38	12.51
THAILAND	9,719,455.30	4.29
TURKEY	7,951,264.99	3.51
UNITED KINGDOM	548.74	0.00
UNITED STATES	68,264,668.10	30.16
FORWARD CURR CONTR.	-20,687.12	-0.01
Grand Total	**$226,316,088.48**	**100.00 %**

GENESIS ASSET MANAGEMENT

(Emerging Markets)

Exposure by Country	Market Value	%
ARGENTINA	$8,316,431.15	3.71 %
AUSTRALIA	5,437,569.53	2.43
BRAZIL	16,856,451.75	7.52
CZECH REPUBLIC	515,482.74	0.23
EGYPT	640,520.60	0.29
GREECE	1,408,109.27	0.63
HONG KONG	8,895,618.21	3.97
HUNGARY	2,459,634.52	1.10
INDONESIA	1,333,040.48	0.59
JORDAN	1,900,366.28	0.85
MALAYSIA	1,970,633.30	0.88
MEXICO	12,997,936.66	5.80
PERU	1,407,675.70	0.63
PHILIPPINES	2,084,634.39	0.93
SOUTH AFRICAN	8,650,351.83	3.86
SOUTH KOREA	10,410,687.18	4.65
THAILAND	833,516.79	0.37
TURKEY	11,212,129.42	5.00
UNITED KINGDOM	9,900,954.25	4.42
UNITED STATES	116,315,825.73	51.91
ZIMBABWE	508,609.23	0.23
FORWARD CURRENCY CO	9.35	0.00
Grand Total	**$224,056,188.36**	**100.00 %**

BRINSON PARTNERS INTL.

Exposure by Country	Market Value	%
AUSTRALIA	$41,368,915.04	7.16 %
EURO	219,932,378.50	38.05
GERMANY	812.01	0.00
HONG KONG	26,230.62	0.00
ITALY	1,405.55	0.00
JAPAN	79,913,132.14	13.83
MALAYSIA	678,056.50	0.12
NEW ZEALAND	6,789,112.21	1.17
PORTUGAL	1,166.65	0.00
SINGAPORE	11,443,586.20	1.98
SPAIN	5,314.85	0.00
SWEDEN	19,844,570.49	3.43
SWITZERLAND	29,380,376.30	5.08
UNITED KINGDOM	137,918,667.46	23.86
UNITED STATES	31,917,952.03	5.52
FORWARD CURR CONTR.	-1,266,510.35	-0.22
Grand Total	**$577,955,166.20**	**100.00 %**

ROWE PRICE-FLEMING INTL.

Exposure by Country	Market Value	%
AUSTRALIA	$16,030,860.57	2.63 %
BRAZIL	3,486,824.85	0.57
CANADA	1,651,757.24	0.27
DENMARK	2,263,084.31	0.37
EURO	226,482,652.55	37.17
HONG KONG	16,395,052.87	2.69
JAPAN	108,170,071.24	17.75
MEXICO	3,258,959.01	0.53
NEW ZEALAND	1,395,873.09	0.23
NORWAY	5,084,571.27	0.83
PHILIPPINES	606.75	0.00
SINGAPORE	2,854,921.21	0.47
SWEDEN	22,505,296.46	3.69
SWITZERLAND	37,641,867.63	6.18
THAILAND	0.02	0.00
UNITED KINGDOM	114,063,216.24	18.72
UNITED STATES	48,022,824.50	7.88
FORWARD CURR CONTR.	-2,908.96	0.00
Grand Total	**$609,305,530.85**	**100.00 %**

MARATHON ASSET MGMT.

Exposure by Country	Market Value	%
AUSTRALIA	$14,524,209.43	3.42 %
DENMARK	2,662,486.57	0.63
EURO	103,381,023.14	24.38
HONG KONG	17,535,718.95	4.13
INDONESIA	3,594,098.04	0.85
JAPAN	110,319,993.49	26.01
MALAYSIA	6,889,997.41	1.62
MEXICO	1,340,530.81	0.32
NEW ZEALAND	701,565.01	0.17
NORWAY	3,040,078.09	0.72
PHILIPPINES	2,265,172.33	0.53
SINGAPORE	6,950,732.70	1.64
SOUTH AFRICA	6,804,433.82	1.60
SWEDEN	21,929,114.56	5.17
SWITZERLAND	12,926,749.99	3.05
THAILAND	5,971,462.40	1.41
UNITED KINGDOM	79,723,870.54	18.80
UNITED STATES	26,869,725.28	6.34
FORWARD CURR CONTR.	-3,310,121.26	-0.78
Grand Total	**$424,120,841.30**	**100.00 %**

RECORD TREASURY MANAGEMENT LTD.

Exposure by Country	Market Value	%
FORWARD CURRENCY CONT		
EURO CURRENCY	$29,141,144.41	115.24 %
FRANCE	-87,217.39	-0.34
GERMANY	-383,757.22	-1.52
JAPAN	-5,842,280.19	-23.10
NETHERLANDS	-334,106.42	-1.32
SWITZERLAND	6,754,188.51	26.71
UNITED KINGDOM	-3,966,440.05	-15.69
FOREIGN CURRENCY CAS	5,974.07	0.02
Grand Total	**$25,287,505.72**	**100.00 %**

AGGREGATE INTERNATIONAL STOCK POOL*

Exposure by Country	Market Value	%
ARGENTINA	$8,316,443.67	0.14 %
AUSTRALIA	172,341,831.78	2.95
BRAZIL	37,268,352.32	0.64
CANADA	5,252,629.27	0.09
CZECH REPUBLIC	515,482.74	0.01
DENMARK	28,285,580.26	0.48
EGYPT	6,876,547.59	0.12
EURO	1,857,070,919.84	31.80
GREECE	4,627,125.58	0.08
HONG KONG	140,524,745.40	2.41
HUNGARY	5,998,821.60	0.10
INDONESIA	9,131,576.30	0.16
ISRAEL	6,752,830.39	0.12
ITALY	1,405.55	0.00
JAPAN	1,127,214,405.32	19.30
JORDAN	1,900,375.53	0.03
MALAYSIA	38,541,336.72	0.66
MEXICO	32,463,056.15	0.56
NEW TAIWAN	18,664,153.97	0.32
NEW ZEALAND	14,984,395.80	0.26
NORWAY	20,563,074.07	0.35
PAKISTAN	171,651.09	0.00
PERU	1,407,675.70	0.02
PHILIPPINES	10,000,568.62	0.17
POLAND	650,716.92	0.01
PORTUGAL	1,166.65	0.00
SINGAPORE	52,373,517.82	0.90
SOUTH AFRICA	36,940,028.10	0.63
SOUTH KOREA	38,712,983.56	0.66
SPAIN	5,314.85	0.00
SWEDEN	163,444,497.89	2.80
SWITZERLAND	307,662,771.85	5.27
THAILAND	16,524,482.44	0.28
TURKEY	19,163,394.41	0.33
UNITED KINGDOM	1,068,798,442.54	18.30
UNITED STATES	591,300,831.42	10.12
ZIMBABWE	508,609.23	0.01
FORWARD CURRENCY CONTR.	-4327239.89	-0.07
GRAND TOTAL	**$5,840,634,503.05**	**100.00 %**

* Aggregate of all managers in the International Equity Account in the Finanical Statements. Includes Active, Passive, Emerging Markets, and Currency Overlay Managers.

AMERICAN EXPRESS ASSET MANAGEMENT GROUP

Fixed Income	Market Value	%	
U.S. AGENCY	$10,673,460.00	1.63	%
U.S. CORPORATE	183,067,106.00	27.92	
U.S. MTG. REL.	205,759,051.90	31.38	
U.S. MUNICIPALS	0.00	0.00	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	66,306,633.50	10.11	
MISCELLANEOUS	9,659,400.00	1.47	
ALL NON U.S.	0.00	0.00	
Total Fixed Income	**475,465,651.40**	72.51	
Cash Equivalent			
U.S.	180,271,656.49	27.49	
All Non U.S.	0.00	0.00	
Grand Total	**$655,737,307.89**	**100.00**	%

INVESTMENT ADVISERS, INC.

Fixed Income	Market Value	%	
U.S. AGENCY	$72,197,102.80	10.97	%
U.S. CORPORATE	131,690,158.50	20.02	
U.S. MTG. REL.	274,692,840.47	41.75	
U.S. MUNICIPALS	0.00	0.00	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	154,511,113.80	23.49	
MISCELLANEOUS	0.00	0.00	
ALL NON U.S.	0.00	0.00	
Total Fixed Income	**633,091,215.57**	96.23	
Cash Equivalent			
U.S.	24,801,421.09	3.77	
All Non U.S.	0.00	0.00	
Grand Total	**$657,892,636.66**	**100.00**	%

CREDIT SUISSE ASSET MANAGEMENT

Fixed Income	Market Value	%	
U.S. AGENCY	$7,784,950.23	0.90	%
U.S. CORPORATE	150,446,784.47	17.44	
U.S. MTG. REL.	304,560,963.27	35.31	
U.S. MUNICIPALS	1,304,435.95	0.15	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	120,551,043.21	13.98	
MISCELLANEOUS	23,370,918.30	2.71	
ALL NON U.S.	0.00	0.00	
Total Fixed Income	**608,019,095.43**	70.49	
Cash Equivalent			
U.S.	254,569,397.01	29.51	
All Non U.S.	0.00	0.00	
Grand Total	**$862,588,492.44**	**100.00**	%

MORGAN STANLEY DEAN WITTER

Fixed Income	Market Value	%	
U.S. AGENCY	$0.00	0.00	%
U.S. CORPORATE	208,675,562.02	18.11	
U.S. MTG. REL.	698,973,275.11	60.65	
U.S. MUNICIPALS	0.00	0.00	
U.S. PREFERRED STOCK	14,296,769.80	1.24	
U.S. TREASURY	150,372,591.73	13.05	
MISCELLANEOUS	0.00	0.00	
ALL NON U.S.	2,477,362.50	0.21	
Total Fixed Income	**1,074,795,561.16**	93.27	
Cash Equivalent			
U.S.	77,609,962.31	6.73	
All Non U.S.	0.00	0.00	
Grand Total	**$1,152,405,523.47**	**100.00**	%

STANDISH, AYER & WOOD

Fixed Income	Market Value	%
U.S. AGENCY	$11,608,861.95	1.58 %
U.S. CORPORATE	230,654,266.15	31.42
U.S. MTG. REL.	275,637,448.42	37.54
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	101,211,928.20	13.79
MISCELLANEOUS	0.00	0.00
ALL NON U.S.	49,002,924.80	6.67
Total Fixed Income	**668,115,429.52**	91.00
Cash Equivalent		
U.S.	62,393,082.50	8.50
All Non U.S.	3,679,562.67	0.50
Grand Total	**$734,188,074.69**	**100.00** %

BLACKROCK FINANCIAL MGMT
(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	$119,384,744.15	7.24 %
U.S. CORPORATE	338,276,079.97	20.50
U.S. MTG. REL.	701,158,045.38	42.50
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	315,283,493.57	19.11
MISCELLANEOUS	0.00	0.00
ALL NON U.S.	0.00	0.00
Total Fixed Income	**1,474,102,363.07**	89.35
Cash Equivalent		
U.S.	175,642,415.98	10.65
All Non U.S.	0.00	0.00
Grand Total	**$1,649,744,779.05**	**100.00** %

WESTERN ASSET MANAGEMENT CO.

Fixed Income	Market Value	%
U.S. AGENCY	$92,514,910.79	5.68 %
U.S. CORPORATE	248,265,652.56	15.25
U.S. MTG. REL.	780,926,730.59	47.96
U.S. MUNICIPALS	6,548,686.53	0.40
U.S. PREFERRED STOCK	44,875,522.00	2.76
U.S. TREASURY	227,811,814.62	13.99
MISCELLANEOUS	0.00	0.00
ALL NON U.S.	28,193,850.00	1.73
Total Fixed Income	**1,429,137,167.09**	87.76
Cash Equivalent		
U.S.	199,239,709.51	12.24
All Non U.S.	0.00	0.00
Grand Total	**$1,628,376,876.60**	**100.00** %

GOLDMAN SACHS ASSET MANAGEMENT
(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	$12,972,357.39	0.75 %
U.S. CORPORATE	520,439,090.38	30.00
U.S. MTG. REL.	744,195,956.79	42.90
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	245,895,295.14	14.18
MISCELLANEOUS	28,495,230.00	1.64
ALL NON U.S.	0.00	0.00
Total Fixed Income	**1,551,997,929.70**	89.47
Cash Equivalent		
U.S.	182,686,713.93	10.53
All Non U.S.	0.00	0.00
Grand Total	**$1,734,684,643.63**	**100.00** %

LINCOLN CAPITAL MANAGEMENT
(Semi-Passive)

Fixed Income	Market Value	%	
U.S. AGENCY	$135,585,865.57	7.90	%
U.S. CORPORATE	294,426,444.70	17.15	
U.S. MTG. REL.	723,262,785.27	42.13	
U.S. MUNICIPALS	0.00	0.00	
U.S. PREFERRED STOCK	0.00	0.00	
U.S. TREASURY	354,749,982.25	20.66	
MISCELLANEOUS	13,478,909.33	0.79	
ALL NON U.S.	0.00	0.00	
Total Fixed Income	**1,521,503,987.12**	88.63	
Cash Equivalent			
U.S.	195,208,438.30	11.37	
All Non U.S.	0.00	0.00	
Grand Total	**$1,716,712,425.42**	**100.00**	**%**

AGGREGATE BOND POOL*

Fixed Income	Market Value	%	
U.S. AGENCY	$462,722,252.88	4.29	%
U.S. CORPORATE	2,305,941,144.75	21.37	
U.S. MTG. REL.	4,709,167,097.20	43.63	
U.S. MUNICIPALS	7,853,122.48	0.07	
U.S. PREFERRED STOCK	59,172,291.80	0.55	
U.S. TREASURY	1,736,693,896.02	16.09	
MISCELLANEOUS	75,004,457.63	0.69	
ALL NON U.S.	79,674,137.30	0.74	
Total Fixed Income	**9,436,228,400.06**	87.43	
Cash Equivalent			
U.S.	1,352,422,797.12	12.53	
All Non U.S.	3,679,562.67	0.03	
Grand Total	**$10,792,330,759.85**	**100.00**	**%**

* Aggregate of all managers in the Bond Account in the Financial Statements. Includes both Active and Semi-Passive managers.

Summarized Asset Listing - Supplemental Investment Fund

June 30, 1999

BOND MARKET ACCOUNT

	Market Value	%	
BONDS	$131,736,893.63	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$131,736,893.63**	**100.00**	**%**

INCOME SHARE ACCOUNT

	Market Value	%	
EQUITIES	$393,868,422.57	61.30	%
BONDS	$218,417,841.12	33.99	
CASH EQUIVALENTS	$30,284,529.88	4.71	
Grand Total	**$642,570,793.57**	**100.00**	**%**

COMMON STOCK INDEX ACCOUNT

	Market Value	%	
EQUITIES	$388,601,162.64	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$388,601,162.64**	**100.00**	**%**

INTERNATIONAL EQUITY ACCOUNT

	Market Value	%	
EQUITIES	$25,766,541.39	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$25,766,541.39**	**100.00**	**%**

FIXED INTEREST ACCOUNT

	Market Value	%	
GIC POOL	$85,136,529.01	98.40	%
CASH EQUIVALENTS	$1,381,812.78	1.60	
Grand Total	**$86,518,341.79**	**100.00**	**%**

MONEY MARKET ACCOUNT

	Market Value	%	
CASH EQUIVALENTS	$55,358,244.29	100.00	
Grand Total	**$55,358,244.29**	**100.00**	**%**

GROWTH SHARE ACCOUNT

	Market Value	%	
EQUITIES	$322,542,587.09	100.00	%
CASH EQUIVALENTS	$0.00	0.00	
Grand Total	**$322,542,587.09**	**100.00**	**%**

SUPPLEMENTAL INVESTMENT FUND

	Market Value	%	
INCOME SHARE	$642,570,793.57	38.87	%
GROWTH SHARE	$322,542,587.09	19.51	
COMMON STOCK INDEX	$388,601,162.64	23.51	
INTERNATIONAL SHARE	$25,766,541.39	1.56	
BOND MARKET	$131,736,893.63	7.97	
MONEY MARKET	$55,358,244.29	3.35	
FIXED INTEREST	$86,518,341.79	5.23	
Grand Total	**$1,653,094,564.40**	**100.00**	**%**

ASSIGNED RISK PLAN

Equities	Market Value	%
BANKS	14,755,949.36	2.00 %
BUSINESS SERVICES	18,500,083.98	2.50
CAPITAL GOODS	14,919,739.30	2.02
CONSUMER DURABLES	1,422,825.87	0.19
CONSUMER NON DURABLES	12,896,231.17	1.74
CONSUMER SERVICES	11,260,130.91	1.52
ENERGY	16,688,132.48	2.26
FINANCIAL SERVICES	20,408,354.22	2.76
HEALTH CARE	30,997,791.47	4.19
MULTI-INDUSTRY	1,792,203.74	0.24
RAW MATERIALS	4,294,011.17	0.58
RIGHTS	12,263,800.67	1.66
TECHNOLOGY	38,579,951.78	5.22
TRANSPORTATION	3,070,799.12	0.42
UTILITIES	21,155,352.57	2.86
Total Equities	223,005,357.81	30.17
Fixed Income		
U.S. AGENCY	$41,433,485.30	5.60
U.S. CORPORATE	197,417,231.27	26.70
U.S. MTG. REL.	192,604,057.17	26.05
U.S. TREASURY	57,026,968.60	7.71
Fixed Income Total	488,481,742.34	66.08
Cash Equivalents	27,778,969.64	3.76
Grand Total	**$739,266,069.79**	**100.00 %**

INTERNAL FIXED INCOME (TRUST) ACCOUNT

Fixed Income	Market Value	%
U.S. AGENCY	$70,421,136.54	18.75 %
U.S. MTG. REL.	214,294,526.54	57.06
U.S. TREASURY	80,517,433.00	21.44
Fixed Income Total	365,233,096.08	97.24
Cash Equivalents	10,349,989.42	2.76
Grand Total	**$375,583,085.50**	**100.00 %**

INTERNAL EQUITY ACCOUNT

Equities	Market Value	%
BANKS	$43,899,976.30	8.61 %
BUSINESS SERVICES	16,624,866.87	3.26
CAPITAL GOODS	29,249,893.62	5.73
CONSUMER DURABLES	10,412,088.12	2.04
CONSUMER NON DURABLES	41,145,166.80	8.07
CONSUMER SERVICES	23,924,368.50	4.69
ENERGY	30,136,119.74	5.91
FINANCIAL SERVICES	36,166,030.67	7.09
HEALTH CARE	56,194,810.81	11.02
MULTI-INDUSTRY	849,087.50	0.17
RAW MATERIALS	19,478,349.50	3.82
RETAIL	31,257,451.74	6.13
RIGHTS	52.50	0.00
TECHNOLOGY	105,947,424.98	20.77
TRANSPORTATION	4,796,515.62	0.94
UTILITIES	57,042,534.47	11.18
Total Equities	507,124,737.74	99.41
Cash Equivalents	3,007,097.42	0.59
Grand Total	**$510,131,835.16**	**100.00 %**

EMERGENCY MEDICAL FUND

	Market Value	%
EQUITIES	$3,996,602.84	64.47 %
BONDS	2,202,803.86	35.53
CASH EQUIVALENTS	0.00	0.00
Grand Total	**$6,199,406.70**	**100.00 %**

ENVIRONMENTAL TRUST FUND

	Market Value	%
EQUITIES	$157,813,954.13	55.50 %
BONDS	125,430,831.04	44.11
CASH EQUIVALENTS	1,116,970.29	0.39
Grand Total	**$284,361,755.46**	**100.00 %**

ETHEL CURREY FUND

	Market Value	%
EQUITIES	$393,232.83	66.54 %
BONDS	197,695.07	33.46
CASH EQUIVALENTS	0.00	0.00
Grand Total	**$590,927.90**	**100.00 %**

IRON RANGE FUND

	Market Value	%
EQUITIES	$26,496,970.58	60.43 %
BONDS	17,351,982.42	39.57
Grand Total	**$43,848,953.00**	**100.00 %**

PERMANENT SCHOOL FUND

	Market Value	%
EQUITIES	$319,190,351.22	57.34 %
BONDS	230,299,795.68	41.37
CASH EQUIVALENTS	7,178,295.10	1.29
Grand Total	**$556,668,442.00**	**100.00 %**

WINONA STATE FUND

	Market Value	%
EQUITIES	$1,959,569.66	46.69 %
BONDS	1,901,739.95	45.31
CASH EQUIVALENTS	335,658.08	8.00
Grand Total	**$4,196,967.69**	**100.00 %**

Notes applicable to all Summarized Asset Listings:

The data source for the Summarized Asset Listings was State Street Bank & Trust, the SBI's custodian.

Market value figures in the Summarized Asset Listings may not reconcile to the amounts shown for various Accounts in the Financial Statements due to minor pricing differences between Financial Contr and State Street Bank as well as trade adjustments that were reflected in the Financial Statements.

Minnesota State Board of Investment
Capitol Professional Office Building
Suite 200
590 Park Street
St. Paul, MN 55103
(651) 296-3328

AN ENVIRONMENTALLY CONSCIOUS ALTERNATIVE AGRI-TEK

This report was produced using recycled paper
with a minimum of 20% post-consumer waste and Agri Ink.