2003 Annual Report

Minnesota State
Board of Investment

Table of Contents

Introduction 1
Funds Under Management 2
Combined Funds 5
Basic Retirement Funds 9
Post Retirement Fund 12
Investment Pools 15
Supplemental Investment Fund 25
State Deferred Compensation Plan 34
Assigned Risk Plan 36
Permanent School Fund 38
Environmental Trust Fund 40
Tobacco Endowment Funds 42
Closed Landfill Investment Fund 44
Cash Management and Related Programs 45
Other Deferred Compensation Programs 47
Major Policy Initiatives 48
Investment Manager Summaries 56
Statistical Data 73
Section II 111
Auditor's Report 112
Financial Statements 114
Footnotes to Financial Statements 117
Supplemental Financial Statements 121
- Supplemental Investment Fund Combining Statements 122
- Pooled Investment Account Schedules 140
- Footnotes to Supplemental Financial Statements 148

Manager Fees 149
Summarized Asset Listings 151

This annual report can be accessed on our website at www.sbi.state.mn.us

MINNESOTA STATE BOARD OF INVESTMENT

Board Members

Governor
Tim Pawlenty

State Auditor
Pat Anderson Awada

Secretary of State
Mary Kiffmeyer

Attorney General
Mike Hatch

Executive Director

Howard J. Bicker

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An Equal Opportunity Employer

December, 2003

The Minnesota State Board of Investment (SBI) is pleased to present its report for the fiscal year ending June 30, 2003.

Investment Environment

The past fiscal year continued to be a challenging environment for investors. Capital market returns were lackluster for much of the year with last quarter providing hope that the three year bear market had subsided. Markets reflected concerns over a weak economy, corporate scandals, disappointing corporate earnings, the war in Iraq and increased geopolitical risk, and continued weakness for the U.S. dollar. As the year ended, market sentiment improved resulting in an increase to the Wilshire 5000 Investable Index of 0.8% for the year ended June 30, 2003. The Federal Reserve continued to act aggressively during the year, lowering the Fed funds rate twice by a total of 75 basis points – to end the year at 1%. As a result, the U.S. bond market, as measured by the Lehman Brothers Aggregate Bond Index, gained 10.4%.

International stock markets were mixed throughout the fiscal year. Developed market returns were disappointing. The Morgan Stanley Capital International Index of Europe, Australasia and the Far East (EAFE) lost 6.5% for the twelve months ending June 30, 2003. The markets for developing countries, or "emerging markets", increased by 6.7% during the fiscal year.

SBI Results

Within this investment environment, the retirement assets under the Board's control reflected the economic uncertainty:

- The Basic Retirement Funds increased 1.9% during fiscal year 2003. Over the latest ten year period, the Funds have experienced an annualized return of 8.4%. (See page 9.)
- The Post Retirement Fund was up 2.8% for the year. Overall, the Fund provided a ten year annualized return of 8.0%. (See page 12.)
- The lifetime post retirement benefit increase will be 2.1% for eligible retirees for fiscal year 2003.

On June 30, 2003, assets under management totaled $43.4 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 requirements. **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 seeks to enhance the management and performance of the funds under its control.

Sincerely,

Howard Bicker
Executive Director

State Board of Investment

Governor Tim Pawlenty, Chair
State Auditor Pat Anderson Awada
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 three committees organized around broad investment subjects relevant to the Board's decision-making process: Asset Allocation, Stock and Bond 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*

Michael L. Troutman, Chair
V.P., Investments
Board of Pensions Evangelical Lutheran Church in America

Malcolm W. McDonald, Retired Vice Chair
Director & Corporate Secretary
Space Center, Inc.

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 Partners

P. Jay Kiedrowski
Executive Vice President
Wells Fargo & Company

Frank Ahrens, II
Governor's Appointee
Active Employee Representative

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

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

Daralyn Peifer
Chief Investment Officer
General Mills, Inc.

Heather Johnston
Governor's Appointee
Active Employee Representative

Kerry Brick
Pension Investment Officer
Cargill, Inc.

Mary Vanek
Executive Director
Public Employees Retirement Assoc.

Hon. Kenneth Maas
Governor's Appointee
Retiree Representative

Dan McElroy
Commissioner
Mn. Dept. of Finance

* As of December 2003

Staff, Consultants & Custodians

Howard Bicker
Executive Director

Mansco Perry III
Assistant Executive Director

Investment Staff

Public Equities
Lois E. Buermann
Mgr., Public Equities

Stephanie Gleeson
Analyst, International Equities

Fixed Income and Internal Investments
Michael J. Menssen
Mgr., Internal Investments

Tammy Brusehaver-Derby
Analyst, Fixed Income

Alternative Assets
John N. Griebenow
Mgr., Alternative Investments

Andrew Christensen
Analyst, Alternative Investments

Cash Management
Steve Kuettel
Mgr., Short Term Accounts

Susan Sutton
Analyst, Short Term Accounts

Public Programs
James E. Heidelberg
Mgr., Public Programs

Deborah Griebenow
Analyst, Shareholder Services

Administrative Staff

Finance and Accounting
L. Michael Schmitt
Administrative Director

William Nicol
Accounting Supervisor, Senior

David Nkwonta
Accounting Officer, Intermediate

Nancy L. Wold
Accounting Officer, Intermediate

Kathy Leisz
Accounting Officer, Intermediate

John Bottomley
Accounting Officer

Support Services
Charlene Olson
Administrative Assistant to the Executive Director

Carol Nelson
Office Administrative Specialist, Intermediate

Sondra Wagner
Customer Services Specialist

Consultants

General Consultant
Richards & Tierney, Inc.
Chicago, Illinois

Special Projects Consultant
Pension Consulting Alliance
Studio City, California

Custodian Banks

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

State Cash Accounts
Wells Fargo & Company
St. Paul, Minnesota

* As of December 2003

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, 2003, the market value of all assets was $43.4 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 as specified in the Constitution 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 and/or presentation be provided to SBI staff or the SBI Administrative Committee in certain cases (refer to page 46 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

Reader 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.**

Funds Under Management

		Market Value June 30, 2003
Basic Retirement Funds		***$16.8 billion***

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

Teachers Retirement Fund	$6.169 billion
Public Employees Retirement Fund	4.274 billion
State Employees Retirement Fund	3.732 billion
Public Employees Police and Fire Fund	2.103 billion
Highway Patrol Retirement Fund	205 million
Correctional Employees Fund	221 million
Judges Retirement Fund	26 million
Public Employees Correctional Fund	50 million

Post Retirement Fund ***$16.4 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 (SIF) ***$1.5 billion***

The Supplemental Investment Fund includes assets of the state deferred compensation plan, the unclassified state employees retirement plan, 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	$569 million
Common Stock Index Account	passively managed stocks	282 million
Growth Share Account	actively managed stocks	199 million
Bond Market Account	actively managed bonds	162 million
Fixed Interest Account	stable value investments	135 million
Money Market Account	short-term debt securities	99 million
International Share Account	non-U.S. stocks	49 million

State Deferred Compensation Plan (Non-SIF Assets) ***$1.5 billion***

The state deferred compensation plan offers the seven SIF accounts (as shown above), seven mutual fund options and a fixed product. The assets in the mutual funds and the fixed product are shown below.

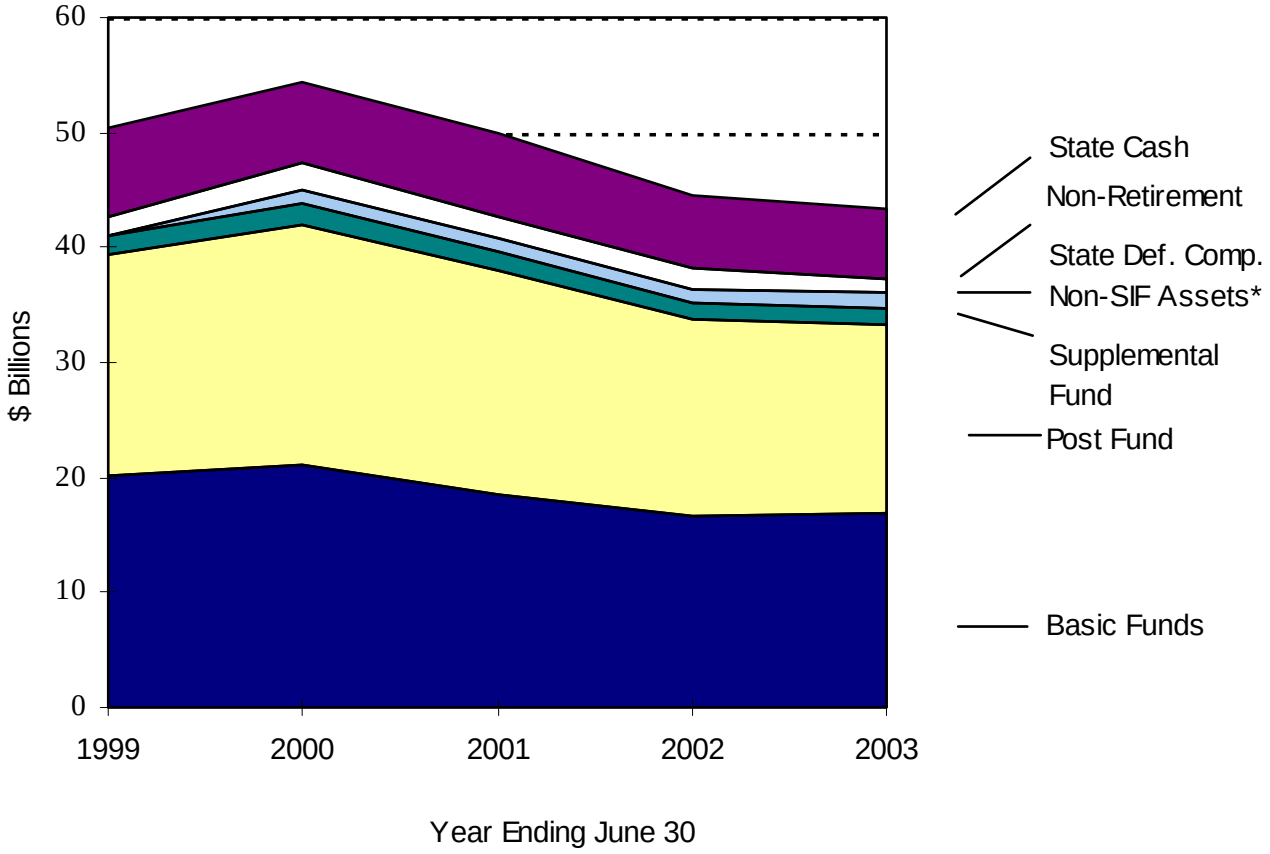
Janus Twenty	$221 million
Morgan Stanley Mid-Cap Value Institutional	12 million
T. Rowe Price Small-Cap Stock	250 million
Vanguard Institutional Index Plus	173 million
INVESCO Total Return	87 million
Dodge & Cox Income Fund	79 million
Fidelity Diversified International	84 million
MN Fixed Fund	644 million

Funds Under Management

Non-Retirement Funds		***$1.1 billion***
Assigned Risk Plan	$229 million	
The Minnesota Workers Compensation Assigned Risk Plan provides worker compensation insurance for companies unable to obtain coverage through private carriers.		
Permanent School Fund	$527 million	
The Permanent School Fund is a trust established for the benefit of Minnesota public schools.		
Environmental Trust Fund	$289 million	
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.		
Tobacco Prevention Fund*	$0.2 million	
The distributions from the Tobacco Prevention Fund are used by the Commissioner of Health to fund public health initiatives.		
Medical Education Fund*	$0.3 million	
The distributions from the Medical Education Fund are used for medical education at the University of Minnesota medical school.		
Academic Health Center Fund*	$0.2 million	
The distributions from the Academic Health Center account are used for medical education at the University of Minnesota medical school.		
State Cash Accounts		***$6.1 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 Under SBI Management		***$43.4 billion***

* The Tobacco Prevention, Medical Education and Academic Health Center Funds were eliminated as part of the budget balancing measures enacted in 2003.

Growth in Assets
Fiscal Years 1999-2003



* The current State Deferred Compensation Plan (Non-SIF Assets) became effective July 1, 1999. Therefore, the year ending June 30, 2000 was the first year of data on the chart.

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, 2003, the Combined Funds had a market value of $33.2 billion.

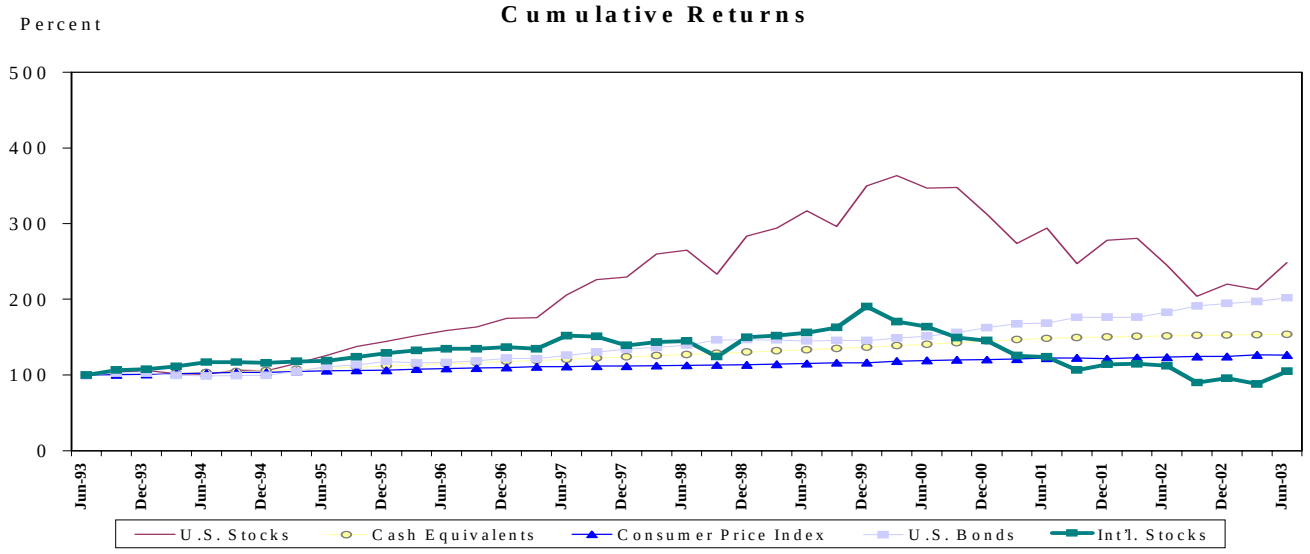
The Combined Funds are so named because they represent the combined assets of both the Basic Retirement Funds (the funds for active employees) and Post Retirement Fund (the fund for retired employees). Unlike most other public and corporate pension plans, the assets of active and retired employees are separated under statute and therefore managed and accounted for separately. More information on the structure and performance of the Basic and Post Funds is 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 1993-2003

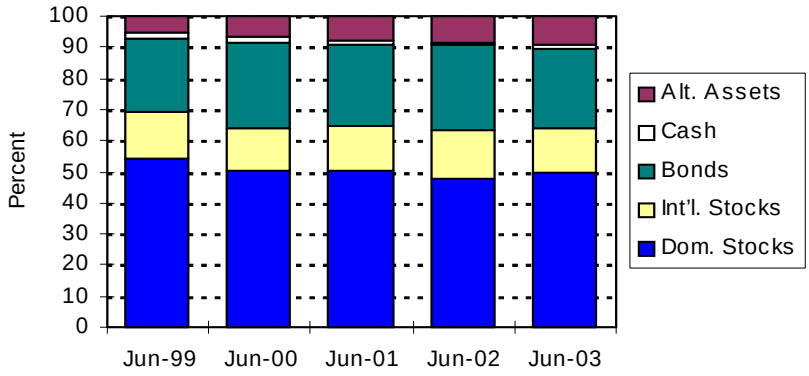


Combined Funds

Asset Allocation

As illustrated in Figure 1 on the prior page, historical evidence strongly indicates that U.S. 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 the 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, real estate, and resource 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 1999-2003

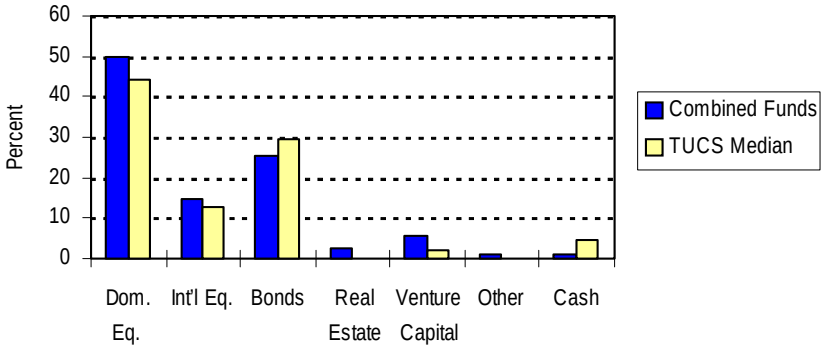


Asset Mix Compared to Other Pension Funds

Comparisons of the Combined Funds' actual asset mix to the median allocation to stocks, bonds and other assets of the funds in TUCS on June 30, 2003 are displayed in Figure 2.

It shows that the Combined Funds were overweighted in domestic and international equities relative to the median allocation in TUCS and underweighted in their allocation to bonds. Historical data on the Combined Funds' asset mix is shown in Figure 3.

Figure 2. Asset Mix Comparison as of June 30, 2003



	Combined Funds	Median Allocation in TUCS*
Domestic Equity	49.8%	44.3%
International Equity	14.5	12.8
Bonds	25.3	29.3
Real Estate	2.4	0.2
Private Equity	5.7	2.1
Other**	1.2	0.0
Cash	1.1	4.8

* Represents the median allocation by asset class, and does not add to 100%.
** Other reflects the Resource investments in the Combined Funds; and, all other assets in TUCS.

Return Objectives

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

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

Combined Funds

—***Match or Exceed Market Returns.*** Over a ten year period, the Combined Funds are expected to match or exceed a composite of market indices weighted using the asset mix of the Combined Funds.

Investment Results

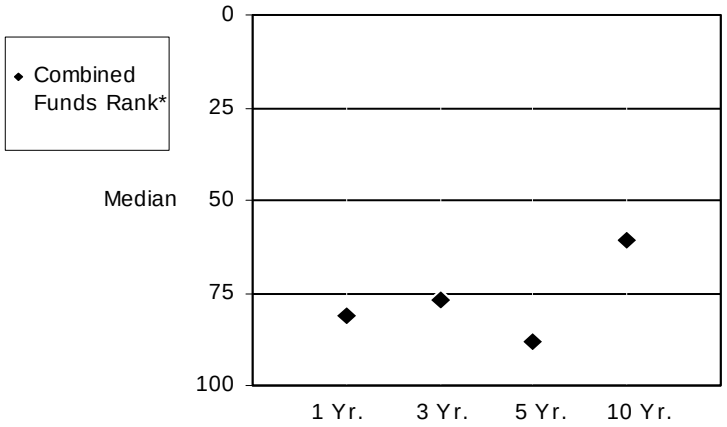
Comparison to Inflation
Over the last twenty years, the Combined Funds exceeded inflation by 7.0 percentage points, an amount well in excess of the return objective cited above. Historical results compared to inflation are shown in Figure 4.

Comparison to Other Funds
While the SBI is 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.

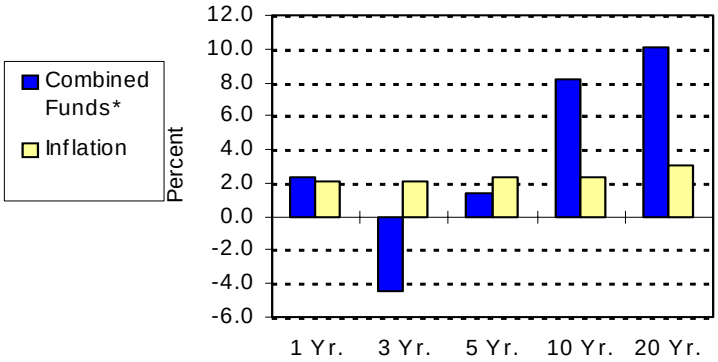
Figure 5. Combined Funds Performance Compared to Other Pension Funds



	Annualized			
	1 Yr.	**3 Yr.**	**5 Yr.**	**10 Yr.**
Combined Funds Percentile Rank in TUCS*	81st	77th	88th	61st

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

Figure 4. Combined Funds Performance vs. Inflation



	Annualized				
	1 Yr.	**3 Yr.**	**5 Yr.**	**10 Yr.**	**20 Yr.**
Combined Funds*	2.4%	-4.4%	1.4%	8.2%	**10.1%**
Inflation	2.1	2.1	2.4	2.4	3.1

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

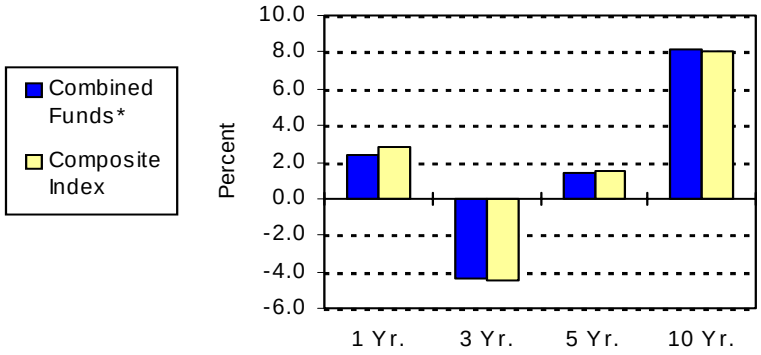
Combined Funds

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 below the median over the last ten year period.

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 0.2 percentage point over the last ten years and, therefore, met their stated performance goal. The Funds trailed the composite index over the last five years by 0.1 percentage point, and by 0.2 percentage point 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.**	**10 Yr.**
Combined Funds*	**2.4%**	**-4.4%**	**1.4%**	**8.2%**
Composite Index	2.8	-4.5	1.5	8.0

* After fees.

Composite Index for Period Ending on June 30, 2003

Asset Class	**Market Index**	**Composite Index Wts.***
Domestic Stocks	Wilshire 5000 Investable	47.7%
Int'l. Stocks	Int'l. Composite**	15.0
Domestic Bonds	Lehman Aggregate	25.5
Alternative Assets	Real Estate Funds	2.6
	Private Equity	6.0
	Resource Funds	1.2
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, 2003, the Funds covered over 333,000 active employees and had a market value of $16.8 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.

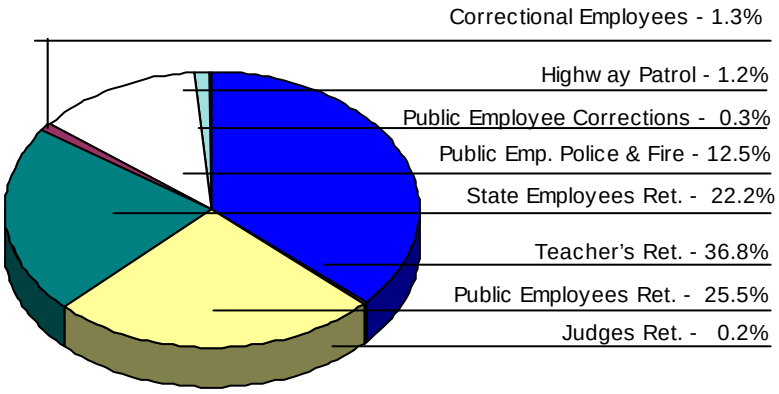
Actuarial Assumed Return

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.

Figure 7. Composition of Basic Funds as of June 30, 2003



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

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 match or exceed their composite index over a ten 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

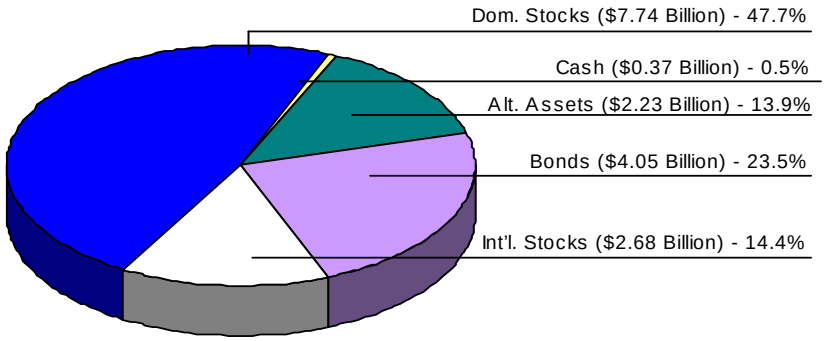
The allocation of assets among stocks, bonds, alternative investments and cash can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. The asset allocation of the fund is under constant review. No significant changes were made during fiscal year 2003.

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 8. Asset Mix as of June 30, 2003



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 2003. 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.

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.

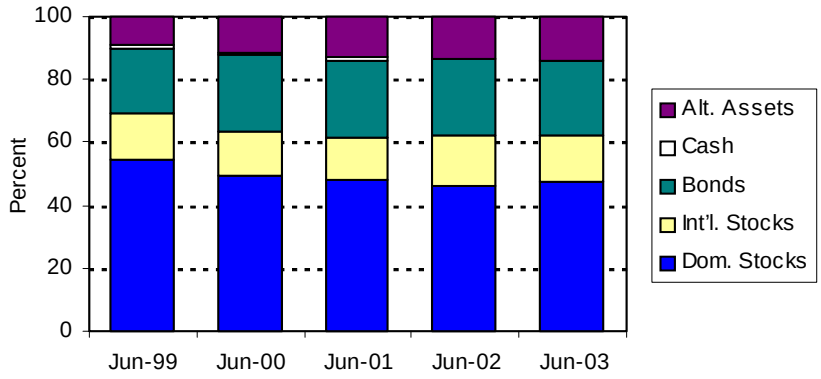
Diversification Vehicles

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

Figure 9. Historical Asset Mix FY 1999-2003



Basic Retirement Funds

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

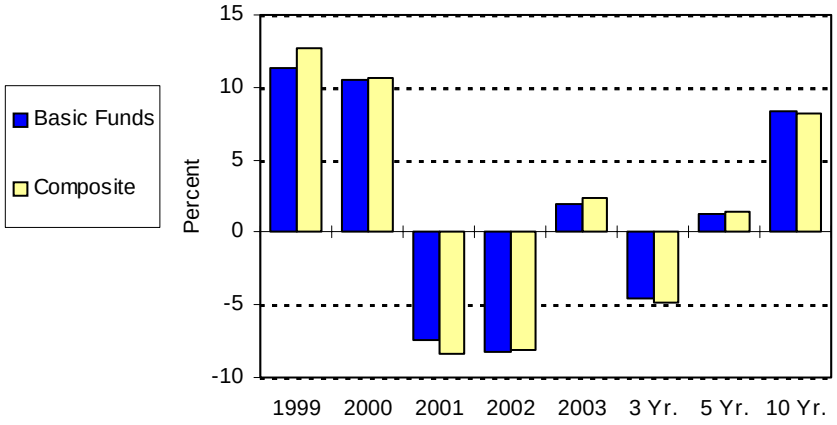
As stated earlier, the Basic Funds are expected to match or exceed the return of a composite of market indices over a ten year period. Performance relative to this standard will measure two effects:

— 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 (domestic and international), bond, or cash segments above or below 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 ten year period ending June 30, 2003, the Basic Funds outperformed the composite index by 0.2 percentage point annualized. The Fund trailed the composite index by 0.1 percentage point over the last five years, and trailed the composite index by 0.5 percentage point over the most recent fiscal year. 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 1999-2003



						Annualized		
	1999	**2000**	**2001**	**2002**	**2003**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Basic Funds	**11.3%**	**10.5%**	**-7.4%**	**-8.2%**	**1.9%**	**-4.6%**	**1.3%**	**8.4%**
Composite Index	12.7	10.6	-8.4	-8.1	2.4	-4.9	1.4	8.2

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, 2003, the Post Fund had a market value of $16.4 billion and more than 119,000 retiree participants.

The Post Retirement Fund includes the assets of retired public employees covered by nine statewide 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 reduction in the inflation adjustment cap.

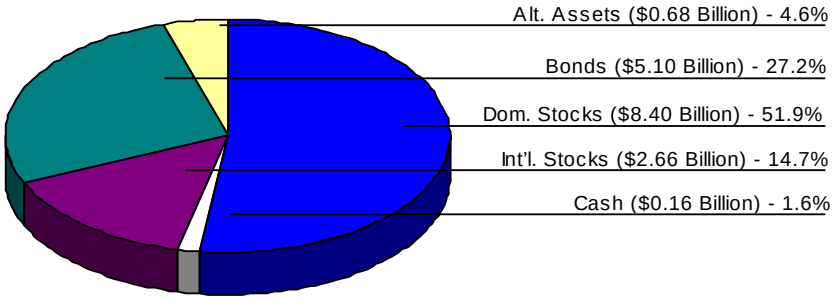
— ***Investment Component.*** Each year, retirees can also receive an investment-based adjustment, *provided* net investment gains are above the amount needed to finance the Post Fund's actuarial assumption and the inflation adjustment. Investment gains and losses are spread over five years to smooth 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, 2003



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 match or exceed its composite index over a ten 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:

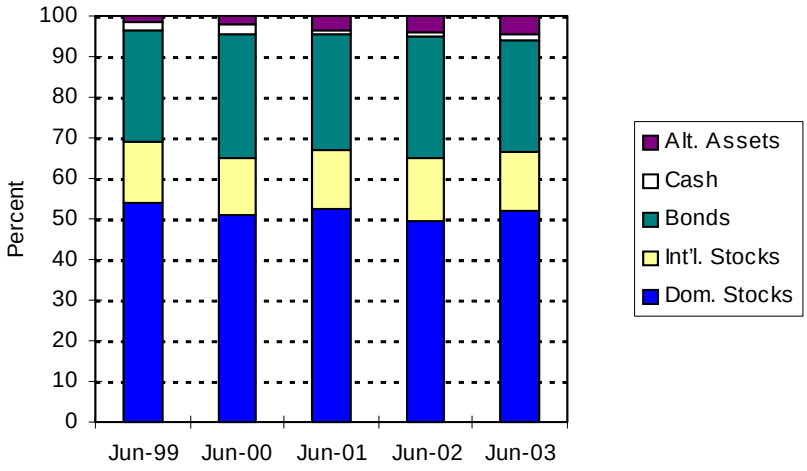
Domestic Stocks	50%
Int'l. Stocks	15
Bonds	27
Alternative Assets	5
Unallocated Cash	3

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 2003.

Figure 12. Historical Asset Mix FY 1999-2003



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.

The Board made several commitments to yield oriented alternative investments during the years. The market value of the alternative segment was 4.6% of the total fund on June 30, 2003. The Board expects this percentage to increase gradually over the next few years.

Post Retirement Fund

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 0.3 percentage point for the most recent ten year period. The fund trailed the composite index over the last five years by 0.2 percentage point, and trailed the composite index by 0.1 percentage point over the most recent fiscal year.

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

Benefit Increase

The Post Fund will provide a benefit increase of 2.1% for fiscal year 2003 payable beginning January 1, 2004. As noted earlier, this increase is comprised of two components:

—***Inflation component*** of 2.1% which is equal to the twelve month increase. The increase in the Consumer Price Index for wage earners (CPI-W) for the twelve months ending June 30, 2003 was 2.1%. (This is the same inflation index used to calculate increases in Social Security payments).

—***Investment component*** of 0% 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

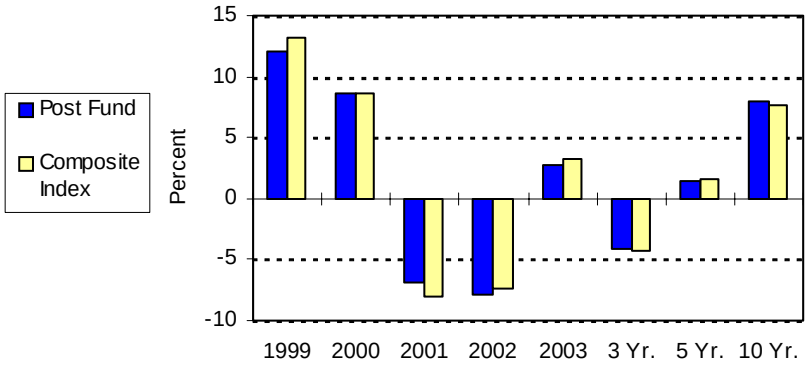
Fiscal Year*	Benefit Increase
1994	4.0%
1995	6.4
1996	8.0
1997	10.1
1998	9.8
1999	11.1
2000	9.5
2001	4.5
2002	0.7
2003	2.1

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

Benefit increases for the past ten years are shown in Figure 14.

More detail on the calculation for the fiscal year 2003 benefit increase is included in the **Statistical Data** section.

Figure 13. Post Fund's Performance vs. Composite Index FY 1999-2003



	1999	2000	2001	2002	2003	Annualized 3 Yr.	Annualized 5 Yr.	Annualized 10 Yr.
Post Fund	**12.1%**	**8.6%**	**-6.9%**	**-7.8%**	**2.8%**	**-4.1%**	**1.4%**	**8.0%**
Composite Index	13.2	8.7	-8.0	-7.4	3.3	-4.2	1.6	7.7

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 Funds, 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, 2003, the dollar value of each fund's participation in the Pool was:

Basic Funds $8.0 billion
(active, passive and semi-passive)

Post Fund $8.5 billion
(active, passive and semi-passive)

Growth Share Account $199 million
(active and semi-passive)

Common Stock Index Account $282 million
(passive)

Stock portion of the Income Share Account $333 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 2003, approximately 33% of the Domestic Stock Pool was actively managed by a group of external money managers. The assets allocated to each of nine managers ranged from $300 to $800 million.

  In addition, the actively managed segment of the Pool includes ten managers in the SBI's Emerging Manager Program. Emerging Managers have portfolios of $25 to $130 million which, in aggregate, gives the Emerging Manager Program about the same weight as a single manager in the active manager program.

— ***Semi-Passive Management.*** At the end of fiscal year 2003, approximately 34% of the Domestic Stock Pool was managed by a group of three semi-passive external money managers with portfolios ranging from $1.5 to $2.4 billion.

— ***Passive Management.*** At the end of fiscal year 2003, approximately 33% of the Stock Pool was managed passively by a single manager with a portfolio of $5.6 billion.

The goal of the Domestic Stock Pool is to add value to the asset class target which is the Wilshire 5000 Investable. 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 could experience 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 was passively managed when 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. Five managers (Alliance Capital Mgmt., FLA Asset Mgmt., Franklin Portfolio Assoc., Lincoln Capital Mgmt., and Oppenheimer Capital) 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. During fiscal year 2000, Brinson (now UBS Global Asset Mgmt.) was asked to eliminate investments in small post-venture companies (about 7% of their portfolio) and to increase the active risk in their portfolio as well. 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 2003 Changes

During fiscal year 2003, there were no changes made to the Domestic Stock Pool.

Investment Performance

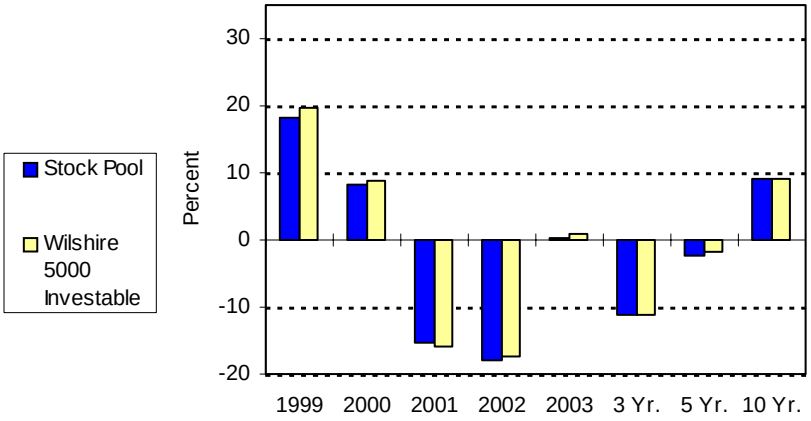
A comprehensive monitoring system has been established to ensure that the many elements of the Domestic Stock Pool conform to the SBI's investment policies. Customized performance benchmarks have been developed for each active, emerging and semi-passive stock manager. These benchmarks enable the SBI 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, emerging, 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.

Figure 15. Domestic Stock Pool Performance FY 1999-2003



	1999	2000	2001	2002	2003	Annualized 3 Yr.	5 Yr.	10 Yr.
Stock Pool	**18.1%**	**8.2%**	**-15.2%**	**-18.0%**	**0.4%**	**-11.3%**	**-2.3%**	**9.0%**
Wilshire 5000 Investable*	19.6	8.6	-15.8	-17.3	0.8	-11.1	-1.9	9.2

* Reflects Wilshire 5000 as reported prior to FY 2000.

The domestic stock managers successfully fulfilled their long-term risk objectives during fiscal year 2003. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained levels of 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 custom 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 index within 0.10 percentage point annualized, over time.

In aggregate, the Domestic Stock Pool underperformed the Wilshire 5000 Investable by 0.4 percentage point for the fiscal year. The active component underperformed while the semi-passive and passive components outperformed or matched their respective targets. Relative to their aggregate benchmarks, the active manager group's underperformance was due to negative security selection and a slight overweight in growth stocks, which performed poorly. The semi-passive managers outperformed due to good security selection. The passive segment tracked the index during the year. Figure 15 provides more detail on the historical performance of the entire pool. Individual manager performance relative to their respective benchmarks was disappointing. Two active managers outperformed their benchmarks while seven underperformed. One semi-passive

Figure 16. Domestic Stock Manager Performance FY 2003

	Actual Return	Benchmark Return
Active Managers		
Alliance Capital Management	-0.7%	1.7%
Cohen Klingenstein & Marks	8.9	10.2
FLA Asset Management	-7.5	4.4
Franklin Portfolio Associates	-7.1	5.1
GeoCapital	10.6	14.3
Lincoln Capital Management	-2.0	4.2
New Amsterdam Partners	-0.1	0.1
Oppenheimer Capital	2.3	-1.2
UBS Global Asset Management	4.2	1.6
Semi-Passive Managers		
Barclays Global Investors	1.9	0.2
Franklin Portfolio Associates	-1.1	0.2
J.P. Morgan Investment Mgmt.	-0.4	0.2
Passive Manager		
Barclays Global Investors	0.8	0.8
Aggregate Stock Pool*	**0.4**	
Asset Class Target		
Wilshire 5000 Investable	0.8	

* Includes Emerging Manager Program, see below.

Figure 17. Emerging Manager Performance FY 2003

	Actual Return	Benchmark Return
Artemis Investment Management	-7.6%	-0.1%
Bay Isle Financial Corp	-9.7	-0.2
Earnest Partners	2.3	6.2
Holt-Smith & Yates Advisors	-5.7	-2.0
Next Century Growth Investors	-0.1	6.6
Peregrine Capital Management	-6.9	-1.3
Valenzuela Capital Partners	-9.1	-2.7
Voyageur Capital Management	-2.4	-0.3
Winslow Capital Management	4.6	2.1
Zevenbergen Capital	9.3	3.4

manager outperformed while two underperformed the completeness fund benchmark and the passive manager matched its target, the Wilshire 5000 Investable index. Individual manager performance for fiscal year 2003 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 disappointing performance for the fiscal year. Two managers outperformed their benchmarks and eight 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, 2003, the dollar value of each fund's participation in the Pool was:

Basic Funds (active and semi-passive)	$3.9 billion
Post Fund (active and semi-passive)	$4.5 billion
Bond Market Account (active and semi-passive)	$162 million

Investment Management

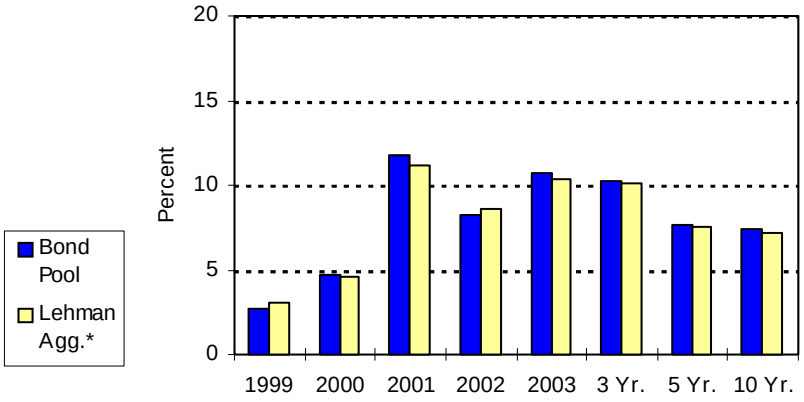
The SBI uses a two-part approach for the management of the Bond Pool:

— ***Active Management.*** No more than one-half of the Bond Pool will be actively managed. At the end of fiscal year 2003, approximately 50% of the Bond Pool was actively managed by a group of five external money managers with portfolios of $629 million to $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 2003, approximately 50% of the bond segment was invested by three managers with portfolios of approximately $1.4 billion each.

The group of ***active*** bond managers is retained 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 duration 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, the duration restriction helps to avoid extreme variability in total returns. The SBI constrains the duration range of the active managers' portfolios to a band of plus or minus two years around the duration of the Lehman Aggregate. 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

Figure 18. Bond Pool Performance FY 1999-2003



	1999	2000	2001	2002	2003	Annualized 3 Yr.	5 Yr.	10 Yr.
Bond Pool	**2.7%**	**4.7%**	**11.8%**	**8.2%**	**10.7%**	**10.2%**	**7.6%**	**7.4%**
Lehman Aggregate*	3.1	4.6	11.2	8.6	10.4	10.1	7.5	7.2

* Lehman Brothers Aggregate Bond Index.

authority on a tactical basis.
The goal of the ***semi-passive*** managers is to add incremental value to the Lehman Brothers Aggregate Bond Index through superior bond selection and sector allocation. Semi-passive managers' portfolios are constrained to plus or minus 0.2 years around the duration of the Lehman Aggregate. Semi-passive managers seek to add value by exploiting perceived mispricings among individual securities or by making 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.

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 2003. 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 are 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 percentage point annualized, over time, and each semi-passive manager is expected to exceed the target by 0.10 percentage point annualized, over time.
In total, the Pool outperformed the Lehman Aggregate index by 0.3 percentage point for the recent fiscal year. Relative to the benchmark, the Pool benefited from an overweight to the corporate sector, which significantly outperformed. Partially offsetting this result was a negative performance from interest rate decisions over the fiscal year.

Performance over longer periods has been positive, exceeding the benchmark by 0.2 percentage point over the ten year period ending June 30, 2003. In general, the managers' decisions to hold portfolios with a modestly longer duration than the index, overweight the spread sectors (corporate and mortgage securities) and underweight Treasuries accounted for the relative performance over the longer term.

The relative performance of individual active managers retained by the Board over the fiscal year was mixed; three managers met or exceeded the benchmark's performance, while two lagged the index. Among the semi-passive managers, two managers outperformed the index over the fiscal year while one matched the index.

Figure 18 shows historical performance for the entire Pool. Individual manager performance for fiscal year 2003 is shown in Figure 19.

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

Figure 19. Bond Manager Performance FY 2003

	Actual Return	Benchmark Return
Active Managers		
American Express Asset Mgmt.	9.5%	10.4%
Deutsche Asset Mgmt.	11.3	10.4
Dodge & Cox Investment Mgmt.	12.7	10.4
Morgan Stanley Investment Mgmt.	8.2	10.4
Western Asset Mgmt.	13.1	10.4
Semi-Passive Managers		
BlackRock Financial Mgmt.	11.2	10.4
Goldman Sachs Asset Mgmt.	11.0	10.4
Lincoln Capital Mgmt.	10.4	10.4
Aggregate Bond Pool	**10.7**	**10.4**
Asset Class Target		
Lehman Aggregate	10.4	

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, 2003, the dollar value of each fund's participation in the International Stock Pool was:

Basic Funds (active and passive)	$2.4 billion
Post Fund (active and passive)	$2.4 billion
International Share Account (active and passive)	$49 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-third of the International Stock Pool managed actively. At the end of fiscal year 2003, approximately 64% of the Pool was actively managed by a group of 10 external managers with portfolios ranging from $100 to $500 million each. Six of these managers manage portfolios in the developed markets and four manage portfolios in the emerging markets.

— ***Passive Management.*** The target is to have at least one-third of the International Stock Pool managed passively. At the end of fiscal year 2003, approximately 36% of the International Stock Pool was passively managed by a single manager.

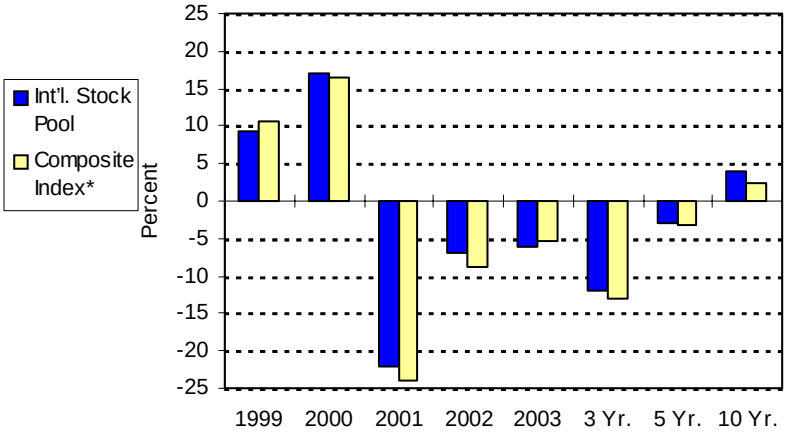
As of July 1, 1999, the SBI began using the combined market capitalization weights of the Morgan Stanley Capital International (MSCI) index of Europe, Australasia and the Far East Free (EAFE Free) and the MSCI Emerging Markets Free index as target weights for the developed versus emerging markets within the International Stock Portfolio. Six of the ***active*** managers invest entirely in developed markets, and use a variety of investment approaches in an effort to maximize value added to 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.

Four of the 10 active managers invest entirely in emerging markets. They are expected to add incremental value, over time, relative to the MCSI Emerging Markets Free index of markets in developing countries throughout the world.

The ***passive*** manager in the International Stock Pool designs its portfolio to consistently and inexpensively track the EAFE Free index. Previously, a portion of the currency exposure of the index fund was managed in a dynamic hedging program designed to avoid currency losses during periods of US dollar strength. The ***currency overlay*** program was terminated as of December 1999. All contracts that were in place matured by December 2000.

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

Figure 20. International Stock Pool Performance FY 1999-2003



	1999	2000	2001	2002	2003	Annualized 3 Yr.	5 Yr.	10 Yr.
Int'l. Stock Pool	**9.3%**	**16.9%**	**-22.1%**	**-7.0%**	**-6.2%**	**-12.1%**	**-2.8%**	**3.9%**
Composite Index*	10.6	16.4	-23.9	-8.7	-5.4	-13.0	-3.3	2.5

* EAFE Free through 4/30/96. Composite of EAFE-Free and Emerging Markets Free since 5/1/96.

FY 2003 Changes

During fiscal year 2003, the Board did not terminate or hire any international equity managers nor make any other changes to the program.

Investment Performance

Similar to the Domestic Stock Pool, two long term ***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 closely tracks its target index, each active manager is expected to hold a more concentrated portfolio.

The international stock managers successfully fulfilled their long-term risk objectives during fiscal year 2003. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

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.

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.

Performance results for the International Stock Pool are shown in Figure 20, (on page 20). In aggregate, the Pool underperformed the target for the year by 0.8 percentage points.

Performance over the last five and ten year periods exceeded the benchmark by 0.5 and 1.4 percentage points annualized, respectively.

Individual manager performance during fiscal year 2003 is shown in Figure 21. The fiscal year proved to be a period of decline overall, despite periods of strong performance and the significant weakening of the U.S. dollar versus several major currencies. The markets were preoccupied by concens about global economic recovery, corporate earnings disappointments, and the war in Iraq. The relative performance of the six developed market managers was disappointing. All of the developed markets managers underperformed their respective benchmarks for the year. However, only one of the four emerging markets managers outperformed the MSCI Emerging Markets Free Index, which returned 6.7% for the year. The passively managed portion of the program outperformed the EAFE Free index by 0.4 percentage point for the year.

Figure 21. International Manager Performance FY 2003

	Actual Return	Benchmark
Active Managers: Developed Markets		
American Express Asset Mgmt.	-9.3%	-6.5%
Britannic Capital Mgmt.	-7.5	-6.5
Invesco Global Asset Mgmt.	-8.9	-6.5
Marathon Asset Mgmt.*	-6.3	-2.4
T. Rowe Price International, Inc.	-8.8	-6.5
UBS Global Asset Mgmt.	-8.0	-6.5
Active Managers: Emerging Markets		
Alliance Capital Mgmt.	9.0	6.7
Capital International	5.3	6.7
Morgan Stanley Investment Mgmt.	4.6	6.7
Schroder Investment Mgmt. N.A.	4.1	6.7
Passive EAFE Manager		
State Street Global Advisors	-6.1	-6.5
Aggregate International Pool	-6.2	
Asset Class Target**	-5.4	

* Marathon's performance is measured against a custom benchmark since inception.

** The asset class target is comprised of the EAFE Free and Emerging Markets Free (EMF) indices. The weighting of each index fluctuates with changes in market capitalization.

More information on the performance and portfolio composition of individual managers is included in the **Statistical Data** section. Section II of this 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 at market value, and up to 20% at market value plus unfunded commitments. A breakdown of the segment is shown in Figure 22. As of June 30, 2003, the market value of current alternative investments was $2.3 billion, or 13.9% 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 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 2003, the SBI continued to review real estate managers for possible inclusion in the pool.

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 2003, the SBI approved and closed on commitment with Thomas, McNerney and Partners. 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 2003, 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 2003, the SBI's real estate pool exceeded the rate of inflation (SBI real estate 7.1%; CPI 2.1%). Comparisons over the last five years show that the real estate pool exceeded the rate of inflation (SBI real estate 8.3% annualized; CPI 2.4% annualized).

The SBI's ***private equity*** pool provided a –3.5% return in fiscal year 2003 and 3.5% annualized over the last five years. The ***resource*** (oil and gas) pool returns are 5.2% for the year and 4.6% 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 at market value, and up to 10% at market value plus unfunded commitments. As of June 30, 2003, the market value of the Post Fund's alternative investments was $764 million, 4.6% of the Post Fund.

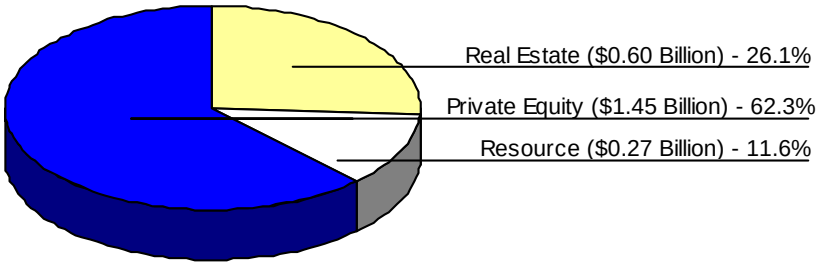
Descriptions of each of the Post Fund's alternative investments are included in the **Investment Manager Summaries** section. Y***ield-oriented investments*** (e.g. business loan participations, mortgage loan participations, and income producing private placements) provide additional vehicles to obtain 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 2003, the SBI continued to review alternative investment opportunities for inclusion in the Post Fund.

The SBI's yield-oriented investments provided a 6.4% return for the year and 11.8% annualized return over the last five years.

A listing of individual investment funds can be found in the **Statistical Data** Section.

Figure 22. Basic Funds' Alternative Investments as of June 30, 2003



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

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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 55,000 individuals who participate in defined contribution or supplemental retirement savings plans. On June 30, 2003, the market value of the entire Fund was $1.50 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, Hennepin County Supplemental Retirement Plan, and the Post Retirement Health Care Savings Plan.

— It is one of the investment vehicles 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 U.S. common stocks, fixed income, and cash.
Growth Share	an actively managed portfolio of U.S. common stocks.
Common Stock Index	a passively managed portfolio of U.S. common stocks.
International Share	a portfolio of both actively and passively managed non-U.S. stocks.
Bond Market	a portfolio of both actively and semi-passively managed fixed income securities.
Money Market	a portfolio of short-term, liquid debt securities.
Fixed Interest	a portfolio of stable value instruments such as insurance company investment contracts, bank investment contracts, and security backed contracts.

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 administrative expenses deducted by the retirement systems to defray their own administrative costs.*

The distribution of assets in the Supplemental Investment Fund as of June 30, 2003 are shown by Account in Figure 24 and by Plan in Figure 25.

Figure 24. Composition by Account as of June 30, 2003

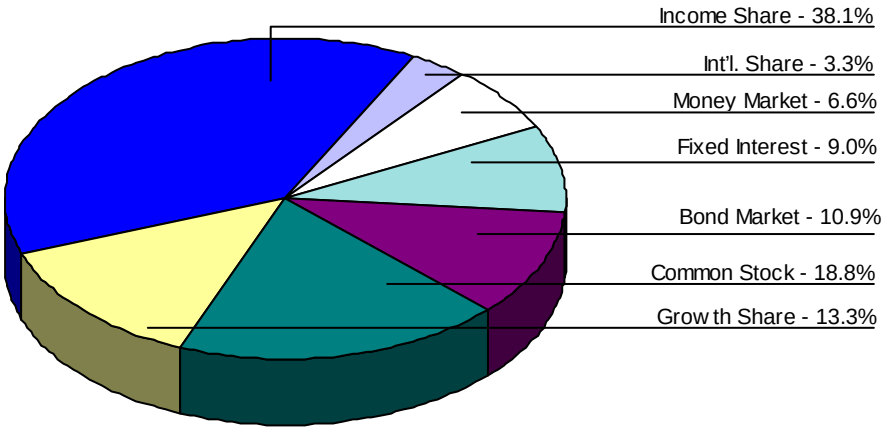
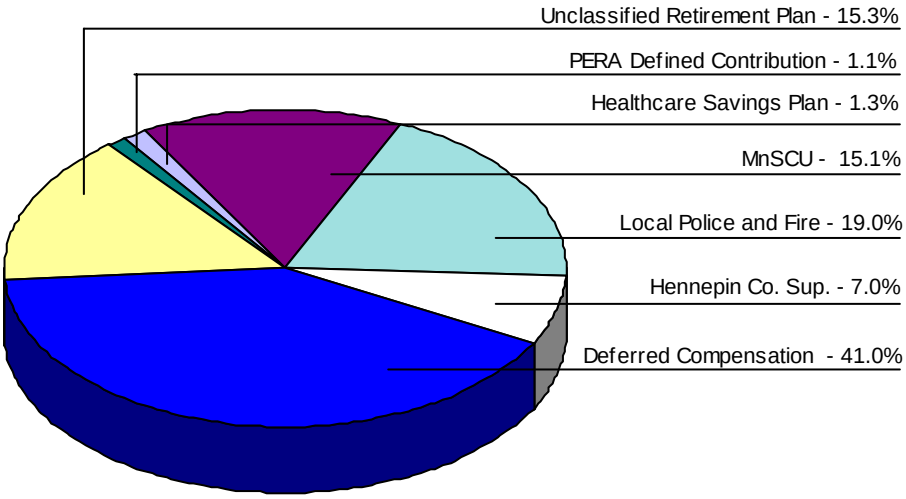


Figure 25. Participation by Plan as of June 30, 2003



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

Income Share Account

Objective

The Income Share Account resembles the Basic and Post Retirement Funds in terms of investment objectives. The Account seeks to earn a high rate of return both from capital appreciation (increases in market value) and current yield (dividends from stock and interest on bonds). 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 common stocks, 35% bonds, 5% cash equivalents.

Domestic 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 2003, the value of the Income Share Account was $569 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 Investable. The manager for this portion of the Account is Barclays Global Investors.

Performance

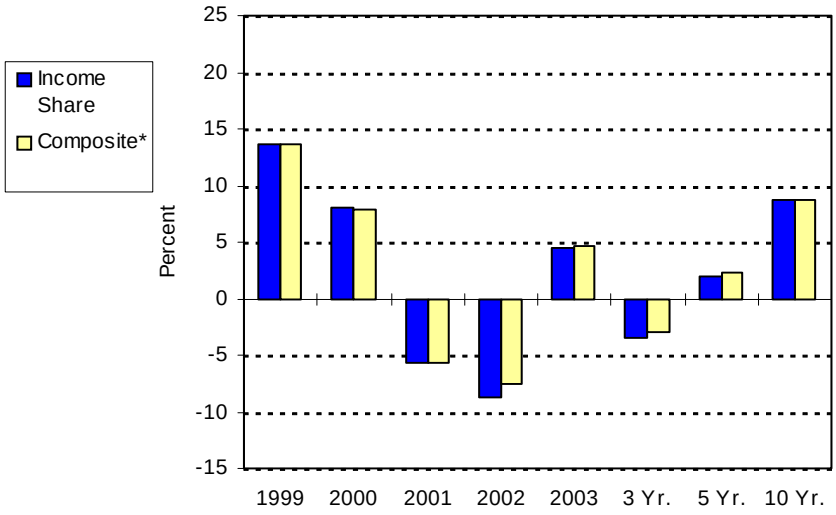
Similar to the other SBI funds which utilize a multi-manager investment structure, the Board evaluates the performance of the Income Share Account on two levels:

— ***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 closely track the performance of the Wilshire 5000 Investable. 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 4.5% for fiscal year 2003, trailing its composite index by 0.2 percentage point. Over the most recent ten years, the Income Share Account has exceeded its composite by 0.1 percentage point. Figure 26 shows a ten year history of performance results.

Figure 26. Income Share Account FY 1999-2003



	1999	2000	2001	2002	2003	Annualized 3 Yr.	5 Yr.	10 Yr.
Income Share	**13.6%**	**8.0%**	**-5.6%**	**-8.8%**	**4.5%**	**-3.5%**	**2.0%**	**8.8%**
Composite*	13.6	7.8	-5.6	-7.6	4.7	-3.0	2.3	8.7

* 60% Wilshire 5000 Investable/35% Lehman Brothers Aggregate Bond Index/ 5% 3 Month T-Bill Composite. Prior to July 1, 2001, the 60% equity portion of the benchmark was composed of the Wilshire 5000.

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 2003, the value of the Growth Share Account was $199 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

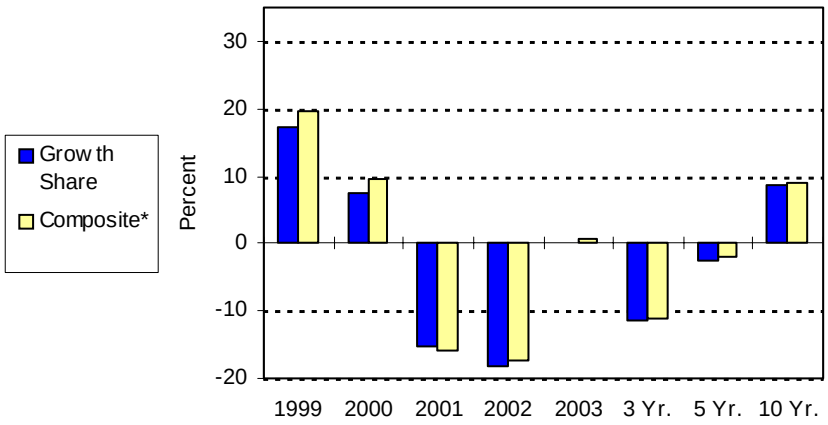
Like the Income Share Account, the Board evaluates the performance of the Growth Share Account on two levels:

— ***Total Account.*** The Growth Share Account is expected to exceed the returns of the Wilshire 5000 Investable, which adjusts the Wilshire 5000 for liquidity and investability constraints as well as restrictions specific to the State of Minnesota (currently tobacco). It is a quarterly buy and hold portfolio.

— ***Individual Manager.*** Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The Growth Share Account provided a return of 0.1% for the fiscal year, underperforming its composite index by 0.7 percentage point. Individual manager performance relative to their benchmarks was mixed. See the discussion starting on page 15 concerning the Domestic Stock Pool. Over the last ten year period, the Account has trailed its composite index by 0.3 percentage point. A ten year history of performance results is shown in Figure 27.

Figure 27. Grow th Share Account FY 1999-2003



	1999	2000	2001	2002	2003	Annualized 3 Yr.	5 Yr.	10 Yr.
Growth Share	**17.3%**	**7.4%**	**-15.3%**	**-18.3%**	**0.1%**	**-11.5%**	**-2.7%**	**8.7%**
Composite*	19.6	8.6	-15.8	-17.3	0.8	-11.1	-1.9	9.0

* 95% Wilshire 5000/5% T-Bill Composite through October 1996; 100% Wilshire 5000 from November 1996 through June 1999; and Wilshire 5000 Investable since July 1, 1999.

Common Stock Index Account

Objective

The investment objective of the Common Stock Index Account is to generate returns that track the performance of the broad U.S. common stock market as represented by the Wilshire 5000 Investable. To accomplish this objective, the SBI allocates all of the assets of the Common Stock Index Account to passively managed domestic stocks. At the end of fiscal year 2003, the Account had a market value of $281 million.

Management

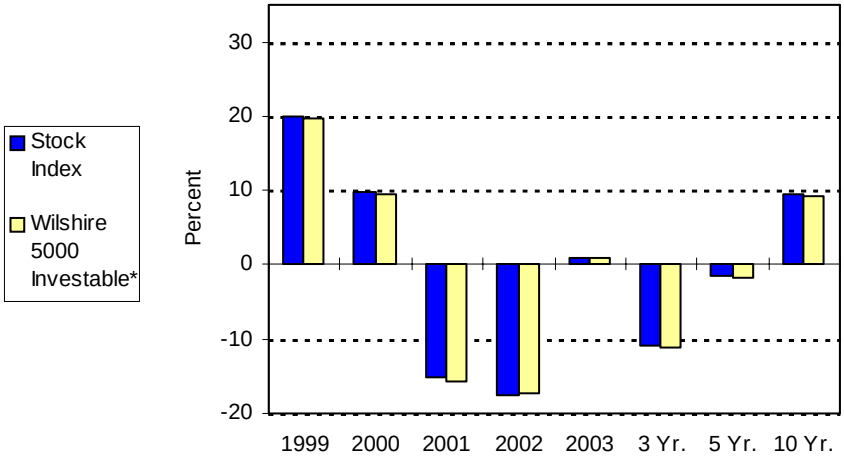
The Account participates in the passive portfolio of the Domestic Stock Pool, which is managed by Barclays Global Investors.

Performance

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

During fiscal year 2003, the Common Stock Index Account produced a return of 0.8%, which matched the Wilshire 5000 Investable. Over the most recent five and ten year periods, the Account has outperformed the index by 0.2 and 0.3 percentage point, respectively for each time period. Total Account results for the last ten years are shown in Figure 28.

Figure 28. Common Stock Index Account FY 1999-2003



						Annualized		
	1999	**2000**	**2001**	**2002**	**2003**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Stock Index	**19.9%**	**9.9%**	**-15.2%**	**-17.6%**	**0.8%**	**-11.0%**	**-1.5%**	**9.6%**
Wilshire 5000 Investable*	19.6	9.5	-15.8	-17.3	0.8	-11.1	-1.7	9.3

* Wilshire 5000 through June 2000, Wilshire 5000 Investable thereafter.

International Share Account

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. At the end of fiscal year 2003, the Account had a market value of $49 million.

Management

The structure of the International Share Account combines both active and passive management. Approximately one third 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 and passive managers utilized by the Basic and Post Retirement Funds in the International Stock Pool.

Performance

The Board evaluates the performance of the International Share Account on two levels:

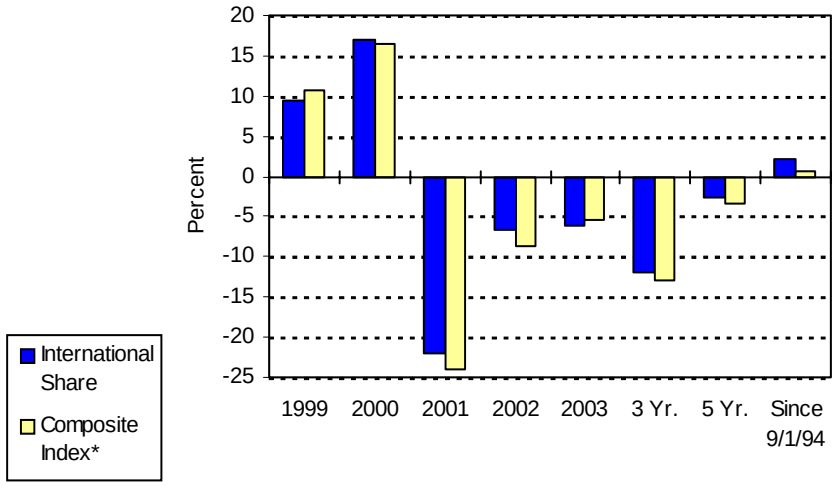
— ***Total Account.*** The International Share Account is expected to exceed the returns of its composite index, which is the combined market capitalization weights of the Morgan Stanley Capital International (MSCI) index of Europe, Australasia and the Far East Free (EAFE Free) and the MSCI Emerging Markets Free index.

— ***Individual Manager.*** Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

The International Share Account is expected to exceed the performance of a composite of international indices. During fiscal year 2003, the International Share Account produced a return of –6.2%, which was 0.8 percentage point below its composite index. Over the most recent three and five year periods, the International Share Account has exceeded its composite index by 1.0 and 0.6 percentage points, respectively. The account has exceeded it composite index by 1.5 percentage points since the account began on September 1, 1994.

See the discussion on performance of the international managers beginning on page 20. Total Account results since the account began are shown in Figure 29.

Figure 29. International Share Account FY 1999-2003



	1999	2000	2001	2002	2003	Annualized 3 Yr.	Annualized 5 Yr.	Since 9/1/94
Int'l. Share	**9.4%**	**17.0%**	**-22.0%**	**-6.7%**	**-6.2%**	**-12.0%**	**-2.7%**	**2.1%**
Composite*	10.6	16.4	-23.9	-8.7	-5.4	-13.0	-3.3	0.6

*EAFE Free through 4/30/96; 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 above market 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 2003, the market value of the Account was $162 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

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

Performance

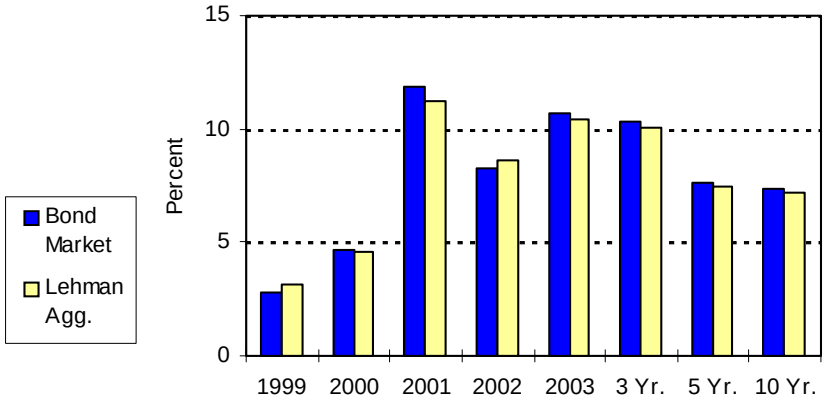
The Board evaluates the performance of the Bond Market Account on two levels:

— ***Total Account.*** The Bond Market is expected to exceed the returns of the Lehman Aggregate.

— ***Individual Manager***. Performance objectives for the individual managers are described in the **Investment Pools** section of this report.

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 2003, the Account outperformed by 0.3 percentage point. For the most recent five and ten year periods, the Account has outperformed by 0.1 and 0.2 percentage point annualized, respectively. See the discussion regarding bond manager performance on page 18. Total Account results for the last ten years are shown in Figure 30.

Figure 30. Bond Market Account FY 1999-2003



						Annualized		
	1999	**2000**	**2001**	**2002**	**2003**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Bond Market	**2.8%**	**4.7%**	**11.9%**	**8.3%**	**10.7%**	**10.3%**	**7.6%**	**7.4%**
Lehman Aggregate	3.1	4.6	11.2	8.6	10.4	10.1	7.5	7.2

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 2003, the Money Market Account had a market value of $99 million.

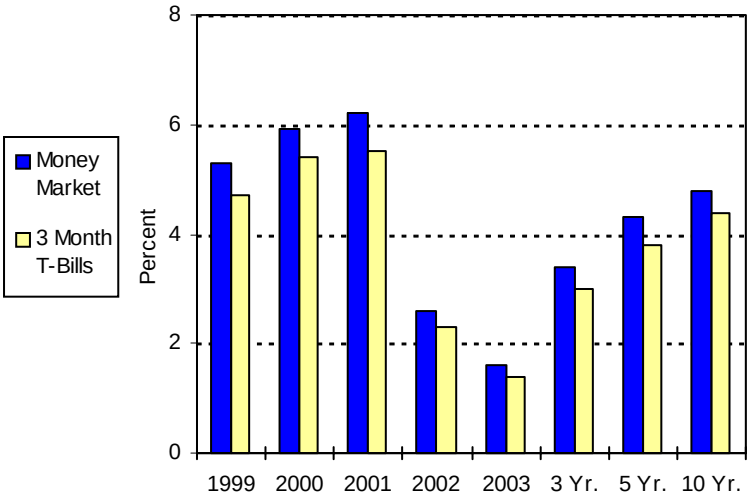
Management

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 2003 with a 1.6% return versus a 1.4% return for the 3 Month Treasury Bill. Total account results for prior years are shown in Figure 31.

Figure 31. Money Market Account FY 1999-2003



						Annualized		
	1999	2000	2001	2002	2003	3 Yr.	5 Yr.	10 Yr.
Money Market	**5.3%**	**5.9%**	**6.2%**	**2.6%**	**1.6%**	**3.4%**	**4.3%**	**4.8%**
3 Month T-Bills	4.7	5.4	5.5	2.3	1.4	3.0	3.8	4.4

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 2003, the Account totaled $135 million.

Management

The assets in the Account are invested primarily in stable value instruments such as insurance company investment contracts, bank investment contracts, and security backed contracts 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 along with any cash held for liquidity purposes.

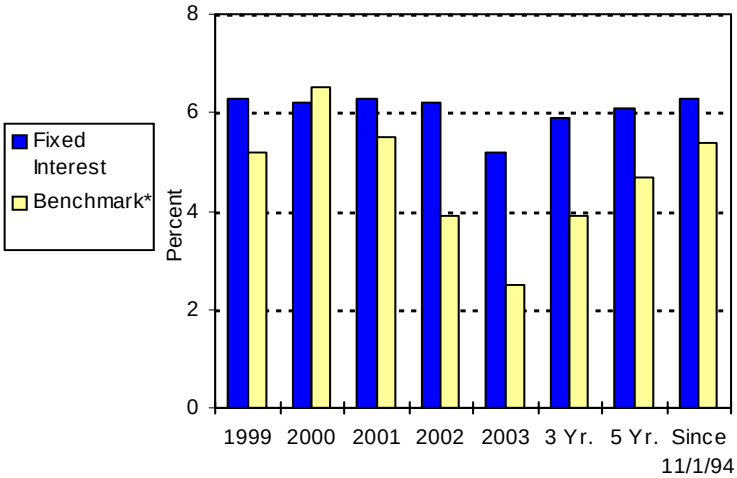
The manager for the Account is Galliard Capital Management, a unit of Wells Fargo Bank. Galliard has managed the Account since November 1994.

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

Performance

The Fixed Interest Account is expected to exceed the returns of its custom benchmark, the 3-year Constant Maturity Treasury plus 45 basis points. During fiscal year 2003, the Fixed Interest Account provided a return of 5.2%, which was 2.7 percentage points above its custom benchmark. Over the most recent three and five year periods, the Fixed Interest Account has exceeded its composite index by 2.0 and 2.4 percentage points, respectively for each period. The Account has exceeded its benchmark by 0.9 percentage point since the account began on November 1, 1994.

Figure 32. Fixed Interest Account FY 1999-2003



						Annualized		
	1999	**2000**	**2001**	**2002**	**2003**	**3 Yr.**	**5 Yr.**	**Since 11/1/94**
Fixed Interest	**6.3%**	**6.2%**	**6.3%**	**6.2%**	**5.2%**	**5.9%**	**6.1%**	**6.3%**
Benchmark*	5.2	6.5	5.4	3.9	2.5	3.9	4.7	5.4

* 3 Year Constant Maturity Treasury plus 45 basis points.

State Deferred Compensation Plan (457 Plan)

The State Deferred Compensation Plan (457 Plan) provides Public employees with a tax-sheltered retirement savings program that is a supplemental plan to their primary retirement plan. (In most cases, the primary plan is either: TRA, PERA, or MSRS.)

Program Structure

Plan participants have three sets of investment options to choose from. Participants may invest in the Supplemental Investment Fund, (SIF) which is discussed on page 25. The SBI also administers a group of mutual funds and a fixed interest option, which are discussed below. Lastly, plan participants may use a mutual fund window which offers hundreds of funds. The SBI has no direct management responsibilities for funds within the mutual fund window.

Non-SIF Investment Options

The participants that invest in the set of mutual funds administered by the SBI have eight investment options to choose from. The restructured Deferred Compensation Plan took effect July 1, 1999. Six mutual funds were retained as external stock and bond investment options and three insurance companies were selected to jointly provide a fixed interest option. In January 2002, a seventh mutual fund option was added.

Large-Cap Equity

This option is a concentrated fund of large cap stocks. The fund is expected to outperform the S&P 500, over time. Currently, Janus Twenty is the mutual fund offered.

Mid- Cap Equity

This option invests in companies with medium market capitalizations. The fund is expected to outperform the S&P Mid-Cap 400, over time. The fund currently offered is the Morgan Stanley Mid-Cap Value Institutional Fund.

Small-Cap Equity

This option invests primarily in companies with small market capitalizations. The fund is expected to outperform the Russell 2000, over time. T. Rowe Price Small-Cap Stock Fund is the fund currently offered.

Domestic Equity Index

This option is a passive domestic stock portfolio that tracks the S&P. The fund currently offered is the Vanguard Institutional Index Plus Fund.

Figure 33. State Deferred Compensation Plan (Non-SIF Assets) for fiscal years ending June 30.

	2003	Annualized 3 Yr.
Janus Twenty	2.3%	-23.9%
(S&P 500)	0.3	-11.2
Morgan Stanley Mid-Cap Value Instl.*	0.0	-5.3
(S&P Mid-Cap 400)	-0.6	1.5
T. Rowe Price Small-Cap Stock	-1.6	-3.3
(Russell 2000)	0.4	-11.1
Vanguard Institutional Index Plus	0.4	-11.1
(S&P 500)	0.3	-11.2
INVESCO Total Return	0.3	-1.8
(60% S&P 500/40% Lehman Gov/Corp)	4.8	-3.5
Dodge & Cox Income Fund	10.9	10.9
(Lehman Aggregate)	10.4	10.1
Fidelity Diversified International	-0.9	-5.6
(MSCI EAFE-Free)	-6.5	-13.5
Minnesota Fixed Fund	5.7	6.1

* The Mid-Cap option was added January 2002.

Balanced Fund

This option is a mix of stocks and bonds in the same fund. The fund invests in mid to large-cap stocks and in high quality bonds. The fund is expected to outperform a weighted benchmark of 60% S&P 500 and 40% Lehman Gov-Corporate. The fund currently offered is the INVESCO Total Return Fund.

Bond Fund

This option invests primarily in investment grade securities in the U.S. bond market. The fund is expected to outperform the Lehman Aggregate, over time. The fund currently is Dodge & Cox Income Fund.

International Equity

This option invests primarily in stocks of companies located outside the United States. The fund is expected to outperform the Morgan Stanley Capital International (MSCI) Index of Europe, Australasia and the Far East Free (EAFE-Free), over time. The fund currently offered is the Fidelity Diversified International Fund.

Fixed Fund

The Minnesota Fixed Fund option invests participant balances in the general accounts of three insurance companies that have been selected by the SBI. The three insurance companies provide a new rate each quarter. A blended yield rate is calculated and then credited to the participants. The three insurance companies are Great-West Life, Minnesota Life, and Principal Life.

Performance results for the Non-SIF investment options for FY 2003, three year annualized returns since the Plan was restructured are shown in Figure 33 on the previous page.

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, 2003, the market value of the Plan's portfolio was $229 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.

Therefore, the SBI has 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. The result is 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 asset allocation may fluctuate in response to changes in the liability stream projected by the Plan's actuary and further analysis by the SBI staff.

Figure 34 presents the actual asset mix of the Assigned Risk Plan at the end of fiscal year 2003. The current long term asset allocation targets for the Fund are as follows:

Domestic Stocks	20%
Domestic Bonds	80

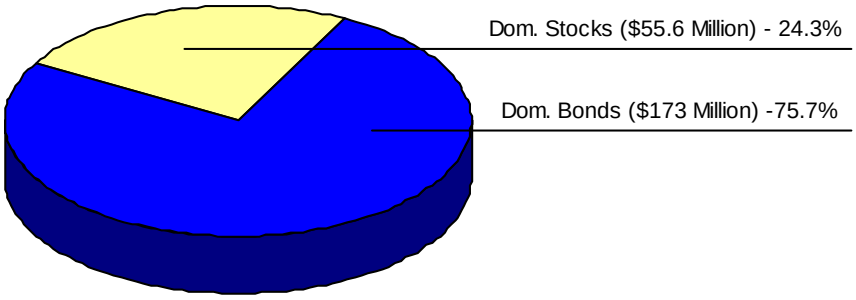
Investment Management

Voyageur Asset Management manages the bond segment of the Assigned Risk Plan, and GE Asset Management manages the equity segment of the 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.

Figure 34. Assigned Risk Plan Asset Mix as of June 30, 2003



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

Stock Segment

The stock segment is structured to fund the longer-term liabilities of the Plan. Currently, the equity segment is managed with a broadly diversified portfolio of high quality, large capitalization companies.

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 fixed income component is a custom benchmark which reflects the duration target established for the bond segment (approximately 3 years).

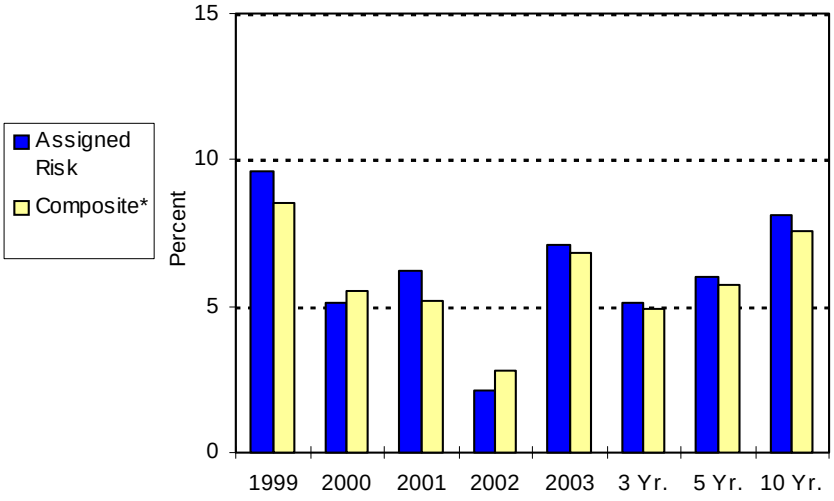
— the target for the equity component is the S&P 500.

During fiscal year 2003, the ***bond*** segment underperformed its benchmark by 0.5 percentage point. The ***stock*** segment underperformed its benchmark by 1.1 percentage points.

Overall, the Assigned Risk Plan provided a return of 7.1% for fiscal year 2003, outperforming its composite index by 0.3 percentage point, annualized. For the most recent five year period, the Account outperformed its composite index by 0.3 percentage point. For the most recent ten year period, the Account has outperformed its composite index by 0.5 percentage point.

Historical performance results are presented in Figure 35.

Figure 35. Assigned Risk Plan Performance FY 1999-2003



						Annualized		
	1999	**2000**	**2001**	**2002**	**2003**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Assigned Risk	**9.6%**	**5.1%**	**6.2%**	**2.1%**	**7.1%**	**5.1%**	**6.0%**	**8.1%**
Composite Index*	8.5	5.5	5.2	2.8	6.8	4.9	5.7	7.6
Stock Segment	**23.7**	**7.0**	**-5.9**	**-14.8**	**-0.8**	**-7.4**	**1.0**	**11.0**
S&P 500	22.8	7.2	-14.8	-18.0	0.3	-11.2	-1.6	10.0
Bond Segment	**4.2**	**4.2**	**9.5**	**6.5**	**7.4**	**7.8**	**6.4**	**6.5**
Benchmark	4.7	4.8	10.5	8.2	7.9	8.9	7.2	6.8

* 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, 2003, the market value of the Fund was $527 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 the 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

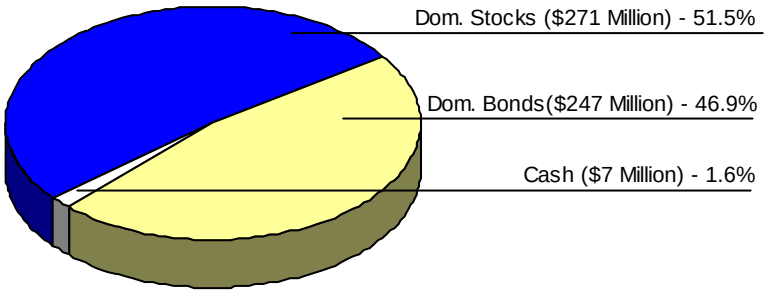
Prior to FY 1998, the Permanent School Fund had been invested entirely in fixed income securities for more than a decade. While this asset allocation maximized current income, it limited the long term growth of the Fund and caused the income stream to lose value in inflation adjusted terms, over time.

To solve both issues, a proposal to introduce equities to the Fund's asset mix was discussed. Since this modification would reduce short term income and have budgetary implications for the state, the consent of the executive and legislative branches was necessary.

A proposal to introduce equities was presented during fiscal year 1997. It 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 36 presents the actual asset mix of the Permanent School Fund at the end of fiscal year 2003.

Figure 36. Permanent School Fund Asset Mix as of June 30, 2003



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 0.4 percentage point. By investing in 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 is periodically rebalanced to maintain an acceptable tracking error relative to the benchmark.

The ***bond*** segment outperformed its benchmark by 1.5 percentage points during the current fiscal year.

Overall, the Permanent School Fund provided a return of 6.3% for fiscal year 2003, outperforming its composite index by 0.6 percentage point.

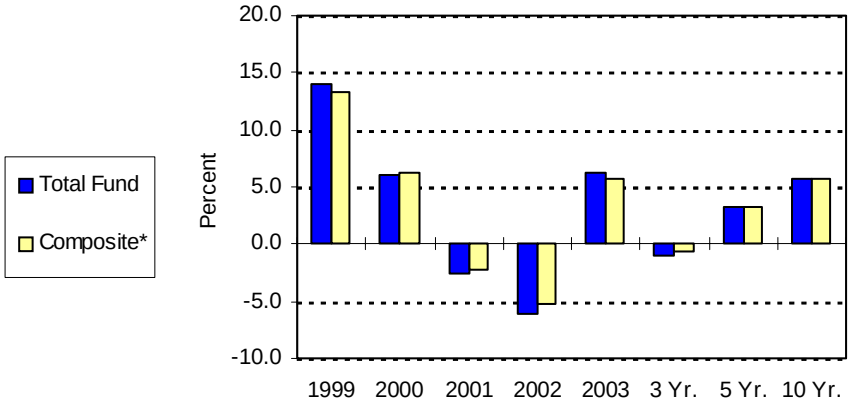
Total account results for the last three, five and ten years are shown in Figure 37.

Spendable Income

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

Fiscal Year	Millions
1999	$19
2000	$21
2001	$24
2002	$21
2003	$14

Figure 37. Permanent School Performance FY 1999-2003



						Annualized		
	1999	**2000**	**2001**	**2002**	**2003**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Fund	**14.0%**	**6.1%**	**-2.6%**	**-6.2%**	**6.3%**	**-1.0%**	**3.3%**	**5.7%**
Composite*	13.3	6.2	-2.3	-5.2	5.7	-0.7	3.3	5.7
Stock Segment	23.1	7.4	-14.7	-18.2	0.7	-11.1	-1.5	N/A
S&P 500	22.8	7.2	-14.8	-18.0	0.3	-11.2	-1.6	N/A
Bond Segment	3.7	4.7	11.2	7.1	11.9	10.0	7.6	7.5
Lehman Agg	3.1	4.6	11.2	8.6	10.4	10.1	7.5	7.2

* 50% S&P 500/ 48% Lehman Aggregate/ 2% 3 Month T-Bills. Prior to July 1, 1997, 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, 2003, the market value of the Fund was $289 million.

By statute, the State Board of Investment (SBI) invests the assets of the Environmental Trust Fund. The Legislature funds environmental projects from a portion of the market value of the Fund.

Investment Objective

The Environmental Trust Fund's investment objective is long-term growth in order to produce a growing level of spending within the constraints of maintaining adequate portfolio quality and liquidity.

Investment Constraints

In November 1998, Minnesota voters passed a constitutional amendment to continue the mandate that 40 percent of the net proceeds from the state lottery be credited to the Fund through 2025.

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

Asset Allocation

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 was maintained through fiscal year 1999.

After the constitutional amendment was adopted in 1998, 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 spending and growth of the Fund.

The SBI approved a 70% stock and 30% fixed income asset allocation which was implemented July 1, 1999. The allocation positions the Fund for the best long-term growth potential while meeting the objective of the Fund to produce a growing level of spending.

Figure 38 presents the actual asset mix of the Environmental Trust Fund at the end of fiscal year 2003. The current long term asset allocation targets for the Fund are:

Domestic Stocks	70%
Domestic Bonds	28
Cash	2

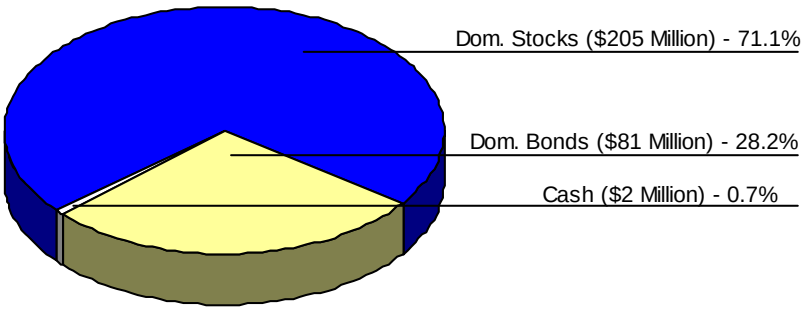
Investment Management

SBI staff manage all assets of the Environmental Trust 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.

Figure 38. Environmental Trust Fund Asset Mix as of June 30, 2003



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

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 exceeded the S&P 500 benchmark, returning 0.4 percentage point more than the S&P 500. By investing in 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 is periodically rebalanced to maintain an acceptable tracking error relative to the benchmark subject to keeping trading costs at a minimum.

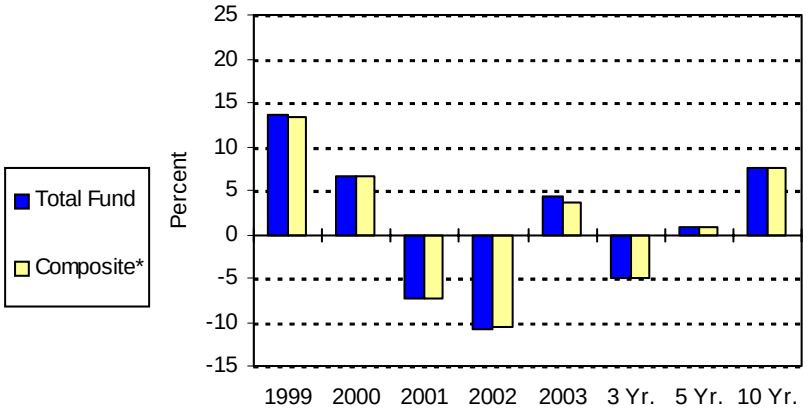
The ***bond*** segment outperformed its benchmark by 1.5 percentage points during the fiscal year.

Overall, the Environmental Trust Fund provided a return of 4.2% for fiscal year 2003, outperforming its composite index by 0.6 percentage point. For the most recent three-year period, the fund exceeded its composite benchmark by 0.1 percentage point. The fund experienced modest outperformance over the last five and ten years due to the incremental value added by both the stock and bond segments. Performance results are presented in Figure 39.

Spendable income generated by the Fund follows:

Fiscal Year	Millions
1997	$6.8
1998	$8.8
1999	$9.7
2000	$12.7
2001	$12.7
2002	$17.1
2003	$17.1

Figure 39. Environmental Trust Fund Performance FY 1999-2003



						Annualized		
	1999	**2000**	**2001**	**2002**	**2003**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Total Fund	**13.6%**	**6.6%**	**-7.3%**	**-10.9%**	**4.2%**	**-4.9%**	**0.8%**	**7.6%**
Composite*	13.3	6.7	-7.4	-10.5	3.6	-5.0	0.7	7.5
Stock Segment	**23.1**	**7.4**	**-14.6**	**-18.2**	**0.7**	**-11.1**	**-1.5**	**10.2**
S&P 500	22.8	7.2	-14.8	-18.0	0.3	-11.2	-1.6	10.0
Bond Segment	**3.7**	**4.7**	**11.2**	**7.0**	**11.9**	**10.0**	**7.6**	**7.6**
Lehman Aggregate	3.1	4.6	11.2	8.6	10.4	10.1	7.5	7.2

* Weighted 50% S&P 500/ 48% Lehman Aggregate, and 2% 3 Month T-Bills through June 1999. Weighted 70% S&P 500/ 28% Lehman Aggregate/ and 2% 3 month T-Bill beginning July 1, 1999.

Tobacco Endowment Funds

The Tobacco Endowment Funds were eliminated as part of the budget balancing measures enacted in 2003. The SBI liquidated the assets of the Tobacco Prevention Fund, the Medical Education Fund, and the Academic Health Center Account Fund in an orderly fashion over a period of several months. Assets were transferred to the State's General Fund by July 1, 2003.

The Tobacco Endowment Funds were established in Fiscal Year 2000 by the Minnesota Legislature to distribute the settlement proceeds from the 1998 tobacco litigation. The total settlement was $6.1 billion with payments spread over a 20-year period. The Medical Education Endowment Fund and the Tobacco Prevention Fund were established using a portion of the proceeds. In January 2002, the Academic Health Center Fund, a sub-account to the Medical Education Fund, was established.

Investment Objective

The State Board of Investment invested the Medical Education Endowment Fund (MEF), the Tobacco Prevention Fund (TPF), and the Academic Health Center Fund. The investment objective of the Tobacco Endowment Funds was to increase the market value of the Funds over time in order to increase the annual amount made available for spending.

Investment Constraints

With a change in law enacted during the 2000 Legislative session, distributions from the Funds were made up to five percent of the market value. The value was measured each year at the beginning of the fiscal year for the Tobacco Prevention Fund. The value was measured at the beginning of each quarter for the Medical Education Fund and Academic Health Center Fund. The increased flexibility allowed a portion of the Funds to be invested in equities.

The distributions from the TPF were used by the Commissioner of Health to fund public health initiatives. The distributions from the MEF and Academic Health Center Fund were used for medical education at the University of Minnesota medical school.

Prior to July 1, 2000, annual earnings up to five percent of the market value of the Funds could be distributed for expenditure, and the principal of the Funds had to remain inviolate.

Asset Allocation

Previously, the two original endowment funds were invested in a laddered fixed income portfolio.

Since July 1, 2000, the funds had an asset allocation of 50 percent equity and 50 percent fixed income.

Investment Management

SBI staff managed all assets of the Tobacco Endowment Funds. Given the unique constraints of the Fund, management by SBI staff was considered to be the most cost effective.

Stock Segment

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

Bond Segment

Prior to July 1, 2000, the fixed income portfolio was invested entirely in U.S. Treasury and Government Agency bonds with maturities no greater than the expiration date of the funds. Since July 1, 2000, the bond segment was actively managed to add incremental value through sector, security and yield curve decisions and its performance was measured against the Lehman Brothers Aggregate Bond Index.

Spendable Income

Spendable income generated by the Tobacco Prevention Fund since July 1, 2000 was:

Fiscal Year	Millions
2001	$14.1
2002	$21.1
2003	$27.0

Spendable income generated by the Medical Education Endowment Fund since July 1, 2000 was:

Fiscal Year	Millions
2001	$14.2
2002	$17.3
2003	$14.7

Tobacco Endowment Funds

Spendable income generated by the Academic Health Center Fund since for fiscal year 2003:

Fiscal Year	Millions
2002	$ 2.7
2003	$11.6

Investment Performance

The Tobacco Prevention Fund provided a return of –2.4% for fiscal year 2003, matching its composite index.

The Medical Education Fund provided a return of –3.2% for fiscal year 2003, underperforming its composite index by 0.8 percentage point.

The Academic Health Center Fund provided a return of –3.3 for fiscal year 2003, underperforming its composite by 0.9 percentage point.

Tobacco Prevention Fund

	2001	2002	2003
Total Fund	**-2.2%**	**-5.9%**	**-2.4%**
Composite Index*	-1.8	-5.1	-2.4
Stock Segment	**-14.6**	**-18.2**	**N/A**
S&P 500	-14.8	-18.0	N/A
Bond segment	**11.2**	**7.0**	**N/A**
Lehman Aggregate	11.2	8.6	N/A

Medical Education Fund

	2001	2002	2003
Total Fund	**-2.3%**	**-5.8%**	**-3.2%**
Composite Index*	-1.8	-5.1	-2.4
Stock Segment	**-14.6**	**-18.2**	**N/A**
S&P 500	-14.8	-18.0	N/A
Bond segment	**11.2**	**7.0**	**N/A**
Lehman Aggregate	11.2	8.6	N/A

Academic Health Center Fund

	2003	Since 1/1/02
Total Fund	**-3.3%**	**-6.0%**
Composite Index*	-2.4	-4.8
Stock Segment	**N/A**	**-13.1**
S&P 500	N/A	-13.2
Bond segment	**N/A**	**1.8**
Lehman Aggregate	N/A	3.8

* Weighted 50% stocks/ 50% bonds.

Closed Landfill Investment Fund

The Closed Landfill Investment Fund is a trust fund created by the Legislature to invest moneys to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. On June 30, 2003 the market value of the Fund was $16.8 million.

Investment Objective

The investment objective of the Closed Landfill Investment Fund is to generate high returns from capital appreciation. The Fund will be used by the Commissioner of the Pollution Control Agency to pay for the long-term costs of maintaining the integrity of landfills in Minnesota once they are closed. By statute, the fund will receive an appropriation of $5.1 million at the beginning of fiscal years 2000, 2001, 2002 and 2003. However, by statute, the assets of the Fund are unavailable for expenditure until after fiscal year 2020.

Asset Allocation

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

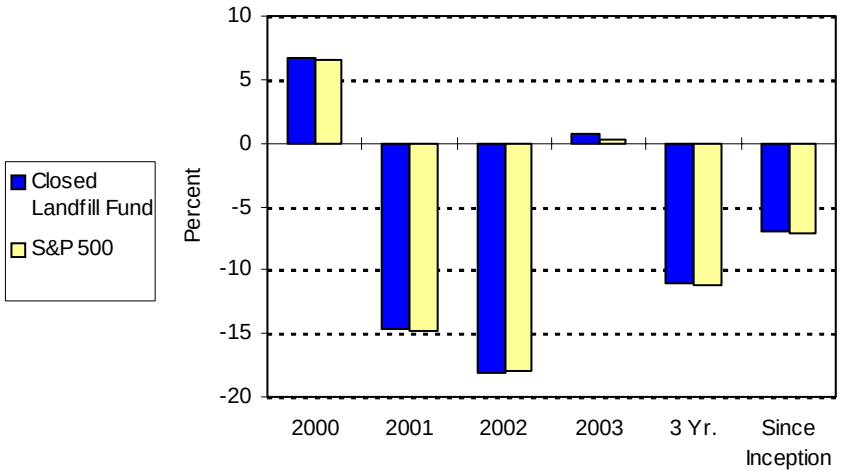
Investment Management

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

Investment Performance

The Closed Landfill Investment Fund outperformed its benchmark, the S&P 500, during the fiscal year by 0.4 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.

Figure 40. Closed Landfill Fund FY 2000-2003



	2000	2001	2002	2003	3 Yr.	Since 7/1/99
Total Fund	**6.7%**	**-14.7%**	**-18.1%**	**0.7%**	**-11.0%**	**-6.9%**
S&P 500	6.5	-14.8	-18.0	0.3	-11.2	-7.1

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, 2003, the total value of these accounts was $5.2 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, high grade corporates, and commercial paper. On June 30, 2003, the combined value of all agency cash balances was $5.2 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 $97.0 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 $3.8 billion during the year.

Staff also manages approximately $700 million 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.

Investment Performance

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

For fiscal year 2003, 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	**1.9%**
Benchmark	1.3
Treasurer's Cash Pool	**1.5**
Benchmark	1.0
3 Month Treasury Bills	1.4

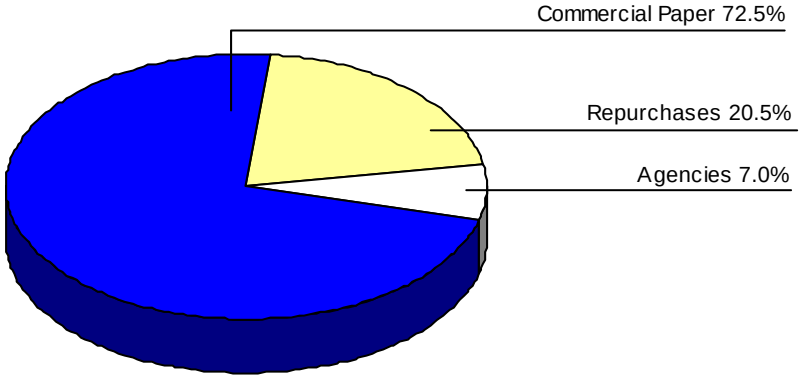
Since January 1997, the Trust Fund Pool is measured against the IBC All Taxable Money Fund Index.

Since 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, 2003, the Treasurer's Cash Pool was dominated by high quality commercial paper holdings. The composition of the pool is shown in Figure 41. At the end of the fiscal year, the pool had a current yield of 2.3% and an average maturity of 33 days.

Figure 41. Invested Treasurer's Cash Fund Distribution as of June 30, 2003



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

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. State Street Bank generated additional income of approximately $14.1 million during fiscal year 2003.

An additional lending program began during fiscal year 2000 with Wells Fargo. This program generated additional income of approximately $300,000 during fiscal year 2003.

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.

During fiscal year 2003, the SBI purchased over $276 million of CD's from Minnesota financial institutions. Since it began the program in 1980, the SBI has purchased over $4.1 billion of CD's from approximately 500 financial institutions throughout the state.

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

During fiscal year 2003, the SBI purchased $27.7 million in repos from Minnesota financial institutions.

Other Deferred Compensation Programs

In addition to the statewide 457 plan, the State Board of Investment (SBI) has responsibilities for several other deferred compensation-related programs:

— 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 SBI is responsible for managing the assets in the Minnesota College Savings Plan, and directing all investments. The Minnesota Higher Education Services Office (MHESO) is responsible for the overall administration of the MN College Savings Plan (529 Plan).

— The SBI reviews investment product providers for the employer match to IRC 403(b) tax sheltered annuities for K-12 teachers.

The investment product providers currently used by these programs are shown in Figure 42.

In fiscal year 2000, the SBI and MnSCU restructured the MnSCU plans. The restructuring resulted in the retention of a different set of investment product providers for the plans.
During the 2000 Session, the Legislature repealed the statutory provision requiring selection of qualified companies to provide investment products for the 403(b) annuity employer match opportunity. The new legislation directs the SBI, when requested by an investment product provider, to review the financial standing of the company, the competitiveness of the company's investment options and returns, and the level of all charges and fees impacting those returns. The SBI implemented the new directive in fiscal year 2001.

Figure 42. Investment Product Providers Selected or Approved by the SBI

MnSCU 401(a) Plans (effective July 1, 2000)
Teachers Insurance & Annuity Association- College Retirement Equities Fund (TIAA-CREF)
Wells Fargo Bank Minnesota, N.A.

Historical Society 401(a) Plan (effective July 1, 2000)
Teachers Insurance & Annuity Association-College Retirement Equities Fund (TIAA-CREF)

Minnesota College Savings Plan (529 Plan)
Teachers Insurance & Annuity Association-College Retirement Equities Fund (TIAA-CREF)

Legislative Update

Several items of interest to the State Board of Investment were passed during the 2003 legislative sessions.

Laws of 2003, 1st Special Session, Chapter 14 eliminated the tobacco endowment funds. The elimination of the tobacco funds required the SBI to liquidate the stocks and bonds in the accounts. The liquidation was accomplished in order to transfer the cash to the state's general fund on June 30, 2003.

Laws of Minnesota 2003, 1st Special Session, Chapter 12 provides the SBI investment flexibility in the State Deferred Compensation Plan. The SBI will be able to restructure the Plan with daily valued options without having to offer all Accounts of the Supplemental Investment Fund, which are currently monthly valued investment vehicles. A major revaluation and potential restructuring of the investment options of the Deferred Compensation Plan will be performed in fiscal year 2004.

The Legislature dealt with the issue of extending the sunset provisions in statute for many advisory councils and committees. The result of the actions is to confirm the continued presence of the Investment Advisory Council. The IAC is not subject to the general sunset provisions found elsewhere in statute.

Police and Fire Fund Activity

Mergers with PERA

Under state law, local police and salaried firefighter plans may consolidate 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.

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 several local police salaried firefighter plans that have not merged with PERA. These 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 2003, an additional 4 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 237 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 benefits of international investing include: increased investment opportunity, greater diversification and potential for higher return. Approximately one-half of the world's markets lie outside the U.S.

The United Kingdom, 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 developed international stock markets. Many of the emerging markets in Latin America, Eastern Europe, the Middle East, Africa and Asia may require special investment considerations and/or limitations on investment.

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 has grouped countries into three broad categories as indicated below by groups I, II and III. *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, they require additional notification and/or that a presentation be given by the manager regarding the firm's investment strategy for investments to countries in Groups II and III.

Group I. These countries have legal structures that generally respect the rights of workers and human rights. Because these countries have strong protections for workers and human rights, 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 are authorized to invest in companies domiciled in these countries without additional notification to the SBI.

Group II. These countries have legal protections for workers and human rights, but violations have been cited in the State Department reports. It is thought that violations of this type may lead to economic and social disruption in these countries, which may have an adverse effect on their financial markets. An active stock manager may, however, 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 workers and human rights and do not appear to be making progress in establishing an appropriate legal structure to address these issues. The potential for economic, political and social unrest is seen to be greater in these countries, which may adversely affect the stability of these financial markets. An active stock manager may, however, 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 before 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, they expected 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.

Figure 43 displays the country groupings.

Figure 43. Current International Investing Guidelines Country Groupings*

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

* last revised in May 2001

Mandate on Northern Ireland

Requirements

The SBI is responsible for implementing certain statutory provisions concerning its 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 2003, the SBI held stocks or bonds in 56 of 65 corporations identified by IRRC as having operations in Northern Ireland.

The SBI filed shareholder resolutions with 5 of these corporations during the 2003 proxy season. The resolution asked corporations to sign the MacBride Principles and to implement affirmative action programs.

One resolution was withdrawn because the primary filer was ineligible. The voting results on four of the resolutions that made it to the ballot are shown below:

Company	Affirmative Vote
Baker Hughes	6.4%
Interpublic	7.0%
Raytheon	10.3%
Yum Brands	12.1%

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.

At the close of fiscal year 2001, the SBI had divested from its active portfolios all shares of companies covered by its divestment resolution.

Directives to Stock Managers

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

Shareholder Resolutions

During the 2003 proxy season, the SBI cosponsored resolutions at three (3) companies. The resolution filed at Loews, Altria (formerly Philip Morris), and UST, Inc. requested a committee of independent directions to determine ways to ensure that the companies are not involved in any way in selling cigarettes over the Internet that may enable youth to have illegal access to tobacco products. The resolution was withdrawn at UST, Inc.

The voting results on the two remaining resolutions are shown below:

Company	Affirmative Vote
Loews	3.7%
Altria	4.6%

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 may review 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 2003 Proposals

During fiscal year 2003 the SBI voted proxies for approximately 1,600 U.S. corporations.

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 79 proposals to redeem "poison pills" (an anti-takeover device) or submit them to shareholder vote. This proposal received average support of 60.0%.

— Resolutions to expense options at time of grant were on 64 ballots with an average support of 48.1%.

— Other proposals included the repeal of classified boards which were supported by an average of 62.7% of shares voted; shareholder approval of severance packages to top executives ("golden parachutes") which received support from an average of 54.0% of shares voted; cumulative voting which was supported by an average of 34.1% of shares voted; proposals to increase board independence received support from an average of 22.1% of shares voted; proposals to require performance-based stock options received average support of 15.6% of shares voted; and the prohibition of the repricing of underwater stock options (lowering the price of stock options whose stock price had declined) received average support of 33.0%

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

— A variety of environmental issues received 35 resolutions and received average support ranging from 4.4% to 17.2%.

— Executive pay and social performance issues received 11 resolutions with an average support level of 9.5%.

— Equal employment issues received 12 resolutions with an average support of 29.4%.

— Resolutions on a variety of tobacco-related issues were on 15 ballots with an average support of 8.0%.

— Human rights issues received 6 resolutions with an average support level of 11.4%.

— Northern Ireland issues received 8 proposals this year with an average support of 8.1%.

— Global Labor Standards received 15 proposals this year with an average support of 11.0%.

Domestic Equity Program Managers

Active

Alliance Capital Management L.P.
Alliance searches for companies likely to experience high rates of earnings growth at an early stage and at a reasonable price. Alliance invests in a wide range of medium to large growth companies and industry exposures are a result of individual stock selection. The firm's decision-making process is based on the belief that investment success stems from the correct marriage of fundamentals and price. Alliance adjusts position sizes to take advantage of short-term price movements. 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.

Cohen Klingenstein & Marks, Inc.
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.

FLA Asset Management, LLC
Forstmann-Leff uses a combination top-down, bottom-up investment approach. The top-down is based on macroeconomic analysis, including the development of industry themes and sector emphasis. The highly structured and disciplined security selection strategy is based on proprietary fundamental research, including qualitative and quantitative techniques. Based upon its macroeconomic outlook, the firm tends to purchase liquid, medium to large capitalization stocks that will benefit the most during the current phase of the market cycle. The firm was retained by the SBI in March 1983.

Franklin Portfolio Associates, LLC
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 40 valuation measures each of which falls into one of the following groups: relative value, future value, fundamental momentum, long-term growth, price action, and management signals.

Franklin utilizes a quantitative approach and seeks to add 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. Franklin was retained by the SBI as an active manager in April 1989.

GeoCapital, Corporation
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.

Lincoln Equity Management, LLC
Lincoln concentrates on leading, medium to large capitalization companies that have strong historical and projected growth rates. The firm uses traditional fundamental company analysis focusing on cash flow growth and capital productivity in its stock selection process. Companies held by Lincoln generally exhibit premium price/book ratios, high return on equity, and strong balance sheets. These are characteristics consistent with their large cap growth style. Lincoln was retained by the SBI in July 1993.

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

Oppenheimer Capital
Oppenheimer Capital's strategy is to buy companies that are selling at a price below their determination of the company's intrinsic value. Their process is bottom-up based on fundamental analysis. Factors they look for when evaluating companies include a strong industrial or commercial position, often where there are significant barriers to entry. They look for companies that are financially sound and have a management team that is devoted to the interest of shareholders. They believe that discretionary cash flow, cash that remains after a company spends what is needed to sustain its commercial position, is a primary determinant of a firm's potential to build value for shareholders. The firm was retained by the SBI in July 1993.

UBS Global Asset Management, Inc. (formerly Brinson Partners, Inc.)
UBS focuses on price/value as the cornerstone of their investment process. They discount all future cash flows of a company to calculate the intrinsic value from an owner's perspective, and then compare that value estimate to the current stock price. These resulting price/value differences, applied over a broad range of companies, then become the building blocks of the security selection process. Portfolio construction focuses on market sensitivity, common factor exposures, industry weightings, and individual stock selection. UBS was retained by the SBI in July 1993.

Semi-Passive

Barclays Global Investors
Barclays 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 SBI. The firm was retained by the SBI for semi-passive management in January 1995.

Franklin Portfolio Associates, LLC
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. The SBI retained Franklin as a semi-passive manager in January 1995.

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.

Passive

Barclays Global Investors
For the passive account, Barclays seeks to minimize tracking error subject to trading costs, and controls overall investment and operational risks. Their strategy is to invest across the broad market while excluding smaller, illiquid securities from the investment universe. An optimized approach is taken to security selection. Optimization effectively trades off expected tracking error with cost of trading to determine which trades should be executed. Barclays was retained by the SBI for passive management in July 1995.

Emerging Managers Program

Artemis Investment Management LLC
Artemis believes that excess rates of return above benchmark indices are

derived from investments in companies that initiate and embrace change in their businesses. They want to identify those small cap companies that they believe (1) have catalysts that can accelerate future earnings and cash flow growth rates; and (2) are attractively valued relative to their respective peer groups. In order to implement their investment philosophy, they use relative value analysis, which is a bottom-up, stock picking approach driven by fundamental research and frequent meetings with company managements. The portfolio is diversified in terms of growth rates and exposure in all economic sectors. Artemis was retained by the SBI in July 2000.

Bay Isle Financial Corporation

Bay Isle Financial believes that companies with strong fundamentals and management will outperform and that these companies can be found at a discount to fair value. To capitalize on these ideas, they perform rigorous fundamental analysis on cash flow growth and balance sheet strength and evaluate a company's business, major competitors and management strength. Bay Isle closely monitors risk levels relative to the benchmark and the portfolio is diversified across most industry sectors. Bay Isle was retained by the SBI in July 2000.

Earnest Partners, LLC

Earnest Partners utilizes a proprietary valuation and performance model and rigorous fundamental review to identify stocks with the most attractive relative returns. They have identified six performance drivers – valuation measures, operating trends, market trends, growth measures, profitability measures and macroeconomic measures – and have done extensive research to determine which combination of performance drivers, or return patterns, precede out-performance for stocks in each sector. They select stocks whose return patterns suggest favorable performance and control risk using a statistical program designed to measure and control the prospects of substantially under-performing the benchmark. The portfolio is diversified across industry groups. Earnest Partners was retained by the SBI in July 2000.

Holt-Smith & Yates Advisors

Holt-Smith & Yates invests in companies demonstrating superior growth in earnings over a long period of time. They use bottom-up fundamental analysis, focusing on historical and forecasted sales and earnings trends, profit margin trends, debt levels and industry conditions. They seek to purchase large-cap companies that meet their strict valuation criteria and that have superior fundamentals to that of the benchmark. Companies must currently have a five year projected growth rate of over 20% and a PEG (P/E ratio to growth rate) ratio of below 150%. They hold concentrated portfolios, and the portfolio has low turnover. Holt-Smith was retained by the SBI in July 2000.

Next Century Growth Investors, LLC

Next Century Growth's (NCG) goal is to invest in the highest quality and fastest growing companies in America. They believe that growth opportunities exist regardless of the economic cycle. NCG uses fundamental analysis to identify companies that will surpass consensus earnings estimates which they believe to be the number one predictor of future out-performance. Their investment process focuses on growth companies that have superior top line revenue growth (15% or greater), high profitability, and strong balance sheets that are well poised to outperform the market. NCG believes in broad industry diversification; sector exposures are limited to twice the benchmark weighting and individual positions to five percent. Next Century was retained by the SBI in July 2000.

Peregrine Capital Management, Inc.

Peregrine's Small Cap Value investment process begins with their proprietary valuation analysis, which is designed to identify the small cap value stocks most likely to outperform. The valuation analysis identifies the most under-priced securities on a sector-by-sector basis. Drawing on thirty years of data, the analysis looks at different combinations of sixty fundamental factors most relevant in each sector to identify stocks that offer significant value relative to the companies' underlying fundamentals. The focus of the team's fundamental research is to determine if one or more of the style's "Value Buy Criteria" are present – these include short-term problems, unrecognized assets, take-over potential, and catalysts for change. The portfolio is diversified and sector weights are aligned closely to the benchmark. This allows stock selection to drive performance. Peregrine was retained by the SBI in July 2000.

Valenzuela Capital Partners, LLC

Valenzuela Capital Partners believes that stock selection and adherence to valuation analysis are the backbone of superior performance. Their investment philosophy is mid-cap value oriented. The firm seeks companies with attractive valuations which are experiencing or beginning to experience positive changes in revenues, positive changes in gross or operating margins, and/or positive changes in financial structure. The firm believes that below market

valuations provide downside protection during weak market periods. In strong markets the portfolios will be driven by both improving earnings and multiple expansion. Valenzuela was retained by the SBI in April 1994.

Voyageur Asset Management, LLC
Voyageur's Large Cap Growth Equity strategy is focused on achieving consistent, superior performance with near-benchmark risk. They seek high quality growth companies with exceptional financial strength and proven growth characteristics. They believe that sound fundamental analysis reveals those companies with superior earnings achievement and potential. Their screening process identifies companies that over the past five years have had higher growth in sales, earnings, return on equity, earnings stability and have lower debt ratios relative to their benchmark. Because they focus on diversification and sector limitations, they believe they can continue to outperform as different investment styles move in and out of favor. Voyageur was retained by the SBI in July 2000.

Winslow Capital Management, Inc.
Winslow Capital is a fundamental, "bottom-up" investment firm with all portfolio managers acting as research analysts. They believe investing in companies with consistent and sustainable growth provides the best opportunity for achieving superior portfolio returns over the long term. The objective is to achieve a weighted average annual earnings growth rate in excess of 25%, over a 2-3 year time horizon. These companies tend to have consistently strong sales and earnings growth, high return on equity, low debt to capital, strong cash flow, high inside ownership, steady or rising margins, a high level of earnings stability, and a sustainable competitive advantage. Hands-on research includes frequent, direct communication with senior management of portfolio holdings. The research process allows implementation of their investment philosophy in all market environments and delivers superior returns with a low relative level of volatility. Winslow Capital was retained by the SBI in April 1994 to manage a large cap portfolio. This mandate was changed to a small cap focus in July 2000.

Zevenbergen Capital, Inc.
Zevenbergen Capital's investment philosophy is founded on the principles that superior fundamentals drive stock price appreciation and exceptional management combined with balance sheet strength provides capital protection. The firm employs a forward looking, bottom-up investment process designed for long-term results. Portfolios are constructed with companies presenting established and prospective revenue, cash flow and earnings growth, while diversification and risk control are accomplished through a blend of company size, expected growth rates, and appropriate portfolio weightings. The firm remains fully invested to ensure market participation. Zevenbergen was retained by the SBI in April 1994.

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

International Program Managers

Active Developed

American Express Asset Management International, Inc.
American Express Asset Management's (AEAM) objective is to identify inefficiencies in market value at the regional, sector and stock level. Their investment process concentrates on identifying non-consensus market views, focusing on return on capital criteria, leading to investment opportunities that they can exploit. AEAM's core international equity approach is to combine top-down and bottom-up factors to construct a portfolio of large cap stocks. They start the decision-making process with the development of their macroeconomic outlook, leading to the development of investment themes. The bottom-up stage of their process involves identifying the most attractive stocks within sectors using a well defined set of key criteria, combined with a strong sell discipline. American Express was retained by the SBI in February 2000.

Britannic Asset Management International (formerly Blairlogie Capital Management)
Britannic has developed a model that ranks countries based on a collection of current and historical data. The model has been adapted to use similar types of data to separately rank sectors. Their quantitative analysis is enhanced with significant qualitative assessments to evaluate factors that a model cannot review. They continuously strive for the optimum combination of quantitative inputs and those based on the portfolio managers' judgment, but believe that objective, measurable facts must always be the starting

point for making sound investment decisions. Britannic's approach combines top-down analysis with bottom-up stock selection. Their process is based on an underlying objective of producing premium returns consistently above their benchmark in any market environment, while carefully controlling risk and limiting volatility. Britannic's portfolio is broadly diversified in international markets, in terms of both country and stock selection. Britannic was retained by the SBI in February 2000.

INVESCO Global Asset Management, Inc.

INVESCO employs a systematic process that identifies undervalued-companies, combined with a consistently applied portfolio design process to control the predictability and consistency of returns. INVESCO managers believe they can add value by identifying and investing in stocks which are attractively priced relative to the sustainable growth potential of the company. Portfolios are constructed on a bottom-up basis. They select individual companies rather than countries, themes, or industry groups. This is the first of four cornerstones of their investment approach. Secondly, they conduct financial analysis on a broad universe of non-U.S. companies, with key financial data adjusted to be comparable across countries and currencies. Third, INVESCO believes that using the firm's own local investment professionals enhances fundamental company research. Finally, they manage risk and ensure broad diversification relative to the clients' benchmark utilizing a statistics-based portfolio construction approach instead of utilizing country or industry constraints. INVESCO was retained by the SBI in February 2000.

Marathon Asset Management, Ltd.

Marathon uses a blend of qualitative disciplines to construct portfolios. The resulting style and emphasis of the portfolio may vary over time and by market, depending on Marathon's perception of what represents the best value opportunity. Since the firm believes that competition determines profitability, Marathon is attracted to industries where the level of competition is declining. 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 relative to the attractiveness of their products or services and determines whether the company is following an appropriate reinvestment strategy for their current competitive position. Marathon was retained by the SBI in November 1993.

T. Rowe Price International, Inc.

The T. Rowe Price investment approach links a broad macroeconomic framework with an awareness of the attractiveness of individual stock opportunities within each market and sector. Stocks are selected using fundamental analysis that emphasizes growth at a reasonable price. The aim is to identify companies whose prospects are attractive over a two-year investment horizon and whose fundamental earnings growth will be above average within its industry or geographic region. Within this framework, a regional oriented team coupled with a global sector oriented team are responsible for investment decisions within two separate portfolios which are combined. Several quantitative tools are used to evaluate a security's prospects, however, it is ultimately the managers' seasoned judgment that will cause a stock to be introduced, held, or excluded from portfolios. Country and industry weightings result directly from stock selection. T. Rowe Price was retained by the SBI in November 1993.

UBS Global Asset Management, Inc. (formerly Brinson Partners, Inc.)

UBS is a fundamental, long-term, value-oriented investor. The focus of UBS' fully active strategy is to pick the most attractive stocks, industries, countries and currencies. Their investment research process identifies discrepancies between a security's fundamental value and its observed market price - both across and within global equity markets. They exploit these discrepancies using a disciplined fundamental approach. Their research teams evaluate companies in their sectors around the world and assign relative price/value rankings based on the present value of each company's expected future cash flows. The portfolio construction group utilizes this global network of resources to systematically develop portfolio strategy. Currency strategies are developed separately and coordinated with country allocations. UBS was retained by the SBI in April 1993 with an active country/passive stock mandate. In October of 1999, UBS converted the portfolio to a fully active mandate.

Passive

State Street Global Advisors

State Street manages an international index portfolio designed to track the Morgan Stanley Capital International Index of Europe, Australasia and the Far East (EAFE Free). State Street uses a full replication strategy to construct the index by country. Stock index and country futures, approved by the Commodity Futures Trading Commission, are also used to minimize tracking error and allow for

cash in flow and out flow. State Street was retained by the SBI in October 1992.

Emerging Markets

Alliance Capital Management, L.P.

Alliance Capital's emerging markets equity process focuses on fundamental research-driven stock selection, which is structured by industry within the emerging markets regions. Alliance's regional portfolio management and research teams, focused on Asia, Eastern Europe/ Middle East/Africa and Latin America, construct portfolios within their respective regions. These regional portfolios are aggregated to establish Alliance's total emerging markets exposure in the portfolio. Alliance believes that investment success in the emerging markets stems from investing in those companies in each region with quality managements in growth businesses and with superior fundamentals. Alliance further believes that these companies can best be identified through rigorous fundamental research, conducted by internal, on-the-ground analysts. Although the investment philosophy emphasizes bottom-up stock selection, parameters are established at the portfolio level to manage risk. Exposures by region are maintained close to the benchmark weights, and deviations are made when an excess or a lack of opportunities exist within a particular region. Maximum position constraints are imposed at the stock and country level, and industry exposures are generally a by-product of stock selection. The SBI retained Alliance Capital in January 2001.

Capital International, Inc.

Capital International, Inc. has a long history of investing in emerging markets for its affiliate, Capital Guardian Trust Company, one of the Capital Group Companies. Capital is distinguished by its extensive commitment to fundamental research, with a large team of experienced analysts focused on gathering in-depth information first-hand on companies throughout the world. Their philosophy can best be described as value-oriented with research efforts focused on trying to identify the difference between the underlying value of a company and the price of its securities in its home market. This basic, fundamental approach is blended with macroeconomic and political judgments on the outlook for economies, industries, currencies and markets. A critical ingredient in this blending process is the recognition that the relative importance of each factor will vary from time to time, and none can be treated as being of paramount importance at all times. The account is divided among nine portfolio managers and a research portfolio. The research portfolio is managed by a team of research analysts who select stocks within the sectors they cover. All portfolio managers are free to make their own decisions (within risk control limits) as to sector, quality emphasis, cash reserves, and issue selection. The SBI retained Capital International, Inc. in January 2001.

Morgan Stanley Investment Management

Morgan Stanley Investment Management is an emerging markets specialist. Their belief is that the emerging markets are a distinct asset class offering a diverse set of investment opportunities. As both macroeconomic and stock-specific factors drive the emerging markets, Morgan Stanley integrates both top-down country allocation and bottom-up stock selection in order to produce superior performance over the medium to long term. Effective investment management requires a dedicated manager who utilizes a set of investment tools tailored to the return and risk potential of this asset class. Morgan Stanley's core investment style combines growth and value as both are potential drivers of performance in emerging markets investing. They believe that growth-oriented companies trading at attractive valuations offer the best return prospects in the emerging markets. Morgan Stanley Investment Management was retained by the SBI for emerging market management in January 2001.

Schroder Investment Management North America, Ltd.

As a fundamental active manager, Schroder believes in the potential to gain a competitive advantage from in-house research, which will translate into superior investment performance through disciplined portfolio construction. Their focus in Emerging Markets is on: 1) identifying those countries that will show predictable and sustainable growth over the longer-term and 2) those companies that can leverage this superior economic growth to generate above average growth in earnings and cash flow. All investment decisions are subject to judgment of reasonable valuation and are based on a framework of expected returns. The resulting portfolio is well diversified, as they have a preference for multiple active positions, and risk is further controlled through active consideration of liquidity and volatility characteristics. Accordingly they seek out return through their global research capability, and manage risk through the construction of portfolios which reflect their strongest research views. The SBI retained Schroders in January 2001.

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

Fixed Income Program Managers

Active

American Express Asset Management Group, Inc.

American Express manages portfolios using a top-down approach ending with in-depth fundamental analysis. The firm actively manages five components of the portfolio: duration, maturity structure, sector selection, industry emphasis, and security selection. The duration and maturity structure of the portfolio are determined by the firm's economic analysis and interest rate outlook. This analysis will also identify the sectors and industry groups the firm expects to produce the best rates of return on a risk-adjusted basis. American Express employs in-depth fundamental research and credit analysis combined with proprietary valuation disciplines to reconfirm industry groups and identify individual securities that will achieve superior rates of return. American Express was retained by the SBI in July 1993.

Deutsche Asset Management, Inc.

Deustche believes there are significant pricing inefficiencies inherent in bond markets and that diligent credit analysis, security structure evaluation, and relative value assessment can be used to exploit these inefficiencies. The firm avoids interest rate forecasting and sector rotation because they believe these strategies will not deliver consistent out performance versus the benchmark over time. The firm's value added is derived primarily from individual security selection. Portfolio managers and analysts research bonds within their sector of expertise and construct portfolios from the bottom up, bond by bond. Sector weightings are a byproduct of the bottom-up security selection. Deutsche was retained by the SBI in February 2000.

Dodge & Cox Incorporated

Dodge & Cox manages a high quality, diversified portfolio of securities that are selected through fundamental analysis. The firm believes that by combining fundamental research with a long-term investment horizon it is possible to uncover inefficiencies in the valuation of market sectors and individual securities. When this fundamental research effort is combined with a disciplined program of risk analysis, attractive returns are possible over the long-term. To seek superior returns, Dodge & Cox emphasizes sector and security selection, strives to build portfolios that have a higher yield than the broad bond market, and analyzes portfolio and individual security risk. Dodge & Cox was retained by the SBI in February 2000.

Morgan Stanley Investment Management

Morgan Stanley (formerly Miller Anderson & Sherrerd) focuses on four key decisions in structuring portfolios: interest-rate sensitivity, yield-curve exposure, portfolio credit quality, and portfolio prepayment risk. The firm is a value investor, purchasing securities they believe are relatively cheap and holding them until relative values change or until other securities are identified which are better values than those in the portfolio. Morgan Stanley is a long-term investor and is willing to purchase a portfolio that represents the best values in the market, even if the market does not recognize that value in the near future. In developing their interest-rate strategy the firm relies primarily on value-based criteria to determine when markets are offering generous compensation for bearing interest-rate risk, rather than trying to anticipate interest rates. Value is added in the corporate sector by selecting the cheapest corporate bonds and controlling credit risk through broad diversification and strict position limits. Mortgage securities are often used to replace U.S. Treasuries in portfolios, and the firm has significant expertise in managing the prepayment risks of mortgages. Morgan Stanley was retained by the SBI in July 1984.

Western Asset Management

Western emphasizes the use of multiple strategies and active sector and issue selection, while constraining overall interest rate risk relative to the benchmark. Multiple strategies are proportioned so that results do not depend on one or two opportunities, and no single adverse market event would have an overwhelming effect. This approach adds consistent value over time and can reduce volatility. Long term value investing is Western Asset's fundamental approach. In making their sector decision, the firm seeks out the greatest long-term value by analyzing all fixed income market sectors and their economic expectations. Individual issues are identified based on relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation. Western believes that successful interest rate forecasting is extremely difficult to accomplish consistently and consequently keeps portfolio duration within a narrow band

around the benchmark. Western was retained by the SBI in July 1984.

Semi-Passive

BlackRock Inc.

BlackRock manages a semi-passive index portfolio that closely tracks the Lehman Aggregate. BlackRock's strategy is a controlled-duration, sector rotation style, which can be described as active management with tighter duration, sector, and quality constraints. BlackRock seeks to add value through: 1) controlling portfolio duration within a narrow band relative to the benchmark, 2) relative value sector/sub-sector rotation and security selection, 3) rigorous quantitative analysis of the valuation of each security and of the portfolio as a whole, 4) intense credit analysis and review, and 5) the judgment of experienced portfolio managers. Advanced risk analytics measure the potential impact of various sector and security strategies to ensure consistent value added and controlled volatility. BlackRock was retained by the SBI in April 1996.

Goldman Sachs Asset Management, L.P.

Goldman manages a semi-passive portfolio that closely tracks the Lehman Aggregate. Goldman manages the portfolio within a risk-controlled framework. The firm relies primarily on sector allocation and security selection strategies to generate incremental return relative to the benchmark. To a lesser degree, term structure and highly controlled interest rate anticipation strategies are also implemented. Portfolios are diversified among various sectors and individual securities. Goldman combines long-term strategic investment tilts with short-term tactical trading opportunities. Strategic tilts are based on fundamental and quantitative sector research and seek to optimize the long-term risk/return profile of portfolios. Tactical trades between sectors and securities within sectors are implemented to take advantage of short-term market anomalies. Goldman was retained by the SBI in July 1993.

Lincoln Capital Fixed Income Management Company

Lincoln manages a semi-passive portfolio that closely tracks the Lehman Aggregate. Lincoln's process relies on a combination of quantitative tools and active management judgment. Explicit quantification and control of risks are at the heart of their investment process. Lincoln uses proprietary risk exposure analysis to analyze 25 interest rate factors, and over 30 spread-related factors, including those relating to credit quality, sector classification and sub-sector representations. Lincoln analyzes every bond in the index for all relevant factors, and capitalization weights the results to calculate index level risk exposures. For each interest rate factor, the portfolio is very closely matched to the index to ensure that the portfolio earns the same return as the index for any change in interest rates. For each spread factor, the portfolio can deviate slightly from the index as a means of seeking value-added. Setting active risk exposures that must fall within pre-established limits controls risk. To control credit risk, corporate holdings are diversified across a large number of issues. Lincoln was retained by the SBI in July 1988.

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

UBS Realty Investors Fund: RESA

Real Estate Separate Account (RESA) is an open-end commingled real estate fund managed by UBS Realty, acquired from Aetna Life Insurance Company. 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
Colony Investors III

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 in the process of liquidating its holdings and Fund III will terminate in 2008.

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.

First Asset Realty
Fund: First Asset Real Estate Equity Fund

First Asset Fund (FAREEF), was created by First Bank (now US Bancorp) 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. All funds are in the process of liquidating their holdings.

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 main strategy is to acquire unleveraged parking facilities to maximize current return to the investors. The SBI committed to the Fund in 1991. The fund is expected to terminate in 2005.

Lend Lease Real Estate Group
Fund: Prime Property Fund

Prime Property Fund was formed in 1973 by the New York-based Lend Lease Real Estate Group, Inc. (formerly, the Equitable Real Estate Group). 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.

Rosenberg Real Estate Equity Fund (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 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 and 1987. The funds are in the process of liquidating their holdings.

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

TA Realty Associates Funds III, IV, V and VI 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, 1999, and 2002 respectively. Each fund has a ten year term.

Private Equity

Adams Street Partners
Funds: Venture Partnership Acquisition Fund I
Venture Partnership Acquisition Fund II
(Adams Street formerly Brinson Partners) Venture Partnership Acquisition Funds I and II were formed in 1988 and 1990, respectively. The limited partnerships 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. Adams Street Partners is based in Chicago, Illinois.

Blackstone Group
Fund: Blackstone Capital Partners Fund II
Blackstone Capital Partners Fund IV
Blackstone Capital Partners Funds II and IV are limited partnerships which were formed in 1993 and 2002, respectively and have ten year terms. Based in New York, the funds will invest in a variety of private equity transactions.

Blum Capital
Fund: BLUM Strategic Partners
BLUM Strategic Partners II
BLUM Strategic Partners, L.P., and BLUM Strategic Partners II were organized in 1998 and 2001 respectively, and have ten year terms. Based in San Francisco, the funds will focus on value-oriented private and public equity investments located primarily in the U.S.

ChiCorp Management, Inc.
Funds: Banc Fund IV
Banc Fund V
Banc 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.

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 II
Coral Partners IV
Coral Partners V
Coral Partners II, IV and V are Minnesota-based venture capital limited partnerships managed by the Coral Group. These funds make technology and healthcare venture capital investments. They were formed in 1991, 1994 and 1998, respectively, and have eleven year terms.

Crescendo Ventures
Funds: Crescendo Venture Fund II
Crescendo Venture Fund III
Crescendo Venture Fund IV
Crescendo Venture Funds II, III and IV were organized in 1997, 1999 and 2000 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.

CVC Management
Fund: Citigroup Venture Capital Equity Partners
Citigroup Venture Capital Equity Partners was formed in 2001 to make private equity investments in a diversified, global portfolio of companies. Based in New York, the fund has a term of 13 years.

DLJ Merchant Banking
Fund: DLJ Merchant Banking Partners III
DLJ Merchant Banking Partners III was formed in 2000 with a term of ten years. Based in New York with offices worldwide, the Fund's investments will involve a variety of transactions, including leveraged and unleveraged acquisitions, recapitalizations, restructurings, workouts, expansion financings and other, similar situations.

DLJ Strategic Partners
Fund: DLJ Strategic Partners
DLJ Strategic Partners was formed in 2001 with a term of 10 years for the purpose of investing in secondary private equity limited partnership interests which are sold by investors who, for a variety of reasons, have decided to liquidate all or a portion of their private equity holdings.

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 focuses on start-up and early stage investments.

Fox Paine and Company
Funds: Fox Paine Capital Fund I
Fox Paine Capital Fund II
Fox Paine Capital Funds I and II were formed in 1998 and 2000 and have ten year terms. Based in Foster City, CA, the funds focus 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
Based in Chicago, Golder, Thoma and Cressey Funds III, IV and V are venture capital limited partnerships and were formed in 1987, 1993 and 1996, respectively. 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
Funds: GTCR Golder Rauner Fund VI
GTCR Golder Rauner Fund VII
GTCR Golder Rauner Funds VI and VII, formed in 1998 and 2000, are funds of a successor firm to the private equity firm of Golder, Thoma, Cressey and Rauner. The SBI has several investments with Golder, Thoma, Cressey and Rauner. The funds have ten year terms. Based in Chicago, the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

Goldman Sachs Capital Partners
Fund: GS Capital Partners 2000
GS Capital Partners 2000 was formed in 2000 by Goldman Sachs Advisors. Based in New York, the fund will focus on investments in the U.S. and internationally in four areas: merchant banking, telecommunications, broadband, and technology. The fund has an expected term of ten years.

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
Funds: Hellman and Friedman III
Hellman and Friedman IV
Hellman and Friedman III and IV were organized in 1994 and 2000 and have ten year terms. Based in San Francisco, the funds will pursue opportunistic private equity investments located in the U.S. and internationally.

Kohlberg, Kravis, Roberts & Co. (KKR)
Funds: KKR 1986 Fund
KKR 1987 Fund
KKR 1993 Fund
KKR 1996 Fund
KKR Millennium Fund (2001)
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. The 1986 and 1987 Fund are being liquidated.

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. Both funds are undergoing an orderly liquidation of holdings. Investment emphasis is on high-technology firms in the early and expansion stages of corporate development.

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.

Smith Barney Venture Corp.
Fund: First Century III
First Century III was formed in 1984. It is structured as a limited partnership and is in the process of liquidating its holdings. 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 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. 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
Funds: Thoma Cressey Fund VI
Thoma Cressey Fund VII
Thoma Cressey 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. Thoma Cressey Fund VI, formed in 1998, and Thoma Cressey Fund VII, formed in 2000, have ten year terms. Based in Chicago, the funds focus primarily on a wide variety of private equity investments in consolidating and fragmented industries.

Thomas, McNerney & Partners
Fund: Lumina Ventures
Based in Minneapolis, with additional offices in New York and San Francisco, Lumina Ventures was formed in 2002 to make venture capital investments in all stages of development and across all sectors of the health care industry. The Fund has an expected term of 10 years.

T. Rowe Price
T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the SBI'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.

Vestar Capital Partners
Fund: Vestar Capital Partners IV
Vestar Capital Partners IV is a limited partnership that was formed in 1999 and has a ten year term. Based in New York, the fund will invest primarily in a number of private middle market companies.

E.M. Warburg Pincus & Co., Inc.
Funds: Warburg, Pincus Ventures
Warburg Pincus Equity Partners
Warburg, Pincus Equity Partners VIII
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, the second fund in 1998, and the third fund in 2002. The funds have 12 year terms.

Welsh, Carson, Anderson and Stowe
Fund: Welsh, Carson, Anderson and Stowe Fund VIII
Welsh, Carson, Anderson and Stowe Fund IX
Welsh, Carson, Anderson and Stowe Funds VIII and IX were formed in 1998 and 2000 and have twelve year terms. Based in New York, N.Y., the funds focus on private equity investments in the healthcare and information services industries.

William Blair Capital Partners
Fund: William Blair Capital Partners VII
Formed in 2001 with a ten-year term, William Blair Capital Partners VII is based in Chicago and will seek investments in a broad spectrum of private companies at various stages of development.

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 V
First Reserve VII
First Reserve VIII
First Reserve IX
American Gas and Oil (AMGO) funds were formed in 1981, 1983, 1990, 1996, 1998, and 2001 respectively, and are structured as limited partnerships. Funds I, II and V are currently undergoing an orderly liquidation of holdings. The other funds have ten year terms, 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.

Simmons & Company
Funds: ***OFS Investments, II***
OFS Investments, III
OFS Investments, 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. 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. Funds II and III are liquidating their holdings.

T. Rowe Price
T. Rowe Price, a Baltimore-based money management firm, was selected to manage stock distributions from the SBI's resource 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.

Alternative Investment Managers

Post Retirement Fund

Real Estate

BlackRock Financial Management
Fund: ***Carbon Capital***
Carbon Capital was formed in 2001 and has an eight year term. Based in New York, the fund will focus on mezzanine real estate loans secured by commercial property assets, primarily in the U.S.

Capital Trust, Inc.
Fund: ***CT Mezzanine Partners II***
CT Mezzanine Partners II was formed in 2001 with a six-year term. The fund is based in New York and plans to make mezzanine debt and other high yield investments in commercial real estate assets and operating companies located primarily in the United States.

Colony Advisors
Fund: ***Colony Investors II***
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 in liquidation.

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 Basic Retirement Funds were transferred to the Post Retirement Fund. In 2001, half of the shares in the Basic Retirement Funds were transferred to the Post Retirement Fund. EOP focuses primarily on office property real estate investments located throughout the U.S. As a publicly traded company, EOP has an indefinite life.

GMAC, L.L.C.
Funds: ***Institutional Commercial Mortgage Fund II***
Institutional Commercial Mortgage Fund III
Institutional Commercial Mortgage Fund IV
Institutional Commercial Mortgage Fund V
Institutional Commercial Mortgage Funds II, III, IV and V are funds formed in 1995, 1996, 1997, and 1999 respectively, with ten year terms. Based in Los Angeles, California, the funds focus on mortgage investment in real estate located throughout the U.S. GMAC assumed responsibility for the funds from C.B. Richard Ellis in 2001.

Private Equity

Citicorp Capital Investors, Ltd.
Funds: ***Citicorp Mezzanine Partners II***
Citicorp Mezzanine Partners III
Citicorp Mezzanine Funds are limited partnerships formed in 1994 and 1999 by Citicorp Capital Investors Ltd. of New York, New

York. The Funds will invest in a broad range of transactions utilizing subordinated debt and equity securities. The Funds have expected terms of 10 years.

DLJ Investment Partners
Fund: DLJ Investment Partners II
DLJ Investment Partners II is a limited partnership formed in 1999 with an expected term of ten years. Based in New York, the Fund will invest in a variety of securities, including subordinated debt with warrants, preferred stock with warrants, common stock or other securities, including interests in joint ventures.

Goldman Sachs Mezzanine Partners
Fund: GS Mezzanine Partners II
GS Mezzanine Partners II is a limited partnership formed in 2000 with an expected term of ten years. Based in New York, the Fund's investment objective is to achieve long-term capital appreciation and current returns through investments in mezzanine securities. These securities will principally include fixed income securities such as debt and preferred stock, often with an equity component, such as warrants, options, a convertible feature, or common stock associated with the debt or preferred stock purchase.

GTCR Golder Rauner
Fund: GTCR Capital Partners
GTCR Capital Partners is a limited partnership formed in 1999 with an expected term of ten years. Based in Chicago, the Fund will make mezzanine investments primarily in companies in which a GTCR Equity Fund invests or has invested. GTCR invests in consolidating, fragmented industries by teaming with top executives to build companies through acquisition and internal growth.

Equinox Investment Partners
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. In 1996, the fund manager reorganized and changed its name to Equinox Investment Partners. 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.

Prudential Capital Group
Funds: Prudential Capital Partners
Prudential Capital Partners L.P. was formed in 2001 with a 10-year term. Based in Chicago, the Fund will make mezzanine investments, typically including convertible debt, preferred stock and warrants, with a specific focus on middle market companies.

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.

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
Funds: TCW/Crescent Mezzanine Partners
TCW/Crescent Mezzanine Partners II
TCW/Crescent Mezzanine Partners III
TCW/Crescent Mezzanine Partners, L.P., TCW/Crescent Mezzanine Partners II, and TCW/Crescent Mezzanine Partners III are Los Angeles based limited partnerships formed in 1996, 1999, and 2001, 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, 2009, and 2011, respectively.

William Blair Mezzanine Capital Partners
Fund: William Blair Mezzanine Capital Partners III
William Blair Mezzanine Capital Partners III is a limited partnership formed in 1999 with an expected term of ten years. Based in Chicago, the Fund will invest primarily in fixed rate subordinated debt securities. These securities generally will be purchased with a significant equity component in the form of warrants, common stock or contingent interest.

Windjammer Capital Investors Fund: Windjammer Mezzanine and Equity Fund II

Windjammer Mezzanine and Equity Fund II is a limited partnership formed in 2000 with an expected term of ten years. The Fund will provide subordinated debt and/or preferred stock accompanied by warrants or other forms of equity participation and, in certain instances, common stock to middle market companies. The Fund will seek to generate both current income and substantial capital gains while limiting its risk.

Resource Funds

Merit Energy Company Fund: Merit Energy Partners B, C, and D

Merit Energy Partners B, C, and D were formed in 1996, 1998 and 2000, respectively, and each fund has an 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 Asset Management

GE Asset Management manages the stock portfolio for the Assigned Risk Plan. 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 thirteen 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 Asset Management was retained by the SBI in January 1995.

Voyageur 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 has managed the bond portfolio since July 1991.

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 cash flows to optimize yields. The manager invests in high quality instruments diversified among traditional insurance and bank investment contracts 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. The firm was retained by the SBI in November 1994.

State Deferred Compensation Plan Non-SIF Mutual Fund Managers

Janus Twenty Fund

The large cap equity option is currently offered through the Janus Twenty Mutual Fund. The investment objective of this fund is long-term growth of capital from increases in the market value of the stocks it owns. The fund will concentrate its investments in a core position of between twenty to thirty common stocks. This non-diversified fund seeks to invest in companies that the portfolio manager believes have strong current financial positions and offer growth potential. The fund was retained by the SBI in July, 1999.

Morgan Stanley Mid-Cap Value Institutional Fund

The mid-cap equity option is currently offered through the Morgan Stanley Mid-Cap Value Institutional Mutual Fund. The investment objective of this fund is capital growth. The strategy is to produce a portfolio that focuses on medium-sized companies that are viewed as undervalued. The fund normally invests in all economic sectors of the market and distinguishes itself through a value-driven approach to security selection, which combines quantitative and fundamental elements. Economic sector weights are normally kept within five percentage points of those of the S&P MidCap 400 Index. The fund focuses on companies with market capitalizations from $500 million to $5 billion. The fund was retained by the SBI in January, 2002.

T. Rowe Price Small Cap Stock Fund
The small-cap equity option is currently offered through the T. Rowe Price Small Cap Stock Mutual Fund. The strategy of this fund is to invest primarily in stocks of small to medium-sized companies that are believed to offer either superior earnings growth or appear undervalued. The fund normally invests at least 80% of assets in equities traded in the U.S over-the-counter market. The manager does not favor making big bets on any particular sector or any particular stock. The fund's combination of growth and value stocks offers investors relatively more stable performance compared to other small cap stock funds. The fund was retained by the SBI in July, 1999.

Vanguard Institutional Index Plus Fund
The passive domestic equity option that tracks the S&P 500 is currently offered through the Vanguard Institutional Index Plus Mutual Fund. This fund attempts to provide investment results, before fund expenses, that parallel the performance of the Standard & Poor's 500 Index. The fund invests in all 500 stocks listed in the S&P 500 index in approximately the same proportions as they are represented in the index. The managers have tracked the S&P 500's performance with a high degree of accuracy. The fund may use futures and options for temporary purposes, but generally remains fully invested in common stocks. The fund was retained by the SBI in July, 1999.

INVESCO Total Return Fund
The balanced fund option offers a mix of stocks and bonds and is currently offered through the INVESCO Total Return Mutual Fund. This fund is designed for investors who want to invest in a mix of stocks and bonds in the same fund. The fund seeks both capital appreciation and current income. The manager starts from a 60% stock / 40% bond asset allocation and adjusts the mix based on the expected risks and returns of each asset class. The fund invests in mid- to large-cap value stocks and in high quality bonds with the bond portfolio having a duration somewhat less than the bond market as a whole. The fund was retained by the SBI in July, 1999.

Dodge & Cox Income Fund
The bond fund option is currently offered through the Dodge & Cox Income Mutual Fund. The objective of this fund is a high and stable rate of current income with capital appreciation being a secondary consideration. This portfolio is invested primarily in intermediate term, investment-grade quality corporate and mortgage bonds and, to a lesser extent, government issues. While it invests primarily in the U. S. bond market, the fund may invest a small portion of assets in dollar-denominated foreign securities. The duration of the portfolio is kept near that of the bond market as a whole. The fund was retained by the SBI in July, 1999.

Fidelity Diversified International Fund
The international equity option is currently offered through the Fidelity Diversified International Mutual Fund. The goal of this fund is capital appreciation by investing in securities of companies located outside of the United States. While the fund invests primarily in stocks, it may also invest in bonds. Most investments are made in companies that have a market capitalization of $100 million or more and which are located in developed countries. To select the securities, the fund utilizes a rigorous computer-aided quantitative analysis supplemented by relevant economic and regulatory factors. The manager rarely invests in currency to protect the account from exchange fluctuations. The fund was retained by the SBI in July, 1999.

State Deferred Compensation Plan Minnesota Fixed Fund Managers

Principal Life
The manager invests in fixed income securities, commercial mortgages, mortgage-backed securities and residential whole loans, with lesser amounts invested in stock, cash equivalents and direct real estate. The manager relies upon in-house analysis and prefers investments that offer more call protection. The manager strongly prefers private placements to corporate bonds in the belief that private placements offer higher yields and superior protective covenants compared to public bonds. A portion of the fixed income portfolio is invested in US dollar-denominated foreign corporate bonds. Mortgage-backed bonds are actively managed to prices at or below par to reduce prepayment risk. Conservative underwriting standards, small loan sizes and an emphasis on industrial properties minimizes commercial loan risk.

Minnesota Life
Investment decisions support an asset/liability match for the company's many product lines. A conservative investment philosophy uses a number of active and passive investment strategies to manage general account assets and cash flow. Assets are primarily invested in a widely diversified portfolio of high quality fixed income investments that

includes public and private corporate bonds, commercial mortgages, residential mortgage securities and other structured investment products, providing safety of principal and stable, predictable cash flow to meet liabilities and to invest in and produce consistent results in all phases of the economic cycle.

Great-West Life

The Company observes strict asset/liability matching guidelines to ensure that the investment portfolio will meet the cash flow and income requirements of its liabilities. The manager invests in public and privately placed corporate bonds, government and international bonds, common stocks, mortgage loans, real estate, redeemable preferred stocks and short-term investments. To reduce portfolio risk, the manager invests primarily in investment grade fixed maturities rated by third-party rating agencies or by the manager if private placements. Mortgage loans reflect a broadly diversified portfolio of commercial and industrial mortgages subject to strict underwriting criteria.

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 E3 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 an estimation universe of the top 1,500 stocks ranked by capitalization plus smaller companies chosen to ensure a reasonable number of companies in each industry. 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 stocks in the estimation universe. 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 stocks in the estimation universe.

Beta
Forecasts the sensitivity of a stock's return to the return on the market portfolio. The BARRA E3 beta is a forecasted beta, based on a company's exposure to a number of common risk factors and industries.

Volatility (Vlty.)
Captures relative volatility using measures of both long-term historical volatility and near-term volatility. Other proxies for volatility, corrections for thin trading and changes in volatility are also included in this descriptor.

Momentum (Mom.)
Indicates common variation in returns related to recent stock price behavior. Stocks that had positive excess returns in the recent past are grouped separately from those that displayed negative excess returns.

Size
Measures differences in stock returns due to differences in the market capitalization of companies.

Size Nonlinearity (Size Non.)
Describes deviations from linearity in the relationship between returns and a measure of market capitalization.

Trading Activity (Trad. Acvty.)
Measures the amount of relative trading in each stock. Stocks that are highly traded are likely to be those with greater institutional interest. Such stocks may display different returns behavior compared with those that are not widely held by institutions.

Growth
Uses historical growth and profitability measures to predict future earnings growth.

Earnings Yield (E/Y)
Combines current and historical earnings-to-price ratios with a measure of analyst-predicted earnings-to-price. Stocks with similar values of earnings yield behave in a similar fashion with respect to their returns.

Value
Distinguishes between value stocks and growth stocks using the ratio of book value of equity to market capitalization.

Earnings Variability (Earn. Var.)
Measures the variability in earnings and cash flows using both historical measures and analyst predictions.

Leverage (Lev.)
Indicates the financial leverage of a company using debt-to-total assets and other measures.

Current Sensitivity (Curr. Sens.)
Measures the sensitivity of a company's stock return to the return on a basket of foreign currencies.

Dividend Yield (Div. Yld.)
Predicts dividend yield using the past history of dividends and the market price behavior of the stock.

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

Equity Allocation (Eqty. 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
FY 2002 and FY 2003
(In Percentages)

		Beta	Vlty.	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
Alliance Capital																
	June-02	1.05	-0.05	0.00	0.64	0.13	-0.04	0.26	-0.11	-0.15	-0.18	-0.18	0.16	-0.31	1.67	99.7%
	June-03	1.03	-0.13	0.04	0.74	0.14	-0.07	0.23	-0.13	-0.21	-0.19	-0.13	0.14	-0.32	1.96	99.8%
Benchmark																
	June-02	1.09	0.06	-0.13	0.55	0.13	0.09	0.00	-0.04	-0.23	-0.19	-0.17	0.04	-0.18	N.A.	100.0%
	June-03	1.00	-0.13	0.07	0.67	0.14	-0.07	0.05	-0.02	-0.27	-0.26	-0.21	0.02	-0.17	N.A.	100.0%
Cohen Klingenstein & Marks																
	June-02	1.25	0.46	-0.33	0.08	0.10	0.38	0.20	-0.45	-0.10	0.18	0.41	0.11	-0.41	4.23	96.3%
	June-03	1.22	0.35	0.13	0.26	0.12	0.28	0.32	-0.22	-0.21	0.04	0.15	0.03	-0.42	1.72	99.5%
Benchmark																
	June-02	1.14	0.19	-0.05	0.31	0.11	0.25	0.15	-0.18	-0.16	-0.05	-0.12	0.16	-0.32	N.A.	100.0%
	June-03	1.18	0.31	0.09	-0.12	0.09	0.43	0.10	-0.18	-0.11	0.05	0.07	0.14	-0.35	N.A.	100.0%
Forstmann Leff																
	June-02	1.13	0.34	0.29	-0.39	-0.03	0.44	0.27	-0.21	0.18	0.34	0.10	-0.02	-0.32	9.34	99.9%
	June-03	1.25	0.38	0.73	-0.25	-0.01	0.49	0.78	-0.37	-0.07	0.24	0.25	0.22	-0.59	12.94	100.3%
Benchmark																
	June-02	1.17	0.35	0.02	-0.47	0.03	0.66	0.20	-0.13	0.10	0.15	0.11	0.01	-0.26	N.A.	100.0%
	June-03	1.20	0.38	0.32	-0.50	0.02	0.71	0.15	-0.11	0.00	0.21	0.22	0.09	-0.35	N.A.	100.0%
Franklin Portfolio																
	June-02	1.01	-0.02	0.23	-0.45	0.06	0.52	0.02	0.19	0.01	0.01	0.21	-0.08	-0.14	7.97	99.2%
	June-03	1.11	0.25	0.18	-0.48	0.07	0.49	0.04	0.05	0.09	0.19	0.20	0.00	-0.16	10.88	99.6%
Benchmark																
	June-02	1.04	0.12	0.02	-0.53	0.03	0.32	-0.08	-0.06	0.05	0.07	0.21	-0.10	-0.09	N.A.	100.0%
	June-03	1.14	0.35	0.02	-0.57	0.01	0.42	-0.03	-0.21	0.05	0.20	0.25	0.01	-0.18	N.A.	100.0%
GeoCapital Corp.																
	June-02	1.14	0.77	0.21	-2.25	-0.99	0.13	0.49	-0.46	0.19	0.38	0.36	-0.18	-0.65	3.69	96.2%
	June-03	1.10	0.56	0.49	-2.06	-0.73	0.13	0.47	-0.27	-0.05	0.40	0.24	-0.17	-0.72	0.96	96.4%
Benchmark																
	June-02	1.16	0.99	0.21	-2.40	-1.16	0.05	0.31	-0.59	0.33	0.66	0.48	0.06	-0.63	N.A.	100.0%
	June-03	1.16	0.77	0.32	-2.15	-0.85	0.17	0.25	-0.33	0.18	0.51	0.28	-0.09	-0.62	N.A.	100.0%
Lincoln Capital Management																
	June-02	1.12	0.11	0.10	0.53	0.13	0.12	0.28	-0.29	-0.31	-0.18	-0.45	0.07	-0.42	7.29	98.0%
	June-03	1.04	-0.11	0.26	0.26	0.11	0.34	0.26	-0.18	-0.30	-0.20	-0.25	0.09	-0.47	9.10	98.0%
Benchmark																
	June-02	1.13	0.16	-0.08	0.48	0.12	0.18	0.23	-0.18	-0.30	-0.15	-0.34	0.11	-0.31	N.A.	100.0%
	June-03	1.08	0.05	0.06	0.40	0.12	0.16	0.11	-0.14	-0.32	-0.20	-0.22	0.07	-0.28	N.A.	100.0%

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
FY 2002 and FY 2003
(In Percentages)

		Beta	Vlty.	Mom.	Size	Size Non	Trad. Acvty	Growth	E/Y	Value	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
New Amsterdam																
	June-02	0.98	0.03	0.27	-1.33	-0.23	0.60	0.08	0.20	0.08	-0.13	0.53	-0.05	-0.46	6.87	98.9%
	June-03	0.96	-0.03	0.28	-1.30	-0.20	0.56	0.01	0.28	0.10	-0.16	0.29	0.01	-0.45	3.10	98.6%
Benchmark																
	June-02	1.02	0.19	0.29	-1.22	-0.17	0.40	0.16	0.10	0.04	0.02	0.26	-0.14	-0.21	N.A.	100.0%
	June-03	1.01	0.17	0.06	-1.08	-0.10	0.42	0.03	0.13	0.11	0.00	0.20	-0.19	-0.18	N.A.	100.0%
Oppenheimer Capital																
	June-02	0.98	-0.10	-0.17	0.26	0.11	0.04	0.17	0.26	0.10	-0.08	0.48	0.10	0.12	1.33	88.1%
	June-03	1.01	-0.01	-0.17	0.28	0.12	0.08	0.07	0.28	0.05	-0.01	0.35	0.03	0.17	3.16	88.4%
Benchmark																
	June-02	0.98	-0.08	-0.14	0.12	0.11	0.13	-0.15	0.07	0.14	0.01	0.25	-0.02	0.17	N.A.	100.0%
	June-03	1.01	-0.01	-0.21	0.10	0.11	0.17	-0.17	0.11	0.15	0.10	0.31	0.01	0.26	N.A.	100.0%
UBS Global																
	June-02	0.96	-0.11	0.00	-0.06	0.04	0.15	-0.07	0.11	-0.01	0.02	0.34	-0.03	0.17	4.77	96.9%
	June-03	0.97	-0.06	0.06	-0.08	0.06	0.19	-0.10	0.18	0.08	0.08	0.29	0.03	0.10	3.39	96.2%
Benchmark																
	June-02	1.01	-0.02	-0.05	0.11	0.09	0.10	-0.05	0.01	-0.03	-0.05	0.05	0.01	0.01	N.A.	100.0%
	June-03	1.02	0.02	-0.06	0.06	0.09	0.13	-0.05	-0.01	-0.01	0.00	0.04	-0.01	-0.01	N.A.	100.0%
Aggregate (Active + Emerging)																
	June-02	1.07	0.17	0.10	-0.38	-0.12	0.25	0.21	-0.09	0.01	0.06	0.20	0.00	-0.27	4.44	97.1%
	June-03	1.07	0.13	0.18	-0.23	-0.04	0.26	0.22	-0.03	-0.04	0.04	0.16	0.04	-0.28	4.47	97.2%
Benchmark																
	June-01	1.07	0.21	0.03	-0.40	-0.14	0.21	0.08	-0.10	0.00	0.05	0.09	0.01	-0.20	N.A.	100.0%
	June-02	1.07	0.18	0.05	-0.30	-0.06	0.24	0.04	-0.06	-0.01	0.05	0.10	0.00	-0.18	N.A.	100.0%

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 2002 and FY 2003
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Alliance Capital													
	June-02	0.33	56.66			3.70	1.23	18.01			20.07		100.00
	June-03	0.15	57.86			2.97		18.49			20.53		100.00
Benchmark													
	June-02		36.15	0.22	1.93	4.00	2.49	26.56	2.77	5.35	19.80	0.72	100.00
	June-03		48.34	0.20	0.93	4.40	2.47	20.02	2.13	4.80	16.60	0.11	100.00
Cohen, Klingenstein & Marks													
	June-02	3.66	43.59		2.44	2.97		31.95			15.40		100.00
	June-03	0.47	46.47		0.32	1.61		36.07			15.05		100.00
Benchmark													
	June-02		51.20	1.34	0.86	3.05		30.52		0.49	12.37	0.18	100.00
	June-03		41.48	1.41	0.86	2.47		31.39	0.97	0.99	20.10	0.33	100.00
Forstmann Leff													
	June-02	0.11	29.82		10.71	10.12	8.80	21.48	4.64	2.97	11.35		100.00
	June-03	-0.32	29.01		5.54	8.33	6.96	35.87	0.97		13.64		100.00
Benchmark													
	June-03		32.41	5.13	4.47	7.74	8.18	24.55	2.68	3.78	11.06		100.00
	June-03		29.25	3.96	4.18	4.20	7.69	27.27	1.24	2.43	18.65	1.11	100.00
Franklin Portfolio													
	June-02	0.84	37.00	1.48	5.51	7.33	5.93	21.61	2.25	4.58	13.47		100.00
	June-03	0.36	30.81	3.22	2.70	3.29	5.28	28.68		6.03	16.96	2.65	100.00
Benchmark													
	June-02		31.66	5.11	6.76	5.75	5.48	18.57	2.00	7.12	16.20	1.34	100.00
	June-03		28.40	4.05	5.91	5.21	4.96	26.77	1.82	6.21	15.40	1.27	100.00
GeoCapital Corp.													
	June-02	3.82	25.38	2.82	0.93	1.32	17.37	23.24	4.61		20.50		100.00
	June-03	3.60	26.74	2.59	1.84	1.54	13.54	23.60	5.96		20.59		100.00
Benchmark													
	June-02		31.07	6.33	3.60	3.00	8.36	32.28	4.02	1.11	10.23		100.00
	June-03		34.06	2.96	2.79	2.82	7.23	31.26	3.86	0.74	14.27		100.00
Lincoln Capital Management													
	June-02	1.97	49.40			3.51		32.68			9.21	3.23	100.00
	June-03	2.00	48.37			10.11	3.61	22.20			9.13	4.59	100.00
Benchmark													
	June-02		48.41	0.42	0.42	6.32	1.67	30.78	0.35	1.49	9.31	0.81	100.00
	June-03		46.14	0.67	1.30	7.51	2.06	29.18	0.87	0.61	10.85	0.81	100.00

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
FY 2002 and FY 2003
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
New Amsterdam													
	June-02	1.05	36.32	7.61	9.43	8.66	3.24	8.43	3.51	7.10	14.64		100.00
	June-03	1.39	32.52	6.98	15.20	3.45	2.35	13.21	2.27	6.00	16.61		100.00
Benchmark													
	June-02		31.28	2.65	3.60	8.64	3.13	18.46	1.80	8.55	20.78	1.10	100.00
	June-03		33.18	2.07	6.54	5.80	2.65	16.85	3.09	8.69	20.18	0.95	100.00
Oppenheimer Capital													
	June-02	11.86	21.71		3.70	3.95	2.33	7.32	2.10	7.13	37.20	2.69	100.00
	June-03	11.59	29.69	0.65	1.61	2.05	2.84	9.21	1.83	4.19	33.80	2.54	100.00
Benchmark													
	June-02		22.73	3.68	5.97	8.52	7.73	7.30	2.37	11.26	27.87	2.56	100.00
	June-03		17.31	2.65	4.88	5.47	9.09	9.55	2.26	12.85	33.85	2.09	100.00
UBS Global													
	June-02	3.13	25.33	1.43	9.25	7.24	2.39	13.06	2.86	7.82	27.49		100.00
	June-03	3.80	28.62	1.26	8.85	7.55	2.09	13.36	3.14	7.72	23.62		100.00
Benchmark													
	June-02		34.28	2.66	4.18	6.33	4.87	16.91	1.17	7.45	21.12	1.03	100.00
	June-03		33.18	2.12	3.89	6.08	5.13	18.71	1.82	6.53	21.54	1.00	100.00
Aggregate (Active + Emerging)													
	June-02	2.94	36.82	1.70	4.50	5.11	4.41	19.81	2.09	3.09	18.93	0.61	100.00
	June-03	2.81	37.87	1.52	3.75	4.56	3.35	21.36	1.39	2.86	19.53	1.00	100.00
Benchmark													
	June-02		35.68	3.29	3.93	5.71	4.61	22.10	1.98	5.08	16.80	0.83	100.00
	June-03		34.91	2.41	3.69	5.01	4.51	21.94	1.89	5.31	19.47	0.86	100.00

EXTERNAL EMERGING STOCK MANAGERS

Risk Factor Exposures
FY 2002 and FY 2003
(In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non	Trad. Actvy	Growth	E/Y	Val	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
Artemis															
June-02	1.00	0.47	0.35	-2.30	-1.00	0.37	0.45	-0.23	0.15	0.50	0.99	-0.31	-0.77	6.85	97.66%
June-03	1.08	0.64	0.24	-2.21	-0.83	0.25	0.15	-0.16	0.19	0.25	0.63	-0.45	-0.74	5.40	95.48%
Benchmark															
June-02	0.93	0.56	0.44	-2.52	-1.28	0.17	0.17	-0.14	0.29	0.43	0.65	-0.18	-0.54	N.A.	100.00%
June-03	0.97	0.57	0.12	-2.46	-1.16	0.28	0.14	0.07	0.33	0.45	0.49	-0.30	-0.60	N.A.	100.00%
Bay Isle															
June-02	0.96	-0.13	-0.17	-0.19	0.08	0.18	-0.27	0.06	0.30	0.08	-0.05	-0.08	0.25	6.29	97.30%
June-03	1.04	0.02	-0.11	0.22	0.11	0.17	0.16	0.14	0.12	0.11	-0.10	-0.05	0.01	8.10	95.89%
Benchmark															
June-02	0.93	-0.11	0.01	-0.35	0.05	0.09	-0.19	0.12	0.17	0.03	0.26	-0.06	0.11	N.A.	100.00%
June-03	0.97	-0.03	-0.07	-0.23	0.08	0.16	-0.14	0.09	0.08	0.04	0.13	-0.06	0.02	N.A.	100.00%
Earnest Partners															
June-02	1.02	-0.07	0.17	-0.45	-0.01	0.44	0.15	0.35	0.03	0.06	1.30	-0.12	-0.16	2.79	99.50%
June-03	1.01	-0.02	0.02	-0.37	0.00	0.49	-0.01	0.41	0.18	0.13	1.02	-0.10	-0.13	1.27	98.27%
Benchmark															
June-02	0.93	0.00	0.33	-1.11	-0.12	0.25	0.03	0.21	0.00	-0.03	0.27	-0.14	-0.16	N.A.	100.0%
June-03	1.09	0.34	-0.10	-0.91	-0.15	0.38	0.01	-0.09	0.22	0.24	0.35	-0.12	-0.21	N.A.	100.0%
Holt-Smith & Yates															
June-02	1.09	0.12	0.41	-0.25	0.02	0.25	0.56	-0.13	-0.21	-0.19	0.02	0.18	-0.58	1.29	98.48%
June-03	1.12	0.21	-0.05	-0.21	0.06	0.53	0.27	-0.04	-0.22	-0.28	-0.08	-0.04	-0.63	1.46	96.33%
Benchmark															
June-02	1.09	0.16	0.39	-0.84	-0.05	0.48	0.22	0.05	-0.15	-0.12	0.14	-0.04	-0.44	N.A.	100.0%
June-03	1.12	0.18	0.23	-0.58	0.01	0.59	0.28	0.00	-0.13	-0.08	0.03	0.01	-0.55	N.A.	100.0%
Next Century Growth															
June-02	1.23	0.86	1.41	-2.32	-0.99	0.83	1.20	-0.46	-0.34	0.31	0.14	0.10	-0.78	9.60	99.63%
June-03	1.21	0.90	1.43	-2.31	-0.96	0.84	1.21	-0.46	-0.32	0.33	0.03	0.09	-0.84	8.66	99.24%
Benchmark															
June-02	1.14	0.73	0.41	-2.19	-0.88	0.44	0.44	-0.42	-0.07	0.48	0.45	-0.10	-0.64	N.A.	100.0%
June-03	1.13	0.74	0.39	-2.18	-0.85	0.31	0.40	-0.32	-0.02	0.42	0.38	-0.13	-0.62	N.A.	100.0%
Peregrine															
June-02	0.87	0.53	0.24	-2.63	-1.42	-0.07	-0.19	-0.04	0.76	0.71	0.99	-0.26	-0.11	10.04	98.83%
June-03	0.97	0.62	-0.30	-2.65	-1.44	-0.05	-0.11	0.01	0.78	0.53	0.85	-0.46	-0.28	5.78	97.35%
Benchmark															
June-02	0.76	0.19	0.47	-2.53	-1.30	-0.54	-0.19	0.19	0.53	0.32	0.68	-0.11	-0.02	N.A.	100.0%
June-03	0.84	0.40	-0.05	-2.61	-1.39	-0.49	-0.23	0.11	0.57	0.46	0.64	-0.17	-0.16	N.A.	100.0%

EXTERNAL EMERGING STOCK MANAGERS
Risk Factor Exposures
FY 2002 and FY 2003
(In Percentages)

	Beta	Vlty.	Mom.	Size	Size Non	Trad. Actvy	Growth	E/Y	Val	Earn. Var.	Lev.	Curr. Sens.	Div. Yld	Avg. T/O	Eqty Alloc.
Valenzuela Capital															
June-02	0.97	-0.04	0.35	-1.18	-0.09	0.55	-0.16	0.25	0.20	-0.05	0.42	-0.19	-0.24	9.39	95.47%
June-03	1.02	0.12	0.16	-1.15	-0.11	0.51	-0.07	0.07	0.21	0.09	0.46	0.00	-0.24	10.18	98.89%
Benchmark															
June-02	0.95	-0.03	0.20	-1.13	-0.07	0.41	-0.19	0.21	0.22	0.09	0.34	-0.24	0.00	N.A.	100.0%
June-03	0.99	0.05	-0.07	-1.16	-0.08	0.51	-0.20	0.21	0.24	0.13	0.41	-0.13	-0.02	N.A.	100.0%
Voyageur (Chicago Equity)															
June-02	0.98	-0.08	0.25	-0.12	0.09	0.04	0.27	-0.11	-0.35	-0.30	-0.29	-0.08	-0.40	2.55	98.08%
June-03	1.02	-0.06	0.40	0.01	0.11	0.24	0.36	-0.14	-0.37	-0.25	-0.42	0.21	-0.46	1.96	97.77%
Benchmark															
June-02	1.01	-0.03	0.14	-0.12	0.07	0.20	0.17	0.01	-0.31	-0.23	-0.12	-0.05	-0.28	N.A.	100.0%
June-03	0.94	-0.17	0.06	0.03	0.09	0.12	0.06	0.14	-0.18	-0.26	-0.12	0.05	-0.18	N.A.	100.0%
Winslow Capital															
June-02	1.10	0.82	0.88	-2.46	-1.19	0.58	0.95	-0.26	-0.14	0.19	0.18	-0.36	-0.80	7.68	97.72%
June-03	0.98	0.55	0.72	-2.45	-1.17	0.26	0.83	-0.24	-0.15	0.07	0.17	-0.29	-0.85	3.96	96.48%
Benchmark															
June-02	1.02	0.79	0.63	-2.71	-1.62	0.22	0.75	-0.22	0.00	0.30	0.27	-0.18	-0.77	N.A.	100.0%
June-03	1.02	0.78	0.50	-2.66	-1.48	0.23	0.76	-0.21	-0.01	0.27	0.22	-0.11	-0.82	N.A.	100.0%
Zevenbergen Capital															
June-02	1.30	0.54	0.20	-0.39	0.00	0.76	0.88	-0.44	-0.05	0.18	0.10	0.05	-0.64	5.10	99.22%
June-03	1.28	0.51	0.56	-0.64	-0.08	0.85	0.83	-0.24	-0.18	0.14	0.02	0.13	-0.66	4.25	98.36%
Benchmark															
June-02	1.09	0.17	0.06	-0.02	-0.01	0.19	0.22	-0.16	-0.21	-0.06	-0.13	0.05	-0.36	N.A.	100.0%
June-03	1.06	0.08	0.12	0.10	0.02	0.12	0.15	-0.13	-0.25	-0.11	-0.16	0.05	-0.35	N.A.	100.0%
Aggregate Emerging Managers															
June-02	1.05	0.39	0.39	-1.47	-0.61	0.38	0.37	-0.12	0.13	0.23	0.42	-0.15	-0.42	6.32	98.15%
June-03	1.06	0.40	0.27	-1.46	-0.60	0.36	0.36	-0.08	0.11	0.16	0.33	-0.15	-0.49	4.86	97.42%
Benchmark															
June-02	0.96	0.27	0.34	-1.52	-0.68	0.10	0.16	0.00	0.10	0.14	0.29	-0.11	-0.31	N.A.	100.0%
June-03	0.99	0.33	0.13	-1.49	-0.67	0.13	0.14	-0.02	0.12	0.18	0.26	-0.09	-0.36	N.A.	100.0%

EXTERNAL EMERGING STOCK MANAGERS

Sector Weights
FY 2002 and FY 2003
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Artemis													
	June-02	2.34	58.30	2.54	5.29	11.22	6.49	11.66			2.16		100.00
	June-03	4.52	35.73	4.79	14.00	4.90	5.91	21.96	5.14		3.06		100.00
Benchmark													
	June-02		50.84	9.97	6.49	9.13	3.56	10.05	2.19	2.04	5.34	0.39	100.00
	June-03		47.23	7.66	8.89	7.41	7.16	14.10	3.42	1.35	2.55	0.23	100.00
Bay Isle													
	June-02	2.70	21.79	6.34		8.97	8.71	18.58		1.65	31.27		100.00
	June-03	4.11	30.57	3.94	4.41	2.08	6.59	14.69		2.89	30.73		100.00
Benchmark													
	June-02		30.17	4.94	7.81	5.32	5.35	8.41	1.90	9.82	24.88	1.41	100.00
	June-03		32.55	3.77	6.25	4.95	4.94	12.21	2.05	7.80	24.36	1.13	100.00
Earnest Partners													
	June-02	0.50	20.30			1.22	13.59	16.68	3.58	7.24	36.88		100.00
	June-03	1.73	24.95		1.89	2.20	14.19	7.99	2.90	7.70	36.45		100.00
Benchmark													
	June-02		30.81	4.75	6.57	4.02	7.91	11.18	1.73	6.98	25.39	0.67	100.00
	June-03		32.68	5.06	5.41	4.79	4.45	19.57	2.65	7.44	17.32	0.64	100.00
Holt-Smith & Yates													
	June-02	1.52	41.40			5.87		39.66			11.56		100.00
	June-03	3.67	47.91			4.81		32.63			10.98		100.00
Benchmark													
	June-02		36.48	2.60	4.86	4.78		27.34			22.01	1.93	100.00
	June-03		38.38	1.00	4.32	3.72		32.52			20.07		100.00
Next Century Growth													
	June-02	0.37	51.52	3.96				36.49	2.53		5.14		100.00
	June-03	0.76	47.60	4.55		1.23	3.47	30.84	7.83		3.73		100.00
Benchmark													
	June-02		42.86	2.80	3.19	4.42	6.88	29.14	1.46	0.21	9.05		100.00
	June-03		38.69	4.25	3.29	4.45	5.43	28.67	1.62	1.03	12.56		100.00
Peregrine													
	June-02	1.17	18.78	8.14	14.36	8.08	6.93	8.29	5.58	4.44	22.91	1.34	100.00
	June-03	2.65	21.92	5.89	10.54	8.12	6.23	14.75	4.04	3.78	22.09		100.00
Benchmark													
	June-02		19.96	7.47	11.25	8.25	2.56	7.99	3.45	6.90	31.54	0.63	100.00
	June-03		21.09	6.11	10.01	7.98	4.61	11.84	2.99	7.16	27.88	0.33	100.00

EXTERNAL EMERGING STOCK MANAGERS

Sector Weights
FY 2002 and FY 2003
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Valenzuela Capital													
	June-02	4.53	26.02	12.91	9.22		6.24	10.34	4.27	6.59	19.89		100.00
	June-03	1.11	17.81	4.49	8.81	6.14	8.31	14.37	2.80	8.84	27.34		100.00
Benchmark													
	June-02		18.48	7.41	12.23	4.02	12.93	8.80	2.27	6.98	26.88		100.00
	June-03		21.90	6.80	11.91	4.71	6.61	8.69	1.95	11.58	25.84		100.00
Voyageur (Chicago Equity)													
	June-02	1.92	40.21	9.62	3.13	5.96		18.87		1.91	18.39		100.00
	June-03	2.23	44.08	2.24	4.00	5.39		24.01			18.05		100.00
Benchmark													
	June-02		45.22	3.28	1.94	4.93	0.33	17.11	1.44	1.63	24.12		100.00
	June-03		42.74	2.01	0.90	6.34	0.09	13.20	2.65	4.00	27.97	1.10	100.00
Winslow Capital													
	June-02	2.28	60.82	7.70	4.30			24.90					100.00
	June-03	3.52	60.50	4.39	4.94	4.99		18.82	0.99		1.83		100.00
Benchmark													
	June-02		59.05	5.12	4.07	2.57		24.47	1.80		2.91		100.00
	June-03		60.89	5.33	3.87	2.43		22.59	1.34		3.55		100.00
Zevenbergen Capital													
	June-02	0.78	46.49	0.80		1.65		38.12			12.15		100.00
	June-03	1.64	48.19	1.32				38.01			10.84		100.00
Benchmark													
	June-02		48.79	3.67	2.84	4.60	2.34	27.59	0.92	0.82	7.75	0.69	100.00
	June-03		46.77	1.73	2.48	5.13	1.65	28.15	0.88	0.33	11.29	1.60	100.00
Aggregate Emerging Managers													
	June-02	1.85	38.20	5.92	5.23	3.92	3.91	21.25	1.92	2.30	15.24	0.27	100.00
	June-03	2.58	38.35	3.53	5.43	4.44	3.97	21.34	2.08	2.41	15.86		100.00
Benchmark													
	June-02		38.27	5.50	6.64	5.15	3.63	17.16	1.92	3.59	17.63	0.51	100.00
	June-03		38.90	4.63	6.13	5.18	3.12	18.70	1.93	4.08	16.89	0.44	100.00

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Risk Factor Exposures
FY 2002 and FY 2003
(In Percentages)

	Beta	Vty.	Mom.	Size	Size Non	Trad. Actvy	Growth	E/Y	Value	Earn Var.	Lev.	Curr. Sens.	Div. Yld	Avg T/O	Eqty Alloc.
Barclays Global Investors															
June-02	0.94	-0.15	0.00	0.31	0.04	-0.18	-0.05	0.11	-0.05	-0.08	-0.12	0.04	0.11	4.34	99.22%
June-03	0.93	-0.11	-0.02	0.15	-0.03	-0.20	-0.06	0.14	0.02	-0.05	-0.12	-0.01	0.05	4.54	99.25%
Franklin Portfolio Associates															
June-02	0.94	-0.15	0.02	0.32	0.07	-0.17	-0.03	0.09	-0.04	-0.06	-0.09	0.05	0.06	4.94	99.56%
June-03	0.93	-0.12	0.01	0.13	0.00	-0.21	-0.04	0.13	0.04	-0.02	-0.10	0.03	0.07	5.33	99.65%
J.P. Morgan															
June-02	0.96	-0.12	-0.03	0.36	0.05	-0.10	0.03	0.07	-0.03	-0.06	-0.03	0.03	0.04	5.43	99.70%
June-03	0.96	-0.09	-0.03	0.19	0.00	-0.07	0.02	0.08	0.05	-0.04	-0.06	-0.01	0.00	6.40	99.69%
Aggregate Semi-Passive Equity															
June-02	0.95	-0.14	0.00	0.33	0.05	-0.15	-0.02	0.09	-0.04	-0.07	-0.08	0.04	0.07	4.30	99.48%
June-03	0.94	-0.11	-0.01	0.16	-0.01	-0.16	-0.03	0.12	0.04	-0.04	-0.09	0.00	0.04	4.72	99.50%
Benchmark															
June-02	0.94	-0.15	-0.02	0.32	0.04	-0.20	-0.03	0.04	-0.05	-0.08	-0.10	0.02	0.09	N.A.	100.00%
June-03	0.93	-0.12	-0.05	0.16	-0.04	-0.24	-0.04	0.03	0.02	-0.04	-0.09	-0.01	0.07	N.A.	100.00%

EXTERNAL SEMI-PASSIVE STOCK MANAGERS

Sector Weights
FY 2002 and FY 2003
(In Percentages)

		Cash	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.	Misc.	Total
Barclays Global Investors													
	June-02	0.78	36.44	1.66	2.65	5.29	7.17	12.95	0.61	8.31	22.36	1.77	100.00
	June-03	0.75	33.42	2.44	3.23	5.45	7.60	15.15	1.27	6.55	22.57	1.57	100.00
Franklin Portfolio Associates													
	June-02	0.44	36.53	1.58	4.14	5.73	7.31	12.59	0.96	7.71	21.96	1.05	100.00
	June-03	0.35	32.95	0.86	4.54	6.35	7.33	15.00	1.31	7.86	23.10	0.37	100.00
J.P. Morgan													
	June-02	0.30	36.16	2.22	4.07	5.93	7.03	12.43	0.63	8.47	22.42	0.33	100.00
	June-03	0.31	32.63	2.61	4.87	5.76	7.22	14.85	1.16	7.02	23.04	0.53	100.00
Aggregate Semi-Passive Equity													
	June-02	0.52	36.42	1.82	3.56	5.63	7.16	12.67	0.72	8.19	22.22	1.08	100.00
	June-03	0.50	33.02	2.11	4.13	5.78	7.40	15.01	1.24	7.04	22.86	0.91	100.00
Benchmark													
	June-02		35.68	1.98	4.32	5.72	6.94	12.40	0.70	8.62	22.56	1.09	100.00
	June-03		32.94	2.11	4.33	5.96	7.16	15.49	1.29	7.06	22.89	0.77	100.00

EXTERNAL DOMESTIC STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2003

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Active Managers						
Alliance Capital Management	-0.7%	1.7%	-16.3%	-14.8%	-0.6%	-1.4%
Cohen, Klingenstein & Marks	8.9	10.2	-17.5	-10.9	-5.0	0.6
Forstmann Leff Associates	-7.5	4.4	-17.5	0.8	-1.4	5.6
Franklin Portfolio Associates	-7.1	5.1	-7.3	-3.9	-1.1	1.6
GeoCapital	10.6	14.3	-19.6	-8.5	-6.4	-1.2
Lincoln Capital Management	-2.0	4.2	-24.8	-20.1	-8.8	-4.8
New Amsterdam Partners	-0.1	0.1	-2.9	-2.4	4.3	5.8
Oppenheimer Capital	2.3	-1.2	-0.8	-4.7	1.6	2.1
UBS Global	4.2	1.6	3.5	-9.1	-0.1	0.3
Emerging Managers						
Artemis Investment Management	-7.6	-0.1	-10.8	-1.0		
Bay Isle Financial Management	-9.7	-0.2	-7.0	-1.8		
Earnest Partners	2.3	6.2	-4.8	9.8		
Holt-Smith & Yates Advisors	-5.7	-2.0	-10.0	-2.2		
Next Century Growth Investors	-0.1	6.6	-21.4	-12.9		
Peregrine Capital Management	-6.9	-1.3	13.2	15.4		
Valenzuela Capital Partners	-9.1	-2.7	-1.7	4.6	-1.0	3.3
Voyageur Capital Management	-2.4	-0.3	-9.4	-10.4		
Winslow Capital Management	4.6	2.1	-10.0	-8.9		
Zevenbergen Capital	9.3	3.4	-26.4	-14.5	-3.3	3.7
Semi-Passive Managers						
Barclays Global Investors	1.9	0.2	-9.6	-11.5	-2.6	-3.3
Franklin Portfolio Associates	-1.1	0.2	-11.3	-11.5	-4.3	-3.3
J.P. Morgan Investment Mgmt.	-0.4	0.2	-11.0	-11.5	-3.3	-3.3
Passive Manager						
Barclays Global Investors	0.8	0.8	-11.0	-11.1	-1.5	-1.7
Aggregate (1)	**0.4%**		**-11.3%**		**-2.3%**	
Capital Markets Data						
Wilshire 5000 Investable	0.8%		-11.1%		-1.9%	
Wilshire 5000	1.3		-10.6		-1.3	
3-Month-Treasury Bills	1.4		3.0		3.8	
Inflation	2.1		2.1		2.4	

(1) 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
FY2002 - 2003

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Duration	Term To Mat.
American Express Asset Management						
June-03	300	AA+	5.13%	3.37%	4.28 Yrs.	5.8 Yrs.
June-02	199	AA	6.19	5.54	4.17	6.5
Deutsche Asset Management						
June-03	145	AA+	5.81	3.43	4.35	5.9
June-02	121	AA+	6.61	5.12	4.30	6.6
Dodge & Cox Asset Management						
June-03	121	AA	6.16	3.67	3.46	5.6
June-02	113	AA	6.72	5.74	4.17	7.6
Morgan Stanley						
June-03	785	AA+	8.55	4.51	2.95	4.5
June-02	485	AA+	7.23	6.09	4.17	7.8
Western Asset Management						
June-03	528	AA-	6.61	4.40	4.14	10.2
June-02	477	AA	6.45	6.82	4.60	12.1
Lehman Aggregate						
June-03	7,454	Agency	5.83	3.30	3.95	6.7
June-02	6,892	AAA	6.40	5.27	4.29	7.8

EXTERNAL ACTIVE BOND MANAGERS

Sector Weights
FY2002 - 2003
(*In Percentages*)

	Gov't.	Corp.	Mtge.	ABS	Misc.	Intl.	High Yld	Cash
American Express Asset Management								
June 03	24	22	43	1	0	2	2	6
June-02	27	17	45	1	0	0	6	4
Deutsche Asset Management								
June-03	9	34	31	17	8	0	0	1
June-02	14	31	32	16	6	0	3	3
Dodge & Cox Asset Management								
June-03	13	41	40	0	0	0	0	6
June-02	16	35	41	2	0	0	6	0
Morgan Stanley								
June 03	13	27	51	0	0	0	0	9
June-02	8	24	37	1	0	2	2	25
Western Asset Management								
June 03	22	36	24	6	10	2	0	0
June-02	12	33	31	5	4	0	5	8
Lehman Aggregate								
June-03	34	27	34	2	3	0	0	0
June-02	33	26	36	4	0	0	0	0

Abbreviations:

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

EXTERNAL SEMI-PASSIVE BOND MANAGERS

Portfolio Characteristics

June 2002 - June 2003

	# Of Issues	Avg. Qual.	Avg. Coupon	Yield To Mat.	Dur.	Term To Mat.
BlackRock Financial						
June-03	848	AA+	5.67	2.89%	3.77 Yrs.	7.0 Yrs.
June-02	1,130	AA+	5.78	4.96	4.32	6.6
Goldman Sachs Asset Management						
June-03	332	AA	5.39	3.52	3.98	6.0
June-02	350	AA	6.12	5.70	4.31	8.2
Lincoln Capital Management						
June-03	934	AA+	5.70	3.09	3.88	6.1
June-02	1,017	AAA	6.53	5.18	4.24	7.1
Lehman Aggregate						
June-03	7,454	AA+	5.83	3.30	3.95	6.7
June-02	6,892	AAA	6.40	5.27	4.29	7.8

Sector Weights

June 2002- June 2003

(In Percentages)

	Gov't.	Corp.	Mtge.	ABS	Misc.	Cash
Blackrock Financial						
June-03	34	21	28	3	2	12
June-02	23	24	39	5	0	10
Goldman Sachs Asset Management						
June-03	26	29	39	3	3	0
June-02	21	35	28	14	1	0
Lincoln Capital Management						
June-03	38	21	30	3	2	6
June-02	29	27	35	7	0	2
Lehman Aggregate						
June-03	34	27	34	2	3	0
June-02	33	26	36	4	0	0

EXTERNAL BOND MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2003

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Active Managers						
American Express Asset Mgmt. (1)	9.5%	10.4%	8.7%	10.1%	6.8%	7.5%
Deutsche	11.3	10.4	10.7	10.1		
Dodge & Cox	12.7	10.4	11.6	10.1		
Morgan Stanley	8.2	10.4	9.9	10.1	7.2	7.5
Western Asset Management	13.1	10.4	11.5	10.1	8.4	7.5
Semi-Passive Managers						
BlackRock Financial	11.2	10.4	10.2	10.1	7.8	7.5
Goldman Sachs Asset Mgmt.	11.0	10.4	10.2	10.1	7.5	7.5
Lincoln Capital Management	10.4	10.4	10.2	10.1	7.7	7.5
Aggregate (2)	**10.7%**		**10.2%**		**7.6%**	
Capital Markets Data						
Lehman Aggregate (3)	10.4%		10.1%		7.5%	
3 month Treasury Bills	1.4		3.0		3.8	
Inflation	2.1		2.1		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 2003

	State Street Global Advisors	American Express	Britannic Asset Mgmt.	UBS Global Asset Mgmt.	INVESCO Global Asset Mgmt.
Local Returns					
Country Selection	0.3%	1.0%	-0.2%	0.5%	-0.4%
Stock Selection	0.2	-2.9	0.1	-2.4	-1.4
Timing	0.0	0.4	0.3	-0.1	0.3
Currency Returns					
Currency Effect	0.1	-0.1	-0.1	-0.1	-0.1
Hedging Activity	0.0	0.0	0.1	2.1	0.0
Timing	-0.3	-1.0	-1.1	-0.7	-0.4
Base Return					
Total Value Added	**0.3%**	**-2.5%**	**-0.7%**	**-1.2%**	**-2.1%**

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

Fiscal Year 2003

	Marathon Asset Mgmt.	T. Rowe Price Int'l
Local Returns		
Country Selection	2.1%	-1.7%
Stock Selection	-0.1	-0.9
Timing	-0.1	0.0
Currency Returns		
Currency Effect	-0.1	0.1
Hedging Activity	0.0	0.1
Timing	-1.7	0.9
Base Return		
Total Value Added	**0.5%**	**-2.0%**

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 2003

	Alliance Capital Ltd	Capital Int'l Inc	Morgan Stanley	Schroder
Local Returns				
Country Selection	1.4%	3.5%	1.0%	-0.1%
Stock Selection	2.4	-0.8	-1.5	0.9
Timing	0.1	-0.1	0.2	-1.0
Currency Returns				
Currency Effect	0.2	0.2	0.4	0.1
Hedging Activity	0.0	-0.5	0.0	0.0
Timing	-1.4	-2.8	-1.4	-1.7
Base Return				
Total Value Added	**2.8%**	**-0.5%**	**-1.4%**	**-1.8%**

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.

EXTERNAL INTERNATIONAL STOCK MANAGERS

Annualized Performance Summary
Periods Ending June 30, 2003

	1 Year		3 Years		5 Years	
	Actual	**Benchmark**	**Actual**	**Benchmark**	**Actual**	**Benchmark**
Active EAFE						
American Express Asset Mgmt.	-9.3%	-6.5%	-17.5	-13.5		
Britannic (Blairlogie) Capital Mgmt.	-7.5	-6.5	-14.8	-13.5		
Invesco Global Asset Mgmt.	-8.9	-6.5	-8.3	-13.5		
Marathon Asset Mgmt. (1)	-6.3	-2.4	-5.8	-9.6	2.3	-1.8
T. Rowe Price International, Inc.	-8.8	-6.5	-14.9	-13.5	-3.8	-4.0
UBS Global (2)	-8.0	-6.5	-8.5	-13.5	0.0	-4.0
Active Emerging Markets						
Alliance Capital Mgmt.	9.0	6.7				
Capital International	5.3	6.7				
Morgan Stanley Investment Mgmt.	4.6	6.7				
Schroder Investment Mgmt. N.A.	4.1	6.7				
Passive EAFE						
State Street Global Advisors	-6.1	-6.5	-13.4	-13.5	-3.7	-4.0
Equity Only*	-6.2	-5.4	-12.1	-13.0	-2.7	-3.3
Total Program**	**-6.2%**	**-5.4%**	**-12.1%**	**-13.0%**	**-2.8%**	**-3.3%**

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

** Includes impact of currency overlay unrealized gain/loss through December 2001, when all contracts had matured. The international benchmark is MSCI EAFE Free plus MSCI Emerging Markets Free (EMF). The weighting of each index fluctuates with market capitalization. From 12/31/96 to 6/30/99 the benchmark was fixed at 87% EAFE Free/13% Emerging Markets Free. On 5/1/96, the portfolio began transitioning from 100% EAFE to the 12/31/96 fixed weights. 100% EAFE Free prior to 5/1/96.

(1) Marathon's performance is measured against a custom benchmark since inception.
(2) Fully active since 10/1/99. Active country/passive stock from inception 4/1/93 to 9/30/99.

ALTERNATIVE INVESTMENTS - REAL ESTATE
June 30, 2003

BASIC FUND	MARKET $ VALUE	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Colony Capital			
Colony Investors II	$2,591,599	$758,836	8.2
Colony Investors III	51,939,903	0	5.5
Equity Office Properties Trust	53,243,405	0	11.6
Heitman Fund V	1,227,577	0	11.6
Lasalle Income Parking Fund	5,988,698	355,599	11.8
Lend Lease Real Estate Investments	147,178,711	0	21.7
T.A. Associates Realty			
Realty Associates Fund III	41,774,652	0	9.1
Realty Associates Fund IV	54,809,748	0	6.4
Realty Associates Fund V	52,837,536	0	4.1
Realty Associates Fund VI	14,678,698	35,500,000	1.0
UBS Realty	170,061,896	0	21.2
Funds in Liquidation (AEW III & V, First Asset Realty Fund, Heitman I, Heitman III)	319,227	0	N/A
Real Estate - Basic Total	**$596,651,648**	**$36,614,435**	

POST FUND	MARKET $ VALUE	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Carbon Capital	$17,774,495	$32,436,274	1.1
Colony Investors II	2,591,599	758,836	8.2
CT Mezzanine Partners	26,347,673	62,155,637	1.8
Equity Office Properties Trust	53,243,404	0	2.2
GMAC Institutional Advisors			
Institutional Commercial Mortgage Fund II	4,676,369	102,500	7.9
Institutional Commercial Mortgage Fund III	19,573,178	224,948	6.6
Institutional Commercial Mortgage Fund IV	13,323,457	0	5.5
Institutional Commercial Mortgage Fund V	36,421,635	-0	3.9
Real Estate - Post Total	**$173,951,809**	**$95,678,195**	
Real Estate Total	**$770,603,457**	**$132,292,630**	

ALTERNATIVE INVESTMENTS - PRIVATE EQUITY
June 30, 2003

BASIC FUND	MARKET $ VALUE	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Bank Fund			
Banc Fund IV	$31,140,998	$0	7.4
Banc Fund V	60,920,208	0	5.0
Blackstone Capital Partners			
Blackstone Capital Partners II	22,008,000	2,728,810	9.6
Blackstone Capital Partners IV	4,636,998	65,362,932	1.0
BLUM Capital Partners			
Blum Strategic Partners I	40,057,945	364,540	4.5
Blum Strategic Partners II	20,158,822	24,632,868	1.9
Churchill Capital Partners II	3,578,620	0	10.7
Citigroup Venture Capital Equity Partner	36,837,522	68,337,493	1.5
Contrarian Capital Fund II	30,222,487	3,755,605	6.1
Coral Partners			
Coral Partners Fund II	557,711	1,930,685	12.9
Coral Partners Fund IV	5,545,470	0	8.9
Coral Partners Fund V	7,673,806	750,000	5.0
Crescendo			
Crescendo II	2,360,367	0	6.5
Crescendo III	3,848,450	0	4.6
Crescendo IV	23,452,704	27,912,500	3.3
DLJ			
DLJ Merchant Banking Partners III	63,885,356	58,055,838	2.7
DLJ Strategic Partners	59,397,403	32,290,372	2.4
DSV Partners IV	1,262,211	0	18.2
First Century Partners III	1,124,312	0	18.5
Fox Paine Capital Fund			
Fox Paine Capital Fund	40,661,720	0	5.2
Fox Paine Capital Fund II	7,918,391	38,822,462	3.0
Golder,Thoma, Cressey, Rauner			
Golder, Thoma, Cressey Fund III	4,362,194	0	15.7
Golder, Thoma, Cressey & Rauner Fund V	21,929,037	0	7.0
GTCR Golder Rauner			
GTCR VI	39,914,838	862,222	5.0
GTCR Fund VII	99,130,879	52,281,250	3.4

ALTERNATIVE INVESTMENTS - PRIVATE EQUITY (cont.)
June 30, 2003

BASIC FUND (cont.)	MARKET $ VALUE	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
GS Capital Partners 2000	$25,589,144	$22,552,672	2.8
GHJM Marathon Fund IV	22,152,001	8,667,000	4.2
Hellman & Friedman			
Hellman & Friedman Capital Partners III	6,789,785	7,886,316	8.8
Hellman & Friedman Capital Partners IV	53,028,643	73,186,361	3.5
Kohlberg Kravis Roberts			
KKR 1986 Fund	13,336,700	0	17.2
KKR 1987 Fund	63,604,889	576,348	15.6
KKR 1993 Fund	34,128,531	0	9.5
KKR 1996 Fund	168,873,037	0	6.8
KKR Millenium Fund	10,862,000	189,138,000	0.6
Piper Jaffray Healthcare			
Piper Jaffray Healthcare Fund II	7,109,716	100,000	6.3
Piper Jaffray Healthcare Fund III	11,277,948	1,599,998	4.4
Summit Ventures V	10,274,764	3,625,000	5.2
T. Rowe Price	31,262,411	0	N/A
Thoma Cressey			
Thoma Cressey Fund VI	22,517,808	1,085,000	4.9
Thoma Cressey Fund VII	11,211,552	39,000,000	2.8
Thomas, McNerney & Partners	1,591,421	27,750,000	0.6
Vestar Capital Partners IV	19,620,982	34,940,620	3.5
Warburg Pincus			
Warburg, Pincus Equity Partners	72,201,736	0	5.0
Warburg, Pincus Ventures	51,910,484	0	8.5
Warburg Pincus Private Equity VIII	23,679,497	74,000,000	1.2
Welsh, Carson, Anderson & Stowe			
Welsh, Carson, Anderson & Stowe VIII	63,348,615	1,000,000	4.9
Welsh, Carson, Anderson & Stowe IX	62,234,325	57,500,000	3.0
William Blair Capital Partners	18,794,416	29,250,000	2.3
Funds in Liquidation (Brinson I & II, Coral I, Matrix II & III, Golder, Thoma, Cressey & Rauner Fund IV, Summit I & II, and Zell/Chilmark)	2,207,104	2,700,000	N/A
Private Equity - Basic Total	**$1,440,193,960**	**$952,644,892**	

ALTERNATIVE INVESTMENTS - PRIVATE EQUITY (cont.)
June 30, 2003

POST FUND	MARKET $ VALUE	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Citicorp Mezzanine			
Citicorp Mezzanine Partners	$10,850,686	$0	8.5
Citicorp Mezzanine III	24,112,019	63,627,150	3.7
DLJ Investment Partners II	16,875,307	32,396,607	3.5
GS Mezzanine Partners II	82,954,422	8,570,595	3.3
GTCR Capital Partners	51,523,608	10,410,578	3.6
KB Mezzanine Partners Fund II	5,326,133	1	7.7
Prudential Capital Partners	45,735,791	52,617,035	2.2
Summit Partners			
Summit Sub. Debt Fund I	396,794	2,000,000	9.2
Summit Sub. Debt Fund II	15,057,467	15,750,000	5.9
T. Rowe Price	140,400	0	N/A
TCW/Crescent Mezzanine			
TCW/Crescent Mezzanine Partners	14,516,757	3,243,735	7.2
TCW/Crescent Mezzanine Partners II	38,620,966	12,520,954	4.6
TCW/Crescent Mezzanine Partners III	42,343,732	36,678,364	2.3
William Blair Mezz. Fund III	42,594,428	16,838,400	3.5
Windjammer Mezz. & Equity Fund II	30,607,952	33,669,653	3.2
Private Equity - Post Total	**$421,656,461**	**$288,323,071**	
Private Equity Total	**$1,861,850,421**	**$1,240,967,963**	

ALTERNATIVE INVESTMENTS - RESOURCE
June 30, 2003

BASIC FUND	MARKET $ VALUE	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Apache Corp III	$6,517,110	$0	16.5
First Reserve			
First Reserve VII	26,896,986	0	7.0
First Reserve VIII	112,736,014	0	5.2
First Reserve IX	46,038,019	52,981,024	2.2
Simmons			
Simmons - SCF Fund II	5,067,795	2,293,371	11.9
Simmons - SCF Fund III	27,804,707	1,698,364	8.0
Simmons - SCF Fund IV	30,748,500	11,621,472	5.2
T. Rowe Price	6,924,000	0	N/A
Funds in Liquidation (First Reserve I, II & V, JP Morgan Petroleum Fund II)	393,166	0	N/A
Resource - Basic Total	**$263,126,297**	**$68,594,231**	

POST FUND	MARKET $ VALUE	UNFUNDED $ COMMITMENT	PERIOD (YEARS)
Merit Energy Partners			
Merit Energy Partners B	$29,765,321	$0	7.0
Merit Energy Partners C	61,226,638	11,417,889	4.7
Merit Energy Partners D	54,836,910	36,332,419	2.1
Resource - Post Total	**$145,828,868**	**$47,750,308**	
Resource Total	**$408,955,165**	**$116,344,539**	

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, 2004 Benefit Increase

Actuarial value of required reserves at January 1, 2004	$21,358,541,000
Less: Reserves not eligible for increase	691,148,000
Actuarially determined eligible reserves at Janaury 1, 2004	20,667,393,000
CPI Inflation rate capped at 2.5%	2.103%
Dollar cost of inflationary increase	434,635,275
June 30, 2003 total required reserves	21,594,958,000
June 30, 2003 total required reserves adjusted for inflationary increase	22,029,593,275
Market value of Assets at June 30, 2003	16,532,934,000
Less:Inflation adjusted required reserves	22,029,593,275
Current year excess market value	-5,496,659,275
Negative balance carry forward	-3,693,871,840
Excess market value available for investment based benefit increase	-1,802,787,435
Divided by 5 year pay out period	5
Current year portion of excess market value	-360,557,487
Second year portion	-558,850,315
Third year portion	-593,357,973
Fourth year portion	68,733,579
Fifth year portion	184,136,183
Total five year excess market value	-1,259,896,014
Greater of current year excess market value or cost of transition adjustment	-1,259,896,014
Divided by eligible required reserves at January 1, 2004	20,667,393,000
Investment based increase for FY2003	0.0000%

Summary:

Investment Based Benefit Increase	**0.0000%**
Inflation Based Benefit Increase	**2.1030%**
Total Benefit Increase	**2.1030%**
Total Dollar Value of January 1, 2004 Benefit Increase	**$434,635,275**

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
A & C BROKERAGE	807,803.44	2,614.43	0.00	0.00	4,992,027.78
ABBEY NATIONAL	0.00	0.00	0.00	0.00	252,871,648.06
ABD SECURITIES	7,158,433.49	12,437.12	0.00	0.00	0.00
ABG SECURITIES	819,954.24	1,642.08	0.00	0.00	0.00
ABN AMRO ASIA SECS LTD	1,747,253.94	6,006.10	0.00	0.00	0.00
ABN AMRO CHICAGO CORP	0.00	0.00	101,369,561.81	0.00	0.00
ABN AMRO SECURITIES	21,944,516.56	45,621.04	63,192,891.77	0.00	169,789,027.77
ABN AMRO, HOARE, GOVETTE	6,555,718.79	2,208.88	18,529,642.94	0.00	0.00
ACCESS SECURITIES	226,240,939.07	341,579.00	0.00	0.00	0.00
ACCIONES Y VALORES	198,118.81	592.58	0.00	0.00	0.00
ADAMS HARKNESS & HILL	11,062,244.29	30,218.30	0.00	0.00	0.00
ADVEST CO.	1,243,009.22	3,145.00	92,147,490.46	0.00	0.00
AGEAN GROUP	91,979.16	126.00	0.00	0.00	0.00
ALLEN & COMPANY	13,730,683.72	17,250.00	0.00	0.00	0.00
AMADON CORPORATION	171,640.88	891.52	153,942,829.81	0.00	0.00
AMERICAN EXPRESS CREDIT	0.00	0.00	0.00	0.00	14,997,966.67
AMERICAN GENERAL FINANCE	0.00	0.00	0.00	0.00	49,980,138.89
AMERICAN TECHNOLOGY RES. INC.	3,534,259.32	11,168.00	0.00	0.00	0.00
ANDERSON & STRUDWICK, IND.	42,054.38	105.00	0.00	0.00	0.00
ARCHIPELAG	12,863,416.22	8,091.90	0.00	0.00	0.00
ARNHOLD	7,375,067.39	13,990.20	0.00	0.00	0.00
ATA SECURITIES INC.	104,431.76	644.90	0.00	0.00	0.00
AUBREY G LANSTON	23,550.79	47.19	0.00	0.00	0.00
AUERBACH GRAYSON	85,315.03	527.15	0.00	0.00	0.00
AVALON RESEARCH GROUP INC	648,258.00	1,000.00	0.00	0.00	0.00
B-TRADE SERVICES LLC	31,501,758.73	43,814.74	0.00	0.00	0.00
BA SECURITIES, INC.	0.00	0.00	705,314,864.28	0.00	6,043,880,612.27
BANC OF AMSTERDAM	5,046,517.73	10,113.28	0.00	0.00	0.00
BANC ONE CAPITAL CORP.	0.00	0.00	18,767,562.15	0.00	1,339,626.00
BANCO BBA	37,169.19	106.23	0.00	0.00	0.00
BANCO DE INV	206,270.03	688.70	0.00	0.00	0.00
BANCO DE SANTANDER VALENCIA	9,139.68	72.54	0.00	0.00	0.00
BANCO ICATER	304,457.23	959.15	0.00	0.00	0.00
BANCO PACTUAL S.A.	503,785.35	1,467.60	0.00	0.00	0.00
BANCO RIO DE LA PLATA S.A.	211,409.89	632.67	0.00	0.00	0.00
BANCO SANT	716,975.21	2,635.79	0.00	0.00	0.00
BANCO SANTANDER DE NEGOCIOS	29,805.17	236.56	0.00	0.00	0.00
BANCONE CAPITAL CORP	0.00	0.00	56,712,830.34	0.00	183,825,108.42
BANK AUSTR	147,961.76	1,000.05	0.00	0.00	0.00
BANK OF AMERICA	17,454,544.02	14,678.67	13,505,529.69	0.00	3,324,079.07
BANK OF CHINA GROUP SECS	98,621.92	245.67	0.00	0.00	0.00
BANK OF NEW YORK	0.00	0.00	3,291,588.85	0.00	0.00
BANK OF NY/BARCLAY LONDON	0.00	0.00	1,923,636.12	0.00	0.00
BANK OF TOKYO MITSU, MILANO ITALY	90,905.87	181.44	0.00	0.00	0.00
BANK ONE KENTUCKY N.A.	0.00	0.00	3,151,120.00	0.00	0.00
BANK SARASIN	1,041,890.37	2,598.25	0.00	0.00	0.00
BANKERS TRUST	101,775.00	260.00	0.00	0.00	28,669,629.04
BANQUE NATIONALE DE PARIS	0.00	0.00	8,111,869.55	0.00	0.00
BANQUE PARIBAS	523,978.69	1,306.68	0.00	0.00	0.00
BARCLAYS BANK	0.00	0.00	4,732,031.25	0.00	0.00
BARCLAYS CAPITAL INC	0.00	0.00	6,639,781.48	0.00	755,339,503.27
BARCLAYS DEZOETE WEDD	0.00	0.00	185,704,728.03	0.00	297,809.63
BARING SECURITIES	5,408,355.60	12,073.71	18,056,520.13	0.00	0.00
BARNARD JACOBS AND CO (PTY) LTD	2,467,657.79	6,330.94	0.00	0.00	0.00
BAYERISCHE HYPO- UND VEREINSBA	955,464.31	3,870.45	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
BEAL M. R. & CO	109,441.39	51.00	0.00	0.00	0.00
BEAR STEARNS NY	0.00	0.00	2,785,371.88	0.00	0.00
BEAR STEARNS SECS	243,116,779.27	342,083.09	317,237,232.25	0.00	0.00
BEAR, STEARNS & CO.	194,920,897.35	296,531.69	4,141,380,604.06	12,730.00	0.00
BENDER MEN	378,768.07	1,531.06	0.00	0.00	0.00
BERNSTEIN SANFORD	124,521,783.64	217,820.62	0.00	0.00	0.00
BETZOLD	0.00	0.00	520,740.40	0.00	0.00
BHC SECURITIES INC.	9,074,218.91	19,754.15	0.00	0.00	0.00
BHF SECURITIES	350,140.53	1,060.57	0.00	0.00	0.00
BLAIR & COMPANY	69,250,738.95	104,834.20	0.00	0.00	0.00
BLAYLOCK & PARTNERS	5,307,884.42	7,617.54	0.00	0.00	0.00
BLOOMBERG	254,107.34	234.11	0.00	0.00	0.00
BMO CREDIT	31,925,799.87	40,207.97	0.00	0.00	0.00
BMO NESBITT BURNS	285,812.11	716.32	0.00	0.00	0.00
BNP LONDON	598,351.97	1,199.11	0.00	0.00	0.00
BNP PARIBAS	336,725.96	674.80	61,896,111.20	0.00	0.00
BNP PARIBAS PEREGRINE SEC., ASIA	906,376.67	2,257.77	0.00	0.00	0.00
BNP PRIME	1,118,248.52	4,216.37	0.00	0.00	0.00
BNP SECURITIES	2,143,792.94	7,050.48	0.00	0.00	0.00
BNP-BANQUE NATIONALE DE PARIS	1,479,260.24	2,497.66	0.00	0.00	0.00
BNY CAPITAL MARKETS INC	0.00	0.00	73,446.75	0.00	0.00
BNY/ITC DEALERS	0.00	0.00	122,073,951.50	0.00	0.00
BOLGER & CO INC	132,736.00	0.00	0.00	0.00	0.00
BRANDT (ROBERT) & CO	1,643,061.06	7,773.50	5,300,000.00	0.00	0.00
BRIDGE TRADING CO.	157,611,016.09	245,069.56	0.00	0.00	0.00
BROADCORT CAPITAL	231,282,767.05	427,739.50	0.00	0.00	0.00
BROCKHOUSE & COOPER	11,198,682.02	25,411.00	0.00	0.00	0.00
BROWN (ALEX) & SONS INC.	1,261,408,857.30	253,402.51	958,790,131.42	0.00	0.00
BROWN BROS. HARRIMAN	191,711.25	124.00	0.00	0.00	0.00
BUCKINGHAM RESEARCH GRP	5,350,947.89	7,081.75	0.00	0.00	0.00
BUNTING WARVURGER SEC	64,091.35	96.65	0.00	0.00	0.00
C.L. KING & ASSOC.	20,746,986.67	29,066.00	0.00	0.00	0.00
CA IB INVESTMENT	1,273,462.80	7,694.44	0.00	0.00	0.00
CAI CHEUVREUX, LONDON	1,040,817.73	2,595.55	0.00	0.00	0.00
CAIB SECURITIES	979,708.18	6,036.87	0.00	0.00	0.00
CAMBRIDGE GROUP INVESTMENTS	0.00	0.00	14,810,815.41	0.00	0.00
CANTOR FITZGERALD	282,601,925.15	318,380.52	0.00	0.00	0.00
CAPEL,JAMES	365,738.36	1,405.00	0.00	0.00	0.00
CAPITAL INST. SERVICES	28,363,200.85	36,023.05	0.00	0.00	0.00
CAPITAL SEC. CORP. TYPE A TAIWAN	17,933.48	25.43	0.00	0.00	0.00
CARNEGIE	813,263.04	1,629.21	0.00	0.00	0.00
CARROLL MCENTEE & MCG	0.00	0.00	0.00	0.00	1,342,083.00
CASSA DI R	367,327.75	1,279.73	0.00	0.00	0.00
CAZENOVE & CO.	22,822,068.88	38,736.97	0.00	0.00	0.00
CENTURY SECS	0.00	0.00	714,068.75	0.00	0.00
CHARLES, AK	206,513.10	150.00	0.00	0.00	0.00
CHASE	5,083,882.39	12,663.86	0.00	0.00	0.00
CHASE MANHATTAN BANK	0.00	0.00	19,718,739.88	0.00	0.00
CHASE SECURITIES INC	0.00	0.00	607,892,300.74	0.00	0.00
CHEMICAL BANK	0.00	0.00	49,889,710.16	0.00	0.00
CHEUVREUX	5,019,840.47	10,702.18	0.00	0.00	0.00
CHEUVREUX DE NORDIC A B	2,459,016.71	5,527.86	0.00	0.00	0.00
CHEVREUX DE VIRIEU	1,459,678.77	0.00	0.00	0.00	0.00
CHEVRON OIL FIN. CO.	0.00	0.00	0.00	0.00	15,987,017.78
CHICAGO CORP	0.00	0.00	746,362.50	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
CHINA SECURITIES CO LTD	1,209,097.53	1,725.19	0.00	0.00	0.00
CI NORDIC	4,225,918.81	8,468.78	0.00	0.00	0.00
CIBC WORLD	144,456.48	255.00	0.00	0.00	0.00
CIBC/WOOD GUNDY	0.00	0.00	0.00	0.00	175,737,500.83
CITATION GROUP	328,444,095.69	573,828.23	0.00	0.00	0.00
CITIBANK	3,086,097.05	866.33	0.00	0.00	0.00
CITIBANK NA TOKYO	1,906,788.63	6,656.67	0.00	0.00	0.00
CITIGROUP GLOBAL MARKETS INC	0.00	0.00	1,873,125.00	0.00	0.00
CITIGROUP INC	3,732,208.24	6,644.21	23,612,343.75	0.00	1,056,891,398.20
CL GLAZER INC.	119,813.73	304.73	0.00	0.00	0.00
CLARKE GX & CO.	0.00	0.00	5,974,687.50	0.00	24,570,525.87
CLSA LTD TRUST	1,042,560.25	3,665.90	0.00	0.00	0.00
CLSA SINGAPORE	392,495.50	1,380.11	0.00	0.00	0.00
COMMERCE CAPITAL	3,339,109.85	3,264.00	0.00	0.00	0.00
COMMERZBANK AG	9,483,057.77	16,962.05	0.00	0.00	0.00
COMMONWEALTH BANK OF AUSTRALIA	0.00	0.00	9,893,071.85	0.00	0.00
COUNTRYWIDE	0.00	0.00	59,062,134.01	0.00	0.00
COWEN&CO	75,956,379.02	102,594.51	980,875.00	0.00	0.00
CREDIT AGR	11,251,848.59	18,429.69	0.00	0.00	0.00
CREDIT AGRI INDOSUEZ CHEUVREAUX	1,569,985.02	2,602.83	0.00	0.00	0.00
CREDIT AGRICOLE INDOSUEZ	1,135,330.61	0.00	0.00	0.00	144,903,458.34
CREDIT ANSTALT	135,589.78	544.54	0.00	0.00	0.00
CREDIT LYONNAIS SECURITIES	19,439,943.44	53,794.27	0.00	0.00	0.00
CREDIT SUISSE	8,418,830.41	23,964.16	1,016,800.00	0.00	0.00
CREDIT SUISSE FIRST BOSTON LTD	184,014,400.90	361,549.57	33,181,314.87	0.00	0.00
CREDITANSTALT BANK	121,557.30	0.00	0.00	0.00	0.00
CRONIN & CO INC	0.00	0.00	1,985,189.00	0.00	0.00
CRUTTEDEN GUST & MERH	478,627.81	1,376.45	0.00	0.00	0.00
CS FIRST BOSTON	58,290,216.15	124,226.83	0.00	0.00	6,855,013,937.82
D.A. DAVIDSON	7,175,793.52	17,711.00	0.00	0.00	0.00
DAIN RAUSCHER INC	51,138,129.45	99,437.48	14,974,429.75	0.00	548,808.33
DAIWA SBCM	2,378,785.66	3,014.94	0.00	0.00	0.00
DAIWA SEC	2,958,805.99	4,739.43	0.00	0.00	0.00
DAIWA SEC. AMERICA	13,553,297.42	20,225.21	0.00	0.00	0.00
DAVIS	147,228.41	202.60	0.00	0.00	0.00
DAVY (J+E)	1,165,178.03	2,368.41	0.00	0.00	0.00
DBS SECURITIES	2,408,616.81	6,025.36	0.00	0.00	0.00
DBS VICKER	3,795,341.30	9,462.87	0.00	0.00	0.00
DEAN WITTER REYNOLDS	289,859.30	1,366.00	0.00	0.00	0.00
DEMATTED MOMMESS LLC	3,266,505.84	27,500.00	0.00	0.00	0.00
DESCAP SEC. INC.	0.00	0.00	6,168,122.55	0.00	0.00
DEUTSCHE ALEX BROWN LONDON	0.00	0.00	3,046,875.00	0.00	0.00
DEUTSCHE BANK	204,869,974.41	352,656.45	8,242,082.35	333.56	0.00
DEUTSCHE BANK AG / LONDON	656,060.08	2,094.55	0.00	0.00	0.00
DEUTSCHE BANK CAPITAL	364,296.67	914.05	555,126,532.67	0.00	0.00
DEUTSCHE BANK GOVT SEC INC	9,390,065.17	20,871.45	421,891,978.20	0.00	0.00
DEUTSCHE BANK SECS	59,744.90	0.00	10,414,567.50	0.00	3,502,966,198.90
DEUTSCHE MORGAN GREINFELL	322,699.80	804.05	0.00	0.00	0.00
DEUTSCHE S	6,066,254.21	21,643.97	0.00	0.00	0.00
DEUTSCHE SECURITIES	1,267,275.57	3,790.47	0.00	0.00	0.00
DEUTSCHE SECURITIES ASIA	15,008,056.83	46,980.44	0.00	0.00	0.00
DIRECT BROKERAGE SVCS.	1,936,574.80	3,105.00	0.00	0.00	0.00
DONALDSON LUFKIN & JENRETTE	431,152.06	0.00	0.00	0.00	0.00
DONGWON SECURITY	188,991.31	659.12	0.00	0.00	0.00
DOWLING & PARTNERS SEC LLC	76,184.75	74.16	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
DRESDNER BANK	2,314,330.35	3,460.51	0.00	0.00	0.00
DRESDNER BANK - KLEINWORT BENS	3,295,653.18	6,560.14	0.00	0.00	0.00
DRESDNER BANK AG NEW YORK	9,600,482.67	16,520.88	0.00	0.00	0.00
DRESDNER KLEINWORT BENSONS	16,658,740.67	24,646.65	0.00	0.00	0.00
E CROSSNET	132,231.94	15.81	0.00	0.00	0.00
E D ARRIES & CO	0.00	0.00	0.00	0.00	4,992,444.44
EASTERN BANK CAPITAL MARKETS	0.00	0.00	108,268.60	0.00	0.00
EDWARDS A.G. & SONS	14,724,607.61	26,686.90	974,115.00	0.00	0.00
ENSKILDA SECURITIES	4,838,197.53	11,161.97	0.00	0.00	0.00
EQUITABLE SECURITIES	0.00	0.00	5,608,679.20	0.00	0.00
EQUITY-ONE CORPORATION	0.00	0.00	956,540.00	0.00	0.00
ERIK MOLLERS EFTERFOLGERE	285,675.77	0.00	0.00	0.00	0.00
ERNST & CO.	693,150.90	1,488.50	0.00	0.00	0.00
EXANE, PARIS	2,986,756.54	7,465.66	0.00	0.00	0.00
EXECUTION SERVICES INC	231,176,001.92	373,604.46	0.00	0.00	0.00
F P MAGLIO & CO INC	435,173.60	696.85	0.00	0.00	0.00
FEDERAL RESERVE BANK OF BOSTON	0.00	0.00	3,113,170.29	0.00	0.00
FERRIS BAKER WATTS INC	265,226.30	865.00	2,246,625.00	0.00	0.00
FHLMC	0.00	0.00	240,567,084.69	0.00	0.00
FIDELITY C	230,914,757.30	274,683.36	0.00	0.00	0.00
FIDELITY CAPITAL MARKETS	0.00	0.00	375,014.40	0.00	0.00
FIFTH THIRD SECURITIES INC	0.00	0.00	0.00	0.00	475,245,265.54
FIRST ALBANY	14,662,020.86	46,518.60	8,679,483.87	0.00	0.00
FIRST ANALYSIS SEC. CORP.	605,893.08	2,265.00	0.00	0.00	0.00
FIRST BOSTON CORPORATION	830,050,348.89	1,005,251.84	5,981,627,846.50	455.00	0.00
FIRST MARATHON SEC., LTD	10,408,411.97	10,191.00	0.00	0.00	0.00
FIRST PACIFIC	2,177,847.51	7,595.88	0.00	0.00	0.00
FIRST TENN BANK, NA	13,665,802.33	20,741.10	9,759,731.80	0.00	5,897,215.61
FIRST UNION CAP MKTS	71,730,539.75	143,694.50	69,526,957.71	0.00	0.00
FLEMING MA	467,838.16	1,163.73	0.00	0.00	0.00
FORD FINANCIAL SERVICES	0.00	0.00	0.00	0.00	741,768,484.05
FOX PITT KELTON INC	38,498,681.09	53,660.04	0.00	0.00	0.00
FRANK RUSSEL	4,177,738.85	9,151.00	0.00	0.00	0.00
FRANKLIN FINANCIAL SERVICES CO	470,353.71	942.60	0.00	0.00	0.00
FREDDIE MAC SECS AND TRADE	0.00	0.00	681,292,939.99	0.00	0.00
FREIMARK BLAIR	678,082.95	1,230.00	0.00	0.00	0.00
FRIEDMAN, BILLINGS & RAMSEY	25,640,194.30	70,922.25	0.00	0.00	0.00
FUJI GOVERNMENT SEC	0.00	0.00	689,668.75	0.00	0.00
FULCRUM GLOBAL PARTNERS	15,293,631.17	11,866.35	0.00	0.00	0.00
G G E T LL	1,769,734.31	3,256.55	0.00	0.00	0.00
G-TRADE SEC	417,411.63	417.83	0.00	0.00	0.00
GARBON GIO	4,016.45	11.60	0.00	0.00	0.00
GARDNER RICH & COLE	4,931,285.04	6,335.00	0.00	0.00	0.00
GENERAL ELEC CAPITAL CORP	0.00	0.00	0.00	0.00	4,196,729,067.52
GERSON	2,350,634.96	3,770.00	0.00	0.00	0.00
GLEN HILL	3,219.01	10.00	0.00	0.00	0.00
GLOBAL SECURITIES	1,502,890.04	6,161.26	0.00	0.00	0.00
GMAC FINANCIAL SERVICES	0.00	0.00	0.00	0.00	675,453,783.04
GMS GROUP	0.00	0.00	425,522.60	0.00	0.00
GOLDMAN SACHS & COMPANY	1,405,056,561.34	1,443,209.05	10,953,785,646.75	634,499.69	3,756,848,463.04
GOLDMAN SACHS PARIS	670,378.20	1,671.77	0.00	0.00	0.00
GOODBODY STOCKBROKERS	5,386,232.70	11,837.51	0.00	0.00	0.00
GORDON HASKETT & CO.	2,277,936.78	1,617.00	0.00	0.00	0.00
GREENFIELD ARBITRAGE PARTNERS	0.00	0.00	5,540,922,806.88	0.00	3,993,510.00
GREENWICH CAPITAL MARKETS INC	0.00	0.00	993,541,783.86	0.00	49,294,544,341.18

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
GRISWOLD	25,161,645.15	31,036.50	0.00	0.00	0.00
GUZMAN & CO.	14,691,332.63	12,860.00	0.00	0.00	0.00
GX CLARKE	0.00	0.00	19,045,620.00	0.00	0.00
HANJIN INVESTMENTS	527,663.82	1,712.39	0.00	0.00	0.00
HARBORSIDE	61,670.40	230.40	0.00	0.00	0.00
HBSC SECURITIES	4,500,000.00	0.00	124,543,233.05	0.00	0.00
HC ISTANBU	2,126,731.97	8,870.02	0.00	0.00	0.00
HELEN BOE	0.00	0.00	25,700,052.64	0.00	0.00
HENDERSON BROTHERS	137,359,484.68	139,620.00	0.00	0.00	0.00
HENDERSON CROSTHWAIT	150,814.97	376.57	0.00	0.00	0.00
HIBERNIA SOUTH COAST CAP INC	785,056.05	4,394.00	0.00	0.00	0.00
HOARE GOVETT	66,165,401.08	57,803.49	0.00	0.00	0.00
HOENIG & CO.	9,900,285.60	29,893.70	0.00	0.00	0.00
HOENIG (FAR EAST) LIMITED	2,653,376.69	7,255.02	0.00	0.00	0.00
HONG KONG BANK	154,186.07	766.95	0.00	0.00	0.00
HOUGH, WILLIAM R. & CO.	0.00	0.00	7,551,209.52	0.00	0.00
HOWARD WEIL LABOUISSE FRIEDRIC	275,516.01	283.00	0.00	0.00	0.00
HSBC ASSET MANAGEMENT	8,957,150.25	15,640.65	0.00	0.00	0.00
HSBC BANK	8,345,296.03	16,442.48	0.00	0.00	0.00
HSBC INVES	2,484,855.46	160.05	0.00	0.00	0.00
HSBC JAMES CAPEL	3,020,902.34	5,640.17	0.00	0.00	0.00
HSBC SECURITIES INC	8,801,269.06	17,003.62	23,538,346.20	0.00	25,050,485,000.00
HSBC SIMPSON	99,031.38	295.45	0.00	0.00	0.00
IBJ INTL LTD	270,683.42	540.28	0.00	0.00	0.00
ICATU	89,645.26	256.23	0.00	0.00	0.00
INDUSTRIAL	346,256.79	692.85	0.00	0.00	0.00
ING BANK	8,232,428.89	21,920.45	0.00	0.00	0.00
ING BARING	2,626,358.80	6,556.15	0.00	0.00	0.00
ING BARING SECURITIES	507,248.73	1,626.51	0.00	0.00	0.00
ING SECURITIES	634,049.38	2,229.47	0.00	0.00	0.00
INSTINET	350,197,852.60	190,529.17	0.00	0.00	0.00
INSTITUTIONAL SERVICES UNLIMITED	4,074,329.20	5,265.00	0.00	0.00	0.00
INTERMONTE	1,881,302.90	4,710.10	0.00	0.00	0.00
INTERSTATE	112,926.75	375.00	4,420,650.90	0.00	0.00
INVESTEC B	1,596,844.34	4,780.03	0.00	0.00	0.00
INVESTEC H	56,598.60	170.32	0.00	0.00	0.00
INVESTEC SECURITIES	453,515.51	1,156.54	0.00	0.00	0.00
INVESTEC SECURITIES LTD	1,623,218.67	4,079.79	0.00	0.00	0.00
INVESTMENT TECHNOLOGY CORP	1,256,653,827.73	991,676.92	0.00	0.00	0.00
ISI GROUP	58,208,831.71	64,897.65	35,415,625.00	0.00	0.00
IVY SECURITIES INC.	29,349.80	36.20	0.00	0.00	0.00
J P MORGAN & CO	33,640,399.54	62,544.61	0.00	0.00	0.00
J P MORGAN SECURITIES INC	355,923,865.77	746,353.47	1,054,255,252.11	1,909.64	3,331,779,188.45
J.B. WERE & SON	4,312,683.98	13,334.67	0.00	0.00	0.00
JACKSON PARTNERS & ASSOCIATES INC	101,264,345.96	71,918.12	0.00	0.00	0.00
JACKSON SECURITIES	1,199,762.34	3,165.00	0.00	0.00	0.00
JAMES B MCCREERY CO	0.00	0.00	387,868,429.72	0.00	0.00
JAMES CAPE	33,777,346.13	71,989.58	0.00	0.00	0.00
JANNEY MONTGOMERY SCOTT	4,894,247.14	11,557.50	0.00	0.00	0.00
JARDINE FLEMING	653,364.07	1,954.54	0.00	0.00	0.00
JB WERE AND SON MELBOURNE	58,146.56	116.52	0.00	0.00	0.00
JEFFERIES & CO	197,617,836.35	334,962.55	32,812.50	0.00	0.00
JOHNSON RICE & CO	5,761,407.02	9,183.00	0.00	0.00	0.00
JONES & ASSOCIATES	120,069,957.15	165,300.26	0.00	0.00	0.00
JP MORGAN	9,854,761.89	27,909.17	3,000,187.50	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

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JP MORGAN - GLOBAL	372,315.09	0.00	0.00	0.00	0.00
KALB VOORHIS & CO	12,258,396.73	12,584.00	0.00	0.00	0.00
KBC FINANCE	1,459,709.10	256.88	241,787.50	0.00	0.00
KEB SMITH BARNEY SECS	365,569.19	1,093.39	0.00	0.00	0.00
KEEFE BRUYETTE & WOOD	77,660,772.64	119,104.37	0.00	0.00	0.00
KELLNER DILEO & CO./PERSHING	0.00	0.00	2,284,375.00	0.00	0.00
KEMPER CAP	615,456.91	2,005.00	6,375,094.52	0.00	0.00
KINNARD (JOHN G.) & CO	2,533,423.58	7,153.15	0.00	0.00	0.00
KLEINWORT	5,218,055.49	11,453.74	0.00	0.00	0.00
KLEINWORTH BENSON INC	57,514,765.84	85,438.73	0.00	0.00	0.00
KNIGHT SECURITIES	26,569,407.58	45,113.39	0.00	0.00	0.00
LADENBURG THALMAN & CO.	3,360,447.92	4,192.00	0.00	0.00	0.00
LAMBERSON KNIGHT	0.00	0.00	0.00	0.00	184,566,811.10
LASKER STONE AND STERN	1,575,165.14	4,491.42	0.00	0.00	0.00
LAWRENCE	1,896,981.88	4,443.00	0.00	0.00	0.00
LAZARD FRERES & CO	3,340,470.48	3,095.20	9,037,656.75	0.00	0.00
LEERINK SW	18,866,603.60	22,020.85	0.00	0.00	0.00
LEGG MASON	20,986,871.77	51,222.88	113,163,940.16	0.00	0.00
LEHMAN BROTHERS INC	1,040,443,473.16	1,829,650.35	7,647,750,199.90	0.00	2,813,922,937.21
LEHMAN GOVT SECURITIES	0.00	0.00	2,118,699,395.17	0.00	210,000,000.00
LEWCO SECURITIES INC.	0.00	0.00	1,955,738.29	0.00	0.00
LIQUIDNETI	69,406,839.92	72,601.68	0.00	0.00	0.00
LOOP CAPITAL	0.00	0.00	2,985,433.28	0.00	0.00
LYNCH, JONES & RYAN	107,512,912.20	286,318.40	0.00	0.00	0.00
M L PIERCE FENNER	0.00	0.00	70,119.21	1,085.00	0.00
MACQUARIE EQUITIES	1,240,159.89	4,355.80	0.00	0.00	0.00
MAGNA SECURITIES CORP	31,399.53	116.73	0.00	0.00	0.00
MALONEY & CO	1,092,210.95	1,669.46	480,000.00	0.00	0.00
MAXCOR FINANCIAL INC	626,553.49	2,442.00	0.00	0.00	0.00
MAXIME CAPITAL	0.00	0.00	166,553.42	0.00	0.00
MCDANIEL LEWIS & CO	1,015,258.06	579.64	0.00	0.00	0.00
MCDONALD & COMPANY	6,802,225.67	19,462.59	3,309,399.00	0.00	0.00
MCMULLEN & HARD	0.00	0.00	79,145.80	680.00	0.00
MELLON CAPITAL MKTS	0.00	0.00	4,913,343.40	0.00	0.00
MERRIL-PERFORMANCE MEASURE	910,785,399.92	1,164,695.99	2,631,412,058.76	85,869.60	397,245.11
MERRILL LYNCH	274,144,417.95	498,416.84	22,774,760.83	0.00	3,815,831,960.66
MERRILL LYNCH INTERNATIONAL	8,831,554.84	25,838.79	0.00	0.00	0.00
MERRILL LYNCH JAPAN INCORPORAT	874,898.86	0.00	0.00	0.00	0.00
MERRILL LYNCH P F & S	94,715,650.97	144,278.75	1,865,840,415.25	39,840.00	16,011,035.61
MERRILL LYNCH P F & S (P)	16,603.66	0.00	0.00	0.00	0.00
MERRILL LYNCH PIERCE	19,937,977.38	30,439.55	38,799,633.01	0.00	0.00
MESIROW AND COMPANY	0.00	0.00	3,464,953.40	0.00	0.00
MESIROW FINANCIAL INC	0.00	0.00	56,571,762.79	0.00	0.00
MIDWEST RESEARCH	29,058,979.22	47,082.11	0.00	0.00	0.00
MILLER TABAK HIRCH	0.00	0.00	135,850.00	0.00	0.00
MIZUHO BANK, NETHERLAND	415,196.39	828.74	0.00	0.00	0.00
MIZUHO CORP	255,528.27	693.79	0.00	0.00	0.00
MIZUHO HOLDINGS	437,092.11	872.44	0.00	0.00	0.00
MIZUHO INT	13,272,168.31	22,443.62	0.00	0.00	0.00
MIZUHO SECURITIES	5,247,912.37	3,665.96	18,413,460.00	0.00	0.00
MKM PARTNER	219,770.87	300.00	0.00	0.00	0.00
MONGERSON & CO SECURITIES	0.00	0.00	114,985.00	0.00	0.00
MONTGOMERY SECURITIES	109,704,420.18	218,026.88	416,123,958.79	0.00	0.00
MONTROSE SECURITIES EQUITY	766,233.00	1,170.00	0.00	0.00	0.00
MORGAN GRENFELL	66,108,936.09	87,092.50	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
MORGAN KEEGAN INC.	32,707,216.98	78,784.50	69,322,802.80	0.00	0.00
MORGAN OLMSTEAD KENNEDY	154,600.77	384.00	0.00	0.00	0.00
MORGAN STANLEY & CO	1,347,351,616.64	1,729,830.95	4,572,442,702.81	0.00	1,736,279,634.29
MORRIS BRIDGER SECURITIES INC.	0.00	0.00	8326484.38	0.00	0.00
MULTITRADE	1,850,916.60	4,137.00	0.00	0.00	0.00
MURIEL F SIEBERT AND CO	655,606.22	991.44	0.00	0.00	0.00
NATIONAL AUSTRALIA BANK LIMITED	0.00	0.00	14,553,930.28	0.00	0.00
NATIONAL FINANCIAL	9,533,799.66	15,150.00	27,317,559.26	0.00	0.00
NATIONS BANK	0.00	0.00	30,190,821.25	0.00	0.00
NBC CAP MKTS CORP INC	0.00	0.00	9,649,023.40	0.00	0.00
NBC CLEARING SVCS INC	0.00	0.00	2,417,297.70	0.00	0.00
NBC LEVESQUE	0.00	0.00	11,832,304.17	0.00	0.00
NED DAVIS & CO	80,275.15	101.80	0.00	0.00	0.00
NESBITT BURNS INC.	8,244,852.71	21,579.18	7,927,740.00	0.00	0.00
NEUBERGER & BERMAN	52,601,178.27	89,871.97	0.00	0.00	0.00
NIKKO SALO	235,847.83	472.64	0.00	0.00	0.00
NOMURA BANK	1,596,749.41	2,836.95	0.00	0.00	0.00
NOMURA INTL LONDON-SECS	939,784.40	1,875.81	0.00	0.00	0.00
NOMURA SEC	583,772.33	1,761.86	0.00	0.00	0.00
NOMURA SECURITIES INTL	53,980,895.90	83,296.40	783,888,019.17	0.00	18,502,000,000.00
NUTMEG SECURITIES	50,553,229.65	28,443.56	0.00	0.00	0.00
O'NEIL (WM COMPNY INC	710,704.14	2,755.00	0.00	0.00	0.00
ODDO FINANCE	1,303,554.38	651.44	0.00	0.00	0.00
OLD MUTUAL	967,444.09	1,441.79	0.00	0.00	0.00
OLDE & CO	264,872.17	791.85	0.00	0.00	0.00
OPPENHEIMER & CO	127,980,112.08	194,416.75	2,077,180.95	0.00	0.00
ORD MINNETT	1,244,329.56	2,493.64	0.00	0.00	0.00
ORMES CAPITAL	4,447,192.08	9,246.00	0.00	0.00	0.00
OSCAR GRUSSMAN	42,648.43	33.00	0.00	0.00	0.00
OTA LTD PARTNERSHIP	292,325.37	399.95	0.00	0.00	0.00
OYAK MENKU	783,831.18	2,724.58	0.00	0.00	0.00
P N MAC INTYRE & CO	0.00	0.00	5,714,750.25	0.00	0.00
PACIFIC AMERICAN SECURITIES	11,202.27	15.00	0.00	0.00	0.00
PACIFIC CR	2,597,994.63	4,152.50	0.00	0.00	0.00
PACIFIC GROWTH EQUITIES	4,966,045.46	9,831.35	0.00	0.00	0.00
PAINE WEBBER INC	0.00	0.00	455,233,118.46	0.00	0.00
PAINE WEBBER J & C	7,797,862.03	21,856.80	196,364,861.75	0.00	0.00
PALM BEACH SECURITIES INC	0.00	0.00	18,396,562.50	0.00	0.00
PANMURE GORDON	1,694,364.80	2,545.38	0.00	0.00	0.00
PARAMOUNT BROKERAGE CO	2,751,783.47	894.00	0.00	0.00	0.00
PARIBAS CAPITAL MARKETS	257,858.36	1,114.95	0.00	0.00	0.00
PARIBAS CO	0.00	0.00	246,773,408.00	0.00	0.00
PARKMIX LTD	187,323.53	941.51	0.00	0.00	0.00
PAULSEN, DOWLING	7,270,218.40	5,842.00	0.00	0.00	0.00
PCS SECURITIES INC.	49,553,121.90	45,285.00	0.00	0.00	0.00
PENSION FINANCIAL SERVICES INC.	879,784.40	0.00	0.00	0.00	0.00
PERSHING	29,526,686.75	29,668.51	12,484,162.95	0.00	0.00
PETRIE PARKMAN	464,601.69	856.00	0.00	0.00	0.00
PETRON SECURITIES LTD	0.00	0.00	23,813,176.00	0.00	0.00
PIONEER SECURITIES INC.	0.00	0.00	503,162,775.90	0.00	0.00
PIPER,JAFFRAY & HOP S	65,132,506.60	122,547.65	26,454,034.97	0.00	0.00
POLCARI	1,804,412.13	3,263.70	0.00	0.00	0.00
PORTALES P	32,316.35	33.80	0.00	0.00	0.00
PREVISION INVESTMENT CO	0.00	0.00	1,208,840.00	0.00	0.00
PRIME EXEC	9,583,441.37	32,208.00	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
PRINCIPAL MTGE NON CASH	0.00	0.00	0.00	0.00	0.00
PRITCHARD CAPITAL	9,474.21	17.50	0.00	0.00	0.00
PRUDENTIAL FUNDING CORP	0.00	0.00	0.00	0.00	203,402,104.72
PRUDENTIAL SECURITIES INC	466,097,064.81	608,996.52	2,201,600.00	0.00	0.00
PULSE TRADE	11,595,626.78	54,469.20	0.00	0.00	0.00
PUTNAM	2,038,189.26	4,917.65	0.00	0.00	0.00
PUTNAM LOVELL SEC. INC.	23,154.91	44.95	0.00	0.00	0.00
Q&R CLEARING CORP	1,128,996.77	1,656.14	0.00	0.00	0.00
R W PRESSPRICH & CO. INC.	0.00	0.00	3,464,072.10	0.00	0.00
RAMIREZ	1,437,309.10	1,242.00	0.00	0.00	0.00
RAYMOND JAMES & ASSOCIATES	14,069,677.80	39,039.36	20,545,095.19	0.00	0.00
RBC DOMINION SECURITIES	3,164,120.11	6,472.17	8,265,570.67	0.00	0.00
RBS TRUST BANK LTD	0.00	0.00	2,428,296.87	0.00	0.00
REBOOK TRANSACTION	700,547.73	217.81	56,429,765.61	0.00	0.00
RENAISSANCE CAPITAL	1,167,380.81	0.00	0.00	0.00	0.00
RESEARCH CAPITAL CORP	262,959.73	509.82	0.00	0.00	0.00
RESIDENTIAL FUNDING CORP	0.00	0.00	3,043,124.74	0.00	0.00
REUBEN ALSTEAD & CO INC.	1,190,000.00	0.00	22,313,401.95	0.00	0.00
ROBB PECK & MCCOOEY & CO INC.	20,367,590.00	27,898.00	0.00	0.00	0.00
ROBBINS	547,417.97	695.52	0.00	0.00	0.00
ROBERT M NEWMAN JR & CO	0.00	0.00	37,372,085.59	0.00	0.00
ROBERT VAN SECURITIES	121,704.50	276.00	0.00	0.00	0.00
ROBERT W. BAIRD & CO	23,274,959.13	57,194.55	0.00	0.00	0.00
ROBERTSON COLMAN & STEPHENS	280,149.12	1,165.00	0.00	0.00	0.00
ROBINSON-HUMPHREY CO	1,221,058.13	5,341.00	0.00	0.00	0.00
ROCHDALE SECURITIES CORP	43,861,188.31	48,339.05	0.00	0.00	0.00
ROYAL BANK OF CANADA	0.00	0.00	6,200,488.85	0.00	0.00
RUSSELL FRANK SECURITIES INC.	767,772.72	1,914.50	0.00	0.00	0.00
RYAN BECK & CO.	7,847,686.72	24,516.50	0.00	0.00	0.00
SALOMON BROTHERS	205,927,549.12	385,215.33	6,444,469,151.77	0.00	7,292,574,442.78
SALOMON BROTHERS INC NY	26,822,423.90	53,554.53	0.00	0.00	0.00
SALOMON SM	4,869,138.45	10,416.62	0.00	0.00	0.00
SALOMON SMITH BARNEY HOLDINGS	6,377,397.09	15,450.41	17,089,243.75	0.00	0.00
SAMSUNG SECURITIES	1,734,565.40	5,274.61	0.00	0.00	0.00
SANDERS, MORRIS & MUNDY INC.	5,963,800.91	31,584.60	0.00	0.00	0.00
SANDLER O NEIL	8,616,392.30	13,204.25	8,426,703.75	0.00	0.00
SANFORD BERNSTEIN	683,738.84	1,713.63	0.00	0.00	0.00
SANFORD C.	4,153,967.72	6,645.66	0.00	0.00	0.00
SANTANDER INVESTMENT SEC'S.	332,748.50	838.86	0.00	0.00	0.00
SBC WARBURG, LONDON	1,686,289.19	1,684.62	0.00	0.00	0.00
SCHRODER INV MGT	1,542,946.00	4,229.54	0.00	0.00	0.00
SCOTIA MCLEOD	8,476,750.12	21,740.86	4,180,714.62	0.00	0.00
SCOTT & STRINGFELLOW	10,684,158.82	36,425.00	588,132.53	0.00	0.00
SECURITY PLANNING COMPANY	774,014.75	1,274.70	0.00	0.00	0.00
SERVICE ASSET MANAGEMENT COMPA	1,664,679.19	664.14	65,100.00	0.00	0.00
SG SECURITIES	12,246,602.76	22,501.43	0.00	0.00	0.00
SHIELD & CO	14,386.34	10.00	0.00	0.00	0.00
SIDOTI	603,470.58	1,995.00	0.00	0.00	0.00
SIMMONS & COMPANY	41,419.33	42.75	0.00	0.00	0.00
SIMMONS +	7,499,871.19	7,784.20	0.00	0.00	0.00
SIMMONS FIRST NATL BANK	0.00	0.00	95,754,429.69	0.00	0.00
SK INTERNATIONAL SECURITIES	24,150,049.97	32,263.00	0.00	0.00	0.00
SMITH BARNEY & COMPANY	40,601.98	142.60	10,855,543.75	0.00	0.00
SOCIETE GENERALE NA	864,051.45	2,560.02	0.00	0.00	1,179,555,447.12
SOUNDVIEW	18,639,859.70	50,949.68	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
SOUTHWEST SECURITIES	1,904,876.58	5,042.70	4,283,200.00	0.00	0.00
SPEAR,LEEDS & KELLOGG	4,056,816.16	612.99	76,019,050.63	0.00	0.00
SSANGYONG INVESTMENTS	959,274.09	3,170.47	0.00	0.00	0.00
SSGA EXTERNAL	3,057,337.29	0.00	0.00	0.00	0.00
STANDARD & POOR SECURITIES	201,018,422.34	349,804.50	0.00	0.00	0.00
STATE BOARD OF INVESTMENT	0.00	0.00	13,318,453.96	0.00	492,257.63
STATE ST BK & TRUST	49,776,510.70	94,094.95	67,535,734.22	0.00	25,098,501,194.31
STATE STREET SECURITIES	233,960.44	469.09	0.00	0.00	0.00
STEPHENS, INC.	8,588,785.07	20,523.50	0.00	0.00	0.00
STIFEL NICOLAUS & COMPANY	1,660,495.81	10,516.50	0.00	0.00	0.00
SUN EQUITIES INC	0.00	0.00	70,468,156.71	0.00	0.00
SUNTRUST CAPITAL MARKETS INC	33,513,937.44	49,757.87	0.00	0.00	0.00
SVENSKA HANDELSBANKEN	2,882,354.07	5,755.49	0.00	0.00	0.00
SWARTWOOD HESSE	0.00	0.00	36,372,766.56	0.00	0.00
SWISS AMERICAN SECURITIES	766,669.41	40.00	0.00	0.00	0.00
SWISS BANK	404,627,050.08	681,958.01	3,017,127,155.43	0.00	0.00
TEATHER AN	1,405,124.46	0.00	0.00	0.00	0.00
THOMAS C BOWLES & CO.	436,767.94	1,110.36	0.00	0.00	0.00
THOMAS WEISEL PARTNERS	43,462,054.45	78,894.76	0.00	0.00	0.00
THOMASON INV	5,915,888.48	27,498.00	0.00	0.00	0.00
TOKYO MITSUBISHI	6,266,682.51	10,640.53	0.00	0.00	0.00
TORONTO DOMINION SEC INC	0.00	0.00	0.00	0.00	82,956,784.72
TROIKA - NEW YORK	74,637.16	0.00	0.00	0.00	0.00
TROIKA MOSCOW	48,019.00	0.00	0.00	0.00	0.00
U.S. CLEARING	13,521,187.46	23,617.12	0.00	0.00	0.00
UBS AG	75,327,329.55	167,504.84	8,132,380.00	0.00	0.00
UBS AG LONDON	1,368,074.84	3,418.34	0.00	0.00	0.00
UBS SECURITIES	49,225,459.19	110,474.84	23,979,937.66	0.00	16,503,048,668.36
UBS WARBURG	37,462,627.22	52,033.86	42,053,457.66	0.00	0.00
UBS-DB CORPORATION	6,260,234.56	13,540.67	81,393,692.77	0.00	0.00
UNITED FINANCIAL CORPORATION	595,482.89	0.00	0.00	0.00	0.00
UNITED SERVICES PLANNING ASSOC	0.00	0.00	34,944,917.55	0.00	0.00
UNITIED FINANCIAL SECURITIES CO	94,062.50	0.00	0.00	0.00	0.00
UNTERBURG HARRIS & DESANTIS	9,116,558.74	23,898.75	0.00	0.00	0.00
USB AUSTRALIA	1,754,112.52	5,271.97	0.00	0.00	0.00
UTENDAHL	48,110,984.91	36,680.50	2,213,152.00	0.00	0.00
VAN KASPER	74,980.13	116.00	0.00	0.00	0.00
VANDHAM SECURITIES	12,577,764.25	32,500.00	0.00	0.00	0.00
VERITAS SECURITIES	1,077,784.07	1,730.00	0.00	0.00	0.00
WACHOVIA	475,780.81	559.08	0.00	0.00	0.00
WAGNER STOTT & CO.	92,575,604.41	108,841.72	0.00	0.00	0.00
WALL STREET PLANNING INC.	0.00	0.00	18,645,018.40	0.00	28,430,331.55
WARBURG DI	7,223,128.35	15,340.22	0.00	0.00	0.00
WARBURG S.G.	1,463,954.38	1,034.88	0.00	0.00	0.00
WARBURG, DILLON READ	44,031,069.46	119,002.84	0.00	0.00	0.00
WARBURGS	1,839,680.22	4,603.65	0.00	0.00	0.00
WAVE SECURITIES	272,811.80	109.76	0.00	0.00	0.00
WEDBUSH SECURITIES	3,011,073.48	23,426.00	0.00	0.00	0.00
WEEDEN & COMPANY	124,315,803.46	233,437.50	0.00	0.00	0.00
WEISS	7,616,709.22	18,199.00	0.00	0.00	0.00
WELLS FARGO BANK	5,834,274.62	21,222.00	0.00	0.00	0.00
WELLS FARGO INSTITUTL BROK & SALES	0.00	0.00	0.00	0.00	182,590,052.78
WEST DEUTSCHE LANDESBANK	966,198.84	1,451.47	0.00	0.00	0.00
WEST LB SECURITIES	1,405,211.94	2,804.82	0.00	0.00	0.00
WESTDEUTSCHE LANDESBANK	1,021,016.73	0.00	0.00	0.00	0.00

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 2003

Broker	Stock $ Volume	Stock $ Commissions	Bond $ Volume	Bond $ Commissions	Short Term $ Volume
WESTLB SEC	424,003.50	846.31	0.00	0.00	0.00
WESTMINSTER	130,617,815.07	459,811.00	0.00	0.00	0.00
WEXFORD CLEARING SVCS CORP	816,607.40	2,860.00	0.00	0.00	0.00
WHEATON FIRST SECURITIES INC	2,208,119.77	3,820.00	562,687.50	0.00	0.00
WILLIAM JENNINGS & CO INC.	549,377.69	707.38	0.00	0.00	0.00
WILLIAMS CAP GROWTH	15,859,146.43	24,616.50	0.00	0.00	0.00
WILLIAMS D BROE	697,346.81	1,385.00	0.00	0.00	0.00
YAMNER & CO INC (CLS THRU 443)	2,610,846.74	10,164.00	0.00	0.00	0.00
YATIRIN FINANSMAN	82,039.98	172.65	0.00	0.00	0.00
ZIONS CAPITAL MARKETS	0.00	0.00	2,673,767.55	0.00	284,642,491.43
BROKER NOT AVAILABLE*	1,916,155,477.65	696,260.80	2,513,335,919.26	0.00	23,551,118,230.54
ALL BROKERS COMBINED	19,208,865,842.99	24,380,985.77	69,847,409,045.06	777,402.49	208,511,326,498.73

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

Note: Totals may not add due to rounding

Table of Contents

Auditor's Report……..…..112

Financial Statements……..…114

Footnotes to Financial Statements……117

Supplemental Financial Statements……..121

Supplemental Investment Fund Combining Statements…122

Pooled Investment Account Schedules …….140

Footnotes to Supplemental Financial Statements……...148

Manager Fees……149

Summarized Asset Listing……151

OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Independent Auditor's Report

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

We have audited the accompanying financial statements of the State of Minnesota's Supplemental Investment Fund and the Post Retirement Investment Fund as of and for the year ended June 30, 2003, as shown on pages 114-118. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 misstatement. 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.

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 accounting principles generally accepted in the United States of America.

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, 2003, and the changes in net assets and results of operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supporting schedules on pages 119-166 are presented for the purpose of additional analysis and are not a required part of the financial statements of the Supplemental Investment and Post Retirement Funds of the State of Minnesota. Such information has been subject 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.

Room 140, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • 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

In accordance with *Government Auditing Standards*, we also issued our report dated December 5, 2003, on our consideration of the State Board of Investment's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

December 5, 2003

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2003
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND (5)	POST RETIREMENT INVESTMENT FUND (6)
ASSETS:		
Investments (at market value) (2), (3):		
Common Stock	$ 863,291	$ 10,954,474
Alternative Equities	0	763,757
Fixed Income Securities	492,428	4,467,673
Short Term Securities	137,088	271,652
Short Term Securities-Lending Collateral(4b)	75,262	1,382,556
Total Investments (4a)	$ 1,568,069	$ 17,840,112
Cash	0	0
Security Sales Receivable	0	0
Accounts Receivable-Fee Refunds	0	0
Accounts Receivable-Mortality	0	107,407
Accounts Receivable-Participants	0	0
Accrued Interest	2,256	0
Accrued Dividends	0	0
Accrued Short Term Gain	213	206
Reserve Adjustment	0	0
TOTAL ASSETS	$ 1,570,538	$ 17,947,725
LIABILITIES:		
Management Fees Payable	$ 251	$ 6,114
Security Purchases Payable	0	0
Accounts Payable-Participants	0	1,122
Accounts Payable-Mortality	0	24,999
Payable to MSRS	0	0
Reserve Adjustment	0	0
Securities-Lending Collateral (4b)	75,262	1,382,556
TOTAL LIABILITIES	$ 75,513	$ 1,414,791
NET ASSETS AT JUNE 30, 2003	$ 1,495,025	$ 16,532,934

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
FROM UNDISTRIBUTED INCOME:		
Net Investment Income	$ 11,376	($ 313,077)
Realized Gains (Losses)	(12,056)	(331,242)
Unrealized Gains (Losses)	47,895	1,030,288
TOTAL INCOME	$ 47,215	$ 385,969
Less Distribution To Participant Accounts	(47,215)	(1,379,209)
Income To Be Distributed	0	2,023,528
Net Change From Undistributed Income	$ 0	$ 1,030,288
FROM PARTICIPANT TRANSACTIONS:		
Additions To Participant Accounts		
Participant Contributions	202,943	1,290,899
Income Distribution	47,216	1,379,209
Income To Be Distributed	0	(2,023,528)
Total Additions	$ 250,159	$ 646,580
Deductions From Participant Accounts		
Withdrawals	134,027	2,112,286
Total Deductions	$ 134,027	$ 2,112,286
Net From Participant Transactions	$ 116,132	($ 1,465,706)
TOTAL CHANGE IN ASSETS	$ 116,132	($ 435,418)
NET ASSETS:		
Beginning Of Period	1,378,893	16,968,352
End Of Period	$ 1,495,025	$ 16,532,934

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
SUPPLEMENTAL AND POST INVESTMENT FUNDS
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2003
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
INVESTMENT INCOME:		
Income Distributions	$ 10,042	($ 306,956)
Short Term Gains	2,063	11,327
Security Lending Gross Earnings(4c)	1,473	26,551
Less: Borrower Rebates	(1,020)	(17,475)
Less: Fees Paid to Agents	(110)	(2,296)
Security Lending Net Earnings	343	6,780
Income Before Expenses	$ 12,448	($ 288,849)
Management Fees	1,072	24,228
NET INCOME	$ 11,376	($ 313,077)
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	$ 99,441	$ 2,925,051
Cost Of Securities Sold	111,497	3,256,293
Net Realized Gain (Loss)	($ 12,056)	($ 331,242)
Unrealized:		
Beginning Of Period	(100,577)	(2,238,831)
End Of Period	(52,682)	(1,208,543)
Increase (Decrease) In Unrealized Appreciation	$ 47,895	$ 1,030,288
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 35,839	$ 699,046

Notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

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, 2003, all investments of the Investment Trust Funds and pooled investment accounts are in risk category 1, and 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: Pool dividend income is recorded on the ex-dividend date. Pool interest and dividend income are accrued monthly. Short-term interest is accrued monthly and is presented as "Accrued Short-Term Gain".

The SBI External Domestic Equity and the SBI Global Equity Pools lost money this year thanks to margin calls, realized losses, and expenses in excess of dividends and interest. As a result, the Pools' income distributions to the Post and Supplemental funds were negative and could not be split out as dividend and interest. The income distribution is required by Minnesota Statutes 11A.14 Subd.12 and has no effect on the net asset value of the investment.

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, 2003 were $3,387,545,849 and $3,275,226,066 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 151 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, 2003, the cost of investments for the Trust Funds, excluding security lending collateral, was:

Supplemental Investment Fund	$ 1,543,139,195
Post Retirement Fund	$ 17,666,304,821

4. LOANED SECURITIES

4(a) The market value of loaned securities outstanding at June 30, 2003 was:

Supplemental Investment Fund	$ 83,209,649
Post Retirement Fund	$ 1,592,024,361

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 at the 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 2003 the fund included seven separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages **122 to 139** 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, 2003. It includes a 6% assumed income distribution, in accordance with *Minnesota Statutes* Section 11A.18, **a monthly proration of unrealized gains or losses** and any mortality gains or losses as determined by an independent actuary hired by the State Legislature.

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, 2003 net market value in excess of Required Reserves is available for distribution as an investment based benefit increase to pension fund participants in January 2004.

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, 2003 are eligible to receive the January 1, 2004 benefit increase.

Inflation Based Benefit Increase	2.103%
Investment Based Benefit Increase	0.000
Total Benefit Increase	2.103%

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 **140 to 147** of this report.

8. DERIVATIVE INSTRUMENTS

In accordance with GASB Technical Bulletin 2003-1, effective June 15, 2003, MSBI has reported derivative activity at fair value on these financial statements. Derivative activity is conducted through contracts traded on government regulated exchanges. Its primary purpose is to improve performance or to expose cash to market conditions without the expense of purchasing the actual security. The June 30, 2003, value reflects the average fair value of futures and options through out the year.

At 06/30/03 SBI held outstanding long positions with a notional value of $327,600,000 and estimated fair value of ($754,743) along with short positions with a notional value of $549,200,000 and estimated fair value of $1,487,513. The fair value of these contracts is a component of Unrealized Gain/Loss. Derivatives in asset backed and mortgage backed securities have a fair value of $4,315,000,000 on 06/30/03. The fair value of this component is included in Fixed Income Securities.

SCHEDULE OF PARTICIPATION
June 30, 2003
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND	POST RETIREMENT INVESTMENT FUND
Teacher's Retirement Fund	$ 0	$ 9,145,980
Public Employees Retirement Fund	0	5,655,063
State Employees Retirement Fund	0	2,959,517
Public Employees Police & Fire Fund	0	1,995,331
Public Employees Consolidation Fund	0	1,268
Highway Patrolmen's Retirement Fund	0	315,248
Legislators & Survivors Retirement Fund	0	38,267
Correctional Employees Retirement Fund	0	185,949
Judges Retirement Fund	0	89,792
Income Share Account	568,990	0
Growth Share Account	199,251	0
Money Market Account	98,873	0
Common Stock Index Account	281,658	0
International Stock Account	49,297	0
Bond Market Account	162,434	0
Fixed Interest Account	134,522	0
TOTAL PARTICIPATION	$ 1,495,025	$ 20,386,415
Adjustments		
Undistributed Earnings	0	(3,853,481)
NET ASSETS	$ 1,495,025	$ 16,532,934

Notes are an integral part of the Financial Statements

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Supplemental Financial Statements……..121

Supplemental Investment Fund Combining Statements…122

Pooled Investment Account Statements…….140

Footnotes to Supplemental Financial Statements……...148

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2003
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
ASSETS:			
Investments (at market value) (2), (3):			
Common Stock	$ 332,931	$ 199,357	$ 0
Alternative Equitites	0	0	0
Fixed Income Securities	197,776	0	0
Short Term Securities	36,301	0	98,766
Securities-Lending Collateral (4b)	24,756	8,521	0
Total Investments (3)	$ 591,764	$ 207,878	$ 98,766
Cash	0	0	0
Security Sales Receivable	0	0	0
Account Receivable- Fee Refunds	0	0	0
Account Receivable-Mortality	0	0	0
Account Receivable-Participants	0	0	0
Accrued Interest	1,903	0	0
Accrued Dividend	0	0	0
Accrued Short Term Gain	101	0	108
TOTAL ASSETS	$ 593,768	$ 207,878	$ 98,874
LIABILITIES:			
Management Fees Payable	$ 21	$ 106	$ 1
Security Purchases Payable	0	0	0
Accounts Payable-Participants	0	0	0
Options Premiums Received	0	0	0
Securities-Lending Collateral (4b)	24,756	8,521	0
TOTAL LIABILITIES	$ 24,777	$ 8,627	$ 1
NET ASSETS AT JUNE 30, 2003	$ 568,991	$ 199,251	$ 98,873

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 281,673	$ 49,330	$ 0	$ 0	$ 863,291
0	0	0	0	$ 0
0	0	162,474	132,178	$ 492,428
0	0	0	2,021	$ 137,088
11,305	7,114	23,566	0	$ 75,262
$ 292,978	$ 56,444	$ 186,040	$ 134,199	$ 1,568,069
0	0	0	0	$ 0
0	0	0	0	$ 0
0	0	0	0	$ 0
0	0	0	0	$ 0
0	0	0	0	$ 0
0	0	0	353	$ 2,256
0	0	0	0	$ 0
0	0	0	4	$ 213
$ 292,978	$ 56,444	$ 186,040	$ 134,556	$ 1,570,538
$ 15	$ 34	$ 40	$ 34	$ 251
0	0	0	0	$ 0
0	0	0	0	$ 0
0	0	0	0	$ 0
11,305	7,114	23,566	0	$ 75,262
$ 11,320	$ 7,148	$ 23,606	$ 34	$ 75,513
$ 281,658	$ 49,296	$ 162,434	$ 134,522	$ 1,495,025

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
FROM UNDISTRIBUTED INCOME:			
Net Investment Income	$ 17,024	($ 20,119)	$ 1,551
Realized Gains (Losses)	768	(9,107)	0
Unrealized Gains (Losses)	7,381	28,078	0
TOTAL INCOME	$ 25,173	($ 1,148)	$ 1,551
Less Distributions to Participant Accts.	($ 25,173)	$ 1,148	($ 1,551)
Income To Be Distributed	0	0	0
Net Change From Undistributed Income	$ 0	$ 0	$ 0
FROM PARTICIPANT TRANSACTIONS:			
Additions To Participant Accounts			
Participant Contributions	$ 46,624	$ 4,171	$ 70,981
Income Distributions	25,174	(1,148)	1,551
Income To Be Distributed	0	0	0
Total Additions	$ 71,798	$ 3,023	$ 72,532
Deductions From Participant Accounts			
Withdrawals	$ 28,510	$ 13,631	$ 65,489
Total Deductions	28,510	13,631	65,489
Net From Participant Transactions	$ 43,288	($ 10,608)	$ 7,043
TOTAL CHANGE IN ASSETS	$ 43,288	($ 10,608)	$ 7,043
NET ASSETS:			
Beginning Of Period	525,703	209,859	91,830
End Of Period	$ 568,991	$ 199,251	$ 98,873

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INT'L SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
($ 664)	($ 1,868)	$ 10,835	$ 4,617	$ 11,376
(3,801)	(614)	319	379	(12,056)
6,792	680	3,902	1,062	47,895
$ 2,327	($ 1,802)	$ 15,056	$ 6,058	$ 47,215
($ 2,327)	$ 1,802	($ 15,056)	($ 6,058)	($ 47,215)
0	0	0	0	0
$ 0	$ 0	$ 0	$ 0	$ 0
$ 13,086	$ 7,885	$ 25,611	$ 34,585	$ 202,943
2,327	(1,802)	15,056	6,058	47,216
0	0	0	0	0
$ 15,413	$ 6,083	$ 40,667	$ 40,643	$ 250,159
$ 12,946	$ 1,122	$ 5,557	$ 6,772	$ 134,027
12,946	1,122	5,557	6,772	134,027
$ 2,467	$ 4,961	$ 35,110	$ 33,871	$ 116,132
$ 2,467	$ 4,961	$ 35,110	$ 33,871	$ 116,132
279,191	44,335	127,324	100,651	1,378,893
$ 281,658	$ 49,296	$ 162,434	$ 134,522	$ 1,495,025

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2003
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
INVESTMENT INCOME:			
Income Distributions	$ 16,559	($ 19,764)	$ 0
Short Term Gains	439	0	1,557
Security Lending Gross Earnings	493	158	0
Less: Borrower Rebates	(350)	(109)	0
Less:Fees Paid to Agents	(34)	(12)	0
Security Lending Net Earnings	109	37	0
Income Before Expenses	$ 17,107	($ 19,727)	$ 1,557
Management Fees	83	392	6
NET INCOME	$ 17,024	($ 20,119)	$ 1,551
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Realized:			
Proceeds From Sales	$ 15,686	$ 33,850	$ 0
Cost Of Securities Sold	14,918	42,957	0
Net Realized Gain (Loss)	$ 768	($ 9,107)	$ 0
Unrealized:			
Beginning Of Period	$ 12,015	($ 58,747)	$ 0
End Of Period	19,396	(30,669)	0
Increase (decrease) In Unrealized Appreciation	$ 7,381	$ 28,078	$ 0
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 8,149	$ 18,971	$ 0

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
($ 665)	($ 1,812)	$ 10,904	$ 4,820	$ 10,042
0	0	0	67	2,063
255	148	419	0	1,473
(176)	(68)	(317)	0	(1,020)
(20)	(23)	(21)	0	(110)
59	57	81	0	343
($ 606)	($ 1,755)	$ 10,985	$ 4,887	$ 12,448
58	113	150	270	1,072
($ 664)	($ 1,868)	$ 10,835	$ 4,617	$ 11,376
$ 13,666	$ 3,040	$ 5,565	$ 27,634	$ 99,441
17,467	3,654	5,246	27,255	111,497
($ 3,801)	($ 614)	$ 319	$ 379	($ 12,056)
($ 47,136)	($ 6,948)	($ 1,879)	$ 2,118	($ 100,577)
(40,344)	(6,268)	2,023	3,180	(52,682)
$ 6,792	$ 680	$ 3,902	$ 1,062	$ 47,895
$ 2,991	$ 66	$ 4,221	$ 1,441	$ 35,839

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2003

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Adrian Fire	$ 104,184	$ 58,725	$ 0
Alaska Fire	8,990	0	0
Alborn Fire	24,203	8,094	0
Alden Fire	0	13,205	0
Almelund Fire	27,299	56,435	21,432
Amboy Fire	0	0	0
Argyle Fire	10,139	8,030	0
Askov Fire	48,092	0	0
Audubon Fire	47,428	0	0
Austin Part-time Fire	117,209	72,043	0
Avon Fire	0	7,856	0
Babbitt Fire Relief Assoc.	96,729	0	0
Backus Fire Relief Assoc	0	0	0
Bagley Fire	73,552	0	1,250
Balsam Fire	93,426	56,945	105
Barnum Fire	13,575	0	0
Beaver Creek Fire	0	0	19,217
Belle Plaine Fire	81,711	11,628	0
Bemidji Fire	0	0	14
Benson Fire	30,478	28,202	0
Bertha Fire	27,577	17,911	0
Bigfork Fire	8,635	37,300	0
Bird Island Fire	32,741	27,079	0
Biwabik Township Fire	15,664	0	0
Blooming Prairie Fire	32,551	0	0
Bloomington Fire	63,731,559	0	0
Boyd Fire	8,877	6,916	0
Bricelyn Fire	122,896	0	0
Brooklyn Park Fire	2,933,624	0	0
Brooten Fire	0	0	0
Brownsville Fire Relief	0	0	1,007
Buffalo Lake Fire	68,959	84,578	0
Caledonia Fire	58,150	18,619	0
Canby Fire	74,817	72,162	1,304
Centennial Fire Relief	0	0	58,554
Center City Fire	41,536	7,716	0
Ceylon Fire	27,647	22,164	0
Chaska Fire	579,750	0	0
Chatfield Fire	27,451	30,987	0
Cherry Fire	28,252	9,380	433

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 15,562	$ 0	$ 0	$ 178,472
14,739	0	0	0	23,729
8,985	0	0	0	41,281
13,908	0	0	0	27,113
0	0	0	0	105,166
39,250	0	18,123	0	57,373
0	0	0	0	18,169
0	0	0	0	48,092
0	0	0	0	47,428
0	0	0	0	189,252
7,934	0	0	0	15,789
47,029	0	107,617	0	251,376
41,562	0	0	0	41,562
0	0	33,544	0	108,345
0	0	0	0	150,476
143,468	0	0	0	157,043
0	0	0	0	19,217
0	0	0	0	93,340
258,070	0	312,478	0	570,562
30,198	0	25,254	0	114,133
0	0	0	0	45,488
39,239	7,389	0	0	92,562
0	0	0	0	59,820
12,130	0	0	0	27,793
27,162	0	45,632	0	105,345
1,396,663	0	0	0	65,128,223
0	0	0	0	15,793
0	0	0	0	122,896
1,862,351	0	0	0	4,795,976
122,660	0	0	0	122,660
4,100	0	6,126	0	11,232
0	0	0	0	153,538
0	11,810	0	0	88,578
0	0	0	0	148,283
0	0	121,580	0	180,134
0	4,300	0	0	53,552
23,478	0	0	0	73,289
0	0	0	0	579,750
0	0	0	0	58,438
0	0	0	0	38,065

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2003

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Chisago City Fire	$ 261,491	$ 20,654	$ 0
Chokio Fire	86,616	0	0
Clarkfield Fire	119,322	25,674	0
Clear Lake Fire	173,269	123,554	0
Cleveland Fire	0	0	2,286
Cohasset Fire	12,045	24,028	0
Colerane Fire	0	0	17,534
Coon Rapids Fire	1,001,991	0	0
Crane Lake Fire	31,985	34,709	2,583
Dakota Fire Relief	7,065	4,064	0
Dawson Fire	132,405	54,966	0
Deer Creek Fire	17,077	30,104	0
Delano Fire	0	29,634	0
Dover Fire	50,990	4,158	31,277
East Grand Forks Fire	580,901	0	0
Edgerton Fire	102,658	0	0
Edina Fire	3,445,053	291,695	54,278
Elbow Lake Fire	89,980	39,795	0
Elk River Fire	591,315	72,046	2,325
Elmore Fire	0	19,333	0
Emmons Fire	36,721	26,158	0
Excelsior Fire	829,262	0	200,711
Eyota Fire	32,085	0	29,099
Farmington Cataract	90,265	0	0
Fayal Fire	18,640	13,310	1,775
Fergus Falls Fire	0	297,150	0
Forest Lake Fire	235,763	0	0
Frazee Fire	105,106	20,070	0
Frost Fire	11,545	10,033	0
Glencoe Fire	0	105,695	0
Glenville Fire Relief	14,465	0	15,312
Glenwood Fire	44,613	37,700	0
Golden Valley Fire	1,488,633	0	0
Gonvick Fire	25,836	22,867	0
Good Thunder Fire	111,319	50,885	0
Goodland Fire	0	7,643	0
Grand Marais Fire	42,012	32,236	63,531
Grand Meadow Fire	36,205	31,282	0
Grand Rapids Fire	519,270	0	0
Greenwood Fire	21,959	66,957	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 0	$ 41,722	$ 0	$ 323,867
0	0	0	0	86,616
7,273	0	30,809	0	183,078
0	0	0	0	296,823
30,982	0	16,410	0	49,678
0	0	0	0	36,073
0	0	16,232	0	33,767
0	0	0	0	1,001,991
2,842	0	0	0	72,119
0	0	5,656	0	16,785
0	0	0	0	187,371
0	0	0	0	47,180
31,534	0	0	0	61,168
22,982	4,348	50,246	0	164,001
0	0	0	0	580,901
55,324	0	0	0	157,982
0	138,169	0	0	3,929,195
0	0	0	0	129,775
106,407	0	295,769	0	1,067,863
11,922	0	0	0	31,255
27,622	15,901	0	0	106,403
0	0	864,105	0	1,894,079
11,917	0	36,569	0	109,670
82,328	0	0	0	172,593
9,761	4,802	3,277	0	51,565
290,587	0	260,620	0	848,357
31,779	0	0	0	267,542
14,257	0	51,036	0	190,468
10,477	0	0	0	32,055
0	0	0	0	105,695
0	0	0	0	29,778
38,123	0	56,557	0	176,993
1,406,287	0	146,701	0	3,041,621
0	0	0	0	48,703
61,405	0	0	0	223,609
0	0	0	0	7,643
0	0	107,839	0	245,618
32,798	0	0	0	100,285
0	0	0	0	519,270
0	0	10,668	0	99,584

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2003

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Grey Eagle Fire	$ 80,982	$ 10,390	$ 0
Hackensack Fire	30,035	0	0
Hamel Fire	198,367	14,018	310,744
Harmony Fire	0	4,451	0
Haska	0	8,109	0
Hawley Fire	57,085	0	0
Hayward Fire	0	56,955	0
Hector Fire	340,602	0	0
Henning Fire	29,514	11,487	0
Hibbing Fire	34,684	51,166	0
Hinckley Fire	11,244	9,250	0
Holdingford Fire	6,742	5,685	0
Holland Fire	0	0	41,015
Houston Fire	7,423	5,869	0
Hovland Area Fire	0	0	0
Industrial Fire	36,519	0	0
Isanti Fire	0	248,342	0
Jacobson Fire	16,428	18,363	16,693
Jasper Fire	0	27,278	0
Kabetogama Fire	0	73,230	0
Kandiyohi Fire	22,929	18,121	0
Kelliher Fire	11,083	19,454	0
Kerkhoven Fire	23,006	18,895	0
Kettle River Fire	38,365	16,708	0
Kiester Fire	0	8,889	0
Kimball Fire	34,596	29,213	0
La Crescent Fire	24,742	35,180	0
La Salle Fire Relief	7,302	6,754	0
Lafayette Fire	99,959	18,864	10,336
Lake City Fire	234,717	0	0
Lake Crystal Fire	114,082	65,277	0
Lake Henry Fire	22,211	0	0
Lakeville Fire	412,492	387,642	0
Leroy Fire Relief Assoc	49,510	0	779
Lewiston Fire	71,733	65,476	0
Linwood Fire	311,972	0	0
Lismore Fire	18,570	14,647	0
Little Falls Fire	0	0	0
Littlefork Fire	77,900	3,882	0
Lowry Fire	0	0	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 0	$ 14,047	$ 0	$ 0	$ 105,419
0	0	0	0	30,035
0	5,702	0	0	528,831
19,223	10,796	0	0	34,470
0	4,114	0	0	12,223
38,030	0	0	0	95,116
80,981	0	0	0	137,936
0	0	0	0	340,602
29,463	11,653	27,082	0	109,200
48,625	21,199	0	0	155,674
9,797	2,824	14,047	0	47,162
5,995	0	0	0	18,421
0	0	43,408	0	84,423
5,970	6,029	0	0	25,290
9,064	0	0	0	9,064
32,212	0	0	0	68,731
135,702	129,967	0	0	514,011
0	0	0	0	51,484
0	0	0	0	27,278
0	0	0	0	73,230
16,045	0	22,220	0	79,316
20,250	0	0	0	50,787
20,046	0	0	0	61,947
17,075	0	0	0	72,148
9,474	8,596	0	0	26,960
15,047	0	0	0	78,855
22,544	0	23,152	0	105,618
6,833	0	0	0	20,889
38,793	0	65,450	0	233,402
0	0	0	0	234,717
99,603	0	0	0	278,962
0	0	0	0	22,211
565,143	0	0	0	1,365,277
0	0	0	0	50,289
0	0	0	0	137,209
0	0	0	0	311,972
15,356	0	0	0	48,572
162,646	0	0	0	162,646
54,091	0	0	0	135,873
34,902	0	0	0	34,902

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2003

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
PARTICIPATION			
Madison Fire	$ 52,604	$ 42,523	$ 0
Madison Lake Fire	11,911	9,819	0
Mahtomedi Fire	381,814	0	0
Mapleton Fire	59,130	25,024	0
Mapleview Fire	38,140	48,572	0
Maplewood Fire	0	0	0
Marietta Fire	3,291	1,516	0
Marine St. Croix Fire	63,533	87,126	0
Mayer Fire	79,839	0	0
Maynard Fire	48,815	0	0
McDavitt Fire	49,283	33,135	0
McGrath Fire	8,527	4,277	0
McIntosh Fire	25,285	27,862	0
MedFord Fire	24,457	28,750	0
Medicine Lake Fire	349,341	0	15,277
Menahga Fire	49,867	0	0
Mendota Heights Fire	0	170,238	0
Milaca Fire	44,609	0	0
Milan Fire	25,437	21,913	0
Minneapolis Fire	0	0	0
Minneapolis Fire (Health Insuran	2,205,901	0	0
Minneapolis Police	0	0	0
Minneota Fire	13,194	7,856	0
Minnetonka Fire	3,512,243	0	0
Montrose Fire	4,927	6,174	0
Morris Fire	41,593	30,696	12,172
Morristown Fire	124,141	0	0
Murdock Fire	12,751	10,381	0
New Brighton Fire	0	660,745	0
New Germany Fire	35,155	0	0
New Ulm Fire	58,511	0	0
New York Mills Fire	90,379	0	0
Nicollet Fire	87,170	36,823	0
Nodine Fire	0	0	0
North Branch Fire	35,214	30,682	0
North Star Fire	0	0	0
Northfield Fire	626,912	326,718	0
Northrop Fire	23,514	27,051	0
Norwood Young America Fire	53,895	42,022	88,173
Oak Grove Fire	0	212,936	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 45,059	$ 0	$ 0	$ 0	$ 140,186
0	7,499	0	0	29,229
0	0	0	0	381,814
0	0	0	0	84,155
0	8,344	45,655	0	140,711
2,328,882	0	941,794	0	3,270,676
1,125	0	0	0	5,931
86,921	0	33,683	0	271,263
108,817	0	32,701	0	221,357
0	0	0	0	48,815
0	7,194	23,325	0	112,936
0	0	6,492	0	19,297
32,283	0	0	0	85,431
20,343	0	0	0	73,550
0	0	0	0	364,618
0	0	66,460	0	116,327
177,161	45,652	333,388	0	726,439
0	0	0	0	44,609
23,227	0	0	0	70,577
10,600,841	0	47,431,120	0	58,031,960
0	0	0	0	2,205,901
49,262,788	26,051,348	16,047,885	0	91,362,021
7,934	3,948	14,801	0	47,731
0	0	0	0	3,512,243
7,581	0	0	0	18,681
32,786	18,618	0	0	135,866
204,985	0	0	0	329,126
10,568	5,045	0	0	38,745
0	0	551,701	0	1,212,446
0	0	0	0	35,155
194,841	0	0	0	253,352
0	0	0	0	90,379
37,462	36,920	0	0	198,376
28,346	13,259	41,780	0	83,385
32,243	18,863	0	0	117,002
13,745	0	0	0	13,745
502,489	0	0	0	1,456,120
0	0	0	0	50,565
0	0	93,170	0	277,260
0	0	0	0	212,936

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2003

PARTICIPATION	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
Osakis Fire	$ 0	$ 70,305	$ 0
Ottertail Fire	168,160	0	0
Owatonna Fire	276,414	479,505	47,700
Pennock Fire	26,238	19,768	0
Pequaywan Lake Fire	0	0	0
Pine Island Fire	104,929	58,187	0
Pipestone Fire	90,782	0	0
Plymouth Fire Relief	0	0	0
Porter Fire	13,596	18,514	13,481
Randall Fire	91,189	21,719	0
Randolph Fire	88,077	0	0
Red Lake Falls Fire	45,563	0	0
Redwood Falls Fire	0	0	0
Remer Fire	4,011	3,292	0
Renville Fire	30,693	29,173	0
Rice Lake Fire	140,533	70,030	0
Robbinsdale Fire	435,951	126,464	128,487
Rose Creek Fire	26,398	13,469	12,939
Roseau Fire	0	664	0
Rosemount Fire	459,847	77,531	0
Roseville Fire	0	1,193,379	0
Rush City Fire	159,179	64,906	0
Ruthton Fire	6,102	4,808	6,458
Saint Clair Fire	37,582	24,492	47,381
Saint James Fire	0	54,299	0
Saint. Michael Fire	0	15,893	0
Saint. Peter Fire	0	78,421	0
Sandstone Fire	120,980	0	0
Savage Fire Relief Assoc	419,156	0	0
Scandia Valley Fire	251,729	0	0
Schroeder Fire	0	73,969	0
Shakopee Fire	0	351,910	0
Sherburn Fire	155,803	0	0
Shevlin Fire	14,932	0	0
Silver Bay Fire	50,886	46,652	0
Solway Fire	47,786	0	0
Spring Lake Park Fire	912,534	1,039,704	0
Starbuck Fire	18,722	14,329	0
Stephen Fire	43,392	53,347	0
Stewart Fire	49,326	0	0

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 72,972	$ 4,865	$ 88,215	$ 0	$ 236,357
0	0	0	0	168,160
44,282	43,614	0	0	891,515
20,118	19,627	0	0	85,751
11,651	0	0	0	11,651
0	0	0	0	163,116
76,135	0	0	0	166,917
0	0	858,643	0	858,643
49,348	0	24,709	0	119,648
35,570	0	0	0	148,478
92,759	0	0	0	180,836
0	0	0	0	45,563
0	0	28,711	0	28,711
3,422	3,272	0	0	13,997
6,039	0	30,477	0	96,382
72,394	0	13,203	0	296,160
127,690	74,513	0	0	893,106
13,806	0	0	0	66,611
0	0	0	0	664
78,548	0	0	0	615,926
1,275,987	620,147	2,207,825	0	5,297,338
61,974	0	0	0	286,058
9,866	0	0	0	27,234
36,180	0	40,011	0	185,646
56,208	0	0	0	110,508
16,596	13,267	0	0	45,756
40,881	40,816	463	0	160,582
0	0	0	0	120,980
0	0	0	0	419,156
0	0	0	0	251,729
5,323	0	0	0	79,292
366,909	67,623	0	0	786,442
0	0	0	0	155,803
0	0	27,709	0	42,641
0	8,372	0	0	105,911
0	0	64,833	0	112,619
1,093,793	0	0	0	3,046,031
14,687	3,454	0	0	51,192
0	0	0	0	96,739
22,442	0	0	0	71,767

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 2003

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT
PARTICIPATION			
Stewartville Fire	$ 70,761	$ 36,641	$ 0
Stillwater Fire	189,759	111,842	0
Sturgeon Lake Fire	0	6,217	0
Thomson Township Fire	8,491	7,749	0
Tofte Fire	19,547	0	0
Truman Fire	27,446	24,281	0
Two Harbors Fire	37,174	128,377	0
Vadnais Heights Fire	49,319	0	0
Vergas Fire	102,295	0	0
Vermilion Lake Fire	75,726	0	0
Verndale Fire	0	5,645	0
Wabasha Fire	53,305	23,565	0
Waconia Fire	120,131	121,133	0
Warba-Feeley-Sago Fire	39,160	0	0
Warroad Area Fire	133,928	0	0
Williams Fire	36,998	16,292	0
Willow River Fire	0	8,671	0
Winnebago Fire	10,506	0	0
Woodbury Fire	1,200,128	690,440	308,690
Woodstock Fire	12,540	10,242	0
Wrenshall Fire Relief	0	0	0
Wright Fire	66,129	0	0
Wykoff Fire	68,753	0	0
Wyoming Fire	81,870	0	0
Zumbro Falls Fire	116,010	18,787	0
Deferred Comp	154,533,235	91,563,736	63,485,997
Hennepin County	53,423,459	22,464,759	8,196,583
MnSCU DCR	156,659,505	32,046,714	5,184,670
MSRS-Health	846,551	596,511	10,575,661
Pera-DCP	7,022,882	3,197,225	824,119
Unclassified	100,062,420	38,868,650	9,021,958
TOTAL PARTICIPATION	$ 568,990,258	$ 199,251,016	$ 98,873,342
Adjustments			
Unrealized Appreciation (Depreciation) of Investments	0	0	0
Undistributed Earnings	0	0	0
NET ASSETS	$ 568,990,258	$ 199,251,016	$ 98,873,342

Notes are an integral part of the Financial Statements

STOCK INDEX ACCOUNT	INTERNATIONAL SHARE ACCOUNT	BOND MARKET ACCOUNT	FIXED INTEREST ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
$ 37,181	$ 33,849	$ 0	$ 0	$ 178,432
0	0	0	0	301,601
7,740	0	8,326	0	22,282
12,358	0	0	0	28,597
20,222	0	0	0	39,769
26,738	0	27,779	0	106,243
0	0	0	0	165,551
0	0	0	0	49,319
0	0	0	0	102,295
0	0	0	0	75,726
5,800	0	0	0	11,445
6,544	0	0	0	83,413
0	0	0	0	241,264
0	0	0	0	39,160
0	0	0	0	133,928
17,142	0	0	0	70,432
14,709	0	18,609	0	41,989
0	0	0	0	10,506
505,342	91,599	235,411	0	3,031,610
5,744	0	4,351	0	32,877
14,370	0	0	0	14,370
0	0	0	0	66,129
0	0	0	0	68,753
0	0	92,646	0	174,516
19,300	0	17,784	0	171,880
142,423,596	12,397,640	53,298,056	95,213,745	612,916,005
11,309,330	1,285,988	8,422,648	0	105,102,767
12,204,829	1,568,026	8,520,241	9,992,323	226,176,309
737,878	115,088	1,559,364	5,728,286	20,159,339
2,680,688	414,433	1,287,674	1,714,184	17,141,205
36,249,681	5,856,305	17,032,578	21,873,771	228,965,363
$ 281,657,641	$ 49,296,397	$ 162,434,148	$ 134,522,308	$ 1,495,025,109
0	0	0	0	0
0	0	0	0	0
$ 281,657,641	$ 49,296,397	$ 162,434,148	$ 134,522,308	$ 1,495,025,109

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT

MINNESOTA POOLED INVESTMENT ACCOUNTS

SCHEDULE OF ASSETS AND LIABILITIES

JUNE 30, 2003

AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
ASSETS:		
Investments (at market value) (2),(3):		
Common Stock	$ 0	$ 0
Alternative Equities	595,684	263,126
Options Purchased	0	0
Fixed Income Securities	0	0
Short Term Securities	10,734	6,971
Securities-Lending Collateral(4b)	3,636	4,442
Total Investments	$ 610,054	$ 274,539
Cash	0	0
Security Sales Receivable	0	0
Accounts Receivable-Fee Refunds	0	0
Accrued Interest	0	0
Accrued Dividends	968	0
Accrued Short Term Gain	4	5
TOTAL ASSETS	$ 611,026	$ 274,544
LIABILITIES:		
Management Fees Payable	0	0
Security Purchases Payable	0	0
Options Written	0	0
Securities-Lending Collateral(4b)	3,636	4,442
TOTAL LIABILITIES	$ 3,636	$ 4,442
NET ASSETS AT JUNE 30, 2003	$ 607,390	$ 270,102

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 0	$ 57,848	$ 17,136,239	$ 4,706,734
1,440,191	0	0	0
0	1,005	0	0
0	8,744,155	410	222
121	1,006,680	201,943	78,311
10,425	1,243,756	727,352	702,898
$ 1,450,737	$ 11,053,444	$ 18,065,944	$ 5,488,165
10,640	4,700	180	68,659
499	983,341	61,827	24,605
0	0	0	0
0	74,909	4	0
3	0	15,794	9,931
4	995	229	$ 2,613
$ 1,461,883	$ 12,117,389	$ 18,143,978	$ 5,593,973
0	1,972	6,323	3,325
0	2,297,140	58,370	17,254
0	1,669	0	0
10,425	1,243,756	727,352	702,898
$ 10,425	$ 3,544,537	$ 792,045	$ 723,477
$ 1,451,458	$ 8,572,852	$ 17,351,933	$ 4,870,496

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT

MINNESOTA POOLED INVESTMENT ACCOUNTS

SCHEDULE OF CHANGES IN NET ASSETS

JUNE 30, 2003

AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
FROM UNDISTRIBUTED INCOME:		
Net Investment Income	$ 29,258	$ 26,111
Realized Gains (Losses)	(48,793)	(3,263)
Unrealized Gains (Losses)	60,082	(10,257)
TOTAL INCOME	$ 40,547	$ 12,591
Less Distribution To Participant Accounts	19,536	(22,848)
Income To Be Distributed	0	0
Net Change From Undistributed Income	$ 60,083	($ 10,257)
FROM PARTICIPANT TRANSACTIONS:		
Additional To Participant Accounts		
Participant Contributions	14,459	19,482
Income Distribution	(19,536)	22,848
Income To Be Distributed	0	0
Total Additions	($ 5,077)	$ 42,330
Deductions From Participant Accounts		
Withdrawals	47,257	48,489
Total Deductions	$ 47,257	$ 48,489
Net From Participant Transactions	($ 52,334)	($ 6,159)
TOTAL CHANGE IN ASSETS	$ 7,749	($ 16,416)
NET ASSETS:		
Beginning Of Period	599,641	286,518
End Of Period	$ 607,390	$ 270,102

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 40,604	$ 380,796	$ 222,810	$ 97,386
(8,835)	225,679	(1,387,279)	(320,334)
(75,980)	231,780	1,286,298	(100,928)
($ 44,211)	$ 838,255	$ 121,829	($ 323,876)
(31,768)	(605,250)	1,166,047	217,878
0	(1,225)	(1,580)	5,070
($ 75,979)	$ 231,780	$ 1,286,296	($ 100,928)
190,468	127	815,000	361
31,768	605,250	(1,166,047)	(217,878)
0	1,225	1,580	(5,070)
$ 222,236	$ 606,602	($ 349,467)	($ 222,587)
38,921	1,533,272	525,000	189,704
$ 38,921	$ 1,533,272	$ 525,000	$ 189,704
$ 183,315	($ 926,670)	($ 874,467)	($ 412,291)
$ 107,336	($ 694,890)	$ 411,829	($ 513,219)
1,344,122	9,267,742	16,940,104	5,383,715
$ 1,451,458	$ 8,572,852	$ 17,351,933	$ 4,870,496

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT

MINNESOTA POOLED INVESTMENT ACCOUNTS

SCHEDULE OF OPERATIONS

YEAR ENDED JUNE 30, 2003

AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
Interest	$ 0	$ 0
Dividends	28,389	27,923
Short Term Gains	19	27
Security Lending Gross Earnings(4c)	8	40
Less: Borrower Rebates	(5)	(28)
Less: Fees Paid to Agents	(1)	(3)
Security Lending Net Earnings	2	9
Income Before Expenses	$ 28,410	$ 27,959
Management Fees	(848)	1,848
NET INCOME	$ 29,258	$ 26,111
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Realized:		
Proceeds From Sales	$ 32,023	$ 30,735
Cost Of Securities Sold	80,816	33,998
Net Realized Gain (Loss)	($ 48,793)	($ 3,263)
Unrealized:		
Beginning Of Period	192,281	21,233
End Of Period	252,363	10,976
Increase (Decrease) In Unrealized Appreciation	$ 60,082	($ 10,257)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	$ 11,289	($ 13,520)

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 0	$ 362,577	$ 23	$ 19
49,960	9,134	238,907	107,741
26	12,602	3,775	(3,263)
134	22,132	14,377	14,596
(60)	(16,736)	(9,913)	(6,684)
(18)	(1,112)	(1,103)	(2,309)
56	4,284	3,361	5,603
$ 50,042	$ 388,597	$ 246,066	$ 110,100
9,438	7,801	23,256	12,714
$ 40,604	$ 380,796	$ 222,810	$ 97,386
$ 152,465	$ 38,635,782	$ 7,494,552	$ 1,666,757
161,300	38,410,103	8,881,831	1,987,091
($ 8,835)	$ 225,679	($ 1,387,279)	($ 320,334)
(226,872)	74,646	1,119,495	(137,025)
(302,852)	306,426	2,405,793	(237,953)
($ 75,980)	$ 231,780	$ 1,286,298	($ 100,928)
($ 84,815)	$ 457,459	($ 100,981)	($ 421,262)

Notes are an integral part of the Financial Statements

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF PARTICIPATION
JUNE 30, 2003
AMOUNTS IN (000)'S

	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT
Teachers Retirement Fund	$ 228,034	$ 101,405
Public Employees Retirement Fund	152,779	$ 67,941
State Employees Retirement Fund	133,274	$ 59,266
Public Employees Police & Fire Fund	75,398	$ 33,528
Highway Patrolmen's Retirement Fund	7,336	$ 3,262
Judges Retirement Fund	939	$ 418
Police & Fire Consolidation Fund	1,733	$ 770
Correctional Employees Retire. Fund	7,897	$ 3,512
TOTAL BASIC RETIREMENT FUNDS	$ 607,390	$ 270,102
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	0
Supplemental International Equity Account	0	0
TOTAL PARTICIPATION	$ 607,390	$ 270,102

Notes are an integral part of the Financial Statements

VENTURE CAPITAL ACCOUNT(4)	DOMESTIC BOND ACCOUNT	DOMESTIC EQUITY ACCOUNTS	INTERNATIONAL EQUITY ACCOUNT
$ 544,926	$ 1,449,519	$ 2,929,298	$ 878,189
365,105	1,004,768	2,043,362	616,343
318,478	877,289	1,784,394	538,323
180,163	494,341	1,004,827	302,911
17,530	48,287	98,215	29,630
2,244	6,182	12,573	3,793
4,141	11,404	23,194	6,997
18,871	51,980	105,731	31,897
$ 1,451,458	$ 3,943,770	$ 8,001,594	$ 2,408,083
0	4,466,646	8,536,508	2,413,116
0	0	332,916	0
0	0	199,254	0
0	0	281,661	0
0	162,436	0	0
0	0	0	49,297
$ 1,451,458	$ 8,572,852	$ 17,351,933	$ 4,870,496

Notes are an integral part of the Financial Statements

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS
JUNE 30, 2003

1. PORTFOLIO LISTING:

Asset listings summarizing securities held by these funds can be found starting on page **151** of this report. Fixed income and equity securities are presented at market value.

2. COST OF INVESTMENTS:

At June 30, 2003 the cost plus accrued income of investments for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund, excluding security lending collateral, was:

MINNESOTA POOLED INVESTMENT ACCOUNTS

DOMESTIC ACCOUNTS		
Equity Account	$	14,952,463,787
Bond Account	$	8,268,399,123
Real Estate Account	$	355,027,362
Resource Account	$	259,125,884
Venture Capital Account	$	1,754,309,864
INTERNATIONAL ACCOUNTS		
Equity Account	$	5,111,775,333

SUPPLEMENTAL INVESTMENT FUND

Income Share Account	$	544,796,683
Growth Share Account	$	230,025,879
International Share Account	$	55,598,690
Money Market Account	$	98,874,737
Stock Index Account	$	322,016,507
Bond Market Account	$	160,451,136
Fixed Interest Account	$	131,375,563

3. LOANED SECURITIES:

The market value of loaned securities outstanding at June 30, 2003 for the Minnesota Pooled Investment Accounts included in the total investments figure was:

Equity Account (Domestic)	$	494,245,255
Equity Index Account (Domestic)	$	223,373,500
Bond Account (Domestic)	$	1,624,872,783
International Equity Account	$	735,914,817

The market value for non-pooled investment accounts includes:

Money Market Account	$	35,635,475
Income share Account Fixed Income	$	12,042,956

4. INCOME DISTRIBUTION :

The SBI External Domestic Equity and the SBI Global Equity Pools lost money this year thanks to margin calls, realized losses, and expenses in excess of dividends and interest. As a result, the Pools' income distributions to the Stock Index, Growth Share, and International Share funds were negative and could not be split out as dividend and interest. The income distribution is required by Minnesota Statutes 11A.14 Subd.12 and has no effect on the net asset value of the investment.

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2003

Active Domestic Stock Managers (1)		
Alliance Capital	$	3,812,149
Artemis Investment Management		322,283
Bay Isle Corp.		200,768
Cohen Klingenstein & Marks		1,073,493
Earnest Partners		172,030
FLA Asset Management		1,537,528
Franklin Portfolio		976,238
GeoCapital Corp.		1,111,450
Holt Smith & Yates Advisors		226,924
Lincoln Capital		942,513
New Amsterdam Partners		841,657
Next Century		213,876
Oppenheimer Capital		840,012
Peregrine Capital Management		1,153,562
UBS Global Asset Management (Brinson)		1,071,680
Valenzuela Capital		294,320
Voyageur Asset Management		203,675
Winslow Capital		723,391
Zevenbergen Capital		477,793
Passive Domestic Stock Managers (2)		
Barclays Global Investors		899,704
Semi-Passive Domestic Bond Managers (2)		
Barclays Global Investors		2,403,201
Franklin Portfolio		1,356,666
JP Morgan		2,034,324
Active Domestic Bond Managers (2)		
American Express		796,580
Deutsche Asset		1,060,712
Dodge & Cox		882,761
Metropolitan West*		301,835
Morgan Stanley		1,223,095
Western Asset Management		1,279,103

cont.

External Stock and Bond Managers' Fees

Total Payments for Fiscal Year 2003

Semi-Passive Domestic Bond Managers (3)		
BlackRock Inc.	$	867,964
Goldman Sachs		1,019,312
Lincoln Capital Management		508,022
International Stock Managers (2)		
Alliance Capital		823,765
American Express		1,235,171
Britannic Asset Management (Blairlogie)		943,531
UBS Global Asset Management (Brinson)		1,254,020
Capital International		864,489
Invesco Global		1,350,974
Marathon Asset Management		1,572,330
Morgan Stanley Investment Management		989,300
Schroder Investment Management (SIMA)		982,019
State Street Global Advisors		362,110
T. Rowe Price International		1,697,111
Assigned Risk Plan		
GE Investment Management		193,421
Voyager Asset Management		184,938

* Manager Terminated in Fiscal '03

(1) Most active stock managers, with the exception of Emerging Equity 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.

ALLIANCE CAPITAL MANAGEMENT L.P.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	239,152,871.60	27.65
CONSUMER STAPLES	96,242,515.00	11.13
ENERGY	0.00	0.00
FINANCIALS	169,727,741.00	19.62
HEALTH CARE	181,940,764.00	21.04
INDUSTRIALS	25,568,220.00	2.96
INFORMATION TECHNOLOGY	151,594,843.60	17.53
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	864,226,955.20	99.92
Cash Equivalents	112,523.45	0.01
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	551,099.00	0.06
Short Term Interest Receivable	748.65	0.00
Grand Total	**864,891,326.30**	**100.00 %**

BAY ISLE FINANCIAL CORP

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	7,098,522.18	17.65
CONSUMER STAPLES	725,246.55	1.80
ENERGY	2,581,568.00	6.42
FINANCIALS	10,721,767.82	26.66
HEALTH CARE	4,684,346.60	11.65
INDUSTRIALS	7,329,825.08	18.22
INFORMATION TECHNOLOGY	4,036,134.55	10.03
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,185,511.95	2.95
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	38,362,922.73	95.38
Cash Equivalents	1,819,311.81	4.52
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	37,563.59	0.09
Short Term Interest Receivable	1,815.39	0.00
Grand Total	**40,221,613.52**	**100.00 %**

ARTEMIS INVESTMENT MGMT LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	8,319,066.00	23.26
CONSUMER STAPLES	2,257,711.00	6.31
ENERGY	1,041,975.00	2.91
FINANCIALS	2,116,688.00	5.92
HEALTH CARE	5,101,834.00	14.26
INDUSTRIALS	7,101,783.00	19.86
INFORMATION TECHNOLOGY	5,726,379.00	16.01
MATERIALS	1,755,372.00	4.91
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	988,341.00	2.76
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	34,409,149.00	96.21
Cash Equivalents	1,604,219.70	4.49
Payable for Investments Purchased	(371,320.56)	-0.04
Receivables for Investments Sold	121,331.60	0.00
Dividend Receivable	1,472.90	0.00
Short Term Interest Receivable	1,488.85	0.00
TAX Refund Receivable	71.10	0.00
Grand Total	**35,766,412.59**	**100.00 %**

COHEN, KLINGENSTEIN, AND MARKS INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	111,925,321.70	21.85
CONSUMER STAPLES	41,634,583.25	8.13
ENERGY	0.00	0.00
FINANCIALS	76,024,136.00	14.84
HEALTH CARE	83,535,683.00	16.31
INDUSTRIALS	13,829,440.00	2.70
INFORMATION TECHNOLOGY	163,911,510.65	32.00
MATERIALS	16,624,475.56	3.25
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	507,485,150.16	99.08
Cash Equivalents	4,379,631.10	0.86
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	347,740.00	0.07
Short Term Interest Receivable	6,397.23	0.00
Grand Total	**512,218,918.49**	**100.00 %**

EARNEST PARTNERS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	6,365,773.00	14.64
CONSUMER STAPLES	0.00	0.00
ENERGY	6,004,486.63	13.81
FINANCIALS	14,875,539.00	34.21
HEALTH CARE	6,130,455.16	14.10
INDUSTRIALS	2,377,550.00	5.47
INFORMATION TECHNOLOGY	3,376,873.00	7.77
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	2,558,038.00	5.88
UNCLASSIFIED	0.00	0.00
UTILITIES	1,068,540.00	2.46
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	42,757,254.79	98.34
Cash Equivalents	797,003.78	1.83
Payable for Investments Purchased	(313,602.90)	-0.72
Receivables for Investments Sold	216,148.43	0.50
Dividend Receivable	22,050.33	0.05
Short Term Interest Receivable	962.08	0.00
Grand Total	**43,479,816.51**	**100.00 %**

FRANKLIN PORTFOLIO ASSOC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	127,523,963.00	20.18
CONSUMER STAPLES	18,723,805.00	2.96
ENERGY	33,052,811.00	5.23
FINANCIALS	101,645,997.00	16.08
HEALTH CARE	61,553,066.00	9.74
INDUSTRIALS	39,447,204.00	6.24
INFORMATION TECHNOLOGY	174,539,135.80	27.62
MATERIALS	18,335,572.00	2.90
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	42,181,686.00	6.67
UNCLASSIFIED	12,924,941.00	2.04
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	629,928,180.80	99.67
Cash Equivalents	1,131,921.63	0.18
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	971,436.50	0.15
Short Term Interest Receivable	1,422.44	0.00
Grand Total	**632,032,961.37**	**100.00 %**

FLA ASSET MGMT LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	101,711,809.52	20.12
CONSUMER STAPLES	9,657,600.00	1.91
ENERGY	38,682,290.00	7.65
FINANCIALS	73,895,726.00	14.62
HEALTH CARE	71,252,383.50	14.09
INDUSTRIALS	55,659,890.00	11.01
INFORMATION TECHNOLOGY	122,549,777.50	24.24
MATERIALS	2,291,465.00	0.45
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	22,616,839.00	4.47
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	498,317,780.52	98.57
Cash Equivalents	4,436,380.80	0.88
Payable for Investments Purchased	(445,248.40)	-0.09
Receivables for Investments Sold	3,146,297.99	0.62
Dividend Receivable	80,145.57	0.02
Short Term Interest Receivable	3,439.89	0.00
TAX Refundable	5,372.00	0.00
Grand Total	**505,544,168.37**	**100.00 %**

GEO CAPITAL

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	23,744,160.00	8.75
CONSUMER STAPLES	2,935,002.00	1.08
ENERGY	36,623,145.00	13.50
FINANCIALS	46,021,989.00	16.96
HEALTH CARE	12,829,200.00	4.73
INDUSTRIALS	63,270,362.25	23.32
INFORMATION TECHNOLOGY	71,917,935.00	26.51
MATERIALS	3,297,300.00	1.22
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	260,639,093.25	96.06
Cash Equivalents	10,057,479.60	3.71
Payable for Investments Purchased	(1,428,992.40)	-0.53
Receivables for Investments Sold	1,993,256.59	0.73
Dividend Receivable	48,522.68	0.02
Short Term Interest Receivable	11,052.63	0.00
TAX Refundable	970.20	0.00
Grand Total	**271,321,382.55**	**100.00 %**

HOLT-SMITH YATES ADVISORS LLC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	8,254,560.00	22.39
CONSUMER STAPLES	1,685,600.00	4.57
ENERGY	0.00	0.00
FINANCIALS	1,986,480.00	5.39
HEALTH CARE	8,146,070.00	22.10
INDUSTRIALS	5,343,210.00	14.49
INFORMATION TECHNOLOGY	8,528,866.00	23.14
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	33,944,786.00	92.08
Cash Equivalents	2,915,858.76	7.91
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	960.00	0.00
Short Term Interest Receivable	2,230.73	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**36,863,835.49**	**100.00 %**

NEW AMSTERDAM PARTNERS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	72,560,461.02	22.81
CONSUMER STAPLES	15,856,826.00	4.98
ENERGY	11,088,381.00	3.49
FINANCIALS	51,445,947.00	16.17
HEALTH CARE	41,210,514.00	12.95
INDUSTRIALS	42,019,932.50	13.21
INFORMATION TECHNOLOGY	41,846,817.25	13.15
MATERIALS	16,224,010.00	5.10
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	3,717,762.00	1.17
UNCLASSIFIED	0.00	0.00
UTILITIES	10,698,677.00	3.36
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	306,669,327.77	96.38
Cash Equivalents	11,278,503.28	3.54
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	214,702.03	0.05
Short Term Interest Receivable	10,244.21	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**318,172,777.29**	**100.00 %**

LINCOLN EQUITY MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	83,069,228.20	17.68
CONSUMER STAPLES	17,916,262.00	3.81
ENERGY	15,384,848.00	3.27
FINANCIALS	54,817,509.00	11.67
HEALTH CARE	135,582,581.00	28.85
INDUSTRIALS	82,700,593.00	17.60
INFORMATION TECHNOLOGY	78,969,981.00	16.81
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	468,441,002.20	99.69
Cash Equivalents	1,373,039.20	0.29
Payable for Investments Purchased	(38,483,085.69)	-8.19
Receivables for Investments Sold	38,447,238.40	8.18
Dividend Receivable	108,491.50	0.02
Short Term Interest Receivable	0.00	0.00
Long Term Interest Receivable	5,445.62	0.00
TAX Refundable	0.00	0.00
Grand Total	**469,892,131.23**	**100.00 %**

NEXT CENTURY GROWTH INVESTORS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	5,174,158.35	21.06
CONSUMER STAPLES	0.00	0.00
ENERGY	1,079,756.65	4.40
FINANCIALS	1,621,425.85	6.60
HEALTH CARE	4,892,543.72	19.91
INDUSTRIALS	4,006,766.20	16.31
INFORMATION TECHNOLOGY	7,674,224.25	31.24
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	24,448,875.02	99.52
Cash Equivalents	180,914.30	0.74
Payable for Investments Purchased	(131,897.88)	-0.54
Receivables for Investments Sold	68,384.06	0.28
Dividend Receivable	1,058.40	0.00
Short Term Interest Receivable	286.00	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**24,567,619.90**	**100.00 %**

OPPENHEIMER CAPITAL

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	132,453,000.00	17.57
CONSUMER STAPLES	61,532,000.00	8.16
ENERGY	21,660,000.00	2.87
FINANCIALS	248,169,500.00	32.92
HEALTH CARE	54,778,750.00	7.27
INDUSTRIALS	59,197,500.00	7.85
INFORMATION TECHNOLOGY	58,075,500.00	7.70
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	30,740,000.00	4.08
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
		0.00
Total Equities	666,606,250.00	88.43
Cash Equivalents	86,363,920.96	11.46
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	755,500.00	0.10
Short Term Interest Receivable	97,067.93	0.01
Long Term Interest Receivable	0.00	0.00
TAX Refundable	3,483.82	0.00
Grand Total	**753,826,222.71**	**100.00 %**

UBS GLOBAL ASSET MGMT INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	71,427,555.00	9.19
CONSUMER STAPLES	0.00	0.00
ENERGY	16,116,680.00	2.07
FINANCIALS	181,912,690.00	23.40
HEALTH CARE	164,457,644.00	21.16
INDUSTRIALS	126,026,893.00	16.21
INFORMATION TECHNOLOGY	55,511,008.80	7.14
MATERIALS	29,771,890.71	3.83
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	54,789,349.00	7.05
UNCLASSIFIED	0.00	0.00
UTILITIES	49,328,116.95	6.35
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	749,341,827.46	96.40
Cash Equivalents	27,279,159.87	3.51
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	669,087.48	0.00
Short Term Interest Receivable	34,517.85	0.00
Grand Total	**777,324,592.66**	**100.00 %**

PEREGRINE CAPITAL MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	19,649,744.55	14.87
CONSUMER STAPLES	4,816,370.70	3.64
ENERGY	5,079,228.80	3.84
FINANCIALS	28,598,546.30	21.64
HEALTH CARE	12,410,861.70	9.39
INDUSTRIALS	20,933,984.50	15.84
INFORMATION TECHNOLOGY	21,377,872.70	16.18
MATERIALS	11,472,539.22	8.68
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	177,805.00	0.13
UNCLASSIFIED	0.00	0.00
UTILITIES	4,911,533.10	3.72
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	129,428,486.57	97.94
Cash Equivalents	1,867,846.82	1.41
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	763,480.70	0.58
Dividend Receivable	83,849.49	0.06
Short Term Interest Receivable	3,278.85	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**132,146,942.43**	**100.00 %**

VALENZUELA CAPITAL PARTNERS

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	13,964,070.00	20.41
CONSUMER STAPLES	0.00	0.00
ENERGY	5,756,783.20	8.41
FINANCIALS	17,797,076.50	26.01
HEALTH CARE	3,229,119.00	4.72
INDUSTRIALS	5,601,724.00	8.19
INFORMATION TECHNOLOGY	7,770,618.90	11.36
MATERIALS	6,172,264.00	9.02
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	6,309,251.00	9.22
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	66,600,906.60	97.34
Cash Equivalents	1,760,949.83	2.57
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	53,834.50	0.08
Short Term Interest Receivable	2,082.64	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**68,417,773.57**	**100.00 %**

VOYAGEUR ASSET MANAGEMENT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	6,587,396.00	17.44
CONSUMER STAPLES	3,023,100.00	8.00
ENERGY	0.00	0.00
FINANCIALS	6,667,460.00	17.65
HEALTH CARE	7,575,350.00	20.05
INDUSTRIALS	5,583,701.00	14.78
INFORMATION TECHNOLOGY	6,051,644.00	16.02
MATERIALS	1,433,600.00	3.79
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	36,922,251.00	97.72
Cash Equivalents	844,644.58	2.24
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	14,175.00	0.04
Short Term Interest Receivable	933.32	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**37,782,003.90**	**100.00 %**

ZEVENBERGEN CAPITAL, INC.

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	32,282,988.40	30.23
CONSUMER STAPLES	5,991,280.00	5.61
ENERGY	0.00	0.00
FINANCIALS	11,678,720.00	10.93
HEALTH CARE	22,273,322.00	20.85
INDUSTRIALS	1,551,348.00	1.45
INFORMATION TECHNOLOGY	30,848,776.00	28.88
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,634,432.00	1.53
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	106,260,866.40	99.49
Cash Equivalents	481,885.94	0.45
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	45,005.09	0.04
Dividend Receivable	15,692.50	0.01
Short Term Interest Receivable	827.15	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**106,804,277.08**	**100.00 %**

WINSLOW CAPITAL MANAGEMENT INC

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	29,358,401.75	22.92
CONSUMER STAPLES	5,668,320.00	4.42
ENERGY	0.00	0.00
FINANCIALS	2,430,803.00	1.90
HEALTH CARE	32,713,206.83	25.54
INDUSTRIALS	29,106,946.00	22.72
INFORMATION TECHNOLOGY	24,172,799.00	18.87
MATERIALS	0.00	0.00
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	0.00	0.00
UNCLASSIFIED	0.00	0.00
UTILITIES	0.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	123,450,476.58	96.37
Cash Equivalents	4,009,961.17	3.13
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	637,183.55	0.50
Dividend Receivable	3,490.00	0.00
Short Term Interest Receivable	5,073.00	0.00
Long Term Interest Receivable	0.00	0.00
TAX Refundable	0.00	0.00
Grand Total	**128,106,184.30**	**100.00 %**

BZW BARCLAY'S GLOBAL INVESTORS

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	363,364,835.32	15.13
CONSUMER STAPLES	177,718,074.14	7.40
ENERGY	176,456,402.94	7.35
FINANCIALS	527,172,926.48	21.95
HEALTH CARE	335,333,217.98	13.96
INDUSTRIALS	266,780,306.65	11.11
INFORMATION TECHNOLOGY	325,928,896.35	13.57
MATERIALS	42,060,371.69	1.75
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	98,821,499.75	4.11
UNCLASSIFIED	0.00	0.00
UTILITIES	71,030,096.93	2.96
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	2,384,666,628.23	99.27
Cash Equivalents	14,819,617.40	0.62
Payable for Investments Purchased		0.00
Receivables for Investments Sold		0.00
Dividend Receivable	2,586,362.67	0.11
Short Term Interest Receivable	3,901.13	0.00
Long Term Interest Receivable	16,789.94	0.00
Payable for Interest Compensation	(185.38)	0.00
Grand Total	**2,402,093,113.99**	**100.00 %**

Summarized Asset Listing - Domestic Stock Managers June 30, 2003

FRANKLIN PORTFOLIO ASSOC.

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	223,235,198.44	14.83
CONSUMER STAPLES	114,585,474.52	7.61
ENERGY	112,951,433.28	7.50
FINANCIALS	332,552,435.10	22.09
HEALTH CARE	213,869,807.88	14.21
INDUSTRIALS	128,735,576.00	8.55
INFORMATION TECHNOLOGY	204,305,840.46	13.57
MATERIALS	37,205,790.00	2.47
RIGHTS/WARRANTS	0.00	4.70
TELECOMMUNICATIONS SERVICES	70,738,377.30	4.13
UNCLASSIFIED	0.00	0.00
UTILITIES	62,239,959.00	0.00
ALL NON U.S.	0.00	0.00
BONDS	0.00	99.67
Total Equities	1,500,419,891.98	99.67
Cash Equivalents	3,792,156.97	0.25
Payable for Investments Purchased	(8,876,082.77)	-20.41
Receivables for Investments Sold	8,090,189.12	18.61
Dividend Receivable	1,941,904.58	4.47
Short Term Interest Receivable	4,939.82	0.01
TAX Refundable	1,795.50	0.00
Grand Total	**1,505,374,795.20**	**100.00 %**

BZW BARCLAY'S GLOBAL INVESTORS

(Passive)

Equities	Market Value	%
COMMINGLED FUND	0.24	0.00
CONSUMER DISCRETIONARY	881,631,032.34	15.77
CONSUMER STAPLES	396,972,505.78	7.10
ENERGY	331,460,136.39	5.93
FINANCIALS	1,117,451,703.89	19.99
HEALTH CARE	829,687,516.09	14.84
INDUSTRIALS	643,178,502.87	11.51
INFORMATION TECHNOLOGY	849,507,777.69	15.20
MATERIALS	158,172,358.64	2.83
RIGHTS/WARRANTS	2,230.97	0.00
TELECOMMUNICATIONS SERVICES	191,053,244.50	3.42
UNCLASSIFIED	0.02	0.00
UTILITIES	171,896,216.87	3.07
ALL NON U.S.	0.00	0.00
BONDS	0.05	0.00
Total Equities	5,571,013,226.34	99.65
Cash Equivalents	13,994,747.46	0.25
Payable for Investments Purchased	0.00	0.10
Receivables for Investments Sold	0.00	0.00
Dividend Receivable	5,363,150.89	0.00
Long Term Interest Receivable	22.80	0.00
Short Term Interest Receivable	12,176.47	0.00
TAX Refundable	2,434.87	0.00
Grand Total	**5,590,385,758.83**	**100.00 %**

J.P. MORGAN INV. MGMT. INC.

(Semi - Passive)

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	319,965,799.78	15.23
CONSUMER STAPLES	158,026,328.00	7.52
ENERGY	147,677,352.25	7.03
FINANCIALS	457,725,897.20	21.79
HEALTH CARE	318,016,910.60	15.14
INDUSTRIALS	201,371,683.52	9.58
INFORMATION TECHNOLOGY	267,027,602.40	12.71
MATERIALS	67,144,459.00	3.20
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	79,995,141.00	3.81
UNCLASSIFIED	5,471.16	0.00
UTILITIES	74,941,361.00	3.57
ALL NON U.S.	0.00	0.00
BONDS	410,378.80	0.02
Total Equities	2,092,308,384.71	99.59
Cash Equivalents	6,821,059.76	0.32
Payable for Investments Purchased	(8,319,816.18)	-0.40
Receivables for Investments Sold	8,298,686.69	0.39
Dividend Receivable	1,903,491.25	0.09
Long Term Interest Receivable	4,061.00	0.00
Short Term Interest Receivable	6,205.77	0.00
Grand Total	**2,101,022,073.00**	**100.00 %**

* Aggregate of all managers in the Domestic Equity Account in the financial statements. Includes Active, Semi-Passive, and Passive Managers.

AGGREGATE DOMESTIC EQUITY POOL

Equities	Market Value	%
COMMINGLED FUND	0.24	0.00
CONSUMER DISCRETIONARY	2,888,819,916.15	16.64
CONSUMER STAPLES	1,135,968,603.94	6.54
ENERGY	962,697,278.14	5.55
FINANCIALS	3,537,058,704.14	20.38
HEALTH CARE	2,611,205,147.06	15.04
INDUSTRIALS	1,836,722,941.57	10.58
INFORMATION TECHNOLOGY	2,685,250,813.90	15.47
MATERIALS	411,961,467.82	2.37
RIGHTS/WARRANTS	2,230.97	0.00
TELECOMMUNICATIONS SERVICES	601,198,026.50	3.46
UNCLASSIFIED	12,930,412.18	0.07
UTILITIES	452,423,751.85	2.61
ALL NON U.S.	0.00	0.00
BONDS	410,378.85	0.00
Total Equities	17,136,649,673.31	98.72
Cash Equivalents	202,122,738.17	1.16
Payable for Investments Purchased	(58,370,046.78)	-0.34
Receivables for Investments Sold	61,827,202.22	0.36
Long Term Interest Receivable	26,319.36	0.00
Short Term Interest Receivable	211,092.03	0.00
Payable for Interest Compensation	(185.38)	0.00
Dividend Receivable	15,775,780.86	0.09
Tax Refund Receivable	14,127.49	0.00
Grand Total	**17,358,256,701.28**	**100.00 %**

AMERICAN EXPRESS ASSET MGMT INTL., INC.

Exposure by Country	Market Value	%
AUSTRALIA	19,860,726.85	4.80
CANADA	6,584,660.32	1.59
DENMARK	9,101,986.37	2.20
EURO	101,616,847.52	24.58
HONG KONG	5,447,990.87	1.32
JAPAN	78,998,689.05	19.11
UNITED KINGDOM	127,786,633.56	30.91
SINGAPORE	4,164,168.08	1.01
SWEDEN	9,278,900.31	2.24
SWITZERLAND	40,583,337.72	9.82
UNITED STATES	11,023,459.84	2.67
Payable for Investments Purchased	**(3,040,027.41)**	(0.74)
Receivables for Investments Sold	**1,173,663.03**	0.28
Dividend Receivable	**509,780.40**	0.12
Short Term Interest Receivable	12,995.83	0.00
Tax Refundable	314,980.78	0.08
Unrealized on Income receivables	10,758.35	0.00
Unrealized on Investment receivables	8,417.53	0.00
Unrealized on Investment payables	(8,794.74)	(0.00)
On fx receivables	7,599.41	0.00
On Fx payables	(5,293.89)	(0.00)
Grand Total	**413,431,479.78**	**100.00 %**

INVESCO GLOBAL ASSET MGMT., INC.

Exposure by Country	Market Value	%
AUSTRALIA	14,101,771.12	2.80
DENMARK	10,504,381.69	2.08
EURO	126,245,134.23	25.03
JAPAN	100,929,016.89	20.01
NORWAY	6,815,914.88	1.35
UNITED KINGDOM	109,624,082.99	21.73
SWEDEN	7,433,600.46	1.47
SWITZERLAND	56,451,096.60	11.19
UNITED STATES	71,308,314.63	14.14
		-
Dividend Receivable	603,220.97	0.12
Short Term Interest Receivable	13,991.75	0.00
TAX Refundable	392,617.37	0.08
Unrealized on Income receivables	15,692.21	0.00
Grand Total	**504,438,835.79**	**100.00 %**

BRITANNIC ASSET MGMT. INT'L

Exposure by Country	Market Value	%
DENMARK	12,988.52	0.01
EURO	83,066,623.49	32.07
HONG KONG	7,328,517.19	2.83
JAPAN	54,615,007.10	21.08
UNITED KINGDOM	73,918,717.02	28.54
SINGAPORE	3,146,496.82	1.21
SWEDEN	8,651,804.31	3.34
SWITZERLAND	20,030,544.41	7.73
UNITED STATES	6,189,192.16	2.39
Payable for Investments Purchased	(528,301.91)	(0.20)
Receivables for Investments Sold	2,046,538.03	0.79
Dividend Receivable	443,936.22	0.17
Short Term Interest Receivable	5,365.29	0.00
TAX Refundable	147,723.59	0.06
Unrealized on Income receivables	4,693.32	0.00
Unrealized on Investment receivables	(43,035.68)	(0.02)
Unrealized on Investment payables	1,650.01	0.00
On fx receivables	(2,146.67)	(0.00)
On Fx payables	(318.29)	(0.00)
Grand Total	**259,035,994.93**	**100.00 %**

MARATHON ASSET MGMT., LTD.

Exposure by Country	Market Value	%
AUSTRALIA	21,341,760.05	4.05
CANADA	7,370,307.19	1.40
DENMARK	8,930,746.86	1.69
EURO	128,067,729.14	24.28
HONG KONG	33,237,072.32	6.30
JAPAN	117,904,126.93	22.35
NEW ZEALAND	2,464,372.88	0.47
NORWAY	5,226,615.32	0.99
UNITED KINGDOM	118,908,909.41	22.54
SINGAPORE	15,736,413.96	2.98
SWEDEN	19,435,906.03	3.68
SWITZERLAND	16,428,614.68	3.11
UNITED STATES	31,652,489.73	6.00
Payable for Investments Purchased	(705,477.59)	(0.13)
Receivables for Investments Sold	377,641.45	0.07
Dividend Receivable	917,030.78	0.17
Short Term Interest Receivable	14,232.54	0.00
Tax Refundable	145,432.18	0.03
Unrealized on Income receivables	5,162.61	0.00
Unrealized on Investment receivables	(2,144.22)	(0.00)
Unrealized on Investment payables	3,089.74	0.00
On fx receivables	(571.04)	(0.00)
On Fx payables	3,119.12	0.00
Grand Total	**527,462,580.07**	**100.00 %**

T. ROWE PRICE INTERNATIONAL, INC.

Exposure by Country	Market Value	%
AUSTRALIA	4,590,028.51	1.04
DENMARK	2,315,248.30	0.53
EURO	200,046,823.45	45.54
HONG KONG	2,230,682.92	0.51
JAPAN	60,654,456.27	13.81
UNITED KINGDOM	122,524,063.72	27.89
SINGAPORE	3,989,767.17	0.91
SWEDEN	14,312,708.86	3.26
SWITZERLAND	27,058,229.52	6.16
UNITED STATES	608,430.14	0.14
Receivables for Investments Sold	257,078.53	0.06
Dividend Receivable	398,652.18	0.09
Short Term Interest Receivable	680.03	0.00
TAX Refundable	318,552.41	0.07
Unrealized on Income receivables	18,486.00	0.00
Unrealized on Investment receivables	(1,272.30)	(0.00)
Grand Total	**439,322,615.71**	**100.00 %**

UBS GLOBAL ASSET MGMT, INC.

Exposure by Country	Market Value	%
AUSTRALIA	271.23	0.00
CANADA	21,464,171.71	4.04
DENMARK	15.29	0.00
EURO	179,164,304.68	33.74
HONG KONG	6,404,695.90	1.21
JAPAN	106,176,739.38	19.99
NEW ZEALAND	2,203.23	0.00
MALAYSIA	1,717.33	
NORWAY	243.03	0.00
UNITED KINGDOM	161,631,331.79	30.44
SINGAPORE	5,103.62	0.00
SWEDEN	6,068,906.10	1.14
SWITZERLAND	37,840,277.28	7.13
UNITED STATES	835,526.75	0.16
Payable for Investments Purchased	(9,675,558.00)	(1.82)
Receivables for Investments Sold	17,630,698.04	3.32
Dividend Receivable	966,599.19	0.18
Short Term Interest Receivable	5,932.08	0.00
TAX Refundable	283,856.73	0.05
Unrealized on Income receivables	15,921.23	0.00
Unrealized on Investment receivables	(150,733.75)	(0.03)
Unrealized on Investment payables	9,715.79	0.00
On fx receivables	6,110,625.69	1.15
On Fx payables	(3,768,470.48)	(0.71)
Grand Total	**531,024,093.84**	**100.00 %**

STATE STREET GLOBAL ADVISORS

(Passive)

Exposure by Country	Market Value	%
AUSTRALIA	89,196,312.96	5.15
CANADA	1,066.02	0.00
DENMARK	13,618,771.25	0.79
EURO	583,152,906.48	33.70
HONG KONG	26,718,847.39	1.54
ISRAEL	1.50	0.00
JAPAN	353,206,545.64	20.41
MALAYSIA	10,085.19	0.00
NEW ZEALAND	3,968,268.77	0.23
NORWAY	7,647,119.95	0.44
UNITED KINGDOM	469,055,256.27	27.11
SINGAPORE	13,904,437.61	0.80
SWEDEN	36,263,370.88	2.10
SWITZERLAND	130,056,910.73	7.52
THAILAND	1.83	0.00
UNITED STATES	550,773.57	0.03
Payable for Investments Purchased	(652,117.03)	(0.04)
Receivables for Investments Sold	242,926.56	0.01
Dividend Receivable	2,911,245.28	0.17
Long Term Interest Receivable	462.39	0.00
Short Term Interest Receivable	537.32	0.00
Margin Variation Receivable	7,745.16	0.00
TAX Refundable	867,748.88	0.05
Other Payable	(333,072.76)	(0.02)
Unrealized on Income receivables	30,771.83	0.00
Unrealized on Investment receivables	46,881.57	0.00
Unrealized on Investment payables	(55,013.50)	(0.00)
Grand Total	**1,730,418,791.74**	**100.00 %**

ALLIANCE CAPITAL MANAGEMENT INT'L, L.P.

(Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	996,813.69	0.80
CZECH REPUBLIC	1,147,978.85	0.92
EGPYT	802,821.41	0.64
HONG KONG	5,882,517.02	4.71
HUNGARY	1,570,548.26	1.26
INDONESIA	1,579,801.51	1.26
ISRAEL	454,763.49	0.36
MALAYSIA	3,212,777.63	2.57
MEXICO	3,849,244.05	3.08
TAIWAN	12,881,330.22	10.31
PHILLIPINES	432,843.30	0.35
POLAND	859,197.93	0.69
UNITED KINGDOM	0.00	-
SOUTH AFRICA	15,666,909.96	12.54
SOUTH KOREA	23,571,079.66	18.87
THAILAND	2,207,402.48	1.77
TURKEY	1,575,041.52	1.26
UNITED STATES	47,976,751.15	38.40
Payable for Investments Purchased	(376,264.11)	(0.30)
Receivables for Investments Sold	394,080.55	0.32
Dividend Receivable	235,523.32	0.19
Short Term Interest Receivable	5,617.25	0.00
Unrealized on Income receivables	(503.52)	(0.00)
Unrealized on Investment receivables	154.12	0.00
Unrealized on Investment payables	(395.65)	(0.00)
On fx receivables	223.16	0.00
Grand Total	**124,926,257.25**	**100.00 %**

CAPITAL INTERNATIONAL, INC.

(Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	4,414,037.80	3.96
CHILE	188,378.69	0.17
CZECH REPUBLIC	59,249.15	0.05
HONG KONG	4,289,757.59	3.85
HUNGARY	1,473,732.56	1.32
INDONESIA	2,806,031.13	2.52
MALAYSIA	2,825,248.10	2.54
MEXICO	7,353,484.03	6.60
TAIWAN	6,612,058.70	5.94
PERU	371,844.17	0.33
PHILLIPINES	813,453.92	0.73
POLAND	707,364.13	0.64
UNITED KINGDOM	741,454.71	0.67
SOUTH AFRICA	6,603,959.65	5.93
SOUTH KOREA	18,964,449.47	17.03
THAILAND	2,378,945.28	2.14
TURKEY	1,793,936.63	1.61
UNITED STATES	48,889,388.41	43.90
Payable for Investments Purchased	(73,682.31)	(0.07)
Receivables for Investments Sold	246,594.96	0.22
Dividend Receivable	337,536.81	0.30
Short Term Interest Receivable	4,307.10	0.00
TAX Refundable	768.80	0.00
Payable for Investments Purchased	(69.39)	(0.00)
Unrealized on Income receivables	(233.44)	(0.00)
Unrealized on Investment receivables	870.21	0.00
Unrealized on Investment payables	(1,431.94)	(0.00)
On fx receivables	(11,417.02)	(0.01)
On Fx payables	(416,137.14)	(0.37)
Grand Total	**111,373,880.76**	**100.00 %**

MORGAN STANLEY INVESTMENT MGMT.

(Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	561,491.39	0.48
CZECH REPUBLIC	398,247.32	0.34
EGPYT	630,042.51	0.54
EURO	2,184.26	0.00
HONG KONG	3,821,002.41	3.29
HUNGARY	65,761.58	0.06
INDONESIA	4,259,755.69	3.67
ISRAEL	677,226.57	0.58
MALAYSIA	3,491,139.45	3.01
MEXICO	3,197,815.92	2.76
TAIWAN	14,313,058.79	12.33
POLAND	947,399.74	0.82
UNITED KINGDOM	2,972,890.05	2.56
SINGAPORE	411,169.79	0.35
SOUTH AFRICA	14,207,249.66	12.24
SOUTH KOREA	20,042,622.32	17.27
THAILAND	4,044,150.22	3.49
TURKEY	1,863,770.26	1.61
UNITED STATES	39,830,006.06	34.32
Payable for Investments Purchased	(1,236,390.01)	(1.07)
Receivables for Investments Sold	1,239,017.84	1.07
Dividend Receivable	296,419.50	0.26
Short Term Interest Receivable	4,233.44	0.00
Payable for Interest Compensation	(8.22)	(0.00)
Unrealized on Income receivables	(108.24)	(0.00)
Unrealized on Investment receivables	115.00	0.00
Unrealized on Investment payables	(3,447.14)	(0.00)
On fx receivables	2,207.68	0.00
On Fx payables	(1.35)	(0.00)
Grand Total	**116,039,022.49**	**100.00 %**

SCHRODER INVESTMENT MANAGEMENT

(Emerging Markets)

Exposure by Country	Market Value	%
BRAZIL	271,006.45	0.23
CZECH REPUBLIC	1,140,571.61	0.98
HONG KONG	8,975,171.03	7.72
INDONESIA	2,526,374.30	2.17
MALAYSIA	3,476,264.42	2.99
MEXICO	3,368,301.79	2.90
TAIWAN	11,221,196.75	9.65
POLAND	926,261.32	0.80
SOUTH AFRICA	12,954,949.55	11.14
SOUTH KOREA	22,806,475.26	19.61
THAILAND	4,338,376.19	3.73
TURKEY	1,088,014.48	0.94
UNITED STATES	42,966,804.19	36.94
Payable for Investments Purchased	(966,087.11)	(0.83)
Receivables for Investments Sold	997,246.50	0.86
Dividend Receivable	234,457.69	0.20
Short Term Interest Receivable	1,392.37	0.00
TAX Refundable	0.00	-
Unrealized on Income receivables	(1,191.02)	(0.00)
Unrealized on Investment receivables	10,963.90	0.00
Unrealized on Investment payables	(4,244.79)	(0.00)
On fx receivables	105.67	0.00
On Fx payables	(2,957.53)	(0.00)
Grand Total	**116,329,453.02**	**100.00 %**

AGGREGATE INTERNATIONAL STOCK POOL*

Exposure by Country	Market Value	%
AUSTRALIA	149,090,870.72	3.06
BRAZIL	6,243,349.33	0.13
CANADA	35,420,205.24	0.73
CHILE	188,378.69	0.00
CZECH REPUBLIC	2,746,046.93	0.06
DENMARK	44,484,138.28	0.91
EGPYT	1,432,863.92	0.03
EURO	1,401,362,553.25	28.75
HONG KONG	104,336,254.64	2.14
HUNGARY	3,110,042.40	0.06
INDONESIA	11,171,962.63	0.23
ISRAEL	1,131,991.56	0.02
JAPAN	872,484,581.26	17.90
MALAYSIA	13,017,232.12	0.27
MEXICO	17,768,845.79	0.36
NEW ZEALAND	6,434,844.88	0.13
NORWAY	19,689,893.18	0.40
PERU	371,844.17	0.01
PHILLIPINES	1,246,297.22	0.03
POLAND	3,440,223.12	0.07
SINGAPORE	41,357,557.05	0.85
SOUTH AFRICA	49,433,068.82	1.01
SOUTH KOREA	85,384,626.71	1.75
SWEDEN	101,445,196.95	2.08
SWITZERLAND	328,449,010.94	6.74
TAIWAN	45,027,644.46	0.92
THAILAND	12,968,876.00	0.27
TURKEY	6,320,762.89	0.13
UNITED KINGDOM	1,187,163,339.52	24.36
UNITED STATES	301,831,136.63	6.19
Total	4,854,553,639.30	99.61
Dividend Receivable	7,854,402.34	0.16
Long Term Interest Receivable	462.39	0.00
Margin Variation Receivable	7,745.16	0.00
On Fx payables	(4,190,059.56)	(0.09)
On fx receivables	6,106,626.88	0.13
Other Payable	(333,072.76)	(0.01)
Payable for Interest Compensation	(8.22)	(0.00)
Payable for Investments Purchased	(17,253,974.87)	(0.35)
Receivables for Investments Sold	24,605,485.49	0.50
Short Term Interest Receivable	69,285.00	0.00
TAX Refundable	2,471,680.74	0.05
Unrealized on Income receivables	99,449.33	0.00
Unrealized on Investment payables	(58,872.22)	(0.00)
Unrealized on Investment receivables	(129,783.62)	(0.00)
GRAND TOTAL	**4,873,803,005.38**	**100.00 %**

* Aggregate of all managers in the Internationa
Account in the Finanical Staetments. Includes Active, Passive,
and Emerging Markets.

ALTERNATIVE ASSETS

Asset listing for the Alternative Asset Pools can be found on pages
of this report.

Summarized Asset Listing - Bond Managers June 30, 2003

AMERICAN EXPRESS ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	38,163,778.25	4.90
U.S. CORPORATE	186,841,336.76	23.97
U.S. MTG. REL.	331,425,647.36	42.52
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	131,250,098.24	16.84
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	10,280,675.12	1.32
FOREIGN RELATED	7,798,346.41	1.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**705,759,882.14**	90.54
Cash Equivalent		
U.S.	117,513,069.59	15.08
Payable for Investments Purchased	(99,447,719.90)	-12.76
Receivables for Investments Sold	49,098,750.51	6.30
Long Term Interest Receivable	6,351,278.97	0.81
Short Term Interest Receivable	114,574.31	0.01
Payable for Interest Compensation	(1,959.89)	0.00
Unrealized on FX Receivables	57,292.53	0.01
Unrealized on FX Payables	60,998.94	0.01
Grand Total	**779,506,167.20**	**100.00 %**

DODGE & COX

Fixed Income	Market Value	%
U.S. AGENCY	22,072,697.11	2.82
U.S. CORPORATE	293,257,226.07	37.49
U.S. MTG. REL.	331,931,290.40	42.43
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	77,564,355.61	9.92
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	0.00	0.00
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**724,825,569.19**	92.66
Cash Equivalent		
U.S.	36,048,775.32	4.61
Payable for Investments Purchased		0.00
Receivables for Investments Sold	13,288,501.81	1.70
Long Term Interest Receivable	8,024,854.99	1.03
Short Term Interest Receivable	49,177.11	0.01
Payable for Interest Compensation	(20.61)	0.00
Grand Total	**782,236,857.81**	**100.00 %**

DEUTSCHE ASSET MANAGEMENT

Fixed Income	Market Value	%
U.S. AGENCY	3,113,090.14	0.50
U.S. CORPORATE	165,028,575.48	26.25
U.S. MTG. REL.	293,086,264.68	46.62
U.S. MUNICIPALS	48,348,092.64	7.69
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	79,255,124.39	12.61
PRIVATE PLACEMENTS	3,472,324.25	0.55
YANKEE	3,664,596.00	0.58
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**595,968,067.58**	94.81
Cash Equivalent		
U.S.	48,051,209.61	7.64
Payable for Investments Purchased	(32,932,883.95)	-5.24
Receivables for Investments Sold	12,402,839.14	1.97
Long Term Interest Receivable	5,100,328.01	0.81
Short Term Interest Receivable	34,620.52	0.01
Payable for Interest Compensation	(869.99)	0.00
Grand Total	**628,623,310.92**	**100.00 %**

MINNESTOA SBI TRANSITION ACCOUNT

Fixed Income	Market Value	%
U.S. AGENCY	0.00	0.00
U.S. CORPORATE	0.00	0.00
U.S. MTG. REL.	44,030.75	84.78
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	0.00	0.00
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	0.00	0.00
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**44,030.75**	84.78
Cash Equivalent		
U.S.	0.00	0.00
Payable for Investments Purchased	0.00	0.00
Receivables for Investments Sold	0.00	0.00
Long Term Interest Receivable	7,905.96	15.22
Short Term Interest Receivable	0.00	0.00
Payable for Interest Compensation	0.00	0.00
Grand Total	**51,936.71**	**100.00 %**

MORGAN STANLEY INVESTMENT MGMT.

Fixed Income	Market Value	%
U.S. AGENCY	4,041,427.48	0.54
U.S. CORPORATE	189,461,637.48	25.52
U.S. MTG. REL.	663,938,149.65	89.44
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	9,557,243.00	1.29
U.S. TREASURY	118,081,950.20	15.91
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	3,894,159.86	0.52
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	15,123,793.58	2.04
Total Fixed Income	**1,004,098,361.25**	135.27
Cash Equivalent		
U.S.	106,422,955.86	14.34
Payable for Investments Purchased	(489,246,551.99)	-65.91
Receivables for Investments Sold	114,278,077.40	15.40
Long Term Interest Receivable	7,359,892.71	0.99
Short Term Interest Receivable	82,104.77	0.01
Payable for Interest Compensation	(21.59)	0.00
Other Payables	(696,428.08)	-0.09
Grand Total	**742,298,390.33**	**100.00 %**

BLACKROCK FINANCIAL MANAGEMENT

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	112,911,256.40	7.58
U.S. CORPORATE	295,282,497.47	19.82
U.S. MTG. REL.	502,747,605.87	33.75
U.S. MUNICIPALS	14,234,602.00	0.96
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	355,321,954.37	23.85
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	23,560,351.31	1.58
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	(140,015.62)	-0.01
Total Fixed Income	**1,303,918,251.80**	87.54
Cash Equivalent		
U.S.	350,189,789.58	23.51
Payable for Investments Purchased	(574,509,643.98)	-38.57
Receivables for Investments Sold	396,778,442.55	26.64
Long Term Interest Receivable	13,720,580.74	0.92
Short Term Interest Receivable	386,931.55	0.03
Payable for Interest Compensation	(898.46)	0.00
Other Payables	(934,903.82)	-0.06
		0.00
Grand Total	**1,489,548,549.96**	**100.00 %**

WESTERN ASSET MANAGEMENT CO.

Fixed Income	Market Value	%
U.S. AGENCY	36,229,303.21	2.77
U.S. CORPORATE	406,364,337.06	31.10
U.S. MTG. REL.	687,579,984.90	52.62
U.S. MUNICIPALS	0.00	0.00
U.S. PREFERRED STOCK	28,769,390.61	2.20
U.S. TREASURY	146,035,694.37	11.17
PRIVATE PLACEMENTS	7,065,289.68	0.54
YANKEE	50,454,739.53	3.86
FOREIGN RELATED	100,997,793.21	7.73
MISCELLANEOUS	(524,210.78)	-0.04
Total Fixed Income	**1,462,972,321.79**	111.95
Cash Equivalent		
U.S.	249,042,401.11	19.06
Payable for Investments Purchased	(500,442,407.61)	-38.30
Receivables for Investments Sold	81,863,452.43	6.26
Long Term Interest Receivable	13,051,362.59	1.00
Short Term Interest Receivable	318,671.34	0.02
Payable for Interest Compensation	(752.44)	0.00
Other Payables	(514,228.87)	-0.04
Unrealized on Foreign Currency	(90,218.33)	-0.01
Unrealized on fx Receivables	(299,002.07)	-0.02
Unrealized on fx Payables	907,085.88	0.07
Grand Total	**1,306,808,685.82**	**100.00 %**

GOLDMAN SACHS ASSET MANAGEMENT

(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	50,880,062.20	3.61
U.S. CORPORATE	419,236,822.41	29.71
U.S. MTG. REL.	592,728,987.61	42.00
U.S. MUNICIPALS	23,179,186.00	1.64
U.S. PREFERRED STOCK	4,397,625.00	0.31
U.S. TREASURY	291,545,730.40	20.66
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	7,114,950.00	0.50
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**1,389,083,363.62**	98.44
Cash Equivalent		
U.S.	57,345,444.20	4.06
Payable for Investments Purchased	(297,729,557.17)	-21.10
Receivables for Investments Sold	251,494,406.19	17.82
Long Term Interest Receivable	10,888,374.29	0.77
Short Term Interest Receivable	51,200.40	0.00
Payable for Interest Compensation	(2,348.03)	0.00
Grand Total	**1,411,130,883.50**	**100.00 %**

LINCOLN CAPITAL MANAGEMENT
(Semi-Passive)

Fixed Income	Market Value	%
U.S. AGENCY	164,791,599.18	11.48
U.S. CORPORATE	266,818,471.86	18.60
U.S. MTG. REL.	803,239,863.13	55.98
U.S. MUNICIPALS	5,240,905.00	0.37
U.S. PREFERRED STOCK	0.00	0.00
U.S. TREASURY	341,885,293.14	23.83
PRIVATE PLACEMENTS	0.00	0.00
YANKEE	32,693,186.54	2.28
FOREIGN RELATED	0.00	0.00
MISCELLANEOUS	0.00	0.00
Total Fixed Income	**1,614,669,318.85**	112.53
Cash Equivalent		
U.S.	46,766,630.68	3.26
Payable for Investments Purchased	(291,331,312.52)	-20.30
Receivables for Investments Sold	52,385,179.29	3.65
Long Term Interest Receivable	12,330,845.47	0.86
Short Term Interest Receivable	55,313.58	0.00
Payable for Interest Compensation	(252.71)	0.00
Grand Total	**1,434,875,722.64**	**100.00 %**

AGGREGATE BOND POOL*

Fixed Income	Market Value	%
U.S. AGENCY	432,203,213.97	0.05
U.S. CORPORATE	2,222,290,904.59	0.26
U.S. MTG. REL.	4,206,721,824.35	0.49
U.S. MUNICIPALS	91,002,785.64	0.01
U.S. PREFERRED STOCK	42,724,258.61	0.00
U.S. TREASURY	1,540,940,200.72	0.18
PRIVATE PLACEMENTS	10,537,613.93	0.00
YANKEE	131,662,658.36	0.02
FOREIGN RELATED	108,796,139.62	0.01
MISCELLANEOUS	14,459,567.18	0.00
Total Fixed Income	**8,801,339,166.97**	1.03
Cash Equivalent		
U.S.	1,011,380,276.05	0.12
Payable for Investments Purchased	(2,285,640,077.12)	-0.27
Receivables for Investments Sold	971,589,649.22	0.11
Long Term Interest Receivable	76,835,423.73	0.01
Short Term Interest Receivable	1,092,593.58	0.00
Payable for Interest Compensation	(7,123.72)	0.00
Other Payables	(2,145,560.77)	0.00
Unrealized on Foreign Currency	(90,218.33)	0.00
Unrealized on fx Receivables	968,084.82	0.00
Unrealized on fx Payables	**(241,709.54)**	0.00
Grand Total	**8,575,080,504.89**	**100.00 %**

* Aggregate of all managers in the Bond Account in the Financial Statements. Includes both Active and Semi-Passive managers.

BOND MARKET ACCOUNT

	Market Value	%
BONDS	162,478,559.05	100.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**162,478,559.05**	**100.00 %**

COMMON STOCK INDEX ACCOUNT

	Market Value	%
EQUITIES	281,672,982.52	100.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**281,672,982.52**	**100.00 %**

FIXED INTEREST ACCOUNT

	Market Value	%
GIC POOL	132,178,281.36	98.23
CASH EQUIVALENTS	2,020,754.76	1.50
Short Term Interest Receivable	394,713.82	0.29
Long Term Interest Receivable	3,628.64	0.00
Accrued expense	(41,515.81)	(0.03)
Grand Total	**134,555,862.77**	**100.00 %**

GROWTH SHARE ACCOUNT

	Market Value	%
EQUITIES	199,356,832.84	100.00
CASH EQUIVALENTS	0.00	0.00
Grand Total	**199,356,832.84**	**100.00 %**

DEFERRED COMPENSATION MONEY FUND

		%
CASH EQUIVALENTS	63,486,911.58	100.00
Grand Total	**63,486,911.58**	**100.00 %**

INCOME SHARE ACCOUNT

	Market Value	%
EQUITIES	$332,929,566.77	58.51
BONDS	$199,681,029.47	35.09
CASH EQUIVALENTS	$36,361,656.71	6.39
Short Term Interest Receivable	40,819.98	0.01
Grand Total	**$569,013,072.93**	**100.00 %**

INTERNATIONAL EQUITY ACCOUNT

	Market Value	%
EQUITIES	$49,330,602.16	100.00
CASH EQUIVALENTS	$0.00	0.00
Grand Total	**$49,330,602.16**	**100.00 %**

MONEY MARKET ACCOUNT

	Market Value	%
CASH EQUIVALENTS	$35,348,941.36	100.00
Short Term Interest Receivable	$38,883.90	
Grand Total	**$35,387,825.26**	**100.00 %**

SUPPLEMENTAL INVESTMENT FUND

	Market Value	%
INCOME SHARE	$569,013,072.93	38.05
GROWTH SHARE	199,356,832.84	13.33
COMMON STOCK INDEX	281,672,982.52	18.84
INTERNATIONAL SHARE	49,330,602.16	3.30
BOND MARKET	$162,478,559.05	10.87
MONEY MARKET	35,387,825.26	2.37
FIXED INTEREST	134,555,862.77	9.00
DEFERRED COMPENSATION	$63,486,911.58	4.25
Grand Total	**$1,495,282,649.11**	**100.00 %**

Summarized Asset Listing - Other Funds June 30, 2003

ASSIGNED RISK PLAN

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	7,243,427.86	13.20
CONSUMER STAPLES	3,447,542.93	6.28
ENERGY	3,752,075.47	6.84
FINANCIALS	11,991,159.42	21.86
HEALTH CARE	8,777,413.32	16.00
INDUSTRIALS	8,669,474.56	15.80
INFORMATION TECHNOLOGY	6,404,832.37	11.68
MATERIALS	1,491,834.01	2.72
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	1,933,482.20	3.52
UNCLASSIFIED	0.00	0.00
UTILITIES	1,143,756.89	2.09
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	**$54,854,999.03**	**100.00 %**
Fixed Income		
U.S. AGENCY	49,904,923.60	21.82
U.S. CORPORATE	0.00	0.00
U.S. MTG. REL.	52,587,176.61	22.99
U.S. TREASURY	63,961,829.49	27.97
MISCELLANEOUS	0.00	0.00
Fixed Income Total	166,453,929.70	72.78
Cash Equivalents	5,913,657.36	2.59
Payable for Investments Purchased	-32,683.29	-0.01
Receivables for Investments Sold	72,692.36	0.03
Dividend Receivable	53,453.12	0.02
Short Term Interest Receivable	21,634.44	0.01
Long Term Interest Receivable	1,377,962.22	0.60
Payable for Interest Compensation	-2,871.76	0.00
Grand Total	**$228,712,773.18**	**100.00 %**

INTERNAL FIXED ACCOUNT

Fixed Income	Market Value	%
U.S. AGENCY	0.00	0.00
U.S. CORPORATE	161,152,831.42	44.88
U.S. MTG. REL.	110,951,606.90	30.90
U.S. TREASURY	17,840,991.60	4.97
MISCELLANEOUS	0.00	0.00
Fixed Income Total	289,945,429.92	80.74
Cash Equivalents	66,949,219.59	18.64
Payable for Investments Purchased	-2,249,760.00	1.20
Long Term Interest Receivable	4,314,003.52	0.04
Short Term Interest Receivable	147,921.58	0.00
Grand Total	**$359,106,814.61**	**100.00 %**

CLOSED LANDFILL INVESTMENT FUND

	Market Value	%
EQUITIES	16,757,346.26	99.85
BONDS	0.00	
CASH EQUIVALENTS	25,541.97	0.15
Grand Total	**$16,782,888.23**	**100.00 %**

EMERGENCY MEDICAL SERVICES

	Market Value	%
EQUITIES	5,879,430.49	61.96
BONDS	3,206,664.17	33.79
CASH EQUIVALENTS	401,774.98	4.23
Short Term Interest Receivable	800.26	0.01
Grand Total	**$9,488,669.90**	**100.00 %**

ENVIRONMENTAL TRUST FUND

	Market Value	%
EQUITIES	205,397,316.34	71.15
BONDS	81,293,979.68	28.16
CASH EQUIVALENTS	1,979,568.87	0.69
Short Term Interest Receivable	2,764.09	0.00
Grand Total	**$288,673,628.98**	**100.00 %**

ETHEL CURREY FUND

	Market Value	%
EQUITIES	296,981.69	51.69
BONDS	275,926.33	48.02
CASH EQUIVALENTS	1,669.78	0.29
Grand Total	**$574,577.80**	**100.00 %**

IRON RANGE RESOURCES

	Market Value	%
CASH	137,330.62	0.31
EQUITIES	20,011,332.15	45.10
BONDS	24,218,595.47	54.59
Grand Total	**$44,367,258.24**	**100.00 %**

LIFETIME FISH & WILDLIFE TRUST

	Market Value	%
EQUITIES	1,038,107.36	59.72
BONDS	695,645.97	40.02
CASH EQUIVALENTS	4,650.82	0.27
Grand Total	**$1,738,404.15**	**100.00 %**

PERMANENT SCHOOL FUND

	Market Value	%
EQUITIES	271,218,458.69	51.45
BONDS	247,358,887.46	46.92
CASH EQUIVALENTS	8,597,261.67	1.63
INTEREST RECEIVABLE	14,990.09	0.00
Grand Total	**$527,189,597.91**	**100.00 %**

Summarized Asset Listing - Other Funds June 30, 2003

INTERNAL EQUITY ACCOUNT

Equities	Market Value	%
COMMINGLED FUND	0.00	0.00
CONSUMER DISCRETIONARY	62,563,578.28	11.98
CONSUMER STAPLES	40,197,233.72	7.70
ENERGY	26,467,719.74	5.07
FINANCIALS	92,776,483.13	17.76
HEALTH CARE	67,042,141.80	12.84
INDUSTRIALS	51,964,389.87	9.95
INFORMATION TECHNOLOGY	68,965,882.88	13.20
MATERIALS	12,064,669.73	2.31
RIGHTS/WARRANTS	0.00	0.00
TELECOMMUNICATIONS SERVICES	17,601,554.88	3.37
UNCLASSIFIED	0.00	0.00
UTILITIES	13,438,188.88	2.57
ALL NON U.S.	0.00	0.00
BONDS	0.00	0.00
Total Equities	453,081,842.91	86.74
Cash Equivalents	68,539,009.00	13.12
Dividend Receivable	560,345.59	0.11
Short Term Interest Receivable	138,984.65	0.03
Grand Total	**$522,320,182.15**	**100.00 %**

WINONA STATE UNIVERSITY

	Market Value	%
EQUITIES	1,721,219.70	45.41
BONDS	2,057,115.64	54.28
CASH EQUIVALENTS	11,697.52	0.31
Grand Total	**$3,790,032.86**	**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 Control Systems and State Street Bank as well as trade adjustments that were reflected in the Financial Statements.

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