



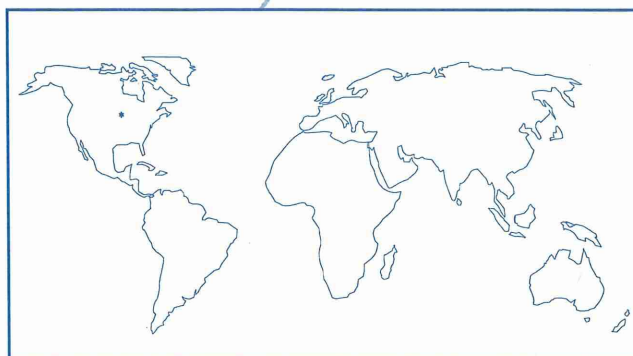
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PROSPECTUS JULY 1, 2002

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Minnesota Supplemental Investment Fund



Investment Options

Minn. Stat. 11A.17 Subd. 11

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MANAGED BY THE MINNESOTA STATE BOARD OF INVESTMENT

Participating Retirement Plans

Deferred Compensation Plan
Unclassified Employees Retirement Plan
Post Retirement Health Care Savings Plan
 Minnesota State Retirement System (MSRS)
 60 Empire Drive, Suite 300
 St. Paul, MN 55103-1855
 (651) 296-2761
 1-800-657-5757

Hennepin County Supplemental Retirement Plan
 Hennepin Co. Human Resources Dept., Benefits Unit
 A-700 Government Center
 300 South Sixth Street
 Minneapolis, MN 55487-0070
 (612) 348-3281

Mn. State Colleges & Universities (MnSCU)
Defined Contribution Retirement Plan
(IRAP & SRP)
 Board of Trustees of the Mn. State Colleges & Universities
 500 World Trade Center
 30 E. 7th St.
 St. Paul, MN 55101
 1-800-431-6543

Public Employees Defined Contribution Plan
 Public Employees Retirement Association (PERA)
 60 Empire Drive, Suite 200
 St. Paul, MN 55103-1855
 (651) 296-7460

Various Volunteer Firefighter Relief Associations

Risk Spectrum

Higher Risk

Assets

Management Approach



International Share

non U.S. stocks

two-thirds "active" management
 one third "passive" management

Growth Share

U.S. stocks

"active" management

Common Stock Index

U.S. stocks

"passive" management
 (reflects broad U.S. market)

Income Share

U.S. stocks/bonds

balanced asset mix

Bond Market

bonds

"active" management

Fixed Interest

stable value
 instruments

3 yr. to 5 yr. maturities

Money Market

short-term securities

30 to 60 day average maturity

Lower Risk

Over time, higher-risk assets should provide higher investment returns than lower-risk assets.

Letter to Participants

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ST. PAUL, MN 55155

July 1, 2002

This brochure outlines the investment options available to participants in the Minnesota Supplemental Investment Fund and provides some basic information that will assist you in making your investment decisions.

Remember that general economic and market conditions have a dominant influence on the returns available to any investor. As an investor in the Minnesota Supplemental Investment Fund, or any other investment program, you should be prepared for periods in which the returns on financial investments may be low, or even negative. You should be aware that this possibility is much greater for accounts that emphasize relatively risky, higher return assets, such as common stocks, than it is for more conservative investments, such as money market-type accounts.

With these considerations in mind, the State Board of Investment is confident that the Supplemental Investment Fund will provide excellent long run returns. I encourage you to carefully review each of the accounts available to you and to choose those options that meet your own investment needs and objectives.

Any questions about your individual account should be directed to your retirement organization or program at the office shown on the inside cover of this brochure. Your retirement organization handles all changes in the way you invest your contributions and maintains records on the status of your account. Your retirement organization has the authority to deduct a fee for administrative expenses after account share values have been calculated. Participants in all plans should contact their retirement organization for more information regarding plan administrative expenses.

Historical monthly share values are available from the Minnesota State Board of Investment upon request and can be accessed on our website at www.sbi.state.mn.us. Listings of securities held in the various accounts are available upon request. If you have any questions regarding the Board's investment policies and procedures, please contact the office of the Minnesota State Board of Investment at 60 Empire Drive, Suite 355, St. Paul, MN 55103-3555, (651)296-3328, or via e-mail at minn.sbi@state.mn.us. We welcome your inquiries.

Respectfully submitted,



Howard J. Bicker
Executive Director
State Board of Investment

General Information

What Is The Minnesota Supplemental Investment Fund?

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and other public employee groups. The different participating groups use the Fund for a variety of retirement-related purposes. Approximately 54,000 individuals currently participate in the Fund. As of June 30, 2002, the market value of the Fund was approximately \$1.38 billion.

What Investment Options Does The Fund Offer?

The Fund has seven accounts, or investment options:

Income Share	stocks and bonds
Growth Share	actively managed stocks
Common Stock Index	passively managed stocks
International Share	international stocks
Bond Market	actively managed bonds
Money Market	short-term securities
Fixed Interest	stable value investments

Each account has different investment objectives and uses different types of assets and investment management styles. These accounts are described in greater detail on the following pages.

Are All These Options Available To Me?

The choices you have depend on the retirement plan in which you participate. All seven accounts are available to participants in the following plans:

- Deferred Compensation Plan
- Unclassified Employees Retirement Plan
- Post Retirement Health Care Savings Plan
- Public Employees Defined Contribution Plan
- MnSCU Defined Contribution Retirement Plan

All accounts, **except** the Fixed Interest Account, are currently available to participants in the Hennepin County Supplemental Retirement Plan and to local volunteer firefighter plans.

Which Options Are Best For Me?

Only you can answer that question. The variety of options has been designed to give you flexibility in designing a portfolio that reflects your personal investment needs and objectives. The material on the following pages should assist you in making the decision.

Each of the accounts has separate advantages and risks, and the performance of each will differ according to business and economic conditions.

It is not the intent of the State Board of Investment to advise participants regarding their choice among accounts. This information is provided solely as an aid

to participants in selecting the most appropriate types of investments for their particular circumstances.

May I Change The Way I Invest My Contributions?

Yes, but the guidelines vary among plans. You should contact your retirement organization for more specific information. **Please note that special restrictions apply to transfers out of the Fixed Interest Account (see page 12).**

How Does The Asset-Based Charge Affect Returns?

Effective July 1, 1999, the asset-based charge was eliminated. From July 1992 through June 1999, an asset-based charge was deducted from the share values or credited rates in each Account. From July 1992 through June 1994, the deduction was 0.1% per year. From July 1994 through June 1999, the deduction was 0.4% per year.

If you participate in the **Deferred Compensation Plan**, the **Public Employees Defined Contribution Plan**, the **MnSCU Defined Contribution Retirement Plan** or the **Hennepin County Supplemental Retirement Plan**, the return data shown in this brochure reflects the actual returns available to you during all time periods. These plans retained the entire asset-based charge to cover the administrative expenses associated with those plans.

If you participate in the **Unclassified Retirement Plan**, you should **add 0.3%** to the returns from July 1, 1994 through June 30, 1999. This adjustment is necessary because the Unclassified Plan retained only 0.1% of the 0.4% asset-based charge. During this time, additional shares were purchased on your behalf in amounts equal to the remainder of the asset-based charge. These additional shares **increased** your annual returns by 0.3% for the July 1, 1994 through June 30, 1999 time period.

If you make contributions on behalf of a **volunteer firefighter relief association**, you should **add 0.1%** to the returns for the years ending June 30, 1993 and June 30, 1994 and **add 0.4%** to the returns from July 1, 1994 through June 30, 1999. These adjustments are necessary because asset-based charges did not apply to these plans. Additional shares were purchased on behalf of these plans in an amount equal to the asset-based charge in all time periods. The additional shares **increased** those annual returns.

What Securities Are Owned By The Fund?

Due to the large number of stocks, bonds and cash equivalents owned by the Fund, the holdings are not listed in this brochure. If you would like a complete list of all securities in the Fund, please contact the office of the State Board of Investment. A list will be sent to you, at your request.

General Information

Money Managers For the Fund*

Income Share Account:

- Barclays Global Investors, San Francisco, CA (stocks)
- Investment Board Staff (bonds)

Growth Share Account:

- Alliance Capital Management Corporation, Minneapolis, MN
- Artemis Investment Management, New York, NY
- Barclays Global Investors, San Francisco, CA
- Bay Isle Financial Corporation, San Francisco, CA
- Cohen Klingenstein & Marks, Inc., New York, NY
- Earnest Partners LLC, Atlanta, GA
- Forstmann-Leff Associates Asset Mgmt., Inc., New York, NY
- Franklin Portfolio Associates, Boston, MA
- GeoCapital LLC, New York, NY
- Holt-Smith & Yates Advisors, Madison, WI
- J.P. Morgan Fleming Asset Management, Inc., New York, NY
- Lincoln Capital Management Company, Chicago, IL
- New Amsterdam Partners LLC, New York, NY
- Next Century Growth Investors LLC, Minneapolis, MN
- Oppenheimer Capital, New York, NY
- Peregrine Capital Management, Minneapolis, MN
- UBS Global Asset Management, Inc., Chicago, IL
- Valenzuela Capital Partners, Inc., New York, NY
- Voyageur Asset-Chicago Equity Division, Chicago, IL
- Winslow Capital Management, Inc., Minneapolis, MN
- Zevenbergen Capital, Inc., Seattle, WA

Common Stock Index Account:

- Barclays Global Investors, San Francisco, CA

*The Minnesota State Board of Investment may add or delete managers from this list at its discretion.

International Share Account:

- Alliance Capital Management Int'l, London, England
- American Express Asset Mgmt. Int'l, Inc., London, England
- Britannic Asset Management Int'l, Glasgow, Scotland
- Capital International, Inc., Los Angeles, CA
- INVESCO Global Asset Management, Atlanta, GA
- Marathon Asset Management, London, England
- Morgan Stanley Investment Management, New York, NY
- Schroder Investment Mgmt. No. Am., Inc., London, England
- State Street Global Advisors, Boston, MA
- T. Rowe Price-Int'l. Inc., London, England
- UBS Global Asset Management, Inc., Chicago, IL

Bond Market Account:

- American Express Asset Mgmt. Group, Inc., Minneapolis, MN
- BlackRock Financial Management, New York, NY
- Deutsche Asset Management, Inc., Philadelphia, PA
- Dodge & Cox Investment Managers, San Francisco, CA
- Goldman Sachs Asset Management, LLC, New York, NY
- Lincoln Capital Management Company, Chicago, IL
- Metropolitan West Asset Management, Los Angeles, CA
- Morgan Stanley Dean Witter, West Conshohocken, PA
- Western Asset Management Company, Pasadena, CA

Money Market Account:

- State Street Global Advisors, Boston, MA

Fixed Interest Account:

- Galliard Capital Management, Minneapolis, MN

Investment Board Personnel

Howard J. Bicker
Mansco Perry III

Executive Director
Assistant Executive Director

Investment Management Staff

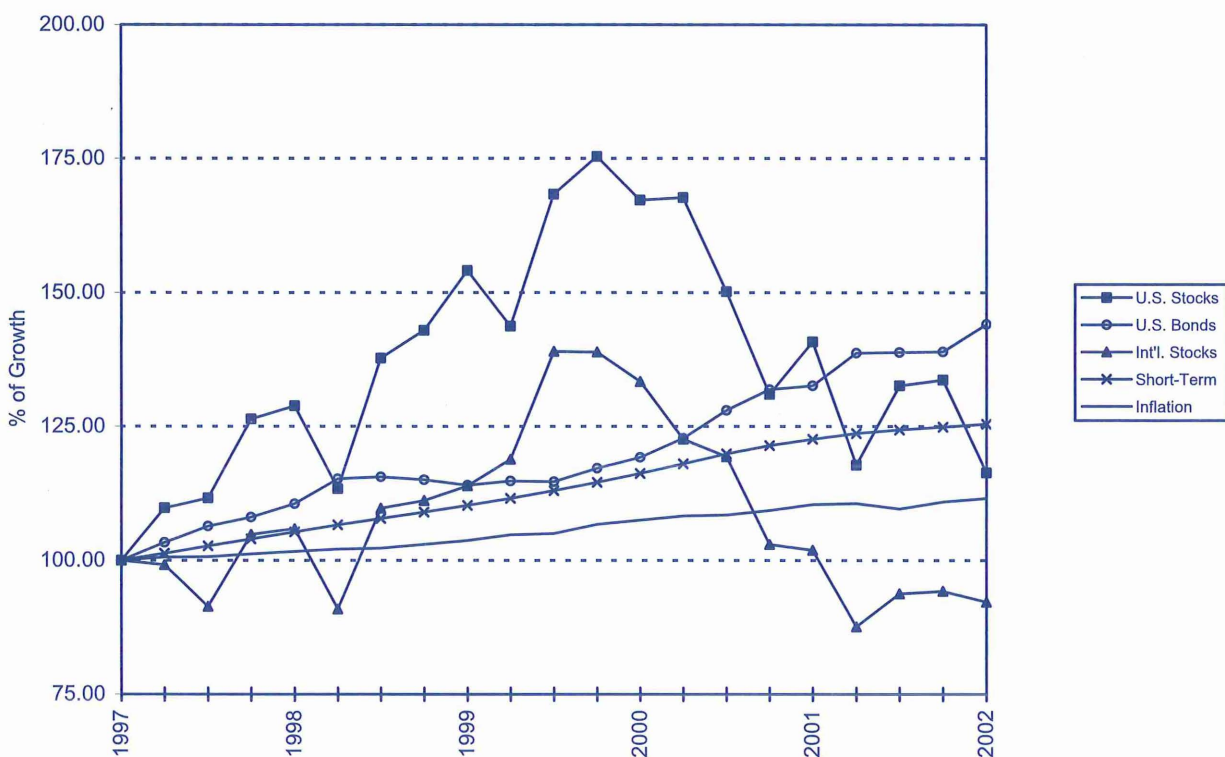
Lois Buermann	Manager, Public Equities
Jason Matz	Analyst, Domestic Equities
Stephanie Gleeson	Analyst, International Equities
Michael J. Menssen	Manager, Internal Investments
Erol Sonderegger	Analyst, Fixed Income
John N. Griebenow	Manager, Alternative Investments
Andrew Christensen	Analyst, Alternative Investments
John T. Kinne	Manager, Short-Term Accounts
Steven Kuettel	Security Trader, Short-Term
James E. Heidelberg	Manager, Public Programs
Tammy Brusehaver-Derby	Analyst, Public Programs
Deborah Griebenow	Analyst, Shareholder Services

Administrative Staff

L. Michael Schmitt	Administrative Director
William J. Nicol	Accounting Supervisor, Senior
David Nkwonta	Accounting Officer, Intermediate
Nancy L. Wold	Accounting Officer, Intermediate
Kathy Leisz	Accounting Officer, Intermediate
John Bottomley	Accounting Technician
Charlene Olson	Admin. Assistant to the Executive Director
Carol Nelson	Office Administrative Specialist, Intermed.
Sondra Wagner	Customer Services Specialist
Pat Koshenina	Office Administrative Specialist

The Year In Review

Cumulative Growth of Capital Markets Fiscal Years 1998 - 2002



	1998	Year Ending June 30, 1999	2000	2001	2002	Annualized* 1998 - 2002
U.S. Stocks						
Wilshire 5000	28.9%	19.6%	8.6%	-15.8%	-17.3%	3.1%
U.S. Bonds						
Lehman Brothers Aggregate Bond Index	10.5%	3.1%	4.6%	11.2%	8.6%	7.6%
International Stocks						
Index of Europe, Australasia and the Far East (EAFE)	5.9%	7.6%	17.1%	-23.6%	-9.5%	-1.6%
Short-Term Investments						
90 Day U.S. Treasury Bills	5.3%	4.7%	5.4%	5.5%	2.3%	4.6%
Inflation Rate						
Change in Consumer Price Index (CPI)	1.7%	2.0%	3.7%	2.7%	1.0%	2.3%

* Annualized return is the annual compounded rate of return.

The Year In Review

How Have Stocks, Bonds And Other Investments Performed?

The US stock market declined 17.3% as measured by the Wilshire 5000 Investable index for the year ended June 30, 2002. Despite a strengthening economy during the last half of the fiscal year, the market declined for the second straight year due to concerns about terrorism, earnings deterioration, and accounting irregularities. Sectors generating the best returns were basic materials and consumer staples while technology and telecommunication performed poorly.

The US bond market returned 8.6% for the twelve months ended June 30, 2002. Faced with a weakening economy during the first half of the fiscal year, the Federal Reserve continued its easing policy. By the time the Fed returned to a neutral bias in early-2002, it had eased five times for a total of 200 basis points, leaving the Fed Funds target rate at 1.75%. As a result, the Treasury yield curve steepened dramatically as short term rates fell more than rates at the long end of the curve. For the year, 2-year Treasury yields dropped by over 135 basis points while 30-year yields fell only 18 basis points. The government sector of the bond market returned 8.8% as the result of a favorable yield curve environment and increasing demand for less risky securities in the wake of the corporate accounting crisis and poor equity market performance. The credit sector returned 7.5% for the year, underperforming the broader market. Both the uncertainty surrounding the economic recovery in 2002 and a crisis of confidence caused by multiple high-profile accounting scandals led to the underperformance. Mortgages gained 9.0% for the year.

The Europe, Australasia and the Far East Free (EAFE Free) index, which represents developed international markets, returned -9.5% over the year in US dollar terms. The major European markets had negative performance overall. The United Kingdom, France, and Germany, which together make up 43.0% of the index, had returns of -7.1%, -8.1%, and -10.7% respectively. Japan, the second largest market weight in the EAFE Free index at 21.8%, had a return of -16.6% for the year. Emerging markets returned 3.3% as measured by the Morgan Stanley Capital International's Emerging Markets Free Index (EMF Free). Emerging Asian markets, which had a 51.4% index weight, were very strong, being heavily influenced by Taiwan and South Korea, which returned 59.5% and 3.3% respectively. The two countries combined have more than a 36% index weighting. The Latin American region, with an index weight of 18.9%, was hurt by Mexico's -9.3%, and Brazil's -26.1% returns for the year. Emerging European, Middle Eastern and African countries were mixed. Russia and the eastern European countries had strongly positive returns, while Israel, Turkey and South Africa had negative returns.

How Did Returns In The Minnesota Supplemental Investment Fund Compare For Fiscal Year 2002?

- The **Common Stock Index Account** was down 17.6% during the year, slightly trailing the Wilshire 5000 Investable index it is designed to track.
- The **Growth Share Account** declined 18.3% during the last fiscal year, underperforming the Wilshire 5000 Investable index. The underperformance was due to poor stock selection.
- The mix of stocks, bonds and cash in the **Income Share Account** provided a return of -8.8%.
- The **International Share Account** provided a return of -6.7% for the last fiscal year, outperforming the international composite index by 2.0 percentage points. The composite index, which returned -8.7%, is comprised of approximately 92% developed markets and 8% emerging markets. Both the emerging and developed markets managers added value over their respective benchmarks during the period. The overall outperformance, however, was primarily attributable to the developed market managers who added value through good country weighting and stock selection decisions.
- The **Bond Market Account** generated a gain of 8.3% for the year, underperforming the 8.6% return for the broad bond market. The underperformance was primarily due to the poor performance of the corporate sector in the 2nd quarter of 2002 as most managers were overweight in corporates. In general, the managers' overweight in mortgages helped performance.
- The **Money Market Account** earned 2.6% for the year. This gain is similar to the returns for money market accounts offered by mutual funds and banks.
- The **Fixed Interest Account** provided a return of 6.2% during the last fiscal year.

Your retirement organization accumulates your contributions on an ongoing basis, and transfers these contributions to various accounts in the Fund only once each month. As a result, the actual performance of your investments in the Supplement Fund accounts may be somewhat higher or lower than these figures due to the timing of those transfers.

Common Stock Index Account

The Common Stock Index Account has a current market value of approximately \$279 million. Its objective is to generate returns that track the returns of the U.S. stock market as a whole.

The Account invests in approximately 2,500 domestic stocks and is designed to match the return produced by the Wilshire 5000 Investable. The Wilshire 5000 Investable is a stock market index, like the Dow Jones Industrial Average. However, the Wilshire 5000 Investable contains thousands of publicly traded stocks. In effect, the diversity of stock holdings in the Common Stock Index Account represents the broad domestic stock market. Prior to July 1, 2000 the benchmark for the account was the Wilshire 5000. The Wilshire 5000 Investable is a modified index that eliminates low volume and low capitalization stocks from the Wilshire 5000. With only minor deviations, the Account is **invested entirely in US stocks**.

Why Would I Choose This Account?

Like the Growth Share Account, this option will be attractive to you if you believe that, over time, stocks will provide higher returns than other investments. You should note, however, that the Common Stock Index Account is "passively managed." This means that no attempt is made to identify specific stocks that will perform better than others. Instead, the Account is designed to perform in line with the broad stock market.

In "actively managed" accounts, such as the Growth Share Account, stocks are bought and sold in an attempt to maximize market value. While it has the potential to produce returns that exceed those of the broad stock market, this investment strategy may also experience periods when its returns fall below the market. By contrast, the passive approach used in the Common Stock Index Account should provide returns that consistently and inexpensively track the market.

The returns from the Account will rise and fall directly with movement in the stock market. As with all options that use common stocks, you must be willing to accept returns that vary widely in the short-term. Over time, the Account should average higher returns than you could obtain by placing your contributions in a money market-type account.

Who Manages The Account?

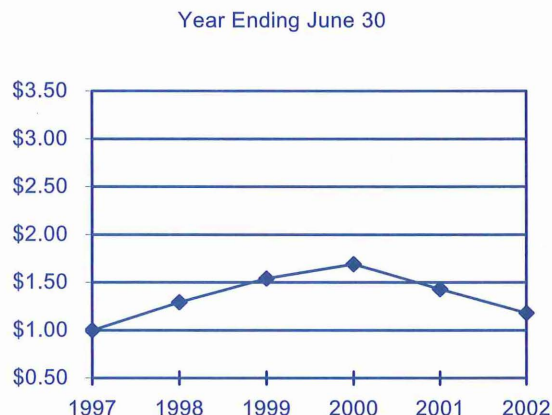
The Common Stock Index Account is managed by Barclays Global Investors.

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1997 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 3.4% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
1998	\$15.07	28.8%
1999	17.98	19.3
2000	19.76	9.9
2001	16.75	-15.2
2002	13.81	-17.6

Note: Investment management fees and asset based charges are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2002, the investment management fees were approximately \$0.02 per \$100 invested.

Please note that if you are a participant in the Unclassified Employees Retirement Plan or are a local volunteer firefighter relief plan, your actual returns were **higher** than those shown above. The asset-based charge was eliminated effective July 1, 1999. (See page 2 for details.)

Growth Share Account

The Growth Share Account currently has over \$210 million in assets. Its primary objective is to generate high returns from capital appreciation (increases in the market value of the assets it owns).

In order to focus on that goal, the Account is composed **almost exclusively of stocks of US companies**. The small amount of cash in the Account represents the new contributions it receives prior to their investment in the market as well as any cash held by the individual managers within the Account.

The Account uses a group of external stock managers retained by the State Board of Investment to manage other retirement assets. As a result, the Account encompasses a variety of investment styles and approaches. One set of managers actively manages concentrated portfolios in which a limited number of stocks are held.

Another set of managers attempts to add incremental value by investing in the broad stock market across a wide range of industries. These managers balance the more concentrated portfolios held by other active managers in the Account. This structure assures that the entire Account covers all areas of the broad stock market. As a result, the structure reduces the chance that future returns for the Account will be either greatly above or below those of the broad market in any given year.

Why Would I Choose This Account?

The Growth Share Account is an aggressive investment program focused on U.S. stocks. You would choose this Account if you believe that, over time, the stock market will provide higher returns than other types of investments.

The returns from the Account are likely to fluctuate more widely than returns from more balanced portfolios (such as the Income Share Account) because it does not contain a substantial portion of bonds or other fixed income securities. The potential for higher gains over the long run is expected to compensate for the short-term volatility of returns.

Who Manages The Account?

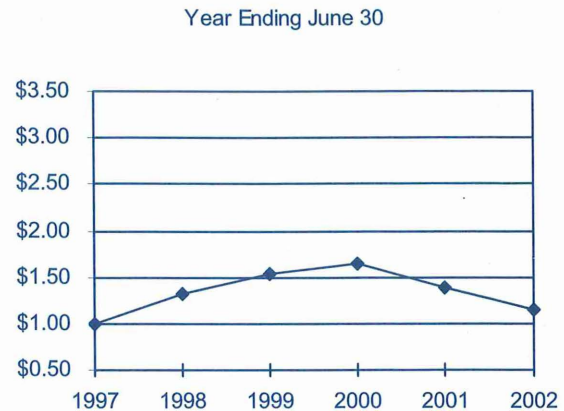
Assets in the Growth Share Account are managed by a group of external managers retained by the State Board of Investment (see page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Growth Share Account on June 30, 1997 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 2.6% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
1998	\$20.87	30.7%
1999	24.39	16.9
2000	26.20	7.4
2001	22.20	-15.3
2002	18.14	-18.3

Note: Investment management fees and asset based charges are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2002 the investment management fees were approximately \$0.24 per \$100 invested.

Please note that if you are a participant in the Unclassified Employees Retirement Plan or are a local volunteer firefighter relief plan, your actual returns were **higher** than those shown above. The asset-based charge was eliminated effective July 1, 1999. (See page 2 for details.)

Income Share Account

The Income Share Account is the largest account in the Fund with approximately \$526 million in assets. Its objective is 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). To attain that goal, the Account uses a mix of both stocks and bonds. While holdings may vary on a day-to-day basis, the Account uses the following asset mix as a target:

- 60% common stocks
- 35% bonds
- 5% cash

The stock segment of the Account is indexed to the Wilshire 5000 Investable, a market index that reflects the broad U.S. stock market. The bond segment includes high quality corporate bonds and mortgage securities as well as U.S. Government issues.

Why Would I Choose This Account?

You would choose the Income Share Account if you want a balanced or diversified investment program by investing in one account. You must be willing to assume some risk with your investment, since returns will vary with changes in market conditions. Over time, the Account should average higher returns than you could obtain by placing your contributions in a money market-type account.

The dividend income and market value growth from the stock holdings can give you higher returns than are usually available from bonds and short-term (cash) investments. Conversely, while returns on bonds are often lower than returns on stocks, the bond holdings in the Account add stability and offer you some protection against wide swings in the general stock market.

Who Manages The Account?

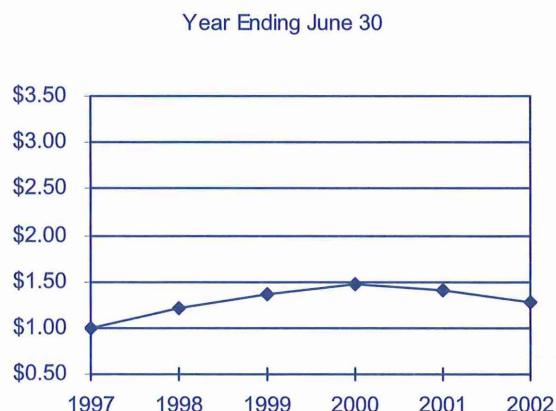
The Income Share Account uses both Investment Board staff and external money managers. Investment Board staff manage all the bond holdings in the Account. The stock holdings are invested through the same stock index fund used for the Common Stock Index Account (see page 6 for a description of this passively managed index fund).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any interest and dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance of This Account?

The graph shows how \$1.00 invested in the Income Share Account on June 30, 1997 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 5.0% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
1998	\$24.70	21.2%
1999	27.95	13.2
2000	30.16	7.9
2001	28.48	-5.6
2002	25.96	-8.9

Note: Investment management fees and asset based charges are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2002, the investment management fees were approximately \$0.01 per \$100 invested.

Please note that if you are a participant in the Unclassified Employees Retirement Plan or are a local volunteer firefighter relief plan, your actual returns were **higher** than those shown above. The asset-based charge was eliminated effective July 1, 1999. (See page 2 for details.)

International Share Account

The International Share Account has a current market value of approximately \$44 million. Its objective is to earn a high rate of return by investing in the **stock of companies outside the US**. Typically, a majority of the Account is invested in the five largest international stock markets (United Kingdom, Japan, France, Germany, and Switzerland). Most of the remainder is invested in other well established markets in Europe, the Pacific region, and Canada. Approximately ten percent of the Account is invested in developing countries, or "emerging markets", around the world including those in Asia, Latin America, Eastern Europe, the Middle East and Africa.

Why Would I Choose This Account?

This option will be attractive if you believe that, over time, international stocks will provide higher returns than other types of investments. About one-third of the Account is "passively managed" and is designed to consistently and inexpensively track the return of 21 markets included in the Morgan Stanley Capital International index of Europe, Australasia and the Far East (EAFE-Free). The remainder of the Account is "actively managed" by several international stock managers that use a variety of investment styles and approaches. These managers buy and sell stocks in an attempt to maximize market value. While this investment strategy has the potential to produce returns that exceed those of a composite index comprised of approximately 92 percent EAFE and 8 percent emerging markets, there may also be periods when the returns fall below the index.

Who Manages The Account?

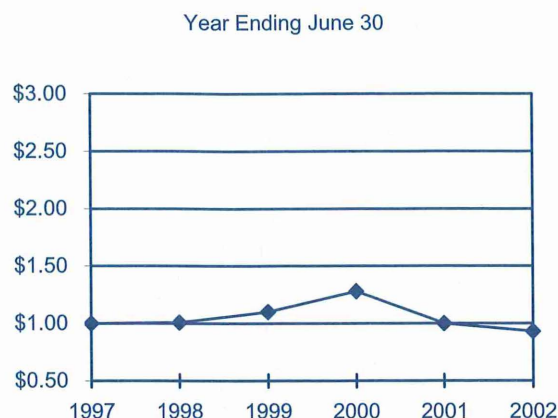
The International Share Account uses a group of external international stock managers retained by the State Board of Investment. (See page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1997 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was -1.4%.

	Year Ending June 30,	
	Share Value	Rate of Return
1998	\$3.37	0.7%
1999	3.67	8.9
2000	4.30	17.2
2001	3.35	-22.1
2002	3.12	-6.9

Note: Investment management fees and asset based charges are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2002 the investment management fees were approximately \$0.25 per \$100 invested.

Please note that if you are a participant in the Unclassified Employees Retirement Plan or are a local volunteer firefighter relief plan, your actual returns were **higher** than those shown above. The asset-based charge was eliminated effective July 1, 1999. (See page 2 for details.)

Bond Market Account

The Bond Market Account has a current market value of approximately \$127 million. Its objective is to earn a high rate of return by investing in **fixed income securities** (bonds).

Interest income and capital appreciation (increases in the market value of the assets it owns) are the sources of returns for the Account. The Account invests the large majority of its assets in high quality government and corporate bonds and mortgage securities that have intermediate to long-term maturities, usually 3 to 20 years. The managers of the Account also may attempt to earn returns by anticipating changes in interest rates and adjusting bond holdings accordingly. While the managers invest primarily in the US bond market, some are authorized to invest a small portion of their portfolios in non-US bonds. Similarly, while the large majority of holdings in the Account will be top rated "investment grade" issues, some managers are authorized to hold a small proportion of higher yielding, or "below investment grade", debt issues as well. The aggregate holdings in non-US and below investment grade debt are expected to be no more than ten percent of the Account at any point in time.

The Account is invested entirely in fixed income securities. No stocks are held in the Account. At times, cash reserves may be raised if the Account's managers forecast an increase in interest rates.

Why Would I Choose This Account?

The Bond Market Account is a moderately conservative investment option. It will be attractive if you want an investment option that avoids common stocks, but you also want the potential for greater returns than you can obtain from money market-type accounts.

The returns from the Account generally will move in the opposite direction of interest rate changes. You must be willing to assume some risk with your investment, because the Account could register losses in periods when interest rates are rising.

Who Manages The Account?

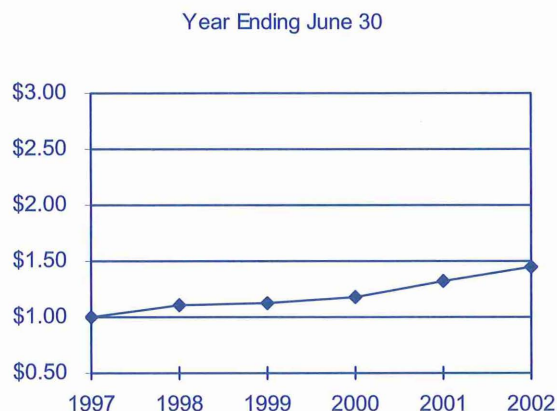
The Bond Market Account is invested by a group of external bond managers retained by the State Board of Investment (see page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any interest earnings are reinvested at the time they are received. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1997 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return over this period was 7.5% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
1998	\$7.05	10.6%
1999	7.21	2.3
2000	7.55	4.7
2001	8.45	11.9
2002	9.15	8.3

Note: Investment management fees and asset based charges are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2002, the investment management fees were approximately \$0.10 per \$100 invested.

Please note that if you are a participant in the Unclassified Employees Retirement Plan or are a local volunteer firefighter relief plan, your actual returns were **higher** than those shown above. The asset-based charge was eliminated effective July 1, 1999. (See page 2 for details.)

Money Market Account

The return in the Money Market Account is based on the interest income produced by the Account's investments. The Accounts' objective is to buy short-term, liquid debt securities that pay interest rates that are competitive with those available in the money markets. The current value of the Account is approximately \$92 million.

Unlike the accounts described earlier, the Money Market Account does not own any stocks or long-term bonds. The Account is **invested in high quality, short-term investments** such as bank certificates of deposit, repurchase agreements, high grade commercial paper, bankers' acceptances and U.S. Treasury Bills. The average maturity of all securities in the Account is generally between 30 and 60 days.

Why Would I Choose This Account?

The Money Market Account is a conservative investment option. You would choose this Account if you want to maintain the value of your original investment. At the same time, you want your money to earn competitive interest rates.

The returns from the Account will vary much less than investments that include stocks or bonds and should closely follow the rise and fall in short-term interest rates.

Who Manages The Account?

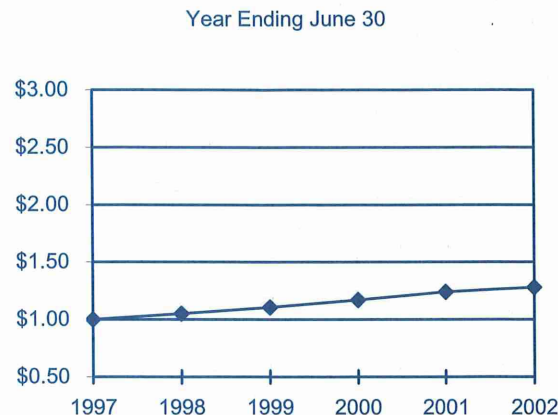
The Money Market Account is managed by State Street Global Advisors, the organization that provides short-term investment management for a substantial portion of the Board's cash reserves.

How Is The Value Of This Account Determined?

The share value for the Money Market Account is uniformly priced at \$1.00 per share. Interest earnings are credited on a monthly basis by purchasing additional shares on your behalf. The credited interest rate changes monthly and reflects the yield available for all investments in the Account for that month.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1997 has grown.



The table displays the investment returns that were generated over the last five years. The annualized (annual compounded) return during this period was 5.0% per year.

Year Ending June 30, Rate of Return

1998	5.3%
1999	4.9
2000	5.9
2001	6.2
2002	2.6

Note: Investment management fees and asset based charges are deducted before credited interest rates and rates of return are calculated.

For the 12 month period ending March 31, 2002 the investment management fees were approximately \$0.01 per \$100 invested.

Please note that if you are a participant in the Unclassified Employees Retirement Plan or are a local volunteer firefighter relief plan, your actual returns were **higher** than those shown above. The asset-based charge was eliminated effective July 1, 1999. (See page 1 for details.)

Fixed Interest Account

The Fixed Interest Account is designed to maintain the value of your original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market-type account. The current market value of the Account is approximately \$101 million.

The assets in the Account are **invested primarily in stable value instruments** such as insurance company investment contracts, bank investment contracts, and security backed contracts. These instruments are issued by highly rated U.S. financial institutions, typically have maturities of 3-6 years and are rated "A" or better at the time of purchase. The interest rate credited will change, reflecting the blended interest rate available from all investments in the account including cash reserves which are maintained to provide liquidity. Due to the nature of the assets, volatility of investment returns is expected to be minimal.

Why Would I Choose This Account?

The Fixed Interest Account is a conservative investment option. This type of investment option may be attractive to you because the possibility of incurring a loss on your original investment is very low. However, you should be aware that the Account is unable to offer the potential for more substantial returns that might result from other investments such as common stock. You should also understand that the credited interest rate may not change as quickly as the interest rates associated with a money market-type account. This "lag" will tend to work to your advantage when overall interest rates are falling and will tend to work to your disadvantage when overall rates are rising.

Who Manages The Account?

The Account is managed by Galliard Capital Management, a unit of Wells Fargo Bank.

How Is The Value Of This Account Determined?

The share value for the Fixed Interest Account is uniformly priced at \$1.00 per share. Interest earnings are credited on a monthly basis by purchasing additional shares on your behalf. The credited interest rate changes monthly and reflects the yield available for all investments in the Account for that month.

May I Transfer Money Into This Account?

Yes. The Account will accept lump sum transfers from other investment options in your plan on a monthly basis, provided you follow the guidelines established by your retirement organization.

May I Transfer Money Out Of This Account?

Yes, but there are special **withdrawal restrictions** that apply only to the Fixed Interest Account. **All or a portion of the amounts deposited in the Account** may be transferred to the Income Share, Growth Share, Common Stock Index, Bond Market or International Share Accounts within the Supplemental Investment Fund. **You may not re-transfer** these amounts to the Money Market Account (or to a money market account or fixed option account of

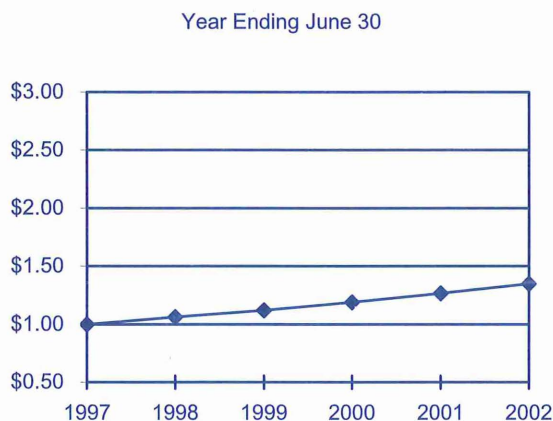
another product provider available to your plan) for at least three months.

Why Are These Restrictions Necessary?

More flexible withdrawal procedures would tend to reduce the interest rates that financial institutions would be willing to offer for investments in this Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1997 has grown.



The table displays the investment returns that were generated over the last five years. The annualized (annual compounded) return during this period was 6.1% per year.

Year Ending June 30, Rate of Return

1998	6.0%
1999	5.9
2000	6.2
2001	6.3
2002	6.2

Note: Investment management fees and asset based charges are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2002, the investment management fees were approximately \$0.12 per \$100 invested.

Please note that if you are a participant in the Unclassified Employees Retirement Plan your actual returns will be **higher** than those shown above. The asset-based charge was eliminated effective July 1, 1999. (See page 2 for details.)

State Board of Investment

Who Serves On The State Board of Investment?

The Board's membership is specified in the Minnesota Constitution and is composed of the Governor, the State Auditor, the State Treasurer, the Secretary of State and the State Attorney General. As of January 2, 2003, the Office of the State Treasurer will be eliminated and the Board will have four members. The Board's duties, powers, and investment guidelines are contained in *Minnesota Statutes*, Chapter 11A.

What Is The Board's Relationship To The Retirement Plans?

In broad terms, the Board acts as an investment manager for each retirement organization while the retirement system provides a variety of administrative functions with respect to your individual account.

Your retirement organization forwards your contributions to the Board and the Board reports its investment returns back to the system. The retirement organization keeps a record of your individual account status and receives and processes all your requests for changes in the way your contributions are invested.

Who Advises The Board On Its Investment Decisions?

The Legislature has established a 17-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 investment community.
- The Commissioner of Finance and the Executive Directors of the three statewide retirement organizations are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

Members of the Board

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

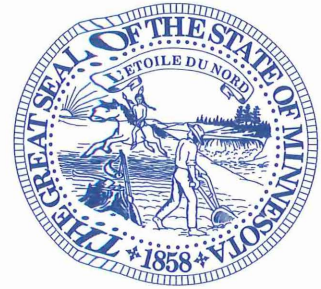
Investment Advisory Council

Jan Yeomans, Chair
Malcolm W. McDonald, Vice Chair
Gary Austin
David Bergstrom
John E. Bohan
Douglas Gorence
Kenneth F. Gudorf
P. Jay Kiedrowski
Han Chin Liu
Judith W. Mares
Gary Norstrom
Daralyn Peifer
Mary Stanton
Michael Troutman
Mary Vanek
Elaine Voss
Pamela Wheelock

Treasurer
Director and Corporate Secretary
Executive Director
Executive Director
Vice Pres., Pension Investments, Retired
Chief Investment Officer
Chief Executive Officer
Executive Vice President
Active Employee Representative
Financial Consultant
Treasurer, Retired
Chief Investment Officer
Active Employee Representative
Vice Pres., Finance and Investments
Executive Director
Retiree Representative
Commissioner

3M Co.
Space Center, Inc.
Teachers Retirement Association
Minnesota State Retirement System
Grand Metropolitan - Pillsbury
U of M Foundation Investment Advisors
Agio Capital Partners
Wells Fargo & Co.
State of Minnesota
Mares Financial Consulting, Inc.
City of St. Paul
General Mills, Inc.
Minnesota State Colleges & Universities
Evangelical Lutheran Church in America
Public Employees Retirement Assoc.
State of Minnesota
Minnesota Department of Finance

**The Minnesota Supplemental Investment Fund
is managed by the Minnesota State Board of Investment**



Board Members:

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

Executive Director:

Howard Bicker

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