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1989
ANNUAL
REPORT

MINNESOTA STATE
BOARD OF
INVESTMENT

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Volume 1 of 2 volumes

1989 ANNUAL REPORT

MINNESOTA STATE BOARD OF INVESTMENT

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State Auditor Arne H. Carlson

State Treasurer Michael A. McGrath

Secretary of State Joan Anderson Growe

Attorney General Hubert H. Humphrey III

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STATE AUDITOR ARNE H. CARLSON
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ATTORNEY GENERAL HUBERT H. HUMPHREY III



EXECUTIVE DIRECTOR
HOWARD J. BICKER

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

The Minnesota State Board of Investment is pleased to submit its 1989 Annual Report.

In general, fiscal year 1989 was a favorable period for institutional investors such as the Board. The stock market made very strong gains and continued to move upward after its steep drop in October 1987. The bond market provided attractive returns as well, due to a decline in interest rates during the last few months of the fiscal year. Most financial assets easily outpaced the rate of inflation for the year.

Several events should be highlighted as major accomplishments for the year:

- **The Basic Retirement Funds, the largest group of funds managed by the Board, produced a total rate of return of 15.5% for fiscal year 1989.** Over the last five fiscal years the Basic Funds have generated a cumulative return of 120.5%, excluding alternative assets. Exceptionally strong performance in the financial markets during recent years has been the primary factor in generating these favorable returns. (Refer to page 7.)
- **The Post Retirement Investment Fund generated earnings that will provide a life-time benefit increase of 4.0% for eligible retirees beginning January 1, 1990.** Over the last five years, benefit increases have been 7.3% on an annualized basis. (Refer to page 27.)
- **At the Board's request, a Task Force on Fund Objectives was convened by the Board's Investment Advisory Council to review the relevancy, clarity and measurability of the objectives established for the Basic and Post Funds.** The Task Force made recommendations on future asset allocation strategy and identified several other issues that warrant further discussion. (Refer to page 65.)
- **At the Board's request, a special project consultant conducted a comprehensive review of the Board's real estate investment program.** Laventhol and Horwath, the firm retained for the study, concluded that the Board has developed a well-diversified real estate portfolio that has met the Board's original expectations regarding return and diversification. (Refer to page 68.)

On June 30, 1989, assets under management totaled \$14.9 billion. This total is the aggregate of several separate pension funds, trust funds and cash accounts, each with differing investment objectives. In establishing a comprehensive management program, the Board develops an investment strategy for each fund which reflects its unique needs. **The primary purpose of this annual report is to clearly communicate the investment goals, policies, and performance of each fund managed by the Board.**

Through the investment programs presented in this report, the Minnesota State Board of Investment will continue to enhance the management and investment performance of the funds under its control.

Sincerely,

A handwritten signature in cursive script that reads "Howard J. Bicker".

Howard J. Bicker
Executive Director

INVESTMENT ADVISORY COUNCIL

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 corporate investment community.
- The Commissioner of Finance and the Executive Directors of the three state wide retirement systems are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

The Council has formed four committees organized around broad investment subjects relevant to the Board's decision-making: Asset Allocation, Equity Managers, Fixed Income 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

Henry H. Adams, Jr.	Executive Sec. & Investment Mgr., Mpls. Teachers Ret. Fund
John E. Bohan	Vice President, Pension Investments, The Pillsbury Co.
James R. Eckmann	Assistant Treasurer, Dayton-Hudson Corporation
Elton Erdahl	Executive Director, Teachers Retirement Association
Paul L. Groschen	Executive Director, Minnesota State Retirement System
Kenneth F. Gudorf	Board Appointee
James M. Hacking	Executive Director, Public Employees Retirement Assoc.
Vernell Jackels	Active Employee Representative
David B. Jeffery	Vice President and Resident Manager, Shearson Hamill
Judith W. Mares	Board Appointee
Malcolm W. McDonald**	Director & Corporate Secretary, Space Center, Inc.
Gary R. Norstrem	Treasurer, City of St. Paul
Joseph T. Rukavina	Active Employee Representative
Thomas J. Triplett	Commissioner, Minnesota Department of Finance
Raymond B. Vecellio	Retiree Representative
Deborah Veverka	Manager, Pension Investments, Honeywell, Inc.
Jan Yeomans*	Director, Benefit Funds & Financial Markets, 3M Co.

*Chair

**Vice-Chair

CONSULTANT

Richards & Tierney, Inc. Chicago, Illinois

INVESTMENT BOARD STAFF

Howard Bicker	Executive Director
Beth Lehman	Assistant Executive Director
James E. Heidelberg	Assistant to the Executive Director

Internal Money Management - Stocks and Bonds

Mark Edwards	Senior Portfolio Manager, Equities
A. Arthur Kaese	Senior Equity Analyst
N. Robert Barman	Senior Fixed Income Analyst
Arthur M. Blauzda	Senior Analyst, Shareholder Services
Harold L. Syverson	Security Trader

Internal Money Management - Cash Accounts

Grant A. Feldman	Manager, Short Term Accounts
John T. Kinne	Portfolio Manager, Short Term

External Money Management

Doug Gorence	Manager, External Equities
John Griebenow	Manager, Alternative Investments
Roger W. Henry	Manager, Fixed Income*
James H. Lukens	Investment Analyst, Fixed Income & Alt. Investments
Michael J. Menssen	Investment Analyst, Equities
Deborah F. Griebenow	Investment Analyst, Management Reporting

* responsible for internal and external fixed income programs

Administrative Staff

L. Michael Schmitt	Administrative Director
Mable E. Patrick	Accounting Supervisor
Thomas L. Delmont	Accounting Officer, Intermediate
Nancy Wold	Accounting Officer
Kathy Sears	Computer Operator
Harriet Balian	Secretary to the Executive Director
Charlene Olson	Secretary, External Programs
Lin Nadeau	Secretary, Internal Programs
Lavern Jagg	Receptionist

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PART TWO of the Minnesota State Board of Investment's 1989 Annual Report contains financial statements, asset listings and accounting data.

All investments undertaken by the Minnesota State Board of Investment (SBI) are governed by the common law 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 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 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, the Minnesota Statutes contain a specific list of asset classes available for investment, including common stocks, bonds, short term securities, real estate, venture capital, and resource funds. The statutes prescribe the maximum percentage of fund assets that may be invested in each asset class 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.

In recent years, the Board, its staff, and the Investment Advisory Council have conducted detailed analyses of the investment policies of the Basic Retirement Funds, the Post Retirement Investment Fund, the Supplemental Investment Fund, and the Permanent School Trust Fund. The results of these studies guide the on-going management of these funds and will be updated periodically.

Report Format

This annual report is published in two separate volumes. This volume, **Part One**, contains the text of the annual report. It describes the investment policies and performance for each of the funds managed by the SBI. It also contains statistical data on the Board's managers. The second volume, **Part Two**, contains audited financial statements, asset listings and accounting data.

FUNDS UNDER MANAGEMENT

Basic Retirement Funds

Post Retirement Investment Fund

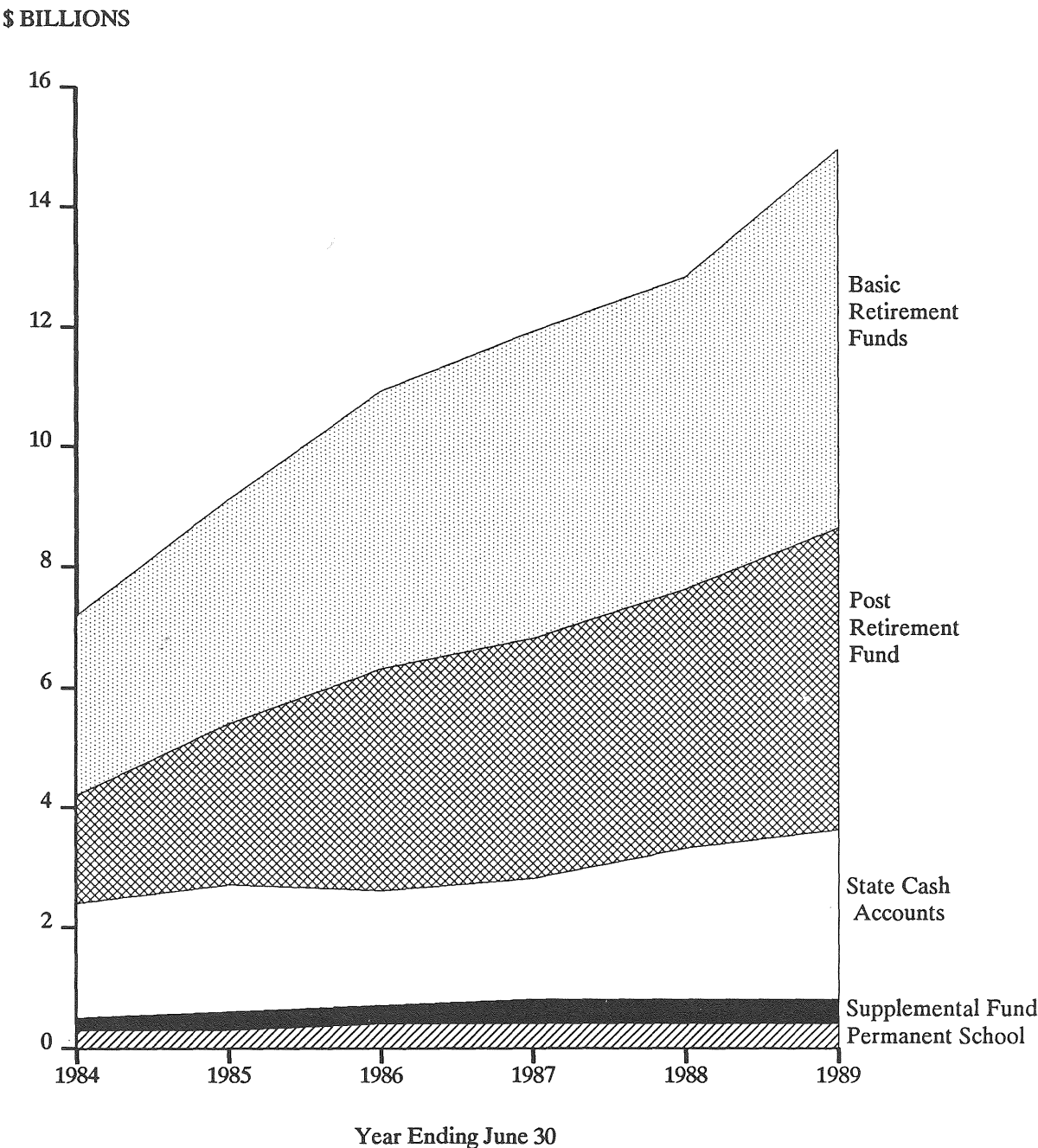
Supplemental Investment Fund

State Cash Accounts

Permanent School Trust Fund

Growth in Assets

Fiscal Years 1985 - 1989



**Market Value
June 30, 1989****Basic Retirement Funds****\$ 6.3 billion**

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

• Teachers Retirement Fund	\$ 2,887 million
• Public Employees Retirement Fund	1,484 million
• State Employees Retirement Fund	1,261 million
• Public Employees Police and Fire Fund	526 million
• Highway Patrol Retirement Fund	95 million
• Correctional Employees Fund	61 million
• Police and Fire Consolidation Fund	11 million
• Judges Retirement Fund	3 million

Post Retirement Investment Fund**\$ 5.0 billion**

The Post Retirement Investment Fund is composed of the reserves for retirement benefits to be paid to retired employees. Permanent retirement benefit increases are permitted based on excess earnings from dividends, interest, and net realized capital gains.

Supplemental Investment Fund**\$ 0.4 billion**

The Supplemental Investment Fund includes the assets of the state deferred compensation plan, supplemental benefit arrangements, various retirement programs for local police and firefighters, and the unclassified employees of the state. Participants may choose among six separate accounts with different investment emphases designed to meet a wide range of investor needs and objectives.

• Income Share Account	stocks and bonds	\$ 222 million
• Growth Share Account	actively managed stocks	73 million
• Common Stock Index Account	passively managed stocks	5 million
• Bond Market Account	actively managed bonds	3 million
• Money Market Account	short-term securities	74 million
• Guaranteed Return Account	guaranteed investment contracts	49 million

State Cash Accounts**\$ 2.8 billion**

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

Permanent School Trust Fund**\$0.4 billion**

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

Total Assets**\$14.9 billion**

BASIC RETIREMENT FUNDS

Investment Objectives

Asset Allocation

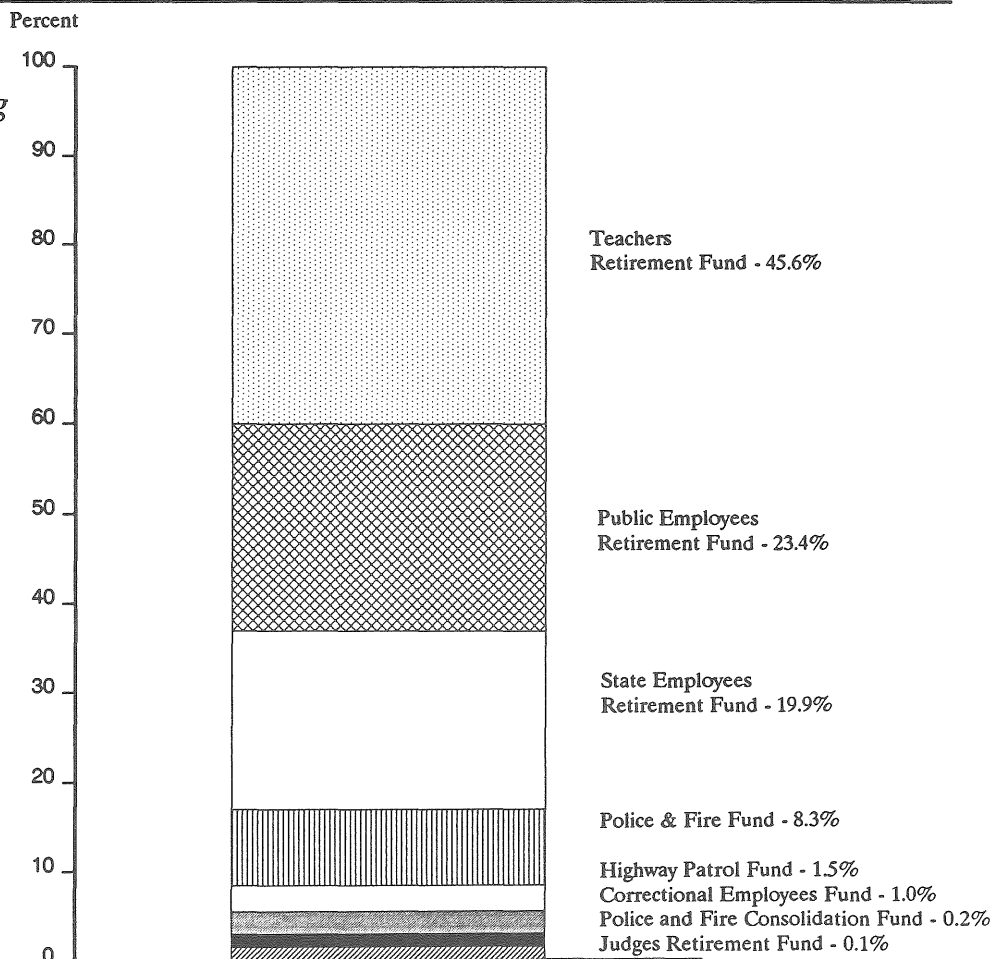
Investment Management

Investment Performance

The Basic Retirement Funds are composed of the retirement assets for currently working participants in eight statewide retirement funds.

Figure 1 identifies the individual retirement funds which comprise the Basic Funds. The Funds serve as accumulation pools in which the pension contributions of public employees and their employers are placed during the employees' years of active service. Approximately 200,000 public employees participate in the Basic Funds. On June 30, 1989 the market value of the Funds was \$6.3 billion.

*Figure 1.
Participating
Funds
FY 1989*



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 retirement benefits.

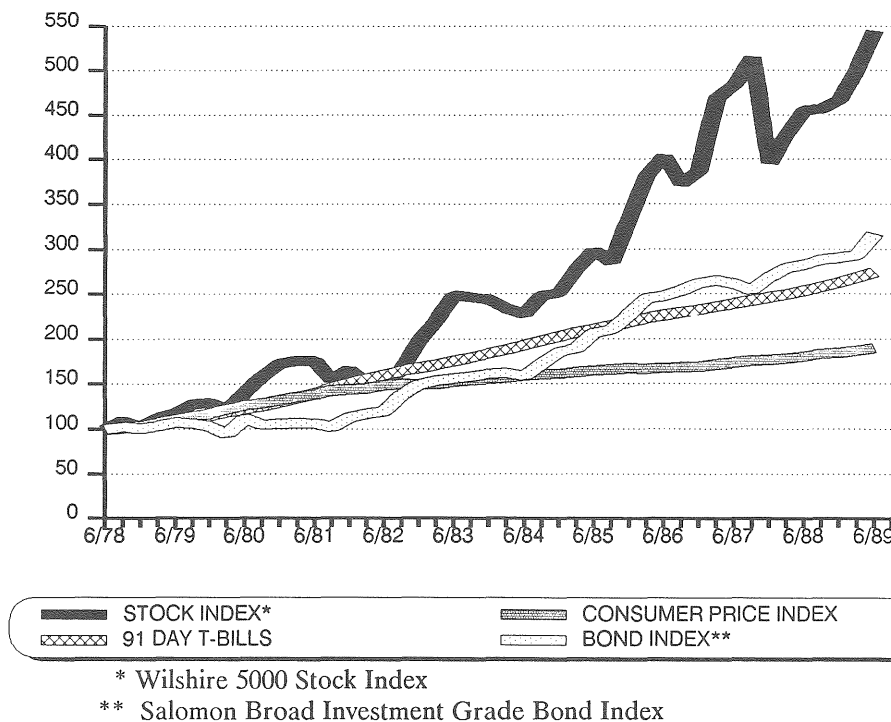
Actuarial Assumed Return

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

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

Figure 2.
Performance of
Capital Markets
FY 1979-1989



advantage of the long-run return opportunities offered by the capital markets in order to meet its actuarial return target.

As illustrated in Figure 2, historical evidence strongly indicates that common stocks will provide the greatest opportunity to maximize investment returns over the long term. As a result, the Board has chosen to incorporate a large commitment to common stocks in its asset allocation policy for the Basic Funds. In order to limit the short-run volatility of returns exhibited by common stocks, the Board includes other asset classes such as bonds and real estate in the total portfolio. These assets diversify the Basic Funds and reduce wide fluctuations in investment returns on a year to year basis. This diversification benefit should not impair the Basic Funds' ability to meet or exceed their actuarial return target over the long term.

Long-Term Objectives

Within this context, the Board has established several long-term investment objectives for the Basic Retirement Funds. Monitoring actual performance against these return objectives helps the Board to ensure that the Basic Funds will meet their long term funding obligations:

- **Provide Real Returns.** Over a ten year period, the Basic Funds are expected to generate total returns that are 3-5 percentage points greater than the rate of inflation.
- **Exceed Market Returns.** Over a five year period, the Basic Funds are expected to outperform a composite of market indices weighted in a manner that reflects their long-term asset allocation policy.
- **Exceed Median Fund Returns.** Over a five year period, the Basic Funds are expected to outperform the median fund from a representative universe of public and private funds with a balanced asset mix of stocks and bonds.

ASSET ALLOCATION

The allocation of assets among common stocks, bonds, and alternative investments can have a dramatic impact on investment results. In fact, asset allocation decisions overwhelm the impact of individual security selection within a total portfolio. Consequently, the Board has focused considerable attention on the selection of an appropriate long-term asset allocation policy for the Basic Funds.

BASIC RETIREMENT FUNDS

Long-Term Allocation Policy

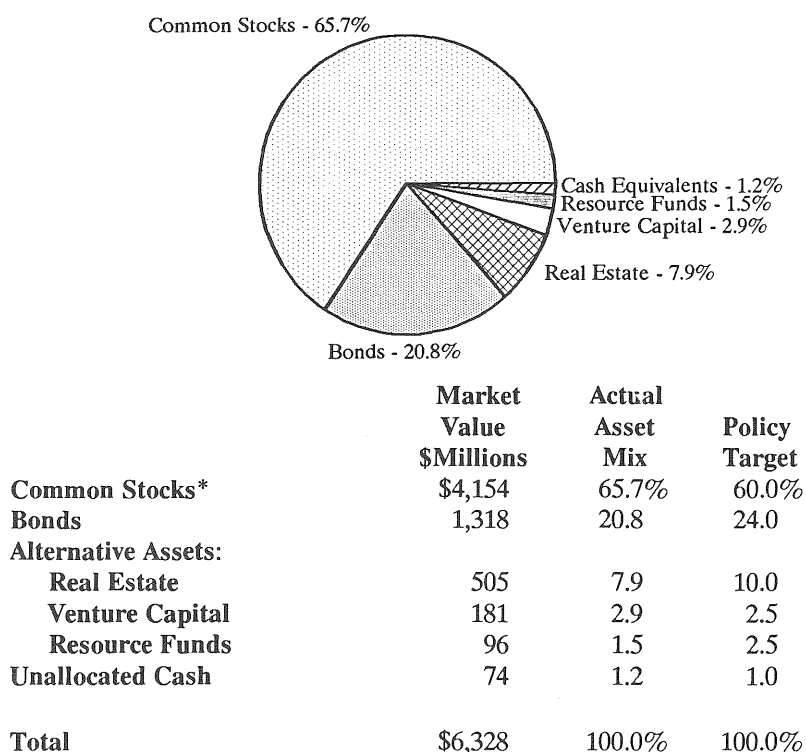
Based on the Basic Funds' investment objectives and the expected long-run performance of the capital markets, the Board has adopted the following long-term asset allocation policy for the Basic Funds:

● Domestic Common Stocks	60.0%
● Domestic Bonds	24.0%
● Real Estate	10.0%
● Venture Capital	2.5%
● Resource Funds	2.5%
● Unallocated Cash	1.0%

It should be noted that the Board has approved the addition of international stocks to the Basic Funds. When an appropriate implementation plan has been approved the asset allocation targets shown above will be adjusted by adding a 10.0% allocation to international stocks and lowering the domestic bond allocation to 14.0%.

Figure 3 presents the actual asset mix of the Basic Funds at the end of fiscal year 1989. Historical data on the Basic Funds' actual asset mix over the last five years are displayed in Figure 4.

*Figure 3.
Asset Mix
June 30, 1989*



* Reflects transfer of stock holdings from the Variable Annuity Fund to the Basic Funds on June 30, 1989.

BASIC RETIREMENT FUNDS

Total Return Vehicles

The SBI invests the majority of the Basic Funds' assets in common stocks. 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. The rationale underlying the venture capital allocation is similar. However, the relatively small size of the venture capital market presents a practical limit to the amount that may be allocated to this asset class.

The Board recognizes that this sizable policy allocation to common stock and venture capital 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. 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.

Inflation Hedge

Real estate and resource fund investments provide an inflation hedge that other financial assets cannot offer. In a period of rapidly rising prices, these "hard" assets can be expected to appreciate 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. Thus, their inclusion in the Basic Funds serves to dampen return volatility.

Deflation Hedge

The bond component of the Basic Funds 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, will 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.

INVESTMENT MANAGEMENT

All assets in the Basic Retirement Funds are managed externally by private money management firms under contracts or agreements with the SBI.

BASIC RETIREMENT FUNDS

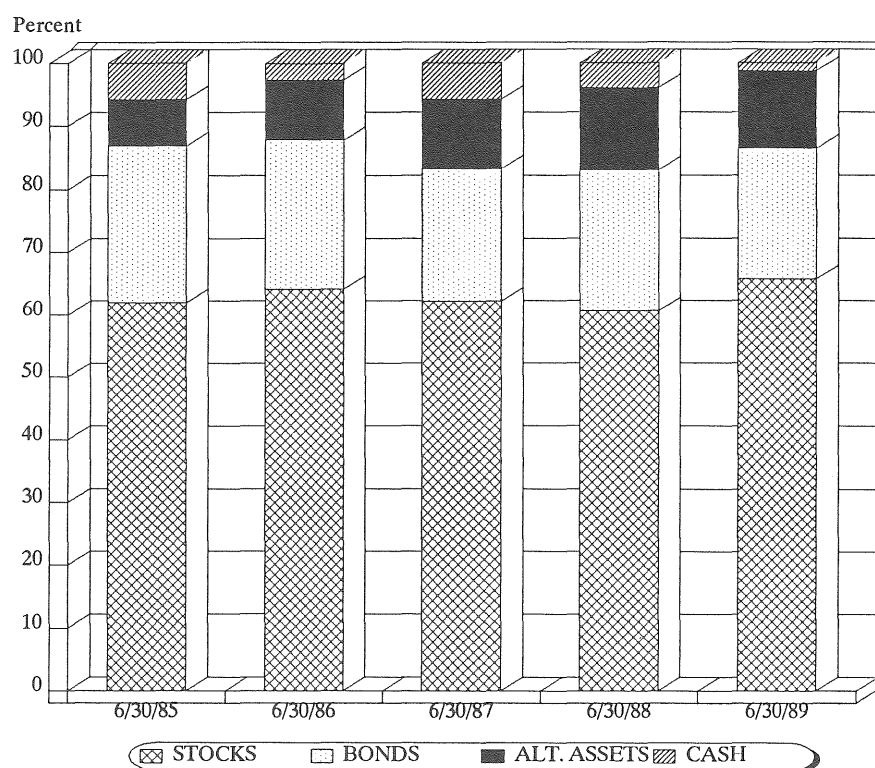
Common Stock Segment

The Board allocates 60% of the Basic Funds to common stocks. The SBI utilizes a two-part approach to the management of the common stock segment:

- **Passive Management.** On an on-going basis, at least one-half of the stock segment will be passively managed, i.e. invested in an **index fund**. At the end of fiscal year 1989, approximately 63% of the stock segment was indexed.
- **Active Management.** No more than one-half of the stock segment will be actively managed. At the end of fiscal year 1989, approximately 37% of the stock segment was actively managed by a group of eleven external money managers.

An **index fund** is a well-diversified portfolio of common stocks designed to match the rate of return performance of a predetermined stock market index. The index fund utilized by the SBI tracks the Wilshire 5000, a broad-based equity market indicator composed of the common stocks of all U.S.-domiciled corporations for which daily prices are available. In effect, the Wilshire 5000 represents virtually the entire domestic common stock market.

*Figure 4.
Historical
Asset Mix
FY 1985-1989*



BASIC RETIREMENT FUNDS

The Board's decision to utilize an index fund is based on the inherent difficulty of actively managing a multi-billion dollar common stock portfolio. The Board has chosen to accept market returns on a substantial portion of its common stock portfolio through the utilization of an index fund. The Board seeks above-market returns through the active management of the remaining common stock assets.

The **actively managed segment** of the Basic Funds' common stock portfolio is designed to complement the core index fund. With the index fund providing adequate diversification for the Basic Funds' total portfolio, the active managers are expected to add incremental value over the long-run through aggressive investment management decisions.

During fiscal year 1989, the SBI made several changes within its active manager group. Relationships with two firms, Fred Alger Management and Beutel Goodman Capital Management, were terminated. In April 1989, four new active managers were added in an effort to diversify the range of investment approaches represented in the active manager group. These firms are Concord Capital Management, Franklin Portfolio Associates, Rosenberg Institutional Equity Management, and Sasco Capital.

Figure 4 (con't).
Historical
Asset Mix
FY 1985-1989

	Market Value				
	1985	1986	June 30, 1987	1988	1989
Common Stocks					
\$Million	2,285.0	2,927.0	3,188.0	3,164.0	4,154.0
Percent	61.9	64.1	62.1	60.6	65.7
Bonds					
\$Million	923.0	1,083.0	1,089.0	1,178.0	1,318.0
Percent	25.0	23.7	21.2	22.5	20.8
Real Estate					
\$Million	206.0	331.0	405.0	465.0	505.0
Percent	5.6	7.3	7.9	8.9	7.9
Venture Capital					
\$Million	40.0	65.0	93.0	138.0	181.0
Percent	1.1	1.4	1.8	2.6	2.9
Resource Funds					
\$Million	25.0	42.0	68.0	78.0	96.0
Percent	0.7	0.9	1.3	1.5	1.5
Unallocated Cash					
\$Million	212.0	116.0	294.0	203.0	74.0
Percent	5.7	2.6	5.7	3.9	1.2
Total Fund					
\$Million	3,691.0	4,564.0	5,137.0	5,224.0	6,328.0

A comprehensive monitoring system has been established to ensure that the many elements of the common stock portfolio conform to the Basic Funds' investment policy. Performance benchmarks have been established for each of the Board's managers. These benchmarks enable the SBI to evaluate more effectively the managers' decision-making, both individually and in aggregate, with respect to risk incurred and returns achieved. More information on benchmarks and the Board's monitoring policies is included in the Major Developments Section.

A description of each common stock manager's investment approach is included in the Manager Summary section. Their portfolio characteristics are included in the Statistical Data Appendix.

Bond Segment

The Board allocates 24% of the Basic Funds to bonds. The SBI uses a two-part approach to the management of the bond segment:

- **Semi-Passive Management.** On an on-going basis, at least one-half of the assets allocated to bonds will be managed by semi-passive managers. At the end of fiscal year 1989, approximately 50% of the bond segment was invested using an **enhanced index** approach.
- **Active Management.** No more than one-half of the bond segment will be actively managed. At the end of the fiscal year 1989, approximately 50% of the bond segment was actively managed by a group of five external money managers.

The group of **active bond managers** was selected for its blend of investment styles. Each of the managers invests in high-quality, fixed income securities. 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 portfolio as a deflation hedge, the active managers are restricted regarding the minimum average life of their portfolios. This requirement is designed to prevent the Basic Funds' total bond portfolio from assuming an excessively short-lived position and thus, severely diluting its deflation hedge capacity. Further, the bond managers are permitted to hold only high-quality (BAA or better) fixed income assets. In addition, to avoid extreme variability in total bond segment returns, the SBI constrains the maximum duration

(average life) of the managers' portfolios to a band of three to seven years.

At the the start of fiscal year 1989, the SBI moved half of the bond segment from active to semi-passive management. The goal of the **enhanced index managers** is to add incremental value to the Salomon Broad Investment Grade (BIG) Index through the superior selection of bonds for the portfolios. The enhanced index portfolios adhere very closely to characteristics of the Salomon BIG and match its duration and maturity structure. The semi-passive managers seek to add value by exploiting perceived mispricings among individual securities or by making minor alterations in the sector weightings within the portfolio. Although the enhanced index managers seek to exceed the performance of the index, the possibility exists that the semi-passive approach may slightly underperform the target index during some periods.

A description of each bond manager's investment approach is included in the Manager Summary section. Their portfolio characteristics are presented in the Statistical Data Appendix.

Real Estate Segment

The Board allocates 10% of the Basic Funds for investment in real estate. State law authorizes the SBI to invest in real estate through commingled funds, limited partnerships and trusts. Each of the Board's real estate investments involve at least four other participants. In addition, the Board's investment may not exceed 20% of a given commingled fund, partnership or trust. State law does not permit investment in real estate through direct investments, separate accounts or individual transactions.

By investing in several open-end and closed-end commingled funds the SBI has created a large core portfolio of real estate that is broadly diversified by property type, location and financing structure. The core portfolio is designed to reflect the composition of the aggregate U.S. real estate market and, as such, is expected to earn at least 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 managers' experience, investment strategy and performance history.

No new commitments to real estate were made during fiscal year 1989. At year-end the real estate portfolio comprised 7.9% of the Basic Funds. The SBI will continue to review and add new real estate investments, as needed, to fulfill the target 10% allocation.

During the year, the SBI conducted a comprehensive review of its real estate program with the assistance of a special project consultant, Laventhol & Horwath. More information on the review is contained in the Major Developments section of this report.

A description of each real estate manager's investment approach is included in the Manager Summary section.

Venture Capital Segment

The Board allocates 2.5% of the Basic Funds to investment in venture capital. Under state law, the SBI is authorized to invest in venture capital through limited partnerships and corporations. As with real estate investments, each venture capital investment must involve at least four other investors, and the Board's investment may not exceed 20% of a particular limited partnership.

The SBI maintains a broadly diversified venture capital portfolio that is diversified across three dimensions: location, industry type and stage of corporate development of individual portfolio companies.

Prospective venture capital managers are reviewed and selected based primarily on the managers' experience, investment strategy, diversification potential and performance history.

No new venture capital commitments were made during fiscal year 1989. At year-end, the value of Basic Funds' venture capital segment was 2.9%, somewhat above its long-term target. The SBI intends to make additional investments in future years as the growth of the Basic Retirement Funds warrants the expansion of the assets committed to the venture capital segment.

A description of each venture capital manager's investment approach is included in the Manager Summary section.

Resource Fund Segment

The Board allocates 2.5% of the Basic Funds' assets for investment in oil and gas partnerships. The SBI invests in partnerships structured specifically for pension funds and other tax-exempt investors. There must be four other participants in

BASIC RETIREMENT FUNDS

each of the SBI's resource investments and the Board may invest no more than 20% of a partnership's total capital. The resource partnerships in which the Board invests concentrate their investments in producing properties and royalty interests that are diversified geographically and/or geologically.

Resource investments are selected based on the managers' experience, investment strategy and performance history.

During fiscal year 1989, the Board made a new commitment to an oil and gas royalty trust initiated by British Petroleum. At year-end, the value of the resource fund segment comprised 1.5% of the Basic Funds. The Board plans to continue to review resource investments for possible inclusion in the portfolio.

A description of each resource fund manager's investment approach is included in the Manager Summary section.

Unallocated Cash

The Board allocates 1% of the Basic Funds to cash. Given the long term objectives of the Basic Funds and their limited liquidity needs, the Board believes that a minimal commitment to short-term investments is most appropriate.

These cash reserves, as well as any cash held by stock and bond managers, are invested in a short-term investment fund (STIF) managed by State Street Bank and Trust, the Basic Funds' master custodian. The STIF is a separate account invested under the same state statutes which guide all of the SBI's short-term investments.

INVESTMENT PERFORMANCE

The Board has adopted performance objectives which are consistent with the objectives of the Basic Funds and realistic because they are both attainable and measurable. The evaluation of performance outcomes relative to established policy is an integral part of the SBI's investment program.

Evaluation Framework

Given the long-term investment time horizon of the Basic Funds, the performance evaluation time period is necessarily long-term as well. Recognizing that excessive attention to performance in the short-run can be counterproductive, the SBI evaluates investment performance over a time horizon of approximately three to five years (roughly corresponding to a typical market cycle). While performance is measured and reviewed quarterly to

BASIC RETIREMENT FUNDS

identify trends and control extreme underperformance, decisions regarding the effectiveness of the Board's investment program are made over a considerably longer period.

The Basic Funds' multi-manager structure requires that investment performance be evaluated on two distinct levels:

- **Total Fund.** Risk-return targets for the total fund ensure that long-run strategic decisions which affect the total performance of the Basic Funds are implemented in a manner consistent with their investment policy. Specific standards have been selected to monitor performance on a total fund level.
- **Individual Managers.** Risk-return objectives for the individual managers are designed to ensure that they adhere to their assigned investment roles and to permit an evaluation of the value they add to the SBI's investment program. Individual benchmarks have been developed for each manager to monitor performance at the manager level.

Total Fund Performance

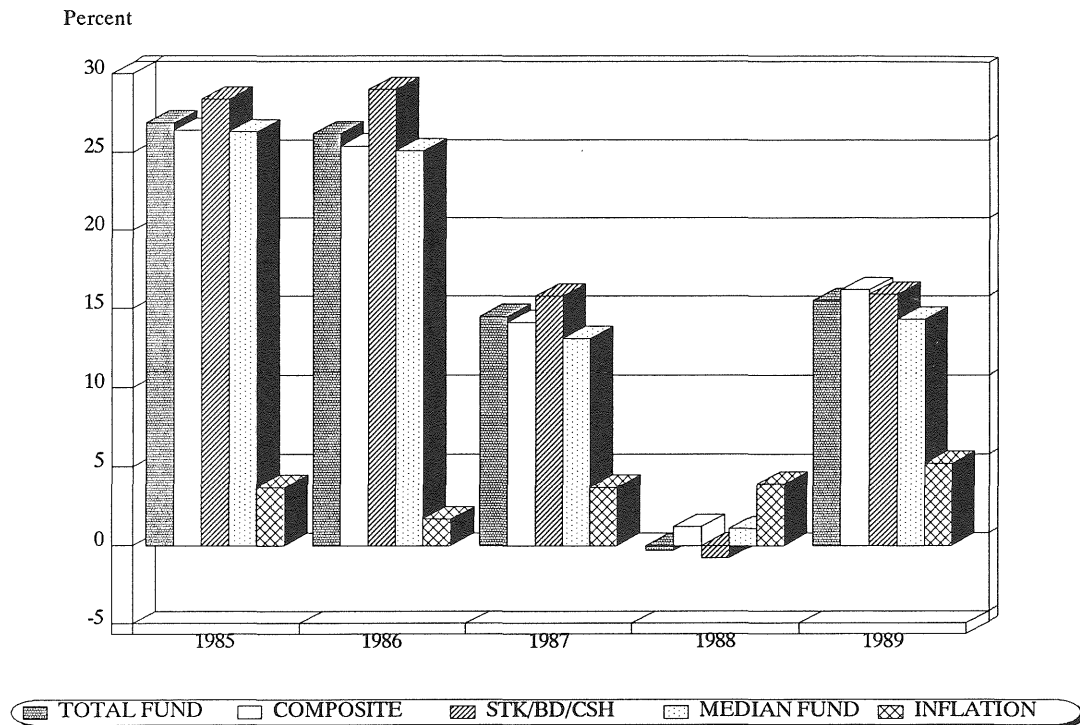
To a significant degree, the risk level of the total fund is set implicitly when the asset allocation and investment management structure are determined. Given the adequate funding levels and long-term investment time horizon of the Basic Funds, the Board believes an above-average risk posture is appropriate.

The Board's objective is to take advantage of the established relationship between risk and return. Higher risk investment strategies have been shown to offer higher long-run returns than lower risk strategies. The SBI's risk target is implemented by committing the majority of the Basic Funds' assets to common stocks.

The Basic Funds' **risk objectives** are implicitly met by attaining the targeted policy asset mix. In this regard, the common stock and bond targets have been achieved. (The common stock segment was temporarily overweighted at the close of the year due to the transfer of stock assets from the Variable Annuity Fund to the Basic Funds on June 30, 1989.) The Basic Funds began commitments to real estate, venture capital and resource funds in the early to mid 1980's. With alternative investments near their policy targets, only moderate additional activity is expected over the next several years.

The Basic Funds' **long-term rate of return target performance** is evaluated relative to three specific standards:

Figure 5.
Total Fund Performance
Fiscal Years 1985 - 1989



	1985	1986	1987	1988	1989	(Annualized)	
						3 YR.	5 YR.
Total Fund	26.9%	26.2%	14.5%	-0.3%	15.5%	9.7%	16.1%
Composite Index*	26.4	25.4	14.1	1.2	16.2	10.3	16.3
Stocks, Bonds, Cash Only	28.4	29.0	15.8	-0.8	15.9	10.0	17.1
Median Fund**	26.3	25.1	13.1	1.1	14.3	9.6	16.6
Inflation	3.7	1.7	3.7	3.9	5.2	4.3	3.7

* 60% Wilshire 5000/22% Salomon Broad Investment Grade Bond Index/10% Real Estate Funds/3% 91 Day T-Bills/2.5% Venture Capital Funds/2.5% Resource Funds

** Wilshire Assoc. Trust Universe Comparison Service (TUCS) median balanced portfolio. TUCS contains returns of more than 800 public and private funds.

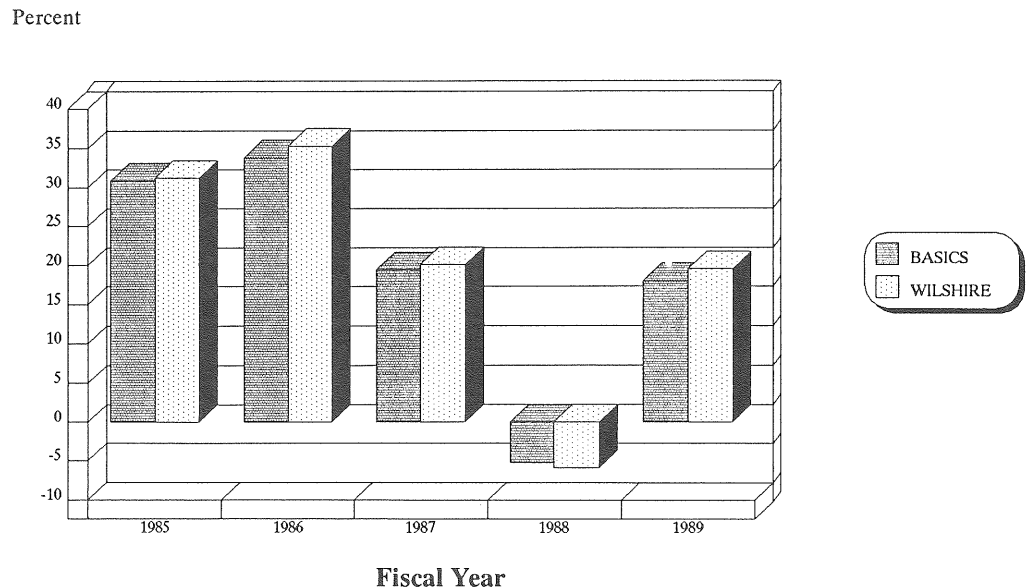
BASIC RETIREMENT FUNDS

- **Real Return.** Over a ten year period, the Basic Funds are expected to produce returns that exceed inflation by 3-5 percentage points annually.
- **Composite Index.** Over a five year period, the returns produced by the total portfolio are expected to exceed those derived from a composite of market indices weighted in the same proportion as the Basic Funds' long-term asset allocation.
- **Median Fund.** Over a five year period, the Basic Funds' portfolio, excluding alternative assets, are expected to outperform the median return produced by a representative sample of other public and private pension and trust funds with a balanced asset mix of stocks and bonds.

Overall, the Basic Funds have performed well compared to these standards:

- **Real Return.** Over the last ten years, the Basic Funds have exceeded inflation by 7.1 percentage points annualized. For fiscal year 1989, the Funds' return surpassed inflation by 13.3 percentage points.

Figure 6.
Stock Segment
Performance
FY 1985-1989



	1985	1986	1987	1988	1989	(Annualized)	
STOCK SEGMENT	30.9%	33.8%	19.4%	-5.2%	18.0%	3 YR.	5 YR.
Wilshire 5000	31.2	35.3	20.1	-5.9	19.5	10.1%	18.5%
						10.5	19.1

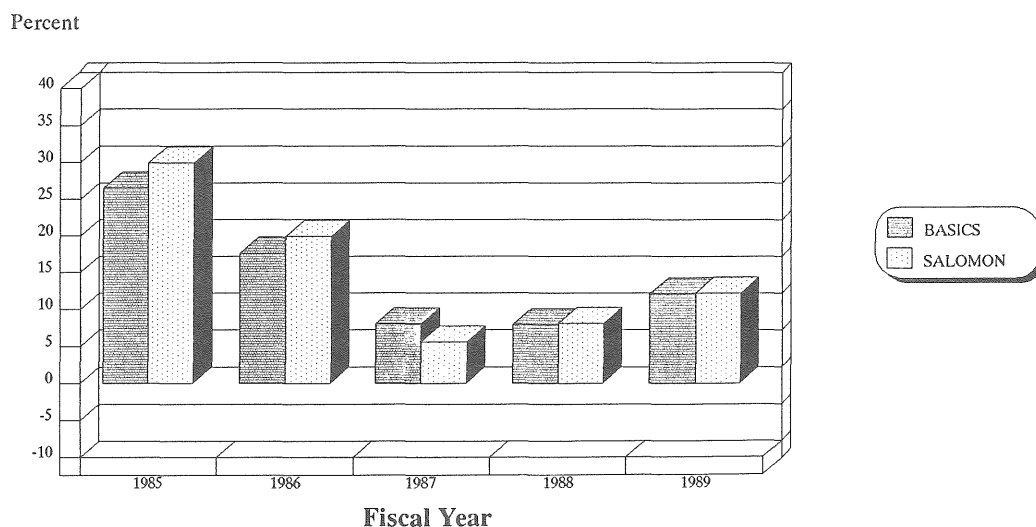
BASIC RETIREMENT FUNDS

- **Composite Index.** Over the last five years, the Basic Funds have underperformed their market index composite by a small amount, 0.2 percentage points annualized. For fiscal year 1989, the Funds underperformed the composite by 0.7 percentage points.
- **Median Fund.** Over the last five years the Basic Funds, excluding alternative assets, were in the top half (39th percentile) of public and private pension funds in the Wilshire Associates Trust Universe Comparison Service (TUCS). For fiscal year 1989, the Basic Funds ranked in the top third (29th percentile) of TUCS.

Fiscal year 1989 was a favorable period for institutional investors such as the SBI. The stock market made very strong gains and continued to move upward after its steep drop in October 1987. The bond market provided attractive returns as well, due to a decline in interest rates and corresponding increase in the market value of bonds during the last few months of the fiscal year.

Despite the dramatic stock market drop in October 1987, the financial markets have provided exceptional returns in recent

*Figure 7.
Bond Segment
Performance
FY 1985-1989*



	1985	1986	1987	1988	1989	(Annualized) 3 Yr.	5 Yr.
BOND SEGMENT	26.5%	17.6%	7.9%	7.9%	12.1%	9.3%	14.2%
Salomon Index*	29.9	19.9	5.6	8.1	12.2	8.6	14.8

* Salomon Broad Investment Grade Bond Index

years. Given its long-term asset allocation, the Basic Funds have been well positioned to take advantage of these favorable markets. Over the last five years, the Basic Funds have provided a cumulative return of 120.5%, excluding alternative assets.

Performance relative to total fund targets is presented in Figure 5. Common stock and bond segment performance are shown in Figure 6 and Figure 7.

Stock Manager Performance

Two primary long-run risk objectives have been established for the Basic Funds' common stock managers:

- **Investment Approach.** Each manager (active or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the manager's stated investment approach.
- **Diversification.** Each active common stock manager is expected to hold a highly non-diversified portfolio, while the index fund manager is expected to hold a well-diversified portfolio that tracks the entire stock market.

In the short-run, the active common stock managers may depart from these two risk targets as part of their specific investment strategies.

*Figure 8.
Stock Manager
Performance
FY 1989*

	Total Portfolio Return	Benchmark Return
Alliance Capital	19.2%	16.0
BMI Capital	8.7	16.2
Forstmann Leff	10.4	14.9
IDS Advisory	13.7	18.7
Investment Advisers	15.2	18.4
Lieber & Company	14.8	13.1
Waddell & Reed	10.6	12.0
Wilshire Associates (index fund)	19.4	19.4
Basic Funds' Common Stock Segment*	18.0%	
Stock Segment Performance Standards		
Wilshire 5000	19.5%	
TUCS Median Managed Equity Portfolio	17.8	
Inflation	5.2%	

* includes performance of any manager retained for less than the full fiscal year

The common stock managers successfully fulfilled their long term risk objectives during fiscal year 1989. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

The SBI evaluates the common stock managers' returns against the performance of customized indices constructed to represent the managers' specific investment approaches. These custom indices are commonly referred to as "benchmark portfolios." The **benchmark portfolios** take into account the equity market forces that at times favorably or unfavorably impact certain investment styles. Thus, the benchmarks are more appropriate **return targets** against which to judge the managers' performances than are broad market indices.

From a return perspective, common stock manager performance was disappointing. Two active managers, Alliance and Lieber, exceeded their benchmarks for the year. The remaining active managers underperformed their benchmarks by varying amounts. As expected, the index fund manager closely tracked the performance of the Wilshire 5000 for the year. As a group, the active and passive managers underperformed the broad market by 1.5 percentage points during fiscal year 1989.

Performance data for the individual common stock managers are presented in Figure 8.

*Figure 9.
Bond Manager
Performance
FY 1989*

	Total Portfolio Return	Benchmark Return
Investment Advisers	14.0%	12.6%
Lehman Management	12.7	11.4
Miller, Anderson & Sherrerd	9.6	12.2
Morgan Stanley	10.1	10.5
Western Asset	14.5	12.4
Fidelity Management (enhanced index)	12.0	12.2
Lincoln Capital (enhanced index)	12.2	12.2
 Basic Funds' Bond Segment	 12.1%	
 Bond Segment Performance Standards		
Salomon Broad Investment		
Grade Bond Index	12.2%	
TUCS Median Managed Bond Portfolio	11.7	
 Inflation	 5.2%	

Bond Manager 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. The managers are restricted in terms of the duration (average life) of their portfolios and the quality of their fixed income investments.

The bond managers successfully fulfilled their long-term risk objective during fiscal year 1989. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of quality and duration.

During fiscal year 1989, the **returns** of each of the Board's active bond managers was evaluated relative to a customized **benchmark portfolio**. Three of the active managers (Investment Advisers, Lehman, Western) outperformed their benchmarks for the year. The semi-passive managers performed well within expectations for tracking error during their first year of operation. As a group, the active and semi-passive managers nearly matched the performance of the bond market for fiscal year 1989.

Performance data for the individual bond managers are presented in Figure 9.

Alternative Asset Managers

At this time, specific performance objectives have not been established for the alternative asset managers. The long-term nature of these investments and the lack of comprehensive data on the returns provided by the real estate, resource, and venture capital markets preclude comprehensive performance evaluation. In the future, as markets for these assets become more institutionalized, the SBI will fully integrate appropriate performance standards for these assets into its performance analysis.

POST RETIREMENT FUND

Investment Objectives

Asset Allocation

Investment Management

Investment Performance

The Post Retirement Investment Fund contains the pension assets of retired public employees covered by nine statewide retirement plans (i.e. the Basic Retirement Funds and the Legislative & Survivors Retirement Fund).

The assets of the Post Fund finance monthly annuities paid to retirees. These annuities may be adjusted upwards based on the earnings of the Post Fund. On June 30, 1989, the Post Fund had a market value of \$5.0 billion with over 55,000 retiree participants.

INVESTMENT OBJECTIVES

Actuarial Assumed Return

Public employees participating in the statewide retirement plans are promised benefits based on their total years of service and their "high five" average salaries. When an employee retires, a sum of money sufficient to finance a fixed monthly annuity is transferred from accumulation pools in the Basic Funds to the Post Fund. In order to support promised benefits, the Post Fund must "earn" at least 5% on its invested assets each year. If the Post Fund exceeds this earnings rate, excess earnings are used to finance permanent benefit increases for eligible retirees.

Earnings Objectives

Within this framework, the State Board of Investment (SBI) pursues two objectives for the Post Fund:

- To generate 5% realized earnings each year to maintain current benefits.
- To generate at least 3% additional realized earnings each year to provide annual benefit increases to eligible retirees.

The Board views the first of these two objectives as being of primary importance. Furthermore, to achieve these two objectives, the SBI recognizes that the Post Fund requires a completely different investment approach than that applied to the Basic Retirement Funds.

POST RETIREMENT INVESTMENT FUND

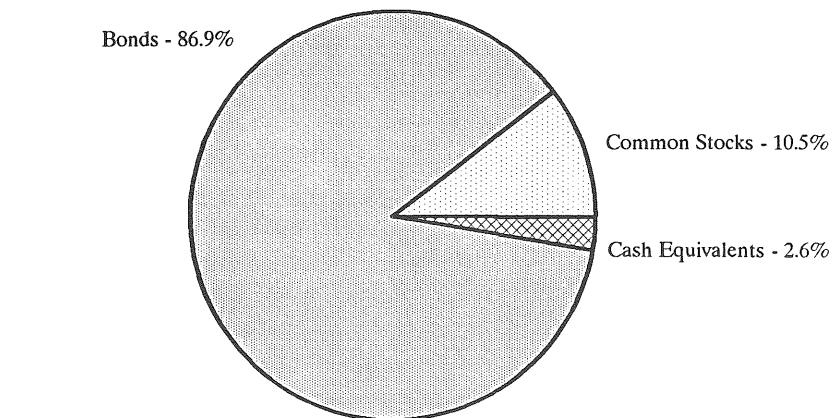
The ability of the Post Fund to maintain current benefit levels and provide future benefit increases depends upon its realized earnings. State statutes define earnings for the Post Fund as interest and dividend income as well as realized equity and fixed income capital gains (or losses). Unrealized capital gains (or losses) have no direct impact on the benefits paid out to retirees. Unrealized capital gains (or losses) are excluded from defined earnings in order to make benefit payments largely insensitive to near-term fluctuations in the capital markets. (More information on the benefit increase formula is included in the Statistical Data Appendix.)

As a result, the Post Fund is not oriented toward long-term total rate of return maximization. Rather, the SBI attempts to generate a high, consistent stream of earnings for the Post Fund that will maintain current benefits, as well as produce income sufficient to increase benefits over time.

ASSET ALLOCATION

The Board has designed the asset mix of the Post Fund to generate the sizable stable earnings stream referred to in the

Figure 10.
Asset Mix
June 30, 1989



	Market Value	
	\$Millions	Percent
Common Stocks	\$524	10.5%
Bonds	4,358	86.9
Unallocated Cash	132	2.6
Total	\$5,014	100.0%

previous section. The Post Fund's year-end asset mix is presented in Figure 10. Historical asset allocation data is shown in Figure 11.

Dedicated Bond Portfolio

The SBI invests the majority of the Post Fund's assets in a dedicated bond portfolio. A dedicated bond portfolio is a collection of high-quality bonds with various maturities which generate cash flows from income and principal payments that match a specific stream of liabilities or benefit payments. The highly predictable benefits owed to the Post Fund's retired participants and the high real interest rates that have existed in recent years have created an ideal situation to employ a dedicated bond portfolio.

The dedicated bond portfolio facilitates the attainment of the Post Fund's two objectives. Most importantly, it ensures that funds are available at the required times to meet promised benefit payments. Also, the dedicated bond portfolio consistently earns enough additional interest income to permit a minimum annual benefit increase of 3%, provided the portfolio yields at least 8% on an annual basis. If the portfolio yield is greater than 8% or if stock investments do well, as was the case in recent years, the Post Fund can offer eligible retirees even more than this floor benefit increase.

Common Stocks

While bonds represent the largest asset class in the Post Fund's total portfolio, common stocks also play an important role. Common stocks provide the Post Fund with a source of long-run earnings growth not available from fixed income investments. In recent years, realized gains on common stocks have contributed importantly to large benefit increases.

Unallocated Cash

Cash equivalents make up the remainder of the Post Fund's portfolio. Because the Post Fund's cash needs are very predictable, the SBI generally maintains a very small cash equivalents allocation. However, large cash flows into the Post Fund, which frequently occur at fiscal year-end, give a distorted view of the Post Fund's normal allocation to the segment.

Changes in Asset Mix

During fiscal year 1989, the asset mix of the Post Fund did not change significantly. In prior years, the substantial decline in interest rates necessitated an increase in the size of the dedicated bond portfolio and a concomitant reduction in the size of the common stock portfolio. With lower interest rates, new cash flows into the Post Fund are invested at lower yields than in the recent past. If interest rates remain at relatively low levels, the size of the common stock portfolio will continue to shrink slowly as the dedicated bond portfolio grows larger.

INVESTMENT MANAGEMENT

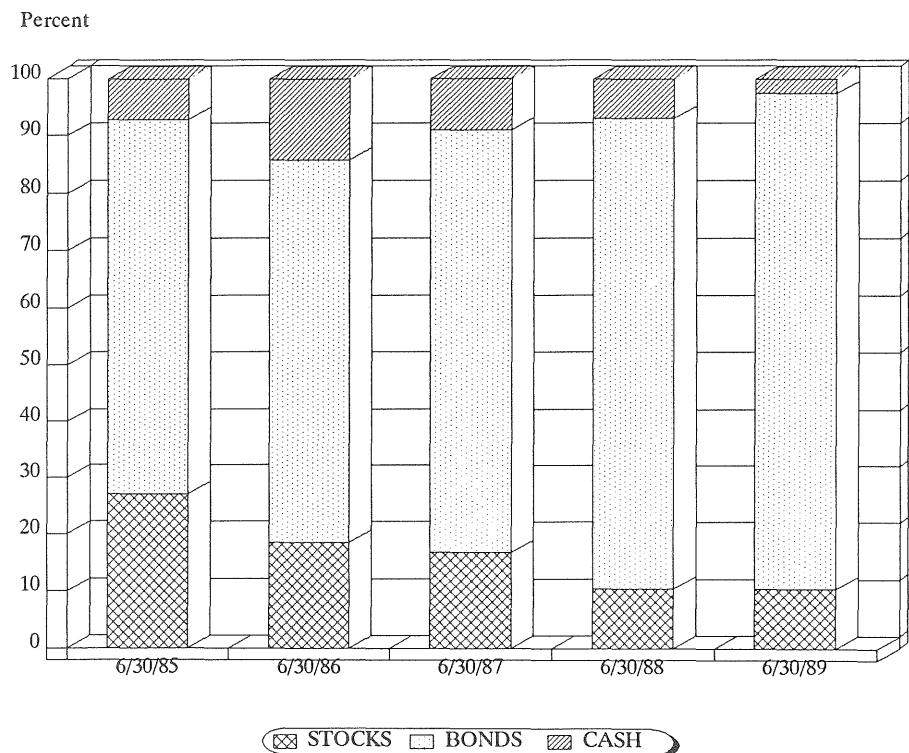
The Post Fund is managed almost entirely by SBI staff. The Board relies heavily on internal management for two reasons:

- **Dedicated Bond Portfolio.** The low turnover, limited discretion nature of the dedicated bond portfolio makes bond management by SBI staff cost effective.
- **Investment Constraints.** With respect to common stock management, the Post Fund's equity manager must be concerned with generating current income and avoiding realized losses. Most external investment managers are not used to functioning under the Post Fund's unique investment requirements. SBI staff, on the other hand, has operated under these constraints since the Post Fund's inception.

Bond Management

As described earlier, the dedicated bond portfolio represents the bulk of the Post Fund's assets. Staff constructs the lowest cost portfolio, within established constraints, that produces sufficient cash flows to fund promised benefit payments and maintains adequate quality levels.

*Figure 11.
Historical
Asset Mix
FY 1985-1989*



POST RETIREMENT INVESTMENT FUND

The management of the dedicated bond portfolio requires that the State's actuary supply the SBI with forecasts of benefit payments expected to be paid over a twenty-five year horizon. Based upon these forecasts, a computer program generates a list of bonds that will meet these forecasted benefit payments. Staff then attempt to purchase the recommended issues. If these bonds are not available, substitute bonds are purchased. Staff rebalance the dedicated bond portfolio annually following the receipt of the benefit payment projections from the State's actuary.

Common Stock Management

The focus of SBI staff's common stock management is long-term, value-based stock selection. Staff generally implement less aggressive investment strategies than those utilized by the Basic Retirement Funds' active stock managers. As the only common stock manager for the Post Fund, staff recognize the diversification requirements of the Post Fund's stock portfolio. Further, SBI staff are aware of the Post Fund's need to avoid investment strategies which generate high portfolio turnover and which, at times, could result in sizable realized losses.

SBI staff attempt to identify stocks that have attractive expected returns, yet do not possess significantly high levels of market

*Figure 11 (con't).
Historical
Asset Mix
FY 1985-1989*

	Market Value				
	June 30,				
	1985	1986	1987	1988	1989
Common Stocks					
\$Million	733.0	681.0	673.0	446.0	524.0
Percent	27.1	18.6	16.8	10.5	10.5
Bonds					
\$Million	1,780.0	2,457.0	2,965.0	3,511.0	4,358.0
Percent	65.7	67.2	74.2	82.5	86.9
Unallocated Cash					
\$Million	196.0	520.0	359.0	301.0	132.0
Percent	7.2	14.2	9.0	7.0	2.6
Total Fund					
\$Million	2,709.0	3,658.0	3,997.0	4,258.0	5,014.0
Percent	100.0	100.0	100.0	100.0	100.0

volatility. Staff use recommendations generated by quantitative valuation models as the primary source of investment candidates. Staff always maintain a fully invested position in the equity portfolio.

Cash Enhancement

The SBI has established a cash enhancement program using financial futures for a portion of the Post Fund's cash reserves. Low risk stock index futures investment strategies are employed to improve the rate of return earned on cash equivalents. The strategies are low risk because each investment is fully hedged. That is, stock index futures contracts are simultaneously bought and sold, thereby eliminating market risk. The underlying mispricings between the contracts provide the source of returns to the cash enhancement program.

The Board has retained BEA Associates, New York, NY, a firm specializing in the management of financial futures, to manage the cash enhancement program.

INVESTMENT PERFORMANCE

Because of its focus on generating current income, the risk composition of the Post Fund's investment portfolio is conservatively structured. The majority of the Post Fund's assets are invested in high-quality bonds. Further, the Post Fund's common stock portfolio maintains a relatively high level of diversification and a moderate level of relative market volatility.

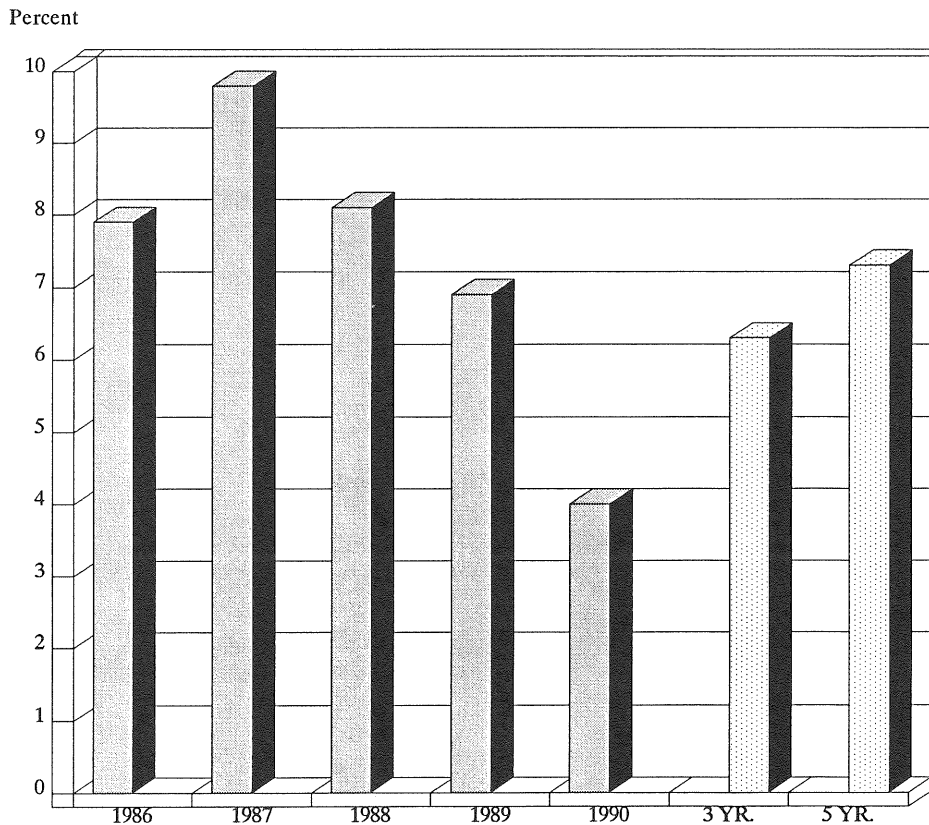
Total Fund Performance

In terms of long-term rate of return objectives, the Fund's investment results are compared to two standards:

- **Actuarial Assumptions.** In order to finance promised benefit payments, the Post Fund must generate a level of interest and dividend income which, combined with realized net capital gains, meets the Post Fund's actuarial assumption of 5% per year.
- **Benefit Increase Level.** The Post Fund is expected to produce additional earnings sufficient to allow benefits to increase by at least 3% per year.

The Post Fund's total portfolio met all of the prescribed risk targets during the 1989 fiscal year. The Post Fund was approximately 87% invested in bonds with an average quality rating of AAA. The Post Fund's common stock portfolio maintained a slightly above average level of relative market volatility and was consistently well diversified.

Figure 12.
Benefit Increases
Calendar Years 1986-1990



	1986	1987	1988	1989	1990	(Annualized)	
						3 YR.	5 YR.
Benefit Increase	7.9%	9.8%	8.1%	6.9%	4.0%	6.3%	7.3%

Benefit increases are intended to compensate, to some degree, for the effect of inflation. As measured by the Consumer Price Index (CPI) inflation increased by 3.7% on an annualized basis over the last five years (calendar 1985-1989).

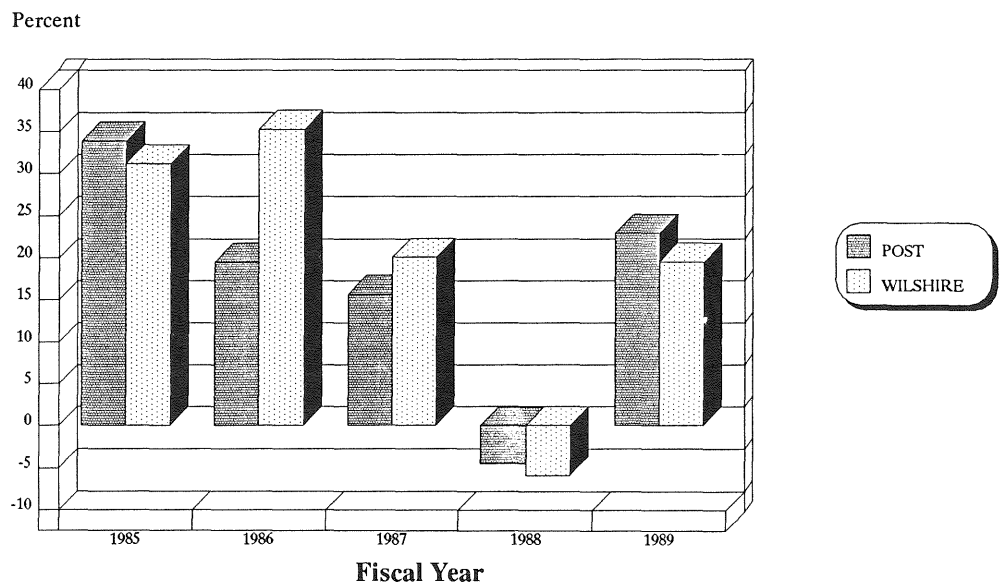
POST RETIREMENT INVESTMENT FUND

Overall, investment **returns** relative to performance objectives were satisfactory for the 1989 fiscal year. The Post Fund generated income and realized net capital gains in excess of the amount needed to fund promised benefits. The surplus earnings will permit a benefit increase of 4.0% beginning January 1, 1990.

As shown in Figure 12, the Post Fund has generated benefit increases of 7.3% on an annualized basis over the last five years. During this period, investment returns were high compared to inflation, which increased at an annualized rate of 3.7%. The formula used to compute benefit increases was revised in 1980. During the ten years since the revised formula was instituted, benefit increases have been 6.8% on an annualized basis. This compares to an annualized inflation rate of 5.1% for the same period.

More information on the benefit increase formula is included in the Statistical Data Appendix.

*Figure 13.
Stock Segment
Performance
FY 1985-1989*



	1985	1986	1987	1988	1989	(Annualized)	
						3 YR.	5 YR.
STOCK SEGMENT	33.9%	19.5%	15.7%	-4.5%	22.9%	10.7%	16.8%
Wilshire 5000	31.2	35.3	20.1	-5.9	19.5	10.5	19.1

POST RETIREMENT INVESTMENT FUND

Segment Performance

Common stock performance, on a relative basis, was favorable. The contrarian value style pursued by the Post Fund's internal equity manager outperformed the Wilshire 5000 by 3.5 percentage points for the fiscal year. Historical performance data on the stock segment of the Post Fund is shown in Figure 13.

At the end of fiscal year 1989, the **dedicated bond portfolio** had a duration or average life of 8.0 years and a current yield of 7.7%. This is consistent with the design of the dedicated bond portfolio. More information on the dedicated bond portfolio is shown in Figure 14.

During fiscal year 1989, the **cash enhancement program** produced a 9.2% total rate of return. This is substantially above the rate of return generated by investments in 91-day Treasury Bills and indicates the cash enhancement program met its objective during its second year of operation.

*Figure 14.
Dedicated Bond
Portfolio
Statistics
June 30, 1989*

Value at Market	\$ 4,273,789,014
Value at Cost	3,875,581,151
Average Coupon	5.67%
Current Yield	7.69
Yield to Maturity	8.54
Current Yield at Cost	8.48
Time to Maturity	15.95 Years
Average Duration	8.00 Years
Average Quality Rating	AAA
Number of Issues	413

SUPPLEMENTAL INVESTMENT FUND

Income Share Account

Growth Share Account

Common Stock Index Account

Bond Market Account

Money Market Account

Guaranteed Return Account

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employees. The different participating groups use the Supplemental Fund for a variety of purposes:

- It functions as the investment manager for all assets of the Unclassified Employees Retirement Plan.
- It acts as the investment manager for all assets of the supplemental retirement programs for state university and community college teachers and for Hennepin County Employees.
- It is one investment vehicle offered to public employees as part of the state's Deferred Compensation Plan.
- It serves as an external money manager for a portion of some local police and firefighter retirement plans.

The Supplemental Investment Fund serves more than 17,000 individuals. On June 30, 1989, the market value of the entire fund was \$426 million.

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 investment objectives, asset allocation, investment management and investment performance of each existing account in the Supplemental Fund are explained in the following sections.

Range of Investment Options

Participants in the Supplemental Fund have six different investment options:

- **Income Share Account**, a balanced portfolio of stocks and bonds
- **Growth Share Account**, a portfolio of actively managed common stocks
- **Common Stock Index Account**, a passively managed common stock portfolio
- **Bond Market Account**, an actively managed fixed income portfolio
- **Money Market Account**, a portfolio of liquid, short term debt securities
- **Guaranteed Return Account**, an investment option utilizing guaranteed investment contracts (GIC's)

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 unit value.

In the Income Share Account, the Growth Share Account, the Common Stock Index Account and the Bond Market Account, shares are priced monthly based on the market value of the entire 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 Guaranteed Return Account, share values remain constant and the accrued interest income is credited to the accounts through the purchase of additional shares at predetermined intervals.

The investment returns shown in this report are calculated using a time-weighted rate of return formula. These returns may differ slightly from calculations based on share values, due to the movement of cash flows in and out of the accounts.

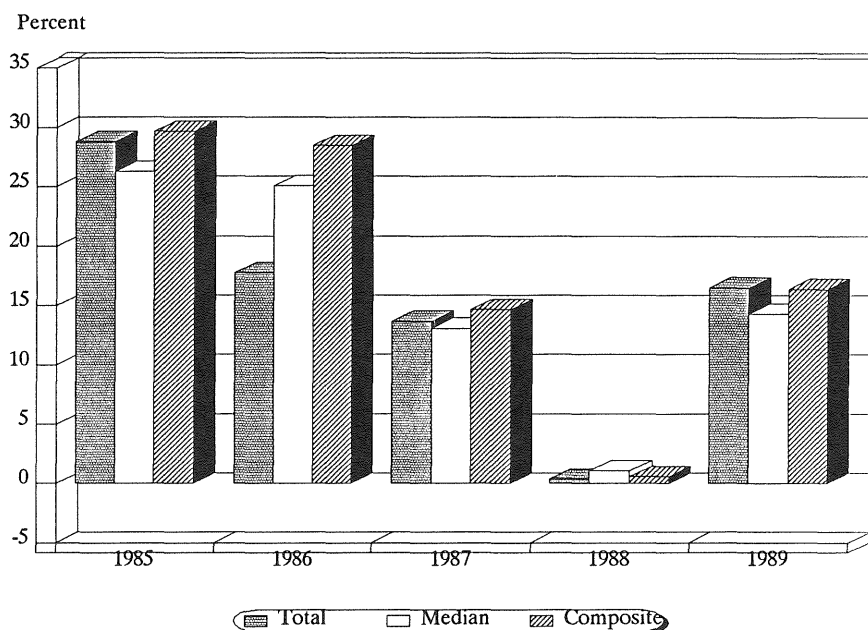
INCOME SHARE ACCOUNT

Objective

The \$222 million Income Share Account resembles the Basic Retirement Funds in terms of investment objectives. The Account seeks to maximize long-term inflation-adjusted rates of return. The Income Share Account pursues this objective within the constraints of protecting against disastrous 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. The Account's policy asset allocation calls for the following long-term asset mix: **60% common stocks, 35% bonds, 5% cash equivalents**. Common stocks provide the potential for significant long-term capital appreciation, while bonds provide both a hedge against deflation and the diversification needed to limit excessive portfolio return volatility.

Figure 15.
Income Share
Account
FY 1985-1989



	1985	1986	1987	1988	1989	(Annualized)	
						3 YR.	5 YR.
TOTAL ACCOUNT	28.9%	17.8%	13.7%	0.4%	16.5%	10.0%	15.1%
Median Fund*	26.3	25.1	13.1	1.1	14.3	9.6	16.6
Composite**	29.7	28.5	14.7	0.6	16.4	10.3	17.5

* TUCS Median Balanced Portfolio

** 60% Wilshire 5000/35% Salomon Broad Investment Grade Bond Index/5% 91 day T-Bills

Management The Income Share Account's investment management structure combines internal and external management. SBI staff manage the entire fixed income segment. Currently, the entire common stock segment is managed by Wilshire Associates as part of a passively managed index fund designed to track the Wilshire 5000. Prior to April 1988, a significant portion of the stock segment was actively managed.

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 policy asset allocation. In addition, the Income Share Account's performance is expected to exceed the performance of the median fund from a universe of other balanced funds over the long term.
- **Individual Manager.** The passive stock manager is expected to track closely the performance of the Wilshire 5000. The internal bond manager for the account is expected to exceed the performance of the Salomon Broad Investment Grade Bond Index.

The Income Share Account provided a return of 16.5% for fiscal year 1989, outperforming its market index composite and the median fund. A five year history of performance results is presented in Figure 15.

GROWTH SHARE ACCOUNT

Objective The Board has established above-average capital appreciation as the primary investment objective of the \$73 million Growth Share Account. To achieve this objective, the Account maintains a large equity exposure with the following long-term asset allocation: **95% common stocks, 5% cash equivalents.**

The small cash equivalents component represents the normal cash reserves held by the Growth Share Account as a result of new contributions not yet allocated to common stocks. The Growth Share Account's asset mix may vary from its assigned policy allocation at times, depending on the Account managers' near-term outlook for the capital markets.

SUPPLEMENTAL INVESTMENT FUND

Because of its substantial common stock policy allocation, the Growth Share Account's returns are more variable than those of the balanced Income Share Account. The Board expects higher long-run returns from the Growth Share Account's investments to compensate for the additional variability of returns.

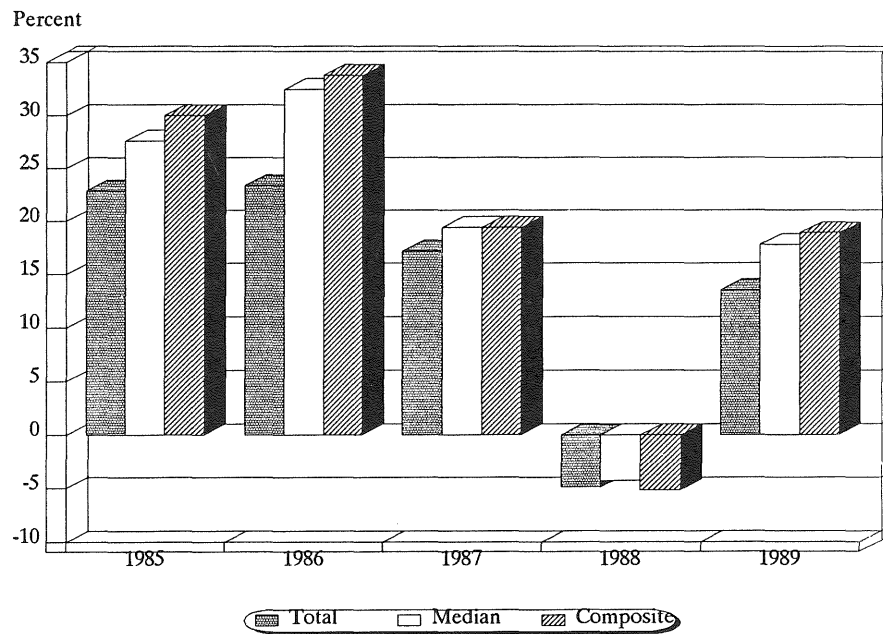
Management

The SBI has assigned the entire common stock portfolio of the Growth Share Account to external managers. The allocation to active common stock managers, rather than to an index fund, reflects the more aggressive investment policy of the Growth Share Account. Currently, these assets are managed by the same active managers utilized by the Basic Retirement Funds. Prior to April 1988, a significant portion of the account was invested by other active managers.

Performance

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

Figure 16.
Growth Share
Account
FY 1985-1989



	1985	1986	1987	1988	1989	(Annualized)	
						3 YR.	5 YR.
TOTAL ACCOUNT	22.9%	23.4%	17.2%	-4.9%	13.5%	8.1%	13.9%
Median Fund*	27.6	32.5	19.4	-4.3	17.8	11.1	19.2
Composite**	30.0	33.8	19.4	-5.2	18.9	10.4	18.6

* TUCS Median Managed Equity Portfolio

** 95% Wilshire 5000/5% 91 Day T-Bills

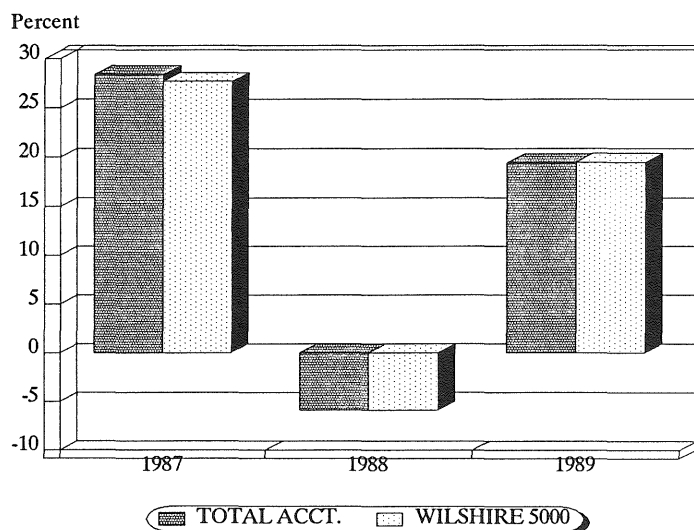
- **Total Account.** The Growth Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as its policy asset allocation. The Account's performance is also expected to surpass the performance of the median portfolio from a universe of managed equity portfolios.
- **Individual Manager.** Performance objectives for the external managers are described in the Basic Retirement Funds discussion.

The Growth Share Account underperformed both the composite and median manager for the year due to its concentration in small and growth oriented stocks. This segment of the market underperformed the broad indices by a considerable margin. A five year history of performance results is shown in Figure 16.

COMMON STOCK INDEX ACCOUNT

The Common Stock Index Account began accepting contributions at the end of July, 1986. At the end of fiscal year 1989, it had a market value of \$5 million.

Figure 17.
Common Stock
Index Account
FY 1987-1989



	1987*	1988	1989	Annualized 3 Yr.*
Total Account	28.4%	-5.9%	19.4%	13.4%
Wilshire 5000	27.7	-5.9	19.5	13.2

* Since July 30, 1986.

SUPPLEMENTAL INVESTMENT FUND

Objective The investment objective of the Common Stock Index Account is to generate returns that match the performance of the common stock market, as represented by the Wilshire 5000. To accomplish this objective, the SBI allocates all of the Common Stock Index Account's assets to **passively managed common stocks**.

This 100% common stock allocation means that the Common Stock Index Account's returns, like those of the Growth Share Account, are more variable than the returns produced by the balanced Income Share Account. The Board expects that this greater variability in returns will be compensated over the long-run by higher returns.

Management The Common Stock Index Account is invested entirely by Wilshire Associates, the SBI's passive stock manager.

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

During fiscal year 1989, the Common Stock Index Account produced a return of 19.4%, 10 basis points under the Wilshire 5000. This is well within the range of acceptable tracking error.

Total account results for prior years are shown in Figure 17.

BOND MARKET ACCOUNT

The Bond Market Account began accepting contributions at the end of July, 1986. At the end of fiscal year 1989, the market value of the Account was \$3 million.

Objective The Bond Market Account offers participants a means of adding a fixed income component to their set of investments. The account is **invested entirely in investment-grade government and corporate bonds** with intermediate to long maturities.

SUPPLEMENTAL INVESTMENT FUND

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 all-common stock investment options.

Management

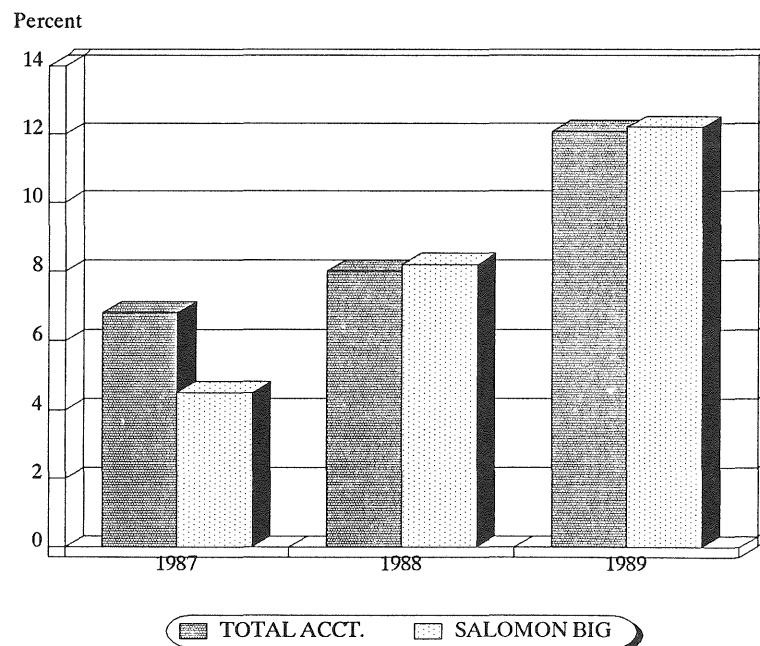
The SBI has assigned the entire bond portfolio to external managers. These assets are managed by the same active managers utilized by the Basic Retirement Funds. A discussion of the SBI's active bond managers is presented in the Basic Funds section.

Performance

The Bond Market Account is expected to exceed the performance of the bond market, as represented by the Salomon Broad Investment Grade Bond Index. For fiscal year 1989, the Bond Market Account slightly trailed this target, with a 12.1% return compared to the Salomon index return of 12.2%.

Total account results for prior years are shown in Figure 18.

*Figure 18.
Bond Market
Account
FY 1987-1989*



	1987*	1988	1989	Annualized 3 Yr*.
Total Account	6.8%	8.0%	12.1%	9.2%
Salomon Index	4.5	8.2	12.2	8.6

* Since July 30, 1986.

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 1989, the Money Market Account had a market value of \$74 million.

Management

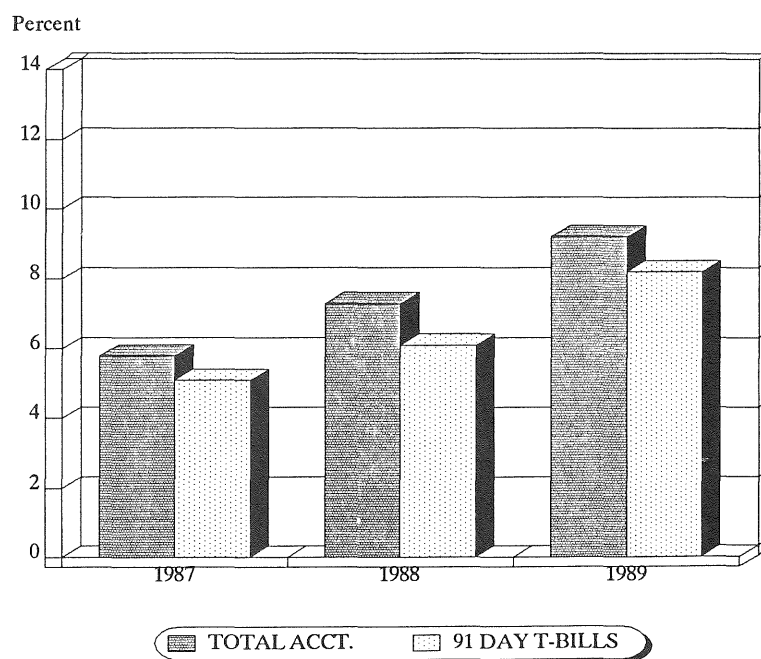
The Account utilizes the same short-term investment manager as the Basic Retirement Funds, which is State Street Bank and Trust Company.

Performance

The Account is expected to produce returns competitive with those available short-term debt securities. The Money Market Account exceeded that target in fiscal year 1989 with a 9.2% return versus a return on 91-day Treasury Bills of 8.2%.

Total account results for prior years are shown in Figure 19.

Figure 19.
Money Market
Account
FY 1987-1989



	1987*	1988	1989	Annualized 3 Yr.*
Total Account	5.8%	7.3%	9.2%	7.7%
91 Day T-Bills	5.1	6.1	8.2	6.6

* Since July 30, 1986.

GUARANTEED RETURN ACCOUNT

Objective The Guaranteed Return Account opened for subscription in November, 1986. The Guaranteed Return Account is designed to offer participants a fixed rate of return for a specified period of time with negligible risk. At the end of fiscal year 1989, the account totaled \$49 million.

Management The SBI invests the Guaranteed Return Account in **three-year guaranteed investment contracts** (GIC's) offered by major U.S. insurance companies and banks. Annually, the SBI accepts bids from banks and insurance companies that meet financial quality criteria defined by State statute. Generally, the insurance company or bank bidding the highest three-year GIC interest rate will be awarded the contract for the three-year period. Participants in the Guaranteed Return Account then receive that interest rate on contributions made over the next twelve months.

Within the constraints of permitting only top-rated U.S. insurance companies and banks to bid on the GIC contracts, the SBI desires to maximize the three-year interest rate offered to Guaranteed Return Account participants. The Board believes the competitive bidding presents the most effective method of achieving this goal.

Performance The Board was very satisfied with the winning bid of 9.01% on the 1988-1991 GIC, which was 64 basis points over prevailing interest rates on three-year Treasury Notes at the time of the bid.

Contract Period	Annual Effective Interest Rate
Nov. 1, 1986 - Oct. 31, 1989	7.72%
Nov. 1, 1987 - Oct. 31, 1990	8.45%
Nov. 1, 1988 - Oct. 31, 1991	9.01%

Both the 1986-1989 and 1987-1990 GIC's were awarded to Principal Mutual Life, Des Moines, IA. The 1988-1991 GIC was awarded to Mutual of America, New York, NY.

PERMANENT SCHOOL TRUST FUND

Investment Objectives

Asset Allocation

Investment Management

Investment Performance

The Permanent School Trust 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, and lakeshore and other leases are invested in the Fund.

Income generated by the Fund's assets is used to offset state school aid payments. During fiscal year 1989, investment income reported to the Minnesota Department of Finance totaled \$33.3 million.

INVESTMENT OBJECTIVES

The State Board of Investment (SBI) invests the Permanent School Trust Fund to produce a high, consistent level of income that will assist in offsetting state expenditures on school aids.

Investment Constraints

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

These legal provisions limit the investment time horizon over which the Permanent School Trust Fund is managed. Long-run growth in its assets is difficult to achieve without seriously reducing current spendable income and exposing the spendable income stream to unacceptable volatility. The SBI, therefore, invests the Fund's assets to produce the maximum amount of current income, within the constraint of maintaining adequate portfolio quality.

ASSET ALLOCATION

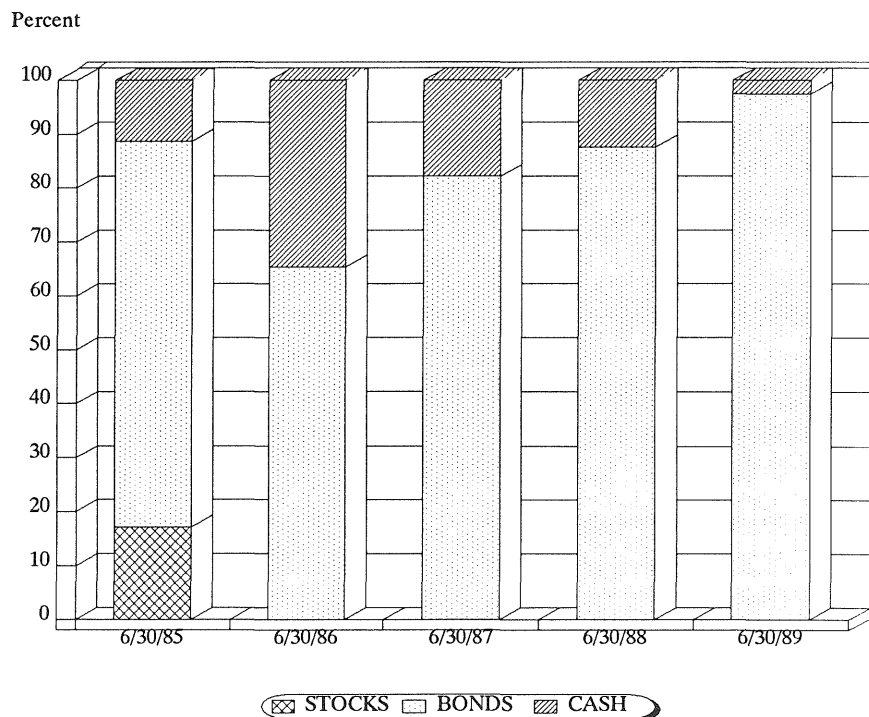
The SBI maximizes current income by investing all of the Permanent School Trust Fund's assets in fixed income securities.

The SBI has a strong incentive not to invest in equity assets for several reasons:

- Common stock yields are considerably lower than bond yields. Thus, common stocks generate less current income than bonds.
- Stock prices are highly volatile and at times may produce realized capital losses that will reduce spendable income.
- Net capital gains become part of the Permanent School Trust Fund's principal. Therefore, the effect of the volatility of common stock prices on the Permanent School Fund's spendable income cannot be smoothed out by including past realized capital gains in spendable income.

Considering these constraints, the Board completely eliminated the Fund's small common stock component in fiscal year 1986,

*Figure 20.
Historical
Asset Mix
FY 1985-1989*



investing the proceeds in fixed income securities. Historical asset mix data for the Fund are shown in Figure 20.

INVESTMENT MANAGEMENT

SBI staff manage all assets of the Permanent School Trust Fund. Given the existing legal restrictions of the Fund, external managers would find it extremely difficult to invest the Fund's portfolio.

The Fund's emphasis on producing high levels of current spendable income through passive investments is not compatible with the investment style of most money managers. In addition, with the move to an all fixed income portfolio, SBI staff management of the Fund is the most cost-effective approach. The staff manage the Fund's bond portfolio primarily through a buy-and-hold ladder maturity approach.

*Figure 20 (con't).
Historical
Asset Mix
FY 1985-1989*

	Market Value June 30,				
	1985	1986	1987	1988	1989
Common Stocks					
\$Million	58.0	0.0	0.0	0.0	0.0
Percent	17.2	0.0	0.0	0.0	0.0
Bonds					
\$Million	241.0	239.0	297.0	313.6	375.0
Percent	71.5	65.4	82.2	87.6	97.5
Unallocated Cash					
\$Million	38.0	126.0	64.0	44.2	9.6
Percent	11.3	34.6	17.8	12.4	2.5
Total Fund					
\$Million	337.0	365.0	361.0	357.8	384.6
Percent	100.0	100.0	100.0	100.0	100.0

INVESTMENT PERFORMANCE

The Permanent School Trust Fund's investment objective is to maximize spendable income, within the constraint of maintaining adequate portfolio quality.

From a total portfolio **risk perspective**, the Fund is very conservatively structured, as its target asset mix calls for a full commitment to fixed income securities. Within the bond portfolio, SBI staff control risk by establishing a laddered portfolio structure, thereby avoiding significant interest rate bets. Further, the staff purchase only investment-grade bonds and seek to maintain an overall portfolio quality rating of at least AA.

From a **rate of return perspective**, the Board is not concerned with the Fund's total rate of return. Market value changes have no effect on the Fund's ability to produce spendable income. Spendable income is affected only to the extent that any securities are sold at losses. Thus, the Fund's return objective is to maintain a high current yield on new investments.

The Fund achieved its risk-return performance objectives during the year. On June 30, 1989, the Fund's bond portfolio had a duration of 7.4 years, an average quality rating of AAA and a current yield of 8.8%. Further, for fiscal year 1989 the Fund generated income in excess of the Minnesota Department of Finance's spendable income target.

Figure 21.
Bond Portfolio
Statistics
June 30, 1989

Value at Market	\$364,271,678
Value at Cost	345,650,959
Average Coupon	9.05%
Current Yield	8.81
Yield to Maturity	8.63
Current Yield at Cost	9.29
Time to Maturity	15.47 Years
Average Duration	7.41 Years
Average Quality Rating	AAA
Number of Issues	133

CASH MANAGEMENT

Internal Cash Pools

Securities Lending Program

Certificate of Deposit Program

INTERNAL CASH POOLS

State Cash Accounts

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. To this end, the SBI invests these cash accounts in short-term, liquid, high-quality debt securities. These investments include U. S. Treasury and Agency issues, repurchase agreements, bankers acceptances, and commercial paper. On June 30, 1989, the combined value of all agency cash balances was \$2.8 billion.

Pool Structure

Most State 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 retirement-related accounts managed internally as well as the cash in the Permanent School Fund. The Trust Fund Pool has an average daily balance of \$0.2 billion.
- **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 has an average daily balance of \$2.0 billion.

Because of special legal restrictions, a small number of cash accounts cannot be commingled. These accounts are therefore invested separately.

Performance

For fiscal year 1989 both the Trust Fund Pool and the Invested Treasurer's Cash Pool outperformed the total return on 91-Day Treasury Bills:

Trust Fund Pool	8.8%
Treasurer's Cash Pool	8.7
91-Day Treasury Bills	8.2%

SECURITIES LENDING PROGRAM

As part of its internal cash management program, the SBI administers a securities lending program in which U. S. Treasury and Government Agency securities held by the SBI are loaned to banks and government security dealers for a daily fee. These loans are fully collateralized. The Securities Lending Program generated approximately \$3.1 million in additional income for the funds managed by the Board in fiscal year 1989.

CERTIFICATE OF DEPOSIT PROGRAM

The SBI also manages a certificate of deposit (CD) program in which it purchases CD's from Minnesota banks and savings and loan 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. Only the cash reserves of pension funds (i.e., Basic Retirement Funds or Post Retirement Fund) are used in the program. As a result, all investments are fully insured by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC).

The Minnesota 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.

During fiscal year 1989, the SBI purchased over \$140 million of CD's. Since it began the program in 1980, the SBI has purchased over \$1.4 billion of CD's from over 460 financial institutions throughout the state.

MAJOR DEVELOPMENTS

Legislative Changes

Task Force on Fund Objectives

Real Estate Program Review

Benchmark Portfolios

Performance-Based Fees

Manager Continuation Policy

Resolution on South Africa

Mandate on Northern Ireland

Proxy Voting

LEGISLATIVE CHANGES

Fiduciary Responsibility

The 1989 Legislature passed a fiduciary responsibility measure that affects the State Board of Investment (SBI) as well as all Minnesota public employee pension plans. While the new law does not change the SBI's prudent person fiduciary standard, it contains certain provisions that will impact the SBI:

- It requires the SBI to establish an on-going education program for members of the Board, members of the Investment Advisory Council (IAC) and the Executive Director of the SBI.
- It prohibits an individual convicted of a felony from serving as the Executive Director of the SBI or as a member of the IAC for a period of five years.

Most provisions of the new law have been adhered to by the SBI for a number of years and will therefore have minimal impact on the SBI's day-to-day operations. These provisions include conducting business in accordance with Minnesota's open-meeting law and providing appropriate custody and security for marketable securities.

The Minnesota Public Pension Plan Fiduciary Responsibility and Liability Act is codified as *Minnesota Statutes*, Chapter 356A.

Benefit Changes

The Legislature also enacted a comprehensive pension benefit improvement package during the 1989 session. The measure contains numerous pension benefit enhancements for public employees in all the statewide retirement plans. The changes that affect SBI policy or operations directly are summarized below:

- **Partial Post-Retirement Benefit Adjustments.** The new law provides for partial post retirement benefit increases and reduces the length of the time an individual must be retired before receiving an increase. The new law does not alter the underlying post-retirement benefit increase formula. More information on the formula is contained in the Statistical Data Appendix.
- **Elimination of the Variable Annuity Fund.** The Minnesota Variable Annuity Fund has been offered to members of the Teachers Retirement Association (TRA) as an alternative to the regular teachers' retirement plan. The opportunity to enroll has been closed to new TRA members since 1974. The legislation

eliminated the Variable Fund and transferred all its assets to the Basic and Post Funds on June 30, 1989. All participants will receive benefits based on the regular TRA retirement plans through their participation in the Basic and Post Funds.

- **Change in Actuarial Assumptions.** The new legislation raised the interest assumption on the Basic Retirement Funds from 8.0% to 8.5% per year. In addition, the amortization date for unfunded pension obligations was moved from 2009 to 2020. These two changes will finance most of the benefit enhancements contained in the new law. The interest assumption on the Post Retirement Fund was not affected by the new law.

The complete legislation is contained in *Laws of Minnesota 1989*, Chapter 315.

TASK FORCE ON FUND OBJECTIVES

At the request of the State Board of Investment (SBI), the Investment Advisory Council (IAC) formed a special study group to review the objectives of the Basic Retirement Funds and the Post Retirement Fund. The Task Force on Fund Objectives was chaired by John Bohan and included five additional members of the IAC: Henry Adams, James Eckmann, Malcolm McDonald, Joseph Rukavina and Jan Yeomans.

Goals of the Task Force

The Task Force established two goals for its study:

- To review the objectives of the Basic and Post Funds for relevancy, clarity and measurability of results.
- To identify barriers to the development and execution of strategies to accomplish those objectives.

After review by the full IAC, the Task Force presented its conclusions and recommendations to the Board at a special meeting in February, 1989. The final report was separated into two parts: recommendations that could be implemented within the SBI's existing statutory authority and recommendations that require statutory changes.

Recommendations within Existing Statutes

The Task Force developed a mission statement for each fund along with a statement of objectives and an asset allocation strategy designed to achieve the respective missions and objectives. In addition, the Task Force recommended changes in the format of the quarterly investment reports submitted to the Board.

The Task Force's recommended mission statements, objectives and reporting changes were adopted by the Board. These changes have been incorporated in the text of this annual report.

The recommendations concerning asset allocation strategy were adopted with minor modifications. The Task Force recommended that the Basic Retirement Funds increase their equity exposure to the maximum allowed by current statute through the addition of international equities. In addition, it recommended that the Basic Fund's long-term allocation to bonds and cash equivalents be reduced. The Board's action on this recommendation is summarized in Figure 22. During the next fiscal year, SBI staff and the IAC plan to develop an implementation plan for the addition of international equities. Until the plan is approved by the Board, the amount targeted for

international equities will be invested in domestic fixed income securities.

Recommendations for Statutory Changes

The Task Force identified three structural issues that constrain the SBI's investment policies and asset management strategies:

- **Equity Exposure Limit.** Under state law, no more than 85% of any fund may be invested in equities. Since equities have provided the highest historical rates of return, limits on equity exposure may limit the SBI's ability to maximize returns over time.
- **Benefit Increase Formula.** Under state law, benefit increases are granted whenever realized earnings in the Post Retirement Fund exceed 5% in a year. This requires the Post Fund to focus on generating current income and limits its potential for long term growth. Further, the formula generates benefit increases that may bear little relationship to inflation.

*Figure 22.
Basic Funds
Asset Allocation
Strategy*

Type of Asset	Previous Target	Task Force Recommendation	Board Action**
Equities:*			
Domestic Stocks	60.0%	60.0%	60.0%
International Stocks	--	10.0	10.0
Real Estate	10.0	10.0	10.0
Venture Capital	2.5	2.5	2.5
Resource Funds	2.5	2.5	2.5
Subtotal	75.0%	85.0%	85.0%
Fixed Income:			
Domestic Bonds	22.0%	15.0%	14.0%
Cash Equivalents	3.0	--	1.0
Subtotal	25.0%	15.0%	15.0%

*State law defines real estate, venture capital and resource investments as equities.

**Until an implementation plan for the addition of international equities is approved by the Board, the domestic bond segment target will be 24.0%. This will place the allocation to equities at 75.0% and the allocation to fixed income at 25.0%

- **Separation of Basic and Post Funds.** Under state law, pension assets of currently working employees accumulate in the Basic Funds and pension assets attributable to retirees are transferred to the Post Fund for payout during retirement. This structure is very rare among other public and private pension plans. The Task Force concluded that separate fund management, along with the current benefit increase formula, serve to increase the long term costs of pension financing.

In light of these findings, the Task Force recommended that the SBI consider two statutory changes:

- Replace the present retirement benefit increase formula with a mechanism that relates in some manner to inflation.
- Eliminate the requirement to manage the pension assets of active and retired employees as separate funds.

The Board did not adopt these recommendations. Rather, it directed SBI staff to discuss the Task Force report with the retirement systems and public employee retiree groups. The Board stated that it would not endorse legislative action without support from those groups on a specific proposal.

During the latter part of the fiscal year, SBI staff initiated discussion on these issues with the statewide retirement systems and retiree organizations. These discussions will continue during fiscal year 1990. Any action will be summarized in future annual reports.

REAL ESTATE PROGRAM REVIEW

The State Board of Investment (SBI) began investing in real estate in 1981. Since that time, the SBI's real estate investments have grown to more than \$500 million. During fiscal year 1989, the SBI retained Laventhol & Horwath (L&H) to conduct a special review and analysis of the existing real estate portfolio. The primary purpose of the study was to determine if the real estate portfolio had achieved its original performance and diversification objectives. In addition, the SBI sought recommendations concerning its future real estate investment strategy.

Major Findings and Conclusions

Overall, the L&H study concluded that the SBI's real estate portfolio has provided the intended diversification benefits and provided returns in-line with original expectations.

The analysis showed that real estate has provided real (inflation adjusted) returns and contributed to reduced portfolio volatility. For the period from 1981 to 1987, L&H found that the SBI's real estate displayed the following characteristics:

- Average return for the SBI's real estate portfolio was 9.5% compared to an inflation rate of 4.3%. Average annual real return during the period was 5.2%.
- Volatility of the SBI's real estate returns, as measured by standard deviation, was 3.3%. By comparison, the standard deviation of returns for stocks was 11.7% and for bonds was 15.0%.
- SBI real estate returns showed a high positive correlation with inflation (0.9) and a negative correlation with stocks (-0.2) and bonds (-0.5).

The property-by-property analysis concluded that the SBI's real estate portfolio closely mirrors the distribution of properties available in the institutional real estate market. Specifically, L&H concluded that:

- The geographical distribution of properties in the SBI's portfolio is approximately equal to the market as a whole.
- The portfolio is overweighted slightly in both the retail and office sectors versus the market.

Recommendations on Future Strategy Based on these findings, L&H made several recommendations concerning future real estate investments by the SBI:

- With a well-diversified core portfolio in place, the SBI should focus its future commitments toward more highly specialized real estate ventures rather than diversified commingled funds.
- The SBI should consider withdrawing its investment in one of its open-end commingled funds to free assets for more targeted investments.
- In the future, the SBI should consider specialized investment opportunities including partnerships that purchase a small number of properties on a deal-by-deal basis rather than in a "blind pool."

The L&H report was received in May, 1989, close to the end of the fiscal year. The Board, Investment Advisory Council and staff will develop appropriate implementation plans during fiscal year 1990.

BENCHMARK PORTFOLIOS

The State Board of Investment (SBI) has developed benchmark portfolios for each of its active stock and bond managers in recent years. These benchmarks are an integral component of the Board's manager evaluation process and provide the foundation for a performance-based fee system.

Purpose

A benchmark portfolio is a customized index that represents the investment style of an individual money manager. A benchmark reflects the prominent risk characteristics that a manager's portfolio would exhibit if the manager were making no active investment judgments.

A benchmark portfolio is a more appropriate target to use in measuring the performance of an individual manager than a broad market index. At times, managers may perform well simply because their styles are "in favor." As representations of managers' styles, benchmark portfolios compensate for this factor. This allows plan sponsors to evaluate more effectively the value individual managers add to the investment process.

Development

SBI staff developed the initial benchmark portfolios for the Board's active common stock managers in fiscal year 1986. During the following year, responsibility for maintaining appropriate benchmarks was shifted from staff to the individual managers. During fiscal years 1988 and 1989 benchmark portfolios were developed and adopted for each of the Board's active bond managers.

Monitoring

All benchmarks are monitored by Board staff and the Board's consultant, Richards & Tierney. Individual manager performance relative to benchmarks is calculated by Richards & Tierney on a quarterly basis.

Benchmark portfolios will continue to be a key component of the Board's on-going investment management program. They have proven to be useful tools in manager evaluation and are integral to the application of performance-based fees.

More detail on historical manager performance relative to benchmark portfolios is contained in the Statistical Data Appendix.

PERFORMANCE-BASED FEES

After the Securities and Exchange Commission removed its prohibition on performance-based fees, the State Board of Investment (SBI) was among the first institutional investors to implement this method of compensation.

Structure

In general, the Board uses symmetrical fulcrum fee systems. These fee systems establish a base compensation for a manager and a performance benchmark against which additional compensation (positive and negative) is paid. If a manager's performance matches that of the target, no additional fee is paid. If performance exceeds the target, an additional predetermined amount is paid. If performance fails to match the target, the base fee is reduced by the same predetermined formula. As a result, performance above the target produces additional payments to managers that are equivalent to those withheld from managers for performance below target.

Active Stock Managers

Since fiscal year 1987, each of the Board's external active stock managers has been paid using a fee schedule that compensates managers for their performance relative to their benchmark portfolios. The current formula is summarized below:

- As assets under management increase, the base fee rate paid to the manager decreases in line with the manager's sliding fee scale.
- All excess performance calculations reflect base fee payments. The manager's actual portfolio return is calculated net of the base fee. The manager is expected to outperform the benchmark portfolio, net of the base fee, by 150 basis points.
- Performance fees are calculated by assigning a one-quarter weight to the return of the most recent year and a three-quarters weight to the returns over the most recent three years.
- Regardless of the base fee, the manager reaches the maximum performance fee rate at 900 basis points above the benchmark return. Performance at 600 basis points below the benchmark results in a fee rate of zero.
- The minimum fee rate is zero and the maximum total fee rate is twice the base fee.

Enhanced Bond Index Managers

The Board believes this fee structure retains the simplicity and non-volatile nature of a symmetrical fulcrum fee structure. At the same time, it permits the SBI to benefit from the reduced fees charged by managers as account sizes increase.

In fiscal year 1989, the Board used a performance based fee to compensate its newly hired enhanced bond index managers. In several respects, the performance fee for these managers was similar to the schedule described above; the excess performance calculation was calculated net of the base fee and the total fee was capped by both minimum and maximum levels (minimum fee was 3.5 basis points and the maximum fee was 11.5 basis points).

For fiscal year 1990, this fee structure will be modified to ensure the managers maintain a level of risk that is appropriate for a semi-passive investment approach:

- The excess performance calculation will continue to be calculated net of the base fee.
- The manager will receive one additional basis point in fee for every fifteen basis points of performance above the Salomon Broad Investment Grade Bond Index. Performance below the index will generate reductions in fees by the same proportion.
- The minimum fee will be 5 basis points and the maximum will be 10 basis points.

The revised fee schedule will compress and stabilize the incentive payments. The Board believes this new formula is better suited to the goals of a semi-passive approach.

MANAGER CONTINUATION POLICY

Evaluating the performance of a diverse group of money managers is an integral feature of the Board's investment policy. In order to make informed judgments regarding the current capabilities of its managers, the State Board of Investment (SBI) has adopted a set of specific evaluation guidelines. These guidelines form a "**manager continuation policy**" that assists the Board in its decisions concerning retention and termination of money managers.

The Board believes its manager continuation policy offers three primary benefits:

- It encourages a comprehensive and consistently applied analysis.
- It fosters a long-term attitude toward performance evaluation.
- It communicates investment objectives between the Board, its managers and its staff.

The Board's manager continuation policy includes both quantitative and qualitative performance criteria. Investment skill is difficult to confirm statistically. This makes absolute reliance on portfolio return numbers inadvisable. Qualitative aspects of a manager's operation should also be considered.

Qualitative Criteria

Qualitative performance evaluation criteria relate to those aspects of a money manager's investment operation that cannot be expressed as measurable targets. Investors such as the Board must attempt to deduce the skills of money managers by searching for the presence or absence of basic building blocks of sound investment management within a manager's firm:

- **Elements of an Efficient Organization**

- Experienced and talented staff
- Organizational stability
- Clear leadership
- Planned growth
- Adequate client support

● Elements of a Well-Defined Investment Approach

- Clearly specified investment style
- Well-conceived decision-making process
- Adequate feed-back and control mechanisms

Failure to meet one or more of these criteria is not sufficient reason to terminate a manager. As a general rule, qualitative evaluation is applied in conjunction with quantitative evaluation to determine whether a manager is meeting the Board's expectations. However, it is important to specify exceptions to this general rule. Certain changes in a manager's organization or investment approach will dictate revaluation of the Board's relationship with the firm: a change in the firm's ownership or important members of its management team, a significant gain or loss of accounts within the preceeding year, a change in the manager's investment style, or an inability to create or maintain an appropriate benchmark portfolio.

Quantitative Criteria

Quantitative performance evaluation criteria relate to those aspects of a money manager's operation that can be analyzed relative to measurable targets. A manager's return relative to an appropriate benchmark represents "the bottom line" for a plan sponsor. However, the Board recognizes that investment performance of superior and inferior managers exhibits a large amount of variability, even when returns are measured relative to a customized benchmark.

Quantitative performance criteria must take this variability into account. A poorly designed measure could lead a plan sponsor to erroneously classify managers as inferior. This, in turn, could create costly and excessive manager turnover.

Figure 23 depicts a statistically valid method of assessing the variability of manager performance relative to a benchmark. The horizontal line represents the return on the manager's customized benchmark. Cumulative performance exceeding the benchmark will plot above the horizontal line; cumulative performance falling below the benchmark will plot below the line. The area between the two curved lines represents a confidence interval based on the manager's actual return relative to its benchmark.

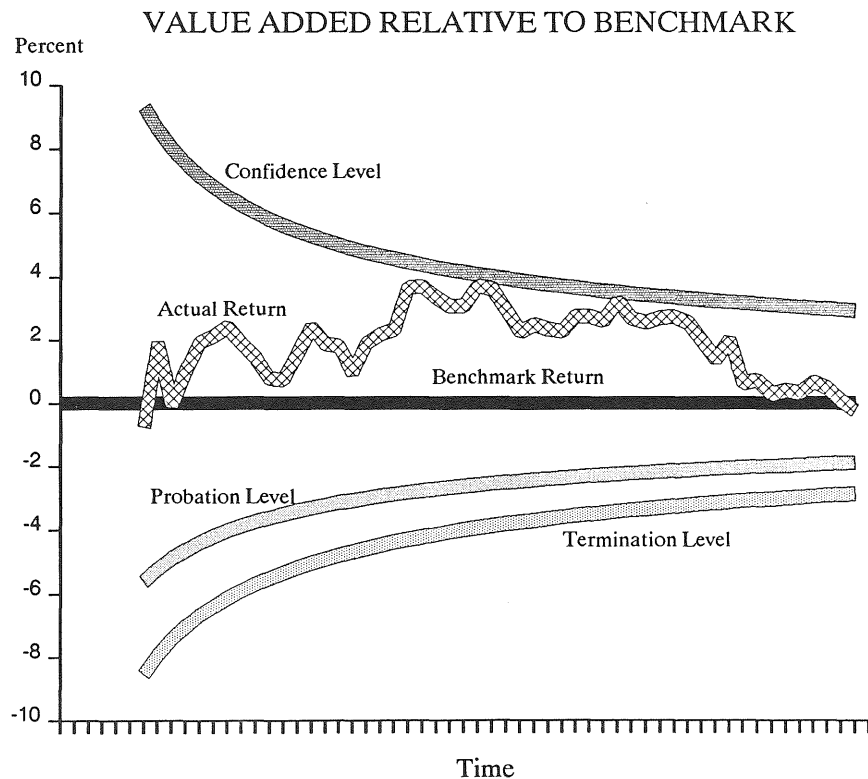
Returns within the confidence interval represent performance due either to skill or to chance. Returns falling outside the confidence interval represent superior or inferior performance significant enough that the odds of it being due to chance are

low. Since performance results are reviewed on a cumulative and annualized basis, the confidence interval range narrows over time. As more information is received, the ability to make judgments about a manager's investment skill increases. The Board has incorporated this confidence interval approach in the quantitative evaluation of its stock and bond managers.

Quarterly Review

On a quarterly basis, staff review the results of both the qualitative and quantitative evaluations with the Investment Advisory Council. This analysis is the foundation for recommendations to the Board concerning the retention and termination of the Board's active stock and bond managers. It provides a comprehensive and consistent approach to performance evaluation and provides a clearer measure of a manager's ability to add value over time.

*Figure 23.
Confidence
Interval*



RESOLUTION ON SOUTH AFRICA

In October, 1985, the State Board of Investment (SBI) adopted a resolution concerning its holdings in companies doing business in countries of South Africa and Namibia. In March, 1989, the SBI revised and restated the resolution.

Original Resolution

The original resolution established a four phase timetable for the SBI's divestment program which was tied to a company's rating on its implementation of the Sullivan Principles, a set of fair employment guidelines established by Dr. Leon Sullivan. In addition, the resolution required that the divestment action associated with each phase of the resolution would not take place before the Board obtained legal and financial advice concerning any impact on its fiduciary responsibilities.

After reviewing reports from its financial and legal advisers, the Board decided not to immediately liquidate holdings affected by the resolution. Rather, it chose to implement the requirements of each phase by instituting a policy of **"divestment through attrition."** Under this policy, the Board's active stock managers were directed to discontinue purchases of stock in companies affected by the resolution unless the manager determined that the failure to buy a particular securities would be a violation of its fiduciary responsibility. As existing holdings were sold during the normal course of business, it was expected that stock holdings in the restricted companies would decline.

During fiscal years 1986-1988, substantial progress was made toward full divestment using the divestment through attrition policy. The reduction was due both to sales of shares during the normal course of business and the decision of many companies to withdraw their operations from South Africa.

Revised Resolution

In March, 1989, the Board revised the original resolution to reflect the divestment through attrition policy and to recognize the continual change in the specific companies that have South African operations.

The revised resolution provides that the Board will divest from its actively managed stock portfolios the remaining holdings of all companies doing business in South Africa by March 1, 1991. In the event a stock becomes subject to divestiture after March 1, 1991, the stock is to be divested within two years.

The SBI relies on information available through the Investor Responsibility Research Center (IRRC) in Washington, D.C. to

MAJOR DEVELOPMENTS

identify companies with direct investment in South Africa. The Board directs its active stock managers to discontinue purchases of these companies unless the manager determines that failure to complete a purchase would be a breach of the manager's fiduciary responsibility.

At the time the Board adopted the revised resolution, the SBI's active stock managers held shares in 21 companies with direct investments in South Africa. By the end of fiscal year 1989, the number had been lowered to 15 companies indicating that progress continues to be made through the Board's divestment through attrition policy.

Task Force

When the original resolution was adopted, the Board created a Task Force on South Africa to advise the SBI on its implementation process. Designees of each of the five Board members serve as members of the Task Force along with a representative from the statewide retirement systems, a representative of public employees and a representative from the private sector. The Task Force continues under the revised resolution and meets periodically to monitor the SBI's progress in implementing the resolution.

MANDATE ON NORTHERN IRELAND

Requirements

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

- Annually compile a list of U.S. corporations with operations in Northern Ireland in which the SBI invests.
- Annually determine whether those corporations have taken affirmative action to eliminate religious or ethnic discrimination. The statute lists nine goals modeled after the MacBride Principles.
- Sponsor, co-sponsor and support resolutions that encourage U.S. companies to pursue affirmative action in Northern Ireland, where feasible.

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

Implementation

The SBI uses the services of the Investor Responsibility Research Center (IRRC), Washington D.C., to determine corporate activity in Northern Ireland. In January, 1989 the SBI held stocks or bonds in 22 out of 26 corporations identified by IRRC as having operations in Northern Ireland.

The SBI filed shareholder resolutions with 21 of these corporations during the 1989 proxy season. The resolutions asked corporations to sign the MacBride Principles, to implement affirmative action programs or to report on the steps they have taken to alleviate religious or ethnic discrimination. One of the resolutions was withdrawn when the corporation sold its Northern Ireland operations and four others were withdrawn when the targeted companies agreed to provide information on their employment activity in Northern Ireland. The voting results on the remaining 16 resolutions are shown below:

Affirmative		Affirmative	
Company	Vote	Company	Vote
AVX	8.3%	Marsh & McLennan	9.7%
Baker Hughes	6.4%	McDonnell Douglas	7.5%
Ball	7.0%	Nynex	10.5%
Data-Design Labs	18.0%	Sonoco Products	5.8%
Dun & Bradstreet	15.0%	Teleflex	17.4%
DuPont	3.7%	United Technologies	10.2%
Exxon	7.7%	VF Corp.	7.7%
General Motors	3.6%	Xerox	7.5%

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. Resolutions prepared at annual meetings range from routine issues, such as those involving the election of corporate directors and ratification of auditors, to non-routine items involving such matters as merger proposals and corporate social responsibility issues. In effect, as a shareholder the SBI can participate in shaping corporate policies and practices.

Proxy Voting Committee

All non-routine proxy matters are reviewed by a committee of the Board and voted in accordance with the SBI's statement of investment responsibility, which states, in part:

"...The Investment Board recognizes that when performing their duty of investing the trust funds (pension and other funds) for which they are custodian, their primary responsibility is the prudent and responsible investment of the assets of the funds for the economic benefit of the beneficiaries of the funds..."

...Consistent with prudent and responsible investment policy, the Investment Board shall not knowingly invest or maintain holdings in those corporations which are in flagrant violation of the law or in stubborn disregard of the social welfare of the society, or do not recognize environmental responsibilities in their corporate actions, and are not taking reasonable steps to overcome the situations..."

Fiscal Year 1989 Proposals

During fiscal year 1989, the SBI voted proxies for approximately 1,700 corporations. As in previous years, resolutions introduced by shareholders and corporate management could be categorized in two broad areas, social responsibility and corporate governance.

In the social responsibility area, South Africa was the dominant social issue, followed by the campaign against religious discrimination in Northern Ireland. Other areas included affirmative action, environmental concerns, world debt, political action committees, military issues, and plant closings.

In the area of corporate governance, a record number of shareholder proposals were submitted. The most frequent proposals called for confidential proxy voting, the annual election of directors rather than use of classified or staggered

boards and cumulative voting in the election of directors. Other proposals asked companies to redeem or put poison pill provisions to shareholder votes, to adopt anti-greenmail resolutions, to provide equal access to the proxy proposals, and to limit the use of golden parachutes for executives.

INVESTMENT MANAGER SUMMARIES

Common Stock Managers

Bond Managers

Alternative Investment Managers

COMMON STOCK MANAGERS

Alliance Capital Management

Alliance searches for companies likely to experience high rates of earnings growth on either a cyclical or secular basis. Alliance invests in a wide range of growth opportunities from small, emerging growth to large, cyclically sensitive companies. There is no clear distinction on the part of the firm as to an emphasis on one particular type of growth company over another. However, the firm's decision-making process appears to be much more oriented toward macroeconomic considerations than is the case with most other growth managers. Accordingly, cyclical earnings prospects, rather than secular, appear to play a larger role in terms of stock selection. Alliance is not an active market timer, rarely raising cash above minimal levels.

BMI Capital

BMI's investment approach focuses on companies expected to exhibit strong sustained earnings gains. BMI attempts to identify two types of "growth" companies: first, misperceived companies that are in the process of undergoing dynamic changes that will cause them to produce materially higher earnings over the near-term; and second, small-to-medium sized companies that exhibit the potential for rapid future earnings growth. The weighting of the two types of growth companies within the firm's portfolio will vary over time depending upon economic and financial conditions. Generally, however, the misperceived companies will make up the majority of the portfolio. On the other hand, the smaller high growth companies tend to dominate the portfolio's risk characteristics. The firm concentrates almost exclusively on stock selection, only rarely raising cash to significant levels.

Concord Capital Management

Concord is an opportunistic theme investor that does not limit itself to any particular group of stocks, avoiding preconceptions about where value currently lies. Concord believes that the marketplace is generally efficient but feels that isolated opportunities exist due to biases inherent in the traditional approaches used by the majority of the investment profession. Concord's non-traditional approach allows the firm to discover these opportunities early and to capture the total appreciation of the undervalued stocks. Concord's goal is to remain as fully invested as possible; the firm rarely raises cash above a minimal level.

Forstmann Leff Associates

Forstmann Leff is a classic example of a "rotational" manager. The firm focuses almost exclusively on asset mix and sector weighting decisions. Based upon its macroeconomic outlook, the firm will move aggressively into and out of asset classes and equity sectors over the course of a market cycle. The firm tends to purchase liquid, large capitalization stocks. Forstmann Leff will make sizable market timing moves at any point during a market cycle.

Franklin Portfolio Associates

Franklin Portfolio Associate's investment decisions are quantitatively driven and controlled. The firm believes that consistent application of integrated multiple valuation models produces superior investment results. The firm's stock selection model is a composite model comprised of 30 valuation measures each of which falls into one of the following groups: fundamental momentum, relative value, future cash flow, and economic cycle analysis. The firm believes that a multi-dimensional approach to stock selection provides greater consistency than reliance on a limited number of valuation criteria. The firm attributes its value-added to its stock picking ability. Franklin's portfolio management process focuses on buying and selling the right stock rather than attempting to time the market or pick the right sector or industry groups. The firm always remains fully invested.

IDS Advisory

IDS employs a "rotational" style of management, shifting among industry sectors based upon its outlook for the economy and the financial markets. The firm emphasizes primarily sector weighting decisions. Moderate market timing is also used. Over a market cycle IDS invests in a wide range of industries. It tends to buy liquid, large capitalization stocks. While IDS makes occasional significant asset mix shifts over a market cycle, the firm is a less aggressive market timer than most rotational managers.

Investment Advisers Inc.

Investment Advisers is a "rotational" manager. Its macroeconomic forecasts drive its investment decision-making. The firm emphasizes market timing and sector weighting decisions. Investment Advisers invests in a wide range of industries over a market cycle. It tends to hold liquid, medium to large capitalization stocks. The firm is an active market timer, willing to make gradual but significant asset mix shifts over a market cycle.

Lieber & Co.

Lieber and Co. seeks to identify investment concepts that are either currently profitable or likely to become so in the near future, yet whose prospects are not reflected in the stock prices of the companies associated with the concepts. The investment concepts upon which the firm focuses are related to both macroeconomic trends and specific product developments within particular industries or companies. Stocks purchased by Lieber tend to be those of well-managed, high growth and high return on equity, small-to-medium sized companies. The stocks may be undervalued due to the failure of investors to recognize fully either the value of new products or a successful turnaround situation. Particularly attractive to Lieber are small-to-medium sized takeover candidates. The firm generally is fully invested, with any cash positions the result of a lack of attractive investment concepts.

Rosenberg Institutional Equity Management

Rosenberg Institutional Equity Management believes the market is inefficient in the relative valuation of individual companies within groups of similar companies. Rosenberg uses quantitative techniques to identify and purchase undervalued stocks. The firm's valuation system, as embodied in several computer programs, analyzes accounting data on over 3,500 companies. Unlike traditional analysis which assigns an entire company to one industry, Rosenberg compares each company's separate business segments with similar business operations of other companies.

These separate valuations are then integrated into a single valuation for the total company. The difference between Rosenberg's valuation and the current market price is the expected profit opportunity. Stocks with large positive profit opportunity are candidates for purchase. The firm does not strive to outperform its benchmark by timing the market or by "betting" on factors. The firm always remains fully invested.

**Sasco
Capital
Inc.**

Sasco is a long term investor that concentrates exclusively on stock selection. Sasco looks for companies that are selling at a discount to both their asset value and future earnings power. Sasco analyzes a corporation's individual business segments and invests in those that are undergoing major fundamental and structural change to increase their value. Sasco does not attempt to time the market. The firm strives to remain fully invested at all times.

**Waddell
& Reed**

Waddell & Reed focuses its attention primarily on small capitalization aggressive growth stocks. However, the firm has demonstrated a willingness to make significant bets against this investment approach for extended periods of time. The firm is an active market timer and will raise cash to extreme levels at various points in the market cycle.

**Wilshire
Associates**

The index fund managed by Wilshire Associates is a well-diversified portfolio of common stocks designed to match the rate of return performance of the Wilshire 5000. This index is a broad-based equity market indicator composed of the common stocks of all U.S. domiciled corporations for which daily prices are available. In effect, the Wilshire 5000 represents virtually the entire domestic common stock market.

Portfolio statistics for each of the active equity managers can be found in the Statistical Data Appendix.

BOND MANAGERS

**Investment
Advisers
Inc.**

Investment Advisers is a traditional top down bond manager. The firm's approach is oriented toward correct identification of the economy's position in the credit cycle. This analysis leads the firm to its interest rate forecast and maturity decisions, from which the firm derives most of its value-added. Investment Advisers is an active asset allocator, willing to make rapid, significant moves between cash and long maturity investments over the course of an interest rate cycle. Quality, sector and issue selection are secondary decisions. Quality and sector choices are made through yield spread analyses consistent with interest rate forecasts. Individual security selection receives very limited emphasis, focusing largely on specific bond characteristics such as call provisions.

**Fidelity
Management
Trust**

Fidelity Management Trust manages a diversified semi-passive portfolio of fixed income securities designed to simulate the characteristics of the Salomon Broad Investment Grade (BIG) index, a diversified market indicator composed of government, mortgage and corporate securities. The BIG index represents virtually the entire investment grade fixed income market. While matching the risk profile of the BIG index, Fidelity seeks to enhance returns by actively managing yield curve, sector, and issue exposure. The objective is to provide modest increments to the BIG index return on a consistent basis.

**Lehman
Management**

Lehman's primary emphasis is on forecasting cyclical interest rate trends and positioning its portfolios in terms of maturity, quality and sectors, in response to its interest rate forecast. However, the firm avoids significant, rapidly changing interest rate bets. Instead, it prefers to shift portfolio interest rate sensitivity gradually over a market cycle, avoiding extreme positions in either long or short maturities. Individual bond selection is based on a quantitative valuation approach and the firm's internally-conducted credit analysis. High quality (A or better) undervalued issues are selected consistent with the desired maturity, quality and sector composition of the portfolios. In August, 1989, Lehman completed a management buyout and became Lehman Ark.

**Lincoln
Capital
Management**

Lincoln Capital manages a diversified semi-passive portfolio of fixed income securities designed to simulate the Salomon Broad Investment Grade (BIG) index. Lincoln employs quantitative disciplines that model the BIG index according to a variety of risk variables. Lincoln seeks to enhance returns relative to the BIG index by modest alterations to the BIG index sector weightings, the use of undervalued securities, and an aggressive trading strategy in mortgage securities. The objective is to provide modest increments to the BIG index return on a consistent basis.

**Miller, Anderson
& Sherrerd**

Miller Anderson focuses its investments in misunderstood or under-researched classes of securities. Over the years this approach has led the firm to emphasize mortgage-backed securities in its portfolios. Based on its economic and interest rate outlook, the firm establishes a

desired maturity level for its portfolios. This decision is instituted primarily through the selection of specific types of mortgage securities that have prepayment expectations consistent with the portfolio's desired maturity. In addition, the firm will move in and out of cash gradually over an interest rate cycle. The firm never takes extremely high cash positions and keeps total portfolio maturity within an intermediate three-to-seven year duration band. Unlike other firms that also invest in mortgage securities, Miller Anderson intensively researches and, in some cases, manages the mortgage pools in which it invests.

Morgan Stanley Capital Management

Morgan Stanley takes a very conservative approach to fixed income investing, emphasizing the preservation of capital through the generation of consistent real returns. This philosophy has led the firm to maintain a vast majority of its portfolio in short to intermediate maturity, high quality (A or better) securities. Large positions in maturities longer than ten years are held only as temporary trading opportunities. These positions are increased or reduced gradually as the firm's expectations of the cyclical level of interest rates changes. Issue selection is of secondary importance to maturity decisions. Rather, given its maturity decisions, the firm prefers to make sizable investments in specific areas of the market where it believes persistent misvaluations are present.

Western Asset Management

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

Portfolio statistics for each of the active bond managers can be found in the Statistical Data Appendix.

ALTERNATIVE INVESTMENT MANAGERS

Real Estate

Aetna Life & Casualty

Fund: RESA

Real Estate Separate Account (RESA) is an open-end commingled real estate fund managed by the Aetna Life and Casualty Company of Hartford, Conn. The fund was formed in January, 1978. The fund has no termination date; investors have the option to withdraw all or a portion of their investment. 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.

Equitable Real Estate Group

Fund: Prime Property Fund

Prime Property Fund was formed in August, 1973 by the New York-based Equitable Real Estate Group, Inc. The account is an open-end commingled real estate fund. The fund has no termination date; investors retain the option to withdraw all or a portion of their investment. The fund makes equity investments in existing real estate. The fund's portfolio 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.

Heitman Advisory Corp. (HAC)

**Funds: HAC Group Trust I
HAC Group Trust II
HAC Group Trust III**

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. Centre Properties, Ltd., an affiliate of Heitman, manages the trust's wholly-owned properties. Properties that are partially owned by the trusts may be managed by joint venture partners. Heitman Advisory is based in Chicago.

Prudential Investment Management

Fund: PRISA I

PRISA I is an open-end commingled real estate fund. One of the largest and oldest of the open-end funds, PRISA I was formed in July, 1970 by the Prudential Investment Management Corporation of New Jersey. PRISA's real estate portfolio consists primarily of equity investments in existing properties. Investments are diversified by both the type and location of properties. Prudential contracts with outside firms for the on-site management of its properties or retains joint venture partners as

property managers. The fund has no termination date. Investors have the option quarterly to withdraw a portion or all of their investment.

Fund: RREEF USA III

**Rosenberg Real
Estate Equity
Funds
(RREEF)**

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.

**Funds: AEW - State Street Real Estate Fund III
AEW - State Street Real Estate Fund IV
AEW - State Street Real Estate Fund V**

**State Street
Bank & Trust**

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.

**Funds: TCW Realty Fund III
TCW Realty Fund IV**

**Trust Company
of the West
(TCW)**

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

Venture Capital

Fund: Allied Venture Partnership

**Allied
Capital**

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

**DSV
Management
Ltd.**

Fund: DSV Partners IV

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

**First Chicago
Investment
Advisers**

Fund: Venture Partnership Acquisition Fund

First Chicago's Venture Partnership Acquisition Fund was formed in March, 1988. This limited partnership has a ten year term. Although this is First Chicago's first fund, they have been making venture capital investments for institutional clients since 1972. First Chicago is based in Chicago, Illinois. The fund will invest exclusively in secondary venture capital limited partnership interests. Secondary interests are presented by investors who for a variety of reasons, have decided to liquidate their venture capital holdings.

**Golder,
Thoma &
Cressey**

Fund: Golder, Thoma and Cressey Fund III

Golder, Thoma and Cressey Fund III, a venture capital limited partnership, was formed in October, 1987. The fund is based in Chicago, Illinois and has a ten year term. The fund will invest in growing private businesses, found and build companies in fragmented industries and invest in small leveraged buyouts. In addition, the portfolio will be diversified geographically and by industry.

**Inman &
Bowman
Management**

Fund: Inman & Bowman

The Inman & Bowman limited partnership was formed in June, 1985. Its investment focus is early-stage, high-technology firms. The fund will emphasize investments in California, where the general partner, Inman & Bowman Management, is based. However, the fund will consider investments in the Pacific Northwest as well. The partnership has a ten-year term.

**IAI Venture
Capital
Group**

Fund: Superior Venture Partners

Superior Ventures is a Minnesota-based venture capital limited partnership. It was formed in June, 1986 and has an eleven-year term. Superior Ventures is managed by IAI Venture Capital Group, a subsidiary of Investment Advisers, Inc. Up to 15% of the fund will be invested in other Minnesota-based venture capital limited partnerships. The remainder of the fund will be invested in operating companies located within the state.

	Funds: KKR 1984 LBO Fund KKR 1986 LBO Fund KKR 1987 LBO Fund
Kohlberg, Kravis, Roberts & Co. (KKR)	KKR's Leveraged Buyout Funds are structured as limited partnerships. The funds invest in large leveraged buyouts. The partnerships' portfolio companies are mature, low technology companies with very diversified operations. Kohlberg, Kravis, Roberts and Co. operates offices in New York and San Francisco.
Matrix Partners	Fund: Matrix Partners II Matrix Partners II limited partnership was formed in August, 1985 and has a term of ten years. The fund's investment emphasis is on high-technology firms in the early and expansion stages of corporate development. However, for diversification the Fund's portfolio will include a sizable component of non-technology firms. The portfolio may include several small leveraged buyout investments as well. The fund is managed by five general partners with offices in Boston, San Jose, and San Francisco.
Norwest Venture Capital Management	Fund: Northwest Venture Partners I Northwest Venture Partners I was formed in January, 1984 and has a term of ten years. Norwest Venture Capital Management, a wholly owned subsidiary of Norwest Corp., is the general partner and manager of the partnership. Norwest Venture Capital also manages the Northwest Growth Fund, a small business investment company (SBIC), and Northwest Equity Capital, a leveraged buyout fund. Northwest Venture Partners' investment focus is on high technology companies in the early stages of corporate development. However, the partnership's portfolio also includes investments in expansion stage firms and is diversified by the location and industry type of its portfolio companies.
Smith Barney Venture Corp.	Fund: First Century III First Century III was formed in December, 1984. It is structured as a limited partnership with a term of ten years. The general partner and manager of the partnership is Smith Barney Venture Corp., a subsidiary of Smith Barney Harris Upham and Co. Smith Barney Venture has offices in New York and San Francisco. This is the third fund formed by the firm since 1972. The partnership invests primarily in early stage, high technology companies. Investments are diversified by location and industry group.
Stamps, Woodsum & Co.	Fund: Summit Ventures I Summit Ventures II Summit Ventures are limited partnerships with ten-year terms. The funds were formed by Stamps, Woodsum & Co., the managing general partners of the fund, and Shearson/American Express. Stamps and Woodsum focus on profitable, expansion stage firms that have not yet

received any venture backing. The majority of the partnerships investments are in high tech firms. Investments are diversified by location and industry type.

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.

Resource Funds

Funds: Apache Equipment Financing Notes
Apache Properties Acquisition Notes
Apache Acquisition Net Profits Interest

Apache Corporation

Apache Equipment Financing Notes are a \$150 million private placement to finance Apache's portion of production facility expenditures. The expenditures were made under the terms of a series of offshore joint ventures in the Gulf of Mexico. The joint ventures were organized by Shell Oil Company. In addition to fixed interest payments of 10% per annum, noteholders will receive additional interest of 2% of Apache's share of gross revenues from the joint ventures. The 2% additional interest will be paid to noteholders throughout the life of producing properties. Apache Corp. is based in Denver.

Apache 1985 Properties Acquisition Notes are a \$118 million private placement to finance the acquisition and tangible development costs related to certain producing oil and gas properties, of which some are fully developed and some are partially developed. In addition to fixed interest payments of 10% per annum, noteholders will receive additional interest of 2% of Apache's share of gross revenues from the properties. The 2% additional interest will be paid to noteholders throughout the life of producing properties.

Apache Acquisition Net Profits Interest is a \$190 million private placement to acquire a non-operating interest in the net profit generated by oil and gas properties acquired in 1986 from Occidental Petroleum Company. Investors will receive a 85% net profits interest in the financed share of producing properties until the cumulative total of such payments equals the investment cost plus 8% per year return on investment (the "Payout"). However, if the cumulative net profit discounted at 10% should fail to exceed a defined cumulative cash flow comparably discounted, investors will receive a 90% net profits interest until Payout. After Payout, investors will receive a 75% net profits interest for the life of the producing properties.

British Petroleum Company	<p>Fund: British Petroleum Prudhoe Bay Royalty Trust</p> <p>The British Petroleum Prudhoe Bay Royalty Trust is an overriding royalty interest (ORI) in the Prudhoe Bay Field, Alaska, the largest oil and gas producing field in the U.S. The ORI will equal 15.35% of the first 90,000 barrels per day of oil production net to British Petroleum's interest in the Prudhoe Bay Field. British Petroleum's current total production from the field is over seven times greater than this amount. Under terms of the agreement, production costs are fixed and can vary only with inflation. The oil price is tied directly to the West Texas Intermediate spot price. British Petroleum has guaranteed an average minimum price of \$15 per barrel for the first 2.5 years.</p>
First Reserve Corp.	<p>Funds: AMGO I AMGO II AMGO IV</p> <p>American Gas and Oil (AMGO) funds are structured as limited partnerships. The general partner and manager of the funds is First Reserve Corp. The general partner's long-term investment strategy is to create diversified portfolios of oil and gas investments. The portfolios are diversified across four dimensions: location, geological structure, investment type, and operating company.</p>
J.P. Morgan Investment Management	<p>Fund: Morgan Petroleum Fund II</p> <p>Morgan Petroleum Fund II was formed in July 1988 and is managed by J.P. Morgan Investment Management, Inc. The fund managers have an office in Houston, Texas. Fund investments will be diversified geographically and by company. Most investments will take the form of an overriding royalty interest and will include, primarily, property acquisitions and development drilling.</p> <p>A summary of the Board's commitments to these real estate, venture capital, and resource funds can be found in the Statistical Data Appendix.</p>

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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 Table 1.

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

Factor exposures are calibrated relative to approximately 1400 of the largest market capitalization (HICAP) companies. An exposure level of 0 for a particular stock to a particular factor indicates that the stock has the same exposure as the capitalization-weighted average of the HICAP stocks. Around that zero exposure, deviations are measured in standard deviation units. Thus, an exposure level of +1 indicates that the stock has an exposure to the factor larger than roughly 68% of the HICAP stocks.

Beta	Forecasts the sensitivity of a stock's return to the return on the market portfolio. The BARRA E2 beta is a forecasted beta, based on a company's exposure to thirteen common risk factors and fifty-five industries.
Book-to-Price (B/P)	Measures the book value of a company's common equity divided by market capitalization.
Dividend Yield (Div. Yld.)	Used as a predictor of dividend yield for the coming year.
Earnings-to-Price (E/P)	Incorporates several variants of a company's earnings-price ratio. Includes the current earnings-price ratio, the normalized (5 year) earnings-price ratio, and analysts's forecasted earnings-price ratio as compiled by the Institutional Brokerage Estimate Services (IBES).
Earnings Variability (Earn. Var.)	Indicates the variability of a company's earnings. Comprised of six descriptors: historical earnings variance, cash flow variance, earnings covariability with the economy, the level of concentration of the company's earnings from various sources, the incidence of extraordinary items, and the variability of the company's earnings estimates as compiled by IBES.
Equity Allocation (Eq. Alloc.)	Measures the percent of the manager's total portfolio invested in common stocks, preferred stocks and convertible securities.
Financial Leverage (Finl.)	Measures the extent to which a company utilizes financial leverage to finance its operations. Comprised of three descriptors: debt-to-total assets (at market), debt-to-total assets (at book), and uncovered fixed charges.
Foreign Income (For. Inc.)	Measures the extent to which a company's operating income is generated outside of the U.S.

STOCK MANAGER RISK FACTOR EXPOSURE GLOSSARY

Growth	Indicates potential growth in a company's earnings over the next five years. Comprised of seven descriptors: most recent five-year dividend payout, most recent five-year dividend yield, most recent five-year earnings-price ratio, change in capital structure, normalized (5 year) earnings-price ratio, recent earnings change, and forecasted earnings growth.
Labor Intensity (Labor Int.)	Measures the degree to which labor, as opposed to capital, is used by a company as a factor of production. Derived from three descriptors: labor expense relative to assets, fixed plant and equipment (inflation adjusted) relative to equity, and depreciated plant value relative to gross plant value.
Monthly Turnover (Mo. T/O)	Measures the total equity asset sales divided by the average value of the equity assets in the manager's portfolio.
Size	Indicates the relative size of the company. It includes three descriptors: market capitalization, total assets, and the length of earnings history.
Success (Suc.)	Describes the extent to which a company has been "successful" in the recent past, in terms of both earnings and stock prices. Composed of six descriptors: most recent five-year earnings growth, most recent one-year earnings growth, forecasted next year's earnings growth, historical alpha, and relative strength. (The last two descriptors are calculated over the most recent year and most recent five-years).
Trading Activity (Trad. Act.)	Measures the trading characteristics of a company's stock. Comprised of six descriptors: most recent five-year share turnover, most recent year share turnover, quarterly share turnover, stock price, trading volume relative to stock price variance, and the number of IBES analysts following the stock.
Variability in Markets (Var. Mkts.)	Measures the volatility of a stock's return related to its past behavior and the behavior of its options. Variants of the factor are calculated for optioned stocks, listed but not optioned stocks, and thinly traded stocks. A partial list of the descriptors that make up this factor include: historical beta, option-implied standard deviation of return, daily standard deviation of return, cumulative price range, stock price, and share turnover.

Table 1.

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
January, 1984 - June, 1989

	Beta	Suc.	Var. Mkts.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Alliance Capital															
Minimum	1.12	0.13	0.11	-0.29	0.27	0.46	-0.34	-0.67	-0.02	-0.12	-0.33	0.18	-0.89	0.81	88%
Average	1.15	0.28	0.31	-0.02	0.47	0.62	-0.13	-0.39	0.09	0.06	0.03	0.29	-0.70	5.00	96%
Maximum	1.19	0.45	0.51	0.19	0.73	0.85	-0.04	-0.25	0.36	0.28	0.26	0.42	-0.56	10.91	100%
Bmrk. Avg.	1.16	0.38	0.02	-0.40	0.24	0.53	-0.06	-0.23	0.06	-0.03	-0.04	0.44	-0.57	N.A.	95%
BMI Capital															
Minimum	1.17	0.42	-0.54	-1.60	0.36	0.46	-0.40	-0.47	0.10	-0.34	-0.33	0.42	-1.06	0.15	26%
Average	1.22	0.72	-0.08	-1.40	0.79	0.76	-0.3	-0.05	0.49	0.16	-0.04	0.55	-0.84	5.86	93%
Maximum	1.33	0.94	0.39	-1.09	1.13	1.00	0.03	0.48	0.72	0.65	0.23	0.74	-0.53	15.54	100%
Bmrk. Avg.	1.18	0.58	0.09	-1.40	0.37	0.67	-0.18	-0.25	0.24	0.02	-0.24	0.55	-0.69	N.A.	95%
Concord Capital*															
Minimum	1.14	0.26	-0.42	-0.44	0.43	0.18	0.10	0.16	0.22	0.05	0.13	0.27	-0.22	1.32	98%
Average	1.14	0.27	-0.37	-0.43	0.45	0.21	0.12	0.18	0.23	0.06	0.17	0.30	-0.20	2.04	98%
Maximum	1.14	0.29	-0.33	-0.42	0.46	0.24	0.16	0.19	0.25	0.07	0.20	0.33	-0.18	2.75	98%
Bmrk. Avg.	1.04	0.20	-0.06	-0.73	0.11	0.15	-0.02	0.03	0.16	-0.04	-0.37	-0.01	-0.15	N.A.	95%
Forstmann Leff															
Minimum	1.01	0.05	-0.24	-1.35	0.19	-0.04	-0.35	-0.45	-0.04	0.00	-0.37	-0.19	-1.08	1.69	44%
Average	1.17	0.50	0.25	-0.28	0.64	0.40	-0.01	-0.15	0.22	0.17	0.18	0.13	-0.47	16.39	68%
Maximum	1.42	1.26	0.70	0.20	1.37	1.07	0.36	0.09	0.47	0.40	0.58	0.38	-0.14	38.82	94%
Bmrk. Avg.	1.12	0.33	0.02	-0.49	0.23	0.33	-0.06	-0.06	0.14	0.07	-0.05	0.21	-0.32	N.A.	70%
Franklin Portfolio*															
Minimum	1.04	0.23	0.05	-0.78	0.07	0.14	0.16	0.11	0.18	-0.10	-0.61	0.03	-0.16	3.62	97%
Average	1.05	0.26	0.09	-0.78	0.10	0.17	0.17	0.13	0.19	-0.07	-0.58	0.04	-0.13	6.46	98%
Maximum	1.06	0.28	0.13	-0.78	0.13	0.19	0.18	0.15	0.21	-0.03	-0.55	0.05	-0.09	8.81	99%
Bmrk. Avg.	1.05	0.26	-0.06	-0.83	0.13	0.16	-0.03	0.07	0.18	-0.06	-0.42	0.01	-0.15	N.A.	95%
IDS Advisory															
Minimum	0.98	-0.10	0.05	-0.47	0.07	-0.03	-0.22	-0.37	0.00	-0.18	-0.43	-0.13	-0.53	0.84	84%
Average	1.11	0.32	0.31	-0.13	0.31	0.32	-0.05	-0.23	0.15	-0.05	0.05	0.22	-0.38	7.48	96%
Maximum	1.16	0.55	0.57	0.12	0.73	0.47	0.15	-0.09	0.40	0.19	0.51	0.35	0.13	17.36	100%
Bmrk. Avg.	1.01	0.04	-0.02	-0.17	0.03	0.04	0.02	0.02	0.02	0.00	-0.07	-0.01	-0.03	N.A.	90%

Bmrk. Avg. = Benchmark average

* Manager retained effective 4/1/89. Data covers period from 4/1/89 - 6/30/89 only.

Table 1 Con't..

EXTERNAL ACTIVE STOCK MANAGERS

Risk Factor Exposures
January, 1984 - June, 1989

	Beta	Suc.	Var. Mkts.	Size	Trad. Act.	Growth	E/P	B/P	Earn. Var.	Finl.	For. Inc.	Labor Int.	Div. Yld.	Mo. T/O	Eq. Alloc.
Investment Advisers															
Minimum	1.05	0.01	-0.36	-0.34	0.21	0.10	-0.28	-0.36	-0.16	-0.16	-0.11	-0.08	-0.64	0.00	73%
Average	1.10	0.17	0.18	-0.01	0.38	0.31	-0.04	-0.19	0.02	0.01	0.39	0.16	-0.40	4.15	83%
Maximum	1.16	0.47	0.43	0.17	0.84	0.49	0.31	0.27	0.34	0.21	0.62	0.30	-0.11	14.03	97%
Bmrk. Avg.	1.03	0.04	0.00	0.08	0.06	0.05	0.01	-0.03	-0.02	-0.01	0.11	0.04	-0.05	N.A.	85%
Lieber & Co.															
Minimum	1.03	0.10	-0.32	-1.98	0.00	0.21	-0.08	-0.32	-0.02	-0.20	-0.63	0.35	-0.63	0.10	76%
Average	1.07	0.34	0.06	-1.65	0.11	0.41	0.05	-0.06	0.10	-0.02	-0.49	0.54	-0.52	4.11	95%
Maximum	1.12	0.55	0.44	-1.46	0.21	0.51	0.16	0.10	0.24	0.10	-0.29	0.68	-0.40	11.43	100%
Bmrk. Avg.	1.09	0.47	-0.04	-1.99	0.03	0.57	-0.08	-0.10	0.25	0.04	-0.37	0.58	-0.60	N.A.	95%
Rosenberg Institutional*															
Minimum	1.02	0.03	0.00	-0.18	0.03	0.03	0.28	0.31	0.09	0.00	-0.07	-0.10	0.00	1.81	99%
Average	1.02	0.05	0.02	-0.18	0.05	0.04	0.29	0.32	0.13	0.01	-0.05	-0.07	0.01	3.43	100%
Maximum	1.02	0.08	0.04	-0.18	0.06	0.05	0.29	0.33	0.16	0.02	-0.02	-0.04	0.01	4.53	100%
Bmrk. Avg.	1.01	0.07	-0.03	-0.23	0.03	0.07	-0.01	0.04	0.05	-0.01	-0.11	0.01	-0.06	N.A.	98%
Sasco Capital*															
Minimum	1.06	0.24	-0.23	-0.89	0.14	0.31	-0.28	0.23	0.93	0.43	0.02	0.05	-0.26	3.21	97%
Average	1.08	0.35	-0.21	-0.85	0.19	0.34	-0.25	0.32	0.96	0.45	0.06	0.06	-0.23	3.94	98%
Maximum	1.09	0.39	-0.20	-1.03	0.25	0.30	-0.11	0.13	0.72	0.28	-0.05	0.12	-0.24	5.08	99%
Bmrk. Avg.	1.09	0.39	-0.20	-1.03	0.25	0.30	-0.11	0.13	0.72	0.28	-0.05	0.12	-0.24	N.A.	95%
Waddell & Reed															
Minimum	1.11	0.28	-0.65	-1.29	0.40	0.16	-0.38	-0.36	0.16	-0.21	-0.35	0.05	-0.80	1.21	12%
Average	1.21	0.65	0.15	-0.70	0.82	0.53	-0.13	-0.01	0.53	0.03	0.03	0.37	-0.50	11.65	69%
Maximum	1.45	1.12	0.77	-0.16	1.74	1.31	0.82	0.20	1.96	0.25	0.50	0.54	-0.05	27.19	90%
Bmrk. Avg.	1.18	0.53	-0.04	-1.06	0.40	0.56	-0.24	0.01	0.35	0.29	-0.09	0.34	-0.55	N.A.	80%
Aggregate Active**															
Minimum	1.10	0.22	-0.11	-0.66	0.36	0.28	-0.18	-0.25	0.14	-0.02	-0.11	0.17	-0.68	N.A.	N.A.
Average	1.15	0.40	0.19	-0.43	0.51	0.46	-0.08	-0.16	0.22	0.06	0.07	0.29	-0.52	N.A.	N.A.
Maximum	1.20	0.60	0.33	-0.21	0.65	0.57	0.10	-0.03	0.34	0.18	0.25	0.36	-0.27	N.A.	N.A.

Bmrk. Avg. = Benchmark average

* Manager retained effective 4/1/89. Data covers period from 4/1/89 - 6/30/89 only.

** Includes data only for managers retained on 6/30/89.

Table 2.

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
Actual Portfolio Less Benchmark Portfolio
January, 1984 - June, 1989

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Alliance Capital									
Minimum	-6.03%	-1.88%	-10.44%	-6.40%	-18.24%	-5.78%	-0.45%	-13.94%	-5.16%
Average	7.77	0.90	-4.89	-2.70	-5.13	1.60	3.66	-4.50	3.29
Maximum	26.12	3.29	2.68	2.15	2.71	7.55	10.30	2.78	19.02
Bmrk. Avg.	33.48	4.74	10.76	7.61	10.08	12.87	2.71	7.66	10.10
BMI Capital									
Minimum	-7.28	-2.22	-8.76	-6.72	-11.01	-5.12	-5.54	-2.80	-14.24
Average	6.08	3.02	-4.64	-1.08	-1.23	3.63	-2.50	-0.65	-2.64
Maximum	17.78	20.92	2.11	5.29	6.16	10.35	7.60	2.22	5.35
Bmrk. Avg.	37.74	6.30	12.28	10.37	4.50	11.51	3.52	1.13	12.66
Concord Capital*									
Minimum	-6.26	-1.45	-3.19	1.43	1.51	9.54	0.18	-12.29	-1.81
Average	-5.41	-0.16	-1.42	1.89	2.40	10.88	1.20	-11.79	2.41
Maximum	-4.22	3.63	0.00	3.00	4.84	12.00	1.70	-10.33	3.97
Bmrk. Avg.	29.78	4.75	10.57	7.06	4.67	4.98	3.39	15.03	19.81
Forstmann Leff									
Minimum	-10.69	-5.77	-5.38	-7.29	-13.76	-10.55	-3.65	-10.70	-16.64
Average	4.77	-1.39	6.09	-4.24	-0.92	0.12	0.40	-3.75	-1.07
Maximum	23.04	13.64	19.28	-0.87	21.36	13.57	6.03	14.14	21.04
Bmrk. Avg.	31.86	4.65	12.94	7.89	6.92	10.54	3.43	7.77	14.00
Franklin Portfolio*									
Minimum	1.73	-1.11	0.25	-2.87	0.74	-2.21	0.40	-10.98	-1.19
Average	3.13	-0.90	1.05	-1.24	2.92	-1.83	0.99	-3.12	-0.99
Maximum	6.72	-0.64	1.95	-0.48	7.44	-1.12	2.47	0.49	-0.77
Bmrk. Avg.	29.78	4.75	10.57	7.06	4.67	4.98	3.39	15.03	19.81
IDS Advisory									
Minimum	-7.87	-2.59	-3.45	-6.56	-17.39	-10.61	-0.11	-14.81	-13.22
Average	0.77	1.80	7.49	0.57	-3.31	-1.54	3.72	-6.26	-3.24
Maximum	8.25	7.65	20.60	7.76	4.25	7.42	10.92	11.98	9.91
Bmrk. Avg.	28.00	5.03	10.36	7.35	12.99	10.73	2.68	13.58	9.29

Bmrk. Avg. = Benchmark average

* Manager retained effective 4/1/89. Data covers period from 4/1/89 to 6/30/89 only.

Table 2 Con't.

EXTERNAL ACTIVE STOCK MANAGERS

Sector Weights
Actual Portfolio Less Benchmark Portfolio
January, 1984 - June, 1989

	Cons. Non Dur.	Cons. Dur.	Basic Mat.	Cap. Goods	Energy	Tech.	Trans.	Util.	Finl.
Investment Advisers									
Minimum	-17.79%	-5.32%	-1.97%	-4.35%	-13.42%	-4.43%	-2.68%	-14.06%	-9.16%
Average	5.80	-2.46	6.59	-0.75	-7.50	3.52	2.92	-6.41	-1.72
Maximum	15.58	3.42	9.75	3.18	-2.52	10.44	9.42	3.45	15.98
Bmrk. Avg.	30.35	5.30	10.56	7.43	12.94	10.16	2.76	12.54	7.96
Lieber & Co.									
Minimum	-8.67	-2.30	-8.20	-10.50	-3.94	-6.56	-1.48	-5.06	-9.44
Average	2.87	1.13	-2.33	-4.78	-0.78	-2.95	0.60	-1.54	7.77
Maximum	13.40	8.06	5.49	-0.77	1.50	4.07	3.30	0.14	21.95
Bmrk. Avg.	32.64	6.66	10.95	11.40	3.72	10.85	2.53	2.50	18.75
Rosenberg Institutional*									
Minimum	1.81	-1.30	2.04	-1.31	0.79	-1.29	-1.15	-3.47	-5.82
Average	2.94	-1.02	2.97	-1.07	1.59	1.07	0.23	-2.75	-3.95
Maximum	5.13	-0.65	4.85	-0.61	2.43	2.06	0.85	-1.98	-2.85
Bmrk. Avg.	27.54	5.62	9.48	7.08	7.96	8.05	2.50	17.16	14.62
Sasco Capital*									
Minimum	-7.44	-2.42	-6.15	-2.34	13.09	-1.15	-1.69	-3.28	-2.16
Average	-5.20	-2.24	-4.47	-1.23	16.75	1.19	-0.84	-2.28	-1.67
Maximum	-3.16	-2.13	-2.32	0.89	18.69	2.53	-0.11	-0.44	-1.27
Bmrk. Avg.	22.80	3.87	21.43	10.76	13.16	6.67	5.33	7.45	8.55
Waddell & Reed									
Minimum	-18.41	-1.87	-21.46	-10.21	-12.36	-6.02	-5.85	-2.34	-0.94
Average	-6.41	1.72	-3.92	-0.91	-3.31	3.05	-0.05	2.22	7.61
Maximum	7.92	21.33	5.41	9.88	7.73	16.98	6.55	17.28	21.28
Bmrk. Avg.	33.60	7.50	19.74	10.83	9.26	11.64	5.84	0.63	0.96
Aggregate Active**									
Minimum	-2.49	-1.69	-5.08	-4.87	-13.19	-2.37	-1.05	-6.36	-7.84
Average	2.76	0.57	0.92	-1.91	-3.41	1.41	1.67	-3.27	1.29
Maximum	7.68	6.11	5.86	0.96	4.58	6.62	4.79	0.37	11.66

Bmrk. Avg. = Benchmark average

* Manager retained effective 4/1/89. Data covers period from 4/1/89 to 6/30/89 only.

** Includes data only for managers retained on 6/30/89.

Table 3.

EXTERNAL ACTIVE STOCK MANAGERS**Five Year Quarterly Performance Summary**

	3Q 84	4Q 84	1Q 85	2Q 85	3Q 85	4Q 85	1Q86	2Q86	3Q86	4Q86
Alliance Capital										
Actual Portfolio	6.6%	1.3%	12.2%	10.8%	-3.3%	17.8%	19.3%	5.9%	-11.8%	5.2%
Benchmark Portfolio	8.4	0.1	11.1	6.4	-5.9	17.3	15.5	3.7	-9.9	2.6
BMI Capital										
Actual Portfolio	3.4	2.2	9.3	-0.9	-2.4	11.1	17.8	7.0	-9.4	5.5
Benchmark Portfolio	6.3	-0.9	11.9	6.0	-4.3	16.5	15.4	6.3	-12.0	4.8
Concord Capital										
Actual Portfolio	Manager not retained until 2Q89.									
Benchmark Portfolio										
Forstmann Leff										
Actual Portfolio	4.6	3.4	10.9	8.1	-4.2	16.3	18.8	8.9	-10.8	3.4
Benchmark Portfolio	7.4	1.3	8.2	5.2	-3.1	12.9	11.0	3.8	-5.6	2.6
Franklin Portfolio										
Actual Portfolio	Manager not retained until 2Q89.									
Benchmark Portfolio										
IDS Advisory										
Actual Portfolio	10.3	3.0	8.5	10.1	-5.9	19.7	17.2	7.5	-10.1	4.5
Benchmark Portfolio	9.0	1.4	10.1	7.3	-4.1	16.2	13.9	5.7	-7.4	3.9
Investment Advisers										
Actual Portfolio	10.7	5.7	6.4	6.4	-7.2	18.5	12.4	4.6	-8.9	4.1
Benchmark Portfolio	9.0	1.4	10.1	7.3	-4.1	16.2	13.9	5.7	-7.4	3.9
Lieber & Company										
Actual Portfolio	7.9	2.6	11.6	6.0	-1.9	14.6	13.9	11.0	-9.5	0.1
Benchmark Portfolio	7.2	-0.6	12.1	5.3	-3.1	15.8	14.1	5.9	-10.8	2.2
Rosenberg Institutional										
Actual Portfolio	Manager not retained until 2Q89.									
Benchmark Portfolio										
Sasco Capital										
Actual Portfolio	Manager not retained until 2Q89.									
Benchmark Portfolio										
Waddell & Reed										
Actual Portfolio	1.4	1.5	5.2	7.0	-2.0	10.4	16.4	2.0	-6.4	5.1
Benchmark Portfolio	6.0	-0.3	8.2	4.7	-3.5	13.0	12.1	2.7	-6.9	3.0
Aggregate Active*	7.2	2.4	8.4	8.0	-4.5	15.2	15.2	4.5	-8.6	3.9
Market Index										
Wilshire 5000	9.2	1.3	10.3	7.5	-4.3	16.8	14.4	5.8	-7.7	4.0

* Aggregate Active performance numbers include returns of any managers retained during the time period shown but subsequently terminated by the Board.

Table 3 Con't.

EXTERNAL ACTIVE STOCK MANAGERS

Five Year Quarterly Performance Summary

	1Q 87	2Q 87	3Q 87	4Q 87	1Q 88	2Q 88	3Q88	4Q88	1Q89	2Q89
Alliance Capital										
Actual Portfolio	27.4%	4.6%	10.8%	-21.4%	4.0%	9.6%	-3.5%	0.6%	10.0%	11.7%
Benchmark Portfolio	22.8	3.2	5.1	-24.2	6.8	6.0	-0.9	1.3	6.7	8.3
BMI Capital										
Actual Portfolio	24.8	1.2	4.1	-30.2	23.9	5.2	-0.8	-2.2	8.2	3.5
Benchmark Portfolio	23.1	0.3	5.2	-25.2	12.5	6.5	-0.9	1.3	8.5	6.7
Concord Capital										
Actual Portfolio	Manager not retained until 2Q89.									7.1
Benchmark Portfolio										9.0
Forstmann Leff										
Actual Portfolio	19.8	1.6	8.4	-17.6	6.9	3.4	-2.6	2.6	8.3	2.1
Benchmark Portfolio	16.1	2.1	4.2	-16.1	6.7	5.5	0.1	1.6	6.3	6.2
Franklin Portfolio										
Actual Portfolio	Manager not retained until 2Q89.									10.1
Benchmark Portfolio										9.0
IDS Advisory										
Actual Portfolio	22.4	3.7	5.9	-20.7	0.6	7.1	-3.7	1.6	8.2	7.5
Benchmark Portfolio	20.5	3.2	5.2	-19.5	7.5	5.3	0.3	2.3	6.6	8.6
Investment Advisers										
Actual Portfolio	19.7	4.0	8.8	-15.2	-1.4	4.7	-1.0	1.9	7.4	6.5
Benchmark Portfolio	20.5	3.2	5.7	-18.9	5.6	5.8	0.7	3.0	6.4	7.2
Lieber & Company										
Actual Portfolio	20.1	-1.3	2.7	-23.0	16.2	4.6	0.8	0.1	7.2	6.1
Benchmark Portfolio	20.4	0.1	4.1	-24.8	15.0	6.9	-1.0	0.3	7.1	6.4
Rosenberg Institutional										
Actual Portfolio	Manager not retained until 2Q89.									9.1
Benchmark Portfolio										8.7
Sasco Capital										
Actual Portfolio	Manager not retained until 2Q89.									7.9
Benchmark Portfolio										6.7
Waddell & Reed										
Actual Portfolio	18.4	2.4	9.8	-20.8	8.1	7.3	-5.9	1.2	5.2	10.4
Benchmark Portfolio	22.1	3.6	6.0	-21.0	11.1	5.5	-1.7	1.0	6.5	5.9
Aggregate Active*	21.0	2.6	6.9	-21.8	7.3	6.8	-2.8	0.5	8.1	7.9
Market Index										
Wilshire 5000	21.2	3.3	6.2	-23.1	8.0	6.5	0.2	2.3	7.4	8.5

* Aggregate Active performance numbers include returns of any managers retained during the time period shown but subsequently terminated by the Board.

Table 4.

EXTERNAL STOCK MANAGERS

Five Year Annualized Performance Summary

	Year Ending 6/30/89		Two Years Ending 6/30/89		Three Years Ending 6/30/89		Five Years Ending 6/30/89	
	Actual Portfolio	Benchmark Portfolio	Actual Portfolio	Benchmark Portfolio	Actual Portfolio	Benchmark Portfolio	Actual Portfolio	Benchmark Portfolio
Active Managers								
Alliance Capital	19.2%	16.0%	8.8%	2.3%	13.5%	8.1%	23.1%	15.8%
BMI Capital	8.7	16.2	1.4	4.7	7.5	7.7	14.1	16.4
Concord Capital	7.1	9.0	Manager retained effective 4/1/89					
Forstmann Leff	10.4	14.9	4.4	6.3	7.0	9.1	17.9	15.1
Franklin	10.1	9.0	Manager retained effective 4/1/89					
IDS	13.7	18.7	1.5	6.7	7.1	10.9	18.8	19.0
Investment Advisers	15.2	18.4	4.7	6.4	9.0	10.6	17.3	18.9
Lieber & Company	14.9	13.1	5.0	4.4	5.7	6.2	17.1	15.3
Rosenberg	9.1	8.7	Manager retained effective 4/1/89					
Sasco Capital	7.9	6.7	Manager retained effective 4/1/89					
Waddell & Reed	10.6	12.0	5.6	4.9	10.0	10.1	14.5	14.9
Passive Manager								
Wilshire Associates	19.4%	19.4%	6.1%	6.1%	10.6%	10.5%	19.1%	19.0%
Total Basic Retirement Funds' Common Stock Segment*								
	18.0%	18.4%	5.7%	6.0%	10.1%	10.4%	18.5%	18.7%
Capital Markets Data								
Wilshire 5000	19.5%	--	6.0%	--	10.5%	--	19.1%	--
91-Day Treasury Bills	8.2	--	7.1	--	6.6	--	7.3	--
Inflation	5.2	--	4.6	--	4.3	--	3.7	--

* Total segment performance numbers include returns of any managers retained during the time periods shown but subsequently terminated by the Board.

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 Table 5.

Average Quality Weightings (Avg. Qual.)	Refers to the average rating given the total 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.
Bond Allocation (Bond Alloc.)	The percent of the manager's total portfolio invested in bonds.
Coupon	The annual interest payment received on the manager's total portfolio stated as a percent of the portfolio's face value.
Current Yield (Cur. Yield)	The annual interest payment produced by the manager's total portfolio stated as a percent of the portfolio's market value.
Duration (Dur.)	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.
Number of Issues (# of Issues)	The number of different bond issues held in the manager's portfolio.
Quarterly Turnover (Qtr. T/O)	The manager's total bond sales during the quarter divided by the average value of the manager's bond portfolio over the quarter.
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.
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.

Table 5.
EXTERNAL ACTIVE BOND MANAGERS
Portfolio Characteristics
September 30, 1984 - June 30, 1989

	Qtr. T/O	# Of Issues	Bond Alloc.	Coupon	Cur. Yield	Yield To Mat.	Avg. Qual.	Dur.	Term To Mat.
Investment Advisers									
Minimum	0.0%	7	88%	7.60%	7.60%	8.00%	AAA	3.10 Yrs.	4.00 Yrs.
Average	18.4	17	96	8.68	8.52	9.24	AAA	4.40	7.05
Maximum	50.0	25	100	10.80	10.80	12.60	AAA	7.90	15.40
Lehman Management									
Minimum	16.0	15	81	7.70	7.80	7.30	AA	3.30	5.00
Average	43.7	36	90	9.50	9.31	9.15	AAA	3.88	6.94
Maximum	103.0	54	98	11.60	11.50	12.20	AAA	4.50	8.60
Miller Anderson									
Minimum	11.0	37	71	6.90	7.50	7.80	A	3.10	5.50
Average	46.2	53	89	8.98	9.26	9.93	AA	4.51	8.53
Maximum	83.0	76	99	10.50	11.10	13.00	AAA	6.60	12.50
Morgan Stanley									
Minimum	9.0	7	73	7.60	7.90	8.20	AA	2.20	3.40
Average	59.5	14	96	13.92	9.36	9.59	AAA	4.84	9.29
Maximum	160.0	20	100	11.50	11.50	12.50	AAA	6.50	19.90
Western Asset									
Minimum	12.0	19	80	8.50	8.30	8.30	AA	4.20	8.40
Average	42.6	41	89	9.39	9.67	10.04	AA	5.29	12.04
Maximum	97.0	55	100	11.30	12.30	12.80	AAA	6.70	18.90

Table 6.
EXTERNAL ACTIVE BOND MANAGERS
Sector Weights
September 30, 1984 - June 30, 1989

	(In Percentages)								
	Govt	Agcy	Ind	Util	Fin	Tran	Mtgs	Misc	Cash
Investment Advisers									
Minimum	46	0	0	0	0	0	0	0	0
Average	71	3	7	3	8	0	5	0	3
Maximum	85	18	25	31	19	0	15	0	12
Lehman Management									
Minimum	46	0	2	0	0	0	0	0	0
Average	58	4	7	2	10	0	9	0	9
Maximum	66	13	14	8	26	0	18	0	19
Miller Anderson									
Minimum	0	0	2	0	3	0	20	0	1
Average	22	0	6	0	22	0	41	0	9
Maximum	45	0	9	5	59	2	61	0	29
Morgan Stanley									
Minimum	0	0	0	0	0	0	0	0	0
Average	38	4	2	0	7	0	44	1	4
Maximum	74	27	31	0	28	0	75	13	27
Western Asset									
Minimum	3	0	3	5	0	0	23	0	0
Average	12	8	13	11	6	2	38	1	9
Maximum	28	16	20	19	18	5	54	4	20

Abbreviations:

Govt	Government
Agcy	Government agencies
Ind	Industrials
Util	Utilities
Fin	Financials
Tran	Transportation
Mtgs	Mortgages
Misc	Miscellaneous or other

Table 7.

EXTERNAL ACTIVE BOND MANAGERS**Five Year Quarterly Performance Summary**

	3Q84	4Q84	1Q85	2Q85	3Q85	4Q85	1Q86	2Q86	3Q86	4Q86
Investment Advisers										
Actual Portfolio	11.8%	8.8%	1.8%	9.2%	2.3%	6.3%	5.9%	0.9%	2.4%	2.7%
Benchmark Portfolio	7.9	7.2	2.2	8.6	2.0	7.5	7.6	1.1	2.4	3.2
Lehman Management										
Actual Portfolio	8.7	6.8	2.1	7.6	2.1	6.5	6.5	1.1	2.9	2.8
Benchmark Portfolio	7.5	7.1	2.3	7.6	2.2	6.8	6.9	1.4	2.3	2.9
Miller Anderson										
Actual Portfolio	6.7	6.3	2.5	5.7	4.4	8.7	4.2	0.2	2.2	10.3**
Benchmark Portfolio	8.6	7.5	2.2	8.9	2.0	7.8	7.9	1.1	2.5	3.3
Morgan Stanley										
Actual Portfolio	6.3	7.2	1.5	9.1	2.4	7.7	8.3	-1.3	3.1	4.5
Benchmark Portfolio	8.4	7.7	2.4	8.7	2.2	6.8	5.7	1.2	4.5	3.2
Western Asset										
Actual Portfolio	10.8	6.8	2.3	9.1	1.9	9.3	6.9	1.3	2.2	4.9
Benchmark Portfolio	7.9	7.2	2.2	8.6	2.0	7.5	7.6	1.1	2.4	3.2
Aggregate Active*										
Actual Portfolio	8.1	6.8	2.1	7.8	2.7	7.7	6.2	0.4	2.7	5.2
Benchmark Portfolio	8.1	7.4	2.2	8.5	2.1	7.3	7.1	1.2	2.6	3.2
Market Index										
Salomon Broad Investment Grade Bond Index	8.6	7.5	2.2	8.9	2.0	7.8	7.9	1.1	2.5	3.3

* Aggregate Active performance numbers include returns of any managers retained during the time periods shown but subsequently terminated by the Board.

** Performance reflects positive impact of pricing adjustment made during the quarter.

Table 7 Con't.

EXTERNAL ACTIVE BOND MANAGERS**Five Year Quarterly Performance Summary**

	1Q87	2Q87	3Q87	4Q87	1Q88	2Q88	3Q88	4Q88	1Q89	2Q89
Investment Advisers										
Actual Portfolio	1.0%	-0.9%	-1.9%	5.1%	3.2%	1.1%	1.8%	0.6%	1.3%	9.8%
Benchmark Portfolio	1.3	-1.4	-2.5	5.6	3.8	1.1	1.9	0.9	1.1	8.4
Lehman Management										
Actual Portfolio	1.1	-1.6	-2.1	5.3	3.2	0.7	3.3	0.8	1.3	7.0
Benchmark Portfolio	1.5	-1.3	-2.1	5.2	3.4	1.1	1.8	0.9	1.2	7.2
Miller Anderson										
Actual Portfolio	2.8	-1.6	-3.6	6.3	3.6	1.5	1.9	1.6	1.4	4.4
Benchmark Portfolio	1.3	-1.6	-2.8	5.8	3.8	1.2	2.0	0.8	1.2	7.9
Morgan Stanley										
Actual Portfolio	2.9	-3.1	-0.5	4.8	3.1	0.4	1.8	0.3	1.1	6.8
Benchmark Portfolio	1.4	-1.1	-1.9	5.2	3.8	1.2	1.7	0.3	1.1	7.1
Western Asset										
Actual Portfolio	2.6	-3.4	-3.1	5.3	5.3	1.5	2.7	1.5	1.5	8.2
Benchmark Portfolio	1.3	-1.4	-2.7	5.6	4.0	1.4	2.2	0.9	1.2	7.8
Aggregate Active*										
Actual Portfolio	2.3	-2.3	-2.2	5.3	3.8	1.1	2.4	1.1	1.4	6.9
Benchmark Portfolio	1.4	-1.4	-.4	5.5	3.8	1.2	2.0	0.7	1.2	7.6
Market Index										
Salomon Broad Investment Grade Bond Index	1.3	-1.6	-2.8	5.8	3.8	1.2	2.0	0.8	1.2	7.9

* Aggregate Active performance numbers include returns of any managers retained during the time periods shown but subsequently terminated by the Board.

Table 8.

EXTERNAL BOND MANAGERS

Five Year Annualized Performance Summary

	Year Ending 6/30/89		Two Years Ending 6/30/89		Three Years Ending 6/30/89		Five Years Ending 6/30/89	
	Actual Portfolio	Benchmark Portfolio	Actual Portfolio	Benchmark Portfolio	Actual Portfolio	Benchmark Portfolio	Actual Portfolio	Benchmark Portfolio
Active Managers								
Investment Advisers	14.0%	12.6%	10.6%	10.3%	8.8%	8.7%	15.2%	14.5%
Lehman Management	12.7	11.4	9.9	9.6	8.3	8.2	13.6	13.7
Miller Anderson	9.6	12.2	8.7	10.2	10.4	8.6	14.3	14.8
Morgan Stanley	10.1	10.5	9.0	9.5	8.5	8.6	13.6	14.2
Western Asset	14.5	12.4	11.7	10.4	9.9	8.8	16.1	14.5
Semi-Passive Managers								
Fidelity Management	12.0%	12.2%	Manager retained effective 7/1/88					
Lincoln Capital	12.4	12.2	Manager retained effective 7/1/88					
Total Basic Retirement Funds' Bond Segment*								
	12.1%	11.9%	10.0%	10.0%	8.4%	7.7%	14.5%	14.4%
Capital Markets Data								
Salomon BIG Index**	12.2%	---	10.2%	---	8.6%	---	14.8%	---
91 Day Treasury Bills	8.2	---	7.1	---	6.6	---	7.3	---
Inflation	5.2	---	4.6	---	4.3	---	3.7	---

* Total segment performance numbers include returns of any managers retained during the time periods shown but subsequently terminated by the Board.

**Salomon Broad Investment Grade Bond Index

Table 9.

ALTERNATIVE ASSETS**Summary of Commitments
As of June 30, 1989**

	Total Fund Size (Millions)	SBI Incept Date	SBI Commitment	SBI-Funded	SBI-To Be Funded	Fund Description
Real Estate:						
Aetna	\$1,573	Apr-82	\$40,000,000	\$40,000,000	\$0	Open End/Diversified
Equitable	\$3,613	Oct-81	\$40,000,000	\$40,000,000	\$0	Open End/Diversified
Prudential	\$3,560	Sep-81	\$40,000,000	\$40,000,000	\$0	Open End/Diversified
Heitman I	\$113	Jun-84	\$20,000,000	\$20,000,000	\$0	Closed End/Diversified
Heitman II	\$238	Oct-85	\$30,000,000	\$30,000,000	\$0	Closed End/Diversified
Heitman III	\$200	Nov-86	\$20,000,000	\$18,119,115	\$0	Closed End/Diversified
RREEF	\$773	Apr-84	\$75,000,000	\$71,300,000	\$0	Closed End/Diversified
State Street III	\$103	Jul-85	\$20,000,000	\$20,000,000	\$0	Closed End/Specialized
State Street IV	\$86	Jul-86	\$15,000,000	\$15,000,000	\$0	Closed End/Specialized
State Street V	\$82	Nov-87	\$15,000,000	\$10,000,000	\$0	Closed End/Specialized
TCW III	\$216	Jul-85	\$40,000,000	\$40,000,000	\$0	Closed End/Specialized
TCW IV	\$250	Sep-86	\$30,000,000	\$30,000,000	\$0	Closed End/Specialized
Total Real Estate			\$385,000,000	\$385,000,000	\$0	
Venture Capital:						
Allied	\$40	Jul-85	\$5,000,000	\$5,000,000	\$0	Later Stage
DSV	\$60	Apr-85	\$10,000,000	\$10,000,000	\$0	Early Stage
First Century	\$100	Dec-84	\$10,000,000	\$6,500,000	\$3,500,000	Early Stage
First Chicago	\$50	Mar-88	\$5,000,000	\$1,830,000	\$3,170,000	Secondary Interests
Golder Thoma	\$225	Oct-87	\$14,000,000	\$4,900,000	\$9,100,000	Later Stage
Inman/Bowman	\$44	Jun-85	\$7,500,000	\$4,500,000	\$3,000,000	Early Stage
KKR I	\$1,000	Mar-84	\$25,000,000	\$25,000,000	\$0	LBO
KKR II	\$2,000	Dec-85	\$18,365,172	\$18,365,172	\$0	LBO
KKR III	\$5,600	Oct-87	\$146,634,660	\$89,958,077	\$56,676,583	LBO
Matrix	\$70	Jul-85	\$10,000,000	\$10,000,000	\$0	Early Stage
Norwest	\$60	Jan-84	\$10,000,000	\$10,000,000	\$0	Early Stage
Summit I	\$93	Dec-84	\$10,000,000	\$10,000,000	\$0	Later Stage
Summit II	\$230	May-88	\$30,000,000	\$7,500,000	\$22,500,000	Later Stage
Superior	\$35	Jun-86	\$6,645,000	\$3,322,500	\$3,322,500	Early Stage - MN.
T. Rowe Price	---	Mar-86	\$899,850	\$899,850	\$0	IPO Manager
Total Venture Capital			\$309,044,682	\$207,775,599	\$101,269,083	
Resources:						
AMGO I	\$144	Jul-81	\$15,000,000	\$15,000,000	\$0	Debt with Equity
AMGO II	\$36	Feb-83	\$7,000,000	\$7,000,000	\$0	Debt with Equity
AMGO IV	\$75	May-88	\$12,300,000	\$5,292,000	\$7,008,000	Debt with Equity
Apache I	\$100	May-84	\$3,000,000	\$1,564,025	\$1,435,975	Debt with Equity
Apache II	\$180	Oct-85	\$23,000,000	\$23,000,000	\$0	Debt with Equity
Apache III	\$190	Dec-86	\$30,000,000	\$30,000,000	\$0	Net Profits Interest
Morgan O&G	\$135	Jul-88	\$15,000,000	\$8,400,000	\$6,600,000	Debt with Equity
British Pet. Royalty	\$500	Feb-89	\$25,000,000	\$25,000,000	\$0	Royalty
Total Resources			\$130,300,000	\$115,256,025	\$15,043,975	
Total Alternative Assets			\$824,344,682	\$708,031,624	\$116,313,058	

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:

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

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

t_i = Time from cash flow i to the end of the period, expressed as a percentage of the total number 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:

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

BENEFIT INCREASE FORMULA

In order to support currently promised benefits, the Post Retirement Investment Fund must generate 5% realized earnings on its invested assets each year. All realized earnings in excess of 5% are used to finance permanent lifetime benefit increases for current retirees. The benefit increase calculation is specified in Minnesota Statutes Chapter 11A.18, subdivision 9. A summary of the methodology is shown below:

$$\begin{array}{rclcl} \boxed{\text{Investment Earnings (1)}} & - & \boxed{\text{Required Return of 5\% (2)}} & = & \boxed{\text{Income Available for Benefit Increase}} \\ \\ \boxed{\text{Income Available for Benefit Increase}} & \div & \boxed{\text{Required Reserves(3)}} & = & \boxed{\text{Benefit Increase (4)}} \end{array}$$

- (1) Investment earnings are defined as dividends, interest, accruals and realized capital gains or losses applicable to the most recent fiscal year ending June 30.
- (2) Each cash flow in or out of the Post Fund is adjusted by 5% multiplied by the fraction of a year from the date of the cash flow to the end of the fiscal year on June 30.
- (3) Total required reserves are calculated by the State's actuary retained by the Legislative Commission on Pensions and Retirement.
- (4) A retiree who has been receiving an annuity or benefit for at least one year as of the end of the fiscal year will receive the full benefit increase. A retiree who has been receiving an annuity or benefit for less than one year will receive one twelfth of the full increase for each month the person was retired during the fiscal year. Full or partial increases are effective beginning January 1 of the following calendar year.

EXTERNAL STOCK AND BOND MANAGER FEES

Total Payments for Fiscal Year 1989

Active Stock Managers (1)

Fred Alger Management*	\$ -151,688
Alliance Capital	1,186,498
BMI Capital	240,785
Concord Capital Management	180,341
Forstmann Leff Associates	457,390
Franklin Portfolio Associates	160,931
IDS Advisory	153,031
Investment Advisers Inc.	231,676
Lieber & Company	909,874
Rosenberg Institutional Equity Management	192,120
Sasco Capital, Inc.	104,617
Waddell & Reed	441,386

Passive Stock Manager (2)

Wilshire Associates	\$ 312,482
---------------------	------------

Active Bond Managers (2)

Investment Advisers Inc.	\$ 98,247
Lehman Management	221,303
Miller, Anderson & Sherrerd	326,396
Morgan Stanley Capital Management	212,100
Western Asset Management	296,809

Semi-Passive Bond Managers(3)

Fidelity Management Trust	\$ 192,684
Lincoln Capital Management	206,623

(1) Active stock managers are compensated on a performance-based fee formula.

Fees earned may range from zero to twice the manager's base fee, depending on the manager's performance relative to an established benchmark. (See page 71 for a more complete description of this formula.)

(2) The passive stock manager and active bond managers are compensated based on a specified percentage of assets under management.

(3) The semi-passive bond managers are compensated on a performance-based fee formula.

Fees earned may range from 3.5 to 11.5 basis points of assets under management, depending on the manager's performance relative to an established benchmark. (See page 71 for a more complete description of this formula).

* Manager terminated during fiscal year 1989. The performance fee formula required the manager to return a portion of base fee payments remitted to the firm in prior periods.

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1989

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
Abel/Noser Corp.	\$ 2,195,550	\$ 7,140	\$0	\$0	\$0
Abrams & Co.	267,500	1,000	0	0	0
Adams Harkness & Hill	1,944,458	6,379	0	0	0
Allison-Williams	0	0	3,315,983	0	0
Alpha Managment, Inc.	1,391,250	3,300	0	0	0
American Express Credit	0	0	29,687,013	0	0
American National Bank	0	0	4,106,292	0	0
Arbour Securities, Inc.	0	0	2,713,628	0	0
Associates Corp. of N.A.	0	0	0	0	17,000,000
Autranet	28,410,912	46,616	56,802,856	0	0
BGK Securities	0	0	5,830,266	0	0
Bank of America	0	0	3,000,000	0	0
Bankers Discount Corp.	0	0	0	0	450,000,000
Bankers Trust	0	0	29,659,513	0	161,190,000
Bateman Eichler	807,675	920	0	0	0
Baum George K. & Co.	122,500	0	0	0	0
Bear Stearns & Co.	98,884,513	150,928	75,763,765	0	172,144,000
Bernstein Sanford	22,332,608	57,738	0	0	0
Blunt Ellis	155,000	1,200	0	0	0
Boston Inst. Services	462,485	800	0	0	0
Brandt (Robert) & Co.	1,723,425	4,264	0	0	0
Brean Murray	84,914,173	197,105	0	0	0
Brick Securities	256,725	441	0	0	0
Bridge Trading Co.	59,149,570	92,605	0	0	0
Broadcort Capital	980,730	1,870	0	0	0
Brown (Alex) & Sons, Inc.	9,003,564	12,357	231,200	0	0
Brown Bros. Harriman	1,488,859	944	0	0	0
Cable/Hose & Ragen	1,122,170	2,600	0	0	0
Cantor Fitzgerald	86,263,880	118,698	0	0	0
Capital Inst. Services	21,347,830	29,323	92,015,141	0	0
Carroll McEntee & McGinley	0	0	16,433,746	0	45,000
Charles Schwab & Co., Inc.	54,625,500	66,085	0	0	0
Chase Manhattan Bank	0	0	159,172	0	242,000
Chicago Corp.	635,991	960	0	0	0
CIT Financial Corp.	0	0	0	0	40,769,000
Citibank	0	0	196,844,591	0	187,958,350
Citicorp	0	0	125,085,448	0	100,000,000
Citicorp Sec. Markets, Inc.	0	0	69,776,563	0	18,100,000
County Securities	40,250	70	0	0	0
Cowen & Co.	12,743,720	15,219	0	0	0
Cyrus J. Lawrence	15,745,479	26,461	0	0	0
Dain Bosworth, Inc.	6,653,205	9,849	3,985,465	0	0
Dain Kalman & Quail	1,306,163	3,944	0	0	0
Daiwa Sec. America	0	0	279,935,230	0	0
Davis	517,525	889	0	0	0
Dean Witter Reynolds	14,228,086	29,049	14,000,000	0	25,000,000
Dillon Read	1,285,725	5,530	82,405,625	0	5,067,174,000
Discount Corp. (NY)	0	0	3,000,000	0	31,000,000
Donaldson Lufkin	0	0	23,580,154	0	0
Drexel Burnham Lambert	49,116,014	71,666	571,556,617	0	15,254,598,000
Edwards-Bond Service	0	0	14,946,756	0	0
Edwards A.G. & Sons	0	0	2,488,300	0	0
Ernst & Co.	11,762,960	16,825	0	0	0
Execution Services Inc.	2,095,738	1,698	0	0	0
Factset Data	1,330,388	2,200	0	0	0
Financial Clearing	2,686,851	3,896	0	0	0
First Albany	132,745	120	0	0	0
First Bank Nat'l. Assoc.	69,471,421	119,024	338,924,376	0	681,352,000
First Boston Corp.	2,112,606	3,608	209,512,262	102,813	4,557,749,000
First Chicago Corp.	0	0	2,000,000	0	55,000,000
First Interstate Bank (CA)	0	0	0	0	50,000,000
First Kansas	13,854,571	21,966	0	0	0
First Manhattan Company	9,299,157	21,068	0	0	0
First Nat'l. Bank Chicago	0	0	0	0	128,023,000
First Southwest Co.	3,288	0	0	0	0
Fleming (Robert), Inc.	2,998,276	6,450	0	0	0
Ford Motor Credit Co.	0	0	0	0	12,607,000
Fred Alger & Co.	91,750,694	195,017	0	0	0
Friend (L.H.) & Co.	63,938	550	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1989

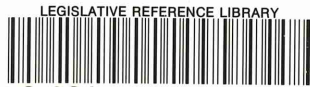
Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
Furman Selz Mager	\$1,798,507	\$2,180	\$0	\$0	\$0
General Electric Capital Corp.	0	0	0	0	40,485,000
General Motors Acceptance	0	0	0	0	197,878,000
Goldman Sachs & Co.	80,323,784	73,446	806,166,196	88,750	98,700,000
Goodrich Securities	2,863,355	7,119	0	0	0
Greenwich Capital Markets, Inc.	0	0	117,973,954	0	266,934,000
Gruntal & Co.	4,722,932	7,792	0	0	0
Hahn Holnd Grosmn	2,138,194	3,336	0	0	0
Hambrecht & Quist	693,472	1,940	0	0	0
Heller Financial, Inc.	0	0	0	0	165,430,000
Herzog Heine Gedvid	1,402,179	960	0	0	0
Howard Weil Labouisse	563,962	786	0	0	0
IDS Mortgage Co.	0	0	227,802	0	0
Impact Securities Co.	511,585	402	0	0	0
Ingalls & Snyder	457,485	1,050	0	0	0
Instinet	192,999,036	244,418	0	0	0
Interstate Securities	126,638	600	0	0	0
Invemed Associates	4,126,362	6,936	0	0	0
Irving Securities Inc.	0	0	17,000,000	0	0
ITT Financial	0	0	22,000,000	0	0
Jefferies & Co.	235,966,524	323,945	0	0	0
Jones & Assoc.	7,158,306	15,706	0	0	0
Josephthal & Co.	1,797,560	2,320	0	0	0
Keefe Bruyette & Wood	2,793,607	7,328	0	0	0
Kidder Peabody	22,503,854	42,565	92,112,437	10,125	5,486,436,998
Kleinwort Benson Govt. Sec., Inc.	1,653,862	3,900	0	0	0
L.F. Rothschild	0	0	87,317,458	15,000	0
Laidlaw Ad	3,607,422	4,501	0	0	0
Lanston Co.	0	0	5,000,000	0	0
Lashco, Inc.	144,875	1,140	0	0	0
Lazard Freres & Co.	1,810,750	2,285	0	0	0
Legg Mason	595,000	1,960	0	0	0
Lehman Govt. Securities	0	0	126,720,541	0	2,829,319,000
Lewco Securities, Inc.	29,991,001	39,911	0	0	0
Lieber & Company	77,851,386	186,046	86,494	263	0
Lynch, Jones & Ryan	8,938,570	14,517	0	0	0
Mabon Nugent & Co.	1,252,268	1,120	0	0	0
Manufacturers Hanover Trust	0	0	1,000,000	0	0
Marquette National Bank	0	0	40,096,797	0	21,450,000
McDonald & Company	1,696,986	4,028	0	0	0
Merrill Lynch - IDC	107,184,591	167,104	504,499,064	0	30,027,720
Merrill Lynch PF&S	0	0	25,895,362	0	0
Merrill Lynch PF&S (P)	0	0	751,652	0	0
Merrill Lymch PF&S (R)	3,707,363	11,126	290,110,620	18,500	1,450,385,000
Mesirow & Company	104,625	135	0	0	0
Miscellaneous	0	0	27,470	0	0
Montgomery Securities	38,604,778	35,124	1,775,163	0	0
Moore, Schley & Cameron	8,620,580	10,082	0	0	0
Morgan Guaranty	228,018,279	206,030	409,907,286	0	3,543,032
Morgan Stanley & Co.	3,030,373	6,518	63,312,133	70,375	403,942,000
Neuberger & Berman	5,482,911	9,603	0	0	0
Newbridge Securities	78,673	300	0	0	0
Newhard Cooke & Co.	6,933,493	12,545	0	0	0
Nikko Securities	623,675	1,616	19,000,000	0	0
Nomura Securities Int'l.	7,469,460	18,155	248,226,509	0	0
Norwest Bank Mpls.	0	0	18,477,813	0	157,567,000
Oppenheimer & Co.	50,217,801	77,103	2,054,494	0	0
OSC Sample Lynch	0	0	6,348,711	0	0
Oscar Grussman	1,426,705	2,317	0	0	0
Paine Webber J & C	87,671,134	105,299	90,291,786	12,813	1,539,956
Pershing	34,449,630	46,310	985,680	0	0
Pforzheimer Carl H.	3,288,886	4,200	0	0	0
Phoenix Capital Markets	283,125	1,200	0	0	0
Piper Jaffray & Hopwood	0	0	143,447	0	0
Piper Jeffray & Hopwood (S)	8,986,514	14,878	0	0	0
Pittsburgh National Bank	0	0	0	0	27,000,000
Printon & Kane	0	0	63,609,858	0	0
Prudential	18,923,709	43,716	33,640,104	0	0
Prudential Bache Securities	5,047,963	15,783	63,450,385	0	1,519,907,000
Purcell Graham & Co.	1,013,716	2,200	0	0	0
Raymond James & Associates	620,039	700	0	0	0
RBC Dominion Securities	2,453,969	2,247	0	0	0
Robert Fleming	800,855	1,146	0	0	0

COMMISSIONS AND TRADING VOLUME

By Broker for Fiscal Year 1989

Broker	Stock \$ Volume	Stock \$ Commissions	Bond \$ Volume	Bond \$ Commissions	Short Term \$ Volume
Robinson-Humphrey Co.	\$1,204,128	\$4,065	\$0	\$0	\$0
Rosenberg	27,412,675	0	0	0	0
Rotan Mosle	0	0	2,574,047	0	0
Roulston & Company	1,983,167	5,819	0	0	0
Salomon Brothers	46,604,886	65,463	1,050,168,326	12,500	1,268,900
Sanwa-BGK	0	0	2,100,656	0	0
Schapiro (M.A.) & Co.	201,025	0	0	0	0
Scott & Stringfellow	2,249,925	1,750	0	0	0
Sears Roebuck Acceptance	0	0	0	0	193,000,000
Securities Settlement Corp.	5,040,319	9,235	130,000	0	0
Security Pacific Bank	0	0	0	0	3,000,000
SEI Funds Evaluation	25,461,828	40,694	0	0	0
Shearson Argus Research	26,182,021	38,494	486,344,894	0	36,500,000
Shearson Lehman (Bondstat)	0	0	353,644,155	20,000	0
Shearson Lehman/American Express	0	0	111,983,487	18,750	0
Shearson/American Express	3,257,404	7,220	0	0	0
Sloate Wiesman	844,895	1,300	0	0	0
Smith Barney & Company	31,351,128	42,635	8,901,470	6,250	0
State Board of Investment	10,774,413	0	15,720,976	0	100,500,000
Sutro & Company, Inc.	1,929,236	2,664	626,960	0	0
The Chicago Corp.	1,032,206	160	0	0	0
Thomson & McKinnon	0	0	31,815,848	0	0
Toronto Domin	0	0	0	0	35,700,000
Tucker Anthony & R.L. Day, Inc.	0	0	13,326,031	0	0
Underwood Neuhaus	0	0	1,985,338	0	0
W & D Securities	406,190	800	0	0	0
W.E. Pollock & Co., Inc.	0	0	67,429,688	0	0
Wagner Stott & Co.	119,674,112	186,998	0	0	0
Wall Street Clearing	3,499,818	9,718	0	0	0
Warburg S.G.	1,825,650	640	0	0	0
Weeden & Company	91,511,257	159,654	560,582	0	0
Wellington & Company	1,606,746	4,326	0	0	0
Westpac Pollock & Co.	0	0	2,280,969	0	0
Wheaton First Securities, Inc.	772,950	1,926	0	0	0
William Blair & Co.	1,657,575	2,220	0	0	0
Wood Gundy & Company	954,518	5,615	0	0	0
Yamaichi Intl. (Amer), Inc.	0	0	35,768,750	0	617,556,000
Broker Unavailable*	560,554,584	262,090	784,343,571	0	837,826,424
All Brokers Combined	\$3,071,210,638	\$4,009,529	\$8,385,674,920	\$376,139	\$41,535,847,379

* Includes transactions where broker data was incomplete.



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1989 ANNUAL REPORT

MINNESOTA STATE BOARD OF INVESTMENT

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FINANCIAL STATEMENTS, ASSET LISTINGS AND ACCOUNTING DATA

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Pursuant to Mn Stat 11A.07, sd 4
Volume 2, of 2 volumes

1989 ANNUAL REPORT

MINNESOTA STATE BOARD OF INVESTMENT

Governor Rudy Perpich

State Auditor Arne H. Carlson

State Treasurer Michael A. McGrath

Secretary of State Joan Anderson Growe

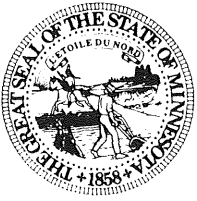
Attorney General Hubert H. Humphrey III

Financial Statements, Asset Listings and Accounting Data

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STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Supplemental Retirement Fund, the Post Retirement Investment Fund, and the Variable Annuity Fund, which constitute the Investment Trust Funds of the State of Minnesota as of and for the year ended June 30, 1989, as shown on pages 2 to 7. 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.

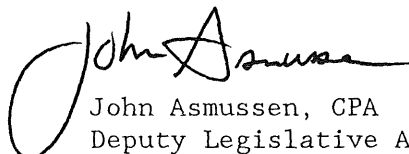
We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, 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 Investment Trust Funds of the State of Minnesota and are not intended to present fairly the financial position and results of operations of the State Board of Investment or the State of Minnesota in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets and participation of the Investment Trust Funds of the State of Minnesota at June 30, 1989, and the results of their operations and changes in their net assets for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements and supporting schedules on pages 10 to 74 are presented for purposes of additional analysis and are not a required part of the financial statements of the Investment Trust Funds of the State of Minnesota. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

December 1, 1989

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1989
AMOUNTS IN (000)'S

	SUPPLEMENTAL (5) INVESTMENT FUND TOTAL	POST RETIREMENT (6) INVESTMENT FUND	VARIABLE (7) ANNUITY FUND
ASSETS:			
INVESTMENTS (at market value) (3)			
COMMON STOCK	\$ 219,543	\$ 521,098	\$ 0
ALTERNATIVE EQUITIES	0	0	0
FIXED INCOME SECURITIES	117,311	4,273,789	0
SHORT TERM SECURITIES	86,463	187,250	0
TOTAL INVESTMENTS (4)	<u>\$ 423,317</u>	<u>\$ 4,982,137</u>	<u>\$ 0</u>
2 CASH	0	60	0
SECURITY SALES RECEIVABLE	0	0	0
ACCOUNTS RECEIVABLE-FEE REFUNDS	0	74	0
ACCOUNTS RECEIVABLE-MORTALITY	0	3,930	0
ACCOUNTS RECEIVABLE-PARTICIPANTS	0	262	0
ACCRUED INTEREST	1,523	84,532	0
ACCRUED DIVIDENDS	0	2,489	0
ACCRUED SHORT TERM GAIN	681	964	0
TOTAL ASSETS	<u>\$ 425,521</u>	<u>\$ 5,074,448</u>	<u>\$ 0</u>
LIABILITIES:			
MANAGEMENT FEES PAYABLE	70	176	0
SECURITY PURCHASES PAYABLE	0	56,630	0
ACCOUNTS PAYABLE-PARTICIPANTS	0	12,346	0
OPTIONS PREMIUMS RECEIVED	0	0	0
TOTAL LIABILITIES	<u>\$ 70</u>	<u>\$ 69,152</u>	<u>\$ 0</u>
NET ASSETS AT JUNE 30, 1989	<u><u>\$ 425,451</u></u>	<u><u>\$ 5,005,296</u></u>	<u><u>\$ 0</u></u>

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1989
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL	POST RETIREMENT INVESTMENT FUND	VARIABLE ANNUITY FUND
FROM INVESTMENT ACTIVITY:			
NET INVESTMENT INCOME	\$ 38,474	\$ 375,520	\$ 10,793
REALIZED GAINS (LOSSES)	(45)	(1,766)	12,899
UNREALIZED GAINS (LOSSES)	12,952	352,688	(1,878)
TOTAL INCOME	\$ 51,381	\$ 726,442	\$ 21,814
LESS DISTRIBUTION TO			
PARTICIPANT ACCOUNTS	(51,381)	201,357	(21,814)
UNDISTRIBUTED DEDICATED INCOME	0	0	0
NET CHANGE IN UNDISTRIBUTED INCOME	\$ 0	\$ 525,085	\$ 0
FROM PARTICIPANT TRANSACTIONS:			
ADDITIONS TO PARTICIPANT ACCOUNTS			
PARTICIPANT CONTRIBUTIONS	37,980	330,441	23
INCOME DISTRIBUTION	51,380	201,357	21,814
INCOME TO BE DISTRIBUTED	0	0	0
TOTAL ADDITIONS	\$ 89,360	\$ 531,798	\$ 21,837
DEDUCTIONS FROM PARTICIPANT ACCOUNTS			
WITHDRAWALS	65,296	411,896	182,311
TOTAL DEDUCTIONS	\$ 65,296	\$ 411,896	\$ 182,311
NET CHANGE IN PARTICIPATION	\$ 24,064	\$ 119,902	(\$ 160,474)
TOTAL CHANGE IN ASSETS	\$ 24,064	\$ 644,987	(\$ 160,474)
NET ASSETS:			
BEGINNING OF PERIOD	401,387	4,360,309	160,474
END OF PERIOD	\$ 425,451	\$ 5,005,296	\$ 0

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1989
AMOUNTS IN (000)'S

	SUPPLEMENTAL INVESTMENT FUND TOTAL	POST RETIREMENT INVESTMENT FUND	VARIABLE ANNUITY FUND
INVESTMENT INCOME:			
INTEREST	\$ 9,967	\$ 338,204	\$ 0
DIVIDENDS	20,930	19,689	10,189
SHORT TERM GAINS	7,696	18,395	628
INCOME BEFORE EXPENSES	\$ 38,593	\$ 376,288	\$ 10,817
MANAGEMENT FEES	119	768	24
NET INCOME	\$ 38,474	\$ 375,520	\$ 10,793
4 REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
REALIZED:			
PROCEEDS FROM SALES	\$ 34,861	\$200,666	\$ 174,153
COST OF SECURITIES SOLD	34,906	202,432	161,254
NET REALIZED GAIN (LOSS)	(\$ 45)	(\$ 1,766)	\$ 12,899
UNREALIZED:			
BEGINNING OF PERIOD	4,262	45,945	1,878
END OF PERIOD	17,214	398,633	0
INCREASE (DECREASE) IN UNREALIZED APPRECIATION	\$ 12,952	\$ 352,688	(\$ 1,878)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	\$ 12,907	\$ 350,922	\$ 11,021

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1989

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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; 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, 1989, all investments of the Investment Trust Funds and pooled investment accounts are insured or registered, or are held by the state or its agent in the state's name. The state's investment risk for repurchase agreements is reduced by 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.

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 State Board 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.

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

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

Loaning Securities: Certain U.S. 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.

2. PORTFOLIO LISTING

A listing of all securities held by these funds can be found starting on page 19 of this report. Fixed income and equity securities are presented at market value. Securities held as cash equivalents are not listed.

3. COST OF INVESTMENTS

At June 30, 1989, the cost of investments for the Investment Trust Funds was:

Supplemental Retirement Fund	\$	406,101,713
Post Retirement Fund	\$	4,583,503,797
Variable Annuity Fund	\$	-0-

4. LOANED SECURITIES

The market value of loaned securities outstanding at June 30, 1989 was:

Supplemental Retirement Fund	\$	-0-
Post Retirement Fund	\$	626,997,741

5. SUPPLEMENTAL RETIREMENT FUND

The Supplemental Retirement Fund serves as an investment vehicle for the various state and locally administered pension plans. During Fiscal

Year 1989 the fund included six separate accounts with different investment objectives. The Index Account, Bond Market Account and Guaranteed Investment Contract(G.I.C.) Accounts were new investment vehicles during Fiscal Year 1987. Financial information on the individual accounts is shown on pages 10 to 13 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 Fund 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.

Participation in the Post Retirement Investment Fund is equal to the actuarially determined required reserves for retirement benefits as of June 30, 1989. It includes a 5% assumed income distribution, in accordance with Minnesota Statutes Section 11A.18, and any mortality gains or losses as determined by an independent actuary hired by the State Legislature.

Pursuant to Minnesota Statutes Section 11A.18, Subdivision 9, a portion of Fiscal Year 1989 investment income of the Post Retirement Investment Fund is available for distribution as a benefit increase to pension fund participants in January 1990. This amount is increased by 2.5% from Fiscal Year 1990 income. The benefit increase is stated as a percentage of total 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, 1989 are eligible to receive the January 1, 1990 benefit increase, which will be 4.040%. Past increases paid to retirees on January 1st have been:

1981	3.209%	1986	7.884%
1982	7.436%	1987	9.792%
1983	6.853%	1988	8.054%
1984	7.449%	1989	<u>6.918%</u>
1985	6.905%		

7. VARIABLE ANNUITY FUND

The Variable Annuity Fund was merged with the Teachers Retirement Fund on June 30, 1989. All assets in the fund were transferred on June 30, 1989. No asset balance remained in the Variable at the close of business on June 30, and the fund ceased to exist.

8. POOLED INVESTMENT ACCOUNTS

The State Board of Investment manages seven pooled investment accounts for the Investment Trust Funds and the Defined Benefit Pension Funds of the State of Minnesota. The assets of the pooled accounts are held by our master custodian, State Street Bank of Boston. Financial information on these pooled accounts is shown on pages 14 to 17 of this report.

9. SOUTH AFRICA POLICY

At its March 1, 1989 meeting the Minnesota State Board of Investment adopted a resolution relating to companies doing business in South Africa. The resolution calls for the divestment of the stock of companies not meeting predetermined guidelines by March 1991.

The resolution also calls for the SBI to receive financial and legal advise to insure it is not violating its fiduciary responsibility. To date, no securities have been liquidated as a result of the resolution.

It can't be determined at this time what effect, if any, this resolution will have on the SBI's future investment flexibility.

STATE BOARD OF INVESTMENT
MINNESOTA INVESTMENT TRUST FUNDS
SCHEDULE OF PARTICIPATION
JUNE 30, 1989
AMOUNTS IN (000)'S

	SUPPLEMENTAL RETIREMENT FUND TOTAL	POST RETIREMENT FUND	VARIABLE ANNUITY FUND
Teacher's Retirement Fund	\$ 0	\$ 1,819,304	\$ 0
Public Employees Retirement Fund	0	1,605,292	0
State Employees Retirement Fund	0	701,989	0
Public Employees Police & Fire Fund	0	159,565	0
Public Employees Consolidation Fund	0	18,780	0
Highway Patrolmen's Retirement Fund	0	78,463	0
Legislators & Survivors Retirement Fund	0	8,767	0
7 Correctional Employees Retirement Fund	0	28,364	0
Judges Retirement Fund	0	20,169	0
Variable Annuity Fund	0	0	0
Income Share Account	221,693	0	0
Growth Share Account	72,803	0	0
Money Market Account	74,363	0	0
Index Account	4,730	0	0
Bond Market Account	3,170	0	0
G.I.C. Account	48,695	0	0
TOTAL PARTICIPATION	\$ 425,454	\$ 4,440,693	\$ 0
Adjustments			
Admitted Value Increment	0	0	0
Unrealized Appreciation			
(Depreciation) of Investments	0	398,633	0
Undistributed Earnings	(3)	165,970	0
NET ASSETS	\$ 425,451	\$ 5,005,296	\$ 0

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SUPPLEMENTAL FINANCIAL STATEMENT

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1989
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT	INDEX ACCOUNT	BOND MARKET ACCOUNT	G.I.C. ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
ASSETS:							
INVESTMENTS(at market value) (2)							
COMMON STOCK	\$ 142,051	\$ 72,762	\$ 0	\$ 4,730	\$ 0	\$ 0	\$ 219,543
ALTERNATIVE EQUITIES	0	0	0	0	0	0	0
FIXED INCOME SECURITIES	65,776	0	0	0	3,172	48,363	117,311
SHORT TERM SECURITIES	12,589	93	73,781	0	0	0	86,463
TOTAL INVESTMENTS (3)	\$ 220,416	\$ 72,855	\$ 73,781	\$ 4,730	\$ 3,172	\$ 48,363	\$ 423,317
CASH	0	0	0	0	0	0	0
SECURITY SALES RECEIVABLE	0	0	0	0	0	0	0
ACCOUNTS RECEIVABLE-FEE REFUNDS	0	0	0	0	0	0	0
ACCOUNTS RECEIVABLE-MORTALITY	0	0	0	0	0	0	0
ACCOUNTS RECEIVABLE-PARTICIPANTS	0	0	0	0	0	0	0
ACCRUED INTEREST	1,191	0	0	0	0	332	1,523
ACCRUED DIVIDENDS	0	0	0	0	0	0	0
ACCRUED SHORT TERM GAIN	97	2	582	0	0	0	681
TOTAL ASSETS	\$ 221,704	\$ 72,857	\$ 74,363	\$ 4,730	\$ 3,172	\$ 48,695	\$ 425,521
LIABILITIES:							
MANAGEMENT FEES PAYABLE	11	54	2	0	2	1	70
SECURITY PURCHASES PAYABLE	0	0	0	0	0	0	0
ACCOUNTS PAYABLE-PARTICIPANTS	0	0	0	0	0	0	0
OPTIONS PREMIUMS RECEIVED	0	0	0	0	0	0	0
TOTAL LIABILITIES	\$ 11	\$ 54	\$ 2	\$ 0	\$ 2	\$ 1	\$ 70
NET ASSETS AT JUNE 30, 1989	\$ 221,693	\$ 72,803	\$ 74,361	\$ 4,730	\$ 3,170	\$ 48,694	\$ 425,451

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1989
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT	INDEX ACCOUNT	BOND MARKET ACCOUNT	G.I.C. ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
FROM INVESTMENT ACTIVITY:							
NET INVESTMENT INCOME	\$ 23,752	\$ 4,536	\$ 6,337	\$ 481	\$ 188	\$ 3,180	\$ 38,474
REALIZED GAINS (LOSSES)	(33)	(50)	0	35	3	0	(45)
UNREALIZED GAINS (LOSSES)	8,388	4,269	0	218	77	0	12,952
TOTAL INCOME	\$ 32,107	\$ 8,755	\$ 6,337	\$ 734	\$ 268	\$ 3,180	\$ 51,381
LESS DISTRIBUTION TO PARTICIPANT ACCOUNTS	(32,107)	(8,755)	(6,336)	(734)	(268)	(3,181)	(\$ 51,381)
UNDISTRIBUTED DEDICATED INCOME	0	0	0	0	0	0	0
NET CHANGE IN UNDISTRIBUTED INCOME	\$ 0	\$ 0	\$ 1	\$ 0	\$ 0	(\$ 1)	\$ 0
FROM PARTICIPANT TRANSACTIONS:							
ADDITIONS TO PARTICIPANT ACCOUNTS							
PARTICIPANT CONTRIBUTIONS	3,128	294	7,119	1,344	1,920	24,175	\$ 37,980
INCOME DISTRIBUTION	32,107	8,755	6,336	733	268	3,181	\$ 51,380
INCOME TO BE DISTRIBUTED	0	0	0	0	0	0	\$ 0
TOTAL ADDITIONS	\$ 35,235	\$ 9,049	\$ 13,455	\$ 2,077	\$ 2,188	\$ 27,356	\$ 89,360
DEDUCTIONS FROM PARTICIPANT ACCOUNTS							
WITHDRAWALS	29,544	\$ 19,462	15,041	640	297	312	\$ 65,296
TOTAL DEDUCTIONS	\$ 29,544	\$ 19,462	\$ 15,041	\$ 640	\$ 297	\$ 312	\$ 65,296
NET CHANGE IN PARTICIPATION	\$ 5,691	(\$ 10,413)	(\$ 1,586)	\$ 1,437	\$ 1,891	\$ 27,044	\$ 24,064
TOTAL CHANGE IN ASSETS	\$ 5,691	(\$ 10,413)	(\$ 1,585)	\$ 1,437	\$ 1,891	\$ 27,043	\$ 24,064
NET ASSETS:							
BEGINNING OF PERIOD	216,002	83,216	75,946	3,293	1,279	21,651	401,387
END OF PERIOD	\$ 221,693	\$ 72,803	\$ 74,361	\$ 4,730	\$ 3,170	\$ 48,694	\$ 425,451

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
COMBINING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1989
AMOUNTS IN (000)'S

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT	INDEX ACCOUNT	BOND MARKET ACCOUNT	G.I.C. ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
INVESTMENT INCOME:							
INTEREST	\$ 6,592	\$ 0	\$ 0	\$ 0	\$ 190	\$ 3,185	\$ 9,967
DIVIDENDS	16,016	4,432	0	482	0	0	20,930
SHORT TERM GAINS	1,179	170	6,347	0	0	0	7,696
INCOME BEFORE EXPENSES	\$ 23,787	\$ 4,602	\$ 6,347	\$ 482	\$ 190	\$ 3,185	\$ 38,593
MANAGEMENT FEES	35	66	10	1	2	5	119
NET INCOME	\$ 23,752	\$ 4,536	\$ 6,337	\$ 481	\$ 188	\$ 3,180	\$ 38,474
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS							
REALIZED:							
PROCEEDS FROM SALES	\$ 17,674	\$ 15,092	\$ 0	\$ 638	\$ 297	\$ 1,160	\$ 34,861
COST OF SECURITIES SOLD	17,707	15,142	0	603	294	1,160	34,906
NET REALIZED GAIN (LOSS)	(\$ 33)	(\$ 50)	\$ 0	\$ 35	\$ 3	\$ 0	(\$ 45)
UNREALIZED:							
BEGINNING OF PERIOD	3,357	873	0	71	(39)	0	\$ 4,262
END OF PERIOD	11,745	5,142	0	289	38	0	17,214
INCREASE (DECREASE) IN							
UNREALIZED APPRECIATION	\$ 8,388	\$ 4,269	\$ 0	\$ 218	\$ 77	\$ 0	\$ 12,952
NET REALIZED AND UNREALIZED	\$ 8,355	\$ 4,219	\$ 0	\$ 253	\$ 80	\$ 0	\$ 12,907

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL INVESTMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1989
AMOUNTS IN (000)'S

13

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	MONEY MARKET ACCOUNT	INDEX ACCOUNT	BOND MARKET ACCOUNT	G.I.C. ACCOUNT	SUPPLEMENTAL INVESTMENT FUND TOTAL
Albert Lea Firemen's Relief	\$ 2,833	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,059	\$ 3,892
Austin Fire Relief	504	0	0	0	0	0	504
Austin Police Relief	552	0	0	0	0	0	552
Bloomington Fire Dept. Relief	14,087	733	0	0	0	0	14,820
Bloomington Police Relief	1,207	642	0	0	0	0	1,849
Chaska Fire Relief	0	0	5	0	0	0	5
Clear Lake Fire Relief	0	18	55	0	0	0	73
Clearbrook Fire Relief	0	0	5	0	0	0	5
Hennepin County Supplemental Ret.	16,594	11,535	3,884	0	0	0	32,013
Medicine Lake Fire Relief	23	0	0	0	0	0	23
MSRS Deferred Compensation	27,951	17,287	51,084	3,186	466	38,967	138,941
MSRS Unclassified Employee Escrow	31,999	9,255	12,237	1,344	1,187	5,075	61,097
Osseo Fire Relief	30	0	0	0	0	0	30
PERA - DCP	5	1	0	1	4	1	12
Scandia Valley Fire Relief	16	0	0	0	0	0	16
South St. Paul Police Relief	153	0	0	0	0	139	292
St. Paul Fire - General	649	59	0	0	0	0	708
St. Paul Fire - Special	33,430	0	0	0	0	3,454	36,884
St. Paul Police Relief	27,446	0	0	0	0	0	27,446
Stillwater Fire Relief	40	0	0	0	0	0	40
Teacher's Supplemental Retirement	63,772	33,273	7,093	199	1,513	0	105,850
Winona Fire Relief	402	0	0	0	0	0	402
TOTAL PARTICIPATION	\$ 221,693	\$ 72,803	\$ 74,363	\$ 4,730	\$ 3,170	\$ 48,695	\$ 425,454
Adjustments							
Unrealized Appreciation							
(Depreciation) of Investments	0	0	0	0	0	0	0
Undistributed Earnings	0	0	(2)	0	0	(1)	(3)
NET ASSETS	\$ 221,693	\$ 72,803	\$ 74,361	\$ 4,730	\$ 3,170	\$ 48,694	\$ 425,451

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF ASSETS AND LIABILITIES
JUNE 30, 1989
AMOUNTS IN (000)'S

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	ACTIVE BOND ACCOUNT	PASSIVE BOND ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT
ASSETS:							
INVESTMENTS(at market value) (2)							
COMMON STOCK	\$ 1,432,040	\$ 2,639,177	\$ 811	\$ 0	\$ 0	\$ 0	\$ 0
ALTERNATIVE EQUITIES	0	0	0	0	496,325	94,644	179,857
FIXED INCOME SECURITIES	7,944	2,820	600,009	587,037	0	0	0
SHORT TERM SECURITIES	164,907	98,857	51,862	63,095	8,973	1,674	856
TOTAL INVESTMENTS (3)	\$ 1,604,891	\$ 2,740,854	\$ 652,682	\$ 650,132	\$ 505,298	\$ 96,318	\$ 180,713
CASH	0	0	0	326	0	0	0
SECURITY SALES RECEIVABLE	28,960	12,362	\$ 7,673	11,769	0	0	0
ACCOUNTS RECEIVABLE-FEE REFUNDS	458	0	0	0	0	0	0
ACCOUNTS RECEIVABLE-MORTALITY	0	0	0	0	0	0	0
ACCOUNTS RECEIVABLE-PARTICIPANTS	0	0	0	0	0	0	0
ACCRUED INTEREST	294	59	9,706	10,125	0	0	0
ACCRUED DIVIDENDS	3,194	7,433	0	0	1,616	0	0
ACCRUED SHORT TERM GAIN	1,167	708	436	454	71	19	14
TOTAL ASSETS	\$ 1,638,964	\$ 2,761,416	\$ 670,497	\$ 672,806	\$ 506,985	\$ 96,337	\$ 180,727
LIABILITIES:							
MANAGEMENT FEES PAYABLE	1,617	81	304	84	3	0	0
SECURITY PURCHASES PAYABLE	24,508	1,660	6,055	16,147	0	0	0
ACCOUNTS PAYABLE-PARTICIPANTS	0	0	0	0	0	0	0
OPTIONS PREMIUMS RECEIVED	0	0	0	0	0	0	0
TOTAL LIABILITIES	\$ 26,125	\$ 1,741	\$ 6,359	\$ 16,231	\$ 3	\$ 0	\$ 0
NET ASSETS AT JUNE 30, 1989	\$ 1,612,839	\$ 2,759,675	\$ 664,138	\$ 656,575	\$ 506,982	\$ 96,337	\$ 180,727

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1989
AMOUNTS IN (000)'S

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	ACTIVE BOND ACCOUNT	PASSIVE BOND ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT
FROM INVESTMENT ACTIVITY:							
NET INVESTMENT INCOME	\$ 34,430	\$ 110,883	\$ 55,735	\$ 54,458	\$ 12,315	\$ 3,010	\$ 4,292
REALIZED GAINS (LOSSES)	45,836	204,360	(5,344)	521	228	43	27,738
UNREALIZED GAINS (LOSSES)	94,330	153,309	21,456	15,808	26,405	115	1,767
TOTAL INCOME	\$ 174,596	\$ 468,552	\$ 71,847	\$ 70,787	\$ 38,948	\$ 3,168	\$ 33,797
LESS DISTRIBUTION TO							
PARTICIPANT ACCOUNTS	(80,762)	(314,612)	(54,270)	(55,047)	(12,473)	(3,053)	(32,030)
UNDISTRIBUTED DEDICATED INCOME	496	(631)	3,879	68	(70)	0	0
NET CHANGE IN UNDISTRIBUTED INCOME	\$ 94,330	\$ 153,309	\$ 21,456	\$ 15,808	\$ 26,405	\$ 115	\$ 1,767
FROM PARTICIPANT TRANSACTIONS:							
ADDITIONS TO PARTICIPANT ACCOUNTS							
PARTICIPANT CONTRIBUTIONS	530,807	347,922	2,123	585,922	1,398	15,000	8,995
INCOME DISTRIBUTION	80,762	314,612	54,270	55,047	12,473	3,053	32,030
INCOME TO BE DISTRIBUTED	(496)	631	(3,879)	(68)	70	0	0
TOTAL ADDITIONS	\$ 611,073	\$ 663,165	\$ 52,514	\$ 640,901	\$ 13,941	\$ 18,053	\$ 41,025
DEDUCTIONS FROM PARTICIPANT ACCOUNTS							
WITHDRAWALS	235,338	443,425	586,229	134	0	0	0
TOTAL DEDUCTIONS	\$ 235,338	\$ 443,425	\$ 586,229	\$ 134	\$ 0	\$ 0	\$ 0
NET CHANGE IN PARTICIPATION	\$ 375,735	\$ 219,740	(\$ 533,715)	\$ 640,767	\$ 13,941	\$ 18,053	\$ 41,025
TOTAL CHANGE IN ASSETS	\$ 470,065	\$ 373,049	(\$ 512,259)	\$ 656,575	\$ 40,346	\$ 18,168	\$ 42,792
NET ASSETS:							
BEGINNING OF PERIOD	1,142,774	2,386,626	1,176,397	0	466,636	78,169	137,935
END OF PERIOD	<u>\$1,612,839</u>	<u>\$2,759,675</u>	<u>\$ 664,138</u>	<u>\$ 656,575</u>	<u>\$ 506,982</u>	<u>\$ 96,337</u>	<u>\$ 180,727</u>

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 1989
AMOUNTS IN (000)'S

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	ACTIVE BOND ACCOUNT	PASSIVE BOND ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT
INVESTMENT INCOME:							
INTEREST	\$ 1,701	\$ 148	\$ 50,303	\$ 49,033	\$ 0	\$ 0	\$ 0
DIVIDENDS	24,397	102,050	0	0	11,997	2,013	2,577
SHORT TERM GAINS	12,554	8,998	6,587	5,824	424	997	1,715
INCOME BEFORE EXPENSES	\$ 38,652	\$ 111,196	\$ 56,890	\$ 54,857	\$ 12,421	\$ 3,010	\$ 4,292
MANAGEMENT FEES	4,222	313	1,155	399	106	0	0
NET INCOME	<u>\$ 34,430</u>	<u>\$ 110,883</u>	<u>\$ 55,735</u>	<u>\$ 54,458</u>	<u>\$ 12,315</u>	<u>\$ 3,010</u>	<u>\$ 4,292</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS							
REALIZED:							
PROCEEDS FROM SALES	\$ 992,319	\$ 906,709	\$1,174,222	\$1,171,869	\$ 2,679	\$ 12,373	\$ 86,305
COST OF SECURITIES SOLD	946,483	702,349	1,179,566	1,171,348	2,451	12,330	58,567
NET REALIZED GAIN (LOSS)	\$ 45,836	\$ 204,360	(\$ 5,344)	\$ 521	\$ 228	\$ 43	\$ 27,738
UNREALIZED:							
BEGINNING OF PERIOD	97,843	581,414	(5,070)	0	80,235	(11,483)	365
END OF PERIOD	192,173	734,723	16,386	15,808	106,640	(11,368)	2,132
INCREASE (DECREASE)							
IN UNREALIZED APPRECIATION	\$ 94,330	\$ 153,309	\$ 21,456	\$ 15,808	\$ 26,405	\$ 115	\$ 1,767
NET REALIZED AND UNREALIZED	<u>\$ 140,166</u>	<u>\$ 357,669</u>	<u>\$ 16,112</u>	<u>\$ 16,329</u>	<u>\$ 26,633</u>	<u>\$ 158</u>	<u>\$ 29,505</u>

STATE BOARD OF INVESTMENT
MINNESOTA POOLED ACCOUNTS
SCHEDULE OF PARTICIPATION

JUNE 30, 1989

AMOUNTS IN (000)'S

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	ACTIVE BOND ACCOUNT	PASSIVE BOND ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT	POOLED ACCOUNT TOTAL
Teachers Retirement Fund	\$ 775,527	\$1,150,083	\$ 290,933	\$ 288,999	\$ 223,154	\$ 42,404	\$ 79,569	\$2,850,669
Public Employees Retirement Fund	331,893	634,938	160,616	159,549	123,197	23,410	43,916	1,477,519
State Employees Retirement Fund	278,485	532,764	134,770	133,874	103,372	19,643	36,838	1,239,746
Public Employees Police & Fire Fund	116,929	223,695	56,586	56,211	43,404	8,247	15,473	520,545
Highway Patrolmen's Retirement Fund	20,863	39,912	10,096	10,029	7,744	1,472	2,759	92,875
Judges Retirement Fund	720	1,378	349	346	267	51	96	3,207
Police & Fire Consolidation Fund	2,296	4,460	1,124	1,117	863	164	301	10,325
Correctional Employees Retire. Fund	13,417	25,669	6,493	6,450	4,981	946	1,775	59,731
Supplemental Income Share Account	0	142,047	0	0	0	0	0	142,047
Supplemental Growth Share Account	72,709	0	0	0	0	0	0	72,709
Supplemental Index Share Account	0	4,729	0	0	0	0	0	4,729
Supplemental Bond Market Account	0	0	3,171	0	0	0	0	3,171
Variable Annuity Fund	0	0	0	0	0	0	0	0
TOTAL PARTICIPATION	<u>\$1,612,839</u>	<u>\$2,759,675</u>	<u>\$ 664,138</u>	<u>\$ 656,575</u>	<u>\$ 506,982</u>	<u>\$ 96,337</u>	<u>\$ 180,727</u>	<u>\$6,477,273</u>

NOTES TO THE SUPPLEMENTAL FINANCIAL STATEMENTS
JUNE 30, 1989

1. PORTFOLIO LISTING:

A listing of all securities held by these funds can be found starting on page 19 of this report. Fixed income and equity securities are presented at market value. Securities held as cash equivalents are not listed.

2. COST OF INVESTMENTS:

At June 30, 1989, the cost of investments for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund was:

Active Equity Account	\$ 1,412,718,304
Passive Equity Account	\$ 2,005,489,717
Active Bond Account	\$ 636,295,499
Passive Bond Account	\$ 634,324,111
Real Estate Account	\$ 398,657,962
Resource Account	\$ 107,686,074
Venture Capital Account	\$ 178,581,087
Income Share Account	\$ 208,669,624
Growth Share Account	\$ 67,713,445
Money Market Account	\$ 73,781,347
Index Account	\$ 4,440,605
Bond Market Account	\$ 3,133,797
G.I.C. Account	\$ 48,362,895

3. LOANED SECURITIES:

The market value of loaned securities outstanding at June 30, 1989 for the Minnesota Pooled Investment Accounts and the individual accounts of the Minnesota Supplemental Investment Fund was:

Active Equity Account	\$ 65,268,001
Passive Equity Account	\$ 49,898,836
Active Bond Account	\$ 31,484,074
Passive Bond Account	\$ 25,115,688

ASSET LISTING

MINNESOTA STATE BOARD OF INVESTMENT
POST RETIREMENT INVESTMENT FUND
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
141,700	AETNA LIFE & CASUALTY CO.	\$ 7,846,638
88,700	AIR PRODUCTS & CHEM. INC.	3,559,088
159,000	ALASKA AIR GROUP	4,332,750
121,650	ALCAN ALUMINUM LTD.	2,645,888
75,400	ALLIED-SIGNAL INC.	2,488,200
54,700	ALUMINUM CO. OF AMERICA	3,507,638
120,800	AMAX INC	2,914,300
146,000	AMDAHL CORP	2,445,500
107,200	AMERICAN GENERAL CORP	3,819,000
144,100	AMERICAN GREETINGS	3,584,488
379,100	AMERICAN MEDICAL INTL.	8,624,525
117,700	AMERITRUST CORP	2,927,788
53,800	AMP INC.	2,192,350
126,000	ARCHER DANIELS MIDLAND CO.	3,591,000
270,000	ARMCO INC	2,902,500
104,300	ASARCO INC.	2,946,475
68,700	ATLANTIC RICHFIELD	6,432,038
234,900	AVON PRODS INC	8,427,038
103,000	BANK BOSTON CORP	2,948,375
203,600	BANKAMERICA CORP.	5,395,400
70,600	BANKERS TRUST NY CORP.	3,397,625
173,700	BAXTER INTL INC	3,604,275
101,000	BERGEN BRUNSWIG CORP.	2,979,500
102,000	BETHLEHEM STEEL	2,142,000
81,700	BOWATER INC.	2,226,325
95,000	CALFED INC	2,303,750
135,000	CANADIAN PACIFIC LTD	2,565,000
179,200	CENTERIOR ENERGY CORP	3,225,600
75,200	CHAMPION INTL.	2,500,400
94,000	CHASE MANHATTAN CORP.	3,407,500
106,400	CHEMICAL BKG CORP	3,817,100
102,650	CHRYSLER CORP.	2,540,588
42,000	CHUBB CORPORATION	2,871,750
50,000	CIGNA CORPORATION	2,793,750
142,700	CINCINNATI MILACRON INC	2,854,000
259,900	CITICORP	8,089,388
96,500	CITIZENS & SOUTHERN CORP GA	3,148,313
132,500	CMS ENERGY CORP	4,107,500
84,500	COLUMBIA GAS SYSTEM INC	3,950,375
237,000	COMMODORE INTL LTD	3,258,750
86,000	COMMONWEALTH EDISON CO.	3,246,500
120,500	COMMUNICATIONS SATELLITE COR	4,398,250
126,200	CONTEL CORP	7,824,400
272,400	COOPER INDS. INC.	8,580,600
176,100	DELTA AIR LINES INC.	11,952,788
346,400	DETROIT EDISON CO	7,187,800
361,700	EASTERN ENTERPRISES	10,851,000
160,250	EASTMAN KODAK CO.	7,531,750
246,200	ENTERGY CORP	4,739,350
116,000	FIRST BANK SYSTEM	2,842,000
200,600	FIRST CHICAGO CORP	8,249,675
68,300	FIRST INTERST. BANCORP	4,234,600
56,600	FORD MOTOR CO.	2,745,100
132,300	FPL GROUP INC.	4,084,763
46,100	GENERAL DYNAMICS	2,685,325
67,000	GENERAL MOTORS CORP.	2,797,250
134,000	GENERAL RE CORP.	8,743,500
112,400	GENUINE PARTS CO.	4,383,600
61,500	GEORGIA PACIFIC CORP.	2,698,313
118,500	GLENFED INC	2,607,000

TOTAL EQUITY PORTFOLIO

NO. OF SHARES	SECURITY	MARKET VALUE
89,200	GOLDEN WEST FIN'L	\$ 4,114,350
104,900	HALLIBURTON INC.	3,474,813
139,000	HOMEFED CORPORATION	5,386,250
125,200	HOUSTON INDUSTRIES INC.	3,990,750
407,200	HUMANA INC.	13,844,800
61,000	IMPERIAL OIL CO. LTD.	2,874,625
99,000	INCO INC.	2,697,750
77,700	INLAND STEEL IND. INC.	3,117,713
160,000	INTEL CORP.	4,640,000
95,000	JAMES RIV CORP VA	2,873,750
159,600	K MART CORPORATION	5,745,600
111,100	KERR MCGEE CORP.	4,902,288
147,000	KLM ROYAL DUTCH AIR	3,270,750
55,830	LOCKHEED AIRCRAFT CORP	2,672,861
114,800	LOEWS CORP	12,541,900
274,300	LONG ISLAND LTG CO	4,525,950
78,000	LOUISIANA PAC. CORP.	2,593,500
54,100	MARTIN MARIETTA	2,508,888
128,300	MCDONNELL DOUGLAS CORP.	9,446,088
91,600	MELLON BANK CORP	3,148,750
102,100	MERRILL LYNCH & CO. INC.	2,909,850
299,900	MFRS. HANOVER CORP.	10,983,838
71,100	MORGAN J P & COMPANY INC.	2,710,688
111,600	NATL. MEDICAL ENTER. INC.	3,473,550
400,000	NAVISTAR INTL CORP.	2,000,000
97,000	NIKE INC.	3,952,750
85,650	NORWEST CORP.	3,608,006
138,000	OCCIDENTAL PETE CORP	3,777,750
134,000	OHIO CAS CORP	6,030,000
63,600	ORYX ENERGY COMPANY	2,122,650
205,000	PACIFIC GAS & ELEC. CO.	4,151,250
245,400	PERKIN ELMER	6,012,300
43,900	PFIZER INCORPORATED	2,518,763
195,000	PINNACLE WEST CAPITAL CORP	2,315,625
111,100	PIONEER HI-BRED INTL.	4,319,013
247,800	PSI HLDGS INC	3,902,850
246,500	PUBLIC SVC CO N MEX	3,635,875
115,300	REYNOLDS & REYNOLDS CO	2,824,850
120,800	ROCKWELL INTL CORP	2,657,600
380,000	SAFECARD SVCS INC	2,137,500
167,000	SCIENTIFIC ATLANTA INC	2,985,125
127,500	SEARS ROEBUCK & COMPANY	5,578,125
78,700	SECURITY PACIFIC CORP.	3,502,150
186,000	SONAT INC.	6,463,500
135,400	STONE CONTAINER CORP	3,435,775
63,600	SUN COMPANY INC	2,416,800
100,000	SYNTEX CORPORATION	4,950,000
108,900	TEKTRONIX INC	2,409,413
225,500	TEXAS UTILITIES CO.	6,962,313
72,100	THOMAS & BETTS CORP	3,532,900
73,800	TRANSAMERICA CORP	2,684,475
111,000	TRAVELERS CORP.	4,509,375
220,800	UNISYS CORP.	5,437,200
107,000	UNITED ILLUM CO	2,889,000
147,800	UNITED TELECOM. INC.	9,754,800
60,000	US AIR GROUP	2,730,000
107,800	US FIDELITY & GUAR. CO.	3,382,225
102,000	VALLEY NATIONAL CORP.	2,664,750
82,200	WEYERHEUSER CO.	2,270,775
103,000	XEROX CORP	6,424,625

\$ 521,097,430

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PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
\$ 2,565,000	AMER AIRLINES EQMT TR CERT	01/15/2004	09.9000%	\$ 2,589,624
696,000	AMER AIRLINES EQMT TR CERT	01/15/2008	09.9000%	712,391
2,888,000	AMER AIRLINES EQMT TR CERT	01/15/2002	09.7500%	2,893,112
3,750,000	AMERICAN GENERAL FIN	01/15/1997	07.7500%	3,482,738
745,000	AMOCO CORP	07/15/2004	09.2000%	750,073
9,500,000	ARCHER DANIELS MIDLAND CO	05/01/1992	00.0000%	7,430,710
1,105,000	ARISTAR INC.	05/15/1990	08.5000%	1,093,342
2,102,000	ATLANTIC RICHFIELD	07/15/2005	10.8750%	2,444,437
3,219,916	ATLANTIC RICHFIELD CO.	07/15/1996	09.2500%	3,195,413
2,405,311	ATLANTIC RICHFIELD CO.	12/01/2001	08.7500%	2,275,111
15,000,000	BANK OF NEW ENGLAND	04/01/1999	08.7500%	14,456,850
15,000,000	BANK OF NOVA SCOTIA	09/15/1998	10.2500%	15,581,850
10,000,000	BANKAMERICA CORP.	12/01/2003	07.8750%	8,509,600
9,750,000	BELL TEL OF CANADA	01/15/2008	09.0000%	9,603,068
6,000,000	BENEFICIAL CORP	12/01/2007	08.4000%	5,591,280
15,000,000	BENEFICIAL CORP.	07/15/2002	07.5000%	13,116,750
6,000,000	BOSTON EDISON	04/15/2007	09.2500%	5,683,980
7,000,000	BP NORTH AMERICA	06/15/2017	09.5000%	7,121,590
6,000,000	BRITISH COLUMBIA HYDRO	06/15/2007	08.3750%	5,668,620
979,051	BURLINGTON NORTHERN	09/01/1993	08.7500%	965,599
92,089	BURLINGTON NORTHERN	07/03/1993	08.5000%	90,573
6,000,000	C.I.T. FINANCIAL	03/15/2008	08.7500%	5,723,160
6,000,000	C.I.T. FINANCIAL	08/15/2004	09.8500%	6,155,040
7,790,000	C.I.T. FINANCIAL CORP.	04/01/2001	08.3750%	7,176,226
1,500,000	CANADIAN PACIFIC, LTD.	01/15/1992	08.6250%	1,492,155
6,000,000	CAROLINA POWER & LIGHT	08/01/2000	08.7500%	5,861,700
7,000,000	CATERPILLAR INC	05/01/2007	06.0000%	5,053,720
5,000,000	CENTRAL POWER & LIGHT	06/01/2004	09.3750%	5,027,700
750,000	CERTIFICATES ACCRUAL TREAS	11/15/1998	00.0000%	347,558
6,000,000	CHEMICAL N.Y. CORP	08/01/2002	08.2500%	5,416,080
7,500,000	CHESAPEAKE & POTOMAC TEL MD	07/01/2026	09.1250%	7,591,275
18,140,000	CHEVRON CORP.	07/01/2005	08.7500%	17,833,434
1,500,000	CHRYSLER CORP	03/01/1992	12.7500%	1,627,080
3,750,000	CHRYSLER CORP	11/15/2015	12.0000%	4,046,775
6,000,000	CHRYSLER CORP	11/01/1998	08.0000%	5,697,900
15,000,000	CHRYSLER CORPORATION	08/01/1992	11.0400%	15,400,350
5,000,000	CHRYSLER FINANCIAL	05/15/1993	09.6500%	5,070,550
7,020,000	CITICORP	03/15/2007	08.4500%	6,562,928
7,000,000	CITICORP	07/01/2007	08.1250%	6,344,170
1,000,000	CITIZENS UTILITIES	12/31/1991	04.8000%	943,270
7,000,000	COLGATE PALMOLIVE	07/15/2017	09.6250%	6,889,750
4,100,000	COMERICA INC	05/01/1999	09.7500%	4,218,777
4,200,000	COMMONWEALTH EDISON	06/01/2007	08.1250%	3,854,340
5,800,000	CONOCO INC	04/01/2009	09.3750%	5,775,234
5,000,000	CORESTATES CAPITAL	11/01/1996	08.3750%	4,801,400
1,734,375	COUPON TREASURY RCPT	11/15/1993	00.0000%	1,212,796
6,000,000	COUPON TREASURY RCPT	02/15/1999	00.0000%	2,723,880
250,000	COUPON TREASURY RCPTS	08/15/1991	00.0000%	209,530
1,320,000	COUPON TREASURY RCPTS	08/15/1991	00.0000%	1,106,318
4,821,000	COUPON TREASURY RCPTS	11/15/2000	00.0000%	1,895,087
1,656,250	COUPON TREASURY RCPTS	11/15/1998	00.0000%	767,523
945,000	COUPON TREASURY RCPTS	11/15/1998	00.0000%	437,922
668,990	COUPON TREASURY RCPTS	11/15/1998	00.0000%	310,017
166,875	COUPON TREASURY RCPTS	08/15/1991	00.0000%	139,861
4,875,000	DANA CORP	11/15/2008	08.8750%	4,513,811
9,350,000	DETROIT EDISON	02/15/2017	09.0000%	8,798,444
6,000,000	DETROIT EDISON	11/15/2001	07.3750%	5,257,740
6,000,000	DETROIT EDISON	06/15/2001	08.1250%	5,555,340
1,255,000	DOW CHEMICAL	02/15/2008	08.6250%	1,186,979

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PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
\$ 7,000,000	DOW CHEMICAL COMPANY	07/15/2007	07.8750%	\$ 6,261,640
4,000,000	DU PONT (E.I.) DENEMOURS	12/01/2001	06.0000%	3,160,000
7,000,000	DUQUESNE	06/01/2006	09.0000%	6,545,000
1,500,000	E.I. DUPONT DE NEMOURS	04/15/1996	08.5000%	1,415,580
5,000,000	FEDERAL FARM CREDIT BANK	03/01/1994	12.3500%	5,765,600
5,000,000	FEDERAL FARM CREDIT BANK	01/20/1992	11.5000%	5,365,600
2,300,000	FEDERAL FARM CREDIT BANK	09/01/1994	13.0000%	2,737,000
2,300,000	FEDERAL FARM CREDIT BANK	04/20/1994	14.2500%	2,830,426
10,000,000	FEDERAL FARM CREDIT BANK	10/21/1991	10.6000%	10,450,000
12,000,000	FEDERAL FARM CREDIT BANK	10/20/1993	11.8000%	13,462,440
100,000	FEDERAL FARM CREDIT BANK	07/20/1989	13.7000%	100,156
50,000,000	FEDERAL FARM CREDIT BANK	10/20/1997	11.9000%	59,765,500
665,000	FEDERAL FARM CREDIT BANK	12/02/1991	13.6500%	739,394
15,000,000	FEDERAL FARM CREDIT BANK	04/22/1991	14.1000%	16,387,500
7,000,000	FEDERAL FARM CREDIT BANK	01/20/1993	10.6500%	7,533,750
1,800,000	FEDERAL FARM CREDIT BANK	07/22/1991	09.1000%	1,821,366
9,100,000	FEDERAL FARM CREDIT BANK	07/20/1992	13.7500%	10,374,000
5,000,000	FEDERAL FARM CREDIT BANK	12/01/1994	11.4500%	5,645,300
6,470,000	FEDERAL HOME LOAN BANK	02/25/1992	11.4500%	6,959,261
2,100,000	FEDERAL HOME LOAN BANK	03/25/1996	08.1000%	2,054,724
12,500,000	FEDERAL HOME LOAN BANK	07/25/1996	08.0000%	12,128,875
7,150,000	FEDERAL HOME LOAN BANK	07/25/1990	09.7500%	7,239,375
900,000	FEDERAL HOME LOAN BANK	04/26/1993	07.5500%	875,250
47,000,000	FEDERAL HOME LOAN BANK	09/25/1996	08.2500%	46,441,640
7,000,000	FEDERAL HOME LOAN BANK	08/25/1993	11.9500%	7,853,090
5,775,000	FEDERAL HOME LOAN BANK	06/26/1995	10.0000%	6,092,625
950,000	FEDERAL HOME LOAN BANK	10/25/1993	07.8750%	936,938
250,000	FEDERAL HOME LOAN BANK	05/25/1993	08.1250%	248,750
4,285,000	FEDERAL HOME LOAN BANK	09/25/1990	12.5000%	4,479,153
5,000,000	FEDERAL HOME LOAN BANK	09/25/1989	12.5000%	5,045,300
1,075,000	FEDERAL HOME LOAN BANK	09/27/1993	07.9500%	1,061,563
2,865,000	FEDERAL HOME LOAN BANK	09/25/1991	11.7500%	3,058,388
375,000	FEDERAL HOME LOAN BANK	01/25/1993	09.5000%	390,233
2,515,000	FEDERAL HOME LOAN BANK	12/27/1993	12.1500%	2,871,803
200,000	FEDERAL HOME LOAN BANK	12/27/1993	07.3750%	194,750
3,525,000	FEDERAL HOME LOAN BANK	04/25/1996	07.7500%	3,387,314
25,600,000	FEDERAL HOME LOAN BANK	06/25/1996	08.2500%	25,280,000
5,000,000	FEDERAL HOME LOAN BANK	01/25/1993	10.7000%	5,375,000
10,300,000	FEDERAL HOME LOAN BANK	01/25/1994	07.3000%	9,952,375
31,200,000	FEDERAL HOME LOAN BANK	07/26/1993	11.7000%	34,632,000
7,000,000	FEDERAL HOME LOAN BANK	07/25/1995	10.3000%	7,487,830
775,000	FEDERAL HOME LOAN BANK	07/26/1993	07.7500%	759,981
1,050,000	FEDERAL HOME LOAN BANK	03/25/1993	10.8000%	1,139,250
5,000,000	FEDERAL HOME LOAN BANK	04/27/1992	11.7000%	5,406,250
6,295,000	FEDERAL HOME LOAN BANK	11/26/1990	13.7000%	6,721,864
50,000,000	FEDERAL HOME LOAN MORTGAGE COR	11/29/2019	00.0000%	4,453,000
3,000,000	FEDERAL NATIONAL MORTGAGE ASSN	03/10/2016	08.2000%	2,905,320
24,400,000	FEDERAL NATIONAL MORTGAGE ASSN	12/10/2015	10.3500%	29,051,128
8,000,000	FEDERAL NATIONAL MORTGAGE ASSN	04/12/1993	10.8750%	8,684,960
5,150,000	FEDERAL NATIONAL MORTGAGE ASSN	01/10/1996	09.2000%	5,338,284
8,320,000	FEDERAL NATIONAL MORTGAGE ASSN	01/10/1995	11.9500%	9,575,821
22,000,000	FEDERAL NATIONAL MORTGAGE ASSN	07/05/2014	00.0000%	2,853,180
5,000,000	FEDERAL NATIONAL MORTGAGE ASSN	01/11/1993	10.9000%	5,400,000
50,000,000	FEDERAL NATIONAL MORTGAGE ASSN	10/09/2019	00.0000%	4,492,000
500,000	FEDERAL NATIONAL MORTGAGE ASSN	10/10/1990	10.1500%	510,155
25,000,000	FEDERAL NATIONAL MORTGAGE ASSN	01/10/1992	08.5000%	25,125,000
2,025,000	FEDERAL NATIONAL MORTGAGE ASSN	02/10/1995	11.5000%	2,290,781

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PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
\$ 350,000	FEDERAL NATIONAL MORTGAGE ASSN	12/10/1997	07.1000%	\$ 319,921
5,000,000	FEDERAL NATIONAL MORTGAGE ASSN	11/10/1993	07.7500%	4,946,850
5,000,000	FINANCING CORP	10/06/2017	10.7000%	6,053,100
5,000,000	FINANCING CORP	12/06/2002	00.0000%	1,588,300
42,000,000	FINANCING CORP	02/08/2018	09.4000%	45,399,480
25,000,000	FINANCING CORP	09/07/2015	00.0000%	2,877,500
10,000,000	FINANCING CORP	04/06/2018	09.8000%	11,209,400
23,100,000	FINANCING CORP	12/06/2005	00.0000%	5,628,546
5,000,000	FINANCING CORP	08/03/2018	10.3500%	5,898,450
12,950,000	FINANCING CORP	06/06/2005	00.0000%	3,294,092
27,800,000	FINANCING CORP FICO STRIP S 15	09/07/2006	00.0000%	6,512,150
17,300,000	FINANCING CORP FICO STRIP S 15	03/07/2007	00.0000%	3,904,437
28,935,000	FINANCING CORP FICO STRIP S 15	03/07/2004	00.0000%	8,315,630
22,500,000	FINANCING CORP FICO STRIP S 15	03/07/2005	00.0000%	5,958,450
12,500,000	FINANCING CORP FICO STRIP S 15	03/07/2009	00.0000%	2,401,500
9,200,000	FINANCING CORP FICO STRIP S 15	09/07/2007	00.0000%	1,990,696
28,900,000	FINANCING CORP FICO STRIP S 15	03/07/2006	00.0000%	7,062,293
28,000,000	FINANCING CORP FICO STRIP S 15	03/07/2002	00.0000%	9,539,320
23,950,000	FINANCING CORP FICO STRIP S 15	09/07/2000	00.0000%	9,299,785
3,300,000	FIRST CHICAGO MED TERM NOTE	03/31/1992	09.7000%	3,367,221
5,650,000	FMC CORP	01/15/2000	09.5000%	5,247,438
5,000,000	FNMA CAPITAL DEBENTURE	10/01/1997	07.4000%	4,670,300
5,000,000	FORD MOTOR CREDIT CORP	02/01/1999	10.0000%	5,164,400
7,700,000	FPL GROUP CORP	03/01/2017	08.8750%	7,363,510
5,000,000	GENERAL FOODS INC	06/15/2001	06.0000%	3,909,450
4,200,000	GENERAL MOTORS ACCEPT CORP	02/01/2000	08.7500%	4,094,832
7,000,000	GENERAL MOTORS ACCEPT CORP	07/15/2007	08.0000%	6,368,110
8,500,000	GENERAL MOTORS ACCEPT CORP	06/01/1999	08.8750%	8,346,915
5,000,000	GENERAL MOTORS ACCEPT CORP	11/15/2006	08.2500%	4,663,400
5,000,000	GENERAL MOTORS ACCEPT CORP	06/15/2001	08.7500%	4,858,500
9,700,000	GENERAL MOTORS ACCEPT CORP.	07/15/2004	09.4000%	9,798,552
3,100,000	GENERAL MOTORS CORPORATION	04/01/2005	08.6250%	2,973,799
3,500,000	GENERAL MOTORS CORPORATION	04/15/2016	08.1250%	3,180,485
1,000,000	GENERAL TEL CO (FLA)	05/01/1993	04.5000%	860,000
1,200,000	GENERAL TEL OF CALIF.	06/15/2026	09.3750%	1,185,504
6,500,000	GMAC	04/01/2016	08.2500%	5,929,625
8,150,000	GREYHOUND LEASING	04/01/1994	13.6250%	8,682,358
8,500,000	GTE CORP	12/01/2016	09.1250%	8,293,025
6,300,000	GTE CORP	04/01/2017	08.5000%	5,829,264
200,000	HARBOR TUG & BARGE	03/15/2001	08.1500%	193,408
7,600,000	HOUSEHOLD FINANCE CORP	09/15/2007	08.2000%	6,870,628
325,000	HOUSEHOLD FINANCE CORP	06/15/2004	09.6250%	323,375
7,320,000	HOUSEHOLD FINANCE CORP.	10/01/2003	08.3750%	6,805,404
525,000	HOUSTON LTG & POWER	10/01/2007	08.3750%	504,662
3,500,000	HYDRO-QUEBEC	04/15/2026	08.2500%	3,352,125
6,000,000	HYDRO-QUEBECK	09/15/2006	08.6000%	5,740,440
6,000,000	INDIANA & MICH ELECTRIC	03/01/2008	09.5000%	5,901,180
6,000,000	INTER-AMERICAN DEV. BANK	01/15/2004	09.6250%	6,127,260
12,000,000	INTERNORTH INC.	03/15/2006	09.6250%	11,955,480
7,000,000	ITT FINANCIAL	05/15/1998	09.8800%	7,338,310
3,600,000	ITT FINANCIAL CORP	03/01/2007	08.3750%	3,380,652
4,950,000	JEWEL CO'S INC.	12/01/1992	11.5000%	4,963,712
5,000,000	KANSAS POWER & LIGHT	02/01/2008	08.7500%	4,805,000
3,600,000	KMART	03/01/2005	12.5000%	4,548,780
5,700,000	LOEWS CORP	01/15/2007	08.2500%	5,132,394
7,000,000	LOEWS CORP	03/15/2016	09.0000%	6,551,300

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PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
\$ 1,000,000	LONG ISLAND LIGHTING	04/01/1993	04.4000%	\$ 881,460
1,121,136	LOUISVILLE & NASHVILLE	10/20/1991	09.0000%	1,114,084
6,000,000	MANITOBA HYDRO	12/01/2006	08.6250%	5,752,440
5,440,000	MANITOBA HYDRO ELEC BD	10/15/1997	07.6500%	5,046,253
4,300,000	MANUF. HANOVER CORP	03/01/2004	08.1250%	3,730,422
800,000	MARATHON OIL COMPANY	02/01/2000	08.5000%	733,432
9,000,000	MARTIN-MARIETTA CORP.	03/15/2011	07.0000%	7,039,980
3,197,699	MHFA SER. A 1988	02/01/1993	00.0000%	2,274,652
9,650,000	MHFA SER. A 1989	08/01/1996	00.0000%	4,825,000
4,525,000	MHFA SER. B 1988	08/01/1995	00.0000%	2,420,875
797,156	MISSOURI PACIFIC RR	06/01/1995	12.7500%	882,699
1,152,177	MISSOURI PACIFIC RR	06/01/1994	09.7500%	1,192,422
1,700,000	MOBIL CORP	06/15/2001	08.5000%	1,669,961
3,535,000	MONSANTO CO.	05/15/2008	08.7500%	3,325,728
6,000,000	N. BRUNSWICK ELECTRIC	05/01/2001	09.3750%	6,018,660
3,000,000	N.Y. LIFE FUNDING CORP	05/15/1995	09.2500%	3,059,100
6,000,000	NATIONAL ARCHIVES	09/01/2019	08.5000%	6,005,625
5,848,000	NATIONAL RURAL UTIL.	09/01/2009	09.7500%	6,008,177
7,000,000	NO. AMER PHILLIPS	03/01/2017	08.7500%	6,474,650
6,000,000	NORTHERN IND. PUB. SERV.	11/01/2007	08.5000%	5,688,540
6,000,000	NORTHERN IND. PUB. SERV.	10/15/2006	08.3750%	5,590,500
3,125,000	NORTHERN STATES POWER CO. MINN	01/01/2004	08.3750%	3,040,656
3,500,000	NOVA SCOTIA POWER COMM	03/15/1997	07.7500%	3,293,220
6,400,000	NOVA SCOTIA POWER CORP	06/01/2008	09.6250%	6,481,088
5,700,000	OCCIDENTIAL PETE CORP	04/15/2011	07.0000%	4,278,534
5,100,000	ONTARIO PROV. OF	11/15/2005	09.2500%	5,012,892
3,600,000	ONTARIO PROV. OF	01/15/2007	08.4000%	3,419,532
6,000,000	ONTARIO PROVINCE	03/01/2009	09.7500%	6,185,220
6,000,000	ONTARIO PROVINCE	09/20/2009	09.8750%	6,269,340
1,000,000	ONTARIO PROVINCE OF CANADA	06/15/2005	09.1250%	985,480
6,920,000	ONTARIO, PROVINCE OF	11/30/2008	09.3750%	6,989,892
7,000,000	ONTARIO, PROVINCE OF	06/01/2008	09.3750%	7,042,210
1,600,000	PACIFIC BELL TEL	08/15/2025	08.7500%	1,530,768
7,000,000	PACIFIC BELL TEL	04/15/2023	08.6250%	6,718,460
3,765,000	PACIFIC GAS & ELECTRIC	09/01/2008	08.2500%	3,505,140
3,000,000	PACIFIC GAS & ELECTRIC	04/01/2019	09.4000%	3,001,080
15,000,000	PACIFIC GAS & ELECTRIC	10/01/2019	09.1250%	14,711,550
15,000,000	PACIFIC GAS & ELECTRIC	01/01/2020	08.6500%	14,097,300
6,000,000	PACIFIC GAS & ELECTRIC	02/01/2009	08.5000%	5,635,260
5,000,000	PACIFIC TEL & TEL	04/01/2005	08.6500%	4,759,200
5,000,000	PACIFIC TEL & TEL	07/01/2003	06.5000%	4,130,400
5,000,000	PACIFIC TEL & TEL CO	10/01/2006	08.7500%	4,894,150
7,930,000	PENNEY J.C. CO.	05/01/2006	06.0000%	5,930,688
7,000,000	PHILADELPHIA ELEC CO	04/01/2017	09.3750%	6,633,410
6,000,000	PHILADELPHIA ELECTRIC	01/15/1999	07.5000%	5,402,520
6,000,000	PHILADELPHIA ELECTRIC	03/01/2006	09.1250%	5,606,760
4,075,000	PHILADELPHIA ELECTRIC	01/15/2004	08.5000%	3,714,159
3,060,000	PHILADELPHIA ELECTRIC	03/15/2007	08.6250%	2,737,384
2,777,000	PHILADELPHIA ELECTRIC	03/15/2008	09.1250%	2,573,335
755,000	PHILADELPHIA ELECTRIC	08/01/2002	09.6250%	743,373
5,000,000	PHILLIPS PETE CO	03/15/1997	13.8750%	5,607,200
5,000,000	POTOMIC ELECTRIC POWER	11/15/2016	08.7500%	4,800,950
2,675,000	PRIMERICA CORP	10/15/1992	11.1250%	2,816,882
5,000,000	PRIVATE EXP FUNDING CORP	03/31/1999	09.5000%	5,327,450
3,500,000	PROCTOR & GAMBLE	01/15/2017	08.1250%	3,188,850
6,000,000	PUBLIC SERVICE ELEC & GAS	09/01/2007	08.1250%	5,471,340

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\$ 1,665,959	PUBLIC SERVICE ELEC & GAS	07/01/2009	09.7500%	\$ 1,746,808
6,000,000	QUEBEC PROVINCE	04/15/2004	09.2000%	5,936,580
4,400,000	QUEBEC-HYDRO ELECTRIC	01/01/2004	08.2500%	4,144,888
8,775,000	SASKATCH., PROVINCE OF	04/15/2008	09.2500%	8,752,361
6,000,000	SASKATCHEWAN CDA	11/15/2006	08.7000%	5,750,880
6,000,000	SASKATCHEWAN CDA	05/15/2007	08.6250%	5,710,980
2,226,855	SEABOARD COAST LINE RR	09/01/1993	09.6250%	2,273,619
2,111,415	SEABOARD COAST LINE RR	10/01/1992	08.2500%	2,069,546
3,000,000	SEARS	11/15/2001	07.0000%	2,584,440
13,000,000	SEARS ROEBUCK & CO.	05/01/2000	06.0000%	10,161,580
5,000,000	SHEARSON LEHMAN	10/15/2000	09.8750%	5,192,950
5,000,000	SOUTH CENTRAL BELL TEL	12/01/2004	08.2500%	4,781,200
3,000,000	SOUTH CENTRAL BELL TEL	11/01/2007	07.3750%	2,662,440
5,000,000	SOUTHERN CAL EDISON	03/15/2018	08.6250%	4,754,450
15,000,000	SOUTHERN CALIF EDISON CO	07/01/2020	09.5000%	15,495,150
5,000,000	SOUTHWESTERN BELL TEL	08/01/2007	08.7500%	4,803,200
7,000,000	SOUTHWESTERN BELL TEL	04/15/2020	08.6250%	6,655,810
3,100,000	SOUTHWESTERN BELL TEL	06/01/2003	05.8750%	2,410,250
814,885	STANDARD OIL OF CALIF.	03/30/1997	07.7000%	743,990
756,679	STANDARD OIL OF CALIF.	02/10/1997	07.7000%	691,741
2,775,528	STANDARD OIL OF CALIF.	07/02/1999	08.5000%	2,641,637
756,679	STANDARD OIL OF CALIF.	03/02/1997	07.7000%	685,589
10,000,000	STRPD U.S. TREAS. BONDS	05/15/2006	00.0000%	2,611,900
50,000,000	STUDENT LN MRKTG ASSN	10/03/2022	00.0000%	3,828,000
2,700,000	STUDENT LN MRKTG ASSN	07/06/1989	07.9000%	2,699,568
11,385,000	TENNESSEE GAS PIPELINE	09/01/1992	13.7000%	12,785,241
5,700,000	TENNESSEE GAS PIPELINE	01/15/2017	09.3750%	5,410,041
4,300,000	TEXAS ELEC. SERVICE	02/01/2009	09.5000%	4,131,956
3,000,000	TEXAS POWER & LIGHT	01/01/2006	08.6000%	2,695,860
2,500,000	TEXAS POWER & LIGHT	02/01/2009	09.3750%	2,375,600
15,000,000	TEXAS UTIL.	02/01/2017	09.2500%	14,185,050
7,000,000	TORCHMARK	03/01/2017	08.6250%	6,384,560
1,619,000	TREASURY INVT GROWTH RCPTS	11/15/2000	00.0000%	750,261
250,000	TREASURY INVT GROWTH RCPTS	02/15/1999	00.0000%	113,495
88,500,000	U.S.A. TREASURY BOND	08/15/2014	12.5000%	125,227,500
65,350,000	U.S.A. TREASURY BOND	02/15/2003	10.7500%	78,828,438
49,800,000	U.S.A. TREASURY BOND	02/15/2010	11.7500%	64,957,626
5,100,000	U.S.A. TREASURY BOND	08/15/2004	13.7500%	7,520,919
29,475,000	U.S.A. TREASURY BOND	02/15/2007	07.6250%	28,056,368
40,350,000	U.S.A. TREASURY BOND	02/15/2000	07.8750%	39,416,705
3,500,000	U.S.A. TREASURY BOND	05/15/2017	08.7500%	3,751,545
8,925,000	U.S.A. TREASURY BOND	05/15/2001	13.1250%	12,199,315
40,000,000	U.S.A. TREASURY BOND	05/15/1995	12.6250%	48,481,200
15,000,000	U.S.A. TREASURY BOND	11/15/2016	07.5000%	14,034,300
1,600,000	U.S.A. TREASURY BOND	11/15/2008	08.7500%	1,676,496
45,500,000	U.S.A. TREASURY BOND	11/15/2014	11.7500%	61,268,480
50,000,000	U.S.A. TREASURY BOND	11/15/2012	10.3750%	60,031,000
16,600,000	U.S.A. TREASURY BOND	08/15/2008	08.3750%	16,916,396
50,000,000	U.S.A. TREASURY BOND	05/15/2005	12.0000%	66,656,000
55,925,000	U.S.A. TREASURY BOND	05/15/2011	13.8750%	84,237,031
26,075,000	U.S.A. TREASURY BOND	05/15/2003	10.7500%	31,510,073
7,075,000	U.S.A. TREASURY BOND	11/15/2003	11.8750%	9,232,875
22,300,000	U.S.A. TREASURY BOND	02/15/1995	10.5000%	24,578,837
24,500,000	U.S.A. TREASURY BOND	02/15/2002	14.2500%	36,030,190
9,450,000	U.S.A. TREASURY BOND	05/15/2005	08.2500%	9,506,133
32,900,000	U.S.A. TREASURY BOND	05/15/2009	09.1250%	35,511,273

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\$ 39,650,000	U.S.A. TREASURY BOND	02/15/2001	11.7500%	\$ 49,810,313
45,000,000	U.S.A. TREASURY BOND	11/15/2011	14.0000%	68,568,750
15,745,000	U.S.A. TREASURY BOND	05/15/2004	12.3750%	21,304,874
20,000,000	U.S.A. TREASURY BOND	05/15/2016	07.2500%	18,175,000
50,000,000	U.S.A. TREASURY BOND	05/15/1995	10.3750%	55,234,500
51,800,000	U.S.A. TREASURY BOND	08/15/2005	10.7500%	63,471,058
32,100,000	U.S.A. TREASURY BOND	08/15/2001	13.3750%	44,729,424
3,500,000	U.S.A. TREASURY BOND	02/15/2016	09.2500%	3,928,750
28,326,000	U.S.A. TREASURY BOND	08/15/2013	12.0000%	38,452,545
52,600,000	U.S.A. TREASURY BOND	11/15/2010	12.7500%	73,574,250
56,904,000	U.S.A. TREASURY BOND	11/15/2004	11.6250%	73,673,040
10,000,000	U.S.A. TREASURY BOND	02/15/2006	09.3750%	11,118,700
15,000,000	U.S.A. TREASURY BOND	08/15/2001	08.0000%	14,892,150
50,000,000	U.S.A. TREASURY BOND	05/15/2014	13.2500%	74,187,500
50,110,000	U.S.A. TREASURY BOND	11/15/2002	11.6250%	63,812,078
11,600,000	U.S.A. TREASURY BOND	08/15/2003	11.1250%	14,384,000
50,000,000	U.S.A. TREASURY BOND	11/15/1995	11.5000%	58,179,500
28,020,000	U.S.A. TREASURY BOND	08/15/2000	08.3750%	28,308,886
50,000,000	U.S.A. TREASURY BOND	05/15/1999	08.5000%	51,015,500
40,000,000	U.S.A. TREASURY BOND	02/15/1994	09.0000%	41,637,600
16,400,000	U.S.A. TREASURY BOND	05/15/2010	10.0000%	18,957,416
20,900,000	U.S.A. TREASURY BOND	11/15/2009	10.3750%	24,727,208
8,900,000	U.S.A. TREASURY COUPON	05/15/1994	00.0000%	6,033,132
5,500,000	U.S.A. TREASURY COUPON	08/15/1992	00.0000%	4,287,085
78,800,000	U.S.A. TREASURY COUPON	05/15/2016	00.0000%	9,803,508
13,000,000	U.S.A. TREASURY COUPON	02/15/1993	00.0000%	9,736,350
5,300,000	U.S.A. TREASURY COUPON	08/15/1991	00.0000%	4,473,836
35,000,000	U.S.A. TREASURY COUPON	08/15/1994	00.0000%	23,252,950
14,000,000	U.S.A. TREASURY COUPON	05/15/2009	00.0000%	2,907,520
20,000,000	U.S.A. TREASURY COUPON	02/15/2017	00.0000%	2,366,000
25,000,000	U.S.A. TREASURY COUPON	02/15/2014	00.0000%	3,659,250
19,150,000	U.S.A. TREASURY COUPON	11/15/1998	00.0000%	9,037,077
8,000,000	U.S.A. TREASURY COUPON	08/15/1993	00.0000%	5,756,960
3,800,000	U.S.A. TREASURY COUPON	05/15/1997	00.0000%	2,022,436
25,000,000	U.S.A. TREASURY COUPON	08/15/2013	00.0000%	3,787,250
4,400,000	U.S.A. TREASURY COUPON	02/15/1990	00.0000%	4,187,524
28,204,000	U.S.A. TREASURY COUPON	08/15/1998	00.0000%	13,577,124
8,500,000	U.S.A. TREASURY COUPON	02/15/2009	00.0000%	1,800,300
11,850,000	U.S.A. TREASURY COUPON	11/15/1999	00.0000%	5,161,386
36,700,000	U.S.A. TREASURY COUPON	05/15/2002	00.0000%	13,065,567
61,500,000	U.S.A. TREASURY COUPON	08/15/2007	00.0000%	14,565,045
39,500,000	U.S.A. TREASURY COUPON	02/15/2008	00.0000%	9,006,395
7,500,000	U.S.A. TREASURY COUPON	02/15/2000	00.0000%	3,201,375
30,000,000	U.S.A. TREASURY COUPON	05/15/2000	00.0000%	12,553,200
50,000,000	U.S.A. TREASURY COUPON	02/15/1998	00.0000%	25,054,000
26,500,000	U.S.A. TREASURY COUPON	08/15/2004	00.0000%	7,874,210
52,600,000	U.S.A. TREASURY COUPON	05/15/2003	00.0000%	17,281,730
50,000,000	U.S.A. TREASURY COUPON	08/15/2005	00.0000%	13,839,000
11,360,000	U.S.A. TREASURY COUPON	11/15/2003	00.0000%	3,585,557
14,825,000	U.S.A. TREASURY COUPON	08/15/1999	00.0000%	6,586,896
10,525,000	U.S.A. TREASURY COUPON	08/15/2003	00.0000%	3,388,734
4,500,000	U.S.A. TREASURY COUPON	02/15/2002	00.0000%	1,634,265
73,500,000	U.S.A. TREASURY COUPON	08/15/2008	00.0000%	16,106,055
50,000,000	U.S.A. TREASURY COUPON	08/15/2011	00.0000%	8,782,500
34,000,000	U.S.A. TREASURY COUPON	05/15/2013	00.0000%	5,241,100
18,400,000	U.S.A. TREASURY COUPON	05/15/2001	00.0000%	7,098,168

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\$ 3,800,000	U.S.A. TREASURY COUPON	11/15/1992	00.0000%	\$ 2,902,896
92,000,000	U.S.A. TREASURY COUPON	11/15/2016	00.0000%	11,039,080
5,400,000	U.S.A. TREASURY COUPON	11/15/1991	00.0000%	4,468,662
8,500,000	U.S.A. TREASURY COUPON	02/15/2005	00.0000%	2,444,600
3,830,000	U.S.A. TREASURY COUPON	02/15/2004	00.0000%	1,184,657
40,500,000	U.S.A. TREASURY COUPON	05/15/2008	00.0000%	9,054,180
15,600,000	U.S.A. TREASURY COUPON	11/15/2000	00.0000%	6,271,200
22,000,000	U.S.A. TREASURY COUPON	02/15/1999	00.0000%	10,174,560
50,000,000	U.S.A. TREASURY COUPON	08/15/2009	00.0000%	10,179,500
50,000,000	U.S.A. TREASURY COUPON	11/15/2001	00.0000%	18,529,500
1,800,000	U.S.A. TREASURY COUPON	02/15/1994	00.0000%	1,244,592
24,600,000	U.S.A. TREASURY COUPON	08/15/2001	00.0000%	9,300,030
46,000,000	U.S.A. TREASURY COUPON	11/15/2008	00.0000%	9,883,560
5,900,000	U.S.A. TREASURY COUPON	02/15/1992	00.0000%	4,785,077
50,000,000	U.S.A. TREASURY COUPON	08/15/2017	00.0000%	5,706,000
25,000,000	U.S.A. TREASURY COUPON	08/15/2014	00.0000%	3,519,250
11,500,000	U.S.A. TREASURY COUPON	11/15/2007	00.0000%	2,670,415
45,000,000	U.S.A. TREASURY COUPON	08/15/2002	00.0000%	15,700,050
22,400,000	U.S.A. TREASURY COUPON	05/15/2010	00.0000%	4,324,096
3,500,000	U.S.A. TREASURY COUPON	05/15/1992	00.0000%	2,782,815
50,000,000	U.S.A. TREASURY COUPON	02/15/2012	00.0000%	8,462,500
11,500,000	U.S.A. TREASURY COUPON	08/15/2002	00.0000%	4,012,235
5,708,000	U.S.A. TREASURY COUPON	02/15/1991	00.0000%	5,014,763
31,800,000	U.S.A. TREASURY COUPON	08/15/2000	00.0000%	13,040,544
5,900,000	U.S.A. TREASURY COUPON	02/15/1995	00.0000%	3,762,253
26,400,000	U.S.A. TREASURY COUPON	05/15/2004	00.0000%	8,004,744
22,800,000	U.S.A. TREASURY COUPON	05/15/1999	00.0000%	10,336,836
92,000,000	U.S.A. TREASURY COUPON	02/15/2013	00.0000%	14,427,440
20,000,000	U.S.A. TREASURY COUPON	11/15/2006	00.0000%	5,020,000
25,000,000	U.S.A. TREASURY COUPON	05/15/2006	00.0000%	6,529,750
49,250,000	U.S.A. TREASURY COUPON	02/15/2010	00.0000%	9,695,355
1,800,000	U.S.A. TREASURY COUPON	05/15/1991	00.0000%	1,550,340
42,000,000	U.S.A. TREASURY COUPON	02/15/2011	00.0000%	7,672,980
49,250,000	U.S.A. TREASURY COUPON	08/15/2010	00.0000%	9,320,563
21,800,000	U.S.A. TREASURY COUPON	11/15/1997	00.0000%	11,146,340
10,400,000	U.S.A. TREASURY COUPON	05/15/2005	00.0000%	2,936,960
25,000,000	U.S.A. TREASURY COUPON	05/15/2011	00.0000%	4,479,000
14,360,000	U.S.A. TREASURY COUPON	05/15/1998	00.0000%	7,053,919
50,000,000	U.S.A. TREASURY COUPON	08/15/2012	00.0000%	8,154,500
4,600,000	U.S.A. TREASURY COUPON	08/15/1989	00.0000%	4,555,334
2,500,000	U.S.A. TREASURY COUPON	05/15/1993	00.0000%	1,834,950
4,100,000	U.S.A. TREASURY NOTE	06/30/1990	07.2500%	4,060,271
10,000,000	U.S.A. TREASURY NOTE	11/15/1994	11.6250%	11,481,200
5,600,000	U.S.A. TREASURY NOTE	10/15/1990	11.5000%	5,815,264
20,000,000	U.S.A. TREASURY NOTE	11/15/1995	09.5000%	21,281,200
5,650,000	U.S.A. TREASURY NOTE	10/15/1989	11.8750%	5,698,534
9,800,000	U.S.A. TREASURY NOTE	09/30/1991	09.1250%	9,992,962
5,000,000	U.S.A. TREASURY NOTE	05/15/1991	14.5000%	5,578,100
2,500,000	U.S.A. TREASURY NOTE	11/15/1996	07.2500%	2,375,775
3,200,000	U.S.A. TREASURY NOTE	01/15/1994	07.0000%	3,064,992
7,700,000	U.S.A. TREASURY NOTE	09/30/1990	06.7500%	7,562,863
2,600,000	U.S.A. TREASURY NOTE	07/15/1991	13.7500%	2,865,694
50,000,000	U.S.A. TREASURY NOTE	08/15/1989	06.6250%	49,883,000
3,560,000	U.S.A. TREASURY NOTE	08/15/1994	12.6250%	4,215,254
3,300,000	U.S.A. TREASURY NOTE	05/15/1993	07.6250%	3,246,375

MINNESOTA STATE BOARD OF INVESTMENT
POST RETIREMENT INVESTMENT FUND
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
\$ 1,800,000	U.S.A. TREASURY NOTE	04/15/1990	10.5000%	\$ 1,827,558
5,000,000	U.S.A. TREASURY NOTE	07/15/1992	10.3750%	5,301,550
50,000,000	U.S.A. TREASURY NOTE	08/15/1995	10.5000%	55,422,000
12,700,000	U.S.A. TREASURY NOTE	08/15/1998	09.2500%	13,569,188
8,425,000	U.S.A. TREASURY NOTE	01/15/1991	11.7500%	8,846,250
8,400,000	U.S.A. TREASURY NOTE	07/15/1989	14.5000%	8,409,156
50,000,000	U.S.A. TREASURY NOTE	05/15/1995	11.2500%	57,047,000
3,500,000	U.S.A. TREASURY NOTE	04/15/1994	07.0000%	3,342,500
10,000,000	U.S.A. TREASURY NOTE	07/15/1993	07.2500%	9,706,200
11,250,000	U.S.A. TREASURY NOTE	11/15/1990	13.0000%	11,921,513
225,000	U.S.A. TREASURY NOTE	01/15/1993	08.7500%	229,358
2,500,000	U.S.A. TREASURY NOTE	06/30/1990	08.0000%	2,493,750
15,000,000	U.S.A. TREASURY NOTE	10/15/1994	09.5000%	15,864,900
5,400,000	U.S.A. TREASURY NOTE	04/15/1995	08.3750%	5,455,674
50,000,000	U.S.A. TREASURY NOTE	01/15/1990	10.5000%	50,531,000
1,610,000	U.S.A. TREASURY PHY. COUPON	11/15/1993	00.0000%	1,135,050
50,000,000	U.S.A. TREASURY SEC PRIN.	08/15/2015	00.0000%	6,493,000
50,000,000	U.S.A. TREASURY SEC PRIN.	02/15/2015	00.0000%	6,727,000
10,000,000	U.S.A. TREASURY SEC PRIN.	11/15/1994	00.0000%	6,500,000
15,000,000	UNION PACIFIC CORP	01/15/2017	08.5000%	13,382,700
10,450,000	WILLAMETTE INDUSTRIES INC.	04/15/1993	11.3750%	10,573,310
4,555,000	WISCONSIN ELECTRIC POWER	05/15/2008	08.8750%	4,458,981
\$ 5,794,312,027	TOTAL FIXED INCOME PORTFOLIO			\$ 4,273,789,011

MINNESOTA STATE BOARD OF INVESTMENT
SUPPLEMENTAL INVESTMENT FUND
ALPHABETICAL HOLDINGS BY INVESTMENT OPTION
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
INDEX ACCOUNT				
3,144	MINNESOTA PASSIVE EQUITY ACCOUNT			\$ 4,729,565
BOND MARKET ACCOUNT				
3,064	MINNESOTA BOND MANAGERS ACCOUNT			\$ 3,172,051
G.I.C. ACCOUNT				
4,878,155	PRINCIPAL MUTUAL LIFE GIC	10/31/89	7.7200%	4,878,155
17,957,946	PRINCIPAL MUTUAL LIFE GIC	10/31/90	8.4500%	17,957,946
25,526,794	PRINCIPAL MUTUAL LIFE GIC	10/31/91	9.0100%	25,526,794
48,362,895				\$ 48,362,895
INCOME SHARE ACCOUNT				
1,250,000	ASSOCIATES CORP. NORTH AMERICA	11/15/92	11.4500%	\$ 1,340,150
2,000,000	FEDERAL FARM CREDIT BANK	01/22/90	11.1500%	2,026,240
1,500,000	FEDERAL FARM CREDIT BANK	03/01/94	12.3500%	1,729,680
2,000,000	FEDERAL HOME LOAN MORTGAGE	08/30/91	11.8500%	2,130,000
2,000,000	FEDERAL NATIONAL MORTGAGE ASSN	01/10/90	11.4500%	2,027,820
2,000,000	FEDERAL NATIONAL MORTGAGE ASSN	02/13/90	11.0500%	2,029,060
17,000,000	FEDERAL NATIONAL MORTGAGE ASSN	07/05/14	0.0000%	2,204,730
1,605,501	FNMA POOL # 002494	04/01/08	8.0000%	1,498,125
1,873,732	FNMA POOL # 002499	03/01/16	10.0000%	1,889,528
1,441,771	FNMA POOL # 006226	12/01/15	11.0000%	1,499,889
1,694,247	FNMA POOL # 049238	06/01/02	8.0000%	1,613,770
2,484,948	FNMA POOL # 051207	07/01/02	8.0000%	2,366,912
1,000,000	GERBER PRODUCTS CO	11/01/94	11.7500%	1,047,700
1,807,652	GNMA II POOL # 000587	07/20/16	8.0000%	1,683,941
1,000,000	HOUSTON NATURAL GAS CO.	11/15/92	11.0000%	1,005,670
95,489	MINNESOTA PASSIVE EQUITY ACCOUNT			142,050,763
700,000	NEW YORK STATE ELEC. & GAS	04/01/93	11.7500%	712,572
12,565,022	S.B.I. MONEY FUND			12,588,815
2,000,000	SECURITY PACIFIC CORP	05/15/99	9.7500%	2,092,140
1,800,000	U.S.A. TREASURY BOND	05/15/03	10.7500%	2,175,192
1,600,000	U.S.A. TREASURY BOND	05/15/04	12.3750%	2,164,992
1,600,000	U.S.A. TREASURY BOND	05/15/05	12.0000%	2,132,992
1,400,000	U.S.A. TREASURY BOND	11/15/95	11.5000%	1,629,026
1,700,000	U.S.A. TREASURY BOND	11/15/02	11.6250%	2,164,848
1,700,000	U.S.A. TREASURY BOND	11/15/03	11.8750%	2,218,500
1,700,000	U.S.A. TREASURY BOND	11/15/04	11.6250%	2,200,973
2,100,000	U.S.A. TREASURY NO	10/15/95	8.6250%	2,146,599
1,800,000	U.S.A. TREASURY NOTE	05/15/95	11.2500%	2,053,692
2,100,000	U.S.A. TREASURY NOTE	05/15/97	8.5000%	2,140,677
7,500,000	U.S.A. TREASURY NOTE	09/30/89	9.3750%	7,512,900
3,000,000	U.S.A. TREASURY NOTE	10/15/89	11.8750%	3,025,770
3,000,000	U.S.A. TREASURY NOTE	11/15/92	10.5000%	3,204,360
2,100,000	WASTE MANAGEMENT	05/01/18	8.7500%	2,107,119
89,118,361				\$ 220,415,145
GROWTH SHARE ACCOUNT				
56,589	MINNESOTA ACTIVE EQUITY ACCOUNT			\$ 72,761,892
65,891	S.B.I. MONEY FUND			93,543
122,480				\$ 72,855,435
MONEY MARKET ACCOUNT				
73,781,347	S.B.I. MONEY FUND			\$ 73,781,347

MINNESOTA STATE BOARD OF INVESTMENT
PERMANENT SCHOOL FUND
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 3,400,000	AMOCO	06/15/2005	08.3750%	\$ 3,277,090
1,700,000	ASSOCIATES CORP NO. AMERICA	08/01/1990	11.0000%	1,732,538
5,000,000	ATLANTIC RICHFIELD	03/01/2011	09.1250%	5,129,750
5,000,000	ATLANTIC RICHFIELD	03/01/2016	09.8750%	5,508,450
1,603,541	ATLANTIC RICHFIELD CO.	12/01/2001	08.7500%	1,516,741
1,931,949	ATLANTIC RICHFIELD CO.	07/15/1996	09.2500%	1,917,247
4,000,000	BARNETT BANKS INC	03/01/1999	08.5000%	3,847,200
2,500,000	BELL TELE. CO CANADA	09/01/1995	04.8500%	2,213,400
450,000	CANADIAN PACIFIC, LTD.	01/15/1992	08.6250%	447,647
1,000,000	CHRYSLER FIN. MTN	02/01/1994	09.8750%	1,032,120
5,000,000	CITICORP PERSON TO PERSON INC	03/01/1998	08.7500%	4,794,750
4,500,000	COLUMBUS SOUTHERN POWER	08/01/2015	09.5000%	4,360,365
7,000,000	COMMONWEALTH EDISON	01/15/2014	09.1250%	6,822,060
5,000,000	CSX TRANSPORTATION	08/15/2006	09.0000%	4,906,700
5,000,000	DOW CHEMICAL	04/01/2006	08.6250%	4,892,400
3,690,000	DU PONT E I DE NEMOURS & CO	11/15/2004	08.4500%	3,516,681
600,000	FEDERAL FARM CREDIT BANK	07/20/1992	13.7500%	684,000
100,000	FEDERAL FARM CREDIT BANK	03/01/1994	12.3500%	115,312
5,000,000	FEDERAL FARM CREDIT BANK	10/21/1991	10.6000%	5,225,000
3,000,000	FEDERAL HOME LOAN BANK	07/26/1993	11.7000%	3,330,000
3,000,000	FEDERAL HOME LOAN BANK	04/27/1992	11.7000%	3,243,750
5,000,000	FEDERAL HOME LOAN BANK	09/25/1989	12.5000%	5,045,300
4,000,000	FEDERAL NATIONAL MORTGAGE ASSN	05/10/1990	10.3000%	4,057,480
3,000,000	FEDERAL NATIONAL MORTGAGE ASSN	10/12/1992	10.6000%	3,196,860
890,000	FLORIDA POWER & LIGHT	06/01/1998	07.0000%	789,448
3,000,000	FMC CORP	01/15/2000	09.5000%	2,786,250
1,400,000	FORD MOTOR COMPANY	04/01/2006	08.8750%	1,402,688
1,200,000	FORD MOTOR CR. MTN	11/04/1994	09.7500%	1,248,984
2,000,000	FORD MOTOR CR. MTN	11/01/1993	09.1500%	2,028,000
3,900,000	GENERAL MOTORS ACCEPT CORP.	01/15/2002	08.0000%	3,577,041
1,500,000	GMAC MTN	02/15/1991	09.5000%	1,515,930
1,402,410	GNMA POOL # 00505	11/15/2001	06.5000%	1,300,735
1,328,606	GNMA POOL # 00506	12/15/2001	06.5000%	1,232,282
5,223,324	GNMA POOL # 00606	08/20/2016	08.0000%	4,813,606
1,841,749	GNMA POOL # 00623	09/20/2016	08.0000%	1,697,283
1,654,651	GNMA POOL # 02290	03/15/2003	06.5000%	1,534,689
1,907,627	GNMA POOL # 02291	04/15/2003	06.5000%	1,769,324
1,603,587	GNMA POOL # 02424	04/15/2003	06.5000%	1,487,327
225,102	GNMA POOL # 03627	07/15/2004	08.2500%	214,338
819,237	GNMA POOL # 03972	07/15/2004	08.2500%	780,061
467,684	GNMA POOL # 03974	11/15/2004	09.0000%	460,374
313,181	GNMA POOL # 03979	08/15/2004	08.2500%	298,205
218,664	GNMA POOL # 04004	08/15/2004	08.2500%	208,207
630,955	GNMA POOL # 04092	07/15/2004	08.2500%	600,783
191,472	GNMA POOL # 04145	08/15/2004	08.2500%	182,316
414,811	GNMA POOL # 04472	09/15/2004	09.0000%	408,328
280,716	GNMA POOL # 09680	06/15/2006	08.2500%	267,292
468,920	GNMA POOL # 10887	07/15/2006	08.2500%	446,496
3,388,353	GNMA POOL # 12383	02/15/2005	08.7500%	3,195,725
218,587	GNMA POOL # 17904	08/15/2007	08.0000%	206,632
378,174	GNMA POOL # 18017	07/15/2007	08.0000%	357,491
592,293	GNMA POOL # 18058	07/15/2007	08.0000%	559,901
223,630	GNMA POOL # 18592	11/15/2007	08.0000%	211,400
508,553	GNMA POOL # 18768	08/15/2007	08.0000%	480,740
463,246	GNMA POOL # 18782	10/15/2007	08.0000%	437,911
543,918	GNMA POOL # 19105	07/15/2007	08.0000%	514,172

MINNESOTA STATE BOARD OF INVESTMENT
PERMANENT SCHOOL FUND
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 399,863	GNMA POOL # 19667	01/15/2008	08.0000%	\$ 377,994
552,614	GNMA POOL # 19740	10/15/2007	08.0000%	522,392
3,299,636	GNMA POOL # 19784	09/15/2007	08.0000%	3,119,179
414,904	GNMA POOL # 19997	10/15/2007	08.0000%	392,212
36,157	GNMA POOL # 20074	03/15/2007	08.0000%	34,180
503,321	GNMA POOL # 20263	11/15/2007	08.0000%	475,794
554,304	GNMA POOL # 20393	11/15/2007	08.0000%	523,990
572,150	GNMA POOL # 20495	11/15/2007	08.0000%	540,859
604,177	GNMA POOL # 21037	11/15/2007	08.0000%	571,134
4,895,309	GNMA POOL # 210643	06/15/2017	08.0000%	4,560,274
4,785,303	GNMA POOL # 210687	06/15/2017	08.0000%	4,457,797
520,222	GNMA POOL # 21480	01/15/2008	08.0000%	491,771
591,692	GNMA POOL # 21615	01/15/2008	08.0000%	559,333
3,220,487	GNMA POOL # 217626	05/15/2017	08.0000%	3,000,077
544,148	GNMA POOL # 21930	03/15/2008	08.0000%	514,389
616,661	GNMA POOL # 22012	04/15/2008	08.0000%	582,935
3,368,297	GNMA POOL # 224960	06/15/2017	08.0000%	3,137,771
514,635	GNMA POOL # 22820	12/15/2007	08.0000%	486,489
670,446	GNMA POOL # 24078	02/15/2008	09.0000%	633,780
635,317	GNMA POOL # 24417	03/15/2008	08.1250%	600,571
2,664,559	GNMA POOL # 27638	10/15/2008	08.1250%	2,622,912
4,000,000	KANSAS POWER & LIGHT	06/01/2007	12.5660%	3,779,640
2,500,000	MICHIGAN BELL TELEPHONE CO.	06/01/2015	12.8230%	2,406,175
1,935,365	MN MTG. MARKETING CORP	06/01/2014	13.0040%	2,111,967
838,165	MN MTG. MARKETING CORP	09/01/2014	08.8750%	920,672
534,451	MN MTG. MARKETING CORP	02/01/2015	08.8750%	590,903
2,336,000	MOORE-MCCORMACK LEASING	07/15/2001	07.7500%	2,383,468
2,000,000	MORGAN J.P.	08/01/1994	08.3750%	2,016,120
3,000,000	MOUNTAIN STATES TEL & TEL	06/01/2013	09.8750%	2,704,410
2,500,000	NORTHERN STATES POWER CO. MINN	01/01/2004	05.1250%	2,432,525
1,428,800	NORTON SIMON, INC.	06/01/2004	07.7500%	1,294,521
1,500,000	NORWEST CORP	10/15/1990	09.3750%	1,421,835
1,500,000	NORWEST CORP	03/15/2003	09.1250%	1,303,080
6,400,000	PACIFIC GAS & ELEC.	02/01/2011	11.7000%	6,459,584
1,131,000	PUGET SOUND TUG & BARG	02/15/2001	07.0000%	1,131,000
3,496,787	SBA POOL - MEEDA BONDS SER 84A	12/01/2004	09.7500%	3,986,338
2,160,000	SEARS	11/15/2001	07.6250%	1,860,797
2,500,000	SECURITY PACIFIC CORP	05/15/1999	07.6250%	2,615,175
260,000	SHELL OIL	10/15/1993	05.1000%	250,149
8,400,000	SOUTHERN BELL TEL & TEL	03/15/2013	09.3750%	7,445,256
124,000	STATES STEAMSHIP CO	03/31/1993	08.6250%	112,048
3,000,000	TEXAS POWER & LIGHT	02/01/2009	08.8750%	2,850,720
2,000,000	U.S.A. TREASURY BOND	11/15/1993	08.3750%	2,041,240
5,100,000	U.S.A. TREASURY BOND	02/15/2019	08.7500%	5,579,706
5,000,000	U.S.A. TREASURY BOND	08/15/2008	07.2500%	5,095,300
11,400,000	U.S.A. TREASURY BOND	05/15/2017	08.3750%	12,219,318
6,400,000	U.S.A. TREASURY BOND	05/15/2016	10.7500%	5,816,000
500,000	U.S.A. TREASURY BOND	08/15/2000	08.5000%	505,155
5,500,000	U.S.A. TREASURY BOND	05/15/2003	08.7500%	6,646,420
5,890,000	U.S.A. TREASURY BOND	05/15/1999	11.6250%	6,009,626
6,400,000	U.S.A. TREASURY BOND	11/15/2008	10.7500%	6,705,984
3,500,000	U.S.A. TREASURY BOND	11/15/2004	07.8750%	4,531,415
8,000,000	U.S.A. TREASURY BOND	08/15/2005	11.5000%	9,802,480
6,400,000	U.S.A. TREASURY BOND	11/15/2007	10.0000%	6,232,000
2,000,000	U.S.A. TREASURY BOND	11/15/1995	11.6250%	2,327,180

MINNESOTA STATE BOARD OF INVESTMENT
PERMANENT SCHOOL FUND
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 9,400,000	U.S.A. TREASURY BOND	05/15/2010	11.7500%	\$ 10,865,836
7,500,000	U.S.A. TREASURY BOND	11/15/2002	08.7500%	9,550,800
3,000,000	U.S.A. TREASURY BOND	11/15/2014	07.8750%	4,039,680
2,400,000	U.S.A. TREASURY BOND	08/15/1994	03.5000%	2,467,488
4,850,000	U.S.A. TREASURY BOND	02/15/2000	10.3750%	4,737,820
50,000	U.S.A. TREASURY BOND	11/15/1998	07.6250%	46,656
9,000,000	U.S.A. TREASURY BOND	11/15/2012	09.8750%	10,805,580
1,000,000	U.S.A. TREASURY BOND	02/15/2007	09.1250%	951,870
3,000,000	U.S.A. TREASURY BOND	11/15/2015	09.1250%	3,568,110
3,400,000	U.S.A. TREASURY BOND	05/15/2009	12.7500%	3,669,858
11,000,000	U.S.A. TREASURY BOND	05/15/2018	10.3750%	12,282,160
2,000,000	U.S.A. TREASURY BOND	11/15/2010	10.7500%	2,797,500
5,000,000	U.S.A. TREASURY BOND	11/15/2009	11.7500%	5,915,600
4,400,000	U.S.A. TREASURY BOND	02/15/2003	00.0000%	5,307,500
3,000,000	U.S.A. TREASURY BOND	02/15/2001	08.3750%	3,768,750
2,400,000	U.S.A. TREASURY COUPON	05/15/2012	09.5000%	398,352
2,000,000	U.S.A. TREASURY NOTE	04/15/1995	09.5000%	2,020,620
820,000	U.S.A. TREASURY NOTE	10/15/1994	08.8750%	867,281
1,200,000	U.S.A. TREASURY NOTE	11/15/1995	08.5000%	1,276,872
5,500,000	U.S.A. TREASURY NOTE	11/15/1997	07.3750%	5,733,750
2,100,000	U.S.A. TREASURY NOTE	05/15/1997	00.0000%	2,140,677
5,650,000	U.S.A. TREASURY NOTE	05/15/1996	00.0000%	5,420,441
\$ 357,943,712 TOTAL FIXED INCOME PORTFOLIO				\$ 368,254,038

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
87,000	A & W BRANDS INC	\$ 2,109,750	800	AM INTL INC	\$ 4,200
2,300	A G EDWARDS, INC	53,188	39,250	AMAX GOLD INC	534,781
16,100	AAR CORP	468,913	72,500	AMAX INC	1,749,063
6,800	AARON RENTS INC	83,300	44,600	AMBASE CORPORATION	613,250
227,400	ABBOTT LABS	13,189,200	1,700	AMCA INTL LTD	6,800
40,798	ABITIBI PAPER LTD.	632,369	19,800	AMCAST INDUSTRIAL CORP.	227,700
62,800	ABM GOLD CORP	188,400	134,200	AMDAHL CORP	2,247,850
15,200	ACME CLEVELAND CORP	178,600	200	AMDURA CORP	2,525
3,704	ACME ELEC CORP	29,169	72,200	AMERADA HESS CORP.	2,680,425
5,400	ACME STL CO DEL	110,700	96,700	AMERICAN BANK INSURANCE GRP	1,003,263
889	ACTMEDIA INC	13,002	46,100	AMERICAN BARRICK RES CORP	1,083,350
43,400	ACUSON	1,372,525	250	AMERICAN BUSINESS PRODS INC GA	6,281
33,600	ADAMS JOHN LIFE CORP	37,800	3,000	AMERICAN CAP MGMT & RESH INC	27,750
43,657	ADAMS RUSSELL ELECTRS CO	665,769	15,000	AMERICAN CAPACITY GROUP INC	241,875
20,000	ADAPTEC INC	212,500	87,800	AMERICAN CYANAMID	4,686,325
6,150	ADC TELECOMMUNICATIONS INC	89,175	11,557	AMERICAN ECOLOGY	109,792
11,000	ADOBE RESOURCES	122,375	171,100	AMERICAN ELEC POWER INC	4,748,025
9,200	ADV SEMI CONDUCTOR	78,200	371,578	AMERICAN EXPRESS COMPANY	12,354,969
100,300	ADVANCED MICRO DEV.	977,925	56,566	AMERICAN FAMILY CORP	905,056
200	ADVEST GROUP INC	1,400	56,100	AMERICAN FRUCTOSE CL A	813,450
122,807	ADVO SYS INC.	1,120,614	108,800	AMERICAN GENERAL CORP	3,876,000
99,400	AETNA LIFE & CASUALTY CO.	5,504,275	244,880	AMERICAN INFORMATION	13,988,770
28,000	AFFILIATED BANKSHARES COLO INC	364,000	50,000	AMERICAN INTEGRITY CORP.	250,000
60,900	AFFILIATED PUBLIC'NS NEW A	784,088	145,600	AMERICAN INTERNATIONAL GRP.	11,921,000
52,500	AGENCY RENT A CAR	1,050,000	32,900	AMERICAN MAIZE PRODS CO	641,550
96,500	AHMANSON H.F. CO.	2,123,000	90,400	AMERICAN MEDICAL INTL.	2,056,600
18,300	AIR MIDWEST INC.	148,688	5,000	AMERICAN NATL INS CO	186,250
54,300	AIR PRODUCTS & CHEM. INC.	2,178,788	35,000	AMERICAN NURSERY PRODS INC	74,375
45,914	AIR WIS AVIATION INC	528,011	13,200	AMERICAN PETROFINA INC.	1,145,100
24,300	AIRBORNE FGHT CORP	680,400	10,800	AMERICAN PRESIDENT COS LTD	336,150
200	AIRGAS INC	4,425	20,200	AMERICAN SHIP BLDG CO	88,375
45,900	ALASKA AIR GROUP	1,250,775	33,600	AMERICAN SOFTWARE INC	529,200
400	ALBANY INTL CORP NEW	7,850	20,000	AMERICAN STL & WIRE CORP	140,000
600	ALBERTO CULVER CO	28,125	30,952	AMERICAN STORES NEW	1,903,548
62,700	ALBERTSONS INC	2,993,925	10,200	AMERICAN SVGS BK FSB	160,650
12,000	ALC COMMUNICATIONS CORP	43,500	962,650	AMERICAN TEL & TEL NEW	33,692,750
201,000	ALCAN ALUMINUM LTD.	4,371,750	105,800	AMERICAN TELEVISION &	5,382,575
4,000	ALCO STANDARD CORP.	120,000	12,500	AMERICAN WATER WORKS	218,750
157	ALEX BROWN INC	1,688	200	AMERICANA HOTELS & RLTY CORP	2,975
45,700	ALEXANDER & ALEXANDER	1,131,075	400	AMERIFIRST BK FED SVGS BK	3,500
48,600	ALEXANDER & BALDWIN INC	1,713,150	100	AMERITRUST CORP	2,488
9,100	ALEXANDERS INC	585,813	500	AMERON INC	18,000
176	ALLEGHANY CORP NEW	15,840	54,500	AMES DEPARTMENT STORES	872,000
26,500	ALLEGHENY & WESTN ENERGY CORP	198,750	51,800	AMETEK INC	738,150
200	ALLEGHENY INTL.	200	10,000	AMGEN CORP.	432,500
40,700	ALLEGHENY LUDLUM CORP	1,348,188	464,200	AMOCO CORP	20,482,825
50,400	ALLEGHENY POWER SYS INC	1,908,900	10,000	AMOSKEAG BK SHS INC	67,500
25,450	ALLEN GROUP INC	321,306	107,222	AMP INC.	4,369,297
19,947	ALLEN ORGAN CLASS B	633,317	15,200	AMPCO PITTSBURGH CORP.	220,400
200	ALLIED PRODS CORP DEL	3,900	51,600	AMR CORP.	3,154,050
128,548	ALLIED-SIGNAL INC.	4,242,084	18,200	AMRE INC	136,500
24	ALLIS CHALMERS CORP	102	200	AMREP CORP	1,500
46,355	ALLTEL CORP	2,161,302	33,650	AMSOUTH BANCORP.	912,756
27,000	ALLWASTE INC	455,625	55,000	AMWEST INS GROUP INC	632,500
78,000	ALUMINUM CO. OF AMERICA	5,001,750	70,700	ANACOMP	424,200
87,900	ALZA CORPORATION	2,680,950	50,200	ANADARKO PETE CORP.	1,637,775

MINNESOTA STATE BOARD OF INVESTMENT
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JUNE 30, 1989

NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
151,101	ANALOG DEVICES INC	\$ 1,586,561	2,480	B-E HLDGS INC PFD	\$ 33,680
126,400	ANALOGIC CORP	1,264,000	34,250	BAIRNCO CORP	732,094
200	ANCHOR GLASS CONTAINER CORP	2,275	115,520	BAKER HUGHES INC	2,223,760
12,000	ANDOVER TOGS INC	72,000	300	BALDOR ELEC CO	8,438
17,000	ANDREW CORP.	369,750	15,000	BALDWIN PIANO & ORGAN CO	180,000
2,800	ANGELICA CORP	63,700	11,900	BALL CORP	325,763
13,533	ANTHEM ELECTRS INC	142,097	32,300	BALLY MFG CO	783,275
2,000	ANTHONY INDS INC	34,250	200	BALTIMORE BANCORP	2,775
35,000	AOI COAL CO	100,625	77,600	BALTIMORE GAS & ELEC CO	2,425,000
61,400	AON CORP	2,225,750	126,046	BANC ONE CORP	4,222,541
68,000	APACHE CORP	816,000	2,904	BANCFLOIDA CORP	25,410
1,900	APL CORP	14,250	46,600	BANCO POPULAR DE PR	908,700
8,500	APOGEE ENTERPRISES	130,688	1,000	BANCORP HAWAII INC	51,750
200	APPLE BK FOR SVGS N Y	7,375	300	BANCTEXAS GROUP INC	188
108,700	APPLE COMPUTER	4,483,875	12,800	BANDAG INC	953,600
14,700	APPLIED BIOSYSTEMS INC	417,113	61,500	BANK BOSTON CORP	1,760,438
8,820	APPLIED MAGNETICS	106,943	58,522	BANK NEW ENGLAND CORP	1,250,908
900	APPLIED MATLS INC	23,175	18,600	BANK NEW YORK WT	69,750
200,268	ARCHER DANIELS MIDLAND CO.	5,707,638	58,305	BANK OF NY CO. INC.	2,842,369
114,900	ARCHIVE CORP	1,163,363	43,183	BANK SOUTH CORP	512,798
84,500	ARCO CHEM CO	2,883,563	165,700	BANKAMERICA CORP.	4,391,050
100,500	ARCTIC ALASKA FISHERIES CORP	1,017,563	2,500	BANKEAST CORP	10,000
16,600	ARGONAUT GROUP INC	954,500	3,000	BANKERS FIRST CORP	24,750
1,350	ARISTECH CHEM CORP	28,519	71,700	BANKERS TRUST NY CORP.	3,450,563
3,200	ARITECH CORP DEL	48,000	28,600	BANTA GEORGE & CO.	693,550
84,600	ARKLA INCORPORATED	1,861,200	3,700	BARD C.R. INC.	80,013
36,600	ARMCO INC	393,450	9,400	BARNES GROUP INC	334,875
58,700	ARMSTRONG IND. INC.	2,604,813	58,750	BARNETT BKS FLA	2,129,688
30,000	ARNOX CORP	22,500	18,700	BAROID ENERGY SVCS INC	184,663
31,500	ARROW BK CORP	543,375	20,000	BARRIS INDS INC	235,000
200	ARROW ELECTRS INC	1,100	88,700	BARRY WRIGHT CORP	1,064,400
14,666	ARVIN INDS INC	350,151	200	BASIX CORP	75
26,682	ARX INC	106,728	15,100	BASSETT FURNITURE INDS INC	573,800
36,900	ASARCO INC.	1,042,425	119,000	BATTLE MTN GOLD CL A	1,576,750
52,200	ASHLAND OIL INC	2,016,225	26,300	BAUSCH & LOMB INC	1,443,213
20,000	ASHTON TATE	350,000	244,960	BAXTER INTL INC	5,082,920
20,200	ASK COMPUTER	252,500	26,300	BAYBANKS INC	1,150,625
35,700	ASPEN LEAF INC	15,619	35,700	BAYLY CORP.	111,563
10,000	ASSOCIATED BANC CORP	187,500	41,600	BB&T FINANCIAL CORP	842,400
10,200	ATALANTA SOSNOFF CAP CORP	43,350	254,500	BCE INC	8,430,313
15,100	ATLANTA GAS LT CO	400,150	93,256	BEAR STEARNS COS INC	1,410,493
30,300	ATLANTIC ENERGY INC	1,090,800	51,750	BEAUTICONTROL COSMETICS INC	802,125
154,000	ATLANTIC RICHFIELD	14,418,250	900	BECKMAN INSTRS INC NEW	16,538
300	AUDIO VIDEO AFFILIATES INC	1,125	37,700	BECTION DICKINSON CO	2,163,038
30,300	AUGAT INC	412,838	20,000	BEEBAS CREATIONS INC	247,500
1,100	AUSIMONT COMPO N V	37,675	181,920	BELL ATLANTIC CORP.	15,918,000
2,800	AUTODESK INC	97,300	6,600	BELL INDUSTRIES	101,475
66,800	AUTOMATIC DATA PROCESSING INC	2,680,350	421,720	BELL SOUTH CORP	20,189,845
6,500	AVALON ENERGY CORP	46,313	39,400	BELO A H CORP CL A	1,383,925
79,900	AVANTEK INC	389,513	700	BEMIS COMPANY	21,350
400	AVEMCO CORP	9,200	7,500	BEN & JERRYS HOMEMADE INC	112,500
54,200	AVERY INTL. CORP.	1,409,200	36,400	BENEFICIAL CORP.	1,838,200
52,300	AVNET INC	1,222,513	230	BENGUET CORP.	920
40,700	AVON PRODS INC	1,460,113	62	BERGEN BRUNSWIG CORP.	1,829
24,500	AVX CORP.	459,375	3,900	BERKEY PHOTO INC	609
42,450	AYDIN CORP.	711,038	23,000	BERKLEY W R CORP	730,250

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NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
1,020	BERKSHIRE HATHAWAY INC DEL	\$ 6,706,500	57,300	CALFED INC	\$ 1,389,525
200	BEST BUY INC	1,400	152,500	CALGENE INC	991,250
72,200	BETHLEHEM STEEL	1,516,200	10,000	CALGON CARBON CORP	352,500
6,600	BETZ LABS INC	376,200	57,900	CALIF MICROWAVE	463,200
133,900	BEVERLY ENTERPRISES INC	1,071,200	24,900	CALIFORNIA BIOTECHNOLOGY INC	143,175
3,200	BIC CORP	82,800	14,281	CALLAHAN MNG CORP	199,934
21,400	BIG B INC	286,225	300	CALMAT CO	8,663
60,000	BILDNER J & SONS INC	41,250	700	CALTON INC NEW	1,575
67,600	BINDLEY WESTN INDS INC	599,950	20,000	CAMBRIDGE BIOSCIENCE CORP	205,000
16,200	BIOCRAFT LABS INC	253,125	26,300	CAMERON IRON WORKS INC	591,750
200	BIRMINGHAM STL CORP	4,650	700	CAMPBELL RESOURCES INC	525
3,300	BLACK & DECKER MFG CO	63,113	140,800	CAMPBELL SOUP CO	7,022,400
25,200	BLACK HILLS CORP	718,200	30,000	CANADIAN MARCONI CO	382,500
10,300	BLAIR CORPORATION	356,638	279,957	CANADIAN PACIFIC LTD	5,319,183
34,679	BLOCK DRUG INC CL A	1,222,435	105,550	CANAL CAPITAL CORP	567,331
58,500	BLOCK H & R INC.	1,762,313	13,715	CAPITAL CITIES/ABC INC.	6,377,475
20,000	BLOCKBUSTER ENTMT	342,500	51,900	CAPITAL HOLDING CORP.	1,985,175
16,400	BLOUNT INC	178,350	23,285	CARDINAL DISTR INC	541,376
25,000	BMA CORP NEW	812,500	26,866	CAREERCOM CORP	241,794
200	BMC INDS INC MINN	1,675	16,900	CARLISLE CORP	684,450
33,362	BOATMEN'S BANCSHARES	1,213,543	127,500	CARNIVAL CRUISE LINES INC	2,454,375
85,393	BOB EVANS FARMS INC	1,291,569	500	CAROLCO PICTURES INC	5,188
204,188	BOEING COMPANY	9,801,000	27,000	CAROLINA FREIGHT CORP	617,625
6,471	BOHEMIA INC	114,860	77,400	CAROLINA PWR & LT CO	3,134,700
40,400	BOISE CASCADE CORP	1,792,750	3,400	CARPENTER TECHNOLOGY CORP	170,000
14,500	BOLAR PHARMACY	402,375	47,300	CARRIAGE INDS INC	248,325
300	BOLT BERANEK & NEWMAN INC	2,400	300	CARTER HAWLEY HALE STORES INC	3,488
84,350	BORDEN INC.	5,598,731	21,800	CARTER WALLACE INC	1,005,525
2,700	BOSTON EDISON CO	47,588	16,800	CASCADE NAT GAS CORP	291,900
5,000	BOSTON FIVE BANCORP INC.	61,250	52,000	CASTLE & COOKE INC	1,735,500
40,600	BOWNE & CO INC	512,575	6,450	CASTLE A M & CO	99,975
68,000	BRSCAN LTD	1,691,500	101,900	CATERPILLAR INC.	5,910,200
9,100	BRIGGS & STRATTON CORP	240,013	12,375	CB & T BANKSHARES INC	185,625
254,464	BRISTOL-MYERS CO.	12,182,464	37,500	CBI INDS INC	1,246,875
70,250	BROAD INC	728,844	23,012	CBS INCORPORATED	4,619,659
17,000	BROOKLYN UN GAS CO.	463,250	2,000	CCB FINL CORP	76,750
10,600	BROWN GROUP	357,750	30,533	CELLULAR COMMUNICATIONS INC	1,206,054
16,000	BROWN TRANS INC	60,000	11,100	CEN. BANKSHRS. SO.	170,663
144,500	BROWNING FERRIS INDS INC	4,804,625	12,800	CENT HUDSON GAS & ELEC CORP	291,200
71,300	BRUNOS INC	846,688	6,100	CENTEL CABLE TELEVISION CO	274,500
91,000	BRUNSWICK CORP.	1,535,625	61,200	CENTEL CORP.	3,121,200
22,500	BRUSH WELLMAN INC	576,563	15,000	CENTERBANK WATERBURY CONN	195,000
59,300	BUR BROWN	637,475	142,980	CENTERIOR ENERGY CORP	2,573,640
55,300	BURLINGTON COAT FACTORY WHSE	1,278,813	2,700	CENTEX CORP	101,588
65,400	BURLINGTON NORTHERN INC.	1,569,600	25,000	CENTEX TELEMAGEMENT INC	425,000
151,510	BURLINGTON RES INC	6,855,828	15,000	CENTOCOR INC	255,000
6,800	BURNUP & SIMS INC	147,900	81,600	CENTRAL & SO WEST CORP.	2,815,200
29,900	BUSINESS LAND INC	362,538	10,000	CENTRAL FID BKS INC	297,500
2,000	BUTLER MFG CO DEL	74,000	15,600	CENTRAL ILL PUB SVC CO	352,950
300	C D I CORP	9,825	19,800	CENTRAL JERSEY BANCORP	445,500
4,254	C3 INC	51,048	24,400	CENTRAL LA ELEC CO	814,350
34,200	CABLEVISION SYS CORP	1,466,325	30,600	CENTRAL ME PWR CO	573,750
900	CABOT CORP	35,100	13,500	CENTURY COMM. CORP CL A	275,063
4,000	CADENCE DESIGN SYS INC	60,500	900	CENTURY TEL ENTERPRISES INC	25,200
17,500	CAESAR'S WORLD	630,000	1,138	CENVILL DEV CORP NEW	9,246
17,600	CAGLES INC	176,000	39,900	CENVILL INVS INC	508,725

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NO. OF SHARES	MARKET VALUE	NO. OF SHARES	MARKET VALUE
73,000	CETUS CORP \$ 1,076,750	9,775	CLIFFS DRILLING CO \$ 92,863
18,336	CF & I STL CORP 75,636	59,400	CLOROX CO. 2,242,350
8,000	CHAMBERS DEV INC CL A 203,000	900	CLUB MED INC 18,225
90,665	CHAMPION INTL. 3,014,611	200	CML GROUP INC 4,400
500	CHAMPION SPARK PLUG CO 10,438	2,800	CMS ENERGY CORP 86,800
35,000	CHANTAL PHARMACEUTICAL CORP 83,125	55,900	CNA FINL CORP 4,136,600
700	CHAPARRAL STL CO 8,663	10,500	CNW CORP 510,563
13,000	CHARLOTTE CHARLES INC 27,625	52,900	COACHMEN INDS INC 476,100
10,050	CHARMING SHOPPES INC 157,031	7,000	COAST FED SVGS & LN ASSN-FLA 92,750
800	CHARTER CO 3,700	2,000	COAST SVGS & LN ASSN LOS 37,250
77,000	CHASE MANHATTAN CORP. 2,791,250	57,000	COASTAL CORP 2,351,250
300	CHAUS BERNARD INC 1,875	28,250	COBE LABS INC 550,875
13,200	CHELSEA INDS INC 381,150	38,300	COCA COLA BOTTLING CO CONS 1,225,600
21,400	CHEMED CORPORATION 722,250	337,100	COCA COLA COMPANY 19,004,013
40,000	CHEMFIX INC 162,500	152,900	COCA COLA ENTERPRISES INC 2,618,413
31,500	CHEMICAL BANKING CL B 129,938	20,000	COGNOS INC 115,000
95,035	CHEMICAL BKG CORP 3,409,381	300	COLECO IND. 206
96,300	CHEMICAL WASTE MGMT INC 3,298,275	67,245	COLGATE PALMOLIVE 3,471,523
46,500	CHESAPEAKE CORP VA 918,375	10,050	COLLAGEN CORP. 173,363
15,000	CHESAPEAKE UTILS CORP 191,250	33,700	COLLINS FOODS INTL. 615,025
307,400	CHEVRON CORP 16,599,600	10,000	COLORADO NATL BANKSHARES INC 192,500
100	CHICAGO MILWAUKEE CORP 14,075	43,900	COLUMBIA GAS SYSTEM INC 2,052,325
17,550	CHILIS INC 513,338	108,823	COLUMBIA PICTURES ENTMT INC 2,326,092
50,000	CHIPS & TECHNOLOGIES INC 1,175,000	200	COLUMBIA SVGS & LN ASSN 2,000
21,500	CHITTENDEN CORP 381,625	18,600	COMAIR INC 218,550
123,195	CHOCK FULL O NUTS CORP 1,047,157	59,500	COMBUSTION ENGINEERING 1,814,750
37,063	CHRIS CRAFT INDUSTRIES INC 1,505,684	87,100	COMCAST CORP 2,068,625
200	CHRISTIANA COS INC 1,750	57,800	COMCAST CORP CL A 1,314,950
205,125	CHRYSLER CORP. 5,076,844	53,200	COMDISCO INC. 1,336,650
36,625	CHUBB CORPORATION 2,504,234	27,800	COMERICA INC 1,487,300
34,450	CHURCH & DWIGHT INC 434,931	76,613	COMINCO LTD 1,666,333
6,631	CHURCHS FRIED CHICKEN 38,128	11,500	COMMERCE CLEARING HOUSE INC 667,000
200	CHYRON CORP 800	13,200	COMMERCE BANCSHARES INC 316,800
70,100	CIGNA CORPORATION 3,916,838	3,300	COMMERCIAL BANCORPORATION COLO 28,050
21,800	CILCORP INC 787,525	47,454	COMMERCIAL METALS CO 1,002,466
64,600	CINCINNATI BELL INC 2,091,425	1,400	COMMODORE INTL LTD 19,250
8,400	CINCINNATI FINL CORP 606,900	188,636	COMMONWEALTH EDISON CO. 7,121,009
46,400	CINCINNATI GAS & ELEC CO 1,281,800	20,800	COMMUNICATIONS SATELLITE CORP 759,200
37,825	CINCINNATI MICROWAVE INC 189,125	22,000	COMMUNICATIONS TRANSMISSION 165,000
11,600	CINCINNATI MILACRON INC 232,000	46,250	COMMUNITY PSYCHIATRIC CENTERS 1,399,063
300	CINEPLEX ODEON CORP 3,600	36,800	COMPAQ COMPUTER CORP 3,358,000
700	CINTAS CORP. 25,725	27,633	COMPREHENSIVE CARE CORP 310,871
27,600	CIPHER DATA PRODS INC 217,350	147,000	COMPUTER ASSOC INTL INC 2,701,125
6,300	CIPRICO INC 31,500	200	COMPUTER FACTORY INC 2,200
68,400	CIRCLE K CORP 795,150	23,600	COMPUTER SCIENCES CORP. 1,236,050
24,200	CIRCUIT CITY STORES INC 1,089,000	200	COMPUTER TASK GROUP INC 2,325
17,800	CIRCUS CIRCUS ENTER. 718,675	26,900	COMPUTRAC INC 131,138
295,300	CITICORP 9,191,213	67,300	COMSTOCK GROUP INC 151,425
63,060	CITIZENS & SOUTHERN CORP GA 2,057,333	75,300	CONAGRA INC. 2,682,563
17,280	CITIZENS FIRST BANCORP INC N J 239,760	20,000	CONCURRENT COMPUTER CORP 92,500
54,020	CITIZENS UTILS DEL 2,498,435	800	CONNAUGHT BIOSCIENCES INC 17,600
22,320	CITY NATL CORP 611,010	3,300	CONNECTICUT WTR SVC INC 62,700
24,400	CLAIRE'S STORES INC 216,550	65,367	CONQUEST EXPLORATION CO 163,418
2,400	CLARK EQUIP CO 87,600	114,700	CONSOL. EDISON OF N.Y. 5,821,025
200	CLAYTON HOMES INC 1,725	37,500	CONSOL. FREIGHTWAYS INC. 1,082,813
39,603	CLEVELAND-CLIFFS INC 1,108,884	75,400	CONSOL. NAT. GAS 3,411,850

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NO. OF SHARES		MARKET VALUE
43,000	CONSOLIDATED PAPERS INC	\$ 1,666,250
60,900	CONSOLIDATED RAIL CORP	2,192,400
700	CONSOLIDATED STORES CORP	5,163
200	CONSTAR INTERNATIONAL	4,900
18,600	CONSUMERS WTR CO	288,300
97,000	CONTEL CELLULAR INC CL A	2,085,500
69,450	CONTEL CORP	4,305,900
59,700	CONTINENTAL CORP	2,044,725
65,300	CONTROL DATA CORP.	1,420,275
14,000	CONTROL RESOURCE INDS INC	59,500
7,000	CONVENIENT FOOD MART INC	28,000
104,600	COOPER COS	326,875
88,000	COOPER INDS. INC.	2,772,000
3,700	COOPER LIFE SCIENCES INC	18,500
13,800	COOPER TIRE & RUBBER	400,200
33,800	COPPERWELD CORP	422,500
7,500	CORE INDS INC	93,750
37,466	CORESTATES FINL CORP	1,737,486
80,992	CORNING INC	3,016,952
30,400	CORROON & BLACK CORP	1,014,600
30,000	COUNTRY WIDE TRANS SVCS INC	71,250
300	COUNTRYWIDE CR. IND.	2,625
200	COUNTRYWIDE MTG INVTS INC	1,125
34,500	COUSINS PTYS INC	603,750
87,800	CPC INTL. INC.	5,465,550
85,000	CPC REXCEL INC	510,000
14,000	CPI CORP	336,000
53,000	CPT CORP.	39,750
42,000	CRACKER BARREL OLD CTRY STORE	1,118,250
2,400	CRAIG CORP	84,300
5,200	CRANE CO.	138,450
27,100	CRAY RESEARCH INC	1,341,450
44,000	CRESTAR FINANCIAL CORP	1,276,000
400	CRI INSD MTG INVTS III LTD	5,900
100	CRI INSD MTG INVTS LTD	1,150
12,400	CROMPTON & KNOWLES CORP	277,450
7,200	CRONUS INDS INC	90,900
24,000	CROSS & TRECKER	300,000
33,600	CROSS A T CO	1,218,000
700	CROSSLAND SVGS FSB BROOKLYN	9,100
26,600	CROWN CORK & SEAL	1,193,675
34,000	CRUISE AMERICA INC	161,500
11,000	CRYSTAL BRANDS INC	343,750
113,106	CSX CORPORATION	3,647,669
200	CTS CORP	4,475
20,800	CUBIC CORP	296,400
62,200	CUC INTL INC	785,275
17,000	CULLEN FROST BANKERS INC	267,750
25,700	CULLINET SOFTWARE INC.	221,663
17,800	CUMMINS ENGINE CO.	1,132,525
26,625	CURTICE-BURNS FOODS INC. CL A	825,375
300	CURTISS WRIGHT CORP	17,813
23,700	CYCARE SYS INC	154,050
500	CYPRESS SEMICONDUCTOR CORP	5,500
1,739	CYPRUS MINERALS CORP	42,811
20,000	D & N FINANCIAL CORPORATION	237,500

NO. OF SHARES		MARKET VALUE
3,500	DAKA INTERNATIONAL	\$ 1,969
200	DALLAS CORP	3,525
42,300	DANA CORPORATION	1,713,150
24,350	DANIEL INDS INC	325,681
3,500	DATA DESIGN LABS INC	21,000
21,000	DATA GENERAL CORP.	359,625
30,700	DATA I O CORP	130,475
55,000	DATA SWITCH CORP	240,625
3,200	DATAPPOINT CORP	13,600
78,200	DATAPRODUCTS CORP	1,016,600
88,000	DAYTON-HUDSON CORP.	4,367,000
24,500	DCNY CORP	441,000
500	DEAN FOODS CO	16,875
65,500	DEERE & COMPANY	3,659,813
46,000	DEKALB ENERGY CL B	1,075,250
23,000	DEKALB GENETICS CORP	629,625
28,600	DELCHAMPS INC	722,150
66,700	DELMARVA PWR & LT CO	1,258,963
43,900	DELTA AIR LINES INC.	2,979,713
200	DELTONA CORP	825
83,500	DELUXE CORPORATION	2,473,688
1,965	DENISON MINES LTD B	10,069
14,400	DENNISON MFG CO	439,200
33,500	DESOTO INC	1,226,938
171,700	DETROIT EDISON CO	3,562,775
5,100	DEVON GROUP INC NEW	87,975
44,500	DEXTER CORP	1,068,000
608	DI GIORGIO CORP	18,696
1,200	DIAGNOSTIC PRODUCTS CORP.	32,100
24,200	DIAMOND SHAMROCK R&M INC	526,350
53,826	DIANA CORP	430,608
19,400	DIEBOLD INC.	843,900
10,750	DIGITAL COMM. ASSOC.	215,000
108,320	DIGITAL EQUIPMENT CORP.	9,938,360
31,536	DILLARD DEPT. STORES	1,868,508
700	DIME SVGS BK N Y FSB	9,800
120,800	DISNEY WALT CORP	11,430,700
20,500	DIVERSIFIED ENERGIES INC MINN	561,188
200	DIVERSIFIED IND INC	1,100
10,000	DIXIE YARNS INC	197,500
41,400	DOLLAR GEN CORP	439,875
67,000	DOMINION BANKSHARES CORP	1,331,625
92,300	DOMINION RESOURCES	4,072,738
81,800	DOMTAR INC	1,002,050
16,000	DONALDSON INC	268,000
68,400	DONNELLY RR & SONS	2,966,850
82,800	DOVER CORP.	2,649,600
172,400	DOW CHEMICAL COMPANY	14,481,600
94,100	DOW JONES & CO	3,281,738
13,700	DOWNEY SAVINGS & LN ASSN	357,913
41,000	DPL INC.	1,081,375
600	DRAVO CORP	11,250
6,800	DRESHER INC	28,050
70,400	DRESSER INDUSTRIES	2,877,600
55,600	DREYERS GRAND ICE CREAM INC	1,362,200
50,800	DREYFUS CORP.	1,428,750

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
200	DSC COMMUNICATIONS CORP	\$ 2,475	38,600	ERBAMONT N.V.	\$ 1,071,150
215,180	DU PONT EI DENEMOURS	23,400,825	200	ERC INTL INC	1,600
91,500	DUKE POWER CO. NC	4,517,813	40,800	ESSELTE BUSINESS INC	1,366,800
167,326	DUN & BRADSTREET COS INC	9,558,498	44,600	ESTERLINE CORP	507,325
9,700	DUNKIN DOUGHNUT INC.	374,663	118,100	ETHYL CORP.	3,100,125
50,000	DUPLEX PRODS INC	1,018,750	39,400	EVANS & SUTHERLAND COMPUTER	689,500
55,400	DUQUESNE LT CO	1,156,475	10,100	EVANS INC	55,550
7,625	DURR FILLAUER MED INC	162,984	107,250	EXCHANGE BANCORP INC	1,836,656
20,200	DYNAMICS CORP AMER	472,175	1,158,300	EXXON CORPORATION	50,965,200
46,800	DYNATECH CORP	807,300	200	FABRI CTRS AMER INC	2,650
1,335	DYNCORP PFD.	16,349	700	FAIRCHILD INDS INC	12,513
300	E M C CORP MASS	1,538	20,200	FAIRFIELD COMMUNITY INC.	128,775
24,000	E-SYSTEMS	723,000	9,475	FALCONBRIDGE GOLD CORP	19,423
25,000	EAGLE PICHER INDS INC	343,750	88,848	FALCONBRIDGE LTD	2,021,292
15,000	EASCO HAND TOOLS INC	135,000	26,500	FAMILY DLR STORES INC	327,938
500	EASTERN ENTERPRISES	15,000	200	FANSTEEL INC DEL	2,325
1,200	EASTERN UTILS ASSOC	42,300	200	FARAH MANUFACTURING	1,650
304,050	EASTMAN KODAK CO.	14,290,350	5,000	FARMER BROS CO	395,000
39,000	EATON CORP.	2,359,500	200	FARWEST FINANCIAL CORP	2,075
400	EATON VANCE CORP	8,900	14,377	FAYS DRUG INC	185,104
29,900	ECHLIN INC.	500,825	200	FEDDERS USA INC	2,900
93,600	ECHO BAY MINES LTD	1,322,100	51,500	FEDERAL EXPRESS CORP.	2,214,500
173,200	ECOGEN INC	930,950	70,200	FEDERAL NATL MORTGAGE ASSN	6,256,575
1,000	ECOLAB INC	25,500	3,500	FEDERAL PAPER BRD INC	78,313
7,800	EDISON BROS STORES INC	444,600	420	FEDERAL SIGNAL CORP.	10,658
14,200	EDO CORP	134,900	35,000	FEDERAL-MOGUL CORP	901,250
39,900	EG & G INC	1,306,725	26,500	FERRO CORP	1,238,875
10,200	EGGHEAD INC	102,000	2,476	FIBREBOARD CORP NEW	35,283
72,400	EL PASO ELEC CO	642,550	200	FIELDCREST CANNON INC	5,150
13,000	ELBIT COMPUTERS INC	113,750	9,000	FIFTH THIRD BANCORP	459,000
200	ELCOR CHEM CORP	2,075	950	FIGGIE INTERNATIONAL INC	80,750
267	ELDON INDS INC	4,300	650	FIGGIE INTL HLDGS INC	50,050
4,000	ELECTROSOURCE INC	13,500	200	FILTERTEK COS.	1,675
2,840	ELJER INDS INC	79,165	200	FINANCIAL CORP SANTA BARBARA	550
300	ELSCINT LTD	338	71,400	FINEVEST FOODS INC	696,150
40,000	EMC INS GROUP INC	330,000	42,400	FIREMANS FD CORP	1,452,200
196,798	EMERSON ELECTRIC	6,666,532	72,400	FIRST ALA BANCSHARES INC	1,221,750
700	EMERSON RADIO CORP.	3,675	17,500	FIRST AM. CORP TENN.	411,250
59,600	EMHART CORP VA	2,369,100	1,400	FIRST AMER BK CORP	65,975
30,400	EMULEX CORP	273,600	45,000	FIRST AMERN BANCORP INC	135,000
143,700	ENCOR INC	377,931	18,700	FIRST AMERN BK & TR PALM BEACH	37,400
79,700	ENGLEHARD CORP	1,663,738	7,500	FIRST BANCORPORATION OHIO INC	235,313
48,600	ENNIS BUSINESS FORMS INC	1,543,050	51,600	FIRST BANK SYSTEM	1,264,200
46,600	ENRON CORP.	2,137,775	3,100	FIRST BANKERS TR & SVGS ASSN	3,772
48,200	ENSERCH CORP.	1,132,700	300	FIRST CAP HLDGS CORP	2,700
180,700	ENTERGY CORP	3,478,475	62,400	FIRST CHICAGO CORP	2,566,200
23,500	ENTERRA CORP	273,188	400	FIRST CITY BANCORPORATION TEX	12,400
20,000	ENTREE CORP	15,000	35,000	FIRST CITY BANKCORP TEXAS	0
10,200	ENVIRONMENTAL SYS CO	113,475	30,000	FIRST COML BANCORP	285,000
34,800	ENZO BIOCHEM INC	126,150	26,300	FIRST COMM CORP	526,000
67,300	EPSILON DATA MGMT INC	588,875	300	FIRST CONSTITUTION FINL CORP	5,550
1,000	EQUIFAX INC	33,500	14,100	FIRST EASTN CORP PA	477,638
200	EQUIMARK CORP	2,875	20,000	FIRST ESSEX BANCORP INC	132,500
9,261	EQUITABLE BANCORP	229,210	68,715	FIRST EXECUTIVE CORP DEL	1,116,621
21,800	EQUITABLE RES INC	885,625	53,608	FIRST FID BANCORPORATION NEW	1,742,260
1,810	EQUITEC FINL GROUP INC	3,846	18,810	FIRST FINL CORP WIC	319,770

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
525	FIRST FINL MGMT CORP	\$ 14,044	9,200	FRP PPTYS INC	\$ 144,900
10,200	FIRST FLA BKS INC.	300,900	5,700	FRUEHAUF CORP DEL CL B	11,400
40,800	FIRST INTERST. BANCORP	2,529,600	21,700	FUQUA INDS INC	651,000
77,100	FIRST INTST BANCORP CL A	134,925	200	GALLAGHER ARTHUR J. & CO.	4,000
12,000	FIRST INTST CORP WIS	189,000	5,100	GALOOB LEWIS TOYS INC	51,000
27,773	FIRST MICH BK CORP	604,052	200	GALVESTON HOUSTON CO	400
3,900	FIRST MISS CORP	61,425	20,000	GANDALF TECHNOLOGIES INC	105,000
103,600	FIRST PA CORP	1,424,500	151,700	GANNETT INC.	6,617,913
11,500	FIRST SEC CORP DEL	319,125	34,900	GAP INC	1,387,275
20,000	FIRST SVC BANK FOR SVGS	625	2,500	GATEWAY BK SOUTH NORWALK CONN	33,125
43,200	FIRST TENN NATL CORP	1,123,200	23,800	GATX	1,663,025
94,680	FIRST UNION CORP	2,402,505	8,800	GAYLORD CONTAINER CORP	110,000
500	FIRST VA BKS INC	14,750	15,100	GEICO CORP.	2,093,238
51,200	FIRST WACHOVIA CORP	2,304,000	7,900	GELMAN SCIENCES INC	133,313
9,300	FIRSTAR CORPORATION	247,613	48,572	GENCORP	765,009
4,300	FIRSTCORP INC CL A	17,200	80,300	GENENTECH INC	1,435,363
250	FIRSTFED FINL CORP DEL	5,094	61,226	GENERAL CINEMA CORP	1,461,771
37,200	FIRSTFED MICHIGAN CORPORATION	585,900	63,500	GENERAL DATACOMM INDS INC	341,313
300	FIRSTIER FINL INC	11,775	26,000	GENERAL DEVELOPMENT CORP	325,000
54,927	FISHER SCIENTIFIC GROUP INC	1,208,394	39,400	GENERAL DYNAMICS	2,295,050
31,300	FLA FED SAV BK ST PETERSBURG	39,125	811,400	GENERAL ELECTRIC CO.	41,888,525
7,500	FLAGSHIP FINL CORP	124,688	300	GENERAL HOMES	338
96,960	FLEET/NORSTAR FINL GROUP INC	2,617,920	44,400	GENERAL HOST CORP	360,750
43,426	FLEMING COS.	1,612,190	40,700	GENERAL INSTRUMENT CORP	1,409,238
20,000	FLIGHT INTL GROUP INC	182,500	93,400	GENERAL MILLS INC.	6,059,325
39,150	FLIGHTSAFETY INTL INC	1,355,569	127,740	GENERAL MOTORS (H)	3,592,688
13,600	FLOATING POINT SYS INC	35,700	49,660	GENERAL MOTORS CORP CL E	2,507,830
500	FLORIDA EAST COAST IND INC	31,188	549,200	GENERAL MOTORS CORP.	22,929,100
50,600	FLORIDA NATL BKS FLA INC	1,277,650	38,700	GENERAL NUTRITION INC.	401,513
49,200	FLORIDA PROGRESS CORP	1,752,750	54,500	GENERAL PUBLIC UTILITIES CORP	2,193,625
10,000	FLORIDA ROCK INDS.	372,500	84,426	GENERAL RE CORP.	5,508,797
200	FLOW GEN INC	1,175	3,902	GENERAL SIGNAL CORP.	216,073
67,450	FLOWERS INDUSTRIES	1,247,825	300	GENESCO INC	1,988
13,971	FLUKE JOHN MFG.	330,065	10,000	GENETICS INST INC	260,000
77,300	FLUOR CORP	2,280,350	33,850	GENLYTE GROUP INC	372,350
48,600	FMC CORP NEW	1,883,250	75,550	GENUINE PARTS CO.	2,946,450
18,400	FMC GOLD CO	181,700	300	GEO INTL CORP	1,350
310,400	FOOD LION CORP	3,686,000	78,900	GEORGE A HORMEL & CO	2,061,263
151,900	FOOD LION INC CL A	1,670,900	800	GEORGIA GULF CORP	30,400
38,200	FOOTE CONE & BELDING COMM	931,125	90,500	GEORGIA PACIFIC CORP.	3,970,688
214	FOOTHILL GROUP INC	1,766	20,000	GEO THERMAL RES INTL INC	52,500
440,450	FORD MOTOR CO.	21,361,825	32,150	GERBER PRODS CO	2,475,550
8,200	FORD MTR CO CDA LTD	1,197,200	31,600	GERBER SCIENTIFIC	612,250
54,456	FOREST OIL CORP	762,378	525	GETTY PETE CORP	11,484
32,500	FORMICA CORP	613,438	56,100	GIANT FOODS INC	1,591,838
23,000	FORTUNE FINL GROUP INC	414,000	300	GIBALTAR FINANCIAL CORP	103
24,300	FOSTER WHEELER CORP	452,588	18,400	GIBSON GREETINGS	416,300
7,700	FOXBORO CO	231,000	17,475	GILBERT ASSOC CL A	471,825
30,000	FPA CORP	116,250	91,900	GILLETTE COMPANY	3,687,488
117,800	FPL GROUP INC.	3,637,075	30,300	GITANO GROUP INC	802,950
1,000	FRANKLIN RES INC	33,750	4,700	GLEASON CORP	86,363
10,012	FREEMONT MCMORAN GOLD CO	106,378	27	GLOBAL MARINE INC	47
300	FREEMONT MCMORAN OIL&GAS RTY	1,575	56	GLOBAL MARINE INC WT	42
1,400	FREEMONT-MCMORAN COPPER INC	22,925	20,000	GOAL SYS INTL INC	215,000
34,000	FREMONT GEN CORP	544,000	10,000	GOLDEN CYCLE GOLD CORP	20,000
6,749	FRISCHS RESTAURANTS INC	140,042	59,333	GOLDEN ENTERPRISES	608,163

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NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
1,900	GOLDEN NUGGET INC	\$ 42,750	44,900	HARRIS CORP.	\$ 1,442,413
43,750	GOLDEN POULTRY INC	459,375	22,000	HARSCO CORP	528,000
56,300	GOLDEN VY MICROWAVE FOODS INC	1,294,900	22,600	HARTMARX CORP	556,525
34,900	GOLDEN WEST FIN'L	1,609,763	20,100	HASBRO INC.	424,613
21,500	GOLDOME BUFFALO N Y	48,375	11,500	HAVERTY FURNITURE CO	139,438
19,600	GOODMARK FOODS INC	323,400	10,500	HAVERTY FURNITURE COS INC	131,250
20,900	GOODRICH (B.F.)	1,173,013	17,900	HAWAIIAN ELEC INDS INC	590,700
55,900	GOODYEAR TIRE & RUBBER	2,920,775	16,000	HB FULLER CO	440,000
41,500	GORMAN RUPP CO	1,053,063	20,200	HBO & CO	207,050
200	GOTTSCHALKS INC	1,900	1	HCA-HOSPITAL CRP OF AMER 4.75	18
45,000	GOULDS PUMPS INC	1,023,750	17,800	HEALTH CARE PPTY INVS INC	529,550
11,500	GR. AMER. FIRST SVGS BK SAN D	143,750	35,000	HECHINGER CO CL B CV	616,875
129,825	GR. WESTERN FIN'L	2,596,500	25,900	HECLA INC.	333,463
73,133	GRACE W R & CO	2,276,265	40,500	HEICO CORPORATION	470,813
200	GRACO INC	3,625	200	HEILIG-MEYERS CO	3,750
27,100	GRAINGER W W INC	1,686,975	144,700	HEINZ H.J. & CO.	7,669,100
46,500	GREAT AMERICAN COMMUNICATIONS	534,750	3,400	HELENE CURTIS INDS INC	192,950
37,000	GREAT ATLANTIC & PAC TEA INC	2,127,500	1,120	HELMERICH & PAYNE INC	30,520
5,500	GREAT CTRY BK ANSONIA CONN	85,250	21,900	HENLEY GROUP INC NEW	1,352,325
7,800	GREAT LAKES CHEMICAL CORP	575,250	60,500	HERCULES INC.	2,790,563
57,000	GREAT NORTHN NEKOOSA CORP	2,137,500	79,500	HERSHEY FOODS CORP	2,633,438
22,000	GREATER NEW YORK SVGS	253,000	207,700	HEWLETT PACKARD CO.	10,748,475
2,520	GREEN A P INDS INC	68,670	300	HEXCEL CORP	8,813
12,575	GREENMAN BROS INC	78,594	200	HI SHEAR INDS INC	3,325
21,000	GREENTREE ACCEPT. INC.	165,375	67,350	HIBERNIA CORP	1,397,513
25,600	GREYHOUND CORP.	854,400	13,500	HICKAM DOW B INC	199,125
77,000	GROSSMANS INC	654,500	38,300	HILLENBRAND INDS INC	1,268,688
39,434	GROW CHEM CORP	414,057	300	HILLS DEPT STORES INC	2,925
11,686	GROW VENTURES CORP	4,382	51,900	HILTON HOTELS CORP	5,112,150
79,200	GRUBB & ELLIS CO	445,500	62,300	HIMONT INC	2,398,550
2,100	GRUMMAN CORP.	43,050	30,000	HOGAN SYSTEMS	168,750
290,325	GTE CORP.	15,350,934	27,900	HOLIDAY CORP	1,367,100
17,300	GUILFORD MILLS	557,925	74,534	HOLLY CORP	2,618,007
100,800	GULF BROADCASTING CO LIQ TRUST	0	1	HOLLY CORP (NEW)	18
147,499	GULF CDA RES. LTD.	1,769,988	20,700	HOLLY FARMS CORP	1,436,063
14,000	GULF RES & CHEM CORP	155,750	60,500	HOME DEPOT INC.	2,359,500
1,600	GULF STS UTILS CO	17,600	200	HOME OWNERS FED SVGS & LN ASSN	1,000
35,625	GUNDLE ENVIRONMENTAL SYS INC	708,047	66,000	HOME SHOPPING NETWORK INC	330,000
2,700	GW UTIL. LTD.	53,663	43,500	HOMEFED CORPORATION	1,685,625
340,800	HADSON CORP	1,448,400	109,700	HOMESTAKE MNG CO	1,453,525
300	HALL FRANK B & CO INC	1,238	48,200	HOMESTEAD FINL CORP CL A	168,700
94,000	HALLIBURTON INC.	3,113,750	44,000	HONEYWELL INC.	3,228,500
16,900	HALLWOOD GROUP INC	86,613	200	HORIZON CORP	450
44,000	HAMILTON OIL CORP	1,430,000	8,600	HOUGHTON MIFFLIN CO.	331,100
9,333	HANCOCK FABRICS INC	243,825	15,000	HOUSE OF FABRICS INC.	286,875
7,700	HANDLEMAN CO.	221,375	31,200	HOUSEHOLD INTL.	1,700,400
38,600	HANDY & HARMAN	699,625	115,800	HOUSTON INDUSTRIES INC.	3,691,125
3,750	HANDYMAN CORP	0	25,600	HOWARD SVGS BK LIVINGSTON N J	480,000
43,600	HANNAFORD BROS CO	1,253,500	200	HOWELL CORP	1,725
26,500	HANOVER INS. CO	715,500	18,375	HUBBELL INC.	691,359
1,300	HARCOURT BRACE JOVAN.	18,850	45,400	HUDSON FOODS INC	709,375
56,638	HARLAND JOHN H CO	1,316,834	6,800	HUFFY CORP	124,100
200	HARLEY DAVIDSON INC	5,325	3,950	HUGHES SUPPLY INC	73,075
200	HARMAN INTL INDS INC NEW	3,600	110,240	HUMANA INC.	3,748,160
59,800	HARNISCHFEGER INDS INC	1,039,025	5,000	HUNT MFG CO	98,750
10,050	HARPER GROUP	158,288	52,100	HUNTINGTON BANCSHARES INC	1,152,713

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NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
78,100	I C H	\$ 322,163	6,800	IONICS INC	\$ 142,800
32,000	IBP INC	464,000	13,500	IOWA ILL GAS & ELEC CO	565,313
300	ICN PHARMACEUTICALS	1,838	49,300	IOWA RESOURCES INC.	942,863
2,500	IDAHO PWR CO	65,313	4,100	IOWA SOUTHN INC	118,900
1,800	IDB COMMUNICATIONS GROUP INC	13,050	200	IPCO CORP	2,700
3,800	IDEAL BASIC INDS INC	10,450	683	ITEL CORP NEW	15,368
20,900	IE INDS INC	527,725	136,000	ITT CORP	7,735,000
27,811	IFR SYS INC	382,401	17,800	J.P.INDS INC	249,200
20,614	ILLINOIS CENT TRANSN CO	407,134	6,800	JACOBS ENGR GROUP INC	180,200
75,700	ILLINOIS POWER CORP	1,258,513	83,986	JAMES RIV CORP VA	2,540,577
55,500	ILLINOIS TOOL WORKS INC	2,046,563	15,500	JAMESWAY CORP.	151,125
31,500	IMC FERTILIZER GROUP INC	1,055,250	30,000	JB'S RESTAURANTS	210,000
23,900	IMMUCOR CORP	182,238	39,250	JEFFERSON PILOT CORP.	1,452,250
1,620	IMO DELAVAL INC	31,995	3,800	JEFFERSON SMURFIT CORP	98,800
300	IMPERIAL CORP AMER	1,725	86,800	JEFFRIES GROUP	1,106,700
62,550	IMPERIAL HOLLY CORP	1,376,100	300	JEPSON CORP	2,663
209,525	IMPERIAL OIL CO. LTD.	9,873,866	68,400	JERRICO INC	1,197,000
11,750	IMREG INC CL A	32,313	10,100	JIFFY LUBE INTL INC	31,563
24,933	INB FINANCIAL CORPORATION	741,757	299,300	JOHNSON & JOHNSON	14,328,988
102,700	INCO INC.	2,798,575	32,480	JOHNSON CONTROLS	1,226,120
700	INDEPENDENT INS GROUP INC NV	29,400	82,000	JONES INTERCABLE INC CL A	1,322,250
76,000	INFORMATION RES INC	703,000	8,200	JORGENSEN EARLE M CO DEL	244,975
25,000	INFOTECHNOLOGY INC.	162,500	68,500	JOSTENS INC	1,464,188
50,850	INGERSOLL RAND	2,097,563	1,568	JOY TECHNOLOGIES PFD.	24,387
29,800	INLAND STEEL IND. INC.	1,195,725	10,000	JUNO LIGHTING INC.	176,250
20,800	INSPIRATION RES CORP	137,800	10,900	JUSTIN INDS INC	188,025
3,672	INTEGRA FINL CORP	95,013	177,600	K MART CORPORATION	6,393,600
200	INTEGRA-A HOTEL & RESTAURANT	325	24,700	K N ENERGY INC.	546,488
30,200	INTEGRATED RESOURCES INC.	120,800	700	KANEB SERVICES	2,013
157,350	INTEL CORP.	4,563,150	44,600	KANSAS CITY PWR & LT CO	1,477,375
14,300	INTELOGIC TRACE INC	42,900	6,100	KANSAS CITY SO. IND.	262,300
17,000	INTER LEASE FINL.	391,000	500	KANSAS GAS & ELEC CO	11,313
200	INTER REGL FINL GROUP INC	1,675	40,600	KANSAS PWR & LT CO	949,025
44,000	INTER-CITY GAS CORP	929,500	20,000	KASLER CORP.	172,500
34,100	INTERCO	89,513	600	KATY INDS INC	13,875
1,200	INTERFACE FLOORING SYS INC	19,200	77,225	KAUFMAN & BROAD HOME CORP	1,312,825
60,600	INTERGRAPH CORP.	1,030,200	250	KAY JEWELERS INC	4,094
32,900	INTERHOME ENERGY INC	1,316,000	32,800	KAYDON CORP	1,066,000
19,500	INTERIM SYS CORP	51,188	134,100	KELLOGG CO	9,470,813
5,900	INTERLAKE INC	252,963	5,350	KELLWOOD CO.	161,169
527,263	INTERNATIONAL BUSINESS MACH	58,987,548	1,000	KELLY SVCS INC	37,000
1,116	INTERNATIONAL CAP EQUIP. LTD	1,535	50,835	KEMPER CORP.	1,919,021
37,300	INTERNATIONAL FLAVORS & FRAG	1,953,588	19,400	KENAMETAL INC	615,950
14,400	INTERNATIONAL GAME TECHNOLOGY	379,800	6,600	KENT ELECTRS CORP	51,150
22,800	INTERNATIONAL MINERALS & CHEM	971,850	8,700	KENTUCKY CENT LIFE INS CO.	141,375
32,700	INTERNATIONAL MULTIFOODS	972,825	60,900	KENTUCKY UTILS CO	1,225,613
110,300	INTERNATIONAL PAPER CO	5,060,013	6,400	KERR GLASS MFG CORP	60,800
7,500	INTERNATIONAL PROTEINS	119,063	42,900	KERR MCGEE CORP.	1,892,963
200	INTERNATIONAL RECTIFIER CORP	950	5,060	KETEMA INC	77,798
15,500	INTERNATIONAL TECHNOLOGY CORP	93,000	54,411	KEYCORP	1,414,686
39,200	INTERPUBLIC GROUP	1,190,700	38,528	KEYSTONE INTL INC	688,679
40,000	INTERSPEC INC	200,000	76,000	KIMBERLY CLARK CORP	4,636,000
316	INTERSTATE BAKERIES CORP PFD	3,082	9,866	KINDER CARE LEARNING CTR.	70,295
19,300	INTERSTATE PWR CO	468,025	40,000	KINDER-CARE LEARNING CTRS INC	255,000
200	INTERSTATE/JOHNSON LANE INC	1,250	25,000	KINETIC CONCEPTS INC	134,375
28,370	INTERTAN INC	1,287,289	1,300	KING WORLD PRODTNS INC	34,288

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	MARKET VALUE	NO. OF SHARES	MARKET VALUE
15,000	KIRSCHNER MED CORP \$ 271,875	73,100	LONG ISLAND LTG CO \$ 1,206,150
39,300	KLA INSTRS CORP 456,863	100	LONGVIEW FIBRE CO 6,413
44,100	KLM ROYAL DUTCH AIR 981,225	32,100	LORAL CORP 1,023,188
54,900	KNIGHT RIDDER INC. 2,786,175	68,700	LOTUS 1,597,275
10,200	KNOGO CORP 140,250	400	LOUISIANA LD & EXPL CO 14,400
10,800	KOGER PPTYS INC FLA 290,250	500	LOUISIANA PAC. CORP. 16,625
10,400	KOLLMORGEN CORP 252,200	2,700	LOUISVILLE GAS ELEC CO 99,225
74,200	KROGER COMPANY 1,122,275	58,600	LOWES COMPANY 1,479,650
210	KUHLMAN CORP 2,599	1,800	LTV CORP 3,825
40,000	KV PHARMACEUTICAL INC 435,000	24,300	LTX CORP 78,975
5,200	KYSOR INDL CORP DEL 81,250	37,200	LUBRIZOL CORP 1,548,450
19,200	L & N HSG CORP 256,800	600	LUBYS CAFETERIAS INC 15,825
25,200	LA QUINTA MOTOR INNS INC. 409,500	32,750	LUKENS STL CO 851,500
20,400	LA Z BOY CHAIR CO 430,950	29,700	LUMEX INC 293,288
124,700	LAC MINERALS LTD NEW 1,247,000	300	LVI GROUP INC 450
1,500	LAFARGE CORP. 25,688	52,000	LYPHOMED INC 864,500
189,400	LAIDLAW TRANSP. CL B 2,769,975	900	M.A. HANNA CO 20,588
15,100	LAMSON&SESSIONS CO 186,863	300	M.D.C. HOLDINGS, INC 975
14,440	LANCASTER COLONY CORP 303,240	22,000	M/A COM 173,250
61,266	LANCE INC. 1,217,662	45,100	MACHINE TECHNOLOGY 33,825
34,200	LANCER CORP TEX 183,825	32,400	MACK TRUCKS INC. 380,700
200	LANDMARK BANCSHARES CORP 3,275	97,200	MACMILLAN BLOEDEL LTD 1,397,250
20,000	LANDMARK SVGS ASSN PITTSBURGH 160,000	24,600	MAGMA COPPER CO NEW CL B 123,000
800	LANDS END INC 21,900	3,690	MAGMA COPPER WT 6,919
2,000	LAWSON MARDON GROUP LTD 20,000	8,500	MAGMA PWR CO NEW 150,875
20,250	LAWSON PRODS INC 470,813	300	MAI BASIC FOUR INC 1,650
73,033	LAWTER INTL INC 922,042	9,000	MALLARD COACH INC 56,250
200	LEARONAL INC 3,375	200	MANHATTAN NATIONAL CORP 1,025
28,100	LEE DATA CORP. 80,788	23,000	MANITOWOC INC 523,250
2,600	LEE ENTERPRISES INC 80,925	69,300	MANOR CARE INC 1,082,813
11,289	LEGENT CORP 265,292	400	MANUFACTURERS NATL CORP 19,400
200	LEGG MASON INC 2,575	658	MAPCO INC 25,580
500	LEGGETT & PLATT INC 14,125	200	MARCADE GROUP INC 400
3,500	LENNAR CORP. 76,563	146,500	MARION LABS INC 3,442,750
300	LESLIE FAY COS INC 4,388	8,200	MARK IV INDS INC 112,750
5,400	LIBERTY CORP S C 191,025	400	MARK TWAIN BANCSHARES INC 7,500
600	LIBERTY NATL BANCORP INC KY 16,950	5,000	MARKEL CORP 105,000
44,000	LIEBERMAN ENTERPRISES CERT 0	121,750	MARRIOTT CORP. 4,337,344
247,100	LILLY ELI & CO 13,466,950	63,200	MARSH & MCCLENNAN 4,100,100
157,000	LIMITED INC. 4,965,125	39,804	MARSHALL & ILSLEY CORP 1,348,361
44,900	LIN BROADCAST. CORP. 5,202,788	29,800	MARSHALL INDUSTRIES 447,000
25,000	LINCOLN FOOD SERVICE PROD INC 193,750	48,700	MARTIN MARIETTA 2,258,463
40,900	LINCOLN NATL CORP IND 2,091,013	134,700	MASCO CORP 3,956,813
17,200	LINCOLN TELECOMMUNICATIONS CO 1,001,900	75,200	MASCO INDS 686,200
30,000	LIPOSOME INC 60,000	200	MASSMUTUAL CORPORATE INVS INC 6,200
21,400	LITTON INDS INC. 1,840,400	6,092	MATERIAL SCIENCES CORP 91,380
87,000	LIVE ENTERTAINMENT 1,500,750	26,014	MATLACK SYS INC 221,119
81,900	LIZ CLAIBORNE INC. 1,740,375	1,600	MATTEL INC 22,200
63,120	LOCKHEED AIRCRAFT CORP 3,021,870	400	MAXUS ENERGY CORP 3,350
33,100	LOCTITE CORP 1,435,713	13,100	MAXXAM INC 404,463
71,850	LOEWS CORP 7,849,613	126,152	MAY DEPT. STORES CO. 5,266,846
134,600	LOMAS & NETTLETON FINL CORP 1,177,750	700	MAYFAIR SUPER MKTS INC 16,538
500	LOMAS MTG CORP 9,125	125,018	MAYTAG CO. 2,781,651
25,900	LONE STAR INDUSTRIES 802,900	21,500	MBIA INC 524,063
2,849	LONE STAR TECH 15,670	64,550	MCA INC. 3,703,556
33,800	LONG DRUG STORES INC 1,398,475	170,067	MCCAW CELLULAR COMMUNICATIONS 6,547,564

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JUNE 30, 1989

NO. OF SHARES		MARKET VALUE
80,500	MCCLATCHY NEWSPAPERS INC	\$ 1,720,688
62,400	MCDERMOTT INTL INC	1,419,600
5,600	MCDONALD & CO INVTS INC	39,900
369,706	MCDONALDS CORP.	10,813,901
34,600	MCDONNELL DOUGLAS CORP.	2,547,425
32,000	MCFARLAND ENERGY INC	332,000
42,200	MCGRAW HILL INC.	2,938,175
215,100	MCI COMMUNICATION	7,770,488
34,500	MCKESSON CORP	1,164,375
46,674	MCN CORP	956,817
56,550	MCORP	17,672
39,700	MDU RESOURCES GROUP	828,738
61,800	MEAD CORP.	2,402,475
11,100	MEASUREX CORP	299,700
79,600	MEDCO CONTAINMENT SVCS INC	1,203,950
21,900	MEDIA GEN INC	815,775
300	MEDICAL CARE INT'L INC	5,250
3,800	MEDIQ INC	21,850
3,000	MEDSTONE INTL INC	46,500
17,000	MEDTRONIC INC.	1,638,375
148,000	MEI DIVERSIFIED INC.	943,500
48,300	MELLON BANK CORP	1,660,313
36,200	MELRIDGE INC.	13,575
52,700	MELVILLE CORPORATION	2,338,563
131	MEMOREX TELEX CORP PFD	382
13,600	MENTOR GRAPHICS CORP.	493,000
36,200	MERCANTILE STORES INC	1,633,525
32,500	MERCANTILE BANCORPORATION INC	881,563
3,148	MERCANTILE BANKSHARES CORP	134,577
20,000	MERCHANTS CAP CORP CL A	35,000
2,900	MERCHANTS CAP CORP CL B	20,300
356,500	MERCK & COMPANY INC.	23,840,938
56,392	MERCURY SVGS & LN ASSN	274,911
24,800	MEREDITH CORP	905,200
52,000	MERIDIAN BANCORP INC	1,196,000
65,000	MERRILL CORP	706,875
102,300	MERRILL LYNCH & CO. INC.	2,915,550
200	MESTEK INC	1,775
10,000	METCALF & EDDY CO	200,000
3,000	METRO AIRLS INC	22,125
14,325	METRO MOBILE CTS INC	1,004,541
25,125	METRO MOBILE CTS INC CL B	1,727,344
220	METROPOLITAN FINL CORP	3,658
31,500	MEYER FRED INC DEL	594,563
44,900	MFRS. HANOVER CORP.	1,644,463
1,200	MGM UA COMMUNICATI	0
1,800	MGM/UA COMMUNICATIONS CO	32,850
33,700	MGMT. SCIENCE AMER.	337,000
200	MGT. ASSIST. INC LIQUID. TRUST	125
200	MHI GROUP INC	200
55,000	MICHAELS FOODS	935,000
25,200	MICHIGAN NATL CORP	1,215,900
15,000	MICROAGE INC	135,000
5,000	MICROAMERICA INC	37,500
59,000	MICRON TECHNOLOGY	1,091,500
52,400	MICROSOFT CORP	2,777,200

NO. OF SHARES		MARKET VALUE
30,000	MID SOUTH INS CO	\$ 172,500
34,100	MIDLANTIC CORP	1,410,888
900	MIDWAY AIRLINES	13,163
1,000	MIDWEST ENERGY CO	19,625
33,900	MILLER HERMAN INC.	711,900
25,000	MILLICOM INC	943,750
22,100	MILLIPORE CORP.	712,725
50,000	MILTOPE GROUP INC	475,000
8,125	MINE SAFETY APPLIANCES CO	438,750
38,800	MINISCRIBE	116,400
1,200	MINNESOTA PWR & LT CO	30,450
211,500	MINNESOTA MNG & MFG CO	15,016,500
39,800	MINNETONKA CORP	995,000
35,800	MITCHELL ENERGY	622,025
48,300	MITEL CORP	156,975
14,576	MLX CORP	38,262
28,600	MNC FINANCIAL INC	1,462,175
369,100	MOBIL CORPORATION	18,224,313
4,100	MODINE MFG CO	78,413
500	MOHASCO CORP	15,000
52,500	MOLECULAR GENETICS INC	242,813
23,950	MOLEX INC	772,388
17,200	MONARCH CAPITAL CORP.	694,450
61,100	MONSANTO CO.	6,438,413
30,800	MONTANA PWR CO	1,224,300
90,400	MOORE CORP LTD	2,791,100
165,000	MORGAN J P & COMPANY INC.	6,290,625
200	MORGAN KEEGAN INC	1,900
20,200	MORGAN PRODS LTD	340,875
32,000	MORGAN STANLEY GROUP INC	2,080,000
2,166	MORRISON INC	71,207
34,000	MORRISON KNUDSEN CORP	1,479,000
41,900	MORTON THIKOL	1,916,925
6,100	MOSINEE PAPER CORP	125,813
114,700	MOTOROLA INC.	6,036,088
3,300	MTS SYSTEMS COM	66,000
10,000	MULTIBANK FINL CORP	237,500
740	MULTIMEDIA INC. NEW	71,225
200	MUNSGINGWEAR INC	900
45,700	MURPHY OIL	1,690,900
52,950	MYLAN LABS INC	542,738
13,000	NAC RE CORP	510,250
58,800	NACCO INDS INC CL A	2,822,400
36,900	NALCO CHEMICAL CO.	1,494,450
3,000	NASH FINCH CO	66,000
15,700	NASHUA CORP	575,013
13,550	NATIONAL BANKSHARES CORP.	2,534
8,000	NATIONAL BUSINESS SYS INC	8,560
73,242	NATIONAL CITY CORP	2,600,091
22,750	NATIONAL CONVENIENCE STORES	173,469
46,300	NATIONAL DATA CORP	1,365,850
18,100	NATIONAL EDUCATION CORP	276,025
200	NATIONAL ENTERPRISES INC IND	163
300	NATIONAL HERITAGE INC	938
21,000	NATIONAL INTERGROUP INC	343,875
31,500	NATIONAL LN BK HOUSTON TEX	64,969

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NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
20,000	NATIONAL SAN SUPPLY	\$ 215,000	51,500	NORTHROP CORP	\$ 1,345,438
14,100	NATIONAL STANDARD CO	98,700	40,000	NORTHWESTERN PUB SVC CO	730,000
42,200	NATIONAL SVC INDS INC	1,049,725	23,800	NORTON CO	1,216,775
16,300	NATL PATENT DEVEL CORP	128,363	43,050	NORWEST CORP.	1,813,481
26,800	NATL PRESTO	1,055,250	85,000	NOVA PHARMACEUTICAL CORP	472,813
75,875	NATL. MEDICAL ENTER. INC.	2,361,609	237,000	NOVA-AN ALBERTA CORP	2,073,750
187,400	NATL. SEMICONDUCTOR	1,335,225	33,400	NOVAR ELECTRONICS	229,625
234,100	NAVISTAR INTL CORP.	1,170,500	10,100	NOVELL INC	287,850
46,700	NBB BANCORP INC	747,200	50,600	NOXELL CORP	1,012,000
42,200	NBD BANCORP INC	1,851,525	17,000	NUCOR CORP	939,250
4,100	NBI INC	9,738	1	NV RYAN LP	5
300	NCH CORP	12,638	28,544	NWA INC RTS	0
84,800	NCNB CORP.	3,837,200	28,544	NWA INC.	3,275,424
86,800	NCR CORP.	4,557,000	24,965	NWNL COMPANIES	904,981
21,489	NEIMAN-MARCUS GROUP INC	386,802	176,620	NYNEX	13,908,825
10,000	NELCOR INC	93,750	112	NYSE SEPT FUTURES	0
1,400	NERCO INC	24,325	1,300	OAK INDS INC	1,950
5,000	NETWORK EQUIP TECHNOLOGIES	105,625	4,416	OAKWOOD HOMES CORP	29,808
1,125	NEUTROGENA CORP	25,875	246,836	OCCIDENTAL PETE CORP	6,757,136
40,800	NEVADA PWR CO	877,200	25,000	OCCUPATIONAL URGENT CARE	656,250
41,000	NEW ENGLAND BUS SVC INC	809,750	40,700	OCEAN DRILLING & EXPL CO	773,300
49,138	NEW ENGLAND ELEC SYS	1,283,730	44,000	OGDEN CORP.	1,298,000
10,000	NEW HAMPSHIRE SVGS BK CORP	51,250	2,300	OGLEBAY NORTON CO	81,650
14,200	NEW JERSEY RES CORP	284,000	1,200	OHIO CAS CORP	54,000
44,000	NEW LINE CINEMA CORP	379,500	134,600	OHIO EDISON CO	2,877,075
25,000	NEW YORK BANCORP INC	246,875	3,248	OHIO MATTRESS CO.	44,660
58,800	NEW YORK ST ELEC & GAS CORP	1,558,200	1,400	OHM CORP	15,400
66,700	NEW YORK TIMES CO	2,051,025	33,100	OKLAHOMA GAS & ELEC CO	1,170,913
1,900	NEWELL COS.	72,675	36,950	OLD KENT FINL CORP	942,225
700	NEWHALL LD & FARMING CO CALIF.	42,000	22,809	OLD REP INTL CORP	581,630
100,900	NEWMONT GOLD CO	3,405,375	50,000	OLD STONE CORP	1,137,500
65,900	NEWMONT MINING	2,603,050	10,900	OLIN CORP	634,925
15,000	NEWPORT CORP	166,875	25,200	OMNICARE INC	217,350
142,500	NIAGARA MOHAWK PWR CORP	1,656,563	18,156	OMNICOM GROUP INC.	399,432
200	NICOLET INSTRUMENT CORP	2,475	200	ON LINE SOFTWARE INTL INC	1,375
25,500	NICOR INC	914,813	12,490	ONEIDA LTD	249,800
47,500	NIKE INC.	1,935,625	50,000	ONEITA INDS INC	525,000
3,100	NIPSCO INDUSTRIES	53,475	25,000	ONEOK INC	596,875
41,370	NL INDS INC	910,140	9,429	OPTICAL COATING LAB	62,467
63,788	NO. STS. POWER CO. MINN.	2,328,262	16,800	OPTICAL RADIATION CORP	306,600
22,000	NOBEL INS LTD	55,000	53,500	ORACLE SYS CORP	1,591,625
35,600	NOBLE AFFILIATES INC	493,950	8,500	ORANGE & ROCKLAND UTILS INC	255,000
12,288	NOBLE DRILLING CORP	84,480	3,200	ORANGE-CO INC NEW	32,800
10,800	NORD RES CORP	133,650	73,800	ORIENT EXPRESS HOTELS INC.	350,550
3,150	NORDSON CORP	150,413	700	ORION PICTURES	15,225
80,200	NORDSTROM INC	2,506,250	93,245	ORYX ENERGY COMPANY	3,112,052
167,800	NORFOLK SOUTHERN CORP	5,852,025	1,500	OSHKOSH B GOSH INC	49,125
92,200	NORTEK INC.	737,600	1,400	OSHKOSH B GOSH INC CL B	35,700
12,200	NORTH CAROLINA NAT GAS CORP	237,900	900	OUTBOARD MARINE CORP	29,700
22,800	NORTH FORK BANCORP INC	444,600	49,680	OVERSEAS SHIPHOLDING GROUP INC	1,217,160
24,200	NORTH SIDE SVGS BK BRONX N Y	441,650	8,700	OWENS & MINOR INC	106,575
208	NORTHEAST SVGS F A HARTFORD CT	1,431	75,700	OWENS CORNING FIBERGLAS (NEW)	2,233,150
105,200	NORTHEAST UTILITIES	2,274,950	117,700	OXFORD INDS INC	1,441,825
232,500	NORTHERN TELECOM LTD.	4,126,875	33,600	PACCAR INC	1,663,200
27,300	NORTHERN TRUST CORP	1,552,688	63,040	PACIFIC ENTERPRISES	2,797,400
300	NORTHGATE EXPL LTD	1,650	428,100	PACIFIC GAS & ELEC. CO.	8,669,025

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NO. OF SHARES		MARKET VALUE
44,400	PACIFIC TELECOM INC	\$ 1,021,200
372,636	PACIFIC TELESIS GP.	14,998,599
108,922	PACIFICORP	4,384,111
57,175	PAINE WEBBER	1,050,591
23,900	PALL CORP	743,888
3,100	PAN AM CORPORATION	12,013
40,900	PANCHOS MEX BUFFET	357,875
19,982	PANHANDLE EASTN CORP	472,069
66,700	PANSOPHC SYS INC	892,113
200	PAR PHARMACEUTICAL	1,875
40,200	PAR TECHNOLOGY	331,650
120,600	PARAMOUNT COMMUNICATION	7,145,550
200	PARK ELECTROCHEMICAL CORP	3,050
35,000	PARK OHIO INDS INC OHIO	262,500
90,700	PARKER DRILLING CO	657,575
51,600	PARKER HANNIFIN CORP	1,393,200
200	PATHE COMMUNICATIONS	775
200	PATRICK PETE CO	1,300
300	PATTEN CORP	975
42,500	PAUL HARRIS STORES INC	281,563
2,200	PAULEY PETE INC	23,375
1,100	PAYCHEX INC	26,400
59,500	PEGASUS GOLD INC	617,313
61,765	PENN CENT CORP	1,621,331
108,700	PENNEY J.C. INC.	6,032,850
72,700	PENNSYLVANIA PWR & LT CO	2,808,038
400	PENNSYLVANIA ENTERPRISES INC	21,500
5,904	PENNWALT CORP	757,926
6,604	PENNWALT CORP RT CL A	0
6,604	PENNWALT CORP RT CL B	0
30,100	PENNZOIL CO.	2,370,375
39,325	PENTAIR INC	1,051,944
20,000	PEOPLES BK BRIDGEPORT CONN	167,500
52,000	PEOPLES ENERGY CORP	1,196,000
45,000	PEOPLES HERITAGE SVGS BK	883,125
20,000	PEOPLES WESTCHESTER SVGS BK NY	540,000
42,600	PEP BOYS MANNY MOE & JACK	628,350
242,852	PEPSICO INCORPORATED	12,931,869
29,600	PERCEPTION TECHNOLOGY CORP	214,600
700	PERINI CORP	21,613
50,623	PERKIN ELMER	1,240,264
12,700	PERRY DRUG STORES INC.	150,813
34,000	PERSONAL DIAGNOSTICS INC	76,500
48,600	PETRIE STORES CORP.	984,150
16,200	PETROLITE CORP	376,650
164,100	PFIZER INCORPORATED	9,415,238
33,100	PHELPS DODGE	1,886,700
4,000	PHH GROUP INC	142,500
203,300	PHILADELPHIA ELEC. CO.	4,574,250
200	PHILADELPHIA SUBUR	2,700
1,400	PHILIPS INDS. INC.	28,525
216,000	PHILLIPS PETROLEUM CO.	4,698,000
65,960	PHILLIPS VAN HEUSEN CORP	1,261,485
200	PHLCORP INC PA	2,900
42,800	PHM CORPORATION	684,800
26,250	PIC N SAVE CORP.	416,719

NO. OF SHARES		MARKET VALUE
59,000	PICCADILLY CAFETERIAS INC	\$ 840,750
5,200	PIER 1 IMPORTS	63,700
24,900	PILGRIMS PRIDE CORP	196,088
4,800	PINNACLE WEST CAPITAL CORP	57,000
16,954	PIONEER GROUP INC	385,704
47,100	PIONEER HI-BRED INTL.	1,831,013
15,000	PIONEER STD ELECTRS INC	116,250
78,300	PITNEY BOWES INC.	3,513,713
889	PITTSTON CO	17,113
239,000	PLACER DOME INC	3,286,250
25,700	PLAINS PETE CO	915,563
700	PLAYBOY ENTERPRISES INC	10,063
1,200	PLENUM PUBG CORP	33,000
91,493	PNC FINANCIAL	3,979,946
30,300	POGO PRODUCING CO	204,525
50,769	POLAROID CORP.	1,922,876
15,500	POLICY MGMT. SYS. CORP.	426,250
86,000	PONCE FED SVGS & LN ASSN P R	559,000
57,400	POPE & TALBOT	1,420,650
37,100	PORTLAND GENERAL CORP	895,038
40,100	POTLATCH CORP	1,393,475
91,600	POTOMAC ELEC. & PWR.	1,935,050
102,400	PPG INDUSTRIES INC.	4,518,400
35,800	PRATT & LAMBERT INC	608,600
18,700	PRECISION CASTPARTS CORP	546,975
33,575	PREMARK INTL INC	1,242,275
35,098	PREMIER INDL CORP	1,088,038
20,000	PRESIDENTIAL LIFE CORP	295,000
9,500	PRESTON CORP	129,438
45,600	PRICE CO	1,824,000
46,000	PRIDE PETE SVCS INC	189,750
46,600	PRIMARK CORP	401,925
40,400	PRIME COMPUTER INC.	782,750
1,776	PRIME MTR INNS INC	55,278
145,355	PRIMERICA CORP NEW	3,234,149
151,700	PROCTOR & GAMBLE	16,440,488
200	PRODUCTS RESH & CHEM CORP	4,300
40,000	PROFIT SYS INC	320,000
1,000	PROGRESSIVE CORP OHIO	30,375
26,100	PROTECTIVE LIFE CORP	404,550
38,500	PROVIDENCE FUND LIFE & ACC	885,500
11,250	PROVIDENT LIFE & ACC INS CO	216,563
11,800	PS GROUP INC.	413,000
63,100	PSE INC	433,813
53,100	PSI HLDGS INC	836,325
187,472	PUBLIC SERVICE ENTERPRISE GROU	5,038,310
49,100	PUBLIC SVC CO COLO	1,117,025
22,800	PUBLIC SVC CO N MEX	336,300
200	PUBLICICKER INDUSTRIES INC	575
36,000	PUGET SOUND BANCORP WASH	882,000
73,000	PUGET SOUND PWR & LT CO	1,496,500
35,000	PULITZER PUBG CO	953,750
47,800	PURITAN BENNETT CORP	1,099,400
19,500	PYRO ENERGY CORP	234,000
29,000	QINTEX ENTERTAINMENT INC.	155,875
200	QMS INC	1,625

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ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	MARKET VALUE	NO. OF SHARES	MARKET VALUE
91,100	QUAKER OATS CO \$ 5,670,975	26,863	RORER GROUP INC. \$ 993,931
500	QUAKER ST CORP 7,938	11,600	ROSES STORES INC 88,450
34,500	QUALITY FOOD CTRS INC 1,293,750	15,000	ROSS STORES INC 247,500
500	QUANEX CORP 7,000	39,800	ROTHSCHILD L F UNTERBERG 29,850
25,800	QUANTUM CHEMICAL CORP 1,002,975	20,000	ROTO ROOTER INC 435,000
81,150	QUEBECOR INC 1,196,963	46,900	ROUSE CO 1,324,925
28,900	QUESTAR CORP 1,065,688	70,800	ROWAN COMPANIES INC 592,950
31,700	QUICK & REILLY GROUP INC 443,800	83,500	ROYAL INTL OPTICAL CORP 1,210,750
15,000	QUIKSILVER INC 187,500	20,000	ROYAL PALM SVGS ASSN WEST PALM 2,500
4,300	QUIXOTE CORP 28,488	61,400	RPC ENERGY SVCS INC 452,825
37,500	R.P.M. INC OHIO 651,563	20,000	RS FINL CORP 247,500
29	RADICE CORP 109	71,900	RUBBERMAID INC 2,157,000
68,500	RALSTON PURINA CO. 6,276,313	600	RUSS BERRIE & CO. 10,950
4,100	RAMADA INNS INC 57,400	200	RUSS TOGS INC 2,500
78,300	RANGER OIL LTD 411,075	36,975	RYANS FAMILY STEAK HOUSES INC 249,581
36,300	RAYCHEM CORP 1,247,813	69,860	RYDER SYSTEMS INC. 1,825,093
200	RAYMOND JAMES FINL INC 3,225	55,825	RYKOFF S E & CO 1,549,144
5,400	RAYONIER TIMBERLANDS L P 101,925	500	RYLAND GROUP INC 10,438
200	RAYTECH CORP 375	2,600	RYMER CO 28,600
67,600	RAYTHEON COMPANY 4,909,450	503	S & P 500 FUTURES SEPT 0
500	READING & BATES CORP 313	55,200	SAFECARD SVCS INC 310,500
200	READING CO 2,775	74,600	SAFECO CORPORATION 2,238,000
9,800	RECOGNITION EQUIP. 117,600	200	SAFEGUARD SCIENTIFICS INC 3,250
128,900	REEBOK INTERNATIONAL LTD 1,675,700	12,825	SAFETY KLEEN CORP 378,338
94,900	REEVES COMMUNICATIONS CORP 581,263	33,700	SALEM CARPET MLS INC 307,513
300	REGAL INT'L INC 56	117,200	SALOMON INC 2,856,750
64,100	REGENCY ELECTRONICS 76,119	53,800	SAN DIEGO GAS & ELEC CO 2,178,900
5,900	RELiance GROUP HLDGS INC 33,925	10,000	SANFORD CORP ILL 215,000
2,508	REPUBLIC PICTURES CORP CL A 25,080	153,645	SANTA FE SO. PACIFIC CORP. 3,341,779
200	REPUBLIC GYPSUM CO 1,050	107,700	SARA LEE 5,802,338
24,250	REPUBLIC N Y CORP 1,182,188	41,100	SAVANNAH FOODS & INDS INC 1,202,175
50,000	REUTER LABS INC 218,750	700	SAVIN CORP 175
20,000	REXENE CORP 280,000	31,800	SCANA 1,061,325
43,100	REYNOLDS & REYNOLDS CO 1,055,950	221,300	SCE CORP 7,690,175
52,800	REYNOLDS METALS CO 2,653,200	30,000	SCHIEB EARL INC 461,250
14,600	RIBI IMMUNOCHEM RESH INC 51,100	999	SCHERER R.P. CORP. 14,985
5,000	RIEDEL ENVIRONMENTAL 67,500	112,846	SCHERING PLOUGH CORP 7,518,365
20,900	RIGGS NATL CORP WASH D C 556,463	212,220	SCHLUMBERGER LTD 8,435,745
6,500	RISER FOODS INC CL A 47,938	21,900	SCHULMAN A INC 662,475
28,900	RITE AID CORP 1,018,725	15,500	SCHWAB CHARLES CORP NEW 170,500
300	RIVER OAKS INDS INC 56	2,840	SCHWITZER INC 28,755
91,946	RJR HLDGS GROUP INC 2,103,261	73,350	SCI SYS INC 825,188
91,050	RLC CORP. 785,306	73,300	SCIENTIFIC ATLANTA INC 1,310,238
31,200	RLI CORP 234,000	20,000	SCIENTIFIC MICRO SYS INC 11,250
15,400	ROADWAY SVCS INC 477,400	27,000	SCITEX LTD 330,750
18,700	ROBERTSON H H CO 198,688	200	SCOR U S CORP 1,725
1,000	ROBINS A.H. INC. 29,625	2,840	SCOTSMAN INDS INC 36,920
28,000	ROCHESTER GAS & ELEC CORP 560,000	64,800	SCOTT PAPER CO. 2,899,800
8,000	ROCHESTER TEL CORP 561,000	300	SCOTTYS INC 4,950
4,500	ROCKEFELLER CTR PPTYS INC 87,750	72,000	SCRIPPS E W CO CL A 1,755,000
230,700	ROCKWELL INTL CORP 5,075,400	600	SEALED AIR CORP 10,350
59,800	ROHM & HAAS CO 1,928,550	5,000	SEALRIGHT INC 137,500
59,100	ROHR INDS INC 1,632,638	334,600	SEARS ROEBUCK & COMPANY 14,638,750
64,900	ROLLINS ENVIR. SVS. 665,225	23,631	SECURITY BANCORP INC 543,513
1,800	ROLLINS INC 36,900	100,140	SECURITY PACIFIC CORP. 4,456,230
10,000	ROOSEVELT FINL GROUP INC 145,000	32,200	SELECTIVE INSURANCE GROUP INC. 772,800

MINNESOTA STATE BOARD OF INVESTMENT
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JUNE 30, 1989

NO. OF SHARES		MARKET VALUE	NO. OF SHARES		MARKET VALUE
114,400	SENSORMATIC ELECTRS CORP	\$ 1,472,900	60,800	ST JUDE MED INC	\$ 2,120,400
11,730	SEQUA CORP CLASS A	803,505	45,200	ST. PAUL COS. INC.	2,395,600
3,350	SEQUA CORP CLASS B	232,825	36,700	STANDARD BRANDS PAINT CO	591,788
34,837	SERVICE CORP. INT'L	692,385	2,200	STANDARD COML CORP	33,000
31,300	SERVICE MERCHANDISE	586,875	500	STANDARD FED BK TROY MICH	5,313
48,000	SEVEN OAKS INTL INC	348,000	20,400	STANDARD MICROSYSTEMS CORP	107,100
100	SHARED MED. SYSTEMS CORP.	1,650	17,600	STANDARD MTR PRODS INC	297,000
21,000	SHAW INDS INC	325,500	30,025	STANDARD PRODS CO	866,972
79,350	SHAWMUT NATL CORP	2,102,775	20,000	STANDARD REGISTER	347,500
87,300	SHEARSON LEHMAN HUTTON HOLDING	1,680,525	7,900	STANDEX INTL.	196,513
200	SHELBY WILLIAMS INDS INC	2,025	200	STANHOME INC	5,900
42,400	SHERWIN WILLIAMS CO.	1,240,200	30,650	STANLEY WKS	1,022,944
12,800	SHL SYSTEMHOUSE INC	123,200	21,800	STAR BANC CORP	485,050
45,866	SHONEYS INC	504,526	14,300	STAR STATES CORP	155,513
86	SHOWBIZ PIZZA TIME INC	890	33,500	STARRETT L S CO	766,313
200	SHOWBOAT INC	2,825	20,000	STARS TO GO INC	5,000
38,600	SIERRA PAC RES	950,525	39,800	STATE STREET BOSTON CORP	1,218,875
28,300	SIGMA ALDRICH	1,422,075	200	STEEGO CORP	825
34,100	SIGNET BANKING CORP.	1,193,500	5,000	STERLING SOFTWARE INC	36,250
15,262	SIZZLER RESTAURANTS INTL INC	316,687	200	STERLING BANCORP	1,750
19,900	SKYLINE CORP.	335,813	81,300	STERLING CHEMS INC	873,975
25,000	SKYWEST INC	206,250	10,650	STEWART & STEVENSON SVCS INC	495,225
200	SL INDS INC	1,625	17,900	STEWART INFORMATION SVCS CORP	349,050
55,500	SMITHFIELD FOODS INC	832,500	61,000	STOKELY USA INC	747,250
124,900	SMITHKLINE-BECKMAN CORP.	7,618,900	1,100	STONE & WEBSTER INC	96,938
22,800	SMUCKER J M CO	1,422,150	56,700	STONE CONTAINER CORP	1,438,763
42,500	SNAP ON TOOLS CORP	1,620,313	15,500	STORAGE EQUITIES INC	197,625
8,700	SO JERSEY INDS INC	181,613	370	STORAGE TECH COM PAR .10	5,180
13,000	SO. CAROLINA NATL. CORP.	325,000	200	STRATEGIC MTG INVTS INC	2,850
35,800	SOCIETY CORP	1,235,100	22,800	STRATUS COMPUTER INC.	638,400
200	SOLITRON DEVICES INC	325	10,087	STRAWBRIDGE & CLOTHIER	355,567
50,000	SOMERSET BANKSHARES INC	537,500	2,600	STRIDE RITE CORP	127,400
36,500	SONAT INC.	1,268,375	78,450	STRYKER CORP	1,392,488
41,300	SONOCO PRODS CO	1,424,850	31,900	STUDENT LN MARKETING ASSN	3,197,975
23,100	SOO LINE CORP	421,575	2,800	SUAVE SHOE CORP	18,550
25,406	SOUTHDOWN INC.	695,489	41,300	SUBARU OF AMERICA INC.	252,963
10,300	SOUTHEAST BKG CORP	275,525	5,000	SUDBURY INC	26,875
312,860	SOUTHERN CO	8,251,683	13,409	SUMMIT BANCORP.	264,828
31,700	SOUTHERN NEW ENGLAND TELECOMMU	2,337,875	104,045	SUN COMPANY INC	3,953,710
31,200	SOUTHERN UN CO.	397,800	200	SUN ELEC CORP	4,600
34,000	SOUTHLIFE HLDG CO	340,000	73,800	SUN MICROSYSTEMS INC	1,254,600
88,500	SOUTHMARK CORP.	30,422	400	SUNDSTRAND CORP	26,450
13,866	SOUTHTRUST CORP	322,385	1,501	SUNSHINE MNG CO HLD	4,877
400	SOUTHWEST AIRLINES	10,900	127,300	SUNTRUST BKS INC	3,055,200
266,280	SOUTHWESTERN BELL CORP.	13,580,280	1,600	SUNWEST FIN'L SVCS INC	48,600
24,500	SOUTHWESTERN ENERGY CO	624,750	42,800	SUPER FOOD SVCS INC	1,305,400
39,800	SOUTHWESTERN PUB SVC CO	1,114,400	51,900	SUPER RITE FOODS INC	1,278,038
56,295	SOVRAN FINANCIAL CORP.	2,139,210	66,100	SUPER VALU STORES INC.	1,834,275
5,100	SPELLING ENTMT INC CL A	44,625	19,500	SURGICAL CARE AFFIL.	246,188
15,550	SPRAGUE TECHNOLOGIES INC	174,938	600	SYMBOL TECHNOLOGIES INC	13,050
23,700	SPRINGS INDS INC	992,438	50,000	SYMBOLICS INC	84,375
18,500	SPS TECHNOLOGIES INC	999,000	1,700	SYMS CORP.	21,463
13,000	SPX CORPORATION	368,875	99,700	SYNTEX CORPORATION	4,935,150
24,100	SQUARE D CO	1,331,525	52,400	SYSO CORP	2,482,450
97,300	SQUIBB CORP.	7,406,963	6,000	SYSTEM SOFTWARE AS	132,000
1,319	SSMC INC.	36,602	3,000	SYSTEMATICS INC	100,500

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JUNE 30, 1989

NO. OF SHARES		MARKET VALUE
3,600	SYSTEMS & COMPUTER TECHNOLOGY \$	18,000
20,000	T SF COMMUNICATIONS	230,000
22,200	T.J. INTL. INC.	760,350
10,100	TAB PRODS CO	121,200
1,000	TACOMA BOATBUILDING INC	469
13,325	TALLEY INDS INC	171,559
21,000	TAMBRANDS INC.	1,265,250
85,600	TANDEM COMPUTERS INC	1,444,500
50,000	TANDON CORP.	34,375
79,500	TANDY CORP	3,547,688
21,050	TASTY BAKING CORP	478,888
10,000	TCA CABLE TV INC	416,250
93,650	TCBY ENTERPRISES INC.	2,247,600
64,500	TECH SYM CORP	645,000
50,100	TECO ENERGY INC	1,271,288
6,000	TECUMSEH PRODS CO	861,000
12,048	TEJAS GAS CORP DEL	289,152
34,500	TEJON RANCH CO	1,625,813
500	TEKTRONIX INC	11,063
159,200	TELE COMMUNICATIONS INC	5,552,100
6,600	TELECOM CORP	9,900
10,000	TELECREDIT INC	355,000
9,900	TELEDYNE INC.	3,597,413
40,350	TELEPHONE & DATA SYS INC	1,583,738
91,318	TELERATE INC	1,346,941
113,400	TELESPHERE INTL. INC.	226,800
16,700	TELLABS INC	223,363
27,295	TEMPLE INLAND	1,538,756
10,000	TENNANT CO	350,000
113,900	TENNECO INC.	6,221,788
18,056	TENNIS LADY INC	1,129
44,200	TESORO PETE CORP	403,325
101,749	TEXACO CDA PETE INC	88,522
223,000	TEXACO INC.	11,233,625
151	TEXAS AIR CORP	2,322
200	TEXAS AMERN BANCSHARES INC	44
32,186	TEXAS INDUSTRIES	1,029,949
71,300	TEXAS INSTRUMENTS	2,789,613
151,500	TEXAS UTILITIES CO.	4,677,563
200	TEXFI INDS INC	1,750
74,700	TEXTRON INC	1,914,188
7,600	TGI FRIDAYS INC	114,950
500	THERMO ELECTRON CORP.	13,500
62,950	THERMO ENVIRONMENTAL CORP	535,075
15,400	THOMAS & BETTS CORP	754,600
200	THOMAS INDS INC	3,700
200	THOR INDS INC	2,100
200	THORTEC INTL INC	400
18,000	THREE COM CORP.	290,250
28,200	TIDEWATER INC.	253,800
136,200	TIE COMMUNICATIONS	255,375
300	TIFFANY & CO NEW	16,500
50,000	TIME INC.	7,762,500
115,600	TIMES MIRROR CO CL A	4,782,950
29,300	TIMKEN CO	1,003,525
20,164	TITAN CORP	50,410

NO. OF SHARES		MARKET VALUE
94,031	TJX COS INC NEW	\$ 1,704,312
6,900	TNP ENTERPRISES INC	144,038
11,432	TODD AO CORP CL A	125,752
200	TODD SHIPYARDS CORP	650
200	TOKHEIM CORP	3,900
500	TOLL BROS INC	2,438
200	TONKA	2,800
24,225	TOOTSIE ROLL INDS INC	747,947
58,100	TORCHMARK CORP	2,265,900
200	TORO COMPANY	4,125
800	TOSCO CORP	3,300
54,000	TOTAL ASSETS PROTN INC	81,000
20,200	TOWN & CTRY CORP	171,700
31,600	TOWNE PAULSEN INC.	988
173,850	TOYS R US	4,998,188
16,700	TPI ENTERPRISES INC	83,500
10,000	TRANS WORLD MUSIC CORP	227,500
69,066	TRANSAMERICA CORP	2,512,276
143,700	TRANSCANADA PIPELINES LTD	1,760,325
200	TRANSCAPITAL FINL CORP	1,425
24,900	TRANSCO ENERGY CO.	1,095,600
200	TRANSCON INC CALIF	400
4,200	TRANSTECHNOLOGY CORP	75,600
99,800	TRAVELERS CORP.	4,054,375
10,000	TRENWICK GROUP INC	162,500
50,000	TRIAD SYS CORP	862,500
66,000	TRIBUNE COMPANY	3,415,500
1,400	TRINITY INDS INC.	55,650
43,700	TRINOVA CORP	1,141,663
700	TRITON ENERGY CORP	9,800
200	TRITON GROUP LTD	3,025
67,900	TRW INC.	2,919,700
28,000	TUCSON ELECTRIC PWR CO	882,000
55,600	TULTEX CORP	542,100
53,562	TURNER BROADCASTIN	2,343,338
57,500	TVX BROADCAST GROUP INC	165,313
48,800	TW SERVICES INC	1,634,800
37,800	TYCO LABS	1,460,025
55,800	TYCO TOYS INC	934,650
23,900	TYLER CORP	215,100
15,600	TYSON FOODS INC	292,500
17,150	U S BANCORP	540,225
8,020	U S BIOSCIENCE INC.	0
45,000	U S WEST NEWVECTOR GROUP INC	1,665,000
700	U.S. HOME CORP.	1,225
18,713	UAL CORP	2,610,464
2,500	UGI CORP	83,750
52,400	UJB FINL CORP	1,179,000
25,200	ULTIMATE CORP.	239,400
69,800	UNC RESOURCES	514,775
38,500	UNI MARTS INC	274,313
64,800	UNICORP AMERN CORP NEW	348,300
6,450	UNIFI INC	219,300
200	UNIFIRST CORP	6,800
67,450	UNION CAMP CORP.	2,369,181
141,491	UNION CARBIDE CORP	3,731,825

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NO. OF SHARES		MARKET VALUE		NO. OF SHARES		MARKET VALUE
15,197	UNION CARBIDE CORP RTS	\$ 0		300	VARCO INTL INC	\$ 1,275
200	UNION CORP	2,725		44,100	VARIAN ASSOC. INC.	1,069,425
98,900	UNION ELEC CO	2,596,125		4,400	VARIETY CORP	11,550
100,500	UNION PACIFIC CORP.	7,035,000		26,250	VARLEN CORP	695,625
200	UNION PLANTERS CORP	2,800		5,280	VERMONT AMERN CORP	157,740
5,800	UNION TEX PETE HLDGS INC	84,100		11,576	VERMONT FIN'L SVCS	251,778
163,100	UNISYS CORP.	4,016,338		200	VESTAUR SECS INC	2,625
300	UNIT CORP	750		51,100	VESTRON INC	185,238
44,700	UNITED ARTISTS ENTMT CL A	871,650		50,520	VIACOM INC	2,633,355
44,700	UNITED ARTISTS ENTMT CL B	871,650		23,900	VICORP RESTAURANTS INC	346,550
700	UNITED ASSET MGMT CORP	12,513		10,000	VICTORIA BANKSHARES INC	102,500
27,000	UNITED BANKERS INC	6,750		105,000	VIE DE FRANCE CORP	288,750
44,000	UNITED BKS COLO INC	764,500		10,000	VILLAGE SUPER MKT INC	170,000
87,900	UNITED BRANDS CO	1,197,638		500	VISHAY INTERTECHNOLOGY INC	8,875
5,200	UNITED CITIES GAS CO	74,100		28,300	VISTA CHEM CO	1,213,363
13,500	UNITED ED & SOFTWARE INC	35,438		15,167	VISTA CHEM CO RTS	398,125
12,700	UNITED INDL CORP	166,688		12,700	VOLT INFORMATION SCIENCES INC	215,900
6,000	UNITED INNS INC	180,000		2,800	VONS COMPANIES INC.	53,550
31,584	UNITED INVESTORS MGT CO	568,512		8,400	VORNADO INC	1,024,800
43,700	UNITED MERCHANTS & MFRS. INC.	142,025		41,500	VULCAN MATLS CO	1,794,875
11,800	UNITED MO BANCSHARES	333,350		360	W.C.I. HOLDINGS CORP	4,950
8,000	UNITED NEW MEXICO FIN'L CORP.	118,000		45,783	WABAN INC	692,468
200	UNITED PARK CITY MINES CO	350		14,300	WACKENHUT CORP.	243,100
500	UNITED STATES SHOE CORP	10,000		300	WAINOCO OIL CORP	2,175
40,400	UNITED STATES SURGICAL CORP	1,499,850		506,300	WAL-MART STORES INC.	19,302,688
132,400	UNITED TECHNOLOGIES CORP.	6,653,100		37,500	WALBRO CORP	562,500
96,500	UNITED TELECOM. INC.	6,369,000		60,100	WALGREEN CO	2,546,738
3,000	UNITOG CO NEW	43,125		22,300	WALLACE COMPUTER SER INC	1,159,600
23,200	UNITRODE CORP	153,700		148,800	WANG LABS CL B	1,153,200
6,900	UNIVAR CORP	216,488		139,877	WARNER COMMUNICATIONS	8,445,074
300	UNIVERSAL CORP VA	10,763		60,300	WARNER LAMBERT	5,321,475
36,425	UNIVERSAL FOODS CORP	1,283,981		115,000	WARWICK INS MGRS INC	531,875
51,800	UNIVERSAL HEALTH SVCS INC	498,575		100	WASHINGTON ENERGY CO	1,850
200	UNIVERSAL MATCHBOX GROUP LTD	1,150		19,700	WASHINGTON GAS LT CO	544,213
30,038	UNO RESTAURANT CORP	386,733		33,450	WASHINGTON MUT SVGS BK SEATTLE	618,825
102,380	UNOCAL CORP.	4,594,303		36,200	WASHINGTON NATL CORP	959,300
500	UNUM CORP	16,750		11,300	WASHINGTON POST B	3,089,138
187,200	UPJOHN COMPANY	5,592,600		34,900	WASHINGTON WTR PWR CO	1,029,550
53,300	US AIR GROUP	2,425,150		206,100	WASTE MANAGEMENT	10,639,913
70,000	US FACS CORP	166,250		19,400	WATKINS JOHNSON CO.	485,000
94,800	US FIDELITY & GUAR. CO.	2,974,350		27,000	WD 40 CO	884,250
112,400	US HEALTHCARE INC.	1,250,450		200	WEBB DEL E CORP	2,025
162,420	US WEST CORP	11,206,980		25,000	WEIRTON STL CORP	368,750
137,383	USG CORP	686,915		38,800	WEIS MARKETS INC.	1,270,700
4,400	USLICO CORP	107,250		15,000	WEITEK CORP	185,625
19,600	USLIFE CORP.	862,400		1,600	WELLMAN INC	43,000
262,134	USX CORP.	9,043,623		46,100	WELLS FARGO & CO.	3,457,500
506	UTILICORP UTD INC	9,551		87,200	WENDYS INTL INC	512,300
75,300	V F CORP	2,400,188		42,400	WEST INC	784,400
1,000	VALERO ENERGY CORP	14,375		7,350	WEST ONE BANCORP	265,519
112,100	VALHI INC NEW	1,765,575		2,100	WESTCOAST ENERGY INC	32,813
7,600	VALLEY FED SVGS + LN ASSN VAN	83,600		10,000	WESTERN CAP. INVESTMENT CORP.	106,250
200	VALLEY INDS	350		7	WESTERN CO NORTH A	44
26,200	VALLEY NATIONAL CORP.	684,475		17,600	WESTERN DIGITAL CORP.	178,200
33,100	VALUE LINE INC	707,513		60,600	WESTERN PUBG GROUP INC	1,257,450
44,900	VAN DORN CO	802,588		300	WESTERN SVGS & LN ASSN PHOENIX	113

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES		MARKET VALUE
500	WESTERN UN CORP NEW	\$ 813
900	WESTERN WASTE INDS	18,450
127,800	WESTINGHOUSE ELEC. CO.	7,923,600
14,920	WESTMARC COMMUN CL A	432,680
21,860	WESTMARK INTL INC	781,495
34,300	WESTMORELAND COAL CO	703,150
56,775	WESTVACO CORP	1,667,766
37,500	WESTWOOD ONE INC	398,438
55,300	WETTERAU INC	1,548,400
3,300	WETTERAU PPTYS INC	30,525
201,500	WEYERHEUSER CO.	5,566,438
97,337	WHEELABRATOR GROUP	717,860
200	WHEELING-PITTSBURGH STEEL	2,500
74,300	WHIRLPOOL CORP.	2,229,000
35,400	WHITEHALL CORP.	464,625
107,978	WHITMAN CORP	3,698,247
30,500	WHITTAKER CORP COM PAR .01	377,438
6,100	WILEY JOHN + SON	347,700
800	WILEY JOHN + SON CL B	44,800
200	WILFRED AMERN EDL CORP	200
29,666	WILLAMETTE INDS INC.	1,271,930
14,566	WILLCOX & GIBBS INC	327,735
300	WILLIAMS A L CORP	5,213
1,500	WILLIAMS COMPANIES INC	56,063
34,000	WILMINGTON TRUST CO.	1,309,000
206	WILSHIRE OIL CO TEX	1,313
33,500	WINN DIXIE STORES INC	1,641,500
89,500	WINNEBAGO IND INC.	682,438
69,900	WISCONSIN ENERGY CORP	1,992,150
2,500	WISCONSIN PUB SVC CORP	57,500
20,800	WISER OIL CO DEL	330,200
31,550	WITCO CORP.	1,183,125
200	WMS INDS INC	2,525
19,900	WOLVERINE WORLD WIDE	246,263
65,900	WOOLWORTH F W CO	3,410,325
200	WORLDCORP INC	1,525
47,600	WORTHINGTON INDS INC	1,053,150
21,100	WPL HOLDINGS INC	487,938
44,200	WRIGLEY WM JR CO	1,983,475
200	WYLE LABS	1,700
65,700	WYMAN-GORDON CO.	1,264,725
300	WYSE TECHNOLOGY	2,025
92,400	XEROX CORP	5,763,450
26,850	XL DATACORP INC	563,850
13,900	XTRA CORP.	425,688
62,300	YELLOW FREIGHT SYSTEM	1,666,525
500	ZAPATA CORP.	1,375
20,300	ZENITH ELECTRONICS CORP	375,550
4,660	ZENITH NATL INS CORP	90,870
10,500	ZERO CORP.	213,938
26,000	ZIONS BANCORP	650,000
46,500	ZURN INDS INC	1,662,375
	TOTAL EQUITY PORTFOLIO	\$ 2,639,177,371

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE EQUITY ACCOUNT
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 400	BORG WARNER CORP JR	7/15/07	00.0000%	\$ 235
200	C B S INC	8/1/95	01.0875%	208
435,400	CUC INTL INC ZERO CV	6/6/96	00.0000%	0
210	DYNCORP	6/30/03	01.6000%	147
256,200	G-I HLDGS INC	3/15/05	01.6620%	222,894
8,760	GENERAL MOTORS CONT	10/28/91	00.0000%	7,349
39,900	GREEN ACQUISITION CO	4/15/01	01.5750%	0
169,000	HALLWOOD GROUP INC	7/31/09	01.3500%	0
410,466	HOSPITAL CORP OF AMER SDB	7/1/03	00.0000%	280,143
100	INTERCO INC	12/15/00	01.3750%	85
27	INTERCO INC	12/15/03	00.0000%	12
1,028	INTERCO INC	12/15/03	00.0000%	627
300	KROGER CO	10/15/08	00.0000%	177
700	MARY KAY CORP	11/30/00	00.0000%	555
400	NEWELL CO	7/1/99	01.0500%	396
4,948	PI HLDGS INC	3/1/04	01.8500%	2,721
82,000	RHODES INC	9/20/00	00.0000%	21,218
1,692,490	RJR HLDGS CORP	5/1/09	01.4700%	1,590,941
96,151,201	S.B.I MONEY FUND			96,151,201
600	SHONEYS INC	7/1/00	01.2000%	606
80,000	U.S.A. TREASURY BILL			78,435
725,000	U.S.A. TREASURY BILL			710,629
1,515,000	U.S.A. TREASURY BILL			1,484,709
445,000	U.S.A. TREASURY BILL			436,599
1,538,000	YORK HLDGS CORP	12/15/04	00.0000%	692,100
\$ 103,557,330 TOTAL FIXED INCOME PORTFOLIO				\$ 101,681,983

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
ALLIANCE CAPITAL MANAGEMENT		
70,000	ABBOTT LABS	\$ 4,060,000
220,200	AMERICAN EXPRESS COMPANY	7,321,650
94,200	AMERICAN INTERNATIONAL GRP.	7,712,625
66,600	AMR CORP.	4,070,925
207,200	APPLE COMPUTER	8,547,000
155,050	BOEING COMPANY	7,442,400
212,824	BURLINGTON RES INC	9,630,286
164,600	COCA COLA COMPANY	9,279,325
416,174	COMPUTER ASSOC INTL INC	7,647,197
195,500	CONTEL CORP	12,121,000
149,000	DAYTON-HUDSON CORP.	7,394,125
166,000	DEERE & COMPANY	9,275,250
134,600	DISNEY WALT CORP	12,736,525
93,000	DOW CHEMICAL COMPANY	7,812,000
84,000	DUN & BRADSTREET COS INC	4,798,500
96,000	FEDERAL NATL MORTGAGE ASSN	8,556,000
153,000	FORD MOTOR CO.	7,420,500
100,000	GENERAL ELECTRIC CO.	5,162,500
110,000	GENERAL RE CORP.	7,177,500
145,000	HARCOURT BRACE JOVAN.	2,102,500
105,000	HEWLETT PACKARD CO.	5,433,750
341,750	INTEL CORP.	9,910,750
70,500	INTERNATIONAL BUSINESS MACH	7,887,188
151,000	LILLY ELI & CO	8,229,500
148,700	LIN BROADCAST. CORP.	17,230,613
131,900	MCA INC.	7,567,763
193,600	MCDONALDS CORP.	5,662,800
186,000	MELVILLE CORPORATION	8,253,750
182,900	MERCK & COMPANY INC.	12,231,438
57,000	MULTIMEDIA INC. NEW	5,486,250
200,000	NORWEST CORP.	8,425,000
182,300	SARA LEE	9,821,413
114,300	STUDENT LN MARKETING ASSN	11,458,575
29,000	TIME INC.	4,502,250
332,625	TOYS R US	9,562,969
96,200	UAL CORP	13,419,900
100,700	UNION PACIFIC CORP.	7,049,000
231,000	UNOCAL CORP.	10,366,125
189,200	WAL-MART STORES INC.	7,213,250
160,000	WARNER COMMUNICATIONS	9,660,000
72,500	WARNER LAMBERT	6,398,125
34,000	WASHINGTON POST B	9,294,750
172,300	WASTE MANAGEMENT	8,894,988
	TOTAL EQUITY PORTFOLIO	\$ 354,227,952

BMI CAPITAL MANAGEMENT		
225,000	AMERICAN FAMILY CORP	\$ 3,600,000
405,000	ANACOMP	2,430,000
160,000	BERGEN BRUNSWIG CORP.	4,720,000
175,000	CARTER HAWLEY HALE STORES INC	2,034,375
130,000	CASTLE & COOKE INC	4,338,750
15,000	COMMERCE CLEARING HOUSE INC	870,000
180,000	COMMODORE INTL LTD	2,475,000
65,000	CRAY RESEARCH INC	3,217,500
97,000	CRYSTAL BRANDS INC	3,031,250

NO. OF SHARES	SECURITY	MARKET VALUE
BMI CAPITAL MANAGEMENT (cont.)		
100,000	DANAHER CORP	\$ 1,700,000
250,000	DATA SWITCH CORP	1,093,750
142,500	EPSILON DATA MGMT INC	1,246,875
50,000	FEDERAL NATL MORTGAGE ASSN	4,456,250
35,000	GENERAL INSTRUMENT CORP	1,211,875
85,000	GENERAL NUTRITION INC.	881,875
80,000	GREAT ATLANTIC & PAC TEA INC	4,600,000
110,000	HEALTHCO INTERNATIONAL INC	1,870,000
75,000	HEEKIN CAN INC	2,400,000
60,000	HOUSEHOLD INTL.	3,270,000
90,000	IMC FERTILIZER GROUP INC	3,015,000
350,000	INFORMATION RES INC	3,237,500
60,000	INTEL CORP.	1,740,000
50,000	KELLWOOD CO.	1,506,250
375,000	MAXUS ENERGY CORP	3,140,625
100,000	PENN CENT CORP	2,625,000
175,000	PRIMERICA CORP NEW	3,893,750
27,500	RYANS FAMILY STEAK HOUSES INC	185,625
145,000	SENSORMATIC ELECTRS CORP	1,866,875
100,000	SHARED MED. SYSTEMS CORP.	1,650,000
75,000	SO. CAROLINA NATL. CORP.	1,875,000
75,000	SUN MICROSYSTEMS INC	1,275,000
217,500	TJX COS INC NEW	3,942,188
90,000	WABAN INC	1,361,250
	TOTAL EQUITY PORTFOLIO	\$ 80,761,563

CONCORD CAPITAL MANAGEMENT		
159,450	ADVANCED MICRO DEV.	\$ 1,554,638
46,500	ALCAN ALUMINUM LTD.	1,011,375
38,000	ALCO STANDARD CORP.	1,140,000
40,000	AMAX INC	965,000
67,000	AMERICAN EXPRESS COMPANY	2,227,750
58,000	AMERICAN GENERAL CORP	2,066,250
13,000	AMERICAN INTERNATIONAL GRP.	1,064,375
35,632	ANALOG DEVICES INC	374,136
38,400	APPLIED MATLS INC	988,800
43,000	ARCHER DANIELS MIDLAND CO.	1,225,500
22,000	ATLANTIC RICHFIELD	2,059,750
28,000	AUTOMATIC DATA PROCESSING INC	1,123,500
41,000	BANK NEW ENGLAND CORP	876,375
33,000	BCE INC	1,093,125
64,100	BURLINGTON NORTHERN INC.	1,538,400
27,400	CALMAT CO	791,175
52,300	CARL KARCHER ENTERPRISES INC.	1,673,600
6,300	CHICAGO MILWAUKEE CORP	886,725
15,000	CHUBB CORPORATION	1,025,625
19,000	CIGNA CORPORATION	1,061,625
28,000	CONSOLIDATED RAIL CORP	1,008,000
38,540	CRANE CO.	1,026,128
42,700	DEAN FOODS CO	1,441,125
17,500	DELTA AIR LINES INC.	1,187,813
11,000	DIGITAL EQUIPMENT CORP.	1,009,250
21,000	DOW CHEMICAL COMPANY	1,764,000
44,000	EXXON CORPORATION	1,936,000
29,000	FIREMANS FD CORP	993,250

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
CONCORD CAPITAL MANAGEMENT (cont.)		
22,000	FIRST INTERST. BANCORP	\$ 1,364,000
45,000	FIRST UNION CORP	1,141,875
24,000	FIRST WACHOVIA CORP	1,080,000
20,000	FORD MOTOR CO.	970,000
19,400	FOXBORO CO	582,000
113,237	GENERAL HOST CORP	920,051
24,000	GENERAL MOTORS CORP.	1,002,000
26,000	GENERAL PUBLIC UTILITIES CORP	1,046,500
16,000	GENERAL RE CORP.	1,044,000
159,450	GENRAD INC.	1,096,219
21,000	GTE CORP.	1,110,375
33,000	HALLIBURTON INC.	1,093,125
29,800	HARRIS CORP.	957,325
38,000	HERSHEY FOODS CORP	1,258,750
30,000	HOUSEHOLD INTL.	1,635,000
65,000	IBP INC	942,500
55,000	INTEL CORP.	1,595,000
56,000	ITT CORP	3,185,000
50,000	K MART CORPORATION	1,800,000
33,000	KEMPER CORP.	1,245,750
42,400	KING WORLD PRODTNS INC	1,118,300
15,900	LOUISIANA LD & EXPL CO	572,400
42,261	LOUISIANA PAC. CORP.	1,405,178
97,050	LSI LOGIC CORP.	861,319
16,000	MARSH & MCCLENNAN	1,038,000
12,900	MAXUS ENERGY CORP	108,038
35,800	MCCORMICK & CO INC	1,288,800
39,989	MEDUSA CORP	544,850
15,000	MENTOR GRAPHICS CORP.	543,750
34,496	MIDLANTIC CORP	1,427,272
22,000	MORTON THIOKOL	1,006,500
46,000	MOTOROLA INC.	2,420,750
37,000	NATL. MEDICAL ENTER. INC.	1,151,625
96,700	NATL. SEMICONDUCTOR	688,988
25,000	NBD BANCORP INC	1,096,875
63,975	NETWORK SYSTEMS CORP.	527,794
52,600	PERKIN ELMER	1,288,700
46,100	QUANTUM CHEMICAL CORP	1,792,138
36,750	QUANTUM CORP.	666,094
74,000	RYDER SYSTEMS INC.	1,933,250
38,000	SALOMON INC	926,250
21,000	SARA LEE	1,131,375
6,000	SCHWITZER INC	60,750
6,000	SCOTSMAN INDS INC	78,000
116,400	SEAGATE TECHNOLOGY	1,542,300
25,000	SECURITY PACIFIC CORP.	1,112,500
44,400	SHARED MED. SYSTEMS CORP.	732,600
40,000	SOUTHEAST BKG CORP	1,070,000
22,050	SOUTHWEST AIRLINES	600,863
58,100	STERLING SOFTWARE INC	421,225
26,000	SYNTEX CORPORATION	1,287,000
52,000	TANDEM COMPUTERS INC	877,500
34,000	TANDY CORP	1,517,250
29,400	TEKTRONIX INC	650,475
4,200	TELEDYNE INC.	1,526,175

NO. OF SHARES	SECURITY	MARKET VALUE
CONCORD CAPITAL MANAGEMENT (cont.)		
13,300	TENNECO INC.	\$ 726,513
23,600	TERADYNE INC.	268,450
50,000	TEXAS INSTRUMENTS	1,956,250
35,000	TEXTRON INC	896,875
16,400	THREE COM CORP.	264,450
37,000	U S BANCORP	1,165,500
42,200	UNITED STATES SHOE CORP	844,000
24,100	VARIAN ASSOC. INC.	584,425
25,000	VLSI TECHNOLOGY INC	187,500
32,300	WESTERN DIGITAL CORP.	327,038
24,000	XEROX CORP	1,497,000
	TOTAL EQUITY PORTFOLIO	\$ 103,915,640
FORSTMANN LEFF ASSOCIATES		
58,600	AMAX INC	\$ 1,413,725
55,700	ATLANTIC RICHFIELD	5,214,913
42,000	BOEING COMPANY	2,016,000
222,365	BURLINGTON RES INC	10,062,016
100,500	CLOROX CO.	3,793,875
46,500	CONTEL CORP	2,883,000
127,100	COSTCO WHSL CORP	2,812,088
40,700	CRYSTAL BRANDS INC	1,271,875
197,275	DIAMOND SHAMROCK R&M INC	4,290,731
59,300	DISNEY WALT CORP	5,611,263
100,200	DOW CHEMICAL COMPANY	8,416,800
48,000	HARNISCHFEGER INDS INC	834,000
432,500	INCO INC.	11,785,625
160,800	LILLY ELI & CO	8,763,600
59,500	LILLY ELI & CO WT	2,253,563
211,000	MAGMA COPPER CO NEW CL B	1,055,000
47,700	MAY DEPT. STORES CO.	1,991,475
86,800	MERCK & COMPANY INC.	5,804,750
116,100	MOBIL CORPORATION	5,732,438
20,200	MONSANTO CO.	2,128,575
75,100	PRICE CO	3,004,000
47,800	REPSOL S A	830,525
65,350	RYDER SYSTEMS INC.	1,707,269
-50	S & P 500 FUTURES SEPT	0
96,700	SPX CORPORATION	2,743,863
25,000	SUN COMPANY INC	950,000
22,600	TIME INC.	3,508,650
66,100	WARNER COMMUNICATIONS	3,990,788
35,700	WASTE MANAGEMENT	1,843,013
108,600	WHEELABRATOR GROUP	800,925
38,800	WOOLWORTH F W CO	2,007,900
132,100	XTRA CORP.	4,045,563
	TOTAL EQUITY PORTFOLIO	\$ 113,567,804
FRANKLIN PORTFOLIO ASSOC TRUST		
37,600	A G EDWARDS, INC	\$ 869,500
46,500	AETNA LIFE & CASUALTY CO.	2,574,938
23,500	ALUMINUM CO. OF AMERICA	1,506,938
72,300	AMERADA HESS CORP.	2,684,138
48,600	AMERICAN GREETINGS	1,208,925
49,600	AMERICAN INFORMATION	2,833,400

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
FRANKLIN PORTFOLIO ASSOC TRUST (cont.)		
8,000	AMERICAN INTERNATIONAL GRP.	\$ 655,000
55,900	AMERITRUST CORP	1,390,513
35,060	AMR CORP.	2,143,043
31,100	APPLIED MATLS INC	800,825
73,500	ARCO CHEM CO	2,508,188
44,500	ASARCO INC.	1,257,125
80,800	AUTOMATIC DATA PROCESSING INC	3,242,100
36,900	AVNET INC	862,538
19,000	BANCORP HAWAII INC	983,250
85,700	BANK BOSTON CORP	2,453,163
130,400	BANKAMERICA CORP.	3,455,600
56,900	BARD C.R. INC.	1,230,463
14,800	BAUSCH & LOMB INC	812,150
2,000	BECTON DICKINSON CO	114,750
56,100	BERGEN BRUNSWIG CORP.	1,654,950
41,200	BLACK & DECKER MFG CO	787,950
47,000	BOLAR PHARMACY	1,304,250
47,400	BOSTON EDISON CO	835,425
47,900	CABOT CORP	1,868,100
44,400	CENTEX CORP	1,670,550
37,400	CHUBB CORPORATION	2,557,225
37,800	CLARK EQUIP CO	1,379,700
32,800	CNW CORP	1,594,900
31,000	CONAGRA INC.	1,104,375
92,200	COOPER INDS. INC.	2,904,300
77,600	CORNING INC	2,890,600
79,600	CYPRESS SEMICONDUCTOR CORP	875,600
25,350	CYPRUS MINERALS CORP	624,244
56,600	DONNELLEY RR & SONS	2,455,025
117,500	FEDERAL PAPER BRD INC	2,629,063
44,940	FIRST FINL MGMT CORP	1,202,145
125,300	FIRST MISS CORP	1,973,475
20,800	FLEETWOOD ENTER. INC.	548,600
33,700	GRUMMAN CORP.	690,850
28,300	HARRIS CORP.	909,138
40,700	IDAHO PWR CO	1,063,288
84,800	IMO DELAVAL INC	1,674,800
66,500	IPALCO ENTERPRISES	1,612,625
18,250	KELLY SVCS INC	675,250
88,800	LIMITED INC.	2,808,300
45,900	LOUISVILLE GAS ELEC CO	1,686,825
6,700	MANUFACTURERS NATL CORP	324,950
35,800	MCCORMICK & CO INC	1,288,800
33,500	MORGAN STANLEY GROUP INC	2,177,500
41,900	MORRISON INC	1,377,463
15,000	MULTIMEDIA INC. NEW	1,443,750
82,300	NIPSCO INDUSTRIES	1,419,675
23,800	OHIO CAS CORP	1,071,000
128,900	OHIO EDISON CO	2,755,238
7,900	OUTBOARD MARINE CORP	260,700
40,000	PENN CENT CORP	1,050,000
29,400	PHH GROUP INC	1,047,375
98,100	PIER 1 IMPORTS	1,201,725
57,800	PINNACLE WEST CAPITAL CORP	686,375
36,700	PITTSTON CO	706,475

NO. OF SHARES	SECURITY	MARKET VALUE
FRANKLIN PORTFOLIO ASSOC TRUST (cont.)		
34,000	ROLLINS INC	\$ 697,000
11,400	SEALED AIR CORP	196,650
43,200	STRIDE RITE CORP	2,116,800
59,900	SUN COMPANY INC	2,276,200
80,900	SUPER VALU STORES INC.	2,244,975
67,200	TRIBUNE COMPANY	3,477,600
21,500	TRINITY INDS INC.	854,625
72,600	TYSON FOODS INC	1,361,250
27,600	UNITED ILLUM CO	745,200
16,000	UNUM CORP	536,000
28,600	WELLMAN INC	768,625
	TOTAL EQUITY PORTFOLIO	\$ 107,654,044

IDS ADVISORY

100,000	ALLEGHENY LUDLUM CORP	\$ 3,312,500
35,000	ALUMINUM CO. OF AMERICA	2,244,375
35,000	AMERICAN INFORMATION	1,999,375
50,000	AMOCO CORP	2,206,250
50,000	AMR CORP.	3,056,250
126,000	ARCHER DANIELS MIDLAND CO.	3,591,000
40,000	ATLANTIC RICHFIELD	3,745,000
120,000	BOEING COMPANY	5,760,000
75,000	CITICORP	2,334,375
100,000	COMDISCO INC.	2,512,500
75,000	CONAGRA INC.	2,671,875
100,000	CORNING INC	3,725,000
135,000	CYPRUS MINERALS CORP	3,324,375
80,000	DEERE & COMPANY	4,470,000
32,000	DISNEY WALT CORP	3,028,000
75,000	DRESSER INDUSTRIES	3,065,625
100,000	ETHYL CORP.	2,625,000
30,000	FEDERAL NATL MORTGAGE ASSN	2,673,750
140,000	FLUOR CORP	4,130,000
60,000	GENERAL RE CORP.	3,915,000
75,000	GEORGIA PACIFIC CORP.	3,290,625
40,000	GERBER PRODS CO	3,080,000
50,000	GOLDEN WEST FIN'L	2,306,250
60,000	INTEL CORP.	1,740,000
55,000	INTERNATIONAL PAPER CO	2,523,125
60,000	JOHNSON & JOHNSON	2,872,500
60,000	LILLY ELI & CO	3,270,000
120,000	MARION LABS INC	2,820,000
90,000	MASCO CORP	2,643,750
59,406	MCCAW CELLULAR COMMUNICATIONS	2,287,134
45,000	MCI COMMUNICATION	1,625,625
45,000	MERCK & COMPANY INC.	3,009,375
90,000	MOTOROLA INC.	4,736,250
50,000	PARAMOUNT COMMUNICATION	2,962,500
100,000	PHILLIPS PETROLEUM CO.	2,175,000
50,000	PITNEY BOWES INC.	2,243,750
48,000	PPG INDUSTRIES INC.	2,118,000
67,500	TOYS R US	1,940,625
60,000	TRINITY INDS INC.	2,385,000
80,000	TYCO LABS	3,090,000
75,000	UNION CARBIDE CORP	1,978,125

MINNESOTA STATE BOARD OF INVESTMENT
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ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
IDS ADVISORY (cont.)		
30,000	UNION PACIFIC CORP.	\$ 2,100,000
50,000	UNITED TELECOM. INC.	3,300,000
50,000	UNOCAL CORP.	2,243,750
40,000	US AIR GROUP	1,820,000
80,000	USX CORP.	2,760,000
150,000	WAL-MART STORES INC.	5,718,750
100,000	WASTE MANAGEMENT	5,162,500
80,000	WELLMAN INC	2,150,000
30,000	WELLS FARGO & CO.	2,250,000
40,000	WESTINGHOUSE ELEC. CO.	2,480,000
65,000	WHEELABRATOR TECHNOLOGIES INC	1,714,375
35,000	WOOLWORTH F W CO	1,811,250
	TOTAL EQUITY PORTFOLIO	<u>\$ 152,998,509</u>

INVESTMENT ADVISORS INC.

15,000	AMERICAN INTERNATIONAL GRP.	\$ 1,228,125
90,000	AMERICAN TEL & TEL NEW	3,150,000
50,000	AMR CORP.	3,056,250
30,000	ATLANTIC RICHFIELD	2,808,750
90,000	BROWNING FERRIS INDS INC	2,992,500
60,000	BURLINGTON RES INC	2,715,000
20,000	CHEVRON CORP	1,080,000
100,000	COMPUTER ASSOC INTL INC	1,837,500
50,000	DAYTON-HUDSON CORP.	2,481,250
65,000	DIGITAL MICROWAVE CORP	1,486,875
65,000	DONNELLEY RR & SONS	2,819,375
60,000	DOVER CORP.	1,920,000
40,000	FEDERAL HOME LN MTG CORP	2,820,000
100,000	FIRST BANK SYSTEM	2,450,000
70,000	GANNETT INC.	3,053,750
70,000	GEORGIA GULF CORP	2,660,000
40,000	HECHINGER CO CL B CV	705,000
50,000	HONEYWELL INC.	3,668,750
60,000	INTEL CORP.	1,740,000
90,000	MCDONALDS CORP.	2,632,500
160,000	MCI COMMUNICATION	5,780,000
20,000	MEDTRONIC INC.	1,927,500
40,000	MERCK & COMPANY INC.	2,675,000
100,000	ORACLE SYS CORP	2,975,000
20,000	RACAL TELECOM PLC	1,245,000
100,000	REPSOL S A	1,737,500
37,700	RUBBERMAID INC	1,131,000
60,000	SIGMA ALDRICH	3,015,000
102,000	SOUTHERN CO	2,690,250
80,000	SUPER VALU STORES INC.	2,220,000
60,000	SYNTEX CORPORATION	2,970,000
122,500	TJX COS INC NEW	2,220,313
15,000	USX CORP 3.5 CV PFD	780,000
60,000	USX CORP.	2,070,000
25,000	WABAN INC	378,125
80,000	WELLMAN INC	2,150,000
	TOTAL EQUITY PORTFOLIO	<u>\$ 83,270,313</u>

LIEBER & COMPANY

24,000	A G EDWARDS, INC	\$ 555,000
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NO. OF SHARES	SECURITY	MARKET VALUE
LIEBER & COMPANY (cont.)		
17,700	AIRGAS INC	\$ 391,613
27,000	ALASKA AIR GROUP	735,750
40,000	ALCO STANDARD CORP.	1,200,000
12,300	ALEXANDERS INC	791,813
22,000	ALFA CORP	253,000
40,000	AMERICAN FAMILY CORP	640,000
30,000	AMERICAN GREETINGS	746,250
6,000	AMERICAN PETROFINA INC.	520,500
8,500	AMERICAN STORES NEW	522,750
53,100	AMERICAN WATER WORKS	929,250
28,050	ARISTECH CHEM CORP	592,556
15,000	ARMOR ALL PRODS CORP	307,500
32,000	ARMSTRONG IND. INC.	1,420,000
24,000	ATLANTIC SOUTHEAST	384,000
27,500	BAKER J INC	474,375
40,000	BAXTER INTL INC	830,000
5,000	BAYBANKS INC	218,750
20,000	BB&T FINANCIAL CORP	405,000
19,800	BIOCRAFT LABS INC	309,375
10,200	BK. OF NEW HAMP. CORP.	214,200
14,500	BLAIR CORPORATION	502,063
24,000	BLOCK H & R INC.	723,000
40,000	BOWNE & CO INC	505,000
6,000	BURLINGTON NORTHERN INC.	144,000
7,000	CARTER WALLACE INC	322,875
30,000	CEM CORP	292,500
18,000	CLOROX CO.	702,150
30,000	COLONIAL LIFE & ACC INS CO	525,000
10,000	COMMERCIAL INTERTECH CORP	208,750
20,000	CONCEPT INC	242,500
9,000	CONROY INC.	0
14,500	CORROON & BLACK CORP	483,938
24,970	CROWN CRAFTS INC	611,765
30,000	CUC INTL INC	378,750
3,500	DART GROUP	329,438
15,000	DELCHAMPS INC	378,750
12,000	DELTA AIR LINES INC.	814,500
29,000	DIAGNOSTIC PRODUCTS CORP.	775,750
35,000	DICEON ELECTRONICS INC	315,000
2,618	DILLARD DEPT. STORES	155,117
5,000	DISNEY WALT CORP	473,125
20,000	DONNELLEY RR & SONS	867,500
6,000	DOW CHEMICAL COMPANY	504,000
30,000	E Z EM INC	348,750
25,000	ENRON CORP.	1,146,875
28,800	EQK RLTY INVS 1	342,000
6,900	EQUITABLE RES INC	280,313
20,000	ESSEF INDS INC	185,000
20,000	EXCEL INDS INC	242,500
2,300	FEDERAL SIGNAL CORP.	58,363
15,127	FHP INTERNATIONAL CORP	434,901
22,500	FIRST AM. CORP TENN.	528,750
10,000	FIRST AMER BK CORP	471,250
5,600	FIRST EMPIRE ST CORP	357,700
50,000	FIRST FID BANCORPORATION NEW	1,625,000

MINNESOTA STATE BOARD OF INVESTMENT
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ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
LIEBER & COMPANY (cont.)		
17,500	FIRST HAWAIIAN CREDITCORP INC	\$ 686,875
14,600	FIRST INTERST BANCORP RTS	0
10,000	FIRST VA BKS INC	295,000
10,800	FLORIDA ROCK INDS.	402,300
35,000	FLOWERS INDUSTRIES	647,500
14,000	FOODARAMA SUPERMARKETS	439,250
5,400	FRP PPTYS INC	85,050
28,900	FUQUA INDS INC	867,000
63,730	G & K SERVICES INC.	1,003,748
13,200	GANNETT INC.	575,850
11,250	GATEWAY BK SOUTH NORWALK CONN	149,063
7,500	GENERAL CERAMICS INC	133,125
15,500	GENERAL INSTRUMENT CORP	536,688
12,000	GEODYNAMICS CORP	147,000
35,000	GERAGHTY & MILLER INC	363,125
25,000	GERBER SCIENTIFIC	484,375
44,000	GIANT FOODS INC	1,248,500
10,000	GOODRICH (B.F.)	561,250
26,700	GOODY PRODS INC	453,900
31,500	GRADCO SYSTEMS	425,250
25,300	GRAPHIC TECHNOLOGY INC	392,150
10,000	GREAT LAKES CHEMICAL CORP	737,500
15,000	GUILFORD MILLS	483,750
24,750	GUNDLE ENVIRONMENTAL SYS INC	491,906
28,000	HB FULLER CO	770,000
28,000	HOME FED SVGS & LN ASSN	231,000
23,250	HOOVER HOLMES INC	232,500
20,000	HORIZON INDS INC	177,500
13,100	HOUGHTON MIFFLIN CO.	504,350
24,000	HOWARD SVGS BK LIVINGSTON N J	450,000
17,850	HUBBELL INC.	671,606
10,000	INB FINANCIAL CORPORATION	297,500
52,500	INSTEEL INDS INC	465,938
24,100	INTERLAKE INC	1,033,288
54,000	INTERLEAF INC	418,500
6,300	INTERNATIONAL BUSINESS MACH	704,813
25,000	INTERTAN INC	1,134,375
5,900	INTL. ALUMINUM CORP.	171,100
10,000	JACOBSON STORES INC	257,500
22,000	JAMES RIV CORP VA	665,500
6,000	JEFFERSON BANKSHRS. VA.	141,000
28,500	JUNO LIGHTING INC.	502,313
30,000	JWP INC	682,500
8,500	KANSAS CITY SO. IND.	365,500
4,000	KNIGHT RIDDER INC.	203,000
27,332	LADD FURNITURE	386,065
20,000	LANDS END INC	547,500
10,000	LEGGETT & PLATT INC	282,500
8,200	LILLIAN VERNON CORP	158,875
19,500	LOMAS & NETTLETON FINL CORP	170,625
70,000	LSI LOGIC CORP.	621,250
40,000	MAPCO INC	1,555,000
27,200	MAY DEPT. STORES CO.	1,135,600
12,000	MCGRAW HILL INC.	835,500
12,000	MEAD CORP.	466,500

NO. OF SHARES	SECURITY	MARKET VALUE
LIEBER & COMPANY (cont.)		
22,500	MEDICINE SHOPPE INTL INC	\$ 613,125
27,800	MELVILLE CORPORATION	1,233,625
10,000	MERCANTILE BANCORPORATION INC	271,250
13,000	MERCHANTS NATL CORP	367,250
7,500	MERCK & COMPANY INC.	501,563
5,000	METRO MOBILE CTS INC CL B	343,750
15,000	MEYER FRED INC DEL	283,125
15,000	MICHIGAN NATL CORP	723,750
20,000	MICROSEMI CORP	95,000
17,000	MICROSOFT CORP	901,000
17,700	MID HUDSON SVGS BK FSB	256,650
24,000	MILLER HERMAN INC.	504,000
25,000	MORGAN PRODS LTD	421,875
25,000	NATIONAL DATA CORP	737,500
28,125	NATL. COMPUTER SYSTEMS	369,141
20,000	NCH CORP	842,500
15,000	NCR CORP.	787,500
35,000	NELLCOR INC	328,125
20,000	NEW HAMPSHIRE SVGS BK CORP	102,500
20,000	NEWELL COS.	765,000
17,850	NICHOLS INST	303,450
23,500	NORTH FORK BANCORP INC	458,250
20,500	NOWSCO WELL SERVICE LTD	243,438
40,000	NOXELL CORP	800,000
22,000	NUMERCA FINL CORP	110,000
10,000	OCTEL COMMUNICATIONS	232,500
10,611	OLD REP INTL CORP	270,581
40,000	ONONDAGA SVGS BK	480,000
20,000	OSHKOSH B GOSH INC	655,000
29,000	OUTBOARD MARINE CORP	957,000
4,800	OWENS & MINOR INC	58,800
15,000	PALL CORP	466,875
12,000	PAR TECHNOLOGY	99,000
13,000	PARAMOUNT COMMUNICATION	770,250
10,600	PARK ELECTROCHEMICAL CORP	161,650
38,000	PCS INC	560,500
49,000	PITNEY BOWES INC.	2,198,875
7,223	POLAROID CORP.	273,571
29,900	PRECISION CASTPARTS CORP	874,575
20,500	RAYMOND JAMES FINL INC	330,563
12,000	REYNOLDS & REYNOLDS CO	294,000
10,000	SALICK HEALTH CARE INC	98,750
45,000	SANFORD CORP ILL	967,500
10,000	SCHEIB EARL INC	153,750
16,000	SCOTT PAPER CO.	716,000
13,500	SEALRIGHT INC	371,250
24,000	SEARS ROEBUCK & COMPANY	1,050,000
31,000	SIGMA DESIGNS	449,500
16,000	SIKES CORP CL A	192,000
20,000	SONOCO PRODS CO	690,000
4,000	SOUTHERN NEW ENGLAND TELECOMMU	295,000
5,000	SOUTHINGTON SVGS BK CONN	68,750
13,600	SPRINGS INDS INC	569,500
10,000	SQUIBB CORP.	761,250
3,957	SSMC INC.	109,807

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
LIEBER & COMPANY (cont.)		
7,000	STATEWIDE BANCORP NJ	\$ 127,750
20,000	SUMMAGRAPHS CORP	300,000
2,100	SUNSTYLE CORP	1,641
10,000	SUNWEST FIN'L SVCS INC	303,750
23,100	SUPER FOOD SVCS INC	704,550
15,000	SUPER VALU STORES INC.	416,250
24,000	SUSQUEHANNA BNKSHRS. INC.	522,000
10,000	SYNOPTICS COMM	157,500
25,000	T.J. INTL. INC.	856,250
15,000	TANDY CORP	669,375
8,200	TASTY BAKING CORP	186,550
25,800	TELEFLEX INC.	854,625
15,000	TEXAS INSTRUMENTS	586,875
20,000	TORCHMARK CORP	780,000
32,000	U S WEST NEWVECTOR GROUP INC	1,184,000
4,000	UNISYS CORP.	98,500
12,500	UNITED SAVERS BANCORP INC	123,438
10,000	UNIVERSAL FOODS CORP	352,500
10,000	UNUM CORP	335,000
30,800	US AIR GROUP	1,401,400
9,724	VERMONT FIN'L SVCS	211,497
30,000	VICORP RESTAURANTS INC	435,000
12,000	VULCAN MATLS CO	519,000
12,800	WALLACE COMPUTER SER INC	665,600
25,000	WARNER COMMUNICATIONS	1,509,375
15,000	WASTE MANAGEMENT	774,375
7,986	WAUSAU PAPER MLS CO	287,496
40,000	WELLMAN INC	1,075,000
20,000	WILEY JOHN + SON	1,140,000
10,000	WOOLWORTH F W CO	517,500
14,000	XEROX CORP	873,250
	TOTAL EQUITY PORTFOLIO	\$ 102,078,109

ROSENBERG INSTITUTIONAL EQUITY MGMT

200	ALBERTO CULVER CO	\$ 9,375
2,400	ALBERTSONS INC	114,600
8,500	ALEXANDER & ALEXANDER	210,375
9,600	ALLEN ORGAN CLASS B	304,800
2,800	ALUMINUM CO. OF AMERICA	179,550
15,400	AMAX INC	371,525
12,200	AMERADA HESS CORP.	452,925
3,625	AMERICAN BUSINESS PRODS INC GA	91,078
1,400	AMERICAN ECOLOGY	13,300
11,300	AMERICAN GREETINGS	281,088
3,300	AMERICAN INFORMATION	188,513
3,200	AMERICAN NATL INS CO	119,200
11,500	AMERICAN WATER WORKS	201,250
4,100	AMES DEPARTMENT STORES	65,600
89,100	AMOCO CORP	3,931,538
8,200	AMR CORP.	501,225
5,700	AMSOUTH BANCORP.	154,613
48,000	ARCHER DANIELS MIDLAND CO.	1,368,000
18,900	ARMCO INC	203,175
900	ARMSTRONG IND. INC.	39,938
18,300	ASARCO INC.	516,975

NO. OF SHARES	SECURITY	MARKET VALUE
ROSENBERG INSTITUTIONAL EQUITY MGMT (cont.)		
2,400	ATLANTA GAS LT CO	\$ 63,600
30,900	ATLANTIC RICHFIELD	2,893,013
13,100	BALLY MFG CO	317,675
9,600	BANK NEW ENGLAND CORP	205,200
47,600	BANKAMERICA CORP.	1,261,400
11,300	BANKERS TRUST NY CORP.	543,813
4,700	BAUSCH & LOMB INC	257,913
39,500	BCE INC	1,308,438
11,700	BERGEN BRUNSWIG CORP.	345,150
100	BERKSHIRE HATHAWAY INC DEL	657,500
400	BETHLEHEM STEEL	8,400
5,800	BLOCK DRUG INC CL A	204,450
2,300	BMC INDS INC MINN	19,263
3,600	BOISE CASCADE CORP	159,750
18,600	BOSTON EDISON CO	327,825
2,800	BROOKLYN UN GAS CO.	76,300
4,200	BUR BROWN	45,150
1,700	CABOT CORP	66,300
5,800	CALGON CARBON CORP	204,450
12,100	CALIFORNIA BIOTECHNOLOGY INC	69,575
6,300	CAMERON IRON WORKS INC	141,750
31,200	CAMPBELL SOUP CO	1,556,100
44,800	CANADIAN PACIFIC LTD	851,200
3,400	CAPITAL CITIES/ABC INC.	1,581,000
3,600	CARTER WALLACE INC	166,050
8,900	CF & I STL CORP	36,713
25,100	CHAMPION INTL.	834,575
27,000	CHASE MANHATTAN CORP.	978,750
6,300	CHELSEA INDS INC	181,913
7,600	CHEMICAL BKG CORP	272,650
42,100	CITICORP	1,310,363
29,200	CMS ENERGY CORP	905,200
26,900	COCA COLA ENTERPRISES INC	460,663
11,900	COLUMBIA GAS SYSTEM INC	556,325
15,900	COMMODORE INTL LTD	218,625
6,500	COMMONWEALTH EDISON CO.	245,375
9,200	COMMUNICATIONS SATELLITE CORP	335,800
3,900	COMPUTER SCIENCES CORP.	204,263
24,100	CONSOLIDATED RAIL CORP	867,600
9,000	CONSUMERS WTR CO	139,500
18,500	CONTINENTAL BK CORP	439,375
5,000	CORROON & BLACK CORP	166,875
1,100	CYCARE SYS INC	7,150
17,250	CYPRUS MINERALS CORP	424,781
1,600	DATA DESIGN LABS INC	9,600
17,100	DAYTON-HUDSON CORP.	848,588
3,800	DIGITAL EQUIPMENT CORP.	348,650
2,700	DONNELLEY RR & SONS	117,113
31,300	DOW CHEMICAL COMPANY	2,629,200
15,700	DOW JONES & CO	547,538
3,200	DRESHER INC	13,200
100	ECOLAB INC	2,550
58,600	ENTERGY CORP	1,128,050
100	EQUIFAX INC	3,350
6,500	ERBAMONT N.V.	180,375

MINNESOTA STATE BOARD OF INVESTMENT
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ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
ROSENBERG INSTITUTIONAL EQUITY MGMT (cont.)		
5,900	FALCONBRIDGE LTD	\$ 134,225
19,700	FEDERAL NATL MORTGAGE ASSN	1,755,763
1,500	FIRSTAR CORPORATION	39,938
18,300	FPL GROUP INC.	565,013
1,700	FREEMPORT MCMORAN GOLD CO	18,063
11,900	FREEMPORT-MCMORAN INC	406,088
11,500	GANNETT INC.	501,688
3,900	GATX	272,513
1,800	GENERAL DYNAMICS	104,850
116,200	GENERAL MOTORS CORP.	4,851,350
20,400	GENERAL PUBLIC UTILITIES CORP	821,100
18,300	GEORGIA PACIFIC CORP.	802,913
16,400	GIANT FOODS INC	465,350
3,400	GIBSON GREETINGS	76,925
100	GOODRICH (B.F.)	5,613
1,500	GR. AMER. FIRST SVGS BK SAN D	18,750
13,300	GREAT ATLANTIC & PAC TEA INC	764,750
9,500	GREAT NORTHN NEKOOSA CORP	356,250
55,300	GTE CORP.	2,923,988
37,100	GULF STS UTILS CO	408,100
3,000	HANNAFORD BROS CO	86,250
1,200	HARPER GROUP	18,900
5,400	IMPERIAL CHEM INDS PLC	423,225
300	INDEPENDENT INS GROUP INC NV	12,600
10,200	INLAND STEEL IND. INC.	409,275
3,200	INTERHOME ENERGY INC	128,000
56,500	INTERNATIONAL BUSINESS MACH	6,320,938
2,200	IOWA ILL GAS & ELEC CO	92,125
1,900	IOWA SOUTHN INC	55,100
27,100	ITT CORP	1,541,313
6,300	JAMES RIV CORP VA	190,575
15,400	JOHNSON CONTROLS	581,350
38,400	K MART CORPORATION	1,382,400
8,900	KEYCORP	231,400
4,800	KINDER CARE LEARNING CTR.	34,200
2,800	KNIGHT RIDDER INC.	142,100
12,000	LAFARGE CORP.	205,500
5,500	LITTON INDS INC.	473,000
40,300	LONG ISLAND LTG CO	664,950
14,300	LOWES COMPANY	361,075
4,000	MANUFACTURERS NATL CORP	194,000
18,900	MARTIN MARIETTA	876,488
200	MAYFAIR SUPER MKTS INC	4,725
11,000	MCDONNELL DOUGLAS CORP.	809,875
17,300	MELVILLE CORPORATION	767,688
8,400	MEREDITH CORP	306,600
31,200	MERRILL LYNCH & CO. INC.	889,200
20,400	MFRS. HANOVER CORP.	747,150
15,500	MICRON TECHNOLOGY	286,750
800	MILLER HERMAN INC.	16,800
3,400	MITCHELL ENERGY	59,075
5,900	MORGAN STANLEY GROUP INC	383,500
5,600	MURPHY OIL	207,200
15,600	NATL. MEDICAL ENTER. INC.	485,550
100	NERCO INC	1,738

NO. OF SHARES	SECURITY	MARKET VALUE
ROSENBERG INSTITUTIONAL EQUITY MGMT (cont.)		
16,400	NEW YORK TIMES CO	\$ 504,300
2,800	NOVO INDS-ADR	131,250
34,400	NYNEX	2,709,000
100	OKC LTD PARTNERSHI	325
4,100	OUTBOARD MARINE CORP	135,300
15,200	OVERSEAS SHIPHOLDING GROUP INC	372,400
17,900	OWENS CORNING FIBERGLAS (NEW)	528,050
100	PARAMOUNT COMMUNICATION	5,925
26,200	PENN CENT CORP	687,750
27,500	PENNEY J.C. INC.	1,526,250
900	PENNWALT CORP	115,538
11,500	PEOPLES ENERGY CORP	264,500
7,800	PETROLITE CORP	181,350
5,900	PHILIPS N.V.	102,513
58,300	PHILLIPS PETROLEUM CO.	1,268,025
5,600	PITTSTON CO	107,800
16,400	PPG INDUSTRIES INC.	723,650
28,600	PROCTOR & GAMBLE	3,099,525
6,500	PROVIDENCE FUND LIFE & ACC	149,500
4,000	REPUBLIC N Y CORP	195,000
37,600	ROCKWELL INTL CORP	827,200
3,000	RORER GROUP INC.	111,000
12,000	RYDER SYSTEMS INC.	313,500
1,200	SEA CONTAINERS LTD.	81,000
4,100	SEQUA CORP CLASS A	280,850
22,100	SERVICE MERCHANDISE	414,375
800	SMITHFIELD FOODS INC	12,000
4,100	SO JERSEY INDS INC	85,588
700	SOUTHERN NEW ENGLAND TELECOMMU	51,625
2,100	SPX CORPORATION	59,588
2,700	TECUMSEH PRODS CO	387,450
14,600	TEXAS UTILITIES CO.	450,775
18,700	TEXTRON INC	479,188
500	TIME INC.	77,625
5,900	TRIBUNE COMPANY	305,325
6,700	UAL CORP	934,650
19,900	UNITED BRANDS CO	271,138
16,000	UNUM CORP	536,000
31,200	US WEST CORP	2,152,800
5,200	VARIAN ASSOC. INC.	126,100
15,200	WASTE MANAGEMENT	784,700
15,000	WINN DIXIE STORES INC	735,000
1,288,361	ROSENBERG SMALL CAPITALIZATION	14,223,504
	TOTAL EQUITY PORTFOLIO	\$ 108,257,376

SASCO CAPITAL INC		
46,159	ALLEGHANY CORP NEW	\$ 4,154,310
142,802	ALLIED-SIGNAL INC.	4,712,466
164,600	CASTLE & COOKE INC	5,493,525
181,300	CONTROL DATA CORP.	3,943,275
88,389	CYCLOPS INDS INC	2,430,698
171,557	CYPRUS MINERALS CORP	4,224,579
52,592	DI GIORGIO CORP	1,617,204
133,700	EASTERN ENTERPRISES	4,011,000
147,974	GENERAL CINEMA CORP	3,532,879

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY ACCOUNT
ALPHABETICAL EQUITY HOLDINGS
JUNE 30, 1989

NO. OF SHARES	SECURITY	MARKET VALUE
SASCO CAPITAL INC (cont.)		
169,667	GRACE W R & CO	\$ 5,280,885
75,980	HELMERICH & PAYNE INC	2,070,455
141,317	ITEL CORP NEW	3,179,633
84,700	KATY INDS INC	1,958,688
108,400	KERR MCGEE CORP.	4,783,150
256,951	LONE STAR TECH	1,413,231
179,100	M.A. HANNA CO	4,096,913
126,142	MAPCO INC	4,903,770
178,113	OCCIDENTAL PETE CORP	4,875,843
220,359	PANHANDLE EASTN CORP	5,205,981
200,435	PENN CENT CORP	5,261,419
299,977	PERKIN ELMER	7,349,437
131,111	PITTSTON CO	2,523,887
214,545	PRIMERICA CORP NEW	4,773,626
89,000	TENNECO INC.	4,861,625
41,200	UNITED STATES SHOE CORP	824,000
112,400	USX CORP.	3,877,800
136,594	WHITMAN CORP	4,678,345
	TOTAL EQUITY PORTFOLIO	<u>\$ 106,038,622</u>

NO. OF SHARES	SECURITY	MARKET VALUE
WADDELL & REED (cont.)		
33,100	MOTOROLA INC.	\$ 1,741,888
320,100	NATL. SEMICONDUCTOR	2,280,713
88,500	NORTANKERS INC	1,449,188
102,100	NORTHERN TELECOM LTD.	1,812,275
52,500	NORTON CO	2,684,063
54,400	PENNEY J.C. INC.	3,019,200
54,025	POLAROID CORP.	2,046,197
53,900	POLICY MGMT. SYS. CORP.	1,482,250
56,300	PRICE CO	2,252,000
89,300	SMITH INTL INC	1,105,088
176,400	SOUTHWEST AIRLINES	4,806,900
52,000	SUNDSTRAND CORP	3,438,500
55,950	TOYS R US	1,608,563
83,000	US AIR GROUP	3,776,500
92,600	WAL-MART STORES INC.	3,530,375
83,600	WARNER COMMUNICATIONS	5,047,350
34,000	WELLMAN INC	913,750
52,000	WEYERHEUSER CO.	1,436,500
	TOTAL EQUITY PORTFOLIO	<u>\$ 119,269,684</u>

WADDELL & REED

79,000	AGENCY RENT A CAR	\$ 1,580,000
94,500	AMGEN CORP.	4,087,125
24,700	ANADARKO PETE CORP.	805,838
18,100	APPLE COMPUTER	746,625
186,700	BLACK & DECKER MFG CO	3,570,638
30,900	BOEING COMPANY	1,483,200
59,000	BP PRUDHOE BAY RTY TR	1,593,000
117,500	CAESAR'S WORLD	4,230,000
52,900	CALGON CARBON CORP	1,864,725
110,700	CETUS CORP	1,632,825
34,000	CHAMBERS DEV INC CL A	862,750
9,000	COMPAQ COMPUTER CORP	821,250
44,700	COMPUTER SCIENCES CORP.	2,341,163
49,400	CRYSTAL BRANDS INC	1,543,750
69,200	DIGITAL COMM. ASSOC.	1,384,000
52,500	DOWNEY SAVINGS & LN ASSN	1,371,563
52,000	E-SYSTEMS	1,566,500
55,000	FEDERAL NATL MORTGAGE ASSN	4,901,875
162,700	FLUOR CORP	4,799,650
39,900	GANNETT INC.	1,740,638
17,800	GENERAL MOTORS CORP CL E	898,900
59,000	GENUS INC	634,250
52,000	HILTON HOTELS CORP	5,122,000
115,000	HOLIDAY CORP	5,635,000
36,000	INLAND STEEL IND. INC.	1,444,500
96,100	JERRICO INC	1,681,750
34,100	LAMSON&SESSIONS CO	421,988
83,000	LIZ CLAIBORNE INC.	1,763,750
142,800	LOUISIANA PAC. CORP.	4,748,100
184,800	LSI LOGIC CORP.	1,640,100
38,600	MAY DEPT. STORES CO.	1,611,550
137,600	MCDERMOTT INTL INC	3,130,400
23,400	MCGRAW HILL INC.	1,629,225
42,900	MCI COMMUNICATION	1,549,763

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY ACCOUNT
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
ALLIANCE CAPITAL MANAGEMENT				
\$ 10,477,135	S.B.I MONEY FUND			\$ 10,477,135
29	TRANS WORLD AIRLINES	07/10/01	12.0000%	17
\$ 10,477,164	TOTAL FIXED INCOME PORTFOLIO			\$ 10,477,152
BMI CAPITAL MANAGEMENT				
\$ 3,101,390	S.B.I MONEY FUND			\$ 3,101,390
CONCORD CAPITAL MANAGEMENT				
\$ 2,301,771	S.B.I MONEY FUND			\$ 2,301,771
FORSTMANN LEFF ASSOCIATES				
\$ 67,321,653	S.B.I MONEY FUND			\$ 67,321,653
225,000	U.S.A. TREASURY BILL			220,895
5,425,000	PRICE CO CV	02/28/12	15.5000%	5,018,125
4,150,000	E-II HLDGS INC	03/01/99	13.0500%	2,905,000
\$ 77,121,653	TOTAL FIXED INCOME PORTFOLIO			\$ 75,465,673
FRANKLIN PORTFOLIO ASSOC TRUST				
\$ 461,077	S.B.I MONEY FUND			\$ 461,077
IDS ADVISORY				
\$ 3,539,790	S.B.I MONEY FUND			\$ 3,539,790
INVESTMENT ADVISORS INC.				
\$ 31,676,906	S.B.I MONEY FUND			\$ 31,676,906
LIEBER & COMPANY				
\$ 10,106,205	S.B.I MONEY FUND			\$ 10,106,205
37,506	PI HLDGS INC	03/01/04	11.8500%	20,628
210,000	CUC INTL INC ZERO CV	06/06/96	00.0000%	0
\$ 10,353,711	TOTAL FIXED INCOME PORTFOLIO			\$ 10,126,833
ROSENBERG CAPITAL MGMT.				
\$ 113,351	S.B.I MONEY FUND			\$ 113,351
SASCO CAPITAL INC.				
\$ 1,503,342	S.B.I MONEY FUND			\$ 1,503,342
WADDELL & REED				
\$ 34,084,026	S.B.I MONEY FUND			\$ 34,084,026

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE BOND MANAGERS ACCOUNT
INVESTMENT ADVISORS
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 1,460,081	FED HOME LN PC # 200059	11/01/2001	08.5000%	\$ 1,410,803
7,000,000	FINANCING CORP CPN FICO STRIPS	06/27/1993	00.0000%	5,014,450
1,000,000	FORD MTR CR CO	09/30/1991	09.0000%	1,001,730
4,047,136	GNMA POOL # 151275	10/15/2016	09.0000%	3,958,585
2,000,000	MCDONNELL DOUGLAS FINANCE CORP	09/16/1991	09.0000%	2,003,860
2,500,000	PACCAR FINL COPR	11/29/1991	09.4000%	2,527,575
2,750,000	PHH GROUP INC	08/15/1991	08.7500%	2,739,275
822,824	S.B.I MONEY FUND			822,824
13,550,000	U.S.A. TREASURY BOND	08/15/2017	08.8750%	14,722,888
4,750,000	U.S.A. TREASURY BOND	11/15/2018	09.0000%	5,251,695
1,650,000	U.S.A. TREASURY NOTE	08/15/1997	08.6250%	1,694,864
2,000,000	U.S.A. TREASURY NOTE	12/31/1992	09.1250%	2,060,620
9,100,000	UNITED STATES TREAS NTS	11/15/1998	08.8750%	9,520,875

\$ 52,630,041 TOTAL FIXED INCOME PORTFOLIO

\$ 52,730,043

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE BOND MANAGERS ACCOUNT
LEHMAN MANAGEMENT INC.
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 900,000	AMERICAN GEN FIN CORP	06/30/1991	08.6250%	\$ 897,156
2,400,000	ASSOCIATES CORP NORTH AMER	02/15/1992	08.8750%	2,398,176
2,000,000	ATLANTIC RICHFIELD CO	10/15/1989	09.7500%	2,002,560
2,000,000	CATERPILLAR INC	07/14/1989	08.0000%	1,918,160
2,500,000	FIRST CHICAGO CORP	07/01/1999	09.8750%	2,606,500
2,600,000	FORD MTR CR CO	09/25/1989	08.8500%	2,598,232
2,400,000	GENERAL ELEC CR CORP	12/15/2007	08.7500%	2,396,592
2,000,000	GENERAL MTRS ACCEP CORP	01/25/1990	08.3500%	1,993,640
955,643	GNMA POOL # 161211	11/15/2016	09.0000%	934,734
957,037	GNMA POOL # 182843	10/15/2016	09.0000%	936,097
1,021,505	GNMA POOL # 184906	01/15/2017	09.0000%	999,154
997,337	GNMA POOL # 224225	11/15/2018	09.0000%	975,515
995,402	GNMA POOL # 262993	12/15/2018	09.0000%	973,622
997,442	GNMA POOL # 269049	01/15/2019	09.0000%	975,618
2,100,000	GREAT WESTN FED SVGS BK	05/10/1991	08.6900%	2,092,230
1,500,000	HELLER FINANCIAL INC	04/01/1993	07.7500%	1,436,460
1,500,000	INTERNATIONAL LEASE FIN CORP	11/15/1990	08.8500%	1,512,855
1,000,000	KNIGHT RIDDER INC	01/15/1992	07.2500%	963,370
1,000,000	MICHIGAN BELL TEL CO	10/20/1989	09.4000%	1,004,040
2,000,000	REPUBLIC NATL BK NEW YORK NY	05/15/1992	08.6250%	1,980,660
2,200,000	RYDER SYS INC	01/31/1990	08.6000%	2,185,942
13,695,905	S.B.I MONEY FUND			13,695,905
5,000,000	U.S.A. TREASURY BOND	02/15/2019	08.8750%	5,470,300
8,050,000	U.S.A. TREASURY BOND	11/15/2018	09.0000%	8,900,241
2,000,000	U.S.A. TREASURY COUPON	05/15/1992	00.0000%	1,590,180
10,300,000	U.S.A. TREASURY COUPON	08/15/1992	00.0000%	8,028,541
2,000,000	U.S.A. TREASURY NO	10/15/1995	08.6250%	2,044,380
9,100,000	U.S.A. TREASURY NOTE	01/15/1994	07.0000%	8,716,071
7,400,000	U.S.A. TREASURY NOTE	05/15/1993	07.6250%	7,279,750
11,980,000	U.S.A. TREASURY NOTE	05/15/1996	07.3750%	11,493,253
8,000,000	U.S.A. TREASURY NOTES	05/15/1992	09.0000%	8,192,480
4,000,000	UNITED STATES TREAS NTS	02/15/1999	08.8750%	4,193,760
2,000,000	XEROX CR CORP	07/01/1990	08.2500%	1,984,980

\$ 117,550,270 TOTAL FIXED INCOME PORTFOLIO

\$ 115,371,153

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE BOND MANAGERS ACCOUNT
MILLER ANDERSON
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 2,000,000	AMERICAN GEN FIN CORP	06/15/1999	08.5000%	\$ 1,997,500
2,300,000	AMERICAN SEC BK	02/22/1990	00.0000%	2,300,000
1,500,000	ASSOCIATES CORP NORTH AMER	05/01/1997	09.7000%	1,557,255
2,300,000	BANK OF NEW ENGLAND CD	02/27/1990	00.0000%	2,300,000
1,100,000	BAXTER INTL INC	06/15/2008	09.5000%	1,148,323
1,500,000	CALFED INC	02/20/2001	06.5000%	1,582,500
2,625,000	CATERPILLAR INC	11/01/2001	08.0000%	2,456,134
2,500,000	CENTRUST	02/15/2018	08.5000%	2,486,575
2,200,000	CENTRUST SAVING BANK	10/27/1997	10.0000%	2,334,112
6,747,514	CHEMICAL MTG CO	01/15/1997	05.7620%	6,041,117
1,700,000	CHRYSLER FINL CORP	02/01/2018	08.5000%	1,682,320
1,500,000	CHRYSLER FINL CORP	09/21/1994	09.5000%	1,529,625
2,800,000	CITYPLACE CTR EAST CORP	02/15/1995	07.8750%	2,631,440
2,500,000	CRESTAR BANK	05/16/1990	00.0000%	2,500,000
1,700,000	CROSSLAND FDG CORP	06/15/1993	09.5000%	1,734,000
1,800,000	DEERE & CO	06/15/2019	08.9500%	1,802,250
1,379,953	DREXEL BURNHAM LAMBERT CMO TR	07/01/2003	00.0000%	876,270
1,900,000	ENRON CORP	05/15/2001	09.6500%	1,954,625
1,554,827	FEDERAL NATL MTG A	04/01/2017	00.0000%	946,501
44,671	FEDERAL NATL MTG A	07/01/2018	09.5000%	18,999
3,923,864	FEDERAL NATL MTG ASSN GTD	01/25/2011	00.0000%	3,277,643
1,577,272	FEDERAL NATL MTG ASSN GTD	03/25/2017	00.0000%	1,243,096
4,634,247	FEDERAL NATL MTG ASSN STRIP	09/29/2018	00.0000%	2,837,040
2,738,527	FEDERAL NATL MTG ASSN STRIP	11/01/2016	00.0000%	1,727,846
4,335,339	FEDERAL NATL MTG ASSN STRIPPED	01/01/2018	00.0000%	2,570,076
1,400,000	FEDERAL NATL MTG GTD	03/25/2019	00.0000%	706,132
1,660,030	FEDERAL NATL MTG GTD	11/25/2018	00.0000%	1,082,655
2,683,517	FIRST BOSTON MTG SECS CORP	04/16/2018	00.0000%	1,670,489
1,600,000	FIRST NATIONWIDE BK FED SVGS	06/25/1993	09.0800%	1,613,008
2,513,741	FNMA POOL # 019084	08/01/2006	07.0000%	2,208,950
3,100,000	FORD MOTOR CR CO MED TERM NT	05/24/1993	09.5500%	3,109,703
4,005,078	FORTUNE MORTGAGE CORP	05/01/2003	07.9430%	3,764,653
1,500,000	FULTON FED SVGS BK ATLANTA GA	04/01/1993	10.3750%	1,569,375
1,700,000	GENERAL MTRS ACCEP CORP	06/15/1999	08.6250%	1,716,915
2,597,444	GLENDALE FED SVGS & LN ASSN	03/01/2028	00.0000%	2,594,197
1,395,807	GS TR 4	05/01/2019	04.5890%	862,790
62,175	HILL FINL SVGS ASSN PART CTF	01/01/1990	05.8250%	61,184
2,000,000	HOME OWNERS FEDERAL SVGS # LN	10/27/1997	10.0000%	2,121,020
1,700,000	HOUSEHOLD FIN CORP	10/08/2003	10.2500%	1,700,000
2,300,000	ITT CORP	02/01/2008	08.8750%	2,295,377
8,600,000	LOMAS & NETTLETON FINL CORP	09/03/2001	00.0000%	2,515,500
2,100,000	MARRIOTT CORP	06/15/2007	09.3750%	2,164,638
5,200,000	MARYLAND BANK NA WILMINGTON DE	12/19/1989	00.0000%	5,200,000
2,643,226	MIDWEST FEDERAL SAVINGS & LOAN	04/01/2011	08.8100%	2,453,390
5,000,000	P-B CMO TR 8	03/01/2019	07.9650%	4,418,750
2,900,000	PHILADELPHIA SVG FD SOC	11/15/1994	12.0000%	3,230,774
5,000,000	RURAL HSG TRUST	04/01/2026	06.3300%	4,050,000
15,371,852	S.B.I MONEY FUND			15,371,852
2,300,000	SEARS SVGS BK GLENDALE CA	02/20/1990	00.0000%	2,300,000
5,737,227	TALMAN FED SVGS & LN	03/01/2008	09.1650%	5,707,967
2,900,000	TRANSAMERICA FINL CORP	02/15/1993	08.3750%	2,857,950
11,102,958	TRI CITY PPTY INV CORP	03/01/2000	00.0000%	4,093,327
7,000,000	U.S.A. TREASURY NO	10/15/1995	08.6250%	7,155,330

MINNESOTA STATE BOARD OF INVESTMENT
 ACTIVE BOND MANAGERS ACCOUNT
 MILLER ANDERSON
 ALPHABETICAL FIXED INCOME HOLDINGS
 JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 4,700,000	U.S.A. TREASURY NOTE	03/31/1991	06.7500%	\$ 4,592,793
3,300,000	U.S.A. TREASURY NOTE	07/15/1995	08.8750%	3,410,847
3,100,000	UNITED AIR LINES INC	06/15/1998	13.0000%	3,255,000
7,739,926	UNITED SAVINGS HOUSTON	05/01/2008	09.0410%	5,559,589
6,061,490	VIRGINIA BEACH FED SAVINGS & L	02/01/2000	08.2470%	5,651,976
1,700,000	WASTE MANAGEMENT	05/01/2018	08.7500%	1,705,763
2,400,000	WESTPAC BK NY	11/28/1990	00.0000%	2,400,000

\$ 193,935,683	TOTAL FIXED INCOME PORTFOLIO	\$ 166,707,138
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MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE BOND MANAGERS ACCOUNT
MORGAN STANLEY ASSET
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 5,000,000	CATERPILLAR INC	06/01/2019	09.7500%	\$ 5,050,000
7,500,000	CHRYSLER FIN CORP	08/01/1993	09.6500%	7,606,275
4,000,000	DEERE & CO	06/15/2019	08.9500%	4,005,000
5,000,000	EASTMAN KODAK CO	03/15/1994	10.0500%	5,158,550
9,351,399	FED HM LN PC # 219723	09/01/2003	08.5000%	9,006,519
7,292,484	FED HM LN POOL # 170170	06/01/2016	09.0000%	7,055,478
500,000	FEDERAL HOME LN BKS	06/25/1999	08.6000%	504,850
7,000,000	FEDERAL NATL MTG ASSN	07/25/1998	09.5000%	7,105,000
9,917,695	FEDERAL NATL MTG ASSN GTD	07/25/2003	09.4000%	9,818,518
7,365,082	FEDERAL NATL MTG ASSN GTD	10/25/2017	09.4000%	7,405,737
6,000,000	FORD MTR CR CO MED TERM	05/20/1994	09.4500%	6,138,480
6,000,000	GENERAL MTRS ACCEPT CORP	05/01/1993	09.8750%	6,210,000
3,000,000	MANITOBA PROV CDA	01/15/2018	09.1250%	3,224,610
5,000,000	OCCIDENTAL PETE CORP	06/01/2019	11.1250%	5,140,950
542,652	S.B.I MONEY FUND			542,652
6,000,000	SEAGRAM JOSEPH E & SONS INC	08/15/2018	09.6500%	6,505,020
10,000,000	SHEARSON LEHMAN HUTTON INC	04/29/1996	10.7500%	10,489,300
6,000,000	TIMES MIRROR CO	06/15/1999	08.7000%	6,006,660
3,000,000	XEROX CORP	06/15/1994	09.1250%	3,021,360

\$ 108,469,311 TOTAL FIXED INCOME PORTFOLIO

\$ 109,994,959

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE BOND MANAGERS ACCOUNT
WESTERN ASSET MANAGEMENT
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 2,500,000	AMERICAN MED INTL	07/15/1991	09.5000%	\$ 2,516,275
5,000,000	BRITISH GAS FINANCE	03/15/1998	08.7500%	5,026,000
1,000,000	BRITISH TELECOM FIN INC	02/15/1999	09.3750%	1,045,810
3,000,000	CATERPILLAR INC	06/01/2019	09.7500%	3,030,000
1,700,000	CHRSYLER FINL CORP	06/01/2008	09.5000%	1,722,695
3,400,000	COMMERCIAL INC	06/15/2009	08.7000%	3,352,740
3,000,000	CTC MANSFIELD FDG CORP	09/30/2016	11.1250%	3,140,070
17,400,000	DEERE & CO.	11/15/2002	08.0000%	17,008,152
2,440,000	DQU FUNDING CORP	12/01/2016	11.9500%	2,628,856
4,300,000	FARM CR SYS FINL ASSISTANCE	07/21/2003	09.3750%	4,665,500
6,095,150	FED HM LN PC # 220009	08/01/2001	08.2500%	5,791,916
2,786,827	FED HM LN POOL # 181257	01/01/2009	08.0000%	2,577,815
3,374,241	FEDERAL HOME LN MTG CORP PARTN	12/31/2014	10.2500%	3,399,547
591,902	FEDERAL NATIONAL MTG. AS. STR.	03/01/2009	06.5000%	491,646
1,567,568	FEDERAL NATL MTG ASSN STRIPPED	11/08/2008	06.0000%	1,270,216
7,059,818	FEDERAL NATL MTG ASSN STRIP	01/01/2006	05.0000%	5,504,399
13,633,740	FHA CITICORP #136	05/01/2023	07.4300%	11,581,999
5,078,979	FHA NORWEST # 2	11/01/2019	07.3200%	4,581,036
4,163,974	FHA REILLY PROJ #48	07/01/2023	07.4300%	3,537,546
4,253,045	GNMA POOL # 000797	01/01/2023	07.2500%	3,779,894
4,000,000	GGIA FDG CORP	01/15/2014	11.5000%	4,100,000
979,250	GNMA POOL # 177740	04/15/2017	07.5000%	886,525
958,160	GNMA POOL # 178084	04/15/2017	07.5000%	867,432
979,751	GNMA POOL # 183995	02/15/2017	07.5000%	886,978
980,407	GNMA POOL # 203754	05/15/2017	07.5000%	887,572
2,012,503	GNMA POOL # 204135	06/15/2017	07.5000%	1,821,939
980,978	GNMA POOL # 210458	04/15/2017	07.5000%	888,089
192,648	GNMA POOL # 211812	04/15/2017	07.5000%	174,406
978,947	GNMA POOL # 213457	06/15/2017	07.5000%	886,250
3,600,000	GTE CORP	05/01/2019	10.2500%	3,810,204
5,000,000	HOME FED SVGS & LN ASSN SAN	01/25/1991	09.3750%	5,000,000
3,423,000	LITTON INDS INC	07/01/2005	12.6250%	3,916,973
5,500,000	MANITOBA PROV CDA	03/15/1999	09.6250%	5,841,880
2,475,000	MCI COMMUNICATIONS	04/01/2011	10.0000%	2,410,031
5,000,000	OCCIDENTAL PETE CORP	06/01/2019	11.1250%	5,140,950
2,500,000	PNPP FUNDING CORP	05/30/2016	12.0000%	2,706,025
21,428,963	S.B.I MONEY FUND			21,428,963
214,000	STANDARD OIL CO	03/15/1992	00.0000%	168,422
214,000	STANDARD OIL CO	12/15/1990	00.0000%	188,296
38,080	STUDENT LN MARKETI		00.0000%	809,200
25,100	STUDENT LN MARKETI		00.0000%	1,569
5,850,000	STUDENT LN MKT ASS	08/01/1991	05.6000%	5,539,190
5,500,000	SYSTEM ENERGY RESOURCES	09/01/1996	10.5000%	5,513,750
2,600,000	TENNECO INC	03/15/2008	10.0000%	2,792,998
4,365,000	U.S.A. TREASURY NO	10/15/1995	08.6250%	4,461,859
8,000,000	U.S.A. TREASURY NOTE	05/15/1992	13.7500%	9,124,960
21,768,000	U.S.A. TREASURY NOTE	05/15/1996	07.3750%	20,883,566
1,175,000	UNITED STATES TREAS NTS	08/15/1993	08.7500%	1,199,781
6,910,000	UNITED STATES TREAS NTS	11/15/1998	08.8750%	7,229,588
140	US TREAS BD AUG CALL	08/18/1989	00.0000%	1,386,840
40	US TREAS BD AUG CALL	08/18/1989	00.0000%	404,760
-60	US TREAS BD AUG CALL	08/18/1989	00.0000%	-154,860
40	US TREAS BD AUG PUT	08/18/1989	00.0000%	2,760
140	US TREAS BD AUG PUT	08/18/1989	00.0000%	19,320
-25	US TREAS BD SEPT	01/01/1900	00.0000%	0
-64	US TREAS BD SEPT	01/01/1900	00.0000%	0
-40	US TREAS BD SEPT	01/01/1900	00.0000%	0
\$ 209,994,201	TOTAL FIXED INCOME PORTFOLIO			\$ 207,878,328

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE BOND MANAGERS ACCOUNT
FIDELITY MANAGEMENT TRUST
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 2,000,000	AFRICAN DEV BK	12/15/1995	09.5000%	\$ 2,071,740
3,000,000	ASSOCIATES CORP NORTH AMER	06/01/1996	08.3750%	2,982,720
1,829,174	BEAR STEARNS SECD INVS INC	12/01/2018	09.0500%	1,820,595
1,788,433	BEAR STEARNS SECD INVS INC	12/01/2018	00.0000%	1,478,247
2,000,000	CHRYSLER FINL CORP	09/21/1994	09.5000%	2,039,500
10,000,000	CHRYSLER FINL CORP	11/01/1992	09.5000%	10,135,200
2,600,000	CONSUMERS PWR CO	02/15/1998	08.7500%	2,587,754
3,000,000	CONTINENTAL ILL CORP	03/15/1995	09.7500%	3,038,040
774,706	FED HM LN PC # 140186	11/01/2003	07.0000%	683,190
1,956,775	FED HM LN PC # 160099	01/01/2010	12.5000%	2,078,447
2,672,544	FED HM LN PC # 181419	10/01/2007	08.0000%	2,472,103
271,993	FED HM LN PC # 181535	06/01/2009	08.5000%	257,373
81,249	FED HM LN PC # 183320	04/01/2011	07.0000%	71,651
849,088	FED HM LN PC # 183352	12/01/2008	09.0000%	821,492
2,246,414	FED HM LN PC # 183354	11/01/2010	06.0000%	1,891,189
2,242,418	FED HM LN PC # 184989	06/01/2009	08.0000%	2,074,237
248,270	FED HM LN PC # 186988	01/01/2009	09.0000%	240,202
760,101	FED HM LN PC # 188844	08/01/2008	07.5000%	687,891
641,240	FED HM LN PC # 200007	02/01/2000	11.5000%	671,494
99,441	FED HM LN PC # 253863	03/01/2010	09.2500%	96,395
212,344	FED HM LN PC # 255955	04/01/2010	09.0000%	205,443
134,493	FED HM LN PC # 258115	11/01/2009	09.0000%	130,122
119,031	FED HM LN PC # 279794	03/01/2011	09.0000%	115,163
728,994	FED HM LN PC # 287482	03/01/2017	07.0000%	642,878
460,399	FED HM LN PC # 292346	07/01/2006	08.5000%	435,653
1,015,477	FED HM LN PC # 304981	06/01/2018	09.5000%	1,002,459
1,967,608	FED HM LN PC # 305552	07/01/2018	09.5000%	1,942,383
2,866,634	FED HM LN PC # 305850	07/01/2018	09.0000%	2,773,469
936,770	FED HM LN PC # 306381	08/01/2018	09.0000%	906,325
1,413,002	FED HM LN POOL # 188689	10/01/2007	08.0000%	1,307,027
743,362	FED HM LN POOL # 210229	09/01/2000	11.0000%	770,309
165,603	FED HM LN POOL # 210388	10/01/2000	11.2500%	171,994
706,940	FED HM LN POOL # 210589	12/01/2000	11.0000%	732,566
712,298	FED HM LN POOL # 255674	11/01/1999	09.0000%	689,149
942,652	FED HM LN POOL # 271338	11/01/2007	07.2500%	834,832
5,500,000	FEDERAL FARM CREDIT BANK	09/01/1989	08.7500%	5,493,125
4,000,000	FEDERAL NATL MTG ASSN	02/10/1996	07.0000%	3,646,240
1,300,000	FINANCING CORP CPN FICO STRIPS	02/08/1992	00.0000%	1,045,317
1,000,000	FINANCING CORP CPN FICO STRIPS	05/11/1991	00.0000%	856,900
3,800,000	FINANCING CORP CPN FICO STRIPS	05/11/1992	00.0000%	2,979,770
9,786,000	FINANCING CORP CPN FICO STRIPS	06/06/1990	00.0000%	9,066,044
5,000,000	FINANCING CORP CPN FICO STRIPS	06/06/1991	00.0000%	4,259,550
1,000,000	FINANCING CORP CPN FICO STRIPS	06/27/1993	00.0000%	716,350
1,175,000	FINANCING CORP CPN FICO STRIPS	08/03/1992	00.0000%	907,241
1,300,000	FINANCING CORP CPN FICO STRIPS	08/08/1991	00.0000%	1,091,558
2,300,000	FINANCING CORP CPN FICO STRIPS	08/08/1992	00.0000%	1,773,806
2,000,000	FINANCING CORP CPN FICO STRIPS	11/11/1990	00.0000%	1,786,520
8,000,000	FINANCING CORP CPN FICO STRIPS	12/27/1993	00.0000%	5,497,040
3,000,000	FIRST CHICAGO CORP	06/01/1998	08.5000%	2,934,030
1,500,000	FIRST NATIONWIDE BK SAN	08/23/1991	09.4500%	1,488,090
807,420	FNMA POOL # 000248	09/01/2010	08.5000%	767,299
742,620	FNMA POOL # 000704	06/01/2010	08.5000%	705,719
1,884,703	FNMA POOL # 002494	04/01/2008	08.0000%	1,758,654
669,367	FNMA POOL # 044049	04/01/2008	08.0000%	624,600
201,131	FNMA POOL # 045986	04/01/2002	08.0000%	191,578

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE BOND MANAGERS ACCOUNT
FIDELITY MANAGEMENT TRUST
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 491,776	FNMA POOL # 046584	05/01/2002	08.0000%	\$ 468,417
470,553	FNMA POOL # 046845	04/01/2002	08.0000%	448,202
145,108	FNMA POOL # 047227	04/01/2002	08.0000%	138,215
990,166	FNMA POOL # 050065	04/01/2018	09.0000%	962,006
195,486	FNMA POOL # 050078	06/01/2003	08.5000%	188,826
162,520	FNMA POOL # 052998	07/01/2002	08.0000%	154,800
1,015,780	FNMA POOL # 058397	03/01/2018	09.0000%	986,891
250,884	FNMA POOL # 060125	05/01/2003	08.5000%	242,336
1,004,773	FNMA POOL # 061281	05/01/2018	09.0000%	976,197
277,679	FNMA POOL # 062485	06/01/2003	08.0000%	264,489
478,876	FNMA POOL # 062502	06/01/2003	08.0000%	456,129
618,321	FNMA POOL # 062556	06/01/2003	08.0000%	588,951
1,908,208	FNMA POOL # 062925	06/01/2018	09.5000%	1,892,695
2,776,383	FNMA POOL # 064256	08/01/2018	09.0000%	2,697,422
91,488	FNMA POOL # 064374	07/01/2018	09.0000%	88,886
108,629	FNMA POOL # 064413	09/01/2018	09.0000%	105,540
58,948	FNMA POOL # 067684	11/15/2018	09.0000%	57,272
1,133,582	FNMA POOL # 50097	07/01/2018	09.5000%	1,124,366
681,075	FNMA POOL # 50099	08/01/2003	08.5000%	657,870
857,690	FNMA POOL # 50109	08/01/2018	10.0000%	867,065
841,354	FNMA POOL # 63571	07/01/2003	08.5000%	812,689
1,014,775	FNMA POOL # 63983	08/01/2018	10.0000%	1,025,867
149,218	FNMA POOL # 64565	08/01/2018	10.0000%	150,849
899,095	FNMA POOL # 8245	12/01/2008	08.0000%	834,468
5,400,000	FORD MTR CR CO	03/25/1998	09.0000%	5,430,942
1,000,000	FORD MTR CR CO	04/01/1997	08.0000%	943,020
1,500,000	GENERAL ELEC CAP CORP	01/15/1991	08.2500%	1,487,370
3,000,000	GENERAL MTRS ACCEP CORP	05/01/1997	08.3750%	2,981,220
292,949	GNMA II POOL # 115563	06/20/2014	12.5000%	320,961
295,182	GNMA II POOL # 121529	02/21/2015	12.0000%	320,087
156,366	GNMA POOL # 050936	10/15/2011	15.0000%	174,249
274,606	GNMA POOL # 051011	02/15/2012	15.0000%	306,013
355,515	GNMA POOL # 052820	07/15/2012	15.0000%	396,176
80,037	GNMA POOL # 054838	09/15/2012	15.0000%	89,191
315,696	GNMA POOL # 068121	05/15/2013	12.0000%	342,332
195,001	GNMA POOL # 115029	12/15/2014	13.0000%	215,477
529,858	GNMA POOL # 122005	01/15/2015	12.5000%	580,523
545,853	GNMA POOL # 128012	03/15/2015	13.0000%	603,167
1,378,336	GNMA POOL # 128071	05/15/2000	11.5000%	1,456,294
2,934,172	GNMA POOL # 200914	04/15/2017	08.0000%	2,733,357
505,555	GNMA POOL # 203481	08/15/2018	10.0000%	516,136
503,942	GNMA POOL # 210816	09/15/2018	10.0000%	514,489
974,008	GNMA POOL # 214007	06/15/2018	09.0000%	952,697
196,374	GNMA POOL # 216114	11/15/2017	10.0000%	200,484
422,279	GNMA POOL # 216690	08/15/2017	10.0000%	431,117
2,017,962	GNMA POOL # 224154	06/15/2018	09.0000%	1,973,809
981,038	GNMA POOL # 225781	06/15/2018	09.5000%	980,420
1,007,647	GNMA POOL # 229297	06/15/2018	09.0000%	985,600
212,242	GNMA POOL # 237713	11/15/2017	10.0000%	216,684
484,170	GNMA POOL # 250198	05/15/2018	09.0000%	473,576
477,606	GNMA POOL # 251278	09/15/2018	10.0000%	487,602
501,020	GNMA POOL # 251324	06/15/2018	09.0000%	490,058
263,888	GNMA POOL # 252286	08/15/2018	10.0000%	269,411
1,008,539	GNMA POOL # 252554	06/15/2018	09.0000%	986,472
1,993,163	GNMA POOL # 252954	08/15/2018	09.5000%	1,991,907

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE BOND MANAGERS ACCOUNT
FIDELITY MANAGEMENT TRUST
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 913,786	GNMA POOL # 254430	05/15/2018	09.0000%	\$ 893,792
977,443	GNMA POOL # 255149	12/15/2018	10.0000%	997,901
473,601	GNMA POOL # 255309	08/15/2018	10.0000%	483,513
43,447	GNMA POOL # 256063	06/15/2018	10.0000%	44,357
998,582	GNMA POOL # 257071	06/15/2018	09.0000%	976,733
499,157	GNMA POOL # 258289	02/15/2019	10.0000%	509,604
404,893	GNMA POOL # 259737	08/15/2018	10.0000%	413,368
498,451	GNMA POOL # 263657	12/15/2018	10.0000%	508,884
359,856	GNMA POOL # 264467	05/15/2019	10.0000%	367,387
979,532	GNMA POOL # 264931	05/15/2019	10.0000%	1,000,034
975,862	GNMA POOL # 273466	05/15/2019	10.0000%	996,286
139,944	GNMA POOL # 275191	05/15/2019	10.0000%	142,873
479,800	GNMA POOL # 277317	05/15/2019	10.0000%	489,842
769,648	GNMA POOL # 278028	05/15/2019	10.0000%	785,757
3,000,000	HERTZ CORP	03/01/1996	08.5000%	2,974,320
3,500,000	HOUSEHOLD FIN CORP	02/15/1993	08.4000%	3,487,330
3,000,000	INTER AMERICAN DEV. BANK	10/15/1997	09.5000%	3,148,890
625,000	INTERNATIONAL BK FOR RECON &	06/01/1992	14.7500%	719,981
1,000,000	INTERNATIONAL LEASE FIN CORP	02/01/1992	07.6000%	962,860
3,000,000	MANITOBA PROV CDA	01/15/2018	09.1250%	3,224,610
5,500,000	MANUFACTURERS HANOVER CORP	02/15/1999	08.5000%	4,950,550
4,250,000	MBNA CR CARD TR 1988-C	06/15/1994	09.6500%	4,296,198
1,000,000	MICHIGAN NATL BK DETROIT	03/30/1990	07.9500%	995,179
3,000,000	NORINCHUKIN NK	03/13/1991	10.2500%	3,045,000
2,000,000	PHILIP MORRIS COS INC	05/15/1998	09.0000%	1,996,300
3,000,000	PHILLIP MORRIS COS INC.	08/01/1996	07.5000%	2,909,130
2,000,000	PITNEY BOWES CR CORP	02/15/2008	08.6250%	1,986,140
6,581,171	S.B.I MONEY FUND			6,581,171
4,000,000	SEARS CREDIT ACCOUNT TR	12/15/1993	09.3500%	4,029,520
2,000,000	SOUTHERN CALIF GAS CO	06/15/1998	09.3750%	2,024,000
6,500,000	SWEDISH EXPT CR CO	03/15/1990	09.8000%	6,531,590
4,250,000	U.S.A. TREASURY BOND	02/15/2000	07.8750%	4,151,698
3,200,000	U.S.A. TREASURY BOND	02/15/2006	09.3750%	3,557,984
8,750,000	U.S.A. TREASURY BOND	02/15/2019	08.8750%	9,573,025
9,500,000	U.S.A. TREASURY BOND	05/15/2016	07.2500%	8,633,125
12,250,000	U.S.A. TREASURY BOND	08/15/2005	10.7500%	15,010,048
3,000,000	U.S.A. TREASURY BOND	11/15/2012	10.3750%	3,601,860
3,000,000	U.S.A. TREASURY BOND	11/15/2015	09.8750%	3,568,110
10,000,000	U.S.A. TREASURY COUPON	05/15/1999	00.0000%	4,533,700
10,000,000	U.S.A. TREASURY COUPON	11/15/2000	00.0000%	4,020,000
3,400,000	U.S.A. TREASURY NOTE	01/15/1990	10.5000%	3,436,108
2,100,000	U.S.A. TREASURY NOTE	02/15/1991	09.1250%	2,130,177
10,600,000	U.S.A. TREASURY NOTE	03/31/1992	07.8750%	10,550,286
4,300,000	U.S.A. TREASURY NOTE	04/15/1995	08.3750%	4,344,333
13,700,000	U.S.A. TREASURY NOTE	05/15/1993	07.6250%	13,477,375
12,900,000	U.S.A. TREASURY NOTE	05/15/1996	07.3750%	12,375,873
6,500,000	U.S.A. TREASURY NOTE	05/15/1997	08.5000%	6,625,905
3,000,000	U.S.A. TREASURY NOTE	08/15/1997	08.6250%	3,081,570
3,000,000	U.S.A. TREASURY NOTE	11/15/1995	09.5000%	3,192,180
1,400,000	U.S.A. TREASURY NOTE	11/15/1997	08.8750%	1,459,500
3,000,000	UNITED STATES TREAS NTS	11/15/1998	08.8750%	3,138,750
-31	US TREAS NT SEPT FUTURE		00.0000%	0

\$ 343,899,208

TOTAL FIXED INCOME PORTFOLIO

\$ 327,424,656

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE BOND MANAGERS ACCOUNT
LINCOLN CAPITAL MANAGEMENT
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 475,000	AFRICAN DEV BK	11/01/1997	10.0000%	\$ 507,694
385,000	AMOCO CO	08/15/1996	07.8750%	368,360
895,000	ARIZONA PUB SVC CO	02/01/2017	09.0000%	836,503
1,380,000	ASSOCIATES CORP NORTH AMER	05/01/1991	08.3000%	1,368,353
785,000	BALTIMORE GAS & ELEC CO	01/01/2002	07.1250%	688,225
965,000	BECTON DICKINSON & CO E GIVEN	12/15/1996	07.8750%	884,886
625,000	BENEFICIAL CORP	01/15/1993	09.3750%	628,694
775,000	BRITISH COLUMBIA HYDRO & PWR	04/15/2011	15.0000%	1,037,004
1,105,000	CAROLINA PWR & LT	01/01/2001	07.3750%	977,107
545,000	CHEVRON CAP USA INC	03/01/1997	07.8750%	512,758
140,000	CHRYSLER CORP	07/15/1994	09.6000%	142,710
165,000	CHRYSLER CORP	11/15/2015	12.0000%	178,058
460,000	CHRYSLER FIN CORP	11/01/1999	12.7500%	554,599
520,000	CHRYSLER FINL CORP	11/01/1992	09.5000%	527,030
860,000	CIT GROUP HLDGS INC	02/15/1992	07.4000%	826,873
125,000	CITICORP	07/01/2007	08.1250%	113,289
600,000	COMMONWEALTH EDISON CO	10/15/2003	08.0000%	540,498
950,000	CONNECTICUT LIGHT & POWER CO	11/01/2018	09.7500%	947,473
150,000	CONSOLIDATED NAT GAS CO	12/01/2011	08.6250%	144,416
460,000	CORNING GLASS WKS	11/01/1996	08.3750%	440,910
520,000	DOW CHEMICAL	04/01/2006	08.6250%	508,810
610,000	DU PONT (E.I.) DENEMOURS	12/01/2001	06.0000%	481,900
215,000	DUKE PWR CO	03/01/1997	07.5000%	198,224
1,055,000	DUKE PWR CO	06/01/2003	07.7500%	971,940
595,000	EATON CORP	01/15/2017	08.5000%	541,402
340,000	EATON CORP	04/01/2011	07.0000%	269,576
830,000	EXPORT DEV CORP	02/01/1997	07.3750%	777,486
860,000	FARM CR CORP	12/24/1996	07.5000%	809,277
580,022	FED HM LN PC # 284283	01/01/2017	09.0000%	561,172
64,646	FED HM LN PC # 295485	06/01/2017	09.0000%	62,545
401,340	FED HM LN PC # 297604	07/01/2017	09.0000%	388,296
111,131	FED HM LN PC # 298955	08/01/2017	09.0000%	107,519
68,306	FED HM LN PC # 302270	01/01/2018	09.0000%	66,086
72,777	FED HM LN PC # 303011	03/01/2018	09.0000%	70,411
53,995	FED HM LN PC # 303434	04/01/2018	09.0000%	52,240
55,727	FED HM LN PC # 303742	04/01/2018	09.0000%	53,916
748,185	FED HM LN PC # 304441	05/01/2018	09.0000%	723,869
58,769	FED HM LN PC # 304729	05/01/2018	09.0000%	56,859
1,007,680	FED HM LN PC # 304904	06/01/2018	09.0000%	974,930
1,012,142	FED HM LN PC # 305135	04/01/2018	09.0000%	979,248
1,010,720	FED HM LN PC # 305138	04/01/2018	09.0000%	977,872
2,001,771	FED HM LN PC # 305725	07/01/2018	09.0000%	1,936,713
85,274	FED HM LN PC # 306714	08/01/2018	09.0000%	82,502
2,015,058	FED HM LN PC # 306948	09/01/2018	09.0000%	1,949,568
71,338	FED HM LN PC # 308216	11/01/2018	09.0000%	69,020
55,762	FED HM LN PC # 308459	10/01/2018	09.0000%	53,950
83,850	FED HM LN PC # 308650	11/01/2018	09.0000%	81,125
312,735	FED HM LN PC # 309267	12/01/2018	09.0000%	302,571
2,037,115	FED HM LN PC # 309384	12/01/2018	09.0000%	1,970,908
180,755	FED HM LN PC # 309386	12/01/2018	09.0000%	174,880
1,009,993	FED HM LN PC # 309542	12/01/2018	09.0000%	977,168
241,623	FED HM LN PC # 309564	12/01/2018	09.0000%	233,771
399,643	FED HM LN PC # 360058	04/01/2019	09.5000%	394,520
1,135,000	FEDERAL FARM CREDIT BANK	01/20/1993	10.6500%	1,221,544
3,055,000	FEDERAL HOME LN MTG CORP	02/15/2020	07.9000%	2,599,500
1,385,000	FEDERAL HOME LOAN BANK	05/25/1993	10.7500%	1,497,531
3,125,000	FEDERAL HOME LOAN BANK	07/26/1993	11.7000%	3,468,750

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE BOND MANAGERS ACCOUNT
LINCOLN CAPITAL MANAGEMENT
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 1,625,000	FEDERAL NATIONAL MORTGAGE ASSN	01/11/1993	10.9000%	\$ 1,755,000
325,000	FEDERAL NATIONAL MORTGAGE ASSN	02/10/1995	11.5000%	367,656
2,170,000	FEDERAL NATIONAL MORTGAGE ASSN	06/10/1992	10.1250%	2,270,363
450,000	FEDERAL NATIONAL MORTGAGE ASSN	07/10/1996	08.0000%	440,577
580,000	FLORIDA PWR & LT CO	04/01/2017	09.7500%	584,565
510,000	FLORIDA PWR & LT CO	11/01/2018	09.8000%	524,642
527,435	FNMA POOL # 007424	07/01/2014	11.5000%	552,156
205,233	FNMA POOL # 013532	11/01/2015	11.5000%	214,853
204,603	FNMA POOL # 019999	11/01/2015	11.5000%	214,193
155,806	FNMA POOL # 022642	12/01/2015	11.5000%	163,108
265,550	FNMA POOL # 022752	01/01/2016	11.5000%	277,997
254,361	FNMA POOL # 025622	02/01/2016	11.5000%	266,283
181,011	FNMA POOL # 029017	03/01/2014	11.5000%	189,495
45,615	FNMA POOL # 044688	04/01/2002	07.5000%	42,664
537,505	FNMA POOL # 044691	04/01/2002	07.5000%	502,733
45,311	FNMA POOL # 045371	04/01/2002	07.5000%	42,379
353,615	FNMA POOL # 046551	05/01/2002	07.5000%	330,740
138,678	FNMA POOL # 046655	01/01/2016	11.5000%	145,177
455,176	FNMA POOL # 047134	05/01/2002	07.5000%	425,730
459,074	FNMA POOL # 047233	05/01/2002	07.5000%	429,377
435,261	FNMA POOL # 048313	07/01/2002	07.5000%	407,104
24,640	FNMA POOL # 049389	06/01/2002	07.5000%	23,046
83,256	FNMA POOL # 049521	06/01/2002	07.5000%	77,871
187,512	FNMA POOL # 051614	02/01/2016	11.5000%	196,301
308,112	FNMA POOL # 051821	06/01/2002	07.5000%	288,180
442,464	FNMA POOL # 053161	07/01/2017	11.5000%	463,202
420,585	FNMA POOL # 054457	07/01/2002	07.5000%	393,377
135,830	FNMA POOL # 055385	05/01/2015	11.5000%	142,196
5,182,140	FNMA POOL # 059124	03/01/2008	07.0000%	4,553,806
209,480	FNMA POOL # 065744	11/01/2010	11.5000%	219,299
1,168,028	FNMA POOL # 067743	02/01/2016	11.5000%	1,222,774
911,325	FNMA POOL # 071883	02/01/2019	11.5000%	954,039
1,170,000	FORD MTR CR CO	08/15/1994	09.1250%	1,187,351
440,000	FORD MTR CR CORP	03/01/1994	07.5000%	418,440
885,000	GENERAL ELEC CR CORP	11/01/2001	05.5000%	673,397
610,000	GENERAL MOTORS ACCEPT CORP.	01/15/2002	08.0000%	559,486
980,000	GENERAL MTRS ACCEP CORP	12/15/2001	05.5000%	731,109
1,200,000	GEORGIA POWER CO	08/01/2016	10.0000%	1,215,612
198,652	GNMA POOL # 023954	12/15/2008	09.0000%	194,305
703,120	GNMA POOL # 026867	02/15/2009	09.0000%	687,735
366,244	GNMA POOL # 029016	02/15/2009	09.0000%	358,230
539,005	GNMA POOL # 029031	12/15/2008	09.0000%	527,212
315,480	GNMA POOL # 030999	03/15/2009	09.0000%	308,578
682,073	GNMA POOL # 031469	05/15/2009	09.0000%	667,149
153,144	GNMA POOL # 034820	10/15/2009	09.0000%	149,793
3,866,737	GNMA POOL # 205929	03/15/2017	08.0000%	3,602,097
1,955,166	GNMA POOL # 208547	05/15/2017	08.0000%	1,821,355
718,917	GNMA POOL # 22906	09/15/2008	09.0000%	703,187
119,855	GNMA POOL # 23426	11/15/2008	09.0000%	117,233
122,057	GNMA POOL # 23428	11/15/2008	09.0000%	119,386
509,523	GNMA POOL # 263472	04/15/2019	10.5000%	529,741
119,910	GNMA POOL # 271385	04/15/2019	10.5000%	124,668
556,874	GNMA POOL # 28365	12/15/2008	09.0000%	544,690
111,756	GNMA POOL # 30057	06/15/2009	09.0000%	109,311
109,497	GNMA POOL # 30871	05/15/2009	09.0000%	107,101
702,535	GNMA POOL # 31409	05/15/2009	09.0000%	687,163
256,161	GNMA POOL # 37485	11/15/2009	09.0000%	250,556

MINNESOTA STATE BOARD OF INVESTMENT
PASSIVE BOND MANAGERS ACCOUNT
LINCOLN CAPITAL MANAGEMENT
ALPHABETICAL FIXED INCOME HOLDINGS
JUNE 30, 1989

PAR VALUE	SECURITY	MATURITY DATE	COUPON	MARKET VALUE
\$ 375,000	HOUSEHOLD FIN CORP	08/15/1991	08.5000%	\$ 371,715
565,000	HOUSEHOLD FIN CORP	11/01/1991	07.7500%	550,982
795,000	HOUSTON LTG & PWR	02/01/2019	10.2500%	814,414
1,685,000	INTERNATIONAL BK FOR RECON	12/15/1994	11.6250%	1,892,036
320,000	ITT CORP	04/15/1993	07.8750%	308,723
490,000	MANITOBA PROV CDA	07/17/2016	07.7500%	472,801
505,000	MARTIN-MARIETTA CORP.	03/15/2011	07.0000%	395,021
395,000	MID-ST TR II	04/01/1998	09.3500%	398,950
900,000	NEW ENGLAND TEL & TELEG CO	10/15/2007	07.3750%	788,625
785,000	NIAGRA MOHAWK PWR CO	11/01/2016	10.0000%	785,589
675,000	ONTARIO PROV CDA	05/01/2011	15.1250%	910,150
450,000	PACIFIC GAS & ELEC CO	02/01/2020	08.5000%	418,748
600,000	PHILIP MORRIS INC	07/15/2001	06.0000%	474,228
215,000	PHILLIP MORRIS COS INC	03/01/1990	08.3750%	213,951
56,513,671	S.B.I MONEY FUND			56,513,671
945,000	SECURITY PACIFIC CORP	05/15/1999	09.7500%	988,536
900,000	SOUTH CENTRAL BELL TELEPHONE	03/01/2017	08.2500%	846,018
1,255,000	STANDARD OIL CO	07/01/2001	06.3000%	1,021,721
710,000	STANDARD OIL CO	12/15/1991	07.0000%	683,212
3,990,000	STUDENT LN MARKETING ASSN	04/22/1993	10.5000%	4,274,288
825,000	TENNECO INC	03/15/2008	10.0000%	886,240
985,000	TRANSAMERICA FINL CORP	03/15/2011	06.5000%	734,524
15,130,000	U.S.A. TREASURY BOND	05/15/2016	07.2500%	13,749,388
5,055,000	U.S.A. TREASURY BOND	08/15/2003	11.1250%	6,268,200
9,225,000	U.S.A. TREASURY BOND	11/15/2004	11.6250%	11,943,515
5,795,000	U.S.A. TREASURY BOND	11/15/2010	12.7500%	8,105,756
6,600,000	U.S.A. TREASURY BOND	11/15/2015	09.8750%	7,849,842
6,595,000	U.S.A. TREASURY NOTE	01/15/1992	11.6250%	7,105,057
12,380,000	U.S.A. TREASURY NOTE	02/15/1992	06.6250%	11,942,862
1,330,000	U.S.A. TREASURY NOTE	02/15/1995	11.2500%	1,510,800
5,295,000	U.S.A. TREASURY NOTE	03/31/1991	06.7500%	5,174,221
1,195,000	U.S.A. TREASURY NOTE	04/15/1993	07.3750%	1,165,866
2,035,000	U.S.A. TREASURY NOTE	04/15/1994	07.0000%	1,943,425
1,395,000	U.S.A. TREASURY NOTE	05/15/1990	07.8750%	1,389,769
5,975,000	U.S.A. TREASURY NOTE	05/15/1991	08.1250%	5,973,148
3,095,000	U.S.A. TREASURY NOTE	05/15/1992	06.6250%	2,979,897
5,955,000	U.S.A. TREASURY NOTE	05/15/1995	11.2500%	6,794,298
14,325,000	U.S.A. TREASURY NOTE	05/15/1996	07.3750%	13,742,975
3,920,000	U.S.A. TREASURY NOTE	05/15/1997	08.5000%	3,995,930
640,000	U.S.A. TREASURY NOTE	06/30/1990	07.2500%	633,798
4,655,000	U.S.A. TREASURY NOTE	08/15/1990	07.8750%	4,634,611
3,840,000	U.S.A. TREASURY NOTE	08/15/1991	07.5000%	3,795,610
14,360,000	U.S.A. TREASURY NOTE	08/15/1993	11.8750%	16,181,853
3,870,000	U.S.A. TREASURY NOTE	08/15/1995	10.5000%	4,289,663
4,140,000	U.S.A. TREASURY NOTE	08/15/1997	08.6250%	4,252,567
16,500,000	U.S.A. TREASURY NOTE	09/30/1990	06.7500%	16,206,135
1,335,000	U.S.A. TREASURY NOTE	10/15/1993	07.1250%	1,287,020
4,425,000	U.S.A. TREASURY NOTE	11/15/1991	06.5000%	4,274,285
775,000	U.S.A. TREASURY NOTE	11/15/1993	11.7500%	874,781
2,205,000	U.S.A. TREASURY NOTE	11/15/1997	08.8750%	2,298,713
1,375,000	U.S.A. TREASURY NOTE	12/31/1990	06.6250%	1,345,355
815,000	U.S.A. TREASURY NOTES	11/15/1996	07.2500%	774,503
500,000	VIRGINIA ELEC & PWR CO	03/01/2007	08.6250%	482,160
820,000	WESTINGHOUSE CR CORP	06/22/1992	08.7500%	815,129
235,000	XEROX CR CORP	06/01/1991	08.7500%	233,440

\$ 316,888,336

TOTAL FIXED INCOME PORTFOLIO

\$ 322,707,516

MINNESOTA STATE BOARD OF INVESTMENT
ALTERNATIVE INVESTMENT ACCOUNTS
ASSETS HELD JUNE 30, 1989

REAL ESTATE ACCOUNT

NO. OF SHARES	SECURITY	MARKET VALUE
20,744	AETNA REAL EST. FUND	\$ 62,173,891
13,447	EQUIT. LIFE ASSUR. SOCIETY	73,969,221
6,000	HEITMAN ADV. REALTY II	34,988,276
19,621	HEITMAN ADVISORY CORP. GRP.	21,357,488
3,998	HEITMAN ADVISORY III	20,598,494
10,420	PRUDENTIAL REAL EST FUND	69,062,597
8,972,697	S.B.I MONEY FUND	8,972,697
19,783	SSB REAL ESTATE FD III	26,111,878
14,802	SSB REAL ESTATE FUND IV	16,873,231
14,899	SSB REAL ESTATE FUND V	16,295,978
6,000	TCW REALITY FUND IV	30,934,829
8,000	TCW REALTY FUND III	44,318,924
75,000,000	THE RREEF FUNDS USA III	79,640,259
84,110,411	TOTAL PORTFOLIO	\$ 505,297,764

RESOURCE ACCOUNT

NO. OF SHARES	SECURITY	MARKET VALUE
16,630	AMGO I	4,178,800
2,088,920	AMGO II	4,991,497
5,292,200	AMGO IV	5,226,846
1,447,095	APACHE CORP LTD I PART	1,418,837
21,692,037	APACHE CORP LTD II PART	20,065,893
30,000,000	APACHE CORP LTD III PART	25,640,340
1,000,000	BP ROYALTY TRUST	24,721,374
8,400,000	MORGAN J P PETROLEUM FUND II	8,400,000
1,674,178	S.B.I MONEY FUND	1,674,178
71,611,060	TOTAL PORTFOLIO	\$ 96,317,766

VENTURE CAPITAL ACCOUNT

NO. OF SHARES	SECURITY	MARKET VALUE
4,711,766	ALLIED VENTURE PARTNERS	\$ 4,585,627
6,292,057	CENTURY PTN III	6,837,389
5,000	CHIPS & TECHNOLOGIES INC	117,500
10,000,000	DSV PARTNERS IV	11,369,470
5,000	DULUTH GROWTH CO	0
1,836	FIRST CHICAGO V.P.A.F	1,876,406
4,500,000	G & K VENTURE PARTNERSHIP	3,712,091
4,900,000	GTC L.P. FUND III	5,305,754
16,237,282	K K R INVT. FD	16,237,282
7,911,342	KKR INVT FUND II	7,911,342
83,105,128	KKR INVT FUND III	83,105,128
10,000,000	MATRIX PARTNERS II L.P.	10,878,520
8,341	NORTHWEST VENTURE PARTNERS	7,913,286
855,751	S.B.I MONEY FUND	855,751
7,500,000	SUMMIT VENTURE LTD PART II	7,288,823
9,016,170	SUMMIT VENTURE LTD PARTN	9,503,990
3,322,500	SUPERIOR VENTURE PARTNERS	3,214,618
168,372,173	TOTAL PORTFOLIO	\$ 180,712,977

**MINNESOTA STATE BOARD OF INVESTMENT
MANAGERS FEES PAID FOR
FISCAL YEAR 1989**

ACTIVE EQUITY ACCOUNT (1)

Alliance Capital	\$ 1,186,498
BMI Capital	240,785
Concord Capital Management	180,341
Forstman Leff Asset Mgmt.	457,390
Franklin Portfolio Assoc. Trust	160,931
Fred Alger	-151,688
IDS Advisory	153,031
Investment Advisors	231,676
Lieber & Company	909,874
Rosenberg Institutional Equity Mgmt.	192,120
Sasco Capital Inc.	104,617
Waddell & Reed	441,386
Active Managers Sub-Total	\$ 4,106,961

PASSIVE EQUITY MANAGERS (2)

Wilshire Associates	\$ 312,482
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ACTIVE BOND MANAGERS (2)

Investment Advisors	\$ 98,247
Lehman Management	221,303
Miller Anderson	326,396
Morgan Stanley	212,100
Western Asset Mgmt.	296,809
Active Bond Managers Sub-Total	\$ 1,154,855

PASSIVE BOND MANAGERS (3)

Fidelity Management Trust	192,684
Lincoln Capital Management	206,623
Passive Bond Managers Sub-Total	\$ 399,307

TOTAL

\$ 5,973,605

- (1) Active stock managers are compensated on a performance-based fee formula. Fees earned may range from zero to twice the manager's base fee, depending on the manager's performance relative to an established benchmark. (See page 71 in Part I of the Annual Report for a more complete description of this formula.)
- (2) The passive stock manager and active bond managers are compensated based on a specified percentage of assets under management.
- (3) The passive bond managers are compensated on a performance-based fee formula. Fees earned may range from 3.5 to 11.5 basis points of assets under management, depending on the manager's performance relative to an established benchmark. (See page 71 in Part I of the Annual Report for a more complete description of this formula.)

**Minnesota State Board of Investment
Room 105, MEA Building
55 Sherburne Avenue
St. Paul, MN 55155
(612)296-3328**