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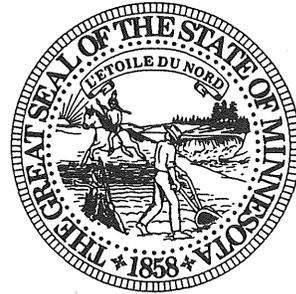


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INVESTMENT OPTIONS

Minnesota Supplemental Investment Fund

Prospectus July 1, 1999



Managed by the
Minnesota State
Board of Investment

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Participating Retirement Plans

**Deferred Compensation Plan
Unclassified Employees Retirement Plan**
Minnesota State Retirement System (MSRS)
175 W. Lafayette Frontage Rd.
St. Paul, MN 55107
(651) 296-2761
1-800-657-5757

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

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

Public Employees Defined Contribution Plan
Public Employees Retirement Association (PERA)
Suite 200, Skyway Level
514 St. Peter Street
St. Paul, MN 55102-1090
(651) 296-7460

Various Volunteer Firefighter Relief Associations

Risk Spectrum

Higher Risk	Assets	Key Features
International Share	non U.S. stocks	half "active" management half "passive" management
Growth Share	U.S. stocks	"active" management
Common Stock Index	U.S. stocks	"passive" management (reflects entire market)
Income Share	U.S. stocks/bonds	balanced asset mix
Bond Market	bonds	3 yr. to 20 yr. maturities
Fixed Interest	stable value instruments	3 yr. to 5 yr. maturities
Money Market	short-term securities	30 to 60 day average maturity
Lower Risk		

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

Letter to Participants

July 1, 1999

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

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

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

Any questions about your individual account should be directed to your retirement organization or program at the office shown on the inside cover of this brochure. Your retirement organization handles all changes in the way you invest your contributions and maintains records on the status of your account.

Please note that all unit values referenced in the Prospectus were adjusted to reflect the 4 for 1 split which took place on December 31, 1997. Historical monthly share values are available from the Minnesota State Board of Investment upon request. Listings of securities held in the various accounts are also available upon request.

Elimination of Asset-Based Charge

Effective July 1, 1999, the asset-based charge will no longer be deducted from the Accounts. The effect of this change will be to slightly increase the month-end share values or credited interest rates to each participant. This change is **not** reflected in the share values and rates of return represented in this Prospectus. Only the share values and rates of return calculated **after** July 1, 1999 will reflect the change. Your retirement organization will have the authority to deduct a fee for administrative expenses after share values have been calculated. Participants in all plans should contact their retirement organization for more information regarding plan administrative expenses.

If you have any questions regarding the Board's investment policies and procedures, please contact the office of the Minnesota State Board of Investment at the Capitol Professional Office Building, Suite 200, 590 Park Street, St. Paul, MN 55103, (651)296-3328. We welcome your inquiries.

Respectfully submitted,



Howard J. Bicker
Executive Director
State Board of Investment

General Information

What Is The Minnesota Supplemental Investment Fund?

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and other public employee groups. The different participating groups use the Fund for a variety of retirement-related purposes. Approximately 43,000 individuals currently participate in the Fund. As of June 30, 1999, the market value of the Fund was approximately \$1.65 billion.

What Investment Options Does The Fund Offer?

The Fund has seven accounts, or investment options:

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

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

Are All These Options Available To Me?

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

- Deferred Compensation Plan
- Unclassified Employees Retirement Plan
- Public Employees Defined Contribution Plan
- MnSCU Defined Contribution Retirement Plan

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

Which Options Are Best For Me?

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

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

It is not the intent of the State Board of Investment to advise participants regarding their choice among accounts. This information is provided solely as an aid to participants in selecting the most appropriate types of investments for their particular circumstances.

May I Change The Way I Invest My Contributions?

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

How Does The Asset Based Charge Affect Returns?

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

Effective July 1, 1999, the asset-based charge will be eliminated. This change is not reflected in the share values or rates of returns represented in this Prospectus. (See page 1 for further information.)

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

If you participate in the **Unclassified Retirement Plan**, you should add **0.3%** to the returns shown for the years ending June 30, 1995 and thereafter. This adjustment is necessary because the Unclassified Plan retained only 0.1% of the 0.4% asset based charge. From July 1, 1994 through June 30, 1999, additional shares were purchased on your behalf in amounts equal to the remainder of the asset based charge. These additional shares increased your annual returns by 0.3% for the last five years.

If you make contributions on behalf of a **volunteer firefighter relief association**, you should add **0.1%** to the returns shown for the years ending June 30, 1993 and June 30, 1994 and add **0.4%** to the return shown for the year ending June 30, 1995 and thereafter. These adjustments are necessary because asset based charges do not apply to these plans. Additional shares have been purchased on behalf of these plans in an amount equal to the asset based charge in all time periods. These additional shares increase those annual returns.

What Securities Are Owned By The Fund?

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

General Information

Money Managers For the Fund*

Income Share Account:

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

Growth Share Account:

- Alliance Capital Mgmt. Corp., Minneapolis, MN
- Brinson Partners, Inc., Chicago, IL
- Barclays Global Investors, San Francisco, CA
- CIC Asset Mgmt., Los Angeles, CA
- Cohen Klingenstein & Marks, New York, NY
- Compass Capital Mgmt., Minneapolis, MN
- Forstmann Leff Associates, New York, NY
- Franklin Portfolio Associates, Boston, MA
- GeoCapital Corporation, New York, NY
- J.P. Morgan Investment Mgmt., New York, NY
- Lincoln Capital Mgmt., Chicago, IL
- New Amsterdam Partners, New York, NY
- Oppenheimer Capital, New York, NY
- Valenzuela Capital Mgmt., New York, NY
- Wilke/Thompson Capital Mgmt., Minneapolis, MN
- Winslow Capital Mgmt., Minneapolis, MN
- Zevenbergen Capital, Inc., Seattle, WA

Common Stock Index Account:

- Barclays Global Investors, San Francisco, CA

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International Share Account:

- Brinson Partners, Inc., Chicago, IL
- City of London Investment Mgmt., London, England
- Genesis Asset Managers, Ltd., London, England
- Marathon Asset Mgmt., London, England
- Montgomery Asset Mgmt., San Francisco, CA
- Record Treasury Mgmt., Windsor, England
- Rowe Price-Fleming Int'l. Inc., London, England
- Scudder, Stevens & Clark, New York, NY
- State Street Global Advisors, Boston, MA

Bond Market Account:

- American Express Asset Mgmt., Minneapolis, MN
- Credit Suisse Asset Management, New York, NY
- BlackRock Financial Mgmt., New York, NY
- Goldman Sachs, New York, NY
- Investment Advisers, Inc., Minneapolis, MN
- Lincoln Capital Mgmt., Chicago, IL
- Morgan Stanley Dean Witter, West Conshohocken, PA
- Standish Ayer & Wood, Boston, MA
- Western Asset Mgmt., Pasadena, CA

Money Market Account:

- State Street Global Advisors, Boston, MA

Fixed Interest Account:

- Galliard Capital Mgmt., Minneapolis, MN

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

Investment Board Personnel

Howard J. Bicker Executive Director
Mansco Perry III Assistant Executive Director

Investment Management Staff

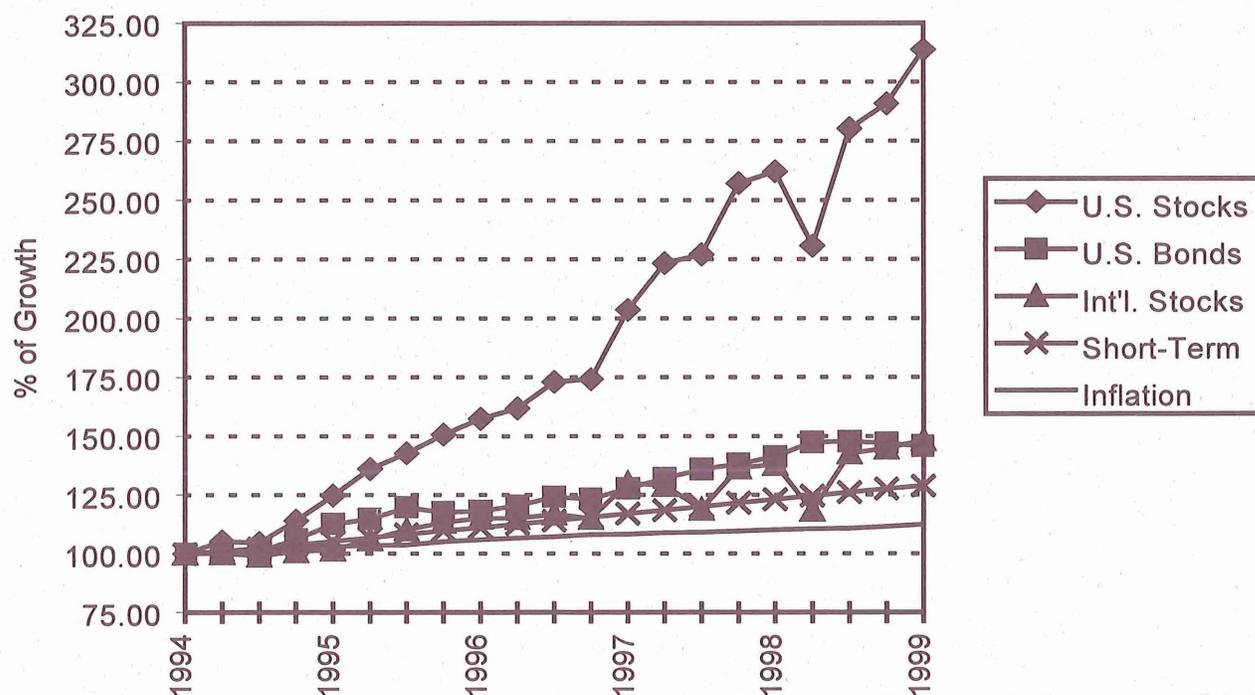
Lois Buermann	Manager, Public Investments
Stephen J. Koessl	Analyst, Domestic Equities
Jason Matz	Analyst, Fixed Income
Tammy Brusehaver-Derby	Analyst, International Equities
Michael J. Menssen	Manager, Internal Investments
N. Robert Barman	Analyst, Internal Fixed Income
John N. Griebenow	Manager, Alternative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

Administrative Staff

L. Michael Schmitt	Administrative Director
Thomas L. Delmont	Accounting Officer, Intermediate
Wanda Egan	Accounting Officer, Intermediate
Nancy L. Wold	Accounting Officer, Intermediate
Kathy Leisz	Accounting Officer, Intermediate
Charlene Olson	Secretary to the Executive Director
Carol Nelson	Secretary
Sondra Wagner	Secretary
Pat Koshenina	Secretary

The Year In Review

Cumulative Growth of Capital Markets Fiscal Years 1995 - 1999



	1995	Year Ending June 30,			1999	Annualized*
		1996	1997	1998		1995 - 1999
U.S. Stocks						
Wilshire 5000 Stock Index	24.7%	26.2%	29.3%	28.9%	19.6%	25.7%
U.S. Bonds						
Lehman Brothers Aggregate Bond Index	12.5%	5.0%	8.2%	10.5%	3.1%	7.8%
International Stocks						
Index of Europe, Australia and the Far East (EAFE)	1.7%	13.3%	12.8%	6.1%	7.6%	8.2%
Short-Term Investments						
90 Day U.S. Treasury Bills	5.4%	5.4%	5.3%	5.3%	4.7%	5.2%
Inflation Rate						
Change in Consumer Price Index (CPI)	3.0%	2.8%	2.3%	1.7%	2.0%	2.4%

* Annualized return is the annual compounded rate of return.

The Year In Review

How Have Stocks, Bonds And Other Investments Performed?

The US stock market moved up 19.6% as measured by the Wilshire 5000 index for the twelve months ending June 30, 1999. A strong economic environment, overall positive corporate earnings reports and high cash flows into the market contributed to the stock market's strong performance, while the Russian debt default and the emerging markets' currency crises briefly disrupted the market's advance. Sectors generating the highest returns were consumer durables, technology and finance.

The US bond market generated a return of 3.1% for the fiscal year, less than its historical average. This lower than usual bond market return was the result of rising long-term interest rates and poor performance in the corporate sector. An increase in interest rates over the past year hindered the performance of both government and corporate bonds. (As interest rates rise, prices on fixed income securities fall.) The government sector return of 3.1% matched the overall market. Economic crises in Asia and Russia during the latter half of 1998 caused a sell off in corporate debt, resulting in a lower than market return of 1.9%. The mortgage sector was the best performing sector of the market with a return of 4.0% for the fiscal year.

The Europe, Australia and the Far East Free (EAFE Free) index, which represents developed international markets, returned 7.6% over the year in US dollar terms. The Japanese market was strong, returning 30.2% over the year. The Yen strengthened significantly, boosting the Japanese market's US dollar return. European markets were generally weak, with returns of 4.5%, 3.2% and -9.2% for the U.K., France, and Germany, respectively. Japan regained its position as the second largest world market (following the US) with an EAFE index weight of 24.0%, while the U.K. dropped to third place with an EAFE index weight of 22.3%. Germany and France are weighted 9.9% and 9.6%, respectively. Emerging markets performed well over the fiscal year, returning 28.7% as measured by Morgan Stanley Capital International's Emerging Markets Free Index. Emerging Asian markets were very strong as countries such as Korea and Thailand recovered from the financial turmoil and currency devaluations experienced in 1997 and 1998.

How Did Returns In The Minnesota Supplemental Investment Fund Compare For Fiscal Year 1999?

- The mix of stocks, bonds and cash in the **Income Share Account** provided a return of 13.2%.
- The **Growth Share Account** earned 16.9% during the last fiscal year, slightly underperforming the Wilshire 5000 index. The Account is broadly diversified, but had an overweight position in the retail, banking/investment, and technology industries during the fiscal year.
- The **Common Stock Index Account** gained 19.3% during the year, slightly trailing the Wilshire 5000 index it is designed to track.
- The **International Share Account** provided a return of 8.9% for the last fiscal year, trailing the international composite index by 1.7 percentage points. The composite index, which returned 10.6%, is comprised of 87% developed markets and 13% emerging markets. The underperformance was primarily attributable to the emerging markets managers whose portfolios suffered from poor country weighting and stock selection decisions.
- The **Bond Market Account** generated a gain of 2.3% for the year, underperforming the 3.2% return for the broad bond market. The underperformance was primarily due to underweighting Treasuries and overweighting the corporate sector. In addition, several managers had positioned their portfolios to benefit from a decline in interest rates. As interest rates rose during the year, this tilt detracted from performance.
- The **Money Market Account** earned 4.9% for the year. This gain is similar to the returns for money market accounts offered by mutual funds and banks.
- The **Fixed Interest Account** provided a return of 5.9% during the last fiscal year.

Please note that if you are a participant in the Unclassified Employees Retirement Plan or are a local volunteer firefighter plan, your actual returns were **higher** than those shown above (see page 2 for an explanation of the asset based charge.)

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

Income Share Account

The Income Share Account is the largest account in the Fund with approximately \$642 million in assets. Its objective is to earn a high rate of return both from capital appreciation (increases in market value) and current yield (dividends from stock and interest on bonds). To attain that goal, the Account uses a mix of both stocks and bonds. While holdings may vary on a day-to-day basis, the Account uses the following asset mix as a target:

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

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

Why Would I Choose This Account?

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

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

Who Manages The Account?

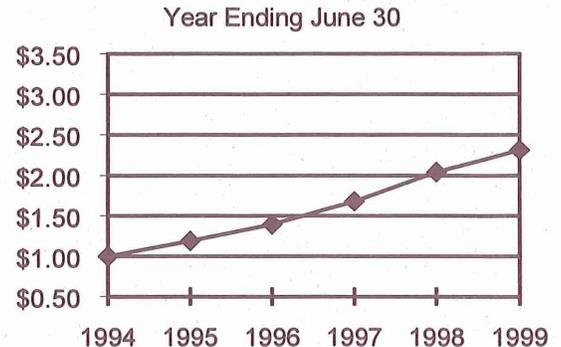
The Income Share Account uses both Investment Board staff and external money managers to manage its assets. Investment Board staff manage all the bond holdings in the Account. The stock holdings are invested through the same stock index fund utilized for the Common Stock Index Account (see page 8 for a description of this passively managed index fund).

How is The Value Of This Account Determined?

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

What Is The Past Investment Performance of This Account?

The graph shows how \$1.00 invested in the Income Share Account on June 30, 1994 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 18.2% per year.

	Year Ending June 30,	
	Share Value*	Rate of Return
1995	\$14.38	18.8%
1996	16.85	17.1
1997	20.38	21.0
1998	24.70	21.2
1999	27.95	13.2

* Share values have all been adjusted to reflect 4 for 1 split on 12/31/97.

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

For the 12 month period ending March 31, 1999, the investment management fees were approximately \$0.01 per \$100 invested.

From July 1, 1992-June 30, 1994 the annual asset based charge was 0.1% or \$0.10 per \$100 invested. From July 1, 1994 through June 30, 1999, the asset based charge was 0.4% or \$0.40 per \$100 invested.

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

Growth Share Account

The Growth Share Account currently has over \$322 million in assets. Its primary objective is to generate high returns from capital appreciation (increases in the market value of the assets it owns).

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

The Account uses a group of external stock managers retained by the State Board of Investment to manage other retirement assets. As a result, the Account encompasses a variety of investment styles and approaches. In the past, the managers chose to hold a higher proportion of small companies than the aggregate of all companies represented in a market index such as the S&P 500 or Wilshire 5000. They also tended to select a greater proportion of companies which have had records of high earnings growth.

Since January 1995, the Account has also used managers who attempt to add incremental value across a wide range of industries and sectors and who balance the more concentrated portfolios held by other active managers in the Account. This structure assures that the entire Account covers all areas of the broad stock market. As a result, the structure reduces the chance that future returns for the Account will be either greatly above or below those of the broad market in any given year.

Why Would I Choose This Account?

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

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

Who Manages The Account?

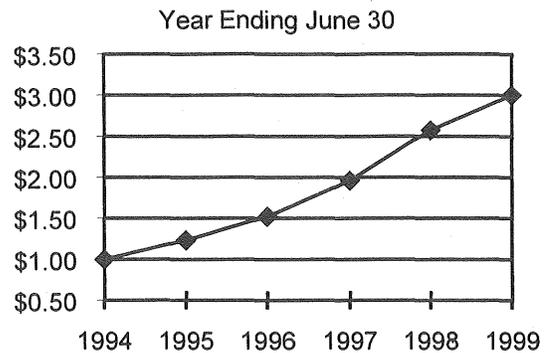
Assets in the Growth Share Account are managed by a group of external managers retained by the State Board of Investment (see page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

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

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Growth Share Account on June 30, 1994 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 24.6% per year.

	Year Ending June 30,	
	Share Value*	Rate of Return
1995	\$9.98	22.8%
1996	12.38	24.1
1997	15.97	29.0
1998	20.87	30.7
1999	24.39	16.9

* Share values have all been adjusted to reflect 4 for 1 split on 12/31/97.

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

For the 12 month period ending March 31, 1999, the investment management fees were approximately \$0.18 per \$100 invested.

From July 1, 1992-June 30, 1994 the annual asset based charge was 0.1% or \$0.10 per \$100 invested. From July 1, 1994 through June 30, 1999 the annual asset based charge was 0.4% or \$0.40 per \$100 invested.

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

Common Stock Index Account

The Common Stock Index Account has a current market value of approximately \$388 million. Its objective is to generate returns that track the returns of the U.S. stock market as a whole.

The Account invests in approximately 4,600 different stocks and is designed to match the return produced by the Wilshire 5000. The Wilshire 5000 is a stock market index, much like the Dow Jones Industrial Average. However, the Wilshire 5000 contains every publicly traded stock for which daily prices can be obtained. In effect, the diversity of stock holdings in the Common Stock Index Account represents the entire domestic stock market. With only minor deviations, the Account is invested entirely in US stocks. Minimal cash is held in the Account.

Why Would I Choose This Account?

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

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

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

Who Manages The Account?

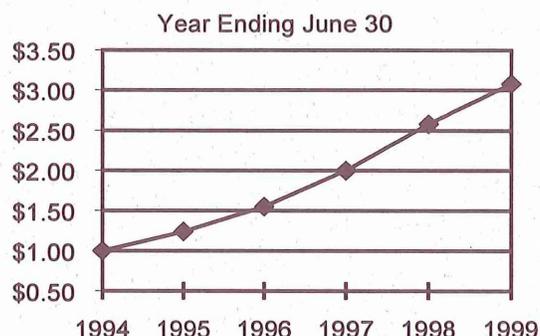
The Common Stock Index Account is managed by Barclays Global Investors.

How Is The Value Of This Account Determined?

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

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1994 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 25.2% per year.

	Year Ending June 30,	
	Share Value*	Rate of Return
1995	\$7.24	23.8%
1996	9.05	25.0
1997	11.71	29.4
1998	15.07	28.8
1999	17.98	19.3

* Share values have all been adjusted to reflect 4 for 1 split on 12/31/97.

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

For the 12 month period ending March 31, 1999, the investment management fees were approximately \$0.01 per \$100 invested.

From July 1, 1992-June 30, 1994 the annual asset based charge was 0.1% or \$0.10 per \$100 invested. From July 1, 1994 through June 30 1999, the annual asset based charge was 0.4% or \$0.40 per \$100 invested.

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

International Share Account

The International Share Account was added to the Supplemental Investment Fund in September 1994 and has a current market value of approximately \$26 million. Its objective is to earn a high rate of return by investing in the **stock of companies outside the US**. Typically, a majority of the Account is invested in the five largest international stock markets (United Kingdom, Japan, Germany, France and Switzerland). Most of the remainder is invested in other well established markets in Canada, Europe and the Pacific region. Approximately twelve percent of the Account is invested in developing countries or "emerging markets" around the world including those in Asia, Latin America, Eastern Europe, the Middle East and Africa.

The Account also utilizes a currency manager to manage the currency exposure of a portion of its stock holdings. This hedging program buys and sells forward currency contracts in four currencies (Japanese Yen, British Pound Sterling, Swiss Franc and Euro). The goal of the currency manager is to add value from fluctuations in foreign currency exchange rates versus the US dollar.

Why Would I Choose This Account?

This option will be attractive if you feel that, over time, international stocks will provide higher returns than other types of investments. About half of the Account is "passively managed" and is designed to consistently and inexpensively track the return of 21 markets included in the Morgan Stanley Capital International index of Europe, Australia and the Far East (EAFE-Free). The remainder of the Account is "actively managed" by several international stock managers that use a variety of investment styles and approaches. These managers buy and sell stocks in an attempt to maximize market value. While this investment strategy has the potential to produce returns that exceed those of a composite index comprised of 87 percent EAFE and 13 percent emerging markets, there may also be periods when the returns fall below the index.

Who Manages The Account?

The Account uses a group of external international stock managers retained by the State Board of Investment to manage other retirement assets. (See page 3 for a listing of these managers).

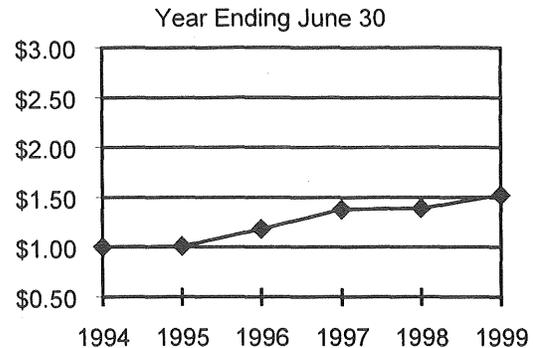
How Is The Value Of This Account Determined?

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

What Is The Past Performance Of This Account?

The International Share Account did not become operational until September 1994. The graph shows how

\$1.00 invested on June 30, 1994 would have grown if it had been invested in the EAFE index until the new account became available and then in the Account for the remaining time period.



The table displays the Account's actual return after September 1994 and the EAFE index return prior to that date. The annualized (annual compounded) return of the EAFE index/actual portfolio during this five year period was 8.7%.

Year Ending June 30, Share Value** Rate of Return

1995	\$2.44	0.9%*
1996	2.84	16.5
1997	3.35	17.8
1998	3.37	0.7
1999	3.67	8.9

* EAFE index return through Aug. 31, 1994. Actual returns thereafter.

** Share values have all been adjusted to reflect 4 for 1 split on 12/31/97.

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

For the 12 month period ending March 31, 1999, the investment management fees were approximately \$0.23 per \$100 invested.

Since the Account's inception and through June 30, 1999, the annual asset based charge was 0.4% or \$0.40 per \$100 invested.

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

Bond Market Account

The Bond Market Account has a current market value of approximately \$132 million. Its objective is to earn a high rate of return by investing in **fixed income securities** (bonds).

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

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

Why Would I Choose This Account?

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

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

Who Manages The Account?

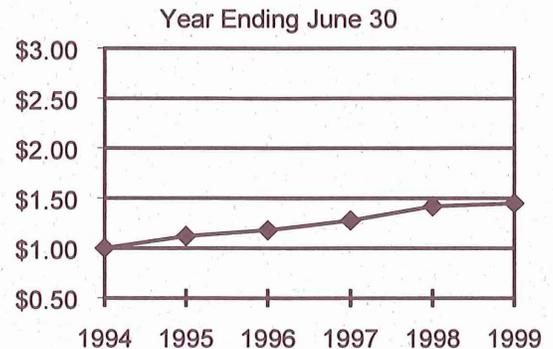
The entire Account is invested by a group of external bond managers retained by the State Board of Investment (see page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

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

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1994 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return over this period was 7.8% per year.

	Year Ending June 30,	
	Share Value*	Rate of Return
1995	\$5.58	12.4%
1996	5.86	4.9
1997	6.38	8.9
1998	7.05	10.6
1999	7.21	2.3

* Share values have all been adjusted to reflect 4 for 1 split on 12/31/97.

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

For the 12 month period ending March 31, 1999, the investment management fees were approximately \$0.05 per \$100 invested.

From July 1, 1992-June 30, 1994 the annual asset based charge was 0.1% or \$0.10 per \$100 invested. From July 1, 1994 through June 30, 1999, the annual asset based charge was 0.4% \$0.40 per \$100 invested.

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

Money Market Account

The return in the Money Market Account is based on the interest income produced by the Account's investments. Its objective is to buy short maturity, fixed income investments that pay interest at rates that are competitive with those available in the money markets. The current value of the Account is approximately \$56 million.

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

Why Would I Choose This Account?

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

The returns in the Account will vary much less than investments that include stocks or bonds and should closely follow the rise and fall in short-term interest rates. Historically, short-term interest rates have tracked the national inflation rate.

Who Manages The Account?

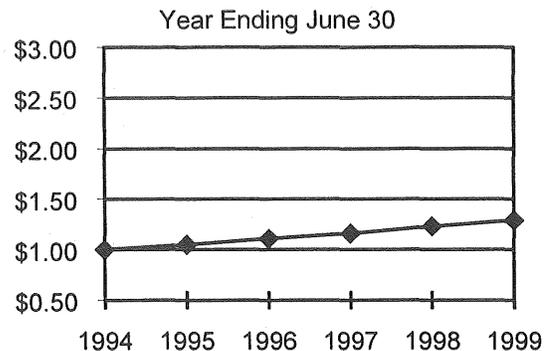
The entire Money Market Account is managed by State Street Global Advisors, the organization that provides short-term investment management for a substantial portion of the Board's cash reserves.

How Is The Value Of This Account Determined?

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

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1994 has grown.



The table displays the investment returns that were generated over the last five years. The annualized (annual compounded) return during this period was 5.2% per year.

Year Ending June 30, Rate of Return

1995	5.1%
1996	5.4
1997	5.1
1998	5.3
1999	4.9

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

For the 12 month period ending March 31, 1999 the investment management fees were approximately \$0.01 per \$100 invested.

From July 1, 1992-June 30, 1994 the annual asset based charge was 0.1% or \$0.10 per \$100 invested. From July 1, 1994 through June 30, 1999 the annual asset based charge was 0.4% or \$0.40 per \$100 invested.

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

Fixed Interest Account

The Fixed Interest Account is designed to maintain the value of your original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market-type account. The current market value of the Account is approximately \$87 million.

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

Why Would I Choose This Account?

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

Who Manages The Account?

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

How Is The Value Of This Account Determined?

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

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

How Are New Contributions To The Account Treated?

New contributions (the amounts deducted from your paycheck) are treated much like new contributions to other accounts in the Fund. You may start, stop, increase or decrease new contributions provided you follow the guidelines established by your retirement organization.

May I Transfer Money Into This Account?

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

May I Transfer Money Out Of This Account?

Yes, but there are special withdrawal restrictions that apply only to the Fixed Interest Account.

All or a portion of the amounts deposited in the Account may be transferred to the Income Share, Growth Share, Common Stock Index, Bond Market or International Share Accounts within the Supplemental Investment Fund. You may not re-transfer these amounts to the Money Market Account (or to any other product provider available to your plan) for at least three months.

Why Are These Restrictions Necessary?

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

What Is The Past Investment Performance Of This Account?

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

	Year Ending June 30, Rate of Return
1996	6.3%
1997	6.1
1998	6.0
1999	5.9

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

For the 12 month period ending March 31, 1999, the investment management fees were approximately \$0.12 per \$100 invested.

From July 1, 1994 through June 30, 1999, the annual asset based charge was 0.4% or \$0.40 per \$100 invested.

State Board of Investment

Who Serves On The State Board of Investment?

The Board's membership is specified in the Minnesota Constitution and is composed of the Governor, the State Auditor, the State Treasurer, the Secretary of State and the State Attorney General. The Board's duties, powers, and investment guidelines are contained in *Minnesota Statutes*, Chapter 11A.

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

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

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

Who Advises The Board On Its Investment Decisions?

The Legislature has established a 17-member Investment Advisory Council to advise the Board and its staff on investment-related matters.

- The Board appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and St. Paul investment community.
- The Commissioner of Finance and the Executive Directors of the three statewide retirement organizations are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

Members of the Board

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

Investment Advisory Council

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

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

3M Co.
Teachers Retirement Association
Minnesota State Retirement System
Grand Metropolitan - Pillsbury

U of M Foundation Investment Advisors
Agio Capital Management
Norwest Bank / Wells Fargo & Co.

Mares Financial Consulting, Inc.
Space Center, Inc.

City of St. Paul
General Mills, Inc.
Minnesota Department of Finance
Evangelical Lutheran Church in America
Public Employees Retirement Assoc.

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

Board Members:

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

Executive Director:

Howard Bicker

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