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**1986
ANNUAL
REPORT**

**MINNESOTA STATE
BOARD OF
INVESTMENT**

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1986
ANNUAL
REPORT

MINNESOTA STATE
BOARD OF
INVESTMENT

GOVERNOR RUDY PERPICH

STATE AUDITOR ARNE H. CARLSON

SECRETARY OF STATE JOAN ANDERSON GROWE

STATE TREASURER ROBERT W. MATTSON

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Roger W. Henry	Equity and Fixed Income Manager

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A. Arthur Kaese	Senior Portfolio Manager
C. Robert Parsons	Investment Analyst, Senior
Doug Gorence	Investment Analyst, Intermediate
Harold L. Syverson	Head Security Trader

ALT. EQUITY INVESTMENTS

John Griebenow	Senior Portfolio Manager
Daralyn Peifer	Investment Analyst, Intermediate

FIXED INCOME

Grant A. Feldman	Fixed Income Manager, Short Term
John T. Kinne	Senior Portfolio Manager
N. Robert Barman	Investment Analyst, Senior
Arthur M. Blauzda	Investment Analyst, Senior

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Kathy Leisz	Computer Operator
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MEMBERS OF THE BOARD:
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STATE AUDITOR ARNE H. CARLSON
STATE TREASURER ROBERT W. MATTSON
SECRETARY OF STATE JOAN ANDERSON GROWE
ATTORNEY GENERAL HUBERT H. HUMPHREY III



EXECUTIVE DIRECTOR
HOWARD J. BICKER

STATE OF MINNESOTA
STATE BOARD OF INVESTMENT

Room 105, MEA Building
55 Sherburne Avenue
Saint Paul 55155
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The State Board of Investment is pleased to submit its annual report for 1986.

Fiscal year 1986 was an outstanding year for the Board. Both the stock and bond markets produced impressive results. The stock market moved to record highs during the year. The bond market, which was stimulated by falling interest rates, also provided excellent gains. Driven by this exceptional performance of the capital markets, the Board's investment gains for the year were among the highest in the last decade.

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

- o The Basic Retirement Funds, the largest group of funds managed by the Board, produced a total rate of return of 26.2%. Combined with equally strong results in fiscal year 1985, the Basic Funds have generated a 60.0% cumulative return over the last two fiscal years. These gains were largely the result of the Board's asset allocation policy, which allowed the Basic Funds to take full advantage of the superior returns available in the capital markets during this period. (Refer to pages 5-25).
- o The Post Retirement Investment Fund generated earnings that will provide a 9.8% permanent benefit increase for its eligible participants. This increase is more than five times the fiscal year 1986 inflation rate. The Post Fund benefited from high inflation-adjusted yields available in the bond market during 1986. (Refer to pages 27-37).
- o The Supplemental Investment Fund was restructured under legislation proposed by the Board and adopted during the 1986 legislative session. New investment options will be added to the Fund to give participants access to a wider range of investment vehicles. (Refer to pages 39-48).
- o Benchmark portfolios were created for each of the Board's common stock managers. A benchmark portfolio is a customized index that reflects a manager's particular investment style. These new benchmarks will be used to evaluate more effectively the value added to the investment

process by individual managers. Benchmark portfolios are also integral to implementation of a performance-based fee system, outlined below. (Refer to pages 67-68).

- o A performance-based fee system was developed and will be implemented in during fiscal year 1987. After the Securities and Exchange Commission removed its prohibition on performance-based fees, the Board was among the first institutional investors to implement this method of compensation for its external active common stock managers. A performance-based fee will provide for a more productive relationship between the Board and its managers. (Refer to pages 69-71).
- o The Board continued its investment in real estate, venture capital and resource funds. After making several new commitments during the year, the Board has substantially reached its target allocations in the Basic Funds for venture capital. It is continuing to explore additional investment opportunities in the real estate and resource areas in order to complete its target allocation in these categories. (Refer to pages 72-74).
- o A new consultant was selected to advise the Board and its staff on their investment management program. After successfully implementing many fundamental changes in recent years, the Board felt its consultant needs had changed significantly. The Board selected as its consultant Richards & Tierney, a firm which has demonstrated a superior understanding of investment management structures, performance measurement, and investment techniques. The firm's expertise and perspective in these areas will be used to advise the Board on its future decisions. (Refer to pages 71-72).

At the close of fiscal year 1986, the Board's total portfolio reached \$11 billion. This amount is actually a composite 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 the fund's unique needs. The primary purpose of this annual report is to clearly communicate the investment goals, policies and performance of the various funds managed by the Board.

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

Sincerely,



Howard J. Bicker
Executive Director

TABLE OF CONTENTS

	Page
Introduction.....	1
Funds Managed by the State Board of Investment.....	2
Basic Retirement Funds.....	5
Post Retirement Investment Fund.....	27
Minnesota Supplemental Investment Fund.....	39
Minnesota Variable Annuity Fund.....	49
Permanent School Fund.....	55
State Cash Accounts.....	61
1986 Major Developments.....	63
o Supplemental Investment Fund.....	65
o Benchmark Portfolios.....	67
o Performance-Based Fees.....	69
o Consultant Search.....	71
o Alternative Investment Funding.....	72
o Resolution on Companies That Do Business In The Country Of South Africa.....	74
o Shareholder Activity.....	83
Statistical Data Appendix	85

The Statistical Data Appendix includes information on the Board's common stock, bond, and alternative equity managers.

PART TWO of the Minnesota State Board of Investment's 1986 ANNUAL REPORT contains financial statements and accounting data.

INTRODUCTION

All investments undertaken by the State Board of Investment are governed by the common law prudent person rule and other standards codified in Chapter 11A of the Minnesota Statutes. The prudent person rule requires all members of the Board, Investment Advisory Council, and investment 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."

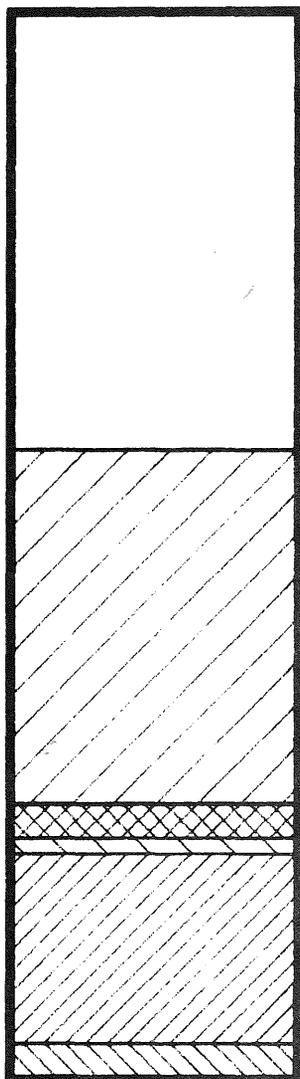
In addition to the prudent person rule, the Minnesota Statutes contain a specific list of asset classes available for investment, including common stocks, bonds, short term securities, real estate, venture capital, and resource programs. The statutes prescribe the maximum percentage of fund assets that may be invested in each asset class and contain specific restrictions to ensure the quality of the investments.

Within the requirements established by state law, the State Board of Investment, in conjunction with the Investment Advisory Council and SBI investment staff, sets the asset allocation targets among stocks, bonds, cash, and alternative equity investments for each fund under management. The asset allocation is based on each fund's specific needs and objectives and thus may differ substantially from fund to fund. In addition, the Board determines the most appropriate investment management structure for each fund, structures which may include the use of external money managers and/or the internal investment staff.

In recent years, the Board, Investment Advisory Council, and SBI staff have conducted comprehensive analyses of the investment needs and objectives of the Basic Retirement Funds, the Post Retirement Investment Fund, the Supplemental Investment Fund, and the Permanent School Fund. These analyses have focused on the selection of appropriate asset mixes and investment management structures to achieve the funds' desired goals. The results of these studies represent the "roadmap" by which the Board manages these funds. The Board intends to update periodically the investment policies established for each fund.

This year the annual report has been divided into two separate publications. The first publication contains the text of the annual report. It describes the investment goals, policies, and performance of those funds managed by the Board. The discussion is broken down on a fund-by-fund basis. It also contains statistical data on the Board's managers. The second publication contains financial statements and accounting data.

MINNESOTA STATE BOARD OF INVESTMENT
FUNDS UNDER MANAGEMENT
FISCAL YEAR 1986



BASIC RETIREMENT FUNDS-41.3%

POST RETIREMENT INV. FUND-33.1%

SUPPLEMENTAL INV. FUND-3.1%

MN VARIABLE ANNUITY FUND-1.4%

STATE CASH ACCOUNTS-17.8%

PERMANENT SCHOOL FUND-3.3%

FUNDS MANAGED BY THE STATE BOARD OF INVESTMENT

Market Value
June 30, 1986
\$4.6 Billion

BASIC RETIREMENT FUNDS

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

Teachers Retirement Fund	\$1,847 million
Public Employees Retirement Fund	1,298 million
State Employees Retirement Fund	969 million
Public Employees Police and Fire Fund	372 million
Highway Patrol Retirement Fund	72 million
Judges Retirement Fund	6 million

POST RETIREMENT INVESTMENT FUND

\$3.7 billion

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

SUPPLEMENTAL INVESTMENT FUND

\$346 million

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 have a choice among four separate accounts with different investment emphases as authorized by law:

Income Share Account	-	a balanced portfolio of stocks and bonds
Growth Share Account	-	a portfolio of common stocks
Fixed Return Account	-	a portfolio of liquid short-term debt investments
Bond Account	-	a portfolio of intermediate maturity debt investments

MINNESOTA VARIABLE ANNUITY FUND

\$148 million

The Variable Annuity Fund is an investment option concentrating on common stocks which formerly was offered to members of the Teachers' Retirement Association. It is not available to new members.

STATE CASH ACCOUNTS

\$2.0 billion

These accounts are composed of short-term investments maturing within three years. They include the Invested Treasurers Cash Fund, transportation funds, and various miscellaneous cash accounts.

PERMANENT SCHOOL FUND

\$365 million

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

BASIC RETIREMENT FUNDS

INVESTMENT OBJECTIVES

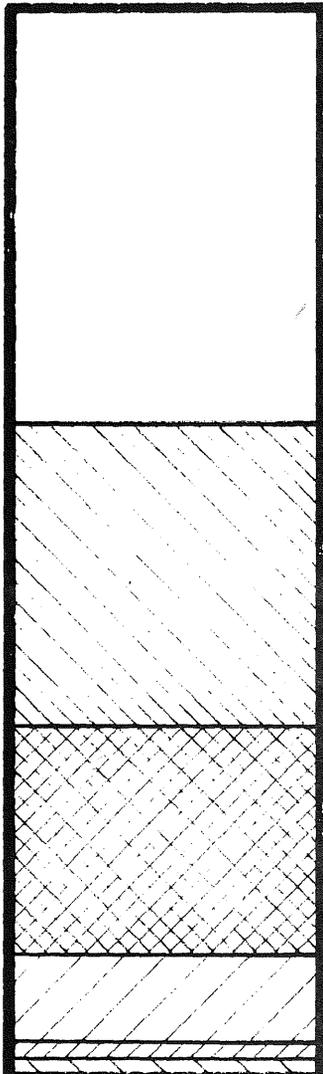
ASSET ALLOCATION

INVESTMENT MANAGEMENT

INVESTMENT PERFORMANCE

BASIC RETIREMENT FUNDS COMPOSITION BY FUND

FISCAL YEAR 1986



TEACHERS RETIREMENT FUND-40.5%

PUBLIC EMPLOYEES RET. FUND-28.4%

STATE EMPLOYEES RET. FUND-21.2%

POLICE AND FIRE FUND-8.2%

HIGHWAY PATROL FUND-1.6%

JUDGES RETIREMENT FUND-0.1%

BASIC RETIREMENT FUNDS

The \$4.6 billion Basic Retirement Funds are composed of the retirement assets for currently working participants in six major statewide retirement funds. The graph on the preceding page identifies the individual statewide retirement funds which comprise the Basic Retirement Funds. The Basic 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 are participants in the Basic Retirement Funds.

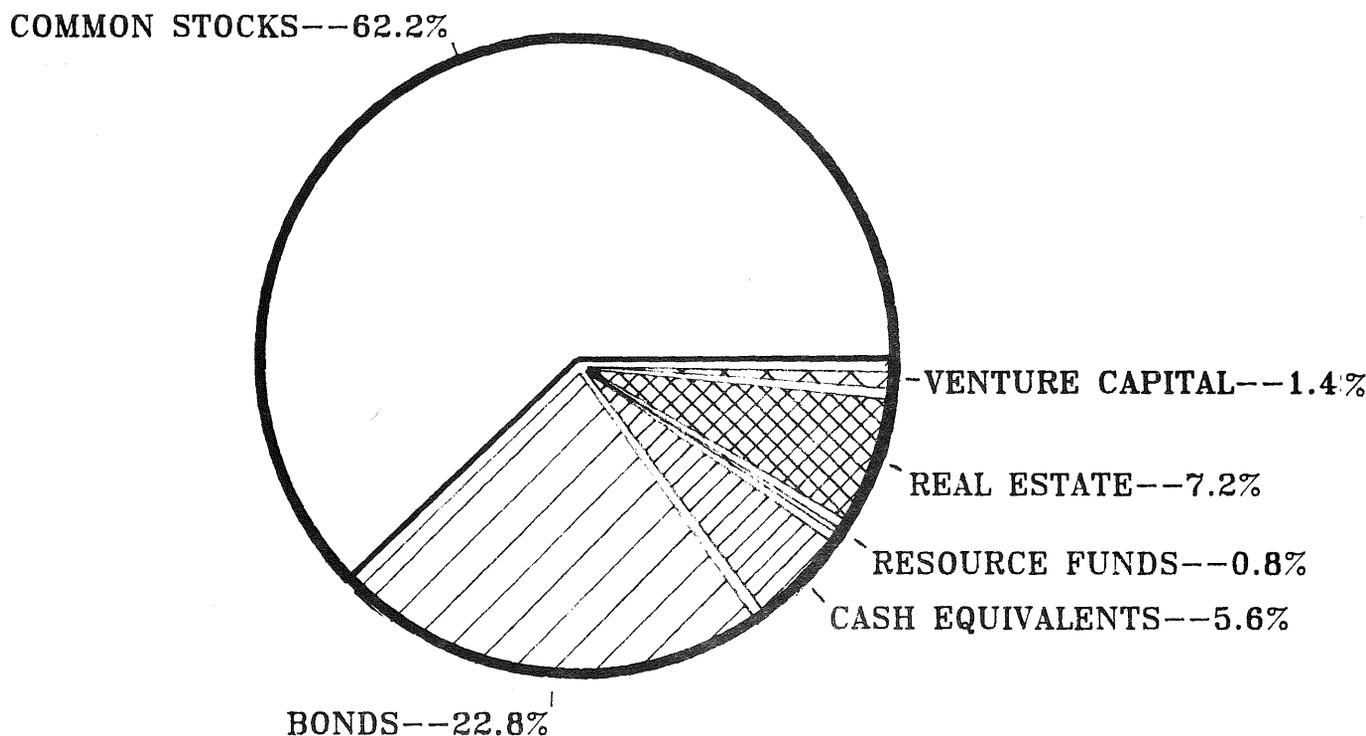
INVESTMENT OBJECTIVES

The Board pursues several investment objectives in the management of the Basic Retirement Funds' assets. In order of importance, those objectives are:

- o To secure the benefits promised public employees covered by the statewide pension plans.
- o To minimize the cost of providing benefits.
- o To avoid excessive volatility in short-run portfolio returns.

The Board's primary responsibility is to ensure that sufficient funds are available to finance promised benefits upon a public employee's retirement. But other investment goals are also important. Based upon the Basic Funds' adequate funding levels and participant demographics, their investment time horizon is long, in excess of twenty years. This time horizon permits the Board to take advantage of the long-run return opportunities offered by the capital markets. An investment program which is willing to accept short-run volatility in returns can significantly reduce the long-run costs of pension funding. The Board is cognizant, however, that excessive short-run return volatility is undesirable. The Board's investment program is, therefore, designed to limit extreme portfolio return results.

BASIC RETIREMENT FUNDS
1986 FISCAL YEAR END ASSET MIX
 PERCENT OF MARKET VALUE



	\$(MILLION)	PERCENT
COMMON STOCKS	\$2,838	62.2%
BONDS	1,041	22.8
CASH EQUIVALENTS*	253	5.6
ALTERNATIVE EQUITY ASSETS:		
REAL ESTATE	330	7.2
VENTURE CAPITAL	65	1.4
RESOURCE FUNDS	37	0.8
TOTAL	\$4,564	100.0%

*INCLUDES CASH UNCOMMITTED TO LONG-TERM ASSETS
 PLUS CASH HELD BY ALL EXTERNAL MANAGERS

ASSET ALLOCATION

The choice of a long-run allocation of assets among common stocks, bonds, cash equivalents, and alternative equity investments can have a dramatic impact on investment results. In fact, asset allocation decisions quite frequently overwhelm the impact of individual security selection within a total portfolio.

Based on the Basic Retirement Funds' investment objectives, the Board has adopted the following long-term asset allocation (i.e., policy allocation) for the Basic Funds:

Common Stocks	60.0%
Fixed Income (bonds and cash equivalents)	25.0%
Real Estate	10.0%
Resource Funds	2.5%
Venture Capital	2.5%

The graph on the preceding page presents the asset allocation of the Basic Retirement Funds at the end of the 1986 fiscal year. Historical data on the Basic Funds' asset mix over the last five years are displayed in the graph on page 10 and the table on page 11.

The majority of the Basic Funds' assets are invested in common stocks. This large allocation reflects the long investment time horizon of the Basic Funds and the advantageous long-term risk-return characteristics of common stocks. Further, the Basic Funds' emphasis on maximizing total returns, as opposed to current income, is consistent with the capital gains orientation of common stocks. While this strategy may result in a higher level of total portfolio return volatility than more conservative, higher fixed income allocation strategies, the Board anticipates that additional returns, over the long-run, will more than compensate for the increased volatility.

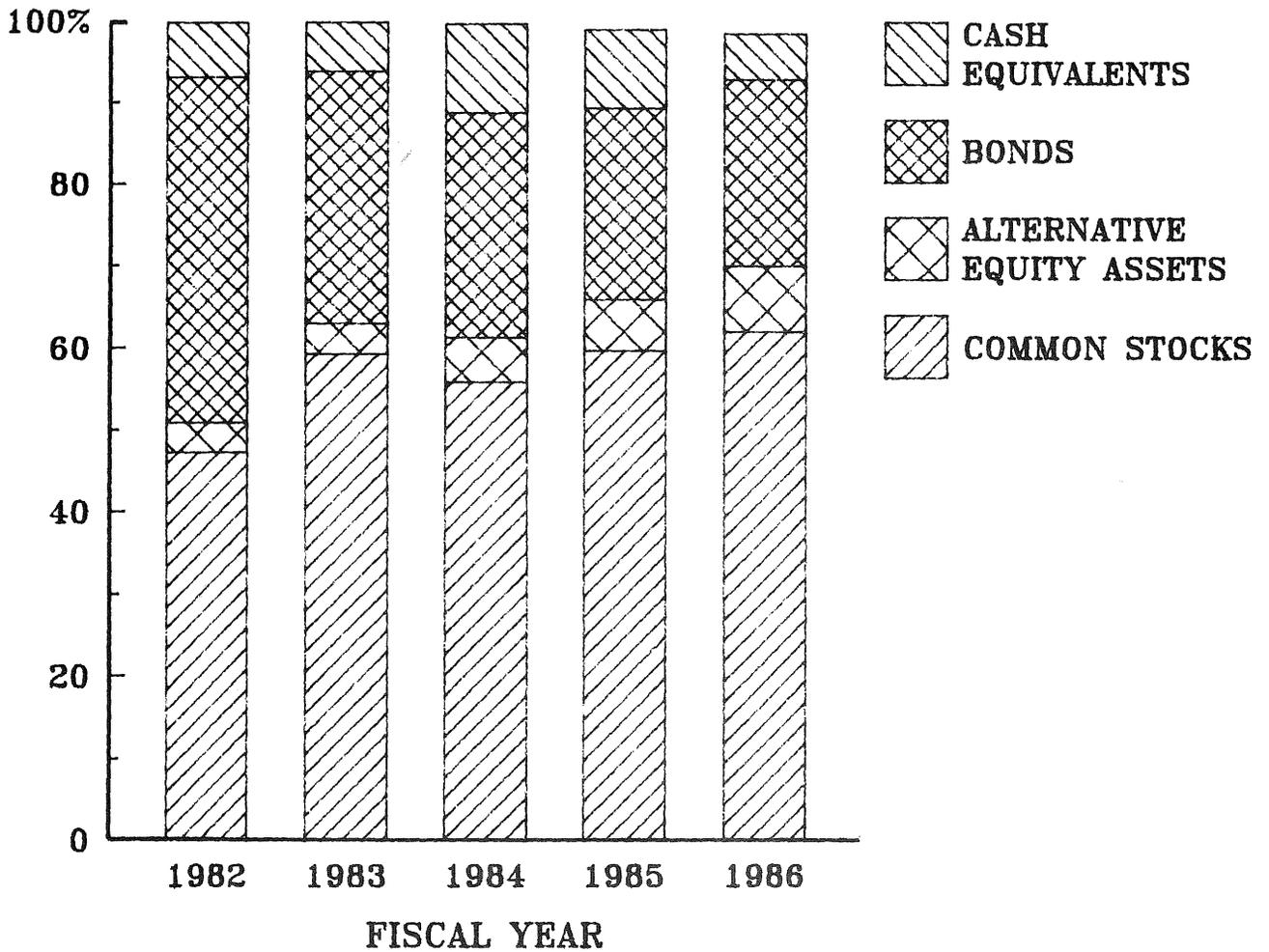
The fixed income component of the Basic Funds is utilized as a deflation hedge and as a means of dampening short-run portfolio return volatility. In the event of a major deflation, only high quality bonds will protect principal as well as generate sizable capital gains. Fixed income assets serve as a diversifying element in the total portfolio, moderating return volatility. In addition, their inclusion satisfies Minnesota statutes limiting equity investments to 75% of the total fund.

Alternative equity investments, such as real estate and resource funds, provide an inflation hedge that financial assets, such as stocks, and particularly bonds, cannot offer. Hard assets can be expected to appreciate in value at least at a rate equal to inflation. Thus, by holding positions in these investments, the value of the total fund can be protected against catastrophic losses in the event of a sustained high inflation. Moreover, alternative equity investments, including venture

BASIC RETIREMENT FUNDS

HISTORICAL ASSET MIX

PERCENT OF MARKET VALUE
FISCAL YEAR END ALLOCATIONS



BASIC RETIREMENT FUNDS

HISTORICAL ASSET MIX

PERCENT OF MARKET VALUE
FISCAL YEAR END ALLOCATIONS

	FISCAL YEAR				
	1982	1983	1984	1985	1986
COMMON STOCKS					
\$MILLION	1,037.0	1,872.0	1,696.0	2,209.0	2,838.0
PERCENT	47.5	59.5	56.1	59.9	62.2
BONDS					
\$MILLION	922.0	970.0	829.0	865.0	1,041.0
PERCENT	42.2	30.8	27.4	23.4	22.8
CASH EQUIVALENTS*					
\$MILLION	146.0	188.0	331.0	355.0	253.0
PERCENT	6.7	6.0	10.9	9.6	5.6
REAL ESTATE					
\$MILLION	62.0	96.0	140.0	203.0	330.0
PERCENT	2.8	3.1	4.6	5.5	7.2
RESOURCE FUNDS					
\$MILLION	18.0	19.0	23.0	25.0	37.0
PERCENT	0.8	0.6	0.8	0.7	0.8
VENTURE CAPITAL					
\$MILLION	0.0	0.0	4.0	34.0	65.0
PERCENT	0.0	0.0	0.2	0.9	1.4
TOTAL FUND					
\$MILLION	2,185.0	3,145.0	3,023.0	3,691.0	4,564.0
PERCENT	100.0	100.0	100.0	100.0	100.0

*INCLUDES CASH UNCOMMITTED TO LONG-TERM ASSETS
PLUS CASH HELD BY ALL EXTERNAL MANAGERS

capital, offer historically attractive returns. They also add diversification to the total portfolio, helping to prevent excessively volatile short-run returns.

INVESTMENT MANAGEMENT

The assets of the Basic Retirement Funds are managed entirely by external advisers, with the temporary exception of one active equity account. For many years, internal staff managed all of the Basic Funds' assets. However, based on its analysis of the investment needs and objectives of the Basic Retirement Funds, the Board adopted a complete external management structure for the Basic Funds. As a result, fiscal years 1983 and 1984 were periods of major transition for the Basic Funds, as the shift from internal to external management was implemented.

The Basic Retirement Funds' investment management structure was largely unchanged in fiscal year 1986. New commitments to real estate and venture capital continued at a measured pace as the Board moved toward its funding targets in those asset classes.

COMMON STOCKS

The SBI utilizes a two-part approach to the management of the Basic Retirement Funds' common stock portfolio, combining a \$2.0 billion core diversified passive portfolio (i.e., an index fund) with approximately \$900 million in non-diversified actively managed portfolios.

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.

The SBI'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 SBI seeks above-market returns through the active management of the remaining common stock assets.

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

investment management decisions. A comprehensive monitoring system has been established to ensure that the active managers maintain non-diversified investment positions, consistent with their own particular investment approaches.

A summary of the investment styles and portfolio characteristics of each of the common stock managers is included in the Statistical Data Appendix.

BONDS

The Basic Retirement Funds' \$1.1 billion bond portfolio is managed by six external bond managers. The managers' funding in early fiscal year 1985 was the final step in the Basic Funds' move to total external management. The group of six managers was selected for its blend of investment styles. Each of the managers invests in high-quality fixed income securities and emphasizes active investment decisions. The managers vary, however, in the emphasis they place on interest rate anticipation and in the manner in which they approach their issue selection and sector weighting decisions.

In keeping with the objective of utilizing the bond portfolio as a deflation hedge, the managers are restricted regarding the minimum average life of their portfolios. This requirement is designed to prevent the Basic Retirement 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 portfolio returns, the maximum average life of the managers' portfolios is also constrained.

A summary of each bond manager's investment approach and portfolio characteristics is presented in the Statistical Data Appendix.

CASH EQUIVALENTS

The long-term asset mix of the Basic Retirement Funds does not include an allocation to cash equivalents. Given the long-run objectives of the Funds, a permanent commitment to short-term investments is not appropriate. On the other hand, at any given time it is quite likely that cash reserves will compose three percent or more of the Basic Funds' market value. Cash equivalent holdings are derived from two sources: first, new contributions provided by the retirement funds which have yet to be allocated to a specific long-term asset segment; and second, the external investment managers, who are permitted to hold cash as part of their own individual short-run asset mix strategies.

Cash reserves are invested in a short-term investment fund (STIF) managed by State Street Bank and Trust, the Basic Retirement Funds' master custodian. The STIF is a separate

account invested under the same state statutes which guide SBI investment staff's short-term investments.

REAL ESTATE

The SBI has targeted 10% of the Basic Retirement Funds for investment in real estate. Under state law, the SBI is authorized to invest in real estate through commingled funds, limited partnerships, and trusts. In each of the Board's real estate investments there must be at least four other participants. In addition, the Board's investment may not exceed 20% of a total fund. The SBI does not invest in real estate through direct investments, separate accounts, or individual transactions.

The SBI has adopted a three-part program to implement the policy allocation: 30-40% of the real estate portfolio is invested in open-end diversified commingled funds; 30-40% is invested in closed-end diversified commingled funds; and, 20-30% is placed in less diversified, more focused commingled funds.

The objective of the first two parts of the SBI's real estate program is to create a large core portfolio 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 market returns. The broad diversification of the core portfolio enables the Board to implement the third part of real estate program, the selection of less diversified, special orientation managers. With their more focused approach to real estate management, these funds offer the ability to enhance the return earned by the core portfolio.

The review of prospective real estate managers is conducted by SBI investment staff and the IAC's Alternative Investment Committee. In their evaluations, the staff and the Committee focus on the managers' experience, performance history, and investment strategy.

The Board continued to make progress toward its policy allocation to real estate during fiscal year 1986. New commitments were made to two closed-end commingled funds in both the diversified and specialty segments of the portfolio. The Board will continue to review and add new real estate investments to the portfolio as needed to fulfill the target 10% allocation. Future commitments likely will be in the form of follow-on funds with existing managers.

A description of the Board's real estate managers is included in the Statistical Data Appendix.

VENTURE CAPITAL

The SBI has allocated 2.5% of the Basic Retirement Funds to investment in venture capital. Under state law, the Board is authorized to invest in venture capital through limited partnerships and corporations. As with real estate investments, each venture capital investment must have at least four other investors. Further, the Board's maximum investment size is 20% of a particular fund.

Like the real estate portfolio, the Board's venture capital portfolio is broadly diversified. It consists primarily of participations in venture capital partnerships and is diversified across three dimensions: location, industry type, and stage of corporate development of individual portfolio companies.

The search for venture capital managers is conducted by SBI investment staff and the IAC's Alternative Investment Committee. Venture Economics, the SBI's venture capital advisor, assists in the selection process. The SBI staff and the Committee's venture recommendations are based primarily on the managers' experience, performance history, investment strategy, and diversification potential.

The Board's policy allocation to venture capital essentially was attained in fiscal year 1986. Two new commitments to venture capital limited partnerships were made. The Board will make additional commitments in future years as the growth of the Basic Retirement Funds warrants the expansion of the venture capital portfolio and as the existing commitments begin to generate cash distributions.

A description of the Board's venture capital managers is included in the Statistical Data Appendix.

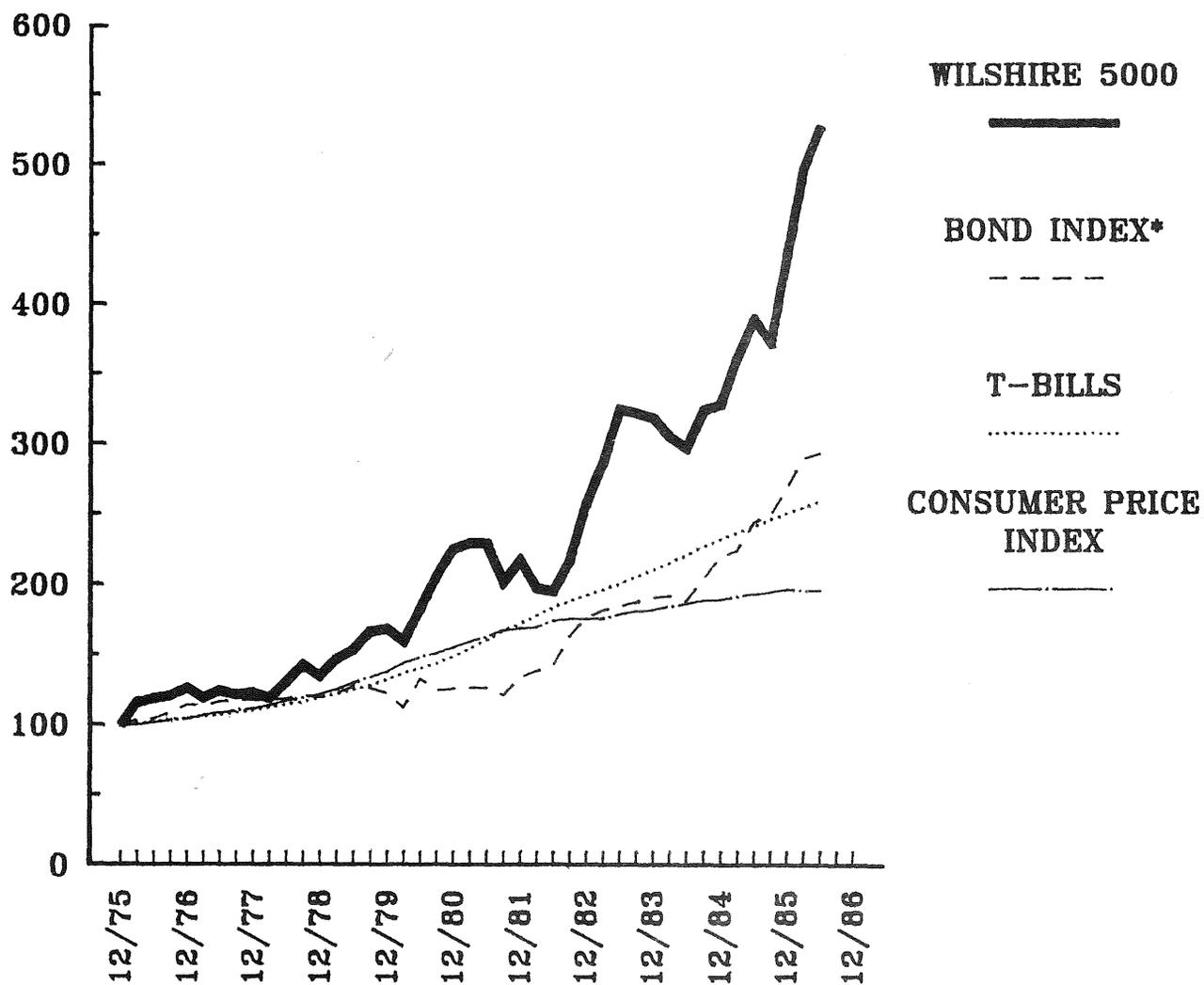
RESOURCE FUNDS

The SBI has allocated 2.5% of the Basic Retirement Funds' assets for investment in oil and gas partnerships. The Board invests in partnerships structured specifically for tax-exempt investors. Again, there must be four other participants in each of the Board's resource investments and the Board may invest no more than 20% of a fund'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 reviewed by SBI investment staff and the IAC's Alternative Investment Committee. Resource reviews are similar to those conducted for potential real estate and venture investments. SBI staff and the Committee focus on the resource managers' experience, performance history, and investment strategy.

PERFORMANCE OF CAPITAL MARKETS

CUMULATIVE RETURNS



*M.L. MASTER INDEX THROUGH 12/79
 SALOMON BROAD INDEX 1/80-6/86

During the 1986 fiscal year, SBI investment staff and the IAC's Alternative Investment Committee evaluated several possible new investments for the Basic Retirement Fund's resource portfolio. Only one of these investments was recommended to the Board. The sharp decline in energy prices and the financial shake-out in the energy sector have created the potential for profitable investment opportunities. However, SBI investment staff and the Committee have found it difficult to locate investments whose terms and assumptions properly reflect the decline in energy prices. Staff and the Committee plan to continue to review quality resource investments for possible inclusion in the Funds' portfolio.

A description of the Board's resource fund managers is included in the Statistical Data Appendix.

INVESTMENT PERFORMANCE

RISK-RETURN OBJECTIVES

The Board has adopted performance objectives which are consistent with the needs of the Basic Retirement Funds and realistic in the sense that they are both attainable and measurable. The evaluation of performance outcomes relative to objectives is an integral part of the SBI's investment management system.

Given the long-term investment time horizon of the Basic Retirement Funds, the performance evaluation time period is necessarily long-term as well. Recognizing that excessive attention to performance in the short-run can have a negative impact on investment results, the Board 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 identify trends and control extreme underperformance, decisions regarding the effectiveness of a particular investment management structure are made over a considerably longer period.

The Basic Retirement Funds' multi-manager structure requires that investment performance be evaluated on two distinct levels: the total fund level and the individual manager level. The use of total fund risk-return targets ensures that long-run strategic decisions which affect the total performance of the Funds are developed and implemented in a manner consistent with the Funds' needs. Risk-return objectives for the individual asset managers are designed to ensure that the managers adhere to their assigned investment roles. In addition, the objectives permit evaluation of the value that the managers add to the investment process.

TOTAL FUND RISK-RETURN OBJECTIVES

To a significant degree, the risk level of the total fund is set implicitly when the long-term asset mix (policy portfolio) and investment management structure are determined. Given the adequate funding levels and long-term investment time horizons of the Basic Retirement Funds, the Board has targeted an above average risk posture for the Basic Funds. 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 Board's risk target is implemented through the long-term commitment of a sizable proportion the Basic Funds' assets to equities and the adoption of an investment management structure which has an aggressive orientation.

The Basic Funds' long-term rate of return performance is evaluated relative to four specific benchmarks:

- o First, based on the Funds' long-term asset mix targets and the historical real returns offered by the various asset classes, the total portfolio is expected to achieve an annualized real rate of return of 5%.
- o Second, the returns produced by the total portfolio are expected to exceed those derived from a composite of asset class market indices, weighted in the same proportion as the Basic Funds' policy asset allocation. Because comprehensive data is available for only the stock, bond and cash equivalents markets, the composite index is weighted 65% stocks, 30% bonds, 5% cash equivalents.
- o Third, the Basic Funds' portfolio is expected to outperform the median return produced by a representative sample of other public and private tax-exempt balanced funds.
- o Fourth, the return on the Funds' total portfolio should exceed that of its actuarial assumed annual return of 8%.

INDIVIDUAL MANAGER RISK-RETURN OBJECTIVES

Two primary long-run risk objectives have been established for the Basic Retirement Funds' common stock managers. The first objective is based on each manager's individual investment approach. Each manager (active or passive) is expected to hold a portfolio that is consistent, in terms of risk characteristics, with the managers' stated investment approach. The second objective relates to the managers' levels of diversification. The active common stock managers are expected to hold highly non-diversified portfolios, while the index fund manager is expected to hold a well-diversified portfolio. In the short-run, the active common stock managers may depart from these two risk targets as part of their specific investment strategies.

The common stock managers' returns are evaluated against the performance of a customized index constructed to represent the managers' specific investment approaches. The Board expects the equity managers to add value to their individual investment styles. The benchmarks take into account the equity market forces that at times favorably or unfavorably impact certain investment approaches. Thus, the benchmarks are appropriate boogies against which to judge the managers' performances.

The risk of the bond managers' portfolios is constrained in such a way as to ensure that they fulfill their deflation hedge and total fund diversification roles. The bond managers are restricted in terms of the average life (i.e., the durations) of their portfolios and the quality of their fixed income investments.

However, the bond managers' investment styles are more broad-based than those of the equity managers. Thus, the benchmark used to evaluate the bond managers is the Salomon Brothers Broad Bond Index, which represents the performance of the entire bond market.

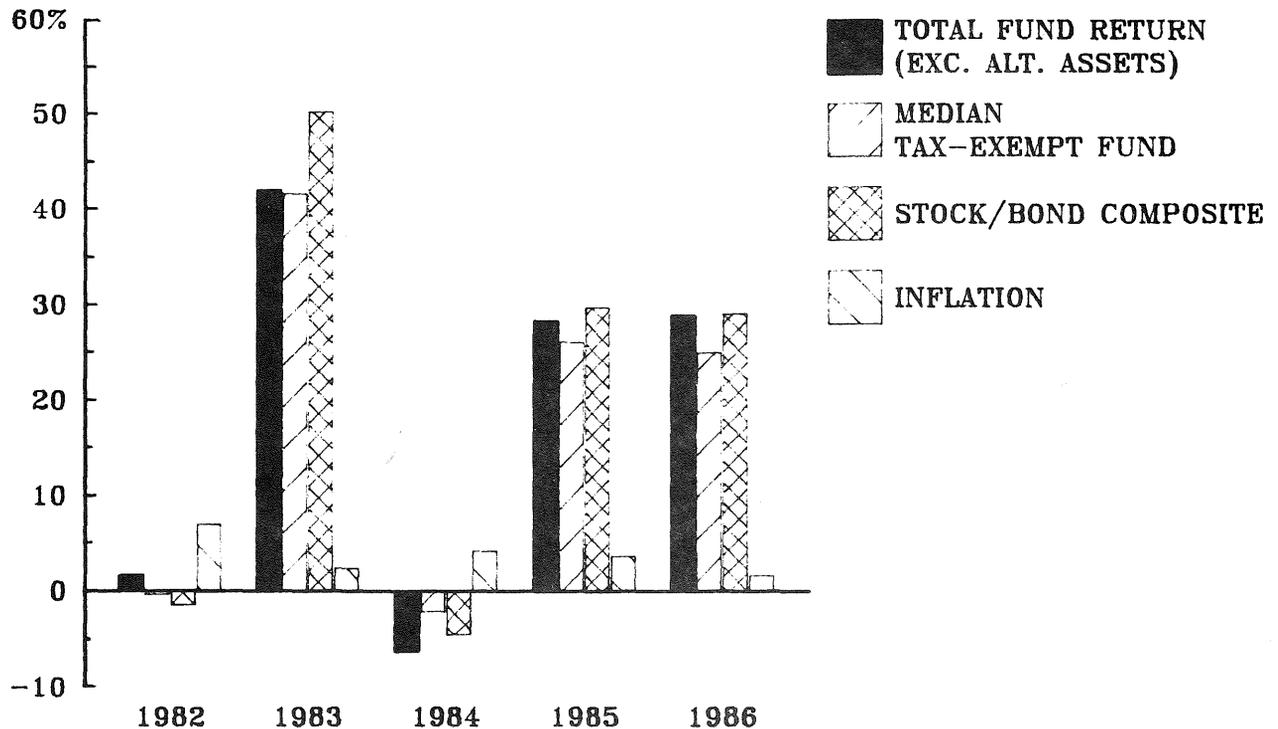
At this time, specific performance objectives have not been established for the alternative investment managers. The long-term nature of their investments and the lack of comprehensive data on the returns provided by the real estate, resource, and venture capital markets precludes effective performance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

TOTAL FUND RISK-RETURN PERFORMANCE RESULTS

Progress toward fulfillment of the Board's long-term asset mix targets continued during fiscal year 1986. The common stock and bond targets have been achieved for the past two years. Primary activity has centered around the Basic Retirement Funds' alternative investment programs. New commitments were made to real estate, venture capital, and resource investments during the year. With alternative investments near their policy asset allocation, only moderate additional activity is expected over the next several years.

Like the preceding year, fiscal year 1986 was an excellent period of performance for the Basic Retirement Funds. Both the stock and bond markets produced outstanding results. The stock market, as represented by the Wilshire 5000, moved to record highs, generating a 35.3% total return for the year. The bond market, which was stimulated by sharply declining interest rates, likewise produced impressive results. For the year, the bond market, as represented by the Salomon Broad Bond Index, produced a 19.9% total return.

BASIC RETIREMENT FUNDS INVESTMENT RETURNS



	FISCAL YEAR					(Annualized)	
	1982	1983	1984	1985	1986	3 YR.	5 YR.
TOTAL FUND (incl.)* (excl.)	2.0%	40.5%	-5.5%	26.8%	26.2%	14.9%	16.8%
MEDIAN FUND**	1.8	42.1	-6.3	28.4	29.0	15.8	17.5
COMPOSITE***	-0.1	41.3	-2.1	26.3	25.1	16.4	17.6
INFLATION	-1.6	50.3	-4.7	29.8	29.2	16.9	18.8
	7.1	2.6	4.2	3.7	1.7	3.2	3.9

* Includes Alternative Equity Assets: Real Estate, Venture Capital and Resource Funds

** Wilshire Assoc. Trust Universe Comparison Service median tax-exempt balanced portfolio

*** 50/45/5 Wilshire 5000/Salomon Broad Bond Index/91 Day T-Bills Composite through 12-31-82, 65/30/5 Composite thereafter

Driven by these exceptional capital markets performances, the Basic Retirement Funds' total portfolio generated a 26.2% total rate of return for fiscal year 1986. (Excluding alternative investments, the portfolio produced a 29.0% return.) Combined with the equally strong 1985 results, the Basic Funds have generated a 60.0% cumulative return over the last two fiscal years. (Excluding alternative investments, the Basic Funds produced a two-year return of 65.6%).

Relative to established total fund performance objectives, the Basic Retirement Funds performed well. The Basic Funds' portfolio return substantially surpassed the return on the median tax-exempt fund, and exceeded the real rate of return and actuarial return targets. The Basic Funds roughly matched the return on the stock/bond/cash target. Performance relative to total fund targets is presented on pages 20 and 22.

INDIVIDUAL MANAGER RISK-RETURN PERFORMANCE RESULTS

With few exceptions, the external common stock managers successfully fulfilled their long-term risk objectives assigned to them by the Board. In general, the managers constructed portfolios consistent with their stated investment approaches and maintained appropriate levels of diversification.

From a total return perspective, the active equity managers' results were mixed. The majority of the managers outperformed their benchmark portfolios. However, several underperformed their benchmarks. The aggregate result for all of the common stock managers was performance below that of the stock market.

Fiscal year 1986 was a period in which managers who pursue a "Growth" style of investing generally far outperformed managers who follow a more defensive, "Value" style. These results were in sharp contrast to fiscal year 1985, when the opposite situation occurred. These divergences in investment style performances were very evident among the Board's common stock managers.

The index fund deviated modestly from its target, the Wilshire 5000, during the fiscal year. The tracking error was higher than expected due to unusually large cash positions temporarily held in the index fund's portfolio. These cash positions were caused by stock sales required to fund withdrawals from the Basic Retirement Funds due to the "Rule of 85."

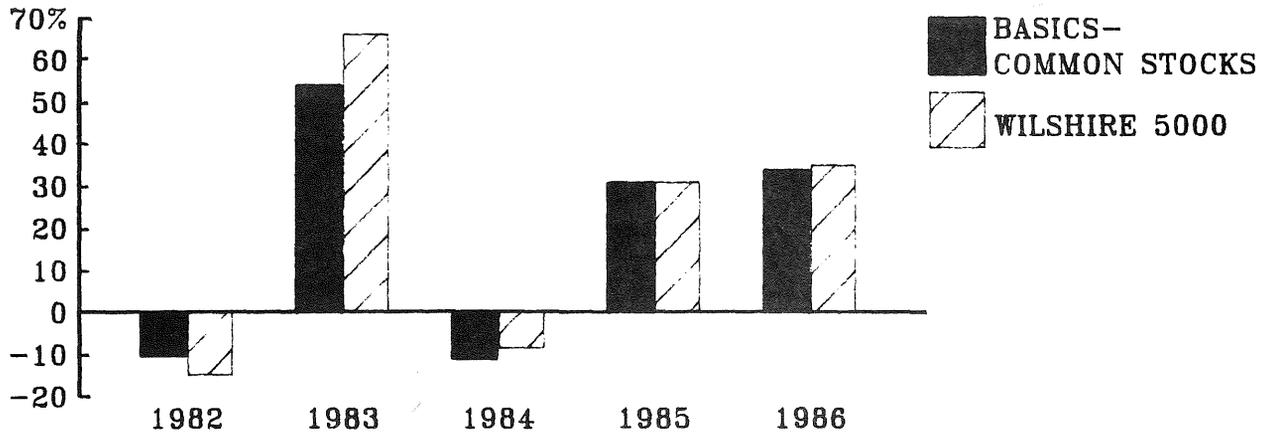
During fiscal year 1986, the bond managers fulfilled their assigned long-term risk targets. Portfolio quality and maturities were maintained in the specified ranges.

Rate of return results for the bond managers were generally unfavorable during the fiscal year. Most of the bond managers failed to outperform their assigned benchmark. This result was due, in large part, to less than market portfolio durations and

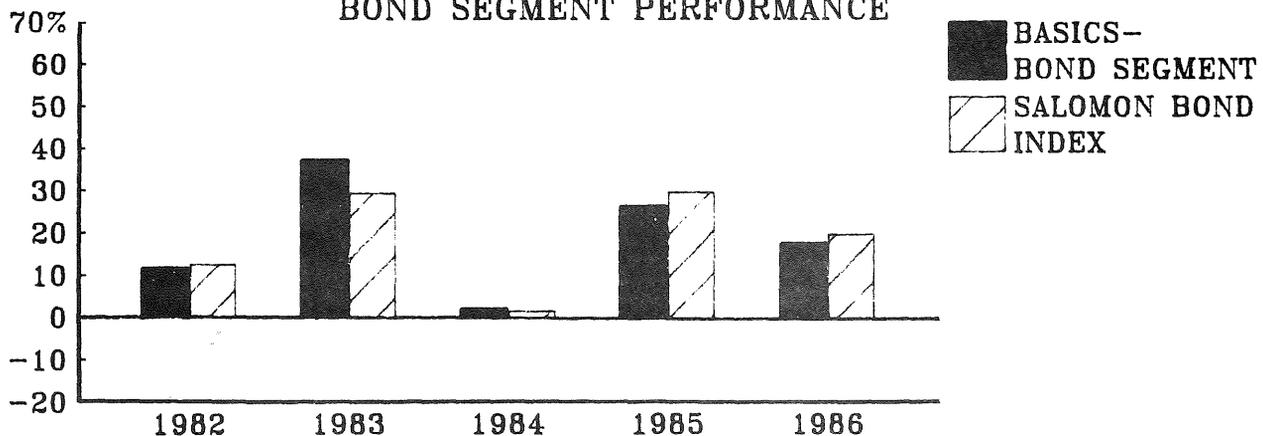
BASIC RETIREMENT FUNDS

PORTFOLIO SEGMENT PERFORMANCE

EQUITY SEGMENT PERFORMANCE



BOND SEGMENT PERFORMANCE



FISCAL YEAR

						(Annualized)	
	1982	1983	1984	1985	1986	3 YR.	5 YR.
EQUITY SEGMENT	-10.4%	54.1%	-11.1%	30.9%	33.8%	15.9%	16.6%
WILSHIRE 5000	-15.0	66.5	-8.7	31.2	35.3	17.4	18.1
BOND SEGMENT	11.9	37.4	2.2	26.4	17.6	15.0	18.5
SALOMON INDEX*	12.9	29.7	1.8	29.9	19.9	16.6	18.3

*SALOMON BROTHERS BROAD BOND INDEX

large mortgage positions held by the majority of the managers in a declining interest rate environment.

Performance data for the individual equity and bond managers are presented on pages 24-25.

BASIC RETIREMENT FUNDS

EQUITY MANAGER PERFORMANCE

FISCAL YEAR 1986

MANAGER	TOTAL PORTFOLIO RETURN
FRED ALGER	47.2%
ALLIANCE CAPITAL	43.9
BEUTEL GOODMAN	16.3
BMI CAPITAL	36.7
FORSTMANN LEFF	44.1
HELLMAN JORDAN	29.5
IDS ADVISORY	41.9
INVESTMENT ADVISERS	29.3
LIEBER & COMPANY	42.1
PEREGRINE CAPITAL	20.1
WADDELL & REED	28.5
INTERNAL MANAGER	18.6
TOTAL-EXT. ACTIVE STOCK MANAGERS	32.4
WILSHIRE ASSOCIATES (INDEX FUND)	34.4
TOTAL-ALL COMMON STOCK MANAGERS	33.8
PERFORMANCE STANDARDS	
WILSHIRE 5000	35.3
S&P 500	35.9
TUCS MEDIAN EQUITY PORTFOLIO	32.0
INFLATION	1.7

BASIC RETIREMENT FUNDS

FIXED INCOME MANAGER PERFORMANCE

FISCAL YEAR 1986

MANAGER	TOTAL PORTFOLIO RETURN
INVESTMENT ADVISERS	16.2%
LEHMAN MANAGEMENT	17.1
MILLER, ANDERSON & SHERRERD	18.5
MORGAN STANLEY	17.9
PEREGRINE CAPITAL	13.1
WESTERN ASSET	20.6
TOTAL EXT. ACTIVE BOND MANAGERS	17.9
PERFORMANCE STANDARDS	
SALOMON BROAD BOND INDEX	19.9
TUCS MEDIAN BOND MANAGER	18.4

**POST RETIREMENT
INVESTMENT FUND**

INVESTMENT OBJECTIVES

ASSET ALLOCATION

INVESTMENT MANAGEMENT

INVESTMENT PERFORMANCE

POST RETIREMENT INVESTMENT FUND

The Post Retirement Investment Fund contains the pension assets of retired public employees covered by seven statewide retirement plans (i.e., the Basic Retirement Funds and the Legislative & Survivors Retirement Fund). The assets of the Fund are used to finance monthly annuities paid to retirees. These annuities may be adjusted upwards based on the earnings of the Fund. At the end of the 1986 fiscal year, the Post Retirement Investment Fund had a market value of \$3.6 billion. As of that date, almost 45,000 retirees were participants in the Fund.

INVESTMENT OBJECTIVES

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

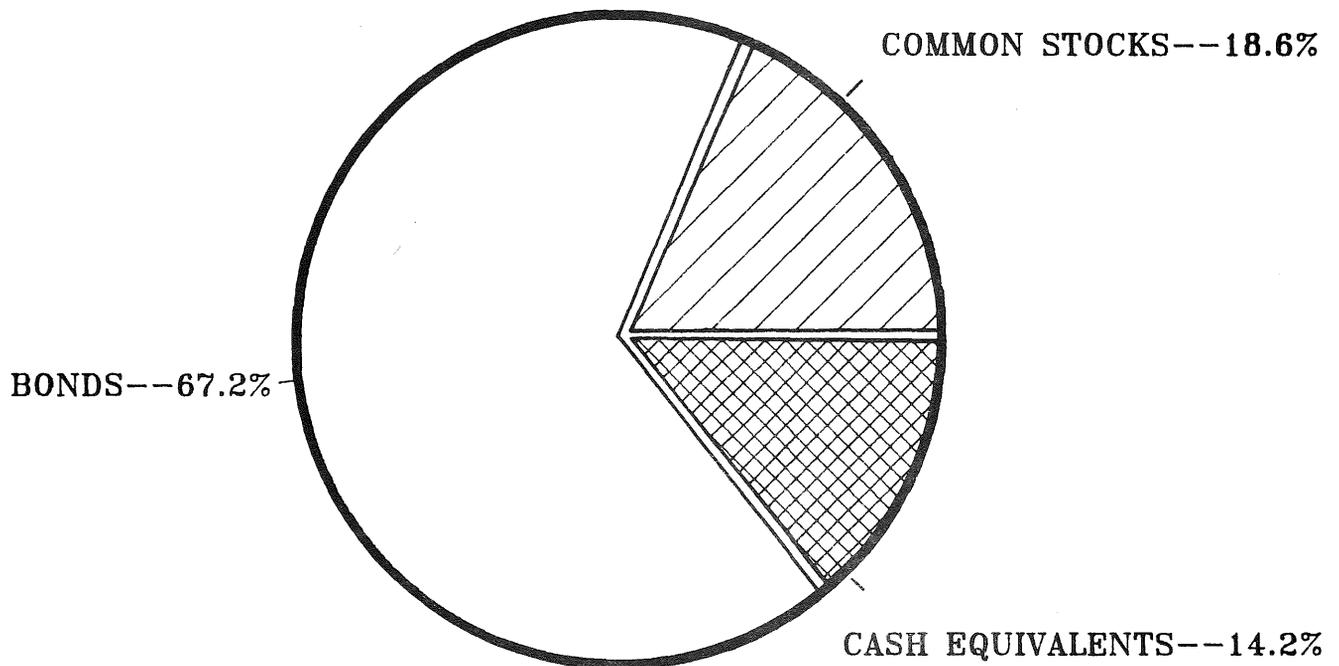
The SBI pursues two primary investment goals for the Post Retirement Investment Fund:

- o To produce annual earnings sufficient to maintain promised benefits at current levels.
- o To generate additional earnings which allow benefits to be increased at a rate which compensates, to some degree, for inflation.

In order to achieve these two objectives, the Board recognizes that the Post Retirement Investment Fund requires a completely different investment approach than that applied to the Basic Retirement Funds.

The ability of the Post Retirement Investment Fund to maintain current benefit levels and provide future benefit increases is dependent upon its earnings. As specified by statute, earnings for the Fund are defined as interest and dividend income as well as realized equity and fixed income capital gains (or losses). Unrealized capital gains have no

POST RETIREMENT INVESTMENT FUND
1986 FISCAL YEAR END ASSET MIX
 PERCENT OF MARKET VALUE



	\$MILLION	PERCENT
COMMON STOCKS	\$ 681	18.6%
BONDS	2,457	67.2
CASH EQUIVALENTS	520	14.2
TOTAL	\$3,658	100.0%

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

ASSET ALLOCATION

The asset mix of the Post Retirement Investment Fund is designed to generate the sizable, stable earnings stream referred to in the previous section. The Fund's year-end asset mix, as well as its historical asset allocation data, are presented on pages 30 and 32.

The majority of the Fund's assets are invested in a dedicated bond portfolio. A dedicated bond portfolio is a collection of various maturity, high quality bonds which generate cash flows from income and principal payments that match a specific stream of liabilities. The highly predictable benefits owed to the 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 Post Retirement Investment Fund's dedicated bond portfolio facilitates the attainment of the Fund's two objectives. Most importantly, it ensures that funds are available at the required times to meet promised benefit payments. The dedicated bond portfolio also earns enough additional interest income to consistently permit a minimum annual benefit increase of 3%, provided the portfolio yields at least 8% on an annual basis. If the Fund's other investments do well, as has been the case recent years, the Fund can offer eligible retirees even more than this floor benefit increase.

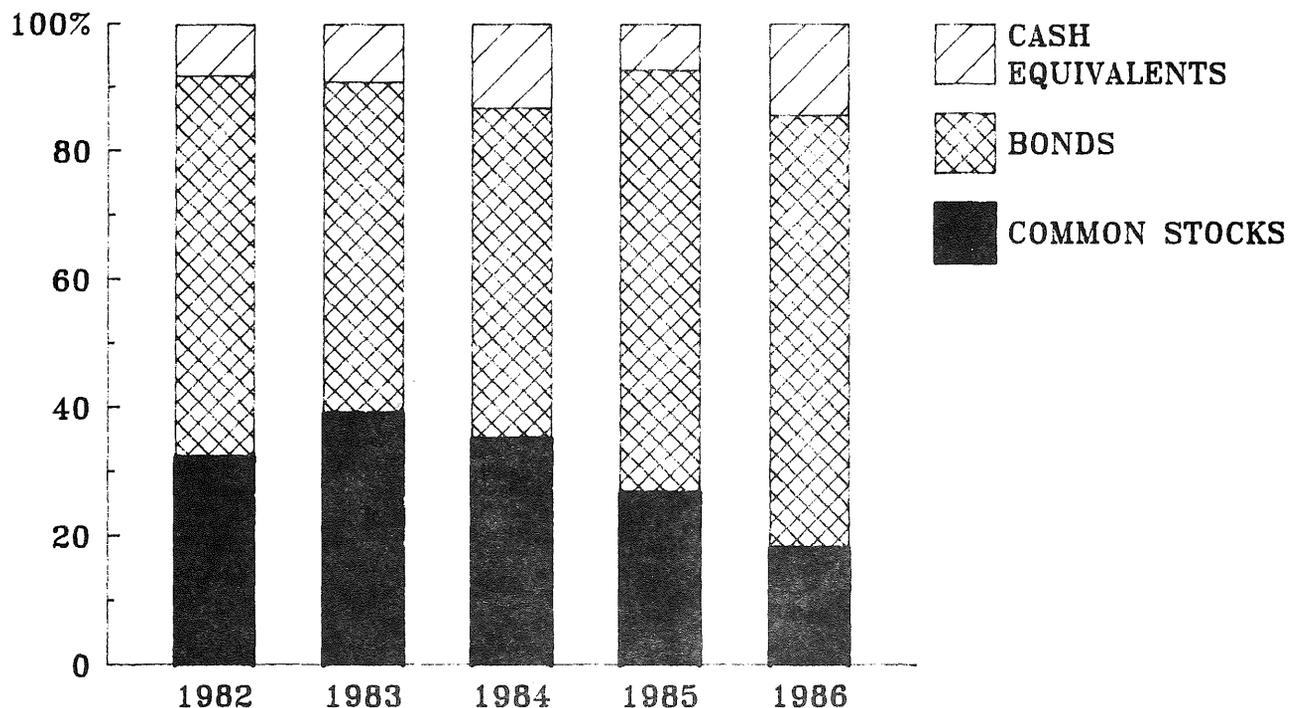
While bonds represent the largest asset class in the Post Retirement Investment Fund's total portfolio, common stocks also play an important role. Common stocks provide the Fund with a source of long-run earnings growth not available from fixed income investments. In recent years, realized gains on common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

Cash equivalents make up the remainder of the Fund's portfolio. These assets provide the Fund with a certain amount of inflation protection, as their yields are highly inflation sensitive. Further, cash equivalents give the Fund the liquidity necessary to meet withdrawals required for benefit payments.

POST RETIREMENT INVESTMENT FUND

HISTORICAL ASSET MIX

PERCENT OF MARKET VALUE
FISCAL YEAR END ALLOCATIONS



	FISCAL YEAR				
	1982	1983	1984	1985	1986
COMMON STOCKS					
\$MILLION	382.0	693.0	657.0	733.0	681.0
PERCENT	32.7	39.5	35.5	27.1	18.6
BONDS					
\$MILLION	692.0	903.0	951.0	1,780.0	2,457.0
PERCENT	59.3	51.5	51.4	65.7	67.2
CASH EQUIVALENTS					
\$MILLION	93.0	157.0	243.0	196.0	520.0
PERCENT	8.0	9.0	13.1	7.2	14.2
TOTAL FUND					
\$MILLION	1,167.0	1,753.0	1,851.0	2,709.0	3,658.0
PERCENT	100.0	100.0	100.0	100.0	100.0

The asset mix of the Post Retirement Investment Fund was altered modestly during fiscal year 1986. The sharp 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 Fund must now be invested at lower yields than in the recent past. If interest rates remain at current 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 Retirement Investment Fund is managed solely by the SBI's investment staff. This management structure is employed for three reasons. First, the low turnover, limited discretion nature of the dedicated bond portfolio makes bond management by SBI staff cost effective. Second, with respect to common stock management, the Fund's equity managers must be concerned with generating current income and avoiding realized losses. Most external investment managers are not used to functioning under the Fund's unique investment requirements. SBI staff, on the other hand, has managed the Fund's portfolio since its inception. Third, the SBI investment staff is more aware of the risk-return preferences of the retirees.

BONDS

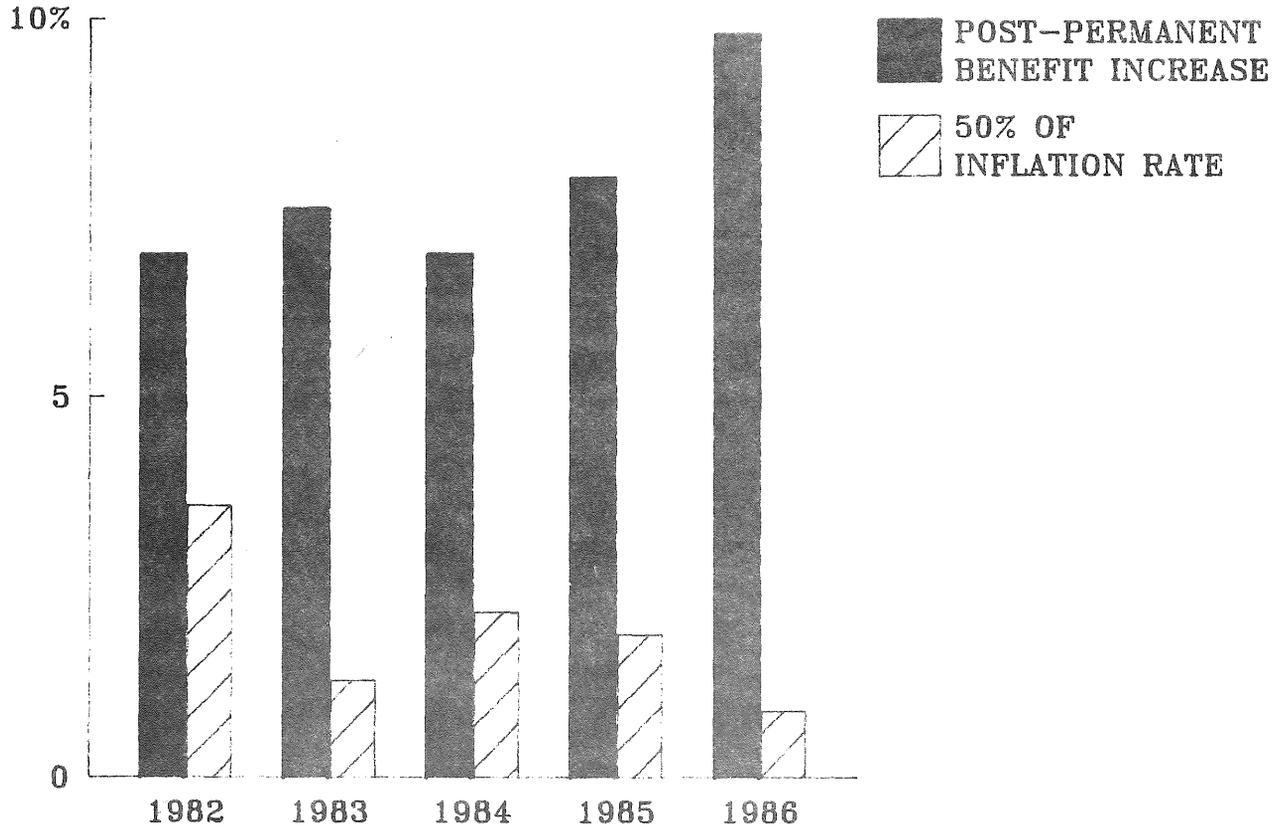
As described above, the dedicated bond portfolio represents the bulk of the Post Retirement Investment Fund's assets. SBI investment staff constructs the lowest cost portfolio, within established constraints, that produces sufficient cash flows to fund promised benefit payments and maintains adequate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

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

COMMON STOCKS

The focus of the investment staff's common stock management is long-term, value-based stock selection. The strategies implemented by the investment staff are less aggressive than those utilized by the Basic Retirement Funds' external equity managers. As the only common stock manager for the Post

POST RETIREMENT INVESTMENT FUND BENEFIT INCREASES VERSUS INFLATION



	FISCAL YEAR					(Annualized)	
	1982	1983	1984	1985	1986	3 YR.	5 YR.
BENEFIT INCREASE	6.9%	7.5%	6.9%	7.9%	9.8%	8.2%	7.8%
50%-INFLATION RATE	3.6	1.3	2.1	1.9	0.9	1.6	2.0

Retirement Investment Fund, the investment staff recognizes the diversification requirements of the Fund's stock portfolio. Further, staff is aware of the Fund's need to avoid investment strategies which generate high portfolio turnover and which, at times, could result in sizable realized losses.

The investment staff attempts to identify stocks that have attractive expected returns, yet do not possess significantly high levels of market volatility. The staff uses recommendations generated by quantitative valuation models as the primary source of investment candidates. In addition, selected recommendations of the Board's external equity managers are utilized if they fit the investment goals of the Fund. Investment staff always maintains a fully invested position in the equity portfolio. Market timing strategies are not utilized.

INVESTMENT PERFORMANCE

RISK-RETURN OBJECTIVES

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

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

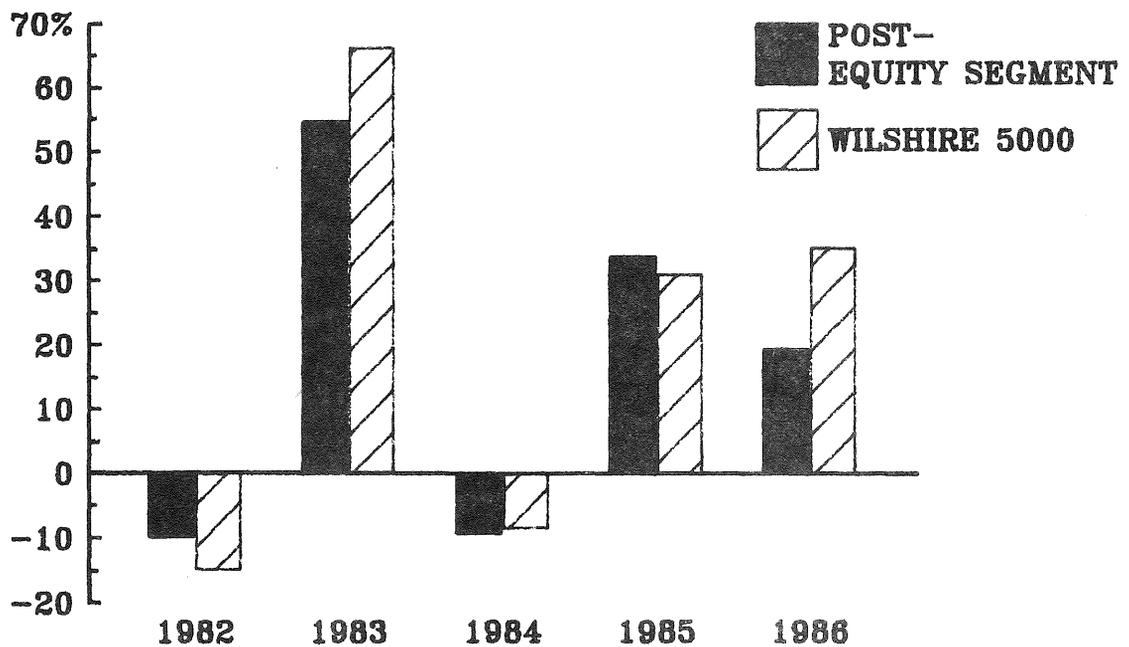
- o First, in order to finance promised benefit payments, the Fund must generate a level of interest and dividend income which, combined with realized capital gains, meets the Fund's actuarial assumptions of 5% per year.
- o Second, the Fund is expected to produce additional earnings sufficient to allow benefits to increase at a rate at least one-half of the inflation rate.
- o Third, the total rate of return on the Fund's actively-managed common stock portfolio is expected to exceed the performance of the Wilshire 5000.

RISK-RETURN PERFORMANCE RESULTS

The Post Retirement Investment Fund's total portfolio met all of the prescribed risk targets during the 1986 fiscal year. The Fund was approximately 70% invested in fixed income assets, with an average quality rating of AAA. The Fund's common stock portfolio maintained a slightly above average level of relative market volatility and was consistently well-diversified.

POST RETIREMENT INVESTMENT FUND

EQUITY SEGMENT PERFORMANCE



	FISCAL YEAR					(Annualized)	
	1982	1983	1984	1985	1986	3 YR.	5 YR.
EQUITY SEGMENT	-9.8%	54.9%	-9.3%	33.9%	19.5%	13.2%	15.2%
WILSHIRE 5000	-15.0	66.5	-8.7	31.2	35.3	17.4	18.1

Overall, investment returns relative to performance objectives were satisfactory for the 1986 fiscal year. The Fund generated income and realized capital gains in excess of the amount needed to fund promised benefits. The surplus earnings will permit a benefit increase of approximately 9.8%, considerably above the fiscal year 1986 inflation rate of 1.7%. Equity performance, on a relative basis, was disappointing. The contrarian value style pursued by the Fund's internal equity manager did not perform well in a market dominated by consumer growth stocks. For the fiscal year, the equity component failed to outperform its benchmark, the Wilshire 5000. However, the internal manager did perform roughly in line with the other contrarian/value managers retained by the Board. Post Retirement Investment Fund performance data for the most recent fiscal year, as well as the last five years, are presented on page 36.

**SUPPLEMENTAL
INVESTMENT FUND**

INCOME SHARE ACCOUNT

GROWTH SHARE ACCOUNT

FIXED RETURN ACCOUNT

BOND ACCOUNT

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 local public employees. The different participating groups use the Fund for a variety of purposes:

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

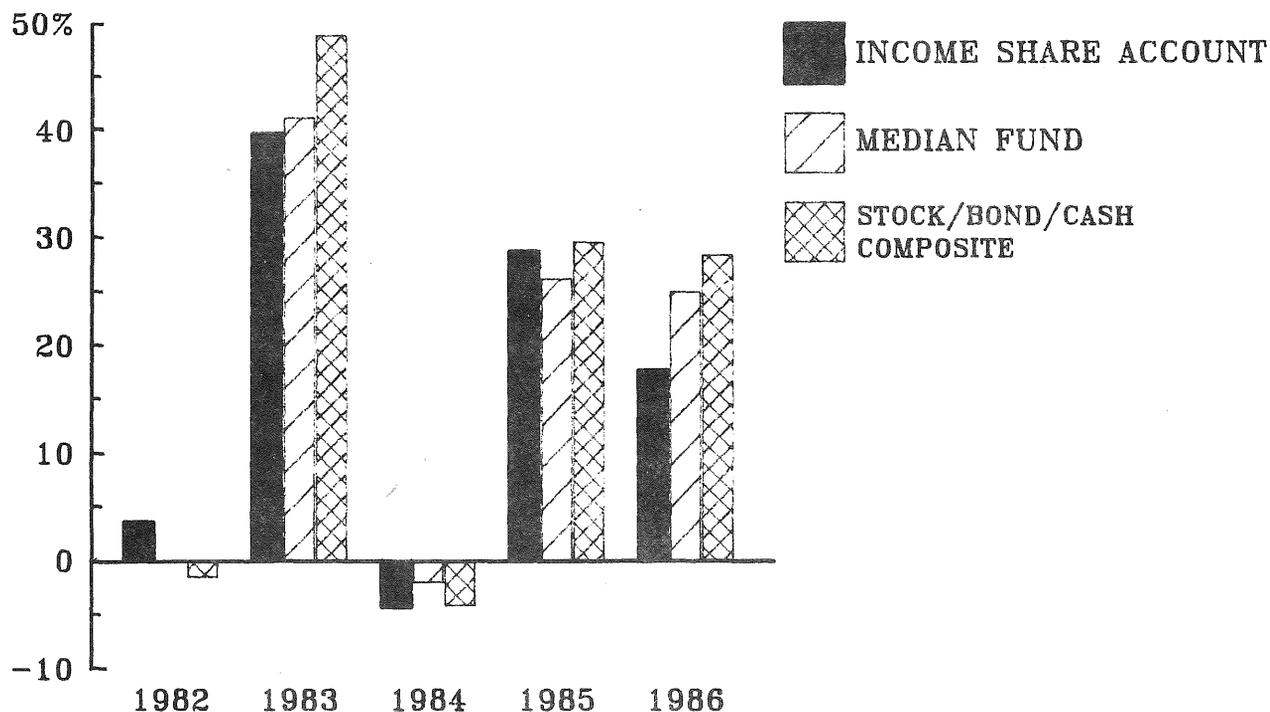
The Supplemental Investment Fund serves more than 14,000 individuals. On June 30, 1986 the market value of the entire fund was \$346 million.

A wide diversity of investment goals exists among the Fund's participants. In order to meet those needs, the 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 the statutory requirements and rules established by the participating organizations. Participation in the Fund is accomplished through the purchase or sale of shares in each account.

Throughout fiscal year 1986 most participants in the Fund had three different investment options: the Income Share Account; the Growth Share Account; or one of two debt-related accounts, the Fixed Return Account for individuals, or the Bond Account for retirement plans. At the Board's request, new legislation was passed during the 1986 legislative session to expand the range of options available to participants. As a result, three new accounts will be available to most participants beginning in fiscal year 1987: a Common Stock Index Account, a passively managed common stock portfolio; a Bond Market Account, a fixed income portfolio that will reflect changes in market value; and a Guaranteed Return Account, an investment option utilizing guaranteed investment contracts (GIC's). In addition, the Fixed Return Account will be converted to the Money Market Account, reflecting modifications in investment objectives.

SUPPLEMENTAL INVESTMENT FUND (INCOME SHARE ACCOUNT)

TOTAL ACCOUNT PERFORMANCE



	FISCAL YEAR					(Annualized)	
	1982	1983	1984	1985	1986	3 YR.	5 YR.
TOTAL FUND	3.7%	39.8%	-4.4%	28.8%	17.8%	13.2%	16.1%
MEDIAN FUND*	-0.1	41.3	-2.1	26.3	25.1	16.4	17.6
COMPOSITE**	-1.6	49.0	-4.2	29.7	28.5	16.9	18.5
EQUITY SEGMENT	-5.1	53.7	-11.0	30.4	19.9	11.7	15.3
WILSHIRE 5000	-15.0	66.5	-8.7	31.2	35.3	17.4	18.1
BOND SEGMENT	12.1	36.2	2.3	32.1	16.2	16.2	19.1
BOND INDEX***	12.9	29.7	1.8	29.9	19.9	16.6	18.3

* TUCS MEDIAN TAX-EXEMPT BALANCED PORTFOLIO

** 50/45/5 WILSHIRE 5000/SALOMON BOND INDEX/91 DAY
T-BILLS COMPOSITE THROUGH 12-31-82, 60/35/5 COMPOSITE
THEREAFTER

*** SALOMON BROTHERS BROAD BOND INDEX

Each account in the Fund establishes a share value and participants may buy or sell shares monthly, based on the most recent unit value. In the existing Income Share and Growth Share Accounts and the new Common Stock Index and Bond Market Accounts, shares are priced monthly based on the market value of the entire account. In these accounts, investment returns are measured by changes in the account's share value, which in turn is a function of the income and capital appreciation (or depreciation) generated by the securities in the account. In the existing Fixed Return Account and its successor, the Money Market Account, share values remain constant and the accrued interest income is credited to the accounts through the purchase of additional shares, at predetermined intervals. In the Bond Account and the new Guaranteed Return Account, shares are valued in the same manner as the Fixed Return Account.

Fiscal year 1986 marked the first year the Fund participated in the Combined Investment Funds. The Combined Investment Funds are pools of assets invested in equities, fixed income securities and other asset classes utilized by the Board. Participation in the Combined Investment Funds provides the Supplemental Investment Fund with the same flexibility and efficiency of investment management afforded the Basic Retirement Funds.

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

INCOME SHARE ACCOUNT

INVESTMENT OBJECTIVES AND ASSET ALLOCATION

The primary investment objective of the \$179 million Income Share Account is similar to that of the Basic Retirement Funds. The Account seeks to maximize long-term inflation-adjusted rates of return. The Account pursues this objective within the constraints of protecting against disastrous financial environments and limiting short-run portfolio return volatility.

To achieve this objective, the Income Share Account is invested in a balanced portfolio of common stocks and fixed income securities. The Account's policy portfolio calls for a long-term asset allocation of 60% common stocks, 35% bonds, and 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.

INVESTMENT MANAGEMENT

The Income Share Account's investment management structure combines internal and external management. The SBI's investment staff manages the entire fixed income component of the Account's portfolio and approximately four-fifths of the common stock portfolio. The balance of the common stock segment is managed externally.

The SBI investment staff manages the internal portion of the common stock portfolio with a long-term value-oriented approach appropriate for the balanced nature of the Account. The Income Share Account's external stock managers provide a complementary aggressive investment style. Due to the balanced investment goals of the Account, the percentage of the total portfolio assigned to aggressive equity management has been kept at a relatively low level. Through its participation in the common stock segment of the Combined Investment Funds, the Account utilizes the same external active equity managers as the Basic Retirement Funds.

INVESTMENT PERFORMANCE

Similar to the other SBI funds which utilize a multi-manager investment structure, the performance of the Income Share Account is evaluated on two levels: the total account and the individual manager level.

The total account performance of the Income Share Account is expected to exceed the returns of a composite of market indices weighted in the same proportion as the Account's policy asset allocation. Performance objectives for the Account's external equity managers are described on page 18 and 19 of the Basic Retirement Funds' discussion. Performance objectives for the Account's internal manager are described on page 33 and 35 of the Post Retirement Investment Fund discussion.

The Income Share Account failed to meet its performance targets on both a total account and individual manager level during the 1986 fiscal year. Total account results are presented on page 42. Discussion of individual manager performance can be found on page 24.

GROWTH SHARE ACCOUNT

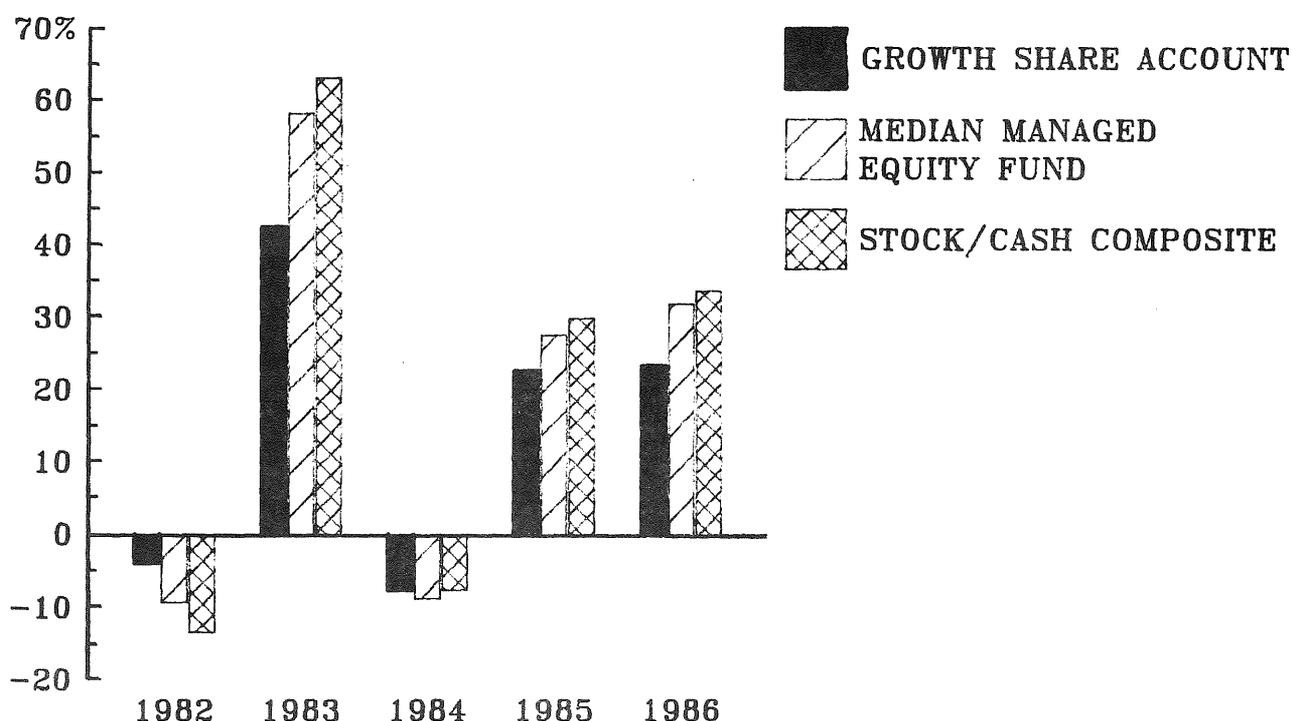
INVESTMENT OBJECTIVES AND ASSET ALLOCATION

The primary investment objective of the \$79 million Growth Share Account is to generate above-average capital appreciation.

To achieve this objective, over the long-run the Account will hold a large permanent equity commitment. The Account's policy

SUPPLEMENTAL INVESTMENT FUND (GROWTH SHARE ACCOUNT)

TOTAL ACCOUNT PERFORMANCE



	FISCAL YEAR					(Annualized)	
	1982	1983	1984	1985	1986	3 YR.	5 YR.
TOTAL FUND	-4.2%	42.7%	-7.5%	22.9%	23.4%	11.8%	13.9%
MEDIAN FUND*	-9.5	58.3	-9.0	27.7	32.0	15.8	18.3
COMPOSITE**	-13.6	63.2	-7.8	30.0	33.8	17.0	17.7
EQUITY SEGMENT	-9.4	56.7	-17.9	28.1	24.0	9.2	13.1
WILSHIRE 5000	-15.0	66.5	-8.7	31.2	35.3	17.4	18.1

* TUCS MEDIAN MANAGED EQUITY PORTFOLIO

** 95/5 WILSHIRE 5000/91 DAY T-BILLS COMPOSITE

asset allocation reflects this commitment through an asset mix of 95% common stocks, 5% cash equivalents. The small cash equivalents component represents the normal cash reserves held by the Account as a result of new contributions to the Account not yet allocated to common stocks. The Account's asset mix may vary substantially from its assigned policy portfolio at times. Depending on the Account managers' near-term outlook for the capital markets, the Account may invest up to 100% of its market value in stocks or may make a sizable allocation to cash equivalents.

Because of its sizeable common stock commitment, the Growth Share Account's returns likely will be more variable than those of the balanced Income Share Account. Higher long-run returns from the Growth Share Account's investments are expected to compensate for the additional variability of returns.

INVESTMENT MANAGEMENT

The management of the Growth Share Account's common stock portfolio is split equally between internal and external management. The SBI investment staff manages the internal component with a long-term value-oriented approach. The balance of the Growth Account's portfolio is managed by the Board's external active equity managers. As with the Income Share Account, the Growth Share Account's external equity component is achieved through its participation in the common stock segment of the Board's Combined Investment Funds. A larger percentage of the Growth Share Account than the Income Account is allocated to the external active equity managers to reflect the Growth Account's more aggressive investment policy.

INVESTMENT PERFORMANCE

The performance of the Growth Share Account is evaluated on a total account level and an individual manager level. The total account performance is expected to exceed the returns of a composite of market indices weighted in the same proportion as the Account's policy asset allocation. Performance objectives for the Growth Share Account's individual managers are described in the Income Share Account discussion.

The Growth Share Account in fiscal year 1986 failed to meet its total account and individual manager performance targets. Total account results are shown on page 45. Discussion of individual manager performance is located on page 24.

FIXED RETURN ACCOUNT

INVESTMENT OBJECTIVE AND ASSET ALLOCATION

The Fixed Return Account's investment objective is to generate high levels of current income by investing in debt securities. The Account's sole source of earnings is the interest income produced by its portfolio of securities. Participants experience minimal investment risk because all portfolio assets are held to maturity. Given this structure, there is little likelihood that the Account will realize capital losses (or gains) as a result of changes in the market value of the Account's assets. On June 30, 1986, the Account's market value was \$77 million.

As currently established, the Fixed Return Account permits participation only by individual public employees as part of their authorized investment options. (Various retirement associations participate in a similar style of investment management through the Bond Account described below.)

INVESTMENT MANAGEMENT

The Fixed Return Account is managed entirely by SBI investment staff. Since all portfolio assets are held to maturity, staff provides very cost-effective management for the Account. To achieve the Account's investment objectives staff invests solely in investment grade debt securities (i.e. those rated BAA or above). Historically, investment staff had invested the Account in an intermediate-term maturity fixed income portfolio. New investments were made in the two-to-three year maturity range. Restructuring plans for the Supplemental Investment Fund called for the Fixed Return Account to be managed as a liquid money market fund beginning in fiscal year 1987. Thus, as interest rates declined during the 1986 fiscal year, investment staff gradually liquidated the Fixed Return Account's bond portfolio and reinvested the proceeds in cash equivalents. By year-end, the Account's portfolio maturity had been moved down to the targeted short-term level.

BOND ACCOUNT

The Bond Account was established by the 1981 Legislature to provide a separate fixed return investment vehicle for police and firefighter retirement organizations. The Bond Account is a low risk investment option which earns a high level of current income from quality debt securities. The Bond Account is managed solely by SBI investment staff. The Account is managed in a similar manner as the Fixed Return Account. However, the average life of the Bond Account's investments is longer than that of the Fixed Return Account. On June 30, 1986, the Bond Account had a market value of \$11 million.

Participation in the Bond Account is offered to qualified retirement organizations only. Individuals do not participate in this Account. The Account is designed to offer participating organizations a fixed rate of return for a specified period of time. The length of time this established return is in effect depends on the average maturity of the Account's investments, usually in the range of six-to-eight years.

Contributions to the Bond Account made by the participating retirement organizations are grouped by year, referred to as a class year. Depending on the available fixed income investment opportunities available at the initiation of a class year, a rate of return is established for the contributions made by the participants in the class year. This rate is in effect for the life of the class. If a retirement organization chooses to withdraw from the Bond Account prior to the expiration of a class year, its shares are redeemed at market value.

**MINNESOTA VARIABLE
ANNUITY FUND**

INVESTMENT OBJECTIVES

ASSET ALLOCATION

INVESTMENT MANAGEMENT

INVESTMENT PERFORMANCE

MINNESOTA VARIABLE ANNUITY FUND

The Minnesota Variable Annuity Fund is an investment option formerly offered to members of the Teachers' Retirement Association. The Fund was designed as an alternative to the regular teachers' retirement plan. The opportunity to enroll in the Fund is no longer offered to new Association members, although members enrolled prior to the cutoff date may retain their participation in the Fund and continue to make contributions. The June 30, 1986 market value of the Fund was \$148 million.

INVESTMENT OBJECTIVE AND ASSET ALLOCATION

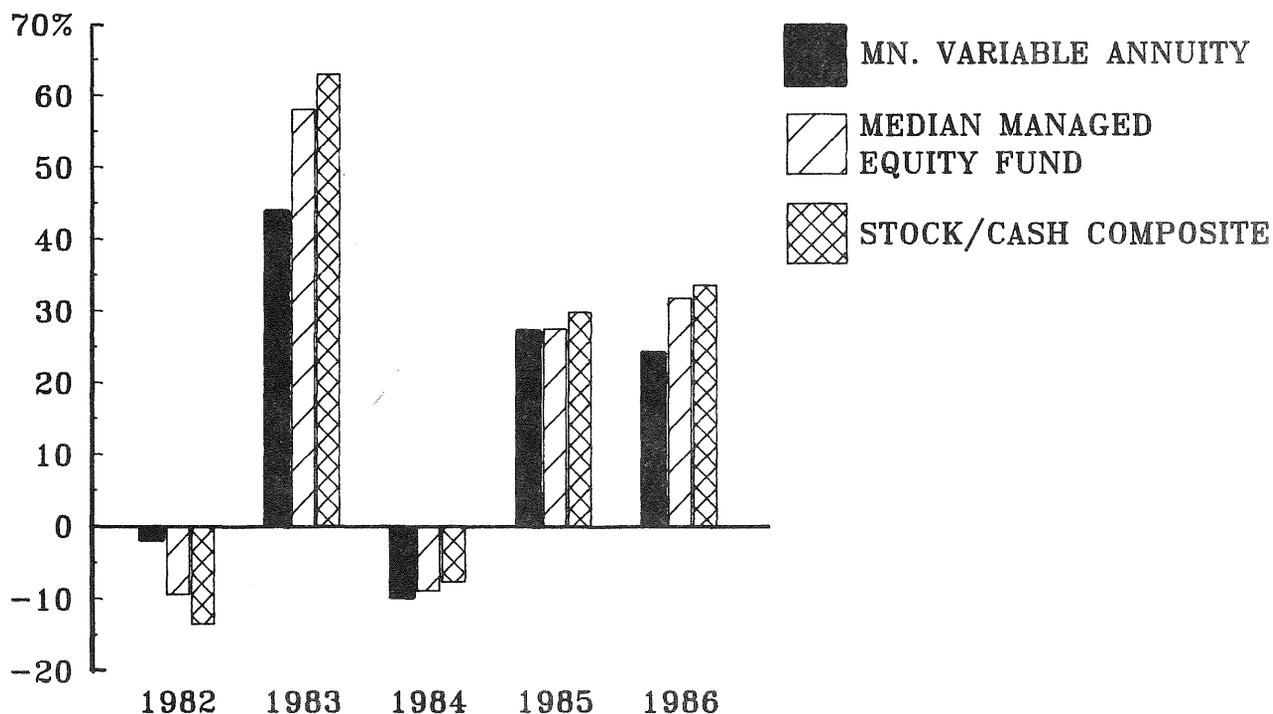
The investment objective of the Fund is the same as that of the Growth Share Account in the Supplemental Investment Fund. The purpose of the Variable Annuity Fund is to provide participants with above average long-run capital appreciation on their investments. This investment objective necessitates a sizable long-term commitment to common stocks. The Minnesota Variable Annuity Fund is authorized to hold up to 100% of its market value in common stocks. However, the Fund's portfolio may contain a considerable cash equivalent component at any given time, depending on the near-term investment strategies of its managers. Like the Growth Share Account in the Supplemental Investment Fund, the Variable Fund's policy asset allocation is weighted 95% common stocks/5% cash equivalents.

INVESTMENT MANAGEMENT

Management of the Fund is split equally between external and internal management. The role of the external managers is to provide an aggressive approach complementary to that of the internal investment staff. Like the Supplemental Investment Fund, the Variable Annuity Fund utilizes the same active external equity managers who invest common stocks for the Basic Retirement Funds. This sharing of equity managers is accomplished through participation in the equity segment of the Combined Investment Funds.

MINNESOTA VARIABLE ANNUITY FUND

TOTAL FUND PERFORMANCE



	FISCAL YEAR					(Annualized)	
	1982	1983	1984	1985	1986	3 YR.	5 YR.
TOTAL FUND	-1.9%	44.2%	-9.8%	27.5%	24.5%	12.7%	15.1%
MEDIAN FUND*	-9.5	58.3	-9.0	27.7	32.0	15.8	18.3
COMPOSITE**	-13.6	63.2	-7.8	30.0	33.8	17.0	17.7
EQUITY SEGMENT	-7.6	55.8	-14.1	30.3	24.9	11.9	15.0
WILSHIRE 5000	-15.0	66.5	-8.7	31.2	35.3	17.4	18.1

* TUCS MEDIAN MANAGED EQUITY PORTFOLIO

** 95/5 WILSHIRE 5000/91 DAY T-BILLS COMPOSITE

INVESTMENT PERFORMANCE

The Minnesota Variable Annuity Fund's total fund performance is expected to surpass the returns of a market indices composite weighted in the same proportion as the Fund's policy asset allocation. Performance objectives for the Fund's external equity managers are described on pages 18 and 19 of the Basic Retirement Funds discussion. Performance objectives for the Fund's internal manager are described on pages 33 and 35 of the Post Retirement Investment Fund discussion.

During the 1986 fiscal year, the Minnesota Variable Annuity Fund's performance failed to exceed the results of its total fund and individual manager performance objectives. Total fund results are presented on page 52. Discussion of individual manager performance can be found on page 24.

**PERMANENT
SCHOOL FUND**

**INVESTMENT OBJECTIVES
ASSET ALLOCATION
INVESTMENT MANAGEMENT
INVESTMENT PERFORMANCE**

PERMANENT SCHOOL FUND

The Permanent School Fund is a trust fund created by the Minnesota State Constitution. The Fund was designed to serve 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 currently is used to offset state school aid payments. During the 1986 fiscal year, these offsets totaled \$27 million. As of June 30, 1986, the Permanent School Fund had a market value of \$365 million.

INVESTMENT OBJECTIVES

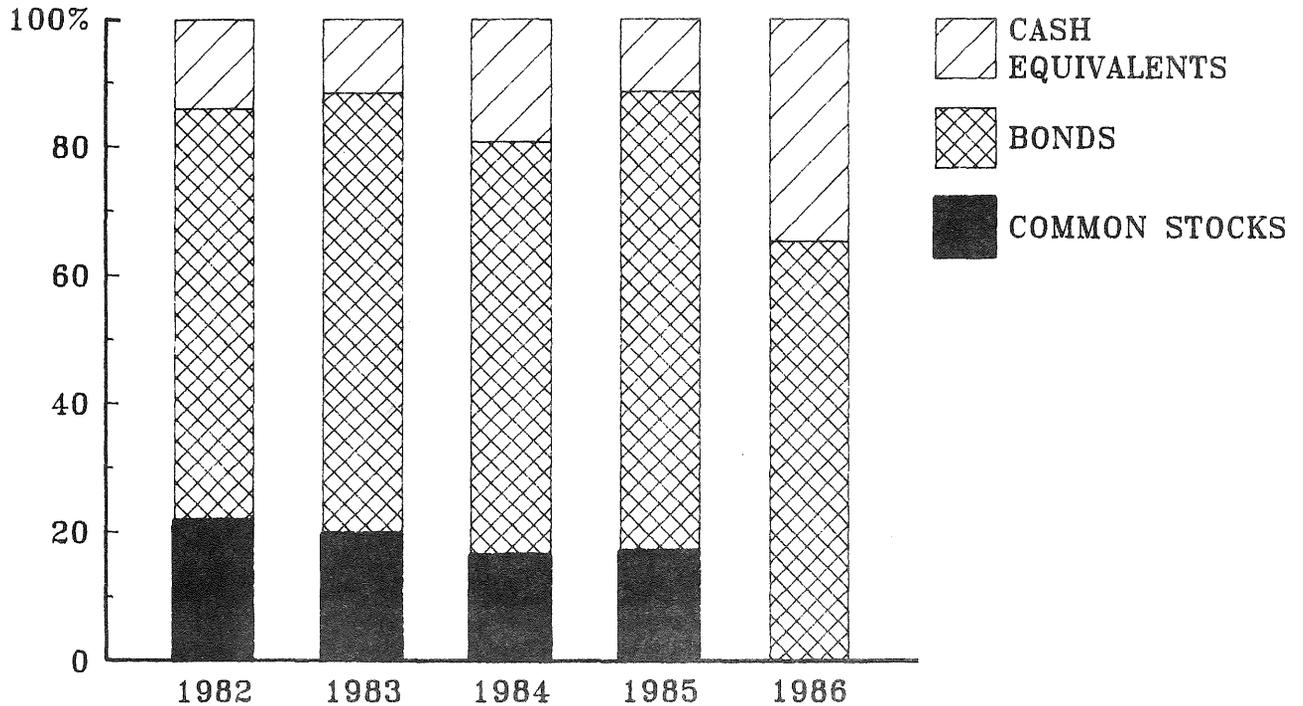
The Investment Board invests the Permanent School Fund to produce a high, consistent level of income that will assist in offsetting state expenditures on school aids. The Fund's investment objectives are influenced by the restrictive accounting provisions under which its investments must be managed. These provisions require that the Fund's principal remain inviolate. Further, any net realized equity and fixed income capital gains 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 accounting provisions limit the investment time horizon over which the Permanent School Fund is managed. Long-run growth in the Fund's assets is difficult to achieve without seriously reducing current spendable income and exposing the spendable income stream to unacceptable volatility. The Board, therefore, invests the Fund's assets to produce the maximum amount of current income, within the constraint of maintaining adequate portfolio quality.

The Board maximizes current income by investing all of the Permanent School Fund's assets in fixed income securities. The Board has a strong incentive not to invest in equity assets for the following reasons. First, common stock dividend yields are considerably lower than bond yields. Thus, common stocks generate less current income than bonds. Second, equity prices are highly volatile and at times may produce realized capital

PERMANENT SCHOOL FUND HISTORICAL ASSET MIX

PERCENT OF MARKET VALUE
FISCAL YEAR END ALLOCATIONS



	FISCAL YEAR				
	1982	1983	1984	1985	1986
COMMON STOCKS					
\$MILLION	52.0	59.0	46.0	58.0	0.0
PERCENT	22.0	19.9	16.6	17.2	0.0
BONDS					
\$MILLION	152.0	203.0	178.0	241.0	239.0
PERCENT	64.1	68.6	64.3	71.5	65.4
CASH EQUIVALENTS					
\$MILLION	33.0	34.0	53.0	38.0	126.0
PERCENT	13.9	11.5	19.1	11.3	34.6
TOTAL FUND					
\$MILLION	237.0	296.0	277.0	337.0	365.0
PERCENT	100.0	100.0	100.0	100.0	100.0

losses that will reduce spendable income. Finally, net capital gains become part of the Fund's principal. Therefore, the effect of the volatility of equity prices on the Fund's spendable income cannot be smoothed out by spending past realized capital gains.

ASSET ALLOCATION

Based upon a staff study of the Permanent School Fund's investment needs and objectives, late in the 1985 fiscal year the Investment Board chose to eliminate the Fund's relatively small equity holdings. In early fiscal year 1986, all of the Fund's assets were moved into fixed income securities. With the sharp decline in interest rates that occurred in fiscal year 1986, the Board maintained the proceeds of the equity sales in short-term securities. This move gives the Fund added flexibility in the event interest rates should rise again. The Fund's 1986 year-end asset mix, as well as its historical asset allocation data, are shown on page 58.

The Permanent School Fund's current investment focus is short-term. This situation is necessitated by the Fund's restrictive accounting provisions. However, the Board believes that the Fund's needs could better be met by a longer-term outlook. Under the current asset allocation, spendable income cannot grow over time. As a result, the value of income produced by the Fund, in inflation-adjusted terms, will gradually decline. On the other hand, a longer-term outlook that includes investments in equity assets could allow the Fund's principal, and hence spendable income, to grow. For a longer-term approach to be implemented, the Fund's accounting provisions will have to be altered. However, based on an Attorney General's opinion, it appears that the necessary changes will require a Constitutional amendment.

INVESTMENT MANAGEMENT

The Permanent School Fund is managed entirely by SBI investment staff. Given the existing accounting restrictions of the Fund, it would be extremely difficult for external managers to invest the Fund's portfolio. Typically, money managers seek to earn superior total rates of return (which include income and capital appreciation) through active management. 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 SBI investment staff manages the Permanent School Fund's bond portfolio primarily through a buy-and-hold approach. New purchases are evaluated in light of prevailing financial market conditions, as well as expectations of near-term changes in those conditions.

RISK-RETURN OBJECTIVES

The Permanent School Fund's investment current objective is to maximize spendable income, within the constraint of maintaining adequate portfolio quality. From a risk perspective the Fund's portfolio is very conservatively structured, as its target asset mix calls for a full commitment to fixed income securities. The risk assumed by the bond portfolio is influenced by its buy-and-hold investment approach. Subject to current and expected future financial conditions, the Fund will attempt to maximize interest income by investing in longer-term, high yielding investment grade bonds.

From a rate of return perspective, the Fund is not concerned with total rates 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.

RISK-RETURN PERFORMANCE RESULTS

At the end of the fiscal year, the Fund's bond portfolio had a duration of 4.6 years with an average quality rating of AAA.

The liquidation of the Fund's equity portfolio was invested in short-term securities. These securities generated a higher level of current income than was formerly provided by common stocks. For the fiscal year, the Finance Department's spendable income target was exceeded. Further, the Fund now has considerable flexibility should interest rates rise and/or yield spreads widen in the near future. In that environment, portfolio maturities can be lengthened and quality lowered to enhance portfolio yields.

STATE CASH ACCOUNTS

The \$2.0 billion cash assets of State agency accounts and trust funds are invested to provide a high level of current income. These assets are invested in highly liquid, investment grade securities which mature within at least 3 years. All cash investments are managed by the SBI investment staff. Short-term investments include U.S. Treasury and Agency issues, repurchase agreements, bankers acceptances, commercial paper, and certificates of deposit. The maturity structure of each individual account's portfolio depends on the cash flow needs of the respective account. The largest short-term accounts are the \$851 million Invested Treasurers Cash; the \$475 million Highway Funds; and the \$201 million Debt Service Account.

As part of the 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 has generated approximately \$1.5 million per year in additional income for its accounts.

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 Board receives a market rate of return on these investments, utilizing the average secondary CD market rate quoted by the New York Federal Reserve Bank. All investments are fully insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation. The Minnesota Certificate of Deposit program provides a reliable source of capital to all Minnesota financial institutions, regardless of size, many of which do not have access to the national CD market. The SBI designed the loan process so that no single institution is favored in the allocation of assets. Since it began in 1980, the CD program has loaned over \$900 million to 365 financial institutions throughout the state.

FISCAL YEAR 1986
MAJOR DEVELOPMENTS

SUPPLEMENTAL INVESTMENT FUND
BENCHMARK PORTFOLIOS
PERFORMANCE-BASED FEES
CONSULTANT SEARCH
ALTERNATIVE INVESTMENT FUNDING
SOUTH AFRICA RESOLUTION
SHAREHOLDER ACTIVITIES

1986 MAJOR DEVELOPMENTS

SUPPLEMENTAL INVESTMENT FUND

The Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and local public employee groups. The nature of the retirement programs offered through the Fund varies from group to group. The Fund serves as a tax-sheltered savings program, similar to corporate 401(K) plans, for the Deferred Compensation Plan. For unclassified state employees, the Fund represents their entire pension plan. For local police and firefighter retirement plans, the Fund serves as a money manager for part of the plans' assets. Finally, for state university/community college teachers and Hennepin County employees, the Fund is a pension supplement. More than 14,000 individuals participate in the Fund.

Because the Supplemental Investment Fund plays many roles for many retirement groups, it needs to offer a wide array of investment alternatives. Participants should then be able to select the option(s) that best meet their particular investment objectives.

In recent years, the Supplemental Investment Fund has offered three alternatives. The first option is the Growth Share Account. It is an all-common stock fund which aggressively seeks superior returns through assuming above-average levels of investment risk. The second option is the Income Share Account. It is a balanced fund that holds a diversified portfolio of common stocks, bonds, and cash equivalents. It too seeks superior total returns, but without exposing itself to the volatility of the Growth Share Account. The final option is the Fixed Return Account (for individuals) and the Bond Account (for retirement organizations). These accounts buy and hold high quality, short-to-intermediate term debt securities and provide interest bearing, low risk investments.

After reviewing this account structure, SBI staff determined that the existing set of investment options did not provide sufficient investment flexibility and diversity. To address this deficiency, staff recommended that the Fund be restructured in two ways. First, the Fund should offer a wider range of investment vehicles. Second, the investment goals of each account should be more narrowly focused.

With its new account structure, the Supplemental Investment Fund will be better able to meet the differing needs of the public employees and retirement plans that participate in the Fund. Through the purchase of shares in one or more accounts, participants will have the flexibility to design investment programs that are tailored to meet their individual investment objectives.

BENCHMARK PORTFOLIOS

During fiscal year 1986, the investment staff developed benchmark portfolios for the Board's twelve active common stock managers. A benchmark portfolio, also termed a "normal" portfolio, is a customized index that represents the investment style of an individual money manager. A benchmark portfolio reflects the prominent risk characteristics that a manager's portfolio would exhibit if the manager were making no active investment judgments.

Benchmark portfolios are useful to pension plan sponsors on two levels: the total fund level and the individual manager level.

On the total fund level, a fund's long-run investment objectives can be represented by the asset mix of a benchmark portfolio. Active strategies that cause a plan to deviate temporarily from its long-term asset mix policy weights can be evaluated by comparing the actual performance of the fund with the performance of the benchmark portfolio.

The Board has included total fund benchmarks in its performance evaluation and measurement system for several years. Custom indices have been developed as performance targets for the Basic Retirement Funds, Supplemental Investment Fund, and the Minnesota Variable Annuity Fund. The custom indices are composites of broad market indices, weighted to reflect the risk-return objectives of the individual funds. For example, the performance of the Basic Retirement Funds' total portfolio (excluding alternative equity assets) is evaluated relative to the performance of a benchmark portfolio weighted 65% Wilshire 5000, 30% Salomon Brothers Broad Bond Index, and 5% Cash Equivalents. A more comprehensive description of the total fund benchmarks and their function in the Board's evaluation system is included in the individual fund sections. (See pages 18, 43, 46 and 51).

On the individual manager level, benchmark portfolios serve three primary functions.

- o First, as representations of managers' styles, benchmark portfolios are useful in the selection of managers.

- o Second, the benchmark portfolios of individual managers can be aggregated to yield a picture of the long-run risk exposure of a total portfolio.
- o Finally, benchmark portfolios are appropriate targets against which to measure the performance of individual managers. At times, a manager may perform well simply because his style is "in favor." As representations of managers' styles, benchmark portfolios compensate for this factor, allowing plan sponsors to evaluate more effectively the value a manager has added to the investment process.

The construction of the individual manager benchmark portfolios entailed five basic steps:

- o First, a qualitative understanding of the managers' investment decision-making processes was gained through a lengthy series of interviews between SBI staff and the common stock managers.
- o Second, the managers' past portfolio holdings were analyzed to identify prominent financial characteristics.
- o Third, lists of securities constituting the managers' benchmark portfolios were developed by screening a broad list of securities. The financial characteristics identified in the previous step were used for the screens.
- o Fourth, the securities were weighted and a normal cash position was assigned to reflect the managers' general operating policies.
- o Finally, the benchmark portfolios were backtested. In this step, the performances of the benchmark portfolios over the past several years were compared with the managers' actual performances and the performance of the stock market during the same period.

The construction of benchmark portfolios involves many subjective decisions. The benchmark portfolios constructed in 1986 reflect staff's current understanding of the managers' investment styles. The portfolios may be modified in the future to reflect new insights into the managers' investment styles or changes in those styles.

Going forward, the benchmark portfolios will be used in the on-going monitoring of the active equity managers. The risk characteristics and the performance of the managers' actual portfolios will be assessed relative to their assigned benchmark portfolios. In addition, benchmark portfolios will be a key component of the Board's new performance-based fee system, which is described in the following section.

PERFORMANCE-BASED FEES

The Minnesota State Board of Investment was one of the first major institutional investors to adopt a performance-based fee system for its active common stock managers. Two significant events occurred during fiscal year 1986 which enabled the Board to institute the new fee system.

First, the Securities and Exchange Commission (SEC) lifted its long-standing prohibition on performance-based fees. Prior to November 1985, the SEC had allowed only flat fee systems. Compensation for managers under flat fee systems is calculated as a specific percentage of the market value of the assets a manager is investing. Under this type of system, managers receive compensation regardless of their absolute or relative performance.

The second event to occur was the completion of benchmark portfolios for the Board's active common stock managers. To implement a performance-based fee system, managers must be evaluated relative to meaningful performance targets. Benchmark portfolios are the appropriate targets.

As discussed in the previous section, benchmark portfolios are custom indices that represent managers' particular investment styles. As such, they compensate for the fact that managers may perform well or poorly simply because their styles are "in" or "out" of favor. Under flat fee systems, a manager's compensation is tied to the market value of the assets the manager is investing. Since the market values of managers' assets may increase primarily because their styles have performed well, managers may be rewarded for events which are essentially outside their control. Benchmark portfolios enable sponsors to assess the value managers add to the investment process in excess of the value added by their investment styles. By basing fees on this "excess" performance, the managers' compensation is shifted to events within their own control.

In proposing the new fee system to the Board, staff and the Equity Manager Committee cited three principal advantages of performance-based fees over flat fees.

- o First, because managers must share the risk of poor performance with the client, performance-based fees provide for a more equitable relationship between manager and client.
- o Second, performance-based fees lead to a more efficient relationship between client and manager since managers must

consider a client's risk-return preferences when constructing the client's portfolio.

- o Finally, performance-based fees result in a more comprehensive client/manager relationship by giving the managers a monetary incentive to examine all the aspects of the investment business that impact the client's portfolio, including commission costs, market impact of trades, etc.

Staff and the Committee evaluated several different types of performance fee structures. Based on its study of various fee designs and their potential impact on the behavior of managers, the staff and Committee recommended that the Board adopt a symmetrical fulcrum fee system for the Board's active common stock managers.

A symmetrical fulcrum fee establishes a base compensation for a manager and a performance target against which additional compensation (positive and negative) is paid. The base fee is set at a rate similar to the fees paid under a flat fee system. If a manager's performance matches that of the target, no additional fee is paid. If his performance exceeds that of the target, an additional predetermined amount is paid. If his performance fails to match that of the target, the base fee is reduced by the same predetermined formula. Thus, performance above the target produces additional payments to managers that are equivalent to those withheld from managers for performance below the target.

The Board adopted the symmetrical fee system at its March 5, 1986 meeting. The system was presented to the Board's external active common stock managers. Ten of the eleven managers accepted the proposal. Effective July 1, 1986, the ten managers will be compensated under the same formula. (The one remaining manager will continue to be compensated under a flat fee system.) The major provisions of the performance-based fee agreement are described below:

- o The annual fee will be composed of two parts: the base fee and the performance fee.
- o The base fee will be paid quarterly, in arrears. It will be calculated as a percentage of the end-of-quarter market value of the total SBI assets managed by the manager and will be paid at an annual rate of 50 basis points.
- o The performance fee will be paid annually, in arrears, and will be based on the manager's total fund return relative to the manager's benchmark portfolio return.
- o The performance fee will be computed according to the following formula (in basis points)

$$PF = (RM - RN - 200) / 15$$

where:

PF = performance fee

RM = return on manager's portfolio

RN = return on benchmark portfolio

- o The maximum annual performance fee rate will be 50 basis points. The minimum rate will be -50 basis points.
- o The performance fees will be calculated by assigning a one-quarter weight to the most recent year's relative returns and a three-quarters weight to the trailing three year's relative returns. Provisions have been made for applying the formula in the first two years of implementation.
- o The performance measurement period will be one full fiscal year ending June 30.
- o If a contract with a manager is terminated prior to the end of a full fiscal year, no performance fee will be paid for that year.
- o In the event of a manager termination, any and all outstanding performance fee balances must be paid in full within 60 days of the termination date.

CONSULTANT SEARCH

At its March 5, 1986 meeting the Board requested that its consulting contract be rebid. The Board expressed satisfaction with the performance of Evaluation Associates, whose consulting contract was to expire at the end of fiscal year 1986. However, the Board felt that its consulting needs had changed substantially and wished to reassess the firm's capabilities in light of new alternatives.

A Committee was formed to conduct the consultant search. The Committee was composed of one person appointed by each Board member as well as two IAC members with experience in this area.

Working with SBI investment staff, the Committee prepared a request-for-proposal and submitted it to fifteen consulting firms, ten of which responded. After reviewing the responses, the Committee selected the following three firms for personal interviews: DeMarche Associates, Evaluation Associates, and Richards and Tierney.

Based on the responses to the request-for-proposal and the interviews, the Committee recommended that Richards and Tierney be retained by the SBI as its consultant. In presenting its recommendation to the Board, the Committee cited Richards and Tierney's superior understanding of investment management

structures, performance measurement and investment techniques. The Committee noted that the firm's expertise and perspective in these areas would be extremely helpful in advising the Board on its future decisions.

The Board approved the hiring of Richards and Tierney at its June 12, 1986 meeting. The consulting contract will be effective for one year, fiscal year 1987, but can be renewed on an annual basis.

In addition to this contract, the Committee also recognized that the Board may periodically require other specialized consulting services on an ad hoc or project basis. In order to obtain the most appropriate consultants for these projects, the Committee recommended that the Board contract with firms for special projects as needed. As with all requests for consulting services, the Board will review and approve all special project contracts as they arise.

ALTERNATIVE INVESTMENT FUNDING

REAL ESTATE

In the first phase of its three-part real estate program, the establishment of a broadly diversified core portfolio, the SBI committed a total of \$120 million to three open-end commingled funds. The funds are designed specifically for institutional investors and are managed by the Aetna, Equitable, and Prudential Insurance Companies. The Board initiated phase two of its program, the allocation to diversified closed-end funds, in 1984 with commitments of \$75 million to the USA Fund III, managed by the Rosenberg Real Estate Equity Funds (RREEF) and \$20 million to Heitman Real Estate Fund I, managed by Heitman Advisory Corporation.

The third stage of the real estate program, the selection of special orientation managers, began in 1985. During the specialty manager search, the SBI investment staff and the Investment Advisory Council's Alternative Investment Committee interviewed managers that specialize in particular property types, geographic regions, or financing mechanisms. The staff and Committee recommended, and the Board approved, commitments of \$40 million to Trust Company of the West Fund III and \$20 million to State Street Bank and Trust Fund III, managed by Aldrich, Eastman and Waltch. Both Trust Company of the West and Aldrich, Eastman, Waltch specialize in the use of innovative investment vehicles such as convertible and participating mortgages to maximize real estate returns.

During fiscal year 1986, the Board continued the implementation of phases two and three of the program with

commitments to two closed-end funds. The Board committed \$30 million to the diversified Heitman Fund II and \$20 million to the special-orientation State Street Fund IV. These two funds will be managed in essentially the same manner as their predecessor funds, Heitman I and State Street III.

Since the program's inception in 1981, the Board has approved a total of \$325.0 million in commitments to ten real estate funds. The program is approaching completion. The investment staff and Committee anticipate that the Basic Funds' target 10% allocation will be reached primarily through follow-on investments in funds raised by the Board's current group of real estate managers. It is expected that the real estate program will be completed within the next one to two years.

VENTURE CAPITAL

The SBI initiated the Basic Funds' venture capital program in 1984 with commitments of \$10 million to Northwest Venture Partners, a Minnesota-based diversified venture capital limited partnership, and \$25 million to the Kohlberg, Kravis, and Roberts 1984 Leveraged Buyout Fund. During fiscal year 1985, the SBI proceeded with the implementation of the program, making a total of \$52.5 million in commitments to the following six venture funds: First Century III (Smith Barney); Summit Ventures; Data Science Ventures IV; Matrix Partners II; Inman and Bowman, and the Allied Venture Partnership. The partnership selections were based primarily on the venture managers' extensive venture capital experience and their ability to contribute to the diversification of the aggregate Basic Funds' venture portfolio.

The Board continued the implementation of the venture program in fiscal year 1986. The Board committed an additional \$50 million to KKR's \$2 billion 1986 Leveraged Buyout Fund. In addition, with its diversified venture portfolio in place, the Board initiated its first special orientation venture investment with a commitment of \$6.6 million to Superior Ventures. Superior Ventures, a \$34 million venture capital limited partnership, will be managed by a subsidiary of Investment Advisers, Inc. Up to 15% of the Superior Ventures Fund will be invested in other Minnesota-based venture capital partnerships. The remainder of the fund will be invested directly in operating companies located within Minnesota. With the exception of its geographic focus, the structure of Superior Ventures is similar to a venture partnership currently managed by Investment Advisers.

In addition to these commitments, the Committee and staff evaluated methods of handling possible distributions of common stock from the venture partnerships in which the Board participates. Committee and staff recommended, and the Board subsequently approved, the hiring of T. Rowe Price Associates to manage future stock distributions. T. Rowe Price has an experienced emerging growth stock research staff. More importantly, the firm has the trading capacity to sell the

illiquid small capitalization securities the Board is likely to receive from its partnerships.

With the 1986 commitments, the Basic Funds' venture program is essentially complete. New venture investments will be added to the portfolio as needed to maintain the target 2.5% allocation.

RESOURCE FUNDS

A commitment of \$22 million to two oil and gas partnerships sponsored in 1981 and 1983 by First Reserve represented the inception of the Basic Funds' resource program. The program continued with the Board's 1984 commitment of \$22.5 million to an investment sponsored by Apache Corporation. In 1986, the Board committed an additional \$23 million to a second Apache fund. This fund financed the acquisition of a number of both fully and partially developed oil and gas properties which will be managed by Apache Petroleum Corporation.

As discussed on page 17, the Alternative Investment Committee and staff believe that the sharp decline in energy prices and the resulting depressed state of the oil and gas industry will lead to attractive investment opportunities. However, Committee and staff have found it difficult to identify resource investments that fully reflect the lowered energy prices. Committee and staff will continue to review available opportunities and will bring recommendations to the Board in fiscal year 1987 as appropriately structured vehicles are found.

RESOLUTION ON COMPANIES THAT DO BUSINESS IN SOUTH AFRICA

On October 2, 1985, the Board adopted a resolution concerning its holdings in companies doing business in the countries of South Africa and Namibia. The resolution calls for the Board to implement a four-phase divestment program which will be completed in 1989. The resolution also requires that divestment action will not take place before the Board obtains legal and financial advice concerning any impact on its fiduciary responsibilities. (See page 77 for the complete text.)

When the resolution was adopted, the Board created a Task Force on South Africa to advise the Board on its implementation process. Membership of the Task Force includes one person designated by each of the five Board members as their representative, one representative from the private sector, one representative from the retirement fund systems, and one public employee representative.

SUMMARY OF RESOLUTION

The resolution establishes the following timetable for the SBI's divestment program:

Phase 1: By January 2, 1986, the SBI will limit its holdings and future investments to companies that are signatories of the Sullivan Principles, as most recently amended, and/or are making substantial efforts to eliminate Apartheid.

Phase 2: By August 3, 1986, the SBI will limit its holdings and future investments to companies that meet the requirements of Phase 1 and that subject their behavior in South Africa or Namibia to monitoring by Arthur D. Little, Inc., or similar, suitable monitor.

Phase 3: By August 3, 1987, the SBI will limit its holdings and future investments to companies that have complied with Phases 1 and 2 and that obtain the highest Sullivan Principles rating by Arthur D. Little, Inc., or the equivalent thereof.

Phase 4: By August 3, 1989, the SBI will be divested of and make no new investments in companies doing business in South Africa.

In addition, the resolution requires the SBI to consider divesting its holdings in companies which operate in a manner which directly supports Apartheid. Companies that support Apartheid are those which provide goods or services to governmental agencies responsible for the enforcement of Apartheid; provide technology or facilities which make South Africa or Namibia less dependent on international trade; or provide financial services to the government or governmental agencies of South Africa or Namibia.

ACTIVITIES DURING PHASE 1

During Phase 1, the Board and the Task Force focused implementation of the resolution on companies in the actively managed common stock portfolios that had not signed the Sullivan Principles. During late calendar 1985 the Board corresponded with more than 100 companies that were known to do business in South Africa. Based on that correspondence and on information available through Investor Responsibility Research Center (IRRC), it was initially determined that twenty companies in the actively managed portfolios had not signed the Sullivan Principles. By the end of Phase 1, fourteen of these companies became

signatories or instituted a policy comparable to the Sullivan Principles, and three companies sold their operations in South Africa.

As part of its implementation of the resolution, the Board planned to sponsor or co-sponsor nine shareholder resolutions during the 1986 proxy season calling for companies to sign the Sullivan Principles. Six of these resolutions were withdrawn when the companies became signatories prior to their annual meetings. The three resolutions co-sponsored by the Board and a count of their affirmative vote are shown below:

Diamond Shamrock	18.03%
Hughes Tool	21.14%
U.S. Steel (USX)	16.38%

While these totals may appear low, it should be noted that shareholder resolutions usually receive about 5% of the vote.

At the end of Phase I, three companies in the actively managed common stock portfolios had not signed the Sullivan Principles (or instituted a comparable policy). After reviewing the reports of its financial and legal advisors, the Board decided not to immediately liquidate stocks in these companies, but chose to proceed with divestiture through transactions occurring during the normal course of business. If investment managers decided to sell any of these stocks through the normal course of business, the Board instructed them not to repurchase the security unless the managers anticipated that action would violate their fiduciary obligations. If managers repurchased any stock in these companies, they were instructed to notify the Board of that action. The managers abided by the Board's request, and in those instances where the stock was sold, there was no repurchase.

Before the end of fiscal year 1986, external stock managers had sold approximately 50% of their holdings in the three companies identified in Phase 1 (based on December 31, 1985 market value of shares sold compared to the market value of holdings on December 31, 1985).

Events occurring after June 30, 1986 would not normally be included within this annual report. However, it is significant to note that as of August 31, 1986, the actively managed common stock portfolios did not contain the stock of any company which had not signed the Sullivan Principles. This change was largely due to U.S. Steel (USX) signing the Sullivan Principles early in fiscal year 1987. In addition, several stock managers sold their holdings in other non-signatory companies during the normal course of business.

**RESOLUTION OF THE
MINNESOTA STATE BOARD OF INVESTMENT**

WHEREAS, the policy of Apartheid as maintained by the present government of the Republic of South Africa is not only morally repugnant to all who believe in the inherent rights of individual freedom and equal treatment under the law and has resulted in the systematic enslavement and subjugation of the non-white majority of South Africa and Namibia but casts doubt on the safety and stability of investment in companies doing business with, operating in, or making loans to the Republic of South Africa or Namibia:

NOW, THEREFORE, BE IT RESOLVED THAT:

1. No monies held and invested by the Minnesota State Board of Investment (SBI) shall remain invested in or hereinafter be invested in the stocks, securities or other obligations of:

- (a) any foreign or United States company or any subsidiary or affiliate thereof doing business or operating in the Republic of South Africa or Namibia, or
- (b) any bank or financial institution which makes loans to the Republic of South Africa or Namibia or a governmental enterprise thereof, or other loans deemed by the SBI to directly support Apartheid, subject to and in accordance with the provisions hereinafter set forth.

2. Foreign and United States companies, and subsidiaries and affiliates thereof covered by Section 1 shall be identified:

- (a) by reference to the most recent annual report of the American Consulate General of Johannesburg, entitled "American Firms, Subdivisions and Affiliates - South Africa," of
- (b) through correspondence with the United Nation's Office of the Commissioner for Namibia and the United Nation's Center on Transnational Corporations, or
- (c) by other procedures satisfactory to the SBI.

3. Banks or financial institutions covered by Section 1 shall be identified:

- (a) from the records of the Interfaith Center on Corporate Responsibility, or
- (b) from affidavits of such institutions, or
- (c) by other procedures satisfactory to the SBI.

4. The divestiture required by Section I shall be completed not later than August 3, 1989. Notwithstanding anything contained herein to the contrary, if during the process of divestiture, the SBI determines that completion of divestiture not later than August 3, 1989 would be inconsistent with the SBI's fiduciary obligations, then the SBI shall authorize an extension of time within which to complete divestiture. The SBI shall periodically evaluate the situation in the Republic of South Africa and Namibia and determine whether the divestiture program shall be accelerated, decelerated or otherwise modified, including whether, as a result of lack of improvement in conditions in those countries, or for other reasons, it is necessary to seek complete divestiture of the securities covered by this resolution.

5. During implementation of this resolution, the SBI shall hereafter neither invest funds in the stocks, securities or other obligations of i) foreign and United States companies and subsidiaries and affiliates thereof or ii) banks or financial institutions both of which are described in sections one, two and three of this resolution nor reinvest funds in the stocks, securities or obligations of such entities following the divestment or sale thereof unless:

- (a) SBI staff or other persons and entities charged with the day-to-day investment of funds entrusted to the SBI conclude that other available investment alternatives are not as sound from a fiduciary point of view, or
- (b) the SBI concludes that the failure to invest or reinvest in such entities would be inconsistent with the SBI's fiduciary obligations.
- (c) the entities meet the standards set forth in section 7 of the resolution.

6. The process of divestiture of and limiting new investments in equity securities will be conducted according to the timetable set forth below, consistent with fiscal prudence and so as to minimize financial market disturbance.

- (a) Phase One, to be completed within three months of approval of this resolution, will cover equity securities of those businesses covered by Section 1 of this resolution which (i) operate in a manner which directly supports Apartheid; or (ii) are not signatories of the Sullivan Principles, as amended from time to

time, and have never exhibited evidence of a similar corporate policy promoting equal treatment and improving the lives of non-white workers in the Republic of South Africa or Namibia. The SBI shall determine which corporate equities are covered under Phase One through evidence gathered by outside groups monitoring corporate behavior in the Republic of South Africa and/or Namibia as well as by corporate responses to their own inquiries a company shall be deemed to be operating in a manner which directly supports Apartheid if:

- (i) it provides goods or services to the South African military, police, prisons, the Ministry of Cooperation and Development (which administers the pass laws), or any other governmental agency responsible for the enforcement or maintenance of Apartheid;
 - (ii) it provides technology or facilities such as energy producing plants that tend to make the Republic of South Africa less dependent on international trade and thus less susceptible to outside pressure for change;
 - (iii) it provides loans directly to, underwrites securities of, sells gold on behalf of, or otherwise provides financial services to, the government of the Republic of South Africa; or
 - (iv) its activities in the Republic of South Africa and Namibia are deemed by the SBI to be especially egregious for other reasons.
- (b) Phase Two, to be completed by August 3, 1986, will cover equity securities of those businesses covered by Section 1 of this resolution which, having signed the Sullivan Principles, as amended from time to time, or having exhibited evidence of a similar corporate policy promoting equal treatment and improving the lives of non-white workers in the Republic of South Africa and Namibia do not subject their behavior in the Republic of South Africa and/or Namibia to monitoring by Arthur D. Little, Inc. or another independent monitor satisfactory to the SBI.
- (c) Phase Three, to be completed by August 3, 1987, will cover equity securities of those businesses covered by Section 1 of this resolution that did not obtain a performance rating in the most recent Arthur D. Little, Inc. report within the highest category of the Sullivan Principles rating system, or an equivalent thereof.
- (d) Phase Four, to be completed not later than August 3, 1989, will cover all other equity securities covered by Section 1 of this resolution.

7. Notwithstanding the foregoing, the SBI may authorize the holding of investments covered by Phases Two, Three and Four of this resolution in companies engaging in corporate political, social, and economic activities, in addition to compliance with the Sullivan Principles, as amended from time to time, or a similar corporate policy that are deemed by the SBI to be of substantial assistance to efforts to eliminate Apartheid.

Evidence to the SBI of such corporate political, social and economic activities, which must go beyond workplace reform and include steps taken in substantial opposition to Apartheid, shall include the following:

- (a) actions to persuade the government of the Republic of South Africa to eliminate Apartheid and to comply with the United Nations Security Council Resolution 435 on Namibia, including tangible opposition to the system of pass laws, influx controls and other fundamental building blocks of Apartheid;
- (b) absence of participation and investment in the bantustan/homelands;
- (c) formal recognition of and collective bargaining with black trade unions that are independent of government control;
- (d) providing specific training and upgrading programs at the work-place and increasing the number of non-whites in technical, skilled, professional and management position, including positions in which non-whites supervise whites;
- (e) payment of a reasonable, livable wage to all employees;
- (f) substantial expenditures to raise the level of education and skills of the non-white majority population, including the provision of schooling for workers and children in the community;
- (g) substantial expenditures to provide decent, affordable, permanent housing units to workers and their families on a non-discriminatory basis; and
- (h) substantial expenditures to provide health and medical services to workers and their families on a non-discriminatory basis.

To be substantial, a company's expenditures should represent a proportion of profit after taxes or of revenue that is among the highest proportions spent by all United States companies in South Africa and Namibia and that is significantly more than the proportion spent by the company in other countries.

8. Notwithstanding the foregoing, during Phases Two and Three the SBI may also direct the divestment of equity securities in companies or institutions which have signed and observed the Sullivan Principles, as amended from time to time, or implemented a similar policy, but are nevertheless deeply involved in South Africa and/or Namibia in a way which lends support to Apartheid. Such deep involvement may be demonstrated by such activities as the expansion of operations in those countries or significant business with agencies or enterprises of the South African government other than agencies described in Phase One.

9. In furtherance of the principles set forth in the resolution, the SBI shall, pursuant to procedure set forth in section 12 of this resolution, seek out and persuade other shareholders to act in a concerted manner to change corporate political, social and economic activities in the Republic of South Africa and Namibia. The SBI, in conjunction with its staff, shall

- (a) during Phase One, (i) notify issuers who have signed the Sullivan Principles, as amended from time to time, or never exhibited evidence of a similar corporate policy promoting equal treatment and improving the lives of non-white workers in the Republic of South Africa and Namibia of the proposals for action by the stockholders of such issuers requiring such issuers to subscribe to the Sullivan Principles, as amended from time to time, (ii) to submit such proposals to such issuers, and (iii) to supply supporting statements for such proposals for inclusion in the issuers' proxy statements;
- (b) during Phase Two, (i) notify, issuers who have signed the Sullivan Principles, as amended from time to time, or have exhibited evidence of a similar corporate policy promoting equal treatment and improving the lives of non-white workers in the Republic of South Africa and Namibia but have not subjected their behavior to monitoring by Arthur D. Little, Inc. or another independent monitor satisfactory to the SBI of its intention to present proposals for action by the stockholders to require such issuers to subject themselves to such monitoring (ii) to submit such proposals to such issuers, and (iii) to supply supporting statements for such proposals for inclusion in the issuers' proxy statements;
- (c) during Phase Three, (i) notify issuers who have not obtained a performance rating within the highest category of the Sullivan Principles, as amended from time to time, rating from Arthur D. Little, Inc. or an equivalent rating from another independent monitor satisfactory to the SBI of its intention to present proposals for action by the stockholders to require such issuers to modify their behavior in order to obtain such

a performance rating, (ii) to submit such proposals to such issuers, and (iii) to submit such proposals for inclusion in the issuers' proxy statements;

- (d) during all phases of the divestiture, the SBI shall act in these and other ways to persuade corporations to continually improve their corporate political, social and economic activities in the Republic of South Africa and/or Namibia consistent with the resolution; and
- (e) from the date of this resolution, vote the shares held "For" all management or stockholder proposals consistent with clauses (a), (b), (c), and (d) of this section.

10. The SBI directs its staff, upon adoption of this resolution, to write to the companies and institutions identified in Sections 2 and 3 of this resolution to inform them of the adoption of this resolution and its provisions, to give them notice of the actions they should take in order to avoid divestiture, and to provide them an opportunity to describe any actions they may be taking to work for peaceful fundamental change in the Republic of South Africa and Namibia; and further directs that prior to implementing Phases Two, Three and Four of the divestiture program, the SBI staff again communicate with such companies and institutions to provide them an opportunity to describe any changes that have been made in their operations and policies with respect to the Republic of South Africa and Namibia.

11. The SBI shall seek financial and legal advice concerning the divestiture program set forth for consideration in this resolution. Before each stage of the divestiture program, the SBI shall seek advice from financial experts concerning the effect of proposed divestiture program shall be implemented so as to be consistent with the advice received from the SBI's financial and legal advisors.

12. To advise and assist it in implementation of this resolution, the SBI hereby authorizes the formation of an Advisory Task Force on Divestment composed of a representative selected by each member of the SBI and at least one representative from the Minnesota corporate community, one representative from a Minnesota public employee labor group and one representative from a public employee retirement group.

13. To assist in implementation of section eight of this resolution, the SBI directs its Executive Director to obtain the consulting services of a representative from the Interfaith Center on Corporate Responsibility.

14. This resolution shall take effect immediately.

Presented this 2nd day of October, 1985.

SHAREHOLDER ACTIVITIES

As a stockholder, the State Board of Investment 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 State Board of Investment can participate in shaping corporate policies and practices.

All non-routine proxy matters are reviewed by a committee of the State Board of Investment 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 1986
STATISTICAL DATA APPENDIX

EXTERNAL MANAGER PHILOSOPHIES
ALTERNATIVE EQUITY INVESTMENTS
MANAGER PORTFOLIO STATISTICS
MANAGER PERFORMANCE SUMMARIES
TIME-WEIGHTED RATE OF RETURN
COMMISSIONS DATA

STATISTICAL DATA APPENDIX

External Manager Investment Philosophies.....	89
Alternative Equity Managers.....	95
Alternative Equity Investments.....	100
External Common Stock Managers:	
Portfolio Statistics Glossary.....	101
Portfolio Statistics Relative to Benchmark Portfolios.....	104
Sectors Weightings Relative to Benchmark Portfolios.....	105
Performance Relative to Benchmark Portfolios.....	106
Portfolio Statistics Historical Summary.....	107
Sector Weighting Historical Profile.....	112
Historical Performance Summary.....	117
External Bond Managers:	
Portfolio Statistics Glossary.....	119
Portfolio Statistics Historical Summary.....	121
Sector Weighting Historical Profile.....	123
Historical Performance Summary.....	125
Time-Weighted Rate of Return Definition.....	127
Commissions Data.....	129

EXTERNAL COMMON STOCK MANAGERS

FRED ALGER MANAGEMENT INC.

Fred Alger searches for companies expected to experience above-consensus earnings gains. These earnings gains may be either cyclical or secular. The firm focuses on two types of companies. First, companies whose products are expected to produce high consistent unit volume growth rates. Second, companies undergoing a positive life cycle change not yet fully recognized by the market. The proportion of the total portfolio invested in these two types of companies varies over time. On average, however, the high unit growth companies tend to dominate the total portfolio. Fred Alger is not an active market timer, usually maintaining a fully invested position.

ALLIANCE CAPITAL MANAGEMENT CORP.

Alliance searches for companies likely to experience high rates of earnings growth, on either a cyclical or secular basis. Alliance has invested 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, rarely raises cash above minimal levels.

BMI CAPITAL CORP.

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.

BEUTEL, GOODMAN CAPITAL MANAGEMENT, LTD.

Beutel Goodman searches for companies whose stock prices are low in comparison to estimated tangible book value or companies whose P/E's are low in relation to earnings quality and expected earnings growth. This "value" investment approach is contrarian and defensive by nature, exhibiting less volatility than investment styles focusing on growing earnings. Beutel Goodman is not an active market timer and is almost always fully invested.

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.

HELLMAN JORDAN MANAGEMENT CO.

Hellman Jordan is a "rotational" manager. Its cyclical and secular economic forecasts drive its asset mix and industry sector selections. The firm's primary focus is asset allocation, although it will invest in a wide range of industries over a market cycle. The firm tends to purchase liquid, large capitalization stocks. Hellman Jordan will make sudden and significant asset mix shifts over a market cycle.

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 will invest in a wide range of industries. It tends to buy liquid, large capitalization stocks. While IDS will make occasional significant asset mix shifts over a market cycle, the firm is a less aggressive market timer than most rotational managers.

INVESTMENT ADVISERS

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 will invest 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 & COMPANY

Lieber & 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.

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.

PEREGRINE CAPITAL

Peregrine is a contrarian investor searching for poorly performing stocks that have been "oversold" by the market. The firm expects that the prices of these stocks will rebound as the market's "emotional excesses" come to be recognized. The firm is very price sensitive. As a result it is an active trader, buying stocks as their performance relative to the market declines and selling stocks as relative performance rises. Peregrine tends to hold small positions in a large number of stocks, avoiding significant bets on individual issues. The firm is a moderate market timer, alternating its cash position incrementally around a moderately low cash position.

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 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.

EXTERNAL 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 the interest rate forecasts. Individual security selection receives very limited emphasis, focusing largely on specific bond characteristics such as call provisions.

LEHMAN MANAGEMENT CO.

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.

MILLER, ANDERSON AND 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. The firm will also move in and out of cash, but generally only gradually over an interest rate cycle and never taking extremely high cash positions. Total portfolio maturity is always kept within an intermediate three-to-seven year duration band. Unlike many other firms that also invest in mortgage securities, Miller Anderson intensively researches and,

even in some cases manages, the mortgage pools in which it invests.

MORGAN STANLEY ASSET 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.

PEREGRINE CAPITAL MANAGEMENT, INC. (Norwest Bank)

Peregrine Capital stresses consistency of fixed income portfolio relative returns. To accomplish this goal, the firm maintains a portfolio of high quality, liquid securities and a balance of maturity levels avoiding extreme exposures on either the long or short end. Further, Peregrine will make only gradual moves between maturities over an interest rate cycle. The firm also concentrates on exploring misperceived fixed income securities, which has led the firm to make extensive use of mortgage-backed securities and floating rate notes.

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.

ALTERNATIVE EQUITY INVESTMENT MANAGERS

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.

SEPARATE ACCOUNT #8

Separate Account #8 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.

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.

RREEF USA III

RREEF USA III is managed by the Rosenberg Real Estate Equity Funds. It has a twelve year term. 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.

HAC GROUP TRUST I

HAC Group Trust I was formed in May 1984 and has a term of twelve years. HAC Group Trust I is managed by the Heitman Advisory

Group, which is based in Chicago. The majority of the trust investments are equity real estate. The real estate portfolio is 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 trust may be managed by joint venture partners.

HAC GROUP TRUST II

HAC group Trust II was formed in October, 1985. The trust is managed by Heitman Advisory Group. Its terms and strategy are identical to those of HAC Group Trust I.

TCW REALTY FUND III

TCW Realty Fund III was formed in July 1985 and has a term of ten years. Management of the fund is a joint venture between Trust Company of the West and Westmark Real Estate Investment Services of Los Angeles. The fund managers utilize specialty investment vehicles such as convertible and participating mortgages to enhance real estate returns. Investments are diversified by location and type. Management of portfolio properties typically is conducted by local property management firms. Although the SBI committed to the fund at its June, 1985 meeting, funding did not take place until July 1986.

STATE STREET REAL ESTATE FUND III

State Street Real Estate Fund III was formed in August 1985. The fund has a term of fifteen years. It is managed by the State Street Bank and Trust Company of Boston. State Street Bank has retained Aldrich, Eastman and Waltch as the Fund's advisor. The fund's special orientation is the use of creative investment vehicles such as convertible and participating mortgages to maximize real estate returns. The real estate portfolio is diversified by location and property type. On-site property management typically is contracted to outside firms or conducted by joint venture partners.

STATE STREET REAL ESTATE FUND IV

State Street Real Estate Fund IV was formed in June 1986. State Street Bank and Trust Company serves as the Fund's manager and Alrich, Eastman and Waltch of Boston is the Fund's advisor. The Fund will be managed in essentially the same manner as State Street Fund III.

NORTHWEST VENTURE PARTNERS I

Northwest Venture Partners I was formed in January 1984, 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 Norwest Growth Fund, an SBIC, and Norwest Equity Capital, a

leveraged buyout fund. Norwest 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.

KKR 1984 LBO FUND

KKR's 1984 Leveraged Buyout Fund was formed in March 1984 and has a term of twelve years. It is the third leveraged buyout fund to be managed by Kohlberg, Kravis, Roberts and Co., which operates offices in New York and San Francisco. The 1984 fund invests in large management leveraged buyouts. The partnership's portfolio companies are mature, low technology companies with very diversified operations.

KKR 1986 LBO FUND

KKR's 1986 Leveraged Buyout Fund was organized in December, 1985. The Fund's investment strategy and terms are essentially identical to those of KKR's 1984 Fund.

SUMMIT VENTURES

Summit Ventures has a ten year term. It was formed in December 1984 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 partnership's investments are in high tech firms. Investments are diversified by location and industry type.

FIRST CENTURY III

First Century III was formed in December 1984, and has 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.

DSV PARTNERS IV

DSV Partners IV 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's primary office is located in Princeton, New Jersey. However, the firm will open a California office in 1986. 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.

INMAN & BOWAN

Inman & Bowan 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, Inman and Bowman work closely with Rainier Venture Partners, a small Washington venture firm. They expect to make several co-investments with Rainier in the Pacific Northwest. The partnership has a ten year term.

MATRIX PARTNERS II

Matrix Partners II 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 experienced general partners. The partners have offices in Boston, San Jose, and San Francisco.

ALLIED VENTURE PARTNERSHIP

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

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.

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 capital, illiquid stocks.

AMGO I

AMGO I was formed in July 1981 and has a term of twenty years. The general partner and manager of the fund is First Reserve Corp. The general partner's long-term investment strategy is to create a diversified portfolio of oil and gas investments for the fund. The portfolio is diversified across four dimensions: location, geological structure, investment type, and operating company.

AMGO II

Formed in December 1982, Amgo II has a nineteen year term. First Reserve Corp. of New York is the general partner and manager of both Amgo I and Amgo II. First Reserve's strategy for Amgo II is similar to that of Amgo I. Amgo II's portfolio is diversified by location, geological structure, investment type, and operating company.

APACHE CORP.

The Apache Corp. 10% 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. Principal and interest on the notes are estimated to be repaid by 1992. The 2% additional interest will be paid to noteholders throughout the life of producing properties. Apache Corp. is based in Minneapolis.

APC 1985

The APC 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. Principal and interest on the notes are estimated to be repaid by 1996. The 2% additional interest will be paid to noteholders throughout the life of producing properties.

ALTERNATIVE EQUITY INVESTMENTS

FUND -----	COMMITMENT (millions) -----	FUNDED -----	INCEPTION DATE -----	FUND SIZE (millions) -----
REAL ESTATE:				
Equitable	\$ 40.0	\$ 40.0	10/81	\$3124.0
Aetna	40.0	40.0	4/82	1664.0
Prudential	40.0	40.0	9/81	5316.0
RREEF	75.0	47.0	4/84	773.0
Heitman I	20.0	20.0	6/84	113.0
Heitman II	30.0	30.0	10/85	238.0
TCW I	40.0	40.0	7/85	216.0
State Street III	20.0	20.0	7/85	103.0
State Street IV	20.0	0.0	7/86	100.0
	-----	-----		
Total:	\$325.0	\$276.0		

Target: (\$450 Million or 10% of Basic Retirement Funds)

VENTURE CAPITAL:

Norwest	\$ 10.0	\$ 7.0	1/84	\$ 60.0
KKR I	25.0	25.0	3/84	1000.0
KKR II	50.0	7.0	12/85	2000.0
Summit	10.0	7.5	12/84	93.0
First Century	10.0	2.5	12/84	100.0
DSV IV	10.0	7.0	4/85	60.0
Matrix	10.0	4.0	7/85	70.0
Inman/Bowman	7.5	2.0	6/85	44.0
Allied	5.0	1.6	7/85	40.0
Superior Venture	6.0	1.5	6/86	35.0
	-----	-----		
Total:	\$143.5	\$ 65.1		

Target: (\$112.5 Million or 2.5% of Basic Retirement Funds)

RESOURCE:

Amgo I	\$ 15.0	\$ 15.0	7/81	\$ 144.0
Amgo II	7.0	7.0	2/83	36.0
Apache I	22.5	0.5	5/84	150.0
Apache II	23.0	22.4	10/85	180.0
	-----	-----		
Total:	\$ 67.5	\$ 42.5		

Target: (\$112.5 Million or 2.5% of Basic Retirement Funds)

EQUITY MANAGER PORTFOLIO STATISTICS GLOSSARY

In the following pages, summary descriptions of the individual equity managers' investment philosophy, risk characteristics, and performance data are displayed. Some of the statistics presented are technical in nature. This glossary is designed to aid in understanding the terms that are introduced.

The first five portfolio characteristics listed in the glossary are presented in the Quarterly Investment Review and Appendix on an absolute basis. The remaining portfolio statistics are reported relative to the stock market. The purpose of presenting these statistics in a relative fashion is to "normalize" them, or remove the impact of market-wide changes on the characteristics of a manager's portfolio. In calculating the relative values, the stock market is represented by the 1000 largest capitalization companies in the Wilshire 5000. The managers' portfolio characteristics are reported in standard deviation units relative to the average or mean of these 1000 companies. Thus, a positive (negative) value for a portfolio characteristic indicates a value higher (lower) than the market average.

- # of Stocks - number of different issues held in the manager's stock portfolio.
- Qtr. Port. Turnover - the manager's total equity asset sales during the quarter divided by the average value of the manager's equity assets over the quarter.
- Equity Allocation - percent of the manager's total portfolio invested in common and preferred stocks and convertible securities.
- Diversification
(R2) - extent to which a manager's equity holdings statistically resemble the stock market. Low (high) diversification portfolios will experience returns which are not well (are well) correlated with those of the market. By definition, the market has a diversification measure of 1.0. The less a portfolio is diversified, the lower will be its diversification measure (referred to as R-squared). The SBI's managers are required, over the long-term, to hold portfolios with diversification levels less than .85.

Market Volatility
(Equity Beta)

- degree to which the returns on the manager's stock portfolio are sensitive to movements in the stock market's return. By definition the market has a market volatility measure (referred to as beta) of 1.0. Portfolios with values greater (less) than 1.0 have above (below) average sensitivity to market moves. The SBI's managers are required, over the long-term to hold portfolios with market volatility levels above 1.10. This measure does not include the impact of cash holdings on total portfolio volatility.

Price Variability
(MVAR)

- risk related to the historical variability of the prices of stocks in the manager's portfolio. The more variable are the portfolio's securities' prices, the more risky is the portfolio. Items such as current stock price, twelve month price range, trading volume, and beta make up this measure.

Earnings Variability
(EVAR)

- risk related to the variability of the earnings of those companies owned in the manager's portfolio. The more variable are the companies' earnings, the more risky is the portfolio. Items such as variance of accounting earnings, variance of cash flow, occurrence of extraordinary accounting items, and the correlation of companies' earnings with U.S. corporate earnings make up this measure.

12-Month Relative
Return (REL RET)

- the return on the stocks currently in the manager's portfolio over the last twelve months less the return on the S&P 500.

Price-to-Book Ratio
(P/B)

- the market value of the manager's portfolio divided by the latest available annual book value.

5 Year Earnings
Growth (5 YR. EARN.)

- the annualized growth of the average earnings per share of the manager's portfolio over the latest five fiscal years.

Size and Immaturity
(SIZE)

- Risk related to the size and maturity of the companies held in the portfolio. The smaller and younger the companies, the more risky is the portfolio. Items such as total assets, market capitalization, gross plant/book value ratio, and company age make up this measure.

Growth (GROW)

- risk related to the growth orientation of companies owned by the manager. The more growth-oriented are the companies, the riskier is the portfolio. Items such as dividend yield, E/P ratio, and growth in total assets make up this measure.

Earnings-to-Price
Ratio (E/P)

- the weighted average trailing four quarter earnings per share of the manager's common stock portfolio divided by the weighted average price per share of the manager's common stock portfolio.

Dividend Yield
(YIELD)

- indicated annual dividend of the manager's stock portfolio divided by the portfolio market value.

Financial Leverage
(FINL)

- risk related to the extent to which companies held in the portfolio have used debt to finance their operations. The more leveraged are the companies, the riskier is the portfolio. Items such as debt/asset ratio, current asset/current liability ratio, and uncovered fixed charges make up this ratio.

Industry Sector
Overweightings

- those sectors of the economy in which the manager has invested a significantly larger percentage of the portfolio than is represented by the stock market.

Industry Sector
Underweightings

- those sectors of the economy in which the manager has invested a significantly smaller percentage of the portfolio than is represented by the stock market.

EXTERNAL EQUITY MANAGERS

PORTFOLIO STATISTICS RELATIVE TO BENCHMARK PORTFOLIOS

1986 FISCAL YEAR END PORTFOLIO STATISTICS

MANAGER		# OF STOCKS	EQUITY ALLOC.	MKT. VOLTY	DIVER.	YIELD	E/P	REL. RET.	P/B	5 YR EARN	MVAR	EVAR	SIZE	GROW	FINL
GROWTH MANAGERS															
Fred Alger	(A)	39	94	1.31	0.92	-0.56	-0.04	0.74	0.40	0.09	0.88	0.35	0.02	0.39	-0.0
	(B)	720	95	1.20	N.A.	-0.38	0.00	-0.05	0.42	0.49	0.47	0.03	0.29	0.49	-0.12
Alliance	(A)	37	98	1.21	0.89	-0.50	-0.02	0.30	0.75	0.48	0.88	0.35	-0.19	0.68	-0.26
	(B)	367	95	1.27	N.A.	-0.48	-0.07	-0.18	0.22	0.46	0.64	0.06	0.61	0.64	-0.06
SMALL GROWTH MANAGERS															
BMI Capital	(A)	31	95	1.37	0.90	-0.84	-0.08	0.23	0.23	-0.14	1.10	0.31	1.60	0.95	-0.17
	(B)	806	95	1.33	N.A.	-0.59	-0.07	-0.09	0.43	0.38	0.85	0.18	1.34	0.86	-0.20
Lieber & Co.	(A)	110	99	1.32	0.90	-0.36	0.14	0.12	0.05	0.15	0.59	0.12	1.50	0.55	-0.33
	(B)	1,286	95	1.31	N.A.	-0.46	-0.01	-0.21	0.07	0.19	0.65	0.14	1.77	0.81	-0.32
Waddell & Reed	(A)	67	79	1.28	0.93	-0.35	-0.02	0.28	0.02	-0.04	0.74	0.08	0.30	0.23	-0.02
	(B)	N.A.	80	1.35	N.A.	0.06	0.20	-0.36	-0.21	0.19	0.24	-0.06	1.15	0.29	0.01
ROTATIONAL MANAGERS															
Forstmann Leff	(A)	57	85	1.49	0.88	-0.72	-0.04	0.29	0.37	0.35	1.26	0.51	0.87	0.93	-0.25
	(B)	1,455	70	1.22	N.A.	-0.16	0.15	-0.21	0.08	0.15	0.46	0.06	0.66	0.46	-0.01
Hellman Jordan	(A)	34	99	1.34	0.89	-0.57	-0.02	0.12	0.16	-0.29	0.80	0.15	-0.07	0.95	0.00
	(B)	N.A.	100	1.09	N.A.	0.16	0.09	N.A.	-0.05	0.03	0.13	-0.02	0.04	0.07	-0.03
IDS	(A)	41	91	1.19	0.93	-0.23	0.06	0.54	0.46	0.25	0.54	0.17	0.09	0.22	-0.08
	(B)	N.A.	100	1.09	N.A.	0.16	0.09	N.A.	-0.05	0.03	0.13	-0.02	0.04	0.07	-0.03
IAI	(A)	35	82	1.17	0.94	-0.44	-0.16	0.40	0.28	0.06	0.55	-0.04	-0.03	0.28	-0.10
	(B)	N.A.	100	1.09	N.A.	0.16	0.09	N.A.	-0.05	0.03	0.13	-0.02	0.04	0.07	-0.03
VALUE MANAGERS															
Beutel Goodman	(A)	22	90	1.20	0.89	0.16	-0.41	-0.79	-0.67	-0.28	0.22	0.54	0.23	0.07	0.28
	(B)	412	95	1.18	N.A.	0.04	0.04	-0.56	-0.38	-0.15	0.17	0.13	0.99	0.04	0.10
Peregrine Cap.	(A)	202	90	1.18	0.79	0.56	-0.06	-1.28	-0.75	-0.52	0.09	0.27	0.62	0.17	0.22
	(B)	1,206	90	1.13	N.A.	0.17	0.05	-0.69	-0.49	-0.17	0.09	0.13	0.76	0.17	0.05
Composite External Managers		554	91	1.25	0.96	-0.26	-0.02	-0.01	0.05	0.01	0.58	0.19	0.24	0.43	-0.01
Index Fund Manager		1,344	99	1.09	0.97	0.16	0.09	-0.26	-0.05	0.03	0.13	-0.02	0.04	0.07	-0.03
Composite All Basic Managers		1,495	96	1.14	0.97	0.03	0.06	-0.08	-0.02	0.02	0.26	0.04	0.10	0.18	-0.03

EXTERNAL EQUITY MANAGERS

SECTOR WEIGHTINGS RELATIVE TO BENCHMARK PORTFOLIOS

1986 FISCAL YEAR END SECTOR WEIGHTINGS

MANAGER		CAPITAL GOODS	CONSUMER DURABLES	CONSUMER NONDURABLES	ENERGY	FINANCIAL	MAT. & SERVICES	TECHNOLOGY	TRANS- PORTATION	UTILITIES
GROWTH MANAGERS										

Fred Alger	(A)	1.9%	7.5%	52.9%	---	11.6%	6.2%	15.8%	4.0%	---
	(B)	2.9	2.0	42.2	0.6	9.2	16.7	21.8	3.7	0.9
Alliance	(A)	2.3	3.6	49.1	---	28.1	---	9.8	7.1	---
	(B)	4.2	2.4	33.0	0.9	17.0	14.5	23.7	4.2	---
SMALL GROWTH MANAGERS										

BMI Capital	(A)	8.5	6.4	43.4	---	19.8	2.9	19.1	---	---
	(B)	5.3	4.6	37.7	1.6	6.9	17.8	21.4	4.2	0.5
Lieber & Company	(A)	1.7	7.3	22.4	3.1	41.8	10.3	7.5	3.7	2.1
	(B)	6.4	5.5	26.2	1.9	20.3	15.5	19.0	3.0	2.1
Waddell & Reed	(A)	4.4	7.8	26.0	0.4	20.7	21.7	12.4	6.6	---
	(B)	5.1	3.6	30.0	4.6	14.9	11.2	9.3	2.9	18.4
ROTATIONAL MANAGERS										

Forstmann Leff	(A)	2.6	6.6	25.2	---	22.4	13.2	23.7	5.2	1.1
	(B)	3.8	3.6	30.0	4.3	17.4	14.4	13.5	4.1	8.9
Hellman Jordan	(A)	---	9.3	24.8	---	32.7	10.7	20.1	2.4	---
	(B)	4.5	4.0	28.8	7.8	14.0	12.4	12.6	3.0	12.9
IDS	(A)	---	---	42.4	3.1	16.4	15.8	6.5	5.0	10.8
	(B)	4.5	4.0	28.8	7.8	14.0	12.4	12.6	3.0	12.9
Investment Advisers	(A)	8.2	---	33.0	1.0	9.6	26.5	13.2	8.6	---
	(B)	4.5	4.0	28.8	7.8	14.0	12.4	12.6	3.0	12.9
VALUE MANAGERS										

Beutel Goodman	(A)	3.4	5.3	9.3	4.0	20.3	23.3	19.0	11.0	4.4
	(B)	8.8	4.9	25.5	8.3	13.1	22.1	11.4	5.8	---
Peregrine Capital	(A)	8.0	6.7	9.6	15.2	8.1	15.7	13.6	5.0	18.1
	(B)	8.1	3.4	17.8	9.8	13.5	15.1	13.4	4.8	14.2
Composite External Managers		3.2	5.0	30.5	4.7	19.2	12.0	14.4	5.6	5.3
Index Fund Manager		4.7	4.2	28.8	7.8	13.5	11.7	12.9	3.0	13.4
Composite All Basic Managers		4.2	4.5	29.3	6.9	15.2	11.8	13.3	3.8	11.0
Wilshire 5000		4.5	4.0	28.8	7.8	14.0	12.4	12.6	3.0	12.9

(A) - Actual Portfolio
(B) - Benchmark Portfolio

EXTERNAL EQUITY MANAGERS

PERFORMANCE RELATIVE TO BENCHMARK PORTFOLIOS

Managers -----	Year Ending 6/30/86 -----	
	Actual Portfolio	Normal Portfolio
Fred Alger	47.2%	35.5%
Alliance Capital	43.9	32.1
Beutel Goodman	16.3	31.8
BMI Capital	36.7	35.7
Forstmann Leff	44.1	26.0
Hellman Jordan	29.5	35.3
IDS	41.9	35.3
Investment Advisers	29.3	35.3
Lieber & Company	42.1	37.8
Peregrine Capital	20.1	27.3
Waddell & Reed	28.5	28.3
Internal Manager	18.6	32.7
Total - External Active Managers	32.4	N.A.
Wilshire Associates (Index Fund)	34.4	N.A.
Performance Standards -----		
Wilshire 5000	35.3	N.A.
Inflation	1.7	N.A.

EXTERNAL EQUITY MANAGERS

PORTFOLIO STATISTICS HISTORICAL SUMMARY

MANAGER NAME	DATE	QTR. PORT. T/O	EQUITY ALLOC.	R2	EQUITY BETA	MVAR	EVAR	REL RET	P/B	5 YR EARN	SIZE	GROW	E/P	YIELD	FINL	
AVG. EXT. MANAGERS	6/30/86	25	91	0.90	1.28	0.70	0.26	0.09	0.12	0.01	0.45	0.49	-0.06	-0.36	-0.07	
	3/31/86	29	92	0.88	1.25	0.66	0.30	-0.04	0.07	0.02	0.41	0.41	-0.53	-0.27	0.08	
	12/31/85	29	90	0.89	1.23	0.55	0.29	0.03	0.04	-0.02	0.43	0.33	-0.34	-0.23	0.14	
	9/30/85	27	82	0.83	1.23	0.53	0.27	-0.29	0.04	0.07	0.41	0.31	-0.15	-0.25	0.07	
	6/30/85	24	90	0.83	1.23	0.55	0.14	-0.23	0.07	0.20	0.46	0.27	-0.07	-0.18	-0.02	
	3/31/85	33	90	0.82	1.23	0.53	0.02	-0.26	0.06	0.21	0.54	0.13	-0.01	-0.17	0.03	
	12/31/84	24	86	0.81	1.25	0.56	0.08	-0.13	0.17	0.03	0.73	0.23	-0.03	-0.32	0.05	
	9/30/84	33	84	0.82	1.26	0.56	0.09	-0.10	0.17	0.05	0.72	0.22	-0.08	-0.28	0.04	
	6/30/84	27	81	0.81	1.29	0.36	0.04	-0.25	0.13	0.01	0.79	0.19	-0.02	-0.29	0.14	
	3/31/84	25	83	0.82	1.25	0.38	0.03	-0.10	0.13	0.01	0.60	0.20	-0.15	-0.26	0.08	
	12/31/83	36	84	0.80	1.23	0.44	0.07	-0.03	0.07	-0.19	0.80	0.26	-0.31	-0.27	0.06	
	9/30/83	32	85	0.82	1.29	0.64	0.07	0.32	0.21	-0.12	0.89	0.34	-0.40	-0.36	-0.02	
	6/30/83	27	85	0.81	1.29	0.68	0.00	0.30	0.11	-0.10	0.75	0.35	-0.44	-0.34	0.00	
	FRED ALGER	6/30/86	21	94	0.92	1.31	0.88	0.35	0.74	0.40	0.09	0.02	0.39	-0.04	-0.56	-0.01
		3/31/86	40	98	0.91	1.29	0.94	0.48	0.31	0.23	0.12	-0.17	0.45	-0.40	-0.54	0.19
12/31/85		28	95	0.90	1.25	0.69	0.45	0.11	0.13	0.25	0.14	0.19	0.02	-0.45	0.25	
9/30/85		28	95	0.83	1.23	0.64	0.33	-0.07	0.16	0.31	0.32	0.33	-0.17	-0.42	0.08	
6/30/85		41	92	0.79	1.23	0.77	0.39	-0.07	0.32	0.48	0.26	0.53	-0.05	-0.55	0.05	
3/31/85		36	96	0.85	1.27	0.84	0.24	0.03	0.39	0.69	0.05	0.38	-0.23	-0.64	0.08	
12/31/84		16	95	0.86	1.19	0.48	0.05	0.03	0.35	0.10	0.26	0.10	0.03	-0.47	-0.09	
9/30/84		20	94	0.86	1.22	0.44	0.14	0.10	0.34	0.00	0.42	-0.01	-0.04	-0.44	-0.08	
6/30/84		16	93	0.86	1.22	0.11	-0.01	0.06	0.06	-0.21	0.45	-0.13	-0.21	-0.31	0.07	
3/31/84		19	91	0.86	1.19	0.14	0.04	-0.13	0.08	-0.34	0.46	-0.12	-0.40	-0.32	-0.00	
12/31/83		23	95	0.88	1.18	0.38	0.08	0.26	-0.04	-0.37	0.31	-0.05	-0.50	-0.32	0.05	
9/30/83		27	91	0.88	1.24	0.75	0.22	0.44	0.20	-0.23	0.43	0.03	-0.46	-0.32	0.15	
6/30/83		8	94	0.88	1.33	1.29	0.30	0.51	0.23	-0.37	0.74	0.35	-0.76	-0.46	0.22	

MANAGER NAME	DATE	QTR. PORT. T/O	EQUITY ALLOC.	R2	EQUITY BETA	MVAR	EVAR	REL RET	P/B	5 YR EARN	SIZE	GROW	E/P	YIELD	FINL	
ALLIANCE CAPITAL	6/30/86	11	98	0.89	1.21	0.88	0.35	0.30	0.75	0.48	-0.19	0.68	-0.02	-0.50	-0.26	
	3/31/86	17	94	0.85	1.24	0.53	0.11	0.48	0.88	0.36	-0.10	0.57	-0.46	-0.49	0.09	
	12/31/85	7	96	0.83	1.23	0.52	0.13	0.23	1.06	0.43	-0.14	0.56	-0.44	-0.54	0.00	
	9/30/85	15	89	0.73	1.24	0.53	0.15	0.09	0.99	0.54	-0.02	0.64	-0.50	-0.61	-0.08	
	6/30/85	7	95	0.76	1.21	0.52	0.03	0.04	0.96	0.66	0.08	0.68	-0.30	-0.56	-0.06	
	3/31/85	10	96	0.76	1.19	0.48	-0.12	0.10	0.74	0.73	0.15	0.63	-0.27	-0.55	-0.20	
	12/31/84	8	92	0.73	1.30	0.56	0.09	0.03	0.82	0.51	0.26	0.85	-0.29	-0.73	-0.15	
	9/30/84	13	88	0.72	1.34	0.53	0.15	-0.02	0.72	0.52	0.33	0.83	-0.28	-0.65	-0.09	
	6/30/84	8	92	0.73	1.39	0.46	0.13	-0.27	0.78	0.45	0.48	0.78	-0.40	-0.73	-0.04	
	3/31/84	12	92	0.72	1.38	0.68	0.13	0.13	0.71	0.46	0.50	0.65	-0.47	-0.72	-0.04	
	12/31/83	14	92	0.72	1.37	0.65	0.31	0.18	0.78	0.14	0.45	0.72	-0.50	-0.72	0.06	
	9/30/83	22	87	0.75	1.41	1.02	0.21	0.45	0.44	0.29	0.43	0.60	-0.33	-0.67	0.00	
	6/30/83	17	91	0.77	1.35	0.93	0.14	0.38	0.03	0.03	0.34	0.48	-0.72	-0.53	-0.04	
	BEUTEL GOODMAN	6/30/86	10	90	0.89	1.20	0.22	0.54	-0.79	-0.67	-0.28	0.23	0.07	-0.41	0.10	0.28
		3/31/86	22	87	0.85	1.15	0.37	0.64	-0.66	-0.64	-0.33	0.19	0.23	-0.94	0.06	0.12
12/31/85		18	89	0.83	1.22	0.30	0.58	-0.58	-0.61	-0.74	0.63	0.13	-0.88	0.25	0.35	
9/30/85		5	99	0.81	1.26	0.47	0.47	-0.40	-0.32	-0.52	0.90	0.12	-0.73	0.09	0.26	
6/30/85		6	94	0.83	1.24	0.55	0.22	-0.27	-0.26	-0.64	0.96	0.27	-0.55	-0.02	0.37	
3/31/85		14	93	0.83	1.18	0.38	-0.25	-0.38	-0.25	-0.71	1.19	0.14	-0.43	0.06	0.24	
12/31/84		8	94	0.81	1.19	0.27	-0.15	-0.41	-0.42	-0.87	1.14	0.04	0.21	0.06	0.63	
9/30/84		10	93	0.81	1.21	0.31	-0.17	-0.10	-0.41	-0.81	1.28	0.10	0.23	0.08	0.59	
6/30/84		11	92	0.79	1.18	0.05	-0.29	0.19	-0.44	-0.89	1.32	0.07	0.02	-0.05	0.58	
3/31/84		12	98	0.79	1.16	0.16	-0.19	0.27	-0.41	-0.85	1.34	0.01	-0.42	-0.04	0.37	
12/31/83		15	95	0.74	1.08	0.21	-0.08	0.22	-0.42	-0.61	1.18	0.03	-0.72	0.05	0.24	
9/30/83		6	99	0.75	1.14	0.35	0.03	-0.17	-0.50	-0.75	1.16	0.04	-0.91	0.05	0.25	
6/30/83		7	79	0.75	1.07	0.49	-0.00	-0.41	-0.43	-0.39	0.92	0.11	-0.15	-0.02	0.34	
BMI CAPITAL		6/30/86	20	95	0.90	1.37	1.10	0.31	0.23	0.23	-0.14	1.60	0.95	-0.08	-0.84	-0.17
		3/31/86	17	97	0.86	1.33	0.98	0.43	-0.13	0.37	0.03	1.48	0.96	-1.06	-0.59	0.08
	12/31/85	5	95	0.85	1.27	0.74	0.35	-0.30	0.22	0.13	1.14	0.59	-0.80	-0.40	-0.01	
	9/30/85	28	28	0.72	1.40	0.89	0.32	-0.78	0.48	0.67	1.47	0.74	-0.42	-0.71	-0.25	
	6/30/85	10	98	0.75	1.22	0.80	0.17	-0.52	0.80	1.06	1.42	0.63	-0.14	-0.56	-0.38	
	3/31/85	2	99	0.55	1.26	0.84	0.10	-0.66	1.13	1.04	1.49	0.23	-0.20	-0.61	-0.33	
	12/31/84	13	87	0.74	1.33	0.78	0.34	-0.20	1.05	0.56	1.41	0.11	-0.24	-0.57	-0.18	
	9/30/84	29	82	0.75	1.33	0.78	0.17	-0.44	0.83	0.63	1.17	-0.05	0.01	-0.44	-0.23	
	6/30/84	6	99	0.79	1.33	0.63	0.17	-0.37	0.67	0.32	1.51	0.22	-0.24	-0.48	-0.16	
	3/31/84	18	95	0.80	1.32	0.77	0.20	-0.53	0.72	0.31	1.86	0.36	-0.40	-0.47	-0.14	
	12/31/83	14	98	0.81	1.29	1.02	0.26	0.26	0.58	0.08	1.60	0.48	-0.52	-0.49	0.01	
	9/30/83	19	99	0.81	1.34	1.04	0.20	0.54	0.64	0.09	1.66	0.50	-0.34	-0.48	0.01	
	6/30/83	0	96	0.80	1.31	1.14	0.02	0.55	0.28	0.10	1.61	0.43	-0.25	-0.41	-0.07	

MANAGER NAME	DATE	QTR.	EQUITY ALLOC.	R2	EQUITY BETA	MVAR	EVAR	REL RET	P/B	5 YR EARN	SIZE	GROW	E/P	YIELD	FINL	
		PORT. T/O														
FORSTMANN-LEFF	6/30/86	71	85	0.88	1.49	1.26	0.51	0.29	0.37	0.35	0.87	0.93	-0.04	-0.72	-0.25	
	3/31/86	83	89	0.88	1.37	0.91	0.35	0.16	0.10	-0.35	0.64	0.59	-0.77	-0.39	0.27	
	12/31/85	78	88	0.91	1.35	0.94	0.36	0.48	0.06	-0.38	0.03	0.45	-0.44	-0.46	0.35	
	9/30/85	108	70	0.88	1.27	0.64	0.24	0.13	0.10	-0.42	0.00	0.25	-0.48	-0.43	0.25	
	6/30/85	27	77	0.89	1.22	0.83	0.17	0.16	0.15	0.08	-0.20	0.35	-0.07	-0.33	0.09	
	3/31/85	55	69	0.89	1.19	0.67	0.07	-0.15	-0.04	0.13	-0.03	0.16	0.14	-0.18	0.02	
	12/31/84	12	87	0.84	1.22	0.39	-0.06	-0.14	-0.07	-0.44	0.39	-0.06	-0.01	-0.10	0.08	
	9/30/84	40	83	0.86	1.26	0.49	0.03	-0.20	-0.25	-0.43	0.25	-0.17	-0.23	-0.09	0.14	
	6/30/84	31	54	0.81	1.26	0.14	0.01	-0.27	-0.21	-0.22	0.16	0.07	-0.08	-0.16	0.15	
	3/31/84	34	71	0.82	1.17	0.13	-0.04	-0.11	-0.14	-0.21	0.17	0.05	-0.18	-0.10	0.15	
	12/31/83	41	81	0.70	1.10	0.02	-0.11	-0.25	-0.03	-0.25	-0.12	-0.03	-0.15	-0.07	0.05	
	9/30/83	46	83	0.72	1.14	0.10	-0.12	-0.09	0.09	-0.34	0.03	0.19	-0.45	-0.21	-0.12	
	6/30/83	52	93	0.70	1.08	0.34	-0.22	-0.01	0.07	-0.04	0.03	0.11	-0.17	-0.22	-0.17	
	HELLMAN JORDAN	6/30/86	15	99	0.89	1.34	0.80	0.15	0.12	0.16	-0.29	-0.07	0.95	-0.02	-0.57	0.00
		3/31/86	35	97	0.88	1.26	0.79	0.34	0.26	0.06	0.19	-0.16	0.83	-0.71	-0.48	0.09
12/31/85		36	95	0.93	1.14	0.32	0.23	-0.13	-0.17	0.04	-0.13	0.39	-0.22	-0.22	0.25	
9/30/85		36	96	0.89	1.07	0.26	0.09	-0.49	-0.29	-0.06	-0.54	0.03	0.02	0.00	0.27	
6/30/85		38	89	0.89	1.10	0.29	-0.04	-0.27	-0.21	-0.12	-0.47	-0.07	0.18	0.15	0.07	
3/31/85		52	81	0.88	1.13	0.28	-0.12	-0.20	-0.28	-0.07	-0.24	0.00	-0.07	0.06	0.30	
12/31/84		36	82	0.86	1.21	0.59	0.25	-0.36	-0.35	-0.36	0.15	0.12	0.14	-0.09	0.30	
9/30/84		10	80	0.84	1.22	0.64	0.38	-0.17	-0.26	-0.45	0.22	0.16	-0.08	0.05	0.33	
6/30/84		34	61	0.87	1.25	0.28	0.21	-0.34	-0.29	-0.33	0.10	0.10	-0.10	0.16	0.52	
3/31/84		30	58	0.87	1.16	0.25	0.15	0.03	-0.41	-0.22	0.01	0.19	-0.05	0.25	0.30	
12/31/83		43	51	0.74	1.23	0.16	0.09	-0.19	-0.23	-0.26	0.25	0.18	0.07	0.45	0.26	
9/30/83		57	47	0.77	1.34	-0.12	0.23	0.23	-0.11	-0.36	0.35	0.24	-0.23	0.05	0.15	
6/30/83		38	56	0.77	1.30	0.79	0.20	0.63	0.16	-0.36	-0.27	0.42	-0.94	-0.44	0.24	
IDS ADVISORY		6/30/86	28	91	0.93	1.19	0.54	0.17	0.54	0.46	0.25	0.09	0.22	0.06	-0.23	-0.08
		3/31/86	16	92	0.91	1.20	0.53	0.21	0.44	0.50	0.34	0.11	0.29	-0.11	-0.22	0.11
	12/31/85	19	93	0.88	1.18	0.55	0.30	0.19	0.55	0.35	0.24	0.28	-0.12	-0.21	0.16	
	9/30/85	21	98	0.86	1.15	0.37	0.28	-0.02	0.30	0.34	0.07	0.22	-0.17	-0.15	0.06	
	6/30/85	13	98	0.87	1.11	0.37	0.21	0.17	0.16	0.41	-0.02	0.16	0.00	0.04	0.03	
	3/31/85	39	87	0.85	1.08	0.24	-0.06	0.10	0.07	0.43	-0.09	-0.06	0.18	0.18	0.10	
	12/31/84	21	89	0.83	1.05	0.04	-0.10	0.16	0.12	0.23	-0.07	-0.07	0.11	0.25	0.07	
	9/30/84	40	92	0.89	1.08	0.17	-0.12	0.17	0.28	0.31	0.08	-0.04	0.19	0.23	0.03	
	6/30/84	42	87	0.85	1.04	-0.08	-0.15	0.28	0.54	0.31	0.28	-0.11	0.18	0.21	0.17	
	3/31/84	41	82	0.80	1.09	0.11	-0.01	0.23	0.15	0.19	0.17	-0.13	0.28	0.14	0.04	
	12/31/83	45	89	0.86	1.17	0.24	0.23	0.27	0.15	-0.15	0.43	0.22	-0.34	-0.13	0.14	
	9/30/83	79	86	0.86	1.24	0.64	0.20	0.29	0.26	-0.06	0.60	0.43	-0.46	-0.40	-0.10	
6/30/83	42	94	0.81	1.30	-0.92	-0.08	-0.26	0.17	-0.01	0.16	0.48	-0.51	-0.37	-0.11		

MANAGER NAME	DATE	QTR. PORT. T/O	EQUITY ALLOC.	R2	EQUITY BETA	MVAR	EVAR	REL RET	P/B	5 YR EARN	SIZE	GROW	E/P	YIELD	FINL	
INVESTMENT ADVISERS	6/30/86	22	82	0.94	1.17	0.55	-0.04	0.40	0.28	0.06	-0.03	0.28	-0.16	-0.44	-0.10	
	3/31/86	13	84	0.95	1.12	0.48	0.10	0.07	0.02	-0.03	-0.11	0.40	-0.57	-0.29	0.02	
	12/31/85	32	83	0.93	1.14	0.39	0.18	-0.22	0.04	-0.01	-0.12	0.29	-0.27	-0.24	0.02	
	9/30/85	4	95	0.92	1.15	0.45	0.18	-0.40	-0.12	0.07	-0.02	0.28	0.02	-0.25	0.03	
	6/30/85	10	90	0.90	1.17	0.60	0.10	-0.33	-0.26	0.14	-0.17	0.12	0.18	-0.19	-0.08	
	3/31/85	28	89	0.91	1.17	0.51	0.05	-0.33	-0.26	0.16	0.08	-0.02	0.43	-0.11	-0.06	
	12/31/84	9	97	0.88	1.19	0.39	-0.12	-0.20	-0.34	-0.15	0.09	-0.08	0.43	-0.01	0.04	
	9/30/84	21	88	0.86	1.21	0.40	-0.13	-0.21	-0.23	-0.00	0.12	0.02	0.45	-0.02	0.06	
	6/30/84	8	98	0.89	1.21	0.11	-0.23	-0.28	-0.22	0.09	0.08	0.02	0.48	0.00	0.21	
	3/31/84	21	92	0.89	1.17	0.05	-0.22	-0.36	-0.17	0.14	0.14	0.07	0.25	-0.14	0.22	
	12/31/83	16	89	0.86	1.13	0.06	-0.15	-0.30	-0.16	-0.05	0.01	0.15	-0.09	-0.17	0.17	
	9/30/83	8	89	0.87	1.13	0.16	-0.15	-0.20	-0.03	-0.03	0.03	0.19	0.01	-0.20	0.09	
	6/30/83	7	78	0.89	1.08	0.28	-0.16	-0.12	0.01	-0.13	-0.10	0.17	-0.38	-0.09	-0.01	
	LIEBER & COMPANY	6/30/86	7	99	0.90	1.32	0.59	0.12	0.12	0.05	0.15	1.50	0.55	0.14	-0.36	-0.33
		3/31/86	14	99	0.86	1.31	0.63	0.02	-0.06	0.03	0.16	1.49	0.48	0.00	-0.38	-0.27
12/31/85		12	97	0.85	1.30	0.53	0.07	-0.01	0.04	0.27	1.56	0.48	0.02	-0.39	-0.21	
9/30/85		6	98	0.80	1.30	0.54	0.12	-0.04	0.03	0.35	1.64	0.50	-0.10	-0.40	-0.31	
6/30/85		14	96	0.80	1.27	0.55	0.04	-0.17	0.03	0.40	1.83	0.36	-0.05	-0.35	-0.43	
3/31/85		19	99	0.81	1.24	0.65	0.03	0.04	0.09	0.35	1.79	0.17	-0.02	-0.35	-0.21	
12/31/84		14	85	0.79	1.34	0.78	0.12	-0.25	0.03	0.39	1.94	0.48	-0.05	-0.47	-0.17	
9/30/84		17	87	0.80	1.31	0.74	0.07	-0.28	0.05	0.49	1.99	0.51	0.01	-0.48	-0.18	
6/30/84		10	95	0.81	1.33	0.76	0.05	-0.37	0.13	0.52	1.99	0.42	-0.02	-0.48	-0.10	
3/31/84		0	93	0.85	1.37	0.65	0.00	-0.16	0.18	0.57	1.99	0.45	0.03	-0.46	-0.12	
12/31/83		9	00	0.83	1.24	0.63	-0.01	0.30	-0.06	0.28	1.93	0.29	0.12	-0.38	-0.07	
9/30/83		9	97	0.83	1.30	0.85	-0.03	0.47	-0.09	0.17	1.92	0.22	0.18	-0.29	-0.10	
6/30/83		2	92	0.84	1.26	0.90	-0.11	0.43	-0.11	-0.00	1.94	0.18	0.04	-0.27	-0.20	
PEREGRINE CAPITAL		6/30/86	37	90	0.79	1.18	0.09	0.27	-1.28	-0.75	-0.52	0.62	0.17	-0.06	0.56	0.22
		3/31/86	47	84	0.76	1.19	0.19	0.16	-1.53	-0.73	-0.41	0.73	0.20	-0.31	0.51	0.19
	12/31/85	53	82	0.81	1.21	0.26	0.18	-1.31	-0.77	-0.55	0.88	0.10	-0.54	0.33	0.27	
	9/30/85	9	80	0.82	1.22	0.53	0.37	-1.26	-0.63	-0.36	0.36	0.15	-0.33	0.22	0.24	
	6/30/85	58	75	0.78	1.48	0.25	0.00	-1.46	-0.60	-0.45	1.06	0.07	-0.34	0.27	-0.13	
	3/31/85	49	89	0.79	1.41	0.32	0.07	-1.28	-0.53	-0.48	1.01	-0.07	-0.09	0.27	0.02	
	12/31/84	37	87	0.81	1.37	1.11	0.39	-0.05	0.72	0.27	1.88	0.76	-0.79	-0.96	-0.11	
	9/30/84	61	97	0.81	1.36	1.10	0.43	0.10	0.89	0.22	1.70	0.83	-0.82	-0.95	-0.17	
	6/30/84	26	89	0.83	1.39	0.77	0.37	-0.59	0.49	0.23	1.45	0.71	-0.55	-0.77	-0.09	
	3/31/84	66	87	0.82	1.28	0.76	0.26	-0.30	0.82	0.31	1.29	0.77	-0.59	-0.67	-0.07	
	12/31/83	92	83	0.87	1.23	0.66	0.16	0.12	0.41	0.12	1.32	0.74	-0.59	-0.69	-0.09	
	9/30/83	56	85	0.87	1.27	0.96	0.09	0.85	0.85	0.09	1.22	0.77	-0.83	-0.75	-0.22	
	6/30/83	95	80	0.88	1.23	0.70	-0.11	0.45	0.33	0.06	1.05	0.46	-0.42	-0.40	-0.13	

MANAGER NAME	DATE	QTR. PORT. T/O	EQUITY ALLOC.	R2	EQUITY BETA	MVAR	EVAR	REL RET	P/B	5 YR EARN	SIZE	GROW	E/P	YIELD	FINL
WADDELL & REED	6/30/86	35	79	0.93	1.28	0.74	0.08	0.28	0.02	-0.04	0.30	0.23	-0.02	-0.35	-0.02
	3/31/86	20	88	0.93	1.29	0.87	0.42	0.22	-0.07	-0.19	0.36	0.11	-0.51	-0.16	0.11
	12/31/85	36	75	0.91	1.27	0.76	0.36	0.10	-0.12	0.02	0.48	0.22	-0.02	-0.20	0.15
	9/30/85	41	50	0.85	1.24	0.53	0.37	-0.02	-0.24	-0.13	0.36	0.15	0.17	-0.09	0.24
	6/30/85	34	74	0.79	1.19	0.55	0.21	0.14	-0.31	0.17	0.26	-0.17	0.41	0.11	0.27
	3/31/85	51	78	0.82	1.26	0.62	0.23	-0.12	-0.39	0.09	0.49	-0.09	0.43	0.01	0.34
	12/31/84	39	52	0.75	1.29	0.78	0.10	0.00	-0.05	0.05	0.54	0.27	0.13	-0.30	0.12
	9/30/84	76	35	0.76	1.27	0.53	0.07	-0.01	-0.04	0.08	0.35	0.22	0.21	-0.20	0.02
	6/30/84	81	21	0.52	1.56	0.71	0.22	-0.74	-0.05	-0.16	0.89	-0.03	0.72	-0.60	0.24
	3/31/84	35	31	0.74	1.31	0.43	0.03	-0.13	-0.12	-0.22	0.61	-0.08	0.28	-0.35	0.23
	12/31/83	103	31	0.72	1.36	0.86	0.03	-0.49	-0.23	-1.07	1.42	0.09	-0.24	-0.46	-0.14
	9/30/83	9	73	0.73	1.41	1.31	-0.06	0.75	0.58	-0.24	1.98	0.56	-0.56	-0.69	-0.35
	6/30/83	38	75	0.74	1.48	1.51	0.00	1.11	0.49	-0.03	1.86	0.71	-0.53	-0.54	-0.05

EXTERNAL EQUITY MANAGERS

SECTOR WEIGHTING HISTORICAL PROFILE

EQUITY SECTOR WEIGHTS

MANAGER NAME	DATE	TOTAL PORTFOLIO MARKET VALUE	CAP GDS	CONS DUR	CONS NDUR	EQUITY SECTOR WEIGHTS					
						ENER	FINL	MAT & SERV	TECH	TRAN	UTIL
AVG. EXT. MANAGERS	6/30/86	---	3.7	5.5	30.7	2.4	21.0	13.3	14.6	5.3	3.3
	3/31/86	---	2.8	5.5	25.6	5.1	20.7	13.4	14.6	6.4	5.8
	12/31/85	---	3.0	6.2	24.1	7.4	19.1	13.0	14.5	7.4	5.3
	9/30/85	---	2.8	6.6	27.5	4.2	18.4	12.7	16.8	7.6	3.4
	6/30/85	---	2.2	6.6	29.3	3.1	20.0	10.9	17.3	7.6	3.0
	3/31/85	---	2.4	6.8	26.4	3.6	17.5	11.4	22.2	6.8	3.0
	12/31/84	---	2.4	8.0	26.4	2.3	15.5	11.2	23.9	6.6	4.0
	9/30/84	---	2.9	7.9	27.9	3.8	14.1	9.6	26.3	4.8	2.7
	6/30/84	---	4.0	7.6	28.6	4.2	12.5	10.9	23.4	5.4	3.4
	3/31/84	---	5.2	7.6	24.0	5.7	13.2	13.3	22.7	5.1	3.1
	12/31/83	---	6.0	6.4	23.5	3.0	12.2	15.1	24.0	6.3	3.5
	9/30/83	---	3.6	5.9	28.9	3.1	12.8	13.5	24.2	5.7	2.4
	6/30/83	---	3.7	6.1	30.2	3.6	15.1	11.7	21.2	5.8	2.5
	3/31/83	---	2.8	4.3	30.6	3.6	15.2	11.4	23.5	4.9	3.8
	FRED ALGER	6/30/86	112,733,180	1.9	7.5	52.9	---	11.6	6.2	15.8	4.0
3/31/86		103,958,164	1.7	8.2	46.5	---	17.4	5.9	18.7	1.6	---
12/31/85		86,744,768	1.7	11.7	38.7	---	18.2	3.1	17.0	6.6	2.9
9/30/85		73,092,544	---	10.3	44.4	2.4	14.1	3.1	14.5	8.4	2.8
6/30/85		63,144,042	---	17.6	36.0	1.4	9.3	3.5	15.7	16.6	---
3/31/85		57,886,615	5.2	14.3	28.8	3.7	7.8	1.8	24.8	13.6	---
12/31/84		54,018,782	5.2	16.1	36.1	---	4.1	7.9	25.2	5.4	---
9/30/84		53,908,974	9.3	15.4	33.7	---	0.8	11.4	23.5	6.0	---
6/30/84		49,936,760	14.0	8.0	30.7	---	3.8	11.5	29.5	2.6	---
3/31/84		51,737,228	13.3	4.3	28.8	---	3.4	18.3	31.9	---	---
12/31/83		55,644,200	13.2	6.6	21.7	---	6.4	18.1	33.9	---	---
9/30/83		56,169,879	5.7	6.8	26.9	---	8.4	23.3	29.0	---	---
6/30/83	58,138,999	4.9	8.5	35.0	3.5	8.2	18.0	21.9	---	---	
3/31/83	51,420,548	1.4	7.5	37.0	---	9.0	22.0	23.1	---	---	

EQUITY SECTOR WEIGHTS

MANAGER NAME	DATE	TOTAL PORTFOLIO MARKET VALUE	CAP GDS	CONS DUR	CONS NDUR	ENER	FINL	MAT & SERV	TECH	TRAN	UTIL	
ALLIANCE CAPITAL	6/30/86	110,202,737	2.3	3.6	49.1	---	28.1	---	9.8	7.1	---	
	3/31/86	104,093,860	2.4	4.5	46.6	---	30.2	2.5	8.2	5.6	---	
	12/31/85	87,252,311	---	4.6	45.6	---	29.2	---	14.3	6.3	---	
	9/30/85	74,094,296	---	7.5	52.0	---	21.8	---	11.1	7.6	---	
	6/30/85	65,072,829	---	8.7	49.9	2.2	14.3	---	12.7	8.9	3.3	
	3/31/85	58,738,405	---	9.9	47.9	2.4	12.6	---	15.8	8.0	3.4	
	12/31/84	52,332,767	---	8.7	48.8	---	10.2	---	20.6	8.1	3.7	
	9/30/84	51,653,441	---	8.8	49.7	---	9.6	---	19.3	9.2	3.5	
	6/30/84	48,457,996	---	8.1	51.6	---	6.9	---	23.5	9.9	---	
	3/31/84	47,427,119	---	8.3	48.0	2.7	5.6	---	25.1	10.4	---	
	12/31/83	52,725,699	0.8	7.5	45.3	---	6.8	2.4	24.2	13.1	---	
	9/30/83	52,945,082	2.8	5.4	45.9	---	9.2	---	24.6	12.1	---	
	6/30/83	57,538,354	2.2	4.7	42.3	---	8.2	7.5	22.7	12.4	---	
	3/31/83	51,037,067	---	3.5	49.9	2.7	6.7	3.6	23.5	10.0	---	
	BEUTEL GOODMAN	6/30/86	90,128,302	3.4	5.3	9.3	4.0	20.3	23.3	19.0	11.0	4.4
		3/31/86	90,652,277	4.2	4.2	9.2	3.8	18.6	22.9	20.9	11.5	4.6
12/31/85		79,304,850	3.9	3.8	9.0	2.8	28.2	22.1	18.2	12.0	---	
9/30/85		70,821,795	2.7	3.7	15.7	---	26.0	24.0	16.6	11.3	---	
6/30/85		75,450,430	2.8	---	12.8	---	30.4	23.1	19.1	11.7	---	
3/31/85		70,177,266	2.1	---	19.2	---	28.4	33.1	13.6	3.6	---	
12/31/84		63,402,269	8.8	---	13.8	---	32.2	33.8	11.4	---	---	
9/30/84		60,461,938	6.5	---	14.0	---	37.1	35.6	6.8	---	---	
6/30/84		55,295,358	9.3	---	21.1	---	30.4	32.4	6.7	---	---	
3/31/84		56,896,258	8.9	---	18.6	---	27.2	39.3	6.0	---	---	
12/31/83		57,233,781	9.8	---	20.2	---	11.2	46.2	5.4	7.2	---	
9/30/83		55,416,939	8.8	---	22.0	---	13.1	43.5	4.7	8.0	---	
6/30/83		54,835,808	11.0	---	18.5	---	17.4	42.4	---	10.6	---	
3/31/83		50,442,256	---	---	15.7	---	15.4	52.1	---	16.8	---	
BMI CAPITAL		6/30/86	68,576,473	8.5	6.4	43.4	---	19.8	2.9	19.1	---	---
		3/31/86	64,120,062	6.8	7.7	38.4	4.6	20.9	3.6	18.0	---	---
	12/31/85	54,452,525	9.9	4.0	32.2	14.6	19.3	4.3	12.3	3.4	---	
	9/30/85	49,026,413	10.4	3.4	37.8	---	6.0	4.0	28.9	9.6	---	
	6/30/85	9,759,880	5.4	9.7	34.9	---	5.7	4.0	30.3	9.9	---	
	3/31/85	9,851,108	7.1	9.0	37.6	---	---	6.8	35.9	3.7	---	
	12/31/84	9,015,974	6.5	5.8	40.0	---	---	7.4	35.9	4.4	---	
	9/30/84	8,820,740	4.6	13.4	42.6	---	---	4.1	31.3	3.9	---	
	6/30/84	8,533,642	3.2	16.4	37.4	---	---	11.5	31.5	---	---	
	3/31/84	8,366,038	4.3	12.7	39.3	---	---	17.8	25.9	---	---	
	12/31/83	9,784,767	7.4	12.1	28.4	---	6.6	19.0	26.4	---	---	
	9/30/83	10,420,827	7.6	11.2	37.1	---	6.4	18.6	19.2	---	---	
	6/30/83	11,285,353	7.9	12.7	44.2	---	9.8	15.9	9.5	---	---	
	3/31/83	10,081,983	10.6	8.1	35.3	---	12.3	22.0	11.8	---	---	

EQUITY SECTOR WEIGHTS

MANAGER NAME	DATE	TOTAL PORTFOLIO MARKET VALUE	CAP GDS	CONS DUR	CONS NDUR	ENER	FINL	MAT & SERV	TECH	TRAN	UTIL	
FORSTMANN-LEFF	6/30/86	95,703,997	2.6	6.6	25.2	---	22.4	13.2	23.7	5.2	1.1	
	3/31/86	87,886,861	1.3	4.0	18.1	---	34.7	17.4	10.1	8.1	6.3	
	12/31/85	73,996,082	1.4	7.9	25.7	2.1	25.2	22.1	8.9	6.7	---	
	9/30/85	63,626,068	---	9.7	41.6	6.6	20.9	6.4	12.1	2.8	---	
	6/30/85	66,383,632	1.1	7.4	40.1	---	25.1	10.3	11.0	5.1	---	
	3/31/85	61,436,421	2.5	9.8	25.7	---	25.5	14.7	17.4	4.4	---	
	12/31/84	55,396,358	1.4	10.5	30.9	---	23.3	15.1	13.3	5.5	---	
	9/30/84	53,550,733	4.5	4.6	32.5	---	21.5	14.5	18.9	3.6	---	
	6/30/84	51,218,131	3.7	3.6	40.2	---	7.0	10.3	24.3	7.2	3.7	
	3/31/84	52,083,507	7.6	3.0	37.0	---	6.0	14.5	23.1	6.0	2.8	
	12/31/83	55,421,154	5.7	13.6	35.5	5.8	3.9	8.4	18.7	5.3	3.1	
	9/30/83	55,775,736	---	14.6	52.3	3.3	4.5	5.3	15.1	4.8	---	
	6/30/83	56,471,479	---	12.7	61.4	---	2.7	7.2	11.7	4.3	---	
	3/31/83	51,390,160	2.1	4.7	50.7	5.9	4.7	10.3	17.4	4.2	---	
	HELLMAN JORDAN	6/30/86	83,097,338	---	9.3	24.8	---	32.7	10.7	20.1	2.4	---
		3/31/86	82,829,526	---	12.1	22.3	2.2	29.8	13.6	18.4	1.7	---
		12/31/85	71,819,754	---	8.8	20.1	9.4	23.5	18.7	15.2	2.9	1.4
9/30/85		60,551,842	---	5.6	17.1	6.9	26.9	17.2	13.8	4.7	7.7	
6/30/85		64,181,384	3.9	3.5	23.0	7.0	26.0	15.5	7.5	3.5	10.0	
3/31/85		59,732,797	1.3	---	21.9	5.9	25.3	13.6	16.1	6.7	9.2	
12/31/84		54,923,168	1.3	6.1	19.5	1.1	19.8	17.1	20.3	9.2	5.7	
9/30/84		52,497,049	1.5	10.7	11.3	0.8	14.0	15.3	29.3	12.0	5.0	
6/30/84		47,929,367	1.8	12.4	13.8	1.2	16.4	21.2	12.6	11.1	9.6	
3/31/84		49,895,127	---	12.4	19.5	6.4	15.7	15.7	4.3	8.8	17.2	
12/31/83		50,182,761	---	14.8	30.0	6.0	16.5	10.4	2.1	3.0	17.2	
9/30/83		50,713,576	---	15.0	47.4	---	19.5	3.5	3.3	4.7	6.5	
6/30/83		52,402,164	---	3.8	23.3	---	35.9	---	24.8	---	12.2	
3/31/83		49,541,253	---	---	15.1	---	33.4	4.6	27.2	---	19.7	
INVESTMENT ADVISERS		6/30/86	86,330,923	8.2	---	33.0	1.0	9.6	26.5	13.2	8.6	---
		3/31/86	82,520,514	5.6	3.3	20.6	2.3	9.6	23.8	18.8	13.4	2.6
		12/31/85	73,389,199	4.0	6.6	15.7	3.0	12.6	18.5	24.4	12.2	2.9
	9/30/85	61,953,366	3.2	6.5	8.3	2.9	15.9	20.2	28.3	12.8	1.8	
	6/30/85	66,785,302	3.4	8.8	6.5	3.2	18.8	17.1	29.0	13.2	---	
	3/31/85	62,742,678	3.4	6.0	6.1	2.8	16.3	19.9	32.9	12.6	---	
	12/31/84	58,967,426	3.3	6.4	13.6	5.9	20.5	19.2	19.9	10.8	0.6	
	9/30/84	55,807,710	3.7	7.2	21.5	6.9	21.0	13.1	20.2	5.6	0.8	
	6/30/84	50,388,386	5.5	5.9	26.3	6.2	18.8	9.1	20.6	3.7	3.9	
	3/31/84	51,864,720	5.8	5.4	30.2	8.9	21.5	7.7	15.6	3.9	1.0	
	12/31/83	54,533,402	6.3	6.3	25.0	5.8	21.9	9.7	15.7	6.1	3.2	
	9/30/83	53,819,067	5.8	6.2	30.6	6.0	13.4	9.1	18.3	7.1	3.5	
	6/30/83	54,812,985	6.5	6.6	24.7	11.7	9.7	9.8	16.9	10.3	3.9	
	3/31/83	50,748,987	6.5	9.1	26.0	10.2	7.3	15.0	17.7	5.0	3.2	

EQUITY SECTOR WEIGHTS

MANAGER NAME	DATE	TOTAL PORTFOLIO MARKET VALUE	CAP GDS	CONS DUR	CONS NDUR	ENER	FINL	MAT & SERV	TECH	TRAN	UTIL	
IDS ADVISORY	6/30/86	96,881,914	---	---	42.4	3.1	16.4	15.8	6.5	5.0	10.8	
	3/31/86	90,164,763	---	1.7	32.6	1.1	17.7	15.6	8.9	12.1	10.2	
	12/31/85	76,939,408	---	1.9	31.7	2.6	14.9	10.4	13.9	13.2	11.4	
	9/30/85	64,292,295	3.0	2.2	27.1	5.1	13.6	12.7	13.9	12.7	9.7	
	6/30/85	68,295,847	3.0	4.8	27.7	8.4	13.4	7.2	11.7	8.5	15.1	
	3/31/85	62,021,800	---	5.2	27.5	9.8	11.0	7.3	14.0	7.7	17.6	
	12/31/84	57,153,006	1.8	4.6	29.5	3.7	7.6	3.7	16.9	7.2	25.0	
	9/30/84	55,468,185	3.4	6.6	25.4	7.6	7.9	5.6	19.6	4.6	19.4	
	6/30/84	50,278,968	---	5.3	27.6	8.1	6.8	7.6	19.2	4.8	20.6	
	3/31/84	50,085,955	4.8	10.1	12.4	9.6	8.7	14.3	15.2	9.5	15.4	
	12/31/83	54,006,960	4.9	7.6	18.0	---	8.8	19.0	26.1	6.0	9.6	
	9/30/83	54,334,602	---	4.1	24.3	3.4	6.0	19.7	33.8	5.4	3.4	
	6/30/83	57,561,715	4.2	12.0	30.5	4.5	4.2	6.7	33.7	4.3	---	
	3/31/83	50,689,028	5.4	9.2	30.7	5.4	9.8	6.4	26.3	---	6.6	
	LIEBER & COMPANY	6/30/86	44,505,476	1.7	7.3	22.4	3.1	41.8	10.3	7.5	3.7	2.1
		3/31/86	40,102,680	2.1	7.4	21.4	3.5	38.4	12.3	9.0	4.0	2.0
12/31/85		35,197,559	1.8	8.7	20.1	3.5	34.3	11.9	12.2	5.4	2.0	
9/30/85		30,715,520	1.6	7.0	21.9	4.5	32.6	14.3	11.8	5.1	1.2	
6/30/85		31,313,770	2.1	7.8	21.4	4.6	30.3	16.0	11.0	5.5	1.2	
3/31/85		29,544,589	2.9	8.0	25.3	6.1	28.9	15.1	8.9	3.5	1.3	
12/31/84		26,473,866	3.2	5.3	27.0	3.2	24.2	18.4	15.3	3.4	---	
9/30/84		25,807,665	2.9	3.8	33.0	4.1	22.4	16.8	14.8	2.2	---	
6/30/84		23,927,529	2.6	3.3	34.8	3.5	21.1	16.7	15.3	1.8	0.8	
3/31/84		24,261,218	3.6	6.4	32.3	4.9	17.3	16.8	16.3	1.8	0.7	
12/31/83		11,159,936	7.7	4.5	33.7	3.5	16.7	22.3	6.1	5.6	---	
9/30/83		11,016,060	6.5	3.5	31.0	4.7	18.0	25.4	5.4	5.5	---	
6/30/83		11,233,248	6.4	5.0	33.3	5.0	16.5	23.9	3.3	6.6	---	
3/31/83		10,063,917	8.3	---	23.1	3.9	11.6	41.0	5.6	6.4	---	
PEREGRINE CAPITAL		6/30/86	89,051,403	8.0	6.7	9.6	15.2	8.1	15.7	13.6	5.0	18.1
		3/31/86	87,406,272	7.4	5.5	15.6	16.2	5.3	15.7	14.8	3.8	15.8
	12/31/85	82,085,372	9.1	6.3	15.1	17.8	5.3	19.1	11.2	3.3	12.7	
	9/30/85	72,758,648	8.3	8.5	18.3	12.6	4.5	15.7	18.0	3.0	11.2	
	6/30/85	29,610,673	0.2	---	51.4	4.2	12.4	2.9	24.0	2.7	2.3	
	3/31/85	27,145,424	---	2.3	44.2	6.3	9.2	6.2	28.0	1.9	1.9	
	12/31/84	25,188,312	---	2.3	37.5	2.7	3.9	9.8	37.7	4.1	1.9	
	9/30/84	25,685,954	---	3.7	38.0	0.6	2.3	11.9	39.7	1.3	2.4	
	6/30/84	24,546,941	2.8	5.5	31.2	5.8	1.0	9.3	38.9	4.3	1.3	
	3/31/84	10,385,041	3.6	4.4	23.1	8.5	1.1	7.2	45.5	5.4	1.1	
	12/31/83	11,215,761	2.5	1.6	25.5	1.2	3.2	6.0	51.8	1.7	6.6	
	9/30/83	11,816,270	1.2	---	31.6	3.3	2.0	8.4	46.1	1.4	5.8	
	6/30/83	12,126,921	4.8	---	36.4	5.2	8.9	4.8	33.0	2.9	3.3	
3/31/83	10,417,512	7.0	1.8	47.1	4.2	13.5	---	20.1	6.3	---		

EQUITY SECTOR WEIGHTS

MANAGER NAME	DATE	TOTAL PORTFOLIO MARKET VALUE	CAP GDS	CONS DUR	CONS NDUR	ENER	FINL	MAT & SERV	TECH	TRAN	UTIL	
WADDELL & REED	6/30/86	97,376,898	4.4	7.8	26.0	0.4	20.7	21.7	12.4	6.6	---	
	3/31/86	95,498,169	4.3	7.3	13.0	2.9	23.3	24.9	16.9	7.3	---	
	12/31/85	82,027,227	4.6	7.7	17.0	5.4	15.2	25.9	15.0	9.1	---	
	9/30/85	74,328,144	2.0	7.7	18.8	5.1	19.7	22.5	15.6	5.2	3.3	
	6/30/85	29,531,769	---	11.8	14.5	2.5	21.1	18.4	13.3	6.1	12.4	
	3/31/85	27,604,382	---	12.8	11.9	2.7	21.5	15.8	16.3	7.9	11.2	
	12/31/84	26,234,116	---	14.0	18.7	---	18.8	2.7	25.5	1.0	19.3	
	9/30/84	25,856,251	1.4	13.9	28.0	3.3	14.3	0.5	30.9	1.6	6.1	
	6/30/84	25,495,564	---	29.0	25.7	---	15.7	---	17.8	11.8	---	
	3/31/84	25,833,644	5.2	32.1	21.4	---	25.0	---	11.7	4.5	---	
	12/31/83	11,409,742	12.8	32.4	---	---	33.9	---	20.9	---	---	
	9/30/83	12,042,511	5.8	13.4	22.5	---	5.1	---	38.2	15.0	---	
	6/30/83	12,464,478	5.7	13.2	29.2	3.3	5.0	---	31.1	12.5	---	
	3/31/83	10,013,713	5.5	13.8	15.5	2.5	29.1	---	27.2	6.4	---	
	WILSHIRE 5000	6/30/86	---	4.5	4.0	28.8	7.8	14.0	12.4	12.6	3.0	12.9
		3/31/86	---	4.8	4.7	27.0	8.0	14.1	11.8	13.4	3.3	12.9
12/31/85		---	4.8	4.2	25.7	10.5	12.9	11.4	14.2	3.3	13.0	
9/30/85		---	4.7	4.1	26.2	10.6	12.3	11.4	14.0	3.4	13.3	
6/30/85		---	4.8	4.0	26.3	11.2	12.2	10.8	13.6	3.6	13.5	
3/31/85		---	4.9	3.9	25.3	13.0	11.4	10.9	14.4	3.3	12.9	
12/31/84		---	5.4	9.9	23.0	13.5	9.9	10.6	13.2	3.7	10.8	
9/30/84		---	5.2	4.3	24.9	13.2	10.3	11.5	15.5	2.9	12.2	
6/30/84		---	5.3	4.0	25.7	13.5	9.6	11.7	15.6	2.9	11.7	
3/31/84		---	5.4	3.9	23.6	16.1	9.8	12.1	15.3	2.9	11.1	
12/31/83		---	5.5	4.2	24.0	14.5	9.5	12.2	16.3	2.8	11.1	
9/30/83		---	5.2	4.0	24.3	14.8	9.4	11.8	16.3	2.9	11.3	
6/30/83		---	5.3	3.9	24.9	15.0	9.3	11.6	16.3	2.9	10.9	
3/31/83	---	5.1	3.5	25.2	14.6	9.8	12.3	14.9	2.9	11.8		

EXTERNAL EQUITY MANAGERS

HISTORICAL PERFORMANCE SUMMARY

	2Q 86	1Q 86	4Q 85	3Q 85	2Q 85	1Q 85	4Q 84	3Q 84	2Q 84	1Q 84	4Q 83	3Q 83	2Q 83
FRED ALGER													
Equity	9.0%	21.2%	20.0%	-4.7%	10.1%	7.3%	0.2%	8.3%	-4.1%	-8.1%	-1.0%	-3.5%	13.9%
Total Fund	8.5	19.8	18.7	-4.6	9.1	7.2	0.2	8.0	-3.5	-7.0	-0.9	-3.4	13.1
ALLIANCE CAPITAL													
Equity	6.1	20.0	19.2	-3.6	11.5	13.1	1.3	7.1	2.2	-11.2	-0.6	-8.7	14.3
Total Fund	5.9	19.3	17.8	-3.3	10.8	12.2	1.3	6.6	2.2	-10.1	-0.4	-8.0	12.7
BEUTEL GOODMAN													
Equity	-0.9	15.7	12.5	-9.0	8.1	12.1	5.1	10.1	-2.8	-0.7	3.5	3.4	13.9
Total Fund	-0.6	14.3	12.0	-8.6	7.5	10.7	4.9	9.3	-2.8	-0.6	3.3	1.1	8.7
BMI CAPITAL													
Equity	7.2	18.6	19.4	-9.9	-0.7	10.5	2.3	3.6	2.1	-14.4	-6.0	-7.8	14.4
Total Fund	7.0	17.8	11.1	-2.4	-0.9	9.3	2.2	3.4	2.0	-14.5	-6.1	-7.7	11.9
FORSTMANN-LEFF													
Equity	10.1	20.8	21.5	-5.4	9.4	12.6	3.7	7.5	-2.8	-8.3	-1.0	-1.7	11.2
Total Fund	8.9	18.8	16.3	-4.2	8.1	10.9	3.4	4.6	-1.7	-6.0	-0.6	-1.2	9.9
HELLMAN JORDAN													
Equity	0.4	16.1	19.4	-5.9	9.5	10.0	4.3	8.6	-4.8	-3.1	-0.9	-9.5	10.0
Total Fund	0.3	15.3	18.6	-5.6	7.5	8.7	4.6	9.5	-3.9	-0.6	-1.0	-3.2	5.8
IDS ADVISORY													
Equity	8.1	18.2	20.5	-5.9	10.7	9.2	3.2	11.4	0.0	-8.4	-0.9	-6.6	14.3
Total Fund	7.5	17.2	19.7	-5.9	10.1	8.5	3.0	10.3	0.4	-7.3	-0.6	-5.6	13.6
INVESTMENT ADVISERS													
Equity	5.3	14.7	20.5	-7.8	7.1	6.6	5.8	11.3	-3.0	-5.8	1.5	-2.9	11.6
Total Fund	4.6	12.4	18.5	-7.2	6.4	6.4	5.7	10.7	-2.8	-4.9	1.3	-1.8	8.0
LIEBER & COMPANY													
Equity	11.8	13.8	15.2	-1.7	6.3	13.8	2.9	8.9	-1.3	-10.2	1.7	-2.4	16.6
Total Fund	11.0	13.9	14.6	-1.9	6.0	11.6	2.6	7.9	-1.4	-7.3	1.3	-1.9	11.6
PEREGRINE CAPITAL													
Equity	2.1	7.7	15.5	0.4	10.7	9.5	-2.1	5.3	-3.2	-8.8	-6.0	-3.6	19.6
Total Fund	1.9	6.5	12.8	-1.9	9.1	7.8	-1.9	4.7	-2.7	-7.4	-5.1	-2.6	16.4
WADDELL & REED													
Equity	2.4	19.7	18.4	-5.4	8.7	8.1	0.7	-1.6	-10.3	-14.0	-9.3	-4.7	30.2
Total Fund	2.0	16.4	10.4	-2.0	7.0	5.2	1.5	1.4	-1.3	-2.2	-5.3	-3.0	24.0
SBI AGGREGATE													
Equity	5.0	16.6	17.7	-5.7	8.8	9.5	2.4	8.0	-2.7	-7.5	-1.5	-5.6	12.1
Total Fund	4.5	15.2	15.2	-4.5	8.0	8.4	2.4	7.2	-2.2	-5.9	-1.2	-4.5	10.5
MARKET INDICES													
Wilshire 5000	5.8	14.4	16.8	-4.3	7.5	10.3	1.3	9.2	-2.8	-4.2	-1.0	-0.9	13.0
S&P 500	6.0	14.1	17.3	-4.1	7.4	9.2	1.8	9.7	-2.5	-2.4	0.4	-0.1	11.1
91 Day T-Bills	1.6	1.8	1.8	1.9	1.9	2.1	2.3	2.7	2.6	2.4	2.3	2.4	2.2

BOND MANAGER PORTFOLIO STATISTICS GLOSSARY

Like the preceding equity manager portfolio statistics glossary, this bond manager portfolio statistics glossary is designed to define terminology used in evaluating a bond manager's investment philosophy, risk characteristics and performance data.

- Qtr. Port. Turnover - the manager's total bond sales during the quarter divided by the average value of the manager's bond portfolio over the quarter.
- # of Issues - the number of different bond issues held in the manager's portfolio.
- Bond Allocation - 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 - the annual interest payment produced by the manager's total portfolio stated as a percent of the portfolio's market value.
- Yield to Maturity - the compounded annualized return that the manager's total portfolio would produce if it were held to maturity and all cash flows were reinvested at an interest rate equal to the yield to maturity.
- Duration - a measure of the average life of the total portfolio. Duration is a weighted average maturity whereby the time in the future that each cash flow is received is weighted by the proportion that the present value of the cash flow contributes to the total present value (or price) of the total portfolio.
- Term to Maturity - also 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.

Quality Weightings

- 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.

Sector Weightings

- refers to the sectors of the bond market in which the manager has positioned his/her bond portfolio.

TUCS Median

- the median manager within a subsample of the TUCS universe that is restricted to fixed income managers investing in portfolios with quality and duration characteristics similar to those that are required of the SBI's bond managers.

EXTERNAL FIXED INCOME MANAGERS
PORTFOLIO STATISTICS HISTORICAL SUMMARY

MANAGER NAME	DATE	QUARTER PORTFOLIO T/O	# OF BONDS	BOND ALLOCATION	COUPON	CURRENT YIELD	YIELD TO MAT.	AVERAGE QUALITY	DURATION	TERM TO MAT.
AVG. EXT. MGRS.	6/30/86	47	40	96	9.8	9.3	9.0	AAA	4.6	10.0
	3/31/86	41	39	96	10.3	9.6	8.8	AAA	4.5	12.3
	12/31/85	41	33	95	10.5	10.0	9.6	AAA	4.4	8.7
	9/30/85	22	34	96	10.7	10.6	10.6	AAA	4.3	8.7
	6/30/85	48	29	95	10.4	10.2	10.4	AAA	4.5	8.5
	3/31/85	37	25	91	10.3	10.8	11.5	AAA	4.2	8.2
	12/31/84	38	22	93	10.3	10.8	11.4	AAA	4.5	8.8
	9/30/84	54	29	88	10.1	11.1	12.3	AAA	4.3	8.8
	INVESTMENT ADV.	6/30/86	9	21	96	9.6	8.8	8.3	AAA	3.3
3/31/86		17	22	95	9.9	8.9	8.2	AAA	3.3	4.2
12/31/85		10	16	95	9.4	8.8	8.7	AAA	3.4	4.3
9/30/85		30	18	99	9.7	9.3	9.9	AAA	3.8	5.1
6/30/85		50	17	99	8.4	8.1	10.1	AAA	4.7	6.2
3/31/85		19	13	99	8.7	9.3	11.7	AAA	4.9	8.9
12/31/84		25	10	99	8.4	9.3	11.5	AAA	5.6	12.1
9/30/84		10	7	100	9.0	10.8	12.6	AAA	6.4	15.2
LEHMAN MGMT.		6/30/86	16	48	97	10.8	9.8	8.3	AAA	4.0
	3/31/86	28	54	97	11.0	9.7	8.3	AAA	4.0	8.5
	12/31/85	40	32	89	11.1	10.2	9.2	AAA	3.7	6.5
	9/30/85	24	35	95	11.4	10.9	10.2	AAA	3.9	6.6
	6/30/85	49	27	92	11.4	10.8	9.9	AAA	3.8	6.3
	3/31/85	43	24	85	11.6	11.4	11.0	AAA	3.6	5.6
	12/31/84	44	19	85	11.6	11.4	10.8	AAA	3.3	5.3
	9/30/84	62	15	82	11.2	11.5	12.2	AAA	3.7	6.5
	MILLER ANDERSON	6/30/86	57	60	97	9.4	9.3	9.5	AA	5.2
3/31/86		73	37	92	10.5	9.7	8.8	AA	4.4	11.4
12/31/85		71	42	99	10.4	9.9	9.6	AA	5.3	9.6
9/30/85		23	52	98	9.6	10.2	10.6	AA	5.0	9.7
6/30/85		75	48	95	9.3	10.0	10.4	AA	4.6	9.3
3/31/85		35	41	92	9.0	10.0	11.1	AA	3.7	7.4
12/31/84		50	43	99	9.1	10.1	11.3	AA	3.9	7.3
9/30/84		83	59	71	9.8	11.1	11.9	AAA	3.3	6.7

MANAGER NAME	DATE	QUARTER PORTFOLIO T/O	# OF BONDS	BOND ALLOCATION	COUPON	CURRENT YIELD	YIELD TO MAT.	AVERAGE QUALITY	DURATION	TERM TO MAT.
MORGAN STANLEY	6/30/86	89	13	100	8.6	8.9	9.1	AAA	5.4	10.8
	3/31/86	62	20	100	9.4	9.0	8.7	AAA	5.4	19.9
	12/31/85	58	17	100	10.4	10.1	9.9	AAA	5.0	10.6
	9/30/85	18	20	100	11.2	11.1	11.0	AAA	4.4	9.8
	6/30/85	38	17	100	11.4	10.8	10.5	AAA	5.0	9.7
	3/31/85	62	16	85	11.1	11.3	11.5	AAA	3.8	7.3
	12/31/84	30	12	100	11.5	11.5	11.5	AAA	5.3	9.4
	9/30/84	105	20	99	8.6	8.9	12.5	AAA	3.7	5.3
	PEREGRINE	6/30/86	12	51	97	10.8	10.2	9.8	AA	4.3
3/31/86		10	54	98	11.2	10.3	9.4	AA	4.1	11.0
12/31/85		18	51	98	11.5	10.8	10.4	AA	3.7	9.3
9/30/85		20	43	96	11.6	11.2	11.0	AA	3.3	7.8
6/30/85		15	35	98	11.2	10.8	10.5	AA	3.4	7.6
3/31/85		13	28	100	11.1	11.3	11.5	AA	3.7	7.6
12/31/84		39	25	96	10.5	10.9	11.3	AA	3.5	7.5
9/30/84		17	21	93	10.6	11.7	12.5	AA	3.6	7.6
WESTERN ASSET		6/30/86	97	48	90	9.3	9.0	9.0	AA	5.6
	3/31/86	58	48	95	9.8	9.8	9.3	AA	5.5	18.9
	12/31/85	47	40	87	10.3	10.1	10.0	AA	5.2	11.9
	9/30/85	19	34	89	10.7	11.0	11.1	AA	5.6	13.0
	6/30/85	58	29	84	10.5	10.7	10.8	AA	5.4	12.1
	3/31/85	52	28	87	10.4	11.5	12.1	AA	5.3	12.2
	12/31/84	39	24	80	10.6	11.4	11.8	AA	5.2	11.3
	9/30/84	49	19	80	11.3	12.3	12.8	AA	4.8	11.3

EXTERNAL FIXED INCOME MANAGERS

SECTOR WEIGHTING HISTORICAL PROFILE

MANAGER NAME	DATE	TOTAL PORTFOLIO MARKET VALUE	QUALITY WEIGHTINGS					SECTOR WEIGHTINGS									
			AAA	AA	A	BAA	OTHER	GOV'T	AGCY	ZERO	IND	UTIL	FIN	TRAN	MTGS	MISC	CASH
AVG. EXT. MGRS.	6/30/86	---	78	6	10	3	3	28	6	3	9	2	10	1	37	3	4
	3/31/86	---	79	6	9	3	3	35	2	2	9	2	9	0	34	3	4
	12/31/85	---	80	5	8	2	5	35	3	2	6	2	9	0	35	3	5
	9/30/85	---	81	5	8	1	5	33	3	2	7	2	9	0	39	1	4
	6/30/85	---	81	6	6	3	4	34	1	4	5	4	9	0	36	1	5
	3/31/85	---	78	10	6	2	4	27	5	4	5	6	12	0	31	1	9
	12/31/84	---	77	12	7	2	2	33	8	4	2	8	12	0	24	1	7
	9/30/84	---	79	12	7	2	0	30	10	7	3	8	9	1	19	1	12
INVESTMENT ADV.	6/30/86	39,301,944	81	8	11	0	0	34	18	12	23	0	10	0	0	0	4
	3/31/86	38,938,391	84	8	8	0	0	52	0	12	25	0	6	0	0	0	5
	12/31/85	36,766,845	96	4	0	0	0	68	0	12	8	0	7	0	0	0	5
	9/30/85	34,573,707	96	4	0	0	0	70	0	13	9	0	7	0	0	0	1
	6/30/85	33,794,148	96	4	0	0	0	62	0	23	10	0	4	0	0	0	1
	3/31/85	30,942,776	85	15	0	0	0	53	0	18	11	13	4	0	0	0	1
	12/31/84	30,397,636	74	26	0	0	0	52	0	18	0	25	4	0	0	0	1
	9/30/84	27,932,974	72	28	0	0	0	59	0	10	0	31	0	0	0	0	0
LEHMAN MGMT.	6/30/86	223,483,722	89	4	6	1	0	60	0	0	11	2	7	0	18	0	3
	3/31/86	220,998,995	89	4	6	1	0	65	2	0	9	0	6	0	15	0	3
	12/31/85	207,462,430	89	5	6	0	0	51	10	0	7	2	7	0	12	0	11
	9/30/85	194,774,253	87	6	7	0	0	54	12	0	9	2	7	0	11	0	5
	6/30/85	190,808,742	91	5	4	0	0	64	8	0	5	2	4	0	9	0	8
	3/31/85	177,383,853	95	3	2	0	0	65	13	0	2	0	2	0	3	0	15
	12/31/84	173,831,628	98	0	2	0	0	64	13	0	3	0	0	0	5	0	15
	9/30/84	162,737,117	96	1	2	0	0	60	13	5	4	0	0	0	0	0	18
MILLER ANDERSON	6/30/86	217,656,629	71	5	4	5	15	25	0	0	2	0	8	0	60	2	3
	3/31/86	217,291,031	74	0	5	5	16	45	0	0	2	0	8	0	37	0	8
	12/31/85	208,552,908	71	0	6	4	19	45	0	0	2	0	8	0	44	0	1
	9/30/85	191,849,284	68	1	9	4	18	24	0	0	5	0	9	0	60	0	2
	6/30/85	183,857,869	69	3	8	4	16	19	0	2	5	0	12	0	57	0	5
	3/31/85	173,961,916	54	13	11	2	20	2	0	4	7	0	27	0	52	0	8
	12/31/84	169,696,156	55	17	14	5	9	0	0	7	5	0	36	0	51	0	1
	9/30/84	159,574,376	81	12	5	2	0	0	0	0	2	0	17	0	52	0	29

MANAGER NAME	DATE	TOTAL PORTFOLIO MARKET	QUALITY WEIGHTINGS						SECTOR WEIGHTINGS								
		VALUE	AAA	AA	A	BAA	OTHER	GOVT	AGCY	ZERO	IND	UTIL	FIN	TRAN	MTGS	MISC	CASH
MORGAN STANLEY	6/30/86	222,763,940	100	0	0	0	0	33	9	0	0	0	0	0	58	0	0
	3/31/86	225,686,690	100	0	0	0	0	41	0	0	0	0	0	0	59	0	0
	12/31/85	208,381,895	100	0	0	0	0	42	0	0	0	0	0	0	58	0	0
	9/30/85	193,513,567	100	0	0	0	0	41	0	0	0	0	0	0	59	0	0
	6/30/85	188,907,479	100	0	0	0	0	49	0	0	0	0	0	0	51	0	0
	3/31/85	173,106,782	100	0	0	0	0	38	9	0	0	0	0	0	38	0	15
	12/31/84	170,547,941	100	0	0	0	0	74	18	0	0	0	0	0	8	0	0
	9/30/84	159,109,110	100	0	0	0	0	45	27	27	0	0	0	0	0	0	0
PEREGRINE	6/30/86	104,606,143	48	19	31	0	2	0	0	0	9	0	30	0	41	17	3
	3/31/86	104,370,666	48	18	32	0	2	0	0	0	9	0	31	0	40	17	2
	12/31/85	100,139,659	55	13	29	0	3	0	0	0	5	0	29	0	48	16	2
	9/30/85	95,186,493	61	12	25	0	2	0	0	0	4	2	31	0	52	7	4
	6/30/85	92,417,709	56	15	20	7	2	0	0	0	4	5	33	0	49	7	2
	3/31/85	86,259,088	55	23	19	3	0	3	0	0	0	5	38	0	47	7	0
	12/31/84	84,387,890	65	13	18	4	0	6	7	0	0	5	30	0	48	0	4
	9/30/84	79,887,650	58	14	24	4	0	12	7	0	10	0	31	0	33	0	7
WESTERN ASSET	6/30/86	238,657,259	80	2	8	9	1	13	9	3	7	7	2	4	45	0	10
	3/31/86	235,514,306	76	4	5	14	1	7	9	3	12	9	2	1	52	0	5
	12/31/85	220,363,561	73	5	8	7	7	5	8	1	15	9	2	1	48	0	11
	9/30/85	201,666,058	74	6	5	4	11	11	3	0	14	10	0	1	49	0	12
	6/30/85	197,929,627	73	9	4	8	6	10	0	0	8	15	0	1	51	0	15
	3/31/85	181,426,695	76	9	4	7	4	4	11	0	8	16	0	1	47	0	13
	12/31/84	177,328,832	69	15	7	5	4	3	11	0	6	19	2	2	33	4	20
	9/30/84	165,957,816	68	15	9	5	3	4	16	0	3	18	4	5	26	4	20

EXTERNAL FIXED INCOME MANAGERS

HISTORICAL PERFORMANCE SUMMARY

	2Q 1986	1Q 1986	4Q 1985	3Q 1985	2Q 1985	1Q 1985	4Q 1984	3Q 1984
INVESTMENT ADVISERS								
Fixed Income	0.9%	6.2%	6.5%	2.5%	9.4%	1.9%	8.8%	11.8%
Total Fund	0.9	5.9	6.3	2.3	9.2	1.8	8.8	11.8
LEHMAN MANAGEMENT								
Fixed Income	1.2	6.7	6.9	2.1	8.7	2.0	7.7	9.6
Total Fund	1.1	6.5	6.5	2.1	7.6	2.1	6.8	8.7
MILLER ANDERSON								
Fixed Income	0.2	4.4	8.8	4.4	6.0	2.5	7.5	7.7
Total Fund	0.2	4.2	8.7	4.4	5.7	2.5	6.3	6.7
MORGAN STANLEY								
Fixed Income	-2.1	8.2	7.7	2.5	9.3	1.5	7.3	6.1
Total Fund	-1.3	8.3	7.7	2.4	9.1	1.5	7.2	6.3
PEREGRINE CAPITAL								
Fixed Income	0.2	4.3	5.4	3.1	7.3	2.3	6.0	7.7
Total Fund	0.2	4.2	5.2	3.0	7.1	2.2	5.6	6.9
WESTERN ASSET								
Fixed Income	0.9	7.4	10.7	1.9	10.7	2.4	8.0	11.8
Total Fund	1.3	6.9	9.3	1.9	9.1	2.3	6.8	10.8
SBI FIXED INCOME AGGREGATE								
Fixed Income	1.7	6.4	8.1	2.8	8.5	2.1	7.5	8.8
Total Fund	0.4	6.2	7.7	2.7	7.8	2.1	6.8	8.1
MARKET INDEX								
Salomon Broad Bond Index	1.1	7.9	7.8	2.0	8.9	2.2	7.5	8.6

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:

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

Where:

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

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

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

n = Number of cash flows in the month

R = Internal rate of return

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

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

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

$$\text{TWRQ} = (1+R1)*(1+R2)*(1+R3) - 1$$

MINNESOTA STATE BOARD OF INVESTMENT
 COMMISSIONS AND TRADING VOLUME
 BY BROKER
 FISCAL YEAR 1986

BROKER	EQUITY DOLLAR VOLUME	EQUITY COMMISSIONS	BOND DOLLAR VOLUME	BOND COMMISSIONS	SHORT TERM DOLLAR VOLUME
ABEL/NOSER CORP.	3,663,478.50	7,500.00	0.00	0.00	0.00
ALLISON-WILLIAMS	0.00	0.00	1,731,348.79	16,741.50	0.00
AMERICAN EXPRESS CREDIT	0.00	0.00	0.00	0.00	37,608,000.00
AMERICAN SECURITIES	226,875.00	1,550.00	0.00	0.00	0.00
ASSOC CORP OF N AMER	0.00	0.00	0.00	0.00	116,866,000.00
AUTRANET	3,624,490.00	9,148.00	0.00	0.00	0.00
BANK OF AMERICA	0.00	0.00	0.00	0.00	104,163,000.00
BANKERS TRUST	0.00	0.00	0.00	0.00	8,620,000.00
BEAR STEARNS & CO	14,784,137.50	36,437.00	2,575,355.55	6,250.00	5,786,233,000.00
BENEFICIAL CORP	0.00	0.00	0.00	0.00	104,575,000.00
BLYTH PAINE WEBBER	0.00	0.00	1,283,136.87	5,718.44	0.00
BOSTON INST. SERVICES	1,180,000.00	3,400.00	0.00	0.00	0.00
BRANDT (ROBERT) & CO	11,814,750.00	22,165.00	0.00	0.00	0.00
BRIGGS & SCHAEDEL	0.00	0.00	0.00	0.00	6,000,000.00
BROWN ALEX & SONS	1,470,345.00	3,112.50	0.00	0.00	0.00
BURDGE DANIELS & CO.	0.00	0.00	1,527,637.28	4,132.00	0.00
CANTOR FITZGERALD	6,564,586.75	16,658.24	0.00	0.00	0.00
CAPITAL INST. SERVICES	6,205,927.50	15,903.50	0.00	0.00	0.00
CHASE MANHATTAN BANK	0.00	0.00	0.00	0.00	223,089,000.00
CHEMICAL BANK N.Y.	0.00	0.00	0.00	0.00	26,854,370.30
CHEVRON OIL FIN. CO.	0.00	0.00	0.00	0.00	76,000,000.00
CIT FINANCIAL CORP	0.00	0.00	0.00	0.00	221,050,000.00
CITIBANK	0.00	0.00	0.00	0.00	73,200,000.00
COWEN&CO	4,239,587.20	12,657.00	0.00	0.00	0.00
CYRUS J. LAWRENCE	1,079,376.20	3,350.00	0.00	0.00	0.00
DEAN WITTER REYNOLDS	31,594,981.00	86,855.00	0.00	0.00	5,000,000.00
DELAFIELD HAR. TABELL	2,211,747.44	5,044.00	0.00	0.00	0.00
DONALDSON LUFKIN	22,684,646.70	45,274.00	0.00	0.00	0.00
DREXEL BURNHAM LAMBERT	38,702,012.55	87,216.70	12,399,736.26	32,230.00	0.00
E F HUTTON AND CO	8,105,769.50	19,956.50	0.00	0.00	0.00
EBERSTADT (F) & CO	1,014,212.50	2,696.75	0.00	0.00	0.00
EDWARDS A.G. & SONS	0.00	0.00	1,079,010.00	2,500.00	0.00
FIRST BOSTON CORPORATION	25,546,156.99	56,933.00	55,079,485.75	132,333.86	17,236,990,000.00
FIRST INTERSTATE BK CAL	0.00	0.00	0.00	0.00	500,000.00
FIRST MANHATTAN COMPANY	17,628,678.80	39,311.75	0.00	0.00	0.00
FIRST NATIONAL BANK CHI	0.00	0.00	0.00	0.00	61,500,000.00
FIRST NATIONAL BANK MPLS	0.00	0.00	0.00	0.00	75,407,000.00
FIRST NATIONAL BANK SP	0.00	0.00	0.00	0.00	8,302,000.00
FORD MOTOR CREDIT CO	0.00	0.00	0.00	0.00	231,410,000.00
FURMAN SELZ MAGER	8,044,615.10	12,499.00	0.00	0.00	0.00
GENERAL ELEC. FIN. SERV.	0.00	0.00	0.00	0.00	159,713,000.00
GENERAL ELECTRIC CREDIT	0.00	0.00	0.00	0.00	233,307,000.00
GENERAL MOTORS ACCEPTANCE	0.00	0.00	0.00	0.00	271,791,000.00
GOLDMAN SACHS & COMPANY	66,414,011.60	157,849.25	14,898,342.00	40,505.00	12,388,696,000.00
HELLER FINANCIAL INC.	0.00	0.00	0.00	0.00	294,777,000.00
HOUSEHOLD FINANCE	0.00	0.00	0.00	0.00	185,800,000.00
INSTANET	114,504,563.13	73,743.58	0.00	0.00	0.00
JANNEY MONTGOMERY SCOTT	0.00	0.00	470,000.00	1,250.00	0.00
JEFFERIES & CO	51,571,095.75	144,444.50	0.00	0.00	0.00
JOHNSON LANE SPACE & SMIT	3,609,954.00	10,371.00	0.00	0.00	0.00
JONES ASSOCIATES	6,457,103.34	22,854.00	0.00	0.00	0.00
KEEFE BRUYETTE & WOOD	7,232,190.00	17,552.00	0.00	0.00	0.00
KIDDER PEABODY	2,002,650.00	7,070.00	49,518,616.68	130,835.00	43,000,000.00
KLEINWORT BENSON GOVT SEC	0.00	0.00	0.00	0.00	1,885,000.00
L F ROTHSCHILD	0.00	0.00	17,381,861.00	47,645.00	0.00

MINNESOTA STATE BOARD OF INVESTMENT
 COMMISSIONS AND TRADING VOLUME
 BY BROKER
 FISCAL YEAR 1986

BROKER	EQUITY DOLLAR VOLUME	EQUITY COMMISSIONS	BOND DOLLAR VOLUME	BOND COMMISSIONS	SHORT TERM DOLLAR VOLUME
LAZARD FRERES & CO	0.00	0.00	2,672,981.70	14,825.50	0.00
LEHMAN GOVT SECURITIES	0.00	0.00	0.00	0.00	4,892,841,000.00
LYNCH JONES & RYAN	3,775,387.50	8,921.00	0.00	0.00	0.00
MANUFACTURERS HANOVER TRU	0.00	0.00	0.00	0.00	82,720,000.00
MARQUETTE NATIONAL BANK	0.00	0.00	0.00	0.00	45,507,000.00
MCKINNEY SQUARE ALLSOPP S	1,081,312.50	3,160.00	0.00	0.00	0.00
MELLON BANK	0.00	0.00	0.00	0.00	21,000,000.00
MERRILL LYNCH P F & S (R)	63,439,474.92	155,375.30	51,620,187.21	132,847.25	453,359,000.00
MESIROW AND COMPANY	3,571,120.13	8,702.50	0.00	0.00	0.00
MONTGOMERY SECURITIES	3,074,650.00	6,942.00	0.00	0.00	0.00
MORGAN GUARANTY	0.00	0.00	0.00	0.00	10,265,000.00
MORGAN STANLEY & CO	36,574,481.30	92,704.00	39,859,520.74	96,218.75	0.00
MOSELEY HALLGARTER ESTABR	52,875.00	470.00	0.00	0.00	0.00
NEUBERGER & BERMAN	512,750.00	2,716.00	0.00	0.00	0.00
NEW YORK & FOREIGN SEC	6,813,881.25	15,384.00	0.00	0.00	0.00
NEWHARD COOKE & CO	238,162.50	1,044.00	0.00	0.00	0.00
NOMURA SECURITIES INTL	494,000.00	2,080.00	0.00	0.00	0.00
NORWEST BANK MPLS	0.00	0.00	0.00	0.00	188,903,000.00
OPPENHEIMER & CO	9,131,362.50	21,185.00	212,720.00	625.00	0.00
PAINE WEBBER J & C	23,737,510.55	61,902.00	0.00	0.00	6,000,000.00
PENNEY (J.C.) FINANCE	0.00	0.00	0.00	0.00	133,812,000.00
PIPER JAFFRAY & HOP B	0.00	0.00	838,759.62	2,235.00	0.00
PIPER JAFFRAY & HOP S	1,674,387.50	3,481.50	0.00	0.00	0.00
PRUDENTIAL BACHE SECURITI	39,729,383.22	86,456.00	0.00	0.00	2,323,982,000.00
REPUBLIC NATL. BANK N.Y.	0.00	0.00	0.00	0.00	3,500,000.00
ROBERT W. BAIRD & CO	280,800.00	1,248.00	0.00	0.00	0.00
ROBINSON-HUMPHREY CO	1,345,937.50	3,285.00	0.00	0.00	0.00
SALOMON BROTHERS	34,170,409.76	109,740.00	82,525,848.43	235,269.00	4,031,245,000.00
SANFORD C. BERNSTEIN	41,580,589.38	93,098.00	0.00	0.00	0.00
SEARS ROEBUCK ACCEPTANCE	0.00	0.00	0.00	0.00	183,541,000.00
SHEARSON LEHMAN (BONDSTAT	0.00	0.00	31,113,200.00	67,375.00	0.00
SHEARSON LEHMAN AMER EXPR	0.00	0.00	43,613,917.88	69,844.50	0.00
SHEARSON/AMERICAN EXPRESS	16,779,629.50	86,502.50	0.00	0.00	0.00
SLOWTE WIESMAN	1,034,737.50	2,562.50	0.00	0.00	0.00
SMITH BARNEY & COMPANY	6,973,443.75	17,916.50	0.00	0.00	0.00
STATE BOARD OF INVESTMENT	0.00	0.00	0.00	0.00	1,326,000.00
SYNDICATION	5,000,000.00	0.00	13,623,718.75	0.00	0.00
THOMSON & MCKINNON	257,500.00	1,000.00	6,298,675.07	14,670.59	0.00
TUCKER ANTHONY & R.L. DAY	1,380,000.00	4,400.00	0.00	0.00	0.00
UNION BANK OF L.A.	0.00	0.00	0.00	0.00	14,925,000.00
W.E. POLLOCK & COMPANY IN	0.00	0.00	0.00	0.00	75,635,000.00
WEEDEN & COMPANY	21,968,680.38	58,984.25	0.00	0.00	0.00
WELLINGTON & CO.	36,116,718.87	85,395.50	0.00	0.00	0.00
WERTHEIM & COMPANY	5,691,800.00	20,215.00	0.00	0.00	0.00
WESTINGHOUSE CREDIT	0.00	0.00	0.00	0.00	188,062,000.00
WILSHIRE ASSOCIATES	13,223,987.05	27,566.00	0.00	0.00	0.00
WOOD GUNDY & COMPANY	567,825.00	1,921.00	0.00	0.00	0.00
ALL BROKERS COMBINED	842,450,739.60	1,905,909.82	430,324,059.58	1,054,051.39	50,638,959,370.30

**1986
ANNUAL
REPORT**

**MINNESOTA STATE
BOARD OF
INVESTMENT**

GOVERNOR RUDY PERPICH

STATE AUDITOR ARNE H. CARLSON

SECRETARY OF STATE JOAN ANDERSON GROWE

STATE TREASURER ROBERT W. MATTSON

ATTORNEY GENERAL HUBERT H. HUMPHREY

PART TWO

INVESTMENT ADVISORY COUNCIL

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Malcolm W. McDonald, Vice Chair, Director, Space Center

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Michael I. Rosen, President, Michael I. Rosen & Associates

Joseph T. Rukavina, Active Employee Representative

Harvey Schmidt, Exec. Dir., Teachers Retirement Association

Raymond B. Vecellio, Retiree Representative

Deborah W. Veverka, Manager, Pension Financial Planning, Honeywell

Jan Yeomans, Manager, Pension Fund, 3M Company

INVESTMENT DEPARTMENT PERSONNEL

Howard J. Bicker	Executive Director
Jeff Bailey	Assistant Executive Director
Roger W. Henry	Equity and Fixed Income Manager

COMMON STOCKS

Mark Edwards	Senior Portfolio Manager
A. Arthur Kaese	Senior Portfolio Manager
C. Robert Parsons	Investment Analyst, Senior
Doug Gorence	Investment Analyst, Intermediate
Harold L. Syverson	Head Security Trader

ALT. EQUITY INVESTMENTS

John Griebenow	Senior Portfolio Manager
Daralyn Peifer	Investment Analyst, Intermediate

FIXED INCOME

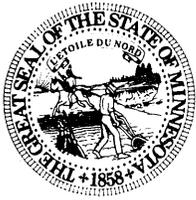
Grant A. Feldman	Fixed Income Manager, Short Term
John T. Kinne	Senior Portfolio Manager
N. Robert Barman	Investment Analyst, Senior
Arthur M. Blauzda	Investment Analyst, Senior

ADMINISTRATIVE STAFF

L. Michael Schmitt	Administrative Director
Beth Lehman	Assistant to the Executive Director
Mable E. Patrick	Senior Accounting Officer
Thomas L. Delmont	Accounting Officer, Intermediate
Nancy Wold	Accounting Officer
Deborah F. Griebenow	Research Analyst, Intermediate
Harriet Balian	Office Services Supervisor II
Kathy Leisz	Computer Operator
Charlene Olson	Clerk Stenographer, Senior
Linda M. Nadeau	Clerk Typist II
Lavern Jagg	Clerk Typist I

TABLE OF CONTENTS

Auditor's Letter.....	1
Financial Statements.....	2
Footnotes to Financial Statements.....	5
Supplemental Investment Fund Combining Statements.....	10
Pooled Investment Accounts Schedules.....	14
Asset Listings.....	18



STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

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

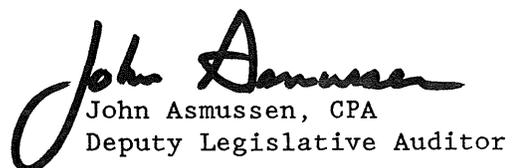
We have examined the financial statements for the Supplemental Retirement Fund, the Post Retirement Investment Fund, and the Variable Annuity Fund, which constitute the Investment Trust Funds of the State of Minnesota as of and for the year ended June 30, 1986, as shown on pages 2 to 9. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 the net assets and participation of the Investment Trust Funds of the State of Minnesota at June 30, 1986, 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 examination was made for the purpose of forming an opinion on the financial statements of the Investment Trust Funds of the State of Minnesota. The supporting schedules shown on pages 10 to 101 are presented for purposes of additional analysis and are not a required part of the aforementioned financial statements. Such information has been subjected to the auditing procedures applied in the examination of the aforementioned 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

November 17, 1986

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1986

	SUPPLEMENTAL(5) RETIREMENT FUND TOTAL	POST RETIREMENT(6) INVESTMENT FUND	VARIABLE(7) ANNUITY FUND
ASSETS:			
INVESTMENTS (at market value) (3)			
Common Stock	\$ 187,290,371	\$ 678,775,210	\$ 145,560,977
Alternative Equities	-0-	-0-	-0-
Fixed Income Securities	72,111,058	2,403,093,984	-0-
Short Term Securities	<u>84,785,216</u>	<u>517,334,147</u>	<u>2,170,583</u>
TOTAL INVESTMENTS(4)	\$ 344,186,645	\$ 3,599,203,341	\$ 147,731,560
Cash	(83,578)	84,648	(126,069)
Security Sales Receivable	-0-	-0-	-0-
Accounts Receivable-Mortality	-0-	17,475,512	-0-
Accounts Receivable-Participants	-0-	-0-	-0-
Accrued Interest	1,599,378	54,027,450	-0-
Accrued Dividends	-0-	2,220,057	-0-
Accrued Short Term Gain	<u>436,157</u>	<u>2,671,552</u>	<u>12,505</u>
TOTAL ASSETS	\$ 346,138,602	\$ 3,675,682,560	\$ 147,617,996
LIABILITIES:			
Management Fees Payable	75,525	140,454	39,309
Security Purchases Payable	-0-	494,080	-0-
Accounts Payable-Participants	-0-	42,197,405	431,991
Options Premiums Received	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES	\$ 75,525	\$ 42,831,939	\$ 471,300
NET ASSETS AT JUNE 30, 1986	<u>\$ 346,063,077</u>	<u>\$ 3,632,850,621</u>	<u>\$ 147,146,696</u>

STATE BOARD OF INVESTMENT
INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1986

	<u>SUPPLEMENTAL RETIREMENT FUND TOTAL</u>	<u>POST RETIREMENT INVESTMENT FUND</u>	<u>VARIABLE ANNUITY FUND</u>
FROM INVESTMENT ACTIVITY:			
Net Investment Income	\$ 36,509,315	\$ 260,160,881	\$ 19,240,820
Realized Gains (Losses)	7,592,223	116,681,663	6,733,300
Unrealized Gains (Losses)	<u>6,069,612</u>	<u>319,020,569</u>	<u>3,153,454</u>
TOTAL INCOME	\$ 50,171,150	\$ 695,863,113	\$ 29,127,574
Less Distribution to			
Participant Accounts	(48,924,493)	(126,011,116)	(31,822,293)
Undistributed Dedicated Income	<u>-0-</u>	<u>(246,917,998)</u>	<u>-0-</u>
NET CHANGE IN UNDISTRIBUTED INCOME	\$ 1,246,657	\$ 322,933,999	\$ (2,694,719)
FROM PARTICIPANT TRANSACTION:			
Additions to Participant Accounts			
Participant Contributions	22,662,355	458,720,788	-0-
Income Distribution	48,924,493	126,011,116	31,822,293
Income to be Distributed	<u>-0-</u>	<u>246,917,998</u>	<u>-0-</u>
TOTAL ADDITIONS	\$ 71,586,848	\$ 831,649,902	\$ 31,822,293
Deductions from			
Participant Accounts			
Withdrawals	<u>14,100,904</u>	<u>252,460,446</u>	<u>1,200,213</u>
TOTAL DEDUCTIONS	\$ 14,100,904	\$ 252,460,446	\$ 1,200,213
NET CHANGE IN PARTICIPATION	\$ 57,485,944	\$ 579,189,456	\$ 30,622,080
TOTAL CHANGE IN ASSETS	58,732,601	902,123,455	27,927,361
NET ASSETS:			
Beginning of Period	<u>287,330,476</u>	<u>2,730,727,166</u>	<u>119,219,335</u>
End of Period	\$ 346,063,077	\$ 3,632,850,621	\$ 147,146,696

STATE BOARD OF INVESTMENT
 INVESTMENT TRUST FUNDS
 STATEMENT OF OPERATIONS
 YEAR ENDED JUNE 30, 1986

	<u>SUPPLEMENTAL RETIREMENT FUND TOTAL</u>	<u>POST RETIREMENT INVESTMENT FUND</u>	<u>VARIABLE ANNUITY FUND</u>
INVESTMENT INCOME:			
Interest	\$ 8,355,995	\$ 217,968,961	\$ 2,125
Dividends	23,543,543	24,451,750	19,111,866
Short Term Gains	4,751,192	18,270,368	199,377
INCOME BEFORE EXPENSES	<u>\$ 36,650,730</u>	<u>\$ 260,691,079</u>	<u>\$ 19,313,368</u>
Management Fees	141,415	530,198	72,548
NET INCOME	<u>\$ 36,509,315</u>	<u>\$ 260,160,881</u>	<u>\$ 19,240,820</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS			
Realized:			
Proceeds from Sales	\$ 227,042,904	\$ 693,661,770	\$ 113,180,408
Cost of Securities Sold	219,450,681	576,980,107	106,447,108
NET REALIZED GAIN (LOSS)	<u>\$ 7,592,223</u>	<u>\$ 116,681,663</u>	<u>\$ 6,733,300</u>
Unrealized			
Beginning of Period	18,087,828	163,653,054	11,103,356
End of Period	<u>24,157,440</u>	<u>482,673,623</u>	<u>14,256,810</u>
INCREASE (DECREASE) IN UNREALIZED APPRECIATION	<u>\$ 6,069,612</u>	<u>\$ 319,020,569</u>	<u>\$ 3,153,454</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT	<u>\$ 13,661,835</u>	<u>\$ 435,702,232</u>	<u>\$ 9,886,754</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1986

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.

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 Compensation and Capital.

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 105% 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 18 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, 1986, the cost of investments for the Investment Trust Funds was:

Supplemental Retirement Fund	\$ 320,029,205
Post Retirement Investment Fund	\$3,116,529,718
Variable Annuity Fund	\$ 133,474,750

4. LOANED SECURITIES

The market value of loaned securities outstanding at June 30, 1986 was:

Supplemental Retirement Fund	\$ 22,250
Post Retirement Investment Fund	\$ 428,353,016

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 1986 the fund included four separate accounts with different investment objectives. Financial information on the individual accounts is shown on pages 10 to 13 of this report. Participation in the Supplemental Retirement 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, 1986. 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.

6. POST RETIREMENT FUND (cont.)

Pursuant to Minnesota Statutes Section 11A.18, Subdivision 9, a portion of Fiscal Year 1986 investment income of the Post Retirement Investment Fund is available for distribution as a benefit increase to pension fund participants in January 1987. This amount is increased by 2.5% from Fiscal Year 1987 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 June 30, 1985 are eligible to receive the January 1, 1987 benefit increase, which will be 9.792%. Past increases paid to retirees on January 1st have been:

1981	3.209%
1982	7.436%
1983	6.853%
1984	7.449%
1985	6.905%
1986	7.884%

7. VARIABLE ANNUITY FUND:

Participation in the Variable Annuity Fund is restricted to members of the Teachers Retirement Fund.

The Admitted Value Increment for the Variable Annuity Fund totalled \$9,323,690 at June 30, 1986. This valuation is required by Minnesota Statutes Section 11A.19, Subdivision 5, and is the amount by which the recognized value of investments is above or below their book value. The admitted value is based on an average ratio of book value to market value of the securities calculated over a two year period. This calculation is used to determine the rate of return and the increase or decrease which will be credited to the individual member's account balances at the end of each fiscal year.

Laws of Minnesota 1978, Chapter 781, stated in part "Effective July 1, 1978 no future employee and employer contribution shall be credited to any account in the variable annuity division unless the member elects continued participation..." Very few members of the Teachers' Retirement Fund elected to continue in the variable annuity division. Previous contributions for all former and current participants in the variable annuity fund will remain in that fund until the participant retires or withdraws in accordance with the Teachers' Retirement Act. (Minnesota Statutes Chapter 354)

7. VARIABLE ANNUITY FUND (cont.)

VARIABLE ANNUITY FUND
PARTICIPATION AT JUNE 30, 1986

Net Assets	\$ 147,146,696
Admitted Value Increment	<u>9,323,690</u>
	\$ 156,470,386
Less: Unrealized Market	
Appreciation (Depreciation)	<u>14,256,810</u>
Total Participation	\$ 142,213,576

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. SUBSEQUENT EVENTS

At its October 2, 1985 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 companies not meeting predetermined guidelines in a four phased approach. The first three phases relate to individual companies signing and complying with the Sullivan Principles. The fourth phase, to be completed by August, 1989, calls for the divestment of any company with operations in South Africa.

The resolution also calls for the SBI to receive financial and legal advise at the completion of each phase 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, 1986

	SUPPLEMENTAL RETIREMENT FUND TOTAL	POST RETIREMENT FUND	VARIABLE ANNUITY FUND
Teacher's Retirement Fund	\$ -0-	\$ 1,244,936,000	\$ 142,213,576
Public Employees Retirement Fund	-0-	997,977,000	-0-
State Employees Retirement Fund	-0-	497,345,000	-0-
Public Employees Police & Fire	-0-	91,896,000	-0-
Highway Patrolmen's Retirement	-0-	53,535,000	-0-
Legislators & Survivors Retire.	-0-	6,950,000	-0-
Judges Retirement Fund	-0-	10,620,000	-0-
Variable Annuity Fund	-0-	-0-	-0-
Income Share Account	179,267,510	-0-	-0-
Growth Share Account	78,666,143	-0-	-0-
Fixed Return Account	76,940,838	-0-	-0-
Bond Account	10,209,579	-0-	-0-
TOTAL PARTICIPATION	\$ 345,084,070	\$ 2,903,259,000	\$ 142,213,576
Adjustments			
Admitted Value Increment	-0-	-0-	(9,323,690)
Unrealized Appreciation (Depreciation) of Investments	941,279	482,673,623	14,256,810
Undistributed Earnings	37,728	246,917,998	-0-
NET ASSETS	\$ 346,063,077	\$ 3,632,850,621	\$ 147,146,696

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL RETIREMENT FUND
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 1986

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	FIXED RETURN ACCOUNT	BOND ACCOUNT	SUPPLEMENTAL RETIREMENT FUND TOTAL
ASSETS:					
INVESTMENTS (at market value)(1)					
Common Stock	\$ 109,077,574	\$ 78,212,797	\$ -0-	\$ -0-	\$ 187,290,371
Fixed Income Securities	61,340,722	-0-	-0-	10,770,336	72,111,058
Short Term Securities	<u>7,512,724</u>	<u>531,469</u>	<u>76,528,426</u>	<u>212,597</u>	<u>84,785,216</u>
TOTAL INVESTMENTS(2)	\$ 177,931,020	\$ 78,744,266	\$ 76,528,426	\$ 10,982,933	\$ 344,186,645
Cash	(24,399)	(59,181)	1	1	(83,578)
Security Sales Receivable	-0-	-0-	-0-	-0-	-0-
Accounts Receivable-Mortality	-0-	-0-	-0-	-0-	-0-
Accounts Receivable-Participants	-0-	-0-	-0-	-0-	-0-
Accrued Interest	1,344,648	-0-	-0-	254,730	1,599,378
Accrued Dividends	-0-	-0-	-0-	-0-	-0-
Accrued Short Term Gain	<u>65,399</u>	<u>2,867</u>	<u>367,336</u>	<u>555</u>	<u>436,157</u>
TOTAL ASSETS	\$ 179,316,668	\$ 78,687,952	\$ 76,895,763	\$ 11,238,219	\$ 346,138,602
LIABILITIES:					
Management Fees Payable	49,158	21,809	4,319	239	75,525
Security Purchases Payable	-0-	-0-	-0-	-0-	-0-
Accounts Payable to Teachers	-0-	-0-	-0-	-0-	-0-
Options Premiums Received	-0-	-0-	-0-	-0-	-0-
TOTAL LIABILITIES	\$ 49,158	\$ 21,809	\$ 4,319	\$ 239	\$ 75,525
NET ASSETS AT JUNE 30, 1986	<u>\$ 179,267,510</u>	<u>\$ 78,666,143</u>	<u>\$ 76,891,444</u>	<u>\$ 11,237,980</u>	<u>\$ 346,063,077</u>
 (1)The cost of investments at June 30, was:					
Common Stock	\$ 97,934,863	\$ 70,511,348	\$ -0-	\$ -0-	\$ 168,446,211
Fixed Income Securities	56,968,721	-0-	-0-	9,829,057	66,797,778
Short Term Securities	<u>7,512,724</u>	<u>531,469</u>	<u>76,528,426</u>	<u>212,597</u>	<u>84,785,216</u>
Total Investments at Cost	\$ 162,416,308	\$ 71,042,817	\$ 76,528,426	\$ 10,041,654	\$ 320,029,205
 (2)The market of loaned securities outstanding at June 30, was:					
	\$ 22,250	\$ -0-	\$ -0-	\$ -0-	\$ 22,250

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL RETIREMENT FUND
COMBINING STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1986

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	FIXED RETURN ACCOUNT	BOND ACCOUNT	SUPPLEMENTAL RETIREMENT FUND TOTAL
FROM INVESTMENT ACTIVITY:					
Net Investment Income	\$ 19,322,245	\$ 10,323,993	\$ 5,989,767	\$ 873,310	\$ 36,509,315
Realized Gains (Losses)	3,824,024	3,716,025	51,203	971	7,592,223
Unrealized Gains (Losses)	3,486,496	1,820,382	209,451	553,283	6,069,612
TOTAL INCOME	<u>\$ 26,632,765</u>	<u>\$ 15,860,400</u>	<u>\$ 6,250,421</u>	<u>\$ 1,427,564</u>	<u>\$ 50,171,150</u>
Less Distribution to Participant Accounts	(26,632,765)	(15,860,400)	(5,581,478)	(849,850)	(48,924,493)
Undistributed Dedicated Income	-0-	-0-	-0-	-0-	-0-
NET CHANGE IN UNDISTRIBUTED INCOME	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 668,943</u>	<u>\$ 577,714</u>	<u>\$ 1,246,657</u>
FROM PARTICIPANT TRANSACTION:					
Additions to Participant Accounts					
Participant Contributions	8,827,938	1,761,894	7,737,031	4,335,492	22,662,355
Income Distribution	26,632,765	15,860,400	5,581,478	849,850	48,924,493
Income to be Distributed	-0-	-0-	-0-	-0-	-0-
TOTAL ADDITIONS	<u>\$ 35,460,703</u>	<u>\$ 17,622,294</u>	<u>\$ 13,318,509</u>	<u>\$ 5,185,342</u>	<u>\$ 71,586,848</u>
Deductions from Participant Accounts					
Withdrawals	497,469	6,051,564	7,551,871	-0-	14,100,904
TOTAL DEDUCTIONS	<u>\$ 497,469</u>	<u>\$ 6,051,564</u>	<u>\$ 7,551,871</u>	<u>\$ -0-</u>	<u>\$ 14,100,904</u>
NET CHANGE IN PARTICIPATION	<u>\$ 34,963,234</u>	<u>\$ 11,570,730</u>	<u>\$ 5,766,638</u>	<u>\$ 5,185,342</u>	<u>\$ 57,485,944</u>
TOTAL CHANGE IN ASSETS	34,963,234	11,570,730	6,435,581	5,763,056	58,732,601
NET ASSETS:					
Beginning of Period	144,304,276	67,095,413	70,455,863	5,474,924	287,330,476
End of Period	<u>\$ 179,267,510</u>	<u>\$ 78,666,143</u>	<u>\$ 76,891,444</u>	<u>\$ 11,237,980</u>	<u>\$ 346,063,077</u>

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL RETIREMENT FUND
COMBINING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 1986

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	FIXED RETURN ACCOUNT	BOND ACCOUNT	SUPPLEMENTAL RETIREMENT FUND TOTAL
INVESTMENT INCOME:					
Interest	\$ 5,200,365	\$ 1,250	\$ 2,362,240	\$ 792,140	\$ 8,355,995
Dividends	13,339,335	10,204,208	-0-	-0-	23,543,543
Short Term Gains	861,929	162,883	3,643,872	82,508	4,751,192
INCOME BEFORE EXPENSES	\$ 19,401,629	\$ 10,368,341	\$ 6,006,112	\$ 874,648	\$ 36,650,730
Management Fees	79,384	44,348	16,345	1,338	141,415
NET INCOME	\$ 19,322,245	\$ 10,323,993	\$ 5,989,767	\$ 873,310	\$ 36,509,315
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS					
Realized:					
Proceeds from Sales	\$ 105,178,963	\$ 64,237,712	\$ 56,721,539	\$ 904,690	\$ 227,042,904
Cost of Securities Sold	101,354,939	60,521,687	56,670,336	903,719	219,450,681
NET REALIZED GAIN (LOSS)	\$ 3,824,024	\$ 3,716,025	\$ 51,203	\$ 971	\$ 7,592,223
Unrealized					
Beginning of Period	12,028,216	5,881,067	(209,451)	387,996	18,087,828
End of period	15,514,712	7,701,449	-0-	941,279	24,157,440
INCREASE (DECREASE) IN UNREALIZED APPRECIATION	\$ 3,486,496	\$ 1,820,382	\$ 209,451	\$ 553,283	\$ 6,069,612
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT	\$ 7,310,520	\$ 5,536,407	\$ 260,654	\$ 554,254	\$ 13,661,835

STATE BOARD OF INVESTMENT
MINNESOTA SUPPLEMENTAL RETIREMENT FUND
SCHEDULE OF PARTICIPATION
JUNE 30, 1986

	INCOME SHARE ACCOUNT	GROWTH SHARE ACCOUNT	FIXED RETURN ACCOUNT	BOND ACCOUNT	SUPPLEMENTAL RETIREMENT FUND TOTAL
Albert Lea Firemen's Relief	\$ 2,872,152	\$ -0-	\$ 56,500	\$ 52,084	\$ 2,980,736
Bloomington Fire Dept. Relief	8,446,615	577,133	-0-	-0-	9,023,748
Bloomington Police Relief	906,620	-0-	-0-	-0-	906,620
Buhl Police Relief	-0-	-0-	-0-	67,844	67,844
Hennepin County Supplemental Ret.	10,616,027	8,909,132	2,631,524	-0-	22,156,683
St. Paul Fire -General	306,405	46,107	-0-	114,646	467,158
St. Paul Fire-Special	24,110,884	5,594,378	3,054,344	9,880,307	42,639,913
St. Paul Police Relief	39,466,421	4,682,702	-0-	-0-	44,149,123
MSRS Deferred Compensation	21,216,854	17,892,261	64,398,264	-0-	103,507,379
MSRS Unclassified Empl. Escrow	22,260,844	8,587,960	6,791,911	-0-	37,640,715
South St. Paul Policemen's Relief	114,732	-0-	8,295	94,698	217,725
Teacher's Supplemental Retirement	48,648,110	32,376,470	-0-	-0-	81,024,580
Winona Fire Dept. Relief	301,846	-0-	-0-	-0-	301,846
TOTAL PARTICIPATION	<u>\$ 179,267,510</u>	<u>\$ 78,666,143</u>	<u>\$ 76,940,838</u>	<u>\$ 10,209,579</u>	<u>\$ 345,084,070</u>
Adjustments					
Unrealized Appreciation (Depreciation) of Investments	-0-	-0-	-0-	941,279	941,279
Undistributed Earnings	-0-	-0-	(49,394)	87,122	37,728
NET ASSETS	<u>\$ 179,267,510</u>	<u>\$ 78,666,143</u>	<u>\$ 76,891,444</u>	<u>\$ 11,237,980</u>	<u>\$ 346,063,077</u>

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF ASSETS AND LIABILITIES
JUNE 30, 1986

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	INTERNAL EQUITY ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT	BOND MANAGERS ACCOUNT
ASSETS:							
INVESTMENTS (at market value)(1)							
Common Stock	\$ 958,612,421	\$1,977,353,380	\$ 187,294,741	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Alternative Equities	-0-	-0-	-0-	329,790,980	32,377,684	65,118,841	-0-
Fixed Income Securities	13,892,610	101,917	-0-	-0-	-0-	-0-	1,033,120,097
Short Term Securities	88,425,157	13,728,745	14,139,998	1,111,655	4,562,123	322,793	48,075,731
TOTAL INVESTMENTS(2)	\$1,060,930,188	\$1,991,184,042	\$ 201,434,739	\$ 330,902,635	\$ 36,939,807	\$ 65,441,634	\$ 1,081,195,828
Cash With State Treasurer	4	-0-	1	1	1	-0-	4
Security Sales Receivable	23,579,727	873,792	-0-	-0-	-0-	-0-	5,714,520
Accounts Receivable-Mortality	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Accounts Receivable-Participants	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Accrued Interest	218,068	178	-0-	-0-	-0-	-0-	17,996,063
Accrued Dividends	2,075,745	5,700,132	587,323	962,047	20,425	-0-	-0-
Accrued Short Term Gain	498,432	65,290	76,431	56,205	25,892	20,633	502,456
TOTAL ASSETS	\$1,087,302,164	\$1,997,823,434	\$ 202,098,494	\$ 331,920,888	\$ 36,986,125	\$ 65,462,267	\$ 1,105,408,871
LIABILITIES:							
Management Fees Payable	1,128,102	61,144	-0-	-0-	-0-	-0-	488,571
Security Purchases Payable	23,271,419	3,698,853	121,045	-0-	-0-	-0-	26,470,462
Accounts Payable to Teachers	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Options Premiums Received	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL LIABILITIES	\$ 24,399,521	\$ 3,759,997	\$ 121,045	\$ -0-	\$ -0-	\$ -0-	\$ 26,959,033
NET ASSETS AT JUNE 30, 1986	\$1,062,902,643	\$1,994,063,437	\$ 201,977,449	\$ 331,920,888	\$ 36,986,125	\$ 65,462,267	\$ 1,078,449,838
 (1)The cost of investments at June 30, was:							
Common Stock	\$ 763,316,312	\$1,389,861,607	\$ 165,754,451	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Alternative Equities	-0-	-0-	-0-	286,700,288	44,166,486	65,196,837	-0-
Fixed Income Securities	12,545,067	19,653	-0-	-0-	-0-	-0-	1,003,382,680
Short Term Securities	88,425,157	13,728,745	14,139,998	1,111,655	4,562,123	322,793	48,075,731
Total Investments at Cost	\$ 864,286,536	\$1,403,610,005	\$ 179,894,449	\$ 287,811,943	\$ 48,728,609	\$ 65,519,630	\$ 1,051,458,411
 (2)The market of loaned securities outstanding at June 30, was:							
	\$ 36,571,101	\$ 10,875,550	\$ 6,602,419	\$ -0-	\$ -0-	\$ -0-	\$ 7,381,590

STATE BOARD OF INVESTMENT
MINNESOTA POOLED ACCOUNTS
SCHEDULE OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 1986

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	INTERNAL EQUITY ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT	BOND MANAGERS ACCOUNT
FROM INVESTMENT ACTIVITY:							
Net Investment Income	\$ 25,666,358	\$ 62,949,822	\$ 4,923,199	\$ 5,933,695	\$ 1,767,074	\$ 564,681	\$ 96,943,535
Realized Gains (Losses)	126,237,862	71,197,793	17,726,023	-0-	(2,461,040)	(45,942)	78,488,466
Unrealized Gains (Losses)	107,217,012	409,043,297	21,540,290	16,249,009	(11,788,802)	(85,854)	(13,493,131)
TOTAL INCOME	\$ 259,121,232	\$ 543,190,912	\$ 44,189,512	\$ 22,182,704	\$ (12,482,768)	\$ 432,885	\$ 161,938,870
Less Distribution to Participant Accounts	(151,856,972)	(134,158,207)	(22,649,222)	(5,306,041)	466,394	(518,739)	(175,542,773)
Undistributed Dedicated Income	(47,248)	10,592	-0-	(627,654)	227,572	-0-	110,772
NET CHANGE IN UNDISTRIBUTED INCOME	\$ 107,217,012	\$ 409,043,297	\$ 21,540,290	\$ 16,249,009	\$ (11,788,802)	\$ (85,854)	\$ (13,493,131)
FROM PARTICIPANT TRANSACTION:							
Additions to Participant Accounts							
Participant Contributions	640,441,500	10,022,013	160,851,562	101,000,000	24,000,000	24,500,000	5,659,055
Income Distribution	151,856,972	134,158,207	22,649,222	5,306,041	(466,394)	518,739	175,542,773
Income to be Distributed	47,248	(10,592)	-0-	627,654	(227,572)	-0-	(110,772)
TOTAL ADDITIONS	\$ 792,345,720	\$ 144,169,628	\$ 183,500,784	\$ 106,933,695	\$ 23,306,034	\$ 25,018,739	\$ 181,091,056
Deductions from Participant Accounts							
Withdrawals	526,559,056	153,522,013	3,063,625	-0-	-0-	-0-	11,205,490
TOTAL DEDUCTIONS	\$ 526,559,056	\$ 153,522,013	\$ 3,063,625	\$ -0-	\$ -0-	\$ -0-	\$ 11,205,490
NET CHANGE IN PARTICIPATION	\$ 265,786,664	\$ (9,352,385)	\$ 180,437,159	\$ 106,933,695	\$ 23,306,034	\$ 25,018,739	\$ 169,885,566
TOTAL CHANGE IN ASSETS	\$ 373,003,676	\$ 399,690,912	\$ 201,977,449	\$ 123,182,704	\$ 11,517,232	\$ 24,932,885	\$ 156,392,435
NET ASSETS:							
Beginning of Period	689,898,967	1,594,372,525	-0-	208,738,184	25,468,893	40,529,382	922,057,403
End of Period	\$1,062,902,643	\$1,994,063,437	\$ 201,977,449	\$ 331,920,888	\$ 36,986,125	\$ 65,462,267	\$1,078,449,838

STATE BOARD OF INVESTMENT
MINNESOTA POOLED INVESTMENT ACCOUNTS
SCHEDULE OF OPERATIONS
YEAR ENDED JUNE 30, 1986

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	INTERNAL EQUITY ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT	BOND MANAGERS ACCOUNT
INVESTMENT INCOME:							
Interest	\$ 545,140	\$ 370,553	\$ 10,128	\$ -0-	\$ -0-	\$ -0-	\$ 93,842,101
Dividends	20,735,758	61,538,858	4,411,657	5,355,089	1,545,433	119,132	-0-
Short Term Gains	8,400,190	1,367,819	501,414	578,606	239,643	445,549	4,968,634
INCOME BEFORE EXPENSES	<u>\$ 29,681,088</u>	<u>\$ 63,277,230</u>	<u>\$ 4,923,199</u>	<u>\$ 5,933,695</u>	<u>\$ 1,785,076</u>	<u>\$ 564,681</u>	<u>\$ 98,810,735</u>
Management Fees	4,014,730	327,408	-0-	-0-	18,002	-0-	1,867,200
NET INCOME	<u>\$ 25,666,358</u>	<u>\$ 62,949,822</u>	<u>\$ 4,923,199</u>	<u>\$ 5,933,695</u>	<u>\$ 1,767,074</u>	<u>\$ 564,681</u>	<u>\$ 96,943,535</u>
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS							
Realized:							
Proceeds from Sales	\$ 1,338,022,062	\$ 316,270,648	\$ 80,920,368	\$ -0-	\$ 899,169	\$ 284,888	\$ 1,661,111,269
Cost of Securities Sold	1,211,784,200	245,072,855	63,194,345	-0-	3,360,209	330,830	1,582,622,803
NET REALIZED GAIN (LOSS)	<u>\$ 126,237,862</u>	<u>\$ 71,197,793</u>	<u>\$ 17,726,023</u>	<u>\$ -0-</u>	<u>\$ (2,461,040)</u>	<u>\$ (45,942)</u>	<u>\$ 78,488,466</u>
Unrealized							
Beginning of Period	89,426,640	178,530,740	-0-	26,841,683	-0-	7,858	43,230,548
End of Period	<u>196,643,652</u>	<u>587,574,037</u>	<u>21,540,290</u>	<u>43,090,692</u>	<u>(11,788,802)</u>	<u>(77,996)</u>	<u>29,737,417</u>
INCREASE (DECREASE) IN UNREALIZED APPRECIATION	<u>\$ 107,217,012</u>	<u>\$ 409,043,297</u>	<u>\$ 21,540,290</u>	<u>\$ 16,249,009</u>	<u>\$ (11,788,802)</u>	<u>\$ (85,854)</u>	<u>\$ (13,493,131)</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENT	<u>\$ 233,454,874</u>	<u>\$ 480,241,090</u>	<u>\$ 39,266,313</u>	<u>\$ 16,249,009</u>	<u>\$ (14,249,842)</u>	<u>\$ (131,796)</u>	<u>\$ 64,995,335</u>

STATE BOARD OF INVESTMENT
MINNESOTA POOLED ACCOUNTS
SCHEDULE OF PARTICIPATION
JUNE 30, 1986

	ACTIVE EQUITY ACCOUNT	PASSIVE EQUITY ACCOUNT	INTERNAL EQUITY ACCOUNT	REAL ESTATE ACCOUNT	RESOURCE ACCOUNT	VENTURE CAPITAL ACCOUNT	BOND MANAGERS ACCOUNT	POOLED ACCOUNT TOTAL
Teachers Retirement Fund	\$ 384,198,681	\$ 821,685,550	\$ -0-	\$ 136,804,684	\$ 15,280,016	\$ 27,009,831	\$ 444,444,898	\$ 1,829,423,660
Public Employees Retirement Fund	263,400,393	563,178,556	-0-	93,815,724	10,400,234	18,492,558	304,701,660	1,253,989,125
State Employees Retirement Fund	195,975,551	419,430,459	-0-	69,769,082	7,788,978	13,754,423	226,708,387	933,426,880
Public Employees Police & Fire	73,521,489	157,473,072	-0-	26,167,577	2,918,526	5,150,709	85,141,486	350,372,859
Highway Patrolmen's Retirement	14,116,009	30,252,525	-0-	5,023,637	560,376	987,581	16,347,029	67,287,157
Judges Retirement Fund	955,379	2,043,275	-0-	340,184	37,995	67,165	1,106,378	4,550,376
Supplemental Income Share Account	12,732,298	-0-	96,331,757	-0-	-0-	-0-	-0-	109,064,055
Supplemental Growth Share Account	38,525,821	-0-	39,646,086	-0-	-0-	-0-	-0-	78,171,907
Variable Annuity Fund	<u>79,477,022</u>	<u>-0-</u>	<u>65,999,606</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>145,476,628</u>
TOTAL PARTICIPATION	\$1,062,902,643	\$1,994,063,437	\$ 201,977,449	\$ 331,920,888	\$ 36,986,125	\$ 65,462,267	\$1,078,449,838	\$ 4,771,762,647

MINNESOTA STATE BOARD OF INVESTMENT
 POST RETIREMENT FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
306,950	ADVANCED MICRO DEV.	\$ 6,139,000
226,563	ALLIED BANCSHARES INC.	3,568,367
143,100	ALUMINUM CO. OF AMERICA	5,455,688
131,800	AMER. GENERAL CORP.	5,552,075
225,100	AMER. MEDICAL INT'L.	3,911,113
76,000	AMERICAN STORES CO NEW	5,320,000
383,655	ARCHER DANIELS MIDLAND CO	7,001,704
169,050	ATLANTIC RICHFIELD	8,790,600
263,300	BANKAMERICA CORPORATION	4,114,063
117,600	BANKERS TRUST NY CORP.	5,688,900
184,700	BAXTER TRAVENOL LABS	3,486,213
83,700	BOEING COMPANY	5,273,100
181,200	BORG-WARNER	6,364,650
124,300	BROWN GROUP	4,738,938
65,650	BURROUGHS CORPORATION	4,037,475
321,700	CANADIAN PACIFIC LTD	3,900,613
162,550	CATERPILLAR INC.	8,086,863
100,900	CHASE MANHATTAN CORP.	4,477,438
97,000	CHEMICAL NEW YORK CORP	4,971,250
89,000	CITICORP	5,317,750
559,950	CITY INVESTING LIQ. TRUST	3,779,663
145,900	CLARK EQUIP CO	3,209,800
181,700	COMBUSTION ENGINEERING	5,519,138
332,400	COMMONWEALTH EDISON CO.	10,678,350
106,500	COMMUNICATIONS SATELLITE	3,647,625
161,300	COMMUNITY PSYCHIATRIC CEN	4,859,163
168,350	CONTEL CORP	5,071,544
320,700	CONTROL DATA CORP.	7,215,750
208,400	COOPER TIRE & RUBBER	5,001,600
189,000	DEERE & COMPANY	5,386,500
100,000	DOVER CORP.	4,150,000
188,400	DRESSER INDUSTRIES	3,508,950
189,600	E-SYSTEMS	6,636,000
153,300	EMHART CORP VA	5,557,125
180,600	ENGLEHARD CORP	5,056,800
172,750	EXXON CORPORATION	10,516,156
82,600	FIRST INTERSTATE BANCORP.	5,121,200
135,000	GENERAL DYNAMICS	10,327,500
60,900	GENERAL ELECTRIC CO.	4,932,900
126,400	GENERAL MOTORS CORP.	9,811,800
427,750	GENRAD INC.	3,742,813
300,300	GREYHOUND CORP.	10,585,575
97,550	GTE CORP.	5,279,894
383,400	HALLIBURTON INC.	8,530,650
459,950	HOME GROUP INC	12,016,194
76,000	HONDA MOTORS NEW	5,453,000
62,500	HONEYWELL INC.	4,734,375

MINNESOTA STATE BOARD OF INVESTMENT
 POST RETIREMENT FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
150,800	HOSPITAL CORP. OF AMER.	\$ 5,730,400
103,400	HOUSEHOLD INTL.	4,484,975
153,850	HOUSTON INDUSTRIES INC.	4,846,275
175,000	INTEL CORP.	4,025,000
58,600	INTL. BUSINESS MACHINES	8,584,900
117,400	K MART CORPORATION	6,677,125
88,900	LEAR SIEGLER INC.	4,856,163
111,800	LITTON INDS INC.	9,055,800
208,030	LOCKHEED AIRCRAFT CORP	11,597,673
299,600	LONG ISLAND LTG CO	3,745,000
867,450	LTV CORP	4,445,681
97,000	MANUFACTURERS HAN. CORP.	5,007,625
132,000	MCDONNELL DOUGLAS CORP.	10,279,500
1,586,100	MCI COMMUNICATION	16,455,788
254,000	MCORP	4,730,750
85,200	MELLON BANK CORP	5,953,350
94,800	MELVILLE CORPORATION	6,730,800
264,300	MIDDLE SOUTH UTILS INC	3,435,900
162,850	MOBIL CORPORATION	5,150,131
239,000	NATL. MED. ENTER. INC.	5,586,625
465,000	NATL. SEMICONDUCTOR	5,463,750
500,000	NAVISTAR INTERNATIONAL CO	4,562,500
106,250	NCR CORP.	5,458,594
243,400	NETWORK SYSTEMS CORP.	3,133,775
270,300	NORTHEAST UTILITIES	5,845,238
390,550	NORTHERN IND PUB SVC CO	4,588,963
165,000	NORTHERN TELECOM LTD.	4,908,750
94,600	NORTHROP CORP	4,730,000
357,000	OCEAN DRILLING & EXPL CO	4,239,375
250,650	PHILADELPHIA ELEC. CO.	5,075,663
483,300	PHILLIPS PETROLEUM CO.	4,651,763
113,400	PIONEER HI-BRED INT'L.	4,621,050
80,200	RAYTHEON COMPANY	5,102,725
308,400	REPUBLIC BANK CORP	8,905,050
134,800	REVCO D.S.	5,004,450
855,000	ROWAN COMPANIES INC	4,702,500
63,350	ROYAL DUTCH PET. GLDRS.	5,099,675
181,050	RYDER SYSTEMS INC.	5,295,713
59,000	SANDERS ASSOCIATES	3,171,250
549,200	SCHLUMBERGER LTD	18,878,750
105,500	SEA CONTAINERS LTD.	2,703,438
236,800	SERVICE MERCHANDISE	2,900,800
124,300	SHARED MED. SYSTEMS CORP.	4,210,663
122,500	SHELL TRANSPORT & TRADING	6,063,750
261,500	SONAT INC.	7,452,750
129,400	SOUTHERN CO	3,073,250
92,600	SOUTHLAND CORP.	5,069,850

MINNESOTA STATE BOARD OF INVESMENT
 POST RETIREMENT FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
86,000	SPERRY CORP.	\$ 6,514,500
169,450	STANDARD OIL CO. OHIO	7,646,431
59,300	STERLING DRUG INC	2,876,050
120,850	TENNECO INC.	4,803,788
210,400	TERADYNE INC.	4,628,800
403,800	TEXACO INC.	12,719,700
316,800	TEXAS COMMERCE BANKSHARES	6,890,400
147,500	TEXAS EASTERN CORP.	5,365,313
176,100	TOYS R US	5,987,400
114,800	TRACOR INC.	2,626,050
183,000	TYCO LABS	6,427,875
792,241	U.S. STEEL	16,339,971
108,250	UNITED TECHNOLOGIES CORP.	5,358,375
181,750	UNITED TELECOM. INC.	4,952,688
255,000	UNOCAL CORP.	5,036,250
145,200	US AIR GROUP	4,628,250
147,800	US FIDELITY & GUAR. CO.	5,893,525
182,000	USG CORP HOLDING CO.	7,439,250
337,650	WANG LABS CL B	5,106,956
187,500	WILLIAMS COS	4,406,250
18,120	YORK INTL CORP	308,040
TOTAL EQUITY PORTFOLIO		\$ 678,775,210

MINNESOTA STATE BOARD OF INVESTMENT
 POST RETIREMENT FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
100,000	ALBERTA GOVT TEL COM	06/15/1994	8.000% \$	100,284
13,675,000	AMERICAN CAN	10/15/1992	11.125%	14,839,563
1,000,000	AMERICAN TELEPHONE & TELE	08/01/2000	6.000%	789,910
809,000	AMOCO CORP	07/15/2004	9.200%	813,045
13,477,000	ARCHER DANIELS MIDLAND CO	05/01/1992	0.000%	8,152,911
1,105,000	ARISTAR INC.	05/15/1990	8.500%	1,112,017
6,000,000	ASSOCIATES CORP. NORTH AM	11/15/1992	11.450%	6,684,720
2,102,000	ATLANTIC RICHFIELD	07/15/2005	10.875%	2,343,730
4,008,555	ATLANTIC RICHFIELD CO.	07/15/1996	9.250%	4,167,495
2,689,618	ATLANTIC RICHFIELD CO.	12/01/2001	8.750%	2,734,884
7,896,000	AVCO FINANCIAL CORP	02/01/1990	11.125%	8,424,006
10,000,000	BANKAMERICA CORP.	12/01/2003	7.875%	8,400,000
5,000,000	BELL TEL CO OF PENNA	01/15/2019	9.250%	4,993,750
15,000,000	BENEFICIAL CORP.	07/15/2002	7.500%	12,450,000
1,175,000	BROOKLYN UNION GAS	04/01/1990	4.625%	1,020,781
1,715,126	BURLINGTON NORTHERN	09/01/1993	8.750%	1,696,877
145,574	BURLINGTON NORTHERN	07/03/1993	8.500%	143,322
1,656,000	C.I.T. FINANCIAL	08/01/1988	13.625%	1,839,816
7,790,000	C.I.T. FINANCIAL CORP.	04/01/2001	8.375%	7,166,800
3,000,000	CANADIAN PACIFIC, LTD.	01/15/1992	8.625%	3,037,500
5,000,000	CENTRAL POWER & LIGHT	06/01/2004	9.375%	4,924,850
750,000	CERTIFICATES ACCRUAL TREA	11/15/1998	0.000%	264,555
15,000,000	CHESAPEAKE & POTOMAC TEL.	04/15/2019	9.500%	15,000,000
1,104,000	CHEVRON CAPITAL	11/01/1988	11.750%	1,193,700
18,140,000	CHEVRON CORP.	07/01/2005	8.750%	17,233,000
7,904,000	CHRYSLER CORP	03/01/1992	12.750%	9,119,240
15,000,000	CHRYSLER CORPORATION	08/01/1992	11.040%	16,591,950
1,320,000	CITICORP	03/15/2007	8.450%	1,194,600
1,000,000	CITIZENS UTILITIES	12/31/1991	4.800%	898,870
6,000,000	COUPON TREASURY RCPT	02/15/1999	0.000%	2,035,080
1,734,375	COUPON TREASURY RCPT	11/15/1993	0.000%	965,648
1,040,040	COUPON TREASURY RCPT	02/15/1989	0.000%	857,253
250,000	COUPON TREASURY RCPTS	08/15/1991	0.000%	168,483
4,821,000	COUPON TREASURY RCPTS	11/15/2000	0.000%	1,407,587
1,320,000	COUPON TREASURY RCPTS	08/15/1991	0.000%	889,588
945,000	COUPON TREASURY RCPTS	11/15/1998	0.000%	331,374
1,656,250	COUPON TREASURY RCPTS	11/15/1998	0.000%	580,781
668,990	COUPON TREASURY RCPTS	11/15/1998	0.000%	234,588
166,875	COUPON TREASURY RCPTS	08/15/1991	0.000%	112,462
1,650,000	DEERE (JOHN) CREDIT	10/31/1990	5.000%	1,460,448
7,000,000	DOW CHEMICAL COMPANY	07/15/2007	7.875%	6,020,000
4,000,000	DU PONT (E.I.) DENEMOURS	12/01/2001	6.000%	3,130,000
1,177,000	EXPORT DEVELOPMENT CORP	07/15/1987	14.375%	1,260,190
250,000	FARRELL LINES, INC	06/29/1997	8.350%	237,635
40,000,000	FEDERAL FARM CREDIT BANK	10/20/1997	11.900%	50,224,800
10,000,000	FEDERAL FARM CREDIT BANK	10/21/1991	10.600%	11,031,200
12,000,000	FEDERAL FARM CREDIT BANK	10/20/1993	11.800%	14,287,440

MINNESOTA STATE BOARD OF INVESTMENT
 POST RETIREMENT FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
5,000,000	FEDERAL FARM CREDIT BANK	03/01/1994	12.350% \$	6,140,600
2,500,000	FEDERAL FARM CREDIT BANK	09/01/1988	12.875%	2,765,625
15,000,000	FEDERAL FARM CREDIT BANK	04/22/1991	14.100%	18,506,250
665,000	FEDERAL FARM CREDIT BANK	12/02/1991	13.650%	819,613
4,250,000	FEDERAL FARM CREDIT BANK	10/20/1986	10.750%	4,301,128
10,000,000	FEDERAL HOME LOAN BANK	09/25/1991	11.750%	11,587,500
5,000,000	FEDERAL HOME LOAN BANK	04/27/1992	11.700%	5,821,850
4,410,000	FEDERAL HOME LOAN BANK	08/25/1987	12.625%	4,688,359
5,240,000	FEDERAL HOME LOAN BANK	02/27/1989	15.100%	6,196,300
10,620,000	FEDERAL HOME LOAN BANK	11/26/1990	13.700%	12,903,300
27,000,000	FEDERAL HOME LOAN BANKS	07/26/1993	11.700%	32,062,500
2,515,000	FEDERAL HOME LOAN BANKS	12/27/1993	12.150%	3,073,003
5,000,000	FEDERAL HOME LOAN BANKS	09/25/1989	12.500%	5,687,500
6,470,000	FEDERAL HOME LOAN BANKS	02/25/1992	11.450%	7,448,588
4,730,000	FEDERAL NATIONAL MORTGAGE	10/13/1987	12.550%	5,053,721
5,000,000	FIRESTONE TIRE & RUBBER	12/01/2004	9.250%	4,756,250
5,650,000	FMC CORP	01/15/2000	9.500%	5,706,500
1,850,000	FORD MOTOR COMPANY	07/15/1994	9.250%	1,887,000
5,800,000	FORD MOTOR CREDIT CO	04/01/1999	8.700%	5,582,500
5,000,000	GENERAL FOODS INC	06/15/2001	6.000%	3,830,400
5,000,000	GENERAL MOTORS ACCEPT COR	11/15/2006	8.250%	4,600,000
5,000,000	GENERAL MOTORS ACCEPT COR	06/15/2001	8.750%	4,818,750
8,500,000	GENERAL MOTORS ACCEPT COR	06/01/1999	8.875%	8,521,250
5,290,000	GENERAL MOTORS ACCEPT COR	04/15/1988	10.375%	5,534,663
261,000	GENERAL MOTORS ACCEPT COR	10/01/1986	12.000%	263,774
13,000,000	GENERAL MOTORS ACCEPT COR	04/01/2011	6.000%	9,408,750
1,000,000	GENERAL TEL CO (FLA)	05/01/1993	4.500%	797,910
8,150,000	GREYHOUND LEASING	04/01/1994	13.625%	9,270,625
200,000	HARBOR TUG & BARGE	03/15/2001	8.150%	187,784
7,320,000	HOUSEHOLD FINANCE CORP.	10/01/2003	8.375%	6,633,750
5,000,000	INTL BK FOR RECON. & DEVL	09/01/1992	13.625%	5,900,000
482,000	INTL. BANK OF RECON & DEV	08/01/1987	7.750%	483,354
4,950,000	JEWEL CO'S INC.	12/01/1992	11.500%	5,270,661
3,600,000	KMART	03/01/2005	12.500%	4,023,036
1,039,000	LACHMAR HULL 54 US	09/25/1988	14.000%	1,099,262
5,225,477	LNM ACCEPTANCE CORP	12/01/1986	9.100%	5,249,671
1,000,000	LONG ISLAND LIGHTING	04/01/1993	4.400%	835,620
2,466,500	LOUISVILLE & NASHVILLE	10/20/1991	9.000%	2,476,168
65,477	LOUISVILLE & NASHVILLE	04/20/1988	8.125%	65,168
50,000	MACMILLAN BLOEDEL LTD.	07/15/1992	6.500%	43,740
5,440,000	MANITOBA HYDRO ELEC BD	10/15/1997	7.650%	5,221,312
4,330,000	MANITOBA PROVINCE OF	07/01/1991	14.750%	5,454,674
1,020,000	MANITOBA, PROVINCE OF	04/01/1994	7.875%	1,003,904
800,000	MARATHON OIL COMPANY	02/01/2000	8.500%	705,000
9,000,000	MARTIN-MARIETTA CORP.	03/15/2011	7.000%	6,570,000
296,000	MERRILL LYNCH & CO	10/15/1987	11.625%	308,580
5,000,000	MINNESOTA POWER & L.	09/01/2006	8.700%	4,684,900

MINNESOTA STATE BOARD OF INVESTMENT
 POST RETIREMENT FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
1,195,735	MISSOURI PACIFIC RR	06/01/1995	12.750% \$	1,487,482
1,846,994	MISSOURI PACIFIC RR	06/01/1994	9.750%	1,966,920
2,150,000	MOBIL CORP	06/15/1988	8.750%	2,150,000
250,000	MONTGOMERY WARD CREDIT	09/15/1986	8.625%	249,995
1,228,000	MOUNTAIN FUEL SUPPOB	09/01/1986	4.875%	1,221,516
7,000,000	MOUNTAIN STATES TEL & TEL	06/01/2013	7.750%	6,046,250
8,825,000	MOUNTAIN STATES TEL & TEL	04/01/2018	8.625%	8,306,531
3,125,000	NORTHERN STATES POWER CO.	01/01/2004	8.375%	2,954,438
8,500,000	NORTHWESTERN BELL TEL. CO	08/15/2016	9.500%	8,542,500
4,000,000	NORWEST CORP	03/15/2003	7.750%	3,345,800
3,500,000	NOVA SCOTIA POWER COMM	03/15/1997	7.750%	3,225,005
6,400,000	NOVA SCOTIA POWER CORP	06/01/2008	9.625%	6,653,504
4,020,000	ONTARIO HYDRO	03/15/1996	9.500%	3,907,882
1,000,000	ONTARIO PROVINCE OF CANAD	06/15/2005	9.125%	993,250
7,000,000	ONTARIO, PROVINCE OF	06/01/2008	9.375%	7,073,920
6,920,000	ONTARIO, PROVINCE OF	11/30/2008	9.375%	7,066,220
5,000,000	PACIFIC TEL & TEL	04/01/2005	8.650%	4,762,500
5,000,000	PACIFIC TEL & TEL	07/01/2003	6.500%	3,921,950
5,000,000	PACIFIC TEL & TEL CO	10/01/2006	8.750%	4,781,250
30,000	PACIFIC TELE & TELE	11/01/1990	4.625%	26,398
12,660,000	PENNEY (J.C.) CO.	06/15/1990	10.750%	13,023,975
8,159,000	PENNEY J.C.	05/01/1989	0.000%	6,513,819
7,930,000	PENNEY J.C. CO.	05/01/2006	6.000%	5,833,387
355,000	PHILADELPHIA ELECTRIC	08/01/2002	9.625%	339,913
2,777,000	PHILADELPHIA ELECTRIC	03/15/2008	9.125%	2,520,128
5,000,000	PHILLIPS PETE CO	03/15/1997	13.875%	5,393,750
511,000	PRIVATE EXPORT FDG CORP	03/31/1987	7.700%	509,804
1,960,000	PRIVATE EXPORT FUNDING	05/31/1988	10.250%	2,035,264
2,415,000	PUBLIC SERV ELEC GAS	09/01/1994	4.625%	1,901,813
3,000,000	PUBLIC SERVICE CO OF IND.	09/01/1990	12.125%	3,060,000
1,700,000	PUBLIC SERVICE ELEC & GAS	07/01/2009	9.750%	1,725,500
7,000,000	PUBLIC SERVICE ELECTRIC &	06/01/2007	8.250%	6,230,000
1,110,000	ROCHESTER TELEPHONE	09/01/1993	4.750%	907,969
7,000,000	SASKATCH., PROVINCE OF	04/15/2008	9.250%	6,965,770
17,203,000	SASKATCHEWAN PROVINCE OF	10/01/1991	16.375%	22,883,947
3,921,199	SEABOARD COAST LINE RR	10/01/1992	8.250%	3,849,716
3,711,426	SEABOARD COAST LINE RR	09/01/1993	9.625%	3,831,156
1,525,000	SEARS ROEBUCK & CO	01/15/1988	10.250%	1,589,813
13,000,000	SEARS ROEBUCK & CO.	05/01/2000	6.000%	10,293,790
5,000,000	SOUTH CENTRAL BELL TEL	12/01/2004	8.250%	4,729,150
3,000,000	SOUTH CENTRAL BELL TEL	11/01/2007	7.375%	2,578,260
6,000,000	SOUTHERN BELL TEL & TEL	12/01/2019	10.900%	6,555,720
8,000,000	SOUTHERN BELL TEL & TEL	03/15/2013	7.625%	6,928,240
200,000	SOUTHWEST. INVESTMENT	10/15/1986	8.500%	200,088
5,000,000	SOUTHWESTERN BELL TEL	08/01/2007	8.750%	4,747,050
3,100,000	SOUTHWESTERN BELL TEL	06/01/2003	5.875%	2,287,521
5,000,000	SOUTHWESTERN BELL TEL CO	03/15/2019	9.625%	5,000,000

MINNESOTA STATE BOARD OF INVESTMENT
 POST RETIREMENT FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
450,000	SPRAGUE ELECTRIC CO	09/01/1988	4.375% \$	413,870
1,013,950	STANDARD OIL OF CALIF.	03/30/1997	7.700%	953,924
941,525	STANDARD OIL OF CALIF.	03/02/1997	7.700%	876,738
941,525	STANDARD OIL OF CALIF.	02/10/1997	7.700%	886,286
3,770,751	STANDARD OIL OF CALIF.	07/02/1999	8.500%	3,727,048
545,000	STATES STEAMSHIP CO	03/31/1993	5.100%	443,908
10,000,000	STRPD U.S. TREAS. BONDS	05/15/2006	0.000%	1,968,100
5,000,000	STUDEBAKER-WORTHINGTON	11/15/2003	9.350%	4,833,050
1,256,000	TELEDYNE INC	06/01/2004	10.000%	1,249,720
11,385,000	TENNECO INC	09/01/1992	13.700%	13,832,775
3,081,000	TEXACO, INC.	12/01/2001	7.750%	2,557,230
3,000,000	TEXAS POWER & LIGHT	01/01/2006	8.600%	2,725,500
2,500,000	TEXAS POWER & LIGHT	02/01/2009	9.375%	2,381,950
250,000	TREASURY INVT GROWTH RCPT	02/15/1999	0.000%	85,310
1,400,000	TREASURY INVT GROWTH RCPT	02/15/1987	0.000%	1,343,090
1,619,000	TREASURY INVT GROWTH RCPT	11/15/2000	0.000%	571,086
43,000,000	U.S.A. TREASURY BOND	11/15/2002	11.625%	57,270,410
30,129,000	U.S.A. TREASURY BOND	11/15/2004	11.625%	40,674,150
29,475,000	U.S.A. TREASURY BOND	02/15/2007	7.625%	29,143,406
60,000,000	U.S.A. TREASURY BOND	02/15/2010	11.750%	81,900,000
40,000,000	U.S.A. TREASURY BOND	02/15/1994	9.000%	43,250,000
18,375,000	U.S.A. TREASURY BOND	05/15/2014	13.250%	28,446,705
40,000,000	U.S.A. TREASURY BOND	02/15/2003	10.750%	50,324,800
37,100,000	U.S.A. TREASURY BOND	05/15/1999	8.500%	39,024,377
40,000,000	U.S.A. TREASURY BOND	08/15/2001	8.000%	41,024,800
12,200,000	U.S.A. TREASURY BOND	08/15/2008	8.375%	12,901,500
38,050,000	U.S.A. TREASURY BOND	05/15/2005	8.250%	39,595,591
72,500,000	U.S.A. TREASURY BOND	05/15/1995	10.375%	85,187,500
40,000,000	U.S.A. TREASURY BOND	11/15/2010	12.750%	58,600,000
60,000,000	U.S.A. TREASURY BOND	11/15/1995	11.500%	75,112,200
40,000,000	U.S.A. TREASURY BOND	02/15/2000	7.875%	40,574,800
35,800,000	U.S.A. TREASURY BOND	02/15/2001	11.750%	47,636,196
21,295,000	U.S.A. TREASURY BOND	08/15/2000	8.375%	22,346,334
40,000,000	U.S.A. TREASURY BOND	02/15/1995	10.500%	47,124,800
40,000,000	U.S.A. TREASURY BOND	05/15/1995	12.625%	52,500,000
28,326,000	U.S.A. TREASURY BOND	08/15/2013	12.000%	40,028,037
65,000,000	U.S.A. TREASURY BOND	05/15/2005	12.000%	90,268,750
127,500,000	U.S.A. TREASURY BOND	08/15/2005	10.750%	162,562,500
10,000,000	U.S.A. TREASURY BOND	02/15/2006	9.375%	11,575,000
12,500,000	U.S.A. TREASURY BOND	05/15/2004	12.375%	17,648,375
18,000,000	U.S.A. TREASURY BOND	05/15/2009	9.125%	20,283,660
14,900,000	U.S.A. TREASURY BOND	11/15/2009	10.375%	18,438,750
948,000	U.S.A. TREASURY COUPON	05/15/1987	0.000%	896,173
28,204,000	U.S.A. TREASURY COUPON	08/15/1998	0.000%	10,645,600
448,000	U.S.A. TREASURY COUPON	08/15/1986	0.000%	444,609
1,308,000	U.S.A. TREASURY COUPON	02/15/1991	0.000%	932,630
1,610,000	U.S.A. TREASURY COUPON	11/15/1993	0.000%	235,801

MINNESOTA STATE BOARD OF INVESTMENT
 POST RETIREMENT FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
6,430,000	U.S.A. TREASURY NOTE	07/31/1986	12.625% \$	6,464,143
6,290,000	U.S.A. TREASURY NOTE	04/15/1989	14.375%	7,396,663
8,400,000	U.S.A. TREASURY NOTE	07/15/1989	14.500%	9,998,604
2,665,000	U.S.A. TREASURY NOTE	09/30/1986	12.250%	2,703,296
10,000,000	U.S.A. TREASURY NOTE	11/15/1994	11.625%	12,400,000
11,800,000	U.S.A. TREASURY NOTE	01/15/1988	12.375%	12,740,342
10,140,000	U.S.A. TREASURY NOTE	03/31/1987	10.250%	10,406,175
330,000	U.S.A. TREASURY NOTE	12/31/1988	10.625%	355,677
5,000,000	U.S.A. TREASURY NOTE	05/15/1991	14.500%	6,379,700
13,750,000	U.S.A. TREASURY NOTE	01/15/1990	10.500%	15,034,800
6,680,000	U.S.A. TREASURY NOTE	06/30/1987	10.500%	6,930,500
4,800,000	U.S.A. TREASURY NOTE	07/15/1988	14.000%	5,430,000
420,000	U.S.A. TREASURY NOTE	12/31/1986	10.000%	427,350
535,000	U.S.A. TREASURY NOTE	04/15/1988	13.250%	591,341
5,265,000	U.S.A. TREASURY NOTE	10/15/1988	15.375%	6,178,162
3,400,000	U.S.A. TREASURY NOTE	01/15/1989	14.625%	3,974,804
115,000,000	U.S.A. TREASURY NOTE	05/15/1995	11.250%	141,018,750
65,000,000	U.S.A. TREASURY NOTE	08/15/1995	10.500%	77,065,300
11,250,000	U.S.A. TREASURY NOTE	11/15/1990	13.000%	13,485,938
20,000,000	U.S.A. TREASURY NOTE	11/15/1995	9.500%	22,587,400
4,000,000	UNION TANK CAR	12/15/1995	9.500%	4,061,800
60,000	VIRGINIA ELEC. & POWER	12/01/1987	4.500%	57,576
4,000,000	WESTINGHOUSE CREDIT CORP.	01/15/1989	10.750%	4,235,000
10,450,000	WILLAMETTE INDUSTRIES INC	04/15/1993	11.375%	11,329,681
4,555,000	WISCONSIN ELECTRIC POWER	05/15/2008	8.875%	4,457,569
TOTAL BOND PORTFOLIO			\$	2,403,093,984

MINNESOTA STATE BOARD OF INVESTMENT
 SUPPLEMENTAL RETIREMENT GROWTH SHARE ACCOUNT
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY		MARKET VALUE
35,033	MINN INTERNAL POOLED FUND	\$	39,646,086
29,641	MN. EXT. ACTIVE MAN. POOL		38,566,711
TOTAL EQUITY PORTFOLIO		\$	78,212,797

MINNESOTA STATE BOARD OF INVESTMENT
 MINNESOTA VARIABLE ANNUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY		MARKET VALUE
58,321	MINN INTERNAL POOLED FUND	\$	65,999,606
61,148	MN. EXT. ACTIVE MAN. POOL		79,561,370
TOTAL EQUITY PORTFOLIO		\$	145,560,977

MINNESOTA STATE BOARD OF INVESTMENT
 SUPPLEMENTAL RETIREMENT BOND ACCOUNT
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
700,000	AMERICAN CAN	10/15/1992	11.125%	\$ 759,612
350,000	ASSOCIATES CORP. NORTH AM	11/15/1992	11.450%	389,942
300,000	FEDERAL FARM CREDIT BANK	01/20/1992	11.500%	343,311
200,000	FEDERAL NATIONAL MORTGAGE	10/13/1987	12.125%	212,624
1,000,000	FEDERAL NATIONAL MORTGAGE	04/10/1992	12.000%	1,178,120
1,290,000	FEDERAL NATIONAL MORTGAGE	06/10/1992	10.125%	1,417,388
1,200,000	FORD MOTOR CREDIT CORP	08/15/1987	13.000%	1,269,684
200,000	GENERAL MOTORS ACCEPT. CO	10/15/1989	11.750%	207,750
600,000	GULF & WESTERN INDUSTRIES	04/01/1995	12.375%	701,166
300,000	NEW YORK STATE ELEC. & GA	04/01/1993	11.750%	324,618
600,000	OCCIDENTAL PETE CORP	10/15/1994	9.650%	567,000
300,000	PENNEY J.C.	02/01/1993	12.125%	345,774
480,000	U.S.A. TREASURY NOTE	04/15/1989	14.375%	564,451
250,000	U.S.A. TREASURY NOTE	11/15/1991	14.250%	322,030
250,000	U.S.A. TREASURY NOTE	01/15/1989	14.625%	292,265
300,000	U.S.A. TREASURY NOTE	01/15/1993	8.750%	319,125
500,000	UNION OIL OF CALIFORNIA	03/01/1994	9.750%	484,750
730,000	UNITED STATES TREAS SEC	11/15/1986	0.000%	712,947
330,000	WILLAMETTE INDUSTRIES INC	04/15/1993	11.375%	357,779
TOTAL BOND PORTFOLIO			\$	10,770,336

MINNESOTA STATE BOARD OF INVESTMENT
 PERMANENT SCHOOL FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
1,000,000	ALUMINUM CO OF CANADA	03/01/1995	9.500% \$	990,000
1,700,000	ASSOCIATES CORP NO. AMERI	08/01/1990	11.000%	1,806,250
2,405,133	ATLANTIC RICHFIELD CO.	07/15/1996	9.250%	2,500,497
1,793,079	ATLANTIC RICHFIELD CO.	12/01/2001	8.750%	1,823,256
2,500,000	BELL TELE. CO CANADA	09/01/1995	4.850%	2,001,825
900,000	CANADIAN PACIFIC, LTD.	01/15/1992	8.625%	911,250
4,000,000	CONSOLIDATED NATURAL GAS	06/01/1997	8.125%	3,830,000
625,000	CONSTRUCTION AGGREGATE	06/01/1991	7.500%	614,906
665,000	EAGLE TERMINAL TANKERS	06/01/1989	6.000%	629,270
132,000	FARRELL LINES, INC	09/20/1998	9.000%	128,642
121,000	FARRELL LINES, INC	06/29/1997	9.000%	118,127
124,000	FARRELL LINES, INC	11/27/1997	9.000%	120,976
126,000	FARRELL LINES, INC	02/28/1998	9.000%	122,879
286,000	FARRELL LINES, INC	04/01/1988	8.050%	284,796
5,000,000	FEDERAL FARM CREDIT BANK	10/21/1991	10.600%	5,515,600
100,000	FEDERAL FARM CREDIT BANK	03/01/1994	12.350%	122,812
600,000	FEDERAL FARM CREDIT BANK	07/20/1992	13.750%	753,750
5,000,000	FEDERAL FARM CREDIT BANK	09/01/1988	12.875%	5,531,250
3,000,000	FEDERAL FARM CREDIT BANKS	10/23/1989	12.450%	3,393,750
7,000,000	FEDERAL HOME LOAN BANK	03/25/1988	10.200%	7,354,340
3,000,000	FEDERAL HOME LOAN BANK	04/27/1992	11.700%	3,493,110
3,000,000	FEDERAL HOME LOAN BANKS	07/26/1993	11.700%	3,562,500
5,000,000	FEDERAL HOME LOAN BANKS	09/25/1989	12.500%	5,687,500
3,000,000	FEDERAL HOME LOAN MTG COR	08/30/1991	11.850%	3,474,360
4,000,000	FEDERAL NATIONAL MORTGAGE	05/10/1990	10.300%	4,330,000
3,000,000	FEDERAL NATIONAL MORTGAGE	10/13/1987	12.550%	3,205,320
3,000,000	FEDERAL NATIONAL MORTGAGE	10/12/1992	10.600%	3,378,750
500,000	FEDERAL NATIONAL MORTGAGE	10/10/1988	9.500%	522,810
3,000,000	FMC CORP	01/15/2000	9.500%	3,030,000
2,052,410	GNMA POOL # 00505	11/15/2001	6.500%	1,854,865
1,828,606	GNMA POOL # 00506	12/15/2001	6.500%	1,652,603
2,179,651	GNMA POOL # 02290	03/15/2003	6.500%	1,969,860
2,407,627	GNMA POOL # 02291	04/15/2003	6.500%	2,175,893
2,278,587	GNMA POOL # 02424	04/15/2003	6.500%	2,059,273
325,934	GNMA POOL # 03627	07/15/2004	8.250%	307,192
962,918	GNMA POOL # 03972	07/15/2004	8.250%	907,551
669,066	GNMA POOL # 03974	11/15/2004	9.000%	649,830
415,963	GNMA POOL # 03979	08/15/2004	8.250%	392,045
355,335	GNMA POOL # 04004	08/15/2004	8.250%	334,903
1,063,693	GNMA POOL # 04092	07/15/2004	8.250%	1,002,531
296,764	GNMA POOL # 04145	08/15/2004	8.250%	279,700
452,773	GNMA POOL # 04472	09/15/2004	9.000%	439,756
393,355	GNMA POOL # 09680	06/15/2006	8.250%	370,737
607,675	GNMA POOL # 10887	07/15/2006	8.250%	572,734
3,648,283	GNMA POOL # 12383	02/15/2005	8.750%	3,510,342
318,073	GNMA POOL # 17904	08/15/2007	8.000%	297,796
505,923	GNMA POOL # 18017	07/15/2007	8.000%	473,671

MINNESOTA STATE BOARD OF INVESTMENT
 PERMANENT SCHOOL FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
809,761	GNMA POOL # 18058	07/15/2007	8.000% \$	758,138
325,855	GNMA POOL # 18592	11/15/2007	8.000%	305,082
688,106	GNMA POOL # 18768	08/15/2007	8.000%	644,239
631,631	GNMA POOL # 18782	10/15/2007	8.000%	591,365
733,199	GNMA POOL # 19105	07/15/2007	8.000%	686,458
633,996	GNMA POOL # 19667	01/15/2008	8.000%	593,579
704,840	GNMA POOL # 19740	10/15/2007	8.000%	659,907
3,950,467	GNMA POOL # 19784	09/15/2007	8.000%	3,698,625
590,058	GNMA POOL # 19997	10/15/2007	8.000%	552,442
44,798	GNMA POOL # 20074	03/15/2007	8.000%	41,942
725,939	GNMA POOL # 20263	11/15/2007	8.000%	679,660
739,225	GNMA POOL # 20393	11/15/2007	8.000%	692,099
733,737	GNMA POOL # 20495	11/15/2007	8.000%	686,962
847,256	GNMA POOL # 21037	11/15/2007	8.000%	793,244
680,883	GNMA POOL # 21480	01/15/2008	8.000%	637,477
782,191	GNMA POOL # 21615	01/15/2008	8.000%	732,326
697,216	GNMA POOL # 21930	03/15/2008	8.000%	652,769
832,070	GNMA POOL # 22012	04/15/2008	8.000%	779,026
738,048	GNMA POOL # 22820	12/15/2007	8.000%	690,998
811,032	GNMA POOL # 24078	02/15/2008	8.000%	759,328
821,959	GNMA POOL # 24417	03/15/2008	8.000%	769,559
3,769,653	GNMA POOL # 27638	10/15/2008	9.000%	3,661,275
3,987,718	GNMA POOL # 35014	02/15/2010	11.000%	4,192,089
1,905,100	GNMA POOL # 40589	03/15/2010	11.000%	2,002,736
1,622,534	GNMA POOL # 42691	08/15/2010	11.000%	1,705,689
2,128,163	GNMA POOL # 43596	10/15/2010	11.500%	2,245,212
4,000,000	KANSAS POWER & LIGHT	06/01/2007	8.125%	3,707,520
2,679,732	LNM ACCEPTANCE CORP	12/01/1986	9.100%	2,692,139
984,000	MATSON NAVIGATION CO	11/10/1994	7.500%	897,310
2,500,000	MICHIGAN BELL TELEPHONE C	06/01/2015	8.125%	2,250,000
12,794,992	MN MTG. MARKETING CORP	06/01/2014	12.566%	13,494,878
7,972,411	MN MTG. MARKETING CORP	09/01/2014	12.823%	8,432,419
3,337,163	MN MTG. MARKETING CORP	02/01/2015	13.004%	3,539,395
2,566,000	MOORE-MCCORMACK LEASING	07/15/2001	8.875%	2,539,647
252,000	MOORE-MCCORMACK LINES	04/01/1987	5.750%	247,668
3,000,000	MOUNTAIN STATES TEL & TEL	06/01/2013	7.750%	2,591,250
2,500,000	NORTHERN STATES POWER CO.	01/01/2004	8.375%	2,363,550
1,714,400	NORTON SIMON, INC.	06/01/2004	9.875%	1,878,828
1,500,000	NORWEST CORP	03/15/2003	7.750%	1,254,675
3,000,000	NORWEST CORP	09/15/1986	7.875%	2,985,000
1,500,000	NORWEST CORP	10/15/1990	5.125%	1,333,230
1,543,000	PACIFIC FAR EAST LINE	02/01/1997	8.750%	1,509,625
712,500	PENN TANKER CO.	11/10/1989	6.000%	662,675
1,462,000	PUGET SOUND TUG & BARG	02/15/2001	9.125%	1,441,474
4,833,955	SBA POOL - MEEDA BONDS SE	12/01/2004	11.700%	5,921,594
4,000,000	SOUTHERN BELL TEL & TEL	03/15/2013	7.625%	3,464,120
1,000,000	SPRAGUE ELECTRIC CO	09/01/1988	4.375%	919,710

MINNESOTA STATE BOARD OF INVESMENT
 PERMANENT SCHOOL FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
744,970	STANDARD OIL OF CALIF.	09/07/1997	7.700% \$	699,795
744,970	STANDARD OIL OF CALIF.	09/08/1997	7.700%	699,787
744,970	STANDARD OIL OF CALIF.	11/06/1997	7.700%	699,415
762,000	STATES STEAMSHIP CO	03/31/1993	5.100%	620,657
3,000,000	TEXAS POWER & LIGHT	02/01/2009	9.375%	2,858,340
1,000,000	U.S.A. TREASURY BOND	02/15/2007	7.625%	988,750
2,000,000	U.S.A. TREASURY BOND	11/15/2010	12.750%	2,930,000
2,000,000	U.S.A. TREASURY BOND	11/15/1995	11.500%	2,503,740
50,000	U.S.A. TREASURY BOND	11/15/1998	3.500%	47,063
3,000,000	U.S.A. TREASURY BOND	02/15/2001	11.750%	3,991,860
2,000,000	U.S.A. TREASURY BOND	11/15/1993	8.625%	2,125,000
15,000,000	U.S.A. TREASURY NOTE	10/15/1989	11.875%	16,917,150
40,000	U.S.A. TREASURY NOTE	11/15/1987	7.625%	40,412
2,000,000	U.S.A. TREASURY NOTE	02/15/1987	9.000%	2,028,740
40,000	U.S.A. TREASURY NOTE	05/15/1987	12.000%	41,812
90,000	U.S.A. TREASURY NOTE	08/15/1986	8.000%	90,197
10,000,000	U.S.A. TREASURY NOTE	03/31/1988	7.125%	10,043,700
2,000,000	U.S.A. TREASURY NOTE	11/15/1989	10.750%	2,195,620
1,734,754	WESTERN CO OF NORTH AM	06/11/1990	9.250%	1,824,649
TOTAL BOND PORTFOLIO			\$	234,175,425

MINNESOTA STATE BOARD OF INVESTMENT
INTERNAL POOLED FUND
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
72,499	ALLIED BANCSHARES INC.	\$ 1,141,859
35,000	ALUMINUM CO. OF AMERICA	1,334,375
83,600	AMDAHL CORP	1,463,000
35,100	AMER. GENERAL CORP.	1,478,588
66,300	AMER. MEDICAL INT'L.	1,151,963
77,400	AMERADA HESS CORP.	1,548,000
24,000	AMERICAN STORES CO NEW	1,680,000
45,000	ARCHER DANIELS MIDLAND CO	821,250
50,400	ATLANTIC RICHFIELD	2,620,800
75,000	BANKAMERICA CORPORATION	1,171,875
27,300	BANKERS TRUST NY CORP.	1,320,638
24,225	BOEING COMPANY	1,526,175
33,250	BRITISH PETROLEUM	1,226,094
31,000	BROWN GROUP	1,181,875
17,500	BURROUGHS CORPORATION	1,076,250
101,800	CANADIAN PACIFIC LTD	1,234,325
20,000	CARPENTER TECHNOLOGY CORP	702,500
44,950	CATERPILLAR INC.	2,236,263
232,308	CENTRONICS DATA COMPUTER	1,422,885
31,900	CHASE MANHATTAN CORP.	1,415,563
24,600	CHEMICAL NEW YORK CORP	1,260,750
68,100	CLARK EQUIP CO	1,498,200
131,700	CLEVELAND-CLIFFS INC	1,893,188
39,100	COLLINS & AIKMAN CORP	1,534,675
166,800	COMMODORE INTL LTD	1,021,650
37,150	COMMONWEALTH EDISON CO.	1,193,444
30,200	COMMUNICATIONS SATELLITE	1,034,350
46,700	COMMUNITY PSYCHIATRIC CEN	1,406,838
63,000	COMPUTER VISION CORP.	874,125
46,150	CONTEL CORP	1,390,269
75,000	CONTROL DATA CORP.	1,687,500
145,000	CONVERGENT TECH.	1,051,250
56,750	COOPER TIRE & RUBBER	1,362,000
46,000	DEERE & COMPANY	1,311,000
31,000	DOVER CORP.	1,286,500
11,000	DRESSER INDUSTRIES	204,875
39,100	E-SYSTEMS	1,368,500
37,500	EMHART CORP VA	1,359,375
127,000	EQUATORIAL COMMUNICATIONS	968,375
43,850	EXXON CORPORATION	2,669,369
22,200	FIRST INTERSTATE BANCORP.	1,376,400
28,950	FUQUA INDS INC	1,465,594
223,800	GEARHART INDS INC	503,550
35,400	GENERAL DYNAMICS	2,708,100
17,500	GENERAL ELECTRIC CO.	1,417,500
31,100	GENERAL MOTORS CORP.	2,414,138
125,050	GENRAD INC.	1,094,188

MINNESOTA STATE BOARD OF INVESTMENT
INTERNAL POOLED FUND
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
97,600	GREYHOUND CORP.	\$ 3,440,400
24,900	GTE CORP.	1,347,713
109,000	HALLIBURTON INC.	2,425,250
136,150	HOME GROUP INC	3,556,919
17,600	HONDA MOTORS NEW	1,262,800
15,600	HONEYWELL INC.	1,181,700
35,200	HOSPITAL CORP. OF AMER.	1,337,600
30,400	HOUSEHOLD INTL.	1,318,600
46,150	HOUSTON INDUSTRIES INC.	1,453,725
16,600	INTL. BUSINESS MACHINES	2,431,900
29,900	K MART CORPORATION	1,700,563
23,400	LEAR SIEGLER INC.	1,278,225
13,750	LITTON INDS INC.	1,113,750
46,950	LOCKHEED AIRCRAFT CORP	2,617,463
111,500	LONG ISLAND LTG CO	1,393,750
206,150	LTV CORP	1,056,519
25,000	MANUFACTURERS HAN. CORP.	1,290,625
31,800	MCDONNELL DOUGLAS CORP.	2,476,425
507,900	MCI COMMUNICATION	5,269,463
66,100	MCORP	1,231,113
22,100	MELLON BANK CORP	1,544,238
19,800	MELVILLE CORPORATION	1,405,800
20,000	MENTOR GRAPHICS CORP.	305,000
66,700	MIDDLE SOUTH UTILS INC	867,100
44,700	MOBIL CORPORATION	1,413,638
54,250	NATL. MED. ENTER. INC.	1,268,094
180,000	NATL. SEMICONDUCTOR	2,115,000
150,000	NAVISTAR INTERNATIONAL CO	1,368,750
29,800	NCR CORP.	1,530,975
145,350	NORTHEAST UTILITIES	3,143,194
102,950	NORTHERN IND PUB SVC CO	1,209,663
45,000	NORTHERN TELECOM LTD.	1,338,750
27,400	NORTHROP CORP	1,370,000
28,000	PACCAR INC	1,610,000
69,300	PHILADELPHIA ELEC. CO.	1,403,325
139,700	PHILLIPS PETROLEUM CO.	1,344,613
31,600	PIONEER HI-BRED INT'L.	1,287,700
22,300	RAYTHEON COMPANY	1,418,838
101,250	REPUBLIC BANK CORP	2,923,594
36,100	REVCO D.S.	1,340,213
245,000	ROWAN COMPANIES INC	1,347,500
50,550	RYDER SYSTEMS INC.	1,478,588
17,000	SANDERS ASSOCIATES	913,750
132,400	SCHLUMBERGER LTD	4,551,250
39,600	SEA CONTAINERS LTD.	1,014,750
73,600	SEACO INC.	211,600
200,000	SENSORMATIC ELECTRS CORP	1,875,000

MINNESOTA STATE BOARD OF INVESTMENT
INTERNAL POOLED FUND
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
80,000	SERVICE MERCHANDISE	\$ 980,000
53,000	SERVICEMASTER INDS INC	1,391,250
30,600	SHARED MED. SYSTEMS CORP.	1,036,575
26,800	SHELL TRANSPORT & TRADING	1,326,600
80,700	SONAT INC.	2,299,950
37,400	SOUTHERN CO	888,250
22,700	SOUTHLAND CORP.	1,242,825
44,850	STANDARD OIL CO. OHIO	2,023,856
36,100	TENNECO INC.	1,434,975
77,000	TERADYNE INC.	1,694,000
100,600	TEXACO INC.	3,168,900
98,250	TEXAS COMMERCE BANKSHARES	2,136,938
42,500	TEXAS EASTERN CORP.	1,545,938
176,800	TIE COMMUNICATIONS	1,060,800
40,650	TOYS R US	1,382,100
33,200	TRACOR INC.	759,450
38,200	TYCO LABS	1,341,775
168,172	U.S. STEEL	3,468,548
183,000	ULTRASYSTEMS INC	2,150,250
26,450	UNITED TECHNOLOGIES CORP.	1,309,275
46,150	UNITED TELECOM. INC.	1,257,588
37,500	US AIR GROUP	1,195,313
40,200	USG CORP HOLDING CO.	1,643,175
125,350	WANG LABS CL B	1,895,919
50,850	WILLIAMS COS	1,194,975
53,000	WORTHINGTON INDS INC	1,570,125
TOTAL EQUITY PORTFOLIO		\$ 187,294,741

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
100,800	A & M FOOD SERVICES	\$ 1,512,000
39,000	A G EDWARDS, INC	1,009,125
10,400	AAR CORP	249,600
10,000	AARON RENTS INC	185,000
194,400	ABBOTT LABS	10,449,000
34,200	ACCO WORLD CORP	953,325
15,000	ACME CLEVELAND CORP	178,125
5,400	ACME STL CO DEL	0
10,500	ADOBE RESOURCES	86,625
14,000	ADOBE RESOURCES 12% PFD	271,250
12,600	ADOBE RESOURCES CONV. PFD	212,625
16,000	ADT , INC.	470,000
46,800	ADVANCED MICRO DEV.	936,000
9,200	ADVANCED SEMI CONDUCTOR	80,500
90,800	AETNA LIFE AND CASUALTY C	5,504,750
12,000	AFFILIATED PUBNS	697,500
10,000	AFFILIATED BANKSHARES COL	150,000
46,500	AFG INDS INC	1,482,188
68,400	AHMANSON H.F. CO.	1,889,550
47,600	AIR PRODUCTS & CHEM. INC.	1,666,000
21,000	AIR WIS AVIATION INC	220,500
19,100	AIRBORNE FGHT CORP	362,900
45,000	ALASKA AIR GROUP	736,875
26,000	ALBERTSONS INC	1,215,500
92,400	ALCAN ALUMINUM LTD.	2,818,200
20,000	ALCO STANDARD CORP.	850,000
100	ALEX BROWN INC	3,050
26,500	ALEXANDER & ALEXANDER	1,043,438
36,000	ALEXANDER & BALDWIN INC	1,350,000
11,100	ALEXANDERS INC	425,963
30,000	ALFIN FRAGRANCES INC	716,250
8,323	ALLEGHANY CORP	818,775
23,500	ALLEGHENY & WESTN ENERGY	646,250
41,000	ALLEGHENY BEVERAGE CORP	717,500
17,000	ALLEGHENY INTERNATIONAL	348,500
34,100	ALLEGHENY PWR SYS INC	1,508,925
25,250	ALLEN GROUP INC	498,688
30,000	ALLIED BANCSHARES INC.	472,500
30,000	ALLIED STORES CORP	1,601,250
140,150	ALLIED-SIGNAL INC.	6,289,231
16,000	ALLTEL CORP	588,000
66,200	ALUMINUM CO. OF AMERICA	2,523,875
58,000	AMAX INC	768,500
36,600	AMDAHL CORP	640,500
25,700	AMER. BANK. INS. GRP.	372,650
8,457	AMER. ECOLOGY INC.	221,996
70,700	AMER. GENERAL CORP.	2,978,238

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
28,900	BARNETT BKS FLA	\$ 1,654,525
26,000	BARRY WRIGHT CORP	542,750
14,000	BASSETT FURNITURE INDS IN	644,000
36,400	BATTLE MTN GOLD CL A	473,200
24,800	BAUSCH & LOMB INC	967,200
173,605	BAXTER TRAVENOL LABS	3,276,794
36,000	BAYBANKS INC	1,836,000
35,700	BAYLY CORP.	629,213
17,200	BBDO INTL INC	490,200
35,200	BCI HLDGS CORP PFD 15.25	888,800
50,110	BEAR STEARNS COS INC	1,434,399
28,000	BECOR WESTERN INC	364,000
32,500	BECTON DICKINSON & CO	1,791,563
22,100	BELL & HOWELL CO.	1,038,700
163,120	BELL ATLANTIC CORP.	11,336,840
196,800	BELL CANADA ENTERPRISES I	5,461,200
244,980	BELL SOUTH CORP	15,372,495
18,000	BELO A H CORP	1,062,000
21,600	BENEFICIAL CORPORATION	1,004,400
26,250	BERGEN BRUNSWIG CORP.	636,563
17,200	BEST PRODUCTS	238,650
35,100	BETHLEHEM STEEL	517,725
6,600	BETZ LABS INC	278,850
71,400	BEVERLY ENTERPRISES	1,561,875
21,400	BIG B INC	363,800
25,000	BIG THREE INDUSTRIES	646,875
15,000	BIG V SUPERMARKETS INC	221,250
43,500	BLACK & DECKER MFG CO	891,750
25,000	BLACK HILLS CORP	587,500
47,800	BLAIR JOHN & CO.	1,398,150
28,000	BLOCK H & R INC.	1,116,500
16,400	BLOUNT INC	241,900
5,950	BOATMEN'S BANCSHARES	281,881
40,700	BOB EVANS FARMS INC	1,119,250
128,525	BOEING COMPANY	8,097,075
21,300	BOISE CASCADE CORP	1,235,400
11,600	BOLAR PHARMACY	363,950
75,150	BORDEN INC.	3,710,531
64,100	BORG-WARNER	2,251,513
20,800	BOSTON EDISON CO	1,058,200
7,000	BRANCH CORP	297,500
42,600	BRASCAN LTD	766,800
8,600	BRIGGS & STRATTON CORP	321,425
115,682	BRISTOL-MYERS COMPANY	9,948,652
42,000	BROOKLYN UN GAS CO.	1,144,500
9,700	BROWN GROUP	369,813
59,700	BROWNING FERRIS INDS INC	2,268,600

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
34,000	BRUNOS INC	\$ 705,500
46,200	BRUNSWICK CORP.	1,634,325
22,000	BRUSH WELLMAN INC	693,000
10,000	BSN CORP	187,500
31,300	BURLINGTON INDUSTRIES	1,224,613
56,900	BURLINGTON NORTHERN INC.	3,627,375
33,000	BURNDY CORP	420,750
5,000	BURNUP & SIMS INC	30,000
38,800	BURROUGHS CORPORATION	2,386,200
20,800	C3 INC	195,000
18,000	CABOT CORP	526,500
33,000	CALFED INC	1,258,125
14,081	CALLAHAN MNG CORP	205,935
10,000	CALMAT CO	350,000
9,300	CALNY FOOD SVCS INC	95,325
39,000	CAMERON IRON WORKS INC	419,250
50,000	CAMPBELL RED LAKES MINES	743,750
57,800	CAMPBELL SOUP CO	3,749,775
30,000	CANADIAN MARCONI CO	547,500
240,557	CANADIAN PACIFIC LTD	2,916,754
1,000	CANAL RANDOLPH LTD PARTNE	7,000
12,300	CAPITAL CITIES/ABC INC	3,154,950
47,800	CAPITAL HOLDING CORP.	1,804,450
54,000	CAREMARK	945,000
33,000	CARL KARCHER ENTERPRISES	589,875
16,800	CARLISLE CORP	594,300
24,000	CAROLINA FREIGHT CORP	867,000
46,800	CAROLINA PWR & LT CO	1,597,050
17,900	CARPENTER TECHNOLOGY CORP	628,738
21,500	CARSON PIRIE & CO.	752,500
29,800	CARTER HAWLEY HALE STORES	1,095,150
5,000	CARTER WALLACE INC	352,500
83,600	CATERPILLAR INC.	4,159,100
12,000	CBI INDS INC	298,500
16,752	CBS INCORPORATED	2,420,664
2,000	CCB FINL CORP	82,500
11,800	CELANESE CORPORATION	2,696,300
11,000	CEN. BANKSHRS. SO.	338,250
41,835	CENERGY CORP	256,239
21,000	CENTEL CORP.	1,249,500
103,480	CENTERIOR ENERGY CORP	2,625,805
12,000	CENTERRE BANCORPORATION	612,000
19,000	CENTEX CORP	657,875
74,000	CENTRAL & SO WEST CORP.	2,312,500
8,100	CENTRAL BANCORPORATION IN	477,900
8,400	CENTRAL HUDSON GAS & ELEC	286,650
41,000	CENTRAL ILL PUB SVC CO	1,096,750

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
5,900	CENTRAL JERSEY BANCORP	\$ 262,550
24,000	CENTRAL LA ELEC CO	807,000
20,500	CENTRAL ME PWR CO	369,000
19,700	CENVILL INVS INC	357,063
31,400	CERTAIN TEED PRODS CORP	1,138,250
49,000	CETUS CORP	1,788,500
27,236	CF & I STL CORP	194,057
73,765	CHAMPION INTERNATIONAL	1,816,463
10,600	CHAMPION SPARK PLUG CO	109,975
48,000	CHARMING SHOPPES INC	1,662,000
48,000	CHARTER MED CORP	1,038,000
64,100	CHASE MANHATTAN CORP.	2,844,438
25,500	CHEM-LAWN CORP.	490,875
21,000	CHEMED CORPORATION	798,000
46,400	CHEMICAL NEW YORK CORP	2,378,000
12,800	CHESAPEAKE CORP VA	528,000
33,700	CHESEBROUGH-PONDS INC.	1,748,188
267,800	CHEVRON CORP	10,276,825
29,000	CHI-CHIS INC	279,125
10,000	CHICAGO PNEUMATIC TOOL	376,250
21,000	CHIEFTAIN DEV LTD	133,875
23,000	CHOCK FULL O NUTS CORP	276,000
47,000	CHROMALLOY AMERN CORP DEL	1,157,375
139,650	CHRYSLER CORP.	5,324,156
26,025	CHUBB CORPORATION	1,795,725
56,400	CHURCHS FRIED CHICKEN	923,550
63,500	CIGNA CORPORATION	4,024,313
32,000	CILCORP INC	1,160,000
13,000	CINCINNATI BELL INC	511,875
8,000	CINCINNATI FINL CORP	588,000
10,500	CINCINNATI MILACRON INC	221,813
38,300	CIPHER DATA PRODS INC	579,288
32,100	CIRCLE K CORP	1,115,475
105,600	CITICORP	6,309,600
53,360	CITIZENS & SOUTHERN CORP.	1,614,140
47,250	CITIZENS FID CORP	1,547,438
10,000	CITIZENS FIRST BANCORP IN	222,500
25,562	CITIZENS UTILS CO DEL	1,284,491
46,800	CITY FED FINANCIAL CORP	830,700
34,400	CLARK EQUIP CO	756,800
15,600	CLEVELAND-CLIFFS INC	224,250
14,000	CLOROX CO.	782,250
49,200	CNA FINL CORP	3,179,550
50,300	COACHMEN INDS INC	855,100
33,000	COASTAL CORP	1,060,125
36,300	COBE LABS INC	907,500
17,600	COCA COLA BOTTLING CO CON	976,800

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
106,500	COCA COLA COMPANY	\$ 13,365,750
7,000	COLEMAN CO. INC.	305,375
60,145	COLGATE PALMOLIVE	2,556,163
6,700	COLLAGEN CORP.	159,125
35,200	COLLINS & AIKMAN CORP	1,381,600
72,000	COLLINS FOODS INTL.	1,305,000
24,700	COLOR TILE INC	598,975
21,800	COLT INDS INC DEL	1,523,275
27,900	COLUMBIA GAS SYSTEM INC	1,206,675
18,600	COMAIR INC	141,825
24,900	COMBINED INTL CORP	1,506,450
25,100	COMBUSTION ENGINEERING	762,413
20,000	COMCAST CORP	557,500
36,000	COMDATA NETWORK INC.	504,000
34,600	COMDISCO INC.	756,875
23,000	COMERICA INC	1,299,500
48,000	COMINCO LTD	474,000
12,000	COMMERCE CLEARING HOUSE I	750,000
7,000	COMMERCE UN CORP	212,625
34,666	COMMERCIAL METALS CO	706,320
164,036	COMMONWEALTH EDISON CO.	5,269,657
13,000	COMMUNICATIONS SATELLITE	445,250
23,900	COMMUNITY PSYCHIATRIC CEN	719,988
15,000	COMPAQ COMPUTER CORP	213,750
37,333	COMPREHENSIVE CARE CORP	489,996
27,000	COMPUGRAPHIC CORP	519,750
30,000	COMPUTER ASSOC INTL INC	720,000
4,792	COMPUTER CONSOLES	44,925
34,500	COMPUTER SCIENCES CORP.	1,358,438
21,100	COMPUTER VISION CORP.	292,763
35,000	CONAGRA INC.	2,056,250
500	CONCURRENT COMPUTER CORP	7,750
11,880	CONRAC CORP	191,565
97,000	CONSOL. EDISON OF N.Y.	4,280,125
35,400	CONSOL. FREIGHTWAYS INC.	1,150,500
61,800	CONSOL. NAT. GAS	1,915,800
12,000	CONSOLIDATED PAPERS INC	693,000
6,800	CONSUMERS WTR CO	239,700
50,800	CONTEL CORP	1,530,350
28,665	CONTINENTAL BANCORP INC P	1,888,307
46,200	CONTINENTAL CORP	2,223,375
16,200	CONTROL DATA CORP.	364,500
56,000	CONVERGENT TECH.	406,000
48,781	COOPER DEVELOPMENT CO.	146,342
31,400	COOPER INDS. INC.	1,279,550
37,000	COOPER LASERSONICS INC	157,250
8,400	COOPER TIRE & RUBBER	201,600

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
44,000	COOPERVISION INC	\$ 1,056,000
19,600	CORDURA CORP.	683,550
45,600	CORESTATES FINL CORP	1,761,300
37,600	CORNING GLASS WORKS	2,740,100
34,000	CORROON & BLACK CORP	1,368,500
42,600	CPC INTERNATIONAL INC.	3,109,800
53,000	CPT CORP.	218,625
26,260	CRANE CO.	820,625
23,200	CRAY RESH INC	2,241,700
7,200	CRONUS INDS INC	185,400
24,000	CROSS & TRECKER	462,000
19,500	CROSS A T CO	836,063
17,500	CROWN CORK & SEAL	1,841,875
10,400	CRYSTAL BRANDS INC	232,700
120,600	CSX CORPORATION	3,949,650
9,500	CUBIC CORP	172,188
4,000	CULBRO CORP	200,000
17,000	CULLEN FROST BANKERS INC	293,250
25,000	CULLINET SOFTWARE INC.	321,875
12,000	CULLUM COS INC	306,000
11,500	CUMMINS ENGINE CO.	766,188
22,830	CYPRUS MINERALS CORP	516,529
43,900	DANA CORPORATION	1,443,213
24,150	DANIEL INDS INC	169,050
132,000	DART & KRAFT INC.	8,365,500
2,800	DATA CARD CORP.	71,400
17,500	DATA GENERAL CORP.	605,938
22,700	DATA I O CORP	227,000
55,000	DATA SWITCH CORP	357,500
19,000	DATAPPOINT CORP	154,375
54,200	DATAPRODUCTS CORP	758,800
10,000	DAYCO CORP	188,750
77,600	DAYTON-HUDSON CORP.	4,326,200
43,700	DE LUXE CHECK PRINTERS IN	3,168,250
24,000	DEAN FOODS CO	777,000
10,400	DECISION INDUSTRIES CORP.	145,600
53,600	DEERE & COMPANY	1,527,600
26,000	DEKALB CORP	536,250
32,500	DELMARVA PWR & LT CO	1,121,250
38,400	DELTA AIR LINES INC.	1,593,600
19,000	DENISON MINES LTD A	128,250
19,000	DENISON MINES LTD B	125,875
112,000	DETROIT EDISON CO	1,848,000
29,000	DEXTER CORP	993,250
35,300	DI GIORGIO CORP	917,800
13,500	DIAMOND BATHURST INC	378,000
93,600	DIAMOND SHAMROCK	1,017,900

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
4,471	DIAMOND SHAMROCK OFFSHORE	\$ 67,070
6,750	DIBRELL BROS INC	166,219
35,850	DIGITAL COMMUNICATIONS AS	609,450
96,400	DIGITAL EQUIPMENT CORP.	8,266,300
36,600	DILLARD DEPT. STORES	1,532,625
110,200	DISNEY WALT CORP	6,033,450
20,000	DIVERSIFIED ENERGIES INC	545,000
41,400	DOLLAR GEN CORP	874,575
72,000	DOME MINES LTD	396,000
7,000	DOMINION BANKSHARES CORP	349,125
66,300	DOMINION RESOURCES	2,784,600
14,900	DONALDSON INC	555,025
28,800	DONNELLEY RR & SONS	2,242,800
35,800	DOVER CORP.	1,485,700
158,800	DOW CHEMICAL COMPANY	9,111,150
45,000	DOW JONES & CO	2,525,625
19,800	DOWNEY SVGS & LN ASSN	492,525
37,700	DPL INC.	890,663
58,500	DRESSER INDUSTRIES	1,089,563
31,000	DREYERS GRAND ICE CREAM I	961,000
13,500	DREYFUS CORP.	1,363,500
198,780	DU PONT EI DENEMOURS	16,548,435
73,400	DUKE POWER CO. NC	3,312,175
60,800	DUN & BRADSTREET COS INC	7,204,800
5,000	DUNKIN DOUGHNUT INC.	170,625
52,900	DUQUESNE LT CO	727,375
17,742	DURO TEST CORP	343,751
19,125	DURR FILLAUER MED INC	306,000
7,300	DYNATECH CORP	242,725
28,000	E-SYSTEMS	980,000
29,300	E.F. HUTTON GROUP INC.	952,250
19,900	EAGLE PICHER INDS INC	778,588
27,000	EASTERN GAS & FUEL ASSOC	732,375
172,800	EASTMAN KODAK COMPANY	10,130,400
32,200	EATON CORP.	2,197,650
27,400	ECHLIN INC.	527,450
33,300	ECONOMICS LAB INC	1,943,888
7,400	EDISON BROS STORES INC	308,950
14,000	EDO CORP	213,500
12,800	EG & G INC	433,600
57,000	EL PASO ELEC CO	912,000
23,000	ELECTRO BIOLOGY INC	181,125
16,500	ELECTRO CATHETER CORP	179,438
13,100	ELECTRO NUCLEONICS INC	170,300
10,000	ELECTROSPACE SYSTEMS	262,500
62,500	EMERSON ELECTRIC	5,437,500
22,000	EMERY AIR FREIGHT CORP.	321,750

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
25,300	EMHART CORP VA	\$ 917,125
30,200	EMULEX CORP	188,750
27,400	ENGLEHARD CORP	767,200
9,600	ENNIS BUSINESS FORMS INC	252,000
32,100	ENRON CORP.	1,412,400
45,000	ENSERCH CORP.	686,250
900	ENSERCH EXPL PARTNERS LTD	11,363
29,500	ENTERRA CORP	243,375
36,000	ENTEX	697,500
10,000	ENVIRONMENTAL SYS CO	233,750
34,800	ENZO BIOCHEM INC	439,350
19,700	EQUATORIAL COMMUNICATIONS	150,213
8,000	EQUITABLE BANCORPORATION	253,000
14,000	EQUITABLE RES INC	624,750
23,000	ESTERLINE CORP	385,250
123,200	ETHYL CORP.	2,571,800
45,000	EVANS & SUTHERLAND COMPUT	990,000
19,000	EX CELL O CORP	916,750
585,100	EXXON CORPORATION	35,617,963
20,000	FAIRFIELD COMMUN. INC.	212,500
50,000	FALCONBRIDGE LTD	756,250
25,500	FAMILY DLR STORES INC	643,875
5,033	FARLEY NORTHWEST INDS INC	117,017
35,700	FARM FRESH INC	522,113
54,075	FARM HOUSE FOODS CORP	277,134
56,600	FARMERS GROUP INC.	2,377,200
11,700	FAYS DRUG INC	124,313
42,000	FEDERAL CO	1,475,250
42,100	FEDERAL EXPRESS CORP.	2,410,225
63,700	FEDERAL NATL. MTG.	2,508,188
32,000	FEDERAL PAPER BRD INC	864,000
17,000	FEDERAL-MOGUL CORP	726,750
41,800	FEDERATED DEPT. STORES	3,714,975
10,000	FERRO CORP	398,750
26,000	FIDELCOR	1,157,000
6,000	FIFTH THIRD BANCORP	349,500
29,400	FIRESTONE TIRE & RUBR CO	746,025
72,000	FIRST ALA BANCSHARES INC	1,692,000
17,500	FIRST AMERN CORP TENN	577,500
7,500	FIRST AMERN SVGS F A ABIN	178,125
25,600	FIRST BANK SYSTEM	1,475,200
19,600	FIRST BOSTON INC	1,004,500
45,300	FIRST CHICAGO CORP	1,472,250
35,000	FIRST CITY BANKCORP TEXAS	280,000
3,300	FIRST EASTN CORP PA	212,850
47,600	FIRST EXECUTIVE CORP DEL	1,320,900
2,380	FIRST EXECUTIVE CORP DEL	16,660

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
42,300	FIRST FED MICH DETROIT	\$ 1,253,138
31,400	FIRST FIDELITY BANCORP	1,244,225
17,100	FIRST FINL CORP WIC	312,075
10,000	FIRST FLA BKS INC.	372,500
37,600	FIRST INTERSTATE BANCORP.	2,331,200
7,000	FIRST JERSEY NAT'L. CO.	396,375
40,275	FIRST KY NATL CORP	1,238,456
14,000	FIRST NATL CINCINNATI COR	661,500
30,000	FIRST PA CORP	251,250
16,000	FIRST RR & BKG CO GA	474,000
29,000	FIRST SEC CORP DEL	804,750
39,300	FIRST TENN NATL CORP	1,404,975
65,800	FIRST UN CORP	1,883,525
52,700	FIRST WACHOVIA CORP	2,391,263
10,000	FIRST WIS CORP	325,000
7,200	FISCHBACH CORP	189,000
6,500	FISHER FOODS INC	106,438
16,000	FLEET FINANCIAL GROUP INC	870,000
28,300	FLEETWOOD ENTER. INC.	650,900
17,700	FLEMING COS.	694,725
34,500	FLIGHTSAFETY INTL INC	858,188
23,000	FLOATING POINT SYS INC	871,125
31,300	FLORIDA FED. S & L	606,438
28,500	FLORIDA NATL BKS FLA INC	1,592,438
35,000	FLORIDA PROGRESS CORP	1,378,125
5,000	FLORIDA ROCK INDUSTRIES	322,500
52,500	FLOWERS INDUSTRIES	1,489,688
15,015	FLUKE JOHN MFG.	373,498
51,700	FLUOR CORP	840,125
25,000	FMC CORP NEW	496,875
51,000	FOOD LION CORP	867,000
111,900	FOOD LION INC CL A	1,454,700
223,275	FORD MOTOR CO.	12,308,034
27,000	FOREST OIL CORP	303,750
56,500	FORT HOWARD PAPER CO.	3,390,000
22,600	FOSTER WHEELER CORP	305,100
5,032	FOTOMAT CORP	8,806
19,000	FOXBORO CO	579,500
104,800	FPL GROUP INC.	3,327,400
2,483	FREEPORT MCMORAN ENERGY	37,871
2,483	FREEPORT MCMORAN GOLD CO	18,620
80,000	FREEPORT-MCMORAN INC	1,390,000
24,000	FREMONT GEN CORP	666,000
6,000	FRISCHS RESTAURANTS INC	228,000
6,500	FRUEHAUF CORP.	320,938
3,500	FUDDRUCKERS INC	14,000
24,000	FUQUA INDS INC	1,215,000

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
46,400	GAF CORP	\$ 1,600,800
64,600	GANNETT INC.	5,523,300
27,100	GATX	894,300
1,300	GEARHART INDS INC	2,925
14,400	GEICO CORP.	1,350,000
16,500	GELCO CORPORATION	257,813
21,224	GENCORP	1,586,494
29,900	GENENTECH INC	2,694,738
20,800	GENERAL CINEMA CORP	1,183,000
63,300	GENERAL DATACOMM INDS INC	775,425
33,700	GENERAL DYNAMICS	2,578,050
362,500	GENERAL ELECTRIC CO.	29,362,500
70,137	GENERAL HOST CORP	1,753,425
23,800	GENERAL INSTRUMENT CORP	514,675
43,200	GENERAL MILLS INC.	3,585,600
52,520	GENERAL MOTORS (H)	2,186,145
55,260	GENERAL MOTORS CORP CL E	2,693,925
251,600	GENERAL MOTORS CORP.	19,530,450
57,000	GENERAL NUTRITION INC	320,625
61,700	GENERAL PUBLIC UTILITIES	1,295,700
72,800	GENERAL RE CORP.	4,550,000
24,900	GENERAL SIGNAL CORP.	1,179,638
29,500	GENRAD INC.	258,125
8,400	GENSTAR LTD.	347,550
39,800	GENUINE PARTS COMPANY	1,825,825
28,400	GEORGE A HORMEL & CO	976,250
86,300	GEORGIA PACIFIC CORP.	2,707,663
26,050	GERBER PRODS CO	1,237,375
10,000	GIFFORD HILL & CO INC	235,000
46,000	GILLETTE COMPANY	2,259,750
7,000	GODFREY COMPANY	238,875
13,333	GOLDEN ENTERPRISES	188,329
31,500	GOLDEN WEST FINANCIAL	1,334,813
8,900	GOODRICH (B.F.)	387,150
89,000	GOODYEAR TIRE & RUBBER	2,937,000
38,400	GOULD INC.	840,000
35,000	GOULDS PUMPS INC	586,250
15,000	GR. AMER. FIRST SVGS BK S	348,750
31,800	GR. WESTERN FINANCIAL	1,518,450
42,700	GRACE W R & CO	2,300,463
21,300	GRAINGER W W INC	953,175
16,200	GREAT ATLANTIC & PAC TEA	425,250
7,000	GREAT LAKES CHEMICAL CORP	266,875
19,000	GREAT NORTHN NEKOOSA CORP	945,250
18,700	GREENMAN BROS INC	458,150
17,900	GREENTREE ACCEPT. INC.	1,038,200
34,600	GREYHOUND CORP.	1,219,650

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
55,652	GROW CHEM CORP	\$ 639,998
24,600	GRUMMAN CORP.	722,625
169,900	GTE CORP.	9,195,838
5,000	GUILFORD MILLS	180,625
51,300	GULF & WESTERN INC.	3,648,713
100,800	GULF BROADCASTING	12,600
16,400	GULF CDA CORP	176,300
63,000	GULF CDA CORP PFD	204,750
12,000	GULF RES & CHEM CORP	154,500
69,200	GULF STS UTILS CO	614,150
29,500	HALL FRANK B & CO INC	744,875
94,100	HALLIBURTON INC.	2,093,725
44,000	HAMILTON OIL CORP	467,500
21,000	HAMMERMILL PAPER CO	887,250
38,000	HANDY & HARMAN	660,250
3,750	HANDYMAN CORP	118,594
18,000	HANNAFORD BROS CO	643,500
19,000	HANOVER INS. CO	1,178,000
38,100	HARCOURT BRACE JOVAN.	1,381,125
24,100	HARLAND JOHN H CO	1,159,813
2,500	HARPER GROUP	85,625
13,150	HARPER ROW PUBLISHERS INC	290,944
30,900	HARRIS CORP.	1,027,425
20,900	HARSCO CORP	574,750
17,500	HARTFORD NATL CORP	824,688
31,500	HARTMARX CORP	901,688
10,500	HARVERTY FURNITURE COS IN	139,125
5,000	HASBRO INDS. INC.	290,000
10,500	HAVERTY FURN. COS CL A	141,750
19,800	HAWAIIAN ELEC INDS INC	621,225
10,000	HAZELTINE CORP	202,500
13,000	HB FULLER CO	360,750
30,000	HBO & CO	453,750
25,000	HEALTHCARE USA INC	312,500
17,800	HECKS INC	229,175
25,000	HECLA INC.	259,375
120,300	HEINZ H.J. & CO.	5,563,875
40,000	HEIZER DEP. REC.	35,000
25,000	HELMERICH & PAYNE INC	506,250
45,038	HENLEY GROUP INC	866,972
42,400	HERCULES INCORPORATED	2,252,500
29,100	HERSHEY FOODS CORP	2,346,188
205,600	HEWLETT PACKARD CO.	8,429,600
32,000	HILLENBRAND INDS INC	1,404,000
21,500	HILTON HOTELS CORP	1,542,625
22,200	HM FED SVG&LN ASSN S.D.CA	832,500
30,000	HOGAN SYSTEMS	315,000

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
24,200	HOLIDAY CORP	\$ 1,433,850
37,267	HOLLY CORP	736,023
1	HOLLY CORP (NEW)	10
4,700	HOLLY SUGAR CORP	531,100
6,500	HOLMES D.H. & CO.	178,750
16,000	HOME DEPOT INC.	348,000
45,500	HOME GROUP INC	1,188,688
52,250	HOMESTAKE MNG CO	1,136,438
36,400	HONEYWELL INC.	2,757,300
1,500	HORIZON BANCORP	78,750
71,800	HOSPITAL CORP. OF AMER.	2,728,400
4,000	HOUGHTON MIFFLIN CO.	233,000
15,000	HOUSE OF FABRICS INC.	315,000
35,800	HOUSEHOLD INTL.	1,552,825
90,300	HOUSTON INDUSTRIES INC.	2,844,450
10,300	HOWARD SVGS BK LIVINGSTON	495,688
28,000	HRE PROPERTIES	710,500
41,500	HUBBELL INC.	1,307,250
10,000	HUDSON FOODS INC	188,750
42,900	HUGHES TOOL	418,275
74,940	HUMANA INC.	1,901,603
10,000	HUNTINGTON BANCSHARES INC	362,500
30,000	HUSKY OIL LTD	176,250
21,000	I C H	653,625
40,986	I C INDUSTRIES	2,008,314
46,000	I M S INTL INC	1,144,250
36,800	IDAHO PWR CO	1,030,400
5,672	IDC SVCS INC	65,937
52,700	ILLINOIS POWER CORP	1,416,313
24,000	ILLINOIS TOOL WKS INC	1,005,000
36,200	IMPERIAL OIL CO. LTD.	995,500
88,900	INCO INC.	1,144,588
7,500	INDIANA NATL CORP	345,000
20,200	INGERSOLL RAND	1,156,450
30,500	INLAND STEEL IND. INC.	606,188
21,500	INSILCO CORP.	462,250
28,000	INSTINET CORP	217,000
30,000	INTEGRATED RESOURCES INC.	716,250
92,800	INTEL CORP.	2,134,400
35,000	INTELLIGENT SYS CORP	192,500
20,900	INTELOGIC TRACE INC	342,238
17,000	INTERCO	1,604,375
52,500	INTERFIRST CORP.	380,625
44,900	INTERGRAPH CORP.	1,167,400
5,400	INTERLAKE INC	373,950
1,116	INTERNATIONAL CAP EQUIP.	6,975
19,000	INTERNATIONAL CTLS CORP	524,875

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
20,000	INTERNATIONAL GAME TECHNO	\$ 220,000
26,000	INTERNATIONAL MULTIFOODS	1,196,000
44,000	INTERPUBLIC GROUP	1,276,000
10,900	INTERSTATE BAKERIES CORP	361,063
11,000	INTERSTATE PWR CO	295,625
491,363	INTL. BUSINESS MACHINES	71,984,680
37,200	INTL. FLAVORS & FRAG.	1,771,650
26,700	INTL. MINERALS & CHEM.	884,438
43,500	INTL. PAPER CO.	2,735,063
10,000	IONICS INC	212,500
30,800	IOWA ELEC LT & PWR CO	723,800
26,000	IOWA ILL GAS & ELEC CO	1,075,750
48,000	IOWA RESOURCES INC.	1,116,000
22,000	IPALCO ENTERPRISES	1,089,000
28,000	IRVING BK CORP	1,522,500
44,000	ISC SYS CORP	693,000
114,400	ITT CORP	6,220,500
18,900	IU INTL CORP	290,588
59,391	JAMES RIV CORP VA	2,464,727
7,000	JAMESWAY CORP.	200,375
30,000	JB'S RESTAURANTS	202,500
38,850	JEFFERSON PILOT CORP.	1,573,425
2,000	JEFFRIES GROUP	30,000
50,400	JERRICO INC	1,171,800
153,100	JOHNSON & JOHNSON	11,118,888
9,290	JOHNSON CONTROLS	594,560
8,000	JORGENSEN EARLE M CO DEL	211,000
36,000	JOSTENS INC	1,309,500
17,000	JOY MFG CO	414,375
10,000	JUSTIN INDS INC	172,500
24,750	JWT GROUP INC.	996,188
98,800	K MART CORPORATION	5,619,250
16,700	K N ENERGY INC.	336,088
17,200	KAISER ALUM & CHEM CORP	316,050
54,000	KANEB SERVICES	202,500
35,000	KANSAS CITY PWR & LT CO	857,500
6,100	KANSAS CITY SO. IND.	372,863
16,400	KANSAS PWR & LT CO	856,900
20,000	KASLER CORP.	197,500
13,500	KATY INDS INC	236,250
40,500	KAUFMAN & BROAD INC	1,032,750
54,000	KAYDON CORP	830,250
130,000	KELLOGG CO	7,475,000
41,835	KEMPER CORP.	1,349,179
19,000	KENNAMETAL INC	437,000
15,600	KENNER PARKER TOYS INC	343,200
5,000	KENTUCKY CENT LIFE INS CO	287,500

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
29,000	KENTUCKY UTILS CO	\$ 1,152,750
8,800	KERR GLASS MFG CORP	145,200
37,000	KERR MCGEE CORP.	1,012,875
26,722	KEYSTONE INTL INC	410,851
2,300	KEYTRONIC INC.	24,150
19,500	KIDDE INC.	641,063
35,000	KIMBERLY CLARK CORP	3,206,875
14,666	KINDER CARE LRNG. CTR.	207,157
39,300	KLA INSTRS CORP	707,400
43,000	KLM ROYAL DUTCH AIR	822,375
51,900	KNIGHT RIDDER INC.	2,873,963
10,000	KNOGO CORP	282,500
19,400	KOPPERS INC	565,025
34,200	KROGER COMPANY	2,047,725
24,000	KROY INC	234,000
33,500	KULICKE & SOFFA IND.	393,625
25,000	LA QUINTA MTR INNS INC	378,125
7,000	LA Z BOY CHAIR CO	493,500
14,000	LAIDLAW INDUSTRIES	274,750
12,000	LANCASTER COLONY CORP	301,500
33,333	LANCE INC.	1,133,322
15,500	LAND OF LINCOLN SVGS & LN	220,875
13,500	LAWSON PRODS INC	327,375
48,000	LAWTER INTL INC	708,000
15,000	LEAR SIEGLER INC.	819,375
10,000	LEASEWAY TRANSN CORP	470,000
28,100	LEE DATA CORP.	189,675
4,600	LIBBEY OWENS FORD CO	335,800
2,000	LIBERTY CORP S C	84,000
30,000	LIEBERT CORP	798,750
117,500	LILLY ELI & CO	9,502,813
144,300	LIMITED INC.	4,870,125
29,400	LIN BROADCAST. CORP.	1,447,950
31,100	LINCOLN NATL CORP IND	1,644,413
25,000	LITTON INDS INC.	2,025,000
34,600	LIZ CLAIBORNE INC.	1,626,200
52,770	LOCKHEED AIRCRAFT CORP	2,941,928
19,000	LOCTITE CORP	864,500
70,250	LOEWS CORP	4,829,688
26,000	LOMAS & NETTLETON FINL CO	1,196,000
25,000	LONE STAR INDUSTRIES	771,875
30,300	LONE STAR TECH	261,338
26,000	LONG DRUG STORES INC	942,500
16,000	LORAL CORP	708,000
16,000	LOUISIANA LD & EXPL CO	428,000
21,854	LOUISIANA PAC. CORP.	581,863
28,000	LOUISVILLE GAS & ELEC CO	1,085,000

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
35,200	LOWES COMPANY	\$ 1,267,200
36,000	LTX CORP	369,000
6,400	LUBRIZOL CORP	217,600
37,600	LUCKY STORES	1,118,600
19,300	LUKENS STL CO	275,025
9,000	LYNCH COMMUNICATIONS SYS	128,250
31,800	M/A COM	548,550
45,100	MACHINE TECHNOLOGY	264,963
32,400	MACK TRUCKS INC.	392,850
14,800	MACMILLAN INC.	745,550
40,800	MACY R.H. & CO.	2,774,400
23,000	MANITOWOC INC	448,500
38,500	MANOR CARE INC	957,688
37,080	MANPOWER INC	1,580,535
35,700	MANUFACTURERS HAN. CORP.	1,843,013
10,000	MANUFACTURERS NATL CORP	497,500
12,200	MAPCO INC	564,250
33,000	MARINE MIDLAND BKS INC	1,716,000
59,800	MARION LABS INC	2,676,050
104,000	MARRIOTT CORP.	3,874,000
59,200	MARSH & MCCLENNAN	3,492,800
1,800	MARSHALL & ILSLEY CORP	67,050
16,900	MARSHALL INDUSTRIES	361,238
41,100	MARTIN MARIETTA	1,890,600
31,400	MARYLAND NATIONAL CORP	1,538,600
109,800	MASCO CORP	3,623,400
54,750	MASCO INDS	1,450,875
9,992	MATERIAL SCIENCES CORP	201,089
5,000	MATH. APPLICATION GRP.	16,250
39,062	MATRIX CORP N J	952,136
5,300	MATRIX SCIENCE CORP.	182,850
35,100	MAY DEPT. STORES CO.	2,908,913
10,000	MAYFLOWER GROUP INC.	253,750
42,736	MAYTAG CO.	2,286,376
65,550	MCA INC.	3,343,050
12,000	MCCORMICK & CO INC	514,500
22,400	MCDERMOTT INTL INC	476,000
104,062	MCDONALDS CORP.	7,609,534
30,400	MCDONNELL DOUGLAS CORP.	2,367,400
32,000	MCFARLAND ENERGY INC	328,000
45,200	MCGRAW HILL INC.	2,700,700
226,500	MCI COMMUNICATION	2,349,938
8,000	MCINTYRE MINES LTD	233,000
16,100	MCKESSON CORP	994,175
13,100	MCO HOLDINGS INC	181,763
55,850	MCORP	1,040,206
6,700	MDU RESOURCES GROUP	312,388

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
21,200	MEAD CORP.	\$ 1,086,500
8,500	MEASUREX CORP	313,438
11,000	MEDIA GEN INC	1,080,750
3,800	MEDIQ INC	28,025
3,800	MEDIQ INC PFD	26,600
30,900	MEDTRONIC INC.	2,356,125
19,000	MEI DIVERSIFIED INC.	166,250
21,100	MELLON BANK CORP	1,474,363
18,100	MELRIDGE INC.	660,650
41,800	MELVILLE CORPORATION	2,967,800
33,400	MENTOR GRAPHICS CORP.	509,350
28,003	MERABANK FED SVGS BANK	1,333,643
22,500	MERCANTILE BANCORPORATION	781,875
6,048	MERCANTILE BANKSHARES COR	267,624
11,000	MERCANTILE STORES INC	1,277,375
115,400	MERCK & COMPANY INC.	12,059,300
10,400	MEREDITH CORP	790,400
33,000	MERIDIAN BANCORP INC	1,790,250
87,000	MERRILL LYNCH & CO. INC.	3,012,375
2,000	METRO AIRLS INC	25,000
33,700	MGMT. SCIENCE AMER.	467,588
200	MGT. ASSIST.INC LIQUID. T	513
5,000	MICHIGAN NATL CORP	208,750
15,000	MICOM SYS INC	191,250
35,800	MIDLAND ROSS CORP	774,175
16,000	MIDLANTIC BKS INC	782,000
24,600	MILLER HERMAN INC.	759,525
40,000	MILLIPORE CORP.	1,365,000
38,800	MINISCRIBE	291,000
95,000	MINNESOTA MNG & MFG CO	10,806,250
25,000	MINNESOTA PWR & LT CO	1,412,500
16,000	MINNETONKA INC	256,000
33,900	MITCHELL ENERGY	394,088
47,000	MITEL CORP	229,125
317,100	MOBIL CORPORATION	10,028,288
13,800	MOLEX INC	693,450
17,000	MONARCH CAPITAL CORP.	1,241,000
62,000	MONOLITHIC MEMORIES INC	961,000
60,400	MONSANTO CO.	4,507,350
25,000	MONTANA PWR CO	971,875
85,100	MOORE CORP LTD	2,180,688
11,750	MOORE FINL GROUP INC IDAH	323,125
10,000	MOORE MCCORMACK RES INC	208,750
69,800	MORGAN J P & COMPANY INC.	6,133,675
23,000	MORRISON KNUDSEN CORP	1,075,250
39,400	MORTON THIOKOL	1,428,250
95,700	MOTOROLA INCORPORATED	3,816,038

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
10,000	MULTIBANK FINL CORP	\$ 240,000
10,440	MULTIMEDIA INC. NEW	448,920
14,300	MUNFORD INC.	339,625
25,000	MURPHY OIL	578,125
31,500	MYLAN LABS INC	771,750
10,100	N.W. NATL. LIFE	315,625
26,000	NACCO INDS INC	1,075,750
30,000	NALCO CHEMICAL CO.	836,250
13,550	NATIONAL BANKSHARES CORP.	274,388
27,000	NATIONAL CITY CORP	1,289,250
22,450	NATIONAL CONVENIENCE STOR	252,563
27,100	NATIONAL DATA CORP	548,775
28,000	NATIONAL DISTILLERS & CHE	1,113,000
20,300	NATIONAL INTERGROUP INC	423,763
27,200	NATIONAL SVC INDS INC	1,060,800
16,300	NATL PATENT DEVEL CORP	283,213
47,075	NATL. MED. ENTER. INC.	1,100,378
64,300	NATL. SEMICONDUCTOR	755,525
32,000	NBD BANCORP INC	1,716,000
18,000	NBI INC	231,750
32,300	NCNB CORP.	1,744,200
82,500	NCR CORP.	4,238,438
25,575	NETWORK SYSTEMS CORP.	329,278
26,000	NEVADA PWR CO	1,111,500
20,500	NEW ENGLAND BUSINESS SVC	1,117,250
32,138	NEW ENGLAND ELEC SYS	891,830
2,000	NEW JERSEY NATL CORP	73,500
7,000	NEW JERSEY RES CORP	209,125
10,300	NEW PROCESS CO	312,863
38,700	NEW YORK ST ELEC & GAS CO	1,277,100
36,600	NEW YORK TIMES CO	2,978,325
42,000	NEWHALL LD & FARMING CO C	1,722,000
24,600	NEWMONT MINING	1,153,125
15,000	NEWPORT CORP	296,250
106,800	NIAGARA MOHAWK PWR CORP	2,349,600
23,100	NICOR INC	652,575
46,000	NIKE INC.	897,000
52,500	NL INDUSTRIES	767,813
23,400	NO. AMERICAN PHILIPS CORP	1,053,000
44,788	NO. STS. POWER CO. MINN.	1,567,580
33,500	NOBLE AFFILIATES INC	326,625
8,375	NOBLE DRILLING CORP	20,938
22,400	NORDSTROM INC	924,000
49,100	NORFOLK SOUTHERN CORP	4,320,800
37,800	NORSTAR BANCORP	1,134,000
80,000	NORTHEAST UTILITIES	1,730,000
50,200	NORTHERN IND PUB SVC CO	589,850

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
39,000	NORTHERN TELECOM LTD.	\$ 1,160,250
2,000	NORTHERN TRUST CORP	84,750
33,300	NORTHROP CORP	1,665,000
12,500	NORTHWEST NAT GAS CO	248,438
15,000	NORTHWESTERN STL & WIRE C	286,875
11,000	NORTON CO	445,500
34,700	NORWEST CORP.	1,305,588
33,400	NOVAR ELECTRONICS	501,000
28,000	NOXELL CORP	1,239,000
34,500	NUCOR CORP	1,311,000
70,000	NUTRI SYS INC	428,750
19,044	NWA INC.	952,200
159,720	NYNEX	10,781,100
2,733	OAKWOOD HOMES CORP	44,753
102,849	OCCIDENTAL PETE CORP	2,751,211
39,000	OCEAN DRILLING & EXPL CO	463,125
24,000	OGDEN CORP.	963,000
12,500	OHIO CAS CORP	1,043,750
103,200	OHIO EDISON CO	2,012,400
19,000	OHIO MATTRESS CO.	277,875
33,000	OKLAHOMA GAS & ELEC CO	1,109,625
5,900	OLD KENT FINL CORP	230,100
17,250	OLD REP INTL CORP	629,625
12,400	OLIN CORP	607,600
25,000	OMNICARE INC	203,125
24,000	ONEOK INC	732,000
20,000	OPTICAL COATING LAB	352,500
24,900	OPTICAL RADIATION CORP	485,550
8,100	ORANGE & ROCKLAND UTILS I	283,500
26,600	OUTBOARD MARINE CORP	851,200
32,000	OVERNITE TRANSPORT	1,116,000
40,000	OVERSEAS SHIPHOLDING GROU	1,190,000
8,000	OWENS & MINOR INC	141,000
27,900	OWENS CORNING FIBER. CORP	1,339,200
46,600	OWENS ILLINOIS INC.	1,776,625
26,500	OXFORD INDS INC	467,063
15,000	OZARK HLDGS INC	270,000
11,000	PACCAR INC	632,500
277,300	PACIFIC GAS & ELEC. CO.	6,343,238
26,900	PACIFIC LTG CORP	1,334,913
13,000	PACIFIC RES INC HAWAII	211,250
10,000	PACIFIC SCIENTIFIC CO	168,750
172,520	PACIFIC TELESIS GROUP	9,682,685
41,400	PACIFICORP	1,505,925
10,000	PACO PHARMACEUTICAL SVCS	221,250
14,700	PAINE WEBBER	501,638
18,250	PALL CORP	711,750

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
22,800	PANDICK INC	\$ 501,600
31,900	PANHANDLE EASTN CORP	1,535,188
33,000	PANSOPHC SYS INC	990,000
49,980	PARADYNE CORP	412,335
35,000	PARK OHIO INDS INC OHIO	253,750
90,000	PARKER DRILLING CO	360,000
29,550	PARKER HANNIFIN CORP	779,381
3,000	PATRIOT BANCORPORATION	210,000
30,000	PAYLESS CASHWAYS	783,750
30,600	PENN CENT CORP	1,755,675
65,300	PENNEY J.C. INC.	5,566,825
51,600	PENNSYLVANIA PWR & LT CO	1,747,950
16,000	PENNWALT CORP	932,000
35,300	PENNZOIL CO.	1,897,375
35,750	PENTAIR INC	1,063,563
44,000	PEOPLES ENERGY CORP	1,028,500
30,000	PEOPLES EXPRESS INC.	206,250
3,000	PEOPLES EXPRESS INC. CL B	66,000
13,300	PEP BOYS MANNY MOE & JACK	515,375
230,100	PEPSICO INCORPORATED	7,765,875
33,500	PERKIN ELMER	917,063
12,500	PERRY DRUG STORES INC	235,938
45,300	PETRIE STORES CORP.	1,443,938
24,000	PETROLITE CORP	606,000
130,400	PFIZER INCORPORATED	9,323,600
45,800	PHELPS DODGE	1,116,375
29,000	PHH GROUP INC	928,000
127,200	PHILADELPHIA ELEC. CO.	2,575,800
189,000	PHILLIPS PETROLEUM CO.	1,819,125
22,500	PHILLIPS VAN HEUSEN CORP	897,188
26,250	PIC N SAVE CORP.	774,375
14,400	PIEDMONT AVIATION	572,400
38,100	PILLSBURY COMPANY	3,081,338
28,000	PIONEER CORP	658,000
16,954	PIONEER GROUP INC	428,089
30,000	PIONEER HI-BRED INT'L.	1,222,500
15,000	PIONEER STD ELECTRS INC	131,250
26,600	PITNEY BOWES INC.	1,652,525
56,500	PITTSTON CO	656,813
22,000	PLAINS PETE CO	525,250
59,900	PNC FINANCIAL	2,673,038
30,000	POGO PRODUCING CO	191,250
28,100	POLAROID CORP.	2,051,300
23,000	POLICY MGMT. SYS. CORP.	442,750
18,900	PONDEROSA SYSTEM INC.	474,863
33,700	POPE & TALBOT	674,000
7,780	POPE RES DEL LTD PARTNERS	157,545

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
38,000	PORTLAND GENERAL CORP.	\$ 1,154,250
22,400	POTLATCH CORP	1,136,800
31,600	POTOMAC ELEC. & PWR.	1,501,000
51,200	PPG INDUSTRIES INC.	3,488,000
17,900	PRATT & LAMBERT INC	557,138
7,500	PRECISION CASTPARTS CORP	232,500
30,000	PREMIER INDL CORP	907,500
10,000	PRESTON CORP	232,500
42,100	PRICE CO	1,936,600
29,000	PRIMARK CORP	833,750
37,400	PRIME COMPUTER INC.	673,200
24,433	PRIME MTR INNS INC	1,010,915
132,500	PROCTOR & GAMBLE	10,616,563
26,100	PROTECTIVE LIFE CORP	632,925
26,000	PROVIDENT LIFE & ACC INS	770,250
24,100	PSA INC	608,525
100,115	PUBLIC SERVICE ENTERPRISE	3,741,798
35,000	PUBLIC SVC CO COLO	700,000
35,000	PUBLIC SVC CO N MEX	1,181,250
2,500	PUGET SOUND BANCORP WASH	126,250
59,000	PUGET SOUND PWR & LT CO	1,312,750
40,000	PULTE HOME CORP	795,000
20,000	PURITAN BENNETT CORP	490,000
11,000	PUROLATOR COURIER CORP	207,625
4,800	QUAKER CHEMICAL	69,600
30,200	QUAKER OATS CO	2,359,375
18,400	QUAKER ST OIL REFNG CORP	503,700
19,500	QUANTUM CORP.	360,750
26,000	QUESTAR CORP	838,500
21,000	QUICK & REILLY GROUP INC	745,500
16,800	QUIXOTE CORP	201,600
49,200	QUOTRON SYSTEMS INC.	922,500
8,000	R T E CORP	191,000
25,000	R.P.M. INC OHIO	565,625
26,900	RAINIER BANCORPORATION	991,938
75,200	RALSTON PURINA CO.	5,489,600
77,000	RANGER OIL LTD	308,000
34,000	RANSBURG CORP	675,750
11,000	RAYCHEM CORP	1,094,500
66,900	RAYTHEON COMPANY	4,256,513
8,250	REDKEN LABS INC.	200,063
30,400	REDMAN INDS INC	266,000
49,900	REEVES COMMUNICATIONS COR	654,938
5,100	REICHHOLD CHEMS INC	193,163
2,508	REPUB. PICTURES CORP CL A	32,918
25,000	REPUBLIC BANK CORP	721,875
34,950	REPUBLIC N Y CORP	1,598,963

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
11,000	RESORT INTL.	\$ 774,125
24,350	REVCO D.S.	903,994
45,000	REXNORD INC	708,750
40,000	REYNOLDS & REYNOLDS CO	1,300,000
22,800	REYNOLDS METALS CO	1,077,300
10,000	RHODES INC	297,500
27,600	RIBI IMMUNOCHEM RESH INC	244,950
6,000	RIGGS NATL CORP WASH D C	240,000
41,700	RITE AID CORP	1,428,225
90,750	RLC CORP.	896,156
39,800	ROADWAY SVCS INC	1,761,150
18,500	ROBERTSON H H CO	307,563
34,000	ROCHESTER GAS & ELEC CORP	935,000
10,300	ROCHESTER TEL CORP	498,263
10,000	ROCKAWAY CORP	238,750
119,200	ROCKWELL INTL CORP	5,244,800
57,600	ROHM & HAAS CO	1,915,200
22,600	ROHR INDS INC	723,200
21,000	ROLLINS COMMUNICATIONS IN	824,250
35,000	ROLLINS INC	595,000
5,000	ROPER CORP	189,375
25,242	RORER GROUP INC.	1,066,479
44,000	ROUSE CO	1,408,000
69,200	ROWAN COMPANIES INC	380,600
91,000	RPC ENERGY SVCS INC	273,000
38,000	RUBBERMAID INC	2,047,250
14,700	RYAN HOMES INC.	510,825
41,625	RYANS FAMILY STEAK HOUSES	962,578
67,710	RYDER SYSTEMS INC.	1,980,518
37,000	RYKOFF S E & CO	1,160,875
33,000	SABINE CORP	486,750
31,900	SAFECO CORPORATION	1,870,138
25,200	SAFEGUARD BUSINESS SYS IN	453,600
7,750	SAFETY KLEEN CORP	286,750
55,900	SAFEWAY STORES INC.	3,004,625
18,000	SAGA CORP.	708,750
50,000	SALEM CARPET MLS INC	468,750
121,100	SALOMON INC	5,888,488
37,000	SAN DIEGO GAS & ELEC CO	1,336,625
15,700	SANDERS ASSOCIATES	843,875
120,645	SANTA FE SO. PACIFIC CORP	4,071,769
46,600	SARA LEE	3,273,650
5,600	SAVANNAH ELEC & PWR CO	193,900
23,800	SAVANNAH FOODS & INDS INC	725,900
12,650	SCAN TRON CORP	294,113
36,000	SCANA	1,296,000
16,500	SCHERER R.P. CORP.	294,938

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
42,723	SCHERING PLOUGH CORP	\$ 3,604,790
251,520	SCHLUMBERGER LTD	8,646,000
8,000	SCHULMAN A INC	354,000
19,000	SCI HLDGS INC WTS	81,938
48,900	SCI SYS INC	904,650
33,000	SCIENTIFIC ATLANTA INC	342,375
20,000	SCIENTIFIC MICRO SYS INC	120,000
27,000	SCITEX LTD	158,625
5,768	SCOA INDS INC	123,297
33,900	SCOTT PAPER CO.	2,000,100
41,400	SEAGATE TECHNOLOGY	512,325
14,500	SEALED AIR CORP	594,500
14,600	SEALED POWER CORP	428,875
299,700	SEARS ROEBUCK & COMPANY	14,535,450
10,050	SECURITY BANCORP INC DEL	246,225
55,770	SECURITY PACIFIC CORP.	2,035,605
32,200	SELECTIVE INSURANCE GROUP	716,450
29,400	SENSORMATIC ELECTRS CORP	275,625
40,625	SERVICE CORP. INT'L	1,462,500
18,400	SERVICE MERCHANDISE	225,400
25,500	SERVICEMASTER INDS INC	669,375
34,000	SHAKLEE CORP	769,250
20,700	SHARED MED. SYSTEMS CORP.	701,213
10,000	SHAW INDS INC	195,000
15,000	SHAWMUT CORP	759,375
50,000	SHERWIN WILLIAMS CO.	1,331,250
37,333	SHONEYS INC	1,427,987
12,800	SIERRA PAC RES	312,000
25,000	SINGER CO.	1,396,875
19,125	SIPPICAN INC	219,938
10,175	SIZZLER RESTAURANTS INTL	279,813
19,700	SKYLINE CORP.	307,813
64,000	SMITHKLINE-BECKMAN CORP.	6,416,000
22,000	SMUCKER J M CO	979,000
21,200	SNAP ON TOOLS CORP	1,250,800
6,500	SO. CAROLINA NATL. CORP.	321,750
10,000	SOCIETY CORP	682,500
6,800	SOFTWARE AG SYS GROUP	125,800
38,000	SONAT INC.	1,083,000
17,000	SONOCO PRODS CO	633,250
6,300	SOUTH JERSEY INDS INC	237,038
11,575	SOUTHDOWN INC.	358,825
28,000	SOUTHEAST BKG CORP	1,239,000
176,800	SOUTHERN CALIF. EDISON	5,547,100
224,600	SOUTHERN CO	5,334,250
28,500	SOUTHERN NEW ENGLAND TEL	1,464,188
31,000	SOUTHERN UN CO.	449,500

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
40,174	SOUTHLAND CORP.	\$ 2,199,527
13,333	SOUTHTRUST CORP	329,992
21,250	SOUTHWEST AIRLINES	443,594
81,960	SOUTHWESTERN BELL CORP.	8,974,620
24,000	SOUTHWESTERN ENERGY CO	507,000
37,000	SOUTHWESTERN PUB SVC CO	1,211,750
25,425	SOVRAN FINANCIAL CORP.	1,064,672
4,500	SPARTON CORP	79,313
46,000	SPERRY CORP.	3,484,500
21,000	SPRINGS INDS INC	1,123,500
22,100	SQUARE D CO	944,775
43,000	SQUIBB CORP.	4,880,500
30,000	ST JOE GOLD CORP	285,000
25,200	ST JUDE MED INC	856,800
31,400	ST. PAUL COS. INC.	1,420,850
31,000	STALEY CONTL INC	844,750
36,500	STANDARD BRANDS PAINT CO	848,625
20,400	STANDARD MICROSYSTEMS COR	321,300
17,000	STANDARD MTR PRODS INC	335,750
83,500	STANDARD OIL CO. OHIO	3,767,938
23,400	STANDARD PRODS CO	742,950
10,000	STANDARD REGISTER	395,000
6,000	STANDEX INTL.	98,250
13,700	STANLEY WKS	558,275
35,000	STATE STREET BOSTON CORP	1,986,250
47,300	STERLING DRUG INC	2,294,050
27,000	STEVENS J.P.	968,625
6,600	STEWART WARNER CORP	190,575
18,000	STONE CONTAINER CORP	850,500
15,000	STOP & SHOP INC.	832,500
4,815	STRAWBRIDGE & CLOTHIER	267,233
37,500	STRYKER CORP	1,556,250
34,000	STUDENT LN MARKETING ASSN	1,865,750
43,200	SUBARU OF AMERICA INC.	1,566,000
10,600	SUMMIT BANCORPORATION	307,400
32,100	SUMMIT HEALTH LTD	272,850
6,700	SUN CHEMICAL	480,725
86,745	SUN INC	4,142,074
14,800	SUNDSTRAND CORP	884,300
96,080	SUNSHINE MNG CO	276,229
38,300	SUNTRUST BKS INC	2,015,538
33,500	SUPER FOOD SVCS INC	820,750
54,900	SUPER VALU STORES INC.	1,482,300
9,000	SUPERMARKETS GEN CORP	562,500
10,000	SVGS. BANK PUGET SOUND	280,000
22,000	SWIFT INDPT PACKING CO	137,500
56,500	SYNTEX CORPORATION	4,011,500

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
43,200	SYSCO CORP	\$ 1,231,200
3,600	SYSTEMS & COMPUTER TECHNO	18,450
15,000	TAB PRODS CO	213,750
12,000	TAFT BROADCASTING	1,290,000
10,500	TALLEY INDS INC	249,375
12,000	TAMBRANDS INC.	1,377,000
38,000	TANDEM COMPUTERS INC	1,178,000
50,000	TANDON CORP.	306,250
73,400	TANDY CORP	2,807,550
4,600	TASTY BAKING CORP	142,025
10,000	TCA CABLE TV INC	217,500
24,000	TECO ENERGY INC	1,122,000
7,000	TECUMSEH PRODS CO	878,500
50,000	TEJON RANCH CO	2,693,750
14,800	TEKTRONIX INC	886,150
44,000	TELE COMMUNICATIONS INC	2,409,000
16,700	TELECOM PLUS INTL CORP	123,163
5,000	TELECREDIT INC	207,500
9,400	TELEDYNE INC.	3,163,100
3,400	TELEX CORP.	202,300
29,200	TELLABS INC	365,000
19,436	TEMPLE INLAND	991,236
10,000	TENNANT CO	257,500
123,700	TENNECO INC.	4,917,075
22,600	TERADYNE INC.	497,200
44,000	TESORO PETE CORP	423,500
188,100	TEXACO INC.	5,925,150
17,000	TEXAS AMERN BANCSHARES IN	323,000
31,500	TEXAS COMMERCE BANKSHARES	685,125
51,200	TEXAS EASTERN CORP.	1,862,400
18,451	TEXAS INDUSTRIES	562,756
19,400	TEXAS INSTRUMENTS	2,315,875
108,500	TEXAS UTILITIES CO.	3,322,813
29,700	TEXTRON INC	1,692,900
14,300	THOMAS & BETTS CORP	622,050
15,400	THOMPSON MED CO INC	279,125
20,000	THRIFTY CORP	777,500
27,900	TIDEWATER INC.	188,325
24,000	TIE COMMUNICATIONS	144,000
51,800	TIME INC.	4,545,450
51,800	TIMES MIRROR CO	3,613,050
10,200	TIMKEN CO	495,975
13,000	TODD SHIPYARDS CORP	360,750
4,120	TOOTSIE ROLL INDS INC	279,130
57,300	TORCHMARK CORP	2,134,425
99,600	TOYS R US	3,386,400
20,000	TRACOR INC.	457,500

MINNESOTA STATE BOARD OF INVESMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
7,541	TRANS WORLD AIRL PFD .05	\$ 302
18,422	TRANS WORLD AIRLINES	280,936
58,400	TRANSAMERICA CORP	2,073,200
18,100	TRANSCO ENERGY CO.	895,950
4,751	TRANSCO EXPL. PART. LTD	77,798
36,300	TRANSWORLD CORP	1,229,663
68,700	TRAVELERS CORP.	3,435,000
20,000	TRINITY INDS INC.	360,000
10,000	TRUS JOIST CORP	352,500
26,600	TRW INC.	2,706,550
40,800	TYCO LABS	1,433,100
23,400	TYLER CORP	380,250
72,000	TYSON FOODS INC (DEL)	2,592,000
34,100	U S BANCORP	1,338,425
5,200	U.S. HEALTHCARE INC	96,200
239,162	U.S. STEEL	4,932,716
145,920	U.S. WEST CORP	8,043,840
29,600	UAL INC.	1,624,300
6,300	UCCEL CORP	137,813
25,000	ULTIMATE CORP.	693,750
8,400	ULTRASYSTEMS INC	98,700
44,400	UNION CAMP CORP.	2,269,950
45,591	UNION CARBIDE CORP	963,110
15,197	UNION CARBIDE CORP RTS	507,200
93,200	UNION ELEC CO	2,353,300
88,100	UNION PACIFIC CORP.	5,010,688
142,900	UNITED ARTIST COMM INC CL	2,822,275
15,000	UNITED BANCORP ARIZ	468,750
27,000	UNITED BANKERS INC	185,625
19,000	UNITED BKS COLO INC	617,500
20,000	UNITED BRANDS CO	582,500
28,000	UNITED ILLUM CO	889,000
11,000	UNITED INDL CORP	226,875
10,400	UNITED JERSEY BKS HACKENS	456,300
8,000	UNITED NEW MEXICO FINL CO	114,000
42,000	UNITED STATES LEASING INT	1,743,000
43,600	UNITED STATES SHOE CORP	1,073,650
45,000	UNITED STATES SURGICAL CO	1,068,750
10,000	UNITED STATIONERS INC	167,500
22,600	UNITED STOCKYARDS CORP	220,350
95,800	UNITED TECHNOLOGIES CORP.	4,742,100
65,200	UNITED TELECOM. INC.	1,776,700
44,000	UNITED VA BANKSHARES INC	1,540,000
23,000	UNITRODE CORP	425,500
10,000	UNIVAR CORP	116,250
19,300	UNIVERSAL FOODS CORP	694,800
55,000	UNIVERSAL HEALTH SVCS	893,750

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
102,580	UNOCAL CORP.	\$ 2,025,955
48,200	UPJOHN CO	4,560,925
20,000	US AIR GROUP	637,500
67,700	US FIDELITY & GUAR. CO.	2,699,538
52,600	USG CORP HOLDING CO.	2,150,025
17,000	USLIFE CORP	820,250
39,000	UTAH POWER & LIGHT COMPAN	1,199,250
55,800	V F CORP	1,778,625
20,100	VALLEY NATIONAL CORP.	899,475
33,100	VALUE LINE INC	901,975
19,900	VARIAN ASSOC. INC.	512,425
25,000	VARLEN CORP	337,500
30,000	VEECO INSTRS INC	487,500
28,000	VESTRON INC	227,500
44,000	VIACOM INTL.	1,342,000
23,900	VICORP RESTAURANTS INC	442,150
30,000	VIE DE FRANCE CORP	180,000
25,000	VLSI TECHNOLOGY INC	256,250
11,000	VOLT INFORMATION SCIENCES	233,750
10,000	VULCAN MATLS CO	1,068,750
229,000	WAL-MART STORES INC.	11,879,375
48,400	WALGREEN CO	1,905,750
22,000	WALLACE COMPUTER SER, INC	1,050,500
15,625	WALTER JIM CORP	703,125
116,100	WANG LABS CL B	1,756,013
54,500	WARNER COMMUNICATIONS	3,079,250
62,400	WARNER LAMBERT	3,861,000
10,500	WASHINGTON GAS LT CO	305,813
12,700	WASHINGTON MUT SVGS BK SE	420,688
36,000	WASHINGTON NATL CORP	1,251,000
7,700	WASHINGTON POST B	1,352,313
34,000	WASHINGTON WTR PWR CO	1,020,000
78,100	WASTE MANAGEMENT	3,905,000
19,000	WATKINS JOHNSON CO.	684,000
32,000	WD 40 CO	824,000
22,000	WEIS MARKETS INC.	866,250
20,300	WELLS FARGO & CO.	2,156,875
24,000	WELLS FARGO MTG & EQUITY	636,000
82,400	WENDYS INTL INC	1,287,500
25,000	WEST INC	750,000
26,920	WEST POINT PEPPERELL INC.	1,534,440
10,000	WESTERN CAP. INVESTMENT C	168,750
6,500	WESTERN PAC INDS INC	892,125
12,920	WESTERN TEL COMM	319,770
134,200	WESTINGHOUSE ELEC. CO.	7,196,475
27,000	WESTMORELAND COAL CO	594,000
14,700	WESTVACO CORP	738,675

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY	MARKET VALUE
33,000	WETTERAU INC	\$ 1,262,250
104,400	WEYERHEUSER CO.	3,640,950
27,600	WHIRLPOOL CORP.	2,149,350
35,400	WHITEHALL CORP.	885,000
33,900	WHITTAKER CORP	974,625
18,666	WILLAMETTE INDS INC.	690,642
28,100	WILLIAMS COS	660,350
6,000	WILMINGTON TRUST CO.	291,000
16,000	WILSON FOODS CORP	162,000
32,500	WINN DIXIE STORES INC	1,608,750
113,400	WINNEBAGO IND INC.	1,474,200
26,400	WISCONSIN ELEC. POWER	1,455,300
24,000	WISCONSIN PUB SVC CORP	1,215,000
26,000	WISCONSIN PWR & LT CO	1,287,000
28,000	WISER OIL CO DEL	427,000
20,100	WITCO CORP.	1,102,988
14,100	WOLVERINE WORLD WIDE	151,575
57,600	WOOLWORTH F W CO	2,764,800
49,500	WORTHINGTON INDS INC	1,466,438
26,000	WRIGLEY WM JR CO	1,101,750
12,000	WRIGLEY WM JR CO	224,352
21,200	WYMAN-GORDON CO.	466,400
84,700	XEROX CORP	4,753,788
50,887	XIDEX CORP	998,657
19,800	XTRA CORP.	460,350
31,200	YELLOW FREIGHT SYSTEM	1,251,900
6,410	YORK INTL CORP	108,970
48,266	ZAYRE CORP.	2,069,405
18,900	ZENITH ELECTRONICS CORP	467,775
15,000	ZERO CORP.	268,125
40,000	ZIYAD INC	180,000
23,000	ZURN INDS INC	879,750
TOTAL EQUITY PORTFOLIO		\$ 1,977,353,380

MINNESOTA STATE BOARD OF INVESTMENT
 PASSIVE EQUITY FUND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
200	C B S INC	08/01/1995	10.875% \$	222
8,760	GENERAL MOTORS CONT	10/28/1991	0.000%	0
1,578	MAI HLDGS INC	11/15/1997	16.000%	1,578
700	MARY KAY CORP	11/30/2000	0.000%	399
33,000	NATIONAL GYPSUM CO	06/30/2004	15.500%	16,706
165,000	SHELLER GLOBE CORP	06/15/2001	0.000%	82,088
420	UNION CARBIDE CORP	01/31/1993	13.250%	443
420	UNION CARBIDE CORP	01/31/1996	14.250%	454
25	UNION CARBIDE CORP	01/31/2006	15.000%	28
TOTAL BOND PORTFOLIO			\$	101,917

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
80,000	ABBOTT LABS	ALLIANCE CAPITAL	\$ 4,300,000
15,100	ACME CLEVELAND CORP	NORWEST BANK	179,313
5,000	ACTION INDS INC	NORWEST BANK	68,750
13,000	ADT , INC.	LIEBER & COMPANY	381,875
9,000	ADVANCED MICRO DEV.	NORWEST BANK	180,000
16,200	AFG INDS INC	LIEBER & COMPANY	516,375
120,000	AHMANSON H.F. CO.	FRED ALGER	3,315,000
144,000	AHMANSON H.F. CO.	IDS ADVISORY	3,978,000
49,800	AHMANSON H.F. CO.	WADDELL & REED	1,375,725
	SUB-TOTAL	313,800 SHARES	8,668,725
60,000	AIR PRODUCTS & CHEM. INC.	INVESTMENT ADVISORS	2,100,000
3,800	ALCAN ALUMINUM LTD.	NORWEST BANK	115,900
17,900	ALEXANDER & ALEXANDER	LIEBER & COMPANY	704,813
7,200	ALEXANDERS INC	LIEBER & COMPANY	276,300
136,800	ALLEGHENY INTERNATIONAL	BEUTEL GOODMAN	2,804,400
24,000	ALLEGHENY INTERNATIONAL	NORWEST BANK	492,000
	SUB-TOTAL	160,800 SHARES	3,296,400
3,000	ALLEN ORGAN CLASS B	LIEBER & COMPANY	111,750
52,372	ALLIANCE TECHNOLOGY FD IN	ALLIANCE CAPITAL	1,278,407
28,900	ALLIED BANCSHARES INC.	NORWEST BANK	455,175
150,000	ALTOS COMPUTER SYSTEMS	BMI CAPITAL	2,343,750
50,000	ALUMINUM CO. OF AMERICA	INVESTMENT ADVISORS	1,906,250
7,000	ALUMINUM CO. OF AMERICA	NORWEST BANK	266,875
14,950	ALUMINUM CO. OF AMERICA	WADDELL & REED	569,969
	SUB-TOTAL	71,950 SHARES	2,743,094
12,500	ALZA CORPORATION	FORSTMANN LEFF	621,875
45,000	ALZA CORPORATION	HELLMAN JORDAN	2,238,750
	SUB-TOTAL	57,500 SHARES	2,860,625
25,200	AMAX INC	NORWEST BANK	333,900
33,400	AMCAST INDUSTRIAL CORP.	NORWEST BANK	425,850
58,500	AMDAHL CORP	WADDELL & REED	1,023,750
140,700	AMER. BANK. INS. GRP.	FORSTMANN LEFF	2,040,150
7,500	AMER. BANK. INS. GRP.	NORWEST BANK	108,750
	SUB-TOTAL	148,200 SHARES	2,148,900
110,000	AMER. GENERAL CORP.	BEUTEL GOODMAN	4,633,750
21,450	AMER. GENERAL CORP.	WADDELL & REED	903,581
	SUB-TOTAL	131,450 SHARES	5,537,331
21,000	AMER. INT'L.. GROUP INC.	ALLIANCE CAPITAL	2,706,375
25,000	AMER. INT'L.. GROUP INC.	BMI CAPITAL	3,221,875
43,600	AMER. INT'L.. GROUP INC.	HELLMAN JORDAN	5,618,950
	SUB-TOTAL	89,600 SHARES	11,547,200

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
44,400	AMER. MEDICAL INT'L.	NORWEST BANK	\$ 771,450
55,200	AMER. MEDICAL INT'L.	INTERNAL MANAGED	959,100
	SUB-TOTAL	99,600 SHARES	1,730,550
30,800	AMERADA HESS CORP.	NORWEST BANK	616,000
75,800	AMERADA HESS CORP.	INTERNAL MANAGED	1,516,000
	SUB-TOTAL	106,600 SHARES	2,132,000
70,000	AMERICAN BAKERIES CO	BMI CAPITAL	2,073,750
113,000	AMERICAN CARRIERS	FORSTMANN LEFF	1,680,875
20,400	AMERICAN CYANAMID	WADDELL & REED	1,581,000
51,000	AMERICAN EXPRESS COMPANY	FRED ALGER	3,187,500
55,000	AMERICAN EXPRESS COMPANY	ALLIANCE CAPITAL	3,437,500
86,500	AMERICAN EXPRESS COMPANY	HELLMAN JORDAN	5,406,250
30,000	AMERICAN EXPRESS COMPANY	INVESTMENT ADVISORS	1,875,000
26,600	AMERICAN EXPRESS COMPANY	WADDELL & REED	1,662,500
	SUB-TOTAL	249,100 SHARES	15,568,750
20,000	AMERICAN FAMILY CORP	LIEBER & COMPANY	662,500
17,000	AMERICAN FLETCHER CORP	LIEBER & COMPANY	930,750
10,300	AMERICAN HOME PRODS CORP	FORSTMANN LEFF	927,000
15,000	AMERICAN INCOME LIFE INS	NORWEST BANK	208,125
11,000	AMERICAN PRESIDENT COS LT	WADDELL & REED	565,125
13,000	AMERICAN SOFTWARE INC	LIEBER & COMPANY	170,625
11,000	AMERICAN STANDARD INC.	LIEBER & COMPANY	463,375
75,000	AMERICAN TEL & TEL NEW	IDS ADVISORY	1,903,125
18,100	AMERICAN TEL & TEL NEW	NORWEST BANK	459,288
	SUB-TOTAL	93,100 SHARES	2,362,413
29,700	AMERICANA HOTELS & RLTY C	NORWEST BANK	322,988
60,000	AMETEK INC	IDS ADVISORY	1,792,500
47,000	AMR CORP.	ALLIANCE CAPITAL	2,590,875
50,000	AMR CORP.	INVESTMENT ADVISORS	2,756,250
	SUB-TOTAL	97,000 SHARES	5,347,125
20,000	ANALOGIC CORP	LIEBER & COMPANY	247,500
24,200	ANALOGIC CORP	NORWEST BANK	299,475
	SUB-TOTAL	44,200 SHARES	546,975
11,400	ANDREW CORP.	NORWEST BANK	202,350
12,300	APOGEE ENTERPRISES	LIEBER & COMPANY	246,000
54,600	APPLE COMPUTER	FORSTMANN LEFF	1,958,775
37,000	APPLE COMPUTER	HELLMAN JORDAN	1,327,375
	SUB-TOTAL	91,600 SHARES	3,286,150
120,000	ARCHER DANIELS MIDLAND CO	HELLMAN JORDAN	2,190,000
75,000	ARCHER DANIELS MIDLAND CO	INVESTMENT ADVISORS	1,368,750

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
	SUB-TOTAL	195,000 SHARES	3,558,750
6,500	ARMSTRONG IND. INC.	LIEBER & COMPANY	\$ 416,813
17,000	ARMSTRONG RUBBER	NORWEST BANK	248,625
50,100	ASHLAND OIL INC	IDS ADVISORY	2,711,663
7,000	ASHLAND OIL INC	LIEBER & COMPANY	378,875
30,300	ASHLAND OIL INC	INTERNAL MANAGED	1,639,988
	SUB-TOTAL	87,400 SHARES	4,730,525
100,000	ASK COMPUTER	FRED ALGER	1,100,000
70,000	ASK COMPUTER	BMI CAPITAL	770,000
	SUB-TOTAL	170,000 SHARES	1,870,000
23,000	ASPEN RIBBONS INC	LIEBER & COMPANY	60,375
10,000	ASSOC. DRY GOODS	LIEBER & COMPANY	655,000
15,000	ATCOR INC	NORWEST BANK	232,500
15,000	ATLANTIC RESEARCH CORP	LIEBER & COMPANY	442,500
47,000	ATLANTIC RICHFIELD	INTERNAL MANAGED	2,444,000
90,000	AUDIO VIDEO AFFILIATES IN	BMI CAPITAL	1,203,750
72,000	AUTOMATIC DATA PROCESSING	IDS ADVISORY	2,547,000
27,600	BAKER INTL. CORP.	NORWEST BANK	362,250
70,000	BAKER INTL. CORP.	INTERNAL MANAGED	918,750
	SUB-TOTAL	97,600 SHARES	1,281,000
7,100	BANK OF NY CO. INC.	FORSTMANN LEFF	451,738
16,000	BANK OF NY CO. INC.	LIEBER & COMPANY	1,018,000
	SUB-TOTAL	23,100 SHARES	1,469,738
28,900	BANKERS TRUST NY CORP.	INTERNAL MANAGED	1,398,038
49,400	BARD C.R. INC.	FORSTMANN LEFF	1,722,825
68,700	BARRISTER INFORMATION SYS	BMI CAPITAL	1,082,025
70,000	BAUSCH & LOMB INC	FRED ALGER	2,730,000
21,100	BECOR WESTERN INC	NORWEST BANK	274,300
50,000	BECTON DICKINSON & CO	BMI CAPITAL	2,756,250
35,400	BECTON DICKINSON & CO	WADDELL & REED	1,951,425
	SUB-TOTAL	85,400 SHARES	4,707,675
41,800	BELL & HOWELL CO.	FORSTMANN LEFF	1,964,600
28,000	BELL CANADA ENTERPRISES I	NORWEST BANK	777,000
7,000	BENCH CRAFT INC	LIEBER & COMPANY	108,500
50,000	BENEFICIAL CORPORATION	BEUTEL GOODMAN	2,325,000
10,000	BENEFICIAL CORPORATION	LIEBER & COMPANY	465,000
16,800	BENEFICIAL CORPORATION	WADDELL & REED	781,200
	SUB-TOTAL	76,800 SHARES	3,571,200
89,000	BENIHANA NATL CORP	FORSTMANN LEFF	867,750
10,000	BERGEN BRUNSWIG CORP.	NORWEST BANK	242,500

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
38,250	BERKLEY W R CORP	FORSTMANN LEFF	\$ 1,530,000
15,000	BEST PRODUCTS	NORWEST BANK	208,125
150,200	BEVERLY ENTERPRISES	FRED ALGER	3,285,625
70,000	BEVERLY ENTERPRISES	INVESTMENT ADVISORS	1,531,250
	SUB-TOTAL	220,200 SHARES	4,816,875
36,000	BIG BEAR INC	LIEBER & COMPANY	783,000
10,200	BK. OF NEW HAMP. CORP.	LIEBER & COMPANY	275,400
10,200	BLACK & DECKER MFG CO	NORWEST BANK	209,100
84,500	BMC INDS INC MINN	NORWEST BANK	411,938
8,750	BOATMEN'S BANCSHARES	LIEBER & COMPANY	414,531
62,250	BOEING COMPANY	FRED ALGER	3,921,750
40,000	BOEING COMPANY	INVESTMENT ADVISORS	2,520,000
	SUB-TOTAL	102,250 SHARES	6,441,750
72,200	BOISE CASCADE CORP	BEUTEL GOODMAN	4,187,600
30,000	BOISE CASCADE CORP	INVESTMENT ADVISORS	1,740,000
	SUB-TOTAL	102,200 SHARES	5,927,600
15,000	BRISTOL-MYERS COMPANY	INVESTMENT ADVISORS	1,290,000
40,000	BROWNING FERRIS INDS INC	INVESTMENT ADVISORS	1,520,000
19,800	BRUNSWICK CORP.	WADDELL & REED	700,425
7,500	BUILDERS TRANSPORT INC.	LIEBER & COMPANY	213,750
5,800	BURLINGTON NORTHERN INC.	NORWEST BANK	369,750
16,100	BURLINGTON NORTHERN INC.	INTERNAL MANAGED	1,026,375
	SUB-TOTAL	21,900 SHARES	1,396,125
11,400	BURROUGHS CORPORATION	NORWEST BANK	701,100
19,200	BURROUGHS CORPORATION	INTERNAL MANAGED	1,180,800
	SUB-TOTAL	30,600 SHARES	1,881,900
41,900	C P REHAB CORP	NORWEST BANK	209,500
50,000	C.O.M.B. COMPANY	FRED ALGER	1,700,000
17,600	C.O.M.B. COMPANY	FORSTMANN LEFF	598,400
64,000	C.O.M.B. COMPANY	INVESTMENT ADVISORS	2,176,000
	SUB-TOTAL	131,600 SHARES	4,474,400
127,000	CALFED INC	FORSTMANN LEFF	4,841,875
32,000	CALFED INC	IDS ADVISORY	1,220,000
17,000	CALFED INC	WADDELL & REED	648,125
	SUB-TOTAL	176,000 SHARES	6,710,000
10,200	CAMPBELL RED LAKES MINES	NORWEST BANK	151,725
59,000	CANADIAN PACIFIC LTD	NORWEST BANK	715,375
70,200	CANADIAN PACIFIC LTD	INTERNAL MANAGED	851,175
	SUB-TOTAL	129,200 SHARES	1,566,550

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
50,000	CAROLINA FREIGHT CORP	INVESTMENT ADVISORS	\$ 1,806,250
28,300	CAROLINA FREIGHT CORP	WADDELL & REED	1,022,338
	SUB-TOTAL	78,300 SHARES	2,828,588
90,500	CARTER HAWLEY HALE STORES	BEUTEL GOODMAN	3,325,875
200,000	CASTLE & COOKE INC	BMI CAPITAL	3,325,000
40,000	CATERPILLAR INC.	INVESTMENT ADVISORS	1,990,000
13,000	CBI INDS INC	NORWEST BANK	323,375
19,000	CBS INCORPORATED	HELLMAN JORDAN	2,745,500
3,000	CBS INCORPORATED	LIEBER & COMPANY	433,500
	SUB-TOTAL	22,000 SHARES	3,179,000
6,300	CELANESE CORPORATION	FORSTMANN LEFF	1,439,550
12,750	CELANESE CORPORATION	WADDELL & REED	2,913,375
	SUB-TOTAL	19,050 SHARES	4,352,925
25,000	CEN. BANKSHRS. SO.	LIEBER & COMPANY	768,750
22,200	CENTEL CORP.	INTERNAL MANAGED	1,320,900
12,500	CENTERRE BANCORPORATION	LIEBER & COMPANY	637,500
11,000	CETUS CORP	FORSTMANN LEFF	401,500
16,500	CHAMPION INTERNATIONAL	NORWEST BANK	406,313
50,000	CHARMING SHOPPES INC	FRED ALGER	1,731,250
25,100	CHASE MANHATTAN CORP.	INTERNAL MANAGED	1,113,813
23,600	CHEMICAL NEW YORK CORP	INTERNAL MANAGED	1,209,500
21,000	CHICAGO PAC CORP	LIEBER & COMPANY	703,500
19,500	CHIEF AUTO SYSTEMS	LIEBER & COMPANY	502,125
75,000	CHRYSLER CORP.	FRED ALGER	2,859,375
55,000	CHRYSLER CORP.	ALLIANCE CAPITAL	2,096,875
118,500	CHRYSLER CORP.	HELLMAN JORDAN	4,517,813
83,725	CHRYSLER CORP.	WADDELL & REED	3,192,016
	SUB-TOTAL	332,225 SHARES	12,666,078
14,101	CHUBB CORPORATION	FORSTMANN LEFF	972,935
49,450	CHUBB CORPORATION	HELLMAN JORDAN	3,412,050
11,000	CHUBB CORPORATION	WADDELL & REED	759,000
	SUB-TOTAL	74,551 SHARES	5,143,985
22,000	CIRCLE K CORP	WADDELL & REED	764,500
66,000	CIRCUS CIRCUS ENTER.	FRED ALGER	2,574,000
33,000	CLARK EQUIP CO	NORWEST BANK	726,000
61,900	CLEVELAND-CLIFFS INC	NORWEST BANK	889,813
60,500	CMI CORP	NORWEST BANK	310,063
50,000	COBE LABS INC	FORSTMANN LEFF	1,250,000
44,900	COCA COLA BOTTLING CO CON	ALLIANCE CAPITAL	2,491,950
30,000	COCA COLA COMPANY	ALLIANCE CAPITAL	3,765,000
48,000	COLLINS & AIKMAN CORP	IDS ADVISORY	1,884,000
10,000	COLONIAL LIFE & ACC INS C	LIEBER & COMPANY	480,000

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
10,000	COMMERCE UN CORP	LIEBER & COMPANY	\$ 303,750
12,500	COMMONWEALTH EDISON CO.	NORWEST BANK	401,563
32,250	COMMONWEALTH EDISON CO.	INTERNAL MANAGED	1,036,031
	SUB-TOTAL	44,750 SHARES	1,437,594
100,000	COMMUNICATIONS SATELLITE	BEUTEL GOODMAN	3,425,000
12,500	COMMUNICATIONS SATELLITE	NORWEST BANK	428,125
	SUB-TOTAL	112,500 SHARES	3,853,125
100,000	COMMUNITY PSYCHIATRIC CEN	BMI CAPITAL	3,012,500
37,900	COMP U CARD INTL INC	FORSTMANN LEFF	1,231,750
15,000	COMPREHENSIVE CARE CORP	NORWEST BANK	196,875
14,000	COMPUGRAPHIC CORP	NORWEST BANK	269,500
10,000	COMPUTER HORIZONS CORP	LIEBER & COMPANY	136,250
33,500	COMPUTER PRODS INC	NORWEST BANK	180,063
15,900	COMPUTER SCIENCES CORP.	WADDELL & REED	626,063
32,000	CONAGRA INC.	IDS ADVISORY	1,880,000
15,600	CONIFER GROUP	LIEBER & COMPANY	631,800
20,000	CONSOL. EDISON OF N.Y.	IDS ADVISORY	882,500
47,000	CONSOL. NAT. GAS	INTERNAL MANAGED	1,457,000
25,000	CONTEL CORP	NORWEST BANK	753,125
43,500	CONTEL CORP	INTERNAL MANAGED	1,310,438
	SUB-TOTAL	68,500 SHARES	2,063,563
100,000	CONTROL DATA CORP.	BMI CAPITAL	2,250,000
43,000	CORNING GLASS WORKS	FRED ALGER	3,133,625
30,000	CORNING GLASS WORKS	INVESTMENT ADVISORS	2,186,250
	SUB-TOTAL	73,000 SHARES	5,319,875
110,000	CPT CORP.	NORWEST BANK	453,750
25,000	CRAY RESH INC	FRED ALGER	2,415,625
28,000	CRAY RESH INC	ALLIANCE CAPITAL	2,705,500
32,000	CRAY RESH INC	FORSTMANN LEFF	3,092,000
	SUB-TOTAL	85,000 SHARES	8,213,125
50,000	CROSSLAND SVGS FSB BROOKL	BMI CAPITAL	1,006,250
15,000	CRYSTAL BRANDS INC	NORWEST BANK	335,625
50,000	CSX CORPORATION	INVESTMENT ADVISORS	1,637,500
53,400	CSX CORPORATION	WADDELL & REED	1,748,850
	SUB-TOTAL	103,400 SHARES	3,386,350
27,400	CULLINET SOFTWARE INC.	NORWEST BANK	352,775
6,300	CUMMINS ENGINE CO.	NORWEST BANK	419,738
144,900	DAISY SYSTEMS CORP.	FORSTMANN LEFF	1,593,900
28,800	DAISY SYSTEMS CORP.	NORWEST BANK	316,800
	SUB-TOTAL	173,700 SHARES	1,910,700

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
80,000	DAMON CORP.	FRED ALGER	\$ 1,420,000
37,000	DANIEL INDS INC	NORWEST BANK	259,000
16,000	DART & KRAFT INC.	FORSTMANN LEFF	1,014,000
3,500	DART GROUP	LIEBER & COMPANY	509,250
17,500	DATA I O CORP	NORWEST BANK	175,000
14,000	DAYCO CORP	NORWEST BANK	264,250
45,500	DAYTON-HUDSON CORP.	ALLIANCE CAPITAL	2,536,625
16,900	DAYTON-HUDSON CORP.	WADDELL & REED	942,175
	SUB-TOTAL	62,400 SHARES	3,478,800
95,000	DEERE & COMPANY	BEUTEL GOODMAN	2,707,500
13,300	DEERE & COMPANY	NORWEST BANK	379,050
	SUB-TOTAL	108,300 SHARES	3,086,550
16,000	DEKALB CORP	NORWEST BANK	330,000
9,500	DELTA AIR LINES INC.	NORWEST BANK	394,250
26,600	DELTA AIR LINES INC.	INTERNAL MANAGED	1,103,900
	SUB-TOTAL	36,100 SHARES	1,498,150
14,200	DENNISON MFG CO	NORWEST BANK	404,700
26,900	DETROIT EDISON CO	NORWEST BANK	443,850
88,000	DIAMOND SHAMROCK	NORWEST BANK	957,000
1,072	DIAMOND SHAMROCK OFFSHORE	NORWEST BANK	16,080
10,000	DIGITAL COMMUNICATIONS AS	NORWEST BANK	170,000
48,000	DIGITAL EQUIPMENT CORP.	FRED ALGER	4,116,000
10,400	DIGITAL EQUIPMENT CORP.	FORSTMANN LEFF	891,800
56,000	DIGITAL EQUIPMENT CORP.	HELLMAN JORDAN	4,802,000
30,000	DIGITAL EQUIPMENT CORP.	INVESTMENT ADVISORS	2,572,500
	SUB-TOTAL	144,400 SHARES	12,382,300
65,000	DISNEY WALT CORP	ALLIANCE CAPITAL	3,558,750
48,000	DISNEY WALT CORP	IDS ADVISORY	2,628,000
10,000	DISNEY WALT CORP	LIEBER & COMPANY	547,500
	SUB-TOTAL	123,000 SHARES	6,734,250
36,000	DONNELLEY RR & SONS	ALLIANCE CAPITAL	2,803,500
30,000	DOVER CORP.	INVESTMENT ADVISORS	1,245,000
60,000	DOW CHEMICAL COMPANY	FRED ALGER	3,442,500
24,000	DOW CHEMICAL COMPANY	IDS ADVISORY	1,377,000
60,000	DOW CHEMICAL COMPANY	INVESTMENT ADVISORS	3,442,500
36,100	DOW CHEMICAL COMPANY	WADDELL & REED	2,071,238
	SUB-TOTAL	180,100 SHARES	10,333,238
15,000	DOXSEE FOOD CORP	LIEBER & COMPANY	155,625
40,500	DU PONT EI DENEMOURS	HELLMAN JORDAN	3,371,625
17,000	DUN & BRADSTREET COS INC	IDS ADVISORY	2,014,500
35,000	DUQUESNE LT CO	NORWEST BANK	481,250

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
30,000	DYLEX LTD	LIEBER & COMPANY	\$ 414,018
15,000	DYNATECH CORP	LIEBER & COMPANY	498,750
30,000	E Z EM INC	LIEBER & COMPANY	457,500
10,700	E.F. HUTTON GROUP INC.	FORSTMANN LEFF	347,750
13,000	E.F. HUTTON GROUP INC.	LIEBER & COMPANY	422,500
	SUB-TOTAL	23,700 SHARES	770,250
7,000	EASTMAN KODAK COMPANY	LIEBER & COMPANY	410,375
16,000	EASTMAN KODAK COMPANY	NORWEST BANK	938,000
	SUB-TOTAL	23,000 SHARES	1,348,375
18,000	EDUCATIONAL COMP. CORP.	LIEBER & COMPANY	236,250
27,000	EL PASO ELEC CO	NORWEST BANK	432,000
28,000	ELECTRO BIOLOGY INC	NORWEST BANK	220,500
15,000	ELECTRO RENT CORP	LIEBER & COMPANY	217,500
22,500	EMERY AIR FREIGHT CORP.	NORWEST BANK	329,063
35,000	EMULEX CORP	NORWEST BANK	218,750
37,900	ENDEVCO INC	WADDELL & REED	284,250
10,000	ENGLEHARD CORP	NORWEST BANK	280,000
22,700	ENRON CORP.	INTERNAL MANAGED	998,800
43,500	EXXON CORPORATION	INTERNAL MANAGED	2,648,063
18,000	FAIRFIELD COMMUN. INC.	LIEBER & COMPANY	191,250
10,000	FEDERAL EXPRESS CORP.	HELLMAN JORDAN	572,500
22,000	FEDERAL EXPRESS CORP.	WADDELL & REED	1,259,500
	SUB-TOTAL	32,000 SHARES	1,832,000
50,000	FEDERAL NATL. MTG.	ALLIANCE CAPITAL	1,968,750
20,200	FEDERAL NATL. MTG.	FORSTMANN LEFF	795,375
49,000	FEDERAL NATL. MTG.	HELLMAN JORDAN	1,929,375
41,400	FEDERAL NATL. MTG.	WADDELL & REED	1,630,125
	SUB-TOTAL	160,600 SHARES	6,323,625
5,000	FEDERATED DEPT. STORES	LIEBER & COMPANY	444,375
18,800	FEDERATED GROUP INC	NORWEST BANK	272,600
11,000	FEDERATED GTY CORP	LIEBER & COMPANY	192,500
200,000	FINANCIAL NEWS NETWORK IN	FRED ALGER	3,150,000
50,000	FIREMANS FD CORP	INVESTMENT ADVISORS	1,837,500
31,000	FIREMANS FD CORP	WADDELL & REED	1,139,250
	SUB-TOTAL	81,000 SHARES	2,976,750
64,500	FIRST BANK SYSTEM	ALLIANCE CAPITAL	3,716,813
30,000	FIRST BANK SYSTEM	IDS ADVISORY	1,728,750
25,000	FIRST BANK SYSTEM	INVESTMENT ADVISORS	1,440,625
	SUB-TOTAL	119,500 SHARES	6,886,188
50,000	FIRST BOSTON INC	ALLIANCE CAPITAL	2,562,500
57,000	FIRST BOSTON INC	FORSTMANN LEFF	2,921,250

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
	SUB-TOTAL	107,000 SHARES	5,483,750
2,800	FIRST EMPIRE ST CORP	LIEBER & COMPANY	\$ 275,100
119,500	FIRST EXECUTIVE CORP DEL	FORSTMANN LEFF	3,316,125
26,328	FIRST FIDELITY BANCORP	LIEBER & COMPANY	1,043,247
14,600	FIRST INTERSTATE BANCORP	LIEBER & COMPANY	21,900
83,000	FIRST INTERSTATE BANCORP.	BEUTEL GOODMAN	5,146,000
8,000	FIRST JERSEY NAT'L. CO.	LIEBER & COMPANY	453,000
40,400	FIRST MISS CORP	NORWEST BANK	267,650
12,000	FIRST SVGS. BANK FLORIDA	LIEBER & COMPANY	372,000
60,000	FIRST UN CORP	IDS ADVISORY	1,717,500
2,000	FLEETWOOD ENTER. INC.	NORWEST BANK	46,000
28,000	FLEETWOOD ENTER. INC.	WADDELL & REED	644,000
	SUB-TOTAL	30,000 SHARES	690,000
20,000	FLORIDA FED. S & L	LIEBER & COMPANY	387,500
5,400	FLORIDA ROCK INDUSTRIES	LIEBER & COMPANY	348,300
16,700	FLUOR CORP	NORWEST BANK	271,375
45,000	FORD MOTOR CO.	FRED ALGER	2,480,625
55,500	FORD MOTOR CO.	HELLMAN JORDAN	3,059,438
	SUB-TOTAL	100,500 SHARES	5,540,063
37,000	FOSTER L B CO	NORWEST BANK	166,500
13,200	FOSTER WHEELER CORP	NORWEST BANK	178,200
7,400	FOXBORO CO	NORWEST BANK	225,700
275	FREEPORT MCMORAN ENERGY	NORWEST BANK	4,194
138	FREEPORT MCMORAN GOLD CO	NORWEST BANK	1,031
16,500	FREEPORT-MCMORAN INC	NORWEST BANK	286,688
28,325	G & K SERVICES INC.	LIEBER & COMPANY	495,688
20,600	GAF CORP	FORSTMANN LEFF	710,700
9,600	GALAXY CARPET MLS INC	LIEBER & COMPANY	144,000
45,000	GANNETT INC.	ALLIANCE CAPITAL	3,847,500
7,500	GATEWAY BK SOUTH NORWALK	LIEBER & COMPANY	182,813
73,000	GCA CORP	NORWEST BANK	319,375
45,000	GEARHART INDS INC	NORWEST BANK	101,250
62,500	GELCO CORPORATION	INTERNAL MANAGED	976,563
12,240	GENCORP	FORSTMANN LEFF	914,940
6,080	GENCORP	LIEBER & COMPANY	454,480
	SUB-TOTAL	18,320 SHARES	1,369,420
60,000	GENENTECH INC	FRED ALGER	5,407,500
25,800	GENENTECH INC	FORSTMANN LEFF	2,325,225
	SUB-TOTAL	85,800 SHARES	7,732,725
17,900	GENERAL DYNAMICS	INTERNAL MANAGED	1,369,350
30,000	GENERAL ELECTRIC CO.	ALLIANCE CAPITAL	2,430,000
8,600	GENERAL ELECTRIC CO.	FORSTMANN LEFF	696,600

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
33,000	GENERAL ELECTRIC CO.	INVESTMENT ADVISORS	\$ 2,673,000
36,300	GENERAL ELECTRIC CO.	WADDELL & REED	2,940,300
	SUB-TOTAL	107,900 SHARES	8,739,900
100,000	GENERAL INSTRUMENT CORP	BMI CAPITAL	2,162,500
25,200	GENERAL INSTRUMENT CORP	WADDELL & REED	544,950
	SUB-TOTAL	125,200 SHARES	2,707,450
16,400	GENERAL MILLS INC.	FORSTMANN LEFF	1,361,200
22,000	GENERAL MOTORS CORP.	ALLIANCE CAPITAL	1,707,750
53,500	GENERAL MOTORS CORP.	BEUTEL GOODMAN	4,152,938
21,500	GENERAL MOTORS CORP.	NORWEST BANK	1,668,938
13,800	GENERAL MOTORS CORP.	INTERNAL MANAGED	1,071,225
	SUB-TOTAL	110,800 SHARES	8,600,850
44,400	GENERAL PUBLIC UTILITIES	FORSTMANN LEFF	932,400
44,000	GENERAL RE CORP.	ALLIANCE CAPITAL	2,750,000
34,400	GENERAL RE CORP.	HELLMAN JORDAN	2,150,000
30,000	GENERAL RE CORP.	IDS ADVISORY	1,875,000
13,200	GENERAL RE CORP.	WADDELL & REED	825,000
	SUB-TOTAL	121,600 SHARES	7,600,000
8,400	GENERAL SIGNAL CORP.	NORWEST BANK	397,950
162,000	GENRAD INC.	BEUTEL GOODMAN	1,417,500
11,500	GIFFORD HILL & CO INC	NORWEST BANK	270,250
185,000	GLAXO HLDGS LTD	FRED ALGER	2,913,750
16,500	GODFREY COMPANY	LIEBER & COMPANY	563,063
14,000	GOODRICH (B.F.)	WADDELL & REED	609,000
21,500	GOODYEAR TIRE & RUBBER	NORWEST BANK	709,500
19,000	GOULD INC.	NORWEST BANK	415,625
21,000	GR. AMER. FIRST SVGS BK S	FORSTMANN LEFF	488,250
19,000	GREENTREE ACCEPT. INC.	LIEBER & COMPANY	1,102,000
33,300	GREYHOUND CORP.	WADDELL & REED	1,173,825
20,000	GTE CORP.	NORWEST BANK	1,082,500
24,750	GTE CORP.	INTERNAL MANAGED	1,339,594
	SUB-TOTAL	44,750 SHARES	2,422,094
30,200	GULF & WESTERN INC.	FORSTMANN LEFF	2,147,975
18,000	GULF CDA CORP	LIEBER & COMPANY	193,500
54,700	GULF STS UTILS CO	NORWEST BANK	485,463
33,400	HALLIBURTON INC.	NORWEST BANK	743,150
53,500	HALLIBURTON INC.	INTERNAL MANAGED	1,190,375
	SUB-TOTAL	86,900 SHARES	1,933,525
17,500	HAMMERMILL PAPER CO	FORSTMANN LEFF	739,375
50,400	HARCOURT BRACE JOVAN.	FRED ALGER	1,827,000
7,500	HARPER GROUP	LIEBER & COMPANY	256,875

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
21,000	HARTMARX CORP	LIEBER & COMPANY	\$ 601,125
25,000	HASBRO INDS. INC.	IDS ADVISORY	1,450,000
15,000	HAZELTINE CORP	NORWEST BANK	303,750
18,500	HECKS INC	NORWEST BANK	238,188
24,900	HECLA INC.	NORWEST BANK	258,338
42,000	HEEKIN CAN INC	BMI CAPITAL	1,039,500
15,000	HEI CORP.	LIEBER & COMPANY	58,125
12,500	HENLEY GROUP INC	NORWEST BANK	240,625
120,000	HERITAGE ENTERTAINMENT IN	FORSTMANN LEFF	1,200,000
12,500	HERITAGE ENTERTAINMENT IN	LIEBER & COMPANY	125,000
	SUB-TOTAL	132,500 SHARES	1,325,000
20,000	HERITAGE FEDERAL S&L	LIEBER & COMPANY	455,000
61,300	HEWLETT PACKARD CO.	FRED ALGER	2,513,300
50,000	HEWLETT PACKARD CO.	ALLIANCE CAPITAL	2,050,000
	SUB-TOTAL	111,300 SHARES	4,563,300
65,000	HM FED SVG&LN ASSN S.D.CA	FRED ALGER	2,437,500
10,400	HOLMES D.H. & CO.	LIEBER & COMPANY	286,000
14,000	HOME FED SVGS & LN ASSN	LIEBER & COMPANY	273,000
125,000	HOME GROUP INC	BMI CAPITAL	3,265,625
33,500	HOME GROUP INC	FORSTMANN LEFF	875,188
146,000	HOME GROUP INC	HELLMAN JORDAN	3,814,250
	SUB-TOTAL	304,500 SHARES	7,955,063
3,000	HONEYWELL INC.	NORWEST BANK	227,250
29,500	HOSPITAL CORP. OF AMER.	INTERNAL MANAGED	1,121,000
50,000	HOUSEHOLD INTL.	BMI CAPITAL	2,168,750
19,600	HOUSEHOLD INTL.	WADDELL & REED	850,150
27,200	HOUSEHOLD INTL.	INTERNAL MANAGED	1,179,800
	SUB-TOTAL	96,800 SHARES	4,198,700
13,500	HOUSTON INDUSTRIES INC.	NORWEST BANK	425,250
35,100	HOUSTON INDUSTRIES INC.	INTERNAL MANAGED	1,105,650
	SUB-TOTAL	48,600 SHARES	1,530,900
12,000	HOWARD SVGS BK LIVINGSTON	LIEBER & COMPANY	577,500
50,000	HUGHES TOOL	NORWEST BANK	487,500
6,900	HUMANA INC.	NORWEST BANK	175,088
35,000	HUMANA INC.	INTERNAL MANAGED	888,125
	SUB-TOTAL	41,900 SHARES	1,063,213
92,000	HUSKY OIL LTD	NORWEST BANK	540,500
22,000	ILLINOIS POWER CORP	NORWEST BANK	591,250
5,000	INDIANA NATL CORP	LIEBER & COMPANY	230,000
7,200	INT'L. KINGS TABLE	WADDELL & REED	187,200
43,000	INTECOM INC	NORWEST BANK	220,375

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
26,500	INTEGRATED DEVICE TECH.	WADDELL & REED	\$ 331,250
76,500	INTEL CORP.	ALLIANCE CAPITAL	1,759,500
61,000	INTEL CORP.	HELLMAN JORDAN	1,403,000
	SUB-TOTAL	137,500 SHARES	3,162,500
63,400	INTERFIRST CORP.	NORWEST BANK	459,650
20,000	INTERGRAPH CORP.	BMI CAPITAL	520,000
100,000	INTERNATIONAL TECHNOLOGY	BMI CAPITAL	4,300,000
11,600	INTL. ALUMINUM CORP.	LIEBER & COMPANY	232,000
27,000	INTL. BUSINESS MACHINES	ALLIANCE CAPITAL	3,955,500
14,700	INTL. BUSINESS MACHINES	FORSTMANN LEFF	2,153,550
18,000	INTL. BUSINESS MACHINES	IDS ADVISORY	2,637,000
30,000	INTL. BUSINESS MACHINES	INVESTMENT ADVISORS	4,395,000
6,300	INTL. BUSINESS MACHINES	LIEBER & COMPANY	922,950
5,900	INTL. BUSINESS MACHINES	NORWEST BANK	864,350
	SUB-TOTAL	101,900 SHARES	14,928,350
101,200	ISC SYS CORP	FORSTMANN LEFF	1,593,900
47,300	ITT CORP	FRED ALGER	2,571,938
50,000	ITT CORP	BEUTEL GOODMAN	2,718,750
18,800	ITT CORP	FORSTMANN LEFF	1,022,250
16,000	ITT CORP	HELLMAN JORDAN	870,000
19,600	ITT CORP	WADDELL & REED	1,065,750
	SUB-TOTAL	151,700 SHARES	8,248,688
17,400	IU INTL CORP	NORWEST BANK	267,525
4,500	JEFFERSON BANKSHRS. VA.	LIEBER & COMPANY	172,125
14,700	JORGENSEN EARLE M CO DEL	NORWEST BANK	387,713
30,000	JOY MFG CO	NORWEST BANK	731,250
15,000	JUSTIN INDS INC	NORWEST BANK	258,750
70,000	K MART CORPORATION	BEUTEL GOODMAN	3,981,250
29,100	K MART CORPORATION	INTERNAL MANAGED	1,655,063
	SUB-TOTAL	99,100 SHARES	5,636,313
36,000	KAISER CEMENT CORP	NORWEST BANK	499,500
11,700	KANEB ENERGY PARTNERS LTD	NORWEST BANK	112,613
6,300	KANSAS CITY PWR & LT CO	NORWEST BANK	154,350
28,000	KELLWOOD CO.	BMI CAPITAL	938,000
25,000	KELLY SVCS INC	IDS ADVISORY	1,500,000
18,900	KEMPER CORP.	WADDELL & REED	609,525
17,500	KIDDE INC.	NORWEST BANK	575,313
10,900	KIMBERLY CLARK CORP	WADDELL & REED	998,713
39,100	KOPPERS INC	WADDELL & REED	1,138,788
5,000	KROGER COMPANY	NORWEST BANK	299,375
24,500	KROGER COMPANY	INTERNAL MANAGED	1,466,938
	SUB-TOTAL	29,500 SHARES	1,766,313

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
34,700	LAC MINERALS LTD NEW	NORWEST BANK	\$ 550,863
18,666	LADD FURNITURE	LIEBER & COMPANY	520,315
260,600	LAFARGE CORP.	BEUTEL GOODMAN	2,768,875
9,000	LANE INC	LIEBER & COMPANY	447,750
38,600	LEAR PETROLEUM CORP	NORWEST BANK	246,075
8,200	LEAR SIEGLER INC.	NORWEST BANK	447,925
17,400	LEE ENTERPRISES INC	LIEBER & COMPANY	454,575
38,000	LILLY ELI & CO	FRED ALGER	3,073,250
42,800	LILLY ELI & CO	FORSTMANN LEFF	3,461,450
17,000	LILLY ELI & CO	HELLMAN JORDAN	1,374,875
32,000	LILLY ELI & CO	IDS ADVISORY	2,588,000
	SUB-TOTAL	129,800 SHARES	10,497,575
52,500	LIMITED INC.	IDS ADVISORY	1,771,875
73,300	LIN BROADCAST. CORP.	ALLIANCE CAPITAL	3,610,025
13,500	LINCOLN NATL CORP IND	WADDELL & REED	713,813
12,200	LITTON INDS INC.	INTERNAL MANAGED	988,200
50,000	LIZ CLAIBORNE INC.	IDS ADVISORY	2,350,000
65,000	LOCKHEED AIRCRAFT CORP	BEUTEL GOODMAN	3,623,750
45,700	LOCKHEED AIRCRAFT CORP	INTERNAL MANAGED	2,547,775
	SUB-TOTAL	110,700 SHARES	6,171,525
34,700	LOEWS CORP	FRED ALGER	2,385,625
36,050	LOEWS CORP	WADDELL & REED	2,478,438
	SUB-TOTAL	70,750 SHARES	4,864,063
225,000	LONG ISLAND LTG CO	INTERNAL MANAGED	2,812,500
60,100	LOTUS	FORSTMANN LEFF	2,223,700
62,193	LOUISIANA PAC. CORP.	WADDELL & REED	1,655,889
17,000	LOWES COMPANY	WADDELL & REED	612,000
76,000	LSI LOGIC CORP.	HELLMAN JORDAN	750,500
105,300	LSI LOGIC CORP.	WADDELL & REED	1,039,838
	SUB-TOTAL	181,300 SHARES	1,790,338
24,000	LTV CORP	NORWEST BANK	123,000
104,700	LTV CORP	WADDELL & REED	536,588
	SUB-TOTAL	128,700 SHARES	659,588
7,100	LUCKY STORES	NORWEST BANK	211,225
20,000	M.D.C. HOLDINGS, INC	LIEBER & COMPANY	402,500
15,400	M/A COM	NORWEST BANK	265,650
51,000	MANPOWER INC	INVESTMENT ADVISORS	2,173,875
27,500	MANPOWER INC	WADDELL & REED	1,172,188
	SUB-TOTAL	78,500 SHARES	3,346,063
6,000	MANUFACTURERS HAN. CORP.	NORWEST BANK	309,750
25,300	MANUFACTURERS HAN. CORP.	INTERNAL MANAGED	1,306,113

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
	SUB-TOTAL	31,300 SHARES	1,615,863
20,000	MARCUS CORP	LIEBER & COMPANY	\$ 590,000
34,000	MARION LABS INC	IDS ADVISORY	1,521,500
75,000	MARRIOTT CORP.	INVESTMENT ADVISORS	2,793,750
52,000	MARSH & MCCLENNAN	ALLIANCE CAPITAL	3,068,000
5,300	MARSH & MCCLENNAN	WADDELL & REED	312,700
	SUB-TOTAL	57,300 SHARES	3,380,700
40,000	MASCO CORP	IDS ADVISORY	1,320,000
13,600	MATERIAL SCIENCES CORP	LIEBER & COMPANY	273,700
98,700	MATTEL INC	FORSTMANN LEFF	1,369,463
62,000	MAXICARE HEALTH PLANS	HELLMAN JORDAN	1,743,750
5,000	MAY DEPT. STORES CO.	LIEBER & COMPANY	414,375
18,000	MAYFLOWER GROUP INC.	LIEBER & COMPANY	456,750
63,000	MCA INC.	ALLIANCE CAPITAL	3,213,000
25,000	MCA INC.	IDS ADVISORY	1,275,000
6,000	MCA INC.	LIEBER & COMPANY	306,000
	SUB-TOTAL	94,000 SHARES	4,794,000
7,600	MCDERMOTT INTL INC	NORWEST BANK	161,500
57,525	MCDONALDS CORP.	FRED ALGER	4,206,516
46,500	MCDONALDS CORP.	ALLIANCE CAPITAL	3,400,313
30,000	MCDONALDS CORP.	INVESTMENT ADVISORS	2,193,750
	SUB-TOTAL	134,025 SHARES	9,800,578
17,800	MCDONNELL DOUGLAS CORP.	INTERNAL MANAGED	1,386,175
20,000	MCI COMMUNICATION	NORWEST BANK	207,500
35,000	MCORP	NORWEST BANK	651,875
14,000	MEDITRUST	NORWEST BANK	374,500
35,000	MEDTRONIC INC.	INVESTMENT ADVISORS	2,668,750
13,000	MERCHANTS NATL CORP	LIEBER & COMPANY	458,250
40,000	MERCK & COMPANY INC.	FRED ALGER	4,180,000
30,000	MERCK & COMPANY INC.	ALLIANCE CAPITAL	3,135,000
20,000	MERCK & COMPANY INC.	INVESTMENT ADVISORS	2,090,000
	SUB-TOTAL	90,000 SHARES	9,405,000
25,200	MEREDITH CORP	ALLIANCE CAPITAL	1,915,200
4,723	MERIDIAN BNCP PFD 2.50	LIEBER & COMPANY	260,946
49,000	MERRILL LYNCH & CO. INC.	HELLMAN JORDAN	1,696,625
8,500	MERRILL LYNCH & CO. INC.	NORWEST BANK	294,313
	SUB-TOTAL	57,500 SHARES	1,990,938
30,000	MICROSEMI CORP	LIEBER & COMPANY	266,250
32,400	MIDDLE SOUTH UTILS INC	LIEBER & COMPANY	421,200
25,300	MIDDLE SOUTH UTILS INC	NORWEST BANK	328,900
110,000	MIDDLE SOUTH UTILS INC	INTERNAL MANAGED	1,430,000

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
	SUB-TOTAL	167,700 SHARES	2,180,100
24,000	MILLER HERMAN INC.	LIEBER & COMPANY	\$ 741,000
60,000	MILLIPORE CORP.	FRED ALGER	2,047,500
65,000	MILLIPORE CORP.	BMI CAPITAL	2,218,125
	SUB-TOTAL	125,000 SHARES	4,265,625
22,500	MIN. & RES. LTD. ADR	NORWEST BANK	186,328
9,200	MINNESOTA MNG & MFG CO	WADDELL & REED	1,046,500
25,800	MITCHELL ENERGY	NORWEST BANK	299,925
72,000	MITEL CORP	NORWEST BANK	351,000
23,000	MOBIL CORPORATION	NORWEST BANK	727,375
33,300	MOBIL CORPORATION	INTERNAL MANAGED	1,053,113
	SUB-TOTAL	56,300 SHARES	1,780,488
130,000	MOLECULAR GENETICS INC	FORSTMANN LEFF	1,462,500
15,500	MOORE MCCORMACK RES INC	NORWEST BANK	323,563
35,000	MORGAN J P & COMPANY INC.	ALLIANCE CAPITAL	3,075,625
20,000	MORGAN J P & COMPANY INC.	INVESTMENT ADVISORS	1,757,500
	SUB-TOTAL	55,000 SHARES	4,833,125
5,500	MORGAN STANLEY GROUP INC	HELLMAN JORDAN	389,125
74,000	MOTOROLA INCORPORATED	HELLMAN JORDAN	2,950,750
2,500	MUNFORD INC.	LIEBER & COMPANY	59,375
9,800	NATIONAL INTERGROUP INC	NORWEST BANK	204,575
28,125	NATL. COMPUTER SYSTEMS	LIEBER & COMPANY	611,719
26,000	NATL. MED. ENTER. INC.	NORWEST BANK	607,750
49,750	NATL. MED. ENTER. INC.	INTERNAL MANAGED	1,162,906
	SUB-TOTAL	75,750 SHARES	1,770,656
300,000	NATL. SEMICONDUCTOR	BEUTEL GOODMAN	3,525,000
153,000	NBI INC	FORSTMANN LEFF	1,969,875
29,100	NBI INC	NORWEST BANK	374,663
	SUB-TOTAL	182,100 SHARES	2,344,538
19,000	NCR CORP.	WADDELL & REED	976,125
85,000	NEWMONT MINING	BEUTEL GOODMAN	3,984,375
25,500	NIAGARA MOHAWK PWR CORP	NORWEST BANK	561,000
70,000	NICOLET INSTRUMENT CORP	BMI CAPITAL	1,225,000
14,300	NICOR INC	NORWEST BANK	403,975
5,600	NO. AMERICAN PHILIPS CORP	NORWEST BANK	252,000
25,500	NORFOLK SOUTHERN CORP	ALLIANCE CAPITAL	2,244,000
57,650	NORTHEAST UTILITIES	INTERNAL MANAGED	1,246,681
53,200	NORTHERN IND PUB SVC CO	NORWEST BANK	625,100
109,800	NORTHERN IND PUB SVC CO	INTERNAL MANAGED	1,290,150
	SUB-TOTAL	163,000 SHARES	1,915,250

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
11,200	NORTHERN TELECOM LTD.	NORWEST BANK	\$ 333,200
6,000	NORTON CO	NORWEST BANK	243,000
100,000	NOVO INDS-ADR	BMI CAPITAL	3,312,500
9,000	NOVO INDS-ADR	NORWEST BANK	298,125
11,000	NOVO INDS-ADR	WADDELL & REED	364,375
	SUB-TOTAL	120,000 SHARES	3,975,000
20,500	NOWSCO WELL SERVICE LTD	LIEBER & COMPANY	153,750
19,000	NRM ENERGY CO LP	NORWEST BANK	263,625
22,000	NUMERICA FINL CORP	LIEBER & COMPANY	473,000
55,000	NWA INC.	ALLIANCE CAPITAL	2,750,000
22,200	NYNEX	INTERNAL MANAGED	1,498,500
12,000	OCCIDENTAL PETE CORP	NORWEST BANK	321,000
83,000	OCEAN DRILLING & EXPL CO	INTERNAL MANAGED	985,625
100,000	OGDEN CORP.	BEUTEL GOODMAN	4,012,500
6,300	OGLEBAY NORTON CO	NORWEST BANK	173,250
8,750	OLD REP INTL CORP	LIEBER & COMPANY	319,375
15,000	ONEOK INC	NORWEST BANK	457,500
15,100	OPTICAL RADIATION CORP	NORWEST BANK	294,450
60,000	OUTBOARD MARINE CORP	WADDELL & REED	1,920,000
60,000	PACIFIC TELESIS GROUP	IDS ADVISORY	3,367,500
17,900	PACIFICARE HEALTH SYS INC	NORWEST BANK	272,975
8,600	PACIFICORP	NORWEST BANK	312,825
210,600	PAN AM CORPORATION	FRED ALGER	1,263,600
10,000	PANHANDLE EASTN CORP	LIEBER & COMPANY	481,250
12,000	PAR TECHNOLOGY	LIEBER & COMPANY	240,000
28,000	PARISIAN INC.	WADDELL & REED	721,000
33,300	PAYLESS CASHWAYS	WADDELL & REED	869,963
80,000	PENN CENT CORP	BEUTEL GOODMAN	4,590,000
11,700	PENNEY J.C. INC.	WADDELL & REED	997,425
25,600	PENNZOIL CO.	INTERNAL MANAGED	1,376,000
34,200	PERKIN ELMER	WADDELL & REED	936,225
30,000	PERMIAN BASIN RTY TR	NORWEST BANK	187,500
30,200	PFIZER INCORPORATED	WADDELL & REED	2,159,300
64,550	PHILADELPHIA ELEC. CO.	INTERNAL MANAGED	1,307,138
39,700	PHILLIPS PETROLEUM CO.	NORWEST BANK	382,113
60,000	PIC N SAVE CORP.	INVESTMENT ADVISORS	1,770,000
30,000	PIEDMONT AVIATION	IDS ADVISORY	1,192,500
36,000	POGO PRODUCING CO	NORWEST BANK	229,500
40,000	POLAROID CORP.	BMI CAPITAL	2,920,000
40,800	POLAROID CORP.	WADDELL & REED	2,978,400
	SUB-TOTAL	80,800 SHARES	5,898,400
14,400	POPE & TALBOT	LIEBER & COMPANY	288,000
3,000	POPE RES DEL LTD PARTNERS	LIEBER & COMPANY	60,750
18,000	PPG INDUSTRIES INC.	WADDELL & REED	1,226,250
20,000	PRICE CO	FORSTMANN LEFF	920,000

MINNESOTA STATE BOARD OF INVESMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
37,333	PRIME MTR INNS INC	HELLMAN JORDAN	\$ 1,544,653
22,000	PRIME MTR INNS INC	WADDELL & REED	910,250
	SUB-TOTAL	59,333 SHARES	2,454,903
90,000	PROGRESSIVE CORP OHIO	ALLIANCE CAPITAL	2,947,500
24,000	PROTECTIVE LIFE CORP	LIEBER & COMPANY	582,000
34,300	PUBLIC SVC CO COLO	NORWEST BANK	686,000
10,000	PULTE HOME CORP	LIEBER & COMPANY	198,750
29,500	PUROLATOR COURIER CORP	NORWEST BANK	556,813
18,000	QUAKER ST OIL REFNG CORP	LIEBER & COMPANY	492,750
16,900	QUANTUM CORP.	NORWEST BANK	312,650
18,800	RAYTHEON COMPANY	INTERNAL MANAGED	1,196,150
5,700	REICHHOLD CHEMS INC	NORWEST BANK	215,888
21,000	RENT A CENTER	LIEBER & COMPANY	540,750
9,000	REPUBLIC BANK CORP	NORWEST BANK	259,875
81,400	RLC CORP.	INTERNAL MANAGED	803,825
18,700	ROBERTSON H H CO	NORWEST BANK	310,888
62,700	ROCKAWAY CORP	FORSTMANN LEFF	1,496,963
28,000	ROCKWELL INTL CORP	IDS ADVISORY	1,232,000
110,000	ROPER CORP	BMI CAPITAL	4,166,250
50,000	ROSES STORES INC	BMI CAPITAL	2,275,000
5,000	ROSES STORES INC	LIEBER & COMPANY	227,500
	SUB-TOTAL	55,000 SHARES	2,502,500
8,000	ROSES STORES INC.	LIEBER & COMPANY	336,000
52,700	ROWAN COMPANIES INC	NORWEST BANK	289,850
16,750	ROYAL DUTCH PET. GLDRS.	INTERNAL MANAGED	1,348,375
7,000	RUSS BERRIE & CO.	LIEBER & COMPANY	182,000
42,750	RYDER SYSTEMS INC.	INTERNAL MANAGED	1,250,438
36,500	SAFEGUARD HEALTH ENTERPRI	NORWEST BANK	337,625
19,000	SALOMON INC	FRED ALGER	923,875
49,000	SALOMON INC	ALLIANCE CAPITAL	2,382,625
47,000	SALOMON INC	IDS ADVISORY	2,285,375
11,200	SALOMON INC	WADDELL & REED	544,600
	SUB-TOTAL	126,200 SHARES	6,136,475
10,000	SANFORD CORP ILL	LIEBER & COMPANY	300,000
45,000	SANTA FE SO. PACIFIC CORP	FRED ALGER	1,518,750
5,000	SCHEIB EARL INC	LIEBER & COMPANY	85,000
40,000	SCHERING PLOUGH CORP	FRED ALGER	3,375,000
20,000	SCHLUMBERGER LTD	INVESTMENT ADVISORS	687,500
18,500	SCHLUMBERGER LTD	NORWEST BANK	635,938
35,000	SCHLUMBERGER LTD	INTERNAL MANAGED	1,203,125
	SUB-TOTAL	73,500 SHARES	2,526,563
22,500	SCIENTIFIC ATLANTA INC	NORWEST BANK	233,438
29,000	SCOTTYS INC	NORWEST BANK	493,000

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
150,000	SEA CONTAINERS LTD.	BEUTEL GOODMAN	\$ 3,843,750
16,800	SEA CONTAINERS LTD.	NORWEST BANK	430,500
	SUB-TOTAL	166,800 SHARES	4,274,250
20,200	SEALED POWER CORP	NORWEST BANK	593,375
45,000	SEARS ROEBUCK & COMPANY	FRED ALGER	2,182,500
4,000	SEARS ROEBUCK & COMPANY	NORWEST BANK	194,000
	SUB-TOTAL	49,000 SHARES	2,376,500
200,000	SENSORMATIC ELECTRS CORP	BMI CAPITAL	1,875,000
58,200	SERVICE MERCHANDISE	INTERNAL MANAGED	712,950
60,500	SERVICEMASTER INDS INC	IDS ADVISORY	1,588,125
40,000	SHARED MED. SYSTEMS CORP.	BMI CAPITAL	1,355,000
75,000	SHARED MED. SYSTEMS CORP.	IDS ADVISORY	2,540,625
	SUB-TOTAL	115,000 SHARES	3,895,625
40,000	SHONEYS INC	INVESTMENT ADVISORS	1,530,000
60,000	SIGMA ALDRICH	INVESTMENT ADVISORS	2,310,000
47,000	SINGER CO.	FRED ALGER	2,626,125
28,000	SIZZLER RESTAURANTS INTL	WADDELL & REED	770,000
50,000	SMITH INTL INC	NORWEST BANK	181,250
20,000	SNYDER OIL PARTNERS	NORWEST BANK	220,000
80,800	SOFTWARE PUBL. CORP.	NORWEST BANK	434,300
14,200	SONAT INC.	NORWEST BANK	404,700
75,600	SONAT INC.	INTERNAL MANAGED	2,154,600
	SUB-TOTAL	89,800 SHARES	2,559,300
13,500	SOUTHERN CO	NORWEST BANK	320,625
50,000	SOUTHERN CO	INTERNAL MANAGED	1,187,500
	SUB-TOTAL	63,500 SHARES	1,508,125
17,300	SOUTHLAND CORP.	WADDELL & REED	947,175
22,000	SOUTHLAND CORP.	INTERNAL MANAGED	1,204,500
	SUB-TOTAL	39,300 SHARES	2,151,675
17,800	SOUTHWEST AIRLINES	NORWEST BANK	371,575
4,000	SOUTHWESTERN BELL CORP.	NORWEST BANK	438,000
26,100	SOUTHWESTERN BELL CORP.	INTERNAL MANAGED	2,857,950
	SUB-TOTAL	30,100 SHARES	3,295,950
6,800	SPRINGS INDS INC	LIEBER & COMPANY	363,800
33,500	SQUIBB CORP.	HELLMAN JORDAN	3,802,250
6,900	SQUIBB CORP.	WADDELL & REED	783,150
	SUB-TOTAL	40,400 SHARES	4,585,400
59,300	ST JUDE MED INC	FORSTMANN LEFF	2,016,200
50,000	ST. PAUL COS. INC.	HELLMAN JORDAN	2,262,500

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
17,800	STANDARD BRANDS PAINT CO	NORWEST BANK	\$ 413,850
11,200	STANDARD OIL CO. OHIO	NORWEST BANK	505,400
42,550	STANDARD OIL CO. OHIO	INTERNAL MANAGED	1,920,069
	SUB-TOTAL	53,750 SHARES	2,425,469
15,000	STEWART & STEVENSON SVCS	NORWEST BANK	221,250
1,500	STORAGE EQUITIES INC	NORWEST BANK	22,125
9,630	STRAWBRIDGE & CLOTHIER	LIEBER & COMPANY	534,465
50,000	STRIDE RITE CORP	IDS ADVISORY	1,693,750
11,600	SUNAIR ELEC. INC.	LIEBER & COMPANY	88,450
78,500	SUNSHINE MNG CO	NORWEST BANK	225,688
15,400	SUPERMARKETS GEN CORP	WADDELL & REED	962,500
8,000	SUSQUEHANNA BNKSHRS. INC.	LIEBER & COMPANY	632,000
6,000	SWANK INC	NORWEST BANK	84,000
30,000	SYNTEX CORPORATION	IDS ADVISORY	2,130,000
30,000	SYNTEX CORPORATION	INVESTMENT ADVISORS	2,130,000
	SUB-TOTAL	60,000 SHARES	4,260,000
60,000	TANDEM COMPUTERS INC	HELLMAN JORDAN	1,860,000
49,100	TANDEM COMPUTERS INC	WADDELL & REED	1,522,100
	SUB-TOTAL	109,100 SHARES	3,382,100
35,750	TANDON CORP.	WADDELL & REED	218,969
50,000	TANDY CORP	BMI CAPITAL	1,912,500
27,500	TELE COMMUNICATIONS INC	FRED ALGER	1,505,625
17,700	TELE COMMUNICATIONS INC	FORSTMANN LEFF	969,075
	SUB-TOTAL	45,200 SHARES	2,474,700
44,000	TELERATE INC	FORSTMANN LEFF	918,500
16,500	TELLABS INC	NORWEST BANK	206,250
26,500	TENNECO INC.	NORWEST BANK	1,053,375
23,800	TENNECO INC.	INTERNAL MANAGED	946,050
	SUB-TOTAL	50,300 SHARES	1,999,425
100,000	TEXACO INC.	BEUTEL GOODMAN	3,150,000
12,500	TEXACO INC.	NORWEST BANK	393,750
45,200	TEXACO INC.	INTERNAL MANAGED	1,423,800
	SUB-TOTAL	157,700 SHARES	4,967,550
39,900	TEXAS AIR CORP	FORSTMANN LEFF	1,306,725
41,500	TEXAS COMMERCE BANKSHARES	NORWEST BANK	902,625
31,250	TEXAS COMMERCE BANKSHARES	INTERNAL MANAGED	679,688
	SUB-TOTAL	72,750 SHARES	1,582,313
4,300	TEXAS EASTERN CORP.	LIEBER & COMPANY	156,413
6,500	TEXAS EASTERN CORP.	NORWEST BANK	236,438
34,450	TEXAS EASTERN CORP.	INTERNAL MANAGED	1,253,119

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
	SUB-TOTAL	45,250 SHARES	1,645,969
18,000	TEXAS UTILITIES CO.	NORWEST BANK	\$ 551,250
32,200	TEXAS UTILITIES CO.	INTERNAL MANAGED	986,125
	SUB-TOTAL	50,200 SHARES	1,537,375
16,400	THOMAS & BETTS CORP	WADDELL & REED	713,400
53,300	THOUSAND TRAILS	NORWEST BANK	266,500
50,500	TIE COMMUNICATIONS	NORWEST BANK	303,000
45,900	TIME ENERGY SYS INC	NORWEST BANK	195,075
26,500	TIME INC.	IDS ADVISORY	2,325,375
20,300	TIMEPLEX INC.	NORWEST BANK	347,638
40,000	TIMES MIRROR CO	FRED ALGER	2,790,000
23,500	TODD SHIPYARDS CORP	NORWEST BANK	652,125
100,000	TONKA	BMI CAPITAL	2,800,000
12,100	TONKA	WADDELL & REED	338,800
	SUB-TOTAL	112,100 SHARES	3,138,800
93,750	TOYS R US	ALLIANCE CAPITAL	3,187,500
61,950	TOYS R US	FORSTMANN LEFF	2,106,300
114,000	TOYS R US	HELLMAN JORDAN	3,876,000
56,250	TOYS R US	IDS ADVISORY	1,912,500
	SUB-TOTAL	325,950 SHARES	11,082,300
93,000	TRANS WORLD AIRLINES	HELLMAN JORDAN	1,418,250
9,500	TRANSAMERICA CORP	NORWEST BANK	337,250
44,900	TRANSCANADA PIPELINES LTD	NORWEST BANK	533,188
21,900	TRANSWORLD CORP	FORSTMANN LEFF	741,863
30,000	TRAVELERS CORP.	IDS ADVISORY	1,500,000
45,000	TRIANGLE INDS INC	BMI CAPITAL	1,080,000
30,000	TRIBUNE COMPANY	INVESTMENT ADVISORS	2,280,000
25,200	TURNER EQUITY INVS INC	NORWEST BANK	198,450
22,000	U.S. STEEL	NORWEST BANK	453,750
122,462	U.S. STEEL	INTERNAL MANAGED	2,525,779
	SUB-TOTAL	144,462 SHARES	2,979,529
60,000	U.S. WEST CORP	IDS ADVISORY	3,307,500
27,100	UAL INC.	FRED ALGER	1,487,113
85,000	UAL INC.	BEUTEL GOODMAN	4,664,375
7,200	UAL INC.	FORSTMANN LEFF	395,100
	SUB-TOTAL	119,300 SHARES	6,546,588
70,000	UNION CAMP CORP.	IDS ADVISORY	3,578,750
17,399	UNION EXPL PARTNERS LTD	NORWEST BANK	278,384
5,000	UNION PACIFIC CORP.	NORWEST BANK	284,375
117,225	UNITED CABLE TV CORP.	ALLIANCE CAPITAL	3,604,669
18,000	UNITED FIRST FED S&L SARA	LIEBER & COMPANY	623,250

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
48,000	UNITED TECHNOLOGIES CORP.	HELLMAN JORDAN	\$ 2,376,000
31,600	UNITED TECHNOLOGIES CORP.	INTERNAL MANAGED	1,564,200
	SUB-TOTAL	79,600 SHARES	3,940,200
27,500	UNITED TELECOM. INC.	NORWEST BANK	749,375
43,500	UNITED TELECOM. INC.	INTERNAL MANAGED	1,185,375
	SUB-TOTAL	71,000 SHARES	1,934,750
14,000	UNITRODE CORP	LIEBER & COMPANY	259,000
6,000	UNIVERSAL FOODS CORP	NORWEST BANK	216,000
68,600	UNIVERSAL FURNITURE LTD	FORSTMANN LEFF	2,555,350
22,200	UNOCAL CORP.	NORWEST BANK	438,450
28,500	US AIR GROUP	FORSTMANN LEFF	908,438
28,600	US AIR GROUP	INTERNAL MANAGED	911,625
	SUB-TOTAL	57,100 SHARES	1,820,063
20,000	USACAFES	LIEBER & COMPANY	160,000
16,800	UTAH POWER & LIGHT COMPAN	NORWEST BANK	516,600
27,500	VALERO ENERGY CORP	NORWEST BANK	226,875
39,000	VALID LOGIC SYSTEMS INC.	NORWEST BANK	238,875
85,000	VARIAN ASSOC. INC.	BMI CAPITAL	2,188,750
1,700	VEECO INSTRS INC	NORWEST BANK	27,625
4,200	VERMONT FINANCIAL SVCS	LIEBER & COMPANY	205,800
89,600	WAL-MART STORES INC.	ALLIANCE CAPITAL	4,648,000
15,000	WAL-MART STORES INC.	HELLMAN JORDAN	778,125
50,000	WAL-MART STORES INC.	IDS ADVISORY	2,593,750
	SUB-TOTAL	154,600 SHARES	8,019,875
24,000	WANG LABS CL B	NORWEST BANK	363,000
70,000	WARNER COMMUNICATIONS	FRED ALGER	3,955,000
38,000	WARNER COMMUNICATIONS	HELLMAN JORDAN	2,147,000
	SUB-TOTAL	108,000 SHARES	6,102,000
13,000	WASHINGTON POST B	ALLIANCE CAPITAL	2,283,125
41,700	WASTE MANAGEMENT	FORSTMANN LEFF	2,085,000
70,000	WASTE MANAGEMENT	IDS ADVISORY	3,500,000
17,000	WASTE MANAGEMENT	WADDELL & REED	850,000
	SUB-TOTAL	128,700 SHARES	6,435,000
11,000	WATERFORD GLASS GROUP PLC	FORSTMANN LEFF	232,375
6,000	WAUSAU PAPER MLS CO	LIEBER & COMPANY	189,000
50,000	WEYERHEUSER CO.	INVESTMENT ADVISORS	1,743,750
25,000	WICKES COS INC NEW	HELLMAN JORDAN	946,875
350,000	WICKES COS INC NEW	HELLMAN JORDAN	2,143,750
	SUB-TOTAL	375,000 SHARES	3,090,625
23,000	WILEY JOHN + SON	BMI CAPITAL	759,000

MINNESOTA STATE BOARD OF INVESTMENT
ACTIVE EQUITY MANAGER HOLDINGS
ALPHABETICAL EQUITY HOLDINGS
JUNE 30 , 1986

NO. OF SHARES	SECURITY	ADVISOR	MARKET VALUE
15,000	WILLIAMS COS	NORWEST BANK	\$ 352,500
43,050	WILLIAMS COS	INTERNAL MANAGED	1,011,675
	SUB-TOTAL	58,050 SHARES	1,364,175
78,400	WOOLWORTH F W CO	FRED ALGER	3,763,200
60,000	WOOLWORTH F W CO	IDS ADVISORY	2,880,000
	SUB-TOTAL	138,400 SHARES	6,643,200
16,200	WYMAN-GORDON CO.	NORWEST BANK	356,400
65,000	XEROX CORP	BEUTEL GOODMAN	3,648,125
6,500	XEROX CORP	NORWEST BANK	364,813
	SUB-TOTAL	71,500 SHARES	4,012,938
7,000	XTRA CORP.	NORWEST BANK	162,750
78,000	YELLOW FREIGHT SYSTEM	IDS ADVISORY	3,129,750
19,600	YELLOW FREIGHT SYSTEM	WADDELL & REED	786,450
	SUB-TOTAL	97,600 SHARES	3,916,200
50,200	ZYCAD CORP.	NORWEST BANK	332,575
TOTAL EQUITY PORTFOLIO			\$ 958,612,421

MINNESOTA STATE BOARD OF INVESMENT
ACTIVE EQUITY MANAGER HOLDINGS
BEUTEL GOODMAN CAPITAL MANAGEMENT
ALPHABETICAL BOND HOLDINGS
JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
15,000,000	NATIONAL MED ENTERPRISES	12/04/2004	0.000% \$	4,425,000
TOTAL BOND PORTFOLIO			\$	4,425,000

MINNESOTA STATE BOARD OF INVESMENT
ACTIVE EQUITY MANAGER HOLDINGS
FORSTMANN LEFF ASSOCIATES
ALPHABETICAL BOND HOLDINGS
JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
1,168,000	U.S.A. TREASURY NOTE	11/15/1995	9.500% \$	1,319,104
577,700	UNION CARBIDE CORP	01/31/1993	13.250%	608,751
577,700	UNION CARBIDE CORP	01/31/1996	14.250%	623,916
722,125	UNION CARBIDE CORP	01/31/2006	15.000%	816,001
2,355,000	UNITED STATES TREAS NT	05/15/1996	7.375%	2,362,348
TOTAL BOND PORTFOLIO			\$	5,730,120

MINNESOTA STATE BOARD OF INVESMENT
ACTIVE EQUITY MANAGER HOLDINGS
WADDELL & REED
ALPHABETICAL BOND HOLDINGS
JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
770,000	AMERICA WEST AIRLS CV	04/01/2011	7.500% \$	777,700
330,000	COSTCO WHSL CORP CV	04/30/2011	7.250%	377,850
350,000	CRAZY EDDIE INC CV.	06/15/2011	6.000%	350,000
440,000	FEDERAL NATL MTG ASSN	02/10/1996	7.000%	531,190
1,000,000	HOME FED SVGS/LN ASSN CV	05/15/2011	6.500%	1,060,000
550,000	PRIME MTR INNS INC CV	04/01/2011	6.625%	640,750
TOTAL BOND PORTFOLIO			\$	3,737,490

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 INVESTMENT ADVISORS
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
1,500,000	AMERICAN MED INTL INC	01/15/1991	9.625% \$	1,545,390
1,500,000	AMOCO CO	06/01/1991	14.000%	1,659,375
1,000,000	BENEFICIAL CORP	07/15/1991	13.375%	1,063,750
1,250,000	CITICORP	10/15/1989	12.875%	1,320,313
965,250	COUPON TREAS RCPT	08/15/1988	0.000%	827,972
769,625	COUPON TREAS RCPT	08/15/1988	0.000%	660,169
427,500	COUPON TREAS RCPT	08/15/1988	0.000%	366,705
2,000,000	FEDERAL HOME LN BKS	03/25/1991	7.750%	2,002,500
50,000	INDIANA & MICH ELEC	02/01/1988	3.875%	47,213
1,000,000	INTERCO INC	02/15/1991	14.250%	1,050,000
1,000,000	MORGAN GTY TR CO NEW YORK	12/01/1987	9.610%	1,035,000
1,000,000	PRIVATE EPT FDG CORP	10/30/1987	11.750%	1,046,930
1,425,000	PRIVATE EXPT FDG CORP	11/01/1990	12.350%	1,469,788
400,000	STANDARD OIL CO OHIO	09/15/1992	13.375%	448,000
3,500,000	TREASURY INVT GROWTH RCPT	05/15/1988	0.000%	3,065,265
3,000,000	U.S.A. TREASURY NOTE	11/15/1992	10.500%	3,433,110
4,000,000	U.S.A. TREASURY NOTE	05/15/1993	10.125%	4,530,000
3,000,000	U.S.A. TREASURY NOTE	11/15/1990	13.000%	3,596,250
2,000,000	UNITED STATES TREAS NTS	11/30/1986	10.375%	2,031,240
2,000,000	UNITED STATES TREAS NTS	02/15/1990	11.000%	2,218,740
2,000,000	UNITED STATES TREAS NTS	04/15/1993	7.375%	2,003,740
1,500,000	UPJOHN COMPANY	06/01/1991	14.000%	1,670,730
TOTAL BOND PORTFOLIO			\$	37,092,180

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 LEHMAN MANAGEMENT INC.
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
4,000,000	ATLANTIC RICHFIELD CO	10/15/1989	9.750% \$	4,120,000
1,000,000	CABOT CORP	09/01/1995	10.750%	1,084,680
9,000,000	EXXON PIPELINE	10/15/2004	9.000%	9,000,000
6,779,401	FED HM LN PC # 170128	06/01/2015	11.500%	6,982,783
3,715,368	FED HM LN POOL # 170145	10/01/2015	11.000%	3,826,829
4,354,780	FED HM LN POOL # 170148	12/01/2015	10.500%	4,436,432
205,978	FED HM LN POOL # 182064	06/01/2011	9.000%	196,967
7,660,370	FED HM LN POOL # 200021	11/01/2000	10.500%	7,851,879
3,306,490	FED HOME LOAN POOL #14053	10/01/1996	4.500%	2,847,714
9,529,000	FNMA POOL # 027047	06/01/2015	8.500%	8,933,438
87,966	GNMA POOL # 058211	01/15/2013	12.000%	93,024
817,754	GNMA POOL # 059520	02/15/2013	12.000%	864,775
47,053	GNMA POOL # 069163	10/15/2013	12.000%	49,758
684,561	GNMA POOL # 070393	08/15/2013	12.000%	723,923
71,918	GNMA POOL # 101656	08/15/2013	12.000%	76,053
876,306	GNMA POOL # 110311	03/15/2014	12.000%	926,694
433,014	GNMA POOL # 111011	01/15/2014	12.000%	457,912
196,096	GNMA POOL # 114673	05/15/2014	12.000%	207,371
421,971	GNMA POOL # 69306	06/15/2013	12.000%	446,235
1,500,000	HELLER FINANCIAL INC	04/01/1993	7.750%	1,402,500
5,000,000	IBM CR CORP	06/15/1990	9.625%	5,187,000
4,000,000	MORGAN GTY TR CO NEW YORK	06/15/1987	8.625%	4,049,800
4,750,000	SHELL OIL CO	06/15/2011	14.250%	5,605,000
4,000,000	SOUTHERN CALIF EDISON CO	07/01/1996	8.000%	3,978,280
4,000,000	TEXACO CAP INC	01/15/2000	10.750%	4,030,000
7,000,000	U.S.A. TREASURY BOND	11/15/2002	11.625%	9,323,090
2,170,000	U.S.A. TREASURY BOND	08/15/2005	10.750%	2,766,750
1,000,000	U.S.A. TREASURY NOTE	11/15/1988	11.750%	1,098,440
7,125,000	U.S.A. TREASURY NOTE	09/30/1988	11.375%	7,748,438
5,000,000	U.S.A. TREASURY NOTE	12/31/1988	10.625%	5,389,050
8,000,000	U.S.A. TREASURY NOTE	01/15/1992	11.625%	9,414,960
9,250,000	U.S.A. TREASURY NOTE	08/15/1989	13.875%	10,891,875
6,500,000	U.S.A. TREASURY NOTE	07/15/1991	13.750%	8,139,235
13,500,000	U.S.A. TREASURY NOTES	11/15/1993	11.750%	16,545,870
9,500,000	UNITED STATES TREAS NT	04/30/1987	9.750%	9,737,500
4,800,000	UNITED STATES TREAS NT	11/15/1990	9.625%	5,173,488
400,000	UNITED STATES TREAS NTS	11/30/1986	10.375%	406,248
5,000,000	UNITED STATES TREAS NTS	05/15/1989	11.750%	5,568,750
4,000,000	UNITED STATES TREAS NTS	06/30/1990	7.250%	4,018,760
5,000,000	UNITED STATES TREAS NTS	04/15/1991	12.375%	5,948,450
2,000,000	UNITED STATES TREAS NTS	08/15/1990	9.875%	2,165,000
6,000,000	UNITED STATES TREAS NTS	07/15/1992	10.375%	6,791,220
6,650,000	UNITED STATES TREAS NTS	02/15/1990	11.000%	7,377,311
4,600,000	UNITED STATES TREAS NTS	01/15/1991	11.750%	5,325,926
2,000,000	UNITED STATES TREAS NTS	05/15/1991	8.125%	2,064,380
3,000,000	UNITED STATES TREAS NTS	04/15/1993	7.375%	3,005,610

MINNESOTA STATE BOARD OF INVESMENT
 POOLED BOND FUND
 LEHMAN MANAGEMENT INC.
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
2,000,000	UNITED STATES TREAS NTS	06/30/1989	9.625% \$	2,127,500
4,000,000	XEROX CR CORP	11/15/1988	14.250%	4,135,000
TOTAL BOND PORTFOLIO			\$	212,541,896

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 MORGAN STANLEY ASSET
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
13,250,000	COLLATERALIZED MTG OBLIG	05/25/2016	8.800% \$	11,130,000
19,970,324	FED HM LN PC # 170162	04/01/2016	9.000%	19,096,622
40,000,000	FED HM LN PC # 170170	06/01/2016	9.000%	38,250,000
15,000,000	FED HM LN PC # 170172	06/01/2016	9.500%	14,662,500
14,845,866	FED HM LN POOL # 170158	03/01/2016	10.000%	14,901,538
29,905,649	FED HM LN POOL # 170159	03/01/2016	9.500%	29,232,772
3,964,799	FEDERAL HOME LOAN MORTGAGE	03/01/2008	8.750%	3,736,823
5,033,074	FEDERAL HOME LOAN MORTGAGE	05/01/2008	8.750%	4,743,672
14,139,036	SALOMON BROS MTG SECS II	11/01/2012	8.125%	11,311,229
40,000,000	UNITED STATES TREAS NT	05/15/1996	7.375%	40,124,800
2,500,000	UNITED STATES TREAS NTS	08/15/1991	7.500%	2,528,900
29,925,000	UNITED STATES TREAS NTS	04/15/1993	7.375%	29,980,960
TOTAL BOND PORTFOLIO			\$	219,699,816*

* A purchase of 14,993,000 shares Fed. Hm. Ln. Pool #274081 due 07/01/16 with a coupon of 7.5% was reported late to our master custodian. It wasn't included in this year-end asset listing, but was included in the Statement of Assets and Liabilities.

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 MILLER ANDERSON
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
750,000	BRITISH COLUMBIA HYDRO &	07/15/2011	15.500% \$	1,102,598
800,000	BRITISH COLUMBIA HYDRO &	04/15/2011	15.000%	1,139,264
3,675,000	CHRYSLER CORP	03/01/1997	13.000%	4,304,344
2,500,000	CHRYSLER FIN CORP	11/01/1999	12.750%	2,981,250
7,784,387	CITIBANK NEW YORK ST N A	07/01/2012	7.000%	6,957,296
1,596,096	FED HM LN MC POOL # 25298	07/01/2008	8.750%	1,504,321
843,796	FED HM LN PC # 140626	11/01/2006	8.000%	778,402
6,410,692	FED HM LN PC # 160033	12/01/2007	8.250%	5,953,930
4,628,236	FED HM LN PC # 160046	05/01/2008	8.750%	4,362,112
2,093,241	FED HM LN PC # 180221	09/01/2003	6.500%	1,805,420
1,543,304	FED HM LN PC # 180753	04/01/2004	7.000%	1,361,965
2,619,412	FED HM LN PC # 181581	04/01/2008	7.000%	2,311,631
3,272,156	FED HM LN PC # 183218	12/01/2006	7.500%	2,953,121
2,458,040	FED HM LN PC # 183325	06/01/2008	8.000%	2,267,542
1,732,895	FED HM LN PC # 184200	04/01/2009	8.250%	1,609,426
2,309,780	FED HM LN PC # 188769	05/01/2009	8.500%	2,153,870
1,395,483	FED HM LN PC # 254898	04/01/2008	7.250%	1,245,469
2,689,018	FED HM LN PC # 256569	12/01/2008	8.250%	2,497,426
2,564,936	FED HM LN PC #18-9540	08/01/2008	8.250%	2,382,184
3,284,662	FED HM LN POOL # 180735	12/01/2003	7.000%	2,898,714
3,214,720	FED HM LN POOL # 186908	05/01/2008	8.000%	2,965,579
4,642,555	FED HM LN POOL # 252993	06/01/2008	7.750%	4,236,332
1,481,481	FED HM LN POOL # 255850	06/01/2015	8.000%	1,366,666
1,317,635	FED HM LN POOL # 256079	07/01/2003	6.750%	1,149,637
2,045,317	FED HM LN POOL # 256716	08/01/2008	8.500%	1,907,258
4,253,591	FEDERAL HOME LOAN #181265	03/01/2008	8.500%	3,966,473
1,791,850	FEDERAL HOME LOAN POOL #1	10/01/2008	7.000%	1,581,308
1,781,083	FEDERAL HOME LOAN POOL #1	06/01/2008	7.000%	1,571,806
7,186,896	FEDERAL NATIONAL MORTGAGE	02/01/2013	8.000%	6,638,895
6,487,905	FEDERAL NATIONAL MORTGAGE	08/01/2008	8.000%	5,993,202
2,195,559	FNMA POOL # 000085	03/01/2011	8.500%	2,058,337
4,203,214	FNMA POOL # 001879	06/01/2008	7.750%	3,835,433
3,837,907	FNMA POOL # 002280	11/01/2006	8.500%	3,598,037
2,145,510	FNMA POOL # 003850	05/01/2008	8.500%	2,011,416
1,384,551	FNMA POOL # 011982	06/01/2009	9.000%	1,327,439
4,358,964	FNMA POOL # 015348	05/01/2004	7.000%	3,846,785
2,483,521	FNMA POOL # 018207	06/01/2009	7.750%	2,266,213
2,578,214	FNMA POOL # 019720	10/01/2008	7.750%	2,352,620
1,424,447	FNMA POOL # 022925	11/01/2007	8.250%	1,324,736
1,529,663	FNMA POOL # 022950	01/01/2004	8.250%	1,422,586
7,750,000	FORD MTR CR CO	04/01/1991	8.125%	7,755,890
2,649,420	GEM SVGS ASSN	03/01/2000	8.088%	1,905,277
1,031,556	HILL FINL PART CERT	01/01/1989	5.825%	905,272
3,158,316	HOUSEHOLD BANK	05/01/2002	7.809%	2,162,120
1,225,000	HOUSEHOLD FIN CORP	10/15/2004	12.250%	1,419,518
1,250,000	INTERNATIONAL BK FOR RECO	02/15/2001	10.000%	1,103,788

MINNESOTA STATE BOARD OF INVESMENT
 POOLED BOND FUND
 MILLER ANDERSON
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
4,580,282	MIDWEST FEDERAL SAVINGS &	04/01/2011	8.810%	3,293,864
3,700,000	OCCIDENTAL PETE CORP	06/15/1992	9.640%	3,730,118
950,000	PHILLIPS PETE CO	03/15/1995	9.000%	801,563
5,749,566	SECURITY SVGS SCOTTSDALE	05/01/2003	7.943%	3,954,092
9,006,581	TALMAN FED SVGS & LN	03/01/2008	9.165%	6,881,028
11,102,958	TRI CITY PPTY INV CORP	03/01/2000	0.000%	2,036,393
1,775,000	U.S.A. TREASURY BOND	11/15/2002	11.625%	2,364,069
5,690,000	U.S.A. TREASURY BOND	02/15/2003	10.750%	7,158,703
3,250,000	U.S.A. TREASURY BOND	11/15/2003	11.875%	4,430,140
13,275,000	U.S.A. TREASURY NOTE	05/15/1992	13.750%	17,037,666
10,712,958	UNITED SAVINGS HOUSTON	05/01/2008	9.041%	7,375,121
11,235,000	UNITED STATES TREAS BDS	05/15/2001	13.125%	16,234,575
5,365,000	UNITED STATES TREAS BDS	05/15/2003	10.750%	6,749,814
4,323,816	VIRGINIA BEACH FED SAVING	02/01/2000	8.247%	3,157,337
TOTAL BOND PORTFOLIO			\$	208,447,389

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 NORWEST BANK MINNEAPOLIS
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
4,000,000	AMERICAN EXPRESS CREDIT C	01/15/1991	12.875% \$	4,320,000
2,000,000	BANK OF BOSTON CORP	02/15/1996	7.000%	1,967,500
1,800,000	BRITISH COLUMBIA HYDRO &	04/15/1991	14.500%	2,007,126
1,000,000	CANADIAN NATL RY CO	07/15/2004	9.700%	1,025,740
3,000,000	CHASE MANHATTAN CORP	11/01/1995	6.875%	2,951,250
2,000,000	CHICAGO ILL O'HARE INTL A	01/01/2016	8.750%	2,102,500
3,000,000	CITICORP	11/15/1992	8.250%	3,015,000
1,000,000	COLUMBIA ALA INDL DEV BRD	12/01/2015	9.250%	1,084,180
2,342,665	FED HM LN # 188689	10/01/2007	8.000%	2,161,108
989,664	FED HM LN MC POOL # 21057	12/01/2020	10.500%	1,008,220
1,183,468	FED HM LN PC # 188844	08/01/2008	7.500%	1,068,080
2,038,416	FED HM LN PC # 210589	12/01/2000	11.000%	2,099,568
1,011,157	FED HM LN POOL # 210388	10/01/2000	11.250%	1,047,963
1,958,608	FED HM LN POOL # 210440	11/01/2000	11.000%	2,017,366
1,245,186	FED HM LN POOL # 255674	11/01/1999	9.000%	1,190,709
4,000,000	FEDERAL HOME LN MTG CORP	01/31/1994	11.875%	4,207,480
4,530,342	FEDERAL HOME LOAN	11/01/2010	6.000%	3,816,813
4,091,021	FEDERAL HOME LOAN MORTGAG	01/01/2010	12.500%	4,229,093
2,000,000	FIRST CHICAGO CORP	06/01/1998	8.500%	2,004,200
1,750,000	FORD MTR CO	04/01/1990	14.250%	1,855,000
2,000,000	GANNETT INC	02/01/1996	8.500%	2,019,260
750,000	GEORGIA ST MUNI ELEC	01/01/2018	7.875%	723,750
2,364,969	GNMA POOL # 050384	08/15/1996	12.250%	2,495,042
578,820	GNMA POOL # 050936	10/15/2011	15.000%	662,025
469,246	GNMA POOL # 051011	02/15/2012	15.000%	536,700
780,549	GNMA POOL # 051883	11/15/1996	14.750%	837,139
681,934	GNMA POOL # 052820	07/15/2012	15.000%	779,962
471,575	GNMA POOL # 054838	09/15/2012	15.000%	539,363
1,104,223	GNMA POOL # 068121	05/15/2013	12.000%	1,167,716
879,554	GNMA POOL # 105003	08/15/1999	12.750%	930,542
876,009	GNMA POOL # 111358	10/15/1999	12.750%	926,791
968,739	GNMA POOL # 115029	12/15/2014	13.000%	1,030,496
1,013,036	GNMA POOL # 128012	03/15/2015	13.000%	1,077,617
984,923	GNMA POOL # 142224	12/15/1999	12.250%	1,042,433
1,963,447	GNMA POOL # 143690	12/15/1999	12.250%	2,078,093
4,000,000	GUARANTEED MTG CORP II	10/01/1994	11.950%	4,440,000
3,000,000	HERTZ CORP	03/01/1996	8.500%	2,903,850
3,000,000	HOUSEHOLD FIN CORP	02/15/1993	8.400%	3,130,590
1,000,000	INTERMOUNTAIN PWR AGY SUP	07/01/2021	7.000%	882,990
1,000,000	INTERMOUNTAIN PWR AGY UTA	07/01/2019	9.000%	1,055,000
2,000,000	INTERMOUNTAIN PWR AGY UTA	07/01/2023	7.000%	1,750,000
2,500,000	ITT FINL CORP	03/01/1991	14.750%	2,762,500
3,000,000	ITT FINL CORP	08/15/1994	12.750%	3,165,000
1,500,000	JACKSONVILLE FLA ELEC AUT	10/01/2020	9.500%	1,649,085
1,200,000	LINCOLN NATIONAL CORP.	09/15/1992	13.875%	1,356,000
4,000,000	ONTARIO PROV CDA	05/01/1991	14.625%	4,467,840

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 NORWEST BANK MINNEAPOLIS
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
1,000,000	PENNSYLVANIA ST HIGHER ED	07/01/2008	9.250% \$	1,090,640
3,000,000	PHILLIPS PETE CO	03/15/1995	9.000%	2,531,250
3,000,000	WELLS FARGO & CO	06/25/1997	7.800%	2,977,500
2,800,000	XEROX CR CORP	09/15/1991	16.000%	3,220,000
TOTAL BOND PORTFOLIO			\$	99,408,071

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 WESTERN ASSET MANAGEMENT
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
4,500,000	CHRYSLER CORP	11/15/2015	12.000% \$	4,893,750
4,125,000	CITICORP PERSON TO PERSON	03/01/1998	8.750%	4,109,243
837,000	CONSOLIATED NATURAL GAS	10/01/2000	12.875%	887,220
6,500,000	DELTA AIRLINES INC	05/15/2016	9.000%	6,334,835
3,989,678	FED HM LN # 181257	01/01/2009	8.000%	3,680,478
6,115,680	FED HM LN PC # 25-1783	12/01/2009	8.500%	5,702,871
164	FED HM LN POOL # 220001	07/01/2000	10.750%	174
6,515,000	FEDERAL FARM CR BKS CONS	01/20/1993	10.650%	7,313,088
6,200,000	FEDERAL FARM CR BKS FDG C	09/01/1994	13.000%	7,912,750
2,775,000	FEDERAL HOME LN BKS	06/26/1995	10.000%	3,095,845
2,500,000	FEDERAL HOME LN MTG CORP	12/31/2014	10.250%	2,677,725
4,000,000	FEDERAL NATL MTG ASSN	02/10/1996	7.000%	4,829,000
15,200,000	FEDERAL NATL MTG ASSN	07/05/2014	0.000%	1,287,288
11,218,120	FHA BANCO POOL # 37	05/01/2022	7.430%	9,868,805
425	FHA BANCO POOL #2	11/01/2019	7.337%	370
14,546,321	FHA CITICORP #136	05/01/2023	7.430%	12,789,271
3,587,105	FHA CITICORP 1985-5	12/01/2025	7.375%	3,075,942
4,662,683	FHA MERRILL # 16	02/01/2021	7.430%	4,105,399
4,336,728	FNMA POOL # 000797	01/01/2023	7.250%	3,870,529
477,681	GNMA POOL # 108115	09/15/2013	11.000%	502,162
3,525,259	GNMA POOL # 113170	01/15/2014	11.000%	3,705,928
3,958,532	GNMA POOL # 139423	09/15/2015	11.000%	4,161,407
965,926	GNMA POOL # 140028	11/15/2015	11.000%	1,015,430
4,996,726	GNMA POOL # 143846	11/15/2015	11.000%	5,252,809
992,857	GNMA POOL # 145971	01/15/2016	11.000%	1,043,741
998,267	GNMA POOL # 146908	12/15/2015	11.000%	1,049,428
998,033	GNMA POOL # 146918	12/15/2015	11.000%	1,049,182
34,485,000	GNMA POOL # 152586	06/15/2015	9.000%	33,493,556
800,000	GNMA POOL # 163680	06/15/2016	9.000%	777,000
2,433,439	GNMA POOL # 41836	09/15/2010	11.000%	2,558,152
476,545	GNMA POOL # 65026	08/15/2013	11.000%	500,968
889,978	GNMA POOL # 67763	07/15/2013	11.000%	935,589
935,414	GNMA POOL # 68747	07/15/2013	11.000%	983,354
1,735,000	LACHMAR HULL 54 US	09/25/1988	14.000%	1,835,630
2,350,000	LITTON INDS INC	07/01/2005	12.625%	2,634,938
5,000,000	MCI COMMUNICATIONS	04/01/2011	10.000%	4,818,750
8,500,000	OCCIDENTAL PETE CORP	03/15/2011	11.750%	8,691,250
2,500,000	PENNSYLVANIA PWR & LT CO	10/01/2015	12.000%	2,751,925
7,500,000	PENNSYLVANIA PWR & LT CO	04/01/1994	13.500%	8,358,525
1,150,000	SOUTHERN PAC TRANSN CO	12/01/2001	8.200%	1,013,438
424	STANDARD OIL CO	12/15/1990	6.300%	3,476,800
43,300,000	STUDENT LN MRKTG ASSN	05/15/2014	0.000%	3,558,827
3,660,000	U.S.A. TREASURY BOND	11/15/2012	10.375%	4,568,119
7,000,000	U.S.A. TREASURY NOTES	11/15/1993	11.750%	8,579,340
2,035,000	UNITED STATES TREAS NTS	07/15/1992	10.375%	2,303,355
4,000,000	UNITED STATES TREAS NTS	01/15/1991	11.750%	4,631,240

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 WESTERN ASSET MANAGEMENT
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
9,190,000	UNITED STATES TREAS NTS	02/15/1996	8.875% \$	10,086,025
TOTAL BOND PORTFOLIO			\$	210,771,452

MINNESOTA STATE BOARD OF INVESTMENT
 POOLED BOND FUND
 INTERNAL SHORT-TERM BOND
 ALPHABETICAL BOND HOLDINGS
 JUNE 30 , 1986

PAR VALUE	SECURITY	MATURITY	COUPON	MARKET VALUE
250,000	ALLSTATE FINANCIAL CORP.	04/15/1987	8.125% \$	250,078
9,000	ANOKA/CIRCLE PINES	01/01/1987	4.500%	8,931
40,000	APPALACHIAN EL POWER	03/01/1987	4.625%	39,183
1,900,000	C.I.T. GROUP HOLDINGS	10/01/1986	6.375%	1,895,573
80,000	CASS CITY/PINE RIVER	09/01/1989	4.700%	76,743
15,000	CHISAGO 140 TAYLOR FLS	02/01/1988	3.700%	14,491
5,000	DOUGLAS ISD 213 OSASIS	03/01/1989	3.900%	3,874
5,000,000	FEDERAL FARM CREDIT BANK	10/20/1986	10.750%	5,060,150
5,000	HENN CTY ISD 17 EDINA	02/01/1987	4.000%	4,972
10,000	LAKE CTY/BEAVER BAY	01/01/1987	5.000%	9,948
1,500,000	LOUISVILLE & NASHVILLE	12/01/1987	4.875%	1,434,375
15,000	MCLEOD CTY SD 38	02/01/1987	3.900%	14,850
15,000	MILLE LACS SD 4/1 BOCK	03/01/1989	3.900%	14,073
236,000	MOORE-MCCORMACK LINES	04/01/1987	5.750%	231,943
15,000	MORRISON/TODD ISD 486	02/01/1988	3.800%	14,513
11,400,000	NORWEST CORP	09/15/1986	7.875%	11,343,000
10,000	RICE ISD 656 FARIBAULT	01/01/1987	3.400%	9,887
9,000	SHERBURNE/VIL BIG LAKE	07/01/1986	4.500%	9,000
20,000	STEARNS CTY ISD 93	07/01/1987	4.750%	19,902
200,000	TRAILMOBILE FINANCE	11/15/1987	8.200%	199,500
7,500,000	U.S.A. TREASURY NOTE	02/15/1987	9.000%	7,607,775
2,000,000	U.S.A. TREASURY NOTE	02/15/1988	10.375%	2,104,380
1,190,000	U.S.A. TREASURY NOTE	06/30/1988	13.625%	1,335,406
10,000	WABASHA/OLMSTEAD 806	06/01/1987	4.100%	9,901
TOTAL BOND PORTFOLIO			\$	31,712,447

MINNESOTA STATE BOARD OF INVESMENT
 MINNESOTA VENTURE CAPITAL FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY		MARKET VALUE
1,655,565	ALLIED VENTURE PARTNERS	\$	1,655,565
2,500,000	CENTURY PTN III		2,604,220
7,000,000	DSV PARTNERS IV		7,047,957
1,875,000	G & K VENTURE PARTNERSHIP		1,820,006
25,375,000	K K R INVT. FD		25,375,000
7,111,000	KKR INVT FUND II		7,111,000
4,000,000	MATRIX PARTNERS II L.P.		3,861,000
6,682	NORTHWEST VENTURE PARTNER		6,722,618
7,497,878	SUMMIT VENTURE LTD PARTN		7,421,475
1,500,000	SUPERIOR VENTURE PARTNERS		1,500,000
TOTAL EQUITY PORTFOLIO		\$	65,118,841

MINNESOTA STATE BOARD OF INVESMENT
 MINNESOTA REAL ESTATE POOL
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY		MARKET VALUE
6,000	HEITMAN ADVISORY REALTY I	\$	30,755,559
19,783	SSB REAL ESTATE FD III		20,752,459
8,000	TCW REALTY FUND III		39,573,253
47,000,000	THE RREEF FUNDS USA III		49,067,013
13,844	{ EQUIT. LIFE ASSUR. SOCI		59,295,887
20,000	} HEITMAN ADVISORY CORP.		22,010,034
20,777	} AETNA REAL ESTATE FUND		51,680,688
10,447	} PRUDENTIAL REAL ESTATE F		56,656,086
TOTAL EQUITY PORTFOLIO		\$	329,790,980

MINNESOTA STATE BOARD OF INVESMENT
 MINNESOTA RESOURCES FUND
 ALPHABETICAL EQUITY HOLDINGS
 JUNE 30 , 1986

NO. OF SHARES	SECURITY		MARKET VALUE
17,017	{ AMGO I	\$	4,500,000
2,255,466	{ AMGO II		5,500,000
21,955,067	{ APACHE CORP LTD PART II		21,840,067
537,617	{ APACHE CORP LTD PARTNERS		537,617
TOTAL EQUITY PORTFOLIO		\$	32,377,684