SCOMM

#9:8

CALLAN ASSOCIATES INC.
CAI CONSULTING CORPORATION
SAN FRANCISCO · NEW YORK · CHICAGO · LOS ANGELES

David R. Wood
Senior Vice President

February 28, 1978

Mr. Clark Gruening
State of Alaska
Permanent Fund
528 West 5th Street
Anchorage, Alaska 99501

Dear Mr. Gruening:

You may recall I spoke with you late last year regarding the various investment monitoring services of Callan Associates. You asked for some information to coincide with the legislative session and hopefully my remarks and the enclosed information will bring you up to date on our firm.

Callan Associates was originally started in 1967 as the Investment Measurement and Consulting Department of Mitchum, Jones & Templeton, a major West Coast brokerage firm. Very early in 1973, this department bought itself away from MJT and founded Callan Associates. Our major motive for going out on our own were the considerable conflicts of interest that we were encountering as part of a full service investment house. The disassociation with a brokerage firm has constantly been to our advantage, as well as to our clients. I am a Senior Vice President, Director, and major stockholder of Callan Associates, as well as a joint founder of the department back in 1967. This makes me an "old-timer" in a young industry.

We at Callan Associates look upon ourselves as investment consultants to major pools of capital invested in the various financial market places. For many clients, the first step is to project into the future the growth of a fund and the liabilities corresponding with that growth, if any. This perspective then gives us a feel as to what objectives might properly be set for the fund. This in turn reflects on what style of money managers to hire and what instructions are to be given to them. I would think such a forward planning model for your permanent fund and the future demands upon it would almost be essential.

601 California Street, San Francisco, California 94108, 415-986-1213

Once the above information is available, a next logical step would be to screen money managers and alternative investments so as to reach the proper complement of different investment styles and investment alternatives. This might include equity and bond specialists, a good balanced manager, a real estate expert, etc. If appropriate, we could aid you in this type of search because this has been one of our major services since 1969. We know money managers, their history, the personnel, their performance track records, and their styles of management.

Once the fund was properly split between the various management firms, it would then be appropriate to set up a monitoring system to see that each manager was performing satisfactorily, as well as to check on your custodial bank. This monitoring system is separated into two major services: Investment Performance Analysis and a Portfolio Audit Service. Performance measurement reports will concentrate on whether or not each money manager is achieving the results you asked of him. In addition, comparisons are made with the track records of his competitors, i.e., banks, insurance companies, mutual funds, and investment counseling firms. Extensive graphs and colored charts are utilized to make these reports more readable. We tailormake our reports to fit the precise circumstances of each client. Thus, the enclosed sample is included simply to give you an idea of how we present our data.

The audit service is a 100% audit of each penny in each separate management account for every quarter. It checks all purchases and sales as to price, makes sure all dividends and interest payments are correct and are credited to your account on time, and provides a daily cash balance of uninvested monies. This service also contains an internal performance analysis that tells you why the money manager has performed well, average, or poorly.

My associate Doug Dorn is the primary consultant for the Alaska area, as we are already handling the Alyeska Pipeline Plan and may shortly be working with some of your local Taft-Hartley funds with respect to their pension plans.

He may, therefore, next be in Alaska and would very much like to meet with you at your convenience. If our services are of interest to you, I would be more than happy to make a formal presentation at any time to your committee or to any group whatsoever. Please do not hesitate to call me collect if you have any questions of us in the interim period.

Sincerely,

David R. Wood

David R. Wood

im

Enc.

cc: Charles J. Fuhrmann, II

INVESTMENT
MEASUREMENT

FINANCIAL PLANNING

PORTFOLIO AUDIT

INVESTMENT MANAGER
EVALUATION

CALLAN ASSOCIATES INC.

Investment Monitoring and Consulting

To our clients and friends:

The officers responsible for employee benefit funds and other large pools of capital face greater pressures than ever. The rapid growth of fund liabilities, the increased volatility of fund assets, and the enactment of the Employees Retirement Income Security Act of 1974 (ERISA) have created new demands for professional monitoring and consulting services.

Callan Associates, continuing a measurement and consulting business begun in 1966, offers you the combined experience of 60 professionals committed to careers in financial services. Our clients include major corporate pension and profit-sharing funds, as well as Taft-Hartley, public employee, and eleemosynary funds. We consult with 250 clients nationwide from our offices in New York, Chicago, Los Angeles, and San Francisco, and provide a total monitoring package comprised of the following services:

~ *Investment Measurement Analysis*

~ *Financial Planning Service*

~ *Portfolio Audit*

~ *Investment Manager Evaluation*

By assisting in monitoring your fund, Callan Associates can help you satisfy the requirements of ERISA and fulfill your fiduciary responsibilities.

Sincerely yours,

Edwin C. Callan

Edwin C. Callan
PRESIDENT

PORTFOLIO AUDIT

~ Verifies the price of each transaction

~ Audits the collection of all income

~ Examines the balance of uninvested cash

~ Analyzes returns for the total portfolio, industry groups, and individual securities

~ Maintains cumulative purchase and sale records to evaluate investment decisionmaking

~ Summarizes key investment data for your review

CAI provides an analysis and reconciliation of your custodian's statements. All discrepancies are validated by experienced analysts and then itemized for systematic resolution.

Audited numbers form the basis for a detailed investment performance review in a format which facilitates efficient and comprehensive analysis. Special summaries are tailored for your review.

INVESTMENT MANAGER EVALUATION

~ Documents investment objectives and policy

~ Profiles present and prospective investment managers

~ Provides data on a group of prospective managers

~ Assists in formulating the selection and interview format

CAI assists in gathering and analyzing information required for selecting an investment manager.

Consultations include the review of investment objectives and policies as well as the consideration of desirable portfolio manager qualifications. Investment management firms are profiled from the standpoint of organization structure, personnel, performance, and other factors.

This data becomes a valuable reference for the Selection Committee when reaching the final decision.

AUDITING

EVALUATING

CALLAN ASSOCIATES INC.
INVESTMENT MONITORING AND CONSULTING

SAN FRANCISCO

NEW YORK ~ CHICAGO ~ LOS ANGELES

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San Francisco, California 94108
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523 West Sixth Street
Los Angeles, California 90014
(213) 628-0791

Our services provide financial management tools for monitoring your employee benefit fund.

Some of our clients use only one service while others subscribe to the complete package. In combination, CAI services comprise a comprehensive monitoring system for today's marketplace.

Our overall goal is to help improve your employee benefit fund results through the utilization of our services and total consulting capabilities.

If you are responsible for corporate, Taft-Hartley, eleemosynary, or institutional funds, CAI services are designed specifically for you.

Fees for our services are determined individually with specific quotations based on required consulting and report production time. Payment for services is accepted in cash or by the direction of brokerage commissons.

To facilitate payment in brokerage commissions, execution capability is maintained in New York, staffed with experienced personnel. We are a member of the New York Stock Exchange, National Association of Securities Dealers, and an associate member of the American Stock Exchange.

CAI
Callan
Associates
Inc.

Investment Measurement Service

CALLAN ASSOCIATES INVESTMENT MEASUREMENT REVIEW

SAMPLE REPORT

This sample report was produced by CAI Consulting Corporation, an affiliate of Callan Associates Inc. This report demonstrates the technique and format currently available to measurement clients.

Callan Associates Inc.

Section 3 **Asset Allocation**

Section 4 **Appendix**

The following statistical analysis was prepared by CAI Consulting Corporation, an affiliate of Callan Associates Inc., utilizing secondary data from statements provided by the plan trustee and/or custodian. CAI computer software and selected information in CAI's database. Reasonable care has been taken to assure the accuracy of the CAI computer software and database. CAI disclaims responsibility, financial or otherwise, for the accuracy or completeness of this report.

INTRODUCTION

This report presents an investment performance review for the Trust using time- and dollar-weighted results. Performance of the Trust is compared to various market indicators and a selection of funds managed by a diversity of institutions.

Equity market trends are reflected by the Standard & Poor's 500 and the Dow Jones Industrial Average. The Callan Associates database of comparatives consists of a large sample of equity-oriented funds. Comparison of the Trust to these funds provides a means of evaluating a manager's performance relative to other investment managers throughout the country. The database funds are grouped into the following management categories.

- Bank-pooled funds divided into two groups according to total employee benefit assets under management
- Insurance company separate accounts
- Mutual funds with growth and growth-plus-income objectives
- Investment counselor portfolios, individually managed for nontaxable trusts

The Trust's long-term fixed-income investments were also measured in relation to a sample of bank-pooled fixed-income funds and market indicators, including U.S. Treasury Bills.

Time-weighted performance results are directly attributable to security selection. The effects of fluctuations in cash flows or asset size are minimized by giving equal weight to each quarter's return. In contrast, the dollar-weighted results measure a portfolio's actual investment return by including the effects of all cash flows. Both time- and dollar-weighted rates of return reflect income and capital appreciation and are stated in compound annual terms for periods in excess of one year.

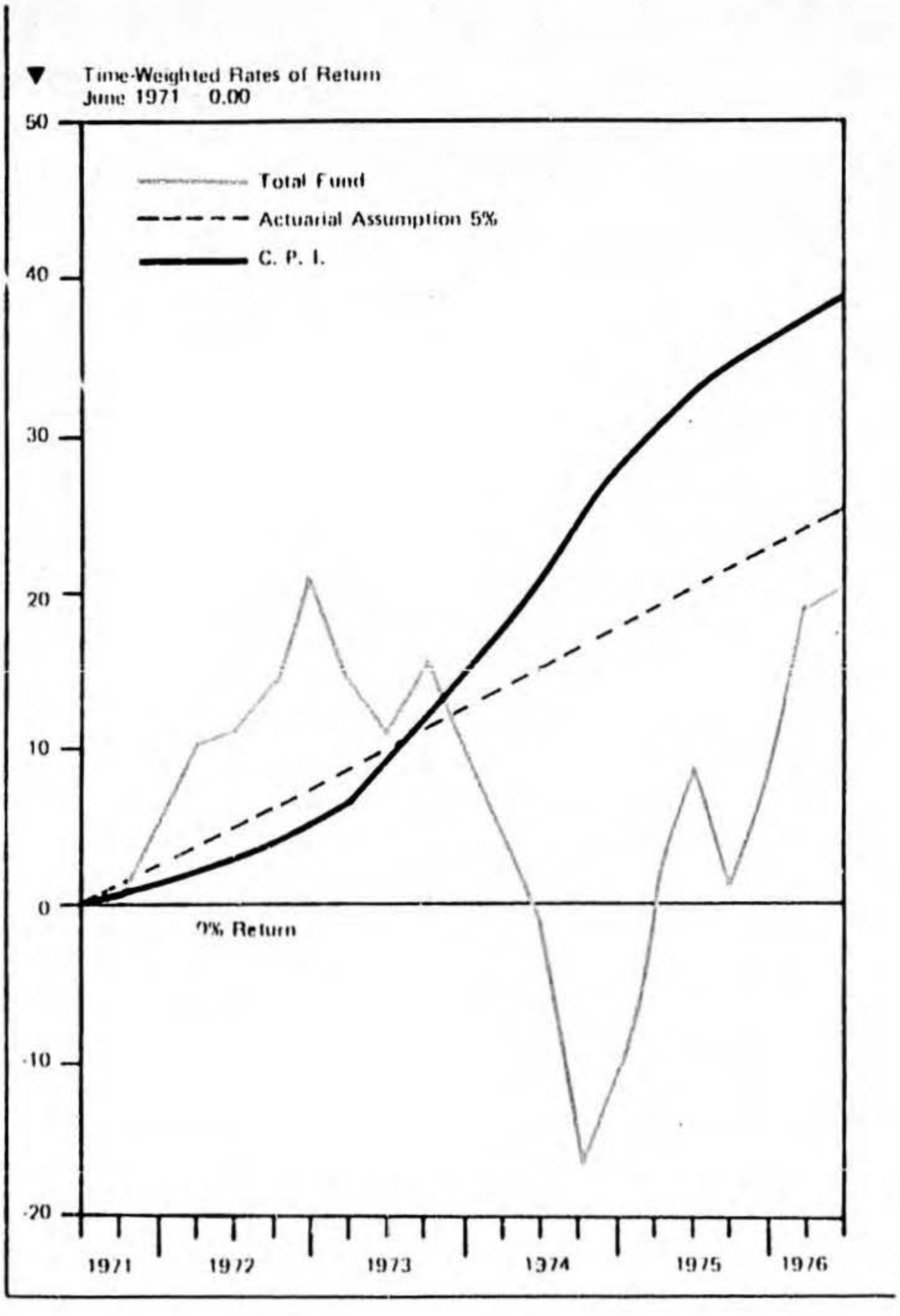
The following pages summarize Trust results in relation to the market indices and median returns for each management category.

CALLAN ASSOCIATES INVESTMENT MEASUREMENT REVIEW

EXHIBITS AND TABLES

PERFORMANCE SUMMARY

FUND OBJECTIVES
FIVE YEARS ENDED JUNE 30, 1976



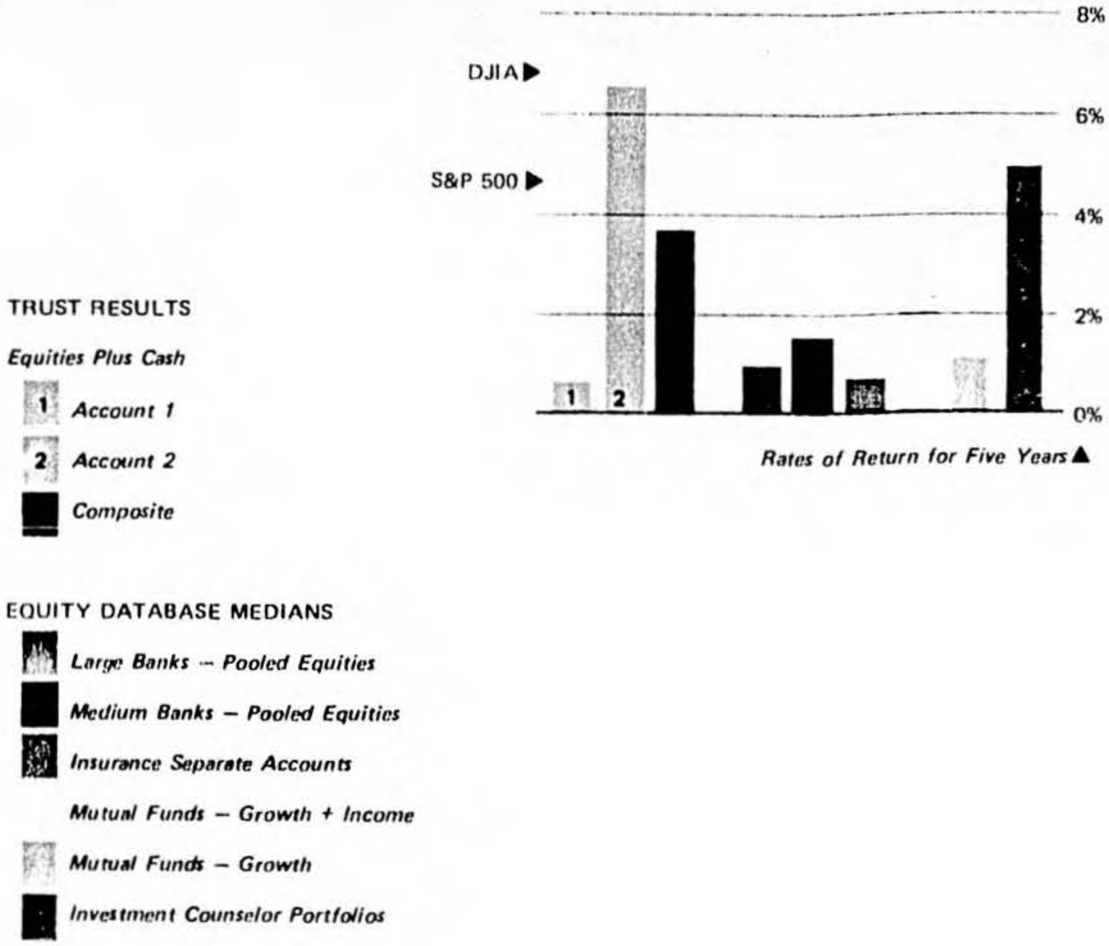
The graph above shows the cumulative time-weighted returns for the Fund in relation to the actuarial assumption rate and the Consumer Price Index over five years.

PERFORMANCE SUMMARY
INTERPORTFOLIO RETURNS

Cumulative Periods Ended June 30, 1976	*One Year*	*Five Years*
Trust Results		
Account 1		
Equities	2.25%	(0.22)%
Fixed-Income	10.50	7.22
Cash Equivalents	7.14	7.64
Total Assets	5.60	2.39
Account 2		
Equities	19.98	4.37
Fixed-Income	10.72	4.91
Cash Equivalents	6.68	6.66
Total Assets	14.73	4.99
PRISA		
Total Assets	7.22	-
Composite		
Equities	10.44	1.94
Fixed-Income	10.65	6.19
Cash Equivalents	7.25	7.09
Total Assets	10.01	3.74
Market Indicators		
Standard & Poor's 500	13.99%	4.67%
Dow Jones Industrials	18.92	6.75
S&P AAA Bonds	7.29	4.37
U.S. Treasury Bills	5.57	6.02
Salomon Bond Index	10.37	6.72
Kuhn Loeb Bond Index	13.01	-

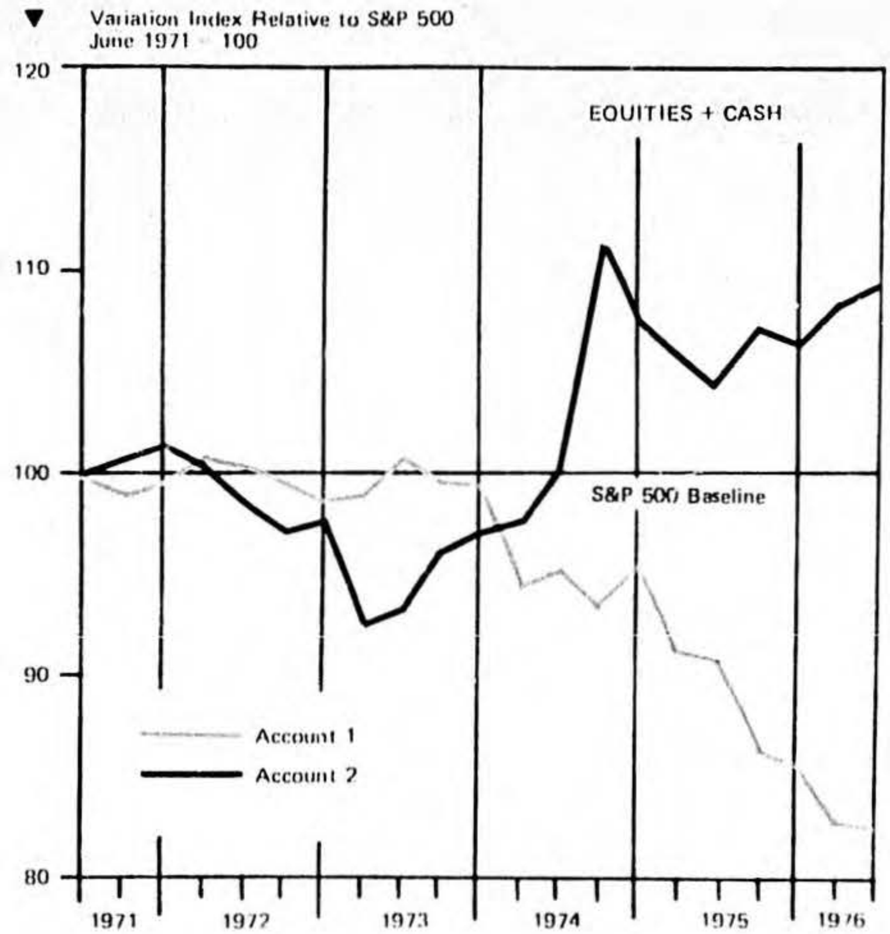
Cumulative time-weighted results are presented as percentage change, restated in compound annual terms for periods in excess of one year. Trust returns are broken down by portfolio, and are shown in relation to market indicators.

COMPARATIVE EQUITY PERFORMANCE
FIVE YEARS ENDED JUNE 30, 1976



The graph above shows performance results for the Trust relative to the equity market and the median returns of the Callan equity-oriented database.

COMPARATIVE EQUITY PERFORMANCE
VARIATION FROM THE MARKET



The cumulative effect of quarterly variations in the Trust's equity performance relative to the market is illustrated in the graph above. Results of the Standard & Poor's 500 are equated to 100 throughout the period and those of the Trust are shown in relation to this constant. The lines of cumulative variation ascend when quarterly returns are higher than the Standard & Poor's and rise above the baseline when overall performance is superior to the market.

COMPARATIVE EQUITY PERFORMANCE
CUMULATIVE TIME-WEIGHTED RETURNS

Cumulative Periods Ended June 30, 1976	*1 Year*	*2 Years*	*3 Years*	*4 Years*	*5 Years*
Equities Plus Cash					
Account 1	3.28%	7.09%	(2.45)%	(1.84)%	0.67%
Account 2	19.26	20.71	9.65	5.89	6.55
Composite	11.06	13.74	3.37	1.99	3.70
Market Indicators					
Standard & Poor's 500	13.99%	15.09%	4.25%	3.22%	4.67%
Dow Jones Industrials	18.92	17.34	8.94	6.47	6.75
Median Rates of Return					
Bank Pooled Equity Funds-I	7.39%	10.53%	0.71%	(2.12)%	0.93%
Bank Pooled Equity Funds-II	7.23	10.56	1.12	(0.65)	1.74
Insurance Separate Accounts	10.08	12.71	2.88	(1.03)	0.70
Growth & Income Mutual Funds	14.32	16.64	6.06	1.78	3.13
Growth Mutual Funds	9.31	14.13	2.65	(2.09)	1.02
Inv. Counselor Portfolios	10.65	12.93	4.74	1.88	4.93
Position in Total Sample					
Equities Plus Cash					
Account 1	173 of 209	178 of 208	176 of 198	121 of 192	107 of 167
Account 2	20 of 209	28 of 208	27 of 198	15 of 192	14 of 167
Composite	80 of 209	83 of 208	91 of 198	58 of 192	50 of 167

Cumulative time-weighted investment results are presented as percentage change, stated in compound annual terms for periods in excess of one year. The Trust's position relative to the Callan Associates database is included for each interval.

COMPARATIVE EQUITY PERFORMANCE
ENDING VALUES BASED ON $100 INVESTMENTS

Cumulative Periods Ended June 30, 1976	*$100 Invested For:* *1 Year*	*2 Years*	*3 Years*	*4 Years*	*5 Years*
Equities Plus Cash					
Account 1	$103	$115	$93	$93	$103
Account 2	119	146	132	126	137
Composite	111	129	110	108	120
Market Indicators					
Standard & Poor's 500	$114	$132	$113	$114	$126
Dow Jones Industrials	119	138	129	129	139
Median Aggregate Values					
Bank Pooled Equity Funds-I	$107	$122	$102	$92	$105
Bank Pooled Equity Funds-II	107	122	103	97	109
Insurance Separate Accounts	110	127	109	96	104
Growth & Income Mutual Funds	114	136	119	107	117
Growth Mutual Funds	109	130	108	92	105
Inv. Counselor Portfolios	111	128	115	108	127
Position in Total Sample					
Equities Plus Cash					
Account 1	173 of 209	178 of 208	176 of 198	121 of 192	107 of 167
Account 2	20 of 209	28 of 208	27 of 198	15 of 192	14 of 167
Composite	80 of 209	83 of 208	91 of 198	58 of 192	50 of 167

The results above represent the value of a $100 investment at the end of each period reviewed. The Trust's rankings relative to the Callan Associates database are identical to the time-weighted cumulative standings on the preceding page.

COMPARATIVE EQUITY PERFORMANCE
INTERIM TIME-WEIGHTED RETURNS

Recent Quarters and Calendar Years	*1973*	*1974*	*1975*	*First Quarter 1976(1)*	*Second Quarter 1976(1)*
Equities Plus Cash					
Account 1	(13.97)%	(29.22)%	22.58%	11.22%	1.84%
Account 2	(15.07)	(18.53)	36.42	16.88	3.17
Composite	(14.36)	(24.11)	29.11	14.11	2.55
Market Indicators					
Standard & Poor's 500	(14.68)%	(26.36)%	37.12%	14.96%	2.46%
Dow Jones Industrials	(13.32)	(23.61)	44.72	18.33	1.35
Median Rates of Return					
Bank Pooled Equity Funds-I	(18.58)%	(27.58)%	29.48%	11.89%	1.64%
Bank Pooled Equity Funds-II	(18.07)	(25.76)	27.58	11.34	0.98
Insurance Separate Accounts	(19.61)	(26.37)	29.99	11.80	2.44
Growth & Income Mutual Funds	(17.00)	(23.03)	34.19	14.34	3.23
Growth Mutual Funds	(23.64)	(27.02)	33.47	14.85	1.99
Inv. Counselor Portfolios	(11.78)	(20.56)	23.87	10.87	2.27
Position in Total Sample					
Equities Plus Cash					
Account 1	56 of 196	164 of 206	161 of 209	134 of 209	117 of 209
Account 2	68 of 196	49 of 206	33 of 209	25 of 209	62 of 209
Composite	62 of 196	102 of 206	105 of 209	58 of 209	80 of 209

(1) Actual percentage change, not annualized.

The purpose of the table above is to isolate Trust returns over recent quarters and calendar years. This provides a basis for analyzing the impact of short-term results on the cumulative standing of the Trust.

COMPARATIVE EQUITY PERFORMANCE

TIME-WEIGHTED RETURNS OVER MARKET CYCLES

Rising and Declining Equity Markets	*Rising Market 6/71–12/72*	*Declining Market 12/72–9/74*	*Rising Market 9/74–6/76*	*Full Period 6/71–6/76*
Equities Plus Cash				
Account 1	14.34%	(29.25)%	28.45%	0.67%
Account 2	13.30	(21.14)	36.55	6.55
Composite	14.19	(25.25)	32.45	3.70
Market Indicators				
Standard & Poor's 500	15.23%	(27.13)%	38.46%	4.67%
Dow Jones Industrials	13.22	(22.34)	39.46	6.75
Median Rates of Return				
Bank Pooled Equity Funds-I	14.43%	(30.78)%	32.61%	0.93%
Bank Pooled Equity Funds-II	14.10	(27.30)	29.14	1.74
Insurance Separate Accounts	11.26	(28.15)	32.18	0.70
Growth & Income Mutual Funds	10.68	(26.76)	36.88	3.13
Growth Mutual Funds	10.74	(32.06)	37.98	1.02
Inv. Counselor Portfolios	16.13	(23.61)	28.37	4.93
Position in Total Sample				
Equities Plus Cash				
Account 1	72 of 167	115 of 196	143 of 208	107 of 167
Account 2	88 of 167	28 of 196	63 of 208	14 of 167
Composite	77 of 167	64 of 196	106 of 208	50 of 167

The table above summarizes performance during rising and declining market intervals. Relative strengths and weaknesses may be indicated by the Trust's position in the total sample during the different market periods.

COMPARATIVE EQUITY PERFORMANCE
CUMULATIVE DOLLAR-WEIGHTED RETURNS

Five Years Ended June 30, 1976	*Account 1*	*Account 2*	*Composite*
Equities Plus Cash	0.19%	4.18%	2.01%
Market Indicators			
Standard & Poor's 500	4.15%	0.98%	2.81%
Dow Jones Industrials	6.22	4.06	5.31
Median Rates of Return			
Bank Pooled Equity Funds-I	0.52%	(3.02)%	(1.07)%
Bank Pooled Equity Funds-II	1.47	(1.85)	0.31
Insurance Separate Accounts	0.49	(2.21)	(1.09)
Growth & Income Mutual Funds	2.78	0.35	1.65
Growth Mutual Funds	0.94	(3.53)	(1.16)
Inv. Counselor Portfolios	4.82	1.73	3.66
Relative Ranking			
Bank Pooled Equity Funds-I	26 of 40	1 of 40	7 of 40
Bank Pooled Equity Funds-II	20 of 32	3 of 32	7 of 32
Insurance Separate Accounts	10 of 18	1 of 18	4 of 18
Growth & Income Mutual Funds	24 of 28	5 of 28	12 of 28
Growth Mutual Funds	18 of 29	5 of 29	7 of 29
Inv. Counselor Portfolios	20 of 25	3 of 25	18 of 25
Position in Total Sample	113 of 167	13 of 167	50 of 167

In order to permit interfund comparisons on a dollar-weighted basis, beginning asset values and cash flows of the Trust are applied to each market index and database fund. Comparative results therefore represent compound annual growth rates adjusted to the cash flow conditions of the Trust.

COMPARATIVE EQUITY PERFORMANCE

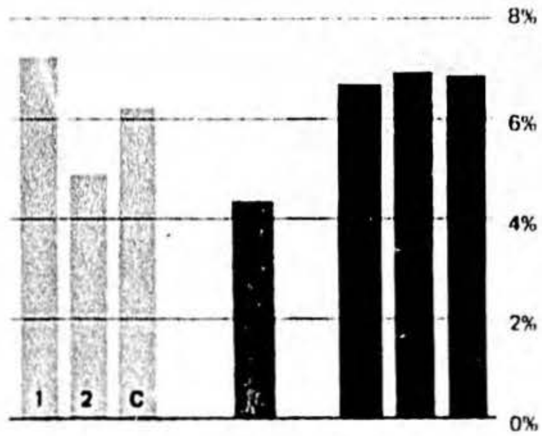
ENDING VALUES DERIVED FROM PORTFOLIO CASH FLOWS

($000)

Five Years Ended June 30, 1976	*Market Values at June 30, 1976* *Account 1*	*Account 2*	*Composite*
Equities Plus Cash	$6,836	$8,288	$15,123
Market Indicators			
Standard & Poor's 500	$8,670	$7,119	$15,789
Dow Jones Industrials	9,746	8,243	17,989
Median Aggregate Values			
Bank Pooled Equity Funds-I	$6,978	$5,830	$12,746
Bank Pooled Equity Funds-II	7,399	6,186	13,781
Insurance Separate Accounts	6,965	6,076	12,736
Growth & Income Mutual Funds	8,001	6,903	14,837
Growth Mutual Funds	7,165	5,677	12,684
Inv. Counselor Portfolios	9,009	7,384	16,518
Relative Ranking			
Bank Pooled Equity Funds-I	26 of 40	1 of 40	7 of 40
Bank Pooled Equity Funds-II	20 of 32	3 of 32	7 of 32
Insurance Separate Accounts	10 of 18	1 of 18	4 of 18
Growth & Income Mutual Funds	24 of 28	5 of 28	12 of 28
Growth Mutual Funds	18 of 29	5 of 29	7 of 29
Inv. Counselor Portfolios	20 of 25	3 of 25	18 of 25
Position in Total Sample	**113 of 167**	13 of 167	50 of 167

Dollar-weighted results are expressed above in aggregate dollar terms. Trust results equal the actual ending market value of assets. Comparative results represent hypothetical ending values after investing the Trust's beginning assets and actual cash flows.

COMPARATIVE FIXED-INCOME PERFORMANCE
FIVE YEARS ENDED JUNE 30, 1976



Rates of Return for Five Years ▲

TRUST RESULTS

Fixed-Income Portfolios

1 *Account 1*

2 *Account 2*

C *Composite*

FIXED-INCOME COMPARATIVES

Standard & Poor's AAA Bonds

U. S. Treasury Bills

Salomon Brothers Bonds

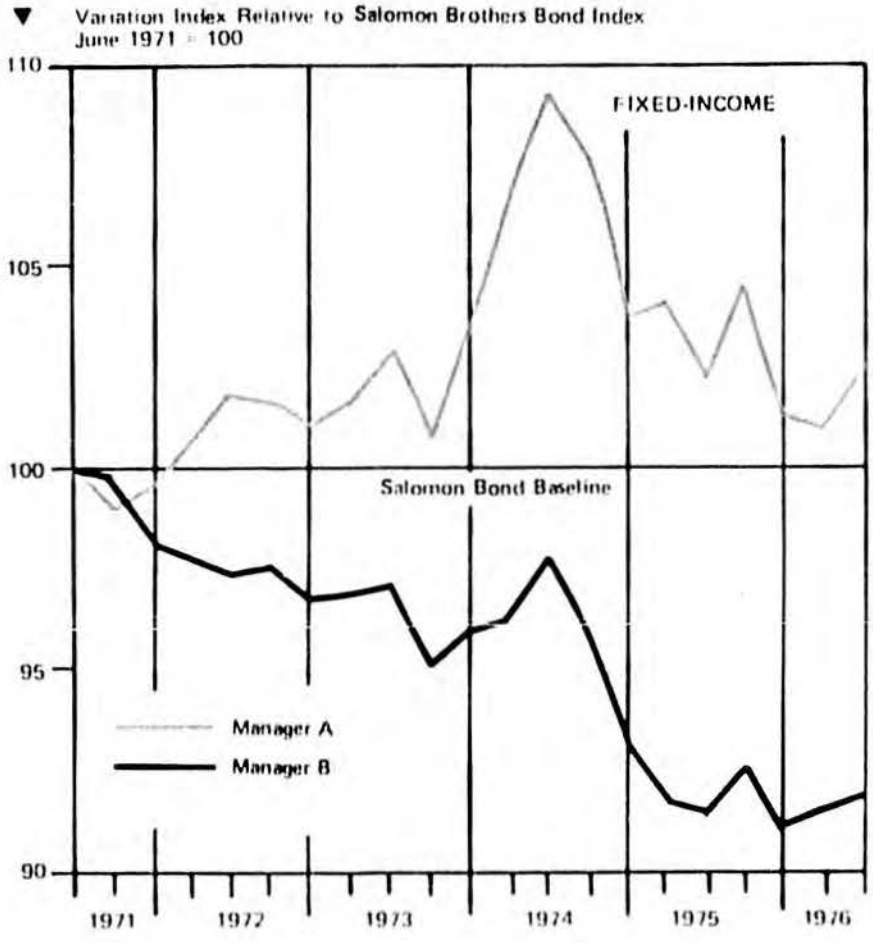
Kuhn Loeb Bonds

Banks – Pooled Fixed-Income

The graph above shows performance results for the Trust relative to the fixed-income market and the median return for the Callan fixed-income database funds

COMPARATIVE FIXED-INCOME PERFORMANCE

VARIATION FROM THE MARKET



The cumulative effect of quarterly variations in the Trust's fixed-income performance relative to the market is illustrated in the graph above. Results of the Salomon Brothers Bond Index are equated to 100 throughout the period and those of the trust are shown in relation to this constant. The line of cumulative variation ascends when quarterly returns are higher than the Bond Index and rises above the baseline when overall performance is superior to the bond market.

COMPARATIVE FIXED-INCOME PERFORMANCE
CUMULATIVE TIME-WEIGHTED RETURNS

Cumulative Periods Ended June 30, 1976	*1 Year*	*2 Years*	*3 Years*	*4 Years*	*5 Years*
Fixed-Income Portfolios					
Account 1	10.50%	9.15%	5.41%	5.46%	7.22%
Account 2	10.72	9.21	3.52	3.77	4.91
Composite	10.65	9.19	4.46	4.60	6.19
Market Indicators					
S & P AAA Bonds	7.29%	5.08%	2.72%	3.06%	4.37%
Treasury Bills	5.57	6.17	6.76	6.50	6.02
Salomon Bond Index	10.37	12.67	5.58	5.35	6.72
Kuhn Loeb Bond Index	13.01	13.85	6.16	-	-
Kuhn Loeb L.T. Bond Index	-	-	-	-	-
Kuhn Loeb Gov't. Bond Index	-	-	-	-	-
Median Rates of Return					
Bank Pooled-Income Funds	10.69%	10.62%	5.87%	5.54%	6.81%
Mutual Fixed-Income Funds	-	-	-	-	-
Insurance Fixed-Income Funds	-	-	-	-	-
Position In Total Sample Fixed-Income Portfolios					
Account 1	31 of 56	46 of 54	37 of 53	29 of 52	17 of 51
Account 2	28 of 56	46 of 54	52 of 53	50 of 52	50 of 51
Composite	30 of 56	46 of 54	49 of 53	48 of 52	40 of 51

Time-weighted results for the fixed-income portion of the Trust are shown above in relation to relevant market indicators and a sample of bank pooled fixed-income funds.

COMPARATIVE FIXED-INCOME PERFORMANCE
INTERIM TIME-WEIGHTED RETURNS

Recent Quarters and Calendar Years	*1973*	*1974*	*1975*	*First Quarter 1976(1)*	*Second Quarter 1976(1)*
Fixed-Income Portfolios					
Account 1	3.56%	(2.86)%	11.72%	4.06%	1.60%
Account 2	0.22	(6.01)	12.11	4.92	0.43
Composite	1.79	(4.42)	11.89	4.51	1.00
Market Indicators					
S & P AAA Bonds	1.16%	(4.17)%	8.00%	4.25%	(0.47)%
Treasury Bills	7.23	8.00	5.82	1.29	1.20
Salomon Bond Index	1.10	(3.05)	14.63	4.22	0.30
Kuhn Loeb Bond Index	1.55	(5.97)	17.04	5.58	1.00
Kuhn Loeb L.T. Bond Index	-	-	-	-	-
Kuhn Loeb Gov't. Bond Index	-	-	-	-	-
Median Rates of Return					
Bank Pooled-Income Funds	2.44%	(1.86)%	12.64%	4.16%	1.12%
Mutual Fixed-Income Funds	-	-	-	-	-
Insurance Fixed-Income Funds	-	-	-	-	-
Position in Total Sample Fixed-Income Portfolios					
Account 1	10 of 52	37 of 54	38 of 55	32 of 56	11 of 56
Account 2	44 of 52	48 of 54	33 of 55	16 of 56	55 of 56
Composite	32 of 52	44 of 54	37 of 55	25 of 56	40 of 56

(1) Actual percentage change, not annualized.

The table above presents the performance record of fixed-income investments over recent interim periods.

INTRODUCTION

This section deals with the dollar growth of assets and allocation of these assets to the various Trust portfolios. Overall growth is equivalent to the gain in value from inception to the end of the period. The formula for the growth of assets within the total Trust or its individual portfolios can be stated as follows:

	Ending Market Value		*Beginning Market Value*		*Net New Investment*		*Investment Return*
Asset Growth		=		+		+	

Market Value Trust assets valued at market as of the beginning and ending of the indicated period.

Net New investment Total contributions, including any transfers of funds, less payments to beneficiaries under the plan and miscellaneous Trust expenses including custodial and management fees.

Investment Return Based on:

Income All dividends and interest received on assets held by the Trust.

Capital Appreciation Realized gains or losses on assets sold by the Trust plus unrealized gains or losses on current investments.

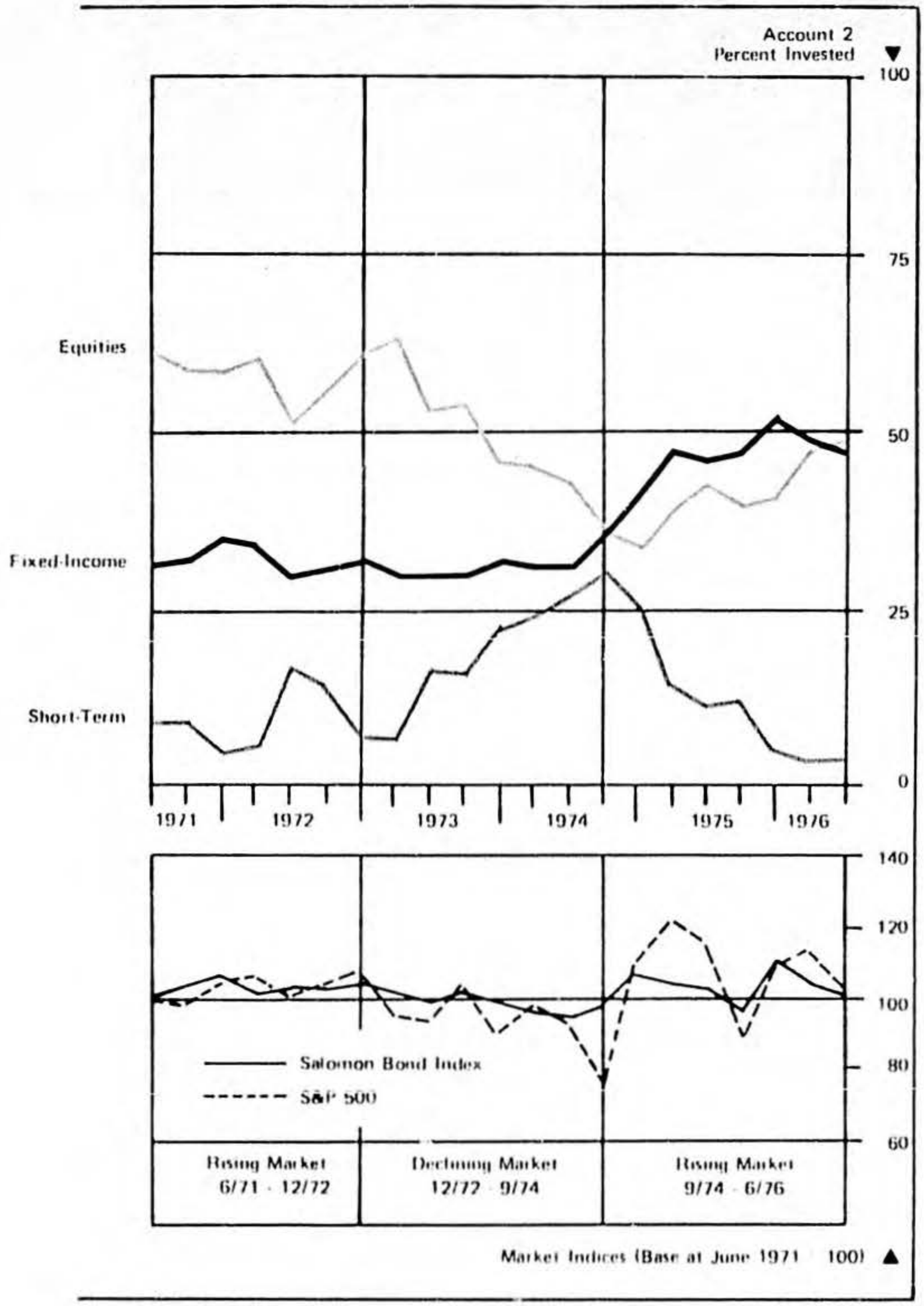
The tables in this section include market valuations and net new investment for the Trust portfolios.

TABLE OF ASSET GROWTH
($000)

Five Years Ended 6/30/76	Ending Market Value	=	Beginning Market Value	+	Net New Investment	+	Investment Return: Earned Income	+	Investment Return: Capital Appreciation
Total Assets									
Account 1	$14,457		$11,848		$ 1,909		$1,012		$ (312)
Account 2	16,317		4,271		8,873		1,170		2,003
PRISA	1,710		0		1,500		210		-
Composite	32,484		16,119		12,282		2,392		1,691

The table above shows the dollar increase in assets based on the change in market value. The sources of growth are net new investment and investment return, as shown in the formula heading the table.

ASSET DISTRIBUTION GRAPH



ASSET DISTRIBUTION
($000)

Quarter Ending		Equities	% of Total	Long Term Fixed	% of Total	Cash & Short Term	% of Total	Total Assets
Account 2								
1971	June	2,538	59.4	1,338	31.3	393	9.2	4,271
	September	2,551	58.9	1,366	31.5	414	9.6	4,332
	December	2,683	59.2	1,613	35.6	232	5.1	4,529
1972	March	2,810	60.0	1,601	34.2	275	5.9	4,687
	June	2,909	52.0	1,700	30.4	987	17.6	5,597
	September	5,690	55.1	3,196	30.9	1,443	14.0	10,330
	December	6,781	61.8	3,461	31.6	723	6.6	10,967
1973	March	6,427	62.7	3,079	30.0	742	7.2	10,249
	June	6,641	53.3	3,742	30.1	2,066	16.6	12,450
	September	7,064	53.6	3,972	30.1	2,152	16.3	13,189
	December	5,616	45.0	4,032	32.3	2,845	22.8	12,494
1974	March	5,483	44.6	3,841	31.2	2,980	24.2	12,305
	June	4,880	41.9	3,663	31.4	3,110	26.7	11,653
	September	3,657	35.4	3,604	34.9	3,062	29.7	10,324
	December	3,703	34.0	4,368	40.1	2,814	25.9	10,886
1975	March	4,812	39.1	5,821	47.3	1,681	13.7	12,314
	June	5,774	42.8	6,184	45.9	1,526	11.3	13,485
	September	5,265	41.4	5,968	46.9	1,499	11.8	12,733
	December	5,734	41.8	7,090	51.7	892	6.5	13,717
1976	March	7,126	46.8	7,287	47.9	812	5.3	15,226
	June	7,502	48.2	7,274.	46.7	785	5.0	15,562

The quarterly distributions for each account are presented by market value and percentage allocation. They are grouped in the following categories; equities, including convertible securities; fixed-income investments, and cash-plus-short-term holdings.

NET NEW INVESTMENT
($000)

Quarter Ending		Equities	Long Term Fixed	Cash & Short Term	Total Assets	S&P 500 Index	S&P AAA Index
Account 2							
1971	June	-111	-11	122	–	100.0	100.0
	September	7	-23	16	–	99.4	102.9
	December	-8	193	-185		103.9	108.6
1972	March	-20	-21	42	0	109.9	108.8
	June	150	79	708	938	110.6	109.8
	September	2,655	1,462	444	4,562	115.0	111.4
	December	559	175	-734	0	123.6	113.9
1973	March	378	-387	9	0	117.6	113.9
	June	619	658	1,301	2,579	110.8	114.2
	September	-178	232	53	107	116.1	111.8
	December	-621	60	636	75	105.5	115.3
1974	March	113	-63	75	125	102.5	114.0
	June	-36	-32	69	–	94.8	112.1
	September	107	128	-141	95	71.0	107.6
	December	-203	520	-311	5	77.7	110.5
1975	March	-50	1,278	-1,195	33	95.5	112.1
	June	75	179	-184	70	110.2	115.4
	September	130	-88	-42	0	98.1	114.4
	December	-34	661	-626		106.6	119.3
1976	March	281	-148	-103	30	122.6	124.4
	June	131	-43	-36	51	125.6	123.8

Net new investment for the total Trust is equivalent to net contributions or the excess of deposits over withdrawals. For portfolio segments, it is the excess of purchases over sales and reinvested income. Net new investment within asset categories reflects the allocation of net contributions as well as shifts in funds from one portfolio to another.

EQUITY TURNOVER RATES

Years Ended June 30	*Account 1*	*Account 2*
1972	28%	24%
1973	31	44
1974	25	8
1975	9	13
1976	25	9

Turnover measures shifts in investments within the equity portfolio other than those resulting from the flow of new money. The rate is derived by dividing the lesser of purchases or sales by the average market value for the period. Since it is based on the lesser of purchases or sales, it reflects the level of exchange rather than total activity within the portfolio.

LARGE BANKS - POOLED EQUITY FUNDS

San Francisco	Bank of America
San Francisco	Bank of California
New York City	Bank of New York
New York City	Chase Manhattan Bank
New York City	Chemical Bank
Cleveland	Cleveland Trust Company
Hartford	Connecticut Bank & Trust Co.
Chicago	Continental Illinois National Bank and Trust Company
San Francisco	Crocker National Bank
Detroit	Detroit Bank and Trust Company
Philadelphia	Fidelity Bank
Dallas	First National Bank in Dallas
Boston	First National Bank of Boston
Chicago	First National Bank of Chicago
Denver	First National Bank of Denver
Portland	First National Bank of Oregon
New York City	First National City Bank
Philadelphia	First Pennsylvania Banking and Trust Company
Philadelphia	Girard Bank
Hartford	Hartford National Bank and Trust Company
New York City	Manufacturers Hanover Trust Company
New York City	Marine Midland Bank
Detroit	National Bank of Detroit
Chicago	Northern Trust Company
Minneapolis	Northwestern National Bank of Minneapolis
Philadelphia	Provident National Bank
Dallas	Republic National Bank
Seattle	Seattle-First National Bank
Boston	Shawmut Bank of Boston, N.A.
Boston	State Street Bank & Trust Company
Toledo	Toledo Trust Company
Los Angeles	Union Bank
Boston	United States Trust Company
Winston-Salem	Wachovia Bank and Trust Company, N.A.
San Francisco	Wells Fargo Bank
Wilmington	Wilmington Trust Company

MEDIUM BANKS – POOLED EQUITY FUNDS

Washington DC	American Security & Trust Company
Honolulu	Bishop Trust Company, Ltd.
Chicago	Central National Bank of Chicago
Des Moines	Central National Bank and Trust Company
Cincinnati	Central Trust Company
Louisville	Citizens Fidelity Bank and Trust Company
Baltimore	Equitable Trust Company
Cincinnati	Fifth Third Bank
Honolulu	First Hawaiian Bank
Phoenix	First National Bank of Arizona
Birmingham	First National Bank of Birmingham
Cincinnati	First National Bank of Cincinnati
Oklahoma City	First National Bank and Trust of Oklahoma City
St. Paul	First Trust Company of St. Paul
Milwaukee	First Wisconsin Trust Co.
Fort Worth	Fort Worth National Bank
Chicago	La Salle National Bank
Milwaukee	Marine National Exchange Bank
Baltimore	Maryland National Bank
Dallas	Mercantile National Bank
Memphis	National Bank of Commerce
Helena	Northwestern Bank & Union Trust Company
Toledo	Ohio Citizens Trust Company
Seattle	Peoples National Bank of Washington
Philadelphia	Philadelphia National Bank
Seattle	Rainier National Bank
St. Louis	St. Louis Union Trust Company
Atlanta	Trust Company of Georgia
Cleveland	Union Commerce Bank
New Haven	Union Trust Company
Denver	United Bank of Denver, N.A.
Los Angeles	United California Bank
Kansas City MO	United Missouri Bank

INSURANCE COMPANIES - SEPARATE ACCOUNTS

Hartford	Aetna Life & Casualty Co.
Des Moines	Bankers Life Company
Bloomfield	Connecticut General Life Insurance Corp.
New York City	Equitable Life Assurance Society of the United States
Boston	John Hancock Mutual Life Insurance Company
Springfield	Massachusetts Mutual Life Insurance Company
St. Paul	Minnesota Mutual Life Insurance Company
New York City	Mutual Benefit Life Insurance Co.
New York City	Mutual of New York
Boston	New England Mutual Life Insurance Company
Minneapolis	Northwestern National Life Insurance Company
Los Angeles	Occidental Life of California
Newport Beach	Pacific Mutual Life Insurance Co.
Newark	Prudential Insurance Company of America
Hartford	Travelers Corporation

MUTUAL FUNDS – GROWTH & INCOME OBJECTIVES

New York City	Affiliated Fund, Inc.
Los Angeles	American Mutual Fund, Inc.
Kansas City MO	David L. Babson Investment Fund, Inc.
New York City	Broad Street Investing Corporation
New York City	Bullock Fund, Ltd.
Boston	Colonial Fund, Inc.
Wilmington	Delaware Fund, Inc.
New York City	Dividend Shares, Inc.
Boston	Eaton & Howard Stock Fund
Boston	Fidelity Fund, Inc.
Denver	Financial Industrial Fund, Inc.
Elizabeth	Fundamental Investors, Inc.
New York City	Guardian Mutual Fund, Inc.
Englewood CA	Hamilton Funds Series H-DA
Minneapolis	Imperial Capital Fund, Inc.
Los Angeles	Investment Company of America
Boston	Massachusetts Investors Trust
New York City	National Securities Growth Fund
New York City	One William Street Fund, Inc.
New York City	Pine Street Fund, Inc.
Boston	Scudder, Stevens & Clark Common Stock Fund, Inc.
Chicago	Selected American Shares, Inc.
Boston	State Street Investment Corporation
Chicago	Stein, Roe & Farnham Stock Fund, Inc
New York City	United Income Fund, Inc.
Milwaukee	Wisconsin Fund, Inc.

MUTUAL FUNDS - GROWTH OBJECTIVES

Los Angeles	AMCAP Fund, Inc.
Houston	American General Capital Growth Fund
Greenwich	American Investors Fund, Inc.
Elizabeth NJ	Anchor Growth Fund, Inc.
Boston	Chase Fund of Boston
New York City	Chemical Fund, Inc.
Los Angeles	Comstock Fund, Inc.
New York City	Dreyfus Fund Incorporated
New York City	Energy Fund Incorporated
Boston	Fidelity Trend Fund, Inc.
Valley Forge PA	Ivest Fund, Inc.
New York City	Johnston Mutual Fund Inc.
Boston	Keystone Growth Fund (K-2)
New York City	National Investors Corporation
New York City	Oppenheimer Fund, Inc.
Redding	Penn Square Mutual Fund
Baltimore	T. Rowe Price Growth Fund, Inc.
Boston	Putnam Growth Fund
San Mateo	Research Equity Fund, Inc.
Baltimore	Rowe Price New Horizons Fund, Inc.
Boston	Salem Fund, Inc.
Topeka	Security Equity Fund, Inc.
Chicago	Supervised Investors Growth Fund, Inc.
Chicago	Technology Fund, Inc.
Los Angeles	Transamerica Capital Fund, Inc.
Kansas City MO	United Accumulative Fund
New York City	Value Line Fund, Inc.
Valley Forge PA	Windsor Fund, Inc.

INVESTMENT COUNSELORS - INDIVIDUAL PORTFOLIOS

San Francisco	BA Investment Management Corporation
Boston	Batterymarch Financial Management Corporation
Los Angeles	George D. Bjurman & Associates
Portland	Capital Consultants, Inc.
Los Angeles	Cole, Ayer, McCully & Light, Inc.
Portland	Columbia Management Co.
New York City	Davis, Palmer & Biggs, Incorporated
Houston	Eagle Management & Trust Company
Boston	Endowment Management & Research Corporation
Houston	Fayez Sarofim & Company
Boston	Fidelity Management & Research Investment Service
Houston	Funds Advisory Company
San Francisco	Harris, Bretall & McEldowney, Inc.
Minneapolis	IDS Advisory Corporation
Philadelphia	INA Capital Management Corp (Formerly Philadelphia Investment Company)
New York City	Jennison Associates Capital Corporation
Boston	Keystone Investment Management Company, Inc.
San Francisco	Loomis, Sayles & Company, Inc.
Atlanta	Montag & Caldwell, Inc.
Seattle	Pringle, Flinn, Elvins & Donahoe, Inc.
Washington DC	J. W. Redmond & Company
San Francisco	Rosenberg Capital Management
Englewood	Templeton, Dobbrow & Vance
Boston	Thorndike, Doran, Paine & Lewis, Inc.
Los Angeles	Trust Company of the West
New York City	Wertheim Asset Management Services Incorporated

Data submitted by investment counselors is updated quarterly on no more than three of their largest and oldest fully discretionary (equity-oriented) pension portfolios. The investment results reflect total account performance on each of these individual portfolios. The average equity commitment at June 30, 1976 was 89.5 percent, with the balance in cash, cash equivalents and bonds.

BANKS - POOLED FIXED-INCOME FUNDS

Indianapolis	American Fletcher National Bank & Trust Co.
Washington DC	American Security and Trust Company
San Francisco	Bank of America
San Francisco	Bank of California
New York City	Bank of New York
Chicago	Central National Bank in Chicago
Des Moines	Central National Bank and Trust Company
Cincinnati	Central Trust Company
New York City	Chase Manhattan Bank
New York City	Chemical Bank
Cleveland	Cleveland Trust Company
Louisville	Citizens Fidelity Bank and Trust Company
Chicago	Continental Illinois National Bank and Trust Company
San Francisco	Crocker National Bank
Detroit	Detroit Bank and Trust Company
Baltimore	Equitable Trust Company
Cincinnati	Fifth Third Bank
Phoenix	First National Bank of Arizona
Birmingham	First National Bank of Birmingham
Boston	First National Bank of Boston
Chicago	First National Bank of Chicago
Denver	First National Bank of Denver
Portland	First National Bank of Oregon
New York City	First National City Bank
St. Paul	First Trust Company of St. Paul
Chicago	Harris Trust and Savings Bank
Chicago	La Salle National Bank
New York City	Manufacturers Hanover Trust Company
New York City	Marine Midland Bank
Milwaukee	Marine National Exchange Bank
Dallas	Mercantile National Bank
Detroit	National Bank of Detroit
Chicago	Northern Trust Company
Helena	Northwestern Bank & Union Trust Company
Minneapolis	Northwestern National Bank of Minneapolis
Toledo	Ohio Citizens Trust Company

BANKS – POOLED FIXED-INCOME FUNDS

continued

Philadelphia	Philadelphia National Bank
Seattle	Rainier National Bank
Dallas	Republic National Bank
Seattle	Seattle-First National Bank
Boston	Shawmut Bank of Boston, N.A.
Boston	State Street Bank & Trust
Toledo	Toledo Trust Company
Atlanta	Trust Company of Georgia
Los Angeles	Union Bank
Denver	United Bank of Denver, N.A.
Los Angeles	United California Bank
Kansas City MO	United Missouri Bank
Boston	United States Trust Company
Winston-Salem	Wachovia Bank & Trust Company
San Francisco	Wells Fargo Bank
Wilmington	Wilmington Trust Company

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Rockefeller Center
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John T. Story
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Chicago
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George Wiley
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