

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

277 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

# SCHEDULE I

## STATE OF MINNESOTA STATE BOARD OF INVESTMENT

### SHORT-TERM CORPORATE NOTES AND U.S. GOVERNMENT OBLIGATIONS HELD BY VARIOUS FUNDS June 30, 1976

|                                         | Invested<br>Treasurer's<br>Cash Fund | HIGHWAY FUNDS       |                     |                        | Miscellaneous<br>Departmental<br>Funds |
|-----------------------------------------|--------------------------------------|---------------------|---------------------|------------------------|----------------------------------------|
|                                         |                                      | Trunk               | County<br>State Aid | Municipal<br>State Aid |                                        |
| <b>SHORT-TERM CORPORATE NOTES</b>       |                                      |                     |                     |                        |                                        |
| Maturity less than 30 days              | \$ 65,173,000                        | \$13,000,000        | \$13,945,000        | \$ 7,110,000           | \$ 4,713,000                           |
| Maturity 30-270 days                    | 102,727,000                          | 18,705,000          | 9,641,000           | 8,512,000              | 1,350,000                              |
| <b>Total Short-Term Corporate Notes</b> | <b>\$167,900,000</b>                 | <b>\$31,705,000</b> | <b>\$23,586,000</b> | <b>\$15,622,000</b>    | <b>\$ 6,063,000</b>                    |

### U.S. TREASURY SECURITIES AND GOVERNMENT AGENCY SECURITIES

|                                           |                      |                     |                     |                     |                      |
|-------------------------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| <b>Bills</b>                              |                      |                     |                     |                     |                      |
| Maturity less than 30 days                | —                    | —                   | \$ 270,000          | —                   | \$ 215,000           |
| Maturity 30-90 days                       | \$ 6,000,000         | —                   | —                   | \$ 30,000           | 21,275,000           |
| Maturity 91-180 days                      | 4,000,000            | —                   | —                   | —                   | 6,565,000            |
| Maturity 6-12 months                      | —                    | —                   | —                   | —                   | 370,000              |
| <b>Total Bills</b>                        | <b>\$ 10,000,000</b> | <b>—</b>            | <b>\$ 270,000</b>   | <b>\$ 30,000</b>    | <b>\$ 28,425,000</b> |
| <b>Repurchase Agreements</b>              |                      |                     |                     |                     |                      |
| Maturity less than 30 days                | \$ 83,250,000        | \$16,300,000        | \$ 5,538,000        | \$ 818,000          | \$ 16,767,000        |
| Maturity 31-45 days                       | 12,000,000           | —                   | —                   | —                   | —                    |
| <b>Total Repurchase Agreements</b>        | <b>\$ 95,250,000</b> | <b>\$16,300,000</b> | <b>\$ 5,538,000</b> | <b>\$ 818,000</b>   | <b>\$ 16,767,000</b> |
| <b>Government Agency Securities</b>       |                      |                     |                     |                     |                      |
| Maturity less than 30 days                | \$ 56,450,000        | \$ 5,000,000        | \$ 9,400,000        | \$ 5,720,000        | \$ 36,420,000        |
| Maturity 31-90 days                       | 47,900,000           | 16,500,000          | 4,700,000           | 4,500,000           | 26,170,000           |
| Maturity 91-180 days                      | 70,710,000           | 6,000,000           | 12,014,000          | 8,000,000           | 37,270,000           |
| Maturity 6 months-1 year                  | 42,400,000           | —                   | 2,000,000           | 500,000             | 6,000,000            |
| Maturity over 1 year                      | 37,250,000           | 4,000,000           | 3,000,000           | 2,950,000           | 120,000              |
| <b>Total Government Agency Securities</b> | <b>\$254,710,000</b> | <b>\$31,500,000</b> | <b>\$31,114,000</b> | <b>\$21,670,000</b> | <b>\$105,980,000</b> |

### Government National Mortgage Association, Guaranteed Mortgage Backed Securities

|                                                                                                      |          |                     |                     |          |          |
|------------------------------------------------------------------------------------------------------|----------|---------------------|---------------------|----------|----------|
| 5.50% GNMBS Mortgage Corp. due<br>9-15-88 - 1168                                                     | —        | \$ 625,000          | —                   | —        | —        |
| 6.50% GNMBS Mortgage Corp. due<br>10-15-88 - 1169                                                    | —        | 625,000             | —                   | —        | —        |
| 6.50% GNMBS Mortgage Corp. due<br>10-15-88 - 1378                                                    | —        | 350,000             | —                   | —        | —        |
| 6.50% Weyerhaeuser Mortgage Co.<br>due 10-15-88 - 1180                                               | —        | 225,000             | —                   | —        | —        |
| 6.50% Weyerhaeuser Mortgage Co.<br>due 10-15-88 - 1181                                               | —        | 500,000             | —                   | —        | —        |
| 6.50% GNMBS Mortgage Corp. due<br>5-15-90 - 2290                                                     | —        | 1,375,000           | —                   | —        | —        |
| 7.50% GNMBS Mortgage Corp. due<br>6-15-90 - 2291                                                     | —        | 1,650,000           | —                   | —        | —        |
| 6.50% GNMBS Mortgage Corp. due<br>7-15-90 - 2424                                                     | —        | —                   | \$ 1,625,000        | —        | —        |
| <b>Total Government National Mortgage<br/>Association, Guaranteed Mortgage<br/>Backed Securities</b> | <b>—</b> | <b>\$ 5,350,000</b> | <b>\$ 1,625,000</b> | <b>—</b> | <b>—</b> |

### U.S. Government Guaranteed Obligations

|                                                         |          |                     |                     |                     |          |
|---------------------------------------------------------|----------|---------------------|---------------------|---------------------|----------|
| 6.35% SEDCO Maritime, Inc.<br>due 12-31-76              | —        | \$ 1,500,000        | \$ 500,000          | \$ 500,000          | —        |
| 6.25% Export Import Bank due 8-2-77                     | —        | 5,000,000           | 1,000,000           | 1,000,000           | —        |
| 6.875% FHA Insured Notes due 8-31-77                    | —        | 4,988,812           | 999,309             | 1,498,712           | —        |
| 6.45% SEDCO Maritime, Inc.<br>due 12-31-77              | —        | 1,500,000           | 500,000             | 500,000             | —        |
| <b>Total U.S. Government Guaranteed<br/>Obligations</b> | <b>—</b> | <b>\$12,988,812</b> | <b>\$ 2,999,309</b> | <b>\$ 3,498,712</b> | <b>—</b> |

### U.S. Treasury Notes and Bonds

|                                          |          |          |          |          |                     |
|------------------------------------------|----------|----------|----------|----------|---------------------|
| 7.50% Notes due 8-15-76                  | —        | —        | —        | —        | \$ 6,000            |
| 8.25% Notes due 9-30-76                  | —        | —        | —        | —        | 4,000,000           |
| <b>Total Maturities less than 1 year</b> | <b>—</b> | <b>—</b> | <b>—</b> | <b>—</b> | <b>\$ 4,006,000</b> |

|                                   |                      |                     |                     |                     |                     |
|-----------------------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| 7.50% Notes due 7-31-77           | \$ 10,000,000        | —                   | —                   | —                   | —                   |
| 8.25% Notes due 8-31-77           | 5,000,000            | —                   | —                   | —                   | —                   |
| 8.375% Notes due 9-30-77          | 5,000,000            | —                   | —                   | —                   | —                   |
| 7.25% Notes due 12-31-77          | 7,000,000            | —                   | 1,630,000           | 1,000,000           | \$ 5,045,000        |
| 6.375% Notes due 1-31-78          | 5,000,000            | —                   | —                   | —                   | —                   |
| 6.25% Notes due 2-15-78           | —                    | —                   | —                   | —                   | 123,000             |
| 7.125% Notes due 3-15-78          | —                    | —                   | —                   | —                   | 60,000              |
| 7.875% Notes due 5-15-78          | 15,000,000           | —                   | —                   | —                   | 40,000              |
| 7.125% Notes due 5-31-78          | 6,000,000            | —                   | —                   | —                   | —                   |
| 6.00% Notes due 11-15-78          | —                    | \$ 2,000,000        | 3,000,000           | 1,000,000           | 65,000              |
| <b>Total Maturities 1-3 years</b> | <b>\$ 53,000,000</b> | <b>\$ 2,000,000</b> | <b>\$ 7,630,000</b> | <b>\$ 3,200,000</b> | <b>\$ 5,333,000</b> |

## HIGHWAY FUNDS

|                                                                                                       | Invested<br>Treasurer's<br>Cash Fund | Trunk               | County<br>State Aid | Municipal<br>State Aid | Miscellaneous<br>Departmental<br>Funds |
|-------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------|---------------------|------------------------|----------------------------------------|
| 6.25% Notes due 8-15-79                                                                               | —                                    | —                   | —                   | —                      | \$ 196,000                             |
| 7.00% Notes due 11-15-79                                                                              | —                                    | —                   | —                   | —                      | 13,000                                 |
| 4.00% Bonds due 2-15-80                                                                               | —                                    | —                   | —                   | —                      | 28,500                                 |
| 6.875% Notes due 5-15-80                                                                              | —                                    | —                   | —                   | —                      | 2,000                                  |
| 9.00% Notes due 8-15-80                                                                               | —                                    | —                   | —                   | —                      | 49,000                                 |
| 3.50% Bonds due 11-15-80                                                                              | —                                    | —                   | —                   | —                      | 5,000                                  |
| <b>Total Maturities 3-5 years</b>                                                                     | <b>—</b>                             | <b>—</b>            | <b>—</b>            | <b>—</b>               | <b>\$ 293,500</b>                      |
| 7.75% Notes due 11-15-81                                                                              | —                                    | —                   | —                   | —                      | \$ 7,000                               |
| 6.375% Bonds due 2-15-82                                                                              | —                                    | —                   | —                   | —                      | 3,000                                  |
| 7.075% Notes due 11-15-82                                                                             | —                                    | —                   | —                   | —                      | 34,000                                 |
| 8.00% Notes due 2-15-83                                                                               | —                                    | —                   | —                   | —                      | 2,000                                  |
| 3.25% Bonds due 6-15-78/83                                                                            | —                                    | —                   | —                   | —                      | 50,500                                 |
| 6.215% Bonds due 8-15-84                                                                              | —                                    | —                   | —                   | —                      | 74,000                                 |
| 4.25% Bonds due 5-15-85                                                                               | —                                    | —                   | —                   | —                      | 19,000                                 |
| 7.875% Notes due 5-15-77/86                                                                           | —                                    | —                   | —                   | —                      | 244,000                                |
| <b>Total Maturities 5-10 years</b>                                                                    | <b>—</b>                             | <b>—</b>            | <b>—</b>            | <b>—</b>               | <b>\$ 433,500</b>                      |
| 7.50% Bonds due 11-15-98                                                                              | —                                    | —                   | —                   | —                      | \$ 40,000                              |
| <b>Total Maturities more than 10 years</b>                                                            | <b>—</b>                             | <b>—</b>            | <b>—</b>            | <b>—</b>               | <b>\$ 50,000</b>                       |
| <b>Total U.S. Treasury Notes and Bonds</b>                                                            | <b>\$ 53,000,000</b>                 | <b>\$ 2,000,000</b> | <b>\$ 7,630,000</b> | <b>\$ 3,200,000</b>    | <b>\$ 10,116,000</b>                   |
| <b>Total U.S. Treasury, Government<br/>Agency, and Government<br/>Guaranteed Securities</b>           | <b>\$412,960,000</b>                 | <b>\$68,138,812</b> | <b>\$49,176,309</b> | <b>\$29,216,712</b>    | <b>\$161,288,000</b>                   |
| <b>Total Short-Term Corporate Notes<br/>and U.S. Government Obligations<br/>Held By Various Funds</b> | <b>\$580,860,000</b>                 | <b>\$99,843,812</b> | <b>\$72,212,309</b> | <b>\$44,838,712</b>    | <b>\$167,351,000</b>                   |

Note: "The above mentioned short term corporate notes and U.S. Government obligations total \$965,105,833.00. If the short-term corporate notes and U.S. Treasury and agency security investments owned by the retirement funds and Permanent School Fund are included, a total of \$1,103,743,833.00 face value of investment securities were managed by the Money Market Securities Division of the Investment Department on June 30, 1976."

## SCHEDULE II

### MINNESOTA ADJUSTABLE FIXED BENEFIT FUND June 30, 1976

### RESUME OF ASSETS IN ACCOUNT

|                                                                                                  |                         |
|--------------------------------------------------------------------------------------------------|-------------------------|
| <b>CASH CERTIFIED FOR INVESTMENT*</b>                                                            | <b>\$ (764,618.40)</b>  |
| <b>MONEY MARKET SECURITIES</b>                                                                   |                         |
| <b>Bills</b>                                                                                     |                         |
| Maturities up to 57 days                                                                         | \$ 15,585,000.00        |
| <b>Repurchase Agreements</b>                                                                     |                         |
| Maturities up to 23 days                                                                         | \$ 24,643,000.00        |
| <b>Short-Term Corporate Notes</b>                                                                |                         |
| Maturities up to 47 days                                                                         | \$ 11,743,000.00        |
| <b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS<br/>(See Listing Below)</b>                   | <b>\$ 36,648,167.97</b> |
| <b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS<br/>(See Listing Below)</b>                       | <b>\$ 3,000,000.00</b>  |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS<br/>(See Listing Below)</b>                                 | <b>\$ 22,610,000.00</b> |
| <b>CORPORATE BOND OBLIGATIONS<br/>(See Listing Below)</b>                                        | <b>\$220,382,358.70</b> |
| <b>CONVERTIBLE DEBENTURES<br/>(See Listing Below)</b>                                            | <b>\$ 12,915,050.00</b> |
| <b>DEFERRED YIELD ADJUSTMENT ACCOUNT**</b>                                                       | <b>\$ 6,299,533.88</b>  |
| <b>COMMON STOCKS (See Listing Below)</b>                                                         | <b>\$295,785,798.42</b> |
| <b>TOTAL ASSETS IN ACCOUNT<br/>(for actuarial purposes, not indicative of true market value)</b> | <b>\$648,847,290.57</b> |

\*A negative cash balance indicates purchase of securities prior to fiscal year end for which payment was not made until early July.

\*\*This account signifies an amount equal to the discount at which fixed income securities have been sold at less than amortized cost; the entire amount is being accumulated over a term equal to the average maturity of the bonds sold.

Note: Bond investments are listed at face value; convertible debentures and common stocks are listed at market value.

# SCHEDULE II continued

## UNITED STATES GOVERNMENT-GUARANTEED AND AGENCY BONDS, CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS June 30, 1976

| Company                                                                                      | Type of Security             | Maturity Date (a) | Coupon Rate % | Average Yield % | Total Amount            |
|----------------------------------------------------------------------------------------------|------------------------------|-------------------|---------------|-----------------|-------------------------|
| <b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>                                       |                              |                   |               |                 |                         |
| <b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, GUARANTEED MORTGAGE-BACKED SECURITIES</b>       |                              |                   |               |                 |                         |
| Atlantic Mortgage Corp.                                                                      | Mtg. Backed Cert.            | 9-15-2004         | 8.50          | 9.70            | \$ 998,544.19           |
| Banco Mortgage Co.                                                                           | Mtg. Backed Cert.            | 5-15-2006         | 8.25          | 8.49            | 3,997,230.26            |
| Barnes, James T.                                                                             | Mtg. Backed Cert.            | 5-15-2004         | 8.00          | 9.68            | 903,647.12              |
| California Federal Mtg.                                                                      | Mtg. Backed Cert.            | 4-15-2006         | 8.25          | 8.49            | 1,939,170.49            |
| Citizens Mortgage                                                                            | Mtg. Backed Cert.            | 3-15-2006         | 8.25          | 8.50            | 1,996,725.64            |
| Colonial Mtg. Alabama                                                                        | Mtg. Backed Cert.            | 9-15-2004         | 9.00          | 10.14           | 966,452.96              |
| First Mortgage Corp.                                                                         | Mtg. Backed Cert.            | 11-15-2004        | 9.00          | 10.15           | 965,573.30              |
| Fort Wayne Mortgage                                                                          | Mtg. Backed Cert.            | 4-15-2004         | 8.00          | 9.68            | 1,834,115.29            |
| Glenn Justice                                                                                | Mtg. Backed Cert.            | 10-15-2004        | 9.00          | 10.14           | 875,183.87              |
| Guild Mortgage Co.                                                                           | Mtg. Backed Cert.            | 10-15-2004        | 9.00          | 9.80            | 2,887,196.98            |
| IDS Mortgage Corp.                                                                           | Mtg. Backed Cert.            | 8-15-2003         | 6.50          | 8.52            | 4,596,389.82            |
| Kissell Company                                                                              | Mtg. Backed Cert.            | 6-15-2003         | 6.50          | 8.70            | 2,596,657.68            |
| Kissell Company                                                                              | Mtg. Backed Cert.            | 10-15-2004        | 9.00          | 9.70            | 2,761,628.40            |
| Mortgage & Trust, Inc.                                                                       | Mtg. Backed Cert.            | 6-15-2003         | 6.50          | 8.70            | 1,666,641.87            |
| <b>TOTAL GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, GUARANTEED MORTGAGE-BACKED SECURITIES</b> |                              |                   |               | <b>9.09%</b>    | <b>\$ 29,047,167.97</b> |
| <b>MERCHANT MARINE BONDS</b>                                                                 |                              |                   |               |                 |                         |
| American President Lines                                                                     | Govt. Guar. Bond             | 11-1-91           | 4.80          | 4.80            | \$ 1,762,000.00         |
| States Steamship Co.                                                                         | Govt. Guar. Bond             | 3-31-93           | 5.10          | 5.10            | 2,400,000.00            |
| United States Lines                                                                          | Govt. Guar. Bond             | 11-1-86           | 4 3/8         | 5.39            | 1,624,000.00            |
| United States Lines                                                                          | Govt. Guar. Bond             | 10-1-87           | 5.00          | 5.00            | 1,809,000.00            |
| <b>TOTAL MERCHANT MARINE BONDS</b>                                                           |                              |                   |               | <b>5.07%</b>    | <b>\$ 7,601,000.00</b>  |
| <b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>                                 |                              |                   |               | <b>8.26%</b>    | <b>\$ 36,648,167.97</b> |
| <b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>                                           |                              |                   |               |                 |                         |
| Federal National Mtg. Assn.                                                                  | Debenture                    | 10-11-82          | 8.60          | 8.60            | \$ 3,000,000.00         |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                                                     |                              |                   |               |                 |                         |
| Alberta Govt. Telephone Comm.                                                                | Debenture                    | 6-15-94           | 8.00          | 8.17            | \$ 3,300,000.00         |
| Manitoba Hydro Electric Board                                                                | Bond                         | 10-15-97          | 7.65          | 7.65            | 4,340,000.00            |
| Manitoba Hydro Electric Board                                                                | Bond                         | 10-1-85           | 9.50          | 9.50            | 5,000,000.00            |
| Manitoba, Province of                                                                        | Debenture                    | 4-1-94            | 7 7/8         | 7.90            | 1,020,000.00            |
| Nova Scotia Power Commission                                                                 | S/F Debenture                | 3-15-97           | 7 3/4         | 7.80            | 3,500,000.00            |
| Ontario Hydro                                                                                | Note                         | 3-15-96           | 9.50          | 9.50            | 5,150,000.00            |
| <b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>                                               |                              |                   |               | <b>8.58%</b>    | <b>\$ 22,610,000.00</b> |
| <b>CORPORATE BOND OBLIGATIONS</b>                                                            |                              |                   |               |                 |                         |
| <b>PUBLIC UTILITY OBLIGATIONS</b>                                                            |                              |                   |               |                 |                         |
| <b>ELECTRIC</b>                                                                              |                              |                   |               |                 |                         |
| Central Power & Light                                                                        | First Mortgage               | 6-1-2004          | 9.375         | 9.81            | \$ 5,000,000.00         |
| Citizens Utilities                                                                           | First Mortgage & Coll. Trust | 12-31-91          | 4.80          | 4.80            | 1,000,000.00            |
| Hawaiian Electric                                                                            | First Mortgage               | 4-1-91            | 4.65          | 4.65            | 1,550,000.00            |
| Jersey Central Power & Light                                                                 | Debenture                    | 10-1-88           | 4 5/8         | 4.56            | 1,584,000.00            |
| Long Island Lighting                                                                         | First Mortgage               | 4-1-93            | 4.40          | 4.40            | 1,000,000.00            |
| Minnesota Power & Light Co.                                                                  | First Mortgage               | 8-1-2005          | 10.50         | 10.50           | 5,000,000.00            |
| Montana/Dakota Utilities                                                                     | First Mortgage S/F Bond      | 7-1-84            | 4 5/8         | 5.31            | 1,600,000.00            |
| Philadelphia Electric                                                                        | First & Refunding Mortgage   | 10-15-80          | 11.00         | 11.00           | 1,000,000.00            |
| Public Service Electric & Gas                                                                | First & Refunding Mortgage   | 9-1-94            | 4 5/8         | 5.85            | 2,415,000.00            |
| Southern California Edison                                                                   | First & Refunding Mortgage   | 9-1-85            | 4 3/8         | 5.54            | 1,260,000.00            |
| Southern California Edison                                                                   | First & Refunding Mortgage   | 3-1-89            | 4 3/8         | 7.13            | 1,600,000.00            |
| Utah Power & Light                                                                           | First Mortgage               | 9-1-90            | 4 7/8         | 4.80            | 1,290,000.00            |
| <b>TOTAL ELECTRIC</b>                                                                        |                              |                   |               | <b>7.55%</b>    | <b>\$ 24,299,000.00</b> |
| <b>GAS</b>                                                                                   |                              |                   |               |                 |                         |
| Brooklyn Union Gas                                                                           | First Mortgage               | 4-1-90            | 4 5/8         | 4.56            | \$ 1,175,000.00         |
| Columbia Gas System, Inc.                                                                    | Debenture                    | 1-1-88            | 4 3/8         | 6.58            | 1,650,000.00            |
| Mountain Fuel Supply                                                                         | Debenture                    | 9-1-86            | 4 7/8         | 4.80            | 1,228,000.00            |
| Southern Union Gas                                                                           | First Mortgage               | 10-1-86           | 4.80          | 5.87            | 949,000.00              |
| Washington Gas Light                                                                         | First Mortgage               | 3-1-91            | 5.20          | 6.25            | 1,000,000.00            |
| <b>TOTAL GAS</b>                                                                             |                              |                   |               | <b>5.65%</b>    | <b>\$ 6,002,000.00</b>  |
| <b>TELEPHONE</b>                                                                             |                              |                   |               |                 |                         |
| Bell Telephone Co. of Canada                                                                 | First Mortgage               | 6-1-2004          | 9.50          | 9.50            | \$ 5,000,000.00         |
| General Telephone of Florida                                                                 | First Mortgage               | 5-1-93            | 4 1/2         | 6.21            | 1,000,000.00            |
| General Telephone Co. of the Midwest                                                         | First Mortgage               | 5-1-99            | 7 3/4         | 7.75            | 2,500,000.00            |
| New York Telephone                                                                           | Refunding Mortgage Series U  | 7-15-2008         | 8.00          | 8.48            | 5,000,000.00            |
| Rochester Telephone                                                                          | First Mortgage               | 9-1-93            | 4 3/4         | 5.93            | 1,110,000.00            |
| Southern Bell Telephone & Telegraph Co.                                                      | Debenture                    | 3-15-2013         | 7.625         | 8.19            | 5,000,000.00            |
| <b>TOTAL TELEPHONE</b>                                                                       |                              |                   |               | <b>6.31%</b>    | <b>\$ 19,810,000.00</b> |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>                                                      |                              |                   |               | <b>7.62%</b>    | <b>\$ 49,911,000.00</b> |
| <b>FINANCE OBLIGATIONS</b>                                                                   |                              |                   |               |                 |                         |
| American Investment                                                                          | Note                         | 1-1-91            | 5 1/4         | 5.25            | \$ 650,000.00           |

| Company                                                                                                      | Type of Security              | Maturity Date (a)       | Coupon Rate % | Average Yield % | Total Amount            |
|--------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------|---------------|-----------------|-------------------------|
| Beneficial Finance                                                                                           | Note                          | 3-1-89                  | 4.60          | 7.22            | 2,725,000.00            |
| Deere (John) Credit Corp.                                                                                    | Debenture                     | 10-31-90                | 5.00          | 6.72            | 1,650,300.00            |
| Family Finance                                                                                               | Senior Debenture              | 5-15-90                 | 4 3/4         | 4.84            | 1,300,000.00            |
| First Bank System                                                                                            | Note                          | 6-30-83                 | 8 3/4         | 8.75            | 5,000,000.00            |
| Ford Motor Credit Co.                                                                                        | Debenture                     | 4-1-89                  | 8.70          | 8.96            | 5,000,000.00            |
| General Acceptance                                                                                           | Senior Debenture              | 3-1-85                  | 4 7/8         | 6.83            | 650,000.00              |
| General Electric Credit                                                                                      | Promissory Note               | 10-31-82                | 4 5/8         | 4.625           | 1,500,000.00            |
| Honeywell Finance Inc.                                                                                       | S/F Debenture                 | 12-15-88                | 8.20          | 8.20            | 5,000,000.00            |
| Northwest Bancorporation                                                                                     | S/F Debenture                 | 3-15-2003               | 7 3/4         | 7.75            | 4,000,000.00            |
| Talcott, (James) Inc.                                                                                        | Senior Note                   | 10-1-85                 | 5.00          | 5.00            | 319,000.00              |
| <b>TOTAL FINANCE OBLIGATIONS</b>                                                                             |                               |                         |               | <b>7.70%</b>    | <b>\$ 27,794,000.00</b> |
| <b>INDUSTRIAL OBLIGATIONS</b>                                                                                |                               |                         |               |                 |                         |
| AMAX Inc.                                                                                                    | Note                          | 8-1-88                  | 4 1/2         | 7.50            | \$ 2,275,000.00         |
| Archer-Daniels-Midland                                                                                       | Promissory Note               | 3-1-88                  | 4 7/8         | 7.77            | 1,836,000.00            |
| Arco Steel Corp.                                                                                             | Note                          | 12-15-96                | 7 7/8         | 7.875           | 4,000,000.00            |
| Ashland Oil & Refining Co.                                                                                   | S/F Debenture                 | 2-15-88                 | 4.725         | 6.11            | 1,570,000.00            |
| Atlantic Richfield Co.                                                                                       | Guaranteed Note               | 7-15-96                 | 9 1/4         | 9.25            | 5,000,000.00            |
| Beatrice Foods                                                                                               | S/F Debenture                 | 9-15-94                 | 7 7/8         | 7.90            | 3,000,000.00            |
| Burroughs Corp.                                                                                              | S/F Debenture                 | 7-1-88                  | 4 1/2         | 5.50            | 2,600,000.00            |
| CIBA Geigy Corp.                                                                                             | Note                          | 6-1-2000                | 9 1/2         | 9.50            | 5,000,000.00            |
| Crown Zellerbach                                                                                             | Mortgage Bond                 | 8-1-94                  | 8 1/8         | 8.125           | 4,998,304.99            |
| Dow Chemical                                                                                                 | Note                          | 1-15-90                 | 4 1/2         | 5.65            | 1,836,000.00            |
| FMC Corporation                                                                                              | S/F Debenture                 | 1-15-2000               | 9 1/2         | 9.00            | 4,850,000.00            |
| Firestone Tire & Rubber                                                                                      | Debenture                     | 12-1-2004               | 9 1/4         | 9.33            | 5,000,000.00            |
| Ford Motor Co.                                                                                               | Debenture                     | 7-15-94                 | 9 1/4         | 9.28            | 1,850,000.00            |
| Gould, Inc.                                                                                                  | S/F Debenture                 | 2-15-95                 | 9 1/4         | 9.45            | 3,040,000.00            |
| Hammond Corp.                                                                                                | Senior Note                   | 1-15-90                 | 8 3/4         | 8.75            | 2,450,000.00            |
| Louisiana Land & Exploration                                                                                 | Note                          | 12-1-94                 | 8 1/4         | 8.25            | 2,700,000.00            |
| MacMillan Bloedel Ltd.                                                                                       | Debenture, Series A           | 10-1-90                 | 5.45          | 5.45            | 375,000.00              |
| MacMillan Bloedel Ltd.                                                                                       | Debenture                     | 7-1-94                  | 8 3/4         | 8.75            | 5,200,000.00            |
| Marathon Oil Co.                                                                                             | S/F Debenture                 | 2-1-2000                | 8 1/2         | 8.56            | 3,000,000.00            |
| Owens-Illinois, Inc.                                                                                         | Note                          | 2-1-91                  | 5.00          | 8.38            | 3,783,000.00            |
| Ralston-Purina (Foodmaker, Inc.)                                                                             | Guaranteed Note               | 11-1-89                 | 6 3/4         | 6.75            | 2,800,000.00            |
| Raytheon Company                                                                                             | S/F Debenture                 | 7-1-95                  | 8 1/4         | 8.39            | 5,000,000.00            |
| Scovill Manufacturing                                                                                        | Note                          | 9-15-90                 | 4.80          | 6.21            | 1,638,000.00            |
| Sears, Roebuck & Co.                                                                                         | Debenture                     | 4-1-2006                | 8.00          | 8.02            | 5,150,000.00            |
| Shell Canada Ltd.                                                                                            | Senior Debenture              | 1-1-94                  | 7 1/2         | 7.53            | 1,900,000.00            |
| Shell Oil Co.                                                                                                | Debenture                     | 3-15-91                 | 5.00          | 5.00            | 1,200,000.00            |
| Sinclair Oil Corp.                                                                                           | S/F Debenture                 | 12-15-88                | 4.60          | 6.72            | 3,275,000.00            |
| Sprague Electric                                                                                             | S/F Debenture                 | 9-1-88                  | 4 3/8         | 4.38            | 450,000.00              |
| Standard Oil Co. of California (Chevron Stations, Inc.)                                                      | Note                          | 4-1-91                  | 5.10          | 5.10            | 750,000.00              |
| Standard Oil Co. of California (Union Bank)                                                                  | First Preferred Ship Mortgage | 2-10-97 through 3-30-97 | 7.70          | 7.70            | 4,000,000.00            |
| Standard Oil Co. (Indiana) (Research Properties, Inc.)                                                       | Note                          | 11-1-93                 | 8 1/4         | 8.25            | 3,000,000.00            |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.)                                                   | Note                          | 10-1-2010               | 7 1/2         | 7.50            | 1,750,000.00            |
| Standard Oil Co. (Ohio)                                                                                      | Debenture                     | 1-1-2003                | 8 1/2         | 8.69            | 4,400,000.00            |
| Sun Oil Co.                                                                                                  | Note                          | 7-1-91                  | 5 3/4         | 5.75            | 1,080,000.00            |
| Tenneco West, Inc.                                                                                           | Promissory Note               | 9-1-81                  | 4.65          | 5.40            | 1,512,000.00            |
| Texaco, Inc. (Countrywide Stations, Inc.)                                                                    | Note, Series B                | 12-1-2001               | 7 3/4         | 7.75            | 3,814,000.00            |
| Union Tank Car                                                                                               | S/F Debenture                 | 8-1-86                  | 5.00          | 5.47            | 1,550,000.00            |
| Witco Chemical                                                                                               | Note                          | 12-1-84                 | 4.65          | 5.64            | 1,800,000.00            |
| Youngtown Sheet & Tube                                                                                       | First Mortgage S/F Bond       | 7-1-95                  | 4.60          | 4.61            | 82,000.00               |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                                                                          |                               |                         |               | <b>7.62%</b>    | <b>\$109,514,304.99</b> |
| <b>TRANSPORTATION DEBT OBLIGATIONS</b>                                                                       |                               |                         |               |                 |                         |
| Burlington Northern, Inc.                                                                                    | First & Refunding Mortgage    | 2-1-78                  | 4 3/8         | 4.375           | \$ 305,000.00           |
| Grayhound Corp.                                                                                              | Note                          | 5-15-84                 | 6.00          | 6.43            | 1,863,000.00            |
| Seaboard Airline Railroad                                                                                    | First Mortgage                | 12-1-88                 | 4 5/8         | 5.59            | 2,725,000.00            |
| Southern Railway Co.                                                                                         | Mortgage Bond                 | 6-1-88                  | 4 5/8         | 7.82            | 2,586,000.00            |
| <b>TOTAL TRANSPORTATION DEBT OBLIGATIONS</b>                                                                 |                               |                         |               | <b>6.52%</b>    | <b>\$ 7,477,500.00</b>  |
| <b>RAILROAD EQUIPMENT OBLIGATIONS</b>                                                                        |                               |                         |               |                 |                         |
| ACF Industries, Inc.                                                                                         | Equipment Trust               | 3-1-82/91               | 9.00          | 9.00            | \$ 3,000,000.00         |
| Canadian Pacific Ltd.                                                                                        | Equipment Trust               | 2-1-77/89               | 8 1/2         | 8.50            | 4,635,610.61            |
| Chesapeake & Ohio Railway (Towson Equipment)                                                                 | Conditional Sale              | 7-1-76/ 1-1-85          | 8 1/2         | 8.51            | 2,825,138.23            |
| Louisville & Nashville Railroad Co.                                                                          | Conditional Sale              | 10-20-81/91             | 9.00          | 9.00            | 5,000,000.00            |
| Norfolk & Western Railway Co.                                                                                | Conditional Sale              | 10-1-76/84              | 8 7/8         | 8.875           | 1,800,000.00            |
| North American Car Corp.                                                                                     | Equipment Trust               | 5-1-76/78               | 4.65          | 4.65            | 75,000.00               |
| St. Louis San Francisco Railway Co.                                                                          | Conditional Sale              | 1-15-77/85              | 9 3/8         | 9.375           | 1,545,750.00            |
| Southern Pacific Transportation Co.                                                                          | Conditional Sale              | 3-1-82/91               | 9 1/2         | 9.50            | 2,804,054.87            |
| Union Tank Car Co.                                                                                           | Equipment Trust               | 12-15-82/95             | 9 1/2         | 9.50            | 4,000,000.00            |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                                                                  |                               |                         |               | <b>8.99%</b>    | <b>\$ 25,865,553.71</b> |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                                                                      |                               |                         |               | <b>7.65%</b>    | <b>\$220,382,358.78</b> |
| <b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED AND AGENCY, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b> |                               |                         |               | <b>7.96%</b>    | <b>\$287,640,528.67</b> |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

## Schedule II continued

### CONVERTIBLE DEBENTURE HOLDINGS

June 30, 1976

| Issue                                                                                | Face Amount Held      | Total Cost             | Market Price | Total Market Value     |
|--------------------------------------------------------------------------------------|-----------------------|------------------------|--------------|------------------------|
| Ashland Oil & Refining, 4 3/4% Convertible Subordinated Debentures, due 8-15-93      | 3,500,000.00          | \$ 2,516,610.00        | 74           | \$ 2,590,000.00        |
| FMC Corporation, 4 1/4% Convertible Subordinated Debentures, due 7-15-92             | 2,000,000.00          | 1,734,512.50           | 72 1/2       | 1,812,500.00           |
| Melville Shoe Corporation, 4 7/8% Convertible Subordinated Debentures, due 6-1-96    | 2,000,000.00          | 1,561,500.00           | 82           | 1,640,000.00           |
| Purex Corporation, Limited, 4 7/8% Convertible Subordinated Debentures, due 1-15-94  | 3,200,000.00          | 2,238,667.50           | 66 1/2       | 2,174,550.00           |
| Radio Corporation of America, 4 1/2% Convertible Subordinated Debentures, due 8-1-92 | 3,000,000.00          | 2,683,550.00           | 68           | 2,380,000.00           |
| Sherwin-Williams Co., 6 1/4% Convertible Subordinated Debentures, due 3-1-95         | 2,440,000.00          | 2,329,210.00           | 95           | 2,318,000.00           |
| <b>TOTALS</b>                                                                        | <b>\$1,210,000.00</b> | <b>\$13,064,050.00</b> |              | <b>\$12,915,050.00</b> |

### COMMON STOCK HOLDINGS

| Common Stock                                    | Shares  | Market Price 6-30-76 | Market Value            | Total % Market |
|-------------------------------------------------|---------|----------------------|-------------------------|----------------|
| <b>UTILITIES</b>                                |         |                      |                         |                |
| <b>ELECTRIC</b>                                 |         |                      |                         |                |
| Commonwealth Edison Company                     | 98,000  | \$ 28.00             | \$ 2,744,000.00         |                |
| Florida Power & Light Company                   | 133,300 | 23.88                | 3,182,537.50            |                |
| Houston Lighting & Power Company                | 97,600  | 23.50                | 2,293,600.00            |                |
| Middle South Utilities, Incorporated            | 133,800 | 14.63                | 2,688,075.00            |                |
| Northern States Power Company (Minn.)           | 117,400 | 24.38                | 2,861,625.00            |                |
| Pacific Gas and Electric Company                | 92,300  | 20.38                | 1,880,612.50            |                |
| Texas Utilities Company                         | 160,000 | 19.00                | 3,040,000.00            |                |
| Virginia Electric and Power Company             | 141,200 | 13.75                | 1,982,750.00            |                |
| <b>Total Electric</b>                           |         |                      | <b>\$ 20,673,200.00</b> | <b>6.67%</b>   |
| <b>NATURAL GAS</b>                              |         |                      |                         |                |
| Panhandle Eastern Pipe Line Company             | 100,000 | \$ 35.13             | \$ 3,512,500.00         | <b>1.13%</b>   |
| <b>COMMUNICATIONS</b>                           |         |                      |                         |                |
| American Telephone & Telegraph Company          | 155,000 | \$ 56.50             | \$ 8,757,500.00         |                |
| General Telephone & Electronics Corp.           | 120,000 | 25.88                | 3,105,000.00            |                |
| <b>Total Communications</b>                     |         |                      | <b>\$ 11,862,500.00</b> | <b>3.83%</b>   |
| <b>TOTAL UTILITIES</b>                          |         |                      | <b>\$ 36,048,200.00</b> | <b>11.63%</b>  |
| <b>FINANCIAL SERVICES</b>                       |         |                      |                         |                |
| <b>BANKS</b>                                    |         |                      |                         |                |
| BankAmerica Corporation                         | 88,500  | \$ 56.25             | \$ 4,978,125.00         |                |
| Citicorp                                        | 144,400 | 36.13                | 5,216,450.00            |                |
| First Bank System, Incorporated                 | 37,400  | 45.88                | 4,468,225.00            |                |
| First International Bancshares, Inc.            | 49,500  | 46.00                | 2,277,000.00            |                |
| Northwest Bancorporation                        | 89,000  | 53.25                | 4,739,250.00            |                |
| Security Pacific Corporation                    | 94,679  | 22.94                | 2,171,746.90            |                |
| <b>Total Banks</b>                              |         |                      | <b>\$ 23,856,796.90</b> | <b>7.70%</b>   |
| <b>FINANCE</b>                                  |         |                      |                         |                |
| Household Finance Corporation                   | 108,300 | \$ 18.00             | \$ 2,000,550.00         |                |
| MDIC Investment Corporation                     | 70,000  | 12.63                | 883,750.00              |                |
| <b>Total Finance</b>                            |         |                      | <b>\$ 2,884,300.00</b>  | <b>0.93%</b>   |
| <b>INSURANCE</b>                                |         |                      |                         |                |
| Aetna Life & Casualty Company                   | 62,000  | \$ 27.75             | \$ 1,720,500.00         |                |
| Connecticut General Insurance Corp.             | 69,700  | 50.00                | 3,485,000.00            |                |
| Jefferson Pilot Corporation                     | 55,500  | 27.88                | 1,547,062.50            |                |
| Northwestern National Life Insurance Co.        | 110,600 | 14.00                | 1,548,400.00            |                |
| SAFECO Corporation                              | 74,400  | 38.75                | 2,883,000.00            |                |
| The St. Paul Companies, Inc.                    | 134,200 | 27.50                | 3,690,500.00            |                |
| <b>Total Insurance</b>                          |         |                      | <b>\$ 14,874,462.50</b> | <b>4.80%</b>   |
| <b>TOTAL FINANCIAL SERVICES</b>                 |         |                      | <b>\$ 41,812,559.40</b> | <b>13.43%</b>  |
| <b>CONSUMER-ORIENTED</b>                        |         |                      |                         |                |
| <b>AUTOMOBILES &amp; AUTOMOTIVE PARTS</b>       |         |                      |                         |                |
| Ford Motor Company                              | 68,000  | \$ 58.50             | \$ 3,978,000.00         |                |
| General Motors Corporation                      | 77,600  | 68.50                | 5,315,600.00            |                |
| Genuine Parts Company                           | 75,800  | 37.88                | 2,870,925.00            |                |
| Goodyear Tire & Rubber Company (The)            | 147,500 | 23.00                | 3,392,500.00            |                |
| <b>Total Automobiles &amp; Automobile Parts</b> |         |                      | <b>\$ 15,557,025.00</b> | <b>5.02%</b>   |
| <b>CONSUMER DURABLES</b>                        |         |                      |                         |                |
| Sunbeam Corporation                             | 50,000  | \$ 23.63             | \$ 1,181,250.00         |                |
| Whirlpool Corporation                           | 78,100  | 27.13                | 2,118,462.50            |                |
| <b>Total Consumer Durables</b>                  |         |                      | <b>\$ 2,299,712.50</b>  | <b>1.06%</b>   |

| Common Stock                                | Shares  | Market Price 6-30-76 | Market Value            | Total % Market |
|---------------------------------------------|---------|----------------------|-------------------------|----------------|
| <b>CONSUMER NONDURABLES</b>                 |         |                      |                         |                |
| Avon Products, Inc.                         | 72,900  | \$ 47.25             | \$ 3,444,525.00         |                |
| Eastman Kodak Company                       | 48,300  | 100.13               | 4,836,037.50            |                |
| Minnesota Mining and Manufacturing Co.      | 63,000  | 55.63                | 3,504,375.00            |                |
| Procter & Gamble Company (The)              | 40,000  | 94.88                | 3,795,000.00            |                |
| Revlon, Incorporated                        | 40,000  | 84.00                | 3,360,000.00            |                |
| <b>Total Consumer Nondurables</b>           |         |                      | <b>\$ 18,939,937.50</b> | <b>6.11%</b>   |
| <b>CONSUMER MISCELLANEOUS</b>               |         |                      |                         |                |
| Disney (Walt) Productions                   | 32,217  | \$ 56.63             | \$ 1,824,287.63         |                |
| Holiday Inns, Incorporated                  | 34,800  | 14.36                | 500,250.00              |                |
| McDonald's Corporation                      | 10,000  | 58.50                | 585,000.00              |                |
| <b>Total Consumer Miscellaneous</b>         |         |                      | <b>\$ 2,909,537.63</b>  | <b>0.94%</b>   |
| <b>DRUGS</b>                                |         |                      |                         |                |
| American Home Products Corporation          | 89,800  | \$ 34.25             | \$ 3,075,650.00         |                |
| Johnson & Johnson                           | 27,000  | 84.00                | 2,268,000.00            |                |
| Madtronic, Inc.                             | 48,100  | 27.38                | 1,315,737.50            |                |
| Merck & Co., Inc.                           | 45,900  | 72.00                | 3,304,800.00            |                |
| Pfizer Incorporated                         | 90,200  | 29.25                | 2,638,350.00            |                |
| Schering Plough Corporation                 | 56,000  | 53.75                | 3,010,000.00            |                |
| Warner-Lambert Company                      | 66,000  | 32.75                | 2,161,500.00            |                |
| <b>Total Drugs</b>                          |         |                      | <b>\$ 17,775,037.50</b> | <b>5.73%</b>   |
| <b>FOOD BEVERAGE</b>                        |         |                      |                         |                |
| CPC International, Inc.                     | 35,000  | \$ 46.00             | \$ 1,610,000.00         |                |
| Coca Cola Company (The)                     | 38,000  | 84.13                | 3,196,750.00            |                |
| General Foods Corporation                   | 117,100 | 29.13                | 3,410,537.50            |                |
| General Mills, Incorporated                 | 95,000  | 31.50                | 2,992,500.00            |                |
| Kraftco Corporation                         | 62,600  | 43.63                | 2,730,925.00            |                |
| Norton-Simon, Incorporated                  | 100,200 | 19.88                | 2,112,434.25            |                |
| <b>Total Food Beverage</b>                  |         |                      | <b>\$ 16,053,146.75</b> | <b>5.18%</b>   |
| <b>RETAIL SALES</b>                         |         |                      |                         |                |
| Federated Department Stores, Incorporated   | 60,000  | \$ 47.63             | \$ 2,857,500.00         |                |
| Kresge (S.S.) Company                       | 42,127  | 35.50                | 1,495,508.50            |                |
| Pennney (J.C.) Company, Incorporated        | 79,400  | 57.25                | 4,148,650.00            |                |
| Sears, Roebuck and Company                  | 60,000  | 64.75                | 3,885,000.00            |                |
| <b>Total Retail Sales</b>                   |         |                      | <b>\$ 12,386,658.50</b> | <b>4.00%</b>   |
| <b>TOTAL CONSUMER ORIENTED</b>              |         |                      | <b>\$ 86,921,055.38</b> | <b>28.04%</b>  |
| <b>TECHNOLOGY</b>                           |         |                      |                         |                |
| <b>ELECTRONICS</b>                          |         |                      |                         |                |
| Hewlett Packard Company                     | 18,800  | \$ 114.75            | \$ 2,065,500.00         | <b>0.67%</b>   |
| <b>OFFICE EQUIPMENT</b>                     |         |                      |                         |                |
| Burroughs Corporation                       | 45,400  | \$ 104.00            | \$ 4,721,600.00         |                |
| Control Data Corporation                    | 34,000  | 23.63                | 803,250.00              |                |
| Digital Equipment Corporation               | 21,600  | 176.75               | 3,817,800.00            |                |
| Honeywell, Inc.                             | 42,777  | 49.62                | 2,122,808.63            |                |
| International Business Machines Corp.       | 46,006  | 276.75               | 12,732,160.50           |                |
| Xerox Corporation                           | 52,850  | 61.63                | 3,256,881.25            |                |
| <b>Total Office Equipment</b>               |         |                      | <b>\$ 27,454,500.38</b> | <b>8.86%</b>   |
| <b>TOTAL TECHNOLOGY</b>                     |         |                      | <b>\$ 29,520,000.38</b> | <b>9.52%</b>   |
| <b>BASIC INDUSTRY</b>                       |         |                      |                         |                |
| <b>AEROSPACE</b>                            |         |                      |                         |                |
| United Technologies Corporation             | 90,000  | \$ 37.38             | \$ 3,363,750.00         | <b>1.09%</b>   |
| <b>BUILDING &amp; FOREST PRODUCTS</b>       |         |                      |                         |                |
| Georgia Pacific Corporation                 | 70,300  | \$ 51.50             | \$ 3,614,450.00         |                |
| Masonite Corporation                        | 91,000  | 20.00                | 1,820,000.00            |                |
| Owens Corning Fiberglas Corporation         | 41,000  | 51.50                | 2,111,500.00            |                |
| Weyerhaeuser Company                        | 78,300  | 44.38                | 3,474,562.50            |                |
| <b>Total Building &amp; Forest Products</b> |         |                      | <b>\$ 8,451,512.50</b>  | <b>2.73%</b>   |
| <b>CHEMICALS</b>                            |         |                      |                         |                |
| Air Products and Chemicals, Incorporated    | 42,550  | \$ 76.50             | \$ 3,255,075.00         |                |
| Dow Chemical Company (The)                  | 46,000  | 48.25                | 2,219,500.00            |                |
| du Pont (E.I.) de Nemours and Company       | 17,060  | 139.50               | 2,371,500.00            |                |
| Hercules Incorporated                       | 50,000  | 37.25                | 1,862,500.00            |                |
| Monsanto Company                            | 17,000  | 93.25                | 1,585,250.00            |                |
| Union Carbide Corporation                   | 45,000  | 67.63                | 3,043,125.00            |                |
| <b>Total Chemicals</b>                      |         |                      | <b>\$ 15,376,950.00</b> | <b>4.96%</b>   |
| <b>ELECTRICAL EQUIPMENT</b>                 |         |                      |                         |                |
| Emerson Electric Co.                        | 77,200  | \$ 37.75             | \$ 2,914,300.00         |                |
| General Electric Company                    | 85,000  | 57.13                | 4,855,625.00            |                |
| <b>Total Electrical Equipment</b>           |         |                      | <b>\$ 7,769,925.00</b>  | <b>2.51%</b>   |
| <b>MACHINERY</b>                            |         |                      |                         |                |
| Caterpillar Tractor Co.                     | 45,000  | \$ 91.13             | \$ 4,100,625.00         |                |
| Combustion Engineering, Incorporated        | 45,000  | 47.75                | 2,148,750.00            |                |
| Trans Union Corporation                     | 62,100  | 34.25                | 2,126,925.00            |                |
| <b>Total Machinery</b>                      |         |                      | <b>\$ 8,376,300.00</b>  | <b>2.70%</b>   |
| <b>METALS</b>                               |         |                      |                         |                |
| Aluminum Company of America                 | 58,000  | \$ 56.50             | \$ 3,277,000.00         |                |
| Pittston Company (The)                      | 94,213  | 49.75                | 4,310,244.75            |                |
| <b>Total Metals</b>                         |         |                      | <b>\$ 7,587,244.75</b>  | <b>2.45%</b>   |
| <b>PAPER</b>                                |         |                      |                         |                |
| International Paper Company                 | 42,000  | \$ 73.00             | \$ 3,066,000.00         | <b>0.99%</b>   |

## Schedule II continued

| Common Stock                              | Shares  | Market Price<br>6-30-76 | Market Value     | Total %<br>Market |
|-------------------------------------------|---------|-------------------------|------------------|-------------------|
| <b>MISCELLANEOUS</b>                      |         |                         |                  |                   |
| Corning Glass Works                       | 35,400  | \$ 75.00                | \$ 2,655,000.00  |                   |
| International Telephone & Telegraph Corp. | 58,400  | 28.38                   | 1,657,100.00     |                   |
| Total Miscellaneous                       |         |                         | \$ 4,312,100.00  | 1.39%             |
| <b>TOTAL BASIC INDUSTRY</b>               |         |                         | \$ 58,303,712.25 | 18.81%            |
| <b>ENERGY</b>                             |         |                         |                  |                   |
| <b>OIL-DOMESTIC</b>                       |         |                         |                  |                   |
| Atlantic Richfield Company                | 47,500  | \$104.50                | \$ 4,963,750.00  |                   |
| Continental Oil Company (Del.)            | 70,000  | 38.38                   | 2,685,250.00     |                   |
| Phillips Petroleum Company                | 59,000  | 61.38                   | 3,621,125.00     |                   |
| Standard Oil Company (Indiana)            | 92,700  | 50.50                   | 4,681,350.00     |                   |
| Standard Oil Company (The) (Ohio)         | 37,500  | 72.75                   | 2,728,125.00     |                   |
| Total Oil-Domestic                        |         |                         | \$ 18,680,000.00 | 6.03%             |
| <b>OIL-INTERNATIONAL</b>                  |         |                         |                  |                   |
| Exxon Corporation                         | 93,000  | \$104.63                | \$ 9,730,125.00  |                   |
| Gulf Oil Corporation                      | 130,000 | 28.13                   | 3,656,250.00     |                   |
| Standard Oil Company of California        | 65,000  | 38.00                   | 2,470,000.00     |                   |
| Texaco Inc.                               | 128,300 | 28.13                   | 3,608,437.50     |                   |
| Total Oil-International                   |         |                         | \$ 19,464,812.50 | 6.28%             |

| Common Stock                     | Shares  | Market Price<br>6-30-76 | Market Value      | Total %<br>Market |
|----------------------------------|---------|-------------------------|-------------------|-------------------|
| <b>ENERGY-RELATED</b>            |         |                         |                   |                   |
| Dresser Industries, Inc.         | 88,000  | \$ 43.00                | \$ 3,784,000.00   |                   |
| Halliburton Company              | 66,000  | 63.63                   | 4,199,250.00      |                   |
| Williams Companies (The)         | 86,000  | 24.00                   | 2,064,000.00      |                   |
| Total Energy-Related             |         |                         | \$ 10,047,250.00  | 3.24%             |
| <b>TOTAL ENERGY</b>              |         |                         | \$ 48,182,642.50  | 15.55%            |
| <b>TRANSPORTATION</b>            |         |                         |                   |                   |
| <b>AIRLINES</b>                  |         |                         |                   |                   |
| Northwest Airlines, Incorporated | 143,368 | \$ 32.50                | \$ 4,659,460.00   | 1.50%             |
| <b>RAILROADS</b>                 |         |                         |                   |                   |
| Southern Railway Company         | 35,000  | \$ 59.38                | \$ 2,078,125.00   |                   |
| Union Pacific Corporation        | 28,200  | 92.38                   | 2,604,975.00      |                   |
| Total Railroads                  |         |                         | \$ 4,683,100.00   | 1.51%             |
| <b>TOTAL TRANSPORTATION</b>      |         |                         | \$ 9,342,560.00   | 3.01%             |
| <b>TOTAL COMMON STOCKS</b>       |         |                         | \$309,940,819.51* | 100.00%           |

\*Original cost of equities on June 30, 1976, was \$278,689,055.86.

## SCHEDULE III

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENTRATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS  
IN THE THREE LARGEST RETIREMENT FUNDS  
June 28, 1976

|                   | PUBLIC EMPLOYEES RETIREMENT FUND |                                                    |                                  |              | STATE EMPLOYEES RETIREMENT FUND |                                                    |                                    |              | TEACHERS' RETIREMENT FUND |                                                    |                                  |              |
|-------------------|----------------------------------|----------------------------------------------------|----------------------------------|--------------|---------------------------------|----------------------------------------------------|------------------------------------|--------------|---------------------------|----------------------------------------------------|----------------------------------|--------------|
|                   | Book Value<br>(1,5)              | Average<br>Book Value<br>for Year<br>Ending (2,11) | Income<br>for Year<br>Ending (3) | Yield<br>(4) | Book Value<br>(1)               | Average<br>Book Value<br>for Year<br>Ending (2,11) | Income<br>for Year<br>Ending (3,6) | Yield<br>(4) | Book Value<br>(1)         | Average<br>Book Value<br>for Year<br>Ending (2,11) | Income<br>for Year<br>Ending (3) | Yield<br>(4) |
| June 30, 1957     | \$ 19,301,750                    |                                                    |                                  |              | \$ 36,797,300                   | \$ 34,059,833                                      | \$1,016,556.48                     | 2.92%        | \$ 31,853,900             |                                                    |                                  |              |
| December 31, 1957 | \$ 20,588,750                    |                                                    |                                  |              | \$ 39,577,500                   |                                                    |                                    |              | \$ 34,119,700             |                                                    |                                  |              |
| June 30, 1958     | \$ 23,625,000                    | \$ 21,171,833                                      | \$ 614,036.77                    | 2.90%        | \$ 39,715,510                   | \$ 40,476,167                                      | \$1,225,833.46                     | 3.03%        | \$ 37,742,200             | \$ 34,415,267                                      | \$ 1,018,014.26                  | 2.90%        |
| December 31, 1958 | \$ 27,515,000                    |                                                    |                                  |              | \$ 41,985,510                   |                                                    |                                    |              | \$ 42,777,200             |                                                    |                                  |              |
| June 30, 1959     | \$ 31,563,000                    | \$ 27,567,667                                      | \$ 880,223.48                    | 3.19%        | \$ 44,659,000                   | \$ 44,518,667                                      | \$1,378,022.98                     | 3.10%        | \$ 48,523,300             | \$ 42,847,567                                      | \$ 1,409,995.45                  | 3.29%        |
| December 31, 1959 | \$ 35,414,500                    |                                                    |                                  |              | \$ 46,911,500                   |                                                    |                                    |              | \$ 54,313,000             |                                                    |                                  |              |
| June 30, 1960     | \$ 41,548,500                    | \$ 36,175,333                                      | \$ 1,211,061.33                  | 3.35%        | \$ 49,816,500                   | \$ 49,565,000                                      | \$1,631,458.61                     | 3.29%        | \$ 55,743,300             | \$ 52,693,300                                      | \$ 1,823,482.03                  | 3.46%        |
| December 31, 1960 | \$ 46,935,500                    |                                                    |                                  |              | \$ 51,967,000                   |                                                    |                                    |              | \$ 59,160,300             |                                                    |                                  |              |
| June 30, 1961     | \$ 54,183,680                    | \$ 47,555,893                                      | \$ 1,751,679.00                  | 3.69%        | \$ 58,499,050                   |                                                    |                                    |              | \$ 63,098,540             | \$ 59,167,380                                      | \$ 2,140,761.22                  | 3.62%        |
| December 31, 1961 | \$ 61,433,745                    |                                                    |                                  |              | \$ 66,830,438                   | \$ 64,432,163                                      | \$1,885,692.64                     | 3.46%        | \$ 67,775,429             |                                                    |                                  |              |
| June 30, 1962     | \$ 68,132,958                    | \$ 61,250,128                                      | \$ 2,340,665.00                  | 3.82%        | \$ 69,843,686                   | \$ 69,230,414                                      | \$2,168,821.46                     | 3.63%        | \$ 73,187,108             | \$ 68,020,359                                      | \$ 2,587,612.53                  | 3.80%        |
| December 31, 1962 | \$ 75,195,593                    |                                                    |                                  |              | \$ 62,517,119                   |                                                    |                                    |              | \$ 77,813,737             |                                                    |                                  |              |
| June 30, 1963     | \$ 81,436,890                    | \$ 74,921,814                                      | \$ 2,990,070.00                  | 3.99%        | \$ 65,432,932                   | \$ 65,674,167                                      | \$2,466,206.57                     | 3.76%        | \$ 82,990,550             | \$ 77,997,132                                      | \$ 3,011,190.37                  | 3.86%        |
| December 31, 1963 | \$ 92,347,700                    |                                                    |                                  |              | \$ 68,922,451                   |                                                    |                                    |              | \$ 88,480,685             |                                                    |                                  |              |
| June 30, 1964     | \$ 96,311,091                    | \$ 90,031,834                                      | \$ 3,613,002.65                  | 4.01%        | \$ 72,100,574                   |                                                    |                                    |              | \$ 96,579,180             | \$ 89,333,472                                      | \$ 3,546,799.82                  | 3.97%        |
| December 31, 1964 | \$103,667,519                    |                                                    |                                  |              | \$ 75,485,635                   | \$ 72,169,553                                      | \$2,771,915.82                     | 3.64%        | \$100,413,219             |                                                    |                                  |              |
| June 30, 1965     | \$110,234,510                    | \$103,404,373                                      | \$ 4,193,536.65                  | 4.06%        | \$ 79,128,448                   | \$ 79,397,685                                      | \$3,104,510.00                     | 3.91%        | \$109,721,619             | \$102,054,673                                      | \$ 4,124,491.25                  | 4.04%        |
| December 31, 1965 | \$120,809,744                    |                                                    |                                  |              | \$ 83,578,973                   |                                                    |                                    |              | \$113,680,813             |                                                    |                                  |              |
| June 30, 1966     | \$126,016,044                    | \$119,034,099                                      | \$ 4,961,041.08                  | 4.17%        | \$ 87,477,671                   |                                                    |                                    |              | \$122,352,368             | \$115,098,267                                      | \$ 4,677,205.58                  | 4.06%        |
| December 31, 1966 | \$136,773,265                    |                                                    |                                  |              | \$ 92,210,804                   | \$ 87,755,816                                      | \$3,599,529.00                     | 4.10%        | \$129,037,233             |                                                    |                                  |              |
| June 30, 1967     | \$143,519,881                    | \$135,436,396                                      | \$ 5,766,018.44                  | 4.26%        | \$ 97,325,985                   |                                                    |                                    |              | \$141,805,453             | \$131,078,751                                      | \$ 5,553,970.00                  | 4.24%        |
| December 31, 1967 | \$155,763,772                    |                                                    |                                  |              | \$103,557,821                   | \$ 97,714,870                                      | \$4,103,671.00                     | 4.20%        | \$156,865,901             |                                                    |                                  |              |
| June 30, 1968     | \$158,378,261                    | \$152,553,771                                      | \$ 6,670,944.32                  | 4.37%        | \$110,073,169                   |                                                    |                                    |              | \$162,931,287             | \$160,534,214                                      | \$ 7,057,974.94                  | 4.40%        |
| December 31, 1968 | \$177,587,167                    |                                                    |                                  |              | \$117,517,899                   | \$110,382,963                                      | \$4,792,334.00                     | 4.34%        | \$192,423,593             |                                                    |                                  |              |

(Continued on following page)

## Schedule III continued

|                                  | PUBLIC EMPLOYEES RETIREMENT FUND |                                                    |                                  |                       | STATE EMPLOYEES RETIREMENT FUND |                                                    |                                    |                       | TEACHERS' RETIREMENT FUND |                                                    |                                  |                       |
|----------------------------------|----------------------------------|----------------------------------------------------|----------------------------------|-----------------------|---------------------------------|----------------------------------------------------|------------------------------------|-----------------------|---------------------------|----------------------------------------------------|----------------------------------|-----------------------|
|                                  | Book Value<br>(1,5)              | Average<br>Book Value<br>for Year<br>Ending (2,11) | Income<br>for Year<br>Ending (3) | Yield<br>(4)          | Book Value<br>(1)               | Average<br>Book Value<br>for Year<br>Ending (2,11) | Income<br>for Year<br>Ending (3,8) | Yield<br>(4)          | Book Value<br>(1)         | Average<br>Book Value<br>for Year<br>Ending (2,11) | Income<br>for Year<br>Ending (3) | Yield<br>(4)          |
| June 30, 1969 <sup>(7)</sup>     | \$158,774,684                    | \$178,246,714                                      | \$ 8,062,078.73                  | 4.52%                 | \$125,111,969                   | —                                                  | —                                  | —                     | \$213,781,373             | \$196,378,751                                      | \$ 9,012,190.00                  | 4.60%                 |
| July 1, 1969 <sup>(8)</sup>      | \$158,760,588                    | —                                                  | —                                | —                     | \$103,231,969                   | —                                                  | —                                  | —                     | \$193,781,373             | —                                                  | —                                | —                     |
| December 31, 1969 <sup>(7)</sup> | \$165,049,959                    | —                                                  | —                                | —                     | \$102,614,272                   | \$114,484,713                                      | \$5,001,736.00                     | 4.37%                 | \$195,989,623             | —                                                  | —                                | —                     |
| June 30, 1970                    | \$169,853,573                    | \$164,554,706 <sup>(9)</sup>                       | \$ 7,662,334.32                  | 4.66%                 | \$ 17,283,570                   | \$101,073,270 <sup>(9)</sup>                       | \$4,504,934.00 <sup>(10)</sup>     | 4.46%                 | \$196,291,329             | \$195,354,108 <sup>(9)</sup>                       | \$ 9,171,447.52                  | 4.67%                 |
| December 31, 1970                | \$182,469,105                    | —                                                  | —                                | —                     | \$112,940,417                   | —                                                  | —                                  | —                     | \$216,272,996             | —                                                  | —                                | —                     |
| June 30, 1971                    | \$198,648,628                    | \$183,657,102                                      | \$ 8,865,744.99                  | 4.83%                 | \$110,406,203                   | \$103,543,397                                      | \$4,777,705.29                     | 4.61%                 | \$228,603,985             | \$213,722,770                                      | \$10,304,556.77                  | 4.82%                 |
| December 31, 1971                | \$215,397,783                    | —                                                  | —                                | —                     | \$113,613,762                   | —                                                  | —                                  | —                     | \$237,806,108             | —                                                  | —                                | —                     |
| June 30, 1972                    | \$235,121,349                    | \$216,883,656                                      | \$11,436,450.83                  | 5.27% <sup>(11)</sup> | \$122,880,191                   | \$116,694,447                                      | \$5,967,135.03                     | 5.11% <sup>(11)</sup> | \$270,163,035             | \$245,694,851                                      | \$12,817,901.01                  | 5.23% <sup>(11)</sup> |
| December 31, 1972                | \$252,126,109                    | —                                                  | —                                | —                     | \$128,806,667                   | —                                                  | —                                  | —                     | \$284,498,463             | —                                                  | —                                | —                     |
| June 29, 1973                    | \$273,046,636                    | \$254,798,887                                      | \$14,551,663.44                  | 5.71% <sup>(12)</sup> | \$137,205,300                   | \$131,240.981                                      | \$7,162,366.90                     | 5.46% <sup>(12)</sup> | \$316,053,836             | \$292,401,785                                      | \$16,217,914.07                  | 5.59% <sup>(12)</sup> |
| December 31, 1973                | \$287,353,546                    | —                                                  | —                                | —                     | \$135,513,840                   | —                                                  | —                                  | —                     | \$309,496,542             | —                                                  | —                                | —                     |
| June 28, 1974                    | \$309,196,034                    | \$292,211,130                                      | \$17,649,265.82                  | 6.04% <sup>(13)</sup> | \$141,710,195                   | \$140,432,514                                      | \$7,956,692.25                     | 5.67% <sup>(13)</sup> | \$320,407,712             | \$319,347,515                                      | \$19,472,083.51                  | 6.08% <sup>(13)</sup> |
| December 31, 1974                | \$334,570,943                    | —                                                  | —                                | —                     | \$146,138,017                   | —                                                  | —                                  | —                     | \$342,430,164             | —                                                  | —                                | —                     |
| June 30, 1975                    | \$361,246,511                    | \$338,578,130                                      | \$18,219,672.19                  | 5.40% <sup>(14)</sup> | \$156,682,776                   | \$151,063,112                                      | \$7,330,288.44                     | 4.85% <sup>(14)</sup> | \$354,065,482             | \$344,189,919                                      | \$17,711,372.24                  | 5.14% <sup>(14)</sup> |
| December 31, 1975                | \$386,284,435                    | —                                                  | —                                | —                     | \$159,830,045                   | —                                                  | —                                  | —                     | \$378,807,003             | —                                                  | —                                | —                     |
| June 30, 1976                    | \$419,454,658                    | \$392,240,328                                      | \$20,874,777.11                  | 5.31% <sup>(15)</sup> | \$175,741,657                   | \$166,671,562                                      | \$7,885,551.18                     | 4.73% <sup>(15)</sup> | \$400,948,006             | \$387,701,609                                      | \$19,085,633.30                  | 4.99% <sup>(15)</sup> |

(1) Book value figures based on those shown on Treasurer's General Report on State Finances on date listed, with adjustments for calls, maturities and investments committed for but not yet received.

(2) Computed by averaging book value of fund on last three report dates, ending with the date listed.

(3) Income figures obtained from the secretaries or directors of the respective retirement funds.

(4) Computed by dividing income of fund for fiscal period by average book value of fund during period.

(5) Includes the Public Employees Police & Fire Fund for periods after July 1, 1960, when it was established.

(6) In 1970, State Employees Retirement Fund changed from calendar year to a fiscal year basis.

(7) Book value figures for June 30, 1969, are listed before the transfer of bonds on that date from these basic retirement accounts to the Minnesota Adjustable Fixed Benefit Fund. The decline in book value figures during subsequent months indicates this transfer of bonds and the transfers of stocks during the next fiscal year. These basic retirement accounts own assets representing the major portion of the Minnesota Adjustable Fixed Benefit Fund; the extent of this ownership is not calculated for purposes of this table because of the varying participations by the funds.

(8) Book value figure is adjusted for the July 1, 1969, transfer of bonds, stocks and cash to the Minnesota Adjustable Fixed Benefit Fund.

(9) This figure was computed by using the July 1, 1969, book value.

(10) Actual six months receipts annualized.

(11) Computation of income for fiscal 1972 differed from that described in footnote (4) in two respects: first, the average book value for the year was increased by the amount of the deferred yield adjustment account, established by the 1971 Legislature (Minnesota Statutes 1971, Section 356.20, Subdivision 5), and secondly, an increase in equity portfolio valuation under the provisions of Minnesota Statutes 1971, Section 11.16, Subdivision 13, resulted in a 3% increase in the value of the equity portion as of October 31, 1972. One third of the amount of this increase was applied to the income for each of the fiscal years 1972, 1973, and 1974.

(12) Computation of income for fiscal 1973 and 1974 includes allowance for the two factors mentioned in footnote (11) plus an additional one-third of the 3% increase in the value of the equity portfolios as of December 31, 1972. This second increase

will also be applied to the income for fiscal 1975. Therefore, income for fiscal 1973 and 1974 includes two such amounts, each representing one-third of 3% increases applied to the equity portfolios under the provisions of Minnesota Statutes 1971, Section 11.16, Subdivision 13.

(13) Computation of income for fiscal 1974 includes allowance for the factors mentioned in footnotes (11) and (12).

(14) Computation of income for fiscal 1975 includes one-third of the 3% increase as of December 31, 1972, as mentioned in (12). Under the provisions of a 1973 amendment to Subdivision 13, as of February 28, 1975, a 3% decrease in the value of the equity portfolio of each fund was indicated because of lower stock prices during the previous year. On April 30, 1975, another 3% decrease in the value of the equity portfolios of the Teachers' Retirement Fund, the State Employees Retirement Fund and the Police and Fire portion of the Public Employees Retirement Fund resulted from the application of the indicated statutory provision. One-fifth of each of these valuation adjustments was deducted from the income of the appropriate funds and is, therefore, reflected in the yield computations for 1975.

(15) Computation of income for fiscal 1976 includes the February 28, 1975 3% decrease in value of the equity portfolios of each fund and the April 30, 1975, 3% decrease in value of the equity portfolios of the Teachers' Retirement Fund, the State Employees Retirement Fund and the Police and Fire portion of the Public Employees Retirement Fund resulting from the provisions of a 1973 amendment to Subdivision 13. One-fifth of each of these valuation adjustments was deducted from the income of the appropriate funds and is, therefore, reflected in the yield computations for 1976.

Note: Yields computed as indicated in footnote number (4) for 1972 through 1976, in the manner used in prior years, would be:

|      | PERF  | SERF  | TRF   |
|------|-------|-------|-------|
| 1972 | 4.82% | 4.67% | 4.75% |
| 1973 | 4.95% | 4.70% | 4.85% |
| 1974 | 5.43% | 5.13% | 5.48% |
| 1975 | 5.57% | 5.30% | 5.58% |
| 1976 | 5.73% | 5.63% | 5.71% |

# SCHEDULE IV

## PUBLIC EMPLOYEES RETIREMENT FUND STATE EMPLOYEES RETIREMENT FUND TEACHERS' RETIREMENT FUND June 30, 1976

### RESUME OF ASSETS IN ACCOUNTS

|                                                                               | Public<br>Employees<br>Retirement<br>Fund | State<br>Employees<br>Retirement<br>Fund | Teachers'<br>Retirement<br>Fund |
|-------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|---------------------------------|
| <b>CASH CERTIFIED FOR INVESTMENT</b>                                          | \$ (669,891.56)*                          | \$ 40,378.85**                           | \$ 1,164,681.34**               |
| <b>MONEY MARKET SECURITIES</b>                                                |                                           |                                          |                                 |
| Bills                                                                         |                                           |                                          |                                 |
| Maturities up to 57 days                                                      | \$ 3,450,000.00                           | \$ 1,000,000.00                          | \$ 4,255,000.00                 |
| Repurchase Agreements                                                         |                                           |                                          |                                 |
| Maturities up to 30 days                                                      | \$ 5,015,000.00                           | \$ 1,924,000.00                          | \$ 7,448,000.00                 |
| Agencies                                                                      |                                           |                                          |                                 |
| Maturities up to 112 days                                                     | \$ 180,000.00                             | —                                        | \$ 7,490,000.00                 |
| Short-Term Corporate Notes                                                    |                                           |                                          |                                 |
| Maturities up to 58 days                                                      | \$ 15,594,000.00                          | \$ 12,100,000.00                         | \$ 7,509,000.00                 |
| <b>STATE AND LOCAL OBLIGATIONS</b>                                            | \$ 2,123,000.00                           | \$ 2,484,000.00                          | \$ 3,039,000.00                 |
| <b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b><br>(See Listing Below) | \$ 2,730,000.00                           | \$ 547,000.00                            | \$ 683,000.00                   |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b><br>(See Listing Below)               | \$ 25,400,000.00                          | \$ 9,925,000.00                          | \$ 27,500,000.00                |
| <b>CORPORATE BOND OBLIGATIONS</b><br>(See Listing Below)                      | \$141,976,766.49                          | \$ 67,343,356.39                         | \$160,389,488.98                |
| <b>DEFERRED YIELD ADJUSTMENT ACCOUNT***</b>                                   | \$ 2,826,882.28                           | \$ 2,586,736.25                          | \$ 4,761,445.30                 |
| <b>COMMON STOCKS (See Listing Below)</b>                                      | \$173,118,278.68                          | \$ 81,514,955.75                         | \$184,223,036.51                |
| <b>TOTAL ASSETS IN ACCOUNTS</b>                                               | <b>\$371,694,035.89</b>                   | <b>\$179,405,427.27</b>                  | <b>\$408,462,650.13</b>         |

\*A negative cash balance indicates purchase of securities prior to fiscal year end for which payment was not made until early July 1976.

\*\* Cash balance signifies amount due from sales of securities several days before fiscal year end.

\*\*\* These accounts signify an amount equal to the discount at which fixed income securities have been sold at less than amortized cost; the entire amount is being accumulated over a term equal to the average maturity of the bonds sold.

Note: Bond investments are listed at face value; common stocks are listed at market value.

## UNITED STATES GOVERNMENT-GUARANTEED BONDS, CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS June 30, 1976

| Company                                                      | Type of Security | Maturity Date (s) | Coupon Rate % | Average Yield % | Public Employees Retirement Fund (000) | State Employees Retirement Fund (000) | Teachers' Retirement Fund (000) | Total Amount (000) |
|--------------------------------------------------------------|------------------|-------------------|---------------|-----------------|----------------------------------------|---------------------------------------|---------------------------------|--------------------|
| <b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>       |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Delta Steamship                                              |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Lines, Inc.                                                  | Govt. Guar. Bond | 3-1-86            | 5 1/2         | 5.50            | \$ 453                                 | —                                     | —                               | \$ 453             |
| Grace Line, Inc.                                             | Govt. Guar. Bond | 12-1-87           | 4 20          | 4.20            | 855                                    | —                                     | —                               | 855                |
| Grace Line, Inc.                                             | Govt. Guar. Bond | 7-1-92            | 5 10          | 5.10            | 738                                    | —                                     | —                               | 738                |
| Moore McCormack                                              |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Lines, Inc.                                                  | Govt. Guar. Bond | 4-1-87            | 5 3/4         | 5.75            | 684                                    | \$ 547                                | \$ 683                          | 1,914              |
| <b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b> |                  |                   |               | 5.27%           | \$ 2,730                               | \$ 547                                | \$ 683                          | \$ 3,960           |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                     |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Manitoba Hydro                                               |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Electric Board                                               | Bond             | 10-15-97          | 7.65          | 7.72            | \$ 3,500                               | \$ 1,875                              | \$ 3,500                        | \$ 8,875           |
| Manitoba Hydro                                               |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Electric Board                                               | Bond             | 10-1-85           | 9 1/2         | 9.50            | 3,500                                  | —                                     | 3,500                           | 7,000              |
| Manitoba, Province of                                        | Debenture        | 11-1-93           | 6 7/8         | 6.90            | 800                                    | —                                     | 1,200                           | 2,000              |
| New Brunswick                                                |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Electric Power Commission                                    | S/F Debenture    | 11-15-91          | 6 00          | 6.16            | 500                                    | 400                                   | 500                             | 1,400              |
| New Brunswick                                                |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Electric Power Commission                                    | S/F Debenture    | 4-1-98            | 7 7/8         | 7.875           | 3,500                                  | 2,000                                 | 2,500                           | 8,000              |
| New Brunswick                                                |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Higher Education Commission                                  | S/F Debenture    | 4-15-93           | 7 00          | 7.26            | —                                      | 300                                   | 550                             | 850                |

| Company                                        | Type of Security | Maturity Date (s) | Coupon Rate % | Average Yield % | Public Employees Retirement Fund (000) | State Employees Retirement Fund (000) | Teachers' Retirement Fund (000) | Total Amount (000) |
|------------------------------------------------|------------------|-------------------|---------------|-----------------|----------------------------------------|---------------------------------------|---------------------------------|--------------------|
| Nova Scotia                                    |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Power Commission                               | S/F Debenture    | 3-15-97           | 7 3/4         | 7.80            | 1,500                                  | —                                     | 1,500                           | 3,000              |
| Nova Scotia                                    |                  |                   |               |                 |                                        |                                       |                                 |                    |
| Power Commission                               | S/F Debenture    | 7-15-98           | 8 1/8         | 8.15            | 1,500                                  | 1,500                                 | 1,650                           | 4,650              |
| Nova Scotia, Province of                       | S/F Debenture    | 8-1-93            | 7 1/4         | 7.20            | 800                                    | 700                                   | 1,000                           | 2,500              |
| Ontario Hydro                                  | Note             | 3-15-96           | 9 1/2         | 9.50            | 4,100                                  | 2,500                                 | 4,100                           | 10,700             |
| Ontario, Province of                           | Debenture        | 4-15-97           | 5 5/8         | 5.625           | —                                      | 400                                   | 600                             | 1,000              |
| Ontario, Province of                           | Debenture        | 12-1-97           | 6 7/8         | 7.16            | 700                                    | 250                                   | 400                             | 1,350              |
| Ontario, Province of                           | Debenture        | 5-15-2001         | 7.85          | 7.85            | 1,500                                  | —                                     | 2,000                           | 3,500              |
| Ontario, Province of                           | Debenture        | 12-15-2002        | 7.30          | 7.30            | 3,500                                  | —                                     | 3,500                           | 7,000              |
| <b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b> |                  |                   |               | 8.11%           | \$ 25,400                              | \$ 9,925                              | \$ 27,500                       | \$ 62,825          |

### CORPORATE BOND OBLIGATIONS

#### PUBLIC UTILITY OBLIGATIONS

##### ELECTRIC

|                                     |                             |          |       |       |          |          |           |           |
|-------------------------------------|-----------------------------|----------|-------|-------|----------|----------|-----------|-----------|
| Alabama                             |                             |          |       |       |          |          |           |           |
| Power Co.                           | First Mortgage              | 4-1-90   | 5 00  | 5.01  | \$ 122   | \$ 87    | \$ 217    | \$ 426    |
| Arizona Public Service Co.          | First Mortgage              | 9-1-97   | 6 1/4 | 6.32  | —        | 500      | 750       | 1,250     |
| California Electric Power Co.       | First Mortgage              | 5-1-90   | 5 1/8 | 5.10  | 400      | 300      | 500       | 1,200     |
| Carolina Power & Light Co.          | First Mortgage              | 4-1-90   | 4 7/8 | 4.85  | 350      | —        | —         | 350       |
| Central Illinois Light Co.          | First Mortgage              | 3-1-90   | 4 7/8 | 4.90  | 250      | 250      | 500       | 1,000     |
| Central Maine Power Co.             | First Mortgage              | 11-1-90  | 5 1/4 | 5.10  | —        | 294      | 293       | 587       |
| Citizens Utilities Co.              | Gen. Trust & First Mortgage | 10-1-92  | 4 5/8 | 5.11  | —        | —        | 800       | 800       |
| Commonwealth Edison Co.             | First Mortgage              | 11-1-96  | 5 3/4 | 5.82  | 750      | 500      | 650       | 1,900     |
| Consolidated Edison Co.             | First & Refunding Mortgage  | 10-15-96 | 1 60  | 6.45  | —        | —        | 1,100     | 1,100     |
| Consolidated Edison Co.             | Equipment Trust             | 1-1-90   | 5 1/4 | 9.25  | 1,467    | —        | 1,711     | 3,178     |
| Dayton Power & Light Co.            | First Mortgage              | 6-1-91   | 4 45  | 4.45  | 500      | 400      | 600       | 1,500     |
| Georgia                             |                             |          |       |       |          |          |           |           |
| Power Co.                           | First Mortgage              | 11-1-93  | 4 7/8 | 4.88  | 500      | 200      | —         | 700       |
| Iowa Illinois Gas & Electric Co.    | First Mortgage              | 4-15-90  | 5 00  | 4.93  | —        | —        | 487       | 487       |
| Louisiana Power & Light Co.         | First Mortgage              | 4-1-90   | 5 00  | 5.01  | 350      | 200      | 500       | 1,050     |
| Metropolitan Edison Co.             | First Mortgage              | 5-1-90   | 5 00  | 4.95  | 350      | 200      | 500       | 1,050     |
| Orange & Rockland Utilities, Inc.   | First Mortgage              | 4-15-91  | 4 7/8 | 4.80  | 500      | 350      | 550       | 1,400     |
| Otter Tail Power Co.                | First Mortgage              | 7-1-91   | 4 7/8 | 4.80  | 482      | 293      | —         | 775       |
| Pacific Power & Light Co.           | First Mortgage              | 4-1-92   | 4 3/4 | 4.70  | —        | —        | 400       | 400       |
| Philadelphia Electric               | First & Refunding Mortgage  | 10-15-80 | 11 00 | 11.00 | —        | —        | 1,200     | 1,200     |
| Public Service Co. of New Hampshire | First Mortgage              | 7-1-92   | 4 5/8 | 4.54  | 300      | 350      | —         | 650       |
| Public Service Electric & Gas Co.   | First & Refunding Mortgage  | 9-1-90   | 4 3/4 | 4.73  | —        | —        | 500       | 500       |
| Puget Sound Power & Light Co.       | First Mortgage              | 2-1-91   | 4 5/8 | 4.65  | 250      | 250      | —         | 500       |
| Puget Sound Power & Light Co.       | First Mortgage              | 11-1-93  | 4 5/8 | 4.60  | 350      | 250      | 600       | 1,200     |
| Rochester Gas & Electric            | First Mortgage              | 7-1-98   | 6 70  | 6.70  | 800      | —        | 1,000     | 1,800     |
| Sierra Pacific Power Co.            | First Mortgage              | 6-1-92   | 4 7/8 | 4.75  | 400      | —        | 430       | 830       |
| Southern California Edison Co.      | First & Refunding Mortgage  | 4-1-86   | 4 1/2 | 4.42  | 150      | 250      | 150       | 550       |
| Southwestern Public Service Co.     | First Mortgage              | 2-1-94   | 4 1/2 | 4.50  | —        | —        | 700       | 700       |
| Tucson Gas & Electric Co.           | First Mortgage              | 2-1-96   | 4 7/8 | 4.875 | 600      | 400      | 600       | 1,600     |
| <b>Total Electric</b>               |                             |          |       | 5.87% | \$ 8,871 | \$ 5,074 | \$ 14,738 | \$ 28,683 |
| <b>GAS</b>                          |                             |          |       |       |          |          |           |           |
| Gas Service Co.                     | First Mortgage              | 5-1-83   | 4 40  | 4.83  | \$ 555   | \$ 296   | \$ 333    | \$ 1,184  |
| Laclede Gas Co.                     | First Mortgage              | 7-1-85   | 4 7/8 | 4.80  | 233      | 189      | —         | 422       |
| Louisiana Gas Service Co.           | First Mortgage              | 6-1-97   | 4 1/2 | 4.70  | 500      | 500      | 400       | 1,400     |
| Michigan Wisconsin Pipe Line Co.    | First Mortgage              | 7-15-83  | 4 7/8 | 4.70  | 495      | 395      | 495       | 1,385     |
| Midwest Gas Light Co.               | First Mortgage              | 5-15-87  | 4 5/8 | 4.50  | —        | —        | 489       | 489       |

## Schedule IV continued

| Company                              | Type of Security | Maturity Date (a) | Coupon Rate % | Average Yield % | Public Employees Retirement Fund (100%) | State Employees Retirement Fund (100%) | Teachers Retirement Fund (100%) | Total Amount (100%) |
|--------------------------------------|------------------|-------------------|---------------|-----------------|-----------------------------------------|----------------------------------------|---------------------------------|---------------------|
| Northwest Natural Gas Co.            | First Mortgage   | 11 189            | 4 3/4         | 4 7/8           | 600                                     | 400                                    | 600                             | 1,600               |
| Springfield Gas Light Co.            | Note             | 11 5 87           | 4 7/8         | 4 7/8           | 423                                     | 254                                    | —                               | 677                 |
| Texas Eastern Transmission Corp.     | First Mortgage   | 12 1 81           | 4 7/8         | 4 9/8           | 377                                     | 377                                    | 471                             | 1,225               |
| Transcontinental Gas Pipe Line Corp. | First Mortgage   | 11 1 81           | 5 00          | 5 0/8           | 502                                     | 413                                    | 522                             | 1,437               |
| Transcontinental Gas Pipe Line Corp. | First Mortgage   | 11 1 82           | 4 7/8         | 4 82            | 287                                     | 281                                    | —                               | 568                 |
| Trunkline Gas Co.                    | First Mortgage   | 11 82             | 5 00          | 5 00            | 255                                     | 255                                    | 255                             | 765                 |
| <b>Total Gas</b>                     |                  |                   |               | <b>4 82%</b>    | <b>\$ 4,228</b>                         | <b>\$ 3,361</b>                        | <b>\$ 3,566</b>                 | <b>\$ 11,155</b>    |

## TELEPHONE:

| American Tele-<br>phone &<br>Telegraph Co.              | Debtenture            | 10 1 196  | 4 3 1/2      | 4 3 1/2 | \$ 500           | \$ 400          | \$ 600           | \$ 1,500         |
|---------------------------------------------------------|-----------------------|-----------|--------------|---------|------------------|-----------------|------------------|------------------|
| The Bell Tele-<br>phone Co. of<br>Canada                | First Mortgage        | 9 12 198  | 6 90         | 6 90    | 800              | 700             | 500              | 2,000            |
| The Bell Tele-<br>phone Co. of<br>Canada                | First Mortgage        | 6 1 2004  | 9 1 1/2      | 9 50    | 4,000            | 2,000           | 4,000            | 10,000           |
| General Tele-<br>phone Co. of<br>Illinois               | First Mortgage        | 9 1 95    | 4 7 1/8      | 4 8 7/8 |                  | 400             | 500              | 900              |
| General Tele-<br>phone Co. of<br>Indiana                | First Mortgage        | 8 1 95    | 4 7 0        | 4 7 0   |                  | 400             | 500              | 900              |
| General Tele-<br>phone Co. of<br>the Northwest,<br>Inc. | First Mortgage        | 6 1 99    | 7 1 1/8      | 7 3 1   | 900              | 700             | 1,000            | 2,600            |
| Illinois Bell<br>Telephone Co.                          | First Mortgage        | 7 1 97    | 4 7 1/8      | 4 7 1/2 | 250              | 200             |                  | 450              |
| New York<br>Telephone Co.                               | Mortgage              | 1 1 2004  | 4 5 1/8      | 4 5 3   | 200              |                 | 700              | 1,400            |
| New York<br>Telephone Co.                               | Refunding<br>Mortgage | 7 15 2008 | 8 00         | 8 83    | 3,500            | 1,500           | 4,000            | 9,000            |
| Pacific North-<br>west Bell<br>Telephone Co.            | Debtenture            | 12 1 2000 | 4 1 1/2      | 4 4 1/2 | 600              | 300             |                  | 1,000            |
| Southern Bell<br>Telephone &<br>Telegraph Co.           | Debtenture            | 3 15 2013 | 7 5 1/8      | 8 15    | 4,500            | 2,000           | 4,500            | 11,000           |
| United Tele-<br>phone Co. of<br>Ohio                    | First Mortgage        | 7 1 98    | 6 7 1/8      | 6 8 7/8 | 741              | 651             | 970              | 2,325            |
| The United Tele-<br>phone Co. of<br>Pennsylvania        | First Mortgage        | 11 1 98   | 6 5 1/8      | 6 6 1/2 |                  |                 | 1 163            | 1 163            |
| <b>Total Telephone</b>                                  |                       |           | <b>7.88%</b> |         | <b>\$ 16,494</b> | <b>\$ 9,351</b> | <b>\$ 18,793</b> | <b>\$ 48,238</b> |

## WATER

|                                  |                |       |       |       |        |           |          |           |
|----------------------------------|----------------|-------|-------|-------|--------|-----------|----------|-----------|
| Indianapolis Water Co.           | First Mortgage | 11.92 | 4 3/4 | 4.70  | \$ 400 | \$ 300    | \$ 300   | \$ 1,000  |
| Indianapolis Water Co.           | First Mortgage | 8.197 | 5 7/8 | 5.875 |        |           | 600      | 600       |
| Total Water                      |                |       |       |       | \$ 400 | \$ 300    | \$ 900   | \$ 1,600  |
| TOTAL PUBLIC UTILITY OBLIGATIONS |                |       |       |       | 6.76%  | \$ 29,993 | \$18,086 | \$ 32,592 |
|                                  |                |       |       |       |        |           |          | \$ 85,636 |

## FINANCE OBLIGATIONS

| American In-<br>vestment Co.     | Note            | 11/91     | 5 1/4 | 5.25         | \$ 450           | \$ 600          | \$ 1,050         |
|----------------------------------|-----------------|-----------|-------|--------------|------------------|-----------------|------------------|
| American In-<br>vestment Co.     | Senior Note     | 11/1/86   | 6 3/4 | 6.75         | \$ 500           | 400             | 1,400            |
| CI Financial<br>Corp.            | Debenture       | 10/1/86   | 6 3/8 | 6.56         | 750              | 1,000           | 1,750            |
| Credit Co.<br>First Bank         | Debenture       | 4/30/98   | 7 1/2 | 7.65         | 3,750            | 2,250           | 4,000            |
| System<br>Ford Motor             | Note            | 6/30/83   | 8 3/4 | 8.88         | 1,842            | 1,843           | 3,685            |
| Credit Co.<br>GHC Realty         | S/F Debenture   | 7/15/2000 | 9 7/8 | 9.72         | 4,000            | 2,500           | 4,100            |
| Corp.<br>Honeywell               | Note            | 12/31/98  | 7 7/8 | 7.70         | 3,000            | 1,000           | 6,000            |
| Finance Inc.<br>Household        | S/F Debenture   | 12/15/98  | 8 7/8 | 8.80         | 4,000            | 4,000           | 8,000            |
| Finance Inc.<br>Household        | Debenture       | 9/15/93   | 4 7/8 | 4.91         | 450              | 550             | 1,000            |
| Finance<br>Corp.                 | Debenture       | 1/1/90    | 7 1/4 | 7.41         | 900              | 400             | 500              |
| Northwest Ban-<br>corporation    | S/F Debenture   | 3/15/2003 | 7 3/4 | 7.45         | 4,000            | 2,500           | 4,000            |
| Wells Fargo<br>& Co.             | Promissory Note | 11/1/98   | 8 1/8 | 8.125        | 2,500            | 1,500           | 2,500            |
| <b>TOTAL FINANCE OBLIGATIONS</b> |                 |           |       | <b>7.86%</b> | <b>\$ 24,492</b> | <b>\$11,200</b> | <b>\$ 26,591</b> |
|                                  |                 |           |       |              |                  |                 | <b>\$ 62,285</b> |

## INDUSTRIAL OBLIGATIONS

|                        |                 |         |       |       |            |          |          |
|------------------------|-----------------|---------|-------|-------|------------|----------|----------|
| Akron, Inc.            | Debtenture      | 7 15 97 | 7 1/2 | 7 50  | \$ 2,000   | \$ 2,500 | \$ 4,500 |
| Alumina Co. of America | Promissory Note | 3 31 88 | 4 3/8 | 4 3/5 | 329 \$ 262 | 391      | 982      |

| Company                                                    | Type of Security                   | Maturity Date (a)       | Coupon Rate % | Average Yield % | Public Employees Retirement Fund (000) | State Employees Retirement Fund (000) | Teachers Retirement Fund (000) | Total Amount (000) |
|------------------------------------------------------------|------------------------------------|-------------------------|---------------|-----------------|----------------------------------------|---------------------------------------|--------------------------------|--------------------|
| Aluminum Co. of Canada, Ltd.                               | S/F Debenture                      | 3-1-95                  | 9-1/2         | 9.60            | 3,860                                  | 1,744                                 | 4,000                          | 9,604              |
| American Steel & Wire Co.                                  | Note                               | 8-1-77                  | 4-7/8         | 4.875           | 50                                     | 57                                    | —                              | 107                |
| Armco Steel Corp.                                          | Note                               | 12-15-96                | 7-7/8         | 7.95            | 2,200                                  | —                                     | 2,800                          | 5,000              |
| Armour & Co., Inc. (Armour Properties, Inc.)               | Note                               | 1-15-2003               | 7.90          | 7.90            | 3,500                                  | —                                     | 3,500                          | 7,000              |
| Ashland Oil & Refining                                     | S/F Debenture                      | 9-1-2000                | 10.00         | 10.00           | 1,950                                  | —                                     | 1,950                          | 3,900              |
| Atlantic Richfield Co.                                     | Guaranteed Note                    | 7-15-96                 | 9-1/4         | 9.25            | 4,000                                  | 2,500                                 | 4,000                          | 10,500             |
| The Bendix Corp.                                           | S/F Debenture                      | 12-1-92                 | 6-5/8         | 6.63            | 850                                    | 600                                   | 1,000                          | 2,450              |
| Cities Service Co.                                         | Debenture                          | 11-1-97                 | 6-1/8         | 6.48            | —                                      | 650                                   | 1,000                          | 1,650              |
| Cities Service Gas Co.                                     | Debenture                          | 6-1-91                  | 8-1/4         | 8.25            | 1,450                                  | 1,000                                 | 2,000                          | 4,450              |
| Continental Oil Co. (Delaware Western Properties, Inc.)    | Note                               | 12-1-2002               | 9.00          | 9.01            | 1,074                                  | 895                                   | 1,476                          | 3,445              |
| Crown Zellerbach                                           | Mortgage Bond                      | 8-1-94                  | 8-1/8         | 8.125           | 3,941                                  | 1,522                                 | 3,941                          | 8,804              |
| Cummins Engine Co.                                         | Note                               | 7-15-90                 | 4.60          | 5.27            | 375                                    | —                                     | 750                            | 1,125              |
| Dow Chemical Co.                                           | Note                               | 4-1-91                  | 5.00          | 5.125           | 418                                    | 304                                   | 418                            | 1,140              |
| Dresser Industries                                         | Note                               | 5-15-85                 | 8.65          | 8.68            | 1,057                                  | —                                     | 1,057                          | 2,114              |
| FMC Corporation                                            | S/F Debenture                      | 1-15-2000               | 9-1/2         | 9.60            | 3,800                                  | 2,400                                 | 3,800                          | 10,000             |
| Firestone Tire & Rubber                                    | Debenture                          | 12-1-2004               | 9-1/4         | 9.27            | 4,000                                  | 2,100                                 | 4,100                          | 10,200             |
| General Electric Co.                                       | Note                               | 11-15-92                | 6-1/2         | 6.50            | 500                                    | 500                                   | 1,000                          | 2,000              |
| Gulf Oil Corp.                                             | Debenture                          | 6-15-93                 | 6-5/8         | 6.625           | 800                                    | 690                                   | 1,000                          | 2,490              |
| International Multifoods Corp.                             | Note                               | 3-1-88                  | 4-1/2         | 4.50            | 376                                    | —                                     | 376                            | 752                |
| MacMillan Bloedel Ltd.                                     | Debenture                          | 7-1-94                  | 8-3/4         | 8.75            | 4,150                                  | 2,500                                 | 1,150                          | 10,800             |
| Marathon Oil Co.                                           | S/F Debenture                      | 2-1-2000                | 8-1/2         | 8.66            | 4,000                                  | 1,000                                 | —                              | 5,000              |
| Moore-Business Forms, Inc.                                 | Senior Note                        | 10-1-96                 | 7.90          | 7.90            | 2,000                                  | —                                     | 2,000                          | 4,000              |
| Phelps, Inc.                                               | S/F Debenture                      | 8-15-2000               | 9-1/4         | 9.32            | 1,000                                  | —                                     | 1,000                          | 2,000              |
| Phelps Dodge Corp.                                         | Note                               | 6-1-85                  | 8-1/2         | 8.57            | 4,000                                  | 2,500                                 | 4,000                          | 10,500             |
| Plantation Pipe Line Co.                                   | —                                  | —                       | —             | —               | —                                      | —                                     | —                              | —                  |
| Refcon Corp.                                               | —                                  | —                       | —             | —               | —                                      | —                                     | —                              | —                  |
| Standard Oil Co. of California & Shell Oil Co.             | Guaranteed Note                    | 10-1-2001               | 7-7/8         | 7.875           | 2,000                                  | 1,000                                 | 2,000                          | 5,000              |
| Texas Instruments & Co.                                    | Debenture                          | 4-1-2006                | 8.00          | 8.02            | 4,000                                  | —                                     | 3,000                          | 7,000              |
| Shell Canada Ltd.                                          | Debenture                          | 1-1-94                  | 7-1/2         | 7.50            | —                                      | —                                     | 1,200                          | 1,200              |
| Shell Oil Co.                                              | Note                               | 4-15-90                 | 4-1/2         | 6.44            | —                                      | —                                     | 167                            | 167                |
| Sprague Electric Co.                                       | S/F Debenture                      | 9-1-88                  | 4-3/8         | 4.40            | —                                      | —                                     | 550                            | 550                |
| Standard Oil Co. of California (Chevron Station, Inc.)     | Note                               | 12-1-92                 | 6.00          | 6.12            | —                                      | 170                                   | 850                            | 1,020              |
| Standard Oil Co. of California (Union Bank)                | First Preferred Shop Mortgage Bond | 2-10-97 through 11-6-97 | 7-7/8         | 7.70            | 3,500                                  | 2,500                                 | 3,500                          | 9,500              |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.) | Note                               | 10-1-2000               | 9.00          | 9.00            | 1,500                                  | 1,000                                 | 1,500                          | 4,000              |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.) | Note                               | 10-1-2000               | 7.30          | 7.30            | 1,500                                  | 1,500                                 | 2,000                          | 5,000              |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.) | Note                               | 10-1-2000               | 7.50          | 7.50            | 1,500                                  | 500                                   | 1,500                          | 3,500              |
| Standard Oil Co. (Indiana)                                 | Debenture                          | 1-15-98                 | 6.00          | 6.07            | 400                                    | 400                                   | 1,000                          | 1,800              |
| Standard Oil Co. (Ohio)                                    | Note                               | 7-15-90                 | 4.55          | 4.55            | —                                      | —                                     | 304                            | 304                |
| Stauffer Chemical Co.                                      | Note                               | 3-15-92                 | 7-1/2         | 7.50            | 2,000                                  | —                                     | 2,000                          | 4,000              |
| Sun Oil Co.                                                | Note                               | 7-1-91                  | 5-3/4         | 5.75            | —                                      | 320                                   | —                              | 320                |
| Swift & Co.                                                | S/F Debenture                      | 8-1-92                  | 6.30          | 6.56            | —                                      | 510                                   | 509                            | 1,019              |
| Swift & Co.                                                | Debenture                          | 6-1-86                  | 4-7/8         | 5.52            | 299                                    | 240                                   | 652                            | 1,191              |

## Schedule IV continued

| Company                                           | Type of Security | Maturity Date (a) | Coupon Rate % | Average Yield % | Public Employees Retirement Fund (000) | State Employees Retirement Fund (000) | Teachers' Retirement Fund (000) | Total Amount (000) |
|---------------------------------------------------|------------------|-------------------|---------------|-----------------|----------------------------------------|---------------------------------------|---------------------------------|--------------------|
| Texas (Countrywide Stations, Inc.)                | Secured Notes    | 12-1-2001         | 7 3/4         | 7.75            | 1,507                                  | 1,430                                 | 2,384                           | 5,721              |
| Uarco, Inc.                                       | Note             | 5-1-88            | 6 1/2         | 6.50            | 517                                    | —                                     | 861                             | 1,378              |
| Union Oil Co. of California (Pure Transportation) | Note             | 12-1-88           | 6 1/2         | 6.50            | 527                                    | —                                     | 658                             | 1,185              |
| Youngstown Sheet & Tube Co.                       | First Mortgage   | 7-1-95            | 4.60          | 5.46            | 592                                    | 424                                   | 1,420                           | 2,436              |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>               |                  |                   |               | <b>8.17%</b>    | <b>\$ 71,922</b>                       | <b>\$31,618</b>                       | <b>\$ 78,864</b>                | <b>\$182,404</b>   |

## TRANSPORTATION DEBT OBLIGATIONS

|                                              |                  |         |       |              |                 |                 |                 |                 |
|----------------------------------------------|------------------|---------|-------|--------------|-----------------|-----------------|-----------------|-----------------|
| Atchafalaya, Topeka & Santa Fe Railway Co.   | General Gold 4's | 10-1-95 | 4.00  | 4.40         | —               | —               | \$ 500          | \$ 500          |
| Atlantic Coast Line Railroad Co.             | First Mortgage   | 10-1-88 | 4 3/4 | 4.75         | \$ 481          | \$ 387          | 480             | 1,348           |
| Louisville & Nashville Railroad Co.          | Coll. Trust      | 12-1-87 | 4 7/8 | 4.95         | 500             | 400             | 450             | 1,350           |
| Western Maryland Railway Co.                 | First Mortgage   | 10-1-89 | 4.85  | 4.85         | 480             | 384             | 480             | 1,344           |
| Miscellaneous Railroad Bonds*                | Bond             | Various | Var.  | 4.50         | —               | 26              | —               | 26              |
| <b>TOTAL TRANSPORTATION DEBT OBLIGATIONS</b> |                  |         |       | <b>4.80%</b> | <b>\$ 1,461</b> | <b>\$ 1,197</b> | <b>\$ 1,910</b> | <b>\$ 4,568</b> |

## RAILROAD EQUIPMENT OBLIGATIONS

|                                                     |                  |                 |       |       |          |          |          |          |
|-----------------------------------------------------|------------------|-----------------|-------|-------|----------|----------|----------|----------|
| ACF Industries, Inc.                                | Equipment Trust  | 3-1-82/91       | 9.00  | 9.00  | \$ 3,000 | \$ 1,000 | \$ 3,000 | \$ 7,000 |
| ACF Industries, Inc.                                | Equipment Trust  | 1-15-77         | 4 7/8 | 4.875 | 34       | 34       | —        | 68       |
| ACF Industries, Inc.                                | Equipment Trust  | 4-15-77/81      | 5 5/8 | 5.625 | 107      | 100      | —        | 207      |
| ACF Industries, Inc.                                | Equipment Trust  | 5-15-77/84      | 7 5/8 | 7.625 | 240      | 160      | 800      | 1,200    |
| ACF Industries, Inc.                                | Equipment Trust  | 4-1-77/85       | 9 1/2 | 9.50  | 610      | 540      | 900      | 2,250    |
| Burlington Northern, Inc.                           | Conditional Sale | 10-1-76/87      | 9 5/8 | 9.625 | 1,200    | —        | 1,200    | 2,400    |
| Burlington Northern, Inc.                           | Conditional Sale | 5-1-77/86       | 8.60  | 8.60  | —        | —        | 1,199    | 1,199    |
| Chesapeake & Ohio Railway Co.                       | Conditional Sale | 8-15-76/2-15-83 | 6 7/8 | 6.91  | 413      | 375      | 575      | 1,313    |
| Chicago, Milwaukee, St. Paul & Pacific Railroad Co. | Conditional Sale | 2-15-76/3-15-82 | 6 3/8 | 6.375 | 111      | 111      | 111      | 333      |
| Chicago, Milwaukee, St. Paul & Pacific Railroad Co. | Conditional Sale | 12-1-76/6-1-81  | 5 3/8 | 5.375 | 157      | 130      | 152      | 439      |

| Company                                                                                           | Type of Security | Maturity Date (a) | Coupon Rate % | Average Yield % | Public Employees Retirement Fund (000) | State Employees Retirement Fund (000) | Teachers' Retirement Fund (000) | Total Amount (000) |
|---------------------------------------------------------------------------------------------------|------------------|-------------------|---------------|-----------------|----------------------------------------|---------------------------------------|---------------------------------|--------------------|
| Chicago, Milwaukee, St. Paul & Pacific Railroad Co.                                               | Conditional Sale | 7-1-76/1-1-77     | 5 3/8         | 5.375           | 7                                      | 7                                     | 7                               | 21                 |
| Flying Tiger Corp.                                                                                | Equipment Trust  | 10-15-77          | 4 1/2         | 4.50            | 120                                    | 102                                   | 120                             | 342                |
| Fruit Growers Express Co.                                                                         | Equipment Trust  | 6-15-77/85        | 9 3/4         | 9.75            | —                                      | 720                                   | 720                             | 1,440              |
| Fruit Growers Express Co.                                                                         | Equipment Trust  | 5-1-77            | 4.70          | 4.70            | 25                                     | —                                     | 25                              | 50                 |
| Fruit Growers Express Co.                                                                         | Equipment Trust  | 11-15-76/81       | 6             | 6.00            | 180                                    | 150                                   | 180                             | 510                |
| General Electric Credit Corp. (Delaware & Hudson Railway Co.)                                     | Conditional Sale | 3-1-77/9-1-85     | 10-1/2        | 10.50           | 939                                    | —                                     | —                               | 939                |
| Illinois Central Railroad Co.                                                                     | Conditional Sale | 2-15-77/83        | 6 7/8         | 6.875           | 397                                    | 340                                   | 567                             | 1,304              |
| Louisville & Nashville Railroad Co.                                                               | Conditional Sale | 10-20-82/91       | 9             | 9.00            | 1,367                                  | —                                     | —                               | 1,367              |
| Louisville & Nashville Railroad Co.                                                               | Conditional Sale | 1-15-77/86        | 6 7/8         | 6.99            | 600                                    | 440                                   | 800                             | 1,840              |
| Norfolk & Western Railway Co.                                                                     | Conditional Sale | 8-1-76/83         | 7 1/4         | 7.25            | 460                                    | 400                                   | 720                             | 1,600              |
| St. Louis San Francisco Railway Co.                                                               | Conditional Sale | 7-1-76/1-2-77     | 4 3/4         | 4.75            | 47                                     | 33                                    | 47                              | 127                |
| St. Louis San Francisco Railway Co.                                                               | Conditional Sale | 1-1-77/83         | 6 3/4         | 6.75            | —                                      | 280                                   | 420                             | 700                |
| St. Louis San Francisco Railway Co.                                                               | Conditional Sale | 12-15-76/83       | 7-1/4         | 7.25            | 426                                    | —                                     | 373                             | 799                |
| Southern Pacific Co.                                                                              | Conditional Sale | 3-1-77/84         | 7 5/8         | 7.625           | 400                                    | 320                                   | 560                             | 1,280              |
| Union Tank Car                                                                                    | Equipment Trust  | 12-15-82/95       | 9 1/2         | 9.50            | 3,000                                  | —                                     | 3,000                           | 6,000              |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                                                       |                  |                   |               | <b>8.48%</b>    | <b>\$ 14,060</b>                       | <b>\$ 5,242</b>                       | <b>\$ 15,426</b>                | <b>\$ 34,728</b>   |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                                                           |                  |                   |               | <b>7.78%</b>    | <b>\$141,928</b>                       | <b>\$67,343</b>                       | <b>\$160,390</b>                | <b>\$369,661</b>   |
| <b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b> |                  |                   |               | <b>7.80%</b>    | <b>\$170,058</b>                       | <b>\$77,815</b>                       | <b>\$188,573</b>                | <b>\$436,446</b>   |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

\*Purchased 1930-1951.

## COMMON STOCK HOLDINGS

| Common Stock                            | Total<br>Shares | Market<br>Price<br>6-30-76 | Public Employees<br>Retirement Fund |                  | State Employees<br>Retirement Fund |                 | Teachers'<br>Retirement Fund |                  | Total<br>Market Value | Total<br>%<br>Market |
|-----------------------------------------|-----------------|----------------------------|-------------------------------------|------------------|------------------------------------|-----------------|------------------------------|------------------|-----------------------|----------------------|
|                                         |                 |                            | Shares                              | Market Value     | Shares                             | Market Value    | Shares                       | Market Value     |                       |                      |
| UTILITIES                               |                 |                            |                                     |                  |                                    |                 |                              |                  |                       |                      |
| ELECTRIC                                |                 |                            |                                     |                  |                                    |                 |                              |                  |                       |                      |
| Central and South West Corporation      | 139,400         | \$ 14.50                   | 55,400                              | \$ 803,300.00    | 26,000                             | \$ 377,000.00   | 58,000                       | \$ 841,000.00    | \$ 2,021,300.00       |                      |
| Cincinnati Gas & Electric Company (The) | 65,000          | 17.88                      | 28,000                              | 500,500.00       | 12,000                             | 214,500.00      | 25,000                       | 446,875.00       | 1,161,875.00          |                      |
| Commonwealth Edison Company             | 114,272         | 28.00                      | 46,862                              | 1,312,136.00     | 24,321                             | 680,988.00      | 43,089                       | 1,206,492.00     | 3,159,616.00          |                      |
| Florida Power & Light Company           | 144,400         | 23.88                      | 51,600                              | 1,231,950.00     | 29,400                             | 701,925.00      | 63,400                       | 1,513,675.00     | 3,447,550.00          |                      |
| Houston Lighting & Power Company        | 86,600          | 23.50                      | 29,600                              | 681,500.00       | 16,500                             | 387,750.00      | 41,100                       | 965,850.00       | 2,035,100.00          |                      |
| Louisville Gas and Electric Company     | 53,000          | 22.88                      | 19,000                              | 434,625.00       | 8,000                              | 183,000.00      | 26,000                       | 594,750.00       | 1,212,375.00          |                      |
| Middle South Utilities, Incorporated    | 173,500         | 14.63                      | 71,400                              | 1,044,225.00     | 29,800                             | 435,825.00      | 72,300                       | 1,057,387.50     | 2,537,437.50          |                      |
| Minnesota Power & Light Company         | 65,000          | 15.63                      | 22,600                              | 353,525.00       | 15,200                             | 298,300.00      | 27,200                       | 533,800.00       | 1,275,625.00          |                      |
| Northern States Power Company (Minn.)   | 85,000          | 24.38                      | 32,500                              | 792,187.50       | 14,500                             | 353,437.50      | 38,000                       | 926,250.00       | 2,071,875.00          |                      |
| Pacific Gas and Electric Company        | 67,400          | 20.38                      | 27,000                              | 550,125.00       | 11,000                             | 224,125.00      | 29,400                       | 599,025.00       | 1,373,275.00          |                      |
| Public Service Company of Indiana, Inc. | 102,000         | 25.50                      | 40,500                              | 1,032,750.00     | 16,500                             | 420,750.00      | 45,000                       | 1,147,500.00     | 2,601,000.00          |                      |
| Southern California Edison Company      | 69,000          | 19.63                      | 30,500                              | 598,562.50       | 13,000                             | 255,125.00      | 25,500                       | 500,437.50       | 1,354,125.00          |                      |
| Southern Company (The)                  | 108,300         | 14.38                      | 48,300                              | 694,312.50       | 16,500                             | 237,187.50      | 43,500                       | 625,312.50       | 1,556,812.50          |                      |
| Texas Utilities Company                 | 148,000         | 19.00                      | 65,000                              | 1,235,000.00     | 28,000                             | 532,000.00      | 55,000                       | 1,045,000.00     | 2,812,000.00          |                      |
| Virginia Electric and Power Company     | 97,498          | 13.75                      | 33,833                              | 465,203.75       | 19,166                             | 263,532.50      | 44,499                       | 611,861.25       | 1,340,597.50          |                      |
| Total Electric                          |                 |                            |                                     | \$ 11,819,902.25 |                                    | \$ 5,565,445.50 |                              | \$ 12,615,215.75 | \$ 30,000,563.50      | 6.51%                |
| NATURAL GAS                             |                 |                            |                                     |                  |                                    |                 |                              |                  |                       |                      |
| Panhandle Eastern Pipe Line Company     | 151,648         | \$ 35.13                   | 62,510                              | \$ 2,195,663.75  | 30,214                             | \$ 1,061,266.75 | 58,924                       | \$ 2,069,705.50  | \$ 5,326,636.00       | 1.16%                |

## Schedule IV continued

| Common Stock                                | Total<br>Shares | Market<br>Price<br>6-30-76 | Public Employees<br>Retirement Fund |                  | State Employees<br>Retirement Fund |                  | Teachers'<br>Retirement Fund |                  | Total<br>Market Value | Total<br>%<br>Market |
|---------------------------------------------|-----------------|----------------------------|-------------------------------------|------------------|------------------------------------|------------------|------------------------------|------------------|-----------------------|----------------------|
|                                             |                 |                            | Shares                              | Market Value     | Shares                             | Market Value     | Shares                       | Market Value     |                       |                      |
| COMMUNICATIONS                              |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| American Telephone & Telegraph Company      | 193,220         | \$ 56.50                   | 74,710                              | \$ 4,221,115.00  | 36,000                             | \$ 2,034,000.00  | 82,510                       | \$ 4,661,815.00  | \$ 10,316,930.00      |                      |
| General Telephone & Electronics Corporation | 170,300         | 75.88                      | 64,300                              | 1,663,762.50     | 40,000                             | 1,035,000.00     | 66,000                       | 1,707,750.00     | 4,406,512.50          |                      |
| United Telecommunications, Inc.             | 101,200         | 15.00                      | 56,200                              | 843,000.00       | -                                  | -                | 45,000                       | 675,000.00       | 1,518,000.00          |                      |
| Total Communications                        |                 |                            |                                     | \$ 6,727,877.50  |                                    | \$ 3,069,000.00  |                              | \$ 7,044,565.00  | \$ 16,141,442.50      | 3.65%                |
| TOTAL UTILITIES                             |                 |                            |                                     | \$ 20,743,443.50 |                                    | \$ 9,695,712.25  |                              | \$ 21,729,486.25 | \$ 52,168,642.00      | 11.32%               |
| FINANCIAL SERVICES                          |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| BANKS                                       |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Citicorp                                    | 148,432         | \$ 36.13                   | 50,600                              | \$ 1,827,925.00  | 28,932                             | \$ 1,045,168.50  | 68,900                       | \$ 2,489,012.50  | \$ 5,362,106.00       |                      |
| Continental Illinois Corporation            | 118,035         | 53.63                      | 52,636                              | 2,822,605.50     | 19,000                             | 1,018,875.00     | 46,400                       | 2,488,200.00     | 6,329,680.50          |                      |
| First Bank System, Incorporated             | 117,530         | 45.88                      | 49,700                              | 2,279,987.50     | 19,200                             | 880,800.00       | 44,600                       | 2,046,025.00     | 5,206,812.50          |                      |
| First International Bancshares, Inc.        | 68,300          | 46.00                      | 32,300                              | 1,485,800.00     | 9,400                              | 432,400.00       | 26,600                       | 1,273,600.00     | 3,141,800.00          |                      |
| Manufacturers Hanover Corporation           | 61,000          | 39.50                      | 21,500                              | 849,250.00       | 7,000                              | 276,500.00       | 32,500                       | 1,283,750.00     | 2,409,500.00          |                      |
| J.P. Morgan & Co., Incorporated             | 63,018          | 62.75                      | 23,540                              | 1,477,135.00     | 13,176                             | 826,794.00       | 26,300                       | 1,650,325.00     | 3,954,254.00          |                      |
| Northwest Bancorporation                    | 83,700          | 53.25                      | 30,000                              | 1,597,500.00     | 17,200                             | 915,900.00       | 36,500                       | 1,943,625.00     | 4,457,025.00          |                      |
| Security Pacific Corporation                | 75,609          | 22.94                      | 25,886                              | 593,773.07       | 11,721                             | 268,856.30       | 38,002                       | 871,689.88       | 1,734,319.25          |                      |
| Valley National Bank of Arizona             | 90,582          | 18.19                      | 32,702                              | 594,183.98       | 15,896                             | 289,116.45       | 41,984                       | 763,604.99       | 1,647,505.42          |                      |
| Total Banks                                 |                 |                            |                                     | \$ 13,528,760.05 |                                    | \$ 5,954,410.25  |                              | \$ 14,159,832.37 | \$ 34,243,002.67      | 7.43%                |
| FINANCE                                     |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Beneficial Corporation                      | 101,645         | \$ 36.46                   | 31,875                              | \$ 768,984.38    | 19,245                             | \$ 464,285.63    | 50,725                       | \$ 1,223,740.63  | \$ 2,457,010.64       |                      |
| Household Finance Corporation               | 174,500         | 18.50                      | 71,300                              | 1,319,050.00     | 28,900                             | 534,650.00       | 74,300                       | 1,374,550.00     | 3,228,250.00          |                      |
| MGIC Investment Corporation                 | 101,300         | 12.63                      | 36,800                              | 489,850.00       | 18,500                             | 233,562.50       | 44,000                       | 555,500.00       | 1,278,912.50          |                      |
| Total Finance                               |                 |                            |                                     | \$ 2,577,884.38  |                                    | \$ 1,232,498.13  |                              | \$ 3,153,790.63  | \$ 6,964,173.14       | 1.51%                |
| INSURANCE                                   |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Aetna Life & Casualty Company               | 129,200         | \$ 77.75                   | 46,700                              | \$ 1,295,925.00  | 22,500                             | \$ 624,375.00    | 60,000                       | \$ 1,665,000.00  | \$ 3,585,300.00       |                      |
| The Chubb Corporation                       | 70,500          | 36.00                      | 26,700                              | 961,200.00       | 12,900                             | 464,400.00       | 30,900                       | 1,112,400.00     | 2,538,000.00          |                      |
| Connecticut General Insurance Corporation   | 49,000          | 50.00                      | 18,000                              | 900,000.00       | 6,500                              | 425,000.00       | 22,500                       | 1,125,000.00     | 2,450,000.00          |                      |
| INA Corporation                             | 111,700         | 37.88                      | 57,000                              | 2,158,875.00     | 16,700                             | 632,512.50       | 38,000                       | 1,439,250.00     | 4,230,637.50          |                      |
| NLT Corporation                             | 205,600         | 19.63                      | 86,700                              | 1,701,487.50     | 38,200                             | 749,675.00       | 80,700                       | 1,583,737.50     | 4,034,900.00          |                      |
| Northwestern National Life Insurance Co.    | 56,800          | 14.00                      | 22,100                              | 309,400.00       | 5,600                              | 78,400.00        | 29,100                       | 407,400.00       | 795,200.00            |                      |
| SAFECO Corporation                          | 50,700          | 38.75                      | 15,800                              | 612,250.00       | 7,500                              | 290,625.00       | 17,400                       | 674,250.00       | 1,577,125.00          |                      |
| The St. Paul Companies, Inc.                | 105,900         | 27.50                      | 37,400                              | 1,028,500.00     | 17,000                             | 467,500.00       | 52,500                       | 1,443,750.00     | 2,939,750.00          |                      |
| Travelers Corporation (The)                 | 72,400          | 32.50                      | 24,700                              | 802,750.00       | 15,500                             | 503,750.00       | 32,200                       | 1,046,500.00     | 2,353,000.00          |                      |
| United States Fidelity & Guaranty Company   | 48,000          | 38.88                      | 16,000                              | 622,000.00       | 11,000                             | 427,625.00       | 21,000                       | 816,375.00       | 1,866,000.00          |                      |
| Total Insurance                             |                 |                            |                                     | \$ 10,392,387.50 |                                    | \$ 4,663,862.50  |                              | \$ 11,313,662.50 | \$ 26,369,912.50      | 5.72%                |
| TOTAL FINANCIAL SERVICES                    |                 |                            |                                     | \$ 26,499,031.93 |                                    | \$ 11,850,770.88 |                              | \$ 29,227,285.50 | \$ 67,577,088.31      | 14.66%               |
| CONSUMER ORIENTED                           |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| AUTOMOBILES & AUTOMOTIVE PARTS              |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Ford Motor Company                          | 92,000          | \$ 58.50                   | 36,000                              | \$ 2,106,000.00  | 18,000                             | \$ 1,053,000.00  | 38,000                       | \$ 2,223,000.00  | \$ 5,382,000.00       |                      |
| General Motors Corporation                  | 120,500         | 68.50                      | 50,000                              | 3,425,000.00     | 23,500                             | 1,609,750.00     | 47,000                       | 3,219,500.00     | 8,254,250.00          |                      |
| Genuine Parts Company                       | 45,100          | 37.88                      | 20,000                              | 757,500.00       | 10,000                             | 378,750.00       | 15,100                       | 571,912.50       | 1,708,162.50          |                      |
| Goodyear Tire & Rubber Company (The)        | 203,500         | 23.00                      | 74,500                              | 1,713,500.00     | 34,000                             | 782,000.00       | 95,000                       | 2,165,000.00     | 4,680,500.00          |                      |
| Total Automobiles & Automotive Parts        |                 |                            |                                     | \$ 8,002,000.00  |                                    | \$ 3,823,500.00  |                              | \$ 8,199,412.50  | \$ 20,024,912.50      | 4.35%                |
| CONSUMER DURABLES                           |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Sunbeam Corporation                         | 119,049         | \$ 23.63                   | 45,050                              | \$ 1,064,306.25  | 24,999                             | \$ 590,601.38    | 49,000                       | \$ 1,157,625.00  | \$ 2,812,532.63       |                      |
| Whirlpool Corporation                       | 121,400         | 27.13                      | 48,606                              | 1,318,275.00     | 24,000                             | 651,000.00       | 48,800                       | 1,323,700.00     | 3,292,975.00          |                      |
| Total Consumer Durables                     |                 |                            |                                     | \$ 2,382,581.25  |                                    | \$ 1,241,601.38  |                              | \$ 2,481,325.00  | \$ 6,105,507.63       | 1.32%                |
| CONSUMER NONDURABLES                        |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Avon Products, Inc.                         | 93,500          | \$ 47.25                   | 35,500                              | \$ 1,677,375.00  | 20,000                             | \$ 945,000.00    | 38,000                       | \$ 1,795,500.00  | \$ 4,417,875.00       |                      |
| Colgate Palmolive Company                   | 176,500         | 26.75                      | 89,500                              | 2,153,375.00     | 30,500                             | 815,875.00       | 65,500                       | 1,752,125.00     | 4,721,375.00          |                      |
| Eastman Kodak Company                       | 51,100          | 100.13                     | 20,000                              | 2,002,500.00     | 9,180                              | 919,147.50       | 22,000                       | 2,202,700.00     | 5,124,397.50          |                      |
| Minnesota Mining and Manufacturing Co.      | 74,400          | 55.63                      | 28,000                              | 1,557,500.00     | 15,600                             | 867,750.00       | 30,800                       | 1,713,250.00     | 4,138,500.00          |                      |
| Procter & Gamble Company (The)              | 50,000          | 94.82                      | 22,000                              | 2,087,250.00     | 9,000                              | 853,875.00       | 19,000                       | 1,802,625.00     | 4,743,750.00          |                      |
| Revlon, Incorporated                        | 57,200          | 84.04                      | 26,000                              | 2,184,000.00     | 11,000                             | 924,000.00       | 20,200                       | 1,696,800.00     | 4,804,800.00          |                      |
| Total Consumer Nondurables                  |                 |                            |                                     | \$ 11,662,000.00 |                                    | \$ 5,325,647.50  |                              | \$ 10,963,050.00 | \$ 27,950,697.50      | 6.06%                |
| CONSUMER MISCELLANEOUS                      |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Disney (Walt) Productions                   | 87,980          | \$ 56.63                   | 31,210                              | \$ 1,806,903.75  | 14,870                             | \$ 842,013.75    | 41,200                       | \$ 2,332,950.00  | \$ 4,981,867.50       |                      |
| Holiday Inns, Incorporated                  | 67,900          | 14.38                      | 23,300                              | 334,937.50       | 14,000                             | 201,250.00       | 30,300                       | 435,562.50       | 971,750.00            |                      |
| McDonald's Corporation                      | 61,200          | 58.50                      | 23,700                              | 1,357,200.00     | 11,000                             | 643,500.00       | 27,000                       | 1,579,500.00     | 3,580,200.00          |                      |
| Warner Communications, Inc.                 | 63,600          | 21.38                      | 23,300                              | 510,862.50       | 15,700                             | 335,587.50       | 24,000                       | 513,000.00       | 1,359,450.00          |                      |
| Total Consumer Miscellaneous                |                 |                            |                                     | \$ 4,009,903.75  |                                    | \$ 2,022,351.25  |                              | \$ 4,861,012.50  | \$ 10,893,267.50      | 2.36%                |
| DRUGS                                       |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| American Home Products Corporation          | 105,800         | \$ 34.25                   | 50,000                              | \$ 1,712,500.00  | 18,400                             | \$ 630,200.00    | 37,400                       | \$ 1,280,950.00  | \$ 3,623,650.00       |                      |
| Johnson & Johnson                           | 35,000          | 84.00                      | 17,000                              | 1,428,000.00     | 8,000                              | 672,000.00       | 10,000                       | 840,000.00       | 2,940,000.00          |                      |
| Methuene, Inc.                              | 85,000          | 27.38                      | 30,000                              | 821,250.00       | 15,000                             | 410,625.00       | 40,000                       | 1,095,000.00     | 2,326,875.00          |                      |
| Merck & Co., Inc.                           | 69,500          | 72.00                      | 23,000                              | 1,656,000.00     | 12,000                             | 864,000.00       | 34,500                       | 2,484,000.00     | 5,004,000.00          |                      |
| Pfizer Incorporated                         | 142,100         | 29.25                      | 53,100                              | 1,553,175.00     | 30,500                             | 892,125.00       | 58,500                       | 1,711,125.00     | 4,156,425.00          |                      |
| Schering Plough Corporation                 | 69,600          | 53.75                      | 25,000                              | 1,343,750.00     | 13,000                             | 698,750.00       | 31,600                       | 1,698,500.00     | 3,741,000.00          |                      |
| Warner Lambert Company                      | 135,500         | 32.75                      | 60,500                              | 1,981,375.00     | 23,000                             | 753,250.00       | 52,000                       | 1,703,000.00     | 4,437,625.00          |                      |
| Total Drugs                                 |                 |                            |                                     | \$ 10,496,050.00 |                                    | \$ 4,920,950.00  |                              | \$ 10,812,575.00 | \$ 26,229,575.00      | 5.70%                |
| FOOD BEVERAGE                               |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| CPC International, Inc.                     | 70,000          | \$ 46.00                   | 35,000                              | \$ 1,610,000.00  | 15,000                             | \$ 690,000.00    | 24,000                       | \$ 920,000.00    | \$ 3,220,000.00       |                      |
| Coca Cola Company (The)                     | 37,100          | 84.13                      | 17,100                              | 1,438,537.50     | 6,000                              | 504,750.00       | 14,000                       | 1,177,750.00     | 3,121,037.50          |                      |
| Consolidated Foods Corporation              | 73,500          | 22.13                      | 32,200                              | 712,425.00       | 10,800                             | 238,950.00       | 30,500                       | 674,812.50       | 1,626,187.50          |                      |
| General Foods Corporation                   | 109,230         | 29.13                      | 41,600                              | 1,211,600.00     | 17,000                             | 495,125.00       | 41,600                       | 1,211,600.00     | 2,918,325.00          |                      |
| General Mills, Incorporated                 | 121,200         | 31.50                      | 44,200                              | 1,392,300.00     | 23,000                             | 724,500.00       | 54,000                       | 1,701,000.00     | 3,817,800.00          |                      |
| Norton Simon, Incorporated                  | 121,067         | 19.88                      | 45,659                              | 907,472.63       | 22,211                             | 441,443.63       | 53,197                       | 1,057,290.38     | 2,406,206.64          |                      |
| PepsiCo, Inc.                               | 56,762          | 74.50                      | 16,000                              | 1,192,000.00     | 8,600                              | 640,700.00       | 21,662                       | 1,613,819.00     | 3,446,519.00          |                      |
| Pillsbury Company (The)                     | 83,500          | 36.63                      | 31,400                              | 1,150,025.00     | 15,700                             | 575,012.50       | 36,400                       | 1,333,150.00     | 3,058,187.50          |                      |
| Total Food Beverage                         |                 |                            |                                     | \$ 9,614,360.13  |                                    | \$ 4,310,481.13  |                              | \$ 9,689,421.88  | \$ 23,614,263.14      | 5.12%                |

## Schedule IV continued

| Common Stock                                | Total<br>Shares | Market<br>Price<br>6-30-78 | Public Employees<br>Retirement Fund |                  | State Employees<br>Retirement Fund |                  | Teachers'<br>Retirement Fund |                  | Total<br>Market Value | Total<br>%<br>Market |
|---------------------------------------------|-----------------|----------------------------|-------------------------------------|------------------|------------------------------------|------------------|------------------------------|------------------|-----------------------|----------------------|
|                                             |                 |                            | Shares                              | Market Value     | Shares                             | Market Value     | Shares                       | Market Value     |                       |                      |
| PRINTING-PUBLISHING                         |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Donnelley (R.R.) and Sons Company           | 84,243          | \$ 21.38                   | 28,876                              | \$ 617,224.50    | 19,246                             | \$ 411,363.25    | 36,121                       | \$ 772,086.38    | \$ 1,800,694.13       |                      |
| Oun & Bradstreet Companies, Inc.            | 82,100          | 27.88                      | 34,300                              | 956,112.50       | 15,000                             | 418,125.00       | 32,800                       | 914,300.00       | 2,288,537.50          |                      |
| Harcourt Brace Jovanovich, Inc.             | 36,000          | 26.00                      | 14,050                              | 365,300.00       | 8,100                              | 210,600.00       | 13,850                       | 360,100.00       | 936,000.00            |                      |
| Total Printing-Publishing                   |                 |                            |                                     | \$ 1,938,637.00  |                                    | \$ 1,040,108.25  |                              | \$ 2,046,486.38  | \$ 5,025,231.83       | 1.00%                |
| RETAIL SALES                                |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Dayton Hudson Corporation                   | 158,700         | \$ 33.25                   | 59,600                              | \$ 1,981,700.00  | 38,500                             | \$ 1,280,125.00  | 60,600                       | \$ 2,014,950.00  | \$ 5,276,775.00       |                      |
| Federated Department Stores, Incorporated   | 98,500          | 47.63                      | 50,000                              | 2,391,250.00     | 14,000                             | 666,750.00       | 34,500                       | 1,643,062.50     | 4,691,062.50          |                      |
| Penney (J.C.) Company, Incorporated         | 107,100         | 52.25                      | 43,700                              | 2,283,325.00     | 17,300                             | 903,925.00       | 46,100                       | 2,408,725.00     | 5,595,975.00          |                      |
| Sears, Roebuck and Company                  | 84,000          | 64.75                      | 32,000                              | 2,072,000.00     | 20,000                             | 1,295,000.00     | 32,000                       | 2,072,000.00     | 5,439,000.00          |                      |
| Total Retail Sales                          |                 |                            |                                     | \$ 8,718,275.00  |                                    | \$ 4,145,000.00  |                              | \$ 8,138,737.50  | \$ 21,002,112.50      | 4.56%                |
| TOTAL CONSUMER-ORIENTED                     |                 |                            |                                     | \$ 56,823,807.13 |                                    | \$ 26,830,439.51 |                              | \$ 57,192,020.76 | \$140,846,267.48      | 30.56%               |
| TECHNOLOGY                                  |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| OFFICE EQUIPMENT                            |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Burroughs Corporation                       | 79,800          | \$104.00                   | 30,400                              | \$ 3,161,600.00  | 14,200                             | \$ 1,476,800.00  | 35,200                       | \$ 3,660,800.00  | \$ 8,299,200.00       |                      |
| Control Data Corporation                    | 43,000          | 23.63                      | 14,000                              | 330,750.00       | 8,000                              | 189,000.00       | 21,000                       | 481,125.00       | 1,015,875.00          |                      |
| Digital Equipment Corporation               | 10,000          | 176.75                     | 6,000                               | 1,060,500.00     | 1,000                              | 176,750.00       | 3,000                        | 530,250.00       | 1,767,500.00          |                      |
| Honeywell, Inc.                             | 46,200          | 49.63                      | 16,800                              | 833,700.00       | 8,000                              | 397,000.00       | 21,400                       | 1,061,975.00     | 2,292,675.00          |                      |
| International Business Machines Corporation | 82,503          | 276.75                     | 33,000                              | 9,132,750.00     | 15,500                             | 4,289,625.00     | 34,003                       | 9,410,330.25     | 22,832,705.25         |                      |
| Xerox Corporation                           | 55,020          | 61.63                      | 21,500                              | 1,324,917.50     | 9,260                              | 570,647.50       | 24,260                       | 1,495,022.50     | 3,390,607.50          |                      |
| Total Office Equipment                      |                 |                            |                                     | \$ 15,844,237.50 |                                    | \$ 7,099,822.50  |                              | \$ 16,654,502.75 | \$ 39,598,562.75      | 8.59%                |
| TOTAL TECHNOLOGY                            |                 |                            |                                     | \$ 15,844,237.50 |                                    | \$ 7,099,822.50  |                              | \$ 16,654,502.75 | \$ 39,598,562.75      | 8.56%                |
| BASIC INDUSTRY                              |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| AEROSPACE                                   |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| United Technologies Corporation             | 95,000          | \$ 37.38                   | 35,000                              | \$ 1,308,125.00  | 20,000                             | \$ 747,500.00    | 40,000                       | \$ 1,495,000.00  | \$ 3,550,625.00       | 0.77%                |
| BUILDING & FOREST PRODUCTS                  |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Georgia-Pacific Corporation                 | 70,380          | \$ 51.50                   | 25,500                              | \$ 1,313,250.00  | 14,280                             | \$ 735,420.00    | 30,600                       | \$ 1,575,900.00  | \$ 3,624,570.00       |                      |
| Masonite Corporation                        | 121,400         | 20.00                      | 53,400                              | 1,068,000.00     | 24,000                             | 480,000.00       | 44,000                       | 880,000.00       | 2,428,000.00          |                      |
| Owens Corning Fiberglas Corporation         | 65,100          | 51.50                      | 30,100                              | 1,550,150.00     | 14,000                             | 721,000.00       | 21,000                       | 1,081,500.00     | 3,352,650.00          |                      |
| Weyerhaeuser Company                        | 72,000          | 44.38                      | 26,000                              | 1,153,750.00     | 12,900                             | 572,437.50       | 33,100                       | 1,468,812.50     | 3,195,000.00          |                      |
| Total Building & Forest Products            |                 |                            |                                     | \$ 5,085,150.00  |                                    | \$ 2,508,857.50  |                              | \$ 5,006,212.50  | \$ 12,600,220.00      | 2.73%                |
| CHEMICALS                                   |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Air Products & Chemicals, Incorporated      | 44,547          | \$ 76.50                   | 15,937                              | \$ 1,273,005.50  | 8,160                              | \$ 624,240.00    | 20,400                       | \$ 1,560,600.00  | \$ 3,407,845.50       |                      |
| Dow Chemical Company (The)                  | 76,528          | 48.25                      | 28,132                              | 1,360,264.00     | 15,980                             | 771,035.00       | 32,356                       | 1,561,177.00     | 3,692,476.00          |                      |
| du Pont (E.I.) de Nemours and Company       | 35,500          | 139.50                     | 14,500                              | 2,022,750.00     | 7,000                              | 976,500.00       | 14,000                       | 1,953,000.00     | 4,952,250.00          |                      |
| Hercules Incorporated                       | 140,000         | 32.25                      | 55,000                              | 1,773,750.00     | 20,000                             | 645,000.00       | 65,000                       | 2,086,250.00     | 4,515,000.00          |                      |
| Monsanto Company                            | 35,236          | 93.25                      | 13,236                              | 1,234,257.00     | 6,000                              | 559,500.00       | 16,000                       | 1,492,000.00     | 3,205,757.00          |                      |
| Union Carbide Corporation                   | 57,100          | 67.63                      | 25,000                              | 1,690,625.00     | 10,100                             | 683,012.50       | 22,000                       | 1,487,750.00     | 3,861,387.50          |                      |
| Total Chemicals                             |                 |                            |                                     | \$ 9,304,651.50  |                                    | \$ 4,259,287.50  |                              | \$ 10,150,777.00 | \$ 23,714,716.00      | 5.15%                |
| ELECTRICAL EQUIPMENT                        |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Emerson Electric Co.                        | 107,000         | \$ 37.75                   | 40,000                              | \$ 1,510,000.00  | 20,000                             | \$ 755,000.00    | 47,000                       | \$ 1,774,250.00  | \$ 4,039,250.00       |                      |
| General Electric Company                    | 114,000         | 57.13                      | 46,000                              | 2,627,750.00     | 24,000                             | 1,371,000.00     | 44,000                       | 2,513,500.00     | 6,512,250.00          |                      |
| Westinghouse Electric Corporation           | 63,000          | 17.38                      | 23,100                              | 401,362.50       | 12,700                             | 211,975.00       | 27,700                       | 481,287.50       | 1,094,625.00          |                      |
| Total Electrical Equipment                  |                 |                            |                                     | \$ 4,539,112.50  |                                    | \$ 2,337,975.00  |                              | \$ 4,769,037.50  | \$ 11,646,125.00      | 2.53%                |
| MACHINERY                                   |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Caterpillar Tractor Co.                     | 47,600          | \$ 91.13                   | 17,400                              | \$ 1,585,575.00  | 9,000                              | \$ 820,125.00    | 21,000                       | \$ 1,913,625.00  | \$ 4,319,325.00       |                      |
| Combustion Engineering, Incorporated        | 73,000          | 47.75                      | 30,000                              | 1,432,500.00     | 13,000                             | 620,750.00       | 30,000                       | 1,432,500.00     | 3,485,750.00          |                      |
| Trans Union Corporation                     | 92,000          | 34.25                      | 38,000                              | 1,301,500.00     | 16,000                             | 548,000.00       | 38,000                       | 1,301,500.00     | 3,151,000.00          |                      |
| Total Machinery                             |                 |                            |                                     | \$ 4,319,575.00  |                                    | \$ 1,988,875.00  |                              | \$ 4,647,625.00  | \$ 10,956,075.00      | 2.30%                |
| METALS                                      |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Aluminum Company of America                 | 69,000          | \$ 56.50                   | 25,000                              | \$ 1,412,500.00  | 12,000                             | \$ 678,000.00    | 32,000                       | \$ 1,808,000.00  | \$ 3,898,500.00       |                      |
| Pittston Company (The)                      | 79,891          | 45.75                      | 26,676                              | 1,220,427.00     | 20,510                             | 938,337.50       | 32,705                       | 1,496,253.75     | 3,655,013.25          |                      |
| Total Metals                                |                 |                            |                                     | \$ 2,632,927.00  |                                    | \$ 1,616,337.50  |                              | \$ 3,304,253.75  | \$ 7,553,513.25       | 1.64%                |
| PAPER                                       |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| International Paper Company                 | 65,000          | \$ 73.00                   | 25,000                              | \$ 1,825,000.00  | 12,000                             | \$ 876,000.00    | 28,000                       | \$ 2,044,000.00  | \$ 4,745,000.00       | 1.03%                |
| TEXTILES                                    |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Burlington Industries, Incorporated         | 31,700          | \$ 25.25                   | 11,200                              | \$ 282,800.00    | 7,000                              | \$ 176,750.00    | 13,000                       | \$ 328,750.00    | \$ 788,300.00         | 0.17%                |
| MISCELLANEOUS                               |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Corning Glass Works                         | 38,900          | \$ 75.00                   | 16,000                              | \$ 1,200,000.00  | 7,500                              | \$ 562,500.00    | 15,400                       | \$ 1,155,000.00  | \$ 2,917,500.00       |                      |
| International Telephone & Telegraph Corp.   | 82,800          | 28.38                      | 26,600                              | 754,775.00       | 15,600                             | 442,650.00       | 40,600                       | 1,152,025.00     | 2,349,450.00          |                      |
| Total Miscellaneous                         |                 |                            |                                     | \$ 1,954,775.00  |                                    | \$ 1,005,150.00  |                              | \$ 2,307,025.00  | \$ 5,286,950.00       | 1.14%                |
| TOTAL BASIC INDUSTRY                        |                 |                            |                                     | \$ 31,252,116.00 |                                    | \$15,516,727.50  |                              | \$ 34,052,180.75 | \$ 80,821,024.25      | 17.54%               |
| ENERGY                                      |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| OIL-DOMESTIC                                |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Atlantic Richfield Company                  | 58,000          | \$104.50                   | 22,000                              | \$ 2,299,000.00  | 10,000                             | \$ 1,045,000.00  | 26,000                       | \$ 2,717,000.00  | \$ 6,061,000.00       |                      |
| Continental Oil Company (Del.)              | 204,200         | 38.38                      | 80,000                              | 3,070,000.00     | 34,200                             | 1,312,475.00     | 90,000                       | 3,453,750.00     | 7,836,175.00          |                      |
| Phillips Petroleum Company                  | 103,000         | 61.38                      | 44,000                              | 2,700,500.00     | 15,000                             | 920,625.00       | 44,000                       | 2,700,500.00     | 6,321,625.00          |                      |
| Standard Oil Company (Indiana)              | 88,000          | 50.50                      | 28,000                              | 1,414,000.00     | 21,900                             | 1,105,950.00     | 38,100                       | 1,924,050.00     | 4,444,000.00          |                      |
| Total Oil-Domestic                          |                 |                            |                                     | \$ 9,483,500.00  |                                    | \$ 4,384,000.00  |                              | \$ 10,795,300.00 | \$ 24,662,800.00      | 5.35%                |
| OIL-INTERNATIONAL                           |                 |                            |                                     |                  |                                    |                  |                              |                  |                       |                      |
| Exxon Corporation                           | 110,022         | \$104.63                   | 40,508                              | \$ 4,238,149.50  | 19,708                             | \$ 2,061,949.50  | 49,806                       | \$ 5,210,952.75  | \$ 11,511,051.75      |                      |
| Gulf Oil Corporation                        | 200,100         | 28.13                      | 80,100                              | 2,252,812.50     | 43,000                             | 1,209,375.00     | 77,000                       | 2,165,625.00     | 5,627,812.50          |                      |
| Mobil Corporation                           | 93,400          | 59.88                      | 30,800                              | 1,844,150.00     | 17,800                             | 1,065,770.00     | 44,800                       | 2,682,400.00     | 5,592,325.00          |                      |
| Standard Oil Company of California          | 135,000         | 38.00                      | 55,000                              | 2,090,000.00     | 25,000                             | 950,000.00       | 55,000                       | 2,090,000.00     | 5,130,000.00          |                      |
| Texaco Inc.                                 | 138,490         | 28.13                      | 53,100                              | 1,493,437.50     | 27,040                             | 760,500.00       | 50,350                       | 1,641,093.75     | 3,895,031.25          |                      |
| Total Oil-International                     |                 |                            |                                     | \$ 11,918,549.50 |                                    | \$ 6,047,599.50  |                              | \$ 13,790,071.50 | \$ 31,756,220.50      | 6.80%                |

## Schedule IV continued

| Common Stock                     | Total<br>Shares | Market<br>Price<br>6-30-76 | Public Employees<br>Retirement Fund |                                     | State Employees<br>Retirement Fund |                                    | Teachers'<br>Retirement Fund |                                     | Total<br>Market Value               | Total<br>%<br>Market |
|----------------------------------|-----------------|----------------------------|-------------------------------------|-------------------------------------|------------------------------------|------------------------------------|------------------------------|-------------------------------------|-------------------------------------|----------------------|
|                                  |                 |                            | Shares                              | Market Value                        | Shares                             | Market Value                       | Shares                       | Market Value                        |                                     |                      |
| <b>ENERGY RELATED</b>            |                 |                            |                                     |                                     |                                    |                                    |                              |                                     |                                     |                      |
| Dresser Industries, Inc.         | 166,000         | \$ 43.00                   | 70,000                              | \$ 3,010,000.00                     | 26,000                             | \$ 1,118,600.00                    | 70,000                       | \$ 3,010,000.00                     | \$ 7,138,600.00                     |                      |
| Williams Companies (The)         | 107,000         | 24.00                      | 49,000                              | 960,000.00                          | 18,000                             | 432,000.00                         | 49,000                       | 1,176,000.00                        | 2,568,000.00                        |                      |
| <b>Total Energy Related</b>      |                 |                            |                                     | <b>\$ 3,970,000.00</b>              |                                    | <b>\$ 1,550,600.00</b>             |                              | <b>\$ 4,186,000.00</b>              | <b>\$ 9,706,600.00</b>              | 2.11%                |
| <b>TOTAL ENERGY</b>              |                 |                            |                                     | <b>\$ 25,372,049.50</b>             |                                    | <b>\$11,981,599.50</b>             |                              | <b>\$ 28,771,371.50</b>             | <b>\$ 66,125,020.50</b>             | 14.35%               |
| <b>TRANSPORTATION</b>            |                 |                            |                                     |                                     |                                    |                                    |                              |                                     |                                     |                      |
| <b>AIRLINES</b>                  |                 |                            |                                     |                                     |                                    |                                    |                              |                                     |                                     |                      |
| Delta Air Lines, Incorporated    | 55,400          | \$ 44.50                   | 18,500                              | \$ 823,250.00                       | 8,800                              | \$ 391,600.00                      | 28,100                       | \$ 1,250,450.00                     | \$ 2,465,300.00                     |                      |
| Northwest Airlines, Incorporated | 106,626         | 32.50                      | 41,714                              | 1,355,705.00                        | 19,770                             | 642,525.00                         | 45,142                       | 1,467,115.00                        | 3,465,345.00                        |                      |
| UAL, Inc.                        | 24,300          | 27.75                      | 9,000                               | 249,750.00                          | 7,000                              | 194,250.00                         | 8,300                        | 230,325.00                          | 674,325.00                          |                      |
| <b>Total Airlines</b>            |                 |                            |                                     | <b>\$ 2,428,705.00</b>              |                                    | <b>\$ 1,228,375.00</b>             |                              | <b>\$ 2,947,890.00</b>              | <b>\$ 6,604,970.00</b>              | 1.43%                |
| <b>RAILROADS</b>                 |                 |                            |                                     |                                     |                                    |                                    |                              |                                     |                                     |                      |
| Burlington Northern Incorporated | 55,800          | \$ 46.00                   | 26,000                              | \$ 1,196,000.00                     | 10,100                             | \$ 464,600.00                      | 29,700                       | \$ 1,366,200.00                     | \$ 3,026,800.00                     |                      |
| Union Pacific Corporation        | 44,400          | 52.38                      | 17,900                              | 1,653,512.50                        | 10,000                             | 923,750.00                         | 16,500                       | 1,524,187.50                        | 4,101,450.00                        |                      |
| <b>Total Railroads</b>           |                 |                            |                                     | <b>\$ 2,849,512.50</b>              |                                    | <b>\$ 1,388,350.00</b>             |                              | <b>\$ 2,890,387.50</b>              | <b>\$ 7,128,250.00</b>              | 1.55%                |
| <b>TOTAL TRANSPORTATION</b>      |                 |                            |                                     | <b>\$ 5,278,217.50</b>              |                                    | <b>\$ 2,616,725.00</b>             |                              | <b>\$ 5,838,277.50</b>              | <b>\$ 13,733,220.00</b>             | 2.98%                |
| <b>TOTAL COMMON STOCKS</b>       |                 |                            |                                     | <b>\$181,812,903.00<sup>a</sup></b> |                                    | <b>\$85,591,797.14<sup>b</sup></b> |                              | <b>\$193,465,125.01<sup>c</sup></b> | <b>\$460,869,825.21<sup>d</sup></b> | 100.00%              |

a. Original cost of equities on June 30, 1975, was \$164,644,506.11.

b. Original cost of equities on June 30, 1976, was \$ 79,000,621.86.

c. Original cost of equities on June 30, 1975, was \$179,002,997.06.

d. Original cost of equities on June 30, 1976, was \$422,648,125.03.

## SCHEDULE V

PUBLIC EMPLOYEES  
POLICE AND FIRE FUND  
June 30, 1976

## RESUME OF ASSETS IN ACCOUNT

|                                                                                                                |                        |
|----------------------------------------------------------------------------------------------------------------|------------------------|
| CASH CERTIFIED FOR INVESTMENT <sup>1</sup>                                                                     | \$ 214,888.39          |
| MONEY MARKET SECURITIES                                                                                        |                        |
| Repurchase Agreements<br>Maturities up to 73 days                                                              | \$ 1,983,000.00        |
| Short Term Corporate Notes<br>Maturities up to 30 days                                                         | \$ 1,710,000.00        |
| UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS <sup>2</sup><br>(See listing below)                            | \$ 321,000.00          |
| CANADIAN GOVERNMENTAL OBLIGATIONS <sup>2</sup><br>(See listing below)                                          | \$ 3,650,000.00        |
| CORPORATE BOND OBLIGATIONS <sup>2</sup><br>(See listing below)                                                 | \$27,385,056.56        |
| DEFERRED YIELD ADJUSTMENT ACCOUNT <sup>3</sup>                                                                 | \$ 404,854.00          |
| COMMON STOCKS (See listing below)                                                                              | \$25,645,150.51        |
| <b>TOTAL ASSETS IN ACCOUNT</b><br><small>(For actuarial purposes, not indication of true market value)</small> | <b>\$56,313,980.00</b> |

<sup>1</sup> Each balance represents amount due from sales of securities several days before fiscal year end.<sup>2</sup> This amount represents an amount equal to the discount at which fund has the securities have been sold at less than amortized cost. The entire amount is being accumulated over a term equal to the average maturity of the funds unit.<sup>3</sup> Note: Bond investments are listed at face value, common stocks are listed at market value.UNITED STATES GOVERNMENT GUARANTEED BONDS,  
CANADIAN GOVERNMENTAL OBLIGATIONS  
AND CORPORATE BOND HOLDINGS  
June 30, 1976

| Company                                                      | Type of<br>Security | Maturity<br>Date (a) | Coupon<br>Rate<br>% | Average<br>Yield<br>% | Total<br>Amount<br>(000) |
|--------------------------------------------------------------|---------------------|----------------------|---------------------|-----------------------|--------------------------|
| <b>UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>       |                     |                      |                     |                       |                          |
| Grain Elevators                                              | Govt. Guar. Bond    | 2-1-92               | 5.10                | 5.10                  | \$ 100                   |
| Major McCormack Lines, Inc.                                  | Govt. Guar. Bond    | 4-1-87               | 5.3/4               | 5.75                  | 136                      |
| United States Lines                                          | Govt. Guar. Bond    | 11-1-86              | 4.3/8               | 4.375                 | 85                       |
| <b>TOTAL UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b> |                     |                      | <b>5.18%</b>        |                       | <b>\$ 321</b>            |

| Company                                        | Type of<br>Security           | Maturity<br>Date (a) | Coupon<br>Rate<br>% | Average<br>Yield<br>% | Total<br>Amount<br>(000) |
|------------------------------------------------|-------------------------------|----------------------|---------------------|-----------------------|--------------------------|
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>       |                               |                      |                     |                       |                          |
| Manitoba Hydro Electric Board                  | Bond                          | 10-1-85              | 9.1/2               | 9.50                  | \$ 500                   |
| Manitoba Hydro Electric Board                  | Bond                          | 10-15-97             | 7.65                | 7.65                  | 500                      |
| New Brunswick Electric Power Commission        | S/F Debenture                 | 4-1-98               | 7.7/8               | 7.875                 | 500                      |
| New Brunswick Higher Education<br>Commission   | S/F Debenture                 | 4-15-93              | 7.00                | 7.15                  | 200                      |
| Nova Scotia Province of                        | S/F Debenture                 | 8-1-93               | 7.1/4               | 7.20                  | 250                      |
| Ontario Hydro                                  | Note                          | 3-1-96               | 9.1/2               | 9.50                  | 800                      |
| Ontario Province of                            | Debenture                     | 4-15-97              | 5.5/8               | 5.625                 | 100                      |
| Ontario Province of                            | Debenture                     | 5-15-2001            | 7.85                | 7.85                  | 309                      |
| Ontario Province of                            | Debenture                     | 12-15-2002           | 7.30                | 7.30                  | 600                      |
| <b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b> |                               |                      |                     | <b>8.19%</b>          | <b>\$ 3,650</b>          |
| <b>CORPORATE BOND OBLIGATIONS</b>              |                               |                      |                     |                       |                          |
| <b>PUBLIC UTILITY OBLIGATIONS</b>              |                               |                      |                     |                       |                          |
| <b>ELECTRIC</b>                                |                               |                      |                     |                       |                          |
| Central Maine Power Co.                        | First Mortgage                | 11-1-90              | 5.1/4               | 5.10                  | \$ 50                    |
| Commonwealth Edison Co.                        | First Mortgage                | 11-1-96              | 5.1/4               | 5.75                  | 100                      |
| Consolidated Edison Co.                        | Equipment Trust               | 1-1-96               | 9.1/4               | 9.25                  | 244                      |
| Georgia Power Co.                              | First Mortgage                | 11-1-90              | 4.7/8               | 4.875                 | 60                       |
| Jersey Central Power & Light Co.               | Debenture                     | 10-1-88              | 4.5/8               | 4.56                  | 72                       |
| Ottawa Light Power Co.                         | First Mortgage                | 2-1-91               | 4.7/8               | 4.80                  | 50                       |
| Pacific Power & Light Co.                      | First Mortgage                | 4-1-92               | 4.3/4               | 4.70                  | 60                       |
| Philadelphia Electric                          | First & Refunding<br>Mortgage | 10-15-80             | 11.00               | 11.00                 | 800                      |
| Public Service Electric & Gas Co.              | First & Refunding<br>Mortgage | 9-1-90               | 4.3/4               | 4.73                  | 60                       |
| Rochester Gas & Electric                       | First Mortgage                | 7-1-98               | 6.7/8               | 6.70                  | 150                      |
| Sierra Pacific Power Co.                       | First Mortgage                | 6-1-92               | 4.7/8               | 4.75                  | 50                       |
| <b>Total Electric</b>                          |                               |                      |                     | <b>8.57%</b>          | <b>\$ 1,704</b>          |
| <b>GAS</b>                                     |                               |                      |                     |                       |                          |
| Laclede Gas Co.                                | First Mortgage                | 7-1-85               | 4.7/8               | 4.80                  | \$ 46                    |
| Louisiana Gas Service Co.                      | First Mortgage                | 6-1-87               | 4.1/2               | 4.67                  | 100                      |
| Michigan Warramur Pipe Line Co.                | First Mortgage                | 7-15-83              | 4.7/8               | 4.80                  | 73                       |
| Transcontinental Gas Pipe Line Corp.           | First Mortgage                | 11-1-82              | 4.7/8               | 4.82                  | 54                       |
| <b>Total Gas</b>                               |                               |                      |                     | <b>4.71%</b>          | <b>\$ 273</b>            |
| <b>TELEPHONE</b>                               |                               |                      |                     |                       |                          |
| American Telephone & Telegraph Co.             | Debenture                     | 10-1-96              | 4.3/8               | 4.30                  | \$ 300                   |
| Bell Telephone Co. of Canada                   | First Mortgage                | 6-1-2004             | 9.1/2               | 9.50                  | 800                      |
| Illinois Bell Telephone Co.                    | First Mortgage                | 7-1-94               | 4.7/8               | 4.75                  | 50                       |
| New York Telephone Co.                         | Refunding Mortgage            | 7-15-2008            | 8                   | 8.50                  | 800                      |
| Southern Bell Telephone & Telegraph Co.        | Debenture                     | 3-15-2013            | 7.5/8               | 8.84                  | 800                      |
| <b>Total Telephone</b>                         |                               |                      |                     | <b>8.68%</b>          | <b>\$ 2,500</b>          |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>        |                               |                      |                     | <b>8.40%</b>          | <b>\$ 4,527</b>          |
| <b>FINANCE OBLIGATIONS</b>                     |                               |                      |                     |                       |                          |
| American Investment Co.                        | Note                          | 11-1-91              | 5.1/4               | 5.25                  | \$ 100                   |
| American Investment Co.                        | Senior Note                   | 11-1-86              | 6.3/4               | 6.75                  | 100                      |
| Deere (John) Credit Co.                        | Debenture                     | 4-30-98              | 7.1/2               | 7.54                  | 500                      |
| Ford Motor Credit Co.                          | S/F Debenture                 | 7-15-2000            | 9.70                | 9.72                  | 800                      |
| Northwest Bancorporation                       | S/F Debenture                 | 3-15-2001            | 7.3/4               | 7.75                  | 500                      |
| Wells Fargo & Co.                              | Promissory Note               | 11-1-98              | 8.1/8               | 8.125                 | 800                      |
| <b>TOTAL FINANCE OBLIGATIONS</b>               |                               |                      |                     | <b>8.26%</b>          | <b>\$ 2,800</b>          |

## Schedule V continued

| Company                                                                                           | Type of Security                   | Maturity Date (a)       | Coupon Rate % | Average Yield % | Total Amount (000) |
|---------------------------------------------------------------------------------------------------|------------------------------------|-------------------------|---------------|-----------------|--------------------|
| <b>INDUSTRIAL OBLIGATIONS</b>                                                                     |                                    |                         |               |                 |                    |
| Akzo, Inc.                                                                                        | Debenture                          | 2-15-97                 | 7 1/2         | 7.50            | \$ 500             |
| Aluminum Co. of Canada, Ltd.                                                                      | S/F Debenture                      | 3-1-95                  | 9 1/2         | 9.96            | 800                |
| Armco Steel Corp.                                                                                 | Note                               | 12-15-96                | 7 7/8         | 7.875           | 500                |
| Atlantic Richfield Co.                                                                            | Guaranteed Note                    | 7-15-96                 | 9 1/4         | 9.25            | 800                |
| Cities Service Gas Co.                                                                            | Debenture                          | 6-1-91                  | 8 1/4         | 8.25            | 200                |
| Continental Oil Co. (Delaware Western Properties, Inc.)                                           | Note                               | 12-1-2000               | 9.00          | 9.00            | 124                |
| Crown Zellerbach                                                                                  | Mortgage Bond                      | 8-1-94                  | 8 1/8         | 8.125           | 769                |
| FMC Corporation                                                                                   | S/F Debenture                      | 1-15-2000               | 9 1/2         | 9.60            | 800                |
| Firestone Tire & Rubber Co.                                                                       | Debenture                          | 12-1-2004               | 9 1/4         | 9.25            | 800                |
| Gulf Oil Corporation                                                                              | Debenture                          | 6-15-93                 | 6 5/8         | 6.625           | 200                |
| Hammond Corp.                                                                                     | Senior Note                        | 1-15-90                 | 8 3/4         | 8.75            | 175                |
| MacMillan Bloedel, Ltd.                                                                           | Debenture                          | 7-1-94                  | 8 3/4         | 8.75            | 800                |
| Marathon Oil Co.                                                                                  | S/F Debenture                      | 2-1-2000                | 8 1/2         | 8.56            | 800                |
| Moore Business Forms, Inc.                                                                        | Senior Note                        | 10-1-96                 | 7.90          | 7.90            | 500                |
| Phelps Dodge Corp.                                                                                | Note                               | 6-1-85                  | 8 1/2         | 8.62            | 800                |
| Plantation Pipeline Co. (Exxon Corp.)                                                             |                                    |                         |               |                 |                    |
| Standard Oil Co. of California & Shell Oil Co. (Guaranteed)                                       | Guaranteed Note                    | 10-1-2001               | 7 7/8         | 7.875           | 300                |
| Sears, Roebuck & Co.                                                                              | Debenture                          | 4-1-2006                | 8.00          | 8.00            | 500                |
| Standard Oil Co. of California (Chevron Stations)                                                 | Note                               | 12-1-92                 | 6.00          | 6.12            | 178                |
| Standard Oil Co. of California (Union Bank)                                                       | First Preferred Ship Mortgage Bond | 2-10-97 through 11-6-97 | 7.70          | 7.70            | 800                |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.)                                        | Note                               | 10-1-2000               | 7.30          | 7.30            | 300                |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.)                                        | Note                               | 10-1-2000               | 7 1/2         | 7.50            | 250                |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.)                                        | Note                               | 10-1-2000               | 9.00          | 9.00            | 250                |
| Stauffer Chemical Co.                                                                             | Note                               | 3-15-97                 | 7 1/2         | 7.50            | 500                |
| Swift & Co.                                                                                       | Debenture                          | 6-1-86                  | 4 7/8         | 6.54            | 150                |
| Union Oil Co. of California (Pure Transportation Co.)                                             | Note                               | 12-1-88                 | 8 1/2         | 8.50            | 99                 |
| Youngstown Sheet & Tube Co.                                                                       | First Mortgage                     | 7-1-95                  | 4.60          | 5.62            | 181                |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                                                               |                                    |                         | <b>8.38%</b>  |                 | <b>\$12,226</b>    |
| <b>TRANSPORTATION DEBT OBLIGATIONS</b>                                                            |                                    |                         |               |                 |                    |
| Eastville & Nashville Railroad Co.                                                                | Coll. Trust                        | 12-1-87                 | 4 2/8         | 4.99            | \$ 50              |
| Western Maryland Railway Co.                                                                      | First Mortgage                     | 10-1-89                 | 4.85          | 4.85            | 72                 |
| <b>TOTAL TRANSPORTATION DEBT OBLIGATIONS</b>                                                      |                                    |                         | <b>4.89%</b>  |                 | <b>\$ 122</b>      |
| <b>RAILROAD EQUIPMENT OBLIGATIONS</b>                                                             |                                    |                         |               |                 |                    |
| ACF Industries, Inc.                                                                              | Equipment Trust                    | 1-15-77                 | 4 7/8         | 6.60            | \$ 16              |
| ACF Industries, Inc.                                                                              | Equipment Trust                    | 4-15-77/81              | 5 5/8         | 5.625           | 60                 |
| ACF Industries, Inc.                                                                              | Equipment Trust                    | 4-1-77/85               | 9 1/2         | 9.50            | 135                |
| ACF Industries, Inc.                                                                              | Equipment Trust                    | 1-1-82/91               | 9.00          | 9.00            | 800                |
| Burlington Northern, Inc.                                                                         | Conditional Sale                   | 6-1-77/86               | 8.00          | 8.60            | 240                |
| Chesapeake & Ohio Railway Co.                                                                     | Conditional Sale                   | 9-15-77                 | 8 1/4         | 8.75            | 295                |
| Chicago, Milwaukee, St. Paul & Pacific Railroad Co.                                               | Conditional Sale                   | 3-15-89                 |               |                 |                    |
|                                                                                                   |                                    | 7-25-76                 |               |                 |                    |
|                                                                                                   |                                    | 1-15-82                 | 6 3/8         | 6.375           | 33                 |
| Chicago, Milwaukee, St. Paul & Pacific Railroad Co.                                               | Conditional Sale                   | 12-1-76                 |               |                 |                    |
|                                                                                                   |                                    | 6-1-87                  | 5 3/8         | 5.375           | 78                 |
| Flying Tiger Corp.                                                                                | Equipment Trust                    | 4-15-77                 |               |                 |                    |
|                                                                                                   |                                    | 10-15-77                | 4 1/2         | 4.50            | 18                 |
| Fruit Growers Express Co.                                                                         | Equipment Trust                    | 6-15-77/85              | 9 3/4         | 9.75            | 135                |
| Fruit Growers Express Co.                                                                         | Equipment Trust                    | 11-15-76/83             | 6.00          | 6.00            | 60                 |
| General Electric Credit Corp. (Delaware & Hudson Railway Co.)                                     | Conditional Sale                   | 3-1-77                  |               |                 |                    |
|                                                                                                   |                                    | 9-1-85                  | 10 1/2        | 10.50           | 109                |
| Eastville & Nashville Railroad Co.                                                                | Conditional Sale                   | 10-20-82/91             | 9.00          | 9.00            | 500                |
| St. Louis San Francisco Railway Co.                                                               | Conditional Sale                   | 1-1-77/83               | 6 3/4         | 6.75            | 78                 |
| Southern Pacific Co.                                                                              | Conditional Sale                   | 1-1-77/84               | 7 5/8         | 7.625           | 100                |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                                                       |                                    |                         | <b>8.68%</b>  |                 | <b>\$ 2,709</b>    |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                                                           |                                    |                         | <b>8.39%</b>  |                 | <b>\$22,384</b>    |
| <b>TOTAL UNITED STATES GOVERNMENT GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b> |                                    |                         | <b>8.32%</b>  |                 | <b>\$26,355</b>    |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

## SCHEDULE VI

## HIGHWAY PATROLMEN'S RETIREMENT FUND

June 30, 1976

## RESUME OF ASSETS IN ACCOUNT

|                                                               |                        |
|---------------------------------------------------------------|------------------------|
| <b>CASH CERTIFIED FOR INVESTMENT*</b>                         | <b>\$ 48,674.57</b>    |
| <b>MONEY MARKET SECURITIES</b>                                |                        |
| Repurchase Agreements                                         |                        |
| Maturities up to 6 days                                       | <b>\$ 485,000.00</b>   |
| Short Term Corporate Notes                                    |                        |
| Maturities up to 30 days                                      | <b>\$ 510,000.00</b>   |
| <b>STATE AND LOCAL OBLIGATIONS</b>                            | <b>\$ 273,000.00</b>   |
| <b>UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>        | <b>\$ 137,000.00</b>   |
| (See Listing Below)                                           |                        |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                      | <b>\$ 1,050,000.00</b> |
| (See Listing Below)                                           |                        |
| <b>CORPORATE BOND OBLIGATION</b>                              | <b>\$ 7,152,026.26</b> |
| (See Listing Below)                                           |                        |
| <b>DEFERRED YIELD ADJUSTMENT ACCOUNT**</b>                    | <b>\$ 109,351.17</b>   |
| <b>COMMON STOCKS</b> (See Listing Below)                      | <b>\$ 8,697,354.81</b> |
| <b>TOTAL ASSETS IN ACCOUNT</b>                                | <b>\$18,462,356.81</b> |
| (For actuarial purposes, not indicative of true market value) |                        |

\*Cash balance signifies amount due from sales of securities several days before fiscal year end.

\*\*This account signifies an amount equal to the discount at which fixed income securities have been sold at less than amortized cost. The entire amount is being accumulated over a term equal to the average maturity of the bonds sold.

Note: Bond investments are listed at face value, common stocks are listed at market value.

**UNITED STATES GOVERNMENT GUARANTEED BONDS,  
CANADIAN GOVERNMENTAL OBLIGATIONS  
AND CORPORATE BOND HOLDINGS  
June 30, 1976**

| Company                                                      | Type of Security   | Maturity Date (a) | Coupon Rate % | Average Yield % | Total Amount (000) |
|--------------------------------------------------------------|--------------------|-------------------|---------------|-----------------|--------------------|
| <b>UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>       |                    |                   |               |                 |                    |
| Moore McCormack Lines, Inc.                                  | Govt. Guar. Bond   | 4-1-82            | 5 3/4         | 5.75            | \$ 137             |
| <b>TOTAL UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b> |                    |                   |               | <b>5.75%</b>    | <b>\$ 137</b>      |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                     |                    |                   |               |                 |                    |
| Manitoba Hydro Electric Board                                | Bond               | 10-1-85           | 9 1/2         | 9.50            | \$ 200             |
| New Brunswick Electric Power Commission                      | S/F Debenture      | 4-1-98            | 7 7/8         | 7.875           | 300                |
| Nova Scotia, Province of                                     | S/F Debenture      | 8-1-93            | 7 1/4         | 7.20            | 150                |
| Ontario Hydro                                                | Note               | 3-15-96           | 9 1/2         | 9.50            | 400                |
| <b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>               |                    |                   |               | <b>8.71%</b>    | <b>\$1,050</b>     |
| <b>CORPORATE BOND OBLIGATIONS</b>                            |                    |                   |               |                 |                    |
| <b>PUBLIC UTILITY OBLIGATIONS</b>                            |                    |                   |               |                 |                    |
| <b>ELECTRIC</b>                                              |                    |                   |               |                 |                    |
| California Electric Power Co.                                | First Mortgage     | 5-1-90            | 5 1/8         | 5.06            | \$ 40              |
| Central Maine Power Co.                                      | First Mortgage     | 11-1-90           | 5 1/4         | 5.10            | 39                 |
| Georgia Power Co.                                            | First Mortgage     | 11-1-90           | 4 7/8         | 4.96            | 40                 |
| Hochester Gas & Electric                                     | First Mortgage     | 7-1-98            | 6 7/8         | 6.70            | 50                 |
| Sierra Pacific Power Co.                                     | First Mortgage     | 6-1-92            | 4 7/8         | 4.75            | 50                 |
| <b>Total Electric</b>                                        |                    |                   |               | <b>5.35%</b>    | <b>\$ 219</b>      |
| <b>GAS</b>                                                   |                    |                   |               |                 |                    |
| Louisiana Gas Service Co.                                    | First Mortgage     | 6-1-87            | 4 1/2         | 4.70            | \$ 50              |
| Milwaukee Gas Light Co.                                      | First Mortgage     | 5-15-82           | 4 5/8         | 4.50            | 50                 |
| Transcontinental Gas Pipe Line Corp.                         | First Mortgage     | 11-1-82           | 4 7/8         | 4.82            | 94                 |
| <b>Total Gas</b>                                             |                    |                   |               | <b>4.71%</b>    | <b>\$ 194</b>      |
| <b>TELEPHONE</b>                                             |                    |                   |               |                 |                    |
| The Bell Telephone Co. of Canada                             | First Mortgage     | 6-1-2004          | 9 1/2         | 9.50            | \$ 400             |
| New York Telephone Co.                                       | Refunding Mortgage | 7-15-2008         | 8.00          | 8.40            | 400                |
| <b>Total Telephone</b>                                       |                    |                   |               | <b>8.85%</b>    | <b>\$ 800</b>      |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>                      |                    |                   |               | <b>7.62%</b>    | <b>\$1,213</b>     |
| <b>FINANCE OBLIGATIONS</b>                                   |                    |                   |               |                 |                    |
| CIT Financial Corp.                                          | Debenture          | 10-1-86           | 6 3/8         | 6.42            | \$ 150             |
| Ford Motor Credit Co.                                        | S/F Debenture      | 7-15-2000         | 9.70          | 9.72            | 400                |
| Northwest Bancorporation                                     | S/F Debenture      | 3-15-2003         | 7 3/4         | 7.75            | 300                |
| Wells Fargo & Co.                                            | Promissory Note    | 11-1-98           | 8 1/8         | 8.125           | 250                |
| <b>TOTAL FINANCE OBLIGATIONS</b>                             |                    |                   |               | <b>8.37%</b>    | <b>\$1,100</b>     |

## Schedule VI continued

| Company                                                    | Type<br>Security | Maturity<br>Date (a)         | Coupon<br>Rate<br>% | Average<br>Yield<br>% | Total<br>Amount<br>(000) |
|------------------------------------------------------------|------------------|------------------------------|---------------------|-----------------------|--------------------------|
| <b>INDUSTRIAL OBLIGATIONS</b>                              |                  |                              |                     |                       |                          |
| Aluminum Co. of Canada, Ltd.                               | S/F Debenture    | 3 1 95                       | 9 1/2               | 9 37                  | \$ 150                   |
| Atlantic Richfield Co.                                     | Guaranteed Note  | 7 15 96                      | 9 1/4               | 9 25                  | 400                      |
| Crown Zellerbach                                           | Mortgage Bond    | 8 1 94                       | 8 1/8               | 8 125                 | 288                      |
| FMC Corporation                                            | S/F Debenture    | 1 15 2000                    | 9 1/2               | 9 60                  | 400                      |
| Firestone Tire & Rubber Co.                                | Debenture        | 12 1 2004                    | 9 1/4               | 9 75                  | 400                      |
| Gulf Oil Corporation                                       | Debenture        | 6 15 93                      | 6 5/8               | 6 675                 | 150                      |
| MacMillan Bloedel, Ltd.                                    | Debenture        | 7 1 94                       | 8 3/4               | 8 75                  | 100                      |
| Marathon Oil Co.                                           | S/F Debenture    | 2 1 2000                     | 8 1/2               | 8 57                  | 400                      |
| Phelps Dodge Corp.                                         | Note             | 6 1 85                       | 8 1/2               | 8 64                  | 300                      |
| Plantation Pipe Line Co. (Exxon Corp.)                     |                  |                              |                     |                       |                          |
| Standard Oil Co. of California & Shell Oil Co., Guarantors | Guaranteed Note  | 10 1 2001                    | 7 7/8               | 7 875                 | 100                      |
| Sears, Roebuck & Co.                                       | Debenture        | 4 1 2005                     | 8 00                | 8 02                  | 200                      |
| Standard Oil Co. of California (Union Bank)                | First Mortgage   | 5 7 97<br>through<br>11 6 97 | 7 7/8               | 7 70                  | 400                      |
| Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.) | Note             | 10 1 2000                    | 9 00                | 9 00                  | 150                      |
| Standard Oil Co. (Indiana)                                 | Debenture        | 1 15 98                      | 6 00                | 6 07                  | 50                       |
| Union Oil Co. of California (Pure Transportation Co.)      | Note             | 12 1 88                      | 6 1/2               | 6 50                  | 66                       |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                        |                  |                              | <b>8 54%</b>        |                       | <b>\$3,954</b>           |

| Company                                                                                           | Type of<br>Security | Maturity<br>Date (a) | Coupon<br>Rate<br>% | Average<br>Yield<br>% | Total<br>Amount<br>(000) |
|---------------------------------------------------------------------------------------------------|---------------------|----------------------|---------------------|-----------------------|--------------------------|
| <b>TRANSPORTATION DEBT OBLIGATIONS</b>                                                            |                     |                      |                     |                       |                          |
| Arkansas Coast Line Railroad Co.                                                                  | First Mortgage      | 10 1 82              | 4 3/4               | 4 75                  | \$ 49                    |
| Louisville & Nashville Railroad Co.                                                               | Coll. Trust         | 12 1 87              | 4 7/8               | 4 55                  | 100                      |
| Western Maryland Railway Co.                                                                      | First Mortgage      | 10 1 89              | 4 85                | 4 85                  | 72                       |
| <b>TOTAL TRANSPORTATION DEBT OBLIGATIONS</b>                                                      |                     |                      |                     | <b>4 87%</b>          | <b>\$ 221</b>            |
| <b>RAILROAD EQUIPMENT OBLIGATIONS</b>                                                             |                     |                      |                     |                       |                          |
| Burlington Northern, Inc.                                                                         | Conditional Sale    | 5 1 77/86            | 8 60                | 8 60                  | \$ 240                   |
| Chesapeake & Ohio Railway Co.                                                                     | Conditional Sale    | 9 15 77              |                     |                       |                          |
|                                                                                                   |                     | 2 15 89              | 8 3/4               | 8 75                  | 197                      |
| Chicago, Milwaukee, St. Paul & Pacific Railroad Co.                                               | Conditional Sale    | 7 15 76              |                     |                       |                          |
|                                                                                                   |                     | 1 15 82              | 6 3/8               | 6 375                 | 22                       |
| Fruit Growers Express Co.                                                                         | Equipment Trust     | 6 15 77/85           | 9 1/4               | 9 75                  | 90                       |
| Fruit Growers Express Co.                                                                         | Equipment Trust     | 11 15 76/81          | 6 00                | 6 00                  | 30                       |
| Illinois Central Railroad Co.                                                                     | Conditional Sale    | 2 15 77 83           | 6 7/8               | 6 875                 | 85                       |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                                                       |                     |                      |                     | <b>8 39%</b>          | <b>\$ 664</b>            |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                                                           |                     |                      |                     |                       |                          |
|                                                                                                   |                     |                      |                     | <b>8 23%</b>          | <b>\$7,152</b>           |
| <b>TOTAL UNITED STATES GOVERNMENT GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b> |                     |                      |                     |                       |                          |
|                                                                                                   |                     |                      |                     | <b>8 25%</b>          | <b>\$8,339</b>           |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

## SCHEDULE VII

**HIGHWAY PATROLMEN'S RETIREMENT FUND  
PUBLIC EMPLOYEES POLICE AND FIRE FUND  
COMMON STOCK HOLDINGS  
June 30, 1976**

| Common Stock                                | Total<br>Shares | Market<br>Price<br>6/30/76 | Highway Patrolmen's<br>Retirement Fund |                | Public Employees Police<br>and Fire Fund |                 | Total<br>Market Value | Total<br>%<br>Market |
|---------------------------------------------|-----------------|----------------------------|----------------------------------------|----------------|------------------------------------------|-----------------|-----------------------|----------------------|
|                                             |                 |                            | Shares                                 | Market Value   | Shares                                   | Market Value    |                       |                      |
| UTILITIES                                   |                 |                            |                                        |                |                                          |                 |                       |                      |
| ELECTRIC                                    |                 |                            |                                        |                |                                          |                 |                       |                      |
| Central & South West Corporation            | 8,600           | \$ 14 50                   | 8,600                                  | \$ 124,700 00  |                                          |                 | \$ 124,700 00         |                      |
| Commonwealth Edison Company                 | 14,000          | 28 00                      | 4,000                                  | 112,000 00     | 10,000                                   | \$ 280,000 00   | 392,000 00            |                      |
| Florida Power & Light Company               | 17,000          | 23 00                      |                                        |                | 17,000                                   | 405,875 00      | 405,875 00            |                      |
| Houston Lighting & Power Company            | 7,500           | 23 50                      |                                        |                | 7,500                                    | 176,250 00      | 176,250 00            |                      |
| Middle South Utilities, Incorporated        | 27,100          | 14 63                      | 7,100                                  | 103,837 50     | 20,000                                   | 292,500 00      | 396,337 50            |                      |
| Pacific Gas and Electric Company            | 7,700           | 20 38                      |                                        |                | 7,700                                    | 156,887 50      | 156,887 50            |                      |
| Public Service Company of Indiana, Inc.     | 5,550           | 25 50                      | 5,550                                  | 141,525 00     |                                          |                 | 141,525 00            |                      |
| Southern California Edison Company          | 10,000          | 19 63                      | 3,700                                  | 72,612 50      | 6,300                                    | 123,637 50      | 196,250 00            |                      |
| Southern Company (The)                      | 1,500           | 14 38                      | 3,500                                  | 50,312 50      |                                          |                 | 50,312 50             |                      |
| Texas Utilities Company                     | 13,000          | 19 00                      |                                        |                | 13,000                                   | 247,000 00      | 247,000 00            |                      |
| Virginia Electric and Power Company         | 6,400           | 13 75                      |                                        |                | 6,400                                    | 88,000 00       | 88,000 00             |                      |
| Total Electric                              |                 |                            |                                        | \$ 604,987 50  |                                          | \$ 1,770,150 00 | \$ 2,375,137 50       | 6 61%                |
| NATURAL GAS                                 |                 |                            |                                        |                |                                          |                 |                       |                      |
| Panhandle Eastern Pipe Line Company         | 14,000          | \$ 35 11                   | 4,000                                  | \$ 140,500 00  | 10,000                                   | \$ 351,250 00   | \$ 491,750 00         | 1 37%                |
| COMMUNICATIONS                              |                 |                            |                                        |                |                                          |                 |                       |                      |
| American Telephone & Telegraph Company      | 16,136          | \$ 56 50                   | 3,500                                  | \$ 197,750 00  | 12,636                                   | \$ 713,934 00   | \$ 911,684 00         |                      |
| General Telephone & Electronics Corporation | 21,000          | 25 00                      | 9,000                                  | 232,875 00     | 12,000                                   | 310,500 00      | 543,375 00            |                      |
| Total Communications                        |                 |                            |                                        | \$ 430,625 00  |                                          | \$ 1,024,434 00 | \$ 1,455,059 00       | 4 05%                |
| TOTAL UTILITIES                             |                 |                            |                                        | \$1,176,112 50 |                                          | \$ 3,145,834 00 | \$ 4,321,946 50       | 12 03%               |
| FINANCIAL SERVICES                          |                 |                            |                                        |                |                                          |                 |                       |                      |
| BANKS                                       |                 |                            |                                        |                |                                          |                 |                       |                      |
| BankAmerica Corporation                     | 4,000           | \$ 56 25                   | 4,000                                  | \$ 225,000 00  |                                          |                 | \$ 225,000 00         |                      |
| Citicorp                                    | 17,900          | 36 11                      | 6,000                                  | 216,750 00     | 11,900                                   | \$ 429,887 50   | 646,637 50            |                      |
| First Bank System, Incorporated             | 11,300          | 45 88                      |                                        |                | 11,300                                   | 518,387 50      | 518,387 50            |                      |
| Manufacturers Hanover Corporation           | 12,000          | 39 50                      |                                        |                | 12,000                                   | 474,000 00      | 474,000 00            |                      |
| Northwest Bancorporation                    | 9,900           | 51 25                      | 3,000                                  | 153,750 00     | 6,900                                    | 367,425 00      | 521,175 00            |                      |
| Security Pacific Corporation                | 7,000           | 22 94                      |                                        |                | 7,000                                    | 160,566 00      | 160,566 00            |                      |
| Valley National Bank of Arizona             | 6,618           | 18 19                      | 6,618                                  | 120,368 18     |                                          |                 | 120,368 18            |                      |
| Total Banks                                 |                 |                            |                                        | \$ 721,868 18  |                                          | \$ 1,950,266 00 | \$ 2,672,134 18       | 7 44%                |
| FINANCE                                     |                 |                            |                                        |                |                                          |                 |                       |                      |
| Beneficial Corporation                      | 13,380          | \$ 24 13                   | 4,000                                  | \$ 96,500 00   | 9,380                                    | \$ 226,292 50   | \$ 322,792 50         |                      |
| MGIC Investment Corporation                 | 13,000          | 12 63                      | 4,000                                  | 50,875 00      | 10,000                                   | 126,250 00      | 164,125 00            |                      |
| Total Finance                               |                 |                            |                                        | \$ 134,375 00  |                                          | \$ 352,542 50   | \$ 486,917 50         | 1 36%                |

## Schedule VII continued

| Common Stock                                | Total<br>Shares | Market<br>Price<br>6/30/76 | Highway Patrolmen's<br>Retirement Fund |                | Public Employees Police<br>and Fire Fund |                 | Total<br>Market Value | Total<br>%<br>Market |
|---------------------------------------------|-----------------|----------------------------|----------------------------------------|----------------|------------------------------------------|-----------------|-----------------------|----------------------|
|                                             |                 |                            | Shares                                 | Market Value   | Shares                                   | Market Value    |                       |                      |
| INSURANCE                                   |                 |                            |                                        |                |                                          |                 |                       |                      |
| Aetna Life & Casualty Company               | 15,000          | \$ 27.75                   | 4,000                                  | \$ 111,000.00  | 11,000                                   | \$ 305,250.00   | \$ 416,250.00         |                      |
| INA Corporation                             | 8,400           | 37.88                      |                                        |                | 8,400                                    | 318,150.00      | 318,150.00            |                      |
| NLT Corporation                             | 30,100          | 19.63                      | 7,700                                  | 151,112.50     | 22,400                                   | 439,600.00      | 590,712.50            |                      |
| Northwestern National Life Insurance Co.    | 8,400           | 14.00                      | 2,000                                  | 28,000.00      | 6,200                                    | 86,800.00       | 114,800.00            |                      |
| The St. Paul Companies, Inc.                | 12,000          | 27.50                      | 5,000                                  | 137,500.00     | 8,000                                    | 220,000.00      | 357,500.00            |                      |
| Total Insurance                             |                 |                            |                                        | \$ 427,612.50  |                                          | \$ 1,369,800.00 | \$ 1,797,412.50       | 5.00%                |
| TOTAL FINANCIAL SERVICES                    |                 |                            |                                        | \$1,283,855.68 |                                          | \$ 3,672,608.50 | \$ 4,956,464.18       | 13.80%               |
| CONSUMER ORIENTED                           |                 |                            |                                        |                |                                          |                 |                       |                      |
| AUTOMOBILES & AUTOMOTIVE PARTS              |                 |                            |                                        |                |                                          |                 |                       |                      |
| Ford Motor Company                          | 8,300           | \$ 58.50                   | 2,500                                  | \$ 146,250.00  | 5,800                                    | \$ 339,300.00   | \$ 485,550.00         |                      |
| General Motors Corporation                  | 9,700           | 68.50                      | 2,300                                  | 157,550.00     | 7,400                                    | 506,900.00      | 664,450.00            |                      |
| Genuine Parts Company                       | 8,000           | 37.88                      | 2,000                                  | 75,750.00      | 6,000                                    | 227,250.00      | 303,000.00            |                      |
| Goodyear Tire & Rubber Company (The)        | 10,000          | 23.00                      | -                                      | -              | 10,000                                   | 230,000.00      | 230,000.00            |                      |
| Total Automobiles & Automotive Parts        |                 |                            |                                        | \$ 379,550.00  |                                          | \$ 1,303,450.00 | \$ 1,683,000.00       | 4.69%                |
| CONSUMER DURABLES                           |                 |                            |                                        |                |                                          |                 |                       |                      |
| Whirlpool Corporation                       | 18,000          | \$ 27.13                   | 5,000                                  | \$ 135,625.00  | 13,000                                   | \$ 352,625.00   | \$ 488,250.00         | 1.36%                |
| CONSUMER NONDURABLES                        |                 |                            |                                        |                |                                          |                 |                       |                      |
| Avon Products, Inc.                         | 14,000          | \$ 47.25                   | 4,000                                  | \$ 189,000.00  | 10,000                                   | \$ 472,500.00   | \$ 661,500.00         |                      |
| Colgate Palmolive Company                   | 9,000           | 26.75                      | 4,000                                  | 107,000.00     | 5,000                                    | 133,750.00      | 240,750.00            |                      |
| Eastman Kodak Company                       | 4,800           | 160.13                     | 1,300                                  | 130,162.50     | 3,500                                    | 350,437.50      | 480,600.00            |                      |
| Minnesota Mining and Manufacturing Co.      | 8,000           | 55.63                      | 2,000                                  | 111,250.00     | 6,000                                    | 333,750.00      | 445,000.00            |                      |
| Procter & Gamble Company (The)              | 4,000           | 94.88                      | -                                      | -              | 4,000                                    | 379,500.00      | 379,500.00            |                      |
| Total Consumer Nondurables                  |                 |                            |                                        | \$ 537,412.50  |                                          | \$ 1,669,937.50 | \$ 2,207,350.00       | 6.15%                |
| CONSUMER MISCELLANEOUS                      |                 |                            |                                        |                |                                          |                 |                       |                      |
| Disney (Walt) Productions                   | 8,520           | \$ 56.63                   | 1,953                                  | \$ 110,588.63  | 6,567                                    | \$ 371,856.78   | \$ 482,445.01         |                      |
| Holiday Inns, Incorporated                  | 8,800           | 14.38                      | 1,100                                  | 44,562.50      | 5,700                                    | 81,937.50       | 126,500.00            |                      |
| McDonald's Corporation                      | 8,000           | 58.50                      | 2,000                                  | 117,000.00     | 6,000                                    | 351,000.00      | 468,000.00            |                      |
| Total Consumer Miscellaneous                |                 |                            |                                        | \$ 272,151.13  |                                          | \$ 804,793.88   | \$ 1,076,945.01       | 3.00%                |
| DRUGS                                       |                 |                            |                                        |                |                                          |                 |                       |                      |
| American Home Products Corporation          | 10,000          | \$ 34.25                   | -                                      | -              | 10,000                                   | \$ 342,500.00   | \$ 342,500.00         |                      |
| Johnson & Johnson                           | 4,500           | 84.00                      | -                                      | -              | 4,500                                    | 378,000.00      | 378,000.00            |                      |
| Medtronic, Inc.                             | 8,000           | 27.38                      | 3,000                                  | 82,125.00      | 5,000                                    | 136,875.00      | 219,000.00            |                      |
| Merck & Co., Inc.                           | 8,000           | 12.00                      | 2,000                                  | 144,000.00     | 6,000                                    | 412,000.00      | 576,000.00            |                      |
| Pfizer Incorporated                         | 15,100          | 29.25                      | 4,000                                  | 117,000.00     | 11,100                                   | 324,675.00      | 441,675.00            |                      |
| Schering Plough Corporation                 | 3,000           | 53.75                      | 3,000                                  | 161,250.00     | -                                        | -               | 161,250.00            |                      |
| Total Drugs                                 |                 |                            |                                        | \$ 504,375.00  |                                          | \$ 1,614,050.00 | \$ 2,118,425.00       | 5.91%                |
| FOOD BEVERAGE                               |                 |                            |                                        |                |                                          |                 |                       |                      |
| CPC International, Inc.                     | 14,000          | \$ 46.00                   | 4,000                                  | \$ 184,000.00  | 10,000                                   | \$ 460,000.00   | \$ 644,000.00         |                      |
| Consolidated Foods Corporation              | 11,000          | 22.13                      | -                                      | -              | 11,000                                   | 243,375.00      | 243,375.00            |                      |
| General Mills, Incorporated                 | 11,000          | 31.50                      | 2,000                                  | 63,000.00      | 9,000                                    | 283,500.00      | 346,500.00            |                      |
| Norton Simon, Incorporated                  | 5,925           | 19.88                      | -                                      | -              | 5,925                                    | 118,753.13      | 118,753.13            |                      |
| PepsiCo, Inc.                               | 7,000           | 74.50                      | 2,000                                  | 149,000.00     | 5,000                                    | 372,500.00      | 521,500.00            |                      |
| Pillsbury Company (The)                     | 1,500           | 36.63                      | 1,500                                  | 128,187.50     | -                                        | -               | 128,187.50            |                      |
| Total Food Beverage                         |                 |                            |                                        | \$ 524,187.50  |                                          | \$ 1,478,128.13 | \$ 2,002,315.61       | 5.57%                |
| PRINTING PUBLISHING                         |                 |                            |                                        |                |                                          |                 |                       |                      |
| Donnelley (R R) and Sons Company            | 8,859           | \$ 21.38                   | -                                      | -              | 8,859                                    | \$ 189,361.13   | \$ 189,361.13         | 0.53%                |
| RETAIL SALES                                |                 |                            |                                        |                |                                          |                 |                       |                      |
| Federated Department Stores, Incorporated   | 6,700           | \$ 47.63                   | -                                      | -              | 6,700                                    | \$ 319,087.50   | \$ 319,087.50         |                      |
| Pennys (F C) Company, Incorporated          | 12,800          | 52.25                      | 3,800                                  | \$ 198,550.00  | 9,000                                    | 470,250.00      | 668,800.00            |                      |
| Sears, Roebuck and Company                  | 9,000           | 65.75                      | 1,000                                  | 135,250.00     | 6,000                                    | 388,500.00      | 523,750.00            |                      |
| Total Retail Sales                          |                 |                            |                                        | \$ 392,800.00  |                                          | \$ 1,177,837.50 | \$ 1,570,637.50       | 4.37%                |
| TOTAL CONSUMER ORIENTED                     |                 |                            |                                        | \$2,746,101.13 |                                          | \$ 8,590,183.14 | \$11,336,284.27       | 31.57%               |
| TECHNOLOGY                                  |                 |                            |                                        |                |                                          |                 |                       |                      |
| OFFICE EQUIPMENT                            |                 |                            |                                        |                |                                          |                 |                       |                      |
| Burroughs Corporation                       | 7,000           | \$104.00                   | 2,000                                  | \$ 208,000.00  | 5,000                                    | \$ 520,000.00   | \$ 728,000.00         |                      |
| Control Data Corporation                    | 4,000           | 23.63                      | -                                      | -              | 4,000                                    | 94,500.00       | 94,500.00             |                      |
| Honeywell, Inc.                             | 3,300           | 49.63                      | -                                      | -              | 3,300                                    | 163,762.50      | 163,762.50            |                      |
| International Business Machines Corporation | 6,600           | 276.75                     | 1,600                                  | 442,800.00     | 5,000                                    | 1,383,750.00    | 1,826,550.00          |                      |
| Xerox Corporation                           | 5,400           | 61.63                      | 2,200                                  | 135,575.00     | 3,200                                    | 197,200.00      | 332,775.00            |                      |
| Total Office Equipment                      |                 |                            |                                        | \$ 786,375.00  |                                          | \$ 2,359,212.50 | \$ 3,145,587.50       | 8.76%                |
| TOTAL TECHNOLOGY                            |                 |                            |                                        | \$ 786,375.00  |                                          | \$ 2,359,212.50 | \$ 3,145,587.50       | 8.76%                |
| BASIC INDUSTRY                              |                 |                            |                                        |                |                                          |                 |                       |                      |
| AEROSPACE                                   |                 |                            |                                        |                |                                          |                 |                       |                      |
| United Technologies Corporation             | 4,000           | \$ 37.38                   | 4,000                                  | \$ 149,500.00  | -                                        | -               | \$ 149,500.00         | 0.42%                |
| BUILDING & FOREST PRODUCTS                  |                 |                            |                                        |                |                                          |                 |                       |                      |
| Owens Corning Fiberglas Corporation         | 10,900          | \$ 51.50                   | 2,000                                  | \$ 103,000.00  | 8,900                                    | \$ 458,350.00   | \$ 561,350.00         |                      |
| Weyerhaeuser Company                        | 6,000           | 44.38                      | -                                      | -              | 6,000                                    | 266,250.00      | 266,250.00            |                      |
| Total Building & Forest Products            |                 |                            |                                        | \$ 103,000.00  |                                          | \$ 724,600.00   | \$ 827,600.00         | 2.30%                |
| CHEMICALS                                   |                 |                            |                                        |                |                                          |                 |                       |                      |
| Air Products and Chemicals, Incorporated    | 4,080           | \$ 76.50                   | -                                      | -              | 4,080                                    | \$ 312,120.00   | \$ 312,120.00         |                      |
| Dow Chemical Company (The)                  | 4,000           | 48.25                      | 4,000                                  | \$ 193,000.00  | -                                        | -               | 193,000.00            |                      |
| du Pont (E I) de Nemours and Company        | 2,860           | 139.50                     | -                                      | -              | 2,860                                    | 398,970.00      | 398,970.00            |                      |
| Hercules Incorporated                       | 16,000          | 32.25                      | 2,000                                  | 64,500.00      | 14,000                                   | 451,500.00      | 516,000.00            |                      |
| Monsanto Company                            | 1,600           | 93.25                      | -                                      | -              | 1,600                                    | 149,200.00      | 149,200.00            |                      |
| Union Carbide Corporation                   | 3,000           | 67.63                      | 3,000                                  | 202,875.00     | -                                        | -               | 202,875.00            |                      |
| Total Chemicals                             |                 |                            |                                        | \$ 460,375.00  |                                          | \$ 1,311,790.00 | \$ 1,772,165.00       | 4.93%                |

## Schedule VII continued

| Common Stock                              | Total<br>Shares | Market<br>Price<br>\$ 38.75 | Highway Patrolmen's<br>Retirement Fund |                                   | Public Employees Police<br>and Fire Fund |                                    | Total<br>Market Value              | Total<br>%<br>Market |
|-------------------------------------------|-----------------|-----------------------------|----------------------------------------|-----------------------------------|------------------------------------------|------------------------------------|------------------------------------|----------------------|
|                                           |                 |                             | Shares                                 | Market Value                      | Shares                                   | Market Value                       |                                    |                      |
| <b>ELECTRICAL EQUIPMENT</b>               |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Emerson Electric Co.                      | 11,500          | \$ 37.75                    | 4,000                                  | \$ 151,000.00                     | 1,500                                    | \$ 283,125.00                      | \$ 434,125.00                      |                      |
| General Electric Company                  | 6,200           | 57.13                       | —                                      | —                                 | 6,200                                    | 354,175.00                         | 354,175.00                         |                      |
| Westinghouse Electric Corporation         | 3,200           | 17.38                       | —                                      | —                                 | 3,200                                    | 55,600.00                          | 55,600.00                          |                      |
| <b>Total Electric Equipment</b>           |                 |                             |                                        | <b>\$ 151,000.00</b>              |                                          | <b>\$ 692,900.00</b>               | <b>\$ 843,900.00</b>               | <b>2.35%</b>         |
| <b>MACHINERY</b>                          |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Caterpillar Tractor Co.                   | 1,500           | \$ 57.13                    | —                                      | —                                 | 1,500                                    | \$ 136,687.50                      | \$ 136,687.50                      |                      |
| Combustion Engineering, Incorporated      | 4,000           | 47.75                       | —                                      | —                                 | 4,000                                    | 191,000.00                         | 191,000.00                         |                      |
| Trans Union Corporation                   | 10,000          | 34.25                       | 4,000                                  | \$ 137,000.00                     | 6,000                                    | 205,500.00                         | 342,500.00                         |                      |
| <b>Total Machinery</b>                    |                 |                             |                                        | <b>\$ 137,000.00</b>              |                                          | <b>\$ 533,187.50</b>               | <b>\$ 670,187.50</b>               | <b>1.87%</b>         |
| <b>METALS</b>                             |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Aluminum Company of America               | 5,800           | \$ 56.50                    | 1,600                                  | \$ 90,400.00                      | 4,200                                    | \$ 237,300.00                      | \$ 327,700.00                      |                      |
| Pittston Company (The)                    | 14,097          | 45.75                       | 3,355                                  | 160,941.25                        | 10,142                                   | 463,996.50                         | 644,937.75                         |                      |
| <b>Total Metals</b>                       |                 |                             |                                        | <b>\$ 271,341.25</b>              |                                          | <b>\$ 701,296.50</b>               | <b>\$ 972,637.75</b>               | <b>2.71%</b>         |
| <b>PAPER</b>                              |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| International Paper Company               | 5,300           | \$ 73.00                    | 1,300                                  | \$ 94,900.00                      | 4,000                                    | \$ 292,000.00                      | \$ 386,900.00                      | 1.08%                |
| <b>MISCELLANEOUS</b>                      |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Corning Glass Works                       | 3,800           | \$ 75.00                    | 1,000                                  | \$ 75,000.00                      | 2,800                                    | \$ 210,000.00                      | \$ 285,000.00                      |                      |
| International Telephone & Telegraph Corp. | 7,700           | 28.38                       | 2,200                                  | 62,425.00                         | 5,500                                    | 156,062.50                         | 218,487.50                         |                      |
| <b>Total Miscellaneous</b>                |                 |                             |                                        | <b>\$ 137,425.00</b>              |                                          | <b>\$ 366,062.50</b>               | <b>\$ 503,487.50</b>               | <b>1.40%</b>         |
| <b>TOTAL BASIC INDUSTRY</b>               |                 |                             |                                        | <b>\$1,504,541.25</b>             |                                          | <b>\$ 4,621,836.50</b>             | <b>\$ 6,126,377.75</b>             | <b>17.06%</b>        |
| <b>ENERGY</b>                             |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| <b>OIL DOMESTIC</b>                       |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Continental Oil Company (Del.)            | 17,000          | \$ 38.38                    | 5,000                                  | \$ 191,875.00                     | 12,000                                   | \$ 460,500.00                      | \$ 652,375.00                      |                      |
| Phillips Petroleum Company                | 13,000          | 61.38                       | 4,000                                  | 245,500.00                        | 9,000                                    | 552,375.00                         | 797,875.00                         |                      |
| Standard Oil Company (Indiana)            | 10,100          | 50.50                       | 2,600                                  | 131,300.00                        | 7,500                                    | 378,750.00                         | 510,050.00                         |                      |
| <b>Total Oil Domestic</b>                 |                 |                             |                                        | <b>\$ 568,675.00</b>              |                                          | <b>\$ 1,391,625.00</b>             | <b>\$ 1,960,300.00</b>             | <b>5.46%</b>         |
| <b>OIL INTERNATIONAL</b>                  |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Exxon Corporation                         | 9,700           | \$104.63                    | 3,700                                  | \$ 387,112.50                     | 6,000                                    | \$ 627,750.00                      | \$ 1,014,862.50                    |                      |
| Gulf Oil Corporation                      | 13,000          | 28.13                       | —                                      | —                                 | 13,000                                   | 365,625.00                         | 365,625.00                         |                      |
| Mobil Corporation                         | 6,600           | 59.88                       | 2,100                                  | 125,737.50                        | 4,500                                    | 269,437.50                         | 395,175.00                         |                      |
| Standard Oil Company of California        | 10,000          | 38.00                       | —                                      | —                                 | 10,000                                   | 380,000.00                         | 380,000.00                         |                      |
| Texaco, Inc.                              | 7,500           | 28.13                       | —                                      | —                                 | 7,500                                    | 210,937.50                         | 210,937.50                         |                      |
| <b>Total Oil International</b>            |                 |                             |                                        | <b>\$ 512,850.00</b>              |                                          | <b>\$ 1,653,750.00</b>             | <b>\$ 2,366,600.00</b>             | <b>6.59%</b>         |
| <b>ENERGY RELATED</b>                     |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Dresser Industries, Inc.                  | 11,000          | \$ 43.09                    | 3,000                                  | \$ 129,000.00                     | 8,000                                    | \$ 344,000.00                      | \$ 473,000.00                      |                      |
| Williams Companies (The)                  | 11,500          | 24.00                       | 3,500                                  | 84,000.00                         | 8,000                                    | 192,000.00                         | 276,000.00                         |                      |
| <b>Total Energy Related</b>               |                 |                             |                                        | <b>\$ 213,000.00</b>              |                                          | <b>\$ 536,000.00</b>               | <b>\$ 749,000.00</b>               | <b>2.09%</b>         |
| <b>TOTAL ENERGY</b>                       |                 |                             |                                        | <b>\$1,294,525.00</b>             |                                          | <b>\$ 3,781,375.00</b>             | <b>\$ 5,075,900.00</b>             | <b>14.13%</b>        |
| <b>TRANSPORTATION</b>                     |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| <b>AIRLINES</b>                           |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Delta Air Lines, Incorporated             | 2,600           | \$ 44.50                    | 1,100                                  | \$ 48,950.00                      | 1,500                                    | \$ 66,750.00                       | \$ 115,700.00                      |                      |
| Northwest Airlines, Incorporated          | 2,900           | 32.50                       | 2,700                                  | 87,750.00                         | 5,200                                    | 169,000.00                         | 256,750.00                         |                      |
| UAL, Inc.                                 | 1,500           | 27.75                       | —                                      | —                                 | 1,500                                    | 41,625.00                          | 41,625.00                          |                      |
| <b>Total Airlines</b>                     |                 |                             |                                        | <b>\$ 136,700.00</b>              |                                          | <b>\$ 277,375.00</b>               | <b>\$ 414,075.00</b>               | <b>1.15%</b>         |
| <b>RAILROADS</b>                          |                 |                             |                                        |                                   |                                          |                                    |                                    |                      |
| Burlington Northern Incorporated          | 5,300           | \$ 46.00                    | 1,800                                  | \$ 82,800.00                      | 3,500                                    | \$ 161,000.00                      | \$ 243,800.00                      |                      |
| Union Pacific Corporation                 | 3,200           | 97.38                       | 800                                    | 77,900.00                         | 2,400                                    | 221,700.00                         | 299,600.00                         |                      |
| <b>Total Railroads</b>                    |                 |                             |                                        | <b>\$ 160,700.00</b>              |                                          | <b>\$ 382,700.00</b>               | <b>\$ 543,400.00</b>               | <b>1.50%</b>         |
| <b>TOTAL TRANSPORTATION</b>               |                 |                             |                                        | <b>\$ 297,400.00</b>              |                                          | <b>\$ 660,075.00</b>               | <b>\$ 957,475.00</b>               | <b>2.65%</b>         |
| <b>TOTAL COMMON STOCKS</b>                |                 |                             |                                        | <b>\$9,084,910.56<sup>a</sup></b> |                                          | <b>\$26,831,124.64<sup>b</sup></b> | <b>\$35,916,035.20<sup>c</sup></b> | <b>100.00%</b>       |

a. Original cost of equities on June 30, 1976 was \$ 8,377,190.95.

b. Original cost of equities on June 30, 1976 was \$25,173,715.54.

c. Original cost of equities on June 30, 1976 was \$33,500,906.49.

# SCHEDULE VIII

## JUDGES RETIREMENT FUND June 30, 1976

### RESUME OF ASSETS IN ACCOUNT

|                                                                                                 |                |
|-------------------------------------------------------------------------------------------------|----------------|
| CASH CERTIFIED FOR INVESTMENT                                                                   | \$ 247.46      |
| <b>MONEY MARKET SECURITIES</b>                                                                  |                |
| Bills                                                                                           |                |
| Maturities up to 36 days                                                                        | \$ 80,000.00   |
| Repurchase Agreements                                                                           |                |
| Maturities up to 2 days                                                                         | \$ 59,000.00   |
| <b>UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b><br>(See Listing Below)                   | \$ 150,000.00  |
| <b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b><br>(See Listing Below)                       | \$ 175,000.00  |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b><br>(See Listing Below)                                 | \$ 100,000.00  |
| <b>CORPORATE BOND OBLIGATIONS</b><br>(See Listing Below)                                        | \$ 600,000.00  |
| <b>COMMON STOCKS</b> (See Listing Below)                                                        | \$ 132,010.00  |
| <b>TOTAL ASSETS IN ACCOUNT</b><br>(For actuarial purposes, not indicative of true market value) | \$1,296,257.46 |

Note: Bond investments are listed at face value; common stocks are listed at market value.

## UNITED STATES GOVERNMENT-GUARANTEED AND GOVERNMENT AGENCY BONDS, CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS June 30, 1976

| Company                                                                                                                                     | Type of Security           | Maturity Date (a) | Coupon Rate % | Average Yield % | Total Amount (000) |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------|---------------|-----------------|--------------------|
| <b>UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>                                                                                      |                            |                   |               |                 |                    |
| Puget Sound Tug & Barge Co.                                                                                                                 | Govt. Guar. Bond           | 7-15-2001         | 9 1/8         | 9.125           | \$ 150             |
| <b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>                                                                                          |                            |                   |               |                 |                    |
| Federal Home Loan Bank                                                                                                                      | Bond                       | 2-26-79           | 9.45          | 9.45            | \$ 100             |
| Federal Home Loan Bank                                                                                                                      | Bond                       | 1-26-79           | 8.15          | 8.15            | 75                 |
| <b>TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>                                                                                    |                            |                   |               |                 | <b>\$ 175</b>      |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                                                                                                    |                            |                   |               |                 |                    |
| Manitoba Hydro Electric Board                                                                                                               | Bond                       | 10-1-85           | 9 1/2         | 9.50            | \$ 100             |
| <b>CORPORATE BOND OBLIGATIONS</b>                                                                                                           |                            |                   |               |                 |                    |
| <b>PUBLIC UTILITY OBLIGATIONS</b>                                                                                                           |                            |                   |               |                 |                    |
| <b>ELECTRIC</b>                                                                                                                             |                            |                   |               |                 |                    |
| Pacific Gas & Electric Co.                                                                                                                  | First & Refunding Mortgage | 6-1-85            | 9 1/2         | 9.58            | \$ 100             |
| <b>TELEPHONE</b>                                                                                                                            |                            |                   |               |                 |                    |
| Southern Bell Telephone & Telegraph Co.                                                                                                     | Debenture                  | 3-15-2013         | 7 5/8         | 9.70            | \$ 100             |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>                                                                                                     |                            |                   |               |                 | <b>\$ 200</b>      |
| <b>INDUSTRIAL OBLIGATIONS</b>                                                                                                               |                            |                   |               |                 |                    |
| Atlantic Richfield Co.                                                                                                                      | Guaranteed Note            | 7-15-96           | 9 1/4         | 9.25            | \$ 100             |
| du Pont (E. I.) de Nemours                                                                                                                  | Debenture                  | 11-15-2003        | 8.45          | 8.90            | 100                |
| Exxon Pipeline Co.                                                                                                                          | S.F. Debenture             | 10-15-2000        | 8 7/8         | 8.90            | 100                |
| Ford Motor Co.                                                                                                                              | Debenture                  | 7-15-94           | 9 1/4         | 9.29            | 100                |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                                                                                                         |                            |                   |               |                 | <b>\$ 400</b>      |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                                                                                                     |                            |                   |               |                 | <b>\$ 600</b>      |
| <b>TOTAL UNITED STATES GOVERNMENT GUARANTEED AND GOVERNMENT AGENCY BONDS, CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS</b> |                            |                   |               |                 | <b>\$1,025</b>     |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

# COMMON STOCK HOLDINGS

| Common Stock                                | Shares | Market Price 6/30/76 | Market Value         | Total % Market |
|---------------------------------------------|--------|----------------------|----------------------|----------------|
| <b>UTILITIES</b>                            |        |                      |                      |                |
| <b>ELECTRIC</b>                             |        |                      |                      |                |
| Texas Utilities Company                     | 300    | \$ 19.00             | \$ 5,700.00          | 4.10%          |
| <b>NATURAL GAS</b>                          |        |                      |                      |                |
| Washhandle Eastern Pipe Line Company        | 200    | \$ 35.13             | \$ 7,026.00          | 5.05%          |
| <b>COMMUNICATIONS</b>                       |        |                      |                      |                |
| American Telephone & Telegraph Company      | 200    | \$ 56.50             | \$ 11,300.00         | 8.13%          |
| <b>TOTAL UTILITIES</b>                      |        |                      | <b>\$ 24,026.00</b>  | <b>17.28%</b>  |
| <b>CONSUMER ORIENTED</b>                    |        |                      |                      |                |
| <b>CONSUMER NONDURABLES</b>                 |        |                      |                      |                |
| Eastman Kodak Company                       | 100    | \$100.13             | \$ 10,013.00         |                |
| Minnesota Mining and Manufacturing Co.      | 100    | 55.63                | \$ 5,563.00          |                |
| <b>Total Consumer Nondurables</b>           |        |                      | <b>\$ 15,576.00</b>  | <b>11.20%</b>  |
| <b>DRUGS</b>                                |        |                      |                      |                |
| Scherer Plough Corporation                  | 100    | \$ 53.75             | \$ 5,375.00          | 3.87%          |
| <b>FOOD BEVERAGE</b>                        |        |                      |                      |                |
| CPC International, Inc.                     | 200    | \$ 46.00             | \$ 9,200.00          | 6.67%          |
| <b>TOTAL CONSUMER ORIENTED</b>              |        |                      | <b>\$ 30,151.00</b>  | <b>21.69%</b>  |
| <b>TECHNOLOGY</b>                           |        |                      |                      |                |
| <b>OFFICE EQUIPMENT</b>                     |        |                      |                      |                |
| International Business Machines Corporation | 60     | \$276.75             | \$ 16,605.00         | 11.94%         |
| <b>TOTAL TECHNOLOGY</b>                     |        |                      | <b>\$ 16,605.00</b>  | <b>11.94%</b>  |
| <b>BASIC INDUSTRY</b>                       |        |                      |                      |                |
| <b>CHEMICALS</b>                            |        |                      |                      |                |
| Dow Chemical Company (The)                  | 300    | \$ 48.25             | \$ 14,475.00         | 10.41%         |
| <b>ELECTRICAL EQUIPMENT</b>                 |        |                      |                      |                |
| General Electric Company                    | 200    | \$ 57.13             | \$ 11,426.00         | 8.22%          |
| <b>METALS</b>                               |        |                      |                      |                |
| Aluminum Company of America                 | 200    | \$ 56.50             | \$ 11,300.00         | 8.13%          |
| <b>TOTAL BASIC INDUSTRY</b>                 |        |                      | <b>\$ 37,201.00</b>  | <b>26.76%</b>  |
| <b>ENERGY</b>                               |        |                      |                      |                |
| <b>OIL DOMESTIC</b>                         |        |                      |                      |                |
| Continental Oil Company (Del.)              | 200    | \$ 38.38             | \$ 7,676.00          | 5.57%          |
| <b>OIL INTERNATIONAL</b>                    |        |                      |                      |                |
| Exxon Corporation                           | 100    | \$104.63             | \$ 10,463.00         | 7.57%          |
| <b>ENERGY-RELATED</b>                       |        |                      |                      |                |
| Dresser Industries, Inc.                    | 300    | \$ 43.00             | \$ 12,900.00         | 9.28%          |
| <b>TOTAL ENERGY</b>                         |        |                      | <b>\$ 31,039.00</b>  | <b>22.33%</b>  |
| <b>TOTAL COMMON STOCKS</b>                  |        |                      | <b>\$139,017.50*</b> | <b>100.00%</b> |

\*Original cost of equities on June 30, 1976, was \$116,594.38

# SCHEDULE IX

## SUPPLEMENTAL RETIREMENT FUND - INCOME SHARE ACCOUNT June 30, 1976

### RESUME OF ASSETS IN ACCOUNT

|                                                                 |                        |
|-----------------------------------------------------------------|------------------------|
| CASH CERTIFIED FOR INVESTMENT*                                  | \$ 45,870.33           |
| <b>MONEY MARKET SECURITIES</b>                                  |                        |
| Repurchase Agreements                                           |                        |
| Maturities up to 6 days                                         | \$ 942,000.00          |
| Short Term Corporate Notes                                      |                        |
| Maturities up to 16 days                                        | \$ 1,467,000.00        |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b><br>(See Listing Below) | \$ 4,100,000.00        |
| <b>CORPORATE BOND OBLIGATIONS</b><br>(See Listing Below)        | \$16,627,517.56        |
| <b>COMMON STOCKS</b> (See Listing Below)                        | \$20,874,582.50        |
| <b>TOTAL ASSETS IN ACCOUNT</b>                                  | <b>\$44,056,920.39</b> |

\*Cash balance signifies amount due from sales of securities several days before fiscal year end.

Note: Bond investments are listed at face value; common stocks are listed at market value.

## Schedule IX continued

CANADIAN GOVERNMENTAL OBLIGATIONS AND  
CORPORATE BOND HOLDINGS  
June 30, 1976

| Company                                                                    | Type of Security    | Maturity Date (a) | Coupon Rate % | Average Yield % | Total Amount           |
|----------------------------------------------------------------------------|---------------------|-------------------|---------------|-----------------|------------------------|
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                                   |                     |                   |               |                 |                        |
| Manitoba Hydro Electric Board                                              | Bond                | 10 15 97          | 7 65          | 7 65            | \$ 500,000.00          |
| Manitoba Hydro Electric Board                                              | Bond                | 10 1 85           | 9 1 2         | 9 50            | 400,000.00             |
| New Brunswick Electric Power Commission                                    | S F Debenture       | 4 1 98            | 7 7 8         | 7 875           | 800,000.00             |
| Nova Scotia Power Commission                                               | S F Debenture       | 7 15 98           | 8 1 8         | 8 15            | 800,000.00             |
| Ontario Hydro                                                              | Note                | 3 15 96           | 9 1 2         | 9 50            | 800,000.00             |
| Ontario Province of                                                        | Debenture           | 5 15 2001         | 7 85          | 7 85            | 300,000.00             |
| Ontario Province of                                                        | Debenture           | 12 15 2002        | 7 30          | 7 30            | 500,000.00             |
| <b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>                             |                     |                   |               | <b>8 30%</b>    | <b>\$ 4,100,000.00</b> |
| <b>CORPORATE BOND OBLIGATIONS</b>                                          |                     |                   |               |                 |                        |
| <b>PUBLIC UTILITY OBLIGATIONS</b>                                          |                     |                   |               |                 |                        |
| <b>GAS</b>                                                                 |                     |                   |               |                 |                        |
| Minnesota Gas Corporation                                                  | Debenture           | 11 15 81          | 9 1 4         | 9 36            | \$ 800,000.00          |
| <b>TELEPHONE</b>                                                           |                     |                   |               |                 |                        |
| Bell Telephone Co. of Canada                                               | First Mortgage      | 5 1 2004          | 9 1 2         | 9 50            | \$ 800,000.00          |
| New York Telephone Co.                                                     | Refunding Mortgage  | 7 15 2005         | 8 00          | 8 56            | 800,000.00             |
| <b>Total Telephone</b>                                                     |                     |                   |               | <b>9 08%</b>    | <b>\$ 1,600,000.00</b> |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>                                    |                     |                   |               | <b>9 17%</b>    | <b>\$ 2,400,000.00</b> |
| <b>FINANCE OBLIGATIONS</b>                                                 |                     |                   |               |                 |                        |
| Deere & John Credit Co.                                                    | Debenture           | 4 30 98           | 7 1 2         | 7 54            | \$ 500,000.00          |
| Ford Motor Credit Co.                                                      | Debenture           | 4 1 99            | 8 70          | 8 92            | 800,000.00             |
| Ford Motor Credit Co.                                                      | S F Debenture       | 7 15 2000         | 9 70          | 9 72            | 800,000.00             |
| Huayuan Finance Co.                                                        | S F Debenture       | 12 15 98          | 8 20          | 8 37            | 800,000.00             |
| Northwest Bank of Canada                                                   | S F Debenture       | 3 15 2001         | 7 3 4         | 7 75            | 800,000.00             |
| Wells Fargo & Co.                                                          | Remortgage Note     | 11 1 98           | 8 1 8         | 8 125           | 800,000.00             |
| <b>TOTAL FINANCE OBLIGATIONS</b>                                           |                     |                   |               | <b>8 46%</b>    | <b>\$ 4,500,000.00</b> |
| <b>INDUSTRIAL OBLIGATIONS</b>                                              |                     |                   |               |                 |                        |
| Aluminum Co. of Canada Ltd.                                                | S F Debenture       | 3 15 95           | 9 1 2         | 9 67            | \$ 800,000.00          |
| Atlantic Refining Co.                                                      | Guaranteed Note     | 7 15 96           | 9 1 4         | 9 25            | 800,000.00             |
| Cities Service Gas Co.                                                     | Debenture           | 4 1 91            | 8 1 4         | 8 25            | 400,000.00             |
| Dresser Industries                                                         | Note                | 5 15 85           | 8 65          | 8 56            | 400,000.00             |
| FMC Corporation                                                            | S F Debenture       | 1 15 2000         | 9 1 2         | 9 60            | 800,000.00             |
| Marathon Oil Co.                                                           | S F Debenture       | 2 1 2000          | 8 1 2         | 8 58            | 800,000.00             |
| Major Business Finance Inc.                                                | Secured Note        | 10 1 96           | 7 90          | 7 90            | 500,000.00             |
| Petrol Dodge Corp.                                                         | Note                | 6 1 35            | 8 1 2         | 8 52            | 400,000.00             |
| Plantation Pipeline Co. (Exempt Corp.)                                     |                     |                   |               |                 |                        |
| Standard Oil Co. of California & Steel Co. of Canada                       | Note                | 10 1 2001         | 7 7 8         | 7 875           | 400,000.00             |
| Robt & Mac Company                                                         | Note                | 4 15 85           | 9 00          | 9 00            | 500,000.00             |
| Standard Oil Co. of California (Oil Ref.)                                  | First Preferred     | 2 10 97           |               |                 |                        |
|                                                                            | Subj. Mortgage Bond | Through 11 6 97   | 7 70          | 7 70            | 800,000.00             |
| Standard Oil Co. (Indiana) Ltd.                                            | Note                | 10 1 2001         | 7 1 2         | 7 75            | 800,000.00             |
| Stauffer Chemical Co.                                                      | Note                | 2 15 97           | 7 1 2         | 7 50            | 500,000.00             |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                                        |                     |                   |               | <b>8 55%</b>    | <b>\$ 7,900,000.00</b> |
| <b>RAILROAD EQUIPMENT OBLIGATIONS</b>                                      |                     |                   |               |                 |                        |
| ACE Industries Inc.                                                        | Equipment Trust     | 4 1 77 85         | 9 1 2         | 9 50            | \$ 135,000.00          |
| Burlington Northern Inc.                                                   | Conditional Sale    | 11 1 76 82        | 9 5 8         | 9 625           | 200,000.00             |
| Burlington Northern Inc. (First Western Bank & Trust Co.)                  | Conditional Sale    | 5 1 77 86         | 8 60          | 8 60            | 199,861.42             |
| Chesapeake & Ohio Railway Co. (The First Pennsylvania Banking & Trust Co.) | Conditional Sale    | 9 15 77           |               |                 |                        |
| Fruit Growers Express Co.                                                  | Equipment Trust     | 3 15 89           | 8 3 4         | 8 75            | 491,915.45             |
| General Electric Credit Co. (Delaware & Hudson Railway Co.)                | Equipment Trust     | 6 15 77 85        | 9 3 4         | 9 75            | 135,000.00             |
|                                                                            |                     | 3 1 77            |               |                 |                        |
| Louisville & Nashville Railroad Co.                                        | Conditional Sale    | 9 1 85            | 10 1 2        | 10 50           | 165,740.69             |
|                                                                            |                     | 10 20 82 91       | 9 00          | 9 00            | 500,000.00             |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                                |                     |                   |               | <b>9 19%</b>    | <b>\$ 1,827,517.56</b> |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                                    |                     |                   |               | <b>8 69%</b>    | <b>\$16,627,517.56</b> |
| <b>TOTAL CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>               |                     |                   |               | <b>8 61%</b>    | <b>\$20,727,517.56</b> |

(a) Most callable issues have substantial sinking funds and an average life far shorter than the stated maturity date

## COMMON STOCK HOLDINGS

| Common Stock                                                    | Shares | Market Price 6/30/76 | Market Value           | Total % Market |
|-----------------------------------------------------------------|--------|----------------------|------------------------|----------------|
| <b>UTILITIES</b>                                                |        |                      |                        |                |
| <b>ELECTRIC</b>                                                 |        |                      |                        |                |
| Commonwealth Edison Company                                     | 13,000 | \$ 28.00             | \$ 364,000.00          |                |
| Middle South Utilities Incorporated                             | 20,000 | 14.63                | 292,500.00             |                |
| Northern States Power Company (Minnesota)                       | 11,500 | 24.36                | 280,112.50             |                |
| Southern California Edison Company                              | 8,700  | 19.63                | 170,737.50             |                |
| Texas Utilities Company                                         | 16,300 | 19.00                | 309,700.00             |                |
| <b>Total Electric</b>                                           |        |                      | <b>\$ 1,417,250.00</b> | <b>6.48%</b>   |
| <b>NATURAL GAS</b>                                              |        |                      |                        |                |
| Panhandle Eastern Pipe Line Company                             | 10,000 | \$ 35.12             | \$ 351,250.00          | 1.61%          |
| <b>COMMUNICATIONS</b>                                           |        |                      |                        |                |
| American Telephone & Telegraph Company                          | 16,000 | \$ 56.56             | \$ 904,960.00          |                |
| General Telephone & Electronics Corp.                           | 14,000 | 25.88                | 362,250.00             |                |
| <b>Total Communications</b>                                     |        |                      | <b>\$ 1,266,250.00</b> | <b>1.79%</b>   |
| <b>TOTAL UTILITIES</b>                                          |        |                      | <b>\$ 3,034,750.00</b> | <b>13.88%</b>  |
| <b>FINANCIAL SERVICES</b>                                       |        |                      |                        |                |
| <b>BANKS</b>                                                    |        |                      |                        |                |
| Commerce Bancorp. Corporation                                   | 10,000 | \$ 53.63             | \$ 536,300.00          |                |
| Manufacturers Hanover Corporation                               | 11,000 | 29.50                | 324,500.00             |                |
| Northwest Bancorporation                                        | 10,000 | 53.75                | 537,500.00             |                |
| <b>Total Banks</b>                                              |        |                      | <b>\$ 1,551,512.50</b> | <b>7.10%</b>   |
| <b>FINANCE</b>                                                  |        |                      |                        |                |
| Household Finance Corporation                                   | 22,000 | \$ 10.50             | \$ 231,000.00          | 1.86%          |
| <b>INSURANCE</b>                                                |        |                      |                        |                |
| AAA Corporation                                                 | 10,000 | \$ 32.80             | \$ 328,000.00          |                |
| NAF Corporation                                                 | 11,000 | 19.63                | 215,930.00             |                |
| The St. Paul Companies, Inc.                                    | 10,000 | 27.50                | 275,000.00             |                |
| United States Fidelity & Guaranty Company                       | 8,800  | 30.88                | 271,808.00             |                |
| <b>Total Insurance</b>                                          |        |                      | <b>\$ 1,211,738.00</b> | <b>5.54%</b>   |
| <b>TOTAL FINANCIAL SERVICES</b>                                 |        |                      | <b>\$ 3,170,237.50</b> | <b>14.50%</b>  |
| <b>CONSUMER ORIENTED</b>                                        |        |                      |                        |                |
| <b>AUTOMOBILES &amp; AUTOMOTIVE PARTS</b>                       |        |                      |                        |                |
| Ford Motor Company                                              | 7,600  | \$ 58.50             | \$ 444,600.00          |                |
| General Motors Corporation                                      | 7,000  | 68.50                | 479,500.00             |                |
| Goodyear Tire & Rubber Company (The Goodyear Tire & Rubber Co.) | 11,500 | 23.00                | 264,500.00             |                |
| Goodyear Tire & Rubber Company (The Goodyear Tire & Rubber Co.) | 18,000 | 36.00                | 648,000.00             |                |
| <b>Total Automobiles &amp; Automotive Parts</b>                 |        |                      | <b>\$ 1,852,350.00</b> | <b>8.42%</b>   |
| <b>CONSUMER DURABLES</b>                                        |        |                      |                        |                |
| Sunbeam Corporation                                             | 12,000 | \$ 23.61             | \$ 283,500.00          | 1.30%          |
| <b>CONSUMER NONDURABLES</b>                                     |        |                      |                        |                |
| Avon Products, Inc.                                             | 8,000  | \$ 47.25             | \$ 378,000.00          |                |
| Colgate-Palmolive Company                                       | 2,000  | 26.75                | 53,500.00              |                |
| Monopoly Money and Manufacturing Co.                            | 0,500  | 55.63                | 27,815.00              |                |
| <b>Total Consumer Nondurables</b>                               |        |                      | <b>\$ 904,315.00</b>   | <b>4.14%</b>   |
| <b>DRUGS</b>                                                    |        |                      |                        |                |
| American Home Products Corporation                              | 7,000  | \$ 34.25             | \$ 239,750.00          |                |
| Pfizer Incorporated                                             | 14,000 | 29.25                | 409,500.00             |                |
| Warner-Lambert Company                                          | 13,000 | 32.75                | 425,750.00             |                |
| <b>Total Drugs</b>                                              |        |                      | <b>\$ 903,750.00</b>   | <b>4.13%</b>   |
| <b>FOOD BEVERAGES</b>                                           |        |                      |                        |                |
| CPC International, Inc.                                         | 10,000 | \$ 46.00             | \$ 460,000.00          |                |
| Consolidated Foods Corporation                                  | 10,000 | 22.13                | 221,250.00             |                |
| General Foods Corporation                                       | 17,000 | 29.43                | 499,125.00             |                |
| PepsiCo, Inc.                                                   | 5,100  | 44.50                | 226,950.00             |                |
| <b>Total Food Beverages</b>                                     |        |                      | <b>\$ 1,556,325.00</b> | <b>7.12%</b>   |
| <b>RETAIL SALES</b>                                             |        |                      |                        |                |
| Pennycy (L.C.) Company, Incorporated                            | 8,000  | \$ 52.25             | \$ 418,000.00          |                |
| Sears, Roebuck and Company                                      | 7,500  | 64.75                | 485,625.00             |                |
| <b>Total Retail Sales</b>                                       |        |                      | <b>\$ 903,625.00</b>   | <b>4.13%</b>   |
| <b>TOTAL CONSUMER ORIENTED</b>                                  |        |                      | <b>\$ 6,403,862.50</b> | <b>29.29%</b>  |
| <b>TECHNOLOGY</b>                                               |        |                      |                        |                |
| <b>OFFICE EQUIPMENT</b>                                         |        |                      |                        |                |
| International Business Machines Corporation                     | 3,200  | \$276.75             | \$ 885,600.00          |                |
| Xerox Corporation                                               | 4,000  | 61.63                | 246,500.00             |                |
| <b>Total Office Equipment</b>                                   |        |                      | <b>\$ 1,132,100.00</b> | <b>5.18%</b>   |
| <b>TOTAL TECHNOLOGY</b>                                         |        |                      | <b>\$ 1,132,100.00</b> | <b>5.18%</b>   |
| <b>BASIC INDUSTRY</b>                                           |        |                      |                        |                |
| <b>AEROSPACE</b>                                                |        |                      |                        |                |
| United Technologies Corporation                                 | 8,000  | \$ 37.30             | \$ 298,400.00          | 1.37%          |
| <b>BUILDING &amp; FOREST PRODUCTS</b>                           |        |                      |                        |                |
| Georgia-Pacific Corporation                                     | 6,120  | \$ 51.50             | \$ 315,180.00          | 1.44%          |

## Schedule IX continued

| Common Stock                              | Shares | Market Price 6/30/76 | Market Value            | Total % Market |
|-------------------------------------------|--------|----------------------|-------------------------|----------------|
| <b>CHEMICALS</b>                          |        |                      |                         |                |
| du Pont (E. I.) de Nemours and Company    | 2,400  | \$139.50             | \$ 334,800.00           |                |
| Monsanto Company                          | 2,500  | 93.25                | 233,125.00              |                |
| Union Carbide Corporation                 | 7,500  | 67.63                | 507,187.50              |                |
| <b>Total Chemicals</b>                    |        |                      | <b>\$ 1,075,112.50</b>  | <b>4.92%</b>   |
| <b>ELECTRICAL EQUIPMENT</b>               |        |                      |                         |                |
| General Electric Company                  | 4,000  | \$ 57.13             | \$ 228,500.00           | 1.05%          |
| <b>MACHINERY</b>                          |        |                      |                         |                |
| Combustion Engineering, Incorporated      | 8,300  | \$ 47.75             | \$ 382,000.00           |                |
| Trans Union Corporation                   | 8,000  | 34.25                | 274,000.00              |                |
| <b>Total Machinery</b>                    |        |                      | <b>\$ 656,000.00</b>    | <b>3.00%</b>   |
| <b>PAPER</b>                              |        |                      |                         |                |
| Hoeftner-Waldorf Corporation              | 22,000 | \$ 48.00             | \$ 396,000.00           |                |
| International Paper Company               | 9,000  | 73.00                | 657,000.00              |                |
| <b>Total Paper</b>                        |        |                      | <b>\$ 1,053,000.00</b>  | <b>4.82%</b>   |
| <b>MISCELLANEOUS</b>                      |        |                      |                         |                |
| International Telephone & Telegraph Corp. | 10,000 | \$ 28.38             | \$ 283,750.00           | 1.30%          |
| <b>TOTAL BASIC INDUSTRY</b>               |        |                      | <b>\$ 3,910,542.50</b>  | <b>17.89%</b>  |
| <b>ENERGY</b>                             |        |                      |                         |                |
| <b>OIL DOMESTIC</b>                       |        |                      |                         |                |
| Continental Oil Company (Del.)            | 22,000 | \$ 38.38             | \$ 844,250.00           |                |
| Standard Oil Company (Indiana)            | 11,400 | 50.50                | 575,700.00              |                |
| <b>Total Oil Domestic</b>                 |        |                      | <b>\$ 1,419,950.00</b>  | <b>6.50%</b>   |
| <b>OIL INTERNATIONAL</b>                  |        |                      |                         |                |
| Exxon Corporation                         | 9,500  | \$104.63             | \$ 993,937.50           |                |
| Mobil Corporation                         | 11,000 | 59.68                | 656,625.00              |                |
| Texaco Inc.                               | 12,000 | 28.13                | 337,500.00              |                |
| <b>Total Oil International</b>            |        |                      | <b>\$ 1,990,062.50</b>  | <b>8.10%</b>   |
| <b>ENERGY RELATED</b>                     |        |                      |                         |                |
| Dresser Industries, Inc.                  | 8,000  | \$ 43.00             | \$ 344,000.00           |                |
| Williams Companies (The)                  | 1,000  | 24.00                | 24,000.00               |                |
| <b>Total Energy Related</b>               |        |                      | <b>\$ 368,000.00</b>    | <b>1.68%</b>   |
| <b>TOTAL ENERGY</b>                       |        |                      | <b>\$ 3,778,012.50</b>  | <b>17.28%</b>  |
| <b>TRANSPORTATION</b>                     |        |                      |                         |                |
| <b>RAILROADS</b>                          |        |                      |                         |                |
| Southern Railway Company                  | 4,000  | \$ 59.38             | \$ 237,500.00           |                |
| Union Pacific Corporation                 | 2,100  | 92.75                | 193,987.50              |                |
| <b>Total Railroads</b>                    |        |                      | <b>\$ 431,487.50</b>    | <b>1.97%</b>   |
| <b>TOTAL TRANSPORTATION</b>               |        |                      | <b>\$ 431,487.50</b>    | <b>1.97%</b>   |
| <b>TOTAL COMMON STOCKS</b>                |        |                      | <b>\$21,860,992.50*</b> | <b>100.00%</b> |

\*Original list of equities on June 30, 1976, was \$19,856,362.09

## SCHEDULE X

SUPPLEMENTAL RETIREMENT FUND —  
GROWTH SHARE ACCOUNT

June 30, 1976

## RESUME OF ASSETS IN ACCOUNT

|                                          |                        |
|------------------------------------------|------------------------|
| CASH CERTIFIED FOR INVESTMENT*           | \$ 51,406.21           |
| <b>MONEY MARKET SECURITIES</b>           |                        |
| Repurchase Agreements                    |                        |
| Maturities up to 6 days                  | \$ 976,000.00          |
| Short Term Corporate Notes               |                        |
| Maturities up to 6 days                  | \$ 133,000.00          |
| <b>COMMON STOCKS (See Listing Below)</b> | <b>\$13,108,317.38</b> |
| <b>TOTAL ASSETS IN ACCOUNT</b>           | <b>\$14,268,723.59</b> |

\*Cash balance signifies amount due from sales of securities several days before fiscal year end.

Note: Bond investments are listed at face value, common stocks are listed at market value.

## COMMON STOCK HOLDINGS

| Common Stock                                | Shares | Market Price 6/30/76 | Market Value           | Total % Market |
|---------------------------------------------|--------|----------------------|------------------------|----------------|
| <b>UTILITIES</b>                            |        |                      |                        |                |
| <b>ELECTRIC</b>                             |        |                      |                        |                |
| Florida Power & Light Company               | 17,000 | \$ 23.88             | \$ 405,875.00          |                |
| Texas Utilities Company                     | 14,000 | 19.00                | 266,000.00             |                |
| <b>Total Electric</b>                       |        |                      | <b>\$ 671,875.00</b>   | <b>4.90%</b>   |
| <b>COMMUNICATIONS</b>                       |        |                      |                        |                |
| United Telecommunications, Inc.             | 17,800 | \$ 15.00             | \$ 267,000.00          | 1.95%          |
| <b>TOTAL UTILITIES</b>                      |        |                      | <b>\$ 938,875.00</b>   | <b>6.84%</b>   |
| <b>FINANCIAL SERVICES</b>                   |        |                      |                        |                |
| <b>BANKS</b>                                |        |                      |                        |                |
| BankAmerica Corporation                     | 3,500  | \$ 56.25             | \$ 202,500.00          |                |
| First Bank System, Incorporated             | 6,000  | 45.88                | 275,250.00             |                |
| Valley National Bank of Arizona             | 6,500  | 18.19                | 118,222.00             |                |
| <b>Total Banks</b>                          |        |                      | <b>\$ 595,972.00</b>   | <b>4.34%</b>   |
| <b>FINANCE</b>                              |        |                      |                        |                |
| Household Finance Corporation               | 10,000 | \$ 16.50             | \$ 165,000.00          |                |
| MGIC Investment Corporation                 | 8,000  | 12.63                | 101,000.00             |                |
| <b>Total Finance</b>                        |        |                      | <b>\$ 286,000.00</b>   | <b>2.08%</b>   |
| <b>INSURANCE</b>                            |        |                      |                        |                |
| INA Corporation                             | 4,000  | \$ 37.88             | \$ 151,500.00          |                |
| NLT Corporation                             | 10,400 | 19.63                | 204,100.00             |                |
| SAFECO Corporation                          | 3,400  | 38.75                | 131,750.00             |                |
| The St. Paul Companies, Inc.                | 3,000  | 27.50                | 82,500.00              |                |
| <b>Total Insurance</b>                      |        |                      | <b>\$ 569,850.00</b>   | <b>4.15%</b>   |
| <b>TOTAL FINANCIAL SERVICES</b>             |        |                      | <b>\$ 1,451,822.00</b> | <b>10.58%</b>  |
| <b>CONSUMER ORIENTED</b>                    |        |                      |                        |                |
| <b>AUTOMOBILES &amp; AUTOMOTIVE PARTS</b>   |        |                      |                        |                |
| Genuine Parts Company                       | 12,000 | \$ 37.88             | \$ 454,500.00          | 3.31%          |
| <b>CONSUMER DURABLES</b>                    |        |                      |                        |                |
| Sunbeam Corporation                         | 5,000  | \$ 23.63             | \$ 118,125.00          | 0.86%          |
| <b>CONSUMER NONDURABLES</b>                 |        |                      |                        |                |
| Avon Products, Inc.                         | 4,000  | \$ 47.25             | \$ 189,000.00          |                |
| Clorox Company (The)                        | 6,500  | 12.75                | 79,625.00              |                |
| Colgate Palmolive Company                   | 6,000  | 26.75                | 160,500.00             |                |
| Eastman Kodak Company                       | 3,000  | 100.13               | 300,375.00             |                |
| Minnesota Mining and Manufacturing Co.      | 4,000  | 55.63                | 222,500.00             |                |
| Revlon, Incorporated                        | 3,500  | 84.00                | 294,000.00             |                |
| <b>Total Consumer Nondurables</b>           |        |                      | <b>\$ 1,246,000.00</b> | <b>9.08%</b>   |
| <b>CONSUMER MISCELLANEOUS</b>               |        |                      |                        |                |
| ARA Services, Incorporated                  | 1,800  | \$ 53.25             | \$ 95,850.00           |                |
| Disney (Walt) Productions                   | 4,025  | 56.63                | 228,746.88             |                |
| Holiday Inns, Incorporated                  | 4,200  | 14.38                | 60,375.00              |                |
| McDonald's Corporation                      | 3,000  | 58.50                | 175,500.00             |                |
| Yonkers Corporation                         | 10,000 | 14.25                | 142,500.00             |                |
| <b>Total Consumer Miscellaneous</b>         |        |                      | <b>\$ 704,971.88</b>   | <b>5.14%</b>   |
| <b>DRUGS</b>                                |        |                      |                        |                |
| American Home Products Corporation          | 7,000  | \$ 34.25             | \$ 239,750.00          |                |
| Johnson & Johnson                           | 3,000  | 84.00                | 252,000.00             |                |
| Methuen, Inc.                               | 7,000  | 27.38                | 191,675.00             |                |
| Schering Plough Corporation                 | 4,000  | 51.75                | 207,000.00             |                |
| <b>Total Drugs</b>                          |        |                      | <b>\$ 890,375.00</b>   | <b>6.55%</b>   |
| <b>FOOD BEVERAGE</b>                        |        |                      |                        |                |
| CPC International, Inc.                     | 8,000  | \$ 46.00             | \$ 368,000.00          |                |
| PepsiCo, Inc.                               | 4,000  | 74.50                | 298,000.00             |                |
| <b>Total Food Beverage</b>                  |        |                      | <b>\$ 666,000.00</b>   | <b>4.85%</b>   |
| <b>RETAIL SALES</b>                         |        |                      |                        |                |
| American Greetings Corporation              | 13,000 | \$ 9.94              | \$ 129,194.00          |                |
| Pennycy (J.C.) Company, Incorporated        | 6,000  | 57.25                | 313,500.00             |                |
| <b>Total Retail Sales</b>                   |        |                      | <b>\$ 442,694.00</b>   | <b>3.23%</b>   |
| <b>TOTAL CONSUMER-ORIENTED</b>              |        |                      | <b>\$ 4,530,665.88</b> | <b>33.02%</b>  |
| <b>TECHNOLOGY</b>                           |        |                      |                        |                |
| <b>ELECTRONICS</b>                          |        |                      |                        |                |
| Hewlett Packard Company                     | 1,800  | \$114.75             | \$ 206,550.00          | 1.51%          |
| <b>OFFICE EQUIPMENT</b>                     |        |                      |                        |                |
| Burroughs Corporation                       | 2,000  | \$104.00             | \$ 208,000.00          |                |
| Digital Equipment Corporation               | 1,400  | 176.75               | 247,450.00             |                |
| Honeywell, Inc.                             | 3,000  | 49.63                | 148,875.00             |                |
| International Business Machines Corporation | 3,012  | 276.75               | 833,571.00             |                |
| Xerox Corporation                           | 3,200  | 61.63                | 197,200.00             |                |
| <b>Total Office Equipment</b>               |        |                      | <b>\$ 1,635,096.00</b> | <b>11.92%</b>  |
| <b>TOTAL TECHNOLOGY</b>                     |        |                      | <b>\$ 1,841,646.00</b> | <b>13.42%</b>  |
| <b>BASIC INDUSTRY</b>                       |        |                      |                        |                |
| <b>AEROSPACE</b>                            |        |                      |                        |                |
| United Technologies                         | 6,000  | \$ 37.38             | \$ 224,250.00          | 1.63%          |
| <b>BUILDING &amp; FOREST PRODUCTS</b>       |        |                      |                        |                |
| Masonite Corporation                        | 10,000 | \$ 20.00             | \$ 200,000.00          |                |
| Owens Corning Fiberglas Corporation         | 3,500  | 51.50                | 180,250.00             |                |
| <b>Total Building &amp; Forest Products</b> |        |                      | <b>\$ 380,250.00</b>   | <b>2.77%</b>   |

## Section X continued

| Common Stock                              | Shares | Market Price 6/30/76 | Market Value           | Total % Market |
|-------------------------------------------|--------|----------------------|------------------------|----------------|
| <b>CHEMICALS</b>                          |        |                      |                        |                |
| Air Products and Chemicals, Incorporated  | 2,760  | \$ 76.50             | \$ 211,140.00          |                |
| Dow Chemical Company (The)                | 4,000  | 48.25                | 193,000.00             |                |
| du Pont (E. I.) de Nemours and Company    | 2,100  | 139.50               | 292,950.00             |                |
| <b>Total Chemicals</b>                    |        |                      | <b>\$ 697,090.00</b>   | <b>5.08%</b>   |
| <b>ELECTRICAL EQUIPMENT</b>               |        |                      |                        |                |
| Emerson Electric Co.                      | 9,000  | \$ 37.75             | \$ 339,750.00          | 2.48%          |
| <b>MACHINERY</b>                          |        |                      |                        |                |
| Trans Union Corporation                   | 3,000  | \$ 34.25             | \$ 102,750.00          | 0.75%          |
| <b>METALS</b>                             |        |                      |                        |                |
| Hecla Mining Company (The)                | 5,000  | \$ 58.63             | \$ 293,125.00          |                |
| Pittston Company (The)                    | 6,265  | 45.75                | 286,623.75             |                |
| <b>Total Metals</b>                       |        |                      | <b>\$ 579,748.75</b>   | <b>4.22%</b>   |
| <b>MISCELLANEOUS</b>                      |        |                      |                        |                |
| International Telephone & Telegraph Corp. | 4,000  | \$ 28.38             | \$ 113,500.00          | 0.83%          |
| <b>TOTAL BASIC INDUSTRY</b>               |        |                      | <b>\$ 2,437,338.75</b> | <b>17.76%</b>  |
| <b>ENERGY</b>                             |        |                      |                        |                |
| <b>OIL DOMESTIC</b>                       |        |                      |                        |                |
| Louisiana Land and Exploration Company    | 6,000  | \$ 28.75             | \$ 172,500.00          |                |
| Phillips Petroleum Company                | 6,000  | 61.38                | 368,250.00             |                |
| Standard Oil Company (The) (Ohio)         | 4,000  | 72.75                | 291,000.00             |                |
| <b>Total Oil Domestic</b>                 |        |                      | <b>\$ 831,750.00</b>   | <b>6.06%</b>   |
| <b>OIL INTERNATIONAL</b>                  |        |                      |                        |                |
| Exxon Corporation                         | 5,000  | \$104.63             | \$ 523,125.00          | 3.81%          |
| <b>ENERGY RELATED</b>                     |        |                      |                        |                |
| Baker International Corporation           | 8,000  | \$ 40.25             | \$ 386,000.00          |                |
| Malibu Company                            | 6,000  | 63.63                | 381,750.00             |                |
| Williams Companies (The)                  | 5,800  | 24.00                | 139,200.00             |                |
| <b>Total Energy Related</b>               |        |                      | <b>\$ 906,950.00</b>   | <b>6.61%</b>   |
| <b>TOTAL ENERGY</b>                       |        |                      | <b>\$ 2,261,825.00</b> | <b>16.48%</b>  |
| <b>TRANSPORTATION</b>                     |        |                      |                        |                |
| <b>AIRLINES</b>                           |        |                      |                        |                |
| Northwest Airlines                        | 8,000  | \$ 32.50             | \$ 260,000.00          | 1.93%          |
| <b>TOTAL TRANSPORTATION</b>               |        |                      | <b>\$ 260,000.00</b>   | <b>1.89%</b>   |
| <b>TOTAL COMMON STOCKS</b>                |        |                      | <b>\$13,772,172.63</b> | <b>100.00%</b> |

\*Original cost of equities on June 30, 1976, was \$13,927,171.84

# SCHEDULE XI

## SUPPLEMENTAL RETIREMENT FUND - FIXED-RETURN ACCOUNT June 30, 1976 RESUME OF ASSETS IN ACCOUNT

|                                                                                                  |                |
|--------------------------------------------------------------------------------------------------|----------------|
| CASH CERTIFIED FOR INVESTMENT                                                                    | \$ 60,525.90   |
| <b>MONEY MARKET SECURITIES</b>                                                                   |                |
| Repurchase Agreements<br>Maturities up to 15 days                                                | \$ 868,000.00  |
| Agencies<br>Maturities up to 22 days                                                             | \$ 150,000.00  |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b><br>(See Listing Below)                                  | \$ 450,000.00  |
| <b>CORPORATE BOND OBLIGATIONS</b><br>(See Listing Below)                                         | \$2,700,000.00 |
| <b>TOTAL ASSETS IN ACCOUNT</b><br>(For accounting purposes, not indicative of true market value) | \$4,228,525.90 |

Note: Bond investments are listed at face value.

## CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS June 30, 1976

| Company                                                      | Type of Security            | Maturity Date (a) | Coupon Rate % | Average Yield % | Total Amount          |
|--------------------------------------------------------------|-----------------------------|-------------------|---------------|-----------------|-----------------------|
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                     |                             |                   |               |                 |                       |
| Manitoba Hydro Electric Board                                | Bond                        | 10/1/85           | 9 1/2         | 9.50            | \$ 150,000.00         |
| Ontario Hydro                                                | Note                        | 3/15/96           | 9 1/2         | 9.50            | 150,000.00            |
| Ontario, Province of                                         | Debenture                   | 6/15/2005         | 9 1/4         | 9.25            | 150,000.00            |
| <b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>               |                             |                   |               | <b>9.42%</b>    | <b>\$ 450,000.00</b>  |
| <b>CORPORATE BOND OBLIGATIONS</b>                            |                             |                   |               |                 |                       |
| <b>PUBLIC UTILITY OBLIGATIONS</b>                            |                             |                   |               |                 |                       |
| <b>ELECTRIC</b>                                              |                             |                   |               |                 |                       |
| Minnesota Power & Light Co.                                  | First Mortgage Bond         | 8/1/2005          | 10 1/2        | 10.50           | \$ 150,000.00         |
| <b>TELEPHONE</b>                                             |                             |                   |               |                 |                       |
| New York Telephone Co.                                       | Refunding Mortgage          | 7/15/2008         | 8.00          | 9.62            | \$ 150,000.00         |
| Southern Bell Telephone & Telegraph Co.                      | Debenture                   | 3/15/2013         | 7 5/8         | 8.74            | 150,000.00            |
| <b>Total Telephone</b>                                       |                             |                   |               | <b>9.18%</b>    | <b>\$ 300,000.00</b>  |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>                      |                             |                   |               | <b>9.62%</b>    | <b>\$ 450,000.00</b>  |
| <b>FINANCE OBLIGATIONS</b>                                   |                             |                   |               |                 |                       |
| Ford Motor Credit Co.                                        | S/F Debenture               | 7/15/2008         | 9.70          | 9.72            | \$ 150,000.00         |
| <b>INDUSTRIAL OBLIGATIONS</b>                                |                             |                   |               |                 |                       |
| AMAX Inc.                                                    | S/F Debenture               | 3/1/2001          | 8 5/8         | 8.70            | \$ 150,000.00         |
| Ashland Oil & Refining Co.                                   | S/F Debenture               | 9/1/2000          | 10.00         | 10.00           | 150,000.00            |
| Atlantic Richfield Co.                                       | Guaranteed Note             | 7/15/96           | 9 1/4         | 9.25            | 150,000.00            |
| du Pont (E. I.) de Nemours                                   | Debenture                   | 11/15/2008        | 8.45          | 8.53            | 150,000.00            |
| Exxon Pipeline Co.                                           | Debenture                   | 3/1/2001          | 8 1/4         | 8.42            | 150,000.00            |
| FMC Corp.                                                    | S/F Debenture               | 1/15/2000         | 9 1/2         | 9.60            | 150,000.00            |
| Forestone Tire & Rubber                                      | Debenture                   | 12/1/2004         | 9 1/4         | 9.29            | 150,000.00            |
| Ford Motor Co.                                               | Debenture                   | 7/15/94           | 9 1/4         | 9.28            | 150,000.00            |
| Seary, Roebuck & Co.                                         | Debenture                   | 4/1/2006          | 8.00          | 8.02            | 150,000.00            |
| Standard Oil Co. (Indiana)                                   | S/F Debenture               | 7/15/2004         | 9.20          | 9.07            | 150,000.00            |
| Stauffer Chemical Co.                                        | Debenture                   | 1/15/2001         | 8.85          | 8.85            | 150,000.00            |
| Union Oil Co. of Calif.                                      | S/F Debenture               | 3/1/2000          | 8 5/8         | 8.65            | 150,000.00            |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                          |                             |                   |               | <b>8.97%</b>    | <b>\$1,800,000.00</b> |
| <b>RAILROAD EQUIPMENT OBLIGATIONS</b>                        |                             |                   |               |                 |                       |
| ACF Industries, Inc.                                         | Equipment Trust Certificate | 3/1/82/91         | 9.00          | 9.00            | \$ 150,000.00         |
| Louisville & Nashville Railroad Co.                          | Conditional Sale            | 10/20/82/91       | 9.00          | 9.00            | 150,000.00            |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                  |                             |                   |               | <b>9.00%</b>    | <b>\$ 300,000.00</b>  |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                      |                             |                   |               | <b>9.12%</b>    | <b>\$2,700,000.00</b> |
| <b>TOTAL CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b> |                             |                   |               | <b>9.16%</b>    | <b>\$3,150,000.00</b> |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

# SCHEDULE XII

## MINNESOTA VARIABLE ANNUITY FUND June 30, 1976 RESUME OF ASSETS IN ACCOUNT

|                                                                                                  |                        |
|--------------------------------------------------------------------------------------------------|------------------------|
| CASH CERTIFIED FOR INVESTMENT*                                                                   | \$ 144,446.211         |
| <b>MONEY MARKET SECURITIES</b>                                                                   |                        |
| Repurchase Agreements<br>Maturities up to 6 days                                                 | \$ 1,233,000.00        |
| Short Term Corporate Notes<br>Maturities up to 40 days                                           | \$ 2,000,000.00        |
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b><br>(See Listing Below)                                  | \$ 1,800,000.00        |
| <b>CORPORATE BOND OBLIGATIONS</b><br>(See Listing Below)                                         | \$ 6,348,992.55        |
| <b>COMMON STOCKS</b> (See Listing Below)                                                         | \$22,581,463.63        |
| <b>TOTAL ASSETS IN ACCOUNT</b><br>(For accounting purposes, not indicative of true market value) | <b>\$33,919,009.97</b> |

\*A negative cash balance indicates purchase of securities prior to fiscal year end for which payment was not made until early July 1976.

Note: Bond investments are listed at face value, common stocks are listed at market value.

## Schedule XII continued

**CANADIAN GOVERNMENTAL OBLIGATIONS AND  
CORPORATE BOND HOLDINGS**  
June 30, 1976

| Company                                                       | Type of Security                          | Maturity Date (a)            | Coupon Rate % | Average Yield % | Total Amount          |
|---------------------------------------------------------------|-------------------------------------------|------------------------------|---------------|-----------------|-----------------------|
| <b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>                      |                                           |                              |               |                 |                       |
| Manitoba Hydro Electric Board                                 | Bond                                      | 10 15 97                     | 7 65          | 7 65            | \$ 400,000.00         |
| New Brunswick Electric Power Commission                       | S/F Debenture                             | 4 1 98                       | 7 7/8         | 7 8 1/2         | 400,000.00            |
| Nova Scotia Power Commission                                  | S/F Debenture                             | 7 15 98                      | 8 1/8         | 8 15            | 500,000.00            |
| Ontario Hydro                                                 | Note                                      | 3 15 96                      | 9 1/2         | 9 50            | 500,000.00            |
| <b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>                |                                           |                              |               | <b>8 35%</b>    | <b>\$1,800,000.00</b> |
| <b>CORPORATE BOND OBLIGATIONS</b>                             |                                           |                              |               |                 |                       |
| <b>PUBLIC UTILITY OBLIGATIONS</b>                             |                                           |                              |               |                 |                       |
| <b>ELECTRIC</b>                                               |                                           |                              |               |                 |                       |
| Montana Power Company                                         | First Mortgage                            | 12 1 81                      | 8 3/4         | 8 75            | \$ 500,000.00         |
| <b>GAS</b>                                                    |                                           |                              |               |                 |                       |
| Minnesota Gas Company                                         | Debenture                                 | 11 15 81                     | 9 1/4         | 9 25            | \$ 500,000.00         |
| <b>TELEPHONE</b>                                              |                                           |                              |               |                 |                       |
| Southern Bell Telephone & Telegraph Co.                       | Debenture                                 | 3 15 2013                    | 7 5/8         | 8 24            | \$ 500,000.00         |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>                       |                                           |                              |               | <b>8 75%</b>    | <b>\$1,500,000.00</b> |
| <b>FINANCE OBLIGATIONS</b>                                    |                                           |                              |               |                 |                       |
| First Bank System                                             | Note                                      | 6 30 83                      | 8 3/4         | 8 83            | \$ 500,000.00         |
| Ford Motor Credit Co.                                         | S/F Debenture                             | 7 15 2000                    | 9 7/8         | 9 72            | 500,000.00            |
| Honeywell Finance                                             | S/F Debenture                             | 12 15 98                     | 8 20          | 8 20            | 500,000.00            |
| Northwest Bancorporation                                      | S/F Debenture                             | 3 15 2003                    | 7 3/4         | 7 75            | 500,000.00            |
| <b>TOTAL FINANCE OBLIGATIONS</b>                              |                                           |                              |               | <b>8 63%</b>    | <b>\$2,000,000.00</b> |
| <b>INDUSTRIAL OBLIGATIONS</b>                                 |                                           |                              |               |                 |                       |
| Crown Zellerbach                                              | Mortgage Bond                             | 8 1 94                       | 8 1/8         | 8 125           | \$ 480,606.31         |
| Facchine Tire & Rubber Co.                                    | Debenture                                 | 12 1 2004                    | 9 1/4         | 9 43            | 500,000.00            |
| MacMillan Bloedel, Ltd.                                       | Debenture                                 | 7 1 94                       | 8 3/4         | 8 75            | 500,000.00            |
| Pheasant Ridge Corp.                                          | Note                                      | 6 1 85                       | 8 1/2         | 8 62            | 250,000.00            |
| Standard Oil Co. of California (Union Bank)                   | First Preferred<br>"Ship Mortgage<br>Bond | 9 7 97<br>through<br>11 6 97 | 7 7/8         | 7 70            | 500,000.00            |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                           |                                           |                              |               | <b>8 46%</b>    | <b>\$2,230,606.31</b> |
| <b>RAILROAD EQUIPMENT OBLIGATIONS</b>                         |                                           |                              |               |                 |                       |
| ACF Industries, Inc.                                          | Equipment Trust                           | 3 1 91                       | 9 00          | 9 00            | \$ 500,000.00         |
| General Electric Credit Corp. (Delaware & Hudson Railway Co.) | Conditional Sale                          | 3 1 77<br>9 1 85             | 10 1/2        | 10 50           | 118,386.24            |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                   |                                           |                              |               | <b>9 29%</b>    | <b>\$ 618,386.24</b>  |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                       |                                           |                              |               | <b>9 01%</b>    | <b>\$6,348,992.55</b> |
| <b>TOTAL CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>  |                                           |                              |               | <b>8 86%</b>    | <b>\$8,148,992.55</b> |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

## COMMON STOCK HOLDINGS

| Common Stock                                | Shares | Market Price 6/30/76 | Market Value           | Total % Market |
|---------------------------------------------|--------|----------------------|------------------------|----------------|
| <b>UTILITIES</b>                            |        |                      |                        |                |
| <b>ELECTRIC</b>                             |        |                      |                        |                |
| Commonwealth Edison Company                 | 15,000 | \$ 26.00             | \$ 420,000.00          |                |
| Florida Power & Light Company               | 19,000 | 23.88                | 453,625.00             |                |
| Texas Utilities Company                     | 19,000 | 19.00                | 361,000.00             |                |
| <b>Total Electric</b>                       |        |                      | <b>\$ 1,234,625.00</b> | <b>5 21%</b>   |
| <b>NATURAL GAS</b>                          |        |                      |                        |                |
| Panhandle Eastern Pipe Line Company         | 8,000  | \$ 35.11             | \$ 280,880.00          | 1 19%          |
| <b>COMMUNICATIONS</b>                       |        |                      |                        |                |
| American Telephone & Telegraph Company      | 12,000 | \$ 56.50             | \$ 696,000.00          |                |
| General Telephone & Electronics Corporation | 13,000 | 25.88                | 336,325.00             |                |
| <b>Total Communications</b>                 |        |                      | <b>\$ 1,032,325.00</b> | <b>4 35%</b>   |
| <b>TOTAL UTILITIES</b>                      |        |                      | <b>\$ 2,546,950.00</b> | <b>10 75%</b>  |
| <b>FINANCIAL SERVICES</b>                   |        |                      |                        |                |
| <b>BANKS</b>                                |        |                      |                        |                |
| Citicorp.                                   | 8,000  | \$ 36.13             | \$ 289,000.00          |                |
| First International Bancshares, Inc.        | 3,600  | 41.00                | 147,600.00             |                |
| Northwest Bancorporation                    | 4,700  | 53.25                | 250,275.00             |                |
| <b>Total Banks</b>                          |        |                      | <b>\$ 704,875.00</b>   | <b>2 97%</b>   |
| <b>FINANCE</b>                              |        |                      |                        |                |
| Household Finance Corporation               | 14,400 | \$ 18.50             | \$ 266,400.00          |                |
| MGIC Investment Corporation                 | 10,000 | 12.63                | 126,250.00             |                |
| <b>Total Finance</b>                        |        |                      | <b>\$ 392,650.00</b>   | <b>1 66%</b>   |

| Common Stock                                    | Shares | Market Price 6/30/76 | Market Value           | Total % Market |
|-------------------------------------------------|--------|----------------------|------------------------|----------------|
| <b>INSURANCE</b>                                |        |                      |                        |                |
| Jefferson Pilot Corporation                     | 9,000  | \$ 27.88             | \$ 250,875.00          |                |
| NLT Corporation                                 | 13,700 | 19.63                | 268,862.50             |                |
| The St. Paul Companies, Inc.                    | 4,000  | 27.50                | 110,000.00             |                |
| <b>Total Insurance</b>                          |        |                      | <b>\$ 629,737.50</b>   | <b>2 66%</b>   |
| <b>TOTAL FINANCIAL SERVICES</b>                 |        |                      | <b>\$ 1,727,262.50</b> | <b>7 29%</b>   |
| <b>CONSUMER ORIENTED</b>                        |        |                      |                        |                |
| <b>AUTOMOBILES &amp; AUTOMOTIVE PARTS</b>       |        |                      |                        |                |
| Ford Motor Company                              | 4,500  | \$ 58.50             | \$ 263,250.00          |                |
| General Motors Corporation                      | 6,700  | 68.50                | 458,950.00             |                |
| Genuine Parts Company                           | 10,000 | 37.88                | 378,750.00             |                |
| <b>Total Automobiles &amp; Automotive Parts</b> |        |                      | <b>\$ 1,100,950.00</b> | <b>4 65%</b>   |
| <b>CONSUMER DURABLES</b>                        |        |                      |                        |                |
| Whirlpool Corporation                           | 12,000 | \$ 27.13             | \$ 325,500.00          | 1 37%          |
| <b>CONSUMER NONDURABLES</b>                     |        |                      |                        |                |
| Gloria Company (The)                            | 10,000 | \$ 12.25             | \$ 122,500.00          |                |
| Colgate Palmolive Company                       | 15,000 | 26.75                | 401,250.00             |                |
| Eastman Kodak Company                           | 3,500  | 100.13               | 350,437.50             |                |
| Minnesota Mining and Manufacturing Co.          | 7,000  | 55.63                | 389,375.00             |                |
| Revlon, Incorporated                            | 5,000  | 84.00                | 420,000.00             |                |
| <b>Total Consumer Nondurables</b>               |        |                      | <b>\$ 1,683,562.50</b> | <b>7 11%</b>   |
| <b>CONSUMER MISCELLANEOUS</b>                   |        |                      |                        |                |
| Holiday Inns, Incorporated                      | 3,800  | \$ 14.38             | \$ 54,625.00           |                |
| McDonald's Corporation                          | 3,500  | 58.50                | 204,750.00             |                |
| Tonka Corporation                               | 27,000 | 14.25                | 313,500.00             |                |
| <b>Total Consumer Miscellaneous</b>             |        |                      | <b>\$ 572,875.00</b>   | <b>2 42%</b>   |
| <b>DRUGS</b>                                    |        |                      |                        |                |
| Johnson & Johnson                               | 3,000  | \$ 84.00             | \$ 252,000.00          |                |
| Medtronic, Inc.                                 | 6,000  | 27.38                | 164,250.00             |                |
| Merck & Co., Inc.                               | 4,000  | 72.00                | 288,000.00             |                |
| Pfizer Incorporated                             | 8,000  | 29.25                | 234,000.00             |                |
| Schering Plough Corporation                     | 6,000  | 53.75                | 322,500.00             |                |
| Warner Communications, Inc.                     | 10,000 | 32.75                | 327,500.00             |                |
| <b>Total Drugs</b>                              |        |                      | <b>\$ 1,522,250.00</b> | <b>6 43%</b>   |
| <b>FOODS BEVERAGES</b>                          |        |                      |                        |                |
| CPC International, Inc.                         | 7,000  | \$ 46.00             | \$ 322,000.00          |                |
| Coca Cola Company (The)                         | 5,300  | 84.13                | 445,862.50             |                |
| General Foods Corporation                       | 11,000 | 29.13                | 320,375.00             |                |
| Norton Simon, Incorporated                      | 10,186 | 19.88                | 212,384.25             |                |
| <b>Total Foods Beverages</b>                    |        |                      | <b>\$ 1,300,621.75</b> | <b>5 49%</b>   |
| <b>RETAIL SALES</b>                             |        |                      |                        |                |
| American Greetings Corporation                  | 25,000 | \$ 9.94              | \$ 248,450.00          |                |
| Kresge (S.S.) Company                           | 2,800  | 35.50                | 99,400.00              |                |
| Sears, Roebuck and Company                      | 6,000  | 64.75                | 388,500.00             |                |
| <b>Total Retail Sales</b>                       |        |                      | <b>\$ 736,350.00</b>   | <b>3 11%</b>   |
| <b>TOTAL CONSUMER ORIENTED</b>                  |        |                      | <b>\$ 7,242,609.25</b> | <b>30 58%</b>  |
| <b>TECHNOLOGY</b>                               |        |                      |                        |                |
| <b>ELECTRONICS</b>                              |        |                      |                        |                |
| Hewlett Packard Company                         | 3,000  | \$114.75             | \$ 344,250.00          | 1 45%          |
| <b>OFFICE EQUIPMENT</b>                         |        |                      |                        |                |
| Burroughs Corporation                           | 4,000  | \$104.00             | \$ 416,000.00          |                |
| Digital Equipment Corporation                   | 3,200  | 176.75               | 565,400.00             |                |
| International Business Machines Corporation     | 4,793  | 276.75               | 1,326,462.75           |                |
| Xerox Corporation                               | 4,000  | 61.63                | 246,500.00             |                |
| <b>Total Office Equipment</b>                   |        |                      | <b>\$ 2,554,562.75</b> | <b>10 78%</b>  |
| <b>TOTAL TECHNOLOGY</b>                         |        |                      | <b>\$ 2,898,812.75</b> | <b>12 24%</b>  |
| <b>BASIC INDUSTRY</b>                           |        |                      |                        |                |
| <b>AEROSPACE</b>                                |        |                      |                        |                |
| United Technologies Corporation                 | 8,000  | \$ 37.38             | \$ 299,000.00          | 1 28%          |
| <b>BUILDING &amp; FOREST PRODUCTS</b>           |        |                      |                        |                |
| Owens Corning Fiberglas Corporation             | 4,900  | \$ 51.50             | \$ 252,350.00          |                |
| Weyerhaeuser Company                            | 7,000  | 44.38                | 310,625.00             |                |
| <b>Total Building &amp; Forest Products</b>     |        |                      | <b>\$ 562,975.00</b>   | <b>2 38%</b>   |
| <b>CHEMICALS</b>                                |        |                      |                        |                |
| Air Products and Chemicals, Incorporated        | 2,040  | \$ 76.50             | \$ 156,060.00          |                |
| Dow Chemical Company (The)                      | 11,000 | 48.25                | 530,750.00             |                |
| du Pont (E. I.) de Nemours and Company          | 3,500  | 139.50               | 488,250.00             |                |
| <b>Total Chemicals</b>                          |        |                      | <b>\$ 1,175,060.00</b> | <b>4 98%</b>   |
| <b>ELECTRICAL EQUIPMENT</b>                     |        |                      |                        |                |
| Emerson Electric Co.                            | 7,000  | \$ 37.75             | \$ 264,250.00          |                |
| General Electric Company                        | 6,000  | 57.13                | 342,750.00             |                |
| <b>Total Electrical Equipment</b>               |        |                      | <b>\$ 607,000.00</b>   | <b>2 56%</b>   |
| <b>MACHINERY</b>                                |        |                      |                        |                |
| Caterpillar Tractor Co.                         | 1,400  | \$ 91.13             | \$ 127,575.00          |                |
| Combustion Engineering, Incorporated            | 5,000  | 47.75                | 238,750.00             |                |
| Franklin Corporation                            | 8,000  | 34.25                | 274,000.00             |                |
| <b>Total Machinery</b>                          |        |                      | <b>\$ 640,325.00</b>   | <b>2 70%</b>   |
| <b>METALS</b>                                   |        |                      |                        |                |
| Aluminum Company of America                     | 5,000  | \$ 56.50             | \$ 282,500.00          |                |
| Hecla Mining Company (The)                      | 5,000  | 58.63                | 293,125.00             |                |
| Pittston Company (The)                          | 7,200  | 45.75                | 329,400.00             |                |
| <b>Total Metals</b>                             |        |                      | <b>\$ 905,025.00</b>   | <b>3 82%</b>   |

## Schedule XII continued

| Common Stock                                 | Shares | Market Price 6-30-76 | Market Value           | Total % Market |
|----------------------------------------------|--------|----------------------|------------------------|----------------|
| <b>PAPER</b>                                 |        |                      |                        |                |
| Hoarner Waldorf Corporation                  | 20,000 | \$ 18.00             | \$ 360,000.00          | 1.52%          |
| <b>MISCELLANEOUS</b>                         |        |                      |                        |                |
| Corning Glass Works                          | 2,200  | \$ 75.00             | \$ 165,000.00          |                |
| International Telephone & Telegraph Corp.    | 5,000  | 28.30                | 141,875.00             |                |
| <b>Total Miscellaneous</b>                   |        |                      | <b>\$ 306,875.00</b>   | <b>1.30%</b>   |
| <b>TOTAL BASIC INDUSTRY</b>                  |        |                      | <b>\$ 4,856,260.00</b> | <b>20.50%</b>  |
| <b>ENERGY</b>                                |        |                      |                        |                |
| <b>OIL-DOMESTIC</b>                          |        |                      |                        |                |
| Atlantic Richfield Company                   | 3,000  | \$104.50             | \$ 313,500.00          |                |
| Continental Oil Company (Del.)               | 10,000 | 38.38                | 383,750.00             |                |
| Louisiana Land and Exploration Company (The) | 8,000  | 28.75                | 230,000.00             |                |
| Standard Oil Company (Indiana)               | 6,000  | 50.50                | 303,000.00             |                |
| Standard Oil Company (The) (Ohio)            | 3,000  | 72.75                | 218,250.00             |                |
| <b>Total Oil-Domestic</b>                    |        |                      | <b>\$ 1,448,500.00</b> | <b>5.11%</b>   |
| <b>OIL-INTERNATIONAL</b>                     |        |                      |                        |                |
| Exxon Corporation                            | 8,000  | \$104.63             | \$ 837,000.00          |                |
| Mobil Corporation                            | 6,000  | 59.88                | 359,250.00             |                |
| <b>Total Oil International</b>               |        |                      | <b>\$ 1,196,250.00</b> | <b>5.05%</b>   |

| Common Stock                    | Shares | Market Price 6-30-76 | Market Value            | Total % Market |
|---------------------------------|--------|----------------------|-------------------------|----------------|
| <b>ENERGY-RELATED</b>           |        |                      |                         |                |
| Baker International Corporation | 8,000  | \$ 45.25             | \$ 365,000.00           |                |
| Halliburton Company             | 9,000  | 63.63                | 572,625.00              |                |
| Williams Companies (The)        | 11,000 | 24.00                | 264,000.00              |                |
| <b>Total Energy-Related</b>     |        |                      | <b>\$ 1,222,625.00</b>  | <b>5.16%</b>   |
| <b>TOTAL ENERGY</b>             |        |                      | <b>\$ 3,867,375.00</b>  | <b>16.32%</b>  |
| <b>TRANSPORTATION</b>           |        |                      |                         |                |
| <b>AIRLINES</b>                 |        |                      |                         |                |
| Northwest Airlines              | 7,000  | \$ 32.50             | \$ 227,500.00           | 0.96%          |
| <b>RAILROADS</b>                |        |                      |                         |                |
| Union Pacific Corporation       | 3,500  | \$ 92.38             | \$ 323,312.50           | 1.36%          |
| <b>TOTAL TRANSPORTATION</b>     |        |                      | <b>\$ 550,812.50</b>    | <b>2.32%</b>   |
| <b>TOTAL COMMON STOCKS</b>      |        |                      | <b>\$23,690,082.00*</b> | <b>100.00%</b> |

\*Original cost of equities on June 30, 1976, was \$23,782,534.35.

# SCHEDULE XIII

## STATE OF MINNESOTA STATE BOARD OF INVESTMENT

### PERMANENT SCHOOL FUND

#### RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS June 30, 1976

|                   | Book Value<br>(1) | Average Book<br>Value for<br>Year Ending (2) | Total<br>Investment<br>Income for<br>Year Ending<br>(3,4) | Yield<br>(5) |                                      | Net<br>Investment<br>Income for<br>Year Ending (3) | Net<br>Yield<br>(7) |
|-------------------|-------------------|----------------------------------------------|-----------------------------------------------------------|--------------|--------------------------------------|----------------------------------------------------|---------------------|
| June 30, 1957     | \$244,700,475.47  | \$242,386,448.84                             | \$ 6,486,999.20                                           | 2.68%        |                                      |                                                    |                     |
| December 31, 1957 | \$248,558,062.99  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1958     | \$249,513,238.84  | \$247,590,592.43                             | \$ 6,512,261.41                                           | 2.63%        |                                      |                                                    |                     |
| December 31, 1958 | \$252,324,357.47  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1959     | \$253,243,896.53  | \$251,693,830.95                             | \$ 7,005,142.92                                           | 2.78%        |                                      |                                                    |                     |
| December 31, 1959 | \$225,520,490.05  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1960     | \$256,276,151.72  | \$255,013,512.77                             | \$ 7,116,641.31                                           | 2.79%        |                                      |                                                    |                     |
| December 31, 1960 | \$259,324,537.57  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1961     | \$260,019,901.33  | \$258,540,196.87                             | \$ 7,978,635.92                                           | 3.09%        |                                      |                                                    |                     |
| December 31, 1961 | \$261,981,702.84  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1962     | \$262,388,564.04  | \$261,463,389.40                             | \$ 8,610,672.52*                                          | 3.29%*       |                                      |                                                    |                     |
| December 31, 1962 | \$264,203,940.11  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1963     | \$264,631,949.36  | \$263,741,484.50                             | \$ 8,048,170.78*                                          | 3.05%*       |                                      |                                                    |                     |
| December 31, 1963 | \$263,710,744.23  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1964     | \$263,552,120.96  | \$263,964,938.18                             | \$ 8,579,156.81                                           | 3.25%        | Less<br>Transfer to<br>Principal (6) | Net<br>Investment<br>Income for<br>Year Ending (3) | Net<br>Yield<br>(7) |
| December 31, 1964 | \$264,704,185.42  | -                                            | -                                                         | -            | \$ 76,936.86                         | \$ 9,109,857.80                                    | 3.46%               |
| June 30, 1965     | \$262,170,084.20  | \$263,475,463.53                             | \$ 9,186,790.66                                           | 3.49%        | \$ 329,472.90                        | \$ 9,317,944.40                                    | 3.56%               |
| December 31, 1965 | \$262,324,844.32  | -                                            | -                                                         | -            | \$ 856,275.93                        | \$ 9,358,896.77                                    | 3.56%               |
| June 30, 1966     | \$261,686,901.05  | \$262,060,609.86                             | \$ 9,647,417.30                                           | 3.68%        | \$1,016,014.48                       | \$ 9,495,706.62                                    | 3.59%               |
| December 31, 1966 | \$263,433,844.16  | -                                            | -                                                         | -            | \$1,100,277.41                       | \$ 9,417,633.39                                    | 3.55%               |
| June 30, 1967     | \$263,816,276.40  | \$262,979,007.70                             | \$10,215,172.70                                           | 3.88%        | \$1,034,987.16                       | \$10,289,173.95                                    | 3.91%               |
| December 31, 1967 | \$264,303,404.43  | -                                            | -                                                         | -            | \$1,435,834.16                       | \$10,944,250.01                                    | 4.34%               |
| June 30, 1968     | \$264,578,182.47  | \$264,232,621.10                             | \$10,511,721.10                                           | 3.98%        | \$1,937,452.41                       | \$11,753,966.46                                    | 4.70%               |
| December 31, 1968 | \$266,225,867.42  | -                                            | -                                                         | -            | \$2,361,011.68                       | \$11,987,241.29                                    | 4.79%               |
| June 30, 1969     | \$264,122,329.06  | \$264,975,459.65                             | \$10,512,970.80                                           | 3.97%        | \$2,445,336.93                       | \$12,501,920.85                                    | 4.95%               |
| December 31, 1969 | \$264,797,800.95  | -                                            | -                                                         | -            | \$2,784,257.93                       | \$13,709,587.34                                    | 5.18%               |
| June 30, 1970     | \$259,550,484.67  | \$262,823,538.23                             | \$11,324,161.11                                           | 4.31%        | \$2,793,175.78                       | \$14,254,951.76                                    | 5.54%               |
| December 31, 1970 | \$248,210,564.03  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1971     | \$248,077,642.59  | \$251,946,230.43                             | \$12,380,084.17                                           | 4.91%        |                                      |                                                    |                     |
| December 31, 1971 | \$250,918,742.94  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1972     | \$251,249,760.37  | \$250,082,048.63                             | \$13,691,318.87                                           | 5.47%        |                                      |                                                    |                     |
| December 31, 1972 | \$251,129,595.01  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1973     | \$249,010,960.05  | \$250,463,438.48                             | \$14,348,252.97                                           | 5.73%        |                                      |                                                    |                     |
| December 31, 1973 | \$252,105,340.61  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1974     | \$255,282,207.38  | \$252,466,169.35                             | \$14,947,257.78                                           | 5.92%        |                                      |                                                    |                     |
| December 31, 1974 | \$254,000,064.12  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1975     | \$254,252,908.35  | \$254,845,059.95                             | \$15,993,845.27                                           | 6.28%        |                                      |                                                    |                     |
| December 31, 1975 | \$258,709,589.62  | -                                            | -                                                         | -            |                                      |                                                    |                     |
| June 30, 1976     | \$259,305,894.51  | \$257,422,797.49                             | \$17,048,127.54                                           | 6.62%        |                                      |                                                    |                     |

(1) Book value figures based on those shown on Treasurer's General Report on State Finances on date listed, with adjustments for calls, maturities and investments committed for but not yet received. Beginning December 31, 1974, book value was taken from State Board of Investment ledgers.

(2) Computed by averaging book value of fund on last three report dates, ending with date listed.

(3) Income figures obtained from the State Department of Finance. Beginning June 30, 1975, income figures are from State Board of Investment ledgers.

(4) Includes investment income from the Swamp Land Fund which was combined into the Permanent School Fund after passage of a Constitutional Amendment in 1962.

(5) Computed by dividing total investment income of fund for fiscal period by average book value of fund. Yield figures beginning on June 30, 1975, reflect the fact that income was taken from the State Board of Investment ledgers, which are computed on an accrual basis, whereas the figures formerly obtained from the State Department of Finance were on a cash basis.

(6) The transfer of a portion of the income to the principal of the account is called for under the Minnesota Constitution, Article VIII, Section 4, as amended in 1962, and implemented by Minnesota Statutes 1974, Section 11.015, Subdivision 7, in order that the difference between the sales price and original cost of securities be returned to the principal of the account. Sales of low coupon U.S. Treasury securities at less than cost resulted in the transfers during recent years.

(7) Computed by dividing net investment income of fund for fiscal period by average book value of fund.

\*The income received during fiscal 1962 and 1963 was subjected to accounting adjustments which tended to overstate the 1962 figures, due to the accumulation of discounts on bonds purchased (Minnesota Statutes 1974, Section 11.05, Subdivision 2) and understate the 1963 results, due to the combining of the Swamp Land Fund into the Permanent School Fund during that fiscal year.

# SCHEDULE XIV

## PERMANENT SCHOOL FUND

June 30, 1976

### RESUME OF ASSETS IN ACCOUNT

|                                                                                                  |                         |
|--------------------------------------------------------------------------------------------------|-------------------------|
| CASH CERTIFIED FOR INVESTMENT*                                                                   | \$ 256,059.23           |
| MONEY MARKET SECURITIES                                                                          |                         |
| Repurchase Agreements<br>Maturities up to 6 days                                                 | \$ 8,106,000.00         |
| STATE AND LOCAL OBLIGATIONS                                                                      | \$ 398,600.00           |
| UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS<br>(See Listing Below)                           | \$126,744,833.23        |
| CORPORATE BOND OBLIGATIONS<br>(See Listing Below)                                                | \$ 78,519,662.85        |
| COMMON STOCKS (See Listing Below)                                                                | \$ 53,116,507.88        |
| <b>TOTAL ASSETS IN ACCOUNT</b><br>(for accounting purposes; not indicative of true market value) | <b>\$267,141,663.19</b> |

\*Cash balance signifies amount due from sales of securities several days before fiscal year end.

Note: Bond investments are listed at face value; common stocks are listed at market value.

### COMMON STOCK HOLDINGS

| Common Stock                                    | Shares | Market Price 6-30-76 | Market Value           | Total % Market |
|-------------------------------------------------|--------|----------------------|------------------------|----------------|
| <b>UTILITIES</b>                                |        |                      |                        |                |
| <b>ELECTRIC</b>                                 |        |                      |                        |                |
| Central and South West Corporation              | 23,000 | \$ 14.50             | \$ 333,500.00          |                |
| Cincinnati Gas & Electric Company (The)         | 24,000 | 17.88                | 429,000.00             |                |
| Commonwealth Edison Company                     | 21,499 | 28.00                | 601,972.00             |                |
| Florida Power & Light Company                   | 25,400 | 23.88                | 606,425.00             |                |
| Houston Lighting & Power Company                | 16,500 | 23.50                | 387,750.00             |                |
| Middle South Utilities, Incorporated            | 34,000 | 14.63                | 497,250.00             |                |
| Minnesota Power & Light Company                 | 15,500 | 19.63                | 304,187.50             |                |
| Northern States Power Company (Minn.)           | 21,500 | 24.38                | 524,062.50             |                |
| Pacific Gas & Electric Company                  | 21,500 | 20.38                | 438,062.50             |                |
| Public Service Company of Indiana, Inc.         | 18,150 | 25.50                | 462,825.00             |                |
| Southern California Edison Company              | 20,000 | 19.63                | 392,500.00             |                |
| Southern Company (The)                          | 24,000 | 14.38                | 345,000.00             |                |
| Texas Utilities Company                         | 28,000 | 19.00                | 532,000.00             |                |
| Virginia Electric and Power Company             | 18,000 | 13.75                | 247,500.00             |                |
| <b>Total Electric</b>                           |        |                      | <b>\$ 6,102,034.50</b> | <b>11.00%</b>  |
| <b>NATURAL GAS</b>                              |        |                      |                        |                |
| Panhandle Eastern Pipe Line Company             | 20,000 | \$ 35.13             | \$ 702,500.00          | 1.27%          |
| <b>COMMUNICATIONS</b>                           |        |                      |                        |                |
| American Telephone & Telegraph Company          | 27,000 | \$ 56.50             | \$ 1,525,500.00        |                |
| General Telephone & Electronics Corp.           | 40,800 | 25.88                | 1,055,700.00           |                |
| <b>Total Communications</b>                     |        |                      | <b>\$ 2,581,200.00</b> | <b>4.65%</b>   |
| <b>TOTAL UTILITIES</b>                          |        |                      | <b>\$ 9,385,734.50</b> | <b>16.92%</b>  |
| <b>FINANCIAL SERVICES</b>                       |        |                      |                        |                |
| <b>BANKS</b>                                    |        |                      |                        |                |
| BankAmerica Corporation                         | 18,000 | \$ 56.25             | \$ 1,012,500.00        |                |
| Citicorp                                        | 29,112 | 36.13                | 1,051,671.00           |                |
| First Bank System, Incorporated                 | 21,500 | 45.88                | 986,312.50             |                |
| J. P. Morgan & Co., Incorporated                | 16,920 | 67.75                | 1,061,730.00           |                |
| Northwest Bancorporation                        | 27,000 | 53.25                | 1,437,750.00           |                |
| <b>Total Banks</b>                              |        |                      | <b>\$ 5,549,963.50</b> | <b>10.00%</b>  |
| <b>FINANCE</b>                                  |        |                      |                        |                |
| Beneficial Corporation                          | 17,925 | \$ 24.13             | \$ 432,446.63          |                |
| Household Finance Corporation                   | 26,000 | 18.50                | 481,000.00             |                |
| <b>Total Finance</b>                            |        |                      | <b>\$ 913,446.63</b>   | <b>1.65%</b>   |
| <b>INSURANCE</b>                                |        |                      |                        |                |
| INA Corporation                                 | 15,300 | \$ 37.88             | \$ 579,487.50          |                |
| Northwestern National Life Insurance Co.        | 25,300 | 14.00                | 354,200.00             |                |
| SAFECO Corporation                              | 15,800 | 38.75                | 612,250.00             |                |
| The St. Paul Companies, Inc.                    | 32,000 | 27.50                | 880,000.00             |                |
| United States Fidelity & Guaranty Company       | 17,000 | 38.88                | 660,675.00             |                |
| <b>Total Insurance</b>                          |        |                      | <b>\$ 3,086,612.50</b> | <b>5.56%</b>   |
| <b>TOTAL FINANCIAL SERVICES</b>                 |        |                      | <b>\$ 9,550,216.63</b> | <b>17.21%</b>  |
| <b>CONSUMER ORIENTED</b>                        |        |                      |                        |                |
| <b>AUTOMOBILES &amp; AUTOMOTIVE PARTS</b>       |        |                      |                        |                |
| Ford Motor Company                              | 18,600 | \$ 58.50             | \$ 1,088,100.00        |                |
| General Motors Corporation                      | 21,200 | 68.50                | 1,452,200.00           |                |
| Goodyear Tire & Rubber Company (The)            | 33,000 | 23.00                | 759,000.00             |                |
| <b>Total Automobiles &amp; Automotive Parts</b> |        |                      | <b>\$ 3,299,300.00</b> | <b>5.94%</b>   |
| <b>CONSUMER DURABLES</b>                        |        |                      |                        |                |
| Sunbeam Corporation                             | 14,000 | \$ 23.63             | \$ 330,750.00          |                |
| Whirlpool Corporation                           | 22,200 | 27.13                | 602,175.00             |                |
| <b>Total Consumer-Durables</b>                  |        |                      | <b>\$ 932,925.00</b>   | <b>1.68%</b>   |

| Common Stock                                | Shares | Market Price 6-30-76 | Market Value            | Total % Market |
|---------------------------------------------|--------|----------------------|-------------------------|----------------|
| <b>CONSUMER NONDURABLES</b>                 |        |                      |                         |                |
| Eastman Kodak Company                       | 7,350  | \$100.13             | \$ 735,918.75           |                |
| Minnesota Mining and Manufacturing Co.      | 18,000 | 55.63                | 1,001,250.00            |                |
| Proctor & Kitchen Company (The)             | 7,700  | 94.88                | 730,537.50              |                |
| Revlon, Incorporated                        | 8,000  | 84.00                | 672,000.00              |                |
| <b>Total Consumer-Nondurables</b>           |        |                      | <b>\$ 3,139,706.25</b>  | <b>5.66%</b>   |
| <b>DRUGS</b>                                |        |                      |                         |                |
| American Home Products Corporation          | 22,800 | \$ 34.25             | \$ 780,900.00           |                |
| Merck & Co., Inc.                           | 10,000 | 72.00                | 720,000.00              |                |
| Pfizer, Inc.                                | 30,000 | 29.25                | 877,500.00              |                |
| <b>Total Drugs</b>                          |        |                      | <b>\$ 2,378,400.00</b>  | <b>4.29%</b>   |
| <b>FOOD &amp; BEVERAGE</b>                  |        |                      |                         |                |
| CPC International, Inc.                     | 8,000  | \$ 46.00             | \$ 368,000.00           |                |
| Coca-Cola Company (The)                     | 8,000  | 84.13                | 673,000.00              |                |
| General Foods Corporation                   | 35,000 | 29.13                | 1,019,375.00            |                |
| General Mills, Incorporated                 | 30,000 | 31.50                | 945,000.00              |                |
| <b>Total Food-Beverage</b>                  |        |                      | <b>\$ 3,005,375.00</b>  | <b>5.42%</b>   |
| <b>RETAIL SALES</b>                         |        |                      |                         |                |
| Federated Department Stores, Incorporated   | 18,000 | \$ 47.63             | \$ 857,250.00           |                |
| Penney Co. (C.) Company, Incorporated       | 10,800 | 52.25                | 564,300.00              |                |
| Sears, Roebuck and Company                  | 12,000 | 64.75                | 777,000.00              |                |
| <b>Total Retail Sales</b>                   |        |                      | <b>\$ 2,198,550.00</b>  | <b>3.96%</b>   |
| <b>TOTAL CONSUMER ORIENTED</b>              |        |                      | <b>\$14,954,256.25</b>  | <b>26.95%</b>  |
| <b>TECHNOLOGY</b>                           |        |                      |                         |                |
| <b>OFFICE EQUIPMENT</b>                     |        |                      |                         |                |
| Burroughs Corporation                       | 9,500  | \$104.00             | \$ 988,000.00           |                |
| Honeywell, Inc.                             | 10,000 | 49.63                | 496,250.00              |                |
| International Business Machines Corporation | 12,535 | 276.75               | 3,469,061.25            |                |
| Xerox Corporation                           | 6,440  | 61.63                | 396,865.00              |                |
| <b>Total Office Equipment</b>               |        |                      | <b>\$ 5,350,176.25</b>  | <b>9.64%</b>   |
| <b>TOTAL TECHNOLOGY</b>                     |        |                      | <b>\$ 5,350,176.25</b>  | <b>9.64%</b>   |
| <b>BASIC INDUSTRY</b>                       |        |                      |                         |                |
| <b>BUILDING &amp; FOREST PRODUCTS</b>       |        |                      |                         |                |
| Weyerhaeuser Company                        | 17,800 | \$ 44.38             | \$ 789,875.00           | 1.42%          |
| <b>CHEMICALS</b>                            |        |                      |                         |                |
| Dow Chemical Company (The)                  | 12,000 | \$ 48.25             | \$ 579,000.00           |                |
| du Pont (E. I.) de Nemours and Company      | 7,000  | 139.50               | 976,500.00              |                |
| Monsanto Company                            | 4,000  | 97.25                | 370,000.00              |                |
| Union Carbide Corporation                   | 11,700 | 67.63                | 791,212.50              |                |
| <b>Total Chemicals</b>                      |        |                      | <b>\$ 2,719,712.50</b>  | <b>4.90%</b>   |
| <b>ELECTRICAL EQUIPMENT</b>                 |        |                      |                         |                |
| General Electric Company                    | 16,200 | \$ 57.13             | \$ 925,425.00           | 1.57%          |
| <b>MACHINERY</b>                            |        |                      |                         |                |
| Caterpillar Tractor Co.                     | 10,100 | \$ 97.13             | \$ 920,362.50           |                |
| Trans Union Corporation                     | 10,400 | 34.25                | 356,200.00              |                |
| <b>Total Machinery</b>                      |        |                      | <b>\$ 1,276,562.50</b>  | <b>2.30%</b>   |
| <b>METALS</b>                               |        |                      |                         |                |
| Aluminum Company of America                 | 14,000 | \$ 56.50             | \$ 791,000.00           | 1.43%          |
| <b>PAPER</b>                                |        |                      |                         |                |
| International Paper Company                 | 7,000  | \$ 73.00             | \$ 511,000.00           | 0.92%          |
| <b>TOTAL BASIC INDUSTRY</b>                 |        |                      | <b>\$ 7,013,575.00</b>  | <b>12.64%</b>  |
| <b>ENERGY</b>                               |        |                      |                         |                |
| <b>OIL-DOMESTIC</b>                         |        |                      |                         |                |
| Atlantic Richfield Company                  | 8,000  | \$104.50             | \$ 836,000.00           |                |
| Continental Oil Company (Ind.)              | 20,000 | 38.38                | 767,500.00              |                |
| Standard Oil Company (Indiana)              | 24,000 | 50.50                | 1,212,000.00            |                |
| <b>Total Oil Domestic</b>                   |        |                      | <b>\$ 2,815,500.00</b>  | <b>5.07%</b>   |
| <b>OIL-INTERNATIONAL</b>                    |        |                      |                         |                |
| Exxon Corporation                           | 21,408 | \$104.63             | \$ 2,239,812.00         |                |
| Mobil Corporation                           | 21,300 | 59.88                | 1,275,337.50            |                |
| Texaco Inc.                                 | 34,000 | 28.13                | 956,250.00              |                |
| <b>Total Oil International</b>              |        |                      | <b>\$ 4,471,399.50</b>  | <b>8.06%</b>   |
| <b>TOTAL ENERGY</b>                         |        |                      | <b>\$ 7,286,899.50</b>  | <b>13.13%</b>  |
| <b>TRANSPORTATION</b>                       |        |                      |                         |                |
| <b>AIRLINES</b>                             |        |                      |                         |                |
| Northwest Airlines, Incorporated            | 16,884 | \$ 37.50             | \$ 548,730.00           | 0.99%          |
| <b>RAILROADS</b>                            |        |                      |                         |                |
| Burlington Northern Incorporated            | 13,600 | \$ 46.00             | \$ 625,600.00           |                |
| Union Pacific Corporation                   | 8,400  | 92.38                | 775,950.00              |                |
| <b>Total Railroads</b>                      |        |                      | <b>\$ 1,401,550.00</b>  | <b>2.52%</b>   |
| <b>TOTAL TRANSPORTATION</b>                 |        |                      | <b>\$ 1,950,280.00</b>  | <b>3.51%</b>   |
| <b>TOTAL COMMON STOCKS</b>                  |        |                      | <b>\$55,491,138.13*</b> | <b>100.00%</b> |

\*Original cost of equities on June 30, 1976, was \$49,314,237.03.

## Schedule XIV continued

UNITED STATES GOVERNMENT-GUARANTEED BONDS  
AND CORPORATE BOND HOLDINGS

June 30, 1976

| Company                                                                                          | Type of Security  | Maturity Date (a) | Coupon Rate % | Average Yield % | Total Amount            |
|--------------------------------------------------------------------------------------------------|-------------------|-------------------|---------------|-----------------|-------------------------|
| <b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>                                           |                   |                   |               |                 |                         |
| <b>FARMERS HOME ADMINISTRATION NOTES</b>                                                         |                   |                   |               |                 |                         |
| U.S. Department of Agriculture,<br>Farmers Home Administration                                   | Insured Notes     | 1-31-80           | 8.90          | 8.90            | \$ 2,997,834.82         |
| U.S. Department of Agriculture,<br>Farmers Home Administration                                   | Insured Notes     | 7-31-85           | 8 5/8         | 8.625           | 2,995,877.33            |
| <b>Total Farmers Home Administration Notes</b>                                                   |                   |                   |               | <b>8.76%</b>    | <b>\$ 5,993,712.15</b>  |
| <b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION<br/>GUARANTEED MORTGAGE BACKED SECURITIES</b>        |                   |                   |               |                 |                         |
| California Mortgage Service                                                                      | Mtg. Backed Cert. | 7-15-2004         | 8 1/4         | 9.61            | \$ 936,874.24           |
| Citizens Mortgage Corp.                                                                          | Mtg. Backed Cert. | 12-15-2000        | 8.00          | 8.73            | 1,523,993.50            |
| First National Bank of Minneapolis                                                               | Mtg. Backed Cert. | 12-15-2000        | 8.00          | 8.65            | 1,171,367.24            |
| First National Bank of Minneapolis                                                               | Mtg. Backed Cert. | 2-15-2001         | 8.00          | 8.50            | 1,241,769.13            |
| Guild Mortgage Company                                                                           | Mtg. Backed Cert. | 2-15-2004         | 8.00          | 8.52            | 1,753,438.75            |
| Heritage Mortgage                                                                                | Mtg. Backed Cert. | 7-15-2004         | 8 1/4         | 9.48            | 1,889,654.81            |
| International Mortgage                                                                           | Mtg. Backed Cert. | 4-15-2004         | 8.00          | 8.52            | 1,831,598.19            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 12-15-2004        | 6 1/2         | 7.13            | 2,503,606.28            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 11-15-2001        | 6 1/2         | 7.13            | 2,502,409.75            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 2-15-2005         | 7.00          | 8.92            | 2,020,673.47            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 6-15-2000         | 8.00          | 8.94            | 1,446,089.65            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 7-15-2000         | 8.00          | 8.73            | 1,565,703.11            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 10-15-2000        | 8.00          | 8.73            | 1,511,034.63            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 11-15-2000        | 8.00          | 8.65            | 1,514,143.08            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 1-15-2001         | 8.00          | 8.57            | 1,536,118.29            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 2-15-2001         | 8.00          | 8.50            | 660,712.37              |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 3-15-2001         | 7 1/2         | 7.40            | 840,081.56              |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 3-15-2003         | 6 1/2         | 7.34            | 3,004,651.12            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 4-15-2003         | 6 1/2         | 7.34            | 3,007,627.01            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 4-15-2003         | 6 1/2         | 7.54            | 3,003,586.84            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 6-15-2003         | 6 1/2         | 7.60            | 2,660,949.14            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 7-15-2003         | 6 1/2         | 7.89            | 4,602,016.59            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 11-15-2003        | 8.00          | 8.55            | 1,895,022.70            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 11-15-2003        | 8.00          | 8.55            | 2,790,085.08            |
| IDS Mortgage Corp.                                                                               | Mtg. Backed Cert. | 4-15-2004         | 8.00          | 8.47            | 2,688,865.97            |
| Iowa Securities Co.                                                                              | Mtg. Backed Cert. | 12-15-2000        | 8.00          | 8.94            | 1,302,318.43            |
| Iowa Securities Co.                                                                              | Mtg. Backed Cert. | 2-15-2001         | 8.00          | 8.10            | 1,291,314.48            |
| Lumbermens Investment                                                                            | Mtg. Backed Cert. | 7-15-2004         | 8 1/4         | 9.61            | 1,735,169.90            |
| Multon, Allen & Wms.                                                                             | Mtg. Backed Cert. | 2-15-2004         | 8.00          | 8.52            | 542,326.04              |
| National Homes Acceptance Corp.                                                                  | Mtg. Backed Cert. | 5-15-2000         | 7.00          | 8.92            | 1,412,597.00            |
| National Homes Acceptance Corp.                                                                  | Mtg. Backed Cert. | 9-15-2000         | 8.00          | 8.80            | 1,520,963.50            |
| National Homes Acceptance Corp.                                                                  | Mtg. Backed Cert. | 7-15-2000         | 8.00          | 8.80            | 1,573,280.78            |
| Peoples Mortgage Co.                                                                             | Mtg. Backed Cert. | 11-15-2004        | 9.00          | 9.92            | 1,858,279.13            |
| Steel (W.S.)                                                                                     | Mtg. Backed Cert. | 7-15-2004         | 8.00          | 8.86            | 1,904,051.33            |
| Virginia Mtg. & Investment Co.                                                                   | Mtg. Backed Cert. | 9-15-2004         | 9.00          | 9.89            | 994,859.88              |
| Percy Wilson Mortgage & Finance Corp.                                                            | Mtg. Backed Cert. | 8-1-2000          | 8.00          | 8.94            | 1,591,811.78            |
| <b>Total Government National Mortgage Association,<br/>Guaranteed Mortgage Backed Securities</b> |                   |                   |               | <b>8.38%</b>    | <b>\$ 66,459,044.75</b> |
| <b>MERCHANT MARINE BONDS</b>                                                                     |                   |                   |               |                 |                         |
| American Mail Line                                                                               | Govt. Guar. Bond  | 3-1-93            | 6.00          | 6.00            | \$ 1,470,000.00         |
| American President Lines, Ltd.                                                                   | Govt. Guar. Bond  | 11-1-91           | 4.80          | 4.80            | 1,470,000.00            |
| American President Lines, Ltd.                                                                   | Govt. Guar. Bond  | 11-1-92           | 5.60          | 5.60            | 1,000,000.00            |
| Construction Aggregates Corp.                                                                    | Govt. Guar. Bond  | 6-1-91            | 7 1/2         | 7.50            | 1,875,000.00            |
| Delta Steamship Lines, Inc.                                                                      | Govt. Guar. Bond  | 3-1-86            | 5 1/2         | 5.50            | 906,000.00              |
| Eagle Terminal Tankers, Inc.                                                                     | Govt. Guar. Bond  | 6-1-89            | 6.00          | 6.00            | 3,236,000.00            |
| El Paso Columbia Tankers                                                                         | Govt. Guar. Bond  | 12-15-91          | 9 1/4         | 9.25            | 3,000,000.00            |
| Farrell Lines, Inc.                                                                              | Govt. Guar. Bond  | 4-1-88            | 8.05          | 8.05            | 1,678,000.00            |
| Farrell Lines, Inc.                                                                              | Govt. Guar. Bond  | 6-29-97           |               |                 |                         |
|                                                                                                  | Through           | 9-2-98            | 9.00          | 9.00            | 878,000.00              |
| Grace Line, Inc.                                                                                 | Govt. Guar. Bond  | 2-1-92            | 5.10          | 5.10            | 1,476,000.00            |
| Ingram Ocean Systems, Inc.                                                                       | Govt. Guar. Bond  | 2-1-89            | 8 3/4         | 8.75            | 1,253,000.00            |
| Intercontinental Bulk Tank Corp.                                                                 | Govt. Guar. Bond  | 9-1-90            | 7.80          | 7.80            | 1,168,000.00            |
| Martin Drilling Co.                                                                              | Govt. Guar. Bond  | 1-1-91            | 8.90          | 8.90            | 3,000,000.00            |
| Malson Navigation Co.                                                                            | Govt. Guar. Bond  | 11-10-94          | 7 1/2         | 7.50            | 984,000.00              |
| Moore McCormick Leasing                                                                          | Govt. Guar. Bond  | 7-15-2001         | 8 7/8         | 8.875           | 3,030,000.00            |
| Moore McCormick Lines, Inc.                                                                      | Govt. Guar. Bond  | 4-1-87            | 5 3/4         | 5.86            | 1,308,000.00            |
| Overseas Bulk Tank Corp.                                                                         | Govt. Guar. Bond  | 12-1-90           | 7.80          | 7.80            | 1,192,000.00            |
| Pacific Far East Line, Inc.                                                                      | Govt. Guar. Bond  | 12-1-92           | 8 3/4         | 8.75            | 2,101,000.00            |
| Penn. Tanker                                                                                     | Govt. Guar. Bond  | 10-1-89           | 6.00          | 6.00            | 1,309,000.00            |
| Prudential Lines, Inc.                                                                           | Govt. Guar. Bond  | 11-1-95           | 6.00          | 6.00            | 2,168,000.00            |
| Puget Sound Tug & Barge                                                                          | Govt. Guar. Bond  | 2-15-2001         | 9 1/8         | 9.125           | 2,984,000.00            |
| States Steamship Co.                                                                             | Govt. Guar. Bond  | 3-1-93            | 5.10          | 5.10            | 1,500,000.00            |
| United States Lines, Inc.                                                                        | Govt. Guar. Bond  | 10-1-87           | 5.00          | 5.00            | 1,299,000.00            |
| United States Lines, Inc.                                                                        | Govt. Guar. Bond  | 3-1-91            | 8 5/8         | 8.625           | 1,950,000.00            |
| Western Co. of North America                                                                     | Govt. Guar. Bond  | 6-11-90           | 9 1/4         | 9.25            | 3,000,000.00            |
| Zapata Off Shore Co.                                                                             | Govt. Guar. Bond  | 6-15-96           | 4 5/8         | 8.625           | 3,000,000.00            |
| <b>Total Merchant Marine Bonds</b>                                                               |                   |                   |               | <b>7.58%</b>    | <b>\$ 48,275,000.00</b> |
| <b>NEW COMMUNITIES ACT DEBENTURES</b>                                                            |                   |                   |               |                 |                         |
| Cedar Riverside Land Company                                                                     | Govt. Guar. Deb.  | 12-15-91          | 7.20          | 7.20            | \$ 2,500,000.00         |
| Jonathan Development Corp.                                                                       | Govt. Guar. Deb.  | 10-1-90           | 8 1/2         | 8.50            | 2,500,000.00            |
| <b>Total New Communities Act Debentures</b>                                                      |                   |                   |               | <b>7.85%</b>    | <b>\$ 5,000,000.00</b>  |
| <b>SMALL BUSINESS ADMINISTRATION LOANS</b>                                                       |                   |                   |               |                 |                         |
| SBA Loans                                                                                        | Govt. Guar. Bond  | 8-22-85           | 9 1/4         | 9.32            | \$ 503,983.67           |
| SBA Loans                                                                                        | Govt. Guar. Bond  | 4-27-84           | 9 1/4         | 9.31            | 513,097.66              |
| <b>Total Small Business Administration Loans</b>                                                 |                   |                   |               | <b>9.31%</b>    | <b>\$ 1,017,081.33</b>  |
| <b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>                                     |                   |                   |               | <b>8.08%</b>    | <b>\$126,744,833.23</b> |

| Company                                                                    | Type of Security               | Maturity Date (a)      | Coupon Rate % | Average Yield % | Total Amount            |
|----------------------------------------------------------------------------|--------------------------------|------------------------|---------------|-----------------|-------------------------|
| <b>CORPORATE BOND OBLIGATIONS</b>                                          |                                |                        |               |                 |                         |
| <b>PUBLIC UTILITY OBLIGATIONS</b>                                          |                                |                        |               |                 |                         |
| <b>ELECTRIC</b>                                                            |                                |                        |               |                 |                         |
| Duke Power Co.                                                             | First & Refunding Mortgage     | 2-1-95                 | 4 1/2         | 4.47            | \$ 1,500,000.00         |
| Florida Power & Light Co.                                                  | First Mortgage                 | 4-1-94                 | 4 5/8         | 4.50            | 1,200,000.00            |
| Hawaiian Electric Co., Ltd.                                                | First Mortgage                 | 7-1-93                 | 4.45          | 4.45            | 1,000,000.00            |
| Interstate Power Co.                                                       | First Mortgage                 | 5-1-93                 | 4 3/8         | 5.45            | 2,000,000.00            |
| Iowa Power & Light Co.                                                     | S/F Debenture                  | 4-1-89                 | 4 5/8         | 4.57            | 1,200,000.00            |
| Jersey Central Power & Light Co.                                           | Debenture                      | 10-1-88                | 4 5/8         | 4.56            | 960,000.00              |
| Long Island Lighting Co.                                                   | First Mortgage                 | 6-1-95                 | 4.55          | 5.20            | 1,700,000.00            |
| Massachusetts Electric Co.                                                 | First Mortgage                 | 12-1-93                | 4 5/8         | 4.55            | 1,100,000.00            |
| Northern States Power Co.                                                  | First Mortgage                 | 9-1-93                 | 4 3/8         | 4.48            | 1,000,000.00            |
| Otter Tail Power Co.                                                       | First Mortgage                 | 11-1-93                | 4 5/8         | 4.65            | 1,017,000.00            |
| Potomac Edison Co.                                                         | First Mortgage & Coll. Trust   | 3-1-94                 | 4 5/8         | 4.55            | 1,200,000.00            |
| Southwestern Public Service Co.                                            | First Mortgage                 | 2-1-94                 | 4 1/2         | 4.50            | 1,200,000.00            |
| <b>Total Electric</b>                                                      |                                |                        |               | <b>4.72%</b>    | <b>\$ 15,077,000.00</b> |
| <b>GAS</b>                                                                 |                                |                        |               |                 |                         |
| Columbia Gas System, Inc.                                                  | Debenture                      | 5-1-83                 | 4 5/8         | 4.54            | \$ 1,200,000.00         |
| The Gas Service Co.                                                        | First Mortgage                 | 6-1-85                 | 4.65          | 4.65            | 936,000.00              |
| Michigan Consolidated Gas Co.                                              | First Mortgage                 | 6-1-89                 | 4 3/4         | 5.52            | 2,375,000.00            |
| Peoples Gas Light & Coke Co.                                               | First & Refunding Mortgage     | 7-15-91                | 5 3/8         | 5.38            | 1,312,000.00            |
| <b>Total Gas</b>                                                           |                                |                        |               | <b>5.17%</b>    | <b>\$ 5,823,000.00</b>  |
| <b>TELEPHONE</b>                                                           |                                |                        |               |                 |                         |
| American Telephone & Telegraph Co.                                         | Debenture                      | 5-1-99                 | 4 3/8         | 4.365           | \$ 1,500,000.00         |
| The Bell Telephone Co. of Canada                                           | First Mortgage                 | 9-1-95                 | 4.85          | 5.53            | 2,500,000.00            |
| The Bell Telephone Co. of Canada                                           | First Mortgage                 | 6-1-2004               | 9 1/2         | 9.50            | 3,000,000.00            |
| General Telephone Co. of Florida                                           | First Mortgage                 | 6-1-95                 | 4 5/8         | 4.687           | 1,000,000.00            |
| General Telephone Co. of Illinois                                          | First Mortgage                 | 9-1-95                 | 4 7/8         | 4.875           | 1,200,000.00            |
| General Telephone Co. of Indiana                                           | First Mortgage                 | 8-1-95                 | 4 7/8         | 4.70            | 1,200,000.00            |
| New York Telephone Co.                                                     | Refunding Mortgage             | 1-1-2004               | 4 5/8         | 4.53            | 1,500,000.00            |
| Pacific Northwest Bell Telephone Co.                                       | Debenture                      | 12-1-2000              | 4 1/2         | 4.49            | 1,500,000.00            |
| Southern Bell Telephone & Telegraph Co.                                    | Debenture                      | 3-15-2013              | 7 5/8         | 8.42            | 4,000,000.00            |
| <b>Total Telephone</b>                                                     |                                |                        |               | <b>6.43%</b>    | <b>\$ 17,400,000.00</b> |
| <b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>                                    |                                |                        |               | <b>5.56%</b>    | <b>\$ 30,300,000.00</b> |
| <b>FINANCE OBLIGATIONS</b>                                                 |                                |                        |               |                 |                         |
| Gulf Life Insurance Co.                                                    | Capital Note                   | 6-1-89                 | 4 3/4         | 4.75            | \$ 780,000.00           |
| Northwest Bancorporation                                                   | Debenture                      | 10-15-90               | 4 3/4         | 4.78            | 1,500,000.00            |
| Northwest Bancorporation                                                   | S/F Debenture                  | 3-15-2003              | 7 3/4         | 7.75            | 1,500,000.00            |
| <b>TOTAL FINANCE OBLIGATIONS</b>                                           |                                |                        |               | <b>5.25%</b>    | <b>\$ 3,780,000.00</b>  |
| <b>INDUSTRIAL OBLIGATIONS</b>                                              |                                |                        |               |                 |                         |
| Aluminum Co. of America                                                    | Promissory Note                | 3-31-88                | 4 3/8         | 4.50            | \$ 995,000.00           |
| Aluminum Co. of America, Ltd.                                              | S/F Debenture                  | 3-1-95                 | 9 1/2         | 9.37            | 1,000,000.00            |
| Armour Dist. Inc. (Ardison Properties, Inc.)                               | Note                           | 1-15-2003              | 7.90          | 7.90            | 3,817,650.00            |
| Atlantic Richfield Co.                                                     | Guaranteed Note                | 7-15-90                | 9 1/4         | 9.25            | 3,000,000.00            |
| Common Engine Co., Inc.                                                    | Note                           | 7-15-90                | 4.60          | 4.60            | 900,000.00              |
| Diamond Shamrock Corp.                                                     | Note                           | 5-1-89                 | 4.65          | 5.26            | 975,000.00              |
| Dow Chemical Co.                                                           | Debenture                      | 9-15-88                | 4.35          | 4.35            | 1,000,000.00            |
| FMC Corporation                                                            | S/F Debenture                  | 1-15-2000              | 9 1/2         | 9.50            | 3,000,000.00            |
| General Cable Corp.                                                        | Note                           | 1-1-89                 | 4 7/8         | 4.875           | 720,000.00              |
| Hercynell, Inc.                                                            | Note                           | 4-1-90                 | 4.55          | 5.22            | 1,839,052.50            |
| Ingersoll Rand Co.                                                         | Note                           | 1-1-91                 | 4 3/4         | 4.75            | 966,000.00              |
| Shelb. Oil Co.                                                             | Note                           | 4-15-90                | 4 1/2         | 4.50            | 1,150,000.00            |
| Sprague Electric Co.                                                       | S/F Debenture                  | 9-1-88                 | 4 3/8         | 4.40            | 1,000,000.00            |
| Standard Oil of California (Union Bank)                                    | First Preferred Ship Mtg. Bond | 9-7-97 through 11-6-97 | 7.70          | 7.70            | 3,000,000.00            |
| Standard Oil Co. (Indiana) (Mid-continent Properties, Inc.)                | Note                           | 10-1-2000              | 7.30          | 7.30            | 4,000,000.00            |
| Standard Oil Co. (Ohio)                                                    | Note                           | 7-15-90                | 4.55          | 4.55            | 1,064,000.00            |
| Swift & Co.                                                                | S/F Debenture                  | 8-1-92                 | 6.30          | 6.30            | 1,275,000.00            |
| Texas Co.                                                                  | Note                           | 12-15-89               | 4 1/2         | 4.50            | 1,238,000.00            |
| Union Carbide Corp.                                                        | Note                           | 12-31-96               | 4 1/2         | 4.47            | 983,835.57              |
| Youngstown Sheet & Tube Co.                                                | First Mortgage S/F Bond        | 7-1-95                 | 4.60          | 4.60            | 1,260,000.00            |
| <b>TOTAL INDUSTRIAL OBLIGATIONS</b>                                        |                                |                        |               | <b>6.69%</b>    | <b>\$ 33,743,548.07</b> |
| <b>TRANSPORTATION DEBT OBLIGATIONS</b>                                     |                                |                        |               |                 |                         |
| Atchison, Topeka & Santa Fe Railway Co.                                    | Gen. Gold                      | 10-1-95                | 4.00          | 4.40            | \$ 1,500,000.00         |
| <b>RAILROAD EQUIPMENT OBLIGATIONS</b>                                      |                                |                        |               |                 |                         |
| Flying Tiger Corp. (Formerly North American Car Corp.)                     | Equipment Trust                | 9-1-76/78              | 4.65          | 4.65            | \$ 100,000.00           |
| Illinois Central Railroad Co.                                              | Conditional Sale               | 2-15-77/83             | 6 7/8         | 6.875           | 349,999.99              |
| Kansas City Southern Railway Co.                                           | Conditional Sale               | 1-15-77/75-78          | 4.45          | 4.45            | 246,114.79              |
| <b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>                                |                                |                        |               | <b>6.14%</b>    | <b>\$ 1,696,114.78</b>  |
| <b>TOTAL CORPORATE BOND OBLIGATIONS</b>                                    |                                |                        |               | <b>6.05%</b>    | <b>\$ 70,519,662.85</b> |
| <b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED AND CORPORATE OBLIGATIONS</b> |                                |                        |               | <b>7.30%</b>    | <b>\$205,264,496.08</b> |

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.

MEMBERS OF BOARD:

GOVERNOR WENDELL R. ANDERSON  
STATE AUDITOR ROBERT W. MATTSON  
STATE TREASURER JIM LORD  
SECRETARY OF STATE JOAN ANDERSON GROWE  
ATTORNEY GENERAL WARREN SPANNAUS



ROBERT E. BLIXT  
EXECUTIVE SECRETARY

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

Room 105, MEA Building  
55 Sherburne Avenue  
Saint Paul 55155

August 20, 1976

TO: Members of the Minnesota Legislature  
Investment Underwriters, Brokers and Dealers

FROM: Robert E. Blixt, C.F.A., Executive Secretary

Since the office of the Executive Secretary of the Minnesota State Board of Investment was established in 1960, it has been the policy of the Department to list the recipients of all securities orders and to explain the reasons for the distribution of business. Although this review may be somewhat lengthy and too detailed, we believe it mandatory because of the many considerations which are so obvious in reviewing the business practices of any public fund holding nearly \$3 billion of securities. Orders are placed for several billion dollars of equities and debt instruments each year. Securities firms and organizations with differing specialties and located throughout the United States and Canada deal with the Investment Department. As Congress, the Securities and Exchange Commission and governmental groups throughout the nation have become more interested in reviewing the "prudence" demanded in the management of public funds, it has become even more necessary and appropriate that the recipients of these orders be mentioned and that explanations be provided to the citizens of Minnesota.

The following schedules detail the securities orders placed during the twelve-month period from July 1, 1975 through June 30, 1976. It is to be emphasized that the Executive Secretary of the State Board of Investment takes full responsibility for the methods and procedures used in this allocation of securities business. It is recognized that the commissions on the shares of stock purchased and sold over major exchanges and the profits - as well as losses - from dealings with the Investment Department in bonds, unlisted stocks and short-term money market instruments, may be very significant. It is certainly a credit to Minnesota's constitutional officers who have served on the State Board of Investment since this program was initiated in 1960 that none have asked that business go to friends or political supporters. Likewise, pressures from other Minnesota citizens and officials have been comparatively minimal. Nevertheless, there have been evidences of proposed changes in investment policy based on possible future securities commissions during the past year. It is hoped that such pressures may be minimized.

Certain firms both within Minnesota and outside the state have questioned our procedures and have asked whether they are receiving their "fair share". There is no "fair share" for any individual or firm. It would be no more logical to "give business" to every securities firm in Minnesota - or throughout the nation - than to buy groceries to fulfill the needs of the State's institutions and schools from every small grocery store throughout the state. The changes witnessed by the securities industry in recent years - the new degree of competition, the merger and consolidation of many securities firms, the problems of "May Day" 1975 with the accompanying negotiated commission rates, the new questions as to whether securities research should be "unbundled" from the package that once was included in total commission rates - have all affected the ways and methods in which the Investment Department places securities orders.

Since the Department was established, all transactions have been a matter of public record. Each purchase and sale, along with the indicated commission or probable profit in the case of a net transaction, is reported to the Board members at each meeting. Members of the press may be in attendance and receive lists of this information.

The Department has been appreciative of the economic, general business and securities research which has been provided by many firms. It is evident that the State's Investment Department may have limited use of research oriented primarily toward those individuals or funds which speculate in the market. Moreover, it may be inappropriate for comparatively conservative portfolios such as those represented by public trust and retirement funds to invest in securities of smaller companies. It has usually been found that the quick action necessary to time such purchases and sales is often difficult under state investment procedures. It is recognized that firms handling such equities and debt instruments aid the State's securities industry through the investment banking process. They also provide markets for securities of new businesses. Nevertheless, there appears little relationship between the specialization in these securities and servicing the needs of large institutional accounts.

These considerations, together with the economic pressures suffered by many brokerage organizations during the extreme market fluctuations from 1969 through 1976, have caused the Investment Department's personnel to review the allocations and methods of handling our transactions so as to achieve the best possible results for the State funds. The accompanying paragraphs point out the extent to which Minnesota's Investment Department has used "soft dollars" — commissions on securities business transacted over a major exchange — to pay for specific investment services. The introduction of "negotiated rates" by member firms of the stock exchanges, however, may either decrease — or, perhaps, eliminate — the use of such "soft dollars" for these services.

At the time this report is being written, it appears that the use of "soft dollars" has actually increased since "May Day" 1975. Although securities commissions are now negotiated at levels considerably less than applicable prior to that date, experiences during the past year have demonstrated that all types of investment information and services may be purchased through "soft dollar" commission at rates from 25% to 35% less than those previously in effect. During fiscal 1976, the Investment Department, in several instances, asked securities firms with proven trading capability to "bid" on certain "soft dollar" services which involved direct payments to other securities organizations. It was found that the competition was intense and that several very reputable organizations were willing to provide many types of services at rates surprisingly low.

During the past years, substantial "soft dollars" were paid to Paine, Webber, Jackson & Curtis, Inc. for a data processing system. This service, operated by Gibbons Associates, Inc., provided the State's retirement administrators and financial officials — as well as the Investment staff — with information concerning our portfolios and details regarding the securities transactions. The system provides some research analysis and complete portfolio listings. Beginning on July 1, 1975, practically the entire cost of this service was provided through "hard dollars" appropriated for this purpose by the Minnesota Legislature. This contract was between Gibbons Associates, Inc., and the State of Minnesota — Department of Administration. The previous arrangement was most successful and greatly facilitated the work of the Investment Department; because of the substantial securities commissions necessary to support such a complex system, however, it was recognized that "soft dollar" payments would be impossible during the era of negotiated rates. Therefore, "hard dollar" payments have been used for practically all computer services during the past year. Paine, Webber, Jackson & Curtis, Inc. has fully cooperated, however, in providing any new computer programs or services needed by the Department.

During fiscal 1976, a "bidding process" was used to determine which firm, of known trading capabilities, could participate in "soft dollar" arrangements for a performance measurement contract with Standard Valuations, a subsidiary of L.F.K. On the basis of this bidding, this compensation is now handled through the Milwaukee Company. The investment advisory service from the Northwestern Bank of Minneapolis is handled through business placed with Hornblower Weeks, Hempill Noyes.

Other research services are paid through securities orders placed with investment firms chosen by the research organization. Commission business to Mesrow & Company pays for research service provided by the Harris Bank and Trust Company of Chicago and Arvid Jouppe & Associates. Compensation for investment advice received from the Bank of New York is handled through business placed by DeHaven Townsend, Carter & Bodine. Other particular investment information is provided on a commission basis through Jessup & Lamont; Morgan Olmsted & Kennedy; Merrill Lynch, Pierce, Fenner, & Smith; Shearson Hayden Stone; Smith Barney; Harris Upham; Cowen & Co.; and Wertheim & Co.

Although it had earlier been thought that these "soft dollar" payments would be impossible to continue during the period of "negotiated commission rates", it is apparent that competition within the securities industry has resulted in more service, subscriptions and analysis being offered on such a basis.

The accompanying schedules in this report list the number of shares purchased or sold, or the face value in the case of bond transactions. This listing is not necessarily indicative of the commissions involved because of the impossibility of determining the exact profit or loss associated with any transaction handled on a competitive or a net price basis. After a review of Departmental operations by a legislative commission, the 1965 Legislature passed a bill, now Minnesota Statutes 1974, Section 11.13, which reads as follows:

"All securities purchased or sold by the State Board of Investment, except stocks listed or traded on a major United States stock exchange, securities bound by underwriting restrictions, or securities classified as private placements and offered only to a limited number of institutional investors, shall be purchased or sold on the basis of competitive offerings or bids received from at least two firms known to specialize in the securities being traded and likely to position these securities in relevant quantities."

Except in the instances mentioned above — where there is a type of specialized service or evidence of proven trading ability — we have allocated securities business on the basis of continuing long-term research. It has been found, even prior to the initiation of negotiated rates, that the distribution of business on a price basis is sometimes very effective. In such instances, dealings are handled by the "third market" firms or over the "Instinet System" through which institutions trade directly with each other. The Investment Department accepts competitive offerings

and bids from dealers who are either prime market makers or are known to position these particular securities in quantities desired for the State funds. During recent years, price has been the dominant factor in transactions involving U.S. Treasury securities, unlisted stocks, corporate bonds purchased after the termination of underwriting syndicates, and a significant percentage of listed stocks. We have found definite disadvantages to the use of open competitive offerings and bids in transactions involving large blocks of stocks. It appears that it is preferable to deal with one lead broker or dealer in these instances; under Minnesota law, however, we must check with other firms to be assured of a satisfactory price.

A number of dealers often provide the same merchandise at identical prices. This applies particularly to corporate bonds still in syndicate and to stocks that are purchased over a major exchange. The State's purchase of bonds at the time of original issuance have declined in recent years. This was partially due to the apparent attractiveness of bonds on the secondary market, particularly when the market was declining so rapidly that underwriters found it almost impossible to establish viable offering prices for new bond issues. During the past three years, there was a continued increase in the use of U.S. government guaranteed mortgage-backed securities and private placements of fixed-income obligations. Intermediate-term bonds have been used to a somewhat greater degree in 1976 due to the lower long-term interest rates in effect. The dealers used in completing transactions for the State often change along with investment policies; certain firms specialize in particular stocks or bonds or are more active in the underwriting of certain securities issues. Factors involved in the placement of securities orders when there is no price distinction include: the extent of participation by various dealers in the bond syndicates; the value of stock, bond and economic research provided by these firms; and, in the instance of corporate bonds, some preference is given to Minnesota dealers who are members of the bond syndicates and have committed their funds to the underwriting. There has been a tendency during recent years for firms to divide their bond and stock departments into separate organizations with little apparent coordination or relationship as to service. It is, therefore, becoming increasingly difficult to compensate for stock information through bond orders or, likewise, for bond service through stock transactions.

The distribution of public fund business has been somewhat complicated in recent years due to the establishment of institutional departments in many securities firms. The employees and sales representatives working in these departments receive a somewhat lower commission than is usual for brokers. The obvious reason is that institutional accounts make greater use of the research departments and can place orders in larger volume. Therefore, it is only appropriate that a far greater portion of the commission be used for the securities firm to enhance the quality of the research department. Whenever possible, the Minnesota State Board of Investment has dealt with the "institutional" department or with individuals assigned to the institutional accounts. In several instances, securities business for bonds, stocks, U.S. Treasury obligations and commercial paper are all assigned to different specialists or sales departments. Because of the various capabilities of these sales personnel, there are limited instances in which more than one individual handles the State account. We believe it most inappropriate to deal with more than one office of the same securities firm merely to distribute business to additional salesmen.

A listing is available showing the names the individuals handling the account of the Minnesota State Board of Investment by various securities firms as of fiscal year-end 1976. In numerous cases, particularly involving firms underwriting large bond issues, dealings are handled through the "bond department", or "order desk", with no particular individual designation.

We have been questioned concerning the possible loss which could result from the bankruptcy of any organization dealing with the State. It is presumed that the accounts would be protected in such an instance because the State pays for the securities only after they are received, in good form, by banks in New York, Chicago, or the Twin Cities, acting for the State of Minnesota.

The following resumes outline the policies of the State in distributing securities business; the listings show the firms with which the State completed specific transactions. It is to be emphasized that this supplement in no way signifies approval, endorsement, or license of such firms by any State agency. The regulation of securities and dealers in Minnesota is handled by the Securities Division of the Department of Commerce. The Investment Department, on the other hand, concerns itself with completion of securities transactions at the best possible price, consistent with the receipt of necessary research materials and service.

#### Section I. U.S. Treasury Securities Transactions

All purchases and sales of U.S. obligations are placed on a competitive basis. In transactions of larger size and longer maturity, in which cases it is possible that Minnesota banks do not position the securities in appropriate quantities, offerings or bids have been sought from two or three Minnesota banks and from various prime market dealers. If a Minnesota bank contacted is able to equal the best price quoted by any other dealer, the purchase or sale is completed through that particular bank. Repurchase agreements are negotiated on a competitive basis through those banks and investment firms which have expressed an interest in providing this type of security. These transactions consist simply of the purchase of U.S. government or agency securities, with a simultaneous sale of such securities to the same dealer at some later date. In this way, the amount of net income is set at the time of the

initial purchase. During fiscal 1974, the volume of purchases and sales nearly doubled; there was an additional increase of 50% in fiscal 1975. The past fiscal year showed a further increase of 12%. This was due to increased activity in the accounts and to an attempt at maximizing earnings through investing a higher portion of funds available in the State's major pooled account for tax receipts — the Invested Treasurer's Cash Fund. The revenue received during the past three fiscal years has been above expectations. Because a substantial portion of these current investments made during the past three years have involved the so-called "surplus" in the general fund, a large portion of the investments have consisted of repurchase agreements — in order that the funds may be readily available for varying current needs. This type of investment accounted for most of the increase and resulted in a substantial portion of the transactions being handled through banks in the Twin Cities and Chicago. After the "surplus" was identified in late 1974, the maturities in the funds were extended through the use of United States agency securities. This improved the yield to a significant extent during later fiscal periods. The exact maturities of U.S. Treasury securities used in the funds vary in accordance with current needs and the market outlook. Because of the recent attempts to maximize current income, any funds not immediately needed for State payments are invested in repurchase agreements or short-term maturities.

## Section 2. Purchases and Sales of Short-Term Corporate Notes

The use of short-term corporate notes of prime quality has increased since 1969 legislation authorized a broader use of these securities in many of the State funds; purchases and sales doubled in volume during fiscal 1974, increased by an additional 50% in fiscal 1975 and remained stable during fiscal 1976. The Investment Department has felt it necessary to use well-known, marketable names and to have prior agreements with the vendors that they will repurchase the notes if the State needs cash. These short-term corporate notes have been found to be of increasing advantage to many funds due to their attractive yields, complete flexibility as to maturity, and the fine service offered by the companies issuing this type of security. During the period of financial uncertainty experienced in late 1974 and early 1975, all except the highest ranking credits were eliminated from the Department's approved purchase list. As a whole, purchases of the longer maturity ranges — from 91 to 271 days — declined during the past three fiscal years; increases occurred in the use of very short-term paper meeting specific maturity needs.

## Section 3. Purchases of U.S. Government Guaranteed Obligations

Beginning in early 1970, the Government National Mortgage Association approved a program whereby major mortgage bankers could issue securities representing groups of mortgages and backed by the full faith and credit of the U.S. government. Minnesota's Investment Department had worked closely with IDS Mortgage Corporation in explaining to the Department of Housing and Urban Development the need for this type of security in funds such as Minnesota's Permanent School Fund — a portion of which must be invested in government obligations under Constitutional provisions. After lengthy negotiations, the Treasury Department approved these securities late in 1969. They have been used in the Permanent School Fund since that time during periods of attractive yields. During the past four fiscal years, commitments have been made in the Minnesota Adjustable Fixed Benefit Fund; shorter maturities have been purchased for the highway trust funds. Because fewer Minnesota mortgages have been obtainable, substantial numbers of certificates have been purchased on the open market at the lowest offering price as of the day of commitment.

The yields obtainable from Government National Mortgage Association certificates have evidenced a fluctuation somewhat wider than that of other U.S. Treasury obligations and securities guaranteed by the United States Government. The reason appears to be that these securities are often offered for sale at particularly attractive prices at times when the savings and loan associations find it necessary to raise money due to lower deposits or an increased demand for mortgage commitments. During such periods, the prices of these certificates have been particularly attractive.

The Department continued the use of Merchant Marine (Title XI) bonds guaranteed in full by the United States Government. These securities have often offered a yield superior to that obtainable from high quality corporate bonds of comparable maturity.

A third type of United States Government guaranteed obligation used during fiscal 1976 consisted of securities guaranteed by the Small Business Administration. Under a procedure developed in cooperation with the Minnesota Banker's Association, the bank handling such loans retains the 10% not guaranteed by the United States Government and sells the remaining 90% to the State Board of Investment. The Summit Bank of Richfield, Minnesota, has been designated as the organization to pool the various loans placed by Minnesota banks.

## Section 4. Private Placements of Fixed-Income Securities

Certain debt issues of leading national corporations are used by the Investment Department if they have received a rating of "A" or better by a recognized service and have met definite statutory requirements. Because of the quality and size of these issues, their value is ascertainable from current market conditions and a degree of marketability is assured. Such transactions must be completed through the investment firms handling the issue for the particular corporation desiring the funds. In order to avoid being the sole determinant as to interest rate, the Investment

Department has followed the policy of purchasing only a portion of an individual issue, with other recognized institutional buyers participating at the same price and interest rate. Private placements are used only if there appears to be an adequate spread in interest rates between such securities and bonds available on the open market. This differential has varied considerably during the past few years. Private placements purchased during the 1960's were found to be particularly advantageous during the periods of high interest rates since 1970 in that the pro-rata sinking fund provisions resulted in a portion of these securities being retired by the issuer at face value. The amounts received from these mandatory prepayments were far in excess of the market values of bonds with similar coupons.

Numerous issues of private placements were purchased during the 1960's, in comparatively small quantities, at a time when the State accounts were of lesser size. Several remaining holdings of these issues were sold during fiscal 1974 through 1976, with the proceeds invested in securities offering a higher current yield. Certain securities firms have specialized in placing these issues with institutional accounts which are desirous of owning such debt instruments due to tax advantages, existing holdings of the same issues, or knowledge of the individual credits involved. When selling such securities, discrete market checks are made so as not to disturb the market price of the issue being sold. Several firms have shown the expertise necessary to handle these sales in a manner beneficial to Minnesota's accounts.

#### Section 5. Debt Obligations Purchased at Time of Offering on a Designated Basis

Bonds in the amounts indicated were bought at the time of offering when the issues were readily available from members of the syndicate. The orders were placed only with those firms that assumed the underwriting risk and held the bonds. The largest individual order was placed with the managing underwriter in those cases when this particular firm had sufficient bonds available; this syndicate leader was asked to provide the billings and deliveries for all members of the underwriting group.

There have been requests from several securities firms to be included in bond purchases made at the time of original offering because of participation in a "selling group". Such participation simply signifies that the firm would receive a portion of the commission on the bonds sold through the State's order even though such firm assumes no part of the underwriting risk. Because Minnesota's accounts have benefitted greatly through the services offered by underwriters at a time when bond issues have been "tight" - with the new issues difficult to obtain - it is felt to be very unfair to allocate profits to firms not taking the underwriting risk at a time when bonds are easy to obtain.

#### Section 6. Debt Obligations Purchased at or After Time of Offering Through Dealers Having Bonds Available

This schedule includes a listing of orders for bonds placed on the basis of availability, with consideration, when possible, of the factors mentioned previously. In certain instances, such purchases were of issues in great demand by institutional investors; in other cases, the decision to buy the bonds was made after a large portion had been sold by the members of the syndicate. These transactions were completed on the basis of offerings to our Department or through firms known to have unsold balances of the issues involved.

The Investment staff is particularly appreciative of the attempts by leading underwriters to obtain bonds for the State accounts at the times certain new issues, in great demand, were sold to investors.

#### Section 7. Corporate Bonds Purchased Through Secondary Offerings

The Investment Department increased its purchases of bonds on the secondary market during fiscal 1974 and fiscal 1975. During this period of ever increasing interest rates - existing until early calendar 1975 - many quality bond issues remained partially unsold for a substantial period of time after the termination of the underwriting syndicate. Several of these issues were accumulated gradually over a period of months as the money accrued to the retirement and trust funds. These purchases were completed by calling several dealers, practically always including the manager of the original syndicate, those firms known to position the issue, and organizations likely to maintain a market for the securities. The purchases were made at the best price.

Purchases during the 1976 fiscal year were made primarily to meet the needs of individual funds and to increase Departmental holdings in instances where the market price appeared particularly attractive.

#### Section 8. Corporate Bond Sales

A substantial number of corporate bonds were sold from the retirement funds during the past seven years. Early in the 1970's, sales consisted of smaller holdings "inherited" into the various funds and were completed to take advantage of sinking fund bids and other opportunities to increase yields. During the past fiscal year, certain convertible debenture issues have been sold in an effort to increase the overall quality of the fixed-income securities in the account. Although it is likely that the State Board of Investment will not engage actively in bond trading for small theoretical income advantages, it is apparent that there are attractive opportunities for significant portfolio improvements through exchanges of fixed-income obligations.

## Section 9. Common Stock Purchases Allocated by Investment Department

Until May 1, 1975, stock purchases completed through a major exchange, or at the time of a secondary distribution, were allocated on the basis of service received by the Investment Department. Those firms providing the most useful research material or, to a lesser extent, the investment bankers furnishing attractive private placements of fixed-income securities and bonds in appropriate quantities received favorable consideration. As has been previously indicated, the Department also allocated stock orders to those firms providing specialized services in the fields of portfolio comparisons and in computer applications helpful for research and listings of security holdings. During fiscal 1976, negotiations and "competitive bidding" completed with several firms resulted in particular payments for various research and performance measurement services.

The introductory paragraphs of this memorandum regarding the distribution of brokerage business indicated that any placement of securities orders on the basis of "service" or "research" leads to inequities in the case of public funds. Due to time and staff limitations, we have found it necessary to be dependent primarily upon the reports from those firms which have provided particularly valuable information over the years. During the 1969-76 period, there were many personnel changes in brokerage and investment banking organizations. It was often difficult to determine whether the research and investment service had been due to the individual or the general quality of the firm. The continuing mergers and consolidations of investment firms cause ever increasing problems as competent representatives of several former competitors find themselves working for one organization. Each such instance must be evaluated individually, but the Investment Department certainly prefers to deal with only one representative from each organization.

The recent entry of many state and public funds into the corporate securities market has resulted in greater interest in these accounts on the part of many research organizations. Several outstanding firms may believe that their research should be used to a greater extent; however, it is impossible for us to use the volume of written materials presented to us. We feel it may be inappropriate to compensate for this material with securities orders when we do not have the procedural flexibility, nor statutory or Board approval to use many of the issues advocated. Nevertheless, written research materials and discussions with analysts have been most beneficial.

The value of certain telephone calls regarding future securities offerings, current earnings, up-to-the-minute financial news and continuing order solicitations is definitely questioned by the Executive Secretary and the Investment staff. The legislature has appropriated funds for the necessary electronic equipment to provide current market data and information regarding securities. As a whole, the market price of the stocks owned in the State's accounts are little affected by minor changes in earnings estimates or actual earnings amounting to only a few cents a share. Even in the instance of more significant developments, it is doubtful whether the accounts could either buy or sell quickly in quantities which could make any difference to the overall investment performance.

It has been our continuing hope that we could reduce the number of firms with whom we conduct stock transactions. Not only would records be simplified, but we would be able to concentrate our business with organizations which have demonstrated their effectiveness in working with us. Because of the State's needs for specialized information and service in many fields, however, the list of dealers handling State transactions will continue to be longer than that deemed appropriate by most private funds. The size of the Investment Department staff has increased in recent years; therefore, it was logical that individuals, with new preferences as to analysts and research departments, requested that even more firms receive a portion of the Department's securities business. It appears appropriate that the Department deal primarily with those firms which have serviced the State accounts for substantial periods of years and through which specific "soft dollar" services are received. During the past two years an attempt has been made to concentrate research commission dollars with firms which have serviced the State account in a particularly meaningful manner over the many years since the common stock program was initiated.

It has been previously indicated in this report that "negotiated rates" are a misnomer. It is not known whether or not the execution was well handled until after the order is completed. At that point, there is only one firm with which the customer can negotiate. It would appear illogical for a State to negotiate "harder" with one firm than another. It is probable that difficulties could be encountered if rates negotiated for transactions related to one of the many funds handled by the Investment Board were lower than those applicable to other funds. Although some firms have offered to complete sizable transactions for only nominal amounts, it is apparent that future higher commissions are anticipated in order to pay for such services.

It must be emphasized, however, that significant research and securities information is worth more than the saving of all or a portion of a commission. The interest in "negotiated rates" and net prices seems to be unrealistic if investors try to save a fraction of one per cent of the price of securities in the commission rate while discounting the value of advice through research that could lead to very substantial appreciation in the securities purchased - or, just as important, the minimizing of losses.

Therefore, the Investment Department is continuing to distribute securities orders on the basis of service received. At the time of this writing, firms which are members of the New York Stock Exchange - and other major exchanges are requested to complete the transactions at commission rates lower than those in effect prior to May 1, 1975.

by at least 30%. It appears that a "standard reduction" of 35% is typical within the industry. We recognize that such commission reductions are dependent upon the amount of securities business placed with the firms and the services provided by such organizations. Although the various firms offer differing degrees of commission reductions, it is the belief of the Executive Secretary that there is no favoritism shown through such a placement of business in that total annual commissions are limited to the amounts believed appropriate for the research materials and services gained by the Department.

During the past two months, the Investment staff has attempted to reemphasize the relationships with high quality firms which have offices in Minnesota. After visiting the research departments of several firms with Minnesota offices, it was apparent that changes in personnel during the past few years have resulted in a higher level of expertise and a greater amount of service available from these organizations. Although the Department's analysts and portfolio managers still find it necessary to maintain contacts with and receive information from analysts in firms throughout North America, it is only logical that there be a greater attempt by the Department's personnel to use the research services available through the larger securities organizations which have local offices.

#### Section 10. Common Stock Purchases Placed on the Basis of Lowest Available Price -- In Instances of Over-the-Counter Securities, on the "Third Market", or Through Direct Dealings with Other Institutions

During recent years, no purchases nor sales were made of over-the-counter stocks until the offerings and bids had been checked with two or more dealers. We attempted to contact organizations specializing in the particular stocks to be bought.

Substantial blocks of stocks were purchased from several large firms that buy and sell securities at a net price. This usually results in a definite saving to the customer when compared with the latest quotations on the major exchanges, including the standard commissions. The off-board, or "third market", has proven to be very helpful, especially in obtaining stocks that show comparatively low trading activity on the major exchanges. Prior to "May Day" 1975, our experience over one decade indicated that net commission savings on "third market" transactions approximated  $3/8$  to  $1/2$  of a point per share, or \$375 to \$500 per thousand shares. During the past 15 months, the Department has dealt, to a great degree, with stock exchange member firms because of the "soft dollar" commitments for various services and due to the lower commission rates. Nevertheless, we continue to be very impressed with the ability of the third market organizations to provide a market in well-known quality stocks at all times. It appears to Departmental personnel that the third market is able and willing to buy and sell securities even when specialists on the New York Stock Exchange appear to have difficulty in doing so. Although the New York Stock Exchange commission rates are now very competitive, the third market is sometimes able to handle blocks of securities at a price more favorable than possible on a major stock exchange.

An apparent advantage to an off-board trade has been that the entire transaction is completed with no appreciable effect on the price of the stock. Negotiations on such transactions may be complete before the actual trade. This is in marked contrast to the situation involving "negotiated rates" on the major stock exchanges -- which may apply to a wide range of prices applicable to the various shares purchased or sold through one order.

It is not our intent to become unduly concerned with the relative merits of the major exchanges versus the "third market"; we are simply pointing out the advantages of using all recognized markets -- major exchanges, over-the-counter market, the "third market", and the recently established "fourth market" (a direct meeting of buyers and sellers) -- for the benefit of the State funds. In dealing with firms which are not members of major exchanges, all trades are handled on a competitive basis so that the comparative prices may be checked.

Since early 1970, the Investment Department has received the services of the AutEx organization, which provides detailed, current, televised information concerning blocks of stocks which may be of interest to us. Since 1973, the Investment staff has also used the Institutional Networks Corporation in handling trades; this makes possible direct transactions between institutions and among other large holders of stocks -- while withholding the identity of the buyers and sellers. Several very successful transactions of comparatively large size have been completed through this system.

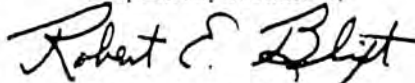
#### Section 11. Common Stock Sales

Departmental sales of common stocks increased substantially during the 1976 fiscal year. As stock market prices increased, a portion of the more successful holdings were often sold at a profit to offset losses taken due to sale of less successful investments. It is anticipated that this process of investment upgrading will continue in order to make the equity portfolio more appropriate for the purposes of the funds. The stocks listed were sold through the markets which appeared to be appropriate at the time of the transactions. When the "over-the-counter", "third market" or the "fourth market" were used, bids were checked so as to assure a proper price. Commission business was allocated as described for stock purchases.

\* \* \* \* \*

The Departmental personnel continue to welcome the constructive interest in the State's distribution of securities business. We have been most impressed with the recent progress by many of the nation's leading securities firms to increase the capability and quality of their research departments. The members of the State Board of Investment, acting through the Investment Department, are trustees for the beneficiaries of the retirement funds, for the State's educational institution, and for the people living in Minnesota. This responsibility continues to be recognized as the Investment personnel review the research and services available from the various securities firms. The confidence of Minnesota's citizens can be retained only if their ultimate good is placed above all other considerations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Robert E. Blyt". The signature is written in dark ink and is positioned above the printed name and title.

Robert E. Blyt, C.F.A.  
Executive Secretary

REB:be

## SECTION 1

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### PURCHASES AND SALES OF U.S. TREASURY OBLIGATIONS AND GOVERNMENT AGENCY SECURITIES

July 1, 1975 - June 30, 1976  
(In Thousands)

| Dealer                                  | Purchase<br>and Sales<br>1-90 days | Purchases<br>and Sales<br>over 90 days | Repurchase<br>Agreements<br>1-45 days | Total<br>Volume |
|-----------------------------------------|------------------------------------|----------------------------------------|---------------------------------------|-----------------|
| Bank of America                         | \$ 3,700                           | \$ 49,750                              | \$ 47,000                             | \$ 100,450      |
| Bankers Trust Company                   | 680                                | 9,500                                  | 55,313                                | 65,493          |
| A. G. Becker & Company                  | 20,940                             | 5,500                                  | -                                     | 26,440          |
| Briggs Schaefer & Company, Inc.         | 10,000                             | 23,625                                 | 23,490                                | 57,115          |
| Carroll McEntee & McGinley, Inc.        | 5,000                              | -                                      | 54,871                                | 59,871          |
| Chemical Bank, New York                 | -                                  | 22,450                                 | 1,166,103                             | 1,188,553       |
| Citibank, New York                      | -                                  | 35,395                                 | 414,958                               | 450,353         |
| Continental Illinois National Bank      | -                                  | 7,500                                  | 235,339                               | 242,839         |
| Discount Corporation                    | 19,045                             | 13,235                                 | 15,000                                | 47,280          |
| First Boston Corporation                | -                                  | 5,000                                  | 4,000                                 | 9,000           |
| First National Bank, Chicago            | -                                  | 17,796                                 | 75,200                                | 92,996          |
| First National Bank, Minneapolis        | 32,920                             | 46,230                                 | 187,463                               | 266,613         |
| First National Bank, St. Paul           | 22,175                             | 120,866                                | 995,691                               | 948,732         |
| First Pennco Securities, Inc.           | -                                  | -                                      | 25,877                                | 25,877          |
| Goldman Sachs & Company                 | 107,200                            | 168,690                                | 68,241                                | 344,131         |
| Aubrey G. Lanston & Company, Inc.       | 14,400                             | 10,500                                 | -                                     | 24,900          |
| Lehman Government Securities, Inc.      | 5,600                              | 63,445                                 | 6,468                                 | 75,511          |
| Merrill Lynch, Pierce, Fenner & Smith   | 2,030                              | 5,500                                  | -                                     | 7,530           |
| Morgan Guaranty Trust Co.               | 59,015                             | 174,835                                | 481,298                               | 715,148         |
| Northwestern National Bank, Minneapolis | 25,950                             | 57,501                                 | 1,925,751                             | 2,009,202       |
| John Nuveen & Company                   | 10,000                             | 74,840                                 | 195,703                               | 280,543         |
| Salomon Brothers                        | 48,910                             | 58,665                                 | 6,812                                 | 114,387         |
| Security Pacific National Bank          | 10,000                             | 21,000                                 | -                                     | 31,000          |
| United California Bank                  | 70,880                             | 20,000                                 | 230,772                               | 321,652         |
| Wendler & Company                       | 5,000                              | 4,365                                  | 6,650                                 | 16,015          |
| Wells Fargo Bank                        | -                                  | 1,000                                  | -                                     | 1,000           |
| TOTALS                                  | \$473,445                          | \$1,017,188                            | \$6,031,998                           | \$7,522,631     |

## SECTION 2

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### PURCHASES AND SALES OF SHORT-TERM CORPORATE NOTES

July 1, 1975 - June 30, 1976  
(In Thousands)

| Dealer                             | Purchases<br>1-90 days | Purchases<br>91-270 days | Sales<br>Prior to<br>Maturity<br>Date | Total<br>Volume |
|------------------------------------|------------------------|--------------------------|---------------------------------------|-----------------|
| Associates Corp. of North America  | \$ 169,687             | \$ 5,641                 | \$ 100                                | \$ 175,428      |
| Beneficial Corp.                   | 114,368                | 3,950                    | -                                     | 118,318         |
| Borg Warner Acceptance Corp.       | 53,941                 | 18,708                   | 3,700                                 | 76,349          |
| Goldman Sachs                      | -                      | -                        | -                                     | -               |
| CIT Financial Corp.                | 91,953                 | 30,725                   | -                                     | 122,678         |
| Dow Chemical Co.                   | 21,500                 | -                        | -                                     | 21,500          |
| Goldman Sachs                      | -                      | -                        | -                                     | -               |
| First Bank System                  | 15,550                 | 1,370                    | -                                     | 16,920          |
| First Boston Corp.                 | -                      | -                        | -                                     | -               |
| Ford Motor Credit Co.              | 124,158                | 16,524                   | -                                     | 140,682         |
| General Electric Credit Corp.      | 110,808                | 8,672                    | -                                     | 119,480         |
| General Motors Acceptance Corp.    | 136,782                | 7,535                    | 1,773                                 | 145,990         |
| Walter E. Heller & Co.             | 155,465                | 25,598                   | 100                                   | 181,163         |
| Honeywell Finance Inc.             | 42,166                 | 6,289                    | -                                     | 48,455          |
| John Sowerby Associates, Inc.      | -                      | -                        | -                                     | -               |
| Household Finance Corp.            | 117,897                | 4,400                    | -                                     | 122,297         |
| International Harvester Credit Co. | 212,249                | -                        | -                                     | 212,249         |
| Montgomery Ward Credit Corp.       | 153,001                | 14,645                   | -                                     | 167,646         |
| Northwest Bancorporation           | 10,748                 | 5,027                    | -                                     | 15,775          |
| J. C. Penney Financial Corp.       | 106,934                | 18,841                   | -                                     | 125,775         |
| Sears Roebuck Acceptance Corp.     | 126,068                | 9,028                    | -                                     | 135,096         |
| Sohio Pipeline Inc.                | 54,831                 | 1,800                    | 1,381                                 | 58,012          |
| A. G. Becker & Co.                 | -                      | -                        | -                                     | -               |
| Texaco Inc.                        | 29,300                 | 12,127                   | -                                     | 41,427          |
| Goldman Sachs                      | -                      | -                        | -                                     | -               |
| Transamerica Financial Corp.       | 9,279                  | 13,500                   | -                                     | 22,779          |
| TOTALS                             | \$1,864,285            | \$208,880                | \$4,564                               | \$2,077,729     |

## SECTION 3

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### PURCHASES OF U.S. GOVERNMENT GUARANTEED OBLIGATIONS

July 1, 1975 - June 30, 1976

##### A. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

| Face<br>Amount<br>(000) | Dealer or Issuer                            |
|-------------------------|---------------------------------------------|
| \$2,000                 | First Boston Corporation                    |
| 3,999                   | Loeb, Rhoades & Company                     |
| 2,000                   | Merrill Lynch, Pierce, Fenner & Smith, Inc. |

##### B. MERCHANT MARINE (TITLE XI)

| Face<br>Amount<br>(000) | Dealer or Issuer                            |
|-------------------------|---------------------------------------------|
| \$ 225                  | American Securities Corporation             |
| 100                     | Beir, Stearns & Company                     |
| 200                     | Becker, A. G. & Co.                         |
| 100                     | Dain, Kaiman & Quail, Inc.                  |
| 3,234                   | Dillon, Read & Co., Inc.                    |
| 150                     | First Boston Corporation                    |
| 100                     | Goldman Sachs & Company                     |
| 225                     | Halsey, Stuart & Co., Inc.                  |
| 200                     | Harris, Upham & Co.                         |
| 225                     | Hornblower & Weeks - Hemphill, Noyes        |
| 225                     | Hutton, (E.F.) & Co., Inc.                  |
| 225                     | Kidder, Peabody & Co., Inc.                 |
| 225                     | Kuhn, Loeb & Co.                            |
| 825                     | Lehman Brothers, Inc.                       |
| 250                     | Merrill Lynch, Pierce, Fenner & Smith, Inc. |
| 150                     | Morgan Stanley & Co., Inc.                  |
| 100                     | Nuveen (John) & Co.                         |
| 250                     | Paine, Webber, Jackson & Curtis, Inc.       |
| 100                     | Pressprich, H. W. & Co., Inc.               |
| 225                     | Reynolds Securities, Inc.                   |
| 250                     | Salomon Brothers                            |
| 200                     | Shearson Hayden Stone, Inc.                 |
| 225                     | Smith, Barney & Co.                         |
| 200                     | Weeden & Company                            |
| 100                     | Wertheim & Company                          |
| 3,400                   | White, Weld & Company                       |
| 275                     | Witter, Dean & Co.                          |
| 200                     | Wood, Struthers & Winthrop Inc.             |

##### C. SMALL BUSINESS ADMINISTRATION GUARANTEED

| Face<br>Amount<br>(000) | Dealer or Issuer                    |
|-------------------------|-------------------------------------|
| \$1,031                 | Summit Bank of Richfield, Minnesota |

## SECTION 4

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### PURCHASES OF PRIVATE PLACEMENT FIXED INCOME SECURITIES

July 1, 1975 - June 30, 1976

| Face<br>Amount<br>(000) | Dealer                                      |
|-------------------------|---------------------------------------------|
| \$10,375                | Blyth Eastman Dillon & Co., Inc.            |
| 10,375                  | First Boston Corporation                    |
| 11,450                  | Halsey, Stuart & Co., Inc.                  |
| 2,953                   | Merrill Lynch, Pierce, Fenner & Smith, Inc. |
| 5,000                   | Morgan Stanley & Co., Inc.                  |
| 16,767                  | Salomon Brothers                            |
| 9,250                   | Wood Gundy, Inc.                            |

## SECTION 5

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### DEBT OBLIGATIONS PURCHASED AT TIME OF OFFERING ON A DESIGNATED BASIS July 1, 1975 - June 30, 1976

| Face Amount (000) | Dealer                               | Face Amount (000) | Dealer                                      |
|-------------------|--------------------------------------|-------------------|---------------------------------------------|
| \$ 50             | Allison Williams Company             | \$ 235            | Lazard Freres & Co.                         |
| 125               | American Securities Corporation      | 1,555             | Lehman Brothers, Inc.                       |
| 465               | Ames (A.E.) & Company                | 585               | Loeb, Rhoades & Company                     |
| 25                | Auerbach, Pollack & Richardson, Inc. | 455               | McLeod, Young, Weir, Inc.                   |
| 235               | Baird, (Robert W.) Co., Inc.         | 2,335             | Merrill Lynch, Pierce, Fenner & Smith, Inc. |
| 735               | Bear, Stearns & Company              | 55                | Milwaukee Company (The)                     |
| 385               | Becker, A. G. & Co.                  | 1,275             | Morgan Stanley & Co., Inc.                  |
| 225               | Bell, Gouinlock & Co.                | 225               | Nesbitt Thomson & Co., Ltd.                 |
| 335               | Blair, (William) & Co.               | 30                | Novick (M.H.) & Co., Inc.                   |
| 1,850             | Blyth Eastman Dillon & Co., Inc.     | 1,020             | Paine, Webber, Jackson & Curtis, Inc.       |
| 225               | Burns Bros. and Denton Limited       | 475               | Piper, Jaffray & Hopwood, Inc.              |
| 75                | Caldwell Phillips, Inc.              | 450               | Presprich, R. W. & Co., Inc.                |
| 600               | Dani, Kalman & Quail, Inc.           | 1,345             | Reynolds Securities, Inc.                   |
| 1,195             | Dillon, Read & Co., Inc.             | 780               | Richardson Securities Inc.                  |
| 460               | Domination Securities                | 55                | Robinson-Humphrey Company, Inc.             |
| 100               | Dominick & Dominick, Inc.            | 130               | Rothschild (L.F.) & Co.                     |
| 345               | Donaldson, Lufkin & Jenrette Corp.   | 4,085             | Salomon Brothers                            |
| 1,050             | Drexel Burnham & Co., Inc.           | 810               | Shearson Hayden Stone, Inc.                 |
| 125               | Eberstadt (F.) & Co., Inc.           | 455               | Shields Model Roland Inc.                   |
| 105               | Edwards, (A.G.) & Sons, Inc.         | 920               | Smith, Barney & Co.                         |
| 225               | Equitable Canada                     | 50                | Spencer Trask & Co., Inc.                   |
| 2,310             | First Boston Corporation             | 55                | Stifel, Nicolaus & Co., Inc.                |
| 250               | Fry Mills Spence                     | 125               | Stuart Brothers                             |
| 5,115             | Goldman, Sachs & Company             | 85                | Sutro & Co., Inc.                           |
| 330               | Greenstads & Co.                     | 50                | Thomson & McKinnon Auchincloss Inc.         |
| 1,410             | Halsey, Stuart & Co., Inc.           | 700               | Wendel & Company                            |
| 325               | Harris, Upham & Co.                  | 525               | Wertheim & Company                          |
| 995               | Hornblower & Weeks - Hemphill, Noyes | 1,270             | White, Weld & Company                       |
| 1,245             | Hutton, (E.F.) & Co., Inc.           | 920               | Witter, Dean & Co.                          |
| 80                | Hudson Company (The)                 | 585               | Wood Gundy, Inc.                            |
| 80                | Keele, Bruyette & Woods, Inc.        | 500               | Wood, Struthers & Worthington, Inc.         |
| 1,270             | Kidder, Peabody & Co., Inc.          |                   |                                             |
| 635               | Kuhn, Loeb & Co.                     |                   |                                             |
| 30                | Lamson Brothers & Co.                |                   |                                             |

## SECTION 6

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### DEBT OBLIGATIONS PURCHASED AT OR AFTER TIME OF OFFERING THROUGH DEALERS HAVING BONDS AVAILABLE July 1, 1975 - June 30, 1976

| Face Amount (000) | Dealer                        | Face Amount (000) | Dealer                               |
|-------------------|-------------------------------|-------------------|--------------------------------------|
| \$ 150            | ABG Securities Corporation    | \$ 240            | Hornblower & Weeks - Hemphill, Noyes |
| 300               | Allen & Company, Inc.         | 1,000             | Hutton, (E.F.) & Co., Inc.           |
| 30                | Allison Williams Company      | 794               | Kidder, Peabody & Co., Inc.          |
| 2,000             | Bache Halsey Stuart, Inc.     | 150               | Kleinworth-Benson, Inc.              |
| 345               | Baird, (Robert W.) Co., Inc.  | 9                 | Lamson Brothers & Co.                |
| 150               | Baker, Weeks & Co., Inc.      | 50                | Lazard Freres & Co.                  |
| 300               | Baird Securities Corp.        | 510               | Milwaukee Company (The)              |
| 540               | Blair, (William) & Co.        | 300               | Newcourt Securities                  |
| 150               | Blunt Ellis and Simmons, Inc. | 150               | Oppenheimer & Co., Inc.              |
| 40                | Caldwell Phillips, Inc.       | 785               | Piper, Jaffray & Hopwood, Inc.       |
| 150               | Chicago Corporation, The      | 200               | Reynolds Securities, Inc.            |
| 100               | Dani, Kalman & Quail, Inc.    | 150               | Rodman & Henshaw                     |
| 152               | Dawson Securities America     | 275               | Rothschild (L.F.) & Co.              |
| 350               | Drexel Burnham & Co., Inc.    | 7,160             | Salomon Brothers                     |
| 300               | Eberstadt (F.) & Co., Inc.    | 100               | Shearson Hayden Stone, Inc.          |
| 225               | Edwards, (A.G.) & Sons, Inc.  | 50                | Smith, Barney & Co.                  |
| 300               | Europartners Securities       | 300               | UBS DB Corporation                   |
| 550               | First Boston Corporation      | 150               | Unterberg (C.F.), Fomon Company      |
| 250               | Fleming, Robert, Inc.         | 1,000             | Weeden & Company                     |
| 4,500             | Goldman, Sachs & Company      | 2,000             | White, Weld & Company                |
| 5                 | Harris Upham & Company        | 727               | Witter, Dean & Co.                   |
|                   |                               | 400               | Wood Gundy, Inc.                     |

## SECTION 7

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### CORPORATE BONDS PURCHASED THROUGH SECONDARY OFFERINGS July 1, 1975 - June 30, 1976

| Face Amount (000) | Dealer                                      |
|-------------------|---------------------------------------------|
| \$ 100            | Blyth Eastman Dillon & Co., Inc.            |
| 500               | Dillon, Read & Co., Inc.                    |
| 3,700             | First Boston Corporation                    |
| 2,500             | Goldman Sachs & Company                     |
| 650               | Kidder, Peabody & Co., Inc.                 |
| 1,000             | Kuhn, Loeb & Co.                            |
| 500               | Loeb, Rhoades & Company                     |
| 2,000             | Merrill Lynch, Pierce, Fenner & Smith, Inc. |
| 1,350             | Morgan Stanley & Co., Inc.                  |
| 400               | Salomon Brothers                            |
| 1,000             | Weeden & Company                            |
| 150               | White, Weld & Company                       |

## SECTION 8

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### PUBLIC ISSUE CORPORATE BOND SALES July 1, 1975 - June 30, 1976

| Face Amount (000) | Dealer                                      |
|-------------------|---------------------------------------------|
| \$1,000           | Bear, Stearns & Company                     |
| 250               | Goldman, Sachs & Company                    |
| 825               | Hudson Company (The)                        |
| 1,500             | Kidder, Peabody & Co., Inc.                 |
| 1,000             | Merrill Lynch, Pierce, Fenner & Smith, Inc. |
| 2,550             | Morgan Stanley & Co., Inc.                  |
| 250               | Presprich, R. W. & Co., Inc.                |
| 500               | Rodman & Henshaw                            |
| 4,150             | Salomon Brothers                            |
| 2,550             | Smith, Barney & Co.                         |
| 350               | Wood, Struthers & Worthington, Inc.         |

## SECTION 9

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### COMMON STOCK PURCHASES ALLOCATED BY INVESTMENT DEPARTMENT July 1, 1975 - June 30, 1976

| Total Shares | Issue and Vendor                     | Total Shares | Issue and Vendor    |
|--------------|--------------------------------------|--------------|---------------------|
| UTILITIES    |                                      |              |                     |
| Electric     |                                      |              |                     |
| 63800        | Commonwealth Edison Company          | 1000         | Becker Securities   |
|              | 1000 Bache Halsey                    | 300          | Wm. Blair           |
|              | 10000 DeHaven Townsend               | 600          | Blyth Eastman       |
|              | 5000 First Boston                    | 300          | Caldwell Phillips   |
|              | 10000 Goldman Sachs                  | 200          | Craig Hallum        |
|              | 5000 Keele Bruyette                  | 2000         | Dani Kalman         |
|              | 17000 Milwaukee & Company            | 600          | Drexel Burnham      |
|              | 4500 Paine Webber                    | 500          | A. G. Edwards       |
|              | 11300 Sutro & Co.                    | 600          | First Boston        |
| 8500         | Florida Power & Light Company        | 600          | Goldman Sachs       |
|              | 2000 Mitchell Hutchins               | 800          | Hornblower Weeks    |
|              | 4500 W. H. Reaves                    | 600          | Kidder Peabody      |
| 24000        | 2000 H. C. Wainwright                | 100          | Kuhn Loeb           |
|              | Middle South Utilities, Incorporated | 600          | Lamson Brothers     |
|              | 2000 First Boston                    | 600          | Lehman Brothers     |
| 30000        | 22000 Paine Webber                   | 600          | Loeb Rhoades        |
|              | Northern States Power Company        | 9000         | Merrill Lynch       |
|              | 100 Allison Williams                 | 200          | Milwaukee & Company |
|              | 350 Robert Baird                     | 100          | M. H. Novick        |
|              | 800 Bache Halsey                     | 2000         | Piper Jaffray       |
|              | 600 Bear Stearns                     | 250          | W. H. Reaves        |
|              |                                      | 800          | Reynolds Securities |
|              |                                      | 400          | Robinson-Humphrey   |





| Total<br>Shares | Issue and Vendor                                                                                                                                                                                                                 | Total<br>Shares | Issue and Vendor                                                                                                                                                                                                                                             |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13350           | 10000 Merrill Lynch<br>4000 Weeden & Co.                                                                                                                                                                                         | 7000            | MGIC Investment Corporation<br>7000 White Weld                                                                                                                                                                                                               |
| 32000           | 11350 Connecticut General Insurance Corp.<br>2000 Jefferies & Co.<br>2000 Merrill Lynch<br>Consolidated Foods Corporation<br>200 Institutional Networks<br>4000 Jefferies & Co.<br>17800 Merrill Lynch<br>10000 H. C. Wainwright | 11700           | McDonald's Corporation<br>2700 American Securities<br>500 Bear Stearns<br>7500 Merrill Lynch<br>900 Weeden & Co.                                                                                                                                             |
| 34000           | Continental Illinois Corporation<br>7000 Brown Brothers<br>2000 DeHaven Townsend<br>3000 Institutional Networks<br>5000 Mesrow & Co.<br>3000 Paine Webber<br>15000 Salomon Brothers<br>3300 Wood Struthers                       | 2000            | Merck & Co., Inc.<br>2000 Institutional Networks<br>Modern Merchandising, Inc.<br>6625 Wm. Blair<br>1250 Dain Kalman<br>5000 E. F. Hutton<br>3250 Jefferies & Co.<br>10125 Merrill Lynch<br>2500 Piper Jaffray<br>2500 Oppenheimer & Co.<br>2500 Dean Witter |
| 78000           | Continental Oil Company (Del.)<br>20000 Institutional Networks<br>38000 Jefferies & Co.<br>20000 Oppenheimer & Co.                                                                                                               | 33750           | Monsanto Company<br>2000 Cowen & Co.<br>300 Loeb Rhoades<br>3000 Mesrow & Co.<br>5300 Paine Webber<br>13100 Shearson Hayden<br>1700 Sutro & Co.<br>300 Weeden & Co.<br>16430 Wertheim & Co.<br>J. P. Morgan & Co., Incorporated<br>2000 Keefe Bruyette       |
| 31600           | Corning Glass Works<br>1000 Bear Stearns<br>24500 DeHaven Townsend<br>400 Merrill Lynch<br>5700 Smith Barney                                                                                                                     | 42130           | NLT Corporation<br>500 Kall & Co.<br>2700 Loeb Rhoades<br>2000 Robinson Humphrey<br>Nicor, Inc.<br>36100 First Boston<br>3500 Jefferies & Co.<br>6500 Salomon Brothers<br>5100 Dean Witter<br>9000 Wood Struthers                                            |
| 700             | Delta Air Lines, Incorporated<br>700 Paine Webber                                                                                                                                                                                | 2000            | Northwest Airlines, Incorporated<br>9000 Bear Stearns<br>14000 Hornblower Weeks<br>5000 Paine Webber                                                                                                                                                         |
| 14200           | Digital Equipment Corporation<br>600 Bear Stearns<br>1100 Drexel Burnham<br>10000 Mitchell Hutchins<br>2500 Wertheim & Co.                                                                                                       | 5200            | Northwest Bancorporation<br>5000 Keefe Bruyette<br>Owens Corning Fiberglas Corp.<br>5000 First Boston<br>54200 Merrill Lynch<br>PepsiCo, Inc.<br>1000 Piper Jaffray<br>1500 Shearson Hayden<br>500 Weeden & Co.                                              |
| 13160           | Disney (Walt) Productions<br>12360 Blyth Eastman<br>800 Weeden & Co.                                                                                                                                                             | 60200           | Pillsbury Company (The)<br>9000 Institutional Networks<br>500 Merrill Lynch<br>5000 J. H. Oliphant<br>4000 Piper Jaffray<br>7500 H. C. Wainwright<br>7000 Dean Witter                                                                                        |
| 34000           | Dow Chemical Company (The)<br>6000 American Securities<br>3000 Brown Brothers<br>400 Jefferies & Co.<br>12000 Merrill Lynch<br>12600 Mesrow & Co.                                                                                | 28000           | Pittston Company (The)<br>10200 Jefferies & Co.<br>3060 Kidder Peabody<br>12240 White Weld<br>10200 Wm. Witter<br>Revlon, Incorporated<br>9000 Salomon Brothers                                                                                              |
| 28800           | Eastman Kodak Company<br>3700 Jefferies & Co.<br>17100 Merrill Lynch<br>5000 L. F. Rothschild<br>3000 Shields Model                                                                                                              | 5000            | SAFECO Corporation<br>14400 Goldman Sachs<br>10500 E. F. Hutton<br>22000 Jefferies & Co.<br>3000 Merrill Lynch<br>4000 Shields Model                                                                                                                         |
| 230500          | Fedders Corporation<br>9500 Drexel Burnham<br>2300 Jefferies & Co.<br>37000 Kall & Company<br>118900 Merrill Lynch<br>30000 Mitchell Hutchins<br>16800 Oppenheimer & Co.<br>16000 Wood Struthers                                 | 3000            | Standard Oil Company (Indiana)<br>1700 American Securities<br>2000 Brown Brothers<br>9000 DeHaven Townsend<br>5300 Institutional Networks<br>5000 Jefferies & Co.<br>13300 Merrill Lynch<br>7100 Shearson Hayden                                             |
| 36100           | Federated Department Stores, Inc.<br>7000 Institutional Networks<br>4100 Jefferies & Co.<br>25000 Merrill Lynch                                                                                                                  | 35700           | Standard Oil Company (Ohio)<br>400 Merrill Lynch<br>Texaco Inc.<br>16300 Oppenheimer & Co.<br>The Toro Company<br>9800 Jefferies & Co.                                                                                                                       |
| 48300           | First Union Corporation<br>15000 Goldman Sachs<br>7000 Keefe Bruyette<br>26300 Merrill Lynch                                                                                                                                     | 9000            | Union Pacific Corporation<br>300 Merrill Lynch<br>900 Weeden & Co.                                                                                                                                                                                           |
| 14500           | Ford Motor Company<br>3000 Jefferies & Co.<br>5000 Loeb Rhoades<br>6500 H. C. Wainwright                                                                                                                                         | 53900           | Westinghouse Electric Corporation<br>11500 Cowen & Co.<br>3500 First Boston<br>10000 Lehman Brothers<br>12400 Paine Webber<br>Veyerhaeuser Company<br>3000 DeHaven Townsend<br>2000 Kidder Peabody                                                           |
| 5000            | General Foods Corporation<br>5000 Institutional Networks                                                                                                                                                                         | 53400           |                                                                                                                                                                                                                                                              |
| 81800           | General Mills, Incorporated<br>20000 Brown Brothers<br>12600 Kall & Co.<br>31000 Merrill Lynch<br>8200 J. H. Oliphant<br>10000 Weeden & Co.                                                                                      |                 |                                                                                                                                                                                                                                                              |
| 17000           | General Motors Corporation<br>17000 Kidder Peabody                                                                                                                                                                               |                 |                                                                                                                                                                                                                                                              |
| 2000            | Hewlett Packard Company<br>2000 Smith Barney                                                                                                                                                                                     |                 |                                                                                                                                                                                                                                                              |
| 133400          | Holiday Inns, Incorporated<br>17000 First Manhattan<br>22900 Oppenheimer & Co.<br>13500 Salomon Brothers<br>30000 Smith Barney                                                                                                   | 400             |                                                                                                                                                                                                                                                              |
| 54200           | International Paper Company<br>17000 Hornblower Weeks<br>5200 Institutional Networks<br>1000 Jefferies & Co.<br>16400 Merrill Lynch<br>12800 Paine Webber<br>1800 H. C. Wainwright                                               | 10000           |                                                                                                                                                                                                                                                              |
| 68600           | Investors Diversified Services, Inc.<br>19300 Merrill Lynch<br>49300 Salomon Brothers                                                                                                                                            | 9800            |                                                                                                                                                                                                                                                              |
| 42050           | Kenexa (S.S.I.) Company<br>37000 Institutional Networks<br>5000 Morgan Stanley                                                                                                                                                   | 1200            |                                                                                                                                                                                                                                                              |



STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

CONSTITUTIONAL AND STATUTORY PROVISIONS APPLICABLE TO THE INVESTMENT  
OF THE VARIOUS MINNESOTA STATE FUNDS

JANUARY 31, 1977

(FROM MINNESOTA STATUTES 1976)

CONSTITUTIONAL PROVISION FOR AUTHORITY OF MINNESOTA STATE BOARD OF INVESTMENT

THE MINNESOTA CONSTITUTION

ARTICLE XI, SECTION 8

Sec. 8. Permanent school fund; source; investment; board of investment. The permanent school fund of the state consists of (a) the proceeds of lands granted by the United States for the use of schools within each township, (b) the proceeds derived from swamp lands granted to the state, (c) all cash and investments credited to the permanent school fund and to the swamp land fund, and (d) all cash and investments credited to the internal improvement land fund and the lands therein. No portion of these lands shall be sold otherwise than at public sale, and in the manner provided by law. All funds arising from the sale or other disposition of the lands, or income accruing in any way before the sale or disposition thereof, shall be credited to the permanent school fund. Within limitations prescribed by law, to secure the maximum return thereon consistent with the maintenance of the perpetuity of the fund, and with the approval of the board of investment, the fund may be invested in: (1) interest bearing fixed income securities of the United States and of its agencies, fixed income securities guaranteed in full as to payment of principal and interest by the United States, bonds of the state of Minnesota or its political subdivisions or agencies, or of other states, but not more than 50 percent of any issue by a political subdivision shall be purchased; (2) stocks of corporations on which cash dividends have been paid from earnings for five consecutive years or longer immediately prior to purchase, but not more than 20 percent of the fund shall be invested therein at any given time nor more than one percent in stock of any one corporation, nor shall more than five percent of the voting stock of any one corporation be owned; (3) bonds of corporations whose earnings have been at least three times the interest requirements on outstanding bonds for five consecutive years or longer immediately prior to purchase, but not more than 40 percent of the fund shall be invested in corporate bonds at any given time. The percentages referred to above shall be computed using the cost price of the stocks or bonds. The principal of the permanent school fund shall be perpetual and inviolate forever. This does not prevent the sale of any public or private stocks or bonds at less than the cost to the fund; however, all losses not offset by gains shall be repaid to the fund from the interest and dividends earned thereafter. The net interest and dividends arising from the fund shall be distributed to the different school districts of the state in proportion to the number of students in each district between the ages of 5 and 21 years.

A board of investment consisting of the governor, the state auditor, the state treasurer, the secretary of state, and the attorney general is hereby constituted for the purpose of administering and directing the investment of all state funds. The board shall not permit state funds to be used for the underwriting or direct purchase of municipal securities from the issuer or his agent.

## CHAPTER 11

STATE BOARD OF INVESTMENT  
(FROM MINNESOTA STATUTES 1976)

| Sec.   |                                                                             | Sec.  |                                                                        |
|--------|-----------------------------------------------------------------------------|-------|------------------------------------------------------------------------|
| 11.01  | Membership; records.                                                        | 11.18 | MINNESOTA RETIREMENT FUNDS                                             |
| 11.015 | Permanent school fund, investment.                                          | 11.18 | Minnesota supplemental retirement fund established.                    |
| 11.04  | Secretary to have access to bonds and securities being part of trust funds. | 11.19 | Participation in fund.                                                 |
| 11.05  | Appropriation for investment.                                               | 11.20 | Prospectus.                                                            |
| 11.06  | Standing appropriation for expense of investment.                           | 11.21 | Participation by public employee retirement funds.                     |
| 11.08  | Escheated property, report, sale.                                           | 11.22 | Redemptions.                                                           |
| 11.10  | Investment of money in state treasury not currently needed.                 | 11.23 | Applications for participation and redemption.                         |
| 11.11  | Executive secretary; consultants.                                           | 11.24 | Legal title to assets.                                                 |
| 11.115 | Reimbursement for certain expenses.                                         | 11.25 | Minnesota adjustable fixed benefit fund.                               |
| 11.12  | Duties of executive secretary; bond.                                        | 11.26 | Minnesota variable annuity fund.                                       |
| 11.13  | Investment policies.                                                        | 11.27 | Continuing appropriation from Minnesota adjustable fixed benefit fund. |
| 11.14  | Office space.                                                               |       | STATE ZOOLOGICAL GARDEN OPERATING ACCOUNT                              |
| 11.15  | Investment of state bond fund.                                              | 11.28 | State zoological garden; operating receipts investment account.        |
| 11.16  | Minnesota state retirement system; investment securities.                   |       |                                                                        |
| 11.17  | Investment of highway funds.                                                |       |                                                                        |

**11.01 MEMBERSHIP; RECORDS.** The governor shall be ex officio president of the state board of investment, which shall have a permanent executive secretary, who shall keep a record of its proceedings. Both the executive secretary of the board and the auditor shall keep appropriate investment and accounting records.

[ 1921 c 516 s 1; 1925 c 131 s 1; 1929 c 254 s 1; 1931 c 346 s 1; 1935 c 337 s 1; 1939 c 387 s 1; 1941 c 172 s 1; 1943 c 152 s 1; 1963 c 567 s 3 ] (6303)

**11.015 PERMANENT SCHOOL FUND, INVESTMENT.** Subdivision 1. The state board of investment may invest the permanent school funds of the state of Minnesota in such securities as are duly authorized by Article 11, Section 8, of the Constitution of the state of Minnesota subject, however, to the limitations provided in this section. Such investments shall be made with such prudence, discretion, and intelligence as will protect the safety of the principal of such fund as well as the income to be derived therefrom. The state board of investment shall sell such securities when the overall investment portfolio of the fund will be improved through such action and may reinvest the proceeds in securities herein provided for.

Subd. 2. Bonds of any municipal or political subdivision of this state, issued pursuant to a law of this state, are legal investments for the permanent school fund; provided, however, that the issuer has not, within ten years prior to the making of the investment, been in default for more than 30 days in the payment of any part of the principal or interest on any debt evidenced by its bonds, and provided further, that the assessed value of the real and personal property within the municipality issuing such bonds is more than double the sum of the bonded indebtedness of such municipality and the bonded indebtedness of any other political subdivision imposing taxes upon the property within such municipality for the payments of its bonded indebtedness. Where the area of such other political subdivision is greater than the area of the municipality issuing such bonds, the amount of bonded indebtedness of such other political subdivision to be used in making the foregoing calculations shall be such figure as is arrived at by dividing the bonded indebtedness of such other political subdivision by the total assessed value of real and personal property in such other subdivision and multiplying the result by the assessed value of the real and personal property of such other political subdivision within such municipality.

Subd. 3. Not more than 50 percent of the bonds of any municipal or political subdivision of this state issued at one time and due on any one maturity date may be purchased for accounts managed by the state board of investment. Such bonds must bear the same coupon rate as those of the same maturity sold to other investors and must be purchased at a price no higher than that offered to other buyers of the issue at the time of purchase.

Subd. 4. Bonds, notes, debentures, equipment obligations, or any other obligation of any corporation organized within any of the states of the United States or in Canada provided that obligations of Canadian corporations shall be payable in United States dollars, are legal investments for the permanent school fund; provided, how-

ever, that no bonds, notes, debentures, equipment obligations, or any other obligation of any corporation with assets of less than ten million dollars may be purchased, nor shall the book value of the outstanding capital stock of such corporation at the time of such investment be equal to less than 50 percent of its total funded debt. For a period of five consecutive years or longer immediately prior to the date of such investment, the pretax earnings of the corporation shall have been at least three times the interest requirements on outstanding bonds, and for such period the gross operating revenues of any such corporation shall have averaged per year not less than one million dollars; provided that the investment in such securities shall not exceed 40 percent of the total assets of the fund at any time.

Subd. 5. All investments made under subdivisions 2, 3, and 4 hereof shall be rated among the top third of the quality categories, not applicable to defaulted bonds, used by a nationally recognized rating agency for rating the quality of the same.

Subd. 6. Preferred and common stocks of any corporation organized within any of the states of the United States or in Canada listed on a United States national stock exchange and insurance and bank common and preferred stocks are legal investments for the permanent school fund, providing these stocks conform to the limitations prescribed in the Constitution, Article 11, Section 8. The aggregate of common and preferred stock investments may not exceed 20 percent of the total assets of the fund at any time. Furthermore, the board may invest no more than five percent of the assets of the fund in common or preferred stocks in any one year, the intent of this provision being that the fund may not attain a position of 20 percent in stocks within a period of less than four years. All percentage restrictions concerning stock investments, both by constitutional provisions and by statute, shall be computed on the basis of the cost price of such stocks at the time of investment. No investment shall be made in the common or preferred stocks of any corporation with assets of less than ten million dollars.

Subd. 7. At the end of each fiscal year, the total amount of losses on the sales of securities, not offset by gains on the sales of securities during that year, shall be computed, with a portion of these losses to be deducted each fiscal year from the interest and dividend income and such amount of interest and dividend income added to the principal of the fund. Losses taken on the sales of bonds shall be accumulated over a period equal to the average remaining life of the bonds sold, and losses taken on the sales of stocks shall be accumulated within a period of five years, unless these losses are offset by gains on future sales of securities. In any fiscal year in which the gains on the sales of securities exceed the losses on the sales of securities, such excess shall be added to the principal of the fund.

Subd. 8. Income arising from the investment of the permanent school fund shall be invested in short term obligations of the United States of America or an agency thereof until such investment income is needed for payment to the school districts.

[ 1963 c 567 s 1; 1976 c 2 s 172 ]

11.02 [ Repealed, 1959 c 693 s 7 ]

11.03 [ Repealed, 1959 c 693 s 7 ]

11.04 SECRETARY TO HAVE ACCESS TO BONDS AND SECURITIES BEING PART OF TRUST FUNDS. The state treasurer shall continue to have the custody of the bonds and securities belonging to the trust funds of the state, but the secretary shall have access thereto, in the presence of a representative of the state treasurer, during the usual office hours of the treasury department.

[ 1917 c 271 s 7 ] (6310)

11.05 APPROPRIATION FOR INVESTMENT. Subdivision 1. Annually. There are hereby annually appropriated for the purposes of investment all moneys received into the state treasury to the credit of the permanent school fund, permanent university fund, internal improvement land fund, and all other funds required to be invested in securities or which may be loaned as provided by law.

Subd. 2. Coverage. The annual appropriations herein provided for shall cover the full purchase price of bonds or other securities to be purchased, including premiums when bonds or securities are purchased above par. All premiums to be paid out of such appropriation of trust funds shall be amortized from the income from said bonds or securities as follows: The yield on said bonds or securities shall be calculated on the basis of cost including premiums. From each interest payment to be received

there is hereby appropriated and there shall be transferred to the respective trust funds the difference between the yield of the bond or security so calculated for that interest period and the interest received, so that at the maturity of the bond, or security the respective trust funds will be completely reimbursed for the amount of premiums paid. When United States government obligations are purchased below par, all discounts shall be accumulated on such bonds or securities as follows: At the time each interest payment is received there shall be transferred from the principal to the income of the respective trust funds the difference between the yield of the bond, or security so calculated for that interest period and the interest received so that at the maturity of the bond, or security, income will be credited with the full amount of the interest yield, namely the amount received from the coupons plus the amount of the discount. The amount received from the bond, or security, at maturity will be credited to principal and will completely reimburse the principal for: (1) The amount paid from principal for the purchase of the bond at a discount, and (2) the amounts transferred from principal to income to cover the difference between the yield of the bond, or security, and the interest received from the coupons. The yield from United States treasury bills shall be the difference between the cost price and selling price or maturity value and shall be regarded as interest income. The state board of investment shall initiate those entries that are necessary to give effect to the above provision applicable to those investments purchased on and after January 1, 1955.

Subd. 3. Profit credited to trust fund. If the state board of investment shall sell any bonds or other securities held in the trust funds of the state above the purchase price therefor, the profit therefrom shall be credited to the principal of the trust fund in which they are held.

Subd. 4. Collection of unearned interest. If the state board of investment shall accept payment of any bonds or other securities, by the issuers thereof, prior to maturity, upon payment of their face value and accrued interest, plus the difference in interest between that which the face value of said bonds or securities would have yielded if they had not been paid before maturity and the interest, if less, that will be received on the reinvestment of the principal so prepaid up to the date of its original maturity, the unearned interest so paid in advance shall be distributed in the same manner and at such times as the interest on such bonds or securities would have been distributed if such interest had not been so prepaid.

[ RL s 2436; 1945 c 312 s 1; Ex1961 c 34 s 1 ] (6313)

11.06 STANDING APPROPRIATION FOR EXPENSE OF INVESTMENT. There are hereby annually appropriated such sums as shall be found necessary for the incidental expenses of purchase, including the payment of interest accrued at the time of purchase, of bonds for the permanent school and university funds, payable from the current or general school or university funds, respectively, and for like expenses of the purchase of bonds for the other permanent funds referred to in section 11.05, payable from the respective current or general funds.

[ RL s 2437 ] (6314)

11.07 [ Repealed, 1961 c 561 s 17 ]

11.08 ESCHEATED PROPERTY, REPORT, SALE. The commissioner of finance shall report immediately to the state board of investment all personal property other than money received by the state of Minnesota as escheated property. When the state board of investment shall determine that it is for the best interest of the state to sell such property it shall direct the state treasurer to sell the same to the highest bidder in such manner and upon such terms and conditions as it may prescribe. All moneys received from such sale shall be credited to the general fund of the state.

[ 1941 c 198 s 1; 1957 c 861 s 2; 1969 c 399 s 1; 1973 c 492 s 14 ]

11.09 [ Repealed, 1961 c 561 s 17 ]

11.10 INVESTMENT OF MONEY IN STATE TREASURY NOT CURRENTLY NEEDED. Subdivision 1. Investment of treasury fund. The state treasurer shall make a report to the commissioner of finance daily or at such other times as the commissioner of finance shall determine of the moneys in the state treasury together with such other information which the commissioner may prescribe. When there is money in the state treasury over and above the amount that the commissioner of finance has advised the treasurer is currently needed, the state treasurer shall certify to the state board of investment the amount thereof. The board of investment may then invest

said amount, or any part thereof, in the following:

(a) Treasury bonds, certificates of indebtedness, bonds or notes of the United States of America or bonds, notes or certificates of indebtedness of the state of Minnesota, all of which must mature not later than three years from date of purchase.

(b) Bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.

(c) Commercial paper of prime quality, or rated among the top third of the quality categories, not applicable to defaulted paper, as defined by a nationally recognized organization which rates such securities as eligible for investment in the state employees retirement fund except that any non-banking issuing corporation, or parent company in the case of paper issued by operating utility or finance subsidiaries, must have total assets exceeding \$500,000,000. Such commercial paper may constitute no more than 30 percent of the book value of the fund at the time of purchase, and the commercial paper of any one corporation shall not constitute more than four percent of the book value of the fund at the time of such investment.

(d) Any securities eligible under the preceding provisions, purchased with simultaneous repurchase agreement under which the securities will be sold to the particular dealer on a specified date at a predetermined price. In such instances, all maturities of United States government securities, or securities issued or guaranteed by the United States government or an agency thereof, may be purchased so long as any such securities which mature later than three years from the date of purchase have a current market value exceeding the purchase price by at least five percent on the date of purchase, and so long as such repurchase agreement involving securities extending beyond three years in maturity be limited to a period not exceeding 45 days.

Subd. 2. [ Renumbered 16A.25 ]

Subd. 3. Interest and profit credited to general fund. All interest and profit accruing from said investments shall be credited to and be a part of the general fund, except as otherwise provided by law; and any loss incurred in the principal of said investments shall be borne by the general fund.

[ 1949 c 110 s 1-3; 1969 c 72 s 1; 1969 c 399 s 12; 1971 c 210 s 1; 1973 c 492 s 9; 1974 c 152 s 1 ]

**11.11 EXECUTIVE SECRETARY; CONSULTANTS.** The board of investment shall employ an executive secretary to perform the duties provided by law, and may employ or engage such expert consultants and technical and other assistants as it deems necessary. Such persons so employed or engaged are in the unclassified service of the state. The employment of the executive secretary shall be subject to confirmation by the senate in the same manner as the appointment of executive officers is confirmed by the senate.

[ 1959 c 693 s 1 ]

**11.115 REIMBURSEMENT FOR CERTAIN EXPENSES.** The state board of investment may reimburse a person, who is not a public official or employee and who advises the board, for his travel expenses in the performance of his duties. Such reimbursement is to be made from moneys appropriated to the board for supplies and expense.

[ Ex1971 c 48 s 19 ]

**11.12 DUTIES OF EXECUTIVE SECRETARY; BOND.** The executive secretary shall manage and direct the work of the board of investment on a full time basis. He shall be a chartered financial analyst or a person of equivalent qualifications. He shall be well qualified by training to administer and invest the money available for investment and have at least seven years experience in the management of institutional investment portfolios. He shall have free access to all files and records of the various funds assigned to the board for investment purposes, and may inspect and audit the various accounts thereof as he deems necessary. He shall devote his full time and attention to the duties of his office, and shall not engage in any other occupation or profession. He shall be paid such salary as is determined by the board, subject to such maximum amount as may be set by the legislature. He shall perform duties prescribed

by the board. He shall attend all board meetings and report to the board all operations and negotiations under his control and supervision. Before he assumes the office to which he has been appointed, the executive secretary shall give bond to the state in the sum of at least \$100,000 conditioned for the faithful discharge of his official duties.

[ 1959 c 693 s 2; 1967 c 404 s 1 ]

**11.13 INVESTMENT POLICIES.** The board shall invest the funds over which it has supervision in securities authorized by law and may dispose of or convert such securities when in its judgment it is to the best interest of the funds so to do. The board shall formulate and establish, and may from time to time amend, modify or repeal such policies as it deems necessary and proper which shall govern the methods, practices or procedures for the investment, reinvestment, purchase, sale, or exchange of securities, to be followed by the executive secretary. All securities purchased or sold by the state board of investment, except stocks listed or traded on a major United States stock exchange, securities bound by underwriting restrictions, or securities classified as private placements and offered only to a limited number of institutional investors, shall be purchased or sold on the basis of competitive offerings or bids received from at least two firms known to specialize in the securities being traded and likely to position these securities in relevant quantities. A record of the offerings or bids shall be kept by the executive secretary. All securities purchased shall be kept in the custody of the state treasurer and shall be held as an asset of the fund from which the money was spent, and except as otherwise provided by law, any loss or gain shall inure to such fund.

[ 1959 c 693 s 3; 1965 c 306 s 1 ]

**11.14 OFFICE SPACE.** The custodian of the state capitol building shall provide the executive secretary and staff with suitable office and storage space in the state capitol complex as near as possible to the office of the state treasurer.

[ 1959 c 693 s 4; 1967 c 404 s 2 ]

**11.15 INVESTMENT OF STATE BOND FUND.** Subdivision 1. All money received in the state treasury to the credit of the separate and special state bond fund, which the state treasurer is directed by Article 11, Section 7, of the Constitution to maintain on his official books and records, is annually appropriated for the purpose of investment and reinvestment in accordance with this section, and so much of the income arising therefrom as may be necessary to pay expenses incidental thereto is annually appropriated for that purpose.

Subd. 2. When there is any money in the state bond fund not needed to pay principal or interest due on state bonds within 30 days, the amount thereof shall be invested by the state board of investment in securities which are direct general obligations of the United States. No investment in securities maturing more than three years from the date of purchase thereof shall be made at any time unless the aggregate face amount of all securities then held in the fund, maturing within three years from said date, is equal to the aggregate amount of principal and interest to become due on state bonds within 12 months from said date. Subject to these limitations, the fund shall be invested and reinvested so as to produce the maximum yield thereon.

Subd. 3. When any of such invested money is needed to pay principal or interest due on state bonds, in excess of cash on hand or receivable from investments in the fund on or before the due date, the state board of investment shall convert securities into cash in an amount sufficient to make the payment.

Subd. 4. All interest and profit accruing from any investment of the state bond fund shall be credited to and be a part of the state bond fund, and all loss from the sale thereof and all necessary expenses of investment and reinvestment shall be charged to that fund.

Subd. 5. Whenever money for the payment of any issue or class of issues of state bonds is transferred to the state bond fund out of the proceeds of such bonds, or is transferred thereafter pursuant to a standing annual appropriation in the law authorizing the issuance of the bonds, the net income from time to time received from the investment of this money shall be deducted from the amounts subsequently required to be transferred pursuant to such annual appropriation.

[ 1965 c 901 s 84; 1969 c 9 s 5; 1976 c 2 s 172 ]

**11.16 MINNESOTA STATE RETIREMENT SYSTEM, INVESTMENT SECURITIES.** Subdivision 1. Securities generally, standard. The state board of investment shall invest any sum certified by the Minnesota state retirement system or any pension, retirement, or other type of fund authorized by law in such securities as are defined in this section, provided, however, that any investments shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which men 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. The state board of investment shall have authority to sell, convey, and exchange such securities and invest and reinvest the funds when it deems it desirable to do so. The board shall sell securities upon request of the retirement board or other appropriate official when such retirement board or official determines that funds are needed for authorized purposes.

Subd. 2. U.S. Government bonds or notes. Bonds, notes, mortgages, or other obligations of the United States, or those guaranteed by, or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof are legal investments for the purposes of this section.

Subd. 3. Bonds of Minnesota or other states. Bonds or other evidences of indebtedness of this state, and full faith and credit obligations of, or obligations unconditionally guaranteed as to principal and interest by any other state of the United States are legal investments for the purposes of this section.

Subd. 4. Obligations of Canada. Bonds, debentures, notes, or other full faith and credit obligations issued, guaranteed, or assumed as to both principal and interest by the government of the Dominion of Canada, or by any province of Canada; provided that the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder are legal investments for the purposes of this section.

Subd. 5. Municipal obligations of Minnesota. Bonds, notes, or obligations of any municipal or political subdivision of this state, issued pursuant to a law of this state; provided that the issuer has not, within ten years prior to the making of the investment, been in default for more than three months in the payment of any part of the principal or interest on any debt evidenced by its bonds, notes, or obligations; and provided further, if the bonds are revenue bonds, the revenues of the obligor, other than for payment of operation and maintenance expenses, are pledged wholly to the payment of the interest on and principal of such indebtedness, and the obligor has been completely self-supporting for a period of five years next preceding the date of investment are legal investments for the purposes of this section.

Subd. 6. Municipal obligations of other states. Bonds, notes, or other obligations issued, guaranteed, or assumed by any municipal or political subdivision of any other state of the United States; provided, (a) that any such municipal or political subdivision, or the total of its component parts, shall have a population as shown by the last preceding federal census of not less than 10,000, and (b) the issuer, guarantor, or assumer of such bonds, notes, or other obligations: (i) shall have pledged its faith and credit for the payment of the principal and interest of such bonds, notes, or other obligations; (ii) shall have the power to levy taxes on the taxable real property therein for the payment of both principal and interest of such bonds, notes, or other obligations without limitation of rate or amount; (iii) shall not within ten years prior to the making of the investment have defaulted in payment of principal or interest of any debt evidenced by its bonds, notes, or other obligations for more than 90 days are legal investments for the purposes of this section.

Subd. 7. Municipal obligations of Canada. Bonds, debentures, notes, or other obligations issued, guaranteed, or assumed as to both principal and interest by any city of Canada which has a population of not less than 100,000 inhabitants; provided that the principal and interest thereof shall be payable in United States funds, either unconditionally or at the option of the holder; and provided further that all the conditions as prescribed in subdivision 6(b) of this section have likewise been met are legal investments for the purposes of this section.

Subd. 8. Obligations issued by International Bank for Reconstruction and Development, Inter-American Development Bank and Asian Development Bank. Bonds, notes, or other obligations issued, assumed, or unconditionally guaranteed by the International Bank for Reconstruction and Development, the Inter-American Develop-

ment Bank, and the Asian Development Bank are legal investments for the purposes of this section.

Subd. 9. Obligations issued by agency of United States. Bonds, debentures, or other obligations issued by any agency or instrumentality of the United States and obligations guaranteed by the federal small business administration are legal investments for the purposes of this section.

Subd. 10. Public housing obligations. Obligations of any public housing authority or urban redevelopment authority issued pursuant to the laws of this state relating to the creation or operation of a public housing or urban redevelopment authority are legal investments for the purposes of this section.

Subd. 11. Obligations of state, municipal, or public authority. Obligations of any state, municipal, or public authority issued pursuant to the laws of any state of the United States; provided that for each of the five years next preceding the date of investment the income of such authority available for fixed charges shall have been not less than  $1\frac{1}{5}$  times its average annual fixed charges requirements over the life of such obligations are legal investments for the purposes of this section.

Subd. 12. Corporate obligations. Bonds, notes, debentures, equipment obligations, or any other type of absolute obligation of any corporation organized and operating within any of the 50 states of the United States or in Canada, provided that obligations of Canadian corporations shall be payable in United States dollars, are legal investments for the purposes of this section; provided, however, that no bonds, notes, debentures, or equipment obligations may be purchased of any corporation with assets of less than \$10,000,000. The book value of the outstanding capital stock of such corporation, not including finance corporations, at the time of such investment shall not be less than 50 percent of its total funded debt, except in the instance of a corporation owned by another corporation or other corporations, one or more of which meet this requirement and which guarantee the payment of the debt securities of the subsidiary corporation. In the case of a finance corporation, the owning parent company shall meet the above requirement, or, if such finance corporation be independent, the book value of the outstanding capital stock of such corporation at the time of such investment shall not be less than 25 percent of its total funded debt. For a period of five fiscal years next preceding the date of such investment, the net pretax earnings of such corporation, or of one or more corporations guaranteeing the debt, shall have been each year not less than  $1\frac{1}{2}$  times the annual interest charges on its total funded debt applicable to that period, and for such period the gross operating revenues of any such corporation shall have averaged per year not less than \$1,000,000. The investment in such securities shall not exceed 60 percent of the total assets of the fund at any time. All such corporate bond investments shall be rated among the top third of the quality categories, not applicable to defaulted bonds, used by a nationally recognized rating agency for rating the quality of the same.

Subd. 13. Corporate stocks. Preferred or common stocks of any corporation organized and operating within the United States are legal investments for the purposes of this section. The aggregate of common and preferred stock investments may not exceed 50 percent of the total assets of the fund at any time. Furthermore, the board may increase its holdings of stocks by no more than five percent of the assets of the fund during any one fiscal year. No more than three percent of the assets of the fund may be invested in the stock of any one corporation and at no time shall the fund together with other Minnesota public retirement funds own more than five percent of the voting stock of any one corporation. All such percentages shall be computed on the basis of the cost price of such stock at the time of investment.

No investment shall be made in the common or preferred stock of any corporation with assets of less than \$10,000,000.

No investment shall be made in the preferred stock of any corporation unless the latter shall have had earnings available for the payment of interest and preferred dividends equal, on the average, for the last five years, to at least one and one-half times the aggregate of interest and preferred dividend requirements. No investment shall be made in a common stock unless the latter shall have paid cash dividends for at least five years immediately prior to purchase nor unless the aggregate earnings of such corporation available for payment of dividends on the common stock during the last five years has been at least equal to the aggregate of such cash dividends. A maximum of five percent of the assets in the account may be placed in equity investments, including fixed-income securities convertible into common stock, not conforming with

these dividend and earnings standards so long as the corporation maintains the asset value indicated and evidences appropriate growth potential and probable earnings gain.

The corporate stock portfolio purchased under the terms of this subdivision, at the discretion of the board of trustees of the retirement association, may be valued at a total amount other than original book cost if the following procedures be used:

(a) The corporate stock portfolio must be valued bi-monthly, using the closing market prices on the last business days of February, April, June, August, October, and December.

(b) Whenever the portfolio has shown a total market valuation exceeding the original book cost by 10 percent for six consecutive valuation dates, the book value of the portfolio shall be increased by three percent for accounting and actuarial purposes, and such three percent increase may apply until further adjustments be made in the stock valuations.

(c) Whenever the new adjusted value has been exceeded by 10 percent for six consecutive bi-monthly periods, the valuation for accounting and actuarial purposes shall again be increased by three percent; this process may be continued as consistent with continuing market changes.

(d) Whenever the market value of the stock portfolio has decreased by 10 percent below cost or most recent adjusted value, whichever is applicable, for six consecutive bi-monthly periods, the valuation of the stock portfolio for accounting and actuarial purposes shall be reduced by three percent below the original cost or adjusted value. This procedure shall continue in accordance with market fluctuations.

Any unrealized gain or loss computed under the provisions of this paragraph shall be recorded in an unrealized appreciation account and used only for the accounting and actuarial purposes of the fund and shall not apply to the credit or detriment of any individual contribution, participant, or member of the retirement association. If any increase or decrease is to be considered as an adjustment to the income of the fund, the amount thereof shall be distributed to or from the income account over a period of not less than three nor more than five years.

Subd. 14. Bank certificates of deposit, savings accounts, and subordinated debt securities. Certificates of deposit or savings accounts in any bank which is insured by the Federal Deposit Insurance Corporation or in any savings and loan association insured by the Federal Savings and Loan Insurance Corporation to the extent such investment is insured are legal investments for the purposes of this section. It is the intent that these investments shall be only to maintain necessary and desirable liquidity.

The capital notes and debentures of Minnesota banks are eligible for use even though they may be subordinated in right of payment, in the event of the banks' insolvency or liquidation, to the prior payment of deposits in the banks and the claims of other creditors of the banks, provided:

(a) That all such securities be purchased from banks with total resources exceeding \$40,000,000;

(b) That all such notes or securities mature within ten years of date of issue;

(c) That, at the time of purchase, such securities comprise no more than an amount equal to 100 percent of the bank's unimpaired paid-in capital stock plus 50 percent of the amount of its unimpaired surplus fund;

(d) That no such securities be purchased unless, during the last five years, the aggregate earnings of such bank available for the payment of dividends on its common stock has been at least 50 percent greater than the aggregate of cash dividends paid to stockholders;

(e) That such securities shall, at no time, constitute more than four percent of the book value of the investments in any one fund;

(f) That the total holdings of these securities in all Minnesota state retirement funds comprise not over 25 percent of such securities issued or authorized to be issued by any one bank; and

(g) That such securities be used only when the net yield is equal to or greater than that obtainable from other securities of comparable quality.

Subd. 15. Commercial paper. Commercial paper of prime quality, or rated among the top third of the quality categories, not applicable to defaulted paper, as de-

fined by a nationally recognized organization which rates such securities, issued by any corporation organized and operating within any of the 50 states of the United States, provided:

(a) That all such securities mature in 270 days or less;

(b) That the issuing corporation, or parent company in the case of paper issued by operating utility or finance subsidiaries, show a ratio of current assets to current liabilities, including that portion of long-term debt maturing within one year, of at least one and one-half to one; except that: (1) if the issuing corporation, or parent company, has total assets exceeding \$250,000,000, the ratio of current assets to current liabilities, including that portion of long-term debt maturing within one year, may be one and one-fourth to one; or (2) if the issuing corporation is a bank holding company, no current ratio test applies provided that the assets of such company exceed \$250,000,000 and the consolidated assets of all banking organizations owned by such company exceed \$2,000,000,000;

(c) That the net income of the issuing corporation, or parent company, average \$1,000,000 or greater annually for the past five years;

(d) That the commercial paper shall, at no time, constitute more than eight percent of the book value of the investments in any one fund; and

(e) That the commercial paper of any one corporation shall not constitute more than two percent of the book value of the investments in the fund, are legal investments for the purposes of this section.

Subd. 16. State or municipal securities, notice of disposition. In the sale or disposition of any securities issued by any state or municipal or political subdivision in the United States authorized by this act, the state board of investment shall give ten days' published notice of such proposed disposition in a financial publication published in a city of the first class and in a national financial publication and insofar as possible receive competitive bids therefor, provided that in sales of less than \$250,000 face value of bonds of any one Minnesota municipal or political subdivision, the requirement for national publication may be waived upon resolution by the state board of investment. No published notice shall be required when a Minnesota subdivision wishes to retire, in any one year, not over \$50,000 face value of its indebtedness before maturity or call date and agrees with the state board of investment to retire such securities at a price deemed reasonable by both parties, but at not less than acquisition cost or face value, whichever is lower.

Subd. 17. Computation of interest income. For the purpose of determining the interest income earned by the state employees retirement fund, premiums on all bonds or securities purchased shall be amortized to the earliest call date and discounts shall be accumulated to the maturity date of the bonds or securities.

The yield from United States treasury bills and short term corporate notes purchased at a discount without a stated interest rate shall be the difference between the cost price and selling price or maturity value. When such yield is realized from securities held for a period involving all or parts of two or more fiscal or calendar years, as the case may be, the yield shall be apportioned equitably to each fiscal or calendar year. The amount of yield so apportioned to each fiscal or calendar year shall be regarded as interest income and shall be credited as earnings in the year in which the interest is earned.

The yield on all other debt securities shall be computed in accordance with the provisions establishing a deferred yield adjustment account for debt securities in section 356.20.

[ 1967 c 404 s 3; 1969 c 60 s 1,2; 1971 c 25 s 8; 1971 c 197 s 1; 1971 c 210 s 2,3; 1971 c 366 s 1; 1973 c 129 s 1; 1974 c 4 s 1; 1974 c 152 s 2; 1975 c 277 s 1 ]

**11.17 INVESTMENT OF HIGHWAY FUNDS.** Any moneys in the trunk highway fund, the county state aid highway fund, and the municipal state aid street fund, upon certification by the commissioner of transportation, and funds otherwise authorized by statute, shall be invested by the state board of investment in bonds, certificates of indebtedness and other fixed income securities, except preferred stocks, which are legal investments for the permanent school fund and, to the extent of 35 percent of the book value of the fund, in such prime quality commercial paper as is an eligible investment for the state employees retirement fund, except that the commercial paper of any one corporation shall not constitute more than five percent of the

book value of the investments in the fund.

[ 1967 c 404 s 4; 1969 c 60 s 3; 1976 c 166 s 7 ]

#### MINNESOTA RETIREMENT FUNDS

##### 11.18 MINNESOTA SUPPLEMENTAL RETIREMENT FUND ESTABLISHED.

Subdivision 1. There is hereby established a Minnesota supplemental retirement fund which shall be administered by the state board of investment and shall consist of the investment accounts as provided in this section.

Subd. 2. There shall be an income share account which shall be invested in securities which are legal investments for the state employees retirement fund, except that commercial paper may constitute 15 percent of the assets in the account, with the face amount of notes of any one corporation limited to five percent of the assets in the account.

Subd. 3. There shall be a growth share account which shall be invested in securities which are legal investments for the state employees retirement fund, except that: 100 percent of the assets in the account may be invested in corporate stocks; up to six percent of the assets in the account or \$15,000 in cost, whichever is greater, may be invested in the stock of any one corporation; and commercial paper may constitute 15 percent of the assets in the account, with the face amount of notes of any one corporation limited to five percent of the assets in the account or \$25,000, whichever is greater. Not to exceed ten percent of the assets in the account may be invested in corporate stocks which do not conform with the dividend and earnings standards provided for investments of the state employees retirement fund. In addition to the investment standards indicated for the state employees retirement fund, the state board of investment shall consider possible growth potential and probable earnings gains of the companies in making commitments for this account.

Subd. 3a. There shall be a fixed-return account which shall be invested in debt securities which are legal investments for the state employees retirement fund. At the beginning of each fiscal year, the state board of investment shall set an assumed interest rate for moneys invested in such account during that year, with the rate applicable to all sums invested during the 12 month period. At the end of the 12 months, the board may determine the period of time over which such an assumed rate is to apply to funds so invested, depending upon the average yield and maturity of the securities purchased. Any earnings accrued to the account above the rate earlier indicated may be distributed among participants at fiscal year-end, except that appropriate reserves may first be established from the income of the fund in order to assure such a future rate of return. The account shall be established on July 1, 1974, with the initial unit valuations set at \$5 per unit. The income from earnings on shares in this account shall be used to purchase additional units as such income is available.

Subd. 4. All distributions in the nature of capital, income, or interest received by the state board of investment in respect of investments held in any account of the supplemental retirement fund shall be held and invested by the board to the credit of said account in the same manner as are moneys received by the board from participating public retirement funds.

Subd. 5. All moneys on hand in such supplemental retirement fund from time to time, except moneys appropriated under section 11.22, are hereby appropriated for the purchase of investments as provided in this section.

[ 1967 c 795 s 1; 1971 c 210 s 4; 1973 c 129 s 2; 1974 c 152 s 3-6 ]

11.19 PARTICIPATION IN FUND. Subdivision 1. The state board of investment shall allocate shares of participation in the supplemental retirement fund to public retirement funds created by law and authorized to participate in the supplemental retirement fund and redeem such shares of participation as provided in subdivision 2.

Subd. 2. Upon application for purchase or redemption of shares of participation in the fund by a public retirement fund, the board shall, on the first business day of the next month after the application is received, allocate to such public retirement fund shares of participation in the account or accounts designated in the application, or if none is designated, as it shall determine, or redeem shares of participation allocated to such public retirement fund, as the case may be. Prior to October 1, 1967, one share shall be allocated for the appropriate account for each \$10 deposited for investment by a public retirement fund. Each share of both funds shall be split on a two

for one basis as of June 30, 1973, and thereafter at any time when the market value of each share of either account has exceeded \$10 for six consecutive months. Thereafter, for the purpose of determining the number of shares or amount to which a public retirement fund depositing funds for investment or requesting the redemption of shares of participation in the income share or growth share accounts is entitled, shares shall be valued at their respective market values as of the last business day of the month in which application for the allocation or redemption of such shares is received. The market value of shares in the income share or growth share accounts shall be determined by dividing the total market value of the account by the number of shares then outstanding in the account. The board shall allocate or redeem only full shares in the accounts.

[ 1967 c 795 s 2; 1973 c 129 s 3; 1974 c 152 s 7 ]

**11.20 PROSPECTUS.** Once on or before July 1, 1968, and annually thereafter, the board shall prepare and issue to the public retirement fund or funds authorized or required by law to participate in the Minnesota supplemental retirement fund, a prospectus for each of the accounts in such fund. The prospectus for each account shall list the current assets of the account with the purchase price, the current market value, the current dividend rate, and the Standard & Poor or Moody rating of each debt asset; except that securities guaranteed by the United States government need not be rated and cash shall be listed at par. Each prospectus shall set forth the provisions of section 11.18, subdivisions 2, 3, or 3a, whichever relates to the account for which the prospectus is issued. The prospectuses for the accounts may be printed and distributed together. Sufficient copies of each prospectus shall be issued to each public retirement fund authorized or required by law to participate in the Minnesota supplemental retirement fund as is necessary to meet the requirements of the public retirement fund or funds prescribed by law. A copy of each prospectus shall be provided to each member of the legislature and shall be filed with the chief clerk of the house of representatives and the secretary of the senate.

[ 1967 c 795 s 3; 1974 c 152 s 8 ]

**11.21 PARTICIPATION BY PUBLIC EMPLOYEE RETIREMENT FUNDS.** Any public retirement fund authorized or required by law to participate in the Minnesota supplemental retirement fund may, from time to time pursuant to law authorizing such participation, deposit funds for the purchase of shares in any supplemental retirement fund account or accounts, which purchase shall be credited to the name of the public retirement fund on the books of the state board of investment and confirmed in writing to the fund. It shall be the duty of the public retirement fund or funds to enter on its records the portion of the shares in the name of the fund which are attributable to the contribution and matching contribution of and for each participating employee. No certificates evidencing shares of participation in the supplemental retirement fund shall be issued, and the entry on the books of the state board of investment as herein provided shall be sufficient evidence of the rights of any participating public employee retirement fund in the supplemental retirement fund. In all instances in which funds may be certified to the Minnesota state board of investment for investment purposes, under the investment provisions applicable to the state employees retirement fund, such moneys may be invested in the income share account of the Minnesota supplemental retirement fund. The units of such fund shall be recorded in the name of the participating association, fund, or account in those instances in which the contributions are not to be attributed to any particular employee.

[ 1967 c 795 s 4; 1969 c 60 s 4; 1974 c 152 s 9 ]

**11.22 REDEMPTIONS.** The state board of investment shall, after redeeming shares of participation pursuant to an application for redemption as provided in section 11.19, deliver to the public retirement fund requesting such redemption cash representing the value of the shares as computed pursuant to section 11.19. So much of the moneys or proceeds of investments on hand in the supplemental retirement fund from time to time as may be necessary to make such redemptions are hereby appropriated for such purpose.

[ 1967 c 795 s 5 ]

**11.23 APPLICATIONS FOR PARTICIPATION AND REDEMPTION.** Money deposited with the state board of investment for investment in the accounts of the Minnesota supplemental retirement fund shall be accompanied by such properly executed

uted documents, forms, and applications as may be required by the state board of investment. Requests for redemption of shares shall be made in a similar manner.

[ 1967 c 795 s 6 ]

**11.24 LEGAL TITLE TO ASSETS.** Subdivision 1. Legal title to the assets of the Minnesota supplemental retirement fund shall be in the state of Minnesota or the state board of investment or the nominee of either, subject to the rights set forth in sections 11.18 to 11.24 of the public retirement fund or funds having shares in the accounts to their credit.

Subd. 2. The rights of any public employee to any shares in the supplemental retirement fund shall be as fixed by law in the statute authorizing or requiring a public employee retirement fund to purchase or order the redemption of shares on behalf of such public employee. The state board of investment may rely on the documents, forms, and applications of the various public employee retirement funds which accompany money for investment or orders to redeem shares as being in concert with the law in such case made and with the rights of the public employees concerned; and the state board of investment need not inquire into the legality or validity of such documents, forms, and applications.

[ 1967 c 795 s 7 ]

**11.25 MINNESOTA ADJUSTABLE FIXED BENEFIT FUND.** Subdivision 1. Minnesota adjustable fixed benefit fund established. There is hereby established a Minnesota adjustable fixed benefit fund which shall be administered by the state board of investment.

Subd. 2. Investment of assets. The assets of the Minnesota adjustable fixed benefit fund shall be invested by the state board of investment in accordance with the provisions of section 11.16, except that (1) the book value of corporate stocks and all other equity investments may not exceed 50 percent of the book value of all assets of the fund at any time, (2) commercial paper of prime quality may be used to the extent of 30 percent of all assets during the first three years of the fund's operations, and (3) fixed-income debt securities convertible into stocks may be used to the extent of 10 percent of the book value of the fund, in addition to other equity-type investments authorized in section 11.16, subdivision 13, so long as (a) the stocks resulting from conversion are of the quality authorized under section 11.16, subdivision 13, and (b) the convertible debt securities are rated among the top half of the quality categories, not applicable to defaulted bonds, used by a national recognized agency, meaning a rating of at least Baa or BBB under existing standards. The percentages of common stock and convertible debt investments are to be computed on the basis of original cost, after adjusting for any realized profit or loss due to the sale or disposition of such securities.

Subd. 3. Participation in fund. Any public retirement organization authorized to participate in the Minnesota adjustable fixed benefit fund may own an undivided participation in all the assets of the fund. The extent of annual participation shall be determined by the ratio of each organization's contribution to the total contributions of all participating organizations. Such ratio shall be determined monthly. Contributions and withdrawals may be certified at any time, but notification of contributions must reach the state board of investment by the twenty-fifth day of any month in order for such contributions to be included in calculations determining the monthly ratio. At the end of each fiscal year, the 12 ratios for such year, beginning with that of the previous June 30, shall be averaged. The average ratio shall determine the distribution of the difference between the admitted value and the balances of contributions of the respective organizations at year end to determine the respective amounts of participation. The interpretation and administration of all calculations affecting the fund shall be made in a manner to achieve the most uniform and equitable treatment possible for all participating organizations.

Subd. 4. Book value. Book value as of any date of assets other than corporate stocks and all other equity investments means amortized cost computed from the date the asset was first acquired by the participating retirement association. Book value as of any date of corporate stocks and all other equity investments transferred to the Minnesota adjustable fixed benefit fund means the closing market value of such stocks as of the last business day prior to the transfer. Book value as of any date of corporate stocks and all other equity investments first acquired by the Minnesota adjustable fixed benefit fund means the cost of such stocks.

Subd. 5. **Recognized value, deferred yield adjustment account.** Recognized value as of any date of assets other than corporate stocks and all other equity investments shall be the book value of such assets as of such date. The recognized value as of any date of corporate stocks and all other equity investments, including convertible securities, shall be the market value at closing on that particular date as determined by the state board of investment.

There is hereby established a deferred yield adjustment account which shall be increased by the sale or disposition of any debt securities at less than book value and shall be decreased by the sale or disposition of debt securities at more than book value. At the end of each fiscal year, a portion of the balance of this account shall be offset against the investment income for that year. The annual portion of the balance to be offset shall be proportional to the reciprocal of the average remaining life of the bonds sold, unless such amounts are offset by gains on the future sales of these securities. The amount of this account shall be included in the recognized value of assets other than corporate stocks and all other equity investments. In any fiscal year in which the gains on the sales of debt securities exceed the discounts realized on the sales of such securities, the excess shall be used to reduce the balance of the account.

Subd. 6. **Ratio of recognized value to book value.** During each fiscal year beginning with 1971, there shall be determined the ratio of recognized value to book value of the assets of the Minnesota adjustable fixed benefit fund as of the last days of August, October, December, February, April and June. In computing such a ratio, the total book value shall be adjusted for any realized profit or loss due to the sale or disposition of securities.

Subd. 7. **Average recognized value to book value ratio.** The average recognized value to book value ratio for any fiscal year means the sum of the 12 recognized value to book value ratios determined for such fiscal year and the immediately preceding year, divided by 12. For fiscal 1971, the ratio means the sum of the six recognized value to book value ratios determined for such fiscal year plus six assumed ratios of 100, the total of which is divided by 12.

Subd. 8. **Admitted value of Minnesota adjustable fixed benefit fund.** The admitted value of the Minnesota adjustable fixed benefit fund as of June 30 of any fiscal year beginning with 1971 shall be equal to the book value of the assets of the Minnesota adjustable fixed benefit fund as of that date, including accrued income, with adjustments for realized gains and losses, multiplied by the average recognized value to book value ratio for the fiscal year. Prior to fiscal 1971, the admitted value of the assets shall be the cost of such assets to the Minnesota adjustable fixed benefit fund.

Subd. 9. **Actuarially determined reserve.** The actuarially determined reserve for any participating fund as of any date means the present value, computed in accordance with the interest and mortality assumptions in effect for the particular fund as of the date of determination, of the retirement annuities authorized and in effect on such date.

Subd. 10. **Transfer of assets.** As of the beginning of any fiscal year, assets representing the actuarially determined reserves of any public retirement organization newly authorized by law to participate in the Minnesota adjustable fixed benefit fund shall be transferred from such participating retirement funds to the Minnesota adjustable fixed benefit fund.

The state board of investment may purchase any securities owned by such retirement organization up to the total amount of the participation of such fund, insofar as such securities meet the quality standards and requirements of the board. The state board of investment may require the participating organization to sell such securities and transfer cash if this appears desirable in achieving appropriate portfolio balance. All such securities shall be valued as of the last business day of June, or one business day before the actual participation of the new retirement organization in the Minnesota adjustable fixed benefit fund.

The assets to be transferred and the values to be used for such transfers shall be approved by the state board of investment.

Subd. 11. **Transfer and withdrawal of funds.** All money necessary to meet the requirements of certification or withdrawal by funds authorized to participate in the Minnesota adjustable fixed benefit fund are hereby annually, and from time to time, appropriated from the Minnesota adjustable fixed benefit fund to the participating pension funds involved. Withdrawals for pensions are limited to those pensions for

which reserves have been transferred to the Minnesota adjustable fixed benefit fund.

Subd. 12. Adjustment in annuity payments. Annually as of July 1 of each fiscal year the annuity payments made from each retirement fund or organization participating in the Minnesota adjustable fixed benefit fund during the next calendar year shall be determined in accordance with the following procedures. Any adjustment in the amount of annuity payments shall become effective with the first payment falling due after December 31 next succeeding the July 1 as of which the adjustment was determined.

(a) Annually, after June 30 of each year, the state board of investment shall:

(1) Using the admitted value as determined pursuant to subdivision 8, determine the actual rate of return and the accumulation factor on the assets of the Minnesota adjustable fixed benefit fund. The accumulation factor shall be 1.00 plus or minus the actual rate of return.

(2) Calculate the benefit adjustment factor, which shall be the ratio of the accumulation factor determined pursuant to (1) to the valuation accumulation factor. The valuation accumulation factor shall be 1.00 plus the interest rate assumed for actuarial valuations.

(3) Determine for each pension fund the amount of participation of such fund in the Minnesota adjustable fixed benefit fund, excluding any portion of the annuity stabilization reserve. Any suspense fund determined pursuant to clause (f) at the beginning of the fiscal year to which the accumulation factor has been applied, shall be added to the participation thus determined.

(4) Determine a preliminary amount for the current annuity stabilization reserve by multiplying the final amount of the previous year's annuity stabilization reserve by the accumulation factor determined pursuant to (1).

(b) Each participating pension fund shall apply the actual benefit adjustment factor to the amount of the benefit which each fund's participants in the Minnesota adjustable fixed benefit fund who are eligible for adjustment are entitled to receive and shall determine the amount of the reserves required for such adjusted benefits and the amount of reserves required to continue benefits at the previous level for participants not eligible for adjustment.

(c) Each participating pension fund shall determine its adjusted participation in the Minnesota adjustable fixed benefit fund in the following manner.

(1) Deduct the reserve on benefits not to be adjusted from the total amount of participation of the fund determined pursuant to clause (a)(3).

(2) Multiply the result obtained pursuant to (1) by the ratio of the actual benefit adjustment factor to the calculated adjustment factor.

(3) Add the result obtained pursuant to (2) to the amount of the reserves for benefits not to be adjusted. The result is the adjusted participation in the Minnesota adjustable fixed benefit fund.

(d) Each participating pension fund shall calculate the difference between the reserves determined pursuant to clause (b) and the amount of its adjusted participation in the Minnesota adjustable fixed benefit fund determined pursuant to clause (c).

(e) If the result obtained pursuant to clause (d) is a positive figure, the amount thus determined is due to a mortality loss, and the pension fund shall pay to the Minnesota adjustable fixed benefit fund the amount thus determined, which amount shall be added to the pension fund's participation. If the result obtained pursuant to clause (d) is a negative figure, the amount thus determined is due to a mortality gain, and the pension fund shall be credited with the amount thus determined by deducting the amount from the fund's total participation.

(f) A suspense account shall be established within the Minnesota adjustable fixed benefit fund for each pension fund for the purpose of temporarily carrying any amounts required pending addition to the participation of that fund.

(1) Whenever the rate for an actual benefit adjustment for any fund is required to be reduced by less than one-half of one percent due to the requirement that adjustments be limited to the last full multiple of one-half of one percent, the reserves to cover such portion of one-half of one percent thus withheld shall be placed in the suspense account for that fund. If the calculated adjustment factor exceeds 1.00 but is less than 1.02, an amount equal to the excess reserves over those for a factor of one

percent shall be placed in the suspense account.

(2) If the actual benefit adjustment factor is less than the calculated benefit adjustment factor, the amount of that pension fund's participation determined pursuant to clause (e) shall be reduced to the amount of the reserves determined pursuant to clause (b) and the amount of reduction shall be added to the annuity stabilization reserve. If the actual benefit adjustment factor exceeds the calculated benefit adjustment factor, the amount of that pension fund's participation determined pursuant to clause (e) shall be increased to the amount of the reserves determined pursuant to clause (b) and the amount of increase shall be deducted from the annuity stabilization reserve.

(3) The share of the stabilization reserve that each pension fund may claim shall bear the same ratio to the total stabilization reserve as the participation of that pension fund bears to the total of all participations. The applied rate for an actual benefit adjustment shall be the actual benefit rate as determined, adjusted to the last full one-half of one percent.

If the benefit adjustment factor calculated pursuant to clause (a)(2) is greater than 98 percent but less than 102 percent, no adjustment of annuities shall be made. If the ratio is equal to or greater than 102 percent or is equal to or less than 98 percent, the annuity payments currently payable shall be increased or decreased in the ratio so determined for the 12 month period beginning with the first payment due after December 31 next succeeding the valuation date, except that persons who retired during the fiscal year preceding the July 1 valuation date shall not be entitled to an adjustment. Any decreases shall be limited through the use of the annuity stabilization reserve established in subdivision 13. The annuity payment to any annuitant shall never be an amount less than the amount originally determined on the date of retirement or on July 1, 1971, whichever is later. For the purpose of calculating the adjustments provided herein, all individual members of any participating fund or organization retiring during any fiscal year shall be deemed to have retired in the same class, except that all such individuals retired prior to July 1, 1969 shall be in the same class as those retiring between July 1, 1969 and June 30, 1970. All annuitants in each class are equally entitled to any adjustment of annuity payments. If the value of the participation in the Minnesota adjustable fixed benefit fund goes below the value of the reserves required to support the amount originally determined on the date of retirement or on July 1, 1971, whichever is later, for any annuitant or class of annuitants, the excess of the amount paid over the amount which the reserves would support must be recovered from the annuity stabilization reserve as established in subdivision 13. If such reserve is inadequate, any excess amount must be recovered by withholding the amount of any future increases in annuity payments to which the annuitant or class of annuitants would be otherwise entitled until the sum of the amounts withheld equals such accumulated excess. After any deficiency is recovered in full, either through the annuity stabilization reserve or the withholding of increases in annuity payments, the annuity will be increased on the basis of the ratio of assets to reserves currently applicable to all persons retired from the pension fund. Except as provided by statute, exact procedures to be followed in making determinations as to the amounts to be received by pension beneficiaries during the various fiscal years shall be determined by the board of directors or trustees of the participating retirement fund or organization in accordance with accepted actuarial and accounting practices.

Subd. 13. Annuity stabilization reserve. An annuity stabilization reserve shall be attached to the Minnesota adjustable fixed benefit fund for the purposes of (1) eliminating any deficiency so that the assets of the fund will equal the reserves supporting benefits being paid; except that funds from the stabilization reserve shall not be used to eliminate any deficiency resulting from benefit payments at the fixed benefit level exceeding the amount of payment that would be paid were it not for the fixed benefit guarantee and, (2) precluding any downward adjustment in annuity payments below the previous calendar year's payment rate. If the reserve is insufficient to preclude such a decrease, the amount available shall limit the maximum decrease to a uniform percentage consistent with the utilization of the total value of the reserve. Beginning on January 1, 1972, upward adjustments of annuity payments to each annuitant shall be limited to four percent of the previous calendar year's payment rate until the accumulation in the annuity stabilization reserve from such withholding has reached an amount equal to 15 percent of the immediate past fiscal year's total annuity payments. So long as the reserve totals an amount equal to 15 percent of the immediate past fiscal year's total annuity payments, any increase up to six percent of

the previous calendar year's payment rate shall be paid directly to any annuitant or class of annuitants. The amount of any increase above six percent of the previous calendar year's payment rate shall be added to the reserve until such reserve totals an amount equal to 25 percent of the total pensions paid during the previous fiscal year. Upward adjustments of the annuity payments to each annuitant shall be limited to eight percent of the previous calendar year's payment rate, with any excess being added to the reserve, even though such reserve may then exceed 25 percent of the immediate past fiscal year's total annuity payments. For the purpose of this section, the word reserve means the fund established herein and not an actuarial reserve. Any assets on hand prior to June 30, 1972 in the annuity stabilization reserve of any retirement fund or organization participating in the Minnesota adjustable fixed benefit fund, shall be paid to or credited to such retirement fund or organization. Such assets as are credited to the individual fund annuity stabilization reserves thereafter shall on the effective date of Laws 1973, Chapter 7 be transferred to the single annuity stabilization reserve for the Minnesota adjustable fixed benefit fund and the authorization for stabilization reserves relating to the individual retirement funds shall terminate.

Subd. 14. Effective January 1, 1973, each retirement fund participating in the Minnesota adjustable fixed benefit fund shall make an upward adjustment of four and one-half percent to each annuitant retiring prior to July 1, 1971. Subsequent adjustments will be in accordance with subdivisions 12 and 13, except that in the event the assets transferred to the annuity stabilization reserve result in a stabilization reserve of less than an amount equal to 15 percent of the immediate past fiscal year's total annuity payments, such deficiency shall be made up before the next annual adjustment is made.

Subd. 15. Upon taking effect of Laws 1973, Chapter 7, the calculations required by subdivisions 12 and 13, as amended by Laws 1973, Chapter 7 shall be determined as of July 1, 1972. Any participating pension fund that has previously announced an increase adjustment in excess of four and one-half percent, and such fund is entitled to a credit or refund due to mortality gain determined in accordance with subdivision 12, clauses (b), (c), (d) and (e), and such credit or refund exceeds the reserves required to further increase the benefits of those eligible for the four and one-half percent adjustment by an additional one percent, such fund may pay to the fund's participation the reserves required for such additional one percent increase in benefit adjustment. The adjustments provided by Laws 1973, Chapter 7 shall apply to the accrual of benefits commencing with January 1, 1973. In case any actual disbursements of benefits have or do vary from the amounts herein provided, the participating pension fund or funds so involved shall adjust to the amounts herein provided.

Subd. 16. All assets in the annuity stabilization reserve and suspense account shall be credited proportionately to the individual retirement funds' participation in the Minnesota adjustable fixed benefit fund, except that the share attributable to the municipal employees retirement fund of Minneapolis shall be used to increase benefits or may at the discretion of its board of trustees be returned to such fund.

Effective January 1, 1974 each participating fund in the Minnesota adjustable fixed benefit fund, except the municipal employees retirement fund of Minneapolis, shall increase the benefits in effect on June 30, 1973 by an amount that when added to the interest assumption increase granted to such benefits effective July 1, 1973, equals 25 percent. The increase shall apply to the accrual of benefits commencing January 1, 1974 and shall be in lieu of the adjustment provided by subdivisions 12 and 13 scheduled to take effect January 1, 1974.

The actuary for each participating fund, except the municipal employees retirement fund of Minneapolis, shall calculate the reserve required to support the benefits in effect on June 30, 1973 as increased July 1, 1973 and herein. As of December 31, 1973, each participating fund shall transfer to or from the Minnesota adjustable fixed benefit fund assets so that its participation equals the total of such required reserve and the reserve for benefits authorized on or after July 1, 1973.

The increased benefits accruing as of January 1, 1974 shall be considered the "originally determined benefits" for the purpose of future adjustments.

Notwithstanding section 356.18, increases in payments pursuant to this section will be made automatically unless the intended recipient files written notice with the public employees retirement association requesting that the increase shall not be

made.

[ 1969 c 485 s 32; 1969 c 914 s 10; 1971 c 112 s 1; 1971 c 197 s 2; 1971 c 414 s 1-5; 1973 c 7 s 1-4; 1973 c 728 s 30; 1973 c 753 s 2 ]

**11.26 MINNESOTA VARIABLE ANNUITY FUND.** Subdivision 1. Minnesota variable annuity fund established. There is hereby established the Minnesota variable annuity fund which shall be administered by the state board of investment.

Subd. 2. Investment of assets. The assets of the Minnesota variable annuity fund shall be invested by the state board of investment in accordance with the provisions of section 11.18, subdivision 3.

Subd. 3. Participation in fund. Any public retirement organization authorized to participate in the Minnesota variable annuity fund may own an undivided participation in all the assets of the fund. The extent of annual participation shall be determined by the ratio of each organization's contribution to the total contributions of all participating organizations. Such ratio shall be determined monthly. Contributions and withdrawals may be certified at any time, but notification of contributions must reach the state board of investment by the twenty-fifth day of any month in order for such contributions to be included in calculations determining the monthly ratio. At the end of each fiscal year, the twelve ratios for such year, beginning with that of the previous June 30, shall be averaged. The average ratio shall determine the distribution of the difference between the admitted value and the balances of contributions of the respective organizations at year end to determine the respective amounts of participation. The interpretation and administration of all calculations affecting the fund shall be made in a manner to achieve the most uniform and equitable treatment possible for all participating organizations.

Subd. 4. Valuation of fund. (1) A bimonthly valuation of the investments in the Minnesota variable annuity fund shall be made by the state board of investment, using the closing market prices on the last business dates of August, October, December, February, April and June of each fiscal year. The ratio of the total market value of investments to the admitted value of investments at the end of the preceding fiscal year, plus the cost of investments acquired, less the net receipts from investments sold during the fiscal year, shall be determined for each valuation date. (2) The admitted value of the investments of the Minnesota variable annuity fund at the end of each fiscal year shall be the book value of all investments held at such date multiplied by the average of the ratios at the 12 bimonthly valuation dates for such fiscal year and the immediately preceding fiscal year determined in accordance with clause (1). For fiscal 1971, the admitted value shall be the book value of all investments held at the end of the fiscal year multiplied by the sum of the average of the six ratios determined for such fiscal year plus six assumed ratios of 100, the total of which is divided by 12. The book value of investments during any fiscal year shall be the admitted value at the end of the preceding fiscal year or the cost of such investments if acquired during the fiscal year. At the initial date of operation of the fund, the admitted value of the investments shall be the original cost of such investments.

Subd. 5. Accounting procedures. (1) The earnings from the investments of the Minnesota variable annuity fund shall consist of dividends, interest, and all other income derived from such investments and shall be determined on an accrual basis as of each bimonthly valuation date. Such income shall be attributed to those funds in the account at the beginning of the bimonthly period. Earnings from investments shall not include changes in the admitted values of such investments.

(2) Any realized gain or loss shall be recorded in a realized appreciation account, and shall consist of the amount received on sale less the cost of such security. Unrealized gains or losses for any fiscal year shall be determined as provided in subdivision 4, clause (1) to the book value of all investments held at the end of the fiscal year.

Subd. 6. Total annual increment or decrement. The total annual increment or decrement for any one year shall be the sum of (a) the six bimonthly computations of earnings as computed under subdivision 5, clause (1), after adjustment so as to attribute such income to the appropriate participants, (b) total realized gains or losses for the fiscal year as computed under subdivision 5, clause (2), after adjusting for the approximate unrealized gain or loss evidenced for such securities in the admitted value, and (c) total unrealized gains or losses for the fiscal year as computed under subdivision 5, clause (2).

Subd. 7. Rate of return. The total annual increment or decrement divided by the admitted value of the assets of the Minnesota variable annuity fund, as computed under clause (2) of subdivision 4, shall be defined as the rate of return for said fiscal year. The rate of return is to be used as the percentage of increase or decrease which participating organizations may make in the amount of the individual member's account balances at the end of said fiscal year.

[ 1969 c 485 s 33; 1971 c 112 s 2; 1971 c 414 s 6; 1973 c 129 s 4,5 ]

11.27 CONTINUING APPROPRIATION FROM MINNESOTA ADJUSTABLE FIXED BENEFIT FUND. All money necessary to meet the requirements of certification of withdrawal by funds authorized to participate in the Minnesota adjustable fixed benefit fund are hereby annually, and from time to time, appropriated from the Minnesota adjustable fixed benefit fund to the participating pension funds involved. Withdrawals for pensions is limited to those pensions for which reserves have been transferred to the Minnesota adjustable fixed benefit fund.

[ 1969 c 693 s 1; 1969 c 977 s 2; 1969 c 999 s 7 ]

#### STATE ZOOLOGICAL GARDEN OPERATING ACCOUNT

11.28 STATE ZOOLOGICAL GARDEN; OPERATING RECEIPTS INVESTMENT ACCOUNT. Subdivision 1. The Minnesota zoological garden operating receipts investment account shall be administered by the state board of investment. The assets of the account shall be invested in those securities authorized in section 11.10, subdivision 1.

Subd. 2. When the Minnesota zoological garden board certifies that any funds so invested are needed for current purposes, the state board of investment shall order the sale or conversion into cash of investments to the amount so certified, and transfer the funds to the Minnesota zoological garden general account.

Subd. 3. All interest and profit accruing from the investments shall be credited to, and be a part of, the Minnesota zoological garden general account, and any loss incurred in the principal of the investment shall be borne by the Minnesota zoological garden general account.

[ 1975 c 382 s 1 ]

**RETIREMENT SYSTEMS, GENERALLY 356.20**  
**(FROM MINNESOTA STATUTES 1976)**  
**CHAPTER 356**

**RETIREMENT SYSTEMS, GENERALLY**

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| 356.18      | Requests for relief and retirement increases.                                            | 356.31      | Restoration of survivor benefits.                                             |
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| 356.30      | Combined service annuity.                                                                | 356.38      | Multiple benefits and annuities; limitation on increases.                     |
|             |                                                                                          | 356.39      | Transfer of reserves; originally determined benefits.                         |

356.01-356.14 [ Obsolete ]

356.15 [ Renumbered 9.28 ]

356.16 [ Obsolete ]

356.17 [ Renumbered 3.30 ]

**356.18 REQUESTS FOR RELIEF AND RETIREMENT INCREASES.** Subdivision 1. No increase authorized by any law hereafter enacted, in any pension, annuity, or retirement paid by the public employees retirement association, the state employees retirement association, the state teachers retirement fund, any police or firemen's retirement fund, or from any relief or retirement fund to which contributions are made from moneys derived from taxation, shall be paid to any pensioner, annuitant, or recipient unless he shall first request in writing that payment of such increase be made.

Subd. 2. No such increase as described in subdivision 1 under authority of any law heretofore enacted being paid on the effective date of this section shall continue to be paid to any pensioner, annuitant, or recipient unless he shall first request in writing that the payment of the increase be continued.

[ 1963 c 521 s 1 ]

**356.20 FINANCIAL REPORTS REQUIRED.** Subdivision 1. The governing or managing board or administrative officials of the public pension and retirement funds enumerated in subdivision 2 shall annually prepare and file a financial report following the close of each fiscal year. This requirement shall also apply to any fund which may be a successor to any organization so enumerated or to any newly formed retirement fund or association operating under the control or supervision of any public employee group, governmental unit, or institution receiving a portion of its support through legislative appropriations, with the exception of any local police or fire fund now governed by chapter 69. Such report shall be prepared under the supervision and at the direction of the management of each fund and shall be signed by its chairman and secretary.

- Subd. 2. (1) State employees retirement fund.  
 (2) Public employees retirement fund.  
 (3) Teachers retirement fund.  
 (4) Highway patrolmen's retirement fund.  
 (5) Twin City lines employees retirement plan.  
 (6) Minneapolis teachers retirement fund association.  
 (7) St. Paul teachers retirement fund association.  
 (8) Duluth teachers retirement fund association.  
 (9) Municipal employees retirement board of Minneapolis.  
 (10) University of Minnesota police retirement plan.

## (11) University of Minnesota faculty retirement plan.

Subd. 3. Each financial report is a public record. A copy thereof or a synopsis containing the information required by this section shall be distributed annually to each member of the fund and to the governing body of each governmental subdivision of the state which makes employers contributions thereto or in whose behalf taxes are levied for the employers' contribution. A signed copy of each report shall be delivered not later than six months after the close of each fiscal year to any interim or study committee or commission of the legislature assigned to consider pension and retirement funds or plans. In the absence of the creation of such a committee or commission a signed copy of such report shall be delivered to the secretary of the senate and the chief clerk of the house of representatives not later than ten days after the convening of the next regular session of the legislature following the close of the fiscal year for which such report is prepared.

Subd. 4. Each financial report required by this section shall include:

(1) An exhibit prepared according to applicable actuarial standards enumerated in section 356.215, by an approved actuary as defined in section 356.215, subdivision 6 showing the accrued assets of the fund, the accrued liabilities, including accrued reserves, and the accrued unfunded liability of the fund. Such exhibit shall contain the certificate of an approved actuary certifying that the required reserves for any benefits provided under a benefit formula are computed in accordance with the Entry Age Normal Cost (Level Normal Cost) basis.

(a) Assets shown in the exhibit shall include the following items of actual assets:

Cash in office  
Deposits in banks  
Accounts receivable:  
Accrued members' contributions  
Accrued employer contributions  
Other  
Accrued interest on investments  
Dividends on stocks, declared but not yet received  
Investment in bonds at amortized cost  
Investment in stocks at cost  
Investment in real estate  
Equipment at cost, less depreciation  
Other  
Total assets .....

(b) The exhibit shall include a statement of the unfunded accrued liability of the fund. Should the assets of the fund exceed the liabilities, the excess shall be listed as surplus and indicated in the exhibit following the item of reserves.

(c) The exhibit shall include a footnote showing accumulated member contributions without interest.

(d) Current liabilities shown in the exhibit shall include the following items:

Current:  
Accounts payable  
Annuity payments  
Survivor benefit payments  
Refund to members  
Accrued expenses  
Suspense items  
Total current liabilities .....

(e) The exhibit shall include an item for accrued necessary reserves which shall be listed as "total reserves required as per attached schedule." Such attached schedule shall contain the following information on the reserves required:

1. For active members
  - a. Retirement benefits
  - b. Disability benefits
  - c. Refundment liability due to death or withdrawal
  - d. Survivors' benefits
2. For deferred annuitants
3. For former members without vested rights
4. For annuitants
  - a. Retirement
  - b. Disability annuities
  - c. Surviving spouses' annuities
  - d. Surviving children's annuities

5. In addition to the foregoing, if there are additional benefits not appropriately covered by the foregoing four items of reserves required, they should be listed separately.

(2) An income statement on an accrual basis showing all income and all deductions from income for the fiscal year. It shall show separate items for employee contributions, employer regular contributions, employer additional contributions if provided by law, investment income, profit on the sale of investments, and other income, if any.

(3) A statement of deductions from income, which shall include separate items for benefit payments, retirement benefits, disability benefits, widows' benefits, surviving children's benefits, refundments to members terminating employment, refundments due to death of members and due to death of annuitants, the increase in total reserves required, general expense incurred, loss on sale of investments, and any other deductions.

(4) A statement showing appropriate statistics as to membership and beneficiaries of the fund, with indications of changes in such statistical data which may result from the current year's operation.

(5) Such additional statements or exhibits as will enable the management of the fund to portray a true interpretation of the fund's financial condition, except that the term "surplus" or the term "excess of assets" shall not be used except as otherwise specifically provided for in this section, nor shall any representation of assets and liabilities other than as provided for in this section be included in such additional statements or exhibits.

(6) A more detailed or subdivided itemization of any of the items required by this section, if the management of the fund so desires.

Subd. 5. There is hereby established, in each fund enumerated in subdivision 2, a deferred yield adjustment account which shall be increased by the sale or disposition of any debt securities at less than book value and shall be decreased by the sale or disposition of debt securities at more than book value. At the end of each fiscal year, a portion of the balance of this account shall be offset against the investment income for that year. The annual portion of the balance to be offset shall be proportional to the reciprocal of the average remaining life of the bonds sold, unless such amounts are offset by gains on the future sales of these securities. The amount of this account shall be included in any accounting or actuarial computations or listing of assets. In any fiscal year in which the gains on the sales of debt securities exceed the discounts realized on the sales of such securities, the excess shall be used to reduce the balance of the account.

[ 1965 c 359 s 1; 1969 c 249 s 1; 1971 c 7 s 1-3; 1971 c 197 s 4; 1971 c 281 s 1,2; 1975 c 192 s 1,2 ]

356.21 [ Repealed, 1975 c 192 s 7 ]

356.211 [ Repealed, 1975 c 192 s 7 ]

356.212 [ Repealed, 1975 c 192 s 7 ]

**356.215 ACTUARIAL VALUATIONS AND EXPERIENCE STUDIES.** Subdivision 1. Definitions. For the purposes of sections 356.20 to 356.23 the terms herein-

after defined have the meanings given:

(1) "Actuarial valuation" means a calculation to determine the normal cost and accrued liabilities of a benefit plan, according to a stated actuarial cost method and based upon stated assumptions as to rates of interest, mortality, salary increase rates, disability, withdrawal, and retirement. Such valuation also includes a determination of the payment necessary to amortize over a stated period any unfunded accrued liability disclosed as a result of the actuarial valuation and resulting actuarial balance sheet of the benefit plan, and a determination of the payment necessary to prevent any increase in any such unfunded accrued liability.

(2) "Experience study" means a report which furnishes experience data and actuarial analysis which substantiate the actuarial assumptions on which valuations are based.

Subd. 2. Requirements. It is necessary and appropriate to determine annually the financial status of tax supported retirement and pension plans for public employees. In order to achieve this goal, the governing or managing board or administrative officials of the public pension and retirement funds enumerated in section 356.20, subdivision 2, shall cause to be made annual actuarial valuations and quadrennial experience studies of their respective funds as herein provided. This requirement shall also apply to any fund which may be a successor to any organization enumerated in section 356.20, subdivision 2, or to any newly formed retirement fund or association operating under the control or supervision of any public employee group, governmental unit, or institution receiving a portion of its support through legislative appropriations, with the exception of any local police or fire fund now governed by chapter 69.

Subd. 3. Reports. The actuarial valuations required annually shall be made as of the beginning of each fiscal year. Two copies of each valuation shall be delivered to the chief clerk of the house of representatives and two copies thereof to the secretary of the senate, not later than five months after the beginning of each fiscal year. An additional two copies of each valuation shall likewise be delivered to any committee or commission of the legislature in existence at the time the report is made and which committee or commission has assigned to it the subject of public pensions or public retirement plans. Each fourth year, an experience study in duplicate covering four fiscal years shall likewise be filed with each of the enumerated officers and committees or commissions. The experience study shall be filed within five months after the close of the period which such experience study covers. The first quadrennial experience study required of each pension fund by this section shall accompany the annual valuation which is prepared as of the end of the first fiscal year which ends after June 1, 1975.

Subd. 4. Actuarial valuations; contents. Actuarial valuations shall be made in conformity with the requirements of the definition contained in subdivision 1. Each actuarial valuation shall measure all aspects of the fund in accordance with such changes in benefit plans, if any, and salaries as will be in force during the ensuing fiscal year. Each actuarial valuation shall be in accordance with the entry age normal cost (level normal cost) method.

Each actuarial valuation required under this section shall include:

(1) For each fund providing any benefits under a benefit formula, the level normal cost of the benefits provided by the laws governing the fund as of the date of the valuation, computed in accordance with the entry age normal cost (level normal cost) method. The normal cost shall be expressed as a level percentage of the future payroll of the active participants of the fund as of the date of the valuation.

(2) The accrued liabilities of the fund which shall be equal to the present value of all benefits minus the present value of future normal costs calculated in accordance with the entry age normal cost method.

(3) For each fund providing benefits under the money purchase method, the member contributions accumulated at interest, as apportioned to members accounts, to the date of the valuation. These accumulations shall be separately tabulated in such manner as to reflect properly any differences in money purchase annuity rates which may apply.

(4) An interest assumption of five percent and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.035 multiplied by the salary for the preceding year.

(5) Other assumptions as to mortality, disability, retirement and withdrawal that are appropriate to the fund, which shall be set forth in the valuation report.

(6) An actuarial balance sheet showing accrued assets, accrued liabilities, and the deficit from full funding of liabilities (unfunded accrued liability). The accrued liabilities shall include the following required reserves:

- (a) For active members
  - 1. Retirement benefits
  - 2. Disability benefits
  - 3. Refund liability due to death or withdrawal
  - 4. Survivors' benefits
- (b) For deferred annuitants' benefits
- (c) For former members without vested rights
- (d) For annuitants
  - 1. Retirement annuities
  - 2. Disability annuities
  - 3. Surviving spouses' annuities
  - 4. Surviving children's annuities

In addition to the above required reserves, separate items shall be shown for additional benefits, if any, which may not be appropriately included in the reserves listed above.

(7) In addition to the level normal cost, such additional rate of support as is required to amortize any deficit in the fund by the end of the fiscal year occurring in 1997.

(8) An actuarial balance sheet shall not include as an asset the present value of the contributions required under clause (7).

(9) A analysis by the actuary explaining the increase or decrease in the unfunded accrued liability since the last valuation. The explanation shall subdivide the increase or decrease in unfunded accrued liability into at least the following parts:

(a) Increases or decreases in unfunded accrued liability because of changes in benefits;

(b) Increases and decreases in unfunded accrued liability because of each change, if any, in actuarial assumptions;

(c) Actuarial gains or losses resulting from any deviations of actual investment earnings, actual mortality rates, actual salary increase rates, actual disability rates, actual withdrawal rates and actual retirement rates from the assumptions on which the valuations are based;

(d) Increases or decreases in unfunded accrued liability because of other reasons, including the effect of the amortization contribution required under clause (7); and

(e) Increases or decreases in unfunded accrued liability because of changes in eligibility requirements or groups included in the membership of the fund.

(10) A tabulation of active membership and annuitants in the fund. If the membership of a fund is under more than one general benefit program, a separate tabulation shall be made for each general benefit program. The tabulations shall be submitted in the following form:

| (a) Active members                                      | Annual |         |
|---------------------------------------------------------|--------|---------|
|                                                         | Number | Payroll |
| As of last valuation date                               |        |         |
| New entrants                                            |        |         |
| Total                                                   |        |         |
| Separations from active service                         |        |         |
| Refund of contributions                                 |        |         |
| Separation with deferred annuity                        |        |         |
| Separation with neither refundment nor deferred annuity |        |         |
| Disability                                              |        |         |
| Death                                                   |        |         |
| Retirement with service annuity                         |        |         |
| Total separations                                       |        |         |
| As of current valuation date                            |        |         |

|                              | Number | Annual Annuity<br>Benefit |
|------------------------------|--------|---------------------------|
| (b) Annuitants               |        |                           |
| As of last valuation date    |        |                           |
| New entrants                 |        |                           |
| Total                        |        |                           |
| Terminations                 |        |                           |
| Deaths                       |        |                           |
| Other                        |        |                           |
| Total terminations           |        |                           |
| As of current valuation date |        |                           |

The tabulation required under (b) shall be made separately for each of the following classes of annuitants:

- (a) Service retirement annuitants
- (b) Disabled annuitants
- (c) Surviving spouse annuitants
- (d) Surviving children annuitants
- (e) Deferred annuitants

(11) A statement of the administrative expenses in dollars and also as a percentage of covered payroll.

Subd. 5. Experience study; contents. Each experience study shall contain the analysis required by subdivision 1, clause (2).

In addition, each experience study shall contain:

- (1) A statement of the average entry ages at which employment commences;
- (a) For all those currently active members at the date of the experience study.
- (b) Separately as to new entrants for each of the last five fiscal years.

(2) A statement of the average ages at which service retirements have taken place;

(a) For all service retirement annuitants living at the date of the experience study.

- (b) Separately as to new retirements for each of the last five fiscal years.

Subd. 6. Approved actuaries. Each actuarial valuation or experience study shall be made by an approved actuary. An approved actuary is an actuary with not less than 15 years of service to major public employee pension or retirement funds, or who is a fellow in the society of actuaries, or any firm retaining such an actuary on its staff. Each valuation or experience study shall state that it has been completed in accordance with the provisions of sections 356.20 to 356.23.

[ 1975 c 192 s 3 ]

**356.22 INTERPRETATION.** Subdivision 1. No provision in sections 356.20 to 356.23 shall be construed to in any way limit any of the enumerated pension and retirement funds from furnishing additional actuarial valuations or experience studies, or data and calculations, as may be requested by the legislature or any committee or commission thereof now in existence or hereafter created, which committee or commission has assigned to it the subject of public pensions or public retirement plans.

Subd. 2. No provision in sections 356.20 to 356.23 shall be construed to preclude any public pension and retirement fund herein enumerated from requesting, or the legislature from providing for, the amortization of any deficit in a shorter time than the limit herein set forth (by the end of the fiscal year occurring in 1997).

Subd. 3. The legislature or any committee or commission thereof now in existence or hereafter created which has assigned to it the subject of public pensions or public retirement plans may require actuarial valuations and experience studies in conformity with the provisions of sections 356.20 to 356.23 from any public pension and retirement fund, whether enumerated in sections 356.20 to 356.23 or otherwise.

[ 1965 c 359 s 3; 1975 c 192 s 4,5 ]

**356.23 OPTIONAL BASIS OR ASSUMPTIONS; SPECIFICATION.** In addition to the financial reports and actuarial valuations required by sections 356.20 to 356.23, the governing or managing board of the funds concerned may submit reports and val-

uations for distribution to the legislature or any of its commissions or committees on a different basis or on different assumptions that are specified in sections 356.20 to 356.23; provided the assumptions and basis of such reports and valuations are clearly set forth therein.

[ 1965 c 359 s 4; 1971 c 7 s 7; 1975 c 192 s 6 ]

**356.24 SUPPLEMENTAL PENSION OR DEFERRED COMPENSATION PLANS, RESTRICTIONS UPON GOVERNMENT UNITS.** Upon passage of this section, it shall be unlawful for a school district or other governmental subdivision or state agency to levy taxes for, or contribute public funds to a supplemental pension or deferred compensation plan which is maintained and operated in addition to a primary pension program for the benefit of the governmental subdivision employees. This section shall not apply to supplemental pension plans which are maintained and operated prior to passage of this section, except that, any changes in benefits or employer contributions after the passage of this section shall be made pursuant to legislative authorization. This section does not apply to plans that provide only for group health, hospital, disability, or death benefits.

[ 1971 c 222 s 1 ]

**356.25 CITY PENSION FUND PROHIBITIONS; EXCLUSIONS.** Notwithstanding any other provision of law or charter, no city shall, after August 1, 1975, establish for any of its employees any local pension plan paid for in whole or in part from public funds, other than a volunteer firemen's relief association governed by sections 69.771 to 69.776.

[ 1975 c 405 s 1 ]

**356.30 COMBINED SERVICE ANNUITY.** Subdivision 1. Eligibility; computation of annuity. Notwithstanding any provisions to the contrary of the laws governing the funds enumerated in subdivision 3, a person who has allowable service totaling ten or more years in any two or more of such funds and has at least six months of allowable service with the last such fund earned during his last period of employment and has not begun to receive an annuity from any such funds, may, upon retirement, in lieu of any augmentation of deferred annuities provided by the laws of such funds, elect to receive a retirement annuity from each fund in which he has allowable service, based upon the allowable service in each fund, except that: (a) the laws governing annuities shall be the law in effect on the date of his final termination from the last public service under a covered fund; (b) the "average salary" on which the annuity from each covered fund in which the employee has credit in a formula plan shall be based on the employee's highest five successive years of covered salary during his entire service in covered funds; (c) the formula percentages to be used by each fund shall be those percentages prescribed by each fund's formula as continued for the respective years of allowable service from one fund to the next, recognizing all previous allowable service with the other covered funds; and (d) allowable service in all the funds shall be combined in determining eligibility for and the application of each fund's provisions in respect to actuarial reduction in the benefit amount for retirement prior to normal retirement. The benefit amount payable for any allowable service under a nonformula plan of a covered fund shall not be affected but such service and covered salary shall be used in the above calculation. This section shall not apply to any person whose final termination from the last public service under a covered fund is prior to May 1, 1975. For the purpose of computing benefits under this section the formula percentages used by any covered fund shall in no event exceed two and one-half percent per year of service for any year of service or fraction thereof.

Any period of time for which a person has credit in more than one of the covered funds shall be used only once for the purpose of determining total allowable service. Such period shall be used in the computation of the benefit by the fund having primary and principal coverage prior to and following the period. However, if such dual coverage is the result of two part time employments each fund shall apply a pro rata fraction of its formula.

Subd. 2. Repayment of refunds. Any person who is employed in a position covered by one of the funds enumerated in subdivision 3 who has received a refund from any other of such funds may repay such refund to the respective fund under such terms and conditions as are consistent with the laws governing such other fund, except that he need not be a currently contributing member of the fund to which the refund is repaid at the time the repayment is made.

Subd. 3. **Covered funds.** The provisions of this section shall apply to the following retirement funds:

- (1) state employees retirement fund established pursuant to chapter 352;
- (2) correctional employees retirement program, established pursuant to chapter 352;
- (3) unclassified employees retirement plan, established pursuant to chapter 352D;
- (4) highway patrolmen's retirement fund, established pursuant to chapter 352B;
- (5) legislators' retirement plan, established pursuant to chapter 3A;
- (6) elective state officers' retirement plan, established pursuant to chapter 352C;
- (7) public employees retirement association, established pursuant to chapter 353;
- (8) public employees police and fire fund, established pursuant to chapter 353;
- (9) teachers retirement fund, established pursuant to chapter 354;
- (10) Minneapolis municipal employees retirement fund, established pursuant to chapter 422A;
- (11) Minneapolis teachers retirement fund association, established pursuant to chapter 354A;
- (12) St. Paul teachers retirement fund association, established pursuant to chapter 354A;
- (13) Duluth teachers retirement fund association, established pursuant to chapter 354A.

[ 1975 c 232 s 1 ]

**356.31 RESTORATION OF SURVIVOR BENEFITS.** Subdivision 1. Restoration upon termination of remarriage. Notwithstanding any provision to the contrary of the laws governing any of the retirement funds enumerated in subdivision 2, any person who was receiving a surviving spouse's benefit from any of such funds and whose benefit terminated solely because of remarriage shall, if the remarriage terminates for any reason, again be entitled upon reapplication to a surviving spouse's benefit; provided, however, that such person shall not be entitled to retroactive payments for the period of remarriage. The benefit shall resume at the level which such person would have been receiving if there had been no remarriage. This section shall apply prospectively to any person who first becomes entitled to receive a surviving spouse's benefit on or after May 18, 1975, and shall also apply retroactively to any person who first became entitled to receive a surviving spouse's benefit before May 18, 1975; provided, however, that no such person shall be entitled to retroactive payments for any period of time prior to May 18, 1975.

Subd. 2. **Covered funds.** The provisions of this section shall apply to the following retirement funds:

- (1) Public employees retirement fund, established pursuant to chapter 353;
- (2) Public employees police and fire fund, established pursuant to chapter 353;
- (3) Highway patrolmen's retirement fund, established pursuant to chapter 352B;
- (4) Legislators' retirement plan, established pursuant to chapter 3A;
- (5) Elective state officers retirement plan, established pursuant to chapter 352C;
- (6) Teachers retirement fund, established pursuant to chapter 354;
- (7) Minneapolis municipal employees retirement fund, established pursuant to chapter 422A.

[ 1975 c 183 s 1 ]

**356.32 PROPORTIONATE ANNUITY IN CERTAIN CASES.** Subdivision 1. Proportionate retirement annuity. Notwithstanding any provision to the contrary of the laws governing any of the retirement funds enumerated in subdivision 2, any person who is employed in a position covered by any such fund, who has credit for at least three years but less than ten years of allowable service in such fund or a combination of such funds, and who is required to terminate service at age 65 or earlier pursuant to a mandatory retirement statute or a uniformly applied mandatory retirement policy established by the employer, shall be entitled upon application to a proportion-

ate retirement annuity from each such fund in which he has allowable service credit, based upon his allowable service credit at the time of mandatory retirement; provided, however, that nothing in this section shall prevent the actuarial reduction of an annuity for which application is made prior to normal retirement age.

Subd. 2. Covered funds. The provisions of this section shall apply to the following retirement funds:

- (1) State employees retirement fund, established pursuant to chapter 352;
- (2) Correctional employees retirement program, established pursuant to chapter 352;
- (3) Highway patrolmen's retirement fund, established pursuant to chapter 352B;
- (4) Public employees retirement fund, established pursuant to chapter 353;
- (5) Public employees police and fire fund, established pursuant to chapter 353;
- (6) Teachers retirement fund, established pursuant to chapter 354;
- (7) Minneapolis municipal employees retirement fund, established pursuant to chapter 422A.

[ 1975 c 183 s 2; 1976 c 130 s 1 ]

**356.325 HENNEPIN COUNTY; CERTAIN EMPLOYEES; PROPORTIONATE ANNUITIES.** Employees and former employees of Hennepin county who were members of the public employees retirement association on May 1, 1975 and have at least three years but less than ten years of allowable service in such fund, or a combination of such fund and funds listed in Minnesota Statutes, 1975 Supplement, Section 356.32, Subdivision 2, shall be entitled to proportionate annuities under Minnesota Statutes, 1975 Supplement, Section 356.32, even if they are over 65 years of age. With respect to such persons who are over 65 years of age and whose public service terminated between May 1, 1975 and April 21, 1976, proportionate annuity payments may be made retroactive to January 1, 1976 or the date of termination of public service, whichever is later.

[ 1976 c 329 s 35 ]

**356.34 LIMITATION ON AVERAGE SALARY FOR BENEFITS.** Subdivision 1. Effective for any disability benefit or retirement annuity commencing after June 30, 1977 from a fund enumerated in subdivision 2, which benefit or annuity is based on a final average salary, no year of salary used in determining the final average salary as defined by the laws governing the fund shall exceed the salary paid in the previous year by more than 15 percent.

Subd. 2. The provisions of this section shall apply to the following retirement funds:

- (1) state employees retirement fund, established pursuant to chapter 352;
- (2) correctional employees retirement program, established pursuant to chapter 352;
- (3) highway patrolmen's retirement fund, established pursuant to chapter 352B;
- (4) public employees retirement fund, established pursuant to chapter 353;
- (5) public employees police and fire fund, established pursuant to chapter 353;
- (6) teachers retirement fund, established pursuant to chapter 354.

[ 1976 c 329 s 32 ]

**356.35 DEFINITIONS.** Subdivision 1. Unless the language or context clearly indicates that a different meaning is intended, the following terms, for the purpose of Laws 1976, Chapter 326, shall have the meanings subjoined to them.

Subd. 2. "Determinant date" means June 1, 1973, with respect to the highway patrolmen's retirement fund; June 27, 1973, with respect to permanent disability benefits, retirement annuities, and retirement allowance options II, III and IV paid to surviving spouses pursuant to Minnesota Statutes 1971, Section 422.08 provided by the Minneapolis municipal employees retirement fund; April 25, 1959, with respect to survivor benefits paid to surviving spouses of contributing members provided by the Minneapolis municipal employees retirement fund; January 1, 1970, with respect to the St. Paul teachers retirement fund; July 1, 1971, with respect to the Duluth teachers retirement fund; and July 1, 1973, with respect to all other covered retirement funds.

Subd. 3. "Plan participant" means the person receiving the permanent disability benefit or retirement annuity with respect to disabilitants and retired members of a covered fund; and the deceased member or deceased retired member on behalf of whom the survivor benefit or annuity is being paid with respect to surviving beneficiaries of a covered fund.

Subd. 4. "Years of retirement" means the number of years which have elapsed between:

(1) June 30 of the calendar year in which the earliest applicable event among the following occurred;

- (a) the commencement of the plan participant's permanent disability benefit,
  - (b) the commencement of the plan participant's retirement annuity, or
  - (c) the death of the plan participant, and
- (2) July 1, 1976.

Subd. 5. "Covered retirement fund" means:

- (1) the highway patrolmen's retirement fund;
- (2) the public employees police and fire fund;
- (3) the public employees retirement fund;
- (4) the state employees retirement fund;
- (5) the teachers retirement fund;
- (6) the Minneapolis municipal employees retirement fund;
- (7) the legislators' retirement plan;
- (8) the St. Paul teachers retirement fund; or
- (9) the Duluth teachers retirement fund.

[ 1976 c 326 s 1 ]

**356.36 PERMANENT DISABILITY BENEFITS AND RETIREMENT ANNUITIES; INCREASE; EXCEPTIONS.** Subdivision 1. Except as provided in section 356.38, any plan participant who began receiving a permanent disability benefit or a retirement annuity prior to the determinative date and is receiving a permanent disability benefit or a retirement annuity based on laws in effect prior to such date from a covered retirement fund or any combination of such funds shall receive, beginning with the first monthly benefit or annuity accruing after June 30, 1976, an increase in the benefit or annuity from each such fund as provided in subdivisions 2 and 3. Provided however, that no plan participant who is receiving a permanent disability benefit or a retirement annuity from the Minneapolis municipal employees retirement fund in excess of \$300 per month shall be entitled to an increase in such benefit or annuity pursuant to Laws 1976, Chapter 326. Provided further, that no plan participant who is less than 70 years of age and is receiving a permanent disability benefit or a retirement annuity from the St. Paul teachers retirement fund shall be entitled to an increase in the benefit or annuity pursuant to Laws 1976, Chapter 326 until the plan participant attains the age of 70 years.

Subd. 2. In the case of permanent disability benefits and retirement annuities computed under the provisions of a "basic" retirement program, there shall be:

- (1) a \$4.50 increase in annual payments for each full year of allowable service earned by the plan participant in the respective covered retirement fund; and
- (2) a \$9 increase in annual payments for each year of retirement.

Subd. 3. In the case of permanent disability benefits and retirement annuities computed under the provisions of a "coordinated" retirement program, there shall be:

- (1) a \$1.20 increase in annual payments for each full year of allowable service earned by the plan participant in the respective retirement fund; and
- (2) a \$2.40 increase in annual payments for each year of retirement.

Subd. 4. In the case of a retirement annuity which is increased pursuant to this section and which may become payable to a surviving beneficiary after the death of the plan participant, the survivor annuity ultimately payable in such event shall include only one-half the increase paid to the plan participant pursuant to this section.

[ 1976 c 326 s 2 ]

**356.37 SURVIVOR BENEFITS; INCREASE; EXCEPTIONS.** Subdivision 1. Except as provided in section 356.38, any person who is receiving a survivor benefit or survivor annuity based on laws in effect prior to the determinant date and is the surviving spouse of a plan participant who died or retired prior to such date; and any person who is receiving a survivor annuity based on laws in effect prior to the determinant date and is the named beneficiary of a plan participant who died or retired prior to such date; and any person who is receiving any combination of such benefits and annuities from a covered retirement fund or any combination of such funds shall receive, beginning with the first monthly benefit or annuity accruing after June 30, 1976, an increase in each such benefit or annuity as provided in subdivisions 2 and 3. Provided however, that no surviving spouse who is receiving an option II, III or IV survivor retirement allowance pursuant to Minnesota Statutes 1971, Section 422.08 provided by the Minneapolis municipal employees retirement fund shall be entitled to an increase in such annuity pursuant to Laws 1976, Chapter 326 if the retirement annuity which was paid or payable to the plan participant was in excess of \$300 per month.

Subd. 2. In the case of survivor benefits and annuities computed under the provisions of a "basic" retirement program, there shall be:

(1) a \$2.25 increase in annual payments for each full year of allowable service earned by the plan participant in the respective covered retirement fund; and

(2) a \$4.50 increase in annual payments for each year of retirement.

Subd. 3. In the case of survivor benefits and annuities computed under the provisions of a "coordinated" retirement program, there shall be:

(1) a \$.60 increase in annual payments for each full year of allowable service earned by the plan participant in the respective retirement fund; and

(2) a \$1.20 increase in annual payments for each year of retirement.

[ 1976 c 326 s 3 ]

**356.38 MULTIPLE BENEFITS AND ANNUITIES; LIMITATION ON INCREASES.** Any person who is receiving more than one benefit or annuity to which the increases in sections 356.36 and 356.37 apply shall not receive an increase based on years of retirement for each benefit or annuity but shall receive the increase based on years of retirement only for the benefit or annuity which will result in the largest such increase.

[ 1976 c 326 s 4 ]

**356.39 TRANSFER OF RESERVES; ORIGINALLY DETERMINED BENEFITS.** In the case of annuities or benefits for which the required reserves have been transferred to the Minnesota adjustable fixed benefit fund, each retirement fund shall transfer to the Minnesota adjustable fixed benefit fund the additional required reserves for the increases provided by Laws 1976, Chapter 326, no later than October 15, 1976, and the moneys necessary for such transfer are hereby appropriated from each such retirement fund to the Minnesota adjustable fixed benefit fund. The increased benefit amounts shall thereafter be considered the "originally determined benefits" for the purpose of further adjustments pursuant to section 11.25.

[ 1976 c 326 s 6 ]

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CABLE ADDRESS "WHITEWELD"

December 9th, 1977

Mr. Clark Gruening, Chairman  
House Permanent Fund Committee

Since the House Special Committee on the Permanent Fund is in the final stages of structuring legislation for consideration by the 1978 legislature, it is time to consider the use of the income of this "Permanent Fund".

The provisions of the Permanent Fund Constitutional Amendment include that "the income from the Permanent Fund shall be deposited in the General Fund unless otherwise provided by law". According to the best estimates of the Department of Revenue, the minimum amount (25%) of the funds received as mineral lease rentals, royalties and other payments will result in an accumulation by 1985 of some \$1.8 billion. The investment income from that amount, at an average 7% rate of return, would produce approximately \$126,000,000 in any one year. As the Permanent Fund continues to grow, its increased capital will provide additional annual income in excess of the aforementioned figure, however, for the sake of perspective, the ensuing discussion will be confined to the \$126,000,000 projected income.

If the estimates are correct as to the principal accumulated in the Permanent Fund by 1985 at a 25% rate, the remaining balance accumulated in the General Fund should amount to some \$5.4 billion. The effect of the addition of \$126,000,000 to such an accumulation would increase the 1985 accumulation by approximately 2%. Such an increase is minimal in relation to a General Fund accumulation of the magnitude as anticipated.

Therefore, the income of the Permanent Fund should be dedicated to doing more than just adding a small increment to the General Fund. Even though it may eventually return to the Permanent Fund, it should be channeled into projects with revenue producing capability that provide benefits for the majority of Alaskans, and simultaneously allow for long-term financings at the lowest possible interest rate.

The House Special Committee, during the conduct of public hearings, has received many proposals for the use of Permanent Fund's income. Many of these proposals appear to be meritorious from numerous points of view. However, in turn, many of these same proposals would seem to be better responded to through

250 million 62.5%

the actions of the legislature and addressed through the General Fund as opposed to the Permanent Fund's income.

Essential to the lifestyle of all modern societies is the availability of electric power. Advocates of no growth, modest growth, rapid growth or controlled growth all share a need for power. The availability of power often determines whether desirable economic growth can take place. The cost of such power is of course, an important element. All other things considered, the cost of power influences the future direction in any modern society.

Whether power generation occurs through capital-intensive projects (hydro-electric) or fuel-intensive projects (coal or gas-fired) its financing is generally through issuance of long-term debt. Production costs of hydro are generally stable since the fuel (water) costs are practically non-existent. Production costs of coal or gas-fired facilities are subject to continually escalating costs of the fuel necessary for the electric generation.

Long-term debt sold for the construction of either type of facility, without regard to the operation and maintenance expense of each, must be amortized through the service of debt; principal and interest payments annually until the debt is extinguished. The total cost of the debt service is affected by the rate of interest which investors demand for the long term loan of money.

A 40 year debt instrument in the amount of \$100,000,000, bearing an interest rate of  $6\frac{1}{2}\%$  will require a level debt service (principal and interest) of \$7,069,400 annually to liquidate the debt. If the interest rate is  $5\frac{1}{2}\%$ , the annual debt service requirement is \$6,232,000. This represents a difference of \$837,400 per year and over a 40 year period involves a saving of \$33,496,000.

Since debt service is a major factor in determining the rates users must pay for electric usage, the rate of interest at which a debt instrument is financed is a significant element in the total cost to the consumer. Bonds payable solely from the revenues of the utility are judged by investors on their credit-worthiness. The more credit-worthy, the lower the interest rate, the less credit-worthy, the higher the interest rate.

Alaska possesses many sites which are suitable for hydro-electric generating facilities. However, in some instances, these sites are not located near the population centers which require the power generated. Due to its topography, long-range transmission lines bringing power to the load-centers are often not feasible. In other instances, the best development of such capital-intensive projects may require large-scale projects which in the near-term, produce a surplus of power. Smaller scale generation facilities using coal or gas-fired power production are required in those areas without large load demands or without good potential hydro sites. The fact that the latter use a precious commodity which is non-renewable is not the point. If the power is needed, it must be produced. Nevertheless, if the project can be financed at a lower interest cost, a benefit will accrue to the user through a lower cost of service.

It is suggested that the future power needs of Alaskans can be delivered at a lower cost whether such power is provided through hydro or fossil fuels. The ability to affect the interest rate on whatever long-term project is financed, can accomplish this. The following paragraphs suggests how this can be done without depriving the Permanent Fund of other uses of its income.

The income from the Permanent Fund will be derived from "investment grade" securities and as such represents a highly reliable and secure cash flow. This annual cash flow can be dedicated to assuring that principal and interest requirements on bonds issued to construct revenue producing power projects are met in the event of a revenue short-fall from the revenue producing project. The effect will make it possible for the revenue bonds to receive a high credit rating and high evaluation in the market place which will result in a significantly lower cost of borrowing for the project construction. At the end of a given period, (debt service year or monthly), income from the Permanent Fund dedicated to the revenue bonds debt service requirements not needed is released to the General Fund or for any other purpose directed by law.

The dedication of Permanent Fund income to revenue bond debt service would not be accomplished in the legislation itself, but rather in a "guarantee agreement" between the Permanent Fund and the entity issuing the revenue bonds and the "guarantee agreement" would actually appear on the face of the debt instrument. From the investor and rating agency point of view, if the guarantee is in the legislation it is legally subject to change by succeeding legislatures. If the guarantee is in an agreement as part of the revenue bond issue it is dedicated for as long as the bonds are outstanding.

It must be assumed for the purpose of this guarantee arrangement that the Permanent Fund will receive 25% of the oil and gas income because of the terms of the Constitutional Amendment. Based on that assumption, estimates (by the State) of the size of the Permanent Fund in 1985 will be \$1,800,000,000.

A reasonable assumption of 7% income from investment produces an annual cash flow available for guarantees of \$126,000,000. An annual cash flow of this magnitude, assuming a 6% interest cost on guaranteed bond issues, will support approximately \$1,800,000,000 of bonds.

The various projects to be supported by the guarantee would be financed by revenue bonds of any state agency or any subdivision of government in Alaska for electric generation and transmission. Each bond issue would capitalize interest during construction and fund its own debt service reserve to conform to the demands of the market for such bonds at the time of financing.

The act providing for a guarantee should be broad in form. The covenants relating to, and provisions of, each project will be structured into each bond issue.

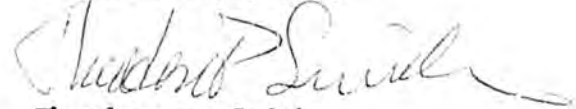
There might be some merit in including in the act certain findings and directives to the Board of the Permanent Fund, but it probably is more appropriate for the Board to outline its own guidelines as it relates to such guarantee on bonds of projects to be financed in its administrative rules and regulations. By this is meant, for example, considerations by the legislature in its deliberations leading to the approval of a project such as economic need, economic feasibility, geographic locations, social benefit, impact on locality, etc.

A draft of a bill has been provided to your committee which would, subject to redraft to conform to custom, constitutional requirements, the Permanent Fund Act and language usage in Alaska, creates the mechanism for such a debt guarantee program. A brief analysis of this draft follows.

- Section 1. Creates the mechanism by authorizing the Board of the Permanent Fund to enter into guarantee agreements. Limits the guarantee to income only. Provides for agreements with any entity of state or local government. Provides guarantee of principal payments, sinking fund payments and interest but prevents use of Permanent Fund income for optional early retirement of guaranteed debt. Limits the guarantee to electric generation and transmission. Leaves the details of guarantee agreements to the Board of Trustees.
- Section 2. In effect limits the amount of debt that can be guaranteed. This adds to the credit-worthiness of the guarantee from the lenders point of view. Depending somewhat on the actual portfolio of investments in the Permanent Fund, it is important to consider whether or not to limit the total of guarantees to something less than 100% of the Fund income. This could be done in the Act, which does not happen in this draft, or it could be a policy matter of the Board of the Fund.
- Section 3. Provides that the guarantee article appear on the debt instrument which clearly establishes that it survives as long as the bonds are outstanding. This definitely is stronger and distinguishes the guarantee from any similarity to the so called "moral-obligation" pledge.
- Section 4. Provides that a guarantee agreement can be entered into on the debt of projects only after approval by the legislature. Part of the thrust of this section is in contemplation of a centrally controlled State-wide power development plan that considers the needs and best interest of all of Alaska.
- Sections 5 & 6 These sections are simply "boiler-plate" provisions.

The draft bill clearly does not contemplate any subsidy of electric costs to energy consumers. However, there is no prohibition that any subsidy to energy users deemed to be appropriate by the State can be accomplished by the legislature through appropriation from the General Fund or other sources which would not interfere with the value of this guarantee program to finance the capital costs of meeting the power needs of Alaska.

Respectfully yours,

A handwritten signature in cursive script, appearing to read 'Theodore P. Swick', with a long horizontal flourish extending to the right.

Theodore P. Swick

TPS/vmr

HOUSE SPECIAL COMMITTEE ON THE PERMANENT FUND

December 12 and 13, 1977

AGENDA

1. Report, Institute of Social and Economic Research
2. Discussion, Permanent Fund draft legislation
3. Discussion, Renewable Resources Development Fund draft

Sec. 2 AS 37.07.020 is amended by adding a new paragraph to read:

(b) The governor shall annually report to the legislature through the investment oversight committee the long range fiscal and economic consequences of: (1) alternate levels of capitalization of the investment funds of the state, and (2) alternative uses of the general fund surplus.

24.20.670 (b)

(6) In conjunction with the finance committee of each house recommend annually to the legislature the use of the general fund surplus and the income from the Permanent Fund.

(5) Present to the legislature within 30 days after the convening of each regular session a review of the report of the governor under AS 37.09.020(b) with recommendations for any needed legislation.

Findings: The legislature finds that there is a substantial need for oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions since these functions do not receive the detailed review that other expenditures of public money are subject to and therefore the knowledge necessary for sound legislation in this area is not readily available. There is a need for legislative oversight which will provide information on the policy and performance of these agencies, the extent to which the agencies conform to <sup>statutory</sup> ~~legislative~~ intent, and the impact of the performance on the economy and treasury of the state and the public good in their policy and performances so that the need for new legislation is recognized when appropriate and the factual basis for legislative change is present.

Purposes: The purposes of the investment oversight committee are: (a) to monitor and report: (1) the performance of the agencies of the state which perform lending, borrowing or investment functions, (2) the extent of which the performance of these agencies has contributed to the fiscal, financial, economic and social improvement of the state and its citizens, (3) the extent to which these agencies and the executive have prepared and coordinated short and long term economic, fiscal investment and financial planning.

(b) to hold these agencies accountable to ~~legislative~~<sup>statutory</sup> intent in their performance by recommending where appropriate changes in policy to the agencies or where appropriate changes in legislation to the legislature.

(c) to annually review the extent of capitalization of the investment funds of the state and alternative uses of the general fund surplus and recommend needed legislation.

## 'The Dutch Disease'

### Holland's Gas Money Has Brought Affluence And Economic Woes

#### Spending on Social Programs At Expense of Industry Hurts Profits and Jobs

#### Why Guilder Slows Exports

By PHILIP REVZIN

Staff Reporter of THE WALL STREET JOURNAL  
AMSTERDAM--The British call it "the Dutch disease," and are determined not to catch it themselves. The Norwegians are increasingly wary of the ailment. And the Dutch are only now realizing the extent of their illness.

At first glance the Dutch disease doesn't appear to be a malady at all, because its symptoms are high incomes, advanced living standards and generous social benefits. Much of this is the result of the discovery in 1959 of huge reserves of natural gas in the province of Groningen in northern Holland. By the time these reserves were on their way to market in the late 1960s, a growing world energy demand provided Holland with a rich source of revenue.

Holland's problems arise from the fact that these revenues were used to make the Dutch social-security system one of the best in the world and to build roads, subsidize schools and hospitals and to improve the nationalized rail system. They weren't used for job-creating capital investments. Businessmen say that because they haven't shared in the gas bonanza and because of the taxes and contributions they have had to pay to finance the social benefits, their profits have been sorely squeezed.

#### "A Curse in Disguise"

As a result, unemployment is rising, and industry says it won't be able to provide enough jobs in the future. Capital investment is no longer growing, and the Dutch are facing a leveling off of living standards. Compounding the problem, the gas money has made the Dutch guilder one of the world's strongest currencies. This means that Dutch products often are too expensive to compete in the export market. "Natural gas is a curse in disguise," Jelle Zijlstra, head of the Dutch Central Bank, said recently.

Economists in Britain and Norway, both of which have substantial North Sea reserves of oil and natural gas, are warning their countries not to make the same mistakes. They urge that plans be made to invest much of the energy revenues in capital projects. In Britain a committee composed of business, labor and government leaders is meeting to discuss uses for the oil money.

The Dutch began signing contracts for their natural gas in the 1960s because they were fearful that nuclear power would make gas obsolete as a fuel source. Some of these export contracts won't run out until the end of the century.

Last year, gas revenues amounted to about \$3 billion, or 11% of general government revenues, and the percentage is expected to be about the same this year. Revenues have been boosted both by the government's raising of gas prices, to stay in line with world oil prices, and by renegotiation of oil-company contracts. Royal Dutch/Shell and Exxon's Esso subsidiary, which are under contract to develop the gas reserves, originally took 30% of the profits. Now they are taking only 5%, with the balance going to the government.

#### A \$2.5 Billion Surplus

All of this gas money, from exports as well as from the substitution of domestic gas for imported oil, kept the Dutch international balance of payments on current account solidly in the black between 1972 and early this year. The excess of monetary inflow over outflow gave Holland a surplus of about \$2.5 billion last year and inspired such confidence in international money markets that the guilder has risen in value by more than 30% against the dollar since 1971.

The balance of payments showed a small deficit in the first quarter this year, probably due to decreased export demand, but economists say it swung back into the surplus at mid-year, and it will end the year in the black.

Yet many economists are sounding a warning note amid this prosperity. "Everything has been going so good for so long that I'm afraid it will take a real catastrophe before people think about our genuine problems," says Victor Halberstadt, professor of public finance at the University of Leiden.

Already the signs are evident. Profits, as a percentage of return on investment, have slipped by an estimated 50% to 15% since 1970 for most companies. The 6% unemployment rate is moderate by U.S. standards, but much higher than the Dutch are used to. A prominent Dutch banker recently estimated that the government's use of gas revenues for social benefits has cost 300,000 jobs since 1970.

#### Weathering the Recession

This spending has risen by more than 13% since the early 1960s and now is the highest of any industrialized non-Communist nation. The central government's budget this year will be about \$3 billion, up about 8.5% from \$2.6 billion in 1976. Together with transfer payments, such as social-security benefits, government spending now represents more than 50% of the volume of the goods and services produced in Holland.

Certainly, this public spending saw 14 million Dutch people through the worst of the recession with still-rising living standards. But it also allowed them and their government to ignore the serious economic problems that were developing under the gas bubble.

"The politicians mortgaged our future by using the gas money for the simplest, most popular social programs," says a prominent

Please Turn to Page 19, Column 1

# 'The Dutch Disease': Gas Revenues Cause Economic Woes for Holland

*Continued From First Page*

Dutch banker. "If only a bit more of the money had been given to private industry, we would have much fewer problems."

Businessmen say that some of the gas revenues should have been earmarked for direct grants to big manufacturers in key industries and for tax incentives and concessions to help small business expand.

Instead, Dutch firms have been asked to contribute more and more of the cost of public programs, through the higher taxes and social-security contributions. This so-called collective burden rose by an average of 1.9% a year from 1970 to 1975 (total tax revenues are 52.1% of the national income, among the highest levels in the industrialized world). Last year the government purposely held the increase to 1% of national income. Because of wage increases and increased employer contributions for benefits, labor costs will rise by 3% this year, more than in most countries competing against Dutch products in the export market. Offsetting these costs somewhat is the productivity rate, which rose by 10% last year.

Dutch exports also are being badly hurt by the strength of the guilder. Holland traditionally has imported most of its raw materials and has exported more than 40% of its manufactured goods. The appreciation of the guilder has made imports cheaper and has helped keep inflation down to its present level of about 6.5%. But it also has made exports much more expensive. "We can't sell our products abroad," complains R. C. Spinosa Cattella, a member of the management board of N.V. Philips, the multinational electronics giant. "We've priced ourselves right out of the market."

The government recently said it expects no growth in Dutch exports this year, a revision of its earlier forecast of a 6% gain over last year. VNO, a Dutch business group, believes that exports will grow by only 3% next year.

All this has made Dutch businessmen jittery about new investment in the country. Although the volume of business investment probably will rise about 5% this year, Amro

Bank, one of Holland's largest financial institutions, projects no growth for next year. Many companies, including Philips, are making few capital investments. "We are maintaining our overall investment level, but spending it on improvements of our existing facilities," says Philips's Mr. Spinosa Cattella. Smaller companies say they simply don't have the cash to invest.

Government and industry are now casting around for ways of dealing with this malaise. Businessmen have proposed a program of tax cuts, a cut in the increase in public spending beginning next year and a slight loosening of price controls to improve profits.

Government ministers say they are planning to steer the structure of the Dutch economy away from traditional industries, such as textiles and shipbuilding, which, in addition to being big energy users, require heavy capital investment. Finance minister Willem Duisenberg says the emphasis will now be on high-technology industries, such as environmental design and electronics, through selective grants and government encouragement.

But none of these measures can be implemented until a solid government is formed. Holland has been without a government for nearly eight months. The government of Socialist Premier Joop den Uyl fell last March. After an inconclusive election, attempts to form a workable coalition from among 25 political parties failed. In recent days, however, two right-of-center parties, the Christian Democrats and the Liberals, apparently have reached agreement to form a new government.

The new government's major priority will be to deal with the worsening unemployment problem. Most estimates put unemployment next year at 250,000, up from 210,000 at present. But economists say that the true unemployment figure is hidden because it would include many of the 350,000 workers receiving disability benefits under Holland's liberal system.

Unemployment benefits also are generous. Workers receive benefits equal to 80% of their salary for the first year of unemployment and 70% for the next two years.

Economists and politicians are fearful that Holland is facing a future of rising unemployment and little or no economic

growth. The growth of the gross national product has slowed to under 3% this year, compared with last year's growth of 5%. The Amro Bank forecasts a growth rate of 2.5% for next year.

"No politician can say publicly that public spending, and therefore living standards and benefits, will actually be cut in the next few years," says a Dutch politician. The most that can be conceded, says a minister, is that "there will be no real increase in disposable income for the next five years." This will go down poorly with Dutch workers who over the past few years have seen average per-capita disposable income rise by more than 2% a year.

Ironically, Holland's main hope for the future lies in the commodity that caused all this economic trouble in the first place: natural gas. Total revenues for natural gas will peak this year, the first year that Holland's North Sea gas discoveries won't equal consumption, and the year-to-year increase in gas revenues will decrease from here on. But there is still plenty of gas around.

Government estimates put Holland's total reserves of natural gas at more than 2.3 trillion cubic meters, or 80.5 trillion cubic feet, enough to last well into the 21st Century. Rudolf Lubbers, the minister of economic affairs, says that Groningen production is

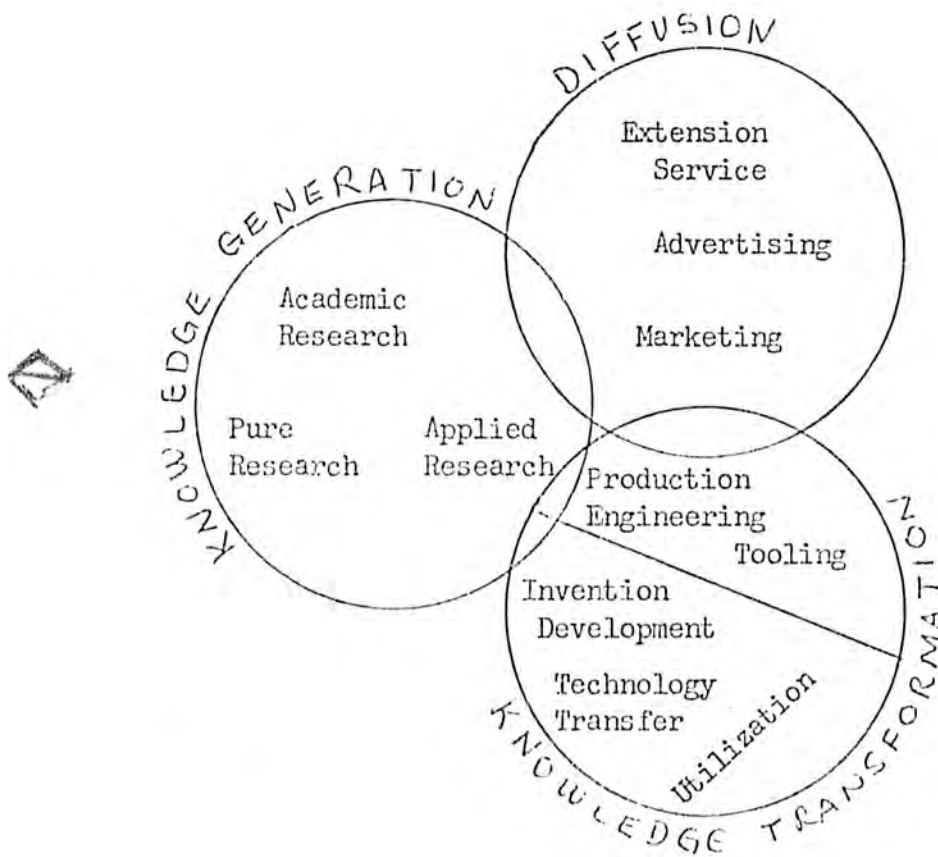
being slowed to make sure that the fields aren't rapidly depleted.

The government is committed to the long-term foreign contracts that it signed in the early 1960s. But some of this gas will be provided through the 4 billion cubic meters, or 140 billion cubic feet, of gas that Holland will be buying from Algeria and Norway over the next 20 years.

The government also is hoping to conserve its gas by raising its domestic price. Dutch users have been paying about 30% less for domestic gas than for other energy sources. This difference will be phased out over several years.

# APPENDIX I

FIGURE 1: THE INNOVATION PROCESS



Sec. 37 13.130. Powers And Duties

- (a) The board should discharge its duty solely in the interest of the Permanent Fund for the exclusive purpose of providing them with benefits and defraying the reasonable expenses of administering the Fund. The board and its delegates must exercise the care, skill, prudence, and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in conducting a similar enterprise.
- (b) The board would seek diversification of Fund investments so as to minimize the risk of ~~large losses~~, unless under the circumstances, it is clearly prudent not to do so. Investments shall be selected in accordance with (f) of this section.
- (c) The board shall submit long-range and quarterly investment reports to the State Investment Oversight Committee.
- (d) The Fund may be used as collateral for approved programs.
- (e) The board shall employ an Executive Director to provide duties provided by law, and may employ or engage such expert consultants and technical or other assistants as it deems necessary.
- (f) Subject to (a) of this section the board may invest its assets in obligations of the United States or obligations for which the faith and credit of the United States are pledged for payment of principal and interest; loans secured by first liens on unencumbered realty or leasehold; and corporate stock and corporate obligations listed on a recognized stock exchange. No investment may be made in a security which is in default or in which default is imminent to principal or interest at the time of investment.

Hypothetical Case Based On Worse Bond Market  
(1967-1971) And Stock Market (1972-1976) In Past 50 Years

Based on past ten years Fund 100% bonds through year 5 then 25% stocks through year 10. Equal amounts each year.

|             |    | A            |               |              | B                          | Assets of Fund at Market |                         |              |
|-------------|----|--------------|---------------|--------------|----------------------------|--------------------------|-------------------------|--------------|
|             |    | (1)          | (2)           |              | 5 Yr.<br>Moving<br>Average |                          |                         |              |
| <u>Year</u> |    | <u>Bonds</u> | <u>Stocks</u> | <u>Total</u> |                            | <u>Bonds</u>             | <u>Stocks<br/>Index</u> | <u>Total</u> |
| 1967        | 1  | 5.51%        | -             | 5.51%        | 5.51%                      | 100                      | -                       | 100          |
| 1968        | 2  | 6.18         | -             | 6.18         | 5.85                       | 89                       | -                       | 89           |
| 1969        | 3  | 7.03         | -             | 7.03         | 6.24                       | 86                       | -                       | 86           |
| 1970        | 4  | 8.04         | -             | 8.04         | 6.69                       | 84                       | -                       | 84           |
| 1971        | 5  | 7.39         | -             | 7.39         | 6.83                       | 93                       | -                       | 93           |
| 1972        | 6  | 7.21         | 2.84%         | 6.12         | 6.95                       | 109                      | 100                     | 107          |
| 1973        | 7  | 7.44         | 3.06          | 6.34         | 6.98                       | 105                      | 98                      | 103          |
| 1974        | 8  | 8.57         | 4.47          | 7.50         | 7.06                       | 97                       | 86                      | 94           |
| 1975        | 9  | 8.83         | 4.31          | 7.70         | 6.99                       | 94                       | 90                      | 93           |
| 1976        | 10 | 8.84         | 3.77          | 7.26         | 6.96                       | 99                       | 107                     | 101          |

(1) AAA Moody Bond Yield

(2) Standard & Poor 500 Stock Dividend Yield

A) Actual Return based on interest and dividend received in that year to market value.

B) Return based on 5 years averaging of interest and dividends received to market value.

B is used to provide a steadier flow of income, less volatility than taking in current income.

Findings: The legislature finds that there is a substantial need for oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions since these functions do not receive the detailed review that other expenditures of public money are subject to and therefore the knowledge necessary for sound legislation in this area is not readily available. There is a need for legislative oversight which will provide information on the policy and performance of these agencies, the extent to which the agencies conform to <sup>statutory</sup> legislative intent, and the impact of the performance on the economy and treasury ~~of the state, and the public good in their policy and performances~~ so ~~that the need for new legislation is recognized when appropriate and the factual basis for legislative change is present.~~

Purposes: The purposes of the investment oversight committee are: (a) to monitor and report: (1) the performance of the agencies of the state which perform lending, borrowing or investment functions, (2) the extent of which the performance of these agencies has contributed to the fiscal, financial, economic and social improvement of the state and its citizens, (3) the extent to which these agencies and the executive have prepared and coordinated short and long term economic, fiscal investment and financial planning.