

SCOMM

# 9:184

PRESENT: Clark Gruening, Chairman; Terry Gardiner, Vice  
Chairman; Ernie Haugen, Bill Miles, Leo Schaeffer,  
members; Hugh Malone, Speaker of the House;  
Alvin Osterbach.

The meeting convened at 9:00 a.m.

The committee agreed to adopt the bill which was pres-  
ented as a working draft. The bill creates the permanent  
fund as a separate trust investment whose sole function is a  
high grade, investment, money-making vehicle. *It also creates*

*an Alaska Enterprise Investment Fund to invest in financially-sound medium & small scale enterprises.*

A note was made of the Alaska Enterprise Investment  
Fund inadvertently called the Alaska Development Bank in  
several sections of the draft. The changes will be made.

The following changes in *made by the committee:*  
~~the draft were agreed upon:~~

To drop the words "in the Department of Revenue" in  
Sec. 37.13.010. *pg 4*

To delete Finding 3: "the permanent fund should be used  
as a savings device until the future time when disposable  
income from the fund will be needed to replace depleting  
mineral resource revenues." *pg 5*

To change Finding 2 to read: "the primary goal of the  
fund should be to maximize total return while maintaining  
safety of principal;" *pg 5*

Rep. Gruening suggested that something be drafted for  
use of the income of the fund. His suggestion was to re-inject  
50% of earnings back into the permanent fund; and use the  
*-insert 1*

remaining 50% to finance alternate energy development--hydro and other non-fossil--to be used to secure a lever of private financing with capital gains returned to principal. It was agreed that the committee members would consider this suggestion.

After a break for lunch, the following changes were made in the draft:

Section 44.55.010(b) will be changed to be consistent with permanent fund heading (Sec. 37.13.010). P10

Finding 3 under Alaska Enterprise Investment Fund be re-written so that it is not limited from working with federal agencies.

Finding 2 under Alaska Enterprise Investment Fund be written to modify enterprises, small and medium scale, productive, private and community development enterprises. (The same language will be used each time "enterprises" appears.) P 13

The Finding and Purpose sections will be broadened from the limitation of private sector and will allow the community development sector in both. P.14

The commissioners ~~will remain on the Alaska Enterprise Investment Fund Policy Board.~~ *are removed from the* and *one member from the executive branch is added.* Also in that section the language will be changed to "six public members appointed by the governor with due regard to geographic location within the state--two of which have broad investment financial background and two have broad experience in community and regional development."

There will be one governor's appointee (a voting member) who

will be responsible for coordination with other funds <sup>as</sup> ~~described in \_\_\_\_\_~~ In total the board will have 7 voting members <sup>1</sup> and ~~3 ex officio members (the commissioners)~~. The terms will be four-year staggered terms.

"The chairman of the governing body of the renewable resources development fund serves as chairman of the policy board but is not a voting member" is deleted and that section will state that the board elect a chairman. 11

In the section dealing with the quorum of the board, the sentence "decisions of the board shall be taken by a majority vote, including not less than a majority of the appointed members" the sentence will now end after "vote."

The monetary amount board members receive will be blank.

~~The section on the investment committee is to remain the same until the next meeting.~~  
~~The president of the Alaska Enterprise Investment Fund Investment Committee shall appoint an investment committee consisting of himself and four members of the staff of the enterprise fund. The sections dealing with quorum requirements and pay range will be deleted.~~ 13

~~Under duties of the investment committee, the word "sole" will be left out to read, "The investment committee has the responsibility to approve all investment proposals."~~

Operating budget will be specified in the section pertaining to the investment fund's budget.

The investment fund has the power to borrow up to 150% of its paid-in capital--changed from 50%. 14

investment  
The fund may not undertake any new investments till its paid-in capital reaches \$50 <sup>m/</sup> billion.

The permanent trust fund will invest the idle cash balances of the investment fund as a separate account ~~of the development fund--that will be left discretionary.~~ That ~~the investment of idle cash balances will be done by the permanent fund but it will be done~~ in such a manner that it will meet the cash needs projections of the investment fund.

"Purchase currently sound evidence of indebtedness from the tourism fund, the agricultural revolving loan fund and the small business development loan fund if the loan was made after the effective date of this Act and if the loan meets the criteria of sec. 120 of this chapter" will be eliminated. 15

The membership of the State Investment Oversight Committee be changed to the president of the senate, speaker of the house, and six other legislators, two of whom must be minority. 1

The meeting adjourned at 4:45 p.m.

additions to 11/19 minutes

insert 1: It was decided to define capital gains as return to capital and not as earnings and to add language allowing the trust fund managers to spread gains and losses over a five-year period.

Finding (4) was deleted.

For the next meeting, the three-man board of trustees is retained. Staff to draft language putting operation into effect when a total of \$50 million accumulates in trust fund.

Page 8, line 19 to be amended to general language to chose persons to perform services.

Language to be added to 37.13.160 to show performance based on goals and objectives.

Section (f) on page 8 to be rewritten by staff and advisors to allow broad manager discretion.

Operating budget on page 9, lines 13 and 14 to come from general fund.

Language to be added to page 8, lines 5 and on to compare trust fund performance to institutions of similar size.

Office of the Executive Secretary  
State Board of Investment  
Room 125, Mt. A Building  
65 Exchange Avenue  
Saint Paul, Minnesota 55155  
July 1, 1976

OF INVESTMENT

MINNESOTA STATE BOARD

of the

EXECUTIVE SECRETARY

of the

STATE BOARD OF INVESTMENT



*3 copies  
entire  
report sent*

### Chairman's Report

1. Committee budget
2. Contract narratives
3. Questionnaire results
4. Public Forum interim results
5. Final report outline
6. Change of meeting date.



## Contract Narratives

1. Belden Daniels

Dr. Daniels has completed two reports to the Committee and is continuing to consult on matters pertaining to the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

2. Douglas Pope

Mr. Pope is doing legal research and consulting on legal implications of the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

3. Brian Rogers

Mr. Rogers is doing research on the potential of small and medium scale business development (cottage industry) and Alaska specific appropriate technology at the direction of the Committee Chairman.

4. Alephe Morris

Ms. Morris is doing final editing and typing on transcripts of the Committee's public hearings at the direction of the Committee Chairman.

5. Price Waterhouse and White, Weld & Co. (through the Division of Legislative Finance)

Price Waterhouse and White, Weld & Co. are offering management and financial consulting, respectively, on the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

6. Institute of Social and Economic Research (through the Department of Revenue)

The Institute is doing computer modeling on the impacts of potential uses of Permanent Fund principal and interest at the direction of the Committee Chairman.

Information to be Included  
In Final Report

1. Statement of Committee activities
2. Synopsis of work completed
3. Best revenue projections with explanation of pipeline tariff impact
4. Recommendations for planned state assistance to energy development and communities
5. Overview of consultant work
6. Explanation of Committee legislative proposals
7. Conclusion
8. Appendix list. Appendices will include complete consultant reports, transcripts of public hearings, minutes of Committee meetings, Committee bills and copies of press coverage.

HOUSE SPECIAL COMMITTEE ON THE PERMANENT FUND

BUDGET

Category	Spent 10/31	Projected 12/31
<b>PERSONAL SERVICES</b>		
Brian Rogers, AA (terminated 7/31)	1,874.06	1,874.06
Mike Doogan, AA (hired 8/1)	8,104.26	13,590.05
Katherine Brown, Sec. (term. 7/31)	1,536.07	1,536.07
LouAnn Diamond, Sec. (hired 8/1)	4,933.05	8,870.40
Sherida Hughes, Media Consultant	2,697.95	5,000.00
Alephe Morris, Typist (term. 7/31)	148.50	148.50
	<u>19,293.89</u>	<u>31,019.08</u>
TRAVEL/PER DIEM	3,666.75	10,249.58
<b>CONTRACTUAL SERVICES</b>		
Douglas Pope	7,565.69	16,100.00
Belden Daniels	10,453.96	19,500.00
Brian Rogers	-0-	1,750.00
Judy Brogan (terminated 10/31)	465.00	465.00
Alephe Morris	-0-	500.00
Charlotte Woline (term. 8/15)	228.75	228.75
<u>Brochure</u>		
Van Cleve Printing	1,093.50	1,093.50
Computer Composition	165.00	165.00
Postage	750.00	750.00
Pitney Bowes	93.85	93.85
<u>TV Advertisements</u>		
UA Media Services	478.00	478.00
Communications Market	50.00	50.00
Northern Video	278.08	278.08
<u>Symposium</u>		
Barbara Bergman		
Fees/Expenses	1,091.00	1,091.00
Travel	516.19	516.19
Donald Gordon		
Fees/Expenses	-0-	1,100.00
Travel	276.40	276.40
George Rogers		
Travel/Expenses	186.07	186.07
Anchorage Westward	444.69	444.69
Electronics Company	852.50	852.50
KYAK	-0-	81.00
KHAR	-0-	74.50
KKLV	-0-	47.00
KFQD	-0-	96.00

Category	Spent 10/31	Projected 12/31
Times Publishing	-0-	109.08
Humanities Forum Regrant	(3,000.00)	(3,869.00)
<u>Office</u>		
Rent	-0-	6,000.00
Telephone	836.22	2,000.00
<u>Meeting/Hearing Ads</u>		
Times Publishing	-0-	350.00
KFQD	-0-	311.00
KYAK	-0-	180.00
KHAR	-0-	135.00
KKLV	-0-	94.00
News-Miner	-0-	106.40
Southeast Empire	-0-	140.70
KJNO	-0-	60.60
<u>Miscellaneous</u>		
Freight	105.31	500.00
News Subscriptions	159.00	159.00
Clipping Service	<u>15.00</u>	<u>75.00</u>
TOTAL	23,104.21	52,569.31
COMMODITIES		
Office Supplies	128.99	200.00
Petty Cash	<u>331.77</u>	<u>500.00</u>
TOTAL	460.76	700.00
COMMITTEE SUBTOTAL	46,525.61	94,537.97

Category	Spent 10/31	Projected 12/31
SUBCOMMITTEE BUDGET	30,000.00 (encumbered)	30,000.00
<u>Ketchikan Office</u>		
Peggy Thompson, Sec.	2,407.92	2,970.00
Rent	212.16	636.48
Telephone	104.70	104.70
Supplies	54.04	54.04
Subcommittee Subtotal	<u>32,778.82</u>	<u>33,765.22</u>
Committee Subtotal	<u>46,525.61</u>	<u>94,537.97</u>
COMMITTEE TOTAL	79,304.43	128,303.19
Committee Budget	188,869.00	188,869.00
Less Committee Total	<u>79,304.43</u>	<u>128,303.19</u>
COMMITTEE BALANCE	109,564.57	60,565.81

HOUSE SPECIAL COMMITTEE ON THE PERMANENT FUND

November 18 and 19, 1977

AGENDA

November 18

- 1:30 p.m. Presentation, Manufacturer's Hanover Trust
- 2:45 p.m. Presentation, Mr. Robert Blixt, Minnesota Investments
- 4:00 p.m. Presentation, Mr. Terry McGrath, Fidelity Management

November 19

- 9:00 a.m. Report from Chairman
- 9:45 a.m. Discussion of Permanent Fund Draft Legislation
- Noon Lunch
- 1:30 p.m. Discussion of Renewable Resources Development Fund Draft Legislation
- 4:00 p.m. Other Business

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*AND OMAR*

*DISCLOSURE*

↑ ERISA - does it actually apply?

✓ Energy costs -

✓ ~~What is the impact?~~

✓ total return

---

why separate revenue & investment functions?



~~11/14/77~~

4350

Burris/Vasek

1 IN THE HOUSE

2 HOUSE BILL NO.  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TENTH LEGISLATURE - SECOND SESSION  
5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 24.20 is amended by adding new sections to read:

10 ARTICLE IV. STATE INVESTMENT OVERSIGHT COMMITTEE.

11 Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED.

12 The State Investment Oversight Committee is established as a permanent  
13 interim committee of the legislature. The establishment of the committee  
14 recognizes the need of the legislature for technical review and oversight  
15 of the performance of all agencies of the state which perform lending,  
16 borrowing or investment functions.

17 Sec. 24.20.610. MEMBERSHIP. The committee is composed of eight  
18 members: the president of the senate, the speaker of the house, the  
19 chairmen of the house and senate finance committees, the house and  
20 senate minority leaders, and one member appointed from each house by the  
21 respective presiding officer. The committee shall select its own  
22 chairman.

23 Sec. 24.20.620. TERM OF MEMBERSHIP. (a) The committee shall be  
24 organized within 15 days after the organization of each legislature.  
25 Members serve for the duration of the legislature during which they are  
26 appointed. If a member is reelected or his term of office extends into  
27 the next succeeding legislature, he continues to serve until reappointed  
28 or the appointment of his successor.

29 (b) When a member of the committee files a declaration of candi-

1 dacy for an elective office other than that of member of either house of  
2 the legislature, and he has not resigned from membership on the commit-  
3 tee, his committee membership terminates on the date of filing.

4 Sec. 24.20.630. VACANCIES. When a vacancy occurs in the statutory  
5 or appointive membership of the committee, the presiding officer of the  
6 house incurring the vacancy shall choose a successor. If the office of  
7 the president of the senate or speaker of the house of representatives  
8 becomes vacant and a vacancy from the affected house occurs among the  
9 membership of the committee, the remaining committee members from the  
10 house incurring the vacancy shall appoint a new member.

11 Sec. 24.20.640. MEETINGS. The committee may meet during sessions  
12 of the legislature and during the interim between sessions at such times  
13 and places in the state as the chairman may determine. Members may  
14 receive, for the minimum time required to get to and from meetings and  
15 for the period while attending meetings, the same travel and per diem  
16 allowances provided by law for members of the legislature when attending  
17 sessions, except that members of the committee receive no per diem  
18 during legislative sessions other than the per diem allowance paid to  
19 other members of the legislature.

20 Sec. 24.20.650. POWERS. The committee has the power to

21 (1) organize, adopt rules for the conduct of its business,  
22 and prescribe procedures for the comprehensive fiscal analysis, budget  
23 review and post-audit functions over those agencies of the state which  
24 perform lending, borrowing or investment functions;

25 (2) hold public hearings, administer oaths, issue subpoenas,  
26 compel the attendance of witnesses and production of papers, books,  
27 accounts, documents and testimony, and have the deposition of witnesses  
28 taken in a manner prescribed by court rule or law for taking depositions  
29 in civil actions;

1 (3) require all state officials and agencies of state govern-  
2 ment to give full cooperation to the committee or its staff in assembling  
3 and furnishing requested information;

4 (4) hold public hearings relating to the confirmation of  
5 members of the permanent fund board of trustees, renewable resources  
6 development fund commission, and the development bank;

7 (5) prepare and distribute reports, memoranda, or other  
8 necessary materials;

9 (6) make recommendations concerning the structure and operat-  
10 ing practices of all agencies of the state which perform lending, borrow-  
11 ing or investment functions;

12 (7) receive and review reports and post-audit analyses con-  
13 ducted by the Legislative Budget and Audit Committee relating to all  
14 agencies of the state which perform lending, borrowing or investment  
15 functions.

16 Sec. 24.20.660. STAFF. The legislative audit division shall  
17 provide staff reasonably necessary for the conduct of the committee  
18 duties.

19 Sec. 24.20.670. DUTIES. The committee shall

20 (1) report to the legislature its recommendations relating to  
21 the confirmation of suggested appointees to the permanent fund board of  
22 trustees, renewable resources development fund commission, and the  
23 development bank;

24 (2) annually review the long-range operating plans of all  
25 agencies of the state which perform lending, borrowing or investment  
26 functions;

27 (3) review quarterly reports from the permanent fund board of  
28 trustees, renewable resources development fund commission, and develop-  
29 ment bank policy board;

1 (4) present a complete report of investment programs, plans,  
2 performance, and policies of the permanent fund board of trustees,  
3 renewable resources development fund commission, and development bank  
4 policy board to the legislature within 30 days after the convening of  
5 each regular session.

6 Sec. 24.20.680. RECORDS. The committee shall keep a complete file  
7 of all reports presented to it and all reports presented by it to the  
8 legislature or any legislative committee.

9 \* Sec. 2. AS 37 is amended by adding a new chapter to read:

10 CHAPTER 13. ALASKA PERMANENT FUND.

11 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15  
12 of the state constitution, there is established as a separate fund in  
13 ~~the Department of Revenue~~ the Alaska Permanent Fund. The permanent fund  
14 consists of 100 per cent of mineral lease bonuses after deduction of  
15 any amounts allocated to the Alaska Native Fund under the Alaska Native  
16 Claims Settlement Act and implementing state legislation and any amounts  
17 allocated by law to the Alaska Renewable Resources Development Fund and  
18 30 per cent of all mineral lease rentals, royalties, royalty sale pro-  
19 ceeds and federal mineral revenue sharing payments received by the state  
20 and any other money allocated by law or appropriated to the principal of  
21 the fund. The permanent fund consists of (1) the fund established in  
22 this chapter to which five-sixths of the receipts from these sources is  
23 allocated and (2) the Alaska Development Bank established in AS 44.55 to  
24 which one-sixth of the receipts from these sources is allocated until  
25 the amount so allocated reaches the sum of \$100,000,000. Thereafter the  
26 total receipts from these sources is allocated to the fund established  
27 in this chapter.

28 Sec. 37.13.020. FINDINGS. The people of the State of Alaska, by  
29 constitutional amendment, have required the placement of at least 25 per

1 cent of all mineral lease rentals, royalties, royalty sale proceeds,  
2 federal mineral revenue sharing payments and bonuses received by the  
3 state into a permanent fund. The legislature finds that

4 (1) the permanent fund should provide a means of conserving a  
5 portion of the state's revenues from mineral resources to the ultimate  
6 benefit of future generations of Alaskans;

7 ~~(2)~~ the primary goal of the fund should be to maximize income  
8 while maintaining safety of principal;

9 (3) the permanent fund should be used as a savings device  
10 until the future time when disposable income from the fund will be  
11 needed to replace depleting mineral resource revenues;

12 (4) the permanent fund should be managed to maintain the  
13 purchasing power of the fund to the extent compatible with preservation  
14 of principal.

15 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to  
16 provide a mechanism for the management and investment of permanent fund  
17 assets in a manner consistent with the findings established in sec. 20  
18 of this chapter.

19 Sec. 37.13.040. ALASKA PERMANENT FUND BOARD OF TRUSTEES. There is  
20 created within but not of the Department of Revenue the Alaska Permanent  
21 Fund Board of Trustees. The purpose of the board is to manage and  
22 invest the assets of the permanent fund in accordance with the guidelines  
23 established in this chapter.

24 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board  
25 of trustees consists of three members appointed by the governor and  
26 confirmed by a majority of the members of the legislature in joint  
27 session.

28 (b) The board shall annually elect a chairman from among its  
29 members.

1           Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be  
2 appointed for terms of three years, and they may be reappointed. Terms  
3 shall be staggered. Initial terms shall be one member serving for one  
4 year, one member serving for two years, and one member serving for three  
5 years.

6           Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may  
7 remove a trustee from office by and with the consent of a majority of  
8 the members of the legislature in joint session. A removal by the  
9 governor shall be in writing and state the reason for removal. If the  
10 legislature is not in session, the governor may suspend a member of the  
11 board. Upon suspension, a trustee may not participate in board business  
12 and may not be counted for purposes of establishing a quorum. A sus-  
13 pended member shall continue to receive his salary as a trustee until  
14 the legislature in joint session consents to his removal. The joint  
15 session shall be held within 30 days from the date of removal if the  
16 removal occurs while the legislature is in session or within 30 days of  
17 convening of the legislature if the legislature is not in session. If  
18 the legislature refuses to consent to his removal, the trustee shall be  
19 reinstated to his position.

20           (b) A vacancy on the board shall be promptly filled by appointment  
21 by the governor and confirmation by a majority of the members of the  
22 legislature in joint session, and an appointee to fill a vacancy shall  
23 hold office for the balance of the term for which his predecessor on the  
24 board was appointed. If a vacancy arises on the board while the legis-  
25 lature is not in session, the governor may appoint an interim trustee  
26 who shall exercise all powers and receive the salary of a permanent  
27 trustee until such time as the legislature in joint session fails to  
28 confirm the interim trustee's appointment.

29           (c) A vacancy on the board does not impair the authority of a

1 quorum of the board to exercise all the powers and perform all the  
2 duties of the board.

3 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may  
4 be appointed to the board who has not been a resident of the state for  
5 at least three years.

6 (b) No member of the board may hold any other state or federal  
7 office, position or employment, either elective or appointive, except as  
8 a member of the armed forces of the United States or of this state.

9 (c) At least one member of the board shall be knowledgeable and  
10 experienced in finance, investments, or other business management-  
11 related field. No two members may be appointed to the board who share  
12 substantially similar professional or occupational backgrounds.

13 Sec. 37.13.090. QUORUM. Two members of the board constitute a  
14 quorum for the transaction of business and the exercise of the powers  
15 and duties of the board.

16 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees serve without  
17 compensation except that each member may be reimbursed by the fund for  
18 travel and per diem expenses at the rate set by law for members of  
19 boards and commissions.

20 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and  
21 determine the salary of an executive director. The executive director  
22 may, with the approval of the board, select and employ additional staff  
23 as necessary. The executive director may not be a trustee. The execu-  
24 tive director and all employees of the board are in the exempt service  
25 under AS 39.25.

26 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject  
27 to the provisions of AS 39.50.

28 (b) No member or employee of the board shall acquire an interest,  
29 direct or indirect, in a corporation, company, association, or project

1 owned, controlled, or invested in by the permanent fund. If a member or  
 2 employee owns or controls an interest, he shall immediately disclose the  
 3 interest in writing to the board and refrain from participating in any  
 4 manner in any board activity relating to that interest.

5 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent <sup>Man</sup> ~~person~~ rule  
 6 is applicable to the board in its management and investment of permanent  
 7 fund assets. In making investments, the board shall exercise the judg-  
 8 ment and care under the circumstances then prevailing which a person of  
 9 ordinary prudence, discretion, and intelligence exercises in the manage-  
 10 ment of his own affairs not in regard to speculation but in regard to  
 11 the permanent disposition of funds, considering the probable income from  
 12 them as well as probable safety of capital.

13 (b) The board shall seek to maintain a reasonable diversification  
 14 of type and maturity of investments in its investments.

15 (c) The board shall submit long-range and quarterly investment  
 16 reports to the State Investment Oversight Committee.

17 (d) The board may not borrow funds or guarantee loans made by any  
 18 other program or association.

19 (e) The permanent fund shall be used only for income-producing  
 20 investments. The board may contract with the Department of Revenue or  
 21 other persons to select investments for the permanent fund. Investments  
 22 shall be selected in accordance with (f) of this section.

23 (f) Subject to (a) of this section the board may invest its assets  
 24 in obligations of the United States or obligations for which the faith  
 25 and credit of the United States are pledged for payment of principal and  
 26 interest; loans secured by first liens on unencumbered realty or lease-  
 27 hold; and corporate stock and corporate obligations listed on a recog-  
 28 nized stock exchange. No investment may be made in a security which is  
 29 in default or in which default is imminent to principal or interest at



1 the time of investment. No portion of the assets of the fund may be  
2 used in the purchase of stocks of any mining company; nor in the purchas  
3 of stock of any private corporation which during the preceding five  
4 fiscal years has not paid dividends in cash of at least three and one-  
5 fourth per cent per year upon the par or stated value of the class of  
6 stock purchased or upon the par or stated value of a class of stock  
7 junior to the stock purchased; nor in the purchase of bonds of any  
8 private corporation, upon which any regular interest payment has been  
9 defaulted at any time within five years before purchase, except bonds  
10 never in default but which have been outstanding for less than five  
11 years. No more than 15 per cent of the assets of the fund may be in-  
12 vested in common stock.

13 Sec. 37.13.140. BOARD BUDGET. The board's budget is subject to  
14 the Executive Budget Act (AS 37.07).

15 Sec. 37.13.150. AUDITS. The Legislative Budget and Audit Commit-  
16 tee shall conduct annual operational and performance evaluations (post-  
17 audits) of the board's investments and investment programs and report  
18 the results to the State Investment Oversight Committee.

19 Sec. 37.13.160. REPORTS AND PUBLICATIONS. No later than the 20th  
20 day of the legislative session, the board shall publish a report to the  
21 governor, legislature, and the public in easily understandable language.  
22 Each report must include financial statements audited by the Legislative  
23 Budget and Audit Committee, a statement of the amount of money received  
24 by the permanent fund from each investment during the period covered, a  
25 statement of permanent fund investments, a description of permanent fund  
26 investment activity during the period covered by the report, and any  
27 other information the board believes would be of interest to the governo  
28 the legislature, and the public. The annual income statement and balanc  
29 sheet of the permanent fund shall be published in at least one newspaper

1 in each judicial district. The board may also publish other reports it  
2 considers desirable to carry out its purpose.

3 \* Sec. 3. AS 44 is amended by adding a new chapter to read:

4 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT FUND.

5 Sec. 44.55.010. CREATION OF INVESTMENT FUND: FUNDING. (a) There  
6 is created the Alaska Enterprise Investment Fund. The investment fund is  
7 a public corporation and government instrument in the Department of  
8 Revenue but has legal existence independent of and separate from the  
9 state. The exercise by the investment fund of the powers conferred by  
10 this chapter is considered an essential governmental function of the  
11 state.

12 (b) One-sixth of the receipts of all mineral lease rentals, roy-  
13 alties, royalty sale proceeds, federal mineral revenue sharing payments  
14 and bonuses allocated to the permanent fund shall be paid directly into  
15 the investment fund until a total of \$100,000,000 has been paid in.

16 Sec. 44.55.020. ALASKA ENTERPRISE INVESTMENT FUND POLICY BOARD.

17 (a) There is established the Alaska Enterprise Investment Fund Policy  
18 Board, consisting of the commissioner of revenue, the commissioner of  
19 commerce and economic development, the commissioner of community and  
20 regional affairs, or their designees, and six members to be appointed by  
21 the governor and confirmed by a majority of the members of the legislature  
22 in joint session. [Two members shall have broad experience in investment  
23 finance, one member shall represent organized labor, and three members  
24 shall represent local communities.]

25 (b) The six appointed members shall serve for <sup>4</sup>(six) year terms, and  
26 they may be reappointed. Terms shall be staggered. Initial terms shall  
27 be two members serving for two years, two members serving for four  
28 years, and two members serving for six years. Members continue to serve  
29 until their successors are appointed and confirmed.

1           (c) The chairman of the governing body of the renewable resources  
2 development fund serves as chairman of the policy board but is not a  
3 voting member.

4           (d) A majority of the policy board members constitutes a quorum  
5 for the transaction of business by the board. Decisions of the board  
6 shall be taken by a majority vote, including not less than a majority of  
7 the appointed members. The board shall hold at least one public meeting  
8 each year.

9           (e) Members of the policy board receive \$100 per meeting day if  
10 they attend the meeting and are entitled to per diem and travel allow-  
11 ances as are provided by law for members of state boards and commissions.

12           Sec. 44.55.030. REMOVAL AND VACANCIES ON BOARD. (a) The governor  
13 may remove a policy board member from office by and with the consent of  
14 a majority of the members of the legislature in joint session. The joint  
15 session shall be held within 10 days from the date of removal if the  
16 removal occurs while the legislature is in session or within 30 days of  
17 convening of the legislature if the member was suspended. If the  
18 legislature is not in session, the governor may suspend a member of the  
19 policy board for cause. Upon suspension, a board member may not par-  
20 ticipate in policy board business and may not be counted for purposes of  
21 establishing a quorum. A suspended member shall continue to receive his  
22 salary as a board member until the legislature in joint session consents  
23 to his removal. If the legislature refuses to consent to his removal,  
24 the member shall be reinstated to his position.

25           (b) A vacancy arising on the policy board shall be promptly filled  
26 by appointment by the governor and confirmation by a majority of the  
27 members of the legislature in joint session, and an appointee to fill a  
28 vacancy shall hold office for the balance of the term for which his  
29 predecessor on the board was appointed. If a vacancy arises on the

1 board while the legislature is not in session, the governor may appoint  
2 an interim board member who shall exercise all powers and receive the  
3 salary of a permanent board member until such time as the legislature in  
4 joint session fails to confirm the interim member's appointment.

5 (c) A vacancy on the policy board does not impair the authority of  
6 a quorum of the board to exercise all the powers and perform all the  
7 duties of the board.

8 Sec. 44.55.040. DUTIES OF THE POLICY BOARD. The policy board  
9 shall

10 (1) select and appoint the president and other members of the  
11 Alaska Development Bank Investment Committee established in sec. 50 of  
12 this chapter;

13 (2) annually review and approve long-range operating plans,  
14 the budget for the forthcoming year, and the financial plan for the  
15 following years;

16 (3) have responsibility on behalf of the bank for relations  
17 with the general public, legislature, executive branch, local communi-  
18 ties, and interest groups concerning all things excepting only those  
19 matters that are the responsibility of the investment committee;

20 (4) review quarterly reports from the investment committee  
21 concerning investment decisions and investment supervision, but the  
22 board may not impose an investment decision upon, or override an invest-  
23 ment decision of, the investment committee;

24 (5) review, consider and approve policies;

25 (6) establish an audit committee, consisting of the commis-  
26 sioner of revenue and other members of the policy board to be designated  
27 by the commissioner, which shall select independent outside auditors,  
28 and receive all audit reports.

29 Sec. 44.55.050. ALASKA ENTERPRISE INVESTMENT FUND INVESTMENT

1 COMMITTEE. (a) There is established the Alaska Enterprise Investment  
2 Fund Investment Committee, consisting of the president and four members  
3 appointed by the policy board. No member of the policy board may be a  
4 member of the investment committee. Members of the investment committee  
5 shall be persons of recognized competence and wide experience in invest-  
6 ments, finance, and other business management-related fields. Members  
7 may be reappointed and continue to serve until their successors are  
8 appointed. The president and members shall serve for four year terms.  
9 Terms shall be staggered. Initial terms shall be one member serving for  
10 one year, one member serving for two years, one member serving for three  
11 years, and one member and the president serving for four years.

12 (b) Four members of the investment committee constitute a quorum.  
13 Decisions of the committee shall be taken by majority vote.

14 (c) Members of the investment committee are in the exempt service  
15 under AS 39.25 and receive an annual salary within Range 30 in the  
16 salary schedule for state employees established by AS 39.27.011.

17 Sec. 44.55.060. DUTIES OF THE INVESTMENT COMMITTEE. The invest-  
18 ment committee has sole responsibility to approve all investment pro-  
19 posals.

20 Sec. 44.55.070. BUDGET. The investment fund is subject to the  
21 provisions of the Executive Budget Act (AS 37.07).

22 Sec. 44.55.080. PERSONNEL OF INVESTMENT FUND. The policy board  
23 and investment committee members and officers and staff of the investment  
24 fund are in the exempt service under AS 39.25.

25 Sec. 44.55.090. FINDINGS.

26 (1) that investment in financially sound small and medium  
27 scale enterprises in Alaska, particularly in rural areas of Alaska, is  
28 of benefit to the citizens of Alaska;

29 (2) there is a shortage of investment capital for financially

1 sound small and medium scale enterprises, particularly in rural areas of  
2 Alaska;

3 (3) that the Alaska Enterprise Investment Fund working with  
4 private financial institutions can help to alleviate this shortage.

5 Sec. 44.55.100. PURPOSE. The purpose of the Alaska Enterprise  
6 Investment Fund is to provide capital at market rates and terms for  
7 small and medium scale enterprises, particularly in rural areas of  
8 Alaska.

9 Sec. 44.55.110. POWERS OF THE INVESTMENT FUND. (a) In carrying  
10 out the corporate purposes of the investment fund, the policy board has  
11 power to

- 12 (1) adopt, alter and use a corporate seal;  
13 (2) prescribe, adopt, amend, and repeal bylaws;  
14 (3) sue and be sued in the name of the investment fund;  
15 (4) borrow funds, and in that connection furnish such collat-  
16 eral or other security as it determines, except that investment fund  
17 borrowing may not exceed one-half of its paid-in capital;

18 (5) guarantee obligations of another corporation or legal  
19 entity in order to facilitate their sale;

20 (5) enter into agreements necessary or convenient in the  
21 exercise of its powers and functions;

22 (7) acquire, hold, use, lease, sell or otherwise dispose of  
23 property of any kind, real, personal or mixed, or any interest in it;

24 (8) contract with state, federal and other agencies to  
25 develop needed information and analyses;

26 (9) do all acts and things necessary, convenient or desirable  
27 to carry out the powers granted or implied in this chapter.

28 (b) In carrying out the corporate purposes of the investment fund,  
29 the investment committee has the power to

1 (1) invest, in such form as it considers appropriate, includ-  
2 ing without limitation, by purchase of the capital stock of, or the  
3 lending of money to, projects, except that any investment in the capital  
4 stock of or other ownership interest in such project may not exceed 49  
5 per cent of the capital stock of, or other ownership interest in, the  
6 project, and no loan or other investment in the project by the investment  
7 fund may exceed 90 per cent of the cost of the project unless, in the  
8 judgment of the committee, additional amounts must be loaned to protect  
9 the interests of the investment fund;

10 (2) deposit funds, or invest funds in such obligations as it  
11 may determine;

12 (3) buy and sell securities the investment fund has issued or  
13 guaranteed or in which it has invested;

14 (4) purchase currently sound evidence of indebtedness from  
15 the tourism fund, the agricultural revolving loan fund and the small  
16 business development loan fund if the loan was made after the effective  
17 date of this Act and if the loan meets the criteria of sec. 120 of this  
18 chapter;

19 (5) do all acts and things necessary, convenient or desirable  
20 to carry out the powers granted or implied in this chapter.

21 Sec. 44.55.120. INVESTMENTS. (a) In making investments, the  
22 investment committee and staff shall exercise the judgment and care  
23 under the circumstances then prevailing which a person of ordinary  
24 prudence, discretion, and intelligence exercises in the management of  
25 his own affairs taking into consideration the probable income from the  
26 investments as well as probable safety of principal.

27 (b) An amount equal to at least 150 per cent of all guarantees by  
28 the investment fund shall be invested in investment-grade securities.

29 (c) The investment committee may invest not more than 50 per cent

1 of the resources of the investment fund to provide a reasonable proportion  
2 of longer-term investment capital for financing the establishment,  
3 improvement, and expansion of productive private enterprises which will  
4 benefit Alaskans, and for which sufficient capital is not available from  
5 other sources on reasonable terms. These investments may take the form  
6 of equity, debt, or debt guarantees.

7 (d) The committee may invest no more than 50 per cent of the  
8 resources of the investment fund in financing a reasonable proportion of  
9 the longer-term investment capital needs for community development  
10 projects of municipalities and public corporate entities and private  
11 dwellings in Alaska for which sufficient financing is not available from  
12 other sources on reasonable terms. These investments may take the form  
13 of debt or debt guarantees.

14 (e) The committee may not invest or guarantee obligations totaling  
15 more than five per cent of the resources of the bank or \$1,500,000,  
16 whichever is less, in a single project unless the legislature has approved  
17 the investment by concurrent resolution.

18 (f) The committee may not undertake any financing for which, in  
19 its opinion, sufficient private capital could be obtained on reasonable  
20 terms.

21 (g) The committee may not assume responsibility for managing any  
22 enterprise or project in which it has invested and may not exercise  
23 voting rights for that purpose or for any other purpose which, in its  
24 opinion, properly is within the scope of managerial control.

25 (h) The committee shall only undertake its financing on terms and  
26 conditions which it considers appropriate, taking into account the terms  
27 and conditions normally obtained by private investors for similar fi-  
28 nancing, the requirements of the enterprise or projects, the risks being  
29 undertaken by the investment fund, and the participation of other



1 investors unless the legislature has appropriated funds for subsidizing  
2 investments which in the opinion of the investment fund are of such high  
3 priority that special terms and conditions are appropriate.

4 (i) The committee may seek to revolve the investment fund's money  
5 by selling its investments to other investors whenever it can appropri-  
6 ately do so on satisfactory terms.

7 (j) The committee shall seek to maintain a reasonable diversifi-  
8 cation in its investments.

9 (k) The committee shall only consider investment proposals after  
10 the applicant for an investment has submitted a detailed proposal to the  
11 committee's staff and the staff has prepared a written report recommend-  
12 ing the investment after a study of its merits.

13 (l) The committee shall analyze the economic and other effects of  
14 an investment decision, including the effects on employment, income  
15 distribution, environment, health, social and other factors. The  
16 committee shall be sensitive to the views of affected local communities  
17 and shall include an analysis of those views in proposals for large  
18 investments.

19 (m) The committee may guarantee qualifying loans made by financial  
20 intermediaries in order to facilitate investment by the intermediaries  
21 in specific enterprises or projects whose individual financing require-  
22 ments are not, in the opinion of the committee, large enough to warrant  
23 its direct supervision.

24 (n) The committee shall provide for operational and performance  
25 evaluations (post-audits) of its investments and investment programs and  
26 report the results to the policy board.

27 (o) Nothing in this section prevents the investment committee, in  
28 the event of actual or threatened default on any of its investments,  
29 actual or threatened insolvency of the enterprise in which the invest-

1 ment has been made, or other situations which, in the opinion of the  
2 investment committee, threaten to jeopardize the investment, from taking  
3 such action and exercising such rights as it may consider necessary for  
4 the protection of its interests.

5 Sec. 44.55.130. INITIAL DETERMINATIONS. Before beginning its  
6 financing operations, the policy board shall render a detailed report to  
7 the legislature which shall

8 (1) define the sectors which need financing for expansion of  
9 existing projects or the development of new projects;

10 (2) define the size and nature of projects which are feasible  
11 for investment fund financing;

12 (3) determine specific projects which are feasible for invest-  
13 ment fund and private financing;

14 (4) determine the availability of private investment capital  
15 for the projects it determines are feasible;

16 (5) forecast the capital requirements of the investment fund  
17 for the first three years of its operations.

18 Sec. 44.55.140. REPORTS AND PUBLICATIONS. The policy board shall  
19 publish an annual report to the governor, legislature and the public.  
20 Each report shall include financial statements audited by independent  
21 outside auditors, a statement of the amount of money received by the  
22 investment fund from each source during the period covered, a statement  
23 of investment fund investments, a description of investment fund invest-  
24 ment activity during the period covered by the report, an analysis of  
25 economic and other effects of investment decisions including, but not  
26 limited to, the effects on employment, income distribution, environment,  
27 health, social and other factors, and any other information the policy  
28 board believes would be of interest to the governor, the legislature and  
29 the public. The investment fund may also publish such other reports as

1 it considers desirable to carry out its purpose.

2 Sec. 44.55.150. CONFLICT OF INTEREST. (a) Members of the policy  
3 board and investment committee are subject to the provisions of AS 39.50.

4 (b) Members of the investment committee shall disclose their  
5 financial interest in an investment proposal and disqualify themselves  
6 from voting on any investment proposal in which they have a financial  
7 interest. The committee may not make an investment in any project or  
8 enterprise in which officers of the bank have a financial interest.  
9 Members of the policy board are prohibited from all attempts to influ-  
10 ence the investment committee, its president or staff in the discharge  
11 of their ordinary operating duties. All officers of the investment fund  
12 in the discharge of their offices owe their duty entirely to the invest-  
13 ment fund and no other authority.

14 Sec. 44.55.160. POLITICAL ACTIVITIES. The members of the policy  
15 board, members of the investment committee, and officers and staff of  
16 the investment fund may not engage in partisan political activities.  
17 The resources of the investment fund may not be used to finance any  
18 partisan political activities.

19 Sec. 44.55.170. PUBLIC ACCESS TO INFORMATION. Information in the  
20 possession of the investment fund is a public record, except that infor-  
21 mation which discloses the particulars of the business or affairs of a  
22 private enterprise or investor is confidential and is not a public  
23 record. Confidential information may be disclosed only for the purposes  
24 of an official law enforcement investigation or when its production is  
25 required in a court proceeding. These restrictions do not prohibit the  
26 publication of statistics presented in a manner that prevents the  
27 identification of particular reports, items, persons, or enterprises.

28 Sec. 44.55.180. TAX EXEMPTION. The investment fund is exempt from  
29 all taxes and assessments in the state. All security instruments issued

1 by the investment fund, their transfer and their income are exempt from  
2 all taxes and assessments in the state.

3 Sec. 44.55.190. DEFINITIONS. In this chapter

4 (1) "board" or "policy board" means the Alaska Enterprise  
5 Investment Policy Board created by sec. 20 of this chapter;

6 (2) "business enterprise" means a private corporation, firm,  
7 partnership or sole proprietorship;

8 (3) "committee" or "investment committee" means the Alaska  
9 Enterprise Investment Fund Investment Committee created by sec. 50 of  
10 this chapter;

11 (4) "fund" or "investment fund" means the Alaska Enterprise  
12 Investment Fund.

13 \* Sec. 4. AS 39.25.110 is amended by adding new paragraphs to read:

14 (21) members of the policy board and investment committee, and  
15 the president, officers, and staff of the Alaska Enterprise Investment  
16 Fund;

17 (22) members of the board of trustees, the executive director,  
18 and staff of the Alaska Permanent Fund Board of Trustees.

19 \* Sec. 5. AS 39.50.200(9) is amended by adding new subparagraphs to read:

20 (NN) Alaska Enterprise Investment Fund Policy Board and  
21 Alaska Enterprise Investment Fund Investment Committee;

22 (OO) Alaska Permanent Fund Board of Trustees.

23 \* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-

24 070(c).

Contract Narratives

1. Belden Daniels

Dr. Daniels has completed two reports to the Committee and is continuing to consult on matters pertaining to the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

2. Douglas Pope

Mr. Pope is doing legal research and consulting on legal implications of the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

3. Brian Rogers

Mr. Rogers is doing research on the potential of small and medium scale business development (cottage industry) and Alaska specific appropriate technology at the direction of the Committee Chairman.

4. Alephe Morris

Ms. Morris is doing final editing and typing on transcripts of the Committee's public hearings at the direction of the Committee Chairman.

5. Price Waterhouse and White, Weld & Co. (through the Division of Legislative Finance)

Price Waterhouse and White, Weld & Co. are offering management and financial consulting, respectively, on the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

6. Institute of Social and Economic Research (through the Department of Revenue)

The Institute is doing computer modeling on the impacts of potential uses of Permanent Fund principal and interest at the direction of the Committee Chairman.

M E M O R A N D U M

To: Mike Doogan, A.A.  
House Permanent Fund Committee

From: Kathy Brown *KB*  
House Finance Committee

Date: November 18, 1977

Subject: Permanent Fund Questionnaire

Attached to this memo, you will find the results of the House Permanent Fund Survey. We received twenty-nine responses and, as you will see, they defy categorization. There appear to be as many different responses as there were questionnaires.

Since there were so few, I've simply listed the responses to each question. The order of the responses listed is consistent throughout the report to provide continuity in following "the plan" proposed in each questionnaire.

1. WHAT INVESTMENT PROPOSAL DO YOU SUGGEST AND HOW IS IT INCOME PRODUCING FOR THE PERMANENT FUND?

- \* Real estate and business loans within Alaska. Financing for municipal improvements.
- \* That the Fund be split, and the majority of it be used for research into other nonrenewable resources, and what's left be invested in the development of renewable resources such as fisheries, logging, etc. The profits of the discoveries would be placed directly back in the Permanent Fund.
- \* Was impressed by the possibilities/ alternatives suggested in the booklet "The Role of the Permanent Fund in Alaska's Future." My top priority would be loans or bond guarantees for municipalities for capital improvements.
- \* 60% - 75% to finance hydroelectric power (i.e. Wantana and Devil's Canyon) and promote agriculture in Susitna, Tanana and Yukon Valleys - Rest of fund in high-yield, low-risk, "money market" investments.
- \* A broadly diversified investment program with up to 20% in small technological development firms -- particularly in the fields of energy, communications, aero-space and agriculture.
- \* Funds should be banked to produce interest.
- \* The Permanent Fund and its income should reflect flexibility both in how it is invested and how it is spent. Perhaps a percentage should be invested outside, but I would see Alaskans getting any advantage in the choice. Increased "in Alaska" activity producing something better than subdivisions - like encouraging agriculture where feasible. Training and education for meaningful employment in appropriate ways, development of renewable resources.
- \* Diversified investments - i.e. 50% invested in securities (preferably in-state), 25% utilized for loans to develop renewable resources such as fisheries programs and agricultural programs, and 25% directly benefiting Alaskans for small business and home loans. Income earned by Permanent Fund investments should be designated by law as funding for community development projects.
- \* Innovative investment to stimulate and develop agriculture - growing of crops and freezing and canning of same to feed Alaskans.
- \* Principle: Solid, very low-risk bonds, securities, etc.  
Interest: Investment within the state, loans, etc.
- \* U.S. Treasury notes.
- \* Permanent Fund means permanent. Invest in blue chip, AAA, stocks and bonds.
- \* Loan guarantee program for all types of loan transactions. Fees from transaction (perhaps interest overrides) would produce income.

- \* Securities with highest return yet with least risk, keeping in mind inflation, deflation, liquidity, etc.
- \* Stocks and bonds handled by New York, San Francisco, Chicago or European investment houses.
- \* Balanced portfolio of stocks, professionally managed for high income.
- \* None of the above. Return should be optimized through the best interest of our best renewable resource - people. Projects employing people, which are locally built and ultimately paid for should be encouraged.
- \* Low to moderate interest loans of moderate amounts for enterprise development in rural Alaska. Invest surplus (if any) in bonds or other secure instruments.
- \* Invest in hydroelectric or other power from renewable sources. Invest in moving the capital. When completed, they will all be a part of the Permanent Fund.
- \* Provide loans to Native Corporations or Native Cooperatives to build fish processing plants, fishing vessels, beam trawlers, factory ships.
- \* Alaska is a natural resources state and the Permanent Fund should be invested in things that will assure economic development of these resources over the long-term. The State should invest in a railroad to the interior and loans to individual prospectors.
- \* 1. High-yield, low-risk securities.  
2. Loans for small businesses, homes and to municipalities for capital improvements.
- \* a.) Invest in blue chip or other secure stock outside of Alaska.  
b.) Invest in renewable resource industries in Alaska.
- \* Makes available 7 1/2 % loans to the timber industry, mining, fishing and chemical-petroleum industries.
- \* Profitable development projects of all kinds which will benefit the Alaskan economy within Alaska.
- \* Use up to 25% of the Permanent Fund to finance or assist federal financing of basic community facilities such as - community meeting and convention centers. Public piers, etc., at low interest. (6%)
- \* Invest part or all monies within the State of Alaska for growth of Alaska.



- \* I suggest a guideline for fund manager for a minimum:  
50% U.S. Government securities.  
25% Alaska municipal bonds (with bonding limitations) and state bonds. Balance - blue chip and Alaska investments in resource development. Limit fund for agriculture development and exclude fish hatcheries.
- \* Purchase bonds marketed by Alaska Power authority to build hydro- and geo-thermal electric generation facilities.

## 2. WHAT OBJECTIVES ARE ACHIEVED BY YOUR PROPOSAL?

- \* Alternate source of financing for state residents.
- \* With a discovery of more oil or other nonrenewable resources, it would provide more jobs for all Alaskans, not just the fishermen in Southeast Alaska. But not to exclude them, the other segment of the Fund could be used to support the fishing industry. Interest from the Fund could be available to all Alaskans as loans for any profit-making venture within reason. This being all Alaska's monies, it should be used as such, and not just to state subsidize fisheries.
- \* Needed services provided, - facilities upgraded, expansion of community services. Example - hydroelectric project in Sitka.
- \* Develop in areas of renewable resources for broader economic base - cheaper power in the future and less dependence on outside food sources. Rewards would be long-term.
- \* Some of these companies might be brought to Alaska, providing some highly skilled jobs and taxes. The only things Alaska can export competitively are natural resources and brains. This would marry the two to some extent.
- \* Fiscal responsibility.
- \* People who live here can receive a bigger share of the efforts of the Government they help pay for. I don't like to see the long-term efforts of people go down for lack of interest and incentive by State government. These same businesses or industries could help when the oil supply diminishes.
- \* Diversified investments maximize the income from at least half of the fund while still utilizing half for more direct benefits and opportunities to citizens and businessmen. The fund would be utilized to develop Alaskan economy and resources.
- \* Jobs for Alaskans. (may even utilize prisoners) Wise use of resources - land, water. Less dependence on the lower '48 for food.
- \* The Principle will never be touched and will be available for many generations; the interest will be a regular income to the State to encourage tax-producing industries and state growth.
- \* Security of investment.
- \* The Fund will be permanent. If it goes to loans, it will be lost. The earnings can they be used for more risky use.
- \* Generate capital flow into Alaska from traditional institutions. Would create pyramid income effect as reserves could be invested to generate income. Provide capital for rural areas (outside Anchorage) where investors are difficult to find and needs greatest.

- \* 1. Assurances that the Fund would be, in fact, permanent.
- 2. Availability of capital for investment guarantees, public and private, that meet rigorous investment criteria. E at least the normal market rate of return for either short or long-run considerations.
- \* Protection of the Fund thereby assuring it is permanent.
- \* Maximum low-risk income. Income to be applied to tax reduction on all income taxes -- goal is zero income tax.
- \* Self-help, motivation and pride plus a turn over of \$'s (in-state) which are ultimately returned to the Fund.
- \* 1) a. Promote gradual development in rural Alaska over a long period of time.
- b. Increase the tax base in Rural Alaska thereby reducing the tax burden on the rest of the State
- c. Will promote local government autonomy by increasing local self-sufficiency.
- d. Will diversify the economy both in terms of sources of income and geographic location.
- 2) a. Will maximize yeild on money not allocated to rural development compensation for the low yeild from rural development loans.
- \* It will provide power for sale to homes, business and industrial users for many years after the gas and oil has been depleted. This will provide income so you could call it a part of the Permanent Fund.
- \* Provide employment to Natives with emphasis on Alaskan control of fisheries out to the 200 mile limit. Do not loan money to fishing corporations with foreign capital in excess of 25%.
- \* Perpetuation of mineral and energy exploration and assurance of an economic outlet if anything is found; continued return to the State in form of taxes, rents, etc.
- \* High earnings to provide money for loans which will benefit individual Alaskans.
- \* a.) Maximizes income from Fund without stimulating undesirable growth within the state.
- b.) Favors establishment of stable economic base for future.
- \* Ongoing high standard of living, coupled with full employment for the year-round residents of our state.
- \* Reasonable rate of return on the loans but with low risk.
- \* Finance for community development of public facilities necessary to develop recreation and travel industry.

- \* Keeping our money working for Alaskans, develop our natural resources, mining, fishing, oil, gas and electrical powers.
- \*
  1. Fund security against the track record of the legislature "blowing" all current and future revenue.
  2. Assistance to communities in securing funding without bonding commissions and at fair interest rates.
  3. Avoid present panacea concept of fish hatcheries.
- \* This is an investment in renewable resources as requested by majority of Alaskan Forum participants - the electric energy produced can be used to electrify Alaska Railroad and future mass transit systems as well as provide the type of cheap power that does not degrade the environment.

### 3. WHAT OBJECTIVES ARE AVOIDED BY THIS PROPOSAL?

- \* Diversification to sources outside of Alaska would not be emphasized.
- \* It avoids squandering of monies rightfully belonging to Alaskans, and "keeps it in the family." Unemployment rates would not increase, as jobs would be provided by the research and discovery of any non-renewable resources, and Alaska would flourish on the revenue of these.
- \* Loans and bonding would be in areas of low interest and higher risk - less quick return on money.
- \* None that are readily apparent.
- \* Pork barrel projects. Small loans to private citizens. Special interest groups such as alcoholics.
- \* We might not get all the "bucks" we could get. Quality of life is worth more than dollars in the bank. Anything we do to help people help themselves is useful.
- \* May not immediately be profitable cash-wise.
- \* No continual politics to face on principle; all the good expected from use of principal can be obtained by use of the interest but at a slower rate ( and maybe with more forethought).
- \* Waste and/or loss of funds resulting from legislative "pork barrelling."
- \* The tax base and earnings from Fund will be adequate to fund the State's needs. More stimuli will be detrimental. Too much expansion does lower the unemployed figures.
- \* 1. Security of PF is provided for.  
2. Direct governmental competition with private sector.  
3. Excessive supply of money at the regional level.
- \* Development of Alaska economy, giving politicians more "play money."
- \* Frittering Fund away by uneconomic investments to achieve social, not economic objectives.
- \* Not enough space.
- \* 1.) a. No immediately realizable benefit to urban (majority) population.  
b. Will not contribute to short-term development of Alaska, but will tie up potential short-term resources for long-term objectives.  
2.) a. Sacrifices greater utilization of Permanent Fund dollars for immediate development purposes.

- \* It will create employment. Then the employed people can pay for their homes and borrow money from the banks with good credit. It will prevent subsidizing a lot of projects that help to cause inflation.
- \* The objective of this proposal is to avoid dominance of Alaskan fishery by foreign countries.
- \* (None of significance.)
- \* Little risk of big investment losses.
- \* Does not directly affect Alaskan economy.  
Does not maximize income to Fund.
- \* Slow the growth of government, provide maximum employment, and orderly harvest of our resources.
- \* None.
- \* Source of income for the Permanent Fund would be less than provided for by pure commercial placement of investment.
- \* Avoids the hazard of high risk actions by politicians, Arlon Tussing and fund managers. Avoids Alaska credit rating falling below New York City rating.
- \* This proposal could satisfy those critics who are against too much development, because the excess energy could be sold outside by transferring it via microwave and satellite. This proposal is under consideration by Iceland - (selling their geothermal energy to another country.)

#### 4. WHAT MAY LIMIT THE EFFECTIVENESS OF THIS PROPOSAL?

- \* Might not have enough loan demand.
- \* The intervention of environmentalists and those supporting non-growth.
- \* The number of years needed to pay off loans.
- \* Environment groups and federal government. Native Corporations and Administration (State Government) through land classification and short sightedness.
- \* Objections that the high risk/high return investments in emerging technology firms are not in the best interest of the State -- witness previous outcry when the State lost a modest sum in the stock market.
- \* Nothing.
- \* Interests who think dollars are more important than people. Those who think they can get something for nothing. (There should be both incentives and responsibilities.)
- \* Lack of imagination. One idea which should be considered is to use heat from the pipeline for greenhouses; establishment of a bakery near the wheat area large enough to ship Alaskan bread statewide.
- \* Unless the federal government falters, there is nothing to limit the effectiveness of this proposal. Unless the boys dealing with the interest are politically motivated, nothing will stop the steady, consistent growth possible.
- \* Cheap politicians whose primary goal is re-election.
- \* The legislature!
- \* A few large projects could tie up all necessary reserves. (Example - BIA program) Limitation such as inherent in federal SBA Program which limits usefulness. Lack of management which could cause inaction.
- \* 1. Political pressure for non-revenue producing social goals and programs.  
2. Public/political notions that the supply of money is inexhaustible.
- \* Long-term international depression.
- \* The portfolio must be well-managed and guidelines must be carefully set and monitored.
- \* Politics.

- \* 1. A lack of response or lack of opportunity to use such loans in rural Alaska.
- 2. Inflation and the accumulation of surplus income without adequate means of using the income as a hedge against inflation.
  
- \* Running out of money from the non-renewable resources. All the rivers drying up.
  
- \* The effectiveness of this proposal will be limited if the State Department continues to countenance heavy Japanese participation in fishing off Alaskan shores.
  
- \* If no mineral resources are found.
  
- \* Bad investments and poor re-pay on loans.
  
- \* a.) None foreseen.  
b.) Availability of safe investments in renewable resource industries.
  
- \* Preservationists, bureaucrats and fools.
  
- \* Lack of good, independent feasibility studies. And too much red tape to obtain financing.
  
- \* Do the projects half-way and/or lack of follow through of state-wide travel marketing.
  
- \* Selfish politicians.
  
- \* Unavailability of good municipal bonds and good Alaska investments.
  
- \* The only limit to this proposal would be how much money and how many projects of this type we would be willing to finance.



## 5. WHICH GROUPS WOULD BENEFIT FROM THIS PROPOSAL?

- \* Hopefully residents and fund itself.
- \* All Alaskans.
- \* Alaskans - public would benefit.
- \* All Alaskans in interior and south central.
- \* Stock brokers and presumably the taxpayers.
- \* All Alaskans.
- \* The people in Alaska who have and are working to make the State a better place in which to live - financiers as well as the fishermen and the farmer and the businessman.
- \* Broad range of Alaskans could benefit from home loans as well as indirectly benefiting by the community improvements which would be financed by investment income.
- \* All Alaskans who eat.
- \* Principle: banks might be a place for some investment and let the private sector take the risk in providing loans (so many benefit -- but interest rate should be lower since there would be an excess of money on the market).
- \* All Alaskans.
- \* All Alaskans indirectly, - Directly brokers.
- \* Business community, municipalities, financial institutions, labor, etc.
- \* 1. In the long-run, all.  
2. In the short-run, those who have the expertise and other capabilities to offer projects and proposals that meet the investment criteria - (rates of return, etc.) Managers and professionals.
- \* Alaskan people, financial houses.
- \* Whole population, particularly taxpayers.
- \* Communities.
- \* 1. a.) Fishermen, small time loggers, individual farmers, small entrepreneurs, local governments, transportation enterprises initially.  
b.) Eventually -- majority of Alaska's population through the spin-off effects of balanced development through the State.

2. a.) Possibly individual taxpayers even initially if surplus income available for direct or indirect tax relief.

- \* All the people. Note the western states. Washington and Oregon. are very dependent on hydroelectric power.
- \* The Natives would benefit most. They are effectively frozen out of the off-shore fishing and remain as a result the largest group of Alaskans living below the poverty level.
- \* All Americans.
- \* Financiers, investors and individual Alaskans.
- \* a.) Financiers and brokers outside of Alaska and all Alaskans.  
b.) Those involved or proximal to renewable resources and all Alaskans.
- \* All of the working class people.
- \* All of Alaska.
- \* General business community in each area where facilities are developed and labor because of the high degree of labor requirements in the service business involved in travel.
- \* All Alaskans.
- \* The future citizens after the exploitation of non-renewable resources. Current communities bonding problems and costs.
- \* An investment in these types of energy would benefit all Alaskans. Not only would the Permanent Fund realize a return on the bonds purchased from the Alaska Power Authority, but the selling of excess energy would bring income into the State treasury. Also -- construction of these projects would cut unemployment as well as generate matching fund money from the federal government.

## 6. WHAT GROUPS ARE LIKELY TO OPPOSE THIS PROPOSAL?

- \* Banks and other commercial lending institutions.
- \* Sierra Club, Friends of the Earth and other assorted posy-sniffers.
- \* Environmental, banking, economists, some legislators and the Alaskans who want a handout in reduced taxes or money.
- \* Ultraconservatives and ultraliberals.
- \* Unions, Do-gooders  
Politicians  
People who do not intend to live here permanently
- \* Financiers - money people. People whose projects or ideas were rejected. Those who feel that outright grants should be given, rather than as investment activity.
- \* Proponents of maximum yeild on 100% of fund investment.
- \* Can't think of any. Even proponents of no-growth should be sympathetic.
- \* Those that see the state getting involved more and more in the direct development of the state's businesses; those that would squander the income (principle) as was done with the 900 million.
- \* Each greedy group, be it local government, educators, bush communities, native corporations, large and small businesses, etc., who can't get their hand in the cookie jar.
- \* Most groups. They will want cheap home loans, social distribution, etc.
- \* Conservationists, protectionists and anti-development groups.
- \* 1. Primary research organizations  
2. Those associated with non or low-revenue producing sectors or organizations.  
3. Those associated with churches, charities and labor groups.
- \* Chamber of Commerce, elected officials.
- \* People who want to expand funding of "social services" in the state.
- \* Self-interest money groups.
- \* 1. a.) Large business enterprises  
b.) Urban populations which may be more concerned about short-term benefits.  
2. a.) Large business enterprises who want more immediate use of fund income and principle for subsidy purposes.

- \* Oil companies and environmentalists. Also stock brokers.
- \* Japanese, Canadian and out of state fishermen.
- \* Groups advocating preservation of all lands.
- \* Resource speculators and developers.
- \* a.) Alaskan financiers, brokers and businessmen.  
b.) Those involved in nonrenewable resource industries.
- \* Alaska Conservation Society, Friends of the Earth, Sierra Club, and any other group that wants a high standard of living, but are not realistic enough to be willing to pay for it.
- \* Anti-developers, preservationists, environmentalists.
- \* Environmentalists.
- \* Legislators with their pork barrel projects. Arlon Tussing and other economists. Bonding houses.
- \* This proposal would be opposed by private power people.

## 7. WHAT ARE YOUR SUGGESTIONS FOR MANAGEMENT OF THE PERMANENT FUND?

- \* Emphasis on Alaska loans - provision for disaster loans (comparable to SBA disaster loan programs).
- \* To use as little of the principle as possible, and utilize the interest in the way most beneficial for the betterment of all Alaskans.
- \* Board of 7 with 2 appointed by Legislature, 2 appointed by Governor, and three elected (one every two years) for a 6 year term - the appointees to be reviewed every 2 years.
- \* Establish a trust fund with say five trustees -- two named by the Governor, two by the Legislature and one by the Supreme Court. They would retain the necessary financial managers and consultants needed to carry out the management mandate of the voters as determined by statewide referendum.
- \* Use of the interest only for renewable resources - fishing, logging, etc., and large projects for the benefit of all Alaskans such as power dams, air strips, transportation, etc., also tax reduction.
- \* Appointment by Governor, confirmed by Legislature. Should include a range of interests; have periodic (like six month) reports to Governor, Legislature, people; have periodic opportunities for input for possible changes in direction, etc., It might be wise for a percentage of either Fund or income to use two management schemes. Goals should be widely known and how well those goals were reached should be the main criteria to how well the management scheme performed its task.
- \* Policy board and investment committee should include representation from the public at large not just bankers, etc., and have available to them expertise from other than board members. Members should be confirmed by the legislature to avoid partisan appointments and legislation should provide for required reports to the public the legislature, the Governor, etc., regarding all phases of the operation.
- \* I suggest that the principle be invested in government bonds, secure stocks, etc., Only the low risk items should even be considered. It would be appropriate to buy as many of these low risk items as possible within the state -- the general idea being to get cash into the state banks for them to loan out. The state banks, with an excess of cash, would take the greater risks on loans to people and firms but the interest should be lower than usual since there would be an excess of cash. The interest on the principle would be utilized in all the ways this booklet suggested -- but the changes to Alaska would be slower and the state would be kept out of the market to a greater degree.

- \* Permanent Fund Managers appointed by Governor and confirmed by legislature, for staggered, long-terms (such as Federal Reserve Board), legislature to appropriate funds for specified purposes (if investments other than U.S. treasury notes are deemed advisable), but for two year period, not for one year.
- \* Professional with a charge that investments be considered on a long-term basis. Not like the last go around. Politicians must not be able to influence the investment decisions because of pressure from people because there is a temporary downward adjustment in the market.
- \* Greater use of citizens and business community rather than professional lobbyist, consultants and out of state experts.
- \* 1. Hire a Board consisting of at least one member from
  - a.) each basic resource/industry sector.
  - b.) the national, international and regional financial community.
- 2. Have "the board" establish rate of return
- 3. Let State and local government be involved strictly as advisors to the board.
- \* Should be done by one or several international finance houses.
- \* Legislature should determine, but it should be professionally, not politically accomplished.
- \* Board of Directors \_\_\_\_\_ establishes priorities and sets policy
 

	_____	Implements	Board members should be elected based on population ratio.
	_____	Policy & goals	
	_____	Support	
- \* 1. The management should be under the control of a Commission of not less than five or more than seven people.
- 2. The Commission should be appointed by the Governor for a period of six years with consent of the legislature and provision for overlapping terms.
- 3. The Commission should select it's own Executive Director and hire its own staff.
- 4. Membership should include at least two (of five total) consumers or consumer advocates -- perhaps similar to the APUC.
- \* Find and use good examples of management from other States. That is if you can find any good ones. Do not start a permanent bureaucracy.
- \* Should be managed by a board of nine persons, each elected for a three year term; terms not to overlap; voters to elect a chairman, vice-chairman, and members; candidates to release their complete record of qualifications to voters. Management should NOT be by the Administration or the Legislature. Members should not be appointed.

- \* Advisory committee appointed by the Governor, approved by the Senate, coming from all areas and fields of interest (bankers, social workers, housewives, businessmen, etc), serving for no more than one term of four years.
- \* An appointed committee with staggered terms representing a broad diversity of public interests. (i.e. business people, environmentalists, educators, bush residents, subsistence livers, etc.)
- \* 100% of the income from non-renewable resources be deposited in the fund and only the interest from the time deposits be used as outlined above.
- \* An apolitical board of directors appointed by the Governor and confirmed by the Legislature. Permanent position not subject to changes in Administration or Legislature. Board to have financial legal, management, economists, etc. - non-political.
- \* Get it our from the hands of politicians.
- \* 1. Allow legislature annually to determine use of income from Permanent Fund.  
2. Prepare legal guidelines for manager and allow him freedom within those guidelines.
- \* 1. Establish our own bank, as has been done so successfully in North Dakota.
  - a.) Invest money by purchasing Alaskan municipal state bonds.
  - b.) By handling our own money we would not have to pay large commissions to the commercial banks for this service. A projection should be made as to how much it will cost the State for commercial bank services.
  - c.) Less chance for private banks to direct these state funds into (in-house) loans.
  - d.) Alaskan municipal and State bonds purchased by the Permanent Fund could be used for low-cost housing, day care centers and nursing homes. Certainly our Alaskan Citizens qualify first in importance as a renewable resource.
- 2. Members of the Board handling fund shall serve not longer than four years with staggered terms and not to be served consecutively.
- 3. The Managers and board members of Permanent Fund and their relatives shall not have a financial interest in any loans made or bank handling fund money.
- 4. The managers and board members of Permanent Fund shall not own stock in or be paid by an Alaskan Bank, Savings and Loan, Finance Company or Credit Union.
- 5. The Manager of the Permanent Fund shall agree not to take a job with any state financial institution for five years after leaving the position of Manager.
- 6. The Permanent Fund should be audited at regular intervals by a national auditing firm on a bid basis with report to the Legislature.
- 7. The Permanent Fund meetings shall be open to the public as much as possible and services purchased by the Permanent Fund shall be on a bid basis. Managers and trustees shall not have a business interest in any corporation providing services to PF.

Alaska Public Forum  
Interim Report  
(Oct. 1-Oct. 25)

Alaskans participating in the Public Forum this fall have strong opinions and recommendations concerning the future of the Permanent Fund. This report is designed to give you the color of their responses through (1) questionnaire results and (2) workshop discussions.

The cut-off date for coding and tabulating questionnaires for this report was October 25. At that time, the Public Forum had concluded workshops in Wainwright, Dillingham, Togiak, Kotzebue, Noorvik and Anchorage.

\* The Questionnaires

Cautionary note: This is an informal tabulation of Public Forum results, i.e., as they say in the vernacular, "for your eyes alone". The primary reason is that responses from Anchorage heavily weighted the results of the interim count, as you will shortly see. Thus, it would be unfair to quote these responses as representative of the entire state, since at the end of October we had only held six out of 17 meetings, and several regions of Alaska are not included in the count.

This is not to say that the responses to date are not valid ones. Yet they represent predominantly the opinions of Anchorage and Southcentral Alaska.

\*\* The Workshops

Please keep in mind that many of the participants attending the workshops did not fill in questionnaires. This is particularly



true for rural communities where the Public Forum newspaper was too overwhelming for many to digest easily, especially since English is not their first language. However, following a careful verbal presentation and interpretation into their own languages, workshop participants in the Bush often had strong opinions concerning the Permanent Fund. These will be discussed later in the section on workshop results.

Do weigh the workshop results and the questionnaire results individually and with equal importance.

\* Circa 1200 questionnaires were tabulated.

\*\* About 500 people participated in the first six forums.

Tabulation of Questionnaires  
For the Interim Report

Demographics

More than 75% of the participants in the Alaska Public Forum questionnaire are male. About 45% of respondents were either manager-administrators or professional-technical people. The third largest occupation group (16%) were the unemployed.

Frequencies

We have broken out percentages of responses into three categories ---Statewide, Anchorage and Southcentral. You will note that the responses from Anchorage comprise nearly 65% of the total questionnaire responses received by October 25. The Southcentral results include about 80-85% of the total responses. As the boundaries are drawn, Southcentral includes the major populated areas of Anchorage, the Kenai Peninsula, and the Matanuska-Susitna Valley.

The Questions

A. Which use of the Permanent Fund do you feel is most important?

By far, the most important use of Permanent Fund monies is "to provide money for income-producing investments". In Anchorage, 75% of the responses favored this option. Statewide this choice drew 71% of the vote.

"To save money for the future" was the second choice with 15% of the total responses statewide. "To avoid using the money for state programs" was the third choice with 10% of the vote statewide.

B. Would you like to see more than 25% of the specified mineral revenues placed in the Permanent Fund?

Opinion was fairly evenly divided on this question. However, the scales tipped slightly in favor of putting more than 25% of

certain mineral revenues into the Permanent Fund.

About 55% of respondents statewide said "yes"; about 45% said "no".

C. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important. (See attached sheets for complete listing of options.)

Statewide priorities for Permanent Fund investments, which are mirrored by Anchorage and Southcentral, are:

1. Assist in stabilizing the Alaskan economy (18%)
2. Create more jobs in Alaska (15%)
3. Maintain Environmental quality (14%)  
Make more money available for investing in the state (14%)
4. Make the safest possible investments (10%)

D. In last year's Public Forum, participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries. Do you agree with this?

More than 75% of the respondents agreed with the results from the Public Forum last year, placing highest priority on renewable resource industries for Permanent Fund investments.

E. Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?

An even greater majority (almost 80%) feel that their goals can best be met by investing in renewable resource industries.

F. If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?

More than 90% of the respondents answered "yes" to both Question 3D and to this question, i.e., they support renewable resource industries even if the return on investment is lower than the return from investing in other enterprises.

#### Last Year's Public Forum Results

The responses to these last three questions present a strong ratification of last year's Public Forum results on the Permanent Fund question.

Perhaps a brief review of those responses would be helpful. As stated above, renewable resource industries were ranked, by a wide margin, as the highest priority for all additional oil and gas money. The definition of those industries was colored by regional preferences, ranging from traditional industries such as timber, fishing, and farming to aquaculture and utilization of solar and tidal energy.

In addition, participants wanted to preserve the integrity of the Permanent Fund. Their second choice, "to save the money", reflected the desire for secure investments---those with guaranteed earnings and high returns. There was also considerable support for increasing the size of the Permanent Fund.

#### Last Year's Public Forum Results Statewide Analysis

##### 1A. How should the Permanent Fund money be invested?

- 26% Save it
- 14% Loan it to communities
- 10% Loan it for industrial development
- 36% Loan it to develop renewable resource industries
- 9% Loan it to individuals

5% Other: Miscellaneous bonds and loans, or other methods of saving;  
health, education, welfare issues.

Number of Responses: 3237

ALASKA PUBLIC FORUM

PERMANENT FUND QUESTIONS

Interim Count  
(Oct. 1-Oct. 25)

A. Which use of the Permanent Fund do you feel is most important?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1059	675	851
1. To save money for the future	15%	13%	13%
2. To avoid using money for state programs	10%	8%	10%
3. To provide money for income-producing investments	71%	75%	73%
4. Other	$\frac{4\%}{100\%}$	$\frac{4\%}{100\%}$	$\frac{4\%}{100\%}$

\*(64% of total # of responses from Anchorage)  
(80% of total # of responses from Southcentral.)

B. Would you like to see more than 25% of the specified mineral revenues placed in the Permanent Fund?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1039	667	836
Yes	54%	52%	52%
No	45%	47%	47%
Don't Know	$\frac{1\%}{100\%}$	$\frac{1\%}{100\%}$	$\frac{1\%}{100\%}$

\*(64% of total responses from Anchorage)  
(80% of total responses from Southcentral.)

\*C. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important.

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
**Number of Responses =	1175	750	944
1. Create more jobs in Alaska	15%	15%	14%
2. Not encourage more people to come to Alaska	9%	9%	9%
3. Maintain environmental quality	14%	13%	13%
4. Make maximum amount of money	6%	6%	7%
5. Make more money available for investing in state	14%	14%	14%
6. Make safest possible investments	10%	10%	10%
7. Make more Alaskan products available	5%	4%	5%
8. Assist in stabilizing Alaska's economy	18%	19%	18%
9. Other	<u>9%</u>	<u>10%</u>	<u>10%</u>
	100%	100%	100%

\*Question C was tabulated on the basis of first choice answers only.

\*\*64% of total responses from Anchorage

85% of total responses from Southcentral

D. In last year's Public Forum, the participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries, such as fisheries, timber and farming. Do you agree with this?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1058	680	857
Yes	76%	76%	76%
No	23%	24%	24%
Don't Know	1%	--	--
	<u>100%</u>	<u>100%</u>	<u>100%</u>

\*64% of total responses from Anchorage  
 81% of total responses from Southcentral

E. Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1023	662	834
Yes	78%	79%	79%
No	21%	20%	20%
Don't Know	1%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

\*65% of total responses from Anchorage  
 82% of total responses from Southcentral



F. If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	767	471	603
Yes	90%	93%	93%
No	9%	6%	6%
Don't Know	<u>1%</u>	<u>1%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

\*61% of total responses from Anchorage  
 79% of total responses from Southcentral.

## Workshop Results

Our approach to the Permanent Fund in the workshop presentation and discussion questions was considerably different than the information and questions posed in the tabloid. There were several major reasons for this divergence.

Since decisions affecting the future of the Permanent Fund are imminent, our effort was to relay specific and current information relating to Permanent Fund bills already introduced in the legislature and ideas which will shape bills in the future session.

In rural areas, it was unrealistic to structure discussions around some of the more philosophical concepts posed in the questionnaire (Here I speak particularly about the third question which deals with investment goals.) For instance, to ask someone who lives in the small community of Wainwright near the Arctic Ocean, whether his investment goals for the Permanent Fund are "to stabilize the Alaskan economy" or "maintain environmental quality" are basically irrelevant to his daily life. And yet, in the Bush communities, participants had some very real and immediate concerns for the investment of the Permanent Fund. But they had difficulty grappling with the more "cosmic" options presented in the questionnaire.

In the urban areas, we found that people were ready to go beyond the philosophical or "value" statements and straight to the heart of legislation. They wanted to have some direct influence on the bills which will be presented and debated on the House and Senate floors this winter.

Briefly, our presentation on the Permanent Fund included:

1. The history and creation of the Fund
2. What decisions must be made in the near future, concerning

management, size, structure, etc.

3. The two bills introduced in the last legislative session, HB 298 and HB 300
4. And more recently, how the House Permanent Fund Committee proposes to treat the Permanent Fund.

Understandably, as more information became available, the presentation and subsequent workshop questions changed accordingly. As the Forums progressed, there evolved three slightly different sets of workshop discussion questions which I will briefly outline.

#### I. Wainwright, Dillingham and Kotzebue

We outlined the investment strategy of the S.I.A.C. bill and asked participants to consider how they would compare their investment strategy for the Permanent Fund with that currently proposed.

We asked participants to assign percentages to the different investment avenues specified in HB 298 according to which they felt was most important. We listed these simply as (1) economic development (2) community development and (3) save it. However, we did break down economic development into two parts, (a) economic development in renewable resources (since the emphasis in this kind of development was so strong last year in the Public Forum) and (b) other economic development.

Participants collectively assigned percentages to each category, defined what each category meant to them and explained the reasons behind their choices. (You will find that information, specific to each community on the following pages.)

#### II. Anchorage

In this urban center, the format was structured slightly different. Basically, we asked the same question which had been

posed in the three previous workshops and two additional questions for discussion. Participants here got into discussions of desired size, management and accountability.

These were the three workshop questions:

1. What is it that you want to accomplish as you recommend that oil revenues be invested in each of the categories (i.e., save it, economic development in renewable resources, etc.)?

2. From your point of view, is that better accomplished through allocation of the general fund or through investment of the permanent fund?

3. From your point of view, what should be the relative size of the permanent fund and why?

### III. Fairbanks and Kenai

Following our discussions with Russ Meekins, Mike Doogan and Tom Singer, we were able to include in our presentation the draft proposal for the House Permanent Fund Committee's final bill, which will be presented to the Legislature in January.

We asked Fairbanks and Kenai participants to compare HB 298 and HB 300 and how the House Permanent Fund Committee proposes to treat the Permanent Fund, considering these four elements:

1. the size of the fund
2. the investment strategy
3. how the earnings or income are used
4. management of the Fund.

Then we asked them--What is it that you like about the proposals?  
What is it that you dislike about the proposals?  
What would you suggest be changed to make them more desirable?

(Note: You will notice that Fairbanks and Kenai are not included in the questionnaire tabulation. The cut-off date for coding the questionnaire responses fell before the workshops in Fairbanks and Kenai took place.) However, particularly in Fairbanks, participants had some very specific and interesting comments concerning the House's draft proposal, which is important that you know.)

On the following pages are recommendations on the Permanent Fund from each community in which a workshop was conducted.

\*\* For those of you who read carefully, and may be wondering what happened to Togiak/<sup>and Noorvik,</sup> let me reassure you that we did go there. However, "fly-in headhunters" and subsistence issues monopolized the entire meeting, so there was no discussion of the Permanent Fund.

#

Wainwright

(71 participants)

<u>Permanent Fund Investment Strategy</u>	<u>Percentages</u>
1. Economic Development in	
Renewable Resource Industries . . . . .	29%
Other Industries . . . . .	9%
2. Community Development . . . . .	34%
3. Save It . . . . .	21%
4. Other . . . . .	7%
	<u>100%</u>

Definition of Choices

1. Economic Development In

Renewable Resource Industries

- a. Reindeer Herding. "It's very important because there are not many caribou around Wainwright anymore."
- b. Fox farms, chicken hatcheries, musk ox farm.
- c. Hydroponic greenhouse. "It could run on solar power and supply villages on the North Slope."
- d. "Let's focus on the renewable part of industries so we do not abuse our land and animals."

Other Industries

- a. Small assembly factory "like putting together radio parts".
- b. Development of cottage industries.

2. Community Development

- Loans for community recreation center
- restaurant/motel
- airport terminal
- movie theater
- auditorium for dancing and the performing arts
- skill center (for plumbing, mechanics, carpentry)
- hospital
- pavement of roads
- utilities - telephones, water, sewer
- gymnasium

3. Save it

"To increase the Fund"  
"For future use"  
Trust Funds  
"For young kids when they grow up."

4. Other

Increase other loan programs. Stimulate the performing arts, especially dancing. To encourage touring art groups.

Dillingham

(125 participants)

Permanent Fund Investment Strategy

Percentages

1. Economic Development in	
Renewable Resource Industries . . . . .	34%
Other Industries . . . . .	8%
2. Community Development . . . . .	.22%
3. Save It . . . . .	.36%

Definition of Choices

1. Economic Development In

Renewable Resource Industries

- a. Development of bottom fish and herring fisheries
- b. Fish by-product use
- c. Hatcheries, boat loans
- d. "This is an economic base for our area...a key to future growth." "Renewable resources are important because there will always be something for the future."

Other Industries

- a. Transportation--ferries, air taxis, scows and boats
- b. Small businesses

- c. Saw mills
- d. Tourism
- e. Mining

2. Community Development

- Hospital
- Housing
- Alcohol treatment center
- Music hall/theater
- Recreation center/parks
- Road maintenance
- Community College

3. Save It

"We want safe investments and guaranteed return for investments."

Kotzebue

(26 participants)

<u>Permanent Fund Investment Strategy</u>	<u>Percentages</u>
1. Economic Development in	
Renewable Resource Industries . . . . .	35%
Other Industries . . . . .	8%
2. Save It . . . . .	20%
3. Community Development . . . . .	27%
4. Other . . . . .	10%

Definition of Choices

- 1. Economic Development in Renewable Resources
  - a. Fishing - loans, research, fish farming. "There's tons of herring and sheefish here, but no market."
  - b. Reindeer Herding - "as local meat supply rather than bring in beef"
  - c. Musk Ox farms - for the meat and wool
  - d. Down birds - for down products, making down parkas



- e. Alternative power sources - - especially wind and solar.
- f. Cottage Industries - "Older people and mothers who must stay at home with their children, can make money by doing skin sewing, parkas, carving, sled and boat building. With the right organization, these people could make a living from such industries."

Other Industries

- a. Tourism
- b. More major air service
- c. Jade and mineral development
- d. Mining/refineries... "heavily controlled, no new roads"

2. Save It

- a. "Save money for a better idea"
- b. "Invest it outside of the State". . . . municipal bonds, insurance, treasury bonds, certificates of deposit.
- c. "The people of Alaska should have total control of how the money is invested."

3. Community Development ("Community development is not an immediate return, but a future return...to get people off welfare and improve the standard of living.")

Wholesale grocery store . . . cooperative  
roads  
barge services  
storage facilities  
movie theater/recreational facilities  
housing/utilities  
laundry mat  
bakery/restaurants  
garage/mechanics shop  
schools - vocational and academic  
community cultural center - with films, video, radio, swimming  
pool, hot baths, sauna  
recreational development - ski-lifts, ski jumps

4. Other

Low interest revolving loan funds

Educational loans . . . on the job training

One group's recommendations for the use of Permanent Fund earnings:

1. Human development projects for rural Alaskans
2. Community cultural centers
3. Research on education - - investing in individual young people who are interested in careers in government and education in Alaska
4. Development of more local community colleges in rural Alaska.

"We would like to see a built-in review and revision process in whatever plan of management and monetary division is originated. The ideas of people within the state may change as we learn what to do and how it feels to manage so much money."

Anchorage

(105 participants)

1. What is it that you want accomplished as you recommend that oil revenues be invested in each of the categories?

Only one out of the three small discussion groups actually assigned percentages to the different categories.

Economic Development in	
Renewable Resources . . . . .	25%
Other Industries . . . . .	20%
Save It . . . . .	25%
Community Development . . . . .	20%
Other . . . . .	10%

However, two other groups spoke specifically about the importance of developing renewable resource industries, which for them included farming, fish hatcheries, aquaculture, timber and alternative sources of energy. One group was very concerned that community development "be tied to renewable resource industries. Whatever development is encouraged should be done in such a way that there is no damage done to the environment." Several participants agreed that the Permanent Fund should not be used for social programs..."perhaps we could use the interest for those."

2. From your point of view, is that better accomplished through allocation of the General Fund or through investment of the Permanent Fund?

One group spent most of their time talking about renewable resource industries and felt that "the General Fund should dwell on research into possible renewable resource industries and alternate energy sources." When these proved to be fairly safe investments, then to use money from the Permanent Fund to stimulate their growth.

The other two groups did not get into this question.

3. From your point of view, what should be the relative size of the Permanent Fund and why?

One group said that "we should invest a significant portion of the Permanent Fund (far greater than the 25% now provided) in blue chip investments Outside or municipal bonds in Alaska, possibly Federal Treasury Notes." Participants in this group felt that the size of the Fund should be between 50-75% "with an option on the part of the legislature to increase the contribution, but no option to decrease below the level set."

The second group concurred that the size of the fund should be substantially larger, around 40%. "Our prime concern was to protect the fund, to save it."

The third group did not agree on a size.

4. Management and Accountability

Several of the participants felt that the management of the Permanent Fund "should be run independently such as a separate corporation might be, although it must have certain definite ties back to the people." Management, they concluded, should be accountable to the administration, the legislature and most importantly, the people.

\*Nearly one-half of Public Forum participants at the Anchorage workshop participated in Permanent Fund discussions.

## Fairbanks

(157 participants)\*

Fairbanks participants delved into the Permanent Fund discussions and emerged with some very specific recommendations. They were asked to compare HB 298 and HB 300 and how the House Permanent Fund Committee proposes to deal with the Permanent Fund, considering these four elements:

1. The size of the Fund
2. The investment strategy
3. How the earnings or income are used
4. Management of the Fund

We asked them what they liked about each proposal, what they disliked and any suggestions they had to make the proposals more desirable. Here is what they said:

### 1. The size of the Permanent Fund

There was strong consensus that the minimum contribution to the Permanent Fund should be at least 50%. Many said that the fund should be increased to 100% of the specified oil monies, minus the cost of operating expenses.

### 2. Investment Strategy

Almost all of the participants favored the concepts of a Trust Fund and Development Bank in structuring the investments of the Permanent Fund. They liked the idea of the Trust Fund because it was "security-oriented."

However, most people felt that the portion of the Permanent Fund (16%) which would be dedicated to the Development Bank under the House Committee's proposal was "too small." One Fairbanks banker was astounded by the House's proposal. "Oh my god, and they think bankers are conservative." He wanted to see the figures

reversed...i.e., that 84% of Permanent Fund should go into Development Bank and 16% should go into Trust Fund.

Many people were concerned about renewable resource industries development and did not feel that any one of the three proposals adequately addressed that concern. Some felt that renewable resource industries should be given low interest rates from the Development Bank, mentioning specifically agriculture and the development of alternative sources of energy.

One strong recommendation which surfaced in many of the groups was that "Local banks should handle the Development Bank money". Other comments speaking to that same concern were—"The Development Bank should happen through local banks. Utilize local banks in the loan business"; and "We trust local banks more than some policy board in Juneau."

### 3. How the earnings or income are used

Most people agreed that the cost of operating the Permanent Fund should come out of the income from Permanent Fund investments. Some thought that Permanent Fund earnings should be used to stimulate cultural development "it is one of our greatest needs in Alaska"; others recommended that the income return to the Development Bank; while still others specified that the earnings be used for baseline research, specifically environmental, to pave the way for renewable resource industry development.

### 4. Management of the Fund

For Fairbanks participants, it was very important that local people have some influence over management policies concerning the Permanent Fund. They felt that all the regions of the state should be represented on whatever policy board is structured. There were several groups who favored the idea of regional policy boards "if

they have more authority than just an advisory role". A few participants were adamant that "whatever policies are set, they do not reflect urban over rural".

\* About one-third of Forum participants in Fairbanks participated in the Permanent Fund discussions.

### Kenai

(218 participants)\*

#### 1. Size of the Fund

Kenai participants wanted the minimum contribution to the Permanent Fund to be at least 50%. This was unanimous. Many suggested even 75%.

#### 2. Investment Strategy

One group said that "balance is important", but did not go into detail as to what that meant to them. Another group specified three elements which were important for investments (1) community development-personal loans; (2) save it; and (3) renewable resource industries, in that respective order. A third group wanted the Fund money "secure" and invested in the state wherever possible".

#### 3. Earnings or Income

Many felt that at least a significant portion of the earnings should be used to finance "high risk loans". Others thought the income should be plugged directly into (1) renewable resource industries and (2) tourism facilities, such as hotels, restaurants, etc. There was an equally strong opinion that the earnings should

go back into the Permanent Fund, except the cost of operating the Fund.

4. Management

The strongest recommendation here was that management should be totally segregated from the political arena. "We don't know how to write it so it's not political, but we want management to include some financial wizards, some professionals, and also some just regular people like us."

\* About 40 people at the Kenai Forum took part in Permanent Fund discussions.

#



Information to be Included  
In Final Report

1. Statement of Committee activities
2. Synopsis of work completed
3. Best revenue projections with explanation of pipeline tariff impact
4. Recommendations for planned state assistance to energy development and communities
5. Overview of consultant work
6. Explanation of Committee legislative proposals
7. Conclusion
8. Appendix list. Appendices will include complete consultant reports, transcripts of public hearings, minutes of Committee meetings, Committee bills and copies of press coverage.

STATE OF ALASKA  
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

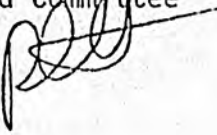
POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

MEMORANDUM

November 17, 1977

SUBJECT: State Revenue Outlook Through 1985

TO: The Honorable Clark Gruening, Chairman  
House Permanent Fund Committee

FROM: Richard G. Haggart   
Research Analyst

This memorandum is in response to your request that we prepare an analysis of potential state revenues, and associated Permanent Fund and Renewable Resources Fund balances, through 1985. The key assumptions involved in the development of these revenue scenarios are set forth below.

As you requested, we have divided the revenue outlook into three cases-- a "worst" case, a "median" case and a "best" case. For each of these cases we have calculated fund balances and expenditures based on 25%, 30% and 50% contributions to the Permanent Fund. In all cases, Renewable Resource Fund contributions total 5% annually beginning in 1979. And, as you requested, each Permanent Fund contribution level within each case study has been calculated twice--once assuming that earnings from the Permanent Fund are placed in the General Fund and may be spent, and once assuming that 50% of Permanent Fund earnings are reinvested in the Permanent Fund.

The following system was used in assigning names to the above variables contained in the cases:

1. All Case I tables are "worst" case assumptions.
2. All Case II tables are "median" case assumptions.
3. All Case III tables are "best" case assumptions.
4. All Cases lettered A, B, and C assume that Permanent Fund earnings are returned to the General Fund and are available for expenditure. Thus, Case I-A is a "worst" case analysis, which assumes Permanent Fund earnings are returned to the General Fund.

5. All Cases lettered D, E and F assume that 50% of Permanent Fund income is reinvested in the Permanent Fund each year. The remaining 50% is available for General Fund expenditures. Thus, Case I-D is a "worst" case analysis, which assumes 50% reinvestment of Permanent Fund income back into the Fund.
6. Finally, all cases (IA-IIIF) have Permanent Fund contribution levels calculated at 25%, 30% and 50% for each separate case.

#### Case I-A Through I-F: Assumptions

Basic assumptions utilized in developing the "worst case" scenarios were:

1. Wellhead values increasing 2.5% annually.
2. Expenditures increasing at a 15% annual rate, unless constrained by insufficient revenues or General Fund balances to finance such growth. (The minimum allowable General Fund balance is assumed to be \$100 million.)
3. Current tariff levels of about \$6.25/bbl are assumed to stay in effect through 1985.
4. The State is assumed to lose the present dispute over deduction of treatment costs for royalty calculations.
5. The "floor" price for calculating state severance taxes is assumed to remain at the present level of \$0.80 per barrel (equivalent to a wellhead value of about \$6.53/bbl).

With some exceptions, other variables used in calculating these revenue scenarios remain the same as those used in our estimates of June 15, 1977. We are currently preparing detailed background material on this series of estimates, which will outline the specific assumptions used in all cases.

#### Cases II-A Through II-F: Assumptions

Basic assumptions used in developing the "median" case scenarios were:

1. The State was assumed to be successful in its suit to halt deduction of field treatment costs on royalty oil.
2. It was assumed that the tariff dispute was resolved by "splitting the difference" between the I.C.C. interim tariff of \$4.90 per barrel and the company tariff of \$6.25 per barrel.
3. With the above additions to wellhead value, 1979 and subsequent years' oil prices were increased 3.75% annually.

4. The floor price for state severance tax calculations was assumed to remain at its present level.
5. State expenditures were escalated at 10% annually, unless constrained by insufficient revenues or General Fund balances. As in Case I, the minimum allowable General Fund balance was assumed to be \$100 million.

As with Case I, most other assumptions used in Case II were the same as those contained in our revenue estimates of June 15, 1977. Similarly, more detailed information on the specific assumptions is being prepared.

#### Cases III-A Through III-F: Assumptions

Basic assumptions used in developing the "best" case scenarios were:

1. The State was assumed to prevail in both the treatment costs dispute and the tariff dispute--increasing 1979 wellhead values approximately \$1.97 per barrel over current levels. Oil prices, generally, were escalated 5% annually.
2. Expenditures were assumed to increase 7.5% annually.
3. The floor price for severance tax calculations was assumed to remain at its present level.

Finally, as with previous cases, most other Case III assumptions were the same as those contained in our revenue projections of June 15, 1977, and differences are presently being documented.

#### Native Fund Payments and Permanent Fund Earnings

Two important points should be noted when reviewing the materials contained in Tables IA - IIIF, which will serve to avoid possible confusion:

1. Payments to the Native Fund are automatically deducted from each year's General Fund balance by the Agency's revenue estimating model--however, they do not appear directly in the projections. For the Case I scenarios, cumulative Native Fund payments through 1985 total about \$439.9 million. For the Case II scenarios, the full liability of approximately \$500 million is discharged in FY 1985. And, in Case III, the full amount payable to the Fund is paid in by FY 1983.
2. In all cases lettered D, E and F, 50% of Permanent Fund earnings are assumed to be reinvested back into the Fund itself. Hence, each year's Permanent Fund balance includes not only the previous year's carry forward and the yearly contribution,

but earnings on these amounts, as well. As with other areas of the estimates, state balances are assumed to earn a return of 7% annually.

RGH:jm  
Enclosures

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 51.4	\$ 53.8	\$ 0.0	\$ 0.0	\$ 593.5
1979	678.7	47.4	357.2	1,083.3	981.9	83.4	137.2	16.7	16.7	546.6
1980	783.3	44.5	390.7	1,218.5	1,129.2	96.8	234.0	19.4	36.0	462.7
1981	841.9	42.0	396.8	1,280.7	1,298.6	98.8	332.8	19.8	55.8	267.9
1982	1,041.6	39.2	373.8	1,454.7	1,441.7	100.7	433.5	20.1	75.9	100.0
1983	1,058.2	44.0	378.8	1,480.9	1,294.9	103.9	537.4	20.8	96.7	100.0
1984	1,073.2	46.6	407.6	1,527.4	1,336.3	106.7	644.1	21.3	118.1	100.0
1985	1,123.8	44.9	442.4	1,611.1	1,415.8	109.0	753.2	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,083.2	\$10,504.0	\$9,752.2	N/A	\$ 753.2	N/A	\$ 139.9	\$ 100.0

Case I-A: Low Income, High Expenditure Model (All Permanent Fund Income Allocated to General Fund Revenue)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$460.6	\$50.8	\$336.0	\$847.4	\$853.8	\$61.7	\$64.1	\$0.0	\$0.0	\$583.3
1979	678.7	47.4	357.2	1,083.3	981.9	100.1	164.2	16.7	16.7	519.7
1980	783.3	44.5	390.7	1,218.5	1,129.2	116.2	280.4	19.4	36.0	416.5
1981	841.9	42.0	396.8	1,280.7	1,298.6	118.5	398.9	19.8	55.8	201.9
1982	1,041.6	39.2	376.8	1,457.7	1,358.6	120.9	519.8	20.1	75.9	100.0
1983	1,058.2	44.0	385.5	1,487.7	1,280.9	124.6	644.4	20.8	96.7	100.0
1984	1,073.2	46.6	415.8	1,535.6	1,323.2	128.1	772.5	21.3	118.1	100.0
1985	1,123.8	44.9	452.2	1,620.9	1,403.7	130.8	903.3	21.8	139.9	100.0
TOTAL	\$7,061.2	\$359.5	\$3,111.0	\$10,531.8	\$9,629.9	NOT APPL.	\$903.3	NOT APPL.	\$139.9	\$100.0

CASE I-B: Low Income High Expenditure Model (All Permanent Fund Income Allocated to General Fund Revenue)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 102.9	\$ 105.3	\$ 0.0	\$ 0.0	\$ 542.1
1979	678.7	47.4	357.2	1,083.3	981.9	166.8	272.1	16.7	16.7	411.8
1980	783.3	44.5	390.7	1,218.5	1,129.2	193.6	465.7	19.4	36.0	231.1
1981	841.9	42.0	401.4	1,285.3	1,140.7	197.5	663.2	19.8	55.8	100.0
1982	1,041.6	39.2	394.6	1,475.5	1,193.9	201.5	864.7	20.1	75.9	100.0
1983	1,058.2	44.0	412.6	1,514.8	1,224.9	207.7	1,072.5	20.8	96.7	100.0
1984	1,073.2	46.6	448.7	1,568.6	1,270.8	213.5	1,286.0	21.3	118.1	100.0
1985	1,123.8	44.9	491.1	1,659.9	1,355.5	218.1	1,504.0	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,232.4	\$10,653.1	\$9,150.7	N/A	\$1,504.0	N/A	\$ 139.9	\$ 100.0

Case I-C: Low Income, High Expenditure Model (All Permanent Fund Income Allocated to General Fund Revenue)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977



STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 51.4	\$ 53.9	\$ 0.0	\$ 0.0	\$ 593.5
1979	678.7	47.4	355.3	1,081.4	981.9	83.4	139.1	16.7	16.7	544.7
1980	783.3	44.5	385.8	1,213.6	1,129.2	96.8	240.8	19.4	36.0	456.0
1981	841.9	42.0	388.4	1,272.3	1,298.6	98.8	348.0	19.8	55.8	252.7
1982	1,041.6	39.2	362.6	1,443.4	1,415.3	100.7	460.9	20.1	75.9	100.0
1983	1,058.2	44.0	365.1	1,467.3	1,281.3	103.9	580.9	20.8	96.7	100.0
1984	1,073.2	46.6	391.0	1,510.8	1,319.8	106.7	707.9	21.3	118.1	100.0
1985	1,123.8	44.9	423.0	1,591.7	1,396.3	109.0	841.8	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,007.1	\$10,427.8	\$9,676.1	N/A	\$ 841.8	N/A	\$ 139.9	\$ 100.0

Case I-D: Low Income, High Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 61.7	\$ 64.2	\$ 0.0	\$ 0.0	\$ 583.2
1979	678.7	47.4	355.0	1,081.1	981.9	100.1	166.5	16.7	16.7	517.4
1980	783.3	44.5	384.8	1,212.7	1,129.2	116.2	288.5	19.4	36.0	408.3
1981	841.9	42.0	386.7	1,270.6	1,298.6	118.5	417.1	19.8	55.8	183.6
1982	1,041.6	39.2	363.4	1,444.2	1,326.9	120.9	552.6	20.1	75.9	100.0
1983	1,058.2	44.0	369.2	1,471.3	1,264.5	124.6	696.6	20.8	96.7	100.0
1984	1,073.2	46.6	395.9	1,515.7	1,303.4	128.1	849.1	21.3	118.1	100.0
1985	1,123.8	44.9	428.8	1,597.5	1,380.4	130.8	1,009.7	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,019.7	\$10,440.4	\$9,538.7	N/A	\$1,009.7	N/A	\$ 139.9	\$ 100.0

Case I-E: Low Income, High Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 102.9	\$ 105.4	\$ 0.0	\$ 0.0	\$ 542.0
1979	678.7	47.4	353.5	1,079.6	981.9	166.8	275.9	16.7	16.7	408.0
1980	783.3	44.5	381.0	1,208.8	1,129.2	193.6	479.2	19.4	36.0	217.7
1981	841.9	42.0	385.7	1,269.6	1,111.5	197.5	693.5	19.8	55.8	100.0
1982	1,041.6	39.2	373.3	1,454.1	1,172.6	201.5	919.2	20.1	75.9	100.0
1983	1,058.2	44.0	385.4	1,487.5	1,197.6	207.7	1,159.1	20.8	96.7	100.0
1984	1,073.2	46.6	415.7	1,535.5	1,237.7	213.5	1,413.2	21.3	118.1	100.0
1985	1,123.8	44.9	452.3	1,621.0	1,316.6	218.1	1,680.7	21.8	139.9	100.0
TOTAL	\$7,061.2	\$ 359.5	\$3,082.8	\$10,503.5	\$9,001.0	N/A	\$1,680.7	N/A	\$ 139.9	\$ 100.0

Case I-F: Low Income, High Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 51.4	\$ 53.8	\$ 0.0	\$ 0.0	\$ 593.5
1979	762.3	47.4	361.6	1,171.3	939.2	104.3	158.1	20.9	20.9	638.9
1980	893.3	44.5	405.8	1,343.7	1,033.1	122.9	281.0	24.6	45.4	728.2
1981	985.4	42.0	429.4	1,456.8	1,136.4	127.0	408.0	25.4	70.8	819.7
1982	1,202.8	39.2	431.5	1,673.5	1,250.1	131.2	539.2	26.2	97.1	1,006.3
1983	1,243.5	44.0	454.7	1,742.3	1,375.1	136.6	675.7	27.3	124.4	1,127.3
1984	1,283.8	46.6	491.6	1,822.0	1,512.6	141.9	817.6	28.4	152.8	1,181.0
1985	1,355.0	44.9	530.7	1,930.6	1,663.9	146.7	964.4	29.3	182.1	1,196.5
TOTAL	\$8,186.7	\$ 359.5	\$3,441.3	\$11,987.5	\$9,764.2	N/A	\$ 964.4	N/A	\$ 182.1	\$1,196.5

Case II-A: Medium Income, Medium Expenditure Model (Permanent Fund Income Allocated to General Fund Revenues)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 61.7	\$ 64.1	\$ 0.0	\$ 0.0	\$ 583.3
1979	762.3	47.4	361.6	1,171.4	939.2	125.2	189.3	20.9	20.9	607.8
1980	893.3	44.5	405.8	1,343.7	1,033.1	147.5	336.8	24.6	45.4	672.6
1981	985.4	42.0	429.4	1,456.8	1,136.4	152.4	489.1	25.4	70.8	738.7
1982	1,202.8	39.2	431.5	1,673.5	1,250.1	157.4	646.5	26.2	97.1	899.1
1983	1,243.5	44.0	454.8	1,742.3	1,375.1	163.9	810.4	27.3	124.4	992.7
1984	1,283.8	46.6	491.6	1,822.0	1,512.6	170.3	980.7	28.4	152.8	1,018.1
1985	1,355.0	44.9	530.7	1,930.6	1,663.9	176.1	1,156.8	29.3	182.1	1,004.3
TOTAL	\$8,186.7	\$ 359.5	\$3,441.3	\$11,987.5	\$9,764.2	N/A	\$1,156.8	N/A	\$ 182.1	\$1,004.3

Case II-B: Medium Income, Medium Expenditure Model (Permanent Fund Income Allocated to General Fund Revenues)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 102.9	\$ 105.3	\$ 0.0	\$ 0.0	\$ 542.1
1979	762.3	47.4	361.6	1,171.4	939.2	208.6	313.9	20.9	20.9	483.2
1980	893.3	44.5	405.8	1,343.7	1,033.1	245.8	559.8	24.6	45.4	449.6
1981	985.4	42.0	429.4	1,456.8	1,136.4	253.9	813.7	25.4	70.8	414.1
1982	1,202.8	39.2	431.5	1,673.5	1,250.1	262.3	1,076.0	26.2	97.1	469.6
1983	1,243.5	44.0	454.8	1,742.3	1,375.1	273.2	1,349.2	27.3	124.4	454.0
1984	1,283.8	46.6	491.6	1,822.0	1,512.6	283.8	1,633.0	28.4	152.8	365.8
1985	1,355.0	44.9	530.7	1,930.6	1,663.9	293.5	1,926.4	29.3	182.1	234.7
TOTAL	\$8,186.7	\$ 359.5	\$3,441.3	\$11,987.5	\$9,764.2	N/A	\$1,926.4	N/A	\$ 182.1	\$ 234.7

Case II-C: Medium Income, Medium Expenditure Model (Permanent Fund Income Allocated to General Fund Revenues)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 51.4	\$ 53.9	\$ 0.0	\$ 0.0	\$ 593.5
1979	762.3	47.4	359.7	1,169.5	939.2	104.3	160.1	20.9	20.9	637.0
1980	893.3	44.5	400.2	1,338.1	1,033.1	122.9	288.6	24.6	45.4	720.7
1981	985.4	42.0	419.3	1,446.7	1,136.4	127.0	425.7	25.4	70.8	802.1
1982	1,202.8	39.2	416.6	1,658.6	1,250.1	131.2	571.8	26.2	97.1	973.9
1983	1,243.5	44.0	434.7	1,722.3	1,375.1	136.6	728.3	27.3	124.4	1,074.8
1984	1,283.8	46.6	466.1	1,796.5	1,512.6	141.9	895.7	28.4	152.8	1,103.0
1985	1,355.0	44.9	499.4	1,899.2	1,663.9	146.7	1,073.8	29.3	182.1	1,087.3
TOTAL	\$8,186.7	\$ 359.5	\$3,331.9	\$11,878.1	\$9,764.2	N/A	\$1,073.8	N/A	\$ 182.1	\$1,087.3

Case II-D: Medium Income, Medium Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 61.7	\$ 64.2	\$ 0.0	\$ 0.0	\$ 583.2
1979	762.3	47.4	359.4	1,169.1	939.2	125.2	191.6	20.9	20.9	605.5
1980	893.3	44.5	399.1	1,337.0	1,033.1	147.5	345.8	24.6	45.4	663.5
1981	985.4	42.0	417.3	1,444.7	1,136.4	152.4	510.3	25.4	70.8	717.5
1982	1,202.8	39.2	413.6	1,655.6	1,250.1	157.4	685.6	26.2	97.1	860.1
1983	1,243.5	44.0	430.8	1,718.3	1,375.1	163.9	873.4	27.3	124.4	929.7
1984	1,283.8	46.6	461.0	1,791.4	1,512.6	170.3	1,074.3	28.4	152.8	924.5
1985	1,355.0	44.9	493.1	1,893.0	1,663.9	176.1	1,287.9	29.3	182.1	873.1
TOTAL	\$8,186.7	\$ 359.5	\$3,310.2	\$11,856.4	\$9,764.2	N/A	\$1,287.9	N/A	\$ 182.1	\$ 873.1

Case II-E: Medium Income, Medium Expenditure Model (50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977



STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 102.9	\$ 105.4	\$ 0.0	\$ 0.0	\$ 542.0
1979	762.3	47.4	357.9	1,167.7	939.2	208.6	317.7	20.9	20.9	479.4
1980	893.3	44.5	394.7	1,332.6	1,033.1	245.8	574.7	24.6	45.4	434.7
1981	985.4	42.0	409.3	1,436.7	1,136.4	253.9	848.7	25.4	70.8	379.1
1982	1,202.8	39.2	401.8	1,643.8	1,250.1	262.3	1,140.7	26.2	97.1	404.9
1983	1,243.5	44.0	414.8	1,702.3	1,375.1	273.2	1,453.8	27.3	124.4	349.3
1984	1,283.8	46.6	440.7	1,771.1	1,512.6	283.8	1,788.5	28.4	152.8	210.3
1985	1,355.0	44.9	472.4	1,872.3	1,584.7	293.5	2,144.5	29.3	182.1	100.0
TOTAL	\$8,186.7	\$ 359.5	\$3,227.6	\$11,773.7	\$9,685.0	N/A	\$2,144.5	N/A	\$ 182.1	\$ 100.0

Case II-F: Medium Income, Medium Expenditure Model ( 50% of Permanent Fund Income Reinvested in Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 51.4	\$ 53.8	\$ 0.0	\$ 0.0	\$ 593.5
1979	827.0	47.4	364.7	1,239.1	917.8	116.0	169.8	23.2	23.2	706.5
1980	1,029.6	44.5	417.8	1,491.9	986.6	147.2	317.0	29.4	52.6	945.8
1981	1,238.9	42.0	458.7	1,739.6	1,060.6	153.9	471.0	30.8	83.4	1,346.3
1982	1,491.2	39.2	486.7	2,017.1	1,140.2	170.6	641.5	34.1	117.5	1,914.0
1983	1,631.2	44.0	544.2	2,219.4	1,225.7	189.6	831.1	37.9	155.5	2,564.4
1984	1,780.7	46.6	627.3	2,454.6	1,317.6	209.8	1,040.9	42.0	197.4	3,449.6
1985	1,890.4	44.9	732.5	2,667.8	1,416.4	219.7	1,260.6	43.9	241.4	4,437.4
TOTAL	\$10,349.7	\$359.5	\$3,967.8	\$14,676.9	\$8,918.8	NOT APPL.	\$1,260.6	NOT APPL.	\$241.4	\$4,437.4

CASE III-A: High Income Low Expenditure Model (Permanent Fund Earnings Allocated to General Fund Revenue)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$ 61.7	\$ 64.1	\$ 0.0	\$ 0.0	\$ 583.3
1979	827.0	47.4	364.7	1,239.1	917.8	139.2	203.3	23.2	23.2	673.1
1980	1,029.6	44.5	417.8	1,491.9	986.6	176.7	380.0	29.4	52.6	883.0
1981	1,238.9	42.0	458.7	1,739.6	1,060.6	184.7	564.7	30.8	83.4	1,252.7
1982	1,491.2	39.2	486.7	2,017.1	1,140.2	204.7	769.4	34.1	117.5	1,786.2
1983	1,631.2	44.0	544.2	2,219.4	1,225.7	227.5	996.9	37.9	155.5	2,398.7
1984	1,780.7	46.6	627.3	2,454.6	1,317.6	251.7	1,248.6	42.0	197.4	3,242.0
1985	1,890.4	44.9	732.5	2,667.8	1,416.4	263.6	1,512.2	43.9	241.4	4,185.9
TOTAL	\$10,349.7	\$359.5	\$3,967.8	\$14,676.9	\$8,918.8	NOT APPL.	\$1,512.2	NOT APPL.	\$241.4	\$4,185.9

CASE III-B: High Income Low Expenditure Model (Permanent Fund Earnings Allocated to General Fund Revenue)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 336.0	\$ 847.4	\$ 853.8	\$102.9	\$ 105.3	\$ 0.0	\$ 0.0	\$ 542.1
1979	827.0	47.4	364.7	1,239.1	917.8	232.1	337.4	23.2	23.2	539.1
1980	1,029.6	44.5	417.8	1,491.9	986.6	294.4	631.8	29.4	52.6	631.2
1981	1,238.9	42.0	458.7	1,739.6	1,060.6	307.8	939.6	30.8	83.4	877.8
1982	1,491.2	39.2	486.7	2,017.1	1,140.2	341.1	1,280.8	34.1	117.5	1,274.9
1983	1,631.2	44.0	544.2	2,219.4	1,225.7	379.2	1,660.0	37.9	155.5	1,735.7
1984	1,780.7	46.6	627.3	2,454.6	1,317.6	419.5	2,079.5	42.0	197.4	2,411.2
1985	1,890.4	44.9	732.5	2,667.8	1,416.4	439.3	2,518.9	43.9	241.4	3,179.3
TOTAL	\$10,349.7	\$359.5	\$3,967.8	\$14,676.9	\$8,918.8	NOT APPL.	\$2,518.9	NOT APPL.	\$241.4	\$3,179.3

CASE III-C: High Income Low Expenditure Model (Permanent Fund Earnings Allocated to General Fund Revenue)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 25% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 51.4	\$ 53.9	\$ 0.0	\$ 0.0	\$ 593.5
1979	827.0	47.4	362.8	1,237.2	917.8	116.0	171.8	23.2	23.2	704.6
1980	1,029.6	44.5	411.7	1,485.9	986.6	147.2	325.0	29.4	52.6	937.9
1981	1,238.9	42.0	447.3	1,728.2	1,060.6	153.9	490.3	30.8	83.4	1,327.0
1982	1,491.2	39.2	469.5	1,999.9	1,140.2	170.6	678.1	34.1	117.5	1,877.6
1983	1,631.2	44.0	520.5	2,195.7	1,225.7	189.6	891.4	37.9	155.5	2,504.2
1984	1,780.7	46.6	596.1	2,423.4	1,317.6	209.8	1,132.4	42.0	197.4	3,358.3
1985	1,890.4	44.9	692.9	2,628.2	1,416.4	219.7	1,391.7	43.9	241.4	4,306.5
TOTAL	\$10,349.7	\$359.5	\$3,836.7	\$14,545.9	\$8,918.8	NOT APPL.	\$1,391.7	NOT APPL.	\$241.4	\$4,306.5

CASE III-D: High Income Low Expenditure Model (50% of Permanent Fund Earnings are Reinvested in the Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 30% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$ 61.7	\$ 64.2	\$ 0.0	\$ 0.0	\$ 583.2
1979	827.0	47.4	362.4	1,236.9	917.8	139.2	205.7	23.2	23.2	670.7
1980	1,029.6	44.5	410.6	1,484.7	986.6	176.7	389.5	29.4	52.6	873.4
1981	1,238.9	42.0	445.0	1,726.0	1,060.6	184.7	587.9	30.8	83.4	1,229.5
1982	1,491.2	39.2	466.1	1,996.5	1,140.2	204.7	813.1	34.1	117.5	1,742.5
1983	1,631.2	44.0	515.8	2,191.0	1,225.7	227.5	1,069.1	37.9	155.5	2,326.5
1984	1,780.7	46.6	589.9	2,417.2	1,317.6	251.7	1,358.3	42.0	197.4	3,132.4
1985	1,890.4	44.9	685.0	2,620.3	1,416.4	263.6	1,669.4	43.9	241.4	4,028.7
TOTAL	\$10,349.7	\$359.5	\$3,810.7	\$14,519.8	\$8,918.8	NOT APPL.	\$1,669.4	NOT APPL.	\$241.4	\$4,028.7

CASE III-E: High Income Low Expenditure Model (50% of Permanent Fund Earnings are Reinvested in the Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE FINANCIAL AND OPERATING OUTLOOK, 1978 - 1985 @ 50% PERMANENT FUND  
(Figures in \$ Millions)

F/Y	North Slope Revenue	Other Petroleum Revenue	Other Income	Total Revenue	Expenditures	Permanent Fund Contribution	Permanent Fund Balance	RRD Fund Contribution	RRD Fund Balance	General Fund Balance
1978	\$ 460.6	\$ 50.8	\$ 335.9	\$ 847.3	\$ 853.8	\$102.9	\$ 105.4	\$ 0.0	\$ 0.0	\$ 542.1
1979	827.0	47.4	361.0	1,235.4	917.8	232.1	341.1	23.2	23.2	535.3
1980	1,029.6	44.5	405.8	1,480.0	986.6	294.4	647.5	29.4	52.6	615.4
1981	1,238.9	42.0	436.0	1,716.9	1,060.6	307.8	978.0	30.8	83.4	839.4
1982	1,491.2	39.2	452.4	1,982.9	1,140.2	341.1	1,353.4	34.1	117.5	1,202.2
1983	1,631.2	44.0	496.9	2,172.1	1,225.7	379.2	1,780.0	37.9	155.5	1,615.7
1984	1,780.7	46.6	565.0	2,392.3	1,317.6	419.5	2,261.8	42.0	197.4	2,228.9
1985	1,890.4	44.9	653.4	2,588.7	1,416.4	439.3	2,780.3	43.9	241.4	2,917.8
TOTAL	\$10,349.1	\$359.5	\$3,706.4	\$14,415.5	\$8,918.8	NOT APPL.	\$2,780.3	NOT APPL.	\$241.4	\$2,917.8

CASE III-F: High Income Low Expenditure Model (50% of Permanent Fund Earnings are Reinvested in the Permanent Fund)

Prepared by:  
Legislative Affairs Agency  
Research Division  
16 November 1977

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

September 6, 1977

1. Review of the minutes of the July 20, 1977 meeting.

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2. The following certifications of new money for investment have been made from July 1, 1977, through August 19, 1977; these moneys have been invested or committed as authorized by the Board at the previous meeting.

	<u>Total Certifications</u>	<u>Approximate New Money Certified</u>
Teachers' Retirement Fund	\$ 22,600,000.00	\$ 12,350,000.00
Public Employees Retirement Fund	17,207,000.00	4,627,000.00
State Employees Retirement Fund	9,690,000.00	5,410,000.00
Public Employees Police & Fire Fund	2,735,000.00	1,485,000.00
Highway Patrolmen's Retirement System	930,000.00	820,000.00
Judges Retirement Fund	293,000.00	60,000.00
Minnesota Adjustable Fixed Benefit Fund	8,545,399.32	8,545,399.32
Supplemental Retirement Fund - Income Share Account	926,110.76	926,110.76
Supplemental Retirement Fund - Growth Share Account	296,445.20	296,445.20
Minnesota Variable Annuity Fund	682,847.06	682,847.06
Supplemental Retirement Fund - Fixed Return Account	294,444.08	294,444.08
Deferred Compensation	827,000.00	-
Trunk Highway	85,776,499.00	25,757,000.00
County State Aid Highway Fund	48,604,799.00	6,589,799.00
Municipal State Aid Street Fund	24,298,699.00	4,179,275.00
Invested Treasurer's Cash Fund	1,095,028,317.00	253,120,740.00
Probate Judges Survivors Fund	22,000.00	-
Miller Memorial Chapel Fund	210,095.57	210,095.57
Seed Potato Inspection Fund	125,000.00	125,000.00
Housing Finance Agency Fund	40,000,000.00	40,000,000.00
State Airports Fund	250,000.00	250,000.00
Aeronautics Fund	2,286,727.30	2,286,727.30
	<u>\$1,361,629,383.29</u>	<u>\$368,015,883.29</u>

3. Review of U.S. government obligations and short-term corporate notes purchased, sold, and transferred during the period from July 1, 1977, through August 19, 1977.

3.      A.

4. Review of long-term debt obligations and common stocks purchased, sold and committed for the retirement funds and the Permanent School Fund from July 1, 1977, through August 19, 1977.

Bond purchases

31.      B.

Stock purchases and sales

33.      C.

Overall review of investment activity in retirement funds and Permanent School Fund during period from July 1, 1977, through August 19, 1977

46.      D.

Review of debt issue

47.      E.



Agenda for September 6, 1977

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5. Review of dividend changes in common stock holdings from July 1, 1977, through August 19, 1977.
6. Authority is requested to invest and reinvest excess cash in the treasurers' account as authorized by the State Treasurer, retirement fund short-term securities and money certified by the various retirement associations, highway fund money certified by the Department of Transportation, cash and short-term investments held by the trust funds, and money certified by other departments, in either U.S. Treasury securities or corporate stocks and short and long-term obligations or both as specified in applicable investment laws.
7. Other business (items to be mentioned by Executive Secretary and Board Members).
8. Set date for next meeting.

50.

F.

## STATE OF MINNESOTA-STATE BOARD OF INVESTMENT-PURCHASES OF SHORT-TERM INVESTMENTS-JULY 1, 1977-AUGUST 19, 1977

## TEACHERS RET FUND - TRAF

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
<b>SHORT TERM GOVERNMENT</b>							
07/01/77	700,000.00	REPURCHASE AGREEMENT		07/25/77	5.2500	700,000.00	FIRST NATL BANK MPLS
07/05/77	400,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	400,000.00	NW NATL BANK MPLS
07/07/77	3,071,000.00	REPURCHASE AGREEMENT		07/14/77	5.2500	3,071,000.00	FIRST NATL CITY BANK
07/08/77	3,378,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	3,378,000.00	NW NATL BANK MPLS
07/11/77	125,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	125,000.00	NW NATL BANK MPLS
07/13/77	401,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	401,000.00	NW NATL BANK MPLS
07/14/77	3,071,000.00	REPURCHASE AGREEMENT		07/15/77	5.2500	3,071,000.00	FIRST NATL CITY BANK
07/14/77	3,910,000.00	REPURCHASE AGREEMENT		07/21/77	5.2200	3,910,000.00	UNITED CALIFORNIA BANK
07/15/77	3,196,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	3,196,000.00	NW NATL BANK MPLS
07/19/77	1,075,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	1,075,000.00	UNITED CALIFORNIA BANK
07/20/77	475,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	475,000.00	NW NATL BANK MPLS
07/21/77	3,463,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	3,463,000.00	NW NATL BANK MPLS
07/21/77	3,000,000.00	REPURCHASE AGREEMENT		08/25/77	5.3000	3,000,000.00	MORGAN GUARANTY
07/22/77	325,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	325,000.00	NW NATL BANK MPLS
07/25/77	150,000.00	REPURCHASE AGREEMENT		07/26/77	5.2600	150,000.00	NW NATL BANK MPLS
07/26/77	375,000.00	REPURCHASE AGREEMENT		07/28/77	5.2000	375,000.00	NW NATL BANK MPLS
07/27/77	100,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	100,000.00	NW NATL BANK MPLS
07/23/77	475,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	475,000.00	NW NATL BANK MPLS
07/28/77	3,892,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	3,892,000.00	NW NATL BANK MPLS
07/29/77	1,000,000.00	REPURCHASE AGREEMENT		08/31/77	5.4000	1,000,000.00	MORGAN GUARANTY
08/02/77	325,000.00	REPURCHASE AGREEMENT		08/03/77	5.3750	325,000.00	NW NATL BANK MPLS
08/03/77	225,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	225,000.00	FIRST NATL BANK MPLS
08/03/77	900,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	900,000.00	FIRST NATL BANK MPLS
08/04/77	471,000.00	REPURCHASE AGREEMENT		08/05/77	5.4500	471,000.00	FIRST NATL BANK MPLS
08/04/77	134,000.00	REPURCHASE AGREEMENT		08/08/77	5.4500	134,000.00	FIRST NATL BANK MPLS
08/04/77	2,000,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	2,000,000.00	FIRST NATL BANK MPLS
08/04/77	1,356,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	1,356,000.00	FIRST NATL BANK MPLS
08/05/77	47,000.00	REPURCHASE AGREEMENT		08/10/77	5.4500	47,000.00	FIRST NATL BANK MPLS
08/05/77	179,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	179,000.00	FIRST NATL BANK MPLS
08/09/77	100,000.00	REPURCHASE AGREEMENT		08/11/77	5.4000	100,000.00	NW NATL BANK MPLS
08/11/77	652,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	652,000.00	FIRST NATL BANK MPLS
08/11/77	279,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	279,000.00	FIRST NATL BANK MPLS
08/17/77	1,659,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	1,659,000.00	NW NATL BANK MPLS
08/18/77	205,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	205,000.00	NW NATL BANK MPLS
08/18/77	1,859,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	1,859,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	42,973,000.00				5.3312	42,973,000.00	
<b>COMMERCIAL PAPER</b>							
07/01/77	3,225,000.00	MONTGOMERY WARD CREDIT		07/08/77	5.3806	3,225,000.00	MONTGOMERY WARD CREDIT
07/06/77	400,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	400,000.00	FORD MOTOR CREDIT CO
07/06/77	1,525,000.00	WALTER HELLER & CO		08/31/77	5.4203	1,525,000.00	WALTER HELLER & CO
07/12/77	200,000.00	INTERNATL HARV CREDIT		08/31/77	5.3901	200,000.00	INTERNATL HARV CREDIT
07/13/77	225,000.00	INTERNATL HARV CREDIT		08/31/77	5.3892	225,000.00	INTERNATL HARV CREDIT
07/14/77	575,000.00	WALTER HELLER & CO		08/31/77	5.4138	575,000.00	WALTER HELLER & CO

## STATE OF MINNESOTA-STATE BOARD OF INVESTMENT-PURCHASES OF SHORT-TERM INVESTMENTS-JULY 1, 1977-AUGUST 19, 1977

## TEACHERS RET FUND - TRAF

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/01/77	700,000.00	REPURCHASE AGREEMENT		07/25/77	5.2500	700,000.00	FIRST NATL BANK MPLS
07/05/77	400,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	400,000.00	NW NATL BANK MPLS
07/07/77	3,071,000.00	REPURCHASE AGREEMENT		07/14/77	5.2500	3,071,000.00	FIRST NATL CITY BANK
07/08/77	3,378,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	3,378,000.00	NW NATL BANK MPLS
07/11/77	125,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	125,000.00	NW NATL BANK MPLS
07/13/77	401,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	401,000.00	NW NATL BANK MPLS
07/14/77	3,071,000.00	REPURCHASE AGREEMENT		07/15/77	5.2500	3,071,000.00	FIRST NATL CITY BANK
07/14/77	3,910,000.00	REPURCHASE AGREEMENT		07/21/77	5.2200	3,910,000.00	UNITED CALIFORNIA BANK
07/15/77	3,196,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	3,196,000.00	NW NATL BANK MPLS
07/19/77	1,075,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	1,075,000.00	UNITED CALIFORNIA BANK
07/20/77	475,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	475,000.00	NW NATL BANK MPLS
07/21/77	3,463,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	3,463,000.00	NW NATL BANK MPLS
07/21/77	3,000,000.00	REPURCHASE AGREEMENT		08/25/77	5.3000	3,000,000.00	MORGAN GUARANTY
07/22/77	325,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	325,000.00	NW NATL BANK MPLS
07/25/77	150,000.00	REPURCHASE AGREEMENT		07/26/77	5.2600	150,000.00	NW NATL BANK MPLS
07/26/77	375,000.00	REPURCHASE AGREEMENT		07/28/77	5.2000	375,000.00	NW NATL BANK MPLS
07/27/77	100,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	100,000.00	NW NATL BANK MPLS
07/28/77	475,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	475,000.00	NW NATL BANK MPLS
07/28/77	3,892,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	3,892,000.00	NW NATL BANK MPLS
07/29/77	1,000,000.00	REPURCHASE AGREEMENT		08/31/77	5.4000	1,000,000.00	MORGAN GUARANTY
08/02/77	325,000.00	REPURCHASE AGREEMENT		08/03/77	5.3750	325,000.00	NW NATL BANK MPLS
08/03/77	225,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	225,000.00	FIRST NATL BANK MPLS
08/03/77	900,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	900,000.00	FIRST NATL BANK MPLS
08/04/77	471,000.00	REPURCHASE AGREEMENT		08/05/77	5.4500	471,000.00	FIRST NATL BANK MPLS
08/04/77	134,000.00	REPURCHASE AGREEMENT		08/08/77	5.4500	134,000.00	FIRST NATL BANK MPLS
08/04/77	2,000,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	2,000,000.00	FIRST NATL BANK MPLS
08/04/77	1,356,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	1,356,000.00	FIRST NATL BANK MPLS
08/05/77	47,000.00	REPURCHASE AGREEMENT		08/10/77	5.4500	47,000.00	FIRST NATL BANK MPLS
08/05/77	179,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	179,000.00	FIRST NATL BANK MPLS
08/09/77	100,000.00	REPURCHASE AGREEMENT		08/11/77	5.4000	100,000.00	NW NATL BANK MPLS
08/11/77	652,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	652,000.00	FIRST NATL BANK MPLS
08/11/77	279,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	279,000.00	FIRST NATL BANK MPLS
08/17/77	1,659,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	1,659,000.00	NW NATL BANK MPLS
08/18/77	205,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	205,000.00	NW NATL BANK MPLS
08/18/77	1,859,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	1,859,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	42,973,000.00				5.3312	42,973,000.00	
COMMERCIAL PAPER							
07/01/77	3,225,000.00	MONTGOMERY WARD CREDIT		07/08/77	5.3806	3,225,000.00	MONTGOMERY WARD CREDIT
07/06/77	400,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	400,000.00	FORD MOTOR CREDIT CO
07/06/77	1,525,000.00	WALTER HELLER & CO		08/31/77	5.4203	1,525,000.00	WALTER HELLER & CO
07/12/77	200,000.00	INTERNATL HARV CREDIT		08/31/77	5.3901	200,000.00	INTERNATL HARV CREDIT
07/13/77	225,000.00	INTERNATL HARV CREDIT		08/31/77	5.3892	225,000.00	INTERNATL HARV CREDIT
07/14/77	575,000.00	WALTER HELLER & CO		08/31/77	5.4138	575,000.00	WALTER HELLER & CO

SHORT TERM INVESTMENT PURCHASES 01/01/77 - 08/19/77

TEACHERS RET FUND - TRAF

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
COMMERCIAL PAPER		(CONTINUED)					
07/18/77	525,000.00	GENERAL MOTORS ACCEPT		08/31/77	5.2839	525,000.00	GENERAL MOTORS ACCEPT
07/29/77	3,250,000.00	ASSOC CORP OF N AMER		09/30/77	5.5535	3,250,000.00	ASSOC CORP OF N AMER
08/01/77	700,000.00	INTERNATL HARV CREDIT		08/25/77	5.4195	700,000.00	INTERNATL HARV CREDIT
08/01/77	3,875,000.00	WALTER HELLER & CO		09/08/77	5.5321	3,875,000.00	WALTER HELLER & CO
COMM PAPER TOT	14,500,000.00				5.4640	14,500,000.00	
TOTAL GOVERNMENT AND CORPORATE	57,473,000.00				5.3647	57,473,000.00	

PUB EMPLOYEE RET FUND - PERA

SHORT TERM GOVERNMENT

07/31/77	200,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	200,000.00	FIRST NATL BANK MPLS
07/05/77	157,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	157,000.00	NW NATL BANK MPLS
07/07/77	380,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	380,000.00	NW NATL BANK MPLS
07/11/77	330,000.00	REPURCHASE AGREEMENT		08/01/77	5.2000	330,000.00	NW NATL BANK MPLS
07/12/77	375,000.00	REPURCHASE AGREEMENT		08/01/77	5.1800	375,000.00	NW NATL BANK MPLS
07/13/77	761,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	761,000.00	NW NATL BANK MPLS
07/13/77	150,000.00	REPURCHASE AGREEMENT		07/20/77	5.1500	150,000.00	NW NATL BANK MPLS
07/14/77	5,047,000.00	REPURCHASE AGREEMENT		07/21/77	5.2200	5,047,000.00	UNITED CALIFORNIA BANK
07/18/77	227,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	227,000.00	NW NATL BANK MPLS
07/19/77	705,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	705,000.00	NW NATL BANK MPLS
07/20/77	608,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	608,000.00	NW NATL BANK MPLS
07/20/77	150,000.00	REPURCHASE AGREEMENT		07/27/77	5.2000	150,000.00	NW NATL BANK MPLS
07/21/77	2,292,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	2,292,000.00	NW NATL BANK MPLS
07/21/77	2,000,000.00	REPURCHASE AGREEMENT		08/25/77	5.3000	2,000,000.00	MORGAN GUARANTY
07/25/77	225,000.00	REPURCHASE AGREEMENT		07/28/77	5.2200	225,000.00	NW NATL BANK MPLS
07/26/77	240,000.00	REPURCHASE AGREEMENT		08/03/77	5.2000	240,000.00	NW NATL BANK MPLS
07/27/77	230,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	230,000.00	NW NATL BANK MPLS
07/28/77	3,750,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	3,750,000.00	NW NATL BANK MPLS
07/29/77	1,450,000.00	REPURCHASE AGREEMENT		08/29/77	5.4000	1,450,000.00	MORGAN GUARANTY
08/02/77	225,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	225,000.00	NW NATL BANK MPLS
08/03/77	182,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	182,000.00	FIRST NATL BANK MPLS
08/03/77	135,000.00	REPURCHASE AGREEMENT		08/10/77	5.4000	135,000.00	FIRST NATL BANK MPLS
08/04/77	971,000.00	REPURCHASE AGREEMENT		08/05/77	5.4000	971,000.00	NW NATL BANK MPLS
08/04/77	3,188,000.00	REPURCHASE AGREEMENT		08/18/77	5.4300	3,188,000.00	MORGAN GUARANTY
08/04/77	290,000.00	REPURCHASE AGREEMENT		09/01/77	5.4000	290,000.00	NW NATL BANK MPLS
08/04/77	1,000,000.00	TREASURY BILL		07/02/78	5.6850	971,259.17	WEEDEN & CO
08/05/77	336,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	336,000.00	FIRST NATL BANK MPLS
08/09/77	285,000.00	REPURCHASE AGREEMENT		09/01/77	5.4375	285,000.00	NW NATL BANK MPLS
08/10/77	150,000.00	REPURCHASE AGREEMENT		08/17/77	5.5000	150,000.00	FIRST NATL BANK MPLS
08/10/77	180,000.00	REPURCHASE AGREEMENT		08/29/77	5.5000	180,000.00	FIRST NATL BANK MPLS

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

PUB EMPLOYEE RET FUND-PERA

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT		(CONTINUED)					
08/11/77	337,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	337,000.00	FIRST NATL BANK MPLS
08/11/77	210,000.00	REPURCHASE AGREEMENT		08/29/77	5.5500	210,000.00	FIRST NATL BANK MPLS
08/17/77	242,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	242,000.00	NW NATL BANK MPLS
08/18/77	1,153,000.00	REPURCHASE AGREEMENT		08/19/77	5.8200	1,153,000.00	NW NATL BANK MPLS
08/18/77	331,000.00	REPURCHASE AGREEMENT		08/22/77	5.7500	331,000.00	NW NATL BANK MPLS
08/18/77	205,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	205,000.00	NW NATL BANK MPLS
08/18/77	390,000.00	REPURCHASE AGREEMENT		08/29/77	5.7500	390,000.00	NW NATL BANK MPLS
08/18/77	2,261,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	2,261,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	31,348,000.00				5.3829	31,319,259.17	
COMMERCIAL PAPER							
07/05/77	375,000.00	WALTER HELLER & CO		12/01/77	5.4973	375,000.00	WALTER HELLER & CO
07/06/77	150,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	150,000.00	FORD MOTOR CREDIT CO
07/06/77	743,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	743,000.00	FORD MOTOR CREDIT CO
07/06/77	520,000.00	FORD MOTOR CREDIT CO		12/01/77	5.4965	520,000.00	FORD MOTOR CREDIT CO
07/07/77	515,000.00	WALTER HELLER & CO		08/01/77	5.3196	515,000.00	WALTER HELLER & CO
07/08/77	265,000.00	GENERAL MOTORS ACCEPT		08/01/77	5.2684	265,000.00	GENERAL MOTORS ACCEPT
07/13/77	220,000.00	WALTER HELLER & CO		08/01/77	5.3149	220,000.00	WALTER HELLER & CO
07/14/77	230,000.00	WALTER HELLER & CO		08/01/77	5.2638	230,000.00	WALTER HELLER & CO
07/15/77	180,000.00	GENERAL MOTORS ACCEPT		08/01/77	5.2630	180,000.00	GENERAL MOTORS ACCEPT
07/18/77	360,000.00	GENERAL MOTORS ACCEPT		08/01/77	5.2607	360,000.00	GENERAL MOTORS ACCEPT
07/19/77	395,000.00	INTERNATL HARV CREDIT		12/01/77	5.6158	395,000.00	INTERNATL HARV CREDIT
07/20/77	460,000.00	INTERNATL HARV CREDIT		12/01/77	5.6150	460,000.00	INTERNATL HARV CREDIT
07/21/77	335,000.00	INTERNATL HARV CREDIT		12/01/77	5.6141	335,000.00	INTERNATL HARV CREDIT
07/22/77	230,000.00	INTERNATL HARV CREDIT		12/01/77	5.6132	230,000.00	INTERNATL HARV CREDIT
07/25/77	225,000.00	INTERNATL HARV CREDIT		12/01/77	5.6106	225,000.00	INTERNATL HARV CREDIT
07/29/77	120,000.00	INTERNATL HARV CREDIT		08/05/77	5.4057	120,000.00	INTERNATL HARV CREDIT
08/02/77	535,000.00	WALTER HELLER & CO		09/01/77	5.4244	535,000.00	WALTER HELLER & CO
08/03/77	825,000.00	INTERNATL HARV CREDIT		09/01/77	5.3984	825,000.00	INTERNATL HARV CREDIT
08/05/77	345,000.00	INTERNATL HARV CREDIT		09/01/77	5.4220	345,000.00	INTERNATL HARV CREDIT
08/08/77	300,000.00	INTERNATL HARV CREDIT		09/01/77	5.4699	300,000.00	INTERNATL HARV CREDIT
08/12/77	160,000.00	INTERNATL HARV CREDIT		08/29/77	5.6651	160,000.00	INTERNATL HARV CREDIT
08/15/77	170,000.00	INTERNATL HARV CREDIT		08/29/77	5.8131	170,000.00	INTERNATL HARV CREDIT
08/16/77	320,000.00	INTERNATL HARV CREDIT		08/29/77	5.9126	320,000.00	INTERNATL HARV CREDIT
08/17/77	150,000.00	INTERNATL HARV CREDIT		08/24/77	5.8065	150,000.00	INTERNATL HARV CREDIT
08/17/77	410,000.00	INTERNATL HARV CREDIT		08/29/77	5.8112	410,000.00	INTERNATL HARV CREDIT
08/19/77	375,000.00	GENERAL MOTORS ACCEPT		08/29/77	5.7592	375,000.00	GENERAL MOTORS ACCEPT
COMM PAPER TOT	8,913,000.00				5.5012	8,913,000.00	
TOTAL GOVERNMENT AND CORPORATE	40,261,000.00				5.4091	40,232,259.17	

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

STATE EMP RET FUND - SERA

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
<b>SHORT TERM GOVERNMENT</b>							
07/05/77	135,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	135,000.00	NW NATL BANK MPLS
07/07/77	160,000.00	REPURCHASE AGREEMENT		07/11/77	5.1500	160,000.00	NW NATL BANK MPLS
07/07/77	3,168,000.00	REPURCHASE AGREEMENT		07/14/77	5.2500	3,168,000.00	FIRST NATL CITY BANK
07/08/77	1,411,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	1,411,000.00	NW NATL BANK MPLS
07/13/77	359,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	359,000.00	NW NATL BANK MPLS
07/14/77	207,000.00	REPURCHASE AGREEMENT		07/15/77	5.1800	207,000.00	NW NATL BANK MPLS
07/14/77	3,168,000.00	REPURCHASE AGREEMENT		07/15/77	5.2500	3,168,000.00	FIRST NATL CITY BANK
07/14/77	149,000.00	REPURCHASE AGREEMENT		07/18/77	5.1500	149,000.00	NW NATL BANK MPLS
07/14/77	1,363,000.00	REPURCHASE AGREEMENT		07/21/77	5.2200	1,363,000.00	UNITED CALIFORNIA BANK
07/15/77	3,623,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	3,623,000.00	NW NATL BANK MPLS
07/15/77	1,470,000.00	REPURCHASE AGREEMENT		07/29/77	5.3000	1,470,000.00	MORGAN GUARANTY
07/18/77	60,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	60,000.00	NW NATL BANK MPLS
07/19/77	470,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	470,000.00	NW NATL BANK MPLS
07/20/77	160,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	160,000.00	NW NATL BANK MPLS
07/21/77	2,531,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	2,531,000.00	NW NATL BANK MPLS
07/21/77	2,000,000.00	REPURCHASE AGREEMENT		08/25/77	5.3000	2,000,000.00	MORGAN GUARANTY
07/23/77	298,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	298,000.00	NW NATL BANK MPLS
07/26/77	50,000.00	REPURCHASE AGREEMENT		08/02/77	5.2000	50,000.00	NW NATL BANK MPLS
07/28/77	57,000.00	REPURCHASE AGREEMENT		08/03/77	5.2000	57,000.00	NW NATL BANK MPLS
07/28/77	1,640,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	1,640,000.00	NW NATL BANK MPLS
08/01/77	29,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	29,000.00	NW NATL BANK MPLS
08/02/77	40,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	40,000.00	NW NATL BANK MPLS
08/04/77	485,000.00	REPURCHASE AGREEMENT		08/05/77	5.4000	485,000.00	NW NATL BANK MPLS
08/04/77	1,325,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	1,325,000.00	FIRST NATL BANK MPLS
08/04/77	500,000.00	TREASURY BILL		02/02/78	5.6850	485,629.58	WEEDEN & CO
08/05/77	2,153,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	2,153,000.00	FIRST NATL BANK MPLS
08/11/77	219,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	219,000.00	FIRST NATL BANK MPLS
08/11/77	2,789,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	2,789,000.00	UNITED CALIFORNIA BANK
08/12/77	270,000.00	REPURCHASE AGREEMENT		08/15/77	5.6000	270,000.00	NW NATL BANK MPLS
08/17/77	100,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	100,000.00	NW NATL BANK MPLS
08/18/77	112,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	112,000.00	NW NATL BANK MPLS
08/18/77	2,780,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	2,780,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	33,281,000.00				5.3611	33,266,629.58	
<b>COMMERCIAL PAPER</b>							
07/01/77	1,410,000.00	MONTGOMERY WARD CREDIT		07/08/77	5.3806	1,410,000.00	MONTGOMERY WARD CREDIT
07/06/77	376,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	376,000.00	FORD MOTOR CREDIT CO
07/18/77	530,000.00	GENERAL MOTORS ACCEPT		07/29/77	5.2584	530,000.00	GENERAL MOTORS ACCEPT
07/29/77	755,000.00	FORD MOTOR CREDIT CO		08/05/77	5.3806	755,000.00	FORD MOTOR CREDIT CO
07/29/77	975,000.00	INTERNATL HARV CREDIT		08/05/77	5.3806	975,000.00	INTERNATL HARV CREDIT

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

STATE EMP RET FUND -SERA

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	M/T. DATE	YIELD	PRICE	BROKER
COMERCIAL PAPER		(CONTINUED)					
07/29/77	320,000.00	INTERNATL HARV CREDIT		08/05/77	5.4057	320,000.00	INTERNATL HARV CREDIT
08/02/77	600,000.00	WALTER HELLER & CO		08/31/77	5.4236	600,000.00	WALTER HELLER & CO
08/12/77	1,250,000.00	INTERNATL HARV CREDIT		08/31/77	5.6669	1,250,000.00	INTERNATL HARV CREDIT
08/16/77	435,000.00	INTERNATL HARV CREDIT		09/01/77	5.9155	435,000.00	INTERNATL HARV CREDIT
COMM PAPER TOT	6,651,000.00				5.4648	6,651,000.00	
TOTAL GOVERNMENT AND CORPORATE	39,932,000.00				5.3783	39,917,629.58	

PUB EMP POL-FIRE FUND - PEPF

SHORT TERM GOVERNMENT

07/07/77	66,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	66,000.00	NW NATL BANK MPLS
07/11/77	100,000.00	REPURCHASE AGREEMENT		08/01/77	5.2000	100,000.00	NW NATL BANK MPLS
07/13/77	121,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	121,000.00	NW NATL BANK MPLS
07/14/77	187,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	187,000.00	NW NATL BANK MPLS
07/18/77	100,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	100,000.00	NW NATL BANK MPLS
07/19/77	215,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	215,000.00	NW NATL BANK MPLS
07/20/77	120,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	120,000.00	NW NATL BANK MPLS
07/21/77	272,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	272,000.00	NW NATL BANK MPLS
07/25/77	115,000.00	REPURCHASE AGREEMENT		07/28/77	5.2200	115,000.00	NW NATL BANK MPLS
07/28/77	387,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	387,000.00	NW NATL BANK MPLS
08/03/77	140,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	140,000.00	FIRST NATL BANK MPLS
08/04/77	133,000.00	REPURCHASE AGREEMENT		08/05/77	5.4500	133,000.00	FIRST NATL BANK MPLS
08/04/77	225,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	225,000.00	FIRST NATL BANK MPLS
08/05/77	115,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	115,000.00	FIRST NATL BANK MPLS
08/09/77	100,000.00	REPURCHASE AGREEMENT		08/11/77	5.4000	100,000.00	NW NATL BANK MPLS
08/11/77	360,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	360,000.00	FIRST NATL BANK MPLS
08/17/77	341,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	341,000.00	NW NATL BANK MPLS
08/18/77	28,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	28,000.00	NW NATL BANK MPLS
08/18/77	673,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	673,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	3,798,000.00				5.4527	3,798,000.00	

COMMERCIAL PAPER

07/06/77	120,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	120,000.00	FORD MOTOR CREDIT CO
07/06/77	100,000.00	FORD MOTOR CREDIT CO		12/01/77	5.4965	100,000.00	FORD MOTOR CREDIT CO
07/07/77	125,000.00	WALTER HELLER & CO		08/01/77	5.3196	125,000.00	WALTER HELLER & CO
07/13/77	140,000.00	WALTER HELLER & CO		07/29/77	5.3125	140,000.00	WALTER HELLER & CO
07/29/77	600,000.00	WALTER HELLER & CO		08/29/77	5.4000	600,000.00	WALTER HELLER & CO

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

PUB EMP POL-FIRE FUND - PEPF

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
COMMERCIAL PAPER		(CONTINUED)					
08/02/77	185,000.00	WALTER HELLER & CO		09/01/77	5.4244	185,000.00	WALTER HELLER & CO
08/16/77	100,000.00	INTERNATL HARV CREDIT		09/01/77	5.9155	100,000.00	INTERNATL HARV CREDIT
08/19/77	100,000.00	GENERAL MOTORS ACCEPT		08/25/77	5.7555	100,000.00	GENERAL MOTORS ACCEPT
COMM PAPER TOT	1,470,000.00				5.4521	1,470,000.00	
TOTAL GOVERNMENT AND CORPORATE	5,268,000.00				5.4526	5,268,000.00	

HGWY PATROL RET FUND - HPAT

SHORT TERM GOVERNMENT

07/07/77	544,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	544,000.00	NW NATL BANK MPLS
07/08/77	170,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	170,000.00	NW NATL BANK MPLS
07/13/77	40,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	40,000.00	NW NATL BANK MPLS
07/14/77	116,000.00	REPURCHASE AGREEMENT		07/15/77	5.1800	116,000.00	NW NATL BANK MPLS
07/14/77	88,000.00	REPURCHASE AGREEMENT		07/18/77	5.1500	88,000.00	NW NATL BANK MPLS
07/14/77	551,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	551,000.00	NW NATL BANK MPLS
07/15/77	165,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	165,000.00	NW NATL BANK MPLS
07/19/77	77,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	77,000.00	NW NATL BANK MPLS
07/20/77	25,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	25,000.00	NW NATL BANK MPLS
07/21/77	669,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	669,000.00	NW NATL BANK MPLS
07/28/77	669,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	669,000.00	NW NATL BANK MPLS
08/04/77	97,000.00	REPURCHASE AGREEMENT		08/05/77	5.4000	97,000.00	NW NATL BANK MPLS
08/04/77	612,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	612,000.00	FIRST NATL BANK MPLS
08/04/77	100,000.00	TREASURY BILL		02/02/78	5.6850	97,125.92	WEEDEN & CO
08/05/77	241,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	241,000.00	FIRST NATL BANK MPLS
08/11/77	48,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	48,000.00	FIRST NATL BANK MPLS
08/11/77	643,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	643,000.00	FIRST NATL BANK MPLS
08/18/77	692,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	692,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	5,547,000.00				5.3808	5,544,125.92	



SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

HIGHWAY PATROL RET FUND -HPAT

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
COMMERCIAL PAPER							
07/01/77	170,000.00	MONTGOMERY WARD CREDIT		07/08/77	5.3806	170,000.00	MONTGOMERY WARD CREDIT
07/06/77	40,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	40,000.00	FORD MOTOR CREDIT CO
07/29/77	180,000.00	INTERNATL HARV CREDIT		08/05/77	5.4057	180,000.00	INTERNATL HARV CREDIT
08/12/77	65,000.00	INTERNATL HARV CREDIT		08/18/77	5.6553	65,000.00	INTERNATL HARV CREDIT
08/12/77	110,000.00	INTERNATL HARV CREDIT		08/31/77	5.6669	110,000.00	INTERNATL HARV CREDIT
COMM PAPER TOT	565,000.00				5.4759	565,000.00	
TOTAL GOVERNMENT AND CORPORATE	6,112,000.00				5.3896	6,109,125.92	

PERMANENT SCHOOL FUND - PSCH

SHORT TERM GOVERNMENT

07/06/77	143,000.00	REPURCHASE AGREEMENT		07/07/77	5.2000	143,000.00	NW NATL BANK MPLS
07/07/77	5,630,000.00	REPURCHASE AGREEMENT		07/14/77	5.2500	5,630,000.00	FIRST NATL CITY BANK
07/11/77	3,147,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	3,147,000.00	NW NATL BANK MPLS
07/12/77	195,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	195,000.00	NW NATL BANK MPLS
07/14/77	5,630,000.00	REPURCHASE AGREEMENT		07/15/77	5.2500	5,630,000.00	FIRST NATL CITY BANK
07/14/77	3,342,000.00	REPURCHASE AGREEMENT		07/21/77	5.2200	3,342,000.00	UNITED CALIFORNIA BANK
07/15/77	6,039,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	6,039,000.00	NW NATL BANK MPLS
07/18/77	233,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	233,000.00	NW NATL BANK MPLS
07/19/77	112,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	112,000.00	NW NATL BANK MPLS
07/21/77	5,783,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	5,783,000.00	NW NATL BANK MPLS
07/21/77	4,000,000.00	REPURCHASE AGREEMENT		08/25/77	5.3000	4,000,000.00	MORGAN GUARANTY
07/22/77	80,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	80,000.00	NW NATL BANK MPLS
07/28/77	5,733,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	5,733,000.00	NW NATL BANK MPLS
08/04/77	1,783,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	1,783,000.00	FIRST NATL BANK MPLS
08/04/77	4,000,000.00	REPURCHASE AGREEMENT		08/19/77	5.4000	4,000,000.00	NW NATL BANK MPLS
08/05/77	75,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	75,000.00	FIRST NATL BANK MPLS
08/09/77	292,000.00	REPURCHASE AGREEMENT		08/11/77	5.4000	292,000.00	NW NATL BANK MPLS
08/11/77	367,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	367,000.00	FIRST NATL BANK MPLS
08/15/77	141,000.00	REPURCHASE AGREEMENT		08/18/77	5.6500	141,000.00	NW NATL BANK MPLS
08/16/77	290,000.00	REPURCHASE AGREEMENT		08/18/77	5.7500	290,000.00	NW NATL BANK MPLS
08/17/77	2,090,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	2,090,000.00	NW NATL BANK MPLS
08/18/77	250,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	250,000.00	NW NATL BANK MPLS
08/18/77	250,000.00	REPURCHASE AGREEMENT		08/26/77	5.7500	250,000.00	NW NATL BANK MPLS
08/18/77	2,428,000.00	REPURCHASE AGREEMENT		09/01/77	5.8500	2,428,000.00	MORGAN GUARANTY
08/19/77	4,000,000.00	REPURCHASE AGREEMENT		08/24/77	5.8000	4,000,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	56,033,000.00				5.3644	56,033,000.00	
TOTAL GOVERNMENT AND CORPORATE	56,033,000.00				5.3644	56,033,000.00	9.

## SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

## MINN ADJ FIXED BENEFIT - MAFB

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/05/77	1,041,000.00	REPURCHASE AGREEMENT		07/07/77	5.2500	1,041,000.00	UNITED CALIFORNIA BANK
07/07/77	16,152,000.00	REPURCHASE AGREEMENT		07/14/77	5.2500	16,152,000.00	FIRST NATL CITY BANK
07/08/77	368,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	368,000.00	NW NATL BANK MPLS
07/12/77	2,043,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	2,043,000.00	NW NATL BANK MPLS
07/14/77	1,710,000.00	REPURCHASE AGREEMENT		07/15/77	5.2200	1,710,000.00	UNITED CALIFORNIA BANK
07/14/77	16,152,000.00	REPURCHASE AGREEMENT		07/15/77	5.2500	16,152,000.00	FIRST NATL CITY BANK
07/15/77	644,000.00	REPURCHASE AGREEMENT		07/18/77	5.2500	644,000.00	NW NATL BANK MPLS
07/15/77	21,285,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	21,285,000.00	NW NATL BANK MPLS
07/13/77	562,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	562,000.00	NW NATL BANK MPLS
07/19/77	858,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	858,000.00	NW NATL BANK MPLS
07/20/77	790,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	790,000.00	NW NATL BANK MPLS
07/21/77	2,932,000.00	REPURCHASE AGREEMENT		07/26/77	5.2600	2,932,000.00	NW NATL BANK MPLS
07/21/77	10,582,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	10,582,000.00	NW NATL BANK MPLS
07/22/77	4,049,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	4,049,000.00	NW NATL BANK MPLS
07/25/77	322,000.00	REPURCHASE AGREEMENT		07/28/77	5.2000	322,000.00	NW NATL BANK MPLS
07/26/77	105,000.00	REPURCHASE AGREEMENT		07/28/77	5.2000	105,000.00	NW NATL BANK MPLS
07/28/77	793,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	793,000.00	NW NATL BANK MPLS
07/28/77	50,000.00	REPURCHASE AGREEMENT		08/01/77	5.2000	50,000.00	NW NATL BANK MPLS
07/28/77	340,000.00	REPURCHASE AGREEMENT		08/02/77	5.2000	340,000.00	NW NATL BANK MPLS
07/28/77	17,752,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	17,752,000.00	NW NATL BANK MPLS
07/29/77	7,071,000.00	REPURCHASE AGREEMENT		08/24/77	5.4000	7,071,000.00	MORGAN GUARANTY
08/01/77	34,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	34,000.00	NW NATL BANK MPLS
08/02/77	1,037,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	1,037,000.00	NW NATL BANK MPLS
08/04/77	4,856,000.00	REPURCHASE AGREEMENT		08/05/77	5.4000	4,856,000.00	NW NATL BANK MPLS
08/04/77	282,000.00	REPURCHASE AGREEMENT		08/08/77	5.4500	282,000.00	FIRST NATL BANK MPLS
08/04/77	4,000,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	4,000,000.00	FIRST NATL BANK MPLS
08/04/77	2,094,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	2,094,000.00	FIRST NATL BANK MPLS
08/04/77	6,000,000.00	REPURCHASE AGREEMENT		08/19/77	5.4000	6,000,000.00	NW NATL BANK MPLS
08/04/77	5,000,000.00	TREASURY BILL		02/02/78	5.6850	4,856,295.84	WEEDEN & CO
08/05/77	1,681,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	1,681,000.00	FIRST NATL BANK MPLS
08/11/77	1,695,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	1,695,000.00	UNITED CALIFORNIA BANK
08/11/77	400,000.00	REPURCHASE AGREEMENT		08/15/77	5.5500	400,000.00	FIRST NATL BANK MPLS
08/11/77	1,663,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	1,663,000.00	UNITED CALIFORNIA BANK
08/15/77	49,000.00	REPURCHASE AGREEMENT		08/18/77	5.6500	49,000.00	NW NATL BANK MPLS
08/17/77	2,385,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	2,385,000.00	NW NATL BANK MPLS
08/18/77	1,681,000.00	REPURCHASE AGREEMENT		08/19/77	5.8200	1,681,000.00	NW NATL BANK MPLS
08/18/77	275,000.00	REPURCHASE AGREEMENT		08/22/77	5.7500	275,000.00	NW NATL BANK MPLS
08/18/77	103,000.00	REPURCHASE AGREEMENT		08/23/77	5.7500	103,000.00	NW NATL BANK MPLS
08/18/77	846,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	846,000.00	NW NATL BANK MPLS
08/18/77	1,553,000.00	REPURCHASE AGREEMENT		09/01/77	5.8500	1,553,000.00	MORGAN GUARANTY
08/19/77	6,025,000.00	REPURCHASE AGREEMENT		08/26/77	5.8000	6,025,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	147,260,000.00				5.3498	147,116,295.84	

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

MINN ADJ FIXED BENEFIT - MAFB

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
COMMERCIAL PAPER							
07/06/77	1,356,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	1,356,000.00	FORD MOTOR CREDIT CO
07/07/77	5,000,000.00	WALTER HELLER & CO		07/22/77	5.3117	5,000,000.00	WALTER HELLER & CO
07/13/77	1,416,000.00	WALTER HELLER & CO		07/28/77	5.3117	1,416,000.00	WALTER HELLER & CO
07/21/77	10,000,000.00	INTERNATL HARV CREDIT		08/25/77	5.3275	10,000,000.00	INTERNATL HARV CREDIT
07/29/77	1,475,000.00	ASSOC CORP OF N AMER		08/05/77	5.5059	1,475,000.00	ASSOC CORP OF N AMER
08/12/77	269,000.00	INTERNATL HARV CREDIT		08/18/77	5.6553	269,000.00	INTERNATL HARV CREDIT
08/16/77	435,000.00	INTERNATL HARV CREDIT		09/01/77	5.9155	435,000.00	INTERNATL HARV CREDIT
COMM PAPER TOT	19,951,000.00				5.3564	19,951,000.00	
TOTAL GOVERNMENT AND CORPORATE							
	167,211,000.00				5.3506	167,067,295.84	

MINN VARIABLE ANNUITY - MVAR

SHORT TERM GOVERNMENT

07/13/77	111,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	111,000.00	NW NATL BANK MPLS
07/14/77	111,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	111,000.00	NW NATL BANK MPLS
07/19/77	93,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	93,000.00	NW NATL BANK MPLS
07/21/77	228,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	228,000.00	NW NATL BANK MPLS
07/25/77	683,000.00	REPURCHASE AGREEMENT		07/28/77	5.2200	683,000.00	NW NATL BANK MPLS
07/28/77	920,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	920,000.00	NW NATL BANK MPLS
08/02/77	39,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	39,000.00	NW NATL BANK MPLS
08/04/77	485,000.00	REPURCHASE AGREEMENT		08/05/77	5.4000	485,000.00	NW NATL BANK MPLS
08/04/77	474,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	474,000.00	FIRST NATL BANK MPLS
08/04/77	500,000.00	TREASURY BILL		02/02/78	5.6850	485,629.58	WEEDEN & CO
08/17/77	478,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	478,000.00	NW NATL BANK MPLS
08/18/77	27,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	27,000.00	NW NATL BANK MPLS
08/18/77	451,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	451,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	4,600,000.00				5.4415	4,585,629.58	

COMMERCIAL PAPER

07/06/77	111,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	111,000.00	FORD MOTOR CREDIT CO
08/16/77	22,000.00	INTERNATL HARV CREDIT		09/01/77	5.9155	22,000.00	INTERNATL HARV CREDIT
COMM PAPER TOT	133,000.00				5.4691	133,000.00	
TOTAL GOVERNMENT AND CORPORATE							
	4,733,000.00				5.4423	4,718,629.58	

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

SUPP RET GROWTH SHARE - SRGR

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/08/77	441,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	441,000.00	NW NATL BANK MPLS
07/14/77	507,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	507,000.00	NW NATL BANK MPLS
07/18/77	87,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	87,000.00	NW NATL BANK MPLS
07/21/77	599,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	599,000.00	NW NATL BANK MPLS
07/28/77	601,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	601,000.00	NW NATL BANK MPLS
08/02/77	43,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	43,000.00	NW NATL BANK MPLS
08/04/77	644,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	644,000.00	FIRST NATL BANK MPLS
08/11/77	66,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	66,000.00	FIRST NATL BANK MPLS
08/11/77	306,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	306,000.00	FIRST NATL BANK MPLS
08/17/77	89,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	89,000.00	NW NATL BANK MPLS
08/18/77	386,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	386,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	3,769,000.00				5.3698	3,769,000.00	
TOTAL GOVERNMENT AND CORPORATE	3,769,000.00				5.3698	3,769,000.00	

SUPP RET INCOME SHARE - SRIN

SHORT TERM GOVERNMENT							
07/05/77	155,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	155,000.00	NW NATL BANK MPLS
07/07/77	198,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	198,000.00	NW NATL BANK MPLS
07/13/77	232,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	232,000.00	NW NATL BANK MPLS
07/14/77	532,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	532,000.00	NW NATL BANK MPLS
07/18/77	213,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	213,000.00	NW NATL BANK MPLS
07/19/77	109,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	109,000.00	NW NATL BANK MPLS
07/20/77	92,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	92,000.00	NW NATL BANK MPLS
07/21/77	947,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	947,000.00	NW NATL BANK MPLS
07/28/77	962,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	962,000.00	NW NATL BANK MPLS
08/01/77	130,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	130,000.00	NW NATL BANK MPLS
08/02/77	191,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	191,000.00	NW NATL BANK MPLS
08/04/77	485,000.00	REPURCHASE AGREEMENT		08/05/77	5.4000	485,000.00	NW NATL BANK MPLS
08/04/77	798,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	798,000.00	FIRST NATL BANK MPLS
08/04/77	500,000.00	TREASURY BILL		02/02/78	5.6857	485,629.58	WEEDEN & CO
08/05/77	56,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	56,000.00	FIRST NATL BANK MPLS
08/11/77	53,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	53,000.00	FIRST NATL BANK MPLS
08/17/77	994,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	994,000.00	NW NATL BANK MPLS
08/18/77	263,000.00	REPURCHASE AGREEMENT		08/19/77	5.8200	263,000.00	NW NATL BANK MPLS
08/18/77	158,000.00	REPURCHASE AGREEMENT		08/23/77	5.7500	158,000.00	NW NATL BANK MPLS
08/18/77	638,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	638,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	7,706,000.00				5.4531	7,691,629.58	

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

SUPP RET INCOME SHARE - SRIN

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
COMMERCIAL PAPER							
07/06/77	213,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	213,000.00	FORD MOTOR CREDIT CO
07/29/77	55,000.00	INTERNATL HARV CREDIT		08/05/77	5.4057	55,000.00	INTERNATL HARV CREDIT
08/16/77	20,000.00	INTERNATL HARV CREDIT		09/01/77	5.9155	20,000.00	INTERNATL HARV CREDIT
COMM PAPER TOT	288,000.00				5.4226	288,000.00	
TOTAL GOVERNMENT AND CORPORATE	7,994,000.00				5.4520	7,979,629.58	

INVESTED TREAS CASH - ITCF

SHORT TERM GOVERNMENT

07/01/77	1,500,000.00	REPURCHASE AGREEMENT		08/15/77	5.3750	1,500,000.00	FIRST NATL BANK SP
07/05/77	11,000,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	11,000,000.00	FIRST NATL CITY BANK
07/06/77	8,000,000.00	REPURCHASE AGREEMENT		07/07/77	5.2500	8,000,000.00	NW NATL BANK MPLS
07/06/77	10,000,000.00	REPURCHASE AGREEMENT		07/07/77	5.2500	10,000,000.00	CARROLL MCENTEE & MCG
07/06/77	18,000,000.00	REPURCHASE AGREEMENT		07/18/77	5.3000	18,000,000.00	MORGAN GUARANTY
07/07/77	6,100,000.00	REPURCHASE AGREEMENT		07/08/77	5.2500	6,100,000.00	NW NATL BANK MPLS
07/07/77	5,000,000.00	REPURCHASE AGREEMENT		07/08/77	5.2500	5,000,000.00	NW NATL BANK MPLS
07/07/77	3,900,000.00	REPURCHASE AGREEMENT		07/11/77	5.2800	3,900,000.00	KIDDER, PEABODY
07/08/77	18,000,000.00	REPURCHASE AGREEMENT		07/11/77	5.2500	18,000,000.00	NW NATL BANK MPLS
07/08/77	7,500,000.00	REPURCHASE AGREEMENT		07/11/77	5.2500	7,500,000.00	NW NATL BANK MPLS
07/08/77	1,000,000.00	FED NATL MORTG ASN DIS		11/08/77	5.3150	981,840.42	MINN STATE BLDG FUND
07/11/77	8,000,000.00	REPURCHASE AGREEMENT		07/12/77	5.2500	8,000,000.00	NW NATL BANK MPLS
07/11/77	2,500,000.00	REPURCHASE AGREEMENT		07/12/77	5.1500	2,500,000.00	UNITED CALIFORNIA BANK
07/11/77	24,000,000.00	REPURCHASE AGREEMENT		07/19/77	5.2500	24,000,000.00	CHEMICAL BANK, N.Y.
07/11/77	10,000,000.00	REPURCHASE AGREEMENT		08/15/77	5.2900	10,000,000.00	MORGAN GUARANTY
07/12/77	4,000,000.00	REPURCHASE AGREEMENT		07/13/77	5.2200	4,000,000.00	NW NATL BANK MPLS
07/14/77	3,500,000.00	REPURCHASE AGREEMENT		07/15/77	5.2200	3,500,000.00	UNITED CALIFORNIA BANK
07/14/77	1,000,000.00	REPURCHASE AGREEMENT		07/15/77	5.2000	1,000,000.00	NW NATL BANK MPLS
07/15/77	56,000,000.00	REPURCHASE AGREEMENT		07/18/77	5.2500	56,000,000.00	CHEMICAL BANK, N.Y.
07/15/77	4,100,000.00	FARM CREDIT DIS. NOTES		09/15/77	5.2500	4,062,929.17	A.G. BECKER & CO.
07/15/77	5,000,000.00	FARM CREDIT DIS. NOTES		10/13/77	5.3000	4,933,750.00	A.G. BECKER & CO.
07/15/77	5,000,000.00	FED NATL MORTG ASN DIS		11/07/77	5.3000	4,915,347.22	A.G. BECKER & CO.
07/18/77	35,000,000.00	REPURCHASE AGREEMENT		07/19/77	5.2700	35,000,000.00	FIRST NATL CITY BANK
07/18/77	5,500,000.00	REPURCHASE AGREEMENT		07/19/77	5.2500	5,500,000.00	NW NATL BANK MPLS
07/18/77	30,000,000.00	REPURCHASE AGREEMENT		07/19/77	5.2500	30,000,000.00	UNITED CALIFORNIA BANK

## INVESTED TREAS CASH - ITCF

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT (CONTINUED)							
07/18/77	10,000,000.00	REPURCHASE AGREEMENT		07/19/77	5.1500	10,000,000.00	CONTINENTAL BANK (CHI)
07/19/77	3,900,000.00	REPURCHASE AGREEMENT		07/20/77	5.3000	3,900,000.00	KIDDER, PEABODY
07/19/77	36,100,000.00	REPURCHASE AGREEMENT		07/20/77	5.2600	36,100,000.00	UNITED CALIFORNIA BANK
07/19/77	15,000,000.00	REPURCHASE AGREEMENT		07/20/77	5.2500	15,000,000.00	NW NATL BANK MPLS
07/20/77	21,000,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	21,000,000.00	NW NATL BANK MPLS
07/21/77	7,000,000.00	REPURCHASE AGREEMENT		07/22/77	5.2600	7,000,000.00	NW NATL BANK MPLS
07/21/77	11,100,000.00	REPURCHASE AGREEMENT		07/22/77	5.2600	11,100,000.00	NW NATL BANK MPLS
07/21/77	1,000,000.00	REPURCHASE AGREEMENT		07/22/77	5.2600	1,000,000.00	NW NATL BANK MPLS
07/21/77	3,900,000.00	REPURCHASE AGREEMENT		07/25/77	5.2800	3,900,000.00	KIDDER, PEABODY
07/21/77	3,000,000.00	FED NATL MORTG ASN DIS		11/04/77	5.3500	2,952,741.67	LEHMAN GOVT SECURITIES
07/22/77	6,000,000.00	REPURCHASE AGREEMENT		07/25/77	5.2600	6,000,000.00	NW NATL BANK MPLS
07/22/77	6,000,000.00	REPURCHASE AGREEMENT		07/25/77	5.2600	6,000,000.00	NW NATL BANK MPLS
07/25/77	13,000,000.00	REPURCHASE AGREEMENT		07/26/77	5.2600	13,000,000.00	NW NATL BANK MPLS
07/25/77	3,000,000.00	REPURCHASE AGREEMENT		07/26/77	5.2600	3,000,000.00	NW NATL BANK MPLS
07/26/77	5,000,000.00	REPURCHASE AGREEMENT		07/27/77	5.2600	5,000,000.00	UNITED CALIFORNIA BANK
07/26/77	5,000,000.00	TREASURY BILL		07/25/78	5.6532	4,714,200.00	FIRST NATL BANK SP
07/27/77	8,000,000.00	REPURCHASE AGREEMENT		07/28/77	5.2500	8,000,000.00	NW NATL BANK MPLS
07/27/77	6,000,000.00	REPURCHASE AGREEMENT		07/28/77	5.3000	6,000,000.00	NW NATL BANK MPLS
07/28/77	25,000,000.00	REPURCHASE AGREEMENT		07/29/77	5.3000	25,000,000.00	UNITED CALIFORNIA BANK
07/28/77	17,000,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	17,000,000.00	BANKERS TRUST
07/28/77	5,200,000.00	TREASURY BILL		01/26/78	5.4800	5,055,936.89	CARROLL MCENTEE & MCG
07/29/77	45,000,000.00	REPURCHASE AGREEMENT		08/01/77	5.4000	45,000,000.00	UNITED CALIFORNIA BANK
08/01/77	20,000,000.00	REPURCHASE AGREEMENT		08/02/77	5.3750	20,000,000.00	NW NATL BANK MPLS
08/01/77	6,000,000.00	REPURCHASE AGREEMENT		08/02/77	5.3750	6,000,000.00	NW NATL BANK MPLS
08/01/77	1,000,000.00	REPURCHASE AGREEMENT		08/02/77	5.3500	1,000,000.00	UNITED CALIFORNIA BANK
08/02/77	10,000,000.00	REPURCHASE AGREEMENT		08/03/77	5.3750	10,000,000.00	NW NATL BANK MPLS
08/02/77	6,000,000.00	REPURCHASE AGREEMENT		08/03/77	5.3750	6,000,000.00	NW NATL BANK MPLS
08/02/77	1,000,000.00	REPURCHASE AGREEMENT		08/03/77	5.3750	1,000,000.00	NW NATL BANK MPLS
08/02/77	5,000,000.00	FED NATL MORTG ASN DIS		12/19/77	5.6200	4,891,502.78	LEHMAN GOVT SECURITIES
08/03/77	9,000,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	9,000,000.00	FIRST NATL BANK MPLS
08/03/77	11,100,000.00	REPURCHASE AGREEMENT		08/04/77	5.3750	11,100,000.00	UNITED CALIFORNIA BANK
08/03/77	16,000,000.00	REPURCHASE AGREEMENT		08/04/77	5.4000	16,000,000.00	FIRST NATL BANK MPLS
08/03/77	9,000,000.00	REPURCHASE AGREEMENT		08/04/77	5.3750	9,000,000.00	NW NATL BANK MPLS
08/03/77	3,900,000.00	REPURCHASE AGREEMENT		08/08/77	5.4200	3,900,000.00	KIDDER, PEABODY
08/03/77	1,000,000.00	FED NATL MORTG ASN DIS		11/08/77	5.5000	985,180.56	MINN STATE BLDG FUND
08/04/77	12,000,000.00	REPURCHASE AGREEMENT		08/05/77	5.4500	12,000,000.00	FIRST NATL BANK MPLS
08/04/77	5,500,000.00	REPURCHASE AGREEMENT		08/05/77	5.4500	5,500,000.00	NW NATL BANK MPLS
08/04/77	9,712,000.00	REPURCHASE AGREEMENT		08/05/77	5.4000	9,712,000.00	NW NATL BANK MPLS

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

INVESTED TREAS CASH - ITCF

SER. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT (CONTINUED)							
08/04/77	15,000,000.00	REPURCHASE AGREEMENT		09/15/77	5.4500	15,000,000.00	NW NATL BANK MPLS
08/04/77	10,000,000.00	TREASURY BILL		02/02/78	5.6850	9,712,501.67	WEEDEN & CO
08/05/77	8,000,000.00	REPURCHASE AGREEMENT		08/08/77	5.4500	8,000,000.00	FIRST NATL BANK MPLS
08/05/77	6,000,000.00	REPURCHASE AGREEMENT		08/08/77	5.4200	6,000,000.00	NW NATL BANK MPLS
08/05/77	5,500,000.00	REPURCHASE AGREEMENT		08/08/77	5.4200	5,500,000.00	NW NATL BANK MPLS
08/05/77	1,000,000.00	REPURCHASE AGREEMENT		08/08/77	5.4200	1,000,000.00	NW NATL BANK MPLS
08/05/77	1,000,000.00	FED NATL MORTG ASN DIS		10/13/77	5.4500	989,554.17	SALOMON BROS
08/08/77	12,000,000.00	REPURCHASE AGREEMENT		08/09/77	5.4600	12,000,000.00	UNITED CALIFORNIA BANK
08/08/77	4,500,000.00	REPURCHASE AGREEMENT		08/09/77	5.4600	4,500,000.00	UNITED CALIFORNIA BANK
08/08/77	4,000,000.00	FED NATL MORTG ASN DIS		02/10/78	5.8000	3,880,133.33	LEHMAN GOVT SECURITIES
08/09/77	5,000,000.00	REPURCHASE AGREEMENT		08/10/77	5.4375	5,000,000.00	NW NATL BANK MPLS
08/09/77	15,000,000.00	REPURCHASE AGREEMENT		08/15/77	5.4375	15,000,000.00	NW NATL BANK MPLS
08/10/77	5,000,000.00	REPURCHASE AGREEMENT		08/11/77	5.6000	5,000,000.00	UNITED CALIFORNIA BANK
08/11/77	6,000,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	6,000,000.00	UNITED CALIFORNIA BANK
08/11/77	3,000,000.00	REPURCHASE AGREEMENT		08/12/77	5.5500	3,000,000.00	UNITED CALIFORNIA BANK
08/11/77	2,000,000.00	REPURCHASE AGREEMENT		08/12/77	5.5000	2,000,000.00	NW NATL BANK MPLS
08/12/77	7,000,000.00	REPURCHASE AGREEMENT		08/15/77	5.6000	7,000,000.00	NW NATL BANK MPLS
08/12/77	2,500,000.00	REPURCHASE AGREEMENT		08/15/77	5.6250	2,500,000.00	NW NATL BANK MPLS
08/15/77	55,000,000.00	REPURCHASE AGREEMENT		08/16/77	5.7500	55,000,000.00	NW NATL BANK MPLS
08/15/77	4,500,000.00	REPURCHASE AGREEMENT		08/16/77	5.7500	4,500,000.00	NW NATL BANK MPLS
08/17/77	12,000,000.00	REPURCHASE AGREEMENT		08/18/77	5.8000	12,000,000.00	NW NATL BANK MPLS
08/17/77	6,000,000.00	REPURCHASE AGREEMENT		08/18/77	5.8750	6,000,000.00	CARROLL MCENTEE & MCG
08/18/77	35,000,000.00	REPURCHASE AGREEMENT		08/19/77	5.8200	35,000,000.00	NW NATL BANK MPLS
08/18/77	5,500,000.00	REPURCHASE AGREEMENT		08/19/77	5.8500	5,500,000.00	UNITED CALIFORNIA BANK
08/19/77	43,000,000.00	REPURCHASE AGREEMENT		08/22/77	5.8750	43,000,000.00	NW NATL BANK MPLS
08/19/77	7,000,000.00	REPURCHASE AGREEMENT		08/22/77	5.8800	7,000,000.00	UNITED CALIFORNIA BANK
08/19/77	1,000,000.00	FED NATL MORTG ASN DIS		11/08/77	5.8000	986,950.00	MINN STATE BLDG FUND

GOVT. S.T. TOT 947,512,000.00 5.4168 946,274,657.88

COMMERCIAL PAPER

07/01/77	3,500,000.00	TRANSAM FINANCIAL		07/05/77	5.3782	3,500,000.00	TRANSAM FINANCIAL
07/01/77	10,295,000.00	MONTGOMERY WARD CREDIT		07/08/77	5.3806	10,295,000.00	MONTGOMERY WARD CREDIT
07/01/77	11,205,000.00	TRANSAM FINANCIAL		07/08/77	5.3806	11,205,000.00	TRANSAM FINANCIAL
07/06/77	3,854,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	3,854,000.00	FORD MOTOR CREDIT CO
07/08/77	10,000,000.00	MONTGOMERY WARD CREDIT		08/15/77	5.3298	10,000,000.00	MONTGOMERY WARD CREDIT

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

INVESTED TREAS CASH -ITCF

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
COMMERCIAL PAPER (CONTINUED)							
07/08/77	10,000,000.00	MONTGOMERY WARD CREDIT		08/16/77	5.3306	10,000,000.00	MONTGOMERY WARD CREDIT
07/11/77	2,000,000.00	ASSOC CORP OF N AMER		07/18/77	5.4057	2,000,000.00	ASSOC CORP OF N AMER
07/15/77	4,000,000.00	GENERAL MOTORS ACCEPT		07/20/77	5.2538	4,000,000.00	GENERAL MOTORS ACCEPT
07/15/77	10,000,000.00	SEARS ROEBUCK ACCEPT		08/15/77	5.3243	10,000,000.00	SEARS ROEBUCK ACCEPT
07/18/77	5,000,000.00	HOUSEHOLD FINANCE		07/25/77	5.3806	5,000,000.00	HOUSEHOLD FINANCE
07/25/77	4,000,000.00	NORTHWEST BANCORP.		10/25/77	5.4756	4,000,000.00	NW NATL BANK MPLS
07/25/77	5,000,000.00	BORG-WARNER ACCEPTANCE		11/16/77	5.4939	5,000,000.00	GOLDMAN, SACHS & CO.
07/26/77	5,000,000.00	BENEFICIAL CORP.		10/27/77	5.4764	5,000,000.00	BENEFICIAL CORP.
07/29/77	12,000,000.00	FORD MOTOR CREDIT CO		08/03/77	5.3790	12,000,000.00	FORD MOTOR CREDIT CO
08/01/77	4,000,000.00	WALTER HELLER & CO		09/15/77	5.5381	4,000,000.00	WALTER HELLER & CO
08/02/77	15,000,000.00	CIT FINANCIAL CORP		11/16/77	5.5905	15,000,000.00	CIT FINANCIAL CORP
08/04/77	3,000,000.00	CIT FINANCIAL CORP		10/17/77	5.5629	3,000,000.00	CIT FINANCIAL CORP
08/08/77	4,000,000.00	GENERAL ELEC CREDIT		08/11/77	5.5025	4,000,000.00	GENERAL ELEC CREDIT
COMM PAPER TOT	121,854,000.00				5.4149	121,854,000.00	
GOVERNMENT BONDS							
07/28/77	500,000.00	BANKS FOR COOPERATIVES	5.200	08/01/77	5.9840	499,960.94	HOUSING FINANCE AGENCY
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	CARROLL MCENTEE & MCG
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	BANK OF AMERICA
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	SALOMON BROS
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	WEEDEN & CO
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	DISCOUNT CORP (N.Y.)
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	BRIGGS & SCHAEDLE
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	CONTINENTAL BANK (CHI)
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	JANSTON CO
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	GOLDMAN, SACHS & CO.
08/01/77	1,000,000.00	BANKS FOR COOPERATIVES	5.700	02/01/78	5.7000	1,000,000.00	A.G. BECKER & CO.
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	CHEMICAL BANK, N.Y.
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	FIRST NATL BANK SP
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	FIRST NATL BANK MPLS
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	FIRST NATL CITY BANK
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	CARROLL MCENTEE & MCG
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	CONTINENTAL BANK (CHI)
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	BANKERS TRUST
08/01/77	2,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	2,000,000.00	SALOMON BROS
08/01/77	1,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	1,000,000.00	NW NATL BANK MPLS



INVESTED TREAS CASH - ITCF

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
GOVERNMENT BONDS		(CONTINUED)					
08/01/77	4,400,000.00	TREASURY NOTE	6.250	07/31/79	6.3490	4,391,860.00	FIRST NATL BANK SP
GOVT. BOND TOT	24,900,000.00				5.8907	24,891,820.94	
GOVERNMENT GUARANTEED BOND							
07/15/77	354,739.83	FED HOUSING ADM. CERT. RIVER CROSSING APTS.	8.000	11/30/78	8.0000	354,739.83	BANCO MORTGAGE CO
08/16/77	407,577.20	FED HOUSING ADM. CERT. RIVER CROSSING APTS.	8.000	11/30/78	8.0000	407,577.20	BANCO MORTGAGE CO
G. G. BOND TOT	762,317.03				8.0000	762,317.03	
TOTAL GOVERNMENT AND CORPORATE	1,095,028,317.02				5.42911	1,093,782,795.85	

ENDOWMENT SCHOOL FUND - ENDS

SHORT TERM GOVERNMENT

07/01/77	1,746,000.00	REPURCHASE AGREEMENT		07/11/77	5.2500	1,746,000.00	FIRST NATL BANK MPLS
07/06/77	220,000.00	REPURCHASE AGREEMENT		07/11/77	5.1500	220,000.00	NW NATL BANK MPLS
07/08/77	131,000.00	REPURCHASE AGREEMENT		07/11/77	5.2500	131,000.00	NW NATL BANK MPLS
07/15/77	324,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	324,000.00	NW NATL BANK MPLS
07/18/77	120,000.00	TREASURY BILL		09/29/77	5.1300	118,751.70	NW NATL BANK MPLS
07/19/77	450,000.00	FARM CREDIT DIS. NOTES		09/28/77	5.3000	445,296.25	SALOMON BROS
07/20/77	185,000.00	TREASURY BILL		10/06/77	5.1600	182,931.70	FIRST NATL BANK SP
07/21/77	337,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	337,000.00	NW NATL BANK MPLS
07/26/77	161,000.00	REPURCHASE AGREEMENT		07/28/77	5.2000	161,000.00	NW NATL BANK MPLS
07/28/77	660,000.00	REPURCHASE AGREEMENT		09/06/77	5.2500	660,000.00	NW NATL BANK MPLS
08/02/77	253,000.00	REPURCHASE AGREEMENT		09/16/77	5.3500	253,000.00	NW NATL BANK MPLS
08/11/77	43,000.00	REPURCHASE AGREEMENT		08/25/77	5.5500	43,000.00	FIRST NATL BANK MPLS
08/15/77	35,000.00	REPURCHASE AGREEMENT		08/25/77	5.6000	35,000.00	NW NATL BANK MPLS
08/16/77	197,000.00	REPURCHASE AGREEMENT		08/25/77	5.7500	197,000.00	NW NATL BANK MPLS
08/17/77	325,000.00	REPURCHASE AGREEMENT		08/25/77	5.7500	325,000.00	NW NATL BANK MPLS
08/19/77	42,000.00	REPURCHASE AGREEMENT		08/25/77	5.7500	42,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	5,229,000.00				5.3068	5,220,979.65	
TOTAL GOVERNMENT AND CORPORATE	5,229,000.00				5.3068	5,220,979.65	

## SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

## TRUNK HIGHWAY FUND - TRKH

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/11/77	3,000,000.00	REPURCHASE AGREEMENT		07/14/77	5.2200	3,000,000.00	NW NATL BANK MPLS
07/12/77	3,000,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	3,000,000.00	NW NATL BANK MPLS
07/12/77	2,000,000.00	REPURCHASE AGREEMENT		07/18/77	5.2000	2,000,000.00	NW NATL BANK MPLS
07/15/77	2,000,000.00	REPURCHASE AGREEMENT		07/20/77	5.2500	2,000,000.00	NW NATL BANK MPLS
07/18/77	2,000,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	2,000,000.00	NW NATL BANK MPLS
07/19/77	2,500,000.00	REPURCHASE AGREEMENT		08/18/77	5.4000	2,500,000.00	MORGAN GUARANTY
07/20/77	1,000,000.00	REPURCHASE AGREEMENT		08/01/77	5.3000	1,000,000.00	MORGAN GUARANTY
07/22/77	1,000,000.00	REPURCHASE AGREEMENT		08/01/77	5.3500	1,000,000.00	MORGAN GUARANTY
07/22/77	1,700,000.00	REPURCHASE AGREEMENT		08/22/77	5.3500	1,700,000.00	MORGAN GUARANTY
07/25/77	2,000,000.00	REPURCHASE AGREEMENT		08/12/77	5.3000	2,000,000.00	MORGAN GUARANTY
07/26/77	3,200,000.00	REPURCHASE AGREEMENT		08/25/77	5.3500	3,200,000.00	MORGAN GUARANTY
07/27/77	1,000,000.00	REPURCHASE AGREEMENT		09/06/77	5.3500	1,000,000.00	MORGAN GUARANTY
07/28/77	4,000,000.00	REPURCHASE AGREEMENT		09/09/77	5.2600	4,000,000.00	BANKERS TRUST
08/01/77	3,000,000.00	REPURCHASE AGREEMENT		08/02/77	5.3500	3,000,000.00	UNITED CALIFORNIA BANK
08/01/77	1,000,000.00	REPURCHASE AGREEMENT		08/15/77	5.4500	1,000,000.00	MORGAN GUARANTY
08/02/77	1,000,000.00	REPURCHASE AGREEMENT		08/08/77	5.3500	1,000,000.00	NW NATL BANK MPLS
08/03/77	2,000,000.00	REPURCHASE AGREEMENT		08/09/77	5.4000	2,000,000.00	FIRST NATL BANK MPLS
08/03/77	4,000,000.00	REPURCHASE AGREEMENT		09/12/77	5.5000	4,000,000.00	MORGAN GUARANTY
08/04/77	1,500,000.00	REPURCHASE AGREEMENT		08/08/77	5.4500	1,500,000.00	FIRST NATL BANK MPLS
08/04/77	2,500,000.00	REPURCHASE AGREEMENT		09/15/77	5.4500	2,500,000.00	NW NATL BANK MPLS
08/08/77	41,000.00	REPURCHASE AGREEMENT		08/09/77	5.3500	41,000.00	NW NATL BANK MPLS
08/09/77	41,000.00	REPURCHASE AGREEMENT		08/10/77	5.4000	41,000.00	NW NATL BANK MPLS
08/09/77	1,000,000.00	REPURCHASE AGREEMENT		09/08/77	5.6000	1,000,000.00	MORGAN GUARANTY
08/12/77	1,000,000.00	REPURCHASE AGREEMENT		09/26/77	5.6250	1,000,000.00	NW NATL BANK MPLS
08/17/77	1,000,000.00	REPURCHASE AGREEMENT		08/19/77	5.7600	1,000,000.00	UNITED CALIFORNIA BANK
08/18/77	1,500,000.00	REPURCHASE AGREEMENT		08/19/77	5.8200	1,500,000.00	NW NATL BANK MPLS
08/18/77	500,000.00	REPURCHASE AGREEMENT		08/23/77	5.7500	500,000.00	NW NATL BANK MPLS
08/19/77	1,000,000.00	REPURCHASE AGREEMENT		08/24/77	5.8000	1,000,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	49,482,000.00				5.3796	49,482,000.00	
COMMERCIAL PAPER							
07/15/77	2,000,000.00	GENERAL MOTORS ACCEPT		07/22/77	5.2554	2,000,000.00	GENERAL MOTORS ACCEPT
07/18/77	2,500,000.00	GENERAL MOTORS ACCEPT		08/17/77	5.2731	2,500,000.00	GENERAL MOTORS ACCEPT
07/26/77	4,000,000.00	BENEFICIAL CORP.		10/25/77	5.4747	4,000,000.00	BENEFICIAL CORP.
07/28/77	3,500,000.00	J.C. PENNEY FINANCIAL		09/26/77	5.2963	3,500,000.00	PENNEY (J.C.) FINANCE
07/29/77	4,700,000.00	WALTER HELLER & CO		09/26/77	5.5500	4,700,000.00	WALTER HELLER & CO
08/08/77	317,000.00	ASSOC CORP OF N AMER		10/11/77	5.6818	317,000.00	ASSOC CORP OF N AMER
08/08/77	4,842,000.00	HOUSEHOLD FINANCE		10/11/77	5.4523	4,842,000.00	HOUSEHOLD FINANCE
08/10/77	1,000,000.00	CIT FINANCIAL CORP		10/25/77	5.5646	1,000,000.00	CIT FINANCIAL CORP
08/10/77	4,000,000.00	FORD MOTOR CREDIT CO		10/25/77	5.5646	4,000,000.00	FORD MOTOR CREDIT CO
COMM. PAPER TOT	26,859,000.00				5.4447	26,859,000.00	

## SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

## TRUNK HIGHWAY FUND - TRKH

SEI. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
GOVERNMENT BONDS							
07/05/77	2,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	2,000,000.00	NUVEEN, JOHN & CO
07/05/77	2,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	2,000,000.00	NUVEEN, JOHN & CO
07/27/77	2,000,000.00	FED INTER CREDIT BK	5.150	02/01/78	5.6470	1,994,375.00	CARROLL MCENTEE & MCG
08/01/77	3,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	3,000,000.00	MORGAN GUARANTY
GOVT. BOND TOT	9,000,000.00				5.7132	8,994,375.00	
GOVERNMENT GUARANTEED BOND							
07/18/77	393,874.15	FED HOUSING ADM. CERT. CENTENNIAL HOUSE APTS.	8.000	06/28/79	8.0000	393,874.15	BANCO MORTGAGE CO
08/10/77	41,625.33	FED HOUSING ADM. CERT. CENTENNIAL HOUSE APTS.	8.000	06/28/79	8.0000	41,625.33	BANCO MORTGAGE CO
G. G. BOND TOT	435,499.48				8.0000	435,499.48	
TOTAL GOVERNMENT AND CORPORATE	85,776,499.48				5.4483	85,770,874.48	

## COUNTY ST AID HWY FUND - CSAH

## SHORT TERM GOVERNMENT

07/05/77	3,244,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	3,244,000.00	FIRST NATL CITY BANK
07/11/77	1,732,000.00	REPURCHASE AGREEMENT		07/12/77	5.2500	1,732,000.00	NW NATL BANK MPLS
07/11/77	678,000.00	REPURCHASE AGREEMENT		07/21/77	5.2000	678,000.00	NW NATL BANK MPLS
07/11/77	4,100,000.00	TREASURY BILL		01/05/78	5.3100	3,992,354.50	WEEDEN & CO
07/14/77	600,000.00	REPURCHASE AGREEMENT		07/19/77	5.1500	600,000.00	NW NATL BANK MPLS
07/21/77	1,285,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	1,285,000.00	MORGAN GUARANTY
07/25/77	654,000.00	REPURCHASE AGREEMENT		08/02/77	5.2200	654,000.00	NW NATL BANK MPLS
07/28/77	3,806,000.00	REPURCHASE AGREEMENT		09/09/77	5.2600	3,806,000.00	BANKERS TRUST
07/29/77	1,686,000.00	REPURCHASE AGREEMENT		08/23/77	5.4000	1,686,000.00	MORGAN GUARANTY
08/08/77	67,000.00	REPURCHASE AGREEMENT		08/09/77	5.3500	67,000.00	NW NATL BANK MPLS
08/09/77	67,000.00	REPURCHASE AGREEMENT		08/10/77	5.4000	67,000.00	NW NATL BANK MPLS
08/10/77	566,000.00	REPURCHASE AGREEMENT		08/12/77	5.5000	566,000.00	FIRST NATL BANK MPLS
08/16/77	871,000.00	REPURCHASE AGREEMENT		08/18/77	5.7500	871,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	19,356,000.00				5.3092	19,248,354.50	

## COMMERCIAL PAPER

07/01/77	136,000.00	WALTER HELLER & CO		10/05/77	5.4739	136,000.00	WALTER HELLER & CO
07/22/77	358,000.00	WALTER HELLER & CO		08/24/77	5.3259	358,000.00	WALTER HELLER & CO
07/25/77	3,000,000.00	NORTHWEST BANCORP.		10/25/77	5.4756	3,000,000.00	NW NATL BANK MPLS
07/26/77	598,000.00	MONTGOMERY WARD CREDIT		08/02/77	5.4057	598,000.00	MONTGOMERY WARD CREDIT
07/26/77	2,300,000.00	BENEFICIAL CORP.		10/26/77	5.4756	2,300,000.00	BENEFICIAL CORP.

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

COUNTY ST. AID HWY. FUND -CSAH

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
COMMERCIAL PAPER (CONTINUED)							
07/27/77	496,000.00	INTERNATL HARV CREDIT		09/06/77	5.3322	496,000.00	INTERNATL HARV CREDIT
08/01/77	1,060,000.00	WALTER HELLER & CO		10/31/77	5.7061	1,060,000.00	WALTER HELLER & CO
08/02/77	338,000.00	GENERAL MOTORS ACCEPT		08/15/77	5.3855	338,000.00	GENERAL MOTORS ACCEPT
08/02/77	500,000.00	WALTER HELLER & CO		11/01/77	5.7061	500,000.00	WALTER HELLER & CO
08/02/77	1,500,000.00	BORG-WARNER ACCEPTANCE		11/01/77	5.5775	1,500,000.00	GOLDMAN, SACHS & CO.
08/03/77	133,000.00	INTERNATL HARV CREDIT		09/12/77	5.4326	133,000.00	INTERNATL HARV CREDIT
08/04/77	1,538,000.00	CIT FINANCIAL CORP		11/02/77	5.5767	1,538,000.00	CIT FINANCIAL CORP
08/08/77	3,028,000.00	ASSOC CORP OF N AMER		10/11/77	5.6818	3,028,000.00	ASSOC CORP OF N AMER
08/10/77	500,000.00	FORD MOTOR CREDIT CO		10/25/77	5.5646	500,000.00	FORD MOTOR CREDIT CO
08/12/77	259,000.00	INTERNATL HARV CREDIT		11/01/77	5.7228	259,000.00	INTERNATL HARV CREDIT
08/15/77	338,000.00	INTERNATL HARV CREDIT		11/14/77	5.9636	338,000.00	INTERNATL HARV CREDIT
08/18/77	470,000.00	GENERAL MOTORS ACCEPT		11/16/77	5.9626	470,000.00	GENERAL MOTORS ACCEPT
COMM PAPER TOT	16,552,000.00				5.5718	16,552,000.00	
GOVERNMENT BONDS							
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	NW NATL BANK MPLS
07/05/77	1,500,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,500,000.00	LEHMAN GOVT SECURITIES
07/05/77	1,500,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,500,000.00	FIRST NATL BANK MPLS
07/05/77	3,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	3,000,000.00	FIRST NATL BANK MPLS
07/27/77	2,000,000.00	FED INTER CREDIT BK	5.150	02/01/78	5.6470	1,994,375.00	CARROLL MCENTEE & MCG
08/01/77	3,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	3,000,000.00	NUVEEN, JOHN & CO
GOVT. BOND TOT	12,000,000.00				5.6808	11,994,375.00	
GOVERNMENT GUARANTEED BOND							
07/18/77	630,198.64	FED HOUSING ADM. CERT. CENTENNIAL HOUSE APTS.	8.000	06/23/79	8.0000	630,198.64	BANCO MORTGAGE CO
08/10/77	66,600.53	FED HOUSING ADM. CERT. CENTENNIAL HOUSE APTS.	8.000	06/28/79	8.0000	66,600.53	BANCO MORTGAGE CO
G. G. BOND TOT	696,799.17				8.0000	696,799.17	
TOTAL GOVERNMENT AND CORPORATE	48,604,799.17				5.5289	48,491,528.67	

## SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

## MUNICIPAL ST AID STR - MSAS

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/05/77	1,756,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	1,756,000.00	NW NATL BANK MPLS
07/12/77	371,000.00	REPURCHASE AGREEMENT		07/18/77	5.1800	371,000.00	NW NATL BANK MPLS
07/13/77	179,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	179,000.00	NW NATL BANK MPLS
07/14/77	166,000.00	REPURCHASE AGREEMENT		07/19/77	5.1500	166,000.00	NW NATL BANK MPLS
07/19/77	276,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	276,000.00	NW NATL BANK MPLS
07/21/77	164,000.00	REPURCHASE AGREEMENT		08/04/77	5.2000	164,000.00	NW NATL BANK MPLS
07/28/77	2,506,000.00	REPURCHASE AGREEMENT		09/09/77	5.2600	2,506,000.00	BANKERS TRUST
08/01/77	1,505,000.00	REPURCHASE AGREEMENT		09/14/77	5.5000	1,505,000.00	MORGAN GUARANTY
08/08/77	58,000.00	REPURCHASE AGREEMENT		08/09/77	5.3500	58,000.00	NW NATL BANK MPLS
08/09/77	58,000.00	REPURCHASE AGREEMENT		08/10/77	5.4000	58,000.00	NW NATL BANK MPLS
08/15/77	580,000.00	REPURCHASE AGREEMENT		08/18/77	5.6500	580,000.00	NW NATL BANK MPLS
08/17/77	106,000.00	REPURCHASE AGREEMENT		08/22/77	5.7500	106,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	7,725,000.00				5.3293	7,725,000.00	
COMMERCIAL PAPER							
07/06/77	173,000.00	FORD MOTOR CREDIT CO		07/13/77	5.3806	173,000.00	FORD MOTOR CREDIT CO
07/07/77	1,439,000.00	WALTER HELLER & CO		10/05/77	5.4739	1,439,000.00	WALTER HELLER & CO
07/11/77	884,000.00	ASSOC CORP OF N AMER		10/11/77	5.4499	884,000.00	ASSOC CORP OF N AMER
07/22/77	385,000.00	WALTER HELLER & CO		08/24/77	5.3259	385,000.00	WALTER HELLER & CO
07/25/77	563,000.00	NORTHWEST BANCORP.		10/25/77	5.4756	563,000.00	NW NATL BANK MPLS
07/26/77	486,000.00	MONTGOMERY WARD CREDIT		08/02/77	5.4057	486,000.00	MONTGOMERY WARD CREDIT
07/26/77	450,000.00	BENEFICIAL CORP.		10/26/77	5.4756	450,000.00	BENEFICIAL CORP.
07/27/77	322,000.00	INTERNATL HARV CREDIT		09/06/77	5.3322	322,000.00	INTERNATL HARV CREDIT
07/29/77	522,000.00	WALTER HELLER & CO		08/23/77	5.3951	522,000.00	WALTER HELLER & CO
08/02/77	577,000.00	GENERAL MOTORS ACCEPT		08/15/77	5.3855	577,000.00	GENERAL MOTORS ACCEPT
08/02/77	500,000.00	INTERNATL HARV CREDIT		11/01/77	5.5775	500,000.00	INTERNATL HARV CREDIT
08/02/77	500,000.00	BORG-WARNER ACCEPTANCE		11/01/77	5.5775	500,000.00	GOLDMAN, SACHS & CO.
08/04/77	185,000.00	CIT FINANCIAL CORP		11/02/77	5.5767	185,000.00	CIT FINANCIAL CORP
08/08/77	1,382,000.00	ASSOC CORP OF N AMER		10/11/77	5.6818	1,382,000.00	ASSOC CORP OF N AMER
08/18/77	596,000.00	GENERAL MOTORS ACCEPT		11/16/77	5.9626	596,000.00	GENERAL MOTORS ACCEPT
COMM PAPER TOT	8,964,000.00				5.5227	8,964,000.00	
GOVERNMENT BONDS							
07/05/77	2,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	2,000,000.00	NW NATL BANK MPLS
07/05/77	2,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	2,000,000.00	FIRST NATL BANK SP
08/01/77	3,000,000.00	FED INTER CREDIT BK	5.875	05/01/78	5.8750	3,000,000.00	UNITED CALIFORNIA BANK
GOVT. BOND TOT	7,000,000.00				5.7321	7,000,000.00	
GOVERNMENT GUARANTEED BOND							
07/18/77	551,423.81	FED HOUSING ADM. CERT. CENTENNIAL HOUSE APTS.	8.000	06/28/79	8.0000	551,423.81	BANCO MORTGAGE CO
08/10/77	58,275.46	FED HOUSING ADM. CERT. CENTENNIAL HOUSE APTS.	8.000	06/28/79	8.0000	58,275.46	BANCO MORTGAGE CO

## SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

MUNICIPAL ST AID STR - MSAS

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
GOVERNMENT GUARANTEED BOND (CONTINUED)							
G. G. BOND TOT	609,699.27				8.0000	609,699.27	
TOTAL GOVERNMENT AND CORPORATE	24,298,699.27				5.5837	24,298,699.27	

## AERONAUTICS FUND - AERO

## SHORT TERM GOVERNMENT

07/01/77	400,000.00	REPURCHASE AGREEMENT		08/15/77	5.1500	400,000.00	NW NATL BANK MPLS
07/06/77	300,000.00	FARM CREDIT DIS. NOTES		11/01/77	5.2500	294,837.50	SALOMON BROS
07/15/77	250,000.00	REPURCHASE AGREEMENT		08/15/77	5.2000	250,000.00	NW NATL BANK MPLS
07/22/77	410,000.00	TREASURY BILL		01/19/78	5.4000	398,368.50	FIRST NATL BANK SP
07/26/77	100,000.00	TREASURY BILL		01/19/78	5.3500	97,369.58	UNITED CALIFORNIA BANK
08/01/77	510,000.00	TREASURY BILL		01/26/78	5.6900	495,651.72	FIRST NATL CITY BANK
08/15/77	600,000.00	REPURCHASE AGREEMENT		09/20/77	5.6500	600,000.00	NW NATL BANK MPLS
08/19/77	100,000.00	REPURCHASE AGREEMENT		08/22/77	5.8750	100,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	2,670,000.00				5.4545	2,636,727.30	
TOTAL GOVERNMENT AND CORPORATE	2,670,000.00				5.4545	2,636,727.30	

## MISCELLANEOUS - MISC

## SHORT TERM GOVERNMENT

DEFERRED COMPENSATION							
07/01/77	21,000.00	REPURCHASE AGREEMENT		07/11/77	5.2500	21,000.00	FIRST NATL BANK MPLS
DEFERRED COMPENSATION							
07/01/77	80,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	80,000.00	FIRST NATL BANK MPLS
MILLER CHAPEL							
07/01/77	220,000.00	TREASURY BILL		06/27/78	5.4000	208,087.00	FIRST NATL BANK SP
FISCAL DISPARITIES							
07/05/77	1,753,000.00	REPURCHASE AGREEMENT		07/11/77	5.2000	1,753,000.00	NW NATL BANK MPLS
FISCAL DISPARITIES							
07/06/77	8,006,000.00	REPURCHASE AGREEMENT		07/11/77	5.2200	8,006,000.00	UNITED CALIFORNIA BANK
DEFERRED COMPENSATION							
07/01/77	75,000.00	REPURCHASE AGREEMENT		07/29/77	5.1500	75,000.00	NW NATL BANK MPLS

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

MISCELLANEOUS - MISC

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SCHOOL LOAN 63 07/11/77	970,000.00	TREASURY BILL		12/01/77	5.2000	949,964.11	CARROLL MCENTEE & MCG
SEED POTATO FUND 07/13/77	125,000.00	TREASURY BILL		10/13/77	5.1200	123,364.44	NW NATL BANK MPLS
DEFERRED COMPENSATION 07/15/77	110,000.00	REPURCHASE AGREEMENT		07/29/77	5.2000	110,000.00	NW NATL BANK MPLS
DEFERRED COMPENSATION 07/19/77	38,000.00	REPURCHASE AGREEMENT		08/10/77	5.1800	38,000.00	NW NATL BANK MPLS
DEFERRED COMPENSATION 07/29/77	105,000.00	REPURCHASE AGREEMENT		08/10/77	5.2500	105,000.00	NW NATL BANK MPLS
DEFERRED COMPENSATION 08/03/77	45,000.00	REPURCHASE AGREEMENT		08/31/77	5.3500	45,000.00	NW NATL BANK MPLS
DEFERRED COMPENSATION 08/09/77	34,000.00	REPURCHASE AGREEMENT		08/31/77	5.4375	34,000.00	NW NATL BANK MPLS
SURVIVE PROBATE JUDGES 08/09/77	20,000.00	TREASURY BILL		09/29/77	5.0700	19,856.35	FIRST NATL BANK SP
STUDENT LOAN 08/11/77	1,300,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	1,300,000.00	UNITED CALIFORNIA BANK
DEFERRED COMPENSATION 08/11/77	78,000.00	REPURCHASE AGREEMENT		08/31/77	5.5500	78,000.00	FIRST NATL BANK MPLS
DEFERRED COMPENSATION 08/12/77	141,000.00	REPURCHASE AGREEMENT		08/15/77	5.6000	141,000.00	NW NATL BANK MPLS
DEFERRED COMPENSATION 08/15/77	25,000.00	REPURCHASE AGREEMENT		08/31/77	5.6000	25,000.00	NW NATL BANK MPLS
DEFERRED COMPENSATION 08/19/77	30,000.00	REPURCHASE AGREEMENT		09/09/77	5.7500	30,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	13,176,000.00				5.2590	13,142,271.90	
TOTAL GOVERNMENT AND CORPORATE	13,176,000.00				5.2590	13,142,271.90	

## SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

## RURAL REHABILITATION - RREH

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
GOVERNMENT BONDS							
07/05/77	1,950,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,950,000.00	FIRST NATL BANK SP
GOVT. BOND TOT	1,950,000.00				5.5000	1,950,000.00	
TOTAL GOVERNMENT AND CORPORATE	1,950,000.00				5.5000	1,950,000.00	

## VO-TECH BUILDING FUND - VOTE

GOVERNMENT BONDS							
07/05/77	2,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	2,000,000.00	MORGAN GUARANTY
GOVT. BOND TOT	2,000,000.00				5.7500	2,000,000.00	
TOTAL GOVERNMENT AND CORPORATE	2,000,000.00				5.7500	2,000,000.00	

## HOUSING FINANCE AGENCY - HFAB

## SHORT TERM GOVERNMENT

07/01/77	10,000,000.00	REPURCHASE AGREEMENT		07/05/77	5.2500	10,000,000.00	FIRST NATL BANK MPLS
07/01/77	30,000,000.00	REPURCHASE AGREEMENT		07/05/77	5.2200	30,000,000.00	CHEMICAL BANK, N.Y.
07/05/77	13,911,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	13,911,000.00	FIRST NATL CITY BANK
07/05/77	1,000,000.00	REPURCHASE AGREEMENT		07/06/77	5.2500	1,000,000.00	NW NATL BANK MPLS
07/05/77	2,000,000.00	REPURCHASE AGREEMENT		07/06/77	5.1500	2,000,000.00	UNITED CALIFORNIA BANK
07/05/77	2,000,000.00	REPURCHASE AGREEMENT		07/15/77	5.1000	2,000,000.00	FIRST NATL CITY BANK
07/05/77	7,150,000.00	REPURCHASE AGREEMENT		07/18/77	5.2500	7,150,000.00	MORGAN GUARANTY
07/05/77	1,000,000.00	REPURCHASE AGREEMENT		08/15/77	5.2000	1,000,000.00	MORGAN GUARANTY
07/05/77	1,100,000.00	FARM CREDIT DIS. NOTES		09/13/77	5.2000	1,088,877.78	GOLDMAN, SACHS & CO.
07/06/77	2,000,000.00	REPURCHASE AGREEMENT		07/07/77	5.0000	2,000,000.00	CONTINENTAL BANK (CHI)
07/06/77	500,000.00	REPURCHASE AGREEMENT		07/08/77	5.1500	500,000.00	NW NATL BANK MPLS
07/06/77	500,000.00	REPURCHASE AGREEMENT		07/12/77	5.1500	500,000.00	NW NATL BANK MPLS
07/06/77	14,700,000.00	TREASURY BILL		06/27/78	5.4425	13,908,841.91	WEEDEN & CO
07/12/77	1,000,000.00	REPURCHASE AGREEMENT		07/15/77	5.2000	1,000,000.00	NW NATL BANK MPLS
07/15/77	1,000,000.00	REPURCHASE AGREEMENT		07/21/77	5.2500	1,000,000.00	NW NATL BANK MPLS
07/15/77	4,548,000.00	REPURCHASE AGREEMENT		08/29/77	5.4000	4,548,000.00	MORGAN GUARANTY
07/15/77	10,000,000.00	FARM CREDIT DIS. NOTES		09/13/77	5.2500	9,912,500.00	SALOMON BROS
07/18/77	3,000,000.00	FHLB DISCOUNT NOTE		09/16/77	5.3000	2,973,500.00	FIRST BOSTON CORP
07/18/77	2,200,000.00	FHLB DISCOUNT NOTE		09/16/77	5.3000	2,180,566.67	LANSTON CO
07/18/77	1,000,000.00	FARM CREDIT DIS. NOTES		10/31/77	5.3500	984,395.83	LEHMAN GOVT SECURITIES



SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

HOUSING FINANCE AGENCY - HFAB

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT-TERM GOVERNMENT (CONTINUED)							
07/18/77	1,000,000.00	FED NATL MORTG ASN DIS		11/03/77	5.3500	983,950.00	LEHMAN GOVT SECURITIES
08/01/77	1,000,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	1,000,000.00	NW NATL BANK MPLS
08/01/77	10,500,000.00	REPURCHASE AGREEMENT		09/14/77	5.4500	10,500,000.00	MORGAN GUARANTY
08/04/77	600,000.00	REPURCHASE AGREEMENT		08/10/77	5.4500	600,000.00	FIRST NATL BANK MPLS
08/08/77	4,000,000.00	REPURCHASE AGREEMENT		09/19/77	5.4000	4,000,000.00	NW NATL BANK MPLS
08/09/77	1,000,000.00	REPURCHASE AGREEMENT		09/19/77	5.6500	1,000,000.00	MORGAN GUARANTY
08/10/77	5,600,000.00	REPURCHASE AGREEMENT		09/19/77	5.5000	5,600,000.00	NW NATL BANK MPLS
08/15/77	1,000,000.00	REPURCHASE AGREEMENT		08/18/77	5.6500	1,000,000.00	NW NATL BANK MPLS
08/18/77	1,000,000.00	REPURCHASE AGREEMENT		08/24/77	5.7500	1,000,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	134,309,000.00				5.3054	133,341,632.19	
GOVERNMENT BONDS							
07/05/77	2,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	2,000,000.00	MORGAN GUARANTY
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	CHEMICAL BANK, N.Y.
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	UNITED CALIFORNIA BANK
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	CARROLL MCENTEE & MCG
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	SALOMON BROS
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	HARRIS TRUST & SAVINGS
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	GOLDMAN, SACHS & CO.
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	CONTINENTAL BANK (CHI)
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	BANK OF AMERICA
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	WEEDEN & CO.
07/05/77	1,000,000.00	BANKS FOR COOPERATIVES	5.500	01/03/78	5.5000	1,000,000.00	FIRST NATL CITY BANK
07/05/77	3,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	3,000,000.00	NW NATL BANK MPLS
07/05/77	1,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	1,000,000.00	CHEMICAL BANK, N.Y.
07/05/77	1,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	1,000,000.00	UNITED CALIFORNIA BANK
07/05/77	1,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	1,000,000.00	CARROLL MCENTEE & MCG
07/05/77	1,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	1,000,000.00	SALOMON BROS
07/05/77	1,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	1,000,000.00	GOLDMAN, SACHS & CO.
07/05/77	1,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	1,000,000.00	CONTINENTAL BANK (CHI)
07/05/77	1,000,000.00	FED INTER CREDIT BK	5.750	04/03/78	5.7500	1,000,000.00	BANK OF AMERICA
GOVT. BOND TOT	22,000,000.00				5.6136	22,000,000.00	
TOTAL GOVERNMENT AND CORPORATE	156,309,000.00				5.3488	155,341,632.19	

## SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

## MINN Z(X). GARDEN BONDS - Z(X)B

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/01/77	3,590,000.00	REPURCHASE AGREEMENT		07/20/77	5.2000	3,590,000.00	CHEMICAL BANK, N.Y.
07/20/77	3,440,000.00	REPURCHASE AGREEMENT		08/01/77	5.3000	3,440,000.00	MORGAN GUARANTY
08/01/77	2,940,000.00	REPURCHASE AGREEMENT		08/10/77	5.4500	2,940,000.00	MORGAN GUARANTY
08/10/77	2,895,000.00	REPURCHASE AGREEMENT		09/01/77	5.5000	2,895,000.00	NW NATL BANK MPLS
GOVT: S.T. TOT	12,865,000.00				5.3514	12,865,000.00	
TOTAL GOVERNMENT AND CORPORATE	12,865,000.00				5.3514	12,865,000.00	

## WATER POLLUTION BONDS - WPCB

GOVERNMENT BONDS							
07/05/77	400,000.00	FED. INTER CREDIT BK	5.750	04/03/78	5.7500	400,000.00	FIRST NATL BANK SP
GOVT. BOND TOT	400,000.00				5.7500	400,000.00	
TOTAL GOVERNMENT AND CORPORATE	400,000.00				5.7500	400,000.00	

## FIXED RETURN FUND - FRET

SHORT TERM GOVERNMENT							
07/07/77	383,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	383,000.00	NW NATL BANK MPLS
07/14/77	410,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	410,000.00	NW NATL BANK MPLS
07/19/77	50,000.00	REPURCHASE AGREEMENT		07/21/77	5.1800	50,000.00	NW NATL BANK MPLS
07/21/77	82,000.00	REPURCHASE AGREEMENT		07/28/77	5.2600	82,000.00	NW NATL BANK MPLS
07/28/77	147,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	147,000.00	NW NATL BANK MPLS
07/29/77	187,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	187,000.00	NW NATL BANK MPLS
08/01/77	50,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	50,000.00	NW NATL BANK MPLS
08/02/77	23,000.00	REPURCHASE AGREEMENT		08/04/77	5.3500	23,000.00	NW NATL BANK MPLS
08/04/77	407,000.00	REPURCHASE AGREEMENT		08/17/77	5.4500	407,000.00	FIRST NATL BANK MPLS
08/17/77	417,000.00	REPURCHASE AGREEMENT		08/31/77	5.7500	417,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	2,156,000.00				5.3587	2,156,000.00	
TOTAL GOVERNMENT AND CORPORATE	2,156,000.00				5.3587	2,156,000.00	

SHORT TERM INVESTMENT PURCHASES 07/01/77 - 08/19/77

JUDGES RETIREMENT FUND - JRET

SEL. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/01/77	30,000.00	REPURCHASE AGREEMENT		07/29/77	5.2500	30,000.00	FIRST NATL BANK MPLS
07/07/77	104,000.00	REPURCHASE AGREEMENT		07/14/77	5.2000	104,000.00	NW NATL BANK MPLS
07/11/77	50,000.00	REPURCHASE AGREEMENT		07/29/77	5.2000	50,000.00	NW NATL BANK MPLS
07/14/77	104,000.00	REPURCHASE AGREEMENT		07/21/77	5.1500	104,000.00	NW NATL BANK MPLS
07/20/77	33,000.00	REPURCHASE AGREEMENT		07/29/77	5.2000	33,000.00	NW NATL BANK MPLS
07/20/77	120,000.00	REPURCHASE AGREEMENT		08/31/77	5.2000	120,000.00	NW NATL BANK MPLS
07/21/77	79,000.00	REPURCHASE AGREEMENT		07/26/77	5.2600	79,000.00	NW NATL BANK MPLS
07/26/77	88,000.00	REPURCHASE AGREEMENT		07/28/77	5.2000	88,000.00	NW NATL BANK MPLS
07/28/77	88,000.00	REPURCHASE AGREEMENT		08/04/77	5.2500	88,000.00	NW NATL BANK MPLS
08/04/77	118,000.00	REPURCHASE AGREEMENT		08/11/77	5.4500	118,000.00	FIRST NATL BANK MPLS
08/11/77	102,000.00	REPURCHASE AGREEMENT		08/18/77	5.5500	102,000.00	FIRST NATL BANK MPLS
08/16/77	30,000.00	REPURCHASE AGREEMENT		08/18/77	5.7500	30,000.00	NW NATL BANK MPLS
08/18/77	132,000.00	REPURCHASE AGREEMENT		09/01/77	5.8200	132,000.00	NW NATL BANK MPLS
GOVT. S.T. TOT	1,078,000.00				5.3568	1,078,000.00	
TOTAL GOVERNMENT AND CORPORATE	1,078,000.00				5.3568	1,078,000.00	

HOUSING FIN. SPECIAL - HFAS

SHORT TERM GOVERNMENT							
07/06/77	182,000.00	REPURCHASE AGREEMENT		08/05/77	5.1500	182,000.00	NW NATL BANK MPLS
08/05/77	396,000.00	REPURCHASE AGREEMENT		08/29/77	5.4500	396,000.00	FIRST NATL BANK MPLS
GOVT. S.T. TOT	578,000.00				5.3555	578,000.00	
TOTAL GOVERNMENT AND CORPORATE	578,000.00				5.3555	578,000.00	
TOTAL PURCHASES OF U.S. GOVERNMENT AND AGENCY OBLIGATIONS FOR ALL FUNDS						<u>\$ 1,614,205,314.94</u>	<u>\$ 1,611,580,078.98</u>
TOTAL PURCHASES OF SHORT-TERM CORPORATE NOTES FOR ALL FUNDS						<u>\$ 226,700,000.00</u>	<u>\$ 226,700,000.00</u>

## STATE OF MINNESOTA-STATE BOARD OF INVESTMENT-SALES OF SHORT-TERM INVESTMENTS-JULY 1, 1977-AUGUST 19, 1977

## MINN VARIABLE ANNUITY - MVAR

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/01/77	215,000.00	TREASURY BILL		10/06/77	5.0500	212,074.51	FIRST NATL BANK SP
07/07/77	25,000.00	TREASURY BILL		10/06/77	5.1150	24,676.76	NW NATL BANK MPLS
GOVT. S.T. TOT	240,000.00				5.0568	236,751.27	
TOTAL GOVERNMENT AND CORPORATE	240,000.00				5.0568	236,751.27	

## INVESTED TREAS CASH - ITCF

GOVERNMENT BONDS							
07/28/77	5,000,000.00	FED INTER CREDIT BK	5.350	01/03/78	5.6990	4,990,625.00	CARROLL MCENTEE & MCG
GOVT. BOND TOT	5,000,000.00				5.6990	4,990,625.00	
TOTAL GOVERNMENT AND CORPORATE	5,000,000.00				5.6990	4,990,625.00	

## ENDOWMENT SCHOOL FUND - ENDS

SHORT TERM GOVERNMENT							
07/11/77	1,005,000.00	TREASURY BILL		09/29/77	5.0650	993,688.17	FIRST NATL BANK MPLS
GOVT. S.T. TOT	1,005,000.00				5.0650	993,688.17	
TOTAL GOVERNMENT AND CORPORATE	1,005,000.00				5.0650	993,688.17	

## TRUNK HIGHWAY FUND - TRKH

SHORT TERM GOVERNMENT							
07/01/77	300,000.00	TREASURY BILL		07/28/77	4.9500	298,886.25	FIRST NATL BANK SP
GOVT. S.T. TOT	300,000.00				4.9500	298,886.25	
GOVERNMENT BONDS							
07/21/77	2,000,000.00	FEDERAL LAND BANK	6.100	01/23/78	5.5700	2,004,997.00	CARROLL MCENTEE & MCG
GOVT. BOND TOT	2,000,000.00				5.5700	2,004,997.00	
TOTAL GOVERNMENT AND CORPORATE	2,300,000.00				5.4891	2,303,883.25	20

SHORT TERM INVESTMENT SALES 07/01/77 - 08/19/77

COUNTY ST AID HWY FUND - CSAH

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/06/77	425,000.00	TREASURY BILL		07/28/77	4.8700	423,732.15	GOLDMAN, SACHS & CO.
07/06/77	1,200,000.00	TREASURY BILL		09/15/77	4.9800	1,188,214.00	FIRST NATL BANK SP
07/06/77	2,050,000.00	TREASURY BILL		11/03/77	5.1300	2,014,945.00	FIRST NATL BANK SP
GOVT. S.T. TOT	3,675,000.00				5.0510	3,626,891.15	
GOVERNMENT BONDS							
07/18/77	630,000.00	TREASURY NOTE	7.250	12/31/77	5.5960	634,528.13	FIRST NATL BANK SP
07/19/77	425,000.00	TREASURY NOTE	7.250	12/31/77	5.6210	427,988.28	FIRST NATL BANK MPLS
07/27/77	2,000,000.00	FEDERAL LAND BANK	6.100	01/23/78	5.5700	2,004,997.00	CARROLL MCENTEE & MCG
GOVT. BOND TOT	3,055,000.00				5.5825	3,067,513.41	
TOTAL GOVERNMENT AND CORPORATE	6,730,000.00				5.2922	6,694,404.56	

MUNICIPAL ST AID STR -- MSAS

SHORT TERM GOVERNMENT							
07/18/77	185,000.00	TREASURY BILL		07/28/77	5.2200	184,731.75	FIRST NATL BANK MPLS
08/12/77	115,000.00	TREASURY BILL		11/03/77	5.4800	113,547.04	NW NATL BANK MPLS
GOVT. S.T. TOT	300,000.00				5.3197	298,278.79	
TOTAL GOVERNMENT AND CORPORATE	300,000.00				5.3197	298,278.79	

MN STATE BUILDING FUND - MSBF

SHORT TERM GOVERNMENT							
07/08/77	1,000,000.00	FED NATL MORTG ASN DIS		11/08/77	5.3150	981,840.42	INVESTED TREAS CASH
08/03/77	1,000,000.00	FED NATL MORTG ASN DIS		11/08/77	5.5000	985,180.56	INVESTED TREAS CASH
08/19/77	1,000,000.00	FED NATL MORTG ASN DIS		11/08/77	5.8000	986,950.00	INVESTED TREAS CASH
GOVT. S.T. TOT	3,000,000.00				5.5383	2,953,970.98	
TOTAL GOVERNMENT AND CORPORATE	3,000,000.00				5.5383	2,953,970.98	

## SHORT TERM INVESTMENT SALES 07/01/77 - 08/19/77

## AERONAUTICS FUND - AERO

SET. DATE	FACE AMOUNT	ISSUE	COUP RATE	MAT. DATE	YIELD	PRICE	BROKER
SHORT TERM GOVERNMENT							
07/28/77	210,000.00	TREASURY BILL		09/29/77	5.1500	208,107.38	FIRST NATL BANK SP
GOVT. S.T. TOT	210,000.00				5.1500	208,107.38	
TOTAL GOVERNMENT AND CORPORATE	210,000.00				5.1500	208,107.38	

## MISCELLANEOUS - MISC

SHORT TERM GOVERNMENT							
ZOO BOARD GIFT FUND							
07/06/77	25,000.00	TREASURY BILL		03/07/78	5.3400	24,095.17	NW NATL BANK MPLS
SCHOOL LOAN X							
07/18/77	165,000.00	TREASURY BILL		11/17/77	5.2700	162,053.19	NW NATL BANK MPLS
CAPITOL LOAN							
07/18/77	4,990,000.00	TREASURY BILL		11/25/77	5.2600	4,895,214.72	SALOMON BROS
SCHOOL LOAN X							
08/18/77	350,000.00	TREASURY BILL		11/17/77	5.6500	345,001.32	FIRST NATL BANK SP
GOVT. S.T. TOT	5,530,000.00				5.2853	5,426,364.40	
TOTAL GOVERNMENT AND CORPORATE	5,530,000.00				5.2853	5,426,364.40	

## HOUSING FINANCE AGENCY - HFAB

GOVERNMENT BONDS							
07/21/77	2,000,000.00	BANKS FOR COOPERATIVES	5.200	08/01/77	5.3500	1,999,943.75	FIRST NATL BANK MPLS
07/28/77	500,000.00	BANKS FOR COOPERATIVES	5.200	08/01/77	5.9840	499,960.94	INVESTED TREAS CASH
GOVT. BOND TOT	2,500,000.00				5.4768	2,499,804.69	
TOTAL GOVERNMENT AND CORPORATE	2,500,000.00				5.4768	2,499,804.69	
TOTAL SALES OF U.S. GOVERNMENT AND AGENCY OBLIGATIONS FROM ALL FUNDS							
						\$26,815,000.00	\$26,605,878.49

## BOND PURCHASES FROM 07/01/77 THROUGH 08/19/77

BOND NAME/ COUPON-TYPE-MAT.DATE	*SETTL.	*YLD TO*	* PRIN. FACE/ * PRIN. COST	* *	BROKER NAME / EST. COMM.	FACE AMOUNT(THOUSANDS) / FUND				
	* DATE/	* MAT./				* *	* TRAF.	* PERA.	* SERA.	* PEPF.
	* M	* S&P	* F	* *	* PRICE	* /MAFB.	* MVAR.	* SRIN.	* JRET.	* FRET.
CORPORATE OBLIGATION										
FINANCE OBLIGATION										
MONTGOMERY WARD CREDIT	07/25/77	8.35	400,000.00		LEHMAN BROS INC					
8.250 DEB	06/30/2002	A A	395,920.00		98.980	1,000.00	.	.	.	400.
*FINANCE OBLIGATION	*	8.35	400,000.00				.	.	.	400.
			395,920.00		98.980	1,000.00	.	.	.	400.
RAIL EQUIP OBLIGATION										
SOUTHERN PACIFIC TRANS	07/21/77	8.25	6,250,000.00		BACHE, HALSEY STUART	2,300.	2,300.	1,150.	350.	150.
8.250 CSA	10/01/1992	Aa	6,250,000.00		100.000	23,437.50	.	.	.	.
*RAIL EQUIP OBLIGATION	*	8.25	6,250,000.00				2,300.	2,300.	1,150.	350.
			6,250,000.00		100.000	23,437.50	.	.	.	.
*CORPORATE OBLIGATION	*	8.26	6,650,000.00				2,300.	2,300.	1,150.	350.
			6,645,920.00		99.939	24,437.50	.	.	.	400.
* GRAND TOTAL	*	8.26	6,650,000.00				2,300.	2,300.	1,150.	350.
			6,645,920.00		99.939	24,437.50	.	.	.	400.

BOND PURCHASES FROM 07/01/77 THROUGH 08/19/77

BOND NAME/ COUPON-TYPE-MAT.DATE	*SETTL. *YLD TO*		* PRIN. FACE/ * PRIN. COST *	* BROKER NAME / * PRICE * EST. COMM. *	* FACE AMOUNT(THOUSANDS) / FUND					
	* DATE/ * M S&P	* MAT./ * F			* TRAF.	* PERA.	* SERA.	* PEPF.	* HPAT.	* PSCH
CORPORATE OBLIGATION										
FINANCE OBLIGATION										
MONTGOMERY WARD CREDIT	07/25/77	8.35	400,000.00	LEHMAN BROS INC	.	.	.	.	.	.
8.250 DEB 06/30/2002	A	A	395,920.00	98.980 1,000.00	.	.	.	.	400.	.
*FINANCE OBLIGATION	*	8.35	400,000.00		.	.	.	.	.	.
			395,920.00	98.980 1,000.00	.	.	.	.	400.	.
RAIL EQUIP OBLIGATION										
SOUTHERN PACIFIC TRANS	07/21/77	8.25	6,250,000.00	BACHE, HALSEY STUART	2,300.	2,300.	1,150.	350.	150.	.
8.250 CSA 10/01/1992	Aa		6,250,000.00	100.000 23,437.50	.	.	.	.	.	.
*RAIL EQUIP OBLIGATION	*	8.25	6,250,000.00		2,300.	2,300.	1,150.	350.	150.	.
			6,250,000.00	100.000 23,437.50	.	.	.	.	.	.
*CORPORATE OBLIGATION	*	8.26	6,650,000.00		2,300.	2,300.	1,150.	350.	150.	.
			6,645,920.00	99.939 24,437.50	.	.	.	.	400.	.
* GRAND TOTAL	*	8.26	6,650,000.00		2,300.	2,300.	1,150.	350.	150.	.
			6,645,920.00	99.939 24,437.50	.	.	.	.	400.	.



SUMMARY ANALYSIS OF BOND PURCHASES AND SALES FROM 07/01/77 THROUGH 08/19/77

FUND SYMBOL	FUND NAME	PURCHASES			SALES		
		PRIN. FACE	PRIN. COST	WEIGHTED YLD-MAT	PRIN. FACE	PRIN. PROC.	WEIGHTED YLD-MAT
TRAF	TEACHERS RET FUND	2,300,000.00	2,300,000.00	8.25%	0.00	0.00	0.00%
PERA	PUB EMPLOYEE RET FUND	2,300,000.00	2,300,000.00	8.25%	0.00	0.00	0.00%
SERA	STATE EMP RET FUND	1,150,000.00	1,150,000.00	8.25%	0.00	0.00	0.00%
PEPF	PUB EMP POL-FIRE FUND	350,000.00	350,000.00	8.25%	0.00	0.00	0.00%
HPAT	HGWY PATROL RET FUND	150,000.00	150,000.00	8.25%	0.00	0.00	0.00%
FRET	FIXED RETURN FUND	400,000.00	395,920.00	8.35%	0.00	0.00	0.00%
TOTALS		6,650,000.00	6,645,920.00	8.26%	0.00	0.00	0.00%

## COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES PURCHASED PER FUND								TOTAL		EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM	
	IRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR	SHGR	#	AVG. COST				TOTAL COST
HPAT . JRET .	.	.	.	.	.	.	.	SRIN						
<b>ELECTRIC</b>														
<b>COMMONWEALTH EDISON</b>														
500 .	.	.	.	.	.	.	.	.	500	31.38	15,687.50	1,200	500	62.50
AMERICAN SECURITIES														
MINNESOTA POWER & L.	.	.	.	.	.10000	.	.	.	10000	22.40	224,000.00	17,600	10000	1,500.00
GOLDMAN, SACHS & CO.														
<b>NORTHERN STATES POWER</b>														
. 100 .	.	.	.	.	.10000	.	.	.	10100	29.68	299,750.00	20,806	10000	1,550.00
HARRIS TRUST & SAVINGS														
AMERICAN SECURITIES														
100 12.50														
<b>PACIFIC GAS &amp; ELECTRIC</b>														
.	.	.	.	.	.15000	.	.	.	15000	25.13	376,977.50	30,000	5000	690.00
BACHE H.S. WASH. SERV.														
FIRST BOSTON CORP														
10000 1,200.00														
<b>PUBLIC SERV. INDIANA</b>														
.	.	.	.	.	.	.	.	.1000	1000	29.88	29,875.00	2,040	1000	125.00
WEEDEN & CO														
<b>TEXAS UTILITIES CO.</b>														
. 100 .	.	.	.	.	.	.	.	.	100	21.97	2,197.50	140	100	12.50
WEEDEN & CO														
TOTAL ELECTRIC 948,487.50														
<b>NATURAL GAS</b>														
<b>HOUSTON NATURAL GAS</b>														
4000 .	.	.	.	.	.12000	.	.500	.	18500	32.59	602,887.50	14,800	7000	1,120.00
BROWN BROS. HARRIMAN														
FIRST BOSTON CORP														
7500 1,125.00														
WHITE WELD & CO														
4000 680.00														
<b>PEOPLES GAS CO.</b>														
.	.	.	.	.	.5000	.	.	.	5000	52.21	261,075.00	18,400	5000	450.00
INSTITUTIONAL NETWORKS														
TOTAL NATURAL GAS 863,962.50														
<b>COMMUNICATIONS</b>														
<b>AMERICAN TEL. &amp; TEL.</b>														
.	.	.	.	.	.5000	.	.	.	5000	63.00	315,000.00	21,000	5000	1,250.00
LEGG-MASON WASH. SERV.														
<b>GENERAL TEL. &amp; ELEC.</b>														
5000 . 2000 .	.	.500	.	.	.30000	.	.	.	37500	32.91	1,234,277.50	75,000	10000	1,400.00
REAVES (W.H.) & CO														
33.														

## COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS IRAF . PERA . SERA . PEPF . PSCH . MAFB . MVAR . SRGR . HPAT . JRET .	NUMBER OF SHARES PURCHASED PER FUND						TOTAL # SHARES	AVG. COST	TOTAL COST	EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM
	SUPPL RET SRIN .											
<b>ELECTRIC</b>												
<b>COMMONWEALTH EDISON</b>												
500 . . . . .							500	31.38	15,687.50	1,200	500	62.50
											AMERICAN SECURITIES	
MINNESOTA POWER & L. . . . . .				.10000			10000	22.40	224,000.00	17,600	10000	1,500.00
											GOLDMAN, SACHS & CO.	
<b>NORTHERN STATES POWER</b>												
. . . . .				.10000			10100	29.68	299,750.00	20,806	10000	1,550.00
. 100 . . . . .											100	12.50
											HARRIS TRUST & SAVINGS	
											AMERICAN SECURITIES	
<b>PACIFIC GAS &amp; ELECTRIC</b>												
. . . . .				.15000			15000	25.13	376,977.50	30,000	5000	690.00
											BACHE H.S. WASH. SERV.	
											FIRST BOSTON CORP	
											10000 1,200.00	
<b>PUBLIC SERV. INDIANA</b>												
. . . . .							1000	29.88	29,875.00	2,040	1000	125.00
											WEEDEN & CO	
<b>TEXAS UTILITIES CO.</b>												
. . . . .							100	21.97	2,197.50	140	100	12.50
											WEEDEN & CO	
											100 12.50	
TOTAL ELECTRIC									948,487.50			
<b>NATURAL GAS</b>												
<b>HOUSTON NATURAL GAS</b>												
4000 . . . . .				.12000		.500	18500	32.59	602,887.50	14,800	7000	1,120.00
. . . . .						.3000						
											BROWN BROS. HARRIMAN	
											FIRST BOSTON CORP	
											7500 1,125.00	
											WHITE WELD & CO	
											4000 680.00	
<b>PEOPLES GAS CO.</b>												
. . . . .				.5000			5000	52.21	261,075.00	18,400	5000	450.00
											INSTITUTIONAL NETWORKS	
TOTAL NATURAL GAS									863,962.50			
<b>COMMUNICATIONS</b>												
<b>AMERICAN TEL. &amp; TEL.</b>												
. . . . .				.5000			5000	63.00	315,000.00	21,000	5000	1,250.00
											LEGG-MASON WASH. SERV.	
<b>GENERAL TEL. &amp; ELEC.</b>												
5000 . 2000 . . . . .				.30000			37500	32.91	1,234,277.50	75,000	10000	1,400.00
											REAVES (W.H.) & CO	
											10000 1,400.00	

08/19/77

STATE OF MINNESOTA

STATE BOARD OF INVESTMENT

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COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES PURCHASED PER FUND							TOTAL		EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM
	TRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR	SUPPL. RET SRGR	SRIN			
COMMUNICATIONS (CONTINUED)												
GENERAL TEL. & ELEC. (CONTINUED)												
												LEGG-MASON WASH. SERV.
												5000 850.00
												S., BARNEY WASH. SERV.
												5000 825.00
												SHEARSON HAYDEN STONE
												10500 1,470.00
												NEUBERGER & BERMAN
												7000 1,120.00
UNITED TELECOM.												
		5000							5000	21.38	106,900.00	CYRUS LAWRENCE
											6,400	5000 650.00
TOTAL COMMUNICATIONS											1,656,177.50	
FINANCE												
HOUSEHOLD FINANCE												
					10000				10200	20.11	205,100.00	BROWN BROS. HARRIMAN
		200										10000 1,100.00
												WEEDEN & CO
												200 25.00
TOTAL FINANCE											205,100.00	
CONSUMER-NONDURABLES												
AVON PRODUCTS, INC.												
		2000							2000	48.66	97,312.50	NOVICK (M.H.) & CO.
											4,400	2000 500.00
EASTMAN KODAK CO.												
		2000		500		2000			4500	59.28	266,767.50	REAVES (W.H.) & CO
											9,450	2000 580.00
												REYNOLDS SECURITIES
												2500 687.50
MINNESOTA MINING & MFG												
		2000			6000				9000	49.96	449,627.50	NEUBERGER & BERMAN
		500						500			15,300	6500 1,365.00
												KEEFE, BRUYETTE & WOOD
												2500 625.00
REVLON, INCORPORATED												
		1000			9000				10000	40.62	406,215.00	WAINWRIGHT SECURITIES
											10,000	3000 615.00
												HUTTON (E.F.) & CO
												3000 615.00

08/19/77

STATE OF MINNESOTA

STATE BOARD OF INVESTMENT

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COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES PURCHASED PER FUND								TOTAL #	AVG. COST	TOTAL COST	EST. ANNUAL INCOME	BROKER/ #	EST. COMM
	TRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR	SRGR						
CONSUMER-NONDURABLES (CONTINUED)														
REVLON, INCORPORATED (CONTINUED)														
													WOOD, STRUTHERS & WIN	
													4000	760.00
TOTAL CONSUMER-NONDURABLES											1,219,922.50			
CONSUMER-MISCELLANEOUS														
MCDONALD'S CORP.														
								5000					NEUBERGER & BERMAN	
								100					5000	1,050.00
													INSTITUTIONAL NETWORKS	
													100	9.00
TOTAL CONSUMER-MISCELLANEOUS											238,521.50			
DRUGS														
AMERICAN HOME PRODUCTS														
								1000	28.22	28,215.00	1,200	1000	90.00	INSTITUTIONAL NETWORKS
								1000						
JOHNSON & JOHNSON														
								500					HORNBLOWER & WEEKS	
								2000	70.30	175,750.00	3,750	2500	775.00	
MERCK & COMPANY														
								16000					BANK OF N.Y. RESEARCH	
								2000	54.53	1,325,157.00	36,450	5300	1,219.00	
								800						SMITH, BARNEY & CO
													3000	768.00
													SUTRO & CO, INC	
													3500	840.00
													GOLDMAN, SACHS & CO.	
													6500	1,365.00
													COWEN & COMPANY	
													3000	750.00
													REINHOLDT & GARDNER	
													3000	765.00
PFIZER, INC.														
								21000					WERTHEIM MEASUREMENT	
								3500	26.69	814,155.00	29,280	7000	980.00	
								1000						CYRUS LAWRENCE
													3000	480.00
													BROWN BROS, HARRIMAN	
													5500	770.00
														35.-





## COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES PURCHASED PER FUND								TOTAL # SHARES	AVG. COST	TOTAL COST	EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM
	TRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR	SRGR						
OFFICE EQUIPMENT (CONTINUED)														
INT'L BUS. MACHINES (CONTINUED)														
												MORGAN OLMSTED KENNEDY		
												1000	520.00	
												BACHE, HALSEY STUART		
												1600	843.20	
												NEUBERGER & BERMAN		
												3200	1,406.00	
												REINHOLDT & GARDNER		
												2000	820.00	
XEROX CORPORATION														
4000	2000	1000	500		.10000		500		19000	51.50	978,520.00	30,400	INSTITUTIONAL NETWORKS	
1000													1000	90.00
												BANK OF N.Y. RESEARCH		
												7500	1,275.00	
												REYNOLDS SECURITIES		
												8500	2,040.00	
												STERLING, GRACE & CO.		
												2000	540.00	
TOTAL OFFICE EQUIPMENT											4,260,126.70			
AEROSPACE														
UNITED TECHNOLOGIES														
2000	3000	1000							6500	38.37	249,415.00	11,700	FIRST MANHATTAN CO	
500													3500	665.00
												JEFFERIES & CO		
												3000	375.00	
TOTAL AEROSPACE											249,415.00			
BUILDING & FOREST PROD														
GEORGIA-PACIFIC CORP.														
3000	5000	4000			.23000		500		36600	28.83	1,055,265.20	29,280	NEUBERGER & BERMAN	
	100						1000						7000	1,050.00
												S., BARNEY WASH. SERV.		
												5100	775.20	
												A.G. BECKER & CO.		
												7000	980.00	
												MORGAN STANLEY & CO		
												3000	510.00	



## COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS TRAF . PERA . SERA . PEPF . PSCH . MAFB . MVAR . SRGR . HPAT . JRET .	NUMBER OF SHARES PURCHASED PER FUND							TOTAL # SHARES	AVG. COST	TOTAL COST	EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM
	SUPPL RET SRIN .												
BUILDING & FOREST PROD (CONTINUED)													
GEORGIA-PACIFIC CORP. (CONTINUED)													
												FIRST BOSTON CORP	
												5500	825.00
												JEFFERIES & CO	
												9000	1,125.00
MASONITE CORP.												WERTHEIM MEASUREMENT	
6000 .								6000	16.98	101,872.50	3,600	6000	660.00
TOTAL BUILDING & FOREST PROD									1,157,137.70				
CHEMICALS													
AIR PRODUCTS & CHEM.													
3000 .	4000 .	1000 .	15000 .	1000 .				24000	23.27	558,477.50	4,800	REAVES (W.H.) & CO	
												2000	340.00
												FIRST BOSTON CORP	
												10000	1,200.00
												JEFFERIES & CO	
												7000	875.00
												STERLING, GRACE & CO.	
												4000	520.00
												DREXEL BURNHAM LAMBERT	
												1000	205.00
DOW CHEMICAL													
								100	32.09	3,209.00	120	INSTITUTIONAL NETWORKS	
	100 .											100	9.00
HERCULES, INC.													
10000 .			10000 .					20000	18.02	360,375.00	20,000	DREXEL BURNHAM LAMBERT	
												7000	770.00
												SALOMON BROS	
												8000	880.00
												BACHE, HALSEY STUART	
												5000	600.00
MONSANTO CO.													
			10000 .					10000	65.81	656,075.00	31,000	BECKER-WARBURG-PARIBUS	
												5000	1,225.00
												MORGAN STANLEY & CO	
												5000	1,225.00
UNION CARBIDE CORP.													
3000 .								3000	47.65	142,940.00	8,400	WERTHEIM MEASUREMENT	
												3000	690.00

## COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES PURCHASED PER FUND								TOTAL #	AVG. COST	TOTAL COST	EST. ANNUAL INCOME	BROKER/ #	EST. COMM	
	TRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR	SRGR							SUPPL RET
CHEMICALS (CONTINUED)															
TOTAL CHEMICALS											1,723,076.50				
ELECTRICAL EQUIPMENT															
GENERAL ELECTRIC CO.														DAIN KALMAN & QUAIL S	
2000	2000	1000			10000				15000	54.88	823,197.50	33,000	8000	1,560.00	
														WERTHEIM MEASUREMENT	
														7000	1,400.00
GOULD, INC.														KIDDER, PEABODY	
3000		1000			5000				9500	30.90	293,502.50	12,920	9500	1,377.50	
500															
TOTAL ELECTRICAL EQUIPMENT											1,116,700.00				
MACHINERY															
CATERPILLAR TRACTOR														WOOD, STRUTHERS & WIN	
2000	2000	1000			5000			2000	13100	52.73	690,777.00	19,650	3100	1,342.00	
1000	100												HORNBLOWER & WEEKS		
														7000	1,260.00
CLARK EQUIPMENT CO.														BLAIR (WM) & CO	
3000		1000			10000				15000	36.10	541,555.00	24,000	6100	1,040.00	
								1000					JEFFERIES & CO		
														8900	1,112.50
COMBUSTION ENGINEERING														WOOD, STRUTHERS & WIN	
2000		1000			5000				8000	58.72	469,800.00	17,600	5000	1,250.00	
														JEFFERIES & CO	
														3000	375.00
TOTAL MACHINERY											1,702,132.00				
METALS															
ALUMINUM CO OF AMER														BEAR, STEARNS & CO	
2000									2000	48.50	97,000.00	3,600	2000	500.00	
HANNA MINING COMPANY														WHITE WELD & CO	
								3000	3000	43.87	131,598.00	5,400	3000	648.00	
ST. JOE MINERALS CORP.														BRANDT (ROBERT) & CO.	
		2000			10000				12000	33.22	398,627.50	15,600	5000	625.00	
														JEFFERIES & CO	
														500	62.50

## COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES PURCHASED PER FUND								TOTAL #	AVG. COST	TOTAL COST	EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM				
	TRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR	SRGR							SUPPL RET	SRIN		
METALS (CONTINUED)																		
ST. JOE MINERALS CORP. (CONTINUED)																		
												GOLDMAN, SACHS & CO.						
												6500	1,040.00					
TOTAL METALS											627,225.50							
PAPER																		
UNION CAMP CORPORATION																		
5000	.	2000	.	1000	.		.	.12000	.	1000	.	21300	52.33	1,114,684.00	38,340	GOLDMAN, SACHS & CO.	10300	2,370.00
300	.		.		.		.		.		.					FIRST MANHATTAN CO	5000	1,150.00
												S., BARNEY WASH. SERV.	2000	544.00				
												BROWN BROS. HARRIMAN	4000	920.00				
TOTAL PAPER											1,114,684.00							
MISCELLANEOUS																		
INT'L TEL. & TEL.																		
3000	.	3000	.	2000	.		.	.15000	.	500	.	24000	33.75	809,925.00	42,240	BANK OF N.Y. RESEARCH	24000	3,200.00
500	.		.		.		.		.		.							
TOTAL MISCELLANEOUS											809,925.00							
OIL-DOMESTIC																		
ATLANTIC RICHFIELD CO.																		
3000	.	2000	.	3000	.		.	.5000	.	500	.	13500	58.22	785,982.50	27,000	BACHE H.S. WASH. SERV.	7000	1,830.00
												SMITH, BARNEY & CO	2000	570.00				
												NOVICK (M.H.) & CO.	1000	345.00				
												WERTHEIM MEASUREMENT	3500	875.00				
CONTINENTAL OIL																		
.	.	.	.	.	.		.	.10000	.		.	10000	32.51	325,150.00	14,000	WERTHEIM MEASUREMENT	10000	1,500.00
MARATHON OIL CO																		
.	.	.	.	.	.		.		.	1000	.	1000	53.55	53,550.00	2,200	WEEDEN & CO	1000	125.00
.	.	.	.	.	.		.		.	1000	.							

## COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES PURCHASED PER FUND							TOTAL #	AVG. COST	TOTAL COST	EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM
	TRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR						
OIL-DOMESTIC (CONTINUED)													
TOTAL OIL-DOMESTIC										1,164,682.50			
OIL-INTERNATIONAL													
EXXON CORPORATION											OPPENHEIMER & CO		
. 2000	. 1000	.	.	. 15000	.	.	.	18000	52.67	948,060.00	54,000	5000	1,180.00
											HORNBLLOWER & WEEKS		
											5000 1,125.00		
											HARRIS TRUST & SAVINGS		
											6000 1,260.00		
											WERTHEIM MEASUREMENT		
											2000 520.00		
GULF OIL CORP.											WAINWRIGHT SECURITIES		
6000	. 4000	.	.	. 25000	.	.	.	35000	29.10	1,018,405.50	66,500	12000	1,560.00
											BANK OF N.Y. RESEARCH		
											10000 1,400.00		
											MORGAN OLMSTED KENNEDY		
											7000 1,050.00		
											HARDY & COMPANY		
											6000 1,008.00		
MOBIL CORP.											INSTITUTIONAL NETWORKS		
.	.	. 500	.	.	.	.	.	500	68.21	34,107.50	1,900	500	45.00
TOTAL OIL-INTERNATIONAL										2,000,573.00			
ENERGY - RELATED													
HALLIBURTON CO											WEEDEN & CO		
. 1000	. 500	.	.	.	.	.	.	1500	61.66	92,487.50	1,500	500	62.50
											OPPENHEIMER & CO		
											1000 360.00		
TOTAL ENERGY - RELATED										92,487.50			
RAILROADS													
SOUTHERN RAILWAY											INSTITUTIONAL NETWORKS		
4000	.	.	.	.	.	.	.	4000	56.71	226,860.00	10,400	4000	360.00
UNION PACIFIC CORP.											BROWN BROS, HARRIMAN		
400	.	.	.	. 10000	.	.	.	10400	54.41	565,902.50	17,680	5000	1,200.00
											42.		

COMMON STOCK PURCHASES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS TRAF . PERA . SERA . PEPF . PSCH . MAFB . MVAR . SRGR . HPAT . JRET .	NUMBER OF SHARES PURCHASED PER FUND								TOTAL		EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM
	SUPPL RET								# SHARES	AVG. COST			

RAILROADS (CONTINUED)

UNION PACIFIC CORP. (CONTINUED)

SALOMON BROS	
5400	1,215.00

TOTAL RAILROADS 792,762.50

TOTAL COMMON STOCK PURCHASES 28,156,982.20

COMMON STOCK SALES FROM 07/01/77 THROUGH 08/19/77

COMPANY/ BASIC RETIREMENT FUNDS	NUMBER OF SHARES					PER FUND			TOTAL		EST. ANNUAL INCOME	BROKER/ # SHARES	EST. COMM	
	TRAF	PERA	SERA	PEPF	PSCH	MAFB	MVAR	SUPPL RET SRGR	SRIN	# SHARES				AVG. PROC.
HPAT	JRET													

CONSUMER-MISCELLANEOUS

HOLIDAY INNS INC.													WEEDEN & CO	
	2000								2000	14.25	28,499.05	930	2000	250.00

TOTAL CONSUMER-MISCELLANEOUS 28,499.05

FOODS-BEVERAGES

KRAFT, INC.													FIRST BOSTON CORP	
						9000			9000	49.41	444,677.60	20,880	9000	1,620.00

TOTAL FOODS-BEVERAGES 444,677.60

TOTAL COMMON STOCK SALES 473,176.65

SUMMARY ANALYSIS OF COMMON STOCK PURCHASES AND SALES  
FROM 07/01/77 THROUGH 08/19/77

FUND SYMBOL	FUND	PURCHASES	INCOME ON PURCHASES	SALES	INCOME ON SALES
TRAF	TEACHERS RETIREMENT FUND	4,017,259.40	148,520.00	0.00	0.00
PERA	PUBLIC EMPLOYEE RET FUND	1,762,723.10	58,580.00	0.00	0.00
SERA	STATE EMPLOYEES RET FUND	2,096,291.52	73,340.00	28,499.05	930.00
PEPF	PUB EMP POLICE-FIRE FUND	339,644.59	10,580.00	0.00	0.00
HPAT	HWY PATROLMENS RET FUND	430,169.76	14,998.00	0.00	0.00
PSCH	PERMANENT SCHOOL FUND	0.00	0.00	0.00	0.00
MAFB	ADJ FIXED BENEFIT FUND	18,668,032.67	743,759.99	444,677.60	20,880.00
MVAR	MINN VARIABLE ANNUITY	37,195.81	400.00	0.00	0.00
SRGR	SUPPLEMENTAL RET-GROWTH	353,276.98	9,990.00	0.00	0.00
SRIN	SUPPLEMENTAL RET-INCOME	420,052.17	16,690.00	0.00	0.00
JRET	JUDGES RETIREMENT FUND	32,336.20	1,180.00	0.00	0.00
TOTALS		28,156,982.20	1,078,037.99	473,176.65	21,810.00

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

SUMMARY OF PERMANENT INVESTMENTS PURCHASED AND SOLD

JULY 1, 1977 - AUGUST 19, 1977

RETIREMENT FUNDS

\$ 28,156,982.20	invested in stocks during period to yield	3.83%
6,650,000.00	invested in medium-and long-term securities during period to yield	8.26%
\$ 34,806,982.20	invested in stock and medium-and long-term securities during period to yield	4.68%
(\$ 332,753,000.00	invested in short-term corporate notes and short-term U.S. Government securities during period to yield	5.37%)
(\$ 473,176.65	common stocks sold during period to yield	4.61%)
<p>\$443,377,765.10 net investment in stocks for the retirement funds for the time period beginning January 1, 1974 through August 19, 1977.</p> <p>\$466,831,162.85 net investment in medium-and long-term securities for the retirement funds for the time period beginning January 1, 1974 through August 19, 1977.</p>		
\$ 314,476,302.05	invested in stock and medium-and long-term securities for the retirement funds during the last six reporting periods (present period included) at an average yield of	6.15%
\$ 1,979,774,613.92	net investment in stock and medium-and long-term securities for the retirement funds since March 14, 1960, at a current yield of	6.13%

PERMANENT SCHOOL FUND

(\$ 56,033,000.00	invested in short-term U.S. Government securities during period to yield	5.36%)
<p>\$2,201,592.58 net investment in stocks for the Permanent School Fund for the time period beginning January 1, 1974 through August 19, 1977.</p> <p>\$43,557,823.26 net investment in medium-and long-term and U.S. government-guaranteed bonds for the Permanent School Fund for the time period beginning January 1, 1974 through August 19, 1977.</p>		
\$ 17,905,283.92	invested in stock and medium-and long-term securities and U.S. government-guaranteed bonds for the Permanent School Fund during the last six reporting periods (present period included) at an average yield of	8.19%
\$ 251,070,341.30	net investment in stock and medium-and long-term and U.S. government-guaranteed bonds for the Permanent School Fund since May 22, 1963, at a current yield of	6.82%



STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

SUMMARY OF PERMANENT INVESTMENTS PURCHASED AND SOLD

JULY 1, 1977 - AUGUST 19, 1977

RETIREMENT FUNDS

\$ 28,156,982.20	invested in stocks during period to yield	3.83%
6,650,000.00	invested in medium-and long-term securities during period to yield	8.26%
\$ 34,806,982.20	invested in stock and medium-and long-term securities during period to yield	4.68%
(\$ 332,753,000.00	invested in short-term corporate notes and short-term U.S. Government securities during period to yield	5.37%)
(\$ 473,176.65	common stocks sold during period to yield	4.61%)
<p>\$443,377,765.10 net investment in stocks for the retirement funds for the time period beginning January 1, 1974 through August 19, 1977.</p> <p>\$466,831,162.85 net investment in medium-and long-term securities for the retirement funds for the time period beginning January 1, 1974 through August 19, 1977.</p>		
\$ 314,476,302.05	invested in stock and medium-and long-term securities for the retirement funds during the last six reporting periods (present period included) at an average yield of	6.15%
\$ 1,979,774,613.92	net investment in stock and medium-and long-term securities for the retirement funds since March 14, 1960, at a current yield of	6.13%

PERMANENT SCHOOL FUND

(\$ 56,033,000.00	invested in short-term U.S. Government securities during period to yield	5.36%)
<p>\$2,201,592.58 net investment in stocks for the Permanent School Fund for the time period beginning January 1, 1974 through August 19, 1977.</p> <p>\$43,557,823.26 net investment in medium-and long-term and U.S. government-guaranteed bonds for the Permanent School Fund for the time period beginning January 1, 1974 through August 19, 1977.</p>		
\$ 17,905,283.92	invested in stock and medium-and long-term securities and U.S. government-guaranteed bonds for the Permanent School Fund during the last six reporting periods (present period included) at an average yield of	8.19%
\$ 251,070,341.30	net investment in stock and medium-and long-term and U.S. government-guaranteed bonds for the Permanent School Fund since May 22, 1963, at a current yield of	6.82%

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

NAME OF ISSUE: \$50,000,000 MONTGOMERY WARD CREDIT CORPORATION, 8 1/4% SINKING FUND DEBENTURES, DUE JUNE 30, 2002.  
(SUBSIDIARY OF MONTGOMERY WARD & CO., INC., A WHOLLY OWNED UNIT OF MOBIL CORPORATION)

Among corporate securities defined by Minnesota Statutes 1976, Section 11.16, Subdivision 12, as legal investments for the State retirement funds are the following: "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." For the Permanent School Fund, by similar definition, as found in Minnesota Statutes 1976, Section 11.015, Subdivision 4, investment is authorized in: "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." Such investments are subject, however, to the following restrictions:

	Montgomery Ward Credit Corporation December 29, 1976
1. Such corporation shall have assets of not less than \$10 million.	\$2,310,770,000
2. The book value of the outstanding capital stock of such corporation (or an owning parent corporation which guarantees the payment of the debt securities of the subsidiary*) shall not be less than 50 percent of its total funded debt.	Not applicable
3. The book value of the outstanding capital stock of an independent finance corporation shall be not less than 25 percent of its total funded debt.*	41.46%
4. Net pretax earnings of such corporation (or of one or more corporations guaranteeing the debt*) shall have been not less than 1.5 times (in the case of the Permanent School Fund, 3 times) the annual interest charges on its total funded debt for each of the five fiscal years immediately prior to the date of such investment.	1976 - 1.51x 1975 - 1.51x 1974 - 1.51x 1973 - 1.51x 1972 - 1.51x
5. Gross operating revenues of such corporation shall have averaged not less than \$1 million per year for each of the five fiscal years immediately prior to the date of such investment.	1976 - \$162,363,000 1975 - 212,136,000 1974 - 142,283,000 1973 - 73,778,000 1972 - 74,912,000
6. Such corporate debt obligations shall be rated among the top third of the quality categories, not applicable to defaulted bonds, used by a nationally recognized rating agency.	Moody's - A S&P - A
7. <u>Obligations of Canadian corporations shall be payable in United States Dollars.</u> *Not Applicable to Permanent School Fund.	Not Applicable

CAPITALIZATION 12-29-76

	Book Amount (000)	%	Pro Forma Amount (000)	%
Long-term debt	\$ 984,127	70.69%	\$1,034,127	71.71%
Preferred stock	---	---	---	---
Common stock & surplus	408,011	29.31	408,011	28.29
	<u>\$1,392,138</u>	<u>100.00%</u>	<u>\$1,442,138</u>	<u>100.00%</u>

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

NAME OF ISSUE: \$50,000,000 MONTGOMERY WARD CREDIT CORPORATION, 8 1/4% SINKING FUND DEBENTURES, DUE JUNE 30, 2002.  
(SUBSIDIARY OF MONTGOMERY WARD & CO., INC., A WHOLLY OWNED UNIT OF MOBIL CORPORATION)

Among corporate securities defined by Minnesota Statutes 1976, Section 11.16, Subdivision 12, as legal investments for the State retirement funds are the following: "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." For the Permanent School Fund, by similar definition, as found in Minnesota Statutes 1976, Section 11.015, Subdivision 4, investment is authorized in: "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." Such investments are subject, however, to the following restrictions:

	Montgomery Ward Credit Corporation <u>December 29, 1976</u>
1. Such corporation shall have assets of not less than \$10 million.	\$2,310,770,000
2. The book value of the outstanding capital stock of such corporation (or an owning parent corporation which guarantees the payment of the debt securities of the subsidiary*) shall not be less than 50 percent of its total funded debt.	Not applicable
3. The book value of the outstanding capital stock of an independent finance corporation shall be not less than 25 percent of its total funded debt.*	41.46%
4. Net pretax earnings of such corporation (or of one or more corporations guaranteeing the debt*) shall have been not less than 1.5 times (in the case of the Permanent School Fund, 3 times) the annual interest charges on its total funded debt for each of the five fiscal years immediately prior to the date of such investment.	1976 - 1.51x 1975 - 1.51x 1974 - 1.51x 1973 - 1.51x 1972 - 1.51x
5. Gross operating revenues of such corporation shall have averaged not less than \$1 million per year for each of the five fiscal years immediately prior to the date of such investment.	1976 - \$162,363,000 1975 - 212,136,000 1974 - 142,283,000 1973 - 73,778,000 1972 - 74,912,000
6. Such corporate debt obligations shall be rated among the top third of the quality categories, not applicable to defaulted bonds, used by a nationally recognized rating agency.	Moody's - A S&P - A
7. <u>Obligations of Canadian corporations shall be payable in United States Dollars.</u> *Not Applicable to Permanent School Fund.	Not Applicable

CAPITALIZATION 12-29-76

	Book Amount (000)	%	Pro Forma Amount (000)	%
Long-term debt	\$ 984,127	70.69%	\$1,034,127	71.71%
Preferred stock	---	---	---	---
Common stock & surplus	408,011	29.31	408,011	28.29
	\$1,392,138	100.00%	\$1,442,138	100.00%

EARNINGS AND INCOME (000)

Years ending 1-31	1974	1975	1976	1977 Pro Forma
Gross Income	\$142,285	\$212,136	\$162,363	
Operating expenses:				
Amortization of debentures discount and expense	\$ 275	\$ 274	\$ 380	
Other Expenses	692	885	864	
Total operating expenses	\$ 967	\$ 1,159	\$ 1,244	
Net pretax income	\$141,316	\$210,977	\$161,119	\$161,119
Interest expense	93,540	139,300	106,658	110,783 <sup>a</sup>
Federal income tax	22,932	34,405	26,141	24,078 <sup>b</sup>
Net income	\$ 24,844	\$ 37,272	\$ 28,320	\$ 26,258
Time charges earned:				
Before income tax	1.51x	1.51x	1.51x	(See ) <sup>c</sup>
After income tax	1.27x	1.27x	1.27x	(Note)

a. Includes this issue at 8 1/4%.

b. Pro forma tax estimate.

c. Montgomery Ward & Company guarantees at least 1.5 times the fixed charges. Hence, the pro forma charges are meaningless.

BALANCE SHEET 12-29-76 (000)

<u>Assets</u>		<u>Liabilities and Shareholders' Equity</u>	
Cash	\$ 24,934	Current:	
Accounts receivable	2,281,650	Short-term debt	\$775,677
Prepaid interest	1,088	Allowance for bad debt	114,083
Other assets	3,098	Accrued interest	15,813
		Accrued taxes	13,059
		Total current liabilities	\$ 918,632
		Long-term debt	984,127
		Shareholders' Equity	408,011
	<u>\$2,310,770</u>	Total Liabilities and Shareholders' Equity	<u>\$2,310,770</u>

GENERAL INFORMATION

Montgomery Ward Credit Corporation is a wholly owned subsidiary of Montgomery Ward & Co., Inc., which is, in turn, a wholly owned subsidiary of Marcor, Inc. The principal business of the company is to finance customer deferred payment accounts of Montgomery Ward & Co., Inc.

The corporation has an agreement with Wards under which the parent will sell and assign to the credit corporation contracts arising out of merchandise sales made by Wards under its various charge and time payment plans in its retail stores. The credit corporation purchases all such sales contracts. At present, the corporation pays Wards an amount equal to the account balance being acquired, less a cash discount which during the 1976 fiscal year ranged from 7 1/4% to 8% a year and was 7 7/8% at March 30, 1977.

The credit company's income is derived primarily from a discount charged to the parent company on receivables financed. Historically, the discount has been designed to produce earnings of 1.5 times fixed charges on its debt. Consequently, the credit company's income should be expected to be directly related to interest costs and a decrease in interest costs would result in a reduction in the discount rate charged the parent and decreased earnings for the company.

MONTGOMERY WARD CREDIT CORPORATION  
8 1/4% Sinking Fund Debentures, due June 30, 2002

Amount: \$50,000,000

Dated: June 30, 1977

Maturity: June 30, 2002

Interest Rate: 8 1/4%, payable semi-annually on June 30 and December 31.

Redemption: Not redeemable prior to June 30, 1987, except under certain conditions of declining receivables; thereafter, at specified prices scaled down from 104.125 to par in 1997.

Sinking Fund: Annual payment of \$2,620,000 each June 30, beginning in 1988 are calculated to retire 73.36% of the issue prior to maturity.

Security: The bonds will constitute senior debt ranking with all other senior debt.

Purpose: The net proceeds from the sale of the debentures will be applied to the repayment of short-term debt of the company.

Sale: This Secondary offering was purchased from Lehman Bros., Inc., through competitive offering at \$989.80 per \$1,000 bond to yield 8.35%. It is assumed the selling agent received a commission of \$2.50 per \$1,000 of principal; accordingly, the total gross commission received on the portion of this issue purchased by the State of Minnesota was \$1,000.

Commitments: The State of Minnesota has purchased \$400,000 face amount of this security for the Supplemental Retirement Fund - Fixed Return Account.

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
DIVIDEND CHANGES, STOCK DIVIDENDS, STOCK SPLITS

JULY 1, 1977 - AUGUST 19, 1977

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
RETIREMENT FUNDS	PERMANENT SCHOOL FUND	FORMER ANNUAL DIVIDEND RATE ON PREVIOUS NUMBER OF SHARES	FORMER ANNUAL DIVIDEND RATE APPLICABLE TO NEW NUMBER OF SHARES	EX-DATE OF CHANGE	NEW INDICATED ANNUAL RATE	STOCK DIVIDEND/ STOCK SPLIT RATE DECLARED	NUMBER OF NEW SHARES HELD	ANNUAL TOTAL PREVIOUS DIVIDEND	ANNUAL TOTAL NEW DIVIDEND	PREVIOUS YIELD BASED ON COST	NEW YIELD BASED ON COST
<i>SAFECO Corp.</i>											
BR 40700	-	\$1.25	-	7-02-77	\$1.50	-	-	\$ 50,875.00	\$ 61,050.00	4.06%	4.87%
MA 74400	-	1.25	-	7-02-77	1.50	-	-	93,000.00	111,600.00	3.85	4.62
SG 3400	-	1.25	-	7-02-77	1.50	-	-	4,250.00	5,100.00	2.68	3.21
-	15800	1.25	-	7-02-77	1.50	-	-	19,750.00	23,700.00	5.73	6.87
<i>Medtronic, Inc.</i>											
BR 93000	-	Nil	-	7-05-77	0.40	-	-	-	37,200.00	-	1.24
MA 48100	-	Nil	-	7-05-77	0.40	-	-	-	19,240.00	-	1.35
VA 6000	-	Nil	-	7-05-77	0.40	-	-	-	2,400.00	-	1.04
SG 7000	-	Nil	-	7-05-77	0.40	-	-	-	2,800.00	-	1.68
<i>Cincinnati Gas &amp; Electric</i>											
BR 65000	-	1.64	-	7-11-77	1.84	-	-	106,600.00	119,600.00	6.16	6.91
-	24000	1.64	-	7-11-77	1.84	-	-	39,360.00	44,160.00	6.20	6.95
<i>Sears, Roebuck &amp; Co.</i>											
BR 93000	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	186000	195,300.00	195,300.00	2.98	2.98
MA 60000	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	120000	126,000.00	126,000.00	2.90	2.90
VA 6000	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	12000	12,600.00	12,600.00	2.57	2.57
SI 7500	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	15000	15,750.00	15,750.00	2.70	2.70
-	12000	2.10	1.05	7-18-77	1.05	2x1 S.S.	24000	25,200.00	25,200.00	2.58	2.58
<i>Colgate-Palmolive Co.</i>											
BR 232500	-	0.88	-	7-19-77	1.00	-	-	204,600.00	232,500.00	3.22	3.66
VA 15000	-	0.88	-	7-19-77	1.00	-	-	13,200.00	15,000.00	3.35	3.81
SG 6000	-	0.88	-	7-19-77	1.00	-	-	5,280.00	6,000.00	3.29	3.74
SI 9000	-	0.88	-	7-19-77	1.00	-	-	7,920.00	9,000.00	3.31	3.76
<i>Gulf Oil Corp.</i>											
BR 227100	-	1.80	-	8-01-77	1.90	-	-	408,780.00	431,490.00	6.66	7.03
MA 170000	-	1.80	-	8-01-77	1.90	-	-	306,000.00	323,000.00	6.46	6.82
<i>Atlantic Richfield</i>											
BR 126400	-	1.60	-	8-01-77	2.00	-	-	202,240.00	252,800.00	3.98	4.97
MA 114000	-	1.60	-	8-01-77	2.00	-	-	182,400.00	228,000.00	3.52	4.40
VA 10000	-	1.60	-	8-01-77	2.00	-	-	16,000.00	20,000.00	3.15	3.94
SG 5500	-	1.60	-	8-01-77	2.00	-	-	8,800.00	11,000.00	2.97	3.71
-	16000	1.60	-	8-01-77	2.00	-	-	25,600.00	32,000.00	3.74	4.67
<i>Boeing Co.</i>											
BR 99700	-	1.40	-	8-05-77	2.00	-	-	139,580.00	199,400.00	3.35	4.78
MA 60000	-	1.40	-	8-05-77	2.00	-	-	84,000.00	120,000.00	3.41	4.87
VA 14000	-	1.40	-	8-05-77	2.00	-	-	19,600.00	28,000.00	3.14	4.48
SG 7000	-	1.40	-	8-05-77	2.00	-	-	9,800.00	14,000.00	3.14	4.49

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
DIVIDEND CHANGES, STOCK DIVIDENDS, STOCK SPLITS

JULY 1, 1977 - AUGUST 19, 1977

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
RETIREMENT FUNDS	PERMANENT SCHOOL FUND	FORMER ANNUAL DIVIDEND RATE ON PREVIOUS NUMBER OF SHARES	FORMER ANNUAL DIVIDEND RATE APPLICABLE TO NEW NUMBER OF SHARES	EX-DATE OF CHANGE	NEW INDICATED ANNUAL RATE	STOCK DIVIDEND/ STOCK SPLIT  RATE DECLARED	NUMBER OF NEW SHARES HELD	ANNUAL TOTAL PREVIOUS DIVIDEND	ANNUAL TOTAL NEW DIVIDEND	PREVIOUS YIELD BASED ON COST	NEW YIELD BASED ON COST
<i>SAFECO Corp.</i>											
BR 40700	-	\$1.25	-	7-02-77	\$1.50	-	-	\$ 50,875.00	\$ 61,050.00	4.06%	4.87%
MA 74400	-	1.25	-	7-02-77	1.50	-	-	93,000.00	111,600.00	3.85	4.62
SG 3400	-	1.25	-	7-02-77	1.50	-	-	4,250.00	5,100.00	2.68	3.21
-	15800	1.25	-	7-02-77	1.50	-	-	19,750.00	23,700.00	5.73	6.87
<i>Medtronic, Inc.</i>											
BR 93000	-	Nil	-	7-05-77	0.40	-	-	-	37,200.00	-	1.24
MA 48100	-	Nil	-	7-05-77	0.40	-	-	-	19,240.00	-	1.35
VA 6000	-	Nil	-	7-05-77	0.40	-	-	-	2,400.00	-	1.04
SG 7000	-	Nil	-	7-05-77	0.40	-	-	-	2,800.00	-	1.68
<i>Cincinnati Gas &amp; Electric</i>											
BR 65000	-	1.64	-	7-11-77	1.84	-	-	106,600.00	119,600.00	6.16	6.91
-	24000	1.64	-	7-11-77	1.84	-	-	39,360.00	44,160.00	6.20	6.95
<i>Sears, Roebuck &amp; Co.</i>											
BR 93000	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	186000	195,300.00	195,300.00	2.98	2.98
MA 60000	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	120000	126,000.00	126,000.00	2.90	2.90
VA 6000	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	12000	12,600.00	12,600.00	2.57	2.57
SI 7500	-	2.10	1.05	7-18-77	1.05	2x1 S.S.	15000	15,750.00	15,750.00	2.70	2.70
-	12000	2.10	1.05	7-18-77	1.05	2x1 S.S.	24000	25,200.00	25,200.00	2.58	2.58
<i>Colgate-Palmolive Co.</i>											
BR 232500	-	0.88	-	7-19-77	1.00	-	-	204,600.00	232,500.00	3.22	3.66
VA 15000	-	0.88	-	7-19-77	1.00	-	-	13,200.00	15,000.00	3.35	3.81
SG 6000	-	0.88	-	7-19-77	1.00	-	-	5,280.00	6,000.00	3.29	3.74
SI 9000	-	0.88	-	7-19-77	1.00	-	-	7,920.00	9,000.00	3.31	3.76
<i>Gulf Oil Corp.</i>											
BR 227100	-	1.80	-	8-01-77	1.90	-	-	408,780.00	431,490.00	6.66	7.03
MA 170000	-	1.80	-	8-01-77	1.90	-	-	306,000.00	323,000.00	6.46	6.82
<i>Atlantic Richfield</i>											
BR 126400	-	1.60	-	8-01-77	2.00	-	-	202,240.00	252,800.00	3.98	4.97
MA 114000	-	1.60	-	8-01-77	2.00	-	-	182,400.00	228,000.00	3.52	4.40
VA 10000	-	1.60	-	8-01-77	2.00	-	-	16,000.00	20,000.00	3.15	3.94
SG 5500	-	1.60	-	8-01-77	2.00	-	-	8,800.00	11,000.00	2.97	3.71
-	16000	1.60	-	8-01-77	2.00	-	-	25,600.00	32,000.00	3.74	4.67
<i>Boeing Co.</i>											
BR 99700	-	1.40	-	8-05-77	2.00	-	-	139,580.00	199,400.00	3.35	4.78
MA 60000	-	1.40	-	8-05-77	2.00	-	-	84,000.00	120,000.00	3.41	4.87
VA 14000	-	1.40	-	8-05-77	2.00	-	-	19,600.00	28,000.00	3.14	4.48
SG 7000	-	1.40	-	8-05-77	2.00	-	-	9,800.00	14,000.00	3.14	4.49

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
DIVIDEND CHANGES, STOCK DIVIDENDS, STOCK SPLITS

JULY 1, 1977 - AUGUST 19, 1977

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
RETIREMENT FUNDS	PERMANENT SCHOOL FUND	FORMER ANNUAL DIVIDEND RATE ON PREVIOUS NUMBER OF SHARES	FORMER ANNUAL DIVIDEND RATE APPLICABLE TO NEW NUMBER OF SHARES	EX-DATE OF CHANGE	NEW INDICATED ANNUAL RATE	STOCK DIVIDEND/ STOCK SPLIT  RATE DECLARED	NUMBER OF NEW SHARES HELD	ANNUAL TOTAL PREVIOUS DIVIDEND	ANNUAL TOTAL NEW DIVIDEND	PREVIOUS YIELD BASED ON COST	NEW YIELD BASED ON COST
<i>BankAmerica Corp.</i>											
BR 7000	-	\$0.80	-	8-05-77	\$0.94	-	-	\$ 5,600.00	\$ 6,580.00	3.40%	3.99%
MA 167000	-	0.80	-	8-05-77	0.94	-	-	133,600.00	156,980.00	4.14	4.87
SG 5000	-	0.80	-	8-05-77	0.94	-	-	4,000.00	4,700.00	4.01	4.71
-	33000	0.80	-	8-05-77	0.94	-	-	26,400.00	31,020.00	3.57	4.19
<i>Trans Union Corp.</i>											
BR 110000	-	1.76	-	8-08-77	1.92	-	-	193,600.00	211,200.00	5.51	6.01
MA 75100	-	1.76	-	8-08-77	1.92	-	-	132,176.00	144,192.00	5.81	6.34
VA 8000	-	1.76	-	8-08-77	1.92	-	-	14,080.00	15,360.00	5.57	6.08
SG 3500	-	1.76	-	8-08-77	1.92	-	-	6,160.00	6,720.00	5.44	5.93
SI 8000	-	1.76	-	8-08-77	1.92	-	-	14,080.00	15,360.00	5.58	6.08
-	10400	1.76	-	8-08-77	1.92	-	-	18,304.00	19,968.00	6.17	6.73
<i>Houston Industries</i>											
BR 94100	-	1.76	-	8-08-77	1.96	-	-	165,616.00	184,436.00	4.17	4.64
MA 97600	-	1.76	-	8-08-77	1.96	-	-	171,776.00	191,296.00	4.54	5.06
-	16500	1.76	-	8-08-77	1.96	-	-	29,040.00	32,340.00	3.72	4.14
<i>American Home Products</i>											
BR 125300	-	1.10	-	8-08-77	1.20	-	-	137,830.00	150,360.00	4.20	4.59
MA 89800	-	1.10	-	8-08-77	1.20	-	-	98,780.00	107,760.00	4.55	4.97
SG 7000	-	1.10	-	8-08-77	1.20	-	-	7,700.00	8,400.00	2.97	3.24
SI 5000	-	1.10	-	8-08-77	1.20	-	-	5,500.00	6,000.00	3.51	3.83
-	22800	1.10	-	8-08-77	1.20	-	-	25,080.00	27,360.00	4.96	5.41
<i>Sears, Roebuck &amp; Co.</i>											
BR 186000	-	1.05	-	8-08-77	1.11	-	-	195,300.00	206,460.00	2.98	3.15
MA 120000	-	1.05	-	8-08-77	1.11	-	-	126,000.00	133,200.00	2.90	3.07
VA 12000	-	1.05	-	8-08-77	1.11	-	-	12,600.00	13,320.00	2.57	2.71
SI 15000	-	1.05	-	8-08-77	1.11	-	-	15,750.00	16,650.00	2.70	2.85
-	24000	1.05	-	8-08-77	1.11	-	-	25,200.00	26,640.00	2.58	2.72
<i>Goodyear Tire &amp; Rubber</i>											
BR 213500	-	1.10	-	8-09-77	1.30	-	-	234,850.00	277,550.00	4.29	5.07
MA 147500	-	1.10	-	8-09-77	1.30	-	-	162,250.00	191,750.00	4.01	4.74
SI 11500	-	1.10	-	8-09-77	1.30	-	-	12,650.00	14,950.00	3.83	4.53
-	33000	1.10	-	8-09-77	1.30	-	-	36,300.00	42,900.00	4.26	5.03
<i>Donnelley (R.R.) &amp; Sons</i>											
BR 93102	-	0.68	-	8-09-77	0.76	-	-	63,309.36	70,757.52	3.22	3.60



STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
DIVIDEND CHANGES, STOCK DIVIDENDS, STOCK SPLITS

JULY 1, 1977 - AUGUST 19, 1977

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
RETIREMENT FUNDS	PERMANENT SCHOOL FUND	FORMER ANNUAL DIVIDEND RATE ON PREVIOUS NUMBER OF SHARES	FORMER ANNUAL DIVIDEND RATE APPLICABLE TO NEW NUMBER OF SHARES	EX-DATE OF CHANGE	NEW INDICATED ANNUAL RATE	STOCK DIVIDEND/ STOCK SPLIT RATE DECLARED	NUMBER OF NEW SHARES HELD	ANNUAL TOTAL PREVIOUS DIVIDEND	ANNUAL TOTAL NEW DIVIDEND	PREVIOUS YIELD BASED ON COST	NEW YIELD BASED ON COST
<i>General Telephone &amp; Electronics</i>											
BR 270300	-	\$2.00	-	8-16-77	\$2.24	-	-	\$540,600.00	\$605,472.00	6.87%	7.69%
MA 220000	-	2.00	-	8-16-77	2.24	-	-	440,000.00	492,800.00	7.70	8.62
VA 14500	-	2.00	-	8-16-77	2.24	-	-	29,000.00	32,480.00	9.24	10.35
SI 22000	-	2.00	-	8-16-77	2.24	-	-	44,000.00	49,280.00	7.33	8.21
-	40800	2.00	-	8-16-77	2.24	-	-	81,600.00	91,392.00	7.12	7.97
<i>Clark Equipment</i>											
BR 82700	-	1.60	-	8-16-77	1.80	-	-	132,320.00	148,860.00	3.75	4.22
MA 50000	-	1.60	-	8-16-77	1.80	-	-	80,000.00	90,000.00	3.78	4.25
SG 4000	-	1.60	-	8-16-77	1.80	-	-	6,400.00	7,200.00	3.94	4.43
SI 5000	-	1.60	-	8-16-77	1.80	-	-	8,000.00	9,000.00	3.68	4.14

BR - Basic Retirement Funds - Teachers', Public Employees, State Employees, Police & Fire, Highway Patrolmen's and Judges.  
 SG - Supplemental Growth Share Account.  
 SI - Supplemental Income Share Account.  
 MA - Minnesota Adjustable Fixed Benefit Fund.  
 VA - Minnesota Variable Annuity Fund.

SUMMARY

<u>RETIREMENT FUNDS</u>	
<i>Basic Retirement:</i>	
Net dividend increase during period:	\$ 414,015.16
Net dividend increase since January 1, 1977:	\$2,177,347.06
<i>Supplemental Growth Share Account:</i>	
Net dividend increase during period:	\$ 15,830.00
Net dividend increase since January 1, 1977:	\$ 57,623.88
<i>Supplemental Income Share Account:</i>	
Net dividend increase during period:	\$ 10,040.00
Net dividend increase since January 1, 1977:	\$ 94,568.40

<u>RETIREMENT FUNDS, Con't.</u>	
<i>Minnesota Adjustable Fixed Benefit Fund:</i>	
Net dividend increase during period:	\$ 299,836.00
Net dividend increase since January 1, 1977:	\$1,523,232.34
<i>Minnesota Variable Annuity Fund:</i>	
Net dividend increase during period:	\$ 22,080.00
Net dividend increase since January 1, 1977:	\$ 100,977.20

<u>PERMANENT SCHOOL FUND</u>	
Net dividend increase during period:	\$ 44,846.00
Net dividend increase since January 1, 1977:	\$ 215,091.60

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
ADVISORY COUNCIL ON STATE TRUST FUNDS  
MATERIALS FOR MEETING OF NOVEMBER 4, 1977

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STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
THE INVESTMENT ADVISORY COUNCIL ON STATE TRUST FUNDS  
PERTINENT STATISTICS FOR PORTFOLIO REVIEW

DISTRIBUTION OF COMMON STOCK HOLDINGS  
PERMANENT SCHOOL FUND, BASIC RETIREMENT FUNDS AND MINNESOTA ADJUSTABLE FIXED BENEFIT FUND  
(Percentage of Market Value)  
October 14, 1977

	<u>PERMANENT SCHOOL FUND</u>	<u>BASIC RETIREMENT FUNDS</u>	<u>MINNESOTA ADJUSTABLE FIXED BENEFIT FUND</u>
I. Utilities	22.85%	15.24%	15.76%
II. Financial Services	16.46	12.18	10.92
III. Consumer-Oriented	24.11	27.99	25.70
IV. Technology	8.92	8.70	9.75
V. Basic Industry	10.72	18.57	19.56
VI. Energy	13.74	14.67	15.62
VII. Transportation	3.20	2.65	2.69
Total Market Value	\$53,452,780.14	\$566,500,400.13	\$362,135,085.54

TWELVE LARGEST HOLDINGS—PERMANENT SCHOOL FUND,  
BASIC RETIREMENT FUNDS AND MINNESOTA ADJUSTABLE FIXED BENEFIT FUND  
(Listed in order of cost and market value)  
(INCLUDES BASIC RETIREMENT FUNDS, PERMANENT SCHOOL FUND, SUPPLEMENTAL  
AND VARIABLE FUNDS AND ADJUSTABLE FIXED BENEFIT FUND)

	<u>COST</u>		<u>MARKET 10-14-77</u>
1. International Business Machines	\$52,899,742.13	1. International Business Machines	\$54,798,179.63
2. American Telephone & Telegraph	32,049,910.16	2. American Telephone & Telegraph	36,467,534.00
3. Exxon Corporation	24,023,123.54	3. Exxon Corporation	28,184,870.00
4. General Motors	16,654,359.01	4. General Telephone & Telegraph	18,099,900.00
5. General Telephone & Electronics	15,863,875.37	5. General Motors	17,566,575.00
6. General Electric Co.	14,693,253.13	6. General Electric Company	14,783,550.00
7. Burroughs Corporation	14,280,682.65	7. Panhandle Eastern Pipe Line	14,538,595.00
8. du Pont (E.I.) de Nemours	13,251,321.04	8. Atlantic Richfield Company	14,442,000.00
9. Eastman Kodak Company	13,205,897.87	9. Standard Oil (Indiana)	12,971,275.00
10. Sears, Roebuck & Company	12,951,124.64	10. Standard Oil of Calif.	12,959,375.00
11. Xerox Corporation	12,940,332.35	11. Minnesota Mining & Manufacturing	12,539,050.00
12. Penney (J.C.) Company	12,931,936.57	12. Burroughs Corporation	12,388,950.00

DOW JONES AVERAGES

(Selected dates approximating those of recent review materials)

	<u>2-7-75</u>	<u>5-7-75</u>	<u>6-30-75</u>	<u>9-30-75</u>	<u>1-30-76</u>	<u>4-23-76</u>	<u>8-13-76</u>	<u>11-19-76</u>	<u>2-11-77</u>	<u>4-29-77</u>	<u>8-12-77</u>	<u>10-14-77</u>
Industrials	711.91	836.44	878.99	793.88	975.28	1000.71	990.19	948.80	931.52	926.90	871.10	821.64
Transportation	157.90	170.85	171.13	155.97	199.35	212.14	222.28	221.90	224.24	234.51	218.88	210.61
Utilities	81.64	75.47	85.99	76.97	90.87	87.87	92.98	100.24	106.08	108.67	114.68	112.17

STATE OF MINNESOTA - STATE BOARD OF INVESTMENT - ADVISORY COUNCIL ON STATE TRUST FUNDS

October 14, 1977

STOCKS AND FIXED-INCOME SECURITIES PURCHASED FOR THE BASIC RETIREMENT FUNDS,  
THE MINNESOTA ADJUSTABLE FIXED BENEFIT FUND AND THE PERMANENT SCHOOL FUND  
(EXCLUDING SHORT-TERM OBLIGATIONS)

ESTIMATED MARKET VALUES OF PORTFOLIOS AS OF OCTOBER 14, 1977

	Cost	Yield at Purchase Price	Market	
I. BASIC RETIREMENT FUNDS - April 1, 1960 - October 14, 1977 (Assuming bonds would sell at a price to yield 8.42%)				
Corporate Bonds	\$ 462,138,403.00	7.93%		
U.S. Government-Guaranteed Merchant Marine Bonds	\$ 34,814,698.59	7.86%		
Canadian Provincial Obligations	<u>\$ 78,725,000.00</u>	<u>8.32%</u>		
Total Bonds	\$ 575,678,101.59	7.98%	\$ 556,795,859.86	(3.28% discount from cost)
Total Stocks	<u>\$ 575,066,725.73</u>	<u>4.47%</u>	<u>\$ 566,532,400.13</u>	
Total Stocks & Bonds	\$1,150,744,827.32	6.23%	\$1,123,328,259.99	
Net decrease in market value from cost price			(\$ 27,416,567.33)	
II. MINNESOTA ADJUSTABLE FIXED BENEFIT FUND - June 30, 1969 - October 14, 1977 (Assuming bonds would sell at a price to yield 8.42%)				
Corporate Bonds	\$ 265,469,368.67	8.05%		
U.S. Government-Guaranteed Obligations	\$ 70,580,341.91	8.27%		
Canadian Provincial Obligations	<u>\$ 27,760,000.00</u>	<u>8.70%</u>		
Total Bonds	\$ 363,809,710.58	8.14%	\$ 354,678,086.84	(2.51% discount from cost)
Total Stocks	<u>\$ 367,969,973.18</u>	<u>4.38%</u>	<u>\$ 362,135,085.54</u>	
Total Stocks & Bonds	\$ 731,779,683.76	6.25%	\$ 716,813,172.38	
Net decrease in market value from cost price			(\$ 14,966,511.38)	
III. PERMANENT SCHOOL FUND - May 22, 1963 - October 14, 1977 (Assuming bonds would sell at a price to yield 8.32%)				
Corporate Bonds	\$ 75,445,490.82	6.12%		
U.S. Government-Guaranteed Obligations	<u>\$ 130,063,982.76</u>	<u>7.99%</u>		
Total Bonds	\$ 205,509,473.58	7.30%	\$ 189,787,998.85	(7.65% discount from cost)
Total Stocks	<u>\$ 51,696,345.60</u>	<u>5.21%</u>	<u>\$ 53,452,780.14</u>	
Total Stocks & Bonds	\$ 257,205,819.18	6.88%	\$ 243,240,778.99	
Net decrease in market value from cost price			(\$ 13,965,040.19)	

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

COMPOSITION OF RETIREMENT FUNDS AND PERMANENT SCHOOL FUND BY TYPES OF INVESTMENT  
October 31, 1977

	Cash and U.S. Government Short-Term	Corporate Short-Term	Municipals	U.S. Gov't. & Agency Guarantees (1)	Canadian Governmental Obligations (1)	Corporate Bonds (1)	Common Stocks (2)	Total
Basic Retirement Funds								
Teachers' Retirement Fund	\$ 3,515,071.46 0.75%	\$14,750,000.00 3.15%	\$2,439,000.00 0.52%	\$ 10,743,710.32 2.29%	\$ 29,972,368.60 6.40%	\$181,461,239.72 38.76%	\$ 225,280,728.38 48.13%	\$ 468,162,118.68 100.00%
Public Employees Ret. Fund	\$ 3,909,362.35 0.92%	\$ 6,000,000.00 1.41%	\$1,567,000.00 0.37%	\$ 15,438,518.87 3.64%	\$ 28,581,237.52 6.74%	\$163,134,791.63 38.45%	\$ 205,673,015.36 48.47%	\$ 424,303,925.73 100.00%
State Employees Ret. Fund	\$ (145,383.66) (0.07%)	\$ 9,612,000.00 4.45%	\$2,067,000.00 0.96%	\$ 5,287,682.67 2.45%	\$ 14,854,302.28 6.88%	\$ 79,842,096.08 39.96%	\$ 104,510,713.33 43.37%	\$ 216,028,410.70 100.00%
Public Employees Police & Fire Fund	\$ 683.03 0.01%	\$ 1,134,000.00 1.69%	-0-	\$ 2,042,358.71 3.04%	\$ 3,948,764.14 5.87%	\$ 27,426,612.60 40.80%	\$ 32,677,018.85 48.59%	\$ 67,229,437.33 100.00%
Hwy. Patrol. Ret. Fund	\$ 274,916.95 1.23%	\$ 725,000.00 3.25%	\$ 194,000.00 0.87%	\$ 508,335.87 2.28%	\$ 1,218,303.30 5.47%	\$ 8,624,984.80 38.71%	\$ 10,733,684.43 48.19%	\$ 22,279,225.36 100.00%
Judges Retirement Fund	\$ 288,958.47 14.05%	-0-	-0-	\$ 448,000.91 21.79%	-0-	\$ 1,000,028.93 48.64%	\$ 319,197.86 15.52%	\$ 2,056,186.17 100.00%
-----								
Minnesota Adjustable Fixed Benefit Fund	\$ 6,250,890.35 0.82%	\$22,199,000.00 2.92%	-0-	\$ 69,111,315.26 9.08%	\$ 27,706,958.92 3.64%	\$267,274,869.83 35.10%	\$ 368,960,441.70 48.44%	\$ 761,503,476.06 100.00%
Minnesota Suppl. Ret. Fund Income Share Account	\$ 521,135.03 0.96%	\$ 1,622,000.00 2.99%	-0-	\$ 1,656,930.74 3.06%	\$ 4,498,208.22 8.29%	\$ 19,718,064.23 36.36%	\$ 26,217,186.16 48.34%	\$ 54,233,524.38 100.00%
Growth Share Account	\$ 424.65 0.01%	\$ 670,000.00 3.54%	-0-	-0-	-0-	-0-	\$ 18,266,454.44 96.45%	\$ 18,936,879.09 100.00%
Fixed Return Account	\$ 532,177.99 5.21%	-0-	-0-	\$ 648,287.38 6.35%	\$ 598,241.82 5.86%	\$ 8,430,594.87 82.58%	-0-	\$ 10,209,302.06 100.00%
Minnesota Variable Annuity	\$ 876,639.90 1.82%	\$ 941,000.00 1.96%	-0-	-0-	\$ 2,798,880.52 5.82%	\$ 8,705,494.41 18.10%	\$ 34,771,665.51 72.30%	\$ 48,093,680.34 100.00%
*****								
Permanent School Fund	\$ 9,311,294.69 3.55%	-0-	\$ 307,000.00 0.12%	\$126,854,747.79 48.30%	-0-	\$ 74,444,790.57 28.35%	\$ 51,696,330.20 19.68%	\$ 262,614,163.25 100.00%
Totals	\$25,336,171.22 1.08%	\$57,653,000.00 2.45%	\$6,574,000.00 0.28%	\$232,739,888.52 9.88%	\$114,177,265.52 4.85%	\$840,063,567.67 35.66%	\$1,079,106,436.22 45.80%	\$2,355,650,329.15 100.00%

(1) All bonds are shown at amortized cost.

(2) All stocks are shown at net original cost.

(3) Includes \$5,202,075.00 of convertible debentures, 0.68% of the account.

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
ADVISORY COUNCIL ON STATE TRUST FUNDS

Purchases and Commitments of Fixed-Income Securities for the  
Retirement Funds and the Permanent School Fund  
August 13, 1977 - October 14, 1977

PURCHASES

Settlement Date	Amount	Issue	Average Yield
08-24-77	\$10,026,336.23	GNMA, 8.00% Mortgage-backed Certificates, due 2007	8.13*
08-25-77	173,424.60	Small Business Administration, 9% Guaranteed Loan Certificates, due 5-27-94	9.11
08-25-77	55,217.56	Small Business Administration, 9% Guaranteed Loan Certificates, due 7-01-1984	9.55
08-26-77	10,146,043.25	GNMA, 8.00% Mortgage-backed Certificates, due 2007	8.16 *
08-31-77	100,000.00	Federal Home Loan Bank, 7.85% Bonds, due 8-27-1984	7.31
08-31-77	453,774.83	GNMA, 8.00% Mortgage-backed Certificates, due 2007	8.23 *
10-06-77	5,800,000.00	Seaboard Coast Line Railroad, 8.25% Conditional Sale Agreement, due 10-01-92	8.25
10-14-77	10,000,000.00	Montgomery Ward Credit Corporation, 8.375% Debentures, due 10-01-2002	8.38
	<u>\$36,754,796.47</u>	Total	Weighted Average Yield 8.23%

COMMITMENTS FOR FUTURE PAYMENTS

Approximate Payment Date	Amount	Issue	Average Yield
10-21-77	\$ 6,400,000.00	Montgomery Ward Credit Corporation, 8.375% Debentures, due 10-01-2002	8.53%
11-22-77	5,500,000.00	United Illuminating Company, 8.50% Serial Bonds, due 9-01-97	8.50
11-22-77	5,000,000.00	GNMA, 8.00% Mortgage-backed Certificates, due 2007	8.24 *
11-23-77	5,000,000.00	GNMA, 8.00% Mortgage-backed Certificates, due 2007	8.28 *
11-23-77	10,000,000.00	GNMA, 8.25% Mortgage-backed Certificates, due 2006	8.38
12-07-77	5,000,000.00	Burlington Northern Inc., 8.125% Conditional Sale Agreement, due 1-05-93	8.13
to 1978	3,835,000.00	Our Lady of Victory Hospital, 8.75% GNMA Guaranteed Mortgage-backed Certificates, due 2001	8.86
to 1978	4,000,000.00	Melrose-Wakefield Hospital 8.75% Hill-Burton Government Guaranteed Loan, due 2001	8.91
	<u>\$44,735,000.00</u>	Total	Weighted Average Yield 8.45%

\* Bond equivalent yield assuming average life of 12.0 years based on FHA prepayment experience.

## STATE OF MINNESOTA - STATE BOARD OF INVESTMENT

## COMMON STOCKS

ANALYSIS OF PURCHASES (OF MORE THAN A TOTAL COST OF \$50,000) AND ALL SALES  
TRANSACTIONED FOR THE PERIOD BEGINNING AUGUST 13, 1977 THROUGH OCTOBER 14, 1977

OCTOBER 14, 1977

<u>STOCKS PURCHASED</u>	<u>SHARES</u>	<u>TOTAL COST</u>	<u>STOCKS PURCHASED</u>	<u>SHARES</u>	<u>TOTAL COST</u>
<u>ELECTRIC</u>			<u>CHEMICALS</u>		
Commonwealth Edison	2,500	\$ 76,017.50	Air Products & Chemicals	8,000	\$ 191,542.00
Northern States Power	17,000	503,325.00	<u>ELECTRICAL EQUIPMENT</u>		
Pacific Gas & Electric	17,000	410,277.50	General Electric Co.	32,500	1,712,105.00
<u>NATURAL GAS</u>			<u>MACHINERY</u>		
Houston Natural Gas	7,500	215,850.00	Caterpillar Tractor	7,600	402,096.50
Peoples Gas Co.	34,666	1,345,455.00	Clark Equipment Co.	5,000	181,525.00
<u>COMMUNICATIONS</u>			<u>METALS</u>		
American Telephone & Telegraph	20,000	1,249,370.00	Aluminum Company of America	4,200	188,900.00
General Telephone & Electronics	7,000	217,362.50	Hanna Mining Company	4,000	170,388.00
<u>INSURANCE</u>			<u>MISCELLANEOUS</u>		
NLT Corp.	2,800	71,300.00	International Telephone & Telegraph	23,000	723,977.50
<u>AUTO-AUTO PARTS</u>			<u>OIL-DOMESTIC</u>		
General Motors	8,700	605,014.50	Atlantic Richfield Co.	6,500	344,575.00
<u>CONSUMER-NONDURABLES</u>			Continental Oil	37,000	1,115,627.50
Minnesota Mining & Manufacturing.	2,500	128,137.50	<u>OIL-INTERNATIONAL</u>		
<u>DRUGS</u>			Exxon Corporation	21,800	1,039,144.00
American Home Products	2,000	56,880.00	Standard Oil of Calif.	16,500	673,285.00
Johnson & Johnson	7,500	550,247.50	Texaco, Inc.	18,000	503,915.00
Merck & Co.	5,600	318,689.50	<u>ENERGY-RELATED</u>		
Pfizer, Inc.	8,000	213,432.50	Halliburton Co.	4,000	235,367.00
<u>FOODS-BEVERAGES</u>			Williams Companies	18,500	375,665.00
General Mills	9,000	256,897.50	<u>RAILROADS</u>		
Norton Simon	10,000	204,850.00	Southern Railway	7,500	387,855.00
PepsiCo, Inc.	6,000	156,060.00	Union Pacific Corp.	8,500	424,515.00
Pillsbury Company	15,000	614,461.50	Total Purchases for the Period from August 13, 1977 through October 14, 1977 (above listing represents 98% of total).		
<u>RETAIL SALES</u>			<u>STOCKS SOLD</u>		
K mart Corporation	5,000	155,800.00	Clorox Company	6,500	\$ 87,909.54
Southland Corporation	5,000	124,450.00	General Foods Corp.	76,600	2,490,811.65
<u>ELECTRONICS</u>			Dayton Hudson Corp.	49,000	1,901,736.55
Texas Instruments Inc.	27,500	2,389,559.50	Total Sales for the Period from August 13, 1977 through October 14, 1977		
<u>OFFICE EQUIPMENT</u>			<u>\$ 4,480,457.74</u>		
International Business Machines	4,100	1,095,401.50			
Xerox Corporation	3,000	161,155.00			
Boeing Co.	3,000	80,717.50			
United Technologies	3,000	107,220.00			
<u>BUILDING &amp; FOREST PRODUCTS</u>					
Georgia Pacific Corp.	5,100	143,409.00			

PERMANENT SCH(X)L FUND  
 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	***** COST *****		***** MARKET *****			CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
			TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND					
UTILITIES												
ELECTRIC												
CENTRAL & SOUTH WEST	23,000	22.73	522,901.25	1.00	15.50	356,500.00	0.68	1.260	8.1	1.90	8.2	13
CINCINNATI GAS & ELEC.	24,000	26.46	635,082.50	1.21	22.75	546,000.00	1.04	1.840	8.1	3.00	7.6	11
COMMONWEALTH EDISON	21,499	42.44	912,449.56	1.74	28.50	612,721.50	1.17	2.400	8.4	3.10	9.2	11
FLORIDA POWER & LIGHT	25,400	35.09	891,168.69	1.70	25.25	641,350.00	1.22	1.760	7.0	3.30	7.7	12
HOUSTON INDUSTRIES INC	16,500	47.30	780,473.46	1.49	30.63	505,312.50	0.96	1.960	6.4	4.40	7.0	14
MIDDLE SOUTH UTILITIES	34,000	22.59	768,002.50	1.46	16.63	565,250.00	1.08	1.380	8.3	2.10	7.9	11
MINNESOTA POWER & L.	32,000	21.85	699,064.00	1.33	21.75	696,000.00	1.33	1.760	8.1	2.75	7.9	9
NORTHERN STATES POWER	21,500	32.46	697,811.56	1.33	27.63	593,937.50	1.13	2.060	7.5	3.00	9.2	10
PACIFIC GAS & ELECTRIC	21,500	31.96	687,077.68	1.31	23.50	505,250.00	0.96	2.000	8.5	3.35	7.0	9
PUBLIC SERV. INDIANA	28,150	29.74	837,172.13	1.59	28.00	788,200.00	1.50	2.040	7.3	3.15	8.9	10
SOUTHERN CALIF. EDISON	20,000	33.81	676,276.67	1.29	24.75	495,000.00	0.94	2.000	8.1	3.90	6.3	7
SOUTHERN COMPANY	24,000	25.52	612,552.50	1.17	17.50	420,000.00	0.80	1.540	8.8	2.15	8.1	11
TEXAS UTILITIES CO.	28,000	29.17	816,768.50	1.55	20.00	560,000.00	1.07	1.400	7.0	2.55	7.8	12
VIRGINIA ELEC. & POWER	18,000	30.28	545,099.22	1.04	14.38	258,750.00	0.40	1.240	8.6	2.00	7.2	12
ELECTRIC			10,081,870.22	19.19%	7,544,271.50			14.40%	7.8			
% CHANGE COST-TO-MARKET			-25.17%	TARGET WEIGHTING (BY MARKET)			13.50%					
NATURAL GAS												
PANHANDLE E. PIPE LINE	20,000	33.58	671,612.58	1.28	43.00	860,000.00	1.64	2.500	5.8	6.15	7.0	10
PEOPLES GAS CO.	8,666	38.04	329,653.52	0.63	37.25	322,808.50	0.62	2.760	7.4	4.75	7.8	10
NATURAL GAS			1,001,266.10	1.91%	1,182,808.50			2.26%	6.2			
% CHANGE COST-TO-MARKET			18.13%	TARGET WEIGHTING (BY MARKET)			2.30%					
COMMUNICATIONS												
AMERICAN TEL. & TEL.	32,000	56.76	1,816,198.63	3.46	59.38	1,900,000.00	3.63	4.200	7.1	6.85	8.7	10
GENERAL TEL. & ELEC.	40,800	28.09	1,146,247.01	2.18	30.50	1,244,400.00	2.38	2.240	7.3	3.55	8.6	10
COMMUNICATIONS			2,962,445.64	5.64%	3,144,400.00			6.00%	7.2			
% CHANGE COST-TO-MARKET			6.14%	TARGET WEIGHTING (BY MARKET)			6.10%					
UTILITIES			14,045,581.96	26.73%	11,871,480.00			22.66%	7.5			
% CHANGE COST-TO-MARKET			-15.48%	TARGET WEIGHTING (BY MARKET)			21.90%					



## PERMANENT SCH(X)L FUND

OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN HIST PER	MULT
<b>FINANCIAL SERVICES</b>												
<b>BANKS</b>												
BANKAMERICA CORP	33,000	22.41	739,649.62	1.41	22.50	742,500.00	1.42	0.940	4.2	2.70	8.3	12
CITICORP	29,112	16.80	489,144.81	0.93	22.38	651,381.00	1.24	1.060	4.7	3.30	6.8	14
FIRST BANK SYSTEM	21,500	25.93	557,429.37	1.06	35.63	765,937.50	1.46	1.600	4.5	4.55	7.8	13
MORGAN (J.P.) & CO.	16,920	33.58	568,190.23	1.08	43.88	742,365.00	1.42	2.000	4.6	5.20	8.4	13
NORTHWEST BANCORP.	54,000	15.18	819,597.07	1.56	22.25	1,201,500.00	2.29	0.960	4.3	2.80	7.9	11
BANKS			3,174,011.10	6.04%		4,103,683.50	7.83%		4.4			
% CHANGE COST-TO-MARKET			29.29%			TARGET WEIGHTING (BY MARKET)	7.50%					
<b>FINANCE</b>												
BENEFICIAL CORP.	17,925	37.30	668,647.65	1.27	21.00	376,425.00	0.72	1.600	7.6	4.10	5.1	9
HOUSEHOLD FINANCE	26,000	27.11	704,741.42	1.34	18.75	487,500.00	0.93	1.300	6.9	3.00	6.3	11
FINANCE			1,373,389.07	2.61%		863,925.00	1.65%		7.2			
% CHANGE COST-TO-MARKET			37.10%			TARGET WEIGHTING (BY MARKET)	1.00%					
<b>INSURANCE</b>												
INA CORP.	15,300	48.86	747,593.96	1.42	40.50	619,650.00	1.18	2.300	5.7	7.00	5.8	10
NORTHWESTERN NATL LIFE	25,300	21.16	535,395.00	1.02	22.13	559,762.50	1.07	0.750	3.4	3.75	5.9	6
SAFECO CORP.	15,800	21.83	344,868.20	0.66	39.50	624,100.00	1.19	1.500	3.8	6.75	5.9	13
ST. PAUL COMPANIES	32,000	21.08	674,400.00	1.28	29.88	956,000.00	1.82	1.000	3.3	6.00	5.0	12
U.S. FIDELITY & GUAR.	25,500	27.56	702,734.10	1.34	30.75	784,125.00	1.50	1.840	6.0	6.00	5.1	11
INSURANCE			3,004,991.26	5.72%		3,543,637.50	6.76%		4.4			
% CHANGE COST-TO-MARKET			17.93%			TARGET WEIGHTING (BY MARKET)	6.00%					
FINANCIAL SERVICES			7,552,391.43	14.37%		8,511,246.00	16.25%		4.7			
% CHANGE COST-TO-MARKET			12.70%			TARGET WEIGHTING (BY MARKET)	14.50%					
<b>CONSUMER-ORIENTED</b>												
<b>AUTOS - AUTO PARTS</b>												
FORD MOTOR CO.	23,250	45.22	1,051,295.14	2.00	42.88	996,843.75	1.90	3.200	7.5	12.75	3.4	9
GENERAL MOTORS	21,200	76.59	1,623,748.99	3.09	67.25	1,425,700.00	2.72	3.400	5.1	11.75	5.7	10
GOODYEAR TIRE & RUBBER	33,000	25.85	853,102.14	1.62	17.75	585,750.00	1.12	1.300	7.3	2.75	6.5	10
AUTOS - AUTO PARTS			3,528,146.27	6.71%		3,008,293.75	5.74%		6.3			
% CHANGE COST-TO-MARKET			14.73%			TARGET WEIGHTING (BY MARKET)	5.40%					

PERMANENT SCHOOL FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** COST *****		***** MARKET *****		CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN HIST PER	EST MULT	
		AVG. COST	TOTAL COST	% OF FUND	10/31/77 PRICE						10/31/77 VALUE
CONSUMER-ORIENTED (CONTINUED)											
CONSUMER-DURABLES											
SUNBEAM CORP.	14,000	20.42	285,860.00	0.54	20.63	288,750.00	0.55	1.200	5.8	3.00	6.9 11
WHIRLPOOL CORPORATION	22,200	14.12	313,458.46	0.60	22.63	502,275.00	0.96	1.200	5.3	2.95	7.7 14.
CONSUMER-DURABLES			599,318.46	1.14%	791,025.00		1.51%	5.5			
% CHANGE COST-TO-MARKET			31.99%	TARGET WEIGHTING (BY MARKET)		1.20%					
CONSUMER-NONDURABLES											
EASTMAN KODAK CO.	7,350	75.76	556,805.37	1.06	52.75	387,712.50	0.74	2.100	4.0	4.05	13.0 27
MINNESOTA MINING & MFG	18,000	41.30	743,384.72	1.41	48.00	864,000.00	1.65	1.700	3.5	3.50	13.7 26
PROCTER & GAMBLE CO.	7,700	59.19	455,752.64	0.87	82.88	638,137.50	1.22	2.600	3.1	6.25	13.3 24
REVLON, INCORPORATED	16,000	31.19	499,085.84	0.95	40.50	648,000.00	1.24	1.000	2.5	3.10	13.1 17
CONSUMER-NONDURABLES			2,255,028.57	4.29%	2,537,850.00		4.84%	3.2			
% CHANGE COST-TO-MARKET			12.54%	TARGET WEIGHTING (BY MARKET)		4.80%					
DRUGS											
AMERICAN HOME PRODUCTS	22,800	22.20	506,146.70	0.96	27.38	624,150.00	1.19	1.200	4.4	1.95	14.0 26
MERCK & COMPANY	10,000	37.60	375,954.51	0.72	54.00	540,000.00	1.03	1.500	2.8	3.75	14.4 28
PFIZER, INC.	30,000	26.99	809,621.40	1.54	24.88	746,250.00	1.42	0.960	3.9	2.50	10.0 19
DRUGS			1,691,722.61	3.22%	1,910,400.00		3.65%	3.7			
% CHANGE COST-TO-MARKET			12.93%	TARGET WEIGHTING (BY MARKET)		3.50%					
FOODS-BEVERAGES											
CPC INTERNATIONAL	8,000	45.67	365,395.85	0.70	46.25	370,000.00	0.71	2.500	5.4	5.60	8.3 9
COCA-COLA CO.	16,000	29.54	472,619.93	0.90	37.38	598,000.00	1.14	1.540	4.1	2.65	14.1 27.
GENERAL FOODS CORP.	25,000	28.68	717,037.07	1.36	30.88	771,875.00	1.47	1.640	5.3	3.65	8.5 10
GENERAL MILLS, INC.	30,000	19.95	598,399.55	1.14	28.00	840,000.00	1.60	1.000	3.6	2.70	10.4 15
FOODS-BEVERAGES			2,153,452.40	4.10%	2,579,875.00		4.92%	4.5			
% CHANGE COST-TO-MARKET			19.80%	TARGET WEIGHTING (BY MARKET)		5.40%					
RETAIL SALES											
FEDERATED DEPT. STORES	18,000	46.20	831,610.77	1.58	38.00	684,000.00	1.31	1.460	3.8	3.75	10.1 15
PENNEY (J.C.) CO.	10,800	34.51	372,674.85	0.71	33.75	364,500.00	0.70	1.480	4.4	3.70	9.1 22
SEARS, ROEBUCK & CO.	24,000	40.75	977,895.11	1.86	29.00	696,000.00	1.33	1.110	3.8	2.80	10.4 21
RETAIL SALES			2,182,180.73	4.15%	1,744,500.00		3.33%	3.9			
% CHANGE COST-TO-MARKET-20.06%			TARGET WEIGHTING (BY MARKET)		3.30%						
CONSUMER-ORIENTED			12,409,849.04	23.62%	12,571,943.75		24.00%	4.5			
% CHANGE COST-TO-MARKET			1.31%	TARGET WEIGHTING (BY MARKET)		23.60%					

PERMANENT SCHOOL FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	AVG. COST	COST TOTAL COST	***** COST ***** % OF FUND	***** MARKET ***** 10/31/77 PRICE	***** MARKET ***** 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLP	EST ANN EARN	EST ANN PER	HIST MULT
TECHNOLOGY												
OFFICE EQUIPMENT												
BURROUGHS CORP.	11,600	74.59	865,257.68	1.65	65.13	755,450.00	1.44	1.000	1.5	5.35	12.2	28
HONEYWELL, INC.	10,000	100.30	1,002,953.18	1.91	44.63	446,250.00	0.85	1.900	4.3	6.25	7.1	17
INT'L BUS. MACHINES	12,535	188.78	2,366,406.26	4.50	257.25	3,224,628.75	6.15	10.000	3.9	18.00	14.3	22
XEROX CORPORATION	6,440	81.71	526,185.71	1.00	49.50	318,780.00	0.61	1.600	3.2	5.00	9.9	28
OFFICE EQUIPMENT			4,760,802.83	9.06%		4,745,108.75	9.06%		3.5			
% CHANGE COST-TO-MARKET			-0.33%		TARGET WEIGHTING (BY MARKET)		8.50%					
TECHNOLOGY			4,760,802.83	9.06%		4,745,108.75	9.06%		3.5			
% CHANGE COST-TO-MARKET			-0.33%		TARGET WEIGHTING (BY MARKET)		8.50%					
BASIC INDUSTRY												
BUILDING & FOREST PROD												
WEYERHAEUSER CO.	17,800	19.03	338,764.38	0.64	26.00	462,800.00	0.88	0.800	3.1	2.45	10.6	17
BUILDING & FOREST PROD			338,764.38	0.64%		462,800.00	0.88%		3.1			
% CHANGE COST-TO-MARKET			36.61%		TARGET WEIGHTING (BY MARKET)		1.40%					
CHEMICALS												
DOW CHEMICAL	12,000	19.89	238,697.27	0.45	28.88	346,500.00	0.66	1.200	4.2	3.30	8.8	16
DU PONT (EI) DENEMOURS	7,000	177.07	1,239,480.05	2.36	112.50	787,500.00	1.50	5.000	4.4	11.15	10.1	17
MONSANTO CO.	4,000	56.80	227,218.82	0.43	55.00	220,000.00	0.42	3.100	5.6	10.10	5.4	9
UNION CARBIDE CORP.	11,700	45.12	527,947.00	1.00	41.75	488,475.00	0.93	2.800	6.7	6.50	6.4	9
CHEMICALS			2,233,343.14	4.25%		1,842,475.00	3.52%		5.1			
% CHANGE COST-TO-MARKET			-17.50%		TARGET WEIGHTING (BY MARKET)		4.00%					
ELECTRICAL EQUIPMENT												
GENERAL ELECTRIC CO.	16,200	44.78	725,481.47	1.38	50.13	812,025.00	1.55	2.200	4.4	4.80	10.4	17
ELECTRICAL EQUIPMENT			725,481.47	1.38%		812,025.00	1.55%		4.4			
% CHANGE COST-TO-MARKET			11.93%		TARGET WEIGHTING (BY MARKET)		2.00%					
MACHINERY												
CATERPILLAR TRACTOR	15,150	26.48	401,194.03	0.76	51.50	780,225.00	1.49	1.800	3.5	5.00	10.3	13
TRANS UNION CORP.	10,400	28.54	296,813.50	0.56	35.38	367,900.00	0.70	1.920	5.4	4.40	8.0	12
MACHINERY			698,007.53	1.33%		1,148,125.00	2.19%		4.1			
% CHANGE COST-TO-MARKET			64.49%		TARGET WEIGHTING (BY MARKET)		2.40%					

PERMANENT SCHOOL FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	HIST
		AVG.	TOTAL	% OF	10/31/77	10/31/77	% OF	ANN	%	ANN	ANN	
		COST	COST	FUND	PRICE	VALUE	FUND	DIVDND	YLD	EARN	PER	MULT
BASIC INDUSTRY (CONTINUED)												
METALS												
ALUMINUM CO OF AMER	12,000	48.15	577,840.87	1.10	44.75	537,000.00	1.02	1.800	4.0	6.00	7.5	14
ST. JOE MINERALS CORP.	10,000	40.38	403,813.42	0.77	29.63	296,250.00	0.57	1.300	4.4	2.90	10.2	7
METALS			981,654.29	1.87%	833,250.00		1.59%	4.2				
% CHANGE COST-TO-MARKET			-15.12%	TARGET WEIGHTING (BY MARKET)		2.00%						
PAPER												
INTERNATIONAL PAPER	8,000	48.30	386,383.25	0.74	40.88	327,000.00	0.62	2.000	4.9	5.00	8.2	11
UNION CAMP CORPORATION	5,000	64.91	324,570.00	0.62	46.88	234,375.00	0.45	1.800	3.8	5.00	9.4	11
PAPER			710,953.25	1.35%	561,375.00		1.07%	4.5				
% CHANGE COST-TO-MARKET			-21.04%	TARGET WEIGHTING (BY MARKET)		1.20%						
BASIC INDUSTRY			5,688,204.06	10.83%	5,660,050.00		10.80%	4.4				
% CHANGE COST-TO-MARKET			-0.49%	TARGET WEIGHTING (BY MARKET)		13.50%						
ENERGY												
OIL-DOMESTIC												
ATLANTIC RICHFIELD CO.	16,000	42.79	684,697.13	1.30	51.38	822,000.00	1.57	2.000	3.9	5.50	9.3	18
CONTINENTAL OIL	20,000	32.77	655,387.50	1.25	28.38	567,500.00	1.08	1.400	4.9	4.00	7.1	11
MARATHON OIL CO	7,000	59.25	414,772.38	0.79	46.75	327,250.00	0.62	2.200	4.7	7.00	6.7	10
STANDARD OIL (INDIANA)	24,000	23.29	558,903.82	1.06	47.75	1,146,000.00	2.19	2.600	5.4	7.00	6.8	13
OIL-DOMESTIC			2,313,760.83	4.40%	2,862,750.00		5.46%	4.8				
% CHANGE COST-TO-MARKET			23.73%	TARGET WEIGHTING (BY MARKET)		6.00%						
OIL-INTERNATIONAL												
EXXON CORPORATION	47,816	39.83	1,904,488.38	3.62	47.13	2,253,329.00	4.30	3.000	6.4	6.00	7.9	11
MOBIL CORP.	21,300	44.06	938,520.48	1.79	61.86	1,317,937.50	2.52	3.800	6.1	9.50	6.5	10
TEXACO, INC.	34,000	35.95	1,222,340.99	2.33	27.38	930,750.00	1.78	2.000	7.3	3.60	7.6	10
OIL-INTERNATIONAL			4,065,349.85	7.74%	4,502,016.50		8.59%	6.5				
% CHANGE COST-TO-MARKET			10.74%	TARGET WEIGHTING (BY MARKET)		10.00%						
ENERGY			6,379,110.68	12.14%	7,364,766.50		14.06%	5.8				
% CHANGE COST-TO-MARKET			15.45%	TARGET WEIGHTING (BY MARKET)		16.00%						

PERMANENT SCHOOL FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN HIST PER MULT
TRANSPORTATION											
AIRLINES											
NORTHWEST AIRLINES	16,884	33.86	571,763.19	1.09	20.75	350,343.00	0.67	0.500	2.4	4.00	5.2 10
AIRLINES			571,763.19	1.09%		350,343.00	0.67%		2.4		
% CHANGE COST-TO-MARKET-38.73%											
RAILROADS											
BURLINGTON NORTHERN	13,600	49.96	679,504.46	1.29	39.25	533,800.00	1.02	1.600	4.1	5.25	7.5 9
UNION PACIFIC CORP.	16,800	27.36	459,602.60	0.87	46.63	783,300.00	1.50	1.700	3.6	4.70	9.9 12
RAILROADS			1,139,107.06	2.17%		1,317,100.00	2.51%		3.8		
% CHANGE COST-TO-MARKET 15.63%											
TARGET WEIGHTING (BY MARKET) 2.00%											
TRANSPORTATION			1,710,870.25	3.26%		1,667,443.00	3.18%		3.5		
% CHANGE COST-TO-MARKET -2.54%											
TARGET WEIGHTING (BY MARKET) 2.00%											
TOTAL FUND 52,546,810.25											
52,392,038.00											
% CHANGE COST-TO-MARKET -0.29%											
*LESS PROFIT ON STOCKS SOLD 850,480.05											
*NET ORIGINAL COST OF EQUITIES 51,696,330.20											
*PERCENT CHANGE -- NET ORIGINAL COST-TO-MARKET 1.35%											

BASIC RETIREMENT: TEACHERS' RETIREMENT FUND, PUBLIC EMPLOYEES' RETIREMENT FUND, STATE EMPLOYEES' RETIREMENT FUND,  
 FUNDS : PUBLIC EMPLOYEES POLICE & FIRE FUND, HIGHWAY PATROLMEN'S RETIREMENT FUND AND JUDGES RETIREMENT FUND  
 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
<b>UTILITIES</b>												
<b>ELECTRIC</b>												
CENTRAL & SOUTH WEST	148,000	20.29	3,003,364.64	0.51	15.50	2,294,000.00	0.41	1.260	8.1	1.90	8.2	13
CINCINNATI GAS & ELEC.	67,000	26.55	1,778,800.63	0.30	22.75	1,524,250.00	0.27	1.840	8.1	3.00	7.6	11
COMMONWEALTH EDISON	131,272	33.23	4,362,160.61	0.74	28.50	3,741,252.00	0.67	2.400	8.4	3.10	9.2	11
FLORIDA POWER & LIGHT	161,400	28.24	4,557,726.17	0.78	25.25	4,075,350.00	0.73	1.760	7.0	3.30	7.7	12
HOUSTON INDUSTRIES INC	94,100	42.22	3,972,517.76	0.68	30.63	2,881,812.50	0.52	1.960	6.4	4.40	7.0	14
MIDDLE SOUTH UTILITIES	200,600	21.03	4,217,868.26	0.72	16.63	3,334,975.00	0.60	1.380	8.3	2.10	7.9	11
MINNESOTA POWER & L.	125,000	21.59	2,699,034.71	0.46	21.75	2,718,750.00	0.49	1.760	8.1	2.75	7.9	9
NORTHERN STATES POWER	124,900	28.64	3,577,587.11	0.61	27.63	3,450,362.50	0.62	2.060	7.5	3.00	9.2	10
PACIFIC GAS & ELECTRIC	81,100	31.39	2,545,818.65	0.43	23.50	1,905,850.00	0.34	2.000	8.5	3.35	7.0	9
PUBLIC SERV. INDIANA	163,050	27.64	4,507,365.14	0.77	28.00	4,565,400.00	0.82	2.040	7.3	3.15	8.9	10
SOUTHERN CALIF. EDISON	79,000	31.50	2,488,117.92	0.42	24.75	1,955,250.00	0.35	2.000	8.1	3.90	6.3	7
SOUTHERN COMPANY	111,800	23.84	2,665,807.77	0.45	17.50	1,956,500.00	0.35	1.540	8.8	2.15	8.1	11
TEXAS UTILITIES CO.	169,500	24.71	4,188,235.62	0.71	20.00	3,390,000.00	0.61	1.400	7.0	2.55	7.8	12
VIRGINIA ELEC. & POWER	103,898	24.81	2,577,822.87	0.44	14.38	1,493,533.75	0.27	1.240	8.6	2.00	7.2	12
<b>ELECTRIC</b>			<b>47,142,227.86</b>	<b>8.03%</b>		<b>39,287,285.75</b>	<b>7.03%</b>		<b>7.7</b>			
% CHANGE COST-TO-MARKET			<b>-16.66%</b>		TARGET WEIGHTING (BY MARKET)		<b>7.00%</b>					
<b>NATURAL GAS</b>												
HOUSTON NATURAL GAS	115,900	31.26	3,622,653.77	0.62	26.00	3,013,400.00	0.54	0.800	3.1	4.00	6.5	14
PANHANDLE E. PIPE LINE	168,348	32.43	5,460,087.69	0.93	43.00	7,238,964.00	1.30	2.500	5.8	6.15	7.0	10
PEOPLES GAS CO.	91,666	36.88	3,381,045.38	0.58	37.25	3,414,558.50	0.61	2.760	7.4	4.75	7.8	10
<b>NATURAL GAS</b>			<b>12,463,786.84</b>	<b>2.12%</b>		<b>13,666,922.50</b>	<b>2.45%</b>		<b>5.6</b>			
% CHANGE COST-TO-MARKET			<b>9.65%</b>		TARGET WEIGHTING (BY MARKET)		<b>2.50%</b>					
<b>COMMUNICATIONS</b>												
AMERICAN TEL. & TEL.	307,956	53.51	16,477,654.12	2.81	59.38	18,284,887.50	3.27	4.200	7.1	6.85	8.7	10
GENERAL TEL. & ELEC.	275,300	29.15	8,024,245.44	1.37	30.50	8,396,650.00	1.50	2.240	7.3	3.55	8.6	10
UNITED TELECOM.	225,200	19.78	4,454,083.12	0.76	19.75	4,447,700.00	0.80	1.280	6.5	2.20	9.0	10
<b>COMMUNICATIONS</b>			<b>28,955,982.68</b>	<b>4.93%</b>		<b>31,129,237.50</b>	<b>5.57%</b>		<b>7.1</b>			
% CHANGE COST-TO-MARKET			<b>7.51%</b>		TARGET WEIGHTING (BY MARKET)		<b>5.50%</b>					
<b>UTILITIES</b>			<b>88,561,997.38</b>	<b>15.08%</b>		<b>84,083,445.75</b>	<b>15.05%</b>		<b>7.1</b>			
% CHANGE COST-TO-MARKET			<b>-5.06%</b>		TARGET WEIGHTING (BY MARKET)		<b>15.00%</b>					

BASIC RETIREMENT: TEACHERS' RETIREMENT FUND, PUBLIC EMPLOYEES' RETIREMENT FUND, STATE EMPLOYEES' RETIREMENT FUND,  
 FUNDS & PUBLIC EMPLOYEES POLICE & FIRE FUND, HIGHWAY PATROLMEN'S RETIREMENT FUND AND JUDGES RETIREMENT FUND  
 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
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## FINANCIAL SERVICES

## BANKS

BANKAMERICA CORP	7,000	23.53	164,740.62	0.03	22.50	157,500.00	0.03	0.940	4.2	2.70	8.3	12
CITICORP	166,332	26.72	4,443,602.57	0.76	22.38	3,721,678.50	0.67	1.060	4.7	3.30	6.8	14
CONTINENTAL ILL. CORP.	187,272	19.00	3,557,482.44	0.61	24.63	4,611,573.00	0.83	1.320	5.4	3.90	6.3	8
FIRST BANK SYSTEM	125,000	34.22	4,277,830.27	0.73	35.63	4,453,125.00	0.80	1.600	4.5	4.55	7.8	13
FIRST INT'L BANCSHARES	68,300	43.32	2,958,872.36	0.50	39.13	2,672,237.50	0.48	1.400	3.6	4.20	9.3	14
MANUFACTURERS HANOVER	73,000	36.56	2,668,884.87	0.45	32.25	2,354,250.00	0.42	1.920	6.0	5.30	6.1	9
MORGAN (J.P.) & CO.	63,016	36.85	2,322,098.57	0.40	43.88	2,764,827.00	0.49	2.000	4.6	5.20	8.4	13
NORTHWEST BANCORP.	187,200	18.03	3,375,885.23	0.57	22.25	4,165,200.00	0.75	0.960	4.3	2.80	7.9	11
SECURITY PACIFIC CORP.	83,609	30.85	2,579,141.59	0.44	30.56	2,555,341.87	0.46	1.540	5.0	4.40	6.9	8
VALLEY NATL (ARIZONA)	97,200	22.42	2,178,882.49	0.37	19.25	1,871,100.00	0.33	0.920	4.8	2.40	8.0	12

BANKS	28,527,421.01	4.86%	29,326,832.87	5.25%	4.7
% CHANGE COST-TO-MARKET	2.80%	TARGET WEIGHTING (BY MARKET)	5.00%		

## FINANCE

BENEFICIAL CORP.	120,225	35.74	4,296,597.28	0.73	21.00	2,524,725.00	0.45	1.600	7.6	4.10	5.1	9
HOUSEHOLD FINANCE	174,700	25.97	4,536,619.80	0.77	18.75	3,275,625.00	0.59	1.300	6.9	3.00	6.3	11
MGIC INVESTMENT CORP.	99,000	53.05	5,251,570.38	0.89	12.75	1,262,250.00	0.23	0.300	2.4	1.80	7.1	42

FINANCE	14,084,787.46	2.40%	7,062,600.00	1.26%	6.4
% CHANGE COST-TO-MARKET-49.86%	TARGET WEIGHTING (BY MARKET)	1.00%			

## INSURANCE

AETNA LIFE & CASUALTY	144,200	31.22	4,501,687.07	0.77	34.00	4,902,800.00	0.88	1.600	4.7	7.00	4.9	10
CHUBB CORPORATION	70,500	44.67	3,149,250.00	0.54	33.25	2,344,125.00	0.42	1.600	4.8	5.75	5.8	15
CONNECTICUT GENERAL	49,000	39.50	1,935,599.30	0.33	47.25	2,315,250.00	0.41	1.200	2.5	7.25	6.5	9
INA CORP.	120,100	38.02	4,566,659.79	0.78	40.50	4,864,050.00	0.87	2.300	5.7	7.00	5.8	10
NLT CORP.	235,900	20.39	4,810,136.71	0.82	22.38	5,278,262.50	0.94	0.760	3.4	3.40	6.6	8
NORTHWESTERN NATL LIFE	65,000	22.43	1,457,827.50	0.25	22.13	1,438,125.00	0.26	0.750	3.4	3.75	5.9	6
SAFECO CORP.	40,700	30.78	1,252,682.59	0.21	39.50	1,607,650.00	0.29	1.500	3.8	6.75	5.9	13
ST. PAUL COMPANIES	119,900	23.61	2,831,191.13	0.48	29.88	3,582,012.50	0.64	1.000	3.3	6.00	5.0	12
TRAVELERS CORP.	72,400	37.97	2,749,206.63	0.47	29.25	2,117,700.00	0.38	1.280	4.4	5.50	5.3	9
U.S. FIDELITY & GUAR.	72,000	24.43	1,759,197.44	0.30	30.75	2,214,000.00	0.40	1.840	6.0	6.00	5.1	11

INSURANCE	29,013,438.16	4.94%	30,663,975.00	5.49%	4.3
% CHANGE COST-TO-MARKET 5.69%	TARGET WEIGHTING (BY MARKET)	5.00%			

FINANCIAL SERVICES	71,625,646.63	12.20%	67,053,407.87	12.00%	4.7
% CHANGE COST-TO-MARKET -6.38%	TARGET WEIGHTING (BY MARKET)	11.00%			

BASIC RETIREMENT: TEACHERS' RETIREMENT FUND, PUBLIC EMPLOYEES' RETIREMENT FUND, STATE EMPLOYEES' RETIREMENT FUND,  
 FUNDS : PUBLIC EMPLOYEES POLICE & FIRE FUND, HIGHWAY PATROLMEN'S RETIREMENT FUND AND JUDGES RETIREMENT FUND  
 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
CONSUMER-ORIENTED												
AUTOS - AUTO PARTS												
FORD MOTOR CO.	125,375	42.76	5,360,690.36	0.91	42.88	5,375,453.13	0.96	3.200	7.5	12.75	3.4	9
GENERAL MOTORS	136,900	64.16	8,783,821.83	1.50	67.25	9,206,525.00	1.65	3.400	5.1	11.75	5.7	10
GENUINE PARTS COMPANY	88,300	35.54	3,138,303.57	0.53	32.38	2,858,712.50	0.51	0.900	2.8	2.50	13.0	24
GOODYEAR TIRE & RUBBER	213,500	25.65	5,476,731.78	0.93	17.75	3,789,625.00	0.68	1.300	7.3	2.75	6.5	10
AUTOS - AUTO PARTS			22,759,547.54	3.88%		21,230,315.63	3.80%		5.8			
% CHANGE COST-TO-MARKET			-6.72%		TARGET WEIGHTING (BY MARKET)		3.50%					
CONSUMER-DURABLES												
SUNBEAM CORP.	165,349	24.61	4,068,623.29	0.69	20.63	3,410,323.13	0.61	1.200	5.8	3.00	6.9	11
WHIRLPOOL CORPORATION	145,400	18.53	2,693,899.55	0.46	22.63	3,289,675.00	0.59	1.200	5.3	2.95	7.7	14
CONSUMER-DURABLES			6,762,522.84	1.15%		6,699,998.13	1.20%		5.6			
% CHANGE COST-TO-MARKET			-0.92%		TARGET WEIGHTING (BY MARKET)		1.00%					
CONSUMER-NONDURABLES												
AVON PRODUCTS, INC.	135,000	49.73	6,713,493.41	1.14	44.88	6,058,125.00	1.08	2.200	4.9	3.30	13.6	29
COLGATE-PALMOLIVE	232,500	27.33	6,355,339.22	1.08	21.75	5,056,875.00	0.91	1.000	4.6	2.15	10.1	17
EASTMAN KODAK CO.	82,580	78.14	6,453,158.67	1.10	52.75	4,356,095.00	0.78	2.100	4.0	4.05	13.0	27
MINNESOTA MINING & MFG	121,100	49.48	5,991,436.55	1.02	48.00	5,812,800.00	1.04	1.700	3.5	3.50	13.7	26
PROCTER & GAMBLE CO.	58,500	75.97	4,444,461.68	0.76	82.88	4,848,187.50	0.87	2.600	3.1	6.25	13.3	24
REVLON, INCORPORATED	133,400	36.05	4,809,220.81	0.82	40.50	5,402,700.00	0.97	1.000	2.5	3.10	13.1	17
CONSUMER-NONDURABLES			34,767,110.34	5.92%		31,534,782.50	5.64%		3.8			
% CHANGE COST-TO-MARKET			-9.30%		TARGET WEIGHTING (BY MARKET)		5.70%					
CONSUMER-MISCELLANEOUS												
DISNEY (WALT) PROD.	105,278	50.10	5,274,174.10	0.90	36.25	3,816,327.50	0.68	0.160	0.4	2.60	13.9	32
HOLIDAY INNS INC.	74,400	34.49	2,566,080.99	0.44	12.63	939,300.00	0.17	0.465	3.7	1.60	7.9	17
MCDONALD'S CORP.	91,500	39.19	3,585,599.01	0.61	47.25	4,323,375.00	0.77	0.200	0.4	3.40	13.9	30
WARNER COMMUNICATIONS	63,600	42.21	2,684,628.69	0.46	27.00	1,717,200.00	0.31	0.800	3.0	4.50	6.0	9
CONSUMER-MISCELLANEOUS			14,110,482.79	2.40%		10,796,202.50	1.93%		1.1			
% CHANGE COST-TO-MARKET			-23.49%		TARGET WEIGHTING (BY MARKET)		1.70%					
DRUGS												
AMERICAN HOME PRODUCTS	127,300	26.20	3,334,886.17	0.57	27.38	3,484,837.50	0.62	1.200	4.4	1.95	14.0	26
JOHNSON & JOHNSON	55,700	85.28	4,750,043.81	0.81	73.38	4,086,987.50	0.73	1.500	2.0	4.20	17.5	35
MEDTRONIC, INC.	93,000	32.38	3,011,300.00	0.51	18.13	1,685,625.00	0.30	0.400	2.2	1.90	9.5	28
MERCK & COMPANY	94,000	53.58	5,036,948.90	0.86	54.00	5,076,000.00	0.91	1.500	2.8	3.75	14.4	28
PFIZER, INC.	177,700	29.91	5,315,048.90	0.91	24.88	4,420,287.50	0.79	0.960	3.9	2.50	10.0	19



BASIC RETIREMENT: TEACHERS' RETIREMENT FUND, PUBLIC EMPLOYEES' RETIREMENT FUND, STATE EMPLOYEES' RETIREMENT FUND,  
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 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
CONSUMER-ORIENTED (CONTINUED)												
DRUGS (CONTINUED)												
SCHERING-PLOUGH CORP.	75,900	38.89	2,951,907.26	0.50	28.75	2,182,125.00	0.39	1.120	3.9	3.15	9.1	27
WARNER-LAMBERT	147,500	38.99	5,751,404.85	0.98	25.75	3,798,125.00	0.68	1.100	4.3	2.35	11.0	20
DRUGS		30,151,539.89		5.13%	24,733,987.50		4.43%	3.4				
% CHANGE COST-TO-MARKET		-17.97%		TARGET WEIGHTING (BY MARKET)		4.70%						
FOODS-BEVERAGES												
CPC INTERNATIONAL	119,200	44.80	5,340,281.22	0.91	46.25	5,513,000.00	0.99	2.500	5.4	5.60	8.3	9
COCA-COLA CO.	115,400	38.44	4,436,133.88	0.76	37.38	4,313,075.00	0.77	1.540	4.1	2.65	14.1	27
CONSOLIDATED FOODS	135,500	27.61	3,740,836.91	0.64	23.63	3,201,187.50	0.57	1.400	5.9	3.15	7.5	12
GENERAL FOODS CORP.	64,600	28.37	1,832,964.24	0.31	30.88	1,994,525.00	0.36	1.640	5.3	3.65	8.5	10
GENERAL MILLS, INC.	158,700	21.67	3,439,780.83	0.59	28.00	4,443,600.00	0.80	1.000	3.6	2.70	10.4	15
NORTON SIMON, INC.	154,216	29.49	4,548,434.39	0.77	19.38	2,987,935.00	0.53	0.760	3.9	2.20	8.8	13
PEPSICO, INC.	196,286	16.57	3,251,858.35	0.55	25.13	4,931,685.75	0.88	0.800	3.2	2.15	11.7	17
PILLSBURY COMPANY	106,000	26.81	2,841,599.26	0.48	38.25	4,054,500.00	0.73	1.280	3.3	4.10	9.3	10
FOODS-BEVERAGES		29,431,889.08		5.01%	31,439,508.25		5.63%	4.3				
% CHANGE COST-TO-MARKET		6.82%		TARGET WEIGHTING (BY MARKET)		5.50%						
PRINTING-PUBLISHING												
DONNELLEY (RR) & SONS	93,102	21.09	1,963,572.33	0.33	23.38	2,176,259.25	0.39	0.760	3.3	2.60	9.0	13
DUN & BRADSTREET, INC.	82,100	24.11	1,979,227.56	0.34	28.75	2,360,375.00	0.42	1.240	4.3	2.05	14.0	20
HARCOURT BRACE JOVAN.	36,000	56.01	2,016,395.37	0.34	31.25	1,125,000.00	0.20	1.440	4.6	5.00	6.3	9
PRINTING-PUBLISHING		5,959,195.26		1.01%	5,661,637.25		1.01%	4.0				
% CHANGE COST-TO-MARKET		-4.99%		TARGET WEIGHTING (BY MARKET)		0.90%						
RETAIL SALES												
DAYTON HUDSON CORP.	120,700	22.69	2,738,310.34	0.47	40.38	4,873,262.50	0.87	1.400	3.5	4.60	8.8	9
FEDERATED DEPT. STORES	122,300	38.45	4,702,483.13	0.80	38.00	4,647,400.00	0.83	1.460	3.8	3.75	10.1	15
PENNEY (J.C.) CO.	128,100	55.10	7,057,789.96	1.20	33.75	4,323,375.00	0.77	1.480	4.4	3.70	9.1	22
SEARS, ROEBUCK & CO.	186,000	35.25	6,557,278.13	1.12	29.00	5,394,000.00	0.97	1.110	3.8	2.80	10.4	21
SOUTHLAND CORPORATION	160,864	24.82	3,992,561.05	0.68	25.63	4,122,140.00	0.74	0.600	2.3	2.40	10.7	14
RETAIL SALES		25,048,422.61		4.27%	23,360,177.50		4.18%	3.6				
% CHANGE COST-TO-MARKET		-6.74%		TARGET WEIGHTING (BY MARKET)		4.00%						
CONSUMER-ORIENTED		168,990,710.35		28.78%	155,456,606.26		27.82%	4.0				
% CHANGE COST-TO-MARKET		-8.01%		TARGET WEIGHTING (BY MARKET)		27.00%						

BASIC RETIREMENT: TEACHERS' RETIREMENT FUND, PUBLIC EMPLOYEES' RETIREMENT FUND, STATE EMPLOYEES' RETIREMENT FUND,  
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 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
<b>TECHNOLOGY</b>												
<b>ELECTRONICS</b>												
HEWLETT-PACKARD CO.	23,300	85.40	1,989,898.14	0.34	70.50	1,642,650.00	0.29	0.400	0.6	4.40	16.0	35
TEXAS INSTRUMENTS INC.	19,600	87.01	1,705,408.64	0.29	75.13	1,472,450.00	0.26	1.320	1.8	5.20	14.4	29
<b>ELECTRONICS</b>			<b>3,695,306.78</b>	<b>0.63%</b>	<b>3,115,100.00</b>		<b>0.56%</b>	<b>.1.1</b>				
% CHANGE COST-TO-MARKET-15.70%					TARGET WEIGHTING (BY MARKET)		0.80%					
<b>OFFICE EQUIPMENT</b>												
BURROUGHS CORP.	104,800	76.65	8,033,376.17	1.37	65.13	6,825,100.00	1.22	1.000	1.5	5.35	12.2	28
CONTROL DATA CORP.	47,000	53.49	2,513,807.71	0.43	21.38	1,004,625.00	0.18	0.150	0.7	3.25	6.6	14
DIGITAL EQUIPMENT CORP	44,400	32.09	1,424,740.55	0.24	44.88	1,992,450.00	0.36	0.000	0.0	3.75	12.0	35
HONEYWELL, INC.	72,000	85.56	6,167,415.02	1.05	44.63	3,213,000.00	0.58	1.900	4.3	6.25	7.1	17
INT'L BUS. MACHINES	113,653	246.43	28,007,917.59	4.77	257.25	29,237,234.25	5.23	10.000	3.9	18.00	14.3	22
XEROX CORPORATION	74,620	88.56	6,608,391.28	1.13	49.50	3,693,690.00	0.66	1.600	3.2	5.00	9.9	28
<b>OFFICE EQUIPMENT</b>			<b>52,755,648.32</b>	<b>8.98%</b>	<b>45,966,099.25</b>		<b>8.23%</b>	<b>3.3</b>				
% CHANGE COST-TO-MARKET-12.87%					TARGET WEIGHTING (BY MARKET)		8.40%					
<b>TECHNOLOGY</b>			<b>56,450,955.10</b>	<b>9.61%</b>	<b>49,081,199.25</b>		<b>8.78%</b>	<b>3.1</b>				
% CHANGE COST-TO-MARKET-13.06%					TARGET WEIGHTING (BY MARKET)		9.20%					
<b>BASIC INDUSTRY</b>												
<b>AEROSPACE</b>												
BOEING CO.	201,900	20.99	4,238,888.85	0.72	26.25	5,299,875.00	0.95	1.000	3.8	4.25	6.2	9
UNITED TECHNOLOGIES	147,000	29.58	4,348,279.22	0.74	34.75	5,108,250.00	0.91	1.800	5.2	4.25	8.2	7
<b>AEROSPACE</b>			<b>8,587,168.07</b>	<b>1.46%</b>	<b>10,408,125.00</b>		<b>1.86%</b>	<b>4.5</b>				
% CHANGE COST-TO-MARKET 21.21%					TARGET WEIGHTING (BY MARKET)		2.00%					
<b>BUILDING &amp; FOREST PROD</b>												
GEORGIA-PACIFIC CORP.	142,169	26.93	3,828,640.59	0.65	26.38	3,749,707.38	0.67	0.800	3.0	2.40	11.0	15
MASONITE CORP.	160,400	25.92	4,158,280.17	0.71	16.50	2,646,600.00	0.47	0.680	4.1	2.30	7.2	18
OWENS-CORNING FIBER.	83,000	39.53	3,280,607.38	0.56	67.25	5,581,750.00	1.00	1.200	1.8	3.90	9.7	15
WEYERHAEUSER CO.	87,200	24.66	2,150,452.53	0.37	26.00	2,267,200.00	0.41	0.800	3.1	2.45	10.6	17
<b>BUILDING &amp; FOREST PROD</b>			<b>13,417,980.67</b>	<b>2.29%</b>	<b>14,245,257.38</b>		<b>2.55%</b>	<b>2.8</b>				
% CHANGE COST-TO-MARKET 6.17%					TARGET WEIGHTING (BY MARKET)		2.60%					

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COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT.
BASIC INDUSTRY (CONTINUED)												
CHEMICALS												
AIR PRODUCTS &CHEM.	126,438	19.58	2,475,747.35	0.42	25.00	3,160,950.00	0.57	0.400	1.6	2.40	10.4	18
DOW CHEMICAL	87,928	19.91	1,750,655.53	0.30	28.88	2,538,921.00	0.45	1.200	4.2	3.30	8.8	16
DU PONT (EI) DENEMOURS	50,160	143.56	7,200,896.59	1.23	112.50	5,643,000.00	1.01	5.000	4.4	11.15	10.1	17
HERCULES, INC.	204,500	27.61	5,646,157.53	0.96	15.88	3,246,437.50	0.58	1.000	6.3	1.85	8.6	20
MONSANTO CO.	51,736	58.87	3,045,486.74	0.52	55.00	2,845,480.00	0.51	3.100	5.6	10.10	5.4	9
UNION CARBIDE CORP.	94,600	51.28	4,851,167.47	0.83	41.75	3,949,550.00	0.71	2.800	6.7	6.50	6.4	9
CHEMICALS			24,970,111.21	4.25%	21,384,338.50		3.83%	4.8				
% CHANGE COST-TO-MARKET			-14.36%	TARGET WEIGHTING (BY MARKET)			4.00%					
ELECTRICAL EQUIPMENT												
EMERSON ELECTRIC CO.	150,000	35.70	5,355,092.73	0.91	33.63	5,043,750.00	0.90	1.000	3.0	2.75	12.2	23
GENERAL ELECTRIC CO.	145,000	49.02	7,108,454.42	1.21	50.13	7,268,125.00	1.30	2.200	4.4	4.80	10.4	17
GOULD, INC.	155,300	25.69	3,989,158.02	0.68	29.38	4,561,937.50	0.82	1.360	4.6	3.50	8.4	9
WESTINGHOUSE ELECTRIC	66,200	31.55	2,088,795.74	0.36	17.50	1,158,500.00	0.21	0.972	5.6	2.90	6.0	14
ELECTRICAL EQUIPMENT			18,541,500.91	3.16%	18,032,312.50		3.23%	4.1				
% CHANGE COST-TO-MARKET			-2.75%	TARGET WEIGHTING (BY MARKET)			3.40%					
MACHINERY												
CATERPILLAR TRACTOR	87,550	33.09	2,896,779.97	0.49	51.50	4,508,825.00	0.81	1.800	3.5	5.00	10.3	13
CLARK EQUIPMENT CO.	89,600	41.79	3,744,028.08	0.64	32.00	2,867,200.00	0.51	1.800	5.6	4.35	7.4	11
COMBUSTION ENGINEERING	144,000	29.53	4,252,523.77	0.72	36.25	5,220,000.00	0.93	1.600	4.4	4.00	9.1	14
TRANS UNION CORP.	112,000	32.00	3,584,293.78	0.61	35.38	3,962,000.00	0.71	1.920	5.4	4.40	8.0	12
MACHINERY			14,477,625.60	2.47%	16,558,025.00		2.96%	4.6				
% CHANGE COST-TO-MARKET			14.37%	TARGET WEIGHTING (BY MARKET)			3.20%					
METALS												
ALUMINUM CO OF AMER	74,100	45.23	3,351,353.33	0.57	44.75	3,315,975.00	0.59	1.800	4.0	6.00	7.5	14
PITISTON COMPANY	138,458	27.96	3,871,848.71	0.66	23.88	3,305,684.75	0.59	1.450	6.1	1.75	13.6	19
ST. JOE MINERALS CORP.	126,500	40.12	5,075,707.31	0.86	29.63	3,747,562.50	0.67	1.300	4.4	2.90	10.2	7
METALS			12,298,909.35	2.09%	10,369,222.25		1.86%	4.8				
% CHANGE COST-TO-MARKET			-15.69%	TARGET WEIGHTING (BY MARKET)			2.00%					
PAPER												
INTERNATIONAL PAPER	90,000	45.39	4,084,944.68	0.70	40.88	3,678,750.00	0.66	2.000	4.9	5.00	8.2	11
UNION CAMP CORPORATION	67,400	61.43	4,140,425.07	0.71	46.88	3,159,375.00	0.57	1.800	3.8	5.00	9.4	11
PAPER			8,225,369.75	1.40%	6,838,125.00		1.22%	4.4				
% CHANGE COST-TO-MARKET			-16.87%	TARGET WEIGHTING (BY MARKET)			1.30%					

BASIC RETIREMENT; TEACHERS' RETIREMENT FUND, PUBLIC EMPLOYEES' RETIREMENT FUND, STATE EMPLOYEES' RETIREMENT FUND,  
 FUNDS : PUBLIC EMPLOYEES POLICE & FIRE FUND, HIGHWAY PATROLMEN'S RETIREMENT FUND AND JUDGES RETIREMENT FUND  
 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT.
BASIC INDUSTRY (CONTINUED)												
TEXTILES												
BURLINGTON INDUSTRIES	31,200	34.59	1,079,309.48	0.18	20.63	643,500.00	0.12	1.400	6.8	3.30	6.3	10
TEXTILES			1,079,309.48	0.18%		643,500.00	0.12%		6.8			
% CHANGE COST-TO-MARKET-40.38%												
MISCELLANEOUS												
CORNING GLASS WORKS	42,700	46.01	1,964,416.65	0.33	55.63	2,375,187.50	0.43	1.520	2.7	5.50	10.1	22
INT'L TEL. & TEL.	166,517	45.25	7,535,347.34	1.28	29.88	4,974,695.38	0.89	1.760	5.9	4.60	6.5	9
MISCELLANEOUS			9,499,763.99	1.62%		7,349,882.88	1.32%		4.9			
% CHANGE COST-TO-MARKET-22.63%												
TARGET WEIGHTING (BY MARKET) 1.50%												
BASIC INDUSTRY			111,097,739.03	18.92%		105,828,788.51	18.94%		-4.4			
% CHANGE COST-TO-MARKET -4.74%												
TARGET WEIGHTING (BY MARKET) 20.00%												
ENERGY												
OIL-DOMESTIC												
ATLANTIC RICHFIELD CO.	132,400	40.81	5,402,684.55	0.92	51.38	6,802,050.00	1.22	2.000	3.9	5.50	9.3	18
CONTINENTAL OIL	237,900	20.62	4,905,096.22	0.84	28.38	6,750,412.50	1.21	1.400	4.9	4.00	7.1	11
MARATHON OIL CO	106,800	57.84	6,177,241.46	1.05	46.75	4,992,900.00	0.89	2.200	4.7	7.00	6.7	10
PHILLIPS PETROLEUM CO.	266,000	25.86	6,879,052.22	1.17	28.38	7,547,750.00	1.35	1.000	3.5	3.25	8.7	17
STANDARD OIL (INDIANA)	125,100	35.56	4,449,123.55	0.76	47.75	5,973,525.00	1.07	2.600	5.4	7.00	6.8	13
OIL-DOMESTIC			27,813,198.00	4.74%		32,066,637.50	5.74%		4.4			
% CHANGE COST-TO-MARKET 15.29%												
TARGET WEIGHTING (BY MARKET) 6.40%												
OIL-INTERNATIONAL												
EXXON CORPORATION	275,844	39.59	10,920,891.65	1.86	47.13	12,999,148.50	2.33	3.000	6.4	6.00	7.9	11
GULF OIL CORP.	230,100	27.05	6,224,670.86	1.06	27.13	6,241,462.50	1.12	1.900	7.0	4.30	6.3	9
MOBIL CORP.	108,500	47.34	5,136,723.45	0.87	61.88	6,713,437.50	1.20	3.800	6.1	9.50	6.5	10
STANDARD OIL OF CALIF.	194,000	31.60	6,130,006.47	1.04	38.75	7,517,500.00	1.35	2.400	6.2	6.00	6.5	9
TEXACO, INC.	196,990	33.13	6,525,925.69	1.11	27.38	5,392,601.25	0.97	2.000	7.3	3.60	7.6	10
OIL-INTERNATIONAL			34,938,218.12	5.95%		38,864,149.75	6.96%		6.5			
% CHANGE COST-TO-MARKET 11.24%												
TARGET WEIGHTING (BY MARKET) 7.20%												

BASIC RETIREMENT: TEACHERS' RETIREMENT FUND, PUBLIC EMPLOYEES' RETIREMENT FUND, STATE EMPLOYEES' RETIREMENT FUND,  
 FUNDS : PUBLIC EMPLOYEES POLICE & FIRE FUND, HIGHWAY PATROLMEN'S RETIREMENT FUND AND JUDGES RETIREMENT FUND  
 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
ENERGY (CONTINUED)												
ENERGY - RELATED												
DRESSER INDUSTRIES	136,800	32.50	4,446,081.28	0.76	39.75	5,437,800.00	0.97	0.880	2.2	4.80	8.3	14
HALLIBURTON CO	51,500	62.26	3,206,230.89	0.55	59.38	3,057,812.50	0.55	1.000	1.7	5.80	10.2	22
WILLIAMS COMPANIES	166,500	27.52	4,581,471.08	0.78	18.50	3,080,250.00	0.55	1.000	5.4	2.90	6.4	8
ENERGY - RELATED			12,233,783.25	2.08%	11,575,862.50		2.07%	2.9				
% CHANGE COST-TO-MARKET			-5.38%	TARGET WEIGHTING (BY MARKET)			2.20%					
ENERGY			74,985,199.37	12.77%	82,506,649.75		14.77%	5.2				
% CHANGE COST-TO-MARKET			10.03%	TARGET WEIGHTING (BY MARKET)			15.80%					
TRANSPORTATION												
AIRLINES												
DELTA AIR LINES, INC.	58,000	38.23	2,217,533.55	0.38	33.63	1,950,250.00	0.35	0.700	2.1	5.40	6.2	17
NORTHWEST AIRLINES	100,526	28.94	2,908,992.30	0.50	20.75	2,085,914.50	0.37	0.500	2.4	4.00	5.2	10
UAL, INC.	25,800	53.00	1,367,481.12	0.23	17.50	451,500.00	0.08	0.600	3.4	4.00	4.4	15
AIRLINES			6,494,006.97	1.11%	4,487,664.50		0.80%	2.4				
% CHANGE COST-TO-MARKET			-30.90%									
RAILROADS												
BURLINGTON NORTHERN	83,100	42.45	3,527,653.94	0.60	39.25	3,261,675.00	0.58	1.600	4.1	5.25	7.5	9
SOUTHERN RAILWAY	48,900	58.18	2,845,105.50	0.48	51.50	2,518,350.00	0.45	2.600	5.0	7.25	7.1	10
UNION PACIFIC CORP.	95,600	27.57	2,635,552.11	0.45	46.63	4,457,350.00	0.80	1.700	3.6	4.70	9.9	12
RAILROADS			9,008,311.55	1.53%	10,237,375.00		1.83%	4.1				
% CHANGE COST-TO-MARKET			13.64%	TARGET WEIGHTING (BY MARKET)			2.00%					
TRANSPORTATION			15,502,318.52	2.64%	14,725,039.50		2.64%	3.6				
% CHANGE COST-TO-MARKET			-5.01%	TARGET WEIGHTING (BY MARKET)			2.00%					
TOTAL FUND			587,214,566.38		558,735,136.89			4.7				
% CHANGE COST-TO-MARKET			-4.85%									
*LESS PROFIT ON STOCKS SOLD			8,020,208.17									
*NET ORIGINAL COST OF EQUITIES			579,194,358.21	558,735,136.89								
*PERCENT CHANGE -- NET ORIGINAL COST-TO-MARKET			-3.53%									

ADJ FIXED BENEFIT FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST ***** TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
<b>UTILITIES</b>												
<b>ELECTRIC</b>												
COMMONWEALTH EDISON	113,000	33.52	3,788,235.44	1.01	28.50	3,220,500.00	0.90	2.400	8.4	3.10	9.2	11
FLORIDA POWER & LIGHT	133,300	29.44	3,923,761.61	1.05	25.25	3,365,825.00	0.94	1.760	7.0	3.30	7.7	12
HOUSTON INDUSTRIES INC	97,600	38.77	3,784,209.49	1.01	30.63	2,989,000.00	0.84	1.960	6.4	4.40	7.0	14
MIDDLE SOUTH UTILITIES	183,800	21.72	3,992,199.85	1.07	16.63	3,055,675.00	0.86	1.390	8.3	2.10	7.9	11
MINNESOTA POWER & L.	30,000	21.80	654,000.00	0.17	21.75	652,500.00	0.18	1.760	8.1	2.75	7.9	9
NORTHERN STATES POWER	144,500	25.17	3,637,004.41	0.97	27.63	3,991,812.50	1.12	2.060	7.5	3.00	9.2	10
PACIFIC GAS & ELECTRIC	130,300	27.61	3,597,613.82	0.96	23.50	3,062,050.00	0.86	2.000	8.5	3.35	7.0	9
TEXAS UTILITIES CO.	170,000	24.48	4,161,182.73	1.11	20.00	3,400,000.00	0.95	1.400	7.0	2.55	7.8	12
VIRGINIA ELEC. & POWER	144,200	21.36	3,080,091.29	0.82	14.38	2,072,875.00	0.58	1.240	8.6	2.00	7.2	12
<b>ELECTRIC</b>			<b>30,618,298.64</b>	<b>8.19%</b>		<b>25,810,237.50</b>	<b>7.24%</b>		<b>7.7</b>			
% CHANGE COST-T0-MARKET			<b>-15.70%</b>		TARGET WEIGHTING (BY MARKET)		<b>7.30%</b>					
<b>NATURAL GAS</b>												
HOUSTON NATURAL GAS	95,000	31.33	2,976,132.60	0.80	26.00	2,470,000.00	0.69	0.800	3.1	4.00	6.5	14
PANHANDLE E. PIPE LINE	100,000	29.53	2,952,626.34	0.79	43.00	4,300,000.00	1.21	2.500	5.8	6.15	7.0	10
PEOPLES GAS CO.	80,000	37.40	2,992,107.65	0.80	37.25	2,980,000.00	0.84	2.760	7.4	4.75	7.8	10
<b>NATURAL GAS</b>			<b>8,920,866.59</b>	<b>2.39%</b>		<b>9,750,000.00</b>	<b>2.73%</b>		<b>5.6</b>			
% CHANGE COST-T0-MARKET			<b>9.29%</b>		TARGET WEIGHTING (BY MARKET)		<b>2.70%</b>					
<b>COMMUNICATIONS</b>												
AMERICAN TEL. & TEL.	220,000	53.18	11,700,186.91	3.13	59.38	13,062,500.00	3.66	4.200	7.1	6.85	8.7	10
GENERAL TEL. & ELEC.	222,000	26.03	5,779,692.50	1.55	30.50	6,771,000.00	1.90	2.240	7.3	3.55	8.6	10
<b>COMMUNICATIONS</b>			<b>17,479,879.41</b>	<b>4.68%</b>		<b>19,833,500.00</b>	<b>5.56%</b>		<b>7.2</b>			
% CHANGE COST-T0-MARKET			<b>13.46%</b>		TARGET WEIGHTING (BY MARKET)		<b>5.50%</b>					
<b>UTILITIES</b>												
<b>UTILITIES</b>			<b>57,019,044.64</b>	<b>15.25%</b>		<b>55,393,737.50</b>	<b>15.54%</b>		<b>7.1</b>			
% CHANGE COST-T0-MARKET			<b>-2.85%</b>		TARGET WEIGHTING (BY MARKET)		<b>15.50%</b>					
<b>FINANCIAL SERVICES</b>												
<b>BANKS</b>												
BANKAMERICA CORP	167,000	19.32	3,225,994.20	0.86	22.50	3,757,500.00	1.05	0.940	4.2	2.70	8.3	12
CITICORP	144,400	21.62	3,121,345.63	0.84	22.38	3,230,950.00	0.91	1.060	4.7	3.30	6.8	14
FIRST BANK SYSTEM	97,400	31.78	3,094,957.50	0.83	35.63	3,469,875.00	0.97	1.600	4.5	4.55	7.8	13
FIRST INT'L BANCSHARES	49,500	45.91	2,272,576.21	0.61	39.13	1,936,687.50	0.54	1.400	3.6	4.20	9.3	14
NORTHWEST BANCORP.	178,000	17.67	3,145,052.61	0.84	22.25	3,960,500.00	1.11	0.960	4.3	2.80	7.9	11
SECURITY PACIFIC CORP.	94,679	31.74	3,005,530.81	0.80	30.56	2,893,674.28	0.81	1.540	5.0	4.40	6.9	8
<b>BANKS</b>			<b>17,865,466.96</b>	<b>4.78%</b>		<b>19,249,186.78</b>	<b>5.40%</b>		<b>4.4</b>			
% CHANGE COST-T0-MARKET			<b>7.75%</b>		TARGET WEIGHTING (BY MARKET)		<b>5.00%</b>					

ADJ FIXED BENEFIT FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	***** COST *****		***** MARKET *****			CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	EST HIST MULT
			TOTAL COST	% FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND					
FINANCIAL SERVICES (CONTINUED)												
FINANCE												
HOUSEHOLD FINANCE	118,300	23.07	2,729,453.97	0.73	18.75	2,218,125.00	0.62	1.300	6.9	3.00	6.3	11
MGIC INVESTMENT CORP.	45,000	40.75	1,833,751.77	0.49	12.75	573,750.00	0.16	0.300	2.4	1.80	7.1	42
FINANCE			4,563,205.74	1.22%	2,791,875.00		0.78%	6.0				
% CHANGE COST-TO-MARKET			-38.82%		TARGET WEIGHTING (BY MARKET)			0.80%				
INSURANCE												
AETNA LIFE & CASUALTY	62,000	24.27	1,504,936.38	0.40	34.00	2,108,000.00	0.59	1.600	4.7	7.00	4.9	10
CONNECTICUT GENERAL	64,700	42.20	2,730,164.53	0.73	47.25	3,057,075.00	0.86	1.200	2.5	7.25	6.5	9
JEFFERSON-PILOT CORP.	55,500	27.98	1,552,683.10	0.42	28.00	1,554,000.00	0.44	0.920	3.3	3.15	8.9	13
NORTHWESTERN NATL LIFE	110,600	24.26	2,683,270.00	0.72	22.13	2,447,025.00	0.69	0.750	3.4	3.75	5.9	6
SAFECO CORP.	74,400	32.45	2,413,921.40	0.65	39.50	2,938,800.00	0.82	1.500	3.8	6.75	5.9	13
ST. PAUL COMPANIES	134,200	24.91	3,342,333.62	0.89	29.88	4,009,225.00	1.12	1.000	3.3	6.00	5.0	12
INSURANCE			14,227,309.03	3.81%	16,114,125.00		4.52%	3.5				
% CHANGE COST-TO-MARKET			13.26%		TARGET WEIGHTING (BY MARKET)			4.20%				
FINANCIAL SERVICES			36,655,981.73	9.81%	38,155,186.78		10.70%	4.1				
% CHANGE COST-TO-MARKET			4.09%		TARGET WEIGHTING (BY MARKET)			10.00%				
CONSUMER-ORIENTED												
AUTOS - AUTO PARTS												
FORD MOTOR CO.	85,000	39.26	3,337,207.85	0.89	42.88	3,644,375.00	1.02	3.200	7.5	12.75	3.4	9
GENERAL MOTORS	83,600	67.51	5,643,849.30	1.51	67.25	5,622,100.00	1.58	3.400	5.1	11.75	5.7	10
GENUINE PARTS COMPANY	90,800	35.54	3,226,986.69	0.86	32.38	2,939,650.00	0.82	0.900	2.8	2.50	13.0	24
GOODYEAR TIRE & RUBBER	147,500	27.40	4,042,068.99	1.08	17.75	2,618,125.00	0.73	1.300	7.3	2.75	6.5	10
AUTOS - AUTO PARTS			16,250,112.83	4.35%	14,824,250.00		4.16%	5.6				
% CHANGE COST-TO-MARKET			-8.77%		TARGET WEIGHTING (BY MARKET)			4.00%				
CONSUMER-DURABLES												
SUNBEAM CORP.	90,000	25.64	2,307,744.50	0.62	20.63	1,856,250.00	0.52	1.200	5.8	3.00	6.9	11
WHIRLPOOL CORPORATION	80,100	25.54	2,045,432.66	0.55	22.63	1,812,262.50	0.51	1.200	5.3	2.95	7.7	14
CONSUMER-DURABLES			4,353,177.16	1.16%	3,668,512.50		1.03%	5.6				
% CHANGE COST-TO-MARKET			-15.73%		TARGET WEIGHTING (BY MARKET)			1.00%				

ADJ FIXED BENEFIT FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** COST *****		***** MARKET *****		CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULTI		
		AVG. COST	TOTAL COST	% OF FUND	10/31/77 PRICE						10/31/77 VALUE	% OF FUND
CONSUMER-ORIENTED (CONTINUED)												
CONSUMER-NONDURABLES												
AVON PRODUCTS, INC.	92,900	54.37	5,050,742.35	1.35	44.88	4,168,887.50	1.17	2.200	4.9	3.30	13.6	29
EASTMAN KODAK CO.	62,300	82.18	5,119,953.64	1.37	52.75	3,286,325.00	0.92	2.100	4.0	4.05	13.0	27
MINNESOTA MINING & MFG	87,000	50.89	4,427,383.50	1.18	48.00	4,176,000.00	1.17	1.700	3.5	3.50	13.7	26
PROCTER & GAMBLE CO.	42,000	92.70	3,893,271.06	1.04	82.88	3,480,750.00	0.98	2.600	3.1	6.25	13.3	24
REVLON, INCORPORATED	95,000	36.06	3,425,285.62	0.92	40.50	3,847,500.00	1.08	1.000	2.5	3.10	13.1	17
CONSUMER-NONDURABLES		21,916,636.17		5.86%	18,959,462.50		5.32%	3.6				
% CHANGE COST-TO-MARKET-13.49%					TARGET WEIGHTING (BY MARKET)		5.50%					
CONSUMER-MISCELLANEOUS												
DISNEY (WALT) PROD.	45,955	46.19	2,122,621.82	0.57	36.25	1,665,868.75	0.47	0.160	0.4	2.60	13.9	32
HOLIDAY INNS INC.	34,800	37.41	1,301,880.25	0.35	12.63	439,350.00	0.12	0.465	3.7	1.60	7.9	17
MCDONALD'S CORP.	55,000	53.45	2,939,517.29	0.79	47.25	2,598,750.00	0.73	0.200	0.4	3.40	13.9	30
CONSUMER-MISCELLANEOUS		6,364,019.36		1.70%	4,703,968.75		1.32%	0.7				
% CHANGE COST-TO-MARKET-26.08%					TARGET WEIGHTING (BY MARKET)		1.20%					
DRUGS												
AMERICAN HOME PRODUCTS	89,800	24.16	2,169,876.60	0.58	27.38	2,458,275.00	0.69	1.200	4.4	1.95	14.0	26
JOHNSON & JOHNSON	40,000	86.36	3,454,307.46	0.92	73.38	2,935,000.00	0.82	1.500	2.0	4.20	17.5	35
MEDTRONIC, INC.	48,100	29.62	1,424,637.50	0.38	18.13	871,812.50	0.24	0.400	2.2	1.90	9.5	28
MERCK & COMPANY	61,900	50.87	3,148,855.67	0.84	54.00	3,342,600.00	0.94	1.500	2.8	3.75	14.4	28
PFIZER, INC.	116,200	31.13	3,617,824.77	0.97	24.88	2,890,475.00	0.81	0.960	3.9	2.50	10.0	19
SCHERING-PLOUGH CORP.	56,000	35.94	2,012,696.93	0.54	28.75	1,610,000.00	0.45	1.120	3.9	3.15	9.1	27
WARNER-LAMBERT	76,000	38.35	2,914,571.88	0.78	25.75	1,957,000.00	0.55	1.100	4.3	2.35	11.0	20
DRUGS		18,742,770.81		5.01%	16,065,162.50		4.51%	3.3				
% CHANGE COST-TO-MARKET-14.29%					TARGET WEIGHTING (BY MARKET)		4.50%					
FOODS-BEVERAGES												
CPC INTERNATIONAL	62,000	44.89	2,783,012.21	0.74	46.25	2,867,500.00	0.80	2.500	5.4	5.60	8.3	9
COCA-COLA CO.	100,000	38.18	3,817,680.82	1.02	37.38	3,737,500.00	1.05	1.540	4.1	2.65	14.1	27
GENERAL FOODS CORP.	82,100	31.84	2,614,146.68	0.70	30.88	2,534,837.50	0.71	1.640	5.3	3.65	8.5	10
GENERAL MILLS, INC.	105,000	18.73	1,966,410.96	0.53	23.00	2,940,000.00	0.82	1.000	3.6	2.70	10.4	15
KRAFT, INC.	22,600	35.67	806,221.93	0.22	45.88	1,036,775.00	0.29	2.320	5.1	5.65	8.1	10
NORTON SIMON, INC.	118,943	25.08	2,983,487.62	0.80	19.38	2,304,520.63	0.65	0.760	3.9	2.20	8.8	13
PEPSICO, INC.	70,000	24.92	1,744,350.00	0.47	25.13	1,758,750.00	0.49	0.800	3.2	2.15	11.7	17
PILLSBURY COMPANY	45,000	39.58	1,780,994.30	0.48	38.25	1,721,250.00	0.48	1.280	3.3	4.10	9.3	10
FOODS-BEVERAGES		18,496,304.52		4.95%	18,901,133.13		5.30%	4.3				
% CHANGE COST-TO-MARKET 2.19%					TARGET WEIGHTING (BY MARKET)		5.40%					



ADJ FIXED BENEFIT FUND  
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COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	HIST MULT
		AVG. COST	TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND	ANN DIVDND	% YLD	ANN EARN	ANN PER	
CONSUMER-ORIENTED (CONTINUED)												
RETAIL SALES												
FEDERATED DEPT. STORES	85,000	46.52	3,954,122.50	1.06	38.00	3,230,000.00	0.91	1.460	3.8	3.75	10.1	15
K-MART CORPORATION	57,127	20.74	1,184,776.45	0.32	29.75	1,699,528.25	0.48	0.560	1.9	2.50	11.9	26
PENNEY (J.C.) CO.	89,400	56.19	5,023,194.65	1.34	33.75	3,017,250.00	0.85	1.480	4.4	3.70	9.1	22
SEARS, ROEBUCK & CO.	120,000	36.18	4,341,577.94	1.16	29.00	3,480,000.00	0.98	1.110	3.8	2.80	10.4	21
SOUTHLAND CORPORATION	109,800	24.37	2,675,605.58	0.72	25.63	2,813,625.00	0.79	0.600	2.3	2.40	10.7	14
RETAIL SALES			17,179,277.12	4.60%	14,240,403.25			3.99%	3.4			
% CHANGE COST-TO-MARKET-17.11%			TARGET WEIGHTING (BY MARKET)			3.80%						
CONSUMER-ORIENTED			103,302,297.97	27.64%	91,362,892.63			25.62%	3.9			
% CHANGE COST-TO-MARKET-11.56%			TARGET WEIGHTING (BY MARKET)			25.40%						
TECHNOLOGY												
ELECTRONICS												
HEWLETT-PACKARD CO.	40,000	90.84	3,633,525.32	0.97	70.50	2,820,000.00	0.79	0.400	0.6	4.40	16.0	35
TEXAS INSTRUMENTS INC.	6,000	86.74	520,435.29	0.14	75.13	450,750.00	0.13	1.320	1.8	5.20	14.4	29
ELECTRONICS			4,153,960.61	1.11%	3,270,750.00			0.92%	0.7			
% CHANGE COST-TO-MARKET-21.26%			TARGET WEIGHTING (BY MARKET)			1.00%						
OFFICE EQUIPMENT												
BURROUGHS CORP.	60,400	75.74	4,574,686.39	1.22	65.13	3,933,550.00	1.10	1.000	1.5	5.35	12.2	28
CONTROL DATA CORP.	34,000	83.15	2,826,969.30	0.76	21.38	726,750.00	0.20	0.150	0.7	3.25	6.6	14
DIGITAL EQUIPMENT CORP	72,300	30.36	2,194,997.07	0.59	44.88	3,244,462.50	0.91	0.000	0.0	3.75	12.0	35
HONEYWELL, INC.	57,777	86.61	5,003,946.80	1.34	44.63	2,578,298.63	0.72	1.900	4.3	6.25	7.1	17
INT'L BUS. MACHINES	70,006	259.67	18,178,391.76	4.86	257.25	18,009,043.50	5.05	10.000	3.9	18.00	14.3	22
XEROX CORPORATION	67,950	79.76	5,411,784.43	1.45	49.50	3,358,575.00	0.94	1.600	3.2	5.00	9.9	28
OFFICE EQUIPMENT			38,190,775.75	10.22%	31,850,679.63			8.93%	3.1			
% CHANGE COST-TO-MARKET-16.60%			TARGET WEIGHTING (BY MARKET)			8.90%						
TECHNOLOGY			42,344,736.36	11.33%	35,121,429.63			9.85%	2.9			
% CHANGE COST-TO-MARKET-17.06%			TARGET WEIGHTING (BY MARKET)			9.90%						

ADJ FIXED BENEFIT FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	HIST
		AVG.	TOTAL	% OF	10/31/77	10/31/77	% OF	ANN	%	ANN	ANN	
		COST	COST	FUND	PRICE	VALUE	FUND	DIVDND	YLD	EARN	PER	MULT
<b>BASIC INDUSTRY</b>												
<b>AEROSPACE</b>												
BOEING CO.	120,000	20.54	2,465,093.71	0.66	26.25	3,150,000.00	0.88	1.000	3.8	4.25	6.2	9
UNITED TECHNOLOGIES	125,000	29.11	3,638,699.01	0.97	34.75	4,343,750.00	1.22	1.800	5.2	4.25	8.2	7
AEROSPACE			6,103,792.72	1.63%	7,493,750.00		2.10%	4.6				
% CHANGE COST-TO-MARKET			22.77%	TARGET WEIGHTING (BY MARKET)		2.00%						
<b>BUILDING &amp; FOREST PROD</b>												
GEORGIA-PACIFIC CORP.	84,210	29.28	2,465,610.10	0.66	26.38	2,221,038.75	0.62	0.800	3.0	2.40	11.0	15
MASONITE CORP.	109,000	27.13	2,957,404.42	0.79	16.50	1,798,500.00	0.50	0.680	4.1	2.30	7.2	18
OWENS-CORNING FIBER.	41,000	38.22	1,566,854.89	0.42	67.25	2,757,250.00	0.77	1.200	1.8	6.90	9.7	15
WEYERHAEUSER CO.	78,300	22.86	1,789,614.02	0.48	26.00	2,035,800.00	0.57	0.800	3.1	2.45	10.6	17
BUILDING & FOREST PROD			8,779,483.43	2.35%	8,812,588.75		2.47%	2.9				
% CHANGE COST-TO-MARKET			0.38%	TARGET WEIGHTING (BY MARKET)		2.60%						
<b>CHEMICALS</b>												
AIR PRODUCTS & CHEM.	110,802	18.91	2,095,638.97	0.56	25.00	2,770,050.00	0.78	0.400	1.6	2.40	10.4	18
DOW CHEMICAL	50,000	24.64	1,232,025.17	0.33	28.88	1,443,750.00	0.40	1.200	4.2	3.30	8.8	16
DU PONT (EI) DENEMOURS	25,000	130.46	3,261,533.69	0.87	112.50	2,812,500.00	0.79	5.000	4.4	11.15	10.1	17
HERCULES, INC.	120,000	28.76	3,451,495.83	0.92	15.88	1,905,000.00	0.53	1.000	6.3	1.85	8.6	20
MONSANTO CO.	30,000	58.53	1,756,049.11	0.47	55.00	1,650,000.00	0.46	3.100	5.6	10.10	5.4	9
UNION CARBIDE CORP.	74,000	50.22	3,716,470.70	0.99	41.75	3,089,500.00	0.87	2.800	6.7	6.50	6.4	9
CHEMICALS			15,513,213.47	4.15%	13,670,800.00		3.83%	4.8				
% CHANGE COST-TO-MARKET			-11.88%	TARGET WEIGHTING (BY MARKET)		4.20%						
<b>ELECTRICAL EQUIPMENT</b>												
EMERSON ELECTRIC CO.	92,200	30.57	2,813,459.73	0.75	33.63	3,100,225.00	0.87	1.000	3.0	2.75	12.2	23
GENERAL ELECTRIC CO.	118,000	51.49	6,075,550.16	1.63	50.13	5,914,750.00	1.66	2.200	4.4	4.80	10.4	17
GOULD, INC.	117,500	25.66	3,015,334.18	0.81	29.38	3,451,562.50	0.97	1.360	4.6	3.50	8.4	9
ELECTRICAL EQUIPMENT			11,909,344.07	3.19%	12,466,537.50		3.50%	4.1				
% CHANGE COST-TO-MARKET			4.68%	TARGET WEIGHTING (BY MARKET)		3.50%						
<b>MACHINERY</b>												
CATERPILLAR TRACTOR	72,500	31.70	2,329,878.57	0.62	51.50	3,785,250.00	1.06	1.800	3.5	5.00	10.3	13
CLARK EQUIPMENT CO.	55,000	41.83	2,300,625.42	0.62	32.00	1,760,000.00	0.49	1.800	5.6	4.35	7.4	11
COMBUSTION ENGINEERING	90,000	33.44	3,009,296.01	0.81	36.25	3,262,500.00	0.91	1.600	4.4	4.00	9.1	14
TRANS UNION CORP.	75,100	30.28	2,274,243.50	0.61	35.38	2,656,662.50	0.75	1.920	5.4	4.40	8.0	12
MACHINERY			9,914,043.50	2.65%	11,464,412.50		3.22%	4.5				
% CHANGE COST-TO-MARKET			15.64%	TARGET WEIGHTING (BY MARKET)		3.50%						

ADJ FIXED BENEFIT FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST ***** TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST ANN MULT
BASIC INDUSTRY (CONTINUED)												
METALS												
ALUMINUM CO OF AMER	57,000	45.97	2,390,296.16	0.64	44.75	2,327,000.00	0.65	1.800	4.0	6.00	7.5	14
PITTSBON COMPANY	100,169	24.24	2,427,945.31	0.65	23.88	2,391,534.88	0.67	1.450	6.1	1.75	13.6	19
ST. JOE MINERALS CORP.	98,000	38.89	3,810,803.13	1.02	29.63	2,903,250.00	0.81	1.300	4.4	2.90	10.2	7
METALS			8,629,044.60	2.31%	7,621,784.88		2.14%	4.8				
% CHANGE COST-TO-MARKET-11.67%			TARGET WEIGHTING (BY MARKET)			2.00%						
PAPER												
INTERNATIONAL PAPER	50,000	47.47	2,373,717.66	0.64	40.88	2,043,750.00	0.57	2.000	4.9	5.00	8.2	11
UNION CAMP CORPORATION	47,000	60.14	2,826,746.85	0.76	46.88	2,203,125.00	0.62	1.800	3.8	5.00	9.4	11
PAPER			5,200,464.51	1.39%	4,246,875.00		1.19%	4.3				
% CHANGE COST-TO-MARKET-18.34%			TARGET WEIGHTING (BY MARKET)			1.30%						
MISCELLANEOUS												
CORNING GLASS WORKS	35,400	47.25	1,672,648.57	0.45	55.63	1,969,125.00	0.55	1.520	2.7	5.50	10.1	22
INT'L TEL. & TEL.	95,400	43.97	4,194,362.58	1.12	29.88	2,850,075.00	0.80	1.760	5.9	4.60	6.5	9
MISCELLANEOUS			5,867,011.15	1.57%	4,819,200.00		1.35%	4.6				
% CHANGE COST-TO-MARKET-17.86%			TARGET WEIGHTING (BY MARKET)			1.50%						
BASIC INDUSTRY			71,916,397.45	19.24%	70,595,948.63		19.80%	4.3				
% CHANGE COST-TO-MARKET -1.84%			TARGET WEIGHTING (BY MARKET)			20.60%						
ENERGY												
OIL-DOMESTIC												
ATLANTIC RICHFIELD CO.	114,000	45.42	5,178,172.83	1.39	51.38	5,856,750.00	1.64	2.000	3.9	5.50	9.3	18
CONTINENTAL OIL	110,000	32.76	3,603,894.92	0.96	28.38	3,121,250.00	0.88	1.400	4.9	4.00	7.1	11
MARATHON OIL CO	64,000	57.96	3,709,376.99	0.99	46.75	2,992,000.00	0.84	2.200	4.7	7.00	6.7	10
PHILLIPS PETROLEUM CO.	148,000	26.83	3,970,787.54	1.06	28.38	4,199,500.00	1.18	1.000	3.5	3.25	8.7	17
STANDARD OIL (INDIANA)	112,700	32.08	3,615,741.59	0.97	47.75	5,381,425.00	1.51	2.600	5.4	7.00	6.8	13
STANDARD OIL CO OHIO	20,000	60.79	1,215,779.88	0.33	73.63	1,472,500.00	0.41	1.360	1.8	4.50	16.4	25
OIL-DOMESTIC			21,293,753.75	5.70%	23,023,425.00		6.46%	4.3				
% CHANGE COST-TO-MARKET 8.12%			TARGET WEIGHTING (BY MARKET)			7.00%						

ADJ FIXED BENEFIT FUND  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CJRR	CJRR	EST	EST
		AVG. COST	TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND	ANN DIVDND	% YLD	ANN EARN	ANN PER
ENERGY (CONTINUED)											
OIL-INTERNATIONAL											
EXXON CORPORATION	230,000	38.53	8,862,099.66	2.37	47.13	10,838,750.00	3.04	3.000	6.4	6.00	7.9 11
GULF OIL CORP.	170,000	27.85	4,733,814.87	1.27	27.13	4,611,250.00	1.29	1.900	7.0	4.30	6.3 9
STANDARD OIL OF CALIF.	130,000	33.83	4,397,711.53	1.18	38.75	5,037,500.00	1.41	2.400	6.2	6.00	6.5 9
TEXACO, INC.	148,300	31.82	4,719,428.80	1.26	27.38	4,059,712.50	1.14	2.000	7.3	3.60	7.6 10
OIL-INTERNATIONAL			22,713,054.86	6.08%		24,547,212.50	6.88%		6.6		
% CHANGE COST-TO-MARKET			8.08%		TARGET WEIGHTING (BY MARKET)		7.00%				
ENERGY - RELATED											
DRESSER INDUSTRIES	70,000	31.90	2,233,241.58	0.60	39.75	2,782,500.00	0.78	0.880	2.2	4.80	8.3 14
HALLIBURTON CO	71,000	51.36	3,646,316.75	0.98	59.38	4,215,625.00	1.18	1.000	1.7	5.80	10.2 22
WILLIAMS COMPANIES	91,000	31.23	2,842,087.20	0.76	18.50	1,683,500.00	0.47	1.000	5.4	2.90	6.4 8
ENERGY - RELATED			8,721,645.53	2.33%		8,681,625.00	2.43%		2.6		
% CHANGE COST-TO-MARKET			-0.46%		TARGET WEIGHTING (BY MARKET)		2.50%				
ENERGY			5,728,454.14	14.11%		56,252,262.50	15.78%		5.0		
% CHANGE COST-TO-MARKET			6.68%		TARGET WEIGHTING (BY MARKET)		16.50%				
TRANSPORTATION											
AIRLINES											
NORTHWEST AIRLINES	133,368	24.09	3,213,298.50	0.86	20.75	2,767,386.00	0.78	0.500	2.4	4.00	5.2 10
AIRLINES			3,213,298.50	0.86%		2,767,386.00	0.78%		2.4		
% CHANGE COST-TO-MARKET			-13.88%								
RAILROADS											
SOUTHERN RAILWAY	68,000	52.98	3,602,364.36	0.96	51.50	3,502,000.00	0.98	2.600	5.0	7.25	7.1 10
UNION PACIFIC CORP.	73,400	40.90	3,001,948.00	0.80	46.63	3,422,275.00	0.96	1.700	3.6	4.70	9.9 12
RAILROADS			6,604,312.36	1.77%		6,924,275.00	1.94%		4.4		
% CHANGE COST-TO-MARKET			4.84%		TARGET WEIGHTING (BY MARKET)		2.10%				
TRANSPORTATION			9,817,610.86	2.63%		9,691,661.00	2.72%		3.8		
% CHANGE COST-TO-MARKET			-1.28%		TARGET WEIGHTING (BY MARKET)		2.10%				
TOTAL FUND			373,784,523.15			356,573,118.67			4.6		
% CHANGE COST-TO-MARKET			-4.60%								
*LESS PROFIT ON STOCKS SOLD			4,824,081.45								
*NET ORIGINAL COST OF EQUITIES			368,960,441.70			356,573,118.67					
*PERCENT CHANGE -- NET ORIGINAL COST-TO-MARKET											

SUPPLEMENTAL RET-INCOME  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
<b>UTILITIES</b>												
<b>ELECTRIC</b>												
COMMONWEALTH EDISON	17,000	29.56	502,498.76	1.91	28.50	484,500.00	1.85	2.400	8.4	3.10	9.2	11
MINNESOTA POWER & L.	20,200	21.05	425,210.00	1.61	21.75	439,350.00	1.68	1.760	8.1	2.75	7.9	9
NORTHERN STATES POWER	18,000	26.57	478,197.49	1.81	27.63	497,250.00	1.90	2.060	7.5	3.00	9.2	10
PUBLIC SERV. INDIANA	10,000	28.21	282,132.50	1.07	28.00	280,000.00	1.07	2.040	7.3	3.15	8.9	10
TEXAS UTILITIES CO.	23,800	24.09	573,456.61	2.18	20.00	476,000.00	1.82	1.400	7.0	2.55	7.8	12
ELECTRIC		2,261,495.36		8.58%	2,177,100.00		8.31%	7.7				
% CHANGE COST-TO-MARKET		-3.73%		TARGET WEIGHTING (BY MARKET)		8.30%						
<b>NATURAL GAS</b>												
HOUSTON NATURAL GAS	6,000	30.99	185,955.00	0.71	26.00	156,000.00	0.60	0.800	3.1	4.00	6.5	14
PANHANDLE E. PIPE LINE	14,000	33.26	465,649.24	1.77	43.00	602,000.00	2.30	2.500	5.8	6.15	7.0	10
PEOPLES GAS CO.	13,000	36.36	472,675.50	1.79	37.25	484,250.00	1.85	2.760	7.4	4.75	7.8	10
NATURAL GAS		1,124,279.74		4.26%	1,242,250.00		4.74%	6.1				
% CHANGE COST-TO-MARKET		10.49%		TARGET WEIGHTING (BY MARKET)		4.70%						
<b>COMMUNICATIONS</b>												
AMERICAN TEL. & TEL.	20,000	51.51	1,030,277.14	3.91	59.38	1,187,500.00	4.53	4.200	7.1	6.85	8.7	10
GENERAL TEL. & ELEC.	22,000	27.27	599,981.77	2.28	30.50	671,000.00	2.56	2.240	7.3	3.55	8.6	10
COMMUNICATIONS		1,630,258.91		6.18%	1,858,500.00		7.10%	7.2				
% CHANGE COST-TO-MARKET		14.00%		TARGET WEIGHTING (BY MARKET)		7.00%						
UTILITIES		5,016,034.01		19.03%	5,277,850.00		20.16%	7.1				
% CHANGE COST-TO-MARKET		5.22%		TARGET WEIGHTING (BY MARKET)		20.00%						
<b>FINANCIAL SERVICES</b>												
<b>BANKS</b>												
CONTINENTAL ILL. CORP.	18,000	20.69	372,368.92	1.41	24.63	443,250.00	1.69	1.320	5.4	3.90	6.3	8
MANUFACTURERS HANOVER	11,000	36.39	400,248.02	1.52	32.25	354,750.00	1.35	1.920	6.0	5.30	6.1	9
NORTHWEST BANCORP.	20,000	20.56	411,152.81	1.56	22.25	445,000.00	1.70	0.960	4.3	2.80	7.9	11
BANKS		1,183,769.75		4.49%	1,243,000.00		4.75%	5.2				
% CHANGE COST-TO-MARKET		5.00%		TARGET WEIGHTING (BY MARKET)		5.00%						
<b>FINANCE</b>												
HOUSEHOLD FINANCE	22,000	22.85	502,605.65	1.91	18.75	412,500.00	1.58	1.300	6.9	3.00	6.3	11
FINANCE		502,605.65		1.91%	412,500.00		1.58%	6.9				
% CHANGE COST-TO-MARKET		-17.93%		TARGET WEIGHTING (BY MARKET)		1.00%						

SUPPLEMENTAL RET-INCOME  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST ***** TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
FINANCIAL SERVICES (CONTINUED)												
INSURANCE												
INA CORP.	10,000	43.05	430,495.80	1.63	40.50	405,000.00	1.55	2.300	5.7	7.00	5.8	10
NLT CORP.	11,000	12.96	142,570.64	0.54	22.38	246,125.00	0.94	0.760	3.4	3.40	6.6	8
U.S. FIDELITY & GUAR.	13,200	27.82	367,259.07	1.39	30.75	405,900.00	1.55	1.840	6.0	6.00	5.1	11
INSURANCE			940,325.51	3.57%	1,057,025.00		4.04%	5.3				
% CHANGE COST-TO-MARKET			12.41%	TARGET WEIGHTING (BY MARKET)		4.00%						
FINANCIAL SERVICES			2,626,700.91	9.96%	2,712,525.00		10.36%	5.5				
% CHANGE COST-TO-MARKET			3.27%	TARGET WEIGHTING (BY MARKET)		10.00%						
CONSUMER-ORIENTED												
AUTOS - AUTO PARTS												
FORD MOTOR CO.	9,500	43.83	416,424.48	1.58	42.88	407,312.50	1.56	3.200	7.5	12.75	3.4	9
GENERAL MOTORS	8,000	71.19	569,522.05	2.16	67.25	538,000.00	2.05	3.400	5.1	11.75	5.7	10
GOODYEAR TIRE & RUBBER	11,500	28.72	330,325.93	1.25	17.75	204,125.00	0.78	1.300	7.3	2.75	6.5	10
AUTOS - AUTO PARTS			1,316,272.46	4.99%	1,149,437.50		4.39%	6.3				
% CHANGE COST-TO-MARKET			-12.67%	TARGET WEIGHTING (BY MARKET)		4.50%						
CONSUMER-DURABLES												
SUNBEAM CORP.	14,000	20.59	288,321.50	1.09	20.63	288,750.00	1.10	1.200	5.8	3.00	6.9	11
CONSUMER-DURABLES			288,321.50	1.09%	288,750.00		1.10%	5.8				
% CHANGE COST-TO-MARKET			0.15%	TARGET WEIGHTING (BY MARKET)		1.10%						
CONSUMER-NONDURABLES												
AVON PRODUCTS, INC.	10,000	39.38	393,787.78	1.49	44.88	448,750.00	1.71	2.200	4.9	3.30	13.6	29
COLGATE-PALMOLIVE	9,000	26.58	239,196.44	0.91	21.75	195,750.00	0.75	1.000	4.6	2.15	10.1	17
MINNESOTA MINING & MFG	10,500	58.23	611,391.53	2.32	48.00	504,000.00	1.92	1.700	3.5	3.50	13.7	26
CONSUMER-NONDURABLES			1,244,375.75	4.72%	1,148,500.00		4.39%	4.3				
% CHANGE COST-TO-MARKET			-7.70%	TARGET WEIGHTING (BY MARKET)		4.50%						
CONSUMER-MISCELLANEOUS												
MCDONALD'S CORP.	2,000	54.15	108,300.71	0.41	47.25	94,500.00	0.36	0.200	0.4	3.40	13.9	30
CONSUMER-MISCELLANEOUS			108,300.71	0.41%	94,500.00		0.36%	0.4				
% CHANGE COST-TO-MARKET			-12.74%	TARGET WEIGHTING (BY MARKET)		0.30%						

SUPPLEMENTAL RET-INCOME  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	HIST PER MULT
		AVG. COST	TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND	ANN DIVDND	% YLD	ANN EARN	ANN PER	
CONSUMER-ORIENTED (CONTINUED)												
DRUGS												
AMERICAN HOME PRODUCTS	6,000	30.80	184,805.00	0.70	27.38	164,250.00	0.63	1.200	4.4	1.95	14.0	26
PFIZER, INC.	16,000	32.49	519,865.89	1.97	24.88	398,000.00	1.52	0.960	3.9	2.50	10.0	19
WARNER-LAMBERT	15,000	39.72	595,765.72	2.26	25.75	386,250.00	1.48	1.100	4.3	2.35	11.0	20
DRUGS			1,300,436.61	4.93%	948,500.00		3.62%	4.1				
% CHANGE COST-TO-MARKET-27.06%					TARGET WEIGHTING (BY MARKET)		3.70%					
FOODS-BEVERAGES												
CPC INTERNATIONAL	10,000	44.14	441,386.28	1.67	46.25	462,500.00	1.77	2.500	5.4	5.60	8.3	9
CONSOLIDATED FOODS	12,000	30.78	369,336.67	1.40	23.63	283,500.00	1.08	1.400	5.9	3.15	7.5	12
GENERAL FOODS CORP.	11,000	25.19	277,072.95	1.05	30.88	339,625.00	1.30	1.640	5.3	3.65	8.5	10
PEPSICO, INC.	19,800	17.74	351,321.32	1.33	25.13	497,475.00	1.90	0.800	3.2	2.15	11.7	17
FOODS-BEVERAGES			1,439,117.22	5.46%	1,583,100.00		6.05%	4.8				
% CHANGE COST-TO-MARKET 10.00%					TARGET WEIGHTING (BY MARKET)		6.40%					
RETAIL SALES												
FEDERATED DEPT. STORES	11,000	43.33	476,652.50	1.81	38.00	418,000.00	1.60	1.460	3.8	3.75	10.1	15
PENNEY (J.C.) CO.	5,000	34.79	173,975.00	0.66	33.75	168,750.00	0.64	1.480	4.4	3.70	9.1	22
SEARS, ROEBUCK & CO.	15,000	38.90	583,574.43	2.21	29.00	435,000.00	1.66	1.110	3.8	2.80	10.4	21
RETAIL SALES			1,234,201.93	4.68%	1,021,750.00		3.90%	3.9				
% CHANGE COST-TO-MARKET-17.21%					TARGET WEIGHTING (BY MARKET)		3.60%					
CONSUMER-ORIENTED			6,931,026.18	26.29%	6,234,537.50		23.81%	4.7				
% CHANGE COST-TO-MARKET-10.05%					TARGET WEIGHTING (BY MARKET)		24.10%					
TECHNOLOGY												
OFFICE EQUIPMENT												
INT'L BUS. MACHINES	4,900	261.41	1,280,919.92	4.86	257.25	1,260,525.00	4.81	10.000	3.9	18.00	14.3	22
OFFICE EQUIPMENT			1,280,919.92	4.86%	1,260,525.00		4.81%	3.9				
% CHANGE COST-TO-MARKET -1.59%					TARGET WEIGHTING (BY MARKET)		4.80%					
TECHNOLOGY			1,280,919.92	4.86%	1,260,525.00		4.81%	3.9				
% CHANGE COST-TO-MARKET -1.59%					TARGET WEIGHTING (BY MARKET)		4.80%					

SUPPLEMENTAL RET-INCOME  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
BASIC INDUSTRY												
AEROSPACE												
UNITED TECHNOLOGIES	13,000	29.88	388,479.69	1.47	34.75	451,750.00	1.73	1.800	5.2	4.25	8.2	7
AEROSPACE			388,479.69	1.47%	451,750.00		1.73%	5.2				
% CHANGE COST-TO-MARKET			16.29%	TARGET WEIGHTING (BY MARKET)		1.70%						
BUILDING & FOREST PROD												
GEORGIA-PACIFIC CORP.	17,292	28.84	498,784.48	1.89	26.38	456,076.50	1.74	0.800	3.0	2.40	11.0	15
MASONITE CORP.	4,000	20.72	82,888.00	0.31	16.50	66,000.00	0.25	0.680	4.1	2.30	7.2	18
BUILDING & FOREST PROD			581,672.48	2.21%	522,076.50		1.99%	3.2				
% CHANGE COST-TO-MARKET			-10.25%	TARGET WEIGHTING (BY MARKET)		2.00%						
CHEMICALS												
DOW CHEMICAL	4,000	35.90	143,615.83	0.54	28.88	115,500.00	0.44	1.200	4.2	3.30	8.8	16
DU PONT (EI) DENEMOURS	3,500	130.61	457,134.53	1.73	112.50	393,750.00	1.50	5.000	4.4	11.15	10.1	17
MONSANTO CO.	3,000	56.87	170,620.07	0.65	55.00	165,000.00	0.63	3.100	5.6	10.10	5.4	9
UNION CARBIDE CORP.	9,500	47.07	447,140.76	1.70	41.75	396,625.00	1.51	2.800	6.7	6.50	6.4	9
CHEMICALS			1,218,511.19	4.62%	1,070,875.00		4.09%	5.4				
% CHANGE COST-TO-MARKET			-12.12%	TARGET WEIGHTING (BY MARKET)		4.50%						
ELECTRICAL EQUIPMENT												
GENERAL ELECTRIC CO.	5,000	49.13	245,626.79	0.93	50.13	250,625.00	0.96	2.200	4.4	4.80	10.4	17
GOULD, INC.	30,000	16.66	499,716.49	1.90	29.38	881,250.00	3.37	1.360	4.6	3.50	8.4	9
ELECTRICAL EQUIPMENT			745,343.28	2.83%	1,131,875.00		4.32%	4.6				
% CHANGE COST-TO-MARKET			51.86%	TARGET WEIGHTING (BY MARKET)		3.50%						
MACHINERY												
CLARK EQUIPMENT CO.	5,000	43.53	217,640.00	0.83	32.00	160,000.00	0.61	1.800	5.6	4.35	7.4	11
COMBUSTION ENGINEERING	12,000	43.81	525,298.70	1.99	36.25	435,000.00	1.66	1.600	4.4	4.00	9.1	14
TRANS UNION CORP.	8,000	31.56	252,508.00	0.96	35.38	283,000.00	1.08	1.920	5.4	4.40	8.0	12
MACHINERY			995,856.70	3.78%	878,000.00		3.35%	5.0				
% CHANGE COST-TO-MARKET			-11.83%	TARGET WEIGHTING (BY MARKET)		3.50%						
METALS												
HANNA MINING COMPANY	4,000	42.60	170,388.00	0.65	38.25	153,000.00	0.58	1.800	4.7	6.25	6.1	17
ST. JOE MINERALS CORP.	13,000	40.18	522,298.64	1.98	29.63	385,125.00	1.47	1.300	4.4	2.90	10.2	7
METALS			692,686.64	2.63%	538,125.00		2.06%	4.5				
% CHANGE COST-TO-MARKET			-22.31%	TARGET WEIGHTING (BY MARKET)		2.00%						



SUPPLEMENTAL RET-INCOME  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
BASIC INDUSTRY (CONTINUED)												
PAPER												
INTERNATIONAL PAPER	9,000	39.99	359,876.74	1.37	40.88	367,875.00	1.40	2,000	4.9	5.00	8.2	11
UNION CAMP CORPORATION	3,000	60.56	181,673.00	0.69	46.88	140,625.00	0.54	1,800	3.8	5.00	9.4	11
PAPER			541,546.74	2.05%		508,500.00	1.94%		4.6			
% CHANGE COST-TO-MARKET		-6.10%			TARGET WEIGHTING (BY MARKET)		2.00%					
MISCELLANEOUS												
INT'L TEL. & TEL.	12,500	38.62	482,771.21	1.83	29.88	373,437.50	1.43	1,760	5.9	4.60	6.5	9
MISCELLANEOUS			482,771.21	1.83%		373,437.50	1.43%		5.9			
% CHANGE COST-TO-MARKET		-22.65%			TARGET WEIGHTING (BY MARKET)		1.50%					
BASIC INDUSTRY			5,646,867.93	21.42%		5,474,639.00	20.91%		4.8			
% CHANGE COST-TO-MARKET		-3.05%			TARGET WEIGHTING (BY MARKET)		20.70%					
ENERGY												
OIL-DOMESTIC												
CONTINENTAL OIL	23,500	23.94	562,631.64	2.13	28.38	666,812.50	2.55	1,400	4.9	4.00	7.1	11
MARATHON OIL CO	12,000	56.84	682,084.89	2.59	46.75	561,000.00	2.14	2,200	4.7	7.00	6.7	10
STANDARD OIL (INDIANA)	12,000	42.00	503,953.76	1.91	47.75	573,000.00	2.19	2,600	5.4	7.00	6.8	13
OIL-DOMESTIC			1,748,670.29	6.63%		1,800,812.50	6.88%		5.0			
% CHANGE COST-TO-MARKET		2.98%			TARGET WEIGHTING (BY MARKET)		7.10%					
OIL-INTERNATIONAL												
EXXON CORPORATION	25,000	40.75	1,018,834.04	3.86	47.13	1,178,125.00	4.50	3,000	6.4	6.00	7.9	11
MOBIL CORP.	12,500	51.71	646,323.24	2.45	61.88	773,437.50	2.95	3,800	6.1	9.50	6.5	10
TEXACO, INC.	18,000	29.95	539,119.75	2.05	27.38	492,750.00	1.88	2,000	7.3	3.60	7.6	10
OIL-INTERNATIONAL			2,204,277.03	8.36%		2,444,312.50	9.33%		6.5			
% CHANGE COST-TO-MARKET		10.89%			TARGET WEIGHTING (BY MARKET)		9.30%					
ENERGY - RELATED												
DRESSER INDUSTRIES	9,000	33.97	305,762.50	1.16	39.75	357,750.00	1.37	0,880	2.2	4.80	8.3	14
WILLIAMS COMPANIES	6,500	22.75	147,850.50	0.56	18.50	120,250.00	0.46	1,000	5.4	2.90	6.4	8
ENERGY - RELATED			453,613.00	1.72%		478,000.00	1.83%		3.0			
% CHANGE COST-TO-MARKET		5.38%			TARGET WEIGHTING (BY MARKET)		2.00%					
ENERGY			4,406,560.32	16.72%		4,723,125.00	18.04%		5.6			
% CHANGE COST-TO-MARKET		7.18%			TARGET WEIGHTING (BY MARKET)		18.40%					

SUPPLEMENTAL RET-INCOME  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	***** AVG. COST	***** COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR	CJRR	EST	EST
								ANN DIVDND	% YLD	ANN EARN	ANN PER HIST MULT
<b>TRANSPORTATION</b>											
<b>RAILROADS</b>											
SOUTHERN RAILWAY	5,500	54.54	299,984.89	1.14	51.50	283,250.00	1.08	2.600	5.0	7.25	7.1 10
UNION PACIFIC CORP.	4,700	32.46	152,559.99	0.58	46.63	219,137.50	0.84	1.700	3.6	4.70	9.9 12
RAILROADS			452,544.88	1.72%	502,387.50		1.92%	4.4			
% CHANGE COST-TO-MARKET			11.01%	TARGET WEIGHTING (BY MARKET)		2.00%					
TRANSPORTATION			452,544.88	1.72%	502,387.50		1.92%	4.4			
% CHANGE COST-TO-MARKET			11.01%	TARGET WEIGHTING (BY MARKET)		2.00%					
TOTAL FUND			26,360,654.15	26,185,589.00				5.4			
% CHANGE COST-TO-MARKET			-0.66%								
*LESS PROFIT ON STOCKS SOLD			143,467.09								
*NET ORIGINAL COST OF EQUITIES			26,217,186.16	26,185,589.00							
*PERCENT CHANGE — NET ORIGINAL COST-TO-MARKET			-0.12%								

SUPPLEMENTAL RET-GROWTH  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	
		AVG. COST	TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND	ANN DIVDND	% YLD	ANN EARN	ANN PER	HIST MULT
<b>UTILITIES</b>												
<b>ELECTRIC</b>												
FLORIDA POWER & LIGHT	17,000	27.27	463,552.47	2.51	25.25	429,250.00	2.72	1.760	7.0	3.30	7.7	12
TEXAS UTILITIES CO.	20,000	19.86	397,209.77	2.15	20.00	400,000.00	2.53	1.400	7.0	2.55	7.8	12
ELECTRIC			860,762.24	4.66%	829,250.00		5.25%	7.0				
% CHANGE COST-TO-MARKET			-3.66%	TARGET WEIGHTING (BY MARKET)		5.20%						
<b>NATURAL GAS</b>												
HOUSTON NATURAL GAS	9,000	32.16	289,475.13	1.57	26.00	234,000.00	1.48	0.800	3.1	4.00	6.5	14
NATURAL GAS			289,475.13	1.57%	234,000.00		1.48%	3.1				
% CHANGE COST-TO-MARKET			-19.16%	TARGET WEIGHTING (BY MARKET)		1.70%						
<b>COMMUNICATIONS</b>												
AMERICAN TEL. & TEL.	4,800	60.38	289,812.80	1.57	59.38	285,000.00	1.80	4.200	7.1	6.85	8.7	10
UNITED TELECOM.	17,800	18.00	320,478.12	1.73	19.75	351,550.00	2.22	1.280	6.5	2.20	9.0	10
COMMUNICATIONS			610,290.92	3.30%	636,550.00		4.03%	6.7				
% CHANGE COST-TO-MARKET			4.30%	TARGET WEIGHTING (BY MARKET)		4.00%						
UTILITIES			1,760,528.29	9.52%	1,699,800.00		10.75%	6.4				
% CHANGE COST-TO-MARKET			-3.45%	TARGET WEIGHTING (BY MARKET)		10.90%						
<b>FINANCIAL SERVICES</b>												
<b>BANKS</b>												
BANKAMERICA CORP	5,000	19.97	99,843.75	0.54	22.50	112,500.00	0.71	0.940	4.2	2.70	8.3	12
FIRST BANK SYSTEM	6,000	43.27	259,605.00	1.40	35.63	213,750.00	1.35	1.600	4.5	4.55	7.8	13
VALLEY NATL (ARIZONA)	7,500	25.74	193,065.00	1.04	19.25	144,375.00	0.91	0.920	4.8	2.40	8.0	12
BANKS			552,513.75	2.99%	470,625.00		2.98%	4.5				
% CHANGE COST-TO-MARKET			-14.82%	TARGET WEIGHTING (BY MARKET)		2.70%						
<b>FINANCE</b>												
HOUSEHOLD FINANCE	10,000	23.79	237,858.27	1.29	18.75	187,500.00	1.19	1.300	6.9	3.00	6.3	11
MGIC INVESTMENT CORP.	6,000	42.31	253,881.03	1.37	12.75	76,500.00	0.48	0.300	2.4	1.80	7.1	42
FINANCE			491,739.30	2.66%	264,000.00		1.67%	5.6				
% CHANGE COST-TO-MARKET			-46.31%	TARGET WEIGHTING (BY MARKET)		1.50%						

SUPPLEMENTAL RET-GROWTH  
OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST
		AVG.	TOTAL	% OF	10/31/77	10/31/77	% OF	ANN	%	ANN	ANN HIST
		COST	COST	FUND	PRICE	VALUE	FUND	DIVDND	YLD	EARN	PER MULT
FINANCIAL SERVICES (CONTINUED)											
INSURANCE											
INA CORP.	6,000	44.89	269,343.97	1.46	40.50	243,000.00	1.54	2.300	5.7	7.00	5.8 10.
NLI CORP.	11,000	24.17	265,845.43	1.44	22.38	246,125.00	1.56	0.760	3.4	3.40	6.6 8
SAFECO CORP.	3,400	46.69	158,760.00	0.86	39.50	134,300.00	0.85	1.500	3.8	6.75	5.9 13
INSURANCE			693,949.40	3.75%	623,425.00		3.94%	4.4			
% CHANGE COST-TO-MARKET-10.16%			TARGET WEIGHTING (BY MARKET)			4.10%					
FINANCIAL SERVICES			1,738,202.45	9.40%	1,358,050.00		8.59%	4.7			
% CHANGE COST-TO-MARKET-21.87%			TARGET WEIGHTING (BY MARKET)			8.30%					
CONSUMER-ORIENTED											
AUTOS - AUTO PARTS											
GENUINE PARTS COMPANY	19,500	35.23	687,071.32	3.72	32.38	631,312.50	3.99	0.900	2.8	2.50	13.0 24
AUTOS - AUTO PARTS			687,071.32	3.72%	631,312.50		3.99%	2.8			
% CHANGE COST-TO-MARKET -8.12%			TARGET WEIGHTING (BY MARKET)			3.50%					
CONSUMER-DURABLES											
SUNBEAM CORP.	9,000	25.95	233,525.00	1.26	20.63	185,625.00	1.17	1.200	5.8	3.00	6.9 11
CONSUMER-DURABLES			233,525.00	1.26%	185,625.00		1.17%	5.8			
% CHANGE COST-TO-MARKET-20.51%			TARGET WEIGHTING (BY MARKET)			1.20%					
CONSUMER-NONDURABLES											
AVON PRODUCTS, INC.	5,000	54.74	273,724.14	1.48	44.88	224,375.00	1.42	2.200	4.9	3.30	13.6 29
COLGATE-PALMOLIVE	6,000	26.71	160,256.94	0.87	21.75	130,500.00	0.83	1.000	4.6	2.15	10.1 17
EASTMAN KODAK CO.	4,400	84.40	371,380.44	2.01	52.75	232,100.00	1.47	2.100	4.0	4.05	13.0 27
MINNESOTA MINING & MFG	6,000	53.24	319,453.97	1.73	48.00	288,000.00	1.82	1.700	3.5	3.50	13.7 26
REVLON, INCORPORATED	8,000	32.47	259,730.43	1.40	40.50	324,000.00	2.05	1.000	2.5	3.10	13.1 17
CONSUMER-NONDURABLES			1,384,545.92	7.49%	1,198,975.00		7.58%	3.7			
% CHANGE COST-TO-MARKET-13.40%			TARGET WEIGHTING (BY MARKET)			7.90%					
CONSUMER-MISCELLANEOUS											
ARA SERVICES, INC.	1,800	75.04	135,064.56	0.73	37.88	68,175.00	0.43	1.450	3.8	4.05	9.4 19.
DISNEY (WALT) PROD.	5,197	55.07	286,182.59	1.55	36.25	188,391.25	1.19	0.160	0.4	2.60	13.9 32
HOLIDAY INNS INC.	4,200	33.37	140,159.33	0.76	12.63	53,025.00	0.34	0.465	3.7	1.60	7.9 17
MCDONALD'S CORP.	5,000	43.32	216,614.53	1.17	47.25	236,250.00	1.49	0.200	0.4	3.40	13.9 30.
CONSUMER-MISCELLANEOUS			778,021.01	4.21%	545,841.25		3.45%	1.2			
% CHANGE COST-TO-MARKET-29.84%			TARGET WEIGHTING (BY MARKET)			3.00%					

SUPPLEMENTAL RET-GROWTH  
 OCTOBER 31, 1977

COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	
		AVG.	TOTAL	% OF	10/31/77	10/31/77	% OF	ANN	%	ANN	ANN	
		COST	COST	FUND	PRICE	VALUE	FUND	DIVDND	YLD	EARN	PER	HIST
												MULT
CONSUMER-ORIENTED (CONTINUED)												
DRUGS												
AMERICAN HOME PRODUCTS	7,000	37.01	259,076.98	1.40	27.38	191,625.00	1.21	1.200	4.4	1.95	14.0	26
JOHNSON & JOHNSON	4,000	91.55	366,184.26	1.98	73.38	293,500.00	1.86	1.500	2.0	4.20	17.5	35
MEDTRONIC, INC.	7,000	23.83	166,796.32	0.90	18.13	126,875.00	0.80	0.400	2.2	1.90	9.5	28
SCHERING-PLOUGH CORP.	5,000	53.91	269,532.34	1.46	28.75	143,750.00	0.91	1.120	3.9	3.15	9.1	27
DRUGS			1,061,589.90	5.74%	755,750.00		4.78%	3.0				
% CHANGE COST-TO-MARKET-28.81%			TARGET WEIGHTING (BY MARKET)			5.00%						
FOODS-BEVERAGES												
GENERAL MILLS, INC.	7,000	28.12	196,875.00	1.06	28.00	196,000.00	1.24	1.000	3.6	2.70	10.4	15
PEPSICO, INC.	16,500	22.67	374,041.53	2.02	25.13	414,562.50	2.62	0.800	3.2	2.15	11.7	17
PILLSBURY COMPANY	5,000	39.69	198,450.00	1.07	38.25	191,250.00	1.21	1.280	3.3	4.10	9.3	10
FOODS-BEVERAGES			769,366.53	4.16%	801,812.50		5.07%	3.3				
% CHANGE COST-TO-MARKET 4.22%			TARGET WEIGHTING (BY MARKET)			4.80%						
RETAIL SALES												
AMERICAN GREETINGS	13,000	16.24	211,070.00	1.14	12.31	160,069.00	1.01	0.340	2.8	1.40	8.8	25
K-MART CORPORATION	6,500	35.98	233,852.50	1.26	29.75	193,375.00	1.22	0.560	1.9	2.50	11.9	26
PENNEY (J.C.) CO.	6,000	50.72	304,302.11	1.65	33.75	202,500.00	1.28	1.480	4.4	3.70	9.1	22
SOUTHLAND CORPORATION	6,150	24.34	149,679.50	0.81	25.63	157,593.75	1.00	0.600	2.3	2.40	10.7	14
RETAIL SALES			898,904.11	4.86%	713,537.75		4.51%	2.9				
% CHANGE COST-TO-MARKET-20.62%			TARGET WEIGHTING (BY MARKET)			4.20%						
CONSUMER-ORIENTED			5,813,023.79	31.44%	4,832,854.00		30.57%	3.1				
% CHANGE COST-TO-MARKET-16.86%			TARGET WEIGHTING (BY MARKET)			29.60%						
TECHNOLOGY												
ELECTRONICS												
HEWLETT-PACKARD CO.	4,000	91.97	367,883.21	1.99	70.50	282,000.00	1.78	0.400	0.6	4.40	16.0	35
TEXAS INSTRUMENTS INC.	400	87.52	35,008.60	0.19	75.13	30,050.00	0.19	1.320	1.8	5.20	14.4	29
ELECTRONICS			402,891.81	2.18%	312,050.00		1.97%	0.7				
% CHANGE COST-TO-MARKET-22.55%			TARGET WEIGHTING (BY MARKET)			2.20%						

SUPPLEMENTAL RET-GROWTH  
 OCTOBER 31, 1977

COMPANY NAME	***** COST *****		***** MARKET *****		10/31/77 PRICE	10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
	NUMB OF SHARES	AVG. COST	TOTAL COST	% OF FUND								
TECHNOLOGY (CONTINUED)												
OFFICE EQUIPMENT												
BURROUGHS CORP.	2,000	66.59	133,187.47	0.72	65.13	130,250.00	0.62	1.000	1.5	5.35	12.2	28
DIGITAL EQUIPMENT CORP	6,000	36.40	218,427.71	1.18	44.88	269,250.00	1.70	0.000	0.0	3.75	12.0	35
HONEYWELL, INC.	4,000	89.44	357,775.16	1.93	44.63	178,500.00	1.13	1.900	4.3	6.25	7.1	17
INT'L BUS. MACHINES	3,612	257.93	931,638.77	5.04	257.25	929,187.00	5.88	10.000	3.9	18.00	14.3	22
XEROX CORPORATION	4,200	93.80	393,970.93	2.13	49.50	207,900.00	1.32	1.600	3.2	5.00	9.9	28
OFFICE EQUIPMENT			2,035,000.04	11.01%		1,715,087.00	10.85%			3.1		
% CHANGE COST-TO-MARKET			-15.72%		TARGET WEIGHTING (BY MARKET)		11.00%					
TECHNOLOGY			2,437,891.85	13.18%		2,027,137.00	12.82%			2.7		
% CHANGE COST-TO-MARKET			-16.85%		TARGET WEIGHTING (BY MARKET)		13.20%					
BASIC INDUSTRY												
AEROSPACE												
BOEING CO.	14,500	22.44	325,337.92	1.76	26.25	380,625.00	2.41	1.000	3.8	4.25	6.2	9
AEROSPACE			325,337.92	1.76%		380,625.00	2.41%			3.8		
% CHANGE COST-TO-MARKET			16.99%		TARGET WEIGHTING (BY MARKET)		2.50%					
BUILDING & FOREST PROD												
GEORGIA-PACIFIC CORP.	8,670	31.17	270,275.00	1.46	26.38	228,671.25	1.45	0.800	3.0	2.40	11.0	15
MASONITE CORP.	11,000	27.72	304,888.13	1.65	16.50	181,500.00	1.15	0.680	4.1	2.30	7.2	18
BUILDING & FOREST PROD			575,163.13	3.11%		410,171.25	2.59%			3.5		
% CHANGE COST-TO-MARKET			-28.69%		TARGET WEIGHTING (BY MARKET)		2.70%					
CHEMICALS												
AIR PRODUCTS & CHEM.	9,670	31.06	300,317.61	1.62	25.00	241,750.00	1.53	0.400	1.6	2.40	10.4	18
DOW CHEMICAL	5,000	43.91	219,530.00	1.19	28.88	144,375.00	0.91	1.200	4.2	3.30	8.8	16
DU PONT (EI) DENEMOURS	2,100	146.88	308,449.15	1.67	112.50	236,250.00	1.49	5.000	4.4	11.15	10.1	17
CHEMICALS			828,296.76	4.48%		622,375.00	3.94%			3.3		
% CHANGE COST-TO-MARKET			-24.86%		TARGET WEIGHTING (BY MARKET)		3.80%					
ELECTRICAL EQUIPMENT												
EMERSON ELECTRIC CO.	11,000	35.17	386,912.84	2.09	33.63	369,875.00	2.34	1.000	3.0	2.75	12.2	23
GOULD, INC.	6,500	26.42	171,758.80	0.93	29.38	190,937.50	1.21	1.360	4.6	3.50	8.4	9
ELECTRICAL EQUIPMENT			558,671.64	3.02%		560,812.50	3.55%			3.5		
% CHANGE COST-TO-MARKET			0.38%		TARGET WEIGHTING (BY MARKET)		3.50%					

SUPPLEMENTAL RET-GROWTH  
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COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	HIST PER MULTI
		AVG. COST	TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND	ANN DIVDND	% YLD	ANN EARN	ANN PER	
BASIC INDUSTRY (CONTINUED)												
MACHINERY												
CATERPILLAR TRACTOR	2,000	53.22	106,440.00	0.58	51.50	103,000.00	0.65	1.800	3.5	5.00	10.3	13
CLARK EQUIPMENT CO.	4,000	40.60	162,410.00	0.88	32.00	128,000.00	0.81	1,800	5.6	4.35	7.4	11
TRANS UNION CORP.	3,500	32.36	113,244.50	0.61	35.38	123,812.50	0.78	1.920	5.4	4.40	8.0	12
MACHINERY			382,094.50	2.07%	354,812.50		2.24%	4.9				
% CHANGE COST-TO-MARKET			-7.14%	TARGET WEIGHTING (BY MARKET)		2.20%						
METALS												
HANNA MINING COMPANY	6,500	47.62	309,502.35	1.67	38.25	248,625.00	1.57	1.800	4.7	6.25	6.1	17
ST. JOE MINERALS CORP.	6,500	40.18	261,170.00	1.41	29.63	192,562.50	1.22	1.300	4.4	2.90	10.2	7
METALS			570,672.35	3.09%	441,187.50		2.79%	4.6				
% CHANGE COST-TO-MARKET			-22.69%	TARGET WEIGHTING (BY MARKET)		2.80%						
PAPER												
INTERNATIONAL PAPER	4,300	61.48	264,362.50	1.43	40.88	175,762.50	1.11	2.000	4.9	5.00	8.2	11
UNION CAMP CORPORATION	1,300	51.78	67,316.50	0.36	46.88	60,937.50	0.39	1.800	3.8	5.00	9.4	11
PAPER			331,679.00	1.79%	236,700.00		1.50%	4.6				
% CHANGE COST-TO-MARKET			-28.64%	TARGET WEIGHTING (BY MARKET)		1.60%						
MISCELLANEOUS												
INT'L TEL. & TEL.	7,000	44.91	314,394.85	1.70	29.88	209,125.00	1.32	1.760	5.9	4.60	6.5	9
MISCELLANEOUS			314,394.85	1.70%	209,125.00		1.32%	5.9				
% CHANGE COST-TO-MARKET			-33.48%	TARGET WEIGHTING (BY MARKET)		1.30%						
BASIC INDUSTRY			3,886,310.15	21.02%	3,215,808.75		20.34%	4.0				
% CHANGE COST-TO-MARKET			-17.25%	TARGET WEIGHTING (BY MARKET)		20.40%						
ENERGY												
OIL-DOMESTIC												
ATLANTIC RICHFIELD CO.	6,000	53.76	322,540.00	1.74	51.38	308,250.00	1.95	2.000	3.9	5.50	9.3	18
LOUISIANA LAND & EXPL.	11,000	26.27	288,976.00	1.56	23.50	258,500.00	1.64	1.200	5.1	2.70	8.7	20
MARATHON OIL CO	8,000	57.31	458,480.00	2.48	46.75	374,000.00	2.37	2.200	4.7	7.00	6.7	10
OIL-DOMESTIC			1,069,996.00	5.79%	940,750.00		5.95%	4.5				
% CHANGE COST-TO-MARKET			-12.08%	TARGET WEIGHTING (BY MARKET)		6.30%						

SUPPLEMENTAL RET-GROWTH  
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COMPANY NAME	NUMB OF SHARES	*****	COST	*****	*****	MARKET	*****	CURR	CURR	EST	EST	HIST
		AVG.	TOTAL	% OF	10/31/77	10/31/77	% OF	ANN	%	ANN	ANN	
		COST	COST	FUND	PRICE	VALUE	FUND	DIVDND	YLD	EARN	PER	MULT
ENERGY (CONTINUED)												
OIL-INTERNATIONAL												
EXXON CORPORATION	15,500	45.49	705,157.21	3.81	47.13	730,437.50	4.62	3.000	6.4	6.00	7.9	11
STANDARD OIL OF CALIF.	1,000	40.46	40,460.00	0.22	38.75	38,750.00	0.25	2.400	6.2	6.00	6.5	9
OIL-INTERNATIONAL			745,617.21	4.03%		769,187.50	4.87%		6.4			
% CHANGE COST-TO-MARKET			3.16%		TARGET WEIGHTING (BY MARKET)		5.10%					
ENERGY - RELATED												
BAKER INTERNATIONAL	8,000	48.39	387,086.43	2.09	44.88	359,000.00	2.27	0.640	1.4	4.25	10.6	20
HALLIBURTON CO	6,000	50.81	304,872.00	1.65	59.38	356,250.00	2.25	1.000	1.7	5.80	10.2	22
WILLIAMS COMPANIES	6,800	28.97	196,995.35	1.07	18.50	125,800.00	0.80	1.000	5.4	2.90	6.4	8
ENERGY - RELATED			888,953.78	4.81%		841,050.00	5.32%		2.1			
% CHANGE COST-TO-MARKET			-5.39%		TARGET WEIGHTING (BY MARKET)		4.90%					
ENERGY			2,704,566.99	14.63%		2,550,987.50	16.14%		4.3			
% CHANGE COST-TO-MARKET			-5.68%		TARGET WEIGHTING (BY MARKET)		16.30%					
TRANSPORTATION												
AIRLINES												
NORTHWEST AIRLINES	6,000	24.93	149,591.38	0.81	20.75	124,500.00	0.79	0.500	2.4	4.00	5.2	10
AIRLINES			149,591.38	0.81%		124,500.00	0.79%		2.4			
% CHANGE COST-TO-MARKET			-16.77%		TARGET WEIGHTING (BY MARKET)		0.50%					
TRANSPORTATION			149,591.38	0.81%		124,500.00	0.79%		2.4			
% CHANGE COST-TO-MARKET			-16.77%		TARGET WEIGHTING (BY MARKET)		1.30%					
TOTAL FUND			18,490,114.90			15,809,137.25			3.9			
% CHANGE COST-TO-MARKET			-14.50%									
*LESS PROFIT ON STOCKS SOLD			223,660.46									
*NET ORIGINAL COST OF EQUITIES			18,266,454.44			15,809,137.25						
*PERCENT CHANGE -- NET ORIGINAL COST-TO-MARKET				-13.45%								



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COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST ***** TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET ***** 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
<b>UTILITIES</b>												
<b>ELECTRIC</b>												
COMMONWEALTH EDISON	18,000	29.89	537,941.50	1.57	28.50	513,000.00	1.66	2.400	8.4	3.10	9.2	11
FLORIDA POWER & LIGHT	19,000	25.18	478,363.80	1.40	25.25	479,750.00	1.56	1.760	7.0	3.30	7.7	12
TEXAS UTILITIES CO.	30,000	21.62	648,490.19	1.90	20.00	600,000.00	1.95	1.400	7.0	2.55	7.8	12
<b>ELECTRIC</b>			1,664,795.49	4.87%	1,592,750.00		5.17%	7.4				
% CHANGE COST-TO-MARKET			-4.33%	TARGET WEIGHTING (BY MARKET)		5.20%						
<b>NATURAL GAS</b>												
PANHANDLE E. PIPE LINE	12,000	34.07	408,871.12	1.19	40.00	516,000.00	1.67	2.500	5.8	6.15	7.0	10
<b>NATURAL GAS</b>			408,871.12	1.19%	516,000.00		1.67%	5.8				
% CHANGE COST-TO-MARKET			25.20%	TARGET WEIGHTING (BY MARKET)		1.70%						
<b>COMMUNICATIONS</b>												
AMERICAN TEL. & TEL.	14,300	51.45	735,780.56	2.15	59.38	849,062.50	2.75	4.200	7.1	6.85	8.7	10
GENERAL TEL. & ELEC.	14,500	21.64	313,708.65	0.92	30.50	442,250.00	1.43	2.240	7.3	3.55	8.6	10
<b>COMMUNICATIONS</b>			1,049,489.21	3.07%	1,291,312.50		4.19%	7.2				
% CHANGE COST-TO-MARKET			23.04%	TARGET WEIGHTING (BY MARKET)		4.10%						
<b>UTILITIES</b>			3,123,155.82	9.13%	3,400,062.50		11.03%	7.1				
% CHANGE COST-TO-MARKET			8.87%	TARGET WEIGHTING (BY MARKET)		11.00%						
<b>FINANCIAL SERVICES</b>												
<b>BANKS</b>												
CITICORP	9,000	34.52	310,675.83	0.91	22.38	201,375.00	0.65	1.060	4.7	3.30	6.8	14
FIRST BANK SYSTEM	3,000	38.06	114,175.00	0.33	35.63	106,875.00	0.35	1.600	4.5	4.55	7.8	13
FIRST INT'L BANCSHARES	6,600	41.78	275,734.28	0.81	39.13	258,225.00	0.84	1.400	3.6	4.20	9.3	14
NORTHWEST BANCORP.	11,000	24.84	273,292.44	0.80	22.25	244,750.00	0.79	0.960	4.3	2.80	7.9	11
<b>BANKS</b>			973,877.55	2.85%	811,225.00		2.63%	4.2				
% CHANGE COST-TO-MARKET			-16.70%	TARGET WEIGHTING (BY MARKET)		2.70%						
<b>FINANCE</b>												
HOUSEHOLD FINANCE	16,000	24.65	394,338.16	1.15	18.75	300,000.00	0.97	1.300	6.9	3.00	6.3	11
<b>FINANCE</b>			394,338.16	1.15%	300,000.00		0.97%	6.9				
% CHANGE COST-TO-MARKET			-23.92%	TARGET WEIGHTING (BY MARKET)		0.70%						

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COMPANY NAME	NUMB OF SHARES	AVG. COST	***** COST *****		***** MARKET *****		CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT	
			TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE						% OF FUND
FINANCIAL SERVICES (CONTINUED)												
INSURANCE												
INA CORP.	5,000	42.89	214,425.00	0.63	40.50	202,500.00	0.66	2.300	5.7	7.00	5.8	10
JEFFERSON-PILOT CORP.	9,000	29.24	263,199.60	0.77	28.00	252,000.00	0.82	0.920	3.3	3.15	8.9	13
NLT CORP.	15,700	23.26	365,105.36	1.07	22.38	351,287.50	1.14	0.760	3.4	3.40	6.6	8
ST. PAUL COMPANIES	4,000	30.86	123,428.00	0.36	29.88	119,500.00	0.39	1.000	3.3	6.00	5.0	12
INSURANCE			966,157.96	2.82%	925,287.50		3.00%	3.9				
% CHANGE COST-TO-MARKET			-4.23%	TARGET WEIGHTING (BY MARKET)		3.20%						
FINANCIAL SERVICES			2,334,373.67	6.82%	2,036,512.50		6.60%	4.5				
% CHANGE COST-TO-MARKET			-12.76%	TARGET WEIGHTING (BY MARKET)		6.60%						
CONSUMER-ORIENTED												
AUTOS - AUTO PARTS												
FORD MOTOR CO.	5,625	41.33	232,503.67	0.68	42.88	241,171.88	0.78	3.200	7.5	12.75	3.4	9
GENERAL MOTORS	6,700	56.29	377,156.84	1.10	67.25	450,575.00	1.46	3.400	5.1	11.75	5.7	10
GENUINE PARTS COMPANY	16,000	34.72	555,587.91	1.62	32.38	518,000.00	1.68	0.900	2.8	2.50	13.0	24
AUTOS - AUTO PARTS			1,165,248.42	3.41%	1,209,746.88		3.92%	4.6				
% CHANGE COST-TO-MARKET			3.82%	TARGET WEIGHTING (BY MARKET)		3.50%						
CONSUMER-DURABLES												
WHIRLPOOL CORPORATION	15,000	28.08	421,192.12	1.23	22.63	339,375.00	1.10	1.200	5.3	2.95	7.7	14
CONSUMER-DURABLES			421,192.12	1.23%	339,375.00		1.10%	5.3				
% CHANGE COST-TO-MARKET			-19.43%	TARGET WEIGHTING (BY MARKET)		1.00%						
CONSUMER-NONDURABLES												
AVON PRODUCTS, INC.	7,000	47.59	333,105.36	0.97	44.88	314,125.00	1.02	2.200	4.9	3.30	13.6	29
COLGATE-PALMOLIVE	15,000	26.25	393,682.68	1.15	21.75	326,250.00	1.06	1.000	4.6	2.15	10.1	17
EASTMAN KODAK CO.	8,000	88.07	704,599.75	2.06	52.75	422,000.00	1.37	2.100	4.0	4.05	13.0	27
MINNESOTA MINING & MFG	12,000	61.58	738,932.36	2.16	48.00	576,000.00	1.87	1.700	3.5	3.50	13.7	26
REVLON, INCORPORATED	16,000	38.55	616,729.54	1.80	40.50	648,000.00	2.10	1.000	2.5	3.10	13.1	17
CONSUMER-NONDURABLES			2,787,049.69	8.14%	2,286,375.00		7.41%	3.7				
% CHANGE COST-TO-MARKET			-17.96%	TARGET WEIGHTING (BY MARKET)		7.50%						

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COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	EST HIST MULT
CONSUMER-ORIENTED (CONTINUED)												
CONSUMER-MISCELLANEOUS												
DISNEY (WALT) PROD.	8,000	37.61	300,870.00	0.88	36.25	290,000.00	0.94	0.160	0.4	2.60	13.9	32
MCDONALD'S CORP.	15,000	50.03	750,384.54	2.19	47.25	708,750.00	2.30	0.200	0.4	3.40	13.9	30
CONSUMER-MISCELLANEOUS			1,051,254.54	3.07%	998,750.00		3.24%	0.4				
% CHANGE COST-TO-MARKET			-4.99%	TARGET WEIGHTING (BY MARKET)			3.00%					
DRUGS												
JOHNSON & JOHNSON	4,500	87.57	394,046.38	1.15	73.38	330,187.50	1.07	1.500	2.0	4.20	17.5	35
MEDTRONIC, INC.	6,000	38.53	231,200.00	0.68	18.13	108,750.00	0.35	0.400	2.2	1.90	9.5	28
MERCK & COMPANY	5,500	69.68	383,243.46	1.12	54.00	297,000.00	0.96	1.500	2.8	3.75	14.4	28
PFIZER, INC.	11,000	34.20	376,149.58	1.10	24.88	273,625.00	0.89	0.960	3.9	2.50	10.0	19
SCHERING-PLOUGH CORP.	7,000	56.08	392,576.25	1.15	28.75	201,250.00	0.65	1.120	3.9	3.15	9.1	27
WARNER-LAMBERT	11,000	39.87	438,620.80	1.28	25.75	283,250.00	0.92	1.100	4.3	2.35	11.0	20
DRUGS			2,215,836.47	6.48%	1,494,062.50		4.85%	3.2				
% CHANGE COST-TO-MARKET			-32.57%	TARGET WEIGHTING (BY MARKET)			5.10%					
FOODS-BEVERAGES												
CPC INTERNATIONAL	6,000	44.44	266,652.00	0.78	46.25	277,500.00	0.90	2.500	5.4	5.60	8.3	9
COCA-COLA CO.	19,000	38.93	739,750.98	2.16	37.38	710,125.00	2.30	1.540	4.1	2.65	14.1	27
GENERAL FOODS CORP.	5,000	23.62	118,107.41	0.35	30.88	154,375.00	0.50	1.640	5.3	3.65	8.5	10
NORTON SIMON, INC.	23,953	21.03	503,778.70	1.47	19.38	464,089.38	1.50	0.760	3.9	2.20	8.8	13
FOODS-BEVERAGES			1,628,282.09	4.76%	1,606,089.38		5.21%	4.4				
% CHANGE COST-TO-MARKET			-1.36%	TARGET WEIGHTING (BY MARKET)			5.10%					
RETAIL SALES												
FEDERATED DEPT. STORES	8,000	42.40	339,210.00	0.99	38.00	304,000.00	0.99	1.460	3.8	3.75	10.1	15
K-MART CORPORATION	13,000	36.20	470,641.32	1.38	29.75	386,750.00	1.25	0.560	1.9	2.50	11.9	26
SEARS, ROEBUCK & CO.	12,000	40.90	490,799.03	1.43	29.00	348,000.00	1.13	1.110	3.8	2.80	10.4	21
SOUTHLAND CORPORATION	14,710	24.66	362,778.37	1.06	25.63	376,943.75	1.22	0.600	2.3	2.40	10.7	14
RETAIL SALES			1,663,428.72	4.86%	1,415,693.75		4.59%	2.9				
% CHANGE COST-TO-MARKET			-14.89%	TARGET WEIGHTING (BY MARKET)			4.20%					
CONSUMER-ORIENTED			10,932,299.05	31.95%	9,350,092.51		30.32%	3.4				
% CHANGE COST-TO-MARKET			-14.47%	TARGET WEIGHTING (BY MARKET)			29.40%					

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COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
TECHNOLOGY												
ELECTRONICS												
HEWLETT-PACKARD CO.	8,000	89.17	713,326.64	2.08	70.50	564,000.00	1.83	0.400	0.6	4.40	16.0	35
TEXAS INSTRUMENTS INC.	1,500	85.80	128,706.97	0.38	75.13	112,687.50	0.37	1.320	1.8	5.20	14.4	29
ELECTRONICS			842,033.61	2.46%	676,687.50		2.19%	0.8				
% CHANGE COST-TO-MARKET-19.64%			TARGET WEIGHTING (BY MARKET)		2.30%							
OFFICE EQUIPMENT												
BURROUGHS CORP.	7,500	89.89	674,174.94	1.97	65.13	488,437.50	1.58	1.000	1.5	5.35	12.2	28
DIGITAL EQUIPMENT CORP	19,000	47.10	894,992.14	2.62	44.88	852,625.00	2.76	0.000	0.0	3.75	12.0	35
INT'L BUS. MACHINES	7,793	273.90	2,134,467.83	6.24	257.25	2,004,749.25	6.50	10.000	3.9	18.00	14.3	22
OFFICE EQUIPMENT			3,703,634.91	10.82%	3,345,811.75		10.85%	2.6				
% CHANGE COST-TO-MARKET -9.66%			TARGET WEIGHTING (BY MARKET)		11.00%							
TECHNOLOGY			4,545,668.52	13.28%	4,022,499.25		13.04%	2.3				
% CHANGE COST-TO-MARKET-11.51%			TARGET WEIGHTING (BY MARKET)		13.30%							
BASIC INDUSTRY												
AEROSPACE												
BOEING CO.	28,000	22.32	624,905.00	1.83	26.25	735,000.00	2.38	1.000	3.8	4.25	6.2	9
AEROSPACE			624,905.00	1.83%	735,000.00		2.38%	3.8				
% CHANGE COST-TO-MARKET 17.62%			TARGET WEIGHTING (BY MARKET)		2.50%							
BUILDING & FOREST PROD												
MASONITE CORP.	24,000	19.73	473,636.88	1.38	16.50	396,000.00	1.28	0.680	4.1	2.30	7.2	18
WEYERHAEUSER CO.	14,000	41.94	587,216.43	1.72	26.00	364,000.00	1.18	0.800	3.1	2.45	10.6	17
BUILDING & FOREST PROD			1,060,853.31	3.10%	760,000.00		2.46%	3.6				
% CHANGE COST-TO-MARKET-28.36%			TARGET WEIGHTING (BY MARKET)		2.70%							
CHEMICALS												
AIR PRODUCTS & CHEM.	12,201	27.78	338,925.01	0.99	25.00	305,025.00	0.99	0.400	1.6	2.40	10.4	18
DOW CHEMICAL	12,000	41.30	495,572.18	1.45	28.88	346,500.00	1.12	1.200	4.2	3.30	8.8	16
DU PONT (EI) DENEMOURS	5,000	156.77	783,827.03	2.29	112.50	562,500.00	1.82	5.000	4.4	11.15	10.1	17
HERCULES, INC.	3,000	16.08	48,225.00	0.14	15.88	47,625.00	0.15	1.000	6.3	1.85	8.6	20
CHEMICALS			1,666,549.22	4.87%	1,261,650.00		4.09%	3.7				
% CHANGE COST-TO-MARKET-24.30%			TARGET WEIGHTING (BY MARKET)		4.00%							

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COMPANY NAME	NUMB OF SHARES	***** AVG. COST	COST ***** TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	EST HIST MULT
BASIC INDUSTRY (CONTINUED)												
ELECTRICAL EQUIPMENT												
EMERSON ELECTRIC CO.	9,000	33.31	299,829.93	0.88	33.63	302,625.00	0.98	1.000	3.0	2.75	12.2	23
GENERAL ELECTRIC CO.	10,000	53.81	538,140.29	1.57	50.13	501,250.00	1.63	2.200	4.4	4.80	10.4	17
GOULD, INC.	7,000	26.48	185,341.00	0.54	29.38	205,625.00	0.67	1.360	4.6	3.50	8.4	9
ELECTRICAL EQUIPMENT			1,023,311.22	2.99%	1,009,500.00		3.27%	4.0				
% CHANGE COST-TO-MARKET			-1.35%	TARGET WEIGHTING (BY MARKET)		3.20%						
MACHINERY												
CATERPILLAR TRACTOR	5,100	43.68	222,781.41	0.65	51.50	262,650.00	0.85	1.800	3.5	5.00	10.3	13
COMBUSTION ENGINEERING	10,500	36.17	379,737.62	1.11	36.25	380,625.00	1.23	1.600	4.4	4.00	9.1	14
TRANS UNION CORP.	8,000	31.57	252,578.22	0.74	35.38	283,000.00	0.92	1.920	5.4	4.40	8.0	12
MACHINERY			855,097.25	2.50%	926,275.00		3.00%	4.5				
% CHANGE COST-TO-MARKET			8.32%	TARGET WEIGHTING (BY MARKET)		3.00%						
METALS												
ALUMINUM CO OF AMER	5,000	44.45	222,226.13	0.65	44.75	223,750.00	0.73	1.800	4.0	6.00	7.5	14
HANNA MINING COMPANY	10,000	51.88	518,776.31	1.52	38.25	382,500.00	1.24	1.800	4.7	6.25	6.1	17
ST. JOE MINERALS CORP.	8,000	41.35	330,825.00	0.97	29.63	237,000.00	0.77	1.300	4.4	2.90	10.2	7
METALS			1,071,827.44	3.13%	843,250.00		2.73%	4.4				
% CHANGE COST-TO-MARKET			-21.33%	TARGET WEIGHTING (BY MARKET)		2.80%						
PAPER												
INTERNATIONAL PAPER	4,500	62.57	281,549.34	0.82	40.88	183,937.50	0.60	2.000	4.9	5.00	8.2	11
UNION CAMP CORPORATION	5,500	58.94	324,167.08	0.95	46.88	257,812.50	0.84	1.800	3.8	5.00	9.4	11
PAPER			605,715.42	1.77%	441,750.00		1.43%	4.3				
% CHANGE COST-TO-MARKET			-27.07%	TARGET WEIGHTING (BY MARKET)		1.60%						
MISCELLANEOUS												
CORNING GLASS WORKS	2,200	45.95	101,100.51	0.30	55.63	122,375.00	0.40	1.520	2.7	5.50	10.1	22
INT'L TEL. & TEL.	8,500	44.02	374,173.01	1.09	29.88	253,937.50	0.82	1.760	5.9	4.60	6.5	9
MISCELLANEOUS			475,273.52	1.39%	376,312.50		1.22%	4.9				
% CHANGE COST-TO-MARKET			-20.82%	TARGET WEIGHTING (BY MARKET)		1.30%						
BASIC INDUSTRY			7,383,532.38	21.58%	6,353,737.50		20.60%	4.1				
% CHANGE COST-TO-MARKET			-13.95%	TARGET WEIGHTING (BY MARKET)		21.10%						

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COMPANY NAME	NUMB OF SHARES	AVG. COST	COST TOTAL COST	***** % OF FUND	***** 10/31/77 PRICE	***** MARKET 10/31/77 VALUE	***** % OF FUND	CURR ANN DIVDND	CURR % YLD	EST ANN EARN	EST ANN PER	HIST MULT
ENERGY												
OIL-DOMESTIC												
ATLANTIC RICHFIELD CO.	10,000	50.76	507,592.80	1.48	51.38	513,750.00	1.67	2.000	3.9	5.50	9.3	18
CONTINENTAL OIL	13,000	33.66	437,605.75	1.28	28.38	368,875.00	1.20	1.400	4.9	4.00	7.1	11
LOUISIANA LAND & EXPL.	16,000	26.83	429,290.00	1.25	23.50	376,000.00	1.22	1.200	5.1	2.70	8.7	20
MARATHON OIL CO	8,000	55.98	447,832.78	1.31	46.75	374,000.00	1.21	2.200	4.7	7.00	6.7	10
STANDARD OIL (INDIANA)	8,000	45.46	363,703.00	1.06	47.75	382,000.00	1.24	2.600	5.4	7.00	6.8	13
OIL-DOMESTIC			2,186,024.33	6.39%	2,014,625.00		6.53%	4.8				
% CHANGE COST-TO-MARKET			-7.84%	TARGET WEIGHTING (BY MARKET)		6.60%						
OIL-INTERNATIONAL												
EXXON CORPORATION	22,000	45.57	1,002,554.60	2.93	47.13	1,036,750.00	3.36	3.000	6.4	6.00	7.9	11
MOBIL CORP.	7,000	55.93	391,530.18	1.14	61.88	433,125.00	1.40	3.800	6.1	9.50	6.5	10
OIL-INTERNATIONAL			1,394,084.78	4.07%	1,469,875.00		4.77%	6.3				
% CHANGE COST-TO-MARKET			5.44%	TARGET WEIGHTING (BY MARKET)		5.00%						
ENERGY - RELATED												
BAKER INTERNATIONAL	11,000	48.97	538,708.57	1.57	44.88	493,625.00	1.60	0.640	1.4	4.25	10.6	20
HALLIBURTON CO	13,000	55.58	722,545.36	2.11	59.38	771,875.00	2.50	1.000	1.7	5.80	10.2	22
WILLIAMS COMPANIES	18,000	26.79	482,154.34	1.41	18.50	333,000.00	1.08	1.000	5.4	2.90	6.4	8
ENERGY - RELATED			1,743,408.27	5.09%	1,598,500.00		5.18%	2.4				
% CHANGE COST-TO-MARKET			-8.31%	TARGET WEIGHTING (BY MARKET)		5.00%						
ENERGY			5,323,517.38	15.56%	5,083,000.00		16.48%	4.5				
% CHANGE COST-TO-MARKET			-4.52%	TARGET WEIGHTING (BY MARKET)		16.60%						
TRANSPORTATION												
AIRLINES												
NORTHWEST AIRLINES	6,000	25.79	154,758.58	0.45	20.75	124,500.00	0.40	0.500	2.4	4.00	5.2	10
AIRLINES			154,758.58	0.45%	124,500.00		0.40%	2.4				
% CHANGE COST-TO-MARKET			-19.55%	TARGET WEIGHTING (BY MARKET)		0.50%						
RAILROADS												
UNION PACIFIC CORP.	10,000	42.16	421,564.05	1.23	46.63	466,250.00	1.51	1.700	3.6	4.70	9.9	12
RAILROADS			421,564.05	1.23%	466,250.00		1.51%	3.6				
% CHANGE COST-TO-MARKET			10.60%	TARGET WEIGHTING (BY MARKET)		1.50%						
TRANSPORTATION			576,322.63	1.68%	590,750.00		1.92%	3.4				
% CHANGE COST-TO-MARKET			2.50%	TARGET WEIGHTING (BY MARKET)		2.00%						

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COMPANY NAME	NUMB OF SHARES	AVG. COST	***** COST *****		***** MARKET *****			CURR	CURR	EST	EST
			TOTAL COST	% OF FUND	10/31/77 PRICE	10/31/77 VALUE	% OF FUND	ANN DIVDND	% YLD	ANN EARN	ANN HIST PER MULT

TOTAL FUND			34,218,869.45								
% CHANGE COST-TO-MARKET			-9.88%								

30,836,654.26

4.0

\*LESS PROFIT ON STOCKS SOLD -552,796.06

\*NET ORIGINAL COST OF EQUITIES 34,771,665.51

30,836,654.26

\*PERCENT CHANGE -- NET ORIGINAL COST-TO-MARKET -11.32%

## STATE OF MINNESOTA - STATE BOARD OF INVESTMENT

## ANALYSIS OF COMMON STOCK HOLDINGS

ART KAESE

OCTOBER 7, 1977

SYMBOL	COMPANY NAME	MAJOR PRODUCT LINE	MOST RECENT YEAR-TO-DATE EARNINGS			EARNINGS PER SHARE 1976 ACTUAL	EARNINGS PER SHARE 1977 ESTIMATED	EARNINGS PER SHARE 1978 PROJECTED	PRICE/EARNINGS 1978	HISTORICAL PRICE/EARNINGS	INDICATED ANNUAL DIVIDEND	YIELD	MARKET PRICE 10-7-77	POSITIVES	NEGATIVES	OPINION AS OF 10-7-77	% PRICE CHANGE			SYMBOL
			1977	1976	% CHANGE												SINCE LAST ADVISORY MEETING 8-5-77	SINCE 12-31-76		
<b>BANKS</b>																				
BAM	BankAmerica Corporation	World's largest commercial bank	\$ 1.21	\$ 1.08	+ 12.0%	\$ 2.40	\$ 2.65	\$ 2.90	8.6x	12x	\$ 0.94	3.8%	\$ 25	Nation's largest savings institution, BankAmericard	Large international business	Neutral	-	- 16.7%	BAM	
FNC	Citicorp	Owms First National City Bank	1.52	1.49	+ 2.0	3.08	3.25	3.50	6.9	15	1.06	4.4	24	Aggressive, capable management	Concern over multi-national companies	Neutral	- 14.3	- 27.3	FNC	
CIL	Continental Illinois Corporation	Largest bank in Chicago	1.97	1.91	+ 3.1	3.72	4.15	4.65	5.8	9	1.32	4.9	27	Large money center bank	Largest foreign banking operations of any inland bank	Neutral	- 3.6	- 6.9	CIL	
FBKS	First Bank System, Incorporated	Regional bank holding company	2.24	2.01	+ 11.4	4.06	4.55	4.95	7.3	13	1.60	4.4	36	High ratio of equity capital	The outlook for lower farm income may slow gains	Favorable	0.0	- 18.6	FBKS	
FIB	First International Bancshares, Inc.	Holding company for First National Dallas	2.09	1.81	+ 15.5	3.80	4.20	4.65	8.8	15	1.40	3.4	41	Dallas area is benefitting from increased oil prices	Possibility acquisitions could be slowed by legislation	Neutral	- 2.4	- 4.7	FIB	
MHC	Manufacturers Hanover Corporation	Owms New York City's third largest bank	2.68	2.28	+ 17.5	4.82	5.30	5.55	6.3	10	1.92	5.5	35	Bank has improved its asset/liability structure	Below average earnings growth 1968-73	Neutral	- 5.4	- 10.8	MHC	
JPM	J. P. Morgan & Co.	Owms New York City's fourth largest bank	2.45	2.26	+ 8.4	4.88	5.30	5.90	7.8	13	2.00	4.3	46	Loan losses a small percent of loan loss reserve	About 60% of earnings from international	Neutral	- 8.0	- 18.2	JPM	
NOB	Northwest Bancorporation	Regional bank holding company	1.40	1.30	+ 7.7	2.63	2.95	3.30	7.3	11	0.96	4.0	24	High ratio of equity capital	Reduced farm income could slow earnings gains	Neutral	- 4.0	- 16.2	NOB	
SPAC	Security Pacific Corporation	Second largest California bank	2.28	1.62	+ 40.7	3.58	4.65	5.10	6.1	9	1.54	5.0	31	Management is serious about achieving better profitability	Poor record of earnings growth 1969-74	Favorable	0.0	+ 16.4	SPAC	
VNBK	Valley National Bank of Arizona	Largest Arizona bank	1.16	0.98	+ 18.4	2.08	2.35	2.50	7.6	13	0.92	4.8	19	Bank is located in above average population growth area	Earnings have not reflected growth of area	Neutral	0.0	- 9.0	VNBK	
																Total Unweighted				
																- 3.8%			- 11.2%	

DJIA 12-31-73	850.98	S&P 500	12-31-73	97.35
DJIA 12-31-74	616.94	S&P 500	12-31-74	69.66
DJIA 12-31-75	852.41	S&P 500	12-31-75	90.19
DJIA 12-31-76	1004.65	S&P 500	12-31-76	107.46
DJIA 8-05-77	888.69	S&P 500	8-05-77	98.78
DJIA 10-07-77	840.35	S&P 500	10-07-77	95.97

## STATE OF MINNESOTA - STATE BOARD OF INVESTMENT

## ANALYSIS OF COMMON STOCK HOLDINGS

ROGER DERKSEN

OCTOBER 7, 1977

SYMBOL	COMPANY NAME	MAJOR PRODUCT LINE	MOST RECENT YEAR-TO-DATE EARNINGS			EARNINGS PER SHARE 1976 ACTUAL	EARNINGS PER SHARE 1977 ESTIMATED	EARNINGS PER SHARE 1978 PROJECTED	PRICE/EARNINGS 1978	HISTORICAL PRICE/EARNINGS	INDICATED ANNUAL DIVIDEND	YIELD	MARKET PRICE 10-7-77	POSITIVES	NEGATIVES	OPINION AS OF 10-7-77	% PRICE CHANGE			SYMBOL
			1977	1976	% CHANGE												SINCE LAST ADVISORY MEETING 8-5-77	SINCE 12-31-76		
<b>CHEMICALS</b>																				
APD	Air Products and Chemicals, Incorporated (A) (B)	Industrial gases-chemicals	\$ 1.79	\$ 1.79	-	\$ 2.25	\$ 2.40	\$ 2.60	9.3x	18x	\$ 0.40	1.7%	\$ 24 1/8	Management, innovative marketing, strong R&D	Shortfall in chemical-variable cost/price squeeze-low yield	Favorable	+ 3.2%	- 30.9%	APD	
DOW	Dow Chemical Company (The)	Large diversified chemical company	1.66	1.60	+ 3.8	3.30	3.30	3.40	9.2	16	1.20	3.9	31 1/8	Excellent management, long range planning and technology	Weak foreign economy-42% of earnings from non-U.S. business	Neutral	- 1.6	- 28.2	DOW	
DD	du Pont (E.I.) de Nemours and Company	Largest chemical company	5.73	5.40	+ 6.1	9.30	11.15	11.80	9.4	17	5.00	4.5	111 1/2	Chemicals-plastics-specialty products sales improving	Outlook for 1978 will make improvement difficult	Neutral	- 5.7	- 17.5	DD	
HPC	Hercules, Incorporated	Produces a diversified line of chemicals	0.76	1.08	- 29.6	2.44	1.85	2.10	8.2	20	1.00	5.8	17 1/8	Over 5% yield and little risk of dividend cut	Lack of backward integration-large exposure to fibers	Neutral	- 4.2	- 38.8	HPC	
MTC	Monsanto Company	Leading producer of fibers, plastics	6.22	7.09	- 12.3	10.05	10.10	10.50	5.5	9	3.10	5.4	57 1/4	Profitable agricultural chemicals, strong finances	Disappointing past earnings record, expiring patents	Neutral	- 11.2	- 35.0	MTC	
UK	Union Carbide Corporation	Number two in chemical industry	2.94	3.56	- 17.4	7.15	6.50	6.90	6.3	9	2.80	6.4	43 1/2	Improving management, better marketing outlook, R&D emphasis	Depressed steel industry-slow international performance	Neutral	- 8.7	- 29.7	UK	
																Total Unweighted				
																- 6.1%			- 27.3%	
																DJIA			- 5.4%	- 16.4%
																S&P 500			- 2.8	- 10.7

(A) Fiscal year ends in September.  
 (B) Adjusted for 2% stock dividend.





STATE OF MINNESOTA - STATE BOARD OF INVESTMENT

ANALYSIS OF COMMON STOCK HOLDINGS

PETER G. ROBB

OCTOBER 7, 1977

DJIA	12-31-73	850.86	S&P 500	12-31-73	97.35
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SYMBOL	COMPANY NAME	MAJOR PRODUCT LINE	MOST RECENT YEAR-TO-DATE EARNINGS			EARNINGS PER SHARE 1976 ACTUAL	EARNINGS PER SHARE 1977 ESTIMATED	EARNINGS PER SHARE 1978 PROJECTED	PRICE/EARNINGS 1978	HISTORICAL PRICE/EARNINGS	INDICATED ANNUAL DIVIDEND	YIELD	MARKET PRICE 10-7-77	POSITIVES	NEGATIVES	OPINION AS OF 10-7-77	% PRICE CHANGE SINCE LAST ADVISORY MEETING		SYMBOL	
			1977	1976	% CHANGE												8-5-77	SINCE 12-31-76		
<b>FINANCE</b>																				
BNL	Beneficial Corporation*	Second largest personal loan company	\$ 1.84	\$ 2.68	- 31.3%	\$ 4.05	\$ 3.85	\$ 4.00	5.8x	9x	\$ 1.60	7.0%	\$ 23	Attractive insurance earnings, declining charge-offs	Weak merchandising division (Western Auto, Spiegel, Midland)	Neutral	0.0%	- 14.8%	BNL	
HFC	Household Finance Corporation*	Largest personal loan company	1.18	1.44	- 18.1	2.62	2.90	3.20	6.3	11	1.30	6.5	20	Lucrative credit insurance operation, good expense control	White Stores remains a question mark	Neutral	0.0	- 9.1	HFC	
MGI	MGIC Investment Corporation	Leading private mortgage investor	0.37	0.56	+ 55.4	1.15	1.80	2.40	6.3	42	0.30	2.0	15	Mortgage insurance to benefit from firm housing market	Weak real estate operations	Neutral	- 6.7	- 28.7	MGI	
<b>INSURANCE</b>																				
AET	Aetna Life & Casualty Company	Largest stock multiple line insurer	3.51	1.63	+115.3	3.91	7.25	8.00	4.5	10	1.60	4.4	36	Continuing fire/casualty premium and investment income growth	Heavy automobile exposure, workers comp a major concern	Favorable	- 5.3	0.0	AET	
CHUB	The Chubb Corporation	Large property liability insurer	2.47	1.53	+ 61.4	4.10	6.00	6.75	5.2	15	1.60	4.6	35	Have completed restoration of underwriting quality	Difficulty in casualty and personal auto liability areas	Neutral	- 7.9	- 12.5	CHUB	
CGEN	Connecticut General Insurance Corporation	Large multiple line insurer	3.12	2.27	+ 37.4	6.29	7.75	8.50	6.1	9	1.20	2.3	52	Solid group life and health sector	Continued weakness in the workmen's compensation line	Neutral	- 1.9	- 10.3	CGEN	
INA	INA Corporation	Major property liability insurer	3.08	1.62	+ 90.1	4.04	7.00	8.25	5.2	10	2.30	5.3	43	Prominence in commercial/aviation/marine insurance	Casualty lines remain a problem, average underwriting record	Neutral	- 2.3	- 8.5	INA	
JP	Jefferson-Pilot Corporation	Major life insurance writer	1.53	1.30	+ 17.7	2.82	3.15	3.55	8.7	13	0.92	3.0	31	Above average ordinary life and annuity sales	Increasing cyclicality in accident and health experience	Favorable	+ 3.3	- 3.1	JP	
NLT	NLT Corporation	Major life insurance writer	1.50	1.36	+ 10.3	3.04	3.40	3.75	6.7	8	0.76	3.0	25	Strong financial position, expanding margins	Difficulty in achieving life premium income growth	Favorable	0.0	+ 4.2	NLT	
NWNL	Northwestern National Life Insurance Company	Stock and mutual life company	1.63	1.62	+ 0.6	3.45	3.75	4.25	5.3	6	0.75	3.1	24	Good growth rate and return on equity	Small size and thin market depresses multiple	Favorable	+ 14.3	+ 26.3	NWNL	
SAFC	SAFECO Corporation	Major property liability insurer	3.60	2.10	+ 71.4	5.36	7.25	8.00	5.3	13	1.50	3.6	42	Strong capital position and underwriting record	Commercial casualty only modestly improving	Neutral	- 4.5	- 12.5	SAFC	
STPL	The St. Paul Companies, Inc.	Major property liability insurer	2.88	1.61	+ 78.9	4.24	6.00	7.00	4.6	12	1.00	3.1	32	Effective loss reserving and improved underwriting	Workers compensation and malpractice lines still weak	Neutral	- 8.6	- 11.1	STPL	
TIC	Travelers Corporation (The)	Large stock multiple line insurer	2.35	1.45	+ 62.1	3.51	5.75	7.25	4.3	9	1.28	4.1	31	Strong reserves, conservative earnings	Difficulty in expanding life sales	Neutral	- 8.8	- 16.2	TIC	
FG	United States Fidelity & Guaranty Company (A)	Major property liability insurer	2.97	1.47	+102.0	3.41	6.00	6.50	5.2	11	1.84	5.4	34	Rapidly expanding new cash flow, solid financial position	Surety loss experience very poor	Neutral	- 5.6	- 5.6	FG	
<b>DRUGS</b>																				
AHP	American Home Products Corporation	Ethical and proprietary drugs; foods	0.94	0.86	+ 9.3	1.75	1.95	2.10	13.3	26	1.20	4.3	28	Improving non-drug sector and effective management	Shadow on Premarin and contraceptive lines	Neutral	- 3.4	- 12.5	AHP	
JNJ	Johnson & Johnson	Largest producer of surgical dressings	2.20	1.85	+ 18.9	3.53	4.25	5.00	14.6	35	1.40	1.9	73	Excellent management, diversified, high market shares	Federal cost containment proposals, currency vulnerability	Neutral	+ 4.3	- 6.4	JNJ	
MDTR	Medtronic, Inc. (B)	Pacemaker medical devices	0.63	0.53	+ 18.9	1.95	3.00	3.50	6.9	28	0.40	1.7	24	Good progress with lithium program, new heart valve venture	Recall problem, decline in market share	Neutral	- 7.7	+ 4.3	MDTR	
MRK	Merck & Company, Incorporated	Leading ethical drug producer	1.92	1.80	+ 6.7	3.38	3.75	4.20	13.8	28	1.50	2.6	58	Significant research and development effort	Currency difficulties, declining dividend payout ratio	Neutral	+ 7.4	- 14.7	MRK	
PFE	Pfizer, Incorporated	Important ethical drug producer	1.13	1.07	+ 5.6	2.28	2.50	2.80	9.3	19	0.96	3.7	26	Strength abroad in most product segments	Lack of sophisticated antibiotics, unprofitable Coty line	Neutral	0.0	- 10.3	PFE	
SGP	Schering-Plough Corporation	Ethical and proprietary drugs; cosmetics	1.63	1.48	+ 10.1	2.91	3.20	3.50	8.3	27	1.12	3.9	29	Solid balance sheet, effective new asthma drug	Heavily dependent upon Garamycin sales	Neutral	- 12.1	- 35.6	SGP	
WLA	Warner-Lambert Company	Ethical and proprietary drugs; cosmetics	1.24	1.15	+ 7.8	2.01	2.35	2.60	9.6	20	1.10	4.4	25	Well-diversified, good consumer products division	Unproductive ethical drug research, currency problems	Neutral	- 10.7	- 19.4	WLA	
<b>PRINTING &amp; PUBLISHING</b>																				
DNY	Donnelley (R.R.) and Sons Company	Largest commercial printer	1.05	0.82	+ 28.0	2.23	2.60	2.90	7.9	13	0.76	3.3	23	Dominates fragmented industry, very conservative	Soft book printing business, undynamic industry	Neutral	0.0	- 4.2	DNY	
DNB	Dun & Bradstreet Companies, Inc.	Business information services	1.02	0.86	+ 18.6	1.80	2.10	2.35	12.3	20	1.24	4.3	29	Pew data processing system to help profit margins	Reliant on business cycle, slow historic growth	Neutral	- 3.3	- 3.3	DNB	
HBJ	Harcourt Brace Jovanovich, Inc.	Textbook publisher	0.56	0.79	- 29.1	3.92	4.80	5.25	5.9	9	1.44	4.6	31	Excellent textbook publisher, sound finances	Dependent on demographics, dilutive acquisitions	Neutral	0.0	- 8.8	HBJ	
<b>MISCELLANEOUS BASIC</b>																				
BUR	Burlington Industries, Incorporated* (C)	Major textile manufacturer	2.36	2.76	- 14.5	3.64	3.20	3.20	7.2	10	1.40	6.1	23	Industry leader, operating rate improving	Cyclical industry, rising materials costs, energy exposure	Neutral	- 4.2	- 17.9	BUR	
GLW	Corning Glass Works (D)	Major producer of special-property glass	2.69	2.35	+ 14.5	4.74	5.25	6.00	10.3	22	1.52	2.5	62	Strong research, sound management, fiber optics potential	Cyclical color TV market, poor record for "growth" company	Neutral	- 10.1	- 12.7	GLW	
ITT	International Telephone & Telegraph Corp.*	Telecommunications	2.12	1.79	+ 18.4	3.81	4.55	5.00	6.4	9	1.76	5.5	32	Good yield, improving financial position	Antitrust exposure, lackluster economy in Europe	Neutral	- 8.6	- 5.9	ITT	
<b>COMMUNICATIONS</b>																				
T	American Telephone & Telegraph Company (E)	Largest telecommunications company	5.17	4.44	+ 16.4	6.05	6.85	7.25	8.6	10	4.20	6.8	62	Strong productivity gains, improvement at Western Electric	Tougher rate environment, threat to long-distance monopoly	Neutral	- 1.6	- 3.1	T	
GTE	General Telephone & Electronics Corporation*	Second largest telecommunications company	1.77	1.34	+ 32.1	3.10	3.55	3.80	8.4	10	2.24	7.0	32	Good toll message growth, effective cost control	Slowing rate increases	Neutral	- 3.0	0.0	GTE	
UT	United Telecommunications, Incorporated	Third largest telecommunications company	1.14	0.90	+ 26.7	1.97	2.20	2.40	8.3	10	1.28	6.4	20	Improving service quality and financial position	Diminishing impact of rate relief	Neutral	- 4.8	0.0	UT	
																Unweighted Avg.	- 2.6	- 1.7		
																Total Unweighted	- 3.0	- 9.4		

\* Earnings fully diluted.  
 (A) All figures reflect 3-2 stock split effective May 2, 1977.  
 (B) April fiscal year; fiscal year ending during following calendar year; results shown for 3 months of fiscal 1978.  
 (C) September fiscal year; results shown for 9 months of fiscal 1977.  
 (D) Excludes uncommitted earnings from Corning-Fiberglas.  
 (E) November fiscal year; results shown for 9 months of fiscal 1977.

DJIA	- 5.4	- 16.4
S&P 500	- 2.8	- 10.7

STATE OF MINNESOTA - STATE BOARD OF INVESTMENT  
ANALYSIS OF COMMON STOCK HOLDINGS

ROGER W. HENRY  
OCTOBER 7, 1977

DJIA 12-31-73 850.88 S&P 500 12-31-73 97.35  
DJIA 12-31-74 616.24 S&P 500 12-31-74 68.56  
DJIA 12-31-75 852.41 S&P 500 12-31-75 90.19  
DJIA 12-31-76 1004.65 S&P 500 12-31-76 107.46  
DJIA 8-05-77 898.69 S&P 500 8-05-77 96.73  
DJIA 10-07-77 840.35 S&P 500 10-07-77 95.97

SYMBOL	COMPANY NAME	MAJOR PRODUCT LINE	MOST RECENT YEAR-TO-DATE EARNINGS			EARNINGS PER SHARE 1976 ACTUAL	EARNINGS PER SHARE 1977 ESTIMATED	EARNINGS PER SHARE 1978 PROJECTED	PRICE/EARNINGS 1978	HISTORICAL PRICE/EARNINGS	INDICATED ANNUAL DIVIDEND	MARKET PRICE 10-07-77	YIELD	POSITIVES	NEGATIVES	OPINION AS OF 10-07-77	% PRICE CHANGE			SYMBOL
			1977	1976	% CHANGE												SINCE LAST ADVISORY MEETING 8-05-77	SINCE 12-31-76		
<b>CONSUMER-NONDURABLES</b>																				
AVP	Avon Products, Inc.	Door-to-door selling of cosmetics	\$ 1.10	\$ 0.99	+ 11.1%	\$ 2.90	\$ 3.30	\$ 3.70	12.7x	29x	\$ 2.20	4.7%	\$ 47	New marketing stress, higher representative count	Maturing domestic market, difficult earnings comparisons	Favorable	- 2.1%	- 6.0%	AVP	
CLX	Clorox Company (The) (D)	Household products, food services	1.44	1.22	+ 18.0	1.22	1.44#	1.55	8.4	19	0.60	1.6	13	Profit margins stable, Country Kitchen now profitable	Poor food service operation results, poor acquisitions	Unfavorable	+ 8.3	+ 8.2	CLX	
CL	Colgate-Palmolive Company	Household, medical and sporting goods	0.98	0.89	+ 10.1	1.95	2.15	2.40	10.0	17	1.00	4.2	24	Finances excellent, good domestic acquisitions	European H-H product retailers cutting inventories	Neutral	- 7.7	-14.3	CL	
EK	Eastman Kodak Company	Number one in photographic equipment	1.42	1.60	- 11.3	4.03	4.15	4.80	12.5	27	2.10	3.5	60	Lower new product development costs, competitive copiers	Less visible technological superiority, law suits, high P/E	Favorable	+ 3.4	-30.2	EK	
MMM	Minnesota Mining and Manufacturing Company	Highly diversified company	1.69	1.43	+ 18.2	2.94	3.50	4.10	12.2	26	1.70	3.4	50	Very well managed, pretax margins up strongly	Slow demand recovery, slow growth in historic profit centers	Favorable	0.0	-12.3	MMM	
PG	Procter & Gamble Company (The) (D)	Soaps, toiletries, foods	5.59	4.86	+ 15.0	4.86	5.59#	6.25	13.3	24	2.60	3.1	83	Increasing domestic unit volume, good new products	High multiple, significant losses in coffee subsidiary	Neutral	+ 3.8	-11.7	PG	
PRX	Purex Corporation (B) (D)	Household cleaning products	1.95	1.90	+ 2.6	1.90	1.95#	2.15	7.9	15	1.08	6.4	17	High yield, consumer demand picking up	Modest sales improvement for year to date	Neutral	- 5.6	-10.5	PRX	
REV	Revlon, Incorporated	Cosmetics and toiletries	1.53	1.28	+ 19.5	2.68	3.10	3.70	11.9	17	1.00	2.3	44	World cosmetics leader, strong marketing programs	High P/E ratio, low yield, volume growth may slow	Favorable	+ 7.3	0.0	REV	
<b>FOODS</b>																				
CPC	CPC International, Inc.	World's largest corn refiner	2.48	2.25	+ 10.2	5.15	5.60	6.10	8.9	9	2.50	4.6	54	Well diversified in products and geographic markets	Slim corn processing margins, large international operations	Neutral	0.0	+12.5	CPC	
CFD	Consolidated Foods Corporation (A) (D)	Food, home products, apparel	2.93	2.56	+ 14.5	2.56	2.93#	3.20	7.5	12	1.40	5.8	24	New management team, building operating controls	Hard to predict due to new management and diverse businesses	Neutral	- 7.7	-11.1	CFD	
GF	General Foods Corporation (C) (F)	Coffee, food and grocery products	1.02	1.06	- 3.8	3.56	3.85	4.30	7.7	10	1.64	5.0	33	Major convenience food company, good dividend	World coffee shortage, sharp drop in coffee consumption	Neutral	- 8.3	+10.0	GF	
GIS	General Mills, Incorporated (E) (F)	Packaged consumer foods, apparel, games	0.79	0.65	+ 21.5	2.36	2.70	2.95	9.8	15	1.00	3.4	29	Leader in convenience foods, sound diversification	Fashion and direct marketing business less predictable	Favorable	- 3.3	-14.7	GIS	
KRA	Kraft, Inc.	Packaged food and dairy products	2.85	2.52	+ 13.1	4.86	5.65	6.15	7.8	10	2.32	4.8	48	Operations reorganized, margins improved	Slower demand growth for cheese, large Belgium plant losses	Neutral	- 5.9	+ 2.1	KRA	
NSI	Norton Simon, Incorporated* (A) (D)	Food, cosmetics, soft drinks, packaging	1.98	1.76	+ 12.5	1.81	1.98#	2.35	8.5	13	0.76(a)	3.8	20	Max Factor, Canada Dry, Somerset, Hunt all doing well	Brief history, concern about Avis acquisition	Favorable	0.0	0.0	NSI	
PSY	Pillsbury Company (The)* (A) (E) (F)	Consumer food products, restaurants	0.95	0.86	+ 10.5	3.58	4.05	4.60	8.9	10	1.28	3.1	41	New management team, improved margins, good new products	Volatility of grain and feed ingredient merchandising	Neutral	+13.9	0.0	PSY	
<b>ENERGY-RELATED</b>																				
WMB	Williams Companies (The)	Fertilizer, energy, steels	1.67	1.43	+ 16.8	2.44	2.75	3.10	6.5	8	1.00	5.0	20	Aggressive management/record, promising energy area	Volatile earnings, nitrogen fertilizer overcapacity	Neutral	-13.4	-20.0	WMB	
																Total Unweighted	- 0.3%	- 8.3%		
																DJIA	- 5.4%	-16.4%		
																S&P 500	- 2.8%	-10.7%		

\* Earnings fully diluted.  
(A) Results shown for continuing operations only.  
(B) We own a convertible issue of this company.  
(C) March fiscal year; results shown for 3 months of fiscal 1977.  
(D) June fiscal year; results shown for full year, fiscal 1977.  
(E) May fiscal year; results shown for 3 months of fiscal 1977.  
(F) Fiscal year ending during following calendar year.  
(a) Also stock.  
# Actual fiscal year earnings.

STATE OF MINNESOTA - STATE BOARD OF INVESTMENT

ANALYSIS OF COMMON STOCK HOLDINGS

MICHAEL L. HUDSON

OCTOBER 7, 1977

DJIA	12-31-73	850.86	S&P 500	12-31-73	97.35
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<b>CONSUMER-DURABLES</b>																				
RCA	RCA Corporation (G)	NBC networks, color television receivers	\$ 1.55	\$ 1.14	+ 36.0%	\$ 2.30	\$ 3.20	\$ 3.60	7.8x	13x	\$ 1.20	4.3%	\$ 28	Strengthened management, leader in several industries	Highly leveraged, communication division lagging	Neutral	- 6.7%	+ 3.7%	RCA	
SMB	Sunbeam Corporation (C) (H)	Household electrical appliances	0.55	0.45	+ 22.2	2.37	3.00	3.25	6.8	11	1.20	5.5	22	Houseware sales aided by stronger personal income	Slower economic recovery overseas, currency losses	Neutral	- 4.3	- 12.0	SMB	
WHR	Whirlpool Corporation (I)	Major household appliances	1.45	1.17	+ 23.9	2.40	2.95	3.25	7.7	14	1.00	4.0	25	Dual distribution system, broad line, efficient production	Slowed growth of some appliances cuts secular profit growth	Neutral	+ 8.7	- 7.4	WHR	
<b>MISCELLANEOUS CONSUMER</b>																				
ARA	ARA Services, Incorporated* (F)	Contract feeding and vending	3.00	2.99	+ 0.3	3.92	4.05	4.70	8.1	19	1.45	3.8	38	Service-oriented, defensive growth areas	Over-diversified, poor growth in recent years	Neutral	- 11.6	- 24.0	ARA	
DIS	Disney (Walt) Productions (F)	Amusement parks, movies	1.57	1.50	+ 4.7	2.34	2.60	3.00	12.7	32	0.16(b)	0.4	38	Top quality management, creativity, tradition, record	Depends on Florida growth and availability of gasoline	Favorable	0.0	- 19.1	DIS	
HIA	Holiday Inns, Incorporated	Chain motor lodging	0.74	0.47	+ 57.4	1.28	1.60	1.90	7.4	17	0.465	3.3	14	Good management, world's largest lodging operator	Industry overcapacity, exposure to energy problem	Unfavorable	0.0	+ 7.7	HIA	
MCD	McDonald's Corporation	Fast food restaurants	1.59	1.30	+ 22.3	2.72	3.40	4.10	12.2	30	0.20	0.4	50	Tremendous growth record, management, cost control	Possibly overbuilding, growing competition	Favorable	+ 8.7	- 5.7	MCD	
WCI	Warner Communications, Inc. * (I)	Recorded music, movies, publishing	2.39	1.87	+ 27.8	3.68	4.70	5.10	5.3	9	0.80	3.1	27	Good cash flow, film successes, record sales strong	Unfavorable demographics, underutilizing assets	Neutral	- 3.6	0.0	WCI	
<b>BEVERAGES</b>																				
KO	Coca-Cola Company (The)	Largest soft drink producer	1.32	1.18	+ 11.9	2.38	2.65	2.95	13.6	27	1.54	3.9	40	World leader in soft drinks, consumption rate recovery	U.S. demographic changes, poor diversification record	Neutral	+ 2.6	+ 1.3	KO	
PEP	PepsiCo, Inc.	Soft drinks, snacks, transportation	1.64	1.35	+ 21.5	1.85	2.15	2.45	10.6	17	0.80	3.1	26	Improved balance sheet, leader in snack foods	Mexican peso devaluation, FDA ban of saccharin possible	Neutral	+ 4.0	- 2.5	PEP	
<b>RETAIL SALES</b>																				
AGREA	American Greetings Corporation (B) (H)	Second largest greeting card producer	0.51	0.40	+ 27.5	1.20	1.40	1.55	7.7	25	0.34	2.8	12	Quality firm controlling 20% of the market	Small, second to Hallmark, slow pricing response	Neutral	+ 9.1	+ 20.0	AGREA	
DH	Dayton Hudson Corporation (A) (H)	Department and discount stores	1.22	0.93	+ 31.2	4.11	4.60	5.00	8.0	9	1.20	3.0	40	All retailing profitable, Detroit market recovering	Real estate record, limited market for stock	Favorable	+ 11.1	+ 5.3	DH	
FDS	Federated Department Stores, Incorporated* (A) (H)	Department and discount stores	1.06	1.01	+ 5.0	3.40	3.75	4.25	9.2	15	1.46	3.7	39	Top department store chain, leader in all its markets	Mediocre long-term record, heavy in downtown markets	Neutral	0.0	- 20.4	FDS	
KM	K mart Corporation (A) (H)	General merchandise retailing	0.91	0.82	+ 11.0	2.15	2.50	2.75	10.9	26	0.56	1.9	30	Best managed, best growth discount chain	Could be overbuilding, relatively high P/E, low yield	Favorable	+ 7.1	- 26.8	KM	
JCP	Penney (J.C.) Company, Incorporated (A) (H)	General merchandise retailing	0.98	0.96	+ 2.1	3.57	3.70	3.90	9.0	22	1.48	4.2	35	Good management, soft goods leader, catalog strength	Discount operation weak, highly leveraged balance sheet	Neutral	- 2.8	- 34.0	JCP	
S	Sears, Roebuck and Company (A) (H)	Retailing, insurance	1.13	0.70	+ 61.4	2.19	2.80	3.10	9.7	21	1.11(a)	3.7	30	World's largest retailer, strong market franchise	Allstate underwriting cyclical, moderate growth prospects	Neutral	0.0	- 13.0	S	
SLC	Southland Corporation (The)*	Convenience food stores, dairy products	1.10	0.92	+ 19.6	2.09	2.40	2.70	9.3	14	0.60(b)	2.4	25	Stable growth, high earnings visibility, dominates industry	Cost-price squeeze in dairy operations slowing profit advance	Favorable	+ 4.2	- 7.4	SLC	
<b>BUILDING PRODUCTS</b>																				
MNC	Masonite Corporation (D)	Hardboard manufacturer	1.16	0.92	+ 26.1	1.48	1.85	2.30	7.0	18	0.68	4.3	16	Leading hardboard supplier, product development effort	1975 earnings, cyclical of housing starts	Neutral	- 5.9	- 36.0	MNC	
OCF	Owens-Corning Fiberglas Corporation	Fiberglas insulation	2.89	2.06	+ 40.3	4.80	6.90	8.00	8.4	15	1.20	1.8	67	Dominant market share, energy play, good R&D	Cyclical construction, currency fluctuations	Neutral	+ 1.5	+ 9.8	OCF	
SHW	Sherwin-Williams Company (The)* (E) (G)	Paints, varnishes, chemicals	0.27	2.41	- 88.4	2.95	3.25	3.50	6.9	11	2.20	9.2	24	Undergoing strong earnings turnaround	Paint demand cyclical results in volatile earnings	Neutral	- 25.0	- 41.5	SHW	
<b>FOREST PRODUCTS</b>																				
GP	Georgia-Pacific Corporation*	Lumber, chemicals, paper	1.19	1.05	+ 13.3	2.13	2.50	2.65	10.2	15	0.80(b)	3.0	27	Highly integrated, exceptional management, marketing skills	Cyclical product lines, liberal accounting, labor costs	Neutral	- 3.6	- 28.9	GP	
WY	Weyerhaeuser Company	Forest products	1.23	1.06	+ 16.0	2.32	2.65	2.75	10.5	17	0.80	2.8	29	Large timber reserves, financial strength	Volatile markets, large sales to Japan, rising labor costs	Neutral	- 9.4	- 38.3	WY	
<b>PAPER</b>																				
IP	International Paper Company	Paper, wood, oil	2.30	3.31	- 30.5	5.60	5.00	5.50	7.5	11	2.00	4.9	41	Largest timber reserves, oil participation	High debt, weak linerboard and pulp markets	Neutral	- 8.9	- 40.6	IP	
UCC	Union Camp Corporation	Paper, packaging products, chemicals	2.47	2.61	- 5.4	4.97	5.25	5.75	8.5	11	1.80	3.7	49	Most efficient producer, high return on investment	Slow economy pressuring commodity producers	Neutral	- 5.8	- 26.9	UCC	
																Total Unweighted	- 0.4%	- 14.8%		
																DJIA	- 5.4%	- 16.4%		
																S&P 500	- 2.8%	- 10.7%		

(A) January fiscal year; interim results for 6 months of fiscal 1977.  
 (B) February fiscal year; interim results for 6 months of fiscal 1977.  
 (C) March fiscal year; interim results for 3 months of fiscal 1977.  
 (D) August fiscal year; interim results for 9 months of fiscal 1977.  
 (E) August fiscal year through 1976, December thereafter; interim results for 6 months of fiscal 1977.  
 (F) September fiscal year; interim results for 9 months of fiscal 1977.  
 (G) We own a convertible issue of this company.

(H) Fiscal year ending during following calendar year.  
 (I) Results shown for continuing operations only.  
 (a) Includes \$0.15 extra.  
 (b) Also stock.  
 \* Earnings fully diluted.

Note: Numbers for Coca-Cola, PepsiCo, and Sears reflect 1977 stock splits.

STATE OF MINNESOTA - STATE BOARD OF INVESTMENT

ANALYSIS OF COMMON STOCK HOLDINGS

C. ROBERT PARSONS

OCTOBER 7, 1977

DJIA 12-31-73	850.66	S&P 500	12-31-73	97.35
DJIA 12-31-74	616.94	S&P 500	12-31-74	68.58
DJIA 12-31-75	852.41	S&P 500	12-31-75	90.19
DJIA 12-31-76	1004.65	S&P 500	12-31-76	107.46
DJIA 8-05-77	888.69	S&P 500	8-05-77	98.76
DJIA 10-07-77	840.35	S&P 500	10-07-77	95.97

SYMBOL	COMPANY NAME	MAJOR PRODUCT LINE	MOST RECENT YEAR-TO-DATE EARNINGS			EARNINGS PER SHARE 1976 ACTUAL	EARNINGS PER SHARE 1977 ESTIMATED	EARNINGS PER SHARE 1978 PROJECTED	PRICE/EARNINGS 1978	HISTORICAL PRICE/EARNINGS	INDICATED ANNUAL DIVIDEND	YIELD	MARKET PRICE 10-7-77	POSITIVES	NEGATIVES	OPINION AS OF 10-7-77	% PRICE CHANGE			SYMBOL
			1977	1976	% CHANGE												SINCE LAST ADVISORY MEETING 8-5-77	SINCE 12-31-76		
<b>AUTOMOBILES &amp; AUTOMOTIVE PARTS</b>																				
F	Ford Motor Company*	Second largest producer of automobiles	\$ 7.91	\$ 6.03	+ 31.2%	\$ 7.74	\$ 12.75	\$ 10.00	4.6x	9x	\$ 3.20	7.0%	\$ 46	Strong fundamentals, continuing sales recovery from strike	High prices of new models, import competition, possible higher gasoline prices, higher labor and material costs	Neutral	- 4.5%	- 6.5%	F	
GM	General Motors Corporation	Largest producer of automobiles	6.96	5.94	+ 17.2	10.08	11.75	10.50	6.7	10	3.40(a)	4.9	70	Strongest financial position in group, gaining market share, high quality	High prices of new models, import competition, possible higher gasoline prices, higher labor and material costs	Neutral	+ 2.9	- 10.8	GM	
GPC	Genuine Parts Company	Large wholesale distributor of automotive replacement parts	0.96	0.87	+ 10.3	2.16	2.50	2.80	11.8	24	0.90	2.7	33	Stable long-term growth, strong financial position, beneficiary of increased replacement parts spending	Relatively high price-earnings ratio, low yield	Favorable	- 2.9	- 12.0	GPC	
GT	Goodyear Tire and Rubber Company (The)	World's largest rubber fabricator	1.79	1.03	+ 73.8	1.69	3.00	2.75	6.9	10	1.30	6.8	19	Capable management, high quality, international earnings now improving	High debt/equity ratio, rising wage and material costs, increased competition from Michelin, rising gas prices	Neutral	- 9.5	- 20.0	GT	
<b>ELECTRONICS</b>																				
HWP	Hewlett-Packard Company (B)	World's largest maker of electronic measuring instruments	3.13	2.05	+ 52.7	3.23	4.40	5.25	14.5	35	0.40	0.5	76	Very well managed, strong research and development program, strong balance sheet, conservative accounting	Relatively high multiple, increased competition in the calculator and minicomputer areas	Favorable	- 3.8	- 12.9	HWP	
TXN	Texas Instruments Incorporated	Leading producer of semiconductor products	2.41	1.91	+ 26.2	4.25	5.20	5.75	14.3	29	1.32	1.6	82	Well managed, sound financial position, strong research effort, conservative accounting	Relatively high multiple, low yield, highly competitive industry, cyclical markets	Favorable	- 8.9	- 20.1	TXN	
<b>OFFICE EQUIPMENT</b>																				
BGH	Burroughs Corporation	Major manufacturer of computers, business machines and office supplies	1.93	1.66	+ 16.3	4.62	5.35	6.20	11.0	28	1.00	1.5	68	Improving financial position, strong product line, rising backlogs	Competition from IBM in business computers, low yield	Favorable	0.0	- 25.8	BGH	
CDA	Control Data Corporation	World's largest producer of super computers, large factor in time sharing	1.50	1.23	+ 22.0	2.74	3.25	3.60	6.1	14	0.15	0.7	22	Peripherals and data services areas strong	Low quality, poor earnings visibility, casualty insurance area weak	Neutral	+ 4.8	- 14.6	CDA	
DEC	Digital Equipment Corporation (A)	Largest producer of minicomputers	2.78	1.98	+ 40.4	1.98	2.78(actual)	3.75	12.3	35	-	-	46	Good management, leadership in minicomputer industry, broad product line, conservative accounting	Increased competition, relatively high multiple, no dividend	Favorable	- 4.2	- 14.6	DEC	
HON	Honeywell, Inc.	Third largest factor in the computer industry, controls and instrumentation	2.57	1.34	+ 91.8	4.82	6.00	6.75	6.7	17	1.90	4.2	45	Strength in Series 60 sales and rentals, controls area strong	Poor earnings record, liberal accounting, competition from IBM	Favorable	- 11.8	- 7.2	HON	
IBM	International Business Machines Corporation	Largest manufacturer of business machines in the world	8.26	7.57	+ 9.1	15.94	17.75	20.50	12.6	22	10.00	3.9	258	Management strength, high quality, huge cash flow, strong finances, conservative accounting, high backlogs	Legal problems (Justice Department suit)	Favorable	- 3.4	- 7.6	IBM	
XRX	Xerox Corporation (D)	The leading maker and marketer of products for xerographic reproduction	2.57	2.32	+ 10.8	4.51	5.25	5.85	9.1	28	1.60	3.0	53	Strong rental base, strong marketing and service organization, conservative accounting, broad product line, cost reduction program	Increased competition from IBM, Eastman Kodak and the Japanese copier industry, SCM suit	Favorable	+ 1.9	- 9.4	XRX	
<b>AEROSPACE</b>																				
BA	Boeing Company (The)	Leading producer of commercial and military aircraft and of missiles	1.99	1.01	+ 97.0	2.43	4.25	5.00	5.2	9	1.00(a)	3.8	26	Strong commercial aircraft orders, strong balance sheet, conservative accounting	Subject to political shifts and uncertainty, cyclical and sometimes volatile business	Favorable	- 11.9	+ 16.2	BA	
UTX	United Technologies Corporation*	Aircraft engines, helicopters, wire products, elevators	2.09	1.86	+ 12.4	3.64	4.25	4.75	7.4	7	1.80	5.1	35	Diversification moves, military sales, improving, Essex and power groups strong, UTTAS award, LAMPS award	Dependence on the commercial aircraft industry, growing complexity of the company	Favorable	- 10.3	- 10.0	UTX	
<b>ELECTRICAL EQUIPMENT</b>																				
EMR	Emerson Electric Company* (C)	Producer of electrical, electronic and related products	1.84	1.54	+ 19.5	2.05	2.45	2.75	12.4	23	1.00	2.9	34	Very good management, high margins, strong financial position conservative accounting, diversification	Relatively high multiple, cyclical markets	Favorable	0.0	- 1.4	EMR	
GE	General Electric Company	The largest domestic manufacturer of electrical equipment	2.15	1.82	+ 18.1	4.12	4.80	5.30	9.6	17	2.20	4.3	51	Strong financial position, industry leader, quality management, conservative accounting	Cyclical markets, higher labor costs, losses in nuclear area	Favorable	- 7.3	- 8.3	GE	
GLD	Gould Inc.*	Diversified producer of batteries, instruments and electronic systems	1.65	1.39	+ 18.7	2.96	3.50	4.00	7.8	9	1.36	4.4	31	Aggressive research and development program, industrial, electrical and battery areas strong	Cyclical markets, lightly followed, complex product mix	Favorable	0.0	+ 3.3	GLD	
WX	Westinghouse Electric Corporation (D)	Second largest producer of electrical equipment	1.34	1.16	+ 15.5	2.54	2.90	3.25	5.5	14	0.972	5.4	18	Market leader in nuclear power, disposal of unprofitable units improving financial condition	Potential uranium liability, weakness in lamps, lighting fixtures and medium-sized motors	Neutral	- 14.3	+ 2.1	WX	
<b>MACHINERY</b>																				
CAT	Caterpillar Tractor Company*	Largest manufacturer of earth-moving machinery and equipment	2.42	2.33	+ 3.9	4.31	5.00	6.00	9.0	13	1.50	2.8	54	Very well managed, well financed international corporation, conservative accounting, domestic demand strong	Higher wages and material costs, sluggish foreign markets	Favorable	+ 1.9	- 6.9	CAT	
CKL	Clark Equipment Company	Largest producer of industrial lift trucks	2.32	1.92	+ 20.8	3.80	4.75	5.50	6.2	11	1.80	5.3	34	Improving management, sale of less profitable units, strong cyclical play in industrial lift truck market	Relatively low margins, competition from Caterpillar Tractor and John Deere	Favorable	- 2.9	- 19.8	CKL	
CSP	Combustion Engineering, Inc.	Large domestic manufacturer of fossil-fueled steam generating equipment	1.82	1.53	+ 19.0	3.36	4.00	4.35	8.0	14	1.60	4.6	35	Strong growth in oil and gas production processing equipment, also strength in Lummus Division	Weak utility orders in both nuclear and fossil fuel areas	Favorable	- 11.0	+ 4.5	CSP	
TU	Trans Union Corporation	Major tank and rail car lessor	2.13	1.90	+ 12.1	4.01	4.70	5.00	7.6	12	1.92	5.1	38	Capable management, high quality, stability of leasing operations, Ecodyne and Lash strong	Weak fastener division	Favorable	+ 2.7	+ 3.4	TU	
<b>AIRLINES</b>																				
DAL	Delta Air Lines, Incorporated (A)	Large Southeast short haul carrier	4.65	3.53	+ 31.7	3.53	4.45(actual)	5.40	6.1	17	0.70	2.1	33	Best quality airline issue, conservative accounting, sound finances, modern fleet	Regulatory environment, increasing wage and fuel costs	Neutral	- 2.9	- 14.3	DAL	
NWA	Northwest Airlines, Incorporated	Major domestic and international carrier	1.82	0.84	+ 116.7	2.39	3.70	4.00	5.5	10	0.50	2.3	22	High quality carrier, good management, modern fleet, low cost operator, sound finances	Regulatory environment, increasing wage and fuel costs	Neutral	- 12.0	- 26.1	NWA	
UAL	UAL, Inc.*	Nation's largest domestic carrier	0.33	(1.05)	N.M.	0.75	3.75	4.00	5.0	15	0.60	3.0	20	Strong liquidity and cash flow, improving fundamentals	Increasing wage and fuel costs, regulatory environment	Neutral	+ 11.1	- 25.6	UAL	
<b>RAILROADS</b>																				
BNI	Burlington Northern Incorporated*	Largest United States railroad system	4.24	2.51	+ 68.9	5.35	6.50	7.00	6.3	9	1.60	3.6	44	Coal traffic up, regulatory environment improving, proposed merger with St. Louis-San Francisco Railway	Highly leveraged, increased wage, material & fuel costs, large cash needs for upgrading	Favorable	- 10.2	0.0	BNI	
SR	Southern Railway Company	Large Southeast railroad system	4.33	2.90	+ 49.3	5.85	7.75	8.25	6.4	10	2.60	4.9	53	One of the most profitable United States railroads, aggressive management, good cost control	Increased costs in wage, materials & fuel areas, truck competition	Favorable	- 5.4	- 14.5	SR	
UNP	Union Pacific Corporation*	Large railroad holding company	2.12	1.66	+ 27.7	3.91	4.70	5.25	9.5	12	1.70	3.4	50	One of the most profitable companies in its industry, important oil interests, coal traffic up	Increased costs in wage, materials & fuel areas, relatively high multiple	Favorable	- 5.7	- 2.4	UNP	

\* Earnings fully diluted and before extraordinary items.  
 (A) Fiscal year ends in June.  
 (B) Fiscal year ends in October, so these are 9 month results for fiscal 1977.  
 (C) Fiscal year ends in September, so these are 9 month results for fiscal 1977.  
 (D) Earnings from continuing operations only.  
 N.M. Not meaningful.  
 (a) Also extra or extras.

DJIA	- 5.4%	- 10.4%
S&P 500	- 2.8%	- 10.7%
Total Unweighted - 3.8% - 10.4%		



STATE OF MINNESOTA

STATE BOARD OF INVESTMENT

MEMBERS OF THE BOARD:

GOVERNOR RUDY PERPICH  
STATE AUDITOR ROBERT W. MATTSON  
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ROBERT E. BLIXT  
EXECUTIVE SECRETARY

**REPORT TO PARTICIPANTS**  
**IN THE**  
**MINNESOTA VARIABLE ANNUITY FUND**  
**JULY 1, 1977**

Office of the Executive Secretary  
State Board of Investment  
105 MEA Building, 55 Sherburne Avenue  
Saint Paul, Minnesota 55155

To: Participants in the Minnesota Variable Annuity Fund  
From: The Executive Secretary of the Minnesota State Board of Investment  
Subject: Investment Provisions and Policies Applicable to the Minnesota Variable Annuity Fund

The 1969 Minnesota Legislature established the Minnesota Variable Annuity Fund to be used as a retirement and investment option for individuals in certain organizations. At the time the implementing legislation was passed, the Minnesota Teachers' Retirement Association provided this option to its participants.

The 1973 Legislature completely revised retirement laws and based future Teacher Retirement benefits on the average income received during the "five-high years" of service. These provisions provided teachers with additional protection through benefits increasing with an inflationary economy. Time has indicated that this legislation actually provided benefits to a somewhat higher degree than those warranted by the contributions. Therefore, whereas the Teachers' Retirement Fund may be detrimented by an actuarial deficit at the moment, though continuing to pay full benefits, the participants in the Variable Annuity Fund must base a portion of their retirement income upon the market value of the securities in the fund at the time of withdrawal.

Under the terms of Minnesota Statutes 1976, Section 11.26, The State Board of Investment manages a portfolio which may include up to 100% in corporate stocks. Although the intent of the teachers advocating this program, and of the 1969 Legislature, appeared to be that of maintaining a portfolio comprised entirely of equity securities, the Investment Department was somewhat reticent concerning such a high exposure to stocks, even though such investments were very popular at the time. Since the inception of this account, from 25 to 35 percent of the funds have been invested in fixed income securities, with quality ratings of "A" or better. At statement date on June 30, 1977, this portfolio included bonds with ratings of "A" through "Aaa" totaling over \$11.0 million in face value, and with an average yield to maturity, at purchase price, of 8.598%.

The cost of the common stock portfolio as of June 30, 1977, was \$33.08 million, with a market value of \$32.35 million. The annual net income to the account, based on securities presently held, amounts to \$2,105,576.69 or 4.78% of the cost of securities. Minnesota Statutes 1976, Section 11.26, Subdivision 2 states that the assets of the Minnesota Variable Annuity Fund shall be invested in accordance with the provisions of Section 11.18, Subdivision 3. This language is applicable to the growth share account of the Supplemental Retirement Fund and includes a provision that "100 percent of the assets in the account may be invested in corporate stocks; . . . and commercial paper may constitute 15 percent of the assets in the account, . . ." The accompanying reference to investments in the State Employees Retirement Fund (See Section 11.16) makes possible corporate bond investments to a maximum extent of 60% of the total assets in the account at any time. Although fixed-income investments did not offer the participants the growth potential deemed desirable by many during the 1969-72 period, this participation did add a substantial degree of stability during the years from 1973 through 1975.

In order to further minimize the extreme fluctuations inherent in many variable plans, the Minnesota Legislature provided that the value of participations in this fund be calculated on a moving-average basis which is thus described in Minnesota Statutes 1976, Section 11.26, Subdivision 4:

"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."

The determination of the rate of return provided to the participants in the Variable Annuity Fund is detailed in Minnesota Statutes 1976, Section 11.26, Subdivisions 4 through 7. This language provides that all earnings, after adjustment for realized and unrealized gains or losses on securities, determine the rate of return. The per-

cent of increase or decrease, thus calculated, is used in adjusting the individual member's account balances at the end of each fiscal year.

The two-year period over which market valuations are averaged has caused much concern on the part of Variable Annuity participants. Although this statutory language accomplished its purpose by somewhat lowering the degree of annual change when compared with other Variable Annuity Plans, the 1973-1974 downturn in stock and bond prices caused misunderstandings by those unfamiliar with the market and the statutory provision.

Bond prices reached a 100-year low in late 1974, when long-term fixed income yields exceeded 10%. The Dow Jones Industrial Average declined to a low of 570.0 in December 1974, compared with a high of 1067.2 in January 1973. This decline of 46.6% meant that the Minnesota Variable Annuity Fund would show substantial detrimental results at fiscal year-end 1975 and 1976. The statistical resume of this account from the fiscal year 1971 through 1977, on pages 4 and 5, indicates the statutory "delayed reaction" inherent in the investment results. As is explained by these statistics, the reason for the percentage gain of over 15 percent in fiscal 1977 was that figures for this most recent fiscal year did not include the low stock prices used in calculations during the 1974-1976 period. Because the fiscal 1977 results are based on securities valuations during the period from July 1, 1975 through June 30, 1977, the Variable Annuity Fund shows comparatively good results for this most recent fiscal year.

The valuation problem culminating in the figures pertaining to June 30, 1975, was accelerated by a transfer of \$7,985,000 to the main Teachers' Retirement Association account in July and August 1974, immediately after Laws of Minnesota 1974, Chapter 289, Section 15, Subdivision 2, provided that participants who relied solely on the Variable Annuity Plan would transfer 50% of their assets back to the main account. This transfer amounted to 37% of the total assets of the Variable account as of June 30, 1974, a time when market prices of equities were extremely low. Most of the transfers were made by withholding "cash contributions" from the investment process. This meant that the Variable Annuity lost the opportunity to place approximately \$8 million into the market at the time of the most favorable prices in years. Although cash reserves and current contributions accounted for most of the transfer, common stocks with a cost of \$810,839 - but with a then current market value of only \$473,952 - were sold in order to meet the cash requirements for those individuals returning to a one-half participation in the basic Teachers' Retirement Fund. It was decided, at a later time, that three of these stocks should be repurchased in order to gain appropriate diversification in the account. Purchases of two of these equities were made at higher prices than received through the earlier sales.

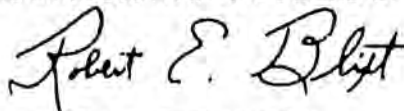
It is the opinion of the Investment Department that the results of the Variable Annuity are, indeed, difficult to judge considering the type of "growth stocks" used in all Variable Annuity Accounts, the substantial mandatory transfer of funds at what proved to be lowest market prices in many years, and the "two year" delay in valuations under statutory provisions.

The popularity of the "five-high years" program now applicable to members of the Teachers' Retirement Association and the added employer contributions which may be necessary to achieve actuarial soundness in the main account, has, perhaps, made the Variable Annuity Fund less attractive to participants. Nevertheless, those who have invested in "Variable" are receiving a 15.9463% statutory increase for the fiscal year ended June 30, 1977. This gain may be supplemented by another for fiscal 1978 in that six of the twelve ratios applicable to next year's calculations are already available, based on fiscal 1977 markets. A positive percentage change is indicated for fiscal 1978 unless there is a severe downward move in both stock and bond prices.

Participants may gain additional insight regarding this account through studying the material on pages 4 and 5, which indicates stock price levels and the averages of the twelve applicable ratios during each of the past fiscal years.

It is suggested that any questions applicable to the operation of the Minnesota Variable Annuity Fund be addressed to the Executive Director of the Minnesota Teachers' Retirement Fund, 302 Capital Square Building, 550 Cedar Street, Saint Paul, Minnesota 55101.

Respectfully submitted,  
THE MINNESOTA STATE BOARD OF INVESTMENT



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



# THE MINNESOTA VARIABLE ANNUITY FUND

## STATISTICAL DATA — 1971-1977

a	b	c	d
Fiscal Year Ended June 30	Dow Jones Industrial Average on Date "a"	Range of Dates for Twelve Ratios	Range of Twelve Ratios; Market Value to Statutory Admitted Value
1971	891.14	8/69 — 6/71*	109.9468 (4/71) — 100.0000*
1972	928.66	8/70 — 6/72	110.3371 (4/72) — 102.1728 (10/70)
1973	891.78	8/71 — 6/73	110.3371 (4/72) — 93.2476 (6/73)
1974	802.41	8/72 — 6/74	108.1476 (12/72) — 77.4123 (6/74)
1975	878.99	8/73 — 6/75	95.1907 (6/75) — 68.6244 (8/74)
1976	1002.78	8/74 — 6/76	115.9778 (6/76) — 68.6244 (8/74)
1977	916.30	8/75 — 6/77	122.8337 (12/76) — 104.7923 (8/75)

\* Includes six ratios of 100 for first fiscal period.

### NOTES:

The above figures indicate the advantages of Minnesota statutory provisions tending to minimize the effects of extreme highs and lows in stock and bond prices. The severe decline in stock prices culminating in December 1974 would have resulted in even greater "swings" in the "rate of return" applicable to each participant if the valuations had been computed on the basis of prices effective on one date. The increase in 1971 was moderated because of the statutory requirement that a ratio of "100" be used for the first year of the fund's operation. The "time lag" due to the statute is evident beginning on June 30, 1973. At that time, the stock market had shown a substantial decline from the end of the previous calendar year; yet an increase of 6.2393% was applicable because of the two-year average figures.

# THE MINNESOTA VARIABLE ANNUITY FUND

## STATISTICAL DATA -- -- 1971 -- 1977

(Continued)

e	f	g	h
Average of Twelve Ratios; (from "d")	Net Yield Received**	Market to Book Change at Date "a"***	Rate of Return (Statutory Percentage Change Applicable to Fiscal Year)
103.1857*	4.27%	+ 6.76%	5.4600%
106.8747	4.26	+ 1.11	9.1670
104.0953	3.67	- 4.11	6.2393
93.1574	3.97	- 19.73	- 4.1981
82.7368	4.16	- 7.58	- 17.9638
95.5004	4.38	- 0.57	- 0.0101
114.1611	4.75	- 1.28	15.9463

\*\* Interest and dividends earned as a percentage of average assets during fiscal year (average of preceding June 30, December 31, and ending June 30 figures).

\*\*\* Ratio of market value to book value without statutory admitted value adjustment.

The account showed a decline of only 4.1981% for fiscal 1974 even though the market had suffered a further downturn. There had been a substantial increase in stock prices by June 30, 1975; yet, the account showed a decline of 17.9638%, primarily because of the price calculations from late 1974 which were used in the averages. Although the stock market showed a further gain at fiscal year-end 1976, and bond prices had evidenced significant advances, the account showed a minor negative change for that year.

During fiscal 1977, the Dow Jones Industrial Averages fell from 1002.78 to 916.30, or 8.62%. Despite this decline, the Variable Annuity account showed a gain of 15.9463% for the participants. This increase was due to the fact that the low market valuations prevalent in late calendar 1974 and early 1975 were not used in fiscal 1977 calculations. The portfolio listing on pages 7 through 10, indicates a greater diversification of investments than was possible during the period in which the account was being established.

**STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
COMMON STOCKS ELIGIBLE FOR PURCHASE IN STATE RETIREMENT FUNDS**

**I. UTILITIES**

**ELECTRIC**

- \*Central & South West
- \*Cincinnati Gas & Electric
- \*Commonwealth Edison
- \*Florida Power & Light
- \*Houston Industries
- \*Louisville Gas & Electric
- \*Middle South Utilities
- \*Minnesota Power & Light
- \*Northern States Power
- \*Pacific Gas & Electric
- \*Publ. Service of Colorado
- \*Public Service of Indiana
- \*Southern California Edison
- \*Southern Company
- \*Texas Utilities
- \*Tucson Gas & Electric
- \*Virginia Electric & Power

**GAS**

- \*Houston Natural Gas
- \*Panhandle Eastern Pipe Line
- \*Peoples Gas

**COMMUNICATIONS**

- \*American Telephone & Telegraph
- \*Communications Satellite
- \*General Telephone & Electronics
- \*United Telecommunications

**II. FINANCIAL SERVICES**

**BANKS**

- \*BankAmerica
- \*Bankers Trust
- \*Chase Manhattan
- \*Citicorp
- \*Citizens & Southern National
- \*Continental Illinois Corp.
- \*First Bank System
- \*First Int'l. Bancshares
- \*First Union Corp.
- \*Manufacturers Hanover Corp.
- \*Morgan (J.P.) & Co.
- \*National City (Cleveland)
- \*Northwest Bancorporation
- \*Security Pacific Corp.
- \*Valley National Bank (Arizona)
- \*Wells Fargo
- \*Western Bancorporation

**FINANCE**

- \*Beneficial Corp.
- \*Household Finance Corp.
- \*Investors Diversified Serv. "A"
- \*MGIC Investment Corp.

**INSURANCE**

- \*Aetna Life & Casualty
- \*Chubb Corp.
- \*Connecticut General Insurance
- \*CNA Financial Corp.
- \*INA Corp.
- \*Jefferson-Pilot
- \*NLT Corp.
- \*Northwestern National Life
- \*SAFECO Corp.
- \*St. Paul Companies
- \*Travelers Corp.
- \*U.S. Fidelity and Guaranty

**III. CONSUMER-ORIENTED  
AUTOMOBILES AND  
AUTOMOTIVE PARTS**

- \*Chrysler
- \*Ford Motor
- \*General Motors
- \*Genuine Parts
- \*Goodyear Tire & Rubber

**CONSUMER-DURABLES**

- \*Carrier Corp.
- \*Sunbeam
- \*Whirlpool

**CONSUMER-NONDURABLES**

- \*Avon Products
- \*Clorox
- \*Colgate-Palmolive
- \*Eastman Kodak
- \*Economics Laboratory
- \*Gillette
- \*Minnesota Mining & Manufacturing
- \*Polarnid
- \*Procter & Gamble
- \*Revlon

**CONSUMER-MISCELLANEOUS**

- \*ARA Services
- \*CBS, Inc.
- \*Disney (Walt) Productions
- \*Holiday Inns
- \*McDonald's Corp.
- \*Tonka Corp.
- \*Warner Communications, Inc.

**DRUGS**

- \*American Home Products
- \*Becton Dickinson
- \*Johnson & Johnson
- \*Medtronic
- \*Merck
- \*Pfizer, Inc.
- \*Schering-Plough
- \*Searle (G.D.)
- \*Upjohn
- \*Warner-Lambert

**FOODS-BEVERAGE**

- \*CPC International
- \*Campbell Soup
- \*Coca-Cola
- \*Consolidated Foods
- \*General Foods
- \*General Mills
- \*Green Giant
- \*Kraft, Inc.
- \*Norton Simon
- \*PepsiCo.
- \*Pillsbury

**PRINTING-PUBLISHING**

- \*Donnelley (R.R.) & Sons
- \*Dun & Bradstreet
- \*Harcourt, Brace & Jovanovich
- \*Prentice-Hall

**RETAIL SALES**

- \*American Greetings Corp.
- \*Dayton Hudson
- \*Federated Department Stores
- \*Great A. & P Tea
- \*K mart Corporation
- \*Penney (J.C.)
- \*Sears Roebuck & Co.
- \*Southland Corp.
- \*Super Valu Stores
- \*Zale Corp.

**IV. TECHNOLOGY**

**ELECTRONICS**

- \*Hewlett-Packard
- \*Texas Instruments

**OFFICE EQUIPMENT**

- \*Burroughs
- \*Control Data
- \*Digital Equipment
- \*Honeywell
- \*International Business Machines
- \*Xerox

**V. BASIC INDUSTRIES**

**AEROSPACE**

- \*Boeing
- \*United Technologies Corp.

**BUILDING-FOREST PRODUCTS**

- \*Georgia-Pacific
- \*Masonite
- \*Owens Corning Fiberglas
- \*Weyerhaeuser

**CHEMICALS**

- \*Air Products & Chemicals
- \*American Cyanamid
- \*Dow Chemical
- \*du Pont (E.I.) de Nemours
- \*Hercules
- \*International Minerals & Chemicals
- \*Monsanto
- \*Union Carbide

**ELECTRICAL EQUIPMENT**

- \*Emerson Electric Co.
- \*General Electric
- \*Gould, Inc.
- \*Westinghouse Electric

**MACHINERY**

- \*ACF Industries
- \*Caterpillar Tractor
- \*Clark Equipment
- \*Combustion Engineering
- \*General American Transportation
- \*International Harvester
- \*Toro Company
- \*Trans Union

**METALS**

- \*Aluminum Co. of America
- \*Armco Steel
- \*Hanna Mining
- \*Inland Steel
- \*Pittston
- \*St. Joe Minerals Corp.

**PAPER**

- \*International Paper
- \*Scott Paper
- \*Union Camp Corp.

**TEXTILES**

- \*Burlington Industries

**MISCELLANEOUS**

- \*Continental Can
- \*Corning Glass Works
- \*International Telephone & Telegraph

**VI. ENERGY**

**OIL-DOMESTIC**

- \*Atlantic Richfield
- \*Continental Oil
- \*Louisiana Land & Exploration
- \*Marathon Oil Co.
- \*Phillips Petroleum
- \*Standard Oil (Indiana)
- \*Standard Oil (Ohio)

**OIL-INTERNATIONAL**

- \*Exxon Corp.
- \*Gulf Oil
- \*Mobil Oil
- \*Standard Oil (California)
- \*Texaco

**ENERGY-RELATED**

- \*Baker International
- \*Dresser Industries
- \*Halliburton
- \*Williams Companies

**VII. TRANSPORTATION**

**AIRLINES**

- \*American Airlines
- \*Delta Air Lines
- \*Northwest Airlines
- \*UAL, Inc.

**RAILROADS**

- \*Burlington Northern
- \*Norfolk & Western
- \*Southern Pacific
- \*Southern Railway
- \*Union Pacific Corp.

\*These stocks were held in one or more of Minnesota's retirement funds on June 30, 1977; stocks owned and those on the approved list are subject to change at any time.

**State of Minnesota - State Board of Investment**  
**Minnesota Variable Annuity Fund - June 30, 1977**

<b>DEBT OBLIGATIONS</b>		<b>Quality Ratings</b>	<b>Face</b>	<b>Amortized</b>	<b>Price</b>	<b>Market</b>	<b>Annual</b>	<b>Yield at</b>
		<b>Moody's Std. &amp; Pears</b>	<b>Value</b>	<b>Cost</b>	<b>June 30, 1977</b>	<b>Value</b>	<b>Income*</b>	<b>Cost to Maturity**</b>
<b>Short-Term Debt Obligations:</b>								
U.S. Government Treasury Bills due 10-6-77			\$ 590,000.00	\$ 575,608.09		\$ 581,889.14*		4.825%
* Includes interest from date of purchase to June 30, 1977								
<b>Intermediate-Term Corporate Debt Obligations:</b>								
First Bank System, Note, due 6-30-83	Aa	AAA	\$ 500,000.00	\$ 498,294.64	107	\$ 535,000.00	8.750	\$ 44,034.16 8.837%
General Electric Credit Corp., (Delaware & Hudson Ry. Co.), CSA, due 9-1-77/9-1-85		A	110,625.41	110,625.41	107 1/8	118,507.47	10.500	11,615.67 10.500
Minnesota Gas Co., Deb., due 11-15-81	A	A	500,000.00	500,000.00	105 7/8	529,375.00	9.250	46,250.00 9.250
Montana Power Co., First Mtge. Bond, due 12-1-81	Aa	AA	500,000.00	500,000.00	104 1/2	522,500.00	8.750	43,750.00 8.750
Phelps Dodge Corp., Note due 6-1-85	A	A	250,000.00	248,402.58	104 7/8	262,187.50	8.500	21,451.72 8.636
<b>Total Intermediate-Term Corporate Debt Obligations</b>			<b>\$ 1,860,625.41</b>	<b>\$ 1,857,322.63</b>		<b>\$ 1,967,569.97</b>		<b>\$167,101.55 8.997%</b>
<b>Long-Term Corporate Debt Obligations:</b>								
ACF Industries, Inc., ETC, due 3-31-82/91	A	A	\$ 500,000.00	\$ 500,000.00	103	\$ 515,000.00	9.000	\$ 45,000.00 9.000%
ACF Industries, Inc., ETC, due 2-1-78/92		A	400,000.00	400,000.00	98 7/8	395,500.00	8.000	32,000.00 8.000
Canadian Pacific, Ltd., ETC, due 1-15-92	Aa	AA	480,000.00	480,000.00	100 7/8	484,200.00	8.625	41,400.00 8.625
Crown Zellerbach Mtge. Bond, due 8-1-94	A	A	468,235.04	468,235.04	99 5/8	466,479.16	8.125	38,044.10 8.125
Firestone Tire & Rubber, S/F Deb., due 12-1-2001	Aa	AA	500,000.00	491,844.54	107 3/8	536,875.00	9.250	46,547.48 9.464
Ford Motor Credit Co., Deb., due 7-15-2000	Aa	A	500,000.00	498,830.56	109 7/8	549,375.00	9.700	48,553.04 9.733
Honeywell Finance, Inc., due 12-15-98	A	A	500,000.00	500,000.00	96 1/2	482,500.00	8.200	41,000.00 8.200
Kansas Power & Light Co., First Mtge. Bond, due 6-1-2007	Aa	AA	500,000.00	497,500.00	99 1/4	496,250.00	8.125	40,708.52 8.183
MacMillan Bloedel, Ltd., Deb., due 7-1-94	A	A	500,000.00	500,000.00	99	495,000.00	8.750	43,750.00 8.750
Northwest Bancorporation, S/F Deb., due 3-15-2003	Aa	AAA	500,000.00	500,000.00	94 3/8	471,875.00	7.750	38,750.00 7.750
Public Service Electric & Gas Co., Refunding Mtge. Bond, due 6-1-2007	Aa	AA	500,000.00	501,250.00	100 1/8	500,625.00	8.250	41,208.24 8.221
Southern Bell Telephone & Telegraph Co., Deb., due 3-15-2013	Aaa	AAA	500,000.00	468,237.87	95 7/8	479,375.00	7.625	39,015.52 8.332
Standard Oil Co. of Calif., (Union Bank), First Preferred Ship Mtge. Bond, due 9-7-97 through 11-6-97	Aaa	AAA	500,000.00	500,000.00	98 3/8	491,875.00	7.700	38,500.00 7.700
<b>Total Long-Term Corporate Debt Obligations</b>			<b>\$ 6,348,235.04</b>	<b>\$ 6,305,898.01</b>		<b>\$ 6,364,929.16</b>		<b>\$534,476.00 8.476%</b>
<b>Canadian Governmental Obligations:</b>								
British Columbia Hydro & Power Authority Bond, due 7-15-96	Aa	AA	\$ 500,000.00	\$ 500,000.00	105 7/8	\$ 529,375.00	9.625	\$ 48,125.00 9.625%
Export Development Corp., Note, due 7-15-81	Aaa	AAA	500,000.00	500,000.00	102 1/2	512,500.00	8.500	42,500.00 8.500
The Manitoba Hydro-Electric Board, Bond, due 10-15-97	Aa	AA	400,000.00	400,000.00	92 5/8	370,500.00	7.650	30,600.00 7.650
The New Brunswick Electric Power Commission, S/F Deb., due 4-1-98	A	A	400,000.00	400,000.00	90 5/8	362,500.00	7.875	31,500.00 7.875
Nova Scotia Power Comm., S/F Deb., due 7-15-98	A	A	500,000.00	498,862.44	94 1/2	472,500.00	8.125	40,679.24 8.154
Ontario Hydro, Note, due 3-15-96	Aaa	AAA	500,000.00	500,000.00	105 7/8	529,375.00	9.500	47,500.00 9.500
<b>Total Canadian Governmental Obligations</b>			<b>\$ 2,800,000.00</b>	<b>\$ 2,793,862.44</b>		<b>\$ 2,776,750.00</b>		<b>\$240,904.24 8.607%</b>
<b>Total Corporate and Canadian Governmental Debt Obligations</b>			<b>\$11,008,860.45</b>	<b>\$10,962,083.08</b>		<b>\$11,109,249.13</b>		<b>\$942,482.69 8.598%</b>

\* Annual income includes accumulation of discounts and Amortization of premiums.  
 \*\* Average yield figures mean annual income as percentage of Amortized Cost.

Abbreviations: ETC - Equipment Trust Certificate  
 CSA - Conditional Sale Agreement

(Continued on page 8)

**MINNESOTA VARIABLE ANNUITY FUND (Continued)**

<u>COMMON STOCKS</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Price June 30, 1977</u>	<u>Market Value</u>	<u>Indicated Dividend</u>	<u>Annual Income</u>	<u>Yield at Cost</u>
<b>I. UTILITIES</b>							
<b>ELECTRIC</b>							
Commonwealth Edison Company	16,000	\$ 478,721.50	30 7/8	\$ 494,000.00	\$ 2.40	\$ 38,400.00	8.02%
Florida Power & Light Company	19,000	478,363.80	27 1/8	55,375.00	1.56	29,640.00	6.20
Texas Utilities Company	30,000	648,490.19	21 1/2	65,000.00	1.40	42,000.00	6.48
Total Electric		\$ 1,605,575.49		\$ 1,654,375.00		\$ 110,040.00	6.85%
<b>NATURAL GAS</b>							
Panhandle Eastern Pipe Line Company	12,000	\$ 408,871.12	48 7/8	\$ 586,500.00	\$ 2.50	\$ 30,000.00	7.34%
<b>COMMUNICATIONS</b>							
American Telephone & Telegraph Company	13,300	\$ 672,735.56	63 1/2	\$ 844,550.00	\$ 4.20	\$ 55,860.00	8.30%
General Telephone & Electronics Corporation	14,500	313,708.65	32 1/2	471,250.00	2.00	29,000.00	9.24
Total Communications		\$ 986,444.21		\$ 1,315,800.00		\$ 84,860.00	8.60%
Total Utilities		\$ 3,000,890.82		\$ 3,556,675.00		\$ 224,900.00	7.49%
<b>II. FINANCIAL SERVICES</b>							
<b>BANKS</b>							
Citicorp	9,000	\$ 310,675.83	27 3/8	\$ 246,375.00	\$ 1.06	\$ 9,540.00	3.07%
First Bank System, Incorporated	3,000	114,175.00	36 5/8	109,875.00	1.60	4,800.00	4.20
First International Bancshares, Inc.	6,600	275,734.28	40 7/8	269,775.00	1.20	7,920.00	2.87
Northwest Bancorporation	11,000	273,292.44	24 1/8	265,375.00	0.96	10,560.00	3.86
Total Banks		\$ 973,877.55		\$ 891,400.00		\$ 32,820.00	3.37%
<b>FINANCE</b>							
Household Finance Corporation	16,000	\$ 394,338.16	19 7/8	\$ 318,000.00	\$ 1.20	\$ 19,200.00	4.87%
<b>INSURANCE</b>							
INA Corporation	5,000	\$ 214,425.00	45 7/8	\$ 229,375.00	\$ 2.30	\$ 11,500.00	5.36%
Jefferson-Pilot Corporation	9,000	263,199.60	30 1/8	271,125.00	0.92	8,280.00	3.15
NLT Corporation	13,700	314,140.36	25 3/4	352,775.00	0.76	10,412.00	3.31
The St. Paul Companies, Inc.	4,000	123,428.00	36 3/8	145,500.00	0.80	3,200.00	2.59
Total Insurance		\$ 915,192.96		\$ 998,775.00		\$ 33,392.00	3.65%
Total Financial Services		\$ 2,283,408.67		\$ 2,208,175.00		\$ 85,412.00	3.74%
<b>III. CONSUMER-ORIENTED</b>							
<b>AUTOMOBILES—AUTOMOTIVE PARTS</b>							
Ford Motor Company	5,625	\$ 232,503.67	46 7/8	\$ 263,671.88	\$ 3.20	\$ 18,000.00	7.74%
General Motors Corporation	6,700	377,156.84	69 3/8	464,812.50	3.40	22,780.00	6.04
Genuine Parts Company	16,000	555,587.91	33 7/8	542,000.00	0.90	14,400.00	2.59
Total Automobiles—Automotive Parts		\$ 1,165,248.42		\$ 1,270,484.38		\$ 55,180.00	4.74%
<b>CONSUMER—DURABLES</b>							
Whirlpool Corporation	15,000	\$ 421,192.12	24 1/2	\$ 367,500.00	\$ 1.00	\$ 15,000.00	3.56%
<b>CONSUMER—NONDURABLES</b>							
Avon Products, Inc.	6,000	\$ 285,515.36	50 1/2	\$ 303,000.00	\$ 2.20	\$ 13,200.00	4.62%
Colgate-Palmolive Company	15,000	393,682.68	24 3/4	371,250.00	1.00	15,000.00	3.81
Eastman Kodak Company	8,000	704,599.75	59 1/2	476,000.00	2.10	16,800.00	2.38
Minnesota Mining and Manufacturing Co.	12,000	738,932.36	49 3/8	592,500.00	1.70	20,400.00	2.76
Revlon, Incorporated	16,000	616,729.54	41 1/4	660,000.00	1.00	16,000.00	2.59
Total Consumer—Nondurables		\$ 2,739,459.69		\$ 2,402,750.00		\$ 81,400.00	2.97%
<b>CONSUMER—MISCELLANEOUS</b>							
Disney (Walt) Productions	8,000	\$ 300,870.00	36 7/8	\$ 295,000.00	\$ 0.16	\$ 1,280.00	0.43%
McDonald's Corporation	15,000	750,384.54	46	690,000.00	0.20	3,000.00	0.40%
Total Consumer—Miscellaneous		\$ 1,051,254.54		\$ 985,000.00		\$ 4,280.00	0.41%

<b>DRUGS</b>								
	Johnson & Johnson	4,000	\$ 357,449.33	70 5/8	\$ 282,500.00	\$ 1.50	\$ 6,000.00	1.68%
	Medtronic, Inc.	6,000	231,200.00	25 5/8	153,750.00	0.40	2,400.00	1.04
	Merck & Co., Inc.	5,000	353,760.96	55 3/4	278,750.00	1.50	7,500.00	2.12
	Pfizer Incorporated	11,000	376,149.58	26	286,000.00	0.96	10,560.00	2.81
	Schering-Plough Corporation	7,000	392,576.25	36 3/8	254,625.00	1.12	7,840.00	2.00
	Warner-Lambert Company	11,000	438,620.80	28 5/8	314,875.00	1.10	12,100.00	2.76
	<b>Total Drugs</b>		<b>\$ 2,149,756.92</b>		<b>\$ 1,570,500.00</b>		<b>\$ 46,400.00</b>	<b>2.16%</b>
<b>FOODS—BEVERAGES</b>								
	CPC International, Inc.	6,000	\$ 266,652.00	50 1/4	\$ 301,500.00	\$ 2.50	\$ 15,000.00	5.63%
	Coca-Cola Company (The)	19,000	739,750.98	37 1/4	707,750.00	1.54	29,260.00	3.96
	General Foods Corporation	7,000	165,350.37	33 3/8	233,625.00	1.64	11,480.00	6.94
	Norton Simon, Incorporated	23,953	503,778.70	17 3/4	425,165.75	0.60	14,371.80	2.85
	<b>Total Foods—Beverages</b>		<b>\$ 1,675,532.05</b>		<b>\$ 1,668,040.75</b>		<b>\$ 70,111.80</b>	<b>4.18%</b>
<b>RETAIL SALES</b>								
	Federated Department Stores, Incorporated	8,000	\$ 39,210.00	37	\$ 296,000.00	\$ 1.46	\$ 11,680.00	3.44%
	K mart Corporation	13,000	470,641.32	28 1/2	370,500.00	0.56	7,280.00	1.55
	Sears, Roebuck and Company	6,000	490,799.03	58	348,000.00	2.10	12,600.00	2.57
	Southland Corporation (The)	14,710	362,778.37	23 5/8	347,523.75	0.60	8,826.00	2.43
	<b>Total Retail Sales</b>		<b>\$ 1,663,428.72</b>		<b>\$ 1,362,023.75</b>		<b>\$ 40,386.00</b>	<b>2.43%</b>
	<b>Total Consumer-Oriented</b>		<b>\$10,865,872.46</b>		<b>\$ 9,626,298.88</b>		<b>\$ 312,757.80</b>	<b>2.88%</b>
<b>IV. TECHNOLOGY</b>								
<b>ELECTRONICS</b>								
	Hewlett-Packard Company	8,000	\$ 713,326.64	79	\$ 632,000.00	\$ 0.40	\$ 3,200.00	0.45%
<b>OFFICE EQUIPMENT</b>								
	Burroughs Corporation	7,500	\$ 674,174.94	62 3/8	\$ 467,812.50	\$ 0.80	\$ 6,000.00	0.89%
	Digital Equipment Corporation	19,000	894,992.14	46 7/8	890,625.00	—	—	—
	International Business Machines Corporation	7,793	2,134,467.83	264	2,057,352.00	10.00	77,930.00	3.65
	<b>Total Office Equipment</b>		<b>\$ 3,703,634.91</b>		<b>\$ 3,415,789.50</b>		<b>\$ 83,930.00</b>	<b>2.27%</b>
	<b>Total Technology</b>		<b>\$ 4,416,961.55</b>		<b>\$ 4,047,789.50</b>		<b>\$ 87,130.00</b>	<b>1.97%</b>
<b>V. BASIC INDUSTRY</b>								
<b>AEROSPACE</b>								
	Boeing Company (The)	14,000	\$ 624,905.00	57 7/8	\$ 810,250.00	\$ 1.40	\$ 19,600.00	3.14%
<b>BUILDING &amp; FOREST PRODUCTS</b>								
	Masonite Corporation	24,000	\$ 473,636.88	17	\$ 408,000.00	0.60	\$ 14,400.00	3.04%
	Weyerhaeuser Company	14,000	587,216.43	35 5/8	498,750.00	0.80	11,200.00	1.91
	<b>Total Building &amp; Forest Products</b>		<b>\$ 1,060,853.31</b>		<b>\$ 906,750.00</b>		<b>\$ 25,600.00</b>	<b>2.41%</b>
<b>CHEMICALS</b>								
	Air Products and Chemicals, Incorporated	10,201	\$ 290,505.01	24 1/4	\$ 247,374.25	\$ 0.20	\$ 2,040.20	0.70%
	Dow Chemical Company (The)	12,000	495,572.18	34 1/8	409,500.00	1.20	14,400.00	2.91
	duPont (E.I.) de Nemours and Company	5,000	783,827.03	116	580,000.00	5.00	25,000.00	3.19
	<b>Total Chemicals</b>		<b>\$ 1,569,904.22</b>		<b>\$ 1,236,874.25</b>		<b>\$ 41,440.20</b>	<b>2.64%</b>
<b>ELECTRICAL EQUIPMENT</b>								
	Emerson Electric Company	9,000	\$ 299,829.93	34 3/8	\$ 309,375.00	\$ 1.00	\$ 9,000.00	3.00%
	General Electric Company	8,000	433,251.34	56 1/2	452,000.00	2.20	17,600.00	4.06
	Gould, Inc.	7,000	185,341.00	31	217,000.00	1.36	9,520.00	5.14
	<b>Total Electrical Equipment</b>		<b>\$ 918,422.27</b>		<b>\$ 978,375.00</b>		<b>\$ 36,120.00</b>	<b>3.93%</b>
<b>MACHINERY</b>								
	Caterpillar Tractor Co.	3,100	\$ 119,851.41	57 3/4	\$ 179,025.00	\$ 1.50	\$ 4,650.00	3.88%
	Combustion Engineering, Incorporated	7,000	379,737.62	62 1/8	434,875.00	2.20	15,400.00	4.06
	Trans Union Corporation	8,000	252,578.22	37 3/4	302,000.00	1.76	14,080.00	5.57
	<b>Total Machinery</b>		<b>\$ 752,167.25</b>		<b>\$ 915,900.00</b>		<b>\$ 34,130.00</b>	<b>4.54%</b>

(Continued on page 10)

MINNESOTA VARIABLE ANNUITY FUND (Continued)

COMMON STOCKS		Number of Shares	Cost	Price June 30, 1977	Market Value	Indicated Dividend	Annual Income	Yield at Cost
<b>METALS</b>								
	Aluminum Company of America	4,500	\$ 200,151.13	53	\$ 238,500.00	\$ 1.80	\$ 8,100.00	4.05%
	Hanna Mining Company (The)	10,000	518,776.31	49	490,000.00	1.80	18,000.00	3.47
	St. Joe Minerals Corporation	8,000	330,825.00	34 1/8	273,000.00	1.30	10,400.00	3.14
	Total Metals		\$ 1,049,752.44		\$ 1,001,500.00		\$ 36,500.00	3.48%
<b>PAPER</b>								
	International Paper Company	4,500	\$ 281,548.34	51 1/2	\$ 231,750.00	\$ 2.00	\$ 9,000.00	3.20%
	Union Camp Corporation	5,000	298,042.08	54 1/4	271,250.00	1.80	9,000.00	3.02
	Total Paper		\$ 579,590.42		\$ 503,000.00		\$ 18,000.00	3.11%
<b>MISCELLANEOUS</b>								
	Corning Glass Works	2,200	\$ 101,100.51	67 3/8	\$ 148,225.00	\$ 1.52	\$ 3,344.00	3.31%
	International Telephone & Telegraph Corp.	7,000	326,555.51	35 7/8	251,125.00	1.76	12,320.00	3.77
	Total Miscellaneous		\$ 427,656.02		\$ 399,350.00		\$ 15,664.00	3.66%
	Total Basic Industry		\$ 6,983,250.93		\$ 6,751,999.25		\$ 227,054.20	3.25%
<b>VI. ENERGY</b>								
<b>OIL—DOMESTIC</b>								
	Atlantic Richfield Company	10,000	\$ 507,592.80	60 1/2	\$ 605,000.00	\$ 2.00	\$ 20,000.00	3.94%
	Continental Oil Company (Del.)	11,000	378,586.86	33 7/8	372,625.00	1.40	15,400.00	4.07
	Louisiana Land & Exploration Company (The)	16,000	429,290.00	27 1/2	440,000.00	1.20	19,200.00	4.47
	Marathon Oil Company	8,000	447,832.78	52 5/8	421,000.00	2.20	17,600.00	3.93
	Standard Oil Company (Indiana)	7,000	315,628.00	53 3/4	376,250.00	2.60	18,200.00	5.77
	Total Oil—Domestic		\$ 2,078,930.44		\$ 2,214,875.00		\$ 90,400.00	4.35%
<b>OIL—INTERNATIONAL</b>								
	Exxon Corporation	17,500	\$ 784,882.10	53 1/2	\$ 936,250.00	\$ 3.00	\$ 52,500.00	6.69%
	Mobil Oil Corporation	7,000	391,530.18	68	476,000.00	3.80	26,600.00	6.79
	Total Oil—International		\$ 1,176,412.28		\$ 1,412,250.00		\$ 79,100.00	6.72%
<b>ENERGY—RELATED</b>								
	Baker International Corporation	11,000	\$ 578,708.57	52 7/8	\$ 581,625.00	\$ 0.64	\$ 7,040.00	1.31%
	Halliburton Company	13,000	722,545.36	66 3/4	867,750.00	1.00	13,000.00	1.80
	Williams Companies (The)	18,000	482,154.34	23 1/8	416,250.00	1.00	18,000.00	3.73
	Total Energy-Related		\$ 1,743,408.27		\$ 1,865,625.00		\$ 38,040.00	2.18%
	Total Energy		\$ 4,998,750.99		\$ 5,492,750.00		\$ 207,540.00	4.15%
<b>VII. TRANSPORTATION</b>								
<b>AIRLINES</b>								
	Northwest Airlines, Incorporated	6,000	\$ 154,758.58	25 1/4	\$ 151,500.00	\$ 0.50	\$ 3,000.00	1.94%
<b>RAILROADS</b>								
	Union Pacific Corporation	9,000	\$ 371,655.72	57 1/4	\$ 515,250.00	\$ 1.70	\$ 15,300.00	4.12%
	Total Transportation		\$ 526,414.30		\$ 666,750.00		\$ 18,300.00	3.48%
	Total Common Stocks		\$33,075,549.72		\$32,350,437.63		\$ 1,163,094.00	3.52%
	Total Bonds		\$10,962,083.08		\$11,109,249.13		\$ 942,482.69	8.60%
	Total Permanent Portfolio		\$44,037,632.80		\$43,459,686.76		\$ 2,105,576.69	4.78%
	Total Portfolio Including Short-Term Obligation		\$44,613,240.89		\$44,041,575.90			
	Plus Accumulated Loss on Securities Sold		\$ 639,913.34					
	Plus Cash and Accrued Income		\$ 135,633.26		\$ 135,633.26			
	Net Portfolio Cost and Market Valuations as Adjusted		\$45,388,787.49		\$44,177,209.16			

## INVESTMENT DEPARTMENT PERSONNEL

Robert E. Blixt, *B.A., M.S., J.D., C.F.A.*  
*Executive Secretary*

A. Arthur Kaese, *B.A., C.F.A.*  
*Assistant Executive Secretary*

Betty J. Ferrick  
*Portfolio Coordinator*

Carolyn Peabody, *B.B.A.*  
*Administrative Assistant*

Judith A. Kaufman  
*Secretarial Assistant*

\* \* \* \* \*

### Portfolio Managers and Financial Analysts

#### *Short-Term Investments*

Grant A. Feldman, Jr., *B.S.*  
Howard J. Bicker, *B.A.*

#### *Stocks*

Miles J. Cohen, *B.B.A., J.D.*  
C. Robert Parsons, *B.S.*  
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Peter G. Robb, *B.A.*  
Roger W. Henry, *B.A.*

#### *Debt Securities*

N. Robert Barman, *B.C.S., M.A.*  
Arthur M. Blauzda, *B.S., M.B.A.*  
Harold Syverson, *B.A.*

### Secretarial & Investment Assistants

Debbie Gray

Dedra L. Johnson

Kathy Leisz

Rita Rivard

Becky Thoma

\* \* \* \* \*

Roger A. Derksen, *B.B.A., C.F.A.*  
*Investment Operations Director & Financial Analyst*

John T. Kinne, *B.A.*  
*Internal Audit Program Coordinator*

Thomas L. Delmont, *B.A.*  
*Transaction Supervisor*

Meg J. Arneberg, *B.A.*  
*Computer-Investment Assistant*

Alice P. Chermak, *B.A.*  
*Securities Trader*

### *Accountants & Statistical Assistants*

Audrey I. Moore

Mabel Patrick, *B.A.*

John Wm. Lund, *B.S., B. Act.*



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PROSPECTUS  
MINNESOTA SUPPLEMENTAL RETIREMENT FUND  
MAY 1, 1977

Office of the Executive Secretary  
State Board of Investment  
105 MEA Building, 55 Sherburne Avenue  
Saint Paul, Minnesota 55155

To: Participants in the Minnesota Supplemental Retirement Fund  
From: The Executive Secretary of the Minnesota State Board of Investment  
Subject: Investment Provisions and Policies Applicable to the Minnesota Supplemental Retirement Fund

The Minnesota Legislature has established the Minnesota Supplemental Retirement Fund -- comprised of three separate investment accounts -- for use in various retirement programs, supplemental benefit arrangements, and in deferred income plans. The original program provided certain additional benefits to employees of the State College Board and the Junior College Board. From 1969 through 1976, the possible participants were increased to include several employee groups. Among the programs thus implemented are those applying to the employees of Hennepin County, certain unclassified employees of the State, police and fire fighter organizations throughout Minnesota, and employees wishing to participate in a deferred income program.

The Minnesota Supplemental Retirement Fund consists of three accounts, the "Income Share Account", the "Growth Share Account" and the "Fixed-Return Account". The use of the "Growth Share Account" -- which may consist entirely of common stocks -- is limited to those individuals who may choose such an investment program under specific statutory provisions and may be chosen by police and firemen's relief associations as an investment medium for 20% of their total investment in the Supplemental Retirement Fund. The basic "Income Share Account" -- consisting of a balanced portfolio of stocks and bonds -- is applicable, on an individual basis, to those employees of colleges and certain other governmental units who do not specifically choose the "Growth Share Account" or the "Fixed-Return Account" and is the major investment medium for the police and fire fighter relief associations which select the State's investment program. The "Fixed-Return Account" will be used according to two separate procedures now being developed for different participants. The program took effect on July 1, 1974; it is used as an investment medium by various police and fire fighter groups, and, for such organizations, will provide a set income for specific contributions over a definite period of years. Individuals, on the other hand, may choose this account as a "savings" program through which their total balance will be invested at a comparatively high rate of return, as determined each year.

For college teachers, the plan is separate and apart from all other retirement funds to which the individual participant may belong. An additional 5% of the amount earned by each teacher from \$6,000 to \$15,000 per year is deducted from such employee's salary and is matched by a 5% contribution from the employer. In the case of Hennepin County employees, a contribution of 1% of salary is matched by an additional 1% from the employer. This money may be invested in any account. Certain unclassified State employees may choose to transfer their participation from the Minnesota State Retirement System to an unclassified employees retirement plan established by the 1971 Legislature. These employees may choose among various percentages of their contribution which may be placed in the three accounts. These three investment portfolios provide for the differing investment needs and requirements of the participants who, due to personal beliefs, preferences, and circumstances, may be concerned with protecting themselves from certain types of risks in arranging their retirement benefits.

In late 1972, the Internal Revenue Service approved a modification of the deferred income plan adopted by the Minnesota Legislature during the extra session in October 1971. Under the terms of Minnesota Statutes 1976, Section 352.96, any officer or employee of the State or any political subdivision thereof, may request that a portion of his compensation be invested in the shares of the Minnesota Supplemental Retirement Fund. In accordance with the provisions of the law and administrative rules, a minimum deduction of \$10.00 per pay period is permitted for each participating employee. The Minnesota State Retirement System withholds 2% of the funds at the time of initial investment to cover the cost of administration.

\* \* \* \* \*

#### THE INCOME SHARE ACCOUNT

The investment provisions applicable to this account, in Minnesota Statutes 1976, Section 11.18, Subdivision 2 provide:

"Subd. 2. There shall be an income 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."

(Note: Up to 60% of the State Employees Retirement Fund may be invested in corporate bonds, and up to 50% in common stocks. Bonds of the U.S. Government and its agencies may be used without limitation.)

The Income Share Account was established for those who prefer an investment based on dollar values, but with some possible increment due to equity participation. Income accrues primarily as yield on the amount invested. The retirement benefits grow through the principle of compound interest and as added contributions, along with income, are placed in the individual participant's account. During the early 1960's, high-quality fixed-income securities would have provided a yield of approximately 4½ to 4¾%. During 1966 through early 1977, however, interest rates from 5% to over 10% have been obtainable on securities of the desired quality.

The Income Share Account is governed by the same restrictions applicable to other basic public retirement funds in Minnesota. The Board will concentrate the investments in this portfolio in high-quality bonds and those stocks showing a moderate income. Because the Income Share Account was established at a time when interest rates on long-term corporate debt securities were comparatively high, the initial investments purchased and committed from late 1967 through early 1977 provided an average yield approximating 6.91%. This current return, which is compounded, may be expected to vary along with changes in interest rates and dividends on stocks. Historical precedence indicates that it may not be possible to maintain such a high yield on newly invested moneys over an extended period of time.

The unit valuation of the Income Share Account depends on fluctuations in both the bond and stock markets as well as the steady flow of income to the fund. The original unit valuation was \$10.00 on October 1, 1967; this was split on a two-for-one basis as of June 30, 1973. After allowance for this split, the valuations have ranged from \$4.81 to \$8.84 since the fund's inception. Although both bond and stock prices declined during the first two and one-half years of the fund's existence, as interest rates reached the highest levels in a century and stock market averages touched an eight years' low, the income accruing to the fund resulted in a reasonable stability of over-all unit value. During the period from mid-1970 through early 1973, there was a marked increase in common stock prices and a slight decline in bond yields. From January 1973 through late 1974, lower stock prices, combined with significant increases in interest rates, resulted in lower market values. Higher stock and bond prices since early 1975 resulted in a valuation of the Income Share Account units at \$8.62, including reinvested income, on April 29, 1977.

#### THE GROWTH SHARE ACCOUNT

The investment provisions applicable to this account, in Minnesota Statutes 1976, Section 11.18, Subdivision 3 provide:

"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."

(Note: The dividends and earnings limitations applicable to equity investments in the State Employees Retirement Fund are stated as, "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." The applicable investment standards indicated for the State Employees Retirement Fund are stated as, "... 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 second account, the Growth Share Account, was established for those individuals who are concerned about the purchasing power risk and about the long-term declining value of the dollar. Although there is no

guaranteed way of hedging against continued erosion of dollar investments, it is possible that, over the long-term, direct ownership of American business may provide the participant with an investment more nearly comparable to future price levels and valuations. This account may consist entirely of common stocks, with up to 10% of the assets in stocks of companies which do not pay current dividends. In such instances, the individual corporations use earnings for reinvestment in plant and equipment so as to increase future income. It may be presumed that the investment philosophy followed in handling this account will be guided to a greater extent by possible future earnings potential and by indicated growth rates of the various companies and industries. In recent years, stocks offering substantial earnings growth potential, along with possible market appreciation, have often sold at a very low current yield. It must be emphasized that such stocks tend to fluctuate in a wider range than do securities valued primarily on the basis of interest or dividend payments. During the market decline in stock prices from January 1973 through late 1974, the yield on these stocks increased simply because the dividends remained stable or increased even though the market valuations were significantly lower. Over a period of time, the Growth Share Account is likely to provide a current yield of from 2.5% to 3.5% and may be expected to fluctuate in value to a somewhat greater extent than the popular stock averages. The initial investments purchased from late 1967 through early 1977 provided an average yield, based on existing dividend rates, of 3.14%.

The changes in unit valuations have been far greater in the Growth Share Account than in the Income Account. The original \$10.00 units, which were split on a two-for-one basis on June 30, 1973, have shown significant fluctuations from this adjusted \$5.00 original price. There was an initial decline to \$4.52 in February 1968, a subsequent increase to \$5.44 in November 1968 and a decline to \$4.89 in February 1969. After reaching \$5.18 in November 1969, the units declined to a market value of \$3.73 in June 1970. During the period of stock price increases from mid-summer 1970 through December 1972, the valuations increased to a high of \$7.92 in December 1972. There were significant variations in valuations during the turbulent market of 1973 and 1974. After reaching a low market valuation of \$3.21 on September 30, 1974, the units increased in worth throughout 1975 and 1976. After another minor market decline, the units had a value of \$5.12 on April 29, 1977.

It has been the policy of the State Board of Investment to avoid extreme "buy" or "sell" programs, which could result in a high cash position for a brief period of time. Such activity can be very successful if timed correctly, but may be disastrous if the market makes unanticipated moves. It is expected that the Board will maintain a reasonably fully-invested position at all times, although moderate reserves in the form of short-term debt investments will be held, particularly when stock prices appear inordinately high. Market valuations will continue to be subject to significant changes, even though long-term results, based on the historical precedence of the past decades, are expected to be satisfactory to the fund participants.

### THE FIXED-RETURN ACCOUNT

The investment provisions applicable to this account, in Minnesota Statutes 1976, Section 11.18, Subdivision 3a provide:

"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."

(Note: Debt securities which are legal investments for the State Employees Retirement Fund are described in Minnesota Statutes 1976, Section 11.16, Subdivision 2 through 12. These provisions, in general, authorize the use of a wide range of bonds and other fixed-income securities of the United States and Canada, governmental subdivisions, agencies of the United States government and corporations. Section 11.16, Subdivision 12 states, "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." Under existing rating standards, such a provision limits corporate bond investments to those carrying a rating, at time of purchase, of "A" or above by at least one investment service.)

This third account, the Fixed-Return Account, was established for those organizations and individuals who prefer to have income accrue to their investments each year, rather than to be dependent upon the long-term changes in unit valuations and indications of investment results. This account evidences a marked difference from the other two accounts of the Supplemental Retirement Fund because the units have a continuing uniform value — \$5 per unit — with annual income being used toward the purchase of additional units rather than being applied as an increment to the unit value.

From a theoretical standpoint, it may appear that such a unit would be impractical in that it could not show a loss or gain in securities values, which would be inherent in any portfolio of long-term debt instruments. Actually, this variance is evidenced through the changing interest rates which will be assumed by the Investment Board as applicable to contributions each year. Therefore, at times, these units may pay an annual rate of 8% or more to those contributing toward their purchase. During other years, the income may be 5% or less. Likewise, there will be changes in the period of time over which this assumed rate will be paid to the retirement account participants. As indicated by statute, "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 . . ."

This account was established and made available to Minnesota's police and fire fighter accounts on July 1, 1974. Individuals participating in Minnesota's Supplemental Retirement Fund were permitted to purchase shares on July 1, 1975. The program pertaining to individuals differs from that established for the retirement associations in that the current interest rate is applied to personal accounts for only one year. Therefore, the income received by individual participants tends to vary as do interest rates received on savings accounts in banks and other thrift institutions.

It must be emphasized that there is no "state guarantee" as to any intended interest rate which may be paid on moneys certified into this fund during any fiscal year. It appears, at the time of this writing in early May 1977, however, that an interest rate approximating 8% to 8½% may be appropriate to be paid as income on contributions made during the fiscal year from July 1, 1976 through June 30, 1977. A rate of 9.1% was paid on retirement fund contributions made during the 1975 fiscal year and 8.8% on such contributions during fiscal 1976. The rate will continue on such investments for an additional nine years after the fiscal year of contribution.

During fiscal 1976, an interest rate of 8.9% was paid to all individual participants in this Fixed-Return Account through the "unclassified service" or "deferred income" programs.

Because of somewhat lower interest rates in effect during the early months of calendar 1977, it is probable that a somewhat lesser rate of return — perhaps 7% — will be tentatively applicable to contributions made during the fiscal year from July 1, 1977 through June 30, 1978. The actual interest earned by the participants will depend upon the yield received on fixed-income securities purchased during fiscal 1978.

After the interest rate for fiscal 1977 contributions is determined in July 1977, the earnings will be credited toward the purchase of additional units in the Fixed-Return Account. These sums, as applicable in both pension funds and individual accounts, will be reinvested at the yield applicable to the 1978 fiscal year. Therefore, the earnings from each fiscal year will apply toward the purchase of additional units at the beginning of the next year and will earn whatever rate is appropriate at that time.

Although economic conditions and fluctuations in interest rates may necessitate the application of the assumed rate for a comparatively short period of time, it is hoped that — through the use of long-term bonds and other fixed-income securities — the period of time over which the assumed interest rate may apply could approximate eight to ten years.

\* \* \* \* \*

During the hearings and discussions concerning the original formation and implementation of the Minnesota Supplemental Retirement Fund and in subsequent years during which the program has been in operation, numerous questions have been asked concerning the investment management of these funds and the methods of participation. The following paragraphs may answer these questions:

INVESTMENT MANAGEMENT — The Minnesota Constitution provides that the State Board of Investment — comprised of five elected officials, the Governor, the State Auditor, the State Treasurer, the Secretary of State and the Attorney General — shall be responsible for the investment of all State funds. In 1959, the Minnesota Legislature established an investment department to recommend policies to the State Board of Investment and to handle the actual transactions. In 1961, the Board appointed ten leading investment experts, who manage the portfolios of major financial institutions within the State, to guide the investment department in

selecting stocks for the various State funds. Its purpose has somewhat changed in that the committee is now more concerned with overall policy rather than individual securities selection. The members of the State Board of Investment, the Advisory Committee on State Trust Funds, and the departmental personnel are listed on page 17 of this booklet.

PARTICIPATION IN ACCOUNTS BY INDIVIDUALS AND ORGANIZATIONS — Various statutes passed in recent years have made these accounts available to an ever-increasing group of individuals and retirement funds. Participation is evidenced through the purchase of "shares" in the overall list of securities. The individual or group participant shares directly from the income of the investments through additions to market value — in the instance of the Income Share Account and the Growth Share Account — and through credit toward the purchase of additional units in the case of the Fixed-Return Account. Because it is necessary for certain retirement account managers to know what segment of the unit's market value represents accumulated income, participating retirement funds are informed of income received on a monthly basis.

Individual participants may select the accounts to be used once each year. Such a choice is in effect until a different written indication is made by the participant. If no choice is made, shares in the Income Share Account are purchased for the participant. Organizations investing money in these accounts may designate how each individual contribution is to be allocated for investment purposes.

ACCOUNTING PROCEDURES — Theoretically, the units change in value each moment of the business day along with the market quotations of the various securities. The units of the Income Share Account and the Growth Share Account are valued only once each month, however, as of the close of the last business day of each month. The valuation of a unit in the Fixed-Return Account is set at \$5.00 per unit; these units have a continuing uniform value. Income is applied toward the purchase of additional units.

Although money is received only at the beginning of each month, the accounts are under constant investment supervision. Securities transactions are completed throughout the month — not necessarily at the time of receipt from various participants.

Minnesota Statutes 1976, Section 11.20 provides: "Once on or before July 1, 1968, and annually thereafter, the board shall prepare and issue . . . a prospectus for each of the accounts . . .". This prospectus lists the assets of the accounts along with the purchase price, the current market value, the current dividend or income rate, and the Standard & Poor's, Moody's or Fitch's rating of each debt issue. A copy of the prospectus is distributed to each participant in the fund.

TYPES OF SECURITIES USED IN ACCOUNTS — Because the individual equities purchased for the Growth Share Account tend to represent corporations which may have unusual growth potential, the account is expected to fluctuate in market value to a greater extent than the other two accounts. The Income Share Account provides a higher current income and a diversification of investments with approximately 50% in stocks and 50% in bonds. The Fixed-Return Account is given an arbitrary established set value of \$5.00 per unit. No "growth" is possible, but it is expected that current income will accrue at a faster rate than in either of the other two accounts.

It must be emphasized that the Growth Share Account, as named, refers to the long-term earnings potential of American business. The portfolio of the Growth Share Account, listed on pages 7, 8 and 9, indicates that the stocks owned are concentrated in those industries which appear to offer greater than usual long-term growth possibilities, or to evidence an extended period of earnings improvement. These stocks are often characterized by substantial fluctuations in market price, however, and are more likely to show short-term losses, as well as gains, than are most of the stocks purchased for the Income Share Account. The current yield will be comparatively low in that the stocks are likely to sell at a high relationship to earnings and dividends.

The present portfolios of the Income Share Account, listed on pages 10, 11, 12, and 13, and of the Fixed-Return Account, listed on pages 14 and 15, include bonds which are rated "A" or better by one of the leading services. Most of the stocks purchased for the Income Share Account will provide a moderate current income.

A summary of the market valuations experienced by the Income Share Account and the Growth Share Account since the inception of the program in 1967 is as follows:

**SHARE VALUATIONS:**

	Income Share Account		Growth Share Account	
	High	Low	High	Low
Oct. '67—Dec. '68	\$5.52 (Nov. '68)	\$4.98 (Oct. 67)	\$5.44 (Nov. '68)	\$4.52 (Feb. '68)
1969	5.40 (Jan.)	4.99 (Dec.)	5.32 (Oct.)	4.71 (Jul.)
1970	5.69 (Dec.)	4.81 (Jan.)	4.94 (Feb.)	3.73 (June)
1971	6.30 (Dec.)	5.86 (Jan.)	6.21 (Dec.)	5.09 (Jan.)
1972	7.11 (Dec.)	6.36 (Jan.)	7.92 (Dec.)	6.47 (Jan.)
1973	7.15 (Sept.)	6.69 (Nov.)	7.53 (Jan.)	5.29 (Dec.)
1974	6.80 (Feb.)	5.31 (Sept.)	5.35 (Jan.)	3.21 (Sept.)
1975	7.12 (Dec.)	6.26 (Jan.)	5.17 (June)	3.95 (Jan.)
1976	8.84 (Dec.)	7.58 (Jan.)	5.72 (Dec.)	5.28 (May)
Jan.—Apr. '77	8.62 (Apr.)	8.51 (Mar.)	5.35 (Jan.)	5.12 (Apr.)

(The share valuations listed above have been adjusted for the two-for-one stock split on June 30, 1973. These valuations include accumulated income. Computations regarding that portion of each monthly figure which consists of principal or income in the two accounts are provided to all institutional and police and fire fund participants.)

EACH OF THE THREE ACCOUNTS HAS INDIVIDUAL ADVANTAGES, POTENTIAL PROBLEMS, AND RISKS. THE PERFORMANCE OF EACH OF THE FUNDS WILL DIFFER ACCORDING TO BUSINESS AND ECONOMIC CONDITIONS AS WELL AS CHANGES IN INTEREST RATES. IT IS NOT THE INTENT OF THE INVESTMENT DEPARTMENT TO ADVISE ANY PARTICIPANT REGARDING THE CHOICE TO BE MADE. THIS INFORMATION IS BEING PROVIDED SOLELY AS AN AID TO THE PARTICIPANT IN MAKING HIS DECISION REGARDING THE TYPES OF INVESTMENTS TO BE USED IN PLANNING FOR FUTURE RETIREMENT NEEDS.

\* \* \* \* \*

It is suggested that any questions applicable to the operation of the Minnesota Supplemental Retirement Fund be addressed to the administrative organization handling the retirement program for each participant. The office of the Executive Secretary of the State Board of Investment welcomes inquiries regarding investment policies and procedures.

Respectfully submitted,  
THE MINNESOTA STATE BOARD OF INVESTMENT



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



**STATE OF MINNESOTA – STATE BOARD OF INVESTMENT**  
**GROWTH SHARE ACCOUNT – MINNESOTA SUPPLEMENTAL RETIREMENT FUND – APRIL 29, 1977**

<u>DEBT OBLIGATIONS</u>		<u>Face Value</u>	<u>Amortized Cost</u>	<u>Price April 29, 1977</u>	<u>Market Value</u>	<u>Coupon</u>	<u>Annual Income</u>	<u>Yield at Cost to Maturity</u>
Short-Term Debt Obligation:								
U.S. Government Repurchase Agreement due, 5-5-77		\$427,000.00	\$427,000.00		427,053.97*			4.55%
*Includes interest from date of purchase to April 29, 1977								
<u>COMMON STOCKS</u>		<u>Number of Shares</u>	<u>Cost</u>	<u>Price April 29, 1977</u>	<u>Market Value</u>	<u>Indicated Dividend</u>	<u>Annual Income</u>	<u>Yield at Cost</u>
<b>I. UTILITIES</b>								
	American Telephone & Telegraph Company	4,800	\$ 289,812.80	63	\$ 302,400.00	\$ 4.20	\$ 20,160.00	6.96%
	Florida Power & Light Company	17,000	463,552.47	24 7/8	422,875.00	1.56	26,520.00	5.72
	Houston Natural Gas Corporation	7,000	228,835.13	28 3/4	201,250.00	0.70	4,900.00	2.14
	Texas Utilities Company	17,000	333,994.77	19 1/4	327,250.00	1.40	23,800.00	7.13
	United Telecommunications, Inc.	17,800	320,478.12	18 1/2	329,300.00	1.20	21,360.00	6.67
	Total Utilities		\$ 1,636,673.29		\$ 1,583,075.00		\$ 96,740.00	5.91%
<b>II. FINANCIAL SERVICES</b>								
<b>BANKS</b>								
	BankAmerica Corporation	5,000	\$ 99,843.75	24 1/2	\$ 122,500.00	\$ 0.80	\$ 4,000.00	4.01%
	First Bank System, Incorporated	6,000	259,605.00	38 1/2	228,750.00	1.60	9,600.00	3.70
	Valley National Bank of Arizona	6,500	176,315.00	16 3/16	105,222.00	0.85	5,525.00	3.13
	Total Banks		\$ 535,763.75		\$ 456,472.00		\$ 19,125.00	3.57%
<b>FINANCE</b>								
	Household Finance Corporation	10,000	\$ 237,858.27	20 1/8	\$ 201,250.00	\$ 1.20	\$ 12,000.00	5.05%
	MGIC Investment Corporation	6,000	253,881.03	14 3/4	88,500.00	0.20	1,200.00	0.47
	Total Finance		\$ 491,739.30		\$ 289,750.00		\$ 13,200.00	2.68%
<b>INSURANCE</b>								
	INA Corporation	6,000	\$ 269,343.97	43 7/8	\$ 263,250.00	\$ 2.30	\$ 13,800.00	5.12%
	NLT Corporation	10,400	250,560.43	22 1/8	230,100.00	0.76	7,904.00	3.16
	SAFECO Corporation	3,400	158,760.00	41 1/2	141,100.00	1.25	4,250.00	2.68
	Total Insurance		\$ 678,664.40		\$ 634,450.00		\$ 25,954.00	3.82%
	Total Financial Services		\$ 1,705,167.45		\$ 1,380,672.00		\$ 58,279.00	3.42%
<b>III. CONSUMER-ORIENTED</b>								
<b>AUTOMOTIVE PARTS</b>								
	Genuine Parts Company	19,000	\$ 670,236.32	30 1/2	\$ 579,500.00	\$ 0.90	\$ 17,100.00	2.55%
<b>CONSUMER-DURABLES &amp; NONDURABLES</b>								
	Avon Products, Inc.	5,000	\$ 273,724.14	45 1/2	\$ 227,500.00	\$ 2.00	\$ 10,000.00	3.65%
	Clorox Company (The)	6,500	249,612.00	11 1/4	73,125.00	0.60	3,900.00	1.56
	Colgate-Palmolive Company	6,000	160,256.94	24 1/2	147,000.00	0.88	5,280.00	3.29
	Eastman Kodak Company	4,000	347,916.20	62 3/8	249,500.00	2.10	8,400.00	2.41
	Minnesota Mining & Manufacturing Co.	5,000	268,867.97	48 1/2	242,500.00	1.70	8,500.00	3.16
	Revlon Incorporated	8,000	259,730.43	37	296,000.00	0.90	7,200.00	2.77
	Sunbeam Corporation	9,000	233,525.00	19 1/2	175,500.00	1.08	9,720.00	4.16
	Total Consumer-Durables & Nondurables		\$ 1,793,632.68		\$ 1,411,125.00		\$ 53,000.00	2.95%
<b>CONSUMER-MISCELLANEOUS</b>								
	ARA Services, Incorporated	1,800	\$ 135,064.56	38 7/8	\$ 69,975.00	\$ 1.32	\$ 2,376.00	1.76%
	Disney (Walt) Productions	5,197	286,182.59	35	181,895.00	0.16	831.52	0.29
	Holiday Inns, Incorporated	4,200	140,159.33	11 5/8	48,825.00	0.465	1,953.00	1.39
	McDonald's Corporation	5,000	216,614.53	39 7/8	199,375.00	0.10	500.00	0.23
	Total Consumer-Miscellaneous		\$ 778,021.01		\$ 500,070.00		\$ 5,660.52	0.73%

(Continued on page 8)

**GROWTH SHARE ACCOUNT – MINNESOTA SUPPLEMENTAL RETIREMENT FUND (Continued)**

<b>DRUGS</b>								
American Home Products Corporation	7,000	\$ 259,076.98	27 3/8	\$ 191,625.00	\$ 1.10	\$ 7,700.00	2.97%	
Johnson & Johnson	3,000	297,601.76	63 1/8	189,375.00	1.50	4,500.00	1.51	
Medtronic, Inc.	7,000	166,796.32	26 1/8	182,875.00	—	—	—	
Schering-Plough Corporation	4,000	234,262.34	33 1/8	132,500.00	1.00	4,000.00	1.71	
Total Drugs		\$ 957,737.40		\$ 696,375.00		\$ 16,200.00	1.69%	
<b>FOODS—BEVERAGES</b>								
CPC International, Inc.	8,000	\$ 347,723.13	50	\$ 400,000.00	\$ 2.50	\$ 20,000.00	5.75%	
PepsiCo, Inc.	5,500	374,041.53	69 7/8	384,312.50	2.40	13,200.00	3.53	
Total Foods Beverages		\$ 721,764.66		\$ 784,312.50		\$ 33,200.00	4.60%	
<b>RETAIL SALES</b>								
American Greetings Corporation	13,000	\$ 211,070.00	9 11/16	\$ 125,944.00	\$ 0.34	\$ 4,420.00	2.09%	
Kresge (S.S.) Company	5,000	189,580.00	28 7/8	144,375.00	0.56	2,800.00	1.48	
Penney (J.C.) Company, Incorporated	6,000	304,302.11	37 1/4	223,500.00	1.48	8,880.00	2.92	
Southland Corporation	6,150	149,679.50	22 1/8	136,068.75	0.50	3,075.00	2.05	
Total Retail Sales		\$ 854,631.61		\$ 629,887.75		\$ 19,175.00	2.24%	
Total Consumer-Oriented		\$ 5,776,023.68		\$ 4,601,270.25		\$ 144,335.52	2.50%	
<b>V. TECHNOLOGY</b>								
Burroughs Corporation	2,000	\$ 133,187.47	57	\$ 114,000.00	\$ 0.80	\$ 1,600.00	1.20%	
Digital Equipment Corporation	6,000	218,427.71	38 1/2	231,000.00	—	—	—	
Hewlett-Packard Company	4,000	367,883.21	69 3/8	277,500.00	0.40	1,600.00	0.43	
Honeywell, Inc.	3,000	307,265.16	50 1/4	150,750.00	1.60	4,800.00	1.56	
International Business Machines Corp.	3,512	905,954.77	258 3/4	908,730.00	10.00	35,120.00	3.88	
Xerox Corporation	3,200	343,924.39	45 1/2	145,600.00	1.20	3,840.00	1.12	
Total Technology		\$ 2,276,642.71		\$ 1,827,580.00		\$ 46,960.00	2.06%	
<b>V. BASIC INDUSTRY</b>								
<b>AEROSPACE</b>								
Boeing Co.	7,000	\$ 311,885.00	48 1/4	\$ 337,750.00	\$ 1.40	\$ 9,800.00	3.14%	
<b>BUILDING &amp; FOREST PRODUCTS</b>								
Georgia-Pacific Corporation	8,000	256,200.00	31 5/8	\$ 253,000.00	\$ 0.80	\$ 6,400.00	2.50%	
Masonite Corporation	10,000	285,728.13	19 1/2	153,000.00	0.60	6,000.00	2.10	
Total Building & Forest Products		\$ 541,928.13		\$ 448,000.00		\$ 12,400.00	2.29%	
<b>CHEMICALS</b>								
Air Products and Chemicals, Inc.	7,670	\$ 252,614.75	26	\$ 199,420.00	\$ 0.20	\$ 1,534.00	0.61%	
Dow Chemical Company (The)	4,500	204,297.50	37 1/4	167,062.50	1.00	4,500.00	2.20	
du Pont (E.I.) de Nemours & Co.	2,100	308,449.15	125 5/8	263,812.50	5.00	10,500.00	3.40	
Total Chemicals		\$ 765,361.40		\$ 630,295.00		\$ 16,534.00	2.16%	
<b>ELECTRICAL EQUIPMENT</b>								
Emerson Electric Co.	11,000	\$ 386,912.84	32 7/8	\$ 361,625.00	\$ 1.00	\$ 11,000.00	2.84%	
Gould, Inc.	6,500	171,758.80	32 3/8	210,437.50	1.12	7,280.00	4.24	
Total Electrical Equipment		\$ 558,671.64		\$ 572,062.50		\$ 18,280.00	3.27%	
<b>MACHINERY</b>								
Clark Equipment Company	4,000	\$ 162,410.00	40 1/4	\$ 161,000.00	\$ 1.60	\$ 6,400.00	3.94%	
Trans Union Corporation	3,000	95,252.00	35 1/4	105,750.00	1.76	5,280.00	5.54	
Total Machinery		\$ 257,662.00		\$ 266,750.00		\$ 11,680.00	4.53%	

<b>METALS &amp; MINING</b>								
Hanna Mining Company (The)	6,500	\$ 309,502.35	53 1/2	\$ 347,750.00	\$ 1.80	\$ 11,700.00	3.78%	
St. Joe Minerals Corporation	6,500	261,170.00	42	273,000.00	1.30	8,450.00	3.24	
Total Metals & Mining		<u>\$ 570,672.35</u>		<u>\$ 620,750.00</u>		<u>\$ 20,150.00</u>	<u>3.53%</u>	
<b>PAPER</b>								
International Paper Company	4,300	\$ 264,362.50	58	\$ 249,400.00	\$ 2.00	\$ 8,600.00	3.25%	
<b>MISCELLANEOUS</b>								
International Telephone & Telegraph Corp.	5,500	\$ 264,786.26	33 5/8	\$ 184,937.50	\$ 1.76	\$ 9,680.00	3.66%	
Total Basic Industry		<u>\$3,535,329.28</u>		<u>\$ 3,309,945.00</u>		<u>\$107,124.00</u>	<u>3.03%</u>	
<b>VI. ENERGY</b>								
<b>OIL</b>								
Atlantic Richfield Company	5,000	\$ 268,650.00	58 1/2	\$ 292,500.00	\$ 1.60	\$ 8,000.00	2.98%	
Exxon Corporation	14,000	626,617.21	51 5/8	722,750.00	3.00	42,000.00	6.70	
Louisiana Land and Exploration Co.	10,000	264,881.00	26 1/8	261,250.00	1.20	12,000.00	4.53	
Marathon Oil Company	8,000	458,480.00	50 3/4	406,000.00	2.20	17,600.00	3.84	
Total Oil		<u>\$ 1,618,628.21</u>		<u>\$ 1,682,500.00</u>		<u>\$ 79,600.00</u>	<u>4.92%</u>	
<b>ENERGY-RELATED</b>								
Baker International Corporation	8,000	\$ 387,086.43	47 3/4	\$ 382,000.00	\$ 0.46	\$ 3,680.00	0.95%	
Halliburton Company	6,000	304,872.00	30 1/8	360,750.00	1.00	6,000.00	1.97	
Williams Companies (The)	6,800	196,995.35	23 3/4	161,500.00	1.00	6,800.00	3.45	
Total Energy-Related		<u>\$ 888,953.78</u>		<u>\$ 904,250.00</u>		<u>\$ 16,480.00</u>	<u>1.85%</u>	
Total Energy		<u>\$ 2,507,581.99</u>		<u>\$ 2,586,750.00</u>		<u>\$ 96,080.00</u>	<u>3.83%</u>	
<b>VII. TRANSPORTATION</b>								
<b>AIRLINES</b>								
Northwest Airlines incorporated	6,000	\$ 149,591.38	26	\$ 156,000.00	\$ 0.50	\$ 3,000.00	2.01%	
Total Common Stocks (Growth Share Account)		<u>\$17,588,009.78</u>		<u>\$15,445,292.25</u>		<u>\$552,518.52</u>	<u>3.14%</u>	
Total Portfolio Including Short-Term Obligations		<u>\$18,015,009.78</u>		<u>\$15,872,346.22</u>				
Less Accumulated Profit on Securities Sold		332,954.46						
Plus Cash and Accrued Income		11,279.50		11,279.50				
Net Portfolio Cost and Market Valuation as Adjusted		<u>\$17,693,334.82</u>		<u>\$15,872,346.22</u>				
(Divided by Number of Outstanding Share-Units)				<u>3,104,320</u>				
Value per Share-Unit, April 29, 1977				\$5.12				

**STATE OF MINNESOTA - STATE BOARD OF INVESTMENT**  
**INCOME SHARE ACCOUNT - MINNESOTA SUPPLEMENTAL RETIREMENT FUND - APRIL 29, 1977**

<b>DEBT OBLIGATIONS</b>	<b>Quality Ratings Moody's Std. &amp; Pools</b>	<b>Face Value</b>	<b>Amortized Cost</b>	<b>Price April 29, 1977</b>	<b>Market Value</b>	<b>Coupon</b>	<b>Annual Income*</b>	<b>Yield at Cost to Maturity**</b>
<b>Short-Term Debt Obligation:</b>								
U.S. Government Treasury Bills, due 10-6-77		\$ 1,470,000.00	\$ 1,435,769.84		\$ 1,438,248.00 #			4.779%
# Includes interest from date of purchase to April 29, 1977								
<b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION GUARANTEED MORTGAGE - BACKED SECURITY:</b>								
Weaver Bros. Inc., Mtg.-Backed Cert., due 9-15-2006	Aaa AAA	\$ 696,889.13	\$ 690,754.34	99 1/2	\$ 693,404.68	8.000%	\$ 55,751.13	8.071%
<b>Intermediate-Term Corporate Debt Obligations:</b>								
ACF Industries, Inc., ETC, due 4-1-78/85	A AA	\$ 120,000.00	\$ 120,000.00	104 7/8	\$ 125,850.00	9.500%	\$ 11,400.00	9.500%
Burlington-Northern, CSA, due 10-1-77/78	A A	183,333.33	183,333.33	106 7/8	195,937.50	9.625	17,645.83	9.625
Burlington-Northern, (First Western Bank & Trust Co.), CSA, due 5-1-77/78	A A	193,355.99	193,355.99	103	199,156.67	8.600	16,628.62	8.600
Chesapeake & Ohio Ry. Co., (The First Pennsylvania Banking & Trust Co.), CSA, due 9-15-77/3-15-89	A A	490,921.18	490,921.18	102 1/2	503,194.21	8.750	42,955.60	8.750
Dresser Industries, Note, Due 5-15-85	A A	400,000.00	401,789.70	105	420,000.00	8.650	34,376.20	8.556
Fruit Growers Express, ETC, due 6-15-77/85	A A	135,000.00	135,000.00	106	143,100.00	9.750	13,162.50	9.750
General Electric Credit Corp., (Delaware & Hudson Ry. Co.), CSA, due 9-1-77/85	A A	154,875.51	154,875.51	108	167,265.55	10.500	16,261.93	10.500
Minnesota Gas Co., Deb., Due 11-15-81	A A	800,000.00	797,072.38	105 1/4	842,000.00	9.250	74,650.64	9.366
Northwest Bancorporation, Note, due 9-15-86	Aa AAA	800,000.00	799,058.80	101 1/2	812,000.00	7.875	63,100.30	7.897
Phelps Dodge Corp., Note, due 6-1-85	A A	400,000.00	398,430.58	104 1/8	416,500.00	8.500	34,194.16	8.582
Rohm & Haas Co., Note, due 4-15-85	A A	500,000.00	500,000.00	106	500,000.00	9.000	45,000.00	9.000
<b>Total Intermediate-Term Corporate Debt Obligations</b>		<b>\$ 4,177,486.01</b>	<b>\$ 4,173,837.47</b>		<b>\$ 4,355,003.93</b>		<b>\$ 369,376.28</b>	<b>8.850%</b>
<b>Long-Term Corporate Debt Obligations:</b>								
ACF Industries, Inc., ETC, due 2-1-78/92	A A	\$ 500,000.00	\$ 500,000.00	98 5/8	\$ 493,125.00	8.000%	\$ 40,000.00	8.000%
Alum. Co. of Canada, Ltd., S/F Deb., due 3-1-95	A A	800,000.00	787,790.63	102 1/4	818,000.00	9.500	76,684.60	9.734
Atlantic Richfield Co., (Channelview Leasing Co., Inc.), Secured Note, due 7-15-96	Aa AA	800,000.00	800,000.00	104 1/2	836,000.00	9.250	74,000.00	9.250
Bell Telephone Co. of Canada, FMB, due 6-1-2004	Aa AA	800,000.00	800,000.00	104 5/8	837,000.00	9.500	76,000.00	9.500
Canadian Pacific, Ltd., ETC, due 1-15-83/92	Aa AA	500,000.00	500,000.00	99 1/2	497,500.00	8.625	43,125.00	8.625
Cities Service Gas Co., Deb., due 6-1-91	Aa AA	400,000.00	400,000.00	98	392,000.00	8.250	33,000.00	8.250
Deere (John) Credit Co., Deb., due 4-30-98	A A	500,000.00	497,920.75	92 3/4	463,750.00	7.500	37,599.00	7.551
FMC Corp., S/F Deb., due 1-15-2000	A A	800,000.00	792,648.72	108 3/8	867,000.00	9.500	76,324.36	9.629
Ford Motor Credit Co., Deb., due 4-1-99	Aa A	800,000.00	784,673.08	102 3/8	819,000.00	8.700	70,299.36	8.959
Ford Motor Credit Co., Deb., due 7-15-2000	Aa A	800,000.00	798,115.20	107 3/4	862,000.00	9.700	77,681.36	9.733
Ford Motor Co., Guaranteed Note, due 12-1-96	Aaa AAA	700,000.00	700,000.00	102	714,000.00	8.625	60,375.00	8.625
Honeywell Finance, Inc., S/F Deb., due 12-15-95	A A	800,000.00	787,872.80	95 1/2	764,000.00	8.200	66,161.84	8.398

Louisville & Nashville Railroad Co., CSA, due 10-20-82/91	A	A	487,694.83	487,694.83	102 1/4	498,667.96	9.000	43,892.53	9.000
Marathon Oil Co., S/F Deb., due 2-1-2000	A	AA	800,000.00	794,137.44	101 3/4	814,000.00	8.500	68,257.76	8.595
Moore Business Forms, Inc., Senior Note, due 10-1-96	Aa	AA	500,000.00	500,000.00	95 1/4	476,250.00	7.900	39,500.00	7.900
New York Telephone Co., RMB, Series U, due 7-15-2008	Aaa	AAA	800,000.00	746,983.00	98 1/2	788,000.00	8.000	65,701.00	8.796
Northwest Bancorporation, S/F Deb., due 3-15-2003	(Fitch-	AAA)	800,000.00	800,000.00	93 3/8	747,000.00	7.750	62,000.00	7.750
Plantation Pipeline Co., (Exxon Corp., Std. Oil of Calif., & Shell Oil Co., Guarantors), Note, due 10-1-2001	Aaa	AAA	400,000.00	400,000.00	97 7/8	391,500.00	7.875	31,500.00	7.875
Standard Oil of Calif., (Union Bank), First Preferred Ship Mtg. Bond., due 2-10-97 through 11-6-97	Aaa	AAA	800,000.00	800,000.00	97 1/2	780,000.00	7.700	61,600.00	7.700
Standard Oil Co., (Indiana), Note due 10-1-2000	Aaa	AAA	800,000.00	779,849.98	95 3/4	766,000.00	7.500	60,860.52	7.804
Staufner Chemical Co., Note, due 3-15-97	A	A	500,000.00	500,000.00	92 5/8	463,125.00	7.500	37,500.00	7.500
Wells Fargo & Co., Note, due 11-1-98	(Fitch	AAA)	800,000.00	800,000.00	94	752,000.00	8.125	65,000.00	8.125
Total Long-Term Corporate Debt Obligations			\$14,887,694.83	\$14,757,686.49		\$14,839,917.96		\$1,267,062.33	8.586%
Canadian Governmental Obligations:									
British Columbia Hydro & Power Authority Bond, due 7-15-96	Aa	AA	\$ 800,000.00	\$ 800,000.00	104 3/4	\$ 838,000.00	9.625%	\$ 77,000.00	9.625%
The Manitoba Hydro-Electric Board, Bond, due 10-15-97	Aa	AA	500,000.00	500,000.00	91 1/4	456,250.00	7.650	38,250.00	7.650
The New Brunswick Electric Power Commission, S/F Deb., due 4-1-98	A	A	800,000.00	800,000.00	89 7/8	719,000.00	7.875	63,000.00	7.875
Nova Scotia Power Corp., S/F Deb., due 7-15-98	A	A	800,000.00	798,164.90	92 1/2	740,000.00	8.125	65,086.64	8.155
Ontario Hydro, Note, due 3-15-96	Aaa	AA	800,000.00	800,000.00	105 1/4	842,000.00	9.500	76,000.00	9.500
Ontario Province of, Deb., due 5-15-2001	Aaa	AA	300,000.00	300,000.00	93 3/4	281,250.00	7.850	23,550.00	7.850
Ontario Province of, Deb., due 12-15-2002	Aaa	AA	500,000.00	500,000.00	88	440,000.00	7.300	36,500.00	7.300
Total Canadian Governmental Obligations			\$ 4,500,000.00	\$ 4,498,164.90		\$ 4,316,500.00		\$ 379,386.64	8.434%
Total Government National Mort- gage Association, Corporate and Canadian Governmental Debt Obligations			\$24,262,069.97	\$24,120,443.20		\$24,204,826.57		\$2,071,576.38	8.588%

\*Annual income includes accumulation of discounts and amortization of premiums.

\*\*Average yield figures mean annual income as percentage of amortized cost.

Abbreviation ETC — Equipment Trust Certificate; CSA — Conditional Sale Agreement; RMB — Refunding Mortgage Bond; FMB — First Mortgage Bond.

COMMON STOCKS	Number of Shares	Cost	Price April 29, 1977	Market Value	Indicated Dividend	Annual Income	Yield at Cost
<b>I. UTILITIES</b>							
<b>ELECTRIC</b>							
Commonwealth Edison Company	17,000	\$ 502,498.76	28 5/8	\$ 486,625.00	\$ 2.40	\$ 40,800.00	8.12%
Minnesota Power & Light Company	17,200	360,710.00	21 7/8	376,250.00	1.76	30,272.00	8.39
Northern States Power Co. (Minn.)	18,000	478,197.49	27 3/8	492,750.00	1.94	34,920.00	7.30
Public Service Company of Indiana	8,000	223,167.50	27 1/8	217,000.00	1.92	15,360.00	6.88
Texas Utilities Company	23,800	573,456.61	19 1/4	458,150.00	1.40	33,320.00	5.81
Total Electric		\$ 2,138,030.36		\$ 2,030,775.00		\$ 154,672.00	7.23%
<b>NATURAL GAS</b>							
Houston Natural Gas Corporation	3,000	\$ 95,140.00	28 3/4	\$ 86,250.00	\$ 0.70	\$ 2,100.00	2.21%
Panhandle Eastern Pipe Line Company	14,000	465,649.24	45 1/2	637,000.00	2.50	35,000.00	7.52
Peoples Gas Company	7,500	355,045.50	46 7/8	351,562.50	3.40	25,500.00	7.18
Total Natural Gas		\$ 915,834.74		\$ 1,074,812.50		\$ 62,600.00	6.84%
<b>COMMUNICATIONS</b>							
American Telephone & Telegraph Company	19,000	\$ 967,382.14	63	\$ 1,197,000.00	\$ 4.20	\$ 79,800.00	8.25%
General Telephone & Electronics Corp.	22,000	599,981.77	30 1/8	662,750.00	2.00	44,000.00	7.33
Total Communications		\$ 1,567,363.91		\$ 1,859,750.00		\$ 123,800.00	7.90%
Total Utilities		\$ 4,621,229.01		\$ 4,965,337.50		\$ 341,072.00	7.38%

(Continued on page 12)

**INCOME SHARE ACCOUNT - MINNESOTA SUPPLEMENTAL RETIREMENT FUND (Continued)**

**II. FINANCIAL SERVICES**

**BANKS**

Continental Illinois Corporation	9,000	\$ 372,368.92	51 5/8	\$ 464,625.00	\$ 2.40	\$ 21,600.00	5.80%
Manufacturers Hanover Corporation	11,000	400,248.02	36 7/8	405,625.00	1.92	21,120.00	5.28
Northwest Bancorporation	10,000	411,152.81	50 3/4	507,500.00	1.92	19,200.00	4.67
Total Banks		<u>\$ 1,183,769.75</u>		<u>\$ 1,377,750.00</u>		<u>\$ 61,920.00</u>	<u>5.23%</u>

**FINANCE**

Household Finance Corporation	22,000	\$ 502,605.65	20 1/8	\$ 442,750.00	\$ 1.20	\$ 26,400.00	5.25%
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**INSURANCE**

INA Corporation	10,000	\$ 430,495.80	43 7/8	\$ 438,750.00	\$ 2.30	\$ 23,000.00	5.34%
NLT Corporation	11,000	142,570.64	22 1/8	243,375.00	0.76	8,360.00	5.86
United States Fidelity & Guaranty Co.	8,800	367,259.07	54 1/4	477,400.00	2.76	24,288.00	6.61
Total Insurance		<u>\$ 940,325.51</u>		<u>\$ 1,159,525.00</u>		<u>\$ 55,648.00</u>	<u>5.97%</u>

Total Financial Services

		<u>\$ 2,626,700.91</u>		<u>\$ 2,980,025.00</u>		<u>\$ 143,968.00</u>	<u>5.48%</u>
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**III. CONSUMER ORIENTED**

**AUTOMOBILES—AUTOMOTIVE PARTS**

Ford Motor Company	7,600	\$ 416,424.48	55 1/2	\$ 421,800.00	\$ 4.00	\$ 30,400.00	7.30%
General Motors Corporation	7,000	499,980.15	68 3/8	478,625.00	3.40	23,800.00	4.76
Goodyear Tire & Rubber Company (The)	11,500	330,325.93	19 1/2	224,250.00	1.10	12,650.00	3.83
Total Automobiles—Automotive Parts		<u>\$ 1,246,730.56</u>		<u>\$ 1,124,675.00</u>		<u>\$ 66,850.00</u>	<u>5.36%</u>

**CONSUMER—PRODUCTS**

Avon Products, Inc.	10,000	\$ 393,787.78	45 1/2	\$ 455,000.00	\$ 2.00	\$ 20,000.00	5.08%
Colgate-Palmolive Company	9,000	239,196.44	24 1/2	220,500.00	0.88	7,920.00	3.31
McDonalds Corporation	2,000	108,300.71	39 7/8	79,750.00	0.10	200.00	0.18
Minnesota Mining & Manufacturing Company	9,000	534,394.03	48 1/2	436,500.00	1.70	15,300.00	2.86
Sunbeam Corporation	14,000	288,321.50	19 1/2	273,000.00	1.08	15,120.00	5.24
Total Consumer-Products		<u>\$ 1,564,000.46</u>		<u>\$ 1,464,750.00</u>		<u>\$ 58,540.00</u>	<u>3.74%</u>

**DRUGS**

American Home Products Corporation	4,000	\$ 128,025.00	27 3/8	\$ 109,500.00	\$ 1.10	\$ 4,400.00	3.44%
Pfizer Incorporated	14,000	465,796.31	25 7/8	362,250.00	0.96	13,440.00	2.89
Warner-Lambert Company	14,000	570,773.22	26 1/4	367,500.00	1.00	14,000.00	2.45
Total Drugs		<u>\$ 1,164,594.53</u>		<u>\$ 839,250.00</u>		<u>\$ 31,840.00</u>	<u>2.73%</u>

**FOODS—BEVERAGES**

CPC International, Inc.	10,000	\$ 441,386.28	50	\$ 500,000.00	\$ 2.50	\$ 25,000.00	5.66%
Consolidated Foods Corporation	12,000	369,336.67	25 1/4	303,000.00	1.40	16,800.00	4.55
General Foods Corporation	15,000	377,826.75	31 5/8	474,375.00	1.64	24,600.00	6.51
PepsiCo, Inc.	6,600	351,321.32	69 7/8	461,175.00	2.40	15,840.00	4.51
Total Foods—Beverages		<u>\$ 1,539,871.02</u>		<u>\$ 1,738,550.00</u>		<u>\$ 82,240.00</u>	<u>5.34%</u>

**RETAIL SALES**

Federated Department Stores, Incorporated	11,000	\$ 476,652.50	39 1/4	\$ 431,750.00	\$ 1.46	\$ 16,060.00	3.37%
Sears Roebuck & Company	7,500	583,574.43	57 3/8	430,312.50	2.10	15,750.00	2.70
Total Retail Sales		<u>\$ 1,060,226.93</u>		<u>\$ 862,062.50</u>		<u>\$ 31,810.00</u>	<u>3.00%</u>
Total Consumer Oriented		<u>\$ 6,575,423.50</u>		<u>\$ 6,029,287.50</u>		<u>\$ 271,280.00</u>	<u>4.13%</u>

**IV. TECHNOLOGY**

**OFFICE EQUIPMENT**

International Business Machines Corp.	4,500	\$ 1,177,287.75	252 3/4	\$ 1,164,375.00	\$10.00	\$ 45,000.00	3.82%
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**V. BASIC INDUSTRY**

**AEROSPACE**

United Technologies Corporation	13,000	\$ 388,479.69	38 1/2	\$ 500,500.00	\$ 1.80	\$ 23,400.00	6.02%
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**BUILDING & FOREST PRODUCTS**

Georgia-Pacific Corporation	15,953	\$ 471,286.20	31 5/8	\$ 504,513.63	\$ 0.80	\$ 12,762.40	2.71%
Masonite Corporation	4,000	82,888.00	19 1/2	78,000.00	0.60	2,400.00	2.90
Total Building & Forest Products		<u>\$ 554,174.20</u>		<u>\$ 582,513.63</u>		<u>\$ 15,162.40</u>	<u>2.74%</u>

<b>CHEMICALS</b>								
du Pont (E.I.) de Nemours & Co.	3,300	\$ 433,595.11	125 5/8	\$ 414,562.50	\$ 5.00	\$ 16,500.00	3.81%	
Monsanto Company	3,000	170,620.07	78 3/8	235,125.00	3.10	9,300.00	5.45	
Union Carbide Corporation	9,500	447,140.76	54 3/4	520,125.00	2.80	26,600.00	5.95	
Total Chemicals		\$ 1,051,355.94		\$ 1,169,812.50		\$ 52,400.00	4.98%	
<b>ELECTRICAL EQUIPMENT</b>								
General Electric Company	5,000	\$ 245,626.79	53 7/8	\$ 269,375.00	\$ 1.80	\$ 9,000.00	3.66%	
Gould, Inc.	30,000	499,716.49	32 3/8	971,250.00	1.12	33,600.00	6.72	
Total Electrical Equipment		\$ 745,343.28		\$ 1,240,625.00		\$ 42,600.00	5.72%	
<b>MACHINERY</b>								
Clark Equipment Company	4,000	\$ 183,290.00	40 1/4	\$ 161,000.00	\$ 1.60	\$ 6,400.00	3.49%	
Combustion Engineering, Incorporated	8,000	525,708.70	56 7/8	455,000.00	2.20	17,600.00	3.35	
Trans Union Corporation	8,000	252,508.00	35 1/4	282,000.00	1.76	14,080.00	5.58	
Total Machinery		\$ 961,506.70		\$ 898,000.00		\$ 38,080.00	3.96%	
<b>METALS</b>								
St. Joe Minerals Corporation	11,000	\$ 450,413.64	42	\$ 462,000.00	\$ 1.30	\$ 14,300.00	3.17%	
<b>PAPER</b>								
International Paper Company	9,000	\$ 359,876.74	58	\$ 522,000.00	\$ 2.70	\$ 18,000.00	5.00%	
Union Camp Corporation	3,000	181,670.00	61 1/2	184,500.00	1.80	5,400.00	2.97	
Total Paper		\$ 541,546.74		\$ 706,500.00		\$ 23,400.00	4.32%	
<b>MISCELLANEOUS</b>								
International Telephone & Telegraph Corp.	12,000	\$ 467,493.71	33 5/8	\$ 403,500.00	\$ 1.76	\$ 21,120.00	4.52%	
Total Basic Industry		\$ 5,160,313.90		\$ 5,963,451.13		\$ 230,462.40	4.47%	
<b>VI. ENERGY—</b>								
<b>OIL—DOMESTIC</b>								
Continental Oil Company (Del.)	22,000	\$ 518,270.25	36 1/4	\$ 797,500.00	\$ 1.40	\$ 30,800.00	5.94%	
Marathon Oil Company	10,000	575,404.89	50 3/4	507,500.00	2.20	22,000.00	3.82	
Standard Oil Company (Indiana)	12,000	503,953.76	53 5/8	643,500.00	2.60	31,200.00	6.19	
Total Oil — Domestic		\$ 1,597,628.90		\$ 1,948,500.00		\$ 84,000.00	5.26%	
<b>OIL—INTERNATIONAL</b>								
Exxon Corporation	22,000	\$ 869,973.92	51 5/8	\$ 1,135,750.00	\$ 3.00	\$ 66,000.00	7.59%	
Mobil Oil Corporation	12,000	611,653.24	66 1/4	795,000.00	3.80	45,600.00	7.46	
Texaco Inc.	17,000	511,124.47	26 7/8	456,875.00	2.00	34,000.00	6.65	
Total Oil — International		\$ 1,992,751.63		\$ 2,387,625.00		\$ 145,600.00	7.31%	
<b>ENERGY—RELATED</b>								
Dresser Industries, Inc.	9,000	\$ 305,762.50	45 1/4	\$ 407,250.00	\$ 0.80	\$ 7,200.00	2.35%	
Williams Companies, Inc.	6,000	137,683.00	23 3/4	142,500.00	1.00	6,000.00	4.36	
Total Energy-Related		\$ 443,445.50		\$ 549,750.00		\$ 13,200.00	2.98%	
Total Energy		\$ 4,033,826.03		\$ 4,885,875.00		\$ 242,800.00	5.02%	
<b>VII. TRANSPORTATION</b>								
<b>RAILROADS</b>								
Southern Railway Company	5,500	\$ 299,984.89	57 7/8	\$ 318,312.50	\$ 2.32	\$ 12,760.00	4.25%	
Union Pacific Corporation	4,200	128,244.99	53 7/8	226,275.00	1.70	7,140.00	5.57	
Total Railroads		\$ 428,229.88		\$ 544,587.50		\$ 19,900.00	4.65%	
Total Common Stocks (Income Share Account)		\$24,623,010.98		\$26,532,938.63		\$1,294,482.40	5.26%	
Total Bonds		\$24,120,443.20		\$24,204,826.57		\$2,071,576.38	8.59%	
Total Permanent Portfolio (Income Share Acct)		\$48,743,454.18		\$50,737,765.20		\$3,366,058.78	6.91%	
Total Portfolio Including Short-Term Obligations		\$50,179,224.02		\$52,176,013.20				
Less Accumulated Profit on Securities Sold		249,179.81						
Plus Cash and Accrued Income		362,310.35		362,310.35				
Net Portfolio Cost and Market Valuations as Adjusted		\$50,292,354.56		\$52,538,323.55				
(Divided by Number of Outstanding Share-Units)				6,097,670				
Value per Share-Unit, April 29, 1977				\$8.62				

**STATE OF MINNESOTA - STATE BOARD OF INVESTMENT**  
**FIXED-RETURN ACCOUNT - MINNESOTA SUPPLEMENTAL RETIREMENT FUND - APRIL 29, 1977**

DEBT OBLIGATIONS	Quality Ratings		Face Value	Amortized Cost	Price April 29, 1977	Market Value	Coupon	Annual Income*	Yield at Cost to Maturity**
	Moody's	Std. & Poors							
Short-Term Debt Obligation:									
U.S. Government Repurchase Agreement, due 5-2-77			\$ 445,000.00	\$ 445,000.00		\$ 445,056.24#			4.550%
# Includes interest from date of purchase to April 29, 1977									
United States Government Agency Obligation:									
Federal Home Loan Mortgage Corp., Guaranteed Mtge. Certif., due 3-15-2007	Aaa	AAA	\$ 200,000.00	\$ 199,008.31	101	\$ 202,000.00	8.050%	\$ 16,133.24	8.107%
Intermediate-Term Corporate Debt Obligations:									
Northwest Bancorp., Note, due 9-15-86	Aa	AAA	\$ 250,000.00	\$ 249,705.91	101 1/2	\$ 253,750.00	7.875%	\$ 19,719.06	7.873%
Walston Purina Co., Note, due 12-31-82		AA	250,000.00	250,000.00	105	262,500.00	8.000	20,000.00	8.000
Total Intermediate-Term Corporate Debt Obligations			\$ 500,000.00	\$ 499,705.91		\$ 516,250.00		\$ 39,719.06	7.948%
Long-Term Corporate Debt Obligations:									
ACF Industries, Inc., ETC, due 3-31-82/91	A	A	\$ 150,000.00	\$ 150,000.00	101 1/2	\$ 152,250.00	9.000%	\$ 13,500.00	9.000%
ACF Industries, Inc., ETC, due 2-1-78/92		A	100,000.00	100,000.00	98 5/8	98,625.00	8.000	8,000.00	8.000
AMAX, Inc., S/F Deb., due 3-1-2001	A	A	150,000.00	148,909.53	102 1/2	153,750.00	8.625	12,983.22	8.719
Ashland Oil, Inc., S/F Deb. due 9-1-2000	A	A	150,000.00	150,000.00	110 3/4	166,125.00	10.000	15,000.00	10.000
Atlantic Richfield Co., (Channelview Leasing Co., Inc.), Secured Note, due 7-15-96	Aa	AA	150,000.00	150,000.00	104 1/2	156,750.00	9.250	13,875.00	9.250
Canadian Pacific, Ltd., ETC, due 1-15-83/92	Aa	AA	250,000.00	250,000.00	99 1/2	248,750.00	8.625	21,562.50	8.625
du Pont (E.I.) de Nemours, S/F Deb., due 11-15-2004	Aaa	AAA	150,000.00	148,692.31	105 1/2	158,250.00	8.450	12,722.52	8.556
Exxon Pipeline Co., Guaranteed Deb., due 3-1-2001	Aaa	AAA	250,000.00	246,689.85	103	257,500.00	8.250	20,763.84	8.417
FMC Corp., S/F Deb., due 1-15-2000	A	A	150,000.00	148,621.68	108 3/8	162,562.50	9.500	14,310.84	9.629
Firestone Tire & Rubber, S/F Deb., due 12-1-2004	Aa	AA	150,000.00	149,483.68	106	159,000.00	9.250	13,893.72	9.294
Ford Motor Co., S/F Deb., due 7-15-94	Aaa	AAA	150,000.00	149,591.01	108	162,000.00	9.250	13,898.88	9.291
Ford Motor Credit Co., Deb., due 7-15-2000	Aa	A	150,000.00	149,646.59	107 3/4	161,625.00	9.700	14,565.24	9.733
Houston Lighting & Power Co., S/F Deb., due 10-1-2006	Aa	AA	250,000.00	248,753.53	99	247,500.00	8.375	20,979.86	8.434
Iowa-Illinois Gas & Electric Co., First Mtge. Bd., due 1-15-2007	Aa	AA	250,000.00	248,135.48	98 3/4	246,875.00	8.250	20,687.88	8.337
Louisville & Nashville Railroad Co., CSA, due 10-28-82/91		A	146,308.45	146,308.45	102 1/4	149,600.39	9.000	13,167.76	9.000
Louisville & Nashville Railroad Co., CSA, due 10-28-82/91	A	A	95,335.97	95,335.97	99 1/2	94,859.29	8.375	7,984.39	8.375
Minnesota Power & Light Co., First Mtge. Bd., due 8-1-2005	A	A	150,000.00	150,000.00	111	166,500.00	10.500	15,750.00	10.500
Minnesota Power & Light Co., First Mtge. Bd., due 9-1-2006	A	A	100,000.00	100,000.00	101 1/8	101,125.00	8.700	8,700.00	8.700
New York Telephone Co., Refunding Mtge. Bd., due 7-15-2008	Aaa	AAA	250,000.00	224,631.25	98 1/2	246,250.00	8.000	20,813.96	9.266
Olympic Pipeline Co., Note, due 9-1-2001	Aaa	AAA	250,000.00	250,000.00	107 1/8	267,812.50	8.850	22,125.00	8.850



<b>Pacific Gas &amp; Electric Co., First Refunding Mtge. Bd., due 12-1-2005</b>	Aa	AA	250,000.00	243,046.08	92 1/2	231,250.00	7.750	19,618.24	8.072
<b>Pacific Telephone &amp; Telegraph Co., Deb., due 3-1-2007</b>	Aaa	AAA	250,000.00	250,296.68	95 1/4	238,125.00	7.800	19,490.04	7.787
<b>Plantation Pipeline Co., (Exxon Corp., Std. Oil of Calif., &amp; Shell Oil Co., Guarantors), Note, due 10-1-2001</b>	Aaa	AAA	250,000.00	242,712.11	97 7/8	244,587.50	7.875	19,985.94	8.234
<b>Public Service Co. of Indiana, Inc., First Mortgage Bond, due 1-1-2007</b>	Aa	AA	250,000.00	243,492.34	93 1/2	230,750.00	7.625	19,281.86	7.919
<b>Seaboard Coastline RR Co., CSA, due 4-1-82/92</b>	A	A	250,000.00	250,000.00	103 3/8	258,437.50	9.000	22,500.00	9.000
<b>Southern Bell Telephone &amp; Telegraph Co., Deb., due 3-15-2013</b>	Aaa	AAA	250,000.00	225,746.80	94 1/8	235,312.50	7.625	19,739.30	8.744
<b>Standard Oil Co., (California) First Pref. Ship Mtge. Bd., due 7-2-99</b>	Aaa	AAA	150,000.00	150,000.00	101 7/8	152,812.50	8.500	12,750.00	8.500
<b>Standard Oil Co., (Indiana) S/F Deb., due 7-15-2004</b>	Aaa	AAA	150,000.00	152,095.82	107 5/8	161,437.50	9.200	13,722.84	9.022
<b>Stauffer Chemical Co., Deb., due 1-15-2001</b>	A	A	150,000.00	150,000.00	105 1/4	157,875.00	8.850	13,275.00	8.850
<b>Texas Power &amp; Light Co., First Mtge. Bd., due 2-1-2007</b>	Aaa	AAA	250,000.00	249,690.11	100 3/4	251,875.00	8.250	20,635.44	8.264
<b>Union Oil Company of California, Deb., due 3-1-2006</b>	Aa	AA	250,000.00	250,218.85	104 1/4	260,625.00	8.625	21,554.94	8.614
<b>Total Long-Term Corporate Debt Obligations</b>			<u>\$5,891,644.42</u>	<u>\$5,812,098.12</u>		<u>\$5,983,897.18</u>		<u>\$507,838.21</u>	<u>8.738%</u>
<b>Intermediate-Term Canadian Governmental Obligations:</b>									
<b>Export Development Corp., Note, due 7-15-81</b>	Aaa	AAA	\$ 150,000.00	\$ 150,000.00	103 1/4	\$ 154,875.00	8.500%	\$ 12,750.00	8.500%
<b>Manitoba Hydro-Electric Board, Bond, Series 3J, due 10-1-85</b>	Aa	AA	150,000.00	150,000.00	107 3/8	161,062.50	9.500	14,250.00	9.500
<b>Total Intermediate-Term Canadian Governmental Obligations</b>			<u>\$ 300,000.00</u>	<u>\$ 300,000.00</u>		<u>\$ 315,937.50</u>		<u>\$ 27,000.00</u>	<u>9.000%</u>
<b>Long-Term Canadian Governmental Obligations:</b>									
<b>British Columbia Hydro &amp; Power Authority, Bond, due 7-15-96</b>	Aa	AA	\$ 150,000.00	\$ 150,000.00	104 3/4	\$ 157,125.00	9.625%	\$ 14,437.50	9.625%
<b>Ontario Hydro, Note, due 3-15-96</b>	Aaa	AAA	150,000.00	150,000.00	105 1/4	157,875.00	9.500	14,250.00	9.500
<b>Ontario, Province of, Deb., due 6-15-2005</b>	Aaa	AAA	150,000.00	148,209.96	105	157,500.00	9.125	13,751.22	9.278
<b>Total Long-Term Canadian Governmental Obligations</b>			<u>\$ 450,000.00</u>	<u>\$ 448,209.96</u>		<u>\$ 472,500.00</u>		<u>\$ 42,438.72</u>	<u>9.468%</u>
<b>Total United States Government Agency, Corporate and Canadian Government Debt Obligations</b>			<u>\$7,341,644.42</u>	<u>\$7,259,022.30</u>		<u>\$7,490,584.68</u>		<u>\$633,129.23</u>	<u>8.722%</u>
<b>Total Portfolio including Short-Term Debt Obligations</b>				<u>\$7,704,022.30</u>		<u>\$7,935,640.92</u>			
<b>Less Accumulated Deferred Yield Adjustments</b>				15,553.06					
<b>Plus Cash and Accrued Income</b>				<u>243,640.11</u>		<u>243,640.11</u>			
<b>Net Portfolio Cost and Market Valuation as Adjusted***</b>				<u>\$7,932,109.35</u>		<u>\$8,179,281.03</u>			

\* Annual income includes accumulation of discounts and amortization of premiums.

\*\* Average yield figures mean annual income as a percentage of amortized cost.

\*\*\* The unit value on April 29, 1977 and on all dates remains at \$5.00; in this particular account, changes in interest rates effect income received on contributions, not the theoretical unit value. Amounts contributed are invested in full, including any fractional portion of unit values.  
Abbreviation: ETC — Equipment Trust Certificate; CSA — Conditional Sale Agreement

**STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
COMMON STOCKS ELIGIBLE FOR PURCHASE IN STATE RETIREMENT FUNDS**

**I. UTILITIES**

**ELECTRIC**  
 \*Central & South West  
 \*Cincinnati Gas & Electric  
 \*Commonwealth Edison  
 \*Florida Power & Light  
 \*Houston Industries  
 \*Louisville Gas & Electric  
 \*Middle South Utilities  
 \*Minnesota Power & Light  
 \*Northern States Power  
 \*Pacific Gas & Electric  
 \*Public Service of Colorado  
 \*Public Service of Indiana  
 \*Southern California Edison  
 \*Southern Company  
 \*Texas Utilities  
 \*Tucson Gas & Electric  
 \*Virginia Electric & Power

**GAS**

\*Houston Natural Gas  
 \*Panhandle Eastern Pipe Line  
 \*Peoples Gas

**COMMUNICATIONS**

\*American Telephone & Telegraph  
 \*Communications Satellite  
 \*General Telephone & Electronics  
 \*United Telecommunications

**II. FINANCIAL SERVICES**

**BANKS**  
 \*BankAmerica  
 \*Bankers Trust  
 \*Chase Manhattan  
 \*Citicorp  
 \*Citizens & Southern National  
 \*Continental Illinois Corp.  
 \*First Bank System  
 \*First Int'l. Bancshares  
 \*First Union Corp.  
 \*Manufacturers Hanover Corp.  
 \*Morgan (J.P.) & Co.  
 \*National City (Cleveland)  
 \*Northwest Bancorporation  
 \*Security Pacific Corp.  
 \*Valley National Bank (Arizona)  
 \*Wells Fargo  
 \*Western Bancorporation

**FINANCE**

\*Beneficial Corp.  
 \*Household Finance Corp.  
 \*Investors Diversified Serv. "A"  
 \*MGIC Investment Corp.

**INSURANCE**

\*Aetna Life & Casualty  
 \*Chubb Corp.  
 \*Connecticut General Insurance  
 \*CNA Financial Corp.  
 \*INA Corp.  
 \*Jefferson-Pilot  
 \*NLT Corp.  
 \*Northwestern National Life  
 \*SAFECO Corp.  
 \*St. Paul Companies  
 \*Travelers Corp.  
 \*U.S. Fidelity and Guaranty

**III. CONSUMER-ORIENTED  
AUTOMOBILES AND  
AUTOMOTIVE PARTS**

Chrysler  
 \*Ford Motor  
 \*General Motors  
 \*Genuine Parts  
 \*Goodyear Tire & Rubber

**CONSUMER-DURABLES**

\*Carrier Corp.  
 \*Sunbeam  
 \*Whirlpool

**CONSUMER-NONDURABLES**

\*Avon Products  
 \*Clorox  
 \*Colgate-Palmolive  
 \*Eastman Kodak  
 \*Economics Laboratory  
 \*Gillette  
 \*Minnesota Mining & Manufacturing  
 \*Polaroid  
 \*Procter & Gamble  
 \*Revlon

**CONSUMER-MISCELLANEOUS**

\*ARA Services  
 \*CBS, Inc.  
 \*Disney (Walt) Productions  
 \*Holiday Inns  
 \*McDonald's Corp.  
 \*Tonka Corp.  
 \*Warner Communications, Inc.

**DRUGS**

\*American Home Products  
 \*Becton Dickinson  
 \*Johnson & Johnson  
 \*Medtronic  
 \*Merck  
 \*Pfizer, Inc.  
 \*Schering-Plough  
 \*Searle (G.D.)  
 \*Upjohn  
 \*Warner-Lambert

**FOODS-BEVERAGE**

\*CPC International  
 \*Campbell Soup  
 \*Coca-Cola  
 \*Consolidated Foods  
 \*General Foods  
 \*General Mills  
 \*Green Giant  
 \*Kraft, Inc.  
 \*Norton Simon  
 \*PepsiCo.  
 \*Pillsbury

**PRINTING-PUBLISHING**

\*Donnelley (R.R.) & Sons  
 \*Dun & Bradstreet  
 \*Harcourt, Brace & Jovanovich  
 \*Prentice-Hall

**RETAIL SALES**

\*American Greetings Corp.  
 \*Dayton Hudson  
 \*Federated Department Stores  
 \*Great A. & P Tea  
 \*Kresge (S.S.) Company  
 \*Penney (J.C.)  
 \*Sears Roebuck & Co.  
 \*Southland Corp.  
 \*Super Valu Stores  
 \*Zale Corp.

**IV. TECHNOLOGY**

**ELECTRONICS**  
 \*Hewlett-Packard  
 \*Texas Instruments

**OFFICE EQUIPMENT**

\*Burroughs  
 \*Control Data  
 \*Digital Equipment  
 \*Honeywell  
 \*International Business Machines  
 \*Xerox

**V. BASIC INDUSTRIES**

**AEROSPACE**  
 \*Boeing  
 \*United Technologies Corp.

**BUILDING-FOREST PRODUCTS**

\*Georgia-Pacific  
 \*Masonite  
 \*Owens Corning Fiberglas  
 \*Weyerhaeuser

**CHEMICALS**

\*Air Products & Chemicals  
 \*American Cyanamid  
 \*Dow Chemical  
 \*du Pont (E.I.) de Nemours  
 \*Hercules  
 \*International Minerals & Chemicals  
 \*Monsanto  
 \*Union Carbide

**ELECTRICAL EQUIPMENT**

\*Emerson Electric Co.  
 \*General Electric  
 \*Gould, Inc.  
 \*Westinghouse Electric

**MACHINERY**

\*ACF Industries  
 \*Caterpillar Tractor  
 \*Clark Equipment  
 \*Combustion Engineering  
 \*General American Transportation  
 \*International Harvester  
 \*Toro Company  
 \*Trans Union

**METALS**

\*Aluminum Co. of America  
 \*Armco Steel  
 \*Hanna Mining  
 \*Inland Steel  
 \*Pittston  
 \*St. Joe Minerals Corp.

**PAPER**

\*International Paper  
 \*Scott Paper  
 \*Union Camp Corp.

**TEXTILES**

\*Burlington Industries

**MISCELLANEOUS**

\*Continental Can  
 \*Corning Glass Works  
 \*International Telephone & Telegraph

**VI. ENERGY**

**OIL-DOMESTIC**

\*Atlantic Richfield  
 \*Continental Oil  
 \*Louisiana Land & Exploration  
 \*Marathon Oil Co.  
 \*Phillips Petroleum  
 \*Standard Oil (Indiana)  
 \*Standard Oil (Ohio)

**OIL-INTERNATIONAL**

\*Exxon Corp.  
 \*Gulf Oil  
 \*Mobil Oil  
 \*Standard Oil (California)  
 \*Texaco

**ENERGY-RELATED**

\*Baker International  
 \*Dresser Industries  
 \*Halliburton  
 \*Williams Companies

**VII. TRANSPORTATION**

**AIRLINES**

\*American Airlines  
 \*Delta Air Lines  
 \*Northwest Airlines  
 \*UAL, Inc.

**RAILROADS**

\*Burlington Northern  
 \*Norfolk & Western  
 \*Southern Pacific  
 \*Southern Railway  
 \*Union Pacific Corp.

\*These stocks were held in one or more of Minnesota's retirement funds on April 29, 1977; stocks owned and those on the approved list are subject to change at any time.

# MEMBERS OF THE STATE BOARD OF INVESTMENT

Hon. Rudy Perpich, Governor  
Hon. Robert W. Mattson, State Auditor  
Hon. Jim Lord, State Treasurer  
Hon. Joan Anderson Growe, Secretary of State  
Hon. Warren Spannaus, Attorney General

## THE ADVISORY COMMITTEE ON STATE TRUST FUNDS

### Active Members

Franklin Briese, *Chairman of the Board (retired), Minnesota Mutual Life Insurance Company, St. Paul*  
Robert S. Davis, *C.F.A., Executive Vice President of Finance, The St. Paul Companies, Inc.*  
Gaylord W. Glarner, *Senior Vice President, First Trust Company, St. Paul*  
John M. Harris, *Investment Counsel, Northern City National Bank, Duluth*  
Peter A. Heegaard, *C.F.A., Senior Vice President, Northwestern National Bank of Minneapolis*  
John H. Herrell, *Vice Chairman of Investment Committee, Mayo Foundation, Rochester*  
Donald E. Jondahl, *Executive Vice President, Finance, Northwestern National Life Insurance Company, Minneapolis*  
Laurence R. Lunden, *former Vice President, Business Administration, University of Minnesota*  
LeRoy F. Piche, *C.F.A., Senior Vice President, Investments, Northwest Bancorporation*  
Norman Terwilliger, *Investment Counsel to the Minneapolis Teachers Retirement Association*

### Members Emeriti

Hermon J. Arnott, *retired Chairman of the Board, Farmers and Mechanics Savings Bank of Minneapolis*  
James C. Harris, *Vice Chairman of the Board of Directors, Northwestern National Bank of Minneapolis*  
Francis Hassing, *former Investment Counsel to the Board of Regents of the University of Minnesota*  
Maxwell B. Hight, *Section of Administration, Mayo Foundation, Rochester*  
Dale R. Olseth, *President, Medtronics, Inc.*

## INVESTMENT DEPARTMENT PERSONNEL

Robert E. Blixt, *B.A., M.S., J.D., C.F.A.*  
*Executive Secretary*

A. Arthur Kaese, *B.A., C.F.A.*  
*Assistant Executive Secretary*

Carolyn Peabody, *B.B.A.*  
*Administrative Assistant*

Betty J. Eskuri  
*Portfolio Coordinator*

Judith A. Kaufman  
*Secretarial Assistant*

\* \* \* \* \*

### Portfolio Managers and Financial Analysts

#### Short-Term Investments

Grant A. Feldman, Jr., *B.S.*  
Howard J. Bicker, *B.A.*

#### Stocks

Miles J. Cohen, *B.B.A., J.D.*  
C. Robert Parsons, *B.S.*  
Michael L. Hudson, *B.S., M.B.A., C.F.A.*  
Peter G. Robb, *B.A.*  
Roger W. Henry, *B.A.*

#### Debt Securities

N. Robert Barman, *B.C.S., M.A.*  
Arthur M. Blauzda, *B.S., M.B.A.*

### Secretarial & Investment Assistants

Peggy Johnson

Debra L. Johnson

Rita Rivard

Becky Thoma

\* \* \* \* \*

Roger A. Derksen, *B.B.A., C.F.A.*

*Investment Operations Director & Financial Analyst*

Meg J. Arneberg, *B.A.*  
*Computer-Investment Assistant*

John T. Kinne, *B.A.*  
*Transaction Supervisor*

Harold Syverson, *B.A.*  
*Securities Trader*

### Accountants & Statistical Assistants

Audrey I. Moore

Alice P. Chermak, *B.A.*

Thomas L. Delmont, *B.A.*

ACADIAN FINANCIAL RESEARCH, INC.  
303 Marsh Street  
Belmont, Massachusetts 02178  
November 13, 1977

Dr. Belden Daniels  
4 Sentry Hill Place  
Boston, Massachusetts

Dear Dr. Daniels:

As you requested, I have reviewed the Committee Draft of the proposed bill for the State of Alaska Legislature. Given my inherent time constraint, you should consider these comments as preliminary in nature and conceptual in focus. Furthermore, they address only investment related issues germane to the Permanent Fund.

Important general goals to seek in this legislation include the following:

1. An investment mandate which allows the fund's managers (internal and/or external) enough autonomy to seek appropriate investment objectives without unnecessary or counterproductive restrictions. This mandate should avoid "legal list" as well as many other more subtle forms of investment constraints.
2. Flexibility to hire the most competent outside professional capabilities available including money managers, consultants, and other necessary sources of specialized support services.
3. Autonomy to hire internal staff of high caliber without excessive constraints on selection procedures, compensation levels, tenure, etc.
4. Enough continuity and longevity among Trustees to ensure that the "learning curve" will be allowed to operate properly.

Specific points in the proposed legislation which, in my view, require careful review and possible revision include the following:

1. Section 24.20.660 STAFF. Should explicit recognition of the need for outside investment managers, consultants, etc. be included in this section or elsewhere?
2. Section 37.13.010 FINDINGS. Sections (2) and (4) are not well stated or particularly meaningful. Perhaps they should be combined into one succinct statement of the fund's goal or this goal should be delegated to the Board of Trustees.
3. Section 37.13.110 EMPLOYMENT OF PERSONNEL. What are the practical restrictions of operating with "exempt service under AS 39.25"? Does this place a severe limitation on the recruitment of qualified personnel? If so, can this restriction be eliminated?
4. Section 37.13.130 POWERS AND DUTIES. Part (a)  
The board should be required to exercise the judgment and care of a "prudent expert" rather than "a person of ordinary prudence". Moreover, management of assets of this magnitude is quite different than the management of an individual's own affairs and this should be explicitly recognized.
5. Section 37.13.130 Part(e)  
What is the operational interpretation of "income-producing investments"? This provision could exclude major classes of attractive investments.

Part (f)

As written, this section would be inimical to achieving appropriate investment objectives. It should have major alterations or be deleted entirely if politically feasible.

I hope your trip to Alaska goes well and I look forward to a call from you within the next week.

Very truly yours,

*Gary L. Bergstrom*

Gary L. Bergstrom  
President

## INVESTMENTS FOR STATE FUNDS

by

Robert E. Blixt, B.A., M.S., J.D.  
 Attorney at Law and Chartered Financial Analyst  
 Executive Secretary of the Minnesota State Board of Investment  
 Room 105, MEA Building, 55 Sherburne Avenue  
 St. Paul, Minnesota 55155

House Special Committee on the Alaska Permanent Fund  
 Representative Clark Gruening, Chairman  
 Anchorage, Alaska, November 18, 1977  
 \* \* \* \* \*

### SUMMARY OF INVESTMENTS IN THE MINNESOTA FUNDS September 30, 1977

I.	Permanent School Fund		\$ 263 million
	U.S. Treasury and Government Guaranteed (includes \$71.2 million, or 27% of total fund, in GNMA mortgages)	52 per cent	
	Corporate Bonds	28 per cent	
	Common Stocks	20 per cent	
	(Fund is derived mainly from royalties and occupation taxes paid by mining firms that developed Mesabi Iron Range. Investment earnings are used for current education costs.)		
II.	Public Employees and Teacher Retirement Funds		\$2,077 million
	U.S. Treasury and Agency Obligations, Municipals	7 per cent	
	Canadian Bonds	6 per cent	
	Short-term Corporate Debt	2 per cent	
	Corporate Bonds	36 per cent	
	Common Stocks	49 per cent	
	(Contributions from state and local governments and 140,000 public employees increase principal of funds by \$23 million monthly. Investment earnings are used for payment of pensions.)		
III.	Highway Funds		\$ 215 million
	U.S. Treasury and Agency Obligations (under 10 yrs.) (includes \$3.4 million, or 1.6% of total funds, in GNMA mortgages)	67 per cent	
	Short-term Corporate Notes	33 per cent	
	(Size of funds vary greatly, depending on construction season and sale of highway bonds. Investment earnings are used for roads.)		
IV.	Departmental, Endowment, and Welfare Funds		\$ 210 million
	Primarily U.S. Treasuries; others if authorized		
V.	Current Tax Receipts (Treasurer's Cash)		\$ 398 million
	U.S. Treasury and Agency Obligations (under 3 yrs.)	70 per cent	
	Short-term Corporate Debt (under 270 days)	up to 30 per cent	
	(Fund is liquid, size varies greatly - \$50-\$667 million in recent years. Investment earnings are used for current state expenses.)		
	<b>Total Invested Funds -</b>		<b>\$3,163 million</b>

Source: Minnesota State Board of Investment.

EXAMPLE OF CHANGING STATE INVESTMENT POLICIES

COMBINED MINNESOTA STATE RETIREMENT FUNDS

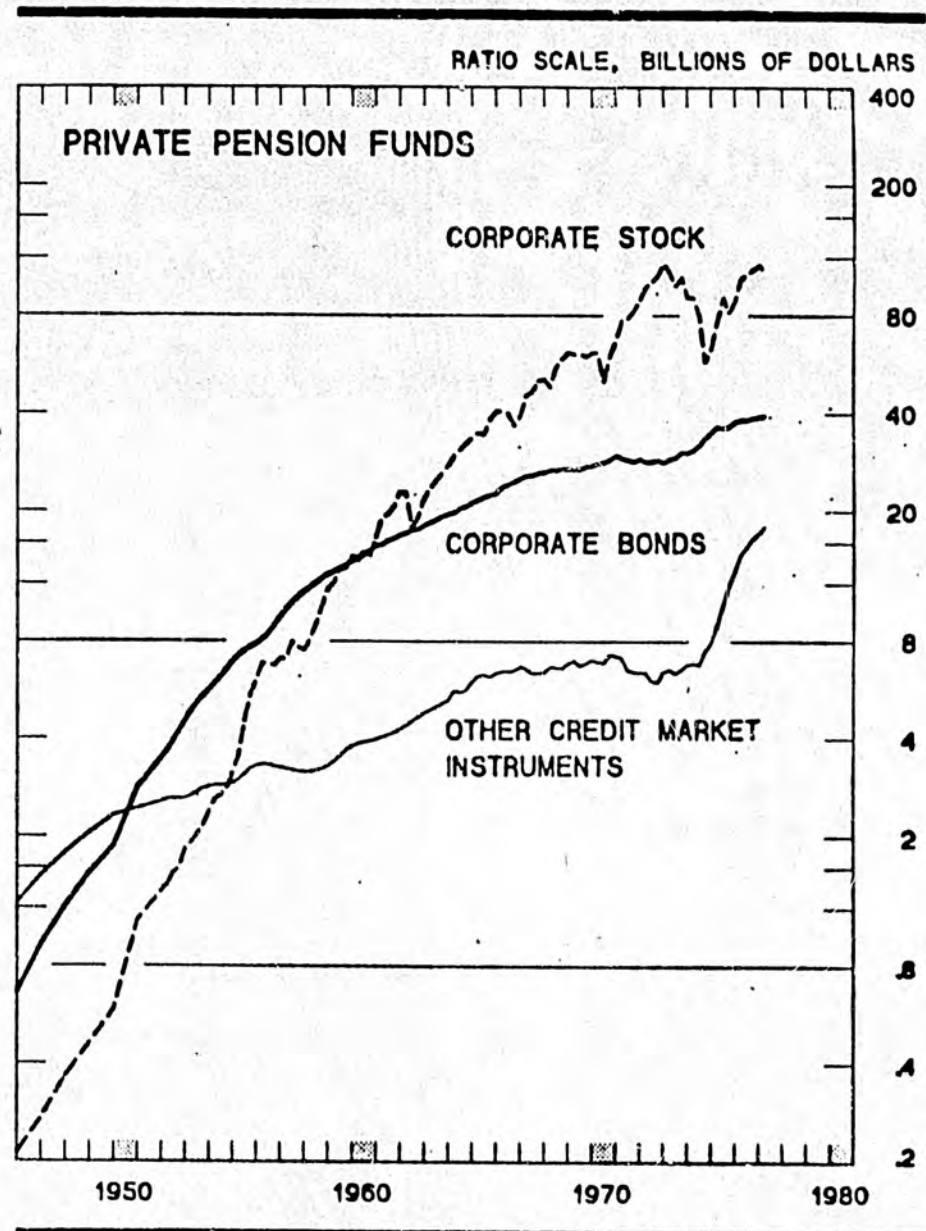
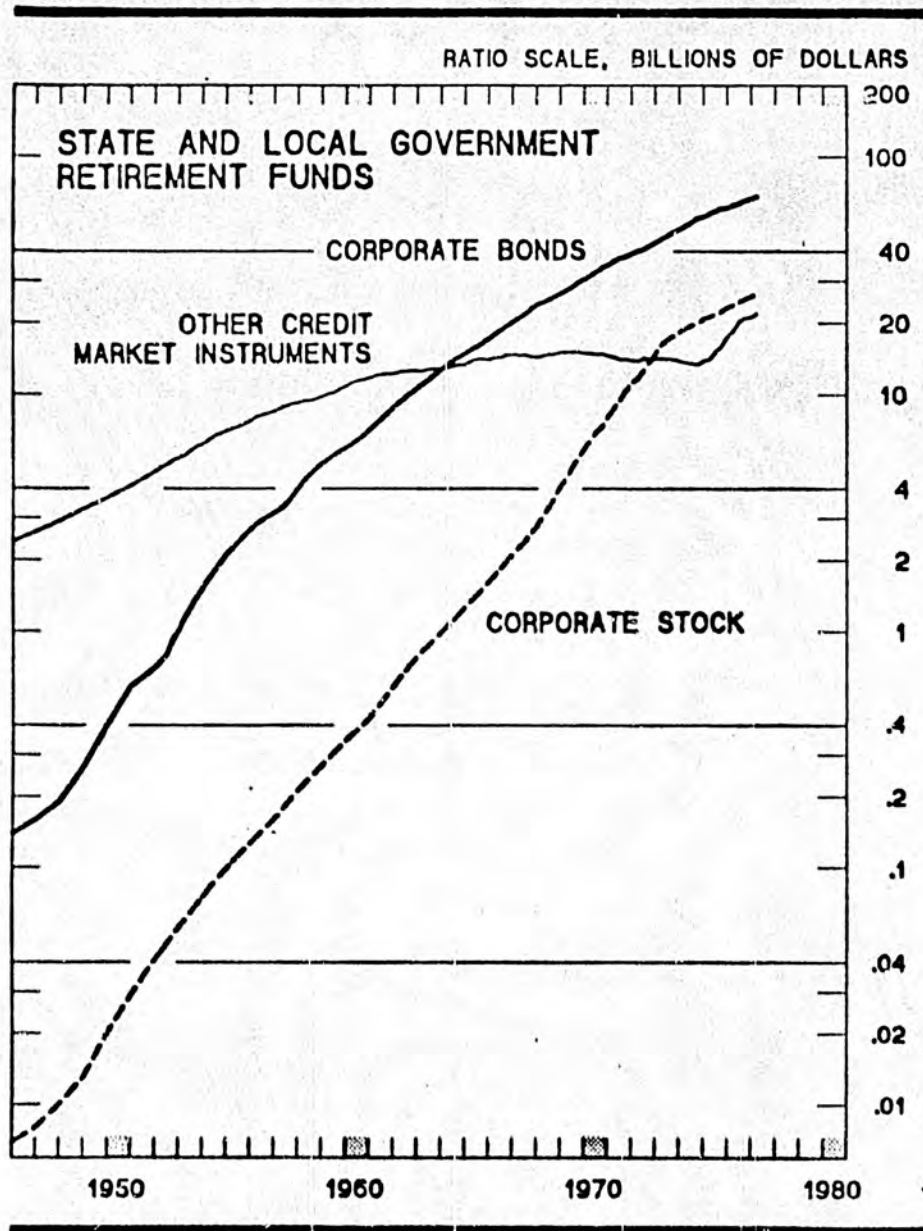
(Amounts and percentage figures based on cost)

	<u>June 30, 1959</u>	<u>Dec. 31, 1961</u>	<u>Dec. 31, 1965</u>	<u>Dec. 31, 1969</u>	<u>Dec. 31, 1973</u>	<u>Sept. 30, 1977</u>
<b>Total Amount Invested (000)</b>	\$139,625	\$188,596	\$322,441	\$645,837	\$1,195,631	\$2,076,741
<b>Investments</b>						
U.S. Gov't. & Guar.	28.0%	18.9%	7.1%	4.7%	4.9%	7.2%
State and Municipal	71.2	51.5	21.9	8.3	1.2	0.3
Short-term Corporate Debt	-	-	1.7	4.6	1.0	2.1
Canadian Obligations	-	-	-	2.8	5.4	5.5
Long-term Corporate Bonds	-	26.9	47.8	46.7	37.6	35.6
Convertible Obligations	-	-	-	0.4	1.6	0.2
Common Stock	-	2.7	21.5	32.5	48.3	49.1
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Minnesota State Board of Investment.

# PRINCIPAL EARNING ASSETS

AMOUNT OUTSTANDING; END OF YEAR, 1946-51; END OF QUARTER, 1952-



SOURCE: Board of Governors of the Federal Reserve System, Historical Chart Book, 1977, pages 90-91.



STATE OF MINNESOTA - STATE BOARD OF INVESTMENT  
REVIEW OF RETIREMENT FUNDS AND PERMANENT SCHOOL FUND BY PURPOSES AND TYPES OF INVESTMENT

September 30, 1977

	Total Cost (000) (1)	ASSET DIVERSIFICATION (Based on Cost)					PURPOSE OF FUNDS	
		U.S. Govt. Guar. (2)	Short- term Corp. (3)	Munic- ipals (4)	Canadian & Prov. Govt. (5)	Corp. Bonds (6)	Common Stock (7)	
<b>BASIC RETIREMENT FUNDS:</b>								
Teachers' Retirement Fund	\$ 462,763	3.92%	2.51%	0.53%	6.48%	38.38%	48.18%	Accumulations of employers' and employees' contributions for system members under the age of 65; provide many differing benefits based upon formula plans; some are coordinated with Social Security. Retirement ages vary from 50 to 70 years.
Public Employees Ret. Fund	422,964	5.18	1.42	0.37	6.76	37.66	48.61	
Public Employees Police & Fire Fund	66,960	5.59	-	-	5.90	39.71	48.80	
State Employees Ret. Fund	212,603	4.79	2.35	0.97	6.99	36.40	48.50	
Highway Patrol. Ret. Fund	21,672	5.06	1.96	0.91	5.62	37.95	48.50	
Judges Retirement Fund	2,027	41.07	-	-	-	43.19	15.74	
<hr/>								
MINNESOTA ADJUSTABLE FIXED BENEFIT FUND	\$ 758,424	11.38%	2.51%	-	3.65%	34.21%	48.25%	Includes assets representing reserves for all retired former employee-members of basic retirement funds. Participants are guaranteed a fixed benefit at date of retirement, subject to upward adjustments as common stock performance, interest and dividend income above the 5% assumed rate warrant such increases.
<hr/>								
MINNESOTA SUPPLEMENTAL RETIREMENT FUND								Three "mutual fund" type accounts used for various retirement basic plans, supplemental benefits, and deferred compensation purposes. These funds provide added benefits for teachers in state colleges, provide investment media for policemen and firemen in various local systems, provide supplementary benefits for Hennepin County employees, and provide entire retirement benefits for certain unclassified state employees with no tenure. Whereas most state funds provide vesting in ten years, unclassified employee plan provides total vesting of employer and employee contributions immediately, with provision for employee to withdraw contribution upon termination of service.
- Income Share Account	\$ 53,544	5.90%	1.87%	-	8.40%	35.28%	48.55%	
- Growth Share Account	18,698	2.31	-	-	-	-	97.69	
- Fixed Return Account*	9,666	13.24	-	-	7.74	79.02	-	
<hr/>								
MINNESOTA VARIABLE ANNUITY	\$ 47,418	3.15%	1.05%	-	5.90%	17.20%	72.70%	Provides an option for teachers who wish to have a portion of retirement benefits based on investment performance. This fund may be 100% invested in equities, but current policy includes substantial fixed-income commitments.
<hr/>								
PERMANENT SCHOOL FUND	\$ 262,555	51.75%	-	0.12%	-	28.35%	19.78%	Constitutional trust fund primarily from iron-ore tax receipts and royalties; also some timber payments. Equities are limited to 20% of fund, with remainder in fixed-income securities. Entire income is dedicated to support of public schools.
<hr/>								
TOTALS	\$2,339,294	12.16%	1.86%	0.28%	4.89%	34.99%	45.82%	

\*The fixed-return account, established by the 1974 Minnesota Legislature, has no fluctuation in unit valuation, but earns the beneficiary an intended "rate of return" plus any extra interest payment above that earlier assumed; reserves will be established so as to stabilize interest earnings.

Source: Minnesota State Board of Investment.

INVESTMENTS FOR STATE FUNDS

November 18, 1977

(BL1XT)

Page 4

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

COMPOSITION OF RETIREMENT FUNDS AND PERMANENT SCHOOL FUND BY TYPES OF INVESTMENT  
October 31, 1977

	Cash and U.S. Government Short-Term	Corporate Short-Term	Municipals	U.S. Gov't. & Agency Guarantees (1)	Canadian Governmental Obligations (1)	Corporate Bonds (1)	Common Stocks (2)	Total
<b>Basic Retirement Funds</b>								
Teachers' Retirement Fund	\$ 3,515,071.46 0.75%	\$14,750,000.00 3.15%	\$2,439,000.00 0.52%	\$ 10,743,710.32 2.29%	\$ 29,972,368.80 6.40%	\$181,461,239.72 38.76%	\$ 225,280,728.38 48.13%	\$ 468,162,118.68 100.00%
Public Employees Ret. Fund	\$ 3,909,362.35 0.92%	\$ 6,000,000.00 1.41%	\$1,567,000.00 0.37%	\$ 15,438,518.87 3.64%	\$ 28,581,237.52 6.74%	\$163,134,791.63 38.45%	\$ 205,673,015.36 48.47%	\$ 424,303,925.73 100.00%
State Employees Ret. Fund	\$ (145,383.66) (0.07%)	\$ 9,612,000.00 4.45%	\$2,067,000.00 0.96%	\$ 5,287,682.67 2.45%	\$ 14,854,302.28 6.88%	\$ 79,842,096.08 39.96%	\$ 104,510,713.33 48.37%	\$ 216,028,410.70 100.00%
Public Employees Police & Fire Fund	\$ 683.03 0.01%	\$ 1,134,000.00 1.69%	-0-	\$ 2,042,358.71 3.04%	\$ 3,948,764.14 5.87%	\$ 27,426,612.60 40.80%	\$ 32,677,018.85 48.59%	\$ 67,229,437.33 100.00%
Hwy. Patrol. Ret. Fund	\$ 274,916.96 1.23%	\$ 725,000.00 3.25%	\$ 194,000.00 0.87%	\$ 508,335.87 2.28%	\$ 1,218,303.30 5.47%	\$ 8,624,984.80 38.71%	\$ 10,733,684.43 48.19%	\$ 22,279,225.36 100.00%
Judges Retirement Fund	\$ 288,958.47 14.05%	-0-	-0-	\$ 448,000.91 21.79%	-0-	\$ 1,000,028.93 48.64%	\$ 319,197.86 15.52%	\$ 2,056,186.17 100.00%
-----								
Minnesota Adjustable Fixed Benefit Fund	\$ 6,250,890.35 0.82%	\$22,199,000.00 2.92%	-0-	\$ 69,111,315.26 9.08%	\$ 27,706,958.92 3.64%	\$267,274,869.83 35.10%	\$ 368,960,441.70 48.44%	\$ 761,503,476.06 100.00%
Minnesota Suppl. Ret. Fund Income Share Account	\$ 521,135.03 0.96%	\$ 1,622,000.00 2.99%	-0-	\$ 1,656,930.74 3.06%	\$ 4,498,208.22 8.29%	\$ 19,718,064.23 36.36%	\$ 26,217,186.16 48.34%	\$ 54,233,524.38 100.00%
Growth Share Account	\$ 424.65 0.01%	\$ 670,000.00 3.54%	-0-	-0-	-0-	-0-	\$ 18,266,454.44 96.45%	\$ 18,936,879.09 100.00%
Fixed Return Account	\$ 532,177.99 5.21%	-0-	-0-	\$ 648,287.38 6.35%	\$ 598,241.82 5.86%	\$ 8,430,594.87 82.58%	-0-	\$ 10,209,302.06 100.00%
Minnesota Variable Annuity	\$ 876,639.90 1.82%	\$ 941,000.00 1.96%	-0-	-0-	\$ 2,798,880.52 5.82%	\$ 8,705,494.41 18.10%	\$ 34,771,665.51 72.30%	\$ 48,093,680.34 100.00%
*****								
Permanent School Fund	\$ 9,311,294.69 3.55%	-0-	\$ 307,000.00 0.12%	\$126,854,747.79 48.30%	-0-	\$ 74,444,790.57 28.35%	\$ 51,696,330.20 19.68%	\$ 262,614,163.25 100.00%
<b>Totals</b>	<b>\$25,336,171.22 1.08%</b>	<b>\$57,653,000.00 2.45%</b>	<b>\$6,574,000.00 0.28%</b>	<b>\$232,739,888.52 9.88%</b>	<b>\$114,177,265.52 4.85%</b>	<b>\$840,063,567.67 35.66%</b>	<b>\$1,079,106,436.22 45.80%</b>	<b>\$2,355,650,329.15 100.00%</b>

- (1) All bonds are shown at amortized cost.  
(2) All stocks are shown at net original cost.  
(3) Includes \$5,202,075.00 of convertible debentures, 0.68% of the account.

(EXCERPT FROM MINNESOTA INVESTMENT BOARD ANNUAL REPORT FOR 1977)

**WHAT WAS THE ACTUAL RATE OF RETURN, OR YIELD, RECEIVED BY THE VARIOUS FUNDS DURING FISCAL 1977?**

The rate of return is sometimes computed to include the gains and losses in securities prices. Wide variations in annual yield result from combining price fluctuations with dividend and interest income. It may be more appropriate to consider the actual income to the account during the year. Such computations may be made on the basis of the actual dollars received (as a numerator) divided by the amount of money and investments in the account, as averaged from three dates of the fiscal year — the preceding June 30, December 31, and the concluding June 30 (as a denominator). The approximate yields on the various accounts for fiscal 1977 were:

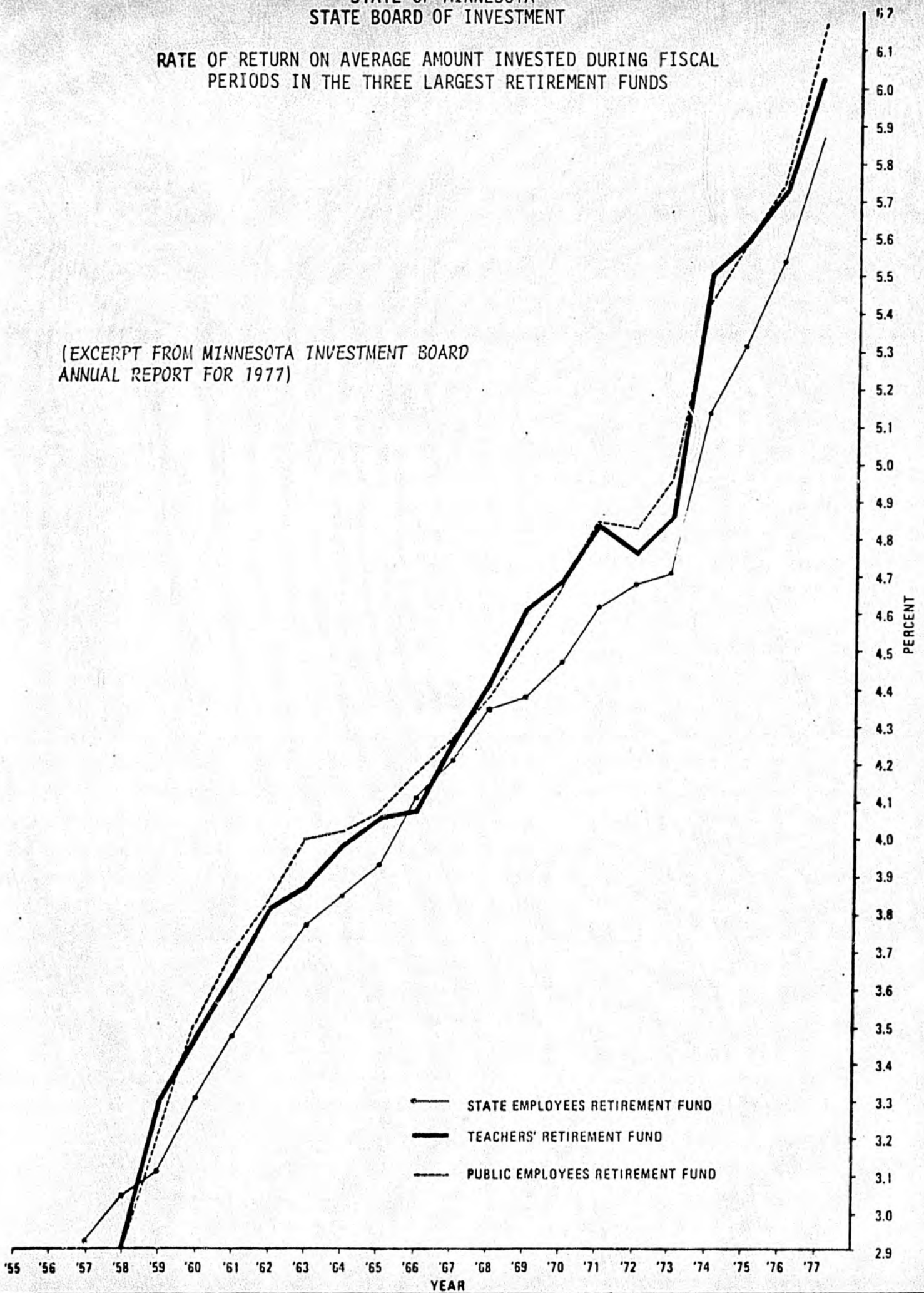
ACCOUNTS	YIELD
The Invested Treasurer's Cash Fund (all in short-term money market securities)	6.06%
The Permanent School Fund (after an allowance for a transfer to principal to compensate for losses due to securities sales over a period of years)	5.63%
The Highway Funds:	
Trunk Highway Fund	5.55%
County State Aid Highway Fund	5.74%
Municipal State Aid Street Fund	5.89%
The Minnesota Adjustable Fixed Benefit Fund	6.00%
The "Basic" Retirement Funds:	
Highway Patrolmen's Retirement Fund	6.26%
Judges Retirement Fund	8.23%
State Employees Retirement Fund	5.86%
Public Employees Retirement Fund (Includes Public Employees Police and Fire Fund)	6.14%
Teachers' Retirement Fund	6.02%
The Supplemental Retirement Fund:	
Fixed Return Account	8.29%
Growth Share Account	3.13%
Income Share Account	6.78%
The Minnesota Variable Annuity Fund	4.78%
(Because of valuations over a two-year period, this account showed a gain of 15.9463% for fiscal 1977, which became a "Rate of Return" for participants)	

The net income to the trust and retirement funds, in total and as a percentage of the amount invested, was higher than during any previous year. It must be emphasized that these yields are based on actual income and do not include theoretical gains or losses determined by market valuations of securities. Bonds currently offer the highest yields to the investor, approximately 8%, while the common stock portfolio yields only 4%; nevertheless, the stocks show a profit above cost despite recent market declines and a Dow Jones Industrial Average of 847.11 on September 30, 1977. The State's bond holdings still show a slight book loss due to purchases, in previous years, of bonds yielding 4% to 7%. The average of the 8% return received on bonds and the 4% on common stocks approximates the 6% earned on the funds listed. It is evident that a higher current yield could be received from a greater participation in fixed income securities, but any potential gain through dividend increases and higher equity prices would thereby be diminished. Dividend increases declared by corporate managements on common stocks during calendar 1977, through October 7, 1977, when this report was being written, had already totaled \$4,683,845.00 on the shares presently owned by the State accounts. This continuing increase of dividend income, compared with decreases in net yields to bondholders due to "calls" and refunding at lower interest rates, provides the major reason for equity investments.

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL  
PERIODS IN THE THREE LARGEST RETIREMENT FUNDS

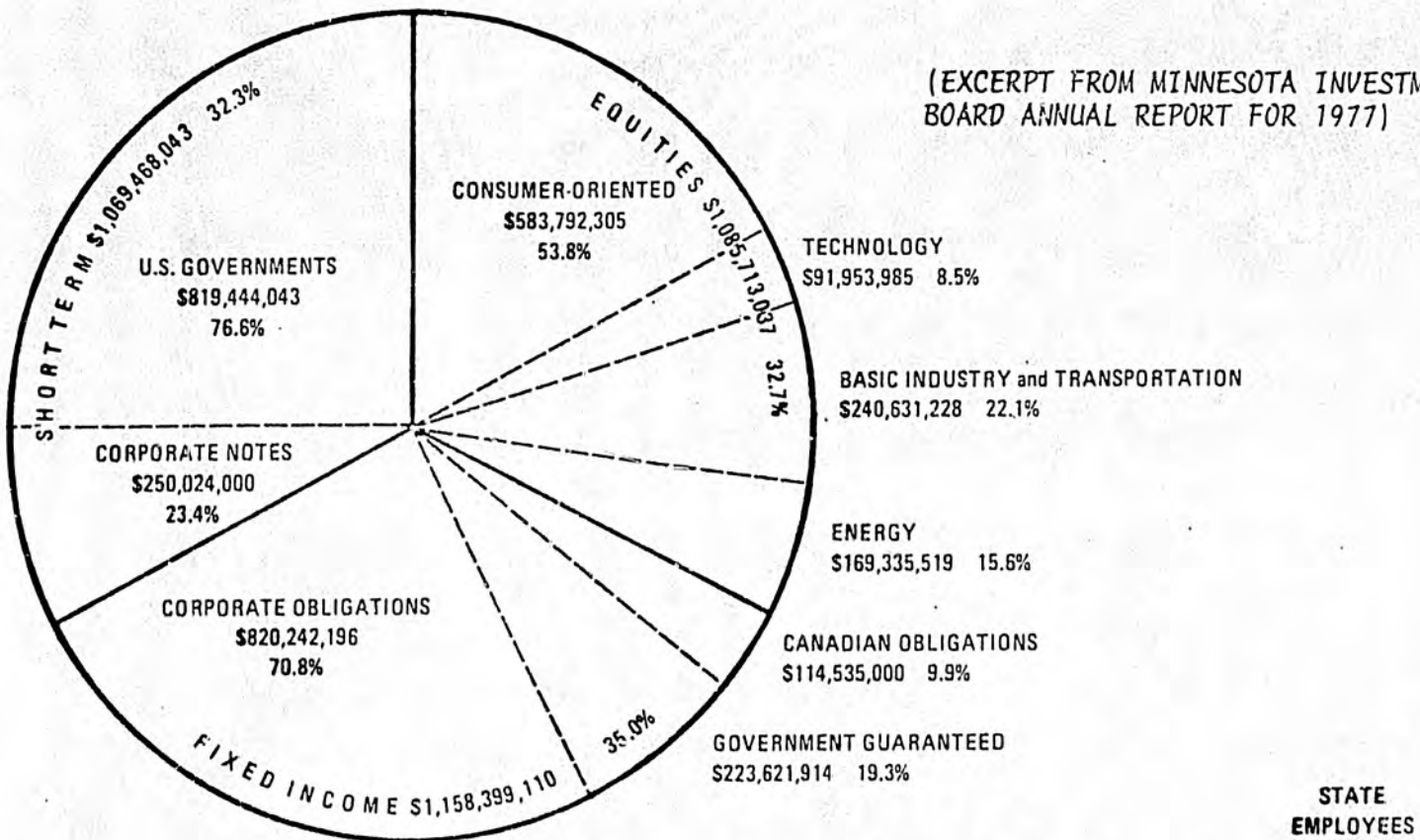
(EXCERPT FROM MINNESOTA INVESTMENT BOARD  
ANNUAL REPORT FOR 1977)



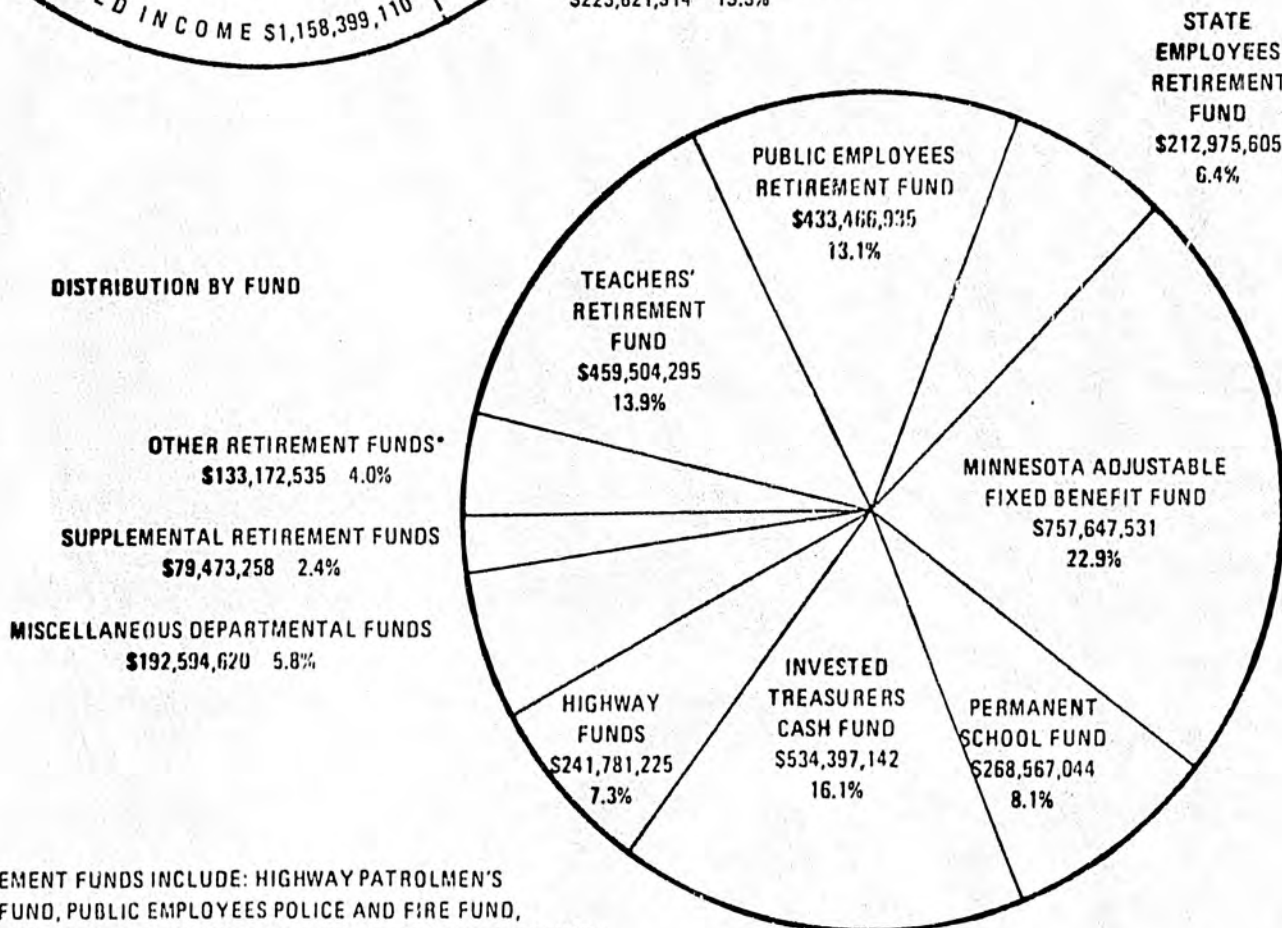
DISTRIBUTION OF \$3,313,580,190 OF INVESTMENTS MANAGED BY THE STATE BOARD OF INVESTMENT JUNE 30, 1977

DISTRIBUTION BY ASSET TYPE

(EXCERPT FROM MINNESOTA INVESTMENT BOARD ANNUAL REPORT FOR 1977)



DISTRIBUTION BY FUND



\*OTHER RETIREMENT FUNDS INCLUDE: HIGHWAY PATROLMEN'S RETIREMENT FUND, PUBLIC EMPLOYEES POLICE AND FIRE FUND, JUDGES RETIREMENT FUND, AND MINNESOTA VARIABLE ANNUITY FUND.

## EXAMPLE OF ANNUAL BUDGET FOR STATE INVESTMENT DEPARTMENT

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT  
Fiscal Year 1978  
(July 1, 1977 - June 30, 1978)

Personnel (29 employees)		
General Administration		
Executive Secretary	\$ 41,000	
Assistant Executive Secretary	35,612	
Portfolio Coordinator	22,258	
Administrative Assistant	12,840	
Secretary	<u>10,022</u>	
		\$121,732
Short-Term Money Management		
Department Head	34,163	
Financial Analyst (1)	<u>24,032</u>	
		58,195
Long-Term Fixed-Income Investments		
Department Head	28,136	
Financial Analysts (2)	43,454	
Accounting Coordinator	<u>22,556</u>	
		94,146
Equity Investments		
Department Head	31,984	
Financial Analysts (5)	113,133	
Trader	<u>15,656</u>	
		160,773
Investment Operations		
Director	36,543	
Transaction Supervisor	16,925	
Accountants (3)	40,397	
Secretarial Staff (5)	48,395	
Computer Operator	<u>13,052</u>	
		<u>155,312</u>
Total Base Salary Cost		<u>590,158</u>
Retirement and Social Security		56,965
Group Insurance		<u>20,325</u>
Total Personnel Cost		\$667,448

Investment Department Budget  
Page 2

Expense and Contractual Services:		
Office Rent (4,894 square feet)	\$ 29,120	
Xerox Lease	15,200	
Market Information Computer Terminals (4 systems, 7 terminals)	17,128	
Equipment and Office Repairs	2,210	
Printing and Reproduction Supplies	8,480	
Advisory Services (Duff-Anderson)	8,500	
Advisory Committee Expenses	3,000	
Computerized Accounting System	73,200	
Telephone	18,664	
Postage	2,140	
Travel (in state \$2,000; out of state \$9,800)	11,800	
Subscriptions	5,000	
Memberships	1,700	
Executive Secretary Expenses	<u>2,000</u>	\$198,142
Office Supplies		4,673
Equipment Purchases		<u>5,265</u>
Total Budget (fiscal year 1978)		<u>\$875,528*</u>

\*In addition a substantial amount is paid for research services through the use of commission (or "soft") dollars.

WHAT ARE THE PRIMARY CONSIDERATIONS INVOLVING THE ROLE OF THE PERMANENT FUND  
IN ALASKA'S FUTURE?

- I. Hold as much of the incoming oil wealth as possible in a permanent investment program for the benefit of future generations.

Advantages:

- A. Provides stable source of income for Alaska's future.
- B. Contributes towards minimizing future economic problems.
- C. Uses a depletable asset for the permanent benefit of all citizens.

Disadvantages:

- A. Minimizes amounts available for current purposes such as homes, business development, tourism, and the building of a governmental structure appropriate for a State achieving new economic heights in so short a time.

- II. Problems involved with using money for Alaskan development.

- A. Loans or guarantees often become outright subsidies.
- B. Investment risk often becomes confused with political practicalities.
- C. Pressing current needs become less mandatory when viewed from the future.

- III. Advantages of using tax-exempt bonding, underwritten by the full faith and credit of Alaska, for necessary State needs.

- A. The "tax-exempt" interest rate, under which the full faith and credit securities of the State of Alaska could be sold, would be far less than the earnings which could be received from an investment in "taxable" securities. Even U.S. Government obligations and those guaranteed by the government or its agencies (for example, Government National Mortgage Association mortgage-backed securities) would provide a higher yield to the Permanent Fund than the interest cost of bonded debt.
- B. Therefore, the Permanent Fund investments could be used, in a sense, as a guaranty behind the credit of the State. The Fund would contribute to the State's credit rating and the marketability of "full faith and credit" bonds.

- IV. Disadvantages of a long-term investment program:

- A. It is easier to appropriate funds from "oil receipts" than from the proceeds of bond issues.
- B. Many citizens do not understand the advantages of issuing debt securities while other funds are simply invested for perpetuity.



CONCLUSION

Leaders of all states with trust funds recognize the validity of holding funds for the future under proper investment management. Yet, many states have modified or stopped accumulating all funds during periods of low interest rates, such as we experienced in the 1940's and 1950's, or when demands to satisfy current needs have seemed paramount. It is logical to hold as much as possible for future generations . . . . but holding any amount is better than holding nothing. Legislators may take a course which is politically feasible in order to protect and save whatever possible for future generations of State citizens. To protect a part of the assets is better than to lose everything because of public demands for current expenditures.

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED  
AS A UNIT IN THE ORIGINAL DOCUMENT.

'70

'71

'72

'73

'74

'75

'76

1977

# MINNESOTA STATE BOARD OF INVESTMENT

## 1977 REPORT



INDUSTRIALS

S&P 500

40 BONDS

20 BONDS

NYSE COMPOSITE

TRANSPORTATION

UTILITIES

NYSE, MARKET VOLUME  
MILLIONS OF SHARES

'70

'71

'72

'73

'74

'75

'76

1977

'69 '68 '67 '66 '65 '64 '63 '62

NYSE MARKET VOLUME  
MILLIONS OF SHARES

UTILITIES

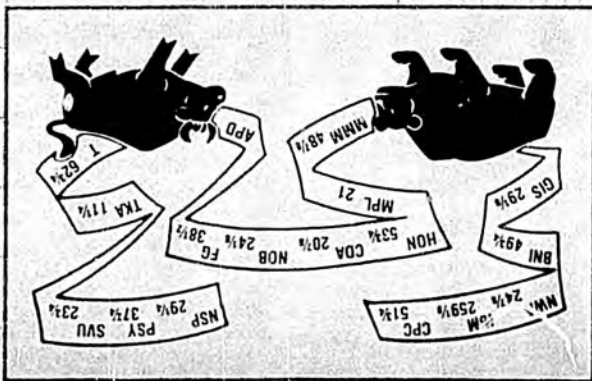
TRANSPORTATION

NYSE COMPOSITE

S&P 500

40 BONDS

INDUSTRIALS



'69 '68 '67 '66 '65 '64 '63 '62

HARVARD UNIVERSITY  
DEPARTMENT OF CITY AND REGIONAL PLANNING  
GUND MALL, ROOM 311  
CAMBRIDGE, MASSACHUSETTS 02138  
617/495-2571

To: Clark Gruening, Chairman, House Special Committee  
on the Alaska Permanent Fund  
From: Belden Daniels  
Date: November 14, 1977  
Re: Annotated Comments on 11/3/77 Work Draft Paper to  
Create a Permanent Fund, Development Bank and  
Renewable Resources Fund

Bill Berrier has done a superb job in revising this second work draft paper for the committee in a very short period of time. What I have sought to do in the few days which I have had since Bill air-mail special delivered this draft to me is to try to comment in detail from a substantive standpoint on each section. I have done this in order to raise, for the committee, what substantive experience drawn from development finance in the lower 48, Canada, Europe and throughout the world is at issue in trying to be sure that the bill submitted to the Legislature in January 1978 reflects the highest current states of the art of: (1) investment portfolio management; (2) development finance; and (3) the cutting edge of research and development renewable resource finance.

If, at the November 18 and 19 meetings of the House Permanent Fund Committee, special direction can be given from a legal standpoint to Bill Berrier and Doug Pope and

from a substantive standpoint to me, I feel strongly that the three of us working together can produce a draft by the December 8-9 meetings which will reflect that highest present level of technical competence on a worldwide basis.

Please excuse the rather rough and ready style of this memo, but, given the short time there was to react it seemed to me important to raise as many questions as possible, and to worry about editorial style later. With the intensive help from my research associate, Judith Payne, we have been able to respond to this draft in fair detail by Sunday, November 13 in order to bring copies with me to Alaska this week.

I am sure that upon more relaxed reflection about each of these items both on the airplane flying to Alaska and discussions with Bill and committee members before the Friday-Saturday, November 18-19 meetings, it will be possible to refine many of these comments in a much more careful and thorough manner. Annotated comments to the draft follow:

For An Act entitled: "An Act relating to nonrenewable resource revenues; and providing for an effective date."

Why doesn't the bill title include something like: "An Act relating to nonrenewable resource revenues and creating the Alaska Permanent Fund"? Why does it say "providing for an effective date"? Is this an Alaskan legislative procedure we don't understand?

ARTICLE IV. STATE INVESTMENT OVERSIGHT COMMITTEE.

Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED  
The State Investment Oversight Committee is established as a permanent interim committee of the legislature. The establishment of a committee recognizes the need of the legislature for technical review and oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions.

The purposes of the oversight committee must be spelled out much more clearly in this or a separate section. They should be listed as are the purposes of the other sections of the Act and could simply be added after the last sentence in this section.

The purposes should include key points along this line: to ensure that the public purposes of these state agencies are met effectively and efficiently in such a way as to maximize the financial, economic, and social returns to the Alaskan people; to monitor the operating procedures of the agencies and hold the agencies fully accountable to the Alaskan people; to ensure that the agencies' actions are consistent with the economic development plans of the legislature and complementary to each other; and to seek to coordinate planning and review efforts of the legislature with those of the executive branch.

Our understanding is that this section gives the oversight committee the mandate to oversee not only the Permanent Fund, but all other state lending agencies as well. As the section is presently worded, this would begin immediately. A sentence should probably be added which would stipulate that the committee should

begin immediately to oversee the Permanent Fund and renewable resources fund, but that the other applicable agencies, such as the many Alaska loan funds or state pension and daily money management funds, will be added to the committee's mandate in the future, when the legislature (in joint session) approves their inclusion.

One more small point on this section: a "permanent, interim" committee sounds like a contradiction in terms. Shouldn't it simply be a "permanent" committee, or is this again an Alaskan legislative term?

Sec. 24.20.610. MEMBERSHIP. The committee is composed of eight members: the president of the senate, the speaker of the house, the chairmen of the house and senate finance committees, the house and senate minority leaders, and one member appointed from each house by the respective presiding officer. The committee shall select its own chairman.

It appears that membership was set at an even number so that it could be equally divided between the house and senate. This may be necessary to maintain the proper balance of powers, but it allows tie votes to deadlock the committee. Is there an appropriate ninth member for the committee?

Also, would it be appropriate to enlarge the committee some, say to eleven or thirteen, so that its tremendous responsibility could be shared by more legislators? As it stands now the most important, and probably the busiest, legislators make up the



majority of this new committee. They should be members, but they could (and probably would be eager to) share the load with a few others.

Sec. 24.20.620. TERM OF MEMBERSHIP. (a) The committee shall be organized within 15 days after the organization of each legislature. Members serve for the duration of the legislature during which they are appointed. If a member is reelected or his term of office extends into the next succeeding legislature, he continues to serve until reappointed or the appointment of his successor.

(b) When a member of the committee files a declaration of candidacy for an elective office other than that of member of either house of the legislature, and he has not resigned from membership on the committee, his committee membership terminates on the date of filing.

No comment; it sounds fine.

Sec. 24.20.630. VACANCIES. When a vacancy occurs in the statutory or appointive membership of the committee, the presiding officer of the house incurring the vacancy shall choose a successor. If the office of the president of the senate or speaker of the house of representatives becomes vacant and a vacancy from the affected house occurs among the membership of the committee, the remaining committee members from the house incurring the vacancy shall appoint a new member.

This section should make clear that it applies to vacancies occurring during a legislative session. Two more comments:

(1) This section appears to say that if, say, the senate finance committee chairman retires mid-session, the senate president can appoint any senator to take his place. Must not the new finance committee chairman fill the vacancy? It seems that this power should only apply to the appointive members of the oversight committee, not the statutory members.

(2) If the office of the Senate President or Speaker of the House is vacant, so will be the statutory position on the oversight committee. Hence, in the case described in this section, the committee would have two vacancies. Do we want to have the committee fill both vacancies? Or does the senate president's or house speaker's membership slot remain vacant until new legislators move up to fill these positions?

These points are not that critical, but we should think through all the possibilities and their implications before the bill goes any further.

Sec. 24.20.640. MEETINGS. The committee may meet during sessions of the legislature and during the interim between sessions at such times and places in the state as the chairman may determine. Members may receive, for the minimum time required to get to and from meetings and for the period while attending meetings, the same travel and per diem allowances provided by law for members of the legislature when attending sessions, except that members of the committee receive no per diem during legislative sessions other than the per diem allowance paid to other members of the legislature.

No comment; it sounds fine.

Sec. 24.20.650. POWERS. The committee has the power to

- (1) organize, adopt rules for the conduct of its business, and prescribe procedures for the comprehensive fiscal analysis, budget review and post-audit functions over those agencies of the state which perform lending, borrowing or investment functions;
- (2) hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents and testimony, and have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions;

(3) require all state officials and agencies of state government to give full cooperation to the committee or its staff in assembling and furnishing requested information;

(4) hold public hearings relating to the confirmation of members of the permanent fund board of trustees, renewable resources development fund commission, and the development bank;

(5) prepare and distribute reports, memoranda, or other necessary materials;

(6) make recommendations concerning the structure and operating practices of all agencies of the state which perform lending, borrowing or investment functions;

(7) receive and review reports and post-audit analyses conducted by the Legislative Budget and Audit Committee relating to all agencies of the state which perform lending, borrowing or investment functions.

The powers in this section are presently too limited and not yet well enough articulated. The committee is to be a very strong one, so it needs more clout over the agencies it oversees.

Power (1) must be strengthened to include the power to approve and disapprove long-range (three- to five-year) investment plans of the applicable agencies, as well as their annual implementation plans. This power should be in this section; the description of the approval process, in turn, belongs in the duties section. To make clear our conception of the issue, however, we will describe both here.

Specific dates must be set for the review and approval process, so that the committee cannot stop investment agency operations just by stalling and, on the other hand, an investment agency cannot force the committee to review and approve a plan on short notice. Also, the process must give the executive branch a

chance for input. We need to think very seriously about the necessary timing, but it might look something like this:

Before May 1: Committee draws up guidelines for state priorities and investments to maximize the return to the Alaskan people. These guidelines would draw on state economic projections by sector and region. (a) They would state priorities in terms of economic sectors for investments, geographic areas for investments, and size of enterprises and projects to be assisted; (b) they would also include economic measures needed to stabilize the Alaskan economy and curb inflationary pressures; and (c) they would include social priorities for investments along specific dimensions: quality of jobs; environmental protection; affirmative action; and community relations. In each of these three areas, the committee would prioritize its guidelines and set them within a one-year framework and a three- to five-year one. Also it would define each priority in measurable terms.

May 1: Guidelines sent to Governor to be reviewed so they are consistent with the economic development plans of the executive branch. (It is extremely critical that the committee integrate its planning with that of overall economic development planning, so that the agencies reviewed will be as effective as possible. This was a key point in my report to the committee of July 11, 1977.)

By July 30: Guidelines modified by committee after Governor's comments. (The committee need not accept the Governor's recommendations.)

August 1: Guidelines sent to the investment agencies which the committee oversees.

August 1 - September 30: Investment agencies draw up three- to five-year plans and one-year plans, based on the guidelines, and their own statutory purposes, and submit the plans to the committee.

October 1 - December 31: Committee reviews and comments on the investment agencies' plans; agencies revise them and resubmit them; committee approves acceptable plans. Committee reviews and approves plans so they complement each other in meeting the committee's priorities and are consistent with each agency's own purposes.

January 1: Agencies begin implementing plans. An agency cannot begin operations until plan is approved by the committee. If no plan is approved by January 31, a joint legislative session must decide whether and under what conditions the agency may begin operations.

An alternative procedure would be to have the process start with the investment agencies presenting one-year and three- to five-year plans to the executive for presentation to the permanent committee by the end of the legislative session, i.e., by June 30. Then, the legislative committee would have a responsibility to respond to the executive drafts before the legislative session begins in the following January.

These timetables cover the planning function of the committee and agencies. They must be flexible enough to allow serious interchanges between the agencies and the committee. To allow even more flexibility, the committee should have the power to accept modifications of annual plans during the year, if circumstances change significantly. It should not have the power, though, to insist that plans be changed mid-year. Agencies must have free hand in implementing the plans once they are approved, without unexpected demands from the committee.

The annual review process is the central power of the committee, but even though it is important to have it thorough it must not be overly cumbersome to the investment agencies. The guidelines must leave much flexibility on specific investment choices for the agencies.

It is absolutely imperative that the oversight committee can only specify gross allocations to sectors of the economy and to

regions; individual investment decisions must be made by the individual investment agencies.

The committee also needs the power to require (not merely to request or receive) reports from all applicable agencies in the form and at the times stipulated by the committee. Establishing the proper form for the reports and when they are due is a duty of the committee (section 670).

We would suggest one more power for the committee which the present bill grants to the legislature: power to approve large investment projects, at least within a certain size range. The bill now sets \$1.5 million as the maximum investment size, which an agency (the Alaskan Development Bank) can make on its own (section 44.55.100(e)). It would be more efficient if the committee itself approved loans over this (or some other) size limit, measuring the potential investment against its own guidelines. The legislature could be required to approve all projects above a higher amount, after hearing the committee's recommendations. This would subject only the largest projects to a full legislative review and vote.

The limit (or limits) must be set to capture projects which will have major impacts on the Alaskan economy or large segments of it. Is \$1.5 million realistic? It seems quite low to us. We should set the limit(s) by consulting such sources as the Institute

for Social and Economic Research's "Man in the Arctic Project"; Arthur D. Little's sectoral analysis of Alaska; experienced Alaskan bankers; and various state commissioners.

Sec. 24.20.660. STAFF. The legislative audit division shall provide staff reasonably necessary for the conduct of the committee duties.

This committee is going to have such important and time-consuming tasks that it will need a strong and highly-qualified staff. Without this, either the review and approval process will become a mockery of the legal intent, or the agencies involved will be unnecessarily burdened in dealing with a poorly-run or unsophisticated process. Can the legislative audit division provide all the staff needed by the committee? Will the committee still be able to hire (through the audit division) the outside expert counsel it will need? It should be able and required to use, on a retainer basis, counsel like the Frank Russell Company (which is financial advisory to very large investment funds evaluating the performance of hired money managers), White Weld (which advises the Saudis on the use of their oil revenues), and experts in public investment analysis and long-range growth projections.

We suggest for the committee's consideration a small, separate, high-powered central staff for the committee with appropriate



technical support in critical areas such as (a) evaluating the performance of money managers for the trust function; (b) evaluating the overall long-term economic prospects of the economy and the need for intervention by the development function; and (c) the cost effectiveness of both the development function and the leading edge research and development function for renewable resources.

Perhaps the legislature should appropriate separate operating funds for the committee from either (1) the general fund, or (2) from the annual income of the various parts of the Permanent Fund itself. (The committee might simply submit a budget request to the legislature, whichever of these should be specified in the legislation.)

If the legislative audit committee remains the oversight committee's staff source, this section should at least stipulate that the oversight committee can request certain full-time and retained counsel be allocated for its use.

Sec. 24.20.670. DUTIES. The committee shall

(1) report to the legislature its recommendations relating to the confirmation of suggested appointees to the permanent fund board of trustees, renewable resources development fund commission, and the development bank;

(2) annually review the long-range operating plans of all agencies of the state which perform lending, borrowing or investment functions;

(3) review quarterly reports from the permanent fund board of trustees, renewable resources development fund commission, and development bank policy board;

(4) present a complete report of investment programs, plans, performance, and policies of the permanent fund board of trustees, renewable resources development fund commission, and development bank policy board to the legislature within 30 days after the convening of each regular session.

Powers are what the committee may do; duties are what it must do, using its powers.

As mentioned above (Sec. 24.20.650), the description of the review timetable belongs here; it is the most important duty of the committee and is a thorough elaboration of the present part (2) of this section.

Duty (3) seems fine, but why does it only apply to the divisions of the Permanent Fund? Couldn't it apply to all agencies under the committee's review? As suggested above (Sec. 24.20.600), the legislature must add any agencies beyond the Permanent Fund and renewable resources fund which it wants the committee to oversee. Once they are placed within the committee's mandate, all of these duties should apply to them as well as to the Permanent Fund and renewable resources fund.

Duty (4) could be revised to include the committee's guidelines and all agency plans approved by the committee. Again, it seems more appropriate that it apply to all agencies within the committee's mandate. The 30-day limit fits with the suggestion we made above, that any plans not yet approved should go to the full legislature for action on January 31. Hence, the committee

would send all unapproved plans to the legislature after 30 days of the session, as well as all approved plans. (Are we correct in assuming that the legislative session begins on January 1?)

Four additional duties should be added to this section:

"(5) set reporting requirements for the applicable agencies' ["applicable agencies" should be defined in Sec. 44.55.170] annual reports and any other reports the committee needs from the agencies"

The legal description of this duty should stipulate that the reporting requirements must (a) be set to measure compliance with the committee's guidelines and each agency's short- and long-range plans; and (b) include how well each agency has met the targets set in its plans. These targets must be along the three general dimensions suggested above (sec. 24.20.650): financial, general economic, and social. The financial reporting will include conventional performance measures used by private firms, e.g., return on investments, growth in operations. The economic and social reporting will include the measures suggested above (again, Sec. 24.20.650). The committee should also stipulate analytic procedures for agency programs and large individual projects. We can draw on the experience of international and European development banks (especially Sweden's Statsföretag) to design these.

"(6) do long-range economic projections for the state to be used to establish the committee's annual and long-range guidelines"

Such a task will require that the committee have on retainer econometric modeling consulting services such as those provided either by the Institute for Social and Economic Research's "Man in the Arctic Project" or the Commission of Commerce and Economic Development.

"(7) establish criteria consistent with its own guidelines for review of investment projects it must approve or reject, in accordance with sec. \_\_\_\_\_, including public hearing(s) held in the area(s) where the project would have significant economic impact." [This applies to our suggestion that the committee, not the legislature, be required to approve projects over a certain size, or preferably, within a certain size range. The legislature would have to approve larger projects.]

For this third additional duty the committee will probably want to require that the agency involved provide it with certain information on the potential investment project. In this way, the committee can draw on the expert staffs of the operating agencies, rather than having to hire comparable professionals. This duty would fall within the committee's power to require agencies to report to it in a specified form.

Finally, one more duty should be added to the bill: (8)

each year, on January 1, the committee must recommend to the legislature what percentage of the year's nonrenewable resource revenues should be directed to the Permanent Fund, between 25 and 100 percent. The committee must base its recommendations on its own economic analyses, projections, and guidelines; including consideration of the inflationary effects of the revenues' uses. The statute must also include that, until the legislature votes on the annual percentage (this power we suggest be added to the bill's section 37.13.030), the preceding year's percentage applies to the current year's revenues.

Sec. 24.20.680. RECORDS. The committee shall keep a complete file of all reports presented to it and all reports presented by it to the legislature or any legislative committee.

No comments; it is fine as is.

CHAPTER 13. ALASKA PERMANENT FUND. [Chapter is not reproduced here; refer to pages 4 to 10 of WORK DRAFT PAPER.]

The trust function of the Alaska Permanent Fund now looms very large in importance in the overall scheme of things. So I have asked one of the leading consultants in advising foundations and corporate pension funds how to structure and plan their large investment resources to comment pro bono in some detail on this function.

Gary Bergstrom is principal consultant to the Ford Foundation at the present time, in assisting them to redesign, restructure, and rethink their investment policies with regard to their \$2 billion endowment. In many ways I think that the Ford Foundation's resources are comparable not only in quantity but also in quality to those of the Alaska Permanent Fund. His comments to me are appended in a separate memorandum.

I would like to make a few fundamental overall comments to the committee to suggest the care with which I think we need to approach this section:

First, it seems to me a reasonable proposition that the moment the oil is removed from the ground and converted into cash it begins to lose value.

Second, in general the history of state investment management and money management to date is one in which performance often has been substantially below that of the private money management of large pension funds or endowments. On the other hand, there are several key states that have established a very high state of the art in investment and money management, including Minnesota, Wisconsin and Oregon.

Third, the state of the art of endowment and investment management has been changing extremely rapidly in recent years.

Fourth, it seems to me to be absolutely critical that the

Alaska legislature bring to the creation of the trust function the very highest current state of the art of investment management in order to be true to the constitutional mandate of the Alaskan voters.

Fifth, it seems to me to be incumbent upon the committee to make the fullest use of the good state experience of Minnesota, Wisconsin and Oregon and that of private money managers such as Bob Greeley of White Weld, Terrence Magrath of the Fidelity Organization, and Gary Bergstrom in order to be sure that this section is as carefully crafted as the creation of the oversight committee, the development function, and the leading edge research and development function.

Finally, perhaps it might be helpful if the phrase "the Alaska Permanent Fund" were used to deal with both the trust function and the development function. In turn it might be useful to refer to "the Alaska Investment Fund" for that 5/6 of the Permanent Fund's resources which go into the trust function; and conversely, to refer to the Alaska Development Bank for that 1/6 of the resources of the Permanent Fund which go into the development function.

#### CHAPTER 55. ALASKA DEVELOPMENT BANK.

This entire chapter needs to be ordered more logically, as the other chapters are. The sections should be in an order

similar to the following: creation; funding; purpose; policy board creation, etc.; investment committee creation, etc.; then powers of each; duties of each; types of eligible investments and criteria for selecting them (probably one section for direct investments and one section for investments in community development organizations); boiler plate (conflict of interest, definitions, etc.).

Sec. 44.55.010. CREATION OF BANK; FUNDING. (a) There is created the Alaska Development Bank. The bank is a public corporation and government instrument in the Department of Revenue but has legal existence independent of and separate from the state. The exercise by the bank of the powers conferred by this chapter is considered an essential governmental function of the state.

(b) One-sixth of the receipts of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses allocated to the permanent fund shall be paid directly into the bank until a total of \$100,000,000 has been paid in.

Part (a). The wording referring to the Bank's relation to the Department of Revenue should be identical to that describing the Investment Fund's relation with the Department (sec. 37.13.040). One of the phrases should be changed. Which wording is better: "within but not of the Department . . ." (37.13.040); or "in the Department . . . but has legal existence independent of and separate from the state" (44.55.010)? The phrase chosen should also be used in the renewable resources fund chapter. Also, should the sentence with the phrase ". . . considered an essential government



function . . ." be added to Sec. 37.13.040 and the renewable resources fund chapter?

Part (b). This part is fine as far as it goes, but it needs more detail. What is the minimum amount of paid-in capital the bank must have before it begins operations? We suggest \$50 million. We also need to have projections showing when the bank's portion of the oil revenues will reach \$50 million and \$100 million. These are needed before the December 9, 1977 committee meeting.

Two additional parts could be added: Part (c). The law could stipulate that income derived from the bank's use of the paid-in capital will be retained by it, until tapped by the legislature (as we suggested in sec. 37.13.010, part (3)). That is, the bank is not required to pay dividends to the state. (This is the way the European Investment Bank and Germany's KW [Kreditanstalt für Wiederaufbau] operate. The Statsföretag in Sweden does pay dividends to the national government, when its performance warrants such payments. It did have an initial grace period, though, when no dividend payments were required regardless of the institution's performance.)

Part (c). Differential requirements must be established statutorily for the bank's equity and debt activities. These could be set in this section or below in section 44.55.090. For

equity, the bank should not be allowed to leverage its resources at all, so no reserve requirements are needed at all. The leveraging of funds used for loans or loan guarantees and the required reserves are discussed in Sec. 44.55.090 (b)(4), because that current section already refers to leveraging limit. The reserve requirements for guarantees are now set in Sec. 44.55.100 (b).

The key point here is that differential reserve requirements and differential leveraging requirements need to be stipulated for different uses of funds such as equity investment or debt lending or guarantees; or for different qualitative uses of funds such as productive enterprise or community development.

Sec. 44.55.020. ALASKA DEVELOPMENT BANK POLICY BOARD. (a) There is established the Alaska Development Bank Policy Board, consisting of the commissioner of revenue, the commissioner of commerce and economic development, the commissioner of community and regional affairs, or their designees, and six members to be appointed by the governor and confirmed by a majority of the members of the legislature in joint session. Two members shall have broad experience in investment finance, one member shall represent organized labor, and three members shall represent local communities.

(b) The six appointed members shall serve for six-year terms, and they may be reappointed. Terms shall be staggered. Initial terms shall be two members serving for two years, two members serving for four years, and two members serving for six years. Members continue to serve until their successors are appointed and confirmed.

(c) The chairman of the governing body of the renewable resources development fund serves as chairman of the policy board but is not a voting member.

(d) A majority of the policy board members constitutes a quorum for the transaction of business by the board. Decisions of the board shall be taken by a majority vote, including not less than a majority of the appointed members. The board shall hold at least one public meeting each year.

(e) Members of the policy board receive \$\_\_\_\_\_ per meeting day if they attend the meeting and are entitled to per diem and travel allowances as are provided by law for members of state boards and commissions.

Part (a). The balance on the board seems fine, but perhaps we could stipulate more exactly the qualifications of the appointive members. One finance expert could have "broad experience in equity investments"; the other, "in medium- or long-term industrial lending." Also, the community-level representatives could be more precisely defined to make sure they cover a range of interests. At least one could represent a municipality. Another might be from a native regional corporation. The third could be someone involved in and with extensive experience in community development. Or is there some other type of local group that should be specifically mentioned--a large community versus a small community, perhaps? One in a less-developed area?

Part (c). The chairman should not be the chairman of the renewable resources fund. Perhaps the chairman could be appointed by the Governor from the six "public" board members (excluding the labor representative and the two finance experts). The chairman should probably serve "as chairman at the pleasure of the Governor."

Part (d). All of the board's meetings can and should be public, except those which deal with specifically defined confidential

matters. These exceptions should include discussions of the qualifications of present or potential members of the bank's investment committee.

Part (e). What is the payment to be? Are the public members (including the state officials) to receive it? (If it is \$250 per meeting, each meeting could cost the bank \$2250 plus per diem and travel expenses.)

How often must the board meet? Perhaps it should be required to meet at least once per quarter. This could be added to this section or to 44.55.040 (Duties of the Policy Board).

Sec. 44.55.030. REMOVAL AND VACANCIES ON BOARD. (a) The governor may remove a policy board member from office by and with the consent of a majority of the members of the legislature in joint session. The joint session shall be held within 10 days from the date of removal if the removal occurs while the legislature is in session or within 30 days of convening of the legislature if the member was suspended. If the legislature is not in session, the governor may suspend a member of the policy board for cause. Upon suspension, a board member may not participate in policy board business and may not be counted for purposes of establishing a quorum. A suspended member shall continue to receive his salary as a board member until the legislature in joint session consents to his removal. If the legislature refuses to consent to his removal, the member shall be reinstated to his position.

(b) A vacancy arising on the policy board shall be filled by appointment by the governor and confirmation by a majority of the members of the legislature in joint session, and an appointee to fill a vacancy shall hold office for the balance of the term for which his predecessor on the board was appointed. If a vacancy arises on the board while the legislature is not in session, the governor may appoint an interim board member who shall exercise all powers and receive the salary of a permanent board member until such time as the legislature in joint session fails to confirm the interim member's appointment.

(c) A vacancy on the policy board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

Part (a). Shouldn't the phrase "for cause" be added after "from office" in the first sentence?

Sec. 44.55.040. DUTIES OF THE POLICY BOARD. The policy board shall

(1) select and appoint the president and other members of the Alaska Development Bank Investment Committee established in sec. 50 of this chapter;

(2) annually review and approve long-range operating plans, the budget for the forthcoming year, and the financial plan for the following years;

(3) have responsibility on behalf of the bank for relations with the general public, legislature, executive branch, local communities, and interest groups concerning all things excepting only those matters that are the responsibility of the investment committee;

(4) review quarterly reports from the investment committee concerning investment decisions and investment supervision, but the board may not impose an investment decision upon, or override an investment decision of, the investment committee;

(5) review, consider and approve policies;

(6) establish an audit committee, consisting of the commissioner of revenue and other members of the policy board to be designated by the commissioner, which shall select independent outside auditors, and receive all audit reports.

Part (2). Change to "annually review and approve annual and long-range (three- to five-year) investment plans for bank." These are the plans that are submitted to the oversight committee. After the above phrase, we could add something like "these plans must comply with requirements set by the legislative oversight committee (correct name and legal citation) and take into account that committee's guidelines."

Part (3). We could add the phrase "including negotiating with the legislative oversight committee for approval of the bank's annual and long-range plans."

Part (4). This section should also include annual reports, according to standards set by the legislative oversight committee.

Part (5). Articulate types of policies: according to dimensions used in the bank's annual and long-range investment plans, and any other dimensions the policy board chooses, so long as the policies do not stipulate particular investment projects the investment committee must finance.

A Part (7) might be added: negotiate with the executive or legislative branch and accept or reject proposals for the bank to administer certain programs or investment projects for the state.<sup>1</sup> The funding for these programs and projects would come from appropriations or other funds from the state, not from the bank's own funds; and the program or project would be administered according to guidelines set by the executive and/or the legislative branch and accepted by the policy board. The board would be required to consult with the investment committee before making such an agreement.

This agreement could involve such things as interest subsidy programs for certain types of investments, special infrastructure investment projects, or concessional loan programs. It would be very similar to the arrangements that Germany's Kreditanstalt für Wiederaufbau (KW) has with its national government. It has several

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<sup>1</sup>Bill 298 had a similar clause: it allowed the legislature to appropriate funds for subsidizing investments "which are of such high priority that special terms and conditions are appropriate."

advantages: (1) the government can take advantage of the bank's expert staff; (2) the bank can supplement its own programs with those subsidized by the state, offering more to its clients and closely integrating its programs with those of the state; (3) state subsidies are explicit and can be targeted to certain types of investments; and (4) the subsidies are covered by outside sources, not the bank's. The Alaska Development Bank, like Germany's KW, might choose to use some of its own surplus funds to provide its own subsidies for certain types of projects, though. This is the bank's choice, though; the state cannot force it to do so. (This choice by the bank could, however, be subject to the approval of the legislature.)

Sec. 44.55.050. ALASKA DEVELOPMENT BANK INVESTMENT COMMITTEE.

(a) There is established the Alaska Development Bank Investment Committee, consisting of the president and four members appointed by the policy board. No member of the policy board may be a member of the investment committee. Members of the investment committee shall be persons of recognized competence and wide experience in investments, finance, and other business management-related fields. Members may be reappointed and continue to serve until their successors are appointed. The president and members shall serve for four year terms. Terms shall be staggered. Initial terms shall be one member serving for one year, one member serving for two years, one member serving for three years, and one member and the president serving for four years.

(b) Four members of the investment committee constitute a quorum. Decisions of the committee shall be taken by majority vote.

(c) Members of the investment committee are in the exempt service under AS 39.25 and receive an annual salary equal to that of a commissioner of an executive department.

Part (a). The president may be a member of the investment committee, but the way it is structured now he must be a financial expert with no skills or understanding of public investment in general, or community development. At least one member of the committee should have such skills and perhaps the president should be required to be so, specifically. Also, the president should serve "at the pleasure of the policy board." Where are procedures to cover removal or vacancies on the investment committee? Also, where are the president's powers and duties articulated? Sec. 90 of Bill 298 did this. We needn't include as much detail in this bill, but we should at least include that the president is responsible to the policy board for the management and staff of the bank. We could use wording from 298: "sole responsibility of organization, appointment, dismissal and remuneration of all other staff."

Based on experience in Connecticut and elsewhere, this committee should have different divisions for the different types of transactions it must review: at least one for equity and one for debt. These could be subcommittees and act in behalf of the full committee, subject to the committee's overview. (The entire committee could choose to vote on any particular investment.) The president could serve on both subcommittees. This structure is similar to that used in some European development banks.



With the subcommittee structure, the full committee would probably have to have more members, at least seven so that four could serve on each subcommittee, the president voting only in case of a tie on the subcommittees. If subcommittees are used, the skills of their members (and hence, those of the full committee) must be specified more exactly.

This is very critical, because the skills required for analyzing productive enterprise and those required for analyzing community development projects are quite different, even though both are income-producing.

For community development projects, the investment committee could be required to have a special screening committee to screen community-based projects according to community development criteria approved by the policy board. Should the policy board appoint this screening committee? If so, it should be added to its duties above (Sec. 44.55.040).

Part (b). If the committee remains at five members, a quorum of four is fairly stringent. Do we want this? If the committee is enlarged, what should a quorum be? What about a quorum for the suggested sub-committees?

Part (c). It appears that all investment committee members are full-time employees. First, is this necessary? Experience in other development banks shows that they may be paid on a per meeting basis. (The Connecticut Development Authority uses this technique.) If the committee is enlarged, as suggested above, should all members still be full-time employees? I doubt it.

Second, if they are full-time, why are their salaries set as state employees? They are bank employees, not employees of the state, and the policy board should be able to set their salaries (or per-meeting rates). Also, if used, would the state salaries stipulated here be high enough to attract the talent needed on the investment committee? I doubt it.

Sec. 44.55.060. DUTIES OF THE INVESTMENT COMMITTEE. The investment committee has sole responsibility to approve all investment proposals.

The duties of the investment committee must be articulated here. If not, at least we need to add that they must operate in accordance with the bank's annual and long-range plans approved by the policy board and the oversight committee. Also, their liability for their investment decisions should be stated (or waived) here. Must they be bonded? Many development banks bond their boards, either as individuals or as a group. Should the policy board also be bonded?

Sec. 44.55.070. BUDGET. The development bank is subject to the provisions of the Executive Budget Act (AS 37.07).

What does this section mean? Should not the Bank be funded by its own income? We could use this section to state that the bank is required to be self-financing and that the legislature may but is not required at any time to appropriate funds to the bank to meet the bank's obligations. This provides an escape

valve, but does not in any way obligate the legislature--a technique used in other states. Unfortunately, I am not clear about what the provisions of the executive budget act are, and therefore what its consequences are for the Alaska Development Bank, based on the experience of other state-funded development banks around the world.

Sec. 44.55.080. PERSONNEL OF BANK. The policy board and investment committee members and officers and staff of the development bank are in the except service under AS 39.25.

Fine as far as it goes, but where is information on the bank's staff? It should be included here and/or above, as suggested in Sec. 44.55.050 (a): the president is solely responsible to the policy board for the hiring, firing, and remuneration of all staff and counsel.

Sec. 44.55.090. PURPOSES AND POWERS OF THE BANK. (a) The purpose of the bank is to provide a means of conserving a portion of the state's revenues from mineral resources to the ultimate benefit of present and future generations of Alaskans. The revenues so conserved shall be invested in income-producing investments which will provide further benefits to present and future generations of Alaskans. Further benefits may be derived through use of the bank to

(1) assist the diversification of the economy of Alaska by making sound investments in Alaska's renewable and nonrenewable resources;

(2) seek to smooth the long-term cyclical pattern of growth of the Alaska economy;

(3) encourage and assist the participation of private capital, from both inside and outside Alaska, in private enterprises of benefit to Alaskans;

(4) promote the investment of public and private capital for community development purposes;

(5) supplement private investment when sufficient private capital is not available on reasonable terms and conditions and when other state or federal financial assistance is not available.

(b) In carrying out the corporate purposes of the bank, the policy board has power to

(1) adopt, alter and use a corporate seal;

(2) prescribe, adopt, amend, and repeal bylaws;

(3) sue and be sued in the name of the bank;

(4) borrow funds, and in that connection furnish such collateral or other security as it determines, except that bank borrowing may not exceed one-half of its paid-in capital;

(5) guarantee obligations of another corporation or legal entity in order to facilitate their sale;

(6) enter into agreements necessary or convenient in the exercise of its powers and functions;

(7) acquire, hold, use, lease, sell or otherwise dispose of property of any kind, real, personal or mixed, or any interest in it;

(8) contract with state, federal and other agencies to develop needed information and analyses;

(9) do all acts and things necessary, convenient or desirable to carry out the powers granted or implied in this chapter.

(c) In carrying out the corporate purposes of the bank, the investment committee has the power to

(1) invest, in such form as it considers appropriate, including without limitation, by purchase of the capital stock of, or the lending of money to, projects, except that any investment in the capital stock of or other ownership interest in such project may not exceed 49 per cent of the capital stock of, or other ownership interest in, the project, and no loan or other investment in the project by the bank may exceed 90 per cent of the cost of the project unless, in the judgment of the committee, additional amounts must be loaned to protect the interests of the bank;

(2) deposit bank funds, or invest bank funds in such obligations as it may determine;

(3) buy and sell securities the bank has issued or guaranteed or in which it has invested;

(4) purchase currently sound evidence of indebtedness from the tourism fund, the agricultural revolving loan fund and the small business development loan fund if the loan was made after the effective date of this Act and if the loan meets the criteria of sec. 100 of this chapter;

(5) do all acts and things necessary, convenient or desirable to carry out the powers granted or implied in this chapter.

As mentioned above, this section should precede most of the above sections.

Part (a). Purposes seems fine.

Part (b).

(2) Add to end: "for the bank's operations" (not just the policy board's operations).

(4) This section sets a very conservative maximum debt to equity ratio of 0.5 to 1. We agree that the bank should have a conservative one, but we can draw on the experience of other development banks to set it. The Canada Development Corporation has a debt limit of 40 percent of its paid-in capital, but it makes very high-risk investments. (Remember, this debt can only be used for the bank's lending and guaranteeing activities, not for its equity investments. We have already made this requirement, above in 44.55.010 (c).)

The European Investment Bank offers more relevant experience. According to its corporate rules, it can make guarantees plus loans up to 250 percent of its paid-in capital. In practice, it maintains a ratio of equity to debt of around 1.3 to 1, because its accumulated reserves are so high. This conservative ratio helps it have privileged access to European debt markets. The Statsföretag Group in Sweden had a ratio of 1.6:1. We must very carefully set a maximum ratio allowed for the bank. (With so much

paid in capital, the bank may never borrow more than one-half of paid-in capital, but we should set a sensible limit for a sound financial structure.

We must also decide whether to set minimum reserve requirements for guarantees and loan defaults. Here we must also draw on the experience of similar development banks.

In this or an additional section we should unambiguously state that the state of Alaska is not responsible for the bank's liabilities. Experience with other American development banks shows how critical it is to put this in writing. "Moral" obligations are no longer very popular and certainly the state should leave no doubt in investors' minds.

(6) We could add here, "including agreements for project or program administration for the state of Alaska, according to conditions mutually agreeable to the bank and the state." We already discussed this possibility above, 44.55.040 (7).

Part (c). (1) We have several comments on this section:

a. The way it is now worded, the committee can make loans of any term, secured or unsecured. Is this what you intend? If not, the limit should be added or in sec. 44.55.100. In any event, this section should probably be amended so it reads, "in accordance with other requirements of this chapter", to acknowledge the entire section 44.55.100 and the necessity to comply with the approved plans.

b. Based on experience in many American development finance banks, this section should set a limit on the percentage of a loan the bank will agree to make and the percentage of the project costs the loan can cover. For example, some states make loans up to 90 percent of a mortgage, which can cover up to 90 percent of project costs. These percentages usually vary by loan use (e.g., land and plant versus equipment). The limits are set for three very important reasons: (1) they help the development bank leverage its funds; (2) they ensure that risk is shared with other lenders and with the borrower; and (3) they ensure that there is an extra check on the bank's loan decisions by at least one outside source.

Some states have limits as low as 40 percent of loan amount on 90 percent loan coverages. We recommend setting a maximum of no higher than 90/90 for plant and 80/90 for equipment. We should consider going lower, though. Also, if working capital loans are also made, we must set limits for them.

I would counsel against making working capital loans, for three essential reasons: first, there is no major capital gap here; second, the commercial banks are quite capable of making these loans and there is no reason for the state to compete with them; and third, we need to develop all of our financing mechanisms in basic cooperation with the private market and a system on the longer-term equity and debt financings which they are not so able to make.

c. This is actually a corollary to the above point: similar limits must be set on loan guarantees made by the bank. Again, some of the best state guarantee programs have limits of 40 percent on the share of a mortgage they will guarantee.

(2) this section could be amended to stipulate that it refers to surplus bank funds; that these funds should be deposited or invested according to the prudent-person clause; and that they or a portion of them must remain liquid enough to be activated for use according to the purposes of the bank.

Sec. 44.55.100. INVESTMENTS. (a) In making investments, the investment committee and staff shall exercise the judgment and care under the circumstances then prevailing which a person of ordinary prudence, discretion, and intelligence exercises in the management of his own affairs taking into consideration the probable income from the investments as well as probable safety of principal.

(b) An amount equal to at least 150 per cent of all guarantees by the bank shall be invested in investment-grade securities.

(c) The investment committee may invest not more than 50 per cent of the resources of the bank to provide a reasonable proportion of longer-term investment capital for financing the establishment, improvement, and expansion of productive private enterprises which will benefit Alaskans, and for which sufficient capital is not available from other sources on reasonable terms. These investments may take the form of equity, debt, or debt guarantees.

(d) The committee may invest no more than 50 per cent of the resources of the bank in financing a reasonable proportion of the longer-term investment capital needs for community development projects of municipalities and public corporate entities and private dwellings in Alaska for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of debt or debt guarantees.

(e) The committee may not invest more than five per cent of the resources of the bank or \$1,500,000, whichever is less, in a single project unless the legislature has approved the investment by concurrent resolution.



(f) The committee may not undertake any financing for which, in its opinion, sufficient private capital could be obtained on reasonable terms.

(g) The committee may not assume responsibility for managing any enterprise or project in which it has invested and may not exercise voting rights for that purpose or for any other purposes which, in its opinion, properly is within the scope of managerial control.

(h) The committee shall only undertake its financing on terms and conditions which it considers appropriate, taking into account the terms and conditions normally obtained by private investors for similar financing, the requirements of the enterprise or projects, the risks being undertaken by the bank, and the participation of other investors.

(i) The committee may seek to revolve the bank's funds by selling its investments to other investors whenever it can appropriately do so on satisfactory terms.

(j) The committee shall seek to maintain a reasonable diversification in its investments.

(k) The committee shall only consider investment proposals after the applicant for an investment has submitted a detailed proposal to the committee's staff and the staff has prepared a written report recommending the investment after a study of its merits.

(l) The committee shall analyze the economic and other effects of an investment decision, including the effects on employment, income distribution, environment, health, social and other factors. The committee shall be sensitive to the views of affected local communities and shall include an analysis of those views in proposals for large investments.

(m) The committee may guarantee qualifying loans made by financial intermediaries in order to facilitate investment by the intermediaries in specific enterprises or projects whose individual financing requirements are not, in the opinion of the committee, large enough to warrant its direct supervision.

(n) The committee shall provide for operational and performance evaluations (post-audits) of its investments and investment programs and report the results to the policy board.

(o) Nothing in this section prevents the investment committee, in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which the investment has been made, or other situations which, in the opinion of the investment committee, threaten to jeopardize the investment, from taking such action and exercising such rights as it may consider necessary for the protection of its interests.

Part (a). The prudent-person clause should not apply to the Alaska Development Bank's activities. It must invest in income-

producing projects, but it is supposed to maximize benefits to the Alaskan people, financial and nonfinancial.

A sharp distinction must be made between the extremely rigorous money management standards which must be applied to the trust function of the Permanent Fund and to the less rigorous but nevertheless income-producing standards that must be applied to the development function of the Alaska Development Bank. The standards of the Alaska Development Bank should be much closer to those of the World Bank, or the European Investment Bank, or the Inter-American Development Bank, or the Connecticut Development Authority and the Community Development Finance Corporation. Each of these institutions is required to make income-producing investments and to live within their own balance sheets, but they are not required to make the same return as the private market. It is not necessary for them to make that same internal rate of return, because their external return to the state of Alaska more than compensates for their lower internal rate of return.

Part (b). See our comments above, Section 44.55.090, Part (b) (4).

Part (c). Does this 50 percent mean half of all equity investments and half of all loans? What exactly does it apply to: debt plus equity together or separate? This section should make clear that these are direct investments, loans or guarantees for

projects in contrast to those of Part (d). Are developers eligible as project owners? Experience in other states strongly suggests that project owners must be project users. (This must be worded very carefully.) Joint ventures or participation loans with community development organizations also fall within Part (c).

Part (d). Again, what exactly does this 50 percent apply to? Also, the section should include equity as well as debt and debt guarantees.

This entire section must be given far more detail on the function described. The bank is to use 50 percent of its resources to invest in community development organizations (CBOs)--not directly in community development projects nor in private dwellings. CBOs must be defined here or in Sec. 44.55.170. Does it include municipalities, any regional development organizations? What community development bodies are eligible? How must eligible bodies be structured? What is their board structure? Who do they represent? What types of financial instruments must they use? What types of projects do they support? All these questions must be answered. Fortunately, several other states, especially Massachusetts with its CDFC, have already grappled with the questions and we can learn from them.

In my judgment, this was the least well developed section of HB 298 or 300. Those drafts were quite muddy in defining what

was a legitimate community development organization or a legitimate income-producing project. It might be useful to refer back to my comments on pages 54-59 of the July 11 report and be sure that we use the highest current state of the art of community development finance in articulating this section of the proposed House bill.

This section (or section m, below) should also allow the bank to also have a sort of "global loan" program, similar to that of the European Investment Bank. The Alaska Development Bank could lend to regional development corporations so they, in turn, could lend according to criteria set by the bank. This would be similar to Sec. 120(9) in Bill 298. For further background, see pages 92 to 116 of my second report to the committee, dated 9/14/77.

Part (e). We have already suggested that \$1.5 million may be too low a limit. See our comments, above, sec. 24.20.650.

Part (g). Why shouldn't it be able to exercise voting rights as any other equity investor in a project? It has already been limited to a minority ownership in any project. Also, the limit to "not assume responsibility for managing . . ." appears to conflict with Part (o), below. It should be able to do this temporarily, if its own investment is threatened. In fact, in order to be a prudent investor, it must.

Part (l). We should stipulate here that the analysis should

be in accordance with the reporting procedures set by the oversight committee. It must include social and economic analysis as well as financial. The standards for both need to be spelled out.

Part (m). See our comments in Part (d) above. Why shouldn't the bank also be allowed to make loans to such intermediaries? If so, how large can the loans be and must they be participation loans? What types of financial intermediaries are eligible? What criteria must they use in making the investments or loans? How small are these investments or loans (i.e., what is the meaning of "not . . . large enough")? Shall this be left up to the committee or be stated in the legislation?

Sec. 44.55.110. INITIAL DETERMINATIONS. Before beginning its financing operations, the policy board shall render a detailed report to the legislature which shall

- (1) define the renewable resource industry sectors which need financing for expansion of existing projects or the development of new projects;
- (2) define the size and nature of projects which are feasible for bank financing;
- (3) determine specific projects which are feasible for bank and private financing;
- (4) determine the availability of private investment capital for the projects it determines are feasible;
- (5) forecast the capital requirements of the bank for the first three years of its operations.

Good, but this report should be sent to the executive branch's economic development staff and the legislative oversight committee for review and comment before it is sent to the legislature. Must the legislature approve it?

Sec. 44.55.120. REPORTS AND PUBLICATIONS. The policy board shall publish an annual report to the governor, legislature and the public. Each report shall include financial statements audited by independent outside auditors, a statement of the amount of money received by the bank from each source during the period covered, a statement of bank investments, a description of bank investment activity during the period covered by the report, an analysis of economic and other effects of investment decisions including, but not limited to, the effects on employment, income distribution, environment, health, social and other factors, and any other information the policy board believes would be of interest to the governor, the legislature and the public. The bank may also publish such other reports as it considers desirable to carry out its purpose.

Add ". . . according to the standards set by the legislative oversight committee. . . ."

Sec. 44.55.130. CONFLICT OF INTEREST. (a) Members of the policy board and investment committee are subject to the provisions of AS 39.50.

(b) Members of the investment committee shall disclose their financial interest in an investment proposal and disqualify themselves from voting on any investment proposal in which they have a financial interest. The committee may not make an investment in any project or enterprise in which officers of the bank have a financial interest. Members of the policy board are prohibited from all attempts to influence the investment committee, its president or staff in the discharge of their ordinary operating duties. All officers of the bank in the discharge of their offices owe their duty entirely to the bank and no other authority.

We aren't sure what the provisions of AS39.50 are, but we assume they are standard conflict of interest restrictions.

Why is the policy board prohibited from influencing the investment committee? The policy board shouldn't be allowed to influence individual investment decisions, but the essence of their role is to "influence" and guide the actions of the bank's investment committee and staff. See comments in July 11, 1977 report.

Sec. 44.55.140. POLITICAL ACTIVITIES. The members of the policy board, members of the investment committee, and officers and staff of the bank may not engage in partisan political activities. The resources of the bank may not be used to finance any partisan political activities.

Sec. 44.55.150. PUBLIC ACCESS TO INFORMATION. Information in the possession of the bank is a public record, except that information which discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Sec. 44.55.160. TAX EXEMPTION. The bank is exempt from all taxes and assessments in the state. All security instruments issued by the bank, their transfer and their income are exempt from all taxes and assessments in the state.

These three sections are fine; no comments on them, at least not yet.

Sec. 44.55.170. DEFINITIONS. In this chapter

(1) "bank" or "development bank" means the Alaska Development Bank;

(2) "board" or "policy board" means the Alaska Development Bank Policy Board created by sec. 20 of this chapter;

(3) "business enterprise" means a private corporation, firm, partnership or sole proprietorship;

(4) "committee" or "investment committee" means the Alaska Development Bank Investment Committee created by sec. 50 of this chapter;

(5) "renewable resource project" or "project" means property of a business enterprise used in connection with

- (A) making, processing, preparing or producing in any manner goods or products of agriculture, fisheries, or forestry; or
- (B) outdoor recreation.

More definitions are needed. "Productive, private enterprise" (44.55.100 (c)): does this include manufacturing, commercial, service? If so, how are each of these terms defined? How are community development organizations defined? (See questions, above, 44.55.100 (d).) How about "investment grade securities" (44.55.100 (b)? "Applicable agencies" for the oversight committee could be defined here, too.

We must comb through the bill to make sure all other ambiguous terms are clearly defined. Fortunately, we have many other pieces of state legislation to draw on for good suggestions for many of the definitions that we'll need.

Sec. 4. AS 39.25.110 is amended by adding new paragraphs to read:  
(21) members of the policy board and investment committee, and the president, officers, and staff of the Alaska Development Bank;  
(22) members of the board of trustees, the executive director, and staff of the Alaska Permanent Fund Board of Trustees.

Sec. 5. AS 39.50.200(9) is amended by adding new subparagraphs to read:  
(NN) Alaska Development Bank Policy Board and Alaska Development Bank Investment Committee;  
(OO) Alaska Permanent Fund Board of Trustees.

Sec. 6. This Act takes effect immediately in accordance with AS 01.10.070(c).

Fine; no comment on these three sections now.



We suggest that two additional sections be added to the draft.

Addition A: High Noon Provision

(This section would apply to entire Permanent Fund and renewable resources fund, so it could be added right before or after Sec. 37.13.030.)

After 9.5 years, the operations of the entire Permanent Fund should be subject to a fundamental review by a joint executive-legislative commission. Half the members could be appointed by the Governor, the other half by the speaker of the house and the senate president, jointly. Total membership could be about fifteen. The odd member could be the Governor or some outsider on whom the governor and the legislative leaders agree.

This commission would begin its review 9.5 years after the Permanent Fund is created. It would review the Fund's achievements, how effectively it was implementing its purposes, and whether those original purposes were well chosen to benefit Alaskans. After six months, the commission would report to the governor and the legislature whether the Fund should continue operations and, if so, with what modifications. The commission's report would also be available to the public.

The commission would have a small staff funded by an appropriation, approved by the legislature, from the Permanent Fund's retained earnings.

It is critical that this "high-noon provision" be incorporated into the enabling legislation, so there is some mandatory and fundamental review process of the institution once it is fully operational and has a track record. We have found that many similar institutions have drifted away from their original purposes or outlived their original usefulness. Without some automatic trigger for a fundamental review, they continue indefinitely. Their management has a stake in preserving them and inertia is on their side. Even such a commission review may not be able to swing an existing institution back on course, but at least it has a fair chance of doing so.

Addition B: Technical Assistance Subsidiary

This provision may not be needed at all; but if it is, it could be added as a section of chapter 55, perhaps after section 44.55.110.

This would be a subsidiary to the Alaskan Development Bank to provide technical assistance to community development organizations eligible for funding from the Bank. These organizations probably need technical assistance to be able to screen and choose viable investments in their communities and do feasibility studies on them. The assistance could be in the form of convertible grants; i.e., grants that would be paid back, if an organization's financial performance reached a certain level of success.

It is critical that this subsidiary (a) is arms-length from the Bank itself, so that it is not involved in choosing the organizations or projects the bank invests in; and (b) is funded separately from the investment part of the Bank, with an appropriation from the general fund or from the Bank's retained earnings (approved by the legislature). It could revolve its grant funds, if and when they were paid back, reducing its need for annual appropriations.

The subsidiary could be structured similar to an institution now being designed in Massachusetts to provide technical assistance to community development corporations. In addition to offering convertible grants to organizations, it could support a network between them so techniques, new skills, and experience could be exchanged. The network could also facilitate joint ventures between community development organizations.

## MEMBERS OF THE STATE BOARD OF INVESTMENT

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Hon. Robert W. Mattson, State Auditor  
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EXECUTIVE SECRETARY

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

Room 105, MEA Building  
55 Sherburne Avenue  
Saint Paul 55155

October 7, 1977

Members of the Legislature of the State of Minnesota:

— THE REPORT IN BRIEF —

The Minnesota State Board of Investment manages many State funds for various constituents. The trust funds, retirement funds, highway funds, endowment funds and the Treasurer's general account all involve individual statutes and policies. The paragraphs following this introduction detail the Board activities and investment objectives. A complete listing of all securities transactions during fiscal 1977 is found starting on page 51. A resume is provided as to the reasons for placing business with various securities firms.

WHAT IS THE SIZE OF THE MINNESOTA STATE FUNDS?

On June 30, 1977, Minnesota's total investment portfolio amounted to \$3,313,580,190.00. Of this amount, \$269,031,044.00 represented the permanent trust funds invested for the benefit of school students. Total retirement and welfare funds amounted to \$2,078,660,779.00. Many other individual accounts, including the Invested Treasurer's Cash Fund, three constitutionally dedicated highway funds, the proceeds from various bond sales, and numerous endowments and departmental accounts comprised the remaining \$965,888,367.00. It has been estimated that the State Board of Investment handles approximately 80 to 100 accounts, some amounting to hundreds of millions of dollars and others representing small bequests by individuals for educational or welfare institutions.

TO WHAT EXTENT ARE THE INVESTMENTS DIVERSIFIED?

Statutes require that the funds be invested appropriately for the needs of the individual accounts. For example, the Invested Treasurer's Cash Fund, the current tax receipts, is invested entirely in short-term money market instruments — obligations of the U.S. Treasury and agencies or short-term notes of corporations. Short-term interest rates have fluctuated widely, from over 12% in late 1974 to less than 5% during fiscal 1977.

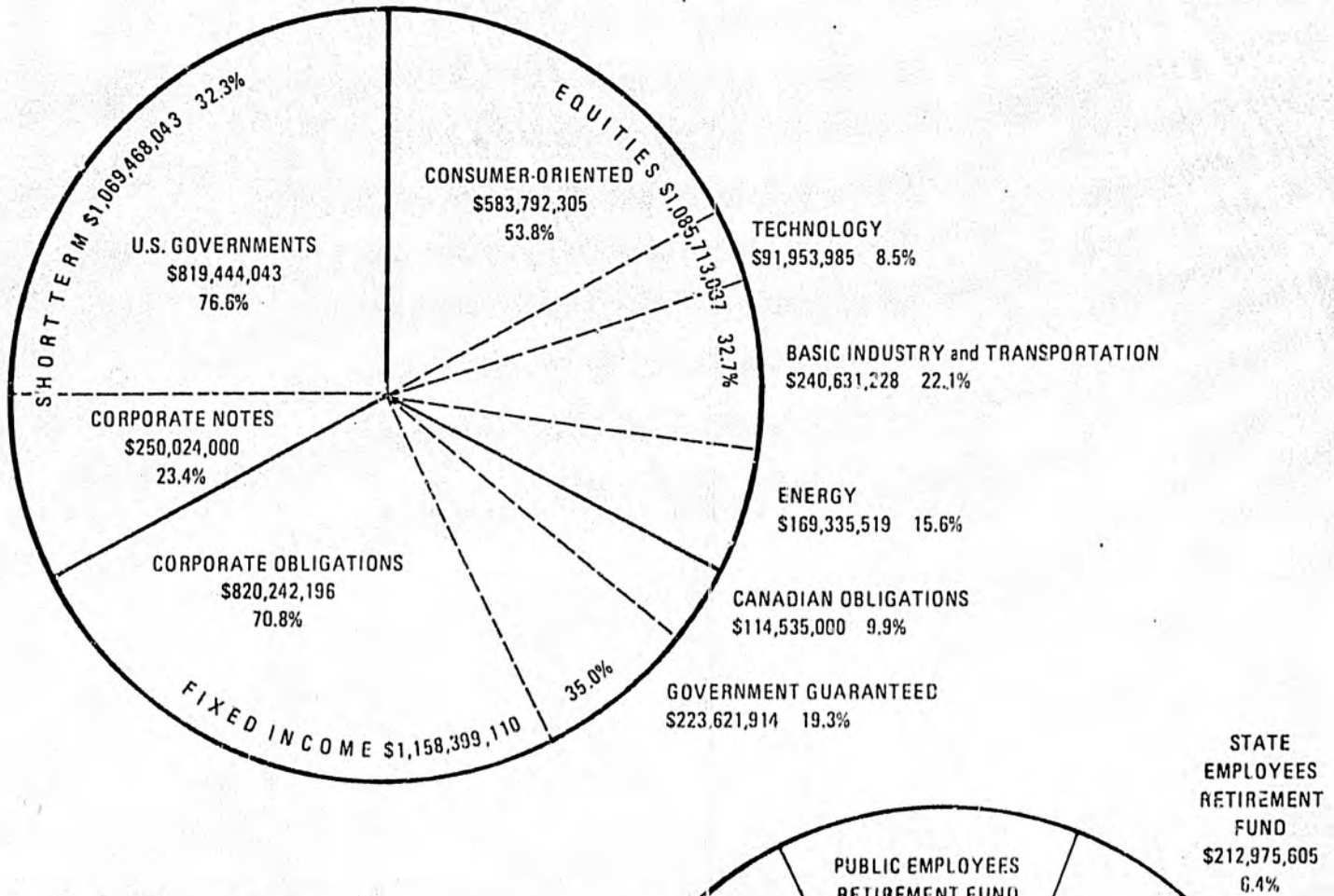
The Permanent School Fund is held for perpetuity with the income allocated to educational needs. This fund may participate in equities to the extent of 20% of the book value; 40% may be invested in corporate bonds; and the balance is invested in U.S. Treasury and agency obligations.

The various retirement funds are invested in accordance with individual statutes. Equity participations generally vary from 40% to 50%. One account which meets specialized retirement needs is invested entirely in common stocks; others emphasize fixed-income securities; one is wholly invested in bonds. The investments authorized for these various funds, as well as the actual portfolios, are listed in the main body of this report, and illustrated by the following charts.

**DISTRIBUTION OF \$3,313,580,190 OF INVESTMENTS MANAGED  
BY THE STATE BOARD OF INVESTMENT  
JUNE 30, 1977**

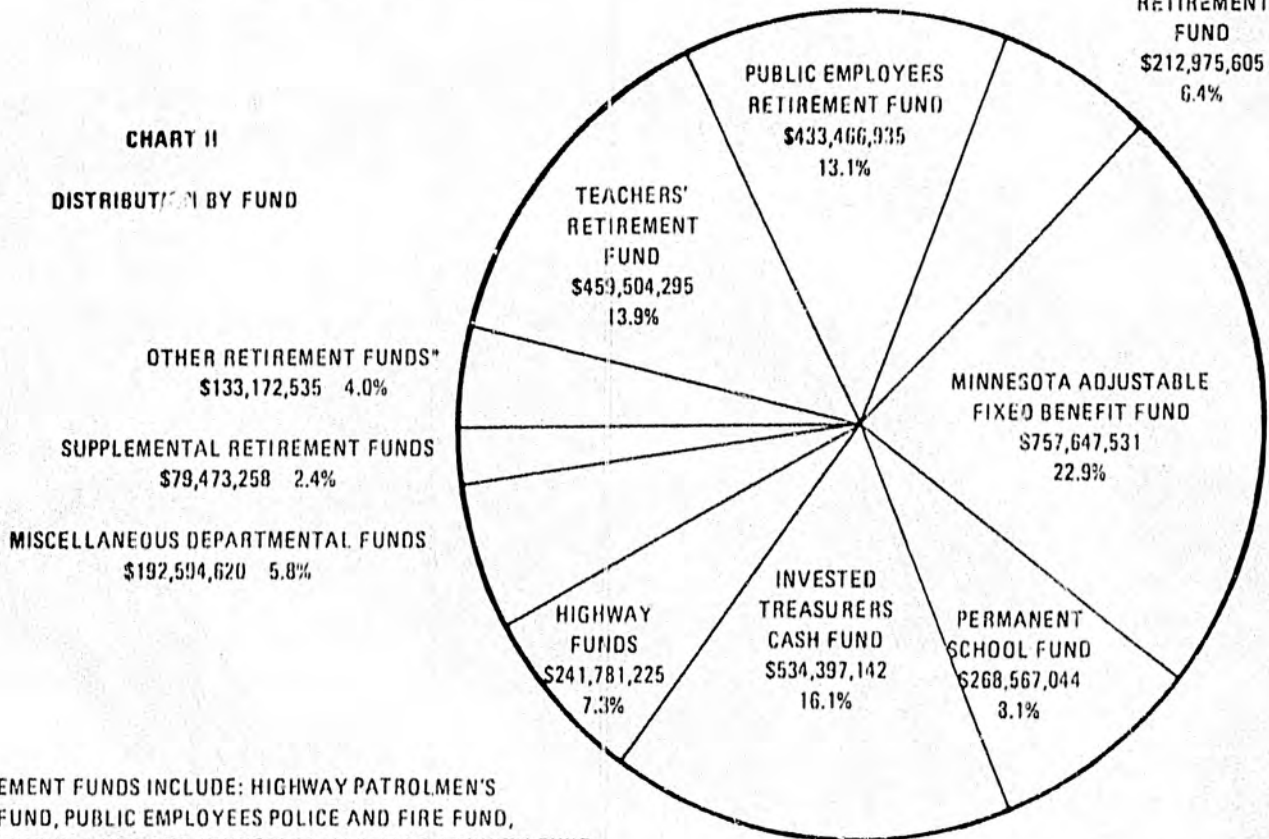
**CHART I**

**DISTRIBUTION BY ASSET TYPE**



**CHART II**

**DISTRIBUTION BY FUND**



\*OTHER RETIREMENT FUNDS INCLUDE: HIGHWAY PATROLMEN'S RETIREMENT FUND, PUBLIC EMPLOYEES POLICE AND FIRE FUND, JUDGES RETIREMENT FUND, AND MINNESOTA VARIABLE ANNUITY FUND.

**WHAT WAS THE ACTUAL RATE OF RETURN, OR YIELD, RECEIVED BY THE VARIOUS FUNDS DURING FISCAL 1977?**

The rate of return is sometimes computed to include the gains and losses in securities prices. Wide variations in annual yield result from combining price fluctuations with dividend and interest income. It may be more appropriate to consider the actual income to the account during the year. Such computations may be made on the basis of the actual dollars received (as a numerator) divided by the amount of money and investments in the account, as averaged from three dates of the fiscal year — the preceding June 30, December 31, and the concluding June 30 — (as a denominator). The approximate yields on the various accounts for fiscal 1977 were:

<u>ACCOUNT</u>	<u>YIELD</u>
The Invested Treasurer's Cash Fund (all in short-term money market securities)	6.06%
The Permanent School Fund (after an allowance for a transfer to compensate for losses due to securities sales over a period of years)	5.63%
The Highway Funds:	
Trunk Highway Fund	5.55%
County State Aid Highway Fund	5.74%
Municipal State Aid Street Fund	5.89%
The Minnesota Adjustable Fixed Benefit Fund	6.00%
The "Basic" Retirement Funds:	
Highway Patrolmen's Retirement Fund	6.26%
Judges Retirement Fund	8.23%
State Employees Retirement Fund	5.86%
Public Employees Retirement Fund (includes Public Employees Police and Fire Fund)	6.14%
Teacher's Retirement Fund	6.02%
The Supplemental Retirement Fund:	
Fixed Return Account	8.29%
Growth Share Account	3.13%
Income Share Account	6.78%
The Minnesota Variable Annuity Fund	4.78%
(Because of valuations over a two-year period, this account showed a gain of 15.9463% for fiscal 1977, which became a "Rate of Return" for participants.)	

The 6.00% yield to the Adjustable Fixed Benefit Fund may be misleading in that pensions are based on a two-year moving average of "total return" (as to stock prices), often supplemented by legislative directives to increase pensions further. Pre-1973 retirees now receive pension benefits approximately 40-45% higher than originally authorized. Of this, 30% was mandated by legislation, including the use of "reserves" during the early 1970's, a portion of which was previously earned through the operation of the Fund, but remained as an integral portion of the account. The balance was due to the performance of the fund above the 5% actuarially-assumed rate.

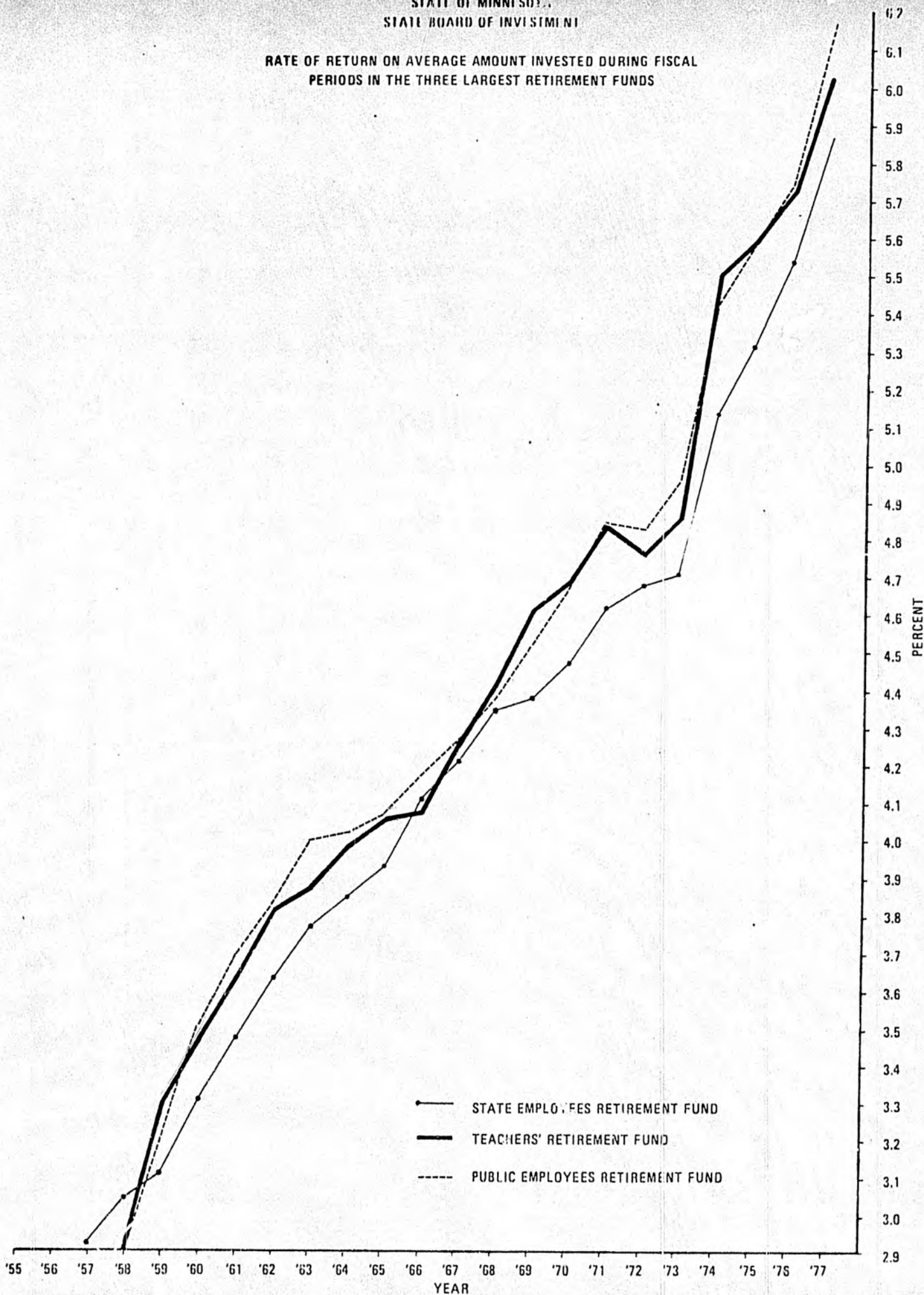
Chart III illustrates, on a historical basis, the rate of return for the three largest retirement funds.



CHART III

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL  
PERIODS IN THE THREE LARGEST RETIREMENT FUNDS



The net income to the trust and retirement funds, in total and as a percentage of the amount invested, was higher than during any previous year. It must be emphasized that these yields are based on actual income and do not include theoretical gains or losses determined by market valuations of securities. Bonds currently offer the highest yields to the investor, approximately 8%, while the common stock portfolio yields only 4%; nevertheless, the stocks show a profit above cost despite recent market declines and a Dow Jones Industrial Average of 847.11 on September 30, 1977. The State's bond holdings still show a slight book loss due to purchases, in previous years, of bonds yielding 4% to 7%. The average of the 8% return received on bonds and the 4% on common stocks approximates the 6% earned on the funds listed. It is evident that a higher current yield could be received from a greater participation in fixed income securities, but any potential gain through dividend increases and higher equity prices would thereby be diminished. Dividend increases declared by corporate managements on common stocks during calendar 1977, through October 7, 1977, when this report was being written, had already totaled \$4,683,845.00 on the shares presently owned by the State accounts. This continuing increase of dividend income, compared with decreases in net yields to bondholders due to "calls" and refunding at lower interest rates, provides the major reason for equity investments.

### ACTIVITIES OF THE ADVISORY COUNCIL AND THE BOARD DURING FISCAL 1977

At meetings of both the Investment Advisory Council and the State Board of Investment "quality" was emphasized on all investment purchases. Some common stock sales were made when the Dow Jones Industrial Average was in the high 900's and over 1000. Cash flow into the retirement accounts totaled \$296,926,129.00. Of this amount, \$192,736,582.00 was placed in equity securities, the remaining amount was invested in governmental and corporate bonds. During the year, the Government National Mortgage Association mortgage-backed securities were more attractive from a yield standpoint than corporate debt obligations. Therefore, these securities were purchased in quantity as investments for the Permanent School Fund and various retirement accounts. The Board increased its investment activity as to securities in the "current" funds — represented by tax receipts, the highway funds, and various other accounts. Purchases and sales of U.S. Treasury obligations and short-term corporate notes amounted to \$10.72 billion during the fiscal year.

### INVESTMENT BOARD POLICIES

The Investment Board took two major actions to emphasize its social, ethical, and governmental responsibilities during this past year. To minimize the possibility of governmental officials attempting to use private business associations as a means of selling securities to the State or in other ways acting in their self interest, the Board unanimously passed the following resolution on November 20, 1976:

"The Executive Secretary requests that purchases and sales of securities not be made through firms which authorize one or more brokers or other sales representatives — who are also holders of public office or officials in a position to influence legislation — to deal either with the accounts handled by the State Board of Investment or with other public funds in the State of Minnesota. The purpose of this policy is to avoid any possible conflict of interest between the Board and any person in an administrative or legislative position within state or local government who may profit through the placement of securities business by various public funds.

"This policy statement is not meant to include general, overall "year-end" bonuses or other payments made to the entire staff of a securities firm on the basis of total commissions received from all customers."

A copy of the resolution was sent to each investment dealer in Minnesota with whom the Investment Board conducts transactions. Each replied, signifying notice of the Board's position.

It is hoped that this resolution will eliminate the possibility of favoritism by any of the State's retirement accounts, including those managed by the State Board of Investment, through the placement of securities orders with officials in a position to influence legislation or administration.

After several years of discussion regarding the voting of proxies, the Board decided to cast its votes (which had been withheld since a corporate controversy in 1972) for or against management in accordance with a definite resolution regarding policy. The statement unanimously passed by the Board on March 25, 1977, is as follows:

## RESOLUTION

### STATEMENT OF GENERAL POLICY GUIDANCE REGARDING THE VOTING OF PROXIES BY THE STATE BOARD OF INVESTMENT

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

WHEREAS, it has become increasingly apparent that the standards of prudence and responsibility should be considered in light of this additional criterion; the social and environmental policies of the corporation in which the State owns or contemplates owning investment; and

WHEREAS, the investing in an enterprise which is flagrantly violating the law or stubbornly ignoring public policy constitutes implicit endorsement of those policies, and the Investment Board is of the opinion that government cannot in good faith support such activity without abrogating its duties to the citizens; and

WHEREAS, it is the Investment Board's Opinion that corporations which do not take the welfare of society and its members into consideration, jeopardize their own financial stability, and in today's world risk depreciation of their investment value,

NOW, THEREFORE, BE IT RESOLVED that the following guideline be adopted: The Investment Board shall not knowingly invest or maintain holdings in those corporations which are in flagrant violation of the law or in stubborn disregard of the social welfare of society, or do not recognize environmental responsibilities in their corporate actions, and are not taking reasonable steps to overcome the situation; and

BE IT FURTHER RESOLVED that the following measures be instituted in the matter:

- A. Policy Regarding Contemplated Investments: The Investment Board will not knowingly invest the trust funds or any other funds of the State in those corporations which are found in violation of the guidelines set forth above.
- B. Policy After Investment: In the case that a corporation in which the State owns securities is found to violate the guidelines above, all or some of the following actions will be taken:
  1. The Investment Board will discuss the problem with a representative of the corporation in question for the purpose of:
    - a. expressing the view that, as a shareholder, the State of Minnesota is opposed to such policies.
    - b. being informed as to the progress underway in ameliorating the problem.

2. If voting stock in such corporation is held by trust funds administered by the Investment Board, it may be voted in a manner calculated to ameliorate the existing problem.
    - a. While it is recognized that it is the Investment Board's responsibility to vote all stocks, the Investment Board may solicit recommendations from a sub-committee of the Board concerning the manner of voting stock of a corporation in violation of the guidelines set forth above.
    - b. When deemed necessary to protect the State's interest in the fund and in grave cases, the Investment Board may, upon recommendation of said sub-committee, institute procedures for a shareholder's proposal for the purpose of committing the corporation toward correcting the policy in question.
  3. In the instance that no recourse mentioned above is available and/or it is shown that the corporation is not taking steps reasonably calculated to ameliorate the problem in question within a reasonable period of time, the Investment Board may sell the State's investment in the corporation, if sale is consistent with sound investment policy for the affected funds.
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Much of this statement is based on similar action by the State of Connecticut. The final sentence was added so as to minimize the possibility of action detrimental to investment portfolios through any possible "forced sales".

Governor Rudy Perpich has presided at all Board meetings since Governor Wendell R. Anderson resigned in December, 1976. The meetings have included a comprehensive review of State policies and securities transactions. The valuable advice from the Investment Advisory Council has been presented at Board meetings through the transaction listings and policy resumes by the Executive Secretary. A complete review of investment procedures follows.

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The Advisory Council was formed in 1961, at the time the statutes first authorized equity investments in Minnesota's retirement funds. Most of the members originally appointed still serve on the Council. Their investment expertise, based on their responsibilities and work as leaders of Minnesota's investment community, is enhanced by this long period of service and their knowledge of retirement legislation and investment problems during the past 16 years. It is to be noted that, despite the unquestioned expertise of these members, their service is offered without compensation. Every member of this Council is, or has been, a portfolio manager or research director of a major Minnesota institution.

The accounts supervised by the State Board of Investment are divided into several groups, each governed by individual statutes and managed under different policies. The fund groupings, together with their approximate book valuations as of June 30, 1977, are as follows:

**Invested Treasurer's Cash Fund, \$534.4 million.** This fund includes tax receipts. Since 1969, prime quality corporate notes have been eligible for use in this account, in addition to U.S. Treasury and agency obligations maturing within three years.

**Highway Funds, \$241.8 million.** These accounts include U.S. Treasury obligations, debt instruments issued by U.S. Government agencies and short-term corporate notes due within 270 days of the time of purchase. The monies are used for the building and maintenance of highways, roads and streets throughout the state.

**Miscellaneous Welfare, Departmental and Temporary Funds, \$186.9 million.** These funds are invested according to the terms of particular statutes or applicable policies, primarily in U.S. Treasury securities. The major portion of these accounts consists of proceeds from bond sales; the monies will be used within a comparatively short period of time for state building needs. Also included are endowment funds and trust accounts held for various institutions. During the past three fiscal years, these funds have been increased through the investment of proceeds from securities issued by the Minnesota Housing Finance Agency. This investment total varies according to the needs of the agency in providing housing assistance to Minnesota residents.

**Minnesota Adjustable Fixed Benefit Fund, \$757.6 million.** This account, administered by the State Board of Investment, may include a maximum of 50% in stocks with the remainder in fixed-income securities. Retirement benefits are paid to all retired employees from the principal and earnings of this fund. A two-year average "total return" from this fund, in excess of the 5% actuarial assumption, has been used to augment pension benefits. Earnings and market appreciation during the early 1970's resulted in an increase in the pensions paid by the various participating retirement funds from 2% to 4% at the beginning of the 1972 calendar year; increases of 4½% to 5½% were paid at the beginning of the 1973 calendar year. The Legislature provided for an additional 25% increase which was paid in two installments — in July, 1973, and January, 1974. This adjustment was made at the time the statutes applicable to the retirement systems of Minnesota were modified to provide benefits based on salaries paid during the "five-high years" of employment. Because of this complete statutory revision, the reserves accumulated during the early 1970's were used to provide very substantial increases for those previously retired. Despite the lower stock and bond markets experienced in 1973-1975, recent portfolio results indicate additional pension increases in the near future. A one-time \$250 additional pension amount has been provided for the pre-1973 retirees and a general pension increase of up to 4% is possible for 1978.

**Basic Retirement Funds, \$1,195.4 million.** Six State-managed retirement funds, invested separately for employee groups, include U.S. Treasury, municipal and other governmental securities, U.S. Government-guaranteed obligations, corporate bonds, short-term corporate notes, and common stocks.

**Supplemental Retirement Fund, \$79.5 million.** This fund was established in 1967 for employees of the State College Board and State Junior College Board. The fund consists of three accounts, one of which may be invested up to 100% in equities, emphasizing potential growth with the accompanying market risks. The second includes long-term bonds and stocks oriented toward current income. The third — the Fixed Return Account — was initiated on July 1, 1974, and includes only bond investments; it provides an interest yield over a period of time commensurate with the average life and call protection inherent in the bonds purchased. Legislatures since 1969 have made one or more of these accounts available for use by police and fire fighter relief associations throughout the state, various county employees, those members of the State service who are "unclassified" and do not have the benefits of tenure, and State employees who wish to participate in a deferred income plan through which a portion of their salaries may be taxed at the rates in effect at the time of their retirement.

**Minnesota Variable Annuity Fund, \$43.7 million.** This fund was established by the 1969 Legislature and was made effective in early summer, 1970. The account now includes a diversified list of common stocks, some fixed-income instruments, and reserves of short-term securities. The participants are teachers who chose this type of program, which provides retirement benefits based on long-term investment performance. Because of the many advantages inherent in the new "five-high year" plan, the Variable Annuity may not now be opted by new teachers but is still available to present members of the State's educational system.

**Trust Funds, \$269.0 million.** The Permanent School Fund, invested for the benefit of the school children of Minnesota, includes U.S. Treasury securities and Government-guaranteed obligations, corporate bonds of long and short maturities, and common stocks. The Internal Improvement Land Fund includes only U.S. Treasury obligations.

Because of the differing investment policies applicable to these funds, a short review of the history and needs of the various accounts is provided along with a listing of securities.

## INVESTED TREASURER'S CASH FUND

During late summer, 1974, it was evident that tax receipts were somewhat higher than the amounts necessary for immediate State expenditures. This "surplus" was invested in U.S. Treasury, government agency, and high quality corporate securities during late 1974 and early 1975, resulting in substantial investment income for fiscal 1975 and 1976. As this "surplus" was identified in late 1974, securities in an amount exceeding \$100 million were extended in maturity from a few days to a range from nine months to three years. Investments at fiscal year end 1975 totaled \$607.8 million and declined to \$580.9 million on June 30, 1976. By June 30, 1977, the fund further declined to \$534.4 million; nevertheless, a substantial surplus was still evident in the Invested Treasurer's Cash Fund. Earnings of the State's "current" accounts have shown a wide variance due to differences in both the amount invested and in short-term interest rates. During recent years, such earnings have varied from \$4.2 million in fiscal 1972 to a high of \$37.5 million in fiscal 1975. Earnings declined to \$35.0 million for fiscal 1976 and \$24.8 million for fiscal 1977. The declines were due both to somewhat lesser fund totals throughout the year and lower short-term interest rates.

Although it is very difficult to estimate average yields in this account because of variances in the amount invested, yields earned by this fund approximated 8.68% in fiscal 1975, 6.83% in fiscal 1976, and 6.06% in fiscal 1977.

Under the terms of 1973 legislation, the investment department buys and sells according to oral certification of cash available by the staff of the State Treasurer and the Department of Finance. In recent years, there has been an increase in the use of repurchase agreements and of short-term instruments so that funds may earn money over the shortest of periods — sometimes one day or over a weekend. Statutes require that securities in the Invested Treasurer's Cash account extend no longer than three years in maturity.

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## THE HIGHWAY FUNDS

The funds held for street, road and highway uses in Minnesota may be invested in bonds eligible for purchase by the Permanent School Fund and commercial paper used in the retirement accounts. At present, these funds own short-term U.S. Treasury and agency securities, repurchase agreements backed by U.S. Treasury or agency obligations, short-term corporate notes and securities guaranteed by the U.S. Government through the Government National Mortgage Association. The Commissioner of Transportation certifies the amounts not needed in the immediate future; these sums are invested in maturities approximating the expected disbursement schedule of the Transportation Department. The program includes considerable reinvestment and adjustment of maturity schedules because of the time necessary for planning, purchase of right of way and construction of highways. The amount of highway funds invested fluctuates throughout each fiscal year. They varied from a low of \$134.0 million in fiscal 1975 to a high of \$208.5 million in fiscal 1974 and from \$183.5 million to \$241.8 million during fiscal 1977.

The earnings from these accounts increased from \$1.7 million in fiscal 1959 to \$13.8 million in fiscal 1974. Earnings declined to \$12.5 million in fiscal 1975, and \$11.0 million in fiscal 1976. They totaled \$12.1 million in fiscal 1977.

The income earned from these highway fund investments benefits the counties and municipalities in Minnesota directly through the County State Aid Highway Fund and the Municipal State Aid Street Fund. Earnings from the Trunk Highway Fund are used for the overall state highway program.

## STATE COLLEGES, WELFARE AND DEPARTMENT OF CORRECTIONS

The State Board of Investment is responsible for the investment of individual and pooled endowment accounts applicable to scholarships and the support of state institutions, certain funds designated for welfare purposes, and patient and inmate accounts in both welfare and correctional institutions. Pur-

chases are limited to U.S. Treasury obligations, except in instances where individual gifts or bequests provide for the use of other investments.

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Schedule I reviews the short-term corporate notes and the U.S. Government and agency obligations held by the Invested Treasurer's Cash Fund, the highway funds, and the miscellaneous departmental funds on June 30, 1977. As has been indicated in previous paragraphs, the investment department has substantially increased its activity in the use of these short term debt obligations. In order to maximize yields and, thereby, increase the income to the accounts. The money market securities division of the investment department supervised short term securities totaling over \$965 million on June 30, 1977. In addition to those listed on Schedule I, there were substantial short-term investments held by the retirement funds and the Permanent School Fund.

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## THE MINNESOTA ADJUSTABLE FIXED BENEFIT FUND

The Minnesota Adjustable Fixed Benefit Fund includes the assets representing the reserves from which pensions are paid to individuals who have retired; these recipients are members of various public funds including the six basic retirement funds managed by the State Board of Investment and the fund administered by the Municipal Employees Retirement Board of Minneapolis. There has been a substantial revision in this portfolio during the past five years because of the many different holdings transferred into the account during the 1969-70 fiscal year. Although substantial reserves were accumulated to make possible the continuation of a high level of pensions during years of stock price downturn, these reserves were distributed to retirees during 1974 to compensate partially for the higher pensions now being paid under the "five-high year" plan. Because the 1973 and 1974 downturn in the stock market coincided with a higher rate of inflation, there is some impetus to use the increased yield generated through the price appreciation of both bonds and stocks to provide a basis for adjusting pensions as a compensation for inflationary pressures. In this way, the employer group — the State, municipality, county or school board — would face the risks of long term market fluctuations, whereas the individual would receive benefits more dependent upon actual changes in the cost of living. Concern has been expressed, however, that this account would lose its "complete funding" and become less sound from an actuarial standpoint if long-term benefit improvements were based on the cost of living rather than on actual investment performance. Favorable income gains were apparent during the past two years. It is probable that these increases will justify further benefit improvements in early 1978.

Under the provisions of 1971 legislation, the net return to the Minnesota Adjustable Fixed Benefit Fund was determined on the basis of income and an average of the cost-to-market relationships of stocks taken bi monthly over a two year period. This interpretation of investment results meant that a substantial contribution toward the cost of the increased pensions in the State-managed funds was met from this "total return" during the period through 1973; the portion attributable to the Municipal Employees Retirement Board of Minneapolis was used toward higher pensions and increased reserves. In recent years, whenever an increase was granted, the Legislature established a "new base" below which pensions may not decline.

Common stocks may comprise up to 50% of this portfolio, with convertible debentures limited to an additional 10%. On June 30, 1977, the percentage committed to common stock investments, on a net, original cost basis, was 47.27% of the portfolio. This fund increased in value by \$94.6 million during the fiscal year.

## THE BASIC RETIREMENT FUNDS

The State Investment Board manages six accumulation retirement accounts which include both employer and employee contributions during the employee's working period; at the time of retirement, the assets are transferred to the Adjustable Fixed Benefit Fund. Common stocks may total 50% of these accumulation accounts. At the time of this writing, equities comprise approximately 49% of each fund on

a net original cost basis, with the remainder invested in fixed-income securities of the U.S. Government, its agencies, Canadian governmental units, and corporations.

The 1969 Legislature made it possible for each fund to include a small portion of unrealized market gains in the income portion of the account through a procedure which applies after the market valuations of equities exceed the original cost by 15% for six consecutive two-month periods – or one year. At such a time, an amount equal to 3% of the cost of the equities could be added to the retirement fund for actuarial and accounting purposes. The first such increase occurred on October 31, 1972; this was followed by a second increase on December 31, 1972. Because of the probability that such market increases would not continue, it was decided that each of these increases would be added to the income accounts in three equal installments during three successive fiscal years. The first increase applied during fiscal 1972, 1973 and 1974, while the second increase was applicable in fiscal 1973, 1974 and 1975.

The 1973 Legislature modified the law to provide for such an increase or decrease whenever the market valuation of equities varied from the revised cost figure by 10% for six consecutive two-month periods. The market downturn during 1973 and 1974 resulted in the first 3% downward revision on February 28, 1975. A second decrease applied to several of the retirement funds on April 30, 1975. Because the 1973 statute authorized the computation of such yield declines over a five-year period, it is anticipated that the net effect of such calculations will be minimal when computing fund yield performance on a long-term basis.

By early calendar 1975, because of rising stock prices; it was evident that there would be no further downward adjustment in the statutory valuation of equities for an extended period. Schedule III indicates the net yield accruing to the three largest basic retirement funds during the period 1957 through 1977. During these 21 years, the yield has increased from less than 3% to approximately 6%. Footnotes 14 and 15, following Schedule III, explain the effect of the statute relating equity valuations to the stock market.

Schedule IV lists the securities held in the largest basic retirement funds on June 30, 1977. Because of the identical purpose for which these accounts are established, it has been investment department policy to use the same securities in each account, whenever funds have been available. Differing flows of new money, however, have resulted in varying cost and a somewhat different overall composition of these three accounts.

The Public Employees Police & Fire Fund was established during the early 1960's in order to provide an investment vehicle for the smaller police and fire fighter organizations throughout the state as well as for larger organizations which chose to participate in this retirement plan. Schedule V includes the fixed-income securities in this account on June 30, 1977, and Schedule VII lists the equity portfolio. This account showed a sizable increase in value – from \$57.5 million to \$66.6 million – during the past fiscal year.

The Highway Patrolmen's Retirement Fund resulted from the merger in 1969 of the State Police Officers' Retirement Association and the Highway Patrolmen's Retirement Association. Because the two previous accounts were quite small and had limited and unpredictable flows of new money, the new merged account appears to be more manageable; this has benefited both groups. Schedule VI includes the fixed-income securities in this account on June 30, 1977, and Schedule VII lists the equity portfolio.

State, municipal and school district bonds comprised over 71.0% of total investments in these retirement funds as recently as the late 1950's; such holdings declined to 0.3% by June 30, 1977. This decline was due to the sale and maturity of bonds, as well as the placement of all new money in other types of securities. Because most of the remaining "municipals" consist of odd lots that carry either no rating or a low rating by the services, it is presumed that a large portion of these bonds must be held to maturity.

The Judges Retirement Fund was established in 1974; no permanent investments were purchased until the 1975 fiscal year. Because of statutory limitations, the percentage of funds invested in equities may be increased by only 5% of total investments each year. During the 1977 fiscal period, the fund was subject to a 15% equity limitation. Schedule VIII lists the investments as of June 30, 1977.



## THE MINNESOTA SUPPLEMENTAL RETIREMENT FUND

The three accounts of the Minnesota Supplemental Retirement Fund are invested in accordance with three different philosophies in order to meet the individual needs and desires of the participants. The income share account, limited to 50% in common stock, consists primarily of high quality corporate bonds and emphasizes comparatively higher yielding equities of well-known companies. The growth share account, on the other hand, may participate in the equity market up to 100% of total assets and includes stocks of companies offering a low current yield and representing firms which may have significant long term potential from the standpoint of earnings growth. These stocks tend to fluctuate in price to a far greater extent than those in the income share account. The fixed return account, invested entirely in bonds, is not subject to market fluctuations. The amounts contributed each year into this account, however, will earn varying interest rates depending upon the existing yield structure.

The growth share and income share accounts were established on a unit basis on October 1, 1967, with each unit worth \$10.00 on that date; due to a two-for-one split on June 30, 1973, the current units had a net worth of \$5.00 on inception date. A summary of the market valuations experienced by the two accounts since the beginning of the program in 1967 is as follows (as adjusted for the two-for-one split):

	Income Share Account		Growth Share Account	
	High	Low	High	Low
Oct. '67 — Dec. '68	\$5.52 (Nov. '68)	\$4.98 (Oct. '67)	\$5.44 (Nov. '68)	\$4.52 (Feb. '68)
1969	5.40 (Jan.)	4.99 (Dec.)	5.32 (Oct.)	4.71 (July)
1970	5.69 (Dec.)	4.81 (Jan.)	4.94 (Feb.)	3.73 (June)
1971	6.30 (Dec.)	5.86 (Jan.)	6.21 (Dec.)	5.09 (Jan.)
1972	7.11 (Dec.)	6.36 (Jan.)	7.92 (Dec.)	6.47 (Jan.)
1973	7.15 (Sept.)	6.69 (Nov.)	7.53 (Jan.)	5.29 (Dec.)
1974	6.80 (Feb.)	5.31 (Sept.)	5.35 (Jan.)	3.21 (Sept.)
1975	7.12 (Dec.)	6.26 (Jan.)	5.17 (June)	3.95 (Jan.)
1976	8.84 (Dec.)	7.58 (Jan.)	5.72 (Dec.)	5.28 (May)
Jan. — June '77	8.84 (June)	8.51 (Mar.)	5.36 (June)	5.07 (May)

Schedule IX lists the assets in the income share account on June 30, 1977. Both equity and bond valuations have declined since calendar year-end 1976. Nevertheless, the stocks in the income share account have held their value particularly well due to the market's new emphasis on "yield securities." The comparative "safety" of this portfolio, due to the type of stock used and the diversification between fixed income and equity securities, has resulted in its use by most retirement organizations eligible to participate in the Supplemental Retirement Fund. It is anticipated that the results, over a period of years, will never be spectacular, but will tend to be satisfactory from the standpoints of safety, yield and long-term growth.

Schedule X consists of a listing of the securities in the growth share account on June 30, 1977. Under the terms of the Prospectus for the growth share account, it is a policy of the department to maintain a steady investment in stocks of companies which evidence growth potential. It has also been an established policy to avoid extreme "buy" or "sell" programs which could result in a high cash position for a brief period of time. Such a program can be disastrous if the market makes unanticipated moves. This means that the account is in a reasonably fully-invested position at all times and will continue to be subject to significant changes in market values, particularly during periods of stock market increases, as in 1972, and during times of market uncertainty and decline, such as during 1973 and 1974. Although the securities in this account have shown market gains during the recovery that began in 1975, these stocks have not experienced the acceptance evidenced by the higher yielding shares in the income share account.

The assets in the fixed return account, established on July 1, 1974, are listed in Schedule XI. Unit valuations do not change; they are arbitrarily set at \$5.00 per unit. The return from this fund is based entirely upon the rate of interest received from the bonds purchased in the account.

Under the provisions of the applicable statutes, the Investment Board establishes an "indicated rate" of return for the coming fiscal year on July 1. On July 1, 1974, this rate was set at 8.50%. The bonds purchased during the fiscal period provided a yield somewhat higher than that anticipated. The participants — then consisting only of individual retirement funds — received 9.10% on all contributions made during the 1975 fiscal year. During fiscal 1976, the plan was broadened in scope to include individuals who wish to participate in a fixed return investment under various retirement or deferred income plans. The return to individual participants was set at 8.9% for those contributions received during the 1976 fiscal year; in July, 1977, the return for individuals was established at 8.3% for 1977 fiscal contributions.

The amounts received from the various retirement organizations were invested at a rate which may, presumably, be applicable for the year of contribution plus an additional nine years. This extended period of "guaranteed" income is due primarily to the "call" and "refund" protection received on the bonds purchased. The participating retirement organizations received 8.8% for a ten-year period on those contributions received during fiscal 1976 and 8.1% for those received in fiscal 1977. The slightly lower rate attributed to the institutional participants is due to the fact that a portion of the income will be set aside in the form of reserves to provide for any possible future diminution of income. Because of the uncertainties in the economy, an assumed rate for the 1978 fiscal year has been established at 7.0%. Participants will be paid a higher rate of return if the securities purchased during the coming year warrant such payments.

There is a substantial amount of interest in the fixed-return account because of the investment uncertainties made evident by the 1973-74 decline in both the stock and bond markets. The idea of a definite interest earnings — with no dependence upon stock or bond market fluctuations — apparently has great appeal to many fund participants. Because of the response to this new account, the assets increased from \$4.2 million to \$8.6 million during the 1977 fiscal year. The significant influx of contributions to this account has resulted in considerable reserves being held in short-term investments. These monies will be placed in securities of longer maturity for which commitments are being made. It is the intent of the investment department that over 40 issues of fixed-income securities comprise the account, so that the fund may be assured of adequate industry diversification. It is emphasized that the bonds purchased are concentrated in the AAA and AA quality levels. This will add to the safety applicable to the fund contributions and should minimize the chance of losses.

#### MINNESOTA VARIABLE ANNUITY FUND

The Minnesota Variable Annuity Fund was advocated prior to the adoption of the "five-high year" plan by the Teachers Retirement Association. The participants received a net return of 5.4500% in fiscal 1971, 9.1670% for fiscal 1972, and 6.2393% for fiscal 1973. During fiscal 1974, the participants suffered a decline of 4.1478%, followed by another decrease of 17.9638% during fiscal 1975, and a decline of 0.0101% for the fiscal year ended June 30, 1976. The laws applicable to valuations and computation of net return dictate that a two-year period be used in calculating increases or decreases to the fund. As has previously been indicated in this report, the stock and bond market "lows" of 1974 were used in these calculations through fiscal 1976. Because the two most recent fiscal years have evidenced higher stock prices, the 1977 fiscal results showed an increase of 15.946%. Cost-to-market ratios already applicable to the June, 1978, computations indicate a probable minor positive net return for the next fiscal year.

Although most variable plans are based entirely on participation in equity investments, the widespread use of this fund and the fluctuations in the stock market since the account's inception have caused the investment department to adopt a policy which includes approximately 25% to 35% in fixed-income investments.

The option for the Variable Annuity was terminated during fiscal 1974. Therefore, the fund will continue only as an investment medium for those teachers who have already chosen to have a portion of their retirement monies invested in accordance with the Variable Annuity concept. The securities in this fund on June 30, 1977, are listed on Schedule XII.

## THE PERMANENT TRUST FUNDS

The State's permanent trust funds showed their greatest rate of growth during the 1940's and 1950's. Until a constitutional amendment was passed in 1956, half of the receipts from the iron ore occupation tax accrued to the principal of the permanent trust funds, which were invested for the benefit of the schools, the University of Minnesota and other state institutions. In recent years, the entire receipts from this tax have been applied directly toward meeting the State's current educational needs.

During the years immediately following the adoption of the constitutional amendment, long-term low-coupon U.S. Treasury bonds were sold from the Permanent School Fund, with the proceeds being invested in higher-yielding corporate securities. In accordance with this amendment, corporate bonds were purchased to the approximate maximum of 40% of the fund. During the past several years, however, mortgage-backed securities guaranteed by the U.S. Government and issued through private organizations in cooperation with the Government National Mortgage Association have offered a yield comparable to, or greater than, that received from corporate bonds of similar quality. These mortgage-backed securities were purchased during the summer months of 1974 at yields as high as 10.14%. Because of the lack of inflow of new cash into this fund, the gradual return of principal offered by this type of investment has been very attractive; we have thus been able to maintain a cash flow for current investment needs.

Arrangements between the State Board of Investment and the Minnesota Banker's Association have resulted in a program through which the Permanent School Fund has purchased those portions of Small Business Administration loans which are guaranteed by the United States Government. These loans are arranged through various banks in Minnesota and are "pooled" through the facilities of the Summit State Bank of Richfield. This program, initiated through the cooperation of the Governor, the State Treasurer and the Minnesota Banker's Association, appears to offer a unique opportunity to achieve a satisfactory yield and an adequate cash flow to this permanent trust fund. It also marks a unique opportunity for following prudent investment principles in achieving an appropriate yield, while aiding the development of businesses in Minnesota.

Because of the comparative attractiveness of United States Government-backed securities, the corporate bond portfolio has been reduced to 28.9% of the book value of the Permanent School Fund; it is anticipated that the holdings of high-quality debt securities will be increased as more appropriate yield spreads become prevalent. United States Government and Government-guaranteed obligations constitute 47.3% of the book value of this account; common stock investments are maintained near the 20% limit.

Schedule XIII indicates that the investment changes have resulted in an increase in net yield from 2.68% during the late 1950's to 5.63% during the 1977 fiscal year. A marked increase in return during the past six years was possible because of the use of United States Government-guaranteed obligations. A portion of the income will be transferred on an annual basis to the principal of the account to replenish the book losses taken through the sale of long-term United States Treasury and corporate fixed-income obligations during the past 16 years.

Schedule XIV lists the securities in the Permanent School Fund on June 30, 1977.

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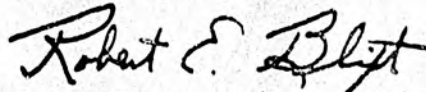
A review of policies concerning the placement of business, together with a summary of transactions completed during the fiscal year from July 1, 1976, through June 30, 1977, follows the schedules described above.

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The investment results achieved in fiscal 1976 and 1977 have been satisfactory. The cooperation and advice received from the members of the State Board of Investment and the Advisory Council on State Trust Funds played a most important part in achieving these results. It is now evident that the funds benefited considerably through the significant purchase program completed during late 1974 and 1975. Considering the size of the fund and varying interest rates, earnings of the Invested Treasurer's Cash Fund have been increased due to the attention given to current bank balances by the Treasurer's and Finance offices.

The many Minnesota investment accounts must be managed under widely different investment policies and procedures. The Advisory Council has been of great help in determining the objectives for the various funds. It is hoped that each of these investment accounts may be managed for the lasting benefit to all of Minnesota — both the retirement beneficiaries and the State's citizens.

Respectfully submitted,



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

## SCHEDULE I

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

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

June 30, 1977

Security	Invested Treasurer's Cash Fund	HIGHWAY FUNDS			Miscellaneous Departmental Funds
		Trunk	County State Aid	Municipal State Aid	
<b>SHORT-TERM CORPORATE NOTES</b>					
Maturity less than 30 days	\$103,500,000	\$ 16,166,000	\$17,861,000	\$ 6,056,000	-
Maturity 30-270 days	54,000,000	15,700,000	10,350,000	7,135,000	-
<b>Total Short-Term Corporate Notes</b>	<b>\$157,500,000</b>	<b>\$ 31,866,000</b>	<b>\$28,211,000</b>	<b>\$13,191,000</b>	<b>-</b>
<b>U.S. TREASURY SECURITIES AND GOVERNMENT AGENCY SECURITIES</b>					
<b>Bills</b>					
Maturity less than 30 days	-	\$ 7,400,000	\$ 425,000	\$ 1,500,000	-
Maturity 30-90 days	\$ 1,225,000	-	1,700,000	-	\$ 3,950,000
Maturity 3-6 Months	-	-	2,050,000	2,050,000	76,915,000
Maturity 6-12 Months	-	-	-	-	575,000
<b>Total Bills</b>	<b>\$ 1,225,000</b>	<b>\$ 2,490,000</b>	<b>\$ 3,675,000</b>	<b>\$ 3,560,000</b>	<b>\$ 31,390,000</b>
<b>Repurchase Agreements</b>					
Maturity less than 30 days	\$ 67,100,000	\$ 19,500,000	\$ 6,967,000	\$ 300,000	\$ 20,081,000
Maturity 30-45 days	-	5,200,000	-	-	500,000
<b>Total Repurchase Agreements</b>	<b>\$ 67,100,000</b>	<b>\$ 24,700,000</b>	<b>\$ 6,967,000</b>	<b>\$ 300,000</b>	<b>\$ 20,581,000</b>
<b>Government Agency Securities</b>					
Maturity less than 30 days	\$ 66,100,000	\$ 4,000,000	\$ 7,000,000	\$ 4,000,000	\$ 14,000,000
Maturity 30-90 days	8,800,000	12,400,000	6,400,000	4,000,000	28,270,000
Maturity 91-180 days	119,775,000	2,500,000	9,000,000	7,000,000	32,000,000
Maturity 6 months-1 year	23,000,000	5,000,000	8,000,000	7,950,000	25,000,000
Maturity over 1 year	8,000,000	1,000,000	2,000,000	2,000,000	20,035,000
<b>Total Government Agency Securities</b>	<b>\$225,675,000</b>	<b>\$ 27,900,000</b>	<b>\$32,400,000</b>	<b>\$24,950,000</b>	<b>\$119,388,000</b>
<b>Federal Housing Administration Certificates</b>					
8.00% River Crossing Apartments due 11-30-78	\$ 647,142	-	-	-	-
<b>Total Federal Housing Administration Certificates</b>	<b>\$ 647,142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Government National Mortgage Association, Guaranteed Mortgage Backed Securities</b>					
6.50% IDS Mortgage Corp. due 9-15-88 - 1168	-	\$ 175,000	-	-	-
6.50% IDS Mortgage Corp. due 10-15-88 - 1169	-	300,000	-	-	-
6.50% IDS Mortgage Corp. due 5-15-80 - 2790	-	1,075,000	-	-	-
6.50% IDS Mortgage Corp. due 6-15-90 - 2791	-	1,275,000	-	-	-
6.50% IDS Mortgage Corp. due 7-15-90 - 2424	-	-	\$ 1,325,000	-	-
<b>Total Government National Mortgage Association, Guaranteed Mortgage Backed Securities</b>	<b>-</b>	<b>\$ 2,775,000</b>	<b>\$ 1,325,000</b>	<b>-</b>	<b>-</b>
<b>U.S. Government-Guaranteed Obligations</b>					
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	-	4,984,552	998,155	1,498,518	-
6.45% SEOCO Maritime, Inc., due 12-31-77	-	1,500,000	500,000	500,000	-
<b>Total U.S. Government Guaranteed Obligations</b>	<b>-</b>	<b>\$ 11,484,552</b>	<b>\$ 2,498,155</b>	<b>\$ 2,998,518</b>	<b>-</b>
<b>U.S. Treasury Notes and Bonds</b>					
8.75% Notes due 8-31-77	\$ 5,000,000	-	-	-	-
8.125% Notes due 9-30-77	5,000,000	-	\$ 3,000,000	\$ 1,200,000	-
7.25% Notes due 12-31-77	3,000,000	-	1,670,000	1,000,000	\$ 3,014,000
6.375% Notes due 1-31-78	5,000,000	-	-	-	-
6.25% Notes due 2-15-78	-	-	-	-	123,000
7.125% Notes due 5-15-78	-	-	-	-	60,000
7.875% Notes due 5-15-78	15,000,000	-	-	-	40,000
7.125% Notes due 5-31-78	6,000,000	-	-	-	-
<b>Total Maturities less than 1 year</b>	<b>\$ 39,000,000</b>	<b>-</b>	<b>\$ 4,670,000</b>	<b>\$ 2,200,000</b>	<b>\$ 3,268,000</b>
6.875% Notes due 7-31-78	\$ 8,000,000	-	-	-	-
6.625% Notes due 8-31-78	5,000,000	-	-	-	-
6.25% Notes due 9-30-78	-	-	\$ 660,000	-	-
5.875% Notes due 10-31-78	-	-	-	-	\$ 35,000
6.00% Notes due 11-15-78	-	\$ 2,000,000	3,000,000	\$ 1,000,000	77,000
5.25% Notes due 12-31-78	-	-	-	-	15,000
5.875% Notes due 2-28-79	10,000,000	-	-	-	-
6.00% Notes due 3-31-79	7,250,000	-	-	-	215,000
6.125% Notes due 5-31-79	-	-	-	-	11,000,000
6.875% Notes due 8-15-79	8,000,000	2,000,000	2,000,000	3,000,000	-
6.25% Notes due 8-15-79	-	-	-	-	196,000
7.00% Notes due 11-15-79	-	-	-	-	13,000
6.50% Notes due 2-15-80	5,000,000	-	-	-	40,000
4.00% Notes due 2-15-80	-	-	-	-	28,500
6.875% Notes due 5-15-80	-	-	-	-	2,000
<b>Total Maturities 1-3 years</b>	<b>\$ 43,250,000</b>	<b>\$ 4,000,000</b>	<b>\$ 5,660,000</b>	<b>\$ 4,000,000</b>	<b>\$ 11,671,500</b>

Security	Invested Treasurer's Cash Fund	HIGHWAY FUNDS			Miscellaneous Departmental Funds
		Trunk	County State Aid	Municipal State Aid	
9.00% Notes due 8-15-80	-	-	-	-	\$ 49,000
3.16% Bonds due 11-15-80	-	-	-	-	5,000
7.75% Notes due 11-15-81	-	-	-	-	7,000
6.375% Bonds due 7-15-82	-	-	-	-	9,000
<b>Total Maturities 3-5 years</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 70,000</b>
7.875% Notes due 11-15-82	-	-	-	-	\$ 34,000
8.00% Notes due 2-15-83	-	-	-	-	2,000
3.25% Bonds due 6-15-83	-	-	-	-	50,500
6.375% Bonds due 8-15-84	-	-	-	-	74,000
4.25% Bonds due 5-15-85	-	-	-	-	19,000
7.875% Notes due 5-15-86	-	-	-	-	245,000
8.00% Notes due 8-15-86	-	-	-	-	90,000
<b>Total Maturities 5-10 years</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 514,500</b>
3.50% Bonds due 11-15-98	-	-	-	-	\$ 50,000
<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>\$ 82,250,000</b>	<b>\$ 4,000,000</b>	<b>\$10,290,000</b>	<b>\$ 6,200,000</b>	<b>\$ 15,524,000</b>
<b>Total U.S. Treasury, Government Agency, and Government Guaranteed Securities</b>					
	<b>\$376,897,142</b>	<b>\$ 73,349,552</b>	<b>\$57,155,155</b>	<b>\$38,008,518</b>	<b>\$186,883,000</b>
<b>Total Short-Term Corporate Notes and U.S. Government Obligations Held By Various Funds</b>					
	<b>\$534,397,142</b>	<b>\$105,215,552</b>	<b>\$25,366,155</b>	<b>\$51,199,518</b>	<b>\$186,883,000</b>

Note: "The above mentioned short-term corporate notes and U.S. Government obligations total \$163,961,367.00. If the short-term corporate notes and U.S. Treasury and agency securities investments owned by the retirement funds and Permanent School Fund are included, a total of \$1,056,940,367.00 face value of investment securities were managed by the Money Market Securities Division of the Investment Department on June 30, 1977."

## SCHEDULE II

### MINNESOTA ADJUSTABLE FIXED BENEFIT FUND

June 30, 1977

#### RESUME OF ASSETS IN ACCOUNT

CASH CERTIFIED FOR INVESTMENT	\$ 74,419.45
MONEY MARKET SECURITIES	
Bills	
Maturities up to 28 days	\$ 3,435,000.00
Repurchase Agreements	
Maturities up to 7 days	\$ 20,000,000.00
Short-Term Corporate Notes	
Maturities up to 153 days	\$ 12,263,000.00
UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS (See Listing Below)	\$ 56,953,927.70
UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (See Listing Below)	\$ 3,000,000.00
CANADIAN GOVERNMENTAL OBLIGATIONS (See Listing Below)	\$ 27,760,000.00
CORPORATE BOND OBLIGATIONS (See Listing Below)	\$261,629,876.75
CONVERTIBLE DEBENTURES (See Listing Below)	\$ 5,294,275.00
DEFERRED YIELD ADJUSTMENT ACCOUNT*	\$ 5,416,754.24
COMMON STOCKS (See Listing Below)	\$361,626,177.97
<b>TOTAL ASSETS IN ACCOUNT</b> <small>(for actuarial purposes, not indicative of true market value)</small>	<b>\$757,647,530.87</b>

\* This account signifies an amount equal to the discount at which fixed income securities have been sold at least 1% amortized cost; the entire amount is being accumulated over a term equal to the average maturity of the bonds in it.

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



Schedule II continued

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>RAILROAD EQUIPMENT OBLIGATIONS</b>					
ACI Industries, Inc.	Equipment Trust Cert.	03 01-1987/91	9 000	9 000	\$ 3,000
Canadian Pacific, Ltd.	Equipment Trust Cert.	02 01-1978/83	8 500	8 500	4,479
Canadian Pacific, Ltd.	Equipment Trust Cert.	01 15-1982/97	8 625	8 625	5,000
Chesapeake & Ohio Railway	Conditional Sale Agree.	07 01-1977/01 01-1990	8 500	8 500	2,660
Flying Tiger Corp.	Equipment Trust Cert.	09 01-1977	4 650	4 650	75
Flying Tiger Corp.	Equipment Trust Cert.	09 01-1977/78	4 650	4 650	75
Ironville & Nashville	Conditional Sale Agree.	10 20-1982/84	9 000	9 000	4,876
Norfolk & Western Railway	Conditional Sale Agree.	10 01-1977/84	8 875	8 875	1,600
St. Louis San Francisco Railway	Conditional Sale Agree.	01 15-1978/95	9 375	9 375	1,374
Seaboard Coast Line Railroad	Conditional Sale Agree.	10 10-1987/04 01-1992	9 000	9 000	2,714
Southern Pacific Trans.	Conditional Sale Agree.	03 01-1982/91	9 500	9 500	2,804
Union Tank Car	Equipment Trust Cert.	12-15-1982/95	9 500	9 500	4,000
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>					<b>8.941% \$ 31,954</b>
<b>TOTAL CORPORATE OBLIGATIONS</b>					<b>0.092% \$261,829</b>
<b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>					<b>8.159% \$349,539</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
 (b) Column may not add, due to rounding.

**CONVERTIBLE DEBENTURE HOLDINGS**  
 June 30, 1977

Issue	Face Amount Held	Total Cost	Market Price	Total Market Value
Pepsi Corporation, Limited, 4 7/8% Convertible Subordinated Debentures, due 1-15-94	\$1,000,000.00	\$ 605,610.00	73.3/4	\$ 737,500.00
Radio Corporation of America, 4 1/2% Convertible Subordinated Debentures, due 8-1-92	3,500,000.00	2,683,550.00	77 5/8	2,716,875.00
Sherwin-Williams Co., 6 1/4% Convertible Subordinated Debentures, due 3-1-95	2,000,000.00	1,912,915.00	97	1,840,000.00
<b>TOTALS</b>	<b>\$6,500,000.00</b>	<b>\$5,202,075.00</b>		<b>\$5,294,375.00</b>

**COMMON STOCK HOLDINGS**

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market	
<b>UTILITIES</b>					
<b>ELECTRIC</b>					
Commonwealth Edison Company	113,000	\$ 30.88	\$ 3,488,875.00	7.08%	
Florida Power & Light Company	133,300	27.13	3,615,762.50		
Houston Industries Incorporated	97,600	33.89	3,306,200.00		
Middle South Utilities Incorporated	183,800	16.50	1,032,700.00		
Minnesota Power & Light Company	20,000	22.75	445,000.00		
Northern States Power Company (Miss.)	124,500	28.75	3,579,375.00		
Pacific Gas and Electric Company	25,300	24.00	2,281,200.00		
Texas Utilities Company	170,000	21.50	3,655,000.00		
Virginia Electric and Power Company	194,700	15.13	2,948,023.50		
<b>Total Electric</b>			<b>\$ 26,591,137.50</b>		
<b>NATURAL GAS</b>					
Houston Natural Gas Corporation	80,000	\$ 32.25	\$ 2,580,000.00		
Panhandle Eastern Pipe Line Company	100,000	48.88	4,897,500.00		
Peoples Gas Company	35,000	50.75	1,776,250.00		
<b>Total Natural Gas</b>			<b>\$ 9,243,750.00</b>	2.56%	
<b>COMMUNICATIONS</b>					
American Telephone & Telegraph Company	205,000	\$ 63.50	\$ 13,017,500.00	5.31%	
General Telephone & Electronics Company	190,000	32.50	6,175,000.00		
<b>Total Communications</b>			<b>\$ 19,192,500.00</b>		
<b>TOTAL UTILITIES</b>					<b>14.95%</b>
<b>FINANCIAL SERVICES</b>					
<b>BANKS</b>					
BankAmerica Corporation	167,000	\$ 24.25	\$ 4,049,750.00	5.71%	
Citicorp	144,400	27.38	3,952,950.00		
First Bank System Incorporated	97,400	36.63	3,567,275.00		
First International Bancshares, Inc.	49,500	40.88	2,023,317.50		
Huntington Bancorporation	178,000	24.13	4,294,200.00		
Security Pacific Corporation	94,175	29.56	2,798,594.75		
<b>Total Banks</b>			<b>\$ 20,686,537.75</b>		
<b>FINANCE</b>					
Horseshoe Finance Corporation	108,000	\$ 19.88	\$ 2,147,040.00	0.78%	
Mutual Investment Corporation	45,000	15.88	714,150.00		
<b>Total Finance</b>			<b>\$ 2,861,190.00</b>		
<b>INSURANCE</b>					
Aetna Life & Casualty Company	62,000	\$ 37.25	\$ 2,309,500.00	5.06%	
Connecticut General Insurance Corporation	64,700	54.38	3,518,062.50		
Jefferson Pilot Corporation	55,500	30.13	1,671,937.50		
Northwestern National Life Insurance Co.	110,600	21.50	2,377,900.00		
SAFECO Corporation	74,400	47.13	3,506,100.00		
The St. Paul Companies, Inc.	134,200	36.38	4,881,525.00		
<b>Total Insurance</b>			<b>\$ 18,265,025.00</b>		
<b>TOTAL FINANCIAL SERVICES</b>					<b>11.56%</b>

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market		
<b>CONSUMER ORIENTED</b>						
<b>AUTOS - AUTO PARTS</b>						
Ford Motor Company	85,000	\$ 46.88	\$ 3,984,375.00	4.25%		
General Motors Corporation	77,600	69.38	5,383,500.00			
General Parts Company	90,800	33.88	3,075,850.00			
Goodyear Tire & Rubber Company (The)	147,500	20.13	2,968,437.50			
<b>Total Autos - Auto Parts</b>			<b>\$ 15,412,162.50</b>			
<b>CONSUMER DURABLES</b>						
Sears-Roebuck & Co. (The)	90,000	\$ 23.50	\$ 2,115,000.00		1.13%	
Whirlpool Corporation	80,100	74.50	1,967,450.00			
<b>Total Consumer Durables</b>			<b>\$ 4,072,450.00</b>			
<b>CONSUMER NONDURABLES</b>						
Avon Products Inc.	92,900	\$ 50.50	\$ 4,691,450.00	5.31%		
Eastman Kodak Company	60,300	59.50	3,587,850.00			
Minnesota Mining and Manufacturing Co.	81,000	49.38	3,999,375.00			
Procter & Gamble Company (The)	42,000	80.13	3,365,250.00			
Revlon, Incorporated	86,000	41.25	3,547,500.00			
<b>Total Consumer Nondurables</b>			<b>\$ 19,191,425.00</b>			
<b>CONSUMER MISCELLANEOUS</b>						
Disney (Walt) Productions	45,955	\$ 36.88	\$ 1,694,590.63		1.24%	
Holiday Inns Incorporated	34,800	14.13	491,550.00			
McDonald's Corporation	50,000	46.00	2,300,000.00			
<b>Total Consumer Miscellaneous</b>			<b>\$ 4,486,140.63</b>			
<b>DRUGS</b>						
American Home Products Corporation	89,800	\$ 28.75	\$ 2,581,750.00	4.30%		
Johnson & Johnson	35,000	70.63	2,471,875.00			
Meadwestco, Inc.	48,100	25.63	1,232,562.50			
Merk & Co., Inc.	45,900	55.75	2,558,925.00			
Pfizer Incorporated	95,200	26.00	2,475,200.00			
Schering Plough Corporation	56,000	36.38	2,037,000.00			
Warner Lambert Company	76,000	28.63	2,175,500.00			
<b>Total Drugs</b>			<b>\$ 15,532,812.50</b>			
<b>FOODS BEVERAGES</b>						
CPC International, Inc.	62,000	\$ 50.75	\$ 3,115,500.00	5.21%		
Coca Cola Company (The)	100,000	37.25	3,725,000.00			
General Foods Corporation	117,100	33.38	3,908,212.50			
General Mills, Incorporated	105,000	29.50	3,097,500.00			
Kraft, Inc.	31,600	49.13	1,552,350.00			
Norton Simon, Incorporated	118,943	17.75	2,111,238.25			
PepsiCo, Inc.	60,000	22.50	1,350,000.00			
<b>Total Foods Beverages</b>			<b>\$ 18,859,800.75</b>			
<b>RETAIL SALES</b>						
Federated Department Stores, Incorporated	85,000	\$ 37.00	\$ 3,145,000.00	3.59%		
K mart Corporation	47, 27	28.50	1,343,119.50			
Penny (J.C.) Company, Incorporated	89,400	34.33	3,117,825.00			
Sears, Roebuck and Company	60,000	58.00	3,480,000.00			
Southland Corporation (The)	79,800	21.63	1,855,275.00			
<b>Total Retail Sales</b>			<b>\$ 12,971,219.50</b>			
<b>TOTAL CONSUMER ORIENTED</b>					<b>25.01%</b>	
<b>TECHNOLOGY</b>						
<b>ELECTRONICS</b>						
Hewlett Packard Company	37,000	\$ 79.60	\$ 2,927,000.00	0.81%		
<b>OFFICE EQUIPMENT</b>						
Burroughs Corporation	60,400	\$ 62.38	\$ 3,767,450.00	8.20%		
Control Data Corporation	24,000	21.63	752,250.00			
Digital Equipment Corporation	72,300	46.88	3,389,062.50			
Honeywell, Inc.	47,777	53.88	2,572,925.88			
International Business Machines Corporation	62,000	264.00	16,368,000.00			
Xerox Corporation	57,850	48.75	2,820,187.50			
<b>Total Office Equipment</b>			<b>\$ 29,855,519.88</b>			
<b>TOTAL TECHNOLOGY</b>					<b>6.01%</b>	
<b>BASIC INDUSTRY</b>						
<b>AEROSPACE</b>						
Boeing Company (The)	60,000	\$ 57.88	\$ 3,472,800.00	2.34%		
United Technologies Corporation	125,000	40.00	5,000,000.00			
<b>Total Aerospace</b>			<b>\$ 8,472,800.00</b>			
<b>BUILDING &amp; FOREST PRODUCTS</b>						
Georgia Pacific Corporation	58,559	\$ 31.25	\$ 1,861,218.75	2.56%		
Masonite Corporation	109,000	17.00	1,853,000.00			
Owens Corning Fiberglas Corporation	41,000	67.13	2,752,125.00			
Weyerhaeuser Company	78,300	35.63	2,789,437.50			
<b>Total Building &amp; Forest Products</b>			<b>\$ 9,255,781.25</b>			
<b>CHEMICALS</b>						
Air Products and Chemicals, Incorporated	91,800	\$ 24.25	\$ 2,226,150.00	3.23%		
Dow Chemical Company (The)	50,000	34.13	1,706,500.00			
DuPont de Nemours and Company	25,000	110.00	2,750,000.00			
Hercules Incorporated	110,000	18.38	2,021,900.00			
Monsanto Company	20,000	42.88	857,600.00			
Union Carbide Corporation	74,000	62.88	4,652,350.00			
<b>Total Chemicals</b>			<b>\$ 13,826,542.50</b>			
<b>ELECTRICAL EQUIPMENT</b>						
Emerson Electric Co.	92,252	\$ 24.38	\$ 2,259,125.76		3.29%	
General Electric Company	93,000	56.50	5,254,500.00			
Goodyear Inc.	112,500	31.33	3,517,800.00			
<b>Total Electrical Equipment</b>			<b>\$ 11,031,375.00</b>			
<b>MACHINERY</b>						
Caterpillar Tractor Co.	67,500	\$ 57.75	\$ 3,887,125.00			

Schedule II continued

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market
Clark Equipment Company	40,000	39.75	1,590,000.00	
Combustion Engineering, Incorporated	55,000	62.13	3,416,875.00	
Trans Union Corporation	75,100	37.75	2,835,075.00	
<b>Total Machinery</b>			<b>\$ 11,740,025.00</b>	<b>3.25%</b>
<b>METALS</b>				
Aluminum Company of America	52,000	\$ 53.00	\$ 2,756,000.00	
Pittston Company (The)	100,169	28.88	2,897,379.88	
St. Joe Minerals Corporation	88,000	34.13	3,001,000.00	
<b>Total Metals</b>			<b>\$ 8,651,379.88</b>	<b>2.39%</b>
<b>PAPER</b>				
International Paper Company	50,000	\$ 51.50	\$ 2,575,000.00	
Union Camp Corporation	35,000	54.75	1,916,750.00	
<b>Total Paper</b>			<b>\$ 4,491,750.00</b>	<b>1.24%</b>
<b>MISCELLANEOUS</b>				
Corning Glass Works	35,100	\$ 67.38	\$ 2,385,075.00	
International Telephone & Telegraph Corp.	78,400	35.88	2,812,600.00	
<b>Total Miscellaneous</b>			<b>\$ 5,197,675.00</b>	<b>1.44%</b>
<b>TOTAL BASIC INDUSTRY</b>			<b>\$ 73,570,434.63</b>	<b>20.34%</b>
<b>ENERGY</b>				
<b>OIL-DOMESTIC</b>				
Atlantic Richfield Company	109,000	\$ 60.50	\$ 6,594,500.00	
Continental Oil Company (Del.)	80,000	33.88	2,710,000.00	
Marathon Oil Company	64,000	52.63	3,368,000.00	
Phillips Petroleum Company	148,000	31.00	4,588,000.00	
Standard Oil Company (Indiana)	107,700	53.75	5,788,875.00	
Standard Oil Company (The) (Ohio)	20,000	88.75	1,775,000.00	
<b>Total Oil-Domestic</b>			<b>\$ 24,824,375.00</b>	<b>6.87%</b>

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market
<b>OIL-INTERNATIONAL</b>				
Exxon Corporation	205,000	\$ 53.50	\$ 10,967,500.00	
Gulf Oil Corporation	145,000	28.00	4,060,000.00	
Standard Oil Company of California	120,000	41.75	5,010,000.00	
Texasco Inc.	138,300	29.13	4,027,987.50	
<b>Total Oil-International</b>			<b>\$ 24,065,487.50</b>	<b>6.65%</b>
<b>ENERGY-RELATED</b>				
Dresser Industries, Inc.	70,000	\$ 45.75	\$ 3,202,500.00	
Halliburton Company	71,000	66.75	4,739,250.00	
Williams Companies (The)	36,000	23.13	1,088,750.00	
<b>Total Energy-Related</b>			<b>\$ 9,030,500.00</b>	<b>2.51%</b>
<b>TOTAL ENERGY</b>			<b>\$ 56,820,362.50</b>	<b>16.21%</b>
<b>TRANSPORTATION</b>				
<b>AIRLINES</b>				
Northwest Airlines, Incorporated	133,368	\$ 25.25	\$ 3,367,542.00	0.93%
<b>RAILROADS</b>				
Southern Railway Company	63,000	\$ 58.38	\$ 3,677,625.00	
Union Pacific Corporation	56,400	57.25	3,228,900.00	
<b>Total Railroads</b>			<b>\$ 6,906,525.00</b>	
<b>TOTAL TRANSPORTATION</b>			<b>\$ 10,274,067.00</b>	<b>2.84%</b>
<b>TOTAL COMMON STOCKS</b>			<b>\$361,620,177.67*</b>	<b>100.00%</b>

\*Net original cost of equities on June 30, 1977, was \$343,132,965.27.

SCHEDULE III

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS  
IN THE THREE LARGEST RETIREMENT FUNDS  
June 30, 1977

	PUBLIC EMPLOYEES RETIREMENT FUND				STATE EMPLOYEES RETIREMENT FUND				TEACHERS' RETIREMENT FUND			
	Book Value (1,6)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3,6)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (4)
June 30, 1957	\$ 19,301,750				\$ 36,797,000	\$ 34,859,833	\$ 1,016,556.48	2.92%	\$ 31,853,900			
December 31, 1957	\$ 20,588,750				\$ 39,577,500				\$ 34,149,700			
June 30, 1958	\$ 23,625,000	\$ 21,171,833	\$ 614,096.77	2.90%	\$ 39,715,500				\$ 37,242,200	\$ 34,415,267	\$ 1,018,014.26	2.90%
December 31, 1958	\$ 27,515,000				\$ 41,985,500	\$ 40,426,167	\$ 1,225,833.46	3.02%	\$ 42,777,200			
June 30, 1959	\$ 31,563,000	\$ 27,567,557	\$ 880,223.48	3.19%	\$ 44,659,000				\$ 48,523,300	\$ 42,847,567	\$ 1,409,995.45	3.29%
December 31, 1959	\$ 35,414,500				\$ 46,911,500	\$ 44,518,667	\$ 1,378,022.98	3.10%	\$ 54,313,000			
June 30, 1960	\$ 41,548,500	\$ 36,175,300	\$ 1,211,061.33	3.35%	\$ 49,816,500				\$ 55,243,300	\$ 52,693,300	\$ 1,823,482.03	3.46%
December 31, 1960	\$ 46,935,500				\$ 51,967,000	\$ 49,565,000	\$ 1,631,458.61	3.29%	\$ 59,160,300			
June 30, 1961	\$ 54,183,680	\$ 47,555,893	\$ 1,753,679.00	3.69%	\$ 54,499,000				\$ 63,098,540	\$ 59,167,380	\$ 2,140,761.22	3.62%
December 31, 1961	\$ 61,433,745				\$ 56,030,438	\$ 54,432,163	\$ 1,885,692.64	3.46%	\$ 67,775,429			
June 30, 1962	\$ 68,132,958	\$ 61,250,128	\$ 2,340,665.00	3.82%	\$ 59,843,686				\$ 73,187,108	\$ 68,020,359	\$ 2,587,612.53	3.80%
December 31, 1962	\$ 75,195,593				\$ 62,517,119	\$ 59,730,414	\$ 2,168,821.46	3.63%	\$ 77,813,737			
June 30, 1963	\$ 81,436,890	\$ 74,921,814	\$ 2,990,070.00	3.99%	\$ 65,432,932				\$ 82,930,550	\$ 77,997,152	\$ 3,011,190.37	3.86%
December 31, 1963	\$ 92,347,700				\$ 68,922,451	\$ 65,624,167	\$ 2,466,205.57	3.76%	\$ 88,480,685			
June 30, 1964	\$ 96,311,091	\$ 90,031,894	\$ 3,613,002.65	4.01%	\$ 72,100,574				\$ 96,529,180	\$ 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	3.84%	\$ 100,413,219			
June 30, 1965	\$ 110,234,100	\$ 103,404,373	\$ 4,332,536.65	4.06%	\$ 79,128,448				\$ 109,221,619	\$ 102,054,673	\$ 4,124,491.25	4.04%
December 31, 1965	\$ 120,809,744				\$ 83,578,973	\$ 79,397,685	\$ 3,104,510.00	3.91%	\$ 113,680,813			
June 30, 1966	\$ 126,016,044	\$ 119,034,099	\$ 4,961,041.08	4.17%	\$ 87,477,671				\$ 122,392,368	\$ 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%	\$ 97,375,985				\$ 141,805,453	\$ 131,018,351	\$ 5,553,970.00	4.24%
December 31, 1967	\$ 155,763,172				\$ 103,557,821	\$ 97,714,870	\$ 4,103,671.00	4.20%	\$ 150,865,701			
June 30, 1968	\$ 158,378,261	\$ 152,553,771	\$ 6,670,948.32	4.37%	\$ 110,073,169				\$ 182,931,787	\$ 160,534,214	\$ 7,057,374.94	4.40%
December 31, 1968	\$ 177,587,167				\$ 117,517,899	\$ 110,382,963	\$ 4,792,374.00	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 (1,8)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3,8)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (4)
June 30, 1969 <sup>(7)</sup>	\$198,774,684	\$178,740,714	\$ 8,087,078.73	4.57%	\$171,331,000				\$213,781,373	\$196,378,751	\$ 9,037,190.00	4.60%
July 1, 1969 <sup>(8)</sup>	\$158,760,588				\$103,331,909				\$193,781,373			
December 31, 1969 <sup>(7)</sup>	\$165,049,959				\$102,604,272	\$114,484,713	\$5,001,736.00	4.37%	\$195,982,623			
June 30, 1970	\$169,853,573	\$164,554,706 <sup>(9)</sup>	\$ 7,662,334.32	4.66%	\$ 97,283,570	\$101,073,270 <sup>(9)</sup>	\$4,504,934.00 <sup>(10)</sup>	4.46%	\$196,291,329	\$195,354,108 <sup>(9)</sup>	\$ 9,121,447.52	4.67%
December 31, 1970	\$182,469,105				\$102,940,417				\$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	\$10,394,556.77	4.82%
December 31, 1971	\$215,397,783				\$115,613,762				\$237,806,108			
June 30, 1972	\$235,121,349	\$216,883,656	\$11,436,490.83	5.27% <sup>(11)</sup>	\$122,880,191	\$116,694,447	\$5,962,135.03	5.11% <sup>(11)</sup>	\$270,163,035	\$245,694,851	\$12,847,901.01	5.23% <sup>(11)</sup>
December 31, 1972	\$252,126,109				\$128,806,667				\$284,498,463			
June 29, 1973	\$273,046,696	\$254,798,887	\$14,551,663.44	5.71% <sup>(12)</sup>	\$137,205,300	\$131,240,981	\$7,162,365.90	5.46% <sup>(12)</sup>	\$316,053,836	\$292,401,786	\$16,356,914.07	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	\$19,412,083.53	6.08% <sup>(13)</sup>
December 31, 1974	\$334,570,948				\$146,138,047				\$342,430,164			
June 30, 1975	\$361,246,511	\$338,578,130	\$18,269,672.38	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	\$17,700,237.24	5.14% <sup>(14)</sup>
December 31, 1975	\$386,284,485				\$159,830,045				\$378,807,003			
June 30, 1976	\$419,494,658	\$392,240,328	\$20,824,777.11	5.31% <sup>(15)</sup>	\$175,741,657	\$166,671,562	\$7,885,551.18	4.73% <sup>(15)</sup>	\$400,948,006	\$382,701,609	\$19,085,633.30	4.99% <sup>(15)</sup>
December 31, 1976	\$452,320,559				\$190,646,104				\$433,593,429			
June 30, 1977	\$489,471,372	\$457,765,516	\$26,310,580.65	5.75% <sup>(15)</sup>	\$206,605,963	\$194,256,348	\$10,010,057.00	5.15% <sup>(15)</sup>	\$458,263,666	\$436,393,569	\$23,231,478.69	5.32% <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 and 1977 includes the February 23, 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 and 1977.

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%	5.53%	5.71%
1977	6.14%	5.86%	6.02%





Schedule IV continued

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Public State Teachers'			Total Amount (000) (b)
					Employees Retirement Fund (000) (b)	Employees Retirement Fund (000) (b)	Retirement Fund (000) (b)	
Louisville & Nashville	Conditional Sale Agree	10 20 1983/ 04 20 1992	8.375	8.375	2,383	1,121	2,383	5,887
N.Y. Central Railroad	Equipment Trust Cert.	10 01 2013	4.500	4.510	-	20	-	20
Norfolk & Western Ry.	Conditional Sale Agree	08 01 1977/ 83	7.250	7.250	420	350	630	1,400
St. Louis San Francisco Ry.	Conditional Sale Agree	01 01 1978/ 83	6.750	6.750	-	240	360	600
St. Louis San Francisco Ry.	Conditional Sale Agree	12 15 1977/ 83	7.750	7.750	373	-	376	700
Southern Pacific Co.	Conditional Sale Agree	01 01 1978/ 84	7.625	7.625	540	700	490	1,740
Southern Pacific Trans.	Conditional Sale Agree	10 01 1978/ 92	8.250	8.250	1,200	850	1,200	3,250

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Public State Teachers'			Total Amount (000) (b)	
					Employees Retirement Fund (000)	Employees Retirement Fund (000)	Retirement Fund (000)		
Union Tank Car	Equipment Trust Cert.	12 15 1982/ 95	9.500	9.500	3,000	-	3,000	5,900	
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>					<b>8.488%</b>	<b>\$ 16,650</b>	<b>\$ 6,528</b>	<b>\$ 21,748</b>	<b>\$ 44,926</b>
<b>TOTAL CORPORATE OBLIGATIONS</b>					<b>8.026%</b>	<b>\$158,145</b>	<b>\$76,896</b>	<b>\$177,276</b>	<b>\$412,318</b>
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>					<b>8.037%</b>	<b>\$202,438</b>	<b>\$97,304</b>	<b>\$218,305</b>	<b>\$518,047</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date  
(b) Columns may not add, due to rounding.

\*Purchased 1930-1951

COMMON STOCK HOLDINGS

Common Stock	Total Shares	Market Price 6-30-77	Public Employees Retirement Fund		State Employees Retirement Fund		Teachers' Retirement Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value	Shares	Market Value		
<b>UTILITIES</b>										
<b>ELECTRIC</b>										
Central and South West Corporation	139,400	\$ 16.13	55,400	\$ 893,325.00	26,000	\$ 419,250.00	58,000	\$ 935,250.00	\$ 2,247,825.00	
Cincinnati Gas & Electric Company (The)	65,000	24.75	28,000	693,000.00	12,000	297,000.00	25,000	618,750.00	1,608,750.00	
Commonwealth Edison Company	114,272	30.88	46,862	1,446,864.25	24,371	750,910.88	43,089	1,330,372.88	3,528,148.01	
Florida Power & Light Company	144,400	27.13	51,600	1,399,650.00	29,400	797,475.00	63,400	1,719,725.00	2,916,850.00	
Houston Industries Incorporated	86,600	13.88	29,000	987,375.00	16,500	558,937.50	41,100	1,392,262.50	2,933,575.00	
Middle South Utilities Corporation	173,500	16.50	71,400	1,178,100.00	24,800	491,700.00	72,300	1,192,950.00	2,862,750.00	
Minnesota Power & Light Company	175,000	27.25	40,000	1,090,000.00	25,000	556,250.00	60,000	1,335,000.00	2,981,250.00	
Northern States Power Company (Minn.)	111,500	28.75	47,500	1,365,625.00	22,000	632,500.00	48,000	1,380,000.00	3,378,125.00	
Pacific Gas and Electric Company	67,400	24.00	27,000	648,000.00	11,000	264,000.00	29,400	705,600.00	1,617,600.00	
Public Service Company of Indiana, Inc.	152,000	29.25	60,500	1,769,625.00	26,500	775,125.00	65,000	1,901,250.00	4,446,000.00	
Southern California Edison Company	69,000	25.13	30,500	766,312.50	13,000	326,625.00	25,500	640,687.50	1,733,625.00	
Southern Company (The)	108,300	17.25	48,300	833,175.00	16,500	284,625.00	43,500	750,375.00	1,868,175.00	
Texas Utilities Company	153,000	21.50	65,000	1,397,500.00	33,000	709,500.00	55,000	1,182,500.00	3,289,500.00	
Virginia Electric and Power Company	97,498	15.13	33,833	511,724.13	19,166	289,885.75	44,499	673,047.38	1,474,657.26	
<b>Total Electric</b>				<b>\$ 14,775,275.88</b>		<b>\$ 7,153,784.13</b>		<b>\$ 15,757,770.26</b>	<b>\$ 37,686,830.27</b>	<b>6.89%</b>
<b>NATURAL GAS</b>										
Houston Natural Gas Corporation	100,000	\$ 32.25	37,000	\$ 1,193,250.00	20,000	\$ 645,000.00	43,000	\$ 1,386,750.00	\$ 3,225,000.00	
Panhandle Eastern Pipe Line Company	151,648	48.88	62,510	3,055,176.25	30,214	1,476,709.25	58,924	2,879,910.50	7,411,796.00	
Peoples Gas Company	59,000	50.75	25,000	1,268,750.00	12,000	609,000.00	22,000	1,116,500.00	2,994,250.00	
<b>Total Natural Gas</b>				<b>\$ 5,517,176.25</b>		<b>\$ 2,730,709.25</b>		<b>\$ 5,383,160.50</b>	<b>\$ 13,613,046.00</b>	<b>2.49%</b>
<b>COMMUNICATIONS</b>										
American Telephone & Telegraph Company	276,720	\$ 63.50	106,710	\$ 6,776,085.00	54,500	\$ 3,460,750.00	115,510	\$ 7,334,885.00	\$ 17,571,720.00	
General Telephone & Electronics Corporation	235,300	32.50	91,300	2,967,250.00	49,000	1,592,500.00	95,000	3,087,500.00	7,647,250.00	
United Telecommunications, Inc.	220,200	20.50	96,200	1,972,100.00	29,000	594,500.00	95,000	1,947,500.00	4,514,100.00	
<b>Total Communications</b>				<b>\$ 11,715,435.00</b>		<b>\$ 5,647,750.00</b>		<b>\$ 12,369,885.00</b>	<b>\$ 29,733,070.00</b>	<b>5.45%</b>
<b>TOTAL UTILITIES</b>				<b>\$ 32,007,887.13</b>		<b>\$ 15,532,243.38</b>		<b>\$ 33,510,815.76</b>	<b>\$ 81,050,946.27</b>	<b>14.83%</b>
<b>FINANCIAL SERVICES</b>										
<b>BANKS</b>										
Citicorp	148,432	\$ 27.38	50,600	\$ 1,385,175.00	28,932	\$ 792,013.50	68,900	\$ 1,886,137.50	\$ 4,063,326.00	
Continental Illinois Corporation	181,777	26.75	87,277	2,334,576.00	28,000	749,000.00	72,000	1,926,000.00	5,009,576.00	
First Bank System, Incorporated	113,500	36.63	49,700	1,820,262.50	19,200	703,200.00	44,600	1,633,475.00	4,156,937.50	
First International Bancshares, Inc.	68,300	40.88	32,300	1,320,262.50	9,400	384,225.00	26,600	1,087,275.00	2,791,762.50	
Manufacturers Hanover Corporation	61,000	37.50	21,500	806,250.00	7,000	262,500.00	32,500	1,218,750.00	2,287,500.00	
J.P. Morgan & Co., Incorporated	63,016	50.38	23,540	1,185,827.50	13,176	663,741.00	26,300	1,324,862.50	3,174,431.00	
Northwest Bancorporation	167,400	24.13	60,000	1,447,500.00	34,400	829,900.00	73,000	1,761,125.00	4,038,525.00	
Security Pacific Corporation	75,609	29.56	25,886	765,267.82	11,721	346,507.92	38,002	1,123,453.13	2,235,228.87	
Valley National Bank of Arizona	90,582	16.63	32,702	543,670.75	15,896	264,271.00	41,984	697,984.00	1,505,925.75	
<b>Total Banks</b>				<b>\$ 11,608,742.07</b>		<b>\$ 4,995,358.42</b>		<b>\$ 12,659,062.13</b>	<b>\$ 29,263,162.62</b>	<b>5.35%</b>
<b>FINANCE</b>										
Beneficial Corporation	101,845	\$ 23.88	31,875	\$ 761,015.63	19,245	\$ 459,474.38	50,725	\$ 1,211,059.38	\$ 2,431,549.39	
Household Finance Corporation	174,500	19.88	71,300	1,417,087.50	28,900	574,387.50	74,300	1,476,712.50	3,468,187.50	
MGIC Investment Corporation	86,800	15.88	34,800	552,450.00	15,000	238,125.00	37,000	587,375.00	1,377,950.00	
<b>Total Finance</b>				<b>\$ 2,730,553.13</b>		<b>\$ 1,271,986.88</b>		<b>\$ 3,275,146.88</b>	<b>\$ 7,277,686.89</b>	<b>1.33%</b>
<b>INSURANCE</b>										
Aetna Life & Casualty Company	129,200	\$ 37.25	46,700	\$ 1,739,575.00	22,500	\$ 838,125.00	60,000	\$ 2,235,000.00	\$ 4,812,700.00	
The Chubb Corporation	70,500	41.50	26,700	1,108,050.00	12,900	535,350.00	30,900	1,282,350.00	2,925,750.00	
Connecticut General Insurance Corporation	49,000	54.38	18,000	978,750.00	8,500	462,187.50	22,500	1,223,437.50	2,664,375.00	
INA Corporation	111,700	45.88	57,000	2,614,875.00	16,700	766,112.50	48,000	1,743,250.00	5,124,237.50	
NLT Corporation	205,600	25.75	86,700	2,232,525.00	38,200	983,650.00	80,700	2,078,025.00	5,294,200.00	
Northwestern National Life Insurance Co.	56,800	21.50	22,100	475,150.00	5,600	120,400.00	29,100	625,650.00	1,221,200.00	
SAFECO Corporation	40,700	47.13	15,800	744,575.00	7,500	353,437.50	17,400	819,975.00	1,917,987.50	
The SC Paul Companies, Inc.	106,900	36.38	37,400	1,360,425.00	17,000	618,375.00	52,500	1,909,687.50	3,888,487.50	
Travelers Corporation (The)	72,400	34.25	24,700	845,975.00	15,500	530,875.00	32,700	1,102,850.00	2,479,700.00	
United States Fidelity & Guaranty Company	72,000	39.38	24,000	945,000.00	16,500	649,687.50	31,500	1,240,312.50	2,835,000.00	
<b>Total Insurance</b>				<b>\$ 13,044,900.00</b>		<b>\$ 5,858,200.00</b>		<b>\$ 14,260,537.50</b>	<b>\$ 33,163,637.50</b>	<b>6.07%</b>
<b>TOTAL FINANCIAL SERVICES</b>				<b>\$ 27,384,195.20</b>		<b>\$ 12,125,545.30</b>		<b>\$ 30,194,746.51</b>	<b>\$ 69,704,487.01</b>	<b>12.75%</b>



Schedule IV continued

Common Stock	Total Shares	Market Price 6/30/77	Public Employees Retirement Fund		State Employees Retirement Fund		Teachers' Retirement Fund		Total Market Value	Total % Market	
			Shares	Market Value	Shares	Market Value	Shares	Market Value			
Uwens Corning Fiberglas Corporation	77,100	67.13	78,100	1,886,217.50	14,000	939,750.00	30,000	2,013,750.00	4,839,717.50		
Weyerhaeuser Company	76,500	35.63	77,000	1,618,475.00	13,400	411,375.00	36,100	1,288,012.50	2,724,312.50		
<b>Total Building &amp; Forest Products</b>				<b>\$ 3,504,692.50</b>		<b>\$ 2,705,000.00</b>		<b>\$ 3,301,762.50</b>	<b>\$ 9,510,465.00</b>	7.55%	
<b>CHEMICALS</b>											
An Products and Chemicals, Incorporated	105,075	\$ 24.25	108,693	\$ 938,305.25	70,686	\$ 501,635.50	45,696	\$ 1,108,128.00	\$ 2,548,068.75		
Dow Chemical Company (The)	83,528	34.13	31,192	1,064,427.00	17,980	613,567.50	34,356	1,172,398.50	2,850,393.00		
du Pont (E.I.) de Nemours and Company	45,500	116.00	19,000	2,204,000.00	9,500	1,102,000.00	17,000	1,972,000.00	5,278,000.00		
Hercules Incorporated	165,000	18.38	68,000	1,249,500.00	27,000	496,125.00	70,000	1,286,250.00	3,031,875.00		
Monsanto Company	45,236	69.88	16,236	1,134,490.50	10,000	698,750.00	19,000	1,327,625.00	3,160,865.50		
Union Carbide Corporation	88,100	48.88	38,000	1,857,250.00	18,100	884,637.50	32,000	1,564,000.00	4,305,887.50		
<b>Total Chemicals</b>				<b>\$ 8,447,972.75</b>		<b>\$ 4,296,715.50</b>		<b>\$ 8,430,401.50</b>	<b>\$ 21,175,089.75</b>		3.87%
<b>ELECTRICAL EQUIPMENT</b>											
Emerson Electric Co.	135,000	\$ 34.38	50,000	\$ 1,718,750.00	25,000	\$ 859,375.00	60,000	\$ 2,062,500.00	\$ 4,640,625.00		
General Electric Company	125,000	56.50	50,000	2,825,000.00	24,000	1,356,000.00	51,000	2,881,500.00	7,067,500.00		
Gould, Inc.	135,000	31.00	55,000	1,705,000.00	25,000	775,000.00	55,000	1,705,000.00	4,185,000.00		
Westinghouse Electric Corporation	63,000	21.50	23,100	496,650.00	12,200	262,300.00	27,700	595,550.00	1,354,500.00		
<b>Total Electrical Equipment</b>				<b>\$ 6,745,400.00</b>		<b>\$ 3,252,675.00</b>		<b>\$ 7,244,550.00</b>	<b>\$ 17,242,625.00</b>		3.15%
<b>MACHINERY</b>											
Caterpillar Tractor Co.	74,600	\$ 57.75	27,100	\$ 1,565,025.00	14,500	\$ 837,375.00	33,000	\$ 1,905,750.00	\$ 4,308,150.00		
Clark Equipment Company	71,100	39.75	27,100	1,077,225.00	15,000	596,250.00	29,000	1,152,750.00	2,826,225.00		
Combustion Engineering, Incorporated	86,000	62.13	40,000	2,485,000.00	16,000	994,000.00	30,000	1,863,750.00	5,342,750.00		
Trans Union Corporation	99,000	37.75	38,000	1,434,500.00	18,000	679,500.00	43,000	1,623,250.00	2,737,250.00		
<b>Total Machinery</b>				<b>\$ 6,561,750.00</b>		<b>\$ 3,107,125.00</b>		<b>\$ 6,545,500.00</b>	<b>\$ 16,214,375.00</b>	2.97%	
<b>METALS</b>											
Aluminum Company of America	63,000	\$ 53.00	23,000	\$ 1,219,000.00	11,000	\$ 583,000.00	29,000	\$ 1,537,000.00	\$ 3,339,000.00		
Pittston Company (The)	119,640	28.88	45,511	1,314,130.13	30,570	882,708.75	43,559	1,257,766.13	3,454,605.01		
St. Joe Minerals Corporation	124,500	34.13	49,000	1,672,125.00	23,000	784,875.00	52,500	1,791,562.50	4,248,562.50		
<b>Total Metals</b>				<b>\$ 4,205,255.13</b>		<b>\$ 2,250,583.75</b>		<b>\$ 4,586,328.63</b>	<b>\$ 11,042,167.51</b>	2.02%	
<b>PAPER</b>											
International Paper Company	83,500	\$ 51.50	33,000	\$ 1,669,500.00	15,500	\$ 798,250.00	35,000	\$ 1,802,500.00	\$ 4,300,250.00		
Union Camp Corporation	55,000	54.25	23,000	1,247,750.00	12,000	651,000.00	20,000	1,085,000.00	2,983,750.00		
<b>Total Paper</b>				<b>\$ 2,917,250.00</b>		<b>\$ 1,449,250.00</b>		<b>\$ 2,887,500.00</b>	<b>\$ 7,284,000.00</b>	1.33%	
<b>TEXTILES</b>											
Burlington Industries, Incorporated	31,200	\$ 24.00	11,200	\$ 268,800.00	7,000	\$ 168,000.00	13,000	\$ 312,000.00	\$ 748,800.00	0.14%	
<b>MISCELLANEOUS</b>											
Corning Glass Works	38,900	\$ 67.38	16,000	\$ 1,078,000.00	7,500	\$ 505,312.50	15,400	\$ 1,037,575.00	\$ 2,620,887.50		
International Telephone & Telegraph Corp.	129,800	35.88	50,600	1,815,275.00	25,600	918,400.00	53,600	1,922,900.00	4,655,575.00		
<b>Total Miscellaneous</b>				<b>\$ 2,893,275.00</b>		<b>\$ 1,423,712.50</b>		<b>\$ 2,960,475.00</b>	<b>\$ 7,277,462.50</b>		1.33%
<b>TOTAL BASIC INDUSTRY</b>				<b>\$ 41,503,059.13</b>		<b>\$ 20,625,074.25</b>		<b>\$ 42,904,755.13</b>	<b>\$105,033,688.51</b>	19.21%	
<b>ENERGY</b>											
<b>OIL-DOMESTIC</b>											
Atlantic Richfield Company	170,000	\$ 60.50	47,000	\$ 2,847,500.00	21,000	\$ 1,270,500.00	52,000	\$ 3,146,000.00	\$ 7,264,000.00		
Continental Oil Company (Udell)	206,200	33.88	81,000	2,743,875.00	35,200	1,192,400.00	90,000	3,048,750.00	6,985,025.00		
Marathon Oil Company	97,000	52.63	38,000	1,999,750.00	21,000	1,105,125.00	38,000	1,999,750.00	5,104,625.00		
Phillips Petroleum Company	234,000	31.00	98,000	3,038,000.00	40,000	1,240,000.00	96,000	2,976,000.00	7,254,000.00		
Standard Oil Company (Indiana)	109,000	53.75	40,000	2,150,000.00	25,900	1,392,125.00	43,100	2,316,625.00	5,858,750.00		
<b>Total Oil-Domestic</b>				<b>\$ 12,775,125.00</b>		<b>\$ 6,200,150.00</b>		<b>\$ 13,487,125.00</b>	<b>\$ 32,462,400.00</b>		5.94%
<b>OIL-INTERNATIONAL</b>											
Exxon Corporation	238,044	\$ 53.50	89,016	\$ 4,762,356.00	44,416	\$ 2,376,256.00	104,612	\$ 5,596,742.00	\$ 12,735,354.00		
Gulf Oil Corporation	205,100	28.00	85,100	2,382,800.00	43,000	1,204,000.00	77,000	2,156,000.00	5,742,800.00		
Mobil Corporation	98,400	68.00	33,800	2,298,400.00	17,800	1,210,400.00	46,800	3,182,400.00	6,691,200.00		
Standard Oil Company of California	176,500	41.75	75,000	3,131,250.00	35,000	1,461,250.00	66,500	2,776,375.00	7,338,875.00		
Texaco Inc.	171,490	29.13	67,100	1,954,287.50	31,040	904,040.00	73,350	2,136,318.75	4,994,646.25		
<b>Total Oil-International</b>				<b>\$ 14,529,093.50</b>		<b>\$ 7,155,946.00</b>		<b>\$ 15,847,835.75</b>	<b>\$ 37,532,875.25</b>		6.87%
<b>ENERGY-RELATED</b>											
Dresser Industries, Inc.	128,000	\$ 45.75	60,000	\$ 2,745,000.00	16,000	\$ 732,000.00	52,000	\$ 2,379,000.00	\$ 5,856,000.00		
Halliburton Company	43,500	66.75	14,000	934,500.00	10,500	700,875.00	19,000	1,268,250.00	2,903,625.00		
Williams Companies (The)	137,000	23.13	53,000	1,225,625.00	26,000	601,250.00	58,000	1,341,250.00	3,168,125.00		
<b>Total Energy-Related</b>				<b>\$ 4,905,125.00</b>		<b>\$ 2,034,125.00</b>		<b>\$ 4,988,500.00</b>	<b>\$ 11,927,750.00</b>		2.18%
<b>TOTAL ENERGY</b>				<b>\$ 32,209,343.50</b>		<b>\$ 15,390,221.00</b>		<b>\$ 34,323,460.75</b>	<b>\$ 81,923,025.25</b>	14.99%	
<b>TRANSPORTATION</b>											
<b>AIRLINES</b>											
Delta Air Lines, Incorporated	55,400	\$ 35.75	18,500	\$ 661,375.00	8,800	\$ 314,600.00	28,100	\$ 1,004,575.00	\$ 1,980,550.00		
Northwest Airlines, Incorporated	92,026	25.25	36,714	927,078.50	16,770	423,442.50	39,142	988,335.50	2,338,806.50		
UAL, Inc.	24,300	20.38	9,000	183,375.00	7,000	142,625.00	8,300	169,112.50	495,112.50		
<b>Total Airlines</b>				<b>\$ 1,771,778.50</b>		<b>\$ 880,667.50</b>		<b>\$ 2,162,023.00</b>	<b>\$ 4,814,469.00</b>	0.88%	
<b>RAILROADS</b>											
Burlington Northern Incorporated	76,800	\$ 50.25	28,000	\$ 1,407,000.00	13,100	\$ 658,275.00	35,700	\$ 1,793,925.00	\$ 3,859,200.00		
Southern Railway Company	39,000	58.38	19,000	1,109,125.00	10,000	583,750.00	10,000	583,750.00	2,276,625.00		
Union Pacific Corporation	88,800	57.25	35,800	2,049,550.00	20,000	1,145,000.00	33,000	1,889,250.00	5,083,800.00		
<b>Total Railroads</b>				<b>\$ 4,565,675.00</b>		<b>\$ 2,387,025.00</b>		<b>\$ 4,266,925.00</b>	<b>\$ 11,219,625.00</b>	2.05%	
<b>TOTAL TRANSPORTATION</b>				<b>\$ 6,337,453.50</b>		<b>\$ 3,267,692.50</b>		<b>\$ 6,428,948.00</b>	<b>\$ 16,034,094.00</b>	2.93%	
<b>TOTAL COMMON STOCKS</b>				<b>\$216,129,464.59<sup>a</sup></b>		<b>\$104,133,708.63<sup>b</sup></b>		<b>\$226,383,751.65<sup>c</sup></b>	<b>\$546,646,930.92<sup>d</sup></b>	100.00%	

a Net original cost of equities on June 30, 1977, was \$203,416,314.91  
 b Net original cost of equities on June 30, 1977, was \$ 99,706,395.33  
 c Net original cost of equities on June 30, 1977, was \$217,482,772.99  
 d Net original cost of equities on June 30, 1977, was \$529,605,483.73

**SCHEDULE V**

**PUBLIC EMPLOYEES  
POLICE AND FIRE FUND  
June 30, 1977**

**RESUME OF ASSETS IN ACCOUNT**

Table with 2 columns: Asset Category and Amount. Categories include CASH CERTIFIED FOR INVESTMENT, MONEY MARKET SECURITIES, CORPORATE BOND OBLIGATIONS, and COMMON STOCKS. Total assets listed as \$66,570,670.63.

\*A negative cash balance indicates purchase of securities prior to fiscal year end for which payment was not made until early July 1977.

\*\*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 AND AGENCY BONDS,  
CANADIAN GOVERNMENTAL OBLIGATIONS  
AND CORPORATE BOND HOLDINGS  
June 30, 1977**

Table with 6 columns: Company, Type of Security, Maturity Date (a), Coupon Rate %, Average Yield %, Total Amount (000) (b). Includes sections for US Government-Guaranteed Obligations, Government National Mortgage Association, Government Guaranteed Merchant Marine Bonds, US Government Agency Obligations, Canadian Governmental Provincial Obligations, and Total Provincial Obligations.

Table with 6 columns: Company, Type of Security, Maturity Date (a), Coupon Rate %, Average Yield %, Total Amount (000) (b).

Table with 6 columns: Company, Type of Security, Maturity Date (a), Coupon Rate %, Average Yield %, Total Amount (000) (b). Includes sections for Corporate Bond Obligations, Public Utility Obligations, Finance Obligations, Industrial Obligations, and Transportation Debt Obligations.

Schedule V continued

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
Louisville & Nashville	Conditional Sale Agree.	10 20-1982/91	9 000	9 000	487
St. Louis San Francisco Railway	Conditional Sale Agree.	01 01-1978/83	6 750	6 750	60
Seaboard Coast Line Railroad	Conditional Sale Agree.	10 01-1982/	9 000	9 000	787
Southern Pacific Co.	Conditional Sale Agree.	03 01-1978/84	7 625	7 625	70
Southern Pacific Trans.	Conditional Sale Agree.	10 01-1978/92	8 250	8 250	350
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>					<b>8.764% \$ 3,680</b>
<b>TOTAL CORPORATE BOND OBLIGATIONS</b>					<b>8.489% \$26,505</b>
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED, AND AGENCY, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>					<b>8.427% \$32,569</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
(b) Column may not add, due to rounding.

SCHEDULE VI

HIGHWAY PATROLMEN'S RETIREMENT FUND  
June 30, 1977

RESUME OF ASSETS IN ACCOUNT

CASH CERTIFIED FOR INVESTMENT	\$ 198.03
<b>MONEY MARKET SECURITIES</b>	
Repurchase Agreements	
Maturities up to 7 days	\$ 392,000.00
Short Term Corporate Notes	
Maturities up to 29 days	\$ 152,000.00
<b>STATE AND LOCAL OBLIGATIONS</b>	\$ 213,000.00
<b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b> (See Listing Below)	\$ 521,476.25
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b> (See Listing Below)	\$ 1,250,000.00
<b>CORPORATE BOND OBLIGATIONS</b> (See Listing Below)	\$ 8,116,193.46
<b>DEFERRED YIELD ADJUSTMENT ACCOUNT*</b>	\$ 121,198.38
<b>COMMON STOCKS</b> (See Listing Below)	\$10,394,419.26
<b>TOTAL ASSETS IN ACCOUNT</b> (for actuarial purposes; not indicative of true market value)	\$21,160,485.38

\*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, 1977

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>					
<b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, GUARANTEED MORTGAGE BACKED SECURITIES</b>					
Weaver Bros. Inc.	Mtg. Backed Cert.	09-15-2006	8 000	8 260%	\$ 396
<b>GOVERNMENT-GUARANTEED MERCHANT MARINE BONDS</b>					
Moore McCormack Lines	Government Guar. Bond	04 01 1987	5 750	5 750%	125
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>					<b>7.658% \$ 521</b>
<b>CANADIAN GOVERNMENTAL PROVINCIAL OBLIGATIONS</b>					
British Columbia Hydro	Bond	01 15 1996	9 625	9 625	\$ 400
New Brunswick Elec. Power	S/F Debenture	01 01 1978	7 875	7 875	300
Nova Scotia Power Inc.	S/F Debenture	08 01 1972	7 250	7 200	150
Ontario Hydro	Note	01 15 1996	9 500	9 500	100
<b>TOTAL PROVINCIAL OBLIGATIONS</b>					<b>8.874% \$1,250</b>
<b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>					<b>8.874% \$1,250</b>

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>CORPORATE BOND OBLIGATIONS</b>					
<b>PUBLIC UTILITY OBLIGATIONS</b>					
<b>ELECTRIC</b>					
California Electric Power	First Mtg. Bond	05-01-1990	5 125	5 060	\$ 40
Kansas Power & Light	First Mtg. Bond	06 01 2007	8 125	8 168	400
Public Service of Indiana	First Mtg. Bond	01 01 2007	7 525	7 734	320
Rochester Gas & Electric	First Mtg. Bond	07 01 1998	6 700	6 700	50
<b>Total Electric</b>					<b>7.753% \$ 810</b>
<b>GAS</b>					
Louisiana Gas Service	First Mtg. Bond	06 01 1987	4 500	4 400	\$ 50
Transcontinental Gas Pipe Line	First Mtg. Bond	11 01 1987	4 275	4 820	74
<b>Total Gas</b>					<b>4.778% \$ 144</b>
<b>TELEPHONE</b>					
Bell Telephone Co. of Canada	First Mtg. Bond	06 01 2004	9 500	9 500	\$ 400
N. Y. Telephone Co.	Refunding Mtg. Bond	07-15-2003	8 000	8 416	400
<b>Total Telephone</b>					<b>8.958% \$ 800</b>
<b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>					<b>8.058% \$1,754</b>
<b>FINANCE OBLIGATIONS</b>					
CIT Financial Corp.	Debenture	10-01-1996	6 375	6 320	\$ 150
Ford Motor Credit Co.	S/F Debenture	07-15-2000	9 700	9 724	400
Northwest Bancorp.	S/F Debenture	03-15-2003	7 750	7 750	300
Wells Fargo & Co.	Promissory Note	11-01-1995	8 125	8 125	250
<b>TOTAL FINANCE OBLIGATIONS</b>					<b>8.372% \$1,100</b>
<b>INDUSTRIAL OBLIGATIONS</b>					
Aluminum Co. of Canada	S/F Debenture	03-01-1995	9 500	9 370	\$ 150
Atlantic Richfield Co.	Guaranteed Note	07-15-1996	9 250	9 250	400
Crown Zellerbach (S.T.)	General Mtg. Bond	08 01 1991	8 125	8 125	250
FMCC Corp.	S/F Debenture	01-15-2000	9 500	9 600	400
Firestone Tire & Rubber	Debenture	12 01 2001	9 250	9 250	400
Gulf Oil Corp.	First Mtg. Bond	06 15 1993	6 525	6 625	150
MacMillan Bloedel, Ltd.	Debenture	07-01-1992	8 750	8 750	300
Marathon Oil Co.	S/F Debenture	02 01 2000	8 500	8 570	400
Olympic Pipeline Co.	Note	09 01 2001	8 850	8 850	150
Phelps Dodge Corp.	Note	06 31 1985	5 500	5 538	100
Plantation Pipe Line	Guaranteed Note	10 01 2001	7 275	7 275	300
Standard Oil of Calif.	First Pref. Ship. Mtg. Bd.	09 07 1977	7 700	7 700	200
Standard Oil of Calif.	First Pref. Ship. Mtg. Bd.	09 08 1977	7 700	7 700	100
Standard Oil of Calif.	First Pref. Ship. Mtg. Bd.	11 06 1997	7 700	7 700	150
Standard Oil (Indiana)	Debenture	01-15-1992	6 000	6 000	50
Standard Oil (Indiana)	Note	10-01-2000	9 000	9 000	100
Union Oil Co. of Calif.	Note	12 01 1983	6 500	6 500	50
<b>TOTAL INDUSTRIAL OBLIGATIONS</b>					<b>8.579% \$3,891</b>
<b>TRANSPORTATION DEBT OBLIGATIONS</b>					
Atlantic Coast Line RR	First Mtg. Bond	10 01 1955	4 750	4 750	\$ 39
Louisville & Nashville Railroad Co.	Collateral Trust Bond	12 01 1957	4 375	4 950	100
Western Maryland RR	First Mtg. Bond	10 01 1959	4 850	4 850	72
<b>TOTAL TRANSPORTATION DEBT OBLIGATIONS</b>					<b>4.873% \$ 221</b>
<b>RAILROAD EQUIPMENT OBLIGATIONS</b>					
Burlington Northern	Conditional Sale Agree.	05 01 1978/85	8 600	8 600	\$ 223
Chesapeake & Ohio Ry.	Conditional Sale Agree.	03 15 1978	8 750	8 750	195
Chicago, Milwaukee, St. Paul and Pacific Railroad Co.	Conditional Sale Agree.	07 15 1977	6 375	6 375	17
Fruit Growers Express	Equipment Trust Cert.	11 15 1977/81	6 000	6 000	25
Fruit Growers Express	Equipment Trust Cert.	05 15 1978/81	9 750	9 750	80
Illinois Central RR	Conditional Sale Agree.	02 15 1977/81	6 875	6 875	65
Seaboard Coast Line RR	Conditional Sale Agree.	10 01 1982/	9 000	9 000	250
Southern Pacific Trans.	Conditional Sale Agree.	10 01 1978/92	8 250	8 250	150
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>					<b>8.612% \$1,149</b>
<b>TOTAL CORPORATE OBLIGATIONS</b>					<b>8.342% \$8,116</b>
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>					<b>8.373% \$9,887</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
(b) Column may not add, due to rounding.



**SCHEDULE VII**

**HIGHWAY PATROLMEN'S RETIREMENT FUND  
PUBLIC EMPLOYEES POLICE AND FIRE FUND  
COMMON STOCK HOLDINGS  
June 30, 1977**

Common Stock	Total Shares	Market Price 6-30-77	Highway Patrolmen's Retirement Fund		Public Employees Police and Fire Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value		
<b>UTILITIES</b>								
<b>ELECTRIC</b>								
Central and South West Corporation	8,600	\$ 16.13	8,600	\$ 138,675.00	-	-	\$ 138,675.00	
Commonwealth Edison Company	15,000	30.88	4,000	123,500.00	11,000	\$ 339,625.00	463,125.00	
Florida Power & Light Company	17,000	27.13	-	-	17,000	461,125.00	461,125.00	
Houston Industries Incorporated	7,500	33.88	-	-	7,500	254,062.50	254,062.50	
Middle South Utilities, Incorporated	27,100	16.50	7,100	117,150.00	20,000	330,000.00	447,150.00	
Pacific Gas and Electric Company	7,700	24.00	-	-	7,700	184,800.00	184,800.00	
Public Service Company of Indiana, Inc.	6,050	29.25	6,050	176,962.50	-	-	176,962.50	
Southern California Edison Company	10,000	25.13	3,700	92,967.50	6,300	158,287.50	251,250.00	
Southern Company (The)	3,500	17.25	3,500	60,375.00	-	-	60,375.00	
Texas Utilities Company	16,000	21.50	-	-	16,000	344,000.00	344,000.00	
Virginia Electric and Power Company	6,100	15.13	-	-	6,400	96,800.00	96,800.00	
<b>Total Electric</b>				<b>\$ 709,625.00</b>		<b>\$ 2,168,700.00</b>	<b>\$ 2,878,325.00</b>	<b>6.70%</b>
<b>NATURAL GAS</b>								
Houston Natural Gas Corporation	8,900	\$ 32.25	1,600	\$ 51,600.00	7,300	\$ 235,425.00	\$ 287,025.00	
Panhandle Eastern Pipe Line Company	16,500	48.88	4,500	219,937.50	12,000	586,500.00	806,437.50	
<b>Total Natural Gas</b>				<b>\$ 271,537.50</b>		<b>\$ 821,925.00</b>	<b>\$ 1,093,462.50</b>	<b>2.54%</b>
<b>COMMUNICATIONS</b>								
American Telephone & Telegraph Company	22,936	\$ 63.50	4,500	\$ 285,750.00	18,436	\$ 1,170,686.00	\$ 1,456,436.00	
General Telephone & Electronics Corporation	27,500	32.50	9,100	292,500.00	18,500	601,250.00	893,750.00	
<b>Total Communications</b>				<b>\$ 578,250.00</b>		<b>\$ 1,771,936.00</b>	<b>\$ 2,350,186.00</b>	<b>5.47%</b>
<b>TOTAL UTILITIES</b>				<b>\$ 1,559,412.50</b>		<b>\$ 4,762,561.00</b>	<b>\$ 6,321,973.50</b>	<b>14.71%</b>
<b>FINANCIAL SERVICES</b>								
<b>BANKS</b>								
BankAmerica Corporation	7,000	\$ 24.25	7,000	\$ 169,750.00	-	-	\$ 169,750.00	
Citicorp	17,900	27.38	6,000	164,250.00	11,900	325,762.50	490,012.50	
First Bank System, Incorporated	11,300	36.63	-	-	11,300	413,862.50	413,862.50	
Manufacturers Hanover Corporation	12,000	37.50	-	-	12,000	450,000.00	450,000.00	
Northwest Bancorporation	19,800	24.13	6,000	144,750.00	13,800	332,925.00	477,675.00	
Security Pacific Corporation	7,000	29.56	-	-	7,000	206,941.00	206,941.00	
Valley National Bank of Arizona	6,618	16.63	6,618	110,024.25	-	-	110,024.25	
<b>Total Banks</b>				<b>\$ 588,774.25</b>		<b>\$ 1,728,481.00</b>	<b>\$ 2,318,265.25</b>	<b>5.39%</b>
<b>FINANCE</b>								
Beneficial Corporation	13,380	\$ 23.88	4,000	\$ 95,500.00	9,380	\$ 223,947.50	\$ 319,447.50	
MGIC Investment Corporation	12,200	15.88	2,600	41,275.00	9,600	152,400.00	193,675.00	
<b>Total Finance</b>				<b>\$ 136,775.00</b>		<b>\$ 376,347.50</b>	<b>\$ 513,122.50</b>	<b>1.19%</b>
<b>INSURANCE</b>								
Aetna Life & Casualty Company	15,000	\$ 37.25	4,000	\$ 149,000.00	11,000	\$ 409,750.00	\$ 558,750.00	
INA Corporation	8,400	45.88	-	-	8,400	385,350.00	385,350.00	
NLT Corporation	30,100	25.75	7,700	198,275.00	22,400	576,800.00	775,075.00	
Northwestern National Life Insurance Co.	8,200	21.50	2,000	43,000.00	6,200	133,300.00	176,300.00	
The St. Paul Companies, Inc.	13,000	36.38	5,000	181,875.00	8,000	291,000.00	472,875.00	
<b>Total Insurance</b>				<b>\$ 572,150.00</b>		<b>\$ 1,798,200.00</b>	<b>\$ 2,368,350.00</b>	<b>5.51%</b>
<b>TOTAL FINANCIAL SERVICES</b>				<b>\$ 1,297,699.25</b>		<b>\$ 3,802,038.50</b>	<b>\$ 5,199,737.75</b>	<b>12.09%</b>
<b>CONSUMER-ORIENTED</b>								
<b>AUTOS - AUTO PARTS</b>								
Ford Motor Company	10,375	\$ 46.88	3,125	\$ 146,484.38	7,250	\$ 339,843.75	\$ 486,328.13	
General Motors Corporation	9,700	69.38	2,300	159,562.50	7,400	513,375.00	672,937.50	
Genuine Parts Company	8,700	33.88	2,700	91,462.50	6,000	203,250.00	294,712.50	
Goodyear Tire & Rubber Company (The)	10,000	20.13	-	-	10,000	201,250.00	201,250.00	
<b>Total Autos - Auto Parts</b>				<b>\$ 397,509.38</b>		<b>\$ 1,257,718.75</b>	<b>\$ 1,855,228.13</b>	<b>3.85%</b>
<b>CONSUMER DURABLES</b>								
Whirlpool Corporation	18,000	\$ 24.50	5,000	\$ 122,500.00	14,000	\$ 343,000.00	\$ 465,500.00	<b>1.09%</b>
<b>CONSUMER NONDURABLES</b>								
Avon Products, Inc.	14,500	\$ 50.50	4,500	\$ 227,250.00	10,000	\$ 505,000.00	\$ 732,250.00	
Colgate-Palmolive Company	16,000	24.75	5,000	123,750.00	11,000	272,250.00	396,000.00	
Eastman Kodak Company	6,800	59.50	1,800	107,100.00	5,000	297,500.00	404,600.00	
Minnesota Mining and Manufacturing Co.	11,000	49.38	2,500	123,437.50	8,500	419,687.50	543,125.00	
Procter & Gamble Company (The)	4,000	80.13	-	-	4,000	320,500.00	320,500.00	
<b>Total Consumer-Nondurables</b>				<b>\$ 581,537.50</b>		<b>\$ 1,814,937.50</b>	<b>\$ 2,396,475.00</b>	<b>5.57%</b>
<b>CONSUMER MISCELLANEOUS</b>								
Disney (Walt) Productions	9,599	\$ 36.88	2,835	\$ 104,540.63	6,764	\$ 249,422.50	\$ 353,963.13	
Holiday Inns, Incorporated	8,800	14.13	3,100	43,787.50	5,700	80,517.50	124,300.00	
McDonald's Corporation	8,200	46.00	2,000	92,000.00	6,200	285,200.00	377,200.00	
<b>Total Consumer Miscellaneous</b>				<b>\$ 240,328.13</b>		<b>\$ 615,135.00</b>	<b>\$ 655,463.13</b>	<b>1.99%</b>

Schedule VII continued

Common Stock	Total Shares	Market Price 6-30-77	Highway Patrolmen's Retirement Fund		Public Employees Police and Fire Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value		
<b>DRUGS</b>								
American Home Products Corporation	11,500	\$ 28.75	-	-	11,500	\$ 330,625.00	\$ 330,625.00	
Johnson & Johnson	4,700	70.63	-	-	4,700	331,937.50	331,937.50	
Medtronic, Inc.	8,000	25.63	3,000	\$ 76,875.00	5,000	128,125.00	205,000.00	
Merck & Co., Inc.	8,600	55.75	2,000	122,650.00	6,600	356,800.00	479,450.00	
Pfizer Incorporated	10,100	76.00	6,000	130,000.00	11,100	288,600.00	418,600.00	
Schering Plough Corporation	3,000	36.30	3,000	109,125.00	-	-	109,125.00	
<b>Total Drugs</b>				<b>\$ 438,650.00</b>		<b>\$ 1,438,087.50</b>	<b>\$ 1,874,737.50</b>	<b>4.37%</b>
<b>FOODS-BEVERAGES</b>								
CPC International, Inc.	14,000	\$ 50.25	4,000	\$ 201,000.00	10,000	\$ 502,500.00	\$ 703,500.00	
Consolidated Foods Corporation	16,000	25.88	-	-	16,000	414,000.00	414,000.00	
General Mills Incorporated	14,900	29.50	2,900	85,550.00	12,000	354,000.00	439,550.00	
Norton Simon, Incorporated	8,124	17.75	-	-	8,124	144,201.00	144,201.00	
PepsiCo, Inc.	22,500	22.50	6,000	135,000.00	16,500	371,250.00	506,250.00	
Pillsbury Company (The)	3,500	38.25	3,500	133,875.00	-	-	133,875.00	
<b>Total Foods-Beverages</b>				<b>\$ 555,425.00</b>		<b>\$ 1,785,951.00</b>	<b>\$ 2,341,376.00</b>	<b>5.45%</b>
<b>PRINTING-PUBLISHING</b>								
Donnelly (R.R.) and Sons Company	8,859	\$ 24.25	-	-	8,859	\$ 214,830.75	\$ 214,830.75	0.50%
<b>RETAIL SALES</b>								
Federated Department Stores, Incorporated	8,700	\$ 37.00	-	-	8,700	\$ 321,900.00	\$ 321,900.00	
Panney (J.C.) Company, Incorporated	12,800	34.88	3,800	\$ 132,525.00	9,000	313,875.00	446,400.00	
Sears, Roebuck and Company	9,000	58.00	3,000	174,000.00	6,000	348,000.00	522,000.00	
Southland Corporation (The)	18,364	23.63	4,154	98,138.25	14,210	335,711.25	433,849.50	
<b>Total Retail Sales</b>				<b>\$ 404,663.25</b>		<b>\$ 1,319,486.25</b>	<b>\$ 1,724,149.50</b>	<b>4.01%</b>
<b>TOTAL CONSUMER-ORIENTED</b>								
				<b>\$ 2,740,613.26</b>		<b>\$ 8,787,146.75</b>	<b>\$11,527,760.01</b>	<b>26.82%</b>
<b>TECHNOLOGY</b>								
<b>ELECTRONICS</b>								
Hewlett Packard Company	1,700	\$ 79.00	-	-	1,700	\$ 134,300.00	\$ 134,300.00	0.31%
<b>OFFICE EQUIPMENT</b>								
Burroughs Corporation	9,000	\$ 62.38	2,500	\$ 155,937.50	6,500	\$ 405,437.50	\$ 561,375.00	
Control Data Corporation	4,000	21.63	-	-	4,000	86,500.00	86,500.00	
Honeywell, Inc.	4,800	53.88	-	-	4,800	258,600.00	258,600.00	
International Business Machines Corporation	8,150	264.00	2,000	528,000.00	6,150	1,623,600.00	2,151,600.00	
Xerox Corporation	6,100	48.75	2,400	117,000.00	3,700	180,375.00	297,375.00	
<b>Total Office Equipment</b>				<b>\$ 800,937.50</b>		<b>\$ 2,554,512.50</b>	<b>\$ 3,355,450.00</b>	<b>7.61%</b>
<b>TOTAL TECHNOLOGY</b>								
				<b>\$ 800,937.50</b>		<b>\$ 2,688,812.50</b>	<b>\$ 3,489,750.00</b>	<b>8.12%</b>
<b>BASIC INDUSTRY</b>								
<b>AEROSPACE</b>								
Boeing Company (The)	5,000	\$ 57.88	-	-	5,000	\$ 289,375.00	\$ 289,375.00	
United Technologies Corporation	13,000	40.00	5,000	\$ 200,000.00	8,000	320,000.00	520,000.00	
<b>Total Aerospace</b>				<b>\$ 200,000.00</b>		<b>\$ 609,375.00</b>	<b>\$ 809,375.00</b>	<b>1.88%</b>
<b>BUILDING &amp; FOREST PRODUCTS</b>								
Owens Corning Fiberglas Corporation	10,000	\$ 67.13	2,000	\$ 134,250.00	8,000	\$ 597,412.50	\$ 731,662.50	
Weyerhaeuser Company	10,000	35.63	3,200	114,000.00	7,500	267,187.50	381,187.50	
<b>Total Building &amp; Forest Products</b>				<b>\$ 248,250.00</b>		<b>\$ 864,600.00</b>	<b>\$ 1,112,850.00</b>	<b>2.59%</b>
<b>CHEMICALS</b>								
Air Products and Chemicals, Incorporated	11,363	\$ 24.25	-	-	11,363	\$ 275,552.75	\$ 275,552.75	
Dow Chemical Company (The)	4,000	34.13	4,000	\$ 136,500.00	-	-	136,500.00	
du Pont (E.I.) de Nemours and Company	4,660	116.00	600	69,600.00	4,060	470,960.00	540,560.00	
Hercules Incorporated	22,500	18.38	4,500	82,687.50	18,000	330,750.00	413,437.50	
Monsanto Company	4,500	69.88	-	-	4,500	314,437.50	314,437.50	
Union Carbide Corporation	3,500	48.88	3,500	171,062.50	-	-	171,062.50	
<b>Total Chemicals</b>				<b>\$ 459,850.00</b>		<b>\$ 1,391,700.25</b>	<b>\$ 1,851,550.25</b>	<b>4.31%</b>
<b>ELECTRICAL EQUIPMENT</b>								
Emerson Electric Co.	15,000	\$ 34.38	5,500	\$ 189,062.50	9,500	\$ 326,562.50	\$ 515,625.00	
General Electric Company	6,200	56.50	-	-	6,200	350,300.00	350,300.00	
Gould, Inc.	15,500	31.00	4,000	124,000.00	11,500	356,500.00	480,500.00	
Westinghouse Electric Corporation	3,200	21.50	-	-	3,200	68,800.00	68,800.00	
<b>Total Electrical Equipment</b>				<b>\$ 313,062.50</b>		<b>\$ 1,102,162.50</b>	<b>\$ 1,415,225.00</b>	<b>3.28%</b>
<b>MACHINERY</b>								
Caterpillar Tractor Co.	2,250	\$ 57.75	-	-	2,250	\$ 129,937.50	\$ 129,937.50	
Clark Equipment Company	7,600	39.75	2,100	\$ 83,475.00	5,500	218,625.00	302,100.00	
Combustion Engineering, Incorporated	7,000	62.13	-	-	7,000	434,875.00	434,875.00	
Trans Union Corporation	11,000	37.75	5,000	188,750.00	6,000	226,500.00	415,250.00	
<b>Total Machinery</b>				<b>\$ 272,225.00</b>		<b>\$ 1,009,937.50</b>	<b>\$ 1,282,162.50</b>	<b>2.98%</b>
<b>METALS</b>								
Aluminum Company of America	5,200	\$ 53.00	1,400	\$ 74,200.00	3,800	\$ 201,400.00	\$ 275,600.00	
Pittston Company (The)	18,818	28.88	4,434	128,031.75	14,384	415,338.00	543,369.75	
<b>Total Metals</b>				<b>\$ 202,231.75</b>		<b>\$ 616,738.00</b>	<b>\$ 818,969.75</b>	<b>1.91%</b>
<b>PAPER</b>								
International Paper Company	6,500	\$ 51.50	1,500	\$ 77,250.00	5,000	\$ 257,500.00	\$ 334,750.00	
Union Camp Corporation	4,000	54.25	1,000	54,250.00	3,000	162,750.00	217,000.00	
<b>Total Paper</b>				<b>\$ 131,500.00</b>		<b>\$ 420,250.00</b>	<b>\$ 551,750.00</b>	<b>1.26%</b>

Schedule VII continued

Common Stock	Total Shares	Market Price 6-30-77	Highway Patrolmen's Retirement Fund		Public Employees Police and Fire Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value		
<b>MISCELLANEOUS</b>								
Corning Glass Works	3,800	\$ 67.38	1,000	\$ 67,375.00	2,800	\$ 188,650.00	\$ 256,025.00	
International Telephone & Telegraph Corp.	9,200	35.88	2,200	78,925.00	7,000	251,125.00	330,050.00	
<b>Total Miscellaneous</b>				<b>\$ 146,300.00</b>		<b>\$ 439,775.00</b>	<b>\$ 586,075.00</b>	<b>1.38%</b>
<b>TOTAL BASIC INDUSTRY</b>								
				<b>\$ 1,873,419.25</b>		<b>\$ 8,454,538.25</b>	<b>\$ 8,427,957.50</b>	<b>19.60%</b>
<b>ENERGY</b>								
<b>OIL-DOMESTIC</b>								
Continental Oil Company (Del.)	18,000	\$ 33.88	5,000	\$ 169,375.00	13,000	\$ 440,375.00	\$ 609,750.00	
Marathon Oil Company	9,800	57.63	1,800	94,725.00	8,000	421,000.00	515,725.00	
Phillips Petroleum Company	32,000	31.00	8,000	248,000.00	24,000	744,000.00	992,000.00	
Standard Oil Company (Indiana)	14,100	53.75	4,100	220,375.00	10,000	537,500.00	757,875.00	
<b>Total Oil-Domestic</b>				<b>\$ 732,475.00</b>		<b>\$ 2,142,875.00</b>	<b>\$ 2,875,350.00</b>	<b>6.69%</b>
<b>OIL-INTERNATIONAL</b>								
Exxon Corporation	20,700	\$ 53.50	7,700	\$ 411,950.00	13,000	\$ 695,500.00	\$ 1,107,450.00	
Gulf Oil Corporation	15,000	28.00	-	-	15,000	420,000.00	420,000.00	
Mobil Corporation	9,600	68.00	5,100	346,800.00	4,500	306,000.00	652,800.00	
Standard Oil Company of California	12,000	41.75	-	-	12,000	501,000.00	501,000.00	
Texaco Inc.	11,500	29.13	-	-	11,500	334,937.50	334,937.50	
<b>Total Oil-International</b>				<b>\$ 758,750.00</b>		<b>\$ 2,257,437.50</b>	<b>\$ 3,016,187.50</b>	<b>7.02%</b>
<b>ENERGY-RELATED</b>								
Compass Industries, Inc.	8,500	\$ 45.75	2,500	\$ 114,375.00	6,000	\$ 274,500.00	\$ 388,875.00	
Halliburton Company	2,500	66.75	-	-	2,500	166,875.00	166,875.00	
Williams Companies (The)	16,500	23.13	5,500	127,187.50	11,000	254,375.00	381,562.50	
<b>Total Energy-Related</b>				<b>\$ 241,562.50</b>		<b>\$ 695,750.00</b>	<b>\$ 937,312.50</b>	<b>2.18%</b>
<b>TOTAL ENERGY</b>								
				<b>\$ 1,732,787.50</b>		<b>\$ 5,096,062.50</b>	<b>\$ 6,828,850.00</b>	<b>15.89%</b>
<b>TRANSPORTATION</b>								
<b>AIRLINES</b>								
Delta Air Lines, Incorporated	2,600	\$ 35.75	1,100	\$ 39,325.00	1,500	\$ 53,625.00	\$ 92,950.00	
Northwest Airlines, Incorporated	7,900	25.25	2,700	68,175.00	5,200	131,300.00	199,475.00	
UAL, Inc.	1,500	20.38	-	-	1,500	30,562.50	30,562.50	
<b>Total Airlines</b>				<b>\$ 107,500.00</b>		<b>\$ 215,487.50</b>	<b>\$ 322,987.50</b>	<b>0.75%</b>
<b>RAILROADS</b>								
Burlington Northern Incorporated	6,300	\$ 50.25	1,800	\$ 90,450.00	4,500	\$ 226,125.00	\$ 316,575.00	
Southern Railway Company	3,200	58.38	-	-	3,200	186,800.00	186,800.00	
Union Pacific Corporation	6,400	57.25	1,600	91,600.00	4,800	274,800.00	366,400.00	
<b>Total Railroads</b>				<b>\$ 182,050.00</b>		<b>\$ 687,725.00</b>	<b>\$ 869,775.00</b>	<b>2.02%</b>
<b>TOTAL TRANSPORTATION</b>								
				<b>\$ 289,550.00</b>		<b>\$ 903,712.50</b>	<b>\$ 1,192,762.50</b>	<b>2.77%</b>
<b>TOTAL COMMON STOCKS</b>								
				<b>\$10,394,419.25<sup>a</sup></b>		<b>\$32,594,372.00<sup>b</sup></b>	<b>\$42,988,791.25<sup>c</sup></b>	<b>100.00%</b>

a Net original cost of equities on June 30, 1977, was \$10,079,121.24.  
 b Net original cost of equities on June 30, 1977, was \$31,839,264.54.  
 c Net original cost of equities on June 30, 1977, was \$41,919,385.78.

SCHEDULE VIII

JUDGES RETIREMENT FUND  
 June 30, 1977

RESUME OF ASSETS IN ACCOUNT

CASH CERTIFIED FOR INVESTMENT	\$ 416.20
MONEY MARKET SECURITIES	
Repurchase Agreements Maturities up to 29 days	\$ 104,000.00
UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS (See Listing Below)	\$ 290,878.57
UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (See Listing Below)	\$ 175,000.00
CORPORATE BOND OBLIGATIONS (See Listing Below)	\$ 900,000.00
DEFERRED YIELD ADJUSTMENT ACCOUNT*	\$ 17,071.00
COMMON STOCKS (See Listing Below)	\$ 26,167.50
<b>TOTAL ASSETS IN ACCOUNT</b> (On actuarial purposes, not indicative of true market value)	<b>\$1,729,786.27</b>

\*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 AND AGENCY BONDS,  
 AND CORPORATE BOND HOLDINGS  
 June 30, 1977

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>					
<b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, GUARANTEED MORTGAGE BACKED SECURITIES</b>					
Weaver Bros. Inc.	Mtg. Backed Cert.	09-15-2006	8.000	8.260%	\$ 148
<b>GOVERNMENT GUARANTEED MERCHANT MARINE BOND</b>					
Puget Sound Tug & Barge	Government Guar. Bond	02-15-2001	9.125	9.125%	\$ 142
<b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b>					
				<b>8.603%</b>	<b>\$ 290</b>
<b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>					
Federal Home Loan Bank	Bond	02-26-1979	9.450	9.450	\$ 100
Federal Home Loan Bank	Bond	11-26-1979	8.150	8.150	75
<b>TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>					
				<b>8.603%</b>	<b>\$ 175</b>
<b>CORPORATE BOND OBLIGATIONS</b>					
<b>PUBLIC UTILITY OBLIGATIONS</b>					
<b>ELECTRIC</b>					
Pacific Gas & Electric	First & Ref. Mtg. Bond	08-01-1985	9.500	9.577%	\$ 100
<b>TELEPHONE</b>					
Southern Bell Telephone & Telegraph Co.	Debenture	03-15-2013	7.625	7.699%	\$ 100
<b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>					
				<b>8.630%</b>	<b>\$ 200</b>
<b>FINANCE OBLIGATIONS</b>					
Northwest Bancorporation	Note	09-15-1986	7.875	7.897	\$ 100
<b>INDUSTRIAL OBLIGATIONS</b>					
Atlantic Richfield Co.	Guaranteed Note	07-01-1996	9.250	9.250	\$ 100
du Pont (E. I.) de Nemours	Debenture	11-01-2004	8.150	8.895	100

Schedule VIII continued

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)		
Exxon Pipeline Company	S/F Bond	10-15-2000	8.875	8.899	100		
Ford Motor Co.	Debenture	07-15-1994	9.250	9.294	100		
Olympic Pipeline Co.	Note	09-01-2001	8.850	8.850	100		
<b>TOTAL INDUSTRIAL OBLIGATIONS</b>					<b>9.038%</b>	<b>\$ 500</b>	
<b>RAILROAD EQUIPMENT OBLIGATIONS</b>							
Canadian Pacific, Ltd.	Equipment Trust Cert.	01-15-1983/92	8.625	8.625%	\$ 100		
<b>TOTAL CORPORATE OBLIGATIONS</b>					<b>8.998%</b>	<b>\$ 900</b>	
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED AND CORPORATE OBLIGATIONS</b>						<b>8.817%</b>	<b>\$1,385</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
(b) Column may not add, due to rounding.

COMMON STOCK HOLDINGS

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market
<b>UTILITIES</b>				
<b>ELECTRIC</b>				
Northern States Power Company (Minn.)	300	\$ 28.75	\$ 8,625.00	
Texas Utilities Company	400	21.50	8,600.00	
<b>Total Electric</b>			<b>\$ 17,225.00</b>	<b>6.46%</b>
<b>NATURAL GAS</b>				
Panhandle Eastern Pipe Line Company	200	\$ 48.88	\$ 9,775.00	3.66%
<b>COMMUNICATIONS</b>				
American Telephone & Telegraph Company	300	\$ 63.50	\$ 19,050.00	7.14%
<b>TOTAL UTILITIES</b>			<b>\$ 46,050.00</b>	<b>17.26%</b>
<b>CONSUMER ORIENTED CONSUMER DURABLES</b>				
Sunbeam Corporation	300	\$ 23.50	\$ 7,050.00	2.64%
<b>CONSUMER NONDURABLES</b>				
Eastman Kodak Company	100	\$ 59.50	\$ 5,950.00	
Minnesota Mining and Manufacturing Company	200	49.38	9,875.00	
<b>Total Consumer-Nondurables</b>			<b>\$ 15,825.00</b>	<b>5.93%</b>
<b>DRUGS</b>				
Schering-Plough Corporation	100	\$ 36.38	\$ 3,637.50	1.36%
<b>FOODS-BEVERAGES</b>				
CPC International, Inc.	200	\$ 50.25	\$ 10,050.00	
Coca-Cola Company (The)	200	37.25	7,450.00	
<b>Total Foods-Beverages</b>			<b>\$ 17,500.00</b>	<b>6.56%</b>
<b>RETAIL SALES</b>				
Federated Department Stores, Incorporated	100	\$ 37.00	\$ 3,700.00	
Penny (J.C.) Company, Incorporated	200	34.88	6,975.00	
<b>Total Retail Sales</b>			<b>\$ 10,675.00</b>	<b>4.00%</b>
<b>TOTAL CONSUMER ORIENTED</b>			<b>\$ 54,687.50</b>	<b>20.49%</b>
<b>TECHNOLOGY</b>				
<b>OFFICE EQUIPMENT</b>				
International Business Machines Corporation	100	\$264.00	\$ 26,400.00	9.90%
<b>TOTAL TECHNOLOGY</b>			<b>\$ 26,400.00</b>	<b>9.90%</b>
<b>BASIC INDUSTRY</b>				
<b>AEROSPACE</b>				
Boeing Company (The)	200	\$ 57.88	\$ 11,575.00	4.34%
<b>BUILDING &amp; FOREST PRODUCTS</b>				
Georgia-Pacific Corporation	102	\$ 31.25	\$ 3,187.50	1.19%
<b>CHEMICALS</b>				
Dow Chemical Company (The)	300	\$ 34.13	\$ 10,237.50	3.84%
<b>ELECTRICAL EQUIPMENT</b>				
General Electric Company	300	\$ 56.50	\$ 16,950.00	
Gould, Inc.	300	31.00	9,300.00	
<b>Total Electrical Equipment</b>			<b>\$ 26,250.00</b>	<b>9.85%</b>
<b>METALS</b>				
Aluminum Company of America	200	\$ 53.00	\$ 10,600.00	3.97%
<b>TOTAL BASIC INDUSTRY</b>			<b>\$ 61,850.00</b>	<b>23.19%</b>
<b>ENERGY</b>				
<b>U.S. DOMESTIC</b>				
Atlantic Richfield Company	400	\$ 60.50	\$ 24,200.00	
Continental Oil Company (The)	200	55.88	11,175.00	
<b>Total U.S. Domestic</b>			<b>\$ 35,375.00</b>	<b>11.81%</b>
<b>OIL INTERNATIONAL</b>				
Exxon Corporation	400	\$ 51.50	\$ 20,600.00	7.82%
<b>ENERGY-RELATED</b>				
Dresser Industries, Inc.	300	\$ 45.75	\$ 13,725.00	5.15%
<b>TOTAL ENERGY</b>			<b>\$ 69,700.00</b>	<b>24.78%</b>

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market
<b>TRANSPORTATION RAILROADS</b>				
Southern Railway Company	200	\$ 58.38	\$ 11,675.00	4.38%
<b>TOTAL TRANSPORTATION</b>			<b>\$ 11,675.00</b>	<b>4.38%</b>
<b>TOTAL COMMON STOCKS</b>			<b>\$268,762.50</b>	<b>100.00%</b>

\*Net original cost of equities on June 30, 1977, was \$241,658.81

SCHEDULE IX

SUPPLEMENTAL RETIREMENT FUND -  
INCOME SHARE ACCOUNT  
June 30, 1977

RESUME OF ASSETS IN ACCOUNT

CASH CERTIFIED FOR INVESTMENT*	\$ (144,003.25)
<b>MONEY MARKET SECURITIES</b>	
Bill:	
Maturities up to 98 days	\$ 635,000.00
Repurchase Agreements	
Maturities up to 7 days	\$ 311,000.00
<b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b> (See Listing Below)	
	\$ 1,689,796.24
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b> (See Listing Below)	
	\$ 4,500,000.00
<b>CORPORATE BOND OBLIGATIONS</b> (See Listing Below)	
	\$19,043,395.67
<b>COMMON STOCKS (See Listing Below)</b>	
	\$27,834,831.25
<b>TOTAL ASSETS IN ACCOUNT</b>	<b>\$53,870,019.91</b>

\*A negative cash balance indicates purchase of securities prior to fiscal year end for which payment was not made until early July 1977.

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, 1977

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>					
<b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, GUARANTEED MORTGAGE-BACKED SECURITIES</b>					
Nebraska Federal	Mtg. Backed Cert.	12-15-2006	8.000	8.183	\$ 996
Weaver Bros. Inc.	Mtg. Backed Cert.	09-15-2006	8.000	8.260	693
<b>TOTAL GOVERNMENTAL NATIONAL MORTGAGE ASSOCIATION, GUARANTEED MORTGAGE-BACKED SECURITIES</b>				<b>8.215%</b>	<b>\$ 1,689</b>
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>				<b>8.215%</b>	<b>\$ 1,689</b>
<b>CANADIAN GOVERNMENTAL PROVINCIAL OBLIGATIONS</b>					
British Columbia Hydro	Bond	07-15-1996	9.625	9.625	\$ 800
Manitoba Hydro Electric Board	Debenture	10-15-1997	7.650	7.650	500
New Brunswick Electric Power	S F Debenture	04-01-1998	7.375	7.875	500
Nova Scotia Power Comm.	S F Debenture	07-15-1993	8.125	8.150	800
Ontario Hydro	Note	03-15-1996	9.500	9.500	800
Ontario, Province of	Debenture	05-15-2001	7.850	7.850	300
Ontario, Province of	Debenture	12-15-2002	7.300	7.300	500
<b>TOTAL PROVINCIAL OBLIGATIONS</b>				<b>8.433%</b>	<b>\$ 4,500</b>
<b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>				<b>8.433%</b>	<b>\$ 4,500</b>
<b>CORPORATE BOND OBLIGATIONS</b>					
<b>PUBLIC UTILITY OBLIGATIONS</b>					
<b>GAS</b>					
Minnesota Gas Company	Debenture	11-15-1981	9.250	9.357%	\$ 250
<b>TELEPHONE</b>					
Bell Telephone Co. of Canada	First Mtg. Bond	06-01-2004	9.100	9.100	\$ 300
N. Y. Telephone Co.	Refunding Mtg. Bond	07-15-2008	8.000	8.000	300
<b>Total Telephone</b>				<b>9.082%</b>	<b>\$ 1,600</b>
<b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>				<b>8.176%</b>	<b>\$ 2,400</b>

# Schedule IX continued

Company	Type of Security	Maturity Date (a)	Compst. Rate %	Average Yield %	Total Amount (000) (b)	
<b>FINANCE OBLIGATIONS</b>						
Drexel (John) Credit	Debenture	04-30-1998	7.500	7.540	\$ 500	
Ford Motor Credit Co.	Debenture	04-01-1999	8.700	8.917	800	
Ford Motor Credit Co.	S/F Debenture	07-15-2000	9.700	9.724	800	
Honeywell Finance Inc.	S/F Debenture	12-15-1998	8.200	8.367	800	
Northwest Bancorporation	S/F Debenture	03-15-2003	7.750	7.750	800	
Northwest Bancorporation	Note	09-15-1986	7.875	7.892	800	
Wells Fargo & Co.	Promissory Note	11-01-1998	8.125	8.125	800	
<b>TOTAL FINANCE OBLIGATIONS</b>				<b>8.375%</b>	<b>\$ 5,300</b>	
<b>INDUSTRIAL OBLIGATIONS</b>						
Aluminum Co. of Canada	S/F Debenture	03-01-1995	9.500	9.694	\$ 800	
Athletic Richfield Co.	Guaranteed Note	07-15-1996	9.250	9.250	800	
Citic Service Gas Co.	Debenture	06-01-1991	8.250	8.250	400	
Dreser Industries	Note	05-15-1985	8.650	8.564	400	
FMC Corp.	S/F Debenture	01-15-2000	9.500	9.603	800	
Ford Motor Co.	Guaranteed Note	12-01-1996	8.625	8.625	700	
Marathon Oil Co.	S/F Debenture	02-01-2000	8.500	8.580	800	
Monte Business Farms	Senior Note	10-01-1996	7.900	7.900	500	
Petrols Dodge Corp.	Note	06-01-1985	8.500	8.570	400	
Plastation Pipe Line	Guaranteed Note	10-01-2001	7.875	7.875	400	
Polun & Haas Company	Note	04-15-1985	9.000	9.000	500	
Standard Oil of California	First Pref. Ship. Mtg. Bd.	03-30-1997	7.700	7.700	150	
Standard Oil of California	First Pref. Ship. Mtg. Bd.	01-01-1997	7.700	7.700	150	
Standard Oil of California	First Pref. Ship. Mtg. Bd.	02-10-1997	7.700	7.700	200	
Standard Oil of California	First Pref. Ship. Mtg. Bd.	09-01-1997	7.700	7.700	100	
Standard Oil of California	First Pref. Ship. Mtg. Bd.	09-08-1997	7.700	7.700	100	
Standard Oil of California	First Pref. Ship. Mtg. Bd.	11-06-1997	7.700	7.700	100	
Standard Oil (Indiana)	Note	10-01-2000	7.500	7.766	800	
Stautler Chemical Co.	Note	03-15-1997	7.500	7.500	500	
<b>TOTAL INDUSTRIAL OBLIGATIONS</b>				<b>8.560%</b>	<b>\$ 8,600</b>	
<b>RAILROAD EQUIPMENT OBLIGATIONS</b>						
ACF Industries, Inc.	Equipment Trust Cert.	04-01-1978/85	9.500	9.500	\$ 120	
ACF Industries, Inc.	Equipment Trust Cert.	02-01-1978/91	8.000	8.000	500	
Burlington Northern	Conditional Sale Agree.	05-01-1978/86	8.600	8.600	186	
Burlington Northern	Conditional Sale Agree.	10-01-1977/87	9.625	9.625	183	
Canadian Pacific, Ltd.	Equipment Trust Cert.	01-15-1983/92	8.625	8.625	500	
Chesapeake & Ohio Railway	Conditional Sale Agree.	09-15-1977	8.750	8.750	490	
Delaware & Hudson (Guar. GE)	Conditional Sale Agree.	03-01-1978	10.500	10.500	154	
Fruit Growers Express	Equipment Trust Cert.	06-15-1978/85	9.750	9.750	120	
Louisville & Nashville	Conditional Sale Agree.	10-20-1982/91	9.000	9.000	487	
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>				<b>8.859%</b>	<b>\$ 2,743</b>	
<b>TOTAL CORPORATE OBLIGATIONS</b>					<b>8.629%</b>	<b>\$19,043</b>
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>					<b>8.566%</b>	<b>\$25,233</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
(b) Column may not add, due to rounding.

## COMMON STOCK HOLDINGS

Common Stock	Shares	Market Price 6/30/77	Market Value	Total % Market
<b>UTILITIES</b>				
<b>ELECTRIC</b>				
Commonwealth Edison Company	17,000	\$ 30.88	\$ 524,875.00	
Minnesota Power & Light Company	20,200	22.25	449,450.00	
Northern States Power Company (Minn.)	18,000	28.75	517,500.00	
Public Service Company of Indiana, Inc.	8,000	29.25	234,000.00	
Texas Utilities Company	23,800	21.50	511,700.00	
<b>Total Electric</b>			<b>\$ 2,237,525.00</b>	<b>8.03%</b>
<b>NATURAL GAS</b>				
Houston Natural Gas Corporation	3,000	\$ 32.25	\$ 96,750.00	
Panhandle Eastern Pipe Line Company	14,000	48.88	684,320.00	
Peoples Gas Company	7,500	50.75	380,625.00	
<b>Total Natural Gas</b>			<b>\$ 1,161,695.00</b>	<b>4.18%</b>
<b>COMMUNICATIONS</b>				
American Telephone & Telegraph Company	19,000	\$ 63.50	\$ 1,206,500.00	
General Telephone & Electronics Corporation	22,000	72.50	715,000.00	
<b>Total Communications</b>			<b>\$ 1,921,500.00</b>	<b>6.90%</b>
<b>TOTAL UTILITIES</b>				
			<b>\$ 4,320,650.00</b>	<b>12.11%</b>
<b>FINANCIAL SERVICES</b>				
<b>BANKS</b>				
Continental Illinois Corporation	18,000	\$ 26.75	\$ 481,500.00	
Manufacturers Hanover Corporation	11,000	37.50	412,500.00	
Northwest Bancorporation	20,000	24.13	482,500.00	
<b>Total Banks</b>			<b>\$ 1,376,500.00</b>	<b>4.95%</b>
<b>FINANCE</b>				
Household Finance Corporation	22,000	\$ 19.88	\$ 437,750.00	1.57%
<b>INSURANCE</b>				
INA Corporation	10,000	\$ 45.88	\$ 458,750.00	
NLT Corporation	11,000	25.75	283,250.00	
United States Fidelity & Guaranty Company	13,200	39.38	519,750.00	
<b>Total Insurance</b>			<b>\$ 1,261,750.00</b>	<b>4.53%</b>
<b>TOTAL FINANCIAL SERVICES</b>				
			<b>\$ 3,075,500.00</b>	<b>11.05%</b>

Common Stock	Shares	Market Price 6/30/77	Market Value	Total % Market
<b>CONSUMER ORIENTED</b>				
<b>AUTOS - AUTO PARTS</b>				
Ford Motor Company	9,500	\$ 46.88	\$ 445,312.50	
General Motors Corporation	7,000	69.38	485,625.00	
Goodyear Tire & Rubber Company (The)	11,500	20.13	231,437.50	
<b>Total Autos - Auto Parts</b>			<b>\$ 1,162,375.00</b>	<b>4.18%</b>
<b>CONSUMER DURABLES</b>				
Sunbeam Corporation	14,000	\$ 23.53	\$ 329,000.00	1.18%
<b>CONSUMER NONDURABLES</b>				
Avon Products, Inc.	10,000	\$ 50.50	\$ 505,000.00	
Colgate Palmolive Company	9,000	24.75	222,750.00	
Minnesota Mining and Manufacturing Company	10,000	49.38	493,750.00	
<b>Total Consumer-Nondurables</b>			<b>\$ 1,221,500.00</b>	<b>4.39%</b>
<b>CONSUMER MISCELLANEOUS</b>				
McDonald's Corporation	2,000	\$ 46.00	\$ 92,000.00	0.33%
<b>DRUGS</b>				
American Home Products Corporation	5,000	\$ 28.75	\$ 143,750.00	
Pfizer Incorporated	16,000	26.00	416,000.00	
Warner Lambert Company	14,000	28.67	401,350.00	
<b>Total Drugs</b>			<b>\$ 960,500.00</b>	<b>3.45%</b>
<b>FOODS BEVERAGES</b>				
LCI International, Inc.	10,000	\$ 50.25	\$ 502,500.00	
Consolidated Foods Corporation	12,600	25.88	310,500.00	
General Foods Corporation	15,000	33.38	500,625.00	
PepsiCo, Inc.	19,800	22.50	445,500.00	
<b>Total Food-Beverages</b>			<b>\$ 1,759,125.00</b>	<b>6.32%</b>
<b>RETAIL SALES</b>				
Federated Department Stores, Incorporated	11,000	\$ 37.00	\$ 407,000.00	
Penney (J.C.) Company, Incorporated	5,000	34.88	174,375.00	
Sears, Roebuck and Company	7,500	58.00	435,000.00	
<b>Total Retail Sales</b>			<b>\$ 1,016,375.00</b>	<b>3.65%</b>
<b>TOTAL CONSUMER-ORIENTED</b>				
			<b>\$ 8,540,875.00</b>	<b>23.50%</b>
<b>TECHNOLOGY</b>				
<b>OFFICE EQUIPMENT</b>				
International Business Machines Corporation	4,800	\$ 264.00	\$ 1,267,200.00	4.55%
<b>TOTAL TECHNOLOGY</b>			<b>\$ 1,267,200.00</b>	<b>4.55%</b>
<b>BASIC INDUSTRY</b>				
<b>AEROSPACE</b>				
United Technologies Corporation	13,000	\$ 40.00	\$ 520,000.00	1.87%
<b>BUILDING &amp; FOREST PRODUCTS</b>				
Georgia Pacific Corporation	15,953	\$ 31.25	\$ 498,531.25	
Masonite Corporation	4,000	17.00	68,000.00	
<b>Total Building &amp; Forest Products</b>			<b>\$ 566,531.25</b>	<b>2.04%</b>
<b>CHEMICALS</b>				
Dow Chemical Company (The)	4,000	\$ 34.13	\$ 136,500.00	
du Pont (E. I.) de Nemours and Company	3,500	116.00	406,000.00	
Montanto Company	3,000	65.88	197,625.00	
Union Carbide Corporation	9,500	48.88	464,312.50	
<b>Total Chemicals</b>			<b>\$ 1,216,437.50</b>	<b>4.37%</b>
<b>ELECTRICAL EQUIPMENT</b>				
General Electric Company	5,000	\$ 56.50	\$ 282,500.00	
Gould, Inc.	30,000	31.00	930,000.00	
<b>Total Electrical Equipment</b>			<b>\$ 1,212,500.00</b>	<b>4.35%</b>
<b>MACHINERY</b>				
Clark Equipment Company	4,000	\$ 39.75	\$ 159,000.00	
Combustion Engineering, Incorporated	8,000	62.13	497,000.00	
Trans Union Corporation	8,000	37.75	302,000.00	
<b>Total Machinery</b>			<b>\$ 958,000.00</b>	<b>3.44%</b>
<b>METALS</b>				
St. Joe Minerals Corporation	13,000	\$ 34.13	\$ 443,625.00	1.55%
<b>PAPER</b>				
International Paper Company	4,000	\$ 51.50	\$ 206,000.00	
Union Camp Corporation	3,000	54.25	162,750.00	
<b>Total Paper</b>			<b>\$ 368,750.00</b>	<b>2.25%</b>
<b>MISCELLANEOUS</b>				
International Telephone & Telegraph Corp.	12,000	\$ 35.88	\$ 430,500.00	1.55%
<b>TOTAL BASIC INDUSTRY</b>			<b>\$ 5,973,843.75</b>	<b>21.46%</b>
<b>ENERGY</b>				
<b>OIL-DOMESTIC</b>				
Continental Oil Company (Del.)	22,000	\$ 33.88	\$ 745,250.00	
Marathon Oil Company	11,000	52.63	578,875.00	
Standard Oil Company (Indiana)	12,000	53.75	645,000.00	
<b>Total Oil-Domestic</b>			<b>\$ 1,969,125.00</b>	<b>7.08%</b>
<b>OIL INTERNATIONAL</b>				
Exxon Corporation	23,000	\$ 53.50	\$ 1,230,500.00	
Mobil Corporation	12,500	68.00	850,000.00	
Texasco Inc.	17,000	25.13	427,250.00	
<b>Total Oil International</b>			<b>\$ 2,507,750.00</b>	<b>8.25%</b>
<b>ENERGY RELATED</b>				
Dresser Industries, Inc.	9,000	\$ 45.75	\$ 411,750.00	
Williams Companies (The)	6,000	22.13	132,750.00	
<b>Total Energy Related</b>			<b>\$ 544,500.00</b>	<b>1.99%</b>
<b>TOTAL ENERGY</b>			<b>\$ 5,095,250.00</b>	<b>18.31%</b>

Schedule IX continued

Common Stock	Shares	Market Price 6/30/77	Market Value	Total % Market
<b>TRANSPORTATION</b>				
<b>RAILROADS</b>				
Southern Railway Company	5,500	\$ 58.38	\$ 321,067.50	
Union Pacific Corporation	4,200	57.25	240,450.00	
<b>Total Railroads</b>			<b>\$ 561,517.50</b>	<b>2.02%</b>
<b>TOTAL TRANSPORTATION</b>			<b>\$ 561,517.50</b>	<b>2.02%</b>
<b>TOTAL COMMON STOCKS</b>			<b>\$27,834,831.25</b>	<b>100.00%</b>

\*Net original cost of equities on June 30, 1977, was \$25,337,326.69.

**SCHEDULE X**

**SUPPLEMENTAL RETIREMENT FUND -  
GROWTH SHARE ACCOUNT  
June 30, 1977**

**RESUME OF ASSETS IN ACCOUNT**

CASH CERTIFIED FOR INVESTMENT*	\$	(165.14)
<b>MONEY MARKET SECURITIES</b>		
Repurchase Agreements	\$	380,000.00
Maturities up to 7 days	\$	380,000.00
<b>COMMON STOCKS (See Listing Below)</b>	\$16,583,717.63	
<b>TOTAL ASSETS IN ACCOUNT</b>	\$16,963,052.49	

\*A negative cash balance indicates purchase of securities prior to fiscal year end for which payment was not made until early July 1977.

Note: Money market securities are listed at face value; common stocks are listed at market value.

**COMMON STOCK HOLDINGS**

Common Stock	Shares	Market Price 6/30/77	Market Value	Total % Market
<b>UTILITIES</b>				
<b>ELECTRIC</b>				
Florida Power & Light Company	17,000	\$ 27.13	\$ 461,175.00	
Texas Utilities Company	18,000	21.50	387,000.00	
<b>Total Electric</b>			<b>\$ 848,175.00</b>	<b>5.11%</b>
<b>NATURAL GAS</b>				
Houston Natural Gas Corporation	8,000	\$ 32.25	\$ 258,000.00	1.56%
<b>COMMUNICATIONS</b>				
American Telephone & Telegraph Company	4,800	\$ 63.50	\$ 304,800.00	
United Telecommunications, Inc.	17,800	20.50	364,900.00	
<b>Total Communications</b>			<b>\$ 669,700.00</b>	<b>4.04%</b>
<b>TOTAL UTILITIES</b>			<b>\$ 1,775,825.00</b>	<b>10.71%</b>
<b>FINANCIAL SERVICES</b>				
<b>BANKS</b>				
BankAmerica Corporation	5,000	\$ 24.25	\$ 121,250.00	
First Bank System, Incorporated	6,000	36.63	219,750.00	
Valley National Bank of Arizona	7,500	16.63	124,687.50	
<b>Total Banks</b>			<b>\$ 465,687.50</b>	<b>2.81%</b>
<b>FINANCE</b>				
Household Finance Corporation	10,000	\$ 19.88	\$ 198,750.00	
MGIC Investment Corporation	6,000	15.88	95,250.00	
<b>Total Finance</b>			<b>\$ 294,000.00</b>	<b>1.77%</b>
<b>INSURANCE</b>				
INA Corporation	6,000	\$ 45.88	\$ 275,250.00	
HLT Corporation	10,400	25.75	267,800.00	
SAI ECU Corporation	3,400	47.13	160,275.00	
<b>Total Insurance</b>			<b>\$ 703,275.00</b>	<b>4.24%</b>
<b>TOTAL FINANCIAL SERVICES</b>			<b>\$ 1,462,962.50</b>	<b>8.82%</b>
<b>CONSUMER-ORIENTED</b>				
<b>AUTOS - AUTO PARTS</b>				
Genuine Parts Company	19,500	\$ 33.88	\$ 660,562.50	3.98%
<b>CONSUMER DURABLES</b>				
Sunbeam Corporation	9,000	\$ 23.50	\$ 211,500.00	1.28%
<b>CONSUMER NONDURABLES</b>				
Avon Products, Inc.	5,000	\$ 50.50	\$ 252,500.00	
Clorox Company (The)	6,500	13.00	84,500.00	
Colgate Palmolive Company	6,000	24.75	148,500.00	
Eastman Kodak Company	4,400	59.50	261,800.00	
Minnesota Mining and Manufacturing Company	6,000	49.38	296,250.00	
Revlon, Incorporated	8,000	41.25	330,000.00	
<b>Total Consumer Nondurables</b>			<b>\$ 1,373,550.00</b>	<b>8.29%</b>
<b>CONSUMER MISCELLANEOUS</b>				
ARA Services, Incorporated	1,800	\$ 41.75	\$ 75,150.00	
Disney (Walt) Productions	5,197	36.82	191,639.38	

Common Stock	Shares	Market Price 6/30/77	Market Value	Total % Market
Holiday Inn, Incorporated	4,200	\$ 14.17	\$ 59,514.00	
McDonald's Corporation	5,000	46.00	230,000.00	
<b>Total Consumer Miscellaneous</b>			<b>\$ 556,114.38</b>	<b>3.35%</b>
<b>DRUGS</b>				
American Home Products Corporation	7,000	\$ 28.75	\$ 201,250.00	
Johnson & Johnson	3,500	70.63	247,187.50	
Meditrac, Inc.	7,000	25.63	179,375.00	
Schering Plough Corporation	4,500	36.38	163,672.50	
<b>Total Drugs</b>			<b>\$ 791,500.00</b>	<b>4.77%</b>
<b>FOODS-BEVERAGES</b>				
General Mills, Incorporated	7,000	\$ 29.50	\$ 206,500.00	
PepsiCo, Inc.	16,500	22.50	371,250.00	
Pillsbury Company (The)	5,000	33.25	166,250.00	
<b>Total Foods-Beverages</b>			<b>\$ 744,000.00</b>	<b>4.64%</b>
<b>RETAIL SALES</b>				
American Greetings Corporation	13,000	\$ 10.81	\$ 140,569.00	
K mart Corporation	6,500	28.50	185,250.00	
Penney (J.C.) Company, Incorporated	6,000	34.38	206,250.00	
Southland Corporation (The)	6,150	23.63	145,293.75	
<b>Total Retail Sales</b>			<b>\$ 680,362.75</b>	<b>4.10%</b>
<b>TOTAL CONSUMER ORIENTED</b>			<b>\$ 5,042,589.63</b>	<b>30.41%</b>
<b>TECHNOLOGY</b>				
<b>ELECTRONICS</b>				
Hewlett Packard Company	4,000	\$ 77.00	\$ 308,000.00	1.90%
<b>OFFICE EQUIPMENT</b>				
Burrhugh Corporation	2,000	\$ 62.38	\$ 124,750.00	
Digital Equipment Corporation	6,000	46.82	280,900.00	
Honeywell, Inc.	4,000	53.88	215,500.00	
International Business Machines Corporation	3,512	264.00	927,168.00	
Xerox Corporation	3,700	48.75	180,375.00	
<b>Total Office Equipment</b>			<b>\$ 1,729,693.00</b>	<b>10.43%</b>
<b>TOTAL TECHNOLOGY</b>			<b>\$ 2,045,693.00</b>	<b>12.33%</b>
<b>BASIC INDUSTRY</b>				
<b>AEROSPACE</b>				
Boeing Company (The)	7,000	\$ 57.88	\$ 405,125.00	2.44%
<b>BUILDING &amp; FOREST PRODUCTS</b>				
Georgia Pacific Corporation	8,000	\$ 31.25	\$ 250,000.00	
Masonite Corporation	11,000	17.30	190,300.00	
<b>Total Building &amp; Forest Products</b>			<b>\$ 440,300.00</b>	<b>2.64%</b>
<b>CHEMICALS</b>				
Air Products and Chemicals, Incorporated	8,670	\$ 24.25	\$ 210,247.50	
Ow Chemical Company (The)	4,500	35.15	158,175.00	
du Pont (E. I.) de Nemours and Company	2,100	116.00	243,600.00	
<b>Total Chemicals</b>			<b>\$ 612,022.50</b>	<b>3.65%</b>
<b>ELECTRICAL EQUIPMENT</b>				
Emerson Electric Co.	11,000	\$ 34.38	\$ 378,175.00	
Gould, Inc.	6,500	31.00	201,500.00	
<b>Total Electrical Equipment</b>			<b>\$ 579,675.00</b>	<b>3.50%</b>
<b>MACHINERY</b>				
Clark Equipment Company	4,000	\$ 39.75	\$ 159,000.00	
Trans Union Corporation	3,500	37.75	132,125.00	
<b>Total Machinery</b>			<b>\$ 291,125.00</b>	<b>1.76%</b>
<b>METALS</b>				
Hanna Mining Company (The)	6,500	\$ 49.00	\$ 318,500.00	
St. Joe Minerals Corporation	6,500	34.13	221,812.50	
<b>Total Metals</b>			<b>\$ 540,312.50</b>	<b>3.28%</b>
<b>PAPER</b>				
International Paper Company	4,300	\$ 51.50	\$ 221,450.00	1.34%
<b>MISCELLANEOUS</b>				
International Telephone & Telegraph Corp.	6,000	\$ 35.28	\$ 211,680.00	1.29%
<b>TOTAL BASIC INDUSTRY</b>			<b>\$ 2,297,297.50</b>	<b>19.88%</b>
<b>ENERGY</b>				
<b>OIL DOMESTIC</b>				
Atlantic Richfield Company	5,000	\$ 65.50	\$ 327,500.00	
Louisiana Land and Exploration Company (The)	10,000	27.50	275,000.00	
Marathon Oil Company	8,000	52.63	421,040.00	
<b>Total Oil Domestic</b>			<b>\$ 1,023,540.00</b>	<b>6.02%</b>
<b>OIL INTERNATIONAL</b>				
Exxon Corporation	15,500	\$ 53.50	\$ 829,250.00	5.00%
<b>ENERGY RELATED</b>				
Baker International Corporation	8,000	\$ 52.88	\$ 423,040.00	
Hamburton Company	8,000	66.75	534,000.00	
Williams Companies (The)	5,600	27.15	152,040.00	
<b>Total Energy Related</b>			<b>\$ 1,109,080.00</b>	<b>6.52%</b>
<b>TOTAL ENERGY</b>			<b>\$ 2,132,620.00</b>	<b>16.94%</b>
<b>TRANSPORTATION</b>				
<b>AIRLINES</b>				
Northwest Airlines, Incorporated	6,000	\$ 25.25	\$ 151,500.00	0.91%
<b>TOTAL TRANSPORTATION</b>			<b>\$ 151,500.00</b>	<b>0.91%</b>
<b>TOTAL COMMON STOCKS</b>			<b>\$16,583,717.63*</b>	<b>100.00%</b>

\*Net original cost of equities on June 30, 1977, was \$17,736,198.06

## SCHEDULE XI

### SUPPLEMENTAL RETIREMENT FUND - FIXED-RETURN ACCOUNT June 30, 1977

#### RESUME OF ASSETS IN ACCOUNT

CASH CERTIFIED FOR INVESTMENT	\$ 535.81
<b>MONEY MARKET SECURITIES</b>	
Repurchase Agreements Maturities up to 7 days	\$ 367,000.00
<b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b> (See Listing Below)	\$ 200,000.00
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b> (See Listing Below)	\$ 750,000.00
<b>CORPORATE BOND OBLIGATIONS</b> (See Listing Below)	\$7,337,685.29
<b>DEFERRED YIELD ADJUSTMENT ACCOUNT*</b>	\$ (115,034.62)
<b>TOTAL ASSETS IN ACCOUNT</b>	<b>\$8,640,186.48</b>

\*This account signifies an amount equal to the premium at which fixed income securities have been sold at more 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.

#### UNITED STATES GOVERNMENT AGENCY BONDS, CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS June 30, 1977

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>					
Federal Home Loan Btg.	Mtg. Backed Cert.	07-15-2007	8.050	8.093%	\$ 200
<b>CANADIAN GOVERNMENTAL PROVINCIAL OBLIGATIONS</b>					
British Columbia Hydro	Bond	07-15-1996	9.625	9.625	150
Manitoba Hydro Electric Bd.	Bond	10-01-1985	9.500	9.500	150
Ontario Hydro	Note	03-15-1996	9.500	9.500	150
Ontario, Province of	Debenture	06-15-2005	9.125	9.248	150
<b>TOTAL PROVINCIAL OBLIGATIONS</b>				<b>9.468%</b>	<b>\$ 600</b>
<b>CANADIAN AGENCY OBLIGATIONS</b>					
Export Development	Note	07-15-1981	8.500	8.500%	\$ 150
<b>TOTAL CANADIAN GOVERNMENTAL</b>				<b>8.275%</b>	<b>\$ 750</b>
<b>COMMON BOND OBLIGATIONS</b>					
<b>PUBLIC UTILITY OBLIGATIONS</b>					
<b>ELECTRIC</b>					
Duquesne Light	First Mtg. Bond	04-01-2007	8.375	8.348	\$ 250
Houston Lighting & Power	First Mtg. Bond	10-01-2005	8.375	8.420	250
Iowa-Illinois Gas & Electric	First Mtg. Bond	01-15-2007	8.250	8.316	250
Kansas Power & Light	First Mtg. Bond	06-01-2007	8.125	8.168	350
Minnesota Power & Light	First Mtg. Bond	08-01-2005	10.500	10.500	150
Minnesota Power & Light	First Mtg. Bond	09-01-2006	8.700	8.700	100
Pacific Gas & Electric	First & Ref. Mtg. Bond	12-01-2005	7.750	7.999	250
Public Service of Indiana	First Mtg. Bond	01-01-2007	7.625	7.853	250
Public Service Elec. Gas	First & Ref. Mtg. Bond	06-01-2007	8.250	8.226	350
Texas Power & Light Co.	First Mtg. Bond	02-01-2007	8.250	8.261	250
<b>Total Electric</b>				<b>8.360%</b>	<b>\$2,450</b>
<b>TELEPHONE</b>					
N.Y. Telephone Co.	Refunding Mtg. Bond	07-15-2008	8.000	9.082	\$ 250
Pacific Telegraph & Telephone	Debenture	03-01-2007	7.800	7.788	250
Southern Bell Telephone & Telegraph Co.	Debenture	03-15-2013	7.625	8.524	250
<b>Total Telephone</b>				<b>8.465%</b>	<b>\$ 750</b>
<b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>				<b>8.385%</b>	<b>\$3,200</b>
<b>FINANCE OBLIGATIONS</b>					
Ford Motor Credit Co.	S/F Debenture	07-15-2000	9.000	9.174	\$ 150
Northwest Bancorporation	Note	07-15-1986	7.125	7.892	250
<b>TOTAL FINANCE OBLIGATIONS</b>				<b>8.579%</b>	<b>\$ 400</b>
<b>INDUSTRIAL OBLIGATIONS</b>					
AMAX, Inc.	S/F Debenture	03-01-2001	8.675	8.679	\$ 150
Ashland Oil & Refining	S/F Debenture	09-01-2000	10.000	10.000	150
Atlantic Richfield Co.	Guaranteed Note	07-15-1996	9.250	9.250	150
du Pont (E. I.) de Nemours Company	Debenture	11-15-2004	8.450	8.537	150
Exxon Pipeline Company	Debenture	03-01-2001	8.750	8.382	250
FMC Corporation	S/F Debenture	01-15-2000	9.500	9.603	150
Firestone Tire & Rubber	Debenture	12-01-2004	9.250	9.286	150
Ford Motor Co.	Debenture	07-15-1994	9.250	9.283	150
Olympic Pipeline Co.	Note	09-01-2001	8.850	8.850	250
Plantation Pipe Line	Guaranteed Note	10-01-2001	7.875	8.152	250
Ralston Purina	Note	12-31-1982	8.000	8.000	250
Standard Oil of California	First Pref. Ship Mtg. Bd.	07-02-1999	8.500	8.500	150
Standard Oil (Indiana)	S/F Debenture	07-15-2004	9.200	9.059	150

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
Stauffer Chemical Co.	Debenture	01-15-2001	8.850	8.850	150
Union Oil Co. of California	S/F Debenture	03-01-2006	8.625	8.615	250
<b>TOTAL INDUSTRIAL OBLIGATIONS</b>				<b>8.785%</b>	<b>\$2,750</b>
<b>RAILROAD EQUIPMENT OBLIGATIONS</b>					
AGI Industries, Inc.	Equipment Trust Cert.	07-01-1982/91	9.000	9.000	\$ 150
AGI Industries, Inc.	Equipment Trust Cert.	02-01-1982/91	8.000	8.000	100
Canadian Pacific, Ltd.	Equipment Trust Cert.	01-15-1982/92	8.625	8.625	250
Louisville & Nashville	Conditional Sale Agree.	10-20-1982/91	9.000	9.000	145
Louisville & Nashville	Conditional Sale Agree.	10-20-1982/91			
		04-20-1992	8.375	8.375	35
Seaboard Coast Line Railroad	Conditional Sale Agree.	10-01-1982/04-01-1992	9.000	9.000	245
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>				<b>8.744%</b>	<b>\$ 987</b>
<b>TOTAL CORPORATE OBLIGATIONS</b>				<b>8.594%</b>	<b>\$7,337</b>
<b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>				<b>8.643%</b>	<b>\$8,287</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
(b) Column may not add, due to rounding.

## SCHEDULE XII

### MINNESOTA VARIABLE ANNUITY FUND June 30, 1977

#### RESUME OF ASSETS IN ACCOUNT

CASH CERTIFIED FOR INVESTMENT*	\$ (237,704.79)
<b>MONEY MARKET SECURITIES</b>	
Bills Maturities up to 98 days	\$ 590,000.00
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b> (See Listing Below)	\$ 2,000,000.00
<b>CORPORATE BOND OBLIGATIONS</b> (See Listing Below)	\$ 8,208,860.45
<b>COMMON STOCKS</b> (See Listing Below)	\$32,350,437.63
<b>TOTAL ASSETS IN ACCOUNT</b> (For accounting purposes; not indicative of true market value)	<b>\$43,711,593.29</b>

\*A negative cash balance indicates purchase of securities prior to fiscal year end for which payment was not made until early July 1977.

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

#### CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS June 30, 1977

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>CANADIAN GOVERNMENTAL PROVINCIAL OBLIGATIONS</b>					
British Columbia Hydro	Bond	07-15-1996	9.625	9.625	\$ 500
Manitoba Hydro Elec. Bd.	Debenture	10-15-1997	7.650	7.650	400
New Brunswick Electric Power	S/F Debenture	04-01-1998	7.875	7.875	100
Nova Scotia Power Comm.	S/F Debenture	07-15-1998	8.125	8.150	500
Ontario Hydro	Note	03-15-1996	9.500	9.500	500
<b>TOTAL PROVINCIAL OBLIGATIONS</b>				<b>8.629%</b>	<b>\$ 2,300</b>
<b>CANADIAN AGENCY OBLIGATIONS</b>					
Export Development	Note	07-15-1981	8.500	8.500	\$ 500
<b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>				<b>8.604%</b>	<b>\$ 2,800</b>
<b>CORPORATE BOND OBLIGATIONS</b>					
<b>PUBLIC UTILITY OBLIGATIONS</b>					
<b>ELECTRIC</b>					
Kansas Power & Light	First Mtg. Bond	06-01-2007	8.125	8.168	\$ 500
Minnesota Power Company	First Mtg. Bond	12-01-1981	8.750	8.750	500
Public Serv. Elec. Gas	First & Ref. Mtg. Bond	06-01-2007	8.250	8.225	500
<b>Total Electric</b>				<b>8.381%</b>	<b>\$ 1,500</b>
<b>GAS</b>					
Minnesota Gas Company	Debenture	11-15-1961	9.250	9.250%	\$ 500
<b>TELEPHONE</b>					
Southern Bell Telephone & Telegraph Co.	Debenture	03-15-2013	7.625	8.240	\$ 500
<b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>				<b>8.627%</b>	<b>\$ 2,500</b>
<b>FINANCE OBLIGATIONS</b>					
First Bank System	Note	06-30-1983	8.750	8.829	\$ 500
Ford Motor Credit Co.	S/F Debenture	07-15-2000	9.700	9.724	500
Honeywell Finance Inc.	S/F Debenture	12-15-1998	8.200	8.200	500
Northwest Bancorporation	S/F Debenture	03-15-2003	7.750	7.750	500
<b>TOTAL FINANCE OBLIGATIONS</b>				<b>8.626%</b>	<b>\$ 2,000</b>

## Schedule XII continued

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)	
<b>INDUSTRIAL OBLIGATIONS</b>						
Crown Zellerbach (S.T.)	General Mtg. Bond	08-01-1994	8.125	8.125	\$ 468	
Firestone Tire & Rubber	Debenture	12-01-2004	9.250	9.426	500	
MacMillan Bloedel, Ltd.	Debenture	07-01-1994	8.750	8.750	500	
Phelps Dodge Corp.	Note	06-01-1985	8.500	8.618	250	
Standard Oil of California	First Pref. Ship Mtg. Bd.	09-07-1997	7.700	7.700	200	
Standard Oil of California	First Pref. Ship Mtg. Bd.	09-08-1997	7.700	7.700	150	
Standard Oil of California	First Pref. Ship Mtg. Bd.	11-06-1997	7.700	7.700	150	
<b>TOTAL INDUSTRIAL OBLIGATIONS</b>					<b>8.519%</b>	<b>\$ 2,218</b>
<b>RAILROAD EQUIPMENT OBLIGATIONS</b>						
ACF Industries, Inc.	Equipment Trust Cert.	03-01-1982/91	9.000	9.000	\$ 500	
ACF Industries, Inc.	Equipment Trust Cert.	02-01-1978/91	8.000	8.000	400	
Canadian Pacific, Ltd.	Equipment Trust Cert.	01-15-1983/92	8.625	8.625	480	
Delaware & Hudson (Guar. GE)	Conditional Sale Agree.	03-01-1978/				
		09-01-1985	10.500	10.500	110	
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>					<b>9.722%</b>	<b>\$ 1,490</b>
<b>TOTAL CORPORATE OBLIGATIONS</b>					<b>8.584%</b>	<b>\$ 8,208</b>
<b>TOTAL CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>					<b>8.580%</b>	<b>\$11,008</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
(b) Column may not add, due to rounding.

### COMMON STOCK HOLDINGS

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market	
<b>UTILITIES</b>					
<b>ELECTRIC</b>					
Commonwealth Edison Company	16,000	\$ 30.88	494,000.00		
Florida Power & Light Company	19,000	27.13	515,375.00		
Texas Utilities Company	30,000	21.50	645,000.00		
<b>Total Electric</b>			<b>\$ 1,654,375.00</b>	<b>5.12%</b>	
<b>NATURAL GAS</b>					
Panhandle Eastern Pipe Line Company	12,000	\$ 48.88	\$ 586,560.00	1.80%	
<b>COMMUNICATIONS</b>					
American Telephone & Telegraph Company	13,300	\$ 63.50	\$ 844,550.00		
General Telephone & Electronics Company	14,500	32.50	471,250.00		
<b>Total Communications</b>			<b>\$ 1,315,800.00</b>	<b>4.07%</b>	
<b>TOTAL UTILITIES</b>					<b>10.99%</b>
<b>FINANCIAL SERVICES</b>					
<b>BANKS</b>					
Citicorp	9,000	\$ 27.38	\$ 246,375.00		
First Bank System, Incorporated	3,000	36.63	109,875.00		
First International Bancshares, Inc.	6,600	40.88	269,775.00		
Northwest Bancorporation	11,000	24.13	265,375.00		
<b>Total Banks</b>			<b>\$ 891,400.00</b>	<b>2.76%</b>	
<b>FINANCE</b>					
Household Finance Corporation	16,000	\$ 19.88	\$ 318,080.00	0.98%	
<b>INSURANCE</b>					
INA Corporation	5,000	\$ 45.88	\$ 229,375.00		
Jefferson Pilot Corporation	9,000	30.13	271,125.00		
NLT Corporation	13,700	25.75	352,775.00		
The St. Paul Companies, Inc.	4,000	36.38	145,500.00		
<b>Total Insurance</b>			<b>\$ 998,775.00</b>	<b>3.09%</b>	
<b>TOTAL FINANCIAL SERVICES</b>					<b>6.83%</b>
<b>CONSUMER ORIENTED</b>					
<b>AUTOS - AUTO PARTS</b>					
Ford Motor Company	5,625	\$ 46.88	\$ 263,621.88		
General Motors Corporation	6,700	17.18	114,812.50		
General Motors Corporation	16,000	33.88	542,080.00		
<b>Total Autos - Auto Parts</b>			<b>\$ 1,270,484.38</b>	<b>3.93%</b>	
<b>CONSUMER DURABLES</b>					
Whirlpool Corporation	15,000	\$ 24.50	\$ 367,500.00	1.14%	
<b>CONSUMER NON-DURABLES</b>					
Avon Products, Inc.	8,000	\$ 50.50	\$ 404,000.00		
Colgate-Palmolive Company	15,000	24.75	371,250.00		
Eastman Kodak Company	8,000	59.50	476,000.00		
Minnesota Mining and Manufacturing Company	12,000	49.38	592,500.00		
Revlon, Incorporated	16,000	41.25	660,000.00		
<b>Total Consumer Non-Durables</b>			<b>\$ 2,402,750.00</b>	<b>7.43%</b>	
<b>CONSUMER MISCELLANEOUS</b>					
Disney (Walt) Productions	8,000	\$ 36.88	\$ 295,000.00		
McDonald's Corporation	15,000	46.00	690,000.00		
<b>Total Consumer Miscellaneous</b>			<b>\$ 985,000.00</b>	<b>3.04%</b>	
<b>DRUGS</b>					
Johnson & Johnson	4,000	\$ 70.63	\$ 282,500.00		
McDermott, Inc.	6,000	25.63	153,750.00		
Merck & Co., Inc.	5,000	55.75	278,750.00		
Pfizer Incorporated	11,000	21.00	231,000.00		
Schering-Plough Corporation	7,000	31.38	219,675.00		
Waters Lambert Company	11,000	24.61	270,711.00		
<b>Total Drugs</b>			<b>\$ 1,570,500.00</b>	<b>4.85%</b>	

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market	
<b>FOODS-BEVERAGES</b>					
CPC International, Inc.	6,000	\$ 50.25	\$ 301,500.00		
Coca-Cola Company (The)	19,000	37.25	707,750.00		
General Foods Corporation	3,000	33.38	233,625.00		
Norton Simon, Incorporated	23,953	17.75	425,165.75		
<b>Total Foods-Beverages</b>			<b>\$ 1,668,040.75</b>	<b>5.16%</b>	
<b>RETAIL SALES</b>					
Federated Department Stores, Incorporated	8,000	\$ 37.00	\$ 296,000.00		
K mart Corporation	13,000	28.50	370,500.00		
Sears, Roebuck and Company	6,000	58.00	348,000.00		
Southland Corporation (The)	14,710	23.63	347,523.75		
<b>Total Retail Sales</b>			<b>\$ 1,362,023.75</b>	<b>4.21%</b>	
<b>TOTAL CONSUMER-ORIENTED</b>					<b>29.76%</b>
<b>TECHNOLOGY</b>					
<b>ELECTRONICS</b>					
Hewlett-Packard Company	8,000	\$ 79.00	\$ 632,000.00	1.95%	
<b>OFFICE EQUIPMENT</b>					
Burroughs Corporation	7,500	\$ 62.38	\$ 467,812.50		
Digital Equipment Corporation	19,000	46.88	890,675.00		
International Business Machines Corporation	7,793	264.00	2,057,352.00		
<b>Total Office Equipment</b>			<b>\$ 3,415,789.50</b>	<b>10.56%</b>	
<b>TOTAL TECHNOLOGY</b>					<b>12.51%</b>
<b>BASIC INDUSTRY</b>					
<b>AEROSPACE</b>					
Boeing Company (The)	14,000	\$ 57.88	\$ 810,250.00	2.50%	
<b>BUILDING &amp; FOREST PRODUCTS</b>					
Masonite Corporation	24,000	\$ 17.00	\$ 408,000.00		
Weyerhaeuser Company	14,000	35.63	498,750.00		
<b>Total Building &amp; Forest Products</b>			<b>\$ 906,750.00</b>	<b>2.80%</b>	
<b>CHEMICALS</b>					
Air Products and Chemicals, Incorporated	10,201	\$ 24.25	\$ 247,374.25		
Dow Chemical Company (The)	12,000	34.13	409,500.00		
du Pont (E.I.) de Nemours and Company	5,000	116.00	580,000.00		
<b>Total Chemicals</b>			<b>\$ 1,236,874.25</b>	<b>3.83%</b>	
<b>ELECTRICAL EQUIPMENT</b>					
Emerson Electric Co.	9,000	\$ 34.33	\$ 309,375.00		
General Electric Company	8,000	56.50	452,000.00		
Grund, Inc.	7,000	31.00	217,000.00		
<b>Total Electrical Equipment</b>			<b>\$ 978,375.00</b>	<b>3.02%</b>	
<b>MACHINERY</b>					
Caterpillar Tractor Co.	3,100	\$ 57.75	\$ 179,025.00		
Combustion Engineering, Incorporated	7,000	62.12	434,875.00		
Trans Union Corporation	8,000	37.75	302,000.00		
<b>Total Machinery</b>			<b>\$ 915,900.00</b>	<b>2.83%</b>	
<b>METALS</b>					
Aluminum Company of America	4,500	\$ 53.00	\$ 238,500.00		
Hanna Mining Company (The)	10,000	49.00	490,000.00		
St. Joe Minerals Corporation	8,000	34.13	273,000.00		
<b>Total Metals</b>			<b>\$ 1,001,500.00</b>	<b>3.11%</b>	
<b>PAPER</b>					
International Paper Company	4,500	\$ 51.50	\$ 231,750.00		
Union Camp Corporation	5,000	54.75	273,750.00		
<b>Total Paper</b>			<b>\$ 505,500.00</b>	<b>1.55%</b>	
<b>MISCELLANEOUS</b>					
Corning Glass Works	2,700	\$ 47.75	\$ 128,275.00		
International Telephone & Telegraph Corp.	7,000	35.52	248,625.00		
<b>Total Miscellaneous</b>			<b>\$ 396,900.00</b>	<b>1.21%</b>	
<b>TOTAL BASIC INDUSTRY</b>					<b>20.87%</b>
<b>ENERGY</b>					
<b>OIL-DOMESTIC</b>					
Atlantic Richfield Company	10,000	\$ 60.50	\$ 605,000.00		
Continental Oil Company (The)	11,000	33.88	372,675.00		
Louisiana Land and Exploration Company (The)	16,000	27.50	440,000.00		
Marathon Oil Company	8,000	52.63	421,000.00		
Standard Oil Company (Indiana)	7,000	53.75	376,250.00		
<b>Total Oil-Domestic</b>			<b>\$ 2,214,925.00</b>	<b>6.84%</b>	
<b>OIL-INTERNATIONAL</b>					
Exxon Corporation	17,500	\$ 53.50	\$ 936,250.00		
Mobil Corporation	7,000	68.00	476,000.00		
<b>Total Oil International</b>			<b>\$ 1,412,250.00</b>	<b>4.37%</b>	
<b>ENERGY RELATED</b>					
Baker International Corporation	11,000	\$ 52.88	\$ 581,625.00		
Halliburton Company	13,000	66.75	867,825.00		
Williams Companies (The)	18,000	23.13	416,250.00		
<b>Total Energy Related</b>			<b>\$ 1,865,625.00</b>	<b>5.77%</b>	
<b>TOTAL ENERGY</b>					<b>16.98%</b>
<b>TRANSPORTATION</b>					
<b>AIRLINES</b>					
Northwest Airlines, Incorporated	6,000	\$ 25.25	\$ 151,500.00	0.47%	
<b>RAILROADS</b>					
Union Pacific Corporation	9,000	\$ 57.25	\$ 515,250.00	1.59%	
<b>Total Transportation</b>			<b>\$ 666,750.00</b>	<b>2.00%</b>	
<b>TOTAL COMMON STOCKS</b>					<b>\$32,350,437.61*</b>

\*Net acquisition cost of equities on June 30, 1977, was \$33,646,925.56



# SCHEDULE XIII

## STATE OF MINNESOTA STATE BOARD OF INVESTMENT

### PERMANENT SCHOOL FUND

#### RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS June 30, 1977

	Book Value (1)	Average Book Value for Year Ending (2)	Total Investment Income for Year Ending (3,4)	Yield (5)		Net Investment Income for Year Ending (3)	Net Yield (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	\$ 7,005,142.82	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%			
December 31, 1964	\$264,704,185.42	-	-	-			
June 30, 1965	\$262,170,084.20	\$263,475,463.53	\$ 9,186,790.66	3.49%	Less Transfer to Principal (6)	\$ 109,853.80	3.46%
December 31, 1965	\$262,324,844.32	-	-	-	\$ 76,936.86	-	-
June 30, 1966	\$261,686,901.05	\$262,060,609.86	\$ 9,647,417.30	3.68%	\$ 329,472.90	\$ 9,317,944.40	3.56%
December 31, 1966	\$263,433,844.16	-	-	-	-	-	-
June 30, 1967	\$263,816,276.40	\$262,979,007.20	\$10,215,172.70	3.88%	\$ 856,275.93	\$ 9,358,896.77	3.56%
December 31, 1967	\$264,303,404.43	-	-	-	-	-	-
June 30, 1968	\$264,578,182.47	\$264,232,621.10	\$10,511,771.10	3.98%	\$1,016,014.48	\$ 9,495,756.62	3.59%
December 31, 1968	\$266,225,867.42	-	-	-	-	-	-
June 30, 1969	\$264,122,329.06	\$264,975,459.65	\$10,512,970.80	3.97%	\$1,100,277.41	\$ 9,412,693.39	3.55%
December 31, 1969	\$264,797,800.95	-	-	-	-	-	-
June 30, 1970	\$259,550,484.67	\$262,823,538.23	\$11,324,161.11	4.51%	\$1,034,987.16	\$10,289,173.90	3.91%
December 31, 1970	\$248,210,564.03	-	-	-	-	-	-
June 30, 1971	\$248,077,642.59	\$251,946,230.43	\$12,380,084.17	4.91%	\$1,435,834.16	\$10,944,250.01	4.34%
December 31, 1971	\$250,918,742.94	-	-	-	-	-	-
June 30, 1972	\$251,249,760.37	\$250,082,048.63	\$13,691,318.87	5.47%	\$1,937,452.41	\$11,753,866.46	4.70%
December 31, 1972	\$251,129,595.01	-	-	-	-	-	-
June 30, 1973	\$249,010,960.05	\$250,463,438.48	\$14,348,252.97	5.73%	\$2,361,011.68	\$11,987,241.29	4.79%
December 31, 1973	\$252,105,340.61	-	-	-	-	-	-
June 30, 1974	\$256,282,207.39	\$252,466,169.35	\$14,947,257.78	5.92%	\$2,445,336.93	\$12,501,920.85	4.95%
December 31, 1974	\$254,000,064.12	-	-	-	-	-	-
June 30, 1975	\$254,252,908.35	\$254,845,059.95	\$15,993,845.27	6.28%	\$2,784,257.93	\$13,209,587.34	5.18%
December 31, 1975	\$258,709,589.62	-	-	-	-	-	-
June 30, 1976	\$259,305,894.51	\$257,422,797.49	\$17,048,127.54	6.62%	\$2,793,175.78	\$14,254,951.76	5.54%
December 31, 1976	\$263,345,172.22	-	-	-	-	-	-
June 30, 1977	\$259,744,015.36	\$260,798,360.70	\$17,767,902.49	6.81%	\$3,093,125.10	\$14,674,777.39	5.63%

(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 1967, 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 1976, 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 continued

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000) (b)
<b>RAILROAD EQUIPMENT OBLIGATIONS</b>					
Canadian Pacific Ltd.	Equipment Trust Cert.	01-15 1983/82	8.625	8.625	\$ 1,500
Flying Tiger Corp.	Equipment Trust Cert.	09-01 1977	4.650	4.650	200
Flying Tiger Corp.	Equipment Trust Cert.	09-01 1977/78	4.650	4.650	200
Illinois Central Railroad	Conditional Sale Agree.	02-15 1978/83	6.875	6.875	633
Kansas City Southern Railway Co.	Conditional Sale Agree.	01-15 78/ 07-15 78	4.450	4.450	147
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>					<b>\$ 2,681</b>
<b>TOTAL CORPORATE OBLIGATIONS</b>					<b>\$ 75,982</b>
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED, CANADIAN GOVERNMENTAL AND CORPORATE OBLIGATIONS</b>					<b>\$ 200,298</b>

(a) Most corporate issues have substantial sinking funds and an average life far shorter than the stated maturity date.  
(b) Column may not add, due to rounding.

### COMMON STOCK HOLDINGS

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market
<b>UTILITIES</b>				
<b>ELECTRIC</b>				
Central and South West Corporation	23,000	\$ 16.13	\$ 370,875.00	
Cincinnati Gas & Electric Company (The)	24,000	24.75	594,000.00	
Commonwealth Edison Company	21,499	30.88	663,781.63	
Florida Power & Light Company	25,400	27.13	688,975.00	
Houston Industries Incorporated	16,500	33.88	558,937.50	
Middle South Utilities Incorporated	34,000	16.50	561,000.00	
Minnesota Power & Light Company	32,000	22.25	712,000.00	
Northern States Power Company (Minn.)	21,500	28.75	618,125.00	
Pacific Gas and Electric Company	21,500	24.00	516,000.00	
Public Service Company of Indiana, Inc.	28,150	29.25	823,287.50	
Southern California Edison Company	20,000	25.13	502,500.00	
Southern Company (The)	24,000	17.25	414,000.00	
Texas Utilities Company	28,000	21.50	602,000.00	
Virginia Electric and Power Company	18,000	15.13	272,250.00	
<b>Total Electric</b>			<b>\$ 7,897,831.63</b>	<b>13.76%</b>
<b>NATURAL GAS</b>				
Parham-Lester Pipe Line Company	20,000	\$ 48.88	\$ 977,500.00	
Peoples Gas Company	5,000	50.75	253,750.00	
<b>Total Natural Gas</b>			<b>\$ 1,231,250.00</b>	<b>2.14%</b>
<b>COMMUNICATIONS</b>				
American Telephone & Telegraph Company	32,000	\$ 63.50	\$ 2,032,000.00	
General Telephone & Electronics Corporation	40,800	32.50	1,326,000.00	
<b>Total Communications</b>			<b>\$ 3,358,000.00</b>	<b>5.85%</b>
<b>TOTAL UTILITIES</b>			<b>\$12,467,081.63</b>	<b>21.75%</b>
<b>FINANCIAL SERVICES</b>				
<b>BANKS</b>				
BankAmerica Corporation	33,000	\$ 24.25	\$ 800,250.00	
Citicorp	29,112	27.38	796,941.00	
First Bank Systems, Incorporated	21,500	36.63	787,437.50	
J.P. Morgan & Co., Incorporated	16,920	50.38	852,345.00	
Northwest Bancorporation	54,000	24.13	1,302,750.00	
<b>Total Banks</b>			<b>\$ 4,639,723.50</b>	<b>7.91%</b>
<b>FINANCE</b>				
Beneficial Corporation	17,925	\$ 23.88	\$ 427,959.38	
Household Finance Corporation	26,000	19.88	516,750.00	
<b>Total Finance</b>			<b>\$ 944,709.38</b>	<b>1.65%</b>
<b>INSURANCE</b>				
INA Corporation	15,300	\$ 45.86	\$ 701,897.50	
Northern National Life Insurance Company	25,300	21.50	543,950.00	
SAFECO Corporation	15,800	47.13	744,575.00	
The St. Paul Companies, Inc.	32,000	36.38	1,164,000.00	
United States Fidelity & Guaranty Company	25,500	39.38	1,004,062.50	
<b>Total Insurance</b>			<b>\$ 4,158,475.00</b>	<b>7.24%</b>
<b>TOTAL FINANCIAL SERVICES</b>			<b>\$ 9,642,907.88</b>	<b>16.80%</b>
<b>CONSUMER-ORIENTED</b>				
<b>AUTOS - AUTO PARTS</b>				
Ford Motor Company	23,250	\$ 46.88	\$ 1,089,843.75	
General Motors Corporation	21,200	69.38	1,470,750.00	
Goodyear Tire & Rubber Company (The)	33,000	20.13	664,125.00	
<b>Total Autos - Auto Parts</b>			<b>\$ 3,224,718.75</b>	<b>5.62%</b>
<b>CONSUMER DURABLES</b>				
Sunbeam Corporation	14,000	\$ 23.50	\$ 329,000.00	
Whirlpool Corporation	22,200	24.50	543,900.00	
<b>Total Consumer Durables</b>			<b>\$ 872,900.00</b>	<b>1.52%</b>
<b>CONSUMER NONDURABLES</b>				
Eastman Kodak Company	7,350	\$ 59.50	\$ 437,325.00	
Minnesota Mining and Manufacturing Company	18,000	49.38	888,750.00	
Procter & Gamble Company (The)	7,700	80.13	616,962.50	
Heinz Incorporated	10,000	41.25	412,500.00	
<b>Total Consumer Nondurables</b>			<b>\$ 2,803,075.50</b>	<b>4.53%</b>

Common Stock	Shares	Market Price 6-30-77	Market Value	Total % Market
<b>DRUGS</b>				
American Home Products Corporation	22,800	\$ 28.75	\$ 655,500.00	
Merck & Co., Inc.	10,000	55.75	557,500.00	
Pfizer Incorporated	30,000	26.00	780,000.00	
<b>Total Drugs</b>			<b>\$ 1,993,000.00</b>	<b>3.47%</b>
<b>FOODS BEVERAGES</b>				
CPC International, Inc.	8,000	\$ 50.25	\$ 402,000.00	
Coca Cola Company (The)	16,000	37.25	596,000.00	
General Foods Corporation	35,000	33.38	1,168,125.00	
General Mills, Incorporated	30,000	29.50	885,000.00	
<b>Total Foods-Beverages</b>			<b>\$ 3,051,125.00</b>	<b>5.31%</b>
<b>RETAIL SALES</b>				
Federated Department Stores, Incorporated	18,000	\$ 37.00	\$ 666,000.00	
Penney (J.C.) Company, Incorporated	10,800	34.88	376,656.00	
Sears, Roebuck and Company	12,000	58.00	696,000.00	
<b>Total Retail Sales</b>			<b>\$ 1,738,656.00</b>	<b>3.03%</b>
<b>TOTAL CONSUMER-ORIENTED</b>			<b>\$13,483,431.25</b>	<b>23.48%</b>
<b>TECHNOLOGY</b>				
<b>OFFICE EQUIPMENT</b>				
Burroughs Corporation	11,600	\$ 62.38	\$ 723,550.00	
Honeywell, Inc.	10,000	53.88	538,750.00	
International Business Machines Corporation	12,535	261.00	3,292,240.00	
Xerox Corporation	6,440	48.75	313,950.00	
<b>Total Office Equipment</b>			<b>\$ 4,885,490.00</b>	<b>8.51%</b>
<b>TOTAL TECHNOLOGY</b>			<b>\$ 4,885,490.00</b>	<b>8.51%</b>
<b>BASIC INDUSTRY</b>				
<b>BUILDING &amp; FOREST PRODUCTS</b>				
Weyerhaeuser Company	17,800	\$ 35.63	\$ 634,125.00	1.10%
<b>CHEMICALS</b>				
Dow Chemical Company (The)	12,000	\$ 34.13	\$ 409,500.00	
du Pont (E.I.) de Nemours and Company	7,000	116.00	812,000.00	
Montanto Company	4,000	69.28	277,500.00	
Union Carbide Corporation	11,700	48.82	571,827.50	
<b>Total Chemicals</b>			<b>\$ 2,072,827.50</b>	<b>3.61%</b>
<b>ELECTRICAL EQUIPMENT</b>				
General Electric Company	16,200	\$ 56.50	\$ 915,300.00	1.59%
<b>MACHINERY</b>				
Caterpillar Tractor Co.	15,150	\$ 57.75	\$ 874,912.50	
Trans Union Corporation	10,400	37.75	392,600.00	
<b>Total Machinery</b>			<b>\$ 1,267,512.50</b>	<b>2.21%</b>
<b>METALS</b>				
Aluminum Company of America	12,000	\$ 53.00	\$ 636,000.00	
St. Joe Minerals Corporation	10,000	34.13	341,250.00	
<b>Total Metals</b>			<b>\$ 977,250.00</b>	<b>1.70%</b>
<b>PAPER</b>				
International Paper Company	8,000	\$ 51.50	\$ 412,000.00	
Union Camp Corporation	5,000	54.25	271,250.00	
<b>Total Paper</b>			<b>\$ 683,250.00</b>	<b>1.19%</b>
<b>TOTAL BASIC INDUSTRY</b>			<b>\$ 6,550,275.00</b>	<b>11.40%</b>
<b>ENERGY</b>				
<b>OIL-DOMESTIC</b>				
Atlantic Refining Company	16,000	\$ 60.50	\$ 968,000.00	
Continental Oil Company (Del.)	20,000	33.63	672,500.00	
Marathon Oil Company	7,000	52.63	368,375.00	
Standard Oil Company (Indiana)	24,000	52.13	1,251,000.00	
<b>Total Oil Domestic</b>			<b>\$ 3,305,875.00</b>	<b>5.76%</b>
<b>OIL-INTERNATIONAL</b>				
Exxon Corporation	47,816	\$ 53.50	\$ 2,558,156.00	
Mobil Corporation	21,300	68.00	1,448,400.00	
Teacup Inc.	34,000	29.13	990,250.00	
<b>Total Oil-International</b>			<b>\$ 4,996,806.00</b>	<b>8.70%</b>
<b>TOTAL ENERGY</b>			<b>\$ 8,302,681.00</b>	<b>14.46%</b>
<b>TRANSPORTATION</b>				
<b>AIRLINES</b>				
Northwest Airlines, Incorporated	16,884	\$ 25.25	\$ 426,221.00	0.72%
<b>RAILROADS</b>				
Burlington Northern Incorporated	13,600	\$ 50.25	\$ 683,400.00	
Union Pacific Corporation	16,800	57.25	961,800.00	
<b>Total Railroads</b>			<b>\$ 1,645,200.00</b>	<b>2.87%</b>
<b>TOTAL TRANSPORTATION</b>			<b>\$ 2,071,521.00</b>	<b>3.60%</b>
<b>TOTAL COMMON STOCKS</b>			<b>\$57,421,387.75*</b>	<b>100.00%</b>

\*Net original cost of equities on June 30, 1977, was \$51,940,496.93

**MEMBERS OF BOARD:**

GOVERNOR RUDY PERPICH  
STATE AUDITOR ROBERT W. MATTSON  
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SECRETARY OF STATE JOAN ANDERSON GROVE  
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ROBERT E. BLIXT  
EXECUTIVE SECRETARY

**STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT**

Room 105, MEA Building  
55 Sherburne Avenue  
Saint Paul 55155

October 7, 1977

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 over \$3 billion of securities. Orders are placed for several billion dollars of securities 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 recipients of these orders be mentioned and that explanations be provided to the citizens of Minnesota.

The members of the Advisory Council have been particularly cognizant of avoiding any possible "conflict of interest" as to their business and professional life as related to their advisory capacity with the State Board of Investment. Important considerations include:

1. No appointee has been associated with a brokerage house, "government bond" sales department of a bank, or any other organization which could profit from securities orders by the Investment Board. In those instances in which Minnesota banks have sold U.S. Treasury and agency obligations to the Board, transactions have been handled on a competitive basis and are through departments having no direct association with the bank's trust department or portfolio management division whose members may serve on the Advisory Council.
2. No member of the Advisory Council votes as to the purchase or sale of stock representing a company of which he is an officer or employee.
3. It is presumed that several or all of the Council members may own these stocks in their official capacities, since they represent investment departments of financial institutions. In fact, we prefer owning investments which are also held by major Minnesota institutions so that we know such securities are being followed from a financial and quality standpoint by the staffs of those serving on the Council. In instances pertaining to situations where local institutions own substantial amounts of any one stock, the Council member working for such an institution fully discloses the relationship and does not vote as to "buy", "sell" or "hold" the particular issue.
4. No purchases or sales are made on the basis of a simple majority of the Council members present at any particular meeting. Instead, we ask that the unanimous opinion of those voting be expressed concerning the purchase or sale of a particular security.
5. In recent years, since the investment department has received appropriations with which to maintain analysts and specialists, the specific recommendations to buy and sell have been made by State investment staff members.

Therefore, any possible conflict of interest appears to be minimal or nonexistent in that Council decisions and actions come in the form of leading and directing lines of discussion, comparing economic thoughts, and setting policy as to types of purchases and sales under probable future economic and market conditions.

It should be stressed that the State funds do own common stocks and fixed-income securities of firms whose officers serve or have served on the Advisory Council. These organizations include: The First Bank System (Gaylord W. Glarner; Senior Vice President, First Trust Company, St. Paul, and John M. Harris, Investment Counsel, Northern City National Bank of Duluth), Northwest Bancorporation (James C. Harris, Vice Chairman of the Board of Directors, Northwestern National Bank of Minneapolis; Peter A. Heegaard, C.F.A., Senior Vice President, Trust Investment Department, Northwestern National Bank of Minneapolis; LeRoy F. Piche, C.F.A., Senior Vice President, Investments, Northwest Bancorporation), The Northwestern National Life Insurance Company (Donald E. Jondahl, Executive Vice President of Finance), and The St. Paul Companies, Inc. (Robert S. Davis, C.F.A., Executive Vice President of Finance), and Medtronic, Inc. (Dale R. Olseth, President). Mr. Olseth was formerly President of Tonka Corporation.

The investment department has been informed of only two members of the legislature who work for brokerage houses which deal with the State of Minnesota and therefore may present appearance of a "conflict of interest". In the case of Dain, Kalman & Quail, the State's business is divided between representatives of the former J.M. Dain organization (Paul Stoner of St. Paul) and the previous Kalman group (Stan Aby of Minneapolis). Senator Mel Frederick is employed by the Rochester office of this firm and received no direct commissions from State business. Likewise, some business is placed with the institutional division of Piper, Jaffray & Hopwood in Minneapolis (Dan Lastavich), with a portion of the commissions going toward the Leuthold Service, consisting of statistical information valuable to investors. Again, an account representative, Senator Eugene E. Stokowski, has no direct benefit from the State account. We have been informed of no other Minnesota elected or appointed official who is associated with the brokerage business. There may be some criticism of dealings with Piper and Dain in that the general economic well-being of the firms and possible long-term profit sharing and bonus plans could be affected by the State business. We feel this to be too minimal to be of any significance.

The Advisory Council and the investment staff sincerely believe that there has been no "conflict of interest" in our placement of business among the various securities firms.

The following schedules detail the securities orders placed during the twelve-month period from July 1, 1976, through June 30, 1977. 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 may have been evidences of proposed changes in investment organization and policies because of our insistence that politics play no part in the placement of securities business. It is hoped that such pressures, which have been evident during the past two years, 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 fixed income 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 1977, 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 decrease — or perhaps eliminate — the use of such "soft dollars" for these services.

Many individuals familiar with the securities industry believed that the use of "soft dollars" to pay for information and services would be eliminated after "May Day" 1975. Since that date, the State Board of Investment has received these services through "soft dollar" commissions at rates from 25% to 45% less than those previously in effect. Some firms have completed transactions at even far greater discount. Nevertheless, we are somewhat fearful of the quality of the execution to be expected through such transactions and hope to continue the receipt of investment information and research materials. Many types of service are now being purchased through "soft dollar" commissions at these prevailing lower commission rates. The investment department has found that competition is intense.

During the past years, some "soft dollar" commissions were paid to Paine, Webber, Jackson & Curtis, Inc., for work regarding a data processing system which had been first suggested by them. Most of this fee, however, is now covered by legislative appropriations. This service, operated by Gibbons Associates, Inc., provides 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 makes possible some research analysis and a complete portfolio listing.

During fiscal 1976, a "bidding process" was initiated to determine which firms, of known trading capabilities, could participate in "soft dollar" arrangements for a performance measurement contract with Standard Valuations, a subsidiary of LFK, Inc. This procedure has been continued during 1977; the Milwaukee Company now handles the transactions.

Other research services are paid through securities orders placed with investment firms chosen by the research organization. Commission business to Mesirov & Company pays for research service provided by the Harris Bank and Trust Company of Chicago. Compensation for investment advice received from the Bank of New York is handled by business placed through DeHaven Townsend, Crouter & 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.

During fiscal 1977, the State Board of Investment and the investment staff have shown renewed interest in ideas, opinions, and services which have not been emphasized in the past. For example, each member of the State Board of Investment, as well as the investment office, now receives copies of Investor Responsibility Research Center, Inc., publications which offer complete information concerning the voting of proxies. This service, provided through Morgan, Olmstead, Kennedy & Gardner, also makes possible participation in symposiums regarding the role of stockholders in corporate decisions. Other programs and conferences have been sponsored in recent years by: Merrill Lynch, Pierce, Fenner & Smith,

Inc.; Smith Barney, Harris Upham; Sutro & Co.; Jefferies & Co.; and Salomon Brothers. These firms provide "free" tuition or conference fees, if any exist. On the other hand, the department is dependent upon its legislative appropriations for all travel and hotel expenses for these meetings. It is our opinion that pertinent meetings and discussions are having a greater value than the stacks of written materials which previously were regarded as the limits of research.

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 1976, 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 in 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 has 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 four years, there was a continued increase in the use of Government-guaranteed mortgage-backed securities. "Private placements", or fixed-income issues sold to a comparatively small number of customers, were used to a considerable extent until the past fiscal year. We have felt, in recent months, that there is a comparatively small yield differential between that offered by these securities and that which could be obtained through more marketable issues.

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 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 of individuals handling the account of the Minnesota State Board of Investment by various securities firms as of fiscal year-end 1977. 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 most disappointed with a tendency on the part of some larger securities firms to place the Minnesota investment account in the hands of "eager" sales personnel who know nothing about the history or needs of the department, sometimes replacing individuals who have long-term associations with our investment program. The merger of securities firms during the past few years has resulted in significant changes in personnel. In this process, we have sometimes lost the opportunity to deal with experienced investment experts who have proved to be of great assistance over the past years. We are particularly disturbed when one well-informed expert may be replaced by several sales-oriented individuals who wish to ask questions and "push merchandise" being promoted at that particular time. It is our opinion that there is little to gain by the securities industry in fostering such sales practices. Those of us in the Minnesota investment department hope we can continue to deal with "low pressure" organizations which recognize the whole program, not potential opportunities for many individual salesmen.

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 services.

#### **Section 1. 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. During the past two fiscal years, there have been further increases in activity. Renewed attempts have been made to maximize 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. A surplus in tax receipts above earlier expectations was evident in late summer, 1974. Although the legislature has appropriated these funds to be used since that date, balances still exist to a degree somewhat higher than those on hand prior to the past three years. Additional monies for investment made possible the use of longer maturities, with higher yields.



## **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, remained stable during fiscal 1976, and were reduced by 30% during 1977. The financial condition of corporations is now somewhat better than in 1974; therefore, issuing firms find it unnecessary to pay the previous "premium" for these funds. Because of this factor, the State uses U.S. Government repurchase agreements to a greater extent at a somewhat higher yield. The investment department uses corporate notes of only well-known, marketable names. There are agreements with the vendors that they will repurchase the notes if the State needs cash. These credit instruments have the advantage of complete flexibility as to maturity, combined with a very fine degree of service offered by the companies issuing these securities.

## **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 five fiscal years, commitments have been made in the Minnesota Adjustable Fixed Benefit Fund; shorter maturities have been purchased for the highway trust funds. During fiscal 1977, Government National Mortgage Association certificates were used in the larger basic retirement funds; they offered a yield somewhat higher than that obtainable through corporate bond investments of lesser quality. During recent years, most of these certificates have been purchased on the open market at the lowest offering price as of the time of commitment.

The only purchase of Merchant Marine (Title XI) bonds, guaranteed in full by the United States Government, during 1977 was in an instance in which the State already owned a substantial quantity of an issue. There may be certain price benefits from additional commitments in this security at the time these bonds are called for "sinking fund" purposes.

A third type of United States Government-guaranteed obligation used during fiscal 1977 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 State 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 fixed-income issues of leading national corporations, other than bonds offered to the general public, 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.

## **Section 5. Fixed-Income 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 benefited 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.

As this is being written in late 1977, certain adjustments are being made in purchase policies for fixed-income obligations because of renewed interest in bond investments. The comparatively low level of stock commissions, due to "discounts" by various firms, has resulted in a portion of the general economic and equity research information being paid through orders for new issues of corporate bonds. To an increased degree, the original underwriters of bond issues are willing to "designate" commissions on a portion of such sales to their research departments for the general service provided to institutional customers.

## **Section 6. Fixed-Income 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 has purchased bonds on the secondary market in recent years for various reasons, usually as additions to previous commitments. 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.

## **Section 8. Sale of Fixed-Income Securities**

A substantial number of corporate bonds was sold from the retirement funds during the past eight years. In the early 1970's, sales consisted of small holdings inherited into the various funds. During the past two fiscal years, certain convertible debenture issues have been sold in an effort to increase portfolio quality. Certificates issued by the Government National Mortgage Association and Canadian provincial obligations were sold during the 1977 fiscal year to take advantage of attractive prices and to balance portfolio maturities. Although it is unlikely that the State Board of Investment will 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 1977, 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 1969-77 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.

Representatives of several outstanding firms have suggested that their research 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 is 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 three 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.

In certain instances, it is noted that many individual securities firms provide stocks to the State accounts. In the case of the Minnesota Power and Light Company common stock, for example, purchases during fiscal 1977 were completed through thirty different securities organizations. This was because of two new offerings of the stock, as the company needed new funds for expansion purposes. The investment department tries to divide these orders among a number of firms because of the somewhat higher commissions applicable to the underwriters. The largest orders are usually placed with the managers of such issues; these higher commissions are considered in the distribution of other securities business throughout the year.

It has been previously indicated in this report that "negotiated rates" is 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 45%. It appears that such a "standard reduction" is typical within the industry. Total annual commissions are limited to the amounts believed appropriate for the research materials and services gained by the department.

During the summers of 1976 and 1977, investment personnel visited the research departments of several firms with Minnesota offices. These New York interviews revealed a high degree of competence on the part of analysts and research personnel. The extreme turnover evidenced by many research departments during the past three years, however, has made it somewhat difficult for any institutional investor to maintain a set list of firms with which transactions are completed. It is apparent that the department's analysts and portfolio managers will still find it necessary to maintain contacts with and receive information from analysts in firms throughout North America. There will be an even greater attempt by department personnel, however, to use the research services available through the larger securities organizations which have Minnesota 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 30 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. Although we continue to be very impressed with the ability of the "third market" organizations to provide well-known quality stocks at all times, it appears that leading members of the New York Stock Exchange are also attempting to make markets for various securities. The methods of trading stocks, prevalent until recent months, appear to be changing; the answers are not yet definitive. The "third market" appears to offer a competitive price and is often able to handle blocks of securities at a price more favorable than possible on a major stock exchange, even considering the discounts.

The apparent advantage still applicable to an off-board trade is that the entire transaction is completed with no appreciable effect on the price of the stock. Negotiations on such transactions may be completed 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 "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 have been completed through this system.

#### Section 11. Common Stock Sales

Sales of common stocks during fiscal 1977 were made primarily to balance the portfolio and to take advantage of what appeared to be attractive market prices. A portion of the more successful holdings, when relatively high priced, were sometimes sold for a profit to offset losses on other stocks. 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.

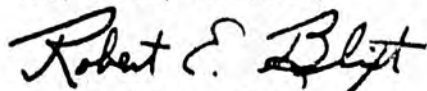
\* \* \* \* \*

A favorable and equitable allocation of securities business has become increasingly difficult as financial difficulties have plagued the industry, especially as analysts have moved to different firms and have been replaced by sales personnel somewhat less attentive to the needs of State retirement and trust funds. Nevertheless, we are impressed with the progress of many leading securities organizations as to the quality of their research.

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 institutions, and for the people living in Minnesota. This responsibility continues to be recognized.

There are many possible equitable ways of allocating and dividing the State's securities business. It is felt, however, that the confidence of Minnesota citizens can be retained only if these orders are placed on a reasonable basis and if the ultimate good of the State is placed above all other considerations.

Respectfully submitted,



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

## SECTION 1

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

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

July 1, 1976 - June 30, 1977  
(000 Omitted)

Dealer	Purchases and Sales 1-90 days	Purchases and Sales over 90 days	Repurchase Agreements 1-45 days	Total Volume
Banco Mortgage Company	-	\$ 647	-	\$ 647
Bank of America	\$ 57,600	32,325	-	89,925
Bankers Trust Company	400	26,430	\$ 262,899	289,729
A.G. Becker & Company	15,850	49,100	-	64,950
Biggs Schaeble & Company, Inc.	-	6,535	8,000	14,535
Carroll McEntee & McKinley, Inc.	-	14,835	170,347	185,182
Chemical Bank, New York	-	11,000	409,204	420,204
Citibank, New York	6,000	18,000	168,468	192,468
Continental Illinois National Bank	2,000	8,945	136,761	147,706
Discount Corporation	10,000	9,000	-	19,000
Donaldson Lufkin	-	-	93,704	93,704
First Boston Corporation	-	3,500	-	3,500
First National Bank, Chicago	-	1,000	-	1,000
First National Bank, Minneapolis	9,100	41,030	1,129,580	1,179,710
First National Bank, St. Paul	13,590	175,975	1,004,343	1,149,508
Goldman Sachs & Company	13,985	141,665	-	155,650
Hutton, O. I. & Co., Inc.	-	7,000	35,000	42,000
Ashley G. Landon & Company, Inc.	-	8,325	-	8,325
Fidelity Government Securities, Inc.	11,040	35,330	9,700	56,070
Merrill Lynch, Pierce, Fenner & Smith	15,345	30,420	-	45,765
Morgan Guaranty Trust Co.	-	3,725	618,320	700,425
New York Hanstate	3,000	24,500	-	27,500
Northwestern National Bank, Minneapolis	1,425	42,766	3,784,170	3,828,361
Northwestern National Bank, St. Paul	-	-	11,556	11,556
John Nuveen & Company	720	19,550	38,940	58,810
Salomon Brothers	5,350	32,200	-	37,550
Security Pacific National Bank	-	27,000	-	27,000
United California Bank	16,400	11,010	362,280	389,690
Weiden & Company	2,000	23,425	14,000	39,425
<b>TOTALS</b>	<b>\$192,130</b>	<b>\$829,943</b>	<b>\$8,257,872</b>	<b>\$9,279,945</b>

## SECTION 3

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### PURCHASES OF U.S. GOVERNMENT GUARANTEED OBLIGATIONS AND GOVERNMENT AGENCY SECURITIES

July 1, 1976 - June 30, 1977

#### A. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Face Amount (000)	Dealer or Issuer
\$12,859	First Boston Corporation
1,996	First National City Bank
9,808	Goldman, Sachs & Company
2,009	Jesup & Lamont Company
15,962	Merrill Lynch, Pierce, Fenner & Smith, Inc.
12,862	Paine, Webber, Jackson & Curtis, Inc.
10,136	Salomon Brothers

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

Face Amount (000)	Dealer or Issuer
\$ 871	Hambrecht & Quist, Inc.

#### C. SMALL BUSINESS ADMINISTRATION GUARANTEED

Face Amount (000)	Dealer or Issuer
\$ 882	Summit Bank of Riceville, Minnesota

#### D. GOVERNMENT AGENCY SECURITIES

Face Amount (000)	Dealer or Issuer
\$ 300	Salomon Brothers

## SECTION 2

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

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

July 1, 1976 - June 30, 1977  
(000 Omitted)

Issuer/Dealer	Purchases 1-90 days	Purchases 21-270 days	Sales Prior to Maturity Date	Total Volume
Associates Corp. of North America	\$ 115,839	\$ 19,399	-	\$ 135,238
Beneficial Corp.	77,900	9,500	-	87,400
Borg Warner Acceptance Corp./Goldman Sachs	28,459	44,221	-	72,680
CIT Financial Corp.	36,885	17,704	-	108,589
Dow Chemical Co./Goldman Sachs	-	5,600	-	5,600
First Bank System/First Boston Corp.	1,000	-	-	1,000
First Motor Credit Co.	50,500	14,254	-	75,162
General Electric Credit Corp.	59,874	12,447	-	72,376
General Motors Acceptance Corp.	44,151	17,000	-	81,151
General Motors Acceptance Corp. Salomon Brothers	10,000	-	-	10,000
Hales J. Heller & Co.	114,216	18,723	-	213,639
Honeywell Finance Inc. (John Sawyer Associates Inc.)	10,523	600	-	31,123
Horseshoe Finance Corp.	10,966	6,184	\$7,000	99,151
International Harvester Credit Co.	108,343	13,773	-	198,116
Montgomery Ward Credit Corp.	74,414	3,298	-	77,712
Northwest Bancorporation	6,023	1,310	-	7,333
J.C. Penney Financial Corp.	32,866	14,633	7,760	55,259
Sears Roebuck Acceptance Corp.	82,968	15,668	-	78,636
Texaco, Inc./Goldman Sachs	-	5,600	-	5,600
Transamerica Financial Corp.	61,122	6,874	-	74,946
<b>TOTALS</b>	<b>\$1,204,162</b>	<b>\$226,793</b>	<b>\$9,760</b>	<b>\$1,440,719</b>

## SECTION 4

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### PURCHASES OF PRIVATE PLACEMENT FIXED INCOME SECURITIES

July 1, 1976 - June 30, 1977

Face Amount (000)	Dealer
\$ 4,914	Ames IA L.P. Company
8,750	Bache, Halsey, Stuart & Co., Inc.
10,900	Blyth Eastman Dillon & Co., Inc.
2,000	First Boston Corporation
20,700	Goldman, Sachs & Company
3,000	Kuhn, Loeb & Company
5,000	Lehman Brothers, Inc.
3,000	McLeod Young West Inc.
5,500	Morgan Stanley & Co. Inc.
39,266	Salomon Brothers
8,075	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, 1976 - June 30, 1977

Face Amount (000)	Dealer	Face Amount (000)	Dealer
100	Advest Company	51,680	Loeb, Rhodes & Company
305	Allison Williams Company	50	Loew & Co., Inc.
1,060	Bache Halsey Stuart, Inc.	1,820	Merrill Lynch, Pierce, Fenner & Smith, Incorporated
330	Baird, (Robert W.) Co., Inc.	230	Milwaukee Company (The)
700	Basic Securities Corporation	110	Mitchell, Hutchins, Inc.
100	Bateman Eubank, Hill Richards, Inc.	2,400	Morgan Stanley & Co., Inc.
500	Bea, Stearns & Company	300	New Court Securities Corporation
40	Blen, (William) & Company	700	Nikko Securities (The) Co. International, Inc.
700	Blunt Ellis & Simmons, Inc.	100	Nomura Securities International, Inc.
2,530	Blyth Eastman Dillon & Co., Inc.	100	Novak (M.H.) & Co., Inc.
100	Bradford (J.C.) & Company	100	Olus Company (The)
150	Caldwell Phillips, Inc.	270	Oppenheimer & Co., Inc.
75	Craig Hallum, Inc.	270	Paine, Webber, Jackson & Curtis, Inc.
200	Crowell, Weeden & Company	695	Piper, Jaffray & Hopwood, Inc.
620	Dam, Kalman & Quail, Inc.	540	Pressprich, R.W. & Co., Inc.
100	Daiwa Securities America, Inc.	70	Reinhold & Gardner
100	Dickinson (R.G.) & Company	860	Reynolds Securities, Inc.
1,530	Dillon, Read & Co., Inc.	200	Robinson Humphrey Company, Inc.
100	Dominion Securities	100	Rodman & Renshaw, Inc.
150	Donaldson, Lufkin & Jenrette Corp.	150	Rothschild (L.F.) & Co.
1,490	Drexel Burnham & Co., Inc.	3,770	Salomon Brothers
625	Edwards, (A.G.) & Sons, Inc.	100	Schapiro (M.A.) & Co., Inc.
200	Europartners Securities Corporation	280	Shearson Hayden Stone, Inc.
410	Faulkner, Dawkins & Sullivan, Inc.	350	Shields Model Ruland Inc.
1,200	First Boston Corporation	980	Smith Barney, Harris Upham & Co., Inc.
60	First Harlem Securities Corporation	360	Spencer Trask & Co., Inc.
100	Greenfield & Co.	200	Stuart Brothers
1,980	Goldman, Sachs & Company	40	Sutro & Co., Inc.
100	Hamerling, Kemper & Marks	430	Thomson McKinnon Securities, Inc.
100	Herzfeld & Stern	100	Tucker, Anthony & R.L. Day, Inc.
1,070	Hornblower & Weeks Hemphill, Noyes	550	UBS-DB Corporation
910	Hutton, (E.F.) & Co., Inc.	80	Warburg Paribas Becker, Inc.
50	Jesup & Lamont	580	Weeden & Company
210	Keefe Bruyette & Woods, Inc.	1,000	Wertheim & Company
1,560	Kulder, Praludy & Co., Inc.	200	Wheat, First Securities, Inc.
700	Kleinworth, Beaton, Inc.	1,390	White, Weld & Company
800	Kuhn, Loeb & Co.	1,920	Witter, Dean & Co.
200	Ladenburg, Thalmann & Co., Inc.	340	Wood Gundy, Inc.
480	Lazard Freres & Co.	200	Wood, Struthers & Wootthrop, Inc.
100	Legg Mason	200	Yamachi International (America), Inc.
1,080	Lehman Brothers, Inc.		

## 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, 1976 - June 30, 1977

Face Amount (000)	Dealer
\$1,000	Bernstein (Sanford C.) & Co., Inc.
3,000	Blyth Eastman Dillon & Co., Inc.
1,000	Donaldson, Lufkin & Jenrette Securities Corp.
1,075	Drexel Burnham & Co., Inc.
1,000	Edwards, (A.G.) & Sons, Inc.
1,525	Goldman, Sachs & Company
500	Hornblower & Weeks - Hemphill, Noyes
500	Hutton, (E.F.) & Co., Inc.
4,025	Kidder, Peabody & Co., Inc.
500	Loeb, Rhodes & Co., Inc.
2,500	Merrill Lynch, Pierce, Fenner & Smith, Inc.
1,100	Morgan Stanley & Co., Inc.
400	Paine, Webber, Jackson & Curtis Incorporated
3,350	Salomon Brothers
1,000	Smith, Barney & Co.
1,500	Thomson McKinnon Securities, Inc.
1,000	Weeden & Company
1,500	Wertheim & Co., Inc.
2,075	White, Weld & Company
1,550	Witter, Dean & Co.

## SECTION 7

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### CORPORATE BONDS PURCHASED THROUGH SECONDARY OFFERINGS

July 1, 1976 - June 30, 1977

Face Amount (000)	Dealer
\$350	First Boston Corporation
750	Goldman Sachs & Company
250	Kidder, Peabody & Co., Inc.
650	Salomon Brothers

## SECTION 8

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### SALE OF FIXED INCOME SECURITIES

July 1, 1976 - June 30, 1977

##### A. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

Face Amount (000)	Dealer
\$ 1,234	Hambrecht & Quist, Inc.
1,600	Merrill Lynch, Pierce, Fenner & Smith, Inc.
6,856	Paine, Webber, Jackson & Curtis, Inc.

##### B. CANADIAN GOVERNMENTAL OBLIGATIONS

Face Amount (000)	Dealer
\$13,200	Salomon Brothers

##### C. CORPORATE OBLIGATIONS

Face Amount (000)	Dealer
\$ 2,375	Bernstein (Sanford C.) & Co., Inc.
2,600	Blyth Eastman Dillon & Co., Inc.
550	Edwards, (A.G.) & Sons, Inc.
3,315	Goldman, Sachs & Company
1,200	Hutton, (E.F.) & Co., Inc.
6,316	Merrill Lynch, Pierce, Fenner & Smith, Inc.
6,512	Morgan Stanley & Co., Inc.
23,727	Salomon Brothers
1,500	Thomson McKinnon Securities, Inc.
13,143	Weeden & Company
684	White, Weld & Company

## SECTION 9

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### COMMON STOCK PURCHASES ALLOCATED BY INVESTMENT DEPARTMENT

July 1, 1976 - June 30, 1977

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
UTILITIES		6200	Goldman Sachs
Electric		2700	Hornblower Weeks
12000		2200	E.F. Hutton
	Commonwealth Edison Company	2700	Kidder Peabody
	1000 Paine Webber	2200	Merrill Lynch
	11000 Wamwright Securities	1200	Milwaukee & Co.
116700	Minnesota Power & Light Company	1000	Novak & Co.
	1000 Allison Williams	5000	Paine Webber
	1400 Robert Baird	15500	Piper Jaffray
	4100 Bache Halsey	3700	Reynolds Securities
	31000 Blyth Eastman	900	Reinhold & Gardner
	100 Caldwell Phillips	900	Robinson Humphrey
	1000 Craig Hallum	1400	L.F. Rothschild
	8300 Dan Kalman	2600	Salomon Brothers
	3000 A.G. Edwards	3200	Shearson Hayden
	1600 First Boston		

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor																														
31,000	1000 Shields Model 3200 Smith Barney 900 Sotro & Co. 1400 Thomson & McKinnon 3700 White World 2800 Urban Wilco Northern States Power Company (Miss) 10000 Gulfstream Township 71500 Goldman Sachs 10000 F. J. Hutton 70000 Metrow & Co. 70000 Shearson Hayden 10000 White World 10000 Wheelabrator Corporation 1000 Hardy & Co. 2000 Milwaukee & Co. 8000 Smith Barney	84900	21000 Sunbeam Corporation 10200 Blyth Eastman 10200 F. Eberstadt 5000 Hornblower Weeks 17000 J. J. Hutton 6000 Metrow & Co. 70000 Shearson Hayden 10000 White World 10000 Wheelabrator Corporation 1000 Hardy & Co. 2000 Milwaukee & Co. 8000 Smith Barney	53000	3000 Sanford Bernstein 5000 Drexel Burnham 8000 Hornblower Weeks 8000 Shields Model 8000 Sunbeam Bros Carco Cola Company (Fla) 31700 Sanford Bernstein 7000 Goldman Sachs 13000 Milwaukee & Co 14000 Smith Barney 10000 Spencer Trask 2000 Consolidated Funds Corporation 2000 Sanford Bernstein 5000 First Boston 14000 Merrill Lynch 10000 Paine Webber 2000 W.H. Reaves 18000 Salomon Bros 7000 White World 4000 Wood Struthers General Mills, Incorporated 4000 Paine Webber 3400 Reynolds Securities 11000 W.H. Reaves 3000 Wainwright Securities Norton Simon, Incorporated 1000 Bache Halsey 12000 Merrill Lynch 20000 Paine Webber PepsiCo, Inc. 7500 A.G. Edwards 6000 Legg Mason 30000 Morgan Olmstead 15000 Paine Webber 15000 Piper Jaffray 15000 Shearson Hayden Pinstrip Company (Fla) 2000 Wm. Blair 2000 E.F. Hutton 5000 Wertheim & Co.	5000	5000 Paine Webber 500 Paine Webber 2500 Shields Model 2000 White World 38000 Vm. Witter Painkoff's Eastern Pipe Line Company 500 Paine Webber 2500 Shields Model 2000 White World 2000 Propriet Gas Company 5000 Wm. Blair 17800 Hornblower Weeks 6500 Merrill Lynch 11000 Oppenheimer & Co. 13000 Dean Witter 5000 Salomon Bros.	56300	26200 Milwaukee & Co. 24000 Paine Webber 2000 Robinson Humphrey 2000 Brown Bros. 2000 First Manhattan 2000 Sterling Grace 2000 Reardon, Incorporated 6000 Donaldson Lufkin 11000 Hornblower Weeks 5000 Merrill Lynch 1000 Milwaukee & Co. 4000 M.H. Novick 1000 Reynolds Securities	184400	Houston Natural Gas Corporation 1000 Bache Halsey 8000 Robert Baird 37500 Dan Kaiman 1300 Donaldson Lufkin 17100 First Boston 44500 Milwaukee & Co. 10000 M.H. Novick 4500 Piper Jaffray 10000 White World 12500 Wm. Witter 38000 Vm. Witter Painkoff's Eastern Pipe Line Company 500 Paine Webber 2500 Shields Model 2000 White World 2000 Propriet Gas Company 5000 Wm. Blair 17800 Hornblower Weeks 6500 Merrill Lynch 11000 Oppenheimer & Co. 13000 Dean Witter 5000 Salomon Bros.	129400	American Telephone & Telegraph Co. 5000 Cowen & Co. 5000 Cyrus Lawrence 1000 Dan Kaiman 11000 E.F. Hutton 11500 Lipper Analytical 46000 Milwaukee & Co. 46000 Mitchell Hutchins 6000 Houston & Co. 5500 Huntington & Co. 11000 Shearson Hayden General Telephone & Electric Corp. 30000 A.G. Becker 14000 Dan Kaiman 6000 Lipper Analytical 22000 Milwaukee & Co. 25500 Mitchell Hutchins 10000 Morgan Olmstead 30000 Paine Webber 7000 Shields Model 2000 Hardy & Co. 10000 E.F. Hutton 15000 Kette Bruyette 80000 Milwaukee & Co. 10000 Sotro & Co.	149500	Drusey (Wall) Productions 13500 Lashover Leachman 10300 Hornblower Weeks 10000 Robinson Humm 10000 M.H. Novick 10000 Paine Webber 10000 Dean Witter McDonald's Corporation 5000 Bache Halsey 1000 First Boston 5000 Hornblower Weeks 7000 E.F. Hutton 1500 Merrill Lynch 5000 Milwaukee & Co. 3000 Morgan Olmstead 500 Reynolds Securities 5500 Robinson Humphrey 21000 Wainwright Securities 12000 Dean Witter	119000	United Telecommunications, Inc. 2000 Hardy & Co. 10000 E.F. Hutton 15000 Kette Bruyette 80000 Milwaukee & Co. 10000 Sotro & Co.	31100	Ava Products, Inc. 7000 Brown Bros. 4500 Conning & Co. 1000 E.F. Hutton 8000 Morgan Olmstead 20000 Paine Webber 5000 Shearson Hayden 4000 Dean Witter Colgate Palmolive Company 2000 Dan Kaiman 9000 Drexel Burnham 8000 Hornblower Weeks 2000 Paine Webber 15000 Wainwright Securities Eastman Kodak Company 5000 Jefferson Township 5000 Hornblower Weeks 1500 C.F. Hutton 1000 Legg Mason 4800 Piper Jaffray 1000 Paine Webber 11700 W.H. Reaves 9400 Shearson Hayden Minnesota Mining and Manufacturing Co. 3500 Caldwell Phillips 3000 Dan Kaiman 1500 Merrill Lynch 26200 Milwaukee & Co. 24000 Paine Webber 2000 Robinson Humphrey 2000 Brown Bros. 2000 First Manhattan 2000 Sterling Grace 2000 Reardon, Incorporated 6000 Donaldson Lufkin 11000 Hornblower Weeks 5000 Merrill Lynch 1000 Milwaukee & Co. 4000 M.H. Novick 1000 Reynolds Securities	31100	Texas Utilities Company 5000 Jessup & Lamont 2000 Neuberger & Beran 1000 Reynolds Securities 6000 Shearson Hayden 13000 Shields Model 3100 Smith Barney 1000 Wood Struthers	31100	Ava Products, Inc. 7000 Brown Bros. 4500 Conning & Co. 1000 E.F. Hutton 8000 Morgan Olmstead 20000 Paine Webber 5000 Shearson Hayden 4000 Dean Witter Colgate Palmolive Company 2000 Dan Kaiman 9000 Drexel Burnham 8000 Hornblower Weeks 2000 Paine Webber 15000 Wainwright Securities Eastman Kodak Company 5000 Jefferson Township 5000 Hornblower Weeks 1500 C.F. Hutton 1000 Legg Mason 4800 Piper Jaffray 1000 Paine Webber 11700 W.H. Reaves 9400 Shearson Hayden Minnesota Mining and Manufacturing Co. 3500 Caldwell Phillips 3000 Dan Kaiman 1500 Merrill Lynch 26200 Milwaukee & Co. 24000 Paine Webber 2000 Robinson Humphrey 2000 Brown Bros. 2000 First Manhattan 2000 Sterling Grace 2000 Reardon, Incorporated 6000 Donaldson Lufkin 11000 Hornblower Weeks 5000 Merrill Lynch 1000 Milwaukee & Co. 4000 M.H. Novick 1000 Reynolds Securities	5000	5000 Paine Webber 500 Paine Webber 2500 Shields Model 2000 White World 38000 Vm. Witter Painkoff's Eastern Pipe Line Company 500 Paine Webber 2500 Shields Model 2000 White World 2000 Propriet Gas Company 5000 Wm. Blair 17800 Hornblower Weeks 6500 Merrill Lynch 11000 Oppenheimer & Co. 13000 Dean Witter 5000 Salomon Bros.	56300	26200 Milwaukee & Co. 24000 Paine Webber 2000 Robinson Humphrey 2000 Brown Bros. 2000 First Manhattan 2000 Sterling Grace 2000 Reardon, Incorporated 6000 Donaldson Lufkin 11000 Hornblower Weeks 5000 Merrill Lynch 1000 Milwaukee & Co. 4000 M.H. Novick 1000 Reynolds Securities	184400	Houston Natural Gas Corporation 1000 Bache Halsey 8000 Robert Baird 37500 Dan Kaiman 1300 Donaldson Lufkin 17100 First Boston 44500 Milwaukee & Co. 10000 M.H. Novick 4500 Piper Jaffray 10000 White World 12500 Wm. Witter 38000 Vm. Witter Painkoff's Eastern Pipe Line Company 500 Paine Webber 2500 Shields Model 2000 White World 2000 Propriet Gas Company 5000 Wm. Blair 17800 Hornblower Weeks 6500 Merrill Lynch 11000 Oppenheimer & Co. 13000 Dean Witter 5000 Salomon Bros.	129400	American Telephone & Telegraph Co. 5000 Cowen & Co. 5000 Cyrus Lawrence 1000 Dan Kaiman 11000 E.F. Hutton 11500 Lipper Analytical 46000 Milwaukee & Co. 46000 Mitchell Hutchins 6000 Houston & Co. 5500 Huntington & Co. 11000 Shearson Hayden General Telephone & Electric Corp. 30000 A.G. Becker 14000 Dan Kaiman 6000 Lipper Analytical 22000 Milwaukee & Co. 25500 Mitchell Hutchins 10000 Morgan Olmstead 30000 Paine Webber 7000 Shields Model 2000 Hardy & Co. 10000 E.F. Hutton 15000 Kette Bruyette 80000 Milwaukee & Co. 10000 Sotro & Co.	149500	Drusey (Wall) Productions 13500 Lashover Leachman 10300 Hornblower Weeks 10000 Robinson Humm 10000 M.H. Novick 10000 Paine Webber 10000 Dean Witter McDonald's Corporation 5000 Bache Halsey 1000 First Boston 5000 Hornblower Weeks 7000 E.F. Hutton 1500 Merrill Lynch 5000 Milwaukee & Co. 3000 Morgan Olmstead 500 Reynolds Securities 5500 Robinson Humphrey 21000 Wainwright Securities 12000 Dean Witter	119000	United Telecommunications, Inc. 2000 Hardy & Co. 10000 E.F. Hutton 15000 Kette Bruyette 80000 Milwaukee & Co. 10000 Sotro & Co.



Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
10000	Shearson Hayden	4100	Morgan Olmstead
4500	Sutro & Co.	10500	Paine Webber
9000	Dean Witter	21500	Smith Barney
<b>Electrical Equipment</b>		<b>ENERGY</b>	
15400	General Electric Co.	<b>Oil Domestic</b>	
11800	Morgan Olmstead	75700	Atlanta, Hutchfield Company
9700	Smith Barney	6000	Bache Halsey
70400	General Electric Company	4000	Hornblower Weeks
6000	E. F. Hutton	5000	Kidder Peabody
8100	Kidder Peabody	6000	Robinson Humphrey
3500	Milwaukee & Co.	4200	Wainwright Securities
3000	Wertheim & Co.	13000	Continental Oil Company (The)
279800	Gould, Inc.	1000	First Boston
48100	Bear Stearns	6000	Hornblower Weeks
40350	Wm. Blair	1000	Lipper Analytical
3000	Hornblower Weeks	5000	Morgan Olmstead
121950	Kidder Peabody	15000	Louisiana Land and Exploration Co. (The)
13500	Merrill Lynch	2000	DeHaven Townsend
15000	Reynolds Securities	1000	Hornblower Weeks
5400	Robinson Humphrey	2000	Morgan Stanley
34500	Wainwright Securities	3000	Paine Webber
		1000	Piper Jaffray
		153400	Marathon Oil Company
<b>Machinery</b>		18000	Bache Halsey
7500	Caterpillar Tractor Co.	11600	Donaldson Lulkin
112400	Clark Equipment Company	5700	Drexel Burnham
20000	Wm. Blair	3000	First Boston
21500	Merrill Lynch	3000	Hornblower Weeks
27000	Paine Webber	8000	Kidder Peabody
15000	Hutan Muhl	8000	Cyrus Lawrence
10500	Salomon Bros.	4000	Legg Mason
14500	Wertheim & Co.	7000	Merrill Lynch
8300	White Weld	15000	Merrill & Co.
28000	Combustion Engineering, Incorporated	9000	Morgan Olmstead
1000	Sanford Bernstein	6500	Paine Webber
1000	Caldwell Phillips	4000	Piper Jaffray
900	Drexel Burnham	8000	W.H. Reaves
5000	Mitchell Hutchins	5000	Reynolds Securities
11000	Salomon Bros.	10000	Shearson Hayden
9100	White Weld	2500	Shields Model
14000	Trans Union Corporation	2000	Wertheim & Co.
1500	Salomon Bros.	5000	White Weld
4500	Smith Barney	18100	Dean Witter
8000	White Weld	44000	Phillips Petroleum Company
		6000	DeHaven Townsend
		2000	Jesup & Lamont
		10000	Mesirov & Co.
		26000	Wainwright Securities
		41600	Standard Oil Company (Indiana)
		4000	First Boston
		2000	E. F. Hutton
		6500	Kidder Peabody
		13600	Morgan Olmstead
		500	Paine Webber
		5000	Shearson Hayden
		10000	Wheat First
		12000	Standard Oil Company (The Ohio)
		12000	Wertheim & Co.
<b>Metals</b>		<b>Oil International</b>	
6500	Hanna Mining Company (The)	50200	Exxon Corporation
2000	Spencer Trask	19800	Brown Bros.
3500	White Weld	1800	Caldwell Phillips
1000	Wood Struthers	8500	Lipper Analytical
39226	Pittston Company (The)	7000	Merrill Lynch
10506	Dain Kalman	1500	Paine Webber
2400	E. F. Hutton	3100	Smith Barney
15396	Paine Webber	10500	Wainwright Securities
4000	White Weld	22000	Gulf Oil Corporation
4488	Dean Witter	2000	Caldwell Phillips
1836	Sutro & Co.	10000	Mesirov & Co.
155000	St. Joe Minerals Corporation	10000	Paine Webber
21000	First Manhattan		Mobil Corporation
6000	Hornblower Weeks	1500	Jesup & Lamont
10000	E. F. Hutton	2000	Legg Mason
21000	Kuhn Loeb	2000	Milwaukee & Co.
7000	Merrill Lynch	2500	Morgan Olmstead
2000	Mitchell Hutchins	86500	Standard Oil Company of California
2000	Paine Webber	5000	Bache Halsey
5000	Reynolds Securities	23300	Brown Bros.
10300	Robinson Humphrey	7700	Hardy & Co.
16200	Shearson Hayden	8000	Jesup & Lamont
13000	Sutro & Co.	14500	Keele Bruyette
34000	Wainwright Securities	7000	Neuberger Berman
5500	Dean Witter	10000	M. H. Nevich
		6000	Paine Webber
		10000	W.H. Reaves
		52000	Texas, Inc.
		7000	Robert Baird
		20000	Milwaukee & Co.
		18000	Paine Webber
		7000	Sutro & Co.
<b>Paper</b>		<b>Energy Related</b>	
35000	International Paper Company	3000	Baker International Corporation
3000	Caldwell Phillips	1000	First Boston
10000	First Manhattan	2000	Salomon Bros.
3900	Merrill Lynch		Dresser Industries, Inc.
6500	Milwaukee & Co.	2000	Morgan Olmstead
2500	Paine Webber	1000	Robinson Humphrey
6100	Piper Jaffray		Halsburton Company
3000	Shearson Hayden	3000	Robert Baird
79500	Union Camp Corporation	18500	Sanford Bernstein
2500	Sanford Bernstein	5000	Brown Bros.
4300	Caldwell Phillips	5500	Mitchell Hutchins
6000	First Boston		
4700	Goldman Sachs		
1000	Hornblower Weeks		
3000	Keele Bruyette		
13500	Milwaukee & Co.		
7000	Oppenheimer & Co.		
7000	Piper Jaffray		
1000	Reynolds Securities		
5000	L. F. Rothschild		
25000	Wood Struthers		
<b>Miscellaneous</b>		<b>Automobiles &amp; Automotive Parts</b>	
73000	International Telephone & Telegraph Corp.	19700	Genuine Parts Company
5000	Robert Baird	6200	Institutional Networks
4000	Caldwell Phillips	10500	Jefferies & Co.
7000	A. G. Edwards	3000	Weeden & Co.
2000	E. F. Hutton		
9000	Lipper Analytical		
10000	Milwaukee & Co.		

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	
3500	Morgan Stanley	5000	Legg Mason	
5000	W.H. Reaves	5000	Piper Jaffray	
9100	Shields Model	7000	Smith Barney	
43800	Williams Companies (The)	42600	Southern Railway Company	
4000	Dain Kalman	1000	Bache Halsey	
7000	Goldman Sachs	5000	Edwin Hochstetler	
13000	Hornblower Weeks	1150	First Boston	
7000	Milwaukee & Co.	5900	First Manhattan	
4000	Salomon Bros.	5000	Goldman Sachs	
11000	Shearson Hayden	14500	Salomon Bros.	
2000	Spencer Trask	11000	Wainwright Securities	
		2000	Union Pacific Corporation	
			2000	Merrill Lynch

**TRANSPORTATION**  
**Railroads**  
12000 Burlington Northern Incorporated

## SECTION 10

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

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

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
<b>UTILITIES</b>		<b>Consumer Nondurables</b>	
<b>Electric</b>		9000	Commonwealth Edison Company
6000	Jefferies & Co.	2000	Avon Products, Inc.
3000	Weeden & Co.	2000	Jefferies & Co.
14900	Northern States Power Company (Minn.)	17500	Coqate Palmolive Company
1500	Institutional Networks	2500	Institutional Networks
300	Jefferies & Co.	15000	Jones & Associates
13100	Weeden & Co.	1700	Eastman Kodak Company
11000	Public Service Co. of Indiana, Inc.	1200	Institutional Networks
5000	Institutional Networks	500	Weeden & Co.
6000	Weeden & Co.	2400	Minnesota Mining and Manufacturing Co.
9500	Texas Utilities Company	1000	Jefferies & Co.
3000	Institutional Networks	1400	Weeden & Co.
500	Jefferies & Co.	3000	Revlon, Incorporated
6000	Weeden & Co.	3000	Jefferies & Co.
<b>Natural Gas</b>		<b>Consumer Miscellaneous</b>	
15500	Houston Natural Gas Corporation	5030	Disney (Walt) Productions
15000	Jefferies & Co.	4030	Institutional Networks
500	Kali & Co.	1000	Weeden & Co.
5500	Panhandle Eastern Pipe Line Company	11200	McDonald's Corporation
500	American Securities	10200	Institutional Networks
2500	Institutional Networks	1000	Weeden & Co.
2500	Weeden & Co.	<b>Drugs</b>	
48700	Peoples Gas Company	4500	American Home Products Corporation
36700	American Securities	1000	Institutional Networks
6000	Institutional Networks	3500	Jefferies & Co.
3000	Jefferies & Co.	200	Merck & Co., Inc.
3000	Weeden & Co.	200	Institutional Networks
<b>Communications</b>		2000	Pfizer Incorporated
24800	American Telephone & Telegraph Co.	2000	Institutional Networks
500	American Securities	<b>Food Beverage</b>	
12300	Institutional Networks	38000	EPC International, Inc.
1000	Jefferies & Co.	6800	Institutional Networks
10000	Jones & Associates	28200	Jefferies & Co.
1000	Kali & Co.	3000	Weeden & Co.
15300	General Telephone & Electronics Corp.	4000	Coca Cola Company, (The)
500	Institutional Networks	2000	Institutional Networks
1000	Jefferies & Co.	2000	Jefferies & Co.
<b>FINANCIAL SERVICES</b>		12500	General Mills, Incorporated
<b>Banks</b>		3500	Institutional Networks
1000	Citicorp	9000	Jones & Associates
1000	Institutional Networks	5700	PrudCo, Inc.
3030	First Bank System, Incorporated	4200	Institutional Networks
500	First Boston	1500	Weeden & Co.
500	Keele Bruyette	12000	PrudCo, Inc. (The)
500	Piper Jaffray	10000	Jefferies & Co.
1500	Salomon Bros.	2000	Weeden & Co.
850	Valley National Bank of Arizona	<b>Retail Sales</b>	
	Keele Bruyette	7000	Dayton Hudson Corporation
<b>Insurance</b>		13700	Jefferies & Co.
1030	INA Corporation	7600	Federated Department Stores, Inc.
1000	Weeden & Co.	6100	Institutional Networks
<b>CONSUMER ORIENTED</b>		1500	K-mart Corporation
<b>Automobiles &amp; Automotive Parts</b>		1000	Institutional Networks
19700	Genuine Parts Company	500	Jefferies & Co.
6200	Institutional Networks	100	PrudCo, Inc. (The)
10500	Jefferies & Co.	100	Jefferies & Co.
3000	Weeden & Co.	96119	Southland Corporation (The)
<b>Consumer Durables</b>		7000	Robert Blum
7400	Sunbeam Corporation	6000	Institutional Networks
7400	Jefferies & Co.	\$2110	Jefferies & Co.

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
<b>TECHNOLOGY</b>							
<b>Electronics</b>							
3700	Hewlett Packard Company 700 Jefferies & Co. 200 Kall & Co. 2300 Weeden & Co.	39518	Pittston Company (The) 6834 Robert Brandt 17892 Jefferies & Co. 14792 Kall & Co. St. Joe Minerals Corporation 6000 Robert Brandt 3000 Institutional Networks 80000 Jefferies & Co. 6000 Jones & Associates	200	Merrill Lynch Paine Webber Hewlett Packard Company 200 Jefferies & Co.	8000	Owens Corning Fiberglas Corporation 4000 Jefferies & Co. 7400 Merrill Lynch Penney (J.C.) Company, Incorporated 8000 Merrill Lynch Phillips Petroleum Company
<b>Office Equipment</b>							
500	Burroughs Corporation 500 Jefferies & Co.			42000	Hoerner Waldorf Corporation 16000 Merrill Lynch 2000 Jefferies & Co. 16000 Salomon Bros. 8000 White Weld	12000	12000 Dan Kalman Pittston Company (The) 7920 Jefferies & Co. 30094 Merrill Lynch 7800 Paine Webber
1000	Digital Equipment Corporation 1000 Jefferies & Co.			3800	Holiday Inns, Incorporated 3800 White Weld		
7500	International Business Machines Corp. 1700 Institutional Networks 400 Jefferies & Co. 400 Weeden & Co.	2500	International Paper Company 1500 Institutional Networks 1000 Kall & Co.	31000	Kraft, Inc. 3000 Institutional Networks 10000 Kall & Co. 13000 Smith Barney	13000	The St. Paul Companies, Inc. 13000 Smith Barney
1000	Xerox Corporation 1000 Institutional Networks	27500	Union Camp Corporation 1000 Jefferies & Co. 26500 Weeden & Co.	53000	Louisville Gas and Electric Company 43000 Goldman Sachs 10000 Weeden & Co.	8700	Southern California Edison Company 2700 American Securities
<b>BASIC INDUSTRY</b>							
<b>Aerospace</b>							
7700	Boeing Company (The) 700 Institutional Networks 7000 Kall & Co.	1500	International Telephone & Telegraph Corp. 1000 Institutional Networks 500 Kall & Co.	57300	MGIC Investment Corporation 14000 Shields Muel 14700 Dean Witter 22600 White Weld Middle South Utilities, Incorporated 20000 Smith Barney	52000	Tetra Corporation 32000 Dan Kalman United Technologies Corporation 4000 Jefferies & Co. 10000 Milwaukee & Co. 6000 Morgan Olmstead 4000 Oppenheimer & Co.
3700	United Technologies, Inc. 3200 Institutional Networks 500 Weeden & Co.			20000	Northwest Airlines, Incorporated 2800 Institutional Networks 12200 Jefferies & Co. 10000 Jesup & Lamont 2000 Smith Barney	26500	Standard Oil Company (The) (Ind) 4000 Institutional Networks 3500 Merrill Lynch 12500 Morgan Olmstead 10000 Shearson Hayden 6500 Wertheim & Co.
<b>Building &amp; Forest Products</b>							
7752	Georgia Pacific Corporation 6222 Institutional Networks 1530 Kall & Co.	1000	Atlantic Richfield Company 2200 Jefferies & Co. Continental Oil Company (Ind.) 1800 Institutional Networks Louisiana Land and Exploration Co. (The) 2000 Institutional Networks 1000 Weeden & Co.	27000	Northwest Airlines, Incorporated 2800 Institutional Networks 12200 Jefferies & Co. 10000 Jesup & Lamont 2000 Smith Barney	8000	Xerox Corporation 4000 Milwaukee & Co. 4000 Shearson Hayden
15000	Masonite Corporation 15000 Robert Brandt	51400	Marathon Oil Company 15000 Robert Brandt 12700 Institutional Networks 7700 Jefferies & Co. 16000 Weeden & Co. Phillips Petroleum Company 20000 Robert Brandt				
4700	Weyerhaeuser Company 2200 Institutional Networks 2000 Jefferies & Co. 500 Weeden & Co.	20000					
<b>Chemicals</b>							
700	du Pont (E.I.) de Nemours and Company 500 Institutional Networks 200 Weeden & Co.	4300	Exxon Corporation 3100 Institutional Networks 1000 Jefferies & Co. 700 Weeden & Co.				
6300	Hercules Incorporated 6300 Jefferies & Co.	2500	Mobil Oil Corporation 500 Institutional Networks 2000 Weeden & Co.				
5100	Monsanto Company 1000 Institutional Networks 3400 Jefferies & Co. 1500 Weeden & Co.	12000	Standard Oil Company of California 10000 Institutional Networks 1000 Jefferies & Co. 1000 Kall & Co.				
9000	Union Carbide Corporation 3000 Jefferies & Co. 6000 Weeden & Co.						
<b>Electrical Equipment</b>							
15000	Emerson Electric Co. 10000 Kall & Co. 5000 Weeden & Co.	2000	Dresser Industries, Inc. 2000 Jefferies & Co.				
1500	General Electric Company 1000 Institutional Networks 500 Weeden & Co.	5400	Halliburton Company 1900 Institutional Networks 1500 Jefferies & Co. 2000 Kall & Co.				
<b>Machinery</b>							
2000	Caterpillar Tractor Co. 2000 Institutional Networks	4200	Williams Companies (The) 4200 Jefferies & Co.				
14300	Clark Equipment Company 1300 Jefferies & Co. 13000 Weeden & Co.						
7500	Trans Union Corporation 7500 Jefferies & Co.						

## SECTION 11

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

#### COMMON STOCK SALES July 1, 1976 - June 30, 1977

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
15100	Aluminum Company of America 15100 Oppenheimer & Co.	52600	Continental Illinois Corporation 200 E. F. Hutton
25000	American Greetings Corporation 17500 Dressel Burnham 7500 Jefferies & Co.	26000	Institutional Networks 14600 Kidder Peabody 11800 Morgan Stanley
16200	Bank America Corporation 8000 Dressel Burnham 1000 Institutional Networks 6000 E. F. Hutton 1700 Smith Barney	62500	Dresser Industries, Inc. 5000 First Boston 2000 Institutional Networks 2000 Jefferies & Co. 3000 Merrill Lynch 28000 Oppenheimer & Co. 10000 Paine Webber 12500 Shields Muel
17000	CPM International, Inc. 8000 Robert Brandt 4000 Salomon Bros. 5000 Dean Witter	10200	Integrated Department Stores, Inc. 10200 Smith Barney
7000	Clorox Company (The) 3000 E. F. Hutton 4000 Jefferies & Co.	16000	General Food, Corporation 2000 E. F. Hutton 5000 Jefferies & Co. 2000 Kidder Peabody
5000	Connecticut General Insurance Corp 5000 Goldman Sachs		

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AS A UNIT IN THE ORIGINAL DOCUMENT.



**1976 REPORT**

**of the**

**EXECUTIVE SECRETARY**

**of the**

**MINNESOTA STATE BOARD**

**OF INVESTMENT**

Office of the Executive Secretary  
State Board of Investment  
Room 105, MEA Building  
55 Sherburne Avenue  
Saint Paul, Minnesota 55155  
July 1, 1976

# MEMBERS OF THE STATE BOARD OF INVESTMENT

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

## THE ADVISORY COMMITTEE ON STATE TRUST FUNDS

### Active Members

Franklin Brieze, *Chairman of the Board (retired), Minnesota Mutual Life Insurance Company, St. Paul*  
Robert S. Davis, *C.F.A., Executive Vice President of Finance, The St. Paul Companies, Inc.*  
Gaylord W. Glarner, *Senior Vice President, First Trust Company, St. Paul*  
James C. Harris, *Vice Chairman of the Board of Directors, Northwestern National Bank of Minneapolis*  
John M. Harris, *Investment Counsel, Northern City National Bank, Duluth*  
John H. Herrell, *Vice Chairman of Investment Committee, Mayo Foundation, Rochester*  
Donald E. Jondahl, *Executive Vice President, Finance, Northwestern National Life Insurance Company, Minneapolis*  
Laurence R. Lunden, *former Vice President, Business Administration, University of Minnesota*  
Dale R. Olseth, *President, Medtronic, Inc.*  
Norman Terwilliger, *Investment Counsel to the Minneapolis Teachers Retirement Association*

### Members Emeriti

Hermon J. Arnott, *retired Chairman of the Board, Farmers and Mechanics Savings Bank of Minneapolis*  
Francis Hassing, *former Investment Counsel to the Board of Regents of the University of Minnesota*  
Maxwell B. Hight, *Section of Administration, Mayo Foundation, Rochester*

## INVESTMENT DEPARTMENT PERSONNEL

Robert E. Blixt, *B.A., M.S., J.D., C.F.A.*  
*Executive Secretary*

A. Arthur Kaese, *B.A., C.F.A.*  
*Assistant Executive Secretary*

Betty J. Eskuri  
*Portfolio Coordinator*

Margaret I. Conley  
*Administrative Assistant*

Judy A. Kaufman  
*Secretarial Assistant*

\* \* \* \* \*

### Portfolio Managers and Financial Analysts

*Money Market Securities*  
Grant A. Feldman, Jr., *B.S.*  
Howard J. Bicker, *B.A.*

*Equity Securities*  
Miles J. Cohen, *B.B.A., J.D.*  
C. Robert Parsons, *B.S.*  
Michael L. Hudson, *B.S., M.B.A., C.F.A.*  
Roger W. Henry, *B.A.*  
Peter G. Robb, *B.A.*

*Fixed-Income Securities*  
N. Robert Barman, *B.C.S., M.A.*  
Arthur M. Blauzda, *B.S., M.B.A.*

### Secretarial & Investment Assistants

Peggy Johnson

Debra L. Johnson

Rita Rivard

Becky Thoma

\* \* \* \* \*

Roger A. Derksen, *B.B.A., C.F.A.*  
*Investment Operations Director & Financial Analyst*

Meg J. Arneberg, *B.A.*  
*Computer-Investment Assistant*

James E. Oss, *B.A.*  
*Transaction Supervisor*

Harold Syverson, *B.A.*  
*Securities Trader*

### Accountants & Statistical Assistants

Thomas L. Delmont, *B.A.*

Alice P. Chermak

Audrey I. Moore

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

Members of the Legislature of the State of Minnesota:

The Investment Staff of the State of Minnesota is most appreciative of the policies and procedures approved by the State Board of Investment and Advisory Committee on State Trust Funds during the past few years. The results, as detailed in this report, have been very satisfactory by any standard - particularly those which may be considered appropriate for public funds.

Short-term money-market investments, retirement accounts, trust funds and other investment portfolios are often considered to be staid and unimaginative when handled by committees representing the general public. Yet, the Investment Staff has been most impressed and enthusiastic about the encouragement, support and ideas put forth by the Advisory Committee and Board members. The success of the portfolio in calendar 1975 and early 1976 has been due to the support received in implementing an aggressive purchase program in late 1974 and 1975 - at the time many investment experts were all too apprehensive regarding the future of the nation and its economy.

The period covered by this report includes the fiscal year from July 1, 1975 through June 30, 1976. Previous reports are available since the year 1960.

Although there were no significant changes in Minnesota's investment laws during the 1975 and 1976 legislative sessions, various inter-department procedural changes and the use of new types of securities have resulted in an improved investment program - one which, in our opinion, is more pertinent to the needs of the constituents.

One feature of Minnesota statutes which is sometimes misunderstood by legislators and retirement fund beneficiaries is that "market valuations" which determine retirement fund benefits and values in the Variable Annuity Fund and the Minnesota Adjustable Fixed Benefit Fund are based on bi-monthly security prices averaged over a two-year period. Therefore, the results of these two funds for fiscal 1976 will still be dependent, to some degree, on the low prices prevailing on both stocks and bonds in late calendar 1974. Actually, the State accounts were much benefited by this decline in securities values. We were able to increase our holdings significantly at substantially lower prices. Yet, because these prices are still included in the statistical base from which fiscal 1976 year-end results are computed, the investment progress of these two funds appears comparatively minimal for this past fiscal year. It must be emphasized, however, that the computations and ratios already effective for this fiscal year - that ending on June 30, 1977 - indicate substantial future gains for both the Variable Annuity Fund and the Minnesota Adjustable Fixed Benefit Fund.

The Investment Staff is particularly appreciative of the work of the Advisory Committee on State Trust Funds. This group was formed in 1961, at the time the statutes first authorized equity investments in Minnesota's retirement funds. Most of the members originally appointed still serve on the Committee. Their investment expertise, based on their responsibilities and work as leaders of Minnesota's investment community is enhanced by this long period of service and their knowledge of retirement legislation and investment problems during the past 15 years. It is to be noted that, despite the unquestioned expertise of these members, their service is offered without compensation. Every member of this Committee is, or has been, a portfolio manager or research director of a major Minnesota institution.

The accounts supervised by the State Board of Investment are divided into several groups, each governed by individual statutes and managed under different policies. The fund groupings, together with their approximate book valuations as of June 30, 1976, are as follows:

**Invested Treasurer's Cash Fund, \$580.9 million.** This fund includes all tax receipts. Since 1969, prime quality corporate notes have been eligible for use in this account, in addition to U.S. Treasury and agency obligations maturing within three years.

**Highway Funds, \$216.9 million.** These accounts include U.S. Treasury obligations, debt instruments issued by U.S. government agencies and short-term corporate notes due within 270 days of the time of purchase. The moneys are used for the building and maintenance of highways, roads and streets throughout the state.

**Miscellaneous Welfare, Departmental and Temporary Funds, \$167.4 million.** These funds are invested according to the terms of particular statutes or applicable policies, primarily in U.S. Treasury securities. The major portion of these accounts consists of proceeds from bond sales; the moneys will be used within a comparatively short period of time for state building needs. Also included are endowment funds and trust accounts held for various institutions. During the past two fiscal years, these funds have been increased through the investment of bond proceeds from securities issued by the Minnesota Housing Finance Agency. This investment total varies according to the needs of the agency in providing funds to Minnesota's home buyers.

**Minnesota Adjustable Fixed Benefit Fund, \$648.8 million.** This account, administered by the State Board of Investment, may include a maximum of 50% in stocks with the remainder in debt securities. Retirement benefits are paid to all retired employees from the principal and earnings of this fund. A two-year average "total return" from this fund, in excess of the 5% actuarial assumption, has been used to augment pension benefits. Earnings and market appreciation during the early 1970's resulted in an increase in the pensions paid by the various participating retirement funds of from 2% to 4% at the beginning of the 1972 calendar year; increases of 4½% to 5½% were paid at the beginning of the 1973 calendar year. The Legislature provided for an additional 25% increase which was paid in two installments - in July 1973 and January 1974. This adjustment was made at the time that the statutes applicable to the retirement systems of Minnesota were modified to provide benefits based on salaries paid during the "five-high years" of employment. Because of this complete statutory revision, the reserves accumulated during the early 1970's were used to provide very substantial increases for those previously retired. Despite the lower stock and bond markets experienced in 1973-1975, recent portfolio results indicate additional pension increases beginning in calendar 1978 or 1979.

**Basic Retirement Funds, \$1,035.7 million.** Six state-managed retirement funds, invested separately for employee groups, include U.S. Treasury, municipal and other governmental securities, U.S. government-guaranteed obligations, corporate bonds, short-term corporate notes, and common stocks.

**Supplemental Retirement Fund, \$62.6 million.** This fund was established in 1967 for employees of the State College Board and State Junior College Board. The fund consists of three accounts, one of which may be invested up to 100% in equities, emphasizing potential growth with the accompanying market risks. The second includes long-term bonds and stocks oriented toward current income. The third - the Fixed Return Account - was initiated on July 1, 1974, and includes only bond investments; it provides an interest yield over a period of time commensurate with the average life and call protection inherent in the bonds purchased. Legislatures since 1969 have made one or more of these accounts available for use by police and fire fighter relief associations throughout the state, various county employees, those members of the state service who are "unclassified" and do not have the benefits of tenure, and state employees who wish to participate in a deferred income plan through which a portion of their salaries may be taxed at the rates in effect at the time of their retirement.

**Minnesota Variable Annuity Fund, \$33.9 million.** This fund was established by the 1969 Legislature and was made effective in early summer 1970. The account now includes a diversified list of common stocks, some long-term debt instruments, and reserves in the form of short-term fixed-income securities. The participants are teachers who chose this type of program, which provides retirement benefits based on long-term investment performance. Because of the many advantages inherent in the new "five high year" plan, the Variable Annuity may not now be opted by new teachers but is still available to present members of the State's educational system.

**Trust Funds, \$267.6 million.** The Permanent School Fund, invested for the benefit of the school children of Minnesota, includes U.S. Treasury securities and government guaranteed obligations, corporate bonds of long and short maturities, and common stocks. The Internal Improvement Land Fund includes only U.S. Treasury obligations.

Because of the differing investment policies applicable to these funds, a short review of the history and needs of the various accounts is provided along with a listing of securities.

#### INVESTED TREASURER'S CASH FUND

This pooled fund reached new highs in size and activity during the past three fiscal years. It represents most tax receipts and other State revenues. In late summer 1974, it was evident that tax accumulations were somewhat greater than the amounts allocated for expenditures during fiscal 1975. After this "surplus" was identified, the State's administration, the Legislature and the Investment Board took action appropriate to increase the earnings from the fund and, yet, maintained the required liquidity due to the economic uncertainties and the anticipated needs of the State during the next biennium.

Because it was evident that a portion of this "surplus" would remain in the account until fiscal 1976 and 1977, securities in an amount exceeding \$100 million were extended in maturity from a few days to a range of from nine months to three years during early autumn 1974. This extension, at a time when interest rates were higher than prevalent for many years, produced significant added income to the account. The 1976 fiscal year-end total investment of \$580.9 million is the second highest in Minnesota's history, it was exceeded only by the \$607.8 million invested at 1975 fiscal year-end.

The Investment Department personnel have been helped by the cooperation and interest of the State Treasurer's office in providing current information — several times per day — regarding the investment needs and possibilities in this fund. The Finance Department, over the past few years, has also led in determining new investment potentials in order to maximize interest earnings for Minnesota State funds.

Interest earnings from this account have fluctuated considerably due to the varying size of the funds invested as well as the wide swings in interest rates applicable to short-term obligations of high quality. Record high earnings of \$14.8 million were reached in 1969 — up from only \$6.0 million in 1966. The small amounts available for investment in 1972 combined with low rates resulted in earnings of only \$4.2 million during that fiscal year. This figure increased to \$7.2 million for fiscal 1973, \$22.0 million for 1974, and a new high of \$37.5 million for fiscal 1975. These earnings declined to \$35.0 million for fiscal 1976 because of somewhat lesser fund totals throughout the year and lower short-term interest rates in effect.

Under the terms of 1973 legislation, the Investment Department buys and sells according to oral certification of cash available by the staff of the State Treasurer and the Department of Finance. In recent years, there has been an increase in the use of repurchase agreements and of short-term instruments so that funds may earn money over the shortest of periods — sometimes one day or over a week-end. Statutes require that securities in the Invested Treasurer's Cash account extend no longer than three years in maturity.

#### THE HIGHWAY FUNDS

The funds held for street, road and highway construction in Minnesota may be invested in bonds eligible for purchase by the Permanent School Fund and commercial paper used in the retirement accounts. At present these funds own short-term U.S. Treasury and agency securities, repurchase agreements backed by U.S. Treasury or agency obligations, short-term corporate notes, and securities guaranteed by the U.S. government through the Government National Mortgage Association. The Commissioner of Highways certifies the amounts not needed in the immediate future; these sums are invested in maturities approximating the expected disbursement schedule of the highway department. The program includes considerable reinvestment and adjustment of maturity schedules because of the time necessary for planning, purchase of right-of-way, and construction of highways. The amount of highway funds invested fluctuates throughout each fiscal year, they totaled from \$151.0 million to \$208.5 million during fiscal 1974, from \$134.0 million to \$168.0 million during fiscal 1975, and from \$153.1 million to \$216.9 million during fiscal 1976. These accounts show temporary increases after the sale of state highway bonds, until the proceeds are used for construction purposes. The increase in investable moneys during the past fiscal year was due to an increase in the gasoline tax from 7¢ to 9¢ on July 1, 1975, and a revised program of automobile license tax collections so that payments are made at dates throughout the year. Due to these changes in income potential, the Highway Department and the State Board of Investment are reviewing the needs of these funds so as to maximize the income potential from the investment securities.

The earnings from these accounts increased from \$1.7 million in fiscal year 1959 to \$7.7 million in fiscal 1970, \$9.5 million in fiscal 1971, \$9.6 million in each of the two fiscal years 1972 and 1973, and \$13.8 million in fiscal 1974. Earnings were reduced to \$12.5 million in fiscal 1975 and to \$11.0 million in fiscal 1976.

The income earned from these highway fund investments benefits the counties and municipalities in Minnesota directly through the County State Aid Highway Fund and the Municipal State Aid Street Fund. Earnings from the Trunk Highway Fund are used for the overall state highway program.

#### STATE COLLEGES, WELFARE, AND DEPARTMENT OF CORRECTIONS

The State Board of Investment is responsible for the investment of individual and pooled endowment accounts applicable to scholarship and the support of state institutions, certain funds designated for welfare purposes, and patient and inmate accounts in both welfare and correctional institutions. Purchases are limited to U.S. Treasury obligations, except in instances where individual gifts or bequests provide for the use of other investments.

\* \* \* \* \*



Schedule I reviews the short-term corporate notes and the U.S. government and agency obligations held by the Invested Treasurer's Cash Fund, the highway funds, and the miscellaneous departmental funds on June 30, 1976. As has been indicated in previous paragraphs, the Investment Department has substantially increased its activity in the use of these short-term debt obligations in order to maximize yields and, thereby, increase the income to the accounts. The Money Market Securities Division of the Investment Department supervised short-term securities totaling over \$1.1 billion on June 30, 1976. In addition to those listed on Schedule I, there were substantial short-term investments held by the retirement funds and the Permanent School Fund.

#### THE MINNESOTA ADJUSTABLE FIXED BENEFIT FUND

The Minnesota Adjustable Fixed Benefit Fund includes the assets representing the reserves from which pensions are paid to individuals who have retired; these recipients are members of various public funds including the six basic retirement funds managed by the State Board of Investment and the fund administered by the Municipal Employees Retirement Board of Minneapolis. There has been a substantial revision in this portfolio during the past five years because of the many different holdings transferred into the account during the 1969-70 fiscal year. Although substantial reserves were accumulated to make possible the continuation of a high level of pensions during years of stock price downturn, these reserves were distributed to retirees during 1974 to compensate partially for the higher pensions now being paid under the "five high year" plan. Because the 1973 and 1974 downturn in the stock market coincided with a higher rate of inflation, there is some impetus to use the increased yield generated through the price appreciation of both bonds and stocks to provide a basis for adjusting pensions as a compensation for inflationary pressures. In this way, the employer group - the state, municipality, county or school board - would face the risks of long term market fluctuations, whereas the individual would receive benefits more dependent upon actual changes in the cost of living. Concern has been expressed, however, that this account would lose its "complete funding" and become less sound from an actuarial standpoint if long-term benefit improvements were based on the cost of living rather than on actual investment performance.

Under the provisions of 1971 legislation, the net return to the Minnesota Adjustable Fixed Benefit Fund was determined on the basis of income and an average of the market-to-cost relationships taken bi-monthly over a two year period. This interpretation of investment results meant that a substantial contribution toward the cost of the increased pensions in the state managed funds was met from this "total return" during the period through 1973; the portion attributable to the Municipal Employees Retirement Board of Minneapolis was used toward higher pensions and increased reserves. The 1974 Legislature established a "new base" below which pensions may not decline. This figure was established at the level of pensions paid during 1974. The 1975 Legislature granted comparatively modest one-time payments to retirement fund participants in lieu of any increased benefit from this fund. In early calendar 1976, the Legislature appropriated a portion of the high earnings accrued from the investments in the Invested Treasurer's Cash Fund as a supplement to those retirees who were receiving benefits computed on the basis of legislation in effect prior to the "five-high years" statute. This supplement to pensions in Minnesota - to be granted to members of various municipal and teachers' funds as well as those managed by the State Board of Investment - will tend to aid those retirees not benefiting from recent legislative programs.

Benefits accruing from the market action and net yield have not increased during the past two years for several reasons - including the "two year averaging" on rate of return which still includes the lower valuations prevalent in 1974 and 1975. Other factors include a change in the actuarial assumption applicable in the fund of from 3% to 5%, an allocation of certain moneys to pre-1973 retirees and slight adjustments in some cases in order to pay the full increase in benefits legislated during 1973 and 1974.

Common stocks may comprise up to 50% of this portfolio, with convertible debentures limited to an additional 10%. On June 30, 1976, the percentage committed to common stock investments, on a net original cost basis, amounted to 45.26% of the portfolio, declining from 48.92% on December 1975. During the past six months, there have been substantial portfolio revisions due to the recent increases in stock prices with the accompanying opportunity to balance the sales of less successful stocks with those which had shown substantial gains in price during the past 18 months. This portfolio revision, combined with a consolidation of bond holdings and elimination of securities held in smaller quantities, will continue during the months ahead.

This fund increased in value by \$100.6 million during the fiscal year. This sizeable increase is due to the fact that the pensions being paid to present retirees have been raised substantially through recent legislation. The higher value was due to \$94.3 million in net contributions and income. An additional upward adjustment of \$6.3 million was due to higher market valuations.

#### THE BASIC RETIREMENT FUNDS

The State Investment Board manages six accumulation retirement accounts which include both employer and employee contributions during the employee's working period; at the time of retirement, the assets are transferred

to the Adjustable Fixed Benefit Fund. Common stocks may total 50% of these accounts. At the time of this writing, equities comprise approximately 46% of each fund on a cost basis, with the remainder invested in debt securities of the U.S. government, its agencies, Canadian governmental units, and United States and Canadian corporations. Common stock commitments totaled nearly 50% of these accounts on a cost basis on December 31, 1975. Since that date, profits have been taken through the sale of many equities, as the Dow Jones Industrial Average approximated the 1000 level. The Department's research personnel and portfolio managers also have suggested a revision in the composition of the equity portfolios so as to include higher holdings of those stocks showing particular promise - with assured earnings and dividends in the years ahead.

The 1969 Legislature made it possible for each fund to include a small portion of unrealized gains in the income portion of the account through a procedure which applies after the market valuations of equities exceed the original cost price by 15% for six consecutive two month periods - or one year. At such a time, an amount equal to 3% of the cost of the equities could be added to the retirement fund for actuarial and accounting purposes. The first such increase occurred on October 31, 1972; this was followed by a second increase on December 31, 1972. Because of the probability that such market increases would not continue, it was decided that each of these increases would be added to the income accounts in three equal installments during three successive fiscal years. The first increase applied during fiscal 1972, 1973 and 1974, while the second increase was applicable in fiscal 1973, 1974 and 1975.

The 1973 Legislature modified the law to provide for such an increase or decrease whenever the market valuation of equities varied from the revised cost figure by 10% for six consecutive two month periods. The market downturn during 1973 and 1974 resulted in the first 3% downward revision on February 28, 1975. A second decrease applied to several of the retirement funds on April 30, 1975. Because the 1973 statute authorized the computation of such yield declines over a five-year period, it is anticipated that the net effect of such calculations will be minimal when computing fund yield performance on a long-term basis.

By early calendar 1975, because of rising stock prices, it was evident that there would be no further downward adjustment in the statutory valuation of equities for an extended period. Schedule III indicates the net yield accruing to the three largest basic retirement funds during the period from 1957 through 1976. During these 19 years, the yield has increased from less than 3% to nearly 6%. Footnote 14, following Schedule III, explains the effect of the statute tying equity valuations to the stock market.

Schedule IV lists the securities held in the three largest basic retirement funds on June 30, 1976. Because of the identical purpose for which these accounts are established, it has been Investment Department policy to use the same securities in each account, whenever funds have been available. A differing flow of new moneys, however, has resulted in varying cost and a somewhat different overall composition of these three accounts. Because of the recent sales of equities, the net original cost of stocks in the three major accounts increased from \$392.3 million on June 30, 1975, to \$422.6 million on June 30, 1976. The market valuation of these equities showed a greater increase, from \$397.2 million to \$460.9 million.

The Public Employees Police & Fire Fund was established during the early 1960's in order to provide an investment vehicle for the smaller police and fire fighter organizations throughout the state as well as for larger organizations which chose to participate in this retirement plan. Schedule V includes the fixed-income securities in this account on June 30, 1976 and Schedule VII lists the equity portfolio. This account showed a sizeable increase in value - from \$45.3 million to \$56.3 million during the past fiscal year. Although nearly \$2 million of this change was due to higher stock market valuations, most of the increase was derived from the significantly higher contributions.

The Highway Patrolmen's Retirement Fund resulted from a merger, in 1969, of the State Police Officer's Retirement Association and the Highway Patrolmen's Retirement Association. Because the two previous accounts were quite small and had limited and unpredictable flows of new money, the new merged account appears to be more manageable; this has benefited both groups. Schedule VI includes the fixed-income securities in this account on June 30, 1975 and Schedule VII lists the equity portfolio.

State, municipal and school district bonds comprised over 71.0% of total investments in these retirement funds as recently as the late 1950's; such holdings declined to 0.4% by June 30, 1976. This decline was due to the sale and maturity of bonds as well as the placement of all new money in other types of securities. Because most of the remaining "municipals" consist of odd lots that carry either no rating or a low rating by the services, it is presumed that a large portion of these bonds must be held to maturity. In recent years, the municipal bond dealers and fiscal agents of the Upper Midwest area have been most helpful in aiding the State's sales of these securities.

The Judges Retirement Fund was established in 1974; no permanent investments were purchased until the 1975 fiscal year. Because of statutory limitations, the percentage of funds invested in equities may be increased by only 5% of total investments each year. During the 1976 fiscal period, the fund was subject to a 10% equity limitation. Schedule VIII lists the investments as of June 30, 1976.

## THE MINNESOTA SUPPLEMENTAL RETIREMENT FUND

The three accounts of the Minnesota Supplemental Retirement Fund are invested in accordance with three different philosophies in order to meet the individual needs and desires of the participants. The income share account, limited to 50% in common stock, consists primarily of high quality corporate bonds and emphasizes comparatively higher yielding equities of well-known companies. The growth share account, on the other hand, may participate in the equity market up to 100% of total assets and includes stocks of companies offering a low current yield and representing firms which may have significant long-term potential from the standpoint of earnings growth. These stocks tend to fluctuate in price to a far greater extent than those in the income share account. The fixed return account, invested entirely in bonds, is not subject to changes in market fluctuations. The amounts contributed each year into this account, however, will earn varying interest rates depending upon the existing yield structure.

The growth share and income share accounts were established on a unit basis on October 1, 1967, with each unit worth \$10.00 on that date; due to a two-for-one split on June 30, 1973, the current units had a net worth of \$5.00 on inception date. A summary of the market valuations experienced by the two accounts since the beginning of the program in 1967 is as follows (as adjusted for the two-for-one split):

		Income Share Account		Growth Share Account	
		High	Low	High	Low
Oct. '67	Dec. '68	\$5.52 (Nov. '68)	\$4.98 (Oct. '67)	\$5.44 (Nov. '68)	\$4.52 (Feb. '68)
	1969	5.40 (Jan.)	4.99 (Dec.)	5.32 (Oct.)	4.71 (July)
	1970	5.69 (Dec.)	4.81 (Jan.)	4.94 (Feb.)	3.73 (June)
	1971	6.30 (Dec.)	5.86 (Jan.)	6.21 (Dec.)	5.09 (Jan.)
	1972	7.11 (Dec.)	6.36 (Jan.)	7.92 (Dec.)	6.47 (Jan.)
	1973	7.15 (Sept.)	6.69 (Nov.)	7.53 (Jan.)	5.29 (Dec.)
	1974	6.80 (Feb.)	5.31 (Sept.)	5.35 (Jan.)	3.21 (Sept.)
	1975	7.12 (Dec.)	6.26 (Jan.)	5.17 (June)	3.95 (Jan.)
Jan.	June '76	8.00 (June)	6.94 (Jan.)	5.52 (June)	5.28 (May)

Schedule IX lists the assets in the income share account on June 30, 1976. Because of the increase in both equity and bond valuations during the past 18 months, this account has shown particularly favorable market results. The comparative "safety" of this portfolio, due to the type of stock used and the diversification between fixed-income and equity securities, has resulted in its use by most retirement organizations eligible to participate in the Supplemental Retirement Fund. It is anticipated that the results, over a period of years, will never be spectacular, but will tend to be satisfactory from the standpoints of safety, yield and long-term growth.

Schedule X consists of a listing of the securities in the growth share account on June 30, 1976. Under the terms of the Prospectus for the growth share account, it is a policy of the Department to maintain a steady investment in stocks of companies which evidence growth potential. It has also been an established policy to avoid extreme "buy" or "sell" programs which could result in a high cash position for a brief period of time. Such a program can be disastrous if the market makes unanticipated moves. This means that the account is in a reasonably fully invested position at all times and will continue to be subject to significant changes in market values, particularly during periods of stock market increases, as in 1972, and during times of market uncertainty and decline, such as during 1973 and 1974. The upward movement of stock prices in 1975 and 1976 resulted in sizeable increases in market valuations of the growth share account. It is apparent, however, that those stocks which led the market increases during the 1971-73 period may not provide such leadership in future market recoveries. We are now revising the investment policies applicable to this fund to achieve a greater degree of diversification by industry and to include equities representing broad segments of our economy.

The assets in the fixed return account, established on July 1, 1974, are listed in Schedule XI. Unit valuations do not change; they are arbitrarily set at \$5.00 per unit. The return from this fund is based entirely upon the rate of interest received from the bonds purchased in the account.

Under the provisions of the applicable statutes, the Investment Department establishes an "indicated rate" of return for the coming fiscal year on July 1. On July 1, 1974, this rate was set at 8.50%. The bonds purchased during the fiscal period provided a yield somewhat higher than that anticipated. The participants then consisting only of individual retirement funds received 9.10% on all contributions made during the 1975 fiscal year. During fiscal 1976, the plan was broadened in scope to include individuals who wish to participate in a fixed-return investment under various retirement or deferred income plans. In early July 1976, the return for individual participants was set at 8.9% for those contributions received during the 1976 fiscal year. This rate will be subject to change annually.

The contributions received from the various retirement organizations will provide earnings of 8.8% during the past fiscal year, with an indication that the rate set on these contributions will continue for another nine years, or

through June 30, 1985. The slightly lower rate attributed to the institutional participants is due to the fact that a portion of the income will be set aside in the form of reserves to provide for any possible future diminution of income. Most bonds purchased during the year may not be refunded at a lower interest rate for a ten-year period.

Because of the uncertainties in the economy, an assumed rate for the 1977 fiscal year has been established at 7.50%. Participants will be paid a higher rate of return if the securities purchased during the coming year warrant such payments.

There is a substantial amount of interest in the fixed-return account because of the investment uncertainties made evident by the 1973-74 decline in both the stock and bond markets. The idea of a definite interest earnings - with no dependence upon stock or bond market fluctuations - apparently has great appeal to many fund participants. Because of the response to this new account, the assets increased from \$1.0 to \$4.2 million during the 1976 fiscal year. The significant influx of incoming contributions to this account has resulted in considerable reserves being held in short-term investments. These moneys will be placed in securities of longer maturity for which commitments are being made. It is the intent of the Investment Department that approximately 30 to 40 issues of fixed-income securities be selected within a comparatively short time so that the fund may be assured of adequate industry diversification. It is emphasized that the bonds purchased are concentrated in the AAA and AA quality levels. This will add to the safety applicable to the fund contributions and should minimize the chance of losses.

#### MINNESOTA VARIABLE ANNUITY FUND

The Minnesota Variable Annuity Fund was advocated prior to the adoption of the "five high year" plan by the Teachers Retirement Association. The participants received a net return of 5.4500% in fiscal 1971, 9.1670% for fiscal 1972, and 6.2393% for fiscal 1973. During fiscal 1974, the participants suffered a decline of 4.1478%, followed by another decrease of 17.9638% during fiscal 1975, and a decline of 0.0101% for the fiscal year ended June 30, 1976. The laws applicable to valuations and computation of net return dictate that a two-year period be used in calculating increases or decreases to the fund. As has previously been indicated in this report, the stock and bond market "lows" of 1974 will be used in these calculations until mid-1977. Therefore, the Minnesota Variable Annuity Fund will not show a positive net return until the end of the 1977 fiscal year. Market-value-to-cost ratios already applicable to the June, 1977 computations indicate a significant positive net return for the next fiscal year.

Although most variable plans are based entirely on participation in equity investments, the widespread use of this fund and the fluctuations in the stock market since the account's inception have caused the investment department to adopt a policy which includes approximately 25% to 35% in fixed-income investments.

The option for the Variable Annuity was terminated during fiscal 1974. Therefore, the fund will continue only as an investment medium for those teachers who have already chosen to have a portion of their retirement moneys invested in accordance with the Variable Annuity concept. The securities in this fund on June 30, 1976, are listed on Schedule XII.

#### THE PERMANENT TRUST FUNDS

The State's permanent trust funds showed their greatest rate of growth during the 1940's and 1950's. Until a constitutional amendment was passed in 1956, half of the receipts from the iron ore occupation tax accrued to the principal of the permanent trust funds, which were invested for the benefit of the schools, the University of Minnesota and other state institutions. In recent years, the entire receipts from this tax have been applied directly toward meeting the State's current educational needs.

During the years immediately following the adoption of the constitutional amendment, long-term low-coupon U.S. Treasury bonds were sold from the Permanent School Fund, with the proceeds being invested in higher yielding corporate securities. In accordance with this amendment, corporate bonds were purchased to the approximate maximum of 40% of the fund. During the past several years, however, mortgage backed securities guaranteed by the U.S. government and issued through private organizations in cooperation with the Government National Mortgage Association have offered a yield comparable to or greater than that received from corporate bonds of similar quality. These Government National Mortgage Association mortgage backed securities were purchased during the summer months of 1974 at yields as high as 10.14%. Because of the lack of inflow of new cash into this fund, the gradual return of principal offered by this type of investment has been very attractive; we have thus been able to maintain a cash flow for current investment needs. During fiscal 1976, additional types of United States Government guaranteed securities were used; they have added both quality and yield to the fund. Arrangements between the State Board of Investment and the Minnesota Banker's Association have resulted in a program through which the Permanent School Fund has purchased those portions of Small Business Administration loans which are guaranteed by the United States Government. These loans are arranged through various banks in Minnesota and are "pooled" through the facilities of the Summit National Bank of Richfield. This program, initiated through the cooperation of

the Governor, the State Treasurer and the Minnesota Banker's Association, appears to offer a unique opportunity to achieve a comparatively high yield and an adequate cash flow to this permanent trust fund. It also marks a unique opportunity for following prudent investment principles in achieving an appropriate yield, while aiding the development of businesses in Minnesota.

Within the past few months, we have negotiated for other United States Government guaranteed securities based on hospital mortgages throughout the United States. These securities also offer a comparatively high yield, a continued repayment of principal and the highest possible quality.

Because of the comparative attractiveness of United States Government backed securities, the corporate bond portfolio has been reduced to 29.8% of the book value of the Permanent School Fund; it is anticipated that the holdings of high quality debt securities will be increased as more appropriate yield spreads become prevalent. United States Government and government guaranteed obligations constitute 47.7% of the book value of this account; common stock investments are maintained very near to the 20% limit.

Schedule XIII indicates that the investment changes have resulted in an increase in net yield from 2.68% during the late 1950's to 5.54% during the 1976 fiscal year. A very marked increase in return during the past five years was possible because of the use of United States Government guaranteed obligations. A portion of the income will be transferred on an annual basis to the principal of the account to replenish the book losses taken through the sale of long-term United States Treasury and corporate fixed-income obligations during the past 15 years.

Schedule XIV lists the securities in the Permanent School Fund on June 30, 1976.

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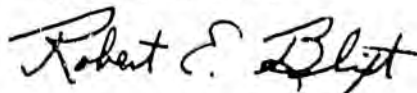
A review of policies concerning the placement of business, together with a summary of transactions completed during the fiscal year from July 1, 1975, through June 30, 1976, follows the schedules described above.

\* \* \* \* \*

The investment results achieved in fiscal 1975 and 1976 have been particularly pleasing to the Departmental staff. The cooperation and advice received from the members of the State Board of Investment and the Advisory Committee on State Trust Funds played a most important part in achieving these results. It is now evident that the funds benefited considerably through the significant purchase program completed during late 1974 and 1975. Likewise, the income from the Invested Treasurer's Cash Fund has been increased both through the accumulated surplus during the period of high interest rates and the degree of attention accorded this account by the various State finance offices.

The Investment Department is also appreciative of the cooperation by the staff of the Legislative Commission on Pensions and Retirement and by the interest shown in the State funds by the securities dealers, brokers and research personnel throughout the securities industry. Although the many Minnesota investment accounts must be managed under widely different investment policies and procedures in order to achieve individual objectives it is hoped that all of these funds can be invested so as to be of lasting benefit to the beneficiaries and to all citizens of Minnesota.

Respectfully submitted,



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

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## 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 Treasurer's Cash Fund	HIGHWAY FUNDS			Miscellaneous Departmental Funds
		Trunk	County State Aid	Municipal 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	9,511,000	8,512,000	1,350,000
<b>Total Short-Term Corporate Notes</b>	<b>\$167,900,000</b>	<b>\$31,705,000</b>	<b>\$23,456,000</b>	<b>\$15,622,000</b>	<b>\$ 6,063,000</b>

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

Bills					
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>\$ 270,000</b>	<b>\$ 30,000</b>	<b>\$ 28,425,000</b>

Repurchase Agreements					
Maturity less than 30 days	\$ 83,250,000	\$16,300,000	\$ 5,538,000	\$ 818,000	\$ 16,767,000
Maturity 31-95 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>

Government Agency Securities					
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	1,950,000	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% IOS Mortgage Corp. due 9-15-88 - 1168	-	\$ 625,000	-	-	-
6.50% IOS Mortgage Corp. due 10-15-88 - 1169	-	625,000	-	-	-
6.50% IOS Mortgage Corp. due 10-15-88 - 1378	-	350,000	-	-	-
6.50% Weyerhaeuser Mortgage Co. due 10-15-88 - 1180	-	225,000	-	-	-
6.50% Weyerhaeuser Mortgage Co. due 10-15-88 - 1181	-	500,000	-	-	-
6.50% IOS Mortgage Corp. due 5-15-90 - 2290	-	1,375,000	-	-	-
7.50% IOS Mortgage Corp. due 6-15-90 - 2291	-	1,650,000	-	-	-
6.50% IOS Mortgage Corp. due 7-15-90 - 2424	-	-	\$ 1,625,000	-	-
<b>Total Government National Mortgage Association, Guaranteed Mortgage Backed Securities</b>	-	<b>\$ 5,350,000</b>	<b>\$ 1,625,000</b>	-	-

U.S. Government Guaranteed Obligations					
6.35% SEDCO Maritime, Inc. 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. due 12-31-77	-	1,500,000	500,000	500,000	-
<b>Total U.S. Government Guaranteed Obligations</b>	-	<b>\$12,988,812</b>	<b>\$ 2,999,309</b>	<b>\$ 3,498,712</b>	-

U.S. Treasury Notes and Bonds					
7.50% Notes due 8-15-76	-	-	-	-	\$ 6,000
8.75% Notes due 9-30-76	-	-	-	-	4,000,000
<b>Total Maturities less than 1 year</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	-	\$ 3,000,000	\$ 1,200,000	-
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 Treasurer's Cash Fund	Trunk	County State Aid	Municipal State Aid	Miscellaneous Departmental 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>\$ 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
6.25% 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>\$ 433,500</b>
7.50% Bonds due 11-15-88	-	-	-	-	\$ 60,000
<b>Total Maturities more than 10 years</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 Agency, and Government 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 and U.S. Government Obligations 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>	\$ (764,618.40)
<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</b> (See Listing Below)	\$ 36,048,167.97
<b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b> (See Listing Below)	\$ 3,000,000.00
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b> (See Listing Below)	\$ 22,610,000.00
<b>CORPORATE BOND OBLIGATIONS</b> (See Listing Below)	\$220,382,358.70
<b>CONVERTIBLE DEBENTURES</b> (See Listing Below)	\$ 12,915,050.00
<b>DEFERRED YIELD ADJUSTMENT ACCOUNT**</b>	\$ 6,299,533.88
<b>COMMON STOCKS (See Listing Below)</b>	\$295,785,798.42
<b>TOTAL ASSETS IN ACCOUNT</b> (For actuarial purposes, not indicative of true market value)	<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 1976.

\*\*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

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	2,236,667.50	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>\$17,210,000.00</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 (Miss.)	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	144,200	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	\$ 2,003,550.00	
MGIC Investment Corporation	70,000	12.63	883,750.00	
<b>Total Finance</b>			<b>\$ 2,887,300.00</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	
SAFE CO 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>\$ 2,799,712.50</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	3,126,750.00	
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	
Penny (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>				
Burrhus 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	3,256,081.25	
<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	\$ 3,604,650.00	
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	17,000	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 6-30-76	Market Value	Total % 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	
<b>Total Miscellaneous</b>			<b>\$ 4,312,100.00</b>	<b>1.39%</b>
<b>TOTAL BASIC INDUSTRY</b>				
			<b>\$ 58,303,742.25</b>	<b>18.81%</b>
<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	2,683,250.00	
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	
<b>Total Oil-Domestic</b>			<b>\$ 18,680,600.00</b>	<b>6.03%</b>
<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	
<b>Total Oil-International</b>			<b>\$ 19,464,812.50</b>	<b>6.28%</b>

Common Stock	Shares	Market Price 6-30-76	Market Value	Total % Market
<b>ENERGY-RELATED</b>				
Dresser Industries, Inc.	88,000	\$ 43.00	\$ 3,784,000.00	
Halliburton Company	66,000	61.63	4,199,250.00	
Williams Companies (The)	86,000	24.00	2,064,000.00	
<b>Total Energy-Related</b>			<b>\$ 10,047,250.00</b>	<b>3.24%</b>
<b>TOTAL ENERGY</b>				
			<b>\$ 48,182,642.50</b>	<b>15.55%</b>
<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	
<b>Total Railroads</b>			<b>\$ 4,683,100.00</b>	<b>1.51%</b>
<b>TOTAL TRANSPORTATION</b>				
			<b>\$ 9,342,560.00</b>	<b>3.01%</b>
<b>TOTAL COMMON STOCKS</b>				
			<b>\$309,940,819.51*</b>	<b>100.00%</b>

\*Original cost of equities on June 30, 1976, was \$278,689,055.80.

SCHEDULE III

STATE OF MINNESOTA  
STATE BOARD OF INVESTMENT

RATE 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 (1,5)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3,6)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (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	-	-	-	\$ 34,139,700	-	-	-
June 30, 1958	\$ 23,625,000	\$ 21,171,833	\$ 614,096.77	2.90%	\$ 39,715,570	\$ 40,426,167	\$ 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	\$ 1,751,629.00	3.69%	\$ 54,499,050	-	-	-	\$ 63,098,540	\$ 59,167,380	\$ 2,140,761.22	3.62%
December 31, 1961	\$ 61,433,745	-	-	-	\$ 56,830,438	\$ 54,432,163	\$ 1,885,692.64	3.46%	\$ 67,775,429	-	-	-
June 30, 1962	\$ 68,132,958	\$ 61,250,128	\$ 2,340,665.00	3.82%	\$ 59,843,686	-	-	-	\$ 73,187,108	\$ 68,020,359	\$ 2,587,612.53	3.80%
December 31, 1962	\$ 75,195,593	-	-	-	\$ 62,517,119	\$ 59,230,414	\$ 2,168,821.46	3.63%	\$ 77,813,737	-	-	-
June 30, 1963	\$ 81,436,890	\$ 74,921,814	\$ 2,990,070.00	3.99%	\$ 65,432,932	-	-	-	\$ 82,990,550	\$ 77,997,132	\$ 3,011,190.37	3.86%
December 31, 1963	\$ 92,347,700	-	-	-	\$ 68,922,451	\$ 65,674,167	\$ 2,466,206.57	3.76%	\$ 88,480,685	-	-	-
June 30, 1964	\$ 96,311,091	\$ 90,031,894	\$ 3,613,002.65	4.01%	\$ 72,100,574	-	-	-	\$ 96,529,180	\$ 89,333,472	\$ 3,546,799.82	3.97%
December 31, 1964	\$ 103,667,519	-	-	-	\$ 75,485,635	\$ 72,169,553	\$ 2,771,915.02	3.84%	\$ 100,413,219	-	-	-
June 30, 1965	\$ 110,234,510	\$ 103,404,373	\$ 4,193,536.65	4.05%	\$ 79,128,448	-	-	-	\$ 109,721,619	\$ 102,054,673	\$ 4,124,491.25	4.04%
December 31, 1965	\$ 120,809,744	-	-	-	\$ 83,578,973	\$ 79,397,685	\$ 3,104,510.00	3.91%	\$ 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	\$ 143,519,801	\$ 135,436,396	\$ 5,766,018.44	4.26%	\$ 92,325,985	-	-	-	\$ 141,805,453	\$ 131,078,751	\$ 5,553,970.00	4.24%
December 31, 1967	\$ 155,763,172	-	-	-	\$ 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	-	-	-	\$ 182,931,287	\$ 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 (1,5)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3,8)	Yield (4)	Book Value (1)	Average Book Value for Year Ending (2,11)	Income for Year Ending (3)	Yield (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	—	—	—	\$132,612,272	\$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%	\$ 17,281,570	\$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%	\$119,406,203	\$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	—	—	—	\$115,615,762	—	—	—	\$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	\$5,962,135.03	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	\$19,420,831.51	6.08% <sup>(13)</sup>
December 31, 1974	\$334,570,948	—	—	—	\$146,138,047	—	—	—	\$342,430,164	—	—	—
June 30, 1975	\$361,246,511	\$338,578,130	\$18,219,672.59	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	\$17,711,372.4	5.14% <sup>(14)</sup>
December 31, 1975	\$386,284,495	—	—	—	\$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	\$7,886,551.18	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% increase 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 Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Total Amount (000)
<b>CASH CERTIFIED FOR INVESTMENT</b>	\$ 1,669,891.56*	\$ 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> (See Listing Below)	\$ 2,730,000.00	\$ 547,000.00	\$ 683,000.00	
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b> (See Listing Below)	\$ 25,400,000.00	\$ 9,925,000.00	\$ 27,500,000.00	
<b>CORPORATE BOND OBLIGATIONS</b> (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</b> (See Listing Below)	\$ 173,118,278.68	\$ 81,514,955.75	\$ 184,223,034.51	
<b>TOTAL ASSETS IN ACCOUNTS</b> (Not actuarial purposes, not indicative of true market value)	\$ 371,694,035.89	\$ 179,405,427.27	\$ 408,462,650.13	

\* 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 (a)	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>					\$ 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
Electric Power Commission	S/F Debenture	4-1-98	7 7/8	7.875	3,500	2,000	2,500	8,000
Higher Education Commission								
S/F Debenture		4-15-93	7.00	7.26	-	300	550	850

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)
<b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>								
				8.11%	\$ 25,400	\$ 9,925	\$ 27,500	\$ 62,825

#### CORPORATE BOND OBLIGATIONS

#### PUBLIC UTILITY OBLIGATIONS

#### ELECTRIC

<b>Alabama</b>								
Power Co.	First Mortgage	4-1-90	5.00	5.01	\$ 122	\$ 87	\$ 217	\$ 426
<b>Arizona</b>								
Public Service Co.	First Mortgage	9-1-97	6 1/4	6.32	-	500	750	1,250
<b>California</b>								
Electric Power Co.	First Mortgage	5-1-90	5 1/8	5.10	400	300	500	1,200
<b>Carolina</b>								
Power & Light Co.	First Mortgage	4-1-90	4 7/8	4.85	350	-	-	350
<b>Central Illinois</b>								
Light Co.	First Mortgage	3-1-90	4 7/8	4.90	250	250	500	1,000
<b>Central Maine</b>								
Power Co.	First Mortgage	11-1-90	5 1/4	5.10	-	294	293	587
<b>Citizens Utilities Co.</b>								
First Mortgage		10-1-92	4 5/8	5.11	-	-	800	800
<b>Commonwealth</b>								
Edison Co.	First Mortgage	11-1-96	5 3/4	5.82	750	500	650	1,900
<b>Consolidated Edison Co.</b>								
First & Refunding Mortgage		10-15-96	1.60	6.45	-	-	1,100	1,100
<b>Consolidated Edison Co.</b>								
Equipment Trust		1-1-90	5 1/4	9.25	1,467	-	1,711	3,178
<b>Dayton Power &amp; Light Co.</b>								
First Mortgage		6-1-91	4.45	4.45	500	400	600	1,500
<b>Georgia</b>								
Power Co.	First Mortgage	11-1-90	4 7/8	4.88	500	200	-	700
<b>Iowa Illinois Gas &amp; Electric Co.</b>								
First Mortgage		4-15-90	5.00	4.93	-	-	487	487
<b>Louisiana Power &amp; Light Co.</b>								
First Mortgage		4-1-90	5.00	5.01	350	200	500	1,050
<b>Metropolitan Edison Co.</b>								
First Mortgage		5-1-90	5.00	4.95	350	200	500	1,050
<b>Orange &amp; Rockland Utilities, Inc.</b>								
First Mortgage		4-15-91	4 7/8	4.80	500	350	550	1,400
<b>Otter Tail Power Co.</b>								
First Mortgage		7-1-91	4 7/8	4.80	482	293	-	775
<b>Pacific Power &amp; Light Co.</b>								
First Mortgage		4-1-92	4 3/4	4.70	-	-	400	400
<b>Philadelphia Electric</b>								
First & Refunding Mortgage		10-15-80	11.00	11.00	-	-	1,200	1,200
<b>Public Service Co. of New Hampshire</b>								
First Mortgage		7-1-92	4 5/8	4.54	300	350	-	650
<b>Public Service Electric &amp; Gas Co.</b>								
First & Refunding Mortgage		9-1-90	4 3/4	4.73	-	-	500	500
<b>Puget Sound Power &amp; Light Co.</b>								
First Mortgage		2-1-91	4 5/8	4.65	250	250	-	500
<b>Puget Sound Power &amp; Light Co.</b>								
First Mortgage		11-1-93	4 5/8	4.60	350	250	600	1,200
<b>Rochester Gas &amp; Electric</b>								
First Mortgage		7-1-98	6.70	6.70	800	-	1,000	1,800
<b>Sierra Pacific Power Co.</b>								
First Mortgage		6-1-92	4 7/8	4.75	400	-	430	830
<b>Southern California Edison Co.</b>								
First & Refunding Mortgage		4-1-86	4 1/2	4.42	150	250	150	550
<b>Southwestern Public Service Co.</b>								
First Mortgage		2-1-94	4 1/2	4.50	-	-	700	700
<b>Tucson Gas &amp; Electric Co.</b>								
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>								
<b>Gas Service Co.</b>								
First Mortgage		5-1-83	4.40	4.83	\$ 555	\$ 296	\$ 333	\$ 1,184
<b>Laclede Gas Co.</b>								
First Mortgage		7-1-85	4 7/8	4.80	233	189	-	422
<b>Louisiana Gas Service Co.</b>								
First Mortgage		6-1-97	4 1/2	4.70	500	500	400	1,400
<b>Michigan Wisconsin Pipe Line Co.</b>								
First Mortgage		7-15-83	4 7/8	4.70	495	395	495	1,385
<b>Milwaukee Gas Light Co.</b>								
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 (000)	State Employees Retirement Fund (000)	Teachers Retirement Fund (000)	Total Amount (000)
Northwest Natural Gas Co	First Mortgage	11 89	4 3/4	4 72	600	400	600	1,600
Springfield Gas Light Co	Note	1 15 87	4 7/8	4 975	423	254	-	677
Texas Eastern Transmission Corp	First Mortgage	12 1 81	4 7/8	4 915	377	277	421	1,225
Transcontinental Gas Pipe Line Corp	First Mortgage	11 1 81	5 00	5 08	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	1 1 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>
<b>TELEPHONE</b>								
American Telephone & Telegraph Co	Debtenture	10 1 96	4 3/8	4 30	\$ 500	\$ 400	\$ 600	\$ 1,500
The Bell Telephone Co of Canada	First Mortgage	9 12 98	6 90	6 90	800	700	500	2,000
The Bell Telephone Co of Canada	First Mortgage	6 1 2004	9 1/2	9 50	4,000	2,000	4,000	10,000
General Telephone Co of Illinois	First Mortgage	9 1 95	4 7/8	4 875	-	400	500	900
General Telephone Co of Indiana	First Mortgage	8 1 95	4 7/8	4 70	-	500	500	900
General Telephone Co of the Northwest, Inc	First Mortgage	6 1 99	7 1/8	7 31	900	700	1,000	2,600
Illinois Bell Telephone Co	First Mortgage	7 1 97	4 7/8	4 75	250	200	-	450
New York Telephone Co	Mortgage	1 1 2004	4 5/8	4 53	700	-	700	1,400
New York Telephone Co	Mortgage	7 15 2008	8 00	8 83	3,500	1,500	4,000	9,000
Pacific Northwest Bell Telephone Co	Debtenture	12 1 2000	4 1/2	4 49	600	500	-	1,000
Southern Bell Telephone & Telegraph Co	Debtenture	3 15 2013	7 5/8	8 15	4,500	2,000	4,500	11,000
United Telephone Co of Ohio	First Mortgage	7 1 98	6 7/8	6 875	741	651	900	2,325
The United Telephone Co of Pennsylvania	First Mortgage	11 1 98	6 5/8	6 625	-	-	1,163	1,163
<b>Total Telephone</b>			<b>7 88%</b>		<b>\$ 16,494</b>	<b>\$ 9,351</b>	<b>\$ 18,393</b>	<b>\$ 44,238</b>
<b>WATER</b>								
Indianapolis Water Co	First Mortgage	1 1 92	4 3/4	4 70	\$ 400	\$ 300	\$ 300	\$ 1,000
Indianapolis Water Co	First Mortgage	8 1 97	5 7/8	5 875	-	-	600	600
<b>Total Water</b>			<b>5 14%</b>		<b>\$ 400</b>	<b>\$ 300</b>	<b>\$ 900</b>	<b>\$ 1,600</b>
<b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>			<b>6 76%</b>		<b>\$ 29,993</b>	<b>\$ 18,086</b>	<b>\$ 37,597</b>	<b>\$ 85,676</b>
<b>FINANCE OBLIGATIONS</b>								
American Investment Co	Note	1 1 91	5 1/4	5 25	-	\$ 450	\$ 600	\$ 1,050
American Investment Co	Senior Note	11 1 86	6 3/4	6 75	\$ 500	400	500	1,400
CCI Financial Corp	Debtenture	10 1 86	6 3/8	6 56	-	750	1,000	1,750
Deere (John) Credit Co	Debtenture	4 30 98	7 1/2	7 65	3,750	2,250	4,000	10,000
First Bank System	Note	6 30 81	8 3/4	8 80	1,852	-	1,853	3,685
Ford Motor Credit Co	S/F Debtenture	7 15 2000	9 7/8	9 72	4,000	2,500	4,100	10,600
GHC Realty Corp	Note	12 31 98	7 7/8	7 70	3,000	-	3,000	6,000
Honeywell Finance Inc	S/F Debtenture	12 15 98	8 7/8	8 40	4,000	-	4,000	8,000
Household Finance Inc	Debtenture	9 15 93	4 7/8	4 91	-	450	550	1,000
Household Finance Corp	Debtenture	1 1 90	7 1/4	7 41	900	400	500	1,800
Northwest Bancorporation	S/F Debtenture	3 15 2003	7 3/4	7 25	4,000	2,500	4,000	10,500
Wells Fargo & Co	Promissory Note	11 1 98	8 1/8	8 125	2,500	1,500	2,500	6,500
<b>TOTAL FINANCE OBLIGATIONS</b>			<b>7 86%</b>		<b>\$ 24,492</b>	<b>\$ 11,700</b>	<b>\$ 26,593</b>	<b>\$ 62,285</b>
<b>INDUSTRIAL OBLIGATIONS</b>								
Akzona, Inc	Debtenture	2 15 97	7 1/2	7 50	\$ 2,000	-	\$ 2,500	\$ 4,500
Aluminum Co of America	Promissory Note	3 31 88	4 3/8	4 375	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 Debtenture	3 1 95	9 1/2	9 60	3,860	1,744	4,000	9,604
American Sterilizer 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 Oil, Inc (Ardson Properties, Inc)	Note	1 15 2003	7 3/8	7 90	3,500	-	3,500	7,000
Ashland Oil & Refining	S/F Debtenture	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 Debtenture	12 1 92	6 5/8	6 63	850	600	1,000	2,450
Cities Service Co	Debtenture	11 1 97	6 1/8	6 48	-	650	1,000	1,650
Cities Service Gas Co	Debtenture	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	1,922	3,941	9,804
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
Drexler Industries	Note	5 15 85	8 65	8 68	1,057	-	1,057	2,114
FMC Corporate Iron	S/F Debtenture	1 15 2000	9 1/2	9 60	3,800	2,400	3,800	10,000
Firestone Tire & Rubber	Debtenture	12 1 2004	9 1/4	9 27	4,000	2,100	4,100	10,200
Gulf Oil Corp	Note	11 15 92	6 1/2	6 50	500	500	1,000	2,000
International Multifoods Corp	Note	6 15 93	6 5/8	6 625	800	600	1,000	2,400
MacMillan Bloedel Ltd	Debtenture	7 1 94	8 3/4	8 75	4,150	2,500	1,150	10,800
Marathon Oil Co	S/F Debtenture	2 1 2000	8 1/2	8 46	4,000	1,000	-	5,000
Monsie-Bussess Foods, Inc	Senior Note	10 1 96	7 90	7 90	2,000	-	2,000	4,000
Phelps Dodge Corp	S/F Debtenture	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 Paper Line Co	-	-	-	-	-	-	-	-
Plymouth Corp	-	-	-	-	-	-	-	-
Standard Oil Co of California (Chevron Stations, Inc)	Note	10 1 2001	7 7/8	7 875	2,000	1,000	2,000	5,000
Standard Oil Co of California (Chevron Stations, Inc)	Debtenture	4 1 2006	8 00	8 02	4,000	-	3,000	7,000
Shell Canada Ltd	Debtenture	1 1 94	7 1/2	7 50	-	-	1,200	1,200
Shell Oil Co	Note	4 15 90	4 1/2	6 44	-	-	767	767
Sprague Electric Co	S/F Debtenture	9 1 88	4 3/8	4 40	-	-	500	500
Standard Oil Co of California (Chevron Stations, 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)	Debtenture	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 97	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 Debtenture	8 1 92	6 30	6 56	-	510	509	1,019
Swift & Co	Debtenture	6 1 86	4 7/8	5 57	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 (Country-wide 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

Atchison, 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	525	1,313
Chicago, Milwaukee, St. Paul & Pacific Railroad Co.	Conditional Sale	7-15-76/ 1-15-82	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 1/8	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 Shares	Market Price 6-30-76	Public Employees Retirement Fund		State Employees Retirement Fund		Teachers' Retirement Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value	Shares	Market Value		
<b>UTILITIES</b>										
<b>ELECTRIC</b>										
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	441,525.00	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	
<b>Total Electric</b>				<b>\$ 11,819,902.25</b>		<b>\$ 5,565,445.50</b>		<b>\$ 12,615,215.75</b>	<b>\$ 30,000,563.50</b>	<b>6.51%</b>
<b>NATURAL GAS</b>										
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 Shares	Market Price 6-30-78	Public Employees Retirement Fund		State Employees Retirement Fund		Teachers' Retirement Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value	Shares	Market Value		
<b>PRINTING-PUBLISHING</b>										
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	938,000.00	
<b>Total Printing-Publishing</b>				<b>\$ 1,938,637.00</b>		<b>\$ 1,040,108.25</b>		<b>\$ 2,046,486.38</b>	<b>\$ 5,025,231.83</b>	<b>1.00%</b>
<b>RETAIL SALES</b>										
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	50,600	2,391,250.00	14,000	666,750.00	34,500	1,643,062.50	4,691,062.50	
Pennney (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	5,595,375.00	
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	
<b>Total Retail Sales</b>				<b>\$ 8,718,275.00</b>		<b>\$ 4,145,500.00</b>		<b>\$ 9,138,737.50</b>	<b>\$ 21,002,812.50</b>	<b>4.50%</b>
<b>TOTAL CONSUMER-ORIENTED</b>				<b>\$ 56,823,807.13</b>		<b>\$26,930,439.51</b>		<b>\$ 57,192,020.78</b>	<b>\$140,846,267.48</b>	<b>30.50%</b>
<b>TECHNOLOGY</b>										
<b>OFFICE EQUIPMENT</b>										
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	480,125.00	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	9,410,230.25	22,832,705.25	
Xerox Corporation	55,020	61.63	21,500	1,324,937.50	9,260	570,647.50	24,260	1,495,022.50	3,390,607.50	
<b>Total Office Equipment</b>				<b>\$ 15,844,237.50</b>		<b>\$ 7,099,822.50</b>		<b>\$ 16,654,502.75</b>	<b>\$ 39,598,562.75</b>	<b>8.50%</b>
<b>TOTAL TECHNOLOGY</b>				<b>\$ 15,844,237.50</b>		<b>\$ 7,099,822.50</b>		<b>\$ 16,654,502.75</b>	<b>\$ 39,598,562.75</b>	<b>8.50%</b>
<b>BASIC INDUSTRY</b>										
<b>AEROSPACE</b>										
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%
<b>BUILDING &amp; FOREST PRODUCTS</b>										
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	
<b>Total Building &amp; Forest Products</b>				<b>\$ 5,085,150.00</b>		<b>\$ 2,508,857.50</b>		<b>\$ 5,006,212.50</b>	<b>\$ 12,606,220.00</b>	<b>2.73%</b>
<b>CHEMICALS</b>										
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	28,192	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	93.75	13,236	1,234,257.00	6,000	559,500.00	16,000	1,492,000.00	3,285,757.00	
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	
<b>Total Chemicals</b>				<b>\$ 9,304,651.50</b>		<b>\$ 4,259,287.50</b>		<b>\$ 10,150,777.00</b>	<b>\$ 23,714,716.00</b>	<b>5.15%</b>
<b>ELECTRICAL EQUIPMENT</b>										
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	12,200	211,975.00	27,700	481,287.50	1,094,625.00	
<b>Total Electrical Equipment</b>				<b>\$ 4,539,112.50</b>		<b>\$ 2,337,975.00</b>		<b>\$ 4,769,037.50</b>	<b>\$ 11,646,125.00</b>	<b>2.53%</b>
<b>MACHINERY</b>										
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	
<b>Total Machinery</b>				<b>\$ 4,319,575.00</b>		<b>\$ 1,988,875.00</b>		<b>\$ 4,647,625.00</b>	<b>\$ 10,956,075.00</b>	<b>2.30%</b>
<b>METALS</b>										
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	
<b>Total Metals</b>				<b>\$ 2,632,927.00</b>		<b>\$ 1,616,337.50</b>		<b>\$ 3,304,253.75</b>	<b>\$ 7,553,513.25</b>	<b>1.64%</b>
<b>PAPER</b>										
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%
<b>TEXTILES</b>										
Burlington Industries, Incorporated	31,200	\$ 25.25	11,200	\$ 282,800.00	7,000	\$ 176,750.00	13,000	\$ 328,750.00	\$ 787,800.00	0.17%
<b>MISCELLANEOUS</b>										
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	
<b>Total Miscellaneous</b>				<b>\$ 1,954,775.00</b>		<b>\$ 1,005,150.00</b>		<b>\$ 2,307,025.00</b>	<b>\$ 5,286,950.00</b>	<b>1.14%</b>
<b>TOTAL BASIC INDUSTRY</b>				<b>\$ 31,252,116.00</b>		<b>\$15,516,727.50</b>		<b>\$ 34,052,180.75</b>	<b>\$ 80,821,024.25</b>	<b>17.54%</b>
<b>ENERGY</b>										
<b>OIL-DOMESTIC</b>										
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	1,312,425.00	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	
<b>Total Oil-Domestic</b>				<b>\$ 9,483,500.00</b>		<b>\$ 4,384,000.00</b>		<b>\$ 10,795,300.00</b>	<b>\$ 24,062,800.00</b>	<b>5.36%</b>
<b>OIL-INTERNATIONAL</b>										
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	1,065,775.00	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	
<b>Total Oil-International</b>				<b>\$ 11,918,549.50</b>		<b>\$ 6,047,599.50</b>		<b>\$ 13,790,071.50</b>	<b>\$ 31,766,220.50</b>	<b>8.00%</b>

Schedule IV continued

Common Stock	Total Shares	Market Price 6/30/76	Public Employees Retirement Fund		State Employees Retirement Fund		Teachers' Retirement Fund		Total Market Value	Total % 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	\$ 1,118,000.00	70,000	\$ 3,010,000.00	\$ 7,138,000.00	
Williams Companies (The)	107,000	24.50	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>\$ 1,550,000.00</b>		<b>\$ 4,186,000.00</b>	<b>\$ 9,706,000.00</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	106,620	37.50	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>\$ 6,634,970.00</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>\$181,812,903.06<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 \$427,648,125.03

SCHEDULE V

PUBLIC EMPLOYEES  
 POLICE AND FIRE FUND  
 June 30, 1976

RESUME OF ASSETS IN ACCOUNT

CASH CERTIFIED FOR INVESTMENT*	\$ 212,800.39
MONEY MARKET SECURITIES	
Repurchase Agreements Maturities up to 73 days	\$ 1,983,000.00
Short Term Corporate Notes Maturities up to 30 days	\$ 1,710,000.00
UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS (See listing below)	\$ 321,000.00
CANADIAN GOVERNMENTAL OBLIGATIONS (See listing below)	\$ 3,650,000.00
CORPORATE BOND OBLIGATIONS (See listing below)	\$22,395,056.56
DEFERRED YIELD ADJUSTMENT ACCOUNT**	\$ 304,854.00
COMMON STOCKS (See listing below)	\$25,645,190.91
<b>TOTAL ASSETS IN ACCOUNT</b> (For actuarial purposes, not indication of true market value)	<b>\$56,313,980.00</b>

\* Each holding matures or due from sales of securities several days before fiscal year end

\*\* This account represents 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>					
Grain Processing	Govt Guar Bond	2/1/92	5.10	5.10	\$ 100
Major McCormack Lines, Inc.	Govt Guar Bond	4/1/87	5.34	5.75	136
United States Lumber	Govt Guar Bond	11/1/86	4.38	4.375	85
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>			<b>5.18%</b>		<b>\$ 321</b>

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>					
Manitoba Hydro Electric Board	Bond	10/1/85	9.17	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	7.78	7.875	500
New Brunswick Higher Education Commission	S/F Debenture	4/15/93	7.00	7.15	200
Nova Scotia Province of	S/F Debenture	8/1/91	7.14	7.20	250
Ontario Hydro	Note	3/1/96	9.17	9.50	800
Ontario Province of	Debenture	4/15/97	5.58	5.625	100
Ontario Province of	Debenture	5/15/2001	7.85	7.85	300
Ontario Province of	Debenture	12/15/2002	7.30	7.30	500
<b>TOTAL CANADIAN GOVERNMENTAL OBLIGATIONS</b>			<b>8.19%</b>		<b>\$ 3,650</b>

CORPORATE BOND OBLIGATIONS

PUBLIC UTILITY OBLIGATIONS

ELECTRIC

Central Maine Power Co.	First Mortgage	11/1/90	5.14	5.10	\$ 50
Commonwealth Edison Co.	First Mortgage	11/1/96	5.14	5.75	100
Consolidated Edison Co.	Equipment Trust	1/1/96	9.14	9.25	244
Georgia Power Co.	First Mortgage	11/1/90	4.78	4.875	60
Jersey Central Power & Light Co.	Debenture	10/1/88	4.58	4.96	72
Ottawa Tail Power Co.	First Mortgage	2/1/91	4.78	4.80	50
Pacific Power & Light Co.	First Mortgage	1/1/92	4.34	4.70	60
Philadelphia Electric	First & Refunding Mortgage	10/15/80	11.00	11.00	800
Public Service Electric & Gas Co.	First & Refunding Mortgage	9/1/90	4.34	4.73	60
Rochester Gas & Electric	First Mortgage	7/1/98	6.70	6.70	150
Sierra Pacific Power Co.	First Mortgage	6/1/92	4.78	4.75	50
<b>Total Electric</b>			<b>8.57%</b>		<b>\$ 1,704</b>

GAS

Lasalle Gas Co.	First Mortgage	7/1/85	4.78	4.80	\$ 46
Louisiana Gas Service Co.	First Mortgage	6/1/87	4.17	4.62	100
Michigan Warramur Pipe Line Co.	First Mortgage	7/15/83	4.78	4.70	73
Transcontinental Gas Pipe Line Corp.	First Mortgage	11/1/82	4.70	4.82	54
<b>Total Gas</b>			<b>4.71%</b>		<b>\$ 273</b>

TELEPHONE

American Telephone & Telegraph Co.	Debenture	10/1/96	4.20	4.30	\$ 100
Bell Telephone Co. of Canada	First Mortgage	6/1/2004	9.17	9.50	800
Illinois Bell Telephone Co.	First Mortgage	7/1/92	4.78	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	7.58	8.84	800
<b>Total Telephone</b>			<b>8.68%</b>		<b>\$ 2,550</b>
<b>TOTAL PUBLIC UTILITY OBLIGATIONS</b>			<b>8.40%</b>		<b>\$ 4,527</b>

FINANCE OBLIGATIONS

American Investment Co.	Note	1/1/91	5.14	5.25	\$ 100
American Investment Co.	Senior Note	11/1/86	6.34	6.75	100
Deere (John) Credit Co.	Debenture	4/30/98	7.17	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	7.34	7.75	500
Wells Fargo & Co.	Promissory Note	11/1/98	8.18	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>					
Akzona, 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	270
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 Form. & Ink.	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. Guarantors)	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	6 1/2	6.50	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>					
Louisville & Nashville Railroad Co.	Coll. Trust	12-1-87	4 7/8	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	\$ 46
ACF Industries, Inc.	Equipment Trust	4-15-77/81	5 5/8	5.625	40
ACF Industries, Inc.	Equipment Trust	4-1-77/85	9 1/2	9.50	115
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			
		1-15-87	6 3/8	6.375	33
Chicago, Milwaukee, St. Paul & Pacific Railroad Co.	Conditional Sale	12-1-76			
		6-1-81	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	40
General Electric Credit Corp. (Delaware & Hudson Railway Co.)	Conditional Sale	3-1-77			
		9-1-85	10 1/2	10.50	109
Louisville & Nashville Railroad Co.	Conditional Sale	10-20-82/91	9.00	9.00	500
St. Louis San Francisco Railway Co.	Conditional Sale	1-1-77/81	6 3/4	6.75	78
Southern Pacific Co.	Conditional Sale	1-1-77/84	7 5/8	7.625	90
<b>TOTAL RAILROAD EQUIPMENT OBLIGATIONS</b>			<b>6.68%</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

CASH CERTIFIED FOR INVESTMENT*	\$ 48,674.57
<b>MONEY MARKET SECURITIES</b>	
Repurchase Agreements Maturities up to 60 days	\$ 485,000.00
Short Term Corporate Notes Maturities up to 30 days	\$ 510,000.00
<b>STATE AND LOCAL OBLIGATIONS</b>	
<b>UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS</b>	
(See Listing Below)	\$ 137,000.00
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>	
(See Listing Below)	\$ 1,050,000.00
<b>CORPORATE BOND OBLIGATION</b>	
(See Listing Below)	\$ 7,152,026.26
DEFERRED YIELD ADJUSTMENT ACCOUNT**	\$ 109,351.17
<b>COMMON STOCKS (See Listing Below)</b>	
<b>TOTAL ASSETS IN ACCOUNT</b> (For financial purposes, not indicative of true market value)	<b>\$ 8,697,354.81</b>
	<b>\$18,462,356.81</b>

\*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	5-15-87	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 7/8	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 Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (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	13 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			
	through	11 6 97	7 70	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>\$3,994</b>

Company	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield %	Total Amount (000)
<b>TRANSPORTATION DEBT OBLIGATIONS</b>					
Atlantic 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 87	6 3/8	6 375	22
Fruit Growers Express Co.	Equipment Trust	6 15 77/85	9 3/4	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 Shares	Market Price 6/30/76	Highway Patrolmen's Retirement Fund		Public Employees Police and Fire Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value		
<b>UTILITIES</b>								
<b>ELECTRIC</b>								
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	391,675.00	405,675.00	
Houston Lighting & Power Company	7,500	23.50			7,500	176,250.00	176,250.00	
Middle South Utilities, Incorporated	27,100	14.61	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	
<b>Total Electric</b>				<b>\$ 604,987.50</b>		<b>\$ 1,770,150.00</b>	<b>\$ 2,375,137.50</b>	<b>661%</b>
<b>NATURAL GAS</b>								
Panhandle Eastern Pipe Line Company	14,000	\$ 35.11	4,000	\$ 140,500.00	10,000	\$ 351,250.00	\$ 491,750.00	1.32%
<b>COMMUNICATIONS</b>								
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	25.88	9,000	232,875.00	12,000	310,500.00	543,375.00	
<b>Total Communications</b>				<b>\$ 430,625.00</b>		<b>\$ 1,024,434.00</b>	<b>\$ 1,455,059.00</b>	<b>4.05%</b>
<b>TOTAL UTILITIES</b>				<b>\$1,176,112.50</b>		<b>\$ 3,145,834.00</b>	<b>\$ 4,321,946.50</b>	<b>12.03%</b>
<b>FINANCIAL SERVICES</b>								
<b>BANKS</b>								
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	\$ 429,807.50	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	527,175.00	
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	
<b>Total Banks</b>				<b>\$ 721,868.18</b>		<b>\$ 1,950,266.00</b>	<b>\$ 2,672,134.18</b>	<b>7.44%</b>
<b>FINANCE</b>								
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	50,825.00	10,000	126,250.00	164,125.00	
<b>Total Finance</b>				<b>\$ 134,375.00</b>		<b>\$ 352,542.50</b>	<b>\$ 486,917.50</b>	<b>1.36%</b>

Schedule VII continued

Common Stock	Total Shares	Market Price 6/30/76	Highway Patrolmen's Retirement Fund		Public Employees Police and Fire Fund		Total Market Value	Total % Market
			Shares	Market Value	Shares	Market Value		
<b>INSURANCE</b>								
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.	13,000	27.50	5,000	137,500.00	8,000	220,000.00	357,500.00	
<b>Total Insurance</b>				<b>\$ 427,612.50</b>		<b>\$ 1,369,800.00</b>	<b>\$ 1,797,412.50</b>	<b>5.00%</b>
<b>TOTAL FINANCIAL SERVICES</b>				<b>\$1,283,655.68</b>		<b>\$ 3,672,608.50</b>	<b>\$ 4,956,464.18</b>	<b>13.80%</b>
<b>CONSUMER ORIENTED</b>								
<b>AUTOMOBILES &amp; AUTOMOTIVE PARTS</b>								
Ford Motor Company	3,300	\$ 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	505,900.00	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	
<b>Total Automobiles &amp; Automotive Parts</b>				<b>\$ 379,550.00</b>		<b>\$ 1,303,450.00</b>	<b>\$ 1,683,000.00</b>	<b>4.69%</b>
<b>CONSUMER DURABLES</b>								
Whirlpool Corporation	18,000	\$ 27.13	5,000	\$ 135,625.00	13,000	\$ 352,675.00	\$ 488,250.00	1.36%
<b>CONSUMER NONDURABLES</b>								
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	
<b>Total Consumer Nondurables</b>				<b>\$ 537,412.50</b>		<b>\$ 1,669,937.50</b>	<b>\$ 2,207,350.00</b>	<b>6.15%</b>
<b>CONSUMER MISCELLANEOUS</b>								
Dorsey (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	81,917.50	126,500.00	
McDonald's Corporation	8,000	58.50	2,000	117,000.00	6,000	351,000.00	468,000.00	
<b>Total Consumer Miscellaneous</b>				<b>\$ 272,151.13</b>		<b>\$ 804,793.88</b>	<b>\$ 1,076,945.01</b>	<b>3.00%</b>
<b>DRUGS</b>								
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	17.00	2,000	144,000.00	6,000	512,000.00	576,000.00	
Pfizer Incorporated	16,100	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	
<b>Total Drugs</b>				<b>\$ 504,375.00</b>		<b>\$ 1,614,050.00</b>	<b>\$ 2,118,425.00</b>	<b>5.91%</b>
<b>FOOD BEVERAGE</b>								
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	
<b>Total Food Beverage</b>				<b>\$ 524,187.50</b>		<b>\$ 1,478,128.13</b>	<b>\$ 2,002,315.61</b>	<b>5.57%</b>
<b>PRINTING PUBLISHING</b>								
Donnelley (H. R.) and Sons Company	8,850	\$ 21.38			8,850	\$ 189,361.13	\$ 189,361.13	0.53%
<b>RETAIL SALES</b>								
Federated Department Stores, Incorporated	6,700	\$ 47.63			6,700	\$ 319,087.50	\$ 319,087.50	
Penny (J. 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	64.25	1,000	195,250.00	6,000	388,500.00	582,750.00	
<b>Total Retail Sales</b>				<b>\$ 392,800.00</b>		<b>\$ 1,177,837.50</b>	<b>\$ 1,570,637.50</b>	<b>4.37%</b>
<b>TOTAL CONSUMER ORIENTED</b>				<b>\$2,746,101.13</b>		<b>\$ 8,590,183.14</b>	<b>\$11,336,284.27</b>	<b>31.57%</b>
<b>TECHNOLOGY</b>								
<b>OFFICE EQUIPMENT</b>								
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	
<b>Total Office Equipment</b>				<b>\$ 786,375.00</b>		<b>\$ 2,359,212.50</b>	<b>\$ 3,145,587.50</b>	<b>8.76%</b>
<b>TOTAL TECHNOLOGY</b>				<b>\$ 786,375.00</b>		<b>\$ 2,359,212.50</b>	<b>\$ 3,145,587.50</b>	<b>8.76%</b>
<b>BASIC INDUSTRY</b>								
<b>AEROSPACE</b>								
United Technologies Corporation	4,000	\$ 37.38	4,000	\$ 149,500.00			\$ 149,500.00	0.42%
<b>BUILDING &amp; FOREST PRODUCTS</b>								
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	
<b>Total Building &amp; Forest Products</b>				<b>\$ 103,000.00</b>		<b>\$ 724,600.00</b>	<b>\$ 827,600.00</b>	<b>2.30%</b>
<b>CHEMICALS</b>								
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	
<b>Total Chemicals</b>				<b>\$ 460,375.00</b>		<b>\$ 1,311,790.00</b>	<b>\$ 1,772,165.00</b>	<b>4.93%</b>

Schedule VII continued

Common Stock	Total Shares	Market Price \$ 30 75	Highway Patrolmen's Retirement Fund		Public Employees Police and Fire Fund		Total Market Value	Total % 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 80	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	131,200 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	7,900	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	
Duon Pacific Corporation	3,200	97 38	800	73,900 00	2,400	221,700 00	295,600 00	
<b>Total Railroads</b>				<b>\$ 156,700 00</b>		<b>\$ 382,700 00</b>	<b>\$ 539,400 00</b>	<b>1.50%</b>
<b>TOTAL TRANSPORTATION</b>				<b>\$ 293,400 00</b>		<b>\$ 660,075 00</b>	<b>\$ 953,475 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 \$ 8,327,190.95.  
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
UNITED STATES GOVERNMENT GUARANTEED OBLIGATIONS (See Listing Below)	\$ 150,000.00
UNITED STATES GOVERNMENT AGENCY OBLIGATIONS (See Listing Below)	\$ 175,000.00
CANADIAN GOVERNMENTAL OBLIGATIONS (See Listing Below)	\$ 100,000.00
CORPORATE BOND OBLIGATIONS (See Listing Below)	\$ 600,000.00
COMMON STOCKS (See Listing Below)	\$ 132,010.00
<b>TOTAL ASSETS IN ACCOUNT</b> (For actuarial purposes, not indicative of true market value)	<b>\$1,296,257.46</b>

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	9-1/25	\$ 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>8.89%</b>	<b>\$ 175</b>
<b>CANADIAN GOVERNMENTAL OBLIGATIONS</b>					
Mantoba 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>9.64%</b>	<b>\$ 200</b>
<b>INDUSTRIAL OBLIGATIONS</b>					
Atlantic Richfield Co.	Guaranteed Note	7-15-90	9-1/4	9-25	\$ 100
du Pont (E. I.) de Nemours	Debenture	11-15-2003	8-45	8-90	100
Exxon Petroleum 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>9.09%</b>	<b>\$ 400</b>
<b>TOTAL CORPORATE BOND OBLIGATIONS</b>				<b>9.27%</b>	<b>\$ 600</b>
<b>TOTAL UNITED STATES GOVERNMENT GUARANTEED AND GOVERNMENT AGENCY BONDS, CANADIAN GOVERNMENTAL OBLIGATIONS AND CORPORATE BOND HOLDINGS</b>				<b>9.21%</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>				
Winhandle 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 CONSUMER NONDURABLES</b>				
Eastman Kodak Company	100	\$100.13	\$ 10,012.50	
Minnesota Mining and Manufacturing Co.	100	55.63	5,562.50	
<b>Total Consumer Nondurables</b>			<b>\$ 15,575.00</b>	<b>11.20%</b>
<b>DRUGS</b>				
Schering-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>\$ 30,150.00</b>	<b>21.69%</b>
<b>TECHNOLOGY 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 CHEMICALS</b>				
Dow Chemical Company (The)	300	\$ 48.25	\$ 14,475.00	10.41%
<b>ELECTRICAL EQUIPMENT</b>				
General Electric Company	200	\$ 57.13	\$ 11,425.00	8.22%
<b>METALS</b>				
Aluminum Company of America	200	\$ 56.50	\$ 11,300.00	8.13%
<b>TOTAL BASIC INDUSTRY</b>			<b>\$ 37,200.00</b>	<b>26.76%</b>
<b>ENERGY OIL DOMESTIC</b>				
Continental Oil Company (Del.)	200	\$ 38.38	\$ 7,675.00	5.57%
<b>OIL INTERNATIONAL</b>				
Exxon Corporation	100	\$104.63	\$ 10,462.50	7.57%
<b>ENERGY RELATED</b>				
Dresser Industries, Inc.	300	\$ 43.00	\$ 12,900.00	9.28%
<b>TOTAL ENERGY</b>			<b>\$ 31,037.50</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
CANADIAN GOVERNMENTAL OBLIGATIONS (See Listing Below)	\$ 4,100,000.00
CORPORATE BOND OBLIGATIONS (See Listing Below)	\$16,627,517.56
COMMON STOCKS (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 7	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 Company	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 7	9 50	\$ 800,000.00
New York Telephone Co.	Refunded Mortgage	7 15 2005	9 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
Honeywell Finance Inc.	S F Debenture	12 15 98	8 20	8 37	800,000.00
Northwest Bank Corporation	S F Debenture	3 15 2001	7 3 4	7 75	800,000.00
Wells Fargo & Co.	Remotory 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 7	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 7	9 60	800,000.00
Marathon Oil Co.	S F Debenture	2 1 2000	8 1 2	8 58	800,000.00
Moore Business Forms Inc.	Senior Note	10 1 96	7 90	7 90	500,000.00
Pepsi Dodge Corp.	Note	6 1 85	8 1 2	8 52	400,000.00
Plantation Pipeline Co. (Excess Corp.)	Standard B/F Paid Landmark & Steel Oil Co. Guaranty	Note	10 1 2001	7 7 8	400,000.00
Rehm & Haas Company	Note	4 15 85	9 00	9 00	500,000.00
Standard Oil Co. of California (Union Bank)	First Preferred Sub Mortgage Bond	2 10 97 through 11 6 97	7 70	7 70	800,000.00
Standard Oil Co. (Indiana) (Midcontinent Properties, Inc.)	Note	10 1 2001	7 1 7	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>					
ACF Industries Inc.	Equipment Trust	4 1 77 85	9 1 7	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	8 3 4	8 75	491,915.45
Fruit Growers Express Co.	Equipment Trust	6 15 77 85	9 3 4	9 75	135,000.00
General Electric Credit Co. (Delaware & Hudson Railway Co.)	Conditional Sale	3 1 77	10 1 2	10 50	165,740.69
Louisville & Nashville Railroad Co.	Conditional Sale	10 20 87 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	280,312.50	
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	\$ 905,000.00	
General Telephone & Electronics Corp.	14,000	25.88	362,250.00	
<b>Total Communications</b>			<b>\$ 1,266,250.00</b>	<b>5.79%</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	\$ 536,500.00	
Manufacturers Hanover Corporation	11,000	29.50	324,500.00	
Northwest Bancorporation	10,000	53.75	537,500.00	
<b>Total Banks</b>			<b>\$ 1,551,500.00</b>	<b>7.10%</b>
<b>FINANCE</b>				
Household Finance Corporation	22,000	\$ 19.50	\$ 429,000.00	1.86%
<b>INSURANCE</b>				
INA Corporation	10,000	\$ 37.80	\$ 378,000.00	
W F Corporation	11,000	19.63	215,925.00	
The St Paul Companies, Inc.	10,000	27.50	275,000.00	
United States Fidelity & Guaranty Company	8,800	38.88	342,100.00	
<b>Total Insurance</b>			<b>\$ 1,211,025.00</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)	11,500	23.00	264,500.00	
Continental Tires	18,000	36.88	663,750.00	
<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	
Monogram Molding and Manufacturing Co.	8,500	55.63	472,812.50	
<b>Total Consumer Nondurables</b>			<b>\$ 904,312.50</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>\$ 1,075,000.00</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	29.14	495,125.00	
PepsiCo, Inc.	5,100	44.50	227,950.00	
<b>Total Food Beverages</b>			<b>\$ 1,355,325.00</b>	<b>7.12%</b>
<b>RETAIL SALES</b>				
Penny (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	4,800	61.63	295,800.00	
<b>Total Office Equipment</b>			<b>\$ 1,181,400.00</b>	<b>5.18%</b>
<b>TOTAL TECHNOLOGY</b>			<b>\$ 1,181,400.00</b>	<b>5.18%</b>
<b>BASIC INDUSTRY</b>				
<b>AEROSPACE</b>				
United Technologies Corporation	8,000	\$ 37.38	\$ 299,000.00	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	8,000	\$ 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>				
Hoelter 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>9.10%</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	92.35	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	12.25	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	
Pennyc (J.C.) Company, Incorporated	6,000	57.25	343,500.00	
<b>Total Retail Sales</b>			<b>\$ 472,694.00</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.	1,000	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>ALRGSPACE</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>				
Hanna Mining Company (The)	5,000	\$ 59.63	\$ 298,150.00	
Pittston Company (The)	6,265	45.75	286,623.75	
<b>Total Metals</b>			<b>\$ 584,773.75</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>\$ 2,437,336.75</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	\$ 40.75	\$ 326,000.00	
Malibuport Company	6,000	63.63	381,750.00	
Williams Companies (The)	5,800	24.00	139,200.00	
<b>Total Energy Related</b>			<b>\$ 846,950.00</b>	<b>6.61%</b>
<b>TOTAL ENERGY</b>			<b>\$ 1,678,700.00</b>	<b>12.67%</b>
<b>TRANSPORTATION</b>				
<b>AIRLINES</b>				
Northwest Airlines	8,000	\$ 32.50	\$ 260,000.00	1.92%
<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 \$13,977,171.84

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 Maturities up to 15 days	\$ 868,000.00
Agencies Maturities up to 22 days	\$ 150,000.00
CANADIAN GOVERNMENTAL OBLIGATIONS (See Listing Below)	\$ 450,000.00
CORPORATE BOND OBLIGATIONS (See Listing Below)	\$2,700,000.00
<b>TOTAL ASSETS IN ACCOUNT</b> (For accounting purposes, not indicative of true market value)	<b>\$4,228,525.90</b>

Note: Bond investments are listed at face value.

CANADIAN GOVERNMENTAL OBLIGATIONS AND  
CORPORATE BOND HOLDINGS  
June 30, 1976

Company	Type of Security	Maturity (Date)	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 4/5	8.51	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
Freestone 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
Sears, 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 Maturities up to 6 days	\$ 1,233,000.00
Short Term Corporate Notes Maturities up to 40 days	\$ 2,000,000.00
CANADIAN GOVERNMENTAL OBLIGATIONS (See Listing Below)	\$ 1,800,000.00
CORPORATE BOND OBLIGATIONS (See Listing Below)	\$ 6,348,992.55
COMMON STOCKS (See Listing Below)	\$22,581,463.63
<b>TOTAL ASSETS IN ACCOUNT</b> (For accounting purposes, not indicative of true market value)	<b>\$33,919,009.99</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 1 5/8	500,000.00
Ontario Hydro	Note	3 15 96	9 1/2	9 5/8	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 7 1/2	\$ 500,000.00
<b>GAS</b>					
Minnesota Gas Company	Debenture	11 15 81	9 1/4	9 2 1/2	\$ 500,000.00
<b>TELEPHONE</b>					
Southern Bell Telephone & Telegraph Co.	Debenture	3 15 2013	7 5/8	8 2 1/4	\$ 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 8 1/2	\$ 500,000.00
Ford Motor Credit Co.	S/F Debenture	7 15 2000	9 7/8	9 7 1/2	500,000.00
Honeywell Finance	S/F Debenture	12 15 98	8 7/8	8 2 1/2	500,000.00
Northwest Bancorporation	S/F Debenture	3 15 2003	7 3/4	7 7 1/2	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 1 1/2	\$ 480,606.31
Eastman Tire & Rubber Co.	Debenture	12 1 2004	9 1/4	9 4 1/2	500,000.00
MacMillan Bloedel, Ltd.	Debenture	7 1 94	8 3/4	8 7 1/2	500,000.00
Priests Dodge Corp.	Note	6 1 85	8 1/2	8 6 1/2	250,000.00
Standard Oil Co. of California (Union Bank)	First Preferred "Strip Mortgage Bond	9 1 97 through 11 6 97	7 7/8	7 7/8	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 0/0	9 0/0	\$ 500,000.00
General Electric Credit Corp. (Delaware & Hudson Railway Co.)	Conditional Sale	3 1 77 9 1 85	10 1/2	10 5/8	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	\$ 28.00	\$ 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	\$ 678,000.00	
General Telephone & Electronics Corporation	13,000	25.88	336,325.00	
<b>Total Communications</b>			<b>\$ 1,014,325.00</b>	<b>4 35%</b>
<b>TOTAL UTILITIES</b>			<b>\$ 2,548,950.00</b>	<b>10 75%</b>
<b>FINANCIAL SERVICES</b>				
<b>BANKS</b>				
Citibank	8,000	\$ 36.13	\$ 289,040.00	
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>				
Houffelt Finance Corporation	14,400	\$ 18.50	\$ 265,400.00	
MGIC Investment Corporation	10,000	12.63	126,250.00	
<b>Total Finance</b>			<b>\$ 391,650.00</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	22,000	14.25	313,500.00	
<b>Total Consumer Miscellaneous</b>			<b>\$ 572,875.00</b>	<b>2 47%</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.	8,000	32.75	262,000.00	
<b>Total Drugs</b>			<b>\$ 1,522,750.00</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	2,200	176.75	389,625.00	
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>\$ 2,354,562.75</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	\$ 299,040.00	1 26%
<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 96%</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	
Naama 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	\$ 385,000.00	
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>\$ 1,221,625.00</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 (1)	Average Book Value for Year Ending (2)	Total Investment Income for Year Ending (3,4)	Yield (5)		Net Investment Income for Year Ending (3)	Net Yield (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 Transfer to Principal (6)	Net Investment Income for Year Ending (3)	Net Yield (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	\$263,816,276.40	\$262,979,007.20	\$10,215,172.70	3.88%	\$1,100,277.41	\$ 9,417,633.39	3.55%
June 30, 1967	\$263,816,276.40	\$264,232,621.10	\$10,511,721.10	3.98%	\$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	\$264,975,459.65	\$10,512,970.80	3.97%	\$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 initially 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
<b>MONEY MARKET SECURITIES</b>	
Repurchase Agreements Maturities up to 6 days	\$ 8,106,000.00
<b>STATE AND LOCAL OBLIGATIONS</b>	\$ 398,600.00
<b>UNITED STATES GOVERNMENT-GUARANTEED OBLIGATIONS</b> (See Listing Below)	\$126,744,833.23
<b>CORPORATE BOND OBLIGATIONS</b> (See Listing Below)	\$ 78,519,662.85
<b>COMMON STOCKS</b> (See Listing Below)	\$ 53,116,507.88
<b>TOTAL ASSETS IN ACCOUNT</b> (for accounting purposes; not indicative of true market value)	<b>\$267,141,663.18</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	\$ 432,440.63	
Household Finance Corporation	26,000	18.50	481,000.00	
<b>Total Finance</b>			<b>\$ 913,440.63</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	373,000.00	
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 (Del.)	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	0.98%
<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, Farmers Home Administration	Insured Notes	1 31 80	8 90	8 90	\$ 2,997,834.82
U.S. Department of Agriculture, 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 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 2001	8 00	8 52	1,831,598.19
IDS Mortgage Corp.	Mtg. Backed Cert	12 15 2001	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	680,712.37
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 34	3,003,586.84
IDS Mortgage Corp.	Mtg. Backed Cert	6 15 2003	6 1/2	7 60	2,260,949.14
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	2,698,865.97
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
Mullan, Allen & Wms.	Mtg. Backed Cert	2 15 2003	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 2001	8 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, 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	900,000.00
Eagle Terminal Tankers, Inc.	Govt. Guar. Bond	6 1 89	6 00	6 00	3,296,000.00
El Paso Columbia Tankers	Govt. Guar. Bond	12 15 81	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
Matson Navigation Co.	Govt. Guar. Bond	11 10 94	7 1/2	7 50	994,000.00
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
Oversea 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 91	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 3/4	9 25	3,000,000.00
Zapata Off Shore Co.	Govt. Guar. Bond	6 15 96	4 5/8	4 625	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	513,092.66
<b>Total Small Business Administration Loans</b>				<b>9.31%</b>	<b>\$ 1,017,076.33</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 38	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 70	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 82	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>\$ 32,300,000.00</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 2001	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 Canada, Ltd.	S/F Debenture	3 1 95	9 1/2	9 37	1,000,000.00
Armour Dist. Inc. (Ardiston 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
Cummins 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
Horaywell, Inc.	Note	4 1 90	4 55	5 22	1,899,062.50
Ingersoll Rand Co.	Note	1 3 91	4 3/4	4 75	966,000.00
Shell 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 through	9 2 97			
	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, Inc.	Note	12 15 89	4 1/2	4 50	1,238,000.00
Union Carbide Corp.	Note	12 31 96	4 1/2	4 41	983,835.57
Youngtown 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>\$ 32,743,548.07</b>
<b>TRANSPORTATION DEBT OBLIGATIONS</b>					
Atchafalaya, Topoka & 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	\$ 1,000,000.00
Illinois Central Railroad Co.	Conditional Sale	2 15 77/83	6 7/8	6 875	549,999.99
Kansas City Southern Railway Co.	Conditional Sale	1 15 77			
		7 15 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>\$ 71,519,862.85</b>
<b>TOTAL UNITED STATES GOVERNMENT-GUARANTEED AND CORPORATE OBLIGATIONS</b>				<b>7.30%</b>	<b>\$205,264,486.08</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 procedure 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 Mesirow & Company pays for research service provided by the Harris Bank and Trust Company of Chicago and Arvid Jouppi & 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 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 completed 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.

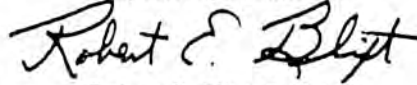
#### Section 11. Common Stock Sales

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 that reads "Robert E. Blixt". The signature is written in dark ink and is positioned above the typed name.

Robert E. Blixt, 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	Purchases and Sales 1-90 days	Purchases and Sales over 90 days	Repurchase Agreements 1-45 days	Total 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 Schaeble & Company, Inc.	10,000	23,625	23,490	57,115
Carroll McEntee & McGinley, Inc.	5,900	-	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	168,650	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	1,975,751	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
Weeden & Company	5,000	4,365	6,650	16,015
Wells Fargo Bank	-	1,000	-	1,000
<b>TOTALS</b>	<b>\$473,445</b>	<b>\$1,017,188</b>	<b>\$6,031,998</b>	<b>\$7,522,631</b>

## 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 1-90 days	Purchases 91-270 days	Sales Prior to Maturity Date	Total Volume
Associates Corp. of North America	\$ 169,687	\$ 5,641	\$ 100	\$ 175,428
Beneficial Corp.	114,368	3,950	-	118,318
Long 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	-	127,680
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	17,127	-	46,427
Goldman Sachs	-	-	-	-
Transamerica Financial Corp.	9,279	13,500	-	22,779
<b>TOTALS</b>	<b>\$1,864,285</b>	<b>\$208,880</b>	<b>\$6,564</b>	<b>\$2,079,719</b>

## 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 Amount (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 Amount (000)	Dealer or Issuer
\$ 225	American Securities Corporation
100	Beir, Stearns & Company
200	Becker, A. G. & Co.
100	Dain, Kalman & 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.
275	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, Strutts & Winthrop Inc.

#### C. SMALL BUSINESS ADMINISTRATION GUARANTEED

Face Amount (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 Amount (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	Auberbach, 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, Gounlock & 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	Dan, Kalman & Quail, Inc.	1,345	Reynolds Securities, Inc.
1,195	Dillon, Read & Co., Inc.	780	Richardson Securities Inc.
460	Dominion Securities	55	Robinson-Humphrey Company, Inc.
100	Dominick & Dominick, Inc.	130	Rothschild (L.F.) & Co.
345	Donaldson, Lukin & 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 Boland 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	Sutra & Co., Inc.
330	Greenstuels & Co.	50	Thompson & McKinnon Auchincloss Inc.
1,410	Halsey, Stuart & Co., Inc.	700	Wedge & Company
325	Harris, Upham & Co.	535	Wertheim & Company
995	Hornblower & Weeks - Hemphill, Noyes	1,270	White, Weld & Company
1,245	Hutton, (E.F.) & Co., Inc.	920	Witter, Dean & Co.
80	Huuss Company (The)	385	Wood Gundy, Inc.
80	Keeffe, Bruyette & Woods, Inc.	500	Wood, Struthers & Worthington, Inc.
1,270	Kidder, Peabody & Co., Inc.		
835	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	Klenworth-Benson, Inc.
345	Baird, (Robert W.) Co., Inc.	9	Lamson Brothers & Co.
150	Baker, Weeks & Co., Inc.	50	Lazard Freres & Co.
300	Bale Securities Corp.	510	Milwaukee Company (The)
540	Barr, (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	Dan, Kalman & Quail, Inc.	150	Robman & Henshaw
150	Dawson Securities America	275	Rothschild (L.F.) & Co.
350	Drexel Burnham & Co., Inc.	2,160	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.), Foshin 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	Saloman 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	Huuss 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	Saloman 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
<b>UTILITIES</b>			
<b>Electric</b>			
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	Dan Kalman
	5000 Keeffe Bruyette	600	Drexel Burnham
	17000 Milwaukee & Company	500	A. G. Edwards
	4500 Paine Webber	600	First Boston
	11300 Sutra & Co.	600	Goldman Sachs
8500	Florida Power & Light Company	800	Hornblower Weeks
	2000 Mitchell Hutchins	800	Kidder Peabody
	4500 W. H. Reaves	600	Kuhn Loeb
	2000 H. C. Wainwright	100	Lamson Brothers
24000	Middle South Utilities, Incorporated	600	Lehman Brothers
	2000 First Boston	600	Loeb Rhoades
	22000 Paine Webber	9000	Merrill Lynch
30000	Northern States Power Company	200	Milwaukee & Company
	100 Allison Williams	100	M. H. Novick
	350 Robert Baird	2000	Piper Jaffray
	800 Bache Halsey	250	W. H. Reaves
	600 Bear Stearns	800	Reynolds Securities
		400	Robinson-Humphrey

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
250	Rotan Mose	1600	Bache Halsey
600	L. F. Rothschild	10000	Mesrow & Co.
800	Shearson Hayden	1000	Paine Webber
500	Shields Model	<b>Consumer Nondurables</b>	
800	Smith Barney	44600	Avon Products, Inc.
350	Spencer Trask	13000	J. H. Oliphant
250	Sutro & Co.	4000	W. H. Reaves
800	White Weld	2000	Reynolds Securities
800	Dean Witter	7000	Spencer Trask
100	Wood Gundy	7000	White Weld
350	Wood Struthers	11600	Dean Witter
8000	Pacific Gas and Electric Company	65500	Colgate Palmolive Company
8000	Hardy & Co.	3000	Becker Securities
75100	Texas Utilities Company	4000	Wm. Blair
5000	Brown Brothers	24000	Jesup & Lamont
10000	Cowen & Co.	8000	Kidder Peabody
2000	Dain Kalman	5000	Shields Model
48000	DeHaven Townsend	4000	Smith Barney
3100	Morgan Stanley	2000	H. C. Wainwright
2000	Paine Webber	5000	Werthem & Co.
3000	Rotan Mose	7000	Dean Witter
2000	Werthem & Co.	33350	Eastman Kodak Company
<b>Natural Gas</b>			
127900	Panhandle Eastern Pipe Line Company	500	Wm. Blair
19500	Becker Securities	1000	Cyrus Lawrence
38200	Goldman Sachs	3000	Goldman Sachs
5000	Keele Broyette	3050	Halsey Stuart
28300	Merrill Lynch	5000	E. F. Hutton
10000	Mitchell Hutchins	12300	Milwaukee & Co.
400	Shearson Hayden	5500	Paine Webber
12700	White Weld	3000	Werthem & Co.
8700	Dean Witter	4800	Minnesota Mining and Manufacturing
5000	Wood Struthers	1000	Dain Kalman
<b>Communications</b>			
102450	American Telephone & Telegraph Company	1000	A. G. Edwards
6000	Blyth Eastman	1000	Smith Barney
10300	Conving & Co.	1000	Werthem & Co.
7500	DeHaven Townsend	800	Wood Struthers
5000	Dr. Aldson Lukin	37500	Prater & Gamble Company (The)
5000	A. G. Edwards	1500	Becker Securities
150	Halsey Stuart	2500	Harris Upham
5000	Legg Mason	2000	Hornblower Weeks
5000	Mesrow & Co.	4000	Mitchell Hutchins
3000	M. H. Novick	2000	Reynolds Securities
5000	Paine Webber	3500	Robinson Humphrey
5000	Piper Jaffray	7000	Sutro & Co.
5000	W. H. Reaves	10000	H. C. Wainwright
10000	Roulston	1000	Wm. Witter
6000	Shearson Hayden	54700	Fevlon, Incorporated
6000	H. C. Wainwright	5000	E. F. Hutton
17000	Wm. Witter	7100	Jesup & Lamont
60000	General Telephone & Electronics Corp.	2000	Legg Mason
10000	Cowen & Co.	5000	Merrill Lynch
10000	Kidder Peabody	9900	Mitchell Hutchins
25000	Mesrow & Co.	3400	Salomon Brothers
5000	Paine Webber	3100	Shields Model
10000	Sutro & Co.	9000	Smith Barney
4000	United Telecommunications, Inc.	5000	Sterling Grace
2000	Bache Halsey	4700	Werthem & Co.
2000	Werthem & Co.	1000	Wm. Witter
<b>Consumer Miscellaneous</b>			
		16600	McDonald's Corporation
		600	Bear Stearns
		5000	Dain Kalman
		5000	Milwaukee & Co.
		5000	Paine Webber
		1000	Reynolds Securities
		<b>Drugs</b>	
		19000	American Home Products Corporation
		2000	Brown Brothers
		1000	Hardy & Co.
		3000	Merrill Lynch
		8000	Milwaukee & Co.
		5000	Sterling Grace
		62500	Johnson & Johnson
		3000	Cowen & Co.
		1000	Dain Kalman
		4000	Keele Broyette
		8000	Lehman Brothers
		500	Loeb Rhoades
		8000	Merrill Lynch
		4000	Paine Webber
		3000	Piper Jaffray
		3500	Salomon Brothers
		4000	Shields Model
		10500	H. C. Wainwright
		3000	Wood Struthers
		3000	Merck & Co., Inc.
		2000	Hardy & Co.
		1000	Mitchell Hutchins
		15000	Pfizer Incorporated
		5000	Becker Securities
		1000	Goldman Sachs
		9000	Merrill Lynch
		48100	Schering Plough Corporation
		500	Kidder Peabody
		5000	Legg Mason
		6600	Merrill Lynch
		4000	Paine Webber
		1000	Smith Barney
		1000	Werthem & Co.
		46000	Warner Lambert Company
		5000	Cowen & Co.
		1000	First Manhattan
		11000	Merrill Lynch

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
3000	Paine Webber	13000	Shearson Hayden
16000	Werthem & Co.	10000	H. C. Wainwright
10000	Dean Witter	<b>Building &amp; Forest Products</b>	
		80950	Georgia Pacific Corporation
<b>Food-Beverage</b>			
66400	CPC International, Inc.	5100	Brown Brothers
10000	Bache Halsey	5000	Cowen & Co.
2000	Brown Brothers	2040	Cyrus Lawrence
7600	Drexel Burnham	5100	First Boston
9000	F. Eberstadt	10200	Goldman Sachs
4000	First Boston	5100	Kidder Peabody
3200	Merrill Lynch	18360	Merrill Lynch
2000	Mitchell Hutchins	5100	Piper Jaffray
8100	Paine Webber	12750	H. C. Wainwright
7000	Reynolds Securities	2040	Werthem
1000	Robinson Humphrey	10200	White Weld
5000	Shields Model	14200	Weyerhaeuser Company
1000	Smith Barney	2000	Auerbach Pollak
1000	H. C. Wainwright	5200	Wm. Blair
5500	White Weld	2000	Kidder Peabody
5000	Coca Cola Company (The)	5000	Merrill Lynch
3000	Morgan Stanley	<b>Chemicals</b>	
5000	Robinson Humphrey	7140	Air Products and Chemicals, Inc.
1000	H. C. Wainwright	2040	Cyrus Lawrence
2700	Wm. Witter	3060	First Manhattan
10000	General Foods Corporation	1020	Joseph Sebag
3000	Joseph Sebag	1020	W. H. Reaves
3000	Merrill Lynch	11300	Dow Chemical Company (The)
4000	W. H. Reaves	300	Halsey Stuart
8000	Pillsbury Company (The)	6000	Sterling Grace
4000	Morgan Stanley	2000	H. C. Wainwright
4000	W. H. Reaves	3000	Wood Struthers
<b>Printing/Publishing</b>			
3000	Dun & Bradstreet Companies, Inc.	28500	du Pont (E. I.) de Nemours and Co.
3000	E. F. Hutton	3000	First Manhattan
		5000	Lambson Brothers
		10600	Merrill Lynch
		2000	Mitchell Hutchins
		500	Paine Webber
		1500	Piper Jaffray
		900	Reynolds Securities
		5000	Shields Model
		85000	Hercules Incorporated
		4900	First Manhattan
		2000	Joseph Sebag
		35100	Merrill Lynch
		5000	Mitchell Hutchins
		10000	Morgan Stanley
		10500	Oppenheimer
		2000	Paine Webber
		5000	Salomon Brothers
		9000	Shields Model
		1500	H. C. Wainwright
		13200	Union Carbide Corporation
		8200	Smith Barney
		5000	Werthem & Co.
		70500	Emerson Electric Co.
		4000	Wm. Blair
		11000	Cyrus Lawrence
		5000	Drexel Burnham
		9000	Halsey Stuart
		28000	Merrill Lynch
		1000	Mitchell Hutchins
		1000	Paine Webber
		4500	Shearson Hayden
		2000	H. C. Wainwright
		5000	Dean Witter
<b>TECHNOLOGY</b>			
<b>Electronics</b>			
17300	Hewlett Packard Company	<b>Electrical Equipment</b>	
2000	Robert Baird	58100	General Electric Company
6000	Halsey Stuart	100	Halsey Stuart
7500	Oppenheimer & Co.	1000	Hardy & Co.
1800	Paine Webber	5000	Hornblower Weeks
		3000	Joseph Sebag
		10000	Loeb Rhoades
		13900	Merrill Lynch
		5000	Mitchell Hutchins
		11100	Morgan Dimstead
		6000	Paine Webber
		1000	Piper Jaffray
		2000	Shields Model
<b>Office Equipment</b>			
33800	Burrhoughs Corporation	7000	Combustion Engineering, Incorporated
5500	Brown Brothers	7000	E. F. Hutton
2000	Calwell Phillips	10000	Tiant Union Corporation
900	Cyrus Lawrence	4000	Wm. Blair
2000	Dain Kalman	4800	Brown Brothers
5000	Merrill Lynch	10000	Drexel Burnham
10400	Milwaukee & Co.	3500	First Boston
3000	Shields Model	5000	First Manhattan
5000	H. C. Wainwright	700	E. F. Hutton
1800	Digital Equipment Corporation	33300	Merrill Lynch
800	Bache Halsey	11000	L. F. Rothschild
1000	Wm. Witter	30100	Salomon Brothers
13200	International Business Machines Corporation	10100	Shields Model
1000	Cowen & Co.	4000	Smith Barney
3600	Cyrus Lawrence	<b>Metals</b>	
1800	Halsey Stuart	23200	Aluminum Company of America
2400	Keele Broyette	3000	Halsey Stuart
200	Lambson Brothers	5100	Merrill Lynch
1900	Mesrow & Co.	5000	Mitchell Hutchins
100	Mitchell Hutchins	10000	Oppenheimer & Co.
1000	Robinson Humphrey	100	Reynolds Securities
1000	Rotan Mose	119136	Pittston Company (The)
200	Smith Barney		
<b>BASIC INDUSTRY</b>			
<b>Aerospace</b>			
148400	United Technologies Corporation		
10400	DeHaven Townsend		
10000	Drexel Burnham		
7000	First Manhattan		
10000	Goldman Sachs		
65000	Merrill Lynch		
5000	W. H. Reaves		
2000	Reynolds Securities		
16000	Salomon Brothers		



Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
10506	Robert Baird	5000	Brown Brothers
10256	Backer Securities	2000	Dain Kaiman
10200	Brown Brothers	10000	Donaldson Lukin
5100	Donaldson Lukin	8000	A. G. Edwards
7956	E. F. Hutton	10000	Faulkner Dawkins
14994	Paine Webber	19000	First Manhattan
10200	Childs Model	10000	Hornblower Weeks
7140	Wertheim & Co.	21000	Merrill Lynch
27846	Wm. Witter	5000	Mesrow
14688	Wood Struthers	10000	Smith Barney
		7000	H. C. Wainwright
		9000	Wertheim & Co.
<b>ENERGY</b>			
<b>Oil Domestic</b>			
5000	Atlantic Richfield Company	13000	Mobil Corporation
	2000 E. F. Hutton	197000	Standard Oil Company of California
	3000 Kidder Peabody	29800	Brown Brothers
69200	Continental Oil Company (Del.)	24000	Drexel Burnham
	16000 Robert Baird	14600	F. Eberstadt
	6000 Brown Brothers	12000	First Manhattan
	3000 First Boston	5400	Paine Webber
	8000 Hornblower Weeks	50700	H. C. Wainwright
	6600 E. F. Hutton	25000	Wertheim & Co.
	10000 Merrill Lynch	20300	White Weld
	3600 Mitchell Hutchins	15700	Dean Witter
	6000 Salomon Brothers		
	10000 H. C. Wainwright		
8000	Louisiana Land and Exploration Co.	<b>Energy-Related</b>	
	2000 Harris Upham	2000	Baker International Corporation
	7000 Kidder Peabody	118100	1000 Merrill Lynch
	2000 Merrill Lynch		1000 Robinson Humphrey
	2000 L. F. Rothschild		Dresser Industries, Inc.
4000	Phillips Petroleum Company	29800	Cyrus Lawrence
	1000 Paine Webber	6600	First Boston
	2000 W. H. Reaves	17200	Merrill Lynch
	1000 Smith Barney	6000	Morgan Stanley
2000	Standard Oil Company (Indiana)	1600	J. H. Oliphant
	2000 Paine Webber	6000	Paine Webber
7000	Standard Oil Company (Ohio)	6000	Reynolds Securities
	1000 Cyrus Lawrence	6000	Robinson Humphrey
	1000 Hornblower Weeks	2000	Salomon Brothers
	5000 Shearson Hayden	6900	Smith Barney
		10000	H. C. Wainwright
<b>Oil International</b>		8500	Halliburton Company
20725	Exxon Corporation		6000 Keefe Bruyette
	1200 Dain Kaiman		1000 Reynolds Securities
	3000 First Boston		1500 Robinson Humphrey
	4525 Merrill Lynch		
	500 Mesrow & Co.	<b>TRANSPORTATION</b>	
	2000 Mitchell Hutchins	<b>Railroads</b>	
	3500 J. H. Oliphant	6250	Southern Railway Company
	1000 Paine Webber	2650	E. F. Hutton
	5000 H. C. Wainwright	2000	Merrill Lynch
126000	Gulf Oil Corporation	3600	Salomon Brothers
	10000 Robert Baird		

## SECTION 10

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

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

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
<b>UTILITIES</b>		<b>CONSUMER ORIENTED</b>	
<b>Electric</b>		<b>Automobiles &amp; Automotive Parts</b>	
26000	Commonwealth Edison Company	1000	General Motors Corporation
	14000 American Securities	1000	Institutional Networks
	4000 Institutional Networks	28600	Genome Parts Company
	2000 Jefferies & Co.	17600	Institutional Networks
	6000 Weeden & Co.	11000	Jefferies & Co.
26000	Middle South Utilities, Incorporated		
	4000 Institutional Networks	<b>Consumer Nondurables</b>	
	22000 Jefferies & Co.	10000	Avon Products, Inc.
1500	Public Service Company of Indiana, Inc.	1000	American Securities
	1500 Institutional Networks	9000	Institutional Networks
1200	Texas Utilities Company	10000	Colgate Palmolive Company
	1000 Institutional Networks	10000	Institutional Networks
	200 Jefferies & Co.	1050	Lastman Kodak Company
<b>Natural Gas</b>		1000	Institutional Networks
60300	Panhandle Eastern Pipe Line Company	50	Jefferies & Co.
	28700 American Securities	4500	Procter & Gamble Company (The)
	4600 Institutional Networks	1500	Institutional Networks
	18500 Jefferies & Co.	3000	Weeden & Co.
	8500 Weeden & Co.	2000	Pevlon, Incorporated
<b>Communications</b>		2000	Institutional Networks
11050	American Telephone & Telegraph Company	<b>Consumer Miscellaneous</b>	
	11050 Jefferies & Co.	6100	McDonald's Corporation
21000	General Telephone & Electronics Corp.	3100	Institutional Networks
	16000 Institutional Networks	3000	Weeden & Co.
	5000 Jefferies & Co.		

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
<b>Drugs</b>		3500	Hercules Incorporated
7500	Merck & Co., Inc.	3500	Institutional Networks
	1000 Institutional Networks	7800	Union Carbide Corporation
	6000 Jefferies & Co.	3000	Institutional Networks
	500 Weeden & Co.	4800	Jefferies & Co.
100	Schering Plough Corporation		
	100 Jefferies & Co.	<b>Electrical Equipment</b>	
<b>Food-Beverage</b>		8100	General Electric Company
46800	CPC International, Inc.	7000	Institutional Networks
	5100 Institutional Networks	1100	Jefferies & Co.
	9800 Jefferies & Co.	<b>Machinery</b>	
	31900 Weeden & Co.	7200	Caterpillar Tractor Co.
4000	Coca-Cola Company (The)	7200	Institutional Networks
	4000 Institutional Networks	17000	Combustion Engineering, Incorporated
3000	PepsiCo, Inc.	13000	Robert Brandt
	3000 Jefferies & Co.	4000	Jefferies & Co.
		29100	Trans Union Corporation
<b>Retail Sales</b>			29100 Jefferies & Co.
9500	American Greetings Corporation	<b>Metals</b>	
	5500 Goldman Sachs	7000	Aluminum Company of America
	3000 Merrill Lynch		7000 Jefferies & Co.
	1000 Smith Barney	<b>ENERGY</b>	
16000	Federated Department Stores, Incorporated	<b>Oil-Domestic</b>	
	14000 Institutional Networks	7000	Atlantic Richfield Company
	2000 Weeden & Co.	2000	Institutional Networks
12000	Penn. v. (J.C.) Company, Incorporated	5000	Weeden & Co.
	12000 Institutional Networks	32000	Continental Oil Company (Del.)
2000	Sears, Roebuck and Company	10000	Institutional Networks
	1000 Institutional Networks	6000	Jefferies & Co.
	1000 Jefferies & Co.	1000	Louisiana Land and Exploration Co.
<b>TECHNOLOGY</b>		1000	Institutional Networks
<b>Electronics</b>		5500	Jefferies & Co.
6500	Hewlett-Packard Company	1000	Phillips Petroleum Company
	1000 Institutional Networks	1000	Institutional Networks
	5500 Kall & Company	1400	Standard Oil Company (Ohio)
<b>Office Equipment</b>			400 Institutional Networks
435	International Business Machines Corporation	1000	Jefferies & Co.
	200 American Securities	<b>Oil International</b>	
	215 Jefferies & Co.	13000	Standard Oil Company of California
	20 Weeden & Co.	13000	Institutional Networks
<b>BASIC INDUSTRY</b>			
<b>Aerospace</b>			
6000	United Technologies Corporation	<b>Energy Related</b>	
	6000 Institutional Networks	5000	Baker International Corporation
<b>Building &amp; Forest Products</b>		24000	Robert Brandt
15810	Georgia Pacific Corporation		3000 Jefferies & Co.
	10200 Institutional Networks		Dresser Industries
	510 Jefferies & Co.		13000 Institutional Networks
	5100 Weeden & Co.		11000 Jefferies & Co.
5000	Owens Corning Fiberglas Corporation	5900	Halliburton Company
	5000 Institutional Networks	2400	Institutional Networks
7000	Weyerhaeuser Company	3500	Jefferies & Co.
	3000 Institutional Networks		
	4000 Jefferies & Co.	<b>Transportation</b>	
<b>Chemicals</b>		30750	Southern Railway Company
10800	Dow Chemical Company (The)	15750	Robert Brandt
	10000 Institutional Networks	4700	Institutional Networks
2900	du Pont (E. I.) de Nemours and Co.	4500	Jefferies & Co.
	2400 Institutional Networks	5800	Weeden & Co.
	500 Jefferies & Co.		

## SECTION 11

### STATE OF MINNESOTA STATE BOARD OF INVESTMENT

COMMON STOCK SALES  
July 1, 1975 - June 30, 1976

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
79350	Aetna Life & Casualty Company	2400	Bank America Corporation
	15600 DeHaven Townsend	400	Jefferies & Co.
	9000 First Boston	2000	Keefe Bruyette
	12000 Jesup & Lamont	23800	Burlington Industries, Incorporated
	10000 Kall & Co.	5000	DeHaven Townsend
	9500 Salomon Brothers	12800	Oppenheimer & Co.
	18250 Wertheim & Co.	6000	Weeden & Co.
	5000 Dean Witter	21100	Burroughs Corporation
14580	Air Products and Chemicals, Inc.	7500	Hornblower Weeks
	5100 Institutional Networks	1100	Jefferies & Co.
	300 Paine Webber	1000	Paine Webber
	9180 Smith Barney	10900	Shearson Hayden
26200	Aluminum Company of America	33400	Caterpillar Tractor Co.
	1000 American Securities	2200	Institutional Networks
	6200 Brown Brothers	9200	Salomon Brothers
	8000 First Manhattan	23000	Wertheim & Co.
	5000 Mesrow & Co.	5000	Institutional Networks
	5900 Morgan Utinstead		

Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
	10000 Merrill Lynch	7000	MGIC Investment Corporation
	4000 Weeden & Co.		7000 White Weld
13350	Connecticut General Insurance Corp.	11700	McDonald's Corporation
	11350 Jefferies & Co.		2700 American Securities
	2000 Merrill Lynch		500 Bear Stearns
32000	Consolidated Foods Corporation		7500 Merrill Lynch
	200 Institutional Networks		900 Weeden & Co.
	4000 Jefferies & Co.	2000	Merck & Co., Inc.
	17800 Merrill Lynch		2000 Institutional Networks
34000	10000 H. C. Wainwright	33750	Modern Merchandising, Inc.
	Continental Illinois Corporation		6625 Wm. Blair
	7000 Brown Brothers		1250 Dain Kalman
	2000 DeHaven Townsend		5000 E. F. Hutton
	3000 Institutional Networks		3250 Jefferies & Co.
	5000 Mesrow & Co.		10125 Merrill Lynch
	3000 Paine Webber		2500 Piper Jaffray
	15000 Salomon Brothers		2500 Oppenheimer & Co.
	3300 Wood Struthers		2500 Dean Witter
78000	Continental Oil Company (Del.)	42130	Monsanto Company
	20000 Institutional Networks		2000 Cowen & Co.
	38000 Jefferies & Co.		300 Loeb Rhoades
	20000 Oppenheimer & Co.		3000 Mesrow & Co.
31600	Corning Glass Works		5300 Paine Webber
	1000 Bear Stearns		13100 Shearson Hayden
	24500 DeHaven Townsend		1700 Sutro & Co.
	400 Merrill Lynch		300 Weeden & Co.
	5700 Smith Barney	2000	16430 Warheim & Co.
700	Delta Air Lines, Incorporated		J. P. Morgan & Co., Incorporated
	700 Paine Webber		2000 Keefe Bruyette
14200	Digital Equipment Corporation	5200	NLT Corporation
	600 Bear Stearns		500 Kall & Co.
	1100 Drexel Burnham		2700 Loeb Rhoades
	10000 Mitchell Hutchins		2000 Robinson Humphrey
	2500 Wertheim & Co.	60200	Nicor, Inc.
13160	Disney (Walt) Productions		36100 First Boston
	12360 Blyth Eastman		3500 Jefferies & Co.
	800 Weeden & Co.		6500 Salomon Brothers
34000	Dow Chemical Company (The)		5100 Dean Witter
	6000 American Securities		9000 Wood Struthers
	3000 Brown Brothers	28000	Northwest Airlines, Incorporated
	400 Jefferies & Co.		9000 Bear Stearns
	12000 Merrill Lynch		14000 Hornblower Weeks
	12600 Mesrow & Co.		5000 Paine Webber
28800	Eastman Kodak Company	5000	Northwest Bancorporation
	3700 Jefferies & Co.		5000 Keefe Bruyette
	17100 Merrill Lynch	59200	Owens Corning Fiberglas Corp.
	5000 L. F. Rothschild		5000 First Boston
	3000 Shields Model		54200 Merrill Lynch
230500	Fedders Corporation	3000	PepsiCo, Inc.
	9500 Drexel Burnham		1000 Piper Jaffray
	2300 Jefferies & Co.		1500 Shearson Hayden
	37000 Kall & Company		500 Weeden & Co.
	118900 Merrill Lynch	33000	Pillsbury Company (The)
	30000 Mitchell Hutchins		9000 Institutional Networks
	16800 Oppenheimer & Co.		500 Merrill Lynch
	16000 Wood Struthers		5000 J. H. Olyphant
36100	Federated Department Stores, Inc.		4000 Piper Jaffray
	7000 Institutional Networks		7500 H. C. Wainwright
	4100 Jefferies & Co.	35700	7000 Dean Witter
	25000 Merrill Lynch		Pittston Company (The)
48300	First Union Corporation		10200 Jefferies & Co.
	15000 Goldman Sachs		3060 Kidder Peabody
	7000 Keefe Bruyette		12240 White Weld
	26300 Merrill Lynch		10200 Wm. Witter
14500	Ford Motor Company	9000	Revlon, Incorporated
	3000 Jefferies & Co.		9000 Salomon Brothers
	5000 Loeb Rhoades	53900	SAFECO Corporation
	6500 H. C. Wainwright		14400 Goldman Sachs
5000	General Foods Corporation		10500 E. F. Hutton
	5000 Institutional Networks		22000 Jefferies & Co.
81800	General Mills, Incorporated		3000 Merrill Lynch
	20000 Brown Brothers		4000 Shields Model
	12600 Kall & Co.	53400	Standard Oil Company (Indiana)
	31000 Merrill Lynch		1700 American Securities
	8200 J. H. Olyphant		2000 Brown Brothers
	10000 Weeden & Co.		9000 DeHaven Townsend
17000	General Motors Corporation		5300 Institutional Networks
	17000 Kidder Peabody		5000 Jefferies & Co.
2000	Hewlett Packard Company		13300 Merrill Lynch
	2000 Smith Barney		7100 Shearson Hayden
133400	Holiday Inns, Incorporated	400	Standard Oil Company (Ohio)
	17000 First Manhattan		400 Merrill Lynch
	72900 Oppenheimer & Co.	10000	Texaco Inc.
	13500 Salomon Brothers		16000 Oppenheimer & Co.
	30000 Smith Barney	9800	The Toro Company
54200	International Paper Company		9800 Jefferies & Co.
	17000 Hornblower Weeks	1200	Union Pacific Corporation
	5200 Institutional Networks		300 Merrill Lynch
	1000 Jefferies & Co.		900 Weeden & Co.
	16400 Merrill Lynch	77400	Westinghouse Electric Corporation
	12800 Paine Webber		11500 Cowen & Co.
	1800 H. C. Wainwright		3500 First Boston
68600	Investors Diversified Services, Inc.		10000 Lehman Brothers
	19300 Merrill Lynch		12400 Paine Webber
	49300 Salomon Brothers	5000	Weyerhaeuser Company
42050	Kesge (S.S.) Company		3000 DeHaven Townsend
	37000 Institutional Networks		2000 Kidder Peabody
	5000 Morgan Stanley		



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)

<p>Sec. 11.01 Membership; records. 11.015 Permanent school fund, investment. 11.04 Secretary to have access to bonds and securities being part of trust funds. 11.05 Appropriation for investment. 11.06 Standing appropriation for expense of investment. 11.08 Escheated property, report, sale. 11.10 Investment of money in state treasury not currently needed. 11.11 Executive secretary; consultants. 11.115 Reimbursement for certain expenses. 11.12 Duties of executive secretary; bond. 11.13 Investment policies. 11.14 Office space. 11.15 Investment of state bond fund. 11.16 Minnesota state retirement system; investment securities. 11.17 Investment of highway funds.</p>	<p>Sec. MINNESOTA RETIREMENT FUNDS 11.18 Minnesota supplemental retirement fund established. 11.19 Participation in fund. 11.20 Prospectus. 11.21 Participation by public employee retirement funds. 11.22 Redemptions. 11.23 Applications for participation and redemption. 11.24 Legal title to assets. 11.25 Minnesota adjustable fixed benefit fund. 11.26 Minnesota variable annuity fund. 11.27 Continuing appropriation from Minnesota adjustable fixed benefit fund. STATE ZOOLOGICAL GARDEN OPERATING ACCOUNT 11.28 State zoological garden; operating receipts investment account.</p>
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**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 per cent 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 preceeding 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 893 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**

<p>Sec. 356.18 Requests for relief and retirement increases.</p> <p>356.20 Financial reports required.</p> <p>356.215 Actuarial valuations and experience studies.</p> <p>356.22 Interpretation.</p> <p>356.23 Optional basis or assumptions; specification.</p> <p>356.24 Supplemental pension or deferred compensation plans, restrictions upon government units.</p> <p>356.25 City pension fund prohibitions; exclusions.</p> <p>356.30 Combined service annuity.</p>	<p>Sec. 356.31 Restoration of survivor benefits.</p> <p>356.32 Proportionate annuity in certain cases.</p> <p>356.325 Hennepin county; certain employees; proportionate annuities.</p> <p>356.34 Limitation on average salary for benefits.</p> <p>356.35 Definitions.</p> <p>356.36 Permanent disability benefits and retirement annuities; increase; exceptions.</p> <p>356.37 Survivor benefits; increase; exceptions.</p> <p>356.38 Multiple benefits and annuities; limitation on increases.</p> <p>356.39 Transfer of reserves; originally determined benefits.</p>
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- 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	Number	Annual 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 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 determinant 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 ]