1965 REPORT

THE EXECUTIVE SECRETARY



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1000 28, 1966

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during 1965

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STATE OF MINNESOTA STATE BOARD OF INVESTMENT 115 STATE CAPITOL SAINT PAUL 55101

June 28, 1966

Members of the Legislature of the State of Minnesota

Gentlemen:

This report, the sixth to be submitted since the Investment Department was established in 1960, reviews the work of the State Board of Investment during the calendar year 1965 and outlines the policies which are presently being followed by the Investment Department. The report is being sent to those firms conducting securities business with the State as well as to legislators and public officials interested in our investment program. Although the major purpose of this document is to inform the Legislature of the progress of our funds, it is also designed to answer the many questions that are asked by investment dealers, brokers, and research organizations concerning the securities transactions, the investment policies and procedures followed by the State, and the distribution of securities business.

During the past several years, there has been a renewed interest throughout the nation in the progress of State investment funds. There have been surveys and reviews of these various policies which have mentioned the Minnesota funds in comparison with those of other states. Although these articles and statistical summaries have been interesting, some of the data and conclusions have been used in a way to appear somewhat misleading. Therefore, this report will tend to be more specific than previous departmental statements regarding the individual problems affecting the various funds and possible changes which may tend to improve our overall investment results. Because next year's report will not be completed in time for use by the 1967 Legislature, this present review is intended to provide information which may be helpful in writing any 'statutory revisions next year.

Practically all of the State's investment laws have been rewritten since the passage of a 1959 statute which established the office of the Executive Secretary. The 1961 Legislature passed a basic investment statute applicable to the retirement funds; this was revised in 1963 and 1965. A constitutional amendment pertaining to the Permanent School Fund, initiated by the 1961 Legislature, was approved by the electorate in 1962, with implementing statutes passed by the 1963 Legislature. The provisions of these statutes applicable to the specific funds will be reviewed later in this report. All investment policies relevant to the State funds are determined by the State Board of Investment, consisting of the Governor, State Auditor, State Treasurer, Secretary of State, and Attorney General. The Executive Secretary advises the Board, recommends policies, and is responsible for handling the securities transactions. He has a staff of six members to aid in securities and portfolio analysis, accounting, and secretarial work.

Previous reports, issued for the years 1960, 1961, 1962, 1963, and 1964, provide resumes of the transactions and policies during these periods.

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 current needs of the State's educational institutions.

The 1963 Legislature provided for the return of the investment management of the Permanent University Fund to the Regents of the University of Minnesota. The assets of this fund, approximating \$47 million in book value, were transferred to the University in July 1963.

ROBERT E. BLIXT Executive becretary Under the terms of the 1962 constitutional amendment, the assets of the Permanent School Fund and the Swamp Land Fund were combined into one fund known as the Permanent School Fund. The State Board of Investment was given new latitude as to the media to be used in managing these assets. The Internal Improvement Land Fund, a comparatively small fund restricted to the use of government obligations, also remains under the jurisdiction of the State Board of Investment.

The following schedule reviews the composition of the trust funds managed by the State Board of Investment on December 31, 1965:

COMPOSITION OF TRUST FUNDS December 31, 1965

	Permanent Schoo	ol Fund	Internal Imp Land Fu	
Type of Security	Book Value	%	Book Value	_%
U.S. Treasury obligations	\$123,693,000.00	47.16%	\$420,000.00	99.34%
U.S. Government-guaranteed obligations	958,000.00	0.37	_	
Minnesota State obligations	105,000,00	0.04		
Obligations of Minnesota subdivisions	3,895,865,00	1.49	-	
Corporate debt obligations	101,400,372.95	38.66	-	
Common stocks	32,167,100.56	12.26	-	
Cash	45,081,15	0.02	2,803.09	0.66
Totals	\$262,264,419,66	100.00%	\$422,803,09	100.00%

The total assets of the Permanent School Fund had a book value of approximately \$264 million at the time the fund was combined in 1963. This valuation has declined somewhat because long-term low coupon U.S. Treasury obligations have been sold at less than book cost. These securities had been purchased during the period of low interest rates through the 1940's and early 1950's. From mid-1963 through 1965, the proceeds from a refunding of Minnesota State debt and the sale of U.S. Treasury obligations were reinvested in higher yielding corporate bonds.

The trust funds managed by the State Board of Investment were worth approximately \$93.92 per hundred dollars invested on December 31, 1965. The market valuations of U.S. Treasury obligations, corporate bonds, and common stocks were taken from yearend quotations on these securities. The estimated market values of debt instruments of the State of Minnesota and its subdivisions are based on the investment worth to the trust funds. The securities are valued at less than cost or face value because they carry interest rates lower than the general levels now prevailing. The current worth of the various classifications of securities owned by the trust funds on December 31, 1965, was as follows:

APPROXIMATE MARKE	F VALUE OF	COMBINED	TRUST	FUNDS	INVESTMENTS
• .	Decemb	er 31. 19	65 [·]		

Type of Security	Face Value or Cost	Market Value	Value per \$100 Invested
J.S. Treasury and U.S. Government-			
guaranteed obligations	\$125,071,000.00	\$108,450,374.27	\$ 86.71
linnesota State obligations	105,000.00	101,325.00	96.50
bligations of Minnesota subdivisions	3,895,865.00	3,506,278,50	90.00
orporate debt obligations	101,400,372.95	99,838,807,21	98.46
Common stocks	32,167,100.56	34,775,006.25	108.11
Totals and average value	\$262,639,338.51	\$246,671,791.23	\$ 93.92

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Most of the U.S. Treasury securities still held in the Permanent School Fund consist of comparatively low coupon issues maturing after 1980. The market value of these bonds has declined considerably in recent months due to the higher level of interest rates which are now in effect. Because the corporate bonds in the Permanent School Fund have now nearly reached the 40% limit authorized in Minnesota's Constitution, it is anticipated that many of the remaining bonds will either be held until maturity or will be exchanged for more attractive U.S. Treasury and government-guaranteed issues which may provide a better yield and a more balanced maturity schedule for the account.

The issues of corporate bonds purchased for the Permanent School Fund in 1965 provided a yield somewhat less than obtainable on the bond market in mid-1966. The fund has achieved a net gain through the exchange of securities approximately equal to that which could have been effected on today's market, however, because of the spread in yields between U.S. Treasury securities and corporate bonds at the time of these transactions. It has been a policy of the Board to avoid speculation on bond prices and interest rates and to convert the holdings of U.S. Treasury obligations into cash only as higher yielding corporate bonds, offering adequate call or refunding protection, are purchased.

The Board anticipates a continuation of the policies established by the Legislature in 1963 under which the commitments in common stocks will be gradually raised to nearly 20% of book value.

The yield from investments in the Permanent School Fund was only 2.68% as recently as 1956. A rearrangement of U.S. Treasury obligations in 1961 together with the purchase of higher yielding corporate bonds during the past three years has raised the average yield to 3.56%. A recent survey of various State funds by the Investment Bankers Association indicates that Minnesota's Permanent School Fund still earns an average yield substantially less than that obtained by most longterm State accounts. The reason is primarily that the U.S. Treasury issues are concentrated in long-term maturities with comparatively low coupons. Constitutional provisions prevented the sale of these securities until 1962, and now sales may be made only if the principal is maintained through a transfer of income. Although the common stock portfolio provides a comparatively low current yield, the dividend increases indicate that these commitments will be justified within a short time. It appears that any yield improvement to be made by the Permanent School Fund under existing constitutional provisions must come primarily from a rearrangement of the U.S. Treasury portfolio into higher yielding Treasury, agency, and U.S. government-guaranteed obligations, and from increases in dividend rates on the common stock holdings.

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 eligible for use in the retirement funds. At present, these funds are invested in short-term U.S. Treasury securities, repurchase contracts based on holdings of U.S. Treasury obligations, and short-term corporate notes. The Commissioner of Highways certifies the amounts not needed in the immediate future, and these sums are invested in maturities approximating the expected disbursement schedule of the highway department. Because of the time necessary for planning, purchase of right-of-way, and construction of highways, funds are available for investment for considerable periods. The amount of highway funds investments fluctuates throughout the year, but totaled \$90 million in face value on December 31, 1965.

The income from the highway investment program has increased substantially in recent years and will show further gains in 1966 and 1967 because of the higher interest rates now in effect. During recent years, the highway department has carefully estimated its disbursement needs so as to keep its funds more fully invested. This has resulted in an increase in earnings, for all accounts, from \$1,663,323.04 as recently as fiscal 1958, to a total of \$3,936,807.73 in fiscal 1965 and \$4,548,954.36 in fiscal 1966.

The highway funds provide one of the best examples of the advantages inherent in the certification of public funds by an individual department so as to maximize the earnings. The counties and municipalities of Minnesota benefit directly from the income through the County State Aid Highway Fund and the Municipal State Aid Street Fund. The daily review of financial needs by the highway department, whose construction program is directly benefited by the investment process, has resulted in a substantial increase in the percentage of these funds invested during the past few years. This program was recently commended in a study by the U.S. Bureau of Roads.

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Although the Investment Department has no responsibility for determining the cash needs of the highway department, it is evident from the daily activity and account balances provided to the Investment Department that these funds are being invested up to the practical maximum. It is presumed, however, that adequate cash is being held in the accounts to compensate for the activity in handling these various highway funds. For example, cash is raised on Tuesday of the week in which salaries are paid the coming Friday. This procedure, determined by the period necessary to process the salary warrants, makes possible an actual balance in the accounts substantially larger than indicated when the funds appear invested to the practical limit.

INVESTED TREASURER'S CASH FUND

Cash certified for investment in the Treasurer's cash account has been invested in U.S. Treasury securities since 1949, when a statute authorized this program. The major State current accounts -- the Income Tax School Fund and the General Revenue Fund, which have been invested as a part of Invested Treasurer's Cash -- have presently shown surpluses; this has resulted in increased earnings for the general pooled account.

The State has also gained whenever building funds, raised through the sale of State bonds, are held for any period because the net yield on earnings from investments in short-term U.S. Treasury securities exceeds the interest cost to the State on its bond issues. The reason is that investors are not taxed on income from State of Minnesota bonds; therefore, these securities sell at a comparatively high price and at a low yield. The investments in the Invested Treasurer's Cash Fund have been increased by approximately \$40 million during Fiscal 1966 because of this money raised through bond proceeds. The high level of the economy during late 1965 and early 1966 was responsible for an increase in tax payments and a higher level of investments in this fund than has been possible in the past. It is usual for the amount of securities held by this fund to reach a peak from late spring until school aid payments are made during the late autumn months.

U.S. Treasury obligations held by the Invested Treasurer's Cash Fund totaled \$51.6 million on December 31, 1964, and \$102.9 million on December 31, 1965. These investments reached \$132.7 million at fiscal yearend, June 30, 1965, and \$254.9 million at fiscal yearend, June 30, 1966.

There has been considerable discussion as to the extent of the State's investments in this general pooled account and the proper amount of cash to be left in bank balances. Because of the period of time required to process State warrants, it is apparent that sizable balances remain in the various funds, even though the books of account in the Capitol may show cash to be at a very low level. The Invested Treasurer's Cash Fund may be used as a vehicle for these monies in process of transfer. In the handling of this fund, the Investment Department buys and sells according to oral certifications made by the staff of the Treasurer. In recent years, the Investment Department has increased the use of U.S. Treasury repurchase agreements and the use of bills for short periods of time, sometimes only a few days, so as to earn income on money available, whenever it is so certified.

The proper extent of the investment program for this particular fund has been difficult to determine because of the lack of comparable statistics regarding other active public accounts. For example, a listing of State security holdings by the Bureau of the Census has combined the investments for this fund with those of all other funds managed by the State Board of Investment in arriving at the figure for total securities held. The amount of the State's total security holdings. when compared with funds available for investment, appears to be quite high in any such survey. This is an obvious result of combining the current operating account with the long-term funds, such as the Permanent School Fund and the retirement funds, which must be fully invested at all times. Our investment programs must be considered individually, however, and not in total, when arriving at any conclusions regarding the adequacy of the policies and procedures both as to the amount of investments and the types of securities used. The Investment Department is not responsible for the amount of cash invested or uninvested in this fund. It appears to us, however, that greater income may be anticipated during the next few fiscal years due, in part, to the increased activity in the short-term securities market as a result of a more intense utilization of the current funds. The higher level of interest rates, together with the investment of bond proceeds and certain accounting changes which have placed income records on a current year basis, will also result in substantially nigher earnings for the Invested Treasurer's Cash Fund. This upward trend in income will continue if high interest rates, additional bond financing programs, and increases in tax receipts remain as important factors.

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Except for the securities held for the State's building program, practically all the U.S. Treasury obligations held in the Treasurer's cash account mature in less than nine months from date of purchase. The statute requires that these investments mature within three years. Although the use of collateralized time deposits in Minnesota banks is permitted by statute for this pooled fund, the high interest rates available from U.S. Treasury obligations and the need for liquidity have dictated the use of marketable securities in recent years.

STATE COLLEGES, WELFARE, AND DEPARTMENT OF CORRECTIONS

The State Board of Investment is responsible for the investment of individual 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 correction institutions.

During 1963, a pooled fund was established for the patients of the various welfare institutions. As a result of this pooling arrangement, it was possible to increase substantially the percentage of these funds which could be invested. Although some municipal securities have been used in these funds in the past, we are limiting present purchases to U.S. Treasury obligations.

THE RETIREMENT FUNDS

Investments in various State retirement funds totaled approximately \$322.4 million in book value on December 31, 1965. These funds have been accumulated, for the most part, through payroll deductions affecting employees of the State, subdivisions of the State, and school districts. In recent years, however, the Legislature has greatly increased the contributions to these funds by the employers -- the governmental units. The 1965 Legislature again added to the contributions by raising the maximum salary limits on which these contributions are paid. In recent months, the higher cash flow has been very evident in our investment program and will mean an increased rate of growth and income in years to come. The basic investment law for retirement funds, passed in 1961, was revised by the 1963 and 1965 Legislatures so as to permit a higher percentage of corporate bond and stock investments.

Although State, municipal, and school district bonds once accounted for approximately 70% of the total investments in these retirement accounts, such holdings were reduced to approximately 21.9% of the total by December 31, 1965. This percentage decline was due primarily to the placement of all new money in other securities, but was partly accounted for by the sale of tax-exempt bonds during the past five years. Sales of municipal securities from the retirement funds have totaled \$22,276,000.00 since 1961, including the sale of \$4,142,000.00 face value of such securities in February 1966. Although these tax-exempt bond sales will continue in future years, it appears that a large portion of the present holdings may be held until maturity. The remaining "municipals" consist primarily of small odd lots that carry either no rating or a rating of "Ba" or "BB" by the leading services. The municipal bond dealers and fiscal agents of the upper Midwest area have been most helpful in completing the sale of these securities. The refunding of certain of these issues, made possible by action of the 1963 Minnesota Legislature, has increased the value of the affected holdings and may make them more marketable.

Corporate debt obligations now constitute the leading classification of securities in the retirement funds, accounting for 47.8% of total investments on a book value basis. All these securities have been purchased since 1960 and were rated "A" or better, at the time of purchase, by at least one of the nationally recognized rating services -- Fitch, Moody's, or Standard & Poor's. These corporate fixed-income investments, yielding 4.67%, provide a higher return to the retirement accounts than any other securities category.

The use of common stocks in the retirement funds was authorized by the 1961 Legislature. Under revised provisions passed in 1965, the State Board of Investment may purchase common stocks up to a maximum of 5% of the fund's book value in each of the years following 1961, until a maximum of 30% in common stocks is reached. By April 14, 1965, the fourth anniversary of the investment law, such investment accounted for nearly 20% of the total value of each fund; this percentage increased to approximately 23% by April 14, 1966.

On December 31, 1965, the retirement funds held \$228.9 million of corporate securities providing an average yield, at cost of 4.32%. The current yield on investments purchased late in 1965 increased from that obtained during the previous few years because of the higher level of interest rates in effect. The yield obtainable on the State's fixed-income investments has increased again during 1966 as interest rates have reached new high levels. The following schedule gives an approximate market valuation of the securities in the combined retirement accounts as of December 31, 1965:

APPROXIMATE MARKET VALUE OF COMBINED RETIREMENT FUNDS INVESTMENTS December 31, 1965

Type of Security	Face Value or Cost	Market Value	Value per \$100 Invested
U.S. Treasury and U.S. Government-			
guaranteed obligations	\$ 22,838,000.00	\$ 21,373,288.47	\$ 93.59
State College Board obligations	10,002,000.00*	9,051,810.00	90.50
Obligations of Minnesota subdivisions	60,694,000.00	54,624,600.00	90.00
Short-term corporate notes	5,610,000.00	5,610,000.00	100.00
Long-term corporate debt obligations	154,009,112.15	151,652,772.73	98.47
Common stocks	69,286,948.60	80,522,005.02	116.22
Totals and average value	\$322,440,060.75	\$322,834,476.22	\$100.12

* Total includes small quantity of bonds of other states and their subdivisions.

The U.S. Treasury obligations have a market value less than cost because they were purchased during the period of lower interest rates in the late 1940's and early 1950's. The Minnesota State college securities are revenue issues sold to the retirement funds in connection with the financing of dormitories. These securities are listed at an estimated value based on their worth to the State retirement funds; they are not public issues and are not negotiable. The low market value assumed for these securities is due to their comparatively low interest rates. The 1965 Legislature provided for the refunding of the State college revenue issues presently held in the retirement funds. The State College Board has stated its intent to refund these dormitory issues whenever it is possible to do so at a favorable interest rate. Within a few months after the 1965 legislative session, however, a marked increase in the prevailing level of interest rates made this refunding impractical from the standpoint of the College Board. It is hoped that this refunding will take place soon in that it would mean substantially higher income to the State's retirement funds.

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The market value assigned to the municipal holdings is merely an estimate because of the impossibility of valuing this portfolio; these bonds consist of numerous small holdings and hundreds of individual issues. If an attempt were made to sell the bonds in a short period of time, the price received would be substantially lower than that indicated because of the difficulty of marketing, in a limited period, such a large number of municipal securities from a comparatively small geographical area. Most of these holdings were purchased in the mid-1950's and carry interest rates somewhat below those prevailing more recently.

The average yield of 4.67% provided by the corporate bond holdings is less than the rate that could be obtained on similar investments on December 31, 1965. For the most part, the market value of such securities can only be estimated, because many were issued in the form of private placements. The market value as of yearend 1965 was slightly lower than cost on the State's corporate bond holdings; this market value declined further during early 1966 as interest rates continued to increase. The funds are benefiting from this increased interest level, however, because of the higher income received on new corporate bond commitments.

The listed common stocks were valued from closing prices on the New York Stock Exchange. The prices of unlisted stocks were based on the bid prices appearing in the Wall Street Journal or in other leading financial publications.

REVIEW OF ACCOMPANYING SCHEDULES

Schedule I summarizes the composition of the Permanent School Fund and the retirement funds on December 31, 1965. The rearrangement of the securities in the Permanent School Fund was initiated in mid-1963. Under the provisions in a 1962 constitutional amendment and 1963 legislation, this

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fund will eventually hold approximately 60% of its book value in corporate securities. Although the percentage of common stocks in this fund may increase to 20% of total book value, the major portion of the account will continue to be invested in fixed-income securities.

The retirement funds now consist primarily of corporate bonds and stocks. Insofar as the flow of incoming cash permits, an attempt is made to maintain an approximately equal diversification among the six retirement funds. There is a difference in the rate of cash flow, however, which has altered the composition of the various retirement funds. The State Employees and Public Employees Retirement Funds certify money on a continuing basis, whereas the Teachers' Retirement Fund is more dependent upon quarterly contributions. Changes in both the bond and stock markets have resulted in some variance in portfolios because of the timing of incoming funds.

Schedule II shows the yield received on the three largest retirement funds during the past eight years; it emphasizes the increased income earned because of higher interest rates and the use of corporate securities. Since 1958, retirement fund yields have increased from approximately 2.9% to over 4%. It is believed that yield has not been unduly stressed since 1960. Quality has been the basic determinant in the purchase of bonds, and long-term growth potential in the making of common stock commitments. Corporate bonds of the high quality used in State funds now provide a yield considerably higher than the present average rate of return, but new commitments in common stocks provide a current yield of only 3.2%. The use of certain stocks offering a low current yield has been continued in the belief that the funds will achieve a higher rate of income over a period of years due to such investments. Dividend increases from such stocks have already indicated their future value to the retirement funds and a favorable impact on yield figures.

The different rates of growth experienced by the three major retirement funds account for the variance in the yields earned by these funds. The Public Employees Retirement Fund and the Teachers' Retirement Fund have shown a growth rate considerably higher than that of the State Employees Retirement Fund in recent years. A larger part of the investments of the State Employees Fund was purchased during the 1950's, at a time of lower bond yields. Future sales programs of Minnesota school and municipal bonds will emphasize the disposition of these securities held by the State Employees Retirement Fund so as to bring this account more in line with the investment diversification shown by the other major retirement funds. The greater percentage of municipal securities owned by the State Employees account has meant a smaller percentage to be invested in the higher yielding corporate fixed-income securities. Another possible reason for the apparent variance in progress of the three funds during individual years may be the differing accounting procedures used by these associations. In each instance, the schedule shows the figures provided by the retirement fund administrations.

The current yield of Minnesota's retirement funds, according to a recent study published by the Investment Bankers Association, is still significantly below that earned by the retirement funds in many other states. There are several reasons for this situation. First, the substantial holdings of low-coupon municipal bonds tend to lower the overall yield; secondly, the ultimate income resulting from common stock investments will not be evident for a period of years; and thirdly, statutes specifying bond quality have limited bond purchases to highly rated bonds. These securities, in turn, provide a lesser yield than bonds of lower quality. A fourth reason is that the Minnesota retirement funds are among the few in the nation which are not authorized to use mortgages. This investment medium has been reviewed several times by the Public Employees Retirement Systems Interim Commission, but it has been decided that certain procedural aspects of a mortgage purchase program will preclude the use of such investments for the funds until a later time.

Schedule III reviews the Permanent School Fund for the decade from June 30, 1956, through June 30, 1966. The schedule indicates that, due to a prevalence of low-coupon U.S. Treasury securities in the fund during the 1950's, the yield was only 2.68%. Certain changes in the U.S. Treasury portfolio during the early 1960's resulted in a higher yield to slightly over 3%, but the increase to a level above 3.5% was achieved only after the passage of a constitutional amendment in 1962. Because corporate bond holdings may not exceed 40% of the book value of the fund, this account still retains approximately \$100 million of low-coupon Treasury securities. The purchase of equities has been gradual and will tend to raise the yield only over a period of years, as dividend rates are increased.

Schedule IV summarizes the short-term corporate notes owned in the various State funds and lists U.S. Treasury obligations held in all accounts on December 31, 1965. Of the funds listed, the Invested Treasurer's Cash Fund is the most liquid; the securities in it must be available for

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conversion into cash at any time so as to meet State needs. A portion of the highway funds must be comparatively liquid; the remainder is held for construction projects in progress, but which may take a period of years for completion. Most of the Treasury obligations in the retirement funds and the Permanent School Fund may be regarded as permanent investments. Some of these securities, however, particularly those in the Permanent School Fund, are being sold so as to provide a higher ultimate yield to the accounts. Certain U.S. Treasury issues held in this fund, especially those due within the next six years and carrying a low-coupon rate, are being sold to institutions and taxable funds able to take advantage of the capital gains inherent in such securities. The proceeds from these sales are being reinvested at a higher interest rate and with adequate call protection to meet foresceable changes in the interest rate level.

Schedule V summarizes the holdings of short-term corporate notes held by the highway and retirement funds on December 31, 1965. This investment medium has been used to a greater extent in early 1966 as interest rates have increased.

Schedule VI lists the corporate bond holdings of the Permanent School Fund on December 31, 1965. At the time this report is being written, on July 1, 1966, corporate bond purchases and commitments total \$105,517,381.59 and provide an average yield to maturity of 4.59%. Because the Permanent School Fund's corporate bonds now approximate the 40% maximum set by Minnesota's Constitution, future bond purchases of this type will take place only as present holdings mature or as new money is available for commitment. There are no percentage limitations placed on investments in U.S. Government-guaranteed and U.S. Government agency securities. It is probable that future purchases will be concentrated in these issues.

Schedule VII lists the corporate bond holdings of the retirement funds on December 31, 1965. Except for the nominal amount of railroad bonds previously owned, these securities were purchased since March 1960. On July 1, 1966, corporate bond purchases and commitments total \$481,621,807.78 and provide an average yield to maturity of 4.76%.

Most of the bonds listed as holdings in the retirement funds were purchased at the time of original offering, or soon thereafter, from members of the underwriting syndicates. During the past three years, however, both the Permanent School Fund and the retirement funds have purchased an increasing number of private placements. These issues are purchased directly from the borrowing corporations by a group of institutional buyers, including public retirement funds and trust funds, insurance companies, and bank trust departments. The State Board of Investment has followed the policy of buying only those private placements that are of sufficient size to be purchased by several buyers, so that the Investment Department is not in the position of setting the interest rate on any individual issue. Commitments are made for privately placed issues only after they have been reviewed by both the Minnesota investment staff and at least one of the three nationally recognized rating agencies, and have been declared to be of "A" quality or above. During 1965, several bond issues were purchased on the secondary market. These issues were used primarily in the Permanent School Fund, where the added diversity of maturities and the call protection inherent in lowcoupon issues were particularly desirable.

Schedule VIII details the types of corporate debt obligations owned by the Permanent School Fund and the various retirement funds on December 31, 1965, as well as the redemption features of the securities purchased during the past year. Since the inception of our corporate investment program, we have stressed call protection and have preferred to buy securities offering at least a five-year nonrefundable feature. During early 1966, when interest rates have been considerably higher than prevalent early in the decade, we have concentrated our purchases in those fixed-income issues offering call or refunding protection of ten years.

Over 80% of the purchases since 1960 have been of securities that either are noncallable or had at least five years of call or refunding protection. Because of these noncallable or nonre-fundable features, the present yield appears to be adequately protected against anticipated fluctuations in interest rates.

The investment staff has been particularly cognizant of the redemption feature problem in bond commitments for the Permanent School Fund. Because of the inherent call protection existing in the present holdings of long-term low-coupon U.S. Treasury obligations, it is believed advisable that a degree of such protection be continued in the new securities purchased. Since the corporate bond program began in 1963, all bonds added to the Permanent School Fund were protected against call or refunding to a degree in excess of the payment of one year's interest on the call date. Schedule IX lists the common stock holdings in the Permanent School Fund and in the various retirement funds on December 31, 1965. All these securities meet the requirements stated in the applicable statutes and have been approved by the Advisory Committee on Common Stocks. This committee, which was appointed by the State Board of Investment in May 1961, has now served for five years and continues to make a significant contribution to the investment program of the State. The group meets for one afternoon every two months and reviews in detail the equity programs being followed in the Permanent School Fund and the retirement funds. The members of the Board and the staff of the Investment Department are very appreciative of the time and advice that have been given by the ten members chosen from among the State's leading investment managers. The members of this advisory committee are as follows:

llermon J. Arnott	President	Farmers & Mechanics Savings Bank of Minneapolis
Franklin Briese	Executive Vice President	The Minnesota Mutual Life Insurance Company
Robert S. Davis	Vice President and Investment Officer	St. Paul Fire & Marine Insurance Company
Gaylord W. Clarner	Vice President	First Trust Company of St. Paul
James C. Harris	Senior Vice President	Northwestern National Bank of Minneapolis
John M. Harris	Trust Investment Officer	Northern National Bank, Duluth
Francis H. Hassing	Investment Counsel	University of Minnesota
Maxwell B. Hight	Investment Section	Mayo Foundation, Rochester
Donald E. Jondahl	Vice President - Finance	Northwestern National Life Insurance Company
Norman Terwilliger	Executive Secretary	Minneapolis Teachers Retirement Association

Schedule IX also indicates that at yearend 1965 the equities in the Permanent School Fund, costing \$32,131,681.98, had a value of \$34,775,006.25. The retirement funds owned common stocks costing \$69,192,192.73 and having a market value of \$80,522,005.02.

It is anticipated that the equities now owned in the Permanent School Fund and the retirement funds will show appreciable changes in market valuations during future years. Although sales are being made from these accounts, the Board does not intend to use these funds as trading media, but hopes to establish a solid investment in American industry that will provide future income to the ultimate beneficiaries. The high levels of the stock market in late 1965 and early 1966, together with the recent wide fluctuations and substantial declines, tend to emphasize the necessity of accepting market and economic downturns along with the more favorable trends. The State's stock purchase program continues to be based on long-term earnings expectations. Upon the recommendation of the Advisory Committee, the Investment Board has recently purchased a limited representation in industries which have been considered favorites by the performance-minded account managers. Because a State investment organization is unable to move as quickly as most mutual funds or trust and insurance accounts, however, it has been found desirable to concentrate the purchases in equities which are likely to perform in a satisfactory manner over a long period of years. The stocks added to the retirement funds in 1961, which provided a yield of less than 2.7% at the time of purchase, now yield over 3.7% on the original cost basis, owing to higher dividends since the time of acquisition. The dividend increases declared during 1965 provided additional income of \$245,338.98 on the stocks owned by the funds during the past year. A comparable upward trend in income, though perhaps to a somewhat lesser degree, may be anticipated over the years as the nation's economy continues to grow.

The Advisory Committee on Common Stocks and the State Board of Investment have emphasized such considerations as management factors and long-term growth potential, as well as current yield, in the selection of equity securites. All stocks recommended for inclusion in these funds are first discussed and approved by the Advisory Committee and then brought before the members of the State Board of Investment. The actual purchase program is subject to continuing advice and suggestions by the Advisory Committee on Common Stocks.

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A review of policies concerning the placement of business, together with a summary of transactions completed during 1965, follows the schedules described above.

The Minnesota Legislature -- in 1961, 1963, and 1965 -- has provided a very adequate framework around which future successful investment portfolios may be built. As yet, there remains a considerable amount of work to be done in the implementation of the statutes. Many institutional investment funds have outperformed the State accounts on both an income and a market appreciation basis during the past few years because of their investments in mortgages, higher yielding nonrated private placements, and equities offering greater near-term performance. The Investment Department has felt it desirable, however, to work more slowly with the Legislature in providing a firm basis for a program which will be advantageous to the various account beneficiaries over the longer term. As in the past, the Investment Department will cooperate with the Public Employees Retirement Systems Interim Commission and with the various fund administrations in arranging investment programs that will be satisfactory to the retirement funds' members.

It appears that various ideas involving the State's investment accounts will be presented to the 1967 Legislature. One suggestion has been to establish a fund which could be, in essence, a pooled account for numerous smaller retirement funds managed administratively throughout the State. Such an arrangement appears feasible and could be operated under investment provisions comparable to those now applicable to the larger retirement accounts. Another possibility, now in effect in several states, is a broadening of authority to use equities in a specified portion of a supplemental retirement account in order to provide variable annuities for the fund beneficiaries. These arrangements would require legislative changes aimed at increasing flexibility, but still maintaining the overall quality of the portfolios. An additional suggestion has been to raise the maximum percentage of prime quality corporate bonds used in the retirement funds so as to increase the longterm benefits from the present period of high interest rates.

Because of the continuing growth of the funds, together with the investment responsibility involved, there has been some concern on the part of legislators regarding a statutory basis adequate to insure the long-term competency of the department. Others have urged legislative action stressing the avoidance of political or personal pressures in the furtherance of the investment program. Although the departmental staff has found the present laws to be satisfactory, it is evident that any statutes applicable to such a dynamic field as finance need constant revision to meet current requirements. We will continue to work with the Legislature in the formulation of any new programs which could update investment provisions and increase the confidence of Minnesota's citizens in the State's handling of these very sizable funds.

The State Board of Investment and the staff of the Investment Department appreciate the cooperation received from the Legislature in effecting investment changes that have resulted in improved portfolio balance and noticeably higher income during the past six years. As Executive Secretary, I have been particularly encouraged by the warm support we have received from the investment community and members of the securities industry throughout the nation. The members of the Advisory Committee, to an ever-increasing extent, have maintained a personal interest in the investment results of these State funds and in further implementing the program. We are also grateful for the comments, suggestions, and constructive criticisms which have been made by other public fund managers and members of the securities industry.

Respectfully submitted,

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

REB:md1

COMPOSITION OF THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS*

958,000.00 \$124,651,000.00 \$ 105,000.00 3,895,865.00	7.2% 0.4 7.6% 0.0% 1.5	Type of Security FIXED-INCOME OBLIGATIONS U.S. Treasury	Total Retirement Fu Book Value	inds X	Public Employ Retirement Fu		State Employ Retirement F		RETIREMEN Distribution With Teachers		Public Employee		State Police Of	ficers	Highway Patroln	
\$123,693,000.00 4 <u>958,000.00</u> \$124,651,000.00 4 \$ 105,000.00 3,895,865.00	<u>0.4</u> 7.6% 0.0%	FIXED-INCOME OBLIGATIONS U.S. Treasury	Retirement Fu	unds	Retirement Fi									ricers		
\$123,693,000.00 4 <u>958,000.00</u> \$124,651,000.00 4 \$ 105,000.00 3,895,865.00	<u>0.4</u> 7.6% 0.0%	FIXED-INCOME OBLIGATIONS U.S. Treasury	Book Value						Retirement Fund		Police & Fire F		Retirement Fund	_	Retirement Fund	a
958,000.00 \$124,651,000.00 \$ 105,000.00 3,895,865.00	<u>0.4</u> 7.6% 0.0%	U.S. Treasury			Book Value		Book Value	%	Book Value		Book Value	<u> </u>	Book Value	%	Book Value	
958,000.00 \$124,651,000.00 \$ 105,000.00 3,895,865.00	<u>0.4</u> 7.6% 0.0%				·		ŀ									
\$124,651,000.00 4 \$ 105,000.00 3,895,865.00	7.6% 0.0%	U.SGuaranteed Merchant Marine Bonds	\$ 18,810,000.00 4,028,000.00	5.8% <u>1.3</u>	\$ 6,210,000.00 3,653,000.00	5.4% \$ 3.2	3,880,000.00	4.6%	\$ 7,080,000.00 _	6.2%	\$1,400,000.00 375,000.00	21.7% 5.8	\$ 65,000.00 -	5.8%	\$ 175,000.00 -	5.47
3,895,865.00		Total Federal Obligations	\$ 22,838,000.00	7.1%	\$ 9,863,000.00	8.6% \$	3,880,000.00	4.6%	\$ 7,080,000.00	6.2%	\$1,775,000.00	27.5%	\$ 65,000.00	5.8%	\$ 175,000.00	5.4%
		Minnesota State Minnesota Subdivisions	\$ 9,109,000.00** 60,694,000.00	2.8% 18.8	\$ 2,995,000.00 16,724,000.00		2,458,000.00	2.9% 24.6	\$ 3,656,000.00 22,261,000.00	3.2% 19.6	-	-	\$ 406,000,00	_ 36.5%	_ \$ 770,000.00	23.67
-	1.5%	Other States & Subdivisions Total State & Municipal Obligations	<u>893,000.00</u> \$ 70,696,000.00	<u>0.3</u> 21.9%	<u>326,000.00</u> \$ 20,045,000.00	0.3	<u>1 367,000.00</u> 23,358,000.00	<u>0.4</u> 27,9%	200,000.00 \$ 26,117,000.00	0.2		<u> </u>	\$ 406,000.00	36.5%	\$ 770,000.00	23.6%
	_	Short-term Corporate Obligations	\$ 5,610,000.00	1.7%	\$ 4,220,000.00	3.7% \$	781.000.00	0.9%	\$ 300,000.00	0.37	\$ 309,000.00	4.87	-	-	-	-
		Long-term Corporate Obligations:	· · · · · · · · · · · · · · · · · · ·		, .),coo.co		/01,000100	0174	,		,,					
\$ 20,662,000.00	7.9 %	Public Utility Electric	\$ 36,352,000.00	11.37	\$ 13,006,000.00	11.4% \$	8,328,000.00	10.0%	\$ 13,684,000.00	12.0%	\$ 773,000.00	11.97	\$ 130,000.00	11.7%	\$ 431,000.00	13.27
8,463,000.00	3.2	Gas	28,159,000.00	8.8	10,824,000.00	9.5	6,912,000.00	8.3	9,304,000.00	8.2	484,000.00	7.5	168,000.00	15.1	467,000.00	14.3
10,400,000.00	4.0	Telephone Water	9,460,000,00 1,000,000,00	2.9 0.3	3,550,000.00 400,000.00	3.1 0.4	1,800,000.00 300,000.00	2.1 0.4	3,800,000.00 300,000.00	3.3 	210,000.00	3.2	-	-	100,000.00	3.1
\$ 39,525,000.00 1	5.17	Total Public Utility	\$ 74,971,000.00	23.3%	\$ 27,780,000.00		17,340,000.00	20.8%	\$ 27,088,000.00	23.87	\$1,467,000.00	22.6%	\$ 298,000.00	26.82	\$ 998,000.00	30,67
	1.4%	Finance Industrial	\$ 5,275,000.00 38,921,000.00	1.6Z 12.1	\$ 1,600,000.00 12,361,000.00	1.4% \$ 10.8	_,,	1.5%	\$ 2,250,000.00	2.0% 13.5	\$ 175,000.00 670,000.00	2.7% 10.4	- \$ 40,000.00	3.6%	- \$ 225,000.00	- 6.97
	1.8	Transportation (excluding equipment)	9,933,000.00	3.1	3,258,000.00	2.8	10,280,000.00 2,414,000.00	12.3 2.9	15,345,000.00 3,693,000.00	3.2	247,000.00	3.8	\$ 40,000.00 98,000.00	8.8	223,000.00	6.8
	<u>5.6</u> 8.7%	Railroad Equipment Total Long-term Corporate Obligations	<u>24,909,112.15</u> \$154,009,112.15	<u>7.7</u> 47.8%	9,251,903.86 \$ 54,250,903.88	<u>8.1</u> 47.5% \$	6,730,339.57 38,014,339.57	<u>8.1</u> 45.6%	8,481,868.72 \$ 56,857,868.72	7.5	325,000.00 \$2,884,000.00	<u>5.0</u> 44.5%	\$ 436,000.00	39.2%	$\frac{120,000.00}{\$1,566,000.00}$	<u>3.7</u> 48.0%
-	-	Preferred Stock (gift)	700.00	_		-			700.00	_						
\$230,052,237.95 8	7.8%	TOTAL FIXED-INCOME OBLIGATIONS	\$253,153,812.15	78.5%	\$ 88,378,903.86	77.3% \$	66,033,339.57	79.0%	\$ 90,355,568.72	79.5%	\$4,968,000.00	76.8%	\$ 907,000.00	81.5%	\$2,511,000.00	77.0%
		COMMON STOCKS											-			
		CONSUMER-ORIENTED STOCKS:														
\$ 7,407,240.86	2.8%	Utilities Electric	\$ 15,056,267.52	4.7%	\$ 5,785,910.45	5.1% \$	3,777,794.35	4.5%	\$ 4,968,134.91	4.47	\$ 319,198.73	4.9%	\$ 39,263.88	3.5%	\$ 165,965,20	5.12
	0.2	Gas	2,210,548.89	0.7	847,095.48	0.7	536,163.06	0.6	743,715.91	0.6	41,205.95	0.6	10,524.58	1.0	31,843.91	1.0
<u>991,885.55</u> \$ 9,014,538.82	<u>0.4</u> 3.4 %	Telephone Total Utilities	<u>2.177.249.77</u> \$ 19,444,066.18	$\frac{0.7}{6.12}$	805,161.95 \$ 7,438,167.88	<u>0.7</u> 6.5% ş	<u>543,153.43</u> 4,857,110.84	<u>0.7</u> 5.8%	733,597.95 \$ 6,445,448.77	<u> </u>	<u>61,495.61</u> \$ 421,900.29	<u> </u>	<u>9,077.79</u> \$ 58,866.25	<u> </u>	$\frac{24,763.04}{\$222,572.15}$	<u> </u>
		Financial Services					1									1 01
	1.37	Banks Finance	\$ 5,816,017.21 1,342,675.34	1.87	\$ 2,127,081.32 568,201.04	1.9 % \$ 0.5	1,666,796.74 312,268.43	2.0%	\$ 1,837,379.26 405,587.87	1.6% 0.4	\$ 109,892.02 39,843.00	1.7%	\$ 14,769.10 5,475.00	1.3% 0.5	\$ 60,098.77 11,300.00	1.87 0.4
2,052,722.50	0.8	Insurance Total Financial Services	<u>3,764,738.95</u> \$ 10,923,431,50	$\frac{1.2}{3.47}$	$\frac{1,419,384.33}{$4,114,666.69}$	$\frac{1.2}{3.67}$ \$	913,956.23 2,893,021.40	<u> </u>	1,305,920.89 \$ 3,548,888,02	$\frac{1.1}{3.12}$	86,800.00 \$ 236,535,02	$\frac{1.3}{3.67}$	4, <u>112.50</u> \$ 24,356.60	<u>0.4</u> 2.2 X	<u>34,565.00</u> \$ 105,963.77	$\frac{1.1}{3.32}$
• 5,071,015.00		Consumers Goods	¥ 20,7=3,452150	5144	<i>, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,</i>	5104 4	_,0,0,0	5152	v 3,340,000.02	5124	* 130,333101		,, .		,.	
\$ 1,245,671.50	0.5%	Food-Beverage	\$ 2,705,186.98	0.87	\$ 1,010,996.95	0.97 \$	651,008.38	0.8%	\$ 919,851.76	0.8%	\$ 84,746.54	1.37	\$ 5,094.05	0.5%	\$ 33,489.30	1.07
	0.1	Printing & Publishing Retail Trade	1,522,283.38 2,304,474.91	0.5 0.7	508,692.18 890,794.85	0.4 0.8	461,086.89 552,911.75	0.5 0.7	503,710.84 762,538.60	0.4 0.7	29,829.58 62,783.50	0.5 1.0	3,523.94 7,748.06	0.3 0.7	15,439.95 27,698.15	0.5 0.9
664,921.34	0.4 <u>0.3</u>	Miscellaneous	1,930,737.58	0.6	744,017.57	0.6	437,732.49	0.5	669,000.69	0.6	52,142.78	0.8	4,323.80	0.4	23, 520.25	0.7
\$ 3,362,805.91	1.3	Total Consumers Goods	\$ 8,462,682.85	2.62	\$ 3,154,501.55	2.7% \$	2,102,739.51	2.5%	\$ 2,855,101.89	2.5%	\$ 229,502.40	3.62	\$ 20,689.85	1.97	\$ 100,147.65	3.12
\$ 18,048,364.33	6.9%	Total Consumer-Oriented Stocks	\$ 38,830,180.53	12.1%	\$ 14,707,336.12	12.8% \$	9,852,871.75	11.8%	\$ 12,849,438.68	11.3%	\$ 887,937.71	13.7%	\$ 103,912.70	9.4%	\$ 428,683.57	13.21
		RESEARCH STOCKS:					. (72 010 11				A 114 000 70	1 04	0 16 620 00	1.5%	\$ 66,946.90	2.12
	1.1%	Chemical & Drug Office Equipment	\$ 6,567,134.41 1,111,788.95	2.0% 0.3	\$ 2,449,062.62 400,709.20	0.3	1,673,219.11	2.0% 0.3	\$ 2,247,027.17 396,868.75	2.0X 0.3	\$ 114,239.73 21,735.75	1.8% 0.3	\$ 16,638.88 \$ 4,906.50	0.4	\$ 66,946.90 9,775.00	0.3
	0.3	Miscellaneous	1,054,053.65	0.3	372,655.05		279,959.34	0.3	378,995.84	0.3	15,022.04	2		<u> </u>	7,421.38	
\$ 4,138,050.92	1.6%	Total Research Stocks	\$ 8,732,977.01	2.6%	\$ 3,222,426.87	2.7% \$	2,230,972.20 1	2.6%	\$ 3,022,891.76	2.6%	\$ 150,997.52	2.3%	\$ 21,545.38	1.9%	\$ 84,143.28	2.69
\$ 3,017,485.61	1.27	NATURAL-RESOURCES STOCKS: Petroleum	<u>\$ 7,033,035.71</u>	2.27	\$ 2,568,953.04	2.3% \$) 1,846,836.71	2.2%	\$ 2,375,880.47	2.17	\$ 149,577.36	2:37	<u>\$ 18,596.16</u>	<u>1.7</u>	<u>\$ 73,191.97</u>	2.2
	1.2%	Total Natural-Resources Stocks	\$ 7,033,035.71	2.2%	\$ 2,568,953.04		ł .	2.2%	\$ 2,375,880.47	2.1%	\$ 149,577.36	2.3%	\$ 18,596.16	1.7%	\$ 73,191.97	2.2%
		DURABLES STOCKS:														
	0.6% 0.4	Automobiles & Automobile Parts Electrical & Electronic Equipment	\$ 3,756,661.06 2,365,507,75	1.2%	\$ 1,444,292.59 860,031.74	1.3% \$ 0.8	934,592.64 585,633.50	1.1% 0.7	\$ 1,235,663.61 839,011.15	1.1% 0.7	\$ 81,043.27 40,537.48	1.3%	\$ 13,108.75 8,591.53	1.2%	\$ 47,960.20 31,702.35	1.57
	0.4	Machinery	2,365,507.75 1,677,175.81	0.5	597,304.64	0.5	399,936.24	0.5	617,401.35	0.5	42,827.41	0.7	4,729.94	0.4	14,976.23	0.5
595,490.47	0.2	Steel	1,161,444.05	0.4	441,362.00	0.4	233,762.10	0.3	444,455.10	0.4	28,886.46	0.4	6,032.49 14 893 27	0.5 1.3	6,945.90 32,834.63	0.2 1.0
	0.6 0.2	Transportation Transportation Equipment	3,371,696.70 1,151,303.76	1.0 0.4	1,243,913.49 410,402.11	1.1 0.4	861,803.07 296,982.73	1.0 0.4	1,137,143.56 407,480.16	1.0 0.4	81,108.68 18,028.58	1.2 0.3	14,893.27 7,449.88	0.7	10,960.30	0.3
	0.2	Miscellaneous	1,206,966.22	0.4	462,648.89	0.4	302,242.66	0.4	395,878.63	0.4	23,224.28	0.4	7,141.50	0.6	15,830.26	
\$ 6,963,199.70	2.5%	Total Durables Stocks	\$ 14,690,755.35	4.6%	\$ 5,459,955.46	<u>4.9%</u> <u>\$</u>	3,614,952.94	4.4%	\$ 5,077,033.56	<u>4.5</u>	\$ 315,656.16	4.9%	\$ 61,947.36	<u> </u>	\$ 161,209.87	5.09
\$ 32,167,100.56 1	2.2%	TOTAL COMMON STOCKS	\$ 69,286,948.60	21.5%	\$ 25,958,671.49	22.7% \$	17,545,633.60	21.0%	\$ 23,325,244.47	20.5%	\$1,504,168.75	23.2%	\$ 206,001.60	18.5%	\$ 747,228.69	23.09
\$262,219,338.51 10		TOTAL	\$322,440,760.75	100.0%	\$114,337,575.35		83,578,973.17	100 09	\$113,680,813.19	100.0%	\$6,472,168.75	100.0%	\$1,113,001.60	100.0%	\$3,258,228.69	100.09

* This schedule includes only investments. Total assets of each fund are greater than indicated because of cash balances not yet certified for investment. ** Minnesota State College Board obligations.

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RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS IN THE THREE LARGEST RETIREMENT FUNDS December 31, 1965

	PUBLIC E	MPLOYEES RETIREME	NT FUND		SI	ATE EMPLOYEES R	ETIREMENT FUND			TEACHER'S RETI	REMENT FUND	
	Book Value (1)(6)	Average Book Value for Year <u>Ending (2)</u>	Income for Year Ending (3)	Yield (4)	Book Value	Average Book Value for Year Ending (2)	Income for Year <u>Ending (3.5)</u>	Yield (4)	Book Value	Average Book'Value for Year <u>Ending (2)</u>	Income for Year <u>Ending (3)</u>	Yield (4)
une 30, 1956	\$ 17,357,500	—	-	-	\$32,872,500	-	- 、	-	\$ 27,471,100	-	-	• -
cember 31, 1956	\$ 18,286,750	-	-	-	\$34,910,000	-	-	-	\$ 29,748,400	-	-	-
ne 30, 1957	\$ 19,301,750	-	-	-	\$36,797,000	\$34,859,833	\$1,016,556.48	2.92%	\$ 31,853,900		. –	-
cember 31, 1957	\$ 20,588,750	-	. 🗕	-	\$39,577,500	-	-	-	\$ 34,149,700	-	-	. –
ne 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%
cember 31, 1958	\$ 27,515,000	-	-	-	\$41,985,500	\$40,426,167	\$1,225,833.46	3.03%	\$ 42,777,200	-	-	-
ne 30, 1959	\$ 31,563,000	\$ 27,567,667	\$ 880,223.48	3.1%	\$44,659,000	-			\$ 48,523,300	\$ 42,847,567	\$1,409,995.45	3.299
cember 31, 1959	\$ 35,414,500	-	-	-	\$46,911,500	\$44,518,667	\$1,378,022.98	3.10%	\$ 54,313,000	-	-	-
e 30, 1960	\$ 41,548,500	\$ 36,175,333	\$1,211,061.33	3.35%	\$49,816,500	-	-	-	\$ 55,243,300	\$ 52,693,300	\$1,823,482.03	3.46
ember 31, 1960	\$ 46,935,500	-	- .	-	\$51,967,000	\$49,565,000	\$1,631,458.61	3.29%	\$ 59,160, <i>3</i> 00	_	-	-
e 30, 1961	\$ 54,183,680	\$ 47,555,893	\$1,753,679.00	3.6%	\$54,499,050	-	-	-	\$ 63,098,540	\$ 59,167,380	\$2,140,761.22	3.62
ember 31, 1961	\$ 61,433,745	-	-	-	\$56,830,438	\$54,432,163	\$1,885,692.64	3.46%	\$ 67,775,429	-	-	-
e 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
ember 31, 1962	\$ 75,195,593	-	-	-	\$62,517,119	\$59,730,414	\$2,168,821.46	3.63%	\$ 77,813,737	~	-	-
ue 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
ember 31, 1963	\$ 92,347,700	_ ·	-	-	\$68,922,451	\$65,624,167	\$2,466,206.57	3.76%	\$ 88,480,685	-	-	-
e 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
ember 31, 1964	\$103,667,519	-	-	-	\$75,485,635	\$72,169,553	\$2,771,915.82	3.84%	\$100,413,219	-	_	- ,
e 30, 1965	\$110,234,510	\$103,404,373	\$4,193,536.65	4.06%	\$79,128,448	-	-	-	\$109,221,619	\$102,054,673	\$4,124,491.25	4.04
cember 31, 1965	\$120,809,744	-	-	-	\$83,578,973	\$79,397,685	\$3,098,483.89	3.90%	\$113,680,813		-	

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(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 of the respective retirement funds.

(5) In 1957, State Employees Retirement Fund changed from a fiscal-year to a calendar-year basis. Includes the Public Employees Police & Fire Fund for periods after July 1, 1960, when (6)

it was established.

PERMANENT SCHOOL FUND

RATE OF RETURN ON AVERAGE AMOUNT INVESTED DURING FISCAL PERIODS

	Book Value	Average Book Value for Year Ending (2)	Total Investment Income for Year Ending (3,4)	Less Transfer to <u>Principal (5)</u>	Net Investment Income for Year Ending (3,4)	Yield (6)
June 30, 1956	\$239,454,017.45	\$230,514,077.91	\$6,177,810.81	-	\$6,177,810.81	2.68%
December 31, 1956	\$243,004,853.61	-	-	-	-	-
June 30, 1957	\$244,700,475.47	\$242,386,448.84	\$6,486,999.20	-	\$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	-	\$6,512,261.41	2.63%
December 31, 1958	\$252,324,357.47	-	<u>-</u>	-	-	-
June 30, 1959	\$253,243,896.53	\$251,693,830.95	\$7,005,142.92	-	\$7,005,142.92	2.78%
December 31, 1959	\$255,520,490.05	-	-		-	-
June 30, 1960	\$256 <i>,2</i> 76,151.72	\$255,013,512.77	\$7,116,641.31	-	\$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	-	\$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*	-	\$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*	-	\$8,048,170.78*	3.05%*
December 31, 1963	\$263,710,744.23	-	-	-	-	-
June 30, 1964	\$263,552,120.96	\$263 ,964,93 8.18	\$8,579,156.81	-	\$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	\$ 76,936.86	\$9,109,853.80	3.46%
December 31, 1965	\$262,324,844.32	-	-	-	-	-
June 30, 1966	\$261,686,901.05	\$262 ,060,6 09.86	\$9,647,417.30	\$329,472.90	\$9,317,944.40	3.56%

Book value figures based on those shown on Treasurer's General Report on State Finances on date listed. (1)

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

Income figures obtained from the State Auditor's office. (3)

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

The transfer of a portion of the income to the principal of the account is called for under the Minnesota Constitution, Article VIII, (5) Section 4, as amended in 1962, and implemented by Minnesota Statutes 1965, 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.

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

(6) (*) 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 1965, 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 III

U.S. GOVERNMENT OBLIGATIONS HELD BY VARIOUS FUNDS (ALSO INCLUDING SHORT-TERM CORPORATE NOTES) December 31, 1965

			HIGHWAY FUNDS			Internal	
	Invested Treasurer's Cash Fund	Trunk	County State Aid	Municipal State Aid	Permanent School Fund	Improvement Land Fund	
U.S. TREASURY SECURITIES NOTES AND BONDS (continued)							
2 1/2% Bonds due 3-15-71/66	*	-	-	-	\$ 753,000	-	8
45 Bonds due 8-15-71	×	-	-	-	-	\$ 43,000	
3 7/8% Bonds due 11-15-71	¥	-	-	-		φ 45,000	
4% Bonds due 2-15-72	¥	-	-	-	1,800,000	. – .	
2 1/2% Bonds due 6-15-72/67	*	-		-	1,000,000		
4% Bonds due 8-15-72	*	-	-	. –		1,500	
2 1/2% Bonds due 9-15-72/67	*	-	-	-	3,450,000		
2 1/2% Bonds due 12-15-72/67	¥	-	-	\$ 2,000,000	J,4,0,000	-	
45 Bonds due 8-15-73	*	\$ 4,000,000	\$ 2,000,000	1,000,000	_	-	
4 1/8% Bonds due 11-15-73	*	2,000,000	2,000,000	500,000	_	-	
4 1/8% Bonds due 2-15-74	* *	1,000,000	1,200,000	1,000,000	-	-	
4 1/4% Bonds due 5-15-74	*	4,500,000	-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		22,000	
3 7/8% Bonds due 11-15-74	*	\$11,500,000	\$ 5,200,000	\$ 4,500,000	\$ 6,003,000	\$ 66,500	3
Total maturities 5-10 years	*	\$11,500,000	φ),000,000	\$ 437003000	·		
	×		_	ĥ –	\$ 1,917,500	\$ 6,000	4
4% Bonds due 2-15-80	*	-	_		1,500,000	-	
3 1/2% Bonds due 11-15-80	*	-	-	-	21,600,000	50,000	
3 1/4% Bonds due 6-15-83/78	~ *	_	-	-	34,300,000	-	
3 1/4% Bonds due 5-15-85	*	_	-	-	-	-	
4 1/4% Bonds due 5-15-85/75	*	-	-	-	30,000,000	-	
3 1/28 Bonds due 2-15-90	*	. .	-		8,500,000	50,000	-
3 1/2% Bonds due 11-15-98 Total maturities more than 10 years	*			-	\$ 97,817,500	\$ 106,000	-
Total maturicles more chail to years				<u> </u>	To	A 100 000	
TOTAL U.S. TREASURY NOTES & BONDS	\$ 61,150,000	\$27,500,000	\$11,950,000	\$ 8,000,000	\$1,23,433,000	\$ 420,000	•
TOTAL 0.5. INSPORT NOTE & Deale				1	A 00 (00 000	\$ 420,000	-
TOTAL U.S. TREASURY SECURITIES	\$102,900,000	\$46,366,000	\$20,162,000	\$10,473,000	\$123,693,000	ب 400 و 000	•
TOTAL C.D. TALEDOM CLOCHEDIN				•			
OBLIGATIONS GUARANTEED BY THE U.S. GOVERNMEN	NT.			•			
	—	2 · · ·			\$ 958,000	-	1
Average maturity about 10 years	*		_		9 770,000		2
-				\$10 172 000	\$124,651,000	\$ 420,000	
TOTAL U.S. GOVERNMENT OBLIGATIONS	\$102,900,000	\$46,366,000	\$20,162,000	\$10,473,000	WICH JUJ JUU	+ +,	
				12		•	

* These securities are not eligible for purchase in these funds. ** Face value of securities subject to repurchase agreements.

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Schedule Page 2	IV

Combined Retirement Funds

\$ 1,225,000 ---800,000 385,000 2,830,000 330,000 120,000 40,000 <u>1,400,000</u> \$ 7,130,000 \$ 1,135,000 300,000 500,000 \$ 1,935,000 \$17,735,000 \$18,810,000

\$ 4,028,000 \$22,838,000 Miscellaneous Departmental Funds

-
\$ 2,000 105,000 45,000 13,000
3,000
\$ 300,500 113,500 302,000 242,000 120,000 1,246,000
\$ 1,000 4,000 500
- 79,000
\$ - 84,500
\$ 4,166,000
\$ 7,643,000
•

<u>\$</u>_ \$ 7,643,000

U.S. GOVERNMENT OBLIGATIONS HELD BY VARIOUS FUNDS (ALSO INCLUDING SHORT-TERM CORPORATE NOTES)

			December 31, 19	65		
			HIGHWAY FUNDS			
	Invested		County	Municipal	Permanent	Internal Improvement
	Treasurer's Cash Fund	Trunk	State Aid	State Aid	School Fund	Land Fund
SHORT-TERM CORPORATE NOTES						
Maturity less than 30 days	×	\$ 1,512,000	\$ 1,917,000	-	-	*
Maturity 30-90 days	*	_	800,000	\$ 834,000	-	¥
Maturity 3-6 months	*	6,513,000	716,000	1,055,000		*
TOTAL SHORT-TERM CORPORATE NOTES	*	\$ 8,025,000	\$ 3,433,000	\$ 1,889,000	-	*
		*	. * * * * *			
U. S. TREASURY SECURITIES						
BILLS				·		
Maturity less than 30 days	-	\$ 4,200,000	\$ 50,000	\$ 650,000	-	— '
Maturity 30-90 days	\$ 35,250,000	6,356,000	5,770,000	405,000	-,	-
Maturity 3-6 months	3,000,000	3,300,000	2,392,000	1,143,000	-	-
Maturity 6-12 months	3,500,000	5,010,000		275,000		·
TOTAL BILLS	\$ 41,750,000	\$18,866,000	\$ 8,212,000	\$ 2,473,000	-	-
REPURCHASE AGREEMENTS			_	5 _	\$ 260,000**	-
Maturity less than 30 days	-	-	-		¥ 2003000	
NOTES AND BONDS 3 5/8% Notes due 2-15-66	\$ 3,500,000	_	_	-	-	-
3 5/8% Notes due 2-15-66	¢),,00,000	-	\$ 1,900,000	· -	-	-
3 3/4 Bonds due 5-15-66	700,000	-	-	-	\$ 1,530,000	· -
4% Notes due 5-15-66	100,000	-	-	-	_	-
4% Notes due 8-15-66	15,500,000	\$ 5,000,000	-		2,130,000	-
4% Notes due 11-15-66	7,000,000	• •	-	· · · · · · · · · · · · · · · · · · ·		
Total maturities less than 1 year	\$ 26,700,000	\$ 5,000,000	\$ 1,900,000	-	\$ 3,660,000	-
Series K 2.76%	-	-	- -	-	-	\$ 100,000
Various Maturities to 3-1-67						
3 5/8% Notes due 2-15-67	\$ 6,000,000	-	-	-	-	-
4 1/4% Notes due 5-15-67	1,100,000	-	-	-	-	-
3 3/4% Notes due 8-15-67	7,300,000	-	-	-	· -	-
3 5/8% Bonds due 11-15-67	7,000,000	-	-	-	\$ 1,550,000	-
3 7/8% Bonds due 5-15-68	7,000,000	-	-	. –	φ 1,00,000	-
3 3/4% Bonds due 8-15-68	6,050,000	-	+ 0.250.000	\$ 1,700,000	-	_
3 7/8% Bonds due 11-15-68	-	\$ 3,500,000	\$ 2,350,000	\$ 1,700,000	1,000,000	_
2 1/2% Bonds due 12-15-68/63			\$ 2,350,000	\$ 1,700,000	\$ 2,550,000	\$ 100,000
Total maturities 1-3 years	\$34,450,000	\$ 3,500,000	₽ 2,350,000	l,	Ψ 2,,),0,000	Ψ. 100,000
4% Bonds due 2-15-69	*	-	-	\$ 800,000	- * 2 (40 000	\$ 50,000
2 1/2% Bonds due 6-15-69/64	*		· _	-	\$ 3,660,000	φ <u>70,000</u> 4π κρο
4% Bonds due 10-1-69	*	\$ 4,000,000	\$ 2,000,000	1,000,000	932,000	67,500
2 1/2% Bonds due 12-15-69/64	*	-	-		4,060,500	30,000
2 1/2% Bonds due 3-15-70/65	*	-	-	-	4,750,000	JU,000
	*					<u> </u>
4% Bonds due 8-15-70 Total maturities 3-5 years	*	<u>3,500,000</u> \$ 7,500,000	<u> </u>	\$ 1,800,000	\$ 13,402,500	\$ 147,500

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12

Combined
Retirement
Funds

Miscellaneous
Departmental
Funds

\$ 3,330,000	*
1,669,000	×
611,000	<u> </u>
\$ 5,610, 00 0	¥

\$ 390,000 50,000 -\$ 440,000 \$ 635,000

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1,900,000 \$ 7,175,000
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\$ 2,877,000
-
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\$ 3,477,000

\$ 1,000,000
\$ 1,000,000
\$ 77,000
\$ - - - 1,510,000 - 7,000 1,644,000
\$ - 169,000 6,000 16,500
\$ 191,500

SHORT-TERM CORPORATE NOTES HELD BY HICHWAY AND RETIREMENT FUNDS

December 31, 1965

Face Amounts Maturing in the Following Months of 1966:

ISSUER	January (000)	February (000)	March (000)	April (000)	May (000)	June (000)	Total (000)
Associates Investment Company (4.375%-4.75%)	\$ 500	\$ 875	\$ 400	-	-	\$ 400	\$ 2,175
C.I.T. Financial Corporation (4.375%-4.75%)	1,190	234	-	-	-	400	1,824
Commercial Credit Company (4.375%-4.75%)	400	-	-	\$ 200	\$1,075	-	1,675
Ford Motor Credit Company (4.40%-4.75%)	1,630	-	200	- *	-	1,400	3,230
General Electric Credit Corporation (4.375%)	400	-	200	-	-	-	600
International Harvester Credit Corporation (4.375%)	400	-	-	210	-	1,400	2, 010
Montgomery Ward Credit Corporation (4.375%-4.625%)	500	-	-	-	900	561	1,961
J. C. Penney Credit Corporation (4.375%-4.625%)	1,122	50	200	-	-	´-	1,372
Seaboard Finance Company (4.80%-4.875%)	300	-	-	611	-	-	911
Sears Roebuck Acceptance Corporation (4.50%-4.75%)	-	-	400		938	400	1,738
James Talcott, Inc. (4.375%-4.75%)	<u>317</u>		744			400	1,461
TOPAL INVESTMENT	\$6,759	\$1,159	\$2,144	\$1,021	\$2,913	\$4,961	\$18,957

Average Weighted Yield 4.53%

35

Schedule V

Schedule VI

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CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND December 31, 1965

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Commany Type of Security Date (a) A A (000) SILC UTLITY OBLIGATIONS SILC TRIC Pirst & Refunding 2-1-95 4 1/2 4.47 \$ 1,50 SILC TRIC Duke Power Co. Pirst & Mortgage 4-1-94 4 5/8 4.55 1,32 Hawaiian Electric Co., Ltd. First Mortgage 6-1-93 4.45 4.45 1,02 Interstate Power Co. First Mortgage 5-1-93 4.36 4.22 1,00 Interstate Power Co. First Mortgage 5-1-93 4.36 4.57 1,22 Jersey Central Power & Light Co. S/F Debenture 10-1-88 4.56 96 Jong Island Lighting Co. First Mortgage 12-1-93 4.5/8 4.55 1,22 Montana-Dakota Utilitie Co. S/F Debenture 10-1-84 4.5/8 4.60 96 Nortgage 12-1-93 4.5/8 4.60 97 100 100 100 100 100 100 100 100 100 100 100 100	ISS	Œ					
LIC UTLITY GELIGATIONSDuke Power Co.First & Refunding Mortgage Plorida Power & Light Co.First Mortgage First Mortgage Plorida Power & Light Co.First Mortgage Plorida Power & Light Co.S/F Debenture Plorida Power & Light Co.First Mortgage Plorida Power & Light Co.S/F Debenture Plorida Power & Light Co.S/F Debenture Plorida Power & Light Co.S/F Debenture Plorida Power & Light Co.S/F Dob Plorida Power Co.S/F Dob Pl		<u>میں استان ہے ہے ہے ہے جی کی محمد کی ہے ۔ دو مرحی ا</u>	Maturity			Total Amount	
ELECTRIC First & Refunding 2-1-95 4 1/2 4.47 \$ 1,50 Plorida Power Co. First Mortgage 4-1-94 4 5/8 4.50 1,22 Hawaiian Electric Co., Ltd. First Mortgage 7-1-93 4.45 1,42 4.47 \$ 1,52 Indiana & Michigan Electric Co. First Mortgage 8-1-93 4.45 1,02 Interstate Power Co. First Mortgage 8-1-93 4.36 4.39 1,00 Jersey Central Power & Light Co. S/F Debenture 10-1-83 4.56 96 Jong Island Lighting Co. Pirst Mortgage 9-1-93 4.36 4.55 1,22 Montana-Dakota Utilities Co. S/F Debenture 10-1-83 4.56 4.56 96 Northern States Power Co. First Mortgage 9-1-93 4.56 4.55 1,22 Public Service Co. of Indiana First Mortgage 7-1-82 3.78 4.55 1,22 Public Service Co. First Mortgage 7-1-82 3.78 4.55 1,22 Southeestern Public Service Co. First Mortgage 7-1-82 3.78 4.55 1,22 <	Company	Type of Security	<u>Date (a)</u>	<u>%</u>	%	(000)	
Duke Power Co. First & Refunding Mortgage 2-1-95 4 1/2 4.47 \$ 1,50 Florida Power & Light Co. First Mortgage -1-94, 4,56 4,50 1,22 Quif Power & Light Co. First Mortgage 9-1-73 3 1,48 4,45 1,00 Indiana & Michigan Electric Co. First Mortgage 8-1-33 4 3/8 4,42 1,00 Indiana & Michigan Electric Co. First Mortgage 8-1-33 4 3/8 4,42 1,00 Interstate Power Co. First Mortgage 8-1-33 4 3/8 4,56 90 Long Power & Light Co. Spreav Gentral Power Co. Pirst Mortgage 6-1-95 4,55 1,12 Mortans-Dakota Utilities Co. S/F Bond 7-1-94 4 5/8 4,601 99 Poblic Service Co. of Indiana First Mortgage 7-1-92 3 3/8 4,32 1,22 Public Service Co. First Mortgage 7-1-92 3 3/8 4,53 1,22 Public Service Co. First Mortgage 7-1-92 3 3/8 4,46 1,50	BLIC UTILITY OBLIGATIONS						
Nortgage-1-944.501,22Oulf Power & Light Co.First Mortgage9-1-713,44,454,45Indiana & Michigan Electric Co.First Mortgage9-1-934,454,45Indiana & Michigan Electric Co.First Mortgage8-1-934,364,37Indiana & Michigan Electric Co.First Mortgage8-1-934,374,37Indiana & Michigan Electric Co.First Mortgage9-1-934,374,37John Martgage7-1-823,374,371,02Outer Tail Power Co.First Mortgage7-1-823,374,371,02Outer Tail Power Co.First Mortgage7-1-823,374,371,02Outer Tail Power Co.First Mortgage7-1-823,374,371,02Outer Sale Power Co.First Mortgage7-1-823,374,3751,02Outer Sale Power Co.First Mortgage7-1-823,37 <td co<="" td=""><td>ELECTRIC</td><td></td><td></td><td></td><td></td><td></td></td>	<td>ELECTRIC</td> <td></td> <td></td> <td></td> <td></td> <td></td>	ELECTRIC					
Florida Power & Light Co.First Mortgage Nortgage4-1-94 -1-934.56 4.554.55 1.33Hawaiian Electric Co.First Mortgage First Mortgage9-1-71 33.1/8 	Duke Power Co.		2-1-95	4 1/2	4.47	\$ 1,50	
Guil Power Co.First Mortgage Pirst Mortgage9-1-71 713 1/8 8 4.454.55 4.451,00Indiana & Michigan Electric Co.First Mortgage Pirst Mortgage5-1-93 8 4.374.45 8 4.421,00Interstate Power & Light Co.S/F Debenture Debenture10-1-88 1.4574.76 1.4574.65 1.457Long Island Lighting Co.First Mortgage Pirst Mortgage6-1-93 4.3784.76 4.574.657 4.55Montana-Dakota Utilities Co.S/F Bond Pirst Mortgage7-1-84 4.5784.655 4.65590Montana-Dakota Utilities Co.S/F Bond Pirst Mortgage7-1-84 193 4.5784.635 4.60790Otter Tail Power Co.First Mortgage Pirst Mortgage7-1-82 193 4.5784.60 4.60990Public Service Co. of Indiana Public Service Co. of Indiana Public Service Co. of Indiana MortgageFirst Mortgage 7-1-827-1-82 3.378 4.531,22 4.578Southeestern Public Service Co.First Mortgage Mortgage2-1-94 4.5784.57 4.5781,22 4.578Southwestern Public Service Co.First Mortgage Mortgage2-1-85 4.1/24.1/2 4.5071,22 4.507Arkansas Louisiana Gas Co.First Mortgage First Mortgage Co.2-1-85 4.5784.604 4.601 4.6071,22Southwestern Public Service Co.First Mortgage Mortgage Co.2-1-85 4.5784.607 4.6071,22 4.507Surburbia Cas System, Inc.Debenture Debenture 2-1-894.768 4.6074.6	Florida Power & Light Co.		4-1-94	4 5/8	4.50	1.20	
Hawaiian Electric Co., Ltd. First Mortgage 7-1-93 4.15 4.65 1.0C Indiana & Michigan Electric Co. First Mortgage 8-1-93 4.3/8 4.42 1.0C Interstate Power & Light Co. First Mortgage 8-1-93 4.3/8 4.42 1.0C Iowa Power & Light Co. First Mortgage 5-1-93 4.3/8 4.53 1.0C Jersey Central Power & Light Co. Debenture 40-1-89 4.5/8 4.55 1.2C Mossachusetts Electric Co. First Mortgage 6.1-95 4.55 4.55 1.2C Monthern States Power Co. First Mortgage 9-1-93 4.5/8 4.615 94 Northern States Power Co. First Mortgage 9-1-93 4.5/8 4.615 94 Potomac Edison Co. First Mortgage 9-1-94 4.5/8 4.615 94 Potomac Edison Co. First Mortgage 9-1-94 4.5/8 4.605 9.27 Potomac Edison Co. First Mortgage 9-1-94 4.5/8 4.605 1.2C Public Service Electric & Gas Co. First Mortgage 9-1-94 4.5/8 4.60 95 Potomac Edison Co. First Mortgage 9-1-94 4.5/8 4.60 95 Potomac Edison Co. First Mortgage 9-1-94 4.5/8 4.65 1.2C Public Service Electric & Gas Co. First Mortgage 9-1-94 4.5/8 4.65 1.2C Southern California Edison Co. First Mortgage 9-1-94 4.5/8 4.53 1.2C Mortgage 5-1-89 4.5/8 4.64 1.55 1.2C Southeestern Public Service Co. First Mortgage 2-1-94 4.1/2 4.505 $\frac{1}{800,66}$ Mortgage 5-1-89 4.5/8 4.64 1.2C Total Electric Utility Obligations 4.65 4.65 1.2C Arkanasa Lonisiana Cas Co. First Mortgage 6-1-85 4.1/2 4.55 \$.1,2C Columbia Gas System, Inc. Debenture 5-1-89 4.5/8 4.64 1.2C The Gas Service Co. First Mortgage 6-1-85 4.3/4 4.60 4.66 1.2C Paral Electric Utility Obligations 4.60 4.60 1.2C Paral Cas Utility Obligations 4.65 4.65 1.2C Mortgage 6-1-85 4.3/4 4.66 1.2C Paral Gas Utility Obligations 4.66 1.27 Total Elephone Co. of First Mortgage 6-1-89 4.3/4 4.60 1.2C Paral Gas Utility Obligations 5.2-99 4.5/8 4.64 1.25 Surburban Propane Gas Corp. Note 12-30-84 4.7/8 4.455 1.5C Mortgage 7-1-97 4.3/8 4.365 1.5C The Bell Telephone Co. of First Mortgage 9-1-95 4.7/8 4.355 1.5C Mortgage 7-1-97 4.3/8 4.365 1.5C The Hell Telephone Co. of Canada First Mortgage 9-1-95 4.7/8 4.455 1.5C Ceneral Telephone & Telegraph Co. Debenture 5-1-99 4.3/4 4.40 \$ 1	. –						
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Peoples Gas Light & Coke Co.First & Refunding Mortgage8-1-663 1/44.151,50Surburban Propane Gas Corp. Total Gas Utility ObligationsNote12-30-844 7/8 $\frac{4.875}{4.56\%}$ 96Surburban Propane Gas Corp. Total Gas Utility ObligationsNote12-30-844 7/8 $\frac{4.875}{4.56\%}$ 96ELEPHONE American Telephone & Telegraph Co.Debenture9-15-843 1/44.40\$ 1,00American Telephone & Telegraph Co.Debenture5-1-994 3/84.3651,50The Bell Telephone Co. of CanadaFirst Mortgage9-1-954.854.851,50General Telephone Co. of FloridaFirst Mortgage9-1-954.7/84.6871,00General Telephone Co. of IllinoisFirst Mortgage9-1-954.7/84.5371,20New York Telephone Co.of Indiana, Inc. First Mortgage8-1-954.7/84.531,50Pacific Northwest Bell Telephone Co.Refunding Mortgage1-220044.5/84.531,50Pacific Northwest Bell Telephone Co.Debenture12-1-20004 1/24.491.55Total Public Utility Obligations $\overline{4.61\%}$ \$10,04\$39,52NANCE OBLIGATIONS Beneficial Finance Co.Note3-1-894.60\$ 1,00Gulf Life Insurance Co.Note3-1-894.3/44.751,20						1,20	
Mortgage Surburban Propane Gas Corp. Total Gas Utility ObligationsMortgage Note $12-30-84$ $47/8$ 4.875 96 ELEPHONE American Telephone & Telegraph Co. DebentureDebenture $9-15-84$ $31/4$ 4.40 $$1,00$ American Telephone & Telegraph Co. DebentureDebenture $5-1-99$ $43/8$ 4.365 $1,50$ The Bell Telephone & Telegraph Co. DebentureDebenture $5-1-99$ $43/8$ 4.365 $1,50$ The Bell Telephone Co. of Canada General Telephone Co. of Florida General Telephone Co. of Illinois General Telephone Co. of Indiana, Inc. First Mortgage General Telephone Co. 4.78 4.70 3.70 New York Telephone Co. Pacific Northwest Bell Telephone Co. Total Telephone Utility Obligations $12-1-2004$ $45/8$ 4.513 $510,42$ MANCE OBLIGATIONS Beneficial Finance Co.Note $3-1-89$ 4.60 4.60 $$1,00$ MANCE OBLIGATIONS Gulf Life Insurance Co.Note $3-1-89$ 4.60 4.60 $$1,00$ Ulif Life Insurance Co.Note $3-1-89$ $4.3/4$ 4.75 $1,20$	Panhandle Eastern Pipe Line Co.	Debenture	2-1-84	4.60	4.60	1,20	
Surburban Propane Gas Corp. Total Gas Utility ObligationsNote $12-30-84$ $4.7/8$ $\frac{4.875}{4.56\%}$ $\frac{96}{5}$ Merican Gas Utility ObligationsAmerican Telephone & Telegraph Co. American Telephone & Telegraph Co. Debenture $9-15-84$ $3.1/4$ 4.40 $$1,00$ American Telephone & Telegraph Co. DebentureDebenture $9-15-84$ $3.1/4$ 4.40 $$1,00$ American Telephone & Telegraph Co. DebentureDebenture $5-1-99$ $4.3/8$ 4.365 $1,50$ The Bell Telephone Co. of Canada General Telephone Co. of Florida General Telephone Co. of Florida General Telephone Co. of Indiana, Inc.First Mortgage $9-1-95$ 4.78 4.875 $1,00$ General Telephone Co. New York Telephone Co. Total Telephone Co.Refunding Mortgage $8-1-95$ 4.70 4.270 $1,22$ Pacific Northwest Bell Telephone Co. DebentureDebenture $12-1-2004$ $4.5/8$ 4.53 $1,50$ Pacific Northwest Bell Telephone Co. DelephoneDebenture $12-1-2004$ $4.5/8$ 4.53 $1,50$ Total Telephone Utility Obligations 4.613 4.613 $$10,44$ Total Public Utility Obligations 4.54% 4.60 $$1,00$ MANCE OBLIGATIONS Beneficial Finance Co.Note $3-1-89$ 4.60 4.60 $$1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,20$	Peoples Gas Light & Coke Co.		8–1–66	3 1/4	4.15	1,50	
Total Gas Utility Obligations 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.56% 4.60% 4.60% 4.60% 4.60% 4.56% 4.56% 4.60% Total Public Utility Obligations </td <td>Surburban Propane Gas Corp.</td> <td></td> <td>12-30-84</td> <td>47/8</td> <td>4.875</td> <td>96</td>	Surburban Propane Gas Corp.		12-30-84	47/8	4.875	96	
American Telephone & Telegraph Co.Debenture $9-15-84$ $3 1/4$ 4.40 $$ 1,00$ American Telephone & Telegraph Co.Debenture $5-1-99$ $4 3/8$ 4.365 $1,50$ The Bell Telephone Co. of CanadaFirst Mortgage $9-1-95$ 4.85 4.85 $1,50$ General Telephone Co. of FloridaFirst Mortgage $6-1-95$ $4 5/8$ 4.687 $1,00$ General Telephone Co. of IllinoisFirst Mortgage $9-1-95$ $4 5/8$ 4.875 $1,00$ General Telephone Co. of Indiana, Inc. First Mortgage $8-1-95$ 4.70 4.70 $1,20$ New York Telephone Co.Refunding Mortgage $1-1-2004$ $4 5/8$ 4.53 $1,50$ Pacific Northwest Bell Telephone Co.Debenture $12-1-2000$ $4 1/2$ 4.49 1.50 Total Telephone Utility Obligations 4.613 $$39,52$ $$39,52$ MANCE OBLIGATIONSBeneficial Finance Co.Note $3-1-89$ 4.60 $$4.60$ $$1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4 3/4$ 4.75 $1,20$		•		4 17-			
American Telephone & Telegraph Co.Debenture $5-1-99$ $4.3/8$ 4.365 $1,50$ The Bell Telephone Co. of CanadaFirst Mortgage $9-1-95$ 4.85 4.85 $1,50$ General Telephone Co. of FloridaFirst Mortgage $6-1-95$ $4.5/8$ 4.687 $1,00$ General Telephone Co. of IllinoisFirst Mortgage $9-1-95$ $4.7/8$ 4.875 $1,20$ General Telephone Co. of Indiana, Inc. First Mortgage $8-1-95$ 4.70 4.70 $1,20$ New York Telephone Co.Refunding Mortgage $1-1-2004$ $4.5/8$ 4.53 $1,50$ Pacific Northwest Bell Telephone Co.Debenture $12-1-2000$ $4.1/2$ 4.49 1.50 Total Telephone Utility Obligations 4.613 $$10,40$ $$1.54\%$ $$39,52$ NANCE OBLIGATIONSBeneficial Finance Co.Note $3-1-89$ 4.60 4.60 $$1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,20$							
American Telephone & Telegraph Co.Debenture $5-1-99$ $4.3/8$ 4.365 $1,50$ The Bell Telephone Co. of CanadaFirst Mortgage $9-1-95$ 4.85 4.85 $1,50$ General Telephone Co. of FloridaFirst Mortgage $6-1-95$ $4.5/8$ 4.687 $1,00$ General Telephone Co. of IllinoisFirst Mortgage $9-1-95$ $4.7/8$ 4.875 $1,20$ General Telephone Co. of Indiana, Inc. First Mortgage $8-1-95$ 4.70 4.70 $1,20$ New York Telephone Co.Refunding Mortgage $1-1-2004$ $4.5/8$ 4.53 $1,50$ Pacific Northwest Bell Telephone Co. Debenture $12-1-2000$ $4.1/2$ 4.49 1.50 Total Telephone Utility Obligations 4.61% $$39,52$ NANCE OBLIGATIONS 4.60 4.60 $$1,00$ Beneficial Finance Co.Note $3-1-89$ 4.60 4.60 $$1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,20$			9–15–84	3 1/4	4.40	\$ 1,00	
The Bell Telephone Co. of CanadaFirst Mortgage $9-1-95$ 4.85 4.85 $1,50$ General Telephone Co. of FloridaFirst Mortgage $6-1-95$ $4.5/8$ 4.687 $1,00$ General Telephone Co. of IllinoisFirst Mortgage $9-1-95$ $4.7/8$ 4.875 $1,20$ General Telephone Co. of Indiana, Inc. First Mortgage $8-1-95$ 4.70 4.70 $1,20$ New York Telephone Co.Refunding Mortgage $1-1-2004$ $4.5/8$ 4.53 $1,50$ Pacific Northwest Bell Telephone Co.Debenture $12-1-2000$ $4.1/2$ 4.49 1.50 Total Telephone Utility Obligations 4.613 $$10,40$ $$1,040$ Total Public Utility Obligations 4.54% $$39,52$ MANCE OBLIGATIONSBeneficial Finance Co.Note $3-1-89$ 4.60 $$1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,20$			5-1-99	4 3/8	4.365	1,50	
General Telephone Co. of FloridaFirst Mortgage $6-1-95$ $45/8$ 4.687 $1,00$ General Telephone Co. of IllinoisFirst Mortgage $9-1-95$ $47/8$ 4.875 $1,20$ General Telephone Co. of Indiana, Inc. First Mortgage $8-1-95$ 4.70 4.70 $1,20$ New York Telephone Co.Refunding Mortgage $1-1-2004$ $45/8$ 4.53 $1,50$ Pacific Northwest Bell Telephone Co.Debenture $12-1-2000$ $41/2$ 4.49 1.50 Total Telephone Utility Obligations 4.613 $$10,40$ $$1,040$ Total Public Utility Obligations 4.54% $$39,52$ MANCE OBLIGATIONS $$4.60$ $$1,00$ Beneficial Finance Co.Note $3-1-89$ 4.60 $$1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $43/4$ 4.75 $1,20$	The Bell Telephone Co. of Canada	First Mortgage				1,50	
General Telephone Co. of IllinoisFirst Mortgage $9-1-95$ $4.7/8$ 4.875 $1, \infty$ General Telephone Co. of Indiana, Inc. First Mortgage $8-1-95$ 4.70 4.70 $1, \infty$ New York Telephone Co.Refunding Mortgage $1-1-2004$ $45/8$ 4.53 $1, 50$ Pacific Northwest Bell Telephone Co. Debenture $12-1-2000$ $41/2$ 4.49 1.50 Total Telephone Utility Obligations 4.613 $539, 52$ MANCE OBLIGATIONSBeneficial Finance Co.Note $3-1-89$ 4.60 4.60 $1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,20$							
General Telephone Co. of Indiana, Inc. First Mortgage8-1-954.701,20New York Telephone Co.Refunding Mortgage1-1-200445/84.531,50Pacific Northwest Bell Telephone Co. Debenture12-1-200041/2 4.49 1.50 Total Telephone Utility Obligations 4.613 $539,52$ NANCE OBLIGATIONSBeneficial Finance Co.Note $3-1-89$ 4.60 4.60 $$1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,20$							
New York Telephone Co.Refunding Mortgage $1-1-2004$ $4.5/8$ 4.53 $1,50$ Pacific Northwest Bell Telephone Co.Debenture $12-1-2000$ $4.1/2$ 4.49 1.50 Total Telephone Utility Obligations 4.613 4.613 4.613 4.613 4.613 Total Telephone Utility ObligationsTotal Public Utility ObligationsTotal Public Utility ObligationsTotal Finance Co.Note $3-1-89$ 4.60 4.60 4.60 Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,50$ $1,50$ 4.60 4.60 4.60 4.60 4.60 4.60 4.60 4.60 4.60 4.60 4.60 4.60 4.60							
Pacific Northwest Bell Telephone Co. Debenture $12-1-2000$ $41/2$ 4.49 1.50 Total Telephone Utility Obligations 4.613 4.613 4.613 4.613 4.613 Total Public Utility ObligationsTotal Public Utility ObligationsANCE OBLIGATIONSBeneficial Finance Co.Note $3-1-89$ 4.60 4.60 $1,00$ Gulf Life Insurance Co.Capital Note $6-1-89$ $4.3/4$ 4.75 $1,20$							
Total Telephone Utility Obligations 4.61% $$10,4\%$ Total Public Utility Obligations 4.54% $$39,52$ MANCE OBLIGATIONS $$2.54\%$ $$39,52$ Beneficial Finance Co.Note $$3-1-89$ $$4.60$ $$1,00$ Gulf Life Insurance Co.Capital Note $$6-1-89$ $$3/4$ $$4.75$ $$1,20$							
NANCE OBLIGATIONS Beneficial Finance Co. Note 3-1-89 4.60 4.60 \$ 1,00 Gulf Life Insurance Co. Capital Note 6-1-89 4 3/4 4.75 1,20			12-1-2000	4 1/2		\$10,40	
Beneficial Finance Co. Note 3-1-89 4.60 4.60 \$ 1,00 Gulf Life Insurance Co. Capital Note 6-1-89 4 3/4 4.75 1,20	Total Public Utility Obligations				4.54%	\$39,52	
Gulf Life Insurance Co. Capital Note 6-1-89 4 3/4 4.75 1,20	IANCE OBLIGATIONS						
Gulf Life Insurance Co. Capital Note 6-1-89 4 3/4 4.75 1,20	Beneficial Finance Co.	Note		4.60	4.60	\$ 1,00	
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	The company and the market		/	- 71 -	<u></u>		

CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND - December 31, 1965

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_		Maturity	Coupon Rate	Average Yield	Amount
Company	Type of Security	<u>Date (a)</u>	%	%	(000)
INDUSTRIAL OBLIGATIONS					
Aluminum Co. of America	Promissory Note	3-31-88	4 3/8	4.50	\$ 1,500
American Greetings Corp.	Promissory Note	10-1-84	4.70	4.70	1,000
American Metal Climax, Inc.	Note	8-1-88	4.50	4.50	1,000
Burlington Industries	S/F Debenture	7-15-90	4 3/4	4.80	1,200
Burroughs Corp.	Debenture	7-1-88	4 1/2	4.53	1,000
Cincinnati Milling Machine Co.	Note	1-15-85	4.60	4.60	1,000
Cummins Engine Co., Inc.	Note	7-20-90	4.60	4.60	1,200
Diamond Alkali Corp.	Note	5-1-89	4.65	4.65	
Diebold, Inc.	Note	9-15-85			1,200
Dow Chemical Co.	Debenture		4.80	4.80	1,000
Dow Chemical Co.		9-15-88	4.35	4.35	1,000
	Note	1-15-90	4.50	4.50	250
General Cable Corp.	Note	1-1-89	4 1/2	4.50	1,000
General Mills, Inc.	S/F Debenture	8-1-90	4 5/8	4.625	1,500
Gould National Batteries, Inc.	Note	11-1-80	4.85	4.85	1,200
Honeywell, Inc.	Note	4-1-90	4.55	4.55	1,500
Kern County Land Co.	Promissory Note	9-1-89	4.65	4.65	1,152
Lone Star Cement Corp.	S/F Debenture	7-1-90	4 7/8	4.875	1,500
Mead Corp.	Note	6-1-78	4 1/4	4.45	1,326
Mead Johnson & Co.	Promissory Note	5-1-84			
Pillsbury Co.			4 5/8	4.625	1,200
Scovill Manufacturing Co.	Promissory Note	12-1-88	4 3/8	4.40	1,000
	Note	9-15-90	4.80	4.80	1,200
Shell Oil Co.	Note	4-15-90	4 1/2	4.50	1,500
Sinclair Oil Corp.	S/F Debenture	12-15-88	4.60	4.60	1,200
Sprague Electric Co.	S/F Debenture	9-1-88	4 3/8	4.40	1,000
Standard Oil Co. of Indiana	Promissory Note	4-1-66/79	2.90	4.67	1,400
Standard Oil Co. of Indiana	Promissory Note	12-1-66/ 6-1-79	3.00	5.00	1,260
Standard Oil Co. of Ohio	Note	7-15-90	4.55	4.55	1 100
Sun Oil Co.	Debenture	11-15-90			1,400
Texaco Inc.	Note		4 5/8	4.69	1,500
Union Carbide Corp.		12-15-89	4 1/2	4.50	1,500
	Note	12-31-96	4 1/2	4.47	1,452
Witco Chemical Co., Inc.	Note	12-1-84	4.65	4.65	1,200
Youngstown Sheet & Tube Co.	First Mortgage S/F	7-1-95	4.60	4.60	1,500
Total Industrial Obligations				4.61%	\$38,840
TRANSPORTATION DEBT OBLIGATIONS					
Atchison, Topeka & Santa Fe Railway Co.	General Gold 4's	10-1-95	4	4.40	\$ 1,500
The Greyhound Corp.	Condam Nata	5 35 AL	1 = 10		
	Senior Note	5-15-84	4 5/8	4.625	1,200
Seaboard Air Line Railroad Co.	First Mortgage	12-1-88	4 5/8	4.65	1,000
Southern Railway Co.	First Mortgage	6-1-88	4 5/8	4.625	984
Total Transportation Debt Obligatio	ns	,		4.56%	\$ 4,684
RAILROAD EQUIPMENT OBLIGATIONS					
ACF Industries Inc.	Equipment Trust	4-15-71/80	4.55	4.55	\$ 1,500
Chesapeake & Ohio Railway Co.	Conditional Sale	6-1-66/78	4.40	4.40	1,242 ⁰
General American Transportation Corp.	Equipment Trust	7-15-84	4 5/8	4.59	1,422
Kansas City Southern Railway Co.	Conditional Sale	1-15-69/ 7-15-73	4.35	4.35	984°
Kansas City Southern Railway Co.	Conditional Sale	1-15-74/ 7-15-78	4.45	4.45	492 ^d
Kansas City Southern Railway Co.	Conditional Sale	4-1-71/75	4 5/8	1 LOE	1 500
Norfolk & Western Railway Co.	Conditional Sale			4.625	1,500
		12-15-70/79	4 1/2	4.50	1,500
North American Car Corp.	Equipment Trust	9-1-69/73	4.55	4.55	500
North American Car Corp.	Equipment Trust	9-1-74/78	4.65	4.65	1,000
Seaboard Air Line Railroad Co.	Equipment Trust	4-15-71/75	4 1/4	4.45	1,500
Southern Pacific Co.	Equipment Trust	4-1-71/73	4 1/4	4.45	1,500

Schedule VI Page 3

CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND - December 31, 1965

ISSUE	6				
Company RAILROAD EQUIPMENT OBLIGATIONS (Cont.)	Type of Security	Maturity Date (a)	Coupon Rate %	Average Yield	Total Amount (000)
Southern Pacific Co. Western Pacific Railroad Co.	Conditional Sale Conditional Sale	12-15-66/80 3-15-71/80	4.80 4.55	4.80 <u>4.55</u>	510 1,000
Total Railroad Equipment Obligations				<u>4.52%</u> 4.57%	<u>\$14,650</u> \$101,399

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

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b. Figure shown is rounded to the nearest thousand; actual holding is as follows: \$1,242,355.40.

c. Figure shown is rounded to the nearest thousand; actual holding is as follows: 984,459.19. d. Figure shown is rounded to the nearest thousand; actual holding is as follows: 492,229.59.

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS

December 31, 1965

Company PUBLIC UTILITY OBLIGATIONS	ISSUE Type of Security	Maturity Date (a)	Coupon Rate	Average Yield	Total Amount (000)		Emp Ret	ublic loyees irement Fund (000)	State Employees Retirement Fund (000)	Teachers' Retirement Fund (000)	Public Employees Police & Fire Fund (000)	State Police Officers Retirement Fund (000)	Highway Patrolmen's Retirement Fund (000)
ELECTRIC			٣	r 01	e ince	8	\$	122	\$ 87	\$ 217	_	_	_
Alabama Power Co.	First Mortgage	4-1-90	, 4 1/2	5.01 4.40	\$ 426 [°] 850		ቀ	350	300	150	-	_	\$ 50
Alabama Power Co.	First Mortgage	3-1-91						600	500	600	-		Ψ) ○
Atlantic City Electric Co.	First Mortgage	3-1-91	4 1/2	4.37	1,200	#2			300	500	-	\$ 40	_
California Electric Power Co.	First Mortgage	5-1-90	5 1/8	5.10	1,240			400	-	500	-	φ 40	-
Carolina Power & Light Co.	First Mortgage	4-1-90	4 7/8	4.85	850	hi		350	-		_	-	_
Central Illinois Light Co.	First Mortgage	3-1-90	4 7/8	4.90	1,000			250	250	500		-	
Central Maine Power Co.	First Mortgage	11-1-90	5 1/4	5.10	684			_	294	293	+ >-		29
Citizens Utilities Co.	First Mortgage	12-31-91	4.80	4.80	1,000			600	400	_	-	-	-
Citizens Utilities Co.	Coll. Trust &	10-1-92	4 5/8	4.625	600	9		-	- .	600	-	-	
<u>.</u>	First Mortgage				dona.	2		-		_	100	_	_
Consolidated Edison Co.	First & Refunding Mortgage	12-1-93	4 5/8	4.54	800			700	-	-	100	-	-
Dayton Power & Light Co.	First Mortgage	6-1-93	4.45	4.45	1,500	,ł		500	400	600	-	-	-
Georgia Power Co.	First Mortgage	11-1-90	4 7/8	4.875	800	.e)		500	200		60	-	40
Hawaiian Electric Co., Ltd.	First Mortgage	4-1-91	4.65	4.65	1,550			600	450	500	-	-	-
Indiana & Michigan Electric Co.	First Mortgage	8-1-93	4 3/8	4.42	1,600)		600	400	600	-	-	- .
Interstate Power Co.	First Mortgage	5-1-93	4 3/8	4.39	1,000	1		-	400	500	50	-	50
Iowa-Illinois Gas & Electric Co.	First Mortgage	4-15-90	5	4.93	492			-	_	492	-	· –	-
Jersey Central Power & Light Co.	Debenture	10-1-88	4 5/8	4.56	1,656			576	384	576	72		48
Kansas Gas & Electric Co.	First Mortgage	4-1-70	3 3/8	4.50	1,000			-	500	500	-		-
Lake Superior District Power Co.	First Mortgage	2-1-91	4 5/8	4.60	500			500	-	-	-	-	-
Long Island Lighting Co.	First Mortgage	4-1-93	4.40	4.40	1,000			500	-	500	-	-	-
Long Island Lighting Co.	First Mortgage	6-1-95	4.55	4.55	500			_	400	· -	100	-	·
Louisiana Power & Light Co.	First Mortgage	4-1-90	5	5.01	1,050			350	200	500	-	-	-
Metropolitan Edison Co.	First Mortgage	5-1-90	5	4.95	1,050	•		350	200	500	-	- .	
Montana-Dakota Utilities Co.	S/F Bond	7-1-84	4 5/8	4.605	1,152	, ,		529	-	526	48	_ · · _	ື 49
Orange & Rockland Utilities, Inc.	First Mortgage	4-15-91	4 7/8	4.80	1,400	í.		500	350	550	48	-	-
Otter Tail Power Co.	First Mortgage	2-1-91	4 7/8	4.80	825			482	293	_	50	-	-
Otter Tail Power Co.	First Mortgage	11-1-93	4 5/8	4.625	222			197	-	-	25	-	<u> </u>
Pacific Power & Light Co.	First Mortgage	4-1-92	4 3/4	4.69	1,050			500	 ·	600	60	40	50
Public Service Co. of New Hampshire	First Mortgage	7-1-92	4 5/8	4.54	650			300	350	-	-	·	-
Public Service Co. of New Manpshire Public Service Electric & Gas Co.	First & Refunding	9-1-94	4 5/8	4.53	1,215			500	400	200	40	_	75
Fublic Service Alectric & Gas Co.	Mortgage	<u> </u>	4 7/0	4.75	/				4		• *		
Public Service Electric & Gas Co.	First & Refunding	9-1-90	4 3/4	4.73	560)		-	-	500	60	***	-
	Mortgage		14		500			050	oro				
Puget Sound Power & Light Co.	First Mortgage	2-1-91	4 5/8	4.65	500	,		250	250 250	600	-	-	· _
Puget Sound Power & Light Co.	First Mortgage	11-1-93	4 5/8	4.60	1,200	2		350			50	50	-
Sierra Pacific Power Co.	First Mortgage	6-1-92	4 7/8	4.75	1,430	2		400	500	430	50	JU	_
Southern California Edison Co.	First & Refunding	9–1–85	4 3/8	4.43	1,260)		500	260	500	-	-	-
Southern California Edison Co.	Mortgage First & Refunding	4-1-86	4 1/2	4.42	550)		150	250	150	-	-	-
Southwestern Public Service Co.	Mortgage First Mortgage	2-1-94	4 1/2	4.50	700))		-	-	700	-	-	-
		2-1-94 9-1-90	4 1/2 4 7/8	4.80	1,290			500	260	500	-	-	
Utah Power & Light Co.	First Mortgage	7 ~ ⊥ ~70	4 1/0	4.66%	\$ 36,352		\$12	,006	\$ 8,328	\$13,684	\$ 773	\$ 130	\$ 431
Total Electric Utility Obligations				4,000	∠ورور ب	Ĩ	ψL)	,,	Ψ Ο μο σ	4400 e (.44	マードレン	÷ -)•	· ···

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CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - December 31, 1965

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	ISSUE						-			Page 2	L
Company GAS	Type of Security	Maturity Date (a)	Coupon Rate	Average Yield	Total Amount (000) F	Public Employees Retirement Fund (000)	State Employees Retirement Fund (000)	Teachers' Retirement Fund (000)	Public Employees Police & Fire Fund (000)	State Police Officers Retirement Fund (000)	Highway Patrolmen's Retirement Fund (000)
Arkansas Louisiana Gas Co.	First Mortgage	4-1-83	4 3/8	4.45	\$ 1,400	\$ 500	\$ 400	\$ 500			
Arkansas Louisiana Gas Co.	First Mortgage	3-1-85	4 1/2	4.55	1,600	¢)00 600	400 ·	¢ 500 600	-	-	-
Brooklyn Union Gas Co.	First Mortgage	4-1-90	4 5/8	4.56	1,175	600	400	-	\$ 100	_	\$ 75
Columbia Gas System, Inc.	Debenture	1-1-88	4 3/8	4.375	1,650	600	400	600	\$ T00	-	ψ 75 50
Gas Service Co.	First Mortgage	5-1-83	4.40	4.40	1,344	432	384	432	_	\$ 48	48
Laclede Gas Co.	First Mortgage	7-1-85	4 7/8	4.80	468	233	189	- -	46	Ψ 40	40
Louisiana Gas Service Co.	First Mortgage	6-1-87	4 1/2	4.70	1,550	500	500	400	100	-	50
Michigan Consolidated Gas Co.	First Mortgage	6-1-89	4 3/4	4.60	1,275	-	400	700	75	50	50
Michigan-Wisconsin Pipe Line Co.	First Mortgage	7-15-83	4 7/8	4.70	1,458	495	395	495	73	~	-
Milwaukee Gas Light Co.	First Mortgage	5-15-87	4 5/8	4.50	539	-	-	489	-	· _	50
Mountain Fuel Supply Co.	Debenture	9-1-86	4 7/8	4.80	1,228	594	· •	587	_	· _	47
Natural Gas Pipeline Co. of America	First Mortgage	10-1-80	5	5.00	872	436	218	218	-	-	
Northern Natural Gas Co.	Debenture	11-1-81	4 7/8	4.80	975	475	-	477	_ '	23	-
Northwest Natural Gas Co.	First Mortgage	1 -1-89	4 3/4	4.72	1,600	600	400	600	-		-
Panhandle Eastern Pipe Line Co. Southern Counties Gas Co. of California	Debenture	2-1-84	4.60	4.60	650	600 ,,	-	-	-	_ ~	50
Southern Natural Gas Co. of California	First Mortgage	8-1-85	4 3/4	4.60	1,165	397	240	492	36	_	-
Southern Union Gas Co.	First Mortgage	12-1-81	4 3/4	4.75	1,220	468	376	376	-	-	
Springfield Gas Light Co.	First Mortgage	10-1-86	4.80	4.80	1,200	600	-	600	-	-	-
Surburban Propane Gas Corp.	Note Note	1-15-87	4 7/8	4.875	784	490	294	-	•		-
Texas Eastern Transmission Corp.	Note First Mortgage	12-30-84	4 7/8	4.875	963	578	385	-	-	-	-
Transcontinental Gas Pipe Line Corp.	First Mortgage	12-1-81	4 7/8	4.915	1,225	377	377	471	-	- '	-
Transcontinental Gas Pipe Line Corp.	First Mortgage	11-1-81 11-1-82	5 4 7/8	5.08	1,437	502	413	522	-		-
Trunkline Gas Co.	First Mortgage	1-1-82	4 1/8	4.82	1,001	287	281	285	54	47	47
Total Gas Utility Obligations	TT SP HOL CRARE	1-1-0%	2	<u>5.00</u> 4.71%	1,380	460	460	460	-		
				4•(±¢	\$ 28,159	\$10,824	\$ 6,912	\$ 9,304	\$ 484	\$ 168	\$ 467
TELEPHONE											
American Telephone & Telegraph Co.	Debenture	10-1-96	4 3/8	4.30	\$ 1,650 [°]	\$ 500	\$ 400	\$ 600	\$ 100	_	\$ 50
The Bell Telephone Co. of Canada	First Mortgage	9-1-95	4.85	4.85	500	-	-	500	¥ 100	_	Ψ
General Telephone Co. of Florida	First Mortgage	5-1-93	4 1/2	4.50	1,000	500	-	500	-		-
General Telephone Co. of Illinois	First Mortgage	9-1-95	4 7/8	4.875	900	-	400	500	_	_	_
General Telephone Co. of Indiana	First Mortgage	8-1-95	4.70	4.70	900	-	400	500	-	·	_
Illinois Bell Telephone Co.	First Mortgage	7-1-97	4 7/8	4.75	500	250	200	-	50	-	_
New York Telephone Co.	Refunding Mortgage	10-1-97	4 5/8	4.57	500	500	-	-	-	_	· · ·
New York Telephone Co.	Refunding Mortgage	1-1-2004	4 5/8	4.53	1,400	700	-	700	-	-	-
Pacific Northwest Bell Telephone Co.	Debenture	12-1-2000	4 1/2	4.49	1,000	600	400	_		-	-
Rochester Telephone Corp.	First Mortgage	9-1-93	4 3/4	4.70	1,110	500	-	500	60	-	50
Total Telephone Utility Obligations				4.58%	\$ 9,460	\$ 3,550	\$ 1,800	\$ 3,800	\$ 210		\$ 100
WATER				in S							
Indianapolis Water Co.	First Mortgage	1-1-92	4 3/4	4.70	\$ 1,000	<u>\$ 400</u>	<u>\$ 300</u>	\$ 300	-	-	-
otal Public Utility Obligations	,			4.67%	\$ 74,971	\$27,780	\$17,340	\$27,088	\$ 1,467	\$ 298	\$ 998
INANCE OBLIGATIONS					5	,, , ,	· ;•	· · · · · · · · · · · · · · · · · · ·	· _ j	V 250	V 000
Beneficial Finance Co.	Noto	0 7 0 0			A						
Family Finance Corp.	Note Senior Debenture	3-1-89	4.60	4.60	\$ 1,475	\$ 500	\$ 400	\$ 500	\$ 75	-	-
General Electric Credit Corp.	· · · · · · · · · · · · · · · · · · ·	5-15-90	4 3/4	4.84	1,300	600	-	600	100	-	-
Household Finance Corp.	Promissory Note Debenture	10-8-82	4 5/8	4.625	1,500	500	400	600	-	-	-
the second and the second pr	Depending	9–15–93	4 7/8	4.91	1,000		450	550			-
otal Finance Obligations				4.73%	\$ 5,275	\$ 1,600	\$ 1,250	\$ 2,250	\$ 175	-	
NDUSTRIAL OBLIGATIONS						÷ -,•••	+ ~ 3 000	·	Y 110		
			-		ľ						
Aluminum Co. of America	Promissory Note	3-31-88	4 3/8	4.375	\$ 1,470	\$ 490	\$ 392	\$ 588	· •	-	_
American Metal Climax, Inc. American Sterilizer Co.	Note	8-1-88	4 1/2	4.50	600	-	-	600	· _	-	
Archer-Daniels-Midland Co.	Note	8-1-77	4 7/8	4.875	750	350	400	-	-	-	-
	Promissory Note	3-1-88	4 3/8	4.39	1,750	650	450	650	-	-	-
Ashland Oil & Rofinson Co											
Ashland Oil & Refining Co. Burlington Industries, Inc.	S/F Debenture S/F Debenture	2-15-88 7-15-90	4.35 4 3/4	4.35 4.80	1,500 1,040	500	400 400	600	-	-	-

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CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - December 31, 1965

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	ISSUE				i i					0	
Company	Type of Security	Maturity Date (a)	Coupon Rate	Average Yield	Total Amount (000):	Public Employees Retirement Fund (000)	State Employees Retirement Fund (000)	Teachers' Retirement Fund (000)	Public Employees Police & Fire Fund (000)	State Police Officers Retirement Fund (000)	Highway Patrolmen's Retirement Fund (000)
INDUSTRIAL OBLIGATIONS (continued)		m 3 66	1 7 /0	1 50	¢ 2 100 ⁴	\$ 500	\$ 400	\$ 500		_	_
Burroughs Corp.	Debenture	7-1-88	4 1/2	4.53	\$ 1,400				-	-	-
Cummins Engine Co.	Note	7-20-90	4.60	4.60	1,000	500	-	500 500	-	-	-
Diebold Inc.	Note	9–15–85 1–15–90	4.80 4.50	4.80 4.50	500 2,000	700	500	700	\$ 100	-	-
Dow Chemical Ekco Products Co.	Note S/F Debenture	8-1-87	4.60	4.50	1,400	350	400	600	φ <u>100</u> 50	-	 -
Enporium-Capwell Co.	Note	5-1-83	4 1/2	4.50	900	495	360	-	45	-	-
Gimbel Brothers, Inc.	S/F Debenture	6-1-81	5 ~~	5.08	500	500	_	• _	-		_
Gould National Batteries, Inc.	Note	11-1-80	4.85	4.85	900	-	400	500	-	-	-
International Milling Co.	Note	3-1-88	4 1/2	4.50	1,000	500	-	500	-	-	-
Kern County Land Co.	Promissory Note	9-1-89	4.65	4.65	1,536	576	384	576		-	-
The Kroger Co.	Note	10-1-81	4.80	4.80	1,500	500	400	600	-	-	• •
Lone Star Cement Corp.	Debenture	7-1-90	4.875	4.875	1,260	700	460	568	50		\$ 50
Mead Corp.	Note	6-1-78	4 1/4	4.45	1,042	-	474	600	50	-	50
Mead Johnson & Co.	Promissory Note	5-1-84	4 5/8 4 7/8	4.625	700	-	440	-	50	. .	50
Montgomery Ward & Co., Inc.	S/F Debenture	8-1-90 12-1-88	4 7/8	4.90 4.40	440 600	-	440	600	-	_	
Pillsbury Co. Scovill Manufacturing Co.	Promissory Note Note	9-15-90	4.80	4.40	900	_	400	500	-	-	-
Shamrock Oil & Gas Corp.	Promissory Note	11-15-87	4 1/2	4.50	1,500	500	400	500	100	-	.
Sinclair Oil Corp.	S/F Debenture	12-15-88	4.60	4.60	1,000	600	400	-	-	-	-
Sprague Electric Co.	S/F Debenture	9-1-88	4 3/8	4.40	600	-	-	550	- ´	-	50
Standard Oil Co. (Indiana)	Promissory Note	4-1-66/79	2.90	4.67	933	-	420	513	-	-	-
Standard Oil Co. (Indiana)	Promissory Note	12-1-66/ 6-1-79	3.00	5.00	700	700	-	. –	-	-	-
Standard Oil Co. (Chio)	Note	7-15-90	4.55	4.55	400	_	-	400	-	-	- .
Swift & Co.	Debenture	6-1-86	4 7/8	4.875	1,400	500	400	500	-	· –	-
Union Tank Car Co.	S/F Debenture	8-1-86	5	5.00	1,300	500	400	400	-	-	-
United States Steel Corp.	S/F Debenture	4-15-86	4 1/2	4.55	1,400	500	400	500		-	-
Witco Chemical Co., Inc.	Note	12-1-84	4.65	4.65	1,800	650	400	600 500	75		75
Worthington Corp.	Note	7-1-81	5 4.60	5.00	1,200	400	300 500	700	100	-	• •
Youngstown Sheet & Tube Co.	First Mortgage	7-1-95	4.00	<u>4.60</u> 4.64%	2,000 \$ 38,921	<u>700</u> \$12 , 361	\$10,280	\$15,345	\$ 670	\$ 40	\$ 225
Total Industrial Obligations				4.04/	، 30 ي 921 -	\$12 , 501	ş10 , 200	<i>910,010</i>	¢ 070		ý 220
TRANSPORTATION DEBT OBLIGATIONS					A			¢ 500			
Atchison, Topeka & Santa Fe Railway Co.	General Gold 4's	10-1-95	4	4.40	\$ 500	\$ 481	\$ 387	\$ 500 480	· _	-	\$ 4 9
Atlantic Coast Line Railroad Co.	First Mortgage Senior Note	10-1-88 5-15-84	4 3/4 4 5/8	4.75 4.625	1,397 1,600	φ 481 600	φ <u>3</u> 87 400 /	600	-	_	Ψ 4-7 -
The Greyhound Corp. Louisville & Nashville Railroad Co.	Coll. Trust	12-1-87	4 7/8	4.95	1,500	500	400	450	\$ 50	\$ 50	50
Seaboard Air Line Railroad Co.	First Mortgage	12-1-88	4 5/8	4.65	1,725	600	400	600	75	-	50
Southern Railway Co.	First Mortgage	6-1-88	4 5/8	4.625	1,650	587	393	573	49	48	_
Western Maryland Railway Co.	First Mortgage	10-1-89	4.85	4.85	1,519	490	392	490	73	-	74
Miscellaneous Railroad Bonds	Bond	Various	Various	4.31	42		42*	-	-		<u> </u>
Total Transportation Debt Obligations				4.72%	\$ 9,933	\$ 3,258	\$ 2,414	\$ 3,693	\$ 247	\$ 98	\$ 223
RAILROAD EQUIPMENT OBLIGATIONS					ŀ						
ACF Industries, Inc.	Equipment Trust	11-1-66/75	4 3/4	4.75	\$ 1,350	\$ 500	\$ 350	\$ 500	-	1 	-
ACF Industries, Inc.	Equipment Trust	1-15-66/77	4 7/8	4.875	816	408 607 ^b	408	- 	-	-	-
Chesapeake & Ohio Railway Co.	Conditional Sale	11-1-66/78	4.55	4.55	1,641 ^b		427 ^b	607 ^b	-		-
Chicago, Milwaukee, St. Paul	Conditional Sale	1–1–66/77	5 3/8	5.375	1,593°	574 ^c	459°	560°	-	-	-
& Pacific Railroad Co.						*^		50			
Fruit Growers Express Co.	Equipment Trust	5-1-66/67	4.40	4.40	100	50	-	50 250	-	· 	-
Fruit Growers Express Co.	Equipment Trust Equipment Trust	5-1-68/77 12-15-66/75	4.70	4.70 4.75	500 1,370	250 400	400	250 400	\$ \$00	_	\$ 70
Fruit Growers Express Co. General American Transportation Corp.	Equipment Trust	7-15-84	4 3/4 4 5/8	4.75 4.59	1,593	638	377	578	4 TAA	-	+ IV
General American transportation corp.	adartmente 11.02 e	(4 70	4.7		0,0	211	710			

Schedule VII Page 3

CORPORATE BOND HOLDINGS - RETIREMENT FUNDS - December 31, 1965

		UQU QUALE I		1000 - 1001		December. Jr., 190		_		Page 4	
	ISSUE	Maturity	Coupon Rate	Average Yield	Total Amount	Public Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officers Retirement Fund	Highway Patrolmen's Retirement Fund
Company RAIIROAD EQUIPMENT OBLIGATIONS (continued)	Type of Security	Date (a)	<u>\$</u>	<u>\$</u>	(000)	(000)	(000)	(000)	(000)	(000)	(000)
Kansas City Southern Railway Co.	Conditional Sale	12-15-66/ 6-15-76	4 1/2	4.50	1,845 ^d	630	585d	630	-	-	
New York Central Railroad Co.	Equipment Trust	2-15-71, 72, 74	4 3/4	5.00	950	500	450	-	-	-	-
New York Central Railroad Co. Norfolk & Western Railway Co.	Equipment Trust Conditional Sale	6-1-73 11-15-69/	4 7/8 4.55	5.15 4.55	50 1,800`	690	420	- 690	-	-	50
•		5-15-79				·	•	·			
Norfolk & Western Railway Co. North American Car Corp.	Conditional Sale Equipment Trust	12-15-70/79 4-15-68/		4.50	2,000	700	500	700	100	-	-
North American Car Corp.	Equipment Trust	10-15-72 4-15-73/	4.40	4.40	600	200	170	200	30	-	-
		10/15-77	4.50	4.50	1,200	400	340	400	60	-	-
St. Louis-San Francisco Railway Co. St. Louis-San Francisco Railway Co.	Conditional Sale Conditional Sale	6-1-66/72 1-2-66/77	4 1/4 4 3/4	4.50 4.75	824 ^e 1,493 ^f	254 ^e 552 ^f	254° 391 ¹	316 ^e 550 ^f	-	-	-
Southern Pacific Co.	Equipment Trust	2-1-71/73	4 1/4	4.50		4 5 0	-	500	35		
Western Fruit Express Co.	Equipment Trust	1-1-66/ 7-1-75	4.85	4.85	1,050	300	200	550	-	-	-
Western Fruit Express Co. Western Pacific Railroad Co.	Equipment Trust Conditional Sale	9-1-71/80 3-15-71/80	4.70 4.55	4.70 <u>4.55</u>	1,650 	600 550	600 600	450 550	-		
Total Railroad Equipment Obligations				4.68%	\$ 24,910	\$ 9,253	\$ 6,731	\$ 8,481	\$ 325		\$ 120
TOTAL CORPORATE OBLIGATIONS				4.67	\$154,010	\$54,252	\$38,015	\$56,857	\$2,884	\$ 436	\$1,566
 a. Most corporate issues have substantial since for shorter than the stated maximum b. Rounded to nearest thousand; actual hold: Public Employees Retirement Fund State Employees Retirement Fund Teachers' Retirement Fund 	turity date.	verage			Public Employ State Employ Teachers' Ret	t thousand; actua yees Retirement F ses Retirement Fund tirement Fund t thousand; actua	und \$ 25 nd 25 <u>31</u> Total \$ 82	3,732.99 3,732.98 <u>6,513.38</u> 3,979.35			
Total c. Rounded to nearest thousand; actual hold Public Employees Retirement Fund State Employees Retirement Fund Teachers' Retirement Fund Total	\$1,640,616.95 ings are as follows: \$ 573,686.21 458,948.97 560,480.66				Public Employ State Employ	yees Retirement F ses Retirement Fu tirement Fund	und \$ 555 nd 399 55	1,818.00 0,874.00 0,208.00 2,900.00			

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d. Rounded to nearest thousand; actual holdings are as follows: State Employees Retirement Fund \$ 584,500.01

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Schedule VIII

CORPORATE BOND HOLDINGS - PERMANENT SCHOOL FUND AND RETIREMENT FUNDS December 31, 1965

PERMANENT SCHOOL	FUND		RETIREMENT	FUNDS
Dollar Amount (000)	%	CLASSIFICATION BY CORPORATE TYPE	Dollar Amount (000)	%
		Public Utility Obligations		
\$ 20,662	20.37%	Electric	\$ 36,352	23.60%
8,463	8.35	Gas pipeline & distribution	28,159	18.29
10,400	10.26	Telephone	9,460	6.14
<u> </u>		Water	1,000	0.65
\$ 39, 525	38.98%	Total Public Utility Obligations	\$ 74,971	48.68%
		Other Obligations		
\$ 3,700	3.65%	Finance	\$ 5,275	3.43%
38,840	38.30	Industrial	38,921	25.27
4,684	4.62	Transportation	9,933	6.45
14,651	14.45	Railroad equipment	24,909	16.17
\$ 61,875	61.02%	Total Other Obligations	<u>\$ 79,038</u>	51.32%
\$101,400	100.00%	TOTALS	\$154,009	100.00%
	<u>I</u>	DISTRIBUTION BY REDEMPTION FEATURE AT TIME OF PURCHASE BONDS PURCHASED - JANUARY 1 - DECEMBER 31, 1965		
\$ 5,770	15.30%	Noncallable	\$ 5,850	24.21%
30,449	80.72	5-year or more call or refunding protection	17,140	70.93
1,500	3.98	l-year to 5-year call or refunding protection	-	-
-		More than coupon at time of purchase	1,175	4.86
\$ 37 , 719	100.00%	TOTALS	\$ 24,165	100.00%

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COMMON STOCKS HELD IN THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS

December 31, 1965

PERMANEN	T SCHOOL FUND		•			RETIREMENT FUNDS					
Shares_	Cost	Company	Total <u>Shares</u>	Public Employees Retirement Fund	State Employees Retirement } Fund	Teachers' Retirement Fund	Public Employees Police & <u>Fire Fund</u>	State Police Officer's Retirement Fund			
		CONSUMER-ORIENTED STOCKS					-				
		Utilities									
	• • • • • • • •	Electric				1					
10000	\$ 275,021.44	Allegheny Power System	17300	7000	3800	6500	-	-			
7030	297,894.40	American Electric Power	12577	4854	2854	4869	-	-			
5500	261,393.75	Central & South West	10500	4000	3000	3000	400	100			
9500	263,812.50	Cincinnati Gas & Electric	16000	6000	4500	5500	-	-			
6545	338,873.54	Commonwealth Edison	13714	4875	4065	4372	402	-			
6600	287,795.07	Consolidated Edison	16500	6000	4300	5500	700	-			
5500	290,044.97	Consumers Power	13000	5500	3000	4000	500	· -			
7500	260,715.00	Detroit Edison	12900	4500	3500	4500	300	-			
5000	370,656.19	Florida Power & Light	9300	4000	2000	. 3000 6600		200			
7500 4500	268,260.42	General Public Utilities	19212	7000 3300	4900 2800	3600	-	-			
4900 8000	216,955.00	Houston Lighting & Power	9700 15200	6500	3200	5500	-	-			
10325	275,990.00 290,311.13	Indianapolis Power & Light Interstate Power	16426	6293	4243	5340	330	220			
6500	290,998.80	Kansas City Power & Light	14000	5500	3500	4500	300	-			
7000	262,012.50	Louisville Gas & Electric	14500	5500	4000	5000		-			
5500	244,582.50	Middle South Utilities	10300	4000	2500	3000	400	100			
5500	127,485.20	Minnesota Power & Light	15100	5500	4000	5000	-				
9500	340,690.52	Northern States Power	16825	6000	14000	5500	700	205			
9000	244,083.80	Ohio Edison	19900	8000	4900	7000	-	~			
*	*	* Otter Tail Power Company	16800	6000	4000	6000	800	· _			
7000	236,503.80	Pacific Gas & Electric	12100	4000	3500	4000	600	-			
8175	241,265.00	Public Service of Colorado	11715	4625	3125	3650	-	=			
5600	254,302.13	Public Service of Indiana	6500	2500	1400	2300	-	_			
6500	224,770.48	Southern California Edison	14400	5500	3500	4500	400	-			
3500	207,875.00	Southern Company	8200	3000	2000	2500	400	100			
4500	269,756.00	Texas Utilities	9200	3500	2500	3000	200				
*	*	* Tucson Gas & Electric	13400	4400	4200	4400	400	-			
7000	286,057.50	Utah Power & Light	14800	6000	3500	5000		-			
5500	250,169.22	Virginia Electric & Power	13200	5000	3300	4250	350	-			
*	*	* Washington Water Power	11100	4000	3100	4000	_	-			
*	*	* Wisconsin Power & Light	11500	5000	2500	4000	- · · · -	-			
10200	228,965.00	Wisconsin Public Service	19200	6000	5500	6000	1000	200			
	\$ 7,407,240.86	Total Electric	_,								
		Gas		· .	· .						
4500	\$ 185,291.02	Arkansas-Louisiana Gas	8000	3500	2000	2500	-	-			
*	*	* Minneapolis Gas	8700	3000	2500	2600	400	100			
5500	204,277.27	Panhandle Eastern Pipe Line	9648	3600	2214	3424	410	-			
5125	225,844.12	Peoples Gas Light & Coke	13700	5400	2775	5200	· _	. –			
*	¥	* Tennessee Gas Transmission	15769	4886	4575	4886	507	305			
*	*	* Transcontinental Gas Pipe Line	14400	6000	3600	4800	-	-			
	\$ 615,412.41	Total Gas									

Highway Patrolmen's Retirement Fund	Total Cost					
- - - - - - - - - - - - - - - - - - -	\$ 446,362.28 477,688.61 467,489.51 407,554.63 645,033.19 690,215.26 624,036.04 424,169.58 675,617.40 661,660.32 376,898.92 509,520.85 444,071.43 596,096.62 517,709.63 438,304.63 328,208.40 581,752.40 522,369.41 414,262.50 395,753.93 323,297.09 261,992.15 469,378.39 449,671.63 504,179.42 294,433.02 579,083.80 567,187.39 274,878.89 271,868.50 415,521.70 \$15,056,267.52					
- 100 - 325 610 -	\$ 329,137.02 332,951.00 352,810.66 610,772.63 335,402.58 249,475.00 \$ 2,210,548.89					

COMMON STOCKS HELD IN THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS - December 31, 1965

PERMANENT SCHOOL FUND

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RETIREMENT FUNDS

								1
Shares	Cost	Company	Total Shares	Public Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officer's Retirement Fund
		Telephone-Telegraph						
9600	\$ 641,505.81	American Telephone & Telegraph	24762	8510	6650	8510	536	142
9000	350,379.74	General Telephone & Electronics	11100	4500	2400	3500	700	142
*	7، (4 رو ⁰ ر ر	* Western Power & Gas	4040	2020		1515	100	-
*	A 003 005 55		4040	2020	505	1010	-	-
	\$ 991,885.55	Total Telephone-Telegraph			Ĺ			
	\$ 9,014,538.82	Total Utilities			÷			
		Financial Services Banks			ł			
5200	\$ 346,647.50	Chase Manhattan	9450	3200	2850	3100	_	· _
6080	251,165.00	Citizens & Southern National	11460	4520	3420	3520	-	-
5850	231,050.00	Continental Illinois National	9810	3690	2930	2970	220	-
8500	324,603.75	First Bank Stock	15500	5600	2950 4400	4700	400	200
	524,005.75 062 R01 20							200
4628	263,791.30	First National City (N.Y.)	9808	3540	⁷ 2928	3040	300	-
2280	237,662.50	Morgan Guaranty Trust	4364	1510	1344	1510	-	-
5480	302,937.50	National City (Cleveland)	8270	3073	2210	2557	430	-
5900	286,497.81	Northwest Bancorporation	12300	5000	3100	3400	400	100
7150	359,440.00	Security First National (L.A.)	10070	3908	2304	3558	300	-
8900	259,420.45	Valley National (Arizona)	16363	5591	5032	5481	-	-
4875	233,741.43	Wells Fargo	11550	4125	3600	3825	-	-
7000	279,998.91	Western Bancorporation	15400	5000	4500	5000	500	100
	\$ 3,376,956.15	Total Banks						
	· · · · · · · · · · · · · · · · · · ·	Finance		- (- (
3950	\$ 210,502.83	Beneficial Finance	9150	3650	2430	2650	420	-
500 *	30,838.12	Household Finance	3600	2000	500	1100	-	
¥	<u>**</u>	* Investors Diversified Services "A"	11400	4500	2800	3500	300	100
	\$ 241,340.95	Total Finance		•	100 - 100 -			
	• • • • • • • • • • • • • • • • • • • •	Insurance	·					r
3500	\$ 222,397.50	Aetna Life	5800	2000	1500	2000	300	-
3800	279,422.50	Continental Casualty	8820	. 3000	2500	3000	200	-
1900	236,625.00	General America	4000	1600	900	1500	-	-
4000	274,062.50	Hartford Fire	6105	2224	1520	2010	351	-
2500	224,865.00	Insurance Co. of North America	4300	1800	F 800	1500	200	-
5600	257,800.00	Northwestern National Life	9300	3500	2300	3000	-	-
4000	267,525.00	St. Paul Fire & Marine	8825	3400	(2000	3075	200	-
6500	290,025.00	Travelers	12300	5000	3000	4200	-	100
-	\$ 2,052,722.50	Total Insurance	·		i.	·		
	\$ 5,671,019.60	Total Financial Services			к. , 1		ı	
		Consumers Goods			l			
		Food-Beverage			3		·	
4000	\$ 153,171.49	Campbell Soup	10200	3900	1800	4000	500	-
3000	184,353.89	Coca-Cola	7200	3000	1600	2400	-	-
3300	196,640.11	Corn Products	7700	3000	· 2000	2700	-	-
2300	192,338.25	General Foods	4000	1500	E 900	1200	200	-
3000	174,804.06	General Mills	3500	1500	1000	1000	-	-
*	*	* Green Giant	15000	5000	5000	5000	-	-
3500	199,248.90	Pepsico	8931	2966	,2566	2766	533 [°]	100
3400	145,114.80	Pillsbury	6600	2700	1000	2500	400	-
- •	\$ 1,245,671.50	Total Food-Beverage		•	к			
					t			

Schedule IX Page 2

Highway Patrolmen's Retirement Fund	Total Cost
414	\$ 1,576,545.70 426,896.33
-	<u>173,807.74</u> \$ 2,177,249.77
	\$19,444,066.18
300 - 200 - - 300 259 300	<pre>\$ 550,997.73 420,830.00 392,275.00 518,892.77 538,131.80 459,699.96 426,176.50 553,219.71 499,198.92 408,432.04 469,870.58 578.292.20 \$ 5,816,017.21</pre>
200	\$ 494,771.46 243,971.38 <u>603,932.50</u> \$ 1,342,675.34
- 120 - - 500 150 -	<pre>\$ 377,660.00 660,020.00 507,542.50 412,612.50 363,434.40 422,275.00 529,202.25 491,992.30 \$ 3,764,738.95</pre>
	\$10,923,431.50
- 200 - 200 - - - -	<pre>\$ 326,628.61 380,572.28 401,435.04 332,653.14 208,207.28 279,875.00 492,508.33 <u>283,307.30</u> \$ 2,705,186.98</pre>

COMMON STOCKS HELD IN THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS - December 31, 1965

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PERMANENT SCHOOL FUND

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RETIREMENT FUNDS

<u>Shares</u> 4630 * 1000 2500 *	<u>Cost</u> \$ 132,299.01 * 54,944.50 75,902.27 * \$ 263,145.78	Company <u>Printing-Publishing</u> Donnelley (R.R.) * Dun & Bradstreet Harcourt, Brace & World Prentice-Hall * Western Publishing Total Printing-Publishing	Total <u>Shares</u> 13439 9800 3500 10000 12700	Public Employees Retirement Fund 4151 3400 1500 3400 4000	State Employees Retirement 4131 3000 1000 2900 3700	Teachers ' Retirement Fund 4351 3400 1000 3400 4500	Public Employees Police & Fire Fund 306 - - 300 500	State Police Officer's Retirement Fund 100
3232 6800 5000 6300 6700 *	<pre>\$ 120,996.46 253,349.77 285,413.94 159,516.13 369,790.99 * \$ 1,189,067.29</pre>	Retail Trade Great Atlantic & Pacific Tea Montgomery Ward Penney (J.C.) Red Owl Stores Sears Roebuck * Super Valu Total Retail Trade	2617 8500 9000 13000 14900 12800	1248 3500 3500 5000 5500 4000	2500 2000 3400 3600 4000	1060 2500 3000 3500 5300 4300	- 300 700 400 500	101 - - 100 -
2000 4500 2900 3500 1500	\$ 90,025.96 142,715.65 226,561.44 131,566.25 74,052.04 \$ 664,921.34 \$ 3,362,805.91	<u>Miscellaneous</u> Continental Can Gillette Procter & Gamble Scott Paper J. P. Stevens Total Miscellaneous Total Consumers Goods	7000 13200 8000 7800 4500	2500 4500 3400 2500 2000	2000 3100 1500 2000 1000	2300 4500 3000 3000 1300	200 500 300 200	- 50 -
3000 3000 4040 1600 2950 6500 3700 44445 3500 3000 4800 3000	<pre>\$ 18,048,364.33 \$ 185,480.93 197,096.62 294,694.26 352,925.44 189,045.82 280,354.56 142,529.06 313,963.86 180,008.21 181,773.21 290,747.14 161,731.08 \$ 2,770,350.19</pre>	TOTAL CONSUMER-ORIENTED STOCK RESEARCH STOCKS <u>Chemical & Drug</u> American Cyanamid American Home Products Dow Chemical du Pont (E.I.) De Nemours Eastman Kodak Hercules Powder Merck Monsanto Pfizer (Chas.) Searle (G. D.) Union Carbide Upjohn Total Chemical	8400 8000 9194 4440 9380 12000 12100 11838 9500 6000 10000 8500	3200 3000 3132 1500 4000 4100 3900 4504 3500 2500 4000 3000	2200 2000 2530 1200 2480 3000 2900 2621 2500 1500 2600 2500	2700 3000 3226 1500 2900 4200 4900 4505 3000 1500 3400 3000	300 - - 160 - 300 300 208 200 300 - -	- 102 30 - - 100 - - - - -
1250	\$ 555,931.25 \$ 555,931.25	<u>Office Equipment</u> International Business Machines Total Office Equipment	2768	1000	700	975	56	12
2000 6500	<pre>\$ 415,712.03 396,057.45 \$ 811,769.48 \$ 4,138,050.92</pre>	<u>Miscellaneous</u> Corning Glass Works Minnesota Mining & Manufacturing Total Miscellaneous TOTAL RESEARCH STOCKS	2600 9750	900 3500	600 2900	1100 3000	250	2

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Schedule IX Page 3

Highway Patrolmen's Retirement Total Fund Cost \$ 328,625.43 305,525.00 203,416.93 400 ------300,291.02 <u>384,425.00</u> \$ 1,522,283.38 -\$ 104,560.16 316,770.24 494,515.61 326,995.60 697,653.30 363,980.00 \$ 2,304,474.91 208 -200 400 --\$ 305,176.28 468,240.84 620,187.73 274,904.63 262,228.10 _ 600 50 --\$ 1,930,737.58 \$ 8,462,682.85 \$38,830,180.53 \$ 529,620.54 541,053.99 686,269.62 833,905.11 524,883.33 532,970.45 432,201.87 690,659.08 472,201.70 358,317.60 592,799.56 <u>372.251.56</u> \$ 6,567,134.41 --204 50 -400 .---300 200 `--\$ 1,111,788.95 \$ 1,111,788.95 25 \$ 470,915.96 583,137.69 \$ 1,054,053.65 -100 \$ 8,732,977.01

COMMON STOCKS HELD IN THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS - December 31, 1965

PERMANENT SCHOOL FUND

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		· ·	Total	Public Employees Retirement Fund) State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officer's Retirement Fund	1
<u>Shares</u>	<u> Cost</u>	Company NATURAL-RESOURCES STOCKS	Shares	<u> </u>	Fund	Politi	1110 1 000		
		Petroleum_			2				
7800	\$ 419,581.50	Gulf Oll	19000	6500	5500	6500	300	-	
1500	97,043.89	Kern County Land	4400	1600	1300	1500	-	-	
5500	248,441.82	Louisiana Land & Exploration	13600	5000	3700	4300	400	200 100	
6000	479,052.02	Mobil Oil	14600	5500	3500	5000 4410	300 300	-	
4600	302,750.25	Standard Oil (California)	12410	5100 8500	2600 6500	8500	400	-	
12000	456,424.38	Standard Oil (Indiana)	24400 18522	6508	5008	6206	500	100	
6608	539,542.21	Standard Oil (New Jersey)	17865	6050	5120	6175	310	_	
6200	474.649.54	Texaco	1/00)				520		
	\$ 3,017,485.61	TOTAL NATURAL-RESOURCES STOCKS			1 2				
		DURABLES STOCKS							
		Automobiles & Automobile Parts				0000	210		
5885	\$ 320,871.17	Chrysler	9448	3308	2285	3308	347 500	100	
6500	349,523.15	Ford Motor Company	18600	6600 8050	4800 5750	6850	330	140	
7100	629,483.90	General Motors	21445 7300	3500	1000	2500	300	-	
4500	223,810.56	Goodyear Tire & Rubber Gould-National Batteries	10000	4000	2500	3500	_	-	
3500	<u>128,901.55</u> \$ 1,652,590.33	Total Automobiles & Automobile Parts	10000	4000	~,				
		Riectrical & Electronic Equipment			,				
5300	\$ 479,632.23	General Electric	10550	3500	2800	3700	250	100	
4500	305,435.74	Honeywell	9500	3000	2600	3700	-	-	
2333	117,668.32	Sunbeam	6000	2500	1500	2000	- '	-	
1000	- 63,578.10	Westinghouse Electric	3000	1000	1000	1000	-	-	
4500	169.279.75	Whirlpool	10300	4500	1500	3600	500	. –	
	\$ 1,135,594.14	Total Klectrical & Electronic Equipment							
		Machinery	7/100	5500	4300	6000	500	200	
8200	\$ 260,047.80	Caterpillar Tractor	16500 7800	5500 2700	2000	2500	300	-	
4900	246,129.35	Clark Equipment Deere	9700	3500	2500	3500	200	-	
6500 6000	288,437.28 204.627.71	International Harvester	13000	5000	3000	5000	-	-	
anin	\$ 999,242.14	Total Machinery	2000	,	•••••	·			
	• • • • • • • • • • • • • • • • • • • •	-			,				
	A	<u>Steel</u>	0500	2500	2000	3500	300	100	
5500	\$ 371,972.26	Armco	9500 1 <i>2</i> 700	3500 5000	2500	5000	200	-	
5000	223,518.21	Inland Total Steel	12/00		2,000	,000			
	\$ 595,490.47								
(A 050 150 (0	Transportation	10800	3500	3300	3500	200	100	
6100	\$ 353,473.60	Great Northern Norfolk & Western	6200	2500	1600	2000	100	-	
2000	250,954.95 39,240.90	Northern Pacific	2600	1000	600	1000	-	-	
800 2500	207,800.43	Northwest Airlines	5100	2000	1200	1700	200	-	
6000	226,065.48	Southern Pacific	8700	3500	2000	3000	-	-	
4500	268,403.59	Southern Railway	10500	3500	3000	3500	400	100	
4500	181,206.37	Union Pacific	15600	5600	3500	5500	500	100	
	\$ 1,527,145.32	Total Transportation							

Schedule IX Page 4

Highway Patrolmen's Retirement Fund	Total Cost
200 - 200 - 500 200 210	<pre>\$ 942,633.85 301,653.18 585,693.45 926,921.75 836,492.74 888,498.15 1,281,202.96 1,269,939.63 \$ 7,033,035.71</pre>
200 300 325 -	<pre>\$ 521,432.03 914,695.11 1,558,828.43 369,562.25 <u>392,143.24</u> \$ 3,756,661.06</pre>
200 200 - 200	\$ 876,013.37 581,329.45 316,950.91 191,034.78 400,179.24 \$ 2,365,507.75
- 300 - -	\$ 513,156.77 388,986.71 427,722.98 <u>347,309.35</u> \$ 1,677,175.81
100 -	\$ 628,457.82 532,986.23 \$ 1,161,444.05
200 - - 200 - 400	<pre>\$ 644,470.45 661,701.69 143,756.64 454,034.43 337,957.51 565,575.83 <u>564,200.15</u> \$ 3,371,696.70</pre>

COMMCT STOCKS HELD IN THE PERMANENT SCHOOL FUND AND RETIREMENT FUNDS - December 31, 1965

PERMANENT SCHOOL FUND

RETIREMENT FUNDS

Shares	Cost	Company	Total Shares	Public Employees Retirement Fund	State Employees Retirement Fund	Teachers' Retirement Fund	Public Employees Police & Fire Fund	State Police Officer's Retirement Fund
5400 3800 3500	\$ 202,198.81 143,421.04 <u>136,126.53</u> \$ 481,746.38	<u>Transportation Equipment</u> ACF Industries General American Transportation Union Tank Car Total Transportation Equipment	9200 11500 10900	3000 4500 3600	3000 2600 2700	3000 4000 4100	200 300	- 200
7000 4400 2000	\$ 157,179.00 331,939.42 <u>82,272.50</u> \$ 571,390.92	<u>Miscellaneous</u> Ideal Cement National Lead Company Weyerhaeuser Total Miscellaneous	12600 9300 5500	3500 3500 3000	3000 2300 1500	4100 3500 1000	1000 - -	300 - '
	\$ 6,963,199.70 \$32,167,100.56 <u>35,418.58</u> \$32,131,681.98+	TOTAL DURABLES STOCKS TOTAL COMMON STOCKS Less profit on stocks sold Net cost		· .				

* These stocks have not been approved for investment in the Permanent School Fund.

+ Market valuation, as of 12-31-65, \$34,775,006.25.

<u>+</u> Market valuation, as of 12-31-65, \$80,522,005.02.

Schedule IX Page 5

Highway Patrolmen's Retirement Fund	Total Cost
400	\$ 339,866.24 417,790.49 <u>393,647.03</u> \$ 1,151,303.76
700 - -	$\begin{array}{c} \$ & 290,878.48\\ & 692,132.92\\ & 223,954.82\\ \$ & 1,206,966.22\\ \hline \$14,690,755.35\\ \hline \$69,286,948.60\\ & 94,755.87\\ \$69,192,192.73 \\ \hline \end{array}$

in the various funds. It is necessary that we use well-known marketable names and have prior agreements with the vendors that they repurchase the notes, when necessary, if the State funds need cash for current needs or long term investment purposes.

Schedule 3. Private Placements of Fixed-Income Securities

These private placements, all of which must have received a rating of "A" or better by a recognized service, and which must meet definite statutory requirements, are negotiated and purchased through various investment bankers and dealers who are able to offer attractive issues. Such purchases must be made through the investment firms handling the placement for the particular corporation desiring the funds.

Schedule 4. Corporate Bonds Purchased at Time of Offering on a Designated Basis

Bonds in the amounts indicated on this schedule are purchased at times when the issues are readily available from the members of the syndicate handling a negotiated or competitive issue. Our orders are placed with those firms that assume the underwriting risk and own the bonds, with the largest individual order being placed with the chief underwriter in those cases when this particular firm has sufficient bonds available. The chief underwriter is asked to deliver the bonds, against payment, in large registered pieces and to reimburse the various dealers involved in the transaction. Our allocations among these dealers are based on the usable research materials and other services provided the State's investment department, including the offerings of acceptable private placements. Somewhat larger orders are placed with major participants in the syndicates and with firms having offices in Minnesota.

Schedule 5. Corporate Bonds 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 in the previous paragraph. In certain instances, such purchases are of issues in great demand by institutional investors; in other cases, the decision to buy the bonds is made after a large portion has been sold by the members of the syndicate. These purchases are made on the basis of teletype offerings to our department or through firms that are known to have unsold balances of the issues involved.

Schedule 6. Corporate Bonds Furchased After Termination of Underwriting Syndicate

Purchases of bonds in the amounts indicated on this schedule are made with price as the sole determining factor as to the placement of the business. Upon the termination of the syndicate, the price of the bonds sometimes drops to a level determined by the free market. We attempt to contact firms having sizable unsold balances and purchase bonds offered at the lowest price.

Schedule 7. Corporate Bonds Purchased Through Secondary Offerings

These issues are purchased on the basis of offerings made to the State Board of Investment. In each instance, the offerings are checked as to price with other firms known to maintain a market in the same securities.

Schedule 8. Common Stock Purchases Allocated by Investment Department

These purchases, all of which are completed through a major exchange or at the time of a secondary distribution, are allocated on the basis of service received by the State's investment department. In the placement of these orders, we favor those firms that provide research material most beneficial to our department or that furnish attractive private placements. Because many buyers of the high quality rated private placements appropriate for State funds are not in a position to reciprocate with common stock business, however, it appears that our department has possibly over-emphasized this factor in the placement of stock orders. The high volume of private placement business has resulted in many attractive offerings throughout the past few years, each being sold by the agent concerned on its own merits.

The placement of brokerage business on the basis of "service" or "research" also leads to inequities in the cases of public funds. During the past five years, we have been placed on the mailing list of practically every major investment banker and brokerage house in the

STATE OF MINNESOTA STATE BOARD OF INVESTMENT 115 State Capitol St. Paul, Minnesota 55101

June 28, 1966

SUPPLEMENT TO 1965 ANNUAL REPORT DISTRIBUTION OF SECURITIES BUSINESS

To:

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

From: Robert E. Blixt, Executive Secretary

This supplement, detailing the placement of securities business, is being included because of the interest expressed by legislators, public fund investment managers and individuals associated with securities firms. Complete listings of each transaction are provided to Board members and representatives of the press at each monthly meeting. The accompanying schedules list the firms doing business with the State; the descriptions review general policies followed by the investment department.

Discussions with various public fund managers have indicated that the distribution of securities business is a major problem to all public investment departments. It appears that the ultimate recipients of the retirement funds and the beneficiaries of the State's school aids will be best served through the distribution of business on a price basis - - meaning the acceptance of competitive offerings and bids, on securities to be purchased or sold, from dealers known to be prime markets or to position these securities in the quantities desired by the State funds. During recent years, price has been the dominant factor in the distribution of our business in U.S. Treasury securities, all unlisted stocks, all corporate bonds purchased after the termination of underwriting syndicates, and a significant percentage of our listed stocks.

There are many types of securities transactions, however, in which a large number of dealers may 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. Factors involved in the placement of these orders include the size of participation by various dealers in the bond syndicates, the location of the offices of syndicate members (Minnesota dealers getting some preference), and the utility of research material provided by the various firms.

It is to be emphasized that the mention of any securities firm on a schedule in this supplement in no way signifies approval, endorsement, or license of such firm by any State agency. The regulation of securities and securities dealers in Minnesota is handled by the Securities Division, Department of Commerce, not by the State Board of Investment. This supplement is simply a listing of those firms with which the State conducted securities transactions during 1965.

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

Brief resumes of our policies regarding transactions detailed in the accompanying schedules are as follows:

Schedule 1. U.S. Treasury Securities Transactions

All purchases and sales of U.S. Treasury securities are placed on a competitive basis. Competitive offerings or bids from the two largest St. Paul banks are received on all U.S. Treasury securities transactions of small-to-moderate size and of short maturity. In transactions of larger size and longer maturity, in which cases it is probable that Minnesota banks do not position the securities in appropriate quantities, competitive offerings or bids are sought from one of several Minnesota bank dealers and from various prime market dealers, including two that have offices in Minnesota. It is our usual policy to request offerings and bids from the bank which holds the funds to be invested or where the funds will be needed; therefore, the State's major depository bank is called in practically all instances. If the Minnesota bank contacted is able to equal the best price quoted by any other dealer, the transaction is completed through the Minnesota bank.

Schedule 2. Purchases and Sales of Short-Term Corporate Notes

Short-term corporate notes, of prime quality, are purchased for the highway and retirement funds on the basis of the highest yield available for the particular maturity date desired, consistent with the maintenance of a proper diversification of notes held United States. It is apparent that we do not have the time or staff to evaluate, file, or read even a small part of this material; we have found it necessary to confine attention primarily to the reports from those firms that have provided particularly valuable information on a continuing basis during the past few years.

We realize that many outstanding firms have valid reasons for believing that their research materials should be used to a greater extent. We simply cannot use the volume presented us, however, and feel unjustified in doling out State business on the basis of pounds of paper received. The nature of a State-managed fund tends to limit trading and lessens the value of service and research materials aimed at the short-term performance conscious accounts which have so dominated the investment field during the past two years. Because the department is not of a size sufficient to handle the volume of incoming telephone calls that many investment firms would like to place, it has been necessary to discourage these calls and to place business on the basis of written and teletyped messages and discussions with analysts. Orders are placed with smaller Minnesota firms and with certain securities dealers throughout the nation on the basis of specialized research materials, often particularly applicable to problems concerning public funds, and market information that appear to be of value to our program.

We feel that it may be desirable to reduce the number of firms with whom we conduct stock business in order to simplify our records and dealings, as well as to concentrate our business with those firms who have demonstrated their effectiveness in working with us. Some have suggested that all brokers and dealers in the State'should share the State's business, at standard commissions, but we feel that this is no more logical than having the State purchase its furniture, automobiles, or other articles and commodities through every dealer in the State at list prices. Although local dealers in all items pay State taxes, it appears mandatory to concentrate the securities business, as all other business, with those firms able to provide the merchandise needed and useful service at the lowest possible price.

We should like to emphasize that the distribution of business listed under Schedule 8 does not indicate any future breakdown of common stock orders. Each year, as we compile this listing, it is again apparent to us that several firms have not been adequately compensated for their services. We intend that future orders shall remedy these inequities.

Schedule 9. Common Stock Purchases Negotiated or Ordered on the Basis of Lowest Available Price

During 1965, no purchases were made of over-the-counter stocks until the offerings had been checked with two or more dealers. In handling these transactions, we attempted to contact organizations specializing in the particular stocks to be purchased.

This listing also includes several transactions that were executed on a major exchange. In these instances, we were notified of a particular block available at what appeared to be an attractive price and agreed to buy at a predetermined level.

The State funds also purchase substantial blocks of stocks from several large firms that buy and sell securities at a negotiated net price, usually at a definite saving to the customer when compared with the latest quotations on the major exchanges, including the standard commissions. This off-board, or "third" market, has proved to be very helpful, particularly in obtaining stocks that show comparatively low trading activity on the major exchanges. Our experience during the past three years indicates that savings on these transactions may approximate 3/8 to 1/2 of a point per share, or approximately \$375 to \$500 per thousand shares. We had thought that one reason for this might have been the upward trend of the market during most of 1964 and 1965, with an accompanying tendency for stock orders to be executed at ever-increasing prices when placed on a major exchange. The indicated savings have continued to be evident, however, during the period of weaker prices in 1966.

These off-board trades are handled on a competitive basis, with two to four dealers being contacted simultaneously. We have noted that the dealers are practically always able to make markets in those stocks in which they specialize in the size needed by our State funds; our trades are usually in the range of from 500 to 2000 shares.

Another advantage of off-board transactions is that they allow the State to buy blocks of stock of appropriate size at one predetermined net price for all the various accounts. Because the State Board of Investment often buys at one time for the Permanent School Fund and six retirement funds, it is obviously advantageous to buy securities for several or all these funds at the same price. These transactions have also resulted in a saving in certain accounting procedures by minimizing the number of separate trades.

Although most of our common stock transactions will undoubtedly be placed with firms that are members of major exchanges, in return for the many investment services we have received, we intend to continue the use of the third market in those instances where a distinct price advantage is evident. We believe this demonstrates our desire to gain, for the State funds, some of the price considerations other institutional buyers obtain through reciprocity, which apparently has become so prevalent in the securities business. Several brokers and dealers have indicated that a possible reason for the many solicitations of State accounts regarding securities business may be the fact that public fund business does not involve the payment of indirect rebates on commissions in the form of broker-loans, idle cash balances, office space rentals, mutual fund sales, or other considerations. We hope to keep it that way in Minnesota and avoid personal or political favoritism by compensating those firms that have provided us with a definite service and by placing the remainder of the orders on the basis of price.

Schedule 10. Common Stock Sales

The stocks were sold on the basis of highest competitive price on the over-thecounter or off-board market.

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Our policies regarding the purchase and sale of securities are subject to continuing review. On the basis of an analysis of our departmental operations by a Legislative Interim Commission on Public Employee Retirement Funds, the 1965 Legislature passed a bill, now Laws of Minnesota 1965, Chapter 306, 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."

We welcome suggestions by legislators and by other public fund managers regarding the equitable distribution of our securities business. The members of the State Board of Investment, acting through the investment department, are trustees for the ultimate beneficiaries of the retirement funds, for the State's educational institutions, and for the citizenry of Minnesota. We recognize our responsibility in placing the securities business so as to retain the confidence of these groups. Their ultimate good must be placed ahead of all other considerations.

Respectfully submitted.

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

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PURCHASES AND SALES OF U.S. TREASURY OBLIGATIONS January 1 - December 31, 1965

A. PURCHASES (in thousands)

^t Dealer	<u>1-30 days</u>	<u>31-90 days</u>	91 days- 1 year	Over <u>l year</u>	
American National Bank & Trust				· · ·	*
Company (St. Paul)	_ `	\$ 700.0	-	\$ 50.0	\$ 750.0
Bankers Trust Company	\$ 2,000.0	•	\$ 6,216.0	2,300.0	,
Blyth & Company, Inc.	_	7,500.0	42,600.0	2,100.0	52,200.0
Briggs & Schaedle Company, Inc.	-	300.0	6,760.0	-	7,060.0
Chemical Bank New York Trust Company	800.0	-	1,800.0	-	2,600.0
C. F. Childs & Company, Inc.	-	1,000.0	600.0	-	
Discount Corporation	· _	6,500.0	10,600.0		17,100.0
First American National Bank, Duluth	-	-	$4,000.0^{a}$	· · ·	4,000.0
First Boston Corporation	_	10,200.0	17,900.0	9,000.0	37,100.0
First National Bank, Chicago	-	200.0	9,400.0	– .	9,600.0
First National Bank, St. Paul	7,800.0	17,897.0	78,125.0	393.0	104,215.0
First National City Bank	3,000.0	4,000.0	3,100.0	······································	. 10,100.0
Harris Trust & Savings Bank (Chicago)	-	1,090.0	37,760.0	13,100.0	
Aubrey C. Lanston & Company, Inc.	450.0	920.0	7,800.0	4,000.0	13,170.0
Merrill Lynch, Pierce, Fenner &			,	•	•
Smith Inc.	1,525.0	2,470.0	20,145.0	10,150.0	34,290.0
Morgan Guaranty Trust Company, New York	-	800.0	6,570.0	2,000.0	9,370.0
New York Hanseatic Corporation	-	-	175.0	-	175.0
Northern City National Bank, Duluth	-	-	4,000.0 ^a	-	4,000.0
Salomon Brothers & Hutzler	1,680.0	12,400.0	41,155.0	7,000.0	62,235.0
Second District Securities Company, Inc.	-	3,000.0	6,000.0	-	9,000.0
Chas E. Quincy & Company		<u> </u>	410.0	<u> </u>	410.0
Totals	\$ 17,255.0	\$ 72,032.0	\$305,116.0	\$ 50,093.0	\$444,496.0

a. Purchase made through weekly auction of Bills conducted by U.S. Treasury.

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.91 days-Over Dealer 1-30 days 1 year 31-90 days 1 year Total Chemical Bank New York Trust Company \$ 66,939.0 \$ 2,400.0 -\$ 69,339.0 -First National Bank, Chicago 17,192.0 17,192.0 First National Bank, St. Paul 77,999.0 310.0 -78,309.0 Aubrey G. Lanston & Company, Inc. 26,152.0 990.0 _ _ 27,142.0 4,140.0 New York Hanseatic Corporation _ _ _ 4,140.0 Salomon Brothers & Hutzler 27,748.0 27,748.0 -_ Totals 3,700.0 \$220,170.0 \$223,870.0 \$ _ _

B. REPURCHASE AGREEMENTS (in thousands)

Purchases and Sales of U.S. Treasury Obligations

5

C. SALES (in thousands)

Dealer	<u>1-30 days</u>	<u>31-90 days</u>	91 days- <u>1 year</u>	Over 1 year	<u> Total </u>
American National Bank & Trust		<i></i>			
Company (St. Paul)	\$ 1,800.0	\$ 340.0	-	-	\$ 2,140.0
Bankers Trust Company	5,700.0	21,950.0	-	-	27,650.0
Blyth & Company, Inc.	6,280.0	1,000.0	-	\$ 5,400.0	12,680.0
Briggs & Schaedle Company, Inc.	250.0	-	-	-	250.0
Chemical Bank New York Trust Company	440.0	1,055.0	-	1,000.0	2,495.0
Continental Illinois National Bank &				- -	-
Trust Company (Chicago)	1,000.0	550.0	-	1,600.0	3,150.0
Discount Corporation	-	2,900.0	-	· · ·	2,900.0
First Boston Corporation	2,700.0	1,700.0	-	2,950.0	7,350.0
First National Bank, Chicago	5,700.0	27,500.0		2,600.0	35,800.0
First National Bank, St. Paul	37,290.0	17,960.0	-	5,431.5	60,681.5
First National City Bank	7,500.0	1,850.0	-	5,200.0	14,550.0
Harris Trust & Savings Bank (Chicago)	2,400.0	5,025.0	· -	3,200.0	10,625.0
Aubrey G. Lanston & Company, Inc.	4,335.0	9,200.0	-	1,000.0	14,535.0
Merrill Lynch, Pierce, Fenner &	-	-		-	·
Smith Inc.	47,400.0	30,150.0	· -	14,550.0	92,100.0
Morgan Guaranty Trust Company, New York	2,050.0	5,000.0	-	4,180.0	11,230.0
New York Hanseatic Corporation	1,500.0	-	-	-	1,500.0
Salomon Brothers & Hutzler	7,250.0	16,900.0		10,470.0	34,620.0
Totals	\$133,595.0	\$143,080.0	-	\$ 57,581.5	\$334,256.5

STATE OF MINNESOTA STATE BOARD OF INVESTMENT

Schedule 2

PURCHASES AND SALES OF SHORT-TERM CORPORATE NOTES January 1 - December 31, 1965

A. PURCHASES (in thousands)

Dealer	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	Total
Associates Investment Co.	\$ 2,401.0	\$ 2,281.0	-	\$ 1,715.0	\$ 400.0	\$ 6,797.0
A. G. Becker & Co., Inc.	-	-	-	450.0	-	450.0
C.I.T. Financial Corp.	1,360.0	1,124.0	-	2,515.0	400.0	5,399.0
Commercial Credit Co.	-	-	\$ 400.0	1,275.0	-	1,675.0
Ford Motor Credit Co.	3,735.0	3,898.0	1,090.0	200.0	1,400.0	10,323.0
General Electric Credit						-
Corp.	-	-	400.0	200.0	-	600.0
Goldman, Sachs & Co.	-	-	-	-	500.0	500.0
International Harvester						•
Credit Corp.	1,100.0	1,101.0	400.0	40.0	1,400.0	4,211.0
Lehman Commercial Paper,					•	•
Inc.	836.0	760.0	-	611.0	-	2,207.0
Montgomery Ward Credit Cor	p. 4,177.0	1,698.0	-	2,960.0	561.0	9,396.0
J. C. Penney Credit Corp.	2,579.0	50.0	400.0	200.0	-	3,229.0
Sears Roebuck Acceptance	·					•
Corp.	2,720.0	950.0	50.0	3,893.0	400.0	8.013.0
James Talcott, Inc.		208.0	827.0	1,309.0	400.0	2,744.0
Totals	\$18,908.0	\$12,070.0	\$ 3,567.0	\$15,538.0	\$ 5,461.0	\$55,544.0

Purchases and Sales of Short-Term Corporate Notes

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Schedule 2 (Page 2)

B. SALES (in thousands)

Dealer	<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>91-180 days</u>	<u>181-270 days</u>	Total
C.I.T. Financial Corp. Ford Motor Credit Co.	\$ 700.0 1,245.0	- ·	-	-	• -	\$ 700.0 1,245.0
Sears Roebuck Acceptance Corp.	750.0			, 		750.0
Totals	\$ 2,695.0	_	-	-	-	\$ 2,695.0

STATE OF MINNESOTA STATE BOARD OF INVESTMENT

Schedule 3

PRIVATE PLACEMENTS OF FIXED-INCOME SECURITIES Purchased January 1 - December 31, 1965

Face Amount	Company	Type of Security	Int. Rate	Maturity	Negotiated through
\$1,500,000	ACF Industries, Inc.	Equipment Trust certificate	4.55%	4-15-71/80	R. W. Pressprich & Co.
\$2,800,000	Arkansas Louisiana Gas Co.	First Mortgage Bond	4.50%	3-1-85	Eastman Dillon, Union Securities & Co.
\$2,000,000	The Bell Telephone Co. of Canada	First Mortgage Bond	4.85%	9-1-95	Salomon Brothers & Hutzler; McLeod, Young, Weir, Inc.
\$1,000,000	Cincinnati Milling Machine Co.	Note	4.60%	1-15-85	Eastman Dillon, Union Securities & Co.
\$2,200,000	Cummins Engine Co. Inc.	Note	4.60%	7-2-90	First Boston Corp.
\$1,500,000	Diebold, Inc.	Note	4.80%	9-15-85	Goldman, Sachs & Co.
\$2,250,000	Dow Chemical Co.	Note ,	4.50%	1-15-90	Smith, Barney & Co., Inc.
\$1,500,000	Duke Power Co.	First Mortgage Bond	4.50%	2-1-95	Morgan Stanley & Co.; First Boston Corp.
\$1,200,000	The Gas Service Co.	First Mortgage Bond	4.65%	6-1-85	Eastman Dillon, Union Securities & Co.
\$2,100,000	General Telephone Co. of Illinois	First Mortgage Bond	4.875%	9–1–95	Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; Mitchum, Jones & Templeton, Inc.
\$2,100,000	General Telephone Co. of Indiana	First Mortgage Bond	4.70%	8-1-95	Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; Mitchum, Jones & Templeton, Inc.

Private Placements of Fixed-Income Securities

Schedule 3 (Page 2)

Securities.	cements of Fixed-Income				Schedule 3 (Page 2)
Face Amount	Company	Type of Security	Int. Rate	Maturity	Negotiated through
\$2,100,000	Gould-National Batteries, Inc.	Note	4.85%	11-1-80	Glore Forgan, Wm. R. Staats Inc.
\$1,500,000	Honeywell, Inc.	Nóte	4.55%	4-1-90	Eastman Dillon, Union Securities & Co.
4.5C F	Kansas City Southern Railway Co.	Conditional Sale	4.625%	4-1-71/75	R. W. Pressprich & Co.
\$1,700,000	Long Island Lighting Co.	First Mortgage Bond	4.55%	6-1-95	Blyth & Co., Inc.; First Boston Corp.
	Norfolk & Western _{BUS} Railway Co.	Conditional Sale	4.50%	12-15-70/79	R. W. Pressprich & Co.
\$2,100,000	Scovill Manufacturing	Note	4.80%	9 -15- 90	Morgan Stanley & Co.; Dominick & Dominick
\$1,500,000	Shell Oil Co.	Note	4.50%	4-15-90	Morgan Stanley & Co.
	Southern Pacific Co.	Sale	4.80%	12-15-66/80	Kuhn, Loeb & Co.; Salomon Brothers & Hutzler
	Standard Oil Co. (Ohio)	Note	4.55%	7-15-90	F. S. Mosely & Co.
	Western Fruit Express Co.	Equipment Trust Certificate		•	R. W. Pressprich & Co.
2,50 <u>0,00</u> 0	Western Pacific Railroad Co.	Conditional Sale	4.55%	3-15-71/80	R. W. Pressprich & Co.
3.500.000.	Youngstown Sheet & Tube Co.	"First Mortgage Bond	4.60%	7-1-95	Smith, Barney & Co., Inc.; Kuhn, Loeb & Co
a. An addit	ional commitment of \$1,59	0.000 was settled	in 1966.	en en esta esta esta esta esta esta esta esta	ta de la companya
	te gete regetier in de soorte en soorte e		•12		· · · · ·
a shi a sean	್ಷನ್ನು ನಿರ್ದೇಖ ಪ್ರಕ್ರಿಸಿ ಇದ್ದು	STATE OF MIN STATE BOARD OF	NESOTA INVESTME	INT	Schedule 4
「小山」 4日手 7 (二字山: 14小門子	an a	E BONDS PURCHASED ON A DESIGNATE January 1 - Decemb	D BASIS		
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mount	Dealer	Amo	ount	D 1	
(000)	Dealer	· · · · · · · · · · · · · · · · · · ·	<u>)00)</u>	Dealer	· · · · · · · · · · · · · · · · · · ·
80 Ame	ison-Williams Co. rican Securities Corp.	\$		ırk Dodge & Ĉo ırts & Co.	., Inc.
25 C	S. Ashmun Co.		105 J.	M. Dain & Co.	
130 Bac	he & Co., Inc.			psey-Tegeler	
25 Bar	ert W. Baird don Higgins & Co., Inc.	MAR AND A	50 D10	k & Merle-Smi S. Dickson &	Co., Inc.
,45 J.	Barth & Co. r, Stearns & Co.	ł.	325 D11	lon, Read & C	0., Inc.
90 Bea	r, Stearns & Co.			inick & Domin	
25 M.	G. Becker & Co., Inc. H. Bishop			aldson Lutkin xel & Co.	& Jenrette, Inc.
75 Wil	liam Blair & Co.				Union Securities & Co.
240 Bly	th & Co., Inc.			ler, Guerin &	
105 041	duall Dhilling Too		(0 P-	3	Ada a Cana

105 Caldwell Phillips, Inc.

115 Eppler, Guerin & Turner, Inc.60 Equitable Securities Corp.

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Corporate Bonds Purchased at Time of Offering on a Designated Basis

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Schedule 4 (Page 2)

Face Amount (000)		Face Amount (000)	Dealer
\$ 100	Estabrook & Co.	\$ 85	Morgan Stanley & Co.
270	First Boston Corp.	100	W. H. Morton & Co., Inc.
120	Francis I. duPont, A. C. Allyn, Inc.	30	F. S. Mosely & Co.
145	Glore Forgan, Wm. R. Staats Inc.	240	Paine, Webber, Jackson & Curtis
	Goldman, Sachs & Co.	35	Paribas Corp.
60	Goodbody & Co.	145	Piper, Jaffray & Hopwood
70	Halsey, Stuart & Co., Inc.	130	R. W. Pressprich & Co.
70	Harriman, Ripley & Co., Inc.	130	Reynolds & Co.
100	Hayden, Stone Inc.	120	Riter & Co.
50	Lee Higginson Corp.	· 55	L. F. Rothschild & Co.
195	Hornblower & Weeks-Hemphill, Noyes	75	Salomon Brothers & Hutzler
95	E. F. Hutton & Co., Inc.	25	Shaughnessey & Co., Inc.
90	W. E. Hutton & Co.	100	Shearson, Hammill & Co. Inc.
40	Kalman & Co., Inc.	30	Shields & Co.
520	Kidder, Peabody & Co., Inc.	320	Smith, Barney & Co., Inc.
85	Kuhn, Loeb & Co.	55	F. S. Smithers & Co.
20	Laird & Co., Corp.	55	Spencer Trask & Co.
25	Lamson Brothers & Co.	95	Stone & Webster Securities Corp.
85	V. C. Langley & Co.	· 55	Tucker, Anthony & R. L. Day
55	Lazard Freres & Co.	120	G. H. Walker & Co.
20	Legg & Co.	25	The White-Phillips Co., Inc.
95	Lehman Brothers	230	White, Weld & Co.
	Carl M. Loeb, Rhoades & Co.	140	Dean Witter & Co.
105	Loewi & Co., Inc.	75	Woodard-Elwood & Co.
140	Merrill Lynch, Pierce, Fenner & Smith Inc.	165	Wood, Struthers & Winthrop
110	The Milwaukee Co.		

STATE OF MINNESOTA STATE BOARD OF INVESTMENT

Schedule 5

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CORPORATE BONDS PURCHASED AT OR AFTER TIME OF OFFERING THROUGH DEALERS HAVING BONDS AVAILABLE January 1 - December 31, 1965

 \$ 200 Bache & Co., Inc. \$ 171 Kidder, Peabody & Co., Inc. 2 Bear, Stearns & Co. 40 A. G. Becker & Co., Inc. 2 Blair & Co., Granbery, Marache Inc. 40 William Blair & Co. 170 Blyth & Co., Inc. 10 Carolina Securities Corp. 40 Lark, Dodge & Co., Inc. 40 J. M. Dain & Co., Inc. 40 Dempsey-Tegeler & Co., Inc. 40 Dempsey-Tegeler & Co., Inc. 40 Dillon, Read & Co., Inc. 40 Dillon, Read & Co., Inc. 40 Eastman Dillon, Union Securities & Co. 50 Drexel & Co. 50 Eastmork & Co. 50 Entrice & Corp. 50 First Boston Corp. 516 First Boston Corp. 50 Francis I. duPont, A. C. Allyn, Inc. 517 Kidder, Peabody & Co., Inc. 52 Brexel & Co. 54 First Boston Corp. 55 Francis I. duPont, A. C. Allyn, Inc. 55 Brexel & Co. 50 First Boston Corp. 50 Francis I. duPont, A. C. Allyn, Inc. 51 Carolina Securities Corp. 51 Carolina Securities Corp. 51 First Boston Corp. 52 Francis I. duPont, A. C. Allyn, Inc. 54 Carolina Securities Corp. 55 First Boston Corp. 56 First Boston Corp. 57 First Boston Corp. 50 First Boston Corp. 50 First Boston Corp. 51 Carolina Securities Corp. 52 First Boston Corp. 53 Francis I. duPont, A. C. Allyn, Inc. 54 Carolina Securities Corp. 55 First Boston Corp. 56 First Boston Corp. 57 First Boston Corp. 58 Securities Corp. 59 First Boston Corp. 50 First Boston Corp. 50 First Boston Corp. 50 First Boston Corp. 51 Carolina Securities Corp. 51 Carolina Securities Corp. 51 Carolina Securities Corp. 51 Carolina Securities Cor	
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3 Equitable Securities Corp.75 Reynolds & Co.116 First Boston Corp.45 Salomon Brothers & Hutzler	
116 First Boston Corp. 45 Salomon Brothers & Hutzler	
103 Francis I. duPont, A. C. Allyn, Inc. 403 Shearson, Hammill & Co. Inc.	
30 Glore Forgan, Wm. R. Staats Inc. 45 Smith, Barney & Co., Inc.	
115 Goldman, Sachs & Co. 37 Stone & Webster Securities Corp.	
200 Hayden, Stone Inc. 20 Tucker, Anthony & R. L. Day	
3 Lee Higginson Corp. 5 Underwood, Neuhaus & Co., Inc.	
145 Hornblower & Weeks-Hemphill, Noyes 186 White, Weld & Co.	
405 Dean Witter & Co.	

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STATE OF MINNESOTA STATE BOARD OF INVESTMENT

CORPORATE BONDS PURCHASED AFTER TERMINATION OF UNDERWRITING SYNDICATES (PURCHASES MADE ON THE BASIS OF OFFERINGS AT A REDUCED COMMISSION OR LOSS TO THE UNDERWRITING DEALERS) January 1 - December 31, 1965

Face Amount (000)	Dealer
\$ 400	Glore Forgan, Wm. R. Staats Inc.

275 W. E. Hutton & Co. 500 F. S. Mosely & Co.

STATE OF MINNESOTA STATE BOARD OF INVESTMENT

Schedule 7

CORPORATE BONDS PURCHASED THROUGH SECONDARY OFFERINGS January 1 - December 31, 1965

Face Amount (000) Dealer \$1,499^a Morgan Stanley & Co. 1,500 First Boston Corp. 1,960 Salomon Brothers & Hutzler

a. Figure shown is rounded to nearest thousand; actual holding is as follows: \$1,499,178.09.

Schedule 8

COMMON STOCK PURCHASES ALLOCATED BY INVESTMENT DEPARTMENT January 1 - December 31, 1965

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Total Shares	Issue and Vendor	Total <u>Shares</u>	Issue and Vendor	Total <u>Shares</u>	Issue and Vendor
CONSUME	R-ORIENTED STOCKS	2700	General Tel. & Electronic	e 1000	Green Giant
			1000 Faulkner, Dawkins	3 1000	1000 Paine, Webber
			700 Kalman	10000	Pillsbury
UTILII	TES		400 Loewi	10000	500 J. M. Dain
Electr			600 H. C. Wainwright		
Diccer	<u> </u>		ooo n. C. wainwright		1000 Goodbody 700 Lehman Brothers
500	American Electric Power	FINANC	IAL SERVICES		2100 Milwaukee Co.
500	500 E. F. Hutton	Banks			
700	Commonwealth Edison	Dunka	·		1000 Paine, Webber
,	200 Lamson Brothers	300	Chase Manhattan Bank		3700 Piper, Jaffray
	500 Merrill Lynch	100	300 Walston	200	1000 White, Weld Coca-Cola
100	Florida Power & Light	800	Northwest Bancorporation	200	
100	100 Lamson Brothers	000	200 Lamson Brothers		200 Walston
1200	General Public Utilities		600 Woodard-Elwood		
1200		1000			
	200 Hornblower & Weeks	1000	Valley National Bank	Printi	ng-Publishing
500	1000 L. F. Rothschild		500 A. G. Becker		
500	Interstate Power		500 Blyth	1200	R. R. Donnelley
1000	500 Milwaukee Co.				500 A. G. Becker
1500	Kansas City Power & Light	<u>Financ</u>	e		400 Francis I. duPo
000	1500 Eastman Dillon				300 Merrill Lynch
200	Middle South Utilities	3200	Beneficial Finance	4500	Harcourt Brace
	200 Hornblower & Weeks		1500 Brown Brothers		1500 Courts
2100	Northern States Power		500 Francis I. duPont		500 Estabrook
	100 Merrill Lynch		700 Model, Roland		500 Goldman, Sachs
	500 Milwaukee Co.		500 H. C. Wainwright		1000 W. E. Hutton
	500 Reynolds	4100	Household Finance		500 Loewi
	1000 Woodard-Elwood		1000 Dean Witter		500 Smith, Barney
200	Southern Co.		600 Eastman Dillon		
	200 Merrill Lynch		500 First Manhattan		
1000	Washington Water Power		500 Kuhn, Loeb	<u>Retail</u>	Trade
	1000 Blyth		500 Piper, Jaffray		
500	Wisconsin Public Service		1000 Salomon Brothers		•
	500 Milwaukee Co.			4800	Red Owl Stores
		Insura	nce		1000 J. M. Dain
<u>Cas</u>		2000	Aetna Life Insurance		1500 Dean Witter
			2000 Goldman, Sachs		1000 Francis I. duPo
1700	Arkansas Louisiana Gas	600	Insurance Co. of No. Am.		1000 Paine, Webber
	1200 Francis I. duPont		600 Milwaukee Co.		300 Walston
	500 Goodbody		•	12300	Montgomery Ward
2000	Panhandle Eastern P.L.	CONSUM	ERS GOODS		1000 Robert W. Baird
	1000 Bache	Food-B	everage		1000 Burnham
	500 Kidder, Peabody			,	1500 Dick & Merle-Sm
	500 Kalman	2500	Campbell Soup		500 Donaldson, Lufk
			1500 Harris, Upham		2500 Francis I. duPo
			1000 Walston		500 Hornblower & We
Teleph	one-Telegraph	2000	Corn Products		1000 E. F. Hutton
			500 Francis I. duPont		1000 Model, Roland
7400	American Tel. & Tel.		1000 Goldman, Sachs		1000 Paine, Webber
	1000 Bear, Stearns		500 Piper, Jaffray	· .	
	500 Brown Brothers	1500	General Foods		1000 Salomon Brother
	500 Dempsey-Tegeler		1000 Goldman, Sachs	i.	500 Thomson & McKin
	500 Eastman Dillon		500 White, Weld	4000	J. C. Penney
	1000 E. F. Hutton	4500	General Mills	-	500 Clark, Dodge
	1000 Kalman		1000 Faulkner, Dawkins	r.	1000 Kuhn, Loeb
	500 W. C. Langley		1000 Glore, Forgan		500 Lehman Brothers
	1300 Merrill Lynch		1000 Merrill Lynch		1000 Salomon Brothers
	LOOV KOLLALL Dynch				
	1000 H. C. Wainwright		1000 Oppenheimer		500 Smith, Barney

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Total

Schedule 8

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(Page 2) Total <u>Shares</u> Issue and Vendor NATURAL RESOURCES STOCKS Petroleum 10000 Gulf Oil 500 J. Barth 500 Loeb, Rhoades 2000 Goldman, Sachs 500 W. E. Hutton 2000 W. C. Langley 1000 Paine, Webber 500 Piper, Jaffray 1500 Salomon Brothers 500 Shearson, Hammill 1000 H. C. Wainwright Louisiana Land 6300 1500 Drexel 500 Harris, Upham 1700 Model, Roland 1600 Shearson, Hammill 500 Smith, Barney 500 H. C. Wainwright 4100 Mobil Oil Co. 500 Brown Brothers 100 Francis I. duPont 1000 Kidder, Peabody 500 Merrill Lynch 400 Thomson & McKinnon 1000 Tucker, Anthony 600 H. C. Wainwright 5100 Standard Oil (Calif.) * 500 Brown Brothers 1600 Drexel 500 Francis I. duPont 1000 Lehman Brothers 500 Milwaukee Co. 500 Piper, Jaffray - 500 L. F. Rothschild 9700 Standard Oil (Ind.) 4500 Brown Brothers 2000 Faulkner, Dawkins 1500 First Manhattan 500 W. C. Langley 1000 F. S. Smithers 200 Walston 10200 Standard Oil (N. J.) 1500 Bache 700 Brown Brothers 1500 Clark, Dodge 500 Eastman Dillon 500 Ebin, Robertson 1000 Hornblower & Weeks 1000 Kalman 500 Kidder, Peabody 1000 Lamson Brothers 500 Lehman Brothers 500 Smith, Barney 1000 White. Weld

Shares Issue and Vendor Shares Issue and Vendor 2400 Sears, Roebuck 800 Eastman Kodak 1000 J. M. Dain 300 Drexel 500 Dean Witter 500 White, Weld 500 W. C. Langley 5500 Hercules, Inc. 400 Thomson & McKinnon 1000 Eastman Dillon 500 Laird Miscellaneous 1000 W. C. Langley 1000 Merrill Lynch 2700 500 Shearson, Hammill Gillette 1000 Caldwell Phillips 1500 White, Weld 700 Loeb, Rhoades 2500 Merck 1000 W. C. Langley 500 Estabrook 4600 Procter & Gamble 500 Glore, Forgan 1000 J. Barth . 1000 Lehman Brothers 1000 A. G. Becker 500 Morgan Stanley 600 Dean Witter 5400 Monsanto 1000 Donaldson, Lufkin 1400 Bache 500 Estabrook 500 Blyth 500 Morgan Stanley 500 W. E. Hutton 2000 500 Paine, Webber Scott Paper 1000 J. Barth 2500 H. C. Wainwright 1000 F. S. Smithers 1800 Pfizer (Chas.) 6000 J. P. Stevens 500 Morgan Stanley 2000 A. G. Becker 300 Francis I. duPont 500 Clark, Dodge 1000 Piper, Jaffray Searle (G. D.) 1800 J. M. Dain 6000 400 Drexel 800 Brown Brothers 800 Francis I. duPont 500 Carter, Berlind 500 J. W. Sparks 1500 Donaldson, Lufkin 500 Merrill Lynch **RESEARCH STOCKS** · 500 Piper, Jaffray 200 R. W. Pressprich Chemical & Drug 500 Shearson, Hammill 1000 Smith, Barney 1500 American Cyanamid 500 G. H. Walker 500 Shearson, Hammill 800 Union Carbide 1000 Smith, Barney 800 Brown Brothers 3600 American Home Products 500 A. G. Becker Office Equipment 500 Burnham 600 Estabrook 900 International Bus. Mach. 1000 Harris, Upham 200 Francis I. duPont 500 Merrill Lynch 100 Estabrook 500 Shearson, Hammill 200 Laird 7900 Dow Chemical . 100 Merrill Lynch 1000 Brown Brothers 100 Milwaukee Co. 2500 Clark, Dodge 100 J. W. Sparks 500 J. M. Dain 100 Smith, Barney 500 Faulkner, Dawkins 400 W. E. Hutton 1000 Reynolds **Miscellaneous** 500 J. W. Sparks 500 Salomon Brothers 1200 Corning Glass Works 1000 Smith, Barney 300 Faulkner, Dawkins 2800 duPont (E. I.) deNemours 400 Goldman, Sachs 200 Burnham 500 Salomon Brothers 800 Clark, Dodge 4600 Minnesota Mining 500 Drexel 1000 A. G. Becker 300 Goldman, Sachs 500 Blyth 100 Lamson Brothers 1000 Clark, Dodge 300 Piper, Jaffray 1000 J. M. Dain 400 Reynolds 400 Loewi 200 J. W. Sparks 700 Walston

Total

Common Stock Purchases, etc. (continued)

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Total Shares	Issue_and_Vendor	Total <u>Shares</u>	Issue and Vendor	Total <u>Shares</u>	Issue and Vendor
7100	Texaco	3500	Gould National Batteries	7000	Deere & Co.
	100 A. G. Becker		500 Dean Witter		1000 Clark, Dodge
	500 Caldwell Phillips		1000 Harrís, Upham		1500 Dominick & Dominick
	500 Clark, Dodge 500 Francis I. duPont		1000 Lamson Brothers 1000 Salomon Brothers		1000 Drexel
	1500 Glore, Forgan		1000 Salomon Brothers		500 Harris, Upham
	500 Kidder, Peabody	Electr	ical & Electronic Equip.		500 Piper, Jaffray 500 F. S. Smithers
	500 John G. Kinnard	BIECCI	ical a filectionic Equip.		1000 Spencer Trask
	1000 Milwaukee Co.	3300	General Electric		1000 Walston
	1000 Salomon Brothers	. 3300	500 Caldwell Phillips	1000	International Harvester
	500 Shearson, Hammill		500 Estabrook	1000	500-A. G. Becker
	500 H. C. Wainwright		300 First Manhattan		500 W. C. Langley
	5.er		500 Kalman		
DURABLE	S STOCKS		1000 Merrill Lynch	Steel	- · · · · · ·
Automo	biles & Auto Parts		500 Smith, Barney		
		4000	Honeywell, Inc.	3700	Armco
8260	Chrysler		1500 Eastman Dillon		500 Blyth
	500 J. Barth		1000 Lehman Brothers		500 Clark, Dodge
	1000 A. G. Becker		500 Smith, Barney		1000 Courts
	480 Bache		1000 White, Weld		100 Fráncis I. duPont
	700 Carter, Berlind	8000	Sunbeam Corp.	•	500 W. C. Langley
	1000 Eastman Dillon		1500 A. G. Becker		600 Lehman Brothers
	1000 Faulkner, Dawkins		1000 Blyth		500 J. W. Sparks
	200 Hornblower & Weeks		500 J. M. Dain	6000	Inland Steel
	680 Kidder, Peabody		1000 Donaldson, Lufkin		1000 Blair (Wm.)
•	200 Merrill Lynch		1000 Glore, Forgan		1000 Brown Brothers
	500 Model, Roland		500 Hornblower & Weeks		1500 J. M. Dain
	1000 Morgan Stanley 500 R. W. Pressprich		1000 Salomon Brothers		500 Goldman, Sachs
	500 K. W. Hesspilen 500 Shearson, Hammill		500 Smith, Barney 1000 H. C. Wainwright		1000 Morgan Stanley
6000	Ford Motor	4000	Westinghouse Electric		500 J. W. Sparks 500 White, Weld
0000	500 J. Barth	4000	1000 Hornblower & Weeks	•	Joo white, weid
	500 Caldwell Phillips		1000 Thomson & McKinnon		
	300 J. M. Dain		2000 H. C. Wainwright	Transp	ortation
	1000 Drexel	10700	Whirlpool Corp.		
	500 Ebin, Robertson		1100 A. G. Becker	5900	Great Northern Railway
	100 Hornblower, Weeks		1000 Kalman		1000 Blyth
	1000 John G. Kinnard		2000 Merrill Lynch		1000 Dick & Merle-Smith
	500 W. C. Langley		1000 Milwaukee Co.		1500 Hayden, Stone
	600 McDonnell		1000 F. S. Moseley		500 Kidder, Peabody
	1000 Paine, Webber		2000 Piper, Jaffray		500 Loewi
6500	General Motors		500 Reynolds		600 Merrill Lynch
	300 Allison-Williams		1100 Shearson, Hammill		500 R. W. Pressprich
	500 Caldwell Phillips		1000 Walston		300 Reynolds
	500 Donaldson, Lufkin			2400	Norfolk & Western Ry.
	400 Ebin, Robertson	Maahda			600 Robert W. Baird
	500 Kalman 200 Marrill Lynch	Machin	ery		900 Glore, Forgan
	200 Merrill Lynch 2600 Morgan Stanley	3000	Caternillar Treator		500 Salomon Brothers
	2600 Morgan Stanley 500 White, Weld	3000	Caterpillar Tractor 1000 A. G. Becker	3400	400 H. C. Wainwright Northern Projecto Pu
	1000 Woodard-Elwood		1000 A. G. Becker 1000 Brown Brothers	3400	Northern Pacific Ry. 500 Dick & Merle-Smith
11800	Goodyear Tire & Rubber		500 Loeb, Rhoades	·	1800 Hayden, Stone
	2000 Bache		500 J. W. Sparks		1100 R. W. Pressprich
	1800 Carter, Berlind	7900	Clark Equipment	7600	Northwest Airlines
	500 Donaldson, Lufkin		1000 Bache		300 Brown Brothers
	1000 Francis I. duPont		500 A. G. Becker		1000 Courts
	1000 Hornblower & Weeks		500 Dominick & Dominick		1000 Kidder, Peabody
	700 Kuhn, Loeb		500 Harris, Upham		1000 John G. Kinnard
	1500 Laird		1500 Merrill Lynch		500 Merrill Lynch
	800 Merrill Lynch		1000 Milwaukee Co.		300 Piper, Jaffray
	500 Model, Roland		1500 Smith, Barney		500 J. W. Sparks
	1000 F. S. Moseley		1000 F. S. Smithers		2500 Shearson, Hammill
	1000 White, Weld		LOOD IS DE DELCECES		2000 Shearson, hammill

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Schedule 8 (Page 4)

Total		Total	*	Total	
Shares	Issue and Vendor	<u>Shares</u>	Issue and Vendor	Shares	Issue and Vendor
14700	Southern Pacific Co. 1000 Clark, Dodge 400 J. M. Dain 1000 Dick & Merle-Smith 1700 Eastman Dillon 2000 Piper, Jaffray	4000	Union Pacific Railroad 1000 Bear, Stearns 1500 R. W. Pressprich 800 Stone & Webster 700 H. C. Wainwright	1500 <u>Miscel</u> 3500	Union Tank Car 500 Kuhn, Loeb 1000 Thomson & McKinnon <u>laneous</u> Ideal Cement 1000 Dean Witter
2900	3000 R. W. Pressprich 600 Salomon Brothers 1000 Shearson, Hammill 1000 Tucker, Anthony 2000 H. C. Wainwright 1000 White, Weld Southern Railway Co. 1000 Dick & Merle-Smith 1500 Harris, Upham 400 Loewi	<u>Transp</u> 2100 1000	ACF Industries 1000 A. G. Becker 500 Merrill Lynch 500 Smith, Barney 100 Stone & Webster General Amer: Trans. 500 Kidder, Peabody 500 White, Weld	5100 2000	1500 Estabrook 1000 Walston National Lead 1000 Dean Witter 1000 Hornblower & Weeks 500 W. C. Langley 500 McDonnell 1600 Model, Roland 500 Smith, Barney Weyerhaeuser 1000 Eastman Dillon 1000 Salomon Brothers

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STATE OF MINNESOTA • STATE BOARD OF INVESTMENT

Schedule 9

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CONMON STOCK PURCHASES NEGOTIATED OR ORDERED ON THE BASIS OF LOWEST AVAILABLE PRICE January 1 - December 31, 1965

Total <u>Shares</u>	Issue and Vendor	Total <u>Shares</u>	Issue and Vendor	Total <u>Shares</u>	Issue and Vendor
CONSUME	R-ORIENTED STOCKS	7300	Consolidated Edison	12000	Interstate Power
			2000 American Securities		12000 Weeden
	-		3000 First Boston	6000	Kansas City Power & Light
UTILITIES			1000 J. S. Strauss	1	1500 American Securities
Electr	<u>ic</u>		1300 Weeden		2000 First Boston
		6400	Consumers Power		2500 Weeden
		•	1500 American Securities	10000	Louisville Gas & Elec.
8000	Allegheny Power		1600 First Boston		2500 American Securities
	1000 American Securities		3300 J. S. Strauss		7500 Weeden
	4000 First Boston	7000	Detroit Edison	3000	Middle South Utilities
	3000 Weeden		3500 American Securities		500 American Securities
5500	American Electric Power		3500 Weeden		1500 First Boston
	2500 American Securities	5500	Florida Power & Light		1000 Weeden
	1000 Blyth		1500 American Securities	2500	Minnesota Power & Light
	1000 First Boston		1500 First Boston		2500 Weeden
	1000 Weeden		1000 Imperial Financial	9660	Northern States Power
5200	Central & South West		500 J. S. Strauss		6460 American Securities
	1500 American Securities		1000 Weeden		2000 First Boston
	3700 Weeden	11600	General Public Utilities		1200 Weeden
6500	Cincinnati Gas & Elec.		5400 American Securities	7500	Ohio Edison
	1000 American Securities		2000 J. S. Strauss		1500 American Securities
	1500 Blyth		4200 Weeden		2000 First Boston
	2000 First Boston	. 2500	Houston Light & Power		2500 J. S. Strauss
	2000 Weeden		2000 American Securities		1500 Weeden
5000	Commonwealth Edison		500 Weeden	6000	Otter Tail Power
	2500 American Securities	11000	Indianapolis Power & Light		2000 Kalman
	500 Blyth		4000 American Securities		4000 Piper, Jaffray
	1000 J. S. Strauss		1000 First Boston	3500	Pacific Gas & Electric
	1000 Weeden		6000 Weeden		1500 American Securities

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Total Shares	Issue and Vendor	Total Shares	Issue and Vendor	Total Shares	Issue and Vendor
		<u></u>			
	Pacific Gas & El.(cont)	11500	General Tel. & Electronics	6500	Valley N.B. (Ariz.)
	1000 First Boston		1500 American Securities		2000 Blyth
	1000 J. S. Strauss		500 Blyth		1000 First Boston
6000	Public Service (Colo.)		2000 N. Y. Hanseatic		2000 Keefe, Bruyette
	1000 American Securities		7500 Weeden		1500 M. A. Schapiro
	3000 First Boston	2000	Western Power & Gas	3500	Wells Fargo
2500	2000 Weeden		500 Blyth		1500 First Boston
2000	Public Service (Ind.) 500 American Securities		300 Francis I. duPont		1000 Salomon Brothers
	2000 Weeden		200 Eastman Dillon	1100	1000 M. A. Schapiro
4500	Southern Calif. Edison		500 Merrill Lynch 300 G. A. Saxton	4600	Western Bancorporation
	3500 First Boston		Sou G. A. Sakton		1000 American Securities 1000 M. A. Schapiro
	1000 Weeden		· · · ·		2500 J. S. Strauss
1500	Southern Co.	FINANC	IAL SERVICES		100 Weeden
	500 American Securities	•			
	1000 First Boston			Financ	e
3700	Texas Utilities	<u>Banks</u>		2600	Investors Div. Serv. "A"
	1500 American Securities	•			600 Bishop
	1700 First Boston				500 J. M. Dain
1000	500 Weeden	5300	Chase Manhattan		1500 Piper, Jaffray
1000	Tucson Gas & Electric 1000 Weeden		1000 American Securities	_	
1000	United Gas		3000 First Boston 500 Salomon Brothers	Insura	
1000	1000 First Boston		800 M. A. Schapiro	7500	Aetna Life
9800	Utah Power & Light	5000	Citizens & Southern N.B.		500 Blyth 1000 Francis I. duPont
	3000 American Securities	5000	2000 Donaldson, Lufkin		2500 First Boston
	6800 Weeden		1000 Keefe, Bruyette		1000 N. Y. Hanseatic
2700	Virginia Elec. & Power		500 Salomon Brothers		2500 Shelby Cullom Davis
	2000 American Securities		1500 M. A. Schapiro	4000	Continental Casualty
	700 Weeden	4000	Continental Illinois N.B.	•	1000 Blyth
2500	Washington Water Power		500 Blyth		1000 Francis I. duPont
	1500 American Securities		500 Keefe, Bruyette		500 First Boston
1000	1000 Blyth Wisconsin Power & Light		2000 Salomon Brothers		500 N. Y. Hanseatic
1000	1000 Blyth	4500	1000 M. A. Schapiro First Bank Stock	A 1 AA	1000 Shelby Cullom Davis
6700	Wisconsin Public Service	4200	500 Keefe, Bruyette	2100	General America Corp.
	3300 American Securities		1000 Merrill Lynch		300 Blyth 1100 Kalman
•	1200 First Boston		1000 Piper, Jaffray		700 Merrill Lynch
	2200 Weeden		500 Salomon Brothers	5300	Hartford Fire
			1500 M. A. Schapiro		1500 Blyth
Gas		1000	First N.B. (Boston)		2300 First Boston
6000	Arkansas Louisiana Gas		1000 M. A. Schapiro		500 N. Y. Hanseatic
	2500 J. S. Strauss	5300	First Nat. City Bank		1000 Shelby Cullom Davis
1200	3500 Weeden Minneapolis Gas Co.		1000 American Securities	3 500	Ins. Co. of N. America
1200	200 Bishop		1300 First Boston 500 Keefe, Bruyette		300 Cartwright, Valleau
	1000 C. D. Mahoney		1500 Salomon Brothers	6100	3200 First Boston Northwestern Nat. Life
8700	Peoples Gas Light & Coke		1000 M. A. Schapiro	0100	1600 J. M. Dain
	4000 American Securities	2700	Morgan Guaranty Trust		500 R. S. Dickson
	1700 First Boston		600 Blyth		1500 Equitable Securities
	3000 Weeden	*	1100 Salomon Brothers		1000 N. Y. Hanseatic
1200	Transcontinental Gas PL		1000 M. A. Schapiro		1500 Piper, Jaffray
(1200 Kidder, Peabody	6100	Nat. City Bank (Cleve.)	2500	St. Paul Fire & Marine
6500	United Gas Corp.		1100 Blyth	•	1000 Blyth
	3000 American Securities		1000 First Boston		1000 Francis I. duPont
	2500 First Boston 1000 Weeden		3500 Keefe, Bruyette	(000	500 Merrill Lynch
Teleph	one & Telegraph	2500	500 M. A. Schapiro	6800	Travelers
6000	American Telephone	2000	Northwest Bancorporation 2500 Weeden		1800 Blyth 1000 Fauitable Securities
	1000 American Securities	5200	Secur. First N.B. (L.A.)		1000 Equitable Securities 1000 First Boston
	500 First Boston		2000 Keefe, Bruyette		1000 Merrill Lynch
	500 J. S. Strauss		2000 Salomon Brothers		1000 N. Y. Hanseatic
	4000 Weeden		1200 M. A. Schapiro		1000 Shelby Cullom Davis
			-		,

Common Stock Purchases, etc. (continued)

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Schedule 9 (Page 3)

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Total Shares	Issue and Vendor	Total	Terms and Western	Total	T
Shares	and vehoor	<u>Shares</u>	Issue and Vendor	<u>Shares</u>	Issue and Vendor
CONSUMERS GOODS		Miscel	Miscellaneous		Honeywell
Food-E	Beverage	······		1000	1000 Weeden
		1000	Minnesota Mining		
1000	Coca-Cola		1000 Weeden		
2000	1000 Weeden		,		nery
2000	General Mills				
	2000 Weeden	NATURAL	_ RESOURCES STOCKS	3500	Caterpillar
Retail	Trade				3500 Weeden
Netall		Potrol			
2000	Montgomery Ward	<u>Petrol</u>	Leam	0 + 1	
	2000 Weeden	800	Standard Oil (Calif.)	<u>Steel</u>	•
500	Sears, Roebuck	000	800 N. Y. Hanseatic	1000	Armco
	500 Weeden	500	Standard Oil (N.J.)	1000	1000 Weeden
1500	Super Valu		500 American Securities	1000	Inland
	500 Piper, Jaffray			2000	1000 Weeden
	1000 White, Weld				
		DURABLE	S STOCKS	Transp	ortation Equipment
RESEARC	H STOCKS			000	
		Automo	biles & Auto Parts	800	General Am. Transport 800 Weeden
Chemic	al & Drug				800 weeden
		1000	Chrysler	Miscel	laneous
2000	Hercules		1000 American Securities		24110000
	2000 Weeden	2000	Ford	1500	National Lead
100	Merck		2000 First Boston		1000 American Securities
500	100 Weeden				500 Weeden
500	Pfizer	Electr	ical & Electronic Equip.	5500	Weyerhaeuser
800	500 Weeden				1000 American Securities
800	Union Carbide 800 Weeden	1050	General Electric		2500 A. G. Becker
	800 weeden		1050 Weeden		2000 Weeden
			STATE OF MINNESOTA		Schedule 10
		ST	ATE BOARD OF INVESTMENT		Benediate 10
					·
	*		COMMON STOCK SALES		
		Janu	ary 1 - December 31, 1965		
	1	Total	Nama di Talini anda		
		Shares	Name of Issue and Dea	aler	
		Caa			

<u>Gas</u> 17200

United Gas Corporation 17200 American Securities

<u>Banks</u> 3550

First National Bank of Boston 2000 First Boston 550 Merrill Lynch 1000 M. A. Schapiro

Retail Trade 1540

Great A & P Tea 500 American Securities 1040 J. S. Strauss

Miscellaneous 6100

American Can 6100 Weeden