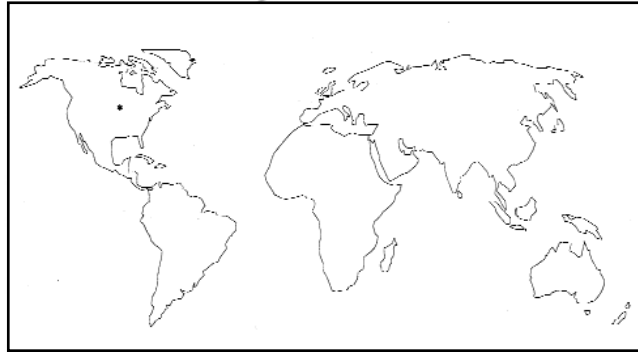

PROSPECTUS JULY 1, 2004



* **Minnesota Supplemental
Investment Fund**



Investment Options

MANAGED BY THE MINNESOTA STATE BOARD OF INVESTMENT

Participating Retirement Plans

**Unclassified Employees Retirement Plan
Post Retirement Health Care Savings Plan**
Minnesota State Retirement System (MSRS)
60 Empire Drive, Suite 300
St. Paul, MN 55103-1855
(651) 296-2761
1-800-657-5757

Hennepin County Supplemental Retirement Plan
Hennepin Co. Human Resources Dept., Benefits Unit
A-700 Government Center
300 South Sixth Street
Minneapolis, MN 55487-0070
(612) 348-3281

**Mn. State Colleges & Universities (MnSCU)
Defined Contribution Retirement Plan
(IRAP & SRP)**
Board of Trustees of the Mn. State Colleges & Universities
500 Wells Fargo Place
30 E. 7th St.
St. Paul, MN 55101
1-888-319-9451
612-316-1355

Public Employees Defined Contribution Plan
Public Employees Retirement Association (PERA)
60 Empire Drive, Suite 200
St. Paul, MN 55103-1855
(651) 296-7460

Various Volunteer Firefighter Relief Associations

Risk Spectrum

Higher Risk	Assets	Management Approach
↑	International Share	non U.S. stocks two-thirds "active" management one third "passive" management
↑	Growth Share	U.S. stocks "active" management
↑	Common Stock Index	U.S. stocks "passive" management (reflects broad U.S. market)
↑	Income Share	U.S. stocks/bonds balanced asset mix
↑	Bond Market	bonds "active" management
↑	Fixed Interest	stable value instruments 3 yr. to 5 yr. maturities
↓	Money Market	short-term securities 30 to 60 day average maturity
Lower Risk		

Over time, higher-risk assets should provide higher investment returns than lower-risk assets.

Letter to Participants

July 1, 2004

This brochure outlines the investment options available to participants in the Minnesota Supplemental Investment Fund and provides some basic information that will assist you in making your investment decisions.

Remember that general economic and market conditions have a dominant influence on the returns available to any investor. As an investor in the Minnesota Supplemental Investment Fund, or any other investment program, you should be prepared for periods in which the returns on financial investments may be low, or even negative. You should be aware that this possibility is much greater for accounts that emphasize relatively risky, higher return assets, such as common stocks, than it is for more conservative investments, such as money market-type accounts.

With these considerations in mind, the State Board of Investment is confident that the Supplemental Investment Fund will provide competitive long run returns. I encourage you to carefully review each of the accounts available to you and to choose those options that meet your own investment needs and objectives.

Any questions about your individual account should be directed to your retirement organization or program at the office shown on the inside cover of this brochure. Your retirement organization handles all changes in the way you invest your contributions and maintains records on the status of your account. Your retirement organization has the authority to deduct a fee for administrative expenses after account share values have been calculated. Participants in all plans should contact their retirement organization for more information regarding plan administrative expenses.

Historical monthly share values are available from the Minnesota State Board of Investment upon request and can be accessed on our website at www.sbi.state.mn.us. Listings of securities held in the various accounts are available upon request. If you have any questions regarding the Board's investment policies and procedures, please contact the office of the Minnesota State Board of Investment at 60 Empire Drive, Suite 355, St. Paul, MN 55103-3555, (651)296-3328, or via e-mail at minn.sbi@state.mn.us. We welcome your inquiries.

Respectfully submitted,



Howard J. Bicker
Executive Director
State Board of Investment

General Information

What Is The Minnesota Supplemental Investment Fund?

The Minnesota Supplemental Investment Fund is a multi-purpose investment program that offers a range of investment options to state and other public employee groups. The different participating groups use the Fund for a variety of retirement-related purposes. Approximately 33,000 individuals currently participate in the Fund. As of June 30, 2004, the market value of the Fund was approximately \$1.19 billion.

What Investment Options Does The Fund Offer?

The Fund has seven accounts, or investment options:

Income Share	stocks and bonds
Growth Share	actively managed stocks
Common Stock Index	passively managed stocks
International Share	international stocks
Bond Market	actively managed bonds
Money Market	short-term securities
Fixed Interest	stable value investments

Each account has different investment objectives and uses different types of assets and investment management styles. These accounts are described in greater detail on the following pages.

Are All These Options Available To Me?

The choices you have depend on the retirement plan in which you participate. All seven accounts are available to participants in the following plans:

- Unclassified Employees Retirement Plan
- Post Retirement Health Care Savings Plan
- Public Employees Defined Contribution Plan
- MnSCU Defined Contribution Retirement Plan

All accounts, **except** the Fixed Interest Account, are currently available to participants in the Hennepin County Supplemental Retirement Plan and to local volunteer firefighter plans.

Which Options Are Best For Me?

Only you can answer that question. The variety of options has been designed to give you flexibility to use one or more accounts in designing a portfolio that reflects your personal investment needs and objectives. The material on the following pages should assist you in making the decision.

Each of the accounts has separate advantages and risks, and the performance of each will differ according to business and economic conditions.

It is not the intent of the State Board of Investment to advise participants regarding their choice among accounts. This information is provided solely as an aid to participants in selecting the most appropriate types of investments for their particular circumstances.

May I Change The Way I Invest My Contributions?

Yes, but the guidelines vary among plans. You should contact your retirement organization for more specific information. **Please note that special restrictions apply to transfers out of the Fixed Interest Account (see page 12).**

What Securities Are Owned By The Fund?

Due to the large number of stocks, bonds and cash equivalents owned by the Fund, the holdings are not listed in this brochure. If you would like a complete list of all securities in the Fund, please contact the office of the State Board of Investment. A list will be sent to you, at your request.

How Were Past Returns Affected By The Asset-Based Charge?

From July 1992 through June 1999, an asset-based charge was deducted from the share values or credited rates in each Account. From July 1992 through June 1994, the deduction was 0.1% per year. From July 1994 through June 1999, the deduction was 0.4% per year.

Information on how the asset-based charge affected the historical returns in your plan is available from the Minnesota State Board of Investment and can be accessed on our website at www.sbi.state.mn.us.

General Information

Money Managers for the Fund*

Income Share Account:

- Barclays Global Investors, San Francisco, CA (stocks)
- Investment Board Staff (bonds)

Growth Share Account:

- Alliance Capital Management Corporation, Minneapolis, MN
- American Express/Kenwood Capital Mngmt., Minneapolis, MN
- Barrow, Hanley, Mewhinney & Strauss, Inc. Dallas, TX
- Barclays Global Investors, San Francisco, CA
- Bay Isle Financial Corporation, San Francisco, CA
- Cohen Kligenstein & Marks, Inc., New York, NY
- Earnest Partners LLC, Atlanta, GA
- Franklin Portfolio Associates, Boston, MA
- Goldman Sachs Asset Management, New York, NY
- Holt-Smith & Yates Advisors, Madison, WI
- Hotchkis and Wiley Capital Mngmt, LLC, Los Angeles, CA
- J.P. Morgan Fleming Asset Management, Inc., New York, NY
- LSV Asset Management, Chicago, IL
- Lord Abbett & Co. LLC, Jersey City, NJ
- Martingale Asset Mngmt., Boston, MA
- McKinley Capital Mngmt., Anchorage, AK
- New Amsterdam Partners LLC, New York, NY
- Next Century Growth Investors LLC, Minneapolis, MN
- Oppenheimer Capital, New York, NY
- Peregrine Capital Management, Minneapolis, MN
- Systematic Financial Mngmt. L.P., Teaneck, NJ
- Turner Investment Partners, Inc., Berwyn, PA
- UBS Global Asset Management, Inc., Chicago, IL
- Voyageur Asset-Chicago Equity Division, Chicago, IL
- Winslow Capital Management, Inc., Minneapolis, MN
- Zevenbergen Capital, Inc., Seattle, WA

Common Stock Index Account:

- Barclays Global Investors, San Francisco, CA

*The Minnesota State Board of Investment may add or delete managers from this list at its discretion.

International Share Account:

- Alliance Capital Management Int'l, London, England
- American Express Asset Mgmt. Int'l, Inc., London, England
- Britannic Asset Management Int'l, Glasgow, Scotland
- Capital International, Inc., Los Angeles, CA
- INVESCO Global Asset Management, Atlanta, GA
- Marathon Asset Management, London, England
- Morgan Stanley Investment Management, New York, NY
- State Street Global Advisors, Boston, MA
- T. Rowe Price-Int'l. Inc., London, England
- UBS Global Asset Management, Inc., Chicago, IL

Bond Market Account:

- American Express Asset Mgmt. Group, Inc., Minneapolis, MN
- BlackRock Financial Management, New York, NY
- Deutsche Asset Management, Inc., Philadelphia, PA
- Dodge & Cox, San Francisco, CA
- Goldman Sachs Asset Management, LP, New York, NY
- Lincoln Capital Mgmt. Company LLC, Chicago, IL
- Morgan Stanley Investment Mgmt., West Conshohocken, PA
- Western Asset Management, Pasadena, CA

Money Market Account:

- State Street Global Advisors, Boston, MA

Fixed Interest Account:

- Galliard Capital Management, Minneapolis, MN

Investment Board Personnel

Howard J. Bicker Executive Director
Mansco Perry III Assistant Executive Director

Investment Management Staff

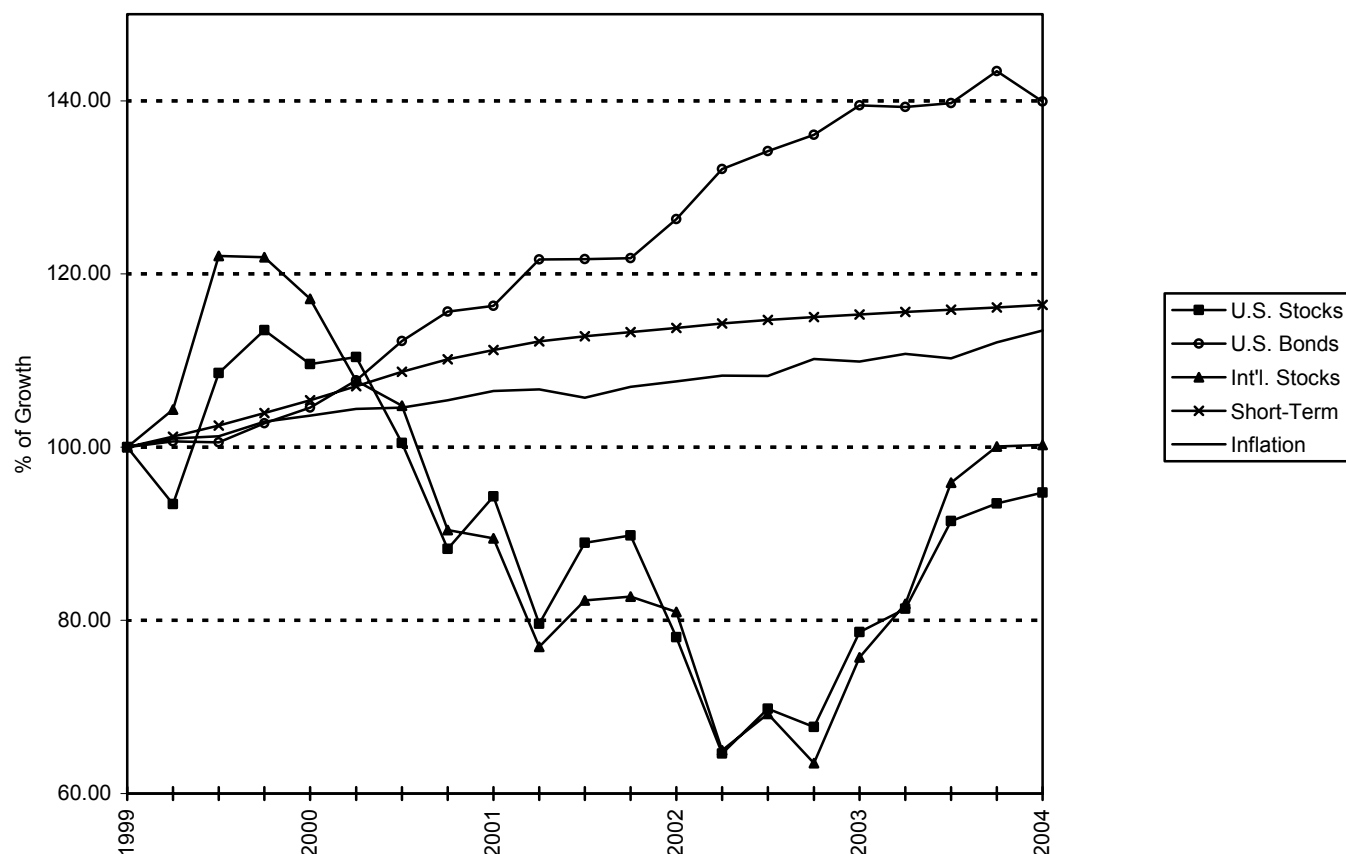
Lois Buermann	Manager, Public Equities
Stephanie Gleeson	Analyst, International Equities
Michael J. Menssen	Manager, Internal Investments
Tammy Brusehaver	Analyst, Fixed Income
John N. Griebenow	Manager, Alternative Investments
Andrew Christensen	Analyst, Alternative Investments
Steven Kuettel	Manager, Short-Term Accounts
Susan Sutton	Analyst, Short-Term Accounts
James E. Heidelberg	Manager, Public Programs
Deborah Griebenow	Analyst, Shareholder Services

Administrative Staff

L. Michael Schmitt	Administrative Director
William J. Nicol	Accounting Supervisor, Senior
Kathy Leisz	Accounting Officer, Intermediate
David Nkwonta	Accounting Officer, Intermediate
Nancy L. Wold	Accounting Officer, Intermediate
John Bottomley	Accounting Officer
Charlene Olson	Admin. Assistant to the Executive Director
Carol Nelson	Office Administrative Specialist, Intermed.
Sondra Wagner	Customer Services Specialist

The Year in Review

Cumulative Growth of Capital Markets Fiscal Years 2000 - 2004



	Year Ending June 30,					Annualized (1)
	2000	2001	2002	2003	2004	2000 - 2004
U.S. Stocks						
Russell 3000 (2)	8.6%	-15.8%	-17.3%	0.8%	20.5%	-1.1%
U.S. Bonds						
Lehman Brothers Aggregate Bond Index	4.6%	11.2%	8.6%	10.4%	0.3%	6.9%
International Stocks						
MSCI All Country World Index Ex. USA (ACWI ex USA) (3)	16.4%	-23.9%	-8.7%	-5.4%	32.1%	0.2%
Short-Term Investments						
90 Day U.S. Treasury Bills	5.4%	5.5%	2.3%	1.4%	1.0%	3.1%
Inflation Rate						
Change in Consumer Price Index (CPI)	3.7%	3.2%	1.0%	2.1%	3.3%	2.7%

(1) Annualized return is the annual compounded rate of return.

(2) Russell 3000 since October 1, 2003. Wilshire 5000 Investable from July 1, 2000 to September 30, 2003. Wilshire 5000 from 7/1/98 to 6/30/99.

(3) MSCI ACWI ex. USA since October 1, 2003. MSCI EAFE Free plus MSCI EMF prior to that.

The Year in Review

How Have Stocks, Bonds And Other Investments Performed?

The U.S. stock market increased by 20.5% for the year ended June 30, 2004, as measured by the Russell 3000 index. During the year, stocks provided a strong return to investors as a result of the U.S. economic recovery and improving corporate profitability. Strong consumer confidence and improving unemployment data also helped the stock market advance. During the second half of the year, stock performance, while positive, was not as robust due to concerns about terrorism, the war in Iraq, the upcoming presidential election, record high oil prices, and a 25 basis point increase in the federal funds rate. For the year, sectors generating the highest returns within the index included producer durables (+36.6%), materials & processing (+34.9%), and other energy (+34.4%).

The U.S. bond market returned 0.3% for the twelve months ended June 30, 2004. Although weak economic data and deflation fears marked the start of the period, the economy strengthened due to resilient consumer spending arising from the Fed's accommodative policy. When robust job creation and higher commodity prices fueled inflationary fears during the first half of 2004, inflation rates moved generally higher. Mortgage securities and corporate bonds delivered the strongest performance during the period, returning 2.23% and 0.08%, respectively. Productivity gains and a focus on improving balance sheets led to record corporate profits and strong relative performance. Mortgage-backed securities weathered a massive refinancing wave in 2003, but still managed to end in positive territory.

The Morgan Stanley Capital International (MSCI) All Country World Index excluding the United States (ACWI Ex. USA), which represents the developed and emerging international markets outside the U.S., returned 32.0% for the year in U.S. dollar terms. The MSCI World Ex. U.S. Index, which represents developed international markets, returned 31.9% for the year. The United Kingdom, Japan, and France, which together make up 55% of the index, had returns of 26.4%, 46.2%, and 30.1%, respectively. The emerging markets, as measured by the MSCI Emerging Markets Free Index, returned 33.1% for the year. Korea, South Africa, and Taiwan are the largest countries in the index with a combined weight of 45% of the index. They had returns of 26.8%, 42.6%, and 22.9%, respectively.

How Did Returns In The Minnesota Supplemental Investment Fund Compare For Fiscal Year 2004?

- The **Common Stock Index Account** was up 20.5% during the year, matching the Russell 3000 index it is designed to track.
- The **Growth Share Account** increased 20.2% during the last fiscal year, underperforming the Russell 3000 index. The underperformance was due in part to weak sector allocation and cash holdings.
- The mix of stocks, bonds and cash in the **Income Share Account** provided a return of 12.7% and trailed its composite index by 0.5%. The composite index consists of 60% stocks, 35% bonds and 5% cash.
- The **International Share Account** provided a return of 31.0% for the last fiscal year, underperforming the international composite index by 1.1 percentage point. The composite index, which returned 32.1%, is comprised of approximately 90% developed markets and 10% emerging markets. Neither the developed nor the emerging markets active managers added value over their respective benchmarks during the period. Holding small amounts of cash in U.S. dollars, which lost value during the year, negatively impacted the performance of all managers. The developed markets managers also had difficulty adding value in the Japanese market where small cap, lower-quality stocks rallied, while the emerging markets managers' underperformance was due to country weighting decisions overall.
- The **Bond Market Account** posted a gain of 1.5% for the year ended June 30, 2004, outperforming the broad fixed income market by 1.2%. The fund outperformed primarily due to an overweight position in the spread sectors of the market, such as corporate bonds and mortgage and asset-backed securities, which generally offer higher yields. Corporate bonds, in particular, performed well. The managers' duration positioning also added modest value, with several managers benefiting from a shorter-than benchmark duration as rates rose during the year.
- The **Money Market Account** earned 1.3% for the year. This gain is similar to the returns for money market accounts offered by mutual funds and banks.
- The **Fixed Interest Account** provided a return of 4.4% during the last fiscal year.

Your retirement organization accumulates your contributions on an ongoing basis, and transfers these contributions to various accounts in the Fund only once each month. As a result, the actual performance of your investments in the Supplement Fund Accounts may be somewhat higher or lower than these figures due to the timing of those transfers.

Common Stock Index Account

The Common Stock Index Account has a current market value of approximately \$192 million. Its objective is to generate returns that track the returns of the U.S. stock market as a whole.

The Account invests in approximately 3,000 domestic stocks and is designed to match the return produced by the Russell 3000. The Russell 3000 is a stock market index, like the Dow Jones Industrial Average. In effect, the diversity of stock holdings in the Common Stock Index Account represents the broad domestic stock market. Prior to October 1, 2003 the benchmark for the account was the Wilshire 5000 Investable. The Account is **invested entirely in US stocks**.

Why Would I Choose This Account?

This option will be attractive to you if you believe that, over time, stocks will provide higher returns than other investments. You should note, however, that the Common Stock Index Account is "passively managed." This means that no attempt is made to identify specific stocks that will perform better than others. Instead, the Account is designed to perform in line with the broad stock market.

In "actively managed" accounts, such as the Growth Share Account, stocks are bought and sold in an attempt to maximize market value. While it has the potential to produce returns that exceed those of the broad stock market, this investment strategy may also experience periods when its returns fall below the market. By contrast, the passive approach used in the Common Stock Index Account should provide returns that consistently and inexpensively track the market.

The returns from the Account will rise and fall directly with movement in the stock market. As with all options that use common stocks, you must be willing to accept returns that vary widely in the short term. In the long term, the Account should average higher returns than you could obtain by placing your contributions in a fixed income or money market-type account.

Who Manages The Account?

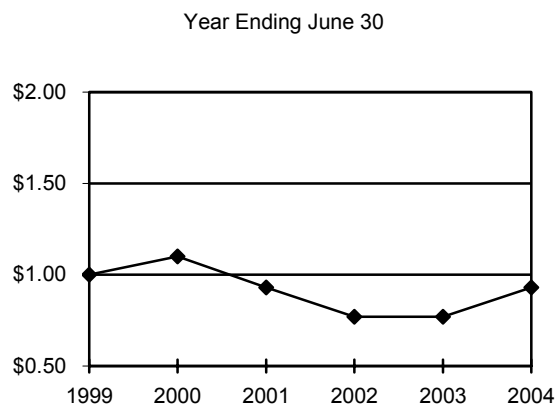
The Common Stock Index Account is managed by Barclays Global Investors.

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1999 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was -1.4% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2000	19.76	9.9%
2001	16.75	-15.2
2002	13.81	-17.6
2003	13.92	0.8
2004	16.78	20.5

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2004, the investment management fees were approximately \$0.02 per \$100 invested.

Growth Share Account

The Growth Share Account currently has over \$134 million in assets. Its primary objective is to generate high returns from capital appreciation (increases in the market value of the assets it owns) as measured by the Russell 3000 Index.

In order to focus on that goal, the Account is composed **almost exclusively of stocks of US companies**. The small amount of cash in the Account represents the new contributions it receives prior to their investment in the market as well as any cash held by the individual managers within the Account.

The Account uses a group of external stock managers retained by the State Board of Investment to manage other retirement assets. As a result, the Account encompasses a range of investment styles and approaches. One set of managers actively manages portfolios in specific segments of the U.S. stock market.

Another set of managers attempts to add incremental value by investing in a broadly diversified portfolio of stocks across a wide range of industries. This structure assures that the entire Account covers all areas of the broad stock market.

Why Would I Choose This Account?

The Growth Share Account is an actively managed aggressive investment program focused on U.S. stocks. You would choose this Account if you believe that, over time, the stock market will provide higher returns than other types of investments.

The returns from the Account are likely to fluctuate more widely than returns from the common stock index account, balanced portfolios, or fixed income accounts. The potential for higher gains over the long run is expected to compensate for the short term volatility of returns.

Who Manages The Account?

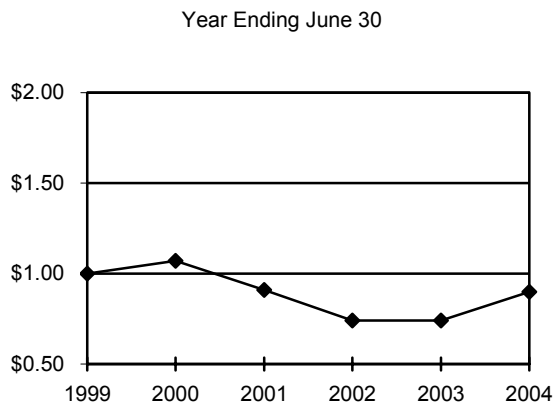
Assets in the Growth Share Account are managed by a group of external managers retained by the State Board of Investment (see page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Growth Share Account on June 30, 1999 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was -2.2% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2000	26.20	7.4%
2001	22.20	-15.3
2002	18.14	-18.3
2003	18.16	0.1
2004	21.83	20.2

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2004 the investment management fees were approximately \$0.19 per \$100 invested.

Income Share Account

The Income Share Account is the largest account in the Fund with approximately \$467 million in assets. Its objective is to earn a high rate of return both from capital appreciation (increases in market value) and current yield (dividends from stock and interest on bonds). To attain that goal, the Account uses a mix of both stocks and bonds. While holdings may vary on a day-to-day basis, the Account uses the following asset mix as a target:

- 60% common stocks
- 35% bonds
- 5% cash

The stock segment of the Account is indexed to the Russell 3000, a market index that reflects the broad U.S. stock market. The bond segment is actively managed and includes high quality corporate bonds and mortgage securities as well as U.S. Government issues.

Why Would I Choose This Account?

You would choose the Income Share Account if you want a balanced or diversified investment program by investing in one account. You must be willing to assume some risk with your investment, since returns will vary with changes in market conditions. Over time, the Account may average higher returns than you could obtain by placing your contributions in a fixed income or money market-type account.

Market-value growth and dividend income from the stock holdings can give you higher returns than are usually available from bonds and short-term (cash) investments. Conversely, while returns on bonds are often lower than returns on stocks, the bond holdings in the Account add stability and offer you some protection against wide swings in the general stock market.

Who Manages The Account?

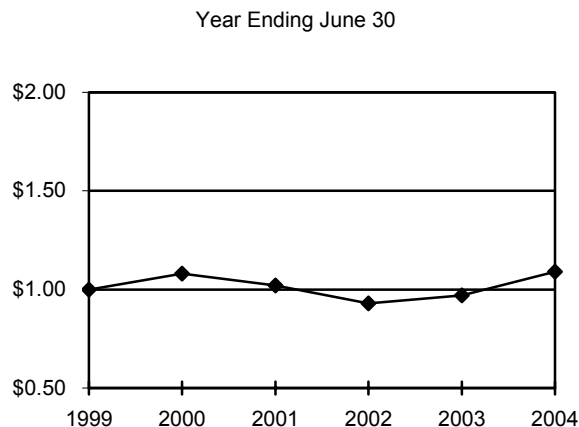
The Income Share Account uses both Investment Board staff and external money managers. Investment Board staff manage all the bond holdings in the Account. The stock holdings are invested through the same stock index fund used for the Common Stock Index Account (see page 6 for a description of this passively managed index fund).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any interest and dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance of This Account?

The graph shows how \$1.00 invested in the Income Share Account on June 30, 1999 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 1.8% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2000	30.16	7.9%
2001	28.48	-5.6
2002	25.96	-8.9
2003	27.14	4.6
2004	30.58	12.7

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2004, the investment management fees were approximately \$0.01 per \$100 invested.

International Share Account

The International Share Account has a current market value of approximately \$59 million. Its objective is to earn a high rate of return by investing in the **stock of companies outside the US**. Typically, a majority of the Account is invested in the five largest international stock markets (United Kingdom, Japan, France, Germany, and Switzerland). Most of the remainder is invested in other well established markets in Europe, the Pacific region, and Canada. Approximately ten percent of the Account is invested in developing countries, or "emerging markets", around the world including those in Asia, Latin America, Eastern Europe, the Middle East and Africa.

Why Would I Choose This Account?

This option will be attractive if you believe that, over time, international stocks will provide higher returns than other types of investments. About one-third of the Account is passively managed and is designed to consistently and inexpensively track the return of 22 markets included in the Morgan Stanley Capital International Index of the World ex. United States. The remainder of the Account is actively managed by several international stock managers that use a variety of investment styles and approaches. These managers buy and sell stocks in an attempt to maximize market value. While this investment strategy has the potential to produce returns that exceed those of a composite index comprised of approximately 90 percent developed markets and 10 percent emerging markets, there may also be periods when the returns fall below the index.

Who Manages The Account?

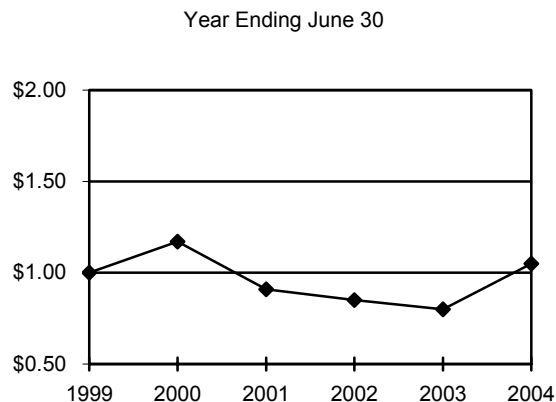
The International Share Account uses a group of external international stock managers retained by the State Board of Investment. (See page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any dividend income is reinvested in the Account at the time it is earned. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1999 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return during this period was 0.9%.

	Year Ending June 30,	
	Share Value	Rate of Return
2000	4.30	17.2%
2001	3.35	-22.1
2002	3.12	-6.9
2003	2.93	-6.1
2004	3.84	31.0

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2004 the investment management fees were approximately \$0.28 per \$100 invested.

Bond Market Account

The Bond Market Account has a current market value of approximately \$93 million. Its objective is to earn a high rate of return by investing in **fixed income securities** (bonds).

Interest income and capital appreciation (increases in the market value of the assets it owns) are the sources of returns for the Account. The Account invests the large majority of its assets in high quality government and corporate bonds and mortgage securities that have intermediate to long-term maturities, usually 3 to 20 years. The managers of the Account also may attempt to earn returns by anticipating changes in interest rates and adjusting bond holdings accordingly. While the managers invest primarily in the US bond market, some are authorized to invest a small portion of their portfolios in non-US bonds. Similarly, while the large majority of holdings in the Account will be top rated "investment grade" issues, some managers are authorized to hold a small proportion of higher yielding, or "below investment grade", debt issues as well. The aggregate holdings in non-US and below investment grade debt are expected to be no more than ten percent of the Account at any point in time.

The Account is invested entirely in fixed income securities. No stocks are held in the Account. At times, cash reserves may be raised if the Account's managers forecast an increase in interest rates.

Why Would I Choose This Account?

The Bond Market Account is a moderately conservative investment option. It will be attractive if you want an investment option that avoids common stocks, but you also want the potential for greater returns than you can obtain from money market-type accounts.

The returns from the Account generally will move in the opposite direction of interest rate changes. You must be willing to assume some risk with your investment, because the Account could register losses in periods when interest rates are rising.

Who Manages The Account?

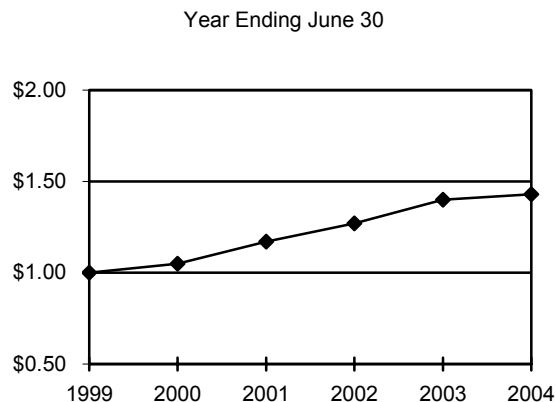
The Bond Market Account is invested by a group of external bond managers retained by the State Board of Investment (see page 3 for a listing of these managers).

How Is The Value Of This Account Determined?

You own shares in the Account, much like you would in a mutual fund. The share value is determined monthly and is based on the market value of the entire Account. Any interest earnings are reinvested at the time they are received. Your investment returns are measured by changes in the share value and reflect all realized and unrealized gains (or losses) generated by the Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1999 has grown.



The table displays the Account's actual share values and returns for the last five years. The annualized (annual compounded) return over this period was 7.4% per year.

	Year Ending June 30,	
	Share Value	Rate of Return
2000	7.55	4.7%
2001	8.45	11.9
2002	9.15	8.3
2003	10.13	10.7
2004	10.29	1.5

Note: Investment management fees and asset based charges are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2004, the investment management fees were approximately \$0.10 per \$100 invested.

Money Market Account

The return in the Money Market Account is based on the interest income produced by the Account's investments. The Account's objective is to buy short-term, liquid debt securities that pay interest rates that are competitive with those available in the money markets. The current value of the Account is approximately \$96 million.

Unlike the accounts described earlier, the Money Market Account does not own any stocks or long-term bonds. The Account is **invested in high quality, short-term investments** such as bank certificates of deposit, repurchase agreements, high grade commercial paper, bankers' acceptances and U.S. Treasury Bills. The average maturity of all securities in the Account is generally between 30 and 60 days.

Why Would I Choose This Account?

The Money Market Account is a conservative investment option. You would choose this Account if you want to maintain the value of your original investment. At the same time, you want your money to earn competitive short-term interest rates.

The returns from the Account will vary much less than investments that include stocks or bonds and should closely follow the rise and fall in short-term interest rates.

Who Manages The Account?

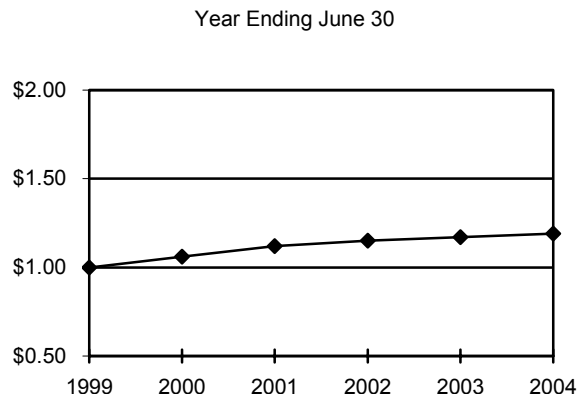
The Money Market Account is managed by State Street Global Advisors, the organization that provides short-term investment management for a substantial portion of the Board's cash reserves.

How Is The Value Of This Account Determined?

The share value for the Money Market Account is uniformly priced at \$1.00 per share. Interest earnings are credited on a monthly basis by purchasing additional shares on your behalf. The credited interest rate changes monthly and reflects the yield available for all investments in the Account for that month.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1999 has grown.



The table displays the investment returns that were generated over the last five years. The annualized (annual compounded) return during this period was 3.5% per year.

Year Ending June 30, Rate of Return

1999	5.9%
2000	6.2
2001	2.6
2002	1.6
2004	1.3

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2004 the investment management fees were approximately \$0.01 per \$100 invested.

Fixed Interest Account

The Fixed Interest Account is designed to maintain the value of your original investment and to provide competitive interest rates using somewhat longer term investments than typically found in a money market-type account. The current market value of the Account is approximately \$153 million.

The assets in the Account are **invested primarily in stable value instruments** such as insurance company investment contracts, bank investment contracts, and security backed contracts. These instruments are issued by highly rated U.S. financial institutions, typically have maturities of 3-6 years and are rated "A" or better at the time of purchase. The interest rate credited will change, reflecting the blended interest rate available from all investments in the Account including cash reserves which are maintained to provide liquidity. Due to the nature of the assets, volatility of investment returns is expected to be minimal.

Why Would I Choose This Account?

The Fixed Interest Account is a conservative investment option. This type of investment option may be attractive to you because the possibility of incurring a loss on your original investment is very low. However, you should be aware that the Account is unable to offer the potential for more substantial returns that might result from other investments such as common stock. You should also understand that the credited interest rate may not change as quickly as the interest rates associated with a money market-type account. This "lag" will tend to work to your advantage when overall interest rates are falling and will tend to work to your disadvantage when overall rates are rising.

Who Manages The Account?

The Account is managed by Galliard Capital Management, a unit of Wells Fargo Bank.

How Is The Value Of This Account Determined?

The share value for the Fixed Interest Account is uniformly priced at \$1.00 per share. Interest earnings are credited on a monthly basis by purchasing additional shares on your behalf. The credited interest rate changes monthly and reflects the yield available for all investments in the Account for that month.

May I Transfer Money Into This Account?

Yes. The Account will accept lump sum transfers from other investment options in your plan on a monthly basis, provided you follow the guidelines established by your retirement organization.

May I Transfer Money Out Of This Account?

Yes, but there are special **withdrawal restrictions** that apply only to the Fixed Interest Account. **All or a portion of the amounts deposited in the Account** may be transferred to the Income Share, Growth Share, Common Stock Index, Bond Market or International Share Accounts within the Supplemental Investment Fund. **You may not re-transfer** these amounts to the Money Market Account (or to a money market account or fixed option account of

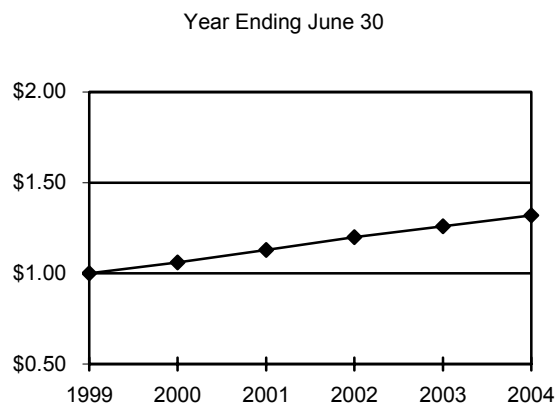
another product provider available to your plan) for at least three months.

Why Are These Restrictions Necessary?

More flexible withdrawal procedures would tend to reduce the interest rates that financial institutions would be willing to offer for investments in this Account.

What Is The Past Investment Performance Of This Account?

The graph shows how \$1.00 invested in the Account on June 30, 1999 has grown.



The table displays the investment returns that were generated over the last five years. The annualized (annual compounded) return during this period was 5.7% per year.

Year Ending June 30, Rate of Return

2000	6.2%
2001	6.3
2002	6.2
2003	5.2
2004	4.4

Note: Investment management fees are deducted before share values and rates of return are calculated.

For the 12 month period ending March 31, 2004, the investment management fees were approximately \$0.08 per \$100 invested.

State Board of Investment

Who Serves On The State Board of Investment?

The Board's membership is specified in the Minnesota Constitution and is composed of the Governor, the State Auditor, the Secretary of State and the State Attorney General. The Board's duties, powers, and investment guidelines are contained in *Minnesota Statutes*, Chapter 11A.

What Is The Board's Relationship To The Retirement Plans?

In broad terms, the Board acts as an investment manager for each retirement organization while the retirement organization provides a variety of administrative functions with respect to your individual account.

Your retirement organization forwards your contributions to the Board and the Board reports its investment returns back to the system. The retirement organization keeps a record of your individual account status and receives and processes all your requests for changes in the way your contributions are invested.

Who Advises The Board On Its Investment Decisions?

The Legislature has established a 17-member Investment Advisory Council to advise the Board and its staff on investment-related matters.

- The Board appoints ten members experienced in finance and investment. These members traditionally have come from the Minneapolis and St. Paul investment community.
- The Commissioner of Finance and the Executive Directors of the three statewide retirement organizations are permanent members of the Council.
- Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

Members of the Board

Governor Tim Pawlenty
 State Auditor Patricia Anderson
 Secretary of State Mary Kiffmeyer
 Attorney General Mike Hatch

Investment Advisory Council

Michael Troutman, Chair	Vice Pres., Investments	Board of Pensions Evangelical Lutheran Church in America
Malcolm W. McDonald, Vice Chair	Director and Corporate Secretary, Retired	Space Center, Inc.
Frank Ahrens, II	Active Employee Representative	State of Minnesota
Gary Austin	Executive Director	Teachers Retirement Association
David Bergstrom	Executive Director	Minnesota State Retirement System
John E. Bohan	Vice Pres., Pension Investments, Retired	Grand Metropolitan – Pillsbury
Kerry Brick	Pension Investment Officer	Cargill, Inc.
Douglas Gorence	Chief Investment Officer	U of M Foundation Investment Advisors
Kenneth F. Gudorf	Chief Executive Officer	Agio Capital Partners
Peggy Ingison	Commissioner	Minnesota Department of Finance
Heather Johnston	Active Employee Representative	City of Minneapolis
P. Jay Kiedrowski	Executive Vice President	Wells Fargo & Co.
Honorable Kenneth Maas	Retiree Representative	State of Minnesota
Judith W. Mares	Financial Consultant	Mares Financial Consulting, Inc.
Gary Norstrom	Treasurer, Retired	City of St. Paul
Daralyn Peifer	Chief Investment Officer	General Mills, Inc.
Mary Vanek	Executive Director	Public Employees Retirement Assoc.

**The Minnesota Supplemental Investment Fund
is managed by the Minnesota State Board of Investment**



Board Members:

Governor Tim Pawlenty
State Auditor Patricia Anderson
Secretary of State Mary Kiffmeyer
Attorney General Mike Hatch

Executive Director:

Howard Bicker

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