SBI

Minnesota
State Board of Investment

Minnesota Supplemental Investment Fund

Investment Options Prospectus

July 1, 2014

Managed by the Minnesota State Board of Investment

Minnesota State Board of Investment l 60 Empire Drive l Suite 355 l St. Paul, Minnesota 55103

Phone: 651.296.3328 Fax: 651.296.9572 website: www.sbi.state.mn.us e-mail: minn.sbi@state.mn.us

Participating Retirement Plans

Unclassified Employees Retirement Plan
Health Care Savings Plan
Deferred Compensation 457(b) Plan
Hennepin County Supplemental Retirement Plan
Minnesota State Retirement System (MSRS)
60 Empire Drive, Suite 300
St. Paul, MN 55103-3000
(651) 296-2761
1-800-657-5757

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

Local Volunteer Firefighter Relief Associations Not Participating in the Voluntary Statewide Volunteer Firefighter Plan
Minnesota State Board of Investment
60 Empire Drive, Suite 355
St. Paul, MN 55103
(651) 296-3328

Risk Spectrum

Higher Risk	Assets	Management Approach
International Share Account	non U.S. stocks	-at least one-third active management -no more than one third semi-passive management and -at least one quarter passive management
Growth Share Account	U.S. stocks	active management
Common Stock Index Account	U.S. stocks (reflects broad U.S. market)	passive management
Income Share Account	U.S. stocks/bonds	balanced asset mix
Bond Market Account	bonds	active management
Fixed Interest Account	stable value instruments	3 yr. to 5 yr. maturities
Money Market Account	short-term securities	30 to 60 day average maturity

Lower Risk

Over the long run, higher-risk assets are expected to provide higher investment returns than lower-risk assets. However, there is no guarantee that any investment will not suffer a loss of principal.

Note: The Volunteer Firefighter Account is available <u>only</u> to local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan and is described in a separate Prospectus. Local firefighter entities should contact the Public Employees Retirement Association for more information.

Letter to Participants

July 1, 2014

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

Each Account in the Minnesota Supplemental Investment Fund **has share values that are determined on a daily basis.** You may transfer assets among Accounts **on any business day during the month.**

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 term 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 account should be directed to your retirement organization or program at the office shown on the inside cover. 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.

Please note that the Volunteer Firefighter Account is available **only** to local firefighter entities that participate in the Voluntary Statewide Volunteer Firefighter Plan. This Account is described in a separate Prospectus. If you are a fire department or relief association seeking information about the Voluntary Statewide Volunteer Firefighter Plan, please contact the office of the Public Employees Retirement Association at 60 Empire Drive, Suite 200, St. Paul, MN 55103-1855, (651) 296-7460.

Historical share values are available from the Minnesota State Board of Investment upon request and can be accessed on the website at www.sbi.state.mn.us in the "Publications" section. Listings of securities held in the various accounts are also available upon request and can be accessed on the website. If you have any questions regarding the Board's investment policies and procedures, please contact 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,

Mansco Perry III
Executive Director and Chief Investment Officer
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 participating groups use the Fund for a variety of retirement-related purposes. Six plans and numerous local relief associations currently participate in the Fund. As of June 30, 2014, the market value of the Fund was approximately $3.2 billion.

What Investment Options Does The Fund Offer?
The Fund has eight accounts, or investment options:

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

The eighth account or investment option is the Volunteer Firefighter Account which is only available to participants in the Voluntary Statewide Volunteer Firefighter Plan. This Account is described in a separate Prospectus.

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.

The **Unclassified Employees Retirement Plan,** the **Health Care Savings Plan** and the **Public Employees Defined Contribution Plan** may choose from the following Accounts:

International Share	Bond Market
Growth Share	Fixed Interest
Common Stock Index	Money Market
Income Share	

The accounts listed above, **except** the Fixed Interest Account, are currently available to participants in the **Hennepin County Supplemental Retirement Plan** and to **local volunteer firefighter plans** which are not participating in the Voluntary Statewide Volunteer Firefighter Plan.

The **Minnesota Deferred Compensation 457(b) Plan** (MNDCP) uses the Money Market and Fixed Interest Accounts. Information about available investment options in the MNDCP can be obtained by contacting the Minnesota State Retirement System.

What Options Are Available To The Voluntary Statewide Volunteer Firefighter Plan?
The Volunteer Firefighter Account is the **only** option available to participants in the Voluntary Statewide Volunteer Firefighter Plan. Please contact the Public Employees Retirement Association for information about how your fire department or relief association may become a member of this Plan.

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 your 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 11).*

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 Prospectus. 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, or you can access the list on our website at www.sbi.state.mn.us, in the "Publications" section.

General Information

Investment Managers for the Fund*

Income Share Account:

- BlackRock Institutional Trust Co., San Francisco, CA (stocks)
- Investment Board Staff (bonds)**
- State Street Global Advisors, Boston, MA (cash)

Growth Share Account:

- BlackRock Institutional Trust Co., San Francisco, CA
- Barrow, Hanley, Mewhinney & Strauss, LLC, Dallas, TX
- Earnest Partners, LLC, Atlanta, GA
- Goldman Sachs Asset Management, LP, New York, NY
- Hotchkis and Wiley Capital Mgmt., LLC, Los Angeles, CA
- INTECH Investment Management, LLC, Princeton, NJ
- J.P. Morgan Asset Management Inc., New York, NY
- Jacobs Levy Equity Management, Inc., Florham Park, NJ
- LSV Asset Management, Chicago, IL
- Martingale Asset Management LP, Boston, MA
- McKinley Capital Management, Inc., Anchorage, AK
- Mellon Capital Management Corp., Boston, MA
- Next Century Growth Investors, LLC, Minneapolis, MN
- Peregrine Capital Management, Minneapolis, MN
- Sands Capital Management, LLC, Arlington, VA
- Systematic Financial Management, LP, Teaneck, NJ
- Winslow Capital Management, LLC, Minneapolis, MN
- Zevenbergen Capital Investments, LLC, Seattle, WA

Common Stock Index Account:

- BlackRock Institutional Trust Co., San Francisco, CA

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

International Share Account:

- AQR Capital Management, LLC, Greenwich, CT
- Acadian Asset Management, LLC, Boston, MA
- Capital International, Inc., Los Angeles, CA
- Columbia Mgmt. Investment Advisors, LLC, Minneapolis, MN
- J.P. Morgan Investment Management, Inc., London, England
- Marathon Asset Management, LLP, London, England
- McKinley Capital Management, LLC, Anchorage, AK
- Morgan Stanley Investment Management Inc., New York, NY
- Pyramis Global Advisors Trust Company, Boston, MA
- State Street Global Advisors, Boston, MA

Bond Market Account:

- Aberdeen Asset Management, Inc., Philadelphia, PA
- BlackRock Financial Management, New York, NY
- Columbia Mgmt. Investment Advisors, LLC, Minneapolis, MN
- Dodge & Cox, San Francisco, CA
- Goldman Sachs Asset Management, New York, NY
- Neuberger Berman Fixed Income, LLC, Chicago, IL
- Pacific Investment Mgmt. Co., (PIMCO), Newport Beach, CA
- Western Asset Management Co., Pasadena, CA

Money Market Account:

- State Street Global Advisors, Boston, MA

Fixed Interest Account:

- Galliard Capital Management, Minneapolis, MN

**On July 1, 2014, management of the bonds in the Income Share Account transitioned from an internally managed portfolio to the externally managed Bond Market Account noted above.

Executive Board Personnel

Mansco Perry III	Executive Director and Chief Investment Officer
LeaAnn M. Stagg	Chief Operating Officer
Michael J. Menssen	Director, Public Markets
Paul T. Anderson	Chief Financial Officer
Charlene Olson	Executive Assistant

Investment Staff

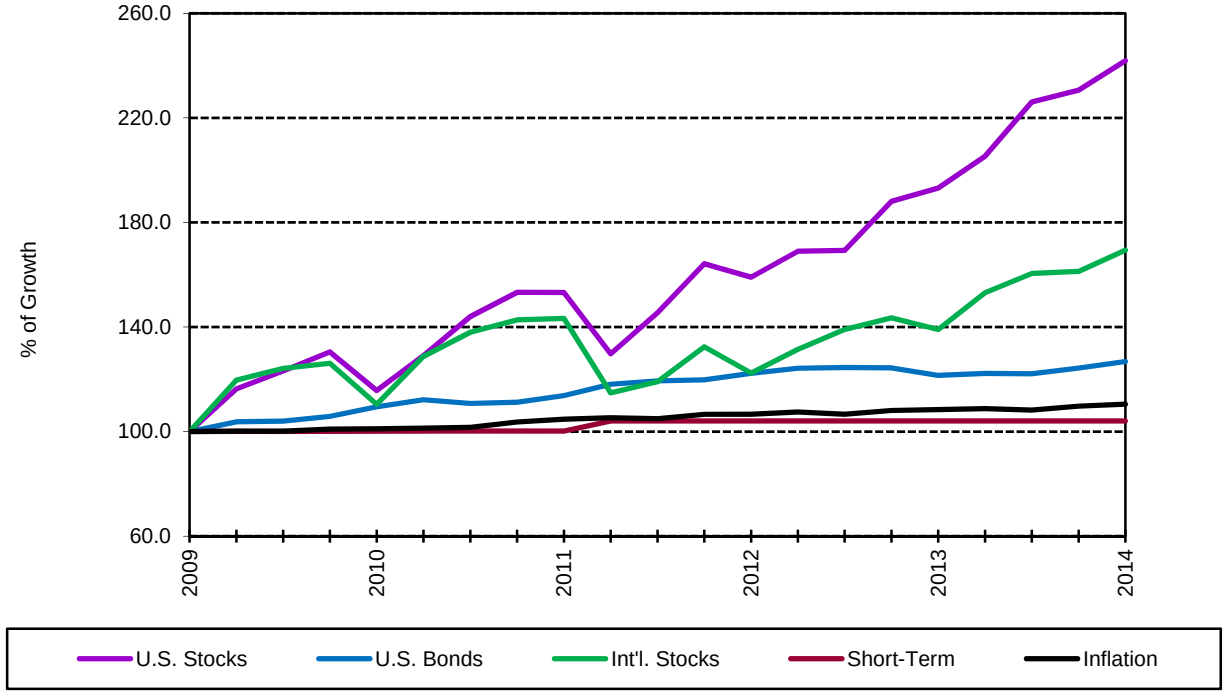
Patricia Ammann, Investment Officer	DC & Trust Services
Cassandra Boll, Investment Officer	Cash Mgmt. Services
Tammy Brusehaver, Investment Officer	Public Markets
Stephanie Gleeson, Investment Officer	Public Markets
Aaron D. Griga, Investment Officer	Public Markets
Ryan O. Hill, Investment Officer	Alternative Investments
Andrew Krech, Investment Officer	Alternative Investments
Steven P. Kuettel, Investment Officer	Cash Mgmt. Services

Administrative Staff

Shirley Baribeau	Accounting Officer, Senior
Julie Grill	Accounting Officer, Intermediate
Kailee Kemp	Office Administrative Specialist
Kathy Leisz	Information Technology Specialist 2
Melissa Mader	Office Admin. Specialist, Intermediate
Wendy Murphy	Accounting Officer, Senior
William J. Nicol	Accounting Director

The Year in Review

Cumulative Growth of Capital Markets
Last Five Fiscal Years (2010 – 2014)



	Year Ending June 30					5 Yr Annualized (1)
	2010	**2011**	**2012**	**2013**	**2014**	**2010 - 2014**
U.S. Stocks Russell 3000	15.7%	32.4%	3.8%	21.5%	25.2%	19.3%
U.S. Bonds Barclays Capital Aggregate Bond Index	9.5%	3.9%	7.5%	-0.7%	4.4%	4.9%
International Stocks MSCI All Country World Index Ex. USA (MSCI ACWI ex USA Net)	10.4%	29.7%	-14.6%	13.7%	21.7%	11.1%
Short-Term Investments 90 Day U.S. Treasury Bills	0.1%	0.1%	0.0%*	0.1%	0.1%	0.1%
Inflation Rate Change in Consumer Price Index (CPI)	1.1%	3.6%	1.7%	1.8%	2.1%	2.0%

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

*Actual return is 0.04%

The Year in Review

How Have Stocks, Bonds And Other Investments Performed?

The U.S. stock market, as measured by the Russell 3000 index, increased 25.2% for the year ending June 30, 2014. Within the Russell 3000, large capitalization stocks outperformed shares of smaller stocks and growth companies led value companies. Technology was the best performing sector in the Russell 3000 with a 33.7% return, while the Utilities sector was the worst performing sector with a 16.5% return.

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, returned 4.4% for the twelve months ending June 30, 2014. Within the bond market, U.S. Treasuries returned 2.0%, corporate bonds returned 7.7%, agency mortgage-backed securities returned 4.7%, commercial mortgage-backed securities returned 4.2%, asset-backed securities returned 1.8% and agency bonds returned 3.2%.

International equity markets returned 21.7% for the year in U.S. dollar terms, as measured by the Morgan Stanley Capital International All Country World Index excluding the United States net of taxes on dividends (MSCI ACWI ex. U.S. net), which represents the developed and emerging international markets outside the U.S. The MSCI World ex. U.S. Index net, which represents developed international markets, returned 23.8% for the year. The United Kingdom, Japan and Canada, which together comprise over 47% of the index returned of 26.6%, 9.9% and 26.3%, respectively. The emerging markets, as measured by the MSCI Emerging Markets Free Index net, returned 14.3% for the year in U.S. dollar terms. China, Korea and Taiwan were the largest countries in the index at the end of the fiscal year with a combined weight of 46%. They returned 15.7%, 24.4% and 20.0%, respectively.

How Did Returns In The Minnesota Supplemental Investment Fund Compare For Fiscal Year 2014?

- The **International Share Account** provided a return of 21.4% for the fiscal year,slightly underperforming the international composite index. The composite index, is comprised of approximately 78% developed markets and 22% emerging markets. Overall, the developed markets managers matched their index and the emerging markets managers underperformed their index.

- The **Growth Share Account** increased 26.1% during the fiscal year, outperforming the Russell 3000 index by 0.9%. Overall, the semi-passive managers matched their index, the large cap growth, large cap value and small cap value active managers outperformed their benchmarks, and the small cap growth aggregate underperformed its benchmark.

- The **Common Stock Index Account** was up 25.2% during the year, which matched its benchmark, the Russell 3000.

- The mix of stocks, bonds and cash in the **Income Share Account** provided a return of 16.7% and outperformed its composite index by 0.4%. The composite index consists of 60% stocks, 35% bonds and 5% cash.

- The **Bond Market Account** posted a return of 5.0% for the year ending June 30, 2014 and outperformed its benchmark, the Barclays Capital U.S. Aggregate Bond Index, by 0.6%. An overweight position in corporate bonds and a short duration position contributed to the outperformance.

- The **Fixed Interest Account** provided a return of 1.9% during the fiscal year, which outperformed its benchmark by 0.7%.

- The **Money Market Account** earned 0.1% for the year. This gain is similar to the returns for money market accounts offered by mutual funds and banks.

Special Note Regarding Your Individual Account Performance

Your retirement organization accumulates your contributions and transfers these contributions to various accounts in the Fund. The actual performance of your investments in the Supplemental Investment Fund Accounts may be somewhat higher or lower than these figures due to the timing of those transfers. Note that performance calculations may also differ due to rounding.

International Share Account

The International Share Account has a market value of approximately $210 million. The objective of this Account is to earn a high rate of return by investing in the **stock of companies outside the U.S.**

Typically, a majority of the Account is invested in the largest international stock markets (United Kingdom, Japan, Canada, France, Germany and Switzerland). Most of the remainder is invested in other well established markets in Europe and the Pacific region. Approximately twenty-two 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. Over 43% 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. The remainder of the Account is passively managed to closely approximate the returns of the international markets and semi-passively managed to add incremental value over the index return by investing in broadly diversified portfolios of stocks in the developed and emerging markets.

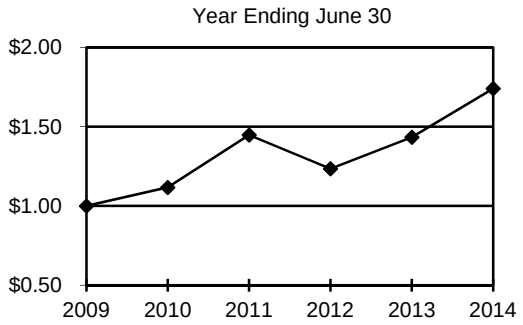
The returns from the Account will rise and fall with movements in the international stock markets. As with all options that use common stocks, you must be willing to accept returns that vary widely in the short term. While this investment strategy has the potential to produce returns that exceed those of a combined index comprised of both the developed markets and emerging markets, there also may be periods when the returns fall below the index return.

Who Manages The Account?
The International Share Account uses a group of international stock investment 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 daily 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, 2009 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 11.7%.



	Year Ending June 30	
	Share Value	**Rate of Return**
2010	$5.36	11.7%
2011	6.95	29.6
2012	5.93	-14.7
2013	6.88	16.1
2014	8.35	21.4

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

For the 12 month period ending March 31, 2014, the investment management fees were approximately $0.30 per $100 invested.

Growth Share Account

The Growth Share Account has approximately $203 million in assets. The 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.

The Account is composed **almost exclusively of stocks of U.S. companies.** The small amount of cash in the Account represents the new contributions prior to investment in the market as well as any cash held by the individual managers within the Account.

The Account is managed by a group of investment 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 Account covers all areas of the broad stock market.

The Growth Share Account differs from the Common Stock Index Account because it is actively managed to buy and sell stocks that, in total, may do better than 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 and the managers of the Account will buy and sell stocks that, in total, do better than the broad stock market.

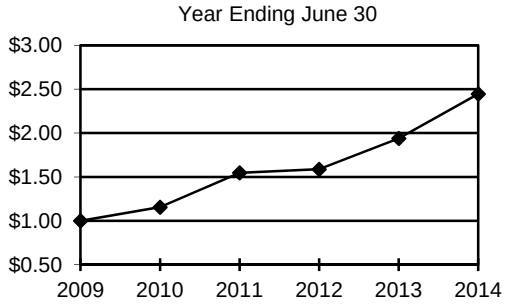
The returns from the Account will rise and fall with movement in the stock market. As with all options that use common stocks, you must be willing to accept returns that vary widely in the short term. The returns from the Account are likely to fluctuate more widely than returns from the Common Stock Index Account, Income Share Account or Bond Market Account. The potential for higher gains over the long run may compensate for higher short term volatility of returns.

Who Manages The Account?
Assets in the Growth Share Account are managed by a group of investment 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 daily 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, 2009 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 19.6% per year.



	Year Ending June 30	
	Share Value	**Rate of Return**
2010	$22.33	15.6%
2011	29.88	33.8
2012	30.69	2.7
2013	37.47	22.1
2014	47.27	26.1

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

For the 12 month period ending March 31, 2014, the investment management fees were approximately $0.22 per $100 invested.

Common Stock Index Account

The Common Stock Index Account has a market value of approximately $445 million. The objective of the Account is to generate high returns that closely approximate the returns of the U.S. stock market as a whole. The Account is **invested primarily in U.S. stocks**.

The Account invests in over 2,000 domestic stocks and is designed to replicate the returns 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.

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 (see page 7), 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, an active 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 replicate the market.

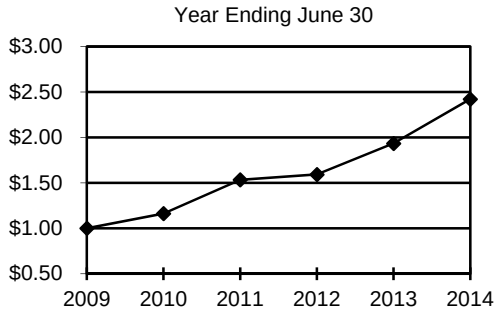
The returns from the Account will rise and fall directly with movement in the stock market. As with all options that use common stocks, you must be willing to accept returns that vary widely in the short term. In the long term, the Account should average higher returns than you could obtain by placing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

Who Manages The Account?
The Common Stock Index Account is managed by BlackRock Institutional Trust Co.

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 daily 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, 2009 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 19.4% per year.



	Year Ending June 30	
	Share Value	**Rate of Return**
2010	$17.88	16.2%
2011	23.61	32.0
2012	24.51	3.8
2013	29.77	21.5
2014	37.28	25.2

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

For the 12 month period ending March 31, 2014, the investment management fees were approximately $0.02 per $100 invested.

Income Share Account

The Income Share Account has a market value of approximately $350 million in assets. The objective of this Account is to earn a return from both 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 stocks and bonds**. While holdings may vary on a day-to-day basis, the following is the targeted asset mix:

- 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 in one account. You must be willing to assume some risk with your investment, since returns will vary with changes in market conditions. Over the long run, the Account is expected to 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.

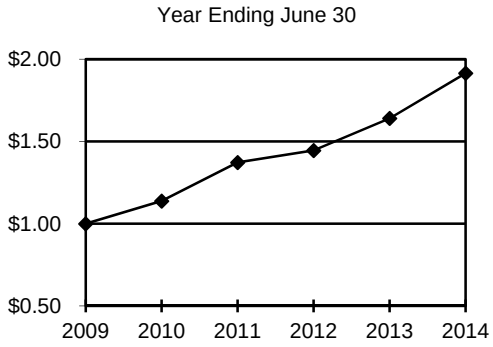
Who Manages The Account?
The Income Share Account uses both Investment Board staff and external investment managers. Prior to July 1, 2014, the Investment Board staff managed the bond holdings in the Account. The assets are now invested in the the Bond Market Account, which includes a group of bond managers retained by the State Board of Investment (see page 3 for a listing of these managers).

The stock holdings are invested through the same stock index fund used for the Common Stock Index Account (see page 8 for a description of this passively managed index fund). The cash portion of the Account is managed by State Street Global Advisors.

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 daily 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, 2009 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 13.9% per year.



	Year Ending June 30	
	Share Value	**Rate of Return**
2010	$37.31	13.8%
2011	45.01	20.6
2012	47.40	5.3
2013	53.77	13.5
2014	62.73	16.7

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

For the 12 month period ending March 31, 2014, the investment management fees were approximately $0.01 per $100 invested.

Bond Market Account

The Bond Market Account has a market value of over $110 million. The objective of this Account is to earn returns by investing in **fixed income securities** (bonds).

Interest income and capital appreciation (increases in the market value of the assets) 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 U.S. bond market, some are authorized to invest a small portion of their portfolios in non-U.S. 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 portion in higher yielding, or below investment grade, debt issues. The aggregate holdings in non-U.S. and below investment grade debt are limited to no more than ten percent of the Account at any 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 investment 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.

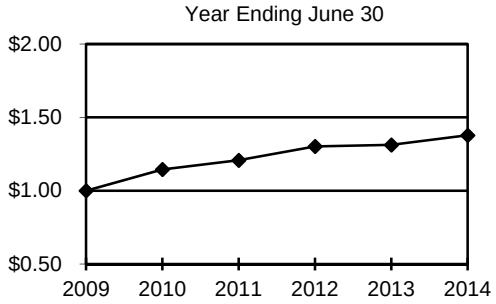
The returns from the Account generally will move in the opposite direction of interest rate changes. You must be willing to assume some risk with your investment, because the Account could register losses in periods when interest rates are rising.

Who Manages The Account?
The Bond Market Account is invested by a group of 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 daily 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, 2009 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 6.6% per year.



	Year Ending June 30	
	Share Value	**Rate of Return**
2010	$14.33	14.5%
2011	15.12	5.5
2012	16.29	7.8
2013	16.43	0.8
2014	17.25	5.0

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

For the 12 month period ending March 31, 2014, the investment management fees were approximately $0.11 per $100 invested.

Fixed Interest Account

The Fixed Interest Account is designed to maintain the value of your original investment and to provide competitive returns using somewhat longer-term investments than typically found in a money market-type account. The market value of the Account is approximately $1.5 billion.

The Account is invested in a well-diversified portfolio of high quality fixed income securities with strong credit ratings. The Account also invests in contracts issued by highly rated insurance companies and banks which are structured to provide principal protection for the Account's diversified bond portfolios, regardless of daily market changes.

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 returns of the Account may not change as quickly as the credited 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, an independently operated subsidiary of Wells Fargo Bank.

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 on a daily basis and reflects the blended crediting rate available from all investments in the Account. Due to the nature of the Account's investments, returns change only modestly from period to period.

May I Transfer Money Into This Account?
Yes. The Account will accept transfers from other investment options in your plan, provided you follow the guidelines established by your retirement organization.

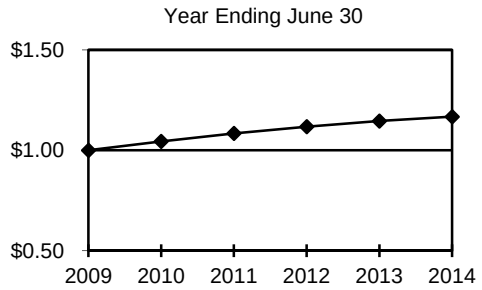
May I Transfer Money Out Of This Account?
Yes, but there are special **withdrawal restrictions** that apply only to the Fixed Interest Account. **All or a portion of the amounts deposited in the Account** may be transferred to the Income Share, Growth Share, Common Stock Index, Bond Market or International Share Accounts within the Supplemental Investment Fund. **You may not re-transfer** these amounts to the Money Market Account for at least three months.

Why Are These Restrictions Necessary?
When short-term interest rates rise above the rates available in the Fixed Interest Account, transfers from the Fixed Interest Account to the Money Market Account adversely affect the investments in the Fixed Interest Account. More flexible withdrawal procedures tend to reduce the interest rates that financial institutions would be willing to offer for investments in this Account.

What are the Risks?
While the Fixed Interest Account is a conservative investment option in the Supplemental Investment Fund, it is possible to lose money by investing in this fund.

What Is The Past Investment Performance Of This Account?
The graph shows how $1.00 invested in the Account on June 30, 2009 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 3.1% per year.



Year Ending June 30
Rate of Return

2010	4.4%
2011	3.8
2012	3.1
2013	2.5
2014	1.9

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

For the 12 month period ending March 31, 2014, the investment management fees were approximately $0.26 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 objective of the Account is to provide safety of principal by investing in high-quality, short-term instruments. The value of the Account is approximately $316 million.

Unlike the accounts described earlier, the Money Market Account does not own stocks or long-term bonds. The Account is invested in short-term, high-quality money market instruments.

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 while earning 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.

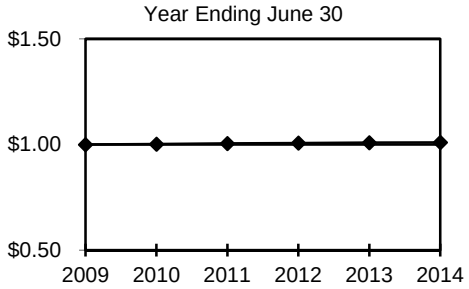
Who Manages The Account?
The Money Market Account is managed by State Street Global Advisors, the organization that provides short-term investment management for a substantial portion of the Board's cash reserves.

How Is The Value Of This Account Determined?
The share value for the Money Market Account is uniformly priced at $1.00 per share. There is no assurance that the portfolio will be able to maintain a stable net asset value of $1.00 per share. Interest earnings are credited on a daily basis by purchasing additional shares on your behalf. The credited interest rate changes only modestly from day to day and reflects the yield available for all investments in the Account.

What are the Risks?
While a money market fund's objective generally includes the preservation of capital, it is possible to lose money by investing in the fund.

What Is The Past Investment Performance Of This Account?
The graph shows how $1.00 invested in the Account on June 30, 2009 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 0.2% per year.



Year Ending June 30
Rate of Return

2010	0.2%
2011	0.3
2012	0.2
2013	0.2
2014	0.1

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

For the 12 month period ending March 31, 2014, the investment management fees were approximately $0.01 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 Attorney General. The Board's duties, powers, and investment authority 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 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 an 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 Minnesota Management & Budget 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 Mark Dayton
State Auditor Rebecca Otto
Secretary of State Mark Ritchie
Attorney General Lori Swanson

Investment Advisory Council

Jeffery Bailey, Chair	Sr. Director, Financial Benefits & Analysis	Target Corporation
Malcolm W. McDonald, Vice Chair	Director & Corporate Secretary, Retired	Space Center, Inc.
Denise Anderson	Governor's Appointee	Active Employee Representative
David Bergstrom	Executive Director	Minnesota State Retirement System
John E. Bohan	Vice Pres., Pension Investments, Retired	Grand Metropolitan – Pillsbury
Kerry Brick	Manager, Pension Investments	Cargill, Inc.
Dennis Duerst	Director, Benefit Funds Investment	3M Company
Kim Faust	Vice President and Treasurer	Fairview Health Services
Douglas Gorence	President & Chief Investment Officer	UMF Investment Advisors
Laurie Fiori Hacking	Executive Director	Teachers Retirement Association
P. Jay Kiedrowski	Senior Fellow	Humphrey Institute University of MN
Gary Martin	Chief Investment Officer	Macalester College
Jim Schowalter	Commissioner	Minnesota Management & Budget
Mary Vanek	Executive Director	Public Employees Retirement Association
Elaine Voss	Governor's Appointee	Retired Employee Representative

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

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Board Members:

Governor Mark Dayton
State Auditor Rebecca Otto
Secretary of State Mark Ritchie
Attorney General Lori Swanson

Executive Director and Chief Investment Officer:

Mansco Perry III

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