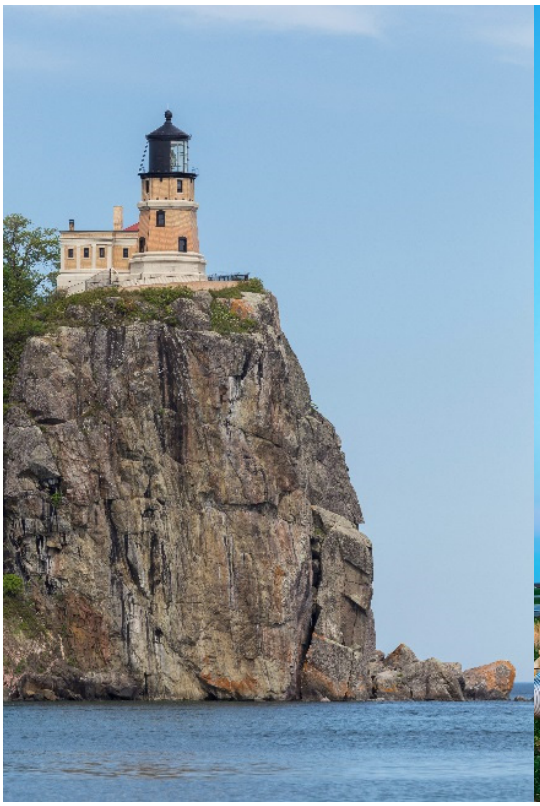
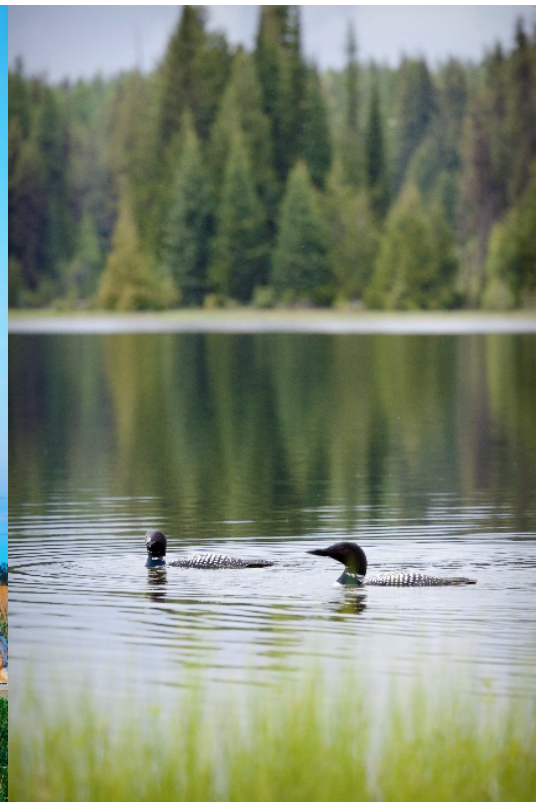




Minnesota State Board of Investment

Supplemental Investment Fund

Prospectus ● July 1, 2016

Supplemental Investment Fund

State Board of Investment

Members

The State Board of Investment (SBI), in conjunction with SBI staff and the Investment Advisory Council (IAC), establishes investment policies for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. The Board's membership is specified in the Minnesota Constitution and is composed of the officers listed below. The Board's duties, powers, and investment authority are contained in *Minnesota Statutes*, Chapter 11A.

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

Investment Advisory Council

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 investments. The Commissioner of Minnesota Management & Budget and the Executive Directors of the three statewide retirement systems are permanent members of the council. Two active employee representatives and one retiree representative are appointed to the Council by the Governor.

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
Doug Anderson	Executive Director	Public Employees Retirement Association
David Bergstrom	Executive Director	Minnesota State Retirement System
Kerry Brick	Manager, Pension Investments	Cargill, Inc.
Dennis Duerst	Director, Benefit Funds Investment	3M Company
Kim Faust	Vice President and Treasurer	Fairview Health Services
Myron Frans	Commissioner	Minnesota Management & Budget
Laurie Fiori Hacking	Executive Director	Teachers Retirement Association
Susanna Gibbons	Director, Carlson Fixed Income Fund	Carlson School of Management
Morris Goodwin, Jr.	Sr. Vice President and CFO	American Public Media Group
Peggy Ingison	Governor's Appointee	Active Employee Representative
Gary Martin	Chief Investment Officer	Macalester College
Carol Peterfeso	Chief Treasury and Investment Officer	University of St. Thomas
Elaine Voss	Governor's Appointee	Retired Employee Representative
Shawn Wischmeier	Chief Investment Officer	Margaret A. Cargill Philanthropies

Staff

To carry out its mission, SBI retains an executive director, an internal investment staff and external investment managers to execute its policies. Staff is responsible to execute board decisions, recommend strategic planning alternatives to the IAC and Board, monitor and evaluate investment performance to ensure long-term investment objectives are met, and provide investment management for the state agency cash and non-retirement fund accounts.

Mansco Perry III, *Executive Director and Chief Investment Officer*
Charlene Olson, *Executive Assistant*

Senior Leadership Team
LeaAnn M. Stagg, *Asst. Exec Director & Chief Operating Officer*
Paul T. Anderson, *Director, Investment Administration*
Andrew Krech, *Director, Private Markets*
Michael J. Menssen, *Director, Debt Management*
John Mulé, Manager, *Legal and Legislative Policy*

Investment Staff
Patricia Ammann, *Investment Officer, Private Markets*
Nathan Blumenshine, *Investment Analyst*, *Private Markets*
Cassandra Boll, *Investment Officer*, *Private Markets*
Tammy Brusehaver, *Investment Officer*, *Public Equity*
Stephanie Gleeson, *Investment Officer*, *Public Equity*
Inma Conde Goldman, *Investment Officer*, *Public Equity*

Investment Staff (continued)
Aaron D. Griga, *Investment Officer*, *Fixed Income*
Steven P. Kuettel, *Investment Officer*, *Cash Management*
Jonathan Stacy, *Investment Officer*, *Private Markets*

Administrative Staff
Shirley Baribeau, *Project Team Leader*
Julie Grill, *Accounting Officer, Intermediate*
Kailee Kemp, *Account Clerk, Senior*
Kathy Leisz, *Information Technology Specialist 2*
Melissa Mader, *Office Admin. Specialist, Intermediate*
Wendy Murphy, *Accounting Officer, Senior*
William J. Nicol, *Accounting Director*
Kelly Nordstrom, *Office Administrative Specialist*
Iryna Shafir, *Accounting Officer, Senior*

Supplemental Investment Fund

Chief Investment Officer's Letter

July 1, 2016

I am pleased to present to you the Minnesota Supplemental Investment Fund (SIF) Prospectus and Annual Report for the fiscal year ended June 30, 2016. This information provides you with the performance, fees, and general descriptions for each of the SIF investment options managed by the State Board of Investment (SBI). Total assets invested within the SIF options grew by 3.3% over the year and represent $3.3 billion in assets. Of that amount, $1.4 billion in assets are SIF options offered in the Minnesota Deferred Compensation Plan (MNDCP). The Volunteer Firefighter Account assets increased 68% over the year as more Local Fire Relief Associations joined the Voluntary Statewide Volunteer Firefighter Plan.

At the end of June 30, 2016, the U.S. economy (real GDP) grew at an annualized rate of 1.2% and the U.S. labor markets reached its lowest unemployment rate since August 2007 of 4.7%. At its meeting in June 2016, the U.S. Federal Reserve decided to maintain the target range for the federal funds rate at 0.25% to 0.5%. Fed Chairwoman Janet Yellen stated that slower employment gains, low productivity growth and inflation running below the Fed's 2% annual target were reasons for caution going forward.

The U.S. equity and bond markets posted positive performance while the international equity markets were negative for the fiscal year ending June 30, 2016. The Russell 3000 Index, a proxy for the U.S. equity markets, returned 2.1% and the U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, returned 6.0%. International equity markets, as represented by MSCI ACWI ex USA Index (net), lagged domestic markets with a -10.2% return for the year.

Ongoing volatility in energy prices continued during the year as crude oil touched a low of $26 in February and ended the year just above $48. On June 23, 2016, the United Kingdom voted in favor of exiting the European Union, also referred to as Brexit, which sent the global equity markets plunging. The immediate aftermath left the British Pound falling at levels not seen since the mid-1980's and global government bond yields at records lows, including the 10-year U.S. Treasury which touched a four-year low of 1.4%.

In 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 instruments.

With these considerations in mind, the State Board of Investment manages the Supplemental Investment Fund to 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 risk and return objectives.

On behalf of the Board Members, members of the Investment Advisory Council and the SBI staff, I would like to express our gratitude to you for your continued support and participation in the investment funds presented in this prospectus. The Minnesota State Board of Investment seeks to enhance the management and performance of the assets under its control. 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

Supplemental Investment Fund

External Portfolio Management

The SBI offers a variety of funds to help participants reach their financial goals. The external investment managers hired by the SBI are listed under the respective investment option.

Broad International Stock Fund

AQR Capital Management, LLC, Greenwich, CT
Acadian Asset Management LLC, Boston, MA
Capital International, Inc., Los Angeles, CA
Columbia Threadneedle Investments, Minneapolis, MN
Fidelity Institutional Asset Management LLC, Boston, MA
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
State Street Global Advisors, Boston, MA

U.S. Stock Actively Managed Fund

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

U.S. Stock Index Fund

BlackRock Institutional Trust Company, N.A., San Francisco, CA

Balanced Fund

BlackRock Institutional Trust Company, N.A., San Francisco, CA (stocks)
State Street Global Advisors, Boston, MA (cash)
Bond Fund managers (see below list of investment managers)

Bond Fund

Aberdeen Asset Management Inc., Philadelphia, PA
BlackRock Financial Management, Inc., New York, NY
Columbia Threadneedle Investments, 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. LLC, (PIMCO), Newport Beach, CA
Western Asset Management Company, Pasadena, CA

Stable Value Fund

Galliard Capital Management, Inc., Minneapolis, MN

Money Market Fund

State Street Global Advisors, Boston, MA

Investment Options/Risk Spectrum

	Fund Name	Asset Type	Management Approach[1]
Higher Risk	**Broad International Stock Fund**	Non-U.S. stocks	Active, Semi-passive, and Passive
	U.S. Stock Actively Managed Fund	U.S. stocks	Active
	U.S. Stock Index Fund	U.S. stocks	Passive
	Balanced Fund	U.S. stocks U.S. bonds & cash	Passive (U.S. Stock Index Fund) Active (Bond and Money Market)
	Bond Fund	Bonds	Active management
	Stable Value Fund	Bonds with Stable Value instruments	Active management
Lower Risk	**Money Market Fund**	Short-term securities	Active management

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.

[1] All investment options are managed by external investment firms identified above.

Supplemental Investment Fund

Summary

What is the Minnesota Supplemental Investment Fund?

The Minnesota Supplemental Investment Fund (SIF) is a multi-purpose investment program that offers a range of investment options to state and other public employee groups. Participants may allocate their investments among one or more funds that are appropriate for their needs and are within the rules and eligibility established by the participating plans. The SIFs are structured like a family of mutual funds.

What Investment Options Are Offered?

There are a total of eight investment options and each one offers different advantages and risks. As of June 30, 2016, participating plans invested a total of $3.3 billion with the SIF. This amount includes the Stable Value and Money Market assets within the Minnesota Deferred Compensation Plan (MNDCP). The SIF options are described in greater detail on the following pages.

Fund Options		Assets as of 6/30/2016
Broad International Stock Fund	$	166,328,076
U.S. Stock Actively Managed Fund	$	208,781,678
U.S. Stock Index Fund	$	481,351,136
Balanced Fund	$	374,632,634
Bond Fund	$	143,378,025
Stable Value Fund	$	1,544,596,622
Money Market Fund	$	365,807,976
Volunteer Firefighter Account	$	54,269,347
Total Assets Invested	**$**	**3,339,145,494**

How often are the SIFs Priced?

Share values in each SIF fund are priced on a daily basis. You may transfer assets among funds on any business day during the month. Historical share values are available on the website at www.sbi.state.mn.us in the "Publications" section.

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 funds in designing an investment portfolio that reflects your personal investment needs and objectives.

It is not the intent of the State Board of Investment to advise participants regarding their choice among funds. 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 plan sponsor for more specific information. *Please note that special restrictions apply to transfers out of the Stable Value Fund (see page 11).*

What Securities Are Owned By The Fund?

A listing is not provided in the Prospectus due to the large number of holdings owned in each of the funds. Please contact the SBI if you would like a complete list of holdings or you can access the list on our website at www.sbi.state.mn.us, in the "Publications" section.

What If I Have An Account Or Administrative Fee Inquiry?

Any questions about your account should be directed to the appropriate plan sponsor or reporting agency identified on the page 13. Each agency handles all changes in the way you invest your contributions and maintain your records on the status of your fund. Your plan sponsor or reporting agency has the authority to deduct a fee for administrative expenses after fund share values have been calculated. Participants in all plans should contact their plan sponsor or reporting agency for more information regarding plan administrative expenses.

Are All These Options Available to Me?

The choices you have depend on the plan in which you participate. For example, the Volunteer Firefighter Account is only available to participants in the Voluntary Statewide Volunteer Firefighter Plan, which is described in a separate Prospectus. Also note that there may be other participating plans which are not listed below that invest in the SIF as allowed under state statute.

Fund Options	MN Deferred Compensation Plan (MNDCP)[1]	Health Care Savings Plan	Hennepin Co. Supplemental Plan	Local Fire Relief Associations	Public Employees DC Plan	Unclassified Plan	Voluntary Statewide Volunteer Firefighter Plan[2]
Broad International Stock Fund		x	x	x	x	x	
U.S. Stock Actively Managed Fund		x	x	x	x	x	
U.S. Stock Index Fund		x	x	x	x	x	
Balanced Fund		x	x	x	x	x	
Bond Fund		x	x	x	x	x	
Stable Value Fund	x	x			x	x	
Money Market Fund	x	x	x	x	x	x	
Volunteer Firefighter Account							x

[1] The SIF funds listed are only two of the 13 investment options offered within the MNDCP. Information on the investment options available in the MNDCP can be obtained by contacting MSRS or go to www.msrs.state.mn.us.

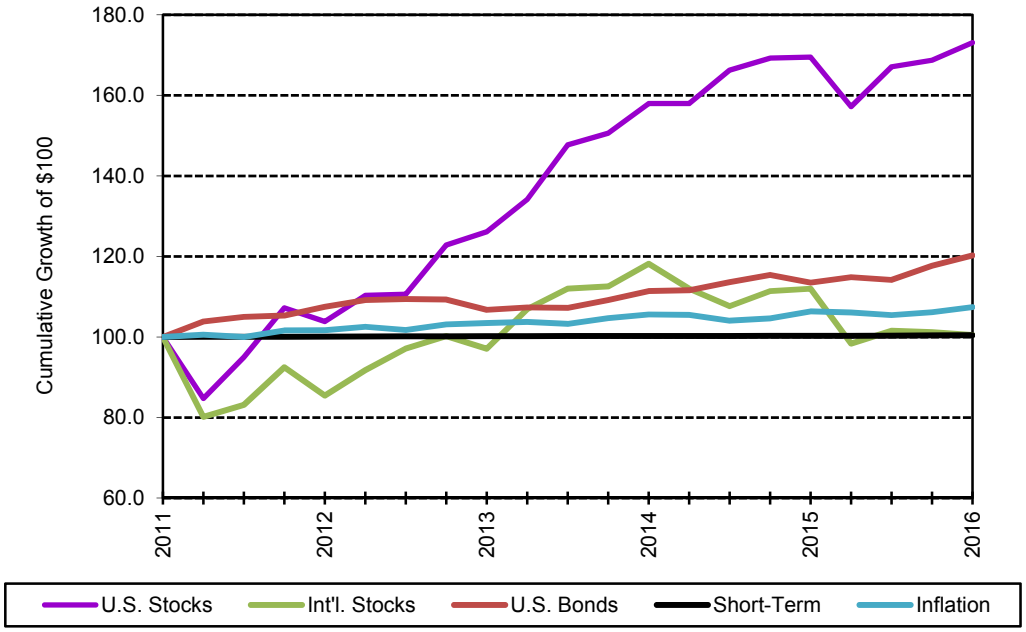
[2] Voluntary Statewide Volunteer Firefighter Plan is a retirement plan option available to Local Fire Relief Associations. Information about this plan can be obtained by contacting the plan sponsor, PERA, or the Investment Booklet is available on the SBI's website at http://mn.gov/sbi/Publications.html.

The Capital Market Year in Review

Cumulative Growth and Performance

Cumulative Growth of $100

Last Five Fiscal Years ending June 30



Performance of Capital Markets

Last Five Fiscal Years Ending June 30

	Fiscal Year Ending					Annualized Returns Ending June 30, 2016	
	2016	2015	2014	2013	2012	3 Yrs	5 Yrs
U.S. Stocks							
Russell 3000 Index	2.1%	7.3%	25.2%	21.5%	3.8%	11.1%	11.6%
U.S. Bonds							
Barclays Aggregate Index	6.0%	1.9%	4.4%	-0.7%	7.5%	4.1%	3.8%
International Stocks							
MSCI ACWI ex USA	-10.2%	-5.3%	21.8%	13.6%	-14.6%	1.2%	0.1%
Short Term Investments							
90-Day Treasury Bill	0.2%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%
Inflation Rate							
Consumer Price Index-Urban	1.0%	0.1%	2.1%	1.8%	1.7%	1.1%	1.3%

Fiscal Year 2016 in Review

Commentary and Relative Performance

How Have Stocks, Bonds And Other Investments Performed?

The U.S. stock market, as measured by the Russell 3000 index, increased 2.1% for the year ending June 30, 2016. Within the Russell 3000, large capitalization companies outperformed small capitalization companies. The Utilities sector was the best performing sector in the Russell 3000 with a 28.4% return, while the Energy sector was the worst performing sector with a -8.1% return.

The U.S. bond market, as measured by the Barclays Capital U.S. Aggregate Bond Index, returned 6.0% for the fiscal year. Within the bond market, Corporates were the highest performers with a 7.9% return for the year. Commercial Mortgage Backed Securities (CMBS) and U.S. Treasuries each returned 6.2%, Agency Mortgage-Backed Securities (AMBS) had a 4.3% return, Agency bonds a 3.1% return and Asset-Backed Securities (ABS) returned 2.7% for the year.

International equity markets returned -10.2% 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 USA Index net), which represents the developed and emerging international markets outside the U.S. The MSCI World ex USA Index (net), which represents developed international markets had a return of -9.8% for the year. Japan, the United Kingdom, and Canada, which together comprise over 48% of the index returned of -8.9%, -12.1% and -6.3%, respectively. The emerging markets, as measured by the MSCI Emerging Markets Index (net), returned -12.1% 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 53%. They returned -23.4%, -3.5% and -8.8%, respectively.

How Did Returns In The Minnesota Supplemental Investment Fund Compare For Fiscal Year 2016?

The **Broad International Stock Fund** provided a return of -9.7% for the fiscal year, outperforming the international composite index by 0.5%. The composite index, is comprised of approximately 77% developed markets and 23% emerging markets. Overall, the developed markets managers and the emerging markets managers outperformed their respective indices.

Performance Ending 6/30/16	1 Yr
Broad International Stock Fund	-9.7%
MSCI ACWI ex USA Index (net)	-10.2%

The **U.S. Stock Actively Managed Fund** returned -1.1%, which underperformed the Russell 3000 index for the fiscal year. Both active and semi-passive mandates trailed their respective style benchmarks for the year.

Performance Ending 6/30/16	1 Yr
U.S. Stock Actively Managed Fund	-1.1%
Russell 3000	2.1%

The **U.S. Stock Index Fund** was up 2.2% during the year, which outperformed its benchmark, the Russell 3000.

Performance Ending 6/30/16	1 Yr
U.S. Stock Index Fund	2.2%
Russell 3000	2.1%

The **Bond Fund** posted a return of 5.9% for the fiscal year year, slightly underperforming its benchmark, the Barclays Capital U.S. Aggregate Bond Index.

Performance Ending 6/30/16	1 Yr
Bond Fund	5.9%
Barclays Capital U.S. Aggregate	6.0%

The mix of stocks, bonds and cash in the **Balanced Fund** provided a return of 3.4%, which underperformed the composite index for the fiscal year. The composite index consists of 60% stocks, 35% bonds and 5% cash.

Performance Ending 6/30/16	1 Yr
Balanced Fund	3.4%
Balanced Fund Custom Index	3.6%

The **Stable Value Fund** provided a return of 2.0% during the fiscal year, which outperformed its benchmark by 0.6%.

Performance Ending 6/30/16	1 Yr
Stable Value Fund	2.0%
3 Yr Constant Maturity Treasury Bill + 0.45%	1.4%

The **Money Market Fund** earned 0.4% for the fiscal year outperforming its benchmark. This gain is similar to the returns for money market accounts offered by mutual funds and banks.

Performance Ending 6/30/16	1 Yr
Money Market Fund	0.4%
3 Month U.S. T-Bill	0.2%

Special Note Regarding Your Individual Account Performance.

Your plan sponsor or reporting agency accumulates your contributions and transfers these contributions to various accounts in the fund. The actual performance of your investments in the Supplemental Investment Fund 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.

Broad International Stock Fund

The Broad International Stock Fund has a market value of approximately $166 million. The objective of the fund is to earn a high rate of return by investing in the **stock of companies outside the U.S.** The fund's benchmark is the Morgan Stanley Capital International All Country World Index excluding the United States net of taxes on dividends (MSCI ACWI ex USA Index net).

Typically, a majority of the fund is invested in the largest international stock markets (Japan, United Kingdom, Canada, France, Switzerland and Germany). Most of the remainder is invested in other well established markets in Europe and the Pacific region. Approximately twenty percent of the fund is invested in developing countries, or "emerging markets", around the world including those in Asia, Latin America, Eastern Europe, the Middle East and Africa.

A quarterly factsheet is available for this fund on the SBI's website at http://mn.gov/sbi/Publications.html.

Why Would I Choose This Fund?

This option will be attractive if you believe that, over time, international stocks will provide higher returns than other types of investments. The fund is made up of active, semi-passive and passive managers. The active international stock managers managers 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 fund 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 fund 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 Fund?

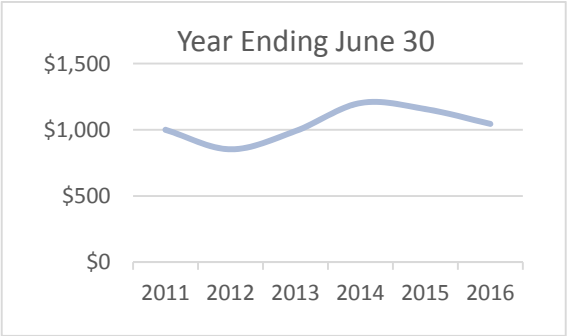
The Broad International Stock Fund uses a group of international stock investment managers retained by the State Board of Investment (see page 2 for a listing of these managers).

How Is The Value Of This Fund Determined?

You own shares in the fund, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire fund. Any dividend income is reinvested in the fund 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 fund.

What Is The Past Investment Performance Of This Fund?

The graph below shows how $1,000 invested in the fund on June 30, 2011, has grown.



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

	Fiscal Year Ending June 30	
	Share Value	**Rate of Return**
2012	$5.93	-14.7%
2013	6.88	16.1
2014	8.35	21.4
2015	8.03	-3.8
2016	7.26	-9.7

Fees and Expenses

The rate of return for this fund is calculated after operating expenses are deducted. Operating expenses include both investment management and administrative fees. For the 12 month period ending March 31, 2016, the annual fund operating expense was 0.28% or approximately $2.83 per $1,000 invested.

Risk Return Statistic

Ending June 30, 2016	1 Yr	3Yrs	5Yrs
Excess Return (1)	0.5	0.6	0.8
Portfolio Standard Deviation% (2)	16.4	12.9	15.2
Benchmark Standard Deviation% (2)	16.9	13.3	15.5
Tracking Error (3)	1.6	1.2	1.1
Information Ratio (4)	0.4	0.5	0.7

(1) Excess Return is the portfolio's return less the benchmark return.
(2) Standard Deviation is a measure of the portfolio's rate of return volatility.
(3) Tracking Error is the standard deviation of the portfolio's excess return.
(4) Information Ratio is a measure of the portfolio's risk adjusted return.

Top 5 Holdings

Security Name	Portfolio Weight
Nestle SA REG	1.27
Novartis AG REG	1.22
Roche Holding AG Genusschein	1.07
Novo Nordisk A/S B	0.76
Royal Dutch Shell PLC	0.74

U.S. Stock Actively Managed Fund

The U.S. Stock Actively Managed Fund has approximately $209 million in assets. The primary objective of the fund 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 fund is composed **almost exclusively of stocks of U.S. companies.** The small amount of cash in the fund represents the new contributions prior to investment in the market as well as any cash held by the individual managers within the fund.

The fund is managed by a group of investment managers retained by the State Board of Investment to manage other retirement assets. As a result, the fund 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 fund covers all areas of the broad stock market.

The U.S. Stock Actively Managed Fund differs from the U.S. Stock Index Fund because it is actively managed to buy and sell stocks that, in total, may do better than the broad stock market.

A quarterly factsheet is available for this fund on the SBI's website at http://mn.gov/sbi/Publications.html.

Why Would I Choose This Fund?

The U.S. Stock Actively Managed Fund is an actively managed aggressive investment program focused on U.S. stocks. You would choose this fund if you believe that, over time, the stock market will provide higher returns than other types of investments and the managers of the Fund will buy and sell stocks that, in total, do better than the broad stock market.

The returns from the Fund 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 Fund are likely to fluctuate more widely than returns from the U.S. Stock Index Fund, the Balanced Fund or the Bond Fund. The potential for higher gains over the long run may compensate for higher short term volatility of returns.

Who Manages The Fund?

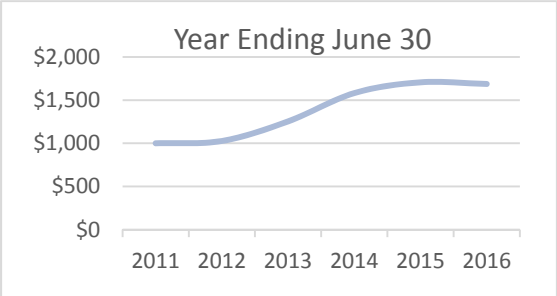
Assets in the U.S. Stock Actively Managed Fund are managed by a group of investment managers retained by the State Board of Investment (see page 2 for a listing of these managers).

How Is The Value Of This Fund Determined?

You own shares in the fund, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire fund. Any dividend income is reinvested in the fund 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 fund.

What Is The Past Investment Performance Of This Fund?

The graph below shows how $1,000 invested in the fund on June 30, 2011 has grown.



The table below displays the fund's actual share values and returns for the last five fiscal years. The annualized (annual compounded) return during this five year period was 11.0%.

	Fiscal Year Ending June 30	
	Share Value	**Rate of Return**
2012	$30.69	2.7%
2013	37.47	22.1
2014	47.27	26.2
2015	51.02	7.9
2016	50.44	-1.1

Fees and Expenses

The rate of return for this Fund is calculated after operating expenses are deducted. Operating expenses include both investment management and administrative fees. For the 12 month period ending March 31, 2016, the annual fund operating expense was 0.22% or approximately $2.20 per $1,000 invested.

Risk-Return Statistics

Ending June 30, 2016	1 Yr	3Yrs	5Yrs
Excess Return (1)	-3.2	-0.7	-0.6
Portfolio Standard Deviation % (2)	15.0	11.8	13.1
Benchmark Standard Deviation % (2)	14.7	11.5	12.6
Tracking Error (3)	1.1	1.2	1.3
Information Ratio (4)	-2.9	-0.6	-0.4

(1) Excess Return is the portfolio's return less the benchmark return.
(2) Standard Deviation is a measure of the portfolio's rate of return volatility.
(3) Tracking Error is the standard deviation of the portfolio's excess return.
(4) Information Ratio is a measure of the portfolio's risk adjusted return.

Top 5 Holdings

Security Name	Portfolio Weight
Apple Inc.	1.88
Microsoft Corp.	1.50
Facebook Inc A	1.38
Johnson & Johnson	1.37
Amazon.com Inc	1.33

U.S. Stock Index Fund

The U.S. Stock Index Fund has a market value of approximately $481 million. The objective of the fund is to generate high returns that closely approximate the returns of the U.S. stock market as a whole. The fund is **invested primarily in U.S. stocks**.

The fund invests in over 2,700 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 U.S. Stock Index Fund represents the broad domestic stock market.

A quarterly factsheet is available for this fund on the SBI's website at http://mn.gov/sbi/Publications.html.

Why Would I Choose This Fund?

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 U.S. Stock Index Fund is passively managed. This means that no attempt is made to identify specific stocks that will perform better than others. Instead, the fund is designed to perform in line with the broad stock market.

In actively managed funds such as the U.S. Stock Actively Managed Fund (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 U.S. Stock Index Fund should provide returns that consistently and inexpensively replicate the market.

The returns from the fund 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 fund should average higher returns than you could obtain by placing your contributions in a fixed income or money market type fund.

Who Manages The Fund?

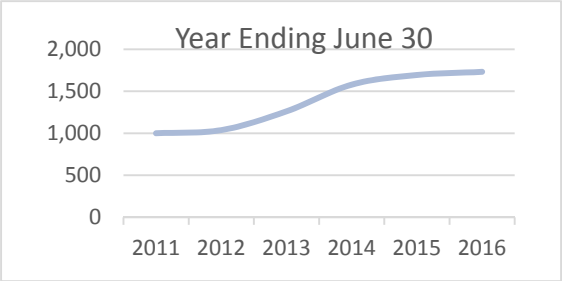
The U.S. Stock Index Fund is managed by BlackRock Institutional Trust Company, N.A.

How Is The Value Of This Fund Determined?

You own shares in the fund, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire fund. Any dividend income is reinvested in the Fund 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 fund.

What Is The Past Investment Performance Of This Fund?

The graph below shows how $1,000 invested in the fund on June 30, 2011 has grown.



The table below displays the fund's actual share values and returns for the last five years. The annualized (annual compounded) return during this five year period was 11.6%.

	Fiscal Year Ending June 30	
	Share Value	**Rate of Return**
2012	$24.51	3.8%
2013	29.77	21.5
2014	37.28	25.2
2015	40.00	7.3
2016	40.87	2.2

Fees and Expenses

The rate of return for this fund is calculated after operating expenses are deducted. Operating expenses include both investment management and administrative fees. For the 12 month period ending March 31, 2016, the annual fund operating expense was 0.02% or approximately $0.20 per $1,000 invested.

Risk-Return Statistics

Ending June 30, 2016	1 Yr	3Yrs	5Yrs
Excess Return (1)	0.1	0.0	0.0
Portfolio Standard Deviation % (2)	14.7	11.5	12.6
Benchmark Standard Deviation % (2)	14.7	11.5	12.6
Tracking Error (3)	0.0	0.0	0.0
Information Ratio (4)	1.6	0.9	0.6

(1) Excess Return is the portfolio's return less the benchmark return.
(2) Standard Deviation is a measure of the portfolio's rate of return volatility.
(3) Tracking Error is the standard deviation of the portfolio's excess return.
(4) Information Ratio is a measure of the portfolio's risk adjusted return.

Top 5 Holdings

Security Name	Portfolio Weight
Apple Inc.	2.39
Exxon Mobil Corp	1.77
Microsoft Corp	1.77
Johnson & Johnson	1.52
General Electric Co.	1.33

Balanced Fund

The Balanced Fund has a market value of approximately $374 million in assets. The objective of the fund 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 fund 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% Domestic Equities
- 35% Fixed Income
- 5% Cash

The stock segment of the fund is designed to replicate returns produced by the Russell 3000, a stock 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.

A quarterly factsheet is available for this fund on the SBI's website at http://mn.gov/sbi/Publications.html.

Why Would I Choose This Fund?

You would choose the Balanced Fund if you want a balanced or diversified investment portfolio in one fund. 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 fund is expected to average higher returns than you could obtain by placing your contributions in a fixed income or money market instruments.

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 fund add stability and offer you some protection against wide swings in the general stock market.

Who Manages The Fund?

The Balanced Fund uses external investment managers to invest all of the assets in this fund. The bond assets are invested in the Bond Fund, which includes a group of bond managers retained by the State Board of Investment (see page 2 for a listing of these managers).

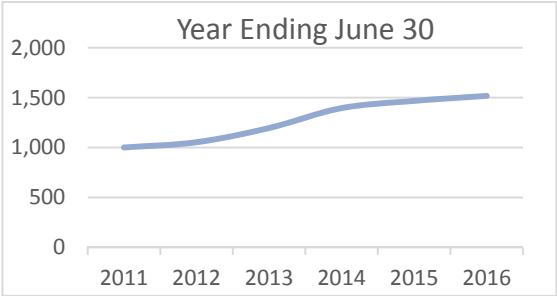
The stock holdings are invested through the same stock index fund used for the U.S. Stock Index Fund (see page 8 for a description of this passively managed index fund). The cash portion of the Fund is managed by State Street Global Advisors.

How Is The Value Of This Fund Determined?

You own shares in the fund, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire fund. Any interest and dividend income is reinvested in the fund 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 fund.

What Is The Past Investment Performance of This Fund?

The graph below shows how $1,000 invested in the Balanced Fund on June 30, 2011 has grown.



The table below displays the fund's actual share values and returns for the last five years. The annualized (annual compounded) return during this five year period was 8.7%.

	Fiscal Year Ending June 30	
	Share Value	Rate of Return
2012	$47.40	5.3%
2013	53.77	13.5
2014	62.73	16.7
2015	65.95	5.1
2016	68.22	3.4

Fees and Expenses

The rate of return for this fund is calculated after operating expenses are deducted. Operating expenses include both investment management and administrative fees. For the 12 month period ending March 31, 2016, the annual fund operating expense was 0.04% or approximately $0.44 per $1,000 invested.

Top 5 Bond Sector Weights

By Sector	Bond Portfolio Weight	Barclays Agg Weight
Corporate	29.0	24.3
U.S. Treasury	25.8	37.4
Mortgage Pass-Through	21.8	26.9
Collateralized Mortgage Obligation	6.4	1.1
Yankee	5.6	6.0

Top 5 Equity Holdings

Security Name	Portfolio Weight
Apple Inc.	2.39
Exxon Mobil Corp	1.77
Microsoft Corp	1.77
Johnson & Johnson	1.52
General Electric Co.	1.33

Bond Fund

The Bond Fund has a market value of over $143 million. The objective of this fund 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 fund. The fund 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 fund 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 fund 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 fund at any time.

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

A quarterly factsheet is available for this fund on the SBI's website at http://mn.gov/sbi/Publications.html.

Why Would I Choose This Fund?

The Bond Fund 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 funds.

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

Who Manages The Fund?

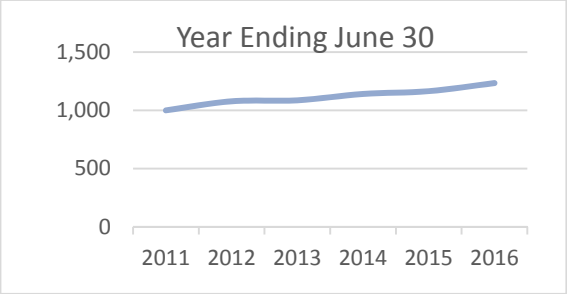
The Bond Fund is invested by a group of bond managers retained by the State Board of Investment (see page 2 for a listing of these managers).

How Is The Value Of This Fund Determined?

You own shares in the fund, much like you would in a mutual fund. The share value is determined daily and is based on the market value of the entire fund. 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 fund.

What Is The Past Investment Performance Of This Fund?

The graph below shows how $1,000 invested in the fund on June 30, 2011 has grown.



The table below displays the fund's actual share values and returns for the last five years. The annualized (annual compounded) return during this five year period was 4.3%.

	Fiscal Year Ending June 30	
	Share Value	Rate of Return
2012	$16.29	7.8%
2013	16.43	0.8
2014	17.25	5.0
2015	17.62	2.1
2016	18.66	5.9

Fees and Expenses

The rate of return for this fund is calculated after operating expenses are deducted. Operating expenses include both investment management and administrative fees. For the 12 month period ending March 31, 2016, the annual fund operating expense was 0.10% or approximately $1.00 per $1,000 invested.

Fixed Income Characteristics

Ending June 30, 2016	Bond Fund	Barclays Aggregate
Effective Duration (1)	5.25	5.35
Coupon Rate (2)	3.19	3.22
Yield to Maturity (3)	2.34	1.81
Average Life (yrs) (4)	7.58	7.47
Moody's Rating (5)	AA-3	AA-2

(1)The average % change in the portfolio return given a 1% shift in the yield curve
(2) The average coupon rate of all bonds in portfolio weighted by market value
(3) The annual internal rate of return on the bonds if held to maturity
(4) The average life of the bonds in the portfolio weighted by market value
(5) Average quality rating in the portfolio weighted by market value

Top 5 Sector Weights

Security Name	Bond Fund Weight	Barclays Agg Weight
Corporate	29.0	24.3
U.S. Treasury	25.8	37.4
Mortgage Pass Through	21.8	26.9
Collateralized Mortgage Obligation	6.4	1.1
Yankee	5.6	6.0

Stable Value Fund

The Stable Value Fund is designed to maintain the value of your original investment and to provide competitive returns using somewhat longer-term investments than are typically found in a money market-type fund. The market value of the fund is approximately $1.5 billion.

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

A quarterly factsheet is available for this fund on the MSRS website at http://www.msrs.state.mn.us/core-investment-options.

Why Would I Choose This Fund?

The Stable Value Fund 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 fund 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 fund may not change as quickly as the credited interest rates associated with a money market fund. 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 Fund?

The fund is managed by Galliard Capital Management, an independently operated subsidiary of Wells Fargo Bank.

How Is The Value Of This Fund Determined?

You own shares in the fund, 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 fund. Due to the nature of the fund's investments, returns change only modestly from period to period.

What Are The Risks?

While the Stable Value Fund is a conservative investment option it is possible to lose money by investing in this fund.

May I Transfer Money Into This Fund?

Yes. The fund will accept transfers from other investment options in your plan, provided you follow the guidelines established by your plan sponsor.

May I Transfer Money Out Of This Fund?

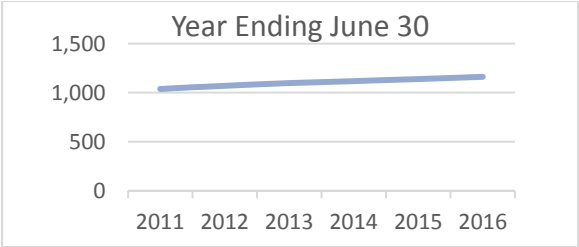
Yes, but there are special withdrawal restrictions that apply only to the Stable Value Fund. All or a portion of the amounts deposited in the fund may be transferred to the Balanced Fund, U.S. Stock Actively Managed Fund, U.S. Stock Index Fund, Bond Fund or Broad International Stock Fund within the Supplemental Investment Fund. You may not re-transfer these amounts to the Money Market Fund for at least 90 days.

Why Are These Restrictions Necessary?

When short-term interest rates rise above the rates available in the Stable Value Fund, transfers from the Stable Value Fund to the Money Market Fund adversely affect the investments in the Stable Value Fund.

What Is The Past Investment Performance Of This Fund?

The graph below shows how $1,000 invested in the fund on June 30, 2011 has grown.



The table below displays the fund's returns for the last five fiscal years. The annualized (annual compounded) return during this five year period was 2.3%.

Fiscal Year Ending June 30	Rate of Return
2012	3.1%
2013	2.5
2014	1.9
2015	1.9
2016	2.0

Fees and Expenses

The rate of return for this fund is calculated after operating expenses are deducted. Operating expenses include both investment management and administrative fees. For the 12 month period ending March 31, 2016, the annual fund operating expense was 0.28% or approximately $2.79 per $1,000 invested.

Fund Allocation

Ending June 30, 2016

Security Backed Investment Contracts	89.2%
Stable Value Funds	8.4%
Cash Equivalents	2.4%

Sector Allocation Of Underlying Fixed Portfolio

Security Name	
U.S. Treasury/Agency	14.4
Other U.S. Government	11.1
Corporate/Taxable Municipal	31.2
Mortgage Backed Securities (MBS)	22.3
Asset Backed Securities (ABS)	17.4
Guaranteed Investments Contracts (GICS)	0.1
Cash Equivalents	3.5

Money Market Fund

The return in the Money Market Fund is based on the interest income produced by the fund's investments. The objective of the fund is to provide safety of principal by investing in high-quality, short-term instruments. The value of the fund is approximately $367 million.

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

A quarterly factsheet is available for this fund on the SBI's website at http://mn.gov/sbi/Publications.html.

Why Would I Choose This Fund?

The Money Market Fund is a conservative investment option. You would choose the fund if you want to maintain the value of your original investment while earning competitive short-term interest rates.

The returns from the fund 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 Fund?

The Money Market Fund 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 This Fund Structured?

The fund is an actively managed cash portfolio structured as a collective investment trust (CIT). The fund is regulated by the Federal Reserve, the Commodity Futures Trading Commission (CFTC), and the National Futures Association (NFA). The fund is not registered with the Securities and Exchange Commission and is not subject to the various rules and limitations that apply to money market funds regulated by the SEC.

How Is The Value Of This Fund Determined?

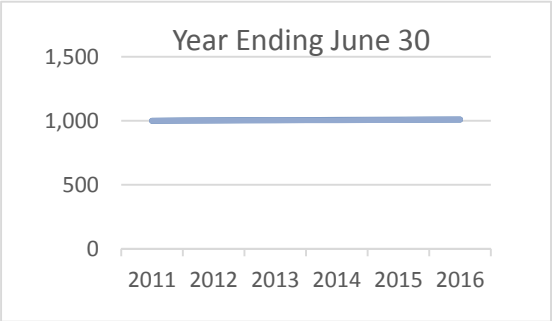
The share value for the Money Market Fund is uniformly priced at $1.00 per share. There is no assurance that the portfolio will be able to maintain a stable net asset value of $1.00 per share. Interest earnings are credited on a daily basis by purchasing additional shares on your behalf. The credited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

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 Fund?

The graph below shows how $1,000 invested in the fund on June 30, 2011 has grown.



The table below displays the fund's actual returns for the last five years. The annualized (annual compounded) return during this five year period was 0.2%.

	Fiscal Year Ending June 30 Rate of Return
2012	0.3%
2013	0.2
2014	0.2
2015	0.1
2016	0.4

Fees and Expenses

The rate of return for this fund is calculated after operating expenses are deducted. Operating expenses include both investment management and administrative fees. For the 12 month period ending March 31, 2016, the annual fund operating expense was 0.01% or approximately $0.10 per $1,000 invested.

Supplemental Investment Fund

Plan Sponsor

Minnesota State Retirement System (MSRS)
www.msrs.state.mn.us
60 Empire Drive, Suite 300
St. Paul, MN 55103-3000
(651) 296-2761 or 1-800-657-5757

Participating Plans

- Unclassified Employees Retirement Plan
- Health Care Savings Plan
- Deferred Compensation 457(b) Plan
- Hennepin County Supplemental Retirement Plan

Public Employees Retirement Association (PERA)
www.mnpera.org
60 Empire Drive, Suite 200
St. Paul, MN 55103-2088
(651) 296-7460

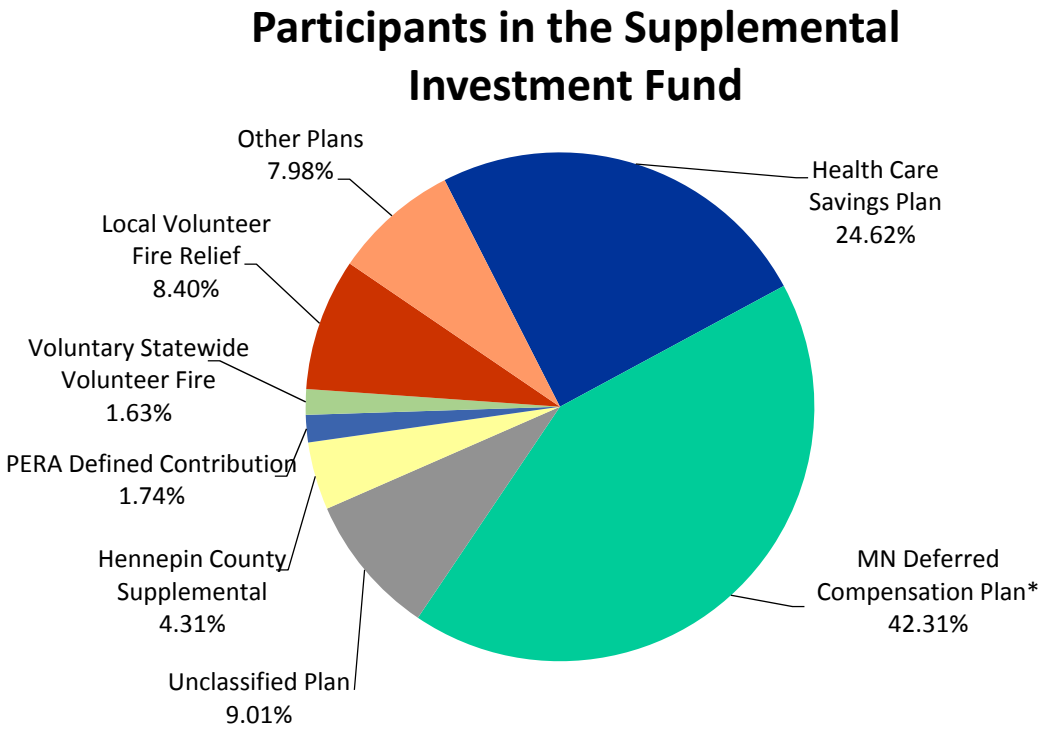
- Public Employees Defined Contribution Plan
- Voluntary Statewide Volunteer Firefighter Plan

Reporting Agency

Minnesota State Board of Investment (SBI)
www.sbi.state.mn.us
60 Empire Drive, Suite 355
St. Paul, MN 55103
(651) 296-3328

Participating Plan

- Local Volunteer Fire Relief Associations not participating in the Voluntary Statewide Volunteer Firefighter Plan



*PLEASE NOTE: The MN Deferred Compensation Plan participation represents assets invested in the SIF Stable Value Fund and SIF Money Market Fund.

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 Steve Simon
Attorney General Lori Swanson

Executive Director and Chief Investment Officer:

Mansco Perry III

Minnesota State Board of Investment
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