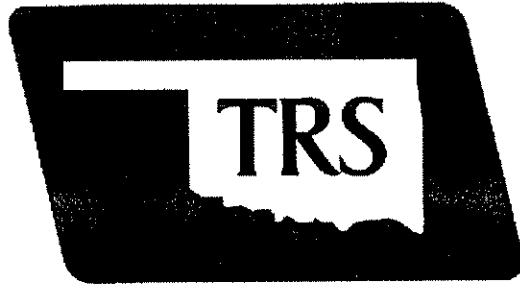


**Teachers' Retirement System of Oklahoma**  
A Component Unit of the State of Oklahoma



**Comprehensive Annual Financial Report**  
for the  
**Fiscal Year Ended June 30, 2005**





**Teachers' Retirement System of Oklahoma**  
a Component Unit of the State of Oklahoma

**Comprehensive Annual Financial Report**  
for the  
**Fiscal Year Ended June 30, 2005**

**Prepared by the Retirement System Staff**

Teachers' Retirement System of Oklahoma  
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Letter from the Chairman of the Board of Trustees

Board of Trustees

Organization Chart

2004-2005 Plan Summary

Certificate of Achievement for Excellence in Financial Reporting







STATE OF OKLAHOMA

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

**TO THE BOARD OF TRUSTEES OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA:**

We are pleased to present the *Comprehensive Annual Financial Report* for the Teachers' Retirement System of Oklahoma for the year ended June 30, 2005. The Teachers' Retirement System of Oklahoma (the System or TRS) is a component unit of the state of Oklahoma.

**PROFILE OF RETIREMENT SYSTEM**

Established by legislation, the System began operation July 1, 1943, and concluded its 62nd year on June 30<sup>th</sup>. The System provides retirement allowances and other benefits to public education employees in the common schools, area career and technology centers, colleges and universities, and other local and state educational agencies of the State of Oklahoma. At the close of business on June 30, 2005, the System had 629 participating employers, 84,286 active members, 13,080 inactive members, and 40,879 retired members and beneficiaries receiving monthly benefits.

The 2005 Comprehensive Annual Financial Report (CAFR) is presented in five sections: the Introductory, Financial, Investment, Actuarial, and Statistical. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, all data in the report is accurate in all material respects and is reported in a manner designed to present fairly the plan net assets and changes in the System's plan net assets. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The basic financial statements are prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. Readers are encouraged to review the Management's Discussion and Analysis (MD&A) in the Financial Section for an in-depth discussion of the financial statements and the cause and effects of market conditions, legislation and changes in operations that affected the financial results of the System.

**ECONOMIC CONDITIONS AND OUTLOOK**

The recovery of equity markets that began in March 2003 and continued through most of fiscal year 2005 resulted in positive investment returns for the System. For the year ended June 30, 2005, the System's investment portfolio generated a rate of return of 10.4%. Improving revenue at the state level and an increase in the percentage of revenue received by TRS from 3.54% to 3.75% resulted in a \$20 million increase in the state's contribution for the year ending June 30<sup>th</sup> when compared to revenues received for the preceding year. Revenue projections for the coming year, coupled with a 6.7% increase in the percentage of revenue dedicated to the System, are expected to increase state contributions by approximately \$17.7 million dollars over contributions received during fiscal year 2005.

## **MAJOR INITIATIVES AND SIGNIFICANT EVENTS**

A properly funded pension plan is the most important issue for the Board of Trustees. The System continues to be one of the country's five worst funded state-operated pension plans. As of June 30, 2005, only 49.5% of the System's actuarial liabilities were covered by the actuarial value of assets. This is an increase from the 47.3% funded ratio reported for June 2004. The increase in the funded ratio is primarily due to the impact of the new actuarial assumptions adopted as a result of the experience study conducted in 2005 and approved by the Board of Trustees in August 2005.

The Board continues to stress the importance of improving the System's overall funded position. During the past year, Trustees worked with the Governor, legislative leaders, and representatives from education organizations to find ways to better finance the System's obligations. Passage of Senate Bill 1376 in 2002 was a major event. It provided an increase in the state's contribution to the System beginning July 1, 2004. The percentage of sales, use and income tax revenues dedicated by the state to the Teachers' Retirement Fund will gradually increase from the present 3.75% to 5% over a three-year period. It is imperative that the provisions of Senate Bill 1376, and the resulting increases in state revenues, be maintained.

A strategic plan was developed during FY-2001 and implementation continued during the current year. Input from both retired and active members and local school districts has enabled the System to refine the delivery of services and improve our ability to meet the growing needs of plan participants. Progress continues on major technology improvements in the System's information system, optical imaging system and telephone response center.

The 2005 Legislature passed House Bill 1020 that appropriates \$3.1 million to TRS from anticipated lottery revenues. By statute, TRS will receive 5% of the annual proceeds from the Education Lottery. Net lottery revenue for education for the 2006 fiscal year is estimated to exceed \$60 million. Senate Bill 852 provides that the \$100-\$105 per month paid by TRS and other state-run retirement plans toward each retiree's health insurance premium is designated first to pay the retiree's prescription drug cost. This will help the state insurance board meet certain requirements of the Medicare Prescription Drug Act and qualifies the insurance program for reimbursements from Medicare. Hopefully, this will result in lower health insurance premiums for retired members on Medicare. Senate Concurrent Resolution 4 recognizes the unfunded condition of the Teachers' Retirement System (approximately \$7.4 and \$7.1 billion as of June 30, 2004 and 2005 respectively). It resolves that containment of the current unfunded liabilities should be a legislative priority and dedicates the Legislature to take steps to liquidate these liabilities. The resolution sets a target of increasing TRS's funded level to 60% by 2015. Senate Bill 435 increases the amount retirees, including TRS members, can exclude from income in figuring their Oklahoma state income taxes. The annual exclusion amount has been \$5,500 in the past, but increases to \$7,500 for tax year 2005, and to \$10,000 for tax year 2006.

## **FINANCIAL INFORMATION**

A system of internal controls safeguards the System's assets and promotes its efficient operation. TRS is audited annually by the State Auditor and Inspector, who contracts with an accounting firm that conducts the audit. The System also has its own internal audit program with an Internal Auditor who reports directly to the Executive Secretary and regularly provides written and oral reports to the Board of Trustees. The System operates according to an administrative budget approved annually by the Board of Trustees. Although revenue is not appropriated from the state's General Revenue Fund, the administrative budget is submitted to the Legislature as part of the Governor's recommended budget. TRS operates under the same budgetary controls applied to all state agencies. The System's

administrative expenses are processed in accordance with state statutes and regulations of the Office of State Finance and Department of Central Services.

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The 2004 and 2005 financial statements in this report have been prepared in compliance with the requirements of Government Accounting Standards Board Statement No. 34.

#### **REVENUE AND FUNDING**

The major sources of revenue for TRS are member contributions, employer contributions from local schools, dedicated revenues from the state of Oklahoma, and investment income. Revenues are recognized when earned, and expenses are recognized when incurred.

Active member contributions for fiscal year 2005 were \$235 million, which represented 7% of covered payroll. This compares to \$233 million for the year ending June 30, 2004. Member contributions also include direct payments by members to re-establish credit for previously withdrawn service and to purchase credit for Oklahoma, out-of-state and military service. Salaries for active members totaled \$3.175 billion.

Contributions from local employers, the state of Oklahoma, and federal sources for fiscal year 2005 totaled \$405.8 million, compared to \$375.3 million for 2004. Contributions from local school districts and federal revenues increased \$9.7 million and the state's contribution increased \$20.8 million. Local schools contributed 7.05% of employees' pay and TRS received 3.75% (an increase from 3.54% in fiscal year 2004) of sales, use and income taxes collected by the state of Oklahoma. Combined state and local employer contributions did not meet the level dollar 40-year amortization payment required by Section 17-106 of Title 70 of Oklahoma Statutes, which is reported in the annual actuarial valuation as the Annual Required Contribution (ARC) under GASB-25.

#### **ACTUARIAL SUMMARY**

The results of the actuarial valuation conducted by the System's actuary as of June 30, 2005, are included in the Actuarial Section. The System's relative funded position for the year ending June 30, 2005, increased from 47.3% on June 30, 2004 to 49.5% on June 30, 2005. The System's unfunded actuarial accrued liabilities (UAAL) decreased \$319 million, from \$7.419 billion to \$7.100 billion. The decrease in UAAL was due to the adoption of new actuarial assumptions by the Board determined from the experience study conducted in 2005. The System's actuarial liabilities are calculated and reported based on existing statutes and Board-adopted assumptions including an investment return rate of 8%, a salary increase rate that averages 4.7% per year, a payroll growth rate of 3.5%, and a growth in state revenue of 3.5%. An addendum to the annual actuarial report required by Title 70 O.S. ' 17-106.1 is included in the Actuarial Section. This addendum is required of each state-run pension plan and measures actuarial liabilities based on uniform assumptions including a 2% annual cost-of-living assumption.

The actuarial value of assets is reported at \$6.953 billion, compared to \$6.661 billion at the close of business June 30, 2004. The actuarial value of assets is not the same as market or the fair value of assets. To arrive at actuarial value of assets, the actuary subtracts \$302.9 million held in individual member savings accounts in the System's 403(b) Tax Sheltered Annuity Program and averages investment gains and losses in excess of the 8% assumed investment rate of return over a five-year period. It should be noted that the System's actuarial value of assets on June 30, 2005 was \$285.3 million less than market value or the fair value of assets.

The actuary's report continues to stress that the System remains poorly funded. Since 1990, the System's funded ratio has improved from 38.6% to 49.5%, primarily due to return on investments exceeding the 8% assumed actuarial rate of return in ten of the last fifteen years.

The current combined local school/state contribution rate is not large enough to pay the normal cost and pay interest on the unfunded accrued actuarial liabilities. The funding period (the period required to amortize the UAAL) is now 42.6 years. Therefore, negative amortization results. This is the reason unfunded liabilities are expected to increase each year until at least 2029. Under the present funding schedule, unfunded liabilities are expected to reach \$10.7 billion before declining. If benefits continue to increase, the System cannot be maintained without additional revenues.

#### **EXPENSES**

The System's expenses are attributable to retirement benefit payments including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During the year ended June 30, 2005, the System paid \$54.4 million more in retirement, survivor and insurance benefits than in the preceding year, \$6.7 million less in refunds to active member who terminate accounts, and \$1.5 million less in distributions from the System's 403(b) Tax Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members and a cost of living adjustment, which became effective in August 2004. The decrease in refunds, deaths benefits and annuity distributions is due to a decrease in refund payments to terminating members, and the decrease in withdrawals from the tax-sheltered annuity plan is a reflection of the improved investment climate as members requested fewer transfers to other financial institutions. Administrative expenses increased by \$361 thousand due primarily to an increase in personnel costs and contractual expenses incurred for an actuarial audit.

#### **INVESTMENTS**

As previously stated, the System's investment returns were a positive 10.4% gross of management fees and 10.1% net of fees. Net investment income, including realized and unrealized gains and losses, was \$692.0 million, compared to \$1.178 billion for FY 2004. Net assets totaled \$7.541 billion at market value on June 30, 2005 compared to \$6.952 billion on June 30, 2004. Included in assets is \$302.9 million held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Program.

On June 30, 2005 the System's investment portfolio mix at market value was 27% fixed income, 68% equities and 5% cash and short-term investments. As trustee for members' funds, the System is responsible for investment of the funds under the prudent person standard. This standard permits the System to allocate trust funds across a broad group of asset classes. The Board of Trustees has elected to limit investments to stocks and bonds, Treasury Bills and Notes, Commercial Paper, foreign currency exchange contracts, and bank deposits collateralized by U.S. Government securities.

The System's time-weighted rate of return for the year ended June 30, 2005, was a positive 10.4% versus a 20.6% return for 2004. Annualized three-year and five-year total returns were 11.9% and 5.4%, respectively. The System's long-term goal to exceed by 3% the rate of inflation measured by the CPI has been achieved for the five-year period. A summary of the System's investment activities during FY 2005 and historic performance results is presented in the Investment Section. A complete listing of securities held by the Teachers' Retirement System as of June 30, 2005, can be found at the end of the Investment Section.

#### **INDEPENDENT AUDIT**

The System is audited annually by independent auditors retained for this purpose by the State Auditor and Inspector. In addition to the audit of the System's financial statements, state statutes require the auditor to perform tests of the System's compliance with certain provisions of laws and regulations. The Independent Auditors' Report is contained in the Financial Section.

## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Oklahoma for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the twelfth year the System's *Annual Report* has received this distinction.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to GFOA program standards. Such CAFRs must satisfy both generally accepted accounting principles and applicable legal requirements.

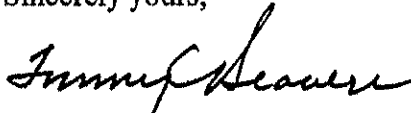
The Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

This report reflects the combined efforts of the TRS staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

The success of any organization is directly attributable to the dedication, commitment, and proficiency of the personnel. I would like to take this opportunity to express my gratitude to the Board of Trustees, the staff, the advisors, and the many people who have worked so diligently to assure the successful operation and improvement of the financial soundness of the Teachers' Retirement System of Oklahoma.

This report is being mailed to the Governor, members of the Oklahoma Legislature, the Oklahoma State Pension Commission and to each school site of the participating employers of the Teachers' Retirement System. Copies of the report are available upon request by active and retired members of the System and other interested parties. We hope you find this report informative and helpful.

Sincerely yours,



Tommy C. Beavers  
Executive Secretary  
November 1, 2005



BRAD HENRY  
GOVERNOR

STATE OF OKLAHOMA  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

November 1, 2005

To the members of the Teachers' Retirement System of Oklahoma:

On behalf of the Board of Trustees and staff, I am pleased to present the Annual Report of the Teachers' Retirement System of Oklahoma for the year ending June 30, 2005. This summary is an important part of our commitment to provide members with information about their benefits and retirement as well as noting significant changes that occurred during the year.

Your Board of Trustees' goal is to provide members a well-funded System. The Board deals with a number of issues, chief among them the management of the System's investment portfolio to maximize financial returns. Investment income combined with employee and employer contributions provide the major funding for the System's pension benefits. Our returns for the last year were 10.4% and the returns have averaged 10.8% per year for the past 10 years. Investment returns during this 10-year period have consistently ranked in the top quartile when compared to other public pension systems in the nation. On June 30, the market value of assets was approximately \$7.5 billion.

The Teachers' Retirement System continues to be one of the worst funded state-run public employee retirement systems in the country. In the past 10 years progress has been made to improve the System's ratio of assets to actuarial liabilities, but we have a long way to go. We appreciate the support of the Governor and the Legislature and continue to work with state leaders and our friends in the education community to focus attention on this very real problem.

The Board of Trustees pledges to continue to administer the affairs of the Retirement System in the most competent and efficient manner possible. Service is our number one goal. Better communications via telephone, the *Trends* newsletter and our website ([www.trs.state.ok.us](http://www.trs.state.ok.us)) is an ongoing goal. The trustees and staff welcome your comments and suggestions throughout the year.

Sincerely,

A handwritten signature in cursive script that reads "Matti S. Palluconi".

Matti S. Palluconi  
Chairman, Board of Trustees  
Teachers' Retirement System of Oklahoma

Teachers' Retirement System of Oklahoma  
Board of Trustees

Matti Palluconi, Claremore  
Chairman

Retired Member, Senate President Pro Tempore Appointee

Cathy A. Conway, Durant  
Vice-Chairman

Active Higher Education Member, Governor Appointee

Denise Rhodes, Miami  
Secretary

Active Member, Speaker of the House of Representatives Appointee

Bruce DeMuth, Stillwater  
Trustee

Designee of Dr. Birkenbile, Director of Career and Technology Education

Sandy Garrett, Oklahoma City  
Trustee

Ex-Officio Member, State Superintendent of Public Instruction

John G. Kirkpatrick, Stillwater  
Trustee

Retired Member, Speaker of the House Appointee

Richard A. "Dick" Neptune, Lawton  
Trustee

Retired Member, Governor Appointee

Galeard W. Roper, Elk City  
Trustee

Active Superintendent of Elk City Public Schools, Governor Appointee

Claudia San Pedro, Oklahoma City  
Trustee

Ex-Officio Member, Director of Oklahoma Office of State Finance

Michael L. Simpson, Stillwater  
Trustee

Active Member, Senate President Pro Tempore Appointee

James E. Smith, Shawnee  
Trustee

Non-Member, Governor Appointee

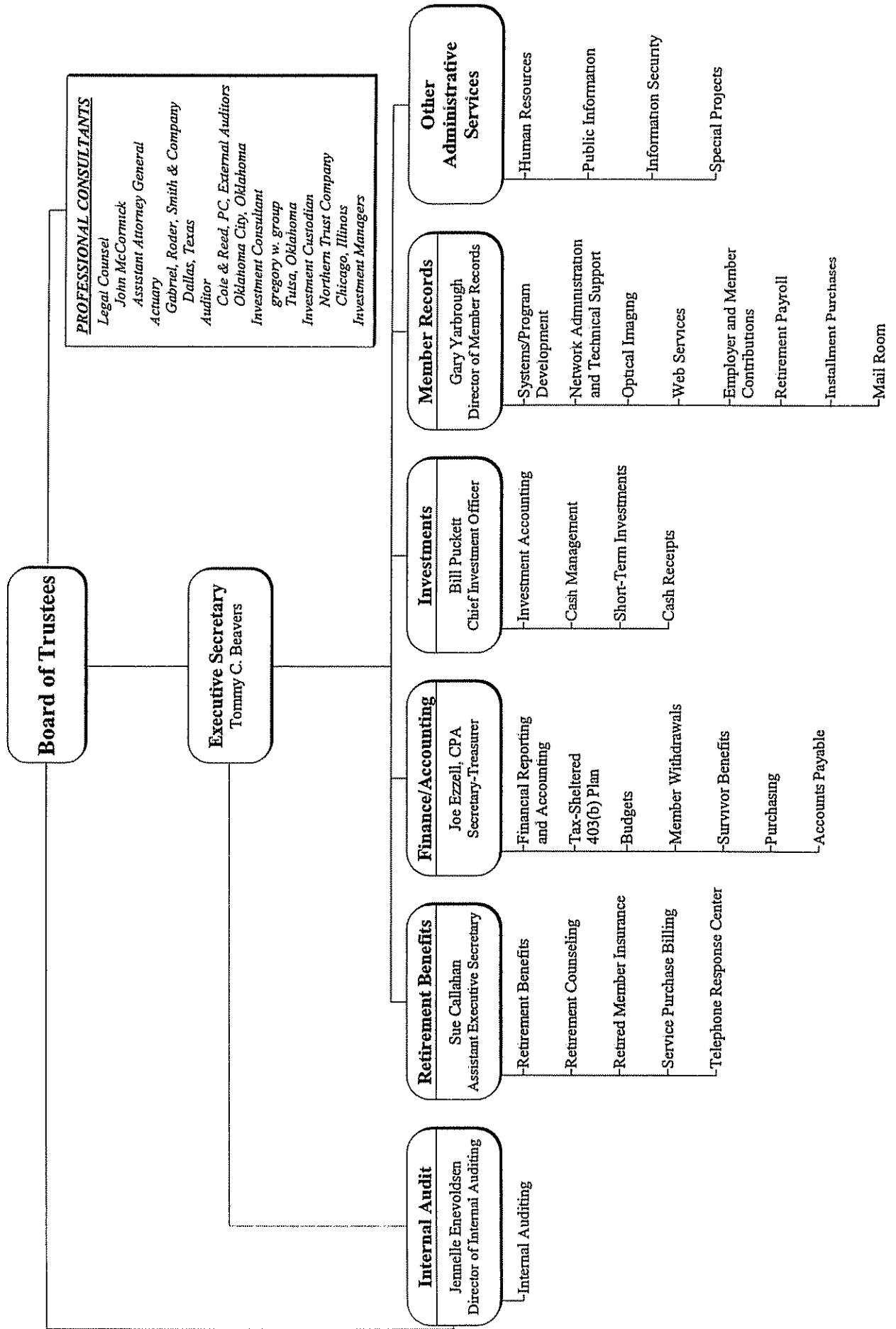
VACANT  
Trustee

Non-Member, Governor Appointee

VACANT  
Trustee

Active Support Personnel Member, Governor Appointee

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA Organization







## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA 2004-2005 PLAN SUMMARY

### BEGINNINGS

The Teachers' Retirement System of Oklahoma (TRS) was established July 1, 1943, to provide retirement allowances and other specified benefits for qualified employees of state-supported educational institutions.

### ADMINISTRATION

A 13-member Board of Trustees oversees the administration of the System and acts as fiduciary for investing its funds.

### REVENUE

The four primary sources of revenue for TRS are contributions from active members, contributions from local schools, dedicated revenue from the State of Oklahoma, and investment income. As a participating member, you contribute 7% of your total compensation.

Statutes also require employers to contribute a percentage of applicable employee earnings. Local schools pay a contribution rate of 7.05%, and the state's contribution is 3.54% of annual sales and income tax revenues. The state's contribution is scheduled to increase to 5% by 2007.

### MEMBERSHIP

All classified personnel as defined in statutes at 70 O.S., Section 17-101, which includes teachers and other certified employees of common schools; faculty and administrators in public colleges and universities; and administrative personnel of state educational boards and agencies who are employed at least half-time, must join TRS. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

Employees of a charter school may join the Teachers' Retirement System if the TRS Board of Trustees approves the school's application for membership.

Beginning July 1, 2004, new employees at the University of Oklahoma, OU Health Sciences Center, and Oklahoma State University have the option to participate in an alternate retirement plan provided by the universities. Employees choosing the alternate retirement plan are not eligible to participate in TRS as long as they remain employees of the universities.

### SERVICE CREDIT

You must work at least six full school months to qualify for one year of membership. A school month is 20 school days of at least six hours. You will receive partial credit for employment of fewer than six months or part-time employment between four and six hours per school day. You also may purchase credit for out-of-state service, military service, service with certain Oklahoma governmental entities, and employment in Oklahoma schools before your date of membership.

Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit.

### RETIREMENT ANNUITY

TRS offers five retirement plans, each providing a lifetime benefit to the member and, after the member's death, either a lump sum payment to the member's designated beneficiary(ies), or continued payments to one beneficiary.

A vested member can receive benefits after satisfying eligibility requirements. You are fully vested after five years of contributory Oklahoma membership service.

Members joining TRS before July 1, 1992, may retire with unreduced benefits when age and years of creditable service total 80 (Rule of 80). *Members joining TRS after June 30, 1992, may retire with unreduced benefits when age and years of creditable service total 90 (Rule of 90).*

You may retire at age 62 with unreduced benefits after completing five years of Oklahoma service.

You may retire with reduced benefits as early as age 55, if you have at least five years of creditable Oklahoma service.

Retirement benefits are based on a formula of 2% x final average salary x years of service. For "Rule of 80" members, average salary is an average of the three highest years of contributory service. For "Rule of 90" members, the average salary is computed by averaging the highest five consecutive years of contributory service.

All years of service prior to July 1, 1995, will be calculated using an average salary no greater than \$40,000.

Certain employees at OU, OUHSC, and OSU who were employed before July 1, 1995, may have retirement benefits adjusted for years when their contributions were less than total compensation.

### DISABILITY BENEFITS

You may qualify for disability retirement benefits if a medical condition keeps you from performing your regular duties as a public school employee. You may be considered for a TRS disability retirement benefit if:

- you have at least 10 years of contributory TRS service, *and*
- you submit a disability retirement application detailing your medical condition, which must have existed while you were employed by the public schools of Oklahoma, *and*
- your application is approved by the TRS Medical Review Board and the Board of Trustees.

If you are awarded Social Security Disability benefits, you qualify for TRS disability benefits if you incur the disability while employed by the public schools and provide TRS with proof of the Social Security award.

### HEALTH INSURANCE BENEFIT

If you have at least 10 years of creditable service and retire or terminate your employment, you may elect to continue coverage in the insurance program your employer provides to active employees.

(continued on reverse)

If you are not enrolled in the state plan, coverage is subject to the provisions of the plan in which you are enrolled.

Dependent and dental coverage is available if you are enrolled in the State and Education Employees Group Health and Dental Insurance Plan.

Once you begin receiving monthly retirement checks, TRS will pay the first \$100 to \$105 of monthly premiums for you, but not for your dependents. The actual amount paid by TRS is determined by your total service and average salary at retirement.

If you have less than 10 years of employment, you have certain rights under federal law to continue health insurance coverage after your employment ends. You should request information about continued coverage from your school's payroll office or the State and Education Employees Group Insurance Board before termination.

#### **SURVIVOR BENEFITS**

Your designated beneficiary or estate is entitled to survivor benefits if you are a TRS member when you die.

If you are an active in-service member when you die, your beneficiary(ies) will receive an \$18,000 death benefit, plus the contributions in your account and interest on those contributions. "Active in-service" is defined in the TRS Rules, but generally means a member currently employed by an Oklahoma public education institution.

If you have 10 or more years of service, have reached age 55, or you have met the Rule of 80 or Rule of 90, and you have one designated primary beneficiary, he or she may choose a monthly benefit instead of the lump sum payment.

If you are an inactive member when you die, your beneficiaries will receive the amount of the contributions in your TRS account, plus interest on those contributions, but you will not qualify for the \$18,000 death benefit or the monthly retirement benefit payment payable to the surviving beneficiary of active in-service members.

If you die after you retire, your beneficiary or estate will receive a \$5,000 death benefit, plus the survivor benefits provided by your chosen retirement plan. Certain retirement plan options provide your surviving beneficiary(ies) with a continuing monthly retirement benefit.

#### **WITHDRAWING YOUR CONTRIBUTIONS**

If you leave the job that qualified you for TRS membership, you may request a refund of your contributions any time after your last day on that job. You will be eligible to receive the refund four months after you leave your job. The refund includes all contributions made by you or on your behalf by your employer, plus any applicable portion of interest earnings. When you accept a refund, you forfeit all TRS service credit.

If you return to qualifying employment, you may redeposit your withdrawn account after you contribute to TRS for 12 months.

Redepositing your withdrawn contributions reinstates your initial membership date. If you do not redeposit your withdrawn contributions, your official membership date will be the date you rejoined TRS.

If you decide to redeposit, you must redeposit the entire amount you withdrew and pay 10% simple interest on that amount for each year your account was withdrawn. You may pay this amount in one lump sum or through installment payments for up to 60 months.

Only an optional member (support personnel) can terminate membership in TRS without terminating employment. If you are an optional member and withdraw your account without leaving your job, the IRS requires that contributions made on a pre-tax basis *cannot* be refunded until you leave your job.

If you continue working for your employer after terminating your TRS membership, you can rejoin TRS only under special provisions of an Internal Revenue Service private letter ruling, which requires a period of non-membership and loss of the right to redeposit withdrawn service or purchase prior service credits. In this case, you would become a new member as of the date you rejoin.

You also may leave your contributions in your account. If you are vested (have at least five years of Oklahoma service), your account will continue earning interest until you withdraw it or begin drawing your retirement benefit. If you are not vested, your account will continue earning interest for five years, unless you withdraw it before then.

#### **TAX-SHELTERED ANNUITY PLAN**

The System administers a tax-sheltered annuity program qualified under Section 403(b) of the Internal Revenue Code. As a TRS member, you may deposit funds into this plan if your local Board of Education or other governing board adopts a resolution making the plan available to its employees and you sign a salary reduction agreement with your employer. Contributions to the annuity plan are restricted to an annual "exclusion allowance" determined by the IRS Code. Withdrawals from the plan are subject to various withdrawal restrictions and tax penalties mandated by the Internal Revenue Code.

#### **RIGHTS AND RESPONSIBILITIES**

TRS publications provide answers to general questions. You are responsible for resolving any questions about your retirement account. You are entitled to counseling from the TRS staff concerning any question you have about your retirement account. *TRS will not be held accountable for information that is contrary to statutes or administrative rules, regardless of who provides that information.*

For details of how statutes and administrative rules may affect your retirement account, contact:

#### **TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

##### **MAILING ADDRESS**

P.O. Box 53524

Oklahoma City, OK 73152-3524

##### **STREET ADDRESS**

Oliver Hodge Building, 5th Floor

2500 N. Lincoln Blvd.

Oklahoma City, OK 73105

405-521-2387 or 1-877-738-6365 (Toll-Free)

[www.trs.state.ok.us](http://www.trs.state.ok.us)

This Plan Summary provides general information summarizing the basic benefits available to TRS members. If any conflict arises between information contained in this summary and state statutes or official TRS rules, the law and/or rule takes precedence.

15,000 copies of this *Teachers' Retirement System of Oklahoma Plan Summary* have been printed by the Office of Public Affairs, Central Printing Division, at a cost of \$514. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Revised 8/2004

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Teachers' Retirement System of Oklahoma

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director



Independent Auditors' Report  
Management's Discussion and Analysis  
Basic Financial Statements  
Required Supplementary Information  
Schedules of Investment Expenses  
Schedules of Administrative Expenses  
Schedules of Professional/Consultant Fees  
Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with  
*Government Auditing Standards*





Independent Auditors' Report

**Cole & Reed, P.C.**  
*Certified Public Accountants*

Board of Trustees  
Teachers' Retirement System  
of Oklahoma

531 Couch Drive Suite 200  
Oklahoma City OK 73102-2251  
(405) 239-7961  
FAX (405) 235-0042

We have audited the accompanying statement of plan net assets of the Teachers' Retirement System of Oklahoma (the "System"), a part of the financial reporting entity of the state of Oklahoma, as of June 30, 2005, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of and for the year ended June 30, 2004, were audited by other auditors whose report, dated September 10, 2004, expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note B, the System's actuary has determined that the System's unfunded actuarial accrued liability (the "UAAL") is approximately \$7,100,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the UAAL will be fully amortized in 42.6 years.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the System at June 30, 2005, and the change in its net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2005, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and the schedules of funding progress and employers' contributions on page 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the schedules on pages 57 through 59 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information included in the schedules on pages 57 through 59 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cole & Reed P.C.

Oklahoma City, Oklahoma  
October 14, 2005



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Teachers' Retirement System of Oklahoma (known collectively as TRS or the System), we offer readers of the TRS financial statements this narrative discussion and analysis of the financial activities of TRS for the fiscal years ended June 30, 2005, 2004, and 2003.

### Financial Highlights

- The net assets of TRS exceeded its current liabilities by \$7.541 billion and \$6.952 billion at June 30, 2005 and 2004, respectively. Such amounts are used to meet the System's current and ongoing obligations to its retired and active members and creditors.
- The System's total net assets increased by \$589 million and by \$1.088 billion at June 30, 2005 and 2004, respectively. The gains in 2005 and 2004 were due to strong equity market returns in both fiscal years. These conditions resulted in net realized and unrealized gains on investments of \$528 million and \$1,049 million in fiscal year 2005 and 2004, respectively.
- At June 30, 2005, TRS's unfunded actuarial accrued liability was \$7.100 billion. The unfunded actuarial accrued liability at June 30, 2004 was \$7.419 billion. The System's funded ratio increased from 47.3% to 49.5%. This increase is primarily due to the impact of the new actuarial assumptions adopted as a result of the experience study conducted in 2005 and approved by the board in August, 2005.

### Overview of the Financial Statements

The System was established as of July 1, 1943, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma. The supervisory authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. TRS's basic financial statements are comprised of three components: 1) *statement of plan net assets*, 2) *statement of changes in plan net assets*, and 3) *notes to the financial statements*. This report also contains *required supplemental information* in addition to the basic financial statements themselves.

The *statement of plan net assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets held in trust for pension benefits and annuity benefits of electing members*. Over time, increases or decreases in net plan assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Information relating to the System's ability to meet the cost of future benefit payments is not shown on the *statement of plan net assets*, but is located in both the *notes to the financial statements* and the *required supplemental information*.

The *statement of changes in plan net assets* presents information showing how the System's net assets changed during the most recent fiscal year. Changes in net assets are recognized using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period they are earned and become measurable.

## MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

The *notes to the financial statements* are critical to the reader's understanding of the financial status of the System. These notes include a description of the System, details on the cash and investments of the plan, as well as contribution and benefit information.

Also, it is extremely important that the reader reviews and understands the information on the funding status of the System. This information is detailed in the *required supplementary information* section. The funding status information indicates the System's ability to meet current and future benefit payments to its active and retired members.

### Financial Analysis

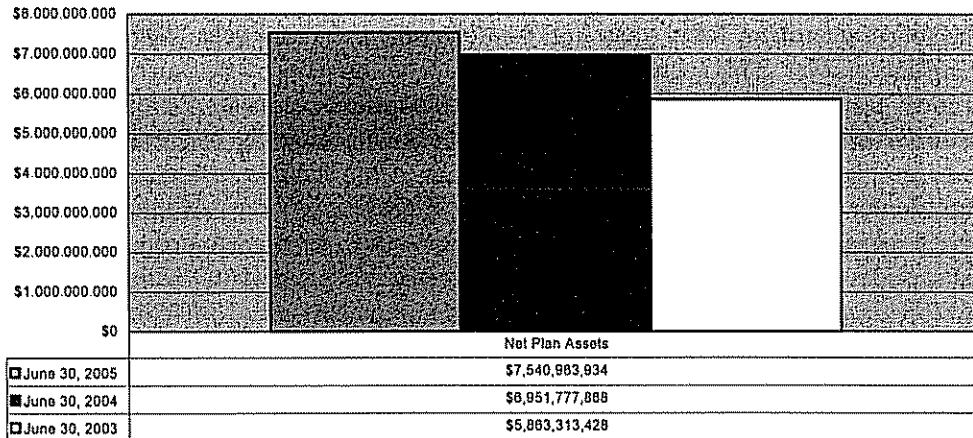
As noted earlier, increases or decreases of plan net assets may serve over time as a useful indicator of the System's financial position. By far the largest portion of the System's assets are in cash and investments, which is comprised of \$7.701 billion and \$7.069 billion of the plan net assets at June 30, 2005 and 2004, respectively. These amounts do not include the amounts shown as securities lending assets. Securities lending assets are offset by a liability for the same amount on the *statement of plan net assets*. Since the securities lending assets are offset by the securities lending liability they are not available for future spending. A summary of the plan net assets is shown below as of June 30:

Assets	2005	2004	2003
Cash	\$ 5,865,559	\$ 6,466,943	\$ 6,427,508
Short-term investments	370,052,039	514,478,967	395,517,841
Accrued interest and dividends receivable	24,671,437	19,629,944	23,476,667
Contributions receivable	36,439,084	33,490,888	32,833,301
Receivable from the State of Oklahoma	16,964,703	13,848,383	13,113,939
Due from brokers for securities sold	195,452,717	39,101,478	157,590,032
Securities lending institutional daily asset fund	1,758,147,104	1,377,874,455	944,610,734
Long-term investments	7,324,593,398	6,548,512,640	5,712,921,751
Capital assets, net	320,399	287,256	309,543
Total assets	<u>9,732,506,440</u>	<u>8,553,690,954</u>	<u>7,286,801,316</u>
<b>Liabilities</b>			
Benefits in process of payment	58,392,038	54,424,807	51,817,413
Due to brokers for securities purchased	368,051,480	162,858,780	419,032,764
Payable under securities lending agreement	1,758,147,104	1,377,874,455	944,610,734
Other liabilities	6,951,884	6,755,044	8,026,977
Total liabilities	<u>2,191,542,506</u>	<u>1,601,913,086</u>	<u>1,423,487,888</u>
<b>Net Assets</b>			
Net assets held in trust for pension benefits and annuity benefits of electing members	<u>\$ 7,540,963,934</u>	<u>\$ 6,951,777,868</u>	<u>\$ 5,863,313,428</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued**

The graph below illustrates the \$589 million and \$1.088 billion increases in net assets for the years ended June 30, 2005 and 2004, respectively. As previously mentioned, the increases in net assets for 2005 and 2004 were primarily due to the strong market rally in both fiscal years.

**PLAN NET ASSETS AS OF JUNE 30, 2005, 2004, AND 2003**



**Changes in Selected Revenue and Expense Items**

**Fiscal Year 2005 Compared to 2004**

The revenues received from member contributions increased by \$2 million or .8% in fiscal year 2005 from the prior fiscal year period were due to an increase in the amount of member covered payroll. Employer statutory contributions increased by \$8.66 million or 3.9% during the current year due to an increase in the number of retired members returning to work (employers must make employer contributions on these members). Dedicated revenue increased by \$20 million or 14% for the year as a result of a higher state revenue base due to improved economic conditions and an increase in the percentage of revenue received by TRS from 3.54% to 3.75% during fiscal year 2005. Net investment gain decreased by \$520 million due to the equity market which was good in 2005 but not as outstanding as 2004. Retirement, death, survivor, and health benefit payments increased by \$54 million or 8%. This was due to a 3% increase in the number of retirees receiving monthly benefits and a 4% cost of living adjustment which became effective in 2005. Refunds of member contributions and annuity payments decreased by \$8 million or 16%. The decrease was a result of a reduction in the number of tax shelter annuity fund withdrawals due to favorable market performance in the past two fiscal years. Administrative expenses increased by \$361 thousand due primarily to an increase in personnel costs and contractual expenses incurred for an actuarial audit. A summary of *changes in plan net assets* is presented on the following page. The graphs on page 28 offer a comparison of selected revenue and expense accounts for fiscal years 2005 and 2004.

## MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

### Fiscal Year 2004 Compared to 2003

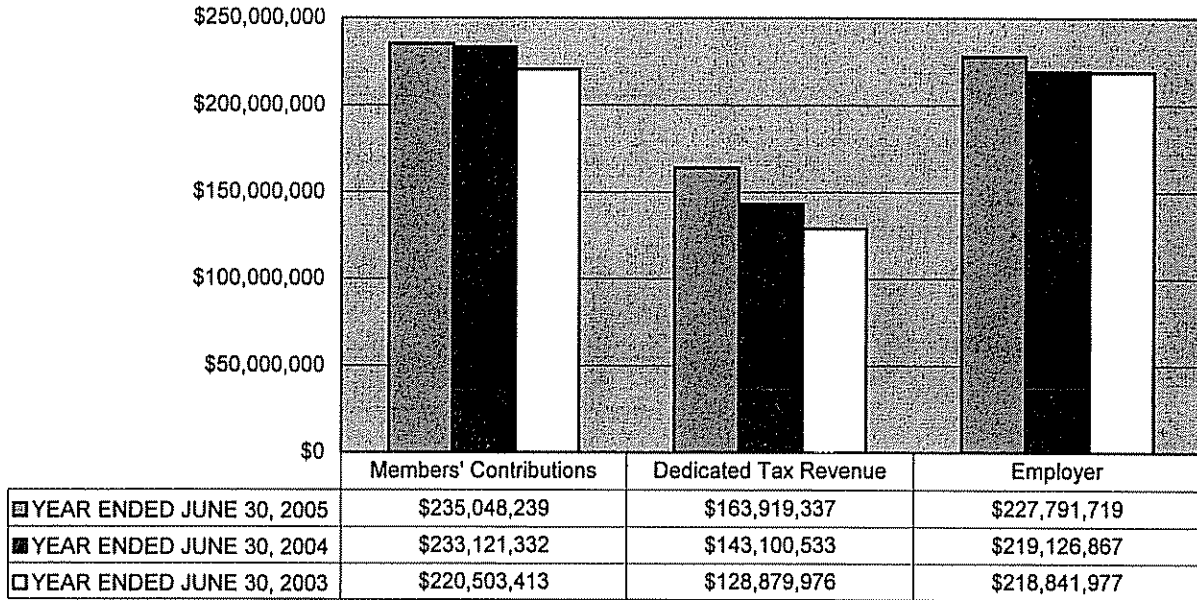
The revenues received from member contributions increased by \$12.6 million or 6% in fiscal year 2004 from the prior fiscal year period due to an increase in the amount of contributions made by the state on behalf of the members. Employer statutory contributions increased by \$285 thousand or 0.1% during the current year. Dedicated revenue increased by \$14 million or 11% for the year as a result of a higher state revenue base due to improved economic conditions. Net investment gain increased by \$912 million due to the equity market rally which started in the fourth quarter of fiscal year 2003 and continued in fiscal year 2004. Investment expenses increased by \$5.5 million or 34%. This increase was a result of the increase in the fair value of funds invested during fiscal year 2004. Retirement, death, survivor, and health benefit payments increased by \$38 million or 6%. This was due to an increase in the number of retirees receiving monthly benefits. Refunds of member contributions and annuity payments decreased by \$21 million or 29%. The decrease was a result of a reduction in the number of tax shelter annuity fund withdrawals due to improving market performance during fiscal year 2004. Administrative expenses decreased by \$157 thousand or 4% due primarily to decreases in non-investment related professional services and a decrease in depreciation expense. A summary of *changes in plan net assets* is presented on the following page. The graphs on page 28 offer a comparison of selected revenue and expense accounts for fiscal years 2005, 2004 and 2003.

**MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued**

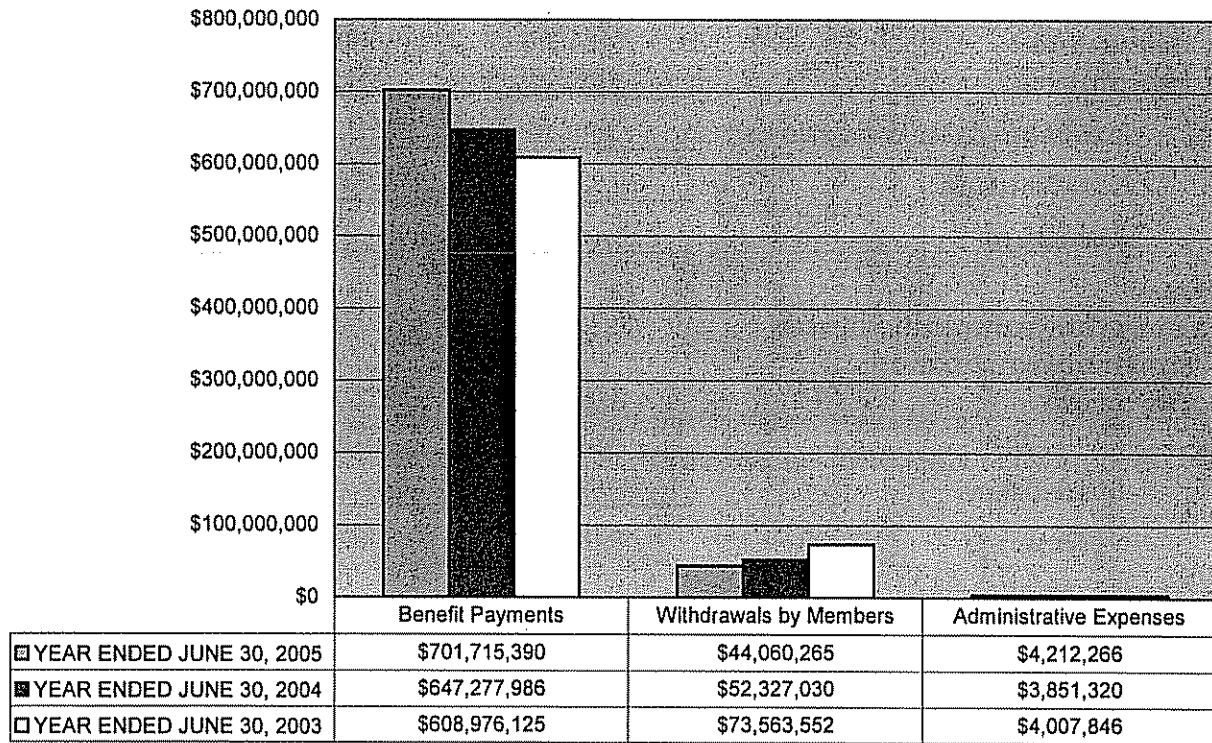
<b>Additions:</b>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Contributions:			
Members	\$ 235,048,239	\$ 233,121,332	\$ 220,503,413
Members tax shelter	6,410,810	5,191,621	4,448,732
Employer statutory requirement from local school districts	227,791,719	219,126,867	218,841,977
Federal matching	14,047,582	13,042,355	14,267,487
Dedicated tax revenue	<u>163,919,337</u>	<u>143,100,533</u>	<u>128,879,976</u>
Total contributions	<u>647,217,687</u>	<u>613,582,708</u>	<u>586,941,585</u>
Investment income:			
Interest	89,194,551	79,105,793	107,834,044
Dividends	93,863,495	69,366,744	56,275,701
Net realized and unrealized gains	528,399,334	1,048,927,967	115,804,022
Less investment expenses	<u>(22,819,284)</u>	<u>(21,573,692)</u>	<u>(16,040,134)</u>
Gain from investing activities	<u>688,638,096</u>	<u>1,175,826,812</u>	<u>263,873,633</u>
Income from securities lending activities:			
Securities lending income	32,505,873	12,975,928	12,926,940
Borrower rebates	(28,334,967)	(9,610,077)	(10,062,106)
Management fees	<u>(852,702)</u>	<u>(854,595)</u>	<u>(702,307)</u>
Income from securities lending activities	<u>3,318,204</u>	<u>2,511,256</u>	<u>2,162,527</u>
Net investment gain	<u>691,956,300</u>	<u>1,178,338,068</u>	<u>266,036,160</u>
Total additions	<u>1,339,173,987</u>	<u>1,791,920,776</u>	<u>852,977,745</u>
<b>Deductions:</b>			
Retirement, death, survivor, and health benefits	701,715,390	647,277,986	608,976,125
Refund of member contributions and annuity payments	44,060,265	52,327,030	73,563,552
Administrative expenses	<u>4,212,266</u>	<u>3,851,320</u>	<u>4,007,846</u>
Total deductions	<u>749,987,921</u>	<u>703,456,336</u>	<u>686,547,523</u>
Net increase	589,186,066	1,088,464,440	166,430,222
<b>Net assets:</b>			
Beginning of year	<u>6,951,777,868</u>	<u>5,863,313,428</u>	<u>5,696,883,206</u>
End of year	<u>\$ 7,540,963,934</u>	<u>\$ 6,951,777,868</u>	<u>\$ 5,863,313,428</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued**

**REVENUES FOR THE FISCAL YEARS ENDED JUNE 30, 2005, 2004, AND 2003**



**DEDUCTIONS FOR THE FISCAL YEARS ENDED JUNE 30, 2005, 2004, AND 2003**



## MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued

### **Economic Factors, Future Contribution Rates, and Status of Unfunded Liability**

A 10.4% positive return was achieved for the fiscal year ended June 30, 2005. Although the return on investments is very important to the System, members' benefits are assured and protected because TRS is a defined benefit plan. As the name implies, a defined benefit plan is income provided for retirement on a formula that is fixed or defined. The size of the pension is fixed before retirement. Usually, the formula is calculated as a percent of a worker's average salary prior to retirement. The percent-of-salary figure increases with the number of years served. The TRS benefit formula is the member's final average salary times 2%, times the number of years served.

#### **(Final Average Salary) X (2 % of Salary) X (Number of Years Served)**

Consequently, a person working for ten years would obtain a pension equal to about 20% of the final average salary, whereas an employee working for 30 years would get a better pension, covering about 60% of final average salary. However, the TRS retirement formula is modified by state statutes to provide that the final average salary for service performed before July 1, 1995 cannot exceed \$40,000 and other limits apply to members employed by certain higher education entities.

A law enacted in 1999 provided that the System would receive 3.54% of the state sales, use, and corporate and individual income taxes collected. This dedicated revenue source contributed \$164 million in fiscal year 2005 and \$143 million in fiscal year 2004. The TRS Board of Trustees has adopted an actuarial assumption that this source of revenue should increase at a rate of 3.5% annually. The state sales, use, and corporate and individual income taxes replaced the gross production tax previously dedicated to the System. This change provides TRS with a more stable revenue source. Senate Bill 1376, which became law July 1, 2002, provides that the percentage of state revenue will increase from 3.54% to 3.75% July 1, 2004; 4% July 1, 2005; 4.5% July 1, 2006; and 5% July 1, 2007 and thereafter. When the state's contribution hits 5%, it will approximate 7% of active members' pay, which is the contribution required by active members. House Bill 1020 that was passed during 2005, appropriates \$3.1 million to TRS from the Education Lottery. House Bill 1020 provides that TRS receive 1% of the new tax on tobacco products, which is designed to replace the sales tax on cigarettes TRS had been receiving. The monies received on cigarettes was included with the funds received from the state sales, use and corporate and individual income taxes which is shown as dedicated revenue on the statement of changes in net plan assets.

As of June 30, 2005 only 49.5% of the System's actuarial liabilities were covered by the actuarial value of its assets. According to Gabriel, Roeder, Smith, and Company, Consultants and Actuaries, TRS continues to be one of the worst funded state-operated pension plans in the nation. The significance of this problem for the future of Oklahoma cannot be overstated.

### **Requests for Information**

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Secretary of the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or (405) 521-2387.

STATEMENTS OF PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	June 30	
	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash	\$ 5,865,559	\$ 6,466,943
Short-term investments	370,052,039	514,478,967
Accrued interest and dividends receivable	24,671,437	19,629,944
Contributions receivable	36,439,084	33,490,888
Receivable from the State of Oklahoma	16,964,703	13,848,383
Due from brokers for securities sold	195,452,717	39,101,478
Security lending institutional daily assets fund	1,758,147,104	1,377,874,455
Long-term investments:		
U. S. government securities	1,414,024,370	1,099,141,715
U.S. corporate bonds	535,558,870	430,782,592
International corporate bonds and government securities	118,847,833	96,309,754
Equity securities	<u>5,256,162,325</u>	<u>4,922,278,579</u>
Total long-term investments	7,324,593,398	6,548,512,640
Capital assets, net	<u>320,399</u>	<u>287,256</u>
Total assets	<u>9,732,506,440</u>	<u>8,553,690,954</u>
<b>LIABILITIES</b>		
Benefits in process of payment	58,392,038	54,424,807
Due to brokers for securities purchased	368,051,480	162,858,780
Payable under security lending agreement	1,758,147,104	1,377,874,455
Other liabilities	<u>6,951,884</u>	<u>6,755,044</u>
Total liabilities	<u>2,191,542,506</u>	<u>1,601,913,086</u>
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits and annuity benefits (see Note B) of electing members (a schedule of funding progress is presented on page 51)	<u>\$ 7,540,963,934</u>	<u>\$ 6,951,777,868</u>

See accompanying notes to financial statements.



STATEMENTS OF CHANGES IN PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	<u>2005</u>	<u>2004</u>
Additions:		
Members	\$ 235,048,239	\$ 233,121,332
Members tax shelter	6,410,810	5,191,621
Employer statutory requirement from local school districts	227,791,719	219,126,867
Federal matching	14,047,582	13,042,355
Dedicated tax	<u>163,919,337</u>	<u>143,100,533</u>
Total contributions	<u>647,217,687</u>	<u>613,582,708</u>
Investment income:		
Interest	89,194,551	79,105,793
Dividends	93,863,495	69,366,744
Net realized and unrealized gains	528,399,334	1,048,927,967
Investment expenses	<u>(22,819,284)</u>	<u>(21,573,692)</u>
Gain from investing activities	<u>688,638,096</u>	<u>1,175,826,812</u>
Income from securities lending activities:		
Securities lending income	32,505,873	12,975,928
Securities lending expenses:		
Borrower rebates	(28,334,967)	(9,610,077)
Management fees	<u>(852,702)</u>	<u>(854,595)</u>
Income from securities lending activities	<u>3,318,204</u>	<u>2,511,256</u>
Net investment gain	<u>691,956,300</u>	<u>1,178,338,068</u>
Total additions	<u>1,339,173,987</u>	<u>1,791,920,776</u>
Deductions:		
Retirement, death, survivor, and health benefits	701,715,390	647,277,986
Refund of member contributions and annuity payments	44,060,265	52,327,030
Administrative expenses	<u>4,212,266</u>	<u>3,851,320</u>
Total deductions	<u>749,987,921</u>	<u>703,456,336</u>
Net increase	589,186,066	1,088,464,440
Net assets, beginning of year	<u>6,951,777,868</u>	<u>5,863,313,428</u>
Net assets, end of year	<u>\$ 7,540,963,934</u>	<u>\$ 6,951,777,868</u>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

#### NOTE A--DESCRIPTION OF THE SYSTEM

The following brief description of the Teachers' Retirement System of Oklahoma (the "System") is provided for general information purposes only. Participants should refer to Title 70 of the Oklahoma Statutes, 1991, sections 17-101 through 121, as amended.

The System was established as of July 1, 1943, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma (the "State"). The supervisory authority for the management and operation of the System is a 13-member board of trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

The System's membership consisted of the following as of June 30:

	<u>2005</u>	<u>2004</u>
Retirees and beneficiaries currently receiving benefits	40,879	39,593
Terminated vested members	6,008	5,731
Active members	<u>84,286</u>	<u>81,683</u>
	<u>131,173</u>	<u>127,007</u>

There are 629 contributing employers in the System. In addition, there were 7,072 and 7,536 of nonvested inactive members at June 30, 2005 and 2004, respectively, which are entitled to a refund of their accumulated contributions.

#### NOTE B--FUNDING STATUS

The System's actuary conducts an annual valuation to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. This valuation shows the funded position of the System increased from the funding level at June 30, 2004. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial accrued liability (the "UAAL") is 42.6 years. The period to fully amortize the UAAL as of June 30, 2004 was infinite, based on the contribution schedule in effect at that time. The actuarial accrued liability decreased \$27.7 million and the actuarial value of assets increased \$291.8 million. As a result, the System's unfunded actuarial accrued liabilities decreased \$319 million to \$7,099.7 million at June 30, 2005. The decrease in the funded period and the increase in the funded ratio are due to the adoption of actuarial assumption changes determined from an experience study performed during the year ended June 30, 2005. These changes were approved by the System's board of trustees.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE B--FUNDING STATUS--Continued

The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. Based on calculations using Government Accounting Standards Board ("GASB") Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the System's funded ratio is only 49.5% at June 30, 2005 and 47.3% at June 30, 2004.

The figures on the preceding page (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Asset gains and losses (earning greater or less than the 8% investment return assumption) are recognized 20% per year for five years in the actuarial value of assets; the current actuarial value (\$6.953 billion) is \$285 million smaller than the fair value (\$7.238 billion).

The financial condition of the System and its ability to meet future obligations is predicated on a funding schedule set in Oklahoma Statutes, which provides an increasing revenue stream based on a percentage of active members' pay. Under the present funding schedule, the UAAL will be fully amortized in 42.6 years.

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The System has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America and using the economic resources measurement focus. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Oklahoma Statutes. Administrative expenses are paid with funds provided by operations of the System.

Budgetary Control: The System prepares and submits an annual budget of operating expenses on the cash basis for monitoring and reporting to the Oklahoma Office of State Finance. The System's budget process follows the budget cycle for State operations as outlined by the Oklahoma Office of State Finance.

The Executive Secretary may approve changes within the budget, but a change to the total budget must be handled according to the provision of Title 62 O.S. Sec. 41.12 of the Oklahoma Statutes.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Investments: The System is authorized to invest in eligible investments as approved by the board of trustees as set forth in the System's investment policy.

System investments are reported at fair value. The short-term investment fund is comprised of an investment in units of commingled trust funds of the System's custodial agent, which is reported at cost, which approximates fair value. Debt and equity securities are reported at fair value, as determined by the System's custodial agent, using pricing services or prices quoted by independent brokers based on the latest reported sales prices at current exchange rates for securities traded on national or international exchanges. The Security Lending Institutional Daily Assets Fund represents investment in Northern Trust Company's Institutional Daily Assets Fund and is carried at amortized cost, which approximates fair value.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, investment income from foreign currency translation gains and losses, securities lending income and expenses, and investment expenses, which includes investment management and custodial fees and all other significant investment related costs.

The System's international investment managers enter into forward foreign exchange contracts to protect against fluctuation in exchange rates between the trade date and the settlement date of foreign investment transactions. The gains and losses on these contracts are included in income in the period in which the exchange rates change.

The System invests in various traditional financial instruments that fall under the broad definitions of derivatives. The System's derivatives include U. S. Treasury Strips, collateralized mortgage obligations, futures and options, convertible stocks and bonds, and variable rate instruments. These investments are not speculative in nature and do not increase investment risk beyond allowable limits specified in the System's investment policy.

The System's investment policy provided for investment diversification of stocks, bonds, fixed income securities and other investment securities along with investment in commingled or mutual funds. Investment securities and investment securities underlying commingled or mutual fund investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

Capital Assets: Capital assets are stated at cost when acquired, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes: The System is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service (the "IRS") under Internal Revenue Code (the "IRC") Section 401(a). The System's 403(b) Plan is also tax exempt and has received a private letter ruling from the IRS.

Compensated Absences: It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences, included in other liabilities, were approximately \$238,000 and \$220,000 at June 30, 2005 and 2004, respectively.

Plan Termination: In the event the System terminates, the board of trustees will distribute the net assets of the System to provide the following benefits in the order indicated:

Accumulated contributions will be allocated to each respective member, former member, retired member, joint annuitant, or beneficiary then receiving payments.

The balance of such assets, if any will be allocated to each member then having an interest in the System based upon the excess of their retirement income under the System less the retirement income, which is equal to the actuarial equivalent of the amount allocated to them in accordance with the preceding paragraph in the following order:

- Those retired members, joint annuitants, or beneficiaries receiving payments,
- Those members eligible to retire,
- Those members eligible for early retirement,
- Former members electing to receive a vested benefit, and
- All other members.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates: The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires the System's management to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in System net assets during the reporting period and, when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties: Contributions to the System and the actuarial information included in the required supplementary information are reported based on certain assumptions pertaining to interest rates, inflation rates, employee compensation, and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

NOTE D--CASH AND INVESTMENTS

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a counterparty, the System will not be able to recover the value of its investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk of deposits, it does limit the amount of cash and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2005 and 2004, \$370,052,000 and \$514,479,000, respectively, of cash and cash equivalents was uninsured and uncollateralized.

Credit Risk: Fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. The System's investment policy requires that at the time of purchase all corporate bonds or debentures be at the highest rating of the four rating services recognized by the Comptroller of the Currency of the United States of America.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
<i>(Amounts in Thousands)</i>			
U.S. Government Securities	AGY (1)	\$ 682,983	48.30%
	TSY (2)	67,743	4.79%
	Aa2	29,117	2.06%
	Aa3	519	0.04%
	Aaa	629,515	44.52%
	B2	131	0.01%
	Ba1	827	0.05%
	Baa3	3,189	0.23%
Total U.S. Government Securities		1,414,024	100.00%
International Government Securities	A1	3,229	4.03%
	Aa2	3,434	4.29%
	Aaa	50,849	63.51%
	B1	4,942	6.17%
	B3	240	0.30%
	Ba1	874	1.09%
	Ba3	878	1.10%
	Baa1	7,460	9.32%
	Baa2	576	0.72%
	Baa3	6,289	7.85%
	Not Rated	1,296	1.62%
Total International Government Securities		\$ 80,067	100.00%

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

<u>Investment Type</u>	<u>Moody's Ratings (Unless Noted)</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
<i>(Amounts in Thousands)</i>			
Domestic Corporate Bonds	A1	\$ 29,308	5.35%
	A2	22,637	4.13%
	A3	32,337	5.90%
	Aa1	3,043	0.56%
	Aa2	10,872	1.98%
	Aa3	31,654	5.78%
	Aaa	183,162	33.42%
	B1	4,762	0.87%
	B2	1,908	0.35%
	B3	2,356	0.43%
	Ba1	15,357	2.80%
	Ba2	11,987	2.19%
	Ba3	17,291	3.16%
	Baa1	27,928	5.10%
	Baa2	65,260	11.91%
	Baa3	46,155	8.42%
	Ca	46	0.01%
	Caa1	1,508	0.28%
	Caa2	511	0.09%
	Caa3	28	0.01%
	WR	2,399	0.41%
	Not Rated	25,050	6.85%
Total Domestic Corporate Bonds		<u>\$ 535,559</u>	100.00%



NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE D--CASH AND INVESTMENTS—Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
<i>(Amounts in Thousands)</i>			
International Corporate Bonds	A1	\$ 1,198	3.09%
	A3	5,415	13.96%
	Aa2	1,550	4.00%
	Aa3	1,511	3.90%
	B1	126	0.32%
	B2	1,105	2.85%
	B3	142	0.37%
	Ba1	4,262	10.99%
	Ba2	1,304	3.36%
	Ba3	4,848	12.50%
	Baa1	8,454	21.80%
	Baa2	4,179	10.78%
	Baa3	4,153	10.71%
	Caa2	51	0.13%
	Not Rated	483	1.24%
Total International Corporate Bonds		\$ 38,781	100.00%

(1) U.S. Agency securities

(2) U.S. Treasury securities

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE D--CASH AND INVESTMENTS--Continued

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2005, the System had the following investments with maturities:

<u>Investment Type</u>	<u>Investment Maturities at Fair Value (in Years)</u>				<u>Total Fair Value</u>
	<u>One to Five</u>	<u>Five to Ten</u>	<u>More Than Ten</u>	<u>Investments with No Duration</u>	
U.S. Government securities	\$ 325,627	\$ 200,459	\$ 813,970	\$ 73,968	\$ 1,414,024
International government securities	44,672	14,342	21,053	-	80,067
Domestic corporate bonds:					
Asset-backed securities	46,052	10,479	24,371	-	80,902
CMBS	-	-	94,632	-	94,632
CMO corporate	-	-	19,789	-	19,789
Corporates and other credit	<u>154,102</u>	<u>111,020</u>	<u>75,114</u>	-	<u>340,236</u>
	200,154	121,499	213,906	-	535,559
International corporate bonds	<u>12,346</u>	<u>21,629</u>	<u>4,806</u>	-	<u>38,781</u>
	<u>\$ 582,799</u>	<u>\$ 357,929</u>	<u>\$ 1,053,735</u>	<u>\$ 73,968</u>	<u>\$ 2,068,431</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE D--CASH AND INVESTMENTS--Continued

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment of deposit. The System's investment policy provides for various limits on the amount of foreign investments that may be maintained in the System's portfolio. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2005 is shown in the following table by monetary unit to indicate possible foreign currency risk.

<u>Currency</u>	<u>Cash and Cash Equivalent</u>	<u>Equities</u>	<u>Government Securities</u>	<u>Corporate Bonds</u>	<u>Total</u>
	<i>(Amounts in Thousands)</i>				
Australian dollar	\$ -	\$ 14,264	\$ -	\$ -	\$ 14,264
British pound sterling	428	252,037	-	-	252,465
Canadian dollar	17	25,283	5,257	30	30,587
Danish krone	-	3,099	-	-	3,099
Euro currency unit	3,603	414,822	36,073	-	454,498
Hong Kong dollar	265	21,690	-	-	21,955
Japanese yen	3	237,627	4,177	-	241,807
New Taiwan dollar	-	2,505	-	-	2,505
New Zealand dollar	-	11,584	-	-	11,584
Norwegian krone	-	10,713	-	-	10,713
Singapore dollar	-	21,375	3,563	-	24,938
South African rand	-	1,989	-	-	1,989
South Korean won	-	22,842	-	-	22,842
Swedish krona	10	10,443	1,376	-	11,829
Swiss franc	-	89,456	-	-	89,456
Not subject to foreign currency risk (1)	<u>2,381</u>	<u>1,251,084</u>	<u>31,784</u>	<u>37,123</u>	<u>1,322,372</u>
	<u>\$ 6,707</u>	<u>\$ 2,390,813</u>	<u>\$ 82,230</u>	<u>\$ 37,153</u>	<u>\$ 2,516,903</u>

(1) These investments are not subject to foreign currency risk as they are held and traded in the United States of America.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE E--SECURITIES LENDING ACTIVITY

The System's investment policy and State statutes provide for its participation in a securities lending program. The program is administered by the System's master custodian and there are no restrictions on the amount of loans that can be made. Certain securities of the System are loaned to participating brokers, who must provide collateral in the form of cash, U. S. Treasury or government agency securities, or letters of credit issued by approved banks. Under the terms of the agreement, collateralization of the fair value of the loaned securities must be provided in the amount of 102% for loans of securities for which the principal trading market is the United States of America and 105% for securities for which the principal trading market is outside the United States of America.

The fair value of securities on loan was approximately \$1,822,461,000 and \$1,522,879,000 at June 30, 2005 and 2004, respectively. The underlying collateral for these securities had a fair value of approximately \$1,871,669,000 and \$1,599,374,000 at June 30, 2005 and 2004, respectively. Collateral of securities and letters of credit represented approximately \$113,522,000 and \$181,500,000 of total collateral at June 30, 2005 and 2004, respectively. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the statements of plan net assets.

At June 30, 2005 and 2004, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Furthermore, the contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the lent securities. However, should a collateral deficiency occur beyond the lending agent's responsibilities, the deficiency is allocated pro rata among all lenders. There have been no losses on security lending transactions, or recoveries from prior period losses, during 2005 or 2004 resulting from the default of a borrower or the lending agent. The System's lending agent is not affiliated or related to the System's investment managers or brokers. Accordingly, the System is not exposed to custodial credit risk in relation to its securities lending transactions.

All securities loans can be terminated on demand by either the System or the borrower. However, the average term of the loans cannot be determined. Cash collateral is invested in the lending agent's institutional daily assets fund, which at year-end has an average maturity of 24 days. The relationship between the maturities of the investment fund and the System's loans is affected by the maturities of the securities loans made by other entities that use the lending agent's fund, which the System cannot determine.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE E--SECURITIES LENDING ACTIVITY--Continued

A summary of the System's investments before any lending transactions and the investment of the cash collateral as of June 30, 2005 is as follows:

	<u>Fair Value</u>
Short-term investments	\$ 370,052,039
U.S. government securities	1,986,941,704
U. S. corporate bonds	598,990,869
International corporate bonds and government securities	128,491,449
Equity securities	<u>6,321,750,894</u>
	<u>\$ 9,406,226,955</u>

The following represents the balances, in thousands, relating to the securities lending transactions at June 30, 2005:

	<u>Fair Value of Underlying Securities</u>	<u>Fair Value of Non-cash Collateral</u>	<u>Cash Collateral</u>
Lent for cash collateral			
U.S. government securities	\$ 572,917	\$ -	\$ 584,948
U.S. corporate bonds	63,432	-	65,035
Internal corporate bonds and government securities	9,643	-	10,100
Equity securities	1,065,589	-	1,098,064
Lent for non-cash collateral			
U.S. government securities	86,103	88,130	-
U. S. corporate bonds	3,518	3,595	-
Equity securities	<u>21,259</u>	<u>21,797</u>	<u>-</u>
	<u>\$1,822,461</u>	<u>\$ 113,522</u>	<u>\$ 1,758,147</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE F--CAPITAL ASSETS

Capital assets consist of the following:

	<u>2005</u>	<u>2004</u>
Furniture and fixtures	\$ 1,485,458	\$ 1,401,380
Accumulated depreciation	<u>(1,165,059)</u>	<u>(1,114,124)</u>
Capital assets, net	<u>\$ 320,399</u>	<u>\$ 287,256</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2005 was approximately \$189,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$197,000 and \$192,000 for the years ended June 30, 2005 and 2004, respectively.

NOTE G--RESERVE AND DESIGNATED FUNDS

The amount included in the Teachers' Deposit Fund, the Expense Fund, and the Capital Assets Fund is not available to pay regular retirement benefits. A brief description of the major funds is as follows:

- The Teachers' Deposit Fund represents funds in the tax-sheltered annuity program, which is an optional program for members as allowed by Section 403(b) of the IRC.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System budgeted for the next fiscal year plus any accrued administrative costs as of the current fiscal year-end.
- The Capital Assets Fund represents the net book value of furniture and fixtures for the System.

	<u>2005</u>	<u>2004</u>
Teachers' deposit fund (tax-sheltered annuities)	\$302,877,000	\$285,288,000
Expense fund	42,309,000	38,945,000
Capital assets fund	<u>320,000</u>	<u>287,000</u>
	<u>\$345,506,000</u>	<u>\$324,520,000</u>

## NOTES TO FINANCIAL STATEMENTS--Continued

### TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

#### NOTE H--CONTRIBUTIONS

All contribution rates are defined or amended by the Oklahoma Legislature. All active members contribute to the System; however, the employer may elect to make all or part of the contribution for its employees. There are special provisions for members of higher education who joined the System before July 1, 1995.

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. For those members employed by a comprehensive university, the maximum compensation level was \$67,500 and \$62,500 for those who elected the \$25,000 limit prior to June 30, 1995 in fiscal years 2005 and 2004, respectively, and \$84,000 and \$79,000 for all other members in fiscal years 2005 and 2004, respectively. Maximum compensation levels increase by \$5,000 each year through June 30, 2007, after which the full amount of regular annual compensation will be considered.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 7.05% for 2005 and 2004 is applied to annual compensation up to defined caps depending upon the member's elections as previously described.

#### NOTE I--BENEFITS

The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members, who joined the System on June 30, 1992, or prior, are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE I--BENEFITS--Continued

- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.
- Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. If the deceased, in-service member joined the System prior to July 1, 1992, the beneficiary will receive an additional death benefit of \$18,000. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, the System will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from the System, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board, (the "OSEGIB") the System paid between \$100 and \$105 per month to OSEGIB for each retiree, depending on the members' years of service during 2005 and 2004. Such amounts were approximately \$30,934,000 and \$31,143,000 in 2005 and 2004, respectively, and are included in retirement, death, survivor, and health benefits. Amounts due to OSEGIB at June 30, 2005 and 2004, respectively, are approximately \$2,515,000 and \$ 2,585,000, and are included in benefits in process of payment. The System performs no administrative functions related to the health insurance coverage provided through OSEGIB.



## NOTES TO FINANCIAL STATEMENTS--Continued

### TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

#### NOTE J--DEDICATED TAX

The System receives 3.75% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the State's collected sales, use, and corporate and individual income taxes allocated by the State to the System will increase from 3.75% to 4% on July 1, 2005; 4.5% on July 1, 2006; and 5% on July 1, 2007 and thereafter. The System received approximately \$164,000,000 and \$143,000,000 from the State in 2005 and 2004, respectively. Amounts due from the State were approximately \$16,965,000 and \$13,848,000 at June 30, 2005 and 2004, respectively.

#### NOTE K--PENSION PLAN FOR EMPLOYEES OF THE SYSTEM

The System also makes employer contributions for its employees who are also members of the System. The System's contributions are under the same terms as other participating employers, as discussed in Note H. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. Benefits paid to members that worked for the System are the same as those described in Note I. The total employee and employer contributions paid by the System for its employees were approximately \$336,000 and \$330,000 for 2005 and 2004, respectively.

#### NOTE L--PLAN AMENDMENTS

There were no significant plan provision changes that were enacted by the State Legislature during the year ended June 30, 2005.

#### NOTE M--NEW PRONOUNCEMENTS

Governmental Accounting Standards Board ("GASB") Statement No. 44, *Economic Condition Reporting: The Statistical Section*, establishes objectives for the statistical section, which provides additional historical perspectives, context and detail to assist in using the information in the basic financial statements and required supplementary information to assess a governmental entity's economic condition. The provisions of GASB Statement No. 44 are effective for statistical sections prepared for periods beginning after June 15, 2005.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* establishes standards for the measurement, recognition, and display of other postemployment benefits ("OPEB") expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. In addition to pensions, many state and local governmental employers provided OPEB as part of the total compensation offered to attract and retain the services of qualified employees.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE M--NEW PRONOUNCEMENTS--Continued

GASB Statement No. 45 is effective for periods beginning after December 15, 2006, for phase one governments (those with total annual revenues of \$100 million or more); after December 15, 2007, for phase two governments (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008 for phase three governments (those with total annual revenues of less than \$10 million).

GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation* clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. Under GASB Statement No. 46, the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions. GASB Statement No. 46 also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated and requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of GASB Statement No. 46 are effective for financial statements for periods beginning after June 15, 2005.

GASB Statement No. 47 *Accounting for Termination Benefits* establishes the accounting standards and disclosure requirements for termination benefits. The requirements of GASB Statement No. 47 are effective in two parts. For termination benefits provided through an existing defined benefit OPEB, implementation should be made simultaneously with the implementation of the requirements of GASB Statement No. 45. For all other termination benefits, the requirements of GASB Statement No. 47 are effective for financial statements for periods beginning after June 15, 2005, with early implementation allowed.

## **REQUIRED SUPPLEMENTARY INFORMATION**



REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
June 30, 2000	\$ 5,373.5	\$ 10,009.2	\$ 4,635.7	53.7%	\$ 2,738.3	169.3%
June 30, 2001	5,959.0	11,591.1	5,632.1	51.4%	2,990.5	188.3%
June 30, 2002	6,310.9	12,275.9	5,965.0	51.4%	3,047.1	195.8%
June 30, 2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%
June 30, 2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
June 30, 2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2000	\$ 455,265,033	60.6%
2001	451,463,258	72.7%
2002	556,201,571	65.6%
2003	585,168,488	61.9%
2004	534,811,845	70.2%
2005	722,095,783	56.2%

The employer contribution rates are established by the Oklahoma Legislature and are less than the annual required contribution, which is performed to determine the adequacy of such contribution rates.

Unaudited - see accompanying independent auditors' report

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE 1--ACTUARIAL ASSUMPTIONS AND METHODS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2005, is as follows:

**Funding Method:** Costs are developed using the entry age normal cost method (based on a level percentage of covered payrolls). Under the method used for the System, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payrolls. Entry age is defined as the first day service is credited under the System.

Experience gains and losses (i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumption) adjust the unfunded actuarial accrued liability.

**Asset Valuation Method:** The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

**Amortization:** The unfunded actuarial accrued liability is amortized on a percent of pay method over a 30-year open period.

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2005 are as follows:

**Investment Return:** 8% per annum, compounded annually (includes inflation of 3%).

**Salary Increases:** 4.25% to 6% per year (includes inflation of 3%).

**Mortality Rates:** Healthy males -- 1994 Unisex Pension Mortality Table for males, set back one year; Healthy females -- 1994 Unisex Pension Mortality Table for females, set back one year; Disabled males -- PBGC Table Va for disabled males eligible for Social Security disability benefits weighted by 80%; Disabled females -- PBGC Table VIa for disabled females eligible for Social Security disability benefits.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2005

NOTE 1--ACTUARIAL ASSUMPTIONS AND METHODS--Continued

Post Retirement Benefit Increases: None.

Post Retirement Health Insurance Premium: The System contributes between \$100 and \$105 per month or the Medicare Supplement Premium, if less, for eligible System members receiving retirement benefits who elect health insurance coverage through the Oklahoma State and Education Employee's Group Health Insurance Program, which administers various group health benefit plans.

Cost-of-Living Adjustment: 1%.





## **OTHER SUPPLEMENTARY INFORMATION**



SCHEDULES OF INVESTMENT EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	<u>2005</u>	<u>2004</u>
Investment custodian	\$ 100,000	\$ 100,000
Investment managers	23,217,529	22,234,098
Investment consultants	474,049	366,007
Investment information services	20,214	19,680
Commission recapture	<u>(992,508)</u>	<u>(1,146,093)</u>
Total investment expenses	<u>\$ 22,819,284</u>	<u>\$ 21,573,692</u>

See accompanying independent auditors' report

SCHEDULES OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended	
	June 30	
	<u>2005</u>	<u>2004</u>
Salaries and benefits	\$ 2,836,933	\$ 2,677,928
General and miscellaneous	748,969	523,551
Professional/consultant fees	428,649	218,935
State of Oklahoma interagency	-	266,859
Travel and related expenses	87,184	63,257
Depreciation expense	<u>110,531</u>	<u>100,790</u>
Total administrative expenses	<u>\$ 4,212,266</u>	<u>\$ 3,851,320</u>

See accompanying independent auditors' report

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	<u>2005</u>	<u>2004</u>
Actuarial	\$ 169,892	\$ 82,224
Medical	23,949	29,185
Legal	125,370	41,435
Audit	48,220	48,320
Data processing	49,578	8,902
Miscellaneous	<u>11,640</u>	<u>8,869</u>
Total professional/consultant fees	<u>\$ 428,649</u>	<u>\$ 218,935</u>

See accompanying independent auditors' report



**Cole & Reed, P.C.**  
*Certified Public Accountants*

Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards

531 Couch Drive Suite 200  
Oklahoma City OK 73102-2251  
(405) 239-7961  
FAX (405) 235-0042

The Board of Trustees  
Teachers' Retirement System  
of Oklahoma

We have audited the financial statements of Teachers' Retirement System of Oklahoma (the "System") as of and for the year ended June 30, 2005 and have issued our report thereon dated October 14, 2005 which includes an emphasis paragraph related to the System's funded status and includes paragraphs related to required supplementary information and other supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to management of the System in a separate letter dated October 14, 2005.

This report is intended solely for the information and use of the System's board of trustees, the Oklahoma State Auditor and Inspector, and the System's management and is not intended to be and should not be used by anyone other than these specified parties.

*Cole & Reed P.C.*

Oklahoma City, Oklahoma  
October 14, 2005





Professional Consultants and Advisors  
Report on Investment Activity  
Summary of Investments  
Asset Allocation at Fair Value Pie Charts  
Investment Managers  
Assets Managed Graph  
Investment Performance  
Comparative Rates of Return Graphs  
Annualized Fixed Income Return Comparison  
Annualized Equity Return Comparison  
Total Investment Returns  
Investment Expenses  
Brokerage Commissions Paid  
Portfolio of Assets



## **Professional Consultants and Advisors**

### **Domestic Equity Managers**

Aronson + Johnson + Ortiz, LP, Middle Capitalization Core  
Philadelphia, Pennsylvania

Frontier Capital Management Company, LLC, Middle Capitalization Growth  
Boston, Massachusetts

Goldman Sachs Asset Management, Large Capitalization Growth  
Tampa, Florida

Hotchkis and Wiley Capital Management, Large Capitalization Value  
Los Angeles, California

Hotchkis and Wiley Capital Management, Middle Capitalization Value  
Los Angeles, California

Shapiro Capital Management Company, Inc, Small Capitalization Value  
Atlanta, Georgia

Smith Asset Management Group, Small Capitalization Growth  
Dallas, Texas

The Northern Trust Company, S&P 500 Index Fund  
Chicago, Illinois

Tocqueville Asset Management, LP, Small Capitalization Value  
New York, New York

Wellington Management Company, LLP, Middle Capitalization Growth  
Boston, Massachusetts

### **Domestic Fixed Income Managers**

Hoisington Investment Management, Interest Rate Sensitive Fixed Income  
Austin, Texas

Loomis, Sayles & Company, LP, Core Plus Fixed Income  
Boston, Massachusetts

Lord Abbett & Co. LLC, Core Plus Fixed Income  
Jersey City, New Jersey

MacKay Shields, LLC, Core Plus Fixed Income  
New York, New York

Neuberger Berman, LLC, Core Plus Fixed Income  
New York, New York

Pacific Investment Management Company, Core Plus Fixed Income  
Newport Beach, California

Standish Mellon Asset Management, LLC, Passive Fixed Income Index Fund  
Philadelphia, Pennsylvania

Stephens Capital Management, Interest Rate Sensitive Fixed Income  
Little Rock, Arkansas

### **International Managers**

Brandes Investment Partners, International Equity  
San Diego, California

Capital Guardian Trust Company, International Equity  
Los Angeles, California

Causeway Capital Management, LLC, International Equity  
Los Angeles, California

### **Advisors and Consultants**

Gabriel, Roeder, Smith & Company, Actuary  
Dallas, Texas

Cole & Reed, P.C., External Auditor  
Oklahoma City, Oklahoma

gregory.w group, Investment Consultant  
Tulsa, Oklahoma

The Northern Trust Company, Global Custodian  
Chicago, Illinois

Office of the Attorney General, Legal Counsel

## Report on Investment Activity

The Teachers' Retirement System of Oklahoma had a gain for fiscal year 2005 of 10.4% based on fair value; three-year and five-year returns were 11.9% and 5.4% respectively. The System's investments increased \$632 million to \$7.695 billion at fiscal year-end.

The Board of Trustees (Board) of the Teachers' Retirement System of Oklahoma (System) is authorized by statute to invest the assets of the System solely in the interest of the participants and beneficiaries of the System. The Board is guided by the provisions of the prudent person rule, which affords the standard "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims." The Board is authorized to establish an investment committee, which is to make recommendations to the full Board of Trustees on all matters, related to the choice of custodians and managers of the assets of the System, and the establishment of investment guidelines.

The main determinant of any pension fund's long term-success is the fund's asset allocation. The Board, in conjunction with the investment consultant and staff has determined that the appropriate portfolio mix for the System is 70% equity investments and 30% fixed income investments. Adherence to a disciplined investment policy is critical to achieving long-term success while at the same time controlling risk. The System's asset allocation is regularly reviewed and periodically updated.

The investment information contained in this report is presented to the greatest degree possible in conformance with the Presentation Standards of the Association for Investment Management and Research (AIMR).

This report prepared by:

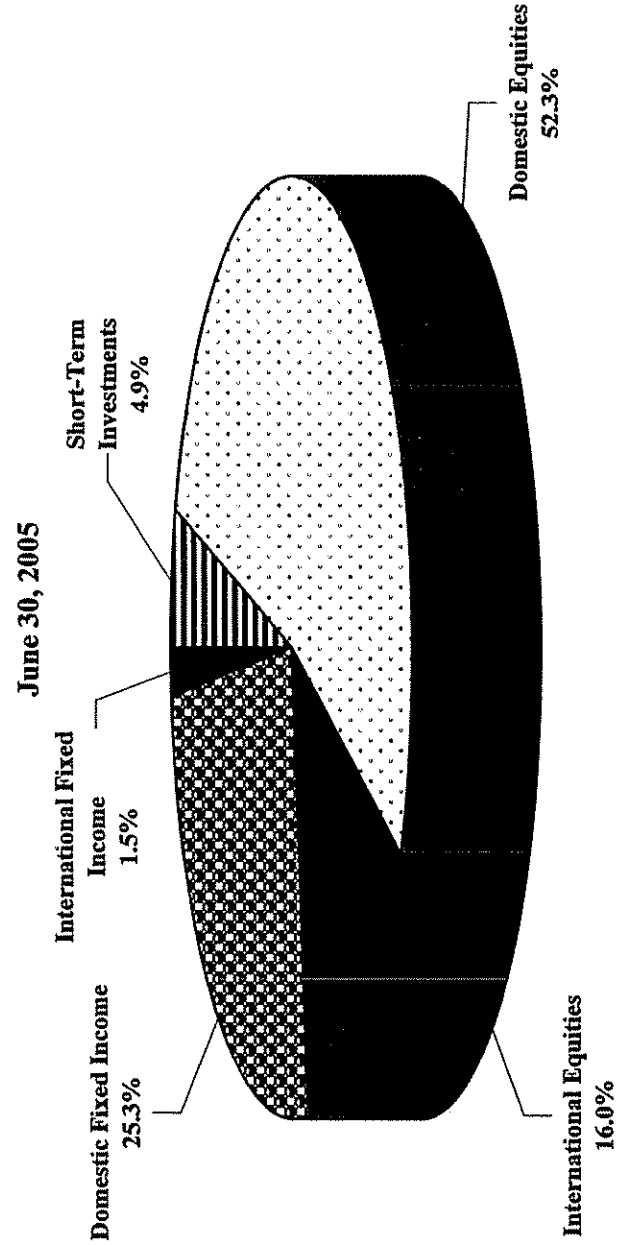
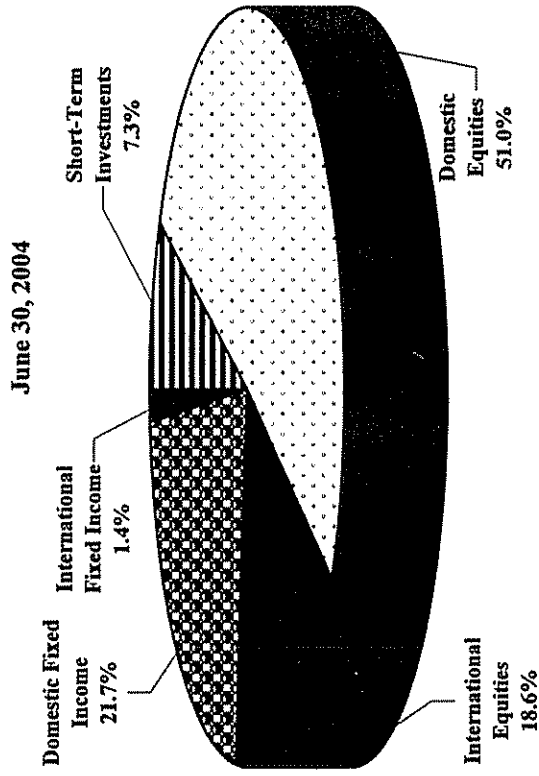
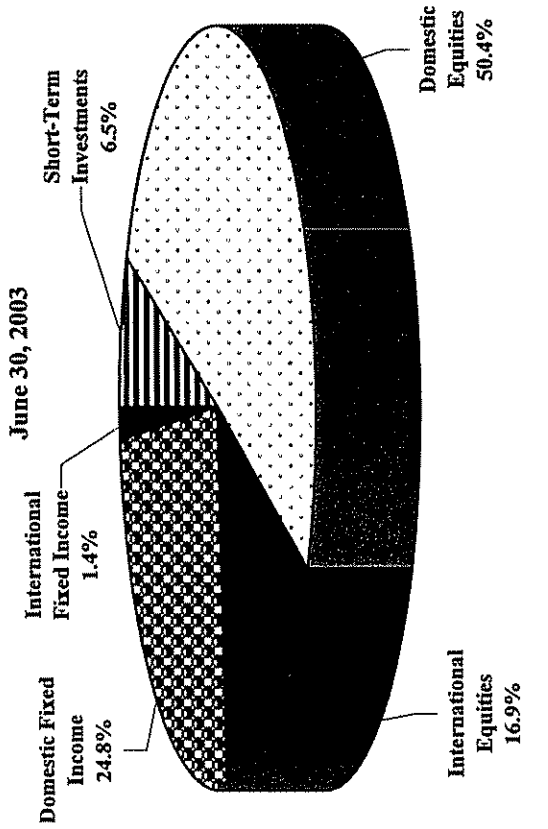
Bill Puckett  
Chief Investment Officer

**Summary of Investments**  
**June 30, 2005**

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government Securities	\$1,414,024,370	18.3%
Corporate Bonds	535,558,870	7.0%
International Bonds	<u>118,847,833</u>	<u>1.5%</u>
Total Fixed Income	2,068,431,073	26.8%
Equities:		
Domestic	4,027,784,349	52.3%
International	<u>1,228,377,976</u>	<u>16.0%</u>
Total Equities	5,256,162,325	68.3%
Short-Term Investments:		
Commercial Paper	61,089,230	0.9%
Domestic Money Market/Short-Term Notes	283,313,312	3.7%
International Money Market	<u>25,649,497</u>	<u>0.3%</u>
Total Short-Term Investments	<u>370,052,039</u>	<u>4.9%</u>
 Total Investments	 <u>\$7,694,645,437</u>	 <u>100.0%</u>

The charts on the following page demonstrate the changes in asset allocation in the past three years.

## Asset Allocation at Fair Value



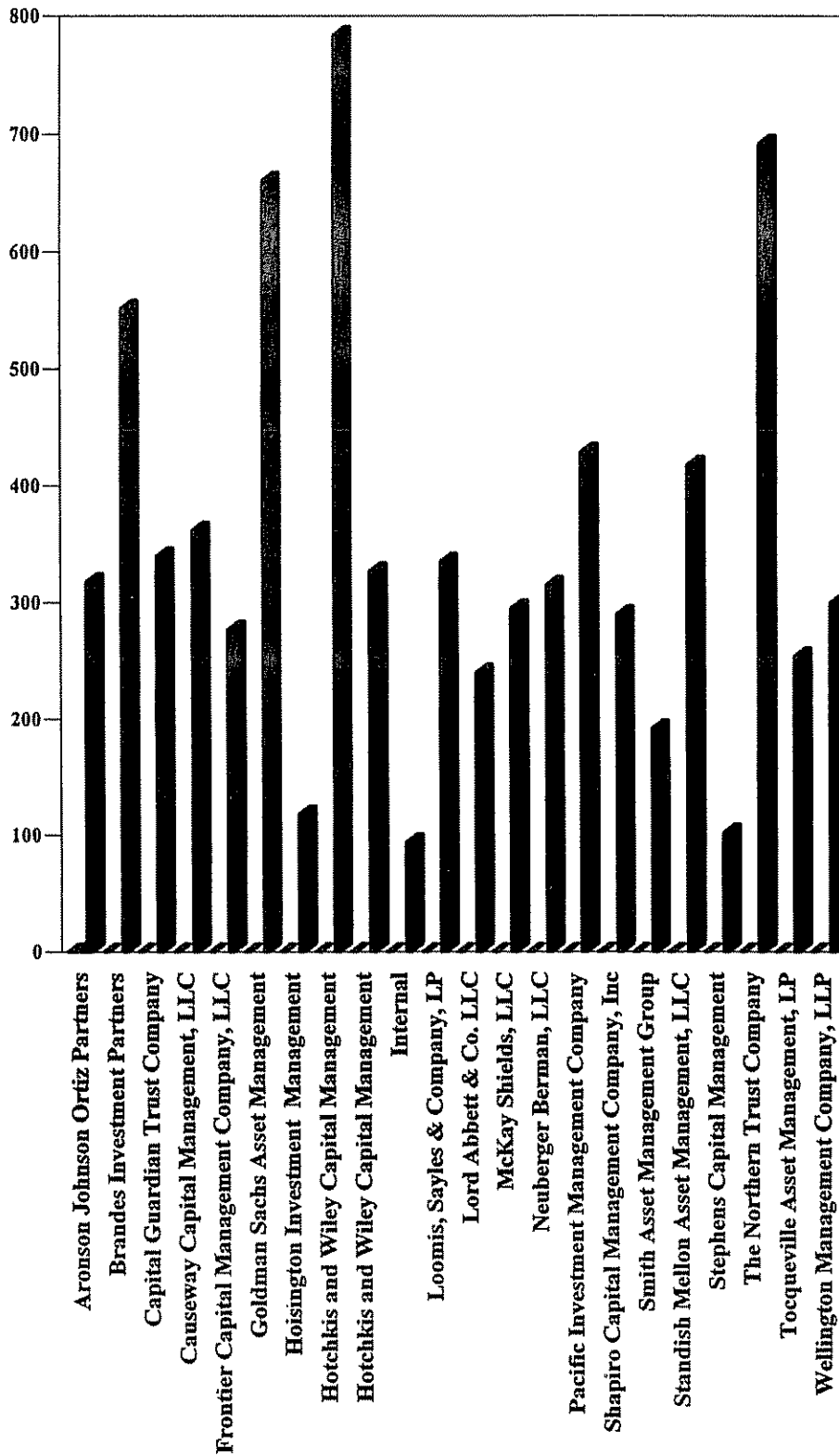
## Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the System's Investment Policy. Firms employed by the Board of Trustees on June 30, 2005 are listed below:

<u>Manager</u>	<u>Style</u>	<u>Funds Under Management (in millions)</u>
Aronson Johnson Ortiz Partners	Middle Capitalization Core	\$318
Brandes Investment Partners	International Equity	552
Capital Guardian Trust Company	International Equity	340
Causeway Capital Management, LLC	International Equity	362
Frontier Capital Management Company, LLC	Middle Capitalization Growth	277
Goldman Sachs Asset Management	Large Capitalization Growth	661
Hoisington Investment Management	Fixed Income	118
Hotchkis and Wiley Capital Management	Large Capitalization Value	784
Hotchkis and Wiley Capital Management	Middle Capitalization Value	327
Internal		94
Loomis, Sayles & Company, LP	Core Plus Fixed Income	335
Lord Abbett & Co. LLC	Core Plus Fixed Income	240
McKay Shields, LLC	Core Plus Fixed Income	295
Neuberger Berman, LLC	Core Fixed Income	315
Pacific Investment Management Company	Core Plus Fixed Income	429
Shapiro Capital Management Company, Inc	Small Capitalization Value	290
Smith Asset Management Group	Small Capitalization Growth	192
Standish Mellon Asset Management, LLC	Fixed Income Index	418
Stephens Capital Management	Interest Rate Sensitive Fixed Income	102
The Northern Trust Company	Large Capitalization Index	692
Tocqueville Asset Management, LP	Small Capitalization Value	254
Wellington Management Company, LLP	Middle Capitalization Growth	<u>300</u>
 Total funds under management		 <u>\$7,695</u>

Chart on following page.

### Assets Managed (In Millions)





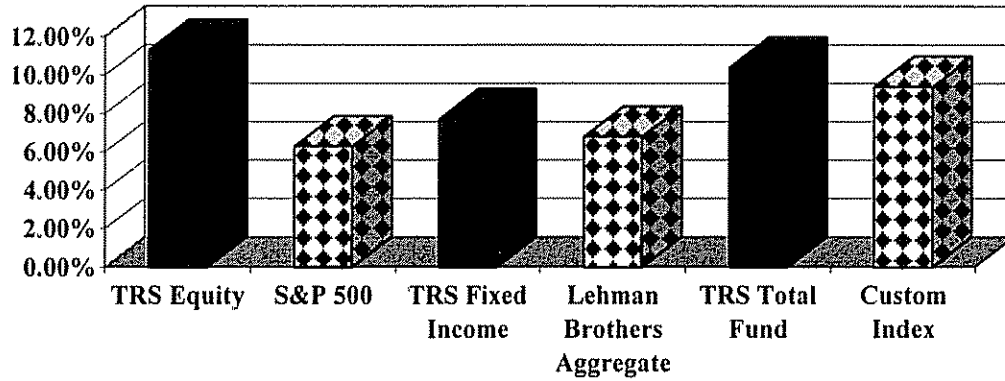
## **Investment Performance**

The Teachers' Retirement System of Oklahoma compares total return on equity investments to the S & P 500 Index. The benchmark for fixed income investments is the Lehman Brothers Aggregate Index. Individual benchmarks for the separately managed domestic equity funds include the Russell 1000 Value, the Russell 1000 Growth, the S & P 500, the S & P Midcap 400, the Russell Midcap, the Russell 2000 Value, the Russell 2000 Growth and the Russell 2000. The international managers are compared to the MSCI EAFE (before taxes).

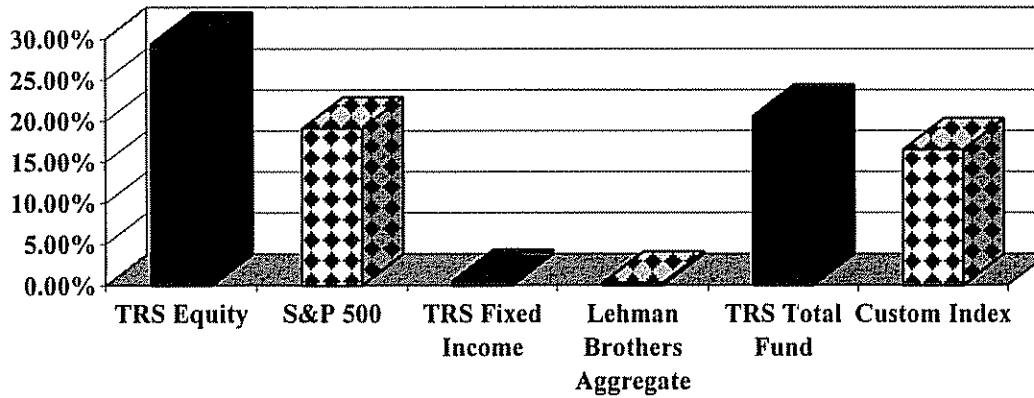
Investment return calculations are prepared using a time-weighted rate of return based on Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

The charts on the following pages show comparative returns for the major asset classes.

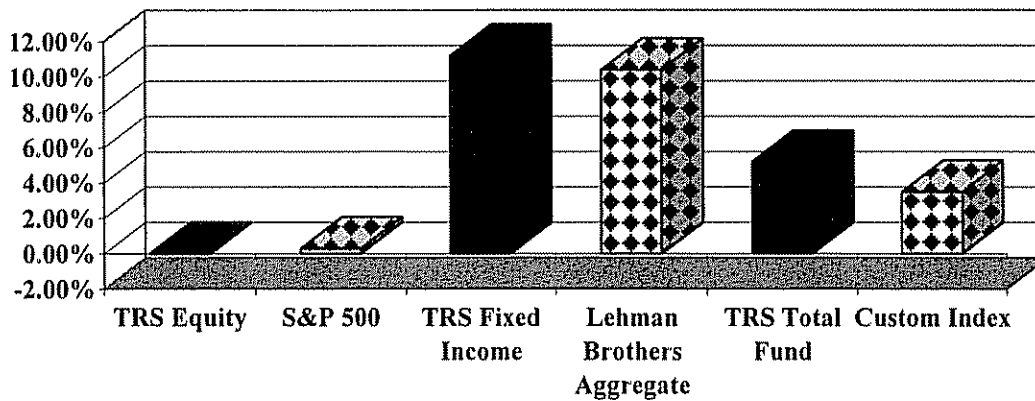
### Comparative Rates of Return Fiscal Year 2005



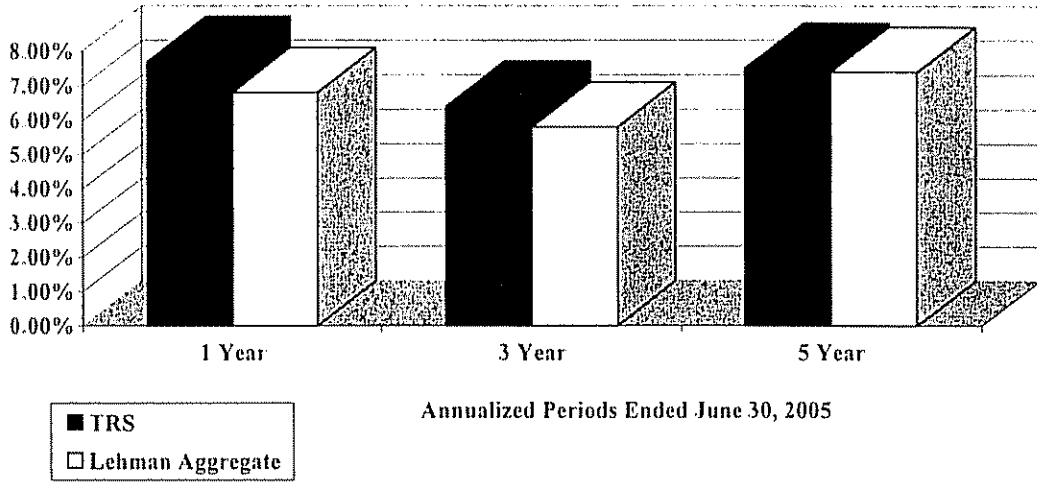
### Comparative Rates of Return Fiscal Year 2004



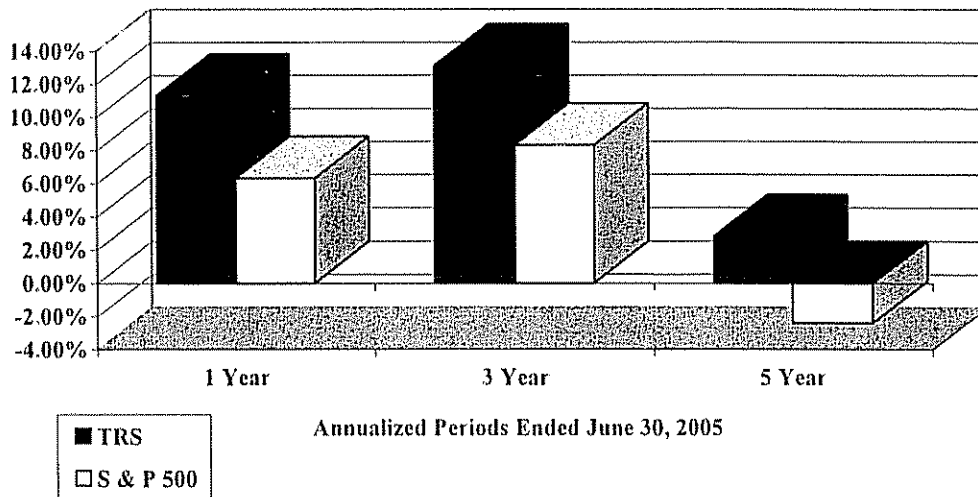
### Comparative Rates of Return Fiscal Year 2003



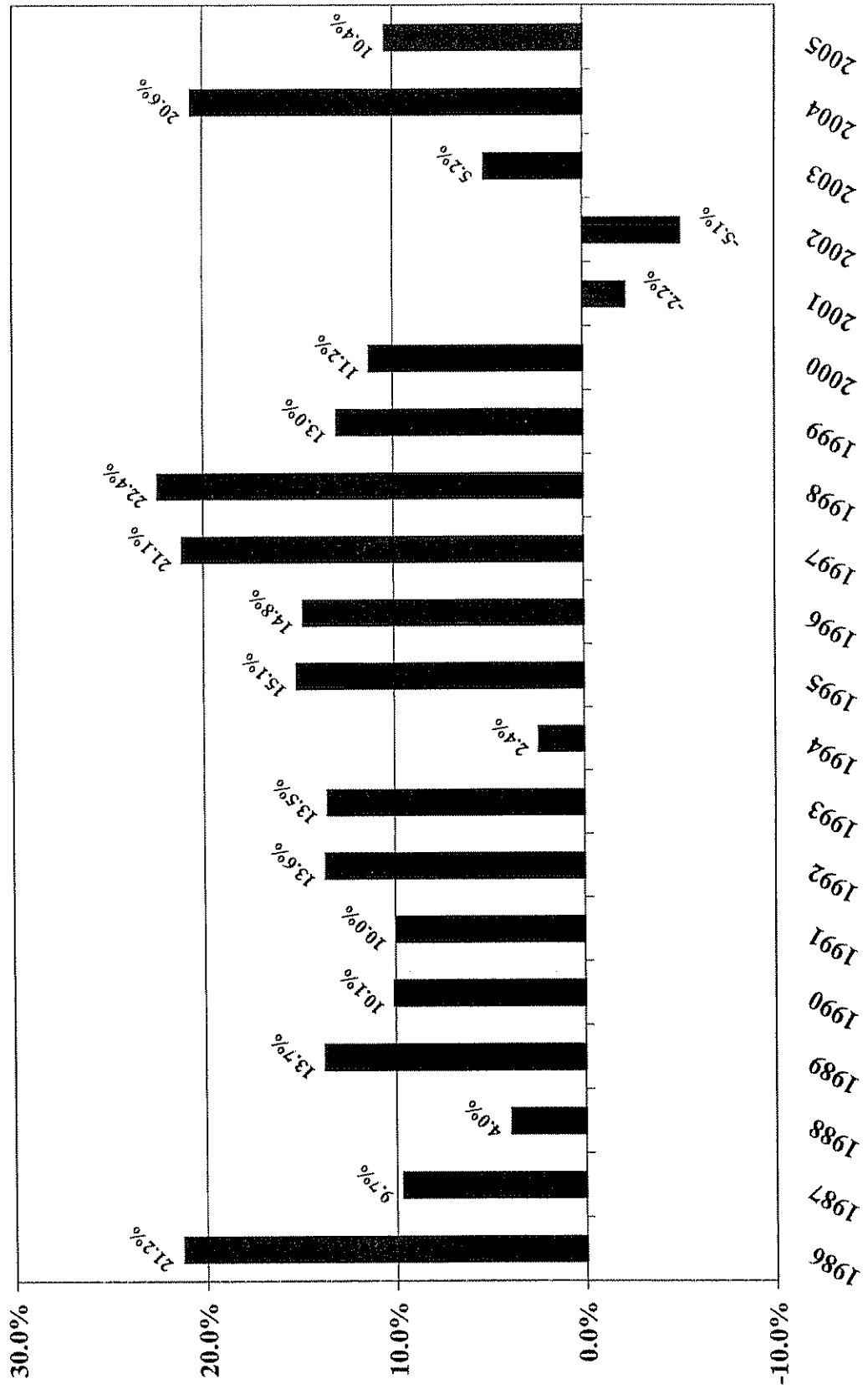
**Annualized Fixed Income Return Comparison  
Lehman Aggregate vs TRS Fixed Income Portfolio**



**Annualized Equity Return Comparison  
S&P 500 vs TRS Equity Portfolio**



**Total Investment Returns for Fiscal Years Ended June 30**



## Investment Expenses

Investment fees paid to investment management firms employed by the System were as follows in Fiscal Year 2005.

<u>Investment Manager</u>	<u>Fees Paid</u>
Aronson Johnson Ortiz Partners	\$1,181,247
Artemis Investment Management	329,598
Bank of Ireland Asset Management	126,555
Brandes Investment Partners	2,147,874
Capital Guardian Trust Company	1,395,186
Causeway Capital Management, LLC	1,282,484
Frontier Capital Management Company, LLC	1,522,828
Goldman Sachs Asset Management	1,664,755
Hoisington Investment Management	107,810
Hotchkis and Wiley (Large Capitalization)	2,039,674
Hotchkis and Wiley (Middle Capitalization)	1,590,521
Kopp Investment Advisors	156,165
Loomis, Sayles & Company, LP	679,106
Lord Abbett & Co. LLC	355,585
MacKay Shields, LLC	401,965
Neuberger Berman, LLC	559,326
Pacific Investment Management Company	897,285
Shapiro Capital Management Company	2,463,060
Smith Asset Management Group	599,825
Standish Mellon Asset Management, LLC	83,473
State Street Global Advisors	25,604
Stephens Capital Management	118,060
The Northern Trust Company	92,892
Tocqueville Asset Management, LP	1,672,541
TT International	431,056
Wellington Management Company, LLP	<u>1,293,054</u>
Total fees paid	<u>\$23,217,529</u>

**Brokerage Commissions Paid  
Fiscal Year 2005**

<u>Brokerage Firm</u>	<u>Shares</u>	<u>Commission</u>	<u>Per Share</u>
ABEL NOSER	2,447,400	26,594	0.011
ABG SECURITIES	161,900	4,345	0.027
ABN-AMRO	3,499,964	40,969	0.012
ADAMS, HARKNESS & HILL, INC	637,259	27,192	0.043
ADVEST, INC.	161,200	8,060	0.050
ALLEN & COMPANY, INC	116,215	4,881	0.042
ALLEN SNYDER	7,000	350	0.050
AMERICAN PORTFOLIO FINANCIAL	85,700	3,428	0.040
AMERICAS GROWTH CAPITAL	49,600	2,480	0.050
ARCHIPELAGO ACC CAPITAL CLEAR	37,300	560	0.015
ARNHOLD & S BLEICHROEDER INC	82,300	4,115	0.050
ASSENT LLC	1,035,700	9,277	0.009
AUERBACH GRAYSON	26,106	839	0.032
AVONDALE PARTNERS LLC	7,900	316	0.040
BAIRD, ROBERT W & COMPANY INC	7,200	360	0.050
BANCAMERICA	1,633,136	70,690	0.043
BANCO SANTANDER	13,011	410	0.032
BANK BELLEVUE	2,102	862	0.410
BAUM, GEORGE K, & CO	2,549	69	0.027
BAYERISCHE HYPO-UND VEREINSBANK AG	11,200	952	0.085
BAYPOINT TRADING LLC	3,200	160	0.050
BB&T CAPITOL MARKETS	75,900	3,795	0.050
BEAR STEARNS & COMPANY	8,498,366	396,714	0.047
BERENBERG	51,052	4,970	0.097
BERNSTEIN, SANFORD C. & CO	7,600	380	0.050
BK JULIUS BR, NY	958	437	0.457
BLAIR, WILLIAM & CO	66,000	3,800	0.058
BNP PARIBAS SEC CORP	3,149,450	45,748	0.015
BNY CAPITAL	874,800	27,503	0.031
BNY ESI & CO ALPHA DIVISION	207,700	6,801	0.033
BOENNING & SCATTERGOOD	234,300	7,029	0.030
BRIDGE TRADING COMPANY	18,800	599	0.032
BROCKHOUSE + COOPER	86,419	4,741	0.055
BROWN BROTHERS HARRIMAN & CO.	152,793	7,640	0.050
BRYAN CARNIER & CO. LTD	19,464	1,167	0.060
B-TRADE SERVICES LLC	137,400	1,394	0.010
BUCKINGHAM RESEARCH	30,200	1,510	0.050
C L GLAZER & COMPANY	10,500	525	0.050
C L KING & ASSOCIATES	131,100	6,555	0.050
C. I. NORDIC SECURITIES	13,200	807	0.061
C E. UNTERBERG, TOWBIN	144,500	4,345	0.030
CADARET GRANT CO.	1,101,075	40,556	0.037
CANTOR FITZGERALD & COMPANY INC	12,483,575	224,136	0.018
CAPITAL INSTITUTIONAL SERVICES INC	2,993,561	83,178	0.028

**Brokerage Commissions Paid  
Fiscal Year 2005**

<u>Brokerage Firm</u>	<u>Shares</u>	<u>Commission</u>	<u>Per Share</u>
CAPITAL INVESTMENTS INTL INC	16,751	1,118	0.067
CARNEGIE	31,500	889	0.028
CAZENOVA	988,504	11,437	0.012
CDC SECURITIES	39,614	3,706	0.094
CHEVEREUX	40,203	858	0.021
CHINA INTERNATIONAL	706,000	1,781	0.003
CIBC OPPENHEIMER CORP/WORLD MARKETS CORP	1,171,300	58,485	0.050
CITIGROUP GLOBAL MARKETS, INC	9,191,670	203,544	0.022
COLLINS STEWART LTD	204,925	3,714	0.018
COMMERZ BANK	87,930	2,338	0.027
COMPASS POINT	22,800	1,140	0.050
COWEN & CO	695,700	36,844	0.053
CRAIG HALLUM	144,150	4,325	0.030
CRED AG INDO CHEVEREUX	482,544	21,820	0.045
CREDIT LYONNAIS SECURITIES INC.	1,773,730	8,483	0.005
CREDIT SUISSE FIRST BOSTON CORPORATION	10,855,099	145,545	0.013
CRT CAPITAL GROUP LLC	45,200	2,260	0.050
CUTTONE & COMPANY	64,700	1,618	0.025
DAIN RAUSCCHER INC	226,140	9,469	0.042
DAIWA SECURITIES AMERICA	282,675	11,957	0.042
DAVY STOCK BROKER	52,527	1,976	0.038
DEMATTEO MONESS	13,800	690	0.050
DEUTSCHE / DB CLEARING SERVICES	11,342,509	194,414	0.017
DOMINION SECURITIES	1,255,630	26,035	0.021
DONALDSON & CO	273,820	12,173	0.044
DONALDSON LUFKIN & JENRETTE	154,780	9,287	0.060
DOUGHERTY COMPANY	15,000	450	0.030
DOWLING & PARTNERS	79,000	3,833	0.049
DOWLING & PARTNERS SECURITIES, LLC	54,000	2,700	0.050
DRESDNER KLEINWORT BENSON	2,558,616	33,496	0.013
E*TRADE CAPITAL MARKETS	101,700	4,068	0.040
EDWARDS A G INC	124,100	6,115	0.049
ENSKILDA SEC	147,200	4,782	0.032
EURO BROKERS	152,300	4,569	0.030
EXANE	24,719	2,133	0.086
EXECUTION LIMITED	468,682	9,234	0.020
EXECUTIVE SERVICES	20,600	2,548	0.124
FERRIS, BAKER WATTS, INC.	25,700	1,028	0.040
FIDELITY CAPITAL MGMT	684,900	15,721	0.023
FINDENTIIS EQUITIES	52,400	837	0.016
FIRST ALBANY	896,215	50,646	0.057
FIRST ANALYSIS	209,400	10,470	0.050
FOX PITT KELTON	199,349	6,292	0.032
FRIEDMAN BILLINGS	705,500	28,811	0.041

**Brokerage Commissions Paid  
Fiscal Year 2005**

<u>Brokerage Firm</u>	<u>Shares</u>	<u>Commission</u>	<u>Per Share</u>
FULCRUM GOLBAL PARTNERS LLC	97,800	4,811	0.049
G TRADE SERVICES LTD	3,200	46	0.014
GABELLI & COMPANY, INC.	106,100	6,366	0.060
GERARD KLAVER MATTSON	127,800	6,390	0.050
GK GOH	54,129	450	0.008
GOLDMAN SACHS & COMPANY	13,643,392	159,153	0.012
GOLDSMITH & HARRIS	72,000	2,160	0.030
GOODBODY STOCKBROKERS	69,413	3,087	0.044
GORDON HASKETT	41,100	1,644	0.040
GRISWOLD CO, THE	6,183,720	306,456	0.050
GUZMAN	288,908	5,024	0.017
HARBORSIDE SECURITIES	1,600	32	0.020
HARRIS NESBITT THOMPSON	271,300	13,463	0.050
HEFLIN & CO., LLC	86,273	3,421	0.040
HELFANT INC.	2,200	55	0.025
HENDERSON CROSTHWAITE	111,745	2,329	0.021
HOEFER & ARNETT, INC.	125,200	6,260	0.050
HOWARD WEIL LABOUISSSE FRIEDRICHS INC	82,100	4,479	0.055
HSBC SECURITIES INC	1,798,262	13,636	0.008
IMPERIAL CAPITAL	18,100	905	0.050
INDEPENDENT MINDS	28,570	1,786	0.063
INDOSUEZ	500	27	0.055
ING BARINGS LLC	32,522	1,089	0.033
INSTINET	2,082,105	64,567	0.031
INTERMONTE SECURITIES	333,740	6,172	0.018
INTERSTATE / JOHNSON LANE CORPORATION	10,200	408	0.040
INVESTEC BANK	215,100	3,207	0.015
INVESTMENT TECHNOLOGY GROUP	474,900	8,759	0.018
ISI GROUP INC	360,657	17,654	0.049
ITG / POSIT	1,942,690	53,445	0.028
J P DUNLEVY	24,600	984	0.040
J P MORGAN CHASE	7,545,369	113,397	0.015
JAMES CAPEL SECURITIES INC	300	15	0.048
JANNEY MONTGOMERY SCOTT	232,200	11,100	0.048
JEFFERIES & COMPANY INC	11,701,025	412,299	0.035
JENNIFER BLACK	69,500	3,475	0.050
JESUP & LAMONT SECURITIES CORP	177,947	10,677	0.060
JM SECURITIES	28,200	1,410	0.050
JMP SECURITIES	45,000	2,250	0.050
JNK SECURITIES INC	836,290	13,440	0.016
JOHNSON RICE	188,500	8,965	0.048
JONES & ASSOC	2,780,576	101,097	0.036
KALB, VOORHIS & CO., LLC	322,500	8,063	0.025
KBC FINANCIAL PRODUCTS	70,939	4,537	0.064



**Brokerage Commissions Paid  
Fiscal Year 2005**

<u>Brokerage Firm</u>	<u>Shares</u>	<u>Commission</u>	<u>Per Share</u>
KEEFE BRUYETTE AND WOODS INC.	36,200	1,431	0.040
KELLOGG PARTNERS	42,400	1,060	0.025
KELLY & CHRISTENSEN INC	70,300	633	0.009
KEPLER EQUITIES	26,438	3,530	0.134
KEYBANC FINANCIAL	177,200	8,073	0.046
KNIGHT SECURITIES	2,750,491	105,012	0.038
LA BRANCHE FINANCIAL	1,225,220	32,475	0.027
LANGEN MCALENNY	8,900	445	0.050
LAVA TRADING	226,700	3,880	0.017
LAZARD FRERES & CO	100,400	4,016	0.040
LEERINK SWANN & CO	366,900	19,492	0.053
LEGG MASON WOOD WALKER, INC.	604,600	27,800	0.046
LEHMAN BROTHERS	10,327,752	406,990	0.039
LIQUIDNET	2,361,385	47,228	0.020
LOMBARD ODIER	24,751	2,164	0.087
LYNCH JONES RYAN	6,884,544	377,325	0.055
MACQUARIE	1,191,139	8,543	0.007
MAIN FIRST BANK	32,134	2,561	0.080
MAN GROUP	111,470	1,658	0.015
MCDONALD & COMPANY	279,364	10,087	0.036
MEDIOBANCA	11,178	146	0.013
MERRILL LYNCH PIERCE FENNER & SMITH INC	15,923,901	208,326	0.013
MERRIMAN CURHAN FORD & CO	81,900	4,095	0.050
MIDWEST RESEARCH	1,564,869	19,137	0.012
MILETUS TRADING	182,285	5,469	0.030
MILLER, TABAK, HIRSCH & COMPANY	41,800	1,672	0.040
MIZUHO INTERNATIONAL	623,379	13,035	0.021
MORGAN KEEGAN & COMPANY, INC	532,742	24,768	0.046
MORGAN STANLEY DEAN WITTER	9,368,986	163,914	0.017
NATEXIS BLEICHROEDER	11,700	998	0.085
NATIONAL BANK OF CANADA	58,300	2,739	0.047
NCB STOCKBROKERS	39,424	1,530	0.039
NEEDHAM & CO.	379,297	20,261	0.053
NESBITT BURNS SECURITIES	115,550	3,944	0.034
NIKKO CITIGROUP LIMITED	336,680	7,551	0.022
NOMURA	1,783,257	22,555	0.013
NORDIC PARTNERS	19,585	1,429	0.073
NORTHERN TRUST, THE	110,012	4,639	0.042
NUMIS SECURITIES	107,796	1,947	0.018
NYFIX TRANSACTION SERVICES	15,300	152	0.010
ODDO ET	4,696	237	0.050
OFF THE RECORD REASEARCHOTA	19,500	975	0.050
OTA LIMITED PARTNERSHIP	157,800	6,312	0.040
PACIFIC BROKERAGE	101,965	4,184	0.041

**Brokerage Commissions Paid  
Fiscal Year 2005**

<u>Brokerage Firm</u>	<u>Shares</u>	<u>Commission</u>	<u>Per Share</u>
PACIFIC GROWTH	98,450	3,583	0.036
PALI INTERNATIONAL	4,742	291	0.061
PAULSON	500	75	0.149
PCS SECURITIES	17,800	890	0.050
PEEL HUNT PLC	166,777	2,606	0.016
PEREIRE TOD	74,121	4,089	0.055
PERSHING	39,110	1,875	0.048
PICTET	11,498	1,179	0.103
PIPELINE TRADING SYSTEMS, LLC	60,400	1,074	0.018
PRUDENTIAL SECURITIES INC	1,011,500	48,885	0.048
PULSE TRADING LLC	1,096,121	43,852	0.040
QUAKER SECURITIES	203,400	4,068	0.020
RAYMOND JAMES & ASSOC	245,752	11,628	0.047
RBC CAPITAL MARKETS	52,570	2,397	0.046
REDBURN	71,129	567	0.008
REYNDERS GRAY	115,400	5,770	0.050
ROBERT W BAIRD	636,655	35,542	0.056
ROBINSON HUMPHREY	585,784	25,259	0.043
ROCHDALE SECURITIES	356,281	17,152	0.048
ROSENBLATT	669,499	13,390	0.020
ROTH CAPITAL PARTNERS	58,700	2,348	0.040
ROTHSCHILD INC	1,600	16	0.010
ROYAL BANK OF CANADA	13,000	650	0.050
SALOMON SMITH BARNEY	6,545,328	112,016	0.017
SANDLER O'NEILL	112,000	5,600	0.050
SANFORD C. BERSTEIN & CO., INC.	1,175,398	50,288	0.043
SANTANDER INV.	468,542	10,835	0.023
SCHWAB & CO	18,100	905	0.050
SCOTIA MCLEOD INC	299,240	9,848	0.033
SCOTT & STRINGFELLOW	5,800	116	0.020
SG COWEN SECURITIES CORPORATION	1,307,125	50,308	0.038
SHIELDS CAPITOL CORP	33,100	662	0.020
SHORE CAPITAL	9,105	444	0.049
SIDOTI AND CO	186,600	11,196	0.060
SIMMONS	104,250	5,894	0.057
SOCIETE GENERALE	490,780	13,992	0.029
SOLEIL SECURITIES	2,700	108	0.040
SOUNDVIEW FINANCIAL GROUP	17,400	870	0.050
SOUTHCOAST CAPITAL	529,000	23,090	0.044
SOUTHWEST SECURITIES	11,500	460	0.040
SPEAR, LEEDS & KELLOGG CAPITAL MARKETS	215,350	12,301	0.057
STANFORD GROUP	236,476	13,889	0.059
STARBOARD CAPITAL MARKETS	6,000	334	0.056
STATE STREET BROKERAGE SVCS INC.	37,985,656	299,922	0.008

**Brokerage Commissions Paid  
Fiscal Year 2005**

<u>Brokerage Firm</u>	<u>Shares</u>	<u>Commission</u>	<u>Per Share</u>
STEPHENS, INC.	253,014	12,223	0.048
STIFEL NICOLAUS & CO INC	112,000	5,008	0.045
STUART, FRANKEL & CO	10,000	300	0.030
SUNTRUST	28,600	1,284	0.045
SUSQUEHANNA BROKERAGE SERVICES	2,335,500	30,024	0.013
SVENSKA HANDELSBANKEN	6,700	154	0.023
THEMIS TRADING, LLC	7,000	210	0.030
THINK EQUITY PARTNERS LLC	154,200	7,619	0.049
THOMAS WEISEL PARTNERS, LLC	557,203	23,966	0.043
TOKYO MITSUBISHI	15,215	474	0.031
TORONTO DOMINION SECURITIES	9,400	344	0.037
TULLET & TOKYO LIBERTY SECURITIES INC	680,950	29,218	0.043
U.S. BANCORP PIPER JAFFRAY	498,775	23,291	0.047
UBS WARBURG DILLON READ INC. - SWISS BAN	9,999,914	200,662	0.020
UFJ TSUBASA	20	270	13.513
UNTERBERG HARRIS & DESANTIS	6,600	330	0.050
UTENDAHL CAPITAL PARTNERS	6,600	132	0.020
WACHOVIA BANK	766,800	37,453	0.049
WARBURG SG	4,874	138	0.028
WEDBUSH MORGAN SECURITIES, INC	33,100	1,595	0.048
WEEDEN & COMPANY	2,280,410	94,055	0.041
WELLS FARGO VAN KASPER & CO	15,000	600	0.040
WESTLB PANMURE LIMITED	17,168	1,114	0.065
WHITE CAP	139,500	2,790	0.020
WILLIAM BLAIR	322,700	16,461	0.051
YAMNER & CO.	1,515,333	15,153	0.010
YUANTA	345,000	1,512	0.004
Z & Z SECURITIES	326,615	13,065	0.040
Gross Commissions	<u>274,127,129</u>	6,387,986	0.023
Less Commission Rebates Received		<u>(992,508)</u>	
Net Commissions		<u>5,395,479</u>	<u>0.020</u>

Transactions whose commission cost is zero are not included.

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>COMMERCIAL PAPER</u>			<u>MATURITY</u>	<u>MARKET</u>	<u>INTERNATIONAL</u>			<u>MATURITY</u>	<u>MARKET</u>
	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>		<u>MONEY MARKET</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>	
WESTPACTRUST SECS NZ LTD		10/03/2005	594,338	British pound sterling				211,509	
HBOS TREAS SVCS PLC		09/22/2005	1,786,655	Canadian dollar				1	
BARCLAYS U S FDG LLC		09/06/2005	4,074,932	Euro				14	
DANSKE CORP		08/31/2005	2,884,485	Euro				2,480	
DANSKE CORP		08/24/2005	199,042	Euro				3,545,955	
DEXIA DEL LLC		08/12/2005	996,156	Hong Kong dollar				264,756	
DNB NOR BK ASA		09/23/2005	6,844,569	Swedish krona				9,567	
DNB NOR BK ASA		10/03/2005	2,575,465	United States dollar				14,245,541	
GENERAL ELEC CAP CORP		09/07/2005	2,782,621	United States dollar				266	
GENERAL ELEC CAP CORP		09/09/2005	1,987,216	United States dollar				16,761	
HBOS TREAS SVCS PLC		09/08/2005	1,490,492	United States dollar				7,351,532	
NORDEA NORTH AMER INC		09/01/2005	5,468,920	United States dollar				623	
RABOBANK USA FINL CORP		07/01/2005	7,399,399						
ROYAL BK SCOTLAND PLC		07/15/2005	898,772						
SPINTAB-SWEDMORTGAGE		07/15/2005	6,192,444						
SPINTAB-SWEDMORTGAGE		08/11/2005	99,625						
SPINTAB-SWEDMORTGAGE		09/01/2005	3,082,482						
SVENSKA HANDELSBANKEN INC		07/20/2005	2,395,635						
UBS FIN DEL LLC		07/11/2005	499,553						
UBS FIN DEL LLC		07/22/2005	798,409						
UBS FIN DEL LLC		08/30/2005	1,690,551						
UBS FIN DEL LLC		09/19/2005	99,245						
UBS FIN DEL LLC		09/26/2005	6,248,228						
<b>TOTAL COMMERCIAL PAPER</b>			<b>61,089,230</b>						
					<b>TOTAL INTERNATIONAL MONEY MARKET</b>			<b>25,649,496</b>	
					<b>TOTAL SHORT-TERM INVESTMENTS</b>			<b>370,052,039</b>	
<u>TREASURY BILLS</u>			<u>MATURITY</u>	<u>MARKET</u>	<u>FIXED INCOME</u>			<u>MATURITY</u>	<u>MARKET</u>
	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>			<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>	
UNITED STATES TREAS BILLS		07/14/2005	484,502	AMERICAN EXPRESS CR	3.200		09/15/2009	500,857	
UNITED STATES TREAS BILLS		07/14/2005	18,206,301	AMERICREDIT AUTOMOBILE RECEI	2.840		08/06/2010	679,617	
FHLMC		08/01/2005	10,869,404	AMERIQUEST MTG SECS INC	3.140		07/25/2031	45,517	
FHLMC		08/09/2005	4,384,459	AMERIQUEST MTG SECS INC	3.874		06/25/2034	844,205	
FHLMC DISC NT		08/02/2005	99,710	AMERIQUEST MTG SECS INC	3.560		03/25/2035	808,915	
FHLMC DISC NT		08/16/2005	8,464,300	AMERN EXPRESS CR	1.690		01/15/2009	979,404	
FNMA		08/03/2005	3,389,841	ATLC CY ELEC TRANSITION FDG LI	5.550		10/20/2023	821,043	
FNMA		08/08/2005	8,371,017	BA MASTER CR CARD			06/16/2008	1,211,203	
FNMA		11/30/2005	3,152,400	BANK ONE ISSUANCE			10/15/2008	1,900,741	
FNMA DISC NT		08/05/2005	99,682	BANK ONE ISSUANCE			10/15/2008	795,310	
FNMA DISC NT		08/10/2005	1,893,118	BMW VEH	3.319		02/25/2009	5,435,491	
UNITED STATES TREAS BILLS		09/01/2005	233,792	BMW VEH	4.039		02/25/2009	2,604,373	
UNITED STATES TREAS BILLS		09/15/2005	382,563	CAP AUTO RECEIVABLES	1.960		01/15/2009	1,460,354	
<b>TOTAL SHORT-TERM BILLS AND NOTES</b>			<b>60,031,088</b>	CAP AUTO RECEIVABLES AST	3.580		10/16/2006	763,405	
				CHASE CR CARD OWNER	3.220		01/15/2008	350,094	
				CHASE CR CARD OWNER	3.508		09/14/2008	1,052,045	
				CITIBANK CR CARD ISSUANCE	6.900		10/15/2007	2,018,304	
				CITIBANK CR CARD MASTER	6.150		03/10/2011	1,067,763	
				CITIFINANCIAL MTG SECS INC	3.404		04/25/2034	1,066,839	
				CMO EMC MTG LN			08/25/2031	1,883,425	
				CMO STRUCTURED AST SECS CORP	3.520		06/25/2032	302,668	
				CWABS INC	3.872		03/25/2020	1,059,446	
				CWABS INC			03/25/2022	1,717,153	
				CWABS INC			05/25/2023	1,779,238	
				CWABS INC			08/25/2023	99,661	
				CWABS INC			02/25/2035	966,477	
				CWABS INC COUNTRYWIDE ABS	4.905		08/25/2032	3,855,402	
				DAIMLERCHRYSLER AUTO	3.779		02/06/2007	387,255	
				FINL AST SECS CORP	3.414		04/26/2035	2,704,806	
				FIRST USA CR CARD MASTER			03/18/2008	1,749,855	
				FLEET CR CARD MASTER			11/15/2005	2,140,191	
				FLEET CR CARD MASTER	2.750		04/15/2008	398,943	
				FORD CR AUTO	3.539		11/15/2008	2,709,997	
				GMACM REVOLVING HOME EQUIT	3.550		06/18/2027	421,324	
				HONDA AUTO REC	4.490		09/17/2007	622,769	
				HONDA AUTO RECEIVABLES	4.030		12/20/2010	3,089,344	
				IMC HOME EQTY LN	7.670		05/20/2027	1,619,357	
				MA RRB SPL PURP	6.530		06/01/2015	1,588,013	
				MBNA CR CARD MASTER	3.140		08/15/2008	2,465,919	
				MBNA CR CARD MASTER NT	4.949		06/15/2009	2,033,364	
				MBNA MASTER CR CARD	6.900		01/15/2008	1,129,780	
				MBNA MASTER CR CARD	5.900		08/15/2011	744,599	
<b>TOTAL DOMESTIC MONEY MARKET</b>			<b>223,282,224</b>						
<b>TOTAL DOMESTIC SHORT-TERM INVESTMENTS</b>			<b>344,402,542</b>						
<u>INTERNATIONAL</u>			<u>MATURITY</u>	<u>MARKET</u>	<u>INTERNATIONAL</u>			<u>MATURITY</u>	<u>MARKET</u>
	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>		<u>MONEY MARKET</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>	
British pound sterling			490						

PORTFOLIO OF ASSETS, JUNE 30, 2005

		MATURITY	MARKET		MATURITY	MARKET	
<u>FIXED INCOME</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>	<u>FIXED INCOME</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>
NAVISTAR FINL.	1.690	09/15/2006	177,424	CMO BEAR STEARNS COM1 MTG SI	4.133	11/11/2041	750,616
NISSAN AUTO RECEIVABLES	3.990	07/15/2009	1,580,223	CMO MORGAN STANLEY CAP I INC	4.969	12/15/2041	3,092,094
OPTION ONE MTG LN	3.464	11/25/2034	597,143	CMO WACHOVIA BK COM1.	4.430	03/15/2042	3,619,719
PECO ENERGY TRANSITION	6.130	03/01/2009	598,955	CMO MERRILL L. LYNCH	4.446	09/12/2042	1,947,019
PP&L TRANSITION BD LLC	7.150	06/25/2009	1,081,002	CMO BANC AMER COM1. MTG INC	4.640	11/10/2042	3,818,156
PSE&G TRANSITION FDG LLC	5.980	06/15/2008	625,200	ABBOTT LABS	5.625	07/01/2006	3,106,098
PSNH FDG LLC	4.579	02/01/2010	367,685	ABITIBI-CONSOLIDATED FIN	7.875	08/01/2009	887,400
PVTPL TRUMAN CAP MTG LN	3.654	01/25/2033	897,281	ABITIBI-CONSOLIDATED INC	8.550	08/01/2010	1,813,950
RESDN1. AST SEC CORP		04/28/2025	1,019,429	AES EASTN ENERGY L.P	9.000	01/02/2017	126,071
RESDN1. AST SEC CORP	3.250	09/25/2031	382,827	AIRGAS INC	7.750	09/15/2006	516,250
RESDN1. AST SEC CORP MTG		04/25/2013	512,378	AIRGAS INC	7.750	09/15/2006	1,146,075
RESDN1. AST SEC CORP MTG	3.630	10/25/2013	1,991,457	AL PWR CO	5.500	10/15/2017	374,378
RESIDENTIAL ASSET MTG PRODS I	3.210	07/25/2022	73,638	ALCAN INC	4.500	05/14/2013	363,677
RESIDENTIAL ASSET MTG PRODS INC		01/25/2024	146,273	ALLEGY LUDLUM CORP	6.950	12/15/2025	360,420
SEARS CR ACCOUNT MASTER	3.518	08/18/2009	1,900,241	ALLEGY TECHNOLOGIES INC	8.375	12/15/2011	67,275
SEARS CR ACCOUNT MASTER	3.518	08/18/2009	2,925,371	ALLSTATE CORP	6.125	02/15/2012	251,966
STD CR CARD MASTER	6.550	10/07/2007	1,032,754	ALLSTATE CORP	5.000	08/15/2014	370,059
VOLKSWAGEN AUTO LN	2.269	10/22/2007	386,059	AMER STD INC	7.375	02/01/2008	101,149
WELLS FARGO HOME EQTY		09/25/2034	746,799	AMERADA HESS CORP	7.875	10/01/2029	846,547
WFS FINL.	2.980	09/17/2009	2,534,782	AMERN EXPRESS CO	4.875	07/15/2013	309,297
WFS FINL.	3.440	05/17/2012	1,318,043	ANR PIPELN CO	7.375	02/15/2024	68,771
WHOLE AUTO LN	2.599	08/15/2006	132,997	AOL TIME WARNER INC	6.125	04/15/2006	309,770
CMO HELLER FINL COM1.	7.715	09/15/2008	341,600	AOL TIME WARNER INC	7.625	04/15/2031	1,111,511
CMO LB-UBS COM1.	2.964	09/17/2008	2,070,169	AOL TIME WARNER INC	7.700	05/01/2032	1,537,003
CMO WACHOVIA BK COM1.	3.065	12/15/2008	1,167,276	ARAMARK SVCS INC	6.375	02/15/2008	1,537,315
CMO BEAR STEARNS COM1.	7.080	06/15/2009	1,094,603	ARCHER DANIELS MIDLAND CO	8.875	04/15/2011	488,048
CMO WACHOVIA BK COM1.	5.215	04/15/2014	418,724	ARIES VERMOGENSVER	9.600	05/10/2014	647,314
PVTPL CMO BEAR STEARNS COM1.		05/14/2016	1,792,493	AT&T BROADBAND CORP	9.455	11/15/2022	650,730
CMO BEAR STEARNS COM1.	7.000	08/20/2018	3,257,334	AT&T BROADBAND CORP	9.455	11/15/2022	884,144
CMO LB-UBS COM1.	6.410	12/15/2019	438,420	AT&T CORP	8.000	11/15/2031	1,528,969
CMO LB-UBS COM1.	4.206	11/15/2027	1,698,598	AT&T WIRELESS SVCS INC	7.875	03/01/2011	1,045,949
CMO LB-UBS COM1.	3.246	03/15/2029	1,015,895	AT&T WIRELESS SVCS INC	8.750	03/01/2031	280,328
CMO LB-UBS COM1.	3.246	03/15/2029	2,878,369	AXIS CAP HLDGS LTD	5.750	12/01/2014	1,677,713
CMO LB-UBS COM1.	4.201	12/15/2029	996,916	BALL CORP	6.875	12/15/2012	619,500
GMAC COM1. MTG	6.700	05/15/2030	1,588,682	BALT GAS & ELEC CO	5.250	12/15/2006	578,552
CMO BEAR STEARNS COM1.	7.000	05/20/2030	3,053,746	BANC ONE CORP	7.625	10/15/2026	594,956
CMO LB-UBS COM1. MTG	4.647	07/15/2030	2,062,583	BANK AMER CORP	4.875	09/15/2012	863,937
CMO MORGAN STANLEY	6.530	03/15/2031	1,817,072	BANK AMER CORP GLOBAL	7.800	01/15/2010	457,490
CMO LB-UBS COM1. MTG	4.394	03/15/2032	5,032,469	BANKAMERICA CORP	5.875	02/15/2009	1,109,739
CMO MORGAN J P COM1.	7.371	08/15/2032	1,116,572	BANKBOSTON N A	6.375	04/15/2008	4,223,916
CMO LB COM1. CONDUIT	7.325	10/15/2032	1,216,908	BEAR STEARNS & CO INC	5.700	11/15/2014	664,829
CMO GE CAP COM1. MTG CORP	6.460	08/11/2033	819,668	BEAR STEARNS COS INC GLOBAL	6.500	05/01/2006	3,061,830
CMO J P MORGAN CHASE COM1. M1	6.244	04/04/2035	993,780	BEAR STEARNS COS INC GLOBAL	4.000	01/31/2008	1,144,923
CMO WACHOVIA BK COM1.	2.986	06/15/2035	1,363,658	BELLSOUTH CAP FDG CORP	7.875	02/15/2030	645,358
CMO WACHOVIA BK COM1.	3.990	06/15/2035	5,628,850	BHP BILLITON FIN USA LTD	4.800	04/15/2013	456,677
CMO GREENWICH CAP COM1. FDG (	4.914	01/05/2036	308,856	BK 1 CORP	6.000	08/01/2008	5,305,046
CMO GREENWICH CAP COM1. FDG (	4.533	01/05/2036	151,108	BRITISH TELECOMMUNICATIONS P	8.750	12/15/2030	423,496
CMO PRUDENTIAL COM1.	4.493	02/11/2036	601,193	CALENERGY INC	7.630	10/15/2007	2,442,117
CMO GMAC COM1.	4.079	05/10/2036	3,645,295	CANWEST MEDIA INC	7.625	04/15/2013	69,550
CMO CR SUISSE 1ST BSTN MTG SEC	4.900	12/15/2036	1,023,704	CAP 1 BK	6.500	06/13/2013	1,490,817
CMO J P MORGAN CHASE COM1.	4.275	01/12/2037	2,150,031	CASE CORP	7.250	01/15/2016	300,038
CMO CR SUISSE 1ST BSTN MTG SEC	3.516	01/15/2037	1,470,966	CATERPILLAR FINL SVCS CORP	5.950	05/01/2006	3,049,158
CMO J P MORGAN CHASE COM1. MT	4.914	02/12/2037	2,551,365	CATERPILLAR INC	8.000	02/15/2023	404,105
CMO J P MORGAN CHASE COM1. M1	4.719	01/15/2038	1,011,806	CHEVRONTXACO CAP CO	3.500	09/17/2007	990,310
CMO BANC AMER COM1. MTG INC	2.764	11/10/2038	5,326,638	CHEVY CHASE BK FSB	6.875	12/01/2013	826,000
CMO J P MORGAN CHASE COM1. M1	4.404	01/12/2039	6,593,098	CHIQUITA BRANDS INTL. INC	7.500	11/01/2014	18,600
PVTPL CMO GS MTG SECS CORP II	4.750	07/10/2039	1,861,009	CHRYSLER CORP	7.450	03/01/2027	455,455
CMO BEAR STEARNS COM1. MTG SI	2.960	08/13/2039	1,994,826	CHURCH & DWIGHT INC	6.000	12/15/2012	944,350
CMO MORGAN STANLEY CAP I INC	4.800	01/13/2041	7,444,051	CIRCUS CIRCUS ENTERPRISES INC	6.450	02/01/2006	631,250
CMO BEAR STEARNS COM1. MTG SI	4.386	02/11/2041	1,168,450	CITIGROUP	7.750	12/01/2036	214,104
CMO CITIGROUP COM1.	4.732	10/15/2041	2,237,338	CITIGROUP INC	5.000	03/06/2007	854,272

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		MATURITY	MARKET			MATURITY	MARKET
FIXED INCOME	RATE	DATE	VALUE	FIXED INCOME	RATE	DATE	VALUE
CITIGROUP INC	6 000	02/21/2012	600,608	ENERSIS S A	7 375	01/15/2014	836,495
CITIGROUP INC	5 000	09/15/2014	1,319,600	ENTERGY GULF STS INC	3 600	06/01/2008	489,470
CLEAR CHANNEL COMMUNICATIO	4 250	05/15/2009	1,426,229	ENTERPRISE PRODS OPER L P	4 625	10/15/2009	542,564
CLEAR CHANNEL COMMUNICATIO	5 500	09/15/2014	1,361,037	ENTERPRISE PRODS OPER L P	4 950	06/01/2010	622,916
COASTAL CORP	7 750	06/15/2010	816,000	ENTERPRISE PRODS OPER L P	4 950	06/01/2010	683,199
COCA COLA ENTERPRISES INC	8 500	02/01/2012	1,223,389	ENTERPRISE PRODS OPER L P	5 600	10/15/2014	576,269
COLONIAL RLTY LTD PARTNERSHD	4 750	02/01/2010	213,312	ENTERPRISE PRODS OPER L P	6 650	10/15/2034	812,424
COMCAST CABLE COMMUNICATIO	6 200	11/15/2008	772,008	EOP OPER LTD PARTNERSHIP	6 800	01/15/2009	964,593
COMPANHIA BRASILEIRA DE BEBIE	10 500	12/15/2011	494,000	EOP OPER LTD PARTNERSHIP	4 650	10/01/2010	3,766,019
COMPANHIA BRASILEIRA DE BEBIE	8 750	09/15/2013	1,925,156	EOP OPER LTD PARTNERSHIP	7 000	07/15/2011	255,039
CONAGRA INC	7 875	09/15/2010	920,559	EVERGREEN RES INC	5 875	03/15/2012	9,936
CONOCO FDG CO	5 450	10/15/2006	4,072,148	FAIRFAX FINL HLDGS LTD	7 750	04/26/2012	76,000
CONS EDISON CO N Y INC	6 625	12/15/2005	3,038,070	FD AMERN COS INC	5 875	05/15/2013	364,545
CONSTELLATION ENERGY GROUP I	7 000	04/01/2012	564,035	FEDEX CORP	3 500	04/01/2009	974,628
CONTINENTAL AIRLS PSS	6 703	06/15/2021	433,096	FEDT DEPT STORES INC	6 625	04/01/2011	705,986
CORN PRODS INTL INC CORN PROD	8 450	08/15/2009	562,915	FEDT DEPT STORES INC	7 450	07/15/2017	180,791
CORNING INC	5 900	03/15/2014	256,918	FING CORP	10 350	08/03/2018	1,574,549
CORNING INC	6 200	03/15/2016	783,060	FIRSTENERGY CORP	6 450	11/15/2011	2,207,105
COUCHE-TARD U S L P	7 500	12/15/2013	1,044,750	FL PWR & LT CO	5 625	04/01/2034	294,732
COUNTRYWIDE HOME LNS INC	5 500	08/01/2006	1,395,661	FLEET FINL GROUP INC	6 375	05/15/2008	1,057,390
COUNTRYWIDE HOME LNS INC	5 500	02/01/2007	1,682,266	FMC CORP	7 000	03/15/2008	538,050
COVENTRY HEALTH CARE INC	5 875	01/15/2012	544,363	FORD MOTOR CREDIT	6 250	08/06/2007	1,117,741
COX COMMUNICATIONS INC	5 450	12/15/2014	683,852	FORD MTR CO	7 450	07/16/2031	404,886
COX COMMUNICATIONS INC	5 450	12/15/2014	765,506	FORD MTR CO	7 450	07/16/2031	208,704
CREDIT SUISSE FIRST BOSTON USA	6 500	01/15/2012	1,111,392	FORD MTR CR CO	6 625	06/16/2008	1,777,766
CRESCENT REAL ESTATE EQ LTD P	9 250	04/15/2009	143,775	FORD MTR CR CO	5 625	10/01/2008	1,319,877
CRUM & FORSTER HLDGS CORP	10 375	06/15/2013	70,525	FORD MTR CR CO	5 800	01/12/2009	759,437
CSC HLDGS INC	7 250	07/15/2008	2,005,000	FORD MTR CR CO	5 700	01/15/2010	5,082,099
CSN IS WHI CORP	9 750	06/12/2013	756,910	FORD MTR CR CO	7 250	10/25/2011	481,134
CSX CORP	7 450	05/01/2007	1,055,791	FORD MTR CR CO	7 000	10/01/2013	431,766
CSX CORP	4 875	11/01/2009	1,264,534	FORD MTR CR CO FORD MTR CR CC	6 500	01/25/2007	805,742
CVS CORP	5 297	01/10/2027	1,191,074	FORD MTR CR CO GLOBAL LANDM	6 875	02/01/2006	10,372,649
D R HORTON INC	6 125	01/15/2014	486,088	FRANCE TELECOM	8 500	03/01/2031	606,480
D R HORTON INC	5 625	09/15/2014	828,805	FRANCE TELECOM SA	8 500	02/28/2031	487,972
D R HORTON INC	5 625	01/15/2016	193,031	FT JAMES CORP	6 875	09/15/2007	764,400
DAIMLERCHRYSLER N AMER HLDC	3 470	05/24/2006	802,054	GA PAC CORP	9 375	02/01/2013	59,906
DAIMLERCHRYSLER N AMER HLDC	7 200	09/01/2009	489,834	GA PAC CORP	8 000	01/15/2024	178,250
DAIMLERCHRYSLER N AMER HLDC	6 500	11/15/2013	3,246,624	GA PAC CORP	7 375	12/01/2025	3,721,663
DAIMLERCHRYSLER N AMER HLDC	8 500	01/18/2031	4,687,541	GA PAC CORP	8 875	05/15/2031	476,438
DAYTON HUDSON CORP	8 600	01/15/2012	204,882	GAZPROM INTL SA	7 201	01/02/2020	484,313
DAYTON SUPERIOR CORP	10 750	09/15/2008	72,800	GE GLOBAL INS HLDG CORP	7 000	02/15/2026	541,248
DEAN FOODS CO	6 900	10/15/2017	1,289,530	GEN ELEC	6 750	03/15/2032	1,233,988
DEERE & CO	8 100	05/15/2030	604,235	GEN ELEC CAP CORP	4 125	03/04/2008	610,682
DELHAIZE AMER INC	8 125	04/15/2011	2,288,031	GEN ELEC CAP CORP	7 375	01/19/2010	2,552,521
DELTA AIR LINES INC	8 300	12/15/2029	46,375	GEN ELEC CO	5 000	02/01/2013	1,961,769
DEUTSCHE TELEKOM INTL FIN B V	8 500	06/15/2010	1,541,384	GEN MLS INC	6 000	02/15/2012	217,433
DEVON FING CORP U L C	6 875	09/30/2011	559,484	GEN MTRS ACCEP CORP	6 750	01/15/2006	806,312
DISNEY WALT CO	6 200	06/20/2014	610,563	GEN MTRS ACCEP CORP	5 625	05/15/2009	46,825
DOLLAR FINL GROUP INC	9 750	11/15/2011	72,188	GEN MTRS ACCEP CORP	8 000	11/01/2031	1,655,296
DOMINION RES INC	8 125	06/15/2010	806,533	GEN MTRS ACCEP CORP	8 000	11/01/2031	111,543
DU PONT E I DE NEMOURS & CO	8 250	09/15/2006	209,087	GEN MTRS CORP	8 375	07/15/2033	668,000
DU PONT E I DE NEMOURS & CO	4 750	11/15/2012	432,781	GEN MTRS CORP	8 375	07/15/2033	29,225
DUKE ENERGY CORP	4 200	10/01/2008	1,449,785	GEN MTRS CORP	8 375	07/15/2033	495,155
DUKE ENERGY CORP	6 000	12/01/2028	238,193	GENERAL MLS INC	5 125	02/15/2007	802,318
DUN & BRADSTREET CORP	6 625	03/15/2006	1,016,940	GENERAL MTRS ACCEP CORP	4 500	07/15/2006	3,945,288
EASTMAN CHEM CO	6 300	11/15/2018	1,511,259	GENERAL MTRS ACCEP CORP	6 750	12/01/2014	58,154
EL PASO NAT GAS CO	8 625	01/15/2022	75,817	GEO SUB CORP	11 000	05/15/2012	60,300
EL PASO PRODTN HLDG CO	7 750	06/01/2013	112,088	GETTY PAUL J	5 875	10/01/2033	304,508
EMERSON ELEC CO	5 850	03/15/2009	739,601	GOLDMAN SACHS	6 345	02/15/2034	379,228
EMPRESA NACIONAL DE ELECTRIC	8 350	08/01/2013	2,200,923	GOLDMAN SACHS	6 345	02/15/2034	487,579
ENERSIS S A	6 900	12/01/2006	681,013	GOLDMAN SACHS GROUP INC	7 350	10/01/2009	467,707

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		MATURITY		MARKET		MATURITY		MARKET
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GOLDMAN SACHS GROUP INC	6.600	01/15/2012	833,561	LONE STAR TECHNOLOGIES INC	9.000	06/01/2011	84,100	
GOLDMAN SACHS GROUP INC	5.000	10/01/2014	277,963	LUBRIZOL CORP	5.500	10/01/2014	510,501	
GOLDMAN SACHS GROUP INC	6.125	02/15/2033	1,010,157	LUBRIZOL CORP	6.500	10/01/2034	1,987,074	
GOODYEAR TIRE & RUBR CO	8.500	03/15/2007	52,250	LUCENT TECHNOLOGIES INC	6.450	03/15/2029	402,750	
GTE CORP	6.940	04/15/2028	288,918	MARK IV INDS INC	7.500	09/01/2007	109,250	
HARRAHS OPER INC	7.125	06/01/2007	1,059,964	MASCO CORP	6.500	08/14/2032	207,437	
HARRAHS OPER INC	7.500	01/15/2009	486,065	MAY DEPT STORES CO	5.750	07/15/2014	369,145	
HARRAHS OPER INC	8.000	02/01/2011	716,652	MBNA AMER BK NATL ASSN	6.625	06/15/2012	727,110	
HARTFORD LIFE INC	7.650	06/15/2027	388,986	MEDCO HLTH SOLUTIONS INC	7.250	08/15/2013	1,542,209	
HCA INC	6.950	05/01/2012	2,321,600	MEDCO HLTH SOLUTIONS INC	7.250	08/15/2013	219,512	
HEWLETT PACKARD CO GLOBAL	6.650	07/01/2012	659,914	MEDIA NEWS GROUP INC	6.875	10/01/2013	44,606	
HONEYWELL INTL INC	6.875	10/03/2005	4,028,736	MEDIA NEWS GROUP INC	6.375	04/01/2014	91,081	
HORNBECK OFFSHORE SVCS INC	6.125	12/01/2014	243,000	MEDPARTNERS INC	7.375	10/01/2006	1,761,504	
HOUSEHOLD FIN CORP	8.000	07/15/2010	3,364,667	MERRILL LYNCH & CO INC	7.000	04/27/2008	1,073,293	
HOUSEHOLD FIN CORP	7.625	05/17/2032	440,816	MERRILL LYNCH & CO INC	5.000	01/15/2015	3,788,552	
HSBC FIN CORP	5.000	06/30/2015	1,355,500	MET EDISON CO	4.950	03/15/2013	508,150	
HSEHD FIN CORP	7.000	05/15/2012	1,264,830	METLIFE INC METLIFE INC	6.125	12/01/2011	868,818	
HSEHD FIN CORP HSEHD FIN CORP	5.750	01/30/2007	589,775	MEYER FRED INC	7.450	03/01/2008	2,619,278	
HSEHD FIN CORP HSEHD FIN GLBL	6.375	11/27/2012	464,514	MGM MIRAGE	6.750	09/01/2012	587,100	
ICI WILMINGTON INC	5.625	12/01/2013	1,442,178	MILLENNIUM AMER INC	7.625	11/15/2026	102,575	
INTER AMERN DEV BK USS GLOBAL	5.750	02/26/2008	785,262	MILICOM INTL CELLULAR S A SR	10.000	12/01/2013	89,550	
INTERLINE BRANDS INC	11.500	05/15/2011	49,500	MISSION RES CORP	9.875	04/01/2011	106,000	
INTERNATIONAL PAPER CO	5.850	10/30/2012	679,533	MONTPELIER RE HLDGS LTD	6.125	08/15/2013	702,978	
INTL BUSINESS MACH CORP	8.375	11/01/2019	709,145	MORGAN STANLEY	6.875	03/01/2007	1,044,000	
INTL BUSINESS MACHS CORP	6.500	01/15/2028	472,087	MORGAN STANLEY	6.875	03/01/2007	4,176,000	
INTL FLAVORS & FRAGRANCES INC	6.450	05/15/2006	854,167	MORGAN STANLEY	5.375	04/11/2013	458,303	
INTL LEASE FIN CORP INTL LEASE I	5.625	06/01/2007	932,880	MORGAN STANLEY GLOBAL	5.300	03/01/2013	415,694	
INTL PAPER CO	4.000	04/01/2010	2,416,018	N W AIRLS CORP N W AIRLI	9.875	03/15/2007	27,500	
INTL STI. GROUP INC	6.500	04/15/2014	2,558,400	NAVISTAR INTL CORP	9.375	06/01/2006	1,423,125	
IPALCO ENTERPRISES INC	8.375	11/14/2008	1,330,713	NB CAP	8.250	04/15/2027	1,727,793	
IPC ACQSTN CORP	11.500	12/15/2009	103,075	NEWS AMER HLDGS INC	8.000	10/17/2016	847,917	
ISLE CAPRI CASINOS INC	9.000	03/15/2012	70,688	NEXTEL COMMUNICATIONS INC	7.375	08/01/2015	486,000	
ISTAR FINL INC	4.875	01/15/2009	837,900	NORANDA INC	6.200	06/15/2035	329,349	
ISTAR FINL INC	6.000	12/15/2010	587,679	NORFOLK SOUTHN CORP	7.350	05/15/2007	1,583,240	
ISTAR FINL INC	6.500	12/15/2013	1,218,058	NORSK HYDRO	7.250	09/23/2027	740,966	
J P MORGAN CHASE & CO	5.625	08/15/2006	936,109	NORTHROP GRUMMAN CORP	7.125	02/15/2011	497,625	
J P MORGAN CHASE & CO GLOBAL	5.250	05/01/2015	361,684	NORTHWEST PIPELINE CORP	8.125	03/01/2010	580,475	
JAFRA COSMETICS INTL INC	10.750	05/15/2011	52,640	OCCIDENTAL PETE CORP	7.375	11/15/2008	879,958	
JEFFERIES GROUP INC	5.500	03/15/2016	323,767	ODYSSEY RE HLDGS CORP	6.875	05/01/2015	451,536	
JOSTENS IH CORP	7.625	10/01/2012	888,750	OMEGA HEALTHCARE INVS INC	7.000	04/01/2014	40,300	
JPMORGAN CHASE & CO	4.750	03/01/2015	4,003,832	ONCOR ELEC DELIVERY CO	6.375	05/06/2012	328,748	
KB HOME	5.875	01/15/2015	262,920	ONO FINANCE	10.500	05/15/2014	50,968	
KELLOGG CO	7.450	04/01/2031	364,600	ONT PROV CDA	4.375	02/15/2013	559,276	
KEYCORP INSTL	7.826	12/01/2026	432,080	OVERSEAS SHIPHOLDING GROUP B	7.500	02/15/2024	1,384,775	
KEYSPAN CORP	8.000	11/15/2030	279,488	OWENS ILL INC	8.100	05/15/2007	72,800	
KFW INTL FIN INC SR GLOBAL	5.250	06/28/2006	2,327,195	OWENS ILL INC	7.350	05/15/2008	36,313	
KINDER MORGAN ENERGY PARTNI	7.125	03/15/2012	906,024	OWENS ILL INC	7.800	05/15/2018	89,250	
KINDER MORGAN ENERGY PARTNI	7.125	03/15/2012	2,457,590	PAC BELL	7.125	03/15/2026	352,781	
KOHL'S CORP	6.000	01/15/2033	1,461,294	PAC ENERGY PARTNERS L P	7.125	06/15/2014	72,888	
KOREA DEV BK	7.250	05/15/2006	1,027,751	PACIFIC GAS & ELEC CO	3.260	04/03/2006	359,000	
KRAFT FOODS INC	5.250	10/01/2013	275,757	PACIFIC GAS & ELEC CO	4.800	03/01/2014	551,357	
KRAFT FOODS INC GLOBAL	5.625	11/01/2011	450,850	PACIFIC GAS & ELEC CO	6.050	03/01/2034	495,940	
KRAFT FOODS INC GLOBAL	5.625	11/01/2011	2,105,734	PANAMSAT CORP	9.000	08/15/2014	28,373	
KROGER CO	7.250	06/01/2009	767,978	PARK PL ENTMT CORP	7.875	12/15/2005	1,015,000	
LASMO USA INC 7 5 CO GUARNT	7.500	06/30/2006	1,034,469	PEABODY ENERGY CORP	5.875	04/15/2016	600,000	
LEHMAN BROS HLDGS INC	6.625	02/05/2006	2,300,527	PEMEX PROJ FDG MASTER	7.875	02/01/2009	4,118,725	
LEHMAN BROS HLDGS INC	8.500	05/01/2007	1,291,992	PEMEX PROJ FDG MASTER	7.375	12/15/2014	2,243,000	
LEHMAN BROS HLDGS INC	4.800	03/13/2014	383,981	PEMEX PROJ FDG MASTER	8.625	02/01/2022	554,625	
LILLY ELI & CO	7.125	06/01/2025	638,703	PETE GEO-SVCS ASA	10.000	11/05/2010	106,400	
LILLY ELI & CO	6.770	01/01/2036	1,010,671	PHELPS DODGE CORP	9.500	06/01/2031	486,996	
LOCKHEED MARTIN CORP	7.650	05/01/2016	671,147	PHILIPS PETE CO	8.750	05/25/2010	226,337	

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PINNACLE FOODS HLDG CORP SR	8.250	12/01/2013	49,225	PVTPL WARNER CHILCOTT CORP	8.750	53,488
PK PL ENTMT CORP	9.375	02/15/2007	139,750	PVTPL WYNN LAS VEGAS LLC	6.625	364,688
PLAINS EXPL & PRODTN CO L P / PL	8.750	07/01/2012	70,525	QUEBECOR MEDIA INC	13.750	75,469
POTASH CORP SASK INC	7.750	05/31/2011	1,003,663	QUINTILES TRANSNATIONAL CORP	10.000	87,600
PREMCO REFNG GROUP INC	7.500	06/15/2015	197,100	QWEST CAP FDG INC GTD	7.750	511,250
PROGRESS ENERGY INC	7.100	03/01/2011	1,225,363	QWEST COMMUNICATIONS INTL IN	7.250	67,725
PROGRESS ENERGY INC	7.100	03/01/2011	1,203,083	QWEST SVCS CORP	13.500	17,325
PROGRESSIVE CORP OH	6.625	03/01/2029	221,003	QWEST SVCS CORP	14.000	12,125
PSEG ENERGY HLDGS INC	8.625	02/15/2008	53,125	RAYOVAC CORP	8.500	20,900
PSEG PWR LLC	6.875	04/15/2006	1,326,983	RAYTHEON CO	6.750	1,258,894
PULTE HOMES INC	4.875	07/15/2009	1,447,204	REED ELSEVIER CAP INC	4.625	592,257
PULTE HOMES INC	6.250	02/15/2013	480,920	REED ELSEVIER CAP INC	4.625	542,488
PVTPL AES CORP	9.000	05/15/2015	112,250	ROGERS CABLE INC	6.750	1,698,300
PVTPL ALLIED WASTE NORTH AME	7.250	03/15/2015	483,750	ROGERS CABLESYSTEM LTD	11.000	102,600
PVTPL AMERN REAL ESTATE PART.	7.125	02/15/2013	142,100	ROGERS CANTEL MOBI	10.500	30,129
PVTPL BAVARIA S A	8.875	11/01/2010	715,975	ROGERS WIRELESS INC	7.250	113,400
PVTPL BEAR CREEK CORP	9.000	03/01/2013	14,625	ROGERS WIRELESS INC	7.250	329,400
PVTPL BLOCKBUSTER INC	9.000	09/01/2012	74,800	ROHM & HAAS CO	7.850	218,055
PVTPL CARGILL INC	4.375	06/01/2013	1,362,798	ROYAL BK SCOTLAND GROUP PLC	5.000	567,087
PVTPL CASE NEW HOLLAND INCOR	9.250	08/01/2011	1,454,250	ROYAL CARIBBEAN CRUISES LTD	6.875	543,150
PVTPL CHESAPEAKE ENERGY CORP	6.375	06/15/2015	527,875	S W AIRLS CO	5.250	930,303
PVTPL CHESAPEAKE ENERGY CORP	6.250	01/15/2018	423,550	SAFEWAY INC	4.125	443,525
PVTPL CITIGROUP GLOBAL MKTS C	9.250	04/19/2014	719,250	SARA LEE CORP	6.250	107,229
PVTPL COCA COLA BOTTLING CO	5.000	06/15/2016	1,000,000	SBC COMMUNICATIONS INC	4.125	793,370
PVTPL COLLINS & AIKMAN PRODS	12.875	08/24/2012	2,800	SCHERING PLOUGH CORP	5.300	561,933
PVTPL COMPUTER ASSOC INTL INC	4.750	12/01/2009	558,219	SCHOLASTIC CORP	5.750	735,206
PVTPL DEL MONTE CORP	6.750	02/15/2015	168,300	SEQUA CORP	8.875	32,400
PVTPL DUANE READE INC		12/15/2010	34,125	SEQUA CORP	9.000	71,663
PVTPL DYNEGY HLDGS INC	9.875	07/15/2010	99,450	SIMON DEBARTOLO	6.875	721,153
PVTPL ENERGY TRANSFER PARTNE	5.950	02/01/2015	1,104,472	SIMON PPTY GROUP L P	6.375	1,393,733
PVTPL FGIC CORP	6.000	01/15/2034	1,175,536	SLM CORP	4.000	446,401
PVTPL FISHER SCIENTIFIC INTL INC	6.125	07/01/2015	75,094	SOUTHN CAL EDISON CO	7.625	879,154
PVTPL GOODMAN GLOBAL HLDGS INC		06/15/2012	34,475	SPRINT CAP CORP	6.125	1,880,498
PVTPL HIGHMARK INC	6.800	08/15/2013	942,613	SPRINT CAP CORP	6.875	688,729
PVTPL HSBC HLDGS PLC	7.625	05/17/2032	486,062	SPRINT CAP CORP	6.875	2,020,272
PVTPL HUTCHISON WHAMPOA INTI	6.500	02/13/2013	1,443,957	SPRINT CAP CORP	8.750	303,262
PVTPL INTELSAT LTD	8.695	01/15/2012	35,613	SUNGARD DATA SYS INC	3.750	40,995
PVTPL INTELSAT LTD	8.250	01/15/2013	36,138	SUNGARD DATA SYS INC	4.875	12,000
PVTPL JACOBS ENTMT INC	11.875	02/01/2009	280,475	TARGET CORP	5.875	325,740
PVTPL KERN RIV FDG CORP	4.893	04/30/2018	665,248	TCI COMMUNICATIONS INC	8.750	545,181
PVTPL KIOWA PWR PARTNERS LLC	5.737	03/30/2021	918,954	TCI COMMUNICATIONS INC	8.750	1,411,057
PVTPL KOSA LUX FIN B V	9.250	05/01/2012	125,638	TELECOM ITALIA	6.375	1,062,652
PVTPL LG ELECTRONICS INC	5.000	06/17/2010	456,133	TELECOM ITALIA CAP	5.250	710,644
PVTPL MAGNACHIP SEMICONDUCTOR S A		12/15/2011	64,350	TELEFONOS DE MEX S	4.500	838,663
PVTPL MAGNACHIP SEMICONDUCT	8.000	12/15/2014	211,200	TELUS CORP	8.000	584,751
PVTPL NATL NEPHROLOGY ASSOC	9.000	11/01/2011	16,838	TERRA CAP INC	12.875	106,200
PVTPL NEVADA PWR CO	5.875	01/15/2015	502,500	IFM S A DE C V	10.250	139,100
PVTPL NORTHWESTN CORP	5.875	11/01/2014	256,250	TIME WARNER ENTMT CO L P	8.875	592,567
PVTPL OMX TIMBER FIN INVTS I LL	5.420	01/29/2020	347,700	TIME WARNER ENTMT CO L P	8.375	797,838
PVTPL PARKER DRILLING CO	9.625	10/01/2013	50,738	TOYS R US INC	7.625	91,750
PVTPL PHOENIX LIFE INS CO	7.150	12/15/2034	508,360	TRANSOCEAN INC	6.625	348,186
PVTPL QWEST SVCS CORP	13.000	12/15/2007	30,940	TRICON GLOBAL RESTAURANTS IN	8.875	424,067
PVTPL RAINBOW NATL SVCS LLC &	10.375	09/01/2014	86,250	TRITON PCS INC	8.500	55,350
PVTPL RAYOVAC CORP	7.375	02/01/2015	24,188	TSI TELECOMMUNICATIONS SVCS I	12.750	55,438
PVTPL RESIDENTIAL CAP CORP	6.375	06/30/2010	633,032	TYCO INTL GROUP S A	6.000	679,684
PVTPL RESIDENTIAL CAP CORP	6.375	06/30/2010	753,609	U S BK NATL ASSN MINNEAPOLIS M	6.375	551,647
PVTPL TELEFONOS DE MEXICO S A	5.500	01/27/2015	501,281	U S W COMMUNICATIONS INC	7.250	481,525
PVTPL TENASKA VA PARTNERS L P	6.119	03/30/2024	734,587	U S W COMMUNICATIONS INC	7.250	492,563
PVTPL TENGIZCHEVEROIL FIN CO S	6.124	11/15/2014	598,163	U S WEST COMMUNICATIONS INC	7.500	761,063
PVTPL TEXAS INDS INC	7.250	07/15/2013	87,125	U S WEST COMMUNICATIONS INC	7.200	1,363,500
PVTPL TNB CAP L LTD	5.250	05/15/2015	301,248	UCAR FIN INC	10.250	110,513
PVTPL TRUSTREET PPTYS INC	7.500	04/01/2015	92,025	UN OIL CO CAL	7.500	668,560



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UN PAC CORP	6 500	04/15/2012	332,622	FHLMC	7 000	03/15/2010	1,804,386
UNILEVER CAP CORP	7 125	11/01/2010	904,389	FHLMC	6 875	09/15/2010	452,716
UNITED TECHNOLOGIES CORP	5 400	05/01/2035	808,996	FHLMC	5 875	03/21/2011	7,445,123
UNITEDHEALTH GROUP INC UNITE	3 375	08/15/2007	911,605	FHLMC	5 125	07/15/2012	2,946,836
UNUM CORP	6 750	12/15/2028	42,531	FHLMC	4 500	07/15/2013	1,276,841
UTD AIRLS	6 201	09/01/2008	2,394,487	FNMA	5 500	05/02/2006	7,146,938
UTD PARCEL SVC AMER INC	8 375	04/01/2020	537,042	FNMA	4 750	01/02/2007	8,906,841
UTD TECHNOLOGIES CORP	7 500	09/15/2029	481,115	FNMA	4 250	07/15/2007	2,824,830
UTD UTILS PLC	6 875	08/15/2028	411,527	FNMA	4 250	07/15/2007	1,921,894
VA ELEC & PWR CO	8 250	03/01/2025	1,037,290	FNMA	5 750	02/15/2008	1,570,356
VALEANT PHARMACEUTICALS INT.	7 000	12/15/2011	1,215,200	FNMA	1 750	03/26/2008	1,416,452
VANGUARD HL TH HL DG CO II LLC	9 000	10/01/2014	54,000	FNMA	4 000	09/02/2008	3,547,799
VENTAS RLTY LTD PARTNERSHIP	6 625	10/15/2014	507,525	FNMA	5 250	01/15/2009	1,252,166
VERIZON GLOBAL FDG CORP	7 250	12/01/2010	1,246,860	FNMA	6 375	06/15/2009	1,820,293
VERIZON GLOBAL FDG CORP	7 250	12/01/2010	821,794	FNMA	2 290	09/02/2009	2,958,054
VERTIS INC	9 750	04/01/2009	72,800	FNMA	6 625	09/15/2009	2,534,301
VIACOM INC	5 500	05/15/2033	477,464	FNMA	6 625	09/15/2009	4,297,632
VINTAGE PETE INC	8 250	05/01/2012	48,825	FNMA	6 625	11/15/2010	2,078,159
VODAFONE AIRTOUCH PLC	7 875	02/15/2030	375,184	FNMA	6 625	11/15/2010	7,018,560
WA MUT INC	4 375	01/15/2008	1,002,808	FNMA	6 250	02/01/2011	657,460
WA MUT INC	8 250	04/01/2010	1,148,480	FNMA	6 250	02/01/2011	2,470,952
WACHOVIA CORP	5 625	12/15/2008	840,990	FNMA	4 750	02/21/2013	8,311,963
WAL-MART STORES INC	4 550	05/01/2013	832,766	FNMA	4 625	05/01/2013	1,872,115
WAL-MART STORES INC	4 500	07/01/2015	581,244	FNMA	5 125	01/02/2014	938,684
WASTE MGMT INC	6 500	11/15/2008	424,898	FNMA	4 625	10/15/2014	338,439
WASTE MGMT INC	6 875	05/15/2009	2,300,608	FNMA	7 250	05/15/2030	2,026,864
WELLPOINT INC	3 750	12/14/2007	1,554,722	FREDDIE MAC	3 220	02/06/2007	604,641
WELLS FARGO BANK NA	6 450	02/01/2011	1,588,336	HYDRO-QUEBEC	9 500	11/15/2030	459,300
WEYERHAEUSER CO	6 750	03/15/2012	462,101	INTL BK FOR RECON & DEV	8 625	10/15/2016	411,180
WEYERHAEUSER CO	7 950	03/15/2025	786,663	KREDITANSTALT FUR WIEDERAUF	3 250	03/30/2009	883,356
WEYERHAEUSER CO	7 375	03/15/2032	566,004	SBA	7 540	08/10/2009	1,184,108
WI ENERGY CORP	6 500	04/01/2011	357,133	SMALL BUSINESS ADMIN	7 200	10/01/2019	4,760,997
WITCO CORP	7 750	04/01/2023	101,000	SMALL BUSINESS ADMIN	7 190	12/01/2019	1,218,327
WYETH	5 500	01/01/2014	316,109	ARGENTINA(REP OF)	2 332	04/30/2013	240,056
WYETH	6 500	02/01/2034	526,040	BEAZER HOMES USA INC	6 875	07/15/2015	663,300
WYNN LAS VEGAS LLC	6 625	12/01/2014	24,313	BRAZIL FEDERATIVE REP	9 230	06/29/2009	719,200
YPF SOCIEDAD ANONIMA	9 125	02/24/2009	657,000	BRAZIL REP	10 500	07/14/2014	2,365,000
ZIFF DAVIS MEDIA INC	9 150	05/01/2012	72,375	BRAZIL(FED REP OF)	11 000	07/08/2040	1,201,500
FUT CALL SEP 05 T-NOTE OPTION 114		09/30/2005	(16,406)	BULGARIA REP USD GLOBAL NT	8 250	01/15/2015	163,313
FUT CALL SEP 05 T-NOTE OPTION 115		09/30/2005	(21,328)	CANADA(GOVT OF)	6 000	01/06/2008	4,628,695
FUT CALL SEP 05 T-NOTE OPTION 116			(7,594)	CANADA(GOVT OF)	5 500	01/06/2010	628,357
FUT CALL SEP 05 U S T-BONDS 118			26,688	CDA GOVT BD	5 250	11/05/2008	732,507
FUT PUT SEP 05 U S T-BONDS 110		08/26/2005	(2,719)	FRANCE(GOVT OF)	5 250	05/04/2008	983,350
ASIAN DEV BK GLOBAL	4 500	09/04/2012	452,897	GERMANY(FED REP)	3 750	04/01/2009	2,921,214
BQE CENT TUNISIE	7 375	05/04/2012	576,143	GERMANY(FED REP)	3 250	07/14/2009	21,878,524
DEV BK OF JAPAN	1 050	02/06/2023	281,982	GERMANY(FED REP)	5 000	04/07/2011	1,360,892
EUROPEAN INVT BK	3 750	03/16/2009	1,968,580	GERMANY(FED REP)	5 500	04/01/2031	6,000,393
EUROPEAN INVT BK GLOBAL	4 625	03/01/2007	1,215,467	HONG KONG GOVT SPL ADMINISTR	5 125	08/01/2014	1,045,028
FED NATL MTO ASSOC	5 250	08/01/2012	3,278,086	IRELAND(REP OF)	4 600	08/04/2016	1,025,935
FHLB	2 875	09/15/2006	6,330,906	ITALY REP	6 875	09/27/2023	921,940
FHLB	5 800	09/02/2008	1,795,445	ITALY(REP OF)	3 800	07/03/2008	1,293,958
FHLB	5 750	05/15/2012	931,347	MEXICO(UTD MEX ST)	8 125	03/12/2019	736,380
FHLB	3 875	06/14/2013	1,226,139	MEXICO-UNITED MEXICAN STS	8 125	12/30/2019	1,718,500
FHLB	4 500	09/16/2013	763,696	PANAMA(REP OF)	9 375	03/07/2012	873,516
FHLMC	5 500	07/15/2006	2,441,585	PERU REP GTD BLOBAL BD	9 125	02/21/2012	877,500
FHLMC	7 100	04/10/2007	1,055,940	PORTUGAL(REP OF)	3 000	07/17/2006	733,654
FHLMC	3 500	09/15/2007	2,285,876	RUSSIAN FEDN	5 000	03/31/2030	1,624,000
FHLMC	5 750	04/15/2008	1,784,565	RUSSIAN FEDN	5 000	03/31/2030	1,400,000
FHLMC	5 750	04/15/2008	2,062,747	RUSSIAN FEDN	5 000	03/31/2030	3,265,236
FHLMC	3 625	09/15/2008	1,834,033	SOUTH AFRICA REP	6 500	06/02/2014	580,450
FHLMC	6 625	09/15/2009	1,761,554	SOUTH AFRICA REP	6 500	06/02/2014	279,063

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SPAIN(KINGDOM OF)	3 100	02/09/2006	2,601,409	US TREAS BD STRIPPED		11/15/2027	61,961,547
STH AFRICA(REP OF)	9 125	09/05/2009	29,032	US TREAS BD STRIPPED		11/15/2027	5,775,527
STH AFRICA(REP OF)	7 375	02/04/2012	574,700	US TREAS BDS	12 750	11/15/2010	4,448,148
SWEDEN(KINGDOM OF)	4 000	01/12/2009	1,376,475	US TREAS BDS	10 375	11/15/2012	1,035,176
TREASURY	6 250	05/11/2010	693,105	US TREAS BDS	12 000	08/15/2013	1,241,641
TREASURY	5 000	07/03/2012	94,193	US TREAS BDS	12 500	08/15/2014	3,060,168
TREASURY	6 000	07/12/2028	453,813	US TREAS BDS	5 375	02/15/2031	1,421,900
TREASURY	8 000	07/12/2015	711,531	US TREAS BDS	5 375	02/15/2031	10,696,700
TURKEY REP T-BOND	8 000	02/14/2034	269,750	US TREAS BDS	5 375	02/15/2031	4,271,600
UKRAINE(REP OF)	7 650	11/06/2013	386,511	US TREAS BDS	5 375	02/15/2031	4,725,900
UNITED STATES TREAS BDS	6 375	08/15/2027	1,296,523	US TREAS BDS	6 125	08/15/2029	3,447,457
UNITED STATES TREAS BDS	5 500	08/15/2028	2,308,129	US TREAS BDS	6 125	08/15/2029	10,909,287
UNITED STATES TREAS BDS	5 500	08/15/2028	10,908,266	US TREAS BDS	7 500	11/15/2016	3,184,914
UNITED STATES TREAS NTS	1 875	12/31/2005	18,042,941	US TREAS BDS	8 750	05/15/2017	4,049,012
UNITED STATES TREAS NTS	1 875	12/31/2005	2,922,798	US TREAS BDS	8 750	05/15/2017	11,486,560
UNITED STATES TREAS NTS	2 000	05/15/2006	12,369,491	US TREAS BDS	8 875	08/15/2017	726,699
UNITED STATES TREAS NTS	2 375	08/31/2006	7,851,792	US TREAS BDS	8 875	08/15/2017	2,325,437
UNITED STATES TREAS NTS	2 625	11/15/2006	3,898,002	US TREAS BDS	8 750	05/15/2020	5,795,989
UNITED STATES TREAS NTS	3 000	12/31/2006	3,864,198	US TREAS BDS	5 250	11/15/2028	913,718
UNITED STATES TREAS NTS	3 125	01/31/2007	4,548,820	US TREAS BDS	5 250	11/15/2028	12,110,195
UNITED STATES TREAS NTS	3 125	01/31/2007	593,281	US TREAS BDS	5 250	11/15/2028	3,198,014
UNITED STATES TREAS NTS	3 625	04/30/2007	3,580,041	US TREAS BDS	7 125	02/15/2023	1,162,209
UNITED STATES TREAS NTS	3 125	05/15/2007	4,170,203	US TREAS BDS	6 000	02/15/2026	5,254,945
UNITED STATES TREAS NTS	3 250	08/15/2007	5,306,740	US TREAS BDS	6 625	02/15/2027	1,924,479
UNITED STATES TREAS NTS	3 250	08/15/2007	4,294,988	US TREAS BDS	6 250	05/15/2030	3,191,221
UNITED STATES TREAS NTS	3 250	08/15/2007	1,949,111	US TREAS BDS	6 250	08/15/2023	174,470
UNITED STATES TREAS NTS	3 375	02/15/2008	1,439,464	US TREAS BDS	6 125	11/15/2027	10,831,816
UNITED STATES TREAS NTS	3 375	02/15/2008	4,814,760	US TREAS BDS	5 250	02/15/2029	11,456,533
UNITED STATES TREAS NTS	3 375	02/15/2008	4,477,230	US TREAS BDS	5 250	02/15/2029	355,694
UNITED STATES TREAS NTS	3 375	11/15/2008	3,068,637	US TREAS BDS	7 250	05/15/2016	1,280,508
UNITED STATES TREAS NTS	2 625	03/15/2009	2,890,665	US TREAS BDS	8 125	08/15/2019	3,677,195
UNITED STATES TREAS NTS	4 000	06/15/2009	156,671	US TREAS NTS	1 500	03/31/2006	2,956,524
UNITED STATES TREAS NTS	3 375	09/15/2009	3,749,088	US TREAS NTS	2 750	07/31/2006	12,180,860
UNITED STATES TREAS NTS	3 500	11/15/2009	2,478,028	US TREAS NTS	2 375	08/15/2006	2,072,601
UNITED STATES TREAS NTS	3 500	12/15/2009	2,971,758	US TREAS NTS	2 375	08/15/2006	3,849,117
UNITED STATES TREAS NTS	3 500	12/15/2009	7,908,839	US TREAS NTS	6 500	10/15/2006	4,041,527
UNITED STATES TREAS NTS	3 625	01/15/2010	3,483,456	US TREAS NTS	3 500	11/15/2006	9,339,406
UNITED STATES TREAS NTS	3 625	01/15/2010	23,632,757	US TREAS NTS	2 250	02/15/2007	4,012,076
UNITED STATES TREAS NTS	3 500	02/15/2010	2,969,883	US TREAS NTS	4 375	03/15/2007	8,815,884
UNITED STATES TREAS NTS	4 000	03/15/2010	285,073	US TREAS NTS	6 125	08/15/2007	3,833,354
UNITED STATES TREAS NTS	4 000	04/15/2010	2,426,251	US TREAS NTS	3 000	11/15/2007	3,991,149
UNITED STATES TREAS NTS	3 875	05/15/2010	316,796	US TREAS NTS	3 000	02/15/2008	688,652
UNITED STATES TREAS NTS	5 750	08/15/2010	3,934,548	US TREAS NTS	3 000	02/15/2008	3,541,640
UNITED STATES TREAS NTS	4 000	02/15/2014	462,767	US TREAS NTS	2 625	05/15/2008	3,206,801
UNITED STATES TREAS NTS	4 000	02/15/2014	3,319,853	US TREAS NTS	2 625	05/15/2008	1,015,487
UNITED STATES TREAS NTS	4 000	02/15/2015	3,713,154	US TREAS NTS	3 250	08/15/2008	3,160,125
UNITED STATES TREAS NTS	4 000	02/15/2015	4,912,402	US TREAS NTS	3 250	08/15/2008	1,397,368
UNITED STATES TREAS NTS	4 125	05/15/2015	578,327	US TREAS NTS	3 125	09/15/2008	3,096,598
UNITED STATES TREAS NTS	4 125	05/15/2015	1,724,835	US TREAS NTS	3 125	10/15/2008	3,094,998
UNITED STATES TREAS NTS	4 125	05/15/2015	19,379,032	US TREAS NTS	3 375	12/15/2008	19,027,050
UNITED STATES TREAS NTS	4 750	05/15/2014	763,988	US TREAS NTS	3 250	01/15/2009	3,026,228
UNITED STATES TREAS NTS	4 250	08/15/2014	266,216	US TREAS NTS	3 125	04/15/2009	3,233,871
UNITED STATES TREAS NTS	4 250	08/15/2014	4,812,358	US TREAS NTS	3 625	07/15/2009	3,089,708
UNITED STATES TREAS NTS	4 250	08/15/2014	4,095,624	US TREAS NTS	3 375	10/15/2009	2,957,814
UNITED STATES TREAS NTS	4 250	11/15/2014	3,479,822	US TREAS NTS	6 500	02/15/2010	1,673,966
US TREAS	6 875	05/15/2006	2,365,946	US TREAS NTS	5 000	02/15/2011	3,506,121
US TREAS	7 000	07/15/2006	3,103,944	US TREAS NTS	5 000	02/15/2011	2,124,922
US TREAS	5 625	05/15/2008	736,914	US TREAS NTS	5 000	08/15/2011	1,492,586
US TREAS	2 625	05/15/2008	1,943,516	US TREAS NTS	5 000	08/15/2011	3,571,546
US TREAS	13 250	05/15/2014	3,751,891	US TREAS NTS	4 875	02/15/2012	4,917,204
US TREAS	6 500	11/15/2026	1,503,401	US TREAS NTS	4 875	02/15/2012	5,652,129

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	MATURITY		MARKET		MATURITY		MARKET
<u>FIXED INCOME</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>	<u>FIXED INCOME</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>
US TREAS NTS	4 375	08/15/2012	2,800,194	FHLMC GOLD C28734	6 500	07/01/2029	145,752
US TREAS NTS	4 000	11/15/2012	419,653	FHLMC GOLD C00844	7 000	08/01/2029	64,265
US TREAS NTS	4 000	11/15/2012	2,730,270	FHLMC GOLD C01183	6 000	05/01/2031	122,638
US TREAS NTS	3 625	05/15/2013	2,468,165	FHLMC GOLD C53589	6 500	06/01/2031	91,234
US TREAS NTS	4 250	08/15/2013	307,500	FHLMC GOLD C58215	6 500	09/01/2031	152,987
US TREAS NTS	4 250	08/15/2013	2,767,500	FHLMC GOLD C59947	6 500	11/01/2031	94,044
US TREAS NTS	4 250	08/15/2013	5,211,100	FHLMC GOLD C01272	6 000	12/01/2031	282,734
US TREAS NTS	4 250	11/15/2013	3,073,242	FHLMC GOLD C61792	7 000	12/01/2031	115,998
US TREAS NTS	4 250	11/15/2013	12,298,090	FHLMC GOLD C01286	6 000	01/01/2032	164,928
US TREAS NTS	4 250	11/15/2013	5,941,601	FHLMC GOLD C01292	6 000	02/01/2032	233,121
US TREAS NTS	3 875	02/15/2013	2,503,028	FHLMC GOLD C63581	6 000	02/01/2032	367,279
UTD MEXICAN STS	8 375	01/14/2011	2,211,600	FHLMC GOLD C68004	7 000	06/01/2032	158,279
UTD MEXICAN STS	9 875	02/01/2010	1,330,450	FHLMC GOLD C69856	6 500	08/01/2032	317,633
VENEZUELA REP T-BOND	9 375	01/13/2034	130,938	FHLMC GOLD C70092	6 500	08/01/2032	199,950
FHLMC 15 YR GOLD PARTN CTF (PC	5 000	08/16/2020	12,722,094	FHLMC GOLD C01410	6 000	10/01/2032	276,455
FHLMC 15 YR GOLD PARTN CTF (PC	5 500	08/18/2018	11,374,059	FHLMC GOLD C71734	6 500	10/01/2032	152,475
FHLMC 30 YEAR PARTICIPATION CI	5 000		10,706,602	FHLMC GOLD C01428	5 500	11/01/2032	912,324
FHLMC GOLD E00031	8 000	04/01/2006	17,545	FHLMC GOLD C72911	6 000	11/01/2032	526,321
FHLMC GOLD B00096	8 500	05/01/2006	181	FHLMC GOLD C0-1501	5 500	03/01/2033	1,756,565
FHLMC GOLD E00067	8 500	01/01/2007	827	FHLMC GOLD C76773	5 500	03/01/2033	652,824
FHLMC GOLD E39298	7 000	09/01/2007	11,718	FHLMC GOLD GROUP E0-0268	6 000	12/01/2008	37,156
FHLMC GOLD E00185	7 000	01/01/2008	15,719	FHLMC GOLD GROUP C00835	6 500	07/01/2029	59,635
FHLMC GOLD E71283	6 500	07/01/2013	23,226	FHLMC GOLD GROUP C37118	7 500	03/01/2030	1,748
FHLMC GOLD E00598	5 500	12/01/2013	177,953	FHLMC GOLD GROUP C41900	7 500	09/01/2030	53,622
FHLMC GOLD E00617	5 500	01/01/2014	95,877	FHLMC GOLD GROUP C42218	7 500	09/01/2030	10,871
FHLMC GOLD E75927	6 000	03/01/2014	20,431	FHLMC GOLD GROUP C01095	7 000	11/01/2030	30,368
FHLMC GOLD E77461	6 000	06/01/2014	149,646	FHLMC GOLD GROUP C44563	7 000	11/01/2030	79,215
FHLMC GOLD E78045	7 500	09/01/2014	36,002	FHLMC GOLD M80596	7 000	10/01/2006	8,911
FHLMC GOLD E81922	7 000	12/01/2015	50,431	FHLMC GOLD M80754	5 500	06/01/2009	132,463
FHLMC GOLD E84440	5 500	07/01/2016	311,668	FHLMC GOLD POOL #E79851	6 000	08/01/2014	34,569
FHLMC GOLD E85417	6 000	09/01/2016	281,701	FHLMC GOLD POOL G00726	8 000	06/01/2027	60,329
FHLMC GOLD E01139	6 000	04/01/2017	101,788	FHLMC GOLD POOL D86891	6 500	03/01/2028	77,461
FHLMC GOLD E88978	5 500	04/01/2017	495,533	FHLMC GOLD POOL C32914	8 000	11/01/2029	14,531
FHLMC GOLD E90803	6 500	08/01/2017	318,395	FHLMC GOLD POOL C00922	8 000	02/01/2030	28,426
FHLMC GOLD E92851	5 500	08/01/2017	417,793	FHLMC GOLD POOL C37515	7 500	04/01/2030	9,680
FHLMC GOLD E01280	5 000	12/01/2017	1,012,677	FHLMC GOLD POOL C48204	7 000	02/01/2031	31,419
FHLMC GOLD E93956	5 000	01/01/2018	427,900	FHLMC GOLD POOL C01166	6 000	04/01/2031	87,476
FHLMC GOLD E01322	5 000	03/01/2018	1,184,979	FHLMC GOLD SINGLE FAMIL.Y	5 000		997,812
FHLMC GOLD E01377	4 500	05/01/2018	540,308	FHLMC GOLD SINGLE FAMIL.Y	5 000		13,230,987
FHLMC GOLD D05867	9 000	06/01/2021	5,396	FHLMC GROUP #E20015	7 000	03/01/2008	13,280
FHLMC GOLD C00078	9 000	11/01/2021	3,436	FHLMC GROUP #E20037	7 000	07/01/2008	29,164
FHLMC GOLD C00109	8 000	04/01/2022	38,835	FHLMC GROUP #E00548	6 500	05/01/2013	128,585
FHLMC GOLD D18415	9 000	05/01/2022	5,100	FHLMC GROUP #C000206	7 500	01/01/2023	17,215
FHLMC GOLD D95457	6 000	06/01/2022	186,532	FHLMC GROUP #C00262	7 000	10/01/2023	89,068
FHLMC GOLD C90561	6 500	07/01/2022	166,618	FHLMC GROUP #C80091	6 500	01/15/2024	114,098
FHLMC GOLD C90580	6 000	09/01/2022	658,359	FHLMC GROUP #C00294	6 500	02/01/2024	86,167
FHLMC GOLD C90645	5 500	03/01/2023	335,439	FHLMC GROUP #C00449	7 000	03/01/2026	29,710
FHLMC GOLD C0-0249	7 000	07/01/2023	56,611	FHLMC GROUP #G00544	8 500	10/15/2026	50,449
FHLMC GOLD D66964	7 000	01/01/2026	26,942	FHLMC GROUP #C00495	7 000	01/01/2027	17,936
FHLMC GOLD D68850	6 500	03/01/2026	34,337	FHLMC MUL.TICL.ASS	4 000	12/15/2012	428,549
FHLMC GOLD C00571	8 000	12/01/2027	35,307	FHLMC MUL.TICL.ASS	5 000	09/15/2016	678,529
FHLMC GOLD C14210	6 000	08/01/2028	192,580	FHLMC MUL.TICL.ASS #E0-1323	4 500	03/01/2018	342,812
FHLMC GOLD C00678	7 000	11/01/2028	150,999	FHLMC MUL.TICL.ASS	5 000	05/15/2019	6,018,924
FHLMC GOLD C00689	6 500	12/01/2028	86,860	FHLMC MUL.TICL.ASS	5 500	12/15/2029	657,053
FHLMC GOLD C20415	6 000	01/01/2029	11,360	FHLMC MUL.TICL.ASS	3 500	07/15/2032	391,025
FHLMC GOLD C20716	6 000	01/01/2029	325,031	FHLMC POOL #S03923	8 500	05/01/2006	2,762
FHLMC GOLD C22344	6 000	02/01/2029	76,450	FHLMC POOL #M90831	4 000	08/01/2008	322,602
FHLMC GOLD C00742	6 500	04/01/2029	106,593	FHLMC POOL #170037	13 500	10/01/2010	12,869
FHLMC GOLD C0-0748	6 000	04/01/2029	112,618	FHLMC POOL #M8-0864	4 000	11/01/2010	415,121
FHLMC GOLD C26666	6 000	05/01/2029	181,258	FHLMC POOL #170043	12 500	02/01/2011	12,626
FHLMC GOLD C27966	7 000	06/01/2029	62,413	FHLMC POOL #251477	12 500	02/01/2014	58,737

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FHLMC POOL #170102	13 500	10/01/2014	76,523	FHLMC POOL #789570	5 920	07/01/2032	385,067
FHLMC POOL #271900	13 000	09/01/2015	26,674	FHLMC POOL #A1-4012	6 500	11/01/2032	651,038
FHLMC POOL #170195	9 000	10/01/2016	1,211	FHLMC POOL #C0-1498	7 000	12/01/2032	938,637
FHLMC POOL #E91063	6 000	08/01/2017	413,849	FHLMC POOL #C7-5066	6 000	12/01/2032	413,829
FHLMC POOL #E93562	5 500	12/01/2017	71,237	FHLMC POOL #A1-0141	5 000	06/01/2033	804,411
FHLMC POOL #E93476	5 000	01/01/2018	502,671	FHLMC POOL #C7-9885	5 500	06/01/2033	728,780
FHLMC POOL #360021	10 000	02/01/2018	2,482	FHLMC POOL #G0-1563	5 500	06/01/2033	1,450,235
FHLMC POOL #E9-5470	4 500	04/01/2018	850,586	FHLMC POOL #A11745	4 500	08/01/2033	438,766
FHLMC POOL #E95694	5 000	04/01/2018	1,152,174	FHLMC POOL #C0-1598	5 000	08/01/2033	1,077,529
FHLMC POOL #303927	9 000	05/01/2018	6,153	FHLMC POOL #A1-3331	5 500	09/01/2033	226,993
FHLMC POOL #304659	9 000	06/01/2018	3,524	FHLMC POOL #A1-3466	6 500	09/01/2033	162,721
FHLMC POOL #308327	8 500	06/01/2018	4,102	FHLMC POOL #C0-1622	5 000	09/01/2033	1,490,975
FHLMC POOL #E97298	4 500	06/01/2018	1,324,642	FHLMC POOL #C0-1623	5 500	09/01/2033	371,903
FHLMC POOL #308326	9 500	07/01/2018	1,416	FHLMC POOL #A1-4481	4 500	10/01/2033	86,488
FHLMC POOL #E0-1418	4 000	07/01/2018	867,338	FHLMC POOL #C0-1648	5 000	10/01/2033	1,886,421
FHLMC POOL #E98671	4 500	08/01/2018	4,974,292	FHLMC POOL #A1-5478	5 500	11/01/2033	606,595
FHLMC POOL #E9-9010	4 500	09/01/2018	616,437	FHLMC POOL #A1-5666	6 500	11/01/2033	158,446
FHLMC POOL #B10170	4 500	10/01/2018	811,269	FHLMC POOL #C0-1673	5 000	11/01/2033	1,364,268
FHLMC POOL #B1-0767	4 000	10/01/2018	564,075	FHLMC POOL #C0-1754	5 500	01/01/2034	1,614,988
FHLMC POOL #308457	10 000	11/01/2018	2,764	FHLMC POOL #A1-9399	5 500	03/01/2034	901,311
FHLMC POOL #B10673	4 500	11/01/2018	397,894	FHLMC POOL #A2-0913	5 500	04/01/2034	1,098,285
FHLMC POOL #B1-0742	4 500	11/01/2018	1,186,259	FHLMC POOL #A2-1538	5 500	05/01/2034	243,094
FHLMC POOL #B12461	5 500	11/01/2018	2,395,394	FHLMC POOL #A2-3630	5 000	06/01/2034	1,496,031
FHLMC POOL #E0-1490	5 000	11/01/2018	6,789,888	FHLMC POOL #A2-3804	5 500	06/01/2034	948,924
FHLMC POOL #B1-2023	5 000	01/01/2019	715,216	FHLMC POOL #A2-4430	5 000	07/01/2034	1,081,682
FHLMC POOL #G1-1659	4 500	01/01/2019	1,830,945	FHLMC POOL #A2-5380	4 500	08/01/2034	184,303
FHLMC POOL #B1-2288	4 500	02/01/2019	1,850,300	FHLMC POOL #A2-6073	6 000	08/01/2034	378,621
FHLMC POOL #B1-3238	5 000	04/01/2019	338,944	FHLMC POOL #G0-8004	5 000	08/01/2034	1,611,999
FHLMC POOL #B1-3801	4 500	04/01/2019	261,680	FHLMC POOL #G0-8005	5 500	08/01/2034	396,773
FHLMC POOL #E0-1606	4 500	04/01/2019	509,495	FHLMC POOL #A2-6271	5 500	09/01/2034	657,257
FHLMC POOL #544194	8 500	05/01/2019	3,781	FHLMC POOL #A2-7420	6 000	10/01/2034	668,186
FHLMC POOL #B1-4180	4 500	05/01/2019	397,708	FHLMC POOL #G08016	6 000	10/01/2034	352,660
FHLMC POOL #E01647	4 000	05/01/2019	264,125	FHLMC POOL #G0-8020	5 000	11/01/2034	1,549,674
FHLMC POOL #B1-4981	4 500	06/01/2019	192,575	FHLMC POOL #A29295	5 000	12/01/2034	283,137
FHLMC POOL #B1-5090	4 500	06/01/2019	538,547	FHLMC POOL #A30207	5 000	12/01/2034	160,203
FHLMC POOL #B15150	5 500	06/01/2019	1,309,764	FHLMC POOL #G01760	4 500	12/01/2034	3,021,945
FHLMC POOL #E0-1653	4 500	06/01/2019	2,527,713	FHLMC POOL #A3-3037	5 500	01/01/2035	293,155
FHLMC POOL #B1-5658	4 000	07/01/2019	2,608,631	FHLMC POOL #G08036	5 500	01/01/2035	978,490
FHLMC POOL #B1-6496	5 500	09/01/2019	382,203	FHLMC POOL #A3-3358	5 000	02/01/2035	297,533
FHLMC POOL #B1-6497	5 500	09/01/2019	943,841	FHLMC POOL #1B2141		03/01/2035	1,916,610
FHLMC POOL #G11467	4 000	09/01/2019	404,431	FHLMC POOL #A3-2017	6 500	03/01/2035	362,408
FHLMC POOL #G1-8009	5 000	09/01/2019	515,031	FHLMC POOL #A3-2368	5 000	04/01/2035	169,811
FHLMC POOL #B1-7032	5 500	10/01/2019	498,051	FHLMC POOL #A3-2383	5 500	04/01/2035	707,615
FHLMC POOL #261046	9 500	11/01/2019	21,693	FHLMC POOL #G0-1795	4 500	04/01/2035	390,993
FHLMC POOL #B17118	4 500	11/01/2019	203,415	FHLMC POOL #G0-8053	6 000	04/01/2035	851,741
FHLMC POOL #G1-8020	4 500	11/01/2019	244,813	FHLMC POOL #A3-2893	5 000	05/01/2035	1,450,357
FHLMC POOL #360098	9 500	03/01/2020	5,860	FHLMC POOL #A32950	5 500	05/01/2035	1,216,304
FHLMC POOL #G1-8048	5 000	04/01/2020	260,136	FHLMC POOL #G0-1812	5 500	05/01/2035	18,260,930
FHLMC POOL #G1-8053	5 000	05/01/2020	7,023,887	FHLMC POOL #G0-8068	5 500	07/01/2035	344,463
FHLMC POOL #B1-9426	5 000	07/01/2020	222,605	FNMA 15 YEARS SINGLE FAMILY M	5 500		1,539,375
FHLMC POOL #360122	9 500	10/01/2020	3,065	FNMA 30 YEARS SINGLE FAMILY M	6 000	07/17/2030	6,662,500
FHLMC POOL #554845	8 500	05/01/2021	5,546	FNMA 30 YR PASS-THROUGHS	5 500		3,541,563
FHLMC POOL #554866	8 500	06/01/2021	4,411	FNMA 30 YR PASS-THROUGHS	5 500		78,034,726
FHLMC POOL #D9-5897	5 500	03/01/2023	984,258	FNMA 30 YR PASS-THROUGHS	5 500		11,521,777
FHLMC POOL #C90654	5 500	04/01/2023	628,196	FNMA POOL #323665	5 500	04/01/2006	9,869
FHLMC POOL #C9-0690	5 000	07/01/2023	532,921	FNMA POOL #050437	8 000	06/01/2006	2,871
FHLMC POOL #D96374	5 000	10/01/2023	464,608	FNMA POOL #252695	6 500	07/01/2006	16,825
FHLMC POOL #D9-6476	5 000	03/01/2024	144,763	FNMA POOL #050505	8 000	11/01/2006	674
FHLMC POOL #C9-0830	4 500	05/01/2024	92,218	FNMA POOL #151099	8 000	02/01/2007	2,187
FHLMC POOL #C10246	6 000	05/01/2028	34,313	FNMA POOL #050577	8 000	03/01/2007	2,825
FHLMC POOL #789272		04/01/2032	1,735,256	FNMA POOL #164977	8 000	08/01/2007	1,894

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FNMA POOL #180152	6.500	09/01/2007	7,899	FNMA POOL #685463	5.000	03/01/2018	708,450
FNMA POOL #050639	7.000	11/01/2007	16,459	FNMA POOL #080469	9.500	04/01/2018	1,023
FNMA POOL #050682	7.000	01/01/2008	11,678	FNMA POOL #254685	5.000	04/01/2018	577,668
FNMA POOL #220521	6.500	06/01/2008	28,892	FNMA POOL #254719	4.500	04/01/2018	1,692,189
FNMA POOL #050951	6.000	12/01/2008	53,662	FNMA POOL #254786	6.000	05/01/2018	712,366
FNMA POOL #050952	6.500	12/01/2008	42,764	FNMA POOL #323129	6.000	05/01/2018	50,093
FNMA POOL #263199	6.000	01/01/2009	49,049	FNMA POOL #695893	4.500	05/01/2018	765,339
FNMA POOL #346121	6.500	03/01/2009	76,824	FNMA POOL #705709	5.000	05/01/2018	1,784,791
FNMA POOL #254837	4.500	07/01/2010	407,941	FNMA POOL #254803	5.000	07/01/2018	1,340,826
FNMA POOL #255513	4.000	09/01/2011	326,529	FNMA POOL #726251	4.500	07/01/2018	844,257
FNMA POOL #313589	6.500	09/01/2011	36,259	FNMA POOL #727370	4.000	08/01/2018	577,773
FNMA POOL #021002	12.500	04/01/2012	2,474	FNMA POOL #711995	4.000	09/01/2018	1,457,798
FNMA POOL #251427	6.500	01/01/2013	182,685	FNMA POOL #723406	4.500	09/01/2018	823,352
FNMA POOL #400030	6.500	03/01/2013	273,661	FNMA POOL #254906	4.500	10/01/2018	488,338
FNMA POOL #418164	6.000	03/01/2013	223,430	FNMA POOL #740543	4.000	10/01/2018	381,191
FNMA POOL #418165	6.500	03/01/2013	37,989	FNMA POOL #752177	4.500	10/01/2018	403,464
FNMA POOL #420676	6.000	04/01/2013	62,202	FNMA POOL #629986	5.000	11/01/2018	709,488
FNMA POOL #432294	6.500	06/01/2013	231,136	FNMA POOL #050150	9.500	12/01/2018	5,715
FNMA POOL #440868	6.000	11/01/2013	42,208	FNMA POOL #754052	4.500	12/01/2018	1,161,820
FNMA POOL #009152	12.500	12/01/2013	4,117	FNMA POOL #769583	4.000	04/01/2019	59,986
FNMA POOL #323447	6.000	12/01/2013	57,496	FNMA POOL #777209	4.500	05/01/2019	446,521
FNMA POOL #459280	6.000	02/01/2014	154,864	FNMA POOL #780952	4.000	05/01/2019	214,060
FNMA POOL #488806	5.500	02/01/2014	309,537	FNMA POOL #782359	5.000	05/01/2019	1,759,996
FNMA POOL #496995	6.000	05/01/2014	47,621	FNMA POOL #782531	4.000	05/01/2019	771,116
FNMA POOL #323788	6.500	06/01/2014	161,597	FNMA POOL #255272	4.000	06/01/2019	355,155
FNMA POOL #499803	5.500	06/01/2014	145,031	FNMA POOL #782610	5.500	07/01/2019	305,221
FNMA POOL #491031	6.000	07/01/2014	32,826	FNMA POOL #787874	4.500	07/01/2019	401,706
FNMA POOL #253192	7.000	04/01/2015	76,331	FNMA POOL #516803	6.000	08/01/2019	17,902
FNMA POOL #387304	4.740	04/01/2015	917,469	FNMA POOL #725793	5.500	09/01/2019	210,387
FNMA POOL #535377	8.000	06/01/2015	110,347	FNMA POOL #797200	5.500	09/01/2019	350,785
FNMA POOL #562314	7.000	01/01/2016	655,753	FNMA POOL #797863	4.500	02/01/2020	337,006
FNMA POOL #253703	6.500	03/01/2016	31,356	FNMA POOL #810952	4.000	04/01/2020	1,205,286
FNMA POOL #535777	5.500	03/01/2016	115,766	FNMA POOL #050308	9.500	06/01/2020	1,882
FNMA POOL #253845	6.000	06/01/2016	1,151,871	FNMA POOL #253342	7.000	06/01/2020	77,942
FNMA POOL #595602	6.500	07/01/2016	115,702	FNMA POOL #828947	4.000	06/01/2020	3,932,099
FNMA POOL #598276	6.500	07/01/2016	18,114	FNMA POOL #255765	5.000	07/01/2020	455,328
FNMA POOL #596510	6.500	09/01/2016	82,963	FNMA POOL #829017	4.500	07/01/2020	587,658
FNMA POOL #609058	5.500	09/01/2016	385,265	FNMA POOL #050353	9.500	10/01/2020	2,260
FNMA POOL #569244	6.500	10/01/2016	37,606	FNMA POOL #112137	9.500	12/01/2020	7,653
FNMA POOL #254090	6.500	12/01/2016	282,765	FNMA POOL #561587	6.500	09/01/2021	158,578
FNMA POOL #618079	6.500	12/01/2016	39,883	FNMA POOL #050656	7.500	11/01/2022	49,875
FNMA POOL #545449	6.500	02/01/2017	110,911	FNMA POOL #254544	6.000	11/01/2022	1,750,924
FNMA POOL #631323	5.500	02/01/2017	478,000	FNMA POOL #555198	6.000	01/01/2023	992,845
FNMA POOL #632852	6.500	02/01/2017	32,325	FNMA POOL #050688	8.000	02/01/2023	50,435
FNMA POOL #254235	6.000	03/01/2017	269,969	FNMA POOL #696188	5.500	04/01/2023	515,128
FNMA POOL #254236	6.500	03/01/2017	100,206	FNMA POOL #254764	5.500	06/01/2023	1,440,266
FNMA POOL #627421	6.500	03/01/2017	259,303	FNMA POOL #254831	5.000	08/01/2023	790,347
FNMA POOL #634773	6.500	03/01/2017	41,050	FNMA POOL #254915	4.500	09/01/2023	335,249
FNMA POOL #632867	6.500	04/01/2017	106,193	FNMA POOL #245598	7.000	12/01/2023	165,772
FNMA POOL #337279	6.000	05/01/2017	150,984	FNMA POOL #255030	5.500	12/01/2023	244,085
FNMA POOL #545732	5.500	05/01/2017	2,585,907	FNMA POOL #267733	6.500	01/01/2024	53,028
FNMA POOL #254343	6.500	06/01/2017	244,808	FNMA POOL #250005	7.000	04/01/2024	50,411
FNMA POOL #313324	9.000	06/01/2017	139,722	FNMA POOL #255226	5.000	05/01/2024	135,878
FNMA POOL #660982	6.500	07/01/2017	105,753	FNMA POOL #330358	6.000	05/01/2024	352,419
FNMA POOL #254403	6.000	08/01/2017	314,329	FNMA POOL #250059	7.000	06/01/2024	44,875
FNMA POOL #659261	6.500	08/01/2017	47,542	FNMA POOL #287411	5.000	07/01/2024	36,029
FNMA POOL #668036	5.000	10/01/2017	465,903	FNMA POOL #255362	6.000	08/01/2024	258,772
FNMA POOL #062424	9.500	11/01/2017	13,389	FNMA POOL #291648	7.500	08/01/2024	11,832
FNMA POOL #672943	5.000	12/01/2017	925,464	FNMA POOL #250188	8.000	01/01/2025	44,857
FNMA POOL #674637	5.000	01/01/2018	522,690	FNMA POOL #303273	8.000	05/01/2025	94,228
FNMA POOL #684782	5.000	02/01/2018	460,362	FNMA POOL #250284	8.000	06/01/2025	43,751

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<u>FIXED INCOME</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>	<u>FIXED INCOME</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>
FNMA POOL #303683	6.500	08/01/2025	314,652	FNMA POOL #545490	7.500	03/01/2032	591,146
FNMA POOL #415850	6.000	09/01/2025	169,792	FNMA POOL #633869	6.000	03/01/2032	273,697
FNMA POOL #250460	7.000	01/01/2026	51,371	FNMA POOL #637077	5.500	03/01/2032	794,326
FNMA POOL #337790	6.500	02/01/2026	47,295	FNMA POOL #254263	6.500	04/01/2032	1,508,454
FNMA POOL #250576	7.000	06/01/2026	28,404	FNMA POOL #545723	7.000	04/01/2032	294,362
FNMA POOL #303933	6.500	06/01/2026	34,155	FNMA POOL #636697	6.000	05/01/2032	2,610,998
FNMA POOL #364470	7.500	12/01/2026	11,475	FNMA POOL #670405	6.500	07/01/2032	246,230
FNMA POOL #370159	7.500	03/01/2027	9,887	FNMA POOL #254405	6.000	08/01/2032	700,651
FNMA POOL #377354	7.500	05/01/2027	18,206	FNMA POOL #653681	6.500	08/01/2032	327,253
FNMA POOL #250972	8.000	06/01/2027	25,190	FNMA POOL #672785	6.000	09/01/2032	113,341
FNMA POOL #313644	7.000	08/01/2027	252,382	FNMA POOL #254479	6.500	10/01/2032	433,058
FNMA POOL #397073	7.000	09/01/2027	39,774	FNMA POOL #555144	7.000	10/01/2032	256,042
FNMA POOL #395447	7.000	01/01/2028	15,674	FNMA POOL #661629	6.000	10/01/2032	159,328
FNMA POOL #415664	6.500	03/01/2028	163,903	FNMA POOL #254560	5.000	11/01/2032	906,812
FNMA POOL #416128	6.500	03/01/2028	126,820	FNMA POOL #545998	6.000	11/01/2032	203,851
FNMA POOL #423025	6.500	04/01/2028	96,463	FNMA POOL #673572	6.000	11/01/2032	1,239,535
FNMA POOL #411402	6.000	05/01/2028	49,943	FNMA POOL #676101	5.500	12/01/2032	432,239
FNMA POOL #743382	7.500	07/01/2028	131,202	FNMA POOL #676682	6.000	12/01/2032	633,932
FNMA POOL #251898	6.500	08/01/2028	74,453	FNMA POOL #555262	6.500	01/01/2033	1,223,302
FNMA POOL #440441	6.500	08/01/2028	93,952	FNMA POOL #686575	5.500	02/01/2033	549,266
FNMA POOL #251971	7.500	09/01/2028	81,116	FNMA POOL #689741	5.500	02/01/2033	1,157,669
FNMA POOL #433576	6.500	09/01/2028	340,781	FNMA POOL #686599	5.500	03/01/2033	3,437,858
FNMA POOL #440444	6.500	09/01/2028	42,173	FNMA POOL #555528	6.000	04/01/2033	244,212
FNMA POOL #251985	6.500	10/01/2028	45,066	FNMA POOL #696784	5.500	04/01/2033	333,077
FNMA POOL #440657	6.500	10/01/2028	43,858	FNMA POOL #703328	5.500	04/01/2033	564,195
FNMA POOL #446636	6.500	10/01/2028	66,852	FNMA POOL #555436	6.000	05/01/2033	620,374
FNMA POOL #252093	6.500	11/01/2028	65,111	FNMA POOL #701031	5.000	05/01/2033	162,186
FNMA POOL #451118	6.500	11/01/2028	25,949	FNMA POOL #704235	5.500	05/01/2033	2,711,724
FNMA POOL #452372	6.000	12/01/2028	520,773	FNMA POOL #254767	5.500	06/01/2033	2,246,266
FNMA POOL #455837	6.000	12/01/2028	350,431	FNMA POOL #555531	5.500	06/01/2033	1,235,865
FNMA POOL #498551	5.500	05/01/2029	103,745	FNMA POOL #689070	5.000	06/01/2033	1,246,851
FNMA POOL #494927	6.500	06/01/2029	102,660	FNMA POOL #711574	5.000	06/01/2033	314,196
FNMA POOL #504545	6.500	06/01/2029	45,088	FNMA POOL #709307	5.500	07/01/2033	379,531
FNMA POOL #505592	6.500	07/01/2029	111,914	FNMA POOL #726891	5.500	07/01/2033	1,411,451
FNMA POOL #788136	7.000	07/01/2029	2,288,935	FNMA POOL #730576	6.500	08/01/2033	187,586
FNMA POOL #323919		08/01/2029	463,661	FNMA POOL #254868	5.000	09/01/2033	1,553,509
FNMA POOL #499283	7.000	08/01/2029	76,665	FNMA POOL #697253	5.000	09/01/2033	799,428
FNMA POOL #499292	6.500	08/01/2029	96,545	FNMA POOL #738387	5.500	09/01/2033	268,164
FNMA POOL #509659	6.000	08/01/2029	153,036	FNMA POOL #738748	6.500	09/01/2033	371,399
FNMA POOL #515934	7.000	09/01/2029	35,316	FNMA POOL #739974	5.500	09/01/2033	444,127
FNMA POOL #252806	7.500	10/01/2029	170,349	FNMA POOL #744013	4.500	09/01/2033	1,604,256
FNMA POOL #252872	6.500	11/01/2029	356,207	FNMA POOL #747171	5.500	09/01/2033	268,222
FNMA POOL #517232	7.500	11/01/2029	33,911	FNMA POOL #254903	5.000	10/01/2033	579,982
FNMA POOL #529171	7.000	02/01/2030	15,384	FNMA POOL #254903	5.000	10/01/2033	2,651,346
FNMA POOL #537237	7.500	05/01/2030	12,287	FNMA POOL #555800	5.500	10/01/2033	3,485,141
FNMA POOL #253355	7.500	07/01/2030	29,528	FNMA POOL #738611	4.500	10/01/2033	610,611
FNMA POOL #552640	8.000	09/01/2030	19,124	FNMA POOL #741907	4.500	10/01/2033	341,605
FNMA POOL #556798	9.000	10/01/2030	53,693	FNMA POOL #555967	5.500	11/01/2033	990,980
FNMA POOL #560724	7.000	11/01/2030	45,755	FNMA POOL #744882	4.500	11/01/2033	572,619
FNMA POOL #574031	6.000	05/01/2031	100,348	FNMA POOL #748356	5.500	11/01/2033	1,805,687
FNMA POOL #579307	6.500	05/01/2031	146,707	FNMA POOL #749327	5.000	11/01/2033	1,126,612
FNMA POOL #584927	6.500	05/01/2031	83,029	FNMA POOL #750002	5.500	11/01/2033	191,709
FNMA POOL #582978	6.500	06/01/2031	94,622	FNMA POOL #254982	5.000	12/01/2033	1,700,210
FNMA POOL #606116		09/01/2031	139,417	FNMA POOL #737880	5.500	12/01/2033	2,304,795
FNMA POOL #609865	6.500	10/01/2031	221,926	FNMA POOL #754208	5.500	12/01/2033	1,685,659
FNMA POOL #545278	7.500	11/01/2031	101,032	FNMA POOL #756198	5.500	12/01/2033	1,330,056
FNMA POOL #609596	6.500	11/01/2031	109,121	FNMA POOL #756201	5.500	12/01/2033	416,909
FNMA POOL #254146	6.000	01/01/2032	554,701	FNMA POOL #759089	5.500	01/01/2034	662,229
FNMA POOL #617275	5.500	01/01/2032	380,351	FNMA POOL #761893	5.500	01/01/2034	635,702
FNMA POOL #625184	6.000	01/01/2032	651,081	FNMA POOL #766806	5.500	01/01/2034	405,183
FNMA POOL #254198	6.000	02/01/2032	635,455	FNMA POOL #766968	5.500	01/01/2034	1,305,615

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		MATURITY	MARKET		MATURITY	MARKET	
<u>FIXED INCOME</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>	<u>FIXED INCOME</u>	<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>
FNMA POOL #764474	5 500	02/01/2034	2,454,782	FNMA POOL #821039	5 500	05/01/2035	541,901
FNMA POOL #766715	5 500	03/01/2034	3,009,399	FNMA POOL #821216	5 500	05/01/2035	573,831
FNMA POOL #767315	5 000	03/01/2034	1,878,448	FNMA POOL #822632	5 500	05/01/2035	531,545
FNMA POOL #770166	5 500	04/01/2034	1,048,404	FNMA POOL #823017	5 500	05/01/2035	541,571
FNMA POOL #775153	5 000	05/01/2034	442,668	FNMA POOL #823444	5 500	05/01/2035	538,128
FNMA POOL #775179	5 500	05/01/2034	219,444	FNMA POOL #255740	5 500	06/01/2035	504,943
FNMA POOL #775469	6 500	05/01/2034	942,053	FNMA POOL #821603	5 500	06/01/2035	491,557
FNMA POOL #783713	5 500	05/01/2034	848,472	FNMA POOL #821730	5 500	06/01/2035	861,023
FNMA POOL #658661	5 500	06/01/2034	114,261	FNMA POOL #823211	5 500	06/01/2035	263,743
FNMA POOL #780921	5 500	06/01/2034	500,754	FNMA POOL #824550	5 000	07/01/2035	729,088
FNMA POOL #782425	4 500	06/01/2034	376,681	FNMA POOL #544861		12/01/2036	775,009
FNMA POOL #783646	5 500	06/01/2034	5,148,640	FNMA POOL #559800		09/01/2040	2,178,621
FNMA POOL #725620	5 500	07/01/2034	1,659,019	FNMA POOL #735642	3 704	08/01/2042	555,280
FNMA POOL #788519	5 000	07/10/2034	1,503,081	FNMA POOL #735643	3 833	08/01/2042	605,760
FNMA POOL #725690	6 000	08/01/2034	2,153,703	FNMA POOL #735653	3 833	10/01/2044	302,880
FNMA POOL #725704	6 000	08/01/2034	659,665	FNMA POOL #735654	3 833	10/01/2044	1,010,400
FNMA POOL #725772	5 000	09/01/2034	630,680	FNMA REMIC	3 500	04/25/2017	1,264,634
FNMA POOL #793993	6 000	09/01/2034	282,681	FNMA REMIC		04/25/2032	384,753
FNMA POOL #793997	5 500	09/01/2034	899,149	FNMA REMIC		03/25/2034	995,488
FNMA POOL #796705		09/01/2034	3,083,766	FNMA		07/25/2035	1,600,000
FNMA POOL #792867	5 500	10/01/2034	250,456	FNMA SINGLE FAMILY MORTGAGE	4 500		1,990,624
FNMA POOL #795047	5 500	10/01/2034	5,613,844	FNMA SINGLE FAMILY MORTGAGE	5 000		997,812
FNMA POOL #801452	6 000	10/01/2034	835,346	FNMA SINGLE FAMILY MORTGAGE	5 000		7,555,000
FNMA POOL #801715	5 500	10/01/2034	224,637	FNMA SINGLE FAMILY MORTGAGE	5 000		4,530,000
FNMA POOL #725946	5 500	11/01/2034	564,688	FNMA SINGLE FAMILY MTG	4 000		728,276
FNMA POOL #735060	6 000	11/01/2034	130,284	FNMA SINGLE FAMILY MTG	5 000		505,469
FNMA POOL #798742	5 500	11/01/2034	239,667	FNMA TBA 30 YR PASS-THROUGHS	6 500		4,343,060
FNMA POOL #802084	5 500	11/01/2034	1,134,272	FNMA TBA 30 YR PASS-THROUGHS	6 500		17,920,294
FNMA POOL #802815	5 500	11/01/2034	443,783	FNMA TBA	6 000		6,221,177
FNMA POOL #805428	5 500	11/01/2034	274,156	G STAR 2003 3 LTD	5 000	07/15/2033	541,927
FNMA POOL #800103	5 000	12/01/2034	1,268,807	G STAR 2003 3 LTD POOL #615382	6 000	07/15/2033	296,856
FNMA POOL #801686	5 500	12/01/2034	286,575	GNMA 130 YEARS SINGLE FAMILY 1	6 000	12/01/2030	1,648,496
FNMA POOL #804522		12/01/2034	2,942,338	GNMA 130 YR SF PASS-THROUGHS	6 500		1,878,192
FNMA POOL #806693	5 500	12/01/2034	612,739	GNMA 1 SINGLE FAMILY MTG	5 500		377,747
FNMA POOL #807735	5 500	12/01/2034	1,573,894	GNMA POOL #317684	7 500	02/15/2007	1,605
FNMA POOL #807936	5 500	12/01/2034	280,100	GNMA POOL #015861	7 500	03/15/2007	16,405
FNMA POOL #819112	5 500	12/01/2034	267,707	GNMA POOL #025062	8 000	03/15/2008	14,124
FNMA POOL #824605	6 000	12/01/2034	461,507	GNMA POOL #335642	7 000	03/15/2008	7,263
FNMA POOL #735141	5 500	01/01/2035	1,032,664	GNMA POOL #344243	7 500	03/15/2008	77,015
FNMA POOL #781861	5 500	01/01/2035	337,520	GNMA POOL #024439	8 500	07/15/2008	8,770
FNMA POOL #808922	5 500	01/01/2035	177,174	GNMA POOL #023423	8 500	08/15/2008	5,912
FNMA POOL #810851	5 500	01/01/2035	951,202	GNMA POOL #023421	9 000	09/15/2008	7,958
FNMA POOL #735227	5 500	02/01/2035	2,002,313	GNMA POOL #027078	9 000	11/15/2008	12,574
FNMA POOL #735230	5 500	02/01/2035	3,094,737	GNMA POOL #031007	9 000	04/15/2009	3,984
FNMA POOL #808037	5 500	02/01/2035	1,855,312	GNMA POOL #424222	7 000	07/15/2011	47,168
FNMA POOL #815461	5 500	02/01/2035	2,002,900	GNMA POOL #104302	13 000	09/15/2013	107,875
FNMA POOL #735406	5 000	04/01/2035	490,678	GNMA POOL #434476	6 000	08/15/2014	106,860
FNMA POOL #808196	5 500	04/01/2035	497,834	GNMA POOL #120665	12 500	09/15/2014	84,062
FNMA POOL #820021	5 500	04/01/2035	212,296	GNMA POOL #155986	9 000	05/15/2016	12,655
FNMA POOL #820135	5 500	04/01/2035	232,666	GNMA POOL #161371	9 000	06/15/2016	2,264
FNMA POOL #820963	5 500	04/01/2035	568,176	GNMA POOL #155969	9 000	07/15/2016	10,855
FNMA POOL #822979	5 500	04/01/2035	3,074,881	GNMA POOL #169342	9 500	08/15/2016	1,818
FNMA POOL #357761	5 500	05/01/2035	541,711	GNMA POOL #523499	5 500	09/15/2016	141,989
FNMA POOL #781710	5 500	05/01/2035	272,223	GNMA POOL #173875	10 000	10/15/2016	5,167
FNMA POOL #797568	5 500	05/01/2035	562,708	GNMA POOL #203186	8 500	01/15/2017	3,965
FNMA POOL #813980	5 500	05/01/2035	244,089	GNMA POOL #208182	8 000	03/15/2017	13,526
FNMA POOL #814981	5 000	05/01/2035	458,544	GNMA POOL #209804	7 500	03/15/2017	58,446
FNMA POOL #817182	5 500	05/01/2035	213,263	GNMA POOL #187631	8 000	04/15/2017	1,161
FNMA POOL #820202	5 500	05/01/2035	275,922	GNMA POOL #185865	9 500	07/15/2017	4,557
FNMA POOL #820491	5 500	05/01/2035	546,635	GNMA POOL #224571	9 500	07/15/2017	4,828
FNMA POOL #821015	5 500	05/01/2035	207,100	GNMA POOL #229860	8 500	07/15/2017	6,053

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<u>FIXED INCOME</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>	<u>FIXED INCOME</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>
GNMA POOL #189629	10 000	08/15/2017	7,993	GNMA POOL #569569	6 000	01/15/2032	504,625
GNMA POOL #231202	8 500	08/15/2017	19,087	GNMA POOL #579370	6 500	04/15/2032	413,844
GNMA POOL #780047	9 000	12/15/2017	188,630	GNMA POOL #781431	7 000	04/15/2032	885,790
GNMA POOL #622579	5 000	10/15/2018	393,416	GNMA POOL #563629	7 000	08/15/2032	93,710
GNMA POOL #607003	4 500	11/15/2018	216,501	GNMA POOL #563646	6 500	09/15/2032	364,017
GNMA POOL #267848	10 500	07/15/2019	4,666	GNMA POOL #582408	6 000	10/15/2032	199,622
GNMA POOL #276788	9 500	08/15/2019	405	GNMA POOL #595077	6 000	10/15/2032	2,163,161
GNMA POOL #162698	9 000	10/15/2019	2,163	GNMA POOL #595082	6 000	10/15/2032	2,712,876
GNMA POOL #284663	9 000	02/15/2020	8,719	GNMA POOL #589533	5 500	11/15/2032	300,422
GNMA POOL #289097	9 000	05/15/2020	1,586	GNMA POOL #596747	6 000	12/15/2032	179,763
GNMA POOL #290324	10 000	05/15/2020	6,894	GNMA POOL #597998	6 000	12/15/2032	74,089
GNMA POOL #286697	9 500	07/15/2020	6,024	GNMA POOL #598000	6 000	12/15/2032	354,797
GNMA POOL #297500	10 000	11/15/2020	7,794	GNMA POOL #585111	5 500	02/15/2033	444,573
GNMA POOL #295474	10 000	12/15/2020	6,178	GNMA POOL #602794	5 500	03/15/2033	821,660
GNMA POOL #299710	9 000	03/15/2021	5,572	GNMA POOL #553167	6 000	04/15/2033	404,554
GNMA POOL #304488	9 000	03/15/2021	6,775	GNMA POOL #572173	5 500	07/15/2033	293,458
GNMA POOL #310324	9 000	08/15/2021	8,052	GNMA POOL #604548	4 500	08/15/2033	3,202,523
GNMA POOL #301699	8 000	12/15/2021	25,819	GNMA POOL #604550	5 000	08/15/2033	7,216,938
GNMA POOL #318409	8 000	04/15/2022	1,911	GNMA POOL #615897	5 500	08/15/2033	539,929
GNMA POOL #345885	7 000	09/15/2023	41,332	GNMA POOL #619584	4 500	08/15/2033	4,016,018
GNMA POOL #345965	7 000	11/15/2023	145,578	GNMA POOL #565159	5 500	09/15/2033	918,903
GNMA POOL #361382	6 500	11/15/2023	54,850	GNMA POOL #604651	5 000	09/15/2033	5,062,531
GNMA POOL #351408	6 500	01/15/2024	70,366	GNMA POOL #608288	4 500	09/15/2033	911,697
GNMA POOL #368924	7 000	05/15/2024	70,349	GNMA POOL #614191	5 000	09/15/2033	490,037
GNMA POOL #780411	6 500	10/15/2024	139,306	GNMA POOL #621696	4 500	09/15/2033	1,045,798
GNMA POOL #399601	8 500	12/15/2024	15,569	GNMA POOL #604725	5 000	10/15/2033	11,944,397
GNMA POOL #780250	7 500	09/15/2025	30,044	GNMA POOL #616012	5 000	10/15/2033	465,303
GNMA POOL #387161	7 500	10/15/2025	21,504	GNMA POOL #616015	5 000	10/15/2033	2,445,836
GNMA POOL #414737	8 000	11/15/2025	52,073	GNMA POOL #622577	4 500	10/15/2033	419,106
GNMA POOL #410250	7 500	12/15/2025	18,573	GNMA POOL #003459	5 500	10/20/2033	2,342,429
GNMA POOL #441108	8 000	02/15/2027	20,781	GNMA POOL #003460	6 000	10/20/2033	2,028,851
GNMA POOL #447454	8 500	03/15/2027	31,176	GNMA POOL #616096	6 500	11/15/2033	87,401
GNMA POOL #245457	7 000	11/15/2027	82,546	GNMA POOL #454426	6 000	12/15/2033	388,301
GNMA POOL #397005	7 000	01/15/2028	41,208	GNMA POOL #781802	4 500	12/15/2033	532,898
GNMA POOL #460718	7 000	01/15/2028	91,017	GNMA POOL #604970	5 500	01/15/2034	1,947,010
GNMA POOL #466810	7 000	05/15/2028	73,046	GNMA POOL #607048	5 500	01/15/2034	621,969
GNMA POOL #460827	6 500	06/15/2028	146,601	GNMA POOL #575792	5 500	02/15/2034	223,843
GNMA POOL #462801	6 500	06/15/2028	261,347	GNMA POOL #003515	5 500	02/20/2034	2,041,622
GNMA POOL #465747	6 500	06/15/2028	122,298	GNMA POOL #605098	5 000	03/15/2034	26,079,526
GNMA POOL #433893	7 500	07/15/2028	36,394	GNMA POOL #605389	5 000	04/15/2034	11,008,502
GNMA POOL #457694	6 500	08/15/2028	178,481	GNMA POOL #607122	5 500	04/15/2034	287,544
GNMA POOL #490675	6 000	10/15/2028	104,791	GNMA POOL #003544	5 500	04/20/2034	3,067,080
GNMA POOL #483853	7 500	11/15/2028	19,017	GNMA POOL #605430	5 000	05/15/2034	352,341
GNMA POOL #486793	6 500	12/15/2028	76,533	GNMA POOL #607514	5 000	05/15/2034	497,631
GNMA POOL #457119	6 000	01/15/2029	164,816	GNMA POOL #570584	6 000	07/15/2034	255,793
GNMA POOL #419161	6 000	02/15/2029	146,793	GNMA POOL #781874	7 000	08/15/2034	376,848
GNMA POOL #483007	6 000	02/15/2029	169,238	GNMA POOL #636795	6 000	10/15/2034	318,162
GNMA POOL #486958	6 500	02/15/2029	87,957	GNMA POOL #616787	5 000	12/15/2034	121,066
GNMA POOL #470212	5 500	04/15/2029	123,629	GNMA POOL #619189	5 000	01/15/2035	197,077
GNMA POOL #500917	6 000	04/15/2029	25,306	GNMA POOL #631178	5 500	02/15/2035	595,314
GNMA POOL #503443	6 500	04/15/2029	54,740	GNMA POOL #781885	5 000	03/15/2035	5,012,975
GNMA POOL #470613	6 500	07/15/2029	44,146	GNMA POOL #781887	5 000	03/15/2035	5,737,136
GNMA POOL #490023	7 500	07/15/2029	43,170	GNMA POOL #781904	5 000	04/15/2035	22,590,894
GNMA POOL #503264	6 500	07/15/2029	131,600	GNMA POOL #781905	5 000	04/15/2035	247,725
GNMA POOL #503969	7 500	08/15/2029	43,202	GNMA POOL #642501	5 000	06/15/2035	171,527
GNMA POOL #781076	7 000	08/15/2029	81,958	GNMA REMIC TR	3 958	12/15/2025	366,020
GNMA POOL #466193	7 500	10/15/2029	18,559	GNMA POOL #780339	8 000	12/15/2023	272,457
GNMA POOL #781163	8 500	04/15/2030	199,995	GNMA POOL# 00025306	8 000	04/15/2008	26,758
GNMA POOL #479449	8 500	07/15/2030	23,659	GNMAII POOL #080060	3 375	04/20/2027	113,332
GNMA POOL #561516	6 000	07/15/2031	230,446	GNMAII POOL #080426	3 500	07/20/2030	718,561
GNMA POOL #781319	7 000	07/15/2031	131,839	GNMAII POOL #80393		04/20/2030	1,838,846



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<u>FIXED INCOME</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>	<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
SLM STUDENT LN TR		09/15/2013	649,939	AETNA INC	18,094	1,498,345
FNMA REMIC TR	6.320	08/15/2008	793,436	AFFILIATED COMPUTER SVCS INC	105,100	5,370,610
US TREAS NTS INFLATION INDEX	3.625	01/15/2008	2,676,084	AFLAC INC	31,040	1,343,411
US TREAS INFL INDEXED BONDS	1.875	07/15/2013	2,055,675	AGILE SOFTWARE CORP	896,200	5,646,060
UNITED STATES TREAS NTS INFLA	2.000	07/15/2014	4,360,589	AGILENT TECHNOLOGIES INC	28,079	646,379
UNITED STATES TREAS NTS INFLA	1.654	01/15/2015	17,258,541	AGRIUM INC	133,100	2,610,091
CA ST ECON RECOVERY	5.000	07/01/2012	886,528	AIR PROD & CHEM INC	13,669	824,241
GOLDEN ST TOB SECURITIZATION (	6.250	06/01/2033	327,951	AIRTRAN HLDGS INC	216,100	1,994,603
GOLDEN ST TOB SECURITIZATION (	6.750	06/01/2039	1,012,869	ALBERTO-CULVER CO	5,280	228,782
IL ST TAXABLE-PENSION	5.100	06/01/2024	519,315	ALBERTSON S INC	1,186,394	24,534,628
LOWER COLO RIV AUTH TEX TRAN	5.000	05/15/2033	1,512,562	ALCAN INC	91,800	2,754,000
MANITOBA PROV CDA	9.625	12/01/2018	484,318	ALCOA INC	648,914	16,956,123
ORANGE CNTY CALIF SANTN DIST (	5.000	02/01/2033	1,597,310	ALEXANDER & BALDWIN INC	68,400	3,170,340
QUE PROV CDA	7.500	07/15/2023	498,346	ALLEGHENY ENERGY INC	7,551	190,436
QUEBEC PROV CDA GLOBAL	6.125	01/22/2011	2,184,286	ALLEGHENY TECHNOLOGIES INC	5,055	111,513
TOB SETTLEMENT FING CORP LA	5.875	05/15/2039	832,464	ALLERGAN INC	7,778	662,997
TOB SETTLEMENT FING CORP NJ	7.050	06/01/2033	910,045	ALLIANCE DATA SYS CORP	101,000	4,096,360
TOB SETTLEMENT REV MGMT AUT	6.159	05/15/2022	105,870	ALLIANT ENERGY CORP	474,400	13,354,360
CMO ADJUSTABLE RATE MTG TR	4.656	05/25/2035	1,437,444	ALLIANT TECHSYSTEMS INC	217,100	15,327,260
CMO BANC AMER MTG SECS INC	6.000	01/25/2034	1,016,808	ALLIED WASTE INDS INC	19,465	154,357
CMO BEAR STEARNS ALT-A TR	5.446	05/25/2035	1,480,511	ALLMERICA FINL CORP	374,700	13,897,623
CMO BK AMER FDG CORP	4.117	05/25/2035	1,885,750	ALLSTATE CORP	248,666	14,857,793
CMO CWMBS INC		07/25/2035	3,199,968	ALLTEL CORP	20,509	1,277,301
CMO GS MTG SECS CORP	3.429	06/25/2034	500,544	ALTERA CORP	25,107	497,621
CMO INDYMAC MBS INC		05/25/2033	1,080,844	ALTRIA GROUP INC	636,147	41,133,265
CMO MASTR AST SECURITIZATION	5.500	09/25/2033	738,938	AMBAC FNCL GROUP	55,770	3,890,515
CMO MELLON RESDNTL FDG CORP		05/25/2030	839,156	AMDOC ORD	259,100	6,848,013
CMO RESDNTL ACCREDIT LNS INC	7.000	03/25/2033	1,031,813	AMER ELEC PWR CO INC	23,381	862,057
CMO RESDNTL AST SEC CORP MTG	4.470	03/25/2032	2,001,348	AMER EXPRESS CO	74,733	3,978,038
CMO SMHL GLOBAL FD		06/15/2026	82,689	AMERADA HESS CORP	21,361	2,275,160
CMO STRUCTURED AST SECS CORP		09/25/2030	111,568	AMEREN CORP	10,284	568,705
CMO WA MUT MTG SECS	3.903	08/25/2042	825,508	AMERICAN TOWER CORP	352,796	7,415,772
CMO WAMU		02/27/2034	389,139	AMERICREDIT CORP	262,600	6,696,300
CMO WAMU MTG PASS-THRU CTFIS	5.243	10/25/2032	392,671	AMERISOURCEBERGEN CORP	7,322	506,316
CMO WASHINGTON MUT MTG TR		12/25/2027	1,834,114	AMERN EAGLE OUTFITTERS INC	97,200	2,979,180
MERRILL-LYNCH CR CORP		12/15/2024	939,689	AMERN FINL RLTY	346,500	5,329,170
<b>TOTAL FIXED INCOME</b>			<b>2,068,431,073</b>	AMERN HOME MTG INVT CORP	93,600	3,272,256
				AMERN INTL GROUP INC	162,060	9,415,686
				AMERN MED SYS HLDGS INC	79,900	1,649,935
				AMERN PHYSICIANS CAP INC	21,230	788,695
				AMERN PWR CONVERSION CORP	14,104	332,713
				AMERN STD COS INC DEL	13,107	549,445
				AMGEN INC	405,898	18,866,125
				AMSOUTH BANCORPORATION	21,406	556,556
				ANADARKO PETRO CORP	14,948	1,227,978
				ANALOG DEVICES INC	122,202	4,559,356
				ANDREW CORP	1,112,615	14,196,968
				ANHEUSER BUSCH COS INC	48,461	2,217,091
				ANN TAYLOR STORES CORP	168,200	4,083,896
				ANTEON INTL CORP	222,400	10,145,888
				AON CORP	18,636	466,645
				APACHE CORP	19,824	1,280,630
				APOLLO GROUP	10,372	811,298
				APPLE COMPUTER INC	51,950	1,912,280
				APPLERA CORP	12,607	247,980
				APPLIED MATERIALS INC	107,736	1,743,168
				APPLIED MICRO CIRCUITS CORP	18,292	46,828
				APRIA HEALTHCARE GROUP INC	134,700	4,666,008
				APT INVT & MGMT CO	353,061	14,447,256
				ARCH CAP GROUP I-TD	25,500	1,148,775
				ARCHER-DANIELS-MIDLAND CO	40,139	858,172
<b>DOMESTIC EQUITY SECURITIES</b>			<b>MARKET</b>			
			<b>SHARES</b>			
			<b>VALUE</b>			
1ST CMNTY BANCORP		17,900	850,250			
1ST HORIZON NATL CORP		7,564	319,201			
1ST REP BK SAN FRAN CAL		24,500	865,585			
3M CO		49,022	3,544,291			
5TH 3RD BANCORP		32,940	1,357,457			
7-ELEVEN INC		57,600	1,741,824			
A S V INC		32,200	1,305,388			
ABBOTT LAB		392,109	19,217,262			
ABERCROMBIE & FITCH CO		51,200	3,517,440			
ACE LTD ORD		15,791	708,226			
ACTIVISION INC		87,900	1,452,108			
ADC TELECOMMUNICATIONS INC		8,276	180,169			
ADMINISTAFF INC		327,945	7,791,973			
ADOBE SYS INC		88,990	2,546,894			
ADR POSCO SPONSORED		56,000	2,462,320			
ADR UNILEVER PLC		388,700	15,100,995			
ADVANCED MED OPTICS INC		57,100	2,269,725			
ADVANCED MICRO DEVICES INC		25,059	434,523			
AEROPOSTALE		50,500	1,696,800			
AES CORP		139,500	2,285,010			

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
ARCHSTONE-SMITH TR	11,200	432,544	BURL NORTHN SANTA FE	24,264	1,142,349
ARMOR HLDGS INC	109,600	4,341,256	BURL RES INC	24,216	1,337,692
ASHLAND INC	391,022	23,221,234	C D W CORP	103,300	5,897,397
ASPEN TECH INC	1,301,630	6,768,476	C&D TECHNOLOGIES INC	526,400	4,837,616
ASSURANT INC	351,500	12,689,150	CACI INTL INC	33,300	2,103,228
ASTA FDG INC	35,400	983,412	CALPINE CORP	30,134	102,456
ASTORIA FINL CORP	21,450	610,682	CAMPBELL SOUP CO	23,289	716,603
AT&T CORP	30,813	967,480	CAP I FNCL	14,841	1,187,428
ATMI INC	115,000	3,336,150	CARDINAL HLTH INC	26,382	1,519,076
ATWOOD OCEANICS INC	50,720	3,122,323	CARDIODYNAMICS INTL CORP	794,100	1,270,560
AUTO DATA PROCESSING INC	36,059	1,513,396	CAREER ED CORP	172,600	6,318,886
AUTODESK INC	62,670	2,153,968	CAREMARK RX INC	504,500	22,460,340
AUTOLIV INC	141,400	6,193,320	CARMAX INC	107,800	2,872,870
AUTONATION INC	17,491	358,915	CARNIVAL CORP	259,999	14,182,945
AUTOZONE INC	4,957	458,324	CARTER INC	25,600	1,494,528
AVAYA INC	390,672	3,250,391	CATERPILLAR INC	21,800	2,077,758
AVERY DENNISON CORP	6,614	350,277	CB RICHARD ELLIS GROUP INC	64,700	2,837,742
AVID TECH INC	71,600	3,814,848	CBRL GROUP INC	162,800	6,326,408
AVNET INC	92,800	2,090,784	CDN NAT RES LTD	61,200	2,226,456
AVON PRODS INC	231,304	8,754,856	CELADON GROUP INC	37,700	642,408
AXIS CAPITAL HLDGS LTD	87,500	2,476,250	CELESTICA INC	97,200	1,302,480
BAKER HUGHES INC	20,248	1,035,888	CELGENE CORP	104,700	4,268,619
BALDOR ELEC CO	197,800	4,810,496	CENDANT CORP	1,654,553	37,012,351
BALL CORP	36,942	1,328,434	CENTERPOINT ENERGY INC	18,312	241,902
BANK AMER CORP	252,206	11,503,116	CENTEX CORP	125,824	8,891,982
BANK N Y CO INC	46,074	1,326,010	CENTURYTEL INC	84,869	2,939,014
BARD CR INC	113,212	7,529,730	CEPHALON INC	93,200	3,710,292
BAUSCH & LOMB INC	43,806	3,633,898	CERADYNE INC	178,100	4,286,867
BAXTER INTL INC	36,972	1,371,661	CERIDIAN CORP	105,600	2,057,088
BB&T CORP	33,823	1,351,905	CERNER CORP	69,300	4,710,321
BEAR STEARNS COS INC	32,163	3,343,023	CHARLES RIV LAB INTL INC	145,200	7,005,900
BEARINGPOINT INC	526,500	3,859,245	CHATTEM INC	37,500	1,552,500
BEAZER HOMES USA INC	136,200	7,783,830	CHECKPOINT SYS INC	254,500	4,504,650
BEBE STORES INC	145,500	3,851,385	CHEESECAKE FACTORY INC	72,900	2,531,817
BECTON DICKINSON & CO	44,712	2,346,038	CHES ENERGY CORP	516,100	11,767,080
BED BATH BEYOND INC	110,983	4,636,870	CHEVRON CORP	130,476	7,296,218
BELLSOUTH CORP	112,400	2,986,468	CHICOS FAS INC	150,200	5,148,856
BEMIS CO INC	6,416	170,281	CHIRON CORP	9,752	340,247
BENCHMARK ELECTRS INC	90,900	2,765,178	CHOLESTECH CORP	413,075	4,655,355
BERRY PETE CO	31,100	1,644,568	CHRISTOPHER & BANKS CORP	206,200	3,765,212
BEST BUY INC	19,346	1,326,168	CHUBB CORP	12,782	1,094,267
BIG LOTS INC	6,995	92,614	CIBER INC	909,500	7,257,810
BIOGEN IDEC INC	19,809	682,420	CIENA CORP	32,853	68,663
BIOMET INC	128,271	4,443,308	CIGNA CORP	8,387	897,661
BIOVAIL CORP	331,700	5,147,984	CIN BELL INC	2,055,600	8,839,080
BJ SVCS CO	10,590	555,763	CIN FNCL CORP	10,720	424,083
BK OF THE OZARKS INC	23,300	765,172	CINERGY CORP	10,130	454,027
BLACK & DECKER CORP	4,743	426,159	CINTAS CORP	91,745	3,541,357
BLOCK H & R INC	47,146	2,750,969	CIRCUIT CY STORES INC	92,174	1,593,688
BMC SOFTWARE INC	1,191,433	21,386,222	CISCO SYS INC	1,375,963	26,294,653
BOEING CO	53,533	3,533,178	CIT GROUP INC	499,400	21,459,218
BOWNE & CO INC	493,400	7,134,564	CITIGROUP INC	329,721	15,243,002
BRASCAN CORP LTD	66,750	2,547,180	CITIZENS COMMUNICATIONS CO	23,753	319,240
BRIGHT HORIZONS FAMILY SOLUTIONS INC	29,000	1,180,880	CITRIX SYS INC	123,590	2,676,959
BRINKER INTL INC	69,900	2,799,495	CLEAR CHANNEL COMMUNICATIONS INC	345,325	10,680,903
BRISTOL MYERS SQUIBB CO	122,987	3,072,215	CLOROX CO	9,333	520,035
BROADCOM CORP	20,689	734,666	CMNTY HLTH SYS INC	33,200	1,254,628
BROOKS AUTOMATION INC	337,200	5,007,420	CMS ENERGY CORP	8,648	130,239
BROWN-FORMAN INC	7,266	439,302	CNA FNCL CORP	153,100	4,351,102
BRUNSWICK CORP	5,475	237,177	CNF INC	28,800	1,293,120
BSTN SCIENTIFIC CORP	50,246	1,356,642	COACH INC	263,000	8,828,910

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
COBIZ INC	29,900	542,087	DIGI INTL INC	36,900	674,834
COCA COLA CO	142,069	5,931,381	DILLARDS INC	5,097	119,372
COCA COLA ENTERPRISES INC	27,035	595,040	DIODES INC	32,200	1,004,640
COGNIZANT TECH SOLUTIONS CORP	78,500	3,699,705	DISNEY WALT CO	131,075	3,300,469
COGNOS INC	45,100	1,539,714	DOLLAR GEN CORP	20,057	408,361
COLDWATER CREEK INC	74,100	1,845,831	DOLLAR TREE STORES INC	187,900	4,509,600
COLGATE-PALMOLIVE CO	34,171	1,705,475	DOMINION RES INC	22,672	1,663,898
COLONIAL BANCGROUP INC	107,600	2,373,656	DONNELLEY R R & SONS CO	13,082	451,460
COMCAST CORP	346,215	10,471,300	DOVER CORP	12,175	442,927
COMERICA INC	72,303	4,179,114	DOW CHEM CO	58,597	2,609,324
COMM GROUP INC	20,400	1,267,044	DOW JONES & CO INC	4,941	175,158
COMPASS BANCSHARES INC	5,500	247,500	DOWNNEY FINL CORP	31,700	2,320,440
COMPUCREDIT CORP	32,580	1,116,842	DRS TECHNOLOGIES INC	63,000	3,230,640
COMPUTER ASSOC INTL INC	1,665,304	45,762,553	DST SYS INC	62,000	2,901,600
COMPUTER SCI CORP	11,259	492,018	DTE ENERGY CO	10,075	471,208
COMPUWARE CORP	22,764	163,673	DU PONT E I DE NEMOURS & CO	60,916	2,619,997
COMTECH TELECOMMUNICATIONS CORP	82,350	2,687,081	DUKE ENERGY CORP	61,714	1,834,757
COMVERSE TECH INC	11,292	267,056	DUN & BRADSTREET CORP	45,200	2,786,580
CONAGRA FOODS INC	32,200	745,752	DYNEGY INC	22,317	108,461
CONOCOPHILLIPS	89,012	5,117,300	E*TRADE FIN CORP	516,400	7,224,436
CONS EDISON INC	13,748	643,956	EASTMAN CHEM CO	54,958	3,030,934
CONSECO INC	321,200	7,008,584	EASTMAN KODAK CO	624,333	16,763,341
CONSTELLATION ENERGY GROUP INC	79,013	4,558,260	EATON CORP	8,502	509,270
CONVERGYS CORP	10,448	148,571	EATON VANCE CORP	205,100	4,903,941
COOPER COS INC	134,300	8,173,498	EBAY INC	77,160	2,547,052
COOPER INDUSTRIES INC	5,613	358,671	ECHOSTAR COMMUNICATIONS CORP	121,701	3,669,285
COOPER TIRE & RUBBER CO	3,800	70,566	ECOLAB INC	15,664	506,887
CORILLIAN CORP	366,700	1,136,770	ED MGMT CORP	112,600	3,797,998
CORNING INC	88,680	1,473,862	EDISON INTL	132,282	5,364,035
COSTCO WHSL CORP	30,306	1,358,315	EDWARDS A G INC	58,900	2,659,335
COUNTRYWIDE FINL CORP	35,202	1,359,149	EDWARDS LIFESCIENCES CORP	70,900	3,050,118
COVENTRY HLTH CARE INC	134,900	9,544,175	EL PASO CORP	36,016	414,904
COX RADIO INC	882,300	13,896,225	ELECTR ARTS	233,114	13,196,584
CRA INTL INC	18,300	985,455	ELECTR DATA SYS CORP	2,850,854	54,878,939
CROWN CASTLE INTL CORP	427,680	8,690,458	ELI LILLY & CO	189,267	10,544,065
CSX CORP	231,816	9,889,271	EMC CORP	510,704	7,001,752
CTR FINL CORP CAL	39,100	970,853	EMERSON ELEC CO	25,322	1,585,917
CUMMINS INC	36,613	2,731,696	ENDURANCE SPECIALTY HOLDINGS LTD	59,100	2,235,162
CVB FINL CORP	43,100	848,208	ENERGEN CORP	79,400	2,782,970
CVS CORP	47,256	1,373,732	ENERGIZER HLDGS INC	51,200	3,183,104
CY HLDG CO	19,970	729,304	ENGELHARD CORP	7,787	222,319
CYMER INC	197,500	5,204,125	ENGINEERED SUPPORT SYS INC	105,650	3,785,440
D R HORTON INC	279,100	10,496,951	ENTERCOM COMMUNICATIONS CORP	69,000	2,297,010
DADE BEHRING HLDGS INC	37,800	2,457,378	ENTERGY CORP	247,638	18,709,050
DANA CORP	70,479	1,057,890	ENZON PHARMACEUTICALS INC	511,900	3,317,112
DANAHER CORP	18,332	959,497	EOG RESOURCES INC	13,896	789,293
DARDEN RESTAURANTS INC	101,878	3,359,936	EQTY OFFICE PPTYS TR REIT	27,474	909,389
DEAN FOODS CO	81,500	2,872,060	EQTY RESDNTL	16,308	600,461
DEERE & CO	14,387	942,205	EQUIFAX INC	101,270	3,616,352
DEL MONTE FOODS CO	441,900	4,759,263	EURONET WORLDWIDE INC	68,300	1,985,481
DELL INC	665,398	26,289,875	EXELON CORP	43,618	2,238,912
DELPHI CORP	1,447,811	6,732,321	EXPRESS SCRIPTS INC	37,200	1,859,256
DELTA & PINE LD CO	68,600	1,719,116	EXXON MOBIL CORP	402,024	23,104,319
DELTA AIR LINES INC	7,414	27,877	F P L GROUP INC	982,834	41,337,998
DELUXE CORP	52,100	2,115,260	FAIR ISAAC CORPORATION	66,700	2,434,550
DENBURY RES INC HLDG CO	62,200	2,473,694	FAMILY DLR STORES INC	11,342	296,026
DENDRITE INTL INC	165,500	2,283,900	FASTENAL CO	96,700	5,923,842
DEVON ENERGY CORP	30,640	1,552,835	FEDEX CORP	18,456	1,495,121
DEVRY INC	222,100	4,419,790	FEDT DEPT STORES INC	70,728	5,182,948
DEX MEDIA INC	140,400	3,427,164	FEDT INVESTORS INC	6,616	198,546
DIAGNOSTIC PRODS CORP	98,600	4,666,738	FHLMC	824,536	53,784,483

PORTFOLIO OF ASSETS, JUNE 30, 2005

	MARKET			MARKET	
<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>VALUE</u>	<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>VALUE</u>
FIRST CASH FINANCIAL SERVICES INC	38,800	829,156	HEADWATERS INC	84,100	2,891,358
FIRST DATA CORP	720,784	28,932,270	HEALTH NET INC	191,900	7,322,904
FIRSTENERGY CORP	683,906	32,902,717	HEINZ H J CO	21,140	748,779
FISERV INC	62,911	2,702,028	HELMERICH & PAYNE INC	34,500	1,618,740
FISHER SCIENTIFIC INTL INC	178,300	11,571,670	HERCULES INC	6,584	93,164
FLOWERS FOODS INC	38,050	1,345,448	HERSHEY CO	13,670	848,907
FLUOR CORP	56,038	3,227,229	HEWLETT PACKARD CO	185,354	4,357,673
FMC CORP	174,900	9,818,886	HILLENBRAND IND INC	40,600	2,052,330
FNMA	295,190	17,239,096	HILTON HOTELS CORP	154,252	3,678,911
FOOT LOCKER INC	146,400	3,985,008	HLTH MGMT ASSOC INC	14,370	376,207
FORD MTR CO	114,406	1,171,517	HNI CORP	47,300	2,419,395
FOREST LAB INC	21,825	847,901	HOME DEPOT INC	136,056	5,292,578
FORTUNE BRANDS INC	8,983	797,690	HONEYWELL INTL INC	51,451	1,884,650
FREEMPORT MCMORAN C & G	12,658	473,916	HOOPER HOLMES INC	464,685	1,928,443
FREESCALE SEMICONDUCTOR INC	353,228	7,425,473	HOSPIRA INC	437,540	17,064,060
FRKLN RES INC	13,776	1,060,476	HOVNIANIAN ENTERPRISES INC	111,600	7,276,320
FURNITURE BRANDS INTL INC	142,100	3,070,781	HUMANA INC	110,983	4,410,464
GA PAC CORP	16,952	539,074	HUNT J B TRANS SVCS INC	72,000	1,389,600
GALLAGHER ARTHUR J & CO	123,400	3,347,842	HUNTINGTON BANCSHARES INC	14,213	343,102
GANNETT INC	16,592	1,180,189	HUNTSMAN CORP	56,800	1,151,336
GAP INC	49,746	982,484	HUTCHINSON TECH INC	86,000	3,311,860
GARMIN GARMIN CORPORATION	98,800	4,223,700	HYPERION SOLUTIONS CORP	61,400	2,470,736
GATEWAY INC	19,509	64,380	I-VI INC	47,000	864,330
GEN CABLE CORP	340,600	5,051,098	IKON OFFICE SOLUTIONS INC	268,800	2,556,288
GEN DYNAMICS CORP	12,779	1,399,812	ILL TOOL WKS INC	18,007	1,434,798
GEN ELEC CO	664,799	23,035,285	IMS HLTH INC	14,706	364,268
GEN MILLS INC	22,176	1,037,615	INDEPENDENCE CMNTY BK	46,300	1,709,859
GENERAL MOTORS CORP	37,710	1,282,140	INDUS INTL INC	1,537,835	3,783,074
GENLYTE GROUP INC	21,600	1,052,784	INDYMAC BANCORP INC	155,500	6,333,515
GENTEK INC	161,100	1,602,945	INFORMATICA CORP	1,095,730	9,193,175
GENUINE PARTS CO	10,582	434,814	INFRASOURCE SVCS INC	246,500	2,568,530
GENZYME CORP	14,403	865,476	INGERSOLL-RAND CO	10,197	727,556
GILEAD SCI INC	26,228	1,153,770	INGRAM MICRO INC	182,000	2,850,120
GILLETTE CO	60,904	3,083,570	INTEL CORP	684,387	17,835,125
GLOBAL INDS LTD	963,000	8,185,500	INTERNET SEC SYS INC	834,800	16,938,092
GLOBAL PMTS INC	80,200	5,437,560	INTERPUBLIC GROUP COMPANIES INC	23,195	282,515
GLOBAL PWR EQUIP GROUP INC	730,500	5,807,475	INTL BUSINESS MACHS CORP	102,517	7,606,761
GOLDEN W FNCL CORP	88,916	5,724,412	INTL FLAVORS & FRAGRANCES INC	5,689	206,056
GOLDMAN SACHS GROUP INC	28,181	2,875,026	INTL GAME TECH	21,040	592,276
GOODRICH CORPORATION	7,084	290,161	INTL PAPER CO	30,703	927,538
GOODYEAR TIRE & RUBBER CO	13,837	206,171	INTL RECTIFIER CORP	81,700	3,898,724
GOOGLE INC	22,000	6,471,300	INTUIT	35,670	1,609,074
GRACO INC	59,600	2,030,572	INVITROGEN CORP	24,600	2,048,934
GRAINGER W W INC	5,531	303,043	IPC HLDGS LTD	5,400	213,948
GREAT LAKES CHEM CORP	3,037	95,574	ITT EDL SVCS INC	171,600	9,166,872
GREENBRIER COS INC	41,300	1,119,230	ITT INDS INC	76,629	7,481,289
GTECH HLDGS CORP	97,800	2,859,672	IVAX CORP	322,600	6,935,900
GUIDANT CORP	20,647	1,389,543	JABIL CIRCUIT INC	282,019	8,666,444
HALLIBURTON CO	30,848	1,475,151	JACOBS ENGR GROUP INC	70,400	3,960,704
HANMI FINL CORP	46,400	774,880	JANUS CAP GROUP INC	13,377	201,190
HANOVER COMPRESSOR CO	1,016,974	11,705,371	JDS UNIPHASE CORP	94,603	143,797
HARLEY DAVIDSON INC	18,203	902,869	JEFFERIES GROUP INC	114,100	4,323,249
HARMAN INTL INDS INC	31,100	2,530,296	JEFFERSON-PILOT CORP	8,645	435,881
HARRAH S ENTMT INC	538,630	38,819,090	JOHNSON & JOHNSON	187,922	12,214,930
HARRIS CORP	46,200	1,441,902	JOHNSON CTL INC	10,720	603,858
HARTE-HANKS INC	71,600	2,128,668	JONES APPAREL GROUP INC	430,348	13,358,002
HARTFORD FINL SVCS GROUP INC	17,954	1,342,600	JPMORGAN CHASE & CO	225,432	7,962,258
HARTMARX CORP	84,000	845,880	KB HOME	50,166	3,824,154
HASBRO INC	10,439	217,027	KEANE INC	567,000	7,767,900
HBR FLA BANCSHARES INC	23,000	861,120	KELLOGG CO	21,960	975,902
HCA INC	164,461	9,320,005	KERR MCGEE CORP	7,325	558,971

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
KEYCORP	411,961	13,656,507	MBIA INC	9,724	576,730
KEYSPAN CORP	9,408	382,906	MBNA CORP	1,571,413	41,108,164
KIMBERLY-CLARK CORP	30,235	1,892,409	MC CORMICK & CO INC	8,439	275,787
KINDER MORGAN INC	7,928	659,610	MC DONALDS CORP	79,320	2,201,130
KINETIC CONCEPTS INC	30,200	1,812,000	MCAFFEE INC	49,300	1,290,674
KING PHARMACEUTICALS INC	44,573	464,451	MCGRAW HILL COMPANIES INC	495,486	21,925,256
KIRBY CORP	26,800	1,208,680	MCKESSON CORP	79,990	3,582,752
KLA-TENCOR	11,439	499,884	MEADWESTVACO CORP	12,929	362,529
KNIGHT-RIDDER INC	4,923	301,977	MEDCO HEALTH SOLUTIONS INC	304,684	16,257,938
KOHL'S CORP	20,271	1,133,352	MEDIMMUNE INC	16,428	438,956
KOMAG INC	79,800	2,263,926	MEDTRONIC INC	346,928	17,967,401
KOPIN CORP	112,715	574,847	MELLON FINL CORP	25,898	743,014
KRAFT FOODS INC	284,700	9,056,307	MEMC ELECTR MATLS INC	468,400	7,386,668
KROGER CO	121,272	2,307,806	MERCANTILE BK CORP	17,000	747,490
L-3 COMMUNICATIONS HLDG CORP	6,600	505,428	MERCK & CO INC	139,830	4,306,764
LA QUINTA CORP	269,400	2,513,502	MERCURY INTERACTIVE CORP	5,880	225,557
LAB CORP AMER HLDGS	63,600	470,184	MEREDITH CORP	2,600	127,556
LABOR READY INC	75,000	1,748,250	MERITAGE HOMES CORP	17,100	1,359,450
LAFARGE N AMER	16,100	1,005,284	MERRILL LYNCH & CO INC	57,171	3,144,977
LAM RESH CORP	224,900	6,508,606	METLIFE INC	835,602	37,551,954
LAMAR ADVERTISING CO	141,471	6,050,715	MFC ISHARES	42,000	2,675,400
LANCE INC	45,700	786,497	MGIC INVT CORP	6,037	393,733
LANDSTAR SYS INC	52,800	1,590,336	MGP INGREDIENTS INC	311,000	2,581,300
LCA-VISION INC	66,500	3,222,590	MI DEVS INC	242,100	7,638,255
LEAR CORP	484,800	17,637,024	MICHAELS STORES INC	229,000	9,473,730
LEGG MASON INC	112,250	11,686,347	MICROMUSE INC	1,113,300	6,301,278
LEGETT & PLATT INC	11,750	312,315	MICRON TECH INC	36,531	372,982
LEHMAN BROS HLDGS INC	16,779	1,665,819	MICROSEMI CORP	143,200	2,692,160
LENNAR CORP	594,600	37,719,499	MICROSOFT CORP	1,835,621	45,596,826
LEXMARK INTL INC	7,572	490,893	MILIPORE CORP	53,313	3,024,446
LIFEPOINT HOSPS INC	245,700	12,412,764	MOLEX INC	11,540	300,502
LINCOLN NATL CORP	152,349	7,148,215	MOLSON COORS BREWING CO	236,831	14,683,522
LINEAR TECH CORP	400,214	14,683,852	MONEYGRAM INTL INC	763,400	14,596,208
LIONBRIDGE TECHNOLOGIES INC	885,400	6,003,012	MONSANTO CO	17,025	1,070,362
LITHIA MTRS INC	31,800	917,430	MONSTER WORLDWIDE INC	75,496	2,165,226
LIZ CLAIBORNE INC	6,437	255,935	MOODYS CORP	239,146	10,752,004
LOCKHEED MARTIN CORP	380,400	24,676,548	MOOG INC	24,750	779,378
LOEWS CORP	29,655	2,298,263	MORGAN STANLEY	68,439	3,590,994
LOEWS CORP CAROLINA GROUP	55,700	1,855,924	MOSAIC CO	1,415,900	22,031,404
LOUISIANA-PACIFIC CORP	6,324	155,444	MOTOROLA INC	151,563	2,767,540
LOWES COS INC	345,362	20,106,975	MTC TECHNOLOGIES INC	24,900	917,067
LSI LOGIC CORP	133,562	1,133,942	MYLAN LAB INC	16,400	315,536
LTD BRANDS	24,860	532,501	N FORK BANCORPORATION INC	28,669	805,312
LUBRIZOL CORP	94,000	3,948,940	NABORS INDUSTRIES	9,601	582,013
LUCENT TECHNOLOGIES INC	274,060	797,515	NATIONAL OILWELL VARCO	48,200	2,291,428
M & T BK CORP	7,300	767,668	NATL CY CORP	40,675	1,387,831
M D C HLDGS INC	35,300	2,903,425	NATL SEMICONDUCTOR CORP	21,854	481,444
MAGELLAN HLTH SVCS INC	168,700	5,956,797	NAVISTAR INTL CORP	4,114	131,648
MANOR CARE INC	5,812	230,911	NCI BLDG SYS INC	34,200	1,121,760
MANTECH INTL CORP	315,700	9,799,328	NCR CORP	11,732	412,028
MARATHON OIL CORP	116,517	6,218,491	NETWORK APPLIANCE INC	23,907	675,851
MARRIOTT INTL INC	210,762	14,378,183	NEW CENTY FINL CORP	327,200	16,834,440
MARSH & MCLENNAN CO'S INC	32,304	894,821	NEW YORK TIMES CO	9,122	284,150
MARSHALL & ILSEY CORP	13,145	584,295	NEWELL RUBBERMAID INC	16,083	383,419
MARTEN TRANS LTD	38,500	808,115	NEWFIELD EXPLORATION	58,200	2,321,598
MASCO CORP	29,594	939,905	NEWMONT MINING CORP	28,671	1,119,029
MATTEL INC	26,302	481,327	NEWS CORP	180,800	2,925,344
MATTHEWS INTL CORP	23,400	911,664	NEXTEL COMMUNICATIONS INC	72,280	2,335,367
MAXIM INTEGRATED PRODS INC	19,931	761,564	NEXTEL PARTNERS INC	247,000	6,216,990
MAY DEPT STORES CO	18,541	744,607	NICOR INC	2,655	109,306
MAYTAG CORP	4,701	73,618	NIKE INC	14,603	1,264,620

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
NISOURCE INC	14,981	370,480	PITNEY BOWES INC	14,234	619,891
NOBLE CORPORATION	37,599	2,312,714	PLAINS EXPL & PRODTN CO	124,300	4,416,379
NORDSTROM INC	33,352	2,266,936	PLUM CREEK TIMBER CO INC	195,712	7,104,346
NORFOLK SOUTHN CORP	23,408	724,712	PMC SIERRA INC	345,383	3,222,423
NORTEL NETWORKS CORP	50,000	46,750	PMI GROUP INC	66,700	2,599,966
NORTHEAST UTILITIES	64,400	1,343,384	PNC FINANCIAL SERVICES GROUP	17,072	929,741
NORTHN TR CORP	13,280	605,435	POLYCOM INC	235,400	3,509,814
NORTHROP GRUMMAN CORP	21,948	1,212,627	POLYMEDICA CORP	55,100	1,964,866
NOVA CHEMICALS CORP	33,000	1,008,480	PORTFOLIO RECOVERY ASSOCS INC	39,500	1,659,790
NOVELL INC	27,308	169,310	POWERWAVE TECHNOLOGIES INC	977,620	9,991,276
NOVELLUS SYS INC	10,097	249,497	PPG IND INC	10,224	641,658
NRG ENERGY INC	73,700	2,771,120	PPL CORP	11,994	712,204
NS GROUP INC	61,000	1,983,110	PRAXAIR INC	20,450	952,970
NUCOR CORP	36,714	1,674,892	PRECISION CASTPARTS CORP	110,800	8,631,320
NVIDIA CORP	91,486	2,444,506	PREMIERE GLOBAL SVCS INC	111,650	1,260,529
O REILLY AUTOMOTIVE INC	154,200	4,596,702	PRICE T ROWE GROUP INC	8,061	504,619
OCCIDENTAL PETE CORP	23,556	1,812,163	PRIN FINL GROUP INC	622,588	26,085,180
OCEANEERING INTL INC	237,350	9,173,578	PRIVATEBANCORP INC	28,500	1,008,330
ODYSSEY HEALTHCARE INC	719,600	10,376,632	PROCTER & GAMBLE CO	284,904	15,030,269
OFFICE DEPOT INC	109,564	2,502,442	PROGRESS ENERGY INC	14,284	646,208
OFFICEMAX INC	3,525	104,939	PROGRESS SOFTWARE CORP	35,500	1,070,325
OFFSHORE LOGISTICS INC	234,400	7,697,696	PROGRESSIVE CORP	12,694	1,254,294
OH CAS CORP	77,600	1,876,368	PROLOGIS SH BEN INT	10,800	434,592
OMI CORP	242,300	4,606,123	PROSPERITY BANCSHARES INC	30,300	866,883
OMNICARE INC	236,800	10,047,424	PROVIDIAN FINL CORP	152,998	2,697,355
OMNICOM GROUP INC	11,310	903,217	PRTY HEALTHCARE CORP	351,100	8,903,896
OPT CARE INC	78,750	1,110,375	PRUDENTIAL FINL INC	385,735	25,327,360
ORACLE CORP	281,862	3,720,578	PSYCHIATRIC SOLUTIONS INC	68,300	3,326,893
OSHKOSH TRUCK CORP	51,700	4,047,076	PUB SERVICE ENTERPRISE GROUP INC	15,572	947,089
OUTBACK STEAKHOUSE INC	44,300	2,004,132	PULTE HOMES INC	41,760	3,518,280
PAC SUNWEAR CAL INC	64,000	1,471,360	PVTPL DG FDG	295	3,163,719
PAC SUNWEAR CAL INC	247,850	5,698,072	PVTPL SOVEREIGN REAL ESTATE	77	111,650
PACCAR INC	11,377	773,636	QLOGIC CORP	113,845	3,514,395
PACIFICARE HLTH SYS INC	24,200	1,729,090	QUALCOMM INC	838,570	27,681,196
PACKAGING CORP	87,600	1,843,980	QUALITY SYS INC	23,200	1,099,216
PACTIV CORP	9,537	205,808	QUANEX CORP	37,900	2,009,079
PALL CORP	180,459	5,478,735	QUEST DIAGNOSTICS INC	12,646	673,652
PANERA BREAD CO	160,151	9,942,975	QUICKSILVER INC	273,400	4,368,932
PARAMETRIC TECH CORP	15,866	101,225	QWEST COMMUNICATIONS INTL INC	101,912	378,094
PARKER-HANNIFIN CORP	40,017	2,481,454	R H DONNELLEY CORP	25,500	1,580,490
PAYCHEX INC	23,733	772,272	RADIAN GROUP INC	52,300	2,469,606
PENNEY J C CO INC	16,128	848,010	RADIOSHACK CORP	10,132	234,758
PEOPLES ENERGY CORP	2,190	95,177	RAINANCE COMMUNICATIONS INC	1,954,500	4,065,360
PEPCO HLDGS INC	95,700	2,291,058	RAYTHEON CO	377,511	14,768,230
PEPSI BOTTLING GROUP INC	119,659	3,423,444	REEBOK INTL	81,907	3,426,170
PEPSIAMERICAS INC	55,300	1,418,998	REGIONS FINL CORP	28,375	961,345
PEPSICO INC	528,396	28,496,396	RENT A CTR INC	357,050	8,315,695
PERKINELMER INC	69,411	1,311,868	REP SVCS INC	88,200	3,176,082
PETCO ANIMAL SUPPLIES INC	141,800	4,157,576	RES CONNECTION INC	364,100	8,458,043
PETROKAZAKHSTAN INC	69,100	2,527,678	REYNOLDS & REYNOLDS CO	44,400	1,200,132
PETSMART INC	67,900	2,060,765	REYNOLDS AMERN INC	27,300	2,151,240
PFF BANCORP INC	28,600	866,294	REYNOLDS AMERN INC	7,310	576,028
PFIZER INC	813,729	22,442,646	RITA MED SYS INC	845,900	2,706,880
PG&E CORP	25,088	941,804	RITE AID CORP	655,200	2,738,736
PHARMACEUTICAL PROD DEV INC	285,800	13,392,588	ROBERT HALF INTL INC	10,428	260,387
PHELPS DODGE CORP	5,372	496,910	ROCKWELL AUTOMATION	11,171	544,139
PHH CORP	31,010	797,577	ROCKWELL COLLNS IN	10,802	515,039
PHL CONS HLDG CORP	23,700	2,008,812	ROHM & HAAS CO	13,304	616,507
PIER 1 IMPORTS INC	320,800	4,552,152	ROPER INDS INC	75,000	5,352,750
PINNACLE W CAP CORP	5,440	241,808	ROWAN COMPANIES INC	7,932	235,660
PIONEER NAT RES CO	76,700	3,227,536	ROYAL CARIBBEAN CRUISES	57,300	2,771,028

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>DOMESTIC EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
RYDER SYS INC	79,785	2,920,131	SUPER VALU INC	8,052	262,376
S W AIRL CO	47,795	665,784	SWIFT TRANSN INC	165,200	3,847,508
SABRE HLDGS CORP	8,581	171,191	SYMANTEC CORP	43,740	950,908
SAFECO CORP	71,815	3,902,427	SYMBOL TECHNOLOGIES INC	177,972	1,756,384
SAFEWAY INC	163,305	3,689,060	SYNOVIS LIFE TECHNOLOGIES INC	287,400	2,293,452
SANDISK CORP	132,400	3,141,852	SYNOVUS FINL CORP	18,321	525,263
SANMINA-SCI CORP	166,922	913,063	SYSCO CORP	39,307	1,422,520
SARA LEE CORP	437,584	8,668,539	TALISMAN ENERGY INC	78,900	2,964,273
SAXON CAP INC	164,200	2,802,894	TARGET CORP	187,540	10,204,051
SBC COMMUNICATIONS INC	207,840	4,936,200	TECH DATA CORP	69,600	2,548,056
SCHERING-PLOUGH CORP	93,086	1,774,219	TECO ENERGY INC	10,618	200,786
SCHLUMBERGER LTD	207,304	15,742,666	TEEKAY SHIPPING CORP	64,800	2,844,720
SCHWAB CHARLES CORP	1,278,099	14,416,957	TEKTRONIX INC	74,135	1,725,121
SCIENTIFIC-ATLANTA INC	82,092	2,731,200	TELEDYNE TECHNOLOGIES INC	34,800	1,133,784
SEAGATE TECH HLDGS	110,900	1,946,295	TELLABS INC	28,975	252,083
SEALED AIR CORP	5,050	251,440	TEMPLE INLAND INC	8,476	314,883
SEARS HLDGS CORP	6,129	918,553	TEMPUR-PEDIC INTL INC	94,800	2,102,664
SEEBEYOND TECHNOLOGY CORP	898,200	3,754,476	TENET HEALTHCARE CORP	1,915,482	23,445,300
SELECTIVE INS GROUP INC	27,740	1,374,517	TERADYNE INC	11,008	131,766
SEMPRA ENERGY INC	16,190	668,809	TEREX CORP	14,400	567,360
SEMTECH CORP	154,400	2,570,760	TETRA TECHNOLOGIES INC	175,727	5,596,905
SERENA SOFTWARE INC	120,400	2,323,720	TEXAS INSTRS INC	106,391	2,986,395
SHERWIN-WILLIAMS CO	36,331	1,710,827	TEXTRON INC	8,189	621,136
SHUFFLE MASTER INC	50,100	1,404,303	THERAGENICS CORP	519,100	1,671,502
SIEBEL SYS INC	32,633	290,434	THERMO ELECTRON CORP	50,333	1,352,448
SIERRA HLTH SVCS INC	73,700	5,266,602	THORATEC CORP	632,400	9,701,016
SIERRA PAC RES	1,466,796	18,261,610	TIDEWATER INC	656,850	25,039,122
SIGMA-ALDRICH CORP	4,318	241,981	TIER TECHNOLOGIES INC	356,210	3,002,850
SILICON LABORATORIES INC	100,300	2,628,863	TIFFANY & CO	8,731	286,028
SIMON PPTY GROUP INC	14,704	1,065,893	TIMBERLAND CO	70,200	2,718,144
SLM CORP	27,702	1,407,262	TIME WARNER INC	965,720	16,137,181
SNAP-ON INC	3,000	102,900	TIMKEN CO	93,200	2,152,920
SOLETRON CORP	61,971	234,870	TJX COS INC	178,289	4,341,337
SOTHEBYS HLDGS INC	106,400	1,457,680	TOLL BROS INC	35,500	3,605,025
SOUTHERN CO	45,320	1,571,244	FORCHMARK CORP	7,133	372,343
SOUTHERN PERU COPPER CORP	12,300	526,932	FOYS R US INC	15,281	404,641
SOUTH UN CO	189,655	4,656,030	TRANSOCEAN INC	19,183	1,035,307
SOVEREIGN BANCORP INC	183,222	4,093,180	TRC COS INC	447,000	5,247,780
SPRINT (FON)	95,139	2,387,038	TREEHOUSE FOODS INC	16,300	464,713
SPX CORP	308,500	14,184,830	TRIAD HOSPS INC	89,400	4,884,816
ST AUTO FINL CORP	31,200	968,448	TRIBUNE CO	18,353	645,659
ST JOE CO	209,400	17,074,476	TRIMBLE NAV LTD	60,300	2,349,891
ST JUDE MED INC	94,942	4,140,420	TRW AUTOMOTIVE HLDGS CORP	59,500	1,458,345
ST PAUL TRAVELERS CORP	490,680	19,396,581	TXU CORP	30,955	2,572,051
ST STR CORP	19,963	963,215	TYCO INTL LTD	947,903	27,678,768
STANLEY FURNITURE INC	33,200	815,392	U.S. CELLULAR CORP	159,300	7,955,442
STANLEY WKS	5,348	243,548	UGI CORP	57,200	1,595,880
STAPLES INC	47,209	1,006,496	ULTRATECH INC	510,530	9,342,699
STARBUCKS CORP	25,108	1,297,079	UN PAC CORP	138,068	8,946,806
STARWOOD HOTELS & RESORTS WORLDWID	120,775	7,073,793	UNIONBANCAL CORP DE	239,700	16,040,724
STD PAC CORP	69,200	6,086,138	UNISYS CORP	19,636	124,296
STEEL DYNAMICS INC	42,700	1,120,875	UNIT CORP	53,200	2,341,332
STEINER LEISURE LTD	20,000	741,400	UNITED PARCEL SVC INC	70,492	4,875,227
STERIS CORP	710,300	18,304,431	UNITEDHEALTH GROUP INC	80,228	4,183,088
STERLING BANCSHARES INC	58,700	913,372	UNIVISION COMMUNICATIONS INC	534,420	14,723,271
STRYKER CORP	227,406	10,815,430	UNOCAL CORP	16,818	1,094,011
SUN MICROSYSTEMS INC	215,099	802,319	UNUMPROVIDENT CORP	1,586,523	29,065,101
SUN TR BANKS INC	21,978	1,587,691	UNVL AMERN FINL CORP	44,400	1,004,328
SUNGARD DATA SYS INC	17,031	598,980	UNVL COMPRESSION HLDGS INC	48,250	1,748,580
SUNOCO INC	182,953	20,798,097	UNVL HEALTH SERVICES INC	46,900	2,916,242
SUNTERRA CORP	53,400	865,614	URBAN OUTFITTERS INC	52,300	2,964,887

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>DOMESTIC EQUITY SECURITIES</u>			<u>DOMESTIC EQUITY SECURITIES</u>		
	<u>SHARES</u>	<u>MARKET VALUE</u>		<u>SHARES</u>	<u>MARKET VALUE</u>
US BANCORP	118,105	3,448,666	ZIONS BANCORP	5,471	402,283
USANA HEALTH SCIENCES INC	47,900	2,026,170			
UST INC	10,110	461,623	TOTAL DOMESTIC EQUITY SECURITIES		4,027,784,349
UTD STS STL CORP	7,756	266,574			
UTD TECHNOLOGIES CORP	64,388	3,306,324			
UTI WORLDWIDE INC ORD	29,300	2,039,866			
V F CORP	9,850	563,617			
VALASSIS COMMUNICATIONS INC	331,548	12,283,854			
VALEANT PHARMACEUTICALS INTL	81,000	1,428,030			
VALERO ENERGY CORP	16,700	1,321,137			
VALUECLICK INC	352,700	4,348,791			
VARIAN MED SYS INC	70,300	2,624,299			
VARIAN SEMICONDUCTOR EQUIPMENT AS	135,100	4,998,700			
VCA ANTECH INC	156,000	3,783,000			
VERISIGN INC	90,900	2,614,284			
VERITAS SOFTWARE	94,949	2,316,755			
VERIZON COMMUNICATIONS	171,207	5,915,202			
VIACOM	620,249	19,860,373			
VIASYS HEALTHCARE INC	610,800	13,797,972			
VISTEON CORP	7,870	47,456			
VULCAN MATERIALS CO	6,119	397,674			
WABTEC CORP	69,300	1,488,564			
WACHOVIA CORP	100,471	4,983,362			
WALGREEN CO	62,633	2,880,492			
WAL-MART STORES INC	711,263	34,282,877			
WASHINGTON MUT INC	240,445	9,783,707			
WASTE CONNECTIONS INC	122,650	4,573,619			
WASTE MGMT INC	598,215	16,953,413			
WATERS CORP	76,863	2,856,998			
WATSON PHARMACEUTICALS INC	6,429	190,041			
WEATHERFORD INTL LTD	51,000	2,956,980			
WEBEX INC	203,600	5,377,076			
WEBMETHODS INC	434,300	2,432,080			
WEBSense INC	82,200	3,949,710			
WEBSTER FNCL CORP	28,700	1,340,003			
WELLPOINT INC	37,500	2,611,500			
WELLS FARGO & CO	105,821	6,516,457			
WENDY S INTL INC	74,334	3,542,015			
WESTN DIGITAL CORP	111,600	1,497,672			
WEYERHAEUSER CO	157,486	10,023,984			
W-H ENERGY SVCS INC	39,200	977,256			
WHIRLPOOL CORP	22,100	1,549,431			
WILLIAMS CO INC	34,463	654,797			
WILLIAMS SONOMA INC	120,100	4,732,357			
WILLIS GROUP HOLDINGS	114,247	3,738,162			
WINTRUST FINL CORP	35,100	1,837,485			
WIS ENERGY	34,000	1,326,000			
WRIGHT MED GROUP INC	86,500	2,309,550			
WRIGLEY WM JR CO CAP	191,765	13,201,102			
WSFS FINL CORP	14,300	782,353			
WYETH	311,904	13,879,728			
XCEL ENERGY INC	25,887	505,314			
XEROX CORP	58,617	808,328			
XILINX INC	20,290	517,395			
XL CAP LTD	9,067	674,766			
XTO ENERGY INC	354,075	12,035,010			
YAHOO INC	261,146	9,048,709			
YANKEE CANDLE CO	134,800	4,327,080			
YELLOW ROADWAY CORP	80,900	4,109,720			
YUM BRANDS INC	376,774	19,622,390			
ZIMMER HLDGS INC	143,824	10,955,074			



PORTFOLIO OF ASSETS, JUNE 30, 2005

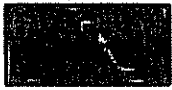
<u>INTERNATIONAL EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>INTERNATIONAL EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
BOC GROUP ORD	273,724	4,925,991	HOLCIM	69,892	4,255,387
BOMBARDIER INC	2,010,400	4,284,082	HON HAI PRECISION GDR	74,749	773,652
BOUYGUES	95,600	3,965,188	HONDA MOTOR CO	132,500	6,540,700
BRAMBLES INDS LTD	52,507	326,992	HONG KG CHINA GAS	319,000	648,399
BRIDGESTONE CORP	26,000	500,948	HOYA CORP	8,100	935,656
BRIT AMER TOBACCO ORD	407,646	7,862,172	HSBC HL.DGS ORD	118,600	1,892,003
BRITISH AIRWAYS ORD	631,189	2,981,173	HYPO REAL ESTATE	49,150	1,873,763
BRITISH LAND CO ORD	46,000	722,286	IBERDROLA SA	41,200	1,088,355
BT GROUP ORD	3,826,985	15,777,263	IMPERIAL CHEM INDS ORD	818,009	3,724,250
CAMECO CORP	34,200	1,525,988	INCO LTD	40,400	1,525,100
CANON INC	124,700	6,572,043	INDITEX	65,800	1,695,181
CARREFOUR	110,625	5,370,518	INFINEON TECHNOLOG ORD	82,300	769,194
CELESTICA INC SUB ORD	313,336	4,195,551	ING GROEP NV	478,253	13,531,159
CENTRICA ORD	1,171,794	4,867,636	INS AUSTRALIA	147,300	674,799
CHINA NETCOM	1,995,500	2,900,846	INVENSYS ORD	8,793,819	1,655,061
CHUBU ELEC POWER	28,600	686,545	JAPAN AIRLINES CORP	217,000	585,534
CINTRA CONCES INFR	7,400	86,990	JAPAN TOBACCO INC	762	10,177,420
COMMERZBANK AG ORD	303,000	6,588,212	JARDINE MATHESON	240,844	4,262,939
COMPASS GROUP ORD	1,004,838	4,223,631	KANSAI ELEC	74,000	1,489,216
CORUS GROUP ORD	6,819,234	5,133,717	KAO CORP	29,000	684,370
CREDIT SUISSE GRP	193,940	7,652,539	KEYENCE CORP	1,100	246,783
CRH ORD	240,888	6,345,891	KINGFISHER ORD	1,095,040	4,828,499
DAIICHI PHARM CO	258,100	5,718,216	KON KPN NV	527,200	4,429,487
DAIMLERCHRYSLER AG ORD	345,900	14,062,089	KONICA MINOLTA HOLDINGS	443,500	4,146,431
DAITO TRUST CONST	17,700	662,891	KONINKLUKE AHOLD	405,078	3,334,772
DAIWA HOUSE INDS	68,000	779,966	KOREA ELEC POWER	118,910	3,647,264
DBS GROUP HL.DGS	1,244,000	10,542,998	KT CORPORATION	106,990	4,347,925
DEPFA BANK PLC ORD	299,442	4,799,757	LAFARGE	8,200	748,024
DEUTSCHE BANK AG	13,000	1,018,435	LAFARGE RIGHTS	8,200	23,826
DEUTSCHE BOERSE AG	15,117	1,184,832	LI & FUNG	794,000	1,649,634
DEUTSCHE POST AG	237,294	5,550,249	LLOYDS TSB GROUP ORD	644,222	5,461,900
DEUTSCHE TELEKOM	644,037	11,929,461	L'OREAL	16,400	1,178,374
DIAGEO ORD	308,776	4,555,021	MACQUARIE AIRPORTS	1,133,337	3,092,712
DNB HOLDING ASA	102,000	1,064,808	MACQUARIE INFRAS G	806,236	2,556,542
E.ON AG	34,800	3,104,184	MANULIFE FINL CORP	145,497	6,950,547
EAST JAPAN RAILWAY	130	668,712	MARKS & SPENCER GP ORD	1,961,959	12,677,752
ENAGAS SA	201,363	3,571,379	MATSUSHITA ELC IND	363,000	5,513,302
ENI	45,600	1,176,432	METHANEX CORP COM	36,800	603,318
ERICSSON(LM)TEL	835,000	2,683,908	MICHELIN (CGDE)	10,600	646,136
ESSILOR INTL	11,000	752,419	MILLEA HOLDINGS IN	1,178	15,839,906
EURONEXT	18,000	609,950	MINI HOLDINGS IN	1,178	15,839,906
FANUC LTD	34,500	2,194,973	MITSUBISHI CORP	153,500	2,088,963
FORTIS BANK BELGIUM	17,000	471,923	MITSUBISHI ESTATE	349,000	3,845,583
FRANCE TELECOM	582,220	17,029,529	MITSUBISHI HVY IND	4,533,000	11,863,280
FRONTLINE LTD	109,400	4,384,166	MITSUBISHI TOKYO	1,569	13,323,969
FUJI PHOTO FILM CO	77,000	2,480,733	MITSUI & CO	70,000	663,298
FURUKAWA ELECTRIC	59,000	228,950	MITSUI FUDOSAN CO	44,000	494,360
GEBERT	5,197	3,326,470	MITSUI SUMITOMO IN	841,000	7,581,978
GLAXOSMITHKLINE ORD	943,973	22,859,250	MIZUHO FINL GP	276	1,250,356
GREAT WEST LIFE CO	20,600	468,411	MORRISON(W)SUPRMKT ORD	4,147,519	13,827,650
GROUPE DANONE	20,500	1,804,292	MUENCHENER RUECKVE	59,100	6,304,934
HANG LUNG GROUP	273,000	484,659	MULTIPLX GROUP	618,898	1,372,807
HANG LUNG PROPERTIES	295,000	434,532	MURATA MFG CO	12,500	637,352
HANSON ORD	56,000	538,524	NATIONAL GRID PLC	54,300	526,556
HBOS ORD	300,400	4,633,380	NATL BK OF CANADA	19,000	844,048
HEIDELBERGER DRUCK ORD	147,200	4,312,626	NEC CORP	117,000	633,517
HEINEKEN HOLDING	28,750	804,023	NESTLE SA	99,538	25,484,711
HEINEKEN NV	155,550	4,809,606	NEWS CORPORATION	16,969	276,025
HENDERSON LAND DEV	1,176,000	5,627,880	NIDEC CORPORATION	7,400	784,009
HIROSE ELECTRIC	12,000	1,322,263	NIKON CORP	61,000	691,418
HITACHI	1,642,000	9,987,438	NINTENDO CO LTD	9,600	1,004,963
			NIPPON ELEC GLASS	57,000	862,124

PORTFOLIO OF ASSETS, JUNE 30, 2005

<u>INTERNATIONAL EQUITY SECURITIES</u>		MARKET	<u>INTERNATIONAL EQUITY SECURITIES</u>		MARKET
	<u>SHARES</u>	<u>VALUE</u>		<u>SHARES</u>	<u>VALUE</u>
NIPPON TEL&TEL	3,813	16,344,870	SUMITOMO CHEM CO	45,000	207,111
NISSAN MOTOR CO	288,900	2,862,668	SUMITOMO CORP	230,000	1,845,231
NITTO DENKO CORP	17,100	981,464	SUMITOMO FORESTRY	54,000	523,870
NOKIA OYJ	52,500	880,294	SUMITOMO MITSUI FG	2,515	17,022,380
NORANDA INC	23,411	401,779	SUN HUNG KAI PROP	69,000	681,274
NORSKE SKOGSINDUST	34,000	560,357	SUZUKI MOTOR CORP	144,300	2,269,785
NORTHERN ROCK ORD	44,700	636,974	SVENSKA CELLULOSA	13,200	422,592
NOVARTIS AG	239,160	11,397,017	SWIRE PACIFIC	89,000	787,150
NOVO-NORDISK AS	28,600	1,456,647	SWISS REINSURANCE	44,117	2,713,621
ONO PHARMACEUTICAL	112,000	5,316,488	SWISSCOM AG	22,305	7,277,723
ORIX CORP	20,100	3,018,356	SYNGENTA	44,537	4,585,458
OVERSEA-CHINESE BK	537,600	3,422,462	SYNTHESE INC WILM	9,000	988,447
PCCW LIMITED	1,089,000	679,460	T&D HOLDINGS INC	10,800	508,763
PEARSON ORD	233,000	2,745,989	TAKEDA PHARMACEUTI	108,700	5,395,271
PETROCHINA CO	10,898,000	8,061,377	TAKEFUJI CORP	101,130	6,844,824
PHILIPS ELEC	238,669	6,038,942	TDC A/S	38,300	1,642,682
PORTUGAL TCOM SGPS	1,305,702	12,393,064	TDK CORP	82,700	5,642,198
POTASH CORP SASK	28,900	2,759,516	TELECOM CORP OF NZ	2,770,106	11,583,913
PROMINA GROUP	116,800	419,335	TELECOM ITALIA SPA	1,146,392	3,580,729
PROMISE CO	105,700	6,782,123	TELEFONICA SA	1,158,653	18,992,865
QBE INS GROUP	55,188	674,335	TELEKOM AUSTRIA	30,445	592,312
RAIFFEISEN INTL BK	5,200	332,459	TELENOR ASA ORD	588,495	4,703,243
RECKITT BENCKISER ORD	24,200	713,556	TELUS CORPORATION	61,100	2,110,127
REED ELSEVIER NV	113,860	1,587,970	TESCO ORD	115,500	659,902
REED ELSEVIER ORD	764,094	7,320,514	THOMSON CORP	18,900	632,983
RENAULT(REGIE NTL	8,700	767,831	TNT NV	293,485	7,443,694
REPSOL YPF SA	133,000	3,407,108	TOKYO ELECTRON	36,800	1,949,427
REUTERS GROUP ORD	665,468	4,711,632	TOKYO GAS CO	226,000	846,404
RICHEMONT(CIE FIN)	114,600	3,855,484	TOTAL SA	16,574	3,898,691
RICOH CO	66,000	1,032,199	TOYOTA MOTOR CORP	15,500	555,320
RINKER GROUP	148,744	1,587,322	TREND MICRO INC	9,500	338,643
ROCHE HLDGS AG GENUSSSCHEINE	18,600	2,354,945	UBS AG	21,560	1,682,929
ROHM CO LTD	14,800	1,429,113	UCB	18,800	914,733
ROLLS ROYCE GROUP ORD	87,500	450,521	UFJ HOLDINGS	866	4,517,174
ROYAL BK SCOT GRP ORD	409,513	12,375,773	UNI-CHARM CORP	12,800	515,188
ROYAL DUTCH PETROL	174,637	11,415,913	UNICREDITO ITALIAN	116,600	616,524
SAINSBURY(J) ORD	1,660,150	8,488,287	UNILEVER NV	236,728	15,375,807
SAMSUNG ELECTRONIC	38,660	14,637,708	UNILEVER PLC ORD	2,203,901	21,272,810
SANDVIK AB	17,000	632,415	UPM-KYMMENE CORP	26,200	503,381
SANKYO COMPANY LTD	89,500	1,720,377	UTD MICRO ELECT	3,444,000	2,505,480
SANOFI-AVENTIS	334,710	27,514,210	UTD O/S BANK	501,000	4,216,322
SAP AG ORD	18,600	3,242,830	UTD O/S LAND	50,100	67,699
SASOL	73,400	1,988,525	VINCI	103,882	8,652,614
SCHERING AG ORD	70,900	4,367,289	VIVENDI UNIVERSAL	33,400	1,033,755
SCHNEIDER ELECTRIC	36,700	2,770,264	VNU NV	44,181	1,233,962
SCOT & STHN ENERGY	51,500	935,112	VODAFONE GROUP ORD	6,819,114	16,623,173
SEKISUI HOUSE	118,000	1,193,737	VOLKSWAGEN AG ORD	268,400	12,289,172
SERONO SA	675	431,524	WESFARMERS LTD	25,500	777,689
SHELL TRNSPT&TRDG ORD	1,074,509	10,453,386	WIENERBERGER AG	14,000	650,337
SHIMAMURA CO	6,000	506,813	WOLSELEY ORD	64,000	1,346,775
SHIN-ETSU CHEMICAL	10,500	398,926	WOLTERS KLUWER CVA	410,913	7,870,004
SIEMENS AG	45,100	3,294,583	WOOLWORTHS LTD	81,035	1,019,805
SINGAPORE TELECOMM	1,903,857	3,125,516	XSTRATA PLC ORD	53,000	1,023,148
SK TELECOM	23,046	4,058,415	YAMADA DENKI CO	23,700	1,364,552
SMC CORP	19,300	2,107,481	YAMATO TRANSPORT	123,200	1,712,192
SOC GENERALE	10,700	1,090,075	ZURICH FIN SVS GRP	107,281	18,490,082
SOFTBANK CORP	52,300	2,053,109			
SOMPO JAPAN INSURANCE INC	78,500	793,430	<b>TOTAL INTERNATIONAL EQUITY SECURITIES</b>		<b>1,228,377,976</b>
SONY CORP	162,200	5,591,589			
STANDARD CHARTERED ORD	137,300	2,510,255	<b>TOTAL INVESTMENTS</b>		<b>17,694,645,437</b>
SIMICROELECTRONICS	293,510	4,711,780			

Certification of the 2005 Actuarial Valuation	
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**GABRIEL, ROEDER, SMITH & COMPANY**  
Consultants & Actuaries

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October 26, 2005

Board of Trustees  
Teachers' Retirement System of Oklahoma  
Oliver Hodge Education Building  
2500 N. Lincoln Boulevard, 5<sup>th</sup> Floor  
Oklahoma City, Oklahoma 73105

Dear Members of the Board:

**Subject: Actuarial Valuation as of June 30, 2005**

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Teachers' Retirement System of Oklahoma (the System) as of June 30, 2005.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. They are Enrolled Actuaries and Members of the American Academy of Actuaries, and they are experienced in performing valuations for large public retirement systems. They meet the Qualification Standards of the American Academy of Actuaries.

***Actuarial Valuation***

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB 25), and it provides various summaries of the data.

Valuations are prepared annually, as of June 30 of each year, the last day of the System's plan and fiscal year.

***Financing Objectives***

The member, state, federal and local employer contribution rates are established by law. Members contribute 7.00% of covered compensation. The state contributes 4.00% of its revenues from sales taxes, use taxes, corporate income taxes, and individual income taxes. Local employers contribute 7.05% of covered compensation. Additionally, OTRS receives "federal

matching contributions" for positions whose funding comes from federal sources or certain grants. The federal matching contribution rate for FY 2006 is 5.0%.

In the fiscal year ending June 30, 2005, the state's contribution plus the federal contribution was equivalent to a contribution of 5.51% of covered payroll. Combined with the 7.05% employer contribution rate, the employing entities contributed 12.56% of covered payroll for FY 2005. However, the state's contribution rate as a percent of the specified revenues is scheduled to increase from 3.75% in FY 2005 to 4.00% in FY 2006, 4.50% in FY 2007, and 5.00% in FY 2008. Federal contributions should also increase in the same pattern. This should raise the state and federal contributions to 7.67% of covered payroll by the end of the transition period, and should result in a total employer contribution of about 14.72% of covered payroll by FY 2008.

The state, local and federal contributions, when combined with the contributions made by members, are intended to pay for the normal cost and to amortize the unfunded actuarial accrued liability (UAAL).

#### *Progress Toward Realization of Financing Objectives*

The UAAL at June 30, 2004 was \$7,419 million, and it decreased to \$7,100 million this year. The funded ratio - actuarial value of assets divided by actuarial accrued liability - increased from 47.3% to 49.5%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was infinite, measured from June 30, 2004. This year, the funding period is 42.6 years. The decrease in the funding period and the increase in the funded ratio are primarily due to the impact of the new actuarial assumptions adopted as a result of the experience study conducted in 2005 and approved by the board in August, 2005.

Based on the current statutes for determining the state, federal and employer contribution rates, the UAAL is expected to increase until FY 2030 after which it will become completely amortized in FY 2048.

#### *Deferred Asset Losses/Gains*

All of the figures above (the UAAL, the funded ratio, and the funding period) are based on actuarial calculations that make use of the actuarial value of assets, not the market value. The actuarial value of assets is based on the market value, but asset gains and losses - earnings greater or less than the 8.00% investment return assumption - are recognized at a rate of 20% per year for five years. The current actuarial value, \$6,953 million, is \$285 million smaller than the market value of \$7,238 million. The actuarial value is now 4% below the market value. The funded ratio determined using the market value rather than the actuarial value is 51.5%.

#### *Benefit Provisions*

The actuarial valuation reflects the benefit provisions as set forth in current statutes, including those adopted in the 2005 legislative session. There were no changes affecting the current valuation since the prior valuation.

### ***Assumptions and Methods***

Assumptions are set by the Board of Trustees, taking into account the recommendations of the plan's actuaries. The actuarial assumptions and methods used in this report are changed from last year. The Board adopted a new set of assumptions based on the experience study conducted by the actuary in 2005. This included a revised set of retirement incidence, disability incidence, withdrawal incidence and salary increase tables. Also, the post-retirement morality tables and the disabled post-retirement mortality tables for males were modified. All actuarial assumptions are internally consistent and are reasonably based on the actual experience of the System. Similarly, the computation of the GASB No. 25 contribution amount was changed from a 40-year, level dollar contribution amount to a 30-year, level percent of pay contribution amount.

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of the plan

The results of the actuarial valuation are dependant on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. The actuarial calculations are intended to provide information for rational decision making.

The Retirement Board is required to submit actuarial information about the System to the Oklahoma State Pension Commission. The required information is based on a prescribed set of actuarial assumptions which is different from the assumption set used in preparing the actuarial valuation. This information appears as an addendum to this report in Appendix IV.

### ***Data***

Member data for retired, active, and inactive participants was supplied as of June 30, 2005 by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was supplied by the auditors and by the System's staff.

### ***Attached Schedules***

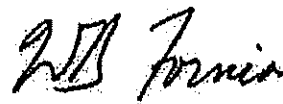
We prepared all of the schedules and exhibits in this section except for the Schedule of Increases and Decreases of Benefit Recipients which was prepared by the System's staff. We have also prepared the Schedule of Funding Progress and the Schedule of Employer Contributions in the Financial Section. We have prepared the annual actuarial valuations each year, beginning with the one prepared as of June 30, 1989. Information related to earlier actuarial valuations was prepared by the previous actuary for the System.

We thank both the staff and the auditors for their assistance.


Sincerely,  
Gabriel, Roeder, Smith & Company



J. Christian Conradi, ASA, MAAA, EA  
Senior Consultant



William B. Forna, FSA, MAAA, EA  
Senior Consultant



W. Michael Carter, FSA, MAAA, EA  
Senior Consultant

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Executive Summary

Item	2005	2004
<b>Membership</b>		
• Number of		
- Active members	84,286	81,683
- Retirees and beneficiaries	40,879	39,593
- Inactive, vested	6,008	5,731
- Inactive, nonvested	<u>7,072</u>	<u>7,536</u>
- Total	138,245	134,543
• Payroll	\$ 3,175 million	\$ 3,031 million
<b>Statutory contribution rates</b>		
• State (% of tax revenues)	4.00%	3.75%
• Local district (% of pay)	7.05%	7.05%
• Member (% of pay)	7.00%	7.00%
<b>Assets</b>		
• Market value	\$ 7,238 million	\$ 6,666 million
• Actuarial value	\$ 6,953 million	\$ 6,661 million
• Return on market value	10.0%	20.2%
• Return on actuarial value	5.7%	4.6%
• State/local/federal contributions	\$ 406 million	\$ 375 million
• External cash flow %	-1.3%	-1.1%
• Ratio of actuarial to market value	96.1%	99.9%
<b>Actuarial Information</b>		
• Normal cost %	10.52%	10.91%
• Unfunded actuarial accrued liability (UAAL)	\$ 7,100 million	\$ 7,419 million
• Funded ratio	49.5%	47.3%
• Funding period	42.6 years	Infinite
<b>GASB 25 ARC</b>		
• Dollar amount	30 year, level percent \$535,228,038	40 year, level dollar \$722,095,783
• Percent of pay	16.32%	23.21%
<b>Gains/(losses)</b>		
• Asset experience	(\$150) million	(\$215) million
• Liability experience	28 million	6 million
• Benefit changes	0 million	(538) million
• Assumption changes	<u>721 million</u>	<u>(1,056) million</u>
• Total	\$ 600 million	(\$1,803) million

## Funded Status

Because the employer contribution rates are set by statute, this report determines the funding period required to amortize the Unfunded Actuarial Accrued Liability (UAAL).

The UAAL decreased by \$319 million, from \$7.419 billion to \$7.100 billion. The funded ratio – the ratio of the actuarial value of assets to actuarial accrued liability – increased from 47.3% to 49.5%. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – has gone from infinite to 42.6 years.

These effects are primarily due to the adoption of new actuarial assumptions by the Board determined from the experience study conducted in 2005.

OTRS remains among the most poorly funded of all statewide plans. The market value of assets is just sufficient to cover the liabilities for currently retired members.

The current combined state/local/federal contribution rate of about 12.56% of pay for FY 2005 is not large enough to pay the normal cost and pay the interest on the UAAL. Therefore, negative amortization results. The UAAL is projected to increase until larger state contributions are effective and for a number of years thereafter. The UAAL is scheduled to be amortized completely in FY 2048.

This report also determines the GASB Annual Required Contributions (ARC). This is the contribution required to fund the normal cost and to amortize the UAAL as a level percent of pay over 30 years. This amount is shown in Table 1. The method for calculating the ARC has changed from last year. Previously, the ARC was equal to the employer normal cost plus an amount needed to amortize the UAAL in level payments (not as a level percentage of payroll) over 40 years. The Board changed the definition of the ARC at the same time it adopted new actuarial assumptions, in part because the 40-year amortization period is not permitted under GASB 25 after FY 2006.

## Analysis of Changes

### *UAAL*

Table 12a shows an analysis of the change in the UAAL. The UAAL, which was \$7,419.2 million last year, has decreased to \$7,099.7 million this year. However, an increase of \$321.8 million was expected, since the current statutory employer/state/federal contribution rate is not large enough to pay for the normal cost and for interest on the UAAL. Therefore, negative amortization is expected to occur.

The recognition of prior deferred asset losses also added to the UAAL. The asset loss increased the UAAL by \$149.7 million. The loss was due to 80% of the FY 2005 gain and 60% of the FY 2004 gain being deferred and recognition of an additional 20% of asset losses from FY03 and FY02. The return on the actuarial value was 5.7%, compared with the assumed 8.00% investment return rate. The actual return on market value was 10.0%. This is the fourth consecutive year since 1994 that the actuarial return was less than the assumed 8.00% rate.

There was a gain of \$721.3 million primarily due to the revision of actuarial assumptions determined by the experience study conducted in 2005. In particular, these included:

1. Reduce basic salary scale.
2. Reduce retirement rates.
3. Revise withdrawal rates.
4. Modify various mortality rates.
5. Reduce disability incidence rates.

### *Funding Period*

The funding period (the period required to amortize the UAAL) decreased from infinite to 42.6 years due primarily to the aforementioned 2005 experience study and adoption of revised actuarial assumptions.

### Actuarial Assumptions and Methods

Appendix III summarizes the actuarial assumptions used to determine the plan's liabilities and the actuarial methods used to determine the normal cost, UAAL and funding period.

The most significant assumptions are the investment return rate (8%) the salary increase rate (averages about 4.7%), the payroll growth rate (3.5%), and the state revenue growth rate (3.5%). Actuarial assumptions were changed in 2005, when the Board adopted changes recommended by the actuary, based on a review of System experience for the five-year period ending June 30, 2004. The changes made are summarized in section D.

When the System's experience does not match the actuarial assumptions, gains or losses arise. These gains and losses result in changes to the UAAL for the System, and in turn they change the funding period.

The method used to determine the normal cost, UAAL, and funding period is the Entry Age actuarial cost method. We continue to believe the Entry Age method is appropriate for the System.

The definition of the GASB ARC was also changed, as discussed in section C.

Development of Employer Cost

	June 30, 2005 (1)	June 30, 2004 (2)
1. Payroll		
a. Supplied by system	\$ 3,175,161,612	\$ 3,030,749,000
b. Adjusted for one year's pay increase	3,323,397,002	3,163,354,010
c. Adjusted for one year's pay increase with pay caps	3,279,424,196	3,110,720,010
2. Present value of future pay (paid monthly, with pay caps)	\$ 25,247,432,031	\$ 23,908,170,043
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	10.52%	10.91%
b. Less: member rate	<u>(7.00%)</u>	<u>(7.00%)</u>
c. Employer normal cost rate	3.52%	3.91%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$ 9,360,586,434	\$ 9,504,824,477
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(888,709,607)	(934,809,449)
c. Less: present value of future member contributions	<u>(1,767,320,242)</u>	<u>(1,673,571,903)</u>
d. Actuarial accrued liability	\$ 6,704,556,585	\$ 6,896,443,125
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 7,046,505,663	\$ 6,899,041,564
b. Inactive members	301,371,813	284,663,643
c. Active members (Item 4d)	<u>6,704,556,585</u>	<u>6,896,443,125</u>
d. Total	\$ 14,052,434,061	\$ 14,080,148,332
6. Actuarial value of assets	\$ 6,952,687,592	\$ 6,660,918,318
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 7,099,746,469	\$ 7,419,230,014
8. Funding period	42.6 years	Infinite
9. 40-year amortization cost		
a. Employer normal cost (Item 1c * 3c)	\$ 115,435,732 *	\$ 121,629,152
b. Level 40-year amortization of UAAL (payable monthly)	<u>574,609,607 *</u>	<u>600,466,631</u>
c. Total	\$ 690,045,339 *	\$ 722,095,783
d. Contribution as percentage of payroll (9c/1c)	21.04% *	23.21%
10. 30-year amortization cost		
a. Employer normal cost (Item 1c * 3c)	\$ 115,435,732	\$ 121,629,152 *
b. Level % 30-year amortization of UAAL (payable monthly)	<u>\$ 419,792,306</u>	<u>\$ 438,682,661 *</u>
c. Total	\$ 535,228,038	\$ 560,311,813 *
d. Contributions as percentage of payroll	16.32%	18.01% *

\* Not Applicable - method changed from 40-year level dollar amortization in FY2004 to 30-year level percent amortization in FY2005

Actuarial Present Value of Future Benefits

	June 30, 2005 (1)	June 30, 2004 (2)
1. Active members		
a. Service retirement benefits	\$ 8,155,574,579	\$ 8,362,257,164
b. Deferred termination benefits	448,226,981	393,434,985
c. Refunds	23,436,304	28,688,914
d. Death benefits	157,014,237	128,975,196
e. Disability retirement benefits	202,444,915	200,157,480
f. Supplemental medical insurance	342,098,386	361,369,777
g. \$5,000 post-retirement death benefit	31,791,032	29,940,961
h. Total	<u>\$ 9,360,586,434</u>	<u>\$ 9,504,824,477</u>
2. Retired members		
a. Service retirements	\$ 6,257,694,491	\$ 6,139,620,212
b. Disability retirements	121,757,402	113,425,831
c. Beneficiaries	195,003,598	181,223,898
d. Supplemental medical insurance	402,810,718	400,231,824
e. \$5,000 post-retirement death benefit	69,239,454	64,539,799
f. Total	<u>\$ 7,046,505,663</u>	<u>\$ 6,899,041,564</u>
3. Inactive members		
a. Vested terminations	\$ 254,209,777	\$ 241,792,395
b. Nonvested terminations	24,940,262	21,707,856
c. Suspense fund	22,221,774	21,163,392
d. Total	<u>\$ 301,371,813</u>	<u>\$ 284,663,643</u>
4. Total actuarial present value of future benefits	<u>\$ 16,708,463,910</u>	<u>\$ 16,688,529,684</u>

Analysis of Normal Cost

	<u>June 30, 2005</u> (1)	<u>June 30, 2004</u> (2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	7.65%	8.10%
b. Deferred termination benefits	1.33%	1.08%
c. Refunds	0.78%	0.90%
d. Supplemental medical insurance	0.28%	0.33%
e. \$5,000 Post-retirement death benefits	0.04%	0.04%
f. Death Benefits	0.14%	0.15%
g. Disability retirement benefits	<u>0.30%</u>	<u>0.31%</u>
h. Total	10.52%	10.91%
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	3.52%	3.91%

**TABLE 4a**

**Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 2005**

**Schedule of Funding Progress  
(As required by GASB #25)**

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial		Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
			Accrued Liability (UAAL) (3) - (2) (4)	Accrued Liability (UAAL) (3) - (2) (4)			
June 30, 1994	\$2,697.2	\$6,736.0	\$4,038.8	\$4,038.8	40.0%	\$2,189.5	184.5%
June 30, 1995	\$2,869.9	\$7,480.4	\$4,610.5	\$4,610.5	38.4%	\$2,336.1	197.4%
June 30, 1996	\$3,103.0	\$7,843.2	\$4,740.2	\$4,740.2	39.6%	\$2,375.5	199.5%
June 30, 1997	\$3,544.9	\$8,257.2	\$4,712.3	\$4,712.3	42.9%	\$2,428.7	194.0%
June 30, 1998	\$4,085.0	\$8,891.3	\$4,806.3	\$4,806.3	45.9%	\$2,537.7	189.4%
June 30, 1999	\$4,708.0	\$9,458.6	\$4,750.5	\$4,750.5	49.8%	\$2,648.4	179.4%
June 30, 2000	\$5,373.5	\$10,009.2	\$4,635.7	\$4,635.7	53.7%	\$2,738.3	169.3%
June 30, 2001	\$5,959.0	\$11,591.1	\$5,632.1	\$5,632.1	51.4%	\$2,990.5	188.3%
June 30, 2002	\$6,310.9	\$12,275.9	\$5,965.0	\$5,965.0	51.4%	\$3,047.1	195.8%
June 30, 2003	\$6,436.9	\$11,925.2	\$5,488.3	\$5,488.3	54.0%	\$3,045.7	180.2%
June 30, 2004	\$6,660.9	\$14,080.1	\$7,419.2	\$7,419.2	47.3%	\$3,030.7	244.8%
June 30, 2005	\$6,952.7	\$14,052.4	\$7,099.7	\$7,099.7	49.5%	\$3,175.2	223.6%



**Schedule of Employer Contributions**  
**(As required by GASB #25)**

<u>Year Ending</u> <u>June 30,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
(1)	(2)	(3)
1996	\$434,728,781	40.8%
1997	\$446,459,961	62.0%
1998	\$446,219,296	59.1%
1999	\$456,864,002	53.5%
2000	\$455,265,033	60.6%
2001	\$451,463,258	72.7%
2002	\$556,201,571	65.6%
2003	\$585,168,488	61.9%
2004	\$534,811,845	70.2%
2005	\$722,095,783	56.2%

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**Notes to Required Supplementary Information**  
**(as required by GASB #25)**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Percent of Pay, 30 year, open period
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increase *	4.25% to 6.00%
* Includes inflation at:	3.00%
Cost of living adjustment	1.00%

Membership Data

	June 30, 2005 (1)	June 30, 2004 (2)
1. Active members		
a. Number	84,286	81,683
b. Total payroll supplied by System	\$ 3,175,161,612	\$ 3,030,749,000
c. Average salary	\$ 37,671	\$ 37,104
d. Average age	45.6	45.6
e. Average service	11.6	11.8
2. Vested inactive members		
a. Number	6,008	5,731
b. Total annual deferred benefits	\$ 43,694,160	\$ 41,353,072
c. Average annual deferred benefit	\$ 7,273	\$ 7,216
3. Nonvested inactive members		
a. Number	7,072	7,536
b. Member contributions with interest due	\$ 24,940,262	\$ 21,707,856
c. Average refund due	\$ 3,527	\$ 2,881
4. Service retirees		
a. Number	37,650	36,508
b. Total annual benefits <sup>1</sup>	\$ 633,232,293	\$ 587,867,333
c. Average annual benefit	\$ 16,819	\$ 16,102
5. Special service retirees		
a. Number	159	201
b. Total annual benefits <sup>1</sup>	\$ 356,642	\$ 433,046
c. Average annual benefit	\$ 2,243	\$ 2,154
6. Disabled retirees		
a. Number	1,378	1,327
b. Total annual benefits <sup>1</sup>	\$ 14,507,143	\$ 13,479,454
c. Average annual benefit	\$ 10,528	\$ 10,158
7. Beneficiaries and spouses		
a. Number	1,692	1,557
b. Total annual benefits <sup>1</sup>	\$ 22,954,816	\$ 20,049,437
c. Average annual benefit	\$ 13,567	\$ 12,877

<sup>1</sup> Benefit amounts exclude the supplemental medical insurance payment

**TABLE 5b**

**Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 2005**

**Historical Summary of Active Member Data**

Valuation as of June 30, (1)	Active Members		Covered Payroll		Average Salary		Average Age (8)	Average Service Years (9)
	Number (2)	Percent Increase (3)	Amount in \$ Millions (4)	Percent Increase (5)	\$ Amount (6)	Percent Increase (7)		
1990	69,062	2.0%	1,745	8.4%	25,265	5.0%	43.1	10.5
1991	71,936	4.2%	1,921	10.1%	26,709	5.7%	43.1	10.5
1992	73,568	2.3%	2,002	4.2%	27,218	1.9%	43.3	10.6
1993	75,599	2.8%	2,122	6.0%	28,069	3.1%	43.4	10.7
1994	76,280	0.9%	2,190	3.2%	28,704	2.3%	43.6	10.8
1995	79,044	3.6%	2,336	6.7%	29,555	3.0%	43.6	10.7
1996	78,942	(0.1%)	2,375	1.7%	30,091	1.8%	44.0	11.1
1997	79,510	0.7%	2,429	2.3%	30,546	1.5%	44.2	11.2
1998	80,578	1.3%	2,538	4.5%	31,493	3.1%	44.3	11.2
1999	81,851	1.6%	2,648	4.3%	32,356	2.7%	44.4	11.2
2000	83,024	1.4%	2,738	3.4%	32,982	1.9%	44.5	11.0
2001	84,387	1.6%	2,991	9.2%	35,438	7.4%	44.7	11.0
2002	85,366	1.2%	3,047	1.9%	35,695	0.7%	44.9	11.1
2003	83,127	(2.6%)	3,046	(0.0%)	36,639	2.6%	45.3	11.5
2004	81,683	(1.7%)	3,031	(0.5%)	37,104	1.3%	45.6	11.8
2005	84,286	3.2%	3,175	4.8%	37,671	1.5%	45.6	11.6

**Plan Net Assets**  
**(Assets at Market or Fair Value)**

Item (1)	Valuation as of	
	June 30, 2005 (2)	June 30, 2004 (3)
1. Cash and cash equivalents	\$ 5,865,559	\$ 6,466,943
2. Receivables		
a. Employer and member contributions	\$ 36,439,084	\$ 33,490,888
b. State contribution	16,964,703	13,848,383
c. Net investment income and other accruals	<u>(148,165,641)</u>	<u>(104,346,915)</u>
d. Total receivables	\$ (94,761,854)	\$ (57,007,644)
3. Investments		
a. Invested cash and other	\$ 370,052,039	\$ 514,478,967
b. Domestic equities	4,027,784,349	3,605,558,746
c. International equities	1,228,377,976	1,316,719,833
d. Fixed income	2,068,431,073	1,626,234,061
e. Real estate, furniture & equipment	<u>320,400</u>	<u>287,256</u>
f. Total investments	\$ 7,694,965,837	\$ 7,063,278,863
4. Total assets	\$ 7,606,069,542	\$ 7,012,738,162
5. Liabilities		
a. Benefits payable	\$ 55,876,956	\$ 51,839,878
b. Insurance premium payable	2,515,082	2,584,929
c. Expenses	<u>6,713,569</u>	<u>6,535,487</u>
d. Total liabilities	\$ 65,105,607	\$ 60,960,294
6. Net assets available (Item 4 - Item 5)	\$ 7,540,963,935	\$ 6,951,777,868
7. Less: Teachers' Deposit Fund	(302,876,611)	(285,288,429)
8. Net assets available for OTRS benefits	\$ 7,238,087,324	\$ 6,666,489,439

**Distribution of Assets at Market Value  
 (Percentage of Total Investments)**

Item (1)	Valuation as of	
	June 30, 2005 (2)	June 30, 2004 (3)
a. Invested cash and other	4.81%	7.28%
b. Domestic equities	52.34%	51.05%
c. International equities	15.96%	18.64%
d. Fixed income	26.88%	23.02%
e. Real estate, furniture & equipment	0.01%	0.01%
f. Total investments	100.00%	100.00%

Reconciliation of Plan Net Assets

	Year Ending	
	June 30, 2005 (1)	June 30, 2004 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	\$ 6,666,489,439	\$ 5,614,063,958
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	\$ 235,048,239	\$ 233,121,332
ii. Federal matching funds	14,047,582	13,042,355
iii. State contribution	163,919,337	143,100,533
iv. Employer/district contributions	227,791,719	219,126,867
v. Total	\$ 640,806,877	\$ 608,391,087
b. Net investment earnings		
i. Interest, dividends and other income	\$ 186,376,250	\$ 150,983,793
ii. Net appreciation/(depreciation)	528,399,334	1,048,927,967
iii. Less: investment expenses	(22,819,283)	(21,573,692)
iv. Less: transfers to Teachers' Deposit Fund	(28,301,788)	(49,511,384)
v. Net investment earnings	\$ 663,654,513	\$ 1,128,826,684
c. Total revenue	\$ 1,304,461,390	\$ 1,737,217,771
3. Expenditures for the year		
a. Refunds	\$ 26,755,453	\$ 33,662,984
b. Benefit payments, including insurance payments	701,895,788	647,277,986
c. Administrative expenses	4,212,264	3,851,320
d. Total expenditures	\$ 732,863,505	\$ 684,792,290
4. Increase in net assets (Item 2 - Item 3)	\$ 571,597,885	\$ 1,052,425,481
5. Market value of assets at end of year, net of Teachers' Deposit Fund (Item 1 + Item 4)	\$ 7,238,087,324	\$ 6,666,489,439

**Development of Actuarial Value of Assets**

	<u>Year Ending June 30, 2005</u>																												
1. Market value of assets at beginning of year	\$ 6,666,489,439																												
2. Net new investments																													
a. Contributions	\$ 640,806,877																												
b. Benefits paid	(701,895,788)																												
c. Refunds	<u>(26,755,453)</u>																												
d. Subtotal	(87,844,364)																												
3. Market value of assets at end of year	\$ 7,238,087,324																												
4. Net earnings (3-1-2)	\$ 659,442,249																												
5. Assumed investment return rate	8.00%																												
6. Expected return	\$ 529,805,381																												
7. Excess return (4-6)	\$ 129,636,869																												
8. Excess return on assets for last four years :																													
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Period End</u></th> <th style="text-align: center;"><u>Excess Return</u></th> <th style="text-align: center;"><u>Percent Deferred</u></th> <th style="text-align: right;"><u>Deferred Amount</u></th> </tr> <tr> <td></td> <th style="text-align: center;">(2)</th> <th style="text-align: center;">(3)</th> <th style="text-align: center;">(4)</th> </tr> </thead> <tbody> <tr> <td>a. June 30, 2002</td> <td style="text-align: right;">(771,138,521)</td> <td style="text-align: center;">20%</td> <td style="text-align: right;">\$ (154,227,704)</td> </tr> <tr> <td>b. June 30, 2003</td> <td style="text-align: right;">(178,333,513)</td> <td style="text-align: center;">40%</td> <td style="text-align: right;">(71,333,405)</td> </tr> <tr> <td>c. June 30, 2004</td> <td style="text-align: right;">678,752,243</td> <td style="text-align: center;">60%</td> <td style="text-align: right;">407,251,346</td> </tr> <tr> <td>d. June 30, 2005</td> <td style="text-align: right;">129,636,869</td> <td style="text-align: center;">80%</td> <td style="text-align: right;"><u>103,709,495</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">\$ 285,399,732</td> </tr> </tbody> </table>	<u>Period End</u>	<u>Excess Return</u>	<u>Percent Deferred</u>	<u>Deferred Amount</u>		(2)	(3)	(4)	a. June 30, 2002	(771,138,521)	20%	\$ (154,227,704)	b. June 30, 2003	(178,333,513)	40%	(71,333,405)	c. June 30, 2004	678,752,243	60%	407,251,346	d. June 30, 2005	129,636,869	80%	<u>103,709,495</u>				\$ 285,399,732
<u>Period End</u>	<u>Excess Return</u>	<u>Percent Deferred</u>	<u>Deferred Amount</u>																										
	(2)	(3)	(4)																										
a. June 30, 2002	(771,138,521)	20%	\$ (154,227,704)																										
b. June 30, 2003	(178,333,513)	40%	(71,333,405)																										
c. June 30, 2004	678,752,243	60%	407,251,346																										
d. June 30, 2005	129,636,869	80%	<u>103,709,495</u>																										
			\$ 285,399,732																										
9. Actuarial value of assets (Item 3 - Item 8)	\$ 6,952,687,592																												
10. Actuarial value as percentage of market value	96.1%																												



Estimation of Yields

	Year Ending	
	June 30, 2005 (1)	June 30, 2004 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 6,666,489,439	\$ 5,614,063,958
2. Net investment income (including realized and unrealized gains and losses)	\$ 663,654,513	\$ 1,128,826,684
3. End of year market assets	\$ 7,238,087,324	\$ 6,666,489,439
4. Estimated dollar weighted market value yield	10.0%	20.2%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 6,660,918,318	\$ 6,436,852,137
2. Actuarial return	\$ 379,613,638	\$ 296,616,064
3. End of year actuarial assets	\$ 6,952,687,592	\$ 6,660,918,318
4. Estimated actuarial value yield	5.7%	4.6%

**TABLE 10**

**Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 2005**

**History of Cash Flow**

Year Ending June 30, (1)	Contributions (2)	Benefit Payments (3)	Refunds (4)	Administrative Expenses (5)	Total (6)	External Cash Flow for the Year <sup>1</sup> (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
1996	321.0	(396.1)	(18.1)	(2.2)	(416.4)	(95.4)	3,325	(2.9%)
1997	443.2	(418.0)	(20.1)	(2.4)	(440.5)	2.7	4,041	0.1%
1998	444.8	(439.2)	(23.0)	(3.3)	(465.5)	(20.7)	4,884	(0.4%)
1999	435.0	(479.6)	(24.5)	(2.7)	(506.9)	(71.8)	5,387	(1.3%)
2000	471.8	(500.3)	(29.5)	(3.0)	(532.7)	(60.9)	5,890	(1.0%)
2001	544.8	(537.3)	(31.4)	(3.5)	(572.2)	(27.4)	5,732	(0.5%)
2002	591.5	(561.2)	(26.7)	(3.9)	(591.9)	(0.4)	5,418	(0.0%)
2003	582.5	(609.0)	(30.2)	(4.0)	(643.2)	(60.7)	5,614	(1.1%)
2004	608.4	(647.3)	(33.7)	(3.9)	(684.9)	(76.5)	6,666	(1.1%)
2005	640.8	(701.9)	(26.8)	(4.2)	(732.9)	(92.1)	7,238	(1.3%)

Dollar amounts in millions

<sup>1</sup> Column (7) = Column (2) + Column (6).

**Investment Experience Gain or Loss**

Item (1)	Year Ending June 30, 2005 (2)	Year Ending June 30, 2004 (3)
1. Actuarial assets, beginning of year	\$ 6,660,918,318	\$ 6,436,852,137
2. Contributions during year	\$ 640,806,877	\$ 608,391,087
3. Benefits and refunds paid	\$ (728,651,241)	\$ (680,940,970)
4. Assumed net investment income at 8%		
a. Beginning of year assets	\$ 532,873,465	\$ 514,948,171
b. Contributions	25,632,275	24,335,643
c. Benefits and refunds paid	<u>(29,146,050)</u>	<u>(27,237,639)</u>
d. Total	\$ 529,359,690	\$ 512,046,175
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 7,102,433,644	\$ 6,876,348,429
6. Actual actuarial assets, end of year	\$ 6,952,687,592	\$ 6,660,918,318
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ (149,746,052)	\$ (215,430,111)

**Total Experience Gain or Loss**

Item (1)	Year Ending June 30, 2005 (2)	Year Ending June 30, 2004 (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 7,419,230,014	\$ 5,488,309,552
2. Normal cost for the year (employer and employee)	\$ 339,379,553	\$ 309,364,704
3. Less: total contributions for the year	\$ (640,806,877)	\$ (608,391,087)
4. Interest at 8 %		
a. On UAAL	\$ 593,538,401	\$ 439,064,764
b. On normal cost	13,575,182	12,374,588
c. On contributions	<u>(25,632,275)</u>	<u>(24,335,643)</u>
d. Total	\$ 581,481,308	\$ 427,103,709
5. Expected UAAL (Sum of Items 1 - 4)	\$ 7,699,283,998	\$ 5,616,386,878
6. Actual UAAL	\$ 7,099,746,469	\$ 7,419,230,014
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ 599,537,529	\$ (1,802,843,136)
B. Source of gains and losses		
8. Asset gain (loss) for the year	\$ (149,746,052)	\$ (215,430,111)
9. Liability gain (loss) for the year	27,992,764	6,297,973
10. Legislation changes	-	(537,905,575)
11. Assumption changes (Experience Study)	<u>721,290,817</u>	<u>(1,055,805,423)</u>
13. Total	\$ 599,537,529	\$ (1,802,843,136)

**Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)**

Basis	June 30, 2005 UAAL (in \$ Millions)	June 30, 2004 UAAL (in \$ Millions)
1 From prior valuation	\$ 7,419.2	\$ 5,488.3
2 Impact of changes, gains and losses		
a. Expected increase based on statutory contributions and passage of time	321.8	147.2
b. Liability (gain)/loss	(28.0)	(6.3)
c. Asset (gain)/loss	149.7	215.4
d. Impact of actual ctrb greater than expected under schedule	(41.7)	(19.1)
e. Legislative changes	0.0	537.9
f. Assumption changes (Change due to revised actuarial assumptions from 2005 experience study)	<u>(721.3)</u>	<u>1,055.8</u>
g. Total	(319.5)	1,930.9
3. Current UAAL (1+2h)	\$ 7,099.7	\$ 7,419.2

**Projection of UAAL**

	<u>Valuation Date</u> (1)	<u>UAAL</u> (Millions) (2)	
A. Actual	June 30, 1993	\$ 3,887.7	
	June 30, 1994	4,038.8	
	June 30, 1995	4,610.5	
	June 30, 1996	4,740.2	
	June 30, 1997	4,712.3	
	June 30, 1998	4,806.2	
	June 30, 1999	4,750.5	
	June 30, 2000	4,635.7	
	June 30, 2001	5,632.1	
	June 30, 2002	5,965.0	
	June 30, 2003	5,488.3	
	June 30, 2004	7,419.2	
	June 30, 2005	7,099.7	
	B. Projected	June 30, 2006	\$ 7,340.3
		June 30, 2007	7,556.8
June 30, 2008		7,748.1	
June 30, 2009		7,940.1	
June 30, 2010		8,132.6	
June 30, 2011		8,325.0	
June 30, 2012		8,516.8	
June 30, 2013		8,707.2	
June 30, 2014		8,895.8	
June 30, 2015		9,081.6	
June 30, 2016		9,263.9	
June 30, 2017		9,441.8	
June 30, 2018		9,614.1	
June 30, 2019		9,779.9	
June 30, 2020		9,937.8	
June 30, 2021	10,086.4		
June 30, 2022	10,224.3		
June 30, 2023	10,349.9		
June 30, 2024	10,461.2		
June 30, 2025	10,556.4		

Projection of UAAL (cont.)

<u>Valuation Date</u> (1)	<u>UAAL</u> <u>(Millions)</u> (2)
June 30, 2026	\$ 10,633.2
June 30, 2027	10,689.3
June 30, 2028	10,722.1
June 30, 2029	10,728.7
June 30, 2030	10,706.1
June 30, 2031	10,650.8
June 30, 2032	10,559.2
June 30, 2033	10,427.3
June 30, 2034	10,250.5
June 30, 2035	10,024.3
June 30, 2036	9,743.4
June 30, 2037	9,402.1
June 30, 2038	8,994.2
June 30, 2039	8,513.1
June 30, 2040	7,951.5
June 30, 2041	7,301.5
June 30, 2042	6,554.5
June 30, 2043	5,701.1
June 30, 2044	4,731.2
June 30, 2045	3,633.9
June 30, 2046	2,397.0
June 30, 2047	1,007.8
June 30, 2048	(547.9)

TABLE 14

Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 2005

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

June 30,	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits		Actuarial Value of Assets		Portion of Accrued Liabilities Covered by Assets	
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	(1)	(2)	(3)	(4)
1994	1,467.9	67%	3,187.5	146%	102.5	5%	1,978.1	90%	2,697.2	100%	39%	0%
1995	1,628.4	70%	3,409.3	146%	96.7	4%	2,346.0	100%	2,869.9	100%	36%	0%
1996	1,799.1	76%	3,586.3	151%	106.7	4%	2,351.1	99%	3,103.0	100%	36%	0%
1997	1,967.9	81%	3,797.8	156%	114.4	5%	2,377.1	98%	3,544.9	100%	42%	0%
1998	2,143.4	84%	4,195.9	165%	125.7	5%	2,426.3	96%	4,085.0	100%	46%	0%
1999	2,330.6	88%	4,415.0	167%	136.4	5%	2,576.5	97%	4,708.0	100%	54%	0%
2000	2,518.2	92%	4,803.8	175%	151.1	6%	2,536.1	93%	5,373.5	100%	59%	0%
2001	2,728.4	91%	5,459.6	183%	173.1	6%	3,230.0	108%	5,959.0	100%	59%	0%
2002	2,934.3	96%	5,959.9	196%	184.9	6%	3,196.8	105%	6,310.9	100%	57%	0%
2003	3,072.8	101%	5,894.0	194%	191.0	6%	2,767.4	91%	6,436.9	100%	57%	0%
2004	3,212.9	106%	6,899.0	228%	284.7	9%	3,683.6	122%	6,660.9	100%	50%	0%
2005	3,381.7	107%	7,046.5	222%	301.4	9%	3,322.9	105%	6,952.7	100%	51%	0%



Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 2005

Distribution of Active Members by Age and by Years of Service  
As of 06/30/2005

Attained Age	Years of Credited Service													Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over		
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	
Under 25	268 \$20,246	713 \$27,302	160 \$25,805	34 \$19,856	15 \$19,662	9 \$23,271	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	1,199 \$25,188
25-29	371 \$19,929	1,666 \$29,113	1,025 \$31,326	946 \$31,841	880 \$31,722	990 \$32,331	2 \$15,114	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	5,880 \$30,286
30-34	344 \$17,472	1,060 \$28,791	704 \$33,544	706 \$33,943	830 \$34,733	3,992 \$34,657	718 \$37,108	2 \$31,878	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	8,356 \$33,269
35-39	354 \$15,729	971 \$28,679	605 \$32,268	656 \$35,104	725 \$35,229	2,938 \$36,501	2,715 \$38,602	738 \$38,670	6 \$35,472	0 \$0	0 \$0	0 \$0	0 \$0	9,708 \$35,260
40-44	356 \$15,282	880 \$27,194	597 \$30,663	602 \$31,198	745 \$34,443	2,998 \$35,897	2,172 \$39,366	2,258 \$41,613	797 \$43,300	10 \$53,047	0 \$0	0 \$0	0 \$0	11,415 \$36,289
45-49	305 \$15,138	778 \$27,393	510 \$29,166	503 \$32,593	644 \$32,471	2,904 \$34,924	2,469 \$37,950	2,004 \$42,774	2,372 \$44,820	1,196 \$45,947	8 \$57,542	0 \$0	0 \$0	13,693 \$38,025
50-54	230 \$16,828	628 \$29,952	384 \$32,083	390 \$33,966	532 \$36,486	2,440 \$35,443	2,370 \$38,078	2,436 \$40,359	2,013 \$46,389	2,696 \$48,042	834 \$50,512	0 \$0	0 \$0	14,953 \$40,642
55-59	174 \$15,600	423 \$28,207	287 \$30,460	253 \$32,912	399 \$35,220	1,607 \$37,854	1,708 \$37,515	2,162 \$40,336	1,847 \$44,268	1,417 \$51,904	1,428 \$53,027	396 \$53,752	0 \$0	12,101 \$42,162
60-64	70 \$14,318	158 \$26,543	119 \$30,304	108 \$27,750	146 \$31,191	692 \$34,144	790 \$37,911	994 \$38,505	741 \$42,612	537 \$50,721	428 \$60,962	447 \$64,564	0 \$0	5,230 \$42,442
65 & Over	52 \$12,029	69 \$24,905	41 \$20,773	62 \$22,965	6600.0% \$25,102	234 \$28,362	285 \$30,848	281 \$39,471	192 \$39,087	142 \$46,296	111 \$60,652	216 \$84,077	0 \$0	1,751 \$40,987
Total	2,524 \$16,905	7,346 \$28,346	4,432 \$31,154	4,260 \$32,619	4,982 \$33,887	18,804 \$35,334	13,229 \$38,079	10,875 \$40,751	7,968 \$44,586	5,998 \$48,743	2,809 \$53,804	1,059 \$64,501	0 \$0	84,286 \$37,671

## Summary of Actuarial Assumptions and Methods

### *I. Valuation Date*

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

### *II. Actuarial Cost Method*

Because the employer contribution rate is set by statute, the actuarial valuation is used to determine the funding period--the number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL). It is also used to calculate the Annual Required Contribution (ARC) as defined by GASB 25.

The actuarial valuation uses the Entry Age actuarial cost method. Under this method, a normal cost rate is first determined. This is the contribution rate (level as a percentage of pay) required to provide the benefits of the average new member. The normal cost rate consists of two pieces: (i) the member's own contribution rate, and (ii) a portion of the employer contribution rate. This second piece is called the employer normal cost rate.

The total normal cost is determined by dividing the present value of future benefits for a hypothetical group of new members by the present value of their future pay. In calculating the benefits for this group, all changes in provisions or member contribution rates scheduled to occur in the future are assumed to already be in effect. The hypothetical group of new entrants was reset in the 2005 experience study, based on actual new members joining during FY 2001 through FY 2005.

Next, the UAAL is determined. This is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution that is not used for the employer normal cost is applied to amortize the UAAL.

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that the System's payroll increases at the payroll growth rate and the State's contribution increases at the State's revenue growth rate. Both employer and member contributions are assumed to be made monthly.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

The actuarial valuation also determines the GASB Annual Required Contribution (ARC). This is the contribution required to pay the normal cost and amortize the UAAL over 30 years as a level percent of pay. The 30-year period applies to all components of the UAAL and is recalculated each year (open amortization method).

III. Actuarial Value of Assets

The actuarial value of assets is equal to the market value, adjusted for a five-year phase in of actual investment return in excess of expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds.

IV. Actuarial Assumptions

A. Economic Assumptions

1. Investment return: 8% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% net real rate of return.
2. Salary increase rate: A merit/promotional component dependent on service, plus a 3% inflation component, plus a 1.25% productivity increase, as follows:

<u>Years of Service</u>	<u>Merit/ Promotional Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	1.75%	6.00%
1	1.50%	5.75
2	1.00%	5.25
3	1.00%	5.25
4	1.00%	5.25
5	0.75%	5.00
6	0.50%	4.75
7	0.50%	4.75
8	0.50%	4.75
9	0.50%	4.75
10	0.25%	4.50
11	0.25%	4.50
12	0.25%	4.50
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year.
5. Future ad hoc cost-of-living increases: 1.0% per year

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

- a. Healthy males - 1994 Unisex Pension Mortality Table for males, set back one year.
- b. Healthy females - 1994 Unisex Pension Mortality Table for females, set back one year.
- c. Disabled males - PBGC Table Va for disabled males eligible for Social Security disability benefits weighted by 80%.
- d. Disabled females - PBGC Table VIa for disabled females eligible for Social Security disability benefits.

Sample rates are shown below:

Age	Expected Deaths per 100 Lives			
	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(4)
40	0.11	0.07	2.26	2.09
45	0.16	0.10	2.58	2.24
50	0.25	0.14	3.06	2.57
55	0.43	0.22	3.86	2.95
60	0.76	0.42	4.82	3.31
65	1.39	0.82	5.42	3.70
70	2.34	1.37	5.91	4.11
75	3.66	2.19	6.74	4.92
80	6.01	3.80	9.02	7.46

2. Mortality rates - active members - Based on 1989 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Deaths per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.04	.02
30	.06	.04
35	.08	.06
40	.11	.08
45	.16	.11
50	.23	.16
55	.32	.23
60	.43	.32
65	.59	.43

3. Disability rates - Based on 2005 Experience Study, males and females separate. Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.025	.025
30	.025	.025
35	.035	.050
40	.065	.125
45	.100	.200
50	.300	.300
55	.450	.420
60	.175	.420
65	.000	.000

Disability rates are applied only for members with 10 or more years of service, since rates were developed based on exposure for this group.

4. Termination Rates - Separate male and female rates, based on both age and service, developed from the 2005 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

a. During the first ten years of Credited Service:

Expected Terminations per 100 Lives		
Credited Service (Years)	Males	Females
(1)	(2)	(3)
0	34.00	24.00
1	19.00	16.00
2	14.00	12.25
3	11.50	10.50
4	9.50	9.00
5	7.75	7.75
6	6.75	6.75
7	6.00	6.00
8	5.50	5.00
9	5.00	4.00

b. With 10 or More Years of Credited Service:

Expected Terminations per 100 Lives		
Age	Males	Females
(1)	(2)	(3)
25	4.74	7.01
30	4.10	5.09
35	3.51	3.66
40	2.97	2.74
45	2.51	2.34
50	2.09	2.08
55	1.66	1.63
60	1.32	1.14
65	1.28	0.82

Termination rates are not applied to a member who is eligible for a retirement benefit (reduced or unreduced).

5. Retirement rates - Separate male and female rates, based on age, developed from the 2005 Experience Study. Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Male	Female	Male	Female
49	00	00	0	0
50	20	20	0	0
51	20	20	0	0
52	20	20	0	0
53	20	20	0	0
54	15	20	0	0
55	15	20	1	2
56	15	20	1	2
57	15	20	2	2
58	15	20	2	2
59	15	20	3	2
60	15	20	4	5
61	15	20	4	5
62	25	30		
63	20	25		
64	20	20		
65	30	40		
66	25	25		
67	25	25		
68	20	20		
69	20	20		
70	100	100		

C. Other Assumptions

1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund.

4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years of credited service are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

V. Participant Data

Participant data was supplied on an electronic file for (i) active members, (ii) inactive vested members who are entitled to a future deferred benefit, (iii) inactive nonvested members who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

The data for active and inactive, non-retired members included birthdate, sex, years of service, a classified/non-classified status code, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to indicate whether the employee had elected to make contributions on salary above \$25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.



Salary supplied for the current year was based on the earnings for the October preceding the valuation date. This salary was adjusted by the salary increase rate for one year, and limited by the maximum pay where appropriate.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Some inactive, nonvested employees who are entitled to a refund are not included in the data, but a liability for their refund is included instead in the Suspense Fund, which is included in the liability.

VI. Dates of Adoption of Assumptions and Methods

Generally, actuarial assumptions and methods were developed from the 2005 experience study, and were adopted by the Board of Trustees in August 2005 and first reflected in the June 30, 2005 actuarial valuation. The adopted assumptions were recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 1999, including female mortality for disabled retirees, the investment return rate, and active member mortality for males and females.

Since the June 30, 2004 valuation, there is an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding, and these would average 1.00% per year.

**Addendum to June 30, 2005 Actuarial Valuation**

**Certification**

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2004, for the plan year ending June 30, 2005. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on July 1, 2004.

The valuation is based on employee and financial data which were provided by the Oklahoma Teachers' Retirement System and the independent auditor, respectively, and which are summarized in this report.

The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Commission, based on the following prescribed assumptions (70 O.S. 2001, Section 17-106.1, Section H):

Interest rate: 7.5%

COLA assumption: 2.0%

Mortality: RP 2000 Generational Mortality Tables (active members, healthy annuitants, and disabled annuitants)

Amortization period: 30 years, open period

Sources of all contributions and revenues, including dedicated tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the June 30, 2005 valuation.

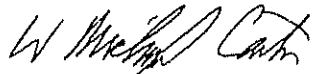
The results shown in this Addendum are not consistent with those in the June 30, 2005 valuation. The June 30, 2005 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards of Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations.

The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board. For those results, see the June 30, 2005 actuarial valuation.


We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

  
\_\_\_\_\_  
J. Christian Conradi, ASA, MAAA, EA

October 26, 2005

  
\_\_\_\_\_  
W. Michael Carter, FSA, MAAA, EA

October 26, 2005

  
\_\_\_\_\_  
William B. Fornia, FSA, MAAA, EA

October 26, 2005

**Summary of Valuation Results Under Prescribed Assumptions**

This supplemental report has been prepared by Gabriel, Roeder, Smith & Company for the Oklahoma Teachers' Retirement System to present the results of a valuation of the Oklahoma Teachers' Retirement System as of June 30, 2005, based on the prescribed assumptions under 70 O.S. 2001, Section 17-106.1, Section H of current State Statutes and regulations issued thereunder.

A summary of principal valuation results from the current valuation and the prior valuation.

	Actuarial Valuation as of		Change Between Years	
	June 30, 2005	June 30, 2004	Amount	Percent
<b>Summary of Costs</b>				
Required State Contribution for Current Year under Prescribed Assumptions	\$730,904,901	\$717,349,127	\$13,555,774	1.89%
Actual State Contribution Received in Prior Year	\$163,919,337	\$143,100,533	\$20,818,804	14.55%

<b>Funded Status</b>				
Actuarial Accrued Liability	\$16,144,811,021	\$15,861,120,669	\$283,690,352	1.79%
Actuarial Value of Assets	\$6,952,687,592	\$6,660,918,318	\$291,769,274	4.38%
Unfunded Actuarial Accrued Liability	\$9,192,123,429	\$9,200,202,351	-\$8,078,922	-0.09%

<b>Market Value of Assets and Additional Liabilities</b>				
Market Value of Assets	\$7,238,087,324	\$6,666,489,439	\$571,597,885	8.57%
Present Value of Projected System Benefits	\$19,491,327,483	\$19,158,355,942	\$332,971,541	1.74%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	June 30, 2005		June 30, 2004		
	Amount	% of Active Covered Comp	Amount	% of Active Covered Comp	
1. Payroll					
a. Supplied by system	\$3,175,161,612		\$3,030,749,000		4.76%
b. Adjusted for 1-year's pay increase	\$3,323,397,002		\$3,163,354,010		5.06%
c. Adjusted for 1-year's pay increase with pay caps	\$3,279,424,196		\$3,110,720,010		5.42%
2. Total Normal Cost Mid-Year	\$419,498,676	12.79%	\$414,036,833	13.31%	1.32%
3. Unfunded Actuarial Accrued Liability	\$9,192,123,429		\$9,200,202,351		-0.09%
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years from July 1, 2005	\$788,020,125	24.03%	\$753,431,456	24.22%	4.59%
5. Total Required Contribution under Prescribed Assumptions (2+4)	\$1,207,518,801	36.82%	\$1,167,468,289	37.53%	3.43%
6. Estimated Employee Contribution (7% x 1c)	\$229,559,694	7.00%	\$217,750,401	7.00%	5.42%
7. Estimated local employer and Federal contributions					
a. Local employers (7.05%)	\$231,199,406	7.05%	\$219,305,761	7.05%	5.42%
b. Federal	\$15,854,800	0.48%	\$13,063,000	0.42%	21.37%
c. Total	\$247,054,206	7.53%	\$232,368,761	7.47%	6.32%
8. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2005 (5 - 6 - 7c)	\$730,904,901	22.29%	\$717,349,127	23.06%	1.89%
9. Previous year's actual State Contribution	\$163,919,337	5.27%	\$143,100,533	4.58%	14.55%
10. Funding period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

**Unfunded Actuarial Accrued Liability**

The actuarial accrued liability is the present value of projected system benefits allocated to past service by the actuarial funding method being used.

	Total System	
	June 30, 2005	June 30, 2004
1. Actuarial Present Value of Benefits		
a. Active members	\$ 11,286,997,374	\$ 11,315,970,003
b. Inactives	346,072,986	303,852,234
c. Retirees and beneficiaries	7,858,257,123	7,538,533,705
d. Total	19,491,327,483	19,158,355,942
2. Actuarial Present Value of Future Normal Costs	\$ 3,346,516,462	\$ 3,297,235,273
3. Total Actuarial Accrued Liability (1d - 2)	\$ 16,144,811,021	\$ 15,861,120,669
4. Actuarial Value of Assets	\$ 6,952,687,592	\$ 6,660,918,318
5. Unfunded Actuarial Accrued Liability (3-4, not less than \$0)	\$ 9,192,123,429	\$ 9,200,202,351

**Normal Cost**

The components of normal cost under the System's funding method are:

Component	June 30, 2005	June 30, 2004
Retirement Benefits	\$ 317,300,185	\$ 319,470,945
Withdrawal Benefits	47,527,179	37,328,640
Active Death Benefits	7,272,970	4,666,080
Refunds	21,974,013	25,818,976
Supplemental Medical Insurance	10,168,539	11,509,664
Post Retirement Death Benefits	1,534,280	1,555,360
Disability Benefits	13,721,510	13,687,168
<b>Total Normal Cost (Mid-year)</b>	<b>\$ 419,498,676</b>	<b>\$ 414,036,833</b>
Annual Covered Payroll (with pay caps)	\$ 3,279,424,196	\$ 3,110,720,010
Normal Cost Rate At Mid-year	12.79%	13.31%

**Actuarial Assumptions**

This section presents and describes the actuarial assumptions used for this supplemental valuation. The census of members, market and actuarial value of assets, actuarial basis and provisions of the Plan are the same as described elsewhere in this valuation report. The valuation is based on the premise that the Plan will continue in existence.

**Economic Assumptions**

1. Investment Return (Prescribed) 7.5%, net of investment and administrative expenses, per annum, compound annually.

2. Earnings Progression Sample rates below:

Years of Service	Merit/ Promotional Component	Total Salary Increase Rate
(1)	(2)	(3)
0	1.75%	6.00%
1	1.50%	5.75
2	1.00%	5.25
3	1.00%	5.25
4	1.00%	5.25
5	0.75%	5.00
6	0.50%	4.75
7	0.50%	4.75
8	0.50%	4.75
9	0.50%	4.75
10	0.25%	4.50
11	0.25%	4.50
12	0.25%	4.50
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.

4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year.

5. Future ad hoc cost-of-living increases: We assume that in future years, cost-of-living increases will be granted that will average 2% per year.

**Demographic Assumptions**

1. Retirement rate - Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Male	Female	Male	Female
49	00	00	0	0
50	20	20	0	0
51	20	20	0	0
52	20	20	0	0
53	20	20	0	0
54	15	20	0	0
55	15	20	1	2
56	15	20	1	2
57	15	20	2	2
58	15	20	2	2
59	15	20	3	2
60	15	20	4	5
61	15	20	4	5
62	25	30		
63	20	25		
64	20	20		
65	30	40		
66	25	25		
67	25	25		
68	20	20		
69	20	20		
70	100	100		

2. Mortality rates - Active members – RP-2000 Generational Mortality Tables for active employees, males and females separate, projected with Scale AA.

Retirees (non-disabled) and beneficiaries – RP-2000 Generational Mortality Tables for healthy annuitants, males and females separate, projected with Scale AA.

Disabled retirees – RP-2000 Generational Mortality Tables for disabled annuitants, males and females separate, projected with Scale AA.

3. Disability rates - Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male Members	Female Members
(1)	(2)	(3)
25	.025	.025
30	.025	.025
35	.035	.050
40	.065	.125
45	.100	.200
50	.300	.300
55	.450	.420
60	.175	.420
65	.000	.000

Disability rates are applied only for members with 10 or more years of service, since rates were developed based on exposure for this group.

4. Withdrawal Rates - Sample rates are shown below:

During the first ten years of Credited Service:

Credited Service (Years)	Expected Terminations per 100 Lives	
	Males	Females
(1)	(2)	(3)
0	34.00	24.00
1	19.00	16.00
2	14.00	12.25
3	11.50	10.50
4	9.50	9.00
5	7.75	7.75
6	6.75	6.75
7	6.00	6.00
8	5.50	5.00
9	5.00	4.00



With 10 or More Years of Credited Service:

Expected Terminations per 100 Lives		
Age	Males	Females
(1)	(2)	(3)
25	4.74	7.01
30	4.10	5.09
35	3.51	3.66
40	2.97	2.74
45	2.51	2.34
50	2.09	2.08
55	1.66	1.63
60	1.32	1.14
65	1.28	0.82

Termination rates are not applied to a member who is eligible for a retirement benefit (reduced or unreduced).

5. Marital Status – Percentage married: 80% of employees are assumed to be married.  
 Age Difference: Males are assumed to be three (3) years older than females.

### Other Assumptions

1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

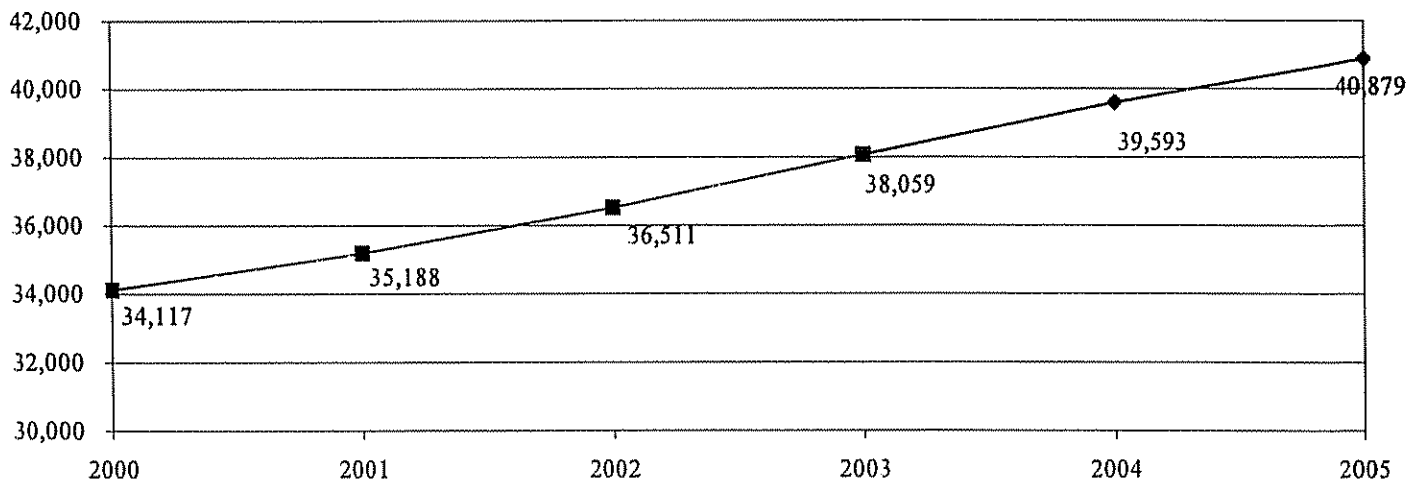
**Schedule of Increases and Decreases  
of Benefit Recipients  
Periods Ended June 30**

Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		% Increase in Annual Allowances	Average Annual Allowances**
	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances		
2000	2,031	\$31,487,149	947	\$11,916,120	34,117	\$471,175,803	4.3%	\$1,199
2001	1,980	40,394,458	909	12,641,988	35,188	498,928,273	5.9%	1,231
2002	2,236	36,595,970	913	12,303,662	36,511	523,220,581	4.9%	1,231
2003	2,521	57,537,594	973	10,798,222	38,059	569,959,953	8.9%	1,304
2004	2,724	49,732,316	1,190	12,334,953	39,593	607,357,316	6.6%	1,315
2005	2,385	\$62,318,530	1,099	\$8,518,211	40,879	\$661,157,635	8.9%	\$1,373

\* Includes post-retirement increases for members who retired in previous years and changes occurring due to plan options which offer a continuing monthly benefit payment to beneficiaries.

\*\* Does not include special annuitants.

**Retired Members**





Schedule of Average Payment Amounts  
Active Personnel

Schedule of Retired Members by Type of Benefits  
Distribution by Years of Service  
Distribution by Age at Retirement  
Distribution by Retiree Age  
Distribution by Monthly Income

Schedule of Cash Receipts and Disbursements  
Schedule of Revenue by Source  
Schedule of Expenses by Type  
Schedule of Benefit Expenses by Type

Retirees in the State of Oklahoma, by County  
2005 Participating Employers

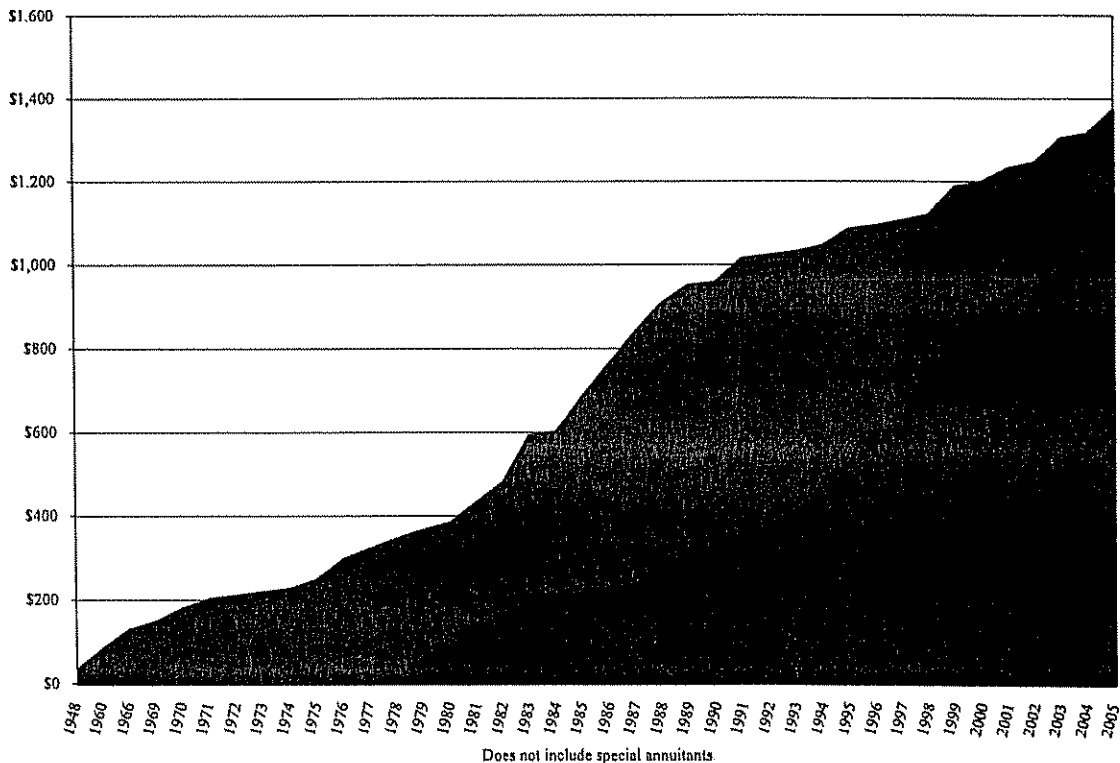


## Schedule of Average Payment Amounts Fiscal Year Ended June 30, 2005

Date	Regular Annuitants	Date	Regular Annuitants	Special Annuitants
June 30, 1948	\$33	June 30, 1985	\$683	
June 30, 1954	75	June 30, 1986	761	\$150
June 30, 1960	83	June 30, 1987	837	159
June 30, 1966	129	June 30, 1988	907	159
June 30, 1969	148	June 30, 1989	949	159
June 30, 1970	179	June 30, 1990	956	159
June 30, 1971	201	June 30, 1991	1,013	159
June 30, 1972	209	June 30, 1992	1,021	159
June 30, 1973	217	June 30, 1993	1,030	159
June 30, 1974	226	June 30, 1994	1,044	159
June 30, 1975	248	June 30, 1995	1,084	163
June 30, 1976	297	June 30, 1996	1,093	163
June 30, 1977	321	June 30, 1997	1,105	163
June 30, 1978	345	June 30, 1998	1,119	163
June 30, 1979	365	June 30, 1999	1,187	172
June 30, 1980	382	June 30, 2000	1,199	172
June 30, 1981	432	June 30, 2001	1,231	175
June 30, 1982	480	June 30, 2002	1,246	175
June 30, 1983	592	June 30, 2003	1,304	175
June 30, 1984	\$600	June 30, 2004	1,304	180
		June 30, 2005	\$1,373	\$187

Note that figures after June 30, 1989 do not include monthly medical premium

### Average Retirement Payments



**Active Personnel**  
**Fiscal Year Ended June 30, 2005**

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 yrs.	23,544	13,242	10,302
5-9	18,804	11,901	6,903
10-14	13,229	9,100	4,129
15-19	10,875	7,309	3,566
20-24	7,968	6,291	1,677
25-29	5,998	5,488	510
30-34	2,809	2,692	117
35-39	919	884	35
40-44	118	111	7
45-49	19	19	0
50-54	3	2	1
Totals	84,286	57,039	27,247

Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	432	192	240
5001-10,000	2,331	238	2,093
10,001-15,000	5,319	399	4,920
15,001-20,000	4,886	965	3,921
20,001-25,000	3,977	678	3,299
25,001-30,000	7,323	4,372	2,951
30,001-35,000	18,208	15,184	3,024
35,001-40,000	14,566	12,507	2,059
40,001-45,000	8,469	7,201	1,268
45,001-50,000	5,145	4,093	1,052
50,001-55,000	3,300	2,605	695
55,001-60,000	2,376	1,894	482
60,001-65,000	1,717	1,383	334
65,001-70,000	1,511	1,265	246
70,001-75,000	1,004	823	181
75,001 and Above	3,722	3,240	482
Totals	84,286	57,039	27,247

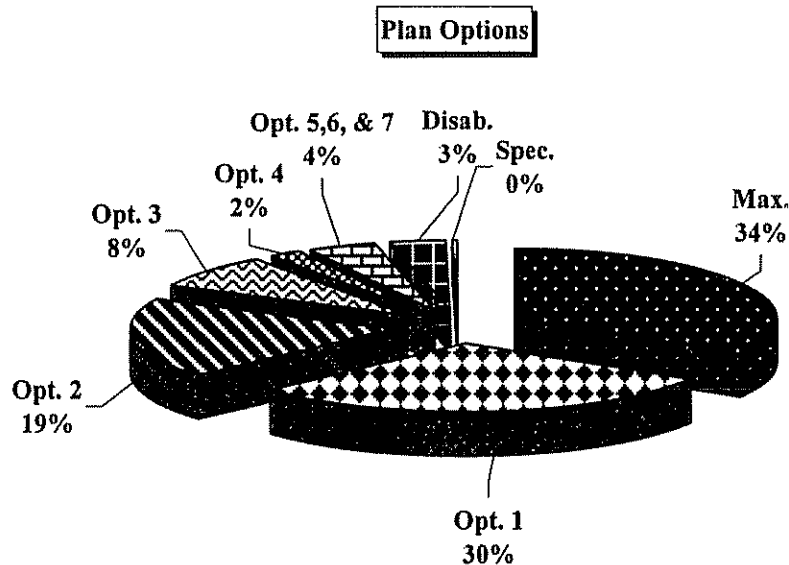
Average Age (years)	45.1	44.5	46.3
Average Salary	\$37,671	\$42,641	\$27,267
Average Service (years)	11.6	13.1	8.5



**Schedule of Retired Members by Type of Benefits  
Selected Plan Options  
Fiscal Year Ended June 30, 2005**

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	2,878	10,880	13,758	\$1,289	34%
Option 1	3,074	9,046	12,120	1,371	30%
Option 2	4,735	2,946	7,681	1,531	19%
Option 3	1,732	1,571	3,303	1,689	8%
Option 4	275	537	812	1,344	2%
Options 5, 6 & 7	1,456	234	1,690	1,130	4%
Disability	386	970	1,356	882	3%
Special Annuitants	13	146	159	187	0%
<b>Totals</b>	<b>14,549</b>	<b>26,330</b>	<b>40,879</b>	<b>\$1,373</b>	<b>100%</b>

Average monthly payment is \$1,373 excluding special annuitants



Maximum - provides for the greatest possible benefit.

Option 1 - provides for a decreased rate of reduction of member's account balance

Option 2 - provides for a reduced monthly benefit to the member for life. Upon death of the member, the designated beneficiary will continue to receive the same monthly benefit for life.

Option 3 - provides a similar benefit as Option 2, however, upon death of the member, the monthly benefit to the designated beneficiary is one-half of the benefit of the member.

Option 4 - provides a reduced monthly benefit. In the event of the member's death within 120 months from the date of retirement, the balance of the payments are continued to the beneficiary designated at the time of retirement.

Options 5, 6 & 7 - represents beneficiaries of options 2, 3 & 4

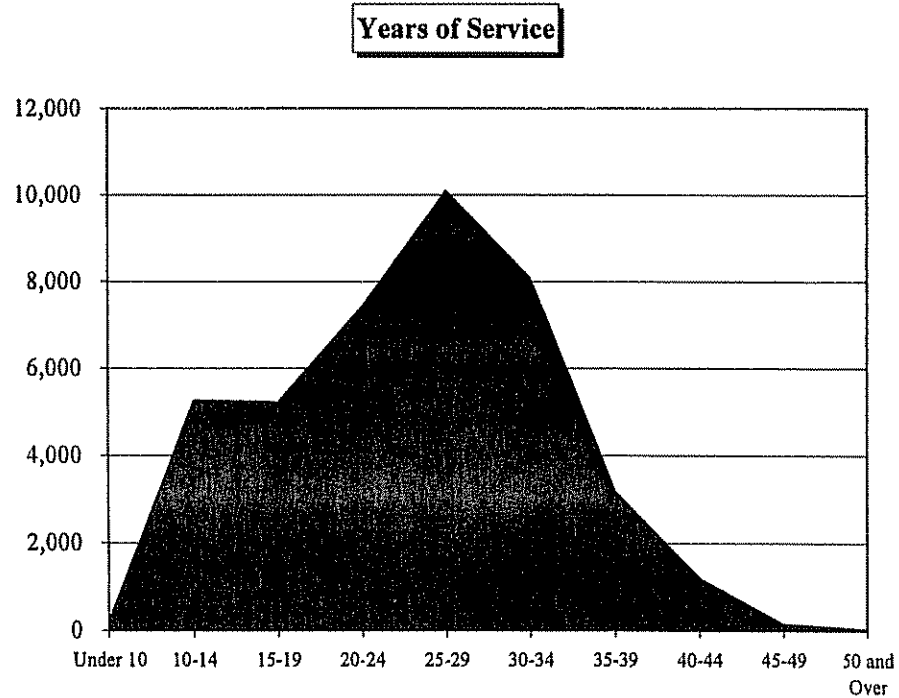
Disability - upon meeting requirements, a vested member may receive a monthly benefit.

Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943

**Distribution by Years of Service  
Fiscal Year Ended June 30, 2005**

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
	Under 10	90	120	
10-14	1,498	3,749	5,247	415
15-19	1,466	3,736	5,202	686
20-24	1,770	5,628	7,398	1,127
25-29	3,368	6,707	10,075	1,621
30-34	3,638	4,444	8,082	1,928
35-39	1,856	1,320	3,176	2,110
40-44	749	430	1,179	2,311
45-49	90	44	134	2,549
50 and Over	11	6	17	3,208
<b>Totals</b>	<b>14,536</b>	<b>26,184</b>	<b>40,720</b>	<b>\$1,373</b>

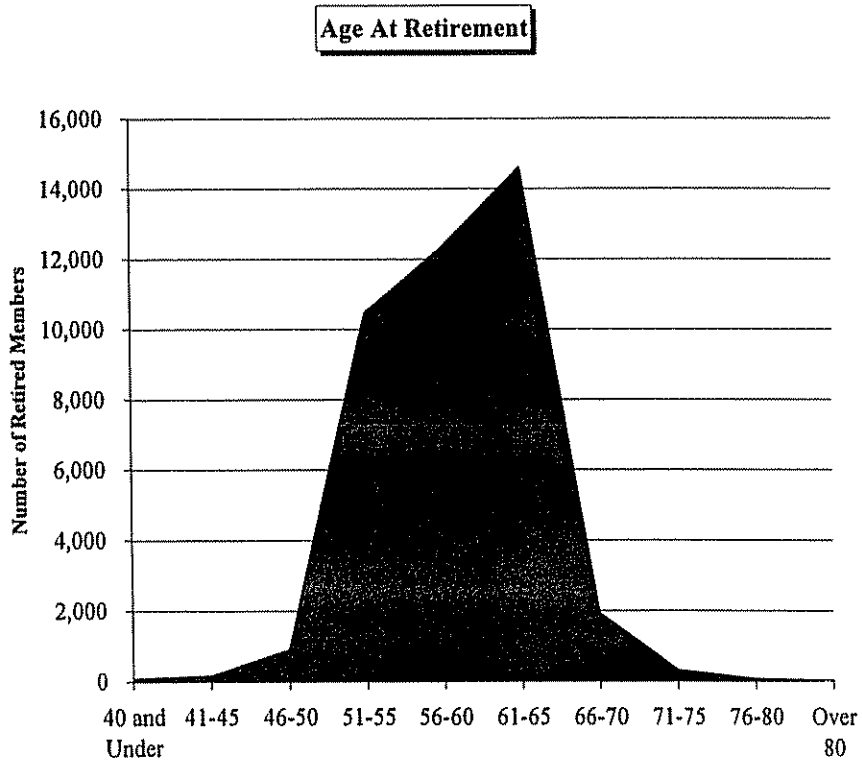
Does not include 159 special annuitants.



**Distribution by Age at Retirement  
Fiscal Year Ended June 30, 2005**

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	19	47	66	\$641	13.2
41-45	39	105	144	847	16.1
46-50	323	559	882	1,585	25.3
51-55	4,366	6,078	10,444	1,687	27.4
56-60	3,983	8,338	12,321	1,394	25.3
61-65	4,974	9,607	14,581	1,179	23.6
66-70	695	1,214	1,909	1,067	22.0
71-75	109	191	300	789	20.1
76-80	25	34	59	875	21.5
Over 80	3	11	14	940	24.4
<b>Totals</b>	<b>14,536</b>	<b>26,184</b>	<b>40,720</b>	<b>\$1,373</b>	<b>25.0</b>

Does not include 159 special annuitants.

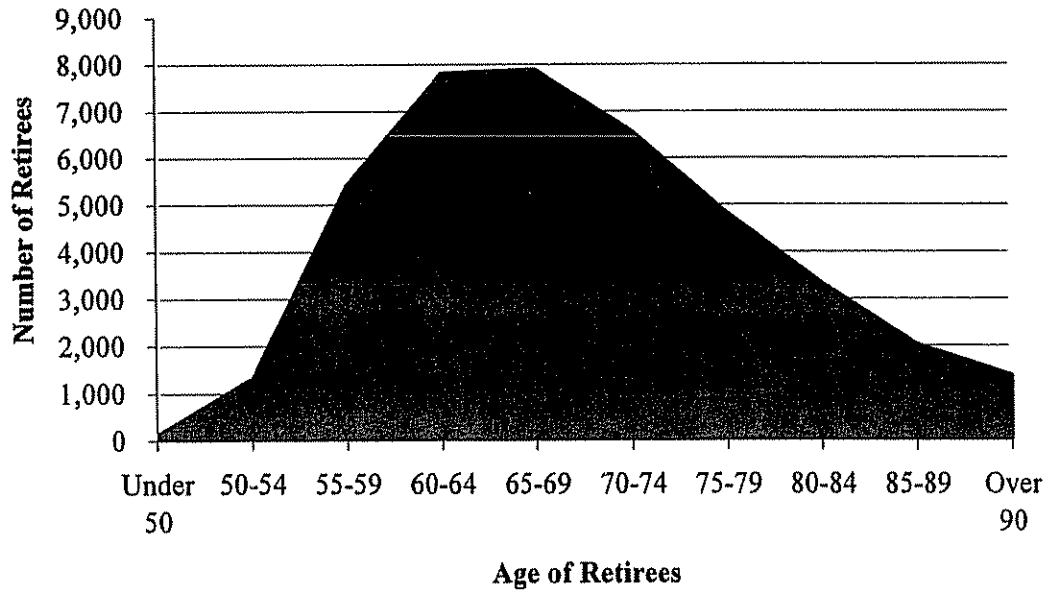


**Distribution by Retiree Age  
Fiscal Year Ended June 30, 2005**

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	138	16.2	\$915
50-54	1,321	27.3	1,780
55-59	5,419	26.6	1,692
60-64	7,812	25.1	1,523
65-69	7,894	23.8	1,351
70-74	6,572	23.5	1,250
75-79	4,828	24.4	1,203
80-84	3,328	25.6	1,149
85-89	2,033	26.5	1,088
Over 90	1,375	28.9	1,183
<b>Totals</b>	<b>40,720</b>	<b>25.0</b>	<b>\$1,373</b>

Does not include 159 special annuitants.  
Average age of retired members is 69.2 years

**Average Age of Retirees**

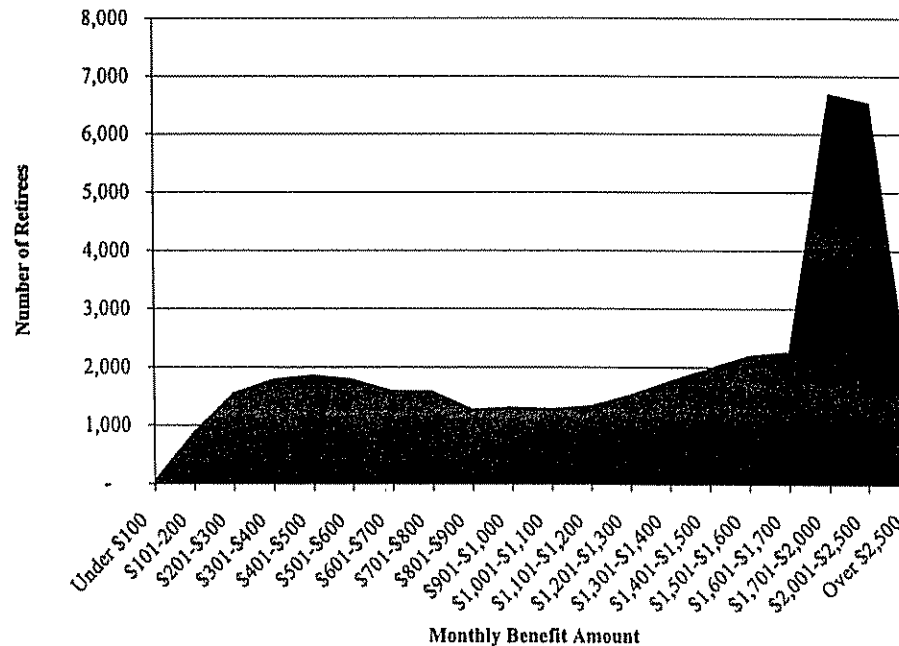


**Distribution by Monthly Income**  
**Fiscal Year Ended June 30, 2005**

Monthly Income	Retired Members	Total	Average Payment
Under \$100	45	\$3,947	\$88
\$101-200	873	139,754	160
\$201-\$300	1,540	389,368	253
\$301-\$400	1,779	624,617	351
\$401-\$500	1,844	828,753	449
\$501-\$600	1,778	976,766	549
\$601-\$700	1,578	1,026,058	650
\$701-\$800	1,575	1,179,418	749
\$801-\$900	1,265	1,073,375	849
\$901-\$1,000	1,297	1,230,623	949
\$1,001-\$1,100	1,274	1,338,267	1,050
\$1,101-\$1,200	1,325	1,524,880	1,151
\$1,201-\$1,300	1,510	1,888,976	1,251
\$1,301-\$1,400	1,751	2,364,839	1,351
\$1,401-\$1,500	1,968	2,852,468	1,449
\$1,501-\$1,600	2,186	3,392,121	1,552
\$1,601-\$1,700	2,249	3,710,529	1,650
\$1,701-\$2,000	6,676	12,343,423	1,849
\$2,001-\$2,500	6,524	14,343,726	2,199
Over \$2,500	1,683	4,660,825	2,769
<b>Totals</b>	<b>40,720</b>	<b>\$55,892,733</b>	<b>\$1,373</b>

Does not include 159 special annuitants

**Distribution by Monthly Income**



**Teachers' Retirement System of Oklahoma  
Schedule of Cash Receipts and Disbursements  
Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Cash balance, beginning of year	\$6,466,943	\$6,427,508
<u>Receipts:</u>		
Members' contributions	233,944,999	228,314,154
Member tax-shelter	6,410,810	5,191,621
Employer statutory requirement from local school districts	226,040,204	220,421,448
Federal matching	13,953,615	13,185,872
Dedicated revenue	160,803,017	142,366,089
Interest income	85,675,758	82,438,872
Dividends	92,143,726	69,498,289
Net gain (loss) on investments	412,070,334	452,250,012
Other revenue	4,508,309	4,039,504
* Investments sold	<u>17,678,923,968</u>	<u>13,564,267,877</u>
Total receipts	<u>18,914,474,740</u>	<u>14,781,973,738</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	697,748,160	644,670,590
Refund of member contributions and annuity payments	44,060,267	52,327,029
Administrative expenses	4,192,310	3,747,642
Investment expenses	23,668,049	21,283,172
Equipment purchases	0	78,503
* Investment purchases	<u>18,147,948,688</u>	<u>14,059,827,367</u>
Total disbursements	<u>18,917,617,474</u>	<u>14,781,934,303</u>
Balance of cash, June 30	<u>\$3,324,209</u>	<u>\$6,466,943</u>

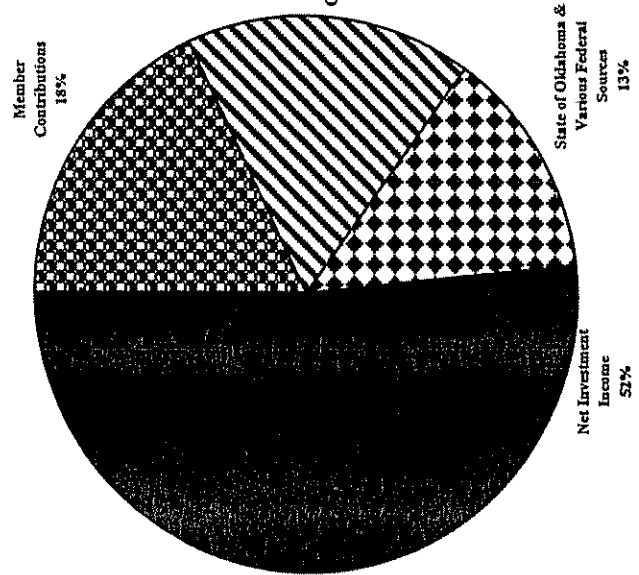
\* Includes equities, fixed income and short-term investments.

## Schedule of Revenue by Source

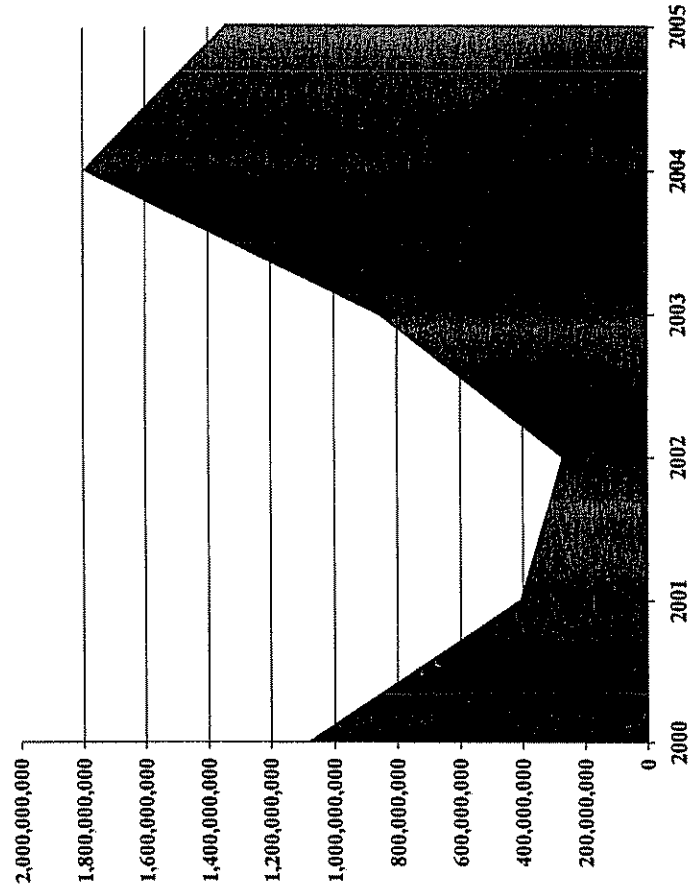
Year	Member Contributions	Employer Contributions	State of Oklahoma &		Net Investment Income	Other Revenue	Total
			Various Federal Sources	Various Federal Sources			
2000 *	\$203,027,123	\$130,758,712	\$145,029,086		\$597,428,861	\$2,280,536	\$1,078,524,318
2001 *	221,934,654	172,749,389	155,331,620		(146,783,146)	2,715,344	405,947,861
2002 *	231,260,978	210,829,995	154,196,326		(328,671,703)	2,937,408	270,553,004
2003 *	224,952,145	218,841,977	143,147,463		263,873,633	2,162,527	852,977,745
2004 *	238,312,953	219,126,867	156,142,888		1,175,826,812	2,511,256	1,791,920,776
2005 *	\$241,459,049	\$227,791,719	\$177,966,919		\$688,638,096	\$3,318,204	\$1,339,173,987

\* - Investment income includes both realized and unrealized gains and losses on investments.

**2005 Revenue**

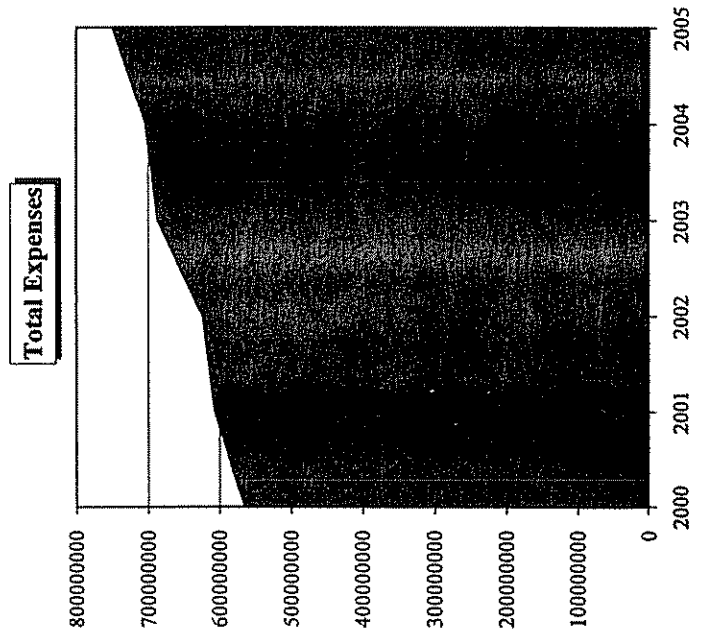
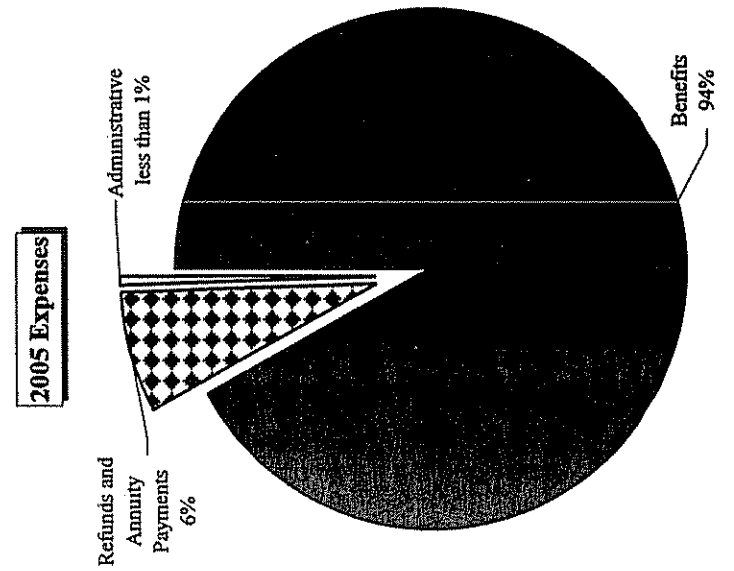


**Total Revenue**



### Schedule of Expenses by Type

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
2000	\$500,289,049	\$61,725,419	\$2,964,237	\$564,978,705
2001	537,308,002	65,763,326	3,471,796	606,543,124
2002	561,222,392	58,495,950	3,905,754	623,624,096
2003	608,976,125	73,563,552	4,007,846	686,547,523
2004	647,277,986	52,327,030	3,851,320	703,456,336
2005	\$701,715,390	\$44,060,265	\$4,212,266	\$749,987,921

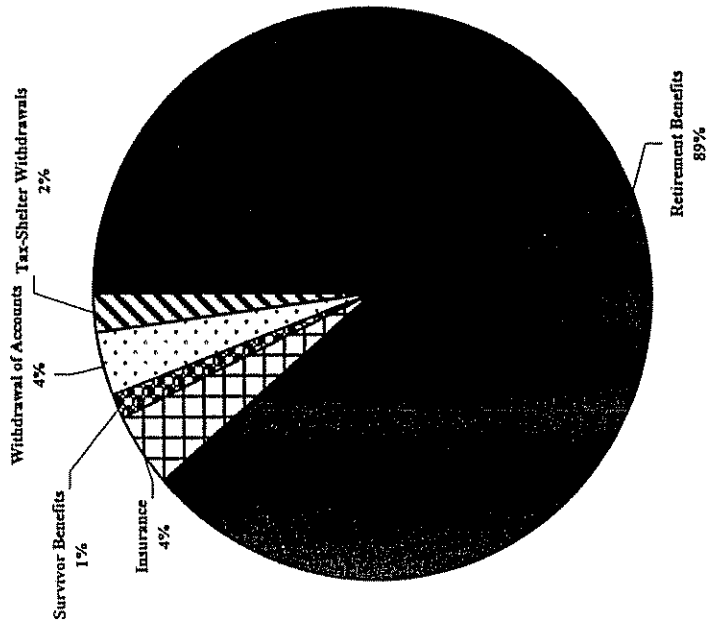




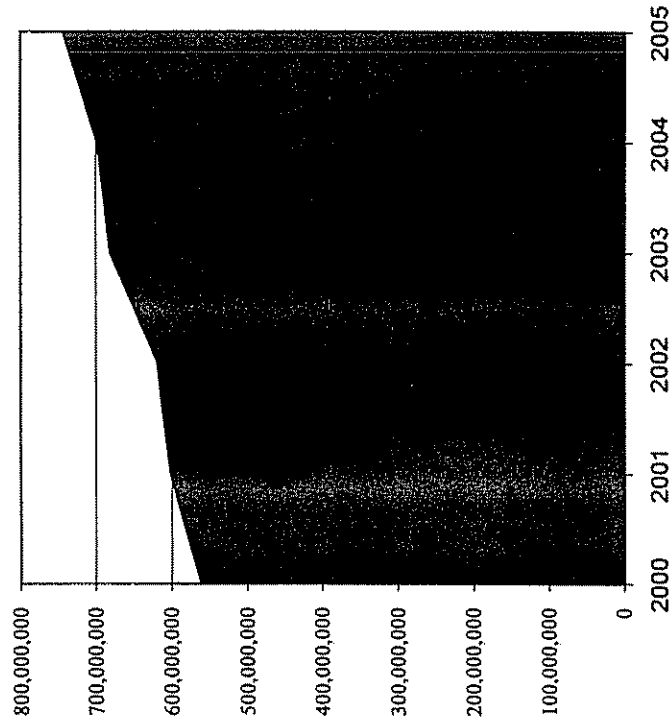
## Schedule of Benefit Expenses by Type

<u>Year</u>	<u>Retirement Benefits</u>	<u>Insurance Payments</u>	<u>Survivor Benefits</u>	<u>Withdrawal of Accounts</u>	<u>Tax-Shelter Withdrawals</u>	<u>Total</u>
2000	471,175,803	20,537,317	8,575,929	29,460,152	32,265,267	562,014,468
2001	498,928,273	29,159,573	9,220,156	31,432,937	34,330,389	603,071,328
2002	523,220,581	29,227,075	8,774,736	26,728,503	31,767,447	619,718,342
2003	569,959,953	29,625,205	9,390,967	30,176,320	43,387,232	682,539,677
2004	607,357,316	31,142,570	8,778,100	33,663,294	18,663,735	699,605,015
2005	661,157,635	30,933,923	9,623,832	26,935,850	17,124,415	745,775,655

**2005 Benefit Expenses**



**Total Benefit Expenses**



## Retirees in the State of Oklahoma by County

Of the 40,879 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 90% or 36,693 remain state of Oklahoma residents. As such, benefit payments of approximately, \$610,629,453 this year alone went into the State's communities and businesses. Since money changes hands several times, the System's payments have a dramatic effect on the State's economy.

<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>	<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>
Adair	274	\$4,469,484	LeFlore	585	\$10,025,133
Alfalfa	99	1,671,124	Lincoln	324	4,913,811
Atoka	171	2,812,376	Logan	304	4,421,656
Beaver	94	1,514,977	Love	83	1,324,466
Beckham	225	3,756,813	Major	76	1,141,206
Blaine	151	2,507,592	Marshall	193	3,166,487
Bryan	618	10,592,608	Mayes	374	6,234,995
Caddo	379	5,455,251	McClain	342	5,215,794
Canadian	862	14,408,287	McCurtain	448	7,746,700
Carter	494	8,026,560	McIntosh	324	5,588,187
Cherokee	727	13,214,509	Murray	154	2,743,093
Choctaw	185	2,877,669	Muskogee	901	15,929,132
Cimarron	34	537,702	Noble	110	1,618,466
Cleveland	2,192	36,563,965	Nowata	69	1,127,308
Coal	60	926,674	Okfuskee	148	2,330,939
Comanche	1,181	20,227,885	Oklahoma	6,221	106,031,192
Cotton	66	1,034,388	Okmulgee	567	9,002,278
Craig	162	2,610,035	Osage	163	2,544,507
Creek	507	8,014,577	Ottawa	508	7,672,861
Custer	443	7,953,498	Pawnee	152	2,265,870
Delaware	260	4,602,048	Payne	1,630	26,731,835
Dewey	90	1,489,812	Pittsburg	490	7,868,651
Ellis	56	845,545	Pontotoc	603	10,331,009
Garfield	581	9,342,404	Pottawatomie	633	9,964,864
Garvin	372	5,646,891	Pushmataha	149	2,356,999
Grady	479	7,741,847	Roger Mills	69	1,110,044
Grant	77	1,042,361	Rogers	581	10,070,643
Greer	84	1,337,473	Seminole	293	4,612,399
Harmon	60	1,025,847	Sequoyah	482	8,363,066
Harper	74	1,309,060	Stephens	430	7,117,374
Haskell	174	2,882,206	Texas	175	2,881,320
Hughes	146	2,318,034	Tillman	108	1,746,640
Jackson	299	5,496,643	Tulsa	4,689	79,390,459
Jefferson	77	1,245,801	Wagoner	289	5,096,519
Johnston	196	3,299,494	Washington	503	7,700,330
Kay	520	8,263,254	Washita	140	2,311,837
Kingfisher	148	2,501,108	Woods	234	3,753,586
Kiowa	159	2,482,317	Woodward	183	2,984,621
Latimer	190	3,145,057			
			<b>Total</b>	<b>36,693</b>	<b>\$610,629,453</b>

**2005 PARTICIPATING EMPLOYERS  
PUBLIC SCHOOL DISTRICTS**

Achille	Braggs	Coalgate	Fairland
Ada	Braman	Colbert	Fairview
Adair	Bray Doyle	Colcord	Fanshawe
Afton	Bridge Creek	Coleman	Fargo
Agra	Briggs	Collinsville	Farris
Albion	Bristow	Comanche	Felt
Alex	Broken Arrow	Commerce	Fletcher
Aline-Cleo Springs	Broken Bow	Copan	Flower Mound
Allen	Brushy	Cordell	Forest Grove
Allen Bowden	Buffalo	Cottonwood	Forgan
Altus	Buffalo Valley	Covington-Douglas	Fort Cobb-Broxton
Alva	Burbank	Coweta	Fort Gibson
Amber Pocasset	Burlington	Coyle	Fort Supply
Anadarko	Burns Flat-Dill City	Crescent	Fort Towson
Anderson	Butler	Crooked Oak	Fox
Antlers	Butner	Crowder	Foyil
Arapaho	Byars	Crutcho	Frederick
Ardmore	Byng	Cushing	Freedom
Arkoma	Cache	Cyril	Friend
Arnett	Caddo	Dahlonegah	Frink Chambers
Asher	Calera	Dale	Frontier
Atoka	Calumet	Darlington	Gage
Avant	Calvin	Davenport	Gans
Balko	Cameron	Davidson	Garber
Banner	Canadian	Davis	Garrett
Barnsdall	Caney	Deer Creek	Geary
Bartlesville	Caney Valley	Deer Creek-Lamont	Geronimo
Battiest	Canton	Delaware	Glencoe
Bearden	Canute	Denison	Glenpool
Beaver	Carnegie	Depew	Glover
Beggs	Camey	Dewar	Goodland
Belfonte	Carter	Dewey	Goodwell
Bell	Cashion	Dibble	Gore
Bennington	Catoosa	Dickson	Gracemont
Berryhill	Cave Springs	Dover	Graham
Bethany	Cement	Drummond	Grandfield
Bethel	Central High	Drumright	Grand View (Cherokee)
Big Pasture	Central	Duke	Grandview(Stephens)
Billings	Chandler	Duncan	Granite
Binger-Oney	Chattanooga	Durant	Grant
Bishop	Checotah	Dustin	Greasy
Bixby	Chelsea	Eagletown	Greenville
Blackwell	Cherokee	Eakly	Grove (Delaware)
Blair	Cheyenne	Earlsboro	Grove (Pottawatomie)
Blanchard	Chickasha	Edmond	Gum Springs
Bluejacket	Chisholm	El Reno	Guthrie
Boise City	Choctaw-Nicoma Park	Eldorado	Guymon
Bokoshe	Chouteau Mazie	Elgin	Gypsy
Boley	Cimarron	Elk City	Halleyville
Boone-Apache	Claremore	Elmore City	Hammon
Boswell	Clayton	Empire	Hanna
Bowlegs	Cleora	Enid	Hardesty
Bowring	Cleveland	Erick	Harmony
Boynton	Clinton	Eufaula	Harrah

**PUBLIC SCHOOL DISTRICTS (continued)**

Hartshome	Leonard	Mountain View-Gotebo	Plainview(Cimarron)
Haskell	Lexington	Moyers	Pleasant Grove
Haworth	Liberty (Okmulgee)	Muldrow	(Pottawatomie)
Haywood	Liberty (Sequoyah)	Mulhall-Orlando	Pleasant Grove
Healdton	Liberty (Tulsa)	Muskogee	(Seminole)
Heavener	Lindsay	Mustang	Pocola
Hennessey	Little Axe	Nashoba	Ponca City
Henryetta	Locust Grove	Navajo	Pond Creek-Hunter
Hilldale	Lomega	New Lima	Porter Consolidated
Hinton	Lone Grove	Newcastle	Porum
Hobart	Lone Star	Newkirk	Poteau
Hodgen	Lone Wolf	Ninnekah	Prague
Holdenville	Lookeba Sickles	Noble	Preston
Hollis	Lost City	Norman	Pretty Water
Holly Creek	Lowrey	North Rock Creek	Prue
Hominy	Lukfata	Norwood	Pryor
Hooker	Luther	Nowata	Purcell
Howe	Macomb	Oak Grove	Putnam City
Hugo	Madill	Oakdale	Quapaw
Hulbert	Mangum	Oaks Mission	Quinton
Hydro	Mannford	Oilton	Rattan
Idabel	Mannsville	Okarche	Ravia
Indianola	Maple	Okay	Red Oak
Indianola	Marble City	Okeene	Reydon
Inola	Marietta	Okemah	Ringling
Jay	Marlow	Oklahoma City	Ringwood
Jenks	Maryetta	Oklahoma Union	Ripley
Jennings	Mason	Okmulgee	Riverside
Jones	Maud	Oktaha	Robin Hill
Justice	Maysville	Olive	Rock Creek
Justus-Tiawah	McAlester	Olney	Rocky Mountain
Kansas	McCord	Olustee	Roff
Kaw City	McCurtain	Oologah-Talala	Roland
Kellyville	McLish	Optima	Rush Springs
Kenwood	McLoud	Osage Hills	Ryal
Keota	Medford	Osage	Ryan
Ketchum	Meeker	Owasso	Salina
Keyes	Merritt	Paden	Sallisaw
Keys	Miami	Panama	Sand Springs
Keystone	Middleberg	Panola	Sapulpa
Kiefer	Mid-Del	Paoli	Sasakwa
Kildare	Midway	Pauls Valley	Savanna
Kingfisher	Milburn	Pawhuska	Sayre
Kingston	Milfay	Pawnee	Schulter
Kinta	Mill Creek	Peavine	Selling
Kiowa	Millwood	Peckham	Seminole
Konawa	Minco	Peggs	Sentinel
Krebs	Moffett	Perkins-Tryon	Sequoyah
Kremlin-Hillsdale	Monroe	Perry	Shady Grove
Lane	Moore	Picher-Cardin	Shady Point
Latta	Mooreland	Pickett Center	Sharon-Mutual
Laveme	Morris	Piedmont	Shattuck
Lawton	Morrison	Pioneer	Shawnee
Leach	Moseley	Pioneer Pleasant Vale	Shidler
Leede	Moss	Pittsburg	Silo
Le Flore	Mounds	Plainview (Carter)	Skelly

**PUBLIC SCHOOL DISTRICTS (continued)**

Skiatook	Vamum
Smithville	Velma-Alma
Snyder	Verden
Soper	Verdigris
South Coffeyville	Vian
South Rock Creek	Vici
Spavinaw	Vinita
Sperry	Wagoner
Spiro	Wainwright
Springer	Wakita
Sterling	Walters
Stidham	Wanette
Stigler	Wapanucka
Stillwater	Wamer
Stilwell	Washington
Stonewall	Washita Heights
Straight	Watonga
Stratford	Watson
Stringtown	Watts
Strother	Waukomis
Stroud	Waurika
Stuart	Wayne
Sulphur	Waynoka
Sweetwater	Weatherford
Swink	Webbers Falls
Tahlequah	Welch
Talihina	Weleetka
Taloga	Wellston
Tannehill	Western Heights
Tecumseh	Westville
Temple	Wetumka
Tenkiller	Wewoka
Terral	White Oak
Texhoma	White Rock
Thackerville	Whitebead
Thomas-Fay-Custer	Whitefield
Timbertake	Whitesboro
Tipton	Wickliffe
Tishomingo	Wilburton
Tom	Wilson (Carter)
Tonkawa	Wilson (Okmulgee)
Tulsa	Wister
Tupelo	Woodall
Turkey Ford	Woodland
Turner	Woodward
Turpin	Wright City
Tushka	Wyandotte
Tuskahoma	Wynnewood
Tuttle	Wynona
Twin Hills	Yale
Tyrone	Yarborough
Union City	Yukon
Union	Zaneis
Valliant	Zion
Vanoss	

**CAREER AND TECHNOLOGY CENTERS**

Caddo-Kiowa	Mid-America
Canadian Valley	Moore-Norman
Central Oklahoma	Northeast Area
Chisholm Trail	Northwest
E. Okla. County	O.T. Autry
Francis Tuttle	Pioneer
Gordon Cooper	Pontotoc
Great Plains	Red River
Green Country	S. Oklahoma
High Plains	Southwest
Indian Capital	Tri-County
Kiamichi	Tulsa Technology Center
Meridian	Wes Watkins
Metro Tech	Western

**COLLEGES AND UNIVERSITIES**

Cameron University	OU Health Sci. Ctr.
East Central Univ.	Rogers St. University
Langston University	SE Oklahoma
Northeastern State	State University
University	SW Oklahoma
NW Oklahoma	State University
State University	Univ. of Central Okla.
Oklahoma St. Univ.	Univ. of Oklahoma
Okla. Panhandle	Univ. of Sci. and Arts
State University	of Oklahoma

**JUNIOR COLLEGES**

Carl Albert St. Coll.	OKC Comm. College
Connors St. College	Redlands Comm. College
E. Okla. St. Coll.	Rose State College
Murray State College	Seminole State College
NE Oklahoma A&M	Tulsa Comm. College
N. Oklahoma College	W. Okla. State College

**OTHER PARTICIPATING ENTITIES**

Atoka-Coal Interlocal	Mid-DeACT
Bd. of Priv. Voc. Schls	MWC Central Foods
Bd. of Reg. of Okla. Colleges	MooreACT
Choctaw Nation Interlocal	OKC Fed. of Teachers
Comm. on Teacher Prep.	Okla. Educ. Assn.
Deborah Brown Comm. Sch.	Okla. Sch. of Science and Math
Dept. of Career and Tech. Ed.	Okla. House of Rep.
Dept. of Corrections	Osage Cty Interlocal Coop
Dept. of Education	Quartz Mountain
Dept. of Rehab. Svcs.	Secondary Sch. Act. Assoc.
Five Star Interlocal Coop	State Regents for Higher Ed.
Garfield Cty. Interlocal Coop	Student Loan Authority
Harding Charter Prep. H.S.	Teachers' Retirement System
Harding Fine Arts Ctr.	Tri-County Interlocal Coop
Independence Charter M.S.	Tulsa Sch. of Arts and Sciences
John Wesley Charter Sch.	Western Village Charter Sch.
McCurtain Cty. Inter. Coop	

