



# *Comprehensive Annual Financial Report*

*for the*

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

*For the Fiscal Year Ended June 30, 1999*

*Prepared by the Retirement System Staff*

*Teachers' Retirement System of Oklahoma  
2801 North Lincoln Boulevard  
Oklahoma City, Oklahoma*

*Mailing Address:  
P.O. Box 53524  
Oklahoma City, OK 73152*

*(405) 521-2387*

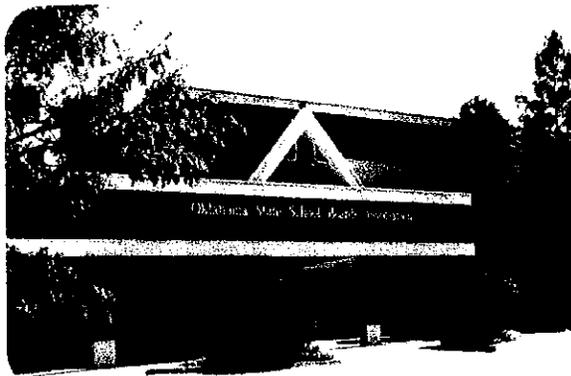
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Teachers' Retirement System of Oklahoma**

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## **Introductory Section**

## **Introductory Section**





FRANK KEATING  
GOVERNOR

STATE OF OKLAHOMA  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

**To the Board of Trustees of the Teachers' Retirement System of Oklahoma:**

The Management of the Oklahoma Teachers' Retirement System (known collectively as TRS or the System) presents the Comprehensive Annual Financial Report for the Teachers' Retirement System of Oklahoma, a component unit of the State of Oklahoma, for the year ended June 30, 1999.

Established by legislation, the System began operation July 1, 1943, and concluded its fifty-sixth year on June 30th. The System provides retirement allowances and other benefits to public education employees in the common schools, vocational-technical schools, colleges and universities, and other local and state educational agencies of the State of Oklahoma. At the close of business on June 30, 1999, the System had 633 participating employers, 81,851 active members, 10,632 inactive members and 33,033 retired members and beneficiaries receiving monthly benefits.

The 1999 Comprehensive Annual Financial Report is presented in five sections: the Introductory, Financial, Investment, Actuarial, and Statistical. Responsibility for the accuracy of the data, 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 plan net assets of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

**ECONOMIC CONDITION AND OUTLOOK**

The year ending June 30, 1999, continued to see an expansion of capital markets which began in the Fourth Quarter of 1994. With stable interest rates and low inflation, stocks continued their remarkable climb, setting several record highs. Concerns about slower growth during calendar year 1999 continue to increase. The State of Oklahoma's economy has been improving. Tax revenues were up in 1999, and projections indicate continued but slow growth during 2000.

**MAJOR INITIATIVES**

As previously reported, the System is one of the country's five worst-funded state-operated pension plans. As of June 30, 1999, only 49.8% of the System's actuarial liabilities were covered by the actuarial value of its assets. The Board of Trustees of the Teachers' Retirement System continues to stress the importance of improving the overall funded position of the System. During the past year, Trustees have worked with the Governor, legislative leaders, and representatives from education organizations to find ways to better finance the System's obligations. A properly funded pension plan is the most important issue before the Board of Trustees.

In March 1998, the Oklahoma Teachers' Retirement System Task Force issued its findings and recommendations after almost six months of meetings. The 100-page report concluded that the System's poor financial condition was "the most serious fiscal problem that faces the State of Oklahoma." Among the recommendations adopted by the Legislature and signed into law by the Governor was a revised funding schedule replacing the pay-out plan adopted in 1992.

During the 1999 Legislative Session, a new law enacted and signed by Governor Keating provides that the System will receive 3.54% of the state's sales and use taxes, and 3.54% of the state's corporate and individual income tax collections. This new law amends statutes enacted in 1998 that would have provided the System with a percentage of the state's General Revenue Fund.

The combined effect of the 1998 and 1999 statute changes reduces annual contributions the System will receive. Instead of eventually reaching a combined employee and employer contribution rate of 25% of employees' pay, current statutes will provide an overall contribution rate of approximately 19%. This will extend the projected amortization of unfunded liabilities from 20 years to 35 years. The 1998 Task Force report concluded this was necessary because the previous funding schedule, adopted in 1992, would have become increasingly burdensome to local school budgets and could not reasonably be maintained.

The Task Force also considered the effects of post-retirement benefit adjustments, looking at the impact inflation has on retirees' ability to maintain an adequate standard of living and the effect periodic adjustments have on the System's growing obligations. The Task Force recommended the Legislature carefully weigh the effect on the System of approving benefit increases and suggested that cost-of-living increases to retirees be funded by direct appropriations. Senate Bill 1037, enacted in 1998, included a retiree benefit increase ranging from 1.75% to 10% depending on length of time the member had been retired. Unfortunately, no additional funding was provided to pay for the increased benefits.

Enrolled House Bill 1428 created the Teachers' Deferred Savings Incentive Plan to be effective July 1, 1999. This measure provides the State will match, up to \$25 per month, each member's contribution to the Teachers' Retirement System's 403(b) Tax Sheltered Annuity Plan. Unfortunately, no funds were appropriated by the State to match member contributions. The System will be implementing this program when the State matching is provided.

Other 1999 legislation included measures:

- making permanent the retiree benefit increase enacted in 1998;
- allowing retirees to purchase life insurance from the State and Education Employees Group Health Insurance Plan;
- Modifying the way contributions to TRS are made for members whose salaries are paid by federal funds, or externally sponsored agreements;
- raising to \$25,000 the limit on post-retirement earnings for retired members who have been retired for at least 36 months and who are employed to teach at a public school in Oklahoma; and
- an extension of the cap on contributions required by certain employees of the University of Oklahoma and Oklahoma State University.

During 1998, the System implemented an optical imaging project to scan and convert all active and retired members' paper files to optical disk. More than 3.5 million documents are now accessible to the System's personnel via the optical imaging system. The new system interfaces with the agency's internal network and mainframe computer systems. The integrated system will allow staff to access documents faster and more easily, resulting in improved service to members. And, the system provides better security and backup capabilities.

The Retirement System began preparing for Year 2000 in the early 1990s. When new data systems were planned or updated, recognition of the unique computer problems presented by January 2000 were considered. During 1998, the System's data processing department, as well as managers from other divisions increased efforts to review and plan for the new millennium. All internal and external software was remediated prior to December 31, 1998, and end-to-end testing was completed in May 1999. The System has required each contract holder, professional service provider, and major vendor to provide documentation of Y2K compliance efforts.

The 1999 Legislature increased from 40 to 46 the number of full-time staff members the System may employ. Three of these employees will be utilized in a telephone response center to more efficiently handle incoming telephone inquiries from members.

## FINANCIAL INFORMATION

A system of internal controls safeguards the System's assets and promotes its efficient operation. TRS is audited annually. 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 generally accepted accounting principles (GAAP). TRS and the State's other public retirement systems adopted new accounting requirements to comply with the Governmental Accounting Standards Board's (GASB) Statement No. 25. The primary change is to state the value of investments at market instead of cost. The 1998 and 1999 financial statements in this report have been prepared in compliance with GASB-25 requirements.

## 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 1999 were \$190.7 million, which represented 7% of covered payroll. This compares to \$181.2 million for the year ending June 30, 1998. Member contributions increased due to an increase in member compensation and an increase in overall membership. Total salaries for active members were \$2.648 billion.

Contributions from local employers, the State of Oklahoma, and federal sources for Fiscal Year 1999 were \$244.3 million, compared to \$263.6 million for 1998. Contributions from local school districts and federal revenues increased \$8 million, but revenue from the tax on natural gas decreased \$27 million. During FY-99, TRS received 56% of the natural gas tax collected by the state of Oklahoma and this represents employer contributions made by the State. During Fiscal Year 1999, state and local employers' contributions exceeded the statutory funding requirements established by passage of Senate Bill 568 in 1992, but did not meet the level dollar 40-year amortization payment required under Section 17-106 of Title 70 of Oklahoma Statutes.

Effective July 1, 1999, the State's contribution to the System was changed from reliance on a portion of the severance tax on natural gas to 3.54% of the sales and use taxes and the individual and corporate income taxes collected by the State. Enrolled House Bill 1574, amended a 1998 law that would have funded the System with 3.25% of the state's General Revenue Fund during the fiscal year beginning July 1, 1999, and 3.5% for each fiscal year beginning July 1, 2000.

The new funding method is expected to provide \$136 million from the State during Fiscal Year 2000. This will match the first year revenue expected from the 1998 law. However, annual revenue levels in years beyond FY-2000 will depend on the growth rate of the earmarked taxes compared to the growth of general state revenues. Assuming a conservative annual growth of 4% of all taxes, the System's total annual revenue from state sources will be less than would have been expected under the 1998 law. Higher growth rates of the special earmarked taxes could result in larger annual revenue receipts. As mentioned in the Major Initiatives Section, the 1998 and 1999 funding schedule changes reduce overall contributions expected from the State and local employers. This will increase the amortization period to fund the System's unfunded liabilities. The System's actuary had reported the 1998 change, which reduced expected revenues from 25% of employee pay to 19%, would extend the amortization period from 20 to 35 years. Under the 1999 statute changes, the amortization period may vary from 30 years to 38 years depending on the growth rate of state revenues.

The results of the actuarial valuation conducted by the System's actuary as of June 30, 1999, are included in the Actuarial Section. The System's relative funded position for the year ending June 30, 1999, improved from 45.9% of assets compared to liabilities in 1998, to 49.8% in 1999. This increase was due mainly to investment returns exceeding expectations. Total unfunded liabilities decreased \$55 million from \$4.806 billion to \$4.751 billion. Under the current funding schedule, unfunded liabilities had been projected to increase by \$146.1 million. The actuarial yield on assets at 17.1% exceeded the 8% actuarial assumed rate of return, which increased assets above expectations by \$368.1 million. Liability loss, legislation changes and contributions in at a lower level than expected resulted in a net liability increase of \$166.3 million in these categories. During the year ending June 30, 1999, the System's actuarial assets grew by \$623 million and actuarial liabilities grew by \$567 million.

The actuary's report continues to stress that the System remains poorly funded despite the good results over the past several years. Since 1994, the System's funded ratio has improved from 40.0% to 49.8%, primarily due to return on investments exceeding the assumed actuarial rate of return on investment of 8% per year. The actuarial yield on assets has been above 11% in all but one year since 1994.

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. Therefore, negative amortization results. This is the reason unfunded liabilities are expected to increase each year for several years. Under the new funding schedule enacted by HB1574, unfunded liabilities are expected to increase to over \$6 billion in 2015 before declining. It will then take another 18 to 20 years before assets match liabilities.

Even though positive investment returns have allowed the System to make substantial improvements in its funded position, the System is still poorly funded compared to other public retirement systems in Oklahoma and elsewhere. Projected amortization of current liabilities is based on assumptions and is subject to change. Each annual actuarial valuation is a refinement of the previous year's estimates. This year's report contain good news, i.e. positive investment returns that reduced liabilities faster than anticipated. But plan participants and other interested parties cannot depend on investment returns alone to solve the System's underfunded financial position. The state of Oklahoma must contribute more in future years to fund the pension obligations already earned by retired and active members. The new contribution schedule will eventually fund the System, but only if the schedule is maintained and new benefit increases are funded in addition to current obligations.

## EXPENSES

Expenses of the System are attributable to retirement benefit payments including health insurance subsidies, death and survivors benefits, refunds of member contributions and administrative expenses. During the year ended June 30, 1999, the System paid \$40.4 million more in retirement and insurance benefits than in the preceding year, \$1.5 million more in refunds and death benefits, and \$6.0 million more 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 the

cost-of-living increase granted in 1998. The increase in refunds, deaths and annuity distributions is a reflection of growth in volume of business. Administrative expenses decreased by \$568,736, mainly due to one-time expenditures for the System's new optical imaging system in 1998.

## INVESTMENTS

Net investment income including realized gains and appreciation on investments of \$614 million during FY 1999 were positive contributors to the fund's financial status. Investments totaled \$5.737 billion at market value on June 30, 1999, compared to \$5.212 billion on June 30, 1998. Included in assets is \$350 million held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Program. The actuarial value of assets is reported at \$4.708 billion after market value of assets is reduced by the \$350 million in members' 403(b) accounts and \$679 million in deferred earnings which are averaged into the actuarial value of assets over a five-year period.

On June 30, 1999, the System's investment portfolio mix at market value was 31% fixed income, 65% equities and 4% 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 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, 1999, was 12.16%. This was down from the 21.7% return for 1998. Annualized three-year and five-year total returns were 18.16% and 16.86%, respectively. The System's long-term goal to exceed by 3% the rate of inflation measured by the CPI has been achieved for both the three-year and five-year periods. A summary of the System's investment activities during FY-1999 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, 1999, 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

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, 1998. 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 sixth 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, whose contents 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.

## ACKNOWLEDGMENTS

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, 1999



FRANK KEATING  
GOVERNOR

STATE OF OKLAHOMA  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

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

The 13 members of your Board of Trustees often feel the awesomeness of their role as fiduciaries. The job of overseeing a retirement system that fulfills the obligations to Oklahoma's retired education employees is a daunting task that has the commitment of each Board member.

The System's problems have recently received renewed attention from the media. There are widely varying views as to the problems, ranging from the need for immediate changes in both the funding and the type of system to the position that legislation has already been enacted that will solve the basic funding needs. All this coverage has led to much confusion among the retired and active members, as well as other Oklahoma citizens.

The System's problems and complexities are difficult to explain through the media. While not wanting to panic older retirees, the System has an obligation to inform participants that possibilities of future problems are high. Therefore, the sooner there is an influx of substantial new monies, the better the chances will be for younger and future retirees to receive what they have earned and have been promised.

Retirement benefits and necessary enhancements are earned because of dedicated professional career commitment, and these benefits should not be tied to the vagaries of investments in the stock market.

COLAs and other benefits and adjustments should be anticipated on a regular basis, particularly in light of the skewed cost of healthcare for retirees. Projections indicate that we are entering another phase of rapidly increasing medical costs, particularly for prescription drugs.

The System continues to be well-managed and operates efficiently. The investment earnings have been very favorable for the last several years. Because of these good returns, the annual actuarial report shows a marked improvement in the reduction of our unfunded liability. For this trend to continue, several factors (i.e., state revenues and investment returns) must remain very positive. We must continue to comply with statutes while seeking additional funds to finance needed improvements. Allocating to the Teachers' Retirement System proceeds from the tobacco settlement would be a wise use of those monies and would reduce the state's obligations in the future. Working together with TRS members, I believe our state leaders can meet the System's future needs.

Sincerely,

Tommy G. Fulton  
Chairman, Board of Trustees  
Oklahoma Teachers' Retirement System

**The Teachers' Retirement System of Oklahoma  
Board of Trustees**

**Mr. Tommy G. Fulton, Chairman**

Del City

Retired TRS Member Representative, Senate President Pro Tempore Appointee

**Mr. John C. Kahre, Vice Chairman**

Tulsa

Higher Education Representative, Governor Appointee

**Ms. Helen Snyder Rambo, Secretary**

Oklahoma City

Governor Appointee

**Mr. George W. Barnes, Member**

Oklahoma City

Governor Appointee

**Mr. Thomas E. Daxon, Member Ex Officio**

Director of State Finance

**Ms. Sandy Garrett, Member Ex Officio**

State Superintendent of Public Instruction

**Mr. Robert C. Gates, Member**

Broken Arrow

Governor Appointee

**Ms. Barbara G. Osborn, Member**

Checotah

Non-Classified Optional Personnel Representative, Governor Appointee

**Dr. Thomas Palmer, Member**

Guymon

Retired TRS Member Representative, House Speaker Appointee

**Ms. Susan L. Raasch, Secretary**

Claremore

Classroom Teacher Representative, Senate President Pro Tempore Appointee

**Ms. Celeste L. Tillery, Member**

Claremore

Classroom Teacher Representative, House Speaker Appointee

**Mr. Ron Wallace, Member**

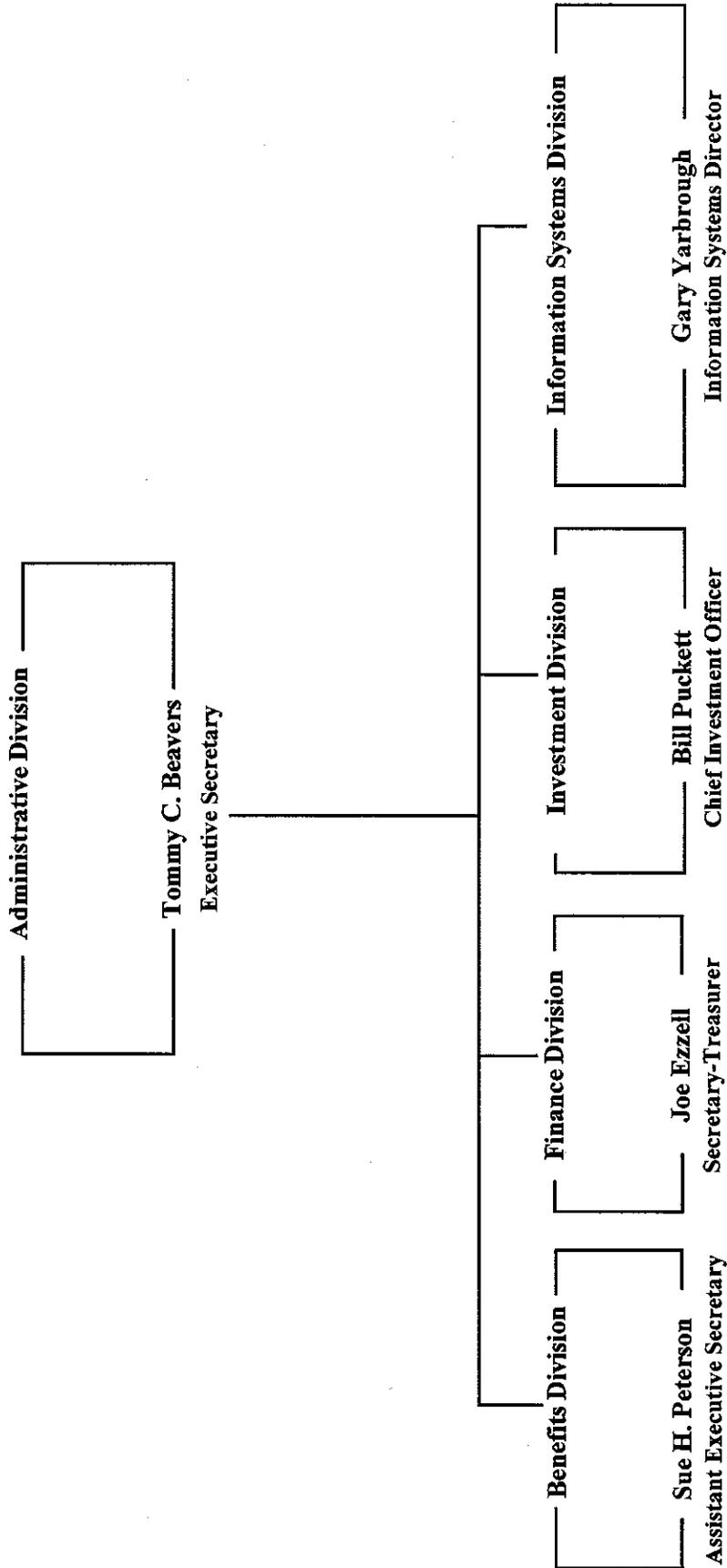
Oklahoma City

Governor Appointee

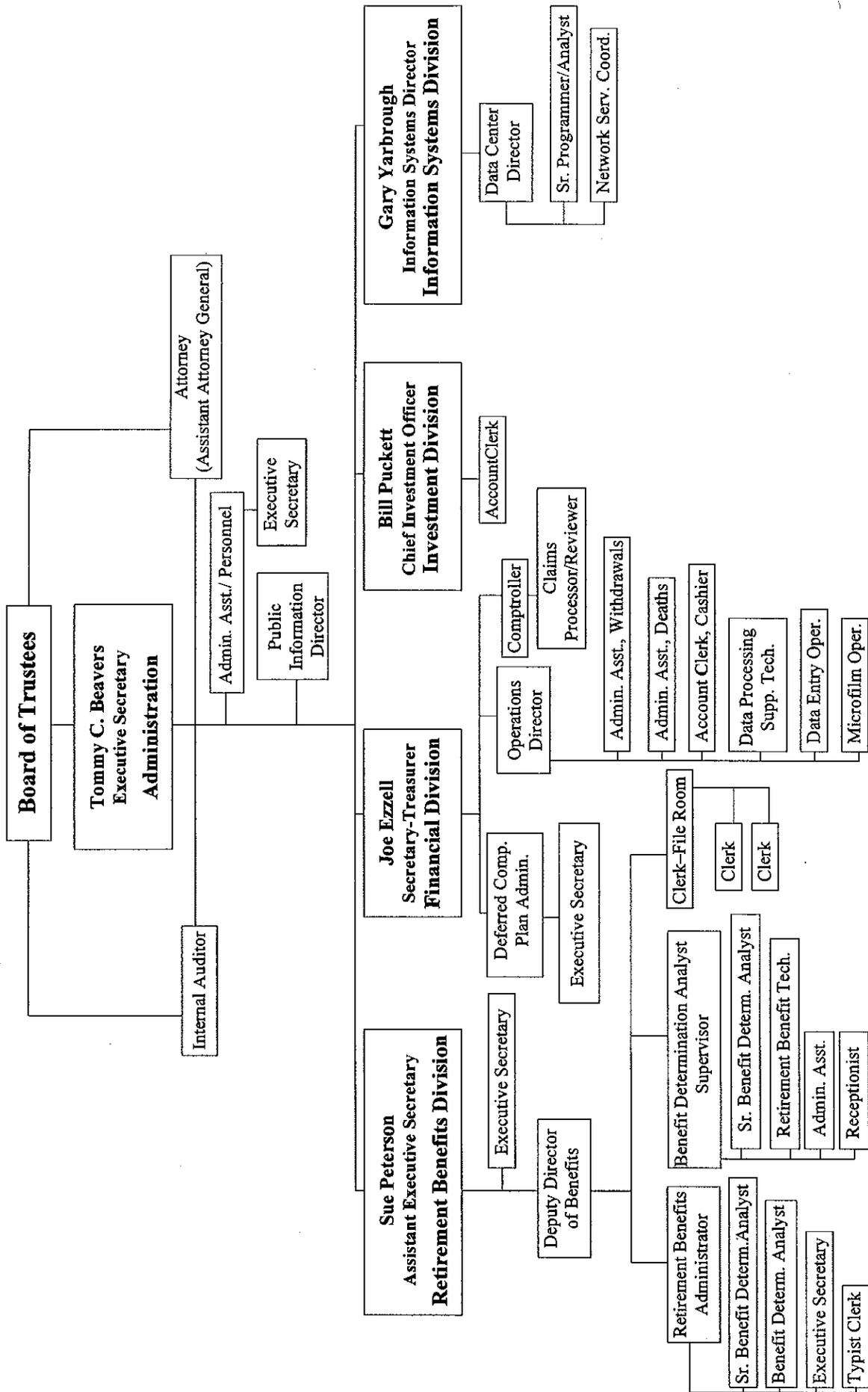
**Dr. Gregory Z. Winters, Member Ex Officio**

Designee of Dr. Roy Peters, State Director of Vocational and Technical Education

# The Teachers' Retirement System of Oklahoma Administration



# The Teachers' Retirement System of Oklahoma Organization



**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA  
1999-2000 PLAN SUMMARY**

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**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. Certain employees at the University of Oklahoma and Oklahoma State University who were employed before July 1, 1995, contribute on less than total compensation. However, these members' retirement benefits also will be calculated to reflect the lower contributions.

The law also requires employers to contribute a percentage of applicable employee earnings. Local schools will pay a contribution rate of 4.8% during the 1999-2000 school year. The local school contribution rate will increase to 5.8% for FY-2001, 6.8% for FY-2002, and 7.05% for FY-2003. Thereafter, the State's contribution will be 3.54% of annual state and income tax revenues.

**MEMBERSHIP**

All 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 as defined in Oklahoma statutes may join the Teachers' Retirement System if the TRS Board of Trustees approves the school's application for membership.

**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.

**RETIREMENT ANNUITY**

A vested member can receive benefits after satisfying eligibility requirements. You are fully vested after 10 years of contributory Oklahoma membership service. You may retire at age 62 with unreduced benefits after completing 10 years of Oklahoma service. If you joined TRS before July 1, 1992, you may retire with unreduced benefits when your age and years of creditable service total 80 (Rule of 80). *For members joining TRS after June 30, 1992, the age and years of creditable service must total 90 (Rule of 90).*

You may retire with reduced benefits as early as age 55 if you have at least 10 years of creditable Oklahoma service.

For "Rule of 80" members, the monthly benefit is determined by multiplying the average salary of the three highest years of contributory service by 2%, times years of service, divided by 12. *For "Rule of 90" members, the benefits will be computed based on an average salary of the five highest consecutive years.* TRS offers members five retirement plans, each providing a life benefit to the member and either a lump sum payment to the member's designated beneficiary(ies), or continued payments to one surviving beneficiary.

**DISABILITY BENEFITS**

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

- are vested (at least 10 years' creditable TRS service), and
- 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, are vested, and notify TRS of the Social Security award.

**HEALTH INSURANCE BENEFITS**

If you are vested and retire or terminate your employment, you may elect to continue coverage in the insurance program your employer provides to active employees. TRS will pay the first \$70 to \$75 of monthly premiums for each participating retiree (not dependents). The actual amount paid by TRS is determined by the member's total service and average salary at retirement. Dependent and dental coverage is available if you are enrolled in the State and Education Employees Group Health and Dental Insurance Plan. If you are not enrolled in the state plan, coverage is subject to the provisions of the plan in which you are enrolled. If you are non-vested, 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's 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. The amount of those benefits depends upon when you joined TRS and whether you are an active in-service, inactive, or a retired member when you die. "Active in-service" is defined in the TRS Rules, but generally means a member currently employed by an Oklahoma public education institution.

If you are an active in-service member when you die, and you joined TRS before July 1, 1992, your beneficiary(ies) will receive an \$18,000 death benefit, plus the contributions in your account and the interest on those contributions. If you have 10 or more years of service, have reached age 55 or your age and service total 80, and 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, or if you joined TRS after 1992, the death benefit your beneficiaries will receive is the amount of the contributions in your TRS account plus the interest on those contributions. Inactive members and members joining TRS after June 30, 1992, do 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 are retired when you die, 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(s) 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 at 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 of the account you withdrew and pay 10 percent (10%) of 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, contributions made on a pre-tax basis *cannot* be refunded until you leave your job (this is an IRS rule). If you continue working for your employer after terminating your TRS membership, you cannot rejoin TRS unless you become employed in a position requiring TRS membership. 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 10 years of creditable 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  
P.O. Box 53524  
Oklahoma City, OK 73152-3524  
405-521-2387  
Visit us on the Internet!  
<http://www.state.ok.us/~okteachers/>

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.

# 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, 1998

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.



*Cary Bruck*  
President

*Jeffrey L. Esler*  
Executive Director

Certificate of Achievement Picture

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## **Financial Section**



## **Financial Section**





**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

**Financial Statements**

**June 30, 1999 and 1998**

**(With Independent Auditors' Report Thereon)**

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700 Oklahoma Tower  
Oklahoma City, OK 73102-5671

## Independent Auditors' Report

Board of Trustees  
Teachers' Retirement System of Oklahoma:

We have audited the accompanying statements 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, 1999 and 1998, and the related statements of changes in plan net assets for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the Teachers' Retirement System of Oklahoma, are intended to present the net assets and changes in net assets of only that portion of the financial reporting entity of the State of Oklahoma that is attributable to the transactions of the System.

As discussed in note 2, the System's actuary has determined that the System's unfunded actuarial accrued liability is approximately \$4,750,500,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes and if any changes further reduce or delay the implementation of the funding schedule the funding period will increase.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Teachers' Retirement System of Oklahoma at June 30, 1999 and 1998, and the changes in its net assets for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued a report dated August 20, 1999, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

The schedules of funding progress and employer contributions and the Year 2000 information in schedules 1 and 2, respectively, are not a required part of the financial statements, but are supplementary information



required by the Government Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress and employer contributions certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. We were unable to apply certain of these limited procedures to the Year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the System is or will become Year 2000-compliant, that the System's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the System does business are or will become Year 2000-compliant.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 3 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

August 20, 1999

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### Statements of Plan Net Assets

June 30, 1999 and 1998

<b>Assets</b>	<b>1999</b>	<b>1998</b>
Cash	\$ 2,450,674	3,657,396
Short-term investments	210,377,770	157,947,479
Long-term investments	5,371,413,766	5,050,362,061
Security lending institutional daily assets fund	353,164,340	567,171,327
Accrued interest and dividends receivable	31,885,751	26,968,846
Contributions receivable	25,289,962	22,970,143
Receivable from state of Oklahoma	10,323,666	9,140,257
Due from brokers for securities sold	194,659,973	39,479,824
Furniture and fixtures, net	393,824	501,433
Total assets	6,199,959,726	5,878,198,766
<b>Liabilities</b>		
Benefits in process of payment	40,260,275	36,889,211
Due to brokers for securities purchased	66,070,147	59,803,742
Payable under security lending agreement	353,164,340	567,171,327
Accrued investment fees	3,321,955	2,558,432
Compensated absences	139,061	127,801
Total liabilities	462,955,778	666,550,513
Net assets held in trust for pension benefits and annuity benefits (note 6) of electing members (a schedule of funding progress is presented on page 43)	\$ 5,737,003,948	5,211,648,253

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

Statements of Changes in Plan Net Assets

Years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<b>Additions:</b>		
<b>Contributions:</b>		
Members	\$ 190,718,633	181,197,041
Member tax-shelter	7,255,812	8,493,698
Employer statutory requirement from local school districts	127,047,763	120,164,225
Federal matching	10,991,648	9,889,189
Dedicated gas tax	<u>106,267,672</u>	<u>133,541,781</u>
<b>Total contributions</b>	<u>442,281,528</u>	<u>453,285,934</u>
<b>Investment income:</b>		
Interest	119,896,345	108,618,403
Dividends	52,285,619	53,503,659
Net appreciation in fair value of investments	452,159,607	780,014,825
Less investment expenses	<u>(11,576,749)</u>	<u>(10,772,438)</u>
<b>Income from investing activities</b>	<u>612,764,822</u>	<u>931,364,449</u>
<b>From securities lending activities:</b>		
Securities lending income	23,737,850	23,080,115
<b>Securities lending expenses:</b>		
Borrower rebates	(21,441,166)	(21,427,431)
Management fees	<u>(688,755)</u>	<u>(356,055)</u>
<b>Income from securities lending activities</b>	<u>1,607,929</u>	<u>1,296,629</u>
<b>Net investment income</b>	<u>614,372,751</u>	<u>932,661,078</u>
<b>Total additions</b>	<u>1,056,654,279</u>	<u>1,385,947,012</u>
<b>Deductions:</b>		
Retirement, death, survivor, and health benefits	479,637,193	439,213,465
Refund of member contributions and annuity payments	48,962,376	41,332,758
Administrative expenses	<u>2,699,015</u>	<u>3,267,751</u>
<b>Total deductions</b>	<u>531,298,584</u>	<u>483,813,974</u>
<b>Net increase</b>	525,355,695	902,133,038
<b>Net assets held in trust for pension benefits and annuity benefits of electing members:</b>		
Beginning of year	<u>5,211,648,253</u>	<u>4,309,515,215</u>
End of year	<u>\$ 5,737,003,948</u>	<u>5,211,648,253</u>

See accompanying notes to financial statements.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

### (1) 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 116.9 as amended. Administrative expenses are paid with funds provided by operations of the System.

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.

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

	<u>1999</u>	<u>1998</u>
Retirees and beneficiaries currently receiving benefits	33,033	32,032
Terminated vested participants	3,117	2,959
Active participants	<u>81,851</u>	<u>80,578</u>
	<u>118,001</u>	<u>115,569</u>

There are 633 contributing employers in the System. In addition, there were 7,515 and 7,063 nonvested inactive participants at June 30, 1999 and 1998, respectively, who are entitled to a refund of their accumulated contributions.

### (2) 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 has improved from the funding level at June 30, 1998. This is mainly due to the better than expected return on actuarial assets. Other less significant actuarial losses and gains occurred due to differences between actual and expected contributions (principally due to the decrease in gas tax revenues) and due to the bill that extended the pay caps for certain members in comprehensive higher education. Actuarial accrued liability increased \$567 million and the actuarial value of assets increased \$623 million. The System's unfunded actuarial accrued liabilities decreased \$55.6 million. Despite the system's results this year, it should be noted that unfunded liabilities are expected to increase until the year 2015, due to the negative amortization created by the current funding schedule that increases employer contribution rates by 1% per year until 2002 and then is fixed at 7.05% for 2003 and thereafter and the employee contributes 7%. (See note 7.)

(Continued) 29

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

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 GASB Statement No. 25, the System's funded ratio is only 49.8% and 45.9% at June 30, 1999 and 1998, respectively.

The financial condition of the System and its ability to meet future obligations is predicated on a funding schedule in state statutes which provides an increasing revenue stream based on a percentage of active members' pay. Local school districts and other employers are required to contribute any difference between the statutory rate and the State's contribution of dedicated revenue which is a portion of the natural and casinghead gas tax (see note 7). If the funding schedule is maintained and adequate earnings and gains are provided on investments, the System will eventually be adequately funded. If legislative changes further reduce, delay, or roll back the funding schedule or if unfunded benefit improvements are added to the plan, the funding period will increase.

### (3) Summary of Significant Accounting Policies

#### (a) *Basis of Accounting*

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.

#### (b) *Budgetary Control*

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

#### (c) *Investments*

The System is authorized to invest in eligible investments as approved by the Board of Trustees (the Board) as set forth in its investment policy.

Plan investments are reported at fair value. The short-term investment fund is comprised of an investment in units of commingled trust funds of the Plan'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 Plan'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 Banker's Trust Company's Institutional Daily Assets Fund and is carried at amortized cost, which approximates fair value.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

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, 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.

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 statement of plan net assets.

**(d) Furniture and Fixtures**

Furniture and fixtures are stated at cost when acquired. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years.

**(e) Income Taxes**

The System is exempt from federal and state income taxes and has received a favorable determination from the Internal Revenue Service under Code section 401(a). The System's 403(b) Plan is also tax-exempt and has received a private letter ruling from the Internal Revenue Service.

**(f) Compensated Absences**

The System's employees are allowed, by statute, to accrue between 240 and 480 hours of compensated absences, of which the monetary obligation is recognized as an expense when incurred.

(Continued)

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

### **(g) Plan Termination**

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

- (i) Accumulated contributions will be allocated to each respective participant, former participant, retired member, joint annuitant, or beneficiary then receiving payments.
- (ii) The balance of such assets, if any, will be allocated to each person then having an interest in the System based upon the excess of their retirement income under the plan less the retirement income which is equal to the actuarial equivalent of the amount allocated to them under (i) above 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 participants electing to receive a vested benefit, and
  - All other members.

### **(h) Use of Estimates**

The preparation of the System's financial statements in conformity with generally accepted accounting principles requires the System administrator to make significant estimates and assumption 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.

### **(i) 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 and 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.

### **(j) Reclassifications**

Certain amounts in the 1998 financial statements have been reclassified to conform to the current year presentation.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

### (4) Cash and Investments

Cash includes amounts on deposit with the Office of the State Treasurer (State Treasurer) in a pooled account, which is required to be insured or collateralized by the Oklahoma Statutes. The amount of collateral securities to be pledged for the security of public deposits shall be established by rules and regulations promulgated by the State Treasurer.

Deposits with financial institutions are categorized depending on whether they are insured or collateralized. The System's deposits are categorized to give an indication of the level of risk assumed at year end. Category 1 includes deposits that are insured or collateralized, with securities held by the System or its agent in the System's name. Category 2 includes deposits collateralized with securities held by the counterparty's trust department or agent in the System's name. Category 3 includes uncollateralized deposits.

The System's investments would generally be categorized into one of three separate credit risk categories. Category 1 includes investments that are insured or registered, or are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments, held by the counterparty, or by its trust department or agent, but not in the System's name.

The investments held by broker-dealers under the collateralized securities lending program are categorized based upon the nature of the collateral. If the collateral received is cash, then the investments lent are noncategorized since the cash is reflected on the balance sheet. If the collateral received is securities and letters of credit, then the investments lent are categorized according to the characteristics of the collateral received.

Deposits and investments as of June 30, 1999 and 1998, are categorized as follows on page 34:

(Continued)

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

Notes to Financial Statements

June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Category 1 Classification:		
Deposits:		
Domestic money market account	\$ 2,308,000	1,987,000
International money market account	89,058,000	23,936,000
Short-term investments:		
Commercial paper	109,416,000	127,663,000
U.S. government	9,596,000	4,361,000
Total deposits and short-term investments	<u>210,378,000</u>	<u>157,947,000</u>
Long-term investments:		
U.S. government	376,199,000	370,698,000
U.S. government agencies	584,996,000	379,029,000
Corporate bonds	332,763,000	297,583,000
International bonds	282,613,000	214,498,000
Domestic stock	2,861,142,000	2,664,558,000
International equities	529,714,000	467,622,000
Total long-term investments in category 1	<u>4,967,427,000</u>	<u>4,393,988,000</u>
Total Category 1	<u>5,177,805,000</u>	<u>4,551,935,000</u>
Category 3 Classification:		
Investments held by broker-dealers under securities		
loans for noncash collateral:		
U.S. government	—	78,421,000
U.S. government agencies	18,462,000	4,417,000
Corporate bonds	2,576,000	2,194,000
International bonds	—	3,744,000
Domestic stocks	27,186,000	10,953,000
International equities	15,737,000	12,951,000
Total Category 3	<u>63,961,000</u>	<u>112,680,000</u>
Not subject to classification:		
Investments held by broker-dealers under securities		
loans for cash collateral:		
U.S. government	98,282,000	137,224,000
U.S. government agencies	1,748,000	2,965,000
Corporate bonds	10,820,000	14,281,000
International bonds	25,650,000	26,762,000
Domestic stocks	141,796,000	265,902,000
International equities	61,729,000	96,560,000
Securities lending collateral	353,164,000	567,171,000
Total not subject to classification	<u>693,189,000</u>	<u>1,110,865,000</u>
Total deposits and investments	<u>\$ 5,934,955,000</u>	<u>5,775,480,000</u>

(Continued)

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

The System has investments in mortgage-backed securities pools of approximately \$374,740,000 and \$333,435,000 at June 30, 1999 and 1998, respectively. These securities are backed by the full faith of the U.S. Government or its Agencies. The market risk including interest rate risk and prepayment risk of these investments is reduced by the securities pool having varying interest rates and maturity dates.

### **Securities Lending Activity:**

The System's investment policy and state statutes provides 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 and 105% for securities for which the principal trading market is outside the United States.

The market value of securities on loan was approximately \$403,986,000 and \$656,374,000 at June 30, 1999 and 1998, respectively. The underlying collateral for these securities had a market value of approximately \$418,801,000 and \$683,263,000 at June 30, 1999 and 1998, respectively. Collateral of securities and letters of credit represented approximately \$65,636,000 and \$116,090,000 of total collateral at June 30, 1999 and 1998, 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 balance sheet.

At June 30, 1999 and 1998, 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 1999 or 1998 resulting from the default of a borrower or the lending agent.

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 30 days. The relationship between the maturities of the investment trust 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.

(Continued)

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

Notes to Financial Statements

June 30, 1999 and 1998

**(5) Furniture and Fixtures**

Furniture and fixtures consist of the following:

		<u>1999</u>	<u>1998</u>
Furniture and fixtures	\$	1,286,432	1,274,364
Accumulated depreciation		<u>892,608</u>	<u>772,931</u>
Net, furniture and fixtures	\$	<u>393,824</u>	<u>501,433</u>

The System has commitments to lease building space from the Oklahoma State School Board Association, as well as leases on certain equipment. The future minimum commitments for operating leases as of June 30, 1999, was approximately \$128,000. The System's leases are one year renewable contracts. Rental expense for all operating leases amounted to approximately \$130,000 for each of the years ended June 30, 1999 and 1998.

**(6) Reserved and Designated Funds**

Amounts included in the Teachers' Deposit Fund, the Expense Fund, and the Furniture and Fixtures Fund are 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.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System.
- The Furniture and Fixtures Fund represents amounts used to purchase various furniture and fixtures for the System.

		<u>1999</u>	<u>1998</u>
Teachers' Deposit Fund (tax-sheltered annuities)	\$	349,901,000	327,263,000
Expense Fund		22,673,000	19,477,000
Furniture and Fixtures Fund		<u>394,000</u>	<u>501,000</u>
	\$	<u>372,968,000</u>	<u>347,241,000</u>

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

### (7) Contributions

The authority to define or amend employer contribution rates is given to the board by title 70, section 17-106 of the Oklahoma Statutes; all other 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 members 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 following table summarized the maximum compensation level.

<u>Fiscal Year</u>	<u>For Member Who Elected the \$25,000 Limit Prior to June 30, 1995</u>	<u>For All Other Members</u>
1998	\$ 37,500	\$ 54,000
1999	42,500	59,000
2000	47,500	64,000
2001	52,500	69,000
Thereafter	No limit	No limit

Each teacher, meeting minimum salary requirements, shall have a specific amount paid by the State of the employee's required contribution to the System. The credit amount is determined based upon years of service. Contributions by the State totaled approximately \$34,680,000 and \$32,663,000 for 1999 and 1998, respectively.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 11.5% and 10.5%, for 1999 and 1998 is applied to annual compensation up to defined caps depending upon the member's elections as previously described. As provided by state statute, the amount of the employer's contribution each fiscal year shall be reduced by the estimated revenue due to the System from the dedicated gas tax. The dedicated gas tax is considered an on behalf payment made by the state of Oklahoma for the employers. In 1999 and 1998, the actual contribution rate due from the employers was 4.8%

### (8) 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. The System does not provide for a cost-of-living adjustment. 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:

(Continued)

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

- Members become 100% vested in retirement benefits earned to date after ten 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 eighty. Members joining the System after June 30, 1992, are eligible for maximum benefits when their age and years of creditable service total ninety. 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 full benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

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 one-twelfth 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 by 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 Internal Revenue Code.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the Internal Revenue Code under Code section 403(b).

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Notes to Financial Statements

June 30, 1999 and 1998

For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board (the Board), the System pays between \$70 and \$75 per month to the Board for each retiree, depending on the members' years of service. The System performs no administrative functions related to the health insurance coverage provided through the Board. Such amounts were approximately \$19,869,000 and \$19,774,000 in 1999 and 1998, respectively, and are included in retirement, death, survivor and health benefits. Amounts due to the Board at June 30, 1999 and 1998, respectively are approximately \$1,645,000 and \$1,638,000, and are included in benefits in process of payment.

### (9) Plan Amendments

In 1999, the Oklahoma Legislature passed the following bills which provide the following changes to the System, effective July 1, 1999:

#### House Bill 1005

- This bill makes permanent the cost-of-living increase retirees received in 1998, but does not provide an additional increase for 1999.

#### House Bill 1428

- This bill creates a savings incentive for the members, whereby the state will match dollar for dollar up to \$25 per month on voluntary contributions made to the System's 403(b) Tax Sheltered Annuity Plan. However, the program will not begin until funds are provided by the State. Therefore, it will be July 1, 2000, or after before the program will become active.

#### House Bill 1574

- In 1998, the legislature enacted a new funding method to become effective July 1, 1999, which provided a portion of the State's general revenue money in place of the natural and casinghead gas tax earmarked for the System. This bill modifies the State's funding of reserves for benefit payments from the general revenue fund back to a dedicated revenue source. Specifically, the System will receive a portion (3.54%) of the State's sales, use and income taxes. These revenue sources are supposed to be more stable and are expected to increase more rapidly than other revenue sources. The contribution is subject to a \$136.0 million maximum contribution for fiscal year 2000 only.

#### Senate Bill 602

- This bill extends and changes amounts of salary caps for contributions by employees of comprehensive universities who joined the System before July 1995.

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**REQUIRED SUPPLEMENTARY INFORMATION**



## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Required Supplementary Information

## Schedule of Funding Progress

(dollars in millions)

(unaudited)

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, 1994	\$ 2,697.2(1)	\$ 6,736.0	\$ 4,038.8	40.0%	\$ 2,189.5	184.5%
June 30, 1995	2,869.9	7,480.4	4,610.5	38.4	2,336.1	197.4
June 30, 1996	3,103.0	7,843.2	4,740.2	39.6	2,375.5	199.5
June 30, 1997	3,544.9	8,257.2	4,712.3	42.9	2,428.7	194.0
June 30, 1998	4,085.0	8,891.3	4,806.2	45.9	2,537.7	189.4
June 30, 1999	4,708.0	9,458.6	4,750.6	49.8	2,648.4	179.4

## Schedule of Employers Contributions

(unaudited)

Fiscal year ended June 30	Annual Required Contribution	Percentage Contributed
1994	\$ 372,329,474	53.6%
1995	385,986,674	41.8%
1996	434,728,781	40.8%
1997	446,459,961	62.0%
1998	446,219,296	59.1%
1999	456,864,002	53.5%

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.

(1) The actuarial value of assets is based on book value for all investments, except equities.

Unaudited - See accompanying independent auditors' report.

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

### Notes to Required Supplementary Information

June 30, 1999 and 1998

#### 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, 1999, 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 this plan, 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 assumptions, adjust the unfunded actuarial accrued liability.

##### *Asset Valuation Method*

For actuarial purposes, assets are determined equal to the prior year's actuarial value of assets plus cash flow (excluding realized and unrealized gains or losses) for the year ended on the valuation date assuming 8.0% interest return. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. The expected actuarial value is then compared to the market value of the assets at the valuation date, and 20% of any gain (loss) for the last five years is added to the expected actuarial value. The gain (loss) is amortized over five years with the actuarial value of the assets being constrained to a range of 80% to 120% of the market value at the valuation date.

##### *Amortization*

The unfunded actuarial accrued liability is amortized on a level dollar method over a 40-year open period.

Significant actuarial assumptions employed by the actuary for fund purposes as of July 1, 1999, are as follows:

- Investment Return – 8.0% per annum, compounded annually
- Salary Increases – 4.5% to 7.75% per year (includes inflation of 4.0%)
- Mortality Rates – Active participants and nondisabled pensioners – 1983 Group Annuity Mortality Table; Disabled pensioners – 1983 Group annuity set forward five years for disabled experience
- Post Retirement Benefit Increases – None
- Post Retirement Health Insurance Premium – Since July 1, 1991, the System has been required by statute to contribute up to \$75 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.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**Required Supplementary Information  
Year 2000 Issue

(unaudited)

June 30, 1999 and 1998

The Year 2000 issue is a result of legacy computer programs written with two digit years rather than four. Any computer program or firmware that has date-sensitive software fields may not be able to determine whether a "00" date refers to the year 1900 or 2000. Consequently, computer system failures or miscalculations could result in disruptions of operations, including, among other things, a temporary inability to process certain transactions or engage in normal business activities.

The Teachers' Retirement System of Oklahoma tested all internally developed software during fiscal year 1999 and found it all to be Year 2000-compliant. The vast majority of internally developed software in use by the System was created in the last ten years and Year 2000 compliance was a design consideration. Purchased software which was considered to be mission critical was also tested during fiscal year 1999 and found to be Year 2000-compliant. Written documentation as to Year 2000 compliance from major vendors including the System's investment custodian and investment managers was obtained. These vendors provided a written statement on their efforts to ensure uninterrupted service beyond December 31, 1999.

We expect that no further costs related to Year 2000 compliance will be incurred. However, there can be no assurance that our Year 2000 compliance plan has identified and resolved all significant compliance issues; or that costs associated with such activities will not have a material adverse effect on our financial position or results of operations.

Unaudited – See accompanying independent auditors' report.

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**OTHER SUPPLEMENTARY INFORMATION**



**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**Supplementary Information  
Schedules of Investment Expenses

For the Years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Investment Custodian	\$ 53,000	66,250
Investment Managers	11,296,106	10,486,123
Investment Consultants	208,350	201,525
Investment Information Services	19,293	18,540
Total investment expenses	<u>\$ 11,576,749</u>	<u>10,772,438</u>

See accompanying independent auditors' report.

## TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Supplementary Information  
Schedules of Administrative Expenses

For the Years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Salaries and benefits	\$ 1,664,485	1,497,491
General and miscellaneous	417,035	375,603
Professional services	209,660	1,005,490
State of Oklahoma interagency	206,399	239,943
Travel and related expenses	50,014	44,860
Depreciation expense	<u>151,422</u>	<u>104,364</u>
Total administrative expenses	<u>\$ 2,699,015</u>	<u>3,267,751</u>

See accompanying independent auditors' report.

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**Supplementary Information  
Schedules of Professional/Consultant Fees

For the Years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Actuarial	\$ 66,033	63,914
Medical	26,211	20,167
Legal	15,624	21,147
Audit	38,800	39,060
Data Processing	29,299	835,203
Miscellaneous	33,693	25,999
	<u>209,660</u>	<u>1,005,490</u>
Total professional/consultant fees	\$ 209,660	1,005,490

See accompanying independent auditors' report.



700 Oklahoma Tower  
Oklahoma City, OK 73102-5671

**Independent Auditors' Report On Compliance And On Internal Control Over  
Financial Reporting Based On An Audit Of Financial Statements Performed  
In Accordance With *Government Auditing Standards***

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, 1999, and have issued our report thereon dated August 20, 1999, which includes a paragraph emphasizing the funded status of the System and a paragraph regarding the fact that the System is a part of the reporting entity of the State of Oklahoma. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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 that are required to be reported under *Government Auditing Standards*.

**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 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 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the System in a separate letter dated August 20, 1999.

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

KPMG LLP

August 20, 1999

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## Investment Section



## **Investment Section**



*In Memoriam...*



*Jo D. Witt*

*1936-1999*

**Secretary-Treasurer, Chief Investment Officer  
Teachers' Retirement System of Oklahoma**

**1971-1999**

**29 Years of Dedicated Service  
to the  
Teachers' Retirement System  
and the  
State of Oklahoma**

Jo Witt Memoriam

## **Professional Consultants and Advisors**

### **Domestic Equity Managers**

Liberty Investment Management, Large Capitalization Growth  
Tampa, Florida

Hotchkis and Wiley, Large Capitalization Value  
Los Angeles, California

Bankers Trust Company S&P 500 Index Fund  
New York, New York

Aronson+Partners, Middle Capitalization Core  
Philadelphia, Pennsylvania

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

Miller Anderson & Sherrerd, LLP, Middle Capitalization Value  
West Conshohocken, Pennsylvania

Miller Anderson & Sherrerd, LLP, Middle Capitalization Growth  
West Conshohocken, Pennsylvania

Denver Investment Advisors, Small Capitalization Value  
Denver, Colorado

Shapiro Capital Management Company, Small Capitalization Value  
Atlanta, Georgia

Kopp Investment Advisors, Small Capitalization Growth  
Edina, Minnesota

### **Domestic Fixed Income Managers**

Mellon Bond Associates, Passive Intermediate/Aggregate Index Fund  
Phaladelphia, Pennsylvania

Neuberger & Berman Pension Management, Active Core  
New York, New York

### **International Managers**

Brinson Partners, International Balanced Management  
Chicago, Illinois

Brandes Investment Partners, International Equity  
San Diego, California

Bank of Ireland Asset Management, International Equity  
Santa Monica, California

### **Advisors and Consultants**

Bankers Trust Company, Global Custodian  
New York, New York

Marquette Alliance, Inc., Investment Consultant  
Tulsa, Oklahoma

Watson Wyatt Worldwide, Actuarial Consultant  
Dallas, Texas

KPMG LLP, External Auditors  
Oklahoma City, Oklahoma

The Office of the Oklahoma Attorney General, Legal Counsel

## **INVESTMENT REPORT**

The Oklahoma Teachers' Retirement System enjoyed another good year in Fiscal Year 1999. The actual return was 12.16% on the entire portfolio, giving a three-year annualized return of 18.16%. Although a pension plan cannot expect returns of this nature every year, the 1999 return allowed the increase in UAAL to be \$368.1 million less than it would otherwise have been. All investment asset data is reported at market value. The Oklahoma Teachers' Retirement System is one of the two hundred largest pension funds in the United States.

### **Fiduciary Responsibility**

The Board of Trustees of the Oklahoma Teachers' Retirement 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.

### **Asset Allocation and Diversification**

The Board adopted a slightly more aggressive asset allocation model of 65% in equity investments and 35% in fixed income investments in 1996. The ensuing two and one-half years has been spent on fine-tuning this mix into sub asset classes to accomplish a more defined diversification of the assets. The asset allocation mix is considered to be one of the most important decisions in money management, as over 90% of a portfolio's total return can be attributed to asset allocation.

The initial step in the advancement of the new model was the movement of a portion of the actively managed large capitalization equities into a portfolio indexed to the S & P 500, assuring index-like returns and reducing management fees. This was followed by an increase in the allocation to international equities and fixed income and movement of funds managed in a small capitalization index to active management. Additional managers have been hired to diversify the fixed income portfolios and will be funded in the coming year.

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

## 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 investment policy. Firms employed by the Board on June 30, 1999 are listed below. Funds under management exclude pending trades as of June 30, 1999.

<u>Manager and Style</u>	<u>Funds under Management (in millions)</u>
1. Liberty Investment Management, Inc., Active Large Capitalization Growth Equity	\$539
2. Hotchkis & Wiley, Active Large Capitalization Value Equity	\$482
3. Bankers Trust Company, S&P 500 Index	\$1,306
4. Aronson+Partners	\$164
5. Miller Anderson Sherrerd Value	\$191
6. Miller Anderson Sherrerd Growth	\$146
7. Wellington Management Company	\$114
8. Denver Investment Advisors, Small Capitalization Value Equity	\$121
9. Shapiro Capital Management Company, Inc. Small Capitalization Value Equity	\$52
10. Kopp Investment Advisors, Small Capitalization Growth Equity	\$77
11. Neuberger & Berman Pension Management, Active Intermediate Fixed Income	\$549
12. Mellon Bond Associates, Passive Intermediate/ Aggregate Fixed Income	\$776
13. Brinson Partners, Inc., Active International Balanced	\$397
14. Brandes Investment Partners, Active International Equity	\$227
15. The Bank of Ireland Asset Management, Active International Equity	\$205
16. Cash	\$28

Chart on following page.

## **Investment Performance**

The Oklahoma Teachers' Retirement System compares total return on equity investments to the S & P 500. The benchmark for fixed income was changed from Lehman Brothers Government/Corporate Index to the Lehman Brothers Aggregate Index in Fiscal Year 1999. Individualized benchmarks for the separately managed domestic equity funds include the Russell 1000 Value, the Russell 1000 Growth, the S & P 500, the Russell MidCap, the S & P Midcap 400 and the Russell 2000. The international managers are compared to the MSCI EAFE and the Salomon Non-U.S.

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

## Investment Expenses

Investment fees paid to investment management firms employed by the System were as follows in Fiscal Year 1999:

<u>Investment Manager</u>	<u>Fee Paid</u>
Liberty Investment Management	\$1,306,822
Hotchkis & Wiley	1,380,229
Bankers Trust	91,445
Aronson+Partners	872,622
Miller Anderson Sherrerd	965,566
Kopp Investment Advisors	633,367
Wellington Management Company	403,974
Denver Investment Advisors	635,956
MAS	464,938
Shapiro Capital Management	448,072
Mellon Bond Associates	158,305
Tom Johnson	100,459
Neuberger & Berman	725,486
Brandes Investment Partners	1,099,569
Bank of Ireland Asset Management	808,590
Brinson Partners	<u>1,714,013</u>
Total	11,809,413
Less Recaptured Commissions	<u>-513,307</u>
Net Investment Manager Fees	<u>\$11,296,106</u>

Commissions paid to brokerage firms were as follows in fiscal year 1999.

Domestic Stock Brokerage Commissions  
Fiscal Year 1999

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
A G BECKER INC	4,100	\$36	0.009
ABEL NOSER	200	\$12	0.060
ABN-AMRO	91,786	\$3,507	0.038
ADAMS, HARKNESS & HILL, INC	55,400	\$365	0.007
ADVEST, INC.	55,400	\$3,324	0.060
ALLEN	111,700	\$6,472	0.058
ARNHOLD & BLEICHROEDER	28,500	\$1,710	0.060
AUTRANET INC	259,500	\$7,242	0.028
B-TRADE SERVICES LLC	800	\$16	0.020
BANCAMERICA	46,100	\$1,205	0.026
BAUM, GEORGE K., & COMPANY	156,600	\$4,014	0.026
BEAR STEARNS & COMPANY	1,595,906	\$53,484	0.034
BERNSTEIN	26,700	\$1,602	0.060
BISHOP ROSEN	6,900	\$414	0.060
BLAIR, WILLIAM AND COMPANY	240,900	\$9,966	0.041
BLOOMBERG TRADEBOOK	107,000	\$2,140	0.020
BNY ESI & CO ALPHA DIVISION	1,014,155	\$45,821	0.045
BOE SECURITIES INC.	35,700	\$1,428	0.040
BOSTON INSTITUTIONAL SERVICES	27,900	\$1,395	0.050
BRIDGE TRADING	529,001	\$20,580	0.039
BROWN BROTHERS HARRIMAN & CO.	100,900	\$5,838	0.058
BT ALEX BROWN INCORPORATED	556,695	\$18,355	0.033
BTN RESEARCH	8,900	\$534	0.060
BUCKINGHAM RESEARCH	79,200	\$4,162	0.053
C L KING & ASSOCIATES	4,500	\$270	0.060
CANTOR FITZGERALD & COMPANY INC	542,168	\$14,481	0.027
CAPITAL INSTITUTIONAL SERVICES INC	791,785	\$22,782	0.029
CHICAGO CORP	411,200	\$16,918	0.041
CIBC OPPENHEIMER CORP/WORLD MARKETS C	595,600	\$21,026	0.035
CITATION GROUP	43,000	\$2,580	0.060
CLEARY GULL REILAND & MCDERITT	95,100	\$4,551	0.048
COCHRAN CARONIA SECURITIES	76,300	\$4,578	0.060
CONNING & CO	106,900	\$6,414	0.060
COWEN & CO	140,400	\$6,315	0.045
CREDIT LYONNAIS SECURITIES INC.	12,700	\$762	0.060
CREDIT SUISSE FIRST BOSTON CORPORATION	1,973,560	\$75,144	0.038
CROWELL WEEDON	24,100	\$1,205	0.050
D.A. DAVIDSON & COMPANY, INC.	196,900	\$11,629	0.059
D.E. SHAW SECURITIES	1,841,871	\$36,613	0.020
DABNEY RESNIK	36,300	\$2,178	0.060
DAIN RAUSCCHER INC	164,400	\$1,786	0.011
DAVENPORT	125,000	\$7,500	0.060
DEUTSCHE / DB CLEARING SERVICES	730,600	\$35,056	0.048
DIAN BOSWORTH INC	83,400	\$2,297	0.028
DOMINION SECURITIES	55,900	\$3,354	0.060
DONALDSON & CO	1,996,256	\$99,308	0.050

Domestic Stock Brokerage Commissions  
Fiscal Year 1999

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
DONALDSON LUFKIN & JENRETTE	2,459,924	\$86,541	0.035
DRESDNER KLEINWORT BENSON	462,500	\$25,532	0.055
DUNLEVY & CO., INC.	600	\$30	0.050
EDWARDS A G INC	176,400	\$9,909	0.056
ESI SECURITIES CO	20,100	\$833	0.041
EVEREN SECURITIES INC.	710,500	\$35,116	0.049
FACTSET DATA SYSTEMS	11,600	\$696	0.060
FIDELITY CAPITAL MGMT	64,200	\$3,184	0.050
FIRST UNION	2,900	\$174	0.060
FOX PITT KELTON	176,300	\$8,318	0.047
FRANK RUSSELL SECURITIES INC	5,000	\$250	0.050
FRIEDMAN BILLINGS	18,000	\$1,080	0.060
FRIEND	55,600	\$3,336	0.060
FURMAN SELZ MAGER DIETZ	639,700	\$16,996	0.027
GERARD KLAVER MATTSON	176,700	\$9,153	0.052
GOLDMAN SACHS & COMPANY	2,608,200	\$52,053	0.020
GREEN STREET ADVISORS INCORPORATED	71,400	\$4,079	0.057
HAMBRECHT & QUIST	220,300	\$7,970	0.036
HANIFEN IMHOFF INC	225,700	\$13,542	0.060
HOWARD WEIL LABOUISSSE FRIEDRICH S INC	38,100	\$2,286	0.060
HSBC SECURITIES INC	55,800	\$3,348	0.060
INSTINET	6,009,472	\$189,912	0.032
INTERSTATE / JOHNSON LANE CORPORATION	55,200	\$3,060	0.055
INVESTMENT TECHNOLOGY GROUP	1,770,310	\$39,943	0.023
ISI GROUP INC	37,700	\$2,095	0.056
ITG / POSIT	1,218,400	\$24,698	0.020
J C BRADFORD & COMPANY	126,500	\$4,770	0.038
J P MORGAN	1,308,873	\$61,883	0.047
JANNEY MONTGOMERY SCOTT	105,700	\$3,309	0.031
JEFFERIES & COMPANY INC	3,137,492	\$114,615	0.037
JOHNSON RICE	158,200	\$9,444	0.060
JONES & ASSOC	208,400	\$9,163	0.044
KALB, VOORHIS & CO., LLC	26,000	\$1,120	0.043
KEEFE BRUYETTE AND WOODS INC.	117,236	\$7,034	0.060
KINNARD, JOHN G., & COMPANY	47,700	\$1,944	0.041
KNIGHT SECURITIES	199,860	\$5	0.000
LANGEN MCALENNY	54,200	\$2,710	0.050
LEGG MASON WOOD WALKER, INC.	139,400	\$6,269	0.045
LEHMAN BROTHERS	3,772,528	\$116,440	0.031
LIPPER ANALYTICAL	11,100	\$555	0.050
LYNCH JONES RYAN	5,546,083	\$302,299	0.055
MAXUS CORP	86,600	\$4,398	0.051
MCDONALD & COMPANY	248,900	\$11,182	0.045
MERRILL LYNCH PIERCE FENNER & SMITH INC	2,299,416	\$49,153	0.021
MIDWEST RESEARCH	150,800	\$8,832	0.059
MIDWOOD SECURITIES	19,800	\$990	0.050

Domestic Stock Brokerage Commissions  
Fiscal Year 1999

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
MONTGOMERY SECURITIES	2,039,850	\$68,016	0.033
MORGAN STANLEY DEAN WITTER	23,196,252	\$238,518	0.010
NATIONSBANC MONTGOMERY SECURITIES	144,600	\$4,490	0.031
NATWEST SECURITIES	122,300	\$1,158	0.009
NEEDHAM & CO.	33,800	\$2,028	0.060
NEUBERGER & BERMAN	14,700	\$882	0.060
O'NEIL, WILLIAM & CO. INC.	38,400	\$1,920	0.050
OFF THE RECORD RESEARCH/OTA	66,000	\$3,960	0.060
ORMES CAPITAL MARKETS INC/BCC	534,400	\$26,720	0.050
PAINE WEBBER INC	916,300	\$39,887	0.044
PAULSON	4,000	\$240	0.060
PCS SECURITIES	168,300	\$9,915	0.059
PERSHING	543,900	\$23,240	0.043
PETRIE PARKMAN	18,900	\$1,134	0.060
PREFERRED TECHNOLOGY	135,700	\$3,144	0.023
PRUDENTIAL SECURITIES INC	1,040,190	\$37,151	0.036
RAGEN MACKENZIE	98,800	\$5,513	0.056
RAYMOND JAMES & ASSOC	433,694	\$18,034	0.042
ROBERT BRANDT	244,100	\$10,954	0.045
ROBERT W BAIRD	722,700	\$17,681	0.024
ROBERTSON, STEPHENS & CO.	654,600	\$16,056	0.025
ROBINSON HUMPHREY	211,300	\$10,674	0.051
ROCHDALE SECURITIES	124,800	\$7,288	0.058
S G WARBURG	50,700	\$2,916	0.058
SALOMON SMITH BARNEY	1,769,425	\$46,061	0.026
SANFORD C. BERSTEIN & CO., INC.	737,489	\$42,912	0.058
SBC WARBURG DILLON READ INC. - SWISS BAN	1,472,499	\$26,930	0.018
SCHRODER & CO. INC.	431,157	\$23,152	0.054
SCHWAB & CO	27,400	\$1,644	0.060
SCOTT & STRINGFELLOW	188,500	\$11,188	0.059
SG COWEN SECURITIES CORPORATION	637,145	\$21,823	0.034
SHEARSON LEHMAN	2,105,200	\$83,741	0.040
SHEARSON/AMERICAN EXPRESS INC	2,200	\$132	0.060
SHIELDS CAPITOL CORP	13,900	\$695	0.050
SIMMONS	159,800	\$9,588	0.060
SMITH BARNEY HARRIS UPHAM & COMPANY IN	1,211,271	\$36,773	0.030
SOUNDVIEW FINANCIAL GROUP	331,000	\$7,212	0.022
STANDARD & POOR	283,600	\$14,976	0.053
STATE STREET BROKERAGE SVCS INC.	2,000	\$40	0.020
STEPHENS, INC.	136,200	\$7,095	0.052
SUNTRUST	7,300	\$438	0.060
THE SHEMANO GROUP	90,650	\$1,346	0.015
TUCKER ANTHONY	71,000	\$3,654	0.051
U.S. BANCORP PIPER JAFFRAY	601,100	\$13,464	0.022
UNTERBERG HARRIS & DESANTIS	10,300	\$618	0.060
VECTOR SECURITIES INTL	59,200	\$3,003	0.051

Domestic Stock Brokerage Commissions  
Fiscal Year 1999

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
VOLPE & COVINGTON	10,200	\$252	0.025
VOLPE BROWN WHELAN AND CO	63,900	\$1,255	0.020
WARBURG SG	63,300	\$252	0.004
WASSERSTEIN	33,300	\$1,762	0.053
WEEDEN & COMPANY	719,400	\$25,450	0.035
WENTHEIM - SCHRODER	65,400	\$3,270	0.050
WERTHEIM & COMPANY INC	239,530	\$14,372	0.060
WHEAT FIRST UNION	191,300	\$3,628	0.019
WILLIAMS CAPITAL	30,200	\$1,510	0.050
WILLIAMS CAPITAL	14,000	\$700	0.050

The System has a recaptured brokerage program in place. Cents per share is shown prior to commission rebate. Brokers whose commission is primarily zero cents per share are not included.

Investment Report Prepared By:  
Bill Puckett  
Chief Investment Officer



PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Fixed Income:	Rate	Maturity date	Market Value	Domestic Fixed Income:	Rate	Maturity date	Market Value
COUNTRYWIDE FUNDING	6.280	37,636	3,881,858	FHLMC #C00689	6.500	47,088	938,390
COX COMMUNICATION INC	6.875	38,518	347,886	FHLMC #C00716	6.000	47,150	1,588,949
COYNE INTL	11.250	39,600	604,500	FHLMC #C00742	6.500	47,209	578,499
DANA CORPORATION	7.000	46,827	459,850	FHLMC #C00748	6.000	47,209	751,838
DAYTON HUDSON	9.625	39,479	116,013	FHLMC #C102246	6.000	46,874	884,201
DAYTON HUDSON	6.750	46,753	554,826	FHLMC #C12744	6.500	46,935	1,213,572
JOHN DEERE CAPITAL	5.850	36,906	995,780	FHLMC #C13829	7.000	46,966	653,753
WALT DISNEY	6.750	38,806	1,001,450	FHLMC #C14210	6.000	46,966	1,588,182
DONALDSON LUFKIN	6.500	39,539	472,720	FHLMC #C14242	6.500	46,997	4,310,118
DU PONT E I DE NEMO	8.250	38,975	218,948	FHLMC #C14254	7.000	46,966	1,027,424
DUKE POWER CO	7.000	48,761	225,333	FHLMC #C20415	6.000	47,119	473,772
EASTMAN CHEMICAL	6.375	38,001	2,950,590	FHLMC #C20657	6.000	47,119	1,893,313
ENERSIS	6.900	39,052	352,864	FHLMC #C20716	6.000	47,119	947,426
ENRON CORP	6.750	38,231	399,056	FHLMC #C22090	6.500	47,150	1,916,661
ENRON CORP	6.625	38,671	2,827,411	FHLMC #E00067	8.500	39,083	17,223
FAIRCHILD CORP	10.750	39,918	612,500	FHLMC #E00071	7.500	39,083	65,585
FLMC #M80008	6.500	36,434	938,083	FHLMC #E00185	7.000	39,448	216,061
FHLMC #G00880	7.000	46,784	1,468,226	FHLMC #E00221	6.000	39,539	460,655
FHLMC #G00365	8.000	45,809	527,601	FHLMC #E00268	6.000	39,783	341,411
FHLMC #G00693	7.500	46,478	4,009,019	FHLMC #E00292	6.500	39,904	495,063
FHLMC #G00726	8.000	46,539	881,679	FHLMC	6.500	41,365	15,968
FHLMC #N97017	7.000	37,865	145,585	FHLMC #E00573	6.000	41,548	1,833,435
FHLMC #D65109	7.000	45,931	255,164	FHLMC	6.500	41,395	3,650,848
FHLMC #D66964	7.000	46,023	349,763	FHLMC #E00598	5.500	41,609	920,108
FHLMC #D67619	7.500	46,054	672,405	FHLMC #E00617	5.500	41,640	461,790
FHLMC #D68850	6.500	46,082	358,286	FHLMC #E00659	6.000	41,730	671,172
FHLMC #D82248	7.000	46,631	324,675	FHLMC #B00096	8.500	38,838	33,823
FHLMC #D84913	7.000	46,722	412,727	FEDERAL FARM CREDIT	8.650	36,434	876,795
FHLMC #D86692	6.500	46,784	899,461	FHLMC #C80091	6.500	45,292	889,278
FHLMC #D86881	6.500	46,813	3,618,618	FHLMC #C80174	7.500	45,474	411,910
FHLMC #D86891	6.500	46,813	1,766,435	FHLMC #C80334	7.500	45,870	364,149
FHLMC #E70028	6.000	41,365	852,320	FHLMC #C80409	8.000	46,174	285,032
FHLMC #E70605	7.000	41,426	1,408,851	FHLMC #C80454	8.000	46,357	210,788
FHLMC #E71283	6.500	41,456	435,307	FHLMC #E20015	7.000	39,508	165,965
FHLMC #E75927	6.000	41,699	191,488	FHLMC #E20017	6.500	39,508	185,005
FHLMC #E77461	6.000	41,791	1,065,627	FHLMC #E20037	7.000	39,630	368,694
FHLMC #552314	9.000	44,044	42,533	FHLMC #E20237	6.000	40,664	1,906,083
FHLMC #554845	8.500	44,317	51,753	FHLB	5.625	36,969	4,987,500
FHLMC #554866	8.500	44,348	15,360	FHLB	5.715	37,795	21,094,186
FHLMC #C00078	9.000	44,501	31,309	FHLB	5.580	37,120	6,273,414
FHLMC #C00109	8.000	44,652	473,248	FHLMC #360122	9.500	44,105	19,226
FHLMC #C00206	7.500	44,927	197,969	FHLMC #360021	10.000	43,132	24,607
FHLMC #C00249	7.000	45,108	686,371	FHLMC #170037	13.500	40,452	79,511
FHLMC #C00262	7.000	45,200	931,024	FHLMC #170043	12.500	40,878	65,496
FHLMC #C00294	6.500	45,323	633,039	FHLMC #380040	10.000	38,018	15,155
FHLMC #C00431	8.000	45,962	680,855	FHLMC #170102	13.500	41,913	240,021
FHLMC #C00449	7.000	46,082	359,575	FHLMC #360098	9.500	43,891	55,133
FHLMC #C00495	7.000	46,388	325,626	FHLMC #170195	9.000	42,644	11,211
FHLMC #C00530	7.500	46,569	252,909	FHLMC #140154	6.500	39,569	113,856
FHLMC #C00571	8.000	46,722	673,551	FHLMC #180782	13.000	40,787	47,685
FHLMC #C00563	7.500	46,692	307,063	FHLMC #180146	10.000	40,452	36,507
FHLMC #C00592	7.000	46,722	755,898	FHLMC #187466	13.000	41,579	67,624
FHLMC #C00596	6.500	46,813	1,331,421	FHLMC #187809	13.000	41,671	25,632
FHLMC #C00609	7.000	46,874	6,821,538	FHLMC #261046	9.500	43,770	76,185
FHLMC #C00647	6.500	46,997	459,035	FHLMC #251796	13.000	42,005	51,552
FHLMC #C00702	6.000	47,119	932,669	FHLMC #251477	12.500	41,671	154,252

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Fixed Income:				Domestic Fixed Income:			
	Rate	Maturity date	Market Value		Rate	Maturity date	Market Value
FHLMC #251821	13.000	41,944	4,363	FNMA #050252	9.000	38,316	20,611
FHLMC #256807	13.000	42,036	2,063	FNMA #050432	8.500	44,341	34,743
FHLMC #217089	7.500	37,377	28,015	FNMA #050402	9.000	44,252	23,875
FHLMC #216642	8.500	37,347	11,802	FNMA #050437	8.000	38,893	89,310
FHLMC #216897	8.000	37,377	39,031	FNMA #050492	9.000	44,494	14,829
FHLMC #272602	6.750	36,617	3,183	FNMA #050478	9.000	44,464	52,149
FHLMC #271900	13.000	42,248	98,984	FNMA #050505	8.000	39,046	14,207
FHLMC #294662	8.500	42,887	20,173	FNMA #050542	7.500	39,138	81,867
FHLMC #280491	9.000	42,675	62,278	FNMA #050589	8.500	39,258	163,764
FHLMC #292637	8.000	42,856	206,635	FNMA #050589	7.500	39,258	108,494
FHLMC #303927	9.000	43,221	35,353	FNMA #050573	8.000	44,706	122,770
FHLMC #304659	9.000	43,252	38,449	FNMA #050576	7.500	39,227	99,685
FHLMC #306397	10.000	43,313	23,579	FNMA #050577	8.000	39,166	56,555
FHLMC #308326	9.500	43,282	6,691	FNMA #050656	7.500	44,890	661,084
FHLMC #308327	8.500	43,252	61,404	FNMA #050682	7.000	39,472	156,872
FHLMC #308457	10.000	43,405	31,502	FNMA #050688	8.000	44,958	632,213
FHLMC #501688	8.500	37,773	20,182	FNMA #050659	7.000	39,411	231,576
FHLMC #502265	10.500	38,108	5,538	FNMA #050920	7.500	39,685	153,852
FHLMC #503923	8.500	38,838	30,814	FNMA #050929	6.500	45,255	613,500
FHLMC #540090	9.000	43,739	17,980	FNMA #050945	6.000	45,285	634,927
FHLMC	6.800	39,160	10,793,977	FNMA #050951	6.000	39,807	459,228
FHLMC	7.100	39,182	1,041,560	FNMA #050952	6.500	39,807	422,620
FHLMC	5.000	36,937	14,835,900	FNMA #050964	6.000	45,292	71,437
FHLMC	5.750	39,553	1,624,299	FNMA #052576	9.500	37,462	15,764
FHLMC	5.750	37,817	12,839,580	FNMA #054527	8.000	42,941	151,504
FHLMC	6.020	41,547	3,426,563	FNMA #031946	9.000	37,128	5,944
FHLMC #542546	11.000	43,739	5,794	FNMA #033611	9.000	37,159	2,602
FHLMC #542819	7.500	43,466	42,234	FNMA #038794	9.500	42,729	18,823
FHLMC #544194	8.500	43,586	137,765	FNMA #041028	9.500	37,189	7,671
FHLMC #548780	9.500	43,922	48,080	FNMA #045681	9.000	42,850	14,440
FHLMC #D50469	6.500	45,352	678,828	FNMA #080469	9.500	43,215	31,103
FHLMC #D52991	7.500	45,413	307,692	FNMA #081871	12.500	41,609	12,944
FHLMC #E36304	7.500	39,173	86,844	FNMA #062424	9.500	43,064	59,452
FHLMC #E39298	7.000	39,326	124,555	FNMA #070412	8.500	43,763	83,848
FHLMC #E45787	7.500	39,539	256,508	FNMA #070425	9.000	37,281	12,193
FHLMC #E50093	6.500	39,661	696,651	FNMA #107878	9.000	38,681	12,765
FNMA	5.750	39,493	16,884,221	FNMA #083790	8.000	37,646	17,778
FNMA	5.625	36,965	14,974,200	FNMA #088708	8.500	43,855	19,997
FNMA	5.750	37,726	16,989,854	FNMA #097679	9.500	44,037	10,599
FNMA	6.000	39,583	2,314,550	FNMA - CMO	7.070	38,922	2,275,966
FNMA	6.160	46,972	1,441,152	FNMA - CMO	6.920	39,160	2,151,177
FNMA	4.625	37,179	3,850,026	FNMA	5.490	36,756	6,990,130
FNMA	5.250	39,828	9,160,900	FNMA	6.170	37,550	5,164,107
FNMA	5.125	38,030	1,698,368	FNMA	5.650	46,805	2,967,910
FNMA	6.250	47,253	2,094,114	FNMA #112137	9.500	44,190	16,356
FNMA #021002	12.500	41,024	56,148	FNMA #113143	9.000	44,221	16,808
FNMA #002463	11.000	42,272	28,561	FNMA #114232	9.000	44,252	6,446
FNMA #007238	8.000	39,624	276,644	FNMA #114672	9.000	44,252	128,592
FNMA #009152	12.500	41,633	37,540	FNMA #116855	9.500	44,252	30,881
FNMA #050275	9.000	43,886	68,432	FNMA #120271	8.500	44,341	24,544
FNMA #050291	9.000	43,946	46,566	FNMA #124087	8.000	44,586	88,381
FNMA #050308	9.500	44,007	16,277	FNMA #125133	8.500	44,767	93,506
FNMA #050353	9.500	44,129	21,160	FNMA #125178	8.000	44,951	299,477
FNMA #050150	9.500	43,459	35,776	FNMA #124418	8.000	36,397	7,888
FNMA #050219	10.000	38,224	19,618	FNMA #134325	8.500	44,494	45,181
FNMA #050265	9.500	38,377	14,158	FNMA #138130	9.000	44,525	100,446

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Fixed Income:				Domestic Fixed Income:			
	Rate	Maturity date	Market Value		Rate	Maturity date	Market Value
FNMA #147256	8.500	44,617	219,836	FNMA #330358	6.000	45,413	611,307
FNMA #151099	8.000	39,138	38,374	FNMA #337790	6.500	46,054	487,771
FNMA #155611	8.000	44,676	187,895	FNMA #341729	8.500	45,901	876,722
FNMA #157207	8.000	44,676	78,661	FNMA #364470	7.500	46,357	190,536
FNMA #164977	8.000	39,319	46,814	FNMA #365459	7.500	40,848	708,986
FNMA #175241	8.500	44,767	20,335	FNMA #364648	7.000	40,909	336,938
FNMA #180152	6.500	39,350	160,866	FNMA #370159	7.500	46,447	261,047
FNMA #184634	8.000	44,859	116,651	FNMA #377354	7.500	46,508	400,838
FNMA #190967	7.500	40,026	2,138,762	FNMA #395447	7.000	46,753	642,610
FNMA #220521	6.500	39,624	373,010	FNMA #397073	7.000	46,631	649,675
FNMA #245598	7.000	45,261	1,738,531	FNMA #400030	6.500	41,334	2,568,805
FNMA #250188	8.000	45,658	585,080	FNMA #404746	7.500	41,183	696,748
FNMA #250284	8.000	45,809	567,259	FNMA #411335	7.500	41,030	607,710
FNMA #250005	7.000	45,383	570,556	FNMA #411402	6.000	46,874	449,839
FNMA #250039	6.000	36,982	213,726	FNMA #413679	6.500	46,753	677,307
FNMA #250059	7.000	45,444	563,729	FNMA #415850	6.000	45,901	1,354,589
FNMA #250062	6.000	45,383	140,355	FNMA #415664	6.500	46,813	2,577,906
FNMA #250098	7.500	37,012	82,020	FNMA #416128	6.500	46,813	2,091,262
FNMA #251125	7.500	38,169	122,757	FNMA #418164	6.000	41,334	3,221,011
FNMA #250460	7.000	46,054	607,964	FNMA #418165	6.500	41,334	399,599
FNMA #250576	7.000	46,174	484,651	FNMA #420169	6.500	46,844	2,637,920
FNMA #250972	8.000	46,539	353,404	FNMA #420676	6.000	41,365	653,116
FNMA #250953	7.000	41,061	285,094	FNMA #423025	6.500	46,844	1,643,281
FNMA #251971	0.000	46,966	849,588	FNMA #429894	6.500	41,395	488,899
FNMA #251982	6.500	41,487	14,831,044	FNMA #431526	6.500	41,487	1,282,711
FNMA #251985	6.500	46,997	459,514	FNMA #434095	7.000	46,966	1,018,855
FNMA #252093	6.500	47,088	720,995	FNMA #438093	8.000	45,778	689,101
FNMA #251298	7.500	46,692	326,947	FNMA #439501	7.000	46,966	497,205
FNMA #251336	7.500	46,722	320,311	FNMA #440441	6.500	46,966	827,399
FNMA #251498	6.500	46,753	855,469	FNMA #440444	6.500	46,997	965,830
FNMA #251898	6.500	46,935	903,459	FNMA #440657	6.500	47,027	1,106,330
FNMA #251909	6.000	38,504	1,066,436	FNMA #440738	6.000	47,088	1,992,259
FNMA #252164	5.500	41,609	456,057	FNMA #440868	6.000	41,579	476,353
FNMA #252344	5.500	41,699	93,734	FNMA #446636	6.500	47,027	926,192
FNMA #252695	6.500	38,869	495,780	FNMA #451118	6.500	47,058	2,341,312
FNMA #261726	6.000	45,261	226,160	FNMA #452372	6.000	47,088	1,865,028
FNMA #263199	6.000	39,814	362,732	FNMA #455837	6.000	47,088	1,223,374
FNMA #264902	6.000	45,292	18,189	FNMA #459280	6.000	41,671	959,235
FNMA #267733	6.500	45,292	600,628	FNMA #482286	7.000	47,119	1,262,270
FNMA #274786	6.000	45,352	89,067	FNMA #488806	5.500	41,671	1,683,941
FNMA #287411	7.500	45,474	360,375	FNMA #489431	6.000	47,178	2,996,202
FNMA #291648	7.500	45,505	270,951	FNMA #498551	5.500	47,239	228,281
FNMA #303273	8.000	45,778	1,133,447	FNMA #499803	5.500	41,791	472,359
FNMA #303683	6.500	45,870	2,650,714	FNMA #D05867	9.000	44,348	33,658
FNMA #303786	0.000	40,575	280,189	FNMA #D09716	9.000	44,470	39,638
FNMA #303933	6.500	46,174	373,320	FNMA #D18415	9.000	44,682	111,359
FNMA #303948	7.500	46,174	27,462	FNMA #D31939	8.000	44,986	175,892
FNMA #313275	7.500	46,113	5,294,431	FNMA #D36776	7.000	45,108	1,020,177
FNMA #313041	8.000	46,235	283,542	FEDERATED DEPT	8.500	37,787	105,869
FNMA #313302	7.000	40,940	12,104,424	FEDERATED DEPT	7.000	46,798	927,110
FNMA #313324	9.000	42,887	1,042,139	FICO - FINANCING CORP	10.700	43,014	1,245,188
FNMA #313589	6.500	40,787	338,789	FICO - FINANCING CORP	10.350	43,315	2,807,180
FNMA #313644	7.000	46,600	8,821,292	FINOVA CAPITAL CORP	6.250	36,753	1,300,689
FNMA #320013	7.500	45,870	258,912	FIRST CHICAGO CORP	8.250	37,422	1,258,428
FNMA #323041	7.000	41,275	1,926,697	FIRST DATA	6.610	36,686	402,592
FNMA #323447	6.000	41,579	457,175	FIRST UN CORP	6.300	39,553	957,330

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Fixed Income:	Rate	Maturity date	Market Value	Domestic Fixed Income:	Rate	Maturity date	Market Value
FLORIDA PWR & LT CO	6.625	37,653	898,353	GNMA#454465	7.000	46,966	1,796,539
FONDA GROUP INC	9.500	39,142	870,000	GNMA #457119	6.000	47,133	463,792
FORD CAPITAL BV	9.375	37,026	788,805	GNMA #457595	8.500	46,600	65,178
FORD HOLDINGS	9.250	36,586	663,364	GNMA #457638	8.000	46,645	0
FORD CREDIT AUTO	6.300	36,540	1,221,170	GNMA #457694	6.500	46,980	939,976
FORD CREDIT AUTO	5.650	37,179	3,197,984	GNMA #458884	6.500	46,858	1,323,035
FORD MTR CO DEL	6.625	46,798	360,552	GNMA #460827	6.500	46,919	1,560,628
FORD MTR CR CO	7.500	37,636	721,651	GNMA #460718	7.000	46,767	1,134,604
FORD MTR CR CO	6.125	37,739	4,988,856	GNMA #0462622	6.500	46,827	19,830,170
FORD JAMES CORP	6.625	38,245	499,410	GNMA #462642	6.500	46,949	28,094,288
FORT JAMES CORP	6.875	39,340	1,968,980	GNMA #462643	7.000	46,935	51,125,933
GFSI INC	9.625	39,142	609,550	GNMA #462440	7.500	46,722	5,585,598
GNMA #343613	7.500	45,061	368,446	GNMA #462801	6.500	46,919	2,876,222
GNMA #344243	7.500	39,522	1,007,122	GNMA #465747	6.500	46,905	931,719
GNMA #345885	7.000	45,184	610,216	GNMA #466810	7.000	46,888	1,022,981
GNMA #345965	7.000	45,245	1,157,731	GNMA #480628	6.000	47,072	939,579
GNMA #346374	7.500	44,941	220,334	GNMA #483007	6.000	47,164	468,134
GNMA #351408	6.500	45,306	650,115	GNMA #486630	6.500	47,041	39,115,964
GNMA #354832	7.000	45,458	3,266,286	GNMA #486793	6.500	47,088	960,503
GNMA #355688	7.500	45,092	359,558	GNMA #490675	6.000	47,041	456,306
GNMA #361382	6.500	45,231	650,913	GNMA #500917	6.000	47,223	186,854
GNMA #015861	7.500	39,156	249,987	GNMA #503443	6.500	47,223	481,164
GNMA #016755	8.000	39,340	77,148	GNMA #127322	11.000	42,231	1,803
GNMA #367967	7.500	45,214	556,885	GNMA #104302	13.000	41,532	142,975
GNMA #368924	7.000	45,427	602,363	GNMA #116273	13.000	38,153	10,775
GNMA #374555	6.500	45,306	1,721,381	GNMA #120665	12.500	41,897	336,626
GNMA #023421	9.000	39,706	61,652	GNMA #155675	9.000	37,149	21,179
GNMA #023423	8.500	39,675	85,571	GNMA #155986	9.000	42,505	86,172
GNMA #024439	8.500	39,644	53,268	GNMA #155969	9.000	42,566	77,775
GNMA #024712	8.000	39,522	71,517	GNMA #138005	11.000	36,875	10,950
GNMA #024975	8.000	39,553	36,576	GNMA #140507	11.000	42,292	1,944
GNMA #025062	8.000	39,522	117,007	GNMA #181658	8.500	37,210	38,534
GNMA #025306	8.000	39,553	174,729	GNMA #185865	9.500	42,931	27,253
GNMA # 027078	9.000	39,767	83,000	GNMA #159478	9.000	42,536	12,019
GNMA #386583	7.000	46,736	4,086,617	GNMA #161371	9.000	42,536	23,599
GNMA #389618	8.000	45,580	634,779	GNMA #161692	9.500	43,845	54,579
GNMA #397005	7.000	46,767	834,063	GNMA #162138	9.000	42,628	9,139
GNMA #399601	8.500	45,641	169,988	GNMA #162698	9.000	43,753	43,348
GNMA #031007	9.000	39,918	14,271	GNMA #166004	9.500	42,658	31,878
GNMA #410250	7.500	46,006	348,833	GNMA #169342	9.500	42,597	40,293
GNMA #412582	7.000	46,127	1,298,329	GNMA #173875	10.000	42,658	6,111
GNMA #414737	8.000	45,962	647,508	GNMA # 208182	8.000	42,809	213,296
GNMA #416181	7.000	46,096	3,477,317	GNMA #309804	7.500	42,809	194,952
GNMA #419161	6.000	47,164	941,949	GNMA #210811	10.000	43,327	47,400
GNMA #422649	7.000	46,127	184,299	GNMA #189629	10.000	42,962	41,543
GNMA #424222	7.000	40,725	351,665	GNMA #200750	8.000	42,809	72,803
GNMA #042932	9.000	40,466	15,618	GNMA #201689	9.000	42,750	25,950
GNMA #429349	7.000	46,096	3,380,714	GNMA #202187	8.000	42,809	175,731
GNMA #432127	8.000	46,310	45,474	GNMA #203186	8.500	42,750	22,760
GNMA #439664	8.500	46,310	1,521,221	GNMA #204730	8.000	42,870	121,664
GNMA #441108	8.000	46,433	314,089	GNMA #224571	9.500	42,931	60,487
GNMA #443285	7.000	46,919	1,844,401	GNMA #229860	8.500	42,948	94,608
GNMA #447399	7.500	46,583	262,443	GNMA #231202	8.500	42,809	103,786
GNMA #447454	8.500	46,461	1,201,283	GNMA #233089	10.500	43,084	33,473
GNMA #454136	6.500	41,395	889,608	GNMA #267848	10.500	43,661	39,381
GNMA #454151	7.500	46,583	503,622	GNMA #245457	7.000	46,692	432,293

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Fixed Income:				Domestic Fixed Income:			
	Rate	Maturity date	Market Value		Rate	Maturity date	Market Value
GNMA #248333	9.000	37,787	16,311	HYDRO QUEBEC	9.750	43,115	944,350
GNMA #251806	9.500	43,997	18,646	HYDRO QUEBEC	9.500	47,802	343,475
GNMA #260331	10.000	43,419	50,976	HYDROCHEM INDUSTRIAL	10.375	39,295	900,000
GNMA #295474	10.000	44,180	56,859	IMPAC GROUP INC	10.125	39,522	950,000
GNMA #297500	10.000	44,150	58,114	ICELAND REP	6.125	38,018	980,290
GNMA #299710	9.000	44,256	27,024	IBRD - GLOBAL BOND	8.625	42,658	1,191,760
GNMA #276788	9.500	43,692	32,333	IBRD - GLOBAL BOND	5.625	37,697	3,938,760
GNMA #277809	10.000	43,661	46,424	INTL BUS MACH	8.375	43,770	600,532
GNMA #279072	10.500	41,623	46,135	INTL BUS MACH	5.375	39,845	3,639,720
GNMA #282824	8.500	43,845	34,124	INTL LEASE FINANCE	8.875	36,996	522,010
GNMA #284663	9.000	43,876	29,308	REPUBLIC OF IRELAND	7.875	37,226	5,185,500
GNMA #286697	9.500	44,027	32,538	ISRAEL ELECTRIC CORP	7.750	46,736	1,685,956
GNMA #289097	9.000	43,966	21,767	JAPAN FIN CORP	9.125	36,598	1,433,488
GNMA #290324	10.000	43,966	37,381	K & F INDUSTRIES	9.250	39,370	861,875
GNMA #291199	9.500	44,027	30,220	KFW INTL FINANCE INC	9.125	37,026	3,158,790
GNMA #301699	8.000	44,545	215,715	KEY COMPONENTS LLC	10.500	39,600	937,500
GNMA #304488	9.000	44,270	20,976	KEYCORP INSTIT CAPITAL	7.826	46,357	395,092
GNMA #310324	9.000	44,423	54,500	KINDER CARE LEARNING	9.500	39,859	947,500
GNMA #313005	8.500	44,484	63,260	KOREA DEV BANK	7.375	38,247	1,359,680
GNMA #317684	7.500	39,128	42,478	REPUBLIC OF KOREA	8.750	37,726	1,026,220
GNMA #328950	7.000	44,910	319,885	KROGER CO	7.000	43,221	95,140
GNMA #335642	7.000	39,508	207,010	LA PETITE ACAD	10.000	39,583	471,250
GNMA #780047	9.000	43,070	2,193,432	LAILAW INC	8.750	45,762	495,635
GNMA #780250	7.500	45,901	325,655	LANDESBANK BADEN	7.875	38,092	1,050,250
GNMA #780339	8.000	45,261	3,403,860	LASMO INC	7.500	38,898	989,610
GNMA #780340	9.000	43,040	626,566	LEHMAN BROS HLDGS	8.500	39,203	1,288,008
GNMA #780359	7.500	45,261	988,133	LEHMAN BROS HLDGS	7.375	38,122	1,259,763
GNMA #780411	6.500	45,580	845,775	LEVEL 3 COMM	9.125	39,569	1,180,500
GNMA #780413	6.500	46,218	1,100,598	ELI LILLY CO	7.125	45,809	1,510,335
GNMA #780452	7.000	46,296	6,535,222	LOCKHEED MARTIN CORPOR	7.250	38,852	3,502,380
GNMA #780481	7.000	46,371	5,824,806	LOOMIS FARGO & CO	10.000	38,001	1,020,000
GNMA #780615	6.500	46,600	1,451,193	LUCENT TECHNOLOGIES	6.900	37,087	1,016,880
GNMA #780727	7.000	39,448	1,650,279	LUCENT TECHNOLOGIES	7.250	38,913	3,107,220
GTE CORP	6.940	46,858	2,082,498	LUCENT TECHNOLOGIES	6.450	47,192	2,578,139
GTE FLORIDA INC.	6.860	46,784	2,858,730	M C I COMMUNICATIONS	6.125	37,361	4,370,784
GANNETT COMPANY	5.850	36,647	652,951	MALAYSIA	8.750	39,965	250,130
GENERAL ELEC CR COR	5.500	37,196	409,713	MANITOBA PROVINCE	9.625	43,435	412,549
GENERAL MTRS ACCEP	6.625	37,530	6,323,562	MAY DEPT STORES CO	9.875	37,591	566,671
GENERAL MTRS CORP	9.625	36,861	313,890	MEDIQ INC	11.000	39,600	620,000
GENERAL MTRS CORP	9.125	37,087	495,277	MELLON FINANCIAL CO	6.000	38,047	3,892,920
GENERAL MTRS CORP	6.750	46,874	3,124,067	MERITA BANK LTD	6.500	38,732	1,928,600
GLOBAL CROSSING HLDG LT	9.625	39,583	1,080,000	MERRILL LYNCH	7.000	39,565	1,000,560
GOLDEN WEST FINL DEL	7.250	37,483	408,204	MERRILL LYNCH	6.000	37,664	4,169,215
GOLDEN WEST FINL DEL	6.700	37,438	804,264	MOBIL CORP	8.625	44,423	382,418
B F GOODRICH	7.000	50,510	1,356,965	MOBIL CORP	7.625	48,633	998,460
BF GOODRICH	7.100	46,706	466,615	MOLL INDUSTRIES	10.500	39,630	572,000
GRAND MET	8.000	44,819	1,061,280	MORGAN JP & CO	6.000	39,828	4,625,900
HANSON OVERSEAS BVF	6.750	38,610	3,092,126	MORGAN STANLY GROUP	10.000	39,614	396,013
HARTFORD LIFE	7.650	46,553	302,127	MOUNTAIN STS TEL&TE	6.000	39,295	875,281
HEDSTROM CORP	10.000	39,234	890,000	NATIONSBANK CAPITAL	8.250	46,492	205,806
HERSHEY FOODS	6.950	41,136	5,016,500	NBTY INC	8.625	39,340	860,000
HERTZ CORP	7.375	37,057	1,220,880	NATL CITY BANK	7.250	40,837	2,508,525
HOME PRODUCTS INTL	9.625	39,583	910,000	NATL CITY CORP	6.625	38,047	995,900
HOUSEHOLD CREDIT	5.600	37,391	2,496,875	NATIONSBANK	6.450	37,726	1,107,898
HOUSEHOLD FINANCE	5.875	38,255	962,310	NATIONSBANK	5.850	36,908	5,983,080
HOUSEHOLD FINANCE	6.125	37,452	991,380	NEIMAN MARCUS GROUP INC	7.125	46,905	625,191

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Fixed Income:				Domestic Fixed Income:			
	Rate	Maturity date	Market Value		Rate	Maturity date	Market Value
NEW ENGLAND TEL & T	6.300	37,606	747,293	SOUTHWESTERN BELL T	6.875	40,575	1,160,148
NEW YORK TEL CO	6.000	39,326	876,221	SPIEKER PROPERTIES	7.125	39,995	790,490
NEW YORK TEL CO	6.000	39,553	1,899,240	STANDARD CREDIT CARD	8.250	37,932	4,157,480
NEW ZEALAND	10.625	38,671	844,494	SUNAMERICA INC	6.750	39,356	993,550
NEWS AMER HOLDINGS	7.750	45,311	969,570	SUNTRUST BANKS INC	7.375	37,438	5,135,400
NEWS AMER HOLDINGS	7.375	39,738	996,500	KINGDOM OF SWEDEN	12.000	40,210	2,120,730
NIAGARA MOHAWK	8.000	38,139	625,080	T C I COMMUNICATIONS INC	8.750	42,217	481,495
NORFOLK & SOUTHERN	7.350	39,217	2,041,860	DYNATECH CORPORATION	9.750	39,583	505,000
NORTHERN TELECOM LTD	8.750	37,054	522,095	TENET HEALTH CARE	8.125	39,783	1,880,000
OCCIDENTAL PETROLEUM	7.375	39,767	786,640	TENNESSEE VALLEY AUTH	8.375	36,434	755,273
PROV OF ONTARIO	7.750	37,411	3,228,278	TENNESSEE VALLEY AUTH	6.375	38,518	4,022,480
PROV OF ONTARIO	6.000	38,769	2,905,170	TENNESSEE VALLEY AUTH	5.280	37,148	2,473,825
OWENS ILL INC	7.350	39,583	1,887,440	TEXACO CAPITAL	9.000	36,509	710,192
PACIFIC TEL & TEL	7.125	46,096	296,670	TEXACO CAPITAL	5.500	39,828	2,710,350
PEN-TAB INDUSTRIES	10.875	39,114	850,000	TEXAS INSTRUMENTS	6.125	38,749	752,136
PENNEY J C INC	9.050	36,951	519,705	TIME WARNER	9.625	37,377	1,394,783
PHILADELPHIA ELECTRIC	5.625	37,196	490,955	TIME WARNER	8.375	45,000	2,074,271
PHILLIP MORRIS	8.250	37,909	528,105	TOSCO CORP	7.625	38,852	1,018,400
PHILLIP MORRIS	7.500	38,078	411,680	TRANSAMERICA FIN	8.750	36,434	875,794
PHILLIPS PETE CO	6.650	43,296	1,200,238	TRAVELORS PPTY CAS	6.750	39,036	975,140
POLYMER	9.000	39,264	873,000	UNOCAL	7.500	47,164	491,540
PORTUGAL REP	5.750	37,902	982,480	UNION PAC CORP	9.625	37,605	392,465
POTOMAC ELEC PWR CO	6.875	45,170	902,040	UNITED DEFENSE INDS	8.750	39,401	291,750
PREMIER AUTO	6.200	36,836	47,034	UNITED PARCEL SERVICE	8.375	43,922	430,681
PREMIER AUTO	6.250	37,109	900,761	U S DEPT VETERANS	6.750	40,162	3,660,815
PROCTER & GAMBLE CO	8.500	40,035	489,340	UNITED STATES TR BD	12.750	40,497	18,297,457
PROCTER & GAMBLE CO	8.700	37,104	420,036	UNITED STATES TR BD	10.375	41,228	3,826,860
PROCTER & GAMBLE CO	5.250	37,879	7,685,360	UNITED STATES TR BD	10.750	37,667	5,592,694
PROTECTION ONE ALARM	7.375	38,579	1,047,420	UNITED STATES TR BD	10.750	37,756	4,973,180
PUBLIC SERVICE CO C	7.125	38,869	710,472	UNITED STATES TR BD	11.125	37,848	4,173,750
PROVINCE OF QUEBEC	9.125	36,586	765,465	UNITED STATES TR BD	12.375	38,122	12,688,499
PROVINCE OF QUEBEC	8.800	37,726	968,094	UNITED STATES TR BD	11.625	38,306	9,200,199
PROVINCE OF QUEBEC	7.500	45,122	1,524,990	UNITED STATES TR BD	9.250	42,415	3,391,778
RAYTHEON CO	6.750	39,309	1,187,784	UNITED STATES TR BD	7.500	42,689	8,297,489
RELIANCE ELECTRIC CO	6.800	37,726	1,303,159	UNITED STATES TR BD	8.750	42,870	4,550,076
REPUBLIC NEW YORK	7.250	37,452	1,021,040	UNITED STATES TR BD	8.125	43,692	5,935,050
RESOL FUNDING CORP	8.125	43,753	4,127,640	UNITED STATES TR BD	8.125	44,423	12,882,500
RESOL FUNDING CORP	9.375	44,119	796,872	UNITED STATES TR BD	6.000	46,068	2,296,749
RIGGS NATIONAL CORP	8.500	38,749	1,042,470	UNITED STATES TR BD	6.750	46,249	40,487,849
ROCKWELL INTL CORP	8.375	36,937	362,632	UNITED STATES TR BD	6.625	46,433	11,637,670
SC INT'L SERVICES INC	9.250	39,326	913,500	UNITED STATES TR BD	6.375	46,614	14,944,530
SAFELITE GLASS CORP	9.875	39,066	925,000	UNITED STATES TR BD	5.250	47,072	710,872
SAFETY COMPONENTS	10.125	39,278	952,500	UNITED STATES TR NT	3.375	39,097	23,310,024
SAFEWAY INC	6.050	37,940	1,957,100	UNITED STATES TR NT	6.625	37,376	17,440,980
SAGA PETROLIUM	7.250	46,653	537,246	UNITED STATES TR NT	6.625	39,217	260,820
SALOMON SMITH BARNEY	7.375	36,661	764,640	UNITED STATES TR NT	6.125	39,309	5,743,540
SALOMON SMITH BARNEY HL	6.125	37,636	2,661,930	UNITED STATES TR NT	5.625	37,621	11,447,509
SEALY MATTRESS CO	0.000	39,431	943,200	UNITED STATES TR NT	5.500	37,711	24,120,723
SEARS	7.000	38,275	1,259,064	UNITED STATES TR NT	5.375	37,802	45,614,575
SEARS	6.200	39,278	1,989,360	UNITED STATES TR NT	4.750	38,032	1,443,045
SHERWIN-WILLIAMS CO	6.850	39,114	980,580	UNITED STATES TR NT	8.000	37,026	8,346,240
SIMON DEBARTOLO	6.875	39,036	668,829	UNITED STATES TR NT	7.875	37,118	9,409,230
SONAT INC	6.750	39,356	770,336	UNITED STATES TR NT	6.250	37,667	3,704,828
SOUTHERN CALIF GAS	6.875	45,962	668,250	UNITED STATES TR NT	5.875	36,707	4,524,615
SOUTHERN FOODS	9.875	39,326	918,000	UNITED STATES TR NT	6.875	38,852	12,995,629
SOUTHERN NE TEL MIN	6.125	37,970	1,079,331	UNITED STATES TR NT	6.500	37,042	13,734,090

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Fixed Income:				International Fixed Income:			
	Rate	Maturity date	Market Value		Rate	Maturity date	Market Value
U S TREASURY BILLS		07/22/99	374,081	FRANCE GOV	6.750	10/25/03	5,747,969
UNITED STATES TR NT	7.000	38,913	23,828,655	FRANCE GOV	7.750	10/25/05	10,445,517
UNITED STATES TR NT	6.625	37,103	5,103,900	FRANCE GOV	8.500	10/25/08	7,981,850
UNITED STATES TR NT	6.500	37,134	34,260,563	GERMANY REP	6.250	01/04/24	3,702,026
UNITED STATES TR NT	6.250	37,195	7,851,224	GERMANY REP	7.370	01/03/05	1,833,310
UNITED STATES TR NT	8.750	36,753	11,396,990	GERMANY REP	6.000	01/05/06	11,923,999
UNITED STATES TR NT	8.500	36,845	15,912,000	GERMANY REP	5.870	05/15/00	1,946,321
U S TREASURY STRIP	0.000	39,583	2,345,080	GERMANY REP	6.250	04/26/06	2,010,596
UTILICORP	6.875	38,261	1,420,099	GERMANY REP	8.370	05/21/01	6,626,283
VIACOM INC	7.750	38,504	1,536,360	ITALY GOV	11.500	03/01/03	3,020,709
VIRGINIA ELEC POWER	8.750	44,287	409,284	ITALY GOV	10.500	04/01/00	3,137,018
VIRGINIA ELEC POWER	8.250	45,717	2,537,450	ITALY GOV	9.000	11/01/23	3,135,820
WACHOVIA CORP	6.250	39,664	2,860,650	ITALY GOV	7.750	11/01/06	742,683
WACHOVIA CORP	5.625	39,797	727,600	ITALY GOV	6.250	05/15/02	1,088,969
WAL MART STORES INC	8.625	36,982	558,642	NETHERLANDS GOV	5.500	01/15/28	4,682,376
WAL MART STORES INC	5.650	36,557	2,008,240	NETHERLANDS GOV	5.750	01/15/04	10,676,869
WASHINGTON MUTUAL	8.375	46,539	636,628	SPAIN GOV	8.800	04/30/06	13,060,400
WASTE MGMT INC	7.700	37,530	1,655,680	SPAIN GOV	6.000	01/31/08	1,632,428
WELLS FARGO & CO	6.250	39,553	2,863,470	SWEDEN KINGDOM	6.000	02/09/05	15,741,332
WESCO DISTRIBUTION	9.125	39,600	967,500	SWEDEN KINGDOM	6.500	10/25/06	3,621,986
WESTVACO CORP	9.650	37,316	432,268	SWEDEN KINGDOM	6.750	05/05/14	1,091,684
WILLIAMS HOLDINGS	6.250	38,749	1,570,140	UNITED KINGDOM	8.500	12/07/05	2,758,591
WILLIS CORROON CORP	9.000	39,845	626,438	UNITED KINGDOM	7.750	09/08/06	19,264,936
WISCONSIN PUB SVC C	6.800	37,653	3,048,630	UNITED KINGDOM	7.250	12/07/07	<u>12,723,259</u>
WORLDCOM INC	6.400	38,579	4,793,670	Total International Fixed Income			279,875,080
XEROX CORP	7.150	38,200	4,092,080				
ZIFF - DAVIS INC	8.500	39,569	<u>434,700</u>	TOTAL FIXED INCOME INVESTMENTS			1,703,742,482
Total Domestic Fixed Income			1,423,867,402				

International Fixed Income				<u>EQUITY INVESTMENTS</u>		
	Rate	Maturity date	Market Value	Domestic Equity	Shares	Market Value
ABBEEY NATL TRSY	5.370	12/30/09	6,993,325	ADC TELECOM	186,100	8,479,181
CAISSE D'AMORT	6.250	03/05/08	3,291,209	AFLAC INC	34,400	1,646,900
DT PFAND&HYP	4.750	03/20/03	6,052,706	AES CORP	283,445	16,475,241
EUROPEAN INV BANK	6.250	12/07/08	6,170,807	AK STEEL	61,500	1,383,750
IBRD - WORLD BANK	6.500	01/07/03	3,672,604	AMR CORP	18,800	1,283,100
KFW INTL FINANCE	7.750	10/06/04	3,061,845	AT & T CORP	584,526	32,623,857
KREDTANST WIEDRAUF	5.000	01/04/09	4,615,531	AT & T CORP	717,768	26,377,974
AUSTRAL	9.000	09/15/04	10,514,261	AVT CORP	100,000	3,787,500
AUSTRALIA	7.500	07/15/05	6,672,644	ABBOTT LABS	175,700	7,972,388
AUSTRALIA	8.750	08/15/08	6,700,200	A C NEILSON CORP	51,200	1,548,800
AUSTRALIAN G-BOND	6.750	11/15/06	3,633,314	ACXIOM CORP	72,000	1,795,500
CANADA GOV	7.000	12/01/06	6,472,142	ADEPT TECHNOLOGY INC	130,000	1,267,500
CANADA GOV	4.250	12/01/21	15,042,070	ADOBE SYSTEMS INC.	33,300	2,735,801
CANADA GOV	6.000	06/01/08	5,133,653	ADVEST GROUP INC	24,300	484,481
DENMARK GOV	7.000	11/15/07	2,082,133	AEROFLEX INC	31,400	620,150
DENMARK GOV	8.000	03/15/06	8,399,095	ADVANCED MICRO DEVICES	15,200	274,550
DENMARK GOV	7.000	11/10/24	632,178	AETNA INC	33,200	2,969,325
DENMARK GOV	7.000	12/15/04	3,598,388	AETRIUM INC	142,000	1,295,750
DENMARK GOV	8.000	05/15/03	6,776,793	AIR EXPRESS INTL CORP	68,200	1,730,575
DUTCH GOV BD	7.000	02/15/03	7,699,469	AIR PRODUCTS & CHEMICALS	47,520	1,912,680
FRANCE GOV	5.750	03/12/01	5,322,131	AIRBORNE FREIGHT CORP	7,800	215,963
FRANCE GOV	5.500	04/25/29	3,017,531	AIRTOUCH COMMUNICATIONS	66,842	7,195,942
FRANCE GOV	6.000	10/25/25	2,542,127	ALASKA AIR GROUP INC	10,400	434,200
FRANCE GOV	6.750	10/25/04	3,788,972	ALBANY INTL CORP	138,814	2,915,094
FRANCE GOV	8.500	11/25/02	5,140,991			

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value	Domestic Equity	Shares	Market Value
ALBEMARLE CORP	152,400	3,524,250	AT HOME CORP	94,482	5,096,123
ALBERTSONS INC	50,879	2,623,448	ASSOCIATES FIRST CAPITAL	112,912	4,982,242
ALCAN ALUMINUM	21,200	677,075	ASTORIA FINL CORP	27,100	1,190,706
ALCOA INC	209,022	12,933,236	ATLANTIC RICHFIELD CO	101,008	8,440,481
ALIANI COMMUNICATIONS	7,600	351,025	ATMEL CORPORATION	119,100	3,118,931
ALLEGHENY ENERGY INC	27,500	881,719	AUTODESK INC.	5,612	165,905
ALLEGHENY TELEDYNE	24,800	561,100	AUTOMATIC DATA PROCESS	75,400	3,317,600
ALLIANT TECHSYSTEMS	8,800	761,200	AUTOZONE	22,400	674,800
ALLIED IRISH BANKS	16,800	457,800	AVERY DENNISON CORP	15,100	911,663
ALLIED SIGNAL	64,500	4,063,500	AVIS RENT A CAR INC	75,500	2,198,938
ALLIED WASTE INDS INC	172,910	3,414,973	AVNET INC	26,300	1,222,950
ALLMERICA FINANCIAL CORP	26,200	1,593,288	AVON PRODUCTS INC	225,972	12,541,446
ALLSTATE	95,000	3,408,125	BB & T CORP	32,600	1,196,013
ALLTEL CORP	186,901	13,363,422	BEC ENERGY	29,600	1,221,000
ALPHARMA INC	42,500	1,511,406	BISYS GROUP INC	52,000	3,042,000
ALTERA CORPORATION	25,200	927,675	BJ SERVICES COMPANY	123,400	3,632,588
ALZA CORP DEL	13,700	696,988	BJS WHSL CLUB INC	61,500	1,848,844
AMBAC INC	175,168	10,006,472	BMC SOFTWARE INC	101,900	5,502,600
AMERADA HESS CORP	33,900	2,017,050	BAKER HUGHES INC.	156,150	5,231,025
AMEREN CORP	13,200	506,550	BALLY TOTAL FITNESS HLDG	128,200	3,637,675
AMERICA ONLINE INC	120,100	13,211,000	BANCWEST CORP	26,600	987,525
AMERICA WEST HOLDING	23,800	449,225	BANK AMERICA CORP	200,416	14,692,998
AMERICAN ELECTRIC POWER	17,200	646,075	BANK NEW YORK	88,100	3,232,169
AMERICAN EXPRESS CO	52,410	6,819,851	BANK ONE CORP	406,169	24,192,441
AMERICAN GENERAL CORP	120,898	9,112,687	BANK BOSTON CORP	30,600	1,564,425
AMERICAN GREETINGS	11,300	340,413	BARD C R INC	44,300	2,118,094
AMERICAN HOME PRODS CP	330,194	18,944,881	BARNES & NOBLE, INC.	8,000	219,000
AMERICAN INTERNATIONAL	201,139	23,583,548	BARNES AND NOBLE COM	76,900	1,384,200
AMERICAN MGMT SYS INC	67,000	2,148,188	BARRICK GOLD CORP	67,400	1,305,875
AMERICAN WATER WORKS	35,000	1,076,250	BARNETT INC.	30,800	231,000
AMERITECH CORPORATION	127,500	9,371,250	BARRETT RESOURCES CORP	57,600	2,210,400
AMGEN INC	61,600	3,749,900	BATTLE MOUNTAIN GOLD	10,400	25,350
AMSOUTH BANCORP	31,650	733,884	BAXTER INTERNATIONAL	34,256	2,076,770
ANADARKO PETE CORP	14,600	537,463	BEA SYSTEMS INC	61,400	1,753,738
ANADIGICS, INC.	110,000	4,070,000	BEAR STEARNS CO.	69,555	3,251,696
ANALOG DEVICES INC	72,400	3,633,575	BECTON DICKINSON & CO	35,400	1,062,000
ANDOVER BANCORP INC	9,400	294,925	BED BATH & BEYOND	13,300	512,050
ANDREW CORP	13,700	259,444	BEL-FUSE INC	21,000	546,000
ANHEUSER-BUSCH COMPANY	135,442	9,607,917	BELL ATLANTIC CORP	301,312	19,698,272
ANNALY MTG MANAGEMENT	28,200	317,250	BELLSOUTH CORP	225,800	10,415,025
ANN TAYLOR STORES CORP	39,400	1,773,000	A.H. BELO CORP	170,463	3,355,990
ANSYS INC	120,000	1,192,500	BEMIS COMPANY INC	56,500	2,245,875
A O N CORP	26,314	1,085,453	BEN & JERRYS HOMEMADE	36,000	999,000
APACHE CORP	61,400	2,394,600	BERGEN BRUNSWIG CORP	78,200	1,348,950
APOLLO GROUP INC	38,700	1,027,969	BERINGER WINE ESTATES	91,500	3,822,980
APPLE COMPUTER	16,200	750,263	BEST BUY INC COM	35,300	2,382,750
APPLIED MATERIALS	42,700	3,154,463	BEST SOFTWARE, INC.	33,200	535,350
ARCHER DANIELS MIDLAND	72,927	1,125,811	BEST FOODS	34,000	1,683,000
ARKANSAS BEST CORP	39,400	391,538	BETHLEHEM STEEL CORP	17,300	132,994
ARMSTRONG WORLD INDS	7,700	445,156	BINDLEY WESTN INDS INC	70,222	1,619,488
ARROW ELECTRONICS	81,200	1,542,800	BIOMET INC	18,700	743,325
ARTESYN TECHNOLOGIES	70,000	1,553,125	BLACK & DECKER	11,600	732,250
ARVIN INDS INC COM	28,800	1,090,800	BLACK BOX CORP	45,000	2,255,625
ASARCO INC	4,800	90,300	BLAIR CORPORATION	13,800	371,738
ASHLAND INC	5,800	232,725	H R BLOCK	33,269	1,663,450

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value
BOEING CORP	108,600	4,778,400
BOISE CASCADE	67,100	2,876,913
BOSTON SCIENTIFIC CORP	47,400	2,082,638
BRADLEY REAL ESTATE	26,900	558,175
BRANDYWINE REALTY TRUST	37,800	748,913
BRIGGS & STRATTON CORP	12,100	698,775
BRINKER INTL INC	78,900	2,169,750
BRISTOL MYERS SQUIBB	427,198	30,090,759
BROADCAST COM INC	9,200	1,228,775
BROADCOM CORP	20,300	2,934,619
BROOKS AUTOMATION INC	100,000	2,706,250
BROOKTROUT TECHNOLOGY	20,700	332,494
BROWNING FERRIS IND	253,603	10,904,929
BRUNSWICK CORPORATION	7,700	214,638
BULL RUN CORP GEORGIA	127,500	533,906
BURLINGTON NORTHERN	57,300	1,776,300
BURLINGTON RESOURCES	43,170	1,867,103
BUSH BOAKE ALLEN INC	36,300	1,061,775
CBS CORP	324,870	14,152,149
CDW COMPUTER CENTERS	27,600	1,214,400
CH ROBINSON WORLD WIDE	94,800	3,483,900
CIGNA CORP	24,500	2,180,500
CIT GROUP INC	39,600	1,143,450
CKE RESTAURANTS	49,100	797,875
CLECO CORP	35,500	1,078,313
CMS ENERGY CORP	162,592	6,808,540
CNA SURETY CORP	230,200	3,524,938
CNF TRANSPORTATION INC	59,700	2,298,450
CSX CORP	92,314	4,188,748
CVS CORP	207,900	10,550,925
CABLETRON SYSTEMS	27,900	362,700
CABLE DESIGN TECHNOLOGY	19,300	297,944
CADENCE DESIGN SYSTEMS	42,300	534,038
CALPINE CORP	15,100	815,400
CAMPBELL SOUP COMPANY	55,820	2,588,653
CANADIAN RAILWAY CO	10,700	716,900
CANANDIAIGUA WINE INC	17,600	922,900
CAPITAL ONE FINANCIAL	24,300	1,353,206
CARAUSTAR INDS INC	121,500	2,999,531
CARDINAL HEALTH INC	31,500	2,019,938
CARNIVAL CORP	67,300	3,264,050
CAROLINA PWR & LT C	38,900	1,665,406
CASE CORP SER	12,500	601,563
CATALINA MARKETING	28,300	2,603,600
CATERPILLAR TRACTOR	41,500	2,490,000
CATO CORPORATION	104,600	1,215,975
CENDANT CORP	101,444	2,079,602
CENTEX CORP	39,900	1,498,744
CENTIGRAM COMM	75,000	698,438
CENTOCOR INC	24,700	1,151,638
CENTRAL & SOUTHWEST	378,915	8,857,138
CENTRAL HUDSON G & E	17,900	751,800
CENTURY TEL INC	44,550	1,770,863
CERIDIAN CORPORATION	13,600	444,550
CHAMPION INTERNATIONAL	14,200	679,825

Domestic Equity	Shares	Market Value
CHARTER ONE FINANCIAL	34,000	945,625
CHASE MANHATTAN	97,900	8,468,350
CHECKFREE HOLDINGS CORP	35,960	991,148
CHESAPEAKE CORP	22,200	831,113
CHEVRON CORPORATION	75,497	7,176,934
CHICAGO TITLE CORP	16,500	588,844
CHOLESTECH CORP	120,000	307,500
CHUBB CORP	23,300	1,619,350
CINCINNATI BELL INC	129,700	3,234,394
CINAR FILMS INC	63,100	1,545,950
CINCINATTI FINANCIAL	16,800	631,050
CINERGY CORP	15,200	486,400
CIRCUIT CITY STORES	16,100	1,497,300
CISCO SYSTEMS	581,624	37,478,397
CITADEL COMMUNICATIONS	26,400	955,350
CITATION CORP	26,900	432,081
CINTAS CORP COM	17,700	1,189,219
CITIGROUP INC	607,417	28,852,308
CITY NATIONAL CORP	17,600	658,900
CLAIRS STORES INC	38,600	993,950
CLEAR CHANNEL COMM	36,000	2,481,750
CLOROX CO	13,600	1,452,650
COASTAL CORP	45,398	1,827,270
COCA COLA CO	404,302	25,066,724
COCA COLA ENTERP	47,000	1,398,250
COGNOS INC	138,300	3,008,025
COLGATE PALMOLIVE CO	143,900	14,174,150
COLUMBIA GAS SYSTEM INC	43,200	2,708,100
COLUMBIA / HCA	75,400	1,720,063
COMCAST CORP	156,600	6,019,313
COMERICA	22,818	1,356,245
COMPAQ COMPUTER CORP	195,292	4,625,979
COMPLETE BUSINESS SOL	40,100	719,294
COMPUTER ASSOCIATES	63,950	3,501,263
COMPUTER SCIENCES	30,800	2,130,975
COMPUWARE CORP	65,400	2,080,538
COMSAT CORP	12,000	390,000
CONAGRA	52,600	1,400,475
CONCENTRIC NETWORK CORP	30,500	1,212,375
CONCORD EFS INC	9,500	401,969
CONECTIV INC	64,700	1,581,106
CONEXANT SYSTEMS INC	50,000	2,903,125
CONMED CORP	23,900	731,938
CONSECO INC.	42,055	1,280,049
CONSOLIDATED EDISON	27,000	1,221,750
CONS NATURAL GAS CO	11,800	716,850
CONSOLIDATED STORES	12,700	342,900
CONSTELLATION ENERGY	9,200	272,550
CONTINENTAL AIRLINES INC	17,800	669,725
COOPER CAMERON CORP	77,700	2,879,756
COOPER INDUSTRIES	14,300	743,600
COOPER TIRE & RUBBER	69,000	1,630,125
COORS ADOLPH CO	16,800	831,600
CORDANT TECHNOLOGIES	51,800	2,340,713
CORNING INC	26,600	1,865,325

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value	Domestic Equity	Shares	Market Value
COSTCO COMPANIES INC	25,300	2,025,581	EASTMAN CHEMICAL	69,518	3,597,557
COUNTRYWIDE CREDIT	46,400	1,983,600	EASTMAN KODAK CO	162,474	11,007,614
COVANCE INC	123,360	2,952,930	EATON	11,300	1,039,600
CREDENCE SYSTEMS CORP	80,000	2,970,000	EBAY INC.	7,000	1,059,625
CRESCENT REAL ESTATE	63,100	1,498,625	ECHOSTAR COMM	17,000	2,608,438
CROWN CORK & SEAL	18,500	527,250	ECOLAB INC	8,200	357,725
CUMMINS ENGINE INC	22,100	1,262,463	EDISON INTERNATIONAL	294,805	7,886,034
CYBER OPTICS	100,000	1,612,500	EDWARDS, A.G. INC.	56,500	1,822,125
CYLINK CORP	100,000	375,000	ELDER BEERMAN STORES	57,600	421,200
CYPRUS AMAX INC.	16,200	247,050	ELECTRONIC ARTS INC	500	27,125
CYTEC INDUSTRIES	56,200	1,770,300	ELECTRONIC DATA SYSTEMS	58,000	3,284,250
DST SYSTEMS, INC.	54,700	3,439,263	ELECTRONICS FOR IMAGING	47,200	2,424,900
DTE ENERGY CO	220,983	9,005,057	EMERSON ELECTRIC	50,600	3,184,638
DAIN RAUSHER	11,000	595,375	ENERGY EAST CORP	55,800	1,450,800
DALLAS SEMICONDUCTOR	68,700	3,486,525	ENGELHARD CORP	11,200	253,400
DANA CORPORATION	211,900	9,760,644	ENHANCE FINL SVCS GROUP	23,800	470,050
DANAHER CORP COM	35,600	2,069,250	ENRON CORP	35,200	2,877,600
DARDEN RESTAURANTS INC	71,100	1,550,869	ENERGY CORP	30,500	953,125
DATA GEN CORP	8,300	120,869	EPICOR SOFTWARE CORP	100,000	743,750
DAVOX CORP	100,000	1,193,750	EQUIFAX INC	21,300	760,144
DAYTON HUDSON	49,200	3,198,000	ESSEX PROPERTY TRUST	22,900	810,088
DEERE & CO	27,600	1,081,575	ETHAN ALLEN INTERIORS INC	74,100	2,797,275
DELL COMPUTER CORP	294,600	10,900,200	ETOYS INC	24,800	1,010,600
DELPHI AUTOMOTIVE SYS	195,056	3,608,536	EVERST REINSURANCE	20,400	665,550
DELPHI FINL GROUP INC	21,848	783,797	EXPRESS SCRIPTS	10,300	619,931
DELTA AIR LINES	40,700	2,345,338	EXXON CORP	281,500	21,710,688
DELUXE CORP	48,100	1,866,881	FBL FINL GROUP INC	31,200	608,400
DIAL CORP NEW	60,100	2,234,969	FMC CORP	2,300	157,119
DIGITAL LINK CORP	90,000	675,000	FPL GROUP INC	17,200	939,550
DIGITAL MICROWAVE	440,000	5,610,000	FAMILY DOLLAR STORES INC	30,300	727,200
DILLARDS INC	37,800	1,327,725	FDX CORP	36,360	1,972,530
DIME BANCORP INC NEW	116,000	2,334,500	FEDERAL HOME LN MTG	317,837	18,434,546
WALT DISNEY	329,740	10,160,114	FNMA	396,804	27,081,873
DOLLAR GENERAL CORP	63,531	1,842,399	FEDERATED DEPT. STORE	21,500	1,138,156
DOLLAR THRIFTY AUTO	32,200	748,650	FIFTH THIRD BANCORP	32,150	2,139,984
DOMINION RESOURCES	15,800	684,338	FINANCIAL SEC ASSURN	27,500	1,430,000
DONALDSON INC COM	80,000	1,960,000	FINOVA GROUP INC	81,500	4,288,938
R R DONNELLEY & SONS	61,500	2,279,344	FIRST AMERN FINL CORP	51,800	925,925
DOUBLECLICK INC	10,000	917,500	FIRST DATA CORP.	317,085	15,517,347
DOVER CORP	32,600	1,141,000	FIRST HEALTH GROUP	33,000	711,563
DOW CHEM CO	82,569	10,475,942	FIRST SEC CORP DEL	109,900	2,994,775
DOW JONES	9,500	504,094	FIRST TENN NATIONAL CORP	38,100	1,459,706
DOWNEY FINL CORP	49,100	1,077,131	FIRST UN CORP	265,189	12,497,032
DU PONT E I DE NEMO	186,362	12,730,854	FIRSTAR CORP	75,600	2,116,800
DUCOMMON INC	75,600	902,475	FISERV INCORPORATED	92,500	2,896,406
DUKE POWER CO	41,900	2,280,931	FIRST ENERGY CORP	23,500	728,500
DUN & BRADSTREET CORP	26,464	937,818	FLEET FINANCIAL GROUP	87,800	3,896,125
DURA AUTO SYSTEMS	23,100	768,075	FLEETWOOD ENTERPRISES	26,200	692,663
DURA PHARMACEUTICALS	46,500	555,094	FLORIDA PROGRESS CORP	38,000	1,569,875
DYCOM INDS INC	32,800	1,836,800	FLORIDA ROCK INDS INC	7,800	354,900
DYNEGY INC	16,300	332,113	FLOWSERVE CORP	43,100	816,206
E M C CORP MASS	156,562	8,610,910	FLUOR CORP.	12,600	510,300
ENSCO INTERNATIONAL INC	24,700	492,456	FORD MTR CO DEL	364,022	20,544,492
E TRADE GROUP INC	36,200	1,445,738	FORT JAMES CORP	25,500	965,813
EARTHGRAINS CO	118,200	3,051,038	FORTUNE BRANDS	155,580	6,437,123
EASTGROUP PROPERTIES INC	63,500	1,273,969	FOSTER WHEELER CORP	9,499	133,580

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value	Domestic Equity	Shares	Market Value
FOUNDATION HEALTH SYS	81,900	1,228,500	HEALTH MGMT ASSOC INC	153,300	1,724,625
FOX ENTERTAINMENT GROUP	31,200	840,450	HEALTH CARE REIT INC COM	38,500	895,125
FRANKLIN RESOURCES INC	53,900	2,189,688	HEINZ H J CO	43,020	2,156,378
FREEMONT GEN CORP	41,300	779,538	HELLER FINANCIAL	140,200	3,899,313
FRENCH FRAGRANCES INC	8,900	65,081	HERCULES INC.	15,100	593,619
FRONTIER CORP	49,000	2,872,625	HERSHEY FOODS	12,300	730,313
FRONTIER INS GROUP INC	115,300	1,772,738	HERTZ CORP	28,700	1,779,400
FURNITURE BRANDS INTL INC	15,300	426,488	HEWLETT PACKARD CO	117,500	11,808,750
G & K SERVICES INC	69,100	3,619,113	HILTON HOTELS	27,800	394,413
GPU INC	23,500	991,406	HISPANIC BROADCASTING	22,000	1,669,250
GTE CORP	143,900	10,864,450	HOLLYWOOD ENTER	86,300	1,688,244
GALILEO INTERNATIONAL	65,700	3,510,844	HOME DEPOT INC	292,490	18,847,324
GANNETT COMPANY	134,963	9,632,984	HOMESTAKE MINING CO	26,100	213,694
GAP INC	103,087	5,193,008	HONEYWELL INC	13,400	1,552,725
GATEWAY INC	45,700	2,699,156	HOUGHTON MIFFLIN CO	27,800	1,308,338
GAYLORD CONTAINER CORP	197,600	1,568,450	HOUSEHOLD INTERNATIONAL	175,009	8,291,051
GENERAL DYNAMICS CORP	16,900	1,163,988	HUMANA	23,900	309,206
GENERAL ELECTRIC CO	473,437	53,498,381	HUNTINGTON BANCSHARES	21,120	739,200
GENERAL INSTRUMENT CORP	112,800	4,794,000	HUSSMANN INTERNATIONAL	95,500	1,581,719
GENERAL MILLS	18,200	1,462,825	ICN PHARAMCEUTICAL INC	78,700	2,533,156
GENERAL MTRS CORP	220,419	14,547,654	I B P INC	67,600	1,605,500
GENSYM CORP	75,000	281,250	IMS HEALTH INC	39,438	1,232,438
GENUINE PARTS	22,500	787,500	ITT INDS	62,849	2,396,118
GENZYME CORP	31,100	1,508,350	IKON OFFICE SOLUTION	20,700	310,500
GENZYME CORP	5,567	24,530	ILLINOIS TOOL WORKS	29,200	2,387,100
GEORGIA PACIFIC CORP	168,226	7,969,707	ILLINOVA CORP	381,984	10,409,064
GEORGIA PACIFIC CORP	175,352	4,427,638	IMAX CORP	37,900	852,750
GILLETTE CO	128,436	5,265,876	IMCLONE SYSTEMS INC	40,000	1,015,000
GLOBAL MARINE INC	164,800	2,554,400	INFOCUS SYSTEMS INC	38,900	583,500
GOLDEN STATE BANCORP	67,500	1,518,750	IMPERIAL OIL LTD	88,700	1,679,756
GOLDEN WEST FINL DEL	22,600	2,214,800	INCO LTD	19,300	347,400
B F GOODRICH	8,800	374,000	INFINITY BROADCASTING	100,000	2,956,250
GOODYEAR TIRE & RUBR	21,200	1,246,825	INFORMIX CORP	51,300	437,651
W R GRACE	57,900	1,100,100	INGERSOLL RAND CO	19,550	1,263,419
GRAINGER W.W., INC.	7,800	419,738	INKTOMI CORP	15,000	1,972,500
GRAY COMM SYSTEM INC	54,500	769,813	INNKEEPERS USA TR	56,700	567,000
GREAT ATLANTIC & PAC	62,000	2,096,375	INTEGRATED DEVICE TECH	51,300	557,888
GREAT LAKES CHEM	9,900	456,019	INTEL	496,070	29,516,165
GREENPOINT FINANCIAL	72,500	2,378,906	INTERIM SVCS INC	119,800	2,470,875
GREY WOLF INC	465,000	1,162,500	INTERNATIONAL BUS MACH	213,768	27,629,514
GTECH HOLDINGS CORP	25,000	589,063	INTERNATIONAL FLAV & FRAG	15,300	673,200
GUIDANT CORPORATION	36,000	1,840,500	INTERNATIONAL PAPER CO	338,065	16,987,766
GULFSTREAM AEROSPACE	47,800	3,229,488	INTERPUBLIC GROUP	12,550	1,087,144
HCR MANOR CARE	12,900	312,019	INTERVOICE INC	45,400	655,463
HALLIBURTON CO	55,080	2,492,370	INTIMATE BRANDS INC	31,847	1,584,197
M A HANNA CO	56,400	927,075	IONICS INC COM	65,100	2,376,150
HANOVER COMPRESSOR CO	8,900	285,913	IPALCO ENTERPRISES INC	21,300	451,294
HANSON PLC ADR	13,100	581,313	ITRON INC	105,000	899,063
HARRAHS ENTERTAINMENT	7,600	167,675	JEFFERSON PILOT CORP	9,000	595,688
HARRIS CORP	14,800	579,975	JOHNS MANVILLE CORP	263,700	3,658,838
HARSCO	127,604	4,083,328	JOHNSON & JOHNSON	225,701	22,118,698
HARTFORD FINL SVCS	27,028	1,576,070	JOHNSON CONTROLS	6,200	429,738
HASBRO	102,680	2,868,623	JONES APPAREL GROUP	45,800	1,571,513
HAVERTY FURNITURE	11,800	415,950	JONES INTERCABLE INC	92,400	4,527,600
HEALTHSOUTH REHAB	45,600	678,300	KLA - TENCOR CORP	40,000	2,595,000
			K MART	96,609	1,594,049

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value	Domestic Equity	Shares	Market Value
KANSAS CITY P & L	23,800	606,900	MACROVISION CORP	100,000	7,487,500
KANSAS CITY SOUTHN	12,700	810,419	MALLINCKRODT INC	35,559	1,293,459
KAUFMAN & BROAD HOME	8,900	221,388	MANDALAY RESORT GROUP	69,400	1,470,413
KELLOGG CO	46,136	1,522,488	MANUFACTURED HOMES	97,408	2,532,608
KELLSTROM INDS INC	46,900	855,925	MARSH MCLENNAN	27,150	2,054,916
KELLY SVCS INC	24,300	780,638	MARSHALL & ILSLEY CORP	15,500	997,813
KERR MCGEE CORP	5,767	289,431	MARRIOTT INTL	233,680	8,733,790
KEYCORP	178,800	5,743,950	MARTIN MARIETTA MATLS	12,300	725,700
KIMBERLY CLARK CORP	62,700	3,573,900	MASCO CORP	39,300	1,134,788
KIRBY CORP	174,500	3,697,219	MATTEL	45,900	1,199,138
KNIGHT RIDDER NEWS	47,700	2,626,481	MAY DEPT STORES CO	176,648	7,220,487
KNIGHT / TRIMARK GROUP INC	38,800	2,366,800	MAYTAG CO	21,200	1,480,025
KOHL'S CORP (WISCONSIN)	18,600	1,429,875	MCDERMOTT INTL INC	9,800	276,850
KROGER CO	77,900	4,352,663	MCDONALDS CORP	156,718	6,445,028
LSI LOGIC CORP	14,700	678,038	MCGRAW HILL	24,818	1,338,621
LADD FURNITURE	33,400	701,400	MCKESSON HBOC INC	59,196	1,905,371
LAFARGE CORP	77,100	2,732,231	MCLEODUSA INC	22,100	1,215,500
LAILAW INC	31,100	229,363	MCWHORTER TECHNOLOGIES	93,500	1,349,906
LAM RESEARCH	40,000	1,867,500	MEAD CORP	17,800	743,150
LANDAMERICA FINANCIAL	26,500	761,875	MEDCO RESEARCH INC	17,300	454,125
LASON INC	3,000	148,875	MEDIAONE GROUP INC	269,970	20,079,019
ESTEE LAUDER CO	30,400	1,523,800	MEDICIS PHARMACEUTICAL	11,600	294,350
LAYNE CHRISTENSEN CO	124,000	790,500	MEDQUIST INC	39,900	1,745,625
LECROY CORP	100,000	2,368,750	MEDTRONIC INC	67,200	5,233,200
LEHMAN BROS HLDGS	47,200	2,932,300	MELLON BANK CORP.	132,800	4,830,600
LEVEL ONE COMM	75,000	3,670,313	MENTOR GRAPHICS CORP	65,300	836,656
LEVEL 3 COMMUNICATIONS	7,300	438,456	MERCANTILE BANCORP	15,900	908,288
LEXMARK INTL GROUP INC	9,500	622,250	MERCANTILE BANKSHARES	93,300	3,300,488
LIBERTY PROPERTY TRUST	45,000	1,119,375	MERCK & COMPANY INC	311,866	22,961,134
LIGHTBRIDGE INC	200,000	2,512,500	MEREDITH CORP	23,000	796,375
ELI LILLY CO	176,800	12,663,300	MERITOR AUTOMOTIVE	21,200	540,600
THE LIMITED INC	25,097	1,138,776	MERRILL LYNCH	40,100	3,187,950
LINCARE HOLDINGS INC	188,900	4,722,500	MESABA HOLDINGS INC.	82,200	1,048,050
LINCOLN NATL CORP	135,036	7,064,071	MICRO SOFT	800,666	72,210,065
LINEAR TECHNOLOGY CORP	23,000	1,546,750	MICROCHIP TECHNOLOGY	12,000	568,500
LITTLEFUSE INC	88,000	1,694,000	MICRON TECHNOLOGY	23,600	955,800
LIZ CLAIBORNE	6,000	219,000	MID AMERICAN ENERGY	48,500	1,679,313
LOCKHEED MARTIN CORP	300,936	11,209,866	MILLENNIUM CHEMICALS	71,729	1,690,115
LOEWS CORP	15,600	1,234,350	MILLER HERMAN INC	86,000	1,806,000
LONE STAR INDS INC	31,200	1,171,950	MILLIPORE	4,400	178,475
LOUIS DREYFUS NAT GAS	25,600	552,000	MILLS CORPORATION	22,300	483,631
LOUISIANA PAC	9,500	226,813	MINERALS TECHNOLOGIES	66,900	3,733,856
LOWES COMPANIES INC	40,800	2,312,850	MINNESOTA MNG & MFG CO	46,500	4,042,594
LUBRIZOL CORP	76,100	2,073,725	MIRAGE RESORTS INC	23,300	390,275
LUCENT TECHNOLOGIES	352,195	23,751,150	MOBIL CORP	90,322	8,919,298
MAF BANCORP INC	20,050	486,213	MODIS PROFESSIONAL SERV	53,700	728,306
MBIA INC	9,100	589,225	MOHAWK INDS INC COM	23,400	710,775
MBNA CORP	461,232	14,125,230	MOLECULAR DEVICES CORP	90,000	3,375,000
M D C HOLDINGS INC	34,000	731,000	MONACO COACH CORP	33,850	1,432,278
MCI WORLDCOM INC	358,192	30,826,899	MONSANTO CO	72,800	2,880,150
MGIC INVESTMENT CORP	12,700	617,538	MONTANA POWER CO	10,500	740,250
M/I SCHOTTENSTEIN HOMES	16,300	300,531	MOOG INC CL A	9,400	323,125
MMC NETWORKS INC	25,000	1,118,750	J P MORGAN	20,200	2,838,100
MSC INDL DIRECT CO "A"	84,500	866,125	MORGAN STANLY GROUP	66,900	6,865,613
MAC DERMID INC	10,400	483,600	MORRISON KNUDSEN CORP	91,800	946,688
MACK CALI RLTY CORP	22,500	696,094	MOTOROLA INC	69,500	6,585,125

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value	Domestic Equity	Shares	Market Value
MYLAN LABORATORIES INC	25,500	675,750	PITTSBURG PLATE GLASS	20,500	1,210,781
NCR CORP	16,600	810,288	PRI AUTOMATION INC	11,000	398,750
NABISCO HOLDINGS	103,966	4,470,538	PACCAR	22,800	1,216,950
NABISCO GROUP HLDG CORP	36,800	719,900	PACIFIC CENTURY FINANCIAL	63,600	1,371,375
NABORS INDS INC	107,600	2,622,750	PACIFICARE HEALTH SYS	15,900	1,143,806
NATL CITY CORP	43,900	2,875,450	PACIFICORP	188,166	3,457,550
NATIONAL COMM BANCORP	70,900	1,550,938	PAINE WEBBER INC	16,700	780,725
NATIONAL COMPUTER SYS	50,000	1,687,500	PALL CORPORATION	20,900	463,719
NATIONAL DATA CORP	40,000	1,710,000	PARAMETRIC TECHNOLOGY	32,400	449,550
NATIONAL SEMICONDUCTOR	17,600	445,500	PARKER HANNIFIN CORP	14,200	649,650
NATIONAL SVC INDS INC	32,000	1,152,000	PARKWAY PROPERTIES INC	33,000	1,093,125
NAVISTAR INTERNATIONAL	54,600	2,730,000	PAYCHEX INC	28,950	922,781
NETWORK ASSOCIATES INC	55,700	818,094	PENNEY J C INC	219,498	10,659,372
NETWORK APPLIANCE INC	8,600	480,525	PENNZOIL - QUAKER STATE	38,400	576,000
NEW CENTURY ENERGIES INC	37,300	1,447,706	PENTAIR INC	16,300	745,725
NEW YORK TIMES CO	148,472	5,465,626	PEOPLES ENERGY CORP	83,954	3,164,016
NEWELL RUBBERMAID INC	39,446	1,829,308	PEOPLE SOFT INC	27,200	469,200
NEWMONT MINING	18,900	375,638	PEP BOYS	11,100	233,100
NEWPARK RESOURCES INC	19,300	171,288	PEPSI - COLA PUERTO RICO	179,000	984,500
NEXTCARD INC	23,200	787,350	PEPSICO INC	309,170	11,961,014
NEXTEL COMMUNICATIONS	33,900	1,701,356	PERSONNEL GROUP AMER	56,700	567,000
NEXTLINK COMMUNICATIONS	20,000	1,487,500	PHARMACIA & UPJOHN	60,400	3,431,475
NIAGARA MOHAWK HOLDINGS	77,600	1,246,450	PFIZER INC	256,680	27,978,120
NIKE INC	22,700	1,438,613	PHELPS DODGE	54,591	3,381,230
NORDSON CORP	27,000	1,653,750	PHILLIP MORRIS	709,355	28,507,204
NORDSTROM INC	16,400	549,400	PHILLIPS PETE CO	254,082	12,783,501
NORFOLK & SOUTHERN CORP	225,023	6,778,818	PILGRIMS PRIDE CORP	13,300	399,000
NORSTAN INC.	120,000	1,492,500	PINNACLE WEST CAPITAL	43,900	1,766,975
NORTEL NETWORKS CORP	77,080	6,691,508	PIONEER HI BRED INTNL INC	24,900	969,544
NORTHN STS PWR MINN	7,800	188,663	PIONEER NATURAL RES	260,000	2,860,000
NORTHERN TRUST INC	16,800	1,629,600	PITNEY BOWES INC	31,580	2,029,015
NORTHPOINT COMM	37,800	1,379,700	PIXAR INC	21,100	909,938
NORTHROP GRUMMAN CORP	182,384	12,094,339	PLACER DOME INC	36,800	432,400
NOVA CORPORATION	5,800	145,000	PLAYTEX PRODUCTS INC	219,100	3,409,744
NOVELL INC	50,300	1,332,950	POLAROID CORP	127,500	3,506,250
NUCOR CORP	10,700	507,581	POLICY MGMT SYS CORP	93,700	2,811,000
OCCIDENTAL PETROLEUM	472,131	9,973,767	POLYMEDICA CORP	41,000	410,000
OCEAN ENERGY INC TEX	106,500	1,025,063	POMEROY COMPUTER RES	32,100	447,394
OFFICE DEPOT INC	109,400	2,413,638	POPULAR INC	18,900	572,906
OHIO CAS CORP	53,351	1,927,305	POTOMAC ELEC PWR CO	59,800	1,760,363
OLD KENT FINANCIAL	23,415	980,503	PRAXAIR	18,300	895,556
OLD REP INTL CORP CO	67,900	1,175,519	PRECISION DRILLING CORP	25,000	476,563
OMNICOM GROUP	16,900	1,352,000	PREMARK INTL	18,200	682,500
ON ASSIGNMENT INC	60,000	1,567,500	PREMIER PKS INC	53,600	1,969,800
ONTRACK DATA INTL	100,000	481,250	PRENTISS PPTYS TR	41,400	978,075
ORACLE CORP	166,725	6,189,666	T ROWE PRICE ASSOCIATES	28,200	1,082,175
OSHKOSH TRUCK CORP	9,600	483,000	PRIMEDIA INC	197,500	3,345,156
OUTDOOR SYS INC	87,000	3,175,500	PRIMEX TECHNOLOGIES INC	15,600	336,375
OWENS ILL INC	16,900	552,419	PROCTER & GAMBLE CO	269,410	24,044,843
OXFORD INDS INC	25,700	727,631	PROGRESSIVE CORP OHIO	8,400	1,218,000
PECO ENERGY	54,297	2,273,687	PROJECT SOFTWARE & DEV	100,000	3,125,000
PG&E CORP	99,100	3,214,556	PROVIDENT COMPANIES	15,900	636,000
PE CORP	6,900	791,775	PROVIDIAN FINL CORP	29,900	2,788,175
THE PMI GROUP INC	25,700	1,614,281	PROXIM INC	120,000	6,960,000
PNC FINANCIAL	58,700	3,382,588	PUBLIC SERVICE ENTR GROUP	176,487	7,202,876
P P & L RESOURCES	52,525	1,615,144	PULITZER INC	15,100	733,294

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value	Domestic Equity	Shares	Market Value
PULTE CORP	21,500	495,844	SCHERING PLOUGH	366,672	19,250,280
QUAKER OATS CO	26,600	1,765,575	SCHLUMBERGER LIMITED	172,024	10,955,779
QUALCOMM INC	135,500	19,444,250	CHARLES SCHWAB CORP	46,575	5,076,675
QUANTUM CORP	40,000	965,000	SCIENTIFIC ATLANTA INC	10,000	360,000
QUINTILES TRANSNATIONAL	10,100	424,200	SCOTSMAN INDS INC	77,800	1,677,563
RALCORP HOLDINGS INC	269,300	4,342,463	SCOTTS CO	65,300	3,109,913
RALSTON PURINA CO	209,100	6,364,481	SEAGATE TECHNOLOGY	97,500	2,498,438
RARE HOSPITALITY INTL	53,700	1,369,350	SEAGRAM CO	41,500	2,090,563
RATIONAL SOFTWARE CORP	242,100	7,974,169	SEACOR SMIT INC	8,200	438,700
RAWLINGS SPORTING GOODS	53,500	528,313	SEALED AIR CORPORATION	13,244	859,205
RAYCHEM CORP	13,800	510,600	SEARS ROEBUCK & CO	149,381	6,656,791
RAYTHEON CO	39,000	2,749,500	SEITEL INC	29,400	475,913
REEBOK	4,500	83,813	SEMTECH CORP	75,000	3,909,375
REGIONS FINANCIAL CORP	24,800	953,250	SEMPRA ENERGY	28,086	635,446
REINSURANCE GROUP AMER	87,000	2,914,500	SEPRACOR INC	3,400	276,250
RELIANCE GROUP HOLDING	92,700	689,456	SEROLOGICALS CORP	100,000	812,500
RELIANT ENERGY INC	94,500	2,610,563	SERVICE CORP INTL	418,573	8,057,530
RELIASTAR FINANCIAL CORP	54,100	2,366,875	SHARED MEDICAL SYSTEMS	72,100	4,704,525
REMEC INC	29,600	477,300	SHERWIN-WILLIAMS CO	22,300	618,825
RENT WAY INC	46,600	1,147,525	SHOPKO STORES INC	61,500	2,244,750
RENTAL SVC CORP	10,200	291,975	SIGMA-ALDRICH CORP	15,800	544,113
REPUBLIC NEW YORK CORP	17,500	1,193,281	SILICON GRAPHICV	21,400	350,425
REX STORES CORP	25,600	763,200	SMARTFLEX SYSTEMS	32,500	107,656
REYNOLDS & REYNOLDS	30,700	715,694	SMITH FIELD FOODS INC	26,800	896,125
REYNOLDS METALS CO	170,374	10,052,066	SNYDER COMMUNICATIONS	76,900	2,518,475
R J REYNOLDS TOBACCO	12,266	389,446	SOFTWARE SPECTRUM	29,600	481,000
RITCHE BROTHERS AUCTIONS	65,000	2,478,125	SOFTNET SYSTEM INC	36,100	1,006,288
RITE AID CORP	30,074	740,572	SOLECTRON CORP	41,200	2,747,525
ROADWAY EXPRESS INC	16,700	323,563	SONAT INC	13,200	437,250
ROBERT HALF INTL	30,800	795,025	SOTHEBY'S HOLDINGS	23,200	884,500
ROBERTS PHARMACEUTICAL	68,600	1,646,400	SOUTHDOWN INC COM	53,200	3,418,100
ROCHESTER GAS & ELEC	35,600	945,625	SOUTHERN CO	76,600	2,029,900
ROCKWELL INTL	84,922	5,159,012	SOUTHTRUST CORPORATION	70,700	2,713,113
ROHM & HAAS CO	24,522	1,051,381	SOUTHWEST AIRLS CO	60,348	1,878,332
ROSS STORES INC	23,500	1,183,813	SOUTHWEST GAS CORP	25,400	727,075
ROWEN COS INC	11,700	213,525	SOUTHWEST SECURITIES	7,300	522,406
ROYAL DUTCH PETROLEUM	248,296	14,959,834	SPECTRIAN CORP	80,000	1,160,000
RUSSELL CORP	172,883	3,371,219	SPEEDWAY MOTORSPORTS	81,200	3,192,175
RYDER SYSTEM	89,612	2,307,509	SPRINT CORP	82,600	4,377,800
RYERSON TULL INC	21,600	487,350	SPRINT CORP	75,750	4,317,750
SBC COMMUNICATIONS	356,692	20,688,136	STANLEY WORKS	7,500	241,406
SCI SYSTEMS INC	17,600	833,800	STAPLES INC	49,650	1,536,047
SDL INC	200,000	10,212,500	STARWOOD HOTELS	74,760	2,284,853
SEI INVESTMENTS COMPANY	11,700	1,032,525	STATE STREET CORP	163,990	14,000,646
SLM HOLDING CORP	20,200	925,413	STERIS CORP	21,100	408,813
SPX CORP	8,900	743,150	STERLING COMMERCE	130,600	4,799,550
SAFECO CORPORATION	190,652	8,412,520	STERLING SOFTWARE	234,100	6,189,019
SAFETY-KLEEN CORP	70,050	1,269,656	STILLWATER MINING	26,000	845,000
SAFEWAY INC	56,200	2,781,900	STONERIDGE INC	17,200	240,800
ST JUDE MED INC	7,446	265,264	STORAGE TECHNOLOGY	33,400	759,850
ST PAUL COMPANIES	214,871	6,835,584	SUIZA FOODS CORP	9,900	414,563
SAPIENT CORP	17,700	1,002,263	SUMMIT BANCORPORATION	26,800	1,120,575
SARA LEE CORP	108,558	2,462,910	SUN MICROSYSTEMS	169,200	11,653,650
SAVILLE SYSTEMS PLC	46,700	677,150	SUNGLASS HUT INTL	228,600	3,929,063
SCANA CORP	126,978	2,968,111	SUNOCO INC	11,300	341,119
HENRY SCHEIN INC	127,000	4,024,313	SUNTRUST BANKS INC	37,800	2,624,738

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity	Shares	Market Value	Domestic Equity	Shares	Market Value
SUPER VALU INC	82,100	2,124,338	TYSON FOODS	30,400	684,000
SYBRON INTERNATIONAL	61,500	1,695,094	UAL CORP	18,300	1,182,638
SYMBOL TECHNOLOGIES INC	30,450	1,122,844	USX CORP - MARATHON	289,294	9,420,136
SYNOVUS FINANCIAL CORP	41,700	2,301,319	U S T CORP	24,300	712,294
SYSCO CORP	25,350	503,831	US BANCORP	84,406	2,817,050
SYSTEMS & COMPUTER TECH	52,200	1,556,213	USA NETWORKS INC	32,000	1,284,000
TCI MUSIC SERIES "A"	81,800	1,191,213	UNUM CORPORATION	13,000	711,750
TD WATERHOUSE GROUP	32,900	1,163,838	URS CORP	24,100	706,431
TJX COS	33,600	840,000	USG CORPORATION	28,600	1,601,600
TNP ENTERPRISES INC	163,000	5,429,938	USX CORP - STEEL	319,889	8,637,003
TRW INC	8,900	322,625	US ONCOLOGY INC	56,964	683,568
TV GUIDE INC	173,700	9,531,788	ULTRAMAR DIAMOND SHAM	218,482	4,765,639
TANDY CORP	48,800	1,787,300	UNILEVER	67,946	4,739,234
TECHNE CORP	282,396	13,802,105	UNICOM CORP	33,800	1,303,413
TECHNOLOGY SOLUTIONS	100,000	2,537,500	UNION CARBIDE CORP	15,800	770,250
TECUMSEH PRODUCTS CO	100,000	1,081,250	UNION PAC CORP	27,200	1,586,100
TELEBANC FINANCIAL CORP	38,500	2,331,656	UNION PACIFIC RESOURCES	32,900	536,681
TELECOM NEW ZEALAND	18,400	713,000	UNION PLANTERS CORP	15,700	701,594
TELEFONICA DE ARGENT	46,100	1,610,619	UNIONBANCAL CORP	97,600	3,525,800
TELEPHONE DATA SYSTEMS	17,100	536,513	UNIPHASE CORP	13,900	2,307,400
TELLABS	99,367	7,266,212	UNISYS CORPORATION	54,600	2,125,988
TELTREND INC	44,200	2,986,263	UNITED HEALTHCARE	32,600	2,041,575
TEMPLE INLAND INC	14,000	297,500	UNITED ILLUM CO	11,900	505,006
TENET HEALTH CARE	18,500	1,269,563	UNITED RENTALS INC	237,636	7,010,262
TENNECO INC	37,100	688,669	US AIR GROUP	10,400	453,050
TEREX CORP	376,372	8,985,882	U S WEST INC	63,596	3,736,265
TESORO PETE CORP	15,000	456,563	UNITED TECHNOLOGIES	65,467	4,713,624
TEVA PHARMACEUTICAL	81,700	1,302,094	UNITRODE CORP	120,000	3,442,500
TETRA TECH INC	23,000	1,127,000	UNIVERSAL CORPORATION	19,600	557,375
TEXACO INC	66,656	1,099,824	UNIVERSAL FOODS CORP	39,100	825,988
TEXAS INDS INC	113,100	7,054,613	UNIVISION COMMUNICATIONS	40,000	2,600,000
TEXAS INSTRUMENTS	22,100	856,375	UNOCAL CORP	29,200	1,157,050
TEXAS UTILITIES	45,100	6,494,400	USFREIGHTWAYS CORP	15,300	708,581
TEXTRON INC	135,014	5,594,643	V F CORPORATION	17,000	726,750
THERMO ELECTRON	18,360	1,511,258	VALASSIS	335,407	12,284,263
THOMAS & BETTS CORP	21,800	437,363	VALERO ENERGY CORP	1,000	21,438
3 COM CORPORATION	3,400	160,650	VALMONT INDUSTRIES INC	169,100	2,879,976
TIME WARNER	94,600	2,524,638	VANTIVE INC	100,000	1,143,750
TIMES MIRROR CO	369,498	26,834,792	VARLEN CORP	26,975	1,092,488
TORCHMARK	16,400	971,700	VERISIGN INC	22,600	1,949,250
TORONTO DOMINION BANK	17,000	580,125	VIACOM INC CLASS B	73,200	3,220,800
TOSCO CORP	33,300	1,515,150	VIDEOSERVER INC	120,000	1,140,000
TOWER AUTOMOTIVE INC	71,800	1,862,313	VISHAY INTERTECHNOLOGY	47,875	1,005,375
TOYS R US	170,100	4,326,919	VISX INC	12,900	1,021,519
TRANSAMERICA CORP	29,100	602,006	VITESSE SEMICONDUCTOR	37,000	2,495,188
TRANSCANADA PIPELINE	98,304	7,372,800	VOICESTREAM WIRELESS	91,600	2,604,875
TRANSPORTATION TECH	27,900	390,600	VULCAN MATERIALS CO	5,100	246,075
TRAVELORS PPTY CAS CORP	32,900	435,925	WACHOVIA CORP	22,000	1,882,375
TREDEGAR INDUSTRIES INC	16,100	629,913	WAL MART STORES INC	728,744	35,161,898
TRICON GLOBAL REST	151,300	3,404,250	WALGREEN CO	477,498	14,026,504
TRIBUNE CO	18,632	1,008,457	WALTER INDS INC	269,600	3,487,950
TRIGON HEALTHCARE INC	54,067	4,710,587	WARNER LAMBERT CO	255,620	17,669,733
TRINITY INDUSTRIES INC	72,100	2,622,638	WASH MUTUAL	326,904	11,625,524
TUPPERWARE CORPORATION	39,500	1,323,250	WASHINGTON POST CO	2,000	1,075,500
TYCO INTERNATIONAL LTD	15,856	404,328	WASTE MANAGEMENT INC	281,295	15,119,606
	93,426	8,852,114	WATERS CORPORATION	14,000	743,750

PORTFOLIO OF ASSETS, JUNE 30, 1999

Domestic Equity			International Equity		
	Shares	Market Value		Shares	Market Value
WATSON PHARMACEUTICALS	11,100	389,194	AMCOR LIMITED ORD	23,100	128,405
WEATHERFORD INTL INC	22,300	816,738	AMP LIMITED	29,500	322,493
WELLPOINT HEALTH	20,500	1,739,938	ARGENTARIA	200,000	4,556,048
WELLS FARGO & CO	245,400	10,490,850	ASSICURAZIONI GEN	26,328	912,262
WENDYS INTL INC	21,700	618,450	ASTRAZENECA GROUP	105,088	4,065,037
WERNER ENTERPRISES INC	80,000	1,660,000	AUCKLAND INTL AIRPORT	67,400	103,571
WESTAMERICA BANCORP	45,400	1,657,100	AUSTRIA TABAK	3,400	198,103
WESTERN DIGITAL CORP	100,000	650,000	AXA EUR9.15	34,480	4,206,439
WESTERN WIRELESS CORP	73,500	1,984,500	BARCLAYS BANK COM STK	198,815	5,785,191
WESTINGHOUSE AIR BRAKE	131,300	3,405,594	BASF AG NPV	134,700	5,952,248
WESTVACO CORP	7,600	220,400	BAYER AG NPV	40,050	1,668,578
WEYERHAEUSER COMPANY	190,851	13,121,006	BAYER MOTOREN WERK	11,191	7,697,636
WHIRLPOOL CORP	150,972	11,171,928	BAYERISCHE NPV	36,505	2,371,677
WHOLE FOOD MARKET INC	53,800	2,585,763	BCO POPULAR ESP ORD	7,709	554,504
WILLAMETTE IND INC	9,400	432,988	BCO SANTANDER CENTRAL	356,162	3,709,638
THE WILLIAMS COMPANIES	50,600	2,153,663	BHP LIMITED	63,240	732,526
WILMINGTON TRUST CORP	60,000	3,442,500	BK OF TOKYO MITS	59,000	839,860
WINN-DIXIE	13,900	513,431	BOC GROUP	423,200	8,271,879
WINNEBAGO INDUSTRIES INC	25,400	571,500	BOOTS CO ORD	47,200	560,612
WINSTAR COMMUNICATIONS	19,600	955,500	BP AMOCO USD 0.50	123,220	2,208,404
WISCONSIN CENTRAL TRANS	162,200	3,061,525	BQE NATL PARIS EUR4	7,826	652,099
WITCO CORP	132,400	2,614,900	BRAMBLES INDS ORD	27,475	723,792
WORLD ACCESS INC	70,344	993,609	BRIDGESTONE CORP	18,000	544,281
WORLD COLOR PRESS INC	38,400	1,056,000	BRIT AMER TOBACCO ORD	827,100	7,776,878
WRIGLEY WM JR	107,746	9,609,596	BRIT. TELECOM ORD	51,000	854,556
XILINX INC	82,000	4,694,500	BRITISH AEROSPACE ORD	18,000	116,827
XEROX CORP	75,900	4,482,844	BRITISH AIRWAYS	72,000	496,816
YAHOO!	5,700	981,825	BRITISH STEEL ORD	2,573,000	6,661,653
YORK INTERNATIONAL CORP	81,600	3,493,500	CABLE & WIRELESS	263,100	3,353,032
YOUNG & RUBICAM INC	41,700	1,894,744	CADBURY SCHWEPPEES ORD	315,620	2,009,938
ZALE CORP	102,800	4,112,000	CANON INC	438,000	12,592,814
ZIONS BANCORP	21,200	1,346,200	CARREFOUR EUR2.5	4,080	599,567
ZYGO CORP	160,000	1,830,000	CARTR HLT HRVY	85,800	102,749
FRESH DELMONTE PRODUCE	131,900	1,863,088	CHARTER ORD 2P	130,883	761,284
FRUIT OF THE LOOM	8,000	78,000	CITIC PACIFIC	1,467,000	4,679,560
GLOBALSTAR TELECOMM	49,500	1,147,781	CITIZEN WATCH CO	33,000	286,268
LORAL SPACE & COMM	58,400	1,051,200	COATS VIYELLA ORD	318,000	253,137
RSL COMMUNICATIONS LTD	42,400	818,850	COMPAGNIE DE ST-GO	3,054	486,587
NEW HOLLAND	638,364	10,931,984	COMPANIA TELEFONIC	68,043	3,277,600
ROYAL CARIBBEAN CRUSIES	37,900	1,658,125	CONTINENTAL AG NPV SHS	24,550	582,294
FLEXTRONICS INTL	12,700	<u>704,850</u>	CSF/THOMSON FRF20	27,810	966,481
Total Domestic Equity		3,177,504,544	CSR LTD ORD	88,800	253,916
			DAI NIPPON PRINT	33,000	527,551
International Equity	Shares	Market Value	DAIICHI PHARMACEUT	280,000	4,344,332
ABN-AMRO HLDGS	86,240	1,867,629	DAIKIN INDS Y50	68,000	789,323
ACOM CO JPY50	7,000	604,343	DAIMLERCHRYSLER AG ORD	13,401	1,160,858
ADECCO SA	565	302,743	DAIWA HOUSE	18,000	189,309
AEROSPATIALE MATRA	17,930	413,257	DAVID JONES ORD AUD0.30	84,400	82,679
AHOLD NV	86,980	2,995,908	DEN DANSKE BANK AF	49,000	5,314,239
AIR LIQUIDE	4,417	694,640	DENSO CO	30,000	609,713
ALCATEL	84,050	11,831,314	DEUTSCHE BANK AG	23,761	1,449,379
ALLIANZ AG NPV(REGD)	4,225	1,172,038	DEUTSCHE TELEKOM NPV	319,750	13,420,465
ALLIED ZURICH	697,400	8,766,969	DEVELOPMENT BK(FR)	1,106,500	13,518,473
ALUSUISSE LONZA	1,749	2,038,587	DIAGEO ORD 28 101/108P	1,251,231	13,066,528
AMADA CO	36,000	254,295	DRESDNER NPV	24,250	947,793

PORTFOLIO OF ASSETS, JUNE 30, 1999

International Equity	Shares	Market Value	International Equity	Shares	Market Value
EAST JAPAN RAILWAY ORD	102	547,751	MATSUSHITA ELEC	324,000	6,290,458
ELEC DE PORTUGAL PTE	67,020	1,206,733	MERITA BANK 'A' ORD	104,500	593,787
ELECTROLUX AB SER'B'SEK5	53,430	1,118,624	MICHELIN 'B'	174,324	7,131,518
ELF AQUITAINE	73,523	10,789,237	MIRROR GRP NEWSPAP	177,300	691,705
ELSEVIER NV	157,000	1,821,440	MITSUBISHI CORP	116,000	785,853
EMI GROUP ORD 14P	97,806	784,730	MITSUBISHI ESTATE	67,000	653,724
ENDESA S.A. ESP200	27,917	595,363	MITSUBISHI HVY IND	2,089,000	8,474,017
ENI SPA (REGD) ITL1000	1,269,321	7,579,013	MONTEDISON SPA ITL	450,260	696,494
ENTE NAZIONALE	3,300	198,000	MURATA MFG	44,000	2,893,578
ERICSSON TEL	45,570	1,460,577	NATL AUSTRALIA ORD	261,331	4,324,381
EVN AG	38,600	5,644,509	NATL POWER ORD	799,565	5,822,810
FANUC CO	14,300	767,925	NATL WESTMINSTER	99,710	2,113,965
FKI PLC	297,875	920,295	NESTLE SA	3,548	6,392,608
FLETCHER CHALLENGE PAPER	145,700	108,858	NEWS CORP ORD	563,746	4,809,827
FORTIS B NPV	41,545	1,304,574	NEWS CORP PFD LIM	34,225	260,743
FRANCE TELECOM EUR8	12,220	923,084	NGK INSULATORS	58,000	605,682
FUJII PHOTOFILM	65,000	2,459,508	NINTENDO CO	4,100	576,179
FUJITSU	60,000	1,207,034	NIPPON MEATPACKERS	28,000	365,498
GENERAL ELECTRIC PLC	151,300	1,543,050	NIPPON MITSUBISHI OIL CO	679,000	2,860,944
GLAXO WELLCOME PLC	227,300	6,316,676	NIPPON STEEL CORP	244,000	566,455
GRANADA GP ORD	212,350	3,939,722	NIPPON TEL & TEL	154	1,793,946
GREENALLS GROUP ORD	74,630	418,794	NOKIA OY EURO.24	14,500	1,271,012
GROUPE DANONE	3,215	828,865	NOMURA SEC.	61,000	714,117
HEINEKEN NV NLG5	6,575	336,649	NORDBANKEN HOLDING	66,660	389,673
HILTON GRP	357,000	1,415,282	NORSK HYDRO ASA	6,000	226,358
HITACHI ORD	1,485,000	13,924,889	NORSKE SKOG A FREE	8,500	313,115
HOECHST AG NPV	74,440	3,370,028	NOVARTIS AG	4,012	5,858,253
HOLDERBANK FINANC	485	572,478	NTT MOBILE COMM	63	853,599
HONDA MOTOR CO	69,000	2,924,394	NTT MOBILE	252	3,372,756
HOUSE OF FRASER ORD 20P	146,000	200,221	NYCOMED AMERSHAM	101,000	702,096
HOYA CORP JPY50	8,000	451,419	OBAYASHI	59,000	296,851
HSBC HOLDINGS ORD	329,700	12,025,553	ORICA LTD	15,400	84,105
HUTCHISON WHAMPOA	771,000	6,980,723	OSAKA GAS CO	166,000	563,663
IMPERIAL CHEMICAL	472,100	4,665,932	PEARSON ORD	48,740	990,319
ING GROEP NV CVA	300,374	16,262,386	PENNINSULAR ORIENT	33,455	502,300
INVENSYS	1,958,089	9,267,280	PRUDENTIAL CP ORD	441,710	6,503,107
INVESTOR AB	52,840	590,426	Q B E INSURANCE	56,677	215,709
ITO YOKADO CO	17,000	1,137,636	QANTAS AIRWAYS	116,627	385,206
JARDINE MATH	1,266,541	6,332,705	RAILTRACK GROUP	41,480	848,038
KANEKA CORP	37,000	348,479	RECKITT & COLMAN	509,500	5,312,646
KAO CORP	130,300	3,660,098	REED INTERNATIONAL	86,500	577,098
KBC BANCASSURANCE	7,115	421,896	RHONE POULENC SA	12,234	559,027
KEYENCE	4,700	822,419	RINASCENTE (LA)	57,750	437,130
KINGFISHER ORD GBPO	138,482	1,593,504	RIO TINTO LTD	23,913	392,092
KIRIN BREWERY CO	39,000	467,199	RIO TINTO PLC	86,100	1,443,369
KOKUYO CO	12,000	193,324	RJB MINING	169,100	141,272
KOMATSU LTD	1,000,000	6,386,294	ROCHE HOLDINGS AG	505	5,190,982
KONINKLIJKE KPN NV	277,233	13,008,252	ROHM CO	11,000	1,722,151
KURARAY CO	43,000	517,249	ROYAL DUTCH PETROL	65,170	3,817,321
KYOCERA CORP	145,200	8,517,152	ROYAL&SUN ALLIAN	454,186	4,073,642
LEND LEASE ORD	21,826	299,667	SAFeway PLC	33,380	133,778
LION NATHAN LTD	65,400	156,638	SAINSBURY ORD	33,000	208,071
LLOYDS TSB GROUP	427,164	5,790,685	SAN PAOLO-IMI SPA	39,385	536,127
MANNESMANN AG	71,918	10,731,705	SANKYO CO	26,000	655,153
MARKS & SPENCER	1,607,100	9,297,064	SANTOS LIMITED	59,900	196,257
MARUI CO	19,000	313,945	SANWA BANK	41,000	403,427

PORTFOLIO OF ASSETS, JUNE 30, 1999

	Shares	Market Value
International Equity		
SAP AG ORD NPV	1,200	405,899
SCOTTISH & SOUTHERN	121,800	1,246,031
SECOM CO	8,000	832,779
SEGA ENTERPRISES	2,000	26,454
SEITA	23,490	1,356,543
SEKISUI HOUSE	39,000	420,801
SHELL TRANS TRADIN	562,296	4,216,777
SHIN-ETSU CHEM CO	7,000	234,219
SHISEIDO CO	88,000	1,318,832
SIEMENS AG DEM5	21,600	1,666,165
SIME DARBY BERHAD	21,600	25,490
SINGAPORE PRESS HD	146,577	2,522,588
SOCIETE AIR FRANCE	26,310	469,385
SOCIETE GENERALE	3,283	578,596
SONY CORP	59,800	6,447,348
SUEZ LYONNAISE DES EAUX	4,540	818,857
SUMITOMO BANK	42,000	520,834
SUMITOMO CHEMICAL	93,000	426,428
SUMITOMO ELECTR	39,000	443,356
SWEDISH MATCH CO	192,250	685,154
SWIRE PACIFIC 'A'	1,273,000	6,300,272
SWISS REINSURANCE	2,221	4,228,844
SWISSCOM AG	16,937	6,373,437
TAKEDA CHEM INDSTR	149,000	6,905,872
TATE & LYLE ORD	342,000	2,142,891
TDK CORP COM.STK	6,000	548,742
TELE DANMARK	31,050	1,528,323
TELECOM CORP	275,317	1,181,681
TELECOM ITALIA SPA	448,783	4,665,085
TELSTRA CORP LTD	570,000	3,266,144
TESCO PLC	433,800	1,116,297
THAMES WATER	38,066	603,632
TI GROUP	174,000	1,165,668
TNT POST GROEP	58,575	1,398,382
TOKIO MARINE&FIRE	742,000	8,061,189
TOKYO ELEC PWR	36,500	770,465
TOSHIBA CORP	85,000	606,037
TOTAL B TOTAL FINA SA	38,754	4,741,596
TOYOTA MOTOR CO	33,000	1,044,196
TRANSCAN PIPLN	8	112
UBS AG	12,634	3,770,858
UNILEVER NV CVA	11,367	766,045
UNILEVER	60,000	533,890
UNION ELEC FENOSA	142,300	1,860,745
UNITED OVERSEA	57,000	398,414
UPM-KYMMENE OY	29,900	925,028
UTD NEWS & MEDIA	87,800	844,231
VEBA AG DEM5	84,860	4,988,161

International Equity	Shares	Market Value
VIAG AG	2,165	1,022,553
VIVENDI	85,069	6,890,966
VODAFONE AIRTOUCH	351,970	6,935,096
VOLKSWAGEN AG	6,200	397,051
WESTPAC BANK	281,773	1,827,757
WMC LIMITED	48,400	207,914
WOOLWORTHS LTD	50,500	167,966
WPP GROUP	52,490	443,898
YAMATO TRANSPORT	22,000	383,508
YORKSHIRE WATER	67,700	<u>473,815</u>
Total International Equity		607,450,824
TOTAL EQUITY INVESTMENTS		3,784,955,368
NET PENDING TRADES		<u>-117,284,084</u>
TOTAL LONG TERM INVESTMENTS		5,371,413,766
TOTAL PORTFOLIO		5,581,791,535



## **Actuarial Section**



## **Actuarial Section**



Board of Trustees  
Teachers' Retirement System of Oklahoma  
OSSBA Building  
2801 N. Lincoln Boulevard  
Oklahoma City, Oklahoma 73105

Dear Members of the Board:

**Subject: Actuarial Valuation as of June 30, 1999**

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, 1999.

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. Both are Enrolled Actuaries and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

### *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 and local employer contribution rates are established by law. Beginning with the fiscal year ending June 30, 2000, the approach to state and local employer contributions has been changed. The state will contribute 3.54% percent of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes, subject to a maximum contribution of \$136.0 million for FY 2000 only. The local employer contribution rate will no longer be tied to the state's contribution. Local employers will contribute a percentage of covered compensation according to the following schedule:



<u>Year</u>	<u>Employer Rate</u>
1999/2000	4.80%
2000/2001	5.80%
2001/2002	6.80%
Thereafter	7.05%

By the 2003 fiscal year, we estimate that the state's contribution will be equivalent to a contribution of 5.0% of covered payroll, assuming that the specified tax revenues grow at 4% per year, keeping pace with expected growth in the System's payroll. Therefore the total combined state and local contribution will be equivalent to a contribution of just over 12% of payroll.

The state and employer 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, 1998 was \$4,806 million, and it decreased to \$4,751 million this year. This \$55 million decrease compares with an expected \$146 million increase. Investment performance was the main reason for the decrease. Actuarial investment gains decreased the UAAL by over \$368 million. The funded ratio -- actuarial value of assets divided by actuarial accrued liability -- improved from 45.9% to 49.8%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 35.7 years, measured from June 30, 1998. This year, the funding period is 34.2 years, slightly less than would have been expected. The decrease was primarily due to the strong investment performance, partly offset by the change in the state's contribution mechanism, as discussed below.

Based on the current statutes for determining the state and local employer contribution rates, the UAAL is expected to increase slowly, reaching about \$6.2 billion in 2015, before beginning to decline. It is expected to be completely amortized by 2034.

#### ***Benefit Provisions***

The actuarial valuation reflects the benefit provisions as set forth in current statutes, including those adopted in the 1999 legislative session. There were two changes that affected the current valuation. First, the cap on pays for certain members employed by one of the comprehensive universities that was set to expire by June 30, 2001 was extended to June 30, 2007. This had a neutral to slightly positive impact on the fund. Second, the state contribution had originally been set to change to 3.25% of all general revenues available for appropriation for the fiscal year ending June 30, 2000. The 3.25% percentage was then supposed to increase to 3.50% for all



subsequent years. New legislation adopted by the legislature changed the state's contribution to 3.54% of certain specified sales and income tax revenues. The FY 2000 state contribution is to be limited to \$136.0 million. This change produces about the same state contribution for FY 2000, but it produces lower contributions in the future. This new legislation lengthened the funding period, although it had no impact on the UAAL.

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

The actuarial assumptions and methods used in this report are unchanged from last year. Assumptions are set by the Board of Trustees, taking into account the recommendations of the plan's actuaries. The sales and income tax revenues that determine the state's contributions are expected to increase at 4.0% per year. Assumptions were last changed in 1995, following an analysis of plan experience for the preceding five years. The assumptions are internally consistent and are reasonably based on the actual experience of the System.

### ***Data***

Member data for retired, active, and inactive participants was supplied as of June 30, 1999 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, and we prepared the Schedule of Funding Progress and the Schedule of Employer Contributions in the Financial Section. Our firm has 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.

Sincerely,

J. Christian Conradi, ASA, MAAA, EA  
Actuary

W. Michael Carter, FSA, MAAA, EA  
Vice President

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Executive Summary

Item	1999	1998
<b>Membership</b>		
• Number of		
- Active members	81,851	80,578
- Retirees and beneficiaries	33,033	32,032
- Inactive, vested	3,117	2,959
- Inactive, nonvested	<u>7,515</u>	<u>7,063</u>
- Total	125,516	122,632
• Payroll	\$ 2,648 million	\$ 2,538 million
<b>Statutory contribution rates</b>		
• State (% of tax revenues)	3.54%	N/A
• Local district (% of pay)	4.80%	11.50% <sup>1</sup>
• Member (% of pay)	7.00%	7.00%
<b>Assets</b>		
• Market value	\$ 5,387 million	\$ 4,884 million
• Actuarial value	4,708 million	4,085 million
• Return on market value	11.9%	21.4%
• Return on actuarial value	17.1%	15.8%
• State/local employer contribution	\$ 233 million	\$ 254 million
• External cash flow %	(1.3%)	(0.4%)
<b>Actuarial Information</b>		
• Normal cost %	9.62%	9.62%
• Unfunded actuarial accrued liability (UAAL)	\$ 4,751 million	\$ 4,806 million
• Funded ratio	49.8%	45.9%
• Funding period	34.2 years	35.7 years
<b>GASB 25 ARC (40-year funding cost)</b>		
• Dollar amount	455,265,033	456,864,002
• Percent of pay	16.85%	17.63%
<b>Gains/(losses)</b>		
• Asset experience	\$ 368 million	\$ 275 million
• Liability experience	(152) million	(28) million
• Benefit changes	31 million	(179) million
• Assumption/method changes	<u>N/A</u>	<u>N/A</u>
• Total	\$ 247 million	\$ 68 million

<sup>1</sup> Includes 4.80% of pay from local district plus dedicated gas tax revenue from state.



## 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).

This was another good year for the System, with higher than expected investment returns decreasing the UAAL and increasing the funded ratio. The funding period calculated in this valuation is 34.2 years, a decrease from 35.7 years last year. This decrease was mainly due to the investment performance, which offset the increase in the funding period due to new legislation governing the determination of the state's contribution. The UAAL decreased from \$4,806.2 million to \$4,750.5 million, \$201.8 million less than expected. A discussion of the reasons for these changes appears in the next section.

Despite the strong investment results over the last four years, the System remains very poorly funded. It remains among the five or six most poorly funded of all statewide plans in the nation. The funded ratio improved from 45.9% to 49.8%, but it is still less than 50%. However, for the first time in over a decade, the actuarial value of assets is finally large enough to cover all of the liabilities for currently retired members.

The current combined employer/state contribution rate of about 9.8% for FY 2000 is not large enough to pay the normal cost and pay the interest on the UAAL. Therefore, negative amortization results. I.e., for several years the UAAL will be expected to increase. See the schedule of projected UAAL's in Table 13. As may be seen, the UAAL is expected to continue increasing until around 2015, at which point positive amortization will begin to occur. It will take until about 2026 before the UAAL is again as low as it is now.

This report also determines the 40-year funding requirement under Section 17-106. This is the contribution required to fund the normal cost and to amortize the UAAL in level installments (not as a level percent of pay) over 40 years. This amount is reported as the Annual Required Contribution (ARC) under GASB 25, and is shown in Table 1.

## ANALYSIS OF CHANGES

### *UAAL*

Table 12a shows an analysis of the change in the UAAL. The UAAL, which was \$4,806.2 million last year, has decreased to \$4,750.5 million this year. However, an increase of \$146.1 million was expected, since the current statutory employer/state 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 major reason for the decrease in the UAAL was the better than expected return on actuarial assets. The return on the actuarial value of assets was 17.1%, compared with the assumed rate of 8.0% and the actual market return of 11.9%. This caused a \$368.1 million decrease in the UAAL.

There was a liability loss of \$152.3 million. Other minor factors affecting the UAAL were (i) a \$45.2 million loss due to differences between actual and expected contributions (principally due to the decrease in gas tax revenues), and (ii) a \$31.2 million decrease due to the bill that extended the pay caps for certain members in comprehensive higher education.

### *Funding Period*

The funding period (the period required to amortize the UAAL) decreased slightly more than expected. An analysis is shown on Table 12b.



## ACTUARIAL ASSUMPTIONS AND METHODS

Table 18 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 5.2%), the payroll growth rate (4%), and the state revenue growth rate (4%). There were no changes in actuarial assumptions or methods since last year. Actuarial assumptions were last changed in 1995, when the Board adopted changes recommended by the actuary, based on a review of System experience for the preceding five years.

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.

Development of Employer Cost

	June 30, 1999 (1)	June 30, 1998 (2)
1. Payroll		
a. Supplied by system	\$ 2,648,385,170	\$ 2,537,671,710
b. Adjusted for one year's pay increase	2,785,662,000	2,668,794,000
c. Adjusted for one year's pay increase with pay caps	2,701,733,000	2,590,808,000
2. Present value of future pay (paid monthly, with pay caps)	\$ 20,771,143,000	\$ 20,226,886,000
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	9.62%	9.62%
b. Less: member rate	<u>(7.00%)</u>	<u>(7.00%)</u>
c. Employer normal cost rate	2.62%	2.62%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$ 6,905,353,000	\$ 6,515,518,000
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(544,203,947)	(529,944,413)
c. Less: present value of future member contributions	<u>(1,453,980,000)</u>	<u>(1,415,882,000)</u>
d. Actuarial accrued liability	\$ 4,907,169,053	\$ 4,569,691,587
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 4,414,982,400	\$ 4,195,868,500
b. Inactive members	136,425,076	125,693,692
c. Active members (Item 4d)	4,907,169,053	4,569,691,587
d. Total	<u>\$ 9,458,576,529</u>	<u>\$ 8,891,253,779</u>
6. Actuarial value of assets	\$ 4,708,033,127	\$ 4,085,045,092
7. Unfunded actuarial accrued liability (UAAL) (item 5d - Item 6)	\$ 4,750,543,402	\$ 4,806,208,687
8. Funding period (4% payroll & revenue growth)	34.2 years	35.7 years
9. 40-year amortization cost		
a. Employer normal cost (Item 1c * 3c)	\$ 70,785,405	\$ 67,879,170
b. Level 40-year amortization of UAAL (payable monthly)	384,479,628	388,984,832
c. Total	<u>\$ 455,265,033</u>	<u>\$ 456,864,002</u>
d. Contribution as percentage of payroll (9c/1c)	16.85%	17.63%



**Actuarial Present Value of Future Benefits**

	June 30, 1999 (1)	June 30, 1998 (2)
1. Active members		
a. Service retirement benefits	\$ 5,802,282,000	\$ 5,450,601,000
b. Deferred termination benefits	283,821,000	279,502,000
c. Refunds	406,525,000	381,245,000
d. Death benefits	39,669,000	39,796,000
e. Disability retirement benefits	102,809,000	99,739,000
f. Supplemental medical insurance	245,104,000	240,142,000
g. \$5,000 post-retirement death benefit	25,143,000	24,493,000
h. Total	<u>\$ 6,905,353,000</u>	<u>\$ 6,515,518,000</u>
2. Retired members		
a. Service retirements	\$ 3,947,964,400	\$ 3,750,975,000
b. Disability retirements	78,361,200	74,096,900
c. Beneficiaries	102,426,000	94,336,200
d. Supplemental medical insurance	230,210,200	221,981,400
e. \$5,000 post-retirement death benefit	56,020,600	54,479,000
f. Total	<u>\$ 4,414,982,400</u>	<u>\$ 4,195,868,500</u>
3. Inactive members		
a. Vested terminations	\$ 91,829,136	\$ 85,801,128
b. Nonvested terminations	29,362,871	26,544,565
c. Suspense fund	15,233,069	13,347,999
d. Total	<u>\$ 136,425,076</u>	<u>\$ 125,693,692</u>
4. Total actuarial present value of future benefits	<u>\$ 11,456,760,476</u>	<u>\$ 10,837,080,192</u>

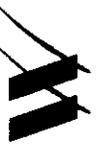
Analysis of Normal Cost

	<u>June 30, 1999</u> (1)	<u>June 30, 1998</u> (2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	6.38%	6.38%
b. Deferred termination benefits	0.58%	0.58%
c. Refunds	2.16%	2.16%
d. Supplemental medical insurance	0.26%	0.26%
e. \$5,000 Post-retirement death benefits	0.04%	0.04%
f. Disability retirement benefits	<u>0.20%</u>	<u>0.20%</u>
g. Total	9.62%	9.62%
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	2.62%	2.62%
4. Effectiveness of member contributions		
a. Member rate	7.00%	7.00%
b. Less: cost of refunds	<u>(2.16%)</u>	<u>(2.16%)</u>
c. Net member rate available for benefits	4.84%	4.84%
d. Effectiveness rate (4c/4a)	69.14%	69.14%



**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 Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
June 30, 1994	\$2,697.2	\$6,736.0	\$4,038.8	40.0%	\$2,189.5	184.5%
June 30, 1995	\$2,869.9	\$7,480.4	\$4,610.5	38.4%	\$2,336.1	197.4%
June 30, 1996	\$3,103.0	\$7,843.2	\$4,740.2	39.6%	\$2,375.5	199.5%
June 30, 1997	\$3,544.9	\$8,257.2	\$4,712.3	42.9%	\$2,428.7	194.0%
June 30, 1998	\$4,085.0	\$8,891.3	\$4,806.3	45.9%	\$2,537.7	189.4%
June 30, 1999	\$4,708.0	\$9,458.6	\$4,750.5	49.8%	\$2,648.4	179.4%



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

<u>Year Ending June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1994	\$372,329,474	53.6%
1995	\$385,986,674	41.8%
1996	\$434,728,781	40.8%
1997	\$446,459,961	62.0%
1998	\$446,219,296	59.1%
1999	\$456,864,002	53.5%



**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, 1999
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	40 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increase *	4.50% to 7.75%
* Includes inflation at:	4.00%
Cost of living adjustment	None

Membership Data

	June 30, 1999 (1)	June 30, 1998 (2)
1. Active members		
a. Number	81,851	80,578
b. Total payroll supplied by System	\$ 2,648,385,170	\$ 2,537,671,710
c. Average salary	32,356	31,493
d. Average age	44.4	44.3
e. Average service	11.2	11.2
2. Vested inactive members		
a. Number	3,117	2,959
b. Total annual deferred benefits	\$ 16,521,383	\$ 15,828,295
c. Average annual deferred benefit	5,300	5,349
3. Nonvested inactive members		
a. Number	7,515	7,063
b. Member contributions with interest due	\$ 29,362,871	\$ 26,544,565
c. Average refund due	3,907	3,758
4. Service retirees		
a. Number	30,266	29,275
b. Total annual benefits'	\$ 438,988,843	\$ 419,946,521
c. Average annual benefit	14,504	14,345
5. Special service retirees		
a. Number	607	718
b. Total annual benefits'	\$ 1,249,488	\$ 1,478,135
c. Average annual benefit	2,058	2,059
6. Disabled retirees		
a. Number	1,031	979
b. Total annual benefits'	\$ 10,095,532	\$ 9,562,149
c. Average annual benefit	9,792	9,767
7. Beneficiaries and spouses		
a. Number	1,129	1,060
b. Total annual benefits'	\$ 12,607,291	\$ 11,655,458
c. Average annual benefit	11,167	10,996

Benefit amounts exclude the supplemental medical insurance payment.  
1998 benefit amounts include COLA effective July 1, 1998



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)		
1989	67,709	5.2%	\$1,610	--	24,058	3.2%	42.8	10.2
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



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

Item	Valuation as of	
	June 30, 1999	June 30, 1998
(1)	(2)	(3)
1. Cash and cash equivalents	\$ 2,450,674	\$ 3,657,396
2. Receivables:		
a. Employer and member contributions	\$ 25,289,962	\$ 22,970,143
b. Gas tax	10,323,666	9,140,257
c. Net investment income and other	160,336,516	6,517,127
d. Total receivables	\$ 195,950,144	\$ 38,627,527
3. Investments		
a. Invested cash and other	\$ 210,377,000	\$ 157,947,479
b. Domestic equities	3,030,123,836	2,941,414,000
c. International equities	607,181,000	577,132,858
d. Domestic fixed income	1,425,846,700	1,286,811,158
e. International fixed income	308,263,000	245,004,045
f. Real estate, furniture & equipment	393,824	501,433
g. Total investments	\$ 5,582,185,360	\$ 5,208,810,973
4. Total assets	\$ 5,780,586,178	\$ 5,251,095,896
5. Liabilities		
a. Benefits payable	\$ 38,615,028	\$ 35,251,654
b. Insurance premium payable	1,645,247	1,637,557
c. Expenses	3,321,955	2,558,432
e. Total liabilities	\$ 43,582,230	\$ 39,447,643
6. Total (Item 4 - Item 5)	\$ 5,737,003,948	\$ 5,211,648,253
7. Less : Teachers' Deposit Fund	(349,900,749)	(327,262,707)
8. Total market value of assets available for benefits	\$ 5,387,103,199	\$ 4,884,385,546



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

Item (1)	Valuation as of	
	June 30, 1999 (2)	June 30, 1998 (3)
a. Invested cash and other	3.77%	3.03%
b. Domestic equities	54.28%	56.48%
c. International equities	10.88%	11.08%
d. Domestic fixed income	25.54%	24.70%
e. International fixed income	5.52%	4.70%
f. Real estate, furniture & equipment	0.01%	0.01%
g. Total investments	100.00%	100.00%

Reconciliation of Plan Net Assets

	Year Ending	
	June 30, 1999 (1)	June 30, 1998 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	\$ 4,884,385,546	\$ 4,041,392,922
2. Revenue for the year		
a. Contributions		
i. Member contributions (including state credit)	\$ 190,718,633	\$ 181,197,041
ii. Federal matching funds	10,991,648	9,889,189
iii. State dedicated revenue	106,267,672	133,541,781
iv. Employer/district contributions	127,047,763	120,164,225
v. Total	\$ 435,025,716	\$ 444,792,236
b. Net investment earnings		
i. Interest, dividends and other income	\$ 174,303,200	\$ 163,822,088
ii. Net appreciation/(depreciation)	452,159,607	780,014,825
iii. Less: investment expenses	(12,090,056)	(11,175,835)
iv. Less: transfers to Teachers' Deposit Fund	(39,821,032)	(68,968,246)
v. Net investment earnings	\$ 574,551,719	\$ 863,692,832
c. Total revenue	\$ 1,009,577,435	\$ 1,308,485,068
3. Expenditures for the year		
a. Refunds	\$ 24,523,574	\$ 23,011,228
b. Benefit payments (including insurance payments)	479,637,193	439,213,465
c. Administrative expenses	2,699,015	3,267,751
d. Total expenditures	\$ 506,859,782	\$ 465,492,444
4. Increase in net assets (Item 2 - Item 3)	\$ 502,717,653	\$ 842,992,624
5. Market value of assets at end of year (net of Teachers' Deposit Fund (Item 1 + Item 4))	\$ 5,387,103,199	\$ 4,884,385,546



**Development of Actuarial Value of Assets**

	<u>Year Ending June 30, 1999</u>		
1. Market value of assets at beginning of year	\$ 4,884,385,546		
2. Net new investments			
a. Contributions	\$ 435,025,716		
b. Benefits paid	(479,637,193)		
c. Refunds	(24,523,574)		
d. Subtotal	<u>(69,135,051)</u>		
3. Market value of assets at end of year	\$ 5,387,103,199		
4. Net earnings (3-1-2)	\$ 571,852,704		
5. Assumed investment return rate	8.00%		
6. Expected return	\$ 387,985,442		
7. Excess return (4-6)	\$ 183,867,262		
8. Excess return on assets for last four years :			
<u>Period End</u>	<u>Excess Return</u>	<u>Percent Deferred</u>	<u>Deferred Amount</u>
	(2)	(3)	(4)
a. June 30, 1996	192,735,892	20%	\$ 38,547,178
b. June 30, 1997	426,856,290	40%	170,742,516
c. June 30, 1998	537,810,946	60%	322,686,568
d. June 30, 1999	183,867,262	80%	147,093,810
			<u>\$ 679,070,072</u>
9. Actuarial value of assets (Item 3 - Item 8)	\$ 4,708,033,127		

Estimation of Yields

	Year Ending	
	June 30, 1999 (1)	June 30, 1998 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 4,884,385,546	\$ 4,041,392,922
2. Net investment income (including realized and unrealized gains and losses)	\$ 574,551,719	\$ 863,692,832
3. End of year market assets	\$ 5,387,103,199	\$ 4,884,385,546
4. Estimated dollar weighted market value yield	11.9%	21.4%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 4,085,045,092	\$ 3,544,941,046
2. Actuarial return	\$ 692,123,086	557,536,503
3. End of year actuarial assets	\$ 4,708,033,127	\$ 4,085,045,092
4. Estimated actuarial value yield	17.1%	15.8%



Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 1999

TABLE 10

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)
1990	257.7	(274.6)	(11.1)	(1.8)	(287.5)	(29.8)	1,959	(1.5%)
1991	283.6	(304.8)	(12.6)	(2.0)	(319.4)	(35.8)	2,112	(1.7%)
1992	282.8	(317.5)	(12.9)	(2.1)	(332.5)	(49.7)	2,349	(2.1%)
1993	339.5	(332.1)	(12.8)	(2.2)	(347.1)	(7.6)	2,659	(0.3%)
1994	340.6	(351.1)	(13.3)	(2.5)	(366.9)	(26.3)	2,684	(1.0%)
1995	307.1	(377.5)	(14.2)	(2.2)	(393.9)	(86.8)	2,991	(2.9%)
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%)

Dollar amounts in millions

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



**Investment Experience Gain or Loss**

Item (1)	Year Ending June 30, 1999 (2)
1. Actuarial assets, beginning of year	\$ 4,085,045,092
2. Contributions during year	\$ 435,025,716
3. Benefits and refunds paid	\$ (504,160,767)
4. Assumed net investment income at 8%	
a. Beginning of year assets	\$ 326,803,607
b. Contributions	17,401,029
c. Benefits and refunds paid	<u>(20,166,431)</u>
d. Total	\$ 324,038,205
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 4,339,948,246
6. Actual actuarial assets, end of year	\$ 4,708,033,127
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ 368,084,881



**Total Experience Gain or Loss**

Item (1)	Year Ending June 30, 1999 (2)
<b>A. Calculation of total actuarial gain or loss</b>	
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 4,806,208,687
2. Normal cost for the year (employer and employee)	\$ 249,235,730
3. Less: total contributions for the year	\$ (435,025,716)
4. Interest at 8 %	
a. On UAAL	\$ 384,496,695
b. On normal cost	9,969,429
c. On contributions	(17,401,029)
d. Total	<u>\$ 377,065,095</u>
5. Expected UAAL (Sum of Items 1 - 4)	\$ 4,997,483,796
6. Actual UAAL	\$ 4,750,543,402
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ 246,940,394
<b>B. Source of gains and losses</b>	
8. Asset gain (loss) for the year	\$ 368,084,881
9. Liability gain (loss) for the year	(152,304,041)
10. Legislation (extension of salary cap effective as of July 1, 1999)	<u>31,159,554</u>
11. Total	\$ 246,940,394

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

Basis	UAAL (in \$ Millions)
1. From prior valuation	\$ 4,806.2
2. Impact of changes, gains and losses	
a. Expected increase based on statutory contributions and passage of time	146.1
b. Liability (gain)/loss	152.3
c. Asset (gain)/loss	(368.1)
d. Impact of actual contributions less than expected under schedule	45.2
e. Legislative change (Extension of pay cap to 2007)	<u>(31.2)</u>
f. Total	(55.7)
3. Current UAAL (1+2f)	\$ 4,750.5



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

Basis	Funding Period (Years)
1. Funding period (years) from prior valuation	35.7
2. Impact of changes, gains and losses	
a. Expected (decrease)/increase	(1.0)
b. Impact of payroll and revenue growth different than expected	(0.5)
c. Impact of asset (gain)/loss	(4.7)
d. Impact of less contributions	0.5
e. Impact of liability loss	1.9
f. Impact of legislative change (Extension of pay cap to 2007)	(0.2)
g. Impact of legislative change (Change in state's contribution)	<u>2.5</u>
h. Total	(1.5)
3. Current funding period (years) (1+2g)	34.2

Projection of UAAL

	Valuation Date (1)	UAAL (Millions) (2)
A. Actual	June 30, 1992	\$3,796.3
	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
B. Projected	June 30, 2000	\$4,929.0
	June 30, 2001	\$5,084.1
	June 30, 2002	\$5,211.0
	June 30, 2003	\$5,328.6
	June 30, 2004	\$5,443.2
	June 30, 2005	\$5,554.2
	June 30, 2006	\$5,660.8
	June 30, 2007	\$5,762.1
	June 30, 2008	\$5,855.8
	June 30, 2009	\$5,942.2
	June 30, 2010	\$6,020.2
	June 30, 2011	\$6,088.6
	June 30, 2012	\$6,146.0
	June 30, 2013	\$6,190.7
	June 30, 2014	\$6,221.2
	June 30, 2015	\$6,235.5
	June 30, 2016	\$6,231.6
June 30, 2017	\$6,207.2	
June 30, 2018	\$6,160.0	
June 30, 2019	\$6,087.3	



Projection of UAAL

Valuation Date (1)	UAAL (Millions) (2)
June 30, 2020	\$5,986.2
June 30, 2021	\$5,853.4
June 30, 2022	\$5,685.6
June 30, 2023	\$5,478.8
June 30, 2024	\$5,229.1
June 30, 2025	\$4,931.9
June 30, 2026	\$4,582.3
June 30, 2027	\$4,174.9
June 30, 2028	\$3,704.0
June 30, 2029	\$3,163.2
June 30, 2030	\$2,545.7
June 30, 2031	\$1,843.9
June 29, 2032	\$1,049.8
June 29, 2033	\$154.5

TABLE 14

Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 1999

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		Portion of Accrued Liabilities Covered by Assets				
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	(1)	(2)	(3)	(4)	
1988	\$ 1,151.8	77%	\$ 2,155.9	144%	\$ 18.4	1%	\$ 518.4	35%	\$ 1,693.9	100%	25%	0%	0%
1989	798.6	50%	2,194.0	136%	54.7	3%	914.7	57%	1,795.3	100%	45%	0%	0%
1990	909.7	52%	2,405.8	138%	59.9	3%	1,738.3	100%	1,951.3	100%	43%	0%	0%
1991	1,044.4	54%	2,662.9	139%	68.1	4%	1,669.2	87%	2,089.6	100%	39%	0%	0%
1992	1,186.7	59%	2,778.7	139%	78.5	4%	2,039.5	102%	2,287.1	100%	40%	0%	0%
1993	1,333.1	63%	2,926.1	138%	90.2	4%	2,107.6	99%	2,569.2	100%	42%	0%	0%
1994	1,467.9	67%	3,187.5	146%	102.5	5%	1,978.1	90%	2,697.2	100%	39%	0%	0%
1995	1,628.4	70%	3,409.3	146%	96.7	4%	2,346.0	100%	2,869.9	100%	36%	0%	0%
1996	1,799.1	76%	3,586.3	151%	106.7	4%	2,351.1	99%	3,103.0	100%	36%	0%	0%
1997	1,967.9	81%	3,797.8	156%	114.4	5%	2,377.1	98%	3,544.9	100%	42%	0%	0%
1998	2,143.4	84%	4,195.9	165%	125.7	5%	2,426.3	96%	4,085.0	100%	46%	0%	0%
1999	2,330.6	88%	4,415.0	167%	136.4	5%	2,576.5	97%	4,708.0	100%	54%	0%	0%



Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 1999

Distribution of Active Members by Age and by Years of Service  
As of June 30, 1999

Attained Age	Years of Credited Service													Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & 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.	Count & Avg. Comp.	
Under 25	426 \$17,858	767 \$23,369	305 \$25,052	52 \$22,416	18 \$23,773	3 \$18,576	0 \$0	1,571 \$22,165							
25-29	581 \$18,429	1,509 \$25,171	1,587 \$26,785	886 \$28,355	873 \$27,687	1,571 \$28,452	13 \$24,928	0 \$0	7,020 \$26,427						
30-34	452 \$14,840	990 \$26,635	860 \$27,354	538 \$30,247	514 \$29,458	3,603 \$29,939	983 \$31,199	7 \$25,344	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	7,947 \$28,530
35-39	460 \$13,869	1,100 \$25,946	900 \$26,496	520 \$28,042	609 \$28,263	2,965 \$30,656	2,606 \$33,172	1,145 \$34,839	12 \$35,571	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	10,317 \$29,875
40-44	415 \$15,196	952 \$25,674	895 \$26,392	559 \$27,484	622 \$29,635	3,348 \$29,579	2,338 \$33,525	2,545 \$36,551	1,580 \$38,331	11 \$43,753	0 \$0	0 \$0	0 \$0	0 \$0	13,265 \$31,635
45-49	296 \$14,999	798 \$25,807	672 \$27,784	458 \$28,898	531 \$28,782	3,193 \$29,987	2,890 \$32,861	2,194 \$38,293	3,147 \$39,875	1,823 \$41,229	7 \$44,266	0 \$0	0 \$0	0 \$0	16,009 \$34,225
50-54	175 \$15,484	485 \$27,048	446 \$29,303	305 \$30,856	341 \$32,676	2,262 \$30,300	2,396 \$31,948	2,013 \$36,782	2,112 \$41,086	2,687 \$43,386	688 \$46,114	1 \$35,220	0 \$0	0 \$0	13,911 \$36,208
55-59	89 \$12,678	211 \$24,508	222 \$26,166	149 \$29,374	201 \$27,586	1,239 \$29,816	1,487 \$29,883	1,252 \$34,423	1,228 \$39,539	895 \$47,605	746 \$53,226	169 \$53,743	0 \$0	0 \$0	7,888 \$36,315
60-64	34 \$16,900	66 \$21,039	82 \$22,340	53 \$19,987	44 \$24,131	555 \$26,008	684 \$28,690	501 \$34,002	373 \$37,918	279 \$48,049	225 \$62,375	132 \$69,352	37 \$55,751	0 \$0	3,065 \$35,827
65-69	20 \$9,791	28 \$15,045	19 \$13,770	11 \$23,784	8 \$12,273	166 \$22,779	125 \$27,939	85 \$31,003	44 \$31,767	53 \$40,544	30 \$52,210	19 \$85,386	26 \$78,845	0 \$0	634 \$31,439
70 & Over	10 \$11,178	13 \$12,897	7 \$24,259	8 \$13,449	6 \$15,334	61 \$19,206	49 \$18,951	19 \$19,453	14 \$32,247	17 \$41,660	8 \$46,703	3 \$77,464	9 \$84,908	224 \$84,908	224 \$25,216
Total	2,958 \$15,845	6,919 \$25,455	5,995 \$26,848	3,539 \$28,527	3,767 \$28,831	18,966 \$29,694	13,571 \$32,114	9,761 \$36,296	8,510 \$39,694	5,765 \$43,554	1,704 \$51,477	324 \$62,120	72 \$67,735	81,851 \$67,735	81,851 \$32,356



## SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

### 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 (based on actual new entrants during the 1993-94 year) 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.

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. 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 a 40-year funding cost as required by Section 17-106. This is the dollar contribution required to pay the normal cost and amortize the UAAL over 40 years in equal installments. While this amount is not required to be paid under the statutes, it is reported as the Annual Required Contribution (ARC) under GASB 25. The 40-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 4.00% inflation rate and a 4.00% net real rate of return.
2. Salary increase rate: A merit/promotional component dependent on service, plus a 4% inflation component, plus a 0.50% productivity increase, as follows:

<u>Years of Service</u>	<u>Merit/ Promotional Component</u>	<u>Total Salary Increase Rate</u>
(1)	(2)	(3)
0	3.25%	7.75%
1	2.50	7.00
2	1.75	6.25
3	1.50	6.00
4	1.25	5.75
5	1.25	5.75
6	1.25	5.50
7	1.00	5.50
8	1.00	5.50
9	1.00	5.50
10	1.00	5.50
11	0.75	5.25
12	0.75	5.25
13	0.75	5.25
14	0.50	5.00
15 or more	0.00	4.50

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 4% per year. This increase rate is solely due to the effect of inflation on salaries, with 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 4% per year.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

- a. Healthy males - 1983 Group Annuity Mortality Table for males, set back two years.
- b. Healthy females - 1983 Group Annuity Mortality Table for females, set back one year.
- c. Disabled males - PBGC Table Va for disabled males eligible for Social Security disability benefits, multiplied by 70%.
- d. Disabled females - PBGC Table VIa for disabled females eligible for Social Security disability benefits, multiplied by 100%.

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	0.10	0.06	1.97	2.09
45	0.17	0.09	2.25	2.24
50	0.31	0.15	2.68	2.57
55	0.52	0.23	3.37	2.95
60	0.77	0.38	4.22	3.31
65	1.24	0.64	4.75	3.70
70	2.22	1.09	5.17	4.11
75	3.67	2.11	5.89	4.92
80	6.07	3.85	7.90	7.46



2. Mortality rates - active members - Based on 1990 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 1990 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	.04	.04
30	.04	.04
35	.04	.05
40	.06	.07
45	.14	.13
50	.21	.25
55	.24	.34
60	.18	.28
65	.05	.08

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 1995 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

Expected Terminations per 100 Lives (Male Members)					
Age	Years of Service				
	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	32.08	24.86	9.71	7.37	4.31
30	31.36	22.22	9.66	6.57	3.73
35	32.65	22.40	9.16	6.02	3.19
40	37.06	23.76	8.38	5.67	2.70
45	41.23	25.21	7.63	5.59	2.28
50	44.09	26.56	7.40	5.91	1.90
55	45.29	27.97	8.26	6.82	1.51
60	46.65	29.61	10.68	8.45	1.20
65	47.58	31.54	14.84	10.80	1.16

Expected Terminations per 100 Lives (Female Members)					
Age	Years of Service				
	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	31.54	22.62	12.08	9.37	7.01
30	28.70	20.36	10.41	7.63	5.09
35	31.25	20.59	8.81	6.35	3.66
40	34.85	21.23	7.39	5.52	2.74
45	36.77	21.30	6.35	5.10	2.34
50	37.13	21.51	6.01	5.08	2.08
55	37.69	21.84	6.67	5.49	1.63
60	38.45	22.27	8.55	6.40	1.14
65	39.60	22.94	11.73	7.85	0.82

Termination rates are applied even after the member becomes eligible for a retirement benefit.



5. Retirement rates - Separate male and female rates, based on age, developed from the 1995 Experience Study. Sample rates are shown below:

Age	Expected Retirements per 100 Lives			
	Unreduced Retirement		Reduced Retirement	
	Male	Female	Male	Female
50	40	65	0	0
51	40	45	0	0
52	33	40	0	0
53	27	35	0	0
54	24	35	0	0
55	24	31	1	2
56	24	31	3	3
57	24	31	3	4
58	24	31	4	4
59	24	31	4	5
60	24	31	5	5
61	24	31	5	6
62	35	45		
63	55	55		
64	40	40		
65	55	60		
66	55	55		
67	55	55		
68	55	55		
69	55	55		
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, if this benefit is available.

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 the first age at which unreduced benefits are available.
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 receive the supplemental insurance benefit.
8. 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 magnetic tape 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 adopted by the Board of Trustees in May 1995 and first reflected in the June 30, 1995 actuarial valuation, as recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 1990, including female mortality for retirees, disability, investment return rate, and active member mortality for males and females.





## Statistical Section



## **Statistical Section**



SCHEDULE OF INCREASES AND DECREASES  
OF BENEFIT RECIPIENTS  
Periods Ended June 30

Fiscal Year	Beginning Balance Recipients			Ending Balance Recipients	% Increase/ (Decrease)
		Additions	Subtractions		
1990	23,785	1,477	755	24,507	3.0%
1991	24,507	1,736	807	25,436	3.8%
1992	25,436	1,546	784	26,198	3.0%
1993	26,198	1,700	895	27,003	3.1%
1994	27,003	1,905	896	28,012	3.7%
1995	28,012	1,973	978	29,007	3.6%
1996	29,007	1,824	847	29,984	3.4%
1997	29,984	2,038	1,120	30,902	3.1%
1998	30,902	2,090	960	32,032	3.7%
1999	32,032	2,048	1,047	33,033	3.1%

Total monthly benefit payments, June 30, 1998	\$35,309,891
Added to rolls and retirement allowance increases	3,120,592
Removed from rolls	(903,821)
Total monthly benefit payments, June 30, 1999	<u>\$37,526,662</u>
Net monthly benefit increase	\$2,216,771
Percentage increase	6.28%
Average monthly allowance	\$1,187

Average monthly payment is \$1,187 excluding special annuitants.

SCHEDULE OF AVERAGE PAYMENT AMOUNTS  
Fiscal Year Ended June 30, 1999

Date	Regular Annuitants
June 30, 1948	\$33
June 30, 1954	75
June 30, 1960	83
June 30, 1966	129
June 30, 1969	148
June 30, 1970	179
June 30, 1971	201
June 30, 1972	209
June 30, 1973	217
June 30, 1974	226
June 30, 1975	248
June 30, 1976	297
June 30, 1977	321
June 30, 1978	345
June 30, 1979	365
June 30, 1980	382
June 30, 1981	432
June 30, 1982	\$480

Date	Regular Annuitants	Special Annuitants
June 30, 1983	\$592	
June 30, 1984	600	
June 30, 1985	683	
June 30, 1986	761	\$150
June 30, 1987	837	159
June 30, 1988	907	159
June 30, 1989	949	159
June 30, 1990	956	159
June 30, 1991	1,013	159
June 30, 1992	1,021	159
June 30, 1993	1,030	159
June 30, 1994	1,044	159
June 30, 1995	1,084	163
June 30, 1996	1,093	163
June 30, 1997	1,105	163
June 30, 1998	1,119	163
June 30, 1999	\$1,187	\$172

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

**ACTIVE PERSONNEL**  
Fiscal Year Ended June 30, 1999

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 yrs.	23,178	13,038	10,140
5-9	18,966	12,320	6,646
10-14	13,570	8,366	5,204
15-19	9,761	7,740	2,021
20-24	8,510	7,629	881
25-29	5,765	5,440	325
30-34	1,705	1,623	82
35-39	324	317	7
40-44	62	58	4
45-49	7	7	0
50-54	3	2	1
<b>TOTALS</b>	<b>81,851</b>	<b>56,540</b>	<b>25,311</b>

Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	294	134	160
5001-10,000	3,294	223	3,071
10,001-15,000	6,056	622	5,434
15,001-20,000	5,282	777	4,505
20,001-25,000	6,033	2,228	3,805
25,001-30,000	18,226	14,855	3,371
30,001-35,000	17,161	15,190	1,971
35,001-40,000	9,806	8,715	1,091
40,001-45,000	4,874	4,227	647
45,001-50,000	2,974	2,537	437
50,001-55,000	2,091	1,825	266
55,001-60,000	1,447	1,256	191
60,001-65,000	1,050	960	90
65,001-70,000	748	665	83
70,001-75,000	579	528	51
75,001 and Above	1,936	1,798	138
<b>TOTALS</b>	<b>81,851</b>	<b>56,540</b>	<b>25,311</b>

Average Age (years)	43.8	43.3	44.9
Average Salary	\$32,359	\$37,030	\$21,924
Average Service (years)	11.2	12.8	7.6

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFITS  
 Selected Plan Options  
 Fiscal Year Ended June 30, 1999

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	2,369	9,066	11,435	\$1,121	34.62%
Option 1	3,176	8,349	11,525	1,186	34.89%
Option 2	3,056	1,260	4,316	1,337	13.07%
Option 3	1,579	898	2,477	1,497	7.50%
Option 4	210	303	513	1,202	1.55%
Options 5, 6 & 7	1,014	115	1,129	931	3.42%
Disability	299	732	1,031	816	3.12%
Special Annuitants	82	525	607	172	1.84%
<b>TOTALS</b>	<b>11,785</b>	<b>21,248</b>	<b>33,033</b>	<b>\$1,187</b>	<b>100.00%</b>

Average monthly payment is \$1,187 excluding special annuitants

Maximum - provides for the greatest possible benefit. In the event payments to members are less than member's account balance, the remaining balance is paid to a designated beneficiary or in the event no beneficiary is named to the member's estate.

Option 1 - provides for a decreased rate of reduction of member's account balance. In the event a balance exists at the death of member, the remaining balance of the account is paid to a designated beneficiary or in the event a beneficiary was not named to the member's estate.

Option 2 - provides for a reduced monthly benefit to the member for life. Upon death of the member, the designated surviving spouse 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 surviving spouse 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, 1999

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
Under 10	19	63	82	\$230
10-14	1,078	2,931	4,009	352
15-19	1,154	3,043	4,197	589
20-24	1,458	4,437	5,895	960
25-29	2,549	4,724	7,273	1,399
30-34	2,863	3,282	6,145	1,627
35-39	1,700	1,450	3,150	1,744
40-44	786	685	1,471	1,914
45-49	90	102	192	2,060
50 and Over	6	6	12	2,957
<b>TOTALS</b>	<b>11,703</b>	<b>20,723</b>	<b>32,426</b>	<b>\$1,187</b>

Does not include 607 special annuitants.

**DISTRIBUTION BY AGE AT RETIREMENT**  
Fiscal Year Ended June 30, 1999

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	19	41	60	\$593	13.9
41-45	37	76	113	743	15.9
46-50	251	355	606	1,419	25.3
51-55	3,023	3,419	6,442	1,491	27.4
56-60	3,104	5,939	9,043	1,210	25.6
61-65	4,565	9,559	14,124	1,069	25.1
66-70	607	1,137	1,744	949	22.9
71-75	77	162	239	640	20.2
76-80	15	31	46	668	21.8
Over 80	5	4	9	993	25.2
<b>TOTALS</b>	<b>11,703</b>	<b>20,723</b>	<b>32,426</b>	<b>\$1,187</b>	<b>25.5</b>

Does not include 607 special annuitants.

DISTRIBUTION BY RETIREE AGE  
Fiscal Year Ended June 30, 1999

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	142	16.1	\$755
50-54	1,399	27.7	1,669
55-59	3,824	26.5	1,494
60-64	5,715	24.6	1,275
65-69	6,198	23.7	1,135
70-74	5,121	24.5	1,083
75-79	3,897	25.5	1,029
80-84	2,899	26.9	1,001
85-89	1,969	28.7	1,085
Over 90	1,262	30.6	1,105
<b>TOTALS</b>	<b>32,426</b>	<b>25.5</b>	<b>\$1,187</b>

Does not include 607 special annuitants.

Average age of retired members is 69.8 years.

DISTRIBUTION BY MONTHLY INCOME  
Fiscal Year Ended June 30, 1999

Monthly Income	Retired Members	Total	Average Payment
Under \$100	51	\$4,291	\$84
\$101-200	873	137,542	158
\$201-\$300	1,530	384,955	252
\$301-\$400	1,688	591,854	351
\$401-\$500	1,661	746,324	449
\$501-\$600	1,465	804,625	549
\$601-\$700	1,469	954,318	650
\$701-\$800	1,336	1,000,422	749
\$801-\$900	1,297	1,103,644	851
\$901-\$1,000	1,310	1,244,479	950
\$1,001-\$1,100	1,446	1,520,001	1,051
\$1,101-\$1,200	1,632	1,878,764	1,151
\$1,201-\$1,300	1,902	2,377,872	1,250
\$1,301-\$1,400	1,892	2,553,304	1,350
\$1,401-\$1,500	2,021	2,929,201	1,449
\$1,501-\$1,600	1,993	3,087,574	1,549
\$1,601-\$1,700	1,834	3,023,741	1,649
\$1,701-\$2,000	4,099	7,525,023	1,836
\$2,001-\$2,500	2,486	5,407,829	2,175
Over \$2,500	441	1,198,543	2,718
<b>TOTALS</b>	<b>32,426</b>	<b>\$38,474,306</b>	<b>\$1,187</b>

Does not include 607 special annuitants.

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

## Schedule of Cash Receipts and Disbursements Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash balance, beginning of year	\$3,657,396	\$4,849,032
<u>Receipts:</u>		
Members' contributions	189,517,637	183,490,521
Member tax-shelter	7,255,812	8,493,698
Employer statutory requirement from local school districts	126,057,756	120,153,329
Federal matching	10,862,832	9,861,086
Dedicated gas tax	105,084,263	134,264,701
Interest income	105,315,668	118,207,777
Dividends	40,694,197	53,049,427
Net gain on investments	379,348,829	420,760,003
Other revenue	2,121,236	1,700,026
* Investments sold	<u>10,307,145,872</u>	<u>11,503,813,860</u>
	<u>11,273,404,102</u>	<u>12,553,794,428</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	476,266,129	417,864,232
Refund of member contributions and annuity payments	48,962,376	41,332,758
Administrative expenses	2,532,806	3,155,732
Investment expenses	11,326,534	8,617,403
Equipment purchases	47,340	486,837
* Investment purchases	<u>10,735,475,639</u>	<u>12,083,529,102</u>
Total disbursements	<u>11,274,610,824</u>	<u>12,554,986,064</u>
Balance of cash, June 30	<u>\$2,450,674</u>	<u>\$3,657,396</u>

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

### Schedule of Revenue by Source

<u>Year</u>	<u>Member Contributions</u>	<u>Employer Contributions</u>	<u>State of Oklahoma &amp; Net Investment Income</u>		<u>Other Revenue</u>	<u>Total</u>
			<u>Federal Sources</u>	<u>Various</u>		
1990	\$119,666,636	\$7,571,476	\$138,731,872	\$186,573,312	\$221,342	\$452,764,638
1991	140,467,139	17,408,243	133,090,790	156,698,023	9,342	447,673,537
1992	139,602,837	28,255,158	121,671,483	240,490,995	21,598	530,042,071
1993	147,016,766	39,596,167	159,199,746	243,037,507	-	588,850,186
1994	147,887,923	41,762,035	157,752,704	246,892,624	275,097	594,570,383
1995 *	152,294,253	43,689,553	117,606,990	419,768,907	115,290	733,474,993
1996 *	149,884,939	55,111,484	122,083,443	461,422,892	84,740	788,587,498
1997 *	173,003,479	114,626,865	162,115,124	736,198,033	197,238	1,186,140,739
1998 *	189,690,739	120,164,225	143,430,970	931,364,449	1,296,629	1,385,947,012
1999 *	\$197,974,445	\$127,047,763	\$117,259,320	\$612,764,822	\$1,607,929	\$1,056,654,279

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

Schedule of Expenses by Type

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
1990	\$274,568,647	\$17,918,413	\$1,840,350	\$0	\$294,327,410
1991	304,806,218	21,075,707	1,977,323	0	327,859,248
1992	317,540,438	20,287,267	2,049,436	0	339,877,141
1993	332,087,795	19,809,556	2,137,540	0	354,034,891
1994	348,889,153	19,208,770	2,136,808	0	370,234,731
1995	377,520,148	29,946,427	2,255,992	0	409,722,567
1996	396,147,031	31,814,168	2,214,437	0	430,175,636
1997	418,015,034	34,633,635	2,401,727	-	455,050,396
1998	439,213,465	41,332,758	3,267,751	-	483,813,974
1999	\$479,637,193	\$48,962,376	\$2,699,015	\$0	\$531,298,584

## Schedule of Benefit Expenses by Type

	<u>1999</u>	<u>1998</u>
Retirement benefits	\$451,604,774	\$412,359,174
Insurance	19,869,158	19,774,024
Death benefits	8,163,261	7,080,267
Withdrawal of accounts	24,523,574	23,011,228
Tax-shelter withdrawals	<u>24,438,802</u>	<u>18,321,530</u>
Total benefit expenses	<u>\$528,599,569</u>	<u>\$480,546,223</u>

**RETIREES IN STATE OF OKLAHOMA**

Of the 33,033 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 92% or 30,414 remain state of Oklahoma residents. As such, benefit payments of approximately, \$436,000,000 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	214	\$3,009,588	LeFlore	474	\$7,072,020
Alfalfa	87	1,108,368	Lincoln	282	3,632,148
Atoka	137	1,869,948	Logan	232	3,017,796
Beaver	79	1,088,820	Love	73	1,017,336
Beckham	177	2,468,172	Major	68	839,700
Blaine	121	1,637,244	Marshall	147	2,025,048
Bryan	551	8,239,164	Mayes	306	4,448,136
Caddo	357	4,590,456	McClain	266	3,473,280
Canadian	605	8,605,056	McCurtain	382	5,970,384
Carter	389	5,367,108	McIntosh	253	3,582,972
Cherokee	562	8,857,800	Murray	128	2,004,492
Choctaw	174	2,260,008	Muskogee	754	11,588,400
Cimarron	33	428,652	Noble	92	1,188,300
Cleveland	1,817	25,862,988	Nowata	69	985,416
Coal	53	721,176	Okfuskee	116	1,598,016
Comanche	1,019	15,301,416	Oklahoma	5,104	73,991,616
Cotton	58	842,916	Okmulgee	469	6,381,768
Craig	150	2,152,080	Osage	142	1,847,220
Creek	413	5,948,400	Ottawa	424	5,774,352
Custer	392	5,970,948	Pawnee	138	1,839,564
Delaware	190	2,855,172	Payne	1,412	20,635,680
Dewey	76	1,011,600	Pittsburg	381	5,450,112
Ellis	46	592,056	Pontotoc	532	8,031,612
Garfield	504	7,019,040	Pottawatomie	486	6,470,952
Garvin	335	4,470,444	Pushmataha	128	1,759,836
Grady	401	5,479,920	Roger Mills	52	652,344
Grant	86	976,560	Rogers	414	6,271,404
Greer	81	1,154,376	Seminole	256	3,418,788
Harmon	59	861,744	Sequoyah	368	5,426,568
Harper	62	924,468	Stephens	386	5,454,720
Haskell	134	1,732,572	Texas	170	2,491,248
Hughes	150	2,193,552	Tillman	106	1,569,012
Jackson	244	3,548,880	Tulsa	3,817	55,955,556
Jefferson	72	863,268	Wagoner	205	3,039,288
Johnston	159	2,383,704	Washington	439	5,810,628
Kay	482	6,722,664	Washita	124	1,573,980
Kingfisher	116	1,587,528	Woods	205	2,888,376
Kiowa	123	1,634,112	Woodward	150	1,998,000
Latimer	156	2,333,916			
			<b>Total</b>	<b><u>30,414</u></b>	<b><u>\$435,851,952</u></b>

## 1999 PARTICIPATING EMPLOYERS

### PUBLIC SCHOOL DISTRICTS

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

PUBLIC SCHOOL DISTRICTS (continued)

Jennings	Mannsville	North Rock Creek	Pond Creek-Hunter	Skiatook
Jones	Maple	Norwood	Porter	Smithville
Justice	Marble City	Nowata	Consolidated	Snyder
Justus-Tiawah	Marietta	Oak Grove	Porum	Soper
Kansas	Marlow	Oakdale	Poteau	South Coffeyville
Kaw City	Maryetta	Oaks Mission	Prague	South Rock Creek
Kellyville	Mason	Oilton	Preston	Spavinaw
Kenwood	Maud	Okarche	Pretty Water	Sperry
Keota	Maysville	Okay	Prue	Spiro
Ketchum	Mc Alester	Okeene	Pryor	Springer
Keyes	Mc Cord	Okemah	Purcell	Sterling
Keys	Mc Curtain	Oklahoma City	Putnam City	Stidham
Keystone	Mc Lish	Oklahoma Union	Quapaw	Stigler
Kiefer	Mc Loud	Okmulgee	Quinton	Stillwater
Kildare	Medford	Oktaha	Rattan	Stilwell
Kingfisher	Meeker	Olive	Ravia	Stonewall
Kingston	Merritt	Olney	Red Oak	Straight
Kinta	Miami	Olustee	Reydon	Stratford
Kiowa	Middleberg	Oologah-Talala	Ringling	Stringtown
Konawa	Midway	Optima	Ringwood	Strother
Krebs	Midwest City-	Osage Hills	Ripley	Stroud
Kremlin-Hillsdale	Del City	Osage	Riverside	Stuart
Lane	Milburn	Owasso	Robin Hill	Sulphur
Latta	Milfay	Paden	Rock Creek	Sweetwater
Laverne	Mill Creek	Panama	Rocky Mountain	Swink
Lawton	Millwood	Panola	Roff	Tahlequah
Leach	Minco	Paoli	Roland	Talihina
Leedy	Moffett	Pauls Valley	Rush Springs	Taloga
Le Flore	Monroe	Pawhuska	Ryal	Tannehill
Leonard	Moore	Pawnee	Ryan	Tecumseh
Lexington	Mooreland	Peavine	Salina	Temple
Liberty (Okmulgee)	Morris	Peckham	Sallisaw	Tenkiller
Liberty (Sequoyah)	Morrison	Peggs	Sand Springs	Terral
Liberty (Tulsa)	Moseley	Perkins-Tryon	Sapulpa	Texhoma
Lindsay	Moss	Perry	Sasakwa	Thackerville
Little Axe	Mounds	Picher-Cardin	Savanna	Thomas-Fay-Custer
Locust Grove	Moyers	Pickett Center	Sayre	Timberlake
Lomega	Mt View-Gotebo	Piedmont	Schulter	Tipton
Lone Grove	Muldrow	Pioneer	Seiling	Tishomingo
Lone Star	Mulhall-Orlando	Pioneer Pleasant	Seminole	Tom
Lone Wolf	Muskogee	Vale	Sentinel	Tonkawa
Lookeba Sickles	Mustang	Pittsburg	Sequoyah	Tulsa
Lost City	Nashoba	Plainview (Carter)	Shady Grove	Tupelo
Lowrey	Navajo	Plainview (Cimarron)	Shady Point	Turkey Ford
Lukfata	New Lima	Pleasant Grove	Sharon-Mutual	Turner
Luther	Newcastle	(Pottawatomie)	Shattuck	Turpin
Macomb	Newkirk	Pleasant Grove	Shawnee	Tushka
Madill	Ninnekah	(Seminole)	Shidler	Tuskahoma
Mangum	Noble	Pocola	Silo	Tuttle
Mannford	Norman	Ponca City	Skelly	Twin Hills

**PUBLIC SCHOOL DISTRICTS (continued)**

Tyrone	Wagoner	Waukomis	Wewoka	Woodland
Union City	Wainwright	Waurika	White Oak	Woodward
Union	Wakita	Wayne	White Rock	Wright City
Valliant	Walters	Waynoka	Whitebead	Wyandotte
Vanoss	Wanette	Weatherford	Whitefield	Wynnewood
Varnum	Wapanucka	Webbers Falls	Whitesboro	Wynona
Velma-Alma	Warner	Welch	Wickliffe	Yale
Verden	Washington	Weleetka	Wilburton	Yarborough
Verdigris	Washita Heights	Wellston	Wilson (Carter)	Yukon
Vian	Watonga	Western Heights	Wilson (Okmulgee)	Zaneis
Vici	Watson	Westville	Wister	Zion
Vinita	Watts	Wetumka	Woodall	

**VOCATIONAL-TECHNICAL SCHOOLS**

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

**PARTICIPATING ENTITIES**

ABC Coop	Department of Veterans Affairs
Atoka-Coal Interlocal	Dept. of Vo-Tech Education Vo-Tech Skills Centers
Board of Private Vocational Schools	Oklahoma Education Association
Board of Regents of Oklahoma Colleges	Oklahoma School of Science and Math Secondary Schools Activity Assoc.
Cherokee County Interlocal Coop	State Election Board State House of Representatives
Cleveland County Interlocal Coop	State Regents for Higher Education
Garfield County Interlocal Coop	Oklahoma Student Loan Authority
Higher Education Alumni Council	Osage County Interlocal Coop
McCurtain County Educational Coop	Teachers' Retirement System
Mid-Del Association of Classroom Teachers	Tri-County Interlocal Coop
MWC Central Foods	Western Heights Food Service
Moore Association of Classroom Teachers	
OCAST	
Oklahoma City Federation of Teachers	
Department of Corrections	
Department of Education	
Department of Rehabilitation Services	

**COLLEGES AND UNIVERSITIES**

Cameron University	Panhandle State University	University of Oklahoma
East Central Univ.	Rogers University	University of Oklahoma Health Sciences Center
Langston University	SE Oklahoma State University	University of Science and Arts of Oklahoma
NE Oklahoma State University	SW Oklahoma State University	
NW Oklahoma State University	University of Central Oklahoma	

**JUNIOR COLLEGES**

Carl Albert State College	Northeastern Oklahoma A&M College	Rogers State College
Connors State College	Northern Oklahoma College	Rose State College
Eastern Oklahoma State College	Oklahoma City Comm. College	Seminole State College
Murray State College	Redlands Community College	Tulsa Junior College
		Western Oklahoma State College