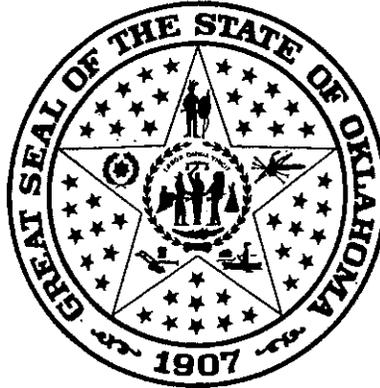


Teachers' Retirement System of Oklahoma
a Component Unit of the State of Oklahoma



Comprehensive Annual Financial Report

for the

Fiscal Year Ended June 30, 2002

Prepared by the Retirement System Staff

Teachers' Retirement System of Oklahoma
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*On the cover: Dome Dedication at the Oklahoma State Capitol
Courtesy Fred W. Marvel, Oklahoma Tourism and Recreation Department*

The 2002 Comprehensive Annual Financial Report of the Teachers' Retirement System of Oklahoma is prepared in accordance with Title 70, O.S. 1991, Section 17-106.1. 3,500 copies have been printed by the Department of Central Services, Central Printing Division at a cost of \$12,494.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

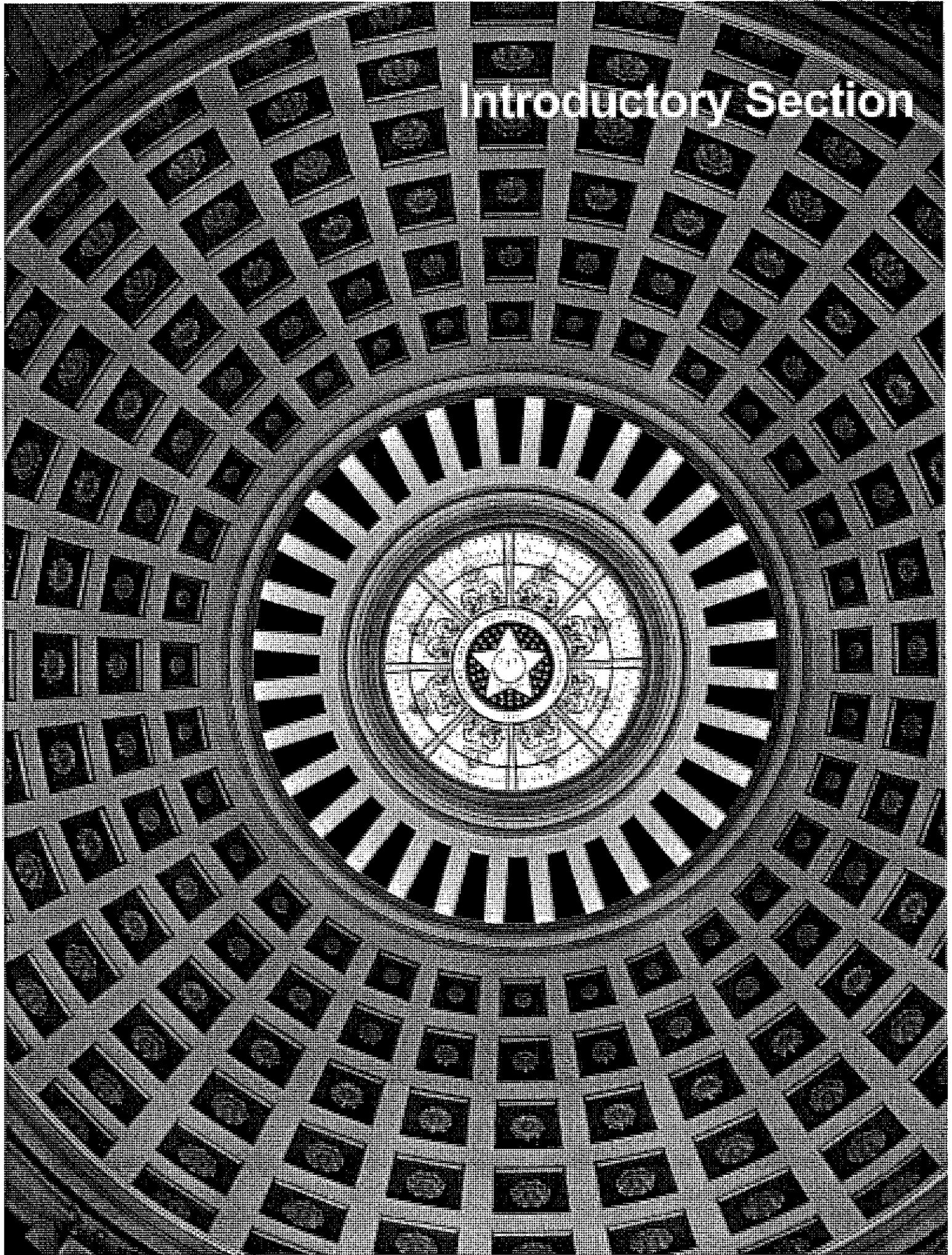
The Teachers' Retirement System of Oklahoma thanks photographer Fred W. Marvel and the Oklahoma Tourism and Recreation Department for providing the cover photograph for the 2002 *Comprehensive Annual Financial Report*. All other photographs in this book by Jacqueline Scott, TRS Public Information Director.

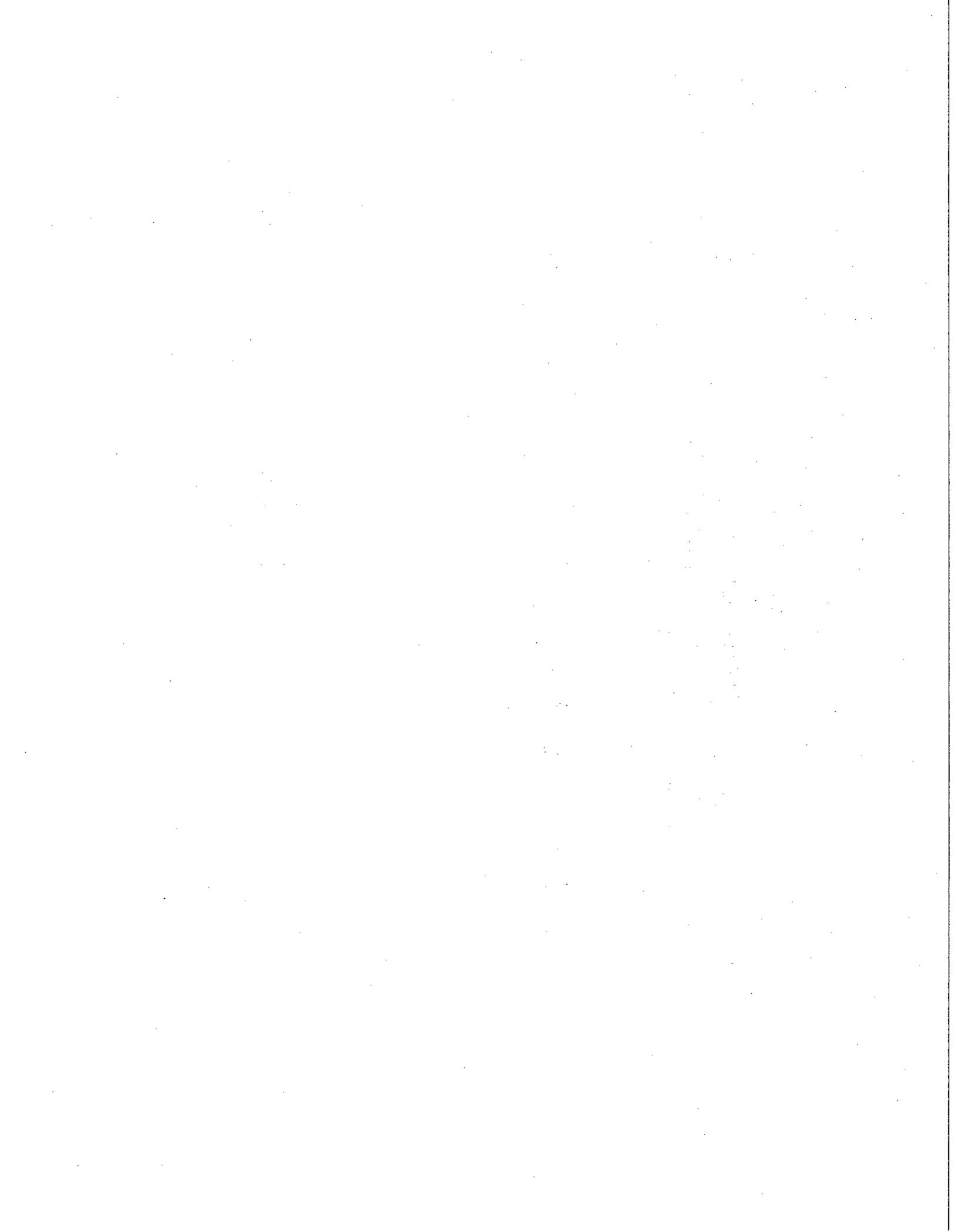
Table of Contents

Introductory Section	5
Transmittal Letter from the Executive Secretary	7
Letter from the Chairman of the Board of Trustees	12
Board of Trustees	13
Organization Chart	14
2002-2003 Teachers' Retirement System of Oklahoma Plan Summary	15
Certificate of Achievement for Excellence in Financial Reporting	17
Financial Section	19
Management's Discussion and Analysis	21
Independent Auditors' Report	28
Statements of Plan Net Assets	30
Statements of Changes in Plan Net Assets	31
Notes to Financial Statements	32
Required Supplementary Information	43
Schedules of Funding Progress and Employers Contributions	45
Notes to Required Supplementary Information	46
Other Supplementary Information	49
Schedules of Investment Expenses	51
Schedules of Administrative Expenses	52
Schedules of Professional/Consultant Fees	53
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Investment Section	55
Professional Consultants and Advisors	57
Report on Investment Activity	58
Summary of Investments	59
Asset Allocation at Fair Value Pie Charts	
June 30, 2002	60
June 30, 2001	61
June 30, 2000	62
Investment Managers	63
Assets Managed Graph	64
Investment Performance	65
Comparative Rates of Return Graphs	
Fiscal Year 2002	66
Fiscal Year 2001	67
Fiscal Year 2000	68
Annualized Fixed Income Return Comparison	69
Annualized Equity Return Comparison	70
Investment Expenses	71
Domestic Stock Brokerage Commissions	72
Portfolio of Assets	76

Actuarial Section	95
Certification of the 2002 Actuarial Valuation	97
Executive Summary	101
Funded Status	102
Analysis of Changes	103
Actuarial Assumptions and Methods	104
Development of Employer Cost	105
Actuarial Present Value of Future Benefits	106
Analysis of Normal Cost	107
Schedule of Funding Progress	108
Schedule of Employer Contributions	109
Notes to Required Supplementary Information	110
Membership Data	111
Historical Summary of Active Member Data	112
Plan Net Assets (Assets at Market or Fair Value)	113
Distribution of Assets at Market Value	114
Reconciliation of Plan Net Assets	115
Development of Actuarial Value of Assets	116
Estimation of Yields	117
History of Cash Flow	118
Investment Experience Gain or Loss	119
Total Experience Gain or Loss	120
Analysis of Change in Unfunded Actuarial Accrued Liability	121
Analysis of Change in Funding Period	122
Projection of UAAL	123
Solvency Test	125
Distribution of Active Members by Age and by Years of Service	126
Summary of Actuarial Assumptions and Methods	127
Addendum to June 30, 2002, Actuarial Valuation	135
Schedule of Increases and Decreases of Benefit Recipients	144
Statistical Section	145
Schedule of Average Payment Amounts	147
Active Personnel	148
Schedule of Retired Members by Type of Benefits	149
Distribution by Years of Service	150
Distribution by Age at Retirement	151
Distribution by Retiree Age	152
Distribution by Monthly Income	153
Schedule of Cash Receipts and Disbursements	154
Schedule of Revenue by Source	155
Schedule of Expenses by Type	156
Schedule of Benefit Expenses by Type	157
Retirees in State of Oklahoma, by County	158
2002 Participating Employers	159

Introductory Section







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, 2002.

Established by legislation, the System began operation July 1, 1943, and concluded its 59th year on June 30th. The System provides retirement allowances and other benefits to public education employees in the common schools, area career and technology centers, colleges and universities, and other local and state educational agencies of the State of Oklahoma. At the close of business on June 30, 2002, the System had 630 participating employers, 85,366 active members, 12,330 inactive members, and 36,515 retired members and beneficiaries receiving monthly benefits.

The 2002 Comprehensive Annual Financial Report (CAFR) 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. This CAFR includes the early implementation of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Under GASB 34, specific accounting and financial reporting standards were established for general purpose external financial reporting by state and local governments. The most significant change under GASB 34 is the inclusion of the management discussion and analysis (MD&A) located in the Financial Section. The MD&A introduces the basic financial statements and provides a brief analysis of the Retirement System's financial position to assist users in assessing the System's financial condition based on currently known facts, decisions and conditions.

ECONOMIC CONDITION AND OUTLOOK

The national economy and the impact of market conditions during the year ending June 30, 2002, resulted in negative investment returns for the System for the second year in a row. Declining revenue at the state level resulted in no growth in the state's contribution to the System for the year ending June 30th. Projections for the coming year are estimated to be approximately ten million less than the amount received during Fiscal Year 2002. The state's contribution to the Retirement Fund is 3.54% of sales, use and income tax collections.

MAJOR INITIATIVES

As previously reported, the System is one of the country's five worst-funded state-operated pension plans. As of June 30, 2002, only 51.4% 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 continued to work 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. Passage of Senate Bill 1376 was a major event during the 2002 Legislative Session. The new law will increase the state's contribution to the System beginning July 1, 2004. The percentage of sales, use and income tax revenues dedicated by the state to the Teachers' Retirement Fund will gradually increase from the present 3.54% to 5% over a four-year period.

A strategic plan was developed during FY-2001 and its implementation continued during the current year. The planning process included a series of surveys on member needs and satisfaction with service levels. The input from both retired and active members and local schools districts has enabled the System to refine the delivery of services and improve our ability to meet the growing needs of plan participants. Progress continues on major technology improvements in the System's information system, optical imaging system and telephone response center. In addition, the Board commissioned a Performance/Operational Review to assess the System's current structure, functions, equipment and procedures to determine the adequacy of resources. The study results will be used to enhance the daily operations, provide input for long-term planning and establish performance measures to better evaluate how services are meeting the needs of plan participants.

A new program was initiated which allows members to purchase past service credits with pre-taxed dollars. To qualify the member must have monthly installments deducted from their payroll at the local employer level. The program became available after the System received a private letter ruling from the Internal Revenue Service.

Senate Bill 1231 enacted in 2002 provided a 3% increase in retirement benefits to retirees with less than 30 years service and a 4% increase to retirees with 30 or more years of service.

FINANCIAL INFORMATION

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

The System's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The 2001 and 2002 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 2002 were \$226.4 million, which represented 7% of covered payroll. This compares to \$216.8 million for the year ending June 30, 2001. Member contributions increased due to an increase in member compensation and an increase in overall membership. Member contributions also include direct payments by members to re-establish credit for previously withdrawn service and to purchase credit for Oklahoma, out-of-state and military service. Total salaries for active members were \$3.047 billion.

Contributions from local employers, the state of Oklahoma, and federal sources for Fiscal Year 2002 were \$365.0 million, compared to \$328.1 million for 2001. Contributions from local school districts and federal revenues increased \$36.8 million and the state's contribution increased by only \$132,513. Local schools contributed 6.8% of employees' pay, which was an increase from the 5.8% contribution rate during 2001, and TRS received 3.54% of sales, use and income taxes collected by the state of Oklahoma. Combined state and local employer contributions did not meet the level dollar 40-year amortization payment required under Section 17-106 of Title 70 of Oklahoma Statutes, which is reported in the annual actuarial valuation as the Annual Required Contribution (ARC) under GASB-25.

ACTUARIAL SUMMARY

The results of the actuarial valuation conducted by the System's actuary as of June 30, 2002, are included in the Actuarial Section. The System's relative funded position for the year ending June 30, 2002, remained unchanged from June 30, 2001, at 51.4%. The System's unfunded actuarial accrued liabilities (UAAL) increased \$333 million from \$5.632 billion to \$5.965 billion.

The actuarial value of assets is reported at \$6.311 billion compared to \$5.959 billion at the close of business June 30, 2001. The actuarial value of assets is not the same as market value. To arrive at actuarial value of assets, the actuary subtracts \$278.9 million held in individual member savings accounts in the System's 403(b) Tax Sheltered Annuity Program and adds back \$893.0 million in deferred gains and losses which are averaged into the actuarial value over a five-year period. It should be noted by the reader that the System's actuarial value of assets on June 30, 2002 was \$893.0 million more than the market value of assets on that date.

The actuarial yield on assets at 5.8% was less than the 8% actuarial assumed rate of return resulting in an asset loss of \$128.5 million. There was an offsetting liability gain of \$89.2 million. Other changes affecting the UAAL were (i) an expected increase of \$187.7 million based on statutory contributions and the passage of time, (ii) a \$25.1 million decrease due to differences between actual and expected contributions, and (iii) an \$131.0 million increase due to the benefit increase to retirees.

The actuary's report continues to stress that the System remains poorly funded despite the good results over the past several years. Since 1995, the System's funded ratio has improved from 38.4% to 51.4%, primarily due to return on investments exceeding the assumed actuarial rate of return on investment of 8% per year in all but two of the last thirteen years.

The current combined local school/state contribution rate is not large enough to pay the normal cost and pay interest on the unfunded accrued actuarial liabilities. Therefore, negative amortization results. Based on an expected increase in state revenues from passage

of Senate Bill 1376, the amortization period has decreased from 62.2 years to 41.0 years. Even with future increases in state revenues the System's unfunded liabilities are expected to increase each year until reaching \$8.850 billion in 2024 before declining. It will then take another 18 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. But plan participants and other interested parties cannot depend on investment returns alone to solve the System's underfunded financial position. It is imperative that the state's commitment to increase funding for the Retirement System be maintained and the provisions of Senate Bill 1376 be retained in statutes. The current 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, 2002, the System paid \$23.9 million more in retirement, survivor and insurance benefits than in the preceding year, \$4.7 million less in refunds and death benefits from active member accounts, and \$2.6 million less in distributions from the System's 403(b) Tax Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members. The decrease in refunds, deaths benefits and annuity distributions is due mainly to a one-time distribution to inactive members and a decline in withdrawals from voluntary 403(b) accounts. Administrative expenses increased by \$433,958.

INVESTMENTS

As previously stated the System experienced negative investment returns for the second year in a row. Net investment income, including realized and unrealized gains and losses, was a negative \$328.7 million compared to a loss of \$146.8 million for FY 2001. Net assets totaled \$5.697 billion at market value on June 30, 2002, compared to \$6.050 billion on June 30, 2001. Included in assets is \$279.0 million held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Program.

On June 30, 2002, the System's investment portfolio mix at market value was 37% fixed income, 58% equities and 5% cash and short-term investments. As trustee for members' funds, the System is responsible for investment of the funds under the prudent person standard. This standard permits the System to allocate trust funds across a broad group of asset classes. The Board of Trustees 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, 2002, was a negative 5.08% versus a negative 2.30% return for 2001. Annualized three-year and five-year total returns were positive .98% and 7.02, respectively. The System's long-term goal to exceed by 3% the rate of inflation measured by the CPI has been achieved for the five-year period. A summary of the System's investment activities during FY 2002 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, 2002, 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, 2001. 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 ninth 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.

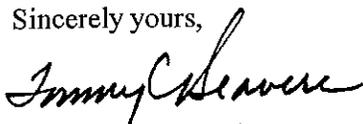
ACKNOWLEDGMENTS

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, 2002



FRANK KEATING
GOVERNOR

STATE OF OKLAHOMA
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

November 1, 2002

Dear Members:

On behalf of the Board of Trustees and staff, I am pleased to present the Annual Report of the Teachers' Retirement System of Oklahoma for the year ending June 30, 2002. This report provides information on the financial status of your retirement system while also highlighting significant changes that occurred during the year.

Your Board of Trustees is composed of 13 members: six are appointed by the Governor; two by the Speaker of the House of Representatives; two by the President Pro Tempore of the Senate; and three, the State Superintendent of Public Instruction, the Director of the State Department of Career and Technology Education and the Director of the Office of State Finance, are ex-officio members. Eight trustees are active or retired educators, two are CPAs, one is an attorney, one a stockbroker and one an insurance executive.

While the Board is responsible for overall management of the System, the trustees ordinarily spend more time and attention on the investment portfolio than any other single responsibility, because income from the portfolio is so important to the success and fiscal health of the Retirement System.

Though faced with a difficult investment environment this year, the System's performance continues to compare very favorably to other institutional investors. The Board establishes investment policies and asset allocation targets, retains portfolio managers through a rigorous selection process, and then monitors the activities of each component to ensure everything is working in harmony to achieve stated goals.

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

The Board of Trustees pledges to continue to administer the affairs of the Retirement System in the most competent and efficient manner possible. Service is our number one goal. The trustees and staff welcome your comments and suggestions throughout the year.

Sincerely,

John C. Kahre
Chairman, Teachers' Retirement System Board of Trustees

The Teachers' Retirement System of Oklahoma Board of Trustees

John C. Kahre, Ramona
Chairman

Higher Education Representative, Governor Appointee

Tommy G. Fulton, Del City
Vice Chairman

Retired TRS Member Representative, House Speaker Appointee

Helen Snyder Rambo, Oklahoma City
Secretary

Governor Appointee

Kenneth H. Anderson, Oklahoma City
Governor Appointee

George W. Barnes, Oklahoma City
Governor Appointee

Thomas E. Daxon, Oklahoma City
Director of State Finance — Member Ex Officio

Sandy Garrett, Oklahoma City
Superintendent of Public Instruction — Member Ex-Officio

Robert C. Gates, Broken Arrow
Governor Appointee

Delores A. Kilmer, Del City
Support Personnel Representative, Governor Appointee

Dale E. Nye, Wayne
Designee of Dr. Ann Benson, State Director of Career and Technology Education

Matti Palluconi, Claremore
Retired TRS Member Representative, Senate President Pro Tempore Appointee

Susan L. Raasch, Claremore
Classroom Teacher Representative, Senate President Pro Tempore Appointee

Denise Rhodes, Miami
Classroom Teacher Representative, House Speaker Appointee

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

2002-2003 PLAN SUMMARY

BEGINNINGS

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

ADMINISTRATION

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

REVENUE

The four primary sources of revenue for TRS are contributions from active members, contributions from local schools, dedicated revenue from the State of Oklahoma, and investment income. As a participating member, you contribute 7% of your total compensation. 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 pay a contribution rate of 7.05%, and the state's contribution is 3.54% of annual sales and income tax revenues. The state's contribution is scheduled to increase to 5% by 2007.

MEMBERSHIP

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

Employees of a charter school 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.* However, in all cases, years of service prior to July 1, 1995, shall be calculated using an average salary no greater than \$40,000.

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

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

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

HEALTH INSURANCE BENEFIT

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 \$100 to \$105 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 Aexclusion 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:

Mailing Address:

Teachers' Retirement System of Oklahoma
P.O. Box 53524
Oklahoma City, OK 73152-3524

Street Address:

Oliver Hodge Building, 5th Floor
2500 N. Lincoln Blvd.
Oklahoma City, OK 73105
405-521-2387 1-877-738-6365

Visit us on the Internet!

<http://www.trs.state.ok.us>

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

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, 2001

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.

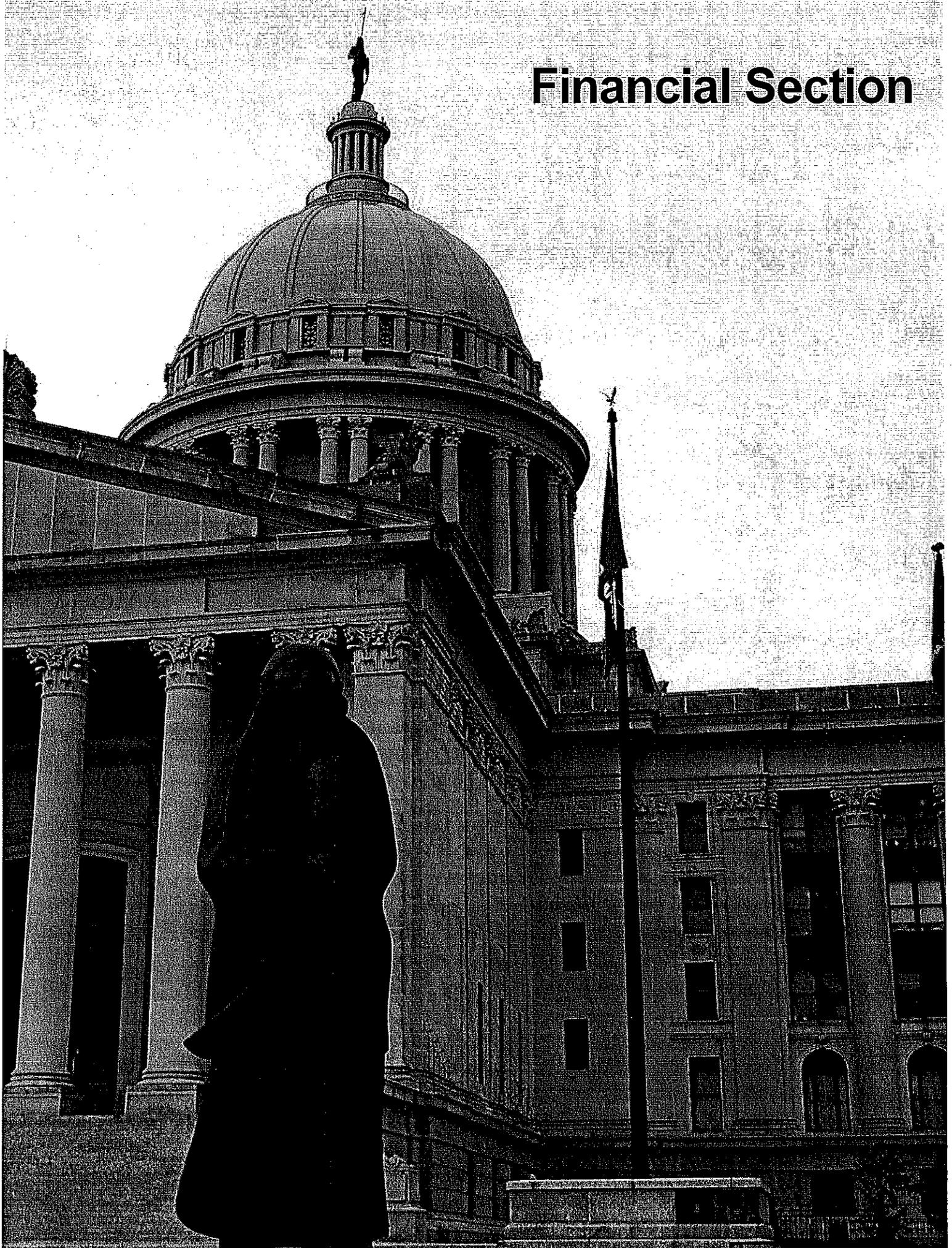


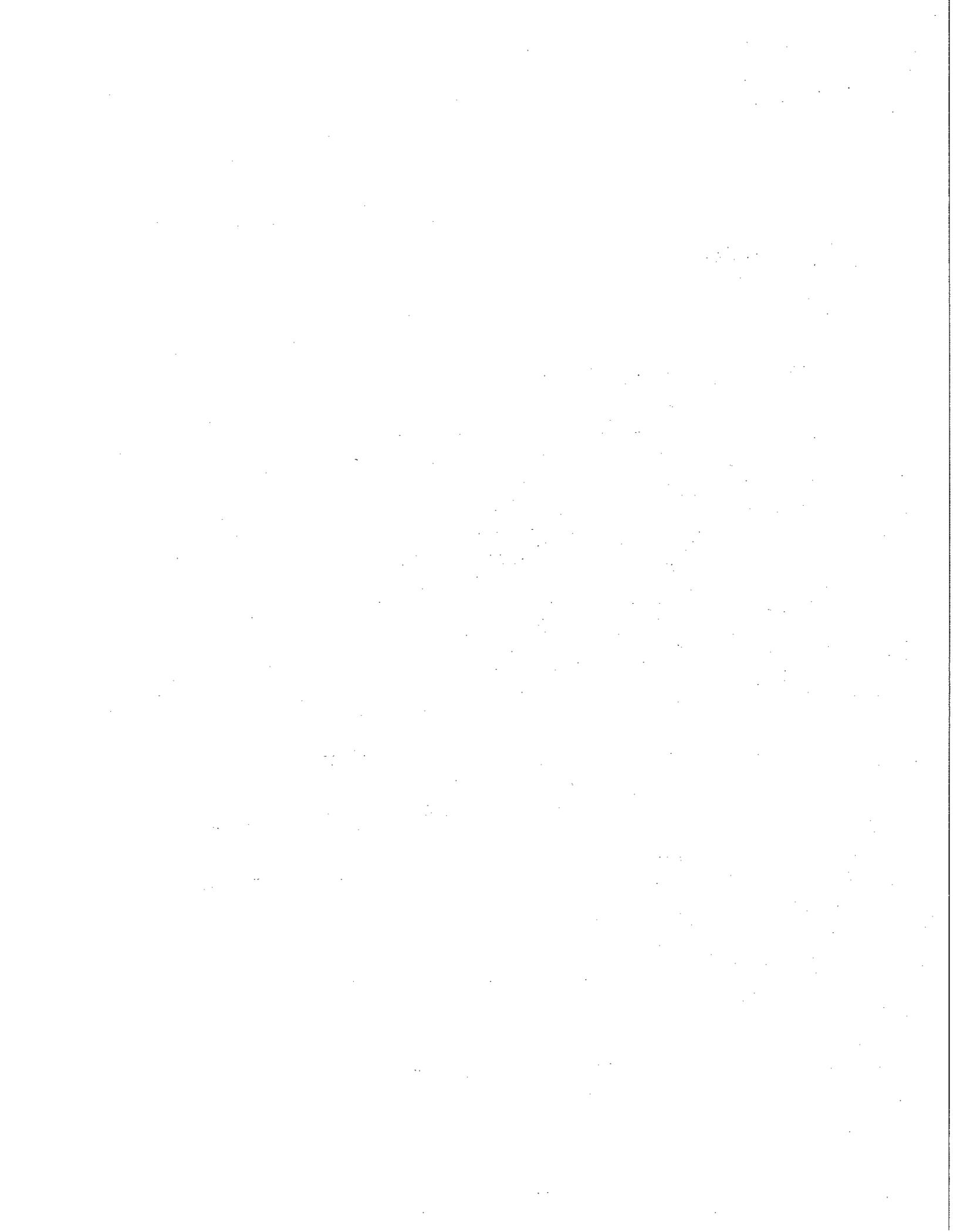
Timothy Druwe
President

Jeffrey L. Essler
Executive Director

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Financial Section





MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Teachers' Retirement System of Oklahoma (known collectively as TRS or the System), we offer readers of the TRS financial statements this narrative discussion and analysis of the financial activities of TRS for the fiscal years ended June 30, 2002 and 2001.

Financial Highlights

- The net assets of TRS exceeded its current liabilities by \$5,697 million and \$6,050 million at June 30, 2002 and 2001, respectively. Such amounts are used to meet the system's current and ongoing obligations to its retired and active members and creditors.
- The System's total net assets decreased by \$353 million and \$201 million at June 30, 2002 and 2001, respectively. These losses were primarily due to the general decline in equity markets during the past two fiscal years. These conditions resulted in net realized and unrealized losses of investments of \$499 million and \$343 million for the years ending June 30, 2002 and 2001, respectively.
- At June 30, 2002, TRS's unfunded actuarial accrued liability is \$5,965 million. The unfunded actuarial accrued liability at June 30, 2001 was \$5,632 million. The System's funded ratio remained unchanged for the two years at 51.4%.

Overview of the Financial Statements

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

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

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

The *statement of changes in plan net assets* presents information showing how the systems's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but not used leave referred to as compensated absences on the *statement of plan net assets*).

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

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

Financial Analysis

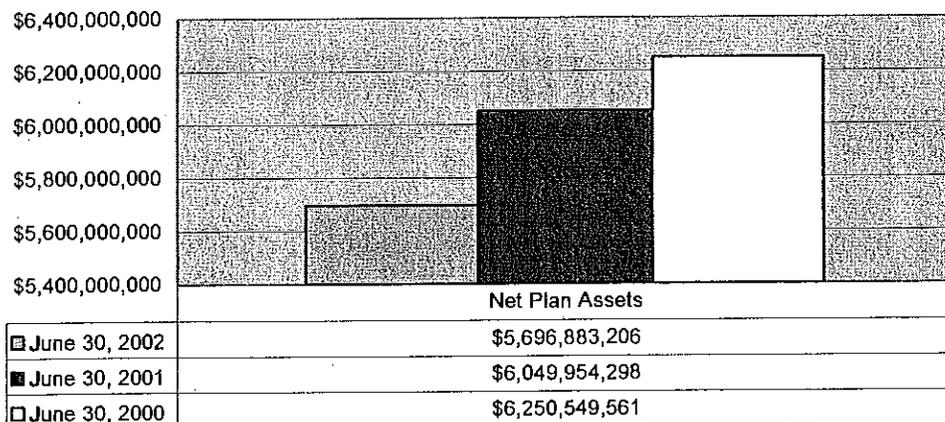
As noted earlier, increases or decreases of plan net assets may serve over time as a useful indicator of the System's financial position. In the case of the System, assets exceeded liabilities by \$5,697 million and \$6,050 million as of June 30, 2002 and 2001, respectively.

By far the largest portion of the System's assets are in cash and investments, which comprises \$5,748 million and \$6,065 million of the plan assets at June 30, 2002 and 2001, respectively. These amounts do not include the amounts shown as securities lending assets since these amounts are offset by the same amount shown as payables under securities lending activity on the same *statement of plan net assets*; consequently these assets are not available for future spending. A summary of the plan net assets is shown below as of June 30:

	<u>2002</u>	<u>2001</u>
Assets		
Cash	\$ 3,281,205	3,223,790
Short-term investments	294,413,621	233,955,161
Accrued interest and dividends receivable	30,254,185	35,682,725
Contributions receivable	33,418,434	30,734,990
Receivable from the State of Oklahoma	12,968,052	13,835,266
Due from brokers for securities sold	54,974,209	77,375,928
Securities lending institutional daily asset fund	768,336,765	909,808,650
Long-term investments	5,449,868,404	5,827,444,387
Capital assets, net	404,771	382,620
Total assets	<u>6,647,919,646</u>	<u>7,132,443,517</u>
Liabilities		
Benefits in process of payment	47,600,468	15,976,756
Due to brokers for securities purchased	130,734,759	151,955,581
Payable under securities lending agreement	768,336,765	909,808,650
Accrued investment fees	4,144,139	4,548,039
Compensated absences	220,309	200,193
Total liabilities	<u>951,036,440</u>	<u>1,082,489,219</u>
Net Assets		
Net assets held in trust for pension benefits and annuity benefits of electing members	<u>5,696,883,206</u>	<u>6,049,954,298</u>
Total net assets	<u>\$ 5,696,883,206</u>	<u>6,049,954,298</u>

The graph below illustrates the \$353 million and the \$201 million decrease in net assets for the years ended June 30, 2002 and 2001, respectively. As previously mentioned, the decreases in net assets for the fiscal years ending 2002 and 2001, respectively, were primarily due to the \$499 million and \$343 million of net realized and unrealized losses of investment securities related to unfavorable market conditions.

PLAN NET ASSETS FOR JUNE 30, 2002, 2001, AND 2000



Changes in Selected Revenue and Expense Items

Fiscal Year 2002 compared to 2001

The revenues received from member contributions increased by \$10 million or 4% in fiscal year 2002 from the prior fiscal year period. Employer statutory contributions increased by \$38 million or 22% during the current year due to an increase in the contribution rate from 5.8% to 6.8%. Dedicated revenue increased by \$133 thousand for the year. Net investment loss increased by \$182 million due to the poor market conditions in fiscal year 2002. Investment expenses decreased by \$121 thousand or 1%. This decrease was a result of the decrease in the market value of funds invested. Retirement, death, survivor, and health benefit payments increased by \$24 million or 4%. This was due to an increase in the number of retirees receiving monthly benefits. Refunds of member contributions and annuity payments decreased by \$7 million or 11%. The decrease was a result of management's continuing efforts in closing out inactive accounts. Administrative expenses increased by \$434 thousand due primarily to an increase in personnel and the additional costs incurred moving to and renovating the new office space. A summary of *changes in plan net assets* is presented on the following page. The graphs on page 25 offer a comparison of selected revenue and expense accounts for fiscal years 2002 and 2001.

Fiscal Year 2001 compared to 2000

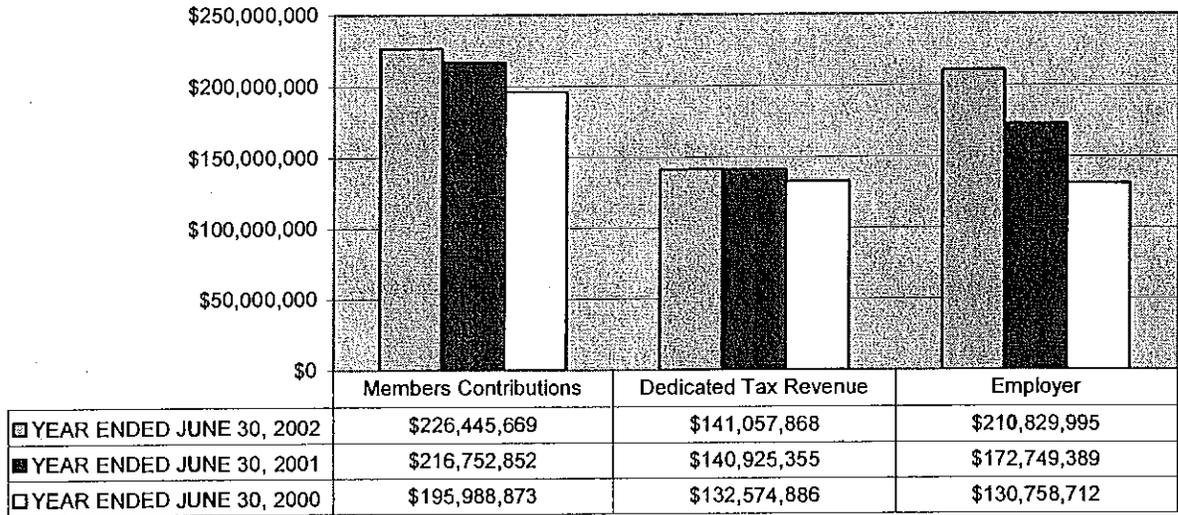
The revenues received from member contributions increased by \$21 million or 11% in fiscal year 2001 from the prior fiscal year. This was due primarily to a \$3,000 per teacher increase in salaries, resulting in greater employee and employer contributions. Employer statutory contributions increased by \$42 million or 32% during the current year due to an increase in the contribution rate from 4.8% to 5.8% and the aforementioned teacher salary increases. Dedicated revenue increased by \$8 million or 6% for the year. Net investment income decreased by \$744 million due to the poor market conditions in fiscal year 2001. Investment expenses increased by \$3 million or 22%. This increase was a result of changes in both asset allocation and investment managers. Retirement, death, survivor, and health benefit payments increased by \$37 million or 7%. This was due to an

increase in the health benefit supplement paid by the System for retired members and an increase in the number of retirees receiving monthly benefits. Refunds of member contributions and annuity payments increased by \$4 million or 7%. The increase was a result of management's effort to close our inactive accounts, resulting in increased refunds, as well as members withdrawing from the tax-sheltered annuity program due to poor market returns. Administrative expenses increased by \$508 thousand, due primarily to an increase in the number of the agency employees and the related salary expenses. The graphs on page 25 offer a comparison of selected revenue and expense accounts for fiscal years 2001 and 2000.

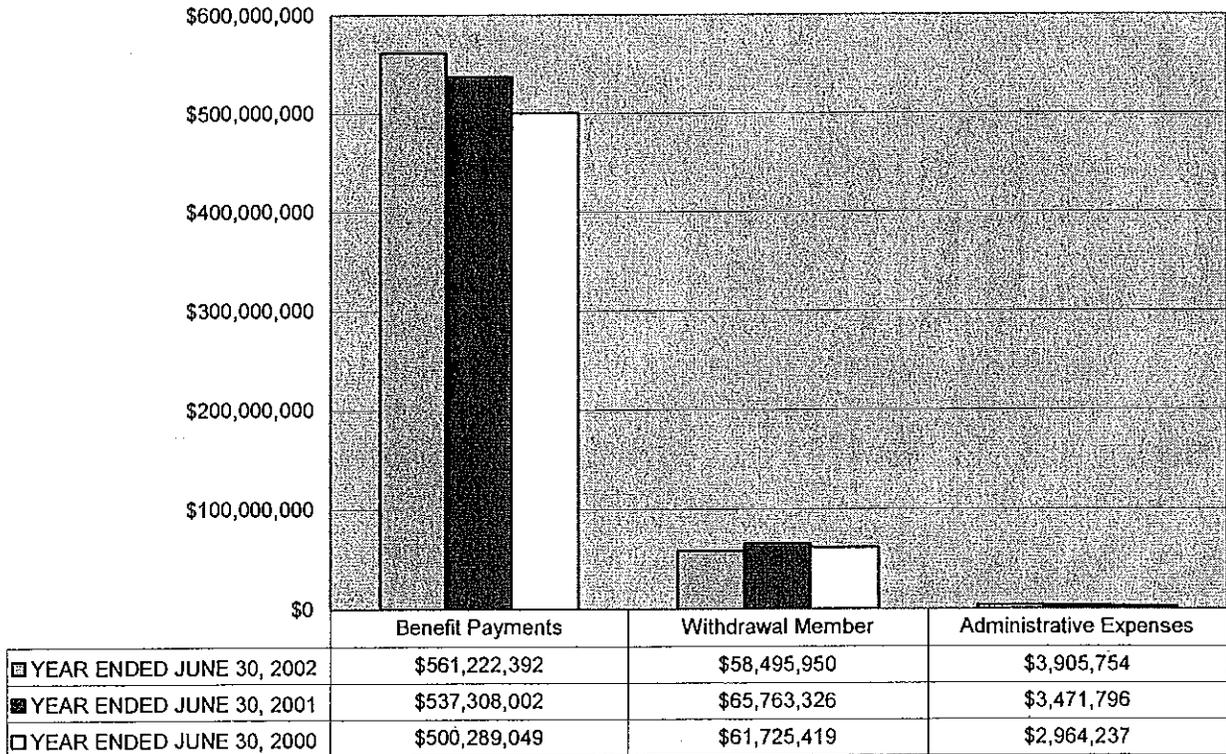
A summary of the changes in Plan net assets at June 30:

	<u>2002</u>	<u>2001</u>
Additions		
Contributions:		
Members	\$ 226,445,669	216,752,852
Members tax-shelter	4,815,309	5,181,802
Employer statutory requirement from local school districts	210,829,995	172,749,389
Federal matching	13,138,458	14,406,265
Dedicated tax revenue	<u>141,057,868</u>	<u>140,925,355</u>
Total contributions	<u>596,287,299</u>	<u>550,015,663</u>
Investment income:		
Interest	139,441,249	163,139,203
Dividends	47,459,496	49,271,990
Net realized and unrealized losses	(499,102,940)	(342,603,971)
Less investment expenses	<u>(16,469,508)</u>	<u>(16,590,368)</u>
Loss from investing activities	<u>(328,671,703)</u>	<u>(146,783,146)</u>
Income from securities lending activities:		
Securities lending income	21,794,929	42,929,337
Borrower rebates	(17,878,116)	(39,306,499)
Management fees	<u>(979,405)</u>	<u>(907,494)</u>
Income from securities lending activities	<u>2,937,408</u>	<u>2,715,344</u>
Net investment loss	<u>(325,734,295)</u>	<u>(144,067,802)</u>
Total additions	<u>270,553,004</u>	<u>405,947,861</u>
Deductions:		
Retirement, death, survivor, and health benefits	561,222,392	537,308,002
Refund of member contributions and annuity payments	58,495,950	65,763,326
Administrative expenses	<u>3,905,754</u>	<u>3,471,796</u>
Total deductions	<u>623,624,096</u>	<u>606,543,124</u>
Net decrease	<u>(353,071,092)</u>	<u>(200,595,263)</u>
Net assets:		
Beginning of year	<u>6,049,954,298</u>	<u>6,250,549,561</u>
End of year	<u>\$ 5,696,883,206</u>	<u>6,049,954,298</u>

REVENUES FOR THE YEAR ENDED JUNE 30, 2002, 2001, AND 2000



DEDUCTIONS FOR THE YEARS ENDED JUNE 30, 2002, 2001, AND 2000



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

The September 11, 2001 terrorist attack along with the loss of confidence in the fundamental integrity of business leadership has made the last year a challenging one for investors. The investor behavior seemed to be shock, fear, and anger and ultimately to sell. While this may be a natural progression when reacting to catastrophic events like the outbreak of war, assassinations, and terrorism, avoiding an emotional response to investing by keeping sight of your investment objectives during these times is often a determining factor in long-term success. Of course, gauging the likely path of the U.S. stock market is difficult, if not impossible. That problem is only amplified by the waves of raw emotion that are unleashed in the aftermath of calamitous events. Yet history offers some perspective.

During the last 60 years of U.S. stock trading, share prices have generally proved resilient following crises from the bombing of Pearl Harbor in December 1941 and the Cuban missile crisis in October 1962, to the Persian Gulf War in 1991. The stock market's pattern has generally been similar in response to these types of events. The Dow Jones Industrial Average traded down in the immediate aftermath of 28 crises an average of 7.1% only to rally from the end of the reaction period, finishing ahead by an average of 3.8% a month later, 6.8% three months later, and 12.5% six months later. In other words, virtually the entire loss in reaction to such events was typically made up three months later and materially outstripped six months afterward. The following are guidelines that have been used by successful investors during difficult times over the last 60 years.

- *Understand Market Ups and Downs* – Do not let short-term declines distract you from your long-term goals or the long-term potential of stock market investing.
- *Keep Your Money Working for You* – Often, a few very good days account for a large part of the market's total return. To enjoy the benefits of the very good days requires that an investor stay invested in the market.
- *Stay the Course* – Do not panic and pull out of the market during a downturn.
- *Take Advantage of the Downturns* – By viewing market declines as great buying opportunities, you can enhance your long-term return potential when the market rebounds.
- *Reduce Volatility and Enhance Returns* – Diversify your investments. Diversifying across asset classes may decrease your risk and enhance long-term return potential.
- *Be Confident* – Investors in the U.S. markets have seen a number of shocks and disruptions to these markets, both political and economic. While investors may see the market react dramatically to horrific events, they should be far more influenced by their long-term goals and remain disciplined.

Maintaining a clear focus on your investment objectives during difficult times is often a determining factor in long-term success. Using a disciplined long-term strategy as discussed earlier has resulted in the System averaging a return of over 7% for the last five years.

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

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

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

A law enacted in 1999 provided that the System would receive 3.54% of the state sales, use, and corporate and individual income taxes collected. This dedicated revenue source contributed \$141 million in both fiscal years 2002 and 2001 and \$133 million in fiscal year 2000. The TRS board of trustees has adopted an actuarial assumption that this source of revenue should increase at a rate of 3.5% annually. The state sales, use, and corporate and individual income taxes replaced the gross production tax previously dedicated to the System. This change provides TRS with a more stable revenue source. Senate Bill 1376, which became law July 1, 2002, provides that the percentage of state revenue will increase from 3.54% to 4% July 1, 2005; 4.5% July 1, 2006; and 5% July 1, 2007 and thereafter. When the state's contribution hits 5%, it will actually represent 7% of active members' pay, which is the contribution required by active members.

As of June 30, 2002 and 2001, only 51.4% of the System's actuarial liabilities were covered by the actuarial value of its assets. According to Gabriel, Roeder, Smith, and Company, Consultants and Actuaries, TRS continues to be one of five or six worst funded state-operated pension plans in the nation. The significance of this problem for the future of Oklahoma cannot be overstated. The increase in the percentage of sales, use, and corporate and individual income taxes received by TRS, as well as the anticipated 3.5% growth in total revenue, are expected to improve the funded position of the System.

Requests for Information

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



700 Oklahoma Tower
210 Park Avenue
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, 2002 and 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 2, the System's actuary has determined that the System's unfunded actuarial accrued liability is approximately \$5,965,000,000. 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 System at June 30, 2002 and 2001, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 21 through 27 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The schedules of funding progress and employer contributions in schedule 1 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

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 2 through 4 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 16, 2002

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Statements of Plan Net Assets

June 30, 2002 and 2001

Assets	2002	2001
Cash	\$ 3,281,205	3,223,790
Short-term investments	294,413,621	233,955,161
Accrued interest and dividends receivable	30,254,185	35,682,725
Contributions receivable	33,418,434	30,734,990
Receivable from the State of Oklahoma	12,968,052	13,835,266
Due from brokers for securities sold	54,974,209	77,375,928
Security lending institutional daily assets fund	768,336,765	909,808,650
Long-term investments:		
U.S. Government securities	1,216,323,627	1,270,263,989
Corporate bonds	849,658,497	889,924,464
International bonds	47,384,912	77,067,622
Equity securities	<u>3,336,501,368</u>	<u>3,590,188,312</u>
Total long-term investments	5,449,868,404	5,827,444,387
Capital assets, net	<u>404,771</u>	<u>382,620</u>
Total assets	<u>6,647,919,646</u>	<u>7,132,443,517</u>
Liabilities		
Benefits in process of payment	47,600,468	15,976,756
Due to brokers for securities purchased	130,734,759	151,955,581
Payable under security lending agreement	768,336,765	909,808,650
Accrued investment fees	4,144,139	4,548,039
Compensated absences	<u>220,309</u>	<u>200,193</u>
Total liabilities	<u>951,036,440</u>	<u>1,082,489,219</u>
Net Assets		
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 45)	<u>\$ 5,696,883,206</u>	<u>6,049,954,298</u>

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Statements of Changes in Plan Net Assets

Years ended June 30, 2002 and 2001

	2002	2001
Additions:		
Contributions:		
Members	\$ 226,445,669	216,752,852
Members tax-shelter	4,815,309	5,181,802
Employer statutory requirement from local school districts	210,829,995	172,749,389
Federal matching	13,138,458	14,406,265
Dedicated tax	141,057,868	140,925,355
Total contributions	596,287,299	550,015,663
Investment income:		
Interest	139,441,249	163,139,203
Dividends	47,459,496	49,271,990
Net realized and unrealized losses	(499,102,940)	(342,603,971)
Less investment expenses	(16,469,508)	(16,590,368)
Loss from investing activities	(328,671,703)	(146,783,146)
Income from securities lending activities:		
Securities lending income	21,794,929	42,929,337
Securities lending expenses:		
Borrower rebates	(17,878,116)	(39,306,499)
Management fees	(979,405)	(907,494)
Income from securities lending activities	2,937,408	2,715,344
Net investment loss	(325,734,295)	(144,067,802)
Total additions	270,553,004	405,947,861
Deductions:		
Retirement, death, survivor, and health benefits	561,222,392	537,308,002
Refund of member contributions and annuity payments	58,495,950	65,763,326
Administrative expenses	3,905,754	3,471,796
Total deductions	623,624,096	606,543,124
Net decrease	(353,071,092)	(200,595,263)
Net assets:		
Beginning of year	6,049,954,298	6,250,549,561
End of year	\$ 5,696,883,206	6,049,954,298

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

(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 121 as amended.

The System was established as of July 1, 1943 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The System is a part of the State of Oklahoma financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State of Oklahoma. The 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:

	2002	2001
Retirees and beneficiaries currently receiving benefits	36,515	35,188
Terminated vested participants	3,575	3,459
Active participants	85,367	84,387
	125,457	123,034

There are 630 contributing employers in the System. In addition, there were 8,755 and 8,335 of nonvested inactive participants at June 30, 2002 and 2001, 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 remained unchanged from the funding level at June 30, 2001. The funded period, which is the number of years that would be required under the current contribution schedule to amortize the unfunded actuarial accrued liability, has decreased from 62.2 years at June 30, 2001 to 41.0 years at June 30, 2002. The decrease is due to the adoption of legislation that increased the future percentage of dedicated revenue that the System will receive from the state from the current level of 3.54% to 5% by July 1, 2007. The actuarial accrued liability increased \$685 million and the actuarial value of assets increased \$352 million. The System's unfunded actuarial accrued liabilities increased \$333 million. The increase is primarily due to the automatic 1% cost-of-living increase assumption. It should be noted that unfunded liabilities are expected to increase until the year 2024, at which point positive amortization will begin to occur. It will take until about 2037 before the

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

unfunded actuarial accrued liability is again as low as it is now, in the absence of future gains or losses. It is scheduled to be completely amortized in 2043.

The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. Based on calculations using Government Accounting Standards Board (GASB) Statement No. 25, the System's funded ratio is only 51.4% at June 30, 2002 and 2001.

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. 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 System has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized in the period in which employees' salaries are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan provisions. Administrative expenses are paid with funds provided by operations of the System.

(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 as set forth in its investment policy.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

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 Northern Trust Company's Institutional Daily Assets Fund and is carried at amortized cost, which approximates fair value.

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

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

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

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) Capital Assets

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

(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 Internal Revenue 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.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

(f) *Compensated Absences*

It is the state's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability.

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

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

(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, 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.

(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. At June 30, 2002 and 2001, the carrying amount of cash with the State Treasurer was approximately \$3,280,000 and \$3,220,000, respectively.

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 that 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, 2002 and 2001, are categorized as follows on page 37:

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

	2002	2001
Category 1 classification:		
Deposits:		
Domestic money market account	\$ 196,661,000	195,180,000
International money market account	19,682,000	30,232,000
Short-term investments:		
Commercial paper	78,071,000	8,543,000
Total deposits and short-term investments	294,414,000	233,955,000
Long-term investments:		
U.S. Government	936,776,000	912,329,000
Corporate bonds	728,764,000	795,489,000
International bonds	47,385,000	67,173,000
Domestic stock	2,237,577,000	2,598,954,000
International equities	638,903,000	523,236,000
Futures and options	—	(177,000)
Total long-term investments in category 1	4,589,405,000	4,897,004,000
Total category 1	4,883,819,000	5,130,959,000
Category 3 classification:		
Investments held by broker-dealers under securities loans for noncash collateral:		
U.S. Government	95,657,000	37,613,000
Corporate bonds	10,583,000	1,039,000
Domestic stocks	7,536,000	7,574,000
International equities	901,000	—
Total category 3	114,677,000	46,226,000
Not subject to classification:		
Investments held by broker-dealers under securities loans for cash collateral:		
U.S. Government	183,891,000	320,322,000
Corporate bonds	110,312,000	93,397,000
International bonds	—	9,894,000
Domestic stocks	357,313,000	338,459,000
International equities	94,270,000	122,142,000
Securities lending collateral	768,337,000	909,809,000
Total not subject to classification	1,514,123,000	1,794,023,000
Total deposits and investments	\$ 6,512,619,000	6,971,208,000

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

The System has investments in mortgage-backed securities pools of approximately \$767,745,000 and \$727,034,000 at June 30, 2002 and 2001, respectively. These securities are backed by the full faith of the U.S. Government or its agencies. Market risk related to these securities is based on cash flows from payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. 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 fair value of securities on loan was approximately \$768,337,000 and \$909,809,000 at June 30, 2002 and 2001, respectively. The underlying collateral for these securities had a fair value of approximately \$886,180,000 and \$957,375,000 at June 30, 2002 and 2001, respectively. Collateral of securities and letters of credit represented approximately \$117,843,000 and \$47,566,000 of total collateral at June 30, 2002 and 2001, respectively. Because the System cannot pledge or sell collateral securities and letters of credit received unless the borrower defaults, the collateral and related liability are not presented in the statements of plan net assets.

At June 30, 2002 and 2001, 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 2002 or 2001 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 fund and the System's loans is affected by the maturities of the securities loans made by other entities that use the lending agent's fund, which the System cannot determine.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

(5) Capital Assets

Capital assets consist of the following:

	2002	2001
Furniture and fixtures	\$ 1,531,463	1,342,346
Accumulated depreciation	(1,126,692)	(959,726)
Capital assets, net	\$ 404,771	382,620

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2002 was approximately \$183,000. The System's leases are one year renewable contracts. Rental expense for all operating leases amounted to approximately \$175,000 and \$139,000 for the years ended June 30, 2002 and 2001, respectively.

(6) Reserved and Designated Funds

Amounts included in the Teachers' Deposit Fund, the Expense Fund and the Capital Assets 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 Capital Assets Fund represents amounts used to purchase various furniture and fixtures for the System.

	2002	2001
Teachers' Deposit Fund (tax-sheltered annuities)	\$ 278,991,000	322,761,000
Expense Fund	28,324,000	26,011,000
Capital Assets Fund	405,000	383,000
	\$ 307,720,000	349,155,000

(7) Contributions

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

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. For those members employed by a comprehensive university, the maximum compensation level was \$52,500 and \$47,500 for those who elected the \$25,000 limit prior to June 30, 1995 in fiscal years 2002 and 2001, respectively, and \$69,000 and \$64,000 for all other members in fiscal years 2002 and 2001, respectively. Maximum compensation levels increase by \$5,000 each year through June 30, 2007, after which the full amount of regular annual compensation will be considered.

Each teacher, meeting minimum salary requirements, shall have a specific amount of the employee's required contribution to the System paid by the state. The credit amount is determined based upon years of service. Contributions by the state totaled approximately \$34,692,000 for 2002 and 2001.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 6.8% and 5.8% for 2002 and 2001, respectively, is applied to annual compensation up to defined caps depending upon the member's elections as previously described.

(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. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after 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 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.
- Final compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining the System after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

- 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).

For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board, (OSEGIB) the System paid between \$100 and \$105 per month to OSEGIB for each retiree, depending on the members' years of service during 2002 and 2001. Such amounts were approximately \$29,227,000 and \$29,160,000 in 2002 and 2001, respectively, and are included in retirement, death, survivor, and health benefits. Amounts due to OSEGIB at June 30, 2002 and 2001, respectively, are approximately \$2,415,000 and \$2,418,000, and are included in benefits in process of payment. The System performs no administrative functions related to the health insurance coverage provided through OSEGIB.

(9) Plan Amendments

The following is a summary of significant plan provision changes that were enacted by the State Legislature during the session ended in May 2002:

(a) Retiree Benefit Increase

Beginning with the July 2002 benefits payments, any person who was receiving benefits from the System on June 30, 2001 and who continues to receive benefits on or after July 1, 2002 will receive a cost of living increase of 3%. Those individuals who retired from the System with 30 years of credited service shall receive a 4% cost of living increase.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2002 and 2001

(b) *Purchase of Service Credits*

Beginning July 2002 System members are permitted to purchase service credit through a rollover from another qualified 403(b) or 457(b) plan.

(c) *Post-Retirement Earnings Limit*

Effective July 2002 the following amendments have been made related to post-retirement earnings limits:

- Limits post-retirement earnings for retirees under age 62 years to \$15,000 or half final average salary, whichever is less, during the first 36 months after retirement.
- Limits post-retirement earnings for retirees age 62 or older to \$30,000 or half final average salary for the first 36 months after retirement.
- Allows classified members who have been retired for 36 months or more to earn up to \$30,000.
- Extends post-retirement earnings limits to members who are hired to work for schools through corporations.

REQUIRED SUPPLEMENTARY INFORMATION

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**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Required Supplementary Information

Schedule of Funding Progress

(Dollars in millions)
(Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/(c)</u>
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	4,750.6	49.8%	2,648.4	179.4%
June 30, 2000	5,373.5	10,009.2	4,635.7	53.7%	2,738.3	169.3%
June 30, 2001	5,959.0	11,591.1	5,632.1	51.4%	2,990.5	188.3%
June 30, 2002	6,310.9	12,275.9	5,965.0	51.4%	3,047.1	195.8%

Schedule of Employers Contributions
(Unaudited)

<u>Fiscal year ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1997	\$ 446,459,961	62.0%
1998	446,219,296	59.1%
1999	456,864,002	53.5%
2000	455,265,033	60.6%
2001	451,463,258	72.7%
2002	556,201,571	65.6%

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

Unaudited – See accompanying independent auditors' report.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Required Supplementary Information

June 30, 2002 and 2001

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, 2002 is as follows:

(a) 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.

(b) Asset Valuation Method

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

(c) Amortization

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

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Notes to Required Supplementary Information

June 30, 2002 and 2001

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2002 are as follows:

- Investment Return – 8.0% per annum, compounded annually
- Salary Increases – 4.25% to 7.00% per year (includes inflation of 3.0%)
- Mortality Rates – Healthy males – 1994 Unisex Pension Mortality Table for males, set back two years; Healthy females – 1994 Unisex Pension Mortality Table for females, set back two years; Disabled males – PBGC Table Va for disabled males eligible for Social Security disabled benefits; Disabled females – PBGC Table VIa for disabled females eligible for Social Security disabled benefits
- Post Retirement Benefit Increases – None
- Post Retirement Health Insurance Premium – The System contributes between \$100 and \$105 per month or the Medicare Supplement Premium, if less, for eligible System members receiving retirement benefits who elect health insurance coverage through the Oklahoma State and Education Employee's Group Health Insurance Program, which administers various group health benefit plans.
- Cost-of-Living Adjustment – 1% per year

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OTHER SUPPLEMENTARY INFORMATION

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**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Supplementary Information
Schedules of Investment Expenses

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Investment custodian	\$ 100,000	100,000
Investment managers	16,894,812	17,184,042
Investment consultants	403,750	233,325
Investment information services	14,755	19,680
Commission recapture	<u>(943,809)</u>	<u>(946,679)</u>
Total investment expenses	<u>\$ 16,469,508</u>	<u>16,590,368</u>

See accompanying independent auditors' report.

**TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA**

Supplementary Information
Schedules of Administrative Expenses

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Salaries and benefits	\$ 2,549,368	2,219,157
General and miscellaneous	537,996	532,870
Professional/consultant fees	262,983	200,686
State of Oklahoma interagency	310,026	281,659
Travel and related expenses	61,674	45,389
Depreciation expense	<u>183,707</u>	<u>192,035</u>
Total administrative expenses	<u>\$ 3,905,754</u>	<u>3,471,796</u>

See accompanying independent auditors' report.

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

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Actuarial	\$ 88,967	65,606
Medical	38,093	25,870
Legal	12,208	6,315
Audit	82,348	36,990
Data processing	8,907	13,243
Miscellaneous	32,460	52,662
Total professional/consultant fees	\$ <u>262,983</u>	<u>200,686</u>

See accompanying independent auditors' report.



700 Oklahoma Tower
210 Park Avenue
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, 2002, and have issued our report thereon dated August 16, 2002 which includes an emphasis paragraph related to the System's funded status. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.

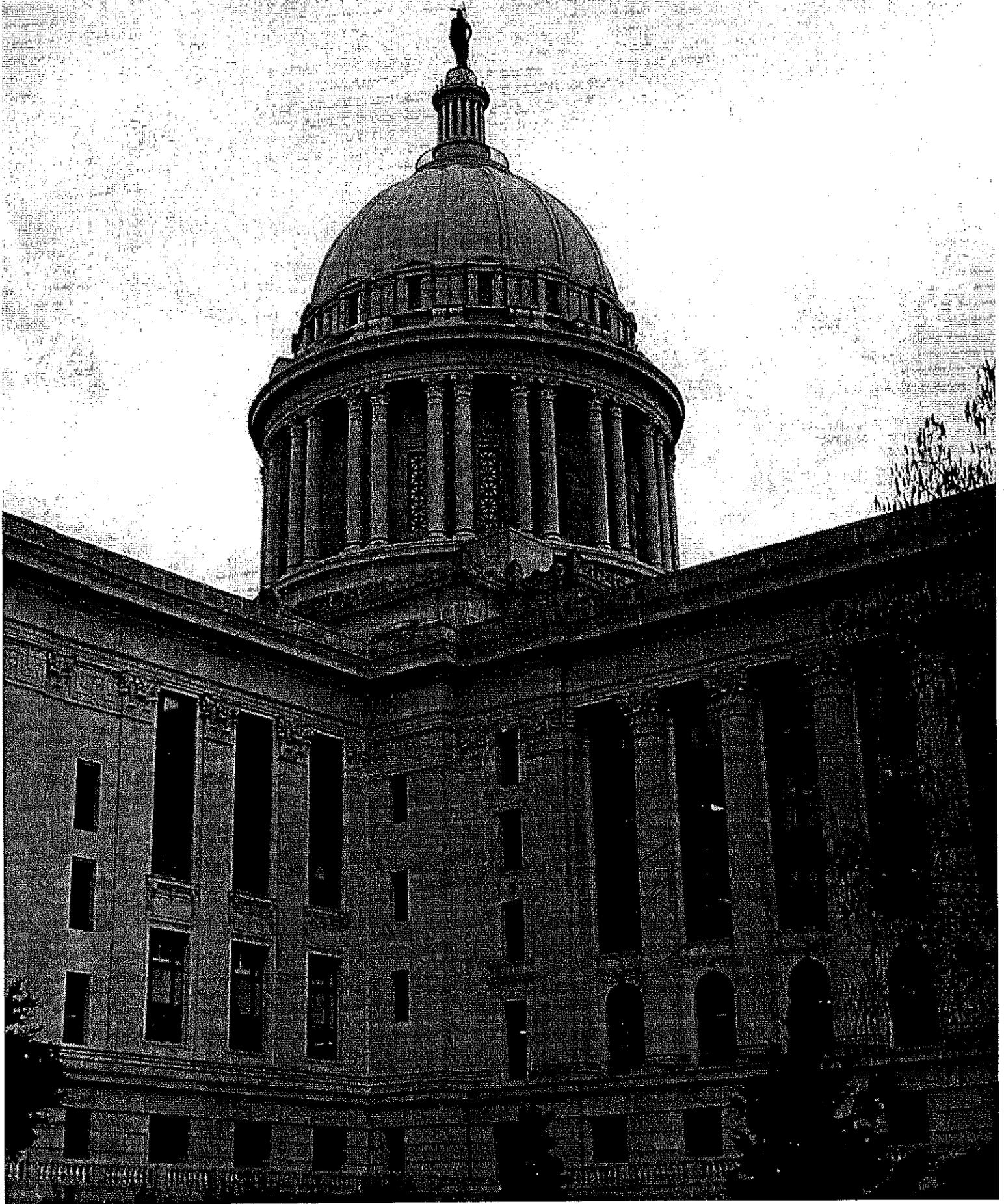
This report is intended solely for the information and use of the board of trustees, the Oklahoma State Auditor and Inspector, and management and is not intended to be and should not be used by anyone other than these specified parties.

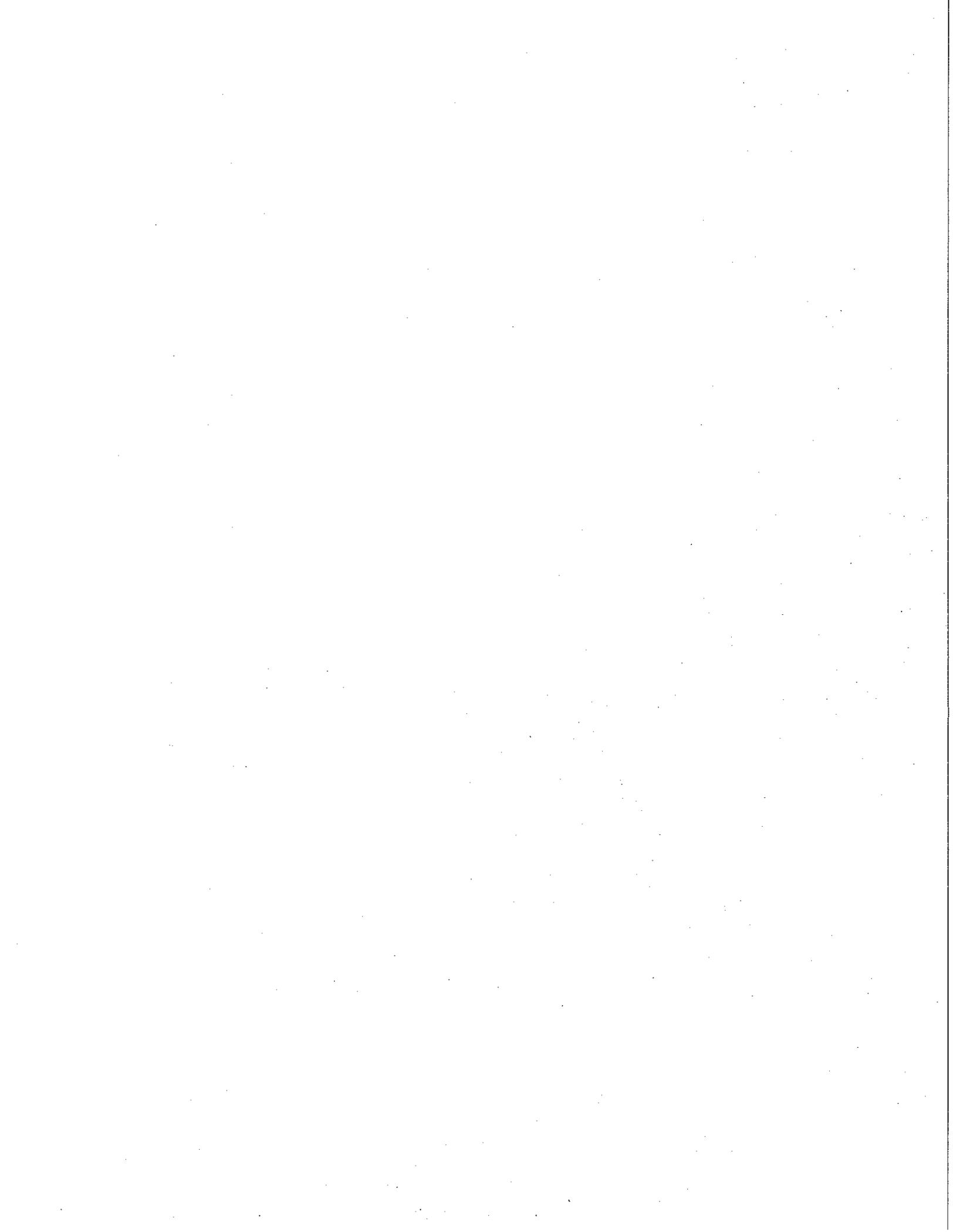
KPMG LLP

August 16, 2002



Investment Section





Professional Consultants and Advisors

Domestic Equity Managers

Goldman Sachs Management, Large Capitalization Growth
Tampa, Florida
Hotchkis and Wiley, Large Capitalization Value
Los Angeles, California
Deutsche Bank, S&P 500 Index Fund
New York, New York
Aronson+Partners, Middle Capitalization Core
Philadelphia, Pennsylvania
Morgan Stanley, Middle Capitalization Value
West Conshohocken, Pennsylvania
Frontier Capital, Middle Capitalization Growth
Boston, Massachusetts
Wellington Management Company, LLP, Middle Capitalization Growth
Boston, Massachusetts
Shapiro Capital Management Company, Small Capitalization Value
Atlanta, Georgia
Tocqueville Asset Management, Small Capitalization Value
New York, New York
Kopp Investment Advisors, Small Capitalization Growth
Edina, Minnesota
Artemis Investment Management, Small Capitalization Growth
New York, New York

Domestic Fixed Income Managers

Mellon Bond Associates, Passive Fixed Income Index Fund
Philadelphia, Pennsylvania
Neuberger Berman Pension Management, Active Core
New York, New York
Pacific Investment Management, Core Plus Fixed Income
Newport Beach, California
Loomis, Sayles & Co., Core Plus Fixed Income
Chicago, Illinois

International Managers

Brandes Investment Partners, International Equity
San Diego, California
Bank of Ireland Asset Management, International Equity
Santa Monica, California
TT International, International Equity
London, England

Advisors and Consultants

Northern Trust Company, Global Custodian
Chicago, Illinois
Marquette Alliance, Inc., Investment Consultant
Tulsa, Oklahoma
Gabriel, Roder, Smith & Company
Dallas, Texas
KPMG LLP, External Auditors
Oklahoma City, Oklahoma
The Office of the Oklahoma Attorney General, Legal Counsel

Report On Investment Activity

The Teachers' Retirement System of Oklahoma had a loss for Fiscal Year 2002 of 5.4% based on fair value; three-year and five-year returns were 1.0% and 7.0% respectively. The System's assets decreased \$353 million to \$5.7 billion at fiscal year-end.

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

The main determinant of any pension fund's long term-success is the fund's asset allocation. The Board, in conjunction with the consultant and staff has determined that the appropriate portfolio mix for the System is 65% equity investments and 35% fixed income investments. Adherence to a disciplined investment policy is critical to achieving long-term success while at the same time controlling risk. The System's asset allocation is regularly reviewed and periodically updated.

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

This report prepared by:

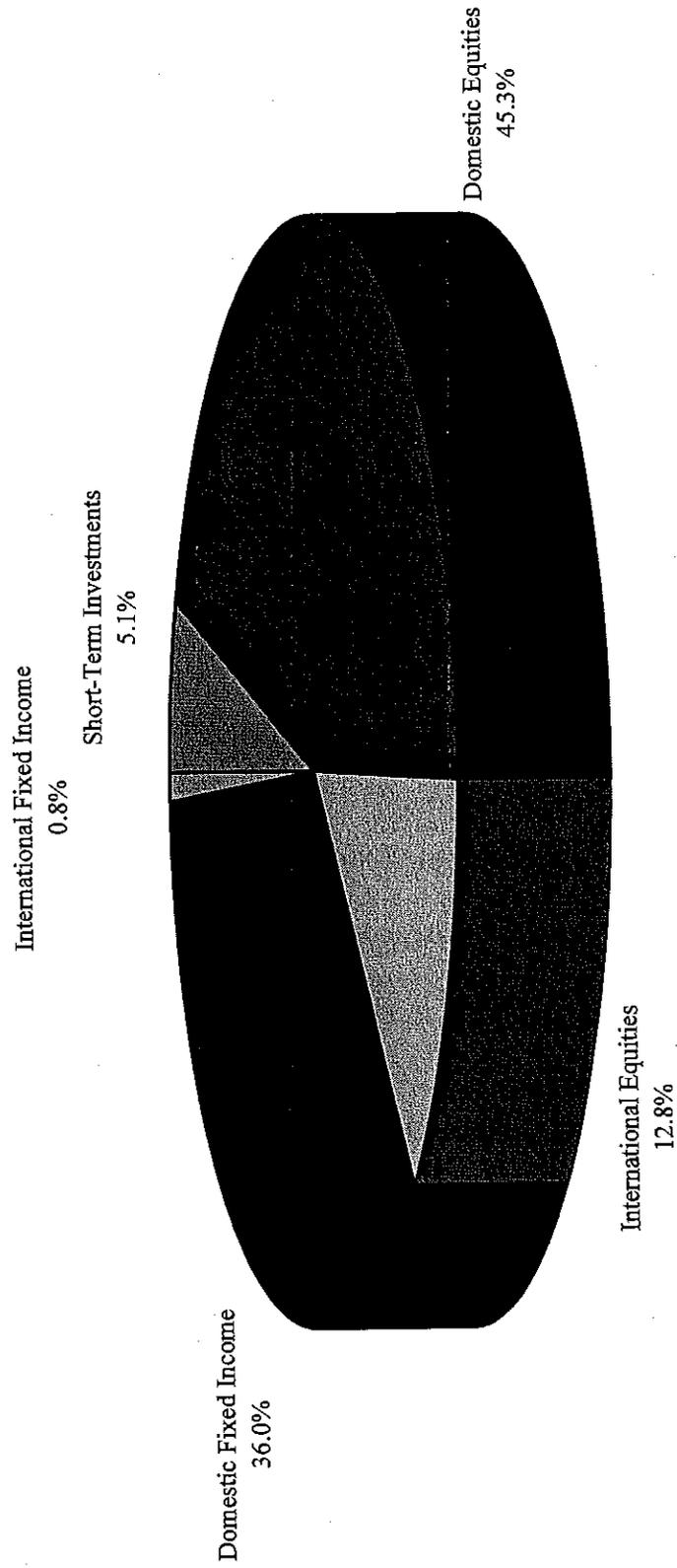
Bill Puckett
Chief Investment Officer

Summary Of Investments
June 30, 2002

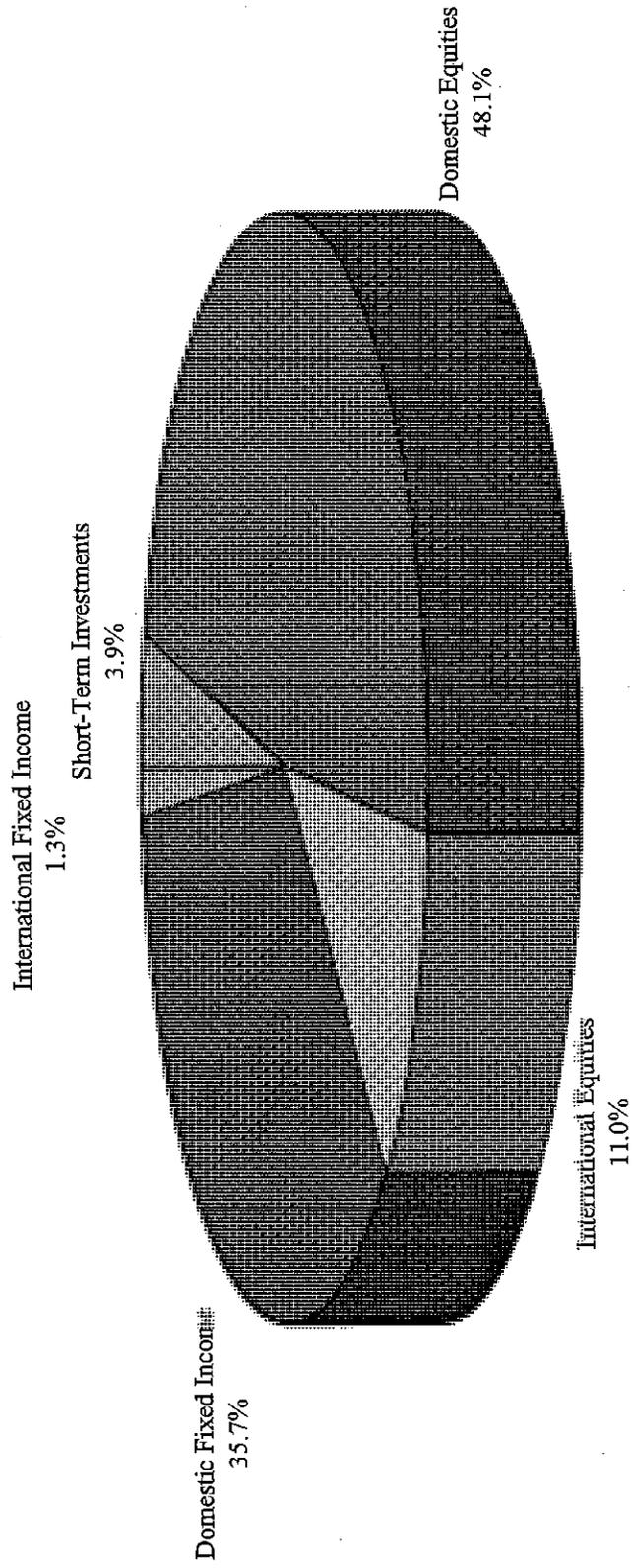
<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government	\$188,649,206	3.3%
U S Government Agency	1,027,674,421	17.9%
Domestic Corporate	849,658,497	14.8%
International	<u>47,384,912</u>	<u>0.8%</u>
Total Fixed Income	2,113,367,036	36.8%
Common Stock:		
Domestic	2,602,427,287	45.3%
International	<u>734,074,081</u>	<u>12.8%</u>
Total Common Stock	3,336,501,368	58.1%
Short-term Investments:		
Commercial Paper	78,071,497	1.4%
Domestic Money Market	196,660,564	3.4%
International Money Market	<u>19,681,560</u>	<u>0.3%</u>
Total Short-Term Investments	294,413,621	5.1%
 Total Portfolio	 <u>\$5,744,282,025</u>	 <u>100.0%</u>

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

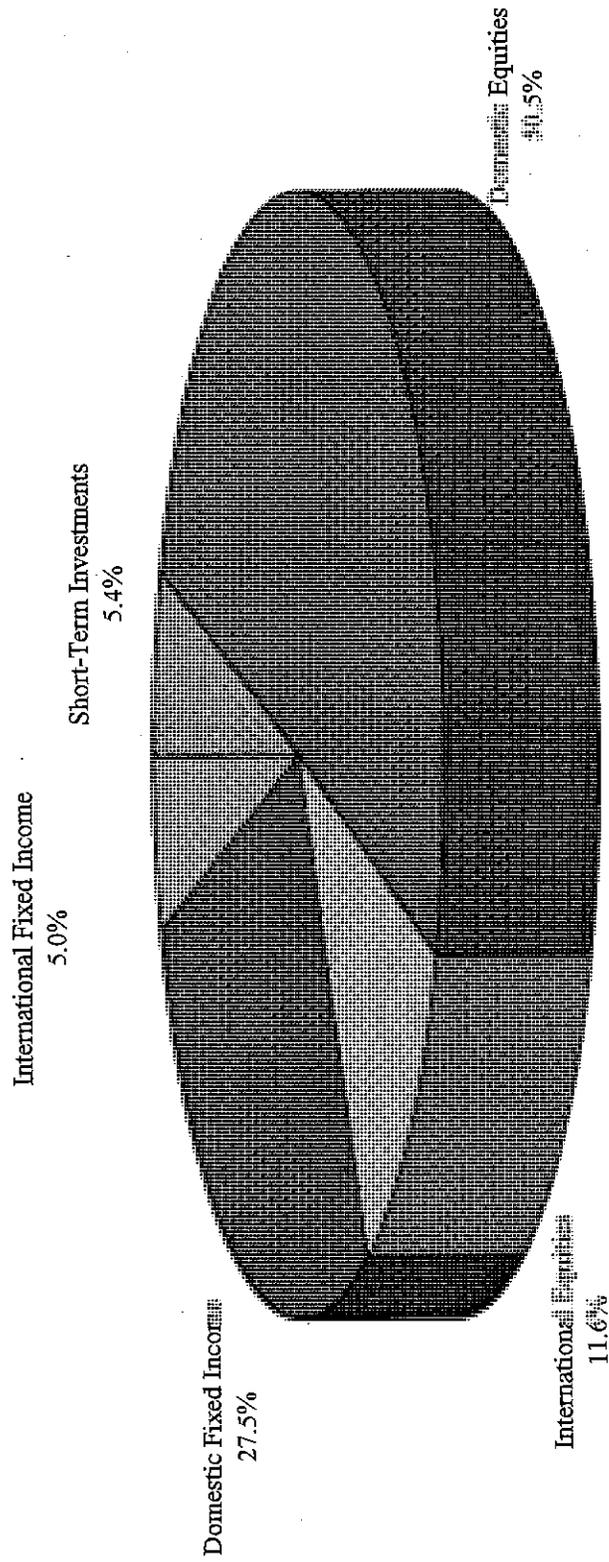
**Asset Allocation at Fair Value
June 30, 2002**



**Asset Allocation at Fair Value
June 30, 2001**



**Asset Allocation at Fair Value
June 30, 2000**



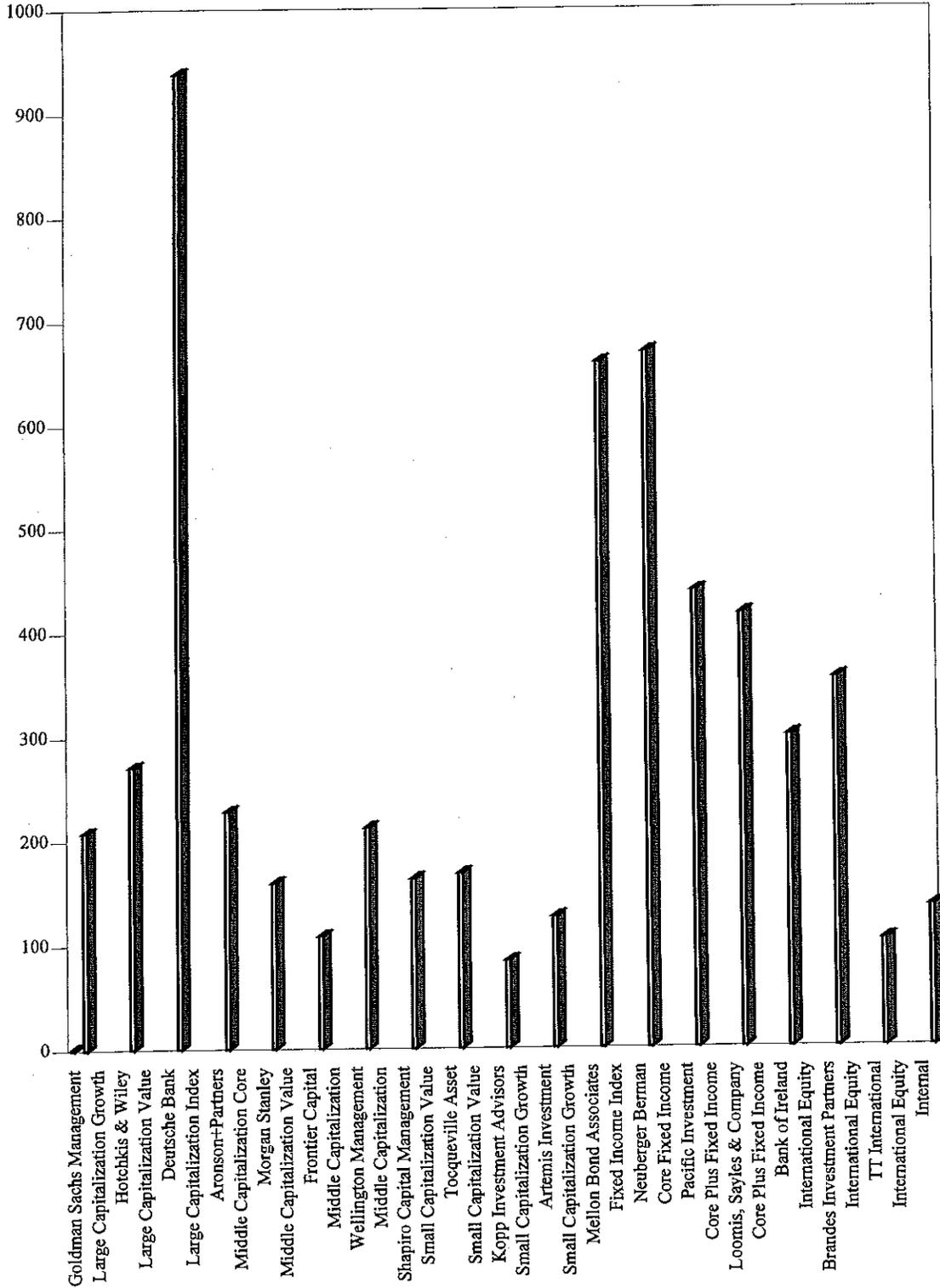
Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the System's Investment Policy. Firms employed by the Board on June 30, 2002 are listed below.

<u>Manager and Style</u>	<u>Funds under Management (in millions)</u>
Goldman Sachs Management	\$208
Large Capitalization Growth	
Hotchkis & Wiley	271
Large Capitalization Value	
Deutsche Bank	938
Large Capitalization Index	
Aronson+Partners	228
Middle Capitalization Core	
Morgan Stanley	159
Middle Capitalization Value	
Frontier Capital	108
Middle Capitalization Growth	
Wellington Management	212
Middle Capitalization Growth	
Shapiro Capital Management	163
Small Capitalization Value	
Tocqueville Asset Management	168
Small Capitalization Value	
Kopp Investment Advisors	84
Small Capitalization Growth	
Artemis Investment Management	126
Small Capitalization Growth	
Mellon Bond Associates	660
Fixed Income Index	
Neuberger Berman	670
Core Fixed Income	
Pacific Investment Management	439
Core Plus Fixed Income	
Loomis, Sayles & Company	417
Core Plus Fixed Income	
Bank of Ireland	300
International Equity	
Brandes Investment Partners	355
International Equity	
TT International	103
International Equity	
Internal	135

Chart on following page.

Assets Managed (in millions)



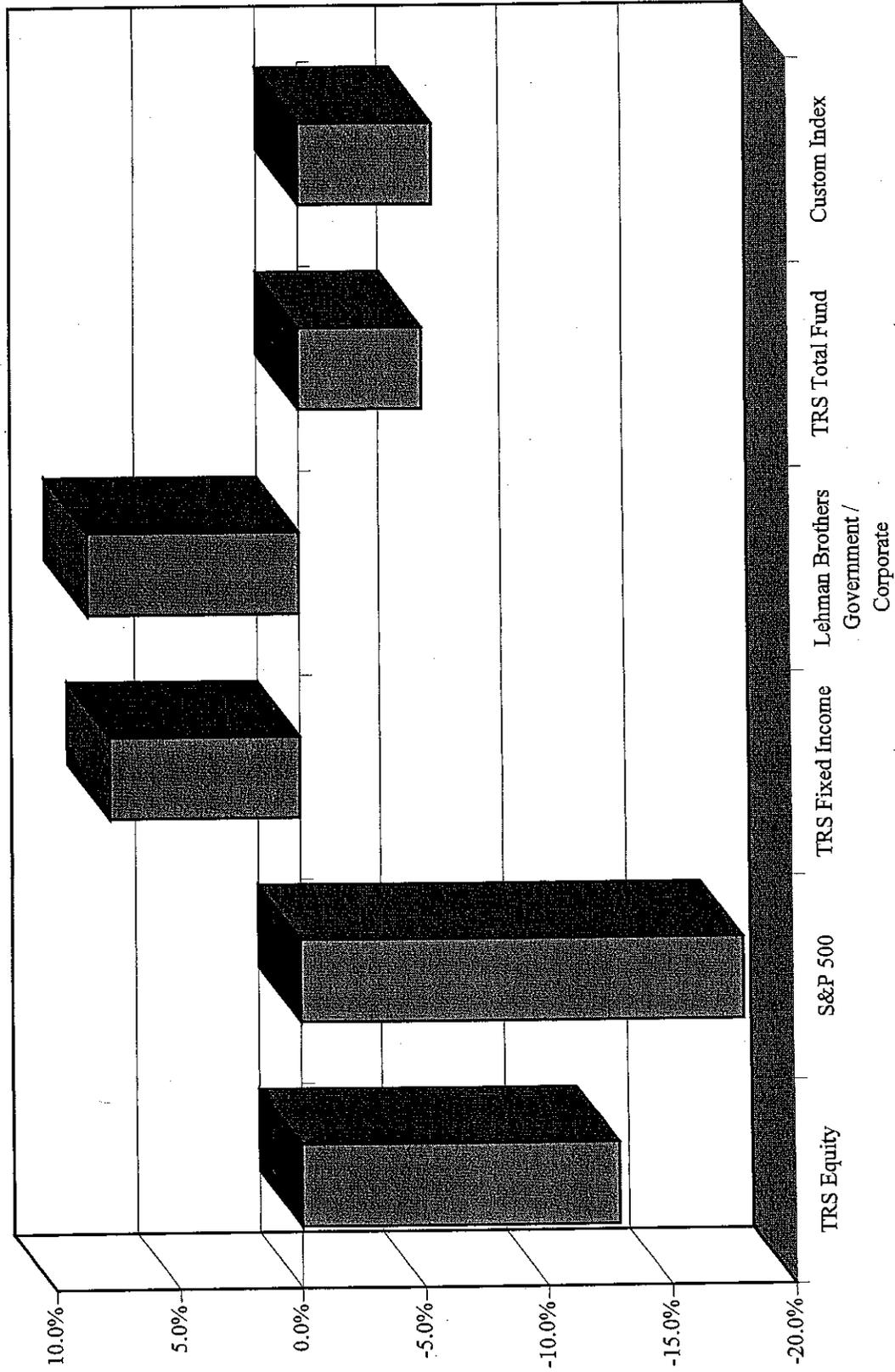
Investment Performance

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

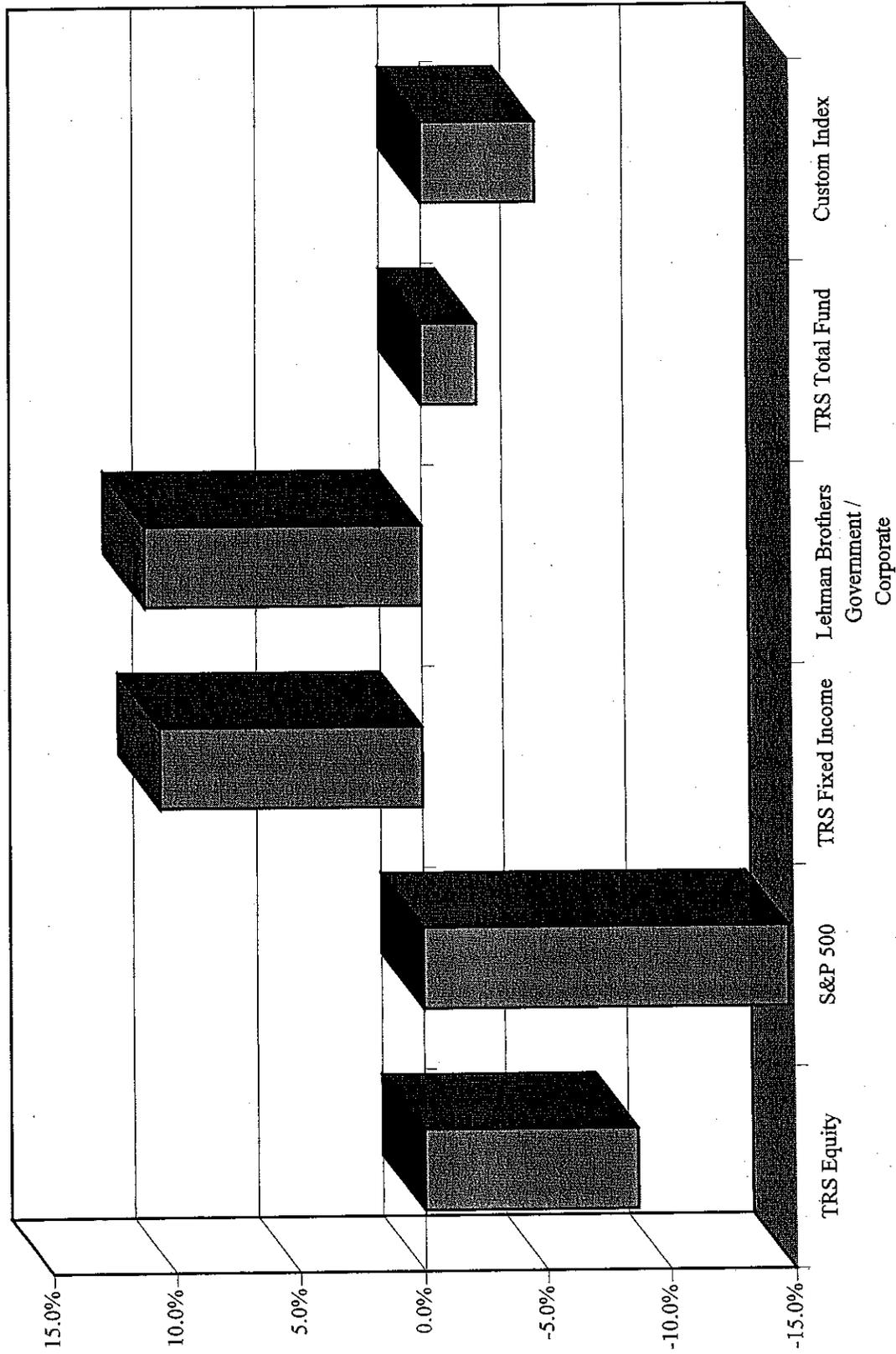
Investment return calculations are prepared using a time-weighted rate of return based on Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

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

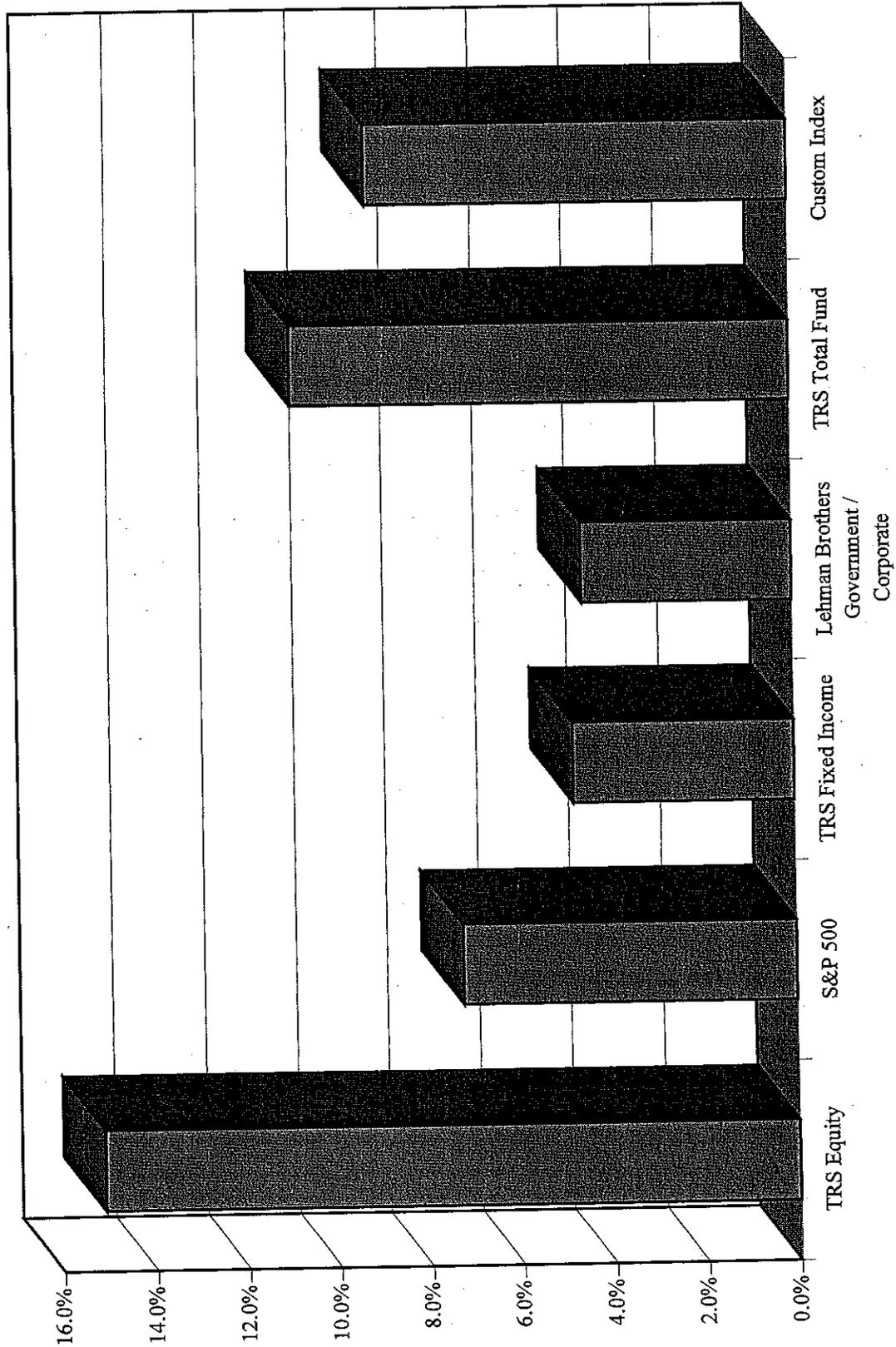
Comparative Rates of Return Fiscal Year 2002



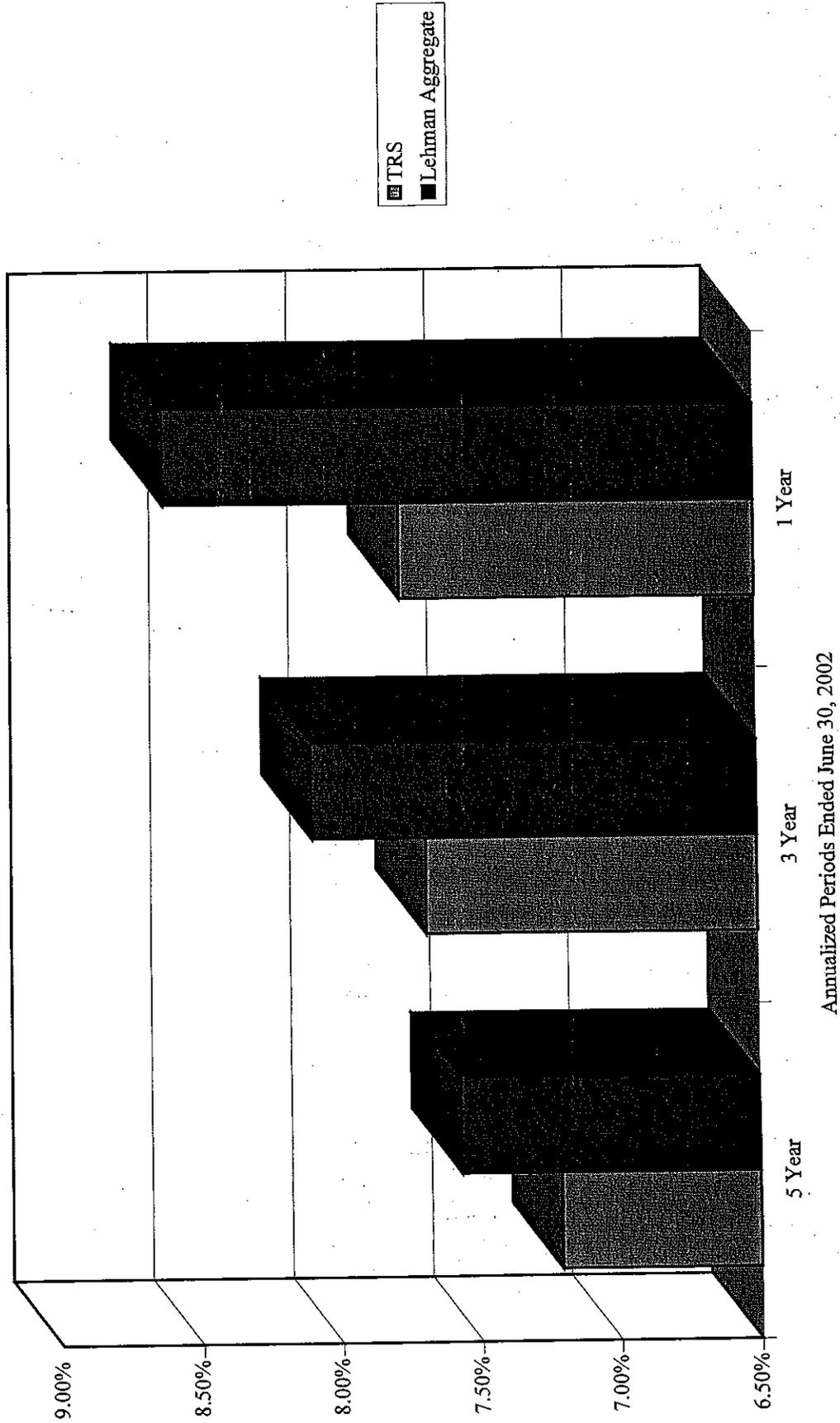
Comparative Rates of Return Fiscal Year 2001



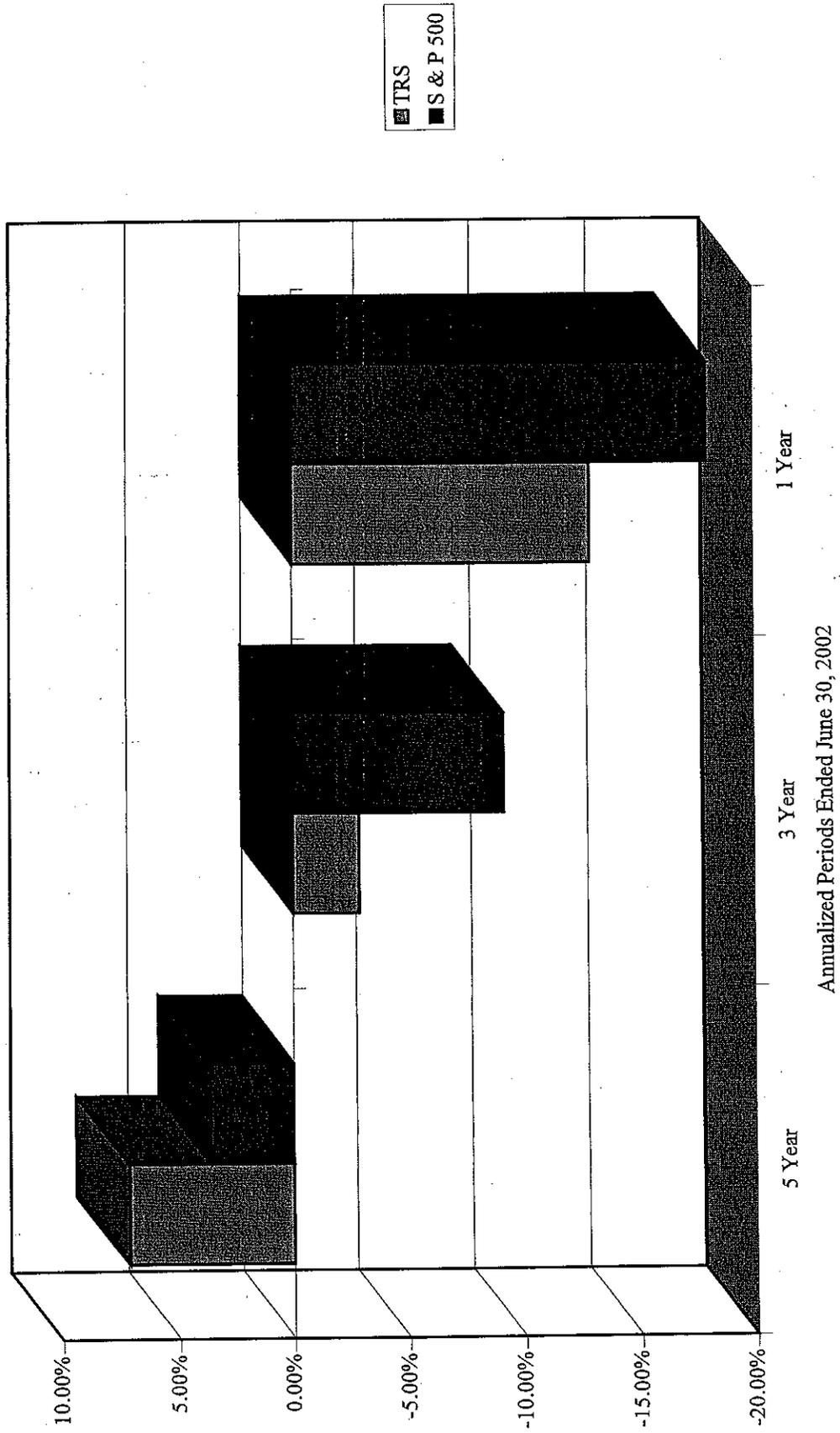
Comparative Rates of Return Fiscal Year 2000



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



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



Investment Expenses

Investment fees paid to investment management firms employed by the System were as follows in Fiscal Year 2002.

<u>Investment Manager</u>	<u>Fees Paid</u>
Aronson+Partners	\$1,511,955
Artemis Investment Management	1,288,813
Bank of Ireland Asset Management	892,635
Brandes Investment Partners	1,443,141
Deutsche Bank	134,989
Frontier Capitol	56,882
Goldman Sachs Management	660,288
Kopp Investment Advisors	776,419
Loomis Sayles and Company	887,184
Mellon Bond Associates	116,293
Merrill Lynch Investments	1,045,734
Morgan Stanley Growth	653,023
Morgan Stanley Value	980,534
Neuberger Berman Pension Management	807,068
Northern Trust Global Investment	386,569
Pacific Investment Management	1,179,431
Shapiro Capital Management Company	1,473,312
Tocqueville Asset Management	1,110,245
TT International	542,759
Wellington Management Company LLP	<u>947,538</u>
Total	<u>\$16,894,812</u>

Domestic Stock Brokerage Commissions
Fiscal Year 2002

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
A B WATLEY	30,000	\$1,500	0.050
ABEL NOSER	478,962	8,692	0.018
ABN-AMRO	454,000	23,130	0.051
ADAMS, HARKNESS & HILL, INC	17,600	880	0.050
ALLEN & COMPANY, INC	44,000	2,640	0.060
ALLIED RESEARCH SERVICES INC	86,900	4,345	0.050
ARCHIPELAGO ACC CAPITAL CLEAR	188,500	3,770	0.020
AUTRANET INC	478,300	16,039	0.034
AVONDALE PARTNERS LLC	15,000	750	0.050
BANCAMERICA	504,711	23,305	0.046
BB&T CAPITOL MARKETS	30,700	1,535	0.050
BEAR STEARNS & COMPANY	1,883,552	95,079	0.050
BERNSTEIN, SANFORD C. & CO	32,700	1,635	0.050
BLAIR, WILLIAM & CO	98,500	4,925	0.050
BLOOMBERG TRADEBOOK	2,790,592	65,528	0.023
BNP PARIBAS SEC CORP	222,400	4,448	0.020
BNY CAPITAL	127,400	3,882	0.030
BNY ESI & CO ALPHA DIVISION	1,780,100	68,527	0.038
BOENNING & SCATTERGOOD	67,600	2,721	0.040
BRANCH BANK & TRUST	70,000	3,500	0.050
BRIDGE TRADING COMPANY	108,600	3,365	0.031
BROWN BROTHERS HARRIMAN & CO.	30,600	1,530	0.050
B-TRADE SERVICES LLC	182,800	3,728	0.020
BUCKINGHAM RESEARCH	2,800	140	0.050
C L KING & ASSOCIATES	8,500	425	0.050
CANADIAN IMPERIAL BANK OF COMMERCE	24,250	1,213	0.050
CANTOR FITZGERALD & COMPANY INC	4,876,852	225,263	0.046
CAPITAL INSTITUTIONAL SERVICES INC	2,401,796	81,905	0.034
CHARLES SCHWAB	20,900	1,045	0.050
CIBC OPPENHEIMER CORP/WORLD MARKETS (1,003,100	52,037	0.052
CLEARY GULL REILAND & MCDERITT	9,200	449	0.049
COCHRAN CARONIA SECURITIES	12,200	610	0.050
COWEN & CO	605,024	30,795	0.051
CREDIT SUISSE FIRST BOSTON CORPORATION	4,119,258	208,970	0.051
CUTTONE & COMPANY	2,000	60	0.030
D.A. DAVIDSON & COMPANY, INC.	167,150	8,158	0.049
DAIN RAUSCCHER INC	147,500	6,895	0.047
DAIWA SECURITIES AMERICA	3,500	35	0.010
DAVENPORT	42,900	2,145	0.050
DB ALEX BROWN INCORPORATED	9,500	475	0.050
DEUTSCHE / DB CLEARING SERVICES	3,435,358	149,535	0.044
DIAN BOSWORTH INC	46,500	2,325	0.050
DOMINION SECURITIES	162,600	8,130	0.050
DONALDSON & CO	2,139,300	\$106,525	0.050

**Domestic Stock Brokerage Commissions
Fiscal Year 2002**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
DONALDSON LUFKIN & JENRETTE	381,300	\$22,878	0.060
DOWLING & PARTNERS	8,600	430	0.050
DOWLING & PARTNERS SECURITIES, LLC	36,520	1,826	0.050
DRESDNER KLEINWORT BENSON	305,439	14,975	0.049
DUNLEVY & CO., INC.	3,900	195	0.050
EDWARDS A G INC	174,800	9,778	0.056
EXECUTIVE SERVICES	5,500	275	0.050
F.P. MAGLIO & CO	74,600	2,238	0.030
FACTSET DATA SYSTEMS	4,500	225	0.050
FIDELITY CAPITAL MGMT	30,400	1,520	0.050
FIRST ALBANY	50,700	2,535	0.050
FIRST ANALYSIS	76,222	3,811	0.050
FIRST BOSTON CORPORATION	23,700	1,185	0.050
FIRST ENERGY CAPITAL CORP	1,600	80	0.050
FIRST UNION	656,344	33,005	0.050
FOX PITT KELTON	328,600	16,197	0.049
FRIEDMAN BILLINGS	48,200	2,410	0.050
FRIEND	46,000	2,300	0.050
FROST SECURITIES	3,700	185	0.050
FULCRUM GOLBAL PARTNERS LLC	48,200	2,410	0.050
GERARD KLAVER MATTSON	455,400	21,263	0.047
GOLDMAN SACHS & COMPANY	3,068,553	108,087	0.035
GORDON HASKETT	2,400	120	0.050
GREEN STREET ADVISORS INC	33,600	1,680	0.050
GRISWOLD CO, THE	5,643,073	281,687	0.050
GRUNTAL & CO	17,900	179	0.010
HEFLIN & CO., LLC	5,900	236	0.040
HOENIG & CO	8,800	440	0.050
HOWARD WEIL LABOUISSSE FRIEDRICHS INC	107,700	5,385	0.050
INSTINET	3,088,450	80,739	0.026
INVESTMENT TECHNOLOGY GROUP	1,435,350	28,935	0.020
ISI GROUP INC	11,800	590	0.050
ITG / POSIT	2,364,500	47,242	0.020
J C BRADFORD & COMPANY	27,300	1,365	0.050
J P MORGAN CHASE	2,130,254	108,635	0.051
JANNEY MONTGOMERY SCOTT	152,000	7,956	0.052
JEFFERIES & COMPANY INC	7,253,139	292,047	0.040
JOHNSON RICE	57,450	2,873	0.050
JOLSON MERCHANT	48,100	2,112	0.044
JONES & ASSOC	1,525,565	68,455	0.045
JOSEPH THAL LYON & ROSS	12,500	625	0.050
KALB, VOORHIS & CO., LLC	5,100	134	0.026
KEEFE BRUYETTE AND WOODS INC.	131,500	6,575	0.050
KNIGHT SECURITIES	250,400	\$10,767	0.043

**Domestic Stock Brokerage Commissions
Fiscal Year 2002**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
LADENBURG THALMAN	4,300	\$215	0.050
LANGEN MCALENNEY	37,700	\$1,885	0.050
LAZARD FRERES & CO	113,600	5,193	0.046
LEERINK SWANN & CO	68,800	3,440	0.050
LEGG MASON WOOD WALKER, INC.	178,000	8,900	0.050
LEHMAN BROTHERS	8,929,614	352,577	0.039
LIQUIDNET	224,600	4,492	0.020
LYNCH JONES RYAN	12,653,207	511,654	0.040
MCDONALD & COMPANY	199,300	9,965	0.050
MERRILL LYNCH PIERCE FENNER & SMITH INC	2,532,575	132,836	0.052
MIDWEST RESEARCH	143,500	7,509	0.052
MONTGOMERY SECURITIES	773,276	32,634	0.042
MORGAN KEEGAN & COMPANY, INC	104,100	4,890	0.047
MORGAN STANLEY DEAN WITTER	3,394,337	154,163	0.045
NEEDHAM & CO.	37,700	1,762	0.047
NESBITT BURNS SECURITIES	1,390,800	11,923	0.009
NOGAVERA, LEE AND CO	21,950	1,098	0.050
OFF THE RECORD RESEARCH/NOTA	37,500	1,875	0.050
PACIFIC BROKERAGE	59,000	2,950	0.050
PAULSON	7,400	370	0.050
PENNSYLVANIA GROUP INC	3,900	195	0.050
PERSHING	13,100	655	0.050
PETRIE PARKMAN	32,200	1,610	0.050
PRUDENTIAL SECURITIES INC	815,300	40,013	0.049
PULSE TRADING LLC	109,500	3,285	0.030
PUNK ZIEGEL KNOELL	19,200	960	0.050
PUTNAM LOVELL	3,000	150	0.050
QUAKER SECURITIES	164,200	6,568	0.040
QUICK AND RILEY	5,200	260	0.050
RAUSCHER PIERCE REFSNES INC	10,700	535	0.050
RAYMOND JAMES & ASSOC	242,500	10,534	0.043
ROBERT BRANDT	16,200	616	0.038
ROBERT W BAIRD	476,700	20,297	0.043
ROBERTSON, STEPHENS & CO.	776,300	38,815	0.050
ROBINSON HUMPHREY	411,150	20,945	0.051
ROCHDALE SECURITIES	17,800	890	0.050
ROSENBLATT	1,004,500	20,090	0.020
SALOMON SMITH BARNEY	10,180,822	355,902	0.035
SANDERS MORRIS MUNDY	38,100	1,905	0.050
SANDLER O'NEILL	106,600	4,670	0.044
SANFORD C. BERSTEIN & CO., INC.	1,749,661	91,765	0.052
SCOTT & STRINGFELLOW	12,900	645	0.050
SG COWEN SECURITIES CORPORATION	558,500	28,028	0.050
SHEARSON LEHMAN	439,600	\$23,586	0.054

**Domestic Stock Brokerage Commissions
Fiscal Year 2002**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
SHIELDS CAPITOL CORP	160,900	\$8,475	0.053
SIMMONS	324,700	\$13,081	0.040
SMITH BARNEY HARRIS UPHAM & COMPANY	47,400	\$2,194	0.046
SOUNDVIEW FINANCIAL GROUP	275,050	13,244	0.048
SOUTHCOAST CAPITAL	346,500	17,325	0.050
SOUTHWEST SECURITIES	3,300	165	0.050
SPEAR, LEEDS & KELLOGG CAPITAL MARKET	632,600	23,148	0.037
STANDARD & POOR	132,400	6,620	0.050
STATE STREET BROKERAGE SVCS INC.	6,600	330	0.050
STEPHENS, INC.	94,200	5,052	0.054
STIFEL NICOLAUS & CO INC	73,275	3,664	0.050
STUART, FRANKEL & CO	19,200	960	0.050
STUART, FRANKEL & CO	22,050	1,103	0.050
SUNTRUST	116,500	5,825	0.050
THE SHEMANO GROUP	420,000	16,800	0.040
THOMAS WEISEL PARTNERS, LLC	720,750	36,175	0.050
TUCKER ANTHONY	7,900	395	0.050
U S CLEARING	566,695	20,035	0.035
U.S. BANCORP PIPER JAFFRAY	371,050	17,835	0.048
UBS WARBURG	367,994	14,513	0.039
UBS WARBURG DILLON READ INC. - SWISS BA	1,657,141	77,898	0.047
WACHOVIA BANK	516,700	25,877	0.050
WARBURG SG	11,300	565	0.050
WEDBUSH MORGAN SECURITIES, INC	4,000	200	0.050
WEEDEN & COMPANY	2,024,650	79,015	0.039
WELLS FARGO VAN KASPER & CO	1,700	85	0.050
WERTHEIM & COMPANY INC	4,300	215	0.050
WESTMINISTER	8,000	400	0.050
WILLIAM BLAIR	249,700	12,485	0.050
WILLIAMS CAPITAL	<u>97,600</u>	<u>5,516</u>	<u>0.057</u>
GROSS COMMISSIONS	<u>116,512,311</u>	4,761,609	0.041
LESS COMMISSION REBATES RECEIVED		<u>859,539</u>	
NET COMMISSIONS		<u>\$3,902,070</u>	<u>0.033</u>

Transactions whose commissions cost are zero not included.

PORTFOLIO OF ASSETS, JUNE 30, 2002

COMMERCIAL PAPER		MATURITY DATE	MARKET VALUE	US GOVERNMENT SECURITIES		MATURITY DATE	MARKET VALUE
ADVANTAGE ASSET SEC		07/01/2002	\$3,464,587	FHLB		07/26/2002	\$20,974,779
ANZ (DE) INC		09/05/2002	1,891,781	FHLB	4.875	04/16/2004	3,927,794
AUTOBAHN FDG		07/01/2002	4,304,806	FHLB	5.800	09/02/2008	1,785,544
CENTRAL ILL LT		07/01/2002	2,998,825	FHLMC	5.000	01/15/2004	9,310,230
DANSKE CORP		08/05/2002	5,781,933	FHLMC	4.500	08/15/2004	3,800,714
DANSKE CORP		08/06/2002	8,175,407	FHLMC	8.000	04/01/2006	217,516
DEALERS CAP ACCESS		07/01/2002	399,852	FHLMC	8.500	05/01/2006	3,844
DEALERS CAP ACCESS		07/02/2002	1,099,533	FHLMC	8.500	05/01/2006	10,086
GANNETT CO		07/10/2002	99,914	FHLMC	7.000	10/01/2006	156,485
GOTHAM FDG CORP		07/01/2002	825,633	FHLMC	8.500	01/01/2007	5,616
GOTHAM FDG CORP		07/10/2002	7,789,119	FHLMC	7.500	01/01/2007	24,722
HALIFAX PLC		07/29/2002	996,917	FHLMC	7.500	04/01/2007	823,938
KFW INTL FIN		09/10/2002	8,365,093	FHLMC	7.500	04/01/2007	31,300
LLOYDS BANK		08/15/2002	9,271,193	FHLMC	7.000	09/01/2007	27,057
LONG LANE MASTER TRUST		07/01/2002	361,794	FHLMC	7.000	01/01/2008	90,703
MANHATTAN ASSET FDG		07/08/2002	1,298,397	FHLMC	7.000	03/01/2008	71,473
NATL AUSTRALIA		07/02/2002	999,403	FHLMC	7.500	04/01/2008	122,797
NATL AUSTRALIA		07/31/2002	2,196,322	FHLMC	7.000	07/01/2008	162,749
NCI FUNDING INC		07/02/2002	1,248,701	FHLMC	6.500	08/01/2008	290,711
SVENSKA HANDELSBANKEN INC		07/31/2002	2,891,827	FHLMC	6.000	12/01/2008	178,769
TRANSAMERICA ASST FDG		07/01/2002	347,890	FHLMC	6.500	04/01/2009	246,819
UBS FINANCE		07/30/2002	11,369,173	FHLMC	6.000	05/01/2011	1,092,911
UBS FINANCE		08/29/2002	1,395,044	FHLMC	5.000	01/15/2013	7,524,613
UBS FINANCE		08/30/2002	498,353	FHLMC	6.500	05/01/2013	2,028,600
				FHLMC	7.000	06/01/2013	690,698
TOTAL COMMERCIAL PAPER			78,071,497	FHLMC	6.500	07/01/2013	178,392
				FHLMC	6.020	09/30/2013	3,766,616
				FHLMC	6.000	10/01/2013	1,140,694
MONEY MARKET FUNDS				FHLMC	13.000	11/01/2013	12,909
GS-FS PRIME OBLIGATIONS			2,000,000	FHLMC	5.500	12/01/2013	659,321
JANUS MONEY MARKET INST FUND			135,600,000	FHLMC	5.500	01/01/2014	334,405
ML INSTITUTIONAL FUND			1,900,000	FHLMC	13.000	02/01/2014	11,692
NORTHERN STIF FUND			57,160,564	FHLMC	6.000	03/01/2014	126,479
INTERNATIONAL MONEY MARKETS			19,681,560	FHLMC	6.000	06/01/2014	732,438
				FHLMC	7.000	07/01/2014	327,599
TOTAL MONEY MARKET FUNDS			216,342,124	FHLMC	6.000	08/01/2014	500,454
				FHLMC	7.500	09/01/2014	270,244
				FHLMC	7.000	12/01/2015	318,406
				FHLMC	6.500	07/01/2016	720,584
				FHLMC	6.000	09/01/2016	1,644,114
				FHLMC	6.000	12/01/2016	684,806
				FHLMC	6.500	02/01/2017	778,515
				FHLMC	6.000	02/01/2017	1,124,244
				FHLMC	5.500	03/01/2017	2,957,389
				FHLMC	5.500	04/01/2017	1,090,295
				FHLMC	6.000	04/01/2017	505,536
				FHLMC	8.500	06/01/2017	11,648
				FHLMC	9.000	05/01/2018	17,732
				FHLMC	9.000	06/01/2018	30,275
				FHLMC	8.500	06/01/2018	18,098
				FHLMC	9.500	07/01/2018	6,268
				FHLMC	10.000	11/01/2018	10,719
				FHLMC	9.000	10/01/2019	6,648
				FHLMC	9.500	11/01/2019	39,849
				FHLMC	6.500	01/01/2020	314,303
				FHLMC	6.500	01/01/2020	671,809
				FHLMC	9.500	04/01/2020	26,700
				FHLMC	9.000	08/01/2020	17,935
				FHLMC	8.500	05/01/2021	18,544
				FHLMC	5.750	05/15/2021	2,350,858
				FHLMC	8.500	06/01/2021	7,548
				FHLMC	9.000	06/01/2021	\$14,956
				FHLMC			
TOTAL SHORT-TERM INVESTMENTS			294,413,621				

PORTFOLIO OF ASSETS, JUNE 30, 2002

US GOVERNMENT SECURITIES				US GOVERNMENT SECURITIES			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
FHLMC	9.000	10/01/2021	\$7,648	FHLMC	7.000	11/01/2030	\$460,313
FHLMC	9.000	11/01/2021	13,005	FHLMC	7.000	11/01/2030	960,158
FHLMC	8.000	04/01/2022	188,139	FHLMC	7.000	02/01/2031	726,218
FHLMC	9.000	05/01/2022	47,232	FHLMC	6.500	03/01/2031	1,995,385
FHLMC	7.500	01/01/2023	86,516	FHLMC	6.000	04/01/2031	695,417
FHLMC	7.000	07/01/2023	359,677	FHLMC	6.000	05/01/2031	941,496
FHLMC	7.000	10/01/2023	498,006	FHLMC	6.500	05/01/2031	873,264
FHLMC	6.500	01/01/2024	596,840	FHLMC	6.500	05/01/2031	3,298,082
FHLMC	6.500	02/01/2024	426,882	FHLMC	6.500	06/01/2031	5,252,477
FHLMC	7.500	05/01/2024	165,756	FHLMC	6.500	08/01/2031	430,600
FHLMC	7.500	07/01/2024	174,925	FHLMC	6.500	09/01/2031	2,044,801
FHLMC	8.000	06/01/2025	193,973	FHLMC	6.500	11/01/2031	1,124,960
FHLMC	7.500	08/01/2025	151,258	FHLMC	7.000	12/01/2031	819,924
FHLMC	7.000	10/01/2025	84,342	FHLMC	6.000	01/01/2032	690,482
FHLMC	8.000	11/01/2025	254,571	FHLMC	6.000	02/01/2032	1,398,052
FHLMC	7.000	01/01/2026	207,226	FHLMC	6.000	02/01/2032	2,961,069
FHLMC	7.500	02/01/2026	427,069	FHLMC	6.000	03/01/2032	1,685,446
FHLMC	6.500	03/01/2026	243,019	FHLMC	7.000	06/01/2032	1,036,750
FHLMC	7.000	03/01/2026	180,480	FHLMC MULTI	6.000	12/15/2028	3,907,217
FHLMC	8.500	10/01/2026	217,945	FHLMC MULTICLASS	5.750	12/15/2016	10,371,400
FHLMC	7.000	01/01/2027	166,174	FINLAND REPUBLIC	5.875	02/27/2006	1,062,410
FHLMC	7.500	04/01/2027	1,024,590	FNMA	7.000	03/01/2004	155,257
FHLMC	8.000	06/01/2027	333,147	FNMA	5.625	05/14/2004	5,238,350
FHLMC	6.500	12/01/2027	455,824	FNMA	10.000	08/01/2004	5,145
FHLMC	8.000	12/01/2027	254,942	FNMA	6.500	08/15/2004	4,591,239
FHLMC	7.000	02/01/2028	753,285	FNMA	9.000	11/01/2004	5,148
FHLMC	6.500	02/01/2028	531,809	FNMA	9.500	01/01/2005	3,810
FHLMC	6.500	03/01/2028	1,212,949	FNMA	5.750	06/15/2005	9,214,257
FHLMC	6.500	03/01/2028	359,228	FNMA	6.000	07/01/2005	451,534
FHLMC	6.500	03/01/2028	827,964	FNMA	9.000	11/01/2005	7,380
FHLMC	7.000	05/01/2028	2,354,337	FNMA	5.500	04/01/2006	166,186
FHLMC	6.000	05/01/2028	584,618	FNMA	8.000	06/01/2006	31,760
FHLMC	6.500	07/01/2028	627,105	FNMA	5.250	06/15/2006	728,322
FHLMC	7.000	08/01/2028	321,519	FNMA	6.500	07/01/2006	224,590
FHLMC	6.000	08/01/2028	1,401,378	FNMA	8.000	11/01/2006	5,341
FHLMC	6.500	09/01/2028	2,905,270	FNMA	7.500	02/01/2007	30,662
FHLMC	7.000	11/01/2028	1,361,353	FNMA	8.000	02/01/2007	18,763
FHLMC	6.500	12/01/2028	629,445	FNMA	8.000	03/01/2007	21,911
FHLMC	6.000	01/01/2029	446,927	FNMA	7.500	05/01/2007	40,471
FHLMC	6.000	01/01/2029	778,574	FNMA	7.500	06/01/2007	42,901
FHLMC	6.000	02/01/2029	1,250,646	FNMA	8.000	08/01/2007	20,128
FHLMC	6.000	02/01/2029	879,741	FNMA	6.500	08/25/2007	2,076,883
FHLMC	6.500	04/01/2029	745,128	FNMA	6.500	09/01/2007	65,045
FHLMC	6.000	04/01/2029	595,007	FNMA	7.000	11/01/2007	101,063
FHLMC	6.000	04/01/2029	479,074	FNMA	7.000	01/01/2008	68,878
FHLMC	6.500	05/01/2029	569,317	FNMA	5.750	02/15/2008	5,271,550
FHLMC	6.000	05/01/2029	780,531	FNMA	6.000	05/15/2008	3,807,053
FHLMC	7.000	06/01/2029	673,632	FNMA	6.500	06/01/2008	195,625
FHLMC	6.500	07/01/2029	513,837	FNMA	7.500	08/01/2008	66,462
FHLMC	7.000	07/01/2029	295,640	FNMA	6.000	12/01/2008	236,406
FHLMC	6.500	07/01/2029	727,978	FNMA	6.500	12/01/2008	200,162
FHLMC	7.000	08/01/2029	567,311	FNMA	6.000	01/01/2009	205,548
FHLMC	7.500	10/01/2029	77,393	FNMA	5.250	01/15/2009	6,741,299
FHLMC	8.000	11/01/2029	164,124	FNMA	6.375	06/15/2009	1,808,714
FHLMC	7.500	12/01/2029	1,063,065	FNMA	6.625	09/15/2009	1,462,618
FHLMC	2.190	12/15/2029	6,389,233	FNMA	5.000	09/23/2010	6,689,811
FHLMC	8.000	02/01/2030	196,279	FNMA	6.625	11/15/2010	5,371,253
FHLMC	7.500	03/01/2030	17,760	FNMA	6.250	02/01/2011	1,148,169
FHLMC	7.500	04/01/2030	240,518	FNMA	7.500	02/01/2011	118,124
FHLMC	8.000	06/01/2030	427,154	FNMA	6.000	05/15/2011	2,221,813
FHLMC	7.500	09/01/2030	509,383	FNMA	6.500	09/01/2011	168,943
FHLMC	7.500	09/01/2030	\$209,734	FNMA	7.000	02/01/2012	\$5,595,114

PORTFOLIO OF ASSETS, JUNE 30, 2002

US GOVERNMENT SECURITIES				US GOVERNMENT SECURITIES			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
FNMA	12.500	04/01/2012	\$9,283	FNMA	8.000	05/01/2025	\$443,423
FNMA	7.500	10/01/2012	309,279	FNMA	8.000	06/01/2025	199,361
FNMA	7.000	01/01/2013	869,950	FNMA	6.500	08/01/2025	1,763,906
FNMA	6.500	03/01/2013	1,536,720	FNMA	7.500	08/01/2025	123,677
FNMA	6.000	03/01/2013	1,173,719	FNMA	8.500	09/01/2025	395,254
FNMA	6.500	03/01/2013	239,679	FNMA	6.000	09/01/2025	974,384
FNMA	6.000	04/01/2013	383,752	FNMA	7.000	02/01/2026	310,530
FNMA	6.500	06/01/2013	284,708	FNMA	6.500	02/01/2026	322,917
FNMA	6.500	08/01/2013	806,761	FNMA	7.500	04/01/2026	1,814,795
FNMA	6.500	09/01/2013	8,562,846	FNMA	7.000	06/01/2026	249,599
FNMA	6.000	11/01/2013	309,851	FNMA	6.500	06/01/2026	210,690
FNMA	12.500	12/01/2013	18,356	FNMA	7.500	12/01/2026	59,833
FNMA	6.000	12/01/2013	287,142	FNMA	7.500	03/01/2027	103,105
FNMA	6.000	02/01/2014	651,343	FNMA	7.500	05/01/2027	196,882
FNMA	5.500	02/01/2014	1,184,751	FNMA	8.000	06/01/2027	147,085
FNMA	6.000	05/01/2014	389,681	FNMA	7.000	08/01/2027	2,370,209
FNMA	5.500	06/01/2014	371,972	FNMA	7.000	09/01/2027	340,528
FNMA	6.000	07/01/2014	338,588	FNMA	7.000	01/01/2028	340,487
FNMA	7.000	04/01/2015	546,613	FNMA	6.500	03/01/2028	1,585,801
FNMA	7.500	04/01/2015	157,206	FNMA	6.500	03/01/2028	1,255,239
FNMA	8.000	06/01/2015	517,610	FNMA	6.500	04/01/2028	958,490
FNMA	6.500	11/01/2015	3,555,863	FNMA	6.000	05/01/2028	334,280
FNMA	6.500	12/01/2015	1,405,669	FNMA	6.500	08/01/2028	597,254
FNMA	7.000	01/01/2016	6,429,451	FNMA	7.000	08/01/2028	495,250
FNMA	7.000	02/01/2016	5,764,016	FNMA	7.000	08/01/2028	254,808
FNMA	6.500	03/01/2016	3,743,686	FNMA	6.500	08/01/2028	484,086
FNMA	6.000	05/01/2016	536,288	FNMA	7.500	09/01/2028	403,694
FNMA	6.000	06/01/2016	7,644,972	FNMA	6.500	09/01/2028	837,431
FNMA	6.500	06/01/2016	6,079,732	FNMA	6.500	10/01/2028	315,360
FNMA	6.000	06/01/2016	6,520,600	FNMA	6.500	10/01/2028	683,308
FNMA	6.000	07/01/2016	1,458,203	FNMA	6.500	10/01/2028	600,869
FNMA	6.500	07/01/2016	623,820	FNMA	6.500	11/01/2028	485,656
FNMA	5.500	09/01/2016	1,060,493	FNMA	6.500	11/01/2028	1,286,634
FNMA	9.500	12/01/2016	14,299	FNMA	6.000	12/01/2028	1,477,214
FNMA	6.000	12/01/2016	24,829,343	FNMA	6.000	12/01/2028	968,935
FNMA	6.000	12/01/2016	2,456,130	FNMA	6.000	03/01/2029	2,378,961
FNMA	5.500	02/01/2017	1,975,824	FNMA	5.500	05/01/2029	217,985
FNMA	5.500	05/01/2017	11,934,374	FNMA	6.250	05/15/2029	1,155,900
FNMA	9.000	06/01/2017	442,253	FNMA	6.500	06/01/2029	667,094
FNMA	9.500	11/01/2017	27,343	FNMA	6.500	06/01/2029	584,657
FNMA	9.500	04/01/2018	16,151	FNMA	6.500	07/01/2029	753,657
FNMA	6.000	05/01/2018	374,125	FNMA	6.500	07/01/2029	830,492
FNMA	9.500	12/01/2018	15,822	FNMA	7.000	08/01/2029	659,878
FNMA	6.000	08/01/2019	76,388	FNMA	6.000	08/01/2029	1,331,748
FNMA	9.500	06/01/2020	5,379	FNMA	6.294	08/01/2029	3,408,948
FNMA	7.000	06/01/2020	611,849	FNMA	7.000	08/01/2029	754,835
FNMA	9.500	07/01/2020	4,468	FNMA	6.500	08/01/2029	670,567
FNMA	9.500	10/01/2020	8,563	FNMA	6.000	08/01/2029	875,915
FNMA	9.500	12/01/2020	8,681	FNMA	7.000	09/01/2029	466,973
FNMA	9.500	02/01/2021	12,374	FNMA	7.500	10/01/2029	1,452,771
FNMA	6.500	09/01/2021	964,496	FNMA	7.500	11/01/2029	251,744
FNMA	7.500	11/01/2022	311,958	FNMA	7.000	01/01/2030	772,493
FNMA	8.000	02/01/2023	278,901	FNMA	7.125	01/15/2030	2,179,501
FNMA	6.500	11/01/2023	397,803	FNMA	7.000	02/01/2030	459,237
FNMA	7.000	12/01/2023	996,903	FNMA	7.000	02/01/2030	404,514
FNMA	6.500	01/01/2024	369,737	FNMA	6.500	04/01/2030	1,558,893
FNMA	7.000	04/01/2024	328,014	FNMA	8.500	04/01/2030	144,248
FNMA	6.000	05/01/2024	504,212	FNMA	8.000	04/01/2030	230,500
FNMA	7.000	06/01/2024	315,196	FNMA	7.500	05/01/2030	137,491
FNMA	7.500	07/01/2024	212,557	FNMA	8.000	05/01/2030	200,907
FNMA	7.500	08/01/2024	105,426	FNMA	7.250	05/15/2030	1,136,940
FNMA	8.000	01/01/2025	\$232,226	FNMA	7.500	06/01/2030	\$731,633

PORTFOLIO OF ASSETS, JUNE 30, 2002

US GOVERNMENT SECURITIES			MATURITY	MARKET	US GOVERNMENT SECURITIES			MATURITY	MARKET
	RATE	DATE	VALUE			RATE	DATE	VALUE	
FNMA	7.000	06/01/2030	\$769,558	GNMA	12.500	09/15/2014	\$179,202		
FNMA	7.500	07/01/2030	335,746	GNMA	11.000	10/15/2015	1,874		
FNMA	8.500	07/01/2030	494,806	GNMA	9.000	05/15/2016	39,151		
FNMA	8.000	08/01/2030	293,759	GNMA	9.000	06/15/2016	8,847		
FNMA	7.500	08/01/2030	198,807	GNMA	9.000	07/15/2016	38,112		
FNMA	7.500	09/01/2030	201,083	GNMA	9.500	08/15/2016	18,210		
FNMA	8.000	09/01/2030	78,757	GNMA	9.500	10/15/2016	30,307		
FNMA	7.500	10/01/2030	381,172	GNMA	10.000	10/15/2016	5,915		
FNMA	9.000	10/01/2030	229,894	GNMA	8.500	01/15/2017	8,913		
FNMA	8.000	11/01/2030	423,584	GNMA	8.000	03/15/2017	96,788		
FNMA	7.000	11/01/2030	492,178	GNMA	7.500	03/15/2017	130,372		
FNMA	6.625	11/15/2030	1,372,358	GNMA	8.000	03/15/2017	49,671		
FNMA	8.000	01/01/2031	259,564	GNMA	8.000	04/15/2017	5,392		
FNMA	7.000	02/01/2031	1,046,046	GNMA	9.500	07/15/2017	12,020		
FNMA	7.000	04/01/2031	1,339,062	GNMA	9.500	07/15/2017	17,422		
FNMA	6.000	05/01/2031	1,114,336	GNMA	8.500	07/15/2017	39,437		
FNMA	6.500	05/01/2031	864,810	GNMA	10.000	08/15/2017	34,321		
FNMA	6.500	05/01/2031	1,540,175	GNMA	8.500	08/15/2017	82,081		
FNMA	6.500	06/01/2031	2,906,243	GNMA	10.500	12/15/2017	33,522		
FNMA	6.000	08/01/2031	11,497,986	GNMA	9.000	12/15/2017	612,323		
FNMA	6.500	08/01/2031	1,738,588	GNMA	10.000	08/15/2018	15,939		
FNMA	7.000	10/01/2031	16,579,939	GNMA	10.000	11/15/2018	6,760		
FNMA	6.500	10/01/2031	1,613,744	GNMA	9.500	04/15/2019	175,114		
FNMA	7.000	11/01/2031	849,054	GNMA	10.500	07/15/2019	8,759		
FNMA	6.500	11/01/2031	1,213,596	GNMA	10.000	07/15/2019	17,002		
FNMA	7.000	11/01/2031	868,719	GNMA	9.500	08/15/2019	19,265		
FNMA	6.500	12/01/2031	17,780,884	GNMA	9.000	10/15/2019	12,151		
FNMA	6.000	01/01/2032	2,162,846	GNMA	9.500	01/15/2020	19,450		
FNMA	6.000	02/01/2032	2,470,320	GNMA	9.000	02/15/2020	27,761		
FNMA	6.500	02/01/2032	1,688,976	GNMA	9.000	05/15/2020	9,847		
FNMA	7.000	02/01/2032	1,255,512	GNMA	10.000	05/15/2020	18,644		
FNMA	6.000	02/01/2032	12,469,592	GNMA	9.500	06/15/2020	8,172		
FNMA	7.500	03/01/2032	6,405,996	GNMA	9.500	07/15/2020	16,326		
FNMA	6.000	03/01/2032	1,285,816	GNMA	9.500	07/15/2020	12,231		
FNMA	5.500	03/01/2032	1,567,032	GNMA	10.000	11/15/2020	23,500		
FNMA	6.000	04/01/2032	16,913	GNMA	10.000	12/15/2020	17,310		
FNMA	6.500	04/01/2032	13,761,065	GNMA	9.000	03/15/2021	7,265		
FNMA	6.500	04/01/2032	5,505,377	GNMA	9.000	03/15/2021	20,754		
FNMA	6.000	04/01/2032	991,930	GNMA	9.000	08/15/2021	28,311		
FNMA	6.500	05/01/2032	1,531,995	GNMA	8.500	10/15/2021	46,779		
FNMA	4.187	09/01/2040	4,792,423	GNMA	8.000	12/15/2021	87,338		
FNR	6.500	07/25/2023	4,525,190	GNMA	8.000	04/15/2022	6,742		
FNR	6.000	11/25/2028	3,522,853	GNMA	7.000	11/15/2022	117,396		
FREDDIE MAC	5.100	08/02/2004	36,392,166	GNMA	7.500	01/15/2023	111,092		
GNMA	7.500	02/15/2007	12,371	GNMA	7.500	02/15/2023	193,630		
GNMA	7.500	03/15/2007	112,525	GNMA	7.500	05/15/2023	146,977		
GNMA	7.500	03/15/2008	468,699	GNMA	7.500	06/15/2023	190,203		
GNMA	8.000	03/15/2008	62,440	GNMA	7.000	09/15/2023	331,954		
GNMA	7.000	03/15/2008	91,020	GNMA	7.500	10/15/2023	218,277		
GNMA	8.000	04/15/2008	93,741	GNMA	7.500	10/15/2023	262,218		
GNMA	8.500	07/15/2008	21,742	GNMA	7.000	11/15/2023	714,401		
GNMA	8.500	08/15/2008	51,007	GNMA	6.500	11/15/2023	402,194		
GNMA	9.000	09/15/2008	24,337	GNMA	8.000	12/15/2023	1,238,687		
GNMA	9.000	11/15/2008	37,486	GNMA	7.500	12/15/2023	491,433		
GNMA	9.000	04/15/2009	10,898	GNMA	6.500	01/15/2024	445,040		
GNMA	9.000	10/15/2010	4,718	GNMA	7.000	05/15/2024	353,772		
GNMA	7.000	07/15/2011	132,669	GNMA	7.000	06/15/2024	1,864,983		
GNMA	6.500	05/15/2013	595,597	GNMA	8.000	10/15/2024	195,112		
GNMA	13.000	09/15/2013	131,995	GNMA	6.500	10/15/2024	565,322		
GNMA	10.500	12/15/2013	22,962	GNMA	8.500	12/15/2024	35,850		
GNMA	13.000	06/15/2014	10,214	GNMA	7.500	09/15/2025	160,362		
GNMA	6.000	08/15/2014	\$382,367	GNMA	7.500	10/15/2025	\$212,813		

PORTFOLIO OF ASSETS, JUNE 30, 2002

US GOVERNMENT SECURITIES				US GOVERNMENT SECURITIES			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
GNMA	8.000	11/15/2025	\$226,368	GNMA	8.000	10/15/2029	\$615,887
GNMA	7.500	12/15/2025	145,875	GNMA	7.500	10/15/2029	403,542
GNMA	2.390	12/16/2025	1,623,517	GNMA	7.500	11/15/2029	365,188
GNMA	7.000	03/15/2026	1,912,898	GNMA	8.500	04/15/2030	1,941,867
GNMA	7.000	03/15/2026	1,928,857	GNMA	0.000	04/20/2030	6,737,942
GNMA	7.000	04/15/2026	721,923	GNMA	8.000	05/15/2030	4,786
GNMA	7.000	04/15/2026	91,350	GNMA	8.000	05/15/2030	139,932
GNMA	6.500	07/15/2026	709,706	GNMA	8.000	06/15/2030	602,912
GNMA	8.500	10/15/2026	236,849	GNMA	8.500	07/15/2030	236,060
GNMA	7.000	10/15/2026	1,859,471	GNMA	0.000	07/20/2030	2,691,205
GNMA	7.000	12/15/2026	3,232,106	GNMA	7.500	10/15/2030	491,696
GNMA	8.000	02/15/2027	146,708	GNMA	7.500	11/15/2030	521,518
GNMA	8.500	03/15/2027	82,781	GNMA	7.000	12/15/2030	582,853
GNMA	0.000	04/20/2027	429,702	GNMA	7.000	12/15/2030	1,478,551
GNMA	8.500	08/15/2027	41,990	GNMA	7.000	01/15/2031	3,738,797
GNMA	7.000	11/15/2027	301,137	GNMA	7.000	02/15/2031	3,394,869
GNMA	7.000	12/15/2027	2,157,591	GNMA	7.500	02/15/2031	1,244,320
GNMA	7.000	01/15/2028	292,027	GNMA	7.000	02/15/2031	5,524,854
GNMA	7.000	01/15/2028	648,220	GNMA	6.500	03/15/2031	9,247,703
GNMA	6.500	03/15/2028	6,213,738	GNMA	6.500	03/15/2031	1,131,713
GNMA	7.000	04/15/2028	1,632,168	GNMA	6.500	04/15/2031	1,153,250
GNMA	7.000	05/15/2028	593,777	GNMA	7.000	04/15/2031	5,078,835
GNMA	8.000	05/15/2028	4,471,061	GNMA	6.500	06/15/2031	7,997,711
GNMA	7.000	06/15/2028	999,636	GNMA	6.500	06/15/2031	9,458,893
GNMA	6.500	06/15/2028	1,177,404	GNMA	6.500	07/15/2031	1,486,153
GNMA	6.500	06/15/2028	1,882,887	GNMA	7.000	07/15/2031	3
GNMA	6.500	06/15/2028	617,514	GNMA	6.000	07/15/2031	1,194,404
GNMA	7.500	07/15/2028	305,127	GNMA	7.000	07/15/2031	1,452,882
GNMA	6.500	07/15/2028	19,365,619	GNMA	7.000	08/15/2031	8,145,128
GNMA	6.500	07/15/2028	4,419,921	GNMA	6.500	11/15/2031	19,558,115
GNMA	7.000	08/15/2028	1,018,962	GNMA	6.500	11/15/2031	1,627,212
GNMA	6.500	08/15/2028	754,619	GNMA	6.500	12/15/2031	6,572,382
GNMA	7.000	09/15/2028	4,237,052	GNMA	7.000	12/15/2031	4,611,332
GNMA	6.500	10/15/2028	26,450,702	GNMA	6.000	02/15/2032	1,483,638
GNMA	6.000	10/15/2028	374,657	GNMA	6.500	05/15/2032	1,022,711
GNMA	6.000	11/15/2028	689,512	GNMA REMIC	7.000	01/16/2030	4,864,702
GNMA	7.500	11/15/2028	211,310	TENNESSEE VALLEY AUTH	6.375	06/15/2005	2,152,080
GNMA	6.500	12/15/2028	652,314	U S TREASURY	4.375	05/15/2007	63,399,925
GNMA	6.000	01/15/2029	389,475	U S TREASURY BILL		08/15/2002	1,965,962
GNMA	6.500	01/15/2029	5,187,548	U S TREASURY BILL		09/19/2002	348,660
GNMA	6.000	02/15/2029	846,640	UNITED STATES TR BD	11.125	08/15/2003	11,542,335
GNMA	6.500	02/15/2029	2,721,845	UNITED STATES TR BD	12.375	05/15/2004	3,521,820
GNMA	7.000	02/15/2029	6,880,521	UNITED STATES TR BD	10.750	08/15/2005	6,064,050
GNMA	6.000	02/15/2029	312,142	UNITED STATES TR BD	9.375	02/15/2006	3,098,160
GNMA	6.500	02/15/2029	661,315	UNITED STATES TR BD	10.375	11/15/2009	5,505,415
GNMA	6.500	03/15/2029	3,044,873	UNITED STATES TR BD	11.750	02/15/2010	2,597,458
GNMA	6.500	03/15/2029	3,079,226	UNITED STATES TR BD	12.750	11/15/2010	9,630,675
GNMA	6.500	04/15/2029	4,387,261	UNITED STATES TR BD	10.375	11/15/2012	5,783,355
GNMA	5.500	04/15/2029	314,289	UNITED STATES TR BD	12.000	08/15/2013	1,397,990
GNMA	6.000	04/15/2029	155,041	UNITED STATES TR BD	9.250	02/15/2016	2,334,899
GNMA	6.500	04/15/2029	358,211	UNITED STATES TR BD	7.500	11/15/2016	5,354,463
GNMA	6.500	05/15/2029	403,706	UNITED STATES TR BD	8.750	05/15/2017	4,802,580
GNMA	6.500	05/15/2029	7,321,507	UNITED STATES TR BD	8.875	08/15/2017	5,126,504
GNMA	6.500	07/15/2029	324,755	UNITED STATES TR BD	8.125	08/15/2019	4,169,004
GNMA	7.000	07/15/2029	752,776	UNITED STATES TR BD	8.125	08/15/2021	9,501,466
GNMA	7.500	07/15/2029	145,147	UNITED STATES TR BD	7.125	02/15/2023	823,718
GNMA	6.500	07/15/2029	276,073	UNITED STATES TR BD	6.250	08/15/2023	7,366,485
GNMA	7.000	08/15/2029	7,517,670	UNITED STATES TR BD	6.000	02/15/2026	9,051,219
GNMA	7.000	08/15/2029	476,617	UNITED STATES TR BD	6.500	11/15/2026	3,927,081
GNMA	7.500	08/15/2029	193,145	UNITED STATES TR BD	6.625	02/15/2027	505,373
GNMA	7.000	09/15/2029	471,618	UNITED STATES TR BD	6.375	08/15/2027	3,338,032
GNMA	7.500	10/15/2029	\$338,267	UNITED STATES TR BD	5.500	08/15/2028	\$1,265,862

PORTFOLIO OF ASSETS, JUNE 30, 2002

US GOVERNMENT SECURITIES				US CORPORATE BONDS			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
UNITED STATES TR BD	5.250	11/15/2028	\$752,296	AT & T CORP	8.000	11/15/2031	\$2,747,500
UNITED STATES TR BD	4.238	04/15/2029	15,738,795	AT&T WIRELESS SVCS	7.875	03/01/2011	731,142
UNITED STATES TR BD	6.125	08/15/2029	1,062,300	AT&T WIRELESS SVCS	8.125	05/01/2012	1,198,694
UNITED STATES TR BD	3.417	04/15/2032	13,600,671	B F GOODRICH	7.000	04/15/2038	622,830
UNITED STATES TR NT	4.070	07/15/2002	1,460,020	BANC ONE CORP	7.625	10/15/2026	509,059
UNITED STATES TR NT	2.750	10/31/2003	5,309,652	BANESTO FIN LTD	7.500	03/25/2007	1,049,350
UNITED STATES TR NT	4.750	02/15/2004	931,347	BANK AMERICA CORP	7.400	01/15/2011	7,666,414
UNITED STATES TR NT	3.000	02/29/2004	5,031,650	BANK ONE CORP	6.875	08/01/2006	5,511,590
UNITED STATES TR NT	7.250	05/15/2004	6,487,440	BANK ONE CORP	6.000	08/01/2008	5,926,939
UNITED STATES TR NT	6.000	08/15/2004	924,349	BANK ONE CORP	7.875	08/01/2010	9,818,535
UNITED STATES TR NT	7.875	11/15/2004	775,803	BANKBOSTON HM EQUITY	6.420	01/25/2021	6,357,595
UNITED STATES TR NT	6.750	05/15/2005	3,274,140	BCH CAYMAN ISLANDS	7.700	07/15/2006	435,844
UNITED STATES TR NT	6.875	05/15/2006	5,328,096	BE AEROSPACE	8.000	03/01/2008	1,840,000
UNITED STATES TR NT	6.500	10/15/2006	1,650,585	BEAR STEARNS ARM	8.090	02/25/2031	1,519,407
UNITED STATES TR NT	6.625	05/15/2007	1,278,570	BEAR STEARNS ARM	6.548	10/25/2031	7,744,114
UNITED STATES TR NT	6.125	08/15/2007	5,260,601	BEAR STEARNS ARM	6.282	01/25/2032	3,715,291
UNITED STATES TR NT	5.500	02/15/2008	1,275,504	BEAR STEARNS ARM	6.746	12/25/2040	2,926,722
UNITED STATES TR NT	3.616	01/15/2011	4,595,097	BEAR STEARNS CO	6.500	05/01/2006	5,275,920
UNITED STATES TR NT	5.000	02/15/2011	915,201	BEAR STEARNS COM MTG	6.730	05/20/2030	750,532
UNITED STATES TR NT	5.000	08/15/2011	31,253,128	BEAR STEARNS COM MTG	7.000	05/20/2030	3,013,092
UNITED STATES TR NT	4.875	02/15/2012	331,238	BEAR STEARNS COM MTG	7.000	05/20/2030	3,009,915
IBRD	8.625	10/15/2016	1,280,270	BEAR STEARNS COM MTG	7.080	07/15/2031	1,749,568
RESOL FUNDING CORP	8.125	10/15/2019	4,342,534	BELLSOUTH CORP	6.000	10/15/2011	6,267,450
RESOL FUNDING CORP	9.375	10/15/2020	836,778	BELLSOUTH TELECOM	7.000	10/01/2025	507,430
SLM STUDENT LOAN TR	2.050	04/25/2011	6,772,228	BELLSOUTH TELECOM	7.500	06/15/2033	506,730
SMALL BUSINESS ADM	7.200	10/01/2019	8,098,100	BHP FINANCE (USA) LTD	6.750	11/01/2013	833,688
SMALL BUSINESS ADM	7.190	12/01/2019	2,147,642	BOEING CAPITAL	7.100	09/27/2005	2,164,052
SMALL BUSINESS INVEST	7.540	08/10/2009	6,132,583	BOEING CORP	8.625	11/15/2031	382,890
				BOYD GAMING CORP	9.250	10/01/2003	1,022,500
PENDING US GOVERNMENT TRADES			<u>68,514,604</u>	BRITISH SKY BROADCASTING	6.875	02/23/2009	919,874
				BRITISH TELECOM	3.182	12/15/2003	2,003,784
TOTAL US GOVERNMENT SECURITIES			1,216,323,627	BRITISH TELECOM	8.125	12/15/2010	1,305,888
				BRITISH TELECOM	8.875	12/15/2030	750,106
				BRUNSWICK CORP	7.125	08/01/2027	346,220
				BURLINGTON NORTHERN SANTA	6.125	03/15/2009	1,167,526
				CALENERGY CO INC	7.630	10/15/2007	10,231,764
				CALPINE CORP	8.500	02/15/2011	6,030,000
				CANADA-GOV'T	5.250	11/05/2008	725,907
				CAPITAL AUTO REC	3.820	09/15/2005	6,083,886
				CASE CORP SER	7.250	08/01/2005	353,848
				CASE CORP SER	6.250	12/01/2003	488,042
				CASB CREDIT	6.125	02/15/2003	1,109,252
				CATERPILLAR FIN SERV	5.950	05/01/2006	6,284,838
				CATERPILLAR TRACTOR	8.000	02/15/2023	348,054
				CCCIT	4.100	12/07/2006	6,071,436
				CFAB	5.053	02/25/2023	6,544,323
				CHARMING SHOPPES MST TR	2.290	08/15/2008	1,005,184
				CHARTER COMM HLDGS	8.625	04/01/2009	5,025,000
				CHASE MANHATTAN	7.500	10/25/2030	1,177,515
				CHASE MANHATTAN AUTO OT	4.210	01/15/2009	7,021,700
				CHASE MTG	6.100	02/25/2029	3,564,138
				CHASE MTG	7.750	04/25/2030	3,668,269
				CHEMICAL BANK NY	6.700	08/15/2008	531,985
				CHESAPEAKE ENERGY CORP	8.125	04/01/2011	786,000
				CHICAGO ILL HOUSING AUTH	5.375	07/01/2018	2,143,134
				CHICAGO ILL WASTEWATER TRAI	5.375	01/01/2017	2,668,040
				CHRYSLER CORP	7.450	03/01/2027	390,264
				CIT GROUP HLDGS NTS	7.750	04/02/2012	8,302,657
				CIT GROUP INC	7.500	11/14/2003	1,986,240
				CITIGROUP CAP II	7.750	12/01/2036	208,670
				CITIGROUP INC	5.700	02/06/2004	934,083
				CITIGROUP INC	7.250	10/01/2010	\$1,295,916

PORTFOLIO OF ASSETS, JUNE 30, 2002

US CORPORATE BONDS			MATURITY	MARKET	US CORPORATE BONDS			MATURITY	MARKET
	RATE	DATE	VALUE			DATE	VALUE		VALUE
CITIZENS COMM	8.500	05/15/2006	\$6,290,414	FLEET FINANCIAL GROUP	6.375	05/15/2008	\$1,030,430		
CHASE COML MTG	7.631	07/15/2032	1,545,583	FORD CREDIT AUTO	6.620	07/15/2004	3,071,730		
STRUCTURED AST SECS CORP MT	2.100	09/25/2030	1,646,576	FORD MTR CO	6.625	02/15/2028	336,644		
COASTAL CORP	2.513	07/21/2003	2,505,825	FORD MTR CO	6.625	10/01/2028	1,134,554		
COASTAL CORP	6.500	06/01/2008	1,292,166	FORD MTR CO	7.450	07/16/2031	14,055,790		
COASTAL CORP	7.750	06/15/2010	1,583,608	FORD MTR CR CO	7.500	01/15/2003	5,513,994		
COASTAL CORP	6.950	06/01/2028	4,056,764	FORD MTR CR CO	5.750	02/23/2004	2,540,250		
COCA COLA BTLG CO	6.375	05/01/2009	1,002,620	FORD MTR CR CO	7.875	06/15/2010	1,154,142		
COCA COLA ENTERP	8.500	02/01/2012	1,194,250	FRANCE TELECOM	7.700	03/01/2006	1,909,180		
COM	9.125	09/01/2007	1,923,750	FRANCE TELECOM	8.250	03/01/2011	3,013,157		
COMCAST CABLE COMM	6.200	11/15/2008	654,540	FRANCE TELECOM	9.000	03/01/2031	4,864,849		
COMMONWEALTH EDISON	6.400	10/15/2005	1,941,113	GCB SPRINT CAPITAL	6.875	11/15/2028	651,850		
CONOCO	2.750	10/15/2002	4,506,350	GCB SPRINT CAPITAL	5.875	05/01/2004	4,331,240		
CONTINENTAL AIRLS PSS	6.703	06/15/2021	526,592	GCB SPRINT CAPITAL	7.625	01/30/2011	1,193,448		
CORP ANDINA DE	7.250	03/01/2007	1,047,620	GCB SPRINT CAPITAL	8.375	03/15/2012	2,319,674		
COUNTRYWIDE FDG	6.280	01/15/2003	1,225,404	GE CAPITAL MTG	6.500	04/25/2024	4,953,800		
COUNTRYWIDE FDG	5.500	08/01/2006	6,133,104	GE CAPITAL MTG SRV	7.500	07/25/2026	1,523,251		
COUNTRYWIDE FDG	5.500	02/01/2007	1,672,539	GE GLOBAL INS	7.000	02/15/2026	500,925		
COX COMM INC	6.875	06/15/2005	343,081	GENERAL ELEC CAP CORP	7.000	02/03/2003	3,597,300		
CREDIT SUISSE FB USA INC	5.875	08/01/2006	6,219,372	GENERAL ELEC CAP CORP	6.125	02/22/2011	1,009,910		
CREDIT SUISSE FB USA INC	6.500	01/15/2012	2,519,595	GENERAL ELEC CAP CORP	6.750	03/15/2032	1,003,740		
CSC HOLDINGS	7.250	07/15/2008	2,565,994	GENERAL ELEC CAP CORP	6.000	06/15/2012	6,469,171		
CSC HOLDINGS	8.125	07/15/2009	1,818,287	GENERAL MILLS	6.000	02/15/2012	1,006,820		
CSX CORP	7.450	05/01/2007	1,096,750	GENERAL MTRS ACCEP	6.625	10/01/2002	1,311,349		
CYPRUS AMAX INC	7.375	05/15/2007	797,804	GENERAL MTRS CORP	6.750	05/01/2028	1,072,824		
DAIMLER CHRYSLER AUTO TR	7.630	06/08/2005	3,169,500	GENERAL MTRS CORP	7.200	01/15/2011	8,289,980		
DAIMLER CHRYSLER AUTO TR	4.490	10/06/2008	6,628,037	GEORGIA PACIFIC CORP	7.375	12/01/2025	9,347,521		
DAIMLERCHRYSLER NA	7.200	09/01/2009	3,761,964	GILLETTE CO	4.000	06/30/2005	2,012,200		
DAIMLERCHRYSLER NA	8.500	01/18/2031	1,437,192	GMAC	5.850	01/14/2009	2,081,437		
DAYTON HUDSON	6.750	01/01/2028	598,566	GMAC	7.750	01/19/2010	1,383,330		
DELTA AIR LINES	7.700	12/15/2005	2,060,799	GMAC	8.000	11/01/2031	3,988,725		
DEUTSCHE TELEKOM	8.500	06/15/2010	2,164,369	GMAC MORTGAGE CORP	2.129	06/18/2027	1,980,707		
DEVON ENERGY	6.875	09/30/2011	1,349,296	GMACC	6.700	05/15/2030	1,781,195		
DISCOVER CARD MAST TR	5.850	01/15/2006	621,036	GMACM MORTGAGE LOAN	7.000	08/25/2029	807,921		
DISCOVER CARD MAST TR	6.850	07/17/2007	1,395,095	GMACM MORTGAGE LOAN	7.183	11/25/2030	1,158,076		
DLJ COMM MORTGAGE	6.240	11/12/2031	1,576,500	GOLDMAN SACHS GROUP	7.350	10/01/2009	449,698		
DOLE FOOD CO INC	7.000	05/15/2003	511,770	GOLDMAN SACHS GROUP	6.875	01/15/2011	5,183,715		
DOMINION RES	8.125	06/15/2010	782,418	GOODYEAR TIRE & RUBR	7.857	08/15/2011	1,014,416		
DU PONT E I DE NEMO	8.250	09/15/2006	228,462	GREEN TREE ACCEPT	6.680	06/15/2029	932,599		
DU PONT E I DE NEMO	6.875	10/15/2009	5,297,732	GS MORT SECURITIES	6.044	08/15/2018	2,578,074		
DUKE POWER CO	7.000	07/01/2033	239,778	GS MORT SECURITIES	6.526	08/15/2011	1,602,306		
DYNGBY INC	8.750	02/15/2012	1,043,000	GTE CORP	6.940	04/15/2028	1,025,100		
EAST COAST POWER	6.737	03/31/2008	2,466,194	GTE FLORIDA INC	6.860	02/01/2028	2,763,600		
EASTMAN CHEMICAL	6.375	01/15/2004	2,073,340	HANSON OVERSEAS BVF	6.750	09/15/2005	1,159,840		
EL PASO ENERGY CORP	8.050	10/15/2030	5,484,202	HARTFORD LIFE	7.650	06/15/2027	325,845		
ELI LILLY CO	7.125	06/01/2025	1,083,950	HCA-HEALTHCARE CO	3.379	09/19/2002	2,200,735		
BMC MORTGAGE LOAN TRUST	2.210	08/25/2031	6,097,601	HELLENIC REPUBLIC	6.950	03/04/2008	771,736		
EMERSON ELECTRIC	5.850	03/15/2009	718,368	HELLER FINAL	6.847	05/15/2031	1,944,702		
EOP OPERATING LP	7.000	07/15/2011	624,600	HELLER FINAL	7.715	01/15/2034	969,240		
EVERST REINSURANCE HLDGS	8.500	03/15/2005	3,279,594	HERSHEY FOODS	6.950	08/15/2012	5,515,555		
FEDERATED DEPT STORE	7.450	07/15/2017	1,239,401	HMH PROPERTIES	7.875	08/01/2008	3,333,750		
FFCA SECURED LEND CORP	7.130	05/15/2026	3,407,320	HONEYWELL	6.875	10/03/2005	2,695,375		
FFCA SECURED LEND CORP	7.850	05/15/2026	942,993	HOUSEHOLD FINANCE	5.875	09/25/2004	1,021,510		
FHLMC	6.000	11/01/2016	1,424,825	HOUSEHOLD FINANCE	8.000	07/15/2010	10,562,210		
FHLMC	7.000	07/15/2005	2,777,465	HOUSEHOLD FINANCE	6.750	05/15/2011	5,905,338		
FICO-FINANCING CORP BD	10.350	08/03/2018	1,454,800	HOUSEHOLD FINANCE	7.625	05/17/2032	1,069,090		
FINOVA GROUP INC	7.500	11/15/2009	128,700	HOUSTON TX AIRPORT	5.700	07/01/2028	1,030,450		
FIRST BOSTON MTG	6.750	09/25/2003	870,312	HPSC EQUIPMENT	2.200	11/22/2007	2,283,010		
FIRST ENERGY CORP	7.375	11/15/2031	849,159	HYDRO QUEBEC	9.500	11/15/2030	384,937		
FIRST UN CORP	6.300	04/15/2028	527,005	INTER AMBR DEV BK	5.750	02/26/2008	795,128		
FIRST UNION NATL	7.800	08/18/2010	5,596,495	ICELAND REP	6.125	02/01/2004	1,041,980		
FLEET BOSTON CORP	7.375	12/01/2009	\$3,412,504	IMC GLOBAL INC	7.625	11/01/2005	\$6,419,057		

PORTFOLIO OF ASSETS, JUNE 30, 2002

Maturity			Market	Maturity			Market
US CORPORATE BONDS	RATE	DATE	VALUE	US CORPORATE BONDS	RATE	DATE	VALUE
IMC HOME EQUITY LOAN TRUST	7.670	05/20/2027	\$4,481,772	PEMEX MASTER	7.875	02/01/2009	\$5,236,875
INTL BUS MACH	8.375	11/01/2019	607,199	PHILIPPINE LONG DISTANCE	11.375	05/15/2012	1,612,100
INTL BUS MACH	5.375	02/01/2009	3,978,252	PHILLIP MORRIS	8.250	10/15/2003	530,560
ISRAEL ELECTRIC CORP LTD	7.750	12/15/2027	1,579,152	PHILLIP MORRIS	7.500	04/01/2004	424,680
JP MORGAN CHASE & CO	5.625	08/15/2006	3,312,575	PHILLIPS PETE CO	8.750	05/25/2010	225,036
JP MORGAN COMM MORTG FIN	7.371	08/15/2032	1,108,110	PHILLIPS PETE CO	6.650	07/15/2018	1,310,192
JUPITERS LIMITED	8.500	03/01/2006	1,734,000	POTOMAC ELEC PWR CO	6.875	09/01/2023	958,870
K & F INDUSTRIES	9.250	10/15/2007	910,000	PP&L TRASITION	7.150	06/25/2009	1,108,760
KB HOMES	9.500	02/15/2011	616,500	PROCTER & GAMBLE CO	8.500	08/10/2009	518,929
KELLOGG CO	7.450	04/01/2031	518,824	PRUDENTIAL HOME MORT	7.000	01/25/2008	4,387,192
KEYCORP INSTIT CAPITAL	7.826	12/01/2026	400,228	PRUDENTIAL HOME MORT	7.250	10/25/2023	2,511,609
KFW INTL FINANCE INC	5.250	06/28/2006	1,042,690	PSEG POWER NTS	7.750	04/15/2011	7,926,165
KFW INTL FINANCE INC	4.250	04/18/2005	7,014,968	PUBLIC SERVICE CO	7.125	06/01/2006	731,549
KINGDOM OF SPAIN	7.000	07/19/2005	1,667,588	QWEST CORP	8.875	03/15/2012	445,000
KORBA DEVELOPMENT BANK	7.250	05/15/2006	1,083,350	QUEENSLAND TREASURY CORP	6.000	06/14/2011	6,914,353
KOREA DEVELOPMENT BANK	7.375	09/17/2004	1,501,150	QWEST CAPITAL FUNDING	5.875	08/03/2004	6,890,000
KROGER CO	7.000	05/01/2018	101,232	QWEST CAPITAL FUNDING	7.000	08/03/2009	277,500
KROGER CO	7.250	06/01/2009	745,836	QWEST CAPITAL FUNDING	7.250	02/15/2011	1,677,200
L-3 COMMUNICATIONS	8.000	08/01/2008	515,000	QWEST COMM INTL INC	7.500	11/01/2008	390,225
L-3 COMMUNICATIONS	7.625	06/15/2012	2,205,500	RADIO ONE INC	8.875	07/01/2011	997,500
LANDESBANK BADEN-WURT	7.875	04/15/2004	1,080,080	RAYTHEON CO	6.750	08/15/2007	1,268,256
LASMO INC	7.500	06/30/2006	1,097,320	RAYTHEON CO	8.200	03/01/2006	11,027,610
LBCMT	7.325	10/15/2032	1,215,676	RELIANCE ELECTRIC CO	6.800	04/15/2003	1,335,243
LEAR CORP	7.960	05/15/2005	1,030,883	RESDNTL FDG MTG	7.500	12/25/2030	2,804,204
LEHMAN BROS HLDGS	6.625	02/05/2006	10,517,000	RESID ACCREDIT LOANS	7.250	02/25/2031	8,448,400
LEHMAN BROS HLDGS	8.500	05/01/2007	1,363,896	RESIDENTIAL ACCREDIT LOANS	7.250	09/25/2027	4,188,895
LEVI STRAUSS & CO	6.800	11/01/2003	647,500	ROHM & HAAS CO	7.400	07/15/2009	544,925
LOCKHEED MARTIN	7.250	05/15/2006	544,705	ROYAL CARIBBEAM CRUISES	8.250	04/01/2005	3,325,000
LYONDELL CHEMICAL	10.875	05/01/2009	5,768,750	SACO I INC	2.270	09/25/2040	477,854
MAY DEPT STORES	9.875	12/01/2002	525,351	SAFECO CAP TRUST I	8.072	07/15/2037	13,924,194
MAY DEPT STORES	8.375	10/01/2022	1,045,350	SAFeway INC	6.050	11/15/2003	2,070,140
MBNA	5.900	08/15/2011	733,397	SALOMON SMITH BARNEY	7.375	05/15/2007	823,725
MERISTAR HOSPITALITY CORP	9.000	01/15/2008	382,000	SARA LEE CORP	6.250	09/15/2011	6,637,120
MERITA BANK LTD	6.500	01/15/2006	1,594,065	SAXON ASSET	2.070	06/25/2014	85,415
MERRILL LYNCH	7.000	04/27/2008	1,083,830	SAXON ASSET	2.210	08/25/2029	285,274
MERRILL LYNCH CR	2.220	12/15/2024	1,636,472	SBC COMM	6.250	03/15/2011	5,323,677
METLIFE INC	6.125	12/01/2011	5,101,740	SCANA CORP	6.875	05/15/2011	5,360,890
MIRANT AMERICAS GENER	7.625	05/01/2006	810,000	SEARS	6.200	07/16/2007	1,107,838
MÓBIL CORP	7.625	02/23/2033	1,040,000	SEARS ROEBUCK	7.000	02/01/2011	2,085,520
MOHEGAN TRIBAL GAMING	8.125	01/01/2006	913,500	SECURITY PACIFIC NATL BK	6.331	03/25/2021	287,426
MORGAN STANLEY CAPITAL I	6.250	03/15/2030	2,457,117	SEQUA CORP	9.000	08/01/2009	703,500
MORGAN STANLY GROUP	7.750	06/15/2005	2,181,840	SERVICE CORP INTL	6.000	12/15/2005	1,994,700
MORGAN STANLY GROUP	6.875	03/01/2007	6,383,040	SHERWIN-WILLIAMS CO	6.850	02/01/2007	1,068,560
MOUNTAIN STS TEL&TE	6.000	08/01/2007	669,900	SIMON DEBARTOLO	6.875	11/15/2006	735,637
NATIONSBANK CAP TRUST	8.250	04/15/2027	1,699,179	SMALL BUSINESS ADM	6.440	02/01/2021	5,552,736
NATL CITY BANK	7.250	10/21/2011	2,743,400	SMHLG	2.142	06/15/2026	764,684
NATL RURAL UTILITIES	7.250	03/01/2012	2,340,496	SONAT INC	6.750	10/01/2007	782,344
NATL RURAL UTILITIES	5.750	12/01/2008	1,490,370	SOUTHERN CALIF GAS	6.875	11/01/2025	712,838
NAVISTAR INTL CORP	9.375	06/01/2006	2,163,000	SOUTHERN NE TEL MIN	6.125	12/15/2003	1,148,444
NEW ENGLAND TEL & T	6.300	12/16/2012	764,610	SOUTHLAND	4.500	06/15/2004	4,411,875
NEWS AMER HLDGS	7.750	01/20/2024	948,030	SPIEKER PROPERTIES	7.125	07/01/2009	869,426
NIAGARA MOHAWK	8.000	06/01/2004	651,654	STATION CASINOS INC	8.875	12/01/2008	1,421,000
NISSAN AUTO RECEIVABLES	3.990	12/15/2005	4,066,780	SUMITOMO BANK INTL FIN NV	8.500	06/15/2009	1,302,864
NORFOLK & SOUTHERN CORP	7.350	05/15/2007	1,643,175	SUN MICROSYSTEMS	7.350	08/15/2004	262,220
NORSK HYDRO A/S	7.250	09/23/2027	600,944	SUNAMERICA INC	6.750	10/01/2007	1,081,370
NORTWEST AIRLINES INC	8.875	06/01/2006	900,000	T C I COMM INC	8.750	08/01/2015	399,088
OCCIDENTAL PETROLEUM	7.375	11/15/2008	876,480	TEEKAY SHIPPING	8.875	07/15/2011	728,000
OFFSHORE LOGISTICS INC	7.875	01/15/2008	480,000	TEMBEC INDUSTRIES INC	7.750	03/15/2012	992,500
PACIFIC TEL & TEL	7.125	03/15/2026	308,853	TENNESSEE GAS PIPE	7.000	10/15/2028	373,795
PARK PLACE ENTERTAINMENT	7.875	12/15/2005	1,002,500	TEREX CORP	8.875	04/01/2008	406,000
PARK PLACE ENTERTAINMENT	7.875	03/15/2010	496,250	TEREX CORP	10.375	04/01/2011	430,000
PECO ENERGY TRANS	6.130	03/01/2009	\$606,657	TEXACO CAPITAL	5.500	01/15/2009	\$3,059,001

PORTFOLIO OF ASSETS, JUNE 30, 2002

US CORPORATE BONDS				INTERNATIONAL BONDS			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
TEXAS INSTRUMENTS	6.125	02/01/2006	\$817,056	PROVINCE OF QUEBEC	6.125	01/22/2011	\$2,112,400
THE WILLIAMS COMPANIES	7.500	01/15/2031	459,613	REPUBLIC OF KOREA	8.750	04/15/2003	1,045,200
THE WILLIAMS COMPANIES	7.750	06/15/2031	592,000				
THE WILLIAMS COMPANIES	8.750	03/15/2032	1,629,176	TOTAL INTERNATIONAL BONDS			47,384,912
TIME WARNER ENTER	8.375	03/15/2023	1,329,803				
TOLL BROS INC	8.250	02/01/2011	502,500	TOTAL FIXED INCOME SECURITIES			2,113,367,036
TOSCO CORP	7.625	05/15/2006	1,093,300				
TRANSOCEAN SEDCO FOREX	6.750	04/15/2005	3,400,278				
TRAVELERS PTY CAS CORP	6.750	11/15/2006	1,056,030	DOMESTIC EQUITIES	SHARES	MARKET VALUE	
TRICON GLOBAL RESTAURANTS I	8.500	04/15/2006	6,448,000	3M CO COM	40,600	4,993,800	
TRW INC	7.625	03/15/2006	5,373,175	A H BELO CORP	97,500	2,204,475	
UNILEVER CAPITAL CORP	7.125	11/01/2010	881,664	A O N CORP	24,914	734,465	
UNION PAC CORP	9.625	12/15/2002	370,966	ABBOTT LABS	160,200	6,031,530	
UNION PACIFIC RESOURCES	7.500	10/15/2026	374,822	ABERCROBIE & FITCH	13,200	318,384	
UNITED AIR LINES	6.201	09/01/2008	7,945,239	ACCENTURE LTD	33,900	644,100	
UNITED AIR LINES	6.602	03/01/2015	443,352	ACCREDO HEALTH INC	68,600	3,165,204	
UNITED MEX STS	9.875	02/01/2010	1,230,614	ACE LIMITED	33,500	1,058,600	
UNITED MEX STS	8.375	01/14/2011	1,135,816	ACTIVISION INC	14,600	424,276	
UNITED PARCEL SERVICE	8.375	04/01/2020	467,688	ACXIOM CORP	64,200	1,122,858	
UNITED PARCEL SERVICE	8.375	04/01/2030	1,340,430	ADAPTEC INC	76,400	602,796	
UNITED RENTALS INC	8.800	08/15/2008	841,500	ADC TELECOM	986,200	2,258,398	
UNITED UTILITES	6.875	08/15/2028	316,953	ADEPT TECH INC	220,000	462,000	
UNOCAL	7.500	02/15/2029	523,725	ADOBE SYSTEMS	73,900	2,106,150	
USA WASTE SERVICES INC DELA'	7.000	10/01/2004	3,319,062	ADR HUANENG POWER INTL	47,200	1,520,784	
UTILICORP	6.875	10/01/2004	1,362,447	ADR KOREA ELEC PWR	150,300	1,573,641	
VERIZON GLOBAL FDG	7.250	12/01/2010	1,108,492	ADR POSCO	70,200	1,914,354	
VIACOM INC	7.750	06/01/2005	1,632,525	ADVANCED MICRO DEVICES	41,500	403,380	
VIRGINIA ELEC PWR	8.250	03/01/2025	2,640,425	ADVO INC	85,300	3,247,371	
VODAFONE AIRTOUCH	7.750	02/15/2010	4,784,693	AES CORP	59,100	320,322	
VODAFONE AIRTOUCH	7.875	02/15/2030	967,770	AETNA US HEALTHCARE	198,200	9,507,654	
WACHOVIA CORP	5.625	12/15/2008	813,144	AFFILIATED COMP SVCS	88,950	4,223,346	
WALT DISNEY	6.750	03/30/2006	1,062,690	AFFILIATED MANAGERS GROUP	7,200	442,800	
WASHINGTON MUTUAL	6.605	10/19/2039	4,203,967	AFLAC INC	69,700	2,230,400	
WASHINGTON MUTUAL	8.375	06/01/2027	668,046	AGILENT TECH	46,578	1,101,570	
WASTE MGMT INC	7.650	03/15/2011	449,797	AGL RES INC	247,700	5,746,640	
WELLS FARGO & CO	6.250	04/15/2008	736,078	AIR PRODUCTS & CHEM	22,300	1,125,481	
WELLS FARGO FIN	7.000	11/01/2005	5,413,224	AK STEEL	7,200	92,232	
WILLIAMS HLDGS	6.250	02/01/2006	526,500	ALBANY MOLECULAR RESH	171,100	3,617,054	
WISCONSIN ENERGY CORP	6.500	04/01/2011	337,580	ALBERTO CULVER CO	4,000	191,200	
WORLDCOM INC	8.000	05/15/2006	1,303,500	ALBERTSONS INC	93,279	2,841,278	
				ALCAN ALUMINUM	70,017	2,627,038	
PENDING US CORPORATE BOND TRADES			(2,837,519)	ALCOA INC	198,340	6,574,971	
TOTAL US CORPORATE BONDS			849,658,497	ALLEGHENY ENERGY	10,700	275,525	
				ALLEGHENY TECH INC	9,550	150,890	
TOTAL US FIXED INCOME SECURITIES			2,065,982,124	ALLERGAN INC	12,700	847,725	
				ALLIANCE ATLANTIS COMMUN	19,500	241,800	
				ALLIED WASTE INDS	73,300	703,680	
				ALLMERICA FIN CORP	97,500	4,504,500	
				ALLSTATE	334,300	12,362,414	
				ALLTEL CORP	118,701	5,578,947	
				ALTERA CORP	43,300	588,880	
				AMBAC INC	180,552	12,133,094	
				AMER EAGLE OUTFITTERS	48,500	1,025,290	
				AMER INTL GROUP	268,320	18,307,474	
				AMER STD COS INC	7,400	555,740	
				AMER TOWER CORP	330,700	1,140,915	
				AMERADA HESS CORP	42,900	3,539,250	
				AMEREN CORP	13,200	567,732	
				AMERI POWER CONVER	407,200	5,142,936	
				AMERICAN ELECT PWR	147,329	5,896,107	
				AMERICAN EXPRESS CO	134,230	4,875,234	
				AMERICAN FINANCIAL GROUP INC	66,100	\$1,579,790	

PORTFOLIO OF ASSETS, JUNE 30, 2002

<u>DOMESTIC EQUITIES</u>			<u>DOMESTIC EQUITIES</u>		
	<u>SHARES</u>	<u>MARKET VALUE</u>		<u>SHARES</u>	<u>MARKET VALUE</u>
AMERICAN GREETINGS	6,400	\$106,624	BCH CAPITAL LTD	54,700	\$1,493,310
AMERISOURCES BERGEN CORP	43,312	3,291,712	BEAR STEARNS CO	67,274	4,117,169
AMETEK INC	5,700	212,325	BECKMAN COULTER	13,500	673,650
AMGEN INC	136,700	5,724,996	BECTON DICKINSON	25,000	861,250
AMKOR TECH INC	14,200	88,324	BED BATH & BEYOND	32,500	1,226,550
AMR CORP	14,500	244,470	BELLSOUTH CORP	194,800	6,136,200
AMSOUTH BANCORP	36,700	821,346	BEMIS COMPANY INC	30,200	1,434,500
ANADARKO PETE CORP	24,248	1,195,426	BEST BUY INC	30,450	1,105,335
ANADIGICS INC	200,000	1,648,000	BIG LOTS INC	12,600	247,968
ANALOG DEVICES INC	84,700	2,515,590	BIOGEN	14,600	604,878
ANDREW CORP	11,800	169,094	BIOMET INC	30,375	823,770
ANHEUSER-BUSCH CO	94,418	4,720,900	BIOSOURCE INTL INC	134,430	793,137
ANIXTER INTL INC	126,200	2,965,700	BIOVAIL CORP	22,200	642,912
ANN TAYLOR STORES	42,500	1,079,075	BISYS GROUP INC	101,100	3,366,630
ANTHEM INC	99,300	6,700,764	BJ SERVICES CO	17,100	579,348
AOL TIME WARNER INC	746,671	10,983,530	BJS WHSL CLUB INC	184,150	7,089,775
APACHE CORP	44,280	2,545,214	BLACK & DECKER	8,400	404,880
APOGENT TECHNOLOGIES INC	1,600	32,912	BLOCKBUSTER	34,300	922,670
APOLLO GROUP INC	45,600	1,797,552	BMC SOFTWARE INC	53,100	881,460
APPLE COMPUTER	74,400	1,318,368	BOEING CORP	86,100	3,874,500
APPLIED BIOSYSTEMS GR	20,200	393,698	BOISE CASCADE	31,100	1,073,883
APPLIED MATERIALS	164,600	3,130,692	BORDERS GROUP	215,700	3,968,880
APPLIED MICRO CIRCUITS	207,000	979,110	BORG WARNER INC	15,600	901,056
APRIA HEALTHCARE GRP	76,100	1,704,640	BOSTON SCIENTIFIC CORP	207,200	6,075,104
AQUILA INC DEL NEW COM	87,500	700,000	BOWATER INC	21,400	1,163,518
ARAMARK CORP	40,500	1,012,500	BRINKER INTL INC	6,050	192,088
ARCHER DANIELS MIDLAND	64,711	827,654	BRIO TECH INC	100,000	115,000
ARRAY BIOPHARMA INC	125,000	1,205,000	BRISTOL MYERS SQUIBB	277,018	7,119,363
ARRIS GROUP INC	213,300	938,307	BROADCOM CORP	70,500	1,236,570
ARROW ELECTRONICS	38,300	794,725	BROADWING INC	2,300,400	5,981,040
ARTESYN TECH	100,000	648,100	BROOKS PRI AUTOMATION INC COM	100,000	2,556,000
ASCENTIAL SOFTWARE	1,053,800	2,940,102	BROWN FORMAN INC	4,600	317,400
ASHLAND INC	66,100	2,677,050	BROWN TOM INC	264,400	7,495,740
ASTORIA FINL CORP	64,600	2,070,430	BRUNSWICK CORP	45,800	1,282,400
AT & T CORP	593,266	6,347,946	BULL RUN CORP GA	252,000	226,800
AT&T WIRELESS SVCS	270,000	1,579,500	BURLINGTON NORTHERN SANTA FB CORP	98,300	2,949,000
ATMEL CORP	246,600	1,543,716	BURLINGTON RESOURCES	18,770	713,260
AUTODESK INC	245,024	3,246,568	BUSH INDUSTRIES INC	494,100	5,929,200
AUTOMATIC DATA PROC	66,400	2,891,720	C A NAC TELEFONOS VENEZ	35,600	506,588
AUTONATION INC	153,200	2,221,400	CABOT CORP	17,700	507,105
AUTOZONE	45,100	3,486,230	CABOT MICROELECTRONICS	70,450	3,040,622
AVAYA INC	26,849	132,903	CADENCE DESIGN SYS INC	254,200	4,097,704
AVERY DENNISON CORP	10,800	677,700	CALIPER TECH CORP	140,000	1,169,000
AVNET INC	51,000	1,121,490	CALPINE CORP	630,698	4,433,807
AVON PRODUCTS INC	43,300	2,261,992	CAMBREX CORP	107,000	4,290,700
B F GOODRICH	82,400	2,251,168	CAMPBELL SOUP CO	40,820	1,129,081
BAKER HUGHES INC	32,150	1,070,274	CAPITAL ONE FIN	20,100	1,227,105
BALDOR ELEC CO	220,800	5,564,160	CAPTARIS INC	1,477,200	4,357,740
BALL CORP	50,000	2,074,000	CARDINAL HEALTH INC	47,500	2,916,975
BALLY TOTAL FIT HLDG	106,100	1,985,131	CAREER EDUCATION CORP	32,500	1,462,500
BANK AMERICA CORP	158,016	11,118,006	CAREMARK RX INC	382,800	6,316,200
BANK HAWAII CORP	12,700	355,600	CARNIVAL CORP	62,300	1,725,087
BANK NEW YORK	79,100	2,669,625	CATERPILLAR TRACTOR	36,300	1,776,885
BANK ONE CORP	219,349	8,440,550	CDW COMPUTER CENTERS	88,900	4,161,409
BANKNORTH GROUP INC NEW	193,300	5,029,666	CEC ENTERTAINMENT	104,000	4,295,200
BARD C R INC	5,200	294,216	CENDANT CORP	349,103	5,543,755
BARNES & NOBLE INC	40,600	1,073,058	CENTEX CORP	8,300	479,657
BARR LABORATORIES	44,100	2,801,673	CENTILLIUM COMMUNICATIONS	40,000	348,800
BARRICK GOLD CORP	59,733	1,134,330	CENTURY TEL INC	14,100	415,950
BAUSCH & LOMB INC	51,600	1,746,660	CEPHALON INC	35,500	1,604,600
BAXTER INTL	63,212	2,809,773	CERNER CORP	19,300	923,119
BB & T CORP	40,900	\$1,578,740	CERTEGY INC	27,800	\$1,031,658

PORTFOLIO OF ASSETS, JUNE 30, 2002

DOMESTIC EQUITIES			DOMESTIC EQUITIES		
	SHARES	MARKET VALUE		SHARES	MARKET VALUE
CHARLES RIVER LABS	25,200	\$883,260	COUNTRY WIDE CREDIT	137,200	\$6,619,900
CHARTER 1 FIN INC	43,131	1,482,844	COVANCE INC	26,900	504,375
CHARTER COMM I	213,500	871,080	COVENTRY HEALTH CARE	31,400	892,388
CHESAPEAKE ENERGY CORP	430,200	3,097,440	CRACKER BARREL GROUP	67,200	2,050,944
CHEVRONTEXACO CORP	110,681	9,795,269	CRANE CO	6,100	154,818
CHICO'S FAS INC	29,100	1,056,912	CRAY INC	456,000	2,038,320
CHIQUITA BRANDS INTERNATIONAL	543,400	9,732,294	CROWN CASTE INTL	240,680	945,872
CHIRON CORP	21,300	752,955	CSG SYSTEMS INTL INC	29,300	560,802
CHOLESTECH CORP	150,000	1,582,500	CSX CORP	21,300	746,565
CHUBB CORP	18,400	1,302,720	CULLEN FROST BANKERS	25,700	923,915
CIENA CORP	38,000	159,220	CUMMINS ENGINE INC	4,000	132,400
CIGNA CORP	14,800	1,441,816	CURAGEN CORP	100,000	551,000
CINCINNATI FINL	15,900	739,827	CVS CORP	38,366	1,174,000
CINERGY CORP	21,400	770,186	CYBER OPTICS	140,000	1,342,600
CINTAS CORP	18,700	924,341	CYLINK CORP	450,000	436,050
CIRCUIT CITY STORES	25,800	483,750	CYPRESS SEMICONDUCTOR	145,100	2,202,618
CISCO SYSTEMS	1,245,300	17,371,935	CYTYC CORP	43,700	332,994
CITIGROUP INC	528,698	20,487,048	D R HORTON	245,150	6,381,255
CITIZENS COMM	165,900	1,386,924	DAISYTEK INTL	159,800	2,710,208
CITRIX SYSTEMS INC	85,500	516,420	DANA CORPORATION	153,900	2,851,767
CLAYTON HOMES INC	49,000	774,200	DANAHER CORP	30,200	2,003,770
CLEAR CHANNEL COMM	131,498	4,210,566	DARDEN RESTAURANTS INC	294,300	7,269,210
CLOROX CO	23,100	955,185	DEERE & CO	56,200	2,691,980
CMS ENERGY CORP	13,185	144,771	BELL COMPUTER CORP	441,900	11,551,266
CNA SURETY CORP	460,050	6,693,728	DELPHI AUTOMOTIVE SYS	206,756	2,729,179
CNF TRANS INC	81,800	3,106,764	DELTA AIR LINES	11,800	236,000
CNH GLOBAL N V	396,864	1,599,362	DELUXE CORP	58,900	2,290,621
COCA COLA CO	325,302	18,216,912	DENTSPLY INTL INC	55,800	2,059,578
COCA COLA ENTERPRISES	71,200	1,572,096	DEVON ENERGY CORP	15,700	773,696
COGNOS INC	209,500	4,648,805	DG FUNDING	320	3,280,000
COLGATE PALMOLIVE CO	102,200	5,115,110	DIAL CORP	292,000	5,845,840
COLUMBIA SPORTSWEAR	38,900	1,244,761	DIGIMARC CORP	200,000	2,078,000
COMCAST CORP	171,200	4,081,408	DILLARDS INC	76,600	2,013,814
COMERICA	30,818	1,892,225	DMC STRATEX NETWORKS	553,900	1,113,339
COMMERCIAL FED CORP	60,800	1,763,200	DOCUMENTUM INC	150,000	1,800,000
COMMSCOPE INC	3,000	37,500	DOLE FOOD CO INC	54,400	1,569,440
COMMUNITY HEALTH SYSTEMS	40,700	1,090,760	DOLLAR GEN CORP	113,495	2,159,810
COMPASS BANCSHARES INC	31,600	1,061,760	DOLLAR TREE STORES	54,300	2,139,963
COMPUTER ASSO	608,350	9,666,682	DOMINION RES	28,143	1,863,067
COMPUTER HORIZONS CORP	1,185,200	5,771,924	DORAL FINL CORP	51,000	1,702,890
COMPUTER NETWORK TECH CORP	250,000	1,532,500	DOUBLECLICK INC	227,600	1,688,792
COMPUTER SCIENCES	72,500	3,465,500	DOVER CORP	19,900	696,500
COMPUWARE CORP	121,500	737,505	DOW CHEM CO	235,148	8,084,388
COMVERSE TECHNOLOGY	289,105	2,677,112	DOW JONES	8,700	421,515
CONAGRA	89,400	2,471,910	DOWNEY FINL CORP	7,500	354,750
CONCERTO SOFTWARE	200,000	1,260,000	DRS TECHNOLOGIES	112,300	4,800,825
CONCORD EPS INC	48,532	1,462,754	DST SYSTEMS INC	92,200	4,214,462
CONEXANT SYSTEMS INC	392,300	711,946	DTE ENERGY CO	109,421	4,884,554
CONOCO	61,668	1,714,370	DU PONT E I DE NEMO	109,193	4,848,169
CONSECO INC	31,755	63,510	DUANE READE INC	132,050	4,496,303
CONSOLIDATED EDISON	25,600	1,068,800	DUKE POWER CO	81,100	2,522,210
CONSTELLATION BRANDS INC	206,600	6,611,200	DUN & BRADSTREET	10,800	356,940
CONSTELLATION ENERGY	13,000	381,420	DYNEGY INC	249,881	1,799,143
CONVERGYS CORP	15,000	292,200	E FUNDS CORP	296,200	2,810,642
COOPER CAMERON CORP	16,200	784,404	E M C CORP MASS	400,374	3,022,823
COOPER IND INC	73,000	2,868,900	E TRADE GROUP INC	105,200	574,392
COOPER TIRE&RUBBER	200	4,110	EARTHLINK	953,400	6,406,848
COORS ADOLPH CO	3,600	224,280	EASTMAN CHEMICAL	39,960	1,874,124
CORE LABS NV	481,000	5,781,620	EASTMAN KODAK CO	340,574	9,934,544
CORN PRODS INTL	111,100	3,457,432	EATON	22,200	1,615,050
CORNING INC	91,861	326,107	ECHO BAY MINES LTD	2,550,600	2,933,190
COSTCO WHOLESALE	48,100	\$1,857,622	ECHOSTAR COMM	96,000	\$1,781,760

PORTFOLIO OF ASSETS, JUNE 30, 2002

DOMESTIC EQUITIES			MARKET		DOMESTIC EQUITIES			MARKET	
	SHARES	VALUE		VALUE		SHARES	VALUE		VALUE
ECOLAB INC	10,300	\$476,169	GARTNER GROUP INC			657,700	\$6,182,380		
EDISON INTL	32,970	560,490	GATEWAY INC			976,400	4,335,216		
EDWARDS LIFESCIENCE	207,000	4,802,400	GATX CORP			48,400	1,456,840		
EGL INC	232,000	3,934,720	GENERAL CABLE CORP			260,900	1,643,670		
EL PASO CORP	61,681	1,271,245	GENERAL DYNAMICS			20,900	2,222,715		
ELECTRONIC ARTS INC	35,200	2,324,960	GENERAL ELECTRIC CO			1,129,011	32,797,770		
ELECTRONIC DATA SYSTEMS	47,500	1,764,625	GENERAL MILLS			38,970	1,717,798		
ELI LILLY CO	179,400	10,118,160	GENERAL MTRS CORP			121,933	6,517,319		
ELIZABETH ARDEN INC	176,000	3,080,000	GENUINE PARTS			18,500	645,095		
EMCOR GROUP	64,500	3,786,150	GENZYME CORP			109,300	2,102,932		
EMERSON ELECTRIC	46,600	2,493,566	GEORGIA PACIFIC CORP			21,675	532,772		
ENCORE ACQUISITION CO	228,900	3,948,525	GILEAD SCIENCES INC			54,800	1,801,824		
ENERGIZER HLDGS INC	129,483	3,550,424	GILLETTE CO			106,136	3,594,826		
ENGELHARD CORP	12,700	359,664	GLOBAL INDS			627,300	4,384,827		
ENSCO INTL INC	65,500	1,785,530	GLOBAL SANTA FE CORP			68,926	1,885,126		
ENTERCOM COMM CORP	100,300	4,603,770	GOLDEN STATE BANCORP INC			97,400	3,530,750		
ENTERGY CORP	46,300	1,964,972	GOLDEN WEST FINL DEL			18,600	1,279,308		
ENTRAVISION	101,600	1,244,600	GOODYEAR TIRE & RUBR			15,500	290,005		
ENZON INC	35,500	873,655	GRAFTECH INTERNATIONAL			41,700	512,910		
EOG RESOURCES	11,900	472,430	GRAINGER WW INC			9,300	465,930		
EPICOR SOFTWARE CORP	375,000	585,000	GRANT PRIDECO INC			237,100	3,224,560		
EQUIFAX INC	14,000	378,000	GRAY COMM SYM INC			107,800	1,433,740		
EQUITABLE RES INC	22,600	775,180	GREAT LAKES CHEM			5,100	135,099		
EQUITY OFFICE PROP	42,300	1,273,230	GREENPOINT FINL CORP			50,200	2,464,820		
EQUITY RESIDENTIAL PPTY	27,300	784,875	GTECH HLDGS CORP			146,300	3,736,502		
EVEREST RE GROUP LTD	21,900	1,225,305	GUIDANT CORP			77,400	2,339,802		
EXELON CORP	35,847	1,874,798	H R BLOCK			21,138	975,519		
EXPRESS SCRIPTS	41,000	2,054,510	HALLIBURTON CO			43,280	689,883		
EXXON MOBIL CORP	696,290	28,492,187	HANCOCK JOHN FINL SVCS			54,838	1,930,297		
FAIRCHILD SEMICONDUCTOR	183,400	4,456,620	HANOVER COMPRESSOR CO			695,774	9,392,949		
FAMILY DOLLAR STORES	92,426	3,258,016	HARLEY DAVIDSON INC			32,000	1,640,640		
FASTENAL CO	39,100	1,505,741	HARMAN INTL INDS INC			34,000	1,674,500		
FEDERAL HOME LN MTG	205,737	12,591,105	HARRAHS ENTERTAINMENT			115,560	5,125,086		
FEDERAL SIGNAL CORP	227,100	5,450,400	HARSCO			106,604	3,997,650		
FEDERATED DEPT STORE	19,700	782,090	HARTFORD FINL SVCS GROUP			26,298	1,563,942		
FEDERATED INVESTORS	70,100	2,423,357	HASBRO			233,438	3,165,420		
FEDEX CORP	32,460	1,733,364	HCA-HEALTHCARE CO			57,700	2,740,750		
FIDELITY NATL FINL INC	76,593	2,420,339	HEALTH MGMT ASSOC INC			221,050	4,454,157		
FIFTH THIRD BANCORP	61,632	4,107,773	HEALTH NET INC			103,500	2,770,695		
FIRST DATA CORP	254,570	9,470,004	HEALTHSOUTH REHAB			37,400	478,346		
FIRST ENERGY CORP	102,339	3,416,076	HEINZ H J CO			51,120	2,101,032		
FIRST TENN NATL CORP	35,300	1,351,990	HENRY SCHEIN INC			82,100	3,653,450		
FISERV INCORPORATED WI	21,601	792,973	HERCULES INC			10,300	119,480		
FISHER SCIENTIFIC INTL INC	159,300	4,460,400	HERSHEY FOODS			12,300	768,750		
FLEETBOSTON FINL CORP	107,390	3,474,067	HEWLETT PACKARD CO			308,551	4,714,659		
FLOWERVE CORP	156,300	4,657,740	HIBERNIA CORP			194,100	3,841,239		
FLUOR CORP	49,100	1,912,445	HILTON HOTELS			39,200	544,880		
FMC TECHNOLOGIES INC	226,700	4,706,292	HISPANIC BROADCASTING			73,700	1,923,570		
FNMA	101,579	7,491,451	HOME DEPOT INC			355,635	13,062,474		
FNMA	107,757	7,947,079	HON INDUSTRIES			47,300	1,287,506		
FOOT LOCKER INC.	339,400	4,904,330	HONEYWELL			80,787	2,846,126		
FORD MTR CO	446,008	7,136,128	HOUSEHOLD INTL			49,786	2,474,364		
FOREST LABS INC	17,500	1,239,000	HUMANA			91,100	1,423,893		
FORTUNE BRANDS	172,580	9,664,480	HUNTINGTON BANCSHARES INC			25,159	488,588		
FPL GROUP INC	17,200	1,031,828	ICN PHARMACEUTICAL INC			29,200	706,932		
FRANKLIN RES INC	39,700	1,692,808	ICOS CORP			20,300	344,288		
FREEPORT - MCMORAN	86,200	1,538,670	IDEC PHARMACEUTICALS			32,000	1,134,400		
FRESH DELMONTE PRODUCE	38,300	957,500	IHOP CORP			97,700	2,877,265		
GABELLI ASSET MGMT	20,600	751,900	IKON OFFICE SOLUTION			126,200	1,186,280		
GALLAGHER ARTHUR J & CO	93,000	3,222,450	ILLINOIS TOOL WORKS			33,400	2,281,220		
GANNETT CO	54,863	4,164,101	IMC GLOBAL INC			60,400	755,000		
GAP INC	93,337	\$1,325,385	IMMUNEX CORP			57,600	\$1,286,784		

PORTFOLIO OF ASSETS, JUNE 30, 2002

<u>DOMESTIC EQUITIES</u>			<u>MARKET</u>		<u>DOMESTIC EQUITIES</u>			<u>MARKET</u>	
	<u>SHARES</u>	<u>VALUE</u>				<u>SHARES</u>	<u>VALUE</u>		
IMS HEALTH INC	29,138	\$523,027	LEGGET & PLATT INC			19,300	\$451,620		
INCO LTD	18,600	421,104	LEHMAN BROS HLDGS			68,400	4,276,368		
INDEPENDENCE COMNTY BK	68,600	1,970,878	LENNAR CORP			53,900	3,298,680		
INDYMAC BANCORP	60,800	1,378,944	LEXMARK INTL GROUP INC			41,000	2,230,400		
INGERSOLL - RAND	20,050	915,483	LIBERTY MEDIA CORP			458,172	4,581,720		
INGRAM MICRO	105,300	1,447,875	LIFEPOINT HOSPITALS INC			16,900	613,639		
INPUT/OUTPUT INC	591,800	5,326,200	LIGHTBRIDGE INC			200,000	1,642,000		
INSTINENT GROUP INC	1,249,600	8,147,392	LINCARE HLDGS INC			31,000	1,001,300		
INTEGRATED DEVICE TECH	41,700	756,438	LINCOLN NATL CORP			34,636	1,454,712		
INTEL	900,600	16,453,962	LINEAR TECH CORP			30,500	958,615		
INTERMUNE INC	49,500	1,044,450	LINENS 'N THINGS INC			100,200	3,287,562		
INTERPORE INTL	100,000	967,000	LITHIA MOTORS			57,500	1,547,900		
INTERPUBLIC GROUP	58,900	1,458,364	LIZ CLAIBORNE			173,600	5,520,480		
INTERSIL HLDGS CORP	88,100	1,883,578	LOCKHEED MARTIN			47,144	3,276,508		
INTERSTATE BAKERIES	33,300	961,704	LOEWS CORP			51,400	2,210,074		
INTER-TEL INC	90,000	1,539,900	LONGS DRUG STORES			226,200	6,399,198		
INTERVOICE INC	679,800	972,114	LONGVIEW FIBRE CO			78,400	738,528		
INTL BUS MACH	213,034	15,338,448	LOUISIANA PAC			11,100	117,549		
INTL FLAV&FRAG	25,700	834,993	LOWES COMPANIES INC			77,000	3,495,800		
INTL GAME TECH	9,324	528,671	LSI LOGIC CORP			66,100	578,375		
INTL MULTIFOODS CORP	297,200	7,727,200	LUBRIZOL CORP			49,600	1,661,600		
INTL PAPER CO	158,845	6,922,465	LUCENT TECHNOLOGIES			342,595	568,708		
INTUIT INC	112,900	5,613,388	M & T BANK CORP			47,100	4,039,296		
INVESTMENT TECH GRP INC	82,050	2,683,035	M R O SOFTWARE			200,000	2,276,000		
IONICS INC	214,400	5,199,200	MACROVISION CORP			200,000	2,622,000		
ITRON INC	200,000	5,246,000	MANDALAY RESORT GROUP			252,100	6,950,397		
ITT INDS	30,949	2,184,999	MANHATTAN ASSOCS INC			152,400	4,901,184		
IVAX CORP	62,400	673,920	MANOR CARE INC			9,900	227,700		
JABIL CIRCIUT INC	119,900	2,531,089	MAPINFO CORP			100,000	910,000		
JDS UNIPHASE CORP	446,806	1,192,972	MARATHON OIL CORP			129,415	3,509,735		
JEFFERSON PILOT CORP	15,300	719,100	MARRIOTT INTL			79,930	3,041,336		
JOHNSON & JOHNSON	409,294	21,389,705	MARSH MCLENNAN			28,450	2,748,270		
JOHNSON CONTROLS	7,500	612,075	MARSHALL & ILSLEY CORP			33,000	1,020,690		
JONES APPAREL GROUP	11,678	437,925	MARTIN MARIETTA MATLS			15,700	612,300		
JOURNAL REGISTER CO	121,100	2,434,110	MARVELL TECHNOLOGY GROUP			54,100	1,076,049		
JP MORGAN CHASE & CO	200,900	6,814,528	MASCO CORP			44,800	1,214,528		
KB HOMES	7,200	370,872	MATTEL			42,500	895,900		
KELLOGG CO	45,936	1,647,265	MAXIM INTERGRATED PRODUCTS INC			32,000	1,226,560		
KENNAMETAL INC	6,200	226,920	MAY DEPT STORES			194,348	6,399,880		
KERR MCGEE CORP	9,067	485,538	MAYTAG CO			7,700	328,405		
KEYCORP	195,400	5,334,420	MBIA INC			20,600	1,164,518		
KEYSPAN CORP	13,000	489,450	MBNA CORP			175,296	5,797,038		
KIMBERLY CLARK CORP	56,900	3,527,800	MCDERMOTT INTL INC			5,900	47,790		
KINDER MORGAN INC KANS	13,700	520,874	MCDONALDS CORP			183,618	5,223,933		
KINDER MORGAN MGMT	10,898	332,389	MCGRAW HILL			21,018	1,254,775		
KING PHARMACEUTICALS INC	71,749	1,596,415	MCKESSON HBOC INC			27,696	905,659		
KINROSS GOLD CORP	1,428,700	3,271,723	MEADWESTVACO CORP COM			17,272	579,648		
KLA - TENCOR CORP	19,000	835,810	MEDIA GEN INC			4,600	276,000		
KNIGHT RIDDER NEWS	7,700	484,715	MEDIACOM COMM CORP			128,900	1,004,131		
KOHL'S CORP (WI)	32,000	2,242,560	MEDIMMUNE INC			43,500	1,148,400		
KPMG CONSULTING INC	123,700	1,838,182	MEDSOURCE TECHNOLOGY INC.			108,600	1,330,350		
KROGER CO	140,100	2,787,990	MEDTRONIC INC			126,800	5,433,380		
LABORATORY CORP OF AMER HLDG	118,900	5,427,785	MELLON FINL CORP			109,900	3,454,157		
LAM RESEARCH	151,600	2,725,768	MERCANTILE BANKSHARES CORP			12,600	516,978		
LAMAR ADVERSITING CO	23,200	863,272	MERCK & CO INC			252,566	12,789,942		
LANCE INC	25,000	364,500	MERCURY INTERACTIVE CORP			10,500	241,080		
LATTICE SEMICONDUCTOR	81,500	712,310	MERRILL LYNCH			84,400	3,418,200		
LCC INTL INC	203,300	290,719	METLIFE INC			460,800	13,271,040		
LEAR CORP	83,800	3,875,750	METRIS			54,400	452,064		
LECROY CORP	107,500	1,279,250	METRO GOLDWYN MAYER INC			233,100	2,727,270		
LEGATO SYS INC	54,700	196,920	MGIC INVESTMENT CORP			10,500	711,900		
LEGG MASON INC	102,100	\$5,037,614	MICHAELS STORES INC			61,700	\$2,406,300		

PORTFOLIO OF ASSETS, JUNE 30, 2002

DOMESTIC EQUITIES			MARKET		DOMESTIC EQUITIES			MARKET	
	SHARES	VALUE		VALUE		SHARES	VALUE		VALUE
MICROCHIP TECHNOLOGY	130,650	\$3,583,729	O'REILLY AUTOMOTIVE			63,400	\$1,747,304		
MICROMUSE	177,700	790,765	OSMONICS INC			382,900	6,088,110		
MICRON TECHNOLOGY	81,700	1,651,974	OWENS & MINOR INC			171,700	3,392,792		
MICROSOFT	743,066	40,645,711	OWENS ILL INC			55,800	766,692		
MID ATLANTIC MED SVS INC	32,800	1,028,280	OXFORD HEALTH PLANS			48,200	2,239,372		
MILLENNIUM CHEMICALS	71,729	1,007,792	P&O PRINCESS CRUISES			44,600	1,123,920		
MILLIPORE	11,200	358,176	PACCAR			12,000	532,680		
MIRANT CORP	251,136	1,833,292	PACER INTERNATIONAL INC			163,600	2,820,464		
MOHAWK INDS INC	96,600	5,943,798	PACKAGING CORP AMER			85,200	1,694,628		
MOLECULAR DEVICES CORP	100,000	1,780,000	PACTIV CORP			431,172	10,261,894		
MOLEX INC	18,800	630,364	PALL CORP			42,300	877,725		
MOODYS CORP	50,164	2,495,659	PALM INC			53,674	94,466		
MORGAN STANLY GROUP	115,200	4,962,816	PANAMERICAN BEVERAGE			118,800	1,692,900		
MOTOROLA INC	225,786	3,255,834	PARAMETRIC TECHNOLOGY			27,200	93,296		
MYLAN LABORATORIES INC	75,300	2,360,655	PARK PLACE ENTERTAINMENT			278,100	2,850,525		
NABORS INDUSTRIES COM USDO	21,154	746,737	PARKER HANN CORP			50,600	2,418,174		
NATIONAL OILWELL INC	72,700	1,530,335	PARTNERRE LTD			67,200	3,289,440		
NATL CITY CORP	59,500	1,978,375	PAYCHEX INC			41,125	1,286,801		
NATL COMMERCE FINL	31,600	831,080	PENNEY J C INC			167,098	3,679,498		
NATL SEMICONDUCTOR	20,600	600,902	PENTAIR INC			45,100	2,168,408		
NAUTILUS GROUP INC COM COM	21,700	664,020	PEOPLE SOFT INC			83,700	1,245,456		
NAVISTAR INTL CORP	48,300	1,545,600	PEOPLES ENERGY CORP			58,054	2,116,649		
NCO GROUP INC	69,600	1,515,888	PEPSI BOTTLING GROUP			176,678	5,441,682		
NCR CORP	9,600	332,160	PEPSICO INC			286,380	13,803,516		
NEOSE TECH INC	110,000	1,199,000	PEREGRINE SYSTEMS INC			191,800	57,540		
NETWORK APPLIANCE INC	36,500	454,060	PERKIN ELMER			644,200	7,118,410		
NETWORK ASSO INC	137,300	2,645,771	PEROT SYSTEMS CORP			44,200	481,338		
NEW YORK TIMES CO	51,572	2,655,958	PERRIGO CO			201,700	2,622,100		
NEWELL RUBBERMAID INC	26,346	923,691	PETSMART INC			52,100	835,684		
NEWMONT MINING	40,200	1,058,466	PFIZER INC			927,445	32,460,575		
NEWS CORP LTD	14,551	287,382	PG&E CORP			38,200	683,398		
NEXTEL COMM INC	73,800	236,898	PHARMACEUTICAL PROD DEV			112,000	2,950,080		
NICOR INC	1,600	73,200	PHARMACIA CORP			133,861	5,013,094		
NIKE INC	26,600	1,427,090	PHELPS DODGE			7,846	323,255		
NISOURCE INC	19,716	430,400	PHILLIP MORRIS			489,765	21,392,935		
NOBLE CORP COM	72,850	2,812,010	PHILLIPS PETE CO			37,980	2,236,262		
NORDSTROM INC	13,800	312,570	PIER 1 IMPORTS INC			48,200	1,012,200		
NORFOLK & SOUTHERN CORP	57,985	1,355,689	PINNACLE WEST CAP CORP			49,200	1,943,400		
NORTEL NETWORKS CORP	614,320	890,764	PITNEY BOWES INC			27,980	1,111,366		
NORTHERN TRUST INC	25,400	1,119,124	PITTSBURG PLATE GLASS INDUST			19,800	1,225,620		
NORTHFORK BANCORP	27,500	1,094,775	PITTSTON SVCS GROUP			51,600	1,238,400		
NORTHROP GRUMMAN CORP	9,200	1,150,000	PLACER DOME INC			32,400	363,204		
NOVA CHEMICAL CORP	8,500	191,590	PLATO LEARNING INC			200,000	1,974,000		
NOVELL INC	33,400	107,214	PLAYTEX PRODUCTS INC			693,300	8,978,235		
NOVELLUS SYSTEMS	16,700	567,800	PLUM CRBEK TIMBER CO			160,984	4,942,209		
NUCOR CORP	37,200	2,419,488	PMC-SIERRA INC			77,186	715,515		
NVIDIA CORP	31,400	539,452	PNC FINANCIAL			72,400	3,785,072		
NVR INC	5,400	1,744,200	PNM RES INC			50,800	1,229,360		
OAK TECHNOLOGY INC	121,400	549,942	POLARIS INDS INC			26,600	1,729,000		
OCCIDENTAL PETROLEUM	263,531	7,903,294	POLYCOM INC			24,000	287,760		
OCEAN ENERGY INC	119,800	2,596,066	POST PPTYS INC			273,100	8,236,696		
OCEANEERING INTL INC	161,100	4,349,700	POTOMAC ELEC PWR CO			41,500	891,420		
OFFICE DEPOT INC	82,400	1,384,320	POWER INTEGRATIONS INC			50,000	894,950		
OGE ENERGY	258,000	5,897,880	POWER-ONE INC			7,500	46,650		
OLD REP INTL CORP CO	93,900	2,957,850	POWERWAVE TECH			189,800	1,738,568		
OLIN CORP	104,200	2,308,030	PPL CORP			22,425	741,819		
OMNICARE INC	173,900	4,566,614	PRAXAIR			15,500	883,035		
OMNICOM GROUP	17,800	815,240	PRECISION CASTPARTS CORP			52,900	1,745,700		
ON ASSIGNMENT INC	103,200	1,836,960	PRECISION DRILLING CORP			45,300	1,573,722		
ONEOK INC	66,800	1,466,260	PRIDE INTERNATIONAL INC			27,900	436,914		
OPLINK COMMUNICATIONS	300,000	219,000	PRIMEDIA INC			1,804,400	2,201,368		
ORACLE CORP	564,300	\$5,343,921	PRINCIPAL FINANCIAL GROUP			306,600	\$9,504,600		

PORTFOLIO OF ASSETS, JUNE 30, 2002

DOMESTIC EQUITIES			DOMESTIC EQUITIES		
	SHARES	MARKET VALUE		SHARES	MARKET VALUE
PROCTER & GAMBLE CO	154,810	\$13,824,533	SCHLUMBERGER LIMITED	56,400	\$2,622,600
PROGRESS ENERGY INC	19,798	1,029,694	SCHOLASTIC CORP	29,900	1,133,210
PROGRESSIVE CORP OHIO	46,500	2,690,025	SCHULMAN A INC	261,900	5,617,493
PROTECTIVE LIFE CORP	15,200	503,120	SCIENTIFIC ATLANTA INC	59,300	975,485
PROTEIN DESIGN LABS	70,400	764,544	SCIOS-NOVA INC	26,800	820,348
PROVIDENT FINL GROUP INC	6,400	185,664	SEALED AIR CORP	8,244	331,986
PROVIDIAN FINL CORP	31,200	183,456	SEARS ROEBUCK & CO	150,381	8,165,689
PROXIM CORP	1,444,799	4,332,952	SEI INVESTMENTS CO	32,700	921,159
PRUDENTIAL FINL	325,300	10,852,008	SEMPRA ENERGY	140,292	3,104,662
PT TELEKOMUNIKASI ADR	91,500	805,200	SEMTECH CORP	205,100	5,476,170
PUBLIC SERVICE ENTR GROUP	85,187	3,688,597	SENSIENT TECHNOLOGIES CORP	312,600	7,114,776
PULTE CORP	46,700	2,684,316	SEVICEMASTER CO	84,100	1,153,852
QLOGIC CORP	31,300	1,192,530	SHAW GROUP INC	133,600	4,101,520
QUALCOMM INC	229,500	6,308,955	SHERWIN-WILLIAMS CO	77,600	2,322,568
QUEST DIAGNOSTICS INC	34,000	2,925,700	SICOR INC	218,800	4,056,552
QUIDEL CORP	140,000	964,600	SIEBEL	99,400	1,413,468
QUINTILES TRANSNATIONAL	139,800	1,746,102	SIGMA-ALDRICH CORP	10,000	501,500
QWEST COMM INTL INC	175,197	490,552	SILGAN HLDGS INC	55,400	2,240,376
R H DONNELLEY	287,300	8,035,781	SIMON PROPERTIES	13,100	482,604
R J REYNOLDS TOBACCO HLDGS	39,900	2,144,625	SIX FLAGS INC	331,600	4,791,620
R R DONNELLEY & SONS	81,900	2,256,345	SLM CORP COM	28,800	2,790,720
RADIO ONE INC	92,400	1,373,988	SMITH FIELD FOODS INC	152,200	2,823,310
RADIOSHACK CORP	70,712	2,125,603	SMITH INTL INC	100	6,819
RALCORP HLDGS INC	40,500	1,265,625	SOLETRON CORP	243,100	1,495,065
RATIONAL SOFTWARE CORP	304,400	2,499,124	SONIC AUTOMOTIVE	24,300	625,725
RAYOVAC CORP	393,000	7,282,290	SOURCECROP	156,700	4,152,550
RAYTHEON CO	54,700	2,229,025	SOUTHERN CO	74,700	2,046,780
READERS DIGEST ASSN INC	76,000	1,423,480	SOUTHTRUST CORP	74,800	1,953,776
REBBOK	5,400	159,300	SOUTHWEST AIRLS CO	103,208	1,667,841
REGAL ENTERTAINMENT GRP	93,800	2,187,416	SOUTHWEST BANCORP TEX	88,000	3,187,360
REGENERATION TECH INC	249,000	1,503,960	SOVEREIGN BANCORP INC	558,300	8,346,585
REGIONS FINANCIAL CORP	22,200	780,330	SPECTRIAN CORP	170,000	1,762,900
REHABCARE GROUP INC	144,200	3,465,126	SPRINT CORP	476,990	3,652,962
RELIANT ENERGY INC	81,400	1,375,660	SPX CORP	40,000	4,700,000
RENAISSANCE RE HLDGS	57,900	2,119,140	ST JUDE MED INC	29,746	2,196,742
RENT-A-CENTER	29,200	1,693,892	ST PAUL COMPANIES	198,171	7,712,815
RESPIRONICS INC	64,800	2,206,440	STAN CORP FINL GROUP	30,600	1,698,300
RETEK	100,000	2,430,000	STANLEY WORKS	23,600	967,836
REYNOLDS & REYNOLDS	34,000	950,300	STAPLES INC	51,950	1,023,415
RF MICRO-DEVICES INC	65,000	495,300	STARBUCKS CORP	35,800	889,630
ROBERT HALF INTL	89,600	2,087,680	STARWOOD HOTELS & RESORTS	93,194	3,065,151
ROCKWELL COLLINS INC	75,422	2,068,071	STATE STREET CORP	127,080	5,680,476
ROCKWELL INTL	75,422	1,506,931	STEELCASE INC	329,500	4,408,710
ROHM & HAAS CO	21,222	859,279	STERIS CORP	40,900	781,599
ROPER INDS INC	29,900	1,115,270	STILWILL FINL INC	22,000	400,400
ROSS STORES INC	10,500	427,875	STORAGE TECHNOLOGY CORP	91,100	1,454,867
ROWEN COS INC	16,100	345,345	STRYKER CORP	19,000	1,016,690
ROYAL DUTCH PETROLEUM	219,795	12,148,070	SUN MICROSYSTEMS	328,800	1,647,288
RPM INC OHIO	126,400	1,927,600	SUNGARD DATA SYSTEMS INC	227,050	6,012,284
RYDER SYSTEM	72,350	1,959,962	SUNOCO INC	46,962	1,673,256
RYLAND GROUP INC	17,600	875,600	SUNTRUST BANKS INC	32,400	2,194,128
SABRE HLDGS CORP	140,445	5,027,931	SUPER VALU INC	96,300	2,362,239
SAFECO CORP	20,979	648,041	SWIFT ENERGY CO	170,000	2,684,300
SAFEWAY INC	49,900	1,456,581	SWIFT TRANSPORTATION INC	37,600	876,080
SANDISK INC	4,000	49,600	SYBRON DENTAL SPECIALTIES INC	391,773	7,247,801
SANGAMO BIOSCIENCES	100,000	588,000	SYMANTEC CORP	63,200	2,076,120
SANMINA CORP	523,500	3,303,285	SYMBOL TECH INC	427,612	3,634,702
SAPPI LTD	34,400	482,288	SYMYX TECHNOLOGIES	150,000	2,088,000
SARA LEE CORP	246,358	5,084,829	SYNOVUS FINANCIAL CORP	25,350	697,632
SBC COMM	426,878	13,019,779	SYSCO CORP	73,400	1,997,948
SCANA CORP	98,871	3,052,148	SYSTEMS & COMPUTER TECH	352,500	4,762,275
SCHERING PLOUGH	188,072	\$4,626,571	T ROWE PRICE GROUP INC	15,600	\$512,928

PORTFOLIO OF ASSETS, JUNE 30, 2002

DOMESTIC EQUITIES			DOMESTIC EQUITIES		
	SHARES	MARKET VALUE		SHARES	MARKET VALUE
TALISMAN ENERGY	47,500	\$2,144,625	UNIVERSAL ELECTRONICS	113,200	\$1,693,472
TARGET CORP	92,900	3,539,490	UNIVERSAL HEALTH SERVICE	14,200	695,800
TECH DATA CORP	62,800	2,376,980	UNIVISION COMM INC	150,420	4,723,188
TECHNE CORP	140,000	3,950,800	UNOCAL CORP	24,700	912,418
TECHNOLOGY SOLUTIONS	120,000	153,600	UNOVA	176,400	1,144,836
TECO ENERGY INC	13,900	344,025	UNUMPROVIDENT CORP	23,507	598,253
TEEKAY SHIPPING	77,000	2,842,070	US BANCORP	195,923	4,574,802
TEKELEC	399,000	3,203,970	UTD STS CORP	10,187	202,619
TEKTRONIX INC	9,400	175,874	V F CORP	66,900	2,623,149
TELE NORTE LESTE	66,800	664,660	VALASSIS	251,096	9,165,004
TELEDYNE TECH INC	1	21	VALERO ENERGY CORP	45,100	1,687,642
TELEFLEX INC	800	45,720	VARIAN INC	100,500	3,311,475
TELEFONICA DE ARGENTINA	65,800	240,170	VARIAN MEDICAL SYSTEMS	14,700	596,085
TELEPHONE DATA SYSTEMS	8,400	508,620	VASTERA INC	200,000	878,000
TELLABS	182,000	1,128,400	VEECO INSTRS INC	162,300	3,750,753
TEMPLE INLAND INC	18,500	1,070,410	VENTANA MEDICAL SYSTEMS	120,000	2,634,000
TENET HEALTH CARE	35,300	2,525,715	VERITAS SOFTWARE	62,900	1,244,791
TERADYNE INC	47,800	1,123,300	VERITY INC	388,900	4,312,901
TETRA TECH INC	203,500	2,991,450	VERIZON COMM	389,340	15,632,001
TEXAS INSTRUMENTS	279,072	6,614,006	VIACOM INC	363,031	16,107,685
TEXTRON INC	36,460	1,709,974	VISHAY INTERTECHNOLOGY INC	40,300	886,600
THE CHARLES SCHWAB CORP	652,625	7,309,400	VISTEON CORP	75,350	1,069,968
THE LIMITED INC	42,394	902,992	VITESSE SEMI CONDUCTOR CORP	24,300	75,573
THE PMI GROUP INC	66,600	2,544,120	VULCAN MATERIALS CO	10,000	438,000
THE TITAN CORP	103,900	1,900,331	W R GRACE	92,700	278,100
THE WILLIAMS COMPANIES	49,600	297,104	WABTEC	469,500	6,690,375
THERMO ELECTRON	35,400	584,100	WACHOVIA CORP	243,489	9,296,410
THOMAS & BETTS CORP	5,500	102,300	WADDELL & REED FINANCIAL INC	74,600	1,709,832
TIBCO SOFTWARE INC	151,150	840,394	WAL MART STORES INC	613,444	33,745,554
TIFFANY & CO	12,000	422,400	WALGREEN CO	210,098	8,116,086
TIJX COS	57,400	1,125,614	WALT DISNEY	216,006	4,082,513
TMP WORLDWIDE INC	184,774	3,972,641	WALTER INDS INC	737,800	9,849,630
TOLL BROS INC	36,200	1,060,660	WASHINGTON MUTUAL INC	213,055	7,906,471
TOMMY HILFIGER CORP	112,400	1,609,568	WASTE MANAGEMENT INC	336,795	8,773,510
TORCHMARK	58,700	2,242,340	WATERS CORP	140,400	3,748,680
TOYS R US	52,000	908,440	WATSON PHARMACEUTICALS	133,300	3,368,491
TRANSCANADA PIPELINE	27,900	427,428	WEATHERFORD BERMUDA	14,400	622,080
TRANSGENOMIC INC	200,000	504,000	WELLPOINT HEALTH NETWORKS INC	33,200	2,583,292
TRANSKARYOTIC THERAPIES INC	26,500	955,325	WELLS FARGO & CO	173,500	8,685,410
TRANSOCEAN SEDCO FOREX INC	29,844	929,641	WENDYS INTL INC	13,500	537,705
TREDEGAR INDUSTRIES INC	171,400	4,139,310	WERNER ENTERPRISES	138,733	2,956,400
TRIAD HOSPITALS INC	57,400	2,432,612	WESTAR ENERGY INC	66,700	1,023,845
TRIAD HOSPITALS INC	109,200	4,627,896	WEYERHAEUSER CO	126,251	8,061,126
TRIBUNE CO	29,148	1,267,938	WHIRLPOOL CORP	24,672	1,612,562
TRIGON HEALTHCARE INC	25,500	2,564,790	WILLIAMS-SONOMA INC	59,000	1,808,940
TRITON PCS HLDGS INC	19,300	75,270	WILLIS GROUP HOLDINGS LT	48,450	1,594,490
TRW INC	12,200	695,156	WIND RIVER SYSTEMS INC	31,300	156,813
TUPPERWARE CORP	6,097	126,757	WINN-DIXIE	13,900	216,701
TUT SYSTEMS	300,000	429,000	WORLDCOM INC	11,119	0
TXU CORP	136,015	7,011,574	WRIGLEY WM JR	102,602	5,679,020
TYCO INTL LTD	760,903	10,279,799	WYETH COM	215,594	1,038,413
TYSON FOODS	57,345	889,421	XCEL ENERGY INC	32,635	547,289
U S T CORP	16,100	547,400	XEROX CORP	65,600	457,232
UNILEVER	61,146	3,962,261	XILINX INC	34,800	780,564
UNION PAC CORP	24,100	1,525,048	XL CAPITAL LTD	13,200	1,118,040
UNION PLANTERS CORP	20,550	665,204	XTO ENERGY	65,100	1,341,060
UNIONBANCAL CORP	80,000	3,748,000	YAHOO	62,600	923,976
UNISYS CORP	31,100	279,900	YUM BRANDS INC	309,264	9,045,972
UNITED RENTALS INC	165,936	3,617,405	ZIMMER HLDGS	22,906	816,828
UNITED STATES CELLULAR CORP	56,400	1,435,380	ZIONS BANCORP	40,200	2,094,420
UNITED TECHNOLOGIES	50,300	3,415,370	ZOLL MEDICAL CORP	100,000	\$3,253,000
UNITEDHEALTH GROUP INC	31,600	\$2,892,980			

PORTFOLIO OF ASSETS, JUNE 30, 2002

<u>DOMESTIC EQUITIES</u>		<u>MARKET</u>		<u>INTERNATIONAL EQUITIES</u>	
	<u>SHARES</u>	<u>VALUE</u>		<u>SHARES</u>	<u>VALUE</u>
ZYGO CORP	175,000	\$1,408,750			
TOTAL DOMESTIC EQUITIES		2,594,169,111			
<u>INTERNATIONAL EQUITIES</u>		<u>MARKET</u>		<u>MARKET</u>	
	<u>SHARES</u>	<u>VALUE</u>		<u>SHARES</u>	<u>VALUE</u>
3I GROUP	121,680	1,269,548	DEUTSCHE LUFTHANSA	84,100	\$1,196,018
ABN-AMRO HLDGS NV	635,827	11,547,799	DEUTSCHE TELEKOM NPV	304,737	2,859,091
ACOM CO	32,470	2,218,666	DIAGEO	742,124	9,637,680
ADR AMER MOVIL	256,500	3,437,100	E ON AG NPV	274,248	15,912,212
ADR CENTRAIS ELETR	856,200	4,415,509	ELEC DE PORTUGAL	398,866	772,080
ADR COMPANHIA VALE	240,000	6,228,000	ELSEVIER NV	220,266	3,001,961
ADR KOOKMIN BK	48,465	2,382,055	EMI GROUP	282,070	1,070,564
ADR KOREA ELEC PWR	534,600	5,597,262	ENI BURI	1,061,777	16,882,565
ADR PETROLEO BRASILE	130,000	2,262,000	FORTIS	63,343	1,349,986
ADR POSCO	309,263	8,433,602	FOSTERS GROUP LTD CO	547,403	1,450,383
ADR TAIWAN SEMICONDU	22,910	297,830	FRIENDS PROVIDENT	1,367,500	3,017,188
ADR TELECOMUNICACOES	99,900	2,265,732	FUJI PHOTO FILM CO	99,000	3,196,479
ADR TELEFONOS DE MEX	284,800	9,136,384	GLAXOSMITHKLINE ORD	526,702	11,540,903
ADR UTD MICROELECTRO	46,909	344,781	GPE BRUXELLES LAM NP	21,494	1,122,929
AHOLD NV	244,900	5,151,665	GRANADA	1,085,597	1,845,015
AKZO NOBEL NV	121,800	5,303,549	HBOS ORD	224,202	2,426,355
ALCATEL	808,765	5,623,080	HEINEKEN NV	45,350	1,990,355
ALLIANZ AG NPV	13,596	2,745,222	HILTON GRP ORD	463,470	1,612,460
ALLIED IRISH BANKS	334,000	4,436,577	HITACHI	1,939,000	12,537,335
ANGLO AMERICAN ORD	137,259	2,282,559	HONDA MOTOR CO	110,000	4,460,204
ASTRAZENECA	63,290	2,620,121	HOYA CORP	37,000	2,691,807
AVENTIS SA	164,133	11,630,464	HSBC HLDINGS	911,840	10,471,849
AXA	224,122	4,099,253	IMPERIAL CHEM INDS	1,449,318	5,073,917
BAA ORD	189,378	1,729,071	ING GROEP NV	412,185	10,583,877
BAE SYSTEMS ORD	2,291,300	11,699,928	INTESA BCI SPA ORD	2,800,056	8,544,849
BARCLAYS	1,062,687	8,941,305	INVENSYS ORD	2,813,449	3,816,678
BASF AG NPV	134,700	6,272,325	ITO-YOKADO CO	17,000	850,993
BAYER AG ORD NPV	123,353	3,953,153	JAPAN TELECOM CO	79	160,254
BAYER HYPO-VEREINS	143,800	4,686,537	JAPAN TOBACCO INC	855	5,735,191
BAYER MOTOREN WERK	122,186	4,960,759	JARDINE MATHESON	1,418,690	8,441,206
BBVA	669,233	7,567,668	KDDI CORP	157	484,649
BCO SANT CENT HISP	646,926	5,136,767	KEPPEL CORP	112,000	261,180
BNP PARIBAS	65,152	3,603,255	KOMATSU	1,253,000	4,484,707
BOOTS CO ORD	308,913	3,062,950	KON KPN NV	165,804	776,162
BOUYGUES	19,543	546,014	KT CORP	211,400	4,576,810
BP ORD	837,066	7,030,201	LAFARGE	156,268	5,557,374
BRAMBLES INDS LTD	325,567	1,725,226	LATTICE GROUP	436,439	1,137,565
BRIT AMER TOBACCO	1,070,487	11,503,419	LLOYDS TSB GROUP ORD	1,033,319	10,439,599
BRITISH AIRWAYS ORD	267,426	414,215	MARKS & SPENCER	1,437,253	8,165,962
BRITISH SKY BROADC	341,146	3,270,750	MATSUSHITA ELC INC	707,000	9,644,126
BT GROUP ORD	854,230	3,281,193	MERCK KGAA ORD NPV	19,377	521,474
TELEFONOS VENEZ	273,228	3,888,034	MICHELIN	198,900	8,059,638
CADBURY SCHWEPPE	400,750	3,002,296	MILLEA HOLDING	1,034	8,488,703
CANON INC	233,000	8,806,024	MINITUBISHI CORP	64,000	462,940
CHEUNG KONG HLDGS	334,000	2,783,351	MINITUBISHI HVY IND	2,500,000	7,571,333
CHINA MOBILE	167,500	496,061	MINITUBISHI TOKYO	1,207	7,415,318
CIE DE ST GOBAIN	40,716	1,849,704	MINITUBISHI & CO	109,000	729,334
COMPASS GROUP ORD	457,203	2,773,630	MINITUBISHI FUDOSAN CO	35,000	309,528
CORUS GROUP ORD	5,912,400	7,570,064	MMOZ ORD	854,230	546,866
CREDIT AGRICOLE	39,268	872,571	NATIONAL AUST BANK	138,220	2,746,678
CREDIT LYONNAIS	28,694	1,229,872	NATIONAL GRID GRP	277,577	1,971,632
DAI NIPPON PRINTING	43,000	570,774	NESTLE SA	45,105	10,516,671
DAIICHI PHARM CO	204,000	3,727,349	NEWS CORPORATION	281,134	1,527,645
DAIWA HOUSE IND	442,000	2,703,037	NIDEC CORP	4,300	311,755
DAIWA SEC CO	118,000	764,942	NIKON CORP	25,000	276,781
DBS GROUP HLDGS	778,000	\$5,460,422	NINTENDO CO	23,200	3,416,319
			NIPPON MITSUB OIL	1,765,000	9,129,818
			NIPPON STEEL	651,000	787,878
			NIPPON TEL NETWORK	2,540	566,658
			NIPPON TEL&TEL CP	1,976	8,127,548
			NITTO DENKO CORP	17,200	563,958
			NOKIA OYJ	164,012	\$2,400,507

PORTFOLIO OF ASSETS, JUNE 30, 2002

<u>INTERNATIONAL EQUITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>INTERNATIONAL EQUITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
NOMURA RESEARCH	2,600	\$357,484	TOTAL PORTFOLIO		<u>\$5,744,282,025</u>
NORTEL NETWORKS CORP	1,748,394	2,535,171			
NOVARTIS AG	137,225	6,034,857			
NOVO-NORDISK AS	7,522	215,370			
NTT DOCOMO NPV	1,412	3,475,221			
ONO PHARMACEUTICAL	112,000	3,999,333			
PETROCHINA CO	10,662,000	2,269,107			
PEUGEOT SA	38,280	1,986,662			
PHILIPS ELEC	345,213	9,809,988			
PORTUGAL TCOM SGPS	774,266	5,467,332			
PRUDENTIAL PLC	427,740	3,911,898			
RAILTRACK GROUP ORD	78,110	264,609			
REPSOL YPF SA	692,200	8,162,349			
REUTERS GROUP	899,275	4,770,108			
RMC GROUP ORD	77,550	776,020			
ROCHE HLDGS AG	62,250	4,705,611			
ROHM CO	16,300	2,432,897			
SAFEWAY	867,300	3,724,686			
SAINSBURY J ORD	194,326	1,054,478			
SAMSUNG ELECTRONIC	8,844	1,214,282			
SCOT POWER ORD	242,577	1,304,287			
SEVEN-ELEVEN JAPAN	23,000	905,723			
SHELL TRNSPT&TRDG	1,007,464	7,601,358			
SHIONOGI & CO	48,000	612,314			
SINGAPORE PRESS HD	23,000	260,025			
SMC CORP	17,600	2,080,694			
SMITHS GROUP ORD	83,784	1,088,071			
SONY CORP	38,200	2,017,404			
SOUTH AFRICAN BREW	160,734	1,258,070			
SUMITOMO MITSUI BK	1,472,000	6,408,351			
SUN HUNG KAI PROP	266,000	2,020,590			
SWIRE PACIFIC	763,000	3,903,063			
SWISS REINSURANCE CH	85,100	8,319,872			
SWISSCOM AG	33,800	4,916,983			
TAKEDA CHEMICAL IN	112,000	4,915,068			
TELE NORTE LESTE	603,000	5,999,850			
TELECOM CORP OF NZ	1,293,941	3,098,349			
TELECOM ITALIA SPA	880,008	6,891,901			
TELEFONICA SA	1,828,112	8,284,697			
TESCO ORD	1,186,775	4,466,119			
TF1 - TV FRANCAISE	23,711	634,832			
THK CO	8,900	171,154			
TI AUTOMOTIVE	125,400	0			
TOKYO BROADCASTING	13,000	291,215			
TOTAL FINA ELF	135,624	22,020,014			
TPG NV	85,325	1,927,177			
TYCO INTL LTD	258,600	3,493,686			
UBS AG	200,761	10,097,068			
UNILEVER PLC ORD	1,492,746	13,606,411			
VIVENDI UNIVERSAL	94,424	1,249,561			
VNU NV	46,676	1,297,171			
VODAFONE GROUP	5,079,518	6,968,214			
WESTPAC BKG CORP NPV	302,018	2,753,294			
WOLSELEY	82,690	838,168			
WPP GROUP ORD	198,650	1,677,471			
ZURICH FIN SVS GRP	50,156	<u>10,127,249</u>			
TOTAL INTERNATIONAL EQUITIES		736,514,061			
PENDING EQUITY TRADES		<u>5,818,196</u>			
TOTAL EQUITY SECURITIES		<u>\$3,336,501,368</u>			

PORTFOLIO OF ASSETS, JUNE 30, 2002

TOP TEN US GOVERNMENT FIXED INCOME HOLDINGS			MARKET
RATE	MATURITY DATE	DATE	VALUE
4.500	05/15/2007		\$63,399,925
5.100	08/02/2004		36,392,166
5.000	08/15/2001		30,320,351
6.500	10/15/2028		26,450,702
6.000	11/01/2016		24,829,343
0.000	07/26/2002		20,974,779
6.500	11/15/2031		19,558,115
6.500	07/15/2028		19,365,619
6.500	11/01/2031		17,780,884
7.000	10/01/2031		16,579,939

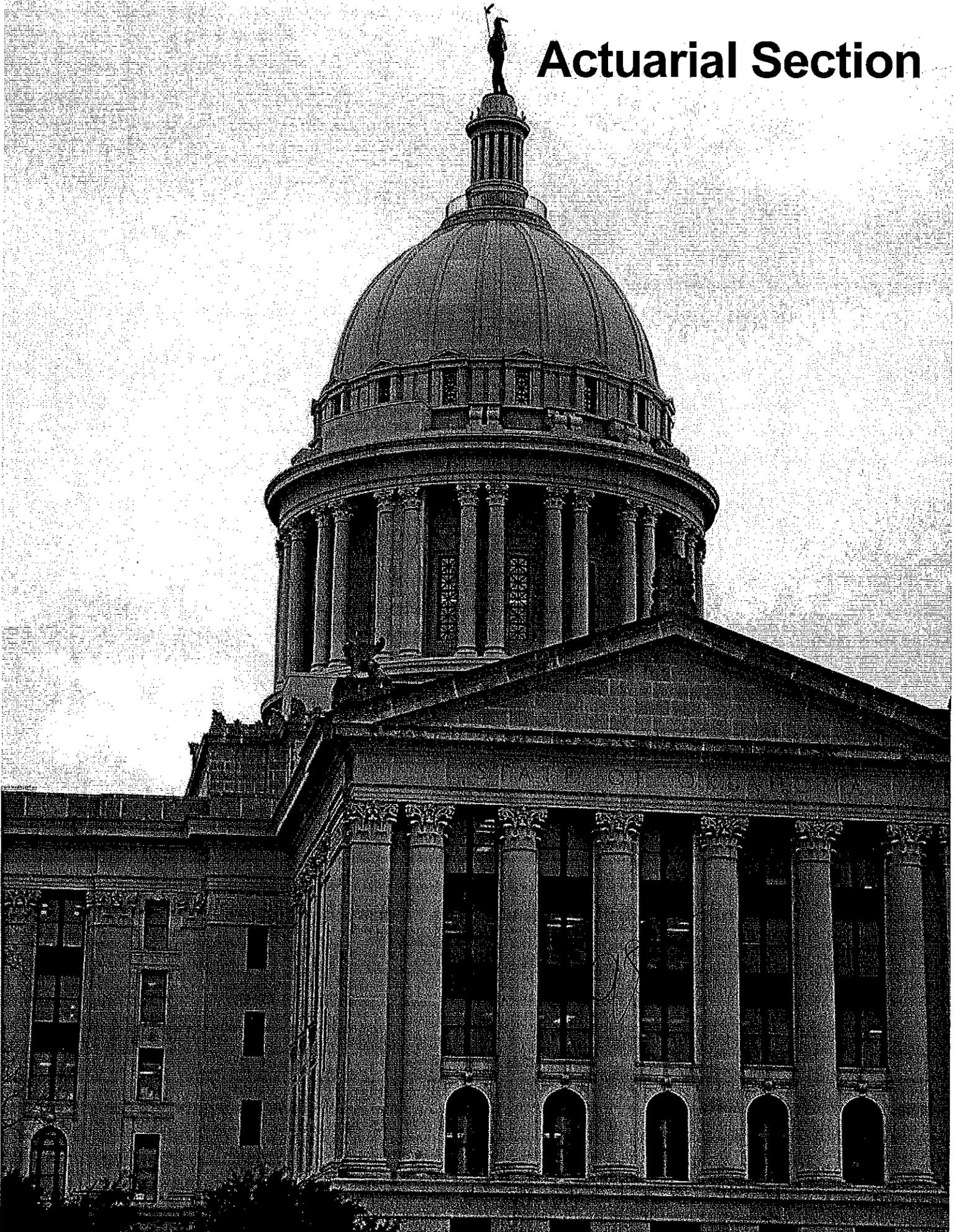
TOP TEN US CORPORATE FIXED INCOME HOLDINGS			MARKET
RATE	MATURITY DATE	DATE	VALUE
8.072	07/15/2037		\$13,924,194
0.000	03/01/2006		11,027,610
8.000	07/15/2010		10,562,210
6.625	02/05/2006		10,517,000
7.630	10/15/2007		10,231,764
0.000	08/01/2010		9,818,535
7.375	12/01/2025		9,347,521
7.450	07/16/2031		9,308,470
7.250	02/25/2031		8,448,400
7.750	04/02/2012		8,302,657

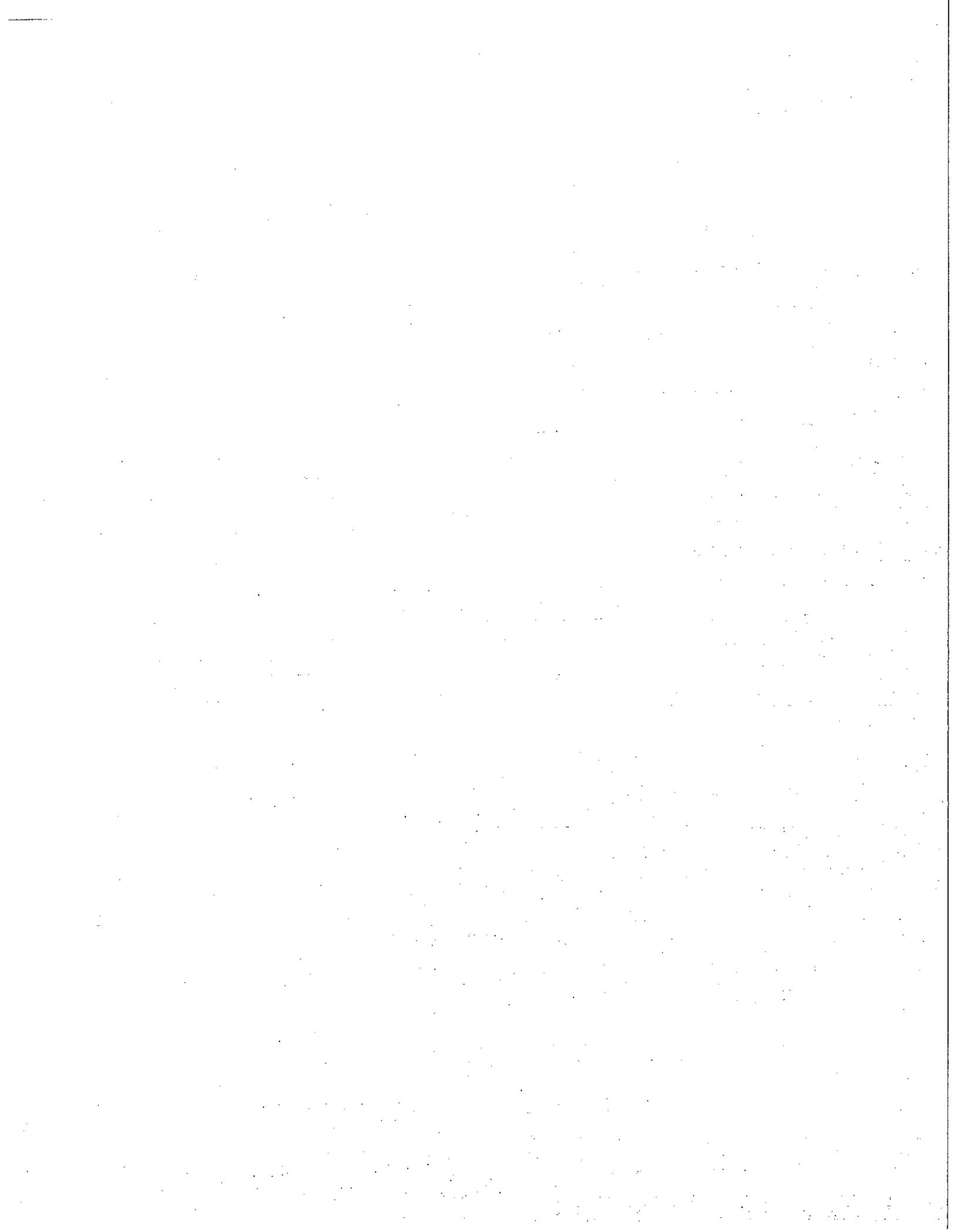
TOP TEN INTERNATIONAL FIXED INCOME HOLDINGS			MARKET
RATE	MATURITY DATE	DATE	VALUE
4.250	03/14/2003		\$10,691,000
6.250	04/06/2026		8,425,844
5.250	04/01/2011		7,372,387
6.000	06/01/2008		5,744,917
4.750	- -		3,297,846
8.250	06/15/2030		2,788,818
6.125	01/22/2011		2,112,400
7.500	09/15/2029		1,126,730
8.750	04/15/2003		1,045,200
5.750	10/08/2003		1,033,600

TOP TWENTY US EQUITY HOLDINGS		MARKET
SHARES		VALUE
743,066	MICROSOFT	\$40,645,711
613,444	WAL MART STORES INC	33,745,554
1,129,011	GENERAL ELECTRIC CO	32,797,770
927,445	PFIZER INC	32,460,575
696,290	EXXON MOBIL CORP	28,492,187
489,765	PHILLIP MORRIS	21,392,935
409,294	JOHNSON & JOHNSON	21,389,705
528,698	CITIGROUP INC	20,487,048
396,502	COCA COLA CO	19,789,008
268,320	AMER INTL GROUP	18,307,474
1,245,300	CISCO SYSTEMS	17,371,935
900,600	INTEL	16,453,962
363,031	VIACOM INC	16,107,685
389,340	VERIZON COMM	15,632,001
213,034	INTL BUS MACH	15,338,448
154,810	PROCTER & GAMBLE CO	13,824,533
286,380	PEPSICO INC	13,803,516
460,800	METLIFE INC	13,271,040
355,635	HOME DEPOT INC	13,062,474
426,878	SBC COMM	13,019,779

TOP TEN INTERNATIONAL EQUITY HOLDINGS		MARKET
SHARES		VALUE
135,624	TOTAL FINA ELF	\$22,020,014
1,061,777	ENI EUR1 COM	16,882,565
274,248	E.ON AG NPV	15,912,212
1,492,746	UNILEVER PLC ORD.	13,606,411
1,939,000	HITACHI	12,537,335
2,291,300	BAE SYSTEMS ORD	11,699,928
164,133	AVENTIS SA	11,630,464
635,827	ABN-AMRO HLDGS NV	11,547,799
526,702	GLAXOSMITHKLINE ORD	11,540,903
1,070,487	BRIT AMER TOBACCO	11,503,419

Actuarial Section







GABRIEL, ROEDER, SMITH & COMPANY

Consultants & Actuaries

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October 23, 2002

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

Dear Members of the Board:

Subject: Actuarial Valuation as of June 30, 2002

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, 2002.

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, federal and local employer contribution rates are established by law. Members contribute 7.00% of covered compensation. The state contributes 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. Local employers contribute 7.05% of covered compensation. Additionally, OTRS receives "federal matching contributions", currently 5.0% of covered pay, for positions whose funding comes from federal sources or certain grants.

In the fiscal year ending June 30, 2002, the state's contribution plus the federal contribution was equivalent to a contribution of about 5.0% of covered payroll. But, because of falling projected state tax revenue, the estimated state and federal contributions will only amount to about 4.7% of covered payroll in the current fiscal year. Therefore the total combined state, local and federal contributions for 2002-03 and thereafter will be equivalent to a contribution of about 11.75% of payroll. However, the state's contribution rate as a percent of the specified revenues is now scheduled to increase to 3.75% in FY 2005, 4.00% in FY 2006, 4.50% in FY 2007, and 5.00% in FY 2008. Federal contributions should also increase in the same pattern. This should raise the state and federal contributions to 6.4% of covered payroll by the end of the transition period.

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

Progress Toward Realization of Financing Objectives

The UAAL at June 30, 2001 was \$5,632 million, and it increased to \$5,965 million this year. This \$333 million increase includes \$131 million for the ad hoc COLA that was granted as of July 1, 2002. The funded ratio - actuarial value of assets divided by actuarial accrued liability - was unchanged at 51.4%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 62.2 years, measured from June 30, 2001. This year, the funding period is 41.0 years. The main reason for the decrease is the adoption of new, higher contribution rates by the state, as discussed above.

Based on the current statutes for determining the state, federal and employer contribution rates, the UAAL is expected to increase slowly but steadily, reaching about \$8.8 billion in 2024, before beginning to decline. It is expected to be completely amortized by 2043.

Deferred Asset Losses

All of the figures above (the UAAL, the funded ratio, and the funding period) are based on actuarial calculations that make use of the actuarial value of assets, not the market value. Because asset gains and losses – earnings greater or less than the 8.00% investment return assumption – are recognized 20% per year for five years in the actuarial value of assets, the current actuarial value (\$6,311 million) is \$893 million larger than the market value (\$5,418 million). In the absence of a major market rebound, the \$893 million in deferred losses will be recognized over the next four years. As these losses are recognized, the unfunded liability can be expected to increase by a corresponding amount, over and above other expected increases.

Benefit Provisions

The actuarial valuation reflects the benefit provisions as set forth in current statutes, including those adopted in the 2002 legislative session. There were two changes that affected the current valuation. First as of July 1, 2002 an ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. This was determined to be an increase of 3% for those with less than 30 years of credited service and 4% for those with 30 or more years of credited service. Second, a bill was adopted that will increase the percentage of future dedicated revenue to be contributed by the state in steps from its current level of 3.54% of specified revenue to 5.0% by July 1, 2007.

Assumptions and Methods

Assumptions are set by the Board of Trustees, taking into account the recommendations of the plan's actuaries. The actuarial assumptions and methods used in this report are unchanged from last year. The assumptions are internally consistent and are reasonably based on the actual experience of the System. We have, however, modified the calculation of the funding period to take into account expected federal matching contributions.

During the 2002 legislative session, legislation was adopted that requires the Retirement Board to submit information on the System to the Oklahoma State Pension Commission based on a prescribed set of assumptions. We have presented this information as an addendum in Appendix IV of this report.

Data

Member data for retired, active, and inactive participants was supplied as of June 30, 2002 by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was supplied by the auditors and by the System's staff.

Attached Schedules

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

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

Sincerely,

Gabriel, Roeder, Smith & Company



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



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

nlb

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Executive Summary

Item	2002	2001
Membership <ul style="list-style-type: none"> • Number of <ul style="list-style-type: none"> - Active members - Retirees and beneficiaries - Inactive, vested - Inactive, nonvested - Total • Payroll 	85,366 36,515 3,575 <u>8,755</u> 134,211 \$3,047 million	84,387 35,188 3,459 <u>8,335</u> 131,369 \$2,991 million
Statutory contribution rates <ul style="list-style-type: none"> • State (% of tax revenues) • Local district (% of pay) • Member (% of pay) 	3.54% 7.05% 7.00%	3.54% 6.80% 7.00%
Assets <ul style="list-style-type: none"> • Market value • Actuarial value • Return on market value • Return on actuarial value • State/local federal contributions • External cash flow % 	\$5,418 million 6,311 million -5.4% 5.8% \$365 million (0.0%)	\$5,732 million 5,959 million -2.3% 11.4% \$314 million (0.5%)
Actuarial Information <ul style="list-style-type: none"> • Normal cost % • Unfunded actuarial accrued liability (UAAL) • Funded ratio • Funding period 	10.28% \$5,965 million 51.4% 41.0 years	10.28% \$5,632 million 51.4% 62.2 years
GASB 25 ARC (40-year funding cost) <ul style="list-style-type: none"> • Dollar amount • Percent of pay 	\$585,168,488 18.74%	\$556,201,571 18.18%
Gains/(losses) <ul style="list-style-type: none"> • Asset experience • Liability experience • Benefit changes • Assumption changes (excl. COLA) • 1% COLA assumption • Total 	\$(128) million 89 million (131) million N/A <u>N/A</u> \$(170) million	\$181 million (237) million N/A 18 million <u>(871) million</u> \$(909) million

Funded Status

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

Overall, the actuarial picture presented in this report is somewhat better than last year's. The UAAL increased by \$333 million, from \$5.632 billion to \$5.965 billion. The funded ratio – the ratio of the actuarial value of assets to actuarial accrued liability – is unchanged at 51.4%. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – has decreased from 62.2 years to 41.0 years.

The main reason for this decrease is the adoption of legislation that increased the future percentage of dedicated revenue that OTRS will receive from the state from its current level of 3.54% to 5.00% by July 1, 2007.

The poor investment results over the last two years have not helped the System's funded position. It remains among the five or six most poorly funded of all statewide plans in the nation. As noted above, the funded ratio is unchanged from last year at 51.4%. The actuarial value of assets is large enough to cover all of the liabilities for currently retired members, but the market value is no longer adequate to cover the retiree liability.

The current combined state/local/federal contribution rate of about 11.75% of pay for FY 2003 is not large enough to pay the normal cost and pay the interest on the UAAL. Therefore, negative amortization results. I.e., for the next several years the UAAL is 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 2024, at which point positive amortization will begin to occur. It will take until about 2037 before the UAAL is again as low as it is now, in the absence of future gains or losses. The UAAL is scheduled to be completely amortized in FY 2043.

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 \$5,632.1 million last year, has increased to \$5,965.0 million this year. However, an increase of \$187.7 million was expected, since the current statutory employer/state/federal contribution rate is not large enough to pay for the normal cost and for interest on the UAAL. Therefore, negative amortization is expected to occur.

The two main reasons for the larger than expected increase in the UAAL are poor investment performance and the granting of an ad hoc benefit increase for retirees. The asset loss increased the UAAL by \$128.5 million, even though 80% of the FY 2002 loss and 60% of the FY 2001 loss are still deferred. I.e., they are not reflected in the actuarial value of assets. The return on the actuarial value was 5.8%, compared with the assumed 8.00% investment return rate. The actual return on market value was -5.4%. This is the first year since 1994 that the actuarial return was less than the assumed 8.00% rate. The ad hoc COLA effective July 1, 2002, increased the UAAL by \$131 million. Note that this is not the full cost of the COLA, but is only the cost for the COLA in excess of the 1% increase anticipated by the actuarial assumptions.

There was a liability gain of \$89.2 million, principally due to lower than expected salary increases. One minor factor affecting the UAAL was a \$25.1 million decrease due to differences between actual and expected contributions.

Funding Period

The funding period (the period required to amortize the UAAL) decreased from 62.2 years to 41.0 years. An analysis is shown on Table 12b. The major reason for this is the expected future increases in the state's contribution, due to the scheduled increase in the contribution rates.

Revenue estimates for the State have decreased sharply since last year. In FY 2002, the state contributed over \$141 million, but in FY 2003 OTRS estimates it will receive only \$132 million. In determining the funding period, we have used the OTRS revenue estimates for state contributions for FY 2003, FY 2004 and FY 2005. These are based on a 4% revenue growth during this period. After this transition period we projected the state's tax revenue to increase 3.5% per year.

Actuarial Assumptions and Methods

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

The most significant assumptions are the investment return rate (8%), the salary increase rate (averages about 4.7%), the payroll growth rate (3.5%), and the state revenue growth rate (3.5%). There were no changes in actuarial assumptions or methods since last year, except federal matching funds are now reflected in the calculation of the funding period. Actuarial assumptions were last changed in 2001, when the Board adopted changes recommended by the actuary, based on a review of System experience for the five-year period ending June 30, 1999.

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, 2002 (1)	June 30, 2001 (2)
1. Payroll		
a. Supplied by system	\$ 3,047,149,510	\$ 2,990,541,250
b. Adjusted for one year's pay increase	3,187,766,000	3,130,642,000
c. Adjusted for one year's pay increase with pay caps	3,121,937,000	3,060,242,000
2. Present value of future pay (paid monthly, with pay caps)	\$ 24,578,171,000	\$ 24,173,471,000
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	10.28%	10.28%
b. Less: member rate	<u>(7.00%)</u>	<u>(7.00%)</u>
c. Employer normal cost rate	3.28%	3.28%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$ 8,657,751,000	\$ 8,443,418,000
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(806,164,009)	(792,889,849)
c. Less: present value of future member contributions	<u>(1,720,472,000)</u>	<u>(1,692,143,000)</u>
d. Actuarial accrued liability	\$ 6,131,114,991	\$ 5,958,385,151
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 5,959,905,900	\$ 5,459,646,800
b. Inactive members	184,894,014	173,055,278
c. Active members (Item 4d)	<u>6,131,114,991</u>	<u>5,958,385,151</u>
d. Total	\$ 12,275,914,905	\$ 11,591,087,229
6. Actuarial value of assets	\$ 6,310,930,799	\$ 5,959,008,704
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 5,964,984,106	\$ 5,632,078,525
8. Funding period	41.0 years	62.2 years
9. 40-year amortization cost		
a. Employer normal cost (Item 1c * 3c)	\$ 102,399,534	\$ 100,375,938
b. Level 40-year amortization of UAAL (payable monthly)	482,768,954	455,825,633
c. Total	<u>\$ 585,168,488</u>	<u>\$ 556,201,571</u>
d. Contribution as percentage of payroll (9c/1c)	18.74%	18.18%

Actuarial Present Value of Future Benefits

	June 30, 2002 (1)	June 30, 2001 (2)
1. Active members		
a. Service retirement benefits	\$ 7,518,001,000	\$ 7,329,349,000
b. Deferred termination benefits	80,354,000	85,916,000
c. Refunds	425,527,000	403,044,000
d. Death benefits	46,877,000	48,209,000
e. Disability retirement benefits	187,817,000	184,668,000
f. Supplemental medical insurance	371,321,000	365,078,000
g. \$5,000 post-retirement death benefit	27,854,000	27,154,000
h. Total	<u>\$ 8,657,751,000</u>	<u>\$ 8,443,418,000</u>
2. Retired members		
a. Service retirements	\$ 5,288,419,600	\$ 4,829,407,100
b. Disability retirements	98,154,600	90,439,500
c. Beneficiaries	145,743,100	128,959,000
d. Supplemental medical insurance	367,327,700	352,513,800
e. \$5,000 post-retirement death benefit	60,260,900	58,327,400
f. Total	<u>\$ 5,959,905,900</u>	<u>\$ 5,459,646,800</u>
3. Inactive members		
a. Vested terminations	\$ 125,327,693	\$ 120,379,844
b. Nonvested terminations	41,221,382	35,767,451
c. Suspense fund	18,344,939	16,907,983
d. Total	<u>\$ 184,894,014</u>	<u>\$ 173,055,278</u>
4. Total actuarial present value of future benefits	<u>\$ 14,802,550,914</u>	<u>\$ 14,076,120,078</u>

Analysis of Normal Cost

	<u>June 30, 2002</u>	<u>June 30, 2001</u>
	(1)	(2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	7.55%	7.55%
b. Deferred termination benefits	0.13%	0.13%
c. Refunds	1.91%	1.91%
d. Supplemental medical insurance	0.36%	0.36%
e. \$5,000 Post-retirement death benefits	0.03%	0.03%
f. Disability retirement benefits	<u>0.30%</u>	<u>0.30%</u>
g. Total	10.28%	10.28%
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	3.28%	3.28%
4. Effectiveness of member contributions		
a. Member rate	7.00%	7.00%
b. Less: cost of refunds	<u>(1.91%)</u>	<u>(1.91%)</u>
c. Net member rate available for benefits	5.09%	5.09%
d. Effectiveness rate (4c/4a)	72.71%	72.71%

**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, 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%
June 30, 2000	\$5,373.5	\$10,009.2	\$4,635.7	53.7%	\$2,738.3	169.3%
June 30, 2001	\$5,959.0	\$11,591.1	\$5,632.1	51.4%	\$2,990.5	188.3%
June 30, 2002	\$6,310.9	\$12,275.9	\$5,965.0	51.4%	\$3,047.1	195.8%

Note: Dollar amounts in millions

Beginning with June 30, 2001 results, values reflect assumed 1% average COLA.

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

<u>Year Ending June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
(1)	(2)	(3)
1997	\$446,459,961	62.0%
1998	\$446,219,296	59.1%
1999	\$456,864,002	53.5%
2000	\$455,265,033	60.6%
2001	\$451,463,258	72.7%
2002	\$556,201,571	65.6%

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, 2002
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 *	4.25% to 7.00%
* Includes inflation at:	3.00%
Cost of living adjustment	1.00%

Membership Data

	June 30, 2002 (1)	June 30, 2001 (2)
1. Active members		
a. Number	85,366	84,387
b. Total payroll supplied by System	\$ 3,047,149,510	\$ 2,990,541,250
c. Average salary	35,695	35,438
d. Average age	44.9	44.7
e. Average service	11.1	11.0
2. Vested inactive members		
a. Number	3,575	3,459
b. Total annual deferred benefits	\$ 19,201,214	\$ 18,685,270
c. Average annual deferred benefit	5,371	5,402
3. Nonvested inactive members		
a. Number	8,755	8,335
b. Member contributions with interest due	\$ 41,221,382	\$ 35,767,451
c. Average refund due	4,708	4,291
4. Service retirees		
a. Number	33,623	32,365
b. Total annual benefits ¹	\$ 530,651,544	\$ 487,500,130
c. Average annual benefit	15,782	15,063
5. Special service retirees		
a. Number	330	407
b. Total annual benefits ¹	\$ 712,078	\$ 852,469
c. Average annual benefit	2,158	2,095
6. Disabled retirees		
a. Number	1,204	1,144
b. Total annual benefits ¹	\$ 12,163,236	\$ 11,289,811
c. Average annual benefit	10,102	9,869
7. Beneficiaries and spouses		
a. Number	1,358	1,272
b. Total annual benefits ¹	\$ 16,751,805	\$ 14,843,370
c. Average annual benefit	12,336	11,669

¹ Benefit amounts exclude the supplemental medical insurance payment.

2002 benefit amounts include COLA effective July 1, 2002

Historical Summary of Active Member Data

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

Plan Net Assets
(Assets at Market or Fair Value)

Item	Valuation as of	
	June 30, 2002	June 30, 2001
(1)	(2)	(3)
1. Cash and cash equivalents	\$ 3,281,205	\$ 3,223,790
2. Receivables		
a. Employer and member contributions	\$ 33,418,434	\$ 30,734,990
b. State contribution	12,968,052	18,395,406
c. Net investment income and other	(45,726,674)	(39,097,121)
d. Total receivables	\$ 659,812	\$ 10,033,275
3. Investments		
a. Invested cash and other	\$ 294,413,621	\$ 233,955,161
b. Domestic equities	2,602,427,287	2,944,810,504
c. International equities	734,074,081	645,377,808
d. Domestic fixed income	2,065,982,124	2,160,188,453
e. International fixed income	47,384,912	77,067,622
f. Real estate, furniture & equipment	404,771	382,620
g. Total investments	\$ 5,744,686,796	\$ 6,061,782,168
4. Total assets	\$ 5,748,627,813	\$ 6,075,039,233
5. Liabilities		
a. Benefits payable	\$ 45,185,670	\$ 13,558,383
b. Insurance premium payable	2,414,798	2,418,373
c. Expenses	4,144,139	4,548,039
d. Total liabilities	\$ 51,744,607	\$ 20,524,795
6. Net assets available (Item 4 - Item 5)	\$ 5,696,883,206	\$ 6,054,514,438
7. Less: Teachers' Deposit Fund	(278,991,127)	(322,761,093)
8. Net assets available for OTRS benefits	\$ 5,417,892,079	\$ 5,731,753,345

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

Item (1)	Valuation as of	
	June 30, 2002 (2)	June 30, 2001 (3)
a. Invested cash and other	5.12%	3.86%
b. Domestic equities	45.31%	48.57%
c. International equities	12.78%	10.65%
d. Domestic fixed income	35.96%	35.64%
e. International fixed income	0.82%	1.27%
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, 2002 (1)	June 30, 2001 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	\$ 5,727,193,205	** \$ 5,894,900,455 *
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	\$ 226,445,669	\$ 216,752,852
ii. Federal matching funds	13,138,458	14,406,265
iii. State contribution	141,057,868	140,925,355
iv. Employer/district contributions	210,829,995	172,749,389
v. Total	\$ 591,471,990	\$ 544,833,861
b. Net investment earnings		
i. Interest, dividends and other income	\$ 189,838,153	\$ 215,126,537
ii. Net appreciation/(depreciation)	(499,102,940)	(342,603,971)
iii. Less: investment expenses	(16,469,508)	(16,590,368)
iv. Less: transfers to Teachers' Deposit Fund	16,817,828	8,299,566
v. Net investment earnings	\$ (308,916,467)	\$ (135,768,236)
c. Total revenue	\$ 282,555,523	\$ 409,065,625
3. Expenditures for the year		
a. Refunds	\$ 26,728,503	\$ 31,432,937
b. Benefit payments, including insurance payments	561,222,392	537,308,002
c. Administrative expenses	3,905,754	3,471,796
d. Total expenditures	\$ 591,856,649	\$ 572,212,735
4. Increase in net assets (Item 2 - Item 3)	\$ (309,301,126)	\$ (163,147,110)
5. Market value of assets at end of year, net of Teachers' Deposit Fund (Item 1 + Item 4)	\$ 5,417,892,079	\$ 5,731,753,345

* The June 30, 2000 Market Value was adjusted due to implementation of GASB 33, reflecting an additional \$4,560,140 in receivable contributions from the State of Oklahoma.

** This accrual was reversed in FY 2002.

Development of Actuarial Value of Assets

	<u>Year Ending June 30, 2002</u>		
1. Market value of assets at beginning of year	\$ 5,727,193,205		
2. Net new investments			
a. Contributions	\$ 591,471,990		
b. Benefits paid	(561,222,392)		
c. Refunds	<u>(26,728,503)</u>		
d. Subtotal	3,521,095		
3. Market value of assets at end of year	\$ 5,417,892,079		
4. Net earnings (3-1-2)	\$ (312,822,221)		
5. Assumed investment return rate	8.00%		
6. Expected return	\$ 458,316,300		
7. Excess return (4-6)	\$ (771,138,521)		
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, 1999	183,867,262	20%	\$ 36,773,452
b. June 30, 2000	132,560,291	40%	53,024,116
c. June 30, 2001	(609,875,785)	60%	(365,925,471)
d. June 30, 2002	(771,138,521)	80%	<u>(616,910,817)</u>
			\$ (893,038,720)
9. Actuarial value of assets (Item 3 - Item 8)	\$ 6,310,930,799		
10. Actuarial value as percentage of market value			116.5%

Estimation of Yields

	Year Ending	
	June 30, 2002 (1)	June 30, 2001 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 5,727,193,205 *	\$ 5,894,900,455 *
2. Net investment income (including realized and unrealized gains and losses)	\$ (308,916,467)	\$ (135,768,236)
3. End of year market assets	\$ 5,417,892,079	\$ 5,731,753,345
4. Estimated dollar weighted market value yield	-5.4%	-2.3%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 5,959,008,704	\$ 5,373,476,089
2. Actuarial return	\$ 348,401,000	\$ 609,439,693
3. End of year actuarial assets	\$ 6,310,930,799	\$ 5,959,008,704
4. Estimated actuarial value yield	5.8%	11.4%

* Restated

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 ¹ (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
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%)
2000	471.8	(500.3)	(29.5)	(3.0)	(532.7)	(60.9)	5,890	(1.0%)
2001	544.8	(537.3)	(31.4)	(3.5)	(572.2)	(27.4)	5,732	(0.5%)
2002	591.5	(561.2)	(26.7)	(3.9)	(591.9)	(0.4)	5,418	(0.0%)

Dollar amounts in millions

¹ Column (7) = Column (2) + Column (6).

Investment Experience Gain or Loss

Item (1)	Year Ending June 30, 2002 (2)	Year Ending June 30, 2001 (3)
1. Actuarial assets, beginning of year	\$ 5,959,008,704	\$ 5,373,476,089
2. Contributions during year	\$ 591,471,990	\$ 544,833,861
3. Benefits and refunds paid	\$ (587,950,895)	\$ (568,740,939)
4. Assumed net investment income at 8%		
a. Beginning of year assets	\$ 476,720,696	\$ 429,878,087
b. Contributions	23,658,880	21,793,354
c. Benefits and refunds paid	<u>(23,518,036)</u>	<u>(22,749,638)</u>
d. Total	\$ 476,861,540	\$ 428,921,803
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 6,439,391,339	\$ 5,778,490,814
6. Actual actuarial assets, end of year	\$ 6,310,930,799	\$ 5,959,008,704
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ (128,460,540)	\$ 180,517,890

Total Experience Gain or Loss

Item	Year Ending June 30, 2002	Year Ending June 30, 2001
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 5,632,078,525	\$ 4,635,697,622
2. Normal cost for the year (employer and employee)	\$ 314,592,878	\$ 272,583,598
3. Less: total contributions for the year	\$ (591,471,990)	\$ (544,833,861)
4. Interest at 8 %		
a. On UAAL	\$ 450,566,282	\$ 370,855,810
b. On normal cost	12,583,715	10,903,344
c. On contributions	(23,658,880)	(21,793,354)
d. Total	<u>\$ 439,491,117</u>	<u>\$ 359,965,800</u>
5. Expected UAAL (Sum of Items 1 - 4)	\$ 5,794,690,530	\$ 4,723,413,159
6. Actual UAAL	\$ 5,964,984,106	\$ 5,632,078,525
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ (170,293,576)	\$ (908,665,366)
B. Source of gains and losses		
8. Asset gain (loss) for the year	\$ (128,460,540)	\$ 180,517,890
9. Liability gain (loss) for the year	89,211,564	(236,516,719)
10. Legislation (ad hoc COLA for retirees)	(131,044,600)	0
11. Assumption changes (excluding 1% COLA assmpt.)	0	18,329,421
12. 1% COLA assumption	<u>0</u>	<u>(870,995,958)</u>
13. Total	\$ (170,293,576)	\$ (908,665,366)

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	June 30, 2002 UAAL (in \$ Millions)	June 30, 2001 UAAL (in \$ Millions)
1. From prior valuation	\$ 5,632.1	\$ 4,635.7
2. Impact of changes, gains and losses		
a. Expected increase based on statutory contributions and passage of time	187.7	138.6
b. Liability (gain)/loss	(89.2)	236.5
c. Asset (gain)/loss	128.5	(180.5)
d. Impact of actual ctrb greater than expected under schedule	(25.1)	(50.9)
e. Legislative change (retiree ad hoc COLA)	131.0	0.0
f. Assumption changes (excluding 1% COLA assmpt.)	0.0	(18.3)
g. 1% COLA assumption	0.0	871.0
h. Total	332.9	996.4
3. Current UAAL (1+2h)	\$ 5,965.0	\$ 5,632.1

Analysis of Change in Funding Period

Basis	June 30, 2002 Funding Period (Years)	June 30, 2001 Funding Period (Years)
1. Funding period (years) from prior valuation	62.2	31.0
2. Impact of changes, gains and losses		
a. Expected (decrease)/increase	(1.0)	(1.0)
b. Impact of payroll and revenue growth different than expected (incl decr in dedicated rev and recognition of fed matching money)	3.8	(1.8)
c. Impact of future increased percentage of dedicated revenue	(26.5)	0.0
d. Impact of contributions greater than expected	(0.4)	(0.5)
e. Impact of asset (gain)/loss	2.1	(2.0)
f. Impact of liability (gain)/loss	(1.5)	2.6
g. Impact of legislative change (retiree ad hoc COLA)	2.3	0.0
h. Impact of assumpt. changes (excluding 1% COLA assmpt.)	0.0	2.7
i. Impact of 1% COLA assumption	0.0	31.2
j. Total	(21.2)	31.2
3. Current funding period (years) (1+2j)	41.0	62.2

Projection of UAAL

	<u>Valuation Date</u> (1)	<u>UAAL</u> <u>(Millions)</u> (2)
A. Actual	June 30, 1993	\$3,887.7
	June 30, 1994	4,038.8
	June 30, 1995	4,610.5
	June 30, 1996	4,740.2
	June 30, 1997	4,712.3
	June 30, 1998	4,806.2
	June 30, 1999	4,750.5
	June 30, 2000	4,635.7
	June 30, 2001	5,632.1
	June 30, 2002	5,965.0
B. Projected	June 30, 2003	\$6,169.8
	June 30, 2004	6,381.7
	June 30, 2005	6,589.9
	June 30, 2006	6,792.2
	June 30, 2007	6,974.6
	June 30, 2008	7,132.1
	June 30, 2009	7,288.2
	June 30, 2010	7,442.2
	June 30, 2011	7,593.6
	June 30, 2012	7,741.6
	June 30, 2013	7,885.2
	June 30, 2014	8,023.8
	June 30, 2015	8,156.2
	June 30, 2016	8,281.3
	June 30, 2017	8,398.0
June 30, 2018	8,505.0	
June 30, 2019	8,600.7	
June 30, 2020	8,683.6	
June 30, 2021	8,752.0	
June 30, 2022	8,803.9	

Projection of UAAL (cont.)

Valuation Date (1)	UAAL (Millions) (2)
June 30, 2023	\$8,837.3
June 30, 2024	\$8,849.9
June 30, 2025	\$8,839.1
June 30, 2026	\$8,802.4
June 30, 2027	\$8,736.7
June 30, 2028	\$8,638.8
June 30, 2029	\$8,505.1
June 30, 2030	\$8,331.9
June 30, 2031	\$8,115.0
June 30, 2032	\$7,849.8
June 30, 2033	\$7,531.4
June 30, 2034	\$7,154.3
June 30, 2035	\$6,712.9
June 30, 2036	\$6,200.6
June 30, 2037	\$5,610.6
June 30, 2038	\$4,935.4
June 30, 2039	\$4,166.9
June 30, 2040	\$3,296.1
June 30, 2041	\$2,313.6
June 30, 2042	\$1,208.8

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

June 30,	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits		Actuarial Value of Assets		Portion of Accrued Liabilities Covered by Assets	
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	(1)	(2)	(3)	(4)
1991	1,044.4	54%	2,662.9	139%	68.1	4%	1,669.2	87%	2,089.6	100%	39%	0%
1992	1,186.7	59%	2,778.7	139%	78.5	4%	2,039.5	102%	2,287.1	100%	40%	0%
1993	1,333.1	63%	2,926.1	138%	90.2	4%	2,107.6	99%	2,569.2	100%	42%	0%
1994	1,467.9	67%	3,187.5	146%	102.5	5%	1,978.1	90%	2,697.2	100%	39%	0%
1995	1,628.4	70%	3,409.3	146%	96.7	4%	2,346.0	100%	2,869.9	100%	36%	0%
1996	1,799.1	76%	3,586.3	151%	106.7	4%	2,351.1	99%	3,103.0	100%	36%	0%
1997	1,967.9	81%	3,797.8	156%	114.4	5%	2,377.1	98%	3,544.9	100%	42%	0%
1998	2,143.4	84%	4,195.9	165%	125.7	5%	2,426.3	96%	4,085.0	100%	46%	0%
1999	2,330.6	88%	4,415.0	167%	136.4	5%	2,576.5	97%	4,708.0	100%	54%	0%
2000	2,518.2	92%	4,803.8	175%	151.1	6%	2,536.1	93%	5,373.5	100%	59%	0%
2001	2,728.4	91%	5,459.6	183%	173.1	6%	3,230.0	108%	5,959.0	100%	59%	0%
2002	2,934.3	96%	5,959.9	196%	184.9	6%	3,196.8	105%	6,310.9	100%	57%	0%

Note: Dollar amounts in millions

Distribution of Active Members by Age and by Years of Service
As of 06/30/2002

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	1,000 \$24,682	467 \$24,688	138 \$23,144	34 \$18,402	11 \$17,241	5 \$21,619	0 \$0	1,655 \$24,368							
25-29	1,352 \$28,034	1,401 \$28,463	1,501 \$29,265	1,046 \$30,056	799 \$30,902	764 \$31,338	5 \$28,260	0 \$0	6,868 \$29,400						
30-34	1,102 \$28,785	1,028 \$29,990	978 \$30,660	839 \$30,645	757 \$32,061	3,444 \$33,711	853 \$34,522	2 \$31,530	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	9,003 \$32,004
35-39	999 \$28,142	962 \$29,710	870 \$29,779	753 \$31,383	607 \$30,747	2,182 \$34,589	2,824 \$36,155	729 \$38,292	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	9,926 \$33,285
40-44	908 \$27,396	912 \$28,704	914 \$29,954	777 \$29,911	680 \$30,092	2,668 \$32,342	2,453 \$37,689	2,389 \$39,978	1,134 \$41,002	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	12,835 \$34,505
45-49	686 \$29,726	758 \$30,115	754 \$30,464	622 \$30,672	609 \$31,851	2,564 \$32,756	2,972 \$36,530	1,974 \$41,235	2,973 \$43,423	1,207 \$44,354	0 \$0	0 \$0	0 \$0	0 \$0	15,119 \$37,122
50-54	555 \$29,460	574 \$31,140	507 \$31,539	479 \$33,547	471 \$32,689	2,026 \$33,631	2,940 \$36,014	2,542 \$39,597	2,102 \$46,401	2,461 \$46,554	720 \$46,898	0 \$0	0 \$0	0 \$0	15,377 \$39,164
55-59	308 \$29,310	277 \$28,389	258 \$32,430	244 \$32,163	235 \$33,468	1,227 \$34,178	1,966 \$35,769	1,951 \$36,455	1,304 \$47,844	852 \$55,132	832 \$52,438	154 \$49,623	0 \$0	0 \$0	9,608 \$40,069
60-64	110 \$23,635	108 \$28,004	101 \$24,947	82 \$29,155	104 \$26,628	503 \$31,831	858 \$34,668	815 \$33,856	442 \$50,129	313 \$56,889	242 \$68,396	161 \$63,290	22 \$61,722	22 \$61,722	3,861 \$40,071
65-69	32 \$18,915	39 \$20,687	34 \$20,729	25 \$24,269	19 \$23,598	115 \$26,486	201 \$33,550	137 \$36,216	84 \$48,142	34 \$61,762	42 \$77,042	35 \$91,769	15 \$72,090	15 \$72,090	812 \$38,911
70 & Over	30 \$20,816	12 \$11,599	12 \$15,866	7 \$15,777	11 \$20,909	55 \$17,948	70 \$22,140	52 \$27,511	12 \$37,909	11 \$63,300	8 \$77,604	7 \$89,568	7 \$72,117	15 \$72,117	302 \$28,950
Total	7,082 \$27,802	6,538 \$28,989	6,067 \$29,855	4,908 \$30,715	4,303 \$31,230	15,553 \$33,178	15,142 \$36,121	10,591 \$38,773	8,051 \$44,984	4,878 \$48,315	1,844 \$53,039	357 \$60,702	52 \$67,711	52 \$67,711	85,366 \$35,695

GABRIEL, ROEDER, SMITH & COMPANY

Summary of Actuarial Assumptions and Methods (Adopted Effective June 30, 2001)

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 1999 fiscal 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 and the State's contribution increases at the State's revenue growth rate. Both employer and member contributions are assumed to be made monthly.

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

The actuarial valuation also determines 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 3.00% inflation rate and a 5.00% net real rate of return.
2. Salary increase rate: A merit/promotional component dependent on service, plus a 3% inflation component, plus a 1.25% productivity increase, as follows:

Years of Service	Merit/ Promotional Component	Total Salary Increase Rate
(1)	(2)	(3)
0	2.75%	7.00%
1	2.00%	6.25
2	1.50%	5.75
3	1.00%	5.25
4	1.00%	5.25
5	1.00%	5.25
6	0.75%	5.00
7	0.75%	5.00
8	0.75%	5.00
9	0.50%	4.75
10	0.50%	4.75
11	0.50%	4.75
12	0.50%	4.75
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year.
5. Future ad hoc cost-of-living increases: Based on past experience, we assume that in future years, cost-of-living increases will be granted that will average 1% per year.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

- a. Healthy males - 1994 Unisex Pension Mortality Table for males, set back two years.
- b. Healthy females - 1994 Unisex Pension Mortality Table for females, set back two years.
- c. Disabled males - PBGC Table Va for disabled males eligible for Social Security disability benefits.
- d. Disabled females - PBGC Table VIa for disabled females eligible for Social Security disability benefits.

Sample rates are shown below:

Age	Expected Deaths per 100 Lives			
	Healthy Males	Healthy Females	Disabled Males	Disabled Females
(1)	(2)	(3)	(4)	(4)
40	0.10	0.06	2.82	2.09
45	0.15	0.09	3.22	2.24
50	0.23	0.13	3.83	2.57
55	0.39	0.21	4.82	2.95
60	0.68	0.36	6.03	3.31
65	1.23	0.72	6.78	3.70
70	2.14	1.26	7.39	4.11
75	3.35	1.97	8.42	4.92
80	5.40	3.41	11.28	7.46

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

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

3. Disability rates - Based on 1999 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	.06	.06
30	.06	.06
35	.06	.08
40	.09	.11
45	.21	.20
50	.32	.38
55	.36	.51
60	.27	.42
65	.08	.12

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

4. Termination Rates - Separate male and female rates, based on both age and service, developed from the 1999 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)					
Years of Service					
Age	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	27.27	21.13	8.25	6.26	3.66
30	26.66	18.89	8.21	5.58	3.17
35	27.75	19.04	7.79	5.12	2.71
40	31.50	20.20	7.12	4.82	2.30
45	35.05	21.43	6.49	4.75	1.94
50	37.48	22.58	6.29	5.02	1.62
55	38.50	23.77	7.02	5.80	1.28
60	39.65	25.17	9.08	7.18	1.02
65	40.44	26.81	12.61	9.18	.99

Expected Terminations per 100 Lives (Female Members)					
Years of Service					
Age	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	26.81	19.23	10.27	7.96	5.96
30	24.40	17.31	8.85	6.49	4.33
35	26.56	17.50	7.49	5.40	3.11
40	29.62	18.05	6.28	4.69	2.33
45	31.25	18.11	5.40	4.34	1.99
50	31.56	18.28	5.11	4.32	1.77
55	32.04	18.56	5.67	4.67	1.39
60	32.68	18.93	7.27	5.44	0.97
65	33.66	19.50	9.97	6.67	0.70

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

5. Retirement rates - Separate male and female rates, based on age, developed from the 1999 Experience Study. Sample rates are shown below:

Age	Expected Retirements per 100 Lives					
	Unreduced Retirement				Reduced Retirement	
	After First Year		In First Year		Male	Female
	Male	Female	Male	Female		
49	40	40	60	60	0	0
50	40	40	60	60	0	0
51	40	40	60	60	0	0
52	40	40	40	40	0	0
53	15	25	40	45	0	0
54	15	25	30	50	0	0
55	15	25	30	52	1	2
56	15	25	30	54	1	2
57	15	25	30	56	2	2
58	15	25	40	52	2	2
59	15	25	40	42	3	2
60	15	25	40	40	4	5
61	25	35	40	40	4	5
62	50	50	50	50		
63	25	25	25	25		
64	25	25	25	25		
65	50	55	50	55		
66	30	30	30	30		
67	30	30	30	30		
68	30	30	30	30		
69	30	30	30	30		
70	100	100	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 age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to 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 an electronic file for (i) active members, (ii) inactive vested members who are entitled to a future deferred benefit, (iii) inactive nonvested members who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

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

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

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

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

VI. Dates of Adoption of Assumptions and Methods

Generally, actuarial assumptions and methods were developed from the 1999 experience study, and were adopted by the Board of Trustees in May 2001 and first reflected in the June 30, 2001 actuarial valuation. The adopted assumptions were recommended by the actuary. Some assumptions were left unchanged from the prior experience study in 1995, including female mortality for disabled retirees, the investment return rate, and active member mortality for males and females.

Addendum to June 30, 2002 Actuarial Valuation

Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2002, for the plan year ending June 30, 2003. The results of the valuation are set forth in this report, which reflects the provisions of the System as amended and effective on June 30, 2002.

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

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

Interest rate: 7.5%

COLA assumption: 2.0%

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

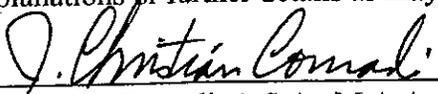
Amortization period: 30 years, open period

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

All other assumptions, methodologies, and plan provisions used are consistent with those used in the June 30, 2002 valuation.

The results shown in this Addendum are not consistent with those in the June 30, 2002 valuation. The June 30, 2002 valuation results were determined in accordance with generally accepted actuarial principles and procedures, and are in compliance with the Actuarial Standards of Board Actuarial Standard of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. The results shown in this Addendum are not based on the assumptions and methodologies adopted by the Retirement Board. For those results, see the June 30, 2002 actuarial valuation.

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



J. Christian Conradi, A.S.A., M.A.A.A., E.A.

October 23, 2002



W. Michael Carter, F.S.A., M.A.A.A., E. A.

October 23, 2002

Summary of Valuation Results Under Prescribed Assumptions

This supplemental report has been prepared by Gabriel, Roeder, Smith & Company for the Oklahoma Teachers' Retirement System to present the results of a valuation of the Oklahoma Teachers' Retirement System as of June 30, 2002, based on the prescribed assumptions under 70 O.S. 2001, Section 17-106.1, Section H of current State Statutes and regulations issued thereunder.

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

	Actuarial Valuation as of		Change Between Years	
	July 1, 2002	July 1, 2001	Amount	Percent
Summary of Costs				
Required State Contribution for Current Year under Prescribed Assumptions	\$552,732,756	\$526,492,693	\$26,240,063	4.98%
Actual State Contribution Received in Prior Year	\$141,057,868	\$140,925,355	\$ 132,513	0.09%

Funded Status				
Actuarial Accrued Liability	\$13,796,461,768	\$13,019,328,253	\$777,133,515	5.97%
Actuarial Value of Assets	\$ 6,310,930,799	\$ 5,959,008,704	\$351,922,095	5.91%
Unfunded Actuarial Accrued Liability	\$ 7,485,530,969	\$ 7,060,319,549	\$425,211,420	6.02%

Market Value of Assets and Additional Liabilities				
Market Value of Assets	\$ 5,417,892,079	\$ 5,731,753,345	\$(313,861,266)	(5.48)%
Present Value of Projected System Benefits	\$16,987,619,495	\$16,156,900,729	\$ 830,718,766	5.14%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	July 1, 2002		July 1, 2001		
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.	
1. Payroll					
a. Supplied by System	\$3,047,149,510		\$2,990,541,250		1.89%
b. Adjusted for 1-year's pay increase	\$3,187,766,000		\$3,130,642,000		1.82%
c. Adjusted for 1-year's pay increase with pay caps	\$3,121,937,000		\$3,060,242,000		2.02%
2. Total Normal Cost Mid-Year	\$ 391,490,900	12.54%	\$ 383,754,347	12.54%	2.02%
3. Unfunded Actuarial Accrued Liability	\$7,485,530,969		\$7,060,319,549		6.02%
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years from July 1, 2002	\$ 613,012,005	19.64%	\$ 578,190,200	18.89%	6.02%
5. Total Required Contribution under Prescribed Assumptions (2 + 4)	\$1,004,502,905	32.18%	\$ 961,944,547	31.43%	4.42%
6. Estimated Employee Contribution (7% x 1c)	\$ 218,535,590	7.00%	\$ 214,216,940	7.00%	2.02%
7. Estimated local employer and Federal contributions					
a. Local employees (7.05%)	\$ 220,096,559	7.05%	\$ 208,096,456	6.80%	5.77%
b. Federal	13,138,000	0.42%	\$ 13,138,458	0.43%	0.00%
c. Total	\$ 233,234,559	7.47%	\$ 221,234,914	7.23%	5.42%
8. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2002 (5 - 6 - 7c)	\$ 552,732,756	17.70%	\$ 526,492,693	17.20%	4.98%
9. Previous year's actual State Contribution	\$ 141,057,868	4.61% ¹	\$ 140,925,355	5.03%	0.09%
10. Funding Period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

¹ Percent of previous years' annual compensation for active members.

Unfunded Actuarial Accrued Liability

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

	Total System	
	July 1, 2002	July 1, 2001
1. Actuarial Present Value of Benefits		
a. Active Members	\$ 10,300,108,000	\$ 10,042,066,000
b. Inactive Members	203,994,595	191,258,429
c. Retirees and beneficiaries	6,483,516,900	5,923,576,300
d. Total	\$ 16,987,619,495	\$ 16,156,900,729
2. Actuarial Present Value of Future Normal Costs	\$ 3,191,157,727	\$ 3,137,572,476
3. Total Actuarial Accrued Liability (1d - 2)	\$ 13,796,461,768	\$ 13,019,328,253
4. Actuarial Value of Assets	\$ 6,310,930,799	\$ 5,959,008,704
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	\$ 7,485,530,969	\$ 7,060,319,549

Normal Cost

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

Component	July 1, 2002	July 1, 2001
Retirement Benefits	\$ 300,018,146	\$ 294,089,256
Withdrawal Benefits	7,804,843	7,650,605
Refunds	56,819,253	55,696,404
Supplemental Medical Insurance	12,487,748	12,240,968
Death Benefits	936,581	918,073
Disability Benefits	13,424,329	13,159,041
Total Normal Cost (Mid-year)	\$ 391,490,900	\$ 383,754,347
Annual Covered Payroll (with pay caps)	\$ 3,121,937,000	\$ 3,060,242,000
Normal Cost Rate At Mid-year	12.54%	12.54%

Actuarial Assumptions

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

Economic Assumptions

1. Investment Return (Prescribed) 7.5%, net of investment and administrative expenses, per annum, compound annually.
2. Earnings Progression Sample rates below:

Years of Service	Merit/ Promotional Component	Total Salary Increase Rate
(1)	(2)	(3)
0	2.75%	7.00%
1	2.00%	6.25
2	1.50%	5.75
3	1.00%	5.25
4	1.00%	5.25
5	1.00%	5.25
6	0.75%	5.00
7	0.75%	5.00
8	0.75%	5.00
9	0.50%	4.75
10	0.50%	4.75
11	0.50%	4.75
12	0.50%	4.75
13	0.25%	4.50
14	0.25%	4.50
15 or more	0.00%	4.25

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year.
5. Future ad hoc cost-of-living increases: Based on past experience, we assume that in future years, cost-of-living increases will be granted that will average 2% per year.

Demographic Assumptions

1. Retirement rate - Sample rates are shown below:

Age	Expected Retirements per 100 Lives					
	Unreduced Retirement				Reduced Retirement	
	After First Year		In First Year		Male	Female
	Male	Female	Male	Female		
49	40	40	60	60	0	0
50	40	40	60	60	0	0
51	40	40	60	60	0	0
52	40	40	40	40	0	0
53	15	25	40	45	0	0
54	15	25	30	50	0	0
55	15	25	30	52	1	2
56	15	25	30	54	1	2
57	15	25	30	56	2	2
58	15	25	40	52	2	2
59	15	25	40	42	3	2
60	15	25	40	40	4	5
61	25	35	40	40	4	5
62	50	50	50	50		
63	25	25	25	25		
64	25	25	25	25		
65	50	55	50	55		
66	30	30	30	30		
67	30	30	30	30		
68	30	30	30	30		
69	30	30	30	30		
70	100	100	100	100		

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

Retirees (non-disabled) and beneficiaries -- RP-2000 Generational Mortality Tables for healthy annuitants, males and females separate, projected with Scale AA. This table was extended to ages below 50 by assuming that the ratio of the mortality rate at each age below 50 to the rate at age 50 is the same as the comparable ratios determined using the valuation mortality table (UP-94, males and females, set back two years each).

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

3. Disability rates - Sample rates are shown below:

Age	Expected Disabilities Occurring per 100 Lives	
	Male	Female
	Members	Members
(1)	(2)	(3)
25	.06	.06
30	.06	.06
35	.06	.08
40	.09	.11
45	.21	.20
50	.32	.38
55	.36	.51
60	.27	.42
65	.08	.12

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

4. Withdrawal Rates - Sample rates are shown below:

Age	Expected Terminations per 100 Lives (Male Members)				
	Years of Service				
	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	27.27	21.13	8.25	6.26	3.66
30	26.66	18.89	8.21	5.58	3.17
35	27.75	19.04	7.79	5.12	2.71
40	31.50	20.20	7.12	4.82	2.30
45	35.05	21.43	6.49	4.75	1.94
50	37.48	22.58	6.29	5.02	1.62
55	38.50	23.77	7.02	5.80	1.28
60	39.65	25.17	9.08	7.18	1.02
65	40.44	26.81	12.61	9.18	.99

Expected Terminations per 100 Lives (Female Members)					
Years of Service					
Age	0	1	4	7	10 or more
(1)	(2)	(3)	(4)	(5)	(6)
25	26.81	19.23	10.27	7.96	5.96
30	24.40	17.31	8.85	6.49	4.33
35	26.56	17.50	7.49	5.40	3.11
40	29.62	18.05	6.28	4.69	2.33
45	31.25	18.11	5.40	4.34	1.99
50	31.56	18.28	5.11	4.32	1.77
55	32.04	18.56	5.67	4.67	1.39
60	32.68	18.93	7.27	5.44	0.97
65	33.66	19.50	9.97	6.67	0.70

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

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

Other Assumptions

1. Percent 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.
2. 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.
3. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
4. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
5. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to receive the supplemental insurance benefit.
6. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

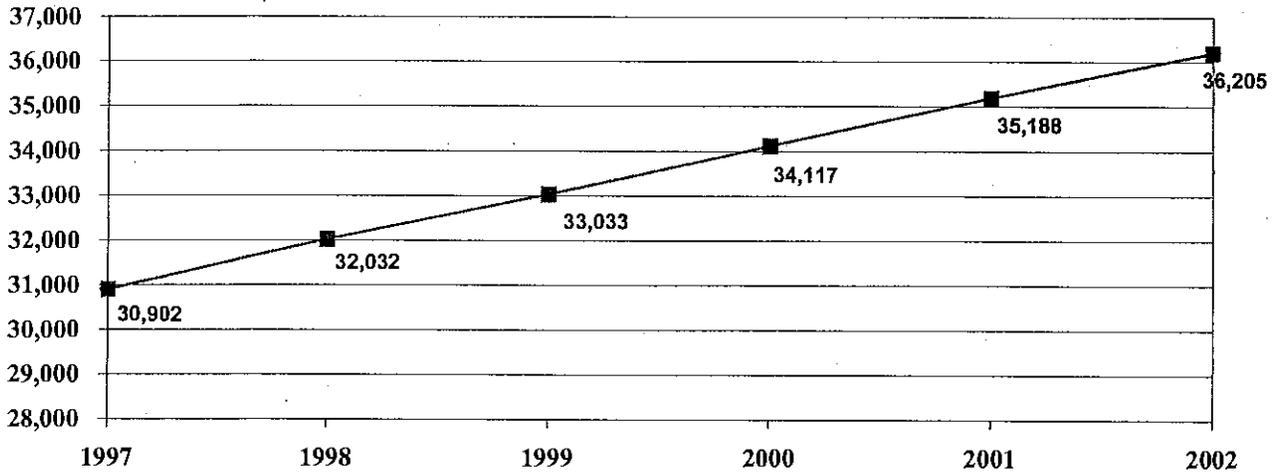
**Schedule of Increases And Decreases
Of Benefit Recipients
Periods Ended June 30**

Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		<u>% Increase in Annual Allowances</u>	<u>Average Annual Allowances**</u>
	<u>No.</u>	<u>Annual Allowances*</u>	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>		
1997	2,038	32,178,319	1,120	11,032,356	30,902	391,060,617	5.7%	1,105
1998	2,090	31,920,729	960	10,622,172	32,032	412,359,174	5.4%	1,119
1999	2,048	51,559,112	1,047	12,313,512	33,033	451,604,774	9.5%	1,187
2000	2,107	31,487,149	1,023	11,916,120	34,117	471,175,803	4.3%	1,199
2001	2,115	40,394,458	1,044	12,641,988	35,188	498,928,273	5.9%	1,231
2002	2,236	\$36,595,970	1,219	\$12,303,662	36,205	\$523,220,581	4.9%	\$1,246

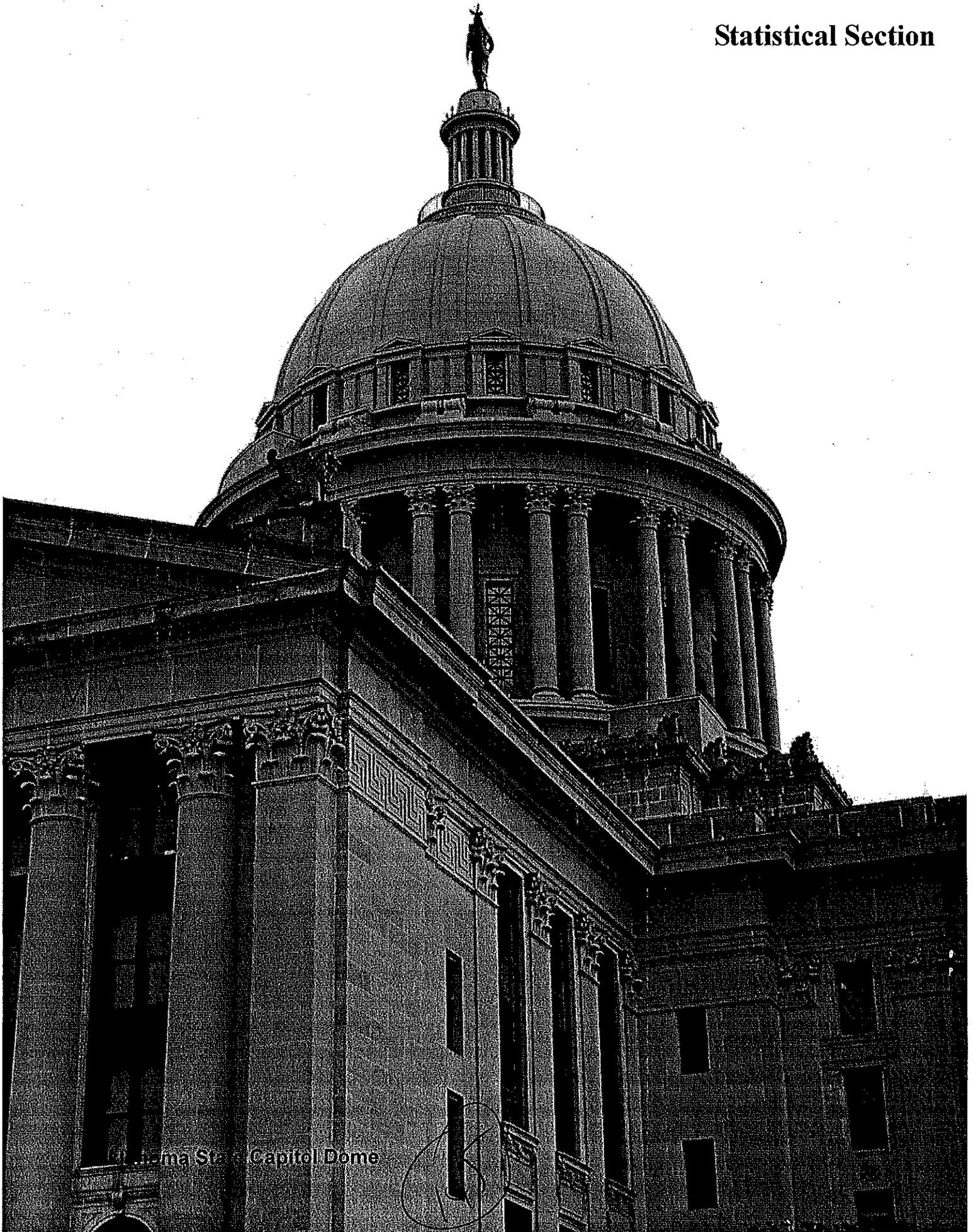
* Includes post-retirement increases for members who retired in previous years and changes occurring due to plan options which offer a continuing monthly benefit payment to beneficiaries.

** Does not include special annuitants.

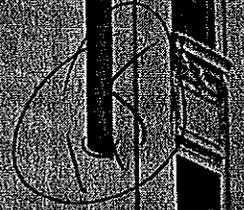
Retired Members

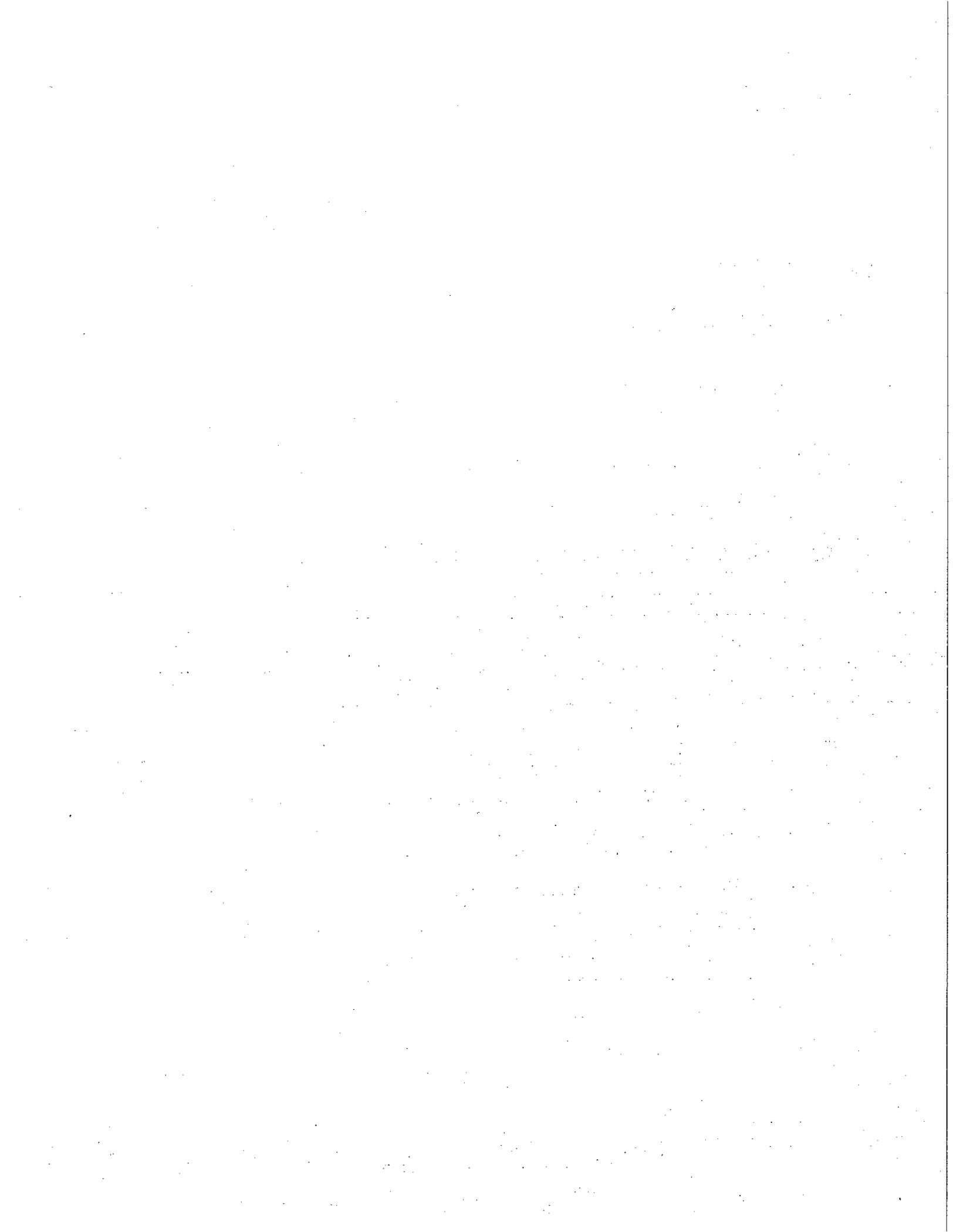


Statistical Section



Alabama State Capitol Dome



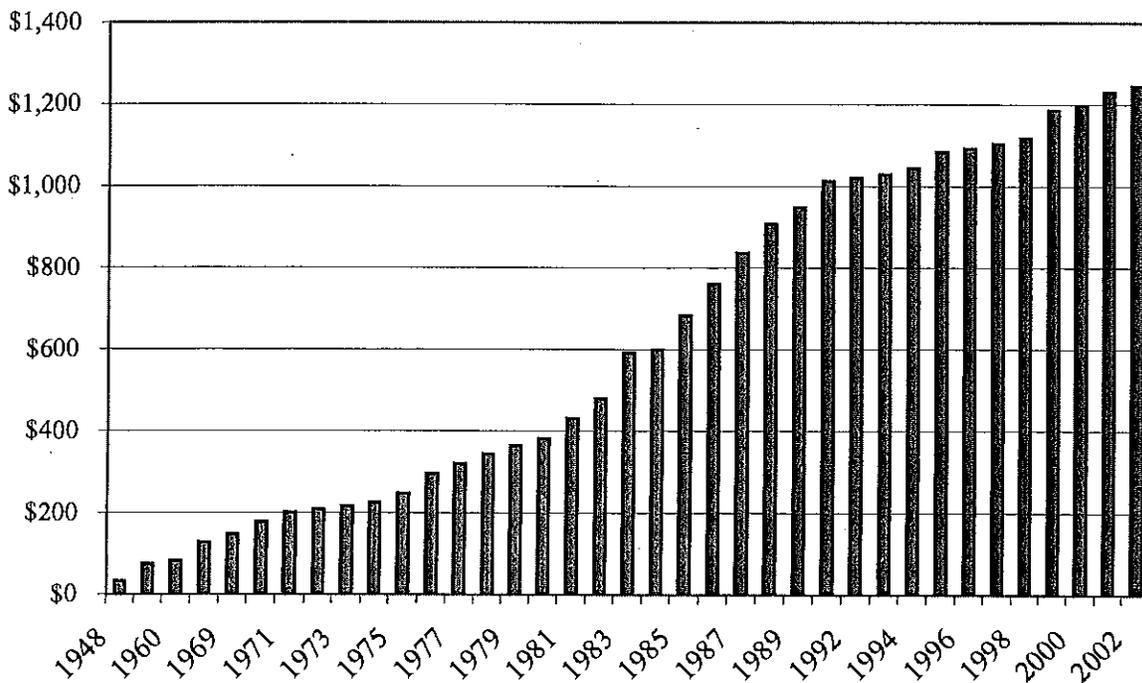


**Schedule Of Average Payment Amounts
Fiscal Year Ended June 30, 2002**

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

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

Average Retirement Payments



Does not include special annuitants.

Active Personnel
Fiscal Year Ended June 30, 2002

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 yrs.	26,964	15,257	11,707
5-9	16,173	10,356	5,817
10-14	14,890	9,959	4,931
15-19	9,737	6,625	3,112
20-24	8,693	7,440	1,253
25-29	5,806	5,449	357
30-34	2,478	2,366	112
35-39	530	508	22
40-44	80	77	3
45-49	14	11	3
50-54	1	1	0
TOTALS	85,366	58,049	27,317

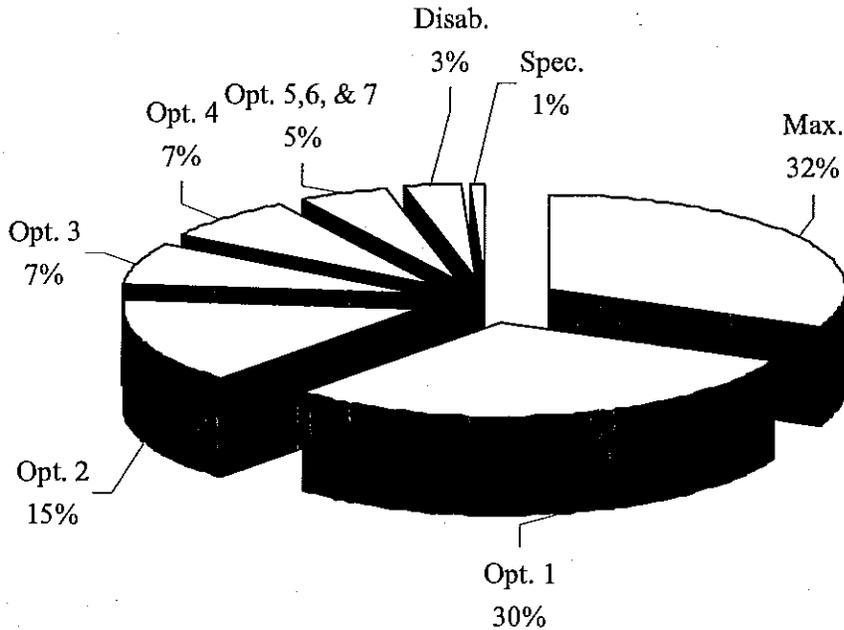
Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	417	203	214
5001-10,000	2,836	252	2,584
10,001-15,000	5,829	700	5,129
15,001-20,000	6,404	2,176	4,228
20,001-25,000	4,812	1,191	3,621
25,001-30,000	8,928	5,743	3,185
30,001-35,000	17,674	14,701	2,973
35,001-40,000	14,411	12,598	1,813
40,001-45,000	7,910	6,774	1,136
45,001-50,000	4,681	3,871	810
50,001-55,000	2,748	2,283	465
55,001-60,000	2,141	1,794	347
60,001-65,000	1,505	1,260	245
65,001-70,000	1,206	1,061	145
70,001-75,000	838	723	115
75,001 and Above	3,026	2,719	307
TOTALS	85,366	58,049	27,317

Average Age (years)	44.4	43.9	45.4
Average Salary	\$35,695	\$40,670	\$25,122
Average Service (years)	11.2	12.8	7.8

**Schedule Of Retired Members By Type Of Benefits
Selected Plan Options
Fiscal Year Ended June 30, 2002**

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	2,600	9,851	12,451	\$1,170	34.10%
Option 1	3,128	8,665	11,793	1,242	32.30%
Option 2	3,831	2,030	5,861	1,409	16.05%
Option 3	1,670	1,190	2,860	1,554	7.83%
Option 4	238	417	655	1,253	1.79%
Options 5, 6 & 7	1,193	164	1,357	992	3.72%
Disability	344	860	1,204	822	3.30%
Special Annuitants	40	290	330	175	0.90%
TOTALS	13,044	23,467	36,511	\$1,246	100.00%

Average monthly payment is \$1,246 excluding special annuitants



Maximum - provides for the greatest possible benefit.

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

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

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

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

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

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

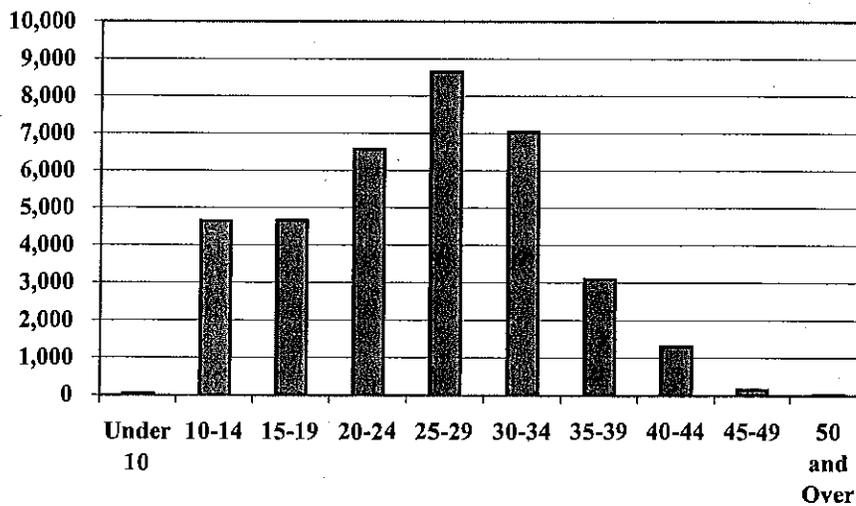
Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943.

**Distribution By Years Of Service
Fiscal Year Ended June 30, 2002**

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
	Under 10	8	35	
10-14	1,282	3,360	4,642	371
15-19	1,303	3,355	4,658	615
20-24	1,560	5,009	6,569	1,014
25-29	2,976	5,681	8,657	1,477
30-34	3,261	3,786	7,047	1,731
35-39	1,753	1,340	3,093	1,866
40-44	764	540	1,304	2,038
45-49	88	65	153	2,227
50 and Over	9	6	15	3,050
TOTALS	13,004	23,177	36,181	\$1,246

Does not include 330 special annuitants.

Years of Service



**Distribution By Age At Retirement
Fiscal Year Ended June 30, 2002**

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	18	42	60	\$595	13.6
41-45	41	103	144	787	15.9
46-50	289	454	743	1,460	25.4
51-55	3,747	4,729	8,476	1,554	27.4
56-60	3,498	7,003	10,501	1,268	25.5
61-65	4,667	9,468	14,135	1,088	24.3
66-70	630	1,158	1,788	969	22.2
71-75	90	182	272	693	20.2
76-80	20	30	50	719	21.3
Over 80	4	8	12	1,100	28.0
TOTALS	13,004	23,177	36,181	\$1,246	25.2

Does not include 330 special annuitants.



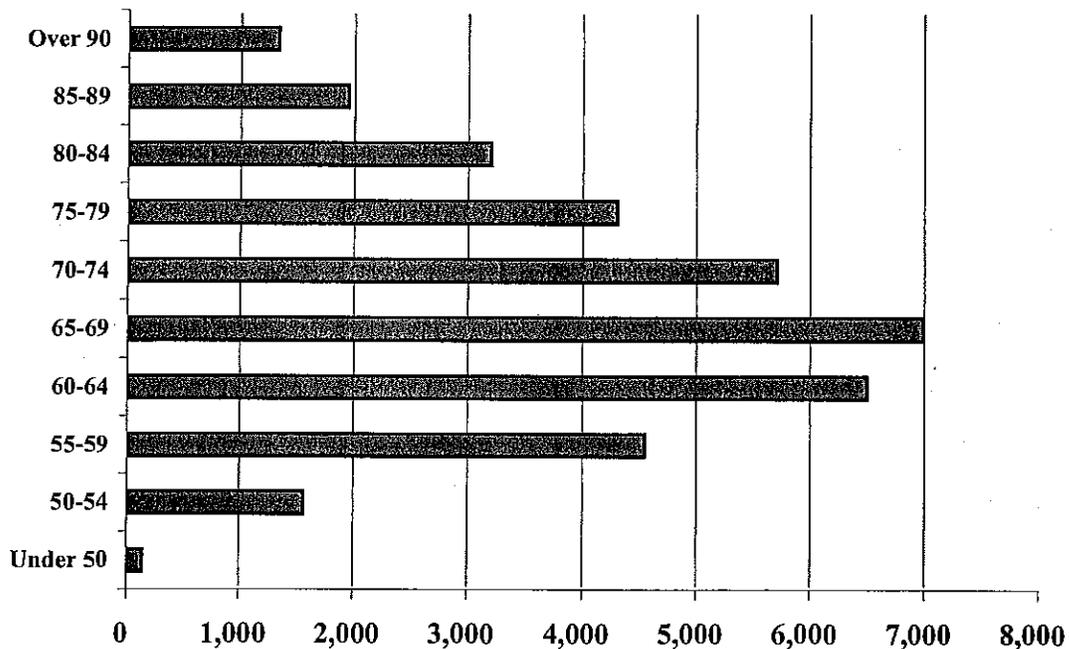
**Distribution By Retiree Age
Fiscal Year Ended June 30, 2002**

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	136	15.8	\$755
50-54	1,560	27.5	1,707
55-59	4,546	26.6	1,571
60-64	6,489	25.0	1,371
65-69	6,985	23.5	1,188
70-74	5,706	24.0	1,139
75-79	4,299	24.9	1,074
80-84	3,196	26.1	1,028
85-89	1,941	27.5	1,057
Over 90	1,323	30.2	1,134
TOTALS	36,181	25.2	\$1,246

Does not include 330 special annuitants.

Average age of retired members is 69.5 years.

Average Age of Retirees

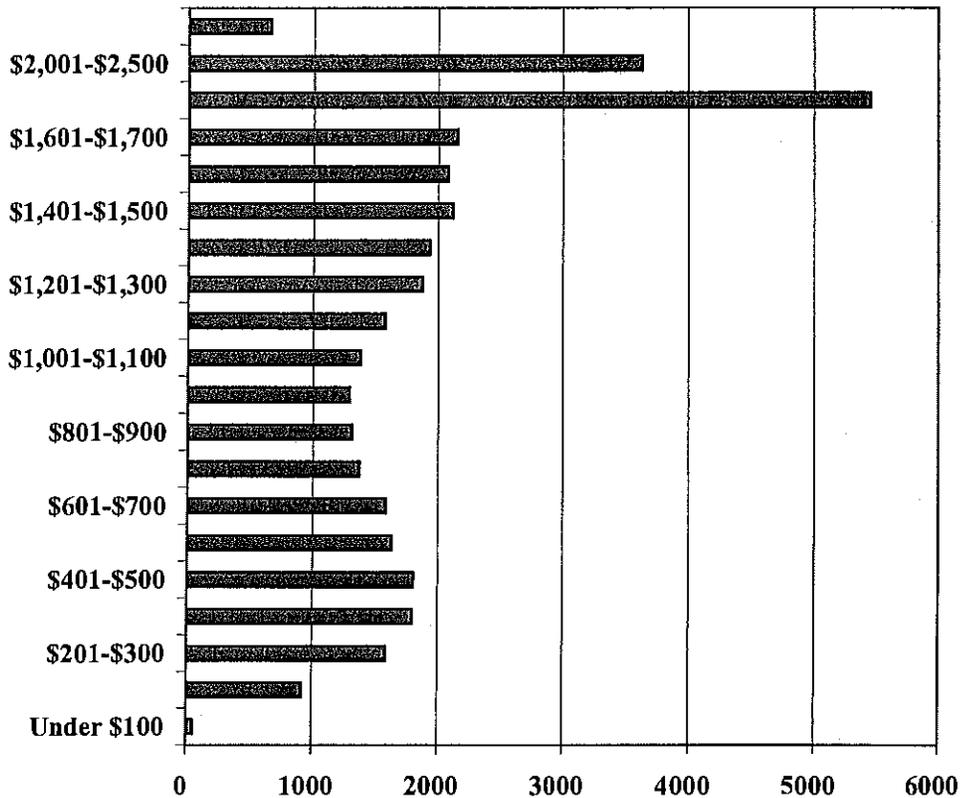


**Distribution By Monthly Income
Fiscal Year Ended June 30, 2002**

Monthly Income	Retired Members	Total	Average Payment
Under \$100	49	\$4,246	\$87
\$101-200	914	145,551	159
\$201-\$300	1,585	399,086	252
\$301-\$400	1,796	628,763	350
\$401-\$500	1,805	811,236	449
\$501-\$600	1,632	894,593	548
\$601-\$700	1,585	1,029,526	650
\$701-\$800	1,369	1,022,761	747
\$801-\$900	1,311	1,114,432	850
\$901-\$1,000	1,291	1,225,517	949
\$1,001-\$1,100	1,377	1,446,845	1,051
\$1,101-\$1,200	1,575	1,812,992	1,151
\$1,201-\$1,300	1,872	2,340,797	1,250
\$1,301-\$1,400	1,929	2,603,803	1,350
\$1,401-\$1,500	2,118	3,073,402	1,451
\$1,501-\$1,600	2,075	3,215,773	1,550
\$1,601-\$1,700	2,155	3,553,506	1,649
\$1,701-\$2,000	5,455	10,046,315	1,842
\$2,001-\$2,500	3,630	7,901,926	2,177
Over \$2,500	658	1,793,789	2,726
TOTALS	36,181	\$45,064,859	\$1,246

Does not include 330 special annuitants.

Monthly Income



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Schedule of Cash Receipts and Disbursements Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash balance, beginning of year	\$3,223,790	\$30,777,532
<u>Receipts:</u>		
Members' contributions	226,548,399	214,599,546
Member tax-shelter	4,815,309	5,181,802
Employer statutory requirement from local school districts	207,764,910	169,017,834
Federal matching	13,414,416	14,255,882
Dedicated revenue	141,827,519	139,921,300
Interest income	167,192,796	189,778,403
Dividends	46,904,020	55,138,926
Net gain on investments	(67,537,534)	222,339,813
Other revenue	4,030,634	3,894,169
* Investments sold	<u>11,254,441,326</u>	<u>25,801,396,680</u>
Total receipts	<u>11,999,401,795</u>	<u>26,815,524,355</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	529,598,681	563,468,732
Refund of member contributions and annuity payments	58,495,950	65,763,326
Administrative expenses	3,781,815	3,416,022
Investment expenses	17,817,217	16,686,434
Equipment purchases	125,975	174,457
* Investment purchases	<u>11,389,524,742</u>	<u>26,193,569,126</u>
Total disbursements	<u>11,999,344,380</u>	<u>26,843,078,097</u>
Balance of cash, June 30	<u>\$3,281,205</u>	<u>\$3,223,790</u>

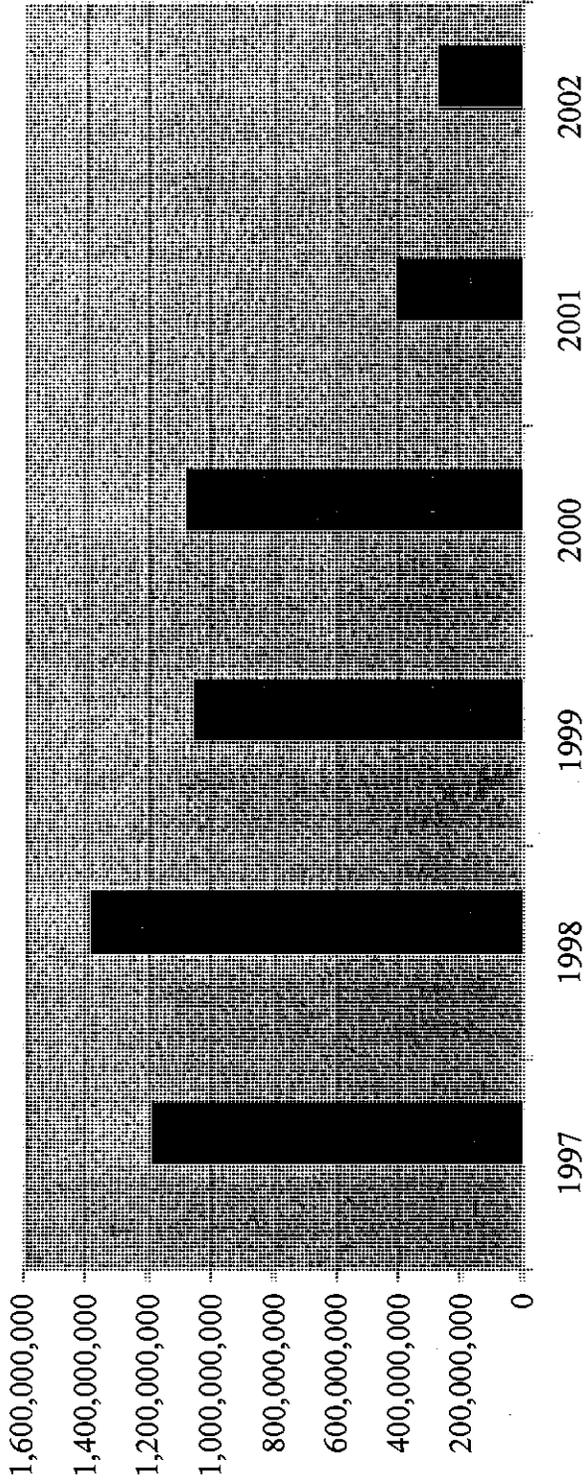
* Includes equities, fixed income and short-term investments.

Schedule of Revenue by Source

Year	Member Contributions	Employer Contributions	State of Oklahoma & Various		Net Investment Income	Other Revenue	Total
			Federal Sources	Other			
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	
2000 *	203,027,123	130,758,712	145,029,086	597,428,861	2,280,536	1,078,524,318	
2001 *	221,934,654	172,749,389	155,331,620	(146,783,146)	2,715,344	405,947,861	
2002 *	\$231,260,978	\$210,829,995	\$154,196,326	(\$328,671,703)	\$2,937,408	\$270,553,004	

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

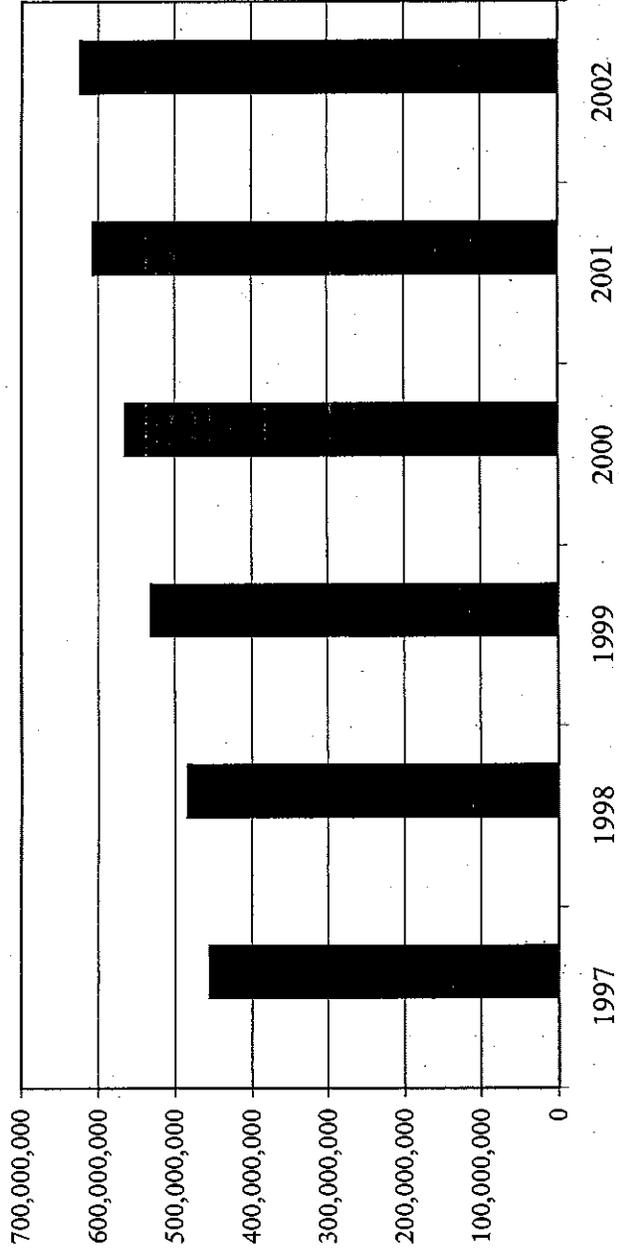
Total Revenue



Schedule of Expenses by Type

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
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	531,298,584
2000	500,289,049	61,725,419	2,964,237	564,978,705
2001	537,308,002	65,763,326	3,471,796	606,543,124
2002	\$561,222,392	\$58,495,950	\$3,905,754	\$623,624,096

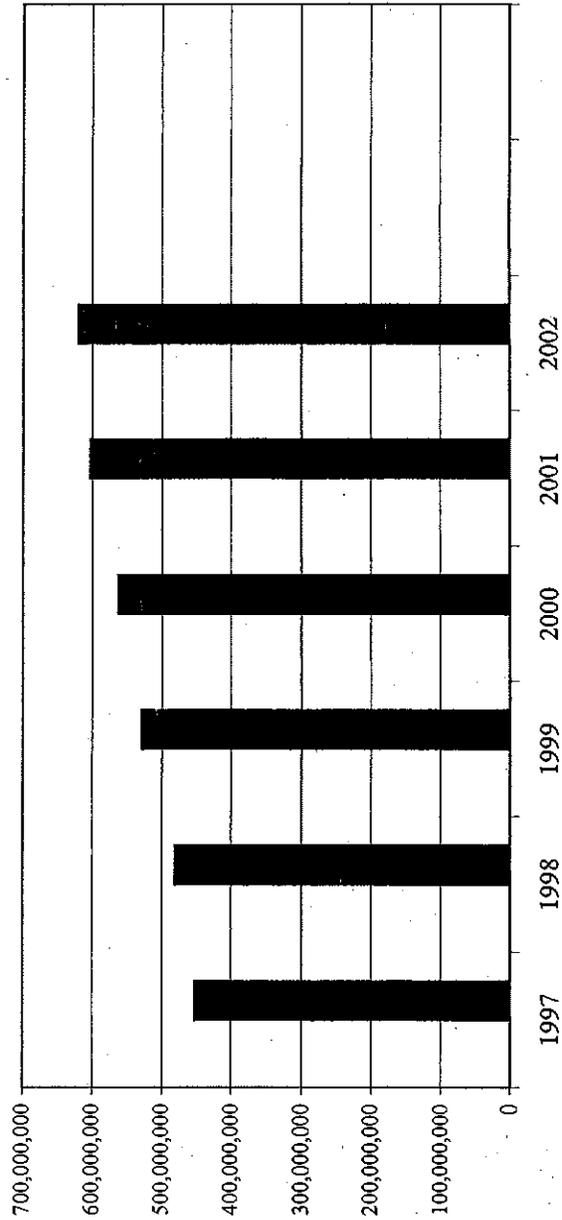
Total Expenses



Schedule of Benefit Expenses by Type

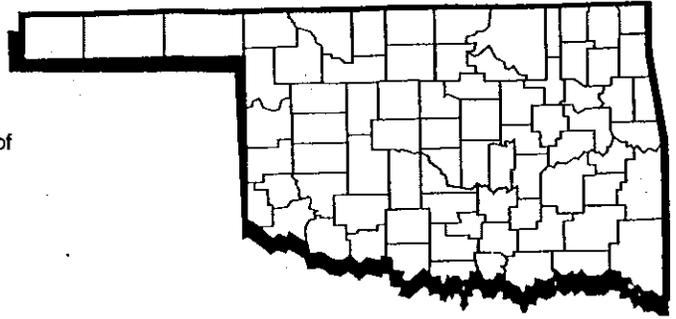
<u>Year</u>	<u>Retirement Benefits</u>	<u>Insurance Payments</u>	<u>Death Benefits</u>	<u>Withdrawal of Accounts</u>	<u>Tax-Shelter Withdrawals</u>	<u>Total</u>
1997	\$391,060,617	\$19,606,895	\$7,347,522	\$20,087,694	\$14,545,941	\$452,648,669
1998	412,359,174	19,774,024	7,080,267	23,011,228	18,321,530	480,546,223
1999	451,604,774	19,869,158	8,163,261	24,523,574	24,438,802	528,599,569
2000	471,175,803	20,537,317	8,575,929	29,460,152	32,265,267	562,014,468
2001	498,928,273	29,159,573	9,220,156	31,432,937	34,330,389	603,071,328
2002	\$523,220,581	\$29,227,075	\$8,774,736	\$26,728,503	\$31,767,447	\$619,718,342

Total Benefit Expenses



RETIREEES IN STATE OF OKLAHOMA

Of the 36,511 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 90% or 32,950 remain state of Oklahoma residents. As such, benefit payments of approximately, \$495,000,000 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	242	\$3,483,672	LeFlore	530	\$8,139,276
Alfalfa	97	1,368,456	Lincoln	302	4,080,444
Atoka	135	1,992,276	Logan	254	3,396,408
Beaver	87	1,284,852	Love	70	1,037,928
Beckham	191	2,879,784	Major	68	927,420
Blaine	123	1,781,472	Marshall	169	2,440,044
Bryan	566	8,843,580	Mayes	351	5,306,004
Caddo	363	4,857,216	McClain	290	3,972,912
Canadian	697	10,558,308	McCurtain	409	6,627,588
Carter	416	6,111,324	McIntosh	282	4,346,700
Cherokee	603	9,961,872	Murray	147	2,447,940
Choctaw	179	2,550,960	Muskogee	815	12,994,944
Cimarron	33	445,764	Noble	97	1,357,248
Cleveland	1,975	29,667,612	Nowata	71	1,038,576
Coal	56	803,988	Okfuskee	125	1,840,956
Comanche	1,071	16,859,544	Oklahoma	5,586	84,716,316
Cotton	60	893,952	Okmulgee	516	7,305,144
Craig	152	2,333,196	Osage	157	2,209,488
Creek	453	6,828,312	Ottawa	464	6,434,376
Custer	422	6,788,592	Pawnee	146	1,954,680
Delaware	212	3,394,356	Payne	1,514	22,671,408
Dewey	81	1,151,568	Pittsburg	430	6,461,772
Ellis	49	655,320	Pontotoc	550	8,470,044
Garfield	559	8,262,924	Pottawatomie	535	7,577,256
Garvin	354	4,810,692	Pushmataha	147	2,017,692
Grady	429	6,307,428	Roger Mills	57	753,852
Grant	86	1,056,948	Rogers	498	7,951,668
Greer	79	1,172,484	Seminole	273	3,909,984
Harmon	58	906,708	Sequoyah	431	6,777,828
Harper	64	1,014,780	Stephens	392	5,865,624
Haskell	159	2,262,660	Texas	178	2,642,196
Hughes	138	2,037,912	Tillman	105	1,582,140
Jackson	270	4,226,616	Tulsa	4,132	63,672,888
Jefferson	72	1,044,552	Wagoner	240	3,767,352
Johnston	169	2,676,900	Washington	476	6,492,300
Kay	494	7,098,900	Washita	130	1,828,164
Kingfisher	127	1,905,588	Woods	215	3,171,000
Kiowa	141	1,982,280	Woodward	165	2,405,280
Latimer	171	2,567,904			
			Total	32,950	\$495,424,092

2002 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-Broxton	Heavener
Bearden	Calvin	Crutch	Fort Gibson	Hennessey
Beaver	Cameron	Cushing	Fort Supply	Henryetta
Beggs	Canadian	Cyril	Fort Towson	Hilldale
Belfonte	Caney	Dahlongegah	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	Indianahoma
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
Leedey	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	Yarbrough
Verdigris	Washita Heights	Wellston	Wilson (Carter)	Yukon
Vian	Watonga	Western Heights	Wilson (Okmulgee)	Zaneis
Vici	Watson	Westville	Wister	Zion
Vinita	Watts	Wetumka	Woodall	

CAREER AND TECHNOLOGY CENTERS

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

OTHER PARTICIPATING ENTITIES

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

COLLEGES AND UNIVERSITIES

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

JUNIOR COLLEGES

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

NOTES