



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

**Comprehensive Annual Financial Report**  
for the  
**Fiscal Year Ended June 30, 2003**

**Prepared by the Retirement System Staff**

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

405-521-2387  
1-877-738-6365 (toll-free in Oklahoma)  
<http://www.trs.state.ok.us>

The 2003 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. 1,500 copies have been printed by the Department of Central Services Central Printing Division at a cost of \$8,559.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Cover picture and section pages by Jacqueline Scott Shannon, Communications Director  
Teachers' Retirement System of Oklahoma.

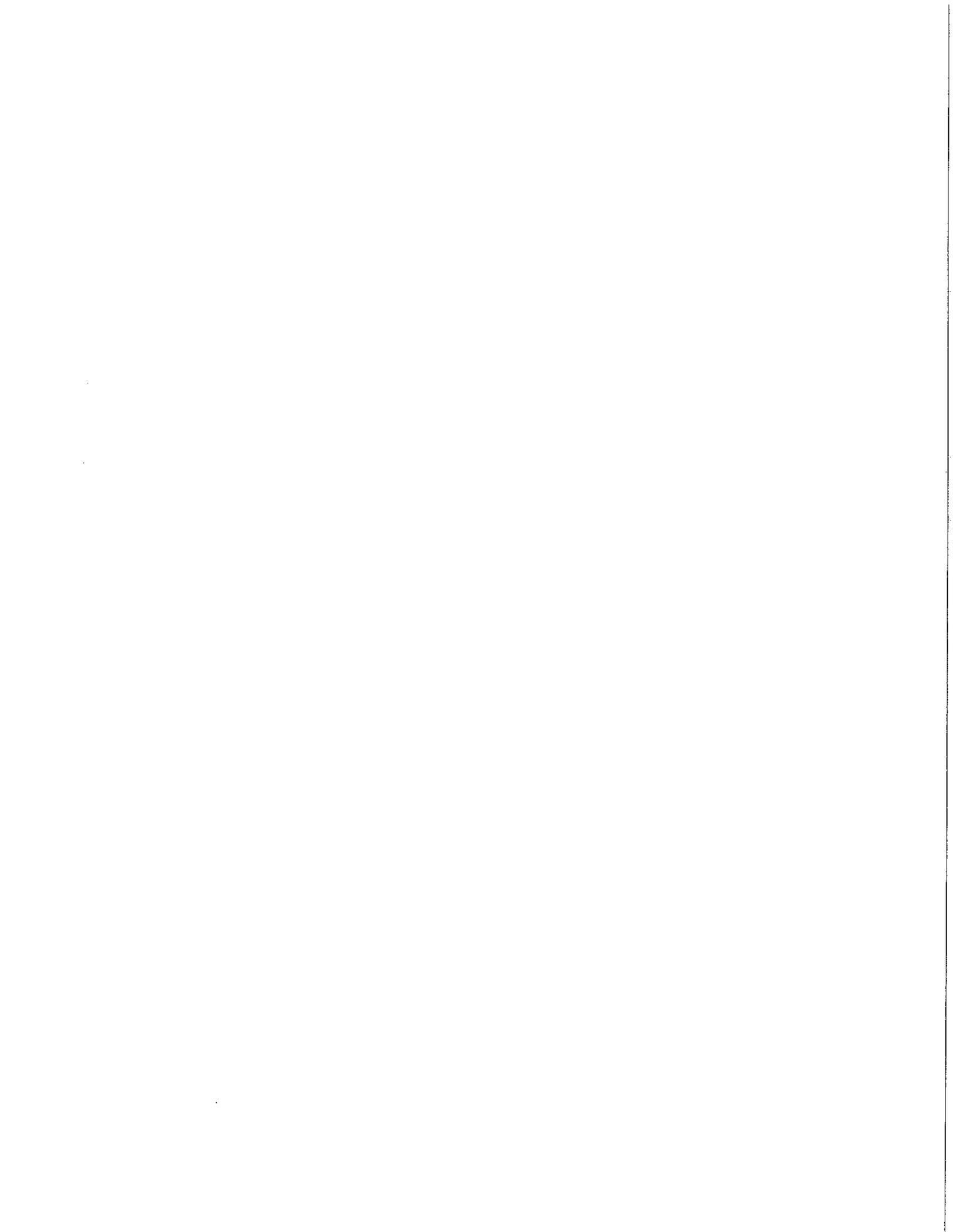
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# Introductory Section





BRAD HENRY  
GOVERNOR

STATE OF OKLAHOMA  
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

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

We are pleased to present the *Comprehensive Annual Financial Report* for the Teachers' Retirement System of Oklahoma for the year ended June 30, 2003. The Teachers' Retirement System of Oklahoma (the System or TRS) is a component unit of the state of Oklahoma.

Established by legislation, the System began operation July 1, 1943, and concluded its 60th 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, 2003, the System had 631 participating employers, 83,127 active members, 12,759 inactive members, and 38,059 retired members and beneficiaries receiving monthly benefits.

The 2003 Comprehensive Annual Financial Report (CAFR) is presented in five sections: the Introductory, Financial, Investment, Actuarial, and Statistical. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, all data in the report is accurate in all material respects and is reported in a manner designed to present fairly the plan net assets and changes in the System's plan net assets. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

**ECONOMIC SUMMARY**

The recovery of equity markets that began in March 2003 resulted in positive investment returns for the System for the first time in three years. For the year ended June 30, 2003, the System's investment portfolio generated a rate of return of 5.22%. Declining revenue at the state level resulted in a \$12.2 million reduction in the state's contribution for the year ending June 30<sup>th</sup> when compared to revenues received for the preceding year. Based on early revenue projections for the coming year, contributions from the state are expected to provide the System with an increase of approximately \$10 million dollars over contributions received during Fiscal Year 2003. The state's contribution to the Retirement Fund is 3.54% of sales, use and income tax collections.

**MAJOR INITIATIVES**

A properly funded pension plan is the most important issue for the Board of Trustees. The System continues to be one of the country's five worst-funded state-operated pension plans. As of June 30, 2003, only 54.0% of the System's actuarial liabilities were covered by the actuarial value of assets. The Board continues to stress the importance of improving the System's overall funded position. During the past year, Trustees worked with the Governor, legislative leaders, and representatives from education organizations to find ways to better finance the System's obligations. Passage of Senate Bill 1376 was a major event during the 2002 Legislative Session. It 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. It is imperative that the provisions of Senate Bill 1376 and the resulting increases in state revenues be maintained.

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

The Legislature enacted a benefit increase for retirees effective August 1, 2002. Retirees with fewer than 30 years of credited service received a 3% increase in benefits, and retirees with 30 or more years of service received a 4% increase. The System's website was restructured, providing new information, improved search capabilities and a retirement estimator for members to project possible retirement dates and benefit amounts.

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

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The 2002 and 2003 financial statements in this report have been prepared in compliance with Government Accounting Standards Board Statement No. 34 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 2003 were \$220.5 million, which represented 7% of covered payroll. This compares to \$226.4 million for the year ending June 30, 2002. Member contributions decreased due to a decrease in overall membership caused by staff reductions in the public schools. Member contributions also include direct payments by members to re-establish credit for previously withdrawn service and to purchase credit for Oklahoma, out-of-state and military service. Salaries for active members totaled \$3.046 billion.

Contributions from local employers, the state of Oklahoma, and federal sources for Fiscal Year 2003 totaled \$362.0 million, compared to \$365.0 million for 2002. Contributions from local school districts and federal revenues increased \$9.1 million and the state's contribution decreased \$12.2 million. Local schools contributed 7.05% of employees' pay, an increase from the 6.8% contribution

rate during 2002, 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 by Section 17-106 of Title 70 of Oklahoma Statutes, which is reported in the annual actuarial valuation as the Annual Required Contribution (ARC) under GASB-25.

## ACTUARIAL SUMMARY

The results of the actuarial valuation conducted by the System's actuary as of June 30, 2003, are included in the Actuarial Section. The System's relative funded position for the year ending June 30, 2003, increased from 51.4% on June 30, 2002 to 54.0%. The System's unfunded actuarial accrued liabilities (UAAL) decreased \$477 million, from \$5.965 billion to \$5.488 billion. The decrease in UAAL was due to the elimination of an assumption that benefit increases for retirees would average 1% per year. The System's actuarial liabilities are now calculated and reported based on existing statutes and Board adopted assumptions including an investment return rate of 8%, a salary increase rate that averages 4.7% per year, a payroll growth rate of 3.5%, and a growth in state revenue of 3.5%. If the 1% assumption for retiree benefit increases had been included in the 2003 valuation, the System's UAAL would have been \$6.454 billion, and the funded ratio would have decreased to 49.9%. The Board eliminated the 1% assumption for retiree benefits because of inclusion of the statutorily mandated Addendum to the actuarial valuation requiring a 2% cost-of-living assumption. The addendum report is also provided as part of the Actuarial Section.

The actuarial value of assets is reported at \$6.437 billion, compared to \$6.311 billion at the close of business June 30, 2002. The actuarial value of assets is not the same as market or the fair value of assets. To arrive at actuarial value of assets, the actuary subtracts \$249.2 million held in individual member savings accounts in the System's 403(b) Tax Sheltered Annuity Program and adds back \$822.8 million in deferred gains and losses, which are averaged into the actuarial value over a five-year period. It should be noted that the System's actuarial value of assets on June 30, 2003, was \$573.6 million more than market or the fair value of assets.

The actuarial yield on assets at 2.9% was less than the 8% actuarial assumed rate of return resulting in an asset loss of \$320.0 million. There was an offsetting liability gain of \$9.5 million. Other changes affecting the UAAL were an expected increase of \$204.8 million based on statutory contributions and the passage of time, a \$400,000 increase due to differences between actual and expected contributions, and a \$26.9 million decrease due to legislative changes.

The actuary's report continues to stress that the System remains poorly funded despite relatively good results over the past several years. Since 1995, the System's funded ratio has improved from 38.4% to 54.0%, primarily due to return on investments exceeding the 8% assumed actuarial rate of return on investment in all but three of the last fourteen 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 the expected increase in state revenues from passage of Senate Bill 1376 and the elimination of the 1% retiree benefit increase assumption, the amortization period has decreased from 62.2 years, in 2001, to 28.7 years as of June 30, 2003. Even with future increases in state revenues the System's unfunded liabilities are expected to increase each year until reaching \$6.222 billion in 2013 before declining. It will then take another 19 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**

The System's expenses are attributable to retirement benefit payments including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During the year ended June 30, 2003, the System paid \$47.8 million more in retirement, survivor and insurance benefits than in the preceding year, \$3.4 million more in refunds and death benefits from active member accounts, and \$11.6 million more in distributions from the System's 403(b) Tax Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members and the retiree benefit increase per legislation. The increase in refunds, deaths benefits and annuity distributions is due to an increase in refund payments to terminating members, and the increase in withdrawals from the tax-sheltered annuity plan is a reflection of the aging population and declines in market performance during the first three quarters of the fiscal year. Administrative expenses increased by \$102,092, due primarily to personnel costs and one-time expenses to revamp the agency's website.

## **INVESTMENTS**

As previously stated, the System's investment returns were a positive 5.22% gross of management fees and 4.86% net of fees. Net investment income, including realized and unrealized gains and losses, was \$263.9 million compared to a negative \$328.7 million for FY 2002. Net assets totaled \$5.863 billion at market value on June 30, 2003, compared to \$5.697 billion on June 30, 2002. Included in assets is \$249.2 million held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Program.

On June 30, 2003, the System's investment portfolio mix at market value was 27% fixed income, 71% equities and 2% cash and short-term investments. As trustee for members' funds, the System is responsible for investment of the funds under the prudent person standard. This standard permits the System to allocate trust funds across a broad group of asset classes. The Board of Trustees has elected to limit investments to stocks and bonds, Treasury Bills and Notes, Commercial Paper, foreign currency exchange contracts, and bank deposits collateralized by U.S. Government securities.

The System's time-weighted rate of return for the year ended June 30, 2003, was a positive 5.22% versus a negative 5.08% return for 2002. Annualized three-year and five-year total returns were negative .77% and positive 3.98%, 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 2003 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, 2003, 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, 2002. 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 tenth year the System's *Annual Report* has received this distinction.

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

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

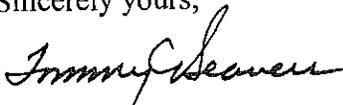
## ACKNOWLEDGMENTS

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, 2003



**BRAD HENRY  
GOVERNOR**

**STATE OF OKLAHOMA**

**TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA**

November 1, 2003

To the Members of the Teachers' Retirement System:

The Teachers' Retirement System of Oklahoma Board of Trustees and staff are pleased to provide you with the Annual Report for the year ended June 30, 2003. This summary is an important part of our commitment to provide members with valuable information about their benefits and retirement.

Our continuing goal is to provide a well-funded System to our members. We are pleased to report an improvement in the System's funding as compared to the returns of the previous two years. The earnings for the third and fourth quarters of 2002-03 were good. The funding status still causes Oklahoma to be one of the worst funded state-run public retirement systems. This remains an ongoing concern for the Board of Trustees and staff. It is critical to procure substantial new monies to meet the obligations that have been promised and earned by current and future retirees.

Retired and active members are faced with escalating costs for health care, particularly the cost of prescription drugs. Cost-of-living adjustments and other benefit improvements are needed on a regular basis.

We appreciate the support of the Governor and the Legislature as well as that of other friends as they continue to work to resolve the under-funding of the System.

Improved services to our membership are a high priority. We continue to refine our telephone responses and have been increasing the number of Trends newsletters to our members. We welcome comments and suggestions for the improvement of our System.

Sincerely,

A handwritten signature in cursive script that reads "Tommy G. Fulton".

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

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

**Tommy G. Fulton**, Del City  
**Chairman**

Retired Member, House Speaker Appointee

**Matti Palluconi**, Claremore  
**Vice Chairman**

Retired Member, Senate President Pro Tempore Appointee

**Denise Rhodes**, Miami  
**Secretary**

Classroom Teacher, House Speaker Appointee

**Kenneth H. Anderson**, Oklahoma City  
Non-Member, Governor Appointee

**Cathy Conway**, Durant  
Higher Education, Governor Appointee

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

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

**Scott Meacham**, Oklahoma City  
Director of Office of State Finance—Member Ex-Officio

**Richard A. "Dick" Neptune**, Lawton  
Retired Member, Governor Appointee

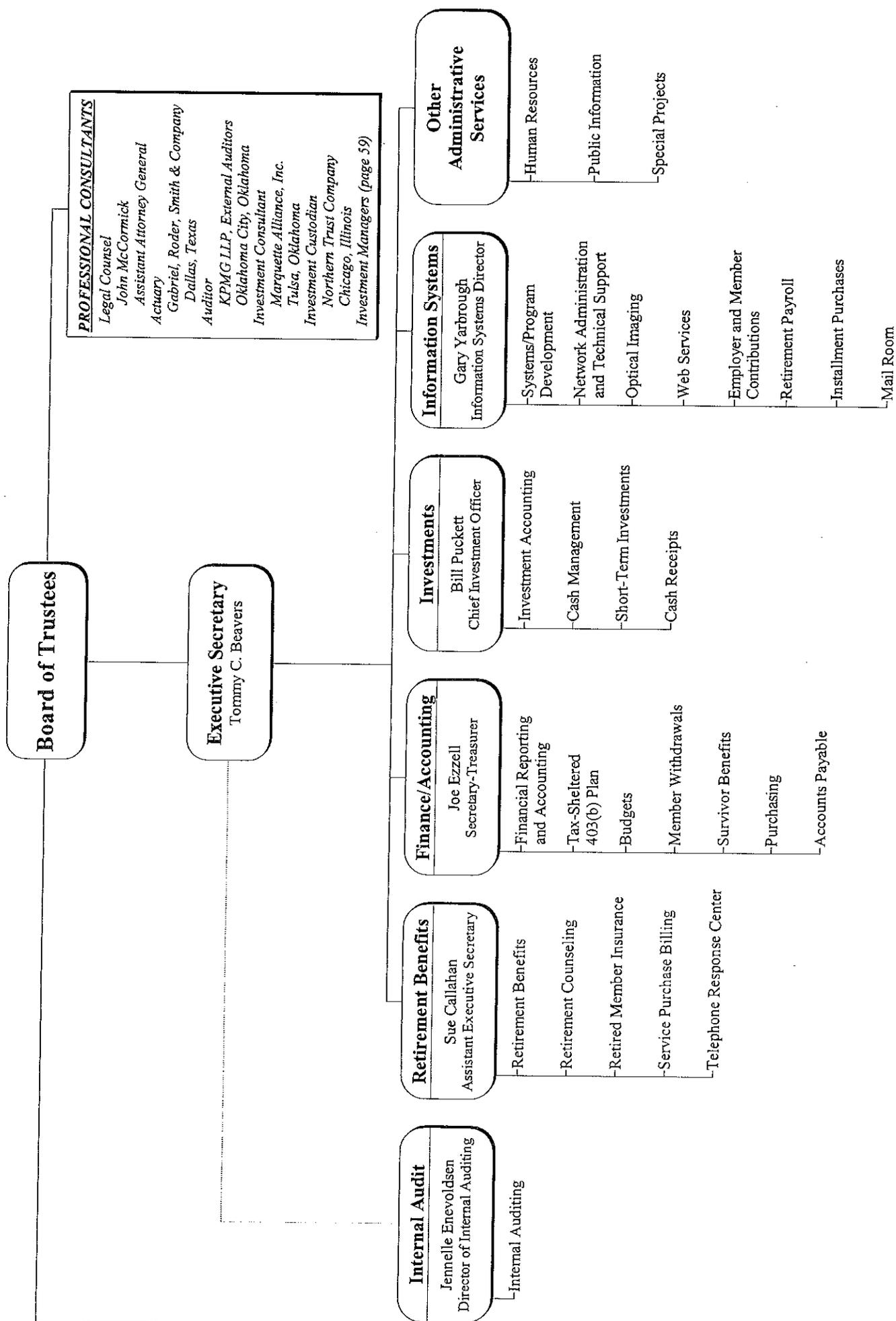
**Dale E. Nye**, Wayne  
Designee of Dr. Birkenbile, Interim Director of Career and Technology Education

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

**Galeard W. Roper**, Elk City  
Superintendent of Elk City Public Schools, Governor Appointee

**James E. Smith**, Shawnee  
Non-Member, Governor Appointee

# TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA Organization



# 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, 5<sup>th</sup> Floor  
2500 N. Lincoln Blvd.  
Oklahoma City, OK 73105  
405-521-2387 1-877-738-6365

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<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, 2002

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.



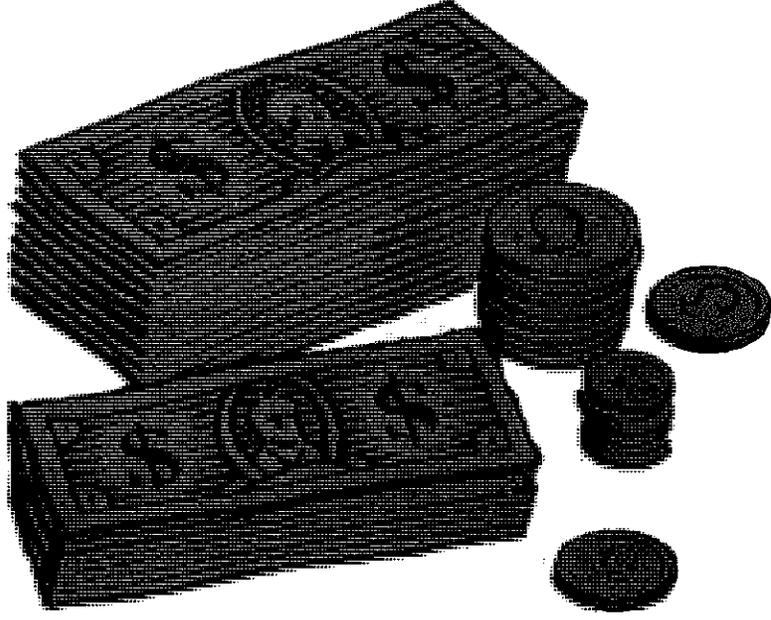
*William Patrick Harte*

President

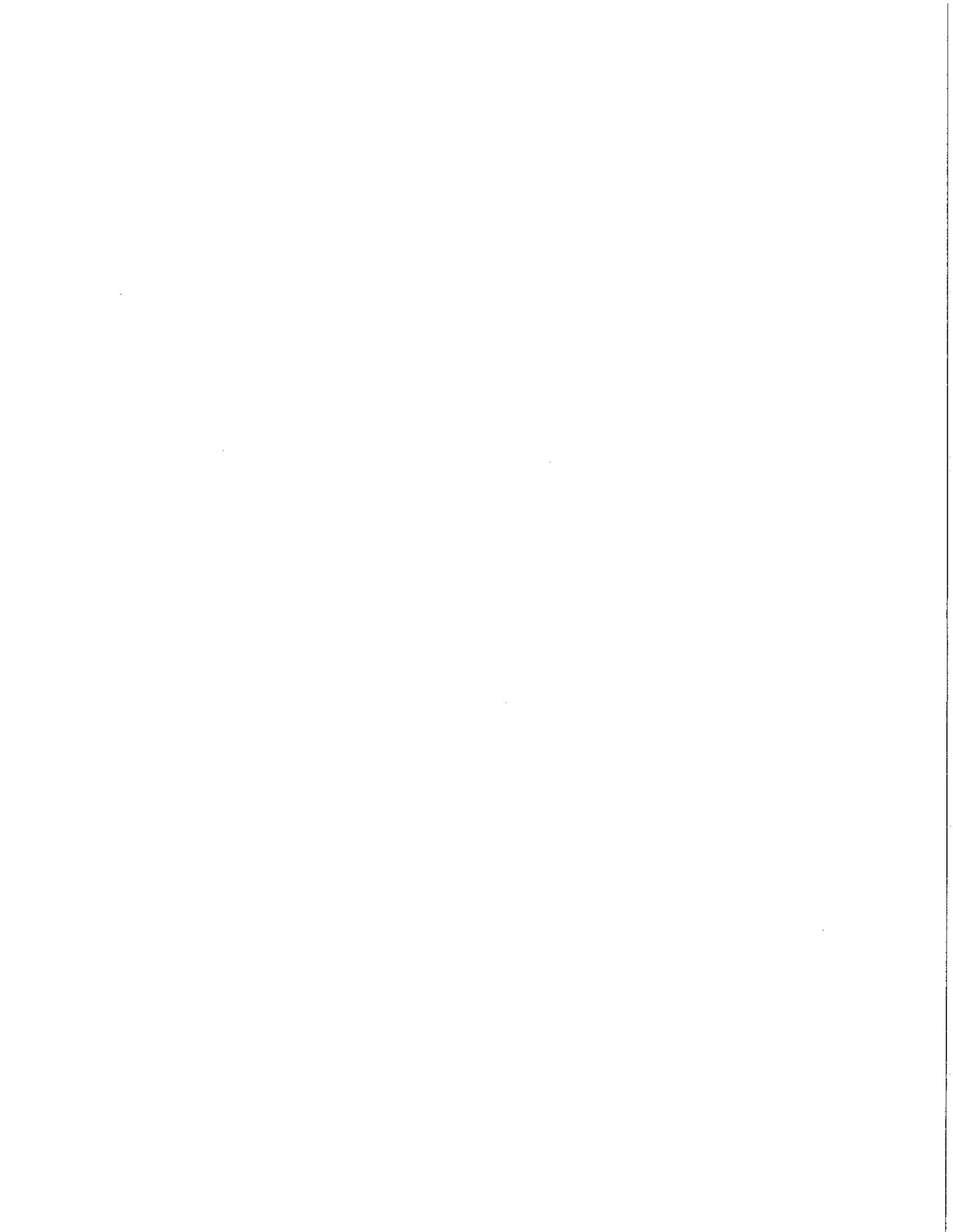
*Jeffrey R. Emer*

Executive Director

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# Financial Section





700 Oklahoma Tower  
210 Park Avenue  
Oklahoma City, OK 73102-5671

Telephone 405 239 6411  
Fax 405 552 3846

## 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, 2003 and 2002, 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 \$5,488,000,000. 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, 2003 and 2002, 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 and 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, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our 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. The Introductory Section, the Investment Section, the Actuarial Section and the Statistical Section are presented for purposes of additional analysis and are not required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2003 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.

KPMG LLP

September 26, 2003

## 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, 2003, 2002, and 2001.

### Financial Highlights

- The net assets of TRS exceeded its current liabilities by \$5,863 million and \$5,697 million at June 30, 2003 and 2002, respectively. Such amounts are used to meet the System's current and ongoing obligations to its retired and active members and creditors.
- The System's total net assets increased by \$166 million and decreased by \$353 million at June 30, 2003 and 2002, respectively. The gain in 2003 was due to an equity market rally in the fourth quarter of the fiscal year and the loss in fiscal year 2002 was primarily due to the general decline in equity markets during the year. These conditions resulted in a net realized and unrealized gain on investments of \$116 million in fiscal year 2003 and a net realized and unrealized loss on investments of \$499 million for the year ended June 30, 2002.
- At June 30, 2003, TRS's unfunded actuarial accrued liability is \$5,488 million. The unfunded actuarial accrued liability at June 30, 2002 was \$5,965 million. The System's funded ratio increased from 51.4% to 54.0%. This increase was primarily due to a change in an actuarial assumption, which previously allowed for an estimate of 1% per year cost-of-living increase for retirees.

### Overview of the Financial Statements

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

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

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

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

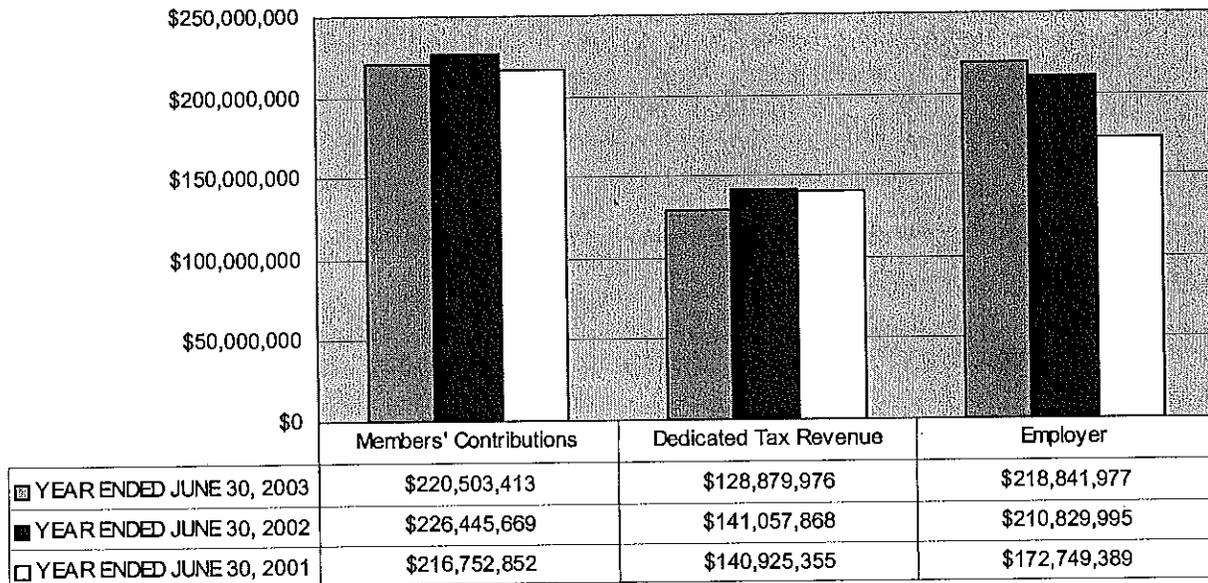
(Continued)

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 due to a reduction in both tax-shelter annuity and terminated member regular retirement account withdrawals. 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 below. The graphs on page 27 offer a comparison of selected revenue and expense accounts for fiscal years 2002 and 2001.

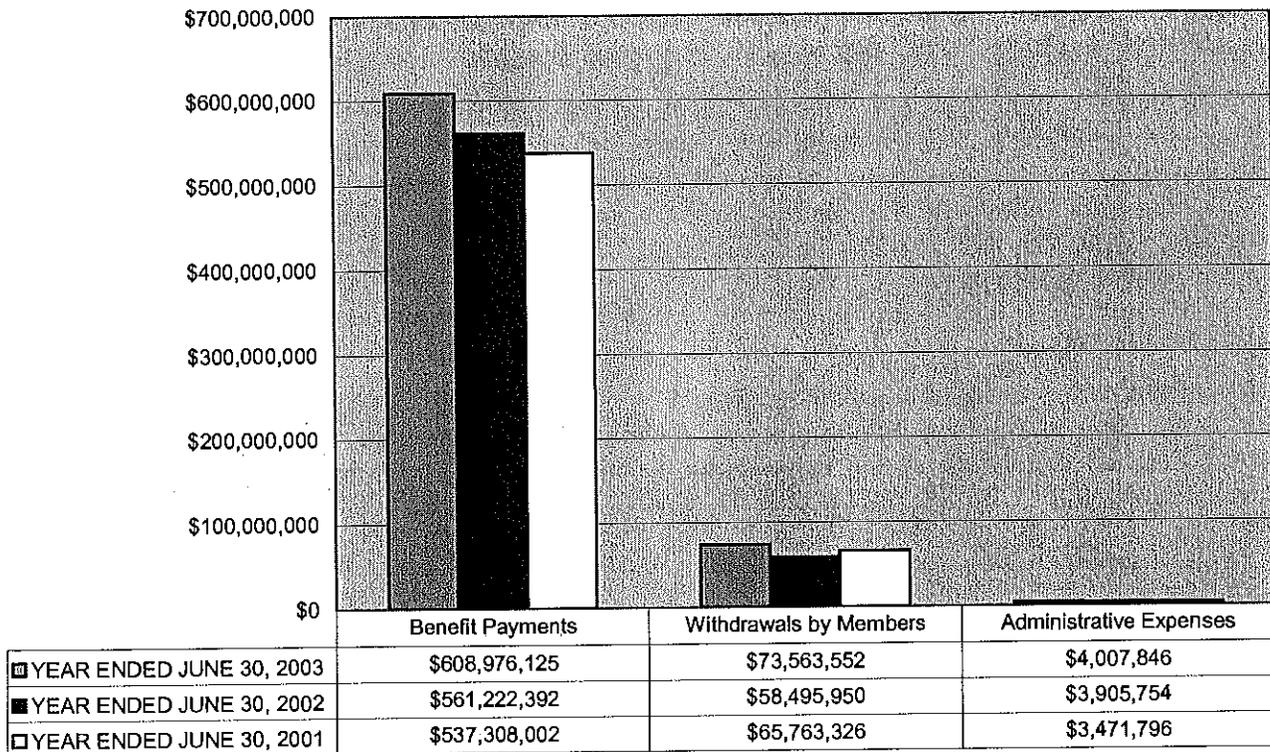
A summary of the changes in Plan net assets at June 30:

<b>Additions:</b>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Contributions:			
Members	\$ 220,503,413	226,445,669	216,752,852
Members tax shelter	4,448,732	4,815,309	5,181,802
Employer statutory requirement from local school districts	218,841,977	210,829,995	172,749,389
Federal matching	14,267,487	13,138,458	14,406,265
Dedicated tax revenue	128,879,976	141,057,868	140,925,355
Total contributions	<u>586,941,585</u>	<u>596,287,299</u>	<u>550,015,663</u>
Investment income:			
Interest	107,834,044	139,441,249	163,139,203
Dividends	56,275,701	47,459,496	49,271,990
Net realized and unrealized gains (losses)	115,804,022	(499,102,940)	(342,603,971)
Less investment expenses	(16,040,134)	(16,469,508)	(16,590,368)
Gain (loss) from investing activities	<u>263,873,633</u>	<u>(328,671,703)</u>	<u>(146,783,146)</u>
Income from securities lending activities:			
Securities lending income	12,926,940	21,794,929	42,929,337
Borrower rebates	(10,062,106)	(17,878,116)	(39,306,499)
Management fees	(702,307)	(979,405)	(907,494)
Income from securities lending activities	<u>2,162,527</u>	<u>2,937,408</u>	<u>2,715,344</u>
Net investment gain (loss)	<u>266,036,160</u>	<u>(325,734,295)</u>	<u>(144,067,802)</u>
Total additions	<u>852,977,745</u>	<u>270,553,004</u>	<u>405,947,861</u>
<b>Deductions:</b>			
Retirement, death, survivor, and health benefits	608,976,125	561,222,392	537,308,002
Refund of member contributions and annuity payments	73,563,552	58,495,950	65,763,326
Administrative expenses	4,007,846	3,905,754	3,471,796
Total deductions	<u>686,547,523</u>	<u>623,624,096</u>	<u>606,543,124</u>
Net increase (decrease)	166,430,222	(353,071,092)	(200,595,263)
<b>Net assets:</b>			
Beginning of year	<u>5,696,883,206</u>	<u>6,049,954,298</u>	<u>6,250,549,561</u>
End of year	<u>\$ 5,863,313,428</u>	<u>5,696,883,206</u>	<u>6,049,954,298</u>

**REVENUES FOR THE FISCAL YEARS ENDED JUNE 30, 2003, 2002, AND 2001**



**DEDUCTIONS FOR THE FISCAL YEARS ENDED JUNE 30, 2003, 2002, AND 2001**



(Continued)

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Statements of Changes in Plan Net Assets  
Years ended June 30, 2003 and 2002

	2003	2002
<b>Additions:</b>		
<b>Contributions:</b>		
Members	\$ 220,503,413	226,445,669
Members tax shelter	4,448,732	4,815,309
Employer statutory requirement from local school districts	218,841,977	210,829,995
Federal matching	14,267,487	13,138,458
Dedicated tax	128,879,976	141,057,868
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<b>Income from securities lending activities:</b>		
Securities lending income	12,926,940	21,794,929
<b>Securities lending expenses:</b>		
Borrower rebates	(10,062,106)	(17,878,116)
Management fees	(702,307)	(979,405)
Income from securities lending activities	2,162,527	2,937,408
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Total additions	852,977,745	270,553,004
<b>Deductions:</b>		
Retirement, death, survivor, and health benefits	608,976,125	561,222,392
Refund of member contributions and annuity payments	73,563,552	58,495,950
Administrative expenses	4,007,846	3,905,754
Total deductions	686,547,523	623,624,096
Net increase (decrease)	166,430,222	(353,071,092)
Net assets, beginning of year	5,696,883,206	6,049,954,298
Net assets, end of year	\$ 5,863,313,428	5,696,883,206

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

**(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:

	2003	2002
Retirees and beneficiaries currently receiving benefits	38,059	36,515
Terminated vested participants	3,731	3,575
Active participants	83,127	85,366
	124,917	125,456

There are 631 contributing employers in the System. In addition, there were 9,028 and 8,755 of nonvested inactive participants at June 30, 2003 and 2002, 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 increased from the funding level at June 30, 2002. 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 (UAAL) has decreased from 41.0 years at June 30, 2002 to 28.7 years at June 30, 2003. The actuarial accrued liability decreased \$350.7 million and the actuarial value of assets increased \$126 million. As a result, the System's unfunded actuarial accrued liabilities decreased \$476.7 million. The decrease in funding period and increase in the funded ratio are due to the impact of eliminating a 1% cost-of-living increase assumption which more than offset the impact of recognizing actuarial investment losses from the last three years in the actuarial value of assets. Based on the current statutes for determining the state, federal, and employer contribution rates, the unfunded actuarial accrued liability is expected to increase slowly, reaching approximately \$6.2 billion in 2013, before beginning to decline. It is expected to be completely amortized by 2032.

(Continued)

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

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 54.0% at June 30, 2003 and 51.4% at June 30, 2002.

The figures on the preceding page (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Since 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 (\$6.44 billion) is \$580 million larger than the fair value (\$5.86 billion). In the absence of a major market rebound, the \$580 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.

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.

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

**(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.

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

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

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

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

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

(Continued)

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

**(e) Income Taxes**

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

**(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. Amounts due to employees for compensated absences, included in other liabilities, were \$217,000 and \$220,000 at June 30, 2003 and 2002, respectively.

**(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.

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

**(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.

**(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.

**(j) Reclassifications**

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

**(4) Cash and Investments**

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.

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, 2003 and 2002, the carrying amount of cash with the State Treasurer was approximately \$6,428,000 and \$3,281,000, respectively. At June 30, 2003 and 2002, cash on deposit with the state is considered Category 1.

(Continued)

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

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, 2003 and 2002 are categorized as follows on page 37:

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Category 1 classification:		
Deposits:		
Domestic money market account	\$ 345,957,000	196,661,000
International money market account	<u>24,529,000</u>	<u>19,682,000</u>
Total deposits	<u>370,486,000</u>	<u>216,343,000</u>
Short-term investments:		
Commercial paper	<u>25,032,000</u>	<u>78,071,000</u>
Total deposits and short-term investments	<u>395,518,000</u>	<u>294,414,000</u>
Long-term investments:		
U.S. government	767,016,000	936,776,000
Corporate bonds	404,728,000	728,764,000
International bonds	85,913,000	47,385,000
Domestic stock	2,487,899,000	2,237,577,000
International equities	<u>917,842,000</u>	<u>638,903,000</u>
Total long-term investments in category 1	<u>4,663,398,000</u>	<u>4,589,405,000</u>
Total category 1	<u>5,058,916,000</u>	<u>4,883,819,000</u>
Category 3 classification:		
Investments held by broker-dealers under securities loans for noncash collateral:		
U.S. government	111,207,000	95,657,000
Corporate bonds	7,060,000	10,583,000
Domestic stocks	15,752,000	7,536,000
International equities	<u>352,000</u>	<u>901,000</u>
Total category 3	<u>134,371,000</u>	<u>114,677,000</u>
Not subject to classification:		
Investments held by broker-dealers under securities loans for cash collateral:		
U.S. government	163,341,000	183,891,000
Corporate bonds	63,043,000	110,312,000
Domestic stocks	573,072,000	357,313,000
International equities	115,697,000	94,270,000
Securities lending collateral	<u>944,611,000</u>	<u>768,337,000</u>
Total not subject to classification	<u>1,859,764,000</u>	<u>1,514,123,000</u>
Total deposits and investments	<u>\$ 7,053,051,000</u>	<u>6,512,619,000</u>

(Continued)

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

The System has investments in mortgage-backed securities pools of approximately \$590,410,000 and \$767,745,000 at June 30, 2003 and 2002, 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 \$1,049,523,000 and \$860,463,000 at June 30, 2003 and 2002, respectively. The underlying collateral for these securities had a fair value of approximately \$1,082,714,000 and \$886,180,000 at June 30, 2003 and 2002, respectively. Collateral of securities and letters of credit represented approximately \$138,103,000 and \$117,843,000 of total collateral at June 30, 2003 and 2002, 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, 2003 and 2002, 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 2003 or 2002 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, 2003 and 2002

**(5) Capital Assets**

Capital assets consist of the following:

	<b>2003</b>	<b>2002</b>
Furniture and fixtures	\$ 1,420,032	1,531,463
Accumulated depreciation	(1,110,489)	(1,126,692)
Capital assets, net	\$ 309,543	404,771

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, 2003 was approximately \$182,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$193,000 and \$175,000 for the years ended June 30, 2003 and 2002, 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 as allowed by Section 403(b) of the IRC.
- The Expense Fund represents funds accumulated to pay for the expense of administering and maintaining the System budgeted for the next fiscal year plus any accrued administrative costs as of the current fiscal year-end.
- The Capital Assets Fund represents the net book value of furniture and fixtures for the System.

	<b>2003</b>	<b>2002</b>
Teachers' Deposit Fund (tax-sheltered annuities)	\$ 249,249,000	278,991,000
Expense Fund	33,324,000	28,324,000
Capital Assets Fund	310,000	405,000
	\$ 282,883,000	307,720,000

**(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.

(Continued)

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

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 \$57,500 and \$52,500 for those who elected the \$25,000 limit prior to June 30, 1995 in fiscal years 2003 and 2002, respectively, and \$74,000 and \$69,000 for all other members in fiscal years 2003 and 2002, 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 \$32,477,000 and \$34,692,000 for 2003 and 2002, respectively.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate of 7.05% and 6.8% for 2003 and 2002, 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, 2003 and 2002

- 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 IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

For retirees that elect to obtain health insurance coverage through the Oklahoma State and Education Employees Group Insurance Board, (OSEGIB) the System paid between \$100 and \$105 per month to OSEGIB for each retiree, depending on the members' years of service during 2003 and 2002. Such amounts were approximately \$29,625,000 and \$29,227,000 in 2003 and 2002, respectively, and are included in retirement, death, survivor, and health benefits. Amounts due to OSEGIB at June 30, 2003 and 2002, respectively, are approximately \$2,463,000 and \$2,415,000, 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) Pension Plan for Employees of the System**

The System also makes employer contributions for its employees who are also members of the Teachers' Retirement System of Oklahoma. The System's contribution requirements are described in note 7. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. A description of the pension plan may be found in note 1. A description of benefits may be found in note 8. The total employee and employer contributions paid by the System for its employees were approximately \$324,000 and \$309,000 for 2003 and 2002, respectively.

(Continued)

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Financial Statements

June 30, 2003 and 2002

**(10) Plan Amendments**

The following is a summary of significant plan provision changes that were enacted by the State Legislature during 2003:

**(a) *Service Requirement for Vesting***

Effective July 1, 2003, the service requirement for vesting was changed from ten years to five years. Under the new provision, members are now able to retire with an unreduced retirement benefit after reaching age 62 with credit for five or more years of Oklahoma service. Members who have reached age 55, but not age 62, with at least five years of Oklahoma service, are able to retire and receive a reduced retirement benefit. A member who has terminated before being eligible to retire, but who has at least five years of service, may elect a deferred retirement benefit in lieu of a refund. However, members must still have credit for at least ten years of Oklahoma service in order to be eligible for a disability benefit or the medical insurance premium supplement.

**(b) *Refunds***

Effective July 1, 2003, refunds for members who have less than seven years of service will receive their contributions plus 50% of the interest on their accounts. Prior to July 1, 2003, members with less than seven years of service received no interest.

**(c) *Partial Lump-Sum Option***

Effective July 1, 2003, a partial lump-sum option (PLSO) was added. Members who retire with at least thirty years of service may elect a PLSO equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. Members who elect to receive a PLSO will have their monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO was provided.

**(11) New Pronouncement**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, updates the custodial credit risk disclosure requirements of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements)*, and *Reverse Repurchase Agreements* and establishes more comprehensive disclosure requirements addressing credit risk, interest rate risk, and foreign currency risk. GASB No. 40 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2004.

**REQUIRED SUPPLEMENTARY INFORMATION**



**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Required Supplementary Information

Schedule of Funding Progress

(Dollars in millions)

(Unaudited)

Actuarial valuation date	Actuarial value of assets (AVA) (a)	Actuarial accrued liability (AAL) (b)	Unfunded actuarial accrued liability (UAAL) (b)-(a)	Funded ratio (a/b)	Annual covered payroll (c)	UAAL as % of covered payroll (b-a)/(c)
June 30, 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%
June 30, 2003	6,436.9	11,925.2	5,488.3	54.0%	3,045.7	180.2%

Schedule of Employers Contributions

(Unaudited)

Fiscal year ended June 30,	Annual required contribution	Percentage contributed
1998	\$ 446,219,296	59.1%
1999	456,864,002	53.5%
2000	455,265,033	60.6%
2001	451,463,258	72.7%
2002	556,201,571	65.6%
2003	585,168,488	61.9%

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, 2003 and 2002

**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, 2003, 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.

Unaudited — See accompanying independent auditors' report.

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Notes to Required Supplementary Information

June 30, 2003 and 2002

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2003 are as follows:

- Investment Return – 8% 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 disability benefits; Disabled females – PBGC Table VIa for disabled females eligible for Social Security disability 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 – None

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**OTHER SUPPLEMENTARY INFORMATION**



**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Supplementary Information  
Schedules of Investment Expenses

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Investment custodian	\$ 100,000	100,000
Investment managers	16,396,725	16,894,812
Investment consultants	359,564	403,750
Investment information services	21,730	14,755
Commission recapture	<u>(837,885)</u>	<u>(943,809)</u>
Total investment expenses	\$ <u>16,040,134</u>	<u>16,469,508</u>

See accompanying independent auditors' report.

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

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Salaries and benefits	\$ 2,627,491	2,549,368
General and miscellaneous	543,976	537,996
Professional/consultant fees	325,380	262,983
State of Oklahoma interagency	287,539	310,026
Travel and related expenses	74,950	61,674
Depreciation expense	148,510	183,707
Total administrative expenses	\$ <u>4,007,846</u>	<u>3,905,754</u>

See accompanying independent auditors' report.

**TEACHERS' RETIREMENT SYSTEM  
OF OKLAHOMA**

Supplementary Information  
Schedules of Professional/Consultant Fees

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Actuarial	\$ 87,885	88,967
Medical	37,149	38,093
Legal	12,037	12,208
Audit	80,953	82,348
Data processing	79,446	8,907
Miscellaneous	<u>27,910</u>	<u>32,460</u>
Total professional/consultant fees	\$ <u>325,380</u>	<u>262,983</u>

See accompanying independent auditors' report.



700 Oklahoma Tower  
210 Park Avenue  
Oklahoma City, OK 73102-5671

Telephone 405 239 6411  
Fax 405 552 3846

**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, 2003, and have issued our report thereon dated September 26, 2003 which includes an emphasis paragraph related to the System's funded status and includes explanatory paragraphs related to required supplementary information and other supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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.

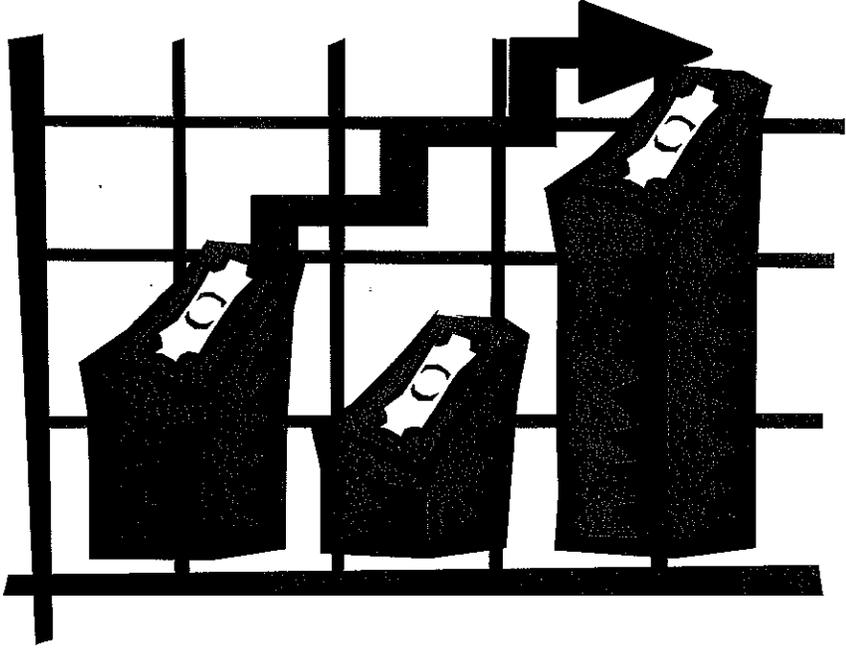


This report is intended solely for the information and use of the board of trustees, the Oklahoma State Auditor and Inspector, and management and is not intended to be and should not be used by anyone other than these specified parties.

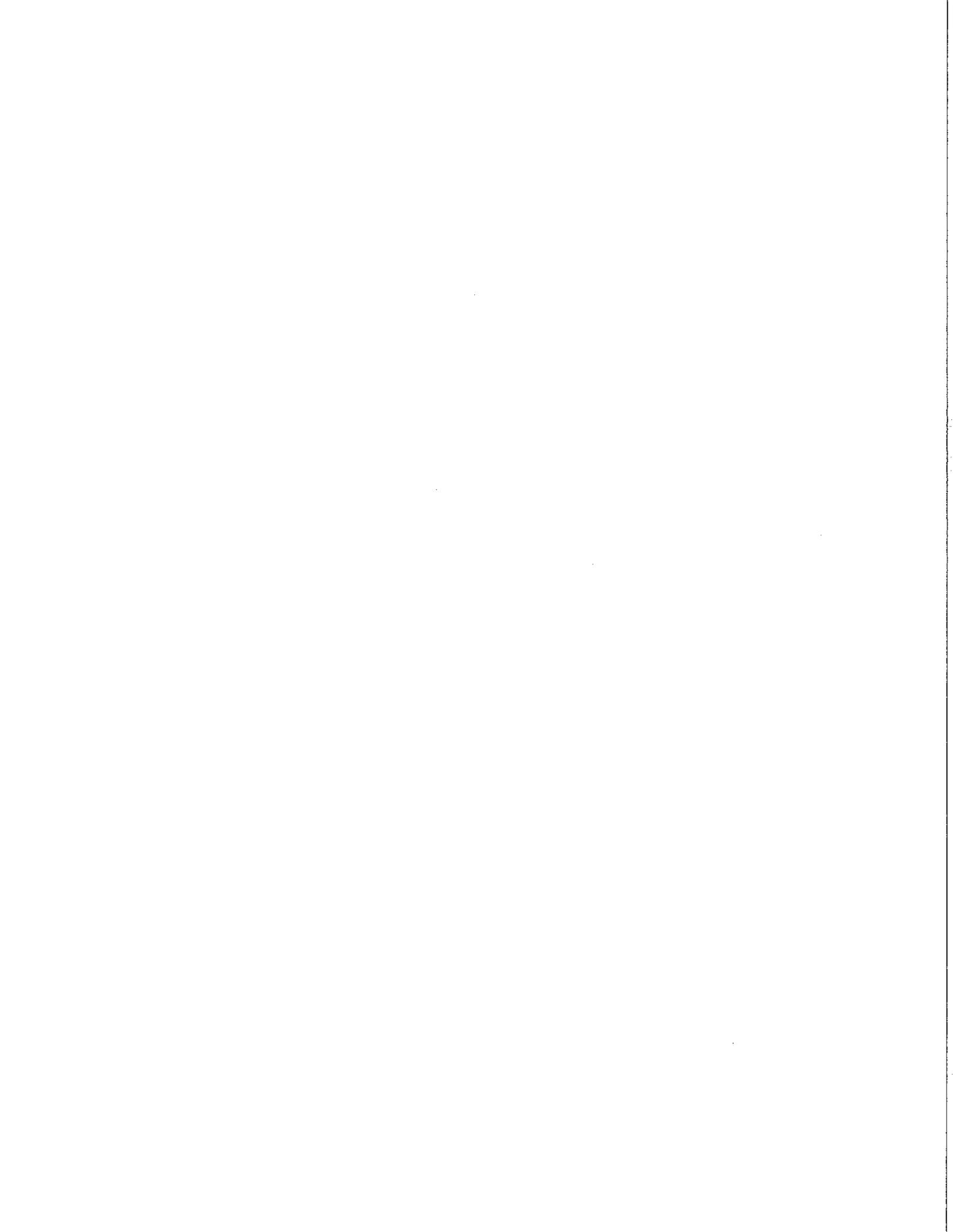
KPMG LLP

September 26, 2003

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# Investment Section



## **Professional Consultants and Advisors**

### **Domestic Equity Managers**

- Aronson + Johnson + Ortiz, LP, Middle Capitalization Core  
Philadelphia, Pennsylvania
- Artemis Investment Management, LLC, Small Capitalization Growth  
New York, New York
- Frontier Capital Management Company, LLC, Middle Capitalization Growth  
Boston, Massachusetts
- Goldman Sachs Asset Management, Large Capitalization Growth  
Tampa, Florida
- Hotchkis and Wiley Capital Management, Large Capitalization Value  
Los Angeles, California
- Hotchkis and Wiley Capital Management, Middle Capitalization Value  
Los Angeles, California
- Kopp Investment Advisors, Small Capitalization Growth  
Edina, Minnesota
- Shapiro Capital Management Company, Inc, Small Capitalization Value  
Atlanta, Georgia
- The Northern Trust Company, S&P 500 Index Fund  
Chicago, Illinois
- Tocqueville Asset Management, LP, Small Capitalization Value  
New York, New York
- Wellington Management Company, LLP, Middle Capitalization Growth  
Boston, Massachusetts

### **Domestic Fixed Income Managers**

- Loomis, Sayles & Company, LP Core Plus Fixed Income  
Boston, Massachusetts
- Neuberger Berman, LLC, Active Core  
New York, New York
- Pacific Investment Management Company, Core Plus Fixed Income  
Newport Beach, California
- Standish Mellon Asset Management, LLC, Passive Fixed Income Index Fund  
Philadelphia, Pennsylvania

### **International Managers**

- Bank of Ireland Asset Management, International Equity  
Santa Monica, California
- Brandes Investment Partners, International Equity  
San Diego, California
- Capital Guardian Trust Company, International Equity  
Los Angeles, California
- Causeway Capital Management, LLC, International Equity  
Los Angeles, California
- TT International, International Equity  
London, England

### **Advisors and Consultants**

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

## Report on Investment Activity

The Teachers' Retirement System of Oklahoma had a gain for Fiscal Year 2003 of 5.3% based on fair value; three-year and five-year returns were (0.7%) and 3.9% respectively. The System's assets increased \$166 million to \$5.9 billion at fiscal year-end.

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

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

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

This report prepared by:

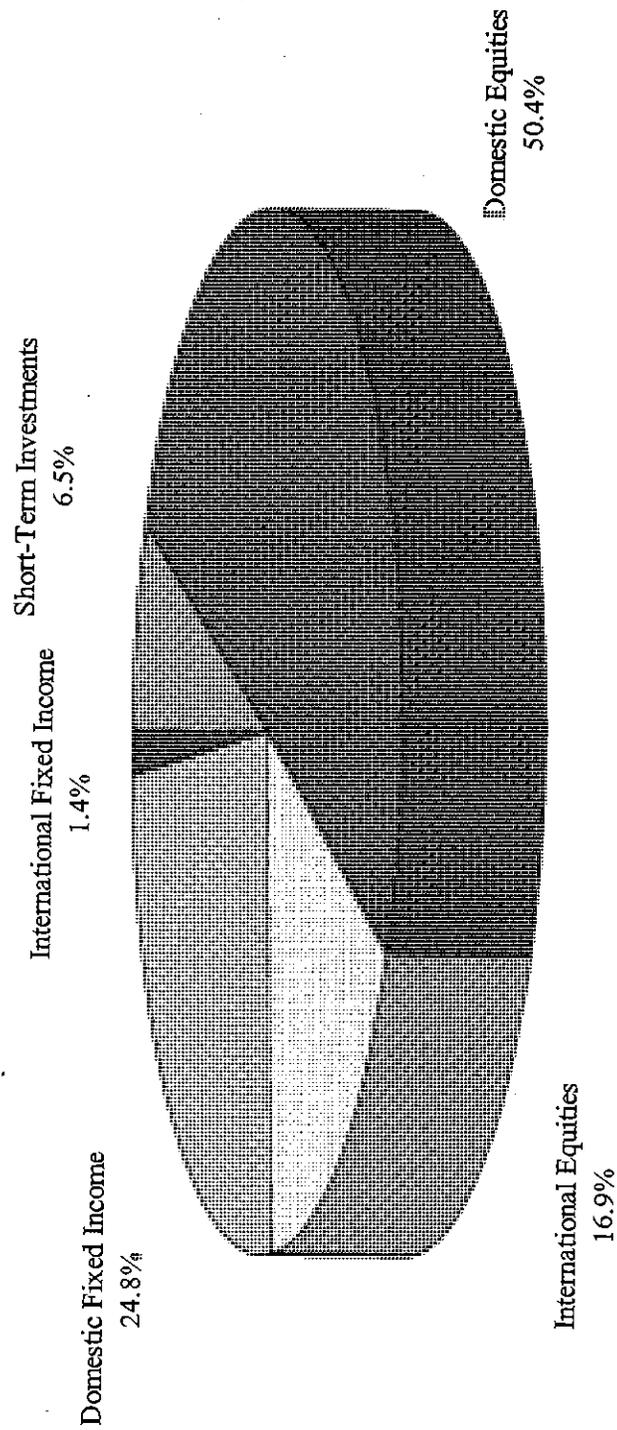
Bill Puckett  
Chief Investment Officer

**Summary of Investments**  
**June 30, 2003**

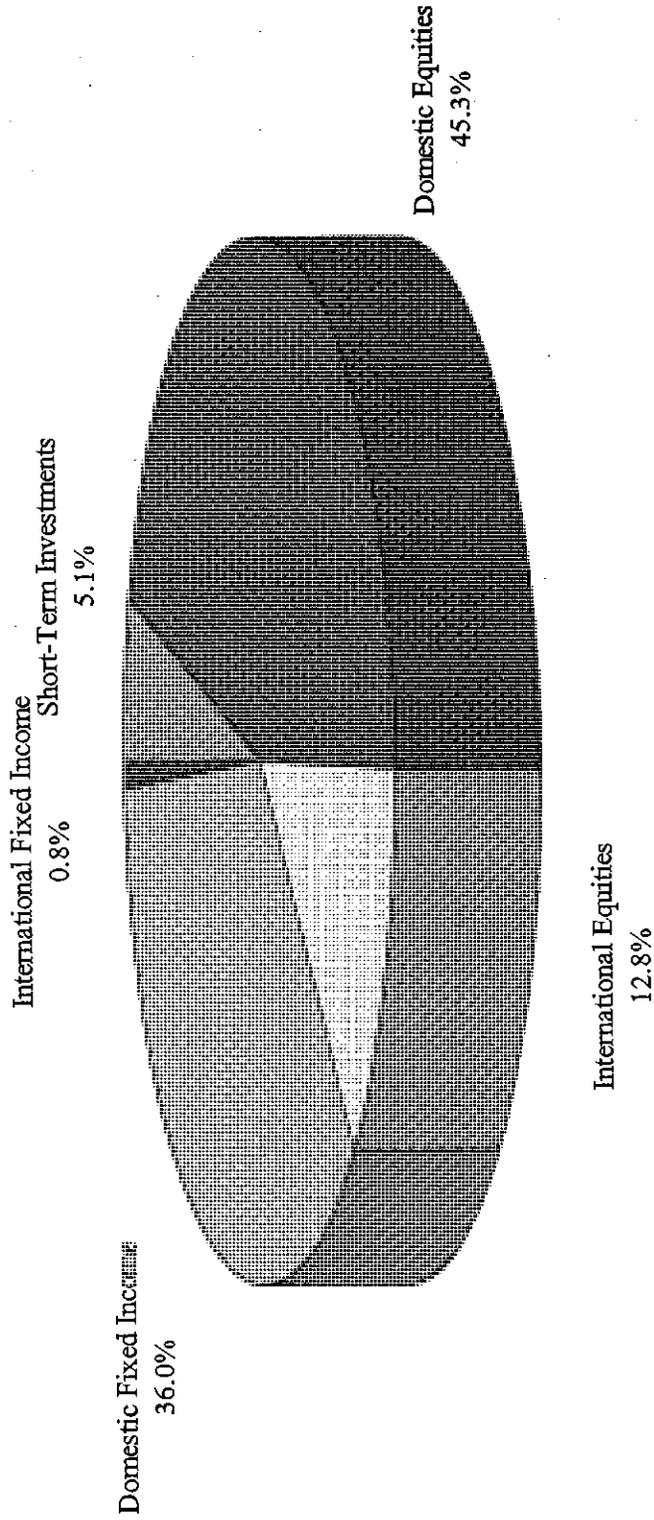
<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government Securities	\$1,041,563,797	17.1%
Corporate Bonds	474,830,809	7.7%
International Bonds	<u>85,912,553</u>	<u>1.4%</u>
Total Fixed Income	1,602,307,159	26.2%
Equities:		
Domestic	3,076,723,069	50.4%
International	<u>1,033,891,523</u>	<u>16.9%</u>
Total Equities	4,110,614,592	67.3%
Short-Term Investments:		
Commercial Paper	24,873,365	0.4%
Short-Term Bills and Notes	70,825,142	1.2%
Domestic Money Market	269,645,479	4.4%
International Money Market	24,528,620	0.4%
Pending Short-Term Investments	<u>5,645,235</u>	<u>0.1%</u>
Total Short-Term Investments	<u>395,517,841</u>	<u>6.5%</u>
 Total Investments	 <u>\$6,108,439,592</u>	 <u>100.0%</u>

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

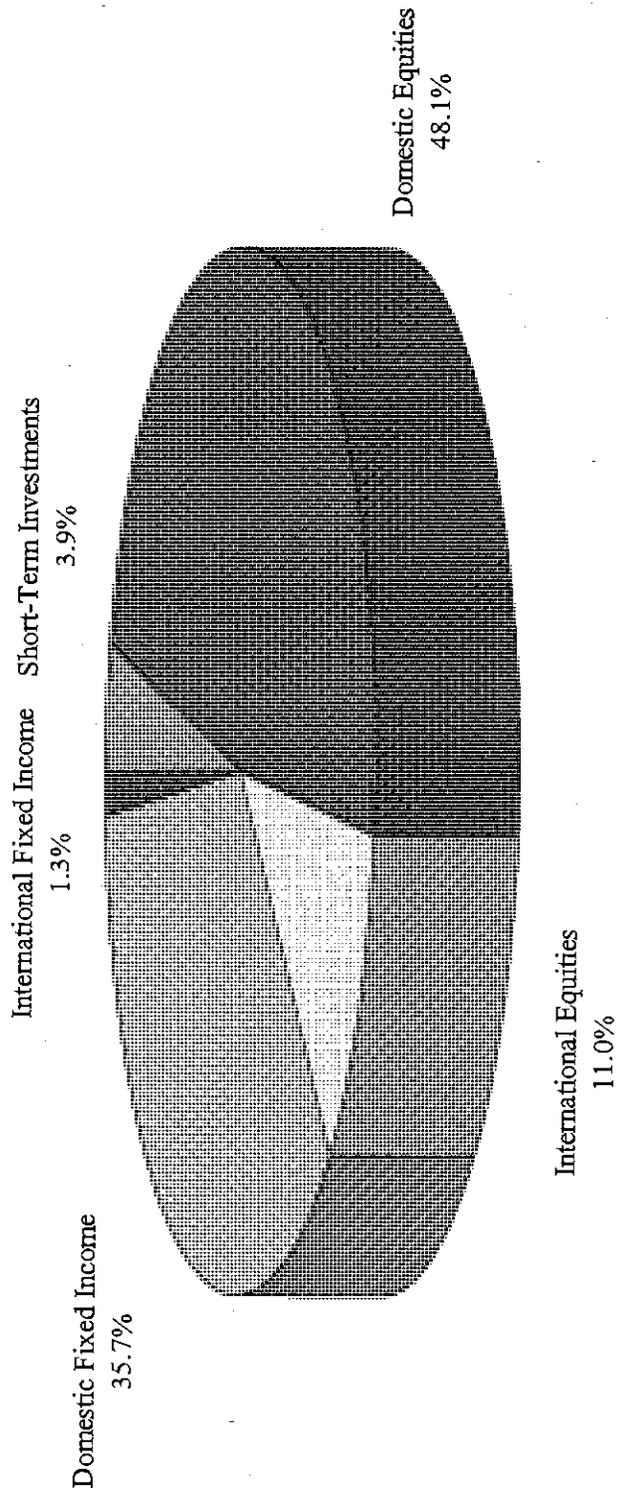
**Asset Allocation At Fair Value  
June 30, 2003**



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



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



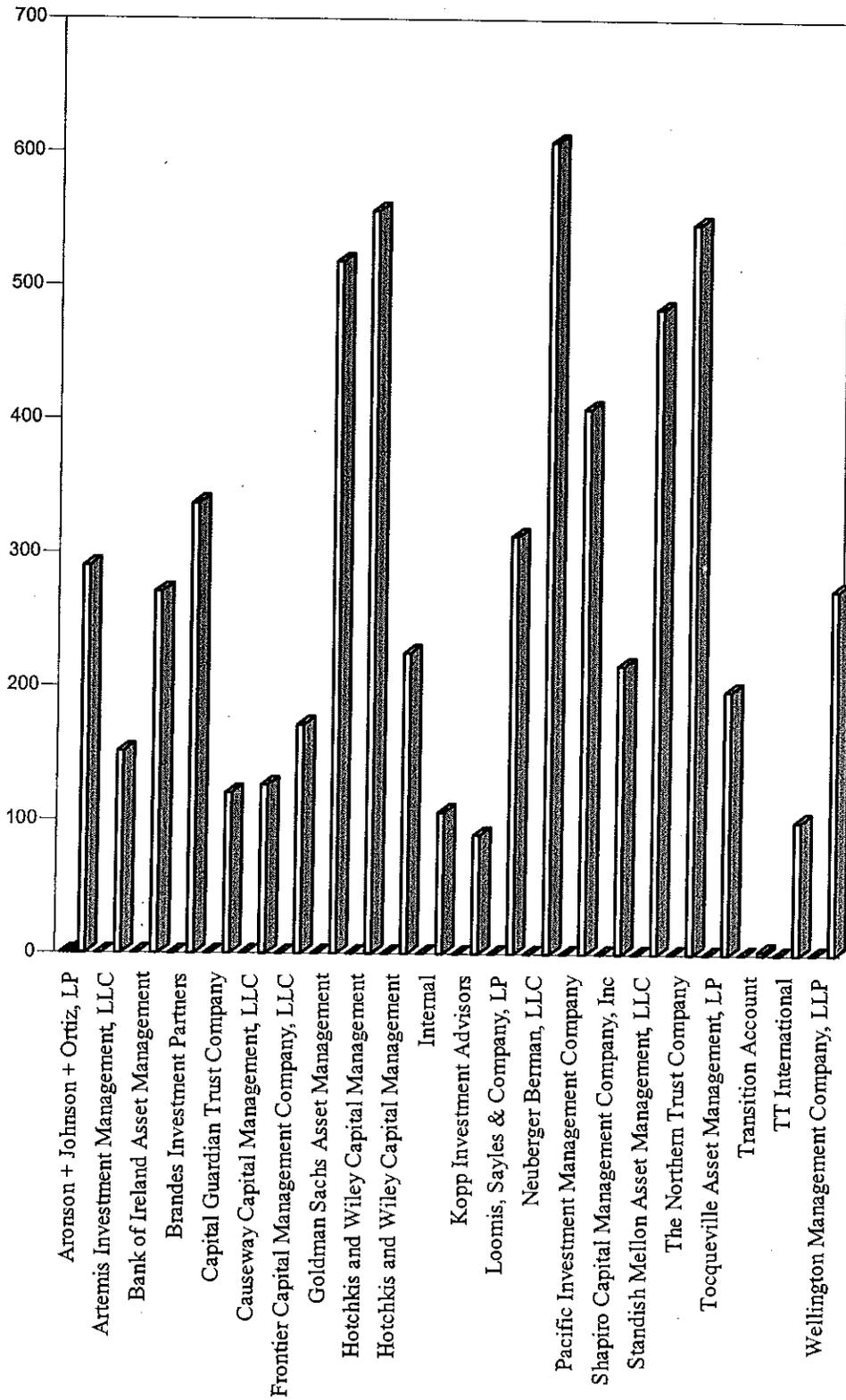
## Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the System's Investment Policy. Firms employed by the Board of Trustees on June 30, 2003 are listed below:

<u>Manager</u>	<u>Style</u>	<u>Funds Under Management (in millions)</u>
Aronson + Johnson + Ortiz, LP	Middle Capitalization Core	290
Artemis Investment Management, LLC	Small Capitalization Growth	151
Bank of Ireland Asset Management	International Equity	271
Brandes Investment Partners	International Equity	337
Capital Guardian Trust Company	International Equity	120
Causeway Capital Management, LLC	International Equity	126
Frontier Capital Management Company, LLC	Middle Capitalization Growth	171
Goldman Sachs Asset Management	Large Capitalization Growth	518
Hotchkis and Wiley Capital Management	Large Capitalization Value	556
Hotchkis and Wiley Capital Management	Middle Capitalization Value	225
Internal		106
Kopp Investment Advisors	Small Capitalization Growth	89
Loomis, Sayles & Company, LP	Core Plus Fixed Income	313
Neuberger Berman, LLC	Core Fixed Income	608
Pacific Investment Management Company	Core Plus Fixed Income	408
Shapiro Capital Management Company, Inc	Small Capitalization Value	216
Standish Mellon Asset Management, LLC	Fixed Income Index	483
The Northern Trust Company	Large Capitalization Index	547
Tocqueville Asset Management, LP	Small Capitalization Value	197
Transition Account	International Equity	3
TT International	International Equity	100
Wellington Management Company, LLP	Middle Capitalization Growth	<u>273</u>
Total funds under management		<u>\$6,108</u>

Chart on following page.

### Assets Managed (In Millions)



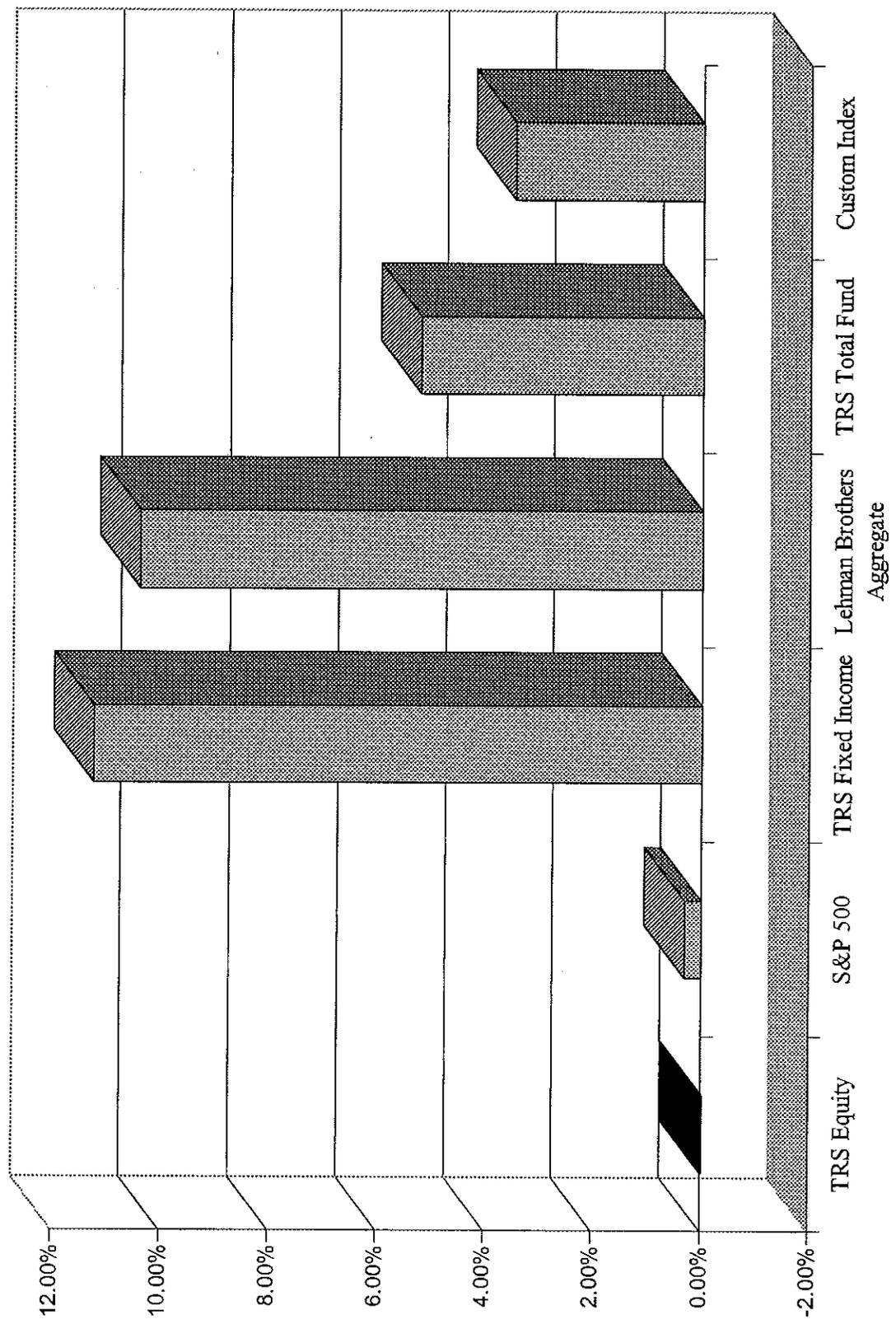
## **Investment Performance**

The Teachers' Retirement System of Oklahoma compares total return on equity investments to the S & P 500 Index. The benchmark for fixed income investments is the Lehman Brothers Government / Corporate Index or 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 and the Russell 2000. The international managers are compared to the MSCI EAFE (before taxes).

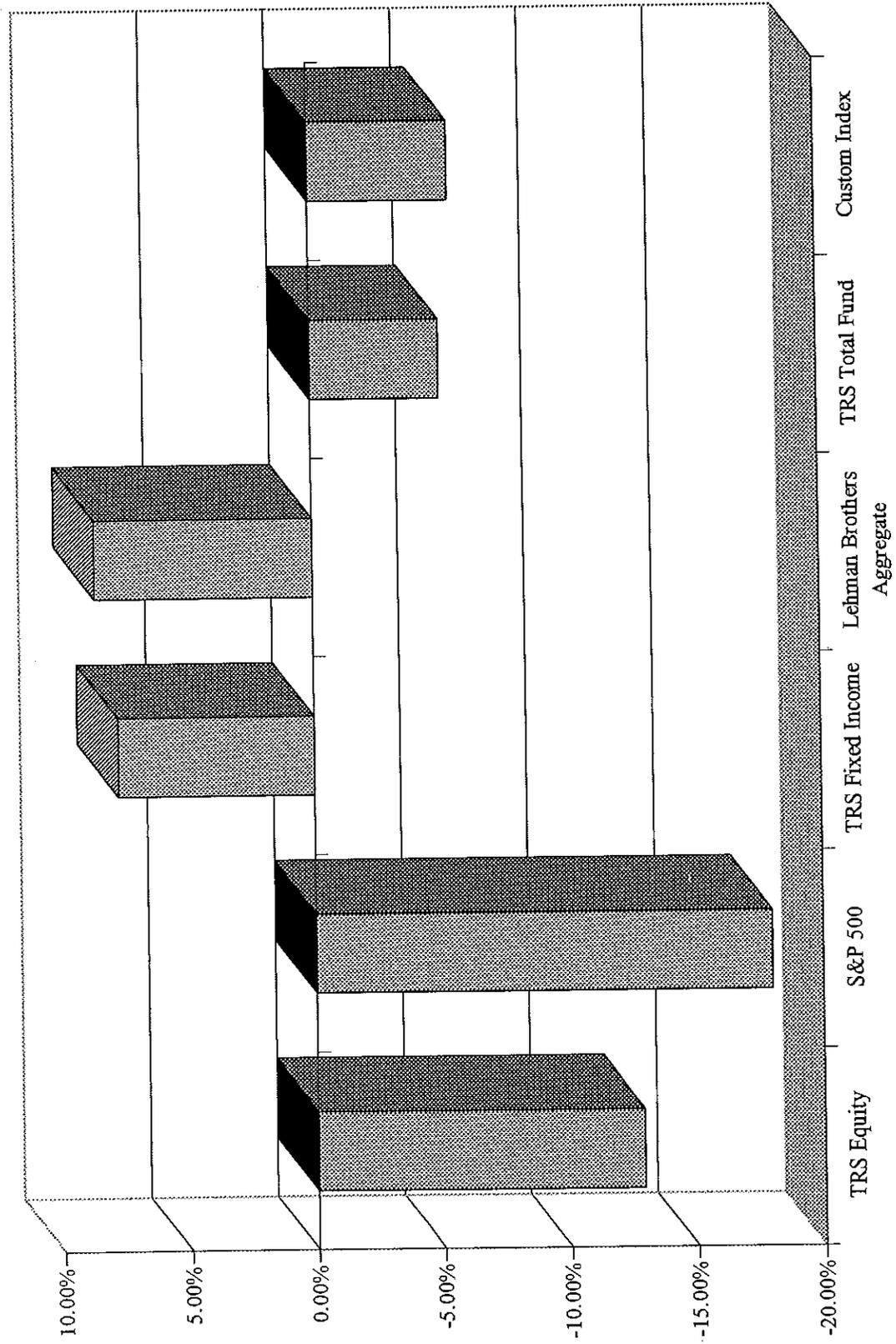
Investment return calculations are prepared using a time-weighted rate of return based on Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

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

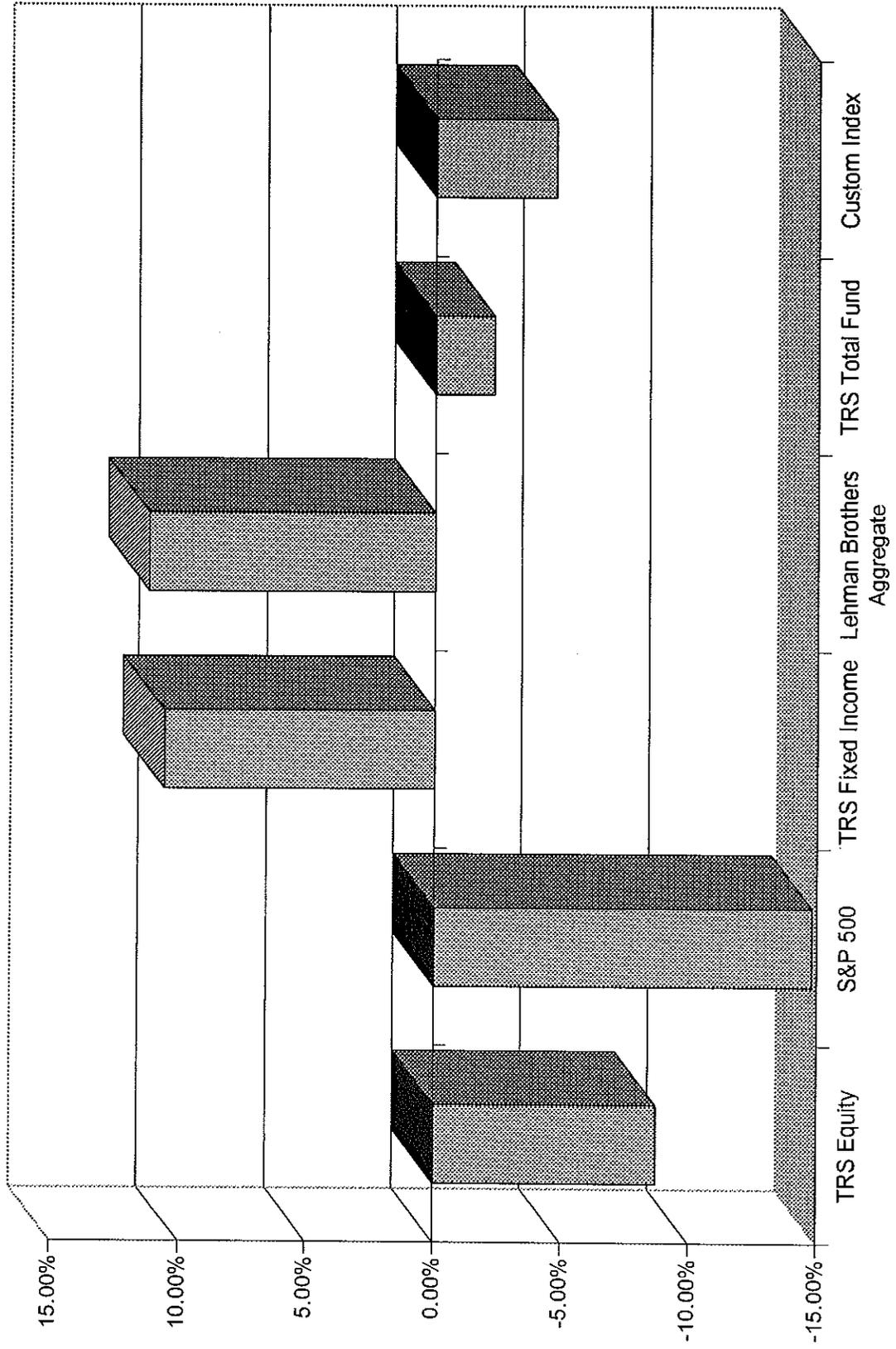
### Comparative Rates of Return Fiscal Year 2003



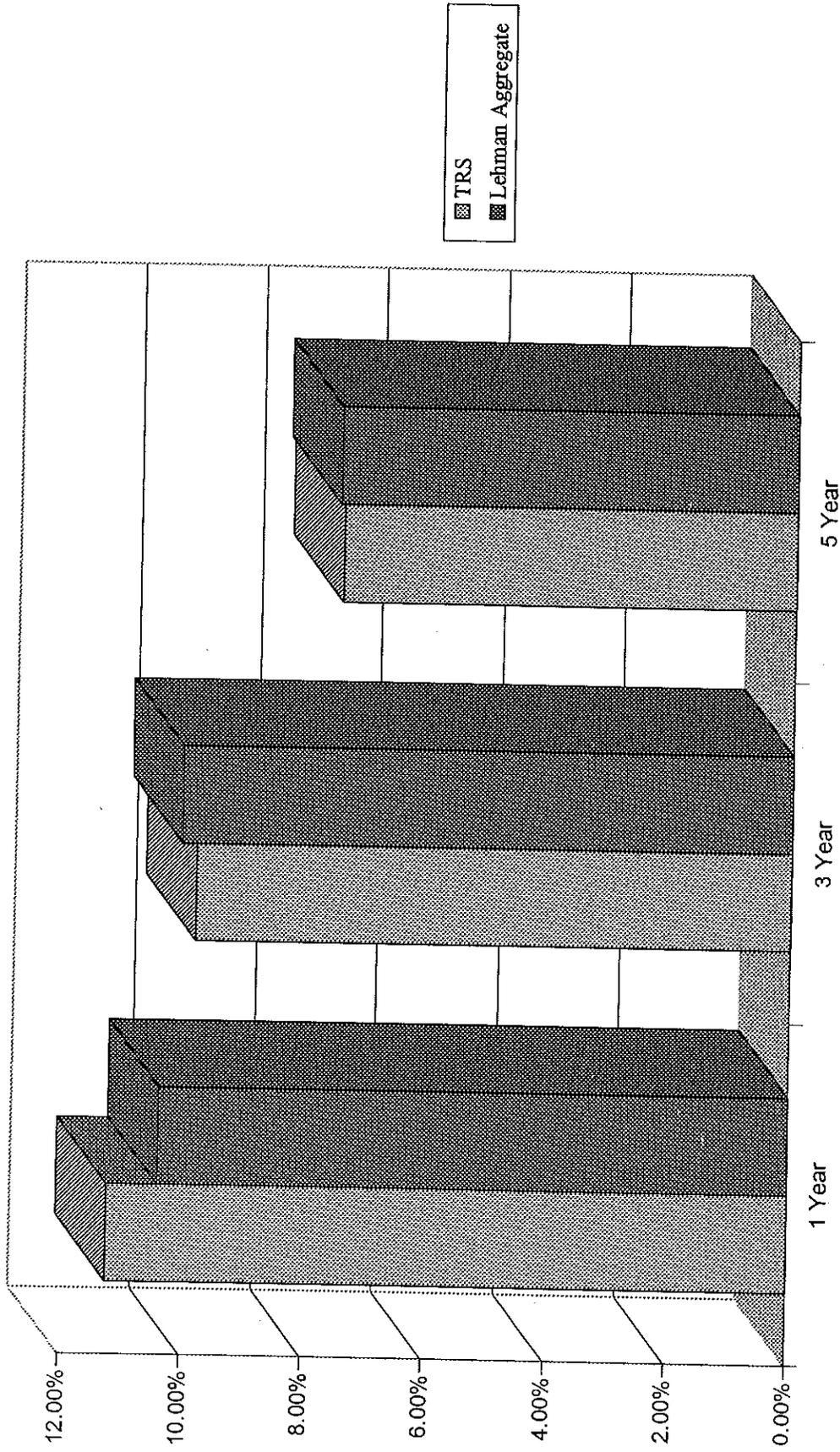
### Comparative Rates of Return Fiscal Year 2002



Comparative Rates of Return Fiscal Year 2001

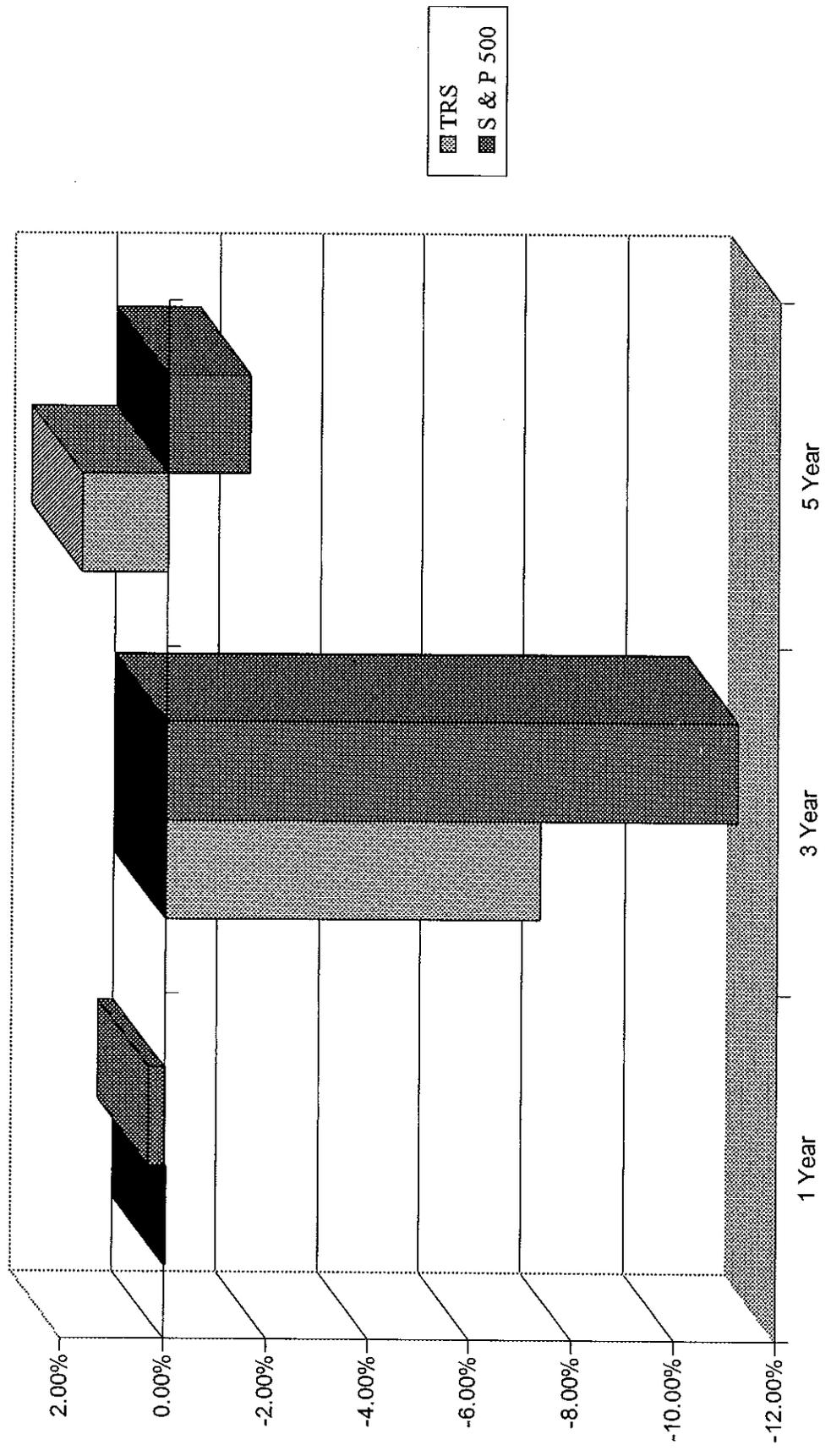


**Annualized Fixed Income Return Comparison  
Lehman Aggregate vs TRS Fixed Income Portfolio**



Annualized Periods Ended June 30, 2003

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



Annualized Periods Ended June 30, 2003

## Investment Expenses

Investment fees paid to investment management firms employed by the System were as follows in Fiscal Year 2003.

<u>Investment Manager</u>	<u>Fees Paid</u>
Aronson + Johnson + Ortiz, LP	\$1,596,122
Artemis Investment Management	1,238,311
Bank of Ireland Asset Management	934,731
Brandes Investment Partners	1,281,506
Capital Guardian Trust Company	152,359
Causeway Capital Management, LLC	167,645
Deutsche Asset Management	48,290
Frontier Capital Management Company, LLC	811,160
Goldman Sachs Asset Management	852,113
Hotchkis and Wiley Capital Management (Large Capitalization)	1,203,821
Hotchkis and Wiley Capital Management (Middle Capitalization)	772,871
Kopp Investment Advisors	507,218
Loomis, Sayles & Company, LP	751,679
Morgan Stanley Dean Witter Asset Management	93,023
Neuberger Berman, LLC	718,316
Pacific Investment Management Company	1,024,549
Shapiro Capital Management Company	1,507,512
Standish Mellon Asset Management, LLC	98,013
The Northern Trust Company	44,438
Tocqueville Asset Management, LP	1,080,385
TT International	532,141
Wellington Management Company, LLP	<u>980,522</u>
 Total fees paid	 <u>\$16,396,725</u>

**Brokerage Commissions Paid  
Fiscal Year 2003**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
Abel Noser	2,542,127	\$41,413	0.016
ABG Securities	13,516	522	0.039
ABN-AMRO	2,707,868	38,062	0.014
Adam Hardin	10,000	500	0.050
Adams, Harkness & Hill, Inc	123,600	4,980	0.040
Advest, Inc	10,200	612	0.060
Allen Snyder	7,500	913	0.122
Archipelago Acc Capital Clear	508,900	9,888	0.019
Assent, LLC	1,051,800	9,466	0.009
Avalon Research Group, Inc	13,700	822	0.060
Bancamerica	1,431,694	44,336	0.031
Banco Santander	97,127	1,699	0.017
Bank Bellevue	14,281	1,478	0.103
BB&T Capitol Markets	89,900	4,495	0.050
Bear Stearns & Company	5,216,820	274,058	0.053
Bernstein, Sanford C & Co	36,200	1,486	0.041
Blair, William & Co	459,800	22,511	0.049
Bloomberg Tradebook	299,953	8,680	0.029
BNP Paribas Sec Corp	2,110,733	23,512	0.011
BNY Capital	107,100	5,061	0.047
BNY ESI & Co Alpha Division	3,848,668	123,746	0.032
Boenning & Scattergood	700,000	22,336	0.032
Branch Bank & Trust	33,600	1,680	0.050
Bridge Trading Company	38,200	1,342	0.035
Brockhouse + Cooper	955,609	19,648	0.021
Brown Brothers Harriman & Co	30,000	1,200	0.040
Bryan Carnier & Co, LTD	68,657	2,140	0.031
B-Trade Services, LLC	56,500	848	0.015
Buckingham Research	14,100	776	0.055
Burnham Securities	173,800	9,959	0.057
C E Unterberg, Towbin	50,000	1,500	0.030
Canadian Imperial Bank of Commerce	7,600	380	0.050
Cantor Fitzgerald & Company, Inc	4,119,370	206,372	0.050
Capital Institutional Services, Inc	4,922,094	145,147	0.029
Carnegie	37,038	1,602	0.043
Cazenova	2,681,070	21,475	0.008
Charles Schwab	172,400	5,446	0.032
Chevereux	128,503	9,277	0.072
CIBC Oppenheimer Corp/World Markets Corp	2,035,960	102,853	0.051
Citicorp Securities	39,800	1,281	0.032
Citigroup Global Markets, Inc	831,139	24,582	0.030
Collins Stewart, LTD	77,687	1,340	0.017
Commerce Capital Mark	55,900	2,795	0.050
Commerz Bank	58,209	\$3,004	0.052

**Brokerage Commissions Paid  
Fiscal Year 2003**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
Cowen & Co	488,200	\$24,716	0.051
Cred Ag Indo Chevereux	29,019	1,505	0.052
Credit Lyonnais Securities, Inc	1,046,000	5,629	0.005
Credit Suisse First Boston Corporation	6,787,259	184,561	0.027
Cruttenden	50,000	2,000	0.040
Cuttone & Company	31,900	957	0.030
D A Davidson & Company, Inc	14,400	720	0.050
Dain Rauscher, Inc	294,800	13,356	0.045
Daiwa Securities America	231,602	8,079	0.035
Davenport	5,800	290	0.050
Davy Stock Broker	733,442	7,690	0.010
D B Alex Brown Incorporated	93,700	4,685	0.050
Dean Witter Reynolds, Inc	221,700	10,422	0.047
Deutsche / DB Clearing Services	13,230,033	325,185	0.025
Dominion Securities	339,100	16,121	0.048
Donaldson & Co	940,400	45,895	0.049
Donaldson Lufkin & Jenrette	786,830	47,210	0.060
Dowling & Partners	14,100	423	0.030
Dowling & Partners Securities, LLC	9,300	465	0.050
Dresdner Kleinwort Benson	1,121,927	18,411	0.016
Dunlevy & Co, Inc	1,000	40	0.040
Edwards A G, Inc	170,480	8,476	0.050
Enskilda Sec	5,348	371	0.069
Euro Brokers	251,600	7,548	0.030
Exane	35,357	3,807	0.108
Execution	53,698	2,184	0.041
Executive Services	9,337	387	0.041
F P Maglio & Co	36,600	1,098	0.030
Ferris, Baker Watts, Inc	3,200	192	0.060
Fidelity Capital Mgmt	44,500	1,499	0.034
First Albany	57,200	2,360	0.041
First Analysis	51,600	2,580	0.050
First Boston Corporation	6,700	402	0.060
First Union	321,000	17,455	0.054
Fleet Boston Securities	29,700	1,485	0.050
Fox Pitt Kelton	471,960	10,990	0.023
Freimark Blair and Co	10,100	505	0.050
Freidman Billings	294,400	14,720	0.050
Friend	400	20	0.050
Fulcrum Global Partners, LLC	112,100	4,505	0.040
Gerard Klaver Mattson	453,480	24,500	0.054
Goldman Sachs & Company	10,365,584	232,396	0.022
Goodbody Stockbrokers	88,548	1,636	0.018
Green Street	15,900	\$795	0.050

**Brokerage Commissions Paid  
Fiscal Year 2003**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
Griswold Co	5,851,487	\$291,448	0.050
Heflin & Co, LLC	156,108	6,896	0.044
Henderson Crosthwaite	1,470,132	9,102	0.006
Hichens Harrison	298,311	4,940	0.017
Hoefler & Arnett, Inc	59,000	3,540	0.060
Howard Weil Labouisse Friedrichs, Inc	134,000	8,040	0.060
HSBC Securities, Inc	2,325,998	47,866	0.021
Independent Minds	31,197	372	0.012
ING Barings, LLC	986,912	14,030	0.014
Instinet	1,819,805	43,617	0.024
Investment Technology Group	509,900	10,562	0.021
ISI Group, Inc	155,000	8,615	0.056
ITG / Posit	1,406,430	24,897	0.018
J B Were and Son	84,458	578	0.007
J P Morgan Chase	4,346,704	109,897	0.025
Janney Montgomery Scott	286,700	13,965	0.049
Jefferies & Company, Inc	9,036,972	380,493	0.042
JMP Securities	48,800	1,464	0.030
JNK Securities, Inc	192,800	4,047	0.021
Johnson Rice	55,500	3,330	0.060
Jones & Assoc	950,875	43,005	0.045
Julius Baer	160,023	15,370	0.096
Kalb, Voorhis & Co, LLC	37,500	965	0.026
KBC Financial Products	201,710	3,195	0.016
Keefe Bruyette and Woods, Inc	159,100	8,017	0.050
Kenny & Co, LLC	25,400	762	0.030
Kleinwort	160,300	3,884	0.024
Knight Securities	2,645,919	70,444	0.027
La Branche Financial	607,893	20,207	0.033
Lazard Freres & Co	41,400	1,771	0.043
Leerink Swann & Co	10,300	515	0.050
Leerink Swann & Co	101,900	5,699	0.056
Legg Mason Wood Walker, Inc	558,400	29,985	0.054
Lehman Brothers	14,880,281	512,486	0.034
Liquidnet	907,220	18,144	0.020
Lynch Jones Ryan	4,190,146	183,703	0.044
Main First Bank	65,360	4,106	0.063
McDonald & Company	565,610	30,819	0.054
Merrill Lynch Pierce Fenner & Smith, Inc	14,186,594	303,645	0.021
Merrion Capital Group	1,600	51	0.032
Midwest Research	394,300	20,272	0.051
Miller, Tabak, Hirsch & Company	48,600	2,220	0.046
Mizuho International	93,600	1,698	0.018
MKM Partners	23,000	\$1,150	0.050

**Brokerage Commissions Paid  
Fiscal Year 2003**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
Morgan Keegan & Company, Inc	163,800	\$8,180	0.050
Morgan Stanley Dean Witter	6,351,568	224,177	0.035
NCB Stockbrokers	124,369	2,826	0.023
Needham & Co	246,800	12,731	0.052
Nesbitt Burns Securities	31,200	1,560	0.050
Nikko Citigroup Limited	4,700	376	0.080
Nomura	975,324	11,703	0.012
Off the Record Reaserch/OTA	16,200	972	0.060
Pacific Brokerage	80,700	4,342	0.054
Paulson	8,400	504	0.060
Pereire Tod	647,761	16,440	0.025
Petrie Parkman	43,400	2,298	0.053
Prudential Securities, Inc	2,276,322	79,645	0.035
Pulse Trading, LLC	157,600	3,751	0.024
Putnam Lovell	2,000	100	0.050
Quaker Securities	64,900	2,596	0.040
Rabo Securities	3,500	122	0.035
Rausher Pierce Refsnes, Inc	30,700	1,366	0.044
Raymond James & Assoc	631,940	33,420	0.053
Robert W Baird	675,975	30,592	0.045
Robertson, Stephens & Co	29,300	879	0.030
Robinson Humphrey	451,500	24,063	0.053
Rochdale Securities	607,100	29,573	0.049
Rosenblatt	467,500	9,484	0.020
Royal Bank of Canada	9,000	450	0.050
Salomon Smith Barney	7,722,133	252,162	0.033
Sanders Morris Mundy	19,400	1,164	0.060
Sandler O'Neill	52,000	2,600	0.050
Sanford C Bernstein & Co, Inc	1,031,033	53,483	0.052
Schwab & Co	7,000	350	0.050
Scott & Stringfellow	24,533	1,227	0.050
S G Cowen Securities Corporation	1,826,235	77,150	0.042
Shemano Group	448,700	17,948	0.040
Shields Capitol Corp	205,083	10,254	0.050
Simmons	80,052	4,507	0.056
Smith Barney Harris Upham & Company, Inc	65,000	3,250	0.050
Societe Generale	794,785	18,401	0.023
Soudview Financial Group	515,900	25,593	0.050
Southcoast Capital	170,200	8,510	0.050
Southwest Securities	16,000	800	0.050
Spear, Leeds & Kellogg Capital Markets	331,348	4,829	0.015
State Street Brokerage Svcs, Inc	62,440,457	312,993	0.005
Stephens, Inc	415,900	15,631	0.038
Suntrust	141,100	\$7,440	0.053

**Brokerage Commissions Paid  
Fiscal Year 2003**

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Commission</u>	<u>Per Share</u>
Susquehanna Brokerage Services	394,700	\$10,829	0.027
Think Equity Partners, LLC	224,800	9,373	0.042
Thomas Weisel Partners, LLC	1,051,965	46,947	0.045
Tokyo Mitsubishi	15,428	983	0.064
Tullet & Tokyo Liberty Securities, Inc	32,200	1,610	0.050
U S Clearing	2,600	52	0.020
U S Bancorp Piper Jaffray	501,700	25,968	0.052
UBS Warburg	82,270	4,632	0.056
UBS Warburg Dillon Read, Inc - Swiss Ban	7,599,215	200,157	0.026
Unterberg Harris & Desantis	46,300	2,315	0.050
Wachovia Bank	1,166,000	59,259	0.051
Warburg SG	63,786	578	0.009
Wedbush Morgan Securities, Inc	110,900	5,884	0.053
Weeden & Company	3,737,600	147,243	0.039
Wells Fargo Van-Kasper & Co	7,400	370	0.050
William Blair	532,700	29,703	0.056
Williams Capital	5,500	275	0.050
WLB	33,300	339	0.010
Wood Gundy	14,000	700	0.050
Yamner & Co	<u>4,367,832</u>	<u>43,938</u>	<u>0.010</u>
Gross Commissions	<u>258,019,886</u>	6,444,898	0.025
Less Commission Rebates Received		(837,885)	
Net Commissions		<u>\$5,607,013</u>	<u>0.022</u>

Transactions whose commission cost are zero are not included.



PORTFOLIO OF ASSETS, JUNE 30, 2003

<u>US GOVERNMENT SECURITIES</u>				<u>US GOVERNMENT SECURITIES</u>			
	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>		<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>
FHLMC	6.500	08-01-2032	\$6,764,673	FHLMC	13.000	09-01-2011	\$24,862
FHLMC	6.000	12-01-2008	111,378	FHLMC	13.000	02-01-2014	9,402
FHLMC	6.500	07-01-2029	223,005	FHLMC	12.500	02-01-2014	90,916
FHLMC	7.000	11-01-2030	144,392	FHLMC	13.000	01-01-2015	527
FHLMC	7.500	03-01-2030	5,525	FHLMC	9.500	11-01-2019	32,724
FHLMC	7.500	09-01-2030	139,420	FHLMC	13.000	09-01-2015	88,434
FHLMC	7.500	09-01-2030	54,251	FHLMC	9.000	11-01-2016	16,452
FHLMC	7.000	11-01-2030	218,084	FHLMC	8.500	06-01-2017	11,302
FHLMC	7.000	10-01-2006	52,151	FHLMC	9.000	05-01-2018	6,728
FHLMC	5.500	06-01-2009	603,431	FHLMC	9.000	05-01-2018	29,718
FHLMC	6.000	08-01-2014	188,691	FHLMC	9.500	07-01-2018	5,938
FHLMC	8.000	11-01-2025	156,644	FHLMC	8.500	06-01-2018	10,565
FHLMC	8.000	02-01-2030	95,760	FHLMC	10.000	11-01-2018	10,311
FHLMC	8.000	06-01-2030	173,558	FHLMC	10.000	02-01-2018	6,708
FHLMC	6.000	04-01-2031	348,147	FHLMC	9.500	03-01-2020	14,148
FHLMC	8.000	11-01-2029	73,617	FHLMC	9.500	10-01-2020	3,624
FHLMC	7.500	04-01-2030	66,676	FHLMC	10.000	02-01-2004	894
FHLMC	7.000	02-01-2031	252,522	FHLMC	8.500	05-01-2006	7,974
FHLMC	7.500	07-01-2024	87,252	FHLMC	9.000	10-01-2019	6,425
FHLMC	7.500	08-01-2025	76,869	FHLMC	8.500	05-01-2019	31,114
FHLMC	7.500	05-01-2024	84,352	FHLMC	9.500	04-01-2020	26,151
FHLMC	6.500	12-01-2027	151,354	FHLMC	8.500	05-01-2021	9,551
FHLMC	6.500	02-01-2028	169,855	FHLMC	8.500	06-01-2021	4,684
FHLMC	6.500	03-01-2028	392,122	FHLMC	5.892	07-01-2032	1,834,458
FHLMC	6.500	03-01-2028	40,201	FHLMC	6.000	12-01-2032	1,119,916
FHLMC	6.000	05-01-2011	670,345	FHLMC	6.000	02-01-2033	1,610,695
FHLMC	8.000	06-01-2027	171,581	FHLMC	5.500	06-01-2033	1,755,786
FHLMC	4.500	05-01-2011	1,837,134	FHLMC	5.500	04-01-2023	1,021,118
FHLMC	5.000	03-01-2028	1,017,570	FHLMC	5.500	06-01-2023	3,624,656
FHLMC	5.000	07-01-2028	8,569,105	FHLMC	5.500	03-01-2023	1,520,873
FHLMC	5.500	01-15-2024	2,073,120	FHLMC	5.000	04-01-2018	2,067,479
FHLMC	7.500	01-01-2023	46,267	FHLMC	5.000	05-01-2018	4,372,079
FHLMC	7.000	10-01-2023	268,806	FHLMC	6.000	05-01-2028	198,106
FHLMC	6.500	02-01-2024	233,170	FHLMC	7.500	01-01-2007	14,123
FHLMC	7.000	03-01-2026	81,454	FHLMC	9.000	08-01-2020	6,648
FHLMC	7.000	01-01-2027	63,984	FL ST DEPT ENVIRONMENTAL	0.000	07-01-2010	566,960
FHLMC	6.500	03-01-2028	321,645	FNMA	5.500	12-01-2013	2,376,912
FHLMC	6.500	07-01-2028	207,018	FNMA	4.250	07-15-2007	6,026,093
FHLMC	6.500	01-15-2024	320,236	FNMA	5.750	02-15-2008	1,708,665
FHLMC	7.500	04-01-2007	465,709	FNMA	6.370	06-15-2009	1,978,021
FHLMC	6.500	05-01-2013	1,001,418	FNMA	6.500	01-01-2013	498,909
FHLMC	7.000	03-01-2008	44,836	FNMA	6.625	11-15-2010	2,235,003
FHLMC	7.000	07-01-2008	99,473	FNMA	7.250	05-15-2030	1,321,700
FHLMC	8.000	06-01-2025	100,531	FNMA	7.125	02-15-2005	3,936,888
FHLMC	8.500	10-15-2026	132,216	FNMA	5.750	06-15-2005	9,433,323
FHLMC	6.000	02-15-2024	114,174	FNMA	5.000	09-25-2010	17,910
FHLMC	4.500	03-01-2018	498,967	FNMA	5.250	01-15-2009	3,476,495
FHLMC	6.500	12-15-2029	2,419,936	FNMA	12.500	12-01-2013	14,649
FHLMC	6.000	01-15-2028	3,340,610	FNMA	12.500	04-01-2012	3,660
FHLMC	3.500	07-15-2032	1,346,833	FNMA	9.500	12-01-2018	11,148
FHLMC	6.000	01-15-2020	9,475,913	FNMA	10.000	08-01-2004	2,008
FHLMC	6.250	01-15-2027	11,485,069	FNMA	9.500	01-01-2005	2,037
FHLMC	6.250	02-15-2027	753,074	FNMA	9.500	06-01-2020	3,636
FHLMC	6.250	12-15-2026	1,178,353	FNMA	9.500	10-01-2020	5,261
FHLMC	4.000	12-15-2012	5,649,100	FNMA	8.000	06-01-2006	17,676
FHLMC	5.000	09-15-2016	2,202,315	FNMA	8.000	11-01-2006	3,137
FHLMC	5.125	07-15-2012	1,432,977	FNMA	7.500	02-01-2007	17,305
FHLMC	13.500	10-01-2010	29,497	FNMA	7.500	05-01-2007	23,071
FHLMC	12.500	02-01-2011	20,369	FNMA	8.000	03-01-2007	12,531
FHLMC	13.500	10-01-2014	107,899	FNMA	7.500	06-01-2007	25,425
FHLMC	9.000	10-01-2016	3,067	FNMA	7.000	11-01-2007	58,666
FHLMC	10.000	10-01-2010	\$9,456	FNMA	7.000	01-01-2008	\$40,956

PORTFOLIO OF ASSETS, JUNE 30, 2003

Maturity			Market	Maturity			Market
US Government Securities	Rate	Date	Value	US Government Securities	Rate	Date	Value
FNMA	8.000	02-01-2023	\$143,951	FNMA	9.000	06-01-2017	\$304,260
FNMA	7.500	08-01-2008	37,245	FNMA	6.500	09-01-2011	103,169
FNMA	6.000	12-01-2008	147,777	FNMA	7.000	08-01-2027	895,043
FNMA	6.500	12-01-2008	120,440	FNMA	7.000	01-01-2013	483,475
FNMA	9.500	11-01-2017	15,210	FNMA	6.000	05-01-2018	166,177
FNMA	9.500	04-01-2018	8,131	FNMA	6.000	12-01-2013	158,412
FNMA	9.500	07-01-2020	1,229	FNMA	5.500	04-01-2006	66,437
FNMA	9.500	12-01-2020	8,338	FNMA	6.500	06-01-2014	441,944
FNMA	9.500	02-01-2021	12,056	FNMA	7.000	08-01-2029	1,608,989
FNMA	8.000	02-01-2007	8,165	FNMA	6.000	05-01-2024	443,618
FNMA	8.000	08-01-2007	4,109	FNMA	6.500	03-01-2009	202,232
FNMA	6.500	09-01-2007	33,882	FNMA	6.000	05-01-2017	539,724
FNMA	6.500	06-01-2008	99,122	FNMA	7.000	03-01-2004	69,397
FNMA	7.000	12-01-2023	541,785	FNMA	7.500	12-01-2026	30,797
FNMA	7.000	04-01-2024	156,612	FNMA	7.500	03-01-2027	19,477
FNMA	7.000	06-01-2024	140,179	FNMA	7.500	05-01-2027	82,553
FNMA	8.000	01-01-2025	132,171	FNMA	7.000	01-01-2028	133,158
FNMA	7.000	02-01-2026	142,710	FNMA	7.000	09-01-2027	135,106
FNMA	7.000	06-01-2026	111,563	FNMA	6.500	03-01-2013	701,396
FNMA	8.000	06-01-2027	81,077	FNMA	7.500	10-01-2012	182,397
FNMA	6.500	08-01-2028	256,440	FNMA	6.000	05-01-2028	167,813
FNMA	6.000	07-01-2005	158,830	FNMA	6.500	03-01-2028	623,624
FNMA	7.500	09-01-2028	195,685	FNMA	6.000	09-01-2025	320,007
FNMA	6.500	10-01-2028	145,758	FNMA	6.500	03-01-2028	599,521
FNMA	6.500	11-01-2028	221,642	FNMA	6.000	03-01-2013	683,574
FNMA	7.000	08-01-2029	287,018	FNMA	6.500	03-01-2013	118,423
FNMA	6.500	07-01-2006	89,548	FNMA	6.000	04-01-2013	217,064
FNMA	7.500	10-01-2029	594,746	FNMA	6.500	04-01-2028	376,209
FNMA	6.500	11-01-2029	1,249,159	FNMA	6.500	06-01-2013	568,470
FNMA	7.000	04-01-2015	228,988	FNMA	7.000	08-01-2028	234,357
FNMA	7.000	06-01-2020	320,962	FNMA	7.000	08-01-2028	53,036
FNMA	7.500	07-01-2030	111,858	FNMA	6.500	08-01-2028	170,392
FNMA	6.500	03-01-2016	92,841	FNMA	6.500	09-01-2028	365,737
FNMA	6.000	06-01-2016	3,146,399	FNMA	6.500	10-01-2028	219,583
FNMA	6.000	12-01-2016	10,082,896	FNMA	6.000	11-01-2013	150,856
FNMA	6.500	12-01-2016	716,550	FNMA	6.500	10-01-2028	277,858
FNMA	6.000	01-01-2032	1,560,328	FNMA	6.500	11-01-2028	426,948
FNMA	6.000	02-01-2032	1,776,745	FNMA	6.000	12-01-2028	1,102,199
FNMA	6.500	03-01-2017	286,698	FNMA	6.000	12-01-2028	574,330
FNMA	6.500	04-01-2032	5,406,716	FNMA	6.000	02-01-2014	358,620
FNMA	6.500	06-01-2017	696,171	FNMA	5.500	02-01-2014	822,422
FNMA	6.000	08-01-2017	846,772	FNMA	6.000	05-01-2014	539,779
FNMA	6.500	10-01-2032	1,537,479	FNMA	6.000	07-01-2014	118,875
FNMA	5.500	11-01-2017	7,118,594	FNMA	6.500	06-01-2029	307,530
FNMA	6.000	11-01-2022	4,759,993	FNMA	6.000	05-01-2014	213,796
FNMA	5.000	01-01-2018	718,799	FNMA	5.500	05-01-2029	195,086
FNMA	5.500	01-01-2018	1,140,785	FNMA	7.000	08-01-2029	330,607
FNMA	5.000	03-01-2018	720,272	FNMA	6.500	08-01-2029	326,831
FNMA	5.000	04-01-2018	1,006,379	FNMA	5.500	06-01-2014	253,268
FNMA	5.500	05-01-2023	2,052,181	FNMA	9.000	11-01-2004	2,051
FNMA	5.500	06-01-2018	663,229	FNMA	6.500	06-01-2029	187,882
FNMA	5.500	06-01-2023	5,888,170	FNMA	6.500	07-01-2029	374,100
FNMA	5.500	06-01-2033	3,724,958	FNMA	7.000	07-01-2029	577,682
FNMA	5.000	07-01-2018	2,068,460	FNMA	6.000	08-01-2029	482,474
FNMA	6.000	01-01-2009	144,403	FNMA	7.000	09-01-2029	190,935
FNMA	6.500	01-01-2024	171,491	FNMA	6.000	08-01-2019	41,128
FNMA	7.500	07-01-2024	121,675	FNMA	7.500	11-01-2029	105,293
FNMA	7.500	08-01-2024	51,185	FNMA	7.000	02-01-2030	135,293
FNMA	8.000	05-01-2025	252,374	FNMA	7.000	01-01-2030	215,487
FNMA	6.500	08-01-2025	906,258	FNMA	7.000	02-01-2030	103,074
FNMA	7.500	02-01-2011	72,274	FNMA	8.000	06-01-2015	291,646
FNMA	6.500	06-01-2026	\$95,235	FNMA	5.500	03-01-2016	\$312,629

**PORTFOLIO OF ASSETS, JUNE 30, 2003**

<u>US GOVERNMENT SECURITIES</u>			<u>MATURITY</u>	<u>MARKET</u>	<u>US GOVERNMENT SECURITIES</u>			<u>MATURITY</u>	<u>MARKET</u>
<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>		<u>RATE</u>	<u>DATE</u>	<u>VALUE</u>		<u>VALUE</u>	
FNMA	7.500	04-01-2015	\$122,179	FNMA	6.000	12-01-2017	\$1,841,915		
FNMA	7.500	05-01-2030	56,214	FNMA	5.000	11-01-2032	3,425,083		
FNMA	7.500	11-01-2031	379,604	FNMA	6.000	12-01-2032	829,580		
FNMA	5.500	11-01-2016	845,593	FNMA	5.500	12-01-2032	2,970,188		
FNMA	6.500	02-01-2017	321,924	FNMA	6.000	09-01-2017	233,182		
FNMA	7.500	03-01-2032	2,035,977	FNMA	5.500	02-01-2018	106,926		
FNMA	5.500	05-01-2017	6,427,312	FNMA	5.500	02-01-2018	86,395		
FNMA	5.500	09-01-2017	833,175	FNMA	5.500	01-01-2018	43,256		
FNMA	6.000	11-01-2032	639,098	FNMA	5.000	02-01-2018	775,122		
FNMA	8.000	09-01-2030	19,700	FNMA	5.500	01-01-2018	787,499		
FNMA	5.500	11-01-2017	2,076,454	FNMA	6.000	02-01-2033	4,351,788		
FNMA	7.000	10-01-2032	1,097,360	FNMA	5.500	02-01-2033	972,014		
FNMA	6.000	01-01-2023	2,826,606	FNMA	5.500	03-01-2033	5,039,063		
FNMA	5.500	01-01-2018	10,143,941	FNMA	5.500	03-01-2033	9,849,851		
FNMA	6.000	03-01-2018	2,235,636	FNMA	5.500	04-01-2023	771,349		
FNMA	9.000	10-01-2030	102,013	FNMA	5.500	04-01-2033	1,330,132		
FNMA	6.000	09-01-2040	3,836,409	FNMA	5.500	05-01-2033	6,795,044		
FNMA	7.000	11-01-2030	173,169	FNMA	5.500	05-01-2033	4,649,017		
FNMA	6.000	05-01-2016	496,376	FNMA	5.500	05-01-2033	4,610,472		
FNMA	6.500	09-01-2021	428,610	FNMA	5.000	05-01-2018	2,481,399		
FNMA	7.000	01-01-2016	2,135,738	FNMA	5.500	06-01-2033	4,540,019		
FNMA	6.000	10-01-2016	492,066	FNMA	5.000	05-01-2033	203,369		
FNMA	7.000	06-01-2030	229,991	FNMA	5.000	06-01-2033	406,302		
FNMA	6.500	10-01-2016	87,110	FNMA	7.500	11-01-2022	145,687		
FNMA	6.000	05-01-2031	479,856	FNMA	8.000	06-01-2025	109,639		
FNMA	6.500	05-01-2031	350,492	FNMA	6.500	02-01-2026	155,469		
FNMA	6.000	06-01-2016	2,500,370	FNMA	6.250	02-01-2011	3,006,302		
FNMA	6.500	06-01-2031	694,581	FNMA	5.250	06-15-2006	768,740		
FNMA	6.500	05-01-2031	446,156	FNMA	5.000	04-25-2032	1,200,174		
FNMA	6.000	06-01-2016	472,360	FNMA	6.500	12-25-2042	1,596,672		
FNMA	6.500	08-01-2031	576,935	FNMA	6.500	08-25-2007	879,183		
FNMA	6.500	07-01-2016	279,658	FNMA	4.000	12-01-2013	7,026,250		
FNMA	6.500	09-01-2016	230,362	FNMA	4.500	12-01-2013	2,447,760		
FNMA	6.500	07-01-2016	71,124	FNMA	4.500	12-01-2013	11,218,900		
FNMA	6.500	09-01-2031	1,023,554	FNMA	5.000	12-01-2013	1,445,934		
FNMA	5.500	09-01-2016	780,317	FNMA	6.500	12-01-2013	6,776,250		
FNMA	6.500	11-01-2031	474,977	FNMA	6.000	12-01-2013	16,086,055		
FNMA	6.500	10-01-2031	721,100	CA ST 2	4.875	06-16-2004	1,814,940		
FNMA	5.500	01-01-2032	870,677	CHGO ILL HSG AUTH	5.370	07-01-2018	2,250,045		
FNMA	6.500	12-01-2016	86,615	CHGO ILL WASTEWATER	5.375	01-01-2017	2,823,054		
FNMA	6.000	01-01-2032	1,990,188	GNMA	5.500	11-20-2031	850,968		
FNMA	6.000	01-01-2017	805,047	GNMA	5.500	04-25-2032	1,460,648		
FNMA	6.000	03-01-2017	498,445	GNMA	5.500	02-01-2011	57,547,830		
FNMA	6.500	03-01-2017	698,685	GNMA	5.000	04-25-2032	665,639		
FNMA	5.500	02-01-2017	1,296,264	GNMA	5.000	02-01-2011	102,507,428		
FNMA	6.500	02-01-2017	163,320	GNMA	7.500	03-15-2007	72,738		
FNMA	6.500	04-01-2017	307,152	GNMA	9.000	09-15-2008	17,898		
FNMA	6.000	03-01-2032	864,065	GNMA	8.500	08-15-2008	32,165		
FNMA	6.500	03-01-2017	164,901	GNMA	8.500	07-15-2008	18,975		
FNMA	6.000	05-01-2032	9,526,776	GNMA	8.000	03-15-2008	32,805		
FNMA	5.500	03-01-2032	1,623,365	GNMA	9.000	11-15-2008	26,795		
FNMA	6.000	05-01-2017	538,468	GNMA	9.000	04-15-2009	9,383		
FNMA	5.500	07-01-2017	22,999	GNMA	13.000	09-15-2013	127,532		
FNMA	6.500	08-01-2032	1,430,287	GNMA	13.000	06-15-2014	9,931		
FNMA	5.500	09-01-2017	225,068	GNMA	12.500	09-15-2014	146,385		
FNMA	6.500	08-01-2017	103,448	GNMA	11.000	10-15-2015	1,825		
FNMA	6.500	07-01-2017	704,246	GNMA	9.000	07-15-2016	21,905		
FNMA	6.000	10-01-2032	547,352	GNMA	9.000	05-15-2016	32,616		
FNMA	6.500	05-01-2032	1,163,762	GNMA	9.000	06-15-2016	7,495		
FNMA	5.000	10-01-2017	817,227	GNMA	9.500	01-15-2020	4,268		
FNMA	6.000	09-01-2017	2,195,040	GNMA	9.000	10-15-2019	7,588		
FNMA	6.000	09-01-2032	\$416,218	GNMA	9.500	10-15-2016	\$11,636		

PORTFOLIO OF ASSETS, JUNE 30, 2003

US GOVERNMENT SECURITIES				US GOVERNMENT SECURITIES			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
GNMA	9.500	08-15-2016	\$4,943	GNMA	6.500	06-15-2028	\$971,767
GNMA	10.000	10-15-2016	5,666	GNMA	6.500	06-15-2028	365,579
GNMA	9.500	07-15-2017	8,198	GNMA	7.500	10-15-2029	199,144
GNMA	8.000	04-15-2017	3,536	GNMA	7.000	05-15-2028	286,464
GNMA	10.000	08-15-2017	17,724	GNMA	5.500	04-15-2029	257,157
GNMA	8.000	03-15-2017	27,901	GNMA	6.500	07-15-2029	188,836
GNMA	8.500	01-15-2017	7,015	GNMA	8.500	07-15-2030	99,510
GNMA	8.000	03-18-2017	76,026	GNMA	6.000	02-15-2029	260,512
GNMA	7.500	03-18-2017	106,139	GNMA	7.500	11-15-2028	84,837
GNMA	9.500	07-15-2017	15,114	GNMA	6.500	04-15-2031	610,207
GNMA	8.500	07-15-2017	18,209	GNMA	6.500	12-15-2028	314,329
GNMA	8.500	08-15-2017	58,860	GNMA	6.500	02-15-2029	343,364
GNMA	10.500	12-15-2017	6,926	GNMA	7.500	07-15-2029	124,576
GNMA	7.000	11-15-2027	163,546	GNMA	6.000	10-15-2028	232,549
GNMA	9.500	06-15-2020	7,969	GNMA	6.000	04-15-2029	100,930
GNMA	10.500	07-15-2019	7,212	GNMA	6.500	07-15-2029	165,959
GNMA	9.500	08-15-2019	12,809	GNMA	6.500	04-15-2029	207,694
GNMA	10.000	07-15-2019	13,107	GNMA	7.500	08-15-2029	73,467
GNMA	10.500	12-15-2013	17,296	GNMA	6.000	07-15-2031	980,118
GNMA	9.000	02-15-2020	17,192	GNMA	6.500	09-15-2032	1,512,558
GNMA	9.500	07-18-2020	12,440	GNMA	6.000	10-15-2032	617,690
GNMA	9.000	05-15-2020	6,456	GNMA	6.500	04-15-2032	441,236
GNMA	10.000	05-15-2020	12,989	GNMA	5.500	02-15-2033	1,018,264
GNMA	10.000	12-15-2020	13,615	GNMA	6.500	08-15-2032	522,742
GNMA	10.000	11-15-2020	14,317	GNMA	6.500	09-15-2032	4,176,788
GNMA	9.000	03-15-2021	5,927	GNMA	6.000	11-15-2032	9,301,487
GNMA	8.000	12-15-2021	86,106	GNMA	5.500	11-15-2032	642,315
GNMA	9.000	03-15-2021	13,487	GNMA	6.000	10-15-2032	1,187,549
GNMA	9.000	08-15-2021	11,997	GNMA	6.000	10-15-2032	6,377,916
GNMA	7.500	02-12-2023	104,932	GNMA	6.000	10-15-2032	5,995,649
GNMA	8.500	10-15-2021	31,535	GNMA	6.000	12-15-2032	7,732,058
GNMA	7.500	02-15-2007	9,629	GNMA	6.000	12-15-2032	6,687,460
GNMA	8.000	04-15-2022	3,955	GNMA	6.000	12-15-2032	482,057
GNMA	7.000	03-15-2008	50,788	GNMA	6.000	12-15-2032	3,788,716
GNMA	7.500	05-15-2023	115,258	GNMA	9.000	12-15-2017	411,617
GNMA	7.500	03-15-2008	242,876	GNMA	7.500	09-15-2025	88,501
GNMA	7.000	09-15-2023	163,501	GNMA	7.500	12-15-2023	262,950
GNMA	7.000	11-15-2023	386,302	GNMA	6.500	10-15-2024	363,096
GNMA	7.500	01-15-2023	58,919	GNMA	7.000	10-15-2026	945,303
GNMA	6.500	01-15-2024	224,853	GNMA	7.000	12-15-2026	2
GNMA	7.500	06-15-2023	122,219	GNMA	8.000	05-15-2028	2,078,997
GNMA	6.500	11-15-2023	210,672	GNMA	7.000	08-15-2029	331,572
GNMA	7.500	10-15-2023	124,971	GNMA	8.500	04-15-2030	828,882
GNMA	7.000	05-15-2024	190,546	GNMA	7.000	12-15-2030	543,752
GNMA	7.500	10-15-2025	106,412	GNMA	7.000	07-15-2031	629,281
GNMA	8.000	10-15-2024	40,305	GNMA	6.000	02-15-2033	7,846,549
GNMA	7.000	01-15-2028	89,545	GNMA	5.500	06-15-2033	48,285,186
GNMA	8.500	12-15-2024	35,592	GNMA	7.000	12-16-2025	957,184
GNMA	7.500	12-15-2025	71,835	GNMA	7.500	10-15-2023	104,461
GNMA	8.000	11-15-2025	149,380	GNMA	8.000	12-15-2023	726,498
GNMA	6.000	02-15-2029	621,434	GNMA	8.000	04-15-2008	69,021
GNMA	7.000	07-15-2011	80,367	GNMA	5.375	04-20-2027	263,809
GNMA	5.000	07-15-2028	109,522	GNMA	4.500	07-20-2030	1,766,322
GNMA	6.000	08-15-2014	290,221	GNMA	5.375	04-20-2030	4,356,718
GNMA	8.000	02-15-2027	63,273	GNMA	6.250	06-01-2033	269,331
GNMA	8.500	03-15-2027	45,937	GOLDEN ST TOB SECURITIZATION	5.700	07-01-2028	1,089,620
GNMA	6.500	05-15-2013	410,781	HSTN TEX ARPT SYS REV	5.100	06-01-2024	98,040
GNMA	6.000	01-15-2029	306,516	IL ST TAXABLE-PENSION	8.625	10-15-2016	1,430,652
GNMA	8.500	08-15-2027	33,354	INTL BK FOR RECON & DEV BD	6.125	01-22-2011	2,417,435
GNMA	6.500	08-15-2028	516,201	QUEBEC	9.375	10-15-2020	946,044
GNMA	7.000	01-15-2028	326,303	RESOLUTION FDG CORP	8.125	10-15-2019	4,908,983
GNMA	6.500	06-15-2028	\$551,909	RESOLUTION FDG CORP	7.540	08-10-2009	\$5,041,243
				SBA GTD PARTN CTFS SBIC SER			

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<u>US GOVERNMENT SECURITIES</u>				<u>US CORPORATE BONDS</u>			
	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>		<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>
SMALL BUSINESS ADMIN	7.190	12-01-2019	\$2,063,736	AAMES MTG	8.700	06-15-2027	\$495,064
SMALL BUSINESS ADMIN	7.200	12-01-2019	7,418,231	AAMES MTG	8.700	07-15-2029	1,059,417
TN VY AUTH PWR BD	6.375	06-15-2005	2,191,180	ABBOTT LABS NT	5.625	07-01-2006	3,373,701
TOB SETTLEMENT	5.875	05-15-2039	643,472	ABITIBI-CONSOLIDATED INC	8.300	08-01-2005	2,145,100
TOB SETTLEMENT	6.000	05-15-2011	91,605	ABITIBI-CONSOLIDATED INC	8.550	08-01-2010	1,596,225
U.S TREAS BDS	5.500	08-15-2028	1,463,007	AGCO CORP	8.500	03-15-2006	1,995,000
U.S TREAS BDS	6.500	10-15-2006	1,723,425	AIRGAS INC	7.750	09-15-2006	520,000
U.S TREAS BDS	13.250	05-15-2014	2,355,390	AL PWR CO	5.500	10-15-2017	385,468
U.S TREAS BDS	6.500	11-15-2026	4,505,695	ALBERTSONS INC	8.700	05-01-2030	484,632
U.S TREAS BDS	7.000	07-15-2006	1,733,805	ALLIED WASTE	8.875	04-01-2008	2,034,375
U.S TREAS BDS	7.875	02-15-2021	1,284,890	ALLSTATE CORP	6.750	05-15-2018	649,893
U.S TREAS BDS	6.625	02-15-2027	1,983,475	ALLSTATE CORP	6.125	02-15-2012	6,518,310
U.S TREAS BDS	10.000	05-15-2020	1,165,034	ALLSTATE CORP	7.830	12-01-2045	232,808
U.S TREAS BDS	10.375	11-15-2007	8,936,125	AMER STD INC	7.375	02-01-2008	104,975
U.S TREAS BDS	11.750	02-15-2010	2,508,792	AMERN EXPRESS	6.150	01-15-2009	991,030
U.S TREAS BDS	12.000	08-15-2013	11,657,760	AMERN STD INC	7.379	04-15-2005	710,200
U.S TREAS BDS	5.375	02-15-2031	777,326	AMETEK INC	7.200	07-15-2008	550,625
U.S TREAS BDS	6.125	08-15-2029	4,888,480	ANHEUSER BUSCH	5.125	10-01-2008	3,102,484
U.S TREAS BDS	7.500	11-15-2016	4,006,484	AOL TIME WARNER INC	6.150	05-01-2007	3,521,031
U.S TREAS BDS	8.750	05-15-2017	5,388,053	AOL TIME WARNER INC	7.700	05-01-2032	735,482
U.S TREAS BDS	8.000	04-29-1999	6,808,942	ARAMARK SVCS INC	6.375	02-15-2008	1,985,315
U.S TREAS BDS	8.125	05-15-2021	5,113,535	ARCHER DANIELS MIDLAND	8.875	04-15-2011	527,836
U.S TREAS BDS	9.250	02-15-2016	2,603,193	AST BKD SEC	8.700	08-21-2030	436,529
U.S TREAS BDS	9.375	02-15-2006	3,122,964	AT&T BROADBAND	8.375	03-15-2013	1,502,887
U.S TREAS BDS	5.250	11-15-2028	871,216	AT&T CORP	6.500	03-15-2013	1,056,580
U.S TREAS BDS	7.125	02-15-2023	938,385	AT&T CORP	8.750	11-15-2031	2,914,095
U.S TREAS BDS	6.000	02-15-2026	2,850,915	AT&T WIRELESS SVCS INC	7.875	03-01-2011	2,545,695
U.S TREAS BDS	6.625	02-15-2027	1,867,513	AT&T WIRELESS SVCS INC	8.750	03-01-2031	2,706,982
U.S TREAS BDS	6.250	05-15-2030	2,490,820	BALT GAS & ELEC CO	5.250	12-15-2006	619,952
U.S TREAS BDS	10.000	05-15-2010	5,211,810	BANC 1 CORP	7.625	10-15-2026	587,058
U.S TREAS BDS	10.375	11-15-2004	3,081,130	BANKBOSTON HOME EQTY	6.420	01-25-2021	3,346,909
U.S TREAS BDS	12.750	11-15-2005	2,519,680	BEAR STEARNS	8.750	12-25-2040	722,859
U.S TREAS BDS	3.875	04-15-2029	569,408	BEAR STEARNS	6.500	05-01-2006	5,599,826
U.S TREAS BDS	5.250	02-15-2029	8,504,051	BELLSOUTH	7.875	02-15-2030	1,302,016
U.S TREAS BDS	8.125	08-15-2019	3,607,845	BK 1 CORP	6.000	08-01-2008	6,545,812
U.S TREAS BDS	3.625	04-15-2028	2,488,017	BK 1 CORP	7.875	08-01-2010	5,807,273
US TREAS NTS	4.750	02-15-2004	920,997	BK AMER CORP	7.800	02-15-2010	964,797
US TREAS NTS	4.000	11-15-2012	431,890	BK AMER CORP	7.400	01-15-2011	6,143,060
US TREAS NTS	4.875	02-15-2012	366,868	BOEING CAP CORP	8.000	01-15-2013	3,242,226
US TREAS NTS	4.875	02-15-2013	9,410,710	BOEING CAP CORP	6.500	02-15-2012	3,383,169
US TREAS NTS	6.125	08-15-2007	5,784,250	BOEING CAP CORP	7.100	09-27-2005	2,209,824
US TREAS NTS	6.125	08-15-2007	11,337,130	BOEING CO	8.625	11-15-2031	424,877
US TREAS NTS	6.750	05-15-2005	1,101,410	BOYD GAMING CORP	9.250	10-01-2003	1,013,750
US TREAS NTS	6.875	05-15-2006	8,941,530	BRUNSWICK CORP	7.125	08-01-2027	458,930
US TREAS NTS	3.250	08-15-2007	365,292	BURL NORTHN SANTA FE CORP	6.125	03-15-2009	1,304,443
US TREAS NTS	1.875	09-30-2004	14,188,308	CALENERGY INC	7.630	10-15-2007	4,376,385
US TREAS NTS	3.000	11-15-2007	1,547,226	CASE CORP	7.250	08-01-2005	380,475
US TREAS NTS	4.250	01-15-2010	8,995,619	CASE CORP	6.250	12-01-2003	503,750
US TREAS NTS	7.500	02-15-2005	1,101,450	CATERPILLAR FINL SVCS CORP	5.950	05-01-2006	4,373,750
US TREAS NTS	3.000	02-15-2008	5,145,650	CATERPILLAR INC	8.000	02-15-2023	388,709
US TREAS NTS	4.375	05-15-2007	2,580,214	CHARMING SHOPPES MASTER	8.500	08-15-2008	1,002,045
US TREAS NTS	2.250	07-31-2004	23,307,519	CHEVRONTXACO CAP CO	3.500	09-17-2007	1,039,590
US TREAS NTS	6.000	08-15-2004	918,198	CHRYSLER CORP	7.450	03-01-2027	415,223
US TREAS NTS	3.625	01-15-2008	5,358,090	CIRCUS CIRCUS ENTERPRISES	6.450	02-01-2006	646,875
US TREAS SEC	10.000	05-15-2020	2,272,096	CIT GROUP	7.750	04-02-2012	1,073,117
US TREAS SEC	8.125	08-15-2020	6,764,912	CIT GROUP	7.750	04-02-2012	4,404,548
US TREAS SEC	7.000	11-15-2022	269,024	CITIBANK	2.700	01-15-2008	1,916,399
				CITIBANK	6.900	10-15-2007	3,343,414
				CITIGROUP	7.750	12-01-2036	227,448
				CITIGROUP INC	5.625	08-27-2012	661,043
				CITIGROUP INC	5.700	02-06-2004	924,147
				CITIGROUP INC	7.250	10-01-2010	\$1,453,477
<b>TOTAL US GOVERNMENT SECURITIES</b>			<b>\$1,041,563,797</b>				

PORTFOLIO OF ASSETS, JUNE 30, 2003

US CORPORATE BONDS	MATURITY		MARKET	US CORPORATE BONDS	MATURITY		MARKET
	RATE	DATE	VALUE		RATE	DATE	VALUE
CITIZENS COMMUNICATIONS	8.500	05-15-2006	\$2,204,267	FIRST UN CORP SUB NT	6.300	04-15-2008	\$573,717
CLEAR CHANNEL COM	4.250	05-15-2009	2,394,560	FIRST UN NATL BK N C	7.800	08-18-2010	4,963,048
CMO BEAR STEARNS	6.000	01-25-2032	766,388	FIRSTENERGY CORP	7.375	11-15-2031	279,412
CMO BEAR STEARNS	6.580	10-25-2031	1,594,275	FLEET BSTN CORP	7.375	12-01-2009	3,813,600
CMO BEAR STEARNS	7.370	05-20-2030	3,260,575	FLEET FINL GROUP INC	6.375	05-15-2008	1,148,321
CMO BEAR STEARNS	5.500	08-20-2018	3,320,663	FORD MTR CO	6.625	02-15-2028	1,157,456
CMO BEAR STEARNS	6.000	07-15-2031	1,898,276	FORD MTR CO	6.625	10-01-2028	4,139,019
CMO CSFB MTG SECS	6.600	10-19-2039	1,578,382	FORD MTR CO	6.700	07-16-2004	519,165
CMO EMC MTG LN	6.000	08-25-2031	4,429,126	FORD MTR CO	7.875	06-15-2010	1,169,099
CMO GMACM MTG LN	6.000	11-25-3030	121,776	GA PAC CORP	7.375	12-01-2025	3,794,560
CMO GSR MTG LN	6.000	07-01-2032	3,468,327	GE CAP MTG SVCS INC	6.500	11-15-2031	3,387,989
CMO HELLER FINL COML MTG	7.710	09-15-2008	860,692	GE GLOBAL INS HLDG CORP	7.000	02-15-2026	572,878
CMO J P MORGAN CHASE	6.240	04-04-2035	1,081,931	GEN ELEC	6.750	03-15-2032	1,175,392
CMO LB COML CONDUIT MTG	7.325	10-15-2032	1,318,663	GEN ELEC	5.450	01-15-2013	5,534,855
CMO LB-UBS COML MTG	6.410	12-15-2019	543,955	GEN ELEC	5.000	02-01-2013	739,380
CMO MASTR AST SECURITIZATION	5.500	07-31-2033	1,520,625	GEN MLS INC	6.000	02-15-2012	1,354,986
CMO MORGAN J P COML MTG	7.371	08-15-2032	1,204,871	GEN MTRS CORP	8.000	11-01-2031	1,471,748
CMO RESDNTL ACCREDIT LNS INC	7.250	01-30-2011	4,007,647	GEN MTRS CORP	7.750	01-19-2010	3,358,863
CMO RESDNTL ACCREDIT MTG	7.250	09-25-2027	1,476,466	GEN MTRS CORP	8.250	07-15-2023	597,306
CMO SEC PAC NATL BK L A CAL	7.250	03-25-2021	173,608	GEN MTRS CORP	6.750	05-01-2028	292,816
CMO SMHL GLOBAL FD	7.250	06-15-2026	392,850	GEN MTRS CORP	8.375	07-15-2033	3,284,175
CMO STRUCTURED AST SECS	5.750	09-25-2030	557,707	GILLETTE CO	4.000	06-30-2005	2,099,761
CMO WA MUT MTG SECS CORP	5.750	12-25-2032	5,492,352	GMAC COML MTG	6.875	05-15-2030	1,907,560
CMO WAMU MTG	5.240	10-25-2032	2,287,516	GMACM REVOLVING HOME EQTY	6.875	06-18-2027	1,096,033
COASTAL CORP	7.750	07-21-2003	2,488,825	GOLDMAN SACHS GROUP INC	6.600	01-15-2012	4,221,636
COASTAL CORP	7.750	06-15-2010	1,492,000	GOLDMAN SACHS GROUP INC	7.350	10-01-2009	500,205
COCA COLA BOTTLING CO	6.375	05-01-2009	1,147,261	GOLDMAN SACHS GROUP INC	6.875	01-15-2011	5,899,740
COCA COLA ENTERPRISES INC	8.500	02-01-2012	1,310,669	GOLDMAN SACHS GROUP INC	5.750	09-01-2012	3,865,436
COMCAST CABLE COM	6.200	11-15-2008	818,053	GTE CORP	7.000	04-15-2028	281,350
COMCAST CABLE COM	6.750	01-30-2011	3,658,265	HARTFORD LIFE INC	8.000	06-15-2027	370,722
COMWLTH EDISON CO	6.400	10-15-2005	2,028,334	HCA INC	7.000	05-01-2012	3,260,956
CONSTELLATION ENERGY	7.000	04-01-2012	582,523	HONEYWELL INTL INC	6.875	10-03-2005	2,783,825
CONTINENTAL AIRLS	6.700	05-01-2007	496,457	HSEHD FIN CORP	5.875	09-25-2004	1,053,595
COUNTRYWIDE HOME	5.500	02-01-2007	1,799,496	HSEHD FIN CORP	8.000	07-15-2010	3,977,139
COX COMMUNICATIONS INC	6.875	06-15-2005	382,757	HSEHD FIN CORP	7.625	05-17-2032	1,389,916
CR SUISSE 1ST BSTN	6.500	01-15-2012	1,145,947	IMC GLOBAL INC	7.625	11-01-2005	2,019,300
CSC HLDGS INC	7.250	07-15-2008	2,075,000	IMC HOME EQTY	8.000	05-20-2027	4,281,314
CSX CORP	7.450	05-01-2007	1,166,941	INTER AMERN DEV BK	5.750	02-26-2008	856,661
CSX CORP	4.875	10-31-2009	1,662,019	INTL BUSINESS MACH CORP	8.375	11-1-2019	715,512
DAIMLER CHRYSLER	7.300	05-01-2007	5,638,955	INTL LEASE FIN CORP	5.625	06-01-2007	6,710,134
DAIMLERCHRYSLER	8.500	01-18-2031	353,359	J P MORGAN CHASE & CO	5.625	08-15-2006	1,014,137
DAIMLERCHRYSLER	7.200	09-01-2009	4,512,996	J P MORGAN CHASE & CO	5.750	01-02-2013	10,178,455
DAYTON HUDSON CORP	6.750	01-01-2028	691,905	JP MORGAN CHASE	7.000	08-15-2008	585,325
DEAN FOODS CO	6.900	10-15-2017	1,579,980	JUPITERS LTD SR	8.500	02-28-2006	1,870,000
DEAN FOODS CO	8.150	08-01-2007	580,530	KELLOGG CO	7.000	03-31-2031	603,243
DELHAIZE AMER INC	8.125	04-14-2011	2,797,725	KEYCORP INSTL	7.875	12-01-2026	452,103
DEVON FING CORP	6.875	09-30-2011	586,727	KEYSPAN GAS	7.875	02-01-2010	2,453,887
DISCOVER CARD MASTER	5.850	01-17-2006	602,100	KFW INTL FIN INC	5.250	06-28-2006	1,098,382
DISCOVER CARD MASTER	6.850	07-17-2007	1,405,375	KINDER MORGAN	7.125	03-15-2012	2,824,271
DLJ COML MTG CORP MTG	6.240	11-12-2031	1,712,216	KROGER CO	7.000	05-01-2018	115,861
DOMINION RES INC	8.125	06-15-2010	860,500	KROGER CO	7.250	06-01-2009	817,327
DOW CHEM CO	5.750	11-14-2009	2,734,110	L-3 COMMUNICATIONS CORP	8.000	08-01-2008	520,000
DU PONT E I DE NEMOURS & CO	8.250	09-15-2006	237,694	LASMO USA INC	7.500	06-30-2006	1,154,045
DUKE PWR CO	7.000	07-01-2033	257,213	LEAR CORP	8.000	05-15-2005	2,130,000
EL PASO CORP	5.750	03-14-2006	212,446	LEHMAN BROS HLDGS INC	8.500	05-01-2007	1,441,920
EMERSON ELEC CO	5.850	03-15-2009	792,640	LEHMAN BROS HLDGS INC	6.625	02-05-2006	6,412,728
EOP OPER LTD PARTNERSHIP	7.000	07-14-2011	696,791	LILLY ELI & CO	7.125	06-01-2025	630,036
EVEREST REINS HLDGS INC	8.500	03-15-2005	3,263,550	LOCKHEED MARTIN CORP	7.250	05-15-2006	1,706,910
FEDT DEPT STORES INC	6.625	04-01-2011	732,677	MBNA MASTER CR CARD	6.000	08-15-2011	798,338
FEDT DEPT STORES INC	7.450	07-15-2017	185,401	MCI COMMUNICATIONS CORP	7.125	06-15-2027	875,438
FING CORP 10.35	10.350	08-03-2018	1,628,353	MERITA BK LTD	6.500	01-15-2006	1,659,311
FINOVA GROUP INC	7.500	11-15-2009	\$169,650	MERRILL LYNCH & CO	7.000	04-27-2008	\$1,174,707

**PORTFOLIO OF ASSETS, JUNE 30, 2003**

<u>US CORPORATE BONDS</u>				<u>US CORPORATE BONDS</u>			
	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>		<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>
MERRILL LYNCH CR CORP	6.250	12-15-2024	\$1,352,255	TRANSOCEAN INC	6.750	04-15-2005	\$3,484,252
METLIFE INC METLIFE INC	6.125	12-01-2011	5,722,668	TRAVELERS PPTY CAS CORP	6.750	11-15-2006	1,139,576
MEYER FRED INC	7.000	03-01-2008	1,338,000	TRICON GLOBAL RESTAURANTS	8.500	04-15-2006	1,831,200
MORGAN ST CAP I INC	6.250	07-15-2007	1,400,315	TX INSTRS INC	6.125	02-01-2006	864,836
MORGAN STANLEY	6.875	03-01-2007	6,886,062	U S W COM INC	6.875	09-15-2033	1,288,000
MORGAN STANLEY	5.000	03-01-2013	425,137	U S W COMMUNICATIONS INC	7.200	11-01-2004	512,500
MORGAN STANLEY	6.100	04-15-2006	663,899	UN OIL CO	7.500	02-15-2029	603,921
NATL RURAL UTILS COOP	6.000	05-15-2006	6,655,114	UN PAC RES GROUP INC	7.500	10-15-2026	429,573
NATL RURAL UTILS COOP FIN	8.000	06-01-2006	1,667,333	UNILEVER CAP CORP	7.125	11-01-2010	971,751
NAVISTAR INTL CORP	9.375	06-01-2006	1,707,375	USA WASTE SVCS INC	7.000	10-01-2004	2,566,466
NB CAP TR IV	8.250	04-15-2027	1,876,718	UTD AIRLS	8.375	03-01-2010	3,688,256
NEWS AMER HLDGS INC	7.750	01-20-2024	1,170,400	UTD PARCEL SVC AMER INC	8.375	04-01-2020	531,901
NIAGARA MOHAWK	8.000	06-01-2004	633,497	UTD PARCEL SVC AMER INC	8.375	03-31-2030	1,561,237
NORFOLK SOUTHN CORP	7.350	05-15-2007	1,747,365	VA ELEC & PWR CO	8.250	03-01-2025	1,061,304
OCCIDENTAL PETE CORP	7.375	11-15-2008	964,830	VERIZON GLOBAL FDG CORP	7.250	12-01-2010	1,317,411
OFFSHORE LOGISTICS INC	7.875	01-15-2008	500,625	VIACOM INC	7.750	06-01-2005	1,672,752
ONCOR ELEC DELIVERY CO	6.375	01-15-2008	285,241	WA MUT INC	4.375	01-15-2008	5,084,920
PAC BELL	7.125	03-15-2026	356,440	WACHOVIA CORP	5.625	12-15-2008	899,680
PARKER & PARSLEY PETE CO	8.875	04-15-2005	1,286,625	WALT DISNEY CO	6.750	03-30-2006	1,116,419
PECO ENERGY TRANSITION	6.130	03-01-2009	650,905	WELLS FARGO & CO	6.250	04-15-2008	803,337
PEMEX PROJ FDG MASTER	7.875	02-01-2009	4,587,138	WELLS FARGO BK	6.450	02-01-2011	1,172,539
PHILLIPS PETE CO	8.750	05-25-2010	245,555	WELLS FARGO FINL INC	7.000	11-01-2005	2,050,404
PK PL ENTMT CORP	7.875	12-15-2005	1,066,250	WEYERHAEUSER CO	7.950	03-15-2025	770,310
POTOMAC ELEC PWR CO	6.875	09-01-2023	1,031,520	WEYERHAEUSER CO	7.375	03-15-2032	114,952
PP&L TRANSITION BD LLC	7.150	06-25-2009	1,190,756	WEYERHAEUSER CO	6.750	03-14-2012	454,080
PROCTER & GAMBLE CO	8.500	08-10-2009	562,312	WI ENERGY CORP	6.500	04-01-2011	371,024
PROGRESS ENERGY INC	6.850	04-15-2012	805,587	WILLIAMS HLDG INC	6.250	02-01-2006	392,000
PROGRESS ENERGY INC	7.100	03-01-2011	1,277,558				
PRUDENTIAL HOME MTG	7.000	01-25-2008	2,169,943				
PVTPL CMO FFCA	7.000	07-01-2007	2,390,442	<u>INTERNATIONAL BONDS</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>
PVTPL CMO FFCA	7.850	07-01-2007	1,008,610	QUEENSLAND TSY	6.000	07-01-2007	10,599,788
PVTPL CMO SACO I INC	7.750	09-25-2040	165,134	BHP FIN USA LTD	6.750	11-01-2013	963,689
PVTPL DOMINOS INC	8.250	07-01-2007	191,013	CANADA(GOVT OF)	6.000	01-06-2008	9,498,583
PVTPL ENTERGY GULF STS INC	3.600	06-01-2008	496,991	QUE PROV CDA DEB	7.500	07-15-2023	980,582
PVTPL FINL AST SECS CORP	7.750	09-25-2033	1,434,668	ABITIBI-CONSOLIDATED FIN	7.875	08-01-2009	654,900
PVTPL ONCOR ELEC DELIVERY CO	7.250	01-15-2033	1,533,704	CDA GOVT BD	5.250	11-05-2008	795,237
PVTPL SMITHFIELD FOODS INC	7.750	05-15-2013	949,163	HYDRO-QUEBEC SER	9.500	11-15-2030	444,043
QWEST CAP FDG INC GTD	7.750	08-15-2006	465,000	MAN PROV CDA DEB	9.620	12-01-2018	499,420
RAYTHEON CO	6.750	08-15-2007	1,372,068	BANESTO FIN LTD	7.500	03-25-2007	1,154,958
RAYTHEON CO	8.250	03-01-2006	3,251,594	BCH CAYMAN LTD	7.700	07-15-2006	458,891
ROHM & HAAS CO	7.000	07-15-2009	610,239	FINLAND REP NT	5.870	02-27-2006	1,108,643
SAFECO CAP	8.000	07-15-2037	5,222,096	FRANCE TELECOM SA NT	6.500	02-28-2006	2,297,601
SALOMON SMITH BARNEY HLDGS IN	7.375	05-15-2007	881,900	GERMANY(FED REP)	5.250	04-01-2008	13,503,253
SARA LEE CORP	6.250	09-15-2011	115,537	GERMANY(FED REP)	5.250	04-01-2011	9,294,232
SEARS	6.200	07-16-2007	83,501	GERMANY(FED REP)	6.250	04-26-2006	7,251,249
SEARS ROEBUCK	7.000	02-01-2011	571,653	HELLENIC REPUB GREECE	6.950	03-04-2008	829,706
SHERWIN WILLIAMS CO	6.850	01-31-2007	1,127,202	ITALY REP DEB DTD	6.870	09-27-2023	928,662
SIMON DEBARTOLO	6.875	11-15-2006	780,813	EL PASO CORP	7.120	06-05-2009	411,111
SMITHFIELD FOODS INC	8.000	10-15-2009	270,625	TYCO INTL GROUP	4.370	11-19-2004	460,491
SOUTHLAND CORP	4.500	06-15-2004	1,670,000	UTD MEXICAN STS	8.370	01-14-2011	1,320,000
SOUTHN CAL GAS CO	6.875	11-01-2025	738,229	UTD MEXICAN STS	9.870	02-01-2010	1,419,000
SPIEKER PPTYS INC	7.125	07-01-2009	947,671	CORPORACION ANDINA	7.250	03-01-2007	1,127,085
SPRINT CAP CORP	6.900	05-01-2019	790,823	DEUTSCHE TELEKOM INTL	8.500	06-15-2010	834,120
SPRINT CAP CORP	6.900	05-01-2019	2,555,773	HANSON OVERSEAS	6.750	09-15-2005	1,205,586
SPRINT CAP CORP	6.875	11-15-2028	5,158,515	NEW ZEALAND GOVT	10.620	11-15-2005	844,133
STA CASINOS INC	8.875	12-01-2008	1,470,000	NORSK HYDRO A S DEB	7.250	09-23-2027	716,480
SUN MICROSYSTEMS INC	7.350	08-15-2004	263,526	KOREA DEV BK BD	7.250	05-15-2006	1,116,247
SUNAMERICA INC	6.750	10-01-2007	1,152,000	KOREA DEV BK BD	7.370	09-17-2004	1,487,798
TCI COMMUNICATIONS INC	8.750	08-01-2015	555,551	SPAIN KGDM KINGDOM OF SPAIN	7.000	07-19-2005	1,695,759
TELUS CORP	8.000	05-31-2011	1,651,650	SWEDEN KGDM BD	12.000	02-01-2010	717,445
TIME WARNER ENTMT CO	8.375	03-15-2023	1,212,801	SWEDEN(KINGDOM OF)	6.500	05-05-2008	5,347,122
TOSCO CORP	7.625	05-15-2006	\$1,152,754	BRIT SKY BROADCASTING	6.870	02-23-2009	\$1,130,000

**PORTFOLIO OF ASSETS, JUNE 30, 2003**

<u>INTERNATIONAL BONDS</u>	<u>RATE</u>	<u>MATURITY DATE</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
VODAFONE AIRTOUCH PLC	7.870	07-01-2007	\$364,565	ALBANY MOLECULAR RESH INC	430,700	\$6,503,570
UTD UTILS PLC	6.870	08-15-2028	376,857	ALBERTO-CULVER CO	3,520	179,872
BRIT TELECOMMUNICATIONS P L C		12-15-2003	2,006,471	ALBERTSON S INC	232,694	4,467,725
BRIT TELECOMMUNICATIONS P L C	8.620	12-15-2030	<u>409,535</u>	ALCAN INC	216,700	6,780,543
				ALCATEL	677,800	6,110,093
<b>TOTAL CORPORATE AND INTERNATIONAL BONDS</b>			<b>560,743,362</b>	ALCOA INC COM	705,414	17,988,057
				ALCON INC	77,000	3,518,900
				ALLEGHENY ENERGY INC	7,551	63,806
				ALLEGY TECHNOLOGIES INC	5,055	33,363
				ALLERGAN INC	7,778	599,684
				ALLIANT ENERGY CORP	155,600	2,961,068
				ALLIANZ AG NPV	6,000	498,708
				ALLIED WASTE INDS INC	447,565	4,498,028
				ALLMERICA FINL CORP	952,400	17,133,676
				ALLSTATE CORP	425,166	15,157,168
				ALLTEL CORP	91,301	4,402,534
				ALTADIS SA EURO	68,289	1,747,340
				ALTERA CORP	23,007	377,315
				ALTRIA GROUP INC	735,347	33,414,168
				ALUMINA LTD	82,000	223,823
				AMB PPTY CORP	88,800	2,501,496
				AMBAC FNCL GROUP	217,522	14,410,833
				AMDOCS ORD	123,300	2,959,200
				AMER ELEC PWR CO INC	733,007	21,865,599
				AMER EXPRESS CO	78,633	3,287,646
				AMER FINL GROUP INC	38,900	886,920
				AMER GREETINGS CORP	4,005	78,658
				AMERADA HESS CORP	54,561	2,683,310
				AMEREN CORP	9,584	422,654
				AMERICAN TOWER CORP	496,000	4,389,600
				AMERISOURCEBERGEN CORP	78,322	5,431,631
				AMERN EAGLE OUTFITTERS INC	138,400	2,538,256
				AMERN FINL RLTY	315,800	4,708,578
				AMERN INTL GROUP INC	156,860	8,655,535
				AMERN ITALIAN PASTA CO	57,800	2,407,370
				AMERN MGMT SYS INC	142,200	2,030,616
				AMERN PHARMACEUTICALS	75,100	2,545,890
				AMERN PWR CONVERSION CORP	11,804	184,024
				AMERN STD COS INC	4,369	323,000
				AMGEN INC	163,498	10,862,807
				AMSOUTH BANCORPORATION	21,406	467,507
				ANADARKO PETRO CORP	14,948	664,738
				ANADIGICS INC	200,000	658,000
				ANALOG DEVICES INC	81,502	2,837,900
				ANDREW CORP	5,915	54,418
				ANGLO AMERICAN	141,708	2,162,999
				ANHEUSER BUSCH COS INC	50,561	2,581,139
				ANIXTER INTL INC	92,000	2,155,560
				ANN TAYLOR STORES CORP	85,500	2,475,225
				ANTHEM INC	72,172	5,568,070
				AOL TIME WARNER INC	837,820	13,480,524
				AON CORP	18,636	448,755
				APACHE CORP	9,912	644,875
				APOGENT TECHNOLOGIES INC	445,000	8,900,000
				APOLLO GROUP INC	10,988	678,619
				APPLE COMPUTER INC	23,575	450,754
				APPLERA CORP	58,507	1,113,388
				APPLIED MATERIALS INC	99,236	1,573,883
				APPLIED MICRO CIRCUITS CORP	188,292	1,139,167
				APRIA HEALTHCARE GROUP INC	66,300	1,649,544
				APT INVT & MGMT	5,661	195,871
				ARAMARK CORP	285,000	\$6,389,700

PORTFOLIO OF ASSETS, JUNE 30, 2003

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
ARCHER-DANIELS-MIDLAND CO	38,839	\$499,858	BEST BUY INC COM	19,346	\$849,676
ARRAY BIOPHARMA INC	200,000	630,000	BG GROUP	264,000	1,169,684
ARRIS GROUP INC	365,800	1,814,368	BIG LOTS INC	6,995	105,205
ARRIVA ORD	375,357	2,160,125	BILLITON ORD	210,000	1,105,427
ARROW ELECTR INC	94,800	1,444,752	BIO RAD LABS INC	30,600	1,693,710
ARTESYN TECHNOLOGIES INC	100,000	\$561,000	BIOGEN INC	24,536	786,935
ASCENTIAL SOFTWARE CORP	339,200	5,576,448	BISYS GROUP INC	155,800	2,862,046
ASHLAND INC	4,122	126,463	BJ SVCS CO	9,490	354,546
ASM PACIFIC TECH	356,000	1,040,862	BK AMER CORP	90,332	7,138,938
ASML HLDG	176,172	1,673,089	BK HAW CORP	104,100	3,450,915
ASSA ABLOY SEKI SER'B'	65,000	629,298	BLACK & DECKER CORP	4,743	206,083
ASSIC GENERALI	14,000	324,434	BLOCK H & R INC	88,546	3,829,615
ASTORIA FINL CORP	32,200	899,346	BMC SOFTWARE INC	104,733	1,710,290
ASTRAZENECA	198,813	8,015,980	BNP PARIBAS	84,834	4,310,820
AT&T CORP	119,104	2,292,752	BOEING CO	50,533	1,734,293
AT&T WIRELESS SVC	162,936	1,337,705	BOISE CASCADE CORP	3,525	84,248
AUST & NZ BANK	39,200	489,247	BOMBAY INC	283,300	3,011,479
AUTO DATA PROCESSING INC	36,059	1,220,958	BORDERS GROUP INC	220,300	3,879,483
AUTODESK INC	6,835	110,454	BOUYGUES	55,000	1,518,356
AUTOLIV INC COM	109,500	2,965,260	BP ORD	395,884	2,745,338
AUTONATION INC	17,491	274,959	BRAMBLES INDS LTD	64,700	198,297
AUTOZONE INC	5,857	444,956	BRIO SOFTWARE INC	550,000	1,271,600
AVAYA INC	22,472	145,169	BRISTOL MYERS SQUIBB CO	198,739	5,395,764
AVENTIS	188,682	10,380,857	BRIT AMER TOBACCO	878,409	9,965,285
AVERY DENNISON CORP	6,614	332,023	BRITISH AIRWAYS	737,004	1,842,480
AVIVA	248,126	1,722,728	BRITISH SKY	164,715	1,825,153
AVNET INC	95,700	1,213,476	BROADCOM CORP	53,989	1,344,866
AVON PROD INC	62,152	3,865,854	BROOKS AUTOMATION INC	100,000	1,134,000
AXA	381,849	5,924,116	BROWN TOM INC	362,400	10,071,096
BAE SYSTEMS	2,735,734	6,432,932	BROWN-FORMAN INC	3,633	285,626
BAKER HUGHES INC	20,248	679,725	BRUNSWICK CORP	227,075	5,681,417
BALDOR ELEC CO	249,600	5,141,760	BSTN SCIENTIFIC CORP	61,223	3,740,725
BALL CORP	29,971	1,363,980	BT GROUP	1,771,364	5,955,602
BANK N.Y. CO INC	46,074	1,324,628	BULL RUN CORP	25,200	82,908
BANK ONE CORP	69,376	2,579,400	BUNGE LTD	40,100	1,146,860
BANKNORTH GROUP INC	217,300	5,545,496	BURL NORTHN SANTA FE CORP	22,564	641,720
BARCLAYS	1,186,562	8,810,958	BURL RES INC	12,108	\$654,680
BARD C R INC	42,606	3,038,234	BUSH INDS INC	494,100	1,482,300
BARNES & NOBLE INC	102,200	2,355,710	C D W CORP	30,500	1,396,900
BARR LABS INC	23,450	1,535,975	CABOT MICROELECTRONICS CORP	93,650	4,726,516
BASF AG NPV	134,700	5,754,229	CADBURY SCHWEPES	1,094,215	6,464,068
BAUSCH & LOMB INC	456,306	17,111,475	CADENCE DESIGN SYS INC	273,200	3,294,792
BAXTER INTL INC	35,672	927,472	CALIPER TECHNOLOGIES CORP	300,000	1,365,000
BAYER AG ORD NPV	182,808	4,236,361	CALLAWAY GOLF CO	40,200	531,444
BAYER HYPO-VEREINS ORD NPV	196,600	3,248,784	CALPINE CORP	174,134	1,149,284
BAYER MOTOREN WERK	148,001	5,693,588	CAMPBELL SOUP CO	24,689	604,881
BB&T CORP	28,323	971,479	CANON INC	341,000	15,647,803
BBVA(BILB-VIZ-ARG)	803,233	8,439,937	CAP I FNCL	13,341	656,110
BCA INTESA	2,266,684	7,249,245	CAPTARIS INC	979,700	3,350,574
BCE INC COM	43,000	982,948	CARDINAL HLTH INC	27,182	1,747,803
BCO SANT CENT HISP EURO	930,044	8,149,006	CARDIODYNAMICS INTL CORP	794,100	2,707,881
BCO SANT CENT HISP EURO	252,963	2,216,451	CAREER ED CORP	43,000	2,942,060
BEA SYS INC	151,100	1,640,946	CAREMARK RX INC	202,800	5,207,904
BEAR STEARNS COS INC	53,063	3,842,822	CARMAX INC	60,000	1,809,000
BEAZER HOMES USA INC	13,800	1,152,300	CARNIVAL CORP	39,099	1,271,108
BECKMAN COULTER INC	176,700	7,181,088	CARREFOUR	5,500	269,565
BECTON DICKINSON & CO	48,812	1,896,346	CATALINA MARKETING CORP	163,900	2,892,835
BED BATH BEYOND INC	17,683	686,277	CATERPILLAR INC	20,700	1,152,162
BELLSOUTH CORP COM	114,900	3,059,787	CATHAY PACIFIC AIR	1,232,000	1,658,855
BELO CORP	78,700	1,759,732	CBRL GROUP INC	54,800	2,129,528
BEMIS CO INC	3,208	150,134	CDN PAC RY LTD	24,900	562,740
BERKLEY W R CORP	46,300	\$2,440,010	CELESTICA INC	152,326	\$2,367,709

**PORTFOLIO OF ASSETS, JUNE 30, 2003**

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
CENDANT CORP	1,525,653	\$27,949,963	CONOCOPHILLIPS	40,706	\$2,230,689
CENTENE CORP	103,800	4,037,820	CONS EDISON INC	13,748	595,013
CENTERPOINT ENERGY INC	18,312	149,243	CONSTELLATION BRANDS INC	243,200	7,636,480
CENTEX CORP	122,412	9,522,429	CONSTELLATION ENERGY GROUP INC	93,713	3,214,356
CENTILLIUM COMMUNICATIONS INC	250,000	2,477,500	CONVERGYS CORP	164,348	2,629,568
CENTRICA ORD	530,796	1,539,371	COOPER COS INC COM	62,113	2,196,322
CENTURYTEL INC	8,569	298,630	COOPER TIRE & RUBBER CO	3,800	66,842
CERIDIAN CORP	108,100	1,834,457	COORS ADOLPH CO	88,281	4,324,003
CHARTER 1 FINCL INC	13,592	423,799	CORE LAB NV	523,700	5,655,960
CHECKFREE CORP	125,600	3,496,704	CORNING INC	72,080	532,671
CHEESECAKE FACTORY INC	44,500	1,597,105	CORUS GROUP	5,912,400	1,463,441
CHES ENERGY CORP	690,300	6,972,030	COSTCO WHSL CORP	28,906	1,057,960
CHEUNG KONG	496,000	2,983,067	COUNTRYWIDE FINL CORP	172,901	12,028,723
CHEVRONTEXACO CORP	64,238	4,637,984	COVANCE INC	100,000	1,810,000
CHICOS FAS INC	227,800	4,795,190	COVENTRY HLTH CARE INC	31,100	1,435,576
CHINA MOBILE	112,000	264,268	COX COMMUNICATIONS INC	133,000	4,242,700
CHINA TELECOM CORP	2,252,000	516,928	COX RADIO INC	34,800	804,228
CHIQUITA BRANDS INTL INC	805,800	11,684,100	CRANE CO	90,422	2,046,250
CHIRON CORP	11,252	491,937	CREDIT AGRICOLE	127,627	2,425,589
CHOLESTECH CORP	374,175	3,693,107	CREDIT SUISSE	259,061	6,818,149
CHRISTIAN DIOR	8,444	337,640	CREE INC	72,700	1,183,556
CHUBB CORP	10,282	616,920	CRH	146,667	2,308,684
CIENA CORP	32,853	170,507	CROSS A T CO	146,940	872,824
CIGNA CORP	8,387	393,686	CROWN CASTLE INTL CORP	338,680	2,631,544
CIMA LABS INC	30,000	806,700	CROWN HLDGS INC	483,400	3,451,476
CIN BELL INC	1,732,100	11,605,070	CSX CORP	12,916	388,642
CIN FNCL CORP	9,724	360,663	CUMMINS INC	104,813	3,761,739
CINERGY CORP	159,430	5,865,430	CURAGEN CORP	200,000	1,110,000
CINTAS CORP	10,245	363,083	CVS CORP COM	105,828	2,966,359
CIRCUIT CY STORES INC	270,074	2,376,651	CYBEROPTICS CORP	140,000	939,120
CISCO SYS INC	1,411,463	23,557,317	CYTEC IND	61,100	2,065,180
CIT GROUP INC	1,073,900	26,471,635	CYTYC CORP	335,400	3,528,408
CITIGROUP INC	310,121	13,273,179	D R HORTON INC	287,450	8,077,345
CITIZENS COMMUNICATIONS CO	350,753	4,521,206	DAI NIPPON PRINTNG	26,000	274,995
CITRIX SYS INC	107,690	2,192,568	DAIICHI PHARM CO	204,000	2,657,139
CLAIRES STORES INC	80,800	2,049,088	DAIMLERCHRYSLER	80,400	2,806,766
CLEAR CHANNEL COMMUNICATIONS INC	343,815	14,574,317	DAIWA HOUSE	442,000	3,040,533
CLOROX CO	13,233	564,387	DAIWA SEC CO	193,000	1,109,056
CMS ENERGY CORP	8,648	70,049	DANA CORP	1,033,204	11,943,838
CNA FNCL CORP	125,900	3,097,140	DANAHER CORP	9,166	623,746
CNA SURETY CORP	687,550	6,772,368	DARDEN RESTAURANTS INC	153,528	2,913,961
CNH GLOBAL	79,372	757,209	DAVITA INC	65,300	1,748,734
COACH INC	37,200	1,850,328	DBS GROUP HLDGS	1,167,000	6,825,724
COCA COLA CO	327,585	14,439,210	DBS GROUP HLDGS	41,000	239,807
COGNIZANT TECH SOLUTIONS CORP	55,300	1,347,108	DEERE & CO	35,787	1,635,466
COGNOS INC	182,600	4,930,200	DELL COMPUTER	633,698	20,252,988
COLGATE-PALMOLIVE CO	145,371	8,424,249	DELPHI CORP	316,711	2,733,216
COLUMBIA SPORTSWEAR CO	45,200	2,323,732	DELTA & PINE LD CO	168,700	3,708,026
COMCAST CORP	138,015	4,165,293	DELTA AIR LINES INC	7,414	108,838
COMERICA INC	10,503	488,390	DELUXE CORP	34,084	1,526,963
COMPAL ELECTRONIC	387,000	518,833	DEPPA BANK	24,095	1,874,618
COMPASS GROUP	513,203	2,767,101	DEUTSCHE BANK	91,363	5,925,727
COMPUTER ASSOC INTL INC	1,436,063	31,995,484	DEUTSCHE LUFTHANSA	70,100	821,098
COMPUTER HORIZONS CORP	711,075	3,228,281	DEUTSCHE TELEKOM	588,314	8,978,644
COMPUTER NETWORK TECH CORP	250,000	2,025,000	DEVON ENERGY CORP	64,772	3,458,825
COMPUTER SCI CORP	62,459	2,380,937	DIAGEO ORD	849,250	9,066,925
COMPUWARE CORP	270,664	1,561,731	DIAGNOSTIC PRODS	33,900	1,391,595
COMVERSE TECH INC	183,192	2,753,376	DIAL CORP	88,200	1,715,490
CONAGRA FOODS INC	32,300	762,280	DIGIMARC CORP	200,000	3,140,000
CONCERTO SOFTWARE INC	200,000	1,838,000	DILLARDS INC	5,097	68,657
CONCORD EFS INC	30,593	450,329	DISNEY WALT CO	122,875	2,426,781
CONEXANT SYS INC	500,000	\$2,545,000	DOCUMENTUM INC	150,000	\$2,950,500

PORTFOLIO OF ASSETS, JUNE 30, 2003

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
DOLLAR GEN CORP	20,057	\$366,241	FAMILY DLR STORES INC	240,342	\$9,169,047
DOLLAR TREE STORES INC	191,500	6,076,295	FANUC	34,700	1,719,467
DOMINION RES INC	19,372	1,245,038	FDRY NETWORKS INC	87,500	1,260,000
DONNELLEY R R & SONS CO	114,782	3,000,401	FEDEX CORP	17,956	1,113,811
DORAL FINL CORP	61,800	2,759,370	FEDT DEPT STORES INC DEL	111,728	4,117,177
DOVER CORP	12,175	364,763	FEDT INVESTORS INC	6,616	181,411
DOW CHEM CO	289,023	8,948,152	FHLMC	374,736	19,025,346
DOW JONES & CO INC	4,941	212,611	FID NATL FINL INC	78,750	2,422,350
DRS TECHNOLOGIES INC	102,800	2,870,176	FIFTH 3RD BANCORP	36,240	2,078,002
DTE ENERGY CO	179,303	6,928,268	FIRST AMERN CORP	87,000	2,292,450
DU PONT E I DE NEMOURS & CO	60,716	2,528,214	FIRST DATA CORP	528,818	21,914,218
DUANE READE INC	539,500	7,957,625	FIRST TENN NATL CORP	76,764	3,370,707
DUKE ENERGY CORP	53,614	1,069,599	FIRSTENERGY CORP	244,306	9,393,566
DUN & BRADSTREET CORP	10,800	443,880	FISERV INC	140,811	5,014,280
DYNEGY INC	22,317	93,731	FISHER SCIENTIFIC INTL INC	131,300	4,582,370
E*TRADE FIN CORP	266,100	2,261,850	FLAGSTAR BANCORP INC	83,800	2,048,910
E.ON AG NPV	285,532	14,679,743	FLEETBOSTON FINL CORP	66,219	1,967,366
EARTHLINK INC	1,332,500	10,513,425	FLEETWOOD ENTERPRISES INC	285,800	2,114,920
EASTMAN CHEM CO	136,858	4,334,293	FLOWERVE CORP	283,300	5,572,511
EASTMAN KODAK CO	624,833	17,089,183	FLUOR CORP	41,338	1,390,610
EATON CORP	4,251	334,171	FMC CORP	248,500	5,623,555
EBAY INC	19,365	2,017,446	FMC TECHNOLOGIES INC	208,200	4,382,610
ECHOSTAR COMMUNICATIONS	238,813	8,267,706	FNMA COM	329,590	22,227,550
ECOLAB INC	15,664	400,998	FOOT LOCKER INC	710,100	9,408,825
ED MGMT CORP	23,200	1,233,776	FORD MTR CO	588,125	6,463,494
EDISON INTL	207,782	3,413,858	FORENINGSSPARBK	60,000	828,238
EDWARDS A.G INC	45,700	1,562,940	FOREST LAB INC	21,825	1,194,919
EDWARDS LIFESCIENCES CORP	357,800	11,499,692	FORTUNE BRANDS INC	157,365	8,214,453
EFUNDS CORP	533,600	6,152,408	FOSTERS GROUP	465,262	1,313,638
EGL INC	342,200	5,201,440	FRANCE TELECOM	30,000	735,867
EL PASO CORP	36,016	291,009	FREEMONT MCMORAN	107,658	2,637,621
ELECTR ARTS	9,307	688,625	FRESH DEL MONTE PRODUCE INC	85,500	2,196,495
ELECTR DATA SYS CORP	1,016,354	21,800,793	FRIEDMAN BILLINGS RAMSEY	27,000	361,800
ELI LILLY & CO	296,567	20,454,226	FRIENDS PROVIDENT	1,843,700	3,453,078
ELIZABETH ARDEN INC	158,000	2,080,860	FRKLN RES INC	15,476	604,647
EMC CORP	918,004	9,611,502	FUJIFILM	133,000	3,843,515
EMCOR GROUP INC	74,100	3,657,576	FURNITURE BRANDS INTL INC	98,600	2,573,460
EMERSON ELEC CO	25,322	1,293,954	GA PAC CORP	15,052	285,235
EMMIS COMMUNICATIONS	73,600	1,689,120	GABELLI AST MGMT INC	30,700	1,108,270
ENCORE ACQSTN CO	392,400	7,514,460	GALLAGHER ARTHUR J & CO	164,900	4,485,280
ENERGIZER HLDGS INC	121,683	3,820,846	GANNETT INC	60,959	4,682,261
ENGELHARD CORP	7,787	192,884	GAP INC	53,146	997,019
ENI EURI	637,647	9,643,678	GARMIN CORPORATION	17,600	701,712
ENSCO INTL INC	54,500	1,466,050	GARTNER GROUP INC	283,000	2,145,140
ENTERASYS NETWORKS INC	250,000	757,500	GARTNER INC	684,200	5,131,500
ENTERCOM COMMUNICATIONS	147,400	7,224,074	GATEWAY INC	2,797,809	10,212,003
ENTERGY CORP	202,038	10,663,566	GEBERIT	4,265	1,312,985.86
EOG RESOURCES INC	6,948	290,704	GEN DYNAMICS CORP	12,079	875,728
EPICOR SOFTWARE CORP	375,000	2,246,250	GEN ELEC CO	695,178	19,937,705
EQTY OFFICE PPTYS	24,774	669,146	GEN MILLS INC	22,176	1,051,364
EQTY RESDNTL	16,308	423,193	GENERAL MOTORS CORP	33,710	1,213,560
EQUIFAX INC	8,570	222,820	GENESCO INC	139,400	2,467,380
EQUITABLE RES INC	27,800	1,132,572	GENUINE PARTS CO	10,582	338,730
ESSILOR INTL	12,000	483,412	GENZYME CORP	12,903	539,345
EVEREST	30,200	2,310,300	GETTY IMAGES INC	86,600	3,576,580
EXELON CORP	20,809	1,244,586	GILLETTE CO	63,304	2,016,865
EXPRESS SCRIPTS INC	10,200	696,864	GLAXOSMITHKLINE	406,057	8,194,711
BXON MOBIL CORP	404,624	14,530,048	GLOBAL INDS LTD	763,000	3,677,660
F P L GROUP INC	10,967	733,144	GLOBAL SANTAFE CORP	88,700	2,070,258
FACTSET RESH SYS INC	33,600	1,480,080	GOLDEN W. FNCL CORP	37,358	2,989,013
FAIRCHILD SEMICONDUCTOR INTL	304,500	3,894,555	GOLDMAN SACHS GROUP INC	29,174	2,443,323
FAIRMONT HOTELS RESORTS INC	50,500	\$1,181,700	GOODRICH CORPORATION	7,084	\$148,764

PORTFOLIO OF ASSETS, JUNE 30, 2003

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
GOODYEAR TIRE & RUBBER CO	10,537	\$55,319	INDITEX	46,000	\$1,156,854
GRAINGER W W INC	5,531	258,630	INDYMAC BANCORP INC	90,700	2,305,594
GREAT LAKES CHEM CORP	3,037	61,955	ING GROEP NV CVA	1,002,520	17,418,413
GREENPOINT FNCL CORP	50,200	2,557,188	INGERSOLL-RAND	10,197	482,522
GROUPE DANONE	7,000	968,638	INGRAM MICRO INC	105,300	1,158,300
GTECH HLDGS CORP	157,600	5,933,640	INKINE PHARMACEUTICAL INC	100,000	337,000
GUIDANT CORP COM	18,447	818,862	INSTINET GROUP INC	2,691,700	12,543,322
HAGEMEYER	5,979	23,001	INTEGRATED CIRCUIT SYS INC	208,000	6,537,440
HALLIBURTON CO	26,248	603,704	INTEL CORP	1,213,087	25,212,800
HANCOCK JOHN FINL SVCS INC	17,315	532,090	INTER TEL INC	50,000	1,061,000
HANG LUNG PROPERTIES	381,000	344,447	INTERDIGITAL COMMUNICATIONS CORP	43,200	1,009,584
HANG SENG BANK	67,000	708,822	INTERPORE INTL	100,000	1,273,000
HANOVER COMPRESSOR CO	1,058,974	11,966,406	INTERPUBLIC GROUP COMPANIES INC	23,195	310,349
HANSON	204,933	1,142,161	INTL BUSINESS MACHS CORP	104,030	8,582,475
HARLEY DAVIDSON INC	18,203	725,572	INTL FLAVORS & FRAGRANCES INC	5,689	181,650
HARMAN INTL INDS INC	37,600	2,975,664	INTL GAME TECH	50,410	5,158,455
HARRAH S ENTMT INC	130,888	5,266,933	INTL MULTIFOODS CORP	361,500	8,281,965
HARSCO CORP	88,704	3,197,779	INTL PAPER CO	82,163	2,935,684
HARTFORD FINL SVCS GROUP INC	17,954	904,163	INTUIT	167,270	7,448,533
HASBRO INC	230,339	4,028,629	INTUITIVE SURGICAL INC	143,750	2,153,375
HAYS	1,241,524	1,966,738	INVENSYS	2,813,449	951,729
HBOS	378,409	4,898,630	IONICS INC	260,800	5,834,096
HCA INC	31,061	995,194	ITRON INC	150,000	3,234,000
HEALTH NET INC	163,700	5,393,915	ITT EDL SVCS INC	227,700	6,660,225
HEINEKEN NV	92,810	3,293,289	ITT INDS INC	34,329	2,247,176
HEINZ H J CO	21,140	697,197	IVAX CORP	359,300	6,413,505
HENDERSON LAND DEV	680,000	1,953,284	J P MORGAN CHASE & CO	121,156	4,141,112
HERCULES INC VTG	6,584	65,182	JABIL CIRCUIT INC	165,519	3,657,970
HERSHEY FOODS CORP	8,185	570,167	JACK IN BOX INC	95,700	2,134,110
HEWLETT PACKARD CO	185,054	3,941,650	JANUS CAP GROUP INC	13,377	219,383
HIBERNIA CORP	111,100	2,017,576	JAPAN AIRLINES SYS	124,000	270,564
HILB ROGAL & HAMILTON CO	104,800	3,567,392	JAPAN TOBACCO INC	855	4,621,237
HILTON GRP	476,016	1,445,305	JARDINE MATHESON	920,690	5,662,244
HILTON HOTELS CORP	22,652	289,719	JDS UNIPHASE CORP	389,103	1,365,752
HIROSE ELECTRIC	9,000	744,285	JEFFERIES GROUP INC	25,800	1,284,582
HITACHI	2,188,000	9,274,970	JEFFERSON-PILOT CORP	8,645	358,422
HLTH MGMT ASSOC INC	14,370	265,127	JETBLUE AWYS CORP	82,200	3,476,238
HOLCIM	30,000	1,108,486	JOHNSON & JOHNSON	492,928	25,484,377
HOME DEPOT INC	140,856	4,665,151	JOHNSON CTL INC	5,360	458,816
HON INDS INC	47,300	1,442,650	JOHNSON ELEC HLDGS	240,000	296,994
HONDA MOTOR CO	258,200	9,783,969	JONES APPAREL GROUP INC	7,748	226,706
HONEYWELL INTL INC	51,451	1,381,459	JOY GLOBAL INC	213,800	3,157,826
HONG KONG ELECTRIC	291,000	1,141,886	KANSAI ELEC	24,000	378,563
HONG KONG LAND	198,000	247,500	KAO CORP	5,000	93,067
HOOPER HOLMES INC	184,870	1,190,563	KB HOME	42,283	2,620,700
HOVNANIAN ENTERPRISES INC	21,000	1,237,950	KEANE INC	312,600	4,260,738
HOYA CORP	56,300	3,877,585	KELLOGG CO	24,560	844,127
HSBC HLDGS	1,040,723	12,308,993	KERR MCGEE CORP	6,039	270,547
HUMANA INC	549,783	8,301,723	KEYCORP NEW	432,161	10,920,708
HUNT J B TRANS SVCS INC	30,900	1,166,475	KEYSPAN CORP	9,408	333,514
HUNTINGTON BANCSHARES INC	14,213	277,438	KIMBERLY-CLARK CORP	30,935	1,612,951
HUTCHISON WHAMPOA	160,000	974,590	KINDER MORGAN INC	7,328	400,475
IBERDROLA SA BUR3	63,439	1,098,587	KING PHARMACEUTICALS INC	463,473	6,840,861
ICN PHARMACEUTICALS INC	106,500	1,784,940	KINGFISHER	1,036,531	4,742,136
IDEC PHARMACEUTICALS	62,500	2,125,000	KINGROSS GOLD CORP	1,101,623	7,435,955
IDEXX LABS INC	26,400	885,456	KLA-TENCOR CORP	34,139	1,587,122
IKON OFFICE SOLUTIONS INC	126,200	1,123,180	KNIGHT-RIDDER INC	21,623	1,490,473
ILL TOOL WKS INC	19,107	1,258,196	KOHL'S CORP	20,271	1,041,524
IMC GLOBAL INC	197,400	1,324,554	KOMATSU	1,253,000	4,800,167
IMPERIAL CHEM	1,043,509	2,113,674	KON KPN	190,000	1,346,218
IMS HLTH INC	14,706	264,561	KONICA MINOLTA	271,000	3,085,213
INDEPENDENCE CMNTY BK CORP	46,300	\$1,306,586	KROGER CO	45,872	\$765,145

PORTFOLIO OF ASSETS, JUNE 30, 2003

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
KYOCERA CORP	8,300	\$474,878	MEREDITH CORP	2,600	\$114,400
LAB CORP AMER HLDGS	90,500	2,728,575	MERRILL LYNCH & CO INC	55,771	2,603,390
LAFARGE	31,240	1,829,607	METLIFE INC	933,002	26,422,617
LAM RESH CORP	159,300	2,900,853	METRO GOLDWYN MAYER INC	170,000	2,111,400
LAMAR ADVERTISING	145,300	5,116,013	METTLER-TOLEDO INTL INC	130,500	4,782,825
LATTICE SEMICONDUCTOR CORP	160,700	1,322,561	MFC ISHARES	156,200	13,886,180
LCC INTL INC	203,300	557,042	MGIC INVT CORP	6,037	281,566
LEAR CORP	46,500	2,139,930	MICHAELS STORES INC	186,500	7,098,190
LECROY CORP	107,500	1,038,450	MICHELIN	198,900	7,765,873
LEGG MASON INC	117,800	7,651,110	MICROMUSE INC	160,700	1,283,993
LEGGETT & PLATT INC	11,750	240,875	MICRON TECH INC	36,531	424,856
LEHMAN BROS HLDGS INC	14,579	969,212	MICROSOFT CORP	1,596,121	40,876,659
LENNAR CORP	179,850	12,823,575	MILLEA HOLDINGS	1,034	7,905,159
LEXMARK INTL INC	26,472	1,873,423	MILLENNIUM CHEMICALS INC	233,500	2,220,585
LIBERTY MEDIA CORP	1,040,172	12,024,388	MILLIPORE CORP	42,913	1,904,050
LIGHTBRIDGE INC	200,000	1,752,000	MINERALS TECHNOLOGIES INC	81,200	3,951,192
LINCOLN NATL CORP	100,149	3,568,309	MIRANT CORP	24,294	70,453
LINEAR TECH CORP	18,814	605,999	MITSUBISHI CORP	13,000	90,185
LIZ CLAIBORNE INC	206,437	7,276,904	MITSUBISHI EST CO	66,000	446,871
LLOYDS TSB GROUP	910,235	6,462,411	MITSUBISHI HVY	2,774,000	7,184,794
LNR PPTY CORP	171,200	6,402,880	MITSUBISHI MOTORS	82,000	185,068
LOCKHEED MARTIN CORP	27,400	1,303,418	MITSUBISHI TOKYO	1,100	4,974,391
LOEWS CORP	136,755	4,683,653	MITSUI FUDOSAN	89,000	568,503
LONGS DRUG STORES CORP	275,100	4,566,660	MITSUI SUMITOMO	71,000	329,352
L'OREAL	8,000	564,073	MMO2 ORD	3,161,895	2,960,967
LOUISIANA-PACIFIC CORP	6,324	68,552	MOBILE MINI INC	227,800	3,719,974
LOWES COS INC	130,962	5,624,818	MOHAWK INDS INC	84,900	4,714,497
LSI LOGIC CORP	22,362	158,323	MOLECULAR DEVICES CORP	100,000	1,591,000
LTD BRANDS	31,460	487,630	MOLEX INC	90,840	2,451,772
LUBRIZOL CORP	37,000	1,146,630	MONSANTO CO	78,625	1,701,445
LUCENT TECHNOLOGIES INC	235,160	477,375	MONSTER WORLDWIDE INC	6,696	132,112
MANDALAY RESORT	517,200	16,472,820	MOODYS CORP	83,573	4,405,133
MANHATTAN ASSOCS INC	78,000	2,025,660	MORGAN STANLEY	66,939	2,861,642
MANOR CARE INC	5,812	145,358	MOTOROLA INC	143,263	1,350,970
MANULIFE FINL CORP	73,347	2,061,543	MRO SOFTWARE INC	200,000	1,726,000
MAPINFO CORP	100,000	713,000	MUENCHENER RUECKVE	47,524	4,845,122
MARATHON OIL CORP	161,879	4,265,512	MURATA MFG CO	30,500	1,198,918
MARKS & SPENCER	1,234,814	6,433,763	MYLAN LAB INC	91,950	3,197,102
MARRIOTT INTL INC	139,830	5,372,269	N V R INC	5,400	2,219,400
MARSH & MCLENNAN CO'S INC	32,304	1,649,765	N. FORK BANCORPORATION INC	9,713	330,825
MARSHALL & ILSLEY CORP	13,145	401,974	NABORS INDUSTRIES	8,701	344,125
MARVEL ENTERPRISES INC	52,700	1,006,570	NAMCO LTD	131,000	2,090,327
MASCO CORP	29,594	\$705,817	NAN YA PLASTIC	474,000	513,580
MATSUSHITA	707,000	7,000,816	NATIONAL-OILWELL INC	103,900	2,285,800
MATTEL INC	155,002	2,932,638	NATL AUSTRALIA BK	133,066	2,989,565
MAXIM INTEGRATED PRODS INC	19,431	664,346	NATL CY CORP	36,775	1,202,910
MAY DEPT STORES CO	239,618	5,333,897	NATL GRID TRANSCO	115,000	779,938
MAYTAG CORP	4,701	114,798	NATL SEMICONDUCTOR CORP	104,827	2,067,188
MBIA INC	8,724	425,295	NAVISTAR INTL CORP	4,114	134,240
MBNA CORP	404,513	8,430,051	NCO GROUP INC	78,600	1,407,726
MC CORMICK & CO INC	8,439	229,541	NCR CORP	5,866	150,287
MC DONALDS CORP	78,920	1,740,975	NEC CORP	24,000	119,925
MCDERMOTT INTL INC	3,893	24,643	NEOSE TECHNOLOGIES INC	150,000	1,501,500
MCGRAW HILL COMPANIES INC	161,072	9,986,464	NESTLE SA	106,559	21,987,553
MCKESSON CORP	57,990	2,072,563	NETWORK APPLIANCE INC	20,407	330,797
MEADWESTVACO CORP	12,066	298,030	NETWORK EQUIP TECHNOLOGIES	70,000	589,400
MEDAREX INC	208,700	1,375,333	NEW YORK TIMES	99,446	4,524,793
MEDIMMUNE INC	89,756	4,130,110	NEWELL RUBBERMAID INC	16,083	450,324
MELLON FINL CORP	25,898	718,670	NEWMONT MINING CORP	25,371	823,543
MENTOR GRAPHICS CORP	87,000	1,259,760	NEWS CORPORATION	313,334	2,353,540
MERCK & CO INC	135,030	8,176,067	NEXTEL COMMUNICATIONS INC	61,780	1,116,982
MERCURY INTERACTIVE CORP	5,880	\$227,027	NEXTEL PARTNERS INC	105,300	\$768,690

PORTFOLIO OF ASSETS, JUNE 30, 2003

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
NICOR INC	2,655	\$98,527	PEPSI BOTTLING GROUP INC	16,859	\$337,517
NIDEC CORP	400	26,417	PEPSI AMERICAS INC	100,000	1,256,000
NIKE INC	15,903	850,651	PEPSICO INC	557,896	24,826,373
NIKKO CORDIAL CORPORATION	293,000	1,176,148	PERKINELMER INC	614,611	8,487,778
NINETY-NINE CENTS ONLY STORES	49,600	1,702,272	PETROCHINA CO	20,194,000	6,085,533
NINTENDO CO	15,100	1,097,839	PEUGEOT SA	75,534	3,669,099
NIPPON OIL CORP	985,000	4,273,871	PFIZER INC	1,214,751	41,483,746
NIPPON TEL&TEL	3,601	14,125,096	PG & E CORP	24,488	517,921
NISOURCE INC	69,381	1,318,239	PHARMACEUTICAL PROD DEV INC	281,400	8,084,622
NISSAN MOTOR	160,000	1,529,711	PHARMA COPEIA INC	177,200	1,461,900
NITTO DENKO CORP	16,000	523,673	PHELPS DODGE CORP	5,372	205,962
NOBLE CORPORATION	68,199	2,339,226	PHILIPS ELECK(KON)	564,344	10,732,005
NOKIA	536,821	8,840,061	PHOTON DYNAMICS INC	86,600	2,392,758
NOMURA HOLDINGS	185,000	2,348,032	PINNACLE W. CAP CORP	104,540	3,915,023
NORDSTROM INC	8,152	159,127	PIONEER NAT RES CO	56,900	1,485,090
NORFOLK SOUTHN CORP	23,408	449,434	PITNEY BOWES INC	14,234	546,728
NORSK HYDRO	18,000	885,238	PK PL ENTMT CORP	947,000	8,608,230
NORTHEAST UTILITIES	193,800	3,244,212	PLATO LEARNING INC	200,000	1,150,000
NORTHN TR CORP	13,280	554,971	PLAYTEX PRODS INC	837,800	5,378,676
NORTHROP GRUMMAN CORP	10,974	946,946	PLUM CREEK TIMBER CO INC	217,912	5,654,817
NOVARTIS AG	246,257	9,744,473	PMC SIERRA INC	10,083	118,274
NOVELL INC	22,208	68,401	PNC FINANCIAL SERVICES	17,072	833,284
NOVELLUS SYS INC	66,797	2,446,173	POPULAR INC	38,900	1,501,151
NOVO-NORDISK	11,000	385,079	PORTUGAL TCOM	1,047,521	7,506,266
NTT DOCOMO	1,174	2,542,078	POWER-ONE INC	201,015	1,437,257
NUCOR CORP	4,757	232,379	POWERWAVE TECHNOLOGIES INC	434,300	2,723,061
NVIDIA CORP	10,786	248,186	PPG IND INC	10,224	518,766
O REILLY AUTOMOTIVE INC	318,100	10,621,359	PPL CORP	9,894	425,442
OCCIDENTAL PETE CORP	180,209	6,046,012	PRAXAIR INC	9,725	584,473
OCEANEERING INTL INC	245,700	6,277,635	PRICE T ROWE GROUP INC	56,561	2,135,178
OFFICE DEPOT INC	18,564	269,364	POLARIS INDS INC	83,600	5,133,040
OGE ENERGY CORP	227,100	4,853,127	PRIMEDIA INC	2,791,300	8,513,465
OLD REP INTL CORP	84,500	2,895,815	PRIN FINL GROUP INC	719,458	23,202,521
OLIN CORP	262,100	4,481,910	PROCTER & GAMBLE	134,767	12,018,521
OMNICARE INC	180,800	6,109,232	PROGRESS ENERGY INC	14,284	627,068
OMNICOM GROUP INC	11,310	810,927	PROGRESSIVE CORP	13,694	1,001,031
ONEOK INC	105,100	2,063,113	PROMISE CO	60,500	2,262,294
ONO PHARMACEUTICAL	112,000	3,469,831	PROV HEALTHCARE CO	222,700	2,465,289
OPENWAVE SYS INC	995,300	1,940,835	PROVIDIAN FINL CORP	463,098	4,288,287
OPLINK COMMUNICATIONS INC	300,000	561,000	PROXIM CORP	600,000	876,000
ORACLE CORP	316,862	3,808,681	PRTY HEALTHCARE CORP	100,200	1,858,710
OUTBACK STEAKHOUSE INC	36,100	1,407,900	PRUDENTIAL FINL INC	537,335	18,081,323
OWENS ILL INC	55,800	768,366	PRUDENTIAL	425,303	2,575,637
OXFORD HLTH PLANS INC	132,600	5,573,178	PUB SERVICE ENTERPRISE	73,479	3,104,488
PAC SUNWEAR CAL INC	153,200	3,690,588	PULTE HOMES INC	35,480	2,187,697
PACCAR INC	6,985	471,907	PVTP DLG FDG	320	3,296,000
PACER INTL INC	169,900	3,204,314	PWR INTEGRATIONS INC	50,000	1,216,000
PACIFICARE HLTH SYS INC	42,800	2,111,324	QBE INS GROUP LTD	52,000	325,024
PACKAGING CORP AMER	97,800	1,802,454	QLOGIC CORP	25,445	1,229,757
PACTIV CORP	401,337	7,910,352	QUALCOMM INC	327,335	11,702,226
PALL CORP	410,459	9,235,328	QUEST DIAGNOSTICS INC	6,323	403,407
PARAMETRIC TECH CORP	326,966	997,246	QUIDEL CORP	150,000	933,000
PARKER-HANNIFIN CORP	65,117	2,734,263	QUINTILES TRANSNATIONAL CORP	7,113	100,933
PARTNERRE HLDG LTD	26,400	1,349,304	QWEST COMMUNICATIONS INTL	101,912	487,139
PAYCHEX INC	23,733	695,614	R H DONNELLEY CORP	89,400	3,260,418
PEARSON	120,000	1,120,774	RADIAN GROUP INC	70,600	2,587,490
PECHINEY	9,000	323,079	RADIO SHACK CORP	10,132	266,573
PENNEY	16,128	271,757	RAYOVAC CORP	362,200	4,690,490
PENNEY J.C CO INC	1,154,097	19,446,534	RAYTHEON CO	24,411	801,657
PENTAIR INC	130,500	5,097,330	RECKITT BENCKISER	13,000	238,544
PEOPLES ENERGY CORP	54,893	2,354,361	REEBOK INTL	9,107	306,268
PEOPLESOFT INC	18,818	\$331,009	REED ELSEVIER	398,262	\$4,156,422

PORTFOLIO OF ASSETS, JUNE 30, 2003

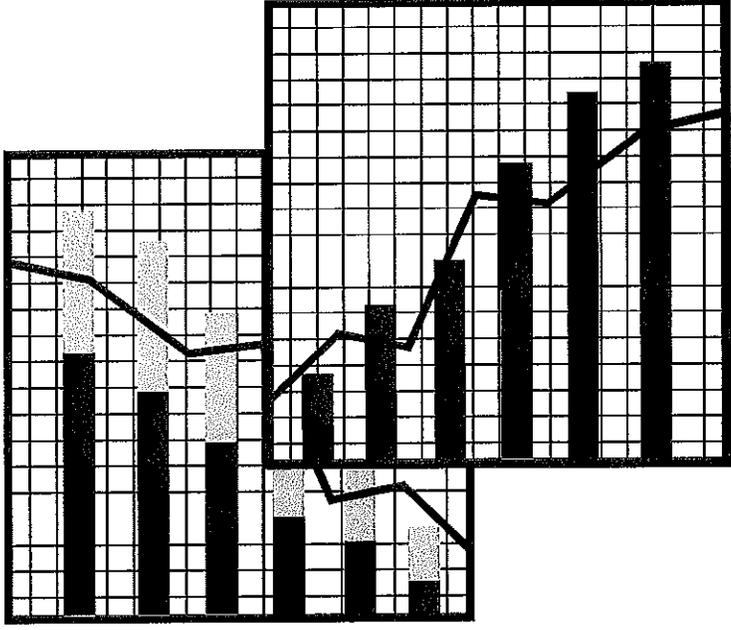
<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
REGAL ENTMT	131,800	\$3,107,844	SHIMAMURA CO	4,000	\$220,862
REGENERATION TECHNOLOGIES	231,100	3,071,319	SHIN-ETSU CHEM CO	48,300	1,649,219
REGIONS FNCL CORP	13,313	449,713	SHIONOGI & CO	58,000	785,892
REMEC INC	300,000	2,088,000	SICOR INC	378,000	7,688,520
RENAISSANCE RE HLDGS LTD	44,300	2,016,536	SIEBEL SYS INC	242,633	2,314,719
RENAL CARE GROUP INC	53,100	1,869,651	SIEMENS AG	62,105	3,046,733
RENAULT	60,700	3,209,229	SIG HOLDING AG	8,401	955,117
RENT A CTR INC	42,000	3,184,020	SIGMA-ALDRICH CORP	27,218	1,474,671
REPSOL	617,300	10,009,389	SILICON LABORATORIES INC	32,600	868,464
RESMED INC	24,200	948,640	SIMON PPTY GROUP INC	11,104	433,389
RESPIRONICS INC	31,100	1,166,872	SINGAPORE AIRLINES	45,000	268,313
RETEK INC	300,000	1,920,000	SINGAPORE PRESS	9,000	93,526
REUTERS GROUP	2,431,610	7,051,954	SINGAPORE TECH ENG	1,240,000	1,225,213
REYNOLDS R J TOB HLDGS INC	5,910	219,911	SEKISUI HOUSE	70,000	530,502
RICHEMONT	74,000	1,196,412	SKYWORKS SOLUTIONS INC	100,000	677,000
ROBERT HALF INTL INC	10,428	197,506	SLM CORP	43,902	2,449,084
ROCHE HLDGS	74,870	5,872,753	SMITH & NEPHEW	174,669	1,003,754
ROCKWELL AUTOMATION	11,171	266,317	SMITHFIELD FOODS INC	197,400	4,524,408
ROCKWELL COLLINS INC	10,802	266,053	SMITHS GROUP	83,784	971,934
ROHM & HAAS CO	13,304	412,823	SMURFIT-STONE CONTAINER	121,200	1,579,236
ROHM CO	33,800	3,684,714	SNAP-ON INC	3,000	87,090
ROWAN COMPANIES INC	5,632	126,157	SOC GENERALE	4,000	253,557
ROYAL BK SCOTLAND	236,949	6,646,974	SOLETRON CORP	49,671	185,770
ROYAL DUTCH PETRO	135,884	6,307,695	SONOSITE INC	60,000	1,197,000
ROYAL&SUN ALLIANCE	412,628	944,739	SONY CORP	14,000	394,087
RYDER SYS INC	3,785	96,972	SOUTHERN CO	44,020	1,371,663
RYDER SYS INC	100,300	4,053,828	SOUTHTRUST CORP	20,784	565,325
S W BANCORPORATION TEX INC	96,400	3,133,964	SOVEREIGN BANCORP INC	286,500	4,483,725
S.W. AIRL CO	46,595	801,434	SOVEREIGN BANCORP INC	83,400	1,305,210
SABMILLER	251,795	1,685,877	SPINNAKER EXPL CO	71,600	1,875,920
SABRE HLDGS CORP	291,681	7,189,937	SPRINT CORP	113,900	1,120,114
SAFECO CORP	8,315	293,353	ST JUDE MED INC	43,671	2,511,083
SAFEWAY INC	187,205	3,830,214	ST PAUL COS INC	592,658	21,637,944
SAFEWAY PLC	867,300	3,685,249	ST STR CORP	84,973	3,347,936
SAMSUNG ELECTRONIC	24,925	3,707,594	STA CASINOS INC	54,300	1,371,075
SANDISK CORP	42,700	1,722,945	STANDARD CHARTERED	176,292	2,141,069
SANDVIK AB	10,000	261,713	STANLEY WKS	5,348	147,605
SANGAMO BIOSCIENCES INC	200,000	570,000	STAPLES INC	28,473	522,480
SANKYO COMPANY LTD	25,000	298,563	STARBUCKS CORP	23,308	571,512
SANMINA-SCI CORP	526,422	3,321,723	STARWOOD HOTELS & RESORTS	111,775	3,195,647
SANOFI-SYNTHELABO	62,000	3,631,102	STATEN IS BANCORP INC	54,700	1,065,556
SAP AG	5,300	625,062	STEELCASE INC	400,800	4,713,408
SARA LEE CORP	186,184	3,502,121	STERIS CORP	55,500	1,281,495
SBC COMMUNICATIONS INC	115,186	2,943,002	STMICROELECTRONICS	45,000	943,604
SBC COMMUNICATIONS INC	201,740	5,154,457	STRATEX NETWORKS INC	500,000	1,600,000
SCANA CORP	153,771	5,271,270	STRYKER CORP	11,903	825,711
SCHEIN HENRY INC	71,800	3,758,012	SUMITOMO FORESTRY	54,000	279,725
SCHERING-PLOUGH CORP	177,774	3,306,597	SUMITOMO MITSUI	2,388	5,210,543
SCHLUMBERGER LTD	36,204	1,722,224	SUN HUNG KAI PROP	315,000	1,591,532
SCHNEIDER ELECTRIC	16,500	775,726	SUN MICROSYSTEMS INC	200,099	920,455
SCHULMAN A INC	112,800	1,811,568	SUN TR BANKS INC	16,978	1,007,475
SCHWAB CHARLES CORP	1,281,299	12,928,307	SUNCOR ENERGY INC	33,000	615,433
SCIENTIFIC-ATLANTA INC	489,579	11,671,563	SUNGARD DATA SYS INC	215,781	5,590,886
SEALED AIR CORP	5,050	240,683	SUNOCO INC	381,653	14,403,584
SEARS ROEBUCK & CO	1,082,375	36,411,095	SUPER VALU INC	128,652	2,742,861
SECOM	16,000	469,040	SUZUKI MOTOR CORP	78,000	1,014,666
SEI INVTS CO	77,200	2,470,400	SVENSKA HANDELSBKN	24,000	392,757
SEIKO EPSON CORP	24,300	722,473	SWIFT ENERGY	318,800	3,506,800
SEMPRA ENERGY INC	170,190	4,855,521	SWIFT TRANSN INC	149,300	2,779,966
SEMTECH CORP	482,400	6,869,376	SWIRE PACIFIC	1,615,500	7,064,311
SHELL TRNSPT&TRDG	792,348	5,229,934	SWISS REINSURANCE	90,107	4,992,455
SHERWIN-WILLIAMS CO	9,031	\$242,753	SWISSCOM AG	22,900	\$6,508,803

**PORTFOLIO OF ASSETS, JUNE 30, 2003**

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>	<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
SYBASE INC	135,600	\$1,886,196	UN PAC CORP	15,368	\$891,651
SYBRON DENTAL SPECIALTIES INC	454,673	10,730,283	UN PLANTERS CORP	113,439	3,520,012
SYMANTEC CORP	32,385	1,420,406	UNILEVER	1,037,042	8,256,840
SYMBOL TECHNOLOGIES INC	175,372	2,281,590	UNIONBANCAL CORP	184,500	7,632,765
SYMYX TECHNOLOGIES INC	120,000	1,958,400	UNISYS CORP	19,636	241,130
SYNOVUS FINL CORP	18,321	393,902	UNITED PARCEL SVC INC	68,292	4,350,200
SYNTHESTRATEC	500	359,160	UNITEDHEALTH GROUP INC	35,914	1,804,679
SYSCO CORP	39,307	1,180,782	UNIVISION COMMUNICATIONS INC	480,720	14,613,888
SYSTEMS & COMPUTER TECH	352,500	3,172,500	UNOCAL CORP	15,518	445,211
TAKEDA CHEMICAL	143,400	5,290,544	UNOVA INC	186,400	2,069,040
TAKEFUJI CORP	37,840	1,963,300	UNUMPROVIDENT CORP	20,023	268,508
TAKE-TWO	26,600	753,844	UPM-KYMMENE CORP	145,487	2,123,471
TALISMAN ENERGY INC	25,400	1,164,590	US BANCORP	115,205	2,822,523
TARGET CORP	54,640	2,067,578	UST INC	10,110	354,153
TDK CORP	140,800	6,953,521	UTD O/S BANK	233,000	1,640,659
TECH DATA CORP	77,200	2,062,012	UTD STS STL CORP	6,256	102,411
TECH SOLUTIONS	150,000	150,000	UTD TECHNOLOGIES CORP	28,394	2,011,147
TECHNE CORP	100,000	3,034,000	UTSTARCOM INC	55,300	1,967,021
TECO ENERGY INC	10,618	127,310	V F CORP	6,550	222,504
TEEKAY SHIPPING CORP	351,900	15,096,510	VALASSIS COMMUNICATIONS INC	288,648	7,424,027
TEKELEC	474,100	5,357,330	VALERO ENERGY CORP	45,100	1,638,483
TEKTRONIX INC	5,235	113,076	VARIAN INC	140,500	4,871,135
TELECOM CORP	2,018,362	6,191,838	VASTERA INC	260,000	1,552,200
TELECOM ITALIA	988,603	8,945,915	VEDIOR CVA	258,915	2,345,907
TELEFONICA	1,269,172	14,734,936	VENTANA MED SYS INC	120,000	3,261,600
TELENOR	639,855	2,659,267	VENTAS INC	162,800	2,466,420
TELLABS INC	442,775	2,909,032	VENTURE CORP	28,000	255,991
TELUS CORPORATION	44,000	723,753	VERIDIAN CORP	78,600	2,742,354
TEMPLE INLAND INC	3,238	138,943	VERISIGN INC	319,200	4,414,536
TENET HEALTHCARE CORP	1,024,882	11,939,875	VERITAS SOFTWARE CORP	82,149	2,355,212
TERADYNE INC	144,108	2,494,509	VERITY INC	165,900	2,100,294
TESCO CORP	1,015,792	4,741,665	VERIZON COMMUNICATIONS	197,047	7,773,504
TETRA TECHNOLOGIES INC	99,885	2,961,590	VIACOM	553,049	24,146,119
TEXTRON INC	8,189	319,535	VIASYS HEALTHCARE INC	271,700	5,624,190
THERMO ELECTRON CORP	9,833	206,690	VICOR CORP	264,100	2,535,360
THOMAS & BETTS CORP	3,528	50,980	VINCI	31,882	2,150,949
THOMSON CORP COM	48,000	1,497,847	VISTEON CORP	7,870	54,067
THORATEC CORP	99,100	1,476,590	VITESSE SEMICONDUCTOR CORP	300,000	1,476,000
THREE M CO	23,461	3,026,000	VIVENDI UNIVERSAL	67,700	1,232,238
TIFFANY & CO	8,731	285,329	VNU NV	59,676	1,838,641
TIMBERLAND CO	38,900	2,056,254	VODAFONE GROUP	8,921,776	17,445,758
TJX COS INC	137,189	2,584,641	VULCAN MATERIALS CO	6,119	226,831
TOKYO ELECTRON	36,000	1,705,934	LAFARGE	62,480	175,068
TOLL BROS INC	194,300	5,500,633	W HLDG CO INC	132,400	2,240,208
TORCHMARK CORP	53,333	1,986,654	WA MUT INC	241,745	9,984,069
TOTAL	114,630	17,323,306	WABTEC CORP	233,100	3,242,421
TOYS R US INC	12,781	154,906	WACHOVIA CORP	84,594	3,380,376
TPG	169,995	2,951,647	WADDELL & REED FINL INC.	134,500	3,452,615
TRANSCANADA CORP	17,300	303,961	WALGREEN CO	181,339	5,458,304
TRANSGENOMIC INC	300,000	570,000	WAL-MART STORES INC	625,163	33,552,498
TRANSOCEAN INC	60,783	1,335,403	WALTER INDS INC	833,700	9,795,975
TRAVELERS	60,503	954,132	WASTE MGMT INC	789,315	19,014,599
TRIAD HOSPS INC	443,000	10,995,260	WATERS CORP	271,463	7,907,717
TRIBUNE CO	18,353	886,450	WATSON PHARMACEUTICALS INC	131,429	5,305,789
TUPPERWARE CORP	3,549	50,964	WEBMD CORP	220,600	2,389,098
TUT SYS INC	300,000	1,182,000	WEBSTER FNCL CORP	28,700	1,084,860
TX INSTRS INC	576,091	10,139,202	WELLPOINT HLTH NETWORKS INC	8,946	754,148
TXU CORP	19,355	434,520	WELLS FARGO & CO	101,721	5,126,738
TYCO INTL LTD	1,404,833	26,663,730	WENDY S INTL INC	6,934	200,878
U.S. CELLULAR CORP	429,500	10,930,775	WERNER ENTERPRISES INC	194,700	4,127,640
UBS AG CHF0	20,000	1,112,547	WESTPAC BKG CORP	193,482	2,108,580
UBS AG CHF0	225,450	\$12,541,182	WEYERHAEUSER CO	164,786	\$8,898,444

PORTFOLIO OF ASSETS, JUNE 30, 2003

<u>EQUITY SECURITIES</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
WHIRLPOOL CORP	4,100	\$261,170
WILD OATS MKTS INC	78,500	855,650
WILLIAMS CO INC	34,463	272,258
WILLIAMS SONOMA INC	67,400	1,968,080
WILLIS GROUP HOLDINGS	25,350	779,513
WINBOND ELECTRONIC	159,000	78,558
WINN-DIXIE STORES INC	96,781	1,191,374
WIS ENERGY	119,000	3,451,000
WMC RESOURCES LTD	97,000	228,336
WOLSELEY	355,850	3,935,718
WOLTERS KLUWER	395,109	4,764,121
WOOLWORTHS LTD	87,500	734,697
WORTHINGTON INDS INC	2,600	34,840
WPP GROUP	170,047	1,332,855
WRIGLEY WM JR CO	208,146	11,704,050
WYETH	575,304	26,205,098
XCEL ENERGY INC	23,987	360,764
XEROX CORP	154,117	1,632,099
XILINX INC	20,290	513,540
XL CAP LTD	8,167	677,861
XTO ENERGY INC	109,966	2,211,416
YAHOO INC	37,523	1,229,253
YAHOO JAPAN CORP	26	422,236
YAMANOUCHI PHARM	9,000	234,603
YAMATO TRANSPORT	22,000	243,498
YUM BRANDS INC	601,574	17,782,527
SMFG FINANCE	45,000,000	348,936
YUM BRANDS INC	165,300	4,886,268
ZALE CORP	60,600	2,424,000
ZIMMER HLDGS INC	11,724	528,166
ZIONS BANCORP	5,471	276,887
ZOLL MED CORP	80,000	2,684,800
ZORAN CORP	102,800	1,974,788
ZURICH FIN SVS GRP	121,535	14,490,348
ZYGO CORP	175,000	1,400,000
<b>TOTAL EQUITY SECURITIES</b>		<b><u>\$4,110,614,592</u></b>



# Actuarial Section





**GABRIEL, ROEDER, SMITH & COMPANY**

Consultants & Actuaries

5605 N. MacArthur Blvd. • Suite 870 • Irving, Texas 75038-2631 • 469-524-0000 • fax 469-524-0003

November 10, 2003

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

Dear Members of the Board:

**Subject: Actuarial Valuation as of June 30, 2003**

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, 2003.

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" for positions whose funding comes from federal sources or certain grants. The federal matching contribution rate was 5.0% of federal/grant payroll for FY 2003. The Board decreased this to 4.5% for FY 2004, because of the decrease in the State's contribution based on the dedicated tax-revenue sources.

In the fiscal year ending June 30, 2003, the state's contribution plus the federal contribution was equivalent to a contribution of about 4.6% of covered payroll. Combined with the 7.05% employer contribution rate, the employing entities contributed about 11.65% of covered payroll for FY 2003. However, the state's contribution rate as a percent of the specified revenues is 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 6.8% of covered payroll by the end of the transition period, and should result in a total employer contribution of about 13.85% of covered payroll by FY 2008.

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

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

The UAAL at June 30, 2002 was \$5,965 million, and it decreased to \$5,488 million this year. The funded ratio - actuarial value of assets divided by actuarial accrued liability - increased from 51.4% to 54.0%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 41.0 years, measured from June 30, 2002. This year, the funding period is 28.7 years. The decrease in the funding period and the increase in the funded ratio are primarily due to the impact of eliminating the 1% cost-of-living increase assumption, which more than offset the effect of recognizing actuarial investment losses from the last three years in the actuarial value of assets.

Based on the current statutes for determining the state, federal and employer contribution rates, the UAAL is expected to increase slowly, reaching about \$6,221.7 million in 2013, before beginning to decline. It is expected to be completely amortized by 2032.

### ***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 (\$6,437 million) is \$823 million larger than the market value (\$5,614 million). In the absence of a major market rebound, the \$823 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 2003 legislative session. There were several changes that affected the current valuation. First, as of July 1, 2003 the service requirement for vesting was reduced from ten years to five years. (However, the ten-year requirement remains in effect for disability benefits and for the medical insurance supplement.) Second, the interest included in a regular (non-death) refund for a member with less than seven years of service was increased from 0% of the interest earned to 50% of the interest earned. (Interest earned is computed using an 8.00% rate.) Previously members with less than seven years of service received no interest. Third, a new partial lump-sum option (PLSO) was made available for members retiring with 30 or more years of service. Fourth, disabled retirees were given the right to elect Option 2 (the Joint & 100% Survivor option, with pop up).

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

Assumptions are set by the Board of Trustees, taking into account the recommendations of the plan's actuaries. The actuarial assumptions and methods used in this report are changed from last year. The Board decided that there is no "substantive commitment" to provide future ad hoc cost-of-living increases, and it is misleading to reflect these in the System's liabilities. All actuarial assumptions are internally consistent and are reasonably based on the actual experience of the System.

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

***Data***

Member data for retired, active, and inactive participants was supplied as of June 30, 2003 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

jc

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Executive Summary

Item	2003	2002
<b>Membership</b>		
• Number of		
- Active members	83,127	85,366
- Retirees and beneficiaries	38,059	36,515
- Inactive, vested	3,731	3,575
- Inactive, nonvested	<u>9,028</u>	<u>8,755</u>
- Total	133,945	134,211
• Payroll	\$ 3,046 million	\$ 3,047 million
<b>Statutory contribution rates</b>		
• State (% of tax revenues)	3.54%	3.54%
• Local district (% of pay)	7.05%	7.05%
• Member (% of pay)	7.00%	7.00%
<b>Assets</b>		
• Market value	\$ 5,614 million	\$ 5,418 million
• Actuarial value	\$ 6,437 million	\$ 6,311 million
• Return on market value	4.8%	-5.4%
• Return on actuarial value	2.9%	5.8%
• State/local/federal contributions	\$ 362 million	\$ 365 million
• External cash flow %	-1.1%	0.0%
• Ratio of actuarial to market value	114.7%	116.5%
<b>Actuarial Information</b>		
• Normal cost %	9.90%	10.28%
• Unfunded actuarial accrued liability (UAAL)	\$ 5,488 million	\$ 5,965 million
• Funded ratio	54.0%	51.4%
• Funding period	28.7 years	41.0 years
<b>GASB 25 ARC (40-year funding cost)</b>		
• Dollar amount	\$534,811,845	\$585,168,488
• Percent of pay	17.11%	18.74%
<b>Gains/(losses)</b>		
• Asset experience	(\$320) million	(\$128) million
• Liability experience	10 million	89 million
• Benefit changes	27 million	(131) million
• Assumption changes	<u>965 million</u>	<u>0 million</u>
• Total	\$ 682 million	(\$170) million

## Funded Status

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

The UAAL decreased by \$477 million, from \$5.965 billion to \$5.488 billion. The funded ratio – the ratio of the actuarial value of assets to actuarial accrued liability – increased from 51.4% to 54.0%. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – has decreased from 41.0 years to 28.7 years.

All of these effects, though, are due to the elimination of an assumption that ad hoc cost-of-living increases would continue to be granted in the future, and these would average 1.0% per year. The effect of this assumption change offset the recognition of actuarial investment losses.

OTRS remains among the most poorly funded of all statewide plans. The market value of assets is not large enough to cover all of the liabilities for currently retired members.

The current combined state/local/federal contribution rate of about 11.65% of pay for FY 2004 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 2013, at which point positive amortization will begin to occur. It will take until about 2021 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 2032.

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 \$5,965.0 million last year, has decreased to \$5,488.3 million this year. However, an increase of \$204.8 million was expected, since the current statutory employer/state/federal contribution rate is not large enough to pay for the normal cost and for interest on the UAAL. Therefore, negative amortization is expected to occur.

Poor market performance also added to the UAAL. The asset loss increased the UAAL by \$320.0 million, even though 80% of the FY 2003 loss, 60% of the FY 2002 loss, and 40% 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 2.9%, compared with the assumed 8.00% investment return rate. The actual return on market value was 4.8%. This is the second year since 1994 that the actuarial return was less than the assumed 8.00% rate.

There was a gain of \$965.5 million due to the elimination of the 1% cost-of-living assumption.

### *Funding Period*

The funding period (the period required to amortize the UAAL) decreased from 41.0 years to 28.7 years. Without the change to remove the 1.00% COLA assumption, the funding period would have increased to 49.4 years. An analysis is shown on Table 12B.

### 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 the Board voted to rescind their earlier decision to reflect a 1% annual ad hoc COLA each year in the future. 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.

The effect of removing the 1.00% COLA assumption is shown in the table below:

Item	With the 1% COLA Assumption	With No Assumption for Future COLAs
(1)	(2)	(3)
Total normal cost rate	10.55%	9.90%
UAAL (millions)	\$6,453.8	\$5,488.3
Funded Ratio	49.9%	54.0%
Funding period	49.4 years	28.7 years
GASB Annual Required Contribution (millions)	\$633.3	\$534.8
GASB Annual Required Contribution (percent of pay)	20.27%	17.11%

Development of Employer Cost

	June 30, 2003 (1)	June 30, 2002 (2)
1. Payroll		
a. Supplied by system	\$ 3,045,676,600	\$ 3,047,149,510
b. Adjusted for one year's pay increase	3,183,653,000	3,187,766,000
c. Adjusted for one year's pay increase with pay caps	3,124,896,000	3,121,937,000
2. Present value of future pay (paid monthly, with pay caps)	\$ 24,551,829,000	\$ 24,578,171,000
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	9.90%	10.28%
b. Less: member rate	<u>(7.00%)</u>	<u>(7.00%)</u>
c. Employer normal cost rate	2.90%	3.28%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$ 8,270,876,000	\$ 8,657,751,000
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(712,003,041)	(806,164,009)
c. Less: present value of future member contributions	<u>(1,718,628,000)</u>	<u>(1,720,472,000)</u>
d. Actuarial accrued liability	\$ 5,840,244,959	\$ 6,131,114,991
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 5,893,954,300	\$ 5,959,905,900
b. Inactive members	190,962,430	184,894,014
c. Active members (Item 4d)	<u>5,840,244,959</u>	<u>6,131,114,991</u>
d. Total	\$ 11,925,161,689	\$ 12,275,914,905
6. Actuarial value of assets	\$ 6,436,852,137	\$ 6,310,930,799
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 5,488,309,552	\$ 5,964,984,106
8. Funding period	28.7 years	41.0 years
9. 40-year amortization cost		
a. Employer normal cost (Item 1c * 3c)	\$ 90,621,984	\$ 102,399,534
b. Level 40-year amortization of UAAL (payable monthly)	<u>444,189,861</u>	<u>482,768,954</u>
c. Total	\$ 534,811,845	\$ 585,168,488
d. Contribution as percentage of payroll (9c/1c)	17.11%	18.74%

Actuarial Present Value of Future Benefits

	June 30, 2003 (1)	June 30, 2002 (2)
1. Active members		
a. Service retirement benefits	\$ 7,163,826,000	\$ 7,518,001,000
b. Deferred termination benefits	84,266,000	80,354,000
c. Refunds	408,820,000	425,527,000
d. Death benefits	42,181,000	46,877,000
e. Disability retirement benefits	177,417,000	187,817,000
f. Supplemental medical insurance	365,119,000	371,321,000
g. \$5,000 post-retirement death benefit	29,247,000	27,854,000
h. Total	<u>\$ 8,270,876,000</u>	<u>\$ 8,657,751,000</u>
2. Retired members		
a. Service retirements	\$ 5,202,337,800	\$ 5,288,419,600
b. Disability retirements	97,501,200	98,154,600
c. Beneficiaries	146,886,900	145,743,100
d. Supplemental medical insurance	384,898,400	367,327,700
e. \$5,000 post-retirement death benefit	62,330,000	60,260,900
f. Total	<u>\$ 5,893,954,300</u>	<u>\$ 5,959,905,900</u>
3. Inactive members		
a. Vested terminations	\$ 124,116,565	\$ 125,327,693
b. Nonvested terminations	45,579,690	41,221,382
c. Suspense fund	21,266,175	18,344,939
d. Total	<u>\$ 190,962,430</u>	<u>\$ 184,894,014</u>
4. Total actuarial present value of future benefits	<u>\$ 14,355,792,730</u>	<u>\$ 14,802,550,914</u>

Analysis of Normal Cost

	<u>June 30, 2003</u> (1)	<u>June 30, 2002</u> (2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	7.25%	7.55%
b. Deferred termination benefits	0.21%	0.13%
c. Refunds	1.77%	1.91%
d. Supplemental medical insurance	0.35%	0.36%
e. \$5,000 Post-retirement death benefits	0.04%	0.03%
f. Disability retirement benefits	<u>0.28%</u>	<u>0.30%</u>
g. Total	9.90%	10.28%
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	2.90%	3.28%
4. Effectiveness of member contributions		
a. Member rate	7.00%	7.00%
b. Less: cost of refunds	<u>(1.77%)</u>	<u>(1.91%)</u>
c. Net member rate available for benefits	5.23%	5.09%
d. Effectiveness rate (4c/4a)	74.71%	72.71%

Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 2003

## TABLE 4a

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

Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial		Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
			Accrued Liability (UAAL) (3) - (2) (4)	Accrued Liability			
June 30, 1993	\$2,569.2	\$6,456.9	\$3,887.7		39.8%	\$2,122.0	183.2%
June 30, 1994	\$2,697.2	\$6,736.0	\$4,038.8		40.0%	\$2,189.5	184.5%
June 30, 1995	\$2,869.9	\$7,480.4	\$4,610.5		38.4%	\$2,336.1	197.4%
June 30, 1996	\$3,103.0	\$7,843.2	\$4,740.2		39.6%	\$2,375.5	199.5%
June 30, 1997	\$3,544.9	\$8,257.2	\$4,712.3		42.9%	\$2,428.7	194.0%
June 30, 1998	\$4,085.0	\$8,891.3	\$4,806.3		45.9%	\$2,537.7	189.4%
June 30, 1999	\$4,708.0	\$9,458.6	\$4,750.5		49.8%	\$2,648.4	179.4%
June 30, 2000	\$5,373.5	\$10,009.2	\$4,635.7		53.7%	\$2,738.3	169.3%
June 30, 2001	\$5,959.0	\$11,591.1	\$5,632.1		51.4%	\$2,990.5	188.3%
June 30, 2002	\$6,310.9	\$12,275.9	\$5,965.0		51.4%	\$3,047.1	195.8%
June 30, 2003	\$6,436.9	\$11,925.2	\$5,488.3		54.0%	\$3,045.7	180.2%

Note: Dollar amounts in millions

The results for June 30, 2001 and June 30, 2002 reflect an assumed 1% average future COLA.

GABRIEL, ROEDER, SMITH & COMPANY

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

<u>Year Ending June 30,</u> (1)	<u>Annual Required Contribution</u> (2)	<u>Percentage Contributed</u> (3)
1998	\$446,219,296	59.1%
1999	\$456,864,002	53.5%
2000	\$455,265,033	60.6%
2001	\$451,463,258	72.7%
2002	\$556,201,571	65.6%
2003	\$585,168,488	61.9%

**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, 2003
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	None

Membership Data

	June 30, 2003 (1)	June 30, 2002 (2)
1. Active members		
a. Number	83,127	85,366
b. Total payroll supplied by System	\$ 3,045,676,600	\$ 3,047,149,510
c. Average salary	\$ 36,639	\$ 35,695
d. Average age	45.3	44.9
e. Average service	11.5	11.1
2. Vested inactive members		
a. Number	3,731	3,575
b. Total annual deferred benefits	\$ 20,055,414	\$ 19,201,214
c. Average annual deferred benefit	\$ 5,375	\$ 5,371
3. Nonvested inactive members		
a. Number	9,028	8,755
b. Member contributions with interest due	\$ 45,579,690	\$ 41,221,382
c. Average refund due	\$ 5,049	\$ 4,708
4. Service retirees		
a. Number	35,073	33,623
b. Total annual benefits <sup>1</sup>	560,383,156	\$ 530,651,544
c. Average annual benefit	15,978	\$ 15,782
5. Special service retirees		
a. Number	264	330
b. Total annual benefits <sup>1</sup>	\$ 569,516	\$ 712,078
c. Average annual benefit	\$ 2,157	\$ 2,158
6. Disabled retirees		
a. Number	1,273	1,204
b. Total annual benefits <sup>1</sup>	\$ 12,871,448	\$ 12,163,236
c. Average annual benefit	\$ 10,111	\$ 10,102
7. Beneficiaries and spouses		
a. Number	1,449	1,358
b. Total annual benefits <sup>1</sup>	\$ 18,085,566	\$ 16,751,805
c. Average annual benefit	\$ 12,481	\$ 12,336

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

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

Item	Valuation as of	
	June 30, 2003	June 30, 2002
(1)	(2)	(3)
1. Cash and cash equivalents	\$ 6,427,508	\$ 3,281,205
2. Receivables		
a. Employer and member contributions	\$ 32,833,301	\$ 33,418,434
b. State contribution	13,113,939	12,968,052
c. Net investment income and other accruals	(240,894,169)	(45,726,674)
d. Total receivables	\$ (194,946,929)	\$ 659,812
3. Investments		
a. Invested cash and other	\$ 395,517,841	\$ 294,413,621
b. Domestic equities	3,179,821,394	2,602,427,287
c. International equities	930,793,198	734,074,081
d. Domestic fixed income	1,516,394,606	2,065,982,124
e. International fixed income	85,912,553	47,384,912
f. Real estate, furniture & equipment	309,543	404,771
g. Total investments	\$ 6,108,749,135	\$ 5,744,686,796
4. Total assets	\$ 5,920,229,714	\$ 5,748,627,813
5. Liabilities		
a. Benefits payable	\$ 49,354,141	\$ 45,185,670
b. Insurance premium payable	2,463,271	2,414,798
c. Expenses	5,098,874	4,144,139
d. Total liabilities	\$ 56,916,286	\$ 51,744,607
6. Net assets available (Item 4 - Item 5)	\$ 5,863,313,428	\$ 5,696,883,206
7. Less: Teachers' Deposit Fund	(249,249,470)	(278,991,127)
8. Net assets available for OTRS benefits	\$ 5,614,063,958	\$ 5,417,892,079

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

Item (1)	Valuation as of	
	June 30, 2003 (2)	June 30, 2002 (3)
a. Invested cash and other	6.47%	5.12%
b. Domestic equities	52.05%	45.31%
c. International equities	15.24%	12.78%
d. Domestic fixed income	24.82%	35.96%
e. International fixed income	1.41%	0.82%
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, 2003 (1)	June 30, 2002 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	\$ 5,417,892,079	\$ 5,727,193,205
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	\$ 220,503,412	\$ 226,445,669
ii. Federal matching funds	14,267,487	13,138,458
iii. State contribution	128,879,976	141,057,868
iv. Employer/district contributions	218,841,977	210,829,995
v. Total	\$ 582,492,852	\$ 591,471,990
b. Net investment earnings		
i. Interest, dividends and other income	\$ 166,272,272	\$ 189,838,153
ii. Net appreciation/(depreciation)	115,804,022	(499,102,940)
iii. Less: investment expenses	(16,040,134)	(16,469,508)
iv. Less: transfers to Teachers' Deposit Fund	(9,196,843)	16,817,828
v. Net investment earnings	\$ 256,839,317	\$ (308,916,467)
c. Total revenue	\$ 839,332,169	\$ 282,555,523
3. Expenditures for the year		
a. Refunds	\$ 30,176,320	\$ 26,728,503
b. Benefit payments, including insurance payments	608,976,123	561,222,392
c. Administrative expenses	4,007,847	3,905,754
d. Total expenditures	\$ 643,160,290	\$ 591,856,649
4. Increase in net assets (Item 2 - Item 3)	\$ 196,171,879	\$ (309,301,126)
5. Market value of assets at end of year, net of Teachers' Deposit Fund (Item 1 + Item 4)	\$ 5,614,063,958	\$ 5,417,892,079

Development of Actuarial Value of Assets

	<u>Year Ending June 30, 2003</u>
1. Market value of assets at beginning of year	\$ 5,417,892,079
2. Net new investments	
a. Contributions	\$ 582,492,852
b. Benefits paid	(608,976,123)
c. Refunds	(30,176,320)
d. Subtotal	<u>(56,659,591)</u>
3. Market value of assets at end of year	\$ 5,614,063,958
4. Net earnings (3-1-2)	\$ 252,831,470
5. Assumed investment return rate	8.00%
6. Expected return	\$ 431,164,983
7. Excess return (4-6)	\$ (178,333,513)
8. Excess return on assets for last four years :	
	<u>Deferred Amount</u>
	(4)
a. June 30, 2000	\$ 26,512,058
b. June 30, 2001	(243,950,314)
c. June 30, 2002	(462,683,113)
d. June 30, 2003	(142,666,810)
	<u>\$ (822,788,179)</u>
9. Actuarial value of assets (Item 3 - Item 8)	\$ 6,436,852,137
10. Actuarial value as percentage of market value	114.7%

**Estimation of Yields**

	Year Ending	
	June 30, 2003 (1)	June 30, 2002 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 5,417,892,079	\$ 5,727,193,205
2. Net investment income (including realized and unrealized gains and losses)	\$ 256,839,317	\$ (308,916,467)
3. End of year market assets	\$ 5,614,063,958	\$ 5,417,892,079
4. Estimated dollar weighted market value yield	4.8%	-5.4%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 6,310,930,799	\$ 5,959,008,704
2. Actuarial return	\$ 182,580,929	\$ 348,401,000
3. End of year actuarial assets	\$ 6,436,852,137	\$ 6,310,930,799
4. Estimated actuarial value yield	2.9%	5.8%

History of Cash Flow

Year Ending June 30,	Contributions (2)	Benefit Payments (3)	Refunds (4)	Administrative Expenses (5)	Total (6)	External Cash Flow for the Year <sup>1</sup> (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
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%)
2003	582.5	(609.0)	(30.2)	(4.0)	(643.2)	(60.7)	5,614	(1.1%)

Dollar amounts in millions

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

**Investment Experience Gain or Loss**

Item (1)	Year Ending June 30, 2003 (2)	Year Ending June 30, 2002 (3)
1. Actuarial assets, beginning of year	\$ 6,310,930,799	\$ 5,959,008,704
2. Contributions during year	\$ 582,492,852	\$ 591,471,990
3. Benefits and refunds paid	\$ (639,152,443)	\$ (587,950,895)
4. Assumed net investment income at 8%		
a. Beginning of year assets	\$ 504,874,464	\$ 476,720,696
b. Contributions	23,299,714	23,658,880
c. Benefits and refunds paid	<u>(25,566,098)</u>	<u>(23,518,036)</u>
d. Total	502,608,080	\$ 476,861,540
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 6,756,879,288	\$ 6,439,391,339
6. Actual actuarial assets, end of year	\$ 6,436,852,137	\$ 6,310,930,799
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ (320,027,151)	\$ (128,460,540)

**Total Experience Gain or Loss**

Item (1)	Year Ending June 30, 2003 (2)	Year Ending June 30, 2002 (3)
<b>A. Calculation of total actuarial gain or loss</b>		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 5,964,984,106	\$ 5,632,078,525
2. Normal cost for the year (employer and employee)	\$ 320,935,124	\$ 314,592,878
3. Less: total contributions for the year	\$ (582,492,852)	\$ (591,471,990)
4. Interest at 8 %		
a. On UAAL	\$ 477,198,728	\$ 450,566,282
b. On normal cost	12,837,405	12,583,715
c. On contributions	<u>(23,299,714)</u>	<u>(23,658,880)</u>
d. Total	\$ 466,736,419	\$ 439,491,117
5. Expected UAAL (Sum of Items 1 - 4)	\$ 6,170,162,797	\$ 5,794,690,530
6. Actual UAAL	\$ 5,488,309,552	\$ 5,964,984,106
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ 681,853,245	\$ (170,293,576)
<b>B. Source of gains and losses</b>		
8. Asset gain (loss) for the year	\$ (320,027,151)	\$ (128,460,540)
9. Liability gain (loss) for the year	9,551,020	89,211,564
10. Legislation changes	26,854,459	(131,044,600)
11. Assumption changes (elimination of 1% COLA assumption)	<u>965,474,917</u>	<u>0</u>
13. Total	\$ 681,853,245	\$ (170,293,576)

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

Basis	June 30, 2003 UAAL (in \$ Millions)	June 30, 2002 UAAL (in \$ Millions)
1. From prior valuation	\$ 5,965.0	\$ 5,632.1
2. Impact of changes, gains and losses		
a. Expected increase based on statutory contributions and passage of time	204.8	187.7
b. Liability (gain)/loss	(9.5)	(89.2)
c. Asset (gain)/loss	320.0	128.5
d. Impact of actual ctrb greater than expected under schedule	0.4	(25.1)
e. Legislative changes	(26.9)	131.0
f. Assumption changes (elimination of 1% COLA assumption)	(965.5)	0.0
h. Total	(476.7)	332.9
3. Current UAAL (1+2h)	\$ 5,488.3	\$ 5,965.0

**Analysis of Change in Funding Period**

Basis	June 30, 2003 Funding Period (Years)	June 30, 2002 Funding Period (Years)
1. Funding period (years) from prior valuation	41.0	62.2
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)	0.2	3.8
c. Impact of future increased percentage of dedicated revenue	0.0	(26.5)
d. Impact of contributions greater than expected	0.0	(0.4)
e. Impact of asset (gain)/loss	6.1	2.1
f. Impact of liability (gain)/loss	(0.2)	(1.5)
g. Impact of legislative changes	3.3	2.3
h. Impact of assumption changes	(20.7)	0.0
j. Total	(12.3)	(21.2)
3. Current funding period (years) (1+2j)	28.7	41.0

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	
	June 30, 2003	5,488.3	
	B. Projected	June 30, 2004	\$ 5,635.5
		June 30, 2005	5,772.8
		June 30, 2006	5,897.8
		June 30, 2007	5,995.8
June 30, 2008		6,061.1	
June 30, 2009		6,117.1	
June 30, 2010		6,162.6	
June 30, 2011		6,196.3	
June 30, 2012		6,216.5	
June 30, 2013		6,221.7	
June 30, 2014		6,210.1	
June 30, 2015		6,179.8	
June 30, 2016		6,128.5	
June 30, 2017		6,054.1	
June 30, 2018		5,954.0	
June 30, 2019	5,825.3		
June 30, 2020	5,665.3		
June 30, 2021	5,470.5		
June 30, 2022	5,237.4		
June 30, 2023	4,962.2		

Projection of UAAL (cont.)

<u>Valuation Date</u> (1)	<u>UAAL</u> <u>(Millions)</u> (2)
June 30, 2024	\$ 4,640.8
June 30, 2025	4,268.4
June 30, 2026	3,840.2
June 30, 2027	3,350.9
June 30, 2028	2,794.5
June 30, 2029	2,164.7
June 30, 2030	1,454.7
June 30, 2031	657.0

Teachers' Retirement System of Oklahoma  
Actuarial Valuation - June 30, 2003 (Revised)

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

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

Note : Dollar amounts in millions

Distribution of Active Members by Age and by Years of Service  
As of 06/30/2003

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	158 \$17,055	690 \$26,417	357 \$26,410	95 \$23,482	29 \$22,830	9 \$19,551	0 \$0	1,338 \$24,978							
25-29	216 \$17,328	1,054 \$28,797	1,445 \$30,062	1,288 \$30,467	1,131 \$31,130	1,208 \$32,724	4 \$31,368	0 \$0	6,346 \$30,198						
30-34	258 \$15,459	883 \$29,785	994 \$31,359	914 \$31,749	897 \$32,730	3,681 \$34,670	1,123 \$35,670	7 \$32,654	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	8,757 \$32,859
35-39	232 \$12,898	727 \$29,317	901 \$31,005	827 \$32,018	728 \$32,507	2,415 \$35,658	2,763 \$36,909	853 \$39,066	9 \$35,477	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	9,455 \$34,280
40-44	250 \$13,488	712 \$26,762	912 \$29,775	803 \$31,032	837 \$31,657	2,812 \$33,678	2,490 \$37,971	2,248 \$40,479	1,177 \$42,332	5 \$39,890	0 \$0	0 \$0	0 \$0	0 \$0	12,246 \$35,217
45-49	205 \$14,266	572 \$29,253	688 \$31,512	716 \$31,162	723 \$32,288	2,621 \$34,051	2,816 \$36,786	1,997 \$41,010	2,604 \$43,935	1,548 \$45,442	4 \$44,298	0 \$0	0 \$0	0 \$0	14,494 \$37,716
50-54	165 \$14,623	401 \$30,031	559 \$32,103	483 \$32,592	522 \$32,124	2,109 \$34,593	2,607 \$36,460	2,417 \$39,495	2,112 \$46,121	2,638 \$47,576	1,001 \$49,333	2 \$66,768	0 \$0	0 \$0	15,016 \$40,011
55-59	85 \$13,125	240 \$26,547	339 \$29,098	298 \$32,087	272 \$35,394	1,273 \$35,649	1,769 \$35,552	1,775 \$38,083	1,549 \$43,285	1,081 \$51,378	1,154 \$53,451	275 \$54,056	0 \$0	0 \$0	10,110 \$40,707
60-64	46 \$11,246	86 \$25,022	116 \$27,484	106 \$25,395	93 \$24,967	509 \$33,003	790 \$35,369	783 \$36,424	500 \$43,948	428 \$52,098	340 \$61,680	290 \$67,242	40 \$73,079	40 \$41,628	909 \$40,186
65-69	16 \$9,165	38 \$22,243	35 \$25,018	33 \$27,958	30 \$23,040	127 \$26,436	174 \$30,748	157 \$37,944	98 \$43,633	67 \$44,131	45 \$74,526	53 \$89,543	36 \$84,747	36 \$40,186	329 \$30,845
70 & Over	13 \$8,090	16 \$14,069	25 \$15,558	8 \$12,698	12 \$17,344	48 \$27,464	62 \$26,365	51 \$26,365	23 \$32,016	20 \$30,842	25 \$50,339	7 \$68,321	19 \$111,988	19 \$30,845	83,127 \$36,639
Total	1,644 \$14,606	5,419 \$28,348	6,371 \$30,305	5,571 \$31,093	5,274 \$31,921	16,812 \$34,305	14,598 \$36,528	10,288 \$39,398	8,072 \$44,102	5,787 \$47,945	2,569 \$53,260	627 \$63,354	95 \$85,282	95 \$85,282	83,127 \$36,639

**Summary of Actuarial Assumptions and Methods**  
**(Adopted Effective June 30, 2001, and Amended Effective June 30, 2003)**

*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:

<u>Years of Service</u>	<u>Merit/ Promotional Component</u>	<u>Total Salary Increase Rate</u>
(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: None.

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:

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

Age	Expected Terminations per 100 Lives (Female Members)				
	Years of Service				
	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.

In the June 30, 2001 and June 30, 2002 actuarial valuations, there was an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding, and these would average 1.00% per year. The Board voted to remove this assumption beginning with the June 30, 2003 actuarial valuation, because they concluded there was no "substantive commitment" to continue granting these increases, and the inclusion of the liability for any such future increases was likely to mislead readers.

## Addendum to June 30, 2003 Actuarial Valuation

### Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2003, for the plan year ending June 30, 2004. 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, 2003.

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.

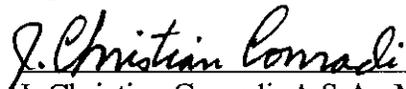
The results in this Addendum have been prepared for the sole purpose of meeting the Retirement Board's requirement to submit this information to the Oklahoma State Pension Commission, based on the following prescribed assumptions (70 O.S. 2001, Section 17-106.1, Section H):

- 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, 2003 valuation.

The results shown in this Addendum are not consistent with those in the June 30, 2003 valuation. The June 30, 2003 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, 2003 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 22, 2003



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

October 22, 2003

GABRIEL, ROEDER, SMITH & COMPANY

**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, 2003, 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, 2003	July 1, 2002	Amount	Percent
<b>Summary of Costs</b>				
Required State Contribution for Current Year under Prescribed Assumptions	\$610,721,212	\$552,732,756	\$57,988,456	10.49%
Actual State Contribution Received in Prior Year	\$128,879,976	\$141,057,868	\$(12,177,892)	(8.63)%
<b>Funded Status</b>				
Actuarial Accrued Liability	\$14,506,297,789	\$13,796,461,768	\$709,836,021	5.15%
Actuarial Value of Assets	\$ 6,436,852,137	\$ 6,310,930,799	\$125,921,338	2.00%
Unfunded Actuarial Accrued Liability	\$ 8,069,445,652	\$ 7,485,530,969	\$583,914,683	7.80%
<b>Market Value of Assets and Additional Liabilities</b>				
Market Value of Assets	\$ 5,614,063,958	\$ 5,417,892,079	\$ 196,171,879	3.62%
Present Value of Projected System Benefits	\$17,776,393,728	\$16,987,619,495	\$ 788,774,233	4.64%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	July 1, 2003		July 1, 2002		
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.	
1. Payroll					
a. Supplied by System	\$3,045,676,600		\$3,047,149,510		(0.05)%
b. Adjusted for 1-year's pay increase	\$3,183,653,000		\$3,187,766,000		(0.13)%
c. Adjusted for 1-year's pay increase with pay caps	\$3,124,896,000		\$3,121,937,000		0.09%
2. Total Normal Cost Mid-Year	\$ 401,861,625	12.86%	\$ 391,490,900	12.54%	2.65%
3. Unfunded Actuarial Accrued Liability	\$8,069,445,652		\$7,485,530,969		7.80%
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years from July 1, 2003	\$ 660,830,485	21.15%	\$ 613,012,005	19.64%	7.80%
5. Total Required Contribution under Prescribed Assumptions (2 + 4)	\$1,062,692,110	34.01%	\$1,004,502,905	32.18%	5.79%
6. Estimated Employee Contribution (7% x 1c)	\$ 218,742,720	7.00%	\$ 218,535,590	7.00%	0.09%
7. Estimated local employer and Federal contributions					
a. Local employers (7.05%)	\$ 220,305,168	7.05%	\$ 220,096,559	7.05%	0.09%
b. Federal	12,923,010	0.41%	13,138,000	0.42%	(1.64)%
c. Total	\$ 233,228,178	7.46%	\$ 233,234,559	7.47%	0.00%
8. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2003 (5 - 6 - 7c)	\$ 610,721,212	19.54%	\$ 552,732,756	17.70%	10.49%
9. Previous year's actual State Contribution	\$ 128,879,976	4.13% <sup>1</sup>	\$ 141,057,868	4.61% <sup>2</sup>	(8.63)%
10. Funding Period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

<sup>1</sup> Percent of previous years' annual compensation for active members.

<sup>2</sup> 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, 2003	July 1, 2002
1. Actuarial Present Value of Benefits		
a. Active Members	\$ 10,647,809,000	\$ 10,300,108,000
b. Inactive Members	219,363,228	203,994,595
c. Retirees and beneficiaries	6,909,221,500	6,483,516,900
d. Total	\$ 17,776,393,728	\$ 16,987,619,495
2. Actuarial Present Value of Future Normal Costs	\$ 3,270,095,939	\$ 3,191,157,727
3. Total Actuarial Accrued Liability (1d - 2)	\$ 14,506,297,789	\$ 13,796,461,768
4. Actuarial Value of Assets	\$ 6,436,852,137	\$ 6,310,930,799
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than \$0)	\$ 8,069,445,652	\$ 7,485,530,969

**Normal Cost**

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

Component	July 1, 2003	July 1, 2002
Retirement Benefits	\$ 310,927,152	\$ 300,018,146
Withdrawal Benefits	12,187,094	7,804,843
Refunds	51,873,274	56,819,253
Supplemental Medical Insurance	12,187,094	12,487,748
Death Benefits	1,249,958	936,581
Disability Benefits	13,437,053	13,424,329
<b>Total Normal Cost (Mid-year)</b>	<b>\$ 401,861,625</b>	<b>\$ 391,490,900</b>
Annual Covered Payroll (with pay caps)	\$ 3,124,896,000	\$ 3,121,937,000
Normal Cost Rate At Mid-year	12.86%	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: 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 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. Withdrawal Rates - Sample rates are shown below:

Age	Expected Terminations per 100 Lives (Male Members)				
	Years of Service				
(1)	0 (2)	1 (3)	4 (4)	7 (5)	10 or more (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

Age	Expected Terminations per 100 Lives (Female Members)				
	Years of Service				
(1)	0 (2)	1 (3)	4 (4)	7 (5)	10 or more (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.

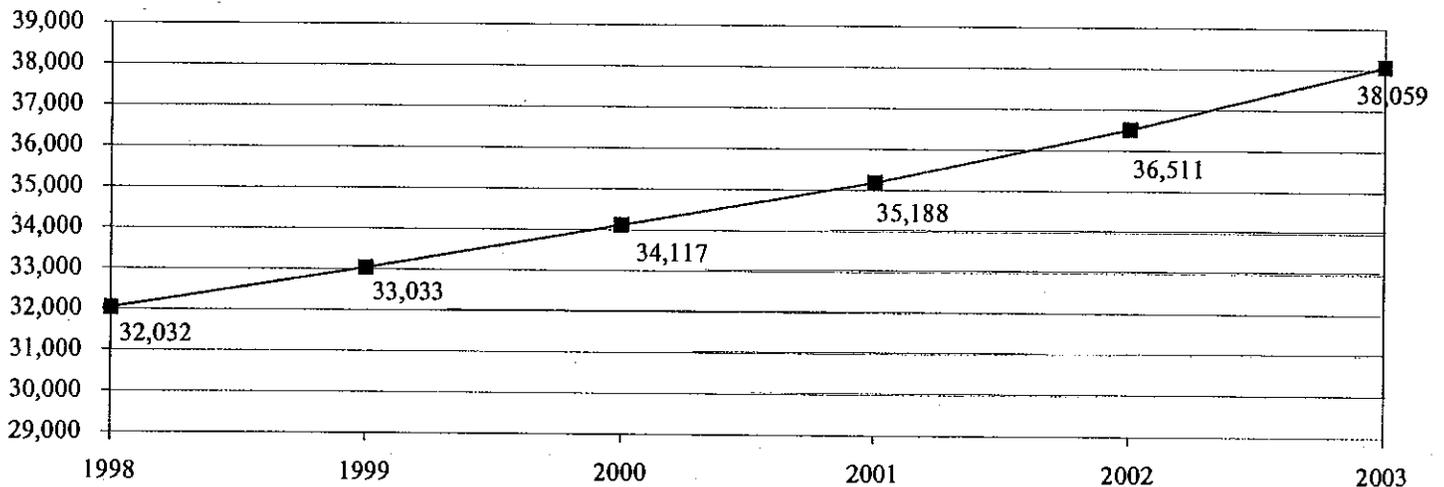
**Schedule of Increases and Decreases  
of Benefit Recipients  
Periods Ended June 30**

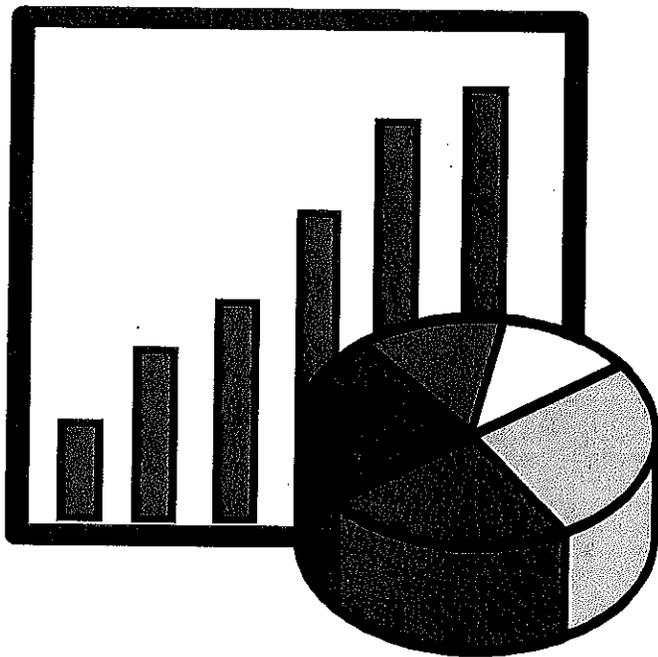
Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		%	Average Annual
	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances		
1998	2,090	\$31,920,729	960	\$10,622,172	32,032	\$412,359,174	5.4%	1,119
1999	2,048	51,559,112	1,047	12,313,512	33,033	451,604,774	9.5%	1,187
2000	2,031	31,487,149	947	11,916,120	34,117	471,175,803	4.3%	1,199
2001	1,980	40,394,458	909	12,641,988	35,188	498,928,273	5.9%	1,231
2002	2,236	36,595,970	913	12,303,662	36,511	523,220,581	4.9%	1,231
2003	2,521	\$81,829,902	973	\$10,798,222	38,059	\$569,959,953	14.2%	\$1,304

\* 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.

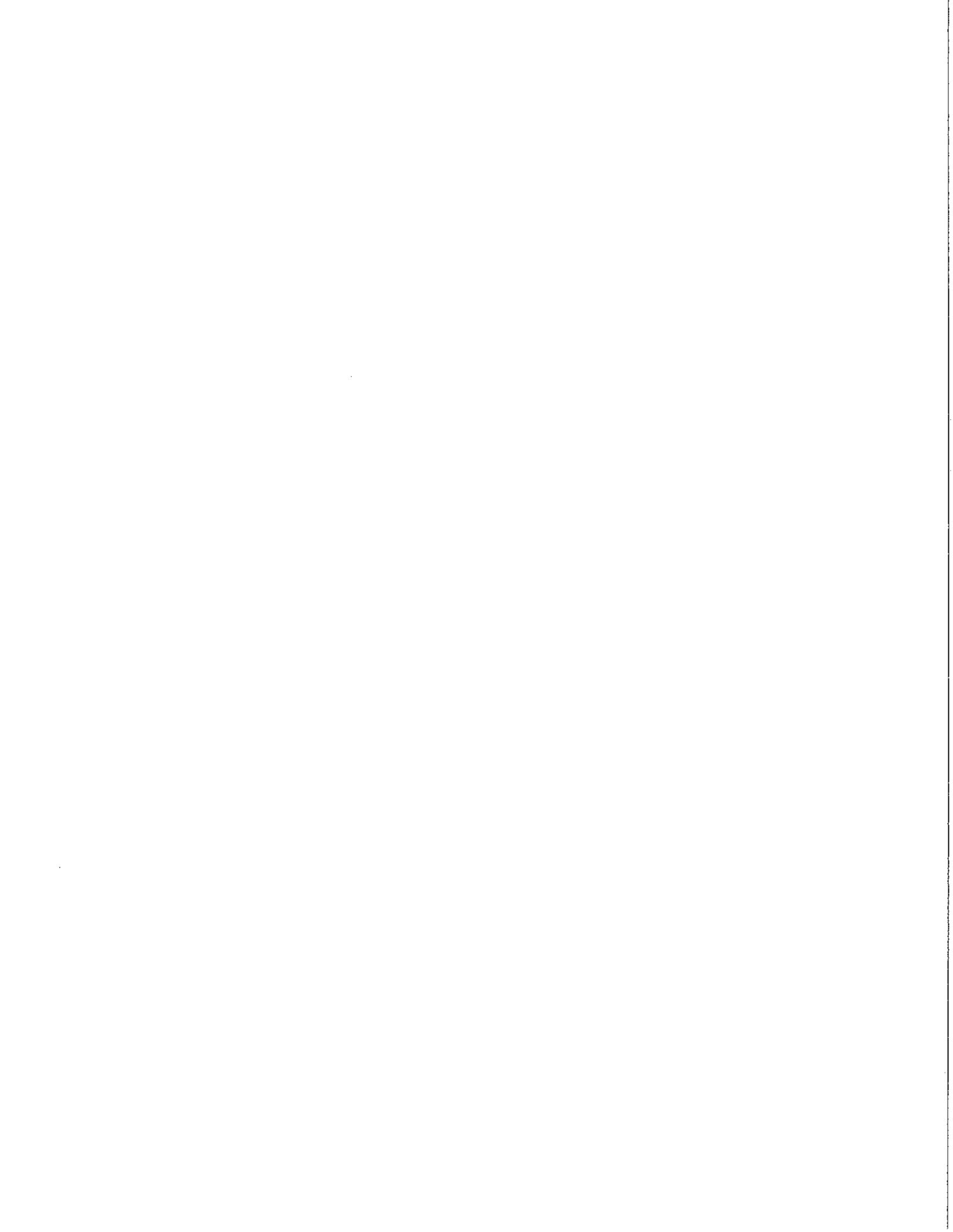
\*\* Does not include special annuitants.

**Retired Members**





# Statistical Section



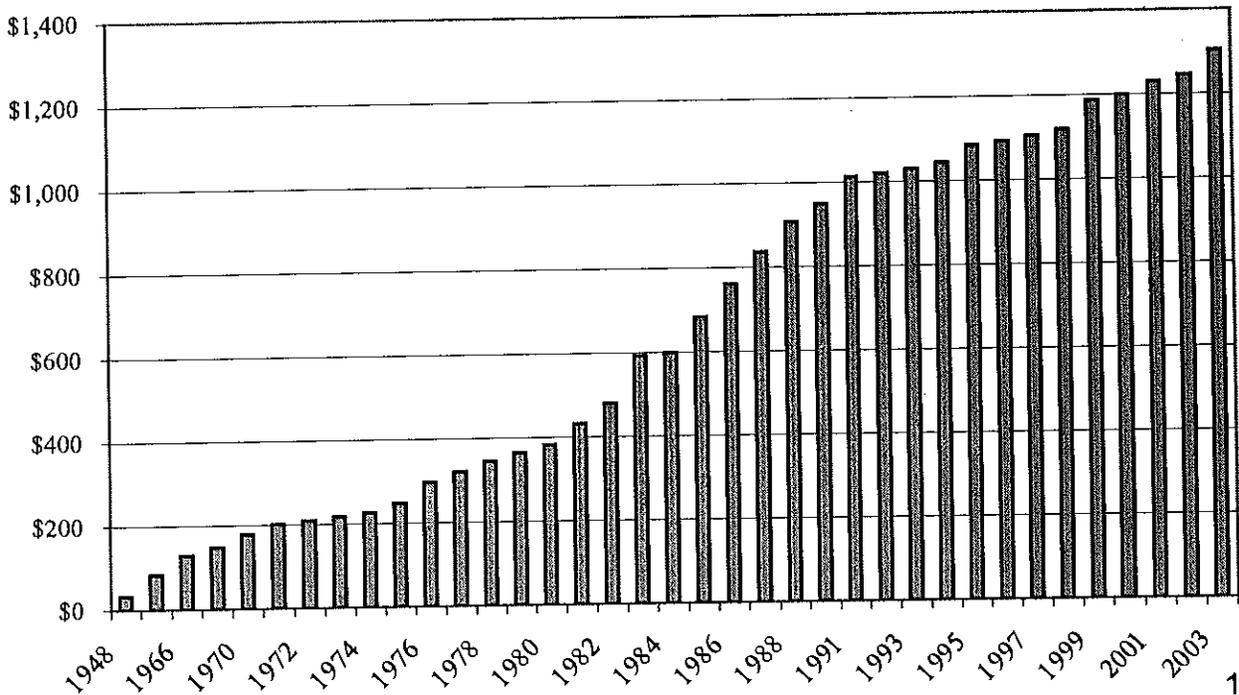
## Schedule of Average Payment Amounts Fiscal Year Ended June 30, 2003

Date	Regular Annuitants
June 30, 1948	\$33
June 30, 1954	75
June 30, 1960	83
June 30, 1966	129
June 30, 1969	148
June 30, 1970	179
June 30, 1971	201
June 30, 1972	209
June 30, 1973	217
June 30, 1974	226
June 30, 1975	248
June 30, 1976	297
June 30, 1977	321
June 30, 1978	345
June 30, 1979	365
June 30, 1980	382
June 30, 1981	432
June 30, 1982	480
June 30, 1983	592
June 30, 1984	\$600

Date	Regular Annuitants	Special Annuitants
June 30, 1985	\$683	
June 30, 1986	761	\$150
June 30, 1987	837	159
June 30, 1988	907	159
June 30, 1989	949	159
June 30, 1990	956	159
June 30, 1991	1,013	159
June 30, 1992	1,021	159
June 30, 1993	1,030	159
June 30, 1994	1,044	159
June 30, 1995	1,084	163
June 30, 1996	1,093	163
June 30, 1997	1,105	163
June 30, 1998	1,119	163
June 30, 1999	1,187	172
June 30, 2000	1,199	172
June 30, 2001	1,231	175
June 30, 2002	1,246	175
June 30, 2003	\$1,304	\$180

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, 2003**

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 yrs.	24,279	13,821	10,458
5-9	16,812	10,700	6,112
10-14	14,598	9,808	4,790
15-19	10,288	6,946	3,342
20-24	8,072	6,828	1,244
25-29	5,787	5,384	403
30-34	2,569	2,452	117
35-39	627	600	27
40-44	74	72	2
45-49	19	17	2
50-54	2	1	1
Totals	83,127	56,629	26,498

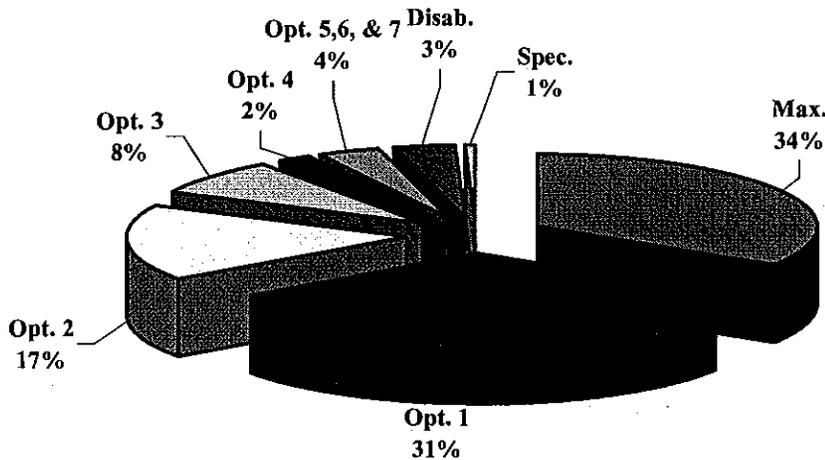
Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	412	263	149
5001-10,000	2,635	233	2,402
10,001-15,000	5,305	422	4,883
15,001-20,000	4,673	772	3,901
20,001-25,000	3,935	458	3,477
25,001-30,000	8,614	5,560	3,054
30,001-35,000	18,178	15,209	2,969
35,001-40,000	14,672	12,831	1,841
40,001-45,000	8,289	7,098	1,191
45,001-50,000	4,655	3,832	823
50,001-55,000	2,836	2,362	474
55,001-60,000	2,146	1,739	407
60,001-65,000	1,570	1,302	268
65,001-70,000	1,172	995	177
70,001-75,000	875	749	126
75,001 and Above	3,160	2,804	356
Totals	83,127	56,629	26,498

Average Age (years)	44.8	44.2	45.9
Average Salary	\$36,639	\$41,664	\$25,898
Average Service (years)	11.5	13.0	8.3

**Schedule of Retired Members by Type of Benefits  
Selected Plan Options  
Fiscal Year Ended June 30, 2003**

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	2,694	10,169	12,863	\$1,223	33.80%
Option 1	3,118	8,851	11,969	1,301	31.45%
Option 2	4,155	2,347	6,502	1,472	17.08%
Option 3	1,698	1,329	3,027	1,619	7.95%
Option 4	260	452	712	1,295	1.87%
Options 5, 6 & 7	1,269	180	1,449	1,040	3.81%
Disability	360	913	1,273	843	3.34%
Special Annuitants	29	235	264	180	0.69%
<b>Totals</b>	<b>13,583</b>	<b>24,476</b>	<b>38,059</b>	<b>\$1,304</b>	<b>100.00%</b>

Average monthly payment is \$1,304 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.

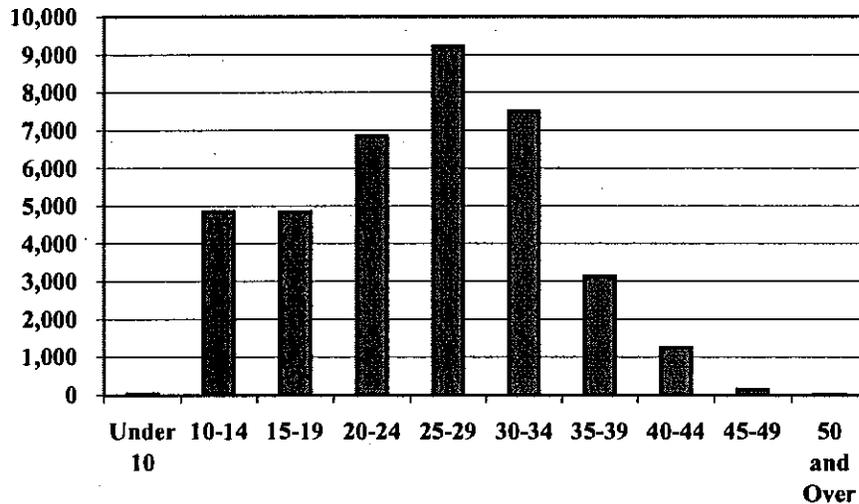
Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943.

**Distribution by Years of Service  
Fiscal Year Ended June 30, 2003**

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
	Under 10	6	30	
10-14	1,351	3,490	4,841	388
15-19	1,349	3,484	4,833	643
20-24	1,630	5,221	6,851	1,057
25-29	3,130	6,079	9,209	1,536
30-34	3,439	4,055	7,494	1,824
35-39	1,797	1,330	3,127	1,974
40-44	756	489	1,245	2,146
45-49	87	56	143	2,364
50 and Over	9	7	16	3,170
<b>Totals</b>	<b>13,554</b>	<b>24,241</b>	<b>37,795</b>	<b>\$1,304</b>

Does not include 264 special annuitants.

**Years of Service**

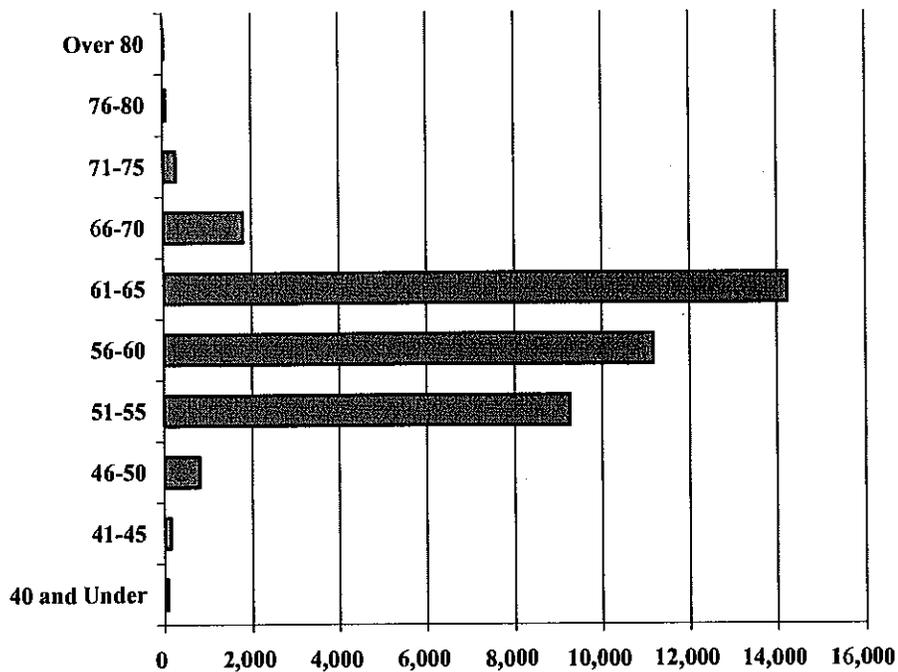


**Distribution by Age at Retirement  
Fiscal Year Ended June 30, 2003**

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	19	44	63	\$609	13.4
41-45	37	104	141	820	16.2
46-50	301	491	792	1,515	25.3
51-55	4,020	5,245	9,265	1,617	27.5
56-60	3,658	7,507	11,165	1,326	25.5
61-65	4,756	9,465	14,221	1,130	24.1
66-70	642	1,162	1,804	1,005	22.1
71-75	94	184	278	755	20.6
76-80	22	31	53	708	20.9
Over 80	5	8	13	1,125	25.6
<b>Totals</b>	<b>13,554</b>	<b>24,241</b>	<b>37,795</b>	<b>\$1,304</b>	<b>25.2</b>

Does not include 264 special annuitants.

**Age At Retirement**



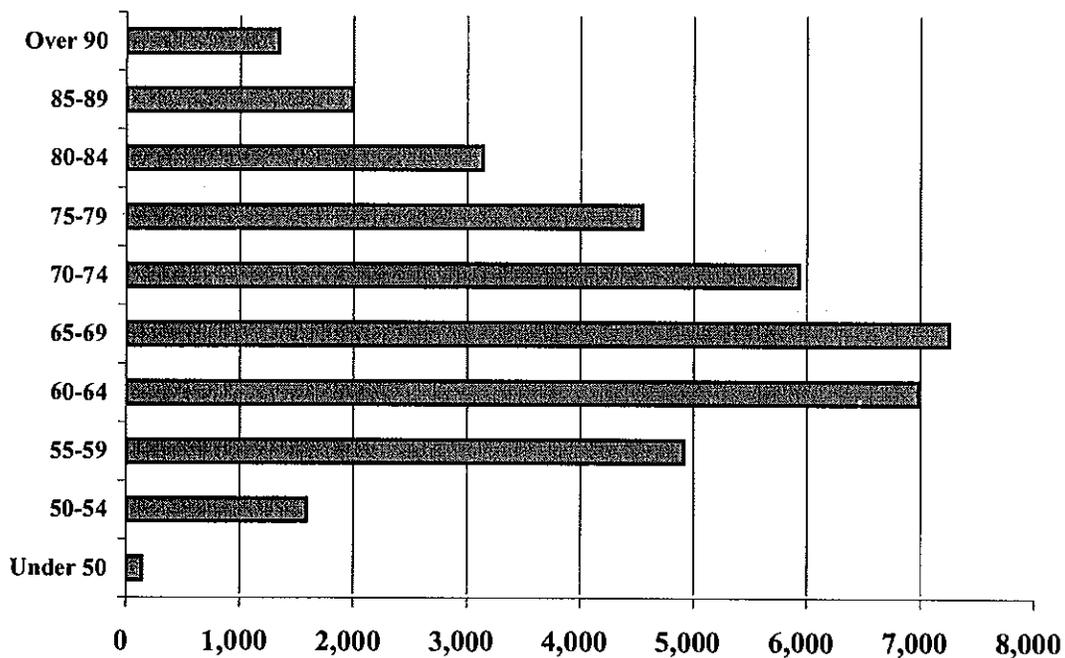
### Distribution by Retiree Age Fiscal Year Ended June 30, 2003

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	143	16.1	\$855
50-54	1,584	27.8	1,770
55-59	4,912	26.7	1,636
60-64	6,981	25.1	1,440
65-69	7,248	23.6	1,255
70-74	5,926	23.8	1,183
75-79	4,543	24.7	1,125
80-84	3,139	26.0	1,080
85-89	1,986	26.9	1,063
Over 90	1,333	29.8	1,161
<b>Totals</b>	<b>37,795</b>	<b>25.2</b>	<b>\$1,304</b>

Does not include 264 special annuitants.

Average age of retired members is 69.3 years.

### Average Age of Retirees

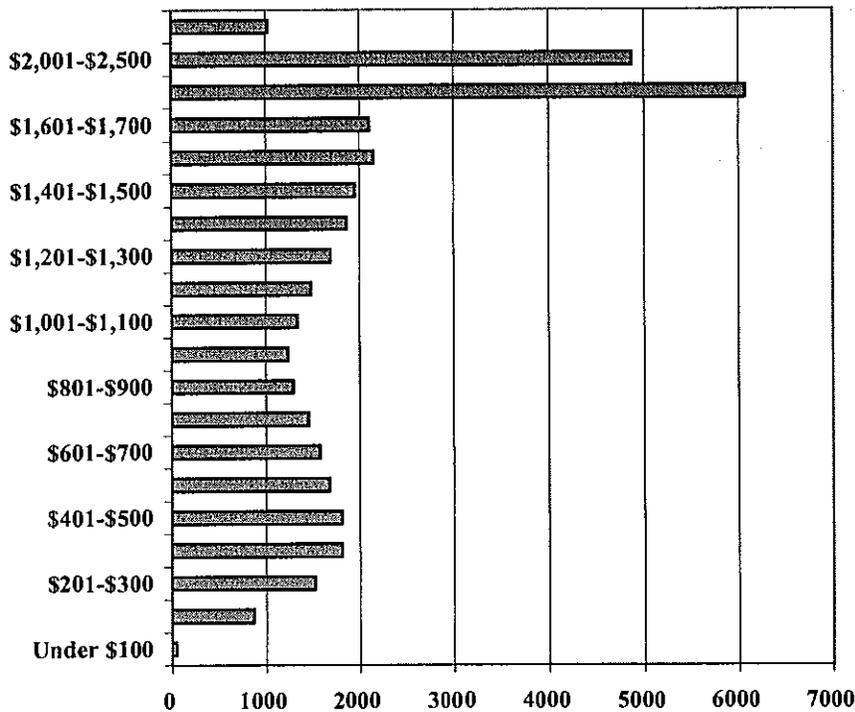


**Distribution by Monthly Income  
Fiscal Year Ended June 30, 2003**

Monthly Income	Retired Members	Total	Average Payment
Under \$100	43	\$3,714	\$86
\$101-200	867	138,553	160
\$201-\$300	1,520	382,503	252
\$301-\$400	1,804	631,902	350
\$401-\$500	1,804	811,364	450
\$501-\$600	1,677	920,195	549
\$601-\$700	1,573	1,023,380	651
\$701-\$800	1,452	1,086,327	748
\$801-\$900	1,289	1,098,371	852
\$901-\$1,000	1,234	1,171,456	949
\$1,001-\$1,100	1,333	1,400,329	1,051
\$1,101-\$1,200	1,479	1,703,561	1,152
\$1,201-\$1,300	1,689	2,114,996	1,252
\$1,301-\$1,400	1,860	2,511,737	1,350
\$1,401-\$1,500	1,949	2,825,851	1,450
\$1,501-\$1,600	2,149	3,331,844	1,550
\$1,601-\$1,700	2,105	3,471,599	1,649
\$1,701-\$2,000	6,067	11,179,621	1,843
\$2,001-\$2,500	4,876	10,653,016	2,185
Over \$2,500	1,025	2,813,509	2,745
<b>Totals</b>	<b>37,795</b>	<b>\$49,273,828</b>	<b>\$1,304</b>

Does not include 264 special annuitants.

**Monthly Income**



**Teachers' Retirement System of Oklahoma  
Schedule of Cash Receipts and Disbursements  
Years Ended June 30, 2003 and 2002**

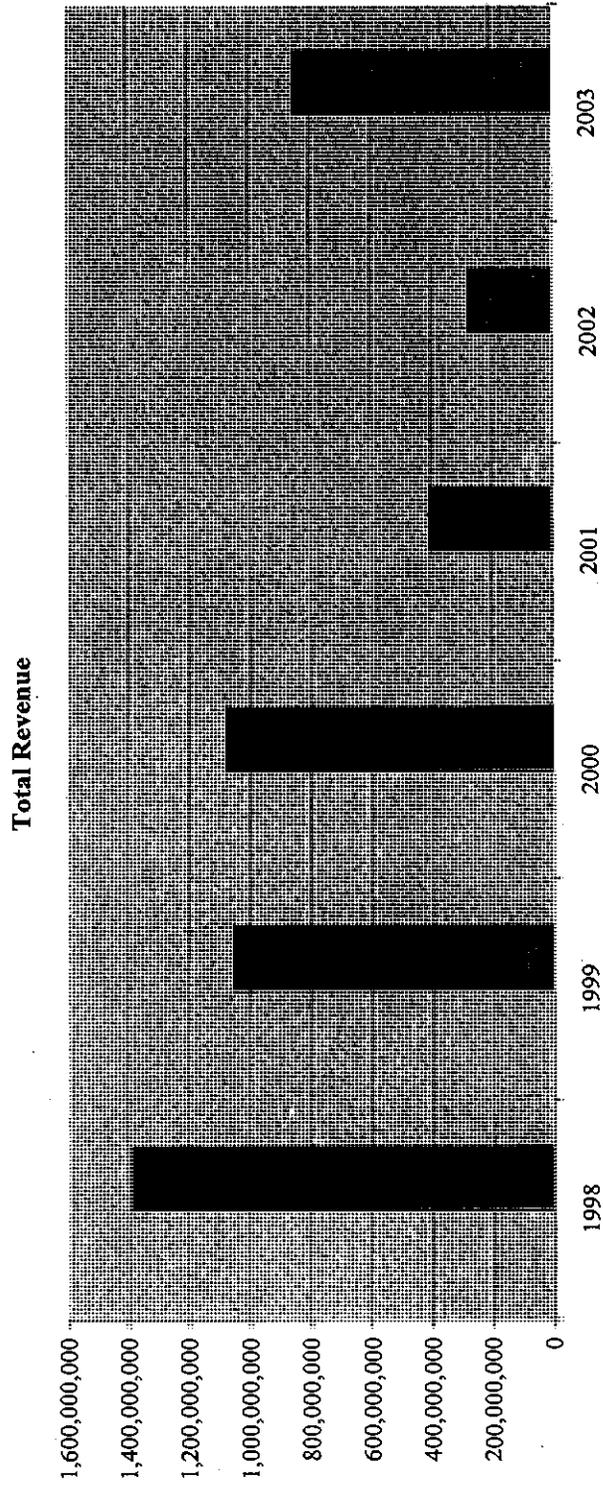
	<u>2003</u>	<u>2002</u>
Cash balance, beginning of year	\$3,281,205	\$3,223,790
<u>Receipts:</u>		
Members' contributions	223,802,137	226,548,399
Member tax-shelter	4,448,732	4,815,309
Employer statutory requirement from local school districts	218,932,213	207,764,910
Federal matching	14,076,202	13,414,416
Dedicated revenue	128,734,089	141,827,519
Interest income	129,135,327	167,192,796
Dividends	55,915,316	46,904,020
Net gain on investments	(150,682,004)	(67,537,534)
Other revenue	4,054,333	4,030,634
* Investments sold	<u>18,605,353,562</u>	<u>11,254,441,326</u>
Total receipts	<u>19,233,769,906</u>	<u>11,999,401,795</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	604,759,178	529,598,681
Refund of member contributions and annuity payments	73,563,552	58,495,950
Administrative expenses	3,862,978	3,781,815
Investment expenses	15,923,283	17,817,217
Equipment purchases	53,281	125,975
* Investment purchases	<u>18,532,461,331</u>	<u>11,389,524,742</u>
Total disbursements	<u>19,230,623,603</u>	<u>11,999,344,380</u>
Balance of cash, June 30	<u>\$6,427,508</u>	<u>\$3,281,205</u>

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

### Schedule of Revenue by Source

Year	Member Contributions	Employer Contributions	State of Oklahoma & Various Sources		Net Investment Income	Other Revenue	Total
			Federal	State			
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	
2003 *	224,952,145	218,841,977	143,147,463	263,873,633	2,162,527	852,977,745	

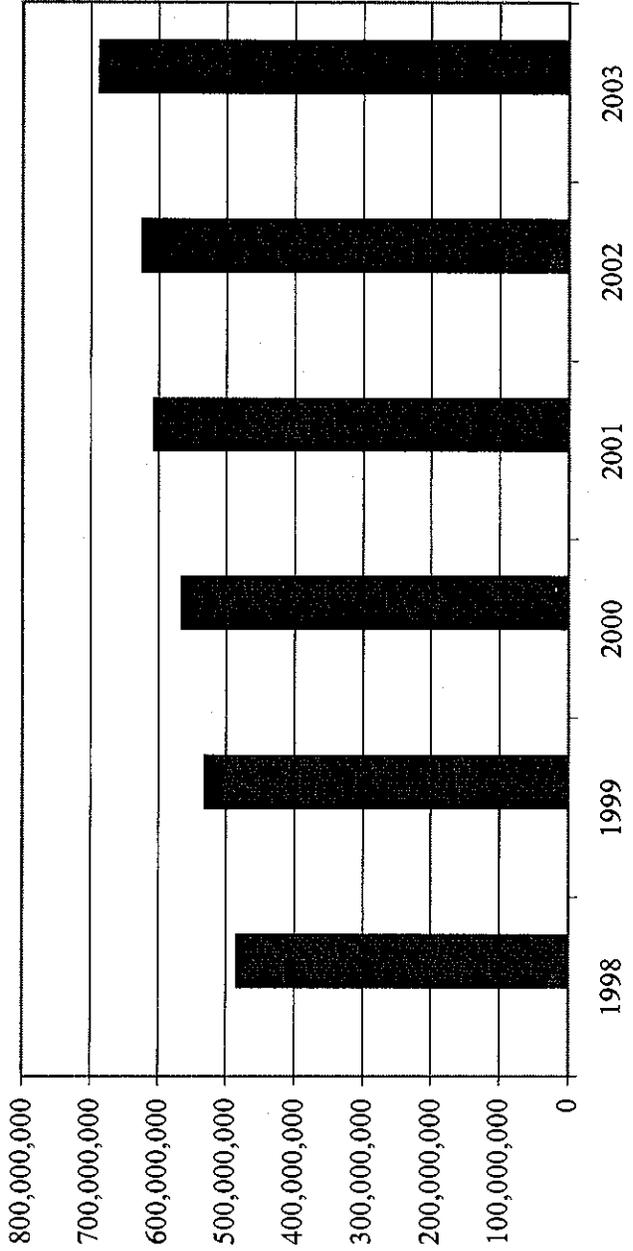
\* - Investment income includes both realized and unrealized gains and losses on investments.



### Schedule of Expenses by Type

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
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
2003	608,976,125	73,563,552	4,007,846	686,547,523

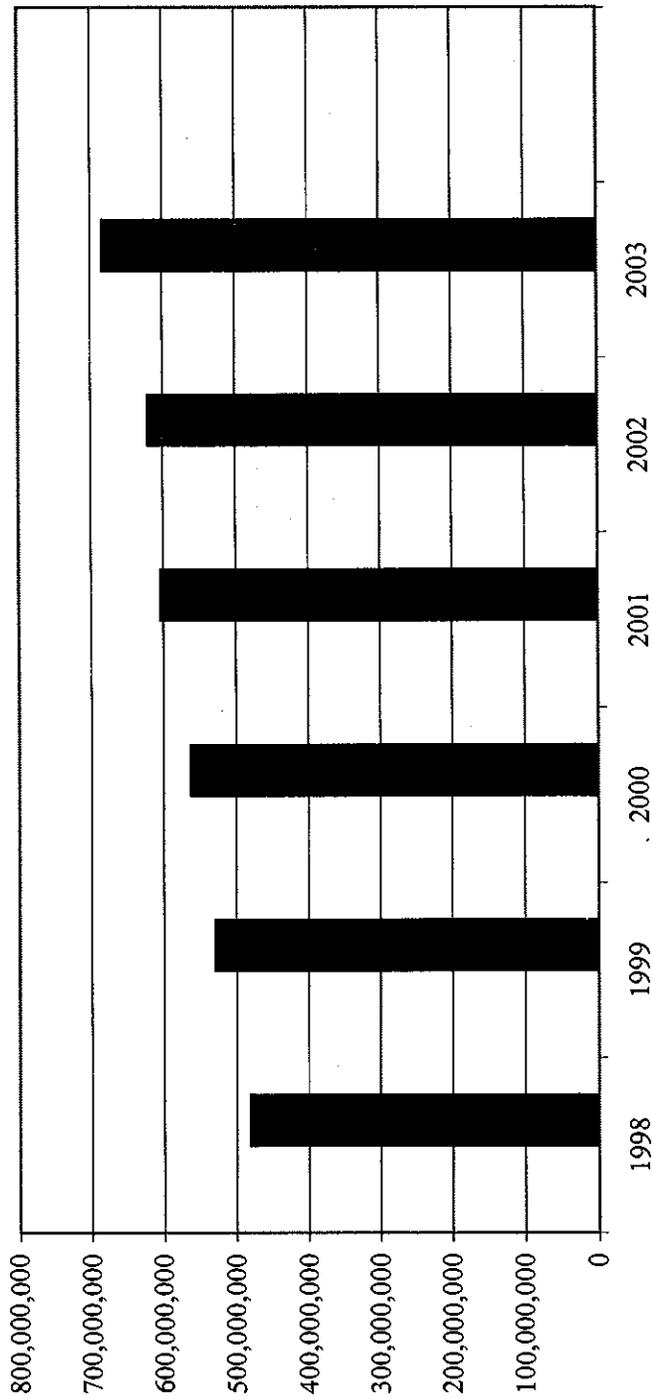
Total Expenses



**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>
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
2003	569,959,953	29,625,205	9,390,967	30,176,320	43,387,232	682,539,677

**Total Benefit Expenses**



## Retirees in the State of Oklahoma by County

Of the 38,059 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 90% or 34,228 remain state of Oklahoma residents. As such, benefit payments of approximately, \$541,000,000 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	252	\$3,865,848	LeFlore	553	\$8,861,412
Alfalfa	95	1,444,116	Lincoln	315	4,526,568
Atoka	147	2,294,952	Logan	281	3,904,380
Beaver	92	1,403,568	Love	76	1,171,824
Beckham	219	3,458,940	Major	70	991,284
Blaine	123	1,861,548	Marshall	180	2,730,864
Bryan	591	9,674,496	Mayes	365	5,791,656
Caddo	374	5,191,080	McClain	316	4,547,376
Canadian	739	11,746,368	McCurtain	423	7,053,276
Carter	441	6,826,860	McIntosh	301	4,831,392
Cherokee	649	11,154,972	Murray	152	2,637,012
Choctaw	186	2,746,932	Muskogee	869	14,578,236
Cimarron	35	504,828	Noble	103	1,462,356
Cleveland	2,020	31,633,428	Nowata	69	1,090,716
Coal	58	863,148	Okfuskee	130	1,961,256
Comanche	1,101	18,171,300	Oklahoma	5,712	92,496,840
Cotton	62	962,208	Okmulgee	553	8,364,336
Craig	153	2,437,212	Osage	162	2,382,828
Creek	477	7,389,384	Ottawa	479	6,957,624
Custer	425	7,217,412	Pawnee	155	2,210,088
Delaware	229	3,856,440	Payne	1,534	23,616,780
Dewey	86	1,333,584	Pittsburg	461	7,114,080
Ellis	48	678,372	Pontotoc	567	9,149,952
Garfield	564	8,607,672	Pottawatomie	579	8,685,612
Garvin	356	5,131,656	Pushmataha	149	2,143,284
Grady	446	6,892,596	Roger Mills	61	855,672
Grant	81	1,030,764	Rogers	541	9,043,368
Greer	81	1,247,580	Seminole	289	4,319,028
Harmon	59	953,388	Sequoyah	450	7,419,852
Harper	66	1,112,220	Stephens	403	6,311,424
Haskell	164	2,519,736	Texas	176	2,687,532
Hughes	147	2,289,936	Tillman	106	1,647,864
Jackson	294	5,104,596	Tulsa	4,324	69,881,568
Jefferson	69	1,040,208	Wagoner	256	4,259,316
Johnston	175	2,915,652	Washington	479	6,728,232
Kay	501	7,540,644	Washita	134	2,053,968
Kingfisher	134	2,153,520	Woods	219	3,343,092
Kiowa	151	2,230,812	Woodward	172	2,671,596
Latimer	174	2,693,592			
			Total	<u>34,228</u>	<u>540,665,112</u>

## 2003 PARTICIPATING EMPLOYERS

### PUBLIC SCHOOL DISTRICTS

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

PUBLIC SCHOOL DISTRICTS (continued)

Kiowa	Millfay	Pawhuska	Sasakwa	Tom
Konawa	Mill Creek	Pawnee	Savanna	Tonkawa
Krebs	Millwood	Peavine	Sayre	Tulsa
Kremlin-Hillsdale	Minco	Peckham	Schulter	Tupelo
Lane	Moffett	Peggs	Seiling	Turkey Ford
Latta	Monroe	Perkins-Tryon	Seminole	Turner
Laverne	Moore	Perry	Sentinel	Turpin
Lawton	Mooreland	Picher-Cardin	Sequoyah	Tushka
Leach	Morris	Pickett Center	Shady Grove	Tuskahoma
Leedey	Morrison	Piedmont	Shady Point	Tuttle
Le Flore	Moseley	Pioneer	Sharon-Mutual	Twin Hills
Leonard	Moss	Pioneer Pleasant	Shattuck	Tyrone
Lexington	Mounds	Vale	Shawnee	Union City
Liberty (Okmulgee)	Moyers	Pittsburg	Shidler	Union
Liberty (Sequoyah)	Mt View-Gotebo	Plainview (Carter)	Silo	Valliant
Liberty (Tulsa)	Muldrow	Plainview(Cimamon)	Skelly	Vanoss
Lindsay	Mulhall-Orlando	Pleasant Grove	Skiatook	Vamum
Little Axe	Muskogee	(Pottawatomie)	Smithville	Velma-Alma
Locust Grove	Mustang	Pleasant Grove	Snyder	Verden
Lomega	Nashoba	(Seminole)	Soper	Verdigris
Lone Grove	Navajo	Pocola	South Coffeyville	Vian
Lone Star	New Lima	Ponca City	South Rock Creek	Vici
Lone Wolf	Newcastle	Pond Creek-Hunter	Spavinaw	Vinita
Lookeba Sickles	Newkirk	Porter Consolidated	Sperry	Wagoner
Lost City	Ninnekah	Porum	Spiro	Wainwright
Lowrey	Noble	Poteau	Springer	Wakita
Lukfata	Norman	Prague	Sterling	Walters
Luther	North Rock Creek	Preston	Stidham	Wanette
Macomb	Norwood	Pretty Water	Stigler	Wapanucka
Madill	Nowata	Prue	Stillwater	Warner
Mangum	Oak Grove	Pryor	Stilwell	Washington
Mannford	Oakdale	Purcell	Stonewall	Washita Heights
Mannsville	Oaks Mission	Putnam City	Straight	Watonga
Maple	Oilton	Quapaw	Stratford	Watson
Marble City	Okarche	Quinton	Stringtown	Watts
Marietta	Okay	Rattan	Strother	Waukomis
Marlow	Okeene	Ravia	Stroud	Waurika
Maryetta	Okemah	Red Oak	Stuart	Wayne
Mason	Oklahoma City	Reydon	Sulphur	Waynoka
Maud	Oklahoma Union	Ringling	Sweetwater	Weatherford
Maysville	Okmulgee	Ringwood	Swink	Webbers Falls
McAlester	Oktaha	Ripley	Tahlequah	Welch
McCord	Olive	Riverside	Talihina	Weleetka
McCurtain	Olney	Robin Hill	Taloga	Wellston
McLish	Olustee	Rock Creek	Tannehill	Western Heights
McLoud	Oologah-Talala	Rocky Mountain	Tecumseh	Westville
Medford	Optima	Roff	Temple	Wetumka
Meeker	Osage Hills	Roland	Tenkiller	Wewoka
Merritt	Osage	Rush Springs	Terral	White Oak
Miami	Owasso	Ryal	Texhoma	White Rock
Middleberg	Paden	Ryan	Thackerville	Whitebead
Midway	Panama	Salina	Thomas-Fay-Custer	Whitefield
Midwest City-	Panola	Sallisaw	Timbertake	Whitesboro
Del City	Paoli	Sand Springs	Tipton	Wickliffe
Milburn	Pauls Valley	Sapulpa	Tishomingo	Wilburton

**PUBLIC SCHOOL DISTRICTS (continued)**

Wilson (Carter) Wynnewood  
 Wilson (Okmulgee) Wynona  
 Wister Yale  
 Woodall Yarbrough  
 Woodland Yukon  
 Woodward Zaneis  
 Wright City Zion  
 Wyandotte

**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

**COLLEGES AND UNIVERSITIES**

Cameron University Panhandle State  
 East Central Univ. University  
 Langston University Rogers University  
 NE Oklahoma SE Oklahoma  
 State University State University  
 NW Oklahoma SW Oklahoma  
 State University State University  
 Oklahoma State University of  
 University Central Oklahoma

University of  
 Oklahoma  
 University of  
 Oklahoma Health  
 Sciences Center  
 University of  
 Science and Arts  
 of Oklahoma

**JUNIOR COLLEGES**

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

**OTHER PARTICIPATING ENTITIES**

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

## NOTES