Teachers' Retirement System of Oklahoma

a Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report

for the

Fiscal Year Ended June 30, 2004

Prepared by the Retirement System Staff

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

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1-877-738-6365 (toll-free in Oklahoma)
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The 2004 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. 2,000 copies have been printed by the Department of Central Services, Central Printing Division at a cost of $8,350. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Table of Contents

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, 2004. 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 61st 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, 2004, the System had 631 participating employers, 81,683 active members, 13,267 inactive members, and 39,593 retired members and beneficiaries receiving monthly benefits.

The 2004 Comprehensive Annual Financial Report (CAFR) is presented in five sections: the Introductory, Financial, Investment, Actuarial, and Statistical. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, all data in the report is accurate in all material respects and is reported in a manner designed to present fairly the plan net assets and changes in the System's plan net assets. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

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

ECONOMIC SUMMARY

The recovery of equity markets that began in March 2003 and continued through most of Fiscal Year 2004 resulted in positive investment returns for the System. For the year ended June 30, 2004, the System's investment portfolio generated a rate of return of 20.6%. Improving revenue at the state level resulted in a $14.2 million increase in the state's contribution for the year ending June 30th when compared to revenues received for the preceding year. Revenue projections for the coming year, coupled with a 5.9% increase in the percentage of revenue dedicated to the System, are expected to increase state contributions by approximately $10 million dollars over contributions received during Fiscal Year 2004.

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MAJOR INITIATIVES AND SIGNIFICANT EVENTS

A properly funded pension plan is the most important issue for the Board of Trustees. The System continues to be one of the country's five worst-funded state-operated pension plans. As of June 30, 2004, only 47.3% of the System's actuarial liabilities were covered by the actuarial value of assets. This is a significant decrease from the 54.0% funded ratio reported for June 2003. There were several reasons for this deterioration including the implementation of an actuarial assumption for future cost-of-living increases, an optional retirement plan for new employees at the state's two comprehensive universities, extending sick leave credit and death benefit to all active members and the failure of employers to meet the annual required actuarial contribution.

The Board continues to stress the importance of improving the System's overall funded position. During the past year, Trustees worked with the Governor, legislative leaders, and representatives from education organizations to find ways to better finance the System's obligations. Passage of Senate Bill 1376 in 2002 was a major event. It provides an increase in the state's contribution to the System beginning July 1, 2004. The percentage of sales, use and income tax revenues dedicated by the state to the Teachers' Retirement Fund will gradually increase from the present 3.54% 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. 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 2004 Legislature enacted a benefit increase for retirees effective July 1, 2004. The increase averaged 4.0% and will be allocated to individual retirees based on total service at retirement and the dollar amount of each retiree's current benefit. In addition, a new optional retirement plan for employees at the state's two comprehensive university was enacted during the 2004 Legislative Session.

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 2003 and 2004 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 2004 were $233.1 million, which represented 7% of covered payroll. This compares to $220.5 million for the year ending June 30, 2003. 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 $3.031 billion.

Contributions from local employers, the state of Oklahoma, and federal sources for Fiscal Year 2004 totaled $375.3 million, compared to $362.0 million for 2003. Contributions from local school districts and federal revenues decreased $940,000 and the state's contribution increased $14.2 million. Local schools contributed 7.05% of employees' pay 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, 2004, are included in the Actuarial Section. The System's relative funded position for the year ending June 30, 2004, decreased from 54.0% on June 30, 2003 to 47.3%. The System's unfunded actuarial accrued liabilities (UAAL) increased $1.931 billion, from $5.488 billion to $7.419 billion. The increase in UAAL was due to the inclusion of an actuarial assumption for a 1% annual cost-of-living increase, an optional retirement plan for employees at the state's two comprehensive universities, extending the sick leave credit and death benefit to all active members and the failure of employers to meet the annual required actuarial contribution. The System's actuarial liabilities are calculated and reported based on existing statutes and Board-adopted assumptions including an investment return rate of 8%, a salary increase rate that averages 4.7% per year, a payroll growth rate of 3.5%, and a growth in state revenue of 3.5%. The 1% COLA assumption added $1.056 billion to this year's new liabilities. Other legislative changes added $537.9 million. The remaining $337.2 million increase was the net effect of asset losses incurred in prior years and employer contributions failing to meet the annual required contribution requirement as determined by the System's actuary. An addendum to the annual actuarial report required by Title 70 O.S. § 17-106.1 is included in the Actuarial Section. This addendum is required of each state-run pension plan and measures actuarial liabilities based on uniform assumptions including a 2% annual cost-of-living assumption.

The actuarial value of assets is reported at $6.661 billion, compared to $6.437 billion at the close of business June 30, 2003. 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 $285.3 million held in individual member savings accounts in the System's 403(b) Tax Sheltered Annuity Program and averages investment gains and losses in excess of the 8% assumed investment rate of return over a five-year period. It should be noted that the System's actuarial value of assets on June 30, 2004, was $5.6 million less than market value or the fair value of assets.

The actuary's report continues to stress that the System remains poorly funded. Since 1990, the System's funded ratio has improved from 38.6% to 47.3%, primarily due to return on investments exceeding the 8% assumed actuarial rate of return on investment in all but four of the last fifteen years.

The current combined local school/state contribution rate is not large enough to pay the normal cost and pay interest on the unfunded accrued actuarial liabilities. The funding period (the period required to amortize the UAAL) increased from 28.7 years to infinite. Without the change to add the 1% COLA assumption for future retiree benefits, the funding period would have increased to 39.7 years. The funding period would have been 30.6 years without any benefit changes. If benefits continue to increase, the System cannot be maintained without additional revenues.

EXPENSES

The System's expenses are attributable to retirement benefit payments including health insurance subsidies, death and survivor benefits, refunds of member contributions and administrative expenses. During the year ended June 30, 2004, the System paid $38.3 million more in retirement, survivor and insurance benefits than in the preceding year, $3.5 million more in refunds to active member who terminate accounts, and $24.7 million less in distributions from the System's 403(b) Tax Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members and 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 decrease in withdrawals from the tax-sheltered annuity plan is a reflection of the improved investment climate as members requested fewer transfers to other financial institutions. Administrative expenses decreased by $156,526 due primarily to decreases in non-investment related professional services and a decrease in depreciation expense.

INVESTMENTS

As previously stated, the System's investment returns were a positive 20.6% gross of management fees and 20.3% net of fees. Net investment income, including realized and unrealized gains and losses, was $1.176 billion, compared to $263.9 million for FY 2003. Net assets totaled $6.952 billion at market value on June 30, 2004, compared to $5.863 billion on June 30, 2003. Included in assets is $285.3 million held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Program.

On June 30, 2004, the System's investment portfolio mix at market value was 23% fixed income, 70% equities and 7% 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, 2004, was a positive 20.6% versus a 5.2% return for 2003. Annualized three-year and five-year total returns were 6.4% and 5.5%, 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 2004 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, 2004, 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, 2003. 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 eleventh 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, 2004

BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

November 1, 2004

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

On behalf of the Board of Trustees and staff, I am pleased to present the Annual Report of the Teachers' Retirement System of Oklahoma, for the year ending June 30, 2004. This summary is an important part of our commitment to provide members with information about their benefits and retirement as well as noting significant changes that occurred during the year.

Your Board of Trustees' goal is to provide members a well-funded System. The Board deals with a number of issues, chief among them the management of the System's investment portfolio to maximize financial returns. Investment income combined with employee and employer contributions provide the major funding for the System's pension benefits. Our return for the last year was 20.6%, and the returns have averaged 11.23% per year for the last 10 years. At the current time, the market value is approximately $7 billion. The investment returns have been good, but the underfunded status still remains a major concern. There needs to be an assurance that current and future retirees receive what they have earned and have been promised.

The escalating cost of health care and in particular the costs of prescription drugs are a continuing concern. Cost-of-Living adjustments and other benefit improvements are needed on a regular basis.

The Board and staff appreciate the support of the Governor and the Legislature and continue to work with state leaders and our friends in the education community to resolve the funding problems.

Improving service to our members is a continuing commitment, Better communication via telephone, the *Trends* newsletter and our website (www.trs.state.ok.us) is an ongoing goal. The Trustees and staff welcome your comments and suggestions for improving our System.

Sincerely,

Tommy G. Fulton

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

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Teachers' Retirement System of Oklahoma
Board of Trustees

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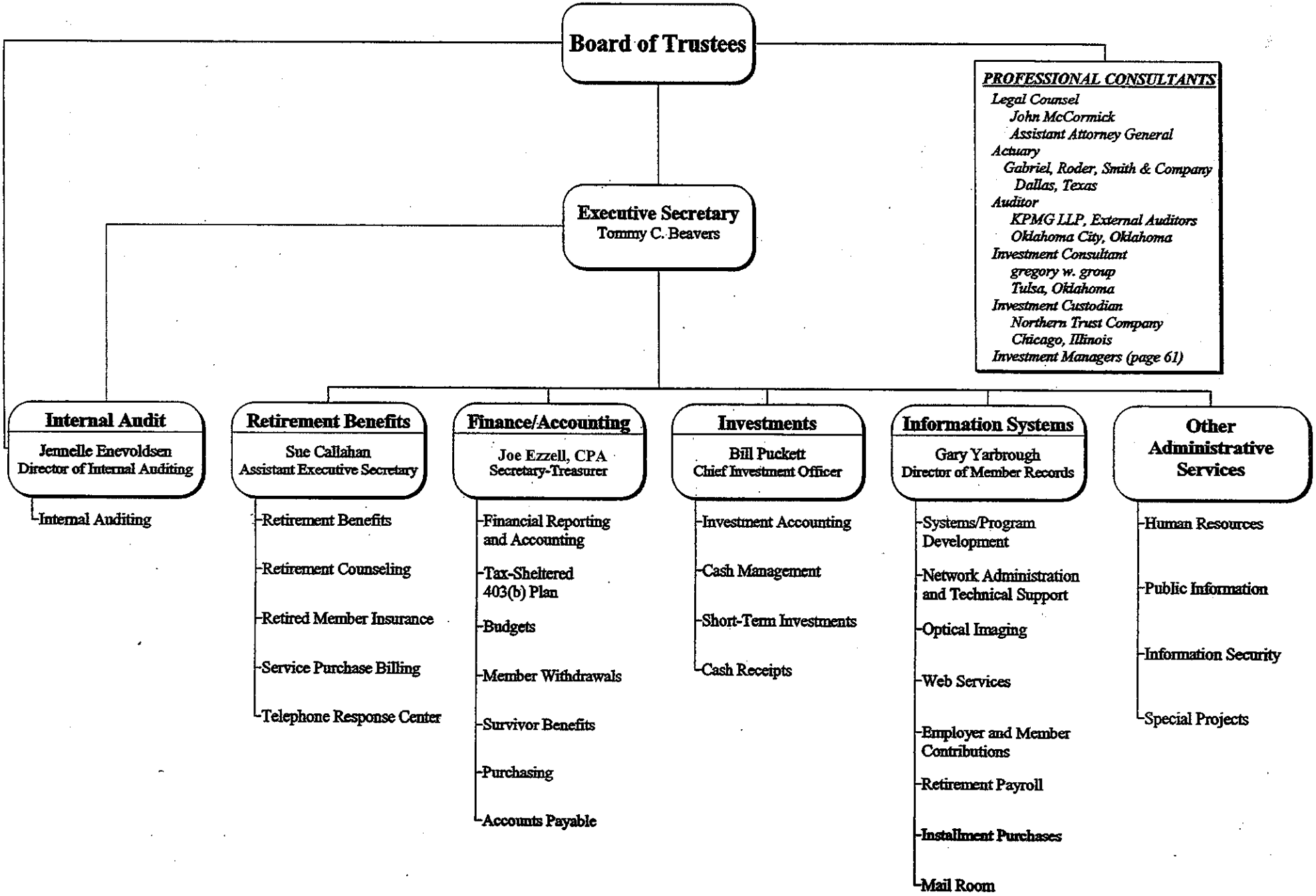
Active Superintendent of Elk City Public Schools — Governor Appointee

James E. Smith, Shawnee
Trustee
Non-Member — Governor Appointee

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Organization



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
2003-2004 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 five years of contributory Oklahoma membership service. You may retire at age 62 with unreduced benefits after completing five 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 five 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 have at least 10 years' contributory TRS service), *and*
- you submit a disability retirement application detailing your medical condition which must have existed while you were employed by the public schools of Oklahoma, *and*
- your application is approved by the TRS Medical Review Board and the Board of Trustees.

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

HEALTH INSURANCE BENEFIT

If you have at least 10 years creditable service and retire or terminate your employment, you may elect to continue coverage in the insurance program your employer provides to active employees. Once you begin receiving monthly retirement checks, TRS will pay the first $100 to $105 of monthly premiums for you (but not dependents). The actual amount paid by TRS is determined by each 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.

(Continued on back)

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 plus 10% simple interest on that amount for each year your account was withdrawn. You may pay this amount in one lump sum or through installment payments for up to 60 months.

Only an optional member (support personnel) can terminate membership in TRS without terminating employment. If you are an optional member and withdraw your account without leaving your job, 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 can rejoin TRS only under special provisions of an Internal Revenue Service private letter ruling, which requires a period of non-membership and loss of all the right to redeposit withdrawn service or purchase prior service credits. In this case, you would become a new member as of the date you rejoin.

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

Tax-Sheltered Annuity Plan

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

Rights and Responsibilities

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

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

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

Street Address:
Oliver Hodge Building, 5th Floor
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Oklahoma City, OK 73105

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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, 2003

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.

President

Executive Director

Investment Section

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

Independent Auditors' Report

Board of Trustees
Teachers' Retirement System
of Oklahoma:

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Oklahoma (the System), a part of the financial reporting entity of the state of Oklahoma, as of June 30, 2004 and 2003, 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 (UAAL) is approximately $7,419,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. The present funding schedule is not sufficient to amortize the UAAL.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the System at June 30, 2004 and 2003, 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.

In accordance with *Government Auditing Standards,* we have also issued a report dated September 10, 2004 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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 and opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 2 through 4, the Introductory Section, the Investment Section, the Actuarial Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included in schedules 2 through 4 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information in the Introductory Section, the Investment Section, the Actuarial Section and the Statistical Section 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.

KPMG LLP

September 10, 2004

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, 2004, 2003, and 2002.

Financial Highlights

- The net assets of TRS exceeded its current liabilities by $6.952 billion and $5.863 billion at June 30, 2004 and 2003, 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 $1.088 billion and by $166 million at June 30, 2004 and 2003, respectively. The gains in 2004 and 2003 were due to an equity market rally that started in the fourth quarter of fiscal year 2003 and continued into fiscal year 2004. These conditions resulted in net realized and unrealized gains on investments of $1,049 million and $116 million in fiscal year 2004 and 2003, respectively.

- At June 30, 2004, TRS's unfunded actuarial accrued liability is $7.419 billion. The unfunded actuarial accrued liability at June 30, 2003 was $5.488 billion. The System's funded ratio decreased from 54.0% to 47.3%. This decrease is due to the impact of adding a cost-of-living increase assumption, asset losses, and benefit enhancements.

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 (the State) financial reporting entity, which is combined with other similar funds to comprise the fiduciary-pension trust funds of the State. The supervisory authority for the management and operation of the System is a 13-member board of trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

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)

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

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

Financial Analysis

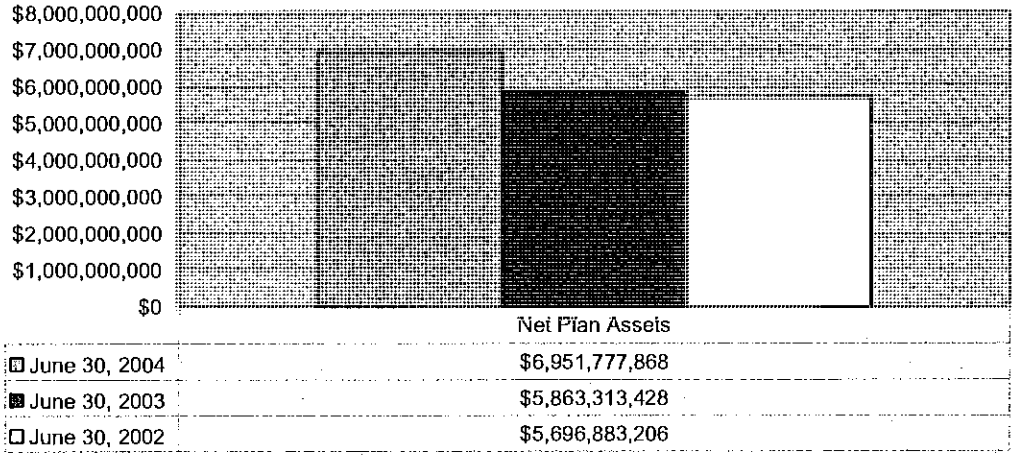
As noted earlier, increases or decreases of plan net assets may serve over time as a useful indicator of the System's financial position. By far the largest portion of the System's assets are in cash and investments, which comprises $7.069 billion and $6.115 billion of the plan net assets at June 30, 2004 and 2003, respectively. These amounts do not include the amounts shown as securities lending assets. Securities lending assets are offset by a liability for the same amount on the *statement of plan net assets.* Since the securities lending assets are offset by the securities lending liability they are not available for future spending. A summary of the plan net assets is shown below as of June 30:

Assets	2004	2003	2002
Cash	$ 6,466,943	6,427,508	3,281,205
Short-term investments	514,478,967	395,517,841	294,413,621
Accrued interest and dividends receivable	19,629,944	23,476,667	30,254,185
Contributions receivable	33,490,888	32,833,301	33,418,434
Receivable from the state of Oklahoma	13,848,383	13,113,939	12,968,052
Due from brokers for securities sold	39,101,478	157,590,032	54,974,209
Securities lending institutional daily asset fund	1,377,874,455	944,610,734	768,336,765
Long-term investments	6,548,512,640	5,712,921,751	5,449,868,404
Capital assets, net	287,256	309,543	404,771
Total assets	8,553,690,954	7,286,801,316	6,647,919,646
Liabilities			
Benefits in process of payment	54,424,807	51,817,413	47,600,468
Due to brokers for securities purchased	162,858,780	419,032,764	130,734,759
Payable under securities lending agreement	1,377,874,455	944,610,734	768,336,765
Other liabilities	6,755,044	8,026,977	4,364,448
Total liabilities	1,601,913,086	1,423,487,888	951,036,440
Net Assets			
Net assets held in trust for pension benefits and annuity benefits of electing members	$ 6,951,777,868	5,863,313,428	5,696,883,206

(Continued)

The graph below illustrates the $1.088 billion and $166 million increases in net assets for the years ended June 30, 2004 and 2003, respectively. As previously mentioned, the increases in net assets for 2004 and 2003 was primarily due to the equity market rally which started in the fourth quarter of the fiscal year ended June 30, 2003 and continued through the fiscal year ended June 30, 2004.

PLAN NET ASSETS AS OF JUNE 30, 2004, 2003, AND 2002



Changes in Selected Revenue and Expense Items

Fiscal Year 2004 compared to 2003

The revenues received from member contributions increased by $12.6 million or 6% in fiscal year 2004 from the prior fiscal year period due to an increase in the amount of contribution made by the state on behalf of the members. Employer statutory contributions increased by $285 thousand or 0.1% during the current year. Dedicated revenue increased by $14 million or 11% for the year as a result of a higher state revenue base due to improved economic conditions. Net investment gain increased by $912 million due to the equity market rally which started in the fourth quarter of fiscal year 2003 and continued in fiscal year 2004. Investment expenses increased by $5.5 million or 34%. This increase was a result of the increase in the fair value of funds invested during fiscal year 2004. Retirement, death, survivor, and health benefit payments increased by $38 million or 6%. This was due to an increase in the number of retirees receiving monthly benefits. Refunds of member contributions and annuity payments decreased by $21 million or 29%. The decrease was a result of a reduction in the number of tax shelter annuity fund withdrawals due to improving market performance during fiscal year 2004. Administrative expenses decreased by $157 thousand or 4% due primarily to decreases in non-investment related professional services and a decrease in depreciation expense. A summary of *changes in plan net assets* is presented on the following page. The graphs on page 27 offer a comparison of selected revenue and expense accounts for fiscal years 2004 and 2003.

Fiscal Year 2003 compared to 2002

The revenues received from member contributions decreased by $6 million or 3% in fiscal year 2003 from the prior fiscal year period. Employer statutory contributions increased by $8 million or 4% during the current year due to an increase in the contribution rate from 6.8% to 7.05%. Dedicated revenue decreased by $12 million or 9% for the year as a result of a lower state revenue base due to poor economic conditions. Net investment gain increased by $615 million due to the fourth quarter equity market rally in fiscal year 2003. Investment expenses decreased by $429 thousand or 3%. This decrease was a result of the decrease in the fair value of funds invested

(Continued)

during the first three quarters of fiscal year 2003. Retirement, death, survivor, and health benefit payments increased by $48 million or 9%. This was due to an increase in the number of retirees receiving monthly benefits and an increase in monthly benefits of 3% for retirees with less than 30 years of service and 4% for retirees with 30 years of service or more. Refunds of member contributions and annuity payments increased by $15 million or 26%. The increase was a result of management's continuing efforts in closing out inactive accounts and an increase in the withdrawal of tax-shelter annuity funds due to poor market performance during the first three quarters of fiscal year 2003. Administrative expenses increased by $102 thousand due primarily to an increase in personnel costs and contractual expenses incurred for the improvement of the agency's website. A summary of *changes in plan net assets* is presented on the following page. The graphs on page 27 offer a comparison of selected revenue and expense accounts for fiscal years 2004, 2003, and 2002.

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

	2004	2003	2002
Additions:			
Contributions:			
Members	$ 233,121,332	220,503,413	226,445,669
Members tax shelter	5,191,621	4,448,732	4,815,309
Employer statutory requirement from local school districts	219,126,867	218,841,977	210,829,995
Federal matching	13,042,355	14,267,487	13,138,458
Dedicated tax revenue	143,100,533	128,879,976	141,057,868
Total contributions	613,582,708	586,941,585	596,287,299
Investment income:			
Interest	79,105,793	107,834,044	139,441,249
Dividends	69,366,744	56,275,701	47,459,496
Net realized and unrealized gains (losses)	1,048,927,967	115,804,022	(499,102,940)
Less investment expenses	(21,573,692)	(16,040,134)	(16,469,508)
Gain (loss) from investing activities	1,175,826,812	263,873,633	(328,671,703)
Income from securities lending activities:			
Securities lending income	12,975,928	12,926,940	21,794,929
Borrower rebates	(9,610,077)	(10,062,106)	(17,878,116)
Management fees	(854,595)	(702,307)	(979,405)
Income from securities lending activities	2,511,256	2,162,527	2,937,408
Net investment gain (loss)	1,178,338,068	266,036,160	(325,734,295)
Total additions	1,791,920,776	852,977,745	270,553,004
Deductions:			
Retirement, death, survivor, and health benefits	647,277,986	608,976,125	561,222,392
Refund of member contributions and annuity payments	52,327,030	73,563,552	58,495,950
Administrative expenses	3,851,320	4,007,846	3,905,754
Total deductions	703,456,336	686,547,523	623,624,096
Net increase (decrease)	1,088,464,440	166,430,222	(353,071,092)
Net assets:			
Beginning of year	5,863,313,428	5,696,883,206	6,049,954,298
End of year	$ 6,951,777,868	5,863,313,428	5,696,883,206

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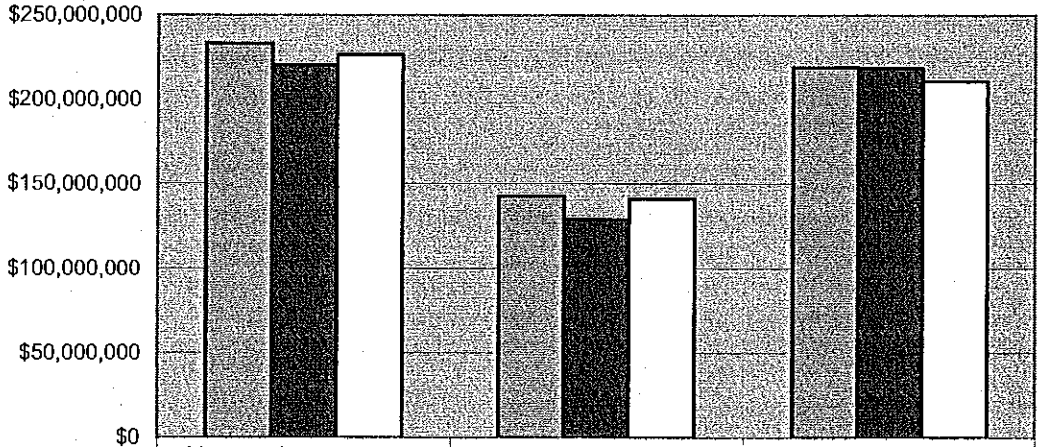
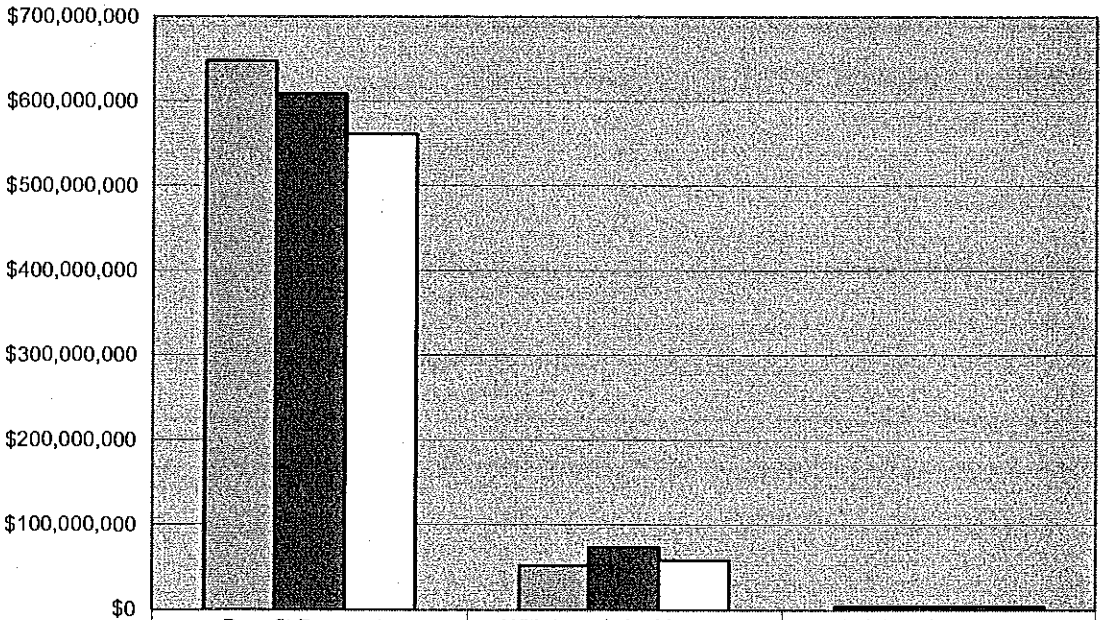
MANAGEMENT'S DISCUSSION AND ANALYSIS

REVENUES FOR THE FISCAL YEARS ENDED JUNE 30, 2004, 2003, AND 2002



	Members' Contributions	Dedicated Tax Revenue	Employer
YEAR ENDED JUNE 30, 2004	$233,121,332	$143,100,533	$219,126,867
YEAR ENDED JUNE 30, 2003	$220,503,413	$128,879,976	$218,841,977
YEAR ENDED JUNE 30, 2002	$226,445,669	$141,057,868	$210,829,995

DEDUCTIONS FOR THE FISCAL YEARS ENDED JUNE 30, 2004, 2003, AND 2002



	Benefit Payments	Withdrawals by Members	Administrative Expenses
YEAR ENDED JUNE 30, 2004	$647,277,986	$52,327,030	$3,851,320
YEAR ENDED JUNE 30, 2003	$608,976,125	$73,563,552	$4,007,846
YEAR ENDED JUNE 30, 2002	$561,222,392	$58,495,950	$3,905,754

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A 20.6% positive return on investments was achieved for the fiscal year ended June 30, 2004. The return for fiscal year 2004 was TRS's highest since fiscal year 1998. Although the return on investments is very important to the System, members' benefits are assured and protected because TRS is a defined benefit plan. As the name implies, a defined benefit plan is income provided for retirement on a formula that is fixed or defined. The size of the pension is fixed before retirement. Usually, the formula is calculated as a percent of a worker's average salary prior to retirement. The percent-of-salary figure increases with the number of years served. The TRS benefit formula is the member's final average salary times 2%, times the number of years served.

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

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

A law enacted in 1999 provided that the System would receive 3.54% of the state sales, use, and corporate and individual income taxes collected. This dedicated revenue source contributed $143 million in fiscal year 2004 and $129 million in fiscal year 2003. The TRS Board of Trustees has adopted an actuarial assumption that this source of revenue should increase at a rate of 3.5% annually. The state sales, use, and corporate and individual income taxes replaced the gross production tax previously dedicated to the System. This change provides TRS with a more stable revenue source. Senate Bill 1376, which became law July 1, 2002, provides that the percentage of state revenue will increase from 3.54% to 3.75% July 1, 2004; 4% July 1, 2005; 4.5% July 1, 2006; and 5% July 1, 2007 and thereafter. When the state's contribution hits 5%, it will approximate 7% of active members' pay, which is the contribution required by active members.

As of June 30, 2004 only 47.3% of the System's actuarial liabilities were covered by the actuarial value of its assets. According to Gabriel, Roeder, Smith, and Company, Consultants and Actuaries, TRS continues to be one of the worst funded state-operated pension plans in the nation. The significance of this problem for the future of Oklahoma cannot be overstated.

Requests for Information

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

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Statements of Plan Net Assets

June 30, 2004 and 2003

Assets	2004	2003
Cash	$ 6,466,943	6,427,508
Short-term investments	514,478,967	395,517,841
Accrued interest and dividends receivable	19,629,944	23,476,667
Contributions receivable	33,490,888	32,833,301
Receivable from the state of Oklahoma	13,848,383	13,113,939
Due from brokers for securities sold	39,101,478	157,590,032
Security lending institutional daily assets fund	1,377,874,455	944,610,734
Long-term investments:		
U.S. government securities	1,099,141,715	1,041,563,797
Corporate bonds	430,782,592	474,830,809
International bonds	96,309,754	85,912,553
Equity securities	4,922,278,579	4,110,614,592
Total long-term investments	6,548,512,640	5,712,921,751
Capital assets, net	287,256	309,543
Total assets	8,553,690,954	7,286,801,316
Liabilities		
Benefits in process of payment	54,424,807	51,817,413
Due to brokers for securities purchased	162,858,780	419,032,764
Payable under security lending agreement	1,377,874,455	944,610,734
Other liabilities	6,755,044	8,026,977
Total liabilities	1,601,913,086	1,423,487,888
Net Assets		
Net assets held in trust for pension benefits and annuity benefits (note 6) of electing members (a schedule of funding progress is presented on page 47)	$ 6,951,777,868	5,863,313,428

See accompanying notes to financial statements.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Statements of Changes in Plan Net Assets

Years ended June 30, 2004 and 2003

	2004	2003
Additions:		
Contributions:		
Members	$ 233,121,332	220,503,413
Members tax shelter	5,191,621	4,448,732
Employer statutory requirement from local school districts	219,126,867	218,841,977
Federal matching	13,042,355	14,267,487
Dedicated tax	143,100,533	128,879,976
Total contributions	613,582,708	586,941,585
Investment income:		
Interest	79,105,793	107,834,044
Dividends	69,366,744	56,275,701
Net realized and unrealized gains	1,048,927,967	115,804,022
Less investment expenses	(21,573,692)	(16,040,134)
Gain from investing activities	1,175,826,812	263,873,633
Income from securities lending activities:		
Securities lending income	12,975,928	12,926,940
Securities lending expenses:		
Borrower rebates	(9,610,077)	(10,062,106)
Management fees	(854,595)	(702,307)
Income from securities lending activities	2,511,256	2,162,527
Net investment gain	1,178,338,068	266,036,160
Total additions	1,791,920,776	852,977,745
Deductions:		
Retirement, death, survivor, and health benefits	647,277,986	608,976,125
Refund of member contributions and annuity payments	52,327,030	73,563,552
Administrative expenses	3,851,320	4,007,846
Total deductions	703,456,336	686,547,523
Net increase	1,088,464,440	166,430,222
Net assets, beginning of year	5,863,313,428	5,696,883,206
Net assets, end of year	$ 6,951,777,868	5,863,313,428

See accompanying notes to financial statements.

(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 State). The supervisory authority for the management and operation of the System is a 13-member board of trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System is a cost-sharing multiple-employer public employee retirement system, which is a defined benefit pension plan covering all employees of the public school system.

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

	2004	2003
Retirees and beneficiaries currently receiving benefits	39,593	38,059
Terminated vested participants	5,731	3,731
Active participants	81,683	83,127
	127,007	124,917

There are 631 contributing employers in the System. In addition, there were 7,536 and 9,028 of nonvested inactive participants at June 30, 2004 and 2003, 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 decreased from the funding level at June 30, 2003. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial accrued liability (UAAL) is expected to increase indefinitely. This compares to a 28.7 year amortization period at June 30, 2003. The actuarial accrued liability increased $2,154.9 million and the actuarial value of assets increased $224 million. As a result, the System's unfunded actuarial accrued liabilities increased $1,930.9 million to $7,419.2 million at June 30, 2004. The expected indefinite increase in the funded period and the decrease in the funded ratio are due to the impact of adding a 1% cost-of-living increase assumption, asset losses, and benefit enhancements. The inclusion of the 1% cost-of-living increase assumption was mandated to the System by the Legislature during the 2004 session.

The System will experience difficulty in meeting long-term obligations at a point in time if not funded at a more appropriate level. Based on calculations using Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* the System's funded ratio is only 47.3% at June 30, 2004 and 54.0% at June 30, 2003.

The figures on the preceding page (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Asset gains and losses (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 ($6.661 billion) is $5.6 million smaller than the fair value ($6.666 billion).

The financial condition of the System and its ability to meet future obligations is predicated on a funding schedule set in state statutes, which provides an increasing revenue stream based on a percentage of active members' pay. The present funding schedule is not sufficient to amortize the System's UAAL when the assumption for future cost-of-living adjustments is included in estimating the System's total liabilities.

(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 and using the economic resources measurement focus. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are established by statute as a percentage of salaries and are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the turns of the plan provisions. Administrative expenses are paid with funds provided by operations of the System.

(b) Budgetary Control

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

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

(c) Investments

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

(Continued)

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.

(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 $219,600 and $217,000 at June 30, 2004 and 2003, 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.

(Continued)

(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.

(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, 2004 and 2003, the carrying amount of cash with the State Treasurer was approximately $6,467,000 and $6,428,000, respectively. As a result of outstanding deposits and checks, bank balances totaled $9,199,000 and $4,442,000 at June 30, 2004 and 2003, respectively. At June 30, 2004 and 2003, cash on deposit with the State Treasurer is considered Category 1.

The System's investments would generally be categorized into one of three separate custodial 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 statement of net assets. 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, 2004 and 2003 are categorized as follows on page 37:

(Continued)

	2004	2003
Category 1 classification:		
Deposits:		
Domestic money market account	$ 215,213,000	345,957,000
International money market account	29,308,000	24,529,000
Total deposits	244,521,000	370,486,000
Short-term investments:		
Commercial paper	269,958,000	25,032,000
Total deposits and short-term investments	514,479,000	395,518,000
Long-term investments:		
U.S. government	597,374,000	767,016,000
Corporate bonds	379,989,000	404,728,000
International bonds	96,310,000	85,913,000
Domestic stock	2,850,613,000	2,487,899,000
International equities	1,101,348,000	917,842,000
Total long-term investments in category 1	5,025,634,000	4,663,398,000
Total category 1	5,540,113,000	5,058,916,000
Category 3 classification:		
Investments held by broker-dealers under securities loans for noncash collateral:		
U.S. government	116,064,000	111,207,000
Corporate bonds	4,346,000	7,060,000
Domestic stocks	49,747,000	15,752,000
International equities	7,810,000	352,000
Total category 3	177,967,000	134,371,000
Not subject to classification:		
Investments held by broker-dealers under securities loans for cash collateral:		
U.S. government	385,704,000	163,341,000
Corporate bonds	46,447,000	63,043,000
Domestic stocks	705,199,000	573,072,000
International equities	207,562,000	115,697,000
Securities lending collateral	1,377,874,000	944,611,000
Total not subject to classification	2,722,786,000	1,859,764,000
Total deposits and investments	$ 8,440,866,000	7,053,051,000

The System has investments in mortgage-backed securities pools of approximately $550,080,000 and $590,410,000 at June 30, 2004 and 2003, 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 $1,522,879,000 and $1,049,523,000 at June 30, 2004 and 2003, respectively. The underlying collateral for these securities had a fair value of approximately $1,559,374,000 and $1,082,714,000 at June 30, 2004 and 2003, respectively. Collateral of securities and letters of credit represented approximately $181,500,000 and $138,103,000 of total collateral at June 30, 2004 and 2003, 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, 2004 and 2003, 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 2004 or 2003 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 24 days. The relationship between the maturities of the investment fund and the System's loans is affected by the maturities of the securities loans made by other entities that use the lending agent's fund, which the System cannot determine.

(Continued)

(5) Capital Assets

Capital assets consist of the following:

		2004	2003
Furniture and fixtures	$	1,401,380	1,420,032
Accumulated depreciation		(1,114,124)	(1,110,489)
Capital assets, net	$	287,256	309,543

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, 2004 was approximately $187,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately $192,000 and $193,000 for the years ended June 30, 2004 and 2003, 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.

		2004	2003
Teachers' Deposit Fund (tax-sheltered annuities)	$	285,288,000	249,249,000
Expense Fund		38,945,000	33,324,000
Capital Assets Fund		287,000	310,000
	$	324,520,000	282,883,000

(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)

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 $62,500 and $57,500 for those who elected the $25,000 limit prior to June 30, 1995 in fiscal years 2004 and 2003, respectively, and $79,000 and $74,000 for all other members in fiscal years 2004 and 2003, 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 $36,309,000 and $32,477,000 for 2004 and 2003, 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% for 2004 and 2003, 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 five years of credited Oklahoma service. Members who joined the System on June 30, 1992, or prior, are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining the System after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2% of final compensation for each year of credited service.

- 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.

(Continued)

- 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 2004 and 2003. Such amounts were approximately $31,143,000 and $29,625,000 in 2004 and 2003, respectively, and are included in retirement, death, survivor, and health benefits. Amounts due to OSEGIB at June 30, 2004 and 2003, respectively, are approximately $2,585,000 and $2,463,000, 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) Dedicated Tax

The System receives 3.54% of the State's sales, use, and corporate and individual income taxes collected as dedicated tax. Senate Bill 1376, which became law in July 2002, provides that the percentage of the State's collected sales, use, and corporate and individual income taxes allocated by the State to the System will increase from 3.54% to 3.75% on July 1, 2004; 4% on July 1, 2005; 4.5% on July 1, 2006; and 5% on July 1, 2007 and thereafter. The System received approximately $143,100,000 and $128,880,000 from the State in 2004 and 2003, respectively. Amounts due from the State were approximately $13,848,000 and $13,114,000 at June 30, 2004 and 2003, respectively.

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 $62,500 and $57,500 for those who elected the $25,000 limit prior to June 30, 1995 in fiscal years 2004 and 2003, respectively, and $79,000 and $74,000 for all other members in fiscal years 2004 and 2003, 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.

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(Continued)

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(10) 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 $330,000, $324,000, and $309,000 for 2004, 2003, and 2002, respectively.

(11) Plan Amendments

The following is a summary of significant plan provision changes that were enacted by the State Legislature during 2004:

(a) Retiree Benefit Increase

Beginning with the July 2004 benefit payments, any retired member, joint annuitant or beneficiary receiving benefits from the Plan on June 30, 2003, will receive a cost-of-living increase according to the following schedule which will begin with the August 2004 benefit payment:

Years of service of retired member	Monthly benefit at June 30, 2004	Benefit increase
20 years or more	Less than $1,500	4.5%
	$1,500 to $2,499.99	4.0%
	Greater than $2,500	3.5%
15 to 19 years	Less than $1,000	4.0%
	$1,000 to $1,999.99	3.5%
	Greater than $2,000	3.0%
Less than 15 years	Less than $801	3.5%
	$801 to $1,499.99	3.0%
	$1,500 or greater	2.5%
Special retirees		4.0%

(b) Alternative Retirement Plan for Eligible Employees of Participating State Institutions of Higher Education Act of 2004 (the Act)

The Act allows new employees at comprehensive universities to enroll either in an alternative retirement plan established by the universities or in the System and provides for a one-time election for existing employees at the eligible universities to opt out of the System, subject to IRS approval. The Act also changes the retirement formula for employees of eligible universities that are impacted by the maximum compensation level discussed in note 7.

(Continued)

Retirement benefits for employees of eligible universities who have retired since 1995 will be recalculated. Any adjustment will be effective January 1, 2005, and benefits will increase beginning with the February 1, 2005, retirement benefit payments. The new calculation will not affect retirement benefits received before January 1, 2005.

(c) Death and Survivor Benefits

Effective July 1, 2004, beneficiaries of all deceased active members (including members that joined the System after July 1, 1992) are eligible to receive a death and survivor benefit of $18,000.

(12) New Pronouncements

Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB No. 40), updates the eustodial 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.

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

GASB Statement No. 43, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB No. 43), establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. In addition to pension, many state and local governmental employers provided OPEB as part of the total compensation offered to attract and retain the services of qualified employees. GASB No. 43 is effective for periods beginning after December 15, 2006, for phase one governments (those with total annual revenues of $100 million or more); after December 15, 2007, for phase two governments (those with total annual revenues of $10 million or more but less than $100 million); and after December 15, 2008, for phase three governments (those with total annual revenues of less than $10 million).

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, 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%
June 30, 2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%

Schedule of Employers Contributions
(Unaudited)

Fiscal year ended June 30,	Annual required contribution	Percentage contributed
1999	$ 456,864,002	53.5%
2000	455,265,033	60.6%
2001	451,463,258	72.7%
2002	556,201,571	65.6%
2003	585,168,488	61.9%
2004	534,811,845	70.2%

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, 2004 and 2003

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, 2004, 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.

(Continued)

TEACHERS' RETIREMENT SYSTEM
OF OKLAHOMA

Notes to Required Supplementary Information

June 30, 2004 and 2003

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2004 are as follows:

- Investment Return – 8% per annum, compounded annually (includes inflation of 3.0%)
- 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 – 1%

OTHER SUPPLEMENTARY INFORMATION

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Supplementary Information
Schedules of Investment Expenses

Years ended June 30, 2004 and 2003

		2004	2003
Investment custodian	$	100,000	100,000
Investment managers		22,234,098	16,396,725
Investment consultants		366,007	359,564
Investment information services		19,680	21,730
Commission recapture		(1,146,093)	(837,885)
Total investment expenses	$	21,573,692	16,040,134

See accompanying independent auditors' report.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Supplementary Information
Schedules of Administrative Expenses

Years ended June 30, 2004 and 2003

		2004	2003
Salaries and benefits	$	2,677,928	2,627,491
General and miscellaneous		523,551	543,976
Professional/consultant fees		218,935	325,380
State of Oklahoma interagency		266,859	287,539
Travel and related expenses		63,257	74,950
Depreciation expense		100,790	148,510
Total administrative expenses	$	3,851,320	4,007,846

See accompanying independent auditors' report.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Supplementary Information
Schedules of Professional/Consultant Fees

Years ended June 30, 2004 and 2003

		2004	2003
Actuarial	$	82,224	87,885
Medical		29,185	37,149
Legal		41,435	12,037
Audit		48,320	80,953
Data processing		8,902	79,446
Miscellaneous		8,869	27,910
Total professional/consultant fees	$	218,935	325,380

See accompanying independent auditors' report.

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

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

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, 2004, and have issued our report thereon dated September 10, 2004 which includes an emphasis paragraph related to the System's funded status and includes paragraphs related to required supplementary information and other supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* We noted certain matters that we reported to management of the System in a separate letter dated September 10, 2004.

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 10, 2004

Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

Schedules of Investment Expenses

Schedules of Administrative Expenses

Schedules of Professional/Consultant Fees

Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Investment Activity

The Teachers' Retirement System of Oklahoma had a gain for fiscal year 2004 of 20.6% based on fair value; three-year and five-year returns were 6.4% and 5.5% respectively. The System's investments increased $955 million to $7.063 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:

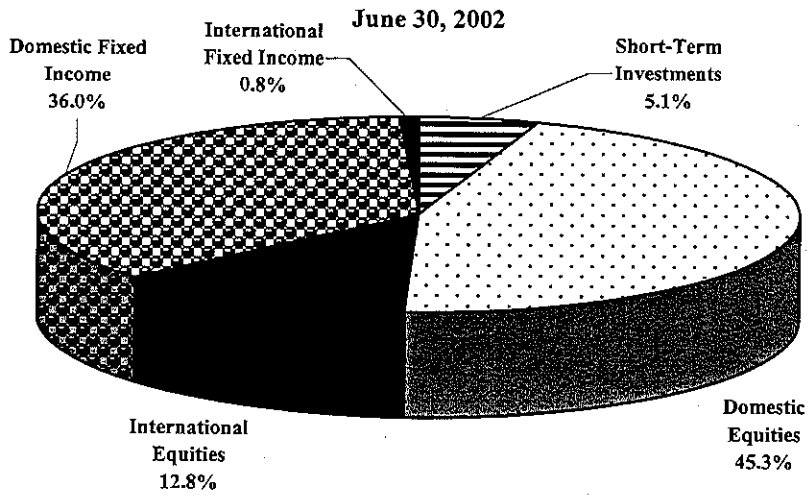
Bill Puckett
Chief Investment Officer

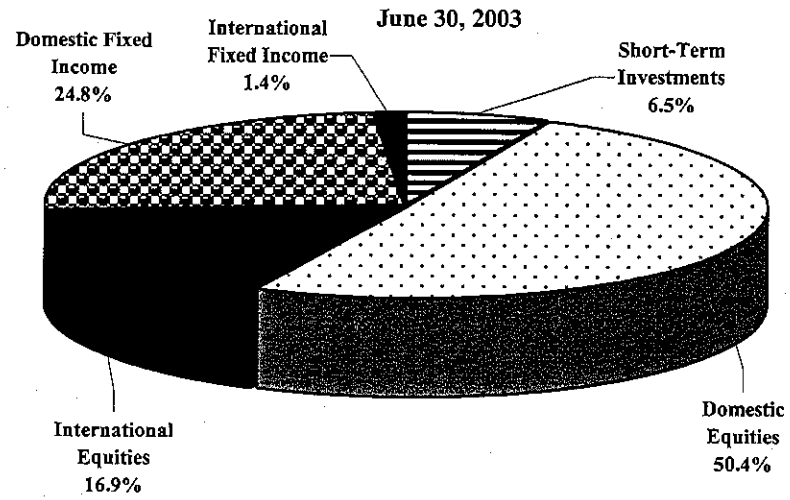
Summary of Investments
June 30, 2004

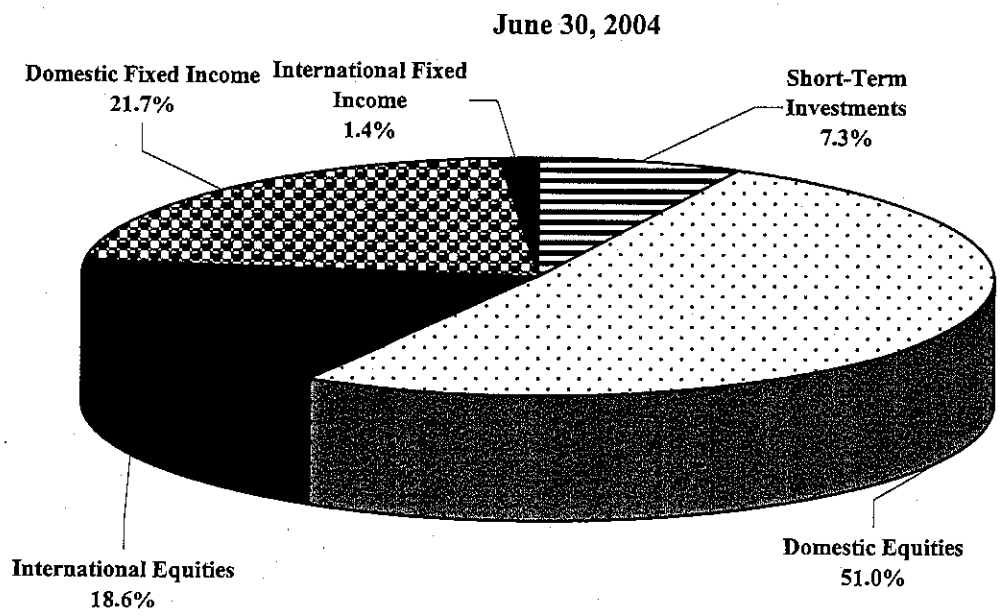
Type of Investment	Fair Value	Percentage of Total Fair Value
Fixed Income:		
U S Government Securities	$1,099,141,715	15.6%
Corporate Bonds	430,782,592	6.1%
International Bonds	96,309,754	1.4%
Total Fixed Income	1,626,234,061	23.1%
Equities:		
Domestic	3,605,558,746	51.0%
International	1,316,719,833	18.6%
Total Equities	4,922,278,579	69.6%
Short-Term Investments:		
Commercial Paper	269,957,736	3.9%
Domestic Money Market/Short-Term Notes	215,212,921	3.0%
International Money Market	29,308,310	0.4%
Total Short-Term Investments	514,478,967	7.3%
Total Investments	$7,062,991,607	100.0%

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

Asset Allocation at Fair Value







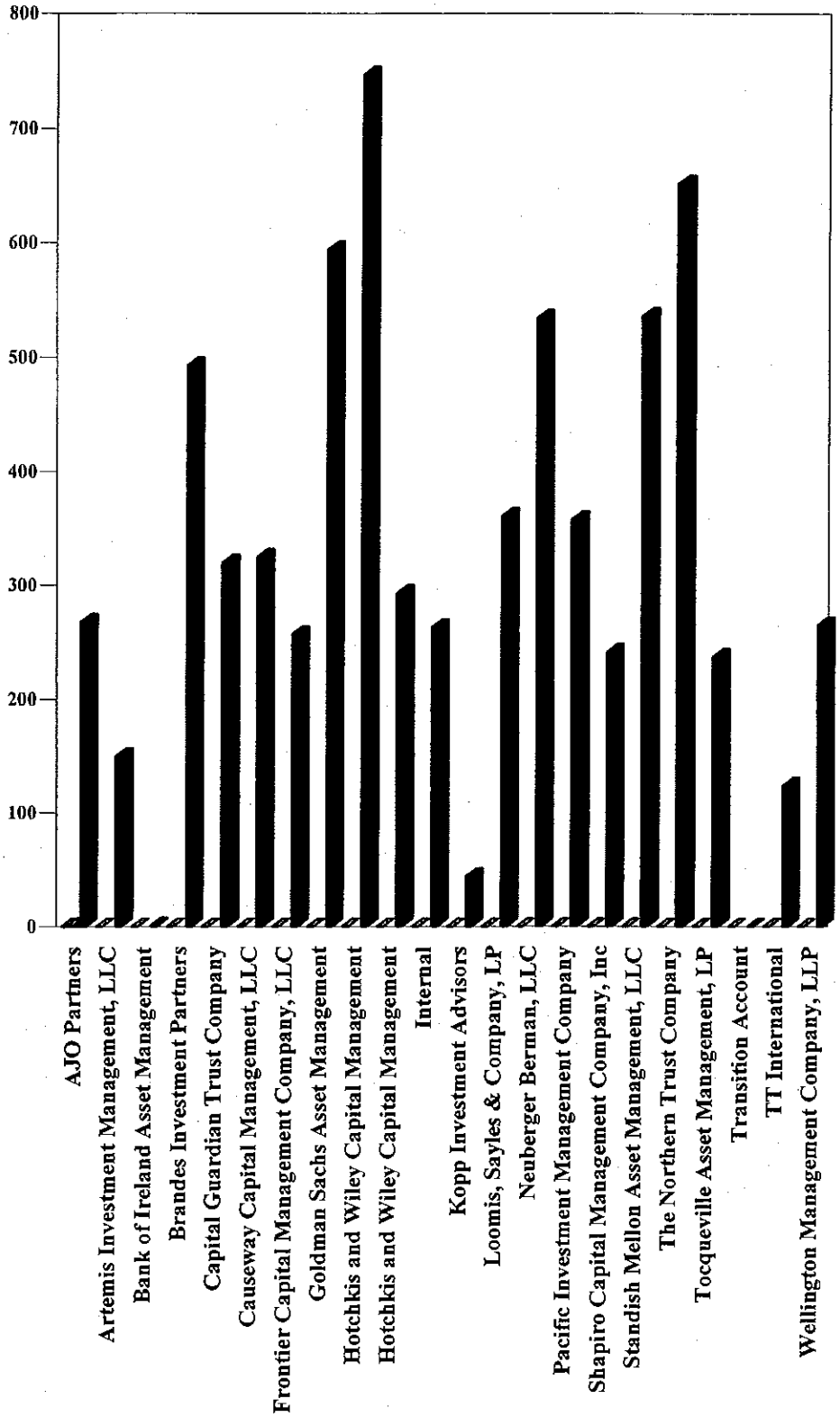
Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the System's Investment Policy. Firms employed by the Board of Trustees on June 30, 2004 are listed below:

Manager	Style	Funds Under Management (in millions)
AJO Partners	Middle Capitalization Core	268
Artemis Investment Management, LLC	Small Capitalization Growth	150
Bank of Ireland Asset Management	International Equity	1
Brandes Investment Partners	International Equity	493
Capital Guardian Trust Company	International Equity	320
Causeway Capital Management, LLC	International Equity	325
Frontier Capital Management Company, LLC	Middle Capitalization Growth	257
Goldman Sachs Asset Management	Large Capitalization Growth	594
Hotchkis and Wiley Capital Management	Large Capitalization Value	747
Hotchkis and Wiley Capital Management	Middle Capitalization Value	293
Internal		263
Kopp Investment Advisors	Small Capitalization Growth	44
Loomis, Sayles & Company, LP	Core Plus Fixed Income	361
Neuberger Berman, LLC	Core Fixed Income	534
Pacific Investment Management Company	Core Plus Fixed Income	358
Shapiro Capital Management Company, Inc	Small Capitalization Value	241
Standish Mellon Asset Management, LLC	Fixed Income Index	536
The Northern Trust Company	Large Capitalization Index	652
Tocqueville Asset Management, LP	Small Capitalization Value	237
Transition Account	International Equity	0
TT International	International Equity	124
Wellington Management Company, LLP	Middle Capitalization Growth	265
Total funds under management		$7,063

Chart on following page.

Assets Managed (In Millions)



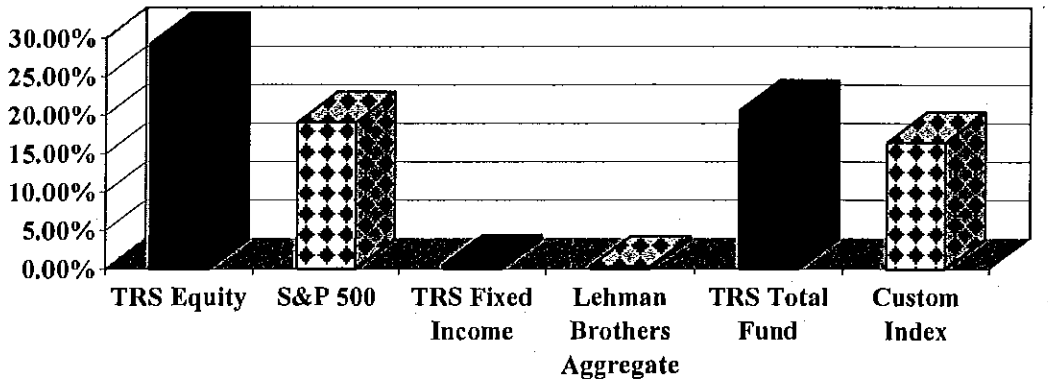
Investment Performance

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

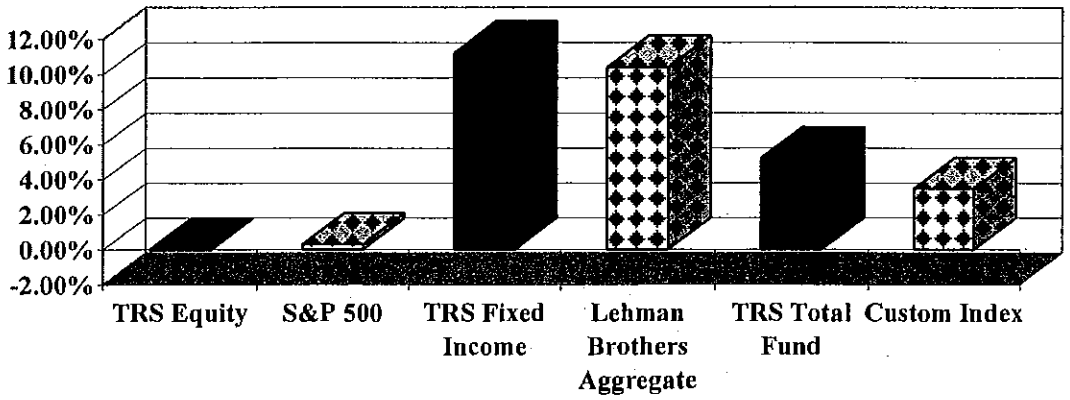
Investment return calculations are prepared using a time-weighted rate of return based on Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

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

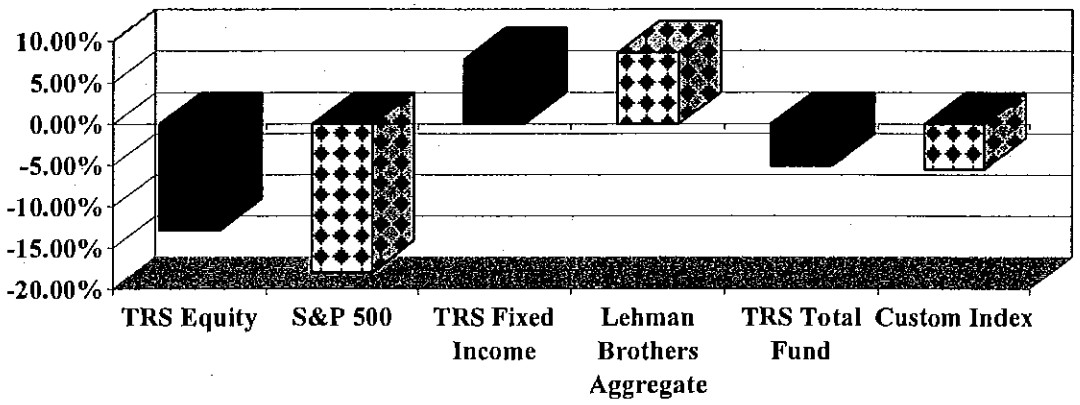
Comparative Rates of Return Fiscal Year 2004

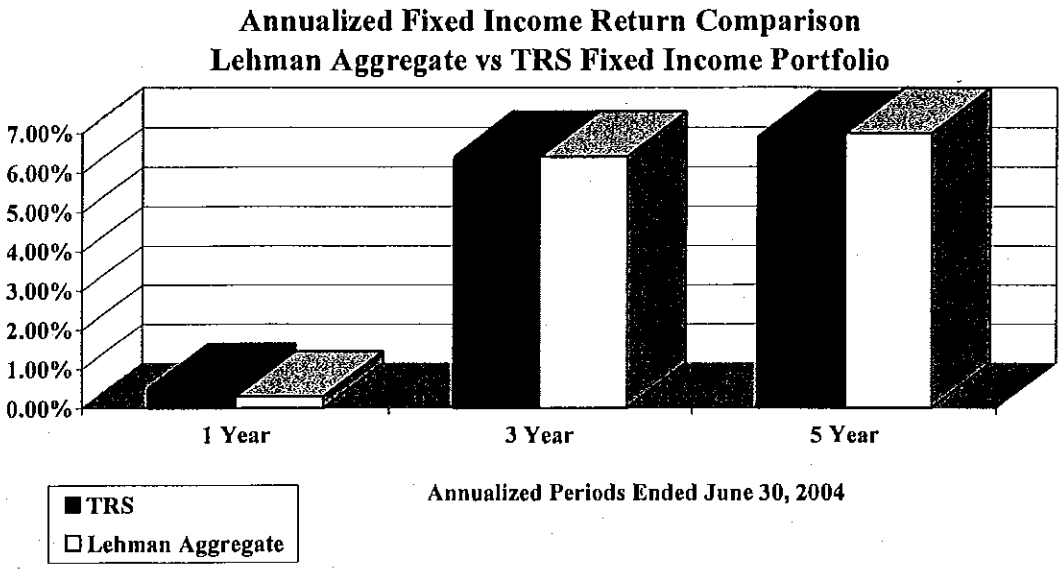


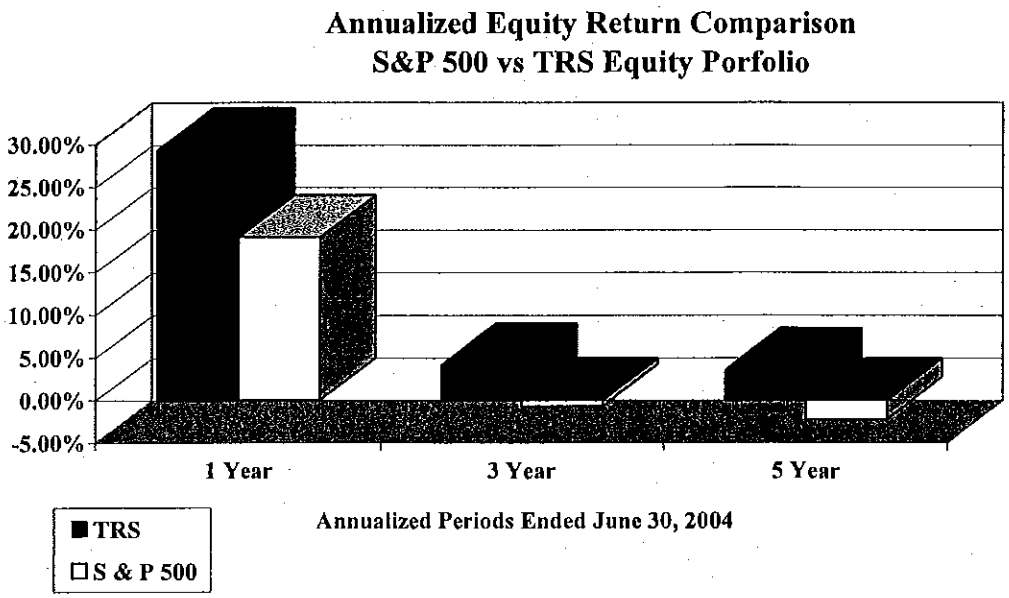
Comparative Rates of Return Fiscal Year 2003

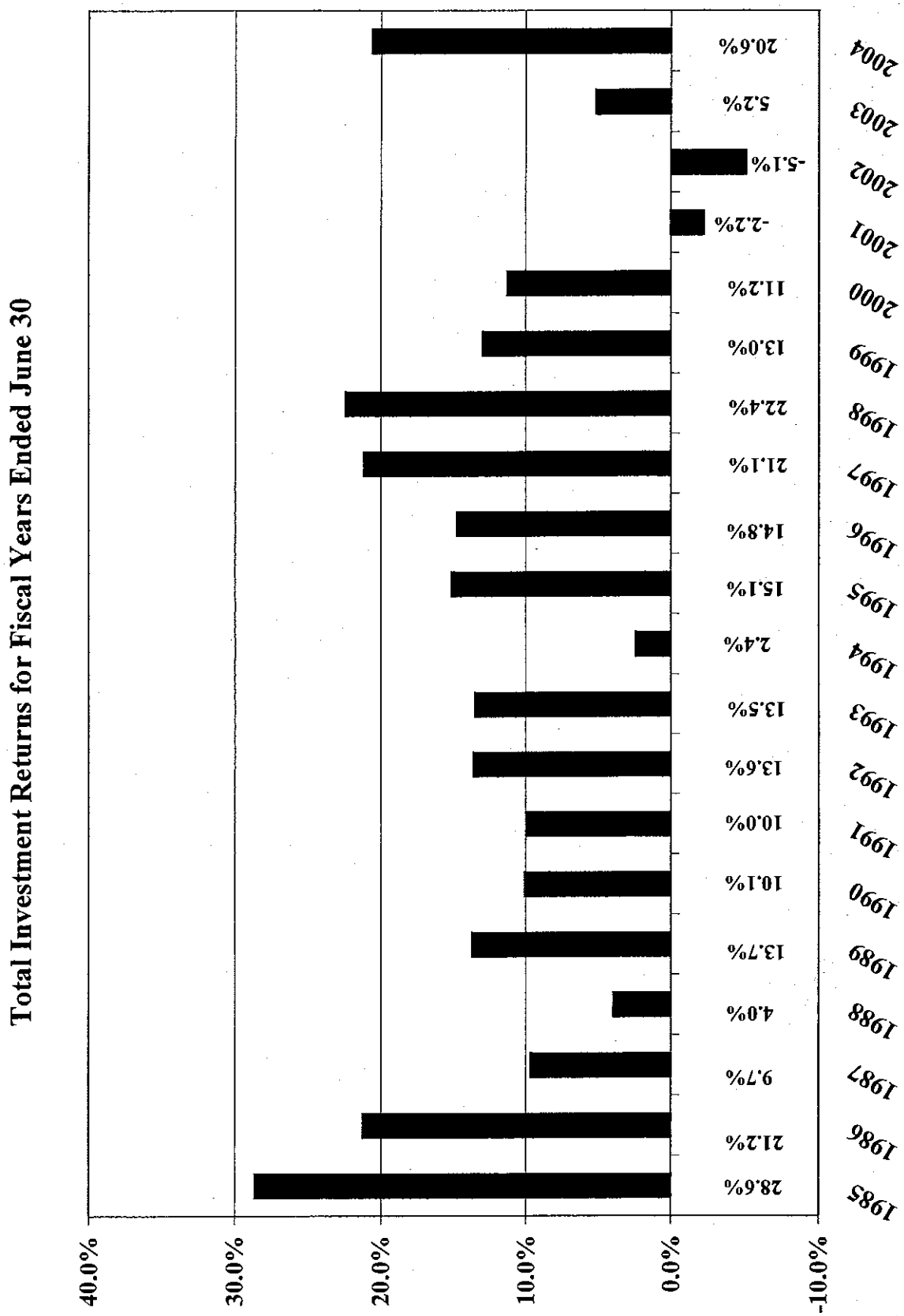


Comparative Rates of Return Fiscal Year 2002




Annualized Fixed Income Return Comparison
Lehman Aggregate vs TRS Fixed Income Portfolio
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
1 Year
3 Year
5 Year
Annualized Periods Ended June 30, 2004
TRS
Lehman Aggregate


Annualized Equity Return Comparison
S&P 500 vs TRS Equity Porfolio
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
1 Year
3 Year
5 Year
Annualized Periods Ended June 30, 2004
TRS
S & P 500


Total Investment Returns for Fiscal Years Ended June 30
40.0%
30.0%
20.0%
10.0%
0.0%
-10.0%
1985
28.6%
1986
21.2%
1987
9.7%
1988
4.0%
1989
13.7%
1990
10.1%
1991
10.0%
1992
13.6%
1993
13.5%
1994
2.4%
1995
15.1%
1996
14.8%
1997
21.1%
1998
22.4%
1999
13.0%
2000
11.2%
2001
-2.2%
2002
-5.1%
2003
5.2%
2004
20.6%

Investment Expenses

Investment fees paid to investment management firms employed by the System were as follows in Fiscal Year 2004.

Investment Manager	Fees Paid
AJO Partners	$1,894,469
Artemis Investment Management	1,479,264
Bank of Ireland Asset Management	543,738
Brandes Investment Partners	1,829,026
Capital Guardian Trust Company	887,006
Causeway Capital Management, LLC	836,207
Frontier Capital Management Company, LLC	1,344,631
Goldman Sachs Asset Management	1,513,384
Hotchkis and Wiley (Large Capitalization)	1,868,789
Hotchkis and Wiley (Middle Capitalization)	1,374,879
Kopp Investment Advisors	580,388
Loomis, Sayles & Company, LP	728,295
Neuberger Berman, LLC	683,763
Pacific Investment Management Company	960,559
Shapiro Capital Management Company	2,087,762
Standish Mellon Asset Management, LLC	97,296
The Northern Trust Company	85,238
Tocqueville Asset Management, LP	1,533,590
TT International	677,595
Wellington Management Company, LLP	1,228,219
Total fees paid	$22,234,098

Brokerage Commissions Paid
Fiscal Year 2004

Brokerage Firm	Shares Traded	Commission	Per Share
ABEL NOSER	4,709,241	$47,994	0.010
ABG SECURITIES	159,600	2,318	0.015
ABN-AMRO	2,241,412	39,223	0.017
ADAMS, HARKNESS & HILL, INC	594,600	29,380	0.049
ADVEST, INC.	9,700	485	0.050
AMERICAN TECHNOLOGY	64,000	3,200	0.050
ARCHIPELAGO ACC CAPITAL CLEAR	74,810	1,093	0.015
ASSENT LLC	3,545,302	31,908	0.009
AVALON RESEARCH GROUP INC.	133,000	6,650	0.050
B REILLY	30,000	900	0.030
BAIRD, ROBERT W & COMPANY INC	34,900	2,094	0.060
BANCAMERICA	2,065,800	97,700	0.047
BANCO SANTANDER	49,214	1,821	0.037
BANK BELLEVUE	4,988	1,025	0.205
BARRA-HPA	4,200	168	0.040
BARRINGTON	42,000	2,100	0.050
BAYERISCHE HYPO-UND VEREINSBANK AG	2,500	414	0.166
BB&T CAPITOL MARKETS	228,000	11,400	0.050
BEAR STEARNS & COMPANY	11,088,663	525,293	0.047
BK JULIUS BR, NY	19,702	614	0.031
BLAIR, WILLIAM & CO	281,900	11,195	0.040
BLAYLOCK PARTNERS, L.P.	78,400	3,920	0.050
BLOOMBERG TRADEBOOK	5,100	77	0.015
BNP PARIBAS SEC CORP	1,158,630	22,000	0.019
BNY ESI & CO ALPHA DIVISION	1,269,868	29,764	0.023
BOENNING & SCATTERGOOD	483,500	14,505	0.030
BRANCH BANK & TRUST	62,900	3,145	0.050
BREAN MURRAY & FOSTER	20,100	1,005	0.050
BRIDGE TRADING COMPANY	81,500	3,629	0.045
BROCKHOUSE + COOPER	565,515	11,268	0.020
BROWN BROTHERS HARRIMAN & CO.	34,100	1,705	0.050
BRUSCAPS	38,200	764	0.020
BRYAN GARNIER & CO	2,084	93	0.044
B-TRADE SERVICES LLC	65,800	835	0.013
BUCKINGHAM RESEARCH	80,300	4,015	0.050
BURNHAM SECURITIES	37,600	1,880	0.050
C L GLAZER & COMPANY	65,000	2,800	0.043
C L KING & ASSOCIATES	13,900	695	0.050
C. I. NORDIC SECURITIES	2,700	63	0.023
C.E. UNTERBERG, TOWBIN	68,100	3,936	0.058
CANTOR FITZGERALD & COMPANY INC	12,316,066	428,279	0.035
CAPITAL INSTITUTIONAL SERVICES INC	2,940,422	134,246	0.046
CAZENOVA	3,873,434	26,114	0.007
CHARLES SCHWAB	328,240	14,272	0.043
CIBC OPPENHEIMER CORP/WORLD MARKETS CORP	1,858,970	83,735	0.045
CITICORP SECURITIES	10,015,896	$165,350	0.017
COAST PARTNERS	3,500	$175	0.050

Brokerage Commissions Paid
Fiscal Year 2004

Brokerage Firm	Shares Traded	Commission	Per Share
COLLINS STEWART LTD	895,309	9,085	0.010
COMMERZ BANK	94,675	2,178	0.023
COWEN & CO	563,700	23,302	0.041
CRED AG INDO CHEVEREUX	214,703	12,555	0.058
CREDIT LYONNAIS SECURITIES INC.	6,342,788	44,724	0.007
CREDIT SUISSE FIRST BOSTON CORPORATION	13,005,156	231,573	0.018
CUTTONE & COMPANY	113,700	3,052	0.027
D.A. DAVIDSON & COMPANY, INC.	112,100	5,605	0.050
DAIN RAUSCCHER INC	627,359	31,091	0.050
DAIWA SECURITIES AMERICA	670,185	17,519	0.026
DAVENPORT	142,800	8,568	0.060
DAVY STOCK BROKER	203,485	5,387	0.026
DEUTSCHE / DB CLEARING SERVICES	19,243,267	385,563	0.020
DOMINION SECURITIES	48,941	2,502	0.051
DONALDSON & CO	1,769,543	84,877	0.048
DONALDSON LUFKIN & JENRETTE	62,700	3,762	0.060
DOWLING & PARTNERS SECURITIES, LLC	177,900	8,895	0.050
DRESDNER KLEINWORT BENSON	2,080,478	38,813	0.019
DUNLEVY & CO., INC.	23,000	920	0.040
EDWARDS A G INC	287,500	14,698	0.051
ENSKILDA SEC	85,500	1,483	0.017
EURO BROKERS	330,208	9,990	0.030
EXANE	56,700	6,224	0.110
EXECUTION	123,768	2,420	0.020
FERRIS, BAKER WATTS, INC.	2,300	115	0.050
FIDELITY CAPITAL MGMT	300,600	7,965	0.026
FIRST ALBANY	643,300	35,274	0.055
FIRST ANALYSIS	202,000	10,100	0.050
FLEET BOSTON SECURITIES	50,500	2,185	0.043
FOX PITT KELTON	176,898	6,573	0.037
FRIEDMAN BILLINGS	456,100	23,179	0.051
FULCRUM GOLBAL PARTNERS LLC	349,200	16,860	0.048
G TRADE SERVICES LTD	10,400	131	0.013
G.G.E.T. LLC	9,300	465	0.050
GERARD KLAVER MATTSON	258,000	12,900	0.050
GK GOH	695,498	4,603	0.007
GOLDMAN SACHS & COMPANY	12,204,667	211,797	0.017
GOODBODY STOCKBROKERS	155,268	5,535	0.036
GORDON HASKETT	60,300	2,412	0.040
GRIFFITHS MCBURNEY & PARTNERS	51,480	1,185	0.023
GRISWOLD CO, THE	3,356,150	166,492	0.050
GUZMAN	12,400	248	0.020
HAMBRECHT & QUIST	20,700	1,035	0.050
HANIFEN IMHOFF INC	149,400	7,470	0.050
HARBORSIDE	16,800	$336	0.020
HARRIS NESBITT THOMPSON	64,000	$3,200	0.050
HEFLIN & CO., LLC	75,600	3,015	0.040

Brokerage Commissions Paid
Fiscal Year 2004

Brokerage Firm	Shares Traded	Commission	Per Share
HELFANT INC.	11,600	290	0.025
HENDERSON CROSTHWAITE	194,133	1,900	0.010
HICHENS HARRISON	336,995	3,163	0.009
HOWARD WEIL LABOUISSE FRIEDRICHS INC	149,800	8,101	0.054
HSBC SECURITIES INC	2,242,214	32,480	0.014
INDEPENDENT MINDS	65,840	2,604	0.040
ING BARINGS LLC	2,087,535	18,629	0.009
INGALLS SNYDER	52,100	2,605	0.050
INSINGER TOWNSLEY	46,856	748	0.016
INSTINET	3,198,600	64,038	0.020
INTERMONTE SECURITIES	132,000	1,689	0.013
INVESTMENT TECHNOLOGY GROUP	618,400	10,406	0.017
ISI GROUP INC	132,000	6,600	0.050
ISI HYMAN	11,800	590	0.050
ITG / POSIT	2,033,500	40,836	0.020
J B WERE AND SON	155,798	1,110	0.007
J P DUNLEVY	7,400	296	0.040
J P MORGAN CHASE	10,245,040	193,457	0.019
JANNEY MONTGOMERY SCOTT	516,900	28,275	0.055
JEFFERIES & COMPANY INC	10,995,979	448,621	0.041
JM SECURITIES	19,700	985	0.050
JMP SECURITIES	87,700	3,799	0.043
JNK SECURITIES INC	147,000	2,961	0.020
JOHNSON RICE	62,500	2,807	0.045
JONES & ASSOC	2,501,830	131,842	0.053
JULIUS BAER	180,494	12,248	0.068
KALB, VOORHIS & CO., LLC	330,100	9,104	0.028
KAUFMANN BROTHERS	5,000	200	0.040
KBC FINANCIAL PRODUCTS	463,490	16,401	0.035
KEEFE BRUYETTE AND WOODS INC.	55,400	2,770	0.050
KELLOGG PARTNERS	1,000	25	0.025
KEPLER EQUITIES	19,897	1,398	0.070
KEYBANC FINANCIAL	24,200	1,210	0.050
KIM ENG SECURITIES	244,591	2,332	0.010
KLIENWORT	629,085	8,243	0.013
KNIGHT SECURITIES	2,607,828	93,120	0.036
LA BRANCHE FINANCIAL	546,660	18,140	0.033
LAVA TRADING	45,600	461	0.010
LAZARD FRERES & CO	141,550	6,454	0.046
LEERINK SWANN & CO	529,400	26,470	0.050
LEGG MASON WOOD WALKER, INC.	894,800	42,140	0.047
LEHMAN BROTHERS	16,096,917	501,149	0.031
LIQUIDNET	1,560,000	33,528	0.021
LYNCH JONES RYAN	5,339,233	$290,898	0.054
MACQUARIE	238,536	$3,936	0.017
MAIN FIRST BANK	106,843	4,859	0.045
MCDONALD & COMPANY	593,650	29,849	0.050

Brokerage Commissions Paid
Fiscal Year 2004

Brokerage Firm	Shares Traded	Commission	Per Share
MERRILL LYNCH PIERCE FENNER & SMITH INC	24,239,853	382,312	0.016
MIDWEST RESEARCH	163,200	8,160	0.050
MILLER, TABAK, HIRSCH & COMPANY	82,200	3,340	0.041
MIZUHO INTERNATIONAL	935,310	22,429	0.024
MJSK, INC.	60,000	2,600	0.043
MM WARBURG & CO	1,651	173	0.104
MORGAN KEEGAN & COMPANY, INC	1,122,450	46,900	0.042
MORGAN STANLEY DEAN WITTER	11,709,393	247,660	0.021
NATIONAL BANK OF CANADA	18,900	945	0.050
NATIONAL FINANCIAL SERVICES CORP	6,000	240	0.040
NATIONAL SECURITIES	53,000	346	0.007
NCB STOCKBROKERS	80,432	3,538	0.044
NEEDHAM & CO.	469,950	21,807	0.046
NESBITT BURNS SECURITIES	348,881	15,659	0.045
NIKKO CITIGROUP LIMITED	290,961	5,367	0.018
NOMURA	2,538,112	20,262	0.008
OFF THE RECORD REASEARCH\OTA	90,000	3,700	0.041
OTA LIMITED PARTNERSHIP	28,000	1,120	0.040
PACIFIC BROKERAGE	345,000	17,250	0.050
PAINE WEBBER INC	133,750	5,638	0.042
PCS SECURITIES	12,000	600	0.050
PEEL HUNT PLC	10,102	183	0.018
PEREIRE TOD	301,906	7,781	0.026
PETERCAM	300	28	0.092
PETRIE PARKMAN	42,509	1,999	0.047
PRUDENTIAL SECURITIES INC	2,013,818	101,084	0.050
PULSE TRADING LLC	988,470	53,561	0.054
PUNK ZIEGEL KNOELL	39,800	1,592	0.040
QUAKER SECURITIES	79,300	1,586	0.020
R C SECURITIES	3,700	373	0.101
RAYMOND JAMES & ASSOC	1,117,500	52,160	0.047
RBC CAPITAL MARKETS	20,800	1,040	0.050
REDBURN	14,966	356	0.024
ROBERT W BAIRD	1,436,300	79,004	0.055
ROBINSON HUMPHREY	375,900	17,881	0.048
ROCHDALE SECURITIES	696,097	30,307	0.044
ROSENBLATT	339,000	6,873	0.020
ROTH CAPITAL PARTNERS	95,000	4,550	0.048
SALOMON SMITH BARNEY	8,093,173	211,789	0.026
SANDERS MORRIS MUNDY	36,200	1,810	0.050
SANDLER O'NEILL	141,600	7,080	0.050
SANFORD C. BERSTEIN & CO., INC.	2,228,284	72,240	0.032
SANTANDER INV.	341,083	$6,982	0.020
SCHWAB & CO	89,400	$3,882	0.043
SCOTIA MCLEOD INC	47,100	1,883	0.040
SG COWEN SECURITIES CORPORATION	2,888,615	112,445	0.039
SHIELDS CAPITOL CORP	238,264	10,944	0.046

Brokerage Commissions Paid
Fiscal Year 2004

Brokerage Firm	Shares Traded	Commission	Per Share
SHORE CAPITAL STKBROKERS	3,013	72	0.024
SIMMONS	102,000	5,100	0.050
SMITH BARNEY HARRIS UPHAM & COMPANY INC	276,300	14,173	0.051
SOCIETE GENERALE	728,989	22,987	0.032
SOUNDVIEW FINANCIAL GROUP	478,600	21,816	0.046
SOUTHCOAST CAPITAL	799,300	39,965	0.050
SOUTHWEST SECURITIES	22,700	1,135	0.050
SPEAR, LEEDS & KELLOGG CAPITAL MARKETS	157,100	1,571	0.010
STARBOARD CAPITAL MARKETS	11,400	570	0.050
STATE STREET BROKERAGE SVCS INC.	24,732,813	147,238	0.006
STEPHENS, INC.	807,400	38,382	0.048
SUNTRUST	103,700	5,462	0.053
SUSQUEHANNA BROKERAGE SERVICES	946,900	17,982	0.019
SVENSKA HANDELSBANKEN	22,100	842	0.038
THINK EQUITY PARTNERS LLC	259,702	12,318	0.047
THOMAS WEISEL PARTNERS, LLC	1,611,059	76,156	0.047
TOKYO MITSUBISHI	77,305	3,465	0.045
U S CLEARING	19,100	955	0.050
U.S. BANCORP PIPER JAFFRAY	1,071,650	50,325	0.047
UBS WARBURG	14,839,435	377,593	0.025
UFJ TSUBASA	100,861	2,988	0.030
UNTERBERG HARRIS & DESANTIS	134,750	6,038	0.045
VARIUOS BROKER	24,300	1,579	0.065
W J DOWD	158,500	3,170	0.020
WACHOVIA BANK	2,553,151	125,949	0.049
WARBURG SG	1,951	206	0.106
WEDBUSH MORGAN SECURITIES, INC	381,150	17,782	0.047
WEEDEN & COMPANY	1,714,906	81,118	0.047
WELLS FARGO VAN KASPER & CO	143,700	7,185	0.050
WESTLB PANMURE LIMITED	100	24	0.239
WHITE CAP	28,400	568	0.020
WILLIAM BLAIR	1,152,650	51,672	0.045
YAMNER & CO.	5,441,889	54,078	0.010
YUANTA	1,250,000	3,401	0.003
GROSS COMMISSIONS	318,722,281	8,160,193	0.026
LESS COMMISSION REBATES RECEIVED		-1,146,093	
NET COMMISSIONS		$7,014,100	0.022

Transactions whose commission cost are zero are not included.

PORTFOLIO OF ASSETS, JUNE 30, 2004

COMMERCIAL PAPER	RATE	MATURITY DATE	MARKET VALUE
5 FIN INC		7/21/2004	1,998,647
ABACAS INVTS		7/26/2004	525,574
ADVANTAGE AST		7/12/2004	3,453,595
ALTAMIRA FDG LLC		7/21/2004	2,034,670
ALTRIA GROUP INC		10/29/2004	1,689,833
ANZ DEL INC		7/19/2004	8,794,059
APRECO LLC		7/30/2004	299,675
AST SECURITIZATION		7/16/2004	10,025,383
AUTOBAHN FDG CO		7/21/2004	2,473,253
AUTOBAHN FDG CO		7/6/2004	6,474,564
BAVARIA UNVL FDG CORP		7/21/2004	1,274,167
BAVARIA UNVL FDG CORP		7/2/2004	1,500,904
BAVARIA UNVL FDG CORP		7/1/2004	8,552,726
BEETHOVEN FDG CORP		7/27/2004	2,762,677
BEETHOVEN FDG CORP		7/13/2004	306,872
BEETHOVEN FDG CORP		7/8/2004	2,612,330
BEETHOVEN FDG CORP		7/7/2004	710,841
BEETHOVEN FDG CORP		7/2/2004	378,976
BEETHOVEN FDG CORP		7/1/2004	4,306,862
BRYANT PK FDG LLC		7/15/2004	1,649,207
BRYANT PK FDG LLC		7/1/2004	2,172,930
CALYON N AMER INC		7/1/2004	563,984
CBA DEL FIN INC		7/27/2004	3,796,191
CBA DEL FIN INC		7/2/2004	1,399,849
CHECK PT CHARLIE INC		7/27/2004	315,685
CHECK PT CHARLIE INC		7/1/2004	5,461,832
COBBLER FDG LTD		7/15/2004	553,730
COCA COLA ENTERPRISES INC		7/2/2004	369,976
COOP ASSN TRACTOR DEALERS		7/2/2004	849,946
DEALERS CAP ACCESS TR INC		7/9/2004	176,949
DEALERS CAP ACCESS TR INC		7/6/2004	443,915
EIFFEL FDG LLC		7/8/2004	999,744
FNMA CPN		10/18/2004	3,583,800
GEN ELEC CAP CORP		9/15/2004	3,488,881
GEN ELEC CAP CORP		9/14/2004	1,894,042
GEN ELEC CAP CORP		7/7/2004	2,699,328
GIRO FDG U S CORP		7/1/2004	633,980
GOTHAM FDG CORP		7/26/2004	3,952,543
GOTHAM FDG CORP		7/19/2004	1,483,981
GOTHAM FDG CORP		7/15/2004	798,617
GOTHAM FDG CORP		7/13/2004	2,723,780
GOTHAM FDG CORP		7/1/2004	2,116,932
GREYHAWK FDG LLC		7/30/2004	7,493,000
HBOS TREAS SVCS		10/26/2004	1,690,084
HENKEL CORP		7/1/2004	4,999,840
HOLLAND LTD SECURITIZATION INC		7/21/2004	7,495,100
ING U S FDG LLC		7/2/2004	599,957
JEFFSN SMURFIT FIN CORP		7/27/2004	2,997,480
JUPITER SECURITIZATION CORP		7/1/2004	9,876,684
K2 USA LLC		7/30/2004	2,996,900
LA FAYETTE AST SECURITIZATION		7/12/2004	11,324,544
LIBERTY STR FDG CORP		7/2/2004	7,499,519
LOCKHART FDG LLC		7/12/2004	924,667
LOCKHART FDG LLC		7/6/2004	9,997,817
MANHATTAN AST FDG CO		7/13/2004	6,332,362
MANHATTAN AST FDG CO		7/1/2004	410,987
NEPTUNE FDG CORP		7/23/2004	6,080,646
NEPTUNE FDG CORP		7/20/2004	1,299,191
NESTLE CAP CORP		8/25/2004	5,088,640
NEWBURY FDG CBO I LTD		7/2/2004	666,954
OLD LINE FDG LLC		7/29/2004	4,309,109
ORCHID FDG CORP		7/9/2004	4,059,832
PARADIOM FDG LLC		7/12/2004	274,894
RABOBANK USA FINL CORP		8/23/2004	4,190,972
RATHGAR CAP CORP		7/21/2004	1,383,096
RHINELAND FDG CAP CORP		7/26/2004	7,552,684
RHINELAND FDG CAP CORP		7/14/2004	514,756
RHINELAND FDO CAP CORP		7/8/2004	3,013,210
SHARP ELECTRS CORP		7/1/2004	164,995
SHELL FIN U K PLC		8/11/2004	1,597,428
SPARC LLC		7/7/2004	7,498,279
SUNBELT FDG CORP		7/1/2004	7,000,679
SVENSKA HANDELSBANKEN		9/1/2004	3,590,637
SVENSKA HANDELSBANKEN		8/5/2004	3,594,790
SWEDBANK FORENINGSSP		10/21/2004	298,842
SYDNEY CAP INC		7/12/2004	2,866,897
SYDNEY CAP INC DISC		7/2/2004	469,970
THAMES AST GLOBAL		7/28/2004	8,764,359
THUNDER BAY FDG LLC		7/26/2004	4,394,870
TICONDEROGA FDG LLC		7/1/2004	596,982
TIGER PEG CAP CORP		7/13/2004	577,751
UBS FIN DEL LLC		9/8/2004	897,400
UBS FIN DEL LLC		7/1/2004	1,399,950
VICTORY RECEIVABLES CORP		7/19/2004	5,373,821
WESTPAC CAP CORP		9/10/2004	1,196,617
WESTPAC CAP CORP		7/9/2004	2,099,328
WESTPACTRUST SECS NZ LTD		8/17/2004	2,195,786
TOTAL COMMERCIAL PAPER			269,957,736
SHORT-TERM BILLS AND NOTES			
FHLB		7/16/2004	1,799,100
FHLB		9/1/2004	5,088,270
FHLMC		7/1/2004	3,099,908
FHLMC		7/6/2004	6,898,792
FHLMC		7/7/2004	13,496,780
FHLMC		7/14/2004	7,196,780
FHLMC		7/21/2004	18,886,795
FHLMC		8/9/2004	3,594,240
FHLMC		8/18/2004	3,094,833
FHLMC		8/23/2004	3,593,400
FHLMC		8/24/2004	5,488,230
FHLMC		9/1/2004	11,473,458
FHLMC		9/7/2004	3,591,577
FHLMC		9/14/2004	11,069,009
FHLMC		9/21/2004	1,694,730
FHLMC		9/22/2004	1,096,590
FHLMC		9/30/2004	2,491,533
FHLMC		10/1/2004	996,501
US TREAS BILLS		7/22/2004	149,903
US TREAS BILLS		9/2/2004	553,816
US TREAS BILLS		9/16/2004	1,745,320
TOTAL SHORT-TERM BILLS AND NOTES			107,099,565
DOMESTIC MONEY MARKET			
AUSTRALIAN DOLLAR			315,978
BRITISH POUND STERLING			669,777
EURO			1,685
EURO			256,713
JAPANESE YEN			83,337
MFB NORTHERN INTITUTIONAL FDS			2,057,387
SWEDISH KRONA			1
UNITED STATES DOLLAR			81,998,147

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC MONEY MARKET	RATE	MATURITY DATE	MARKET VALUE
UNITED STATES DOLLAR			15,670,193
UNITED STATES DOLLAR			7,060,138
DOMESTIC MONEY MARKET			108,113,356
TOTAL DOMESTIC SHORT-TERM INVESTMENTS			215,212,921
INTERNATIONAL MONEY MARKET			
AUSTRALIAN DOLLAR			577
BRITISH POUND STERLING			1,209,814
BRITISH POUND STERLING			66,107
CANANDIAN DOLLAR			10,770
CANANDIAN DOLLAR			120
DANISH KRONE			6,259
EURO			7,546
EURO			2,179,097
EURO			2,045
EURO			9,279,389
HONG KONO DOLLAR			22,787
JAPANESE YEN			69,804
JAPANESE YEN			128,234
MALAYSIAN RINGGIT			10,155
NEW TAIWAN DOLLAR			48,140
SINGAPORE DOLLAR			17,723
SOUTH KOREA WON			259,475
SWEDISH KRONA			2
SWEDISH KRONA			2,124
SWISS FRANC			269,236
SWISS FRANC			15,957
SWISS FRANC			9,240
THAI BAHT			8,930
UNITED STATES DOLLAR			383
UNITED STATES DOLLAR			5,502,757
UNITED STATES DOLLAR			2,000
UNITED STATES DOLLAR			28,155
UNITED STATES DOLLAR			18,104
UNITED STATES DOLLAR			10,118,888
UNITED STATES DOLLAR			14,492
TOTAL INTERNATIONAL SHORT-TERM			29,308,310
TOTAL SHORT-TERM INVESTMENTS			514,478,967
GOVERNMENT SECURITIES			
CA ST ECON RECOVERY	5.000	7/1/2012	869,160
CHGO ILL HSG AUTH CAP PROG	5.375	7/1/2012	2,189,376
CHGO ILL WASTEWATER TRANSM	5.375	1/1/2017	2,721,309
FED NATL MORT ASSC	6.375	8/15/2007	5,247,341
FHLB	2.875	9/15/2006	9,856,668
FHLB	3.875	6/14/2013	1,150,004
FHLB	5.800	9/2/2008	1,815,575
FHLMC	5.150	6/30/2019	400,125
FHLMC	6.000	6/30/2034	306,281
FHLMC	5.000	6/30/2034	1,158,000
FHLMC	5.750	4/15/2008	3,414,944
FHLMC	5.750	4/15/2008	2,096,989
FHLMC	3.500	9/15/2007	2,293,457
FHLMC	5.875	3/21/2011	7,257,866
FHLMC	7.100	4/10/2007	1,097,500
FHLMC	7.000	7/15/2005	2,662,321
FHLMC	5.500	7/15/2006	2,511,554
FHLMC	4.875	11/15/2013	3,381,152

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
FHLMC	8.500	5/1/2006	537
FHLMC	9.000	11/1/2021	5,055
FHLMC	8.000	4/1/2022	58,703
FHLMC	8.000	12/1/2027	66,494
FHLMC	7.000	11/1/2028	210,650
FHLMC	6.500	12/1/2028	125,532
FHLMC	6.350	4/1/2029	156,575
FHLMC	6.000	4/1/2029	154,822
FHLMC	6.500	5/1/2029	115,311
FHLMC	7.000	8/1/2029	98,584
FHLMC	6.000	5/1/2031	185,571
FHLMC	6.000	12/1/2031	386,393
FHLMC	6.000	1/1/2032	221,679
FHLMC	6.000	10/1/2032	380,698
FHLMC	5.500	11/1/2032	1,134,692
FHLMC	5.500	3/1/2033	2,097,023
FHLMC	6.000	8/1/2028	381,346
FHLMC	6.500	9/1/2028	532,661
FHLMC	6.000	1/1/2029	107,031
FHLMC	6.000	1/1/2029	387,645
FHLMC	6.000	2/1/2029	134,669
FHLMC	6.000	5/1/2029	241,292
FHLMC	7.000	6/1/2029	85,592
FHLMC	7.000	7/1/2029	61,244
FHLMC	6.500	7/1/2029	207,059
FHLMC	6.500	6/1/2031	140,873
FHLMC	6.500	9/1/2031	254,989
FHLMC	6.500	11/1/2031	148,017
FHLMC	7.000	12/1/2031	182,769
FHLMC	6.000	2/1/2032	466,402
FHLMC	7.000	6/1/2032	190,210
FHLMC	6.500	8/1/2032	411,871
FHLMC	6.500	8/1/2032	341,863
FHLMC	6.500	10/1/2032	190,840
FHLMC	6.000	11/1/2032	819,206
FHLMC	5.500	3/1/2033	742,624
FHLMC	6.500	7/1/2022	239,907
FHLMC	6.000	9/1/2022	918,521
FHLMC	5.500	3/1/2023	405,464
FHLMC	7.000	7/1/2023	85,043
FHLMC	9.000	6/1/2021	5,745
FHLMC	9.000	10/1/2021	1,310
FHLMC	9.000	5/1/2022	7,461
FHLMC	7.000	1/1/2026	45,219
FHLMC	7.500	2/1/2026	183,053
FHLMC	6.500	3/1/2026	46,933
FHLMC	6.000	6/1/2022	415,959
FHLMC	8.000	4/1/2006	50,898
FHLMC	8.500	1/1/2007	1,646
FHLMC	7.000	1/1/2008	28,768
FHLMC	6.000	10/1/2013	286,841
FHLMC	5.500	12/1/2013	239,508
FHLMC	5.500	1/1/2014	129,586
FHLMC	6.000	4/1/2017	139,668
FHLMC	5.000	12/1/2017	1,228,637
FHLMC	5.000	3/1/2018	1,426,204
FHLMC	4.500	5/1/2018	614,689
FHLMC	7.500	4/1/2007	6,537
FHLMC	7.000	9/1/2007	16,747
FHLMC	7.500	4/1/2008	33,550
FHLMC	6.500	7/1/2013	39,618
FHLMC	6.000	3/1/2014	29,355

PORTFOLIO OF ASSETS, JUNE 30, 2004

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE	GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
FHLMC	6.000	6/1/2014	228,109	FHLMC	6.000	10/15/2032	3,509,390
FHLMC	7.500	9/1/2014	67,320	FHLMC	6.000	4/15/2028	322,029
FHLMC	7.000	12/1/2015	85,971	FHLMC	4.000	12/15/2012	2,009,268
FHLMC	5.500	7/1/2016	470,299	FHLMC	5.000	9/15/2016	1,039,837
FHLMC	6.000	9/1/2016	388,014	FHLMC	4.500	7/15/2013	1,195,775
FHLMC	5.500	4/1/2017	608,900	FHLMC	6.875	9/15/2010	448,659
FHLMC	6.500	8/1/2017	423,640	FHLMC	5.125	7/15/2012	2,808,990
FHLMC	5.500	8/1/2017	573,185	FHLMC	13.500	10/1/2010	21,990
FHLMC	5.000	1/1/2018	541,010	FHLMC	12.500	2/1/2011	16,898
FHLMC	7.500	4/1/2027	236,624	FHLMC	13.500	10/1/2014	95,746
FHLMC	6.500	3/1/2031	375,903	FHLMC	9.000	10/1/2016	1,646
FHLMC	6.000	12/1/2008	63,310	FHLMC	10.000	10/1/2010	338
FHLMC	6.500	7/1/2029	92,016	FHLMC	13.000	9/1/2011	22,243
FHLMC	7.000	11/1/2030	52,861	FHLMC	12.500	2/1/2014	66,230
FHLMC	7.500	3/1/2030	3,646	FHLMC	9.500	11/1/2019	27,846
FHLMC	7.500	9/1/2030	77,689	FHLMC	13.000	9/1/2015	30,113
FHLMC	7.500	9/1/2030	15,895	FHLMC	9.000	11/1/2016	4,570
FHLMC	7.000	11/1/2030	94,407	FHLMC	9.000	5/1/2018	6,569
FHLMC	7.000	10/1/2006	20,247	FHLMC	9.000	6/1/2018	15,680
FHLMC	5.500	6/1/2009	223,415	FHLMC	9.500	7/1/2018	1,503
FHLMC	6.000	8/1/2014	40,839	FHLMC	8.500	6/1/2018	10,224
FHLMC	8.000	11/1/2025	96,070	FHLMC	10.000	11/1/2018	6,318
FHLMC	8.000	2/1/2030	49,728	FHLMC	10.000	2/1/2018	2,892
FHLMC	8.000	6/1/2030	74,907	FHLMC	9.500	3/1/2020	8,996
FHLMC	6.000	4/1/2031	130,256	FHLMC	9.500	10/1/2020	3,112
FHLMC	7.000	7/1/2029	468,954	FHLMC	8.500	5/1/2006	5,411
FHLMC	8.000	11/1/2029	25,215	FHLMC	9.000	10/1/2019	2,911
FHLMC	7.500	4/1/2030	28,852	FHLMC	8.500	5/1/2019	7,459
FHLMC	7.000	2/1/2031	58,002	FHLMC	8.500	5/1/2021	7,639
FHLMC	7.500	7/1/2024	40,982	FHLMC	8.500	6/1/2021	4,615
FHLMC	7.500	8/1/2025	36,158	FHLMC	4.500	4/1/2032	3,501,970
FHLMC	7.500	5/1/2024	44,096	FHLMC	4.500	7/1/2032	677,181
FHLMC	6.500	12/1/2027	21,810	FHLMC	4.500	6/1/2033	850,855
FHLMC	6.500	2/1/2028	68,307	FHLMC	4.500	8/1/2033	456,897
FHLMC	6.500	3/1/2028	124,863	FHLMC	5.500	9/1/2033	291,023
FHLMC	6.000	5/1/2011	385,578	FHLMC	6.500	9/1/2033	216,923
FHLMC	8.000	6/1/2027	93,310	FHLMC	6.500	11/1/2032	861,631
FHLMC	4.500	6/1/2019	585,750	FHLMC	4.500	10/1/2033	1,330,752
FHLMC	4.500	6/1/2024	335,344	FHLMC	5.500	11/1/2033	728,431
FHLMC	5.500	6/1/2034	995,312	FHLMC	6.000	1/1/2034	975,946
FHLMC	5.500	7/1/2029	2,043,124	FHLMC	5.000	3/1/2034	2,594,723
FHLMC	6.500	7/1/2030	312,563	FHLMC	5.000	3/1/2034	2,227,857
FHLMC	7.500	1/1/2023	24,824	FHLMC	5.500	4/1/2034	1,259,778
FHLMC	7.000	10/1/2023	130,863	FHLMC	5.500	5/1/2034	298,826
FHLMC	6.500	2/1/2024	120,214	FHLMC	5.000	5/1/2034	3,571,485
FHLMC	7.000	3/1/2026	41,846	FHLMC	5.000	6/1/2034	3,406,419
FHLMC	7.000	1/1/2027	29,788	FHLMC	5.000	6/1/2034	1,691,130
FHLMC	6.500	3/1/2028	136,501	FHLMC	4.500	10/1/2018	920,464
FHLMC	6.500	7/1/2028	88,960	FHLMC	4.500	11/1/2018	450,436
FHLMC	6.500	1/15/2024	157,345	FHLMC	4.500	11/1/2018	1,368,742
FHLMC	7.500	4/1/2007	235,540	FHLMC	4.000	10/1/2018	1,388,120
FHLMC	6.500	5/1/2013	511,678	FHLMC	5.500	12/1/2018	768,151
FHLMC	7.000	3/1/2008	23,949	FHLMC	5.000	1/1/2019	943,398
FHLMC	7.000	7/1/2008	53,623	FHLMC	5.500	11/1/2018	2,720,610
FHLMC	8.000	6/1/2025	53,092	FHLMC	5.000	4/1/2019	401,042
FHLMC	8.500	10/15/2026	78,816	FHLMC	4.500	4/1/2019	293,499
FHLMC	4.500	3/1/2018	396,904	FHLMC	5.000	8/1/2033	1,189,105
FHLMC	5.500	12/15/2029	1,057,648	FHLMC	5.000	9/1/2033	1,620,673
FHLMC	7.500	10/25/2043	1,082,699	FHLMC	5.500	9/1/2033	449,416
FHLMC	3.500	7/15/2032	667,038	FHLMC	5.000	10/1/2033	2,047,062
FHLMC	6.000	1/15/2020	1,358,874	FHLMC	5.000	11/1/2033	1,487,824
FHLMC	6.000	10/15/2031	1,022,604	FHLMC	5.500	1/1/2034	1,864,717

PORTFOLIO OF ASSETS, JUNE 30, 2004

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE	GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
FHLMC	6.000	12/1/2032	586,890	FNMA	8.000	2/1/2007	3,476
FHLMC	6.000	2/1/2033	1,321,824	FNMA	8.000	8/1/2007	2,706
FHLMC	5.500	6/1/2033	1,281,374	FNMA	6.500	9/1/2007	14,623
FHLMC	5.500	4/1/2023	758,760	FNMA	6.500	6/1/2008	48,617
FHLMC	5.000	7/1/2023	601,669	FNMA	7.000	12/1/2023	260,761
FHLMC	5.500	3/1/2023	1,108,096	FNMA	7.000	4/1/2024	77,327
FHLMC	4.500	10/1/2023	485,609	FNMA	7.000	6/1/2024	63,683
FHLMC	5.000	3/1/2024	440,113	FNMA	8.000	1/1/2025	72,842
FHLMC	4.000	7/1/2018	972,670	FNMA	7.000	2/1/2026	76,029
FHLMC	4.500	10/1/2018	412,253	FNMA	7.000	6/1/2026	44,629
FHLMC	5.000	11/1/2018	7,959,204	FNMA	8.000	6/1/2027	42,686
FHLMC	6.000	8/1/2017	542,482	FNMA	6.500	8/1/2028	109,790
FHLMC	5.000	1/1/2018	622,188	FNMA	6.000	7/1/2005	59,081
FHLMC	4.500	4/1/2018	1,010,152	FNMA	7.500	9/1/2028	127,318
FHLMC	5.000	4/1/2018	1,432,456	FNMA	6.500	10/1/2028	65,038
FHLMC	4.500	6/1/2018	1,479,774	FNMA	6.500	11/1/2028	96,824
FHLMC	4.500	8/1/2018	5,651,122	FNMA	7.000	8/1/2029	128,917
FHLMC	4.500	9/1/2018	697,278	FNMA	6.500	7/1/2006	25,948
FHLMC	5.500	6/1/2033	1,753,410	FNMA	7.500	10/1/2029	279,819
FHLMC	4.000	9/1/2018	447,134	FNMA	6.500	11/1/2029	511,666
FHLMC	4.000	11/1/2010	498,829	FNMA	7.000	4/1/2015	107,939
FHLMC	4.000	8/1/2008	443,468	FNMA	7.000	6/1/2020	114,018
FHLMC	6.000	5/1/2028	62,715	FNMA	7.500	7/1/2030	50,758
FHLMC	7.500	1/1/2007	6,710	FNMA	6.500	3/1/2016	45,924
FL ST DEPT ENVIRONMENTAL	5.000	7/1/2010	543,110	FNMA	6.000	6/1/2016	1,592,945
FNMA	5.500	7/1/2030	995,000	FNMA	6.000	12/1/2016	5,137,242
FNMA	5.500	7/1/2030	12,935,000	FNMA	6.500	12/1/2016	412,055
FNMA	4.250	7/15/2007	2,851,646	FNMA	6.000	1/1/2032	762,781
FNMA	4.250	7/15/2007	7,638,338	FNMA	6.000	2/1/2032	868,304
FNMA	5.750	2/15/2008	1,598,385	FNMA	6.500	3/1/2017	148,375
FNMA	6.375	6/15/2009	1,830,028	FNMA	6.500	4/1/2032	2,526,430
FNMA	6.500	1/1/2013	259,976	FNMA	6.500	6/1/2017	359,053
FNMA	6.625	11/15/2010	2,054,051	FNMA	6.000	8/1/2017	445,271
FNMA	7.250	5/15/2030	1,726,263	FNMA	6.500	10/1/2032	720,536
FNMA	2.290	9/2/2009	2,841,592	FNMA	6.000	11/1/2022	2,456,929
FNMA	5.750	6/15/2005	4,292,113	FNMA	5.000	11/1/2032	1,099,081
FNMA	5.250	1/15/2009	3,247,210	FNMA	5.500	1/1/2018	743,696
FNMA	6.625	9/15/2009	2,544,311	FNMA	5.000	3/1/2018	526,788
FNMA	12.500	12/1/2013	9,760	FNMA	5.000	4/1/2018	707,796
FNMA	12.500	4/1/2012	3,050	FNMA	4.500	4/1/2018	1,971,370
FNMA	9.500	12/1/2018	7,517	FNMA	5.500	6/1/2018	498,671
FNMA	10.000	8/1/2004	9	FNMA	5.500	6/1/2023	1,770,213
FNMA	9.500	1/1/2005	482	FNMA	5.500	6/1/2033	2,825,554
FNMA	9.500	6/1/2020	2,573	FNMA	6.000	5/1/2018	946,379
FNMA	9.500	10/1/2020	3,443	FNMA	5.000	7/1/2018	1,639,361
FNMA	8.000	6/1/2006	8,455	FNMA	5.000	8/1/2023	906,535
FNMA	8.000	11/1/2006	1,494	FNMA	4.500	7/1/2010	558,307
FNMA	7.500	2/1/2007	8,053	FNMA	5.000	9/1/2033	1,737,443
FNMA	7.500	5/1/2007	11,587	FNMA	5.000	10/1/2033	3,595,984
FNMA	8.000	3/1/2007	6,228	FNMA	4.500	10/1/2018	552,334
FNMA	7.500	6/1/2007	12,953	FNMA	4.500	9/1/2023	594,694
FNMA	7.000	11/1/2007	30,358	FNMA	5.000	12/1/2033	1,862,111
FNMA	7.000	1/1/2008	21,710	FNMA	5.500	12/1/2023	736,649
FNMA	8.000	2/1/2023	76,307	FNMA	5.000	5/1/2024	394,539
FNMA	7.500	8/1/2008	21,889	FNMA	4.000	6/1/2019	381,632
FNMA	6.000	12/1/2008	85,795	FNMA	6.000	1/1/2009	77,429
FNMA	6.500	12/1/2008	70,100	FNMA	6.500	1/1/2024	79,722
FNMA	9.500	11/1/2017	14,600	FNMA	7.500	7/1/2024	44,792
FNMA	9.500	4/1/2018	1,154	FNMA	7.500	8/1/2024	12,150
FNMA	9.500	7/1/2020	1,232	FNMA	8.000	5/1/2025	143,690
FNMA	9.500	12/1/2020	8,196	FNMA	6.500	8/1/2025	434,845
FNMA	9.500	2/1/2021	5,959	FNMA	7.500	2/1/2011	44,476

PORTFOLIO OF ASSETS, JUNE 30, 2004

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE	GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
FNMA	6.500	6/1/2026	46,820	FNMA	7.500	4/1/2015	67,265
FNMA	9.000	6/1/2017	206,660	FNMA	7.500	5/1/2030	17,825
FNMA	6.500	9/1/2011	57,722	FNMA	7.500	12/1/2036	1,046,400
FNMA	7.000	8/1/2027	393,512	FNMA	7.500	11/1/2031	169,572
FNMA	7.000	1/1/2013	270,436	FNMA	5.500	11/1/2016	421,243
FNMA	6.000	5/1/2018	68,302	FNMA	6.500	2/1/2017	164,435
FNMA	6.000	12/1/2013	82,703	FNMA	7.500	3/1/2032	927,584
FNMA	5.500	4/1/2006	21,834	FNMA	7.000	4/1/2032	485,891
FNMA	6.500	6/1/2014	236,715	FNMA	5.500	5/1/2017	3,404,659
FNMA	6.500	8/1/2029	743,534	FNMA	5.500	9/1/2017	434,868
FNMA	6.000	5/1/2024	384,037	FNMA	6.000	11/1/2032	294,065
FNMA	6.500	3/1/2009	122,860	FNMA	8.000	9/1/2030	19,721
FNMA	6.000	5/1/2017	217,278	FNMA	7.000	10/1/2032	450,152
FNMA	7.500	12/1/2026	16,690	FNMA	6.000	1/1/2023	1,341,651
FNMA	7.500	3/1/2027	18,664	FNMA	5.500	5/1/2018	436,813
FNMA	7.500	5/1/2027	38,251	FNMA	6.500	1/1/2033	2,190,364
FNMA	7.000	1/1/2028	40,541	FNMA	6.000	5/1/2033	879,399
FNMA	7.000	9/1/2027	65,976	FNMA	6.000	4/1/2033	354,364
FNMA	6.500	3/1/2013	403,254	FNMA	5.500	6/1/2033	1,524,840
FNMA	7.500	10/1/2012	126,000	FNMA	9.000	10/1/2030	59,244
FNMA	6.000	5/1/2028	68,827	FNMA	9.000	9/1/2040	2,842,499
FNMA	6.500	3/1/2028	253,299	FNMA	7.000	11/1/2030	81,385
FNMA	6.000	9/1/2025	188,428	FNMA	6.500	9/1/2021	244,573
FNMA	6.500	3/1/2028	230,360	FNMA	7.000	1/1/2016	1,014,560
FNMA	6.000	3/1/2013	323,669	FNMA	7.000	6/1/2030	118,735
FNMA	6.500	3/1/2013	57,341	FNMA	6.500	10/1/2016	45,982
FNMA	6.000	4/1/2013	84,621	FNMA	6.000	5/1/2031	112,443
FNMA	6.500	4/1/2028	136,341	FNMA	6.500	5/1/2031	187,480
FNMA	6.500	6/1/2013	311,220	FNMA	6.500	6/1/2031	185,449
FNMA	6.500	9/1/2028	435,175	FNMA	6.500	5/1/2031	123,172
FNMA	7.000	8/1/2028	97,269	FNMA	6.500	8/1/2031	280,542
FNMA	7.000	8/1/2028	36,813	FNMA	6.500	7/1/2016	160,150
FNMA	6.500	8/1/2028	96,313	FNMA	6.500	9/1/2016	105,606
FNMA	6.500	9/1/2028	133,366	FNMA	6.500	7/1/2016	30,232
FNMA	6.500	10/1/2028	77,900	FNMA	6.500	9/1/2031	195,114
FNMA	6.000	11/1/2013	67,127	FNMA	6.500	9/1/2031	581,291
FNMA	6.500	10/1/2028	115,809	FNMA	5.500	9/1/2016	530,186
FNMA	6.500	11/1/2028	153,463	FNMA	6.500	11/1/2031	194,237
FNMA	6.000	12/1/2028	641,629	FNMA	6.500	10/1/2031	355,116
FNMA	6.000	12/1/2028	416,089	FNMA	5.500	1/1/2032	472,756
FNMA	6.000	2/1/2014	223,689	FNMA	6.500	12/1/2016	56,634
FNMA	5.500	2/1/2014	441,847	FNMA	6.000	1/1/2032	922,557
FNMA	6.000	7/1/2014	41,306	FNMA	6.000	1/1/2017	432,907
FNMA	6.500	6/1/2029	138,883	FNMA	6.500	3/1/2017	328,765
FNMA	6.000	5/1/2014	82,956	FNMA	5.000	11/1/2018	875,274
FNMA	5.500	5/1/2029	124,719	FNMA	5.500	2/1/2017	662,420
FNMA	7.000	8/1/2029	129,356	FNMA	6.500	2/1/2017	64,514
FNMA	6.500	8/1/2029	146,499	FNMA	6.500	4/1/2017	176,886
FNMA	5.500	6/1/2014	187,310	FNMA	6.000	3/1/2032	419,674
FNMA	9.000	11/1/2004	239	FNMA	6.500	3/1/2017	68,421
FNMA	6.500	6/1/2029	62,175	FNMA	6.000	5/1/2032	3,995,700
FNMA	6.500	7/1/2029	219,865	FNMA	5.500	3/1/2032	868,967
FNMA	7.000	7/1/2029	329,824	FNMA	6.500	8/1/2032	551,234
FNMA	6.000	8/1/2029	213,053	FNMA	5.500	9/1/2017	109,960
FNMA	7.000	9/1/2029	62,206	FNMA	6.500	8/1/2017	73,479
FNMA	6.000	8/1/2019	23,530	FNMA	6.500	7/1/2017	233,041
FNMA	7.500	11/1/2029	57,471	FNMA	6.000	10/1/2032	214,058
FNMA	7.000	2/1/2030	50,851	FNMA	6.500	5/1/2032	723,411
FNMA	7.000	1/1/2030	63,465	FNMA	5.000	10/1/2017	558,543
FNMA	7.000	2/1/2030	55,647	FNMA	6.500	7/1/2032	458,130
FNMA	8.000	6/1/2015	161,382	FNMA	6.000	9/1/2032	165,424
FNMA	5.500	3/1/2016	161,230	FNMA	5.000	12/1/2017	1,100,636

PORTFOLIO OF ASSETS, JUNE 30, 2004

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE	GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
FNMA	6.000	11/1/2032	1,799,248	FNMA	4.500	6/1/2019	342,636
FNMA	5.500	12/1/2032	549,676	FNMA	6.000	6/1/2034	766,605
FNMA	6.000	12/1/2032	1,013,968	FNMA	5.000	5/1/2034	6,760,282
FNMA	5.500	9/1/2017	132,555	FNMA	4.500	5/1/2034	5,182,852
FNMA	5.500	2/1/2018	78,332	FNMA	5.000	5/1/2019	1,998,747
FNMA	5.500	2/1/2018	49,409	FNMA	5.500	7/1/2019	379,306
FNMA	5.500	1/1/2018	28,083	FNMA	5.500	6/1/2034	5,710,002
FNMA	5.000	12/1/2033	89,498	FNMA	7.500	11/1/2022	72,746
FNMA	5.000	2/1/2018	537,997	FNMA	8.000	6/1/2025	59,857
FNMA	5.500	1/1/2018	516,099	FNMA	6.500	2/1/2026	75,668
FNMA	6.000	2/1/2033	2,488,866	FNMA	6.250	2/1/2011	2,791,467
FNMA	5.500	2/1/2033	642,048	FNMA	5.250	6/15/2006	2,605,693
FNMA	5.500	3/1/2033	4,274,730	FNMA	6.000	4/25/2032	571,429
FNMA	5.500	3/1/2033	4,152,985	FNMA	5.500	3/25/2034	1,350,999
FNMA	5.000	6/1/2033	1,355,809	FNMA	3.500	4/25/2017	1,780,928
FNMA	4.500	5/1/2018	879,595	FNMA	4.900	3/25/2029	2,288,746
FNMA	5.500	4/1/2023	599,883	FNMA	4.000	7/1/2019	618,922
FNMA	5.000	9/1/2033	951,117	FNMA	4.500	7/1/2019	488,438
FNMA	5.000	5/1/2033	179,022	FNMA	5.000	8/1/2019	12,468,750
FNMA	5.500	4/1/2033	721,623	FNMA	5.000	7/1/1934	2,703,750
FNMA	5.500	5/1/2033	4,915,797	FNMA	6.000	7/1/2019	311,532
FNMA	5.000	5/1/2018	2,065,298	FREDDIE MAC	3.220	2/6/2007	599,335
FNMA	5.500	7/1/2033	492,673	G STAR 2003 3 LTD	5.000	7/15/2033	599,083
FNMA	5.000	6/1/2033	341,696	G STAR 2003 3 LTD	6.000	7/15/2033	421,248
FNMA	4.500	9/1/2018	921,738	GNMA	5.500	11/20/2031	168,665
FNMA	4.500	7/1/2018	988,086	GNMA	3.494	5/25/2034	700,000
FNMA	5.500	7/1/2033	1,759,523	GNMA	5.000	7/1/2034	63,501,563
FNMA	4.000	8/1/2018	622,064	GNMA	5.500	10/20/2033	2,936,459
FNMA	6.000	7/1/2033	1,098,878	GNMA	6.000	10/20/2033	2,857,181
FNMA	6.500	8/1/2033	449,886	GNMA	5.500	2/20/2034	2,420,402
FNMA	6.000	10/1/2033	1,063,095	GNMA	5.500	4/20/2034	3,578,843
FNMA	5.500	12/1/2033	2,670,777	GNMA	7.500	3/15/2007	41,968
FNMA	5.500	9/1/2033	349,934	GNMA	9.000	9/15/2008	11,347
FNMA	4.500	10/1/2033	636,728	GNMA	8.500	8/15/2008	8,027
FNMA	5.500	9/1/2033	567,397	GNMA	8.500	7/15/2008	15,702
FNMA	4.500	9/1/2033	1,763,627	GNMA	8.000	3/15/2008	19,924
FNMA	4.000	10/1/2018	412,710	GNMA	9.000	11/15/2008	18,839
FNMA	4.500	10/1/2033	363,392	GNMA	9.000	4/15/2009	5,944
FNMA	7.500	7/1/2028	539,840	GNMA	13.000	9/15/2013	116,629
FNMA	4.500	9/1/2033	3,045,200	GNMA	12.500	9/15/2014	111,154
FNMA	4.500	11/1/2033	556,674	GNMA	11.000	10/15/2015	1,695
FNMA	4.500	10/1/2033	2,993,210	GNMA	9.000	7/15/2016	14,015
FNMA	5.500	11/1/2033	1,964,990	GNMA	9.000	5/15/2016	14,185
FNMA	5.000	10/1/2033	222,582	GNMA	9.000	6/15/2016	3,511
FNMA	5.000	11/1/2033	1,304,751	GNMA	9.000	10/15/2019	2,294
FNMA	4.500	10/1/2018	481,044	GNMA	9.500	8/15/2016	1,944
FNMA	4.500	12/1/2018	1,319,668	GNMA	10.000	10/15/2016	5,400
FNMA	5.000	1/1/2034	377,598	GNMA	9.500	7/15/2017	4,842
FNMA	5.500	12/1/2033	1,587,930	GNMA	8.000	4/15/2017	1,809
FNMA	5.500	12/1/2033	460,473	GNMA	10.000	8/15/2017	8,258
FNMA	5.500	1/1/2034	1,824,766	GNMA	8.500	1/15/2017	6,453
FNMA	5.000	1/1/2034	919,395	GNMA	8.000	3/15/2017	60,913
FNMA	5.500	2/1/2034	2,759,800	GNMA	7.500	3/15/2017	65,323
FNMA	6.000	3/1/2034	529,236	GNMA	9.500	7/15/2017	8,785
FNMA	5.500	1/1/2034	467,336	GNMA	8.500	7/15/2017	11,543
FNMA	5.500	1/1/2034	1,560,700	GNMA	8.500	8/15/2017	20,440
FNMA	5.000	3/1/2034	1,926,914	GNMA	10.500	12/15/2017	6,500
FNMA	6.000	2/1/2034	864,553	GNMA	7.000	11/15/2027	98,457
FNMA	5.500	4/1/2034	1,395,114	GNMA	10.500	7/15/2019	5,653
FNMA	5.000	5/1/2034	4,829,668	GNMA	9.500	8/15/2019	802
FNMA	6.500	5/1/2034	1,770,994	GNMA	9.000	2/15/2020	9,251
FNMA	5.000	4/1/2034	2,325,957	GNMA	9.500	7/15/2020	6,283

PORTFOLIO OF ASSETS, JUNE 30, 2004

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
GNMA	9.000	5/15/2020	6,128
GNMA	10.000	5/15/2020	8,797
GNMA	10.000	12/15/2020	6,268
GNMA	10.000	11/15/2020	13,173
GNMA	9.000	3/15/2021	5,882
GNMA	8.000	12/15/2021	51,427
GNMA	9.000	3/15/2021	10,591
GNMA	9.000	8/15/2021	8,495
GNMA	7.500	2/15/2023	48,180
GNMA	7.500	2/15/2007	4,665
GNMA	8.000	4/15/2022	2,030
GNMA	7.000	3/15/2008	18,646
GNMA	7.500	5/15/2023	56,993
GNMA	7.500	3/15/2008	138,968
GNMA	7.000	9/15/2023	72,936
GNMA	7.000	11/15/2023	217,369
GNMA	6.500	1/15/2024	100,228
GNMA	7.500	6/15/2023	71,850
GNMA	6.500	11/15/2023	85,308
GNMA	7.500	10/15/2023	44,694
GNMA	7.000	5/15/2024	89,373
GNMA	7.500	10/15/2025	39,765
GNMA	7.000	1/15/2028	42,049
GNMA	8.500	12/15/2024	15,954
GNMA	7.500	12/15/2025	30,039
GNMA	8.000	11/15/2025	81,841
GNMA	6.000	2/15/2029	264,439
GNMA	7.000	7/15/2011	55,353
GNMA	7.500	7/15/2028	50,845
GNMA	6.000	8/15/2014	163,410
ONMA	8.000	2/15/2027	34,742
GNMA	8.500	3/15/2027	32,013
GNMA	6.500	5/15/2013	322,092
ONMA	6.000	1/15/2029	198,518
GNMA	8.500	8/15/2027	6,556
GNMA	6.500	8/15/2028	257,102
GNMA	7.000	1/15/2028	140,539
GNMA	6.500	6/15/2028	229,992
GNMA	6.500	6/15/2028	422,784
GNMA	6.500	6/15/2028	146,825
GNMA	7.500	10/15/2029	44,327
GNMA	7.000	5/15/2028	115,170
GNMA	5.500	4/15/2029	173,432
GNMA	6.500	7/15/2029	73,045
GNMA	8.500	7/15/2030	45,180
ONMA	6.000	2/15/2029	171,442
GNMA	7.500	11/15/2028	19,415
GNMA	6.500	4/15/2031	239,495
GNMA	6.500	12/15/2028	132,294
ONMA	6.500	2/15/2029	151,625
GNMA	7.500	7/15/2029	44,182
GNMA	6.000	10/15/2028	127,438
GNMA	6.000	4/15/2029	39,802
ONMA	6.500	7/15/2029	149,284
GNMA	6.500	4/15/2029	76,519
GNMA	7.500	8/15/2029	56,124
GNMA	6.000	7/15/2031	491,519
GNMA	7.000	8/15/2032	283,986
GNMA	6.500	9/15/2032	655,085
GNMA	6.500	11/15/2031	495,010
GNMA	5.500	9/15/2033	1,151,757
GNMA	6.000	1/15/2032	729,491

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
GNMA	6.000	10/15/2032	283,088
GNMA	6.500	4/15/2032	163,683
GNMA	5.500	1/15/2033	616,004
GNMA	6.500	8/15/2032	126,996
GNMA	5.500	11/15/2032	411,042
GNMA	6.000	12/15/2032	914,904
GNMA	6.000	10/15/2032	614,493
GNMA	6.000	10/15/2032	3,300,229
GNMA	6.000	10/15/2032	3,833,401
GNMA	6.000	12/15/2032	269,325
GNMA	6.000	12/15/2032	184,418
GNMA	6.000	12/15/2032	1,060,607
GNMA	5.500	3/15/2033	1,043,982
GNMA	5.000	8/15/2033	9,306,222
GNMA	5.000	9/15/2033	6,896,009
GNMA	5.000	10/15/2033	460,452
GNMA	5.500	1/15/2034	2,443,855
GNMA	4.500	11/15/2018	294,820
GNMA	5.500	1/15/2034	844,891
GNMA	5.000	5/15/2034	485,405
GNMA	5.500	1/15/2034	1,889,782
GNMA	5.000	9/15/2033	588,758
GNMA	5.000	7/15/2033	7,682,397
GNMA	5.500	8/15/2033	826,701
GNMA	5.000	10/15/2033	560,824
ONMA	5.000	10/15/2033	550,867
GNMA	5.000	10/15/2033	28,194,499
GNMA	6.500	11/15/2033	331,034
GNMA	4.500	10/15/2033	475,822
GNMA	5.000	10/15/2018	480,357
GNMA	9.000	12/15/2017	269,724
GNMA	7.500	9/15/2025	47,549
GNMA	7.500	12/15/2023	144,914
GNMA	6.500	10/15/2024	194,693
GNMA	7.000	10/15/2026	442,462
GNMA	7.000	8/15/2029	148,342
GNMA	8.500	4/15/2030	371,227
GNMA	7.000	12/15/2030	249,620
GNMA	7.000	7/15/2031	243,422
GNMA	1.940	12/16/2025	516,951
GNMA	7.500	10/15/2023	51,182
GNMA	8.000	12/15/2023	412,737
GNMA	8.000	4/15/2008	46,109
GNMA	4.375	4/20/2027	153,509
GNMA	4.500	7/20/2030	1,104,095
GNMA	4.500	4/20/2030	2,692,862
GOLDEN ST TOB SECURITIZATION	6.250	6/1/2033	268,839
GOLDEN ST TOB SECURITIZATION	6.750	6/1/2039	801,738
HSTN TEX ARPT SYS REV	5.700	7/1/2028	1,052,850
IL ST TAXABLE-PENSION	5.100	6/1/2024	623,693
IL ST TAXABLE-PENSION	5.100	6/1/2024	89,099
INTL BK FOR RECON & DEV BD	8.625	10/15/2016	1,294,924
L GATOS CAL UN SCH DIST	5.000	8/1/2030	889,614
SBA GTD PARTN CTFS SBIC	7.540	8/10/2009	2,752,593
SMALL BUSINESS ADMIN	7.190	12/1/2019	1,583,592
SMALL BUSINESS ADMIN	7.200	10/15/2023	5,568,804
TN VY AUTH PWR BD	6.375	6/15/2005	2,075,684
TOB SETTLEMENT FING CORP	5.875	5/15/2039	635,824
TOB SETTLEMENT FING CORP	6.750	6/1/2033	730,403
TOB SETTLEMENT REV MGMT	6.000	5/15/2011	88,598
U.S TREAS	5.500	8/15/2028	1,985,649
U.S TREAS	13.250	5/15/2014	3,965,500

PORTFOLIO OF ASSETS, JUNE 30, 2004

GOVERNMENT SECURITIES	RATE	MATURITY DATE	MARKET VALUE
U.S TREAS	5.625	5/15/2008	753,484
U.S TREAS	6.500	11/15/2026	1,314,728
U.S TREAS	7.000	7/15/2006	3,250,431
U.S TREAS	10.375	11/15/2012	2,320,079
U.S TREAS	11.750	2/15/2010	1,219,179
U.S TREAS	12.000	8/15/2008	1,320,000
U.S TREAS	12.500	8/15/2009	3,213,171
U.S TREAS	5.375	2/15/2031	191,625
U.S TREAS	5.375	2/15/2031	1,815,399
U.S TREAS	6.125	8/15/2029	2,970,000
U.S TREAS	7.500	11/15/2016	8,506,134
U.S TREAS	8.750	5/15/2017	3,822,423
U.S TREAS	8.125	5/15/2021	4,624,648
U.S TREAS	8.750	5/15/2020	5,345,024
U.S TREAS	9.250	2/15/2016	7,634,902
U.S TREAS	9.375	2/15/2006	4,990,428
U.S TREAS	5.250	11/15/2028	783,782
U.S TREAS	7.125	2/15/2023	3,636,681
U.S TREAS	6.625	2/15/2027	1,682,510
U.S TREAS	6.250	5/15/2030	1,903,402
U.S TREAS	6.375	8/15/2027	1,128,711
U.S TREAS	12.750	11/15/2010	7,738,454
U.S TREAS	8.125	8/15/2019	3,398,640
U.S TREAS	2.000	5/15/2006	9,417,203
U.S TREAS	4.000	11/15/2012	401,788
U.S TREAS	4.750	11/15/2008	1,044,375
U.S TREAS	4.875	2/15/2012	2,716,296
U.S TREAS	5.000	8/15/2011	3,627,709
U.S TREAS	5.000	8/15/2011	417,578
U.S TREAS	6.125	8/15/2007	3,959,823
U.S TREAS	6.500	10/15/2006	1,619,238
U.S TREAS	6.875	5/15/2006	5,167,123
U.S TREAS	3.250	8/15/2007	6,956,241
U.S TREAS	3.250	8/15/2007	7,041,317
U.S TREAS	1.875	9/30/2004	11,564,438
U.S TREAS	4.250	8/15/2013	1,269,024
U.S TREAS	3.125	9/15/2008	2,649,480
U.S TREAS	4.250	11/15/2013	2,919,960
U.S TREAS	4.250	11/15/2013	1,031,719
U.S TREAS	1.875	12/31/2005	6,128,582
U.S TREAS	1.875	12/31/2005	10,462,224
U.S TREAS	2.250	2/15/2007	43,367,869
U.S TREAS	4.000	2/15/2007	2,382,617
U.S TREAS	4.000	6/15/2009	3,126,520
U.S TREAS	4.250	1/15/2010	3,201,326
U.S TREAS	1.625	1/31/2005	29,982,420
U.S TREAS	5.000	2/15/2011	6,280,314
U.S TREAS	3.000	2/15/2008	690,348
U.S TREAS	1.625	4/30/2005	18,946,572
U.S TREAS	4.375	5/15/2007	2,454,786
U.S TREAS	2.625	5/15/2008	1,937,266
U.S TREAS	1.125	6/30/2005	30,170,469
U.S TREAS	2.250	7/31/2004	8,586,701
U.S TREAS	6.000	8/15/2009	4,944,901
U.S TREAS	5.750	8/15/2010	1,635,468
U.S TREAS	2.375	8/15/2006	2,082,034
U.S TREAS	2.375	8/15/2006	3,866,635
U.S TREAS	2.125	10/31/2004	50,526,523
U.S TREAS	2.000	11/30/2004	37,307,572
U.S TREAS	2.000	12/15/2008	2,468,165
U.S TREAS	2.000	12/15/2008	51,446,431
U.S TREAS	3.625	1/15/2008	2,800,640
U.S TREAS	3.875	1/15/2009	511,716
U.S TREAS	3.375	1/15/2007	4,580,332
U.S TREAS	2.250	4/30/2006	4,965,820
U.S TREAS	7.000	5/15/2020	416,827
U.S TREAS	7.125	11/15/2022	249,263
TOTAL GOVERNMENT SECURITIES			1,099,141,715
COPORATE BONDS			
1ST UN CORP	6.300	4/15/2008	533,405
EMC MTG	2.210	8/25/2031	2,800,115
GE CAP COML MTG	6.460	8/11/2033	803,594
GREENWICH CAP	4.915	1/5/2036	974,033
GS MTG SECS CORP	3.470	6/25/2034	687,092
HELLER FINL	7.715	9/15/2008	661,168
J P MORGAN CHASE COML	6.244	4/4/2035	1,012,998
LB COML CONDUIT	7.325	10/15/2032	1,231,899
LB-UBS COML	6.410	12/15/2019	493,881
LB-UBS COML	4.207	11/15/2027	1,681,461
MASTR AST SECURITIZATION	5.500	9/25/2033	949,558
MELLON RESDNTL FDG CORP		5/25/2030	1,024,915
MORGAN J P COML MTG FIN CORI	7.371	8/15/2032	1,125,359
MORGAN STANLEY CAP I INC	6.530	3/15/2031	1,840,490
PRUDENTIAL COML MTG	4.493	2/11/2036	570,851
RESDNTL ACCREDIT LNS INC	7.000	3/25/2033	1,464,046
RESDNTL ACCREDIT MTG	7.250	9/25/2027	381,174
RESDNTL AST SEC CORP	4.470	3/25/2032	1,968,170
SMHL GLOBAL FD	1.365	6/15/2026	195,046
STRUCTURED AST SECS CORP	1.950	9/25/2030	231,108
STRUCTURED AST SECS CORP	1.950	6/25/2032	740,070
WAMU MTG	5.243	10/25/2032	679,219
WAMU MTG	5.162	2/27/2034	514,582
AAMES MTG	2.160	7/15/2029	545,236
ABBOTT LABS	5.625	7/1/2006	3,206,644
ABITIBI-CONSOLIDATED INC	8.550	8/1/2010	2,272,301
ABITIBI-CONSOLIDATED INC	8.300	8/1/2005	2,069,898
AIRGAS INC	7.750	9/15/2006	530,000
AL PWR CO	5.500	10/14/2017	346,815
ALBERTSONS INC	8.700	5/1/2030	462,931
ALCAN ALUMINIUM CORP	1.624	12/8/2004	1,699,832
ALLIED WASTE	8.875	4/1/2008	3,514,950
ALLSTATE CORP	6.125	2/15/2012	245,133
ALLSTATE CORP	6.750	5/15/2018	577,789
ALTRIA GROUP INC	7.000	11/4/2013	1,741,332
AMER STD INC	7.375	2/1/2008	102,600
AMERICREDIT AUTOMOBILE	2.840	8/6/2010	679,615
AMERIQUEST MTG SECS INC		6/25/2034	1,798,128
AMERN EXPRESS	4.875	1/15/2009	973,925
AMERN EXPRESS CO	4.875	7/15/2013	291,110
AMERN STD INC	7.375	4/15/2005	691,775
AMETEK INC	7.200	7/15/2008	540,120
AOL TIME WARNER INC	7.700	5/1/2032	1,665,941
ARAMARK SVCS INC	6.375	2/15/2008	1,951,206
ARCHER DANIELS MIDLAND CO	8.875	4/15/2011	490,376
AST SECS CORP		9/25/2033	181,242
AT&T CORP	6.500	3/15/2013	929,790
AT&T CORP	8.000	11/15/2031	1,434,884
AT&T CORP 8.05 USD SR NT	8.050	11/15/2011	4,594,590
AT&T WIRELESS	7.875	3/1/2011	1,023,717
AT&T WIRELESS	8.750	3/1/2031	1,682,453
BALT GAS & ELEC CO	5.250	12/15/2006	592,460
BANC 1 CORP	7.625	10/15/2026	532,058

PORTFOLIO OF ASSETS, JUNE 30, 2004

COPORATE BONDS	RATE	MATURITY DATE	MARKET VALUE
BANC AMER	6.000	1/25/2034	1,352,511
BANKAMERICA CORP	5.875	2/15/2009	1,397,440
BANKBOSTON HOME EQTY LN	6.420	1/25/2021	859,771
BANKBOSTON N A MEDIUM TERM	6.375	4/15/2008	5,395,190
BEAR STEARNS	6.500	5/1/2006	6,351,138
BEAR STEARNS	7.000	6/15/2009	1,777,013
BEAR STEARNS	5.700	11/15/2014	1,003,110
BEAR STEARNS	7.000	5/14/2016	1,800,000
BEAR STEARNS	7.000	8/20/2018	3,084,385
BEAR STEARNS	7.000	5/20/2030	3,044,857
BEAR STEARNS	6.000	12/25/2040	143,210
BELLSOUTH CAP FDG CORP	7.875	2/15/2030	1,158,649
BHP FIN USA LTD	6.750	11/1/2013	895,800
BK 1 CORP	6.000	8/1/2008	6,749,353
BK AMER CORP	7.800	2/15/2010	459,671
BMW	3.320	2/25/2009	5,449,147
BOEINO CO	8.625	11/15/2031	395,126
BOISE CASCADE CORP	6.500	11/1/2010	3,037,237
BRUNSWICK CORP	7.125	8/1/2027	416,908
BURL NORTHN SANTA FE CORP	6.125	3/15/2009	1,217,691
CALENERGY INC	7.630	10/15/2007	3,153,477
CAP 1	3.650	7/15/2011	1,272,671
CAP 1 BK	8.250	6/15/2005	471,783
CAP 1 BK	6.500	6/13/2013	3,474,746
CAP AUTO	1.960	1/15/2009	1,450,740
CASE CORP	7.250	1/15/2016	355,500
CASE NEW HOLLAND INC	9.250	8/1/2011	1,627,500
CATERPILLAR FINL SVCS CORP	5.950	5/1/2006	6,308,544
CATERPILLAR INC	8.000	2/15/2023	366,301
CENTERPOINT ENERGY INC	5.875	6/1/2008	2,672,917
CHARMING SHOPPES	1.540	8/15/2008	499,711
CHEVRONTEXACO CAP	3.500	9/17/2007	998,851
CHEVY CHASE BK	6.875	12/1/2013	800,000
CHRYSLER CORP	7.450	3/1/2027	410,583
CIRCUS CIRCUS	6.450	2/1/2006	642,187
CIT GROUP	7.750	4/2/2012	798,316
CIT GROUP	7.750	4/2/2012	1,026,406
CITIBANK	2.700	10/15/2007	3,161,289
CITIBANK	6.900	1/15/2008	2,868,951
CITIGROUP	7.750	12/1/2006	214,932
CITIGROUP	5.000	3/6/2007	871,318
CITIGROUP	7.250	10/1/2010	2,387,554
CITIGROUP	6.000	2/21/2012	583,144
CITIGROUP	5.625	8/27/2012	616,746
CLEAR CHANNEL COMMUNICATIC	4.250	5/15/2009	2,557,081
COASTAL CORP NT	7.750	6/15/2010	722,000
COCA COLA BOTTLING CO	6.375	5/1/2009	1,078,550
COCA COLA ENTERPRISES INC	8.500	2/1/2012	1,222,263
COMCAST CABLE COMMUNICATIC	6.200	11/15/2008	777,708
COMCAST CABLE COMMUNICATIC	6.750	1/30/2011	4,237,559
CONAGRA INC NT	7.875	9/15/2010	926,712
CONOCO FDG CO	5.450	10/15/2006	5,233,670
CONS EDISON CO	6.625	12/15/2005	5,268,710
CONSTELLATION ENERGY GROUP	7.000	4/1/2012	544,483
CONTINENTAL AIRLS	6.703	6/15/2021	445,077
COUCHE-TARD U S L P / COUCHE-'	7.500	12/15/2013	1,755,000
COUNTRYWIDE HOME	5.500	2/1/2007	1,723,563
COX COMMUNICATIONS	6.875	6/15/2005	362,641
CR SUISSE 1ST BSTN	6.000	7/25/2033	873,304
CR SUISSE 1ST BSTN USA INC	6.500	1/15/2012	1,074,589
CSC HLDGS INC	7.250	7/15/2008	2,848,200
CSX CORP	7.450	5/1/2007	1,094,954

COPORATE BONDS	RATE	MATURITY DATE	MARKET VALUE
CSX CORP	4.875	11/1/2009	1,568,174
CWABS INC	7.625	8/25/2023	1,777,185
CWABS INC	4.905	8/25/2032	3,824,740
D R HORTON INC	5.000	1/15/2009	1,776,062
DAIMLERCHRYSLER	8.500	1/18/2031	344,678
DAIMLERCHRYSLER	7.200	9/1/2009	1,088,554
DAYTON HUDSON CORP	6.750	1/1/2028	644,410
DEAN FOODS CO	8.150	8/1/2007	563,532
DEAN FOODS CO	6.900	10/15/2017	1,521,892
DELHAIZE AMER INC	8.125	4/15/2011	2,788,862
DEVON FING CORP	6.875	9/30/2011	544,328
DISNEY WALT CO	6.750	3/30/2006	1,059,285
DISNEY WALT CO	6.200	6/20/2014	576,188
DLJ COML MTO CORP	6.240	11/12/2031	1,608,572
DOMINION RES INC	8.125	6/15/2010	807,801
DOMINOS INC	8.250	7/1/2011	196,100
DU PONT E I DE NEMOURS & CO	8.250	9/15/2006	221,010
DUKE ENERGY CORP	6.000	12/1/2028	575,958
EASTMAN CHEM CO	6.300	11/15/2018	3,890,925
EMERSON ELEC CO	5.850	3/15/2009	747,137
ENTERGY GULF STS INC	3.600	6/1/2008	482,430
EOP OPER LTD	6.800	1/15/2009	974,082
EOP OPER LTD	7.000	7/15/2011	1,144,410
EVEREST REINS HLDGS INC	8.500	3/15/2005	3,110,778
FEDEX CORP NT	3.500	4/1/2009	959,780
FEDT DEPT STORES INC	6.625	4/1/2011	693,743
FEDT DEPT STORES INC	7.450	7/15/2017	168,592
FING CDRP	10.350	8/3/2018	1,477,360
FIRSTENERGY CORP	6.450	11/15/2011	2,623,000
FL PWR & LT CO	5.625	4/1/2034	254,795
FLEET FINL GROUP INC	6.375	5/15/2008	1,079,085
FORD CR AUTO OWNER	6.375	11/15/2008	2,079,800
FORD MTR CO	6.700	7/16/2004	500,714
FORD MTR CO	5.625	10/1/2008	1,750,086
FORD MTR CO	7.875	6/15/2010	1,196,869
FORD MTR CO	7.375	2/1/2011	632,860
FORD MTR CO	6.625	10/1/2028	1,874,019
FORD MTR CO	6.625	2/15/2028	350,760
FORD MTR CO	6.625	10/1/2028	394,070
GA PAC CORP	7.375	2/1/2025	4,053,280
GE GLOBAL INS HLDG CORP	7.000	2/15/2026	529,228
GEN ELEC CAP CORP	6.750	3/15/2032	1,075,015
GEN MTRS	6.750	5/1/2028	321,371
GEN MTRS	7.750	1/19/2010	3,408,702
GEN MTRS	6.000	2/15/2012	1,256,552
GEN MTRS	8.250	7/15/2023	628,351
GEN MTRS	8.000	11/1/2031	855,530
GEN MTRS	8.000	11/1/2031	1,024,587
GEN MTRS	8.375	7/15/2033	4,392,742
GILLETTE CD	4.000	6/30/2005	2,026,620
GMAC COML MTG SECS INC	2.670	5/15/2030	1,813,643
GMACM REVOLVING HOME EQTY	2.101	6/18/2027	660,800
GOLDMAN SACHS	6.600	1/15/2012	807,067
GOLDMAN SACHS CAP	6.345	2/15/2034	328,676
GOLDMAN SACHS GROUP INC	7.350	10/1/2009	471,686
GOLDMAN SACHS GROUP INC	6.600	1/15/2012	887,773
GTE CORP	6.940	4/15/2028	255,132
HALLIBURTON CO	5.500	10/15/2010	3,454,921
HARTFORD LIFE INC	7.650	6/15/2027	349,992
HCA INC	6.950	5/1/2012	3,489,925
HEWLETT PACKARD CO	6.500	7/1/2012	654,535
HONEYWELL INTL INC	6.875	10/3/2005	4,202,164

PORTFOLIO OF ASSETS, JUNE 30, 2004

COPORATE BONDS	RATE	MATURITY DATE	MARKET VALUE
HSEHD FIN CORP	8.000	7/15/10	4,242,400
HSEHD FIN CORP	7.625	5/17/32	966,144
ICI WILMINGTON INC	5.625	12/1/13	1,700,833
IMC GLOBAL INC	10.875	6/1/08	1,987,875
IMC HOME EQTY LN	7.670	5/20/27	2,516,530
INTER AMERN DEV BK	5.750	2/26/08	803,018
INTL BUSINESS MACH CORP	8.375	11/1/19	659,523
INTL LEASE FIN CORP	5.625	6/1/07	1,196,337
INTL PAPER CO	4.000	4/1/10	2,985,419
INTL PAPER CO	5.850	10/30/12	660,195
INTL STL GROUP INC	6.500	4/15/14	1,687,500
IPALCO ENTERPRISES INC	8.375	11/13/08	1,681,750
ISTAR FINL INC	4.875	1/15/09	1,021,546
ISTAR FINL INC	6.000	12/15/10	700,592
J P MORGAN CHASE & CO	5.625	8/15/06	964,004
J P MORGAN CHASE & CO	5.250	5/30/07	5,218,370
J P MORGAN CHASE & CO	5.750	1/2/13	889,315
J P MORGAN CHASE & CO	5.250	5/1/15	336,652
JP MORGAN CHASE	6.700	8/15/08	544,673
K N ENERGY INC	7.250	3/1/28	425,185
KELLOGG CO DEB DTD	7.450	4/1/31	547,852
KEYCORP INSTL	7.826	12/1/26	430,220
KEYSPAN CORP	8.000	11/15/30	246,609
KFW INTL FIN INC	5.250	6/28/06	2,409,579
KINDER MORGAN	7.125	3/15/12	879,817
KINDER MORGAN	7.125	3/15/12	2,991,377
KRAFT FOODS INC	5.625	11/1/11	432,350
KROGER CO	7.250	6/1/09	777,636
L-3 COMMUNICATIONS CORP	8.000	8/1/08	517,500
LASMO USA INC	7.500	6/30/06	1,083,637
LEAR CORP SR NT	7.960	5/15/05	2,085,442
LEHMAN BROS HLDGS INC	8.500	5/1/07	1,354,937
LEHMAN BROS HLDGS INC	6.625	2/5/06	6,064,913
LILLY ELI & CO	7.125	6/1/25	572,222
LOCKHEED MARTIN CORP	8.200	12/1/09	949,176
MBNA AMER BK NATL ASSN	6.625	6/15/12	696,846
MBNA MASTER CR CARD	5.900	8/15/11	750,061
MERRILL LYNCH & CO INC	7.000	4/27/08	1,104,929
MERRILL LYNCH CR CORP		12/15/24	1,129,778
METLIFE INC METLIFE INC	6.125	12/1/11	858,812
MEYER FRED INC	7.450	3/1/08	3,384,524
MORGAN STANLEY	6.100	4/15/06	631,255
MORGAN STANLEY	6.875	3/1/07	1,085,084
MORGAN STANLEY	6.875	3/1/07	5,425,420
MORGAN STANLEY	5.300	3/1/13	393,617
MORGAN STANLEY	5.300	3/1/13	393,617
MORGAN STANLEY	6.250	3/15/30	469,016
NATL RURAL UTILS COOP FIN	6.000	5/15/06	6,314,040
NAVISTAR FINL	1.690	9/15/06	1,665,219
NAVISTAR INTL CORP	9.375	6/1/06	1,857,600
NB CAP TR IV	8.250	4/15/27	1,751,951
NEW HOLLAND INC	9.250	8/1/07	194,250
NEWS AMER HLDGS INC	7.750	1/20/24	1,130,897
NORFOLK SOUTHN CORP	7.350	5/15/07	1,643,697
NORTHROP GRUMMAN CORP	7.125	2/15/11	1,236,145
OCCIDENTAL PETE CORP	7.375	11/15/08	895,248
ONCOR ELEC DELIVERY CO	7.250	1/15/33	1,441,427
ONCOR ELEC DELIVERY CO	6.375	5/1/12	1,327,719
OPF CALL SEPT		8/27/04	1,531
OVERSEAS SHIPHOLDING OROUP	7.500	2/15/24	1,665,000
PAC BELL	7.125	3/15/26	320,367
PAC GAS & ELEC CO	1.810	4/3/06	2,901,749

COPORATE BONDS	RATE	MATURITY DATE	MARKET VALUE
PARKER & PARSLEY PETE CO	8.875	4/15/05	1,229,027
PECO ENERGY TRANSITION	7.600	3/1/09	611,927
PEMEX FIN LTD	9.150	11/15/18	654,231
PEMEX PROJ FDG	7.875	2/1/09	5,138,438
PHILIP MORRIS COS INC	7.750	1/15/27	1,809,761
PHILLIPS PETE CO	8.750	5/25/10	229,642
PK PL ENTMT CORP	7.875	12/15/05	1,051,250
PP&L TRANSITION BD LLC	7.150	6/25/09	1,111,173
PREMCOR REFNO GROUP INC	6.750	2/1/11	1,351,163
PREMCOR REFNG GROUP INC	7.500	6/15/15	788,500
PROCTER & GAMBLE CO	8.500	8/10/09	519,151
PROGRESS ENERGY INC	7.100	3/1/11	1,205,369
PROGRESS ENERGY INC	6.850	4/15/12	756,435
PULTE HOMES INC	6.250	2/15/13	459,675
QWEST CAP FDG INC	7.750	8/15/06	495,000
RAYTHEON CO	6.750	8/15/07	1,299,613
RESDNTL AST SEC CORP	4.470	4/25/13	1,799,438
RESDNTL AST SEC CORP	2.070	9/25/31	766,730
ROHM & HAAS CO NT	7.400	7/15/09	564,173
SACO I INC		9/25/40	66,675
SAFECO CAP	8.072	7/15/37	2,396,816
SARA LEE CORP	6.250	9/15/11	108,090
SBC COMMUNICATIONS INC	4.295	6/5/21	2,741,823
SECD LENDING CORP	7.130	5/15/26	754,357
SIMON DEBARTOLO	6.875	11/15/06	741,523
SOUTHN CAL EDISON CO	7.625	1/15/10	1,102,179
SPRINT CAP CORP	6.875	11/15/28	961,247
SPRINT CAP CORP	6.875	11/15/28	2,941,416
SVC CORP INTL	6.750	4/1/16	846,375
TARGET CORP	5.875	3/1/12	317,135
TCI COMMUNICATIONS INC	8.750	8/1/15	511,984
TIME WARNER ENTMT CO	8.375	3/15/23	1,126,120
TRANSOCEAN INC	6.750	4/15/05	3,303,495
TRANSOCEAN INC	6.625	4/15/11	338,264
TRUMAN CAP MTG	2.180	1/25/33	1,523,448
TX INSTRS INC	6.125	2/1/06	840,043
U S BK NATL ASSN	6.375	8/1/11	540,129
U S W COMMUNICATIONS INC	7.200	11/1/04	503,750
U S W COMMUNICATIONS INC	7.200	11/10/26	1,302,900
U S W COMMUNICATIONS INC	7.500	6/15/23	728,063
U S W COMMUNICATIONS INC	7.250	9/15/25	448,050
UN OIL CO CAL	7.500	2/15/29	563,607
UN PAC CORP	6.500	4/15/12	323,052
UN PAC CORP	5.375	5/1/14	2,793,411
UN PAC RES GROUP INC	7.500	10/15/26	399,413
UNILEVER CAP CORP	7.125	11/1/10	905,028
UTD AIRLS PASS	6.201	3/1/10	2,139,038
UTD PARCEL SVC AMER INC	8.375	4/1/20	497,390
UTD TECHNOLOGIES CORP	7.500	9/15/29	427,954
VA ELEC & PWR CO	8.250	3/1/25	1,065,110
VALEANT PHARMACEUTICALS	7.000	12/15/11	1,516,125
VERIZON GLOBAL FDG CORP	7.250	12/1/10	1,229,773
VIACOM INC	7.750	6/1/05	1,570,845
VIACOM INC	5.500	5/15/33	465,579
VODAFONE AIRTOUCH	7.875	2/15/30	333,087
WA MUT INC	8.250	4/1/10	1,164,400
WA MUT INC	4.375	1/15/08	1,006,360
WA MUT MTG SECS CORP	5.750	12/25/32	880,416
WACHOVIA CORP	5.625	12/15/08	835,845
WASTE MGMT INC	6.500	11/15/08	432,299
WASTE MGMT INC	6.875	5/15/09	2,920,590
WELLS FARGO BK	6.450	2/1/11	1,570,025

PORTFOLIO OF ASSETS, JUNE 30, 2004

COPORATE BONDS	RATE	MATURITY DATE	MARKET VALUE
WELLS FARGO FINL INC	7.000	11/1/2005	3,171,600
WEYERHAEUSER CO	6.750	3/15/2012	3,497,935
WEYERHAEUSER CO	7.950	3/15/2025	729,378
WI ENERGY CORP	6.500	4/1/2011	349,732
WYETH WYE	5.500	2/1/2014	286,654
TOTAL CORPORATE BONDS			430,782,592
INTERNATIONAL BONDS			
ABBEY NATL	7.950	10/26/2029	415,312
ABITIBI-CONSOLIDATED FIN	7.875	8/1/2009	1,133,131
AIG SUNAMERICA INS	1.200	1/26/2005	452,045
BRAZIL FEDERATIVE REP T-BOND	8.250	1/20/2034	1,993,378
BRIT SKY BROADCASTING GROUP	6.875	2/23/2009	1,092,142
BRIT TELECOMMUNICATIONS	8.875	12/12/2030	370,106
CANADA(GOVT OF)	6.000	1/6/2008	7,378,072
CDA GOVT BD	5.250	11/5/2008	739,024
COMPANHIA BRASILEIRA DE BEBI	8.750	9/15/2013	1,756,575
DEUTSCHE TELEKOM INTL FIN	8.500	6/15/2010	1,554,182
EMPRESA NACIONAL DE ELECTRIC	8.350	8/1/2013	2,503,334
EUROPEAN INVT BK GLOBAL	4.625	3/1/2007	1,239,713
FINLAND REP NT DTD	5.875	4/7/2006	1,050,974
FRANCE TELECOM SA NT	7.875	2/28/2006	2,144,278
GERMANY(FED REP)	5.250	4/7/2010	19,603,881
GERMANY(FED REP)	5.000	4/7/2011	772,329
GERMANY(FED REP)	6.250	6/4/2026	5,203,659
HANSON OVERSEAS B V GTD	6.750	9/15/2005	1,149,985
HYDRO-QUEBEC SER HQ	9.500	11/25/2030	403,367
INTL BANK RECON&DV	4.750	12/20/2004	1,217,495
ITALY REP DEB DTD	6.875	9/27/2023	825,261
KOREA DEV BK BD	7.250	5/15/2006	1,069,005
MAN PROV CDA	9.625	12/1/2018	459,700
MERITA BK LTD	6.500	1/15/2006	1,582,410
NEW ZEALAND GOVT	10.625	11/15/2005	774,709
NORSK HYDRO	7.250	9/23/2027	647,627
ONT HYDRO GTD	6.100	1/30/2008	1,826,344
ONT PROV CDA BD	4.375	2/15/2013	530,005
QUE PROV CDA OEB	7.500	7/15/2023	901,200
QUE PROV CDA GLOBAL	6.125	1/22/2011	2,157,862
QUEENSLAND TSY	6.000	6/14/2011	10,513,844
SPAIN KGDM KINGDOM OF SPAIN	7.000	7/19/2005	1,596,986
SWEDEN(KINGDOM OF)	5.000	1/28/2009	11,178,163
TELUS CORP	8.000	6/1/2011	1,790,085
TREASURY	5.000	7/9/2014	3,959,777
TYCO INTL GROUP	4.375	11/19/2004	489,740
UTD MEXICAN STS	9.875	2/1/2010	1,321,650
UTD MEXICAN STS	8.375	1/25/2011	2,147,000
UTD UTILS	6.875	8/15/2028	365,404
TOTAL INTERNATIONAL BONDS			96,309,754

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
1ST HORIZON NATL CORP COM	7,564	343,935
3M CO	47,722	4,295,457
5TH 3RD BANCORP	34,940	1,879,073
ABBOTT LAB	268,409	10,940,351
ABERCROMBIE & FITCH CO	33,700	1,305,875
ACE LTD	124,391	5,259,251
ACTIVISION INC	152,100	2,418,390
ACXIOM CORP	231,900	5,758,077
ADC TELECOMMUNICATIONS INC	307,932	874,527
ADEPT TECH INC	82,500	95,700
ADOBE SYS INC	13,895	646,118
ADVANCED MICRO DEVICES INC	22,959	365,048
AES CORP	38,100	378,333
AETNA INC	462,847	39,341,995
AFFILIATED COMPUTER SVCS INC	8,300	439,402
AFLAC INC	31,040	1,266,742
AGILE SOFTWARE CORP	529,900	4,636,625
AGILENT TECHNOLOGIES INC	28,079	822,153
AGRIUM INC	133,100	1,936,605
AIR PROD & CHEM INC	13,669	716,939
AIRTRAN HLDGS INC	306,800	4,338,152
ALBANY MOLECULAR RESH INC	45,800	592,194
ALBERTO-CULVER CO COMMON	5,280	264,739
ALBERTSON S INC	773,194	20,520,569
ALCOA INC	367,814	12,148,896
ALCON INC	55,200	4,341,480
ALEXANDER & BALDWIN INC	87,000	2,910,150
ALLEGHENY ENERGY INC	7,551	116,361
ALLEGY TECHNOLOGIES INC	5,055	91,243
ALLERGAN INC	7,778	696,287
ALLIANCE DATA SYS	211,400	8,931,650
ALLIANT ENERGY	512,300	13,360,784
ALLIANT TECHSYSTEMS INC	212,000	13,428,080
ALLIED WASTE INDS INC	19,465	256,549
ALLMERICA FINL CORP	622,100	21,026,980
ALLSTATE CORP	365,766	17,026,407
ALLTEL CORP	18,709	947,050
ALTERA CORP	23,007	511,216
ALTRIA GROUP INC	736,247	36,849,162
AMBAC FNCL GROUP	133,406	9,797,337
AMDOCS ORD	70,200	1,644,786
AMER ELEC PWR CO INC	435,307	13,929,824
AMER EXPRESS CO	80,333	4,127,510
AMERADA HESS CORP	41,061	3,251,621
AMEREN CORP	9,584	411,729
AMERICAN TOWER CORP	212,600	3,231,520
AMERICREDIT CORP	161,000	3,144,330
AMERISOURCEBERGEN CORP	6,622	395,863
AMERITRADE HLDG CORP	242,400	2,751,240
AMERN EAGLE OUTFITTERS INC	59,100	1,708,581
AMERN FINL RLTY TR	401,100	5,731,719
AMERN HOME MTG INVT CORP	60,600	1,571,358
AMERN INTL GROUP INC	159,460	11,366,309
AMERN MED SYS HLDGS INC	78,000	2,628,600
AMERN PWR CONVERSION	243,804	4,790,749
AMERN STD COS INC DEL	13,107	528,343
AMGEN INC	165,198	9,014,855
AMSOUTH BANCORPORATION	21,406	545,211
ANADARKO PETRO CORP	14,948	875,953
ANADIGICS INC	100,000	515,900
ANALOG DEVICES INC	79,302	3,733,538
ANDREW CORP	11,115	222,411
ANHEUSER BUSCH COS INC	49,761	2,687,094
ANNTAYLOR STORES	118,050	3,421,089
ANTHEM INC	8,504	761,618
AON CORP	18,636	530,567
APACHE CORP	19,824	863,335
APOLLO GROUP INC	10,988	970,131
APPLE COMPUTER INC	23,575	767,131
APPLERA CORP	12,607	274,202
APPLIED MATERIALS INC	99,236	1,947,010

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
APPLIED MICRO CIRCUITS CORP	168,292	895,313
APT INVT & MGMT CO	349,261	10,872,495
ARAMARK CORP	307,600	8,846,576
ARCHER-DANIELS-MIDLAND CO	43,039	722,194
ARRAY BIOPHARMA INC	125,000	993,750
ARROW ELECTR INC	96,000	2,574,720
ARTESYN TECHNOLOGIES INC	100,000	900,000
ASCENTIAL SOFTWARE CORP	213,100	3,407,469
ASHLAND INC	66,722	3,523,589
ASK JEEVES INC	42,800	1,670,484
ASSUR GUARANTY	279,400	4,735,830
ASSURANT INC	230,800	6,088,504
ASTORIA FINL CORP	61,900	2,264,302
AT&T CORP	123,604	1,808,326
AT&T WIRELESS SVCS INC	170,836	2,446,372
ATMI INC	61,700	1,685,027
AUTO DATA PROCESSING INC	36,059	1,510,151
AUTODESK INC	80,035	3,426,298
AUTOLIV INC	69,700	2,941,340
AUTONATION INC	17,491	299,096
AUTOZONE INC	5,857	469,146
AVAYA INC	149,872	2,366,479
AVERY DENNISON CORP	6,614	423,362
AVNET INC	92,800	2,106,560
AVON PRODS INC	234,304	10,810,787
BAKER HUGHES INC	20,248	762,337
BALDOR ELEC CO	304,200	7,103,070
BALL CORP	29,971	2,159,411
BANK N.Y. CO INC	46,074	1,358,262
BARD C R INC	124,612	7,059,270
BARR PHARMACEUTICALS INC	33,775	1,138,218
BAUSCH & LOMB INC	43,806	2,850,456
BAXTER INTL INC	35,672	1,231,041
BB&T CORP	33,823	1,250,436
BEA SYS INC	238,700	1,962,114
BEAR STEARNS COS INC	5,963	502,741
BEAZER HOMES USA INC	59,600	5,978,476
BECTON DICKINSON & CO	15,312	793,162
BED BATH BEYOND INC	18,683	718,361
BELLSOUTH CORP	113,700	2,981,214
BEMIS CO INC	6,416	181,252
BERKLEY W R CORP	63,100	2,710,145
BEST BUY INC	19,346	981,616
BIG LOTS INC	6,995	101,148
BIOGEN IDEC INC	79,409	5,022,619
BIOMET INC	17,271	767,523
BIOVAIL CORP	168,200	3,192,436
BISYS GROUP INC	227,900	3,204,274
BJ SVCS CO	10,590	485,446
BJS WHSL CLUB INC	37,300	932,500
BK 1 CORP	69,376	3,538,176
BK AMER CORP	125,503	10,620,064
BK HAW CORP	51,900	2,346,918
BLACK & DECKER CORP	4,743	294,683
BLOCK H & R INC	37,946	1,809,265
BMC SOFTWARE INC	14,033	259,611
BOEING CO	51,333	2,622,603
BOISE CASCADE CORP	3,525	132,681
BRASCAN CORP	66,750	1,885,020
BRIGGS & STRATTON CORP	20,800	1,837,680
BRISTOL MYERS SQUIBB CO	120,687	2,956,832
BROADCOM CORP	19,289	902,147

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
BROOKS AUTOMATION INC	50,000	1,007,500
BROWN-FORMAN INC	7,266	350,730
BRUNSWICK CORP	106,375	4,340,100
BSTN SCIENTIFIC CORP	50,246	2,150,529
BURL NORTHN SANTA FE CORP	80,464	2,821,872
BURL RES INC	24,216	876,135
C D W CORP	140,000	8,926,400
C&D TECHNOLOGIES INC	468,100	8,346,223
CADENCE DESIGN SYS INC	166,400	2,434,432
CAESARS ENTMT INC	980,900	14,713,500
CALIPER LIFE SCIENCES INC	275,000	1,278,750
CALPINE CORP	30,134	130,179
CAMPBELL SOUP CO	24,689	663,640
CAP 1 FNCL	14,041	960,124
CAPTARIS INC	564,600	3,647,316
CARDINAL HLTH INC	26,382	1,848,059
CARDIODYNAMICS INTL CORP	954,100	4,818,205
CAREER ED CORP	43,300	1,972,748
CAREMARK RX INC	527,000	17,359,380
CARMAX INC	212,900	4,656,123
CARNIVAL CORP	39,099	1,837,653
CATERPILLAR INC	21,800	1,731,792
CDN NAT RES LTD	73,200	2,188,680
CELESTICA INC	390,836	1,863,330
CENDANT CORP	1,357,153	33,223,105
CENTENE CORP	72,100	2,779,455
CENTERPOINT ENERGY INC	18,312	210,588
CENTEX CORP	85,424	3,908,148
CENTILLIUM COMMUNICATIONS INC	200,000	766,000
CENTURYTEL INC	8,569	257,413
CEPHALON INC	16,700	901,800
CEPHEID INC	35,000	403,900
CERIDIAN CORP	259,200	5,832,000
CERTEGY INC	31,000	1,202,800
CHARLES RIV LAB INTL INC	25,100	1,226,637
CHARTER 1 FINCL INC	13,592	600,630
CHECKFREE CORP	68,400	2,052,000
CHEESECAKE FACTORY INC	28,300	1,126,057
CHEMED CORP	76,400	3,705,400
CHES ENERGY CORP	600,300	8,836,416
CHEVRONTEXACO CORP	65,238	6,139,548
CHICOS FAS INC	96,900	4,376,004
CHIQUITA BRANDS INTL INC	486,600	10,179,672
CHIRON CORP	12,252	546,929
CHOLESTECH CORP	596,975	4,865,346
CHUBB CORP	10,282	701,027
CIENA CORP	32,853	122,213
CIGNA CORP	8,387	577,109
CIN BELL INC	2,205,000	9,790,200
CIN FNCL CORP	10,210	444,339
CINERGY CORP	10,130	384,940
CINTAS CORP	10,245	488,379
CIRCUIT CY STORES INC	182,774	2,366,923
CISCO SYS INC	1,298,663	30,778,313
CIT GROUP INC	1,173,321	47,517,710
CITIZENS COMMUNICATIONS	16,953	205,131
CITRIX SYS INC	10,290	209,504
CLAIRES STORES INC	101,600	2,204,720
CLEAR CHANNEL COMMUNICATIONS	402,615	14,876,624
CLOROX CO	13,233	711,671
CMS ENERGY CORP	8,648	78,956
CNA FNCL CORP	164,800	4,876,432

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
COACH INC	83,100	3,755,289
COCA COLA CO	149,169	7,530,051
COCA COLA ENTERPRISES INC	27,035	783,745
COLGATE-PALMOLIVE CO	257,471	15,049,180
COLLAGENEX PHARMACEUTICALS INC	227,500	2,143,050
COLUMBIA SPORTSWEAR CO	109,900	6,002,738
COMCAST CORP	328,015	9,114,460
COMERICA INC	10,503	576,405
COMPUTER ASSOC INTL INC	1,384,163	38,839,614
COMPUTER HORIZONS CORP	711,075	2,837,189
COMPUTER SCI CORP	11,259	522,755
COMPUWARE CORP	22,764	150,242
COMVERSE TECH INC	11,292	225,162
COMWLTH TEL ENTERPRISES INC	59,500	2,663,815
CONAGRA FOODS INC	34,700	939,676
CONEXANT SYS INC	250,000	1,082,500
CONOCOPHILLIPS	42,106	3,212,267
CONS EDISON INC	13,748	546,620
CONSECO INC	303,100	6,031,690
CONSTELLATION BRANDS INC	31,900	1,184,447
CONSTELLATION ENEROY GROUP INC	92,813	3,517,613
CONVERGYS CORP	79,648	1,226,579
COOPER COS INC	48,500	3,063,745
COOPER IND INC	5,613	333,468
COOPER TIRE & RUBBER CO	3,800	87,400
COORS ADOLPH CO	256,131	18,528,517
COPART INC	52,200	1,393,740
CORE LAB	174,000	4,002,000
CORNING INC	79,180	1,034,091
COSTCO WHSL CORP	28,906	1,187,169
COUNTRYWIDE FINL CORP	124,150	8,721,537
COVENTRY HLTH CARE INC	91,900	4,493,910
COX COMMUNICATIONS INC	133,000	3,696,070
CRANE CO	73,322	2,301,578
CROWN CASTLE INTL CORP	387,680	5,718,280
CSX CORP	230,016	7,537,624
CUMMINS INC	3,313	207,063
CURAGEN CORP	200,000	1,202,000
CVS CORP	23,628	992,849
CYPRESS SEMICONDUCTOR CORP	99,800	1,416,162
CYTYC CORP	140,500	3,564,485
D R HORTON INC	313,825	8,912,630
DANA CORP	70,479	1,381,388
DANAHER CORP	18,332	950,514
DARDEN RESTAURANTS INC	10,278	211,213
DEERE & CO	14,387	1,009,104
DEL MONTE FOODS CO	145,300	1,476,248
DELL INC	631,998	22,638,168
DELPHI CORP	1,176,911	12,569,409
DELTA & PINE LD CO	221,900	4,870,705
DELTA AIR LINES INC	7,414	52,788
DELUXE CORP	55,584	2,417,904
DENDRITE INTL INC	72,200	1,341,476
DEVON ENERGY CORP	15,020	991,320
DEVRY INC	78,700	2,157,954
DIAGNOSTIC PRODS CORP	125,900	5,532,046
DIGIMARC CORP	184,500	2,463,075
DILLARDS INC	54,197	1,208,593
DISNEY WALT CO	127,075	3,239,142
DOLLAR GEN CORP	20,057	392,315
DOLLAR TREE STORES INC	299,070	8,203,490
DOMINION RES INC	21,472	1,354,454

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
DONNELLEY R R & SONS CO	13,082	431,968
DORAL FINL CORP	74,400	2,566,800
DOUBLECLICK INC	542,500	4,215,225
DOVER CORP	117,675	4,954,118
DOW CHEM CO	57,397	2,336,058
DOW JONES & CO INC	4,941	222,839
DST SYS INC	85,800	4,126,122
DTE ENERGY CO	10,075	408,441
DU PONT E I DE NEMOURS & CO	61,616	2,736,983
DUKE ENERGY CORP	55,914	1,134,495
DUN & BRADSTREET CORP	32,800	1,768,248
DYCOM INDS INC	24,300	680,400
DYNEGY INC	22,317	95,070
E*TRADE FIN CORP	418,900	4,670,735
EAGLE MATLS INC	7,230	503,610
EARTHLINK INC	494,300	5,116,005
EASTMAN CHEM CO	114,158	5,277,524
EASTMAN KODAK CO	683,933	18,452,512
EATON CORP	8,502	550,419
EBAY INC	132,230	12,158,549
ECHOSTAR COMMUNICATIONS CORP	198,813	6,113,500
ECOLAB INC	15,664	496,549
ED MGMT CORP	95,800	3,147,988
EDISON INTL	152,482	3,898,965
EDWARDS A.G INC	55,200	1,878,456
EDWARDS LIFESCIENCES CORP	100,200	3,491,970
EFUNDS CORP	187,350	3,278,625
EGL INC	102,800	2,734,480
EL PASO CORP	36,016	283,806
ELECTR ARTS	18,614	1,015,394
ELECTR DATA SYS CORP	2,525,654	48,366,274
ELI LILLY & CO	148,967	10,414,283
EMC CORP	407,204	4,642,126
EMERSON ELEC CO	25,322	1,609,213
EMMIS COMMUNICATIONS CORP	176,900	3,711,362
ENCORE ACQSTN CO	155,800	4,346,820
ENERGIZER HLDGS INC	77,783	3,500,235
ENGELHARD CORP	7,787	251,598
ENOINEERED SUPPORT SYS INC	44,500	2,603,695
ENSCO INTL INC	157,100	4,571,610
ENTERASYS NETWORKS INC	500,000	1,055,000
ENTERCOM COMMUNICATIONS CORP	73,700	2,749,010
ENTERGY CORP	322,038	18,037,348
ENZON PHARMACEUTICALS INC	354,800	4,527,248
EOG RESOURCES INC	6,948	414,865
EON LABS INC	27,500	1,125,575
EPICOR SOFTWARE CORP	150,000	2,107,500
EQTY OFFICE PPTYS TR REIT	27,474	747,293
EQTY RESDNTL	16,308	484,837
EQUIFAX INC	8,570	212,108
EXELON CORP	42,818	1,425,411
EXPRESS SCRIPTS INC	4,800	380,304
EXXON MOBIL CORP	400,124	17,769,507
F P L GROUP INC	12,667	810,055
FAIR ISAAC CORPORATION	64,050	2,137,989
FAIRCHILD SEMICONDUCTOR INTL INC	176,700	2,892,579
FAMILY DLR STORES INC	254,342	7,737,084
FASTENAL CO	42,100	2,392,543
FEDEX CORP	17,956	1,466,826
FEDT DEPT STORES INC	74,728	3,669,145
FEDT INVESTORS INC	221,216	6,711,693
FHLMC	586,636	37,134,059

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
FID NATL FINL INC	86,625	3,234,578
FINISAR CORP	200,000	396,000
FIRST DATA CORP	538,583	23,977,715
FIRSTENERGY CORP	809,206	30,272,396
FISERV INC	11,511	447,663
FISHER SCIENTIFIC INTL INC	120,900	6,981,975
FLEETWOOD ENTERPRISES INC	312,400	4,545,420
FLOWSERVE CORP	223,300	5,569,102
FLUOR CORP	115,638	5,512,463
FMC CORP	188,300	8,117,613
FNMA	337,990	24,118,967
FOOT LOCKER INC	113,400	2,760,156
FORD MTR CO	114,406	1,790,454
FOREST LAB INC	21,825	1,235,950
FORTUNE BRANDS INC	8,983	677,588
FREEPORT MCMORAN	12,958	429,558
FREMONT GEN CORP	74,500	1,314,925
FRKLN RES INC	34,576	1,731,566
FURNITURE BRANDS INTL INC	114,800	2,875,740
GA PAC CORP	16,952	626,885
GALLAGHER ARTHUR J & CO	239,900	7,304,955
GANNETT INC	61,959	5,257,221
GAP INC	53,146	1,288,791
GARTNER INC	448,600	5,782,454
GATEWAY INC	19,509	87,791
GDR TELEFONICA DE ARGENTINA	65,800	2
GEN DYNAMICS CORP	12,779	1,268,955
GEN ELEC CO	644,099	20,868,808
GEN MILLS INC	22,176	1,054,025
GENERAL MOTORS CORP	33,710	1,570,549
GEN-PROBE INC	52,000	2,460,640
GENTEK INC	161,100	6,444,000
GENUINE PARTS CO	10,582	419,894
GENZYME CORP	12,903	610,699
GILEAD SCI INC	13,114	878,638
GILLETTE CO	61,704	2,616,250
GLOBAL INDS LTD	963,000	5,508,360
GOLDEN W. FNCL CORP	40,458	4,302,708
GOLDMAN SACHS GROUP INC	29,581	2,785,347
GOODRICH CORPORATION	7,084	229,026
GOODYEAR TIRE & RUBBER	10,537	95,781
GRACO INC	74,900	2,325,645
GRAINGER W W INC	25,031	1,439,283
GREAT LAKES CHEM CORP	3,037	82,181
GREENPOINT FNCL CORP	42,400	1,683,280
GTECH HLDGS CORP	111,900	5,182,089
GUIDANT CORP	133,847	7,479,370
HAIN CELESTIAL GROUP INC	220,200	3,985,620
HALLIBURTON CO	26,248	794,264
HANOVER COMPRESSOR CO	979,574	11,656,931
HARLEY DAVIDSON INC	18,203	1,127,494
HARMAN INTL INDS INC	29,400	2,675,400
HARRAH S ENTMT INC	181,888	9,840,141
HARTFORD FINL SVCS GROUP INC	17,954	1,234,158
HASBRO INC	10,439	198,341
HCA INC	31,061	1,291,827
HEALTH NET INC	180,000	4,770,000
HEINZ H J CO	21,140	828,688
HERCULES INC	6,584	80,259
HERSHEY FOODS CORP	16,370	757,440
HEWLETT PACKARD CO	186,354	3,932,069
HIBERNIA CORP	63,100	1,533,330

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
HILTON HOTELS CORP	22,652	422,686
HLTH MGMT ASSOC INC	14,370	322,175
HNI CORP	54,700	2,315,451
HOME DEPOT INC	135,656	4,775,091
HONEYWELL INTL INC	51,451	1,884,650
HOOPER HOLMES INC	948,700	5,445,538
HOSPIRA INC	296,340	8,178,984
HUGHES SUP INC	101,700	5,993,181
HUMANA INC	86,383	1,459,873
HUNT J B TRANS SVCS INC	36,000	1,388,880
HUNTINGTON BANCSHARES INC	14,213	325,478
HYPERION SOLUTIONS CORP	106,200	4,643,064
IDENTIX INC	566,900	4,234,743
IKON OFFICE SOLUTIONS INC	258,200	2,961,554
ILL TOOL WKS INC	20,007	1,918,471
IMC GLOBAL INC	1,245,800	16,693,720
IMPAX LAB INC	87,824	1,702,029
IMS HLTH INC	128,306	3,007,493
INDEPENDENCE CMNTY BK CORP	46,300	1,685,320
INDYMAC BANCORP INC	66,800	2,110,880
INFINITY PPTY & CAS CORP	102,300	3,375,900
INFOCUS CORP	297,500	2,528,750
INFORMATICA CORP	310,900	2,372,167
INGERSOLL-RAND CO	10,197	696,557
INGRAM MICRO INC	319,700	4,626,059
INKINE PHARMACEUTICAL INC	275,000	1,064,250
INSTINET GROUP INC	1,498,000	7,909,440
INTEGRATED DEVICE TECH INC	197,500	2,733,400
INTEL CORP	1,179,887	32,564,881
INTERMAGNETICS GEN CORP	53,700	1,827,411
INTERPUBLIC GROUP COMPANIES INC	23,195	318,467
INTERSIL CORP	116,000	2,512,560
INTERVOICE INC	220,400	2,527,988
INTL BUSINESS MACHS CORP	102,817	9,063,319
INTL FLAVORS & FRAGRANCES INC	5,689	212,769
INTL GAME TECH	36,240	1,398,864
INTL PAPER CO	31,303	1,399,244
INTL RECTIFIER CORP	64,000	2,650,880
INTUIT	83,370	3,216,415
INTUITIVE SURGICAL INC	224,450	4,264,550
INVERNESS MED INNOVATIONS INC	61,600	1,349,040
INVITROGEN CORP	25,500	1,835,745
IONICS INC	132,400	3,740,300
IPC HLDGS LTD	55,200	2,038,536
ITRON INC	163,700	3,755,278
ITT EDL SVCS INC	114,600	4,357,092
ITT INDS INC	59,429	4,932,607
IVAX CORP	515,800	12,374,042
J P MORGAN CHASE & CO	127,056	4,925,961
JABIL CIRCUIT INC	124,119	3,125,316
JACK IN BOX INC	106,500	3,163,050
JANUS CAP GROUP INC	13,377	220,587
JDS UNIPHASE CORP	94,603	358,545
JEFFERIES GROUP INC	48,800	1,508,896
JEFFERSON-PILOT CORP	8,645	439,166
JOHNSON & JOHNSON	179,822	10,016,085
JOHNSON CTL INC	10,720	572,234
JONES APPAREL GROUP INC	381,548	15,063,515
JOY GLOBAL INC	160,700	4,811,358
KB HOME	35,083	2,407,746
KEANE INC	559,700	7,662,293
KELLOGG CO	24,560	1,027,836

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE	DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
KERR MCGEE CORP	9,139	491,404	MCKESSON CORP	79,990	2,746,057
KEYCORP NEW	409,161	12,229,822	MEADWESTVACO CORP	14,366	422,217
KEYSPAN CORP	9,408	345,274	MEDAREX INC	75,000	546,750
KIMBERLY-CLARK CORP	30,935	2,037,998	MEDCO HLTH SOLUTIONS INC	84,785	3,179,400
KINDER MORGAN INC	7,328	434,477	MEDICINES COMPANY	91,300	2,785,563
KING PHARMACEUTICALS INC	368,373	4,217,871	MEDICIS PHARMACEUTICAL CORP	86,100	3,439,695
KINROSS GOLD CORP	554,523	3,083,148	MEDIMMUNE INC	101,628	2,378,095
KLA-TENCOR CORP	11,439	564,858	MEDTRONIC INC	194,528	9,477,404
KNIGHT-RIDDER INC	4,923	354,456	MELLON FINL CORP	25,898	759,588
KOHLS CORP	20,271	857,058	MERCK & CO INC	136,530	6,485,175
KRAFT FOODS INC	212,600	6,735,168	MERCURY GEN CORP NEW	21,600	1,072,440
KRISPY KREME DOUGHNUTS INC	62,700	1,196,943	MERCURY INTERACTIVE CORP	5,880	293,000
KROGER CO	45,872	834,870	MEREDITH CORP	2,600	142,896
KROLL INC	96,300	3,551,544	MERIDIAN GOLD INC	258,500	3,352,745
LA QUINTA CORP	548,800	4,609,920	MERRILL LYNCH & CO INC	59,371	3,204,847
LAMAR ADVERTISING CO	127,471	5,525,868	METLIFE INC	905,702	32,469,417
LANDSTAR SYS INC	63,200	3,341,384	METTLER-TOLEDO INTL INC	74,500	3,660,930
LCC INTL INC	279,000	1,367,100	MFC ISHARES TR RUSSELL 2000 INDEX FD	60,000	7,079,400
LEAR CORP	90,000	5,309,100	MFC ISHARES TR RUSSELL 2000 VALUE IND	40,000	6,892,000
LECROY CORP	83,636	1,506,284	MGIC INVT CORP WIS	6,037	457,967
LEGG MASON INC	105,900	9,637,959	MGM MIRAGE	55,500	2,605,170
LEGGETT & PLATT INC	11,750	313,843	MI DEVS INC	296,500	8,005,500
LEHMAN BROS HLDGS INC	16,779	1,262,620	MICHAELS STORES INC	127,400	7,007,000
LENNAR CORP	522,500	23,282,305	MICRON TECH INC	36,531	559,290
LEXMARK INTL INC	7,572	730,925	MICROSOFT CORP	1,685,621	48,141,336
LIBERTY MEDIA CORP	808,172	7,265,466	MILLIPORE CORP	2,913	164,206
LIBERTY MEDIA INTL INC	1	22	MINDSPEED TECHNOLOGIES INC	545,000	2,703,200
LIFEPOINT HOSPS INC	236,600	8,806,252	MINERALS TECHNOLOGIES INC	79,000	4,582,000
LIGHTBRIDGE INC	100,000	560,000	MOBILE MINI INC	419,700	11,923,677
LINCOLN NATL CORP	113,449	5,360,465	MOLEX INC	11,540	370,203
LINEAR TECH CORP	171,214	6,757,817	MONDAVI ROBERT CORP	188,000	6,959,760
LIZ CLAIBORNE INC	119,437	4,297,343	MONSANTO CO	15,725	605,413
LNR PPTY CORP	148,100	8,034,425	MONSTER WORLDWIDE INC	6,696	172,221
LOCKHEED MARTIN CORP	291,700	15,191,736	MOODYS CORP	126,573	8,184,210
LOEWS CORP	33,655	2,017,954	MORGAN STANLEY	67,539	3,564,033
LOEWS CORP CAROLINA GROUP	55,700	1,367,435	MOTOROLA INC	143,263	2,614,550
LOUISIANA-PACIFIC CORP	88,924	2,103,053	MRO SOFTWARE INC	80,000	1,088,800
LOWES COS INC	132,962	6,987,153	MSC INDL DIRECT INC	189,900	6,236,316
LSI LOGIC CORP	122,662	934,684	MYLAN LAB INC	16,400	332,100
LTD BRANDS	31,460	588,302	N V R INC	5,400	2,614,680
LUCENT TECHNOLOGIES INC	246,060	930,107	N. FORK BANCORPORATION INC	10,913	415,240
M & T BK CORP	7,300	637,290	NABORS INDUSTRIES	8,701	393,459
M D C HLDGS INC	17,490	1,112,539	NATL CY CORP	41,375	1,448,539
MAGNA INTL INC	13,200	1,124,244	NATL SEMICONDUCTOR CORP	435,754	9,582,230
MANDALAY RESORT GROUP	489,300	33,585,552	NAVISTAR INTL CORP	4,114	159,459
MANOR CARE INC	5,812	189,936	NBTY INC	26,700	784,713
MANPOWER INC	70,600	3,584,362	NCO GROUP INC	67,200	1,793,568
MAPINFO CORP	100,000	1,060,000	NCR CORP	34,066	1,689,333
MARATHON OIL CORP	120,379	4,555,141	NEOSE TECHNOLOGIES INC	135,000	1,124,550
MARRIOTT INTL INC	150,862	7,524,996	NETWORK APPLIANCE INC	21,907	471,658
MARSH & MCLENNAN CO'S INC	32,304	1,465,956	NETWORK EQUIP TECHNOLOGIES	100,000	816,000
MARSHALL & ILSLEY CORP	13,145	513,838	NEW YORK TIMES CO	9,122	407,845
MASCO CORP	29,594	922,741	NEWELL RUBBERMAID INC	119,583	2,810,201
MATTEL INC	26,302	480,012	NEWMONT MINING CORP	27,171	1,053,148
MAXIM INTEGRATED PRODS INC	20,831	1,091,961	NEXTEL COMMUNICATIONS INC	66,880	1,783,021
MAY DEPT STORES CO	18,541	509,692	NEXTEL PARTNERS INC	336,900	5,363,448
MAYTAG CORP	4,701	115,222	NIC INC	78,000	559,260
MBIA INC	8,724	498,315	NICOR INC	2,655	90,190
MBNA CORP	405,613	10,460,759	NII HLDGS INC	28,500	960,165
MC CORMICK & CO INC	8,439	286,926	NIKE INC	15,903	1,204,652
MC DONALDS CORP	78,920	2,051,920	NISOURCE INC	65,381	1,348,156
MCGRAW HILL COMPANIES INC	202,072	15,472,653	NOBLE CORPORATION	119,399	4,524,029

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
NORDSTROM INC	58,252	2,482,118
NORFOLK SOUTHN CORP	23,408	620,780
NORTHEAST UTILITIES	177,200	3,450,084
NORTHN TR CORP	13,280	561,478
NORTHROP GRUMMAN CORP	21,948	1,178,608
NOVELL INC	22,208	186,325
NOVELLUS SYS INC	89,197	2,804,353
NUCOR CORP	34,157	2,621,891
NVIDIA CORP	10,786	221,113
O REILLY AUTOMOTIVE INC	144,700	6,540,440
OCCIDENTAL PETE CORP	22,756	1,101,618
OCEANEERING INTL INC	314,250	10,763,063
ODYSSEY HEALTHCARE INC	219,000	4,121,580
OFFICE DEPOT INC	18,564	332,481
OFFSHORE LOGISTICS INC	368,400	10,359,408
OGE ENERGY CORP	5,000	127,350
OLIN CORP	131,100	2,309,982
OMNICOM GROUP INC	11,310	858,316
OPENWAVE SYS INC	219,300	2,785,110
OPLINK COMMUNICATIONS INC	150,000	288,000
ORACLE CORP	321,762	3,838,620
OSHKOSH B GOSH INC	105,800	2,641,826
OXFORD HLTH PLANS INC	22,200	1,221,888
PAC SUNWEAR CAL INC	304,350	5,956,130
PACCAR INC	10,477	607,561
PACIFICARE HLTH SYS INC	36,000	1,391,760
PACKAGING CORP	87,600	2,093,640
PACTIV CORP	365,537	9,116,493
PALL CORP	486,059	12,729,885
PARAMETRIC TECH CORP	15,866	79,330
PARKER-HANNIFIN CORP	43,917	2,611,305
PAYCHEX INC	23,733	804,074
PENNEY J.C CO INC	877,625	33,139,120
PEOPLES ENERGY CORP	2,190	92,308
PEOPLESOFT INC	20,518	379,583
PEP BOYS	172,800	4,380,480
PEPSI BOTTLING GROUP INC	57,459	1,754,798
PEPSICO INC	531,996	28,663,944
PERKINELMER INC	7,611	152,524
PEROT SYS CORP	164,000	2,176,280
PETCO ANIMAL SUPPLIES INC	160,200	5,160,042
PETROKAZAKHSTAN INC	45,400	1,235,788
PFIZER INC	1,259,151	43,163,696
PG& E CORP	26,388	737,281
PHARMACEUTICAL PROD DEV INC	273,300	8,682,741
PHELPS DODGE CORP	35,772	2,772,688
PINNACLE W. CAP CORP	5,440	219,722
PIONEER NAT RES CO	79,000	2,771,320
PITNEY BOWES INC	14,234	629,854
PLAINS EXPL & PRODTN CO	100,600	1,846,010
PLANTRONICS INC	50,200	2,113,420
PLATINUM UNDERWRITERS HLDGS INC	198,000	6,025,140
PLUG PWR INC	376,800	2,818,464
PLUM CREEK TIMBER CO INC	239,512	7,803,301
PMC SIERRA INC	332,183	4,766,826
PMI GROUP INC	66,700	2,902,784
PNC FINANCIAL SERVICES GROUP	17,072	906,182
POLARIS INDS INC	50,400	2,419,200
POLYCOM INC	209,300	4,690,413
POSCO	70,200	2,352,402
POWER-ONE INC	380,115	4,173,663
POWERWAVE TECHNOLOGIES INC	575,320	4,429,964

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
PPG IND INC	10,224	638,898
PPL CORP	11,094	509,214
PRAXAIR INC	20,450	816,159
PRECISION CASTPARTS CORP	66,800	3,653,292
PRICE T ROWE GROUP INC	7,361	370,994
PRIMEDIA INC	1,482,300	4,120,794
PRIN FINL GROUP INC	713,258	24,807,113
PROCTER & GAMBLE CO	270,334	14,716,982
PROGRESS ENERGY INC	14,284	629,210
PROGRESSIVE CORP	13,694	1,168,098
PROLOGIS SH BEN	10,800	355,536
PROTEIN DESIGN LABS INC	120,400	2,303,252
PROV HEALTHCARE CO	222,700	3,819,305
PROVIDIAN FINL CORP	93,498	1,371,615
PROXIM CORP	700,000	828,800
PRTY HEALTHCARE CORP	351,100	8,057,745
PRUDENTIAL FINL INC	528,435	24,556,374
PT TELEKOMUNIKASI	91,500	1,422,825
PUB SERVICE ENTERPRISE GROUP INC	13,372	535,281
PULTE HOMES INC	49,860	2,594,216
PWR INTEGRATIONS INC	50,000	1,245,000
QLOGIC CORP	6,345	168,713
QUALCOMM INC	459,935	33,566,056
QUEST DIAGNOSTICS INC	18,723	1,590,519
QWEST COMMUNICATIONS INTL INC	101,912	365,864
R H DONNELLEY CORP	29,700	1,299,078
RADIAN GROUP INC	42,400	2,030,960
RADIOSHACK CORP	63,432	1,816,058
RAINDANCE COMMUNICATIONS INC	936,000	1,946,880
RAYMOND JAMES FNCL INC	64,800	1,713,960
RAYTHEON CO	546,111	19,534,390
REDBACK NETWORKS INC	150,000	961,500
REEBOK INTL	41,807	1,504,216
REGAL ENTMT GROUP	135,400	2,450,740
REGENERATION TECHNOLOGIES INC	149,900	1,608,427
REGIONS FINL CORP	13,313	486,590
REMEC INC	200,000	1,264,000
RENAISSANCE RE HLDGS LTD	41,700	2,249,715
RENT A CTR INC	50,200	1,502,486
REP SVCS INC	37,400	1,082,356
RESPIRONICS INC	41,600	2,444,000
RESTORATION HARDWARE INC	274,600	2,007,326
RETEK INC	200,000	1,228,000
REVLON INC	1,021,300	3,012,835
REYNOLDS & REYNOLDS CO	44,400	1,026,972
REYNOLDS R J TOB HLDGS INC	33,210	2,244,664
ROBERT HALF INTL INC	10,428	310,441
ROCKWELL AUTOMATION	11,171	419,024
ROCKWELL COLLINS INC	10,802	359,923
ROHM & HAAS CO	13,304	553,180
ROWAN COMPANIES INC	5,632	137,026
RYDER SYS INC	54,085	2,167,186
RYLAND GROUP INC	27,700	2,166,140
S.W. AIRL CO	50,795	851,832
SABRE HLDGS CORP	305,981	8,478,733
SAFECO CORP	8,315	365,860
SAFEWAY INC	89,505	2,268,057
SANDISK CORP	100,600	2,182,014
SANGAMO BIOSCIENCES INC	200,000	1,204,000
SANMINA-SCI CORP	166,922	1,518,990
SARA LEE CORP	206,184	4,740,170
SBC COMMUNICATIONS INC	201,740	4,892,195

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
SCANA CORP	153,771	5,592,651
SCHEIN HENRY INC	14,400	909,216
SCHERING-PLOUGH CORP	91,286	1,686,965
SCHLUMBERGER LTD	35,504	2,254,859
SCHWAB CHARLES CORP	1,281,299	12,313,283
SCIENTIFIC-ATLANTA INC	52,692	1,817,874
SEALED AIR CORP	5,050	269,013
SEARS ROEBUCK & CO	1,298,375	49,026,640
SEMPRA ENERGY INC	53,990	1,858,876
SEMTECH CORP	80,300	1,890,262
SHERWIN-WILLIAMS CO	9,031	375,238
SIEBEL SYS INC	32,633	348,520
SIERRA PAC	1,629,400	12,562,674
SIGMA-ALDRICH CORP	4,318	257,396
SIGMATEL INC	79,000	2,295,740
SIMON PPTY GROUP INC	12,004	617,246
SKYWORKS SOLUTIONS INC	100,000	873,000
SLM CORP	27,702	1,120,546
SMITH & NEPHEW P L C	107,000	5,913,890
SMURFIT-STONE CONTAINER CORP	135,900	2,711,205
SNAP-ON INC	3,000	100,650
SOLECTRON CORP	828,871	5,362,795
SONOSITE INC	70,000	1,673,700
SOTHEBYS HLDGS INC	106,400	1,698,144
SOUTHERN CO	45,320	1,321,078
SOUTHN PERU COPPER CORP	42,100	1,739,993
SOUTHN UN CO	183,000	3,857,640
SOUTHTRUST CORP	22,784	884,247
SOVEREIGN BANCORP INC	18,722	413,756
SPRINT CORP	89,739	1,579,406
ST JOE CO	115,700	4,593,290
ST JUDE MED INC	10,671	807,261
ST PAUL TRAVELERS CORP	461,080	18,692,183
ST STR CORP	78,973	3,872,835
STANLEY WKS	41,048	1,870,968
STAPLES INC	31,473	922,474
STARBUCKS CORP	23,308	1,013,432
STARWOOD HOTELS & RESORTS	111,775	5,013,109
STD PAC CORP	52,300	2,578,390
STEELCASE INC	400,800	5,611,200
STERIS CORP	506,400	11,424,384
STRATASYS INC	96,300	2,384,388
STRATEX NETWORKS INC	150,000	442,500
STRYKER CORP	24,406	1,342,330
SUN MICROSYSTEMS INC	200,099	868,430
SUN TR BANKS INC	16,978	1,103,400
SUNGARD DATA SYS INC	69,931	1,818,206
SUNOCO INC	309,153	19,668,313
SUPER VALU INC	96,552	2,955,457
SWIFT TRANSN INC	146,100	2,622,495
SYBASE INC	51,600	928,800
SYBRON DENTAL SPECIALTIES INC	156,173	4,661,764
SYMANTEC CORP	19,170	839,263
SYMBOL TECHNOLOGIES INC	13,872	204,473
SYMYX TECHNOLOGIES INC	50,000	1,206,000
SYNOVUS FINL CORP	18,321	463,888
SYSCO CORP	39,307	1,409,942
TALK AMER HLDGS INC	367,900	2,821,793
TARGET CORP	56,340	2,392,760
TECH DATA CORP	117,000	4,578,210
TECO ENERGY INC	10,618	127,310
TEEKAY SHIPPING CORP	553,800	20,701,044

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
TEKELEC	214,800	3,902,916
TEKTRONIX INC	5,235	178,095
TEL & DATA SYS INC	14,600	1,039,520
TELEFONICA DE ARGENTINA GDR	65,800	1
TELLABS INC	189,475	1,656,011
TEMPLE INLAND INC	3,238	224,231
TENET HEALTHCARE CORP	2,001,782	26,843,897
TERADYNE INC	11,008	249,882
TETRA TECHNOLOGIES INC	242,027	6,498,425
TEXTRON INC	8,189	486,017
THERAGENICS CORP	519,100	2,398,242
THERMO ELECTRON CORP	9,833	302,266
THOMAS & BETTS CORP	3,528	96,067
T-HQ INC	73,600	1,685,440
TIDEWATER INC	631,900	18,830,620
TIER TECHNOLOGIES INC	526,910	5,132,103
TIFFANY & CO	8,731	321,737
TIMBERLAND CO	35,100	2,267,109
TIME WARNER INC	892,020	15,681,712
TJX COS INC	122,189	2,949,642
TNS INC	83,800	1,826,840
TORCHMARK CORP	7,133	383,755
TOWER AUTOMOTIVE INC	685,900	2,496,676
TOYS R US INC	12,781	203,601
TRANSGENOMIC INC	300,000	411,000
TRANSOCEAN INC	60,783	1,759,060
TRC COS INC	415,600	6,932,208
TRIAD HOSPS INC	185,900	6,921,057
TRIBUNE CO	18,353	835,796
TUPPERWARE CORP	333,600	6,481,848
TUT SYS INC	260,000	819,000
TX GENCO HLDGS INC	51,300	2,313,117
TX INSTRS INC	104,091	2,516,920
TXU CORP	89,755	3,635,975
TYCO INTL LTD	809,633	26,831,238
TYSON FOODS INC	150,600	3,155,070
U.S. CELLULAR CORP	381,800	14,718,390
UN PAC CORP	15,768	937,408
UN PLANTERS CORP	10,939	355,902
UNIONBANCAL CORP	243,400	13,727,760
UNISYS CORP	19,636	272,548
UNITED PARCEL SVC INC	68,892	5,178,612
UNITEDHEALTH GROUP INC	38,214	2,378,822
UNIVISION COMMUNICATIONS INC	486,420	15,531,391
UNOCAL CORP	15,518	589,684
UNUMPROVIDENT CORP	1,383,923	22,004,376
URBAN OUTFITTERS INC	22,700	1,382,657
US BANCORP	115,205	3,175,050
UST INC	10,110	363,960
UTD STS STL CORP	7,856	275,903
UTD TECHNOLOGIES CORP	31,894	2,917,663
UTSTARCOM INC	93,500	2,828,375
V F CORP	6,550	318,985
VALASSIS COMMUNICATIONS INC	373,948	11,394,196
VALEANT PHARMACEUTICALS INTL	322,600	6,452,000
VALERO ENERGY CORP	51,200	3,776,512
VARIAN INC	111,600	4,703,940
VARIAN SEMICONDUCTOR EQUIPTMENT	141,300	5,448,528
VASTERA INC	781,000	2,343,000
VENTANA MED SYS INC	30,000	1,425,900
VERISIGN INC	80,000	1,592,000
VERITAS SOFTWARE CORP	26,249	727,097

PORTFOLIO OF ASSETS, JUNE 30, 2004

DOMESTIC EQUITY SECURITIES	SHARES	MARKET VALUE
VERIZON COMMUNICATIONS	168,507	6,098,268
VIACOM	577,049	20,612,190
VIASYS HEALTHCARE INC	534,000	11,165,940
VISHAY INTERTECHNOLOGY INC	106,800	1,984,344
VISTEON CORP	7,871	91,843
VITESSE SEMICONDUCTOR CORP	150,000	732,000
VULCAN MATERIALS CO	6,119	290,958
W HLDG CO INC	207,162	3,556,972
WA MUT INC	278,845	10,774,571
WABASH NATL CORP	214,500	5,909,475
WACHOVIA CORP	80,194	3,568,633
WADDELL & REED FINL INC	104,900	2,319,339
WALGREEN CO	61,633	2,231,731
WAL-MART STORES INC	648,463	34,212,908
WALTER INDS INC	855,000	11,645,100
WASTE CONNECTIONS INC	127,050	3,768,303
WASTE MGMT INC	642,915	19,705,345
WATERS CORP	121,763	5,817,836
WATSON PHARMACEUTICALS INC	48,529	1,305,430
WEATHERFORD INTL LTD	52,900	2,379,442
WEBMD CORP	216,300	2,015,916
WEBSTER FNCL CORP	28,700	1,349,474
WELLCARE HLTH PLANS INC	7,400	125,800
WELLCHOICE INC	25,600	1,059,840
WELLPOINT HLTH NETWORKS INC	8,946	1,002,041
WELLS FARGO & CO	103,421	5,918,784
WENDY S INTL INC	6,934	241,581
WEYERHAEUSER CO	155,686	9,826,900
WFS FINL INC	22,100	1,094,171
WHIRLPOOL CORP	4,100	281,260
WILLIAMS CO INC	330,763	3,936,080
WILLIAMS SONOMA INC	155,600	5,128,576
WILLIS GROUP HOLDINGS	77,247	2,892,900
WINN-DIXIE STORES INC	8,481	61,063
WJ COMMUNICATIONS INC	100,000	354,000
WORTHINGTON INDS INC	2,600	53,378
WRIGLEY WM JR CO	208,146	13,123,605
WYETH	490,304	17,729,393
XCEL ENERGY INC	25,887	432,572
XEROX CORP	44,217	641,147
XILINX INC	20,290	675,860
XL CAP LTD	9,067	684,196
XTO ENERGY INC	123,582	3,681,508
YAHOO INC	332,846	12,092,295
YELLOW ROADWAY CORP	127,500	5,082,150
YUM BRANDS INC	722,674	26,897,926
ZALE CORP	70,400	1,919,104
ZIMMER HLDGS INC	48,324	4,262,177
ZIONS BANCORP	48,171	2,960,108
ZORAN CORP	321,600	5,901,360
ZYGO CORP	60,000	671,400
PVTPL DG FDG TR TR PFD SECS	295	3,171,250
INTERNATIONAL EQUITY SECURITIES		
ABB LTD	166,034	908,123
ABBEY NATIONAL	1,253,563	11,667,900
ABITIBI-CONS INC	64,800	459,974
ABN-AMRO HLDGS	695,055	15,204,582
ACCOR	36,000	1,519,401
ACOM CO	99,440	6,461,345
ADECCO SA	12,000	597,892
ADVANTEST	14,000	937,910

INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE
AEON CO LTD	55,000	2,207,762
AHOLD(KON)	671,072	4,688,817
AIR LIQUIDE	14,318	2,364,401
AKZO NOBEL	260,600	9,584,693
ALCAN INC	34,300	1,412,165
ALCATEL	454,000	7,003,913
ALLIANZ AG	20,000	2,166,367
ALLIED IRISH BANKS PLC	352,462	5,458,915
ALTADIS SA	157,366	4,863,067
ALUMINA LTD	82,000	301,600
AMADEUS GLOB	990,214	6,493,569
AMCOR LTD	282,801	1,373,084
AMER MOVIL S A DE C V	20,000	727,400
ANGLO AMERICAN	33,000	675,057
ARM HLDGS	276,000	600,631
ARRIVA	344,457	2,573,652
ASML HLDG	32,400	548,325
ASSA ABLOY	54,700	698,913
ASTRAZENECA	215,000	9,761,116
ATOS ORIGIN	16,439	1,056,027
AUST & NZ BANK	83,381	1,061,761
AVENTIS SA	152,896	11,542,598
AVIVA	504,726	5,208,174
AXA	261,337	5,774,029
BAA	467,609	4,693,730
BAE SYSTEMS	3,531,377	14,041,104
BANDAI CO	2,300	62,604
BANK OF YOKOHAMA	234,000	1,462,567
BARCLAYS	66,200	563,952
BAYER HYPO-VEREINS	347,340	6,178,283
BAYER MOTOREN WERK	84,188	3,725,281
BBVA	1,221,333	16,315,563
BCA INTESA	2,311,714	9,028,275
BG GROUP	687,000	4,232,859
BHP BILLITON PLC	332,100	2,881,830
BIC	20,149	896,732
BNP PARIBAS	153,062	9,413,566
BOC GROUP	316,140	5,291,742
BOMBARDIER INC	1,312,400	3,959,284
BOUYGUES	87,000	2,912,952
BRAMBLES INDS LTD	161,300	674,169
BRIDGESTONE CORP	55,000	1,033,313
BRIT AMER TOBACCO	874,293	13,548,358
BRITISH AIRWAYS	801,445	4,004,174
BT GROUP	4,302,885	15,489,515
CADBURY SCHWEPPES	424,472	3,662,229
CANON INC	172,000	9,116,335
CAPITALAND	496,000	394,508
CAPITALIA SPA	544,779	1,703,410
CARNIVAL PLC	37,769	1,834,272
CARREFOUR	13,500	655,020
CELESTICA INC	297,436	5,920,990
CEMEX S	270,223	7,863,518
CENTRAIS ELETR BRAS ELECTROBRAS	856,200	4,264,390
CENTRICA	269,000	1,095,182
CHEUNG KONG(HLDGS)	68,000	501,295
CHINA MOBILE (HK)	195,000	590,015
CHINA RESOURCE	332,000	402,241
CHINA TELECOM CORP	1,238,000	432,518
CITIZEN WATCH CO	22,000	249,205
COMMERCE ASSET HLD	401,700	513,753
COMMERZBANK AG	283,500	4,994,445

PORTFOLIO OF ASSETS, JUNE 30, 2004

INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE
COMPANHIA VALE DO RIO DOCE	24,000	938,400
COMPANIA ANONIMA NACIONAL	273,228	5,505,544
COMPASS GROUP	45,000	274,609
CORUS GROUP	9,735,500	7,017,993
CREDIT AGRICOLE SA	61,167	1,488,377
CREDIT SAISON CO	32,300	970,939
CREDIT SUISSE GRP	275,902	9,762,036
CRH	224,310	4,748,269
DAI NIPPON PRINTNG	47,000	750,777
DAIICHI PHARM CO	258,100	4,600,692
DAIKIN INDUSTRIES	5,000	134,262
DAIMLERCHRYSLER AG	272,100	12,712,338
DAIWA HOUSE INDS	190,000	2,204,463
DBS GROUP HLDGS	1,275,000	10,659,235
DEPFA BANK PLC	285,842	4,152,370
DEUTSCHE BANK	6,800	534,285
DEUTSCHE BOERSE	22,100	1,123,110
DEUTSCHE POST	69,507	1,501,041
DEUTSCHE TELEKOM	587,340	10,318,639
DIAGEO	646,929	9,056,444
D-LINK	284,000	331,784
DNB HOLDING	102,000	696,040
E.ON AG	107,270	7,739,246
EADS	50,594	1,411,166
EAST JAPAN RAILWAY	130	729,139
ENAGAS SA	294,709	3,194,749
ENI EUR1	94,000	1,866,438
ESSILOR	17,000	1,109,646
FANUC	20,300	1,211,135
FAST RETAILING CO	600	48,554
FIRST FINANCIAL	1,755,000	1,272,949
FORENINGSSPARBK	82,200	1,571,337
FOSTERS GROUP	151,000	496,481
FRANCE TELECOM	136,500	3,557,278
FRIENDS PROVIDENT	1,843,700	4,906,660
FUJI TELEVISION	584	1,338,038
FURUKAWA ELEC CO	109,000	465,509
GEBERIT	7,775	5,183,747
GLAXOSMITHKLINE	707,300	14,314,805
GREAT WEST LIFECO	10,300	370,285
GROUPE DANONE	24,000	2,093,611
HANG LUNG PROPERTIES	767,000	988,275
HANG SENG BANK	49,800	638,478
HAYS	2,014,649	4,484,752
HBOS	470,656	5,825,374
HEIDELBERGER DRUCK	222,753	7,355,277
HEINEKEN HOLDING	43,750	1,281,741
HEINEKEN NV	73,750	3,080,786
HENDERSON LAND DEV	1,535,000	6,612,477
HIROSE ELECTRIC	18,000	1,977,913
HITACHI	1,642,000	11,301,306
HOLCIM	94,246	5,124,683
HON HAI PRECISION	65,000	487,500
HONDA MOTOR CO	176,600	8,513,183
HONG KONG LAND HLD	187,000	291,720
HOYA CORP	10,400	1,088,466
HSBC HLDGS	226,000	3,360,778
HYPO REAL ESTATE	49,150	1,441,738
HYUNDAI MOTOR CO	13,100	260,428
IBERDROLA SA	4,300	90,768
IMPERIAL CHEM INDS	1,043,509	4,361,990
INCO LTD	40,400	1,396,224

INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE
INDITEX	107,000	2,455,224
INFINEON TECHNOLOG	73,400	985,002
INFOSYS TECHNOLOGIES LTD	1,100	102,047
ING GROEP NV	703,588	16,606,770
INS AUSTRALIA	135,700	472,643
INTERBREW	268,900	8,555,160
INVENSYS	8,793,819	2,870,566
ISI CORP	166,500	357,099
ITV	900,456	1,886,088
JAPAN AIRLINES CORP	217,000	694,066
JAPAN TOBACCO INC	994	7,724,987
JARDINE MATHESON	748,748	8,236,228
JGC CORP	27,000	259,818
JOHNSON ELEC HLDGS	706,000	719,595
KAJIMA CORP	174,000	645,832
KANSAI ELEC	74,000	1,348,907
KASIKORNBANK PLC	344,100	857,964
KDDI CORP	128	731,998
KEYENCE CORP	3,600	798,378
KINGFISHER	882,200	4,579,627
KON KPN NV	527,200	4,015,276
KONICA MINOLTA HOLDINGS	639,500	8,826,348
KONINKLIJKE AHOLD	405,078	3,178,806
KOOKMIN BK	56,500	1,772,970
KOREA ELEC PWR CORP	534,600	4,896,936
KT CORP	299,700	5,406,588
KT CORPORATION	87,540	2,928,101
KYOCERA CORP	8,400	712,863
LAWSON INC	6,200	255,694
LI & FUNG	794,000	1,160,491
LLOYDS TSB	732,998	5,739,218
L'OREAL	16,400	1,309,918
MANULIFE FINL CORP	149,047	6,008,570
MARKS & SPENCER	1,961,959	12,906,691
MATSUSHITA	481,000	6,828,291
MICHELIN	198,900	10,998,522
MILLEA HOLDINGS IN	1,046,000	15,529,670
MITSUBISHI CORP	106,000	1,029,739
MITSUBISHI EST CO	274,000	3,400,046
MITSUBISHI HVY IND	2,721,000	7,381,350
MITSUBISHI MOTORS	14,000	22,838
MITSUBISHI TOKYO	1,336	12,366,402
MITSUI & CO	31,000	232,113
MITSUI FUDOSAN	227,000	2,721,130
MITSUI SUMITOMO IN	997,000	9,365,578
MITSUI TR HOLDINGS	142,000	1,041,103
MIZUHO FINL GP	1,257	5,702,379
MMO2 ORD	1,308,896	2,201,591
MORRISON(W)SUPRMKT	882,319	3,708,198
MUENCHENER RUECKVE	75,692	8,205,278
MURATA MFG CO	17,000	969,069
NATL AUSTRALIA BK	40,600	843,934
NATL BANK OF CAN	19,000	609,360
NATL GRID TRANSCO	266,700	2,057,975
NEC CORP	499,000	3,512,184
NEC ELECTRONICS	300	18,421
NESTLE SA	70,310	18,750,830
NEWS CORPORATION	33,938	277,784
NIDEC CORP	8,000	819,686
NIKKO CORDIAL CORPORATION	133,000	644,797
NIKON CORP	80,000	900,335
NINTENDO CO	11,800	1,368,006

PORTFOLIO OF ASSETS, JUNE 30, 2004

INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE
NIPPON OIL CORP	985,000	6,201,668
NIPPON TEL&TEL	1,549	8,276,286
NISSAN MOTOR CO	261,000	2,901,462
NITTO DENKO CORP	26,000	1,329,606
NOKIA OYJ	119,400	1,722,879
NOMURA HOLDINGS	50,000	740,045
NOMURA RESEARCH IN	600	63,951
NORSK HYDRO AS	16,800	1,091,885
NORSKE SKOGSINDUST	34,000	605,785
NOVARTIS AG	241,709	10,663,065
NDVO-NORDISK AS	28,600	1,472,308
OVERSEAE CHINESE BK	448,000	3,147,145
OIL CO LUKOIL	49,400	5,196,880
ONO PHARMACEUTICAL	112,000	5,265,637
ORIX CORP	24,700	2,829,583
PCCW LIMITED	685,000	465,461
PEARSON ORD	233,000	2,831,055
PETROLEO BRASILEIRO SA PETROBAS	130,000	3,276,000
PHILIPS ELEC	402,244	10,830,203
PORSCHE AG	2,429	1,625,531
PORTUGAL TCOM	1,264,992	13,651,395
PROMINA GROUP	116,800	325,452
PROMISE CO	125,100	8,346,497
QBE INS GROUP LTD	53,039	472,921
RAKUTEN INC	121	923,732
RECKITT BENCKISER	24,200	685,071
REED ELSEVIER	9,100	6,848,869
RENAULT	56,800	4,326,018
REPSOL YPF	278,921	6,108,286
REUTERS GROUP	742,154	4,986,546
RICHEMONT	153,000	3,994,810
RINKER GROUP	62,114	348,312
RIO TINTO PLC	40,500	973,904
ROCHE HLDGS AG GENUSSCHEINE	11,900	1,178,218
ROHM CO	10,900	1,304,624
ROLLS ROYCE GROUP	387,284	1,768,140
ROYAL BK SCOTLAND	380,013	10,943,759
ROYAL DUTCH PETRO	197,080	10,114,548
SAINSBURY	808,400	4,174,530
SAMSUNG ELECTRONIC	22,267	4,581,436
SAMSUNG ELECTRONIC	20,540	8,479,083
SAMSUNG SDI GDS	15,359	401,331
SANKYO COMPANY	61,000	1,322,137
SANOFI-SYNTHEL	154,606	9,800,082
SAP AG	7,800	1,293,090
SCHERING	70,900	4,177,595
SCHNEIDER ELECTRIC	20,000	1,365,081
SECOM	81,500	3,458,232
SEKISUI CHEM	236,000	1,991,990
SEKISUI HOUSE	144,000	1,598,167
SERONO SA	1,050	661,490
SFCG CO LTD	1,990	399,404
SHELL TRNSPT&TRDG	878,510	6,444,405
SHIMAMURA CO	6,000	520,185
SHIONOGI & CO	103,000	1,770,866
SIAM CEMENT CO	137,900	782,507
SIEMENS AG	65,005	4,674,911
SIG HOLDING AG	9,741	1,761,687
SINGAPORE TELECOMM	2,900,000	3,788,209
SK TELECOM	23,600	3,880,571
SMC CORP	12,000	1,297,713
SMFG FINANCE	8,400,000	1,848,499

INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE
SMITHS GROUP	179,800	2,434,092
SOC GENERALE	10,700	909,318
SOFTBANK CORP	6,400	281,538
SOMPO JAPAN INSURANCE INC	78,500	802,158
SONY CORP	27,000	1,017,000
STANDARD CHARTERED	283,539	4,617,498
STATOIL ASA	189,000	2,399,481
STMICROELECTRONICS	42,555	933,495
SUMITOMO CHEMICAL	244,000	1,138,212
SUMITOMO FORESTRY	54,000	620,593
SUMITOMO MITSUI FG	2,114	14,491,793
SUMITOMO REAL&DEV	21,000	260,203
SUMITOMO TST&BANK	308,000	2,193,246
SUNCOR ENERGY INC	16,700	651,916
SUZUKI MOTOR CORP	78,000	1,373,927
SWIRE PACIFIC	57,000	369,048
SWISS REINSURANCE	85,554	5,557,185
SWISSCOM AG	27,400	9,057,490
SYNGENTA	39,089	3,277,184
SYNTHES INC	9,000	1,025,830
T&D HOLDINGS INC	18,750	936,512
TAIWAN SEMICONDUCTOR MFG CO LTD	256,054	2,127,809
TAKEDA PHARMACEUTI	24,900	1,093,076
TAKEFUJI CORP	93,840	6,802,680
TDC	9,600	311,920
TDK CORP	99,100	7,520,029
TELE CENTRO OESTE CELULAR	33,299	305,352
TELE NORTE LESTE	603,000	7,676,190
TELECOM CORP OF NZ	2,803,490	10,468,495
TELECOM ITALIA	1,146,392	3,563,606
TELECOMUNICACOES BRASILEIRAS S A PFI	99,900	2,912,085
TELEFONICA SA	1,074,642	15,885,676
TELEFONOS DE MEX S	254,900	8,480,523
TELENOR ASA	823,585	5,727,014
TELUS CORPORATION	44,000	660,944
TESCO	372,603	1,799,093
THOMSON CORP	95,000	3,155,212
THYSSENKRUPP AG	500	8,523
TOKYO ELECTRON	34,000	1,906,979
TOKYO GAS CO	226,000	801,558
TOKYU CORP	164,000	840,178
TOSTEM INAX	39,000	841,727
TOTAL SA	24,843	4,736,294
TOYOTA MOTOR CORP	64,700	2,620,850
TPG	246,425	5,630,488
UBS AG	76,882	5,417,468
UCB	7,600	339,986
UFJ HOLDINGS	812	3,586,895
UNI-CHARM CORP	14,000	697,979
UNICREDITO ITALIAN	211,000	1,042,255
UNILEVER PLC	1,172,101	22,364,083
UPM-KYMMENE CORP	52,000	989,477
UTD O/S BANK	511,000	3,975,384
VEDIOR CVA	365,672	5,329,840
VENTURE CORP	108,000	1,128,625
VINCI	59,212	5,964,935
VIVENDI UNIVERSAL	137,409	3,811,673
VNU	33,839	982,733
VODAFONE GROUP	7,231,770	15,836,139
VOLKSWAGEN AG	200,800	8,482,211
WESFARMERS LIMITED	49,500	1,013,762
WMC RESOURCES LTD	163,000	558,645

PORTFOLIO OF ASSETS, JUNE 30, 2004

INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE
WOLSELBY	422,144	6,545,522
WOLTERS KLUWER	395,109	7,172,183
WOOLWORTHS LTD	79,800	633,711
XSTRATA PLC	149,516	2,079,297
YAMANOUCHI PHARM	20,000	672,685
YAMATO TRANSPORT	79,000	1,289,456
YARA INTERNATIONAL	44,600	360,326
YUKOS CORP SPONSORED	22,400	733,600
ZURICH FIN SVS GRP	104,139	16,508,989
TOTAL EQUITY SECURITIES		4,922,278,579
TOTAL INVESTMENTS		$7,062,991,607

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

October 27, 2004

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

Dear Members of the Board:

Subject: Actuarial Valuation as of June 30, 2004

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, 2004.

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

Actuarial Valuation

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

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

Financing Objectives

The member, state, federal and local employer contribution rates are established by law. Members contribute 7.00% of covered compensation. The state contributes 3.75% of its revenues from sales taxes, use taxes, corporate income taxes, and individual income taxes. Local employers contribute 7.05% of covered compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The federal matching contribution rate for FY 2005 is 4.5% which matches the FY 2004 rate.

In the fiscal year ending June 30, 2004, the state's contribution plus the federal contribution was equivalent to a contribution of about 5.0% of covered payroll. Combined with the 7.05% employer contribution rate, the employing entities contributed about 12.05% of covered payroll for FY 2004. However, the state's contribution rate as a percent of the specified revenues is scheduled to increase to 4.00% in FY 2006, 4.50% in FY 2007, and 5.00% in FY 2008. Federal contributions should also increase in the same pattern. This should raise the state and federal contributions to 7.1% of covered payroll by the end of the transition period, and should result in a total employer contribution of about 14.15% 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, 2003 was $5,488 million, and it increased to $7,419 million this year. The funded ratio - actuarial value of assets divided by actuarial accrued liability - decreased from 54.0% to 47.3%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 28.7 years, measured from June 30, 2003. This year, the funding period is infinite. The increase in the funding period and the decrease in the funded ratio are due to the impact of adding the 1% cost-of-living increase assumption, recognition of deferred asset losses, and benefit enhancements.

Based on the current statutes for determining the state, federal and employer contribution rates, the UAAL is expected to increase indefinitely without future experience gains or additional funding.

Deferred Asset Losses/Gains

All of the figures above (the UAAL, the funded ratio, and the funding period) are based on actuarial calculations that make use of the actuarial value of assets, not the market value. The actuarial value of assets is based on the market value, but asset gains and losses – earnings greater or less than the 8.00% investment return assumption – are recognized at a rate of 20% per year for five years. The current actuarial value ($6,661 million) is $5.6 million smaller than the market value ($6,666 million). The actuarial value is now almost equal to the market value.

Benefit Provisions

The actuarial valuation reflects the benefit provisions as set forth in current statutes, including those adopted in the 2004 legislative session. There were several changes that affected the current valuation

1. An ad hoc benefit increase was granted to retirees and beneficiaries, beginning August 1, 2004, if they had retired on or before June 30, 2003. The benefit increase is based on the current benefit amount and service at retirement except for special retirees who received a 4.0% increase.

2. Members who joined the System on or after July 1, 1992 receive a year of service credit if they accumlate 120 days of unused sick leave. Previously, this was only available to members hired prior to July 1, 1992.

3. Beneficiaries of members hired on or after July 1, 1992 are now eligible to receive an $18,000 lump sum death benefit in addition the member's contribution balance with 100% of credited interest. If the member was eligible for early or normal retirement, the beneficiary may choose the retirement benefit for which the member was eligible in lieu of the contribution balance and the $18,000 lump sum. Previously, the annuity option and $18,000 lump sum were only available to members hired before July 1, 1992.

4. The benefit formula for members hired in FY 1996 at any of the colleges or universities in the Oklahoma State System of Higher Education was changed to 2.0% of final average salary for each year of service. Previously, the formula was 2.0% of salary for service in FY 1996 plus 2.0% of final average salary, computed at retirement, for each year of service earned after June 30, 1996.

5. The formula used to determine benefits accrued for service earned between July 1, 1995 and June 30, 2007, for members employed by a comprehensive university, was modified. Retirees who had service at a comprehensive university after June 30, 1995 will receive a benefit increase because of this formula change, effective as of January 1, 2005. No retroactive increase will be paid to such retirees.

6. The supplemental medical insurance credit is restricted to members who retire with at least 10 years of service credit.

Assumptions and Methods

Assumptions are set by the Board of Trustees, taking into account the recommendations of the plan's actuaries. The actuarial assumptions and methods used in this report are changed from last year. The Board adopted a 1.0% cost of living increase assumption to reflect future ad hoc increases. 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, 2004 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

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

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

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

klb

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Executive Summary

Item	2004	2003
Membership		
• Number of		
- Active members	81,683	83,127
- Retirees and beneficiaries	39,593	38,059
- Inactive, vested	5,731	3,731
- Inactive, nonvested	7,536	9,028
- Total	134,543	133,945
• Payroll	$3,031 million	$3,046 million
Statutory contribution rates		
• State (% of tax revenues)	3.75%	3.54%
• Local district (% of pay)	7.05%	7.05%
• Member (% of pay)	7.00%	7.00%
Assets		
• Market value	$6,666 million	$5,614 million
• Actuarial value	$6,661 million	$6,437 million
• Return on market value	20.2%	4.8%
• Return on actuarial value	4.6%	2.9%
• State/local federal contributions	$375 million	$362 million
• External cash flow %	(1.1%)	(1.1%)
• Ratio of actuarial to market value	99.9%	114.7%
Actuarial Information		
• Normal cost %	10.91%	9.90%
• Unfunded actuarial accrued liability (UAAL)	$7,419 million	$5,488 million
• Funded ratio	47.3%	54.0%
• Funding period	infinite	28.7 years
GASB 25 ARC (40-year funding cost)		
• Dollar amount	$722,095,783	$534,811,845
• Percent of pay	23.21%	17.11%
Gains/(losses)		
• Asset experience	$(215) million	$(320) million
• Liability experience	6 million	10 million
• Benefit changes	(538) million	27 million
• Assumption changes	(1,056) million	965 million
• Total	$(1,803) million	$682 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 increased by $1.931 billion, from $5.488 billion to $7.419 billion. The funded ratio – the ratio of the actuarial value of assets to actuarial accrued liability – decreased from 54.0% to 47.3%. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – have gone from 28.7 years to infinite.

These effects, are due to the addition of an assumption that ad hoc cost-of-living increases averaging 1% per year would continue to be granted in the future, benefit enhancements since the prior valuation and recognition of additional deferred asset 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 12.07% 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. The UAAL is expected to increase indefinitely. See the schedule of projected UAAL's in Table 13. In the absence of significant future gains or funding increases, the current UAAL will never be paid down.

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 $5,488.3 million last year, has increased to $7,419.2 million this year. However, an increase of $147.2 million was expected, since the current statutory employer/state/federal contribution rate is not large enough to pay for the normal cost and for interest on the UAAL. Therefore, negative amortization is expected to occur.

The recognition of prior deferred asset losses also added to the UAAL. The asset loss increased the UAAL by $215.4 million. The loss was due to 80% of the FY 2004 gain being deferred and recognition of an additional 20% of asset losses from FY03, FY02 and FY01. I.e., they are not reflected in the actuarial value of assets. The return on the actuarial value was 4.6%, compared with the assumed 8.00% investment return rate. The actual return on market value was 20.2%. This is the third consecutive year since 1994 that the actuarial return was less than the assumed 8.00% rate.

There was a loss of $1,055.8 million due to the addition of the 1% cost-of-living assumption and a loss of $537.9 million from benefit enhancements, including an ad hoc COLA and changes to the benefit formula for comprehensive university members.

Funding Period

The funding period (the period required to amortize the UAAL) increased from 28.7 years to infinite. Without the change to add the 1.00% COLA assumption, the funding period would have increased to 39.7 years. The funding period would have been 30.6 years without the benefit changes. 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 that as a result of a new state law mandate, the Board voted to reinstate the assumption to reflect a 1% annual ad hoc COLA each year in the future. Except for the COLA assumption, 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 reinstating 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	10.91%	10.23%
UAAL (millions)	$7,419.2	$6,363.4
Funded Ratio	47.3%	51.1%
Funding period	infinite	39.7 years
GASB Annual Required Contribution (millions)	$722.1	$615.5
GASB Annual Required Contribution (percent of pay)	23.21%	19.79%

Development of Employer Cost

	June 30, 2004 (1)	June 30, 2003 (2)
1. Payroll		
a. Supplied by system	$ 3,030,749,000	$ 3,045,676,600
b. Adjusted for one year's pay increase	3,163,354,010	3,183,653,000
c. Adjusted for one year's pay increase with pay caps	3,110,720,010	3,124,896,000
2. Present value of future pay (paid monthly, with pay caps)	$ 23,908,170,043	$ 24,551,829,000
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	10.91%	9.90%
b. Less: member rate	(7.00%)	(7.00%)
c. Employer normal cost rate	3.91%	2.90%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	$ 9,504,824,477	$ 8,270,876,000
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(934,809,449)	(712,003,041)
c. Less: present value of future member contributions	(1,673,571,903)	(1,718,628,000)
d. Actuarial accrued liability	$ 6,896,443,125	$ 5,840,244,959
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	$ 6,899,041,564	$ 5,893,954,300
b. Inactive members	284,663,643	190,962,430
c. Active members (Item 4d)	6,896,443,125	5,840,244,959
d. Total	$ 14,080,148,332	$ 11,925,161,689
6. Actuarial value of assets	$ 6,660,918,318	$ 6,436,852,137
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	$ 7,419,230,014	$ 5,488,309,552
8. Funding period	Infinite	28.7 years
9. 40-year amortization cost		
a. Employer normal cost (Item 1c * 3c)	$ 121,629,152	$ 90,621,984
b. Level 40-year amortization of UAAL (payable monthly)	600,466,631	444,189,861
c. Total	$ 722,095,783	$ 534,811,845
d. Contribution as percentage of payroll (9c/1c)	23.21%	17.11%

Actuarial Present Value of Future Benefits

	June 30, 2004 (1)	June 30, 2003 (2)
1. Active members		
a. Service retirement benefits	$ 8,362,257,164	$ 7,163,826,000
b. Deferred termination benefits	393,434,985	84,266,000
c. Refunds	28,688,914	408,820,000
d. Death benefits	128,975,196	42,181,000
e. Disability retirement benefits	200,157,480	177,417,000
f. Supplemental medical insurance	361,369,777	365,119,000
g. $5,000 post-retirement death benefit	29,940,961	29,247,000
h. Total	$ 9,504,824,477	$ 8,270,876,000
2. Retired members		
a. Service retirements	$ 6,139,620,212	$ 5,202,337,800
b. Disability retirements	113,425,831	97,501,200
c. Beneficiaries	181,223,898	146,886,900
d. Supplemental medical insurance	400,231,824	384,898,400
e. $5,000 post-retirement death benefit	64,539,799	62,330,000
f. Total	$ 6,899,041,564	$ 5,893,954,300
3. Inactive members		
a. Vested terminations	$ 241,792,395	$ 124,116,565
b. Nonvested terminations	21,707,856	45,579,690
c. Suspense fund	21,163,392	21,266,175
d. Total	$ 284,663,643	$ 190,962,430
4. Total actuarial present value of future benefits	$ 16,688,529,684	$ 14,355,792,730

Note: Refund benefits for members currently active who terminate with a vested benefit in the future are included in Item 1.b. as of June 30, 2004, but were classified in Item 1.c. as of June 30, 2003. Similarly, death refunds have been reclassified from Item 1.c. as of June 30, 2003 to Item 1.d. as of June 30, 2004

Analysis of Normal Cost

	June 30, 2004 (1)	June 30, 2003 (2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	8.10%	7.25%
b. Deferred termination benefits	1.08%	0.21%
c. Refunds	0.90%	1.77%
d. Supplemental medical insurance	0.33%	0.35%
e. $5,000 Post-retirement death benefits	0.04%	0.04%
f. Death Benefits	0.15%	0.00%
g. Disability retirement benefits	0.31%	0.28%
h. Total	10.91%	9.90%
2. Less: member rate	7.00%	7.00%
3. Employer normal cost rate	3.91%	2.90%

Note: Some items previously classified as refunds, such as refunds paid to vested terminated employees and death refunds have been reclassified. See note on Table 2.

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2004	$6,660.9	$14,080.1	$7,419.2	47.3%	$3,030.7	244.8%

Note : Dollar amounts in millions

The results for June 30, 2001, June 30, 2002, and June 30, 2004 reflect an assumed 1% average future COLA.

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

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

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, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, open
Remaining amortization period	40 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increase *	4.25% to 7.00%
* Includes inflation at:	3.00%
Cost of living adjustment	1.00%

Membership Data

		June 30, 2004 (1)	June 30, 2003 (2)
1.	Active members		
	a. Number	81,683	83,127
	b. Total payroll supplied by System	$ 3,030,749,000	$ 3,045,676,600
	c. Average salary	$ 37,104	$ 36,639
	d. Average age	45.6	45.3
	e. Average service	11.8	11.5
2.	Vested inactive members		
	a. Number	5,731	3,731
	b. Total annual deferred benefits	$ 41,353,072	$ 20,055,414
	c. Average annual deferred benefit	$ 7,216	$ 5,375
3.	Nonvested inactive members		
	a. Number	7,536	9,028
	b. Member contributions with interest due	$ 21,707,856	$ 45,579,690
	c. Average refund due	$ 2,881	$ 5,049
4.	Service retirees		
	a. Number	36,508	35,073
	b. Total annual benefits[1]	$ 587,867,333	$ 560,383,156
	c. Average annual benefit	$ 16,102	$ 15,978
5.	Special service retirees		
	a. Number	201	264
	b. Total annual benefits[1]	$ 433,046	$ 569,516
	c. Average annual benefit	$ 2,154	$ 2,157
6.	Disabled retirees		
	a. Number	1,327	1,273
	b. Total annual benefits[1]	$ 13,479,454	$ 12,871,448
	c. Average annual benefit	$ 10,158	$ 10,111
7.	Beneficiaries and spouses		
	a. Number	1,557	1,449
	b. Total annual benefits[1]	$ 20,049,437	$ 18,085,566
	c. Average annual benefit	$ 12,877	$ 12,481

[1] Benefit amounts exclude the supplemental medical insurance payment.

Historical Summary of Active Member Data

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

Plan Net Assets
(Assets at Market or Fair Value)

Item	Valuation as of June 30, 2004	Valuation as of June 30, 2003
(1)	(2)	(3)
1. Cash and cash equivalents	$ 6,466,943	$ 6,427,508
2. Receivables		
a. Employer and member contributions	$ 33,490,888	$ 32,833,301
b. State contribution	13,848,383	13,113,939
c. Net investment income and other accruals	(104,346,915)	(240,894,169)
d. Total receivables	$ (57,007,644)	$ (194,946,929)
3. Investments		
a. Invested cash and other	$ 514,478,967	$ 395,517,841
b. Domestic equities	3,605,558,746	3,179,821,394
c. International equities	1,316,719,833	930,793,198
d. Domestic fixed income	1,529,924,307	1,516,394,606
e. International fixed income	96,309,754	85,912,553
f. Real estate, furniture & equipment	287,256	309,543
g. Total investments	$ 7,063,278,863	$ 6,108,749,135
4. Total assets	$ 7,012,738,162	$ 5,920,229,714
5. Liabilities		
a. Benefits payable	$ 51,839,878	$ 49,354,141
b. Insurance premium payable	2,584,929	2,463,271
c. Expenses	6,535,487	5,098,874
d. Total liabilities	$ 60,960,294	$ 56,916,286
6. Net assets available (Item 4 - Item 5)	$ 6,951,777,868	$ 5,863,313,428
7. Less: Teachers' Deposit Fund	(285,288,429)	(249,249,470)
8. Net assets available for OTRS benefits	$ 6,666,489,439	$ 5,614,063,958

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

	Item	Valuation as of June 30, 2004	Valuation as of June 30, 2003
	(1)	(2)	(3)
a.	Invested cash and other	7.28%	6.47%
b.	Domestic equities	51.05%	52.05%
c.	International equities	18.64%	15.24%
d.	Domestic fixed income	21.66%	24.82%
e.	International fixed income	1.36%	1.41%
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, 2004 (1)	Year Ending June 30, 2003 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	$ 5,614,063,958	$ 5,417,892,079
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	$ 233,121,332	$ 220,503,412
ii. Federal matching funds	13,042,355	14,267,487
iii. State contribution	143,100,533	128,879,976
iv. Employer/district contributions	219,126,867	218,841,977
v. Total	$ 608,391,087	$ 582,492,852
b. Net investment earnings		
i. Interest, dividends and other income	$ 150,983,793	$ 166,272,272
ii. Net appreciation/(depreciation)	1,048,927,967	115,804,022
iii. Less: investment expenses	(21,573,692)	(16,040,134)
iv. Less: transfers to Teachers' Deposit Fund	(49,511,384)	(9,196,843)
v. Net investment earnings	$ 1,128,826,684	$ 256,839,317
c. Total revenue	$ 1,737,217,771	$ 839,332,169
3. Expenditures for the year		
a. Refunds	$ 33,662,984	$ 30,176,320
b. Benefit payments, including insurance payments	647,277,986	608,976,123
c. Administrative expenses	3,851,320	4,007,847
d. Total expenditures	$ 684,792,290	$ 643,160,290
4. Increase in net assets (Item 2 - Item 3)	$ 1,052,425,481	$ 196,171,879
5. Market value of assets at end of year, net of Teachers' Deposit Fund (Item 1 + Item 4)	$ 6,666,489,439	$ 5,614,063,958

Development of Actuarial Value of Assets

		Year Ending June 30, 2004
1.	Market value of assets at beginning of year	$ 5,614,063,958
2.	Net new investments	
	a. Contributions	$ 608,391,087
	b. Benefits paid	(647,277,986)
	c. Refunds	(33,662,984)
	d. Subtotal	(72,549,883)
3.	Market value of assets at end of year	$ 6,666,489,439
4.	Net earnings (3-1-2)	$ 1,124,975,364
5.	Assumed investment return rate	8.00%
6.	Expected return	$ 446,223,121
7.	Excess return (4-6)	$ 678,752,243

8. Excess return on assets for last four years :

	Period End	Excess Return (2)	Percent Deferred (3)	Deferred Amount (4)
a.	June 30, 2001	(609,875,785)	20%	$ (121,975,157)
b.	June 30, 2002	(771,138,521)	40%	(308,455,408)
c.	June 30, 2003	(178,333,513)	60%	(107,000,108)
d.	June 30, 2004	678,752,243	80%	543,001,794
				$ 5,571,121

9.	Actuarial value of assets (Item 3 - Item 8)	$ 6,660,918,318
10.	Actuarial value as percentage of market value	99.9%

Estimation of Yields

	Year Ending June 30, 2004 (1)	Year Ending June 30, 2003 (2)
A. Market value yield		
1. Beginning of year market assets	$ 5,614,063,958	$ 5,417,892,079
2. Net investment income (including realized and unrealized gains and losses)	$ 1,128,826,684	$ 256,839,317
3. End of year market assets	$ 6,666,489,439	$ 5,614,063,958
4. Estimated dollar weighted market value yield	20.2%	4.8%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 6,436,852,137	$ 6,310,930,799
2. Actuarial return	$ 296,616,064	$ 182,580,929
3. End of year actuarial assets	$ 6,660,918,318	$ 6,436,852,137
4. Estimated actuarial value yield	4.6%	2.9%

History of Cash Flow

Year Ending June 30, (1)	Contributions (2)	Benefit Payments (3)	Refunds (4)	Administrative Expenses (5)	Total (6)	External Cash Flow for the Year[1] (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
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%)
2004	608.4	(647.3)	(33.7)	(3.9)	(684.9)	(76.5)	6,666	(1.1%)

Dollar amounts in millions

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

Investment Experience Gain or Loss

Item	Year Ending June 30, 2004	Year Ending June 30, 2003
(1)	(2)	(3)
1. Actuarial assets, beginning of year	$ 6,436,852,137	$ 6,310,930,799
2. Contributions during year	$ 608,391,087	$ 582,492,852
3. Benefits and refunds paid	$ (680,940,970)	$ (639,152,443)
4. Assumed net investment income at 8%		
a. Beginning of year assets	$ 514,948,171	$ 504,874,464
b. Contributions	24,335,643	23,299,714
c. Benefits and refunds paid	(27,237,639)	(25,566,098)
d. Total	$ 512,046,175	$ 502,608,080
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	$ 6,876,348,429	$ 6,756,879,288
6. Actual actuarial assets, end of year	$ 6,660,918,318	$ 6,436,852,137
7. Asset gain (loss) for year (Item 6 - Item 5)	$ (215,430,111)	$ (320,027,151)

Total Experience Gain or Loss

Item	Year Ending June 30, 2004	Year Ending June 30, 2003
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 5,488,309,552	$ 5,964,984,106
2. Normal cost for the year (employer and employee)	$ 309,364,704	$ 320,935,124
3. Less: total contributions for the year	$ (608,391,087)	$ (582,492,852)
4. Interest at 8 %		
a. On UAAL	$ 439,064,764	$ 477,198,728
b. On normal cost	12,374,588	12,837,405
c. On contributions	(24,335,643)	(23,299,714)
d. Total	$ 427,103,709	$ 466,736,419
5. Expected UAAL (Sum of Items 1 - 4)	$ 5,616,386,878	$ 6,170,162,797
6. Actual UAAL	$ 7,419,230,014	$ 5,488,309,552
7. Total gain (loss) for the year (Item 5 - Item 6)	$ (1,802,843,136)	$ 681,853,245
B. Source of gains and losses		
8. Asset gain (loss) for the year	$ (215,430,111)	$ (320,027,151)
9. Liability gain (loss) for the year	6,297,973	9,551,020
10. Legislation changes	(537,905,575)	26,854,459
11. Assumption changes (change from/to 1% COLA assumption)	(1,055,805,423)	965,474,917
13. Total	$ (1,802,843,136)	$ 681,853,245

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	June 30, 2004 UAAL (in $ Millions)	June 30, 2003 UAAL (in $ Millions)
1. From prior valuation	$ 5,488.3	$ 5,965.0
2. Impact of changes, gains and losses		
a. Expected increase based on statutory contributions and passage of time	147.2	204.8
b. Liability (gain)/loss	(6.3)	(9.5)
c. Asset (gain)/loss	215.4	320.0
d. Impact of actual ctrb greater than expected under schedule	(19.1)	0.4
e. Legislative changes	537.9	(26.9)
f. Assumption changes (Change from/to 1% COLA assumption)	1,055.8	(965.5)
h. Total	1,930.9	(476.7)
3. Current UAAL (1+2h)	$ 7,419.2	$ 5,488.3

Analysis of Change in Funding Period

	Basis	June 30, 2004 Funding Period (Years)	June 30, 2003 Funding Period (Years)
1.	Funding period (years) from prior valuation	28.7	41.0
2.	Impact of changes, gains and losses		
a.	Expected (decrease)/increase	-1.0	-1.0
b.	Impact of payroll and revenue growth different than expected (including change in State's and federal/grant contributions)	1.0	0.2
c.	Impact of contributions greater than expected	-0.2	0.0
d.	Impact of asset (gain)/loss	2.2	6.1
e.	Impact of liability (gain)/loss	-0.1	-0.2
f.	Impact of legislative changes	9.1	3.3
g.	Impact of assumption changes	Infinite	-20.7
h.	Total	Infinite	-12.3
3.	Current funding period (years) (1+2j)	Infinite	28.7

Projection of UAAL (cont.)

Valuation Date (1)	UAAL (Millions) (2)
June 30, 2025	$ 15,889.9
June 30, 2026	16,473.5
June 30, 2027	17,079.7
June 30, 2028	17,709.5
June 30, 2029	18,363.9
June 30, 2030	19,044.0
June 30, 2031	19,750.9
June 30, 2032	20,485.8
June 30, 2033	21,249.8
June 30, 2034	22,044.4
June 30, 2035	22,870.8
June 30, 2036	23,730.6
June 30, 2037	24,625.1
June 30, 2038	25,556.2
June 30, 2039	26,525.3
June 30, 2040	27,534.3
June 30, 2041	28,585.1
June 30, 2042	29,679.7
June 30, 2043	30,820.0
June 30, 2044	32,008.4
June 30, 2045	33,247.2
June 30, 2046	34,538.9
June 30, 2047	35,885.9
June 30, 2048	37,291.2
June 30, 2049	38,757.6
June 30, 2050	40,288.2

Projection of UAAL

	Valuation Date (1)	UAAL (Millions) (2)
A. Actual	June 30, 1993	$ 3,887.7
	June 30, 1994	4,038.8
	June 30, 1995	4,610.5
	June 30, 1996	4,740.2
	June 30, 1997	4,712.3
	June 30, 1998	4,806.2
	June 30, 1999	4,750.5
	June 30, 2000	4,635.7
	June 30, 2001	5,632.1
	June 30, 2002	5,965.0
	June 30, 2003	5,488.3
	June 30, 2004	7,419.2
B. Projected	June 30, 2005	$ 7,741.0
	June 30, 2006	8,064.4
	June 30, 2007	8,378.7
	June 30, 2008	8,678.8
	June 30, 2009	8,990.0
	June 30, 2010	9,312.7
	June 30, 2011	9,647.3
	June 30, 2012	9,994.3
	June 30, 2013	10,354.2
	June 30, 2014	10,727.5
	June 30, 2015	11,114.7
	June 30, 2016	11,516.4
	June 30, 2017	11,933.2
	June 30, 2018	12,365.7
	June 30, 2019	12,814.6
	June 30, 2020	13,280.4
	June 30, 2021	13,763.9
	June 30, 2022	14,265.8
	June 30, 2023	14,786.9
	June 30, 2024	15,328.0

TABLE 14

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

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

Note : Dollar amounts in millions

Distribution of Active Members by Age and by Years of Service
As of 06/30/2004

	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Attained Age	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	652	163	51	20	4	0	0	0	0	0	0	0	890
	$24,015	$24,694	$20,448	$20,965	$25,497	$0	$0	$0	$0	$0	$0	$0	$23,873
25-29	1,353	1,146	1,191	851	669	334	1	0	0	0	0	0	5,545
	$27,327	$29,337	$29,650	$30,861	$31,858	$32,616	$5,340	$0	$0	$0	$0	$0	$29,645
30-34	925	810	868	920	962	3,414	380	1	0	0	0	0	8,280
	$28,072	$31,508	$32,990	$31,223	$33,120	$34,781	$35,729	$37,668	$0	$0	$0	$0	$32,979
35-39	840	681	800	719	691	2,415	2,682	316	1	0	0	0	9,145
	$26,209	$31,685	$32,429	$33,115	$33,737	$36,415	$37,579	$39,096	$38,004	$0	$0	$0	$34,749
40-44	854	704	859	790	754	2,584	2,313	2,200	429	0	0	0	11,487
	$24,689	$29,482	$30,917	$32,686	$32,689	$35,560	$38,801	$40,943	$42,791	$0	$0	$0	$35,600
45-49	690	546	666	652	699	2,579	2,623	1,808	2,705	617	1	0	13,586
	$25,324	$29,191	$31,849	$30,587	$33,341	$34,319	$38,498	$42,114	$44,401	$45,663	$82,596	$0	$37,676
50-54	535	424	577	527	565	2,229	2,614	2,337	2,090	2,704	443	0	15,045
	$27,351	$30,171	$31,627	$33,987	$32,505	$35,415	$37,153	$41,031	$46,735	$47,633	$49,818	$0	$40,043
55-59	354	267	401	309	328	1,432	1,937	1,935	1,628	1,220	1,292	114	11,217
	$25,549	$30,245	$32,746	$33,051	$36,081	$36,579	$36,819	$39,532	$45,519	$52,002	$52,100	$54,413	$41,326
60-64	158	110	139	130	122	645	918	932	618	464	389	324	4,949
	$24,267	$26,973	$28,356	$27,510	$27,718	$34,708	$36,473	$37,458	$43,999	$54,246	$64,341	$63,226	$41,696
65 & Over	64	68	56	59	45	217	289	232	141	119	99	150	1,539
	$15,261	$18,711	$20,702	$24,008	$21,101	$26,131	$32,055	$36,789	$42,429	$48,081	$69,799	$88,382	$39,711
Total	6,425	4,919	5,608	4,977	4,839	15,849	13,757	9,761	7,612	5,124	2,224	588	81,683
	$26,095	$29,792	$31,238	$31,766	$32,873	$35,166	$37,528	$40,410	$45,120	$49,045	$54,588	$67,935	$37,104

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:

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: 1.0% per year

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

   a. Healthy males - 1994 Unisex Pension Mortality Table for males, set back 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:

	Expected Deaths per 100 Lives			
Age	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:

	Expected Deaths per 100 Lives	
Age	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:

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

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

4. Termination Rates - Separate male and female rates, based on both age and service, developed from the 1999 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below:

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

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

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

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

	Expected Retirements per 100 Lives					
	Unreduced Retirement				Reduced Retirement	
	After First Year		In First Year			
Age	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.

4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.

5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.

6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.

7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.

8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit.

9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.

10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

V. Participant Data

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

The data for active and inactive, non-retired members included birthdate, sex, years of service, a classified/non-classified status code, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to

indicate whether the employee had elected to make contributions on salary above $25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, sex, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

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

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

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

VI. Dates of Adoption of Assumptions and Methods

Generally, actuarial assumptions and methods were developed from the 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, 2004 valuation, there is an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding, and these would average 1.00% per year.

Addendum to June 30, 2004 Actuarial Valuation

Certification

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

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

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

Interest rate: 7.5%
COLA assumption: 2.0%
Mortality: RP 2000 Generational Mortality Tables (active members, healthy annuitants, and disabled annuitants)
Amortization period: 30 years, open period
Sources of all contributions and revenues, including dedicated tax fee revenue and federal monies

All other assumptions, methodologies, and plan provisions used are consistent with those used in the June 30, 2004 valuation.

The results shown in this Addendum are not consistent with those in the June 30, 2004 valuation. The June 30, 2004 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, 2004 actuarial valuation.

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

J. Christian Conradi, ASA, MAAA, EA — October 27, 2004

W. Michael Carter, FSA, MAAA, EA — October 27, 2004

William B. Fornia, FSA, MAAA, EA — October 27, 2004

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, 2004, 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, 2004	July 1, 2003	Amount	Percent
Summary of Costs				
Required State Contribution for Current Year under Prescribed Assumptions	$717,349,127	$610,721,212	$106,627,915	17.46%
Actual State Contribution Received in Prior Year	$143,100,533	$128,879,976	$ 14,220,557	11.03%
Funded Status				
Actuarial Accrued Liability	$15,861,120,669	$14,506,297,789	$1,354,822,880	9.34%
Actuarial Value of Assets	$ 6,660,918,318	$ 6,436,852,137	$ 224,066,181	3.48%
Unfunded Actuarial Accrued Liability	$ 9,200,202,351	$ 8,069,445,652	$1,130,756,699	14.01%
Market Value of Assets and Additional Liabilities				
Market Value of Assets	$ 6,666,489,439	$ 5,614,063,958	$1,052,425,481	18.75%
Present Value of Projected System Benefits	$19,158,355,942	$17,776,393,728	$1,381,962,214	7.77%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	July 1, 2004		July 1, 2003		
	Amount	% of Active Covered Comp.	Amount	% of Active Covered Comp.	
1. Payroll					
a. Supplied by System	$3,030,749,000		$3,045,676,600		(0.49)%
b. Adjusted for 1-year's pay increase	$3,163,354,010		$3,183,653,000		(0.64)%
c. Adjusted for 1-year's pay increase with pay caps	$3,110,720,010		$3,124,896,000		(0.45)%
2. Total Normal Cost Mid-Year	$ 414,036,833	13.31%	$ 401,861,625	12.86%	3.03%
3. Unfunded Actuarial Accrued Liability	$9,200,202,351		$8,069,445,652		14.01%
4. Amortization of Unfunded Actuarial Accrued Liability over 30 years from July 1, 2004	$ 753,431,456	24.22%	$ 660,830,485	21.15%	14.01%
5. Total Required Contribution under Prescribed Assumptions (2 + 4)	$1,167,468,289	37.53%	$1,062,692,110	34.01%	9.86%
6. Estimated Employee Contribution (7% x 1c)	$ 217,750,401	7.00%	$ 218,742,720	7.00%	(0.45)%
7. Estimated local employer and Federal contributions					
a. Local employers (7.05%)	$ 219,305,761	7.05%	$ 220,305,168	7.05%	(0.45)%
b. Federal	13,063,000	0.42%	12,923,010	0.41%	1.08%
c. Total	$ 232,368,761	7.47%	$ 233,228,178	7.46%	(0.37)%
8. Required State Contribution to amortize Unfunded Actuarial Accrued Liability over 30 years from July 1, 2003 (5 – 6 – 7c)	$ 717,349,127	23.06%	$ 610,721,212	19.54%	17.46%
9. Previous year's actual State Contribution	$ 143,100,533	4.58%[1]	$ 128,879,976	4.13%[2]	11.03%
10. Funding Period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

[1] Percent of previous years' annual compensation for active members.
[2] 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, 2004	July 1, 2003
1. Actuarial Present Value of Benefits		
a. Active Members	$ 11,315,970,003	$ 10,647,809,000
b. Inactive Members	303,852,234	219,363,228
c. Retirees and beneficiaries	7,538,533,705	6,909,221,500
d. Total	$ 19,158,355,942	$ 17,776,393,728
2. Actuarial Present Value of Future Normal Costs	$ 3,297,235,273	$ 3,270,095,939
3. Total Actuarial Accrued Liability (1d - 2)	$ 15,861,120,669	$ 14,506,297,789
4. Actuarial Value of Assets	$ 6,660,918,318	$ 6,436,852,137
5. Unfunded Actuarial Accrued Liability (3 - 4, not less than $0)	**$ 9,200,202,351**	**$ 8,069,445,652**

Normal Cost

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

Component	July 1, 2004	July 1, 2003
Retirement Benefits	$ 319,470,945	$ 310,927,152
Withdrawal Benefits	37,328,640	12,187,094
Active Death Benefits	4,666,080	0
Refunds	25,818,976	51,873,274
Supplemental Medical Insurance	11,509,664	12,187,094
Post Retirement Death Benefits	1,555,360	1,249,958
Disability Benefits	13,687,168	13,437,053
Total Normal Cost (Mid-year)	**$ 414,036,833**	**$ 401,861,625**
Annual Covered Payroll (with pay caps)	$ 3,110,720,010	$ 3,124,896,000
Normal Cost Rate At Mid-year	13.31%	12.86%

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:

	Expected Retirements per 100 Lives					
	Unreduced Retirement				Reduced Retirement	
	After First Year		In First Year			
Age	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.

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	Expected Disabilities Occurring per 100 Lives: 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:

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

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

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

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 married: 80% of employees are assumed to be married.

2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the $18,000 lump sum and refund.

4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.

5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.

6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.

7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.

8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit.

9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.

10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

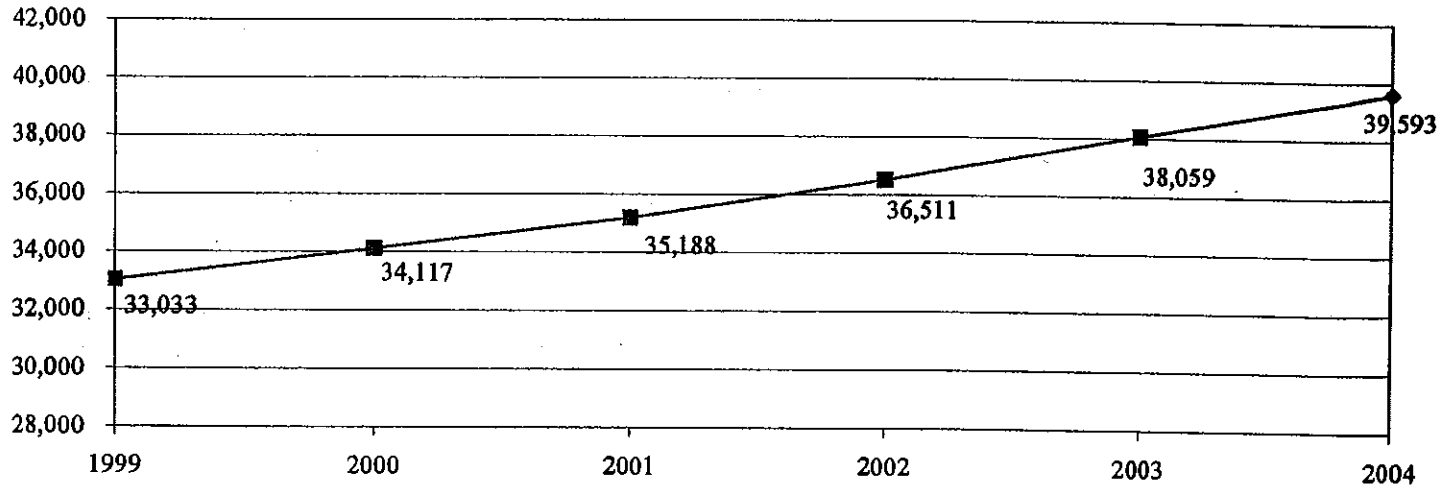
Schedule of Increases and Decreases of Benefit Recipients Periods Ended June 30

Year Ended	Added to Rolls No.	Added to Rolls Annual Allowances*	Removed from Rolls No.	Removed from Rolls Annual Allowances	Rolls-End of Year No.	Rolls-End of Year Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances**
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	57,537,594	973	10,798,222	38,059	569,959,953	8.9%	1,304
2004	2,724	$49,732,316	1,190	$12,334,953	39,593	$607,357,316	6.6%	$1,315

* 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

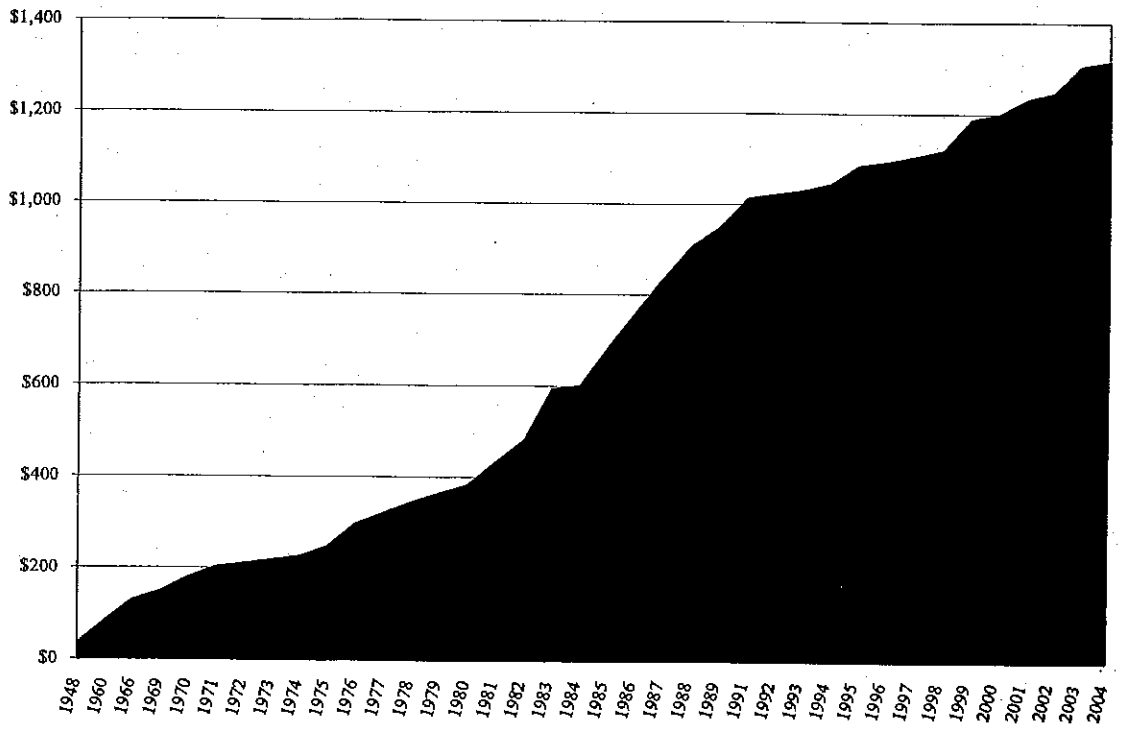
Schedule of Average Payment Amounts
Fiscal Year Ended June 30, 2004

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	175
June 30, 2004	$1,315	$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, 2004

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 yrs.	22,087	12,331	9,756
5-9	17,753	11,193	6,560
10-14	14,209	9,645	4,564
15-19	10,512	6,955	3,557
20-24	7,724	6,455	1,269
25-29	5,822	5,390	432
30-34	2,714	2,588	126
35-39	750	722	28
40-44	94	90	4
45-49	17	16	1
50-54	1	1	0
Totals	81,683	55,386	26,297

Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-$5,000	331	167	164
5001-10,000	2,394	248	2,146
10,001-15,000	5,276	453	4,823
15,001-20,000	4,945	1,041	3,904
20,001-25,000	4,090	689	3,401
25,001-30,000	7,148	4,308	2,840
30,001-35,000	17,755	14,738	3,017
35,001-40,000	14,293	12,400	1,893
40,001-45,000	8,395	7,193	1,202
45,001-50,000	4,778	3,861	917
50,001-55,000	3,050	2,473	577
55,001-60,000	2,180	1,778	402
60,001-65,000	1,589	1,311	278
65,001-70,000	1,241	1,042	199
70,001-75,000	909	762	147
75,001 and Above	3,309	2,922	387
Totals	81,683	55,386	26,297

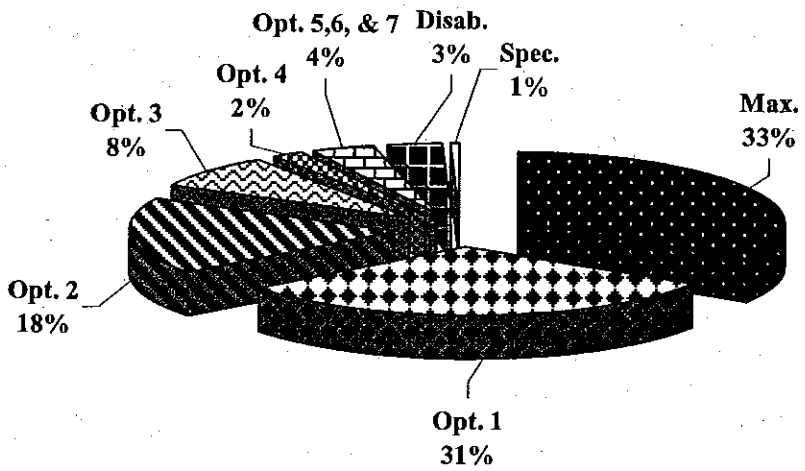
Average Age (years)	45.1	44.5	46.2
Average Salary	$37,103	$42,159	$26,455
Average Service (years)	11.8	13.3	8.5

Schedule of Retired Members by Type of Benefits
Selected Plan Options
Fiscal Year Ended June 30, 2004

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	2,794	10,548	13,342	$1,233	34%
Option 1	3,102	8,992	12,094	1,312	30%
Option 2	4,478	2,662	7,140	1,476	18%
Option 3	1,726	1,455	3,181	1,626	8%
Option 4	272	488	760	1,290	2%
Options 5, 6 & 7	1,355	201	1,556	1,040	4%
Disability	370	949	1,319	847	3%
Special Annuitants	19	182	201	180	1%
Totals	14,116	25,477	39,593	$1,315	100%

Average monthly payment is $1,304 excluding special annuitants

Plan Options



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.

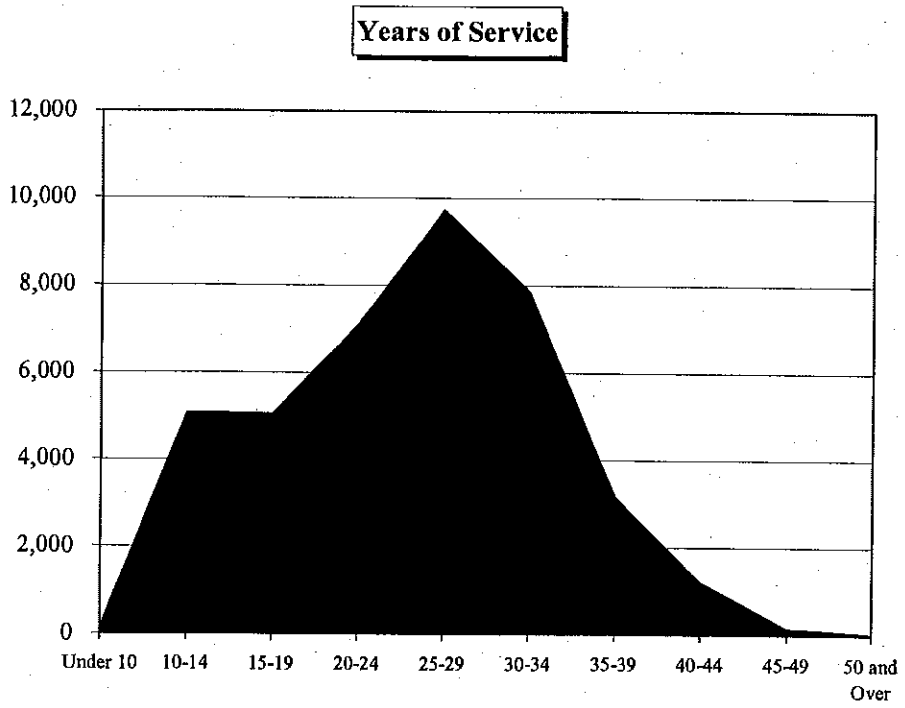
Disability - upon meeting requirements, a vested member may receive a monthly benefit.

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, 2004

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
Under 10	53	72	125	$296
10-14	1,425	3,642	5,067	395
15-19	1,421	3,626	5,047	653
20-24	1,695	5,392	7,087	1,072
25-29	3,260	6,457	9,717	1,549
30-34	3,571	4,277	7,848	1,843
35-39	1,833	1,311	3,144	2,006
40-44	739	460	1,199	2,193
45-49	91	51	142	2,401
50 and Over	9	7	16	3,092
Totals	14,097	25,295	39,392	$1,315

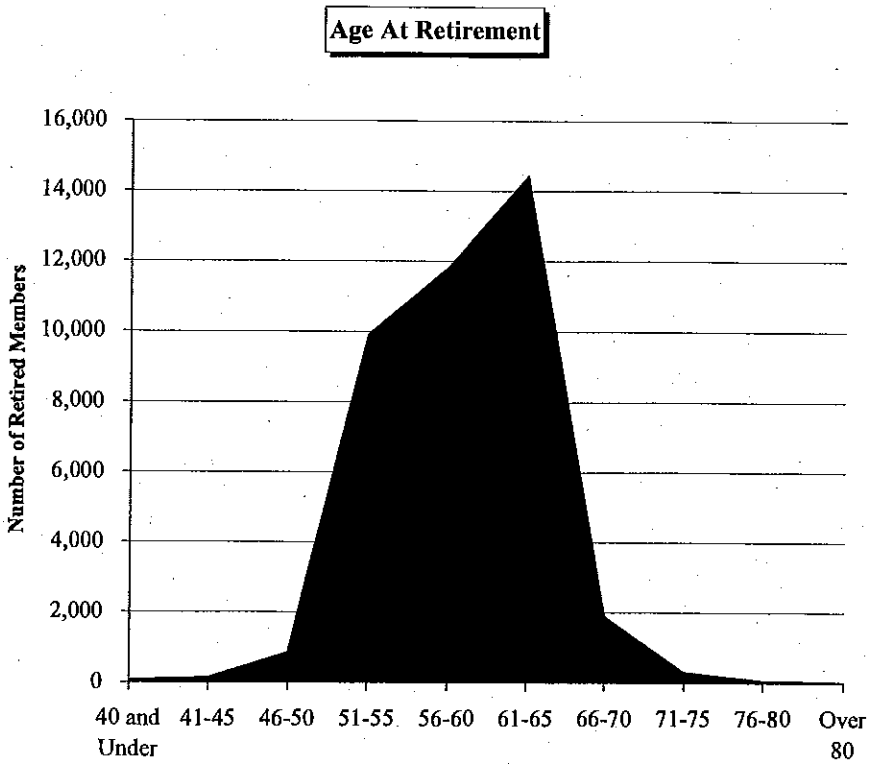
Does not include 201 special annuitants.



Distribution by Age at Retirement
Fiscal Year Ended June 30, 2004

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	18	49	67	$623	13.2
41-45	39	102	141	820	16.2
46-50	310	531	841	1,527	25.3
51-55	4,212	5,686	9,898	1,625	27.4
56-60	3,849	7,955	11,804	1,336	25.4
61-65	4,858	9,543	14,401	1,131	23.8
66-70	680	1,194	1,874	1,022	22.1
71-75	103	192	295	747	19.9
76-80	25	33	58	800	21.3
Over 80	3	10	13	947	24.4
Totals	14,097	25,295	39,392	$1,315	25.1

Does not include 201 special annuitants.

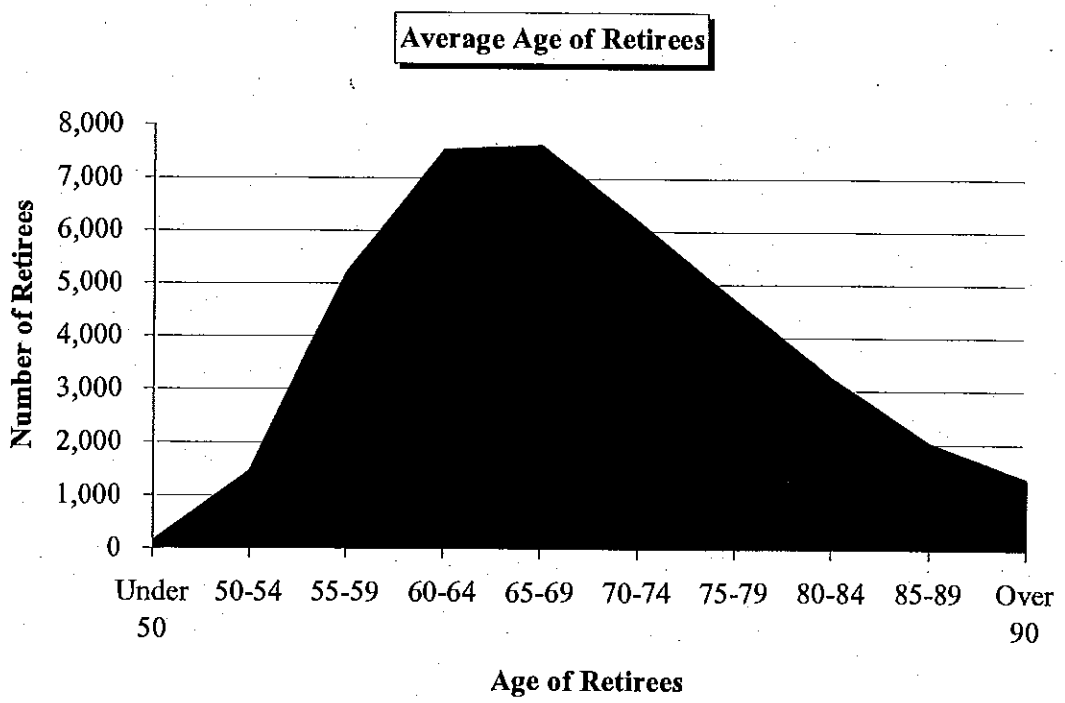


Distribution by Retiree Age
Fiscal Year Ended June 30, 2004

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	140	15.8	$840
50-54	1,456	27.6	1,764
55-59	5,209	26.7	1,644
60-64	7,524	25.0	1,447
65-69	7,605	23.7	1,281
70-74	6,181	23.6	1,188
75-79	4,690	24.6	1,143
80-84	3,232	25.6	1,090
85-89	2,012	26.7	1,049
Over 90	1,343	29.6	1,172
Totals	39,392	25.1	$1,315

Does not include 201 special annuitants.

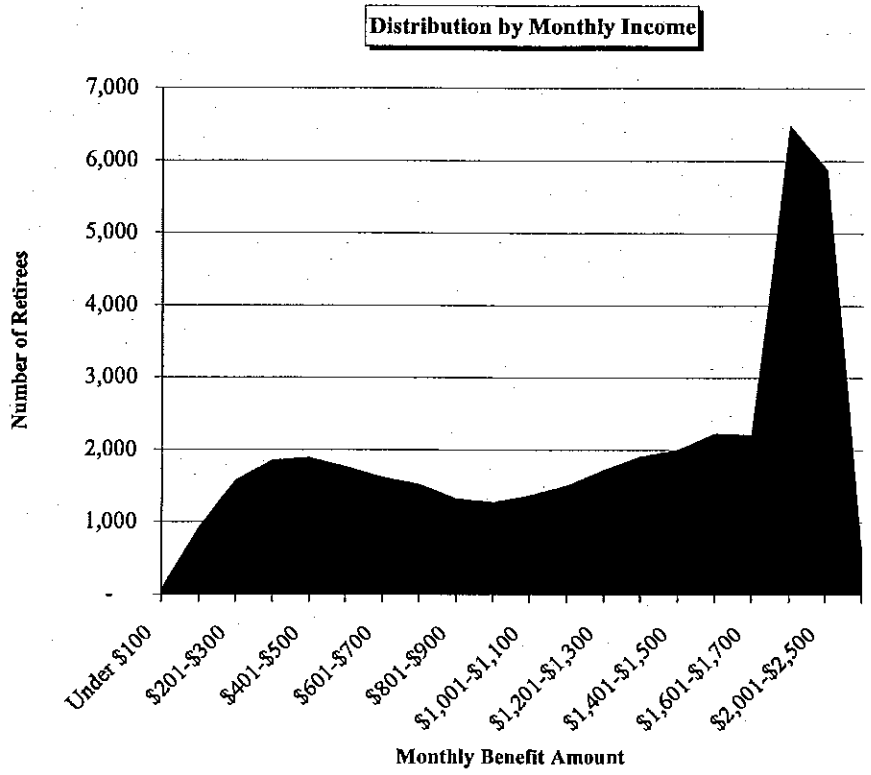
Average age of retired members is 69.2 years.



Distribution by Monthly Income
Fiscal Year Ended June 30, 2004

Monthly Income	Retired Members	Total	Average Payment
Under $100	49	$4,327	$88
$101-200	911	145,328	160
$201-$300	1,564	393,509	252
$301-$400	1,842	645,143	350
$401-$500	1,879	844,994	450
$501-$600	1,755	963,350	549
$601-$700	1,607	1,045,800	651
$701-$800	1,508	1,128,435	748
$801-$900	1,314	1,119,525	852
$901-$1,000	1,262	1,197,832	949
$1,001-$1,100	1,359	1,427,287	1,050
$1,101-$1,200	1,494	1,720,626	1,152
$1,201-$1,300	1,711	2,142,460	1,252
$1,301-$1,400	1,895	2,559,288	1,351
$1,401-$1,500	1,987	2,880,345	1,450
$1,501-$1,600	2,215	3,434,150	1,550
$1,601-$1,700	2,200	3,628,936	1,650
$1,701-$2,000	6,461	11,914,686	1,844
$2,001-$2,500	5,876	13,099,701	2,229
Over $2,500	503	1,485,374	2,953
Totals	39,392	$51,781,096	$1,315

Does not include 201 special annuitants.



Teachers' Retirement System of Oklahoma
Schedule of Cash Receipts and Disbursements
Years Ended June 30, 2004 and 2003

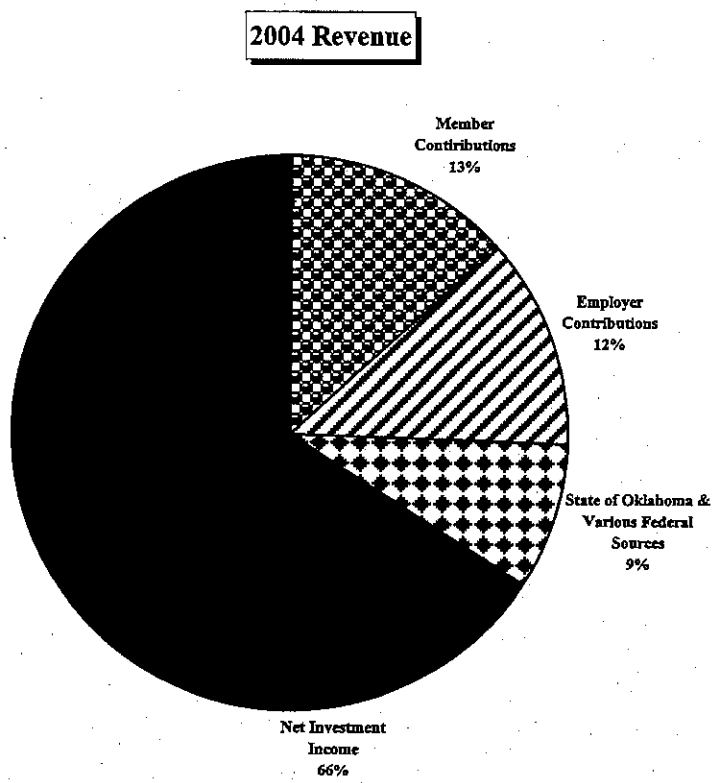
	2004	2003
Cash balance, beginning of year	$6,427,508	$3,281,205
Receipts:		
Members' contributions	228,314,154	223,802,137
Member tax-shelter	5,191,621	4,448,732
Employer statutory requirement from local school districts	220,421,448	218,932,213
Federal matching	13,185,872	14,076,202
Dedicated revenue	142,366,089	128,734,089
Interest income	82,438,872	129,135,327
Dividends	69,498,289	55,915,316
Net gain (loss) on investments	452,250,012	(150,682,004)
Other revenue	4,039,504	4,054,333
* Investments sold	13,564,267,877	18,605,353,562
Total receipts	14,781,973,738	19,233,769,906
Disbursements:		
Retirement, death, survivor, and health benefits	644,670,590	604,759,178
Refund of member contributions and annuity payments	52,327,029	73,563,552
Administrative expenses	3,747,642	3,862,978
Investment expenses	21,283,172	15,923,283
Equipment purchases	78,503	53,281
* Investment purchases	14,059,827,367	18,532,461,331
Total disbursements	14,781,934,303	19,230,623,603
Balance of cash, June 30	$6,466,943	$6,427,508

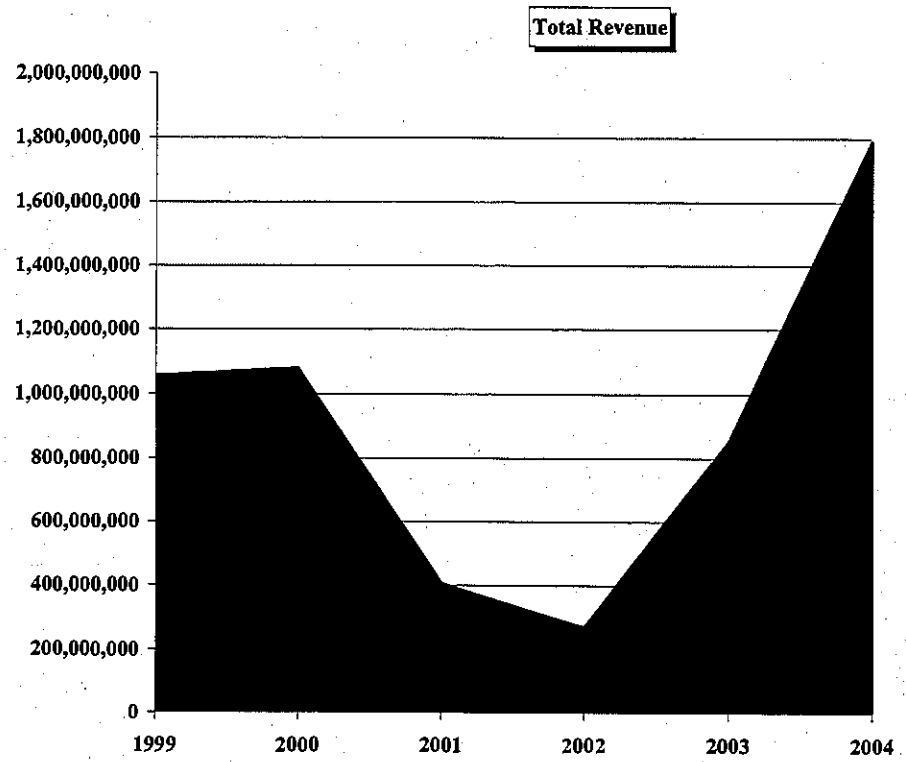
* Includes equities, fixed income and short-term investments.

Schedule of Revenue by Source

Year		Member Contributions	Employer Contributions	State of Oklahoma & Various Federal Sources	Net Investment Income	Other Revenue	Total
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
2004	*	238,312,953	219,126,867	156,142,888	1,175,826,812	2,511,256	1,791,920,776

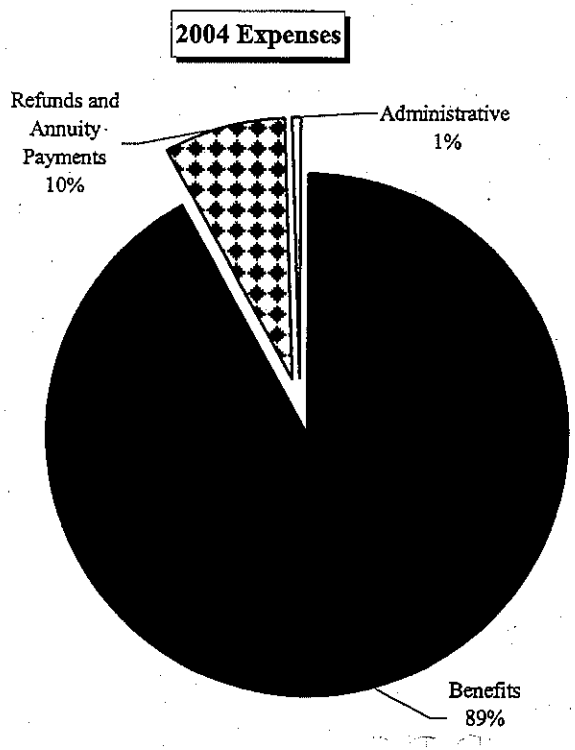
* - Investment income includes both realized and unrealized gains and losses on investments.

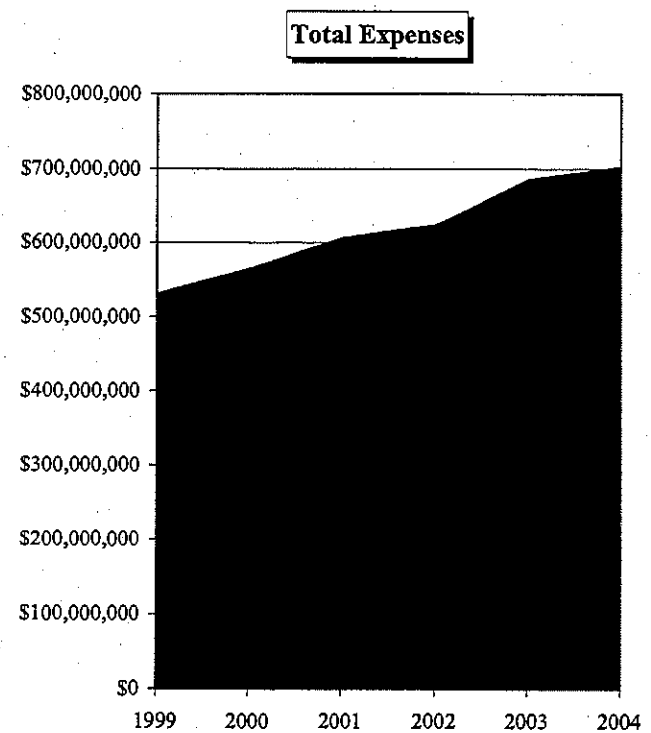




Schedule of Expenses by Type

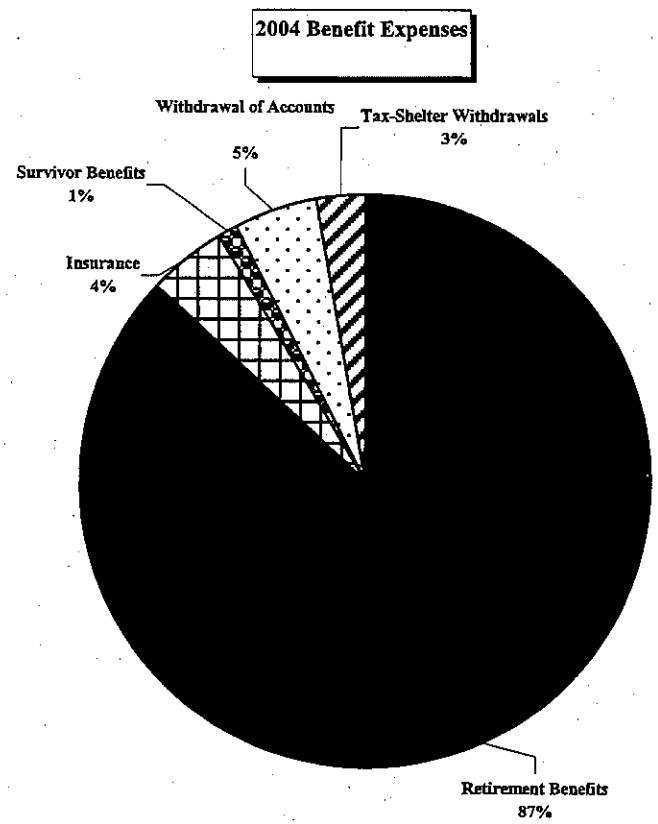
Year	Benefits	Refunds and Annuity Payments	Administrative Expenses	Total
1999	$479,637,193	$48,962,376	$2,699,015	$531,298,584
2000	500,289,049	61,725,419	2,964,237	564,978,705
2001	537,308,002	65,763,326	3,471,796	606,543,124
2002	561,222,392	58,495,950	3,905,754	623,624,096
2003	608,976,125	73,563,552	4,007,846	686,547,523
2004	647,277,986	52,327,030	3,851,320	703,456,336

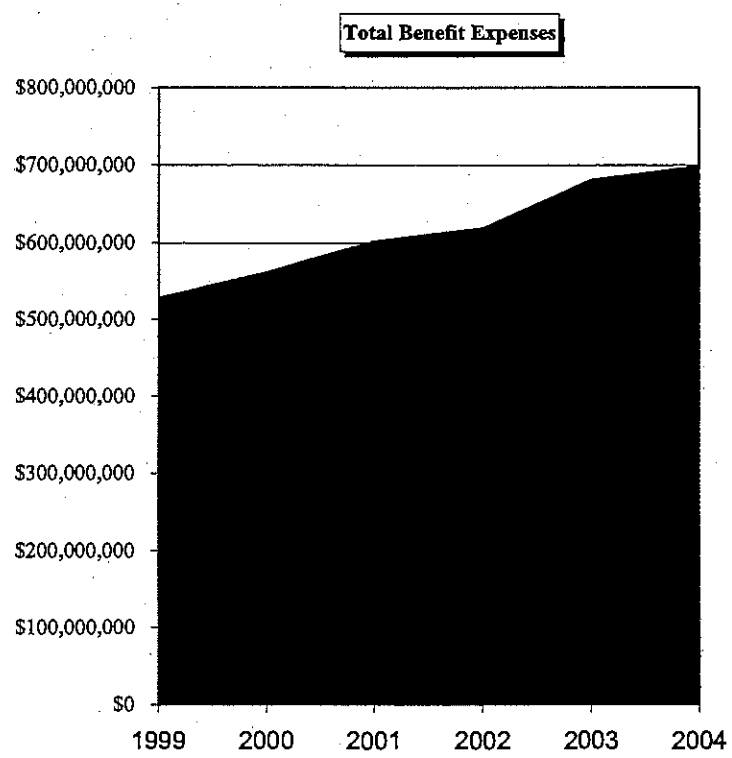




Schedule of Benefit Expenses by Type

Year	Retirement Benefits	Insurance Payments	Survivor Benefits	Withdrawal of Accounts	Tax-Shelter Withdrawals	Total
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
2004	607,357,316	31,142,570	8,778,100	33,663,294	18,663,735	699,605,015





Retirees in the State of Oklahoma by County

Of the 39,593 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 90% or 35,581 remain state of Oklahoma residents. As such, benefit payments of approximately, $567,000,000 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.

County	Recipients	Annual Payment	County	Recipients	Annual Payment
Adair	259	$4,022,340	LeFlore	579	$9,374,664
Alfalfa	100	1,547,700	Lincoln	325	4,687,368
Atoka	160	2,478,156	Logan	281	3,936,612
Beaver	94	1,437,996	Love	84	1,295,136
Beckham	218	3,466,860	Major	73	1,048,380
Blaine	137	2,152,104	Marshall	180	2,857,032
Bryan	614	10,135,728	Mayes	373	5,989,488
Caddo	374	5,148,300	McClain	317	4,582,128
Canadian	805	13,020,768	McCurtain	442	7,327,920
Carter	465	7,195,056	McIntosh	320	5,262,360
Cherokee	701	12,293,004	Murray	152	2,635,668
Choctaw	191	2,910,132	Muskogee	884	14,957,688
Cimarron	33	480,024	Noble	105	1,514,532
Cleveland	2,115	33,429,816	Nowata	70	1,059,048
Coal	61	880,608	Okfuskee	138	2,151,672
Comanche	1,142	18,929,400	Oklahoma	5,984	97,540,368
Cotton	67	1,041,648	Okmulgee	558	8,467,272
Craig	157	2,463,768	Osage	163	2,393,964
Creek	496	7,627,404	Ottawa	496	7,188,180
Custer	436	7,452,996	Pawnee	154	2,181,468
Delaware	242	4,053,156	Payne	1,591	24,784,656
Dewey	91	1,450,812	Pittsburg	480	7,444,116
Ellis	51	737,832	Pontotoc	575	9,284,244
Garfield	567	8,728,656	Pottawatomie	597	9,008,592
Garvin	356	5,244,492	Pushmataha	148	2,210,700
Grady	474	7,319,664	Roger Mills	67	991,488
Grant	82	1,044,252	Rogers	564	9,434,160
Greer	82	1,255,416	Seminole	283	4,276,116
Harmon	61	996,540	Sequoyah	471	7,892,628
Harper	72	1,227,744	Stephens	420	6,685,464
Haskell	168	2,630,124	Texas	173	2,713,668
Hughes	151	2,319,756	Tillman	112	1,775,112
Jackson	299	5,198,100	Tulsa	4,527	73,590,948
Jefferson	74	1,137,156	Wagoner	276	4,680,204
Johnston	194	3,270,456	Washington	498	7,234,068
Kay	511	7,750,380	Washita	135	2,118,720
Kingfisher	142	2,262,936	Woods	226	3,507,960
Kiowa	162	2,379,240	Woodward	180	2,804,568
Latimer	176	2,784,324			
			Total	35,581	566,793,204

2004 Participating Employers

Public School Districts

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

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

Public School Districts *(continued)*

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

Career and Technology Centers

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

Colleges and Universities

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

Junior Colleges

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

Other Participating Entities

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