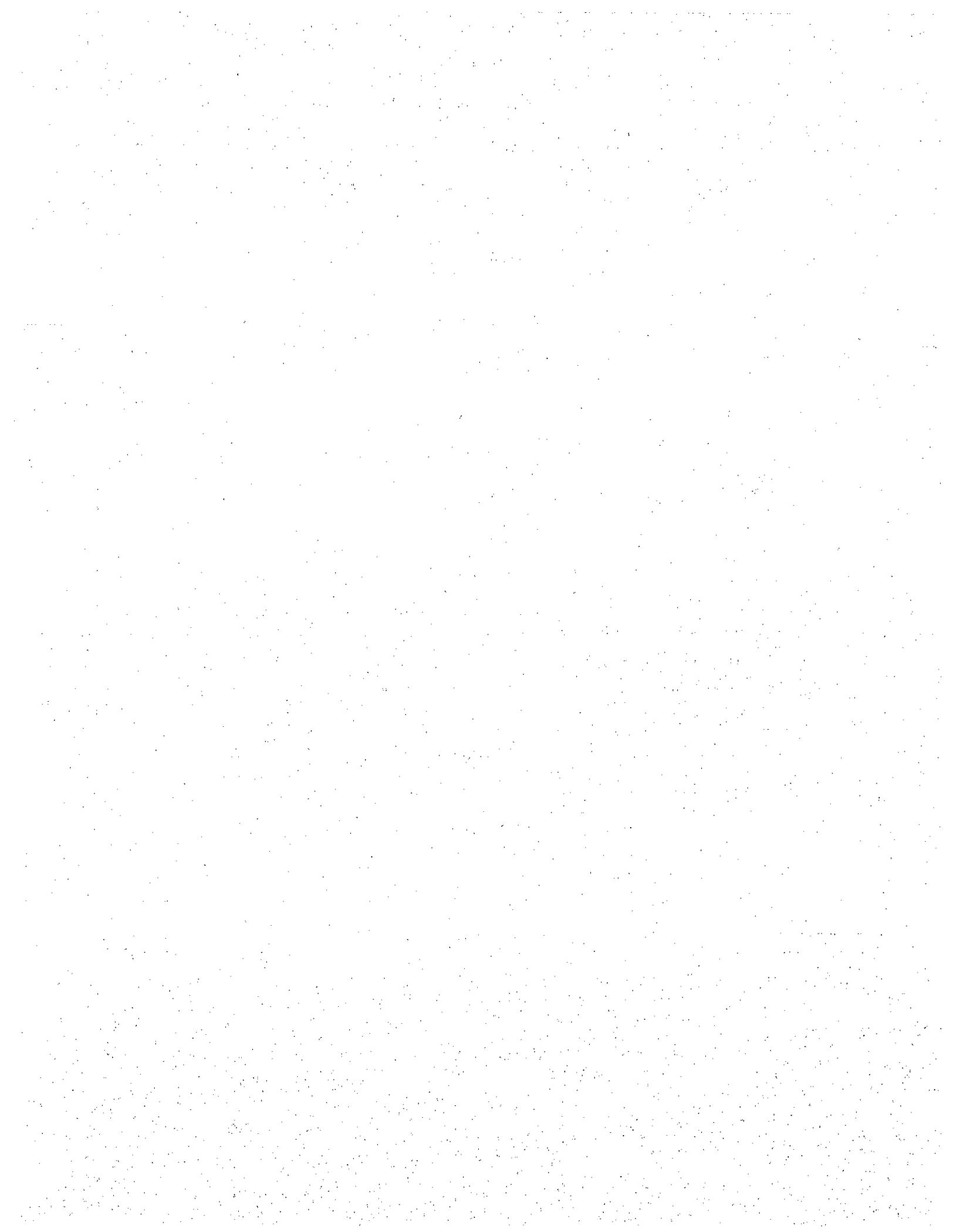


Teachers' Retirement System of Oklahoma
A Component Unit of the State of Oklahoma

Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2008



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

Comprehensive Annual Financial Report
for the
Fiscal Year Ended June 30, 2008

Prepared by the Retirement System Staff

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- The 2008 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. 2500 copies have been printed by the Department of Central Services, Central Printing Division at a cost of \$18,500. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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Transmittal Letter from the Executive Secretary
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Board of Trustees
Organization Chart
2007-2008 Plan Summary
Certificate of Achievement for Excellence
in Financial Reporting





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, 2008. The Teachers' Retirement System of Oklahoma (the System or TRS) is a component unit of the state of Oklahoma.

PROFILE OF RETIREMENT SYSTEM

Established by legislation, the System began operation July 1, 1943, and concluded its 65th year on June 30. The System provides retirement allowances and other benefits to public education employees in the common schools, career 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, 2008, the System had 629 participating employers, 88,678 active members, 13,823 inactive members, and 45,238 retired members and beneficiaries receiving monthly benefits.

The 2008 Comprehensive Annual Financial Report (CAFR) is presented in five sections: 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 System's management. 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 fairly present 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 effect of market conditions, legislation and changes in operations affecting the System's financial results.

ECONOMIC CONDITIONS AND OUTLOOK

For the year ended June 30, 2008, the System's investment portfolio generated an -7.2% rate of return, which was due to the credit and liquidity crisis in the United States and global financial markets. Continued strong revenue growth at the state level and an increase in the percentage of sales and income tax revenue received by TRS resulted in a \$23.3 million increase in the state's contribution for the year ending June 30 when compared to revenues received for the preceding year.

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, 2008, only 50.5% of the System's actuarial liabilities were covered by the actuarial value of assets.

This is a decrease from the 52.6% funded ratio reported for June 2007. The decrease in the funded ratio is due primarily to an increase in the assumed rate of future ad hoc cost of living adjustments from 1% to 2%.

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 357 during the 2007 Legislative Session was a major event. The new law, designed to raise the System's funded ratio, will increase local employer contributions by one-half of one percent in annual increments over the next three years. Each half-percent increase is subject to additional appropriations from the state to school districts to pay for the impact on school budgets.

Effective July 1, 2007, the percentage of state sales, use and income tax revenues dedicated to the Teachers' Retirement Fund increased to 5%. This was the final step increase in the state's dedicated revenue stream provided through passage of Senate Bill 1376 in 2002. It is imperative that the provisions of Senate Bills 357 and 1376 and the resulting increases in local and state revenues be maintained.

TRS also receives 5% of the annual proceeds from the Education Lottery. During FY-2008, the System received \$3.96 million compared to \$3.71 million for FY-2007.

Senate Bill 852, enacted in 2005, provides that the \$100-\$105 per month paid by TRS and other state-run retirement plans toward each retiree's health insurance premium is designated first to pay the retiree's prescription drug cost. This helps the state insurance board meet certain requirements of the Medicare Prescription Drug Act and qualifies the insurance program for reimbursements from Medicare. This has led to lower health insurance premiums for retired members on Medicare.

FINANCIAL INFORMATION

Management is responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principals. This system includes written policies and procedures. TRS is audited annually by the State Auditor and Inspector, who contracts with an accounting firm to conduct 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 accounting principles in the United States (commonly referred to as GAAP). The 2007 and 2008 financial statements in this report have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34.

REVENUE AND FUNDING

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

Active member contributions for fiscal year 2008 were \$286.7 million, which represents 7% of covered payroll. This compares to \$285.4 million for the year ending June 30, 2007. Member contributions also include direct payments by members to re-establish credit for previously withdrawn service, payments required to qualify for the Education Employees Service Incentive Plan ("EESIP"), and the purchase of credit for Oklahoma, out-of-state and military service. Salaries for active members totaled \$3.751 billion for the year ending June 30th.

Contributions from local employers, the state of Oklahoma, and federal sources for fiscal year 2008 totaled \$596.8 million, compared to \$535.9 million for 2007. Contributions from local school districts and federal revenues increased \$37.7 million and the state's contribution increased \$23.2 million. Local schools contributed 7.85% of employees' pay through December 31, 2007, and beginning January 1, 2008, K-12, career technology centers and two-year colleges contributed 8.35% of employees' pay (four-year universities do not participate in EESIP, and therefore contributed 7.55% of employees' pay during the second half of the year ending June 30. TRS received 5.00% (an increase from 4.50% in fiscal year 2007) of state sales, use and income taxes collections during FY-2008. Combined state and local employer contributions met the 30-year, level percent amortization payment reported in the annual actuarial valuation as the Annual Required Contribution (ARC) under GASB-25. For the first time since the mid-80s total employer contribution was 101% of the ARC.

TRS members also made \$8.9 million in voluntary contributions to the TRS 403b Tax Sheltered Annuity Plan. This was an increase of \$39,000 over contributions for fiscal year 2007. Account balances in this plan are invested using the same asset allocation and portfolio managers employed in the investments of the regular retirement fund.

ACTUARIAL SUMMARY

The results of the actuarial valuation conducted by the System's actuary as of June 30, 2008, are included in the Actuarial Section. The System's relative funded position decreased from 52.6% on June 30, 2007, to 50.5% on June 30, 2008. The System's unfunded actuarial accrued liabilities (UAAL) increased \$1.487 billion, from \$7.603 billion to \$9.090 billion. The decrease in the funded ratio is primarily due to an increase in the assumed rate of future ad hoc cost of living adjustments from 1% to 2% per year.

At the same time, the funding period required to amortize the System's UAAL increased from 21.6 years as of June 30, 2007 to 54.4 years on June 30, 2008. The increase in the funding period is mainly due to increased in the assumed rate of future ad hoc colas. The passage of Senate Bill 357, which is scheduled to increase local employer contribution rates 1.5% over a three-year period. Increases will occur in annual increments of one-half of one percent on January 1, 2008, January 1, 2009, and January 1, 2010. The contribution increases will add an estimated \$200 million in new money during the next five years and eventually result in an annual contribution increase of \$60 million. It is imperative the Governor and Legislature keep the 2007 commitment to TRS. The increase in contribution rates will not be implemented unless appropriations to schools are increased to cover the cost of the increases in contribution rates.

The System's actuarial liabilities are calculated and reported based on existing statutes and Board adopted assumptions including an investment return rate of 8.0%, a salary increase rate that averaging 4.7% per year, a payroll growth rate of 3.5%, a growth in state revenue of 3.5% and a 2% annual increase in retiree benefits. An addendum to the annual actuarial report required by 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 7.5% investment return and a 2.0% annual cost-of-living assumption.

The actuarial value of assets is reported at \$9.257 billion, compared to \$8.422 billion at the close of business June 30, 2007. 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 \$312.2 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 8.0% 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, 2008, was \$623 million more 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 increased from 38.6% to 50.5%, due primarily to return on investments exceeding the 8.0% assumed actuarial rate of return in 14 of the last 19 years.

While state contributions have exceeded annual projections for the last five years, current combined local school/state contributions have not been sufficient to cover normal cost and pay interest on the unfunded accrued actuarial liabilities. However, with passage of Senate Bill 357, the total employer contributions are expected to match or exceed the annual actuarial required contribution and unfunded liabilities should start to decrease in fiscal year 2044 until it reaches zero in fiscal year 2063.

The market value of assets as of June 30, 2008, was \$8.634 billion, excluding the \$312.2 million in the System's 403(b) Tax-Sheltered Annuity Program. Tax-sheltered annuity accounts are held in trust for members who have elected the TRS TSA Program as a means to provide additional income after retirement. The System's funded ratio on June 30, 2008 would have been 47.1%, if measured solely on market value of assets.

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, 2008, the System paid \$39.3 million more in retirement, survivor and insurance benefits than in the preceding year, \$1.4 million more in refunds to active member who terminated accounts, and \$5.1 million more in distributions from the System's 403(b) Tax-Sheltered Annuity Plan. The increase in retirement and insurance benefits is attributed to a net increase in the number of retired members. The increase in refunds, deaths benefits and annuity distributions is due to an increase in the number of members making withdrawals from both the defined benefit plan and the 403b tax-sheltered annuity defined contribution plan. Administrative expenses increased by \$241,959, due primarily to an increase in personnel costs and contractual expenses.

INVESTMENTS

As previously stated, the System's return on investments was a negative 7.2% gross of management fees and negative 7.5% net of fees. Net investment income, including realized and unrealized gains and losses, was a negative \$732.9 million, compared to a positive \$1,469.6 million for FY 2007. Net assets totaled \$8.946 billion at market value on June 30, 2008, compared to \$9.651 billion on June 30, 2007. These numbers include the \$312.2 million on June 30, 2008, and \$357.8 million on June 30, 2007, held in trust for members who participate in the System's 403(b) Tax Sheltered Annuity Program.

On June 30, 2008, the System's investment portfolio mix at market value was 31.2% fixed income, 66.5% equities and 2.3% cash and short-term investments. As fiduciaries for the retirement funds, the Board of Trustees is responsible for investment of the funds under the prudent person standard. This standard allows 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, 2008, was a negative 7.2% versus an 18.5% return for 2007. Annualized three-year and five-year total returns were 6.5% and 9.97%, respectively. The System's long-term goal to exceed by 3.0% 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 2008 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, 2008, can be found at the

end of the Investment Section.

INDEPENDENT AUDIT

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Oklahoma for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. 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 fifteenth year the System's *Annual Report* has received this distinction.

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

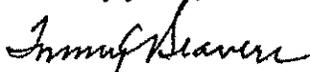
The Certificate of Achievement is valid for one year. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

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

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

Sincerely yours,



Tommy C. Beavers
Executive Secretary
November 14, 2008



BRAD HENRY
GOVERNOR

STATE OF OKLAHOMA
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

November 14, 2008

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

Welcome to the Annual Report of the Teachers' Retirement System of Oklahoma for the fiscal year ending June 30, 2008. As your Board of Trustees, we are committed to providing you with information about your benefits and retirement. We also want to keep you apprised of significant changes that have occurred during the year. This report is one way we do that.

The goal of the Board and the Teachers' Retirement staff is to provide you a well-funded System. The Board manages 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.

Investment returns for the past decade have averaged 7.04%, and while returns for FY-2008 were -7.2%, this must be weighed as part of the total picture. Investment returns during the past 10 years have consistently ranked in the top quartile, compared to other public pension plans in the United States. On June 30, the market value of assets was approximately \$8.9 billion.

Although the Teachers' Retirement System of Oklahoma continues to be one of the country's worst-funded state-run public employee retirement systems, progress has been made over the past 10 years to improve the System's ratio of assets to actuarial liabilities. We appreciate the support of the Governor and the Legislature and continue to work with state leaders and our friends in the education community to focus attention on the funding issues.

During FY-2008, the Legislature continued the work it began in 2007 with the passage of Senate Bill 357. The measure was designed to increase the System's funded level to 80% in 20 years. For this to happen, the Legislature must appropriate new funds to cover costs to school districts.

The Board of Trustees pledges to continue administering the Retirement System in the most competent and efficient manner possible. The trustees and staff welcome your comments and suggestions throughout the year.

Sincerely,

A handwritten signature in cursive script that reads "Cathy A. Conway".

Cathy A. Conway
Chairman, Board of Trustees
Teachers' Retirement System of Oklahoma

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

Street Address:
2500 North Lincoln Boulevard, 5th Floor
Oklahoma City, Oklahoma 73105

Mailing Address:
Post Office Box 53524
Oklahoma City, Oklahoma 73152-3524
(405) 521-2387

BOARD OF TRUSTEES

Ms. Cathy A. Conway, *Chairman, Durant*
Southeastern Oklahoma State University - Appointed by Governor

Mr. James E. Smith, *Vice-Chairman, Shawnee*
Edward Jones Investments - Appointed by Governor

Mr. Dick Neptune, *Secretary, Lawton*
Retired - Appointed by Governor

Ms. Sherrie L. Barnes, *Trustee, Sand Springs*
Union Public Schools - Appointed by Governor

Mr. Bruce DeMuth, *Trustee, Stillwater*
OK Department of Career Tech - Designee of Director, OK Career Tech

Ms. Sandy Garrett, *Trustee, Ex-Officio*
State Superintendent of Public Instruction

Mr. Richard Gorman, *Trustee, McAlester*
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Mr. Darryl Hatcher, *Trustee, Ada*
Byng Public Schools - Appointed by Speaker of the House

Dr. John G. Kirkpatrick, *Trustee, Stillwater*
Retired - Appointed by Speaker of the House

Ms. Matti Palluconi *Trustee, Claremore*
Retired - Appointed by President Pro Tem of the Senate

Mr. Galeard W. Roper, *Trustee, Elk City*
Elk City Public Schools - Appointed by Governor

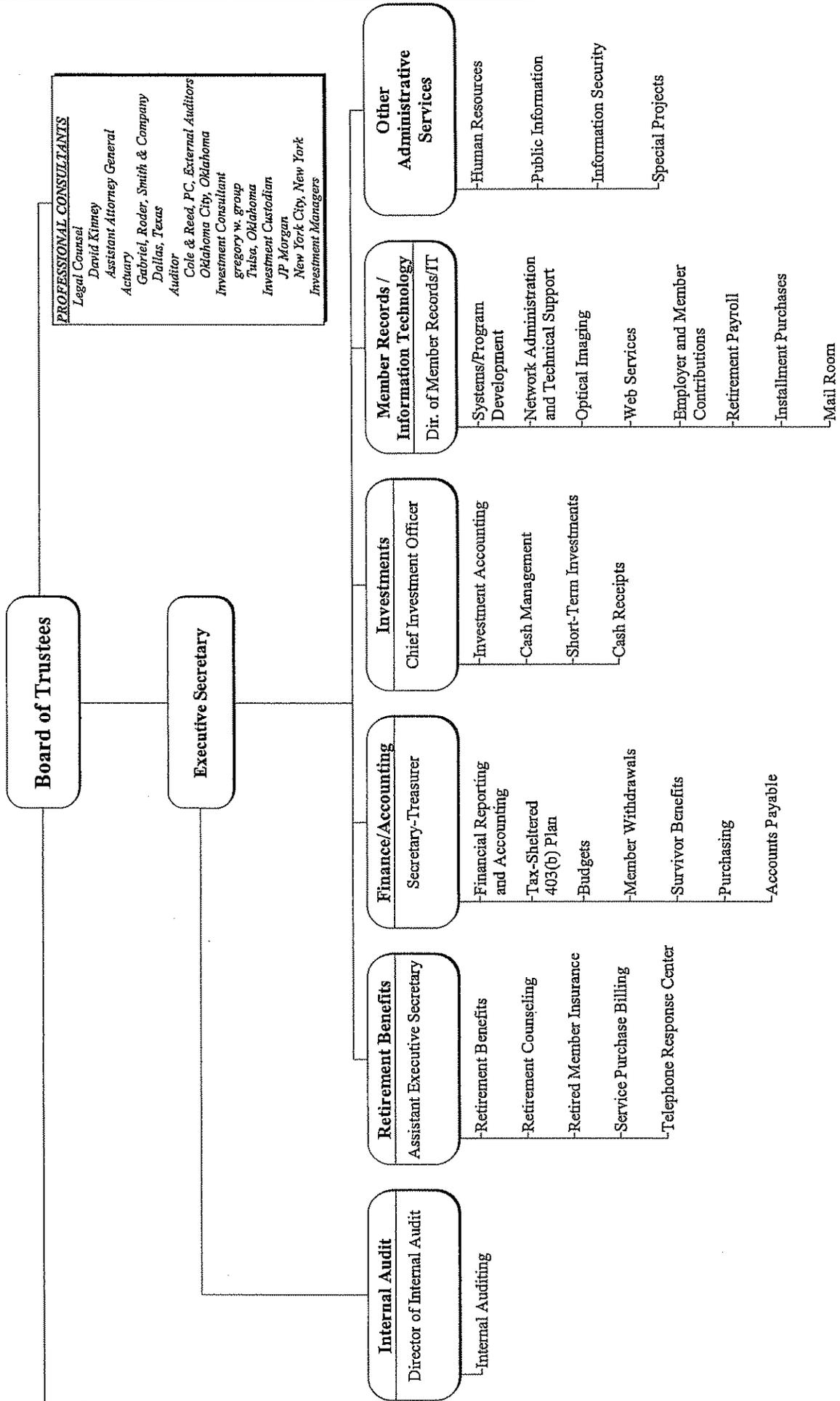
Mr. Michael L. Simpson, *Trustee, Ponca City*
Ponca City Public Schools - Appointed by President Pro Tem of the Senate

Vacant Position, *Trustee, Ex-Officio*
Director, Office of State Finance

Executive Secretary
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
Tommy C. Beavers

Chief Investment Officer
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
C. W. "Bill" Puckett

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA Organization





TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA 2007-2008 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.

CONTRIBUTIONS

As a TRS member, your contribution rate is 7% of your total compensation (salary and fringe benefits).

Statutes also require employers to contribute a percentage of applicable employee earnings. Through December 31, 2007, the employer contribution rate for K-12 school districts, career-techs, and junior colleges is 7.85%, and from January 1, 2008, through June 30, 2008, the employer contribution rate for these schools is 8.35%. The employer contribution rate for comprehensive universities (University of Oklahoma and Oklahoma State University and their entities) and the state's four-year regional universities is 7.05% through December 31, 2007, and 7.55% from January 1, 2008, through December 31, 2008.

MEMBERSHIP

Oklahoma statutes require classified personnel to be TRS members. The definition of classified personnel in 70 O.S., § 17-101 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. Membership is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

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

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

SERVICE CREDIT

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

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

RETIREMENT ANNUITY

Each of TRS's five retirement plans provides a lifetime benefit to the member. After the member's death, the designated beneficiary(ies) receive either a lump-sum payment or continued

payments to one beneficiary, depending upon the elected plan's provisions.

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

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

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

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

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

All years of service prior to July 1, 1995, will be calculated using an average salary no greater than \$40,000. Certain employees at OU, OUHSC, and OSU who were employed before July 1, 1995, may have retirement benefits adjusted for years when their contributions were on less than total compensation.

For members other than those working for the comprehensive universities and their entities, benefits for service from July 1, 1995, until the member's retirement date will be calculated on an average of the actual total compensation of the highest three years (Rule of 80) or highest five consecutive years (Rule of 90).

For employees of comprehensive universities and their entities, benefits for service from July 1, 1995, through June 30, 2007, will be calculated on compensation up to yearly statutory limits. For service from July 1, 2007, until the retirement date, benefits for these employees will be calculated on an average of the actual total compensation.

EDUCATION EMPLOYEES SERVICE INCENTIVE PLAN (EESIP)

The Education Employees Service Incentive Plan, also known as EESIP or the Wear-Away plan, lets K-12, career-tech and two-year college employees who work beyond their retirement eligibility date move two years of service worked before July 1, 1995, to the higher calculation level for each year worked after reaching normal retirement age.

DISABILITY BENEFITS

You may qualify for disability retirement benefits if a medical condition keeps you from performing your regular duties as a public school employee. You may be considered for a TRS disability retirement benefit if you have at least 10 years of contributory TRS service, 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.

(Continued on Reverse)

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

HEALTH INSURANCE BENEFIT

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

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

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

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

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

SURVIVOR BENEFITS

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

If you are an active in-service member when you die, your beneficiary(ies) will receive an \$18,000 death benefit, plus the contributions in your account and interest on those contributions. "Active in-service" is defined in the TRS rules, but generally means a member currently employed by an Oklahoma public education institution. When you die, if you are an active in-service member with 10 or more years of service, have reached age 55 or met the Rule of 80 or Rule of 90 and you have one designated primary beneficiary, he or she may choose a monthly benefit instead of the lump sum payment.

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

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

WITHDRAWING YOUR CONTRIBUTIONS

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

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

Redepositing your withdrawn contributions reinstates your initial membership date. If you do not redeposit your withdrawn

contributions, your official membership date will be the date you rejoined TRS.

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

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

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

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

TAX-SHELTERED ANNUITY PLAN

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

RIGHTS AND RESPONSIBILITIES

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

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

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MAILING ADDRESS	STREET ADDRESS
P.O. Box 53524	Oliver Hodge Building
Oklahoma City, OK 73152-3524	5th Floor
405-521-2387 (OKC Area)	2500 N. Lincoln Blvd.
1-877-738-6365 (Toll-Free)	Oklahoma City, OK 73105

<http://www.ok.gov/TRS/>

This Plan Summary provides general information summarizing the basic benefits available to TRS members. If conflict arises between information contained in this summary and state statutes or official TRS rules, the law and/or rule takes precedence. 20,000 copies of this Plan Summary have been printed by the Office of Public Affairs, Central Printing Division, at a cost of \$1,275. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

Revised 8/2007

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, 2007

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.



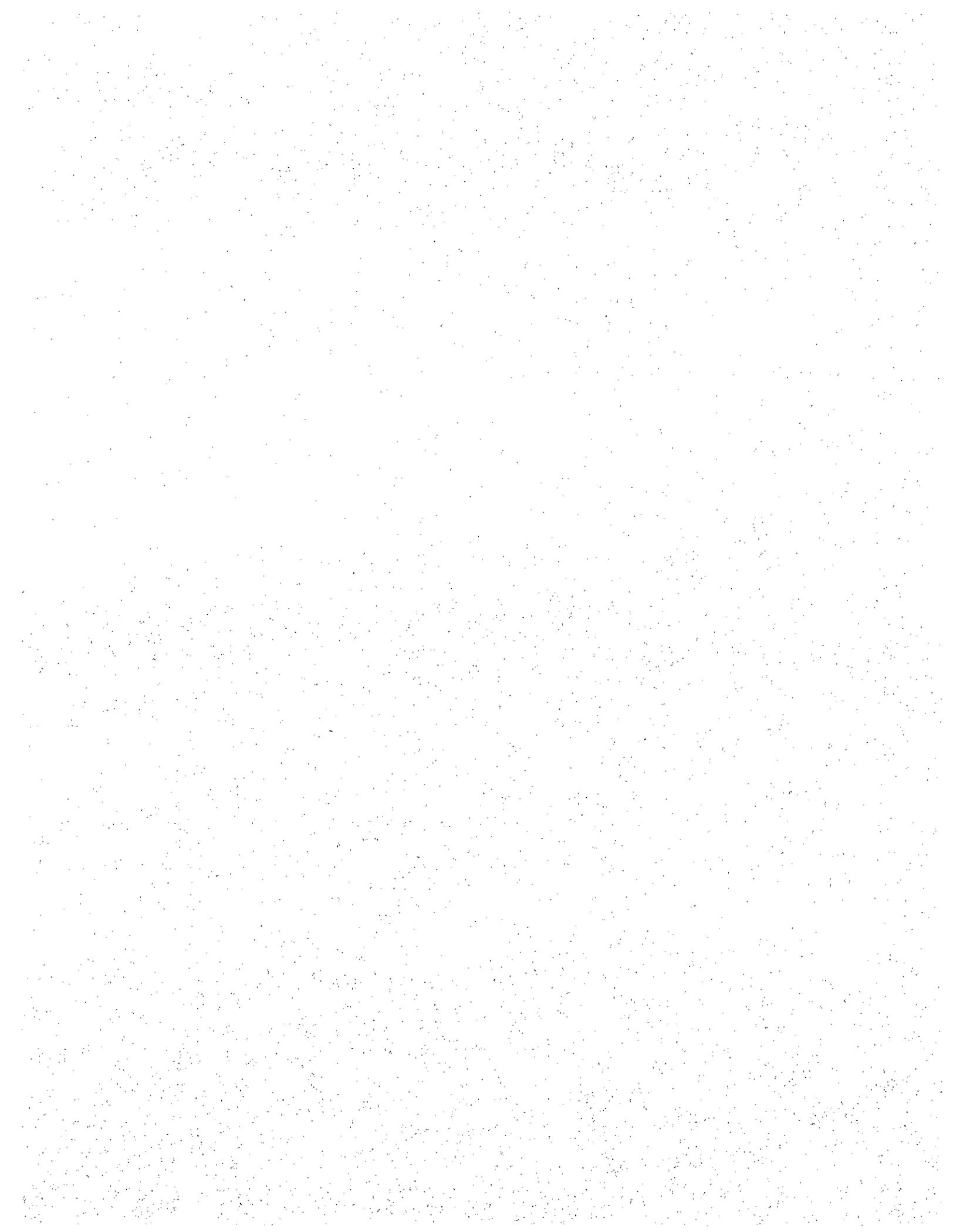
A handwritten signature in cursive script, reading "Oliver S. Cox".

President

A handwritten signature in cursive script, reading "Jeffrey R. Emerz".

Executive Director

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



Independent Auditors' Report

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, 2008 and 2007, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note B, the System's actuary has determined that the System's unfunded actuarial accrued liability (the "UAAL") is approximately \$9,090,000,000. The funding of the actuarial accrued liabilities is predicated on a funding schedule mandated by Oklahoma Statutes. Under the present funding schedule, the UAAL will be fully amortized in 54.4 years.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the System at June 30, 2008 and 2007, 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 October 24, 2008, on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and the schedules of funding progress and employers' contributions 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introductory Section, the Investment Section, the Actuarial Section, the Statistical Section and schedules 2 through 4 within the Financial 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 has been subjected to the auditing procedures applied in the audits 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 Introductory Section, the Investment Section, the Actuarial Section and the Statistical Section have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 24, 2008

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
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, 2008, 2007, and 2006.

Financial Highlights

- The net assets of TRS exceeded its current liabilities by approximately \$8.946 billion and \$9.651 billion at June 30, 2008 and 2007, respectively. Such amounts are used to meet the System's current and ongoing obligations to its retired and active members and creditors.
- The System's total net assets decreased by approximately \$705 million during the year ended June 30, 2008 and increased \$1.476 billion during the year ended June 30, 2007. The loss in 2008 was due to the credit and liquidity crisis in the United States and global financial markets. The gains in 2007 were due to strong equity market returns. These conditions resulted in net realized and unrealized loss on investments of approximately \$959 million and a realized and unrealized gain on investments of \$1.269 billion in fiscal years 2008 and 2007, respectively.
- At June 30, 2008, TRS's unfunded actuarial accrued liability was approximately \$9.090 billion. The unfunded actuarial accrued liability at June 30, 2007 was approximately \$7.603 billion. The System's funded ratio decreased from 52.6% to 50.5%. The increase in the unfunded accrued actuarial liability and decrease in funded percentage were principally due to an increase in the assumed rate of future cost of living adjustments from 1% to 2% per year. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded actuarial accrued liability is expected to decrease starting in fiscal year 2044 until it reaches zero in fiscal year 2063.

Overview of the Financial Statements

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

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview to the Financial Statements, Continued

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 supplementary 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 supplementary 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.

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 System, 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 Note B of the *notes to the financial statements* and 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.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 portions of the System's assets are in cash and investments, which comprise \$9.118 billion and \$9.857 billion of the plan assets at June 30, 2008 and 2007, 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 as of June 30, 2008, 2007, and 2006 is shown below:

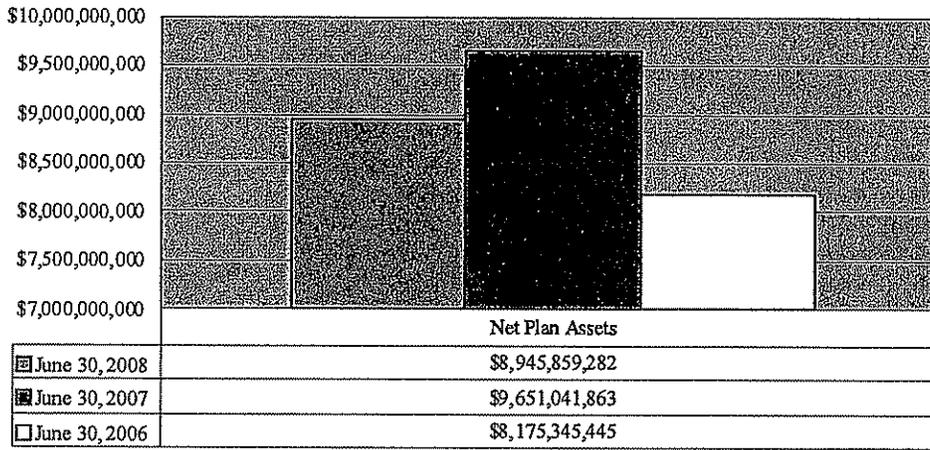
Assets	2008	2007	2006
Cash	\$ 2,124,625	\$ 4,771,218	\$ 3,812,625
Short-term investments	441,182,511	480,385,331	462,979,732
Accrued interest and dividends receivable	33,221,531	28,251,274	26,839,937
Contributions receivable	54,776,735	45,465,506	38,858,770
Receivable from the State of Oklahoma	28,969,735	25,074,415	21,461,402
Due from brokers for securities sold	332,965,959	314,072,578	425,478,770
Securities lending institutional daily assets fund	1,603,992,581	1,760,729,777	-
Long term investments	8,674,517,000	9,372,167,136	7,816,917,553
Capital assets, net	247,186	262,461	292,930
Total Assets	<u>11,171,997,863</u>	<u>12,031,179,696</u>	<u>8,796,641,719</u>
Liabilities			
Benefits in process of payment	67,389,081	16,768,162	16,853,939
Due to brokers for securities purchased	546,550,875	593,318,540	596,121,391
Payable under securities lending agreement	1,603,992,581	1,760,729,777	-
Other liabilities	8,206,044	9,321,354	8,320,944
Total liabilities	<u>2,226,138,581</u>	<u>2,380,137,833</u>	<u>621,296,274</u>
Net Assets			
Net assets held in trust for pension benefits and annuity benefits of electing members	<u>\$ 8,945,859,282</u>	<u>\$ 9,651,041,863</u>	<u>\$ 8,175,345,445</u>

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis, Continued

The graph below illustrates the \$705 million loss and \$1.476 billion gain in net assets for the years ended June 30, 2008 and 2007, respectively. As previously mentioned, the decrease in net assets for 2008 was due to the credit and liquidity crisis affecting the United States and global financial markets and the increase in net assets for 2007 was primarily due to the strong equity markets.

PLAN NET ASSETS AS OF JUNE 30, 2008, 2007, AND 2006



Changes in Selected Revenue and Expense Items

Fiscal Year 2008 compared to 2007

The revenues received from member contributions increased by \$1.3 million or .47% in fiscal year 2008 from the prior fiscal year period due to an increase in both the covered payroll and the number of members purchasing service due to the enactment of HB 1179. This bill created the Education Employees Service Incentive Plan ("EESIP"), which provides for an enhanced benefit at retirement for qualified members. In many cases additional contributions must be made by the member to qualify for EESIP. Employer statutory contributions increased by \$37.8 million or 13.94% during the current year, again, attributed to an increase in the amount of covered payroll and an increase in the employer contribution rate on July 1, 2007 from 7.60% to 7.85% then on January 01, 2008 to 8.35% for K-12 schools, Career Tech, 2-year colleges and state agencies with TRS members. Employer contribution rates increased for comprehensive and regional four-year colleges and universities from 7.05% to 7.55% on January 01, 2008. Dedicated revenue increased by \$23.3 million or 9.55% for the year as a result of an increase in the percentage of revenue received by TRS from 4.50% to 5.00% during fiscal year 2008. Net realized and unrealized gains decreased by \$2.2 billion or 175.57% due to the credit and liquidity crisis in the U.S. financial markets. Retirement, death, survivor, and health benefit payments increased by \$39.3 million or 5.13%.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Selected Revenue and Expense Items, Continued

Fiscal Year 2008 compared to 2007, Continued

This was due to an increase in the number of retirees receiving monthly benefits. Refunds of member contributions and annuity payments increased by \$6.5 million or 11.41% during fiscal year 2008 from 2007. The change was a result of an increase in the number of members making withdrawals from both the defined benefit plan and the tax-shelter annuity 403(b) optional defined contribution plan. Administrative expenses increased by \$242 thousand due primarily to an increase in employee health insurance costs. A summary of *changes in plan net assets* is presented on page 28. The graphs on page 29 offer a comparison of selected revenue and expense accounts for fiscal years 2008 and 2007.

Fiscal Year 2007 compared to 2006

The revenues received from member contributions increased by \$36.45 million or 14.64% in fiscal year 2007 from the prior fiscal year period due to an increase in both the covered payroll and the number of members purchasing service due to the enactment of HB 1179. This bill created the Education Employees Service Incentive Plan ("EESIP"), which provides for an enhanced benefit at retirement for qualified members. In many cases additional contributions must be made by the member to qualify for EESIP. Employer statutory contributions increased by \$29.84 million or 12.37% during the current year, again, attributed to an increase in the amount of covered payroll and an increase in the employer contribution rate on January 1, 2007 from 7.05% to 7.60% for K-12 schools, Career Tech, 2-year colleges and state agencies with TRS members. Employer contribution rates did not increase for comprehensive and regional four-year colleges and universities because employees in these institutions do not participate in EESIP. Dedicated revenue increased by \$41.30 million or 20.43% for the year as a result of a higher state revenue base due to improved economic conditions and an increase in the percentage of revenue received by TRS from 4.00% to 4.50% during fiscal year 2007. Net realized and unrealized gains increased by \$743.75 million or 141.59% due to strong returns in the equity market. Retirement, death, survivor, and health benefit payments increased by \$39.83 million or 5.48%. This was due to an increase in the number of retirees receiving monthly benefits and a cost of living adjustment (COLA) of 2% received by TRS members that retired before July 1, 2005. Refunds of member contributions and annuity payments increased by \$4.48 million or 8.46%. The change was a result of an increase in the number of members making withdrawals from both the defined benefit plan and the tax-shelter annuity 403(b) optional defined contribution plan. Administrative expenses increased by \$124 thousand due primarily to an increase in employee health insurance costs. A summary of *changes in plan net assets* is presented on page 28. The graphs on page 29 offer a comparison of selected revenue and expense accounts for fiscal years 2007 and 2006.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

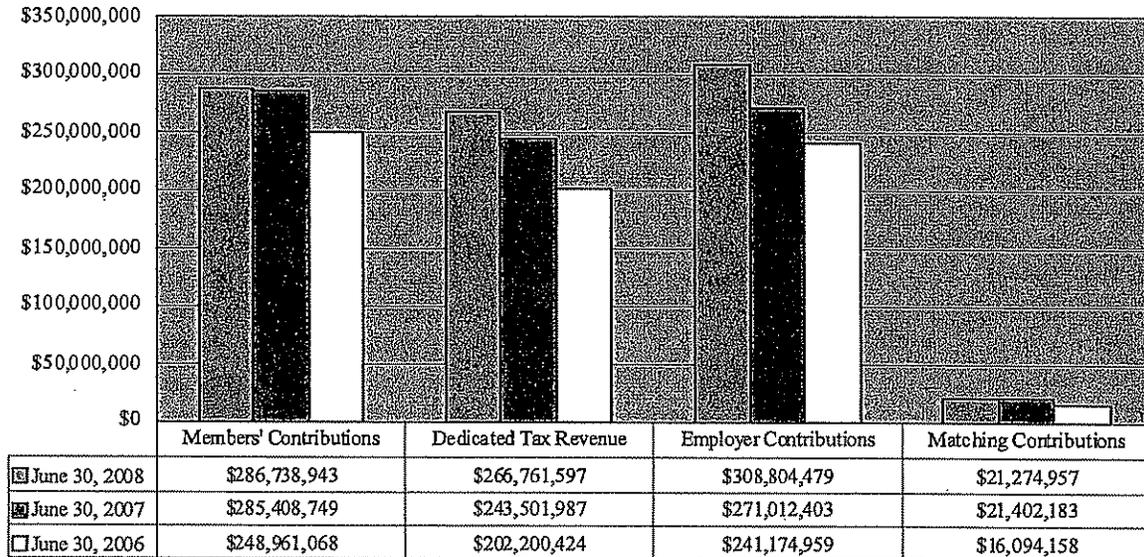
Changes in Selected Revenue and Expense Items, Continued

Additions:	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contributions:			
Members	\$ 286,738,943	\$ 285,408,749	\$ 248,961,068
Members tax shelter	8,922,095	8,883,033	7,625,919
Employer statutory requirement from local school districts	308,804,479	271,012,403	241,174,959
Federal matching	21,274,957	21,402,183	16,094,158
Dedicated tax revenue	<u>266,761,597</u>	<u>243,501,987</u>	<u>202,200,424</u>
Total contributions	<u>892,502,071</u>	<u>830,208,355</u>	<u>716,056,528</u>
Investment income:			
Interest	150,371,986	144,415,428	110,007,891
Dividends	108,697,447	86,986,795	89,658,423
Net realized and unrealized gains (losses)	(959,036,578)	1,269,034,290	525,282,130
Less investment expenses	<u>(32,992,027)</u>	<u>(30,790,763)</u>	<u>(25,899,914)</u>
Gain (loss) from investing activities	<u>(732,959,172)</u>	<u>1,469,645,750</u>	<u>699,048,530</u>
Income from securities lending activities:			
Securities lending income	72,730,061	78,826,796	72,481,517
Borrower rebates	(60,193,255)	(72,992,770)	(67,701,810)
Management fees	<u>(2,004,851)</u>	<u>(850,920)</u>	<u>(796,904)</u>
Income from securities lending activities	<u>10,531,955</u>	<u>4,983,106</u>	<u>3,982,803</u>
Net investment gain (loss)	<u>(722,427,217)</u>	<u>1,474,628,856</u>	<u>703,031,333</u>
Total additions	<u>170,074,854</u>	<u>2,304,837,211</u>	<u>1,419,087,861</u>
Deductions:			
Retirement, death, survivor, and health benefits	806,540,725	767,212,709	727,379,279
Refund of member contributions and annuity payments	63,925,592	57,378,925	52,902,064
Administrative expenses	<u>4,791,118</u>	<u>4,549,159</u>	<u>4,425,007</u>
Total deductions	<u>875,257,435</u>	<u>829,140,793</u>	<u>784,706,350</u>
Net increase (decrease)	(705,182,581)	1,475,696,418	634,381,511
Net assets:			
Beginning of year	<u>9,651,041,863</u>	<u>8,175,345,445</u>	<u>7,540,963,934</u>
End of year	<u>\$ 8,945,859,282</u>	<u>\$ 9,651,041,863</u>	<u>\$ 8,175,345,445</u>

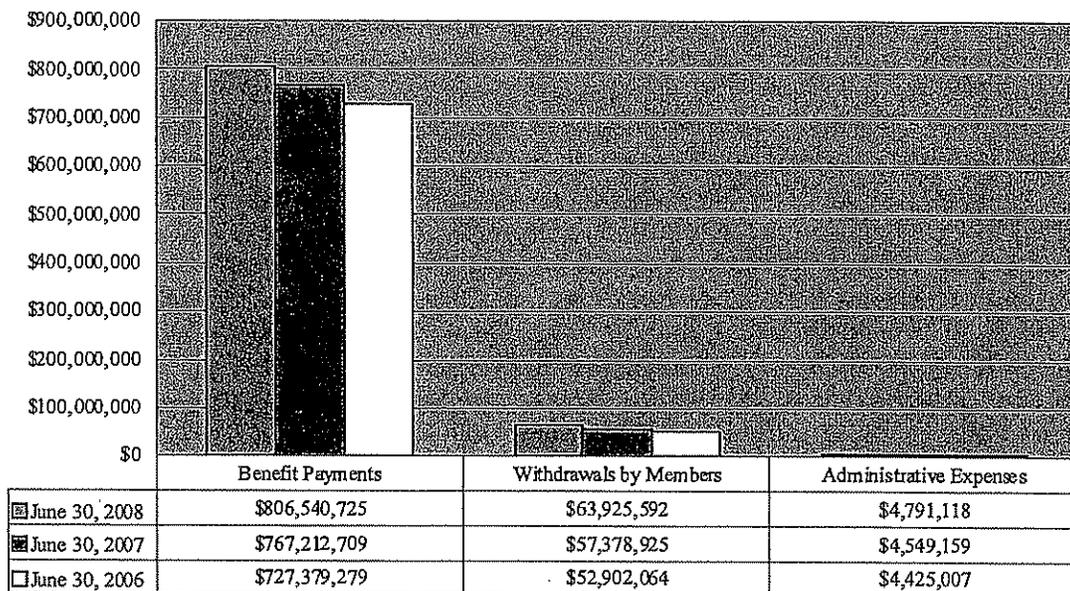
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Selected Revenue and Expense Items, Continued

REVENUES FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2007, AND 2006



DEDUCTIONS FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2007, AND 2006



TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A 7.2% negative return was realized for the fiscal year ended June 30, 2008.

Statutes were amended in 1999 to provide that the System would receive 3.54% of the state sales, use, and corporate and individual income tax collections. This dedicated revenue source along with a percentage of the Education Lottery Trust Fund and the tax on tobacco products provided in House Bill 1020 contributed a total of \$267 million in fiscal year 2008 and \$243 million in fiscal year 2007. 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. The change to a broader tax base is intended to provide TRS with a more stable revenue source. Senate Bill 1376, which became law July 1, 2002, provides that the percentage of state revenue would 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 reaches 5%, it will approximate 7% of active members' pay, which is the contribution level required by active members.

Senate Bill 357 signed by Governor Henry on May 7, 2007, has been hailed as a step in the right direction and means millions of new dollars for TRS, provided the state pays for increasing costs to the System's reporting entities. Senate Bill 357 increases the contributions employers pay TRS, if the state boosts funding to pay for the hikes. The new law is designed to pump more than \$200 million into TRS over the next five years and when fully implemented, will infuse \$60 million a year into the System. Changes implemented by SB 357 are expected to increase TRS funding to 80% by 2026. Employer contributions from K-12 schools, Career Tech, two-year colleges and state agencies with TRS members increased to 7.85% on July 1, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008; 9% on January 1, 2009; 9.5% on January 1, 2010; and thereafter. For comprehensive regional four-year colleges and universities, employer contributions were 7.05% through December 31, 2007, and then increased to 7.55% on January 1, 2008. On January 1, 2009 the rate will be 8.05% and 8.55% beginning January 1, 2010. Employer contribution rates for comprehensive and regional four-year colleges and universities are lower than those for other TRS reporting entities because their employees do not participate in the Education Employees Service Incentive Plan, also known as EESIP or the Wear-Away Plan, enacted in the fiscal year ending June 30, 2006. Senate Bill 357 also requires the State Board of Equalization to determine an initial baseline amount of revenue TRS receives from the state's general revenue fund and prohibits reducing that amount below the established baseline. This ensures that funding to TRS won't change because of economic downturns or decreases in tax revenues.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Discussion of TRS Benefit Formula

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 provides retirement income based on a formula that is fixed or defined. The amount of the member's pension is fixed before retirement. Usually, the formula is calculated as a percent of a worker's average salary prior to retirement. The TRS benefit formula includes a 2% multiplier and generally provides a benefit of 2% times the member's final average salary times years of service. 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 certain members employed by comprehensive universities.

Education Employees Service Incentive Plan ("EESIP")

The retirement formula that is applied to members whose membership date in TRS is prior to July 1, 1995, was modified with passage of House Bill 1179 during the Special Session of the 2006 Legislature. This measure has also been referred to as the "Wear Away Plan". The purpose of this bill is to increase benefits for members who work beyond "Normal Retirement Age" and have an average salary greater than \$40,000 at the time of retirement. A legislative task force study in 2004 revealed that the TRS benefit formula for pre-1995 members was different and lower than other governmental employees in Oklahoma pension plans and lower than benefits provided to employees in surrounding states.

Under the EESIP statute, TRS members who joined TRS prior to July 1, 1995, and who work one or more years beyond normal retirement age, will qualify for an enhanced benefit at retirement. "Normal retirement age" is when a TRS member reaches age 62, or when age plus total service equal 80 (90 if the member first joined TRS after June 30, 1992). EESIP includes employees in K-12, career technology, state education agencies and two-year colleges. It does not apply to employees of the state's four-year public colleges and universities. Members, who earned more than \$40,000 between 1987 and 1995, will be required to make an extra contribution payment in order to qualify for an enhanced benefit formula.

For members who retired between July 1, 2006, and June 30, 2007, the maximum average salary that could be used for service moved to a higher salary level was \$60,000. For members who retire between July 1, 2007, and June 30, 2008, the maximum average salary increases to \$80,000, for moved service. For members who retire on or after July 1, 2008, the member's final average salary, regardless of amount, can be used to calculate the benefit for moved service that was performed before July 1, 1995.

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

EESIP Increases Employer Contribution Rates

Employers contributed 7.85% of covered member salaries from July 01, 2007 to December 31, 2007 and 8.35% from January 01, 2008 to June 30, 2008 in fiscal year 2008. Rates for employers covered by EESIP contributions increased from 7.05% to 7.6% beginning January 1, 2007, to 7.85% beginning July 1, 2007. Additional employer contribution increases are as follows; 8.35% January 1, 2008; 8.5% July 1, 2008; 9.0% January 1, 2009 and 9.5% January 1, 2010 and beyond. Increases in average salary limits and employer contribution rates scheduled are contingent upon increases in state appropriations to schools to cover EESIP costs.

Requests for Information

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

STATEMENTS OF PLAN NET ASSETS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	June 30	
	2008	2007
ASSETS		
Cash	\$ 2,124,625	\$ 4,771,218
Short-term investments	441,182,511	480,385,331
Accrued interest and dividends receivable	33,221,531	28,251,274
Member contributions receivable	24,090,118	20,546,577
Employer contributions receivable	30,686,617	24,918,929
Receivable from the State of Oklahoma	28,969,735	25,074,415
Due from brokers for securities sold	332,965,959	314,072,578
Security lending institutional daily assets fund	1,603,992,581	1,760,729,777
Long-term investments:		
U.S. government securities	1,707,962,910	1,740,096,979
U.S. corporate bonds	952,772,559	835,990,203
International corporate bonds and government securities	159,133,690	103,107,148
Equity securities	5,854,647,841	6,692,972,806
Total long-term investments	8,674,517,000	9,372,167,136
Capital assets, net	247,186	262,461
Total assets	<u>11,171,997,863</u>	<u>12,031,179,696</u>
LIABILITIES		
Benefits in process of payment	67,389,081	16,768,162
Due to brokers for securities purchased	546,550,875	593,318,540
Payable under security lending agreement	1,603,992,581	1,760,729,777
Other liabilities	8,206,044	9,321,354
Total liabilities	<u>2,226,138,581</u>	<u>2,380,137,833</u>
NET ASSETS		
Net assets held in trust for pension benefits and annuity benefits (see Note B) of electing members (a schedule of funding progress is presented on page 57)	<u>\$ 8,945,859,282</u>	<u>\$ 9,651,041,863</u>

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS
TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2008	2007
Additions:		
Members	\$ 286,738,943	\$ 285,408,749
Members tax shelter	8,922,095	8,883,033
Employer statutory requirement from local school districts	308,804,479	271,012,403
Matching funds	21,274,957	21,402,183
Dedicated tax	266,761,597	243,501,987
Total contributions	<u>892,502,071</u>	<u>830,208,355</u>
Investment income:		
Interest	150,371,986	144,415,428
Dividends	108,697,447	86,986,795
Net realized and unrealized (loss) gain	(959,036,578)	1,269,034,290
Investment expenses	<u>(32,992,027)</u>	<u>(30,790,763)</u>
(Loss) Gain from investing activities	<u>(732,959,172)</u>	<u>1,469,645,750</u>
Income from securities lending activities:		
Securities lending income	72,730,061	78,826,796
Securities lending expenses:		
Borrower rebates	(60,193,255)	(72,992,770)
Management fees	<u>(2,004,851)</u>	<u>(850,920)</u>
Income from securities lending activities	<u>10,531,955</u>	<u>4,983,106</u>
Net investment (loss) gain	<u>(722,427,217)</u>	<u>1,474,628,856</u>
Total additions	170,074,854	2,304,837,211
Deductions:		
Retirement, death, survivor, and health benefits	806,540,725	767,212,709
Refund of member contributions and annuity payments	63,925,592	57,378,925
Administrative expenses	<u>4,791,118</u>	<u>4,549,159</u>
Total deductions	<u>875,257,435</u>	<u>829,140,793</u>
Net (decrease) increase	(705,182,581)	1,475,696,418
Net assets, beginning of year	<u>9,651,041,863</u>	<u>8,175,345,445</u>
Net assets, end of year	<u>\$ 8,945,859,282</u>	<u>\$ 9,651,041,863</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE A--DESCRIPTION OF THE SYSTEM

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

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

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

	<u>2008</u>	<u>2007</u>
Retirees and beneficiaries currently receiving benefits	45,238	43,506
Terminated vested members	6,915	6,637
Active members	<u>88,678</u>	<u>88,133</u>
	<u>140,831</u>	<u>138,276</u>

There are 629 contributing employers in the System. In addition, there were 6,908 and 6,613 of nonvested inactive members at June 30, 2008 and 2007, respectively, which are entitled to a refund of their accumulated contributions.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE B--FUNDING STATUS

The System's actuary conducts an annual valuation to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the System, and to analyze changes in the System's condition. This valuation shows the funded position of the System decreased from the funding level at June 30, 2007. Based on current statutes for determining the state, federal, and employer contribution rates, the funded period which is the number of years that would be required to amortize the unfunded actuarial accrued liability (the "UAAL") is 54.4 years. The period to fully amortize the UAAL as of June 30, 2007 was 21.6 years. The actuarial accrued liability increased \$2,323 million and the actuarial value of assets increased \$834.9 million. As a result, the System's unfunded actuarial accrued liabilities increased \$1,488 million to \$9,090 million at June 30, 2008. The funded ratio -- actuarial value of assets divided by actuarial accrued liability -- decreased from 52.6% to 50.5%. The increase in the UAAL and the decrease in the funded ratio were primarily due to the increase in the assumed rate of future cost of living adjustments from 1% to 2% per year. Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the unfunded actuarial accrued liability is expected to decrease starting in fiscal year 2044 until it reaches zero in fiscal year 2063. A Schedule of Funding Progress is presented on page 57. Actuarial assumptions and methods are discussed in Note M.

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 50.5% at June 30, 2008 and 52.6% at June 30, 2007.

The figures above (the UAAL, the funded ratio, and the funded period) are based on actuarial calculations that make use of the actuarial value of assets, not the fair value. Asset gains and losses (earning greater or less than the 8% investment return assumption) are recognized 20% per year for five years in the actuarial value of assets; the current actuarial value (\$9.257 billion) is \$623 million smaller than the fair value (\$8.634 billion).

The financial condition of the System and its ability to meet future obligations is predicated on a funding schedule set in Oklahoma Statutes, which provides an increasing revenue stream based on a percentage of active members' pay. Under the present funding schedule, the UAAL will be fully amortized in 54.4 years.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

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

The System's international investment managers enter into forward foreign exchange contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward foreign exchange contracts to enhance returns or to control volatility. Currency risks arise due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counter-parties. The System could incur a loss if its counter-parties failed to perform pursuant to the terms of their contractual obligations. At June 30, 2008, the System had sold forward currency contracts with fair values of \$115,405,051 and had bought forward currency contracts with fair values of \$114,543,505. The gains and losses on these contracts are included in the 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.

Presently, the System has investments in interest rate swaps. Swaps afford a very liquid means of adjusting duration and targeting areas of yield curve exposure, with very low transactions costs. The risks of swaps are not only interest rate changes but also counter-party exposure. These risks are not inherently different from the risk of corporate bonds. Both require credit risk evaluations of the issuer or counter-party and the establishment of exposure limits to ensure that the portfolio remains adequately diversified. At June 30, 2008 the System had approximately \$15,000,000 exposure to interest rate swaps.

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

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

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

Compensated Absences: It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave. Employees earn annual vacation leave based upon their start date and years of service. All accrued vacation leave is payable upon termination, resignation, retirement, or death. Sick leave does not vest to the employee and therefore is not recorded as a liability. Amounts due to the employees for compensated absences were approximately \$310,000 and \$306,000 at June 30, 2008 and 2007, respectively.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

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

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

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

Changes in Accounting Principles: The System adopted Government Accounting Standards Board Statement No. 50, *Pension Disclosures* ("GASB 50") which amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers* by requiring disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information which had previously been provided as required supplementary information. The adoption of GASB 50 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

NOTE D--CASH AND INVESTMENTS

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of a counterparty, the System will not be able to recover the value of its bank deposits or investments. Bank deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. In relation to its bank deposits, the System is not considered to be exposed to custodial credit risk. Although the System does not have a formal bank deposit policy for custodial credit risk, the State Treasurer holds all of the System's bank deposits. As required by Oklahoma Statutes, all bank deposits held by the State Treasurer are insured by Federal Deposit Insurance Corporation, collateralized by securities held by the cognizant Federal Reserve Bank, or invested in U.S. government obligations.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE D--CASH AND INVESTMENTS--Continued

At June 30, 2008 and 2007, the carrying amount of the System's bank deposits was approximately \$2,125,000 and \$4,771,000, respectively. The bank balance of the System's bank deposits at June 30, 2008 and 2007 was approximately \$4,928,000 and \$7,071,000, respectively.

Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the System, and are held by a counterparty or the counterparty's trust department but not in the name of the System. While the System's investment policy does not specifically address custodial credit risk it does limit the amount of cash equivalents and short-term investments to no more than 5% of each manager's portfolio. At June 30, 2008 and 2007, the System had uninsured and uncollateralized cash and cash equivalents of approximately \$441,183,000 and \$480,385,000, respectively, with its custodial agent. The System's custodial agent for the year ended June 30, 2008 and 2007 was JP Morgan.

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
		<i>(Amounts in thousands)</i>	
U.S. Agency Securities (1)	Aaa	\$ 855,900	30.35%
U.S. Government Securities (2)	A1	3,316	0.12%
	Aa1	963	0.02%
	Aa2	6,755	0.24%
	Aa3	3,885	0.14%
	Aaa	788,994	27.98%
	Baa3	5,110	0.18%
	Not Rated	<u>43,040</u>	<u>1.53%</u>
Total U.S. Government Securities		<u>\$ 852,063</u>	<u>30.21%</u>
International Government Securities	Aa1	\$ 1,014	0.03%
	Aa2	3,615	0.13%
	Aa3	7,913	0.28%
	Aaa	55,789	1.98%
	B1	988	0.04%
	B2	203	0.01%
	Ba1	4,575	0.16%
	Ba2	450	0.02%
	Ba3	2,350	0.08%
	Baa1	4,342	0.15%
	Not Rated	<u>1,598</u>	<u>0.06%</u>
Total International Government Securities		<u>\$ 82,837</u>	<u>2.94%</u>

(1) Agency Securities are those implicitly guaranteed by the U.S. Government.

(2) U.S. Government Securities are treasury securities and agencies explicitly guaranteed by the U.S. Government.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

Investment Type	Moody's Ratings (Unless Noted)	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
<i>(Amounts in Thousands)</i>			
Domestic Corporate Bonds	A1	\$ 48,114	1.71%
	A2	55,205	1.96%
	A3	27,375	0.97%
	Aa1	14,947	0.53%
	Aa2	29,287	1.04%
	Aa3	56,332	2.00%
	Aaa	321,793	11.41%
	B1	15,354	0.54%
	B2	8,435	0.30%
	B3	22,889	0.81%
	Ba1	14,859	0.53%
	Ba2	11,709	0.42%
	Ba3	11,982	0.42%
	Baa1	38,160	1.35%
	Baa2	65,313	2.32%
	Baa3	65,541	2.32%
	Ca1	98	0.00%
	Caa1	7,741	0.27%
	Caa2	2,027	0.07%
	Caa3	20	0.00%
	Not Rated	<u>135,592</u>	<u>4.81%</u>
Total Domestic Corporate Bonds		<u>\$ 952,773</u>	<u>33.79%</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE D--CASH AND INVESTMENTS--Continued

Credit Risk--Continued:

<u>Investment Type</u>	<u>Moody's Ratings (Unless Noted)</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
<i>(Amounts in Thousands)</i>			
International Corporate Bonds	A1	\$ 1,148	0.04%
	A2	5,672	0.20%
	A3	8,485	0.30%
	Aa1	6,998	0.25%
	Aa2	7,119	0.25%
	Aa3	2,472	0.09%
	Aaa	2,633	0.09%
	B1	3,462	0.12%
	B2	192	0.01%
	B3	4,010	0.14%
	Ba1	2,243	0.08%
	Ba2	737	0.03%
	Ba3	399	0.01%
	Baa1	9,234	0.33%
	Baa2	9,338	0.33%
	Baa3	2,762	0.10%
	Ca	58	0.00%
	Ca2	80	0.00%
	Not Rated	9,255	0.33%
Total International Corporate Bonds		<u>\$ 76,297</u>	<u>2.71%</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE D--CASH AND INVESTMENTS--Continued

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While all investments are subject to market changes, securities invested in index funds are more sensitive to market risk. Although the System's investment policy does not specifically address the duration of fixed-income securities, the System's management does monitor interest rate risk by monitoring the performance of each investment manager. As of June 30, 2008, the System had the following investments with maturities:

Investment Type	Investment Maturities at Fair Value (in Years)				Total Fair Value
	Less than One	One to Five	Five to Ten	More Than Ten	
U.S. Government securities	\$ 21,795	\$ 191,483	\$ 170,969	\$ 1,323,716	\$ 1,707,963
International government securities	4,273	37,972	15,250	25,342	82,837
Domestic corporate bonds:					
Asset-backed securities	503	47,317	10,665	32,861	91,346
CMBS	-	-	-	241,086	241,086
CMBS/CMO/REMIC	-	2,270	6,204	101,671	110,145
Corporates Bonds	26,907	133,123	205,327	144,839	510,196
	27,410	182,710	222,196	520,457	952,773
International corporate bonds	6,897	13,578	32,356	23,466	76,297
	<u>\$ 60,375</u>	<u>\$ 425,743</u>	<u>\$ 440,771</u>	<u>\$ 1,892,981</u>	<u>\$ 2,819,870</u>

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE D--CASH AND INVESTMENTS--Continued

Foreign Currency Risk: Foreign currency risk is the potential risk for loss due to changes in exchange rates. The System's investment policy provides that international investment managers invest no more than 30% of their portfolio's total assets in one or more issuers in a single country, provided that in the U.K. such limit shall be 35%. Investment in cash and cash equivalents, foreign equities, and fixed-income securities as of June 30, 2008 is shown in the following table by monetary unit to indicate possible foreign currency risk.

Currency	Equities	Corporate Bonds	Government Bonds	Cash and Cash Equivalents	Grand Total
Austalian Dollar	\$ 11,063,509	\$ -	\$ -	\$ 114,743	\$ 11,178,252
Brazilian Real	2,284,940	-	-	1,763,853	4,048,793
British Pound Sterling	216,251,833	3,679,198	4,448,945	1,475,611	225,855,587
Canadian Dollar	74,360,524	-	840,727	17,519	75,218,770
Danish Krone	12,996,516	-	-	-	12,996,516
Egyptian Dollar	-	-	-	124,153	124,153
Euro	504,276,760	-	24,043,028	15,494,726	543,814,514
Hong Kong Dollar	25,271,811	-	-	(57)	25,271,754
Indonesian Rupiah	345,998	-	-	-	345,998
Japanese Yen	312,884,030	4,417,609	22,763,685	289,579	340,354,903
Mexican Peso	4,484,298	-	-	286,869	4,771,167
New Tawain Dollar	5,240,525	-	-	346	5,240,871
New Zealand Dollar	3,363,219	-	-	-	3,363,219
Norwegian Krone	11,170,289	-	-	-	11,170,289
Singapore Dollar	1,032,896	-	-	-	1,032,896
South African Rand	2,092,883	-	-	-	2,092,883
South Korean Won	16,190,161	-	-	2	16,190,163
Swedish Krona	34,476,881	-	-	-	34,476,881
Swiss Franc	107,204,902	-	-	-	107,204,902
(1) Not subject to foreign currency risk	127,731,760	68,200,026	30,740,472	21,762,730	248,434,988
Grand Total	\$ 1,472,723,735	\$ 76,296,833	\$ 82,836,857	\$ 41,330,074	\$ 1,673,187,499

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE E--SECURITIES LENDING ACTIVITY

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

The fair value of securities on loan at June 30, 2008 was approximately \$1,748,114,000. The underlying collateral for these securities had a fair value of approximately \$1,803,781,000 at June 30, 2008. Collateral of securities and letters of credit represented approximately \$199,789,000 of total collateral at June 30, 2008. 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 accompanying statements of plan net assets.

At June 30, 2008 the System had no credit risk exposure since the amounts the System owed to borrowers exceeded the amounts borrowers owed the System. 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 significant losses on security lending transactions, or recoveries from prior period losses, during 2008 or 2007 resulting from the default of a borrower or the lending agent. The System's lending agent is not affiliated or related to the System's investment managers or brokers. Accordingly, the System is not exposed to custodial credit risk in relation to its securities lending transactions.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE E--SECURITIES LENDING ACTIVITY--Continued

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. The weighted average maturity at June 30, 2008 and 2007 of the cash collateral investments was 10 and 12 days, respectively. 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.

NOTE F--CAPITAL ASSETS

Capital assets consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Furniture and fixtures	\$ 1,413,763	\$ 1,396,332
Accumulated depreciation	<u>(1,166,577)</u>	<u>(1,133,871)</u>
Capital assets, net	<u>\$ 247,186</u>	<u>\$ 262,461</u>

The System has commitments to lease building space as well as leases on certain equipment. The future minimum commitment for operating leases as of June 30, 2008 was approximately \$207,000. The System's leases are one-year renewable contracts. Rental expense for all operating leases amounted to approximately \$215,000 and \$211,000 for the years ended June 30, 2008 and 2007, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE G--RESERVE AND DESIGNATED FUNDS

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

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

The Funds had the following balances at June 30:

	<u>2008</u>	<u>2007</u>
Teachers' deposit fund (tax-sheltered annuities)	\$ 312,160,000	\$ 357,841,000
Expense fund	58,443,000	56,214,000
Capital assets fund	<u>247,000</u>	<u>262,000</u>
	<u>\$ 370,850,000</u>	<u>\$ 414,317,000</u>

NOTE H--CONTRIBUTIONS

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

All members must contribute 7% of regular annual compensation, not to exceed the member's maximum compensation level. For members other than those employed by a comprehensive university on or before June 30, 1995, the maximum compensation level will be the member's regular annual compensation. For those members employed by a comprehensive university, the maximum compensation level for the years ended June 30, 2008 was the full amount of regular annual compensation and June 30, 2007 was \$77,500 for those who elected the \$25,000 limit prior to June 30, 1995, respectively, and in fiscal year 2008 was the full amount of regular annual compensation and in fiscal year 2007 was \$94,000 for all other members.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE H--CONTRIBUTIONS--Continued

Maximum compensation levels increased by \$5,000 each year through June 30, 2007, after which the full amount of regular annual compensation will be considered subject to contribution limits established under the Internal Revenue Code.

The employers are required to contribute a fixed percentage of annual compensation on behalf of active members. The employer contribution rate was 7.85% from July 1, 2007 to December 31, 2007 and 8.35% from January 1, 2008 to June 30, 2008 for all remitting entities other than comprehensive and four year regional universities. The employer contribution rate was 7.05% from July 1, 2007 to December 31, 2007 and 7.55% from January 1, 2008 to June 30, 2008 for comprehensive and four year universities. The rates for fiscal years 2008 and 2007 are applied up to defined caps depending upon the member's elections as previously described.

As discussed in Note L, Senate Bill 357 became effective July 1, 2007. Employer contributions from K-12 Schools, Career Tech, two-year colleges and state agencies with TRS members will increase to 7.85% on July 1, 2007; 8.35% on January 1, 2008; 8.5% on July 1, 2008; 9% on January 1, 2009; and 9.5% on January 1, 2010 and thereafter. For comprehensive and regional four-year colleges and universities, employer contributions will stay at 7.05% through December 31, 2007, and then increase to 7.55% on January 1, 2008; 8.05% on January 1, 2009; and 8.55% beginning January 1, 2010 and thereafter.

NOTE I--BENEFITS

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE I--BENEFITS--Continued

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

At the election of each eligible member initiating receipt of retirement benefits, the System remits between \$100 and \$105 per month per eligible retiree to the Oklahoma State and Education Employees Group Insurance Board ("OSEEGIB"), depending on the members' years of service during 2008 and 2007. Such amounts were approximately \$30,404,000 and \$30,492,000 in 2008 and 2007, respectively, and are included in retirement and other benefits expense. Amounts due to OSEEGIB at June 30, 2008 and 2007, respectively are approximately \$2,474,000 and \$2,524,000, and are included in benefits in process of payment. The System performs no administrative functions related to the benefits provided by OSEEGIB and the payments have a minimal and declining impact on the operation of the System.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE J--DEDICATED TAX

The System receives 5.0% 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 4.5% to 5.0% on July 1, 2007 and thereafter. The System receives 1% of the cigarette taxes collected by the State and receives 5% of net lottery proceeds collected by the State. The System received approximately \$267,000,000 and \$244,000,000 from the State in 2008 and 2007, respectively. Amounts due from the State were approximately \$28,970,000 and \$25,074,000 at June 30, 2008 and 2007, respectively.

NOTE K--PENSION PLAN FOR EMPLOYEES OF THE SYSTEM

The System also makes employer contributions for its employees who are also members of the System. The System's contributions are under the same terms as other participating employers, as discussed in Note H. In addition to the employer contributions, the System also pays the employees' contributions as a fringe benefit. Benefits paid to members that worked for the System are the same as those described in Note I. The total employee and employer contributions paid by the System for its employees were approximately \$451,000, \$408,000, and \$375,000 for 2008, 2007, and 2006 respectively.

NOTE L--PLAN AMENDMENTS

House Bill 2074 was enacted during the 2008 legislative session. This bill removes the post-retirement earnings limit for retirees who have been retired for 36 months or more. Previously, the earnings limit for employment in the public schools of Oklahoma was \$30,000 for members who had been retired for three years. The post-retirement earnings limit for retirees who have been retired less than 36 months remains the same. Retirees under age 62, who have been retired less than 36 months, is the lesser of \$15,000 or one-half the final average salary used in calculating the retiree's monthly retirement benefit. The earnings limit for retirees age 62 or older is the lesser of \$30,000 or one-half the final average salary used in calculating the retiree's monthly retirement benefit. A retiree's earnings limit is prorated during the year when the member reaches age 62.

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE L--PLAN AMENDMENTS--Continued

House Bill 2276 included \$16.8 million to common education, \$1.3 million to career tech and \$5.8 million to higher education to cover employer contribution rate increases provided in House Bill 1179 (the 2006 EESIP act) and Senate Bill 357 (2007). Employer contribution rates for K-12, career-tech, 2-year colleges and state education agencies will increase to 8.50% effective July 1, 2008. Beginning January 1, 2009, the employer contribution rate will increase to 9% for K-12, career tech, 2-year colleges and state education agencies. Beginning January 1, 2009, the employer contribution rate will increase to 8.05% for 4-year colleges and universities.

House Bill 2793 amends 70 O.S. 6-101.1 that authorizes school districts to provide tax-sheltered annuity plans to education employees. The amendments to this section do not change the school's ability to offer 403(b) plans, but does update Oklahoma statutes to comply with new federal regulations on 403(b) plans.

House Bill 3112 provides a 2% cost-of-living increase to all retired members who retired prior to July 1, 2007. The bill also increases the age of a dependent in the Oklahoma State Education Employees Insurance Plan from 23 to 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 date, June 30, 2007, is as follows:

NOTE M--ACTUARIAL ASSUMPTIONS AND METHODS

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

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

NOTES TO FINANCIAL STATEMENTS--Continued

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

June 30, 2008

NOTE M--ACTUARIAL ASSUMPTIONS AND METHODS--Continued

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

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

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2008 are as follows:

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

Salary Increases: 4.25% to 6% per year (includes inflation of 3% and a productivity increase of 1.25%).

NOTE N--NEW PRONOUNCEMENTS

On June 30, 2008 GASB issued Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53") which provides guidance to governments to improve the reporting of derivative instruments in their financial statements. GASB 53 applies to all state and local governments and is effective for financial statements for periods beginning after June 15, 2009.

NOTE O--SUBSEQUENT EVENT

The fair value of the System's investments decreased approximately \$746,906,000 from June 30, 2008 to September 30, 2008 due to the credit and liquidity crisis in the United States and throughout the global financial systems. The System also holds a \$35 million position in JP Morgan's securities lending program with Lehman Brothers bonds as collateral. The potential impact of this position in Lehman Brothers bonds has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll	UAAL as % of Covered Payroll ((b-a) / c)
June 30, 2003	\$ 6,436.9	\$ 11,925.2	\$ 5,488.3	54.0%	\$ 3,045.7	180.2%
June 30, 2004	6,660.9	14,080.1	7,419.2	47.3%	3,030.7	244.8%
June 30, 2005	6,952.7	14,052.4	7,099.7	49.5%	3,175.2	223.6%
June 30, 2006	7,470.4	15,143.4	7,672.9	49.3%	3,354.9	228.7%
June 30, 2007	8,421.9	16,024.4	7,602.5	52.6%	3,598.9	211.2%
June 30, 2008	9,256.8	18,346.9	9,090.1	50.5%	3,751.4	242.3%

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS (UNAUDITED)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2003	\$ 585,168,488	61.9%
2004	534,811,845	70.2%
2005	722,095,783	56.2%
2006	535,228,038	85.8%
2007	575,745,142	93.1%
2008	590,495,652	101.1%

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.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULES OF INVESTMENT EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended June 30	
	2008	2007
Investment custodian	\$ -	\$ 15,000
Investment managers	32,879,081	30,715,161
Investment consultants	880,407	744,126
Investment information services	22,200	21,730
Commission recapture	(789,661)	(705,254)
Total investment expenses	<u>\$ 32,992,027</u>	<u>\$ 30,790,763</u>

See accompanying independent auditors' report

SCHEDULES OF ADMINISTRATIVE EXPENSES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended	
	June 30	
	<u>2008</u>	<u>2007</u>
Salaries and benefits	\$ 3,460,187	\$ 3,280,183
General and miscellaneous	751,031	740,633
Professional/consultant fees	407,093	366,039
Travel and related expenses	97,863	79,204
Depreciation expense	74,944	83,100
Total administrative expenses	<u>\$ 4,791,118</u>	<u>\$ 4,549,159</u>

See accompanying independent auditors' report

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA

	Year Ended	
	June 30	
	2008	2007
Actuarial	\$ 64,343	\$ 136,738
Medical	7,040	13,328
Legal	159,020	156,204
Audit	42,200	35,406
Data processing	120,392	8,818
Miscellaneous	14,098	15,545
Total professional/consultant fees	<u>\$ 407,093</u>	<u>\$ 366,039</u>

See accompanying independent auditors' report

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"), which is a component unit of the state of Oklahoma, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 24, 2008, which includes explanatory paragraphs related to required supplementary information and other supplementary information. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

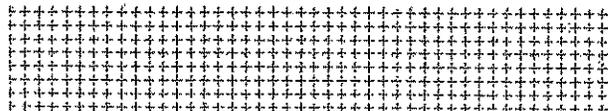
Compliance and Other Matters

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, regulations, contracts, and grant agreements, 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 in a separate letter dated October 24, 2008.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.



A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

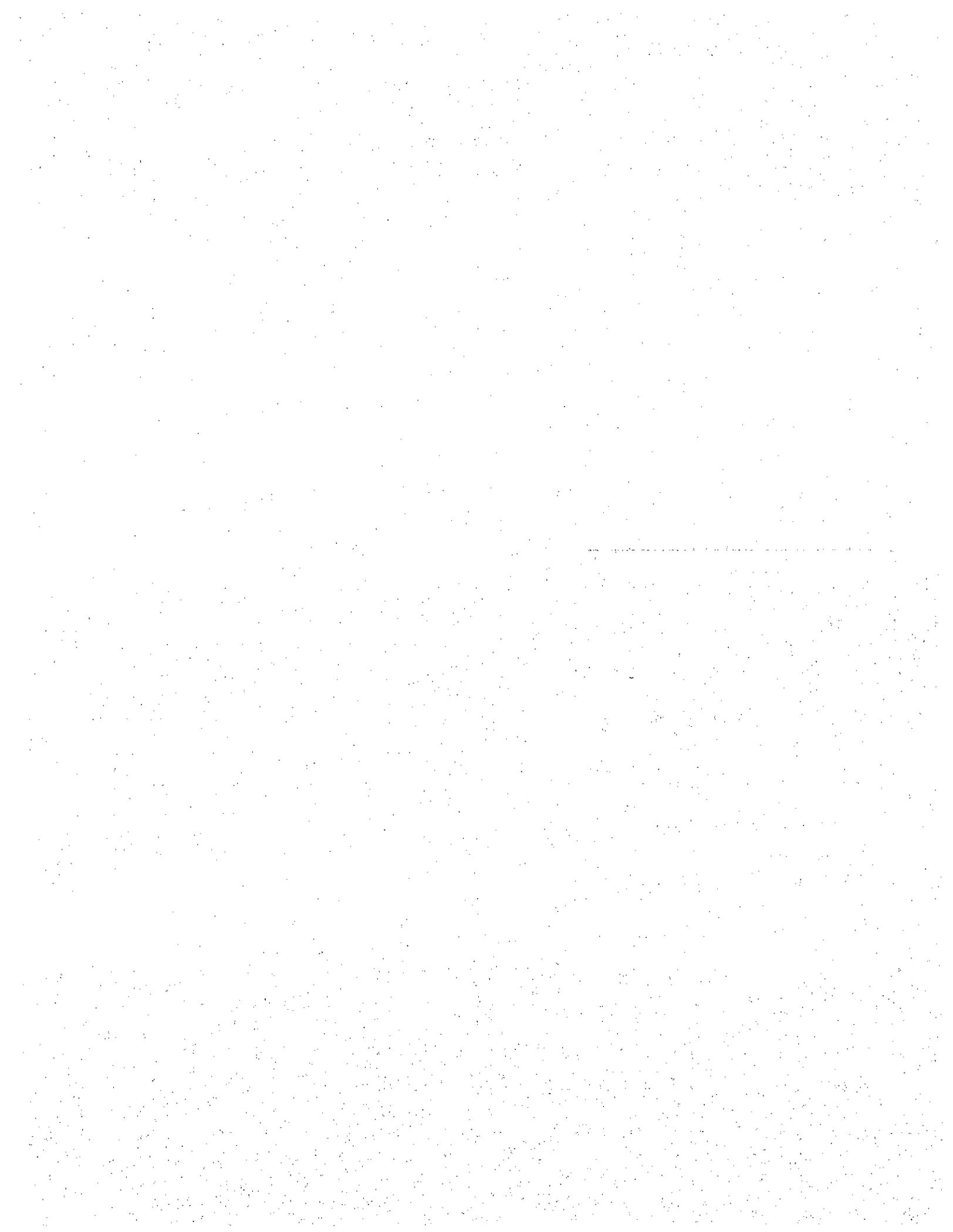
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

Cole & Reed P.C.

Oklahoma City, Oklahoma
October 24, 2008

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



PROFESSIONAL CONSULTANTS AND ADVISORS

DOMESTIC EQUITY MANAGERS

Advisory Research, Inc., *All-Cap*
Chicago, Illinois
Aldus Equity, *Private*
Dallas, Texas
Aletheia Research and Management, Inc., *Large-Capitalization Growth*
Santa Monica, California
Aronson+Partners, *Mid-Capitalization Core*
Philadelphia, Pennsylvania
Chase Investment Counsel Corporation, *Large-Capitalization Growth*
Charlottesville, Virginia
EPOCH Investment Partners, Inc., *All-Capitalization*
New York, New York
Frontier Asset Management, *Mid-Capitalization Growth*
Boston, Massachusetts
Goldman Sachs Asset Management, *Large-Capitalization Growth*
Tampa, Florida
Hotchkis & Wiley Investment, *Large-Capitalization Value*
Los Angeles, California
Hotchkis & Wiley Investment, *Mid-Capitalization Value*
Los Angeles, California
Sawgrass Asset Management, LLC, *Large-Cap Growth*
Jacksonville Beach, Florida
Shapiro Capital Management Company, Inc., *Small-Capitalization Value*
Atlanta, Georgia
Smith Asset Management Group, *Small-Cap Growth*
Dallas, Texas
Tocqueville Asset Management LP, *Small-Capitalization Value*
New York, New York
Wellington Management Company, LLP, *Mid-Capitalization Growth*
Boston, Massachusetts

DOMESTIC FIXED INCOME MANAGERS

Hoisington Investment Management Company, *Interest Rate Sensitive*
Austin, Texas
Loomis, Sayles & Company, LP, *Active*
Chicago, Illinois
Lord Abbett & Company, LLC, *Core+ Active*
Jersey City, New Jersey
MacKay Shields, LLC, *Core+ Active*
New York, New York
Pacific Investment Management Company, *Active*
Newport Beach, California
Stephens Capital Management, *Interest Rate Sensitive*
Little Rock, Arkansas

INTERNATIONAL EQUITY MANAGERS

Brandes Investment Partners, L.P.
San Diego, California
Capital Guardian
San Francisco, California
Causeway Capital Management LLC
Los Angeles, California
Thornburg Investment Management, Inc.
Santa Fe, New Mexico

ADVISORS AND CONSULTANTS

JP Morgan/Chase, World Wide Securities Services, *Global Custodian/Securities Lending*
Oklahoma City, Oklahoma
gregory.w.group, *Investment Consultant*
Tulsa, Oklahoma
Gabriel, Roeder, Smith & Company, *Actuarial Consultant*
Dallas, Texas
Cole & Reed, PC, *External Auditor*
Oklahoma City, Oklahoma
Office of the Oklahoma Attorney General, *Legal Counsel*
Oklahoma City, Oklahoma

Report on Investment Activity

The Teachers' Retirement System of Oklahoma had a loss for fiscal year 2008 of 7.2% based on fair value; three-year and five-year returns were 6.5% and 10.0% respectively (see chart below and graphs on pages 76 and 77). The basis for rates of return are presented on a time-weighted return over a certain period of time based on market values. The System's investments at fiscal year end, decreased \$667 million to \$8.935 billion.

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.

Rates of Return

Periods Ended 06/30/2008	One Year	Three Years	Five Years
Domestic Equity	-14.3%	4.8%	10.3%
S&P 500	-13.1%	4.4%	7.6%
Rank**	71*	55	31
International Equity	-10.2%	13.1%	17.3%
MSCI EAFE	-10.1%	13.3%	17.2%
Rank**	57	61	54
Fixed Income	7.7%	4.4%	4.3%
Lehman Aggregate	7.1%	4.1%	3.9%
Rank**	25	30	35
Total Fund	-7.2%	6.5%	10.0%
Benchmark***	-6.7%	6.3%	9.2%
Rank**	83	52	25

* Rank 1 is best, 100 worst

** Source of Rankings – TUCS

*** Benchmark – 28% S&P 500, 15% Russell Mid Cap, 10% Russell 2000, 17% MSCI EAFE, 30% Lehman Brothers Aggregate

This report prepared by:

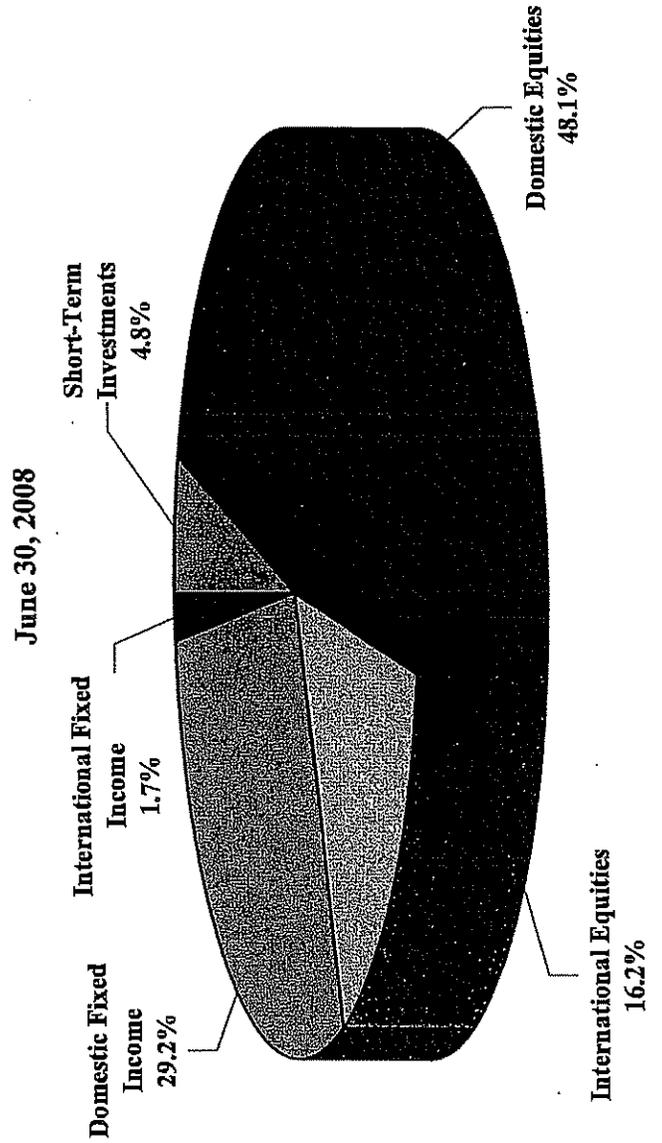
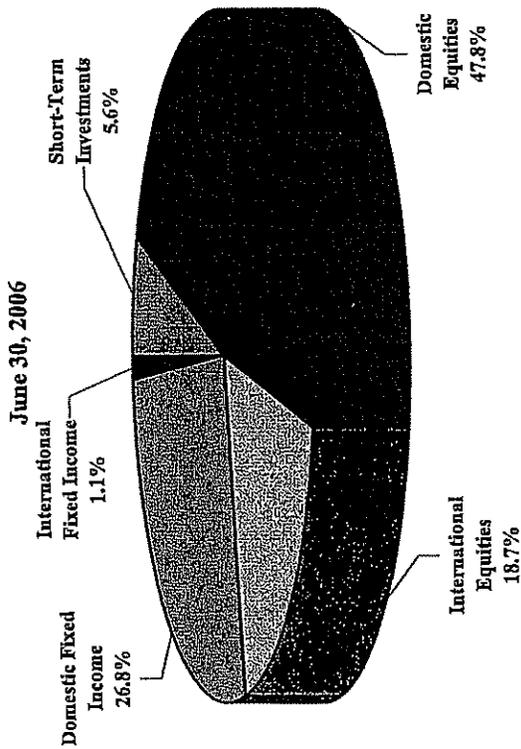
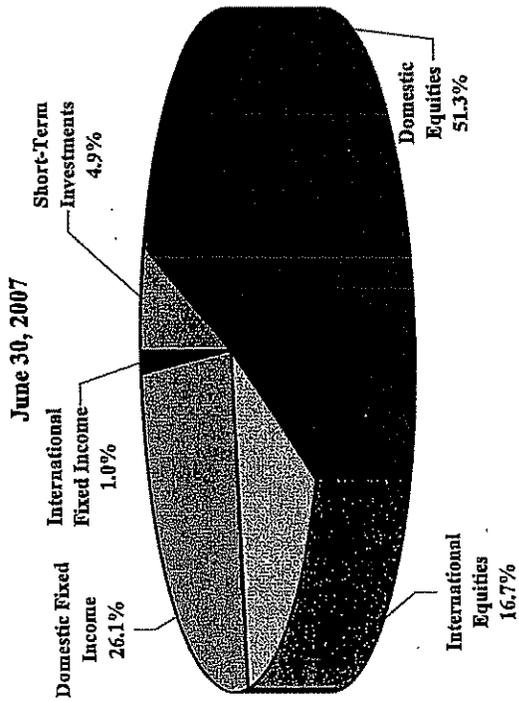
Bill Puckett
Chief Investment Officer

Summary of Investments
June 30, 2008

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
Fixed Income:		
U S Government Securities	\$1,707,962,910	18.7%
Corporate Bonds	952,772,559	10.5%
International Bonds	<u>159,133,690</u>	<u>1.7%</u>
Total Fixed Income	2,819,869,159	30.9%
Equities:		
Domestic	4,381,924,106	48.1%
International	<u>1,472,723,735</u>	<u>16.1%</u>
Total Equities	5,854,647,841	64.2%
Short-Term Investments:		
Domestic Money Market	399,852,437	4.4%
International Money Market/Treasury Bills	<u>41,330,074</u>	<u>0.5%</u>
Total Short-Term Investments	<u>441,182,511</u>	<u>4.9%</u>
 Total Investments	 <u>\$9,115,699,511</u>	 <u>100.0%</u>

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

Asset Allocation at Fair Value



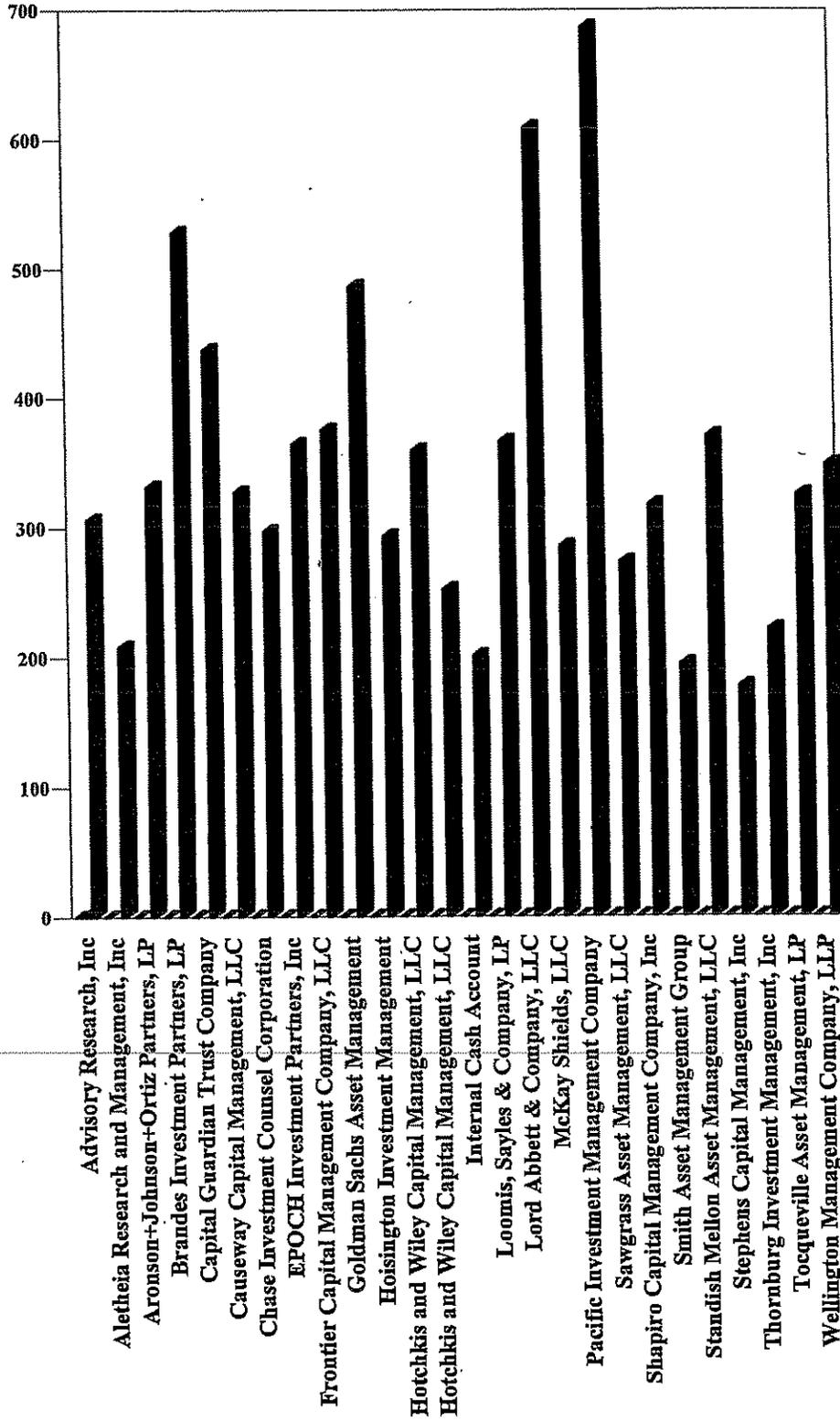
Investment Managers

The Board of Trustees has hired the following investment management firms to manage the assets of the System. The investment managers have full discretion in the management of assets in their portfolios, subject to individual investment styles and the overall guidelines of the System's Investment Policy. Firms employed by the Board of Trustees on June 30, 2008 are listed below:

<u>Manager</u>	<u>Style</u>	<u>Funds Under Management (in millions)</u>
Advisory Research, Inc	All Capitalization	\$306
Aletheia Research and Management, Inc	Large Capitalization Growth	208
Aronson+Johnson+Ortiz Partners, LP	Middle Capitalization Core	331
Brandes Investment Partners, LP	International Equity	528
Capital Guardian Trust Company	International Equity	437
Causeway Capital Management, LLC	International Equity	327
Chase Investment Counsel Corporation	Large Capitalization Growth	297
EPOCH-Investment Partners, Inc	All Capitalization	364
Frontier Capital Management Company, LLC	Middle Capitalization Growth	375
Goldman Sachs Asset Management	Large Capitalization Growth	486
Hoisington Investment Management	Fixed Income	293
Hotchkis and Wiley Capital Management, LLC	Large Capitalization Value	359
Hotchkis and Wiley Capital Management, LLC	Middle Capitalization Value	252
Internal Cash Account		201
Loomis, Sayles & Company, LP	Core Plus Fixed Income	366
Lord Abbett & Company, LLC	Core Plus Fixed Income	609
McKay Shields, LLC	Core Plus Fixed Income	285
Pacific Investment Management Company	Core Plus Fixed Income	686
Sawgrass Asset Management, LLC	Large Capitalization Growth	273
Shapiro Capital Management Company, Inc	Small Capitalization Value	317
Smith Asset Management Group	Small Capitalization Growth	194
Standish Mellon Asset Management, LLC	Fixed Income Index	370
Stephens Capital Management, Inc	Interest Rate Sensitive Fixed Income	177
Thornburg Investment Management, Inc	International Equity	221
Tocqueville Asset Management, LP	Small Capitalization Value	325
Wellington Management Company, LLP	Middle Capitalization Growth	<u>348</u>
Total funds under management		<u>\$8,935</u>

Chart on following page.

Assets Managed (In Millions)



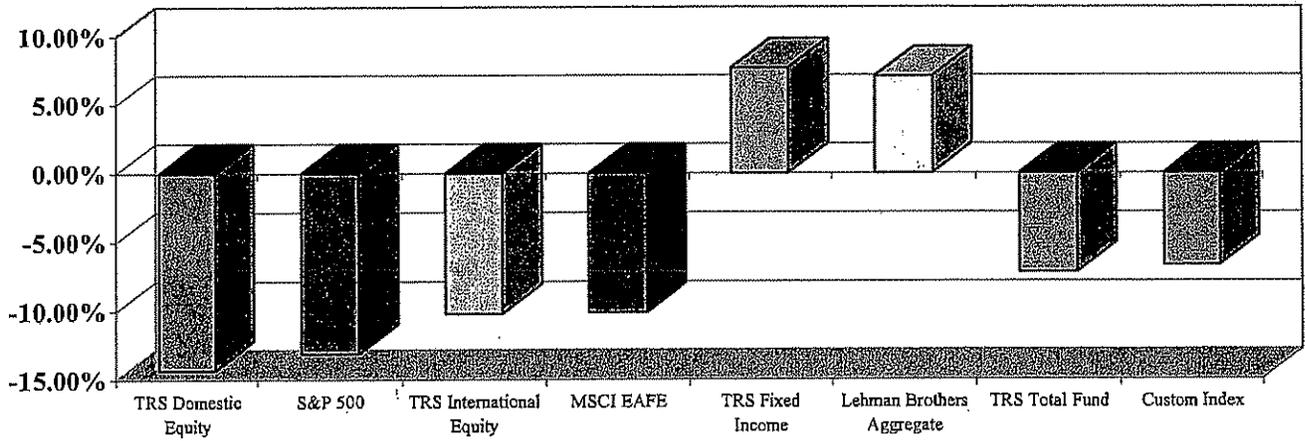
Investment Performance

The Teachers' Retirement System of Oklahoma compares total return on equity investments to the S & P 500 Index. The benchmark for fixed income investments is the Lehman Brothers Aggregate Index. Individual benchmarks for the separately managed domestic equity funds include the Russell 1000 Value, the Russell 1000 Growth, the S & P 500, the S & P Midcap 400, the Russell Midcap Value and Russell Midcap Growth, the Russell 2000 Value, the Russell 2000 Growth, the Russell 2000 and Russell 3000. The international managers are compared to the MSCI EAFE (before taxes).

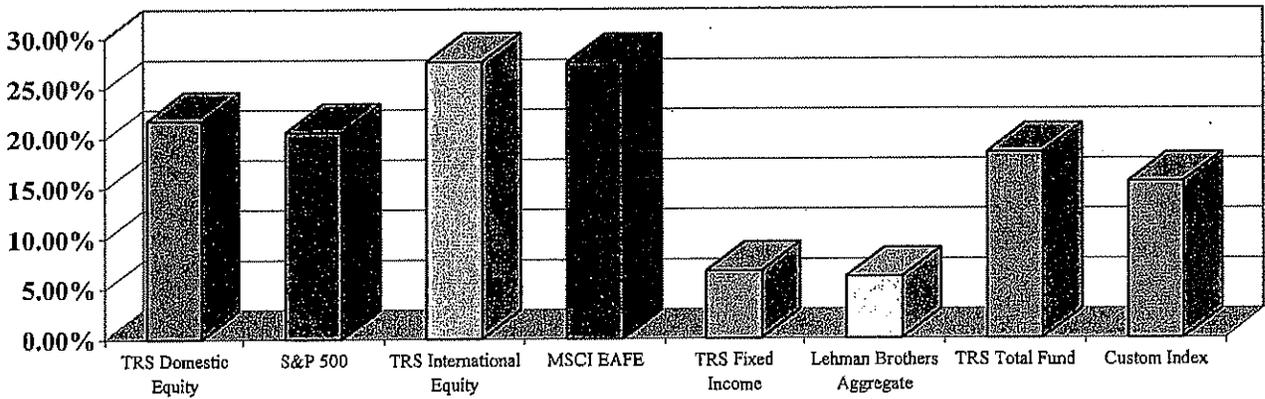
Investment returns achieved through June 30, 2008 have been calculated using a time-weighted rate of return methodology based on market returns.

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

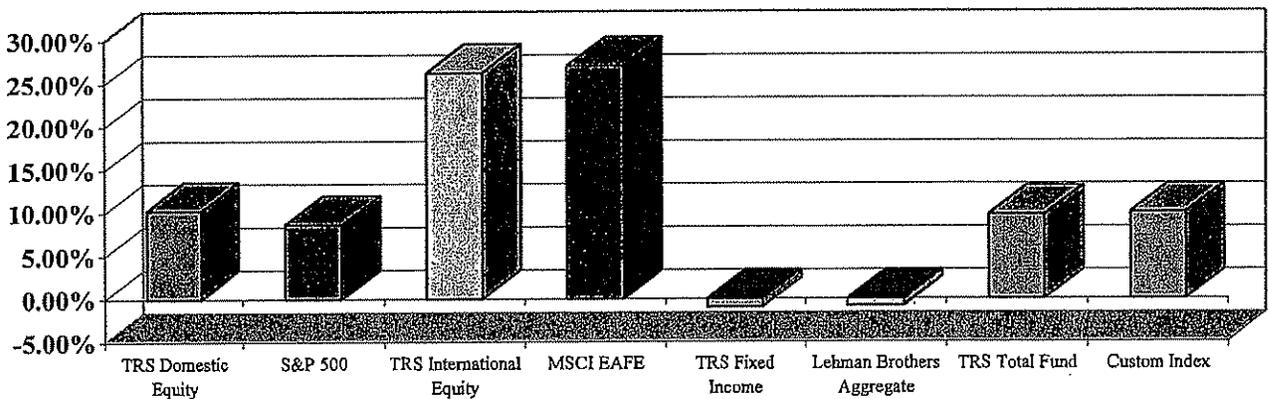
Comparative Rates of Return Fiscal Year 2008



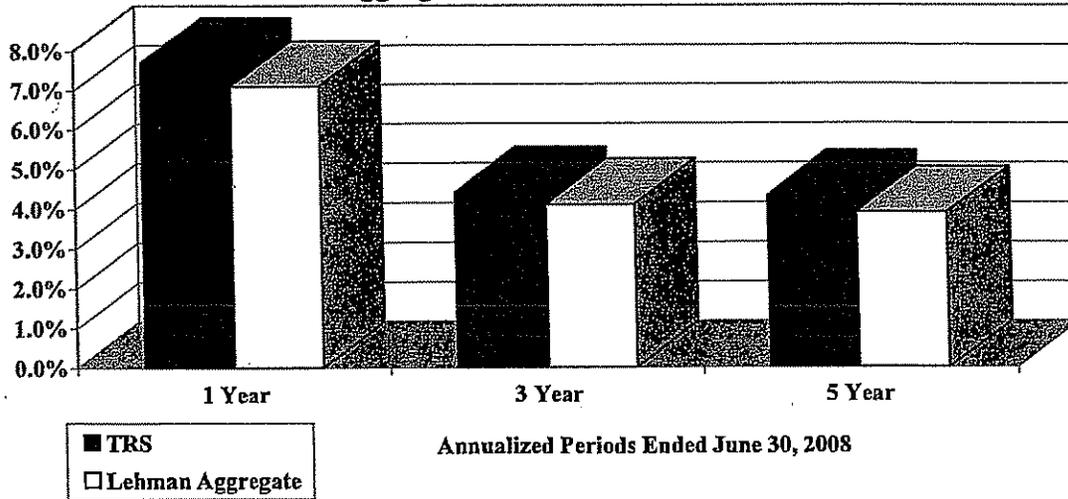
Comparative Rates of Return Fiscal Year 2007



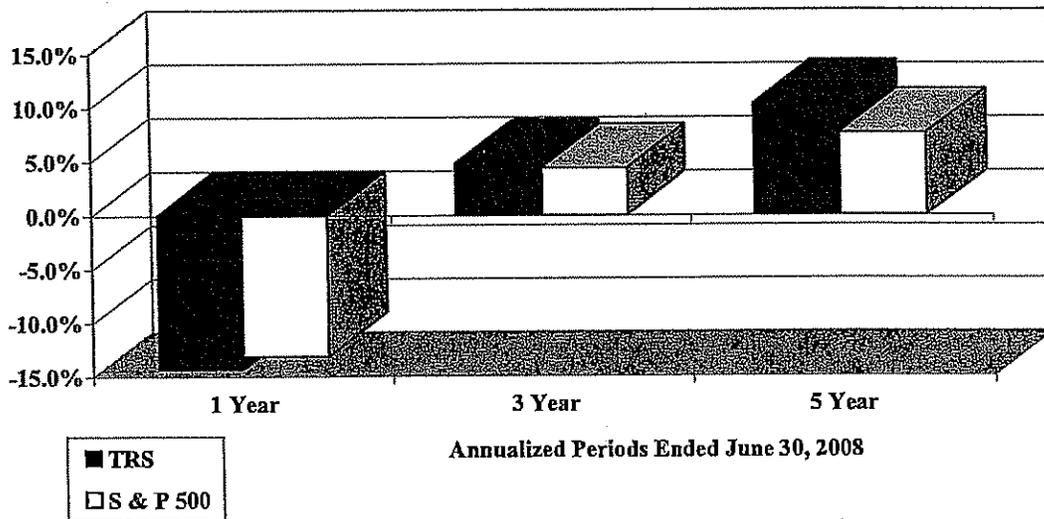
Comparative Rates of Return Fiscal Year 2006



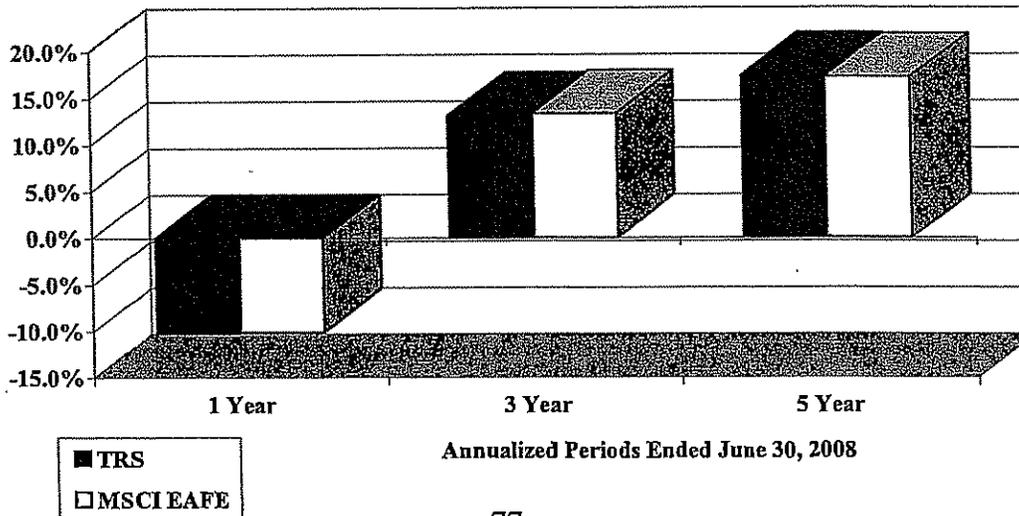
**Annualized Fixed Income Return Comparison
Lehman Aggregate vs TRS Fixed Income Portfolio**



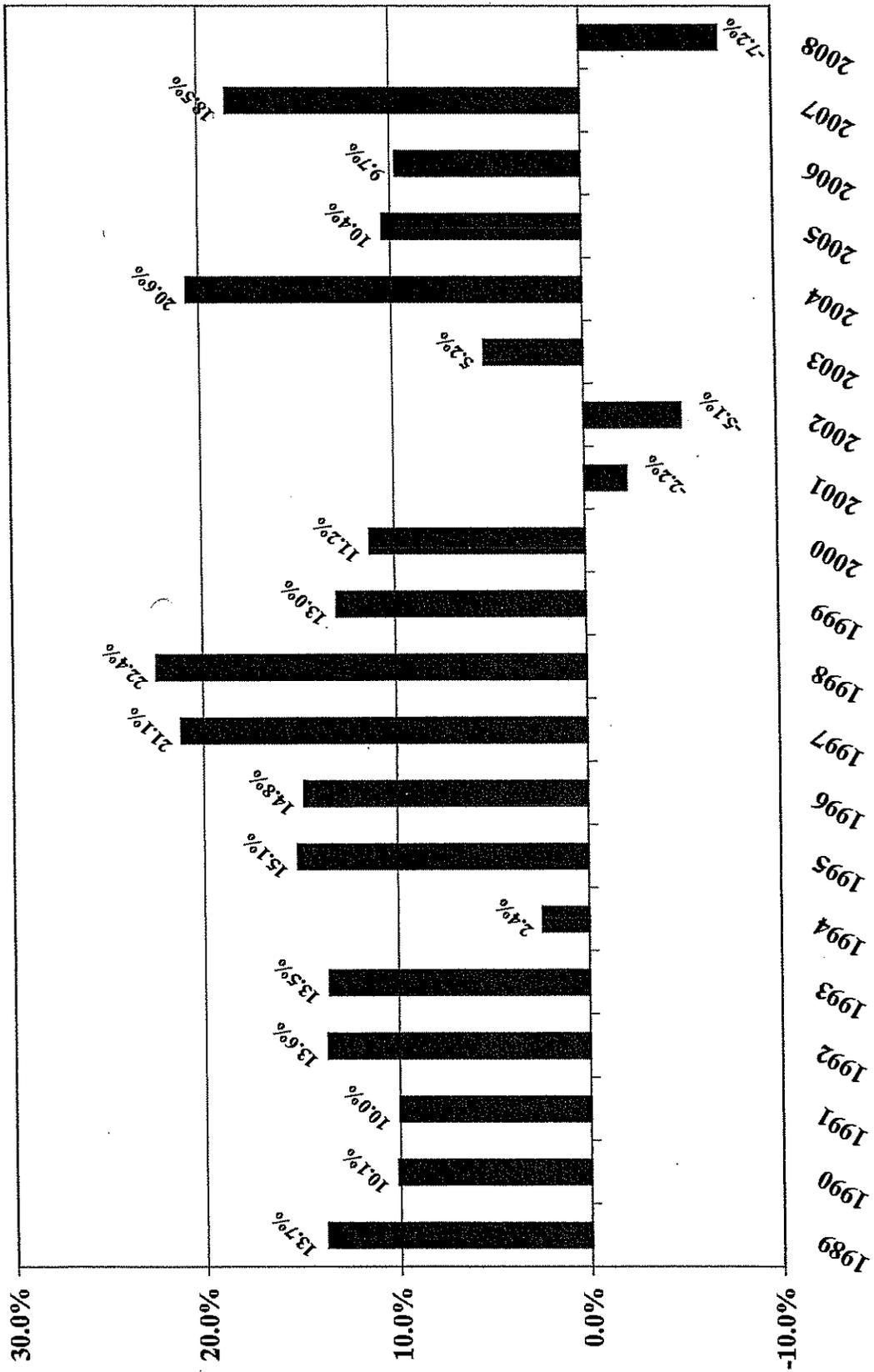
**Annualized Domestic
Equity Return Comparison
S&P 500 vs TRS Domestic Equity Portfolio**



**Annualized International
Equity Return Comparison
MSCI EAFE vs TRS International Equity Portfolio**



Total Investment Returns for Fiscal Years Ended June 30



Investment Expenses

Investment fees paid to investment management firms employed by the System were as follows in Fiscal Year 2008.

<u>Investment Manager</u>	<u>Fees Paid</u>
Advisory Research, Inc	\$1,289,388
Aletheia Research and Management, Inc	821,233
Aronson+Johnson+Ortiz Partners, LP	551,752
Brandes Investment Partners, LP	2,238,229
Capital Guardian Trust Company	1,862,679
Causeway Capital Management, LLC	1,288,710
Chase Investment Counsel Corporation	1,139,409
EPOCH Investment Partners, Inc	1,682,647
Frontier Capital Management Company, LLC	2,140,519
Goldman Sachs Asset Management	1,306,255
Hoisington Investment Management	383,474
Hotchkis and Wiley Capital Management, LLC (Largecap)	1,514,122
Hotchkis and Wiley Capital Management, LLC (Midcap)	1,491,494
Loomis, Sayles & Company, LP	589,107
Lord Abbett & Company, LLC	996,606
McKay Shields, LLC	708,494
Pacific Investment Management Company	1,601,890
Sawgrass Asset Management, LLC	1,089,019
Shapiro Capital Management Company, Inc	3,199,724
Smith Asset Management Group	1,293,488
Standish Mellon Asset Management, LLC	73,719
Stephens Capital Management, Inc	288,764
Thornburg Investment Management, Inc	1,363,813
Tocqueville Asset Management, LP	2,343,355
Wellington Management Company, LLP	1,621,191
 Total fees paid	 <u>\$32,879,081</u>

**Brokerage Commissions Paid
Fiscal Year 2008**

<u>Brokerage Firm</u>	<u>Shares</u>	<u>Commission</u>	<u>Per Share</u>
A G EDWARDS INC	1,681,112	65,218.56	0.039
ABEL NOSER	8,923,348	89,695.58	0.010
ABG SECURITIES	118,619	3,618.27	0.031
ABN-AMRO	1,285,012	26,893.18	0.021
ADAM HARDIN	259,657	10,441.85	0.040
ADP CLEARING & OUTSOURCING SERVICES, INC	100,179	3,524.44	0.035
AGENCY TRADING GROUP	58,700	2,935.00	0.050
ALGORITHM TRADING	188,000	3,855.28	0.021
ALLEN & COMPANY, INC	327,914	7,117.56	0.022
AMERICAN TECHNOLOGY	112,630	1,918.60	0.017
ARNHOLD & S BLEICHROEDER INC	14,000	560.00	0.040
ASIEL & CO.	109,513	6,495.78	0.059
ASSOCIATES FIRST CAPITAL	119,500	2,390.00	0.020
AUERBACH GRAYSON	255,400	10,851.76	0.042
AVIAN SECURITIES	681,700	13,634.00	0.020
AVONDALE PARTNERS LLC	149,397	5,975.88	0.040
B REILLY	30,100	1,505.00	0.050
BAIRD, ROBERT W & COMPANY INC	203,335	7,331.85	0.036
BANC OF AMERICA MONTGOMERY	357	52.06	0.146
BANCA EUROMOILIARE	120,000	1,145.10	0.010
BANCAMERICA	2,726,840	105,133.44	0.039
BANK BELLEVUE	18,410	3,690.74	0.200
BANK OF NEW YORK	14,300	1,109.95	0.078
BANK VONTOBEL	8,750	1,742.82	0.199
BANQUE NATIONALE DU CANADA	17,900	795.58	0.044
BASS TRADING LLC	118,030	6,616.66	0.056
BB&T CAPITOL MARKETS	176,150	7,786.00	0.044
BEAR STEARNS & COMPANY	3,681,440	127,284.70	0.035
BENCHMARK CO.	252,005	8,060.15	0.032
BERNSTEIN, SANFORD C. & CO	611,091	26,530.31	0.043
BIRKELBACH INVESTMENT	101,340	4,053.60	0.040
BK JULIUS BR, NY	23,100	351.51	0.015
BLAIR, WILLIAM & CO	265,540	10,144.10	0.038
BLEISCHRODER	84,500	3,380.00	0.040
BLOOMBERG TRADEBOOK	10,400	156.00	0.015
BMO CAPITAL MARKETS	119,389	4,338.95	0.036
BNP PARIBAS SEC CORP	1,440,615	44,886.06	0.031
BNY CAPITAL	1,320,700	23,062.50	0.017
BOENNING & SCATTERGOOD	519,100	11,679.25	0.022
BRANCH BANK & TRUST	3,100	138.08	0.045
BRCHHELVEA	9,400	589.34	0.063
BREAN MURRAY & FOSTER	51,100	2,044.00	0.040
BREUBEARINTL	11,700	600.20	0.051
BROADCORT CAPITAL CORP	146,978	7,124.12	0.048

BRUSCAPS	4,980	199.20	0.040
B-TRADE SERVICES LLC	161,040	3,375.00	0.021
BUCKINGHAM RESEARCH	463,453	15,286.94	0.033
C L KING & ASSOCIATES	208,002	8,510.08	0.041
C. I. NORDIC SECURITIES	28,000	327.68	0.012
C.E. UNTERBERG, TOWBIN	4,700	188.00	0.040
CADARET GRANT CO.	94,000	5,640.00	0.060
CALYON CAPITAL MARKETS ASIA	2,875,911	15,920.69	0.006
CANACCORD ADAMS INC	260,254	10,474.05	0.040
CANTOR FITZGERALD & COMPANY INC	15,749,296	403,110.23	0.026
CAPITAL INSTITUTIONAL SERVICES INC	2,499,145	131,095.70	0.052
CAPITAL ONE SOUTH	31,540	1,261.60	0.040
CARNEGIE	23,000	640.36	0.028
CAZENOVA	2,270,868	9,881.66	0.004
CAZENOVE AND CO.	538	47.30	0.088
CHARLES SCHWAB	246,512	9,860.48	0.040
CHEVEREUX	419,897	20,053.11	0.048
CHINA INTERNATIONAL	226,600	565.26	0.002
CIBC OPPENHEIMER CORP/WORLD MARKETS CORP	1,412,646	56,306.04	0.040
CITATION GROUP	5,800	87.00	0.015
CITIGROUP GLOBAL MARKETS, INC	7,585,445	173,347.85	0.023
CLEVELAND RESEARCH CO	15,758	472.74	0.030
CLSA INTERNATIONAL	184,800	955.83	0.005
COLLINS STEWART LTD	1,310,615	31,770.65	0.024
COWEN & CO	137,500	7,396.00	0.054
CRED AG INDO CHEVEREUX	217,489	18,381.73	0.085
CREDIT LYONNAIS SECURITIES INC.	665,962	12,540.00	0.019
CREDIT RESEARCH & TRADING	10,800	432.00	0.040
CREDIT SUISSE FIRST BOSTON CORPORATION	8,689,510	201,399.83	0.023
CROWELL WEEDON	103,600	4,144.00	0.040
CRT CAPITAL GROUP LLC	71,100	3,219.00	0.045
CUTTONE & COMPANY	1,577,948	47,276.94	0.030
D.A. DAVIDSON & COMPANY, INC.	273,780	16,426.80	0.060
DA PARTNERS	2,394,320	50,448.20	0.021
DAHLMAN ROSE & CO	10,575	528.75	0.050
DAIN RAUSCCHER INC	134,200	5,774.73	0.043
DAIWA SECURITIES AMERICA	221,302	8,475.09	0.038
DANSKE BANK	15,600	696.62	0.045
DAVENPORT	90,470	3,099.80	0.034
DAVY STOCK BROKER	375,794	11,661.58	0.031
DEUTSCHE / DB CLEARING SERVICES	10,105,732	211,445.87	0.021
DOMINION SECURITIES	240,560	9,618.30	0.040
DONALDSON & CO	3,221,356	106,024.68	0.033
DOWLING & PARTNERS	126,200	6,310.00	0.050
DRESDNER KLEINWORT BENSON	1,520,673	18,292.73	0.012
DRU STOCK	92,700	1,854.00	0.020
E*TRADE CAPITAL MARKETS	8,500	340.00	0.040
ENSKILDA SEC	1,101,509	4,952.84	0.004
ESI SECURITIES CO	1,036,900	16,978.00	0.016
EXANE	127,538	8,424.95	0.066
EXECUTION LIMITED	435,047	6,598.81	0.015
FERRIS, BAKER WATTS, INC.	374,055	14,962.20	0.040

FIDELITY CAPITAL MGMT	573,400	12,086.75	0.021
FINDENTIS EQUITIES	70,900	1,813.42	0.026
FIREFLY	152,900	1,529.00	0.010
FIRST ALBANY	5,000	200.00	0.040
FIRST ANALYSIS	553,088	22,684.61	0.041
FIRST BOSTON CORPORATION	1,016,843	17,564.60	0.017
FIRST CHICAGO	1,200	12.00	0.010
FIRST TENNESSEE	88,500	3,399.71	0.038
FIRST UNION	498,800	20,035.25	0.040
FLEET BOSTON SECURITIES	8,200	41.00	0.005
FOX PITT KELTON	302,672	8,873.15	0.029
FRIEDMAN BILLINGS	730,965	29,555.10	0.040
FTN FINANCIAL CAPITAL MARKETS	1,413,900	55,169.00	0.039
G TRADE SERVICES LTD	6,415,115	26,419.69	0.004
GABELLI & COMPANY, INC.	279,701	12,123.53	0.043
GARBAN SECURITIES	110,073	2,349.52	0.021
GENESIS	9,535	286.05	0.030
GENUITY CAPITAL MARKETS	66,900	2,676.00	0.040
GMP SECURITIES LTD/MONTREAL	17,100	666.15	0.039
GOLDMAN SACHS & COMPANY	17,793,694	398,528.74	0.022
GOODBODY STOCKBROKERS	344,143	10,924.56	0.032
GORDON HASKETT	12,700	508.00	0.040
GREEN STREET	7,100	355.00	0.050
GREEN STREET ADVISORS INC	19,200	960.00	0.050
GRISWOLD CO, THE	703,637	23,485.15	0.033
GUZMAN	265,400	5,308.00	0.020
HARRIS NESBITT THOMPSON	4,500	225.00	0.050
HEFLIN & CO., LLC	135,035	5,401.40	0.040
HOWARD WEIL LABOUISSSE FRIEDRICHS INC	30,800	1,540.00	0.050
HSBC SECURITIES INC	1,037,416	10,116.46	0.010
HUDSON SECURITIES INC.	30,400	1,216.00	0.040
ICAP	1,916	170.69	0.089
IMPERIAL CAPITAL	253,868	10,486.72	0.041
ING BARINGS LLC	61,800	974.97	0.016
INSTINET	5,872,750	202,588.73	0.034
INTERMONTE SECURITIES	124,460	1,289.02	0.010
INTERNATIONAL SEC.	80,382	3,215.28	0.040
INTERSTATE / JOHNSON LANE CORPORATION	172,200	3,444.00	0.020
INVESTMENT TECHNOLOGY GROUP	99,215	2,406.45	0.024
ISI GROUP INC	1,448,086	62,385.99	0.043
ISI HYMAN	109,800	4,980.00	0.045
ITG / POSIT	7,503,048	141,993.40	0.019
J P MORGAN CHASE	11,591,120	191,238.68	0.016
JANNEY MONTGOMERY SCOTT	134,190	3,453.35	0.026
JEFFERIES & COMPANY INC	12,224,827	351,940.48	0.029
JESUP & LAMONT SECURITIES CORP	172,592	10,355.52	0.060
JMP SECURITIES	165,500	6,687.00	0.040
JNK SECURITIES INC	454,800	9,096.00	0.020
JOHNSON RICE	1,543,100	47,245.00	0.031
JOLSON MERCHANT	33,700	1,429.00	0.042
JONES & ASSOC	15,663,326	467,802.83	0.030
JULIUS BAER	14,177	1,252.24	0.088

KBC FINANCIAL PRODUCTS	40,936	1,206.47	0.029
KCCI, LTD.	61,400	614.00	0.010
KEEFE BRUYETTE AND WOODS INC.	877,973	26,683.82	0.030
KELLY & CHRISTENSEN INC	222,500	4,450.00	0.020
KEPLER EQUITIES	15,917	1,170.18	0.074
KEYBANC FINANCIAL	881,536	31,234.94	0.035
KNIGHT SECURITIES	17,588,583	641,718.82	0.036
LA BRANCHE FINANCIAL	742,129	17,032.85	0.023
LAKESIDE SEC	20,800	208.00	0.010
LANGEN MCALENNEY	88,100	4,405.00	0.050
LAZARD FRERES & CO	818,813	26,843.83	0.033
LEERINK SWANN & CO	317,200	13,764.00	0.043
LEHMAN BROTHERS	15,146,451	434,702.90	0.029
LIQUIDNET	7,035,293	155,387.31	0.022
LIVERMORE SECURITIES	44,000	880.00	0.020
LONGBOW	516,800	16,934.00	0.033
LOOP CAPITAL MKTS LLC	102,400	1,024.00	0.010
LYNCH JONES RYAN	6,057,877	249,511.08	0.041
MACQUARIE	1,943,744	33,459.88	0.017
MCDONALD & COMPANY	100,900	5,280.00	0.052
MAN FANANCIAL	42,100	975.58	0.023
MERRILL LYNCH PIERCE FENNER & SMITH INC	12,822,117	275,995.53	0.022
MERRION CAPITAL GROUP	46,100	1,389.31	0.030
MIDWEST RESEARCH	2,148,366	27,970.76	0.013
MILLER, TABAK, HIRSCH & COMPANY	37,950	1,518.00	0.040
MIRABAUD	329,500	2,592.75	0.008
MIZUHO INTERNATIONAL	512,805	8,259.36	0.016
MKM PARTNERS	23,800	238.00	0.010
MND PARTNERS	14,300	259.00	0.018
MONNESS CRESPI	6,500	325.00	0.050
MORGAN KEEGAN & COMPANY, INC	1,231,322	48,366.94	0.039
MORGAN STANLEY DEAN WITTER	14,728,822	224,497.31	0.015
NAT ZURICH BANK	271	103.80	0.383
NATEXIS BLEICHROEDER	22,700	693.65	0.031
NATIONAL BANK OF CANADA	107,700	4,308.00	0.040
NATIONAL FINANCIAL SERVICES CORP	190,302	7,682.81	0.040
NBC CLEARING	13,100	588.40	0.045
NCB STOCKBROKERS	93,072	5,233.13	0.056
NEEDHAM & CO.	910,500	33,805.00	0.037
NEOVEST	446,015	11,464.96	0.026
NESBITT BURNS SECURITIES	209,730	9,192.93	0.044
NEXT GENERATION	69,960	2,798.40	0.040
NIKKO CITIGROUP LIMITED	260,514	8,795.03	0.034
NOMURA	956,928	22,641.90	0.024
NUMIS SECURITIES	110,400	1,023.51	0.009
NYFIX TRANSACTION SERVICES	4,900	24.50	0.005
ODDO ET	1,800	346.59	0.193
O'NEIL, WILLIAM & CO. INC.	106,400	2,394.00	0.023
OTA LIMITED PARTNERSHIP	251,400	7,458.50	0.030
PACIFIC BROKERAGE	88,960	4,448.00	0.050
PACIFIC CREST SECURITIES INC	804,900	31,922.00	0.040
PACIFIC GROWTH	368,829	20,115.83	0.055

PAINE WEBBER INC	63,180	2,527.20	0.040
PALI INTERNATIONAL	18,400	736.00	0.040
PAULSON	11,900	476.00	0.040
PENSON FINANCIAL SERVICES	172,200	1,450.42	0.008
PERSHING	74,576	4,708.56	0.063
PETRIE PARKMAN	13,200	132.00	0.010
PICKERING ENERGY	41,600	1,664.00	0.040
PICTET	2,400	375.55	0.156
PIPELINE TRADING SYSTEMS, LLC	508,622	10,032.44	0.020
PRITCHARD CAPITAL PARTNERS	238,177	7,785.31	0.033
PULSE TRADING LLC	2,111,190	46,552.90	0.022
R C SECURITIES	13,068	750.33	0.057
RAYMOND JAMES & ASSOC	559,799	23,952.00	0.043
RBC CAPITAL MARKETS	365,120	14,703.80	0.040
REDBURN	70,346	1,719.49	0.024
REDIPLUS	3,801,893	178,120.82	0.047
REYNOLDS SECURITIES LTD.	247,000	14,820.00	0.060
RIDGE CLEARING & OUTSOURCING SOLUTIONS	272,500	6,538.75	0.024
ROBERT W BAIRD	1,020,156	42,854.62	0.042
ROBINSON HUMPHREY	377,800	13,069.50	0.035
ROSENBLATT	287,300	5,746.00	0.020
ROYAL BANK OF CANADA	52,800	2,042.40	0.039
S G AMERICAS SECURITIES	2,281	118.70	0.052
SALOMON SMITH BARNEY	307,190	12,981.10	0.042
SAMSUNG	381,518	5,154.46	0.014
SANDLER O'NEILL	305,352	9,175.49	0.030
SANFORD C. BERSTEIN & CO., INC.	3,609,889	117,169.43	0.032
SANTANDER INV.	1,387,435	9,070.34	0.007
SCOTIA MCLEOD INC	163,842	7,547.54	0.046
SCOTT & STRINGFELLOW	4,700	188.00	0.040
SG COWEN SECURITIES CORPORATION	1,755,264	45,899.33	0.026
SHIELDS CAPITOL CORP	82,203	4,110.15	0.050
SIDOTI AND CO	719,605	37,311.95	0.052
SIGNAL HILL CAPITAL	38,300	766.00	0.020
SIMMONS	118,595	5,300.85	0.045
SMITH BARNEY HARRIS UPHAM & COMPANY INC	168,700	7,935.00	0.047
SOCIETE GENERALE	1,243,776	15,668.64	0.013
SOLEIL SECURITIES	183,200	7,328.00	0.040
SOUTHCOAST CAPITAL	46,700	2,106.00	0.045
SOUTHWEST SECURITIES	200	11.21	0.056
SPEAR, LEEDS & KELLOGG CAPITAL MARKETS	15,100	339.75	0.023
STANDARD & POOR	60,000	2,400.00	0.040
STANFORD GROUP	25,200	1,100.00	0.044
STATE STREET BROKERAGE SVCS INC.	8,002,958	59,552.45	0.007
STEPHENS, INC.	618,061	24,247.29	0.039
STERNE, AGEE & LEACH	269,451	10,778.04	0.040
STIFEL NICOLAUS & CO INC	1,328,305	59,815.69	0.045
STUART, FRANKEL & CO	25,700	514.00	0.020
SUNTRUST	246,500	9,860.00	0.040
SUSQUEHANNA BROKERAGE SERVICES	273,847	7,229.21	0.026
SVENSKA HANDELSBANKEN	21,631	831.46	0.038
TD NEWCREST	53,610	2,257.64	0.042

THEMIS TRADING, LLC	1,807,300	34,509.00	0.019
THINK EQUITY PARTNERS LLC	32,400	1,334.50	0.041
THOMAS WEISEL PARTNERS, LLC	369,600	14,784.00	0.040
TOKYO MITSUBISHI	835,171	12,067.18	0.014
TORONTO DOMINION SECURITIES	247,400	11,017.59	0.045
TRINITY TRADING	128,100	2,562.00	0.020
TUDOR PICKERING HOLT SEC	28,380	1,702.80	0.060
U.S. BANCORP PIPER JAFFRAY	959,968	31,354.44	0.033
UBS WARBURG DILLON READ INC. - SWISS BAN	9,969,631	178,191.13	0.018
UNX	212,000	3,180.00	0.015
WACHOVIA BANK	606,631	25,645.24	0.042
WAVE SECURITIES LLC	215,800	2,158.00	0.010
WEALTH MONITORS INC	15,780	631.20	0.040
WEDBUSH MORGAN SECURITIES, INC	635,340	25,676.84	0.040
WEEDEN & COMPANY	6,803,266	108,132.74	0.016
WESTMINISTER	26,100	1,044.00	0.040
WILLIAM BLAIR	875,039	36,673.46	0.042
WILLIAM ONEIL & COMPANY	540,100	12,155.76	0.023
WILLIAMS CAPITAL USE 5516 INSTEAD	65,800	3,290.00	0.050
WILSHIRE ASSOCIATES	720	102.06	0.142
YAMNER & CO.	1,463,900	14,639.00	0.010
ZURICH FINANCIAL SERVICES	<u>672</u>	<u>98.15</u>	<u>0.146</u>
Gross Commissions	333,564,397.75	8,366,441.36	0.025
Less Commission Rebates Received		<u>(789,661.00)</u>	
Net Commissions		7,576,780.36	0.023

Transactions whose commission cost is zero are not included.

PORTFOLIO OF ASSETS, JUNE 30, 2008

MONEY MARKETS				UNITED STATES GOVERNMENT SECURITIES			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
SHORT-TERM INVESTMENT FUNDS			400,441,894.82	FHLMC CORP PC GROUP	8.500	05/01/2021	3,693.79
MONEY MARKET FUNDS			4,101,278.68	FHLMC CORP PC GROUP	8.500	06/01/2021	1,942.03
SETTLED CASH			16,865,471.42	FHLMC CORP PC GROUP	9.000	11/01/2021	1,701.77
				FHLMC CORP PC GROUP	9.500	10/01/2020	3,076.75
TOTAL MONEY MARKETS			421,409,644.92	FHLMC CORP PC GROUP	13.000	09/01/2015	15,145.75
				FHLMC GOLD TBA	5.000	07/15/2023	43,252,500.00
				FHLMC GOLD TBA	5.500	07/15/2023	12,063,720.00
				FHLMC GOLD TBA	5.500	07/15/2038	11,820,000.00
				FHLMC MORTPASS	8.500	06/01/2018	3,313.74
				FHLMC MORTPASS	9.000	10/01/2016	494.35
				FHLMC MORTPASS	9.000	06/01/2018	3,022.75
				FHLMC MORTPASS	9.500	07/01/2018	1,197.79
				FHLMC MORTPASS	9.500	11/01/2019	10,761.63
				FHLMC MORTPASS	9.500	03/01/2020	2,774.52
				FHLMC MORTPASS	10.000	02/01/2018	1,097.87
				FHLMC MORTPASS	10.000	11/01/2018	841.65
				FHLMC MORTPASS	12.500	02/01/2011	3,172.38
				FHLMC MORTPASS	12.500	02/01/2014	28,347.94
				FHLMC MORTPASS	13.500	10/01/2010	2,085.69
				FHLMC MORTPASS	13.500	10/01/2014	15,846.32
				FHLMC MORTPASS ARM	4.128	02/01/2035	814,479.46
				FHLMC MORTPASS ARM	4.297	03/01/2035	995,287.84
				FHLMC MORTPASS ARM	4.637	02/01/2034	612,477.48
				FHLMC MORTPASS ARM	4.678	08/01/2035	1,062,637.30
				FHLMC MORTPASS ARM	5.027	06/01/2035	1,964,278.29
				FHLMC MORTPASS ARM	5.216	12/01/2037	3,895,970.30
				FHLMC MORTPASS ARM	5.327	03/01/2037	589,337.59
				FHLMC MORTPASS ARM	5.482	04/01/2032	180,543.85
				FHLMC MORTPASS ARM	5.505	02/01/2037	877,466.83
				FHLMC MORTPASS ARM	5.647	04/01/2036	433,166.93
				FHLMC MORTPASS ARM	5.678	11/01/2035	2,785,352.62
				FHLMC MORTPASS ARM	5.729	11/01/2037	6,204,283.83
				FHLMC MORTPASS ARM	5.860	11/01/2036	3,671,187.91
				FHLMC MORTPASS ARM	5.973	07/01/2032	125,133.33
				FHLMC MORTPASS ARM	6.150	06/01/2036	3,768,594.53
				FHLMCGLD MORTPASS	4.000	08/01/2008	80,228.73
				FHLMCGLD MORTPASS	4.000	11/01/2010	242,875.42
				FHLMCGLD MORTPASS	4.000	09/01/2018	250,761.67
				FHLMCGLD MORTPASS	4.000	10/01/2018	375,605.48
				FHLMCGLD MORTPASS	4.000	07/01/2019	1,748,946.18
				FHLMCGLD MORTPASS	4.500	04/01/2018	474,156.94
				FHLMCGLD MORTPASS	4.500	06/01/2018	769,476.30
				FHLMCGLD MORTPASS	4.500	09/01/2018	385,165.29
				FHLMCGLD MORTPASS	4.500	11/01/2018	655,883.36
				FHLMCGLD MORTPASS	4.500	04/01/2019	158,286.92
				FHLMCGLD MORTPASS	4.500	05/01/2019	249,714.11
				FHLMCGLD MORTPASS	4.500	06/01/2019	129,048.91
				FHLMCGLD MORTPASS	4.500	06/01/2019	359,123.85
				FHLMCGLD MORTPASS	4.500	06/01/2019	1,619,389.30
				FHLMCGLD MORTPASS	4.500	11/01/2019	155,083.28
				FHLMCGLD MORTPASS	4.500	09/01/2020	166,813.39
				FHLMCGLD MORTPASS	4.500	05/01/2024	63,856.32
				FHLMCGLD MORTPASS	4.500	10/01/2025	279,045.79
				FHLMCGLD MORTPASS	4.500	08/01/2033	320,158.37
				FHLMCGLD MORTPASS	4.500	10/01/2033	60,506.43
				FHLMCGLD MORTPASS	4.500	08/01/2034	147,926.20
				FHLMCGLD MORTPASS	4.500	04/01/2035	288,371.76
				FHLMCGLD MORTPASS	4.500	09/01/2035	174,078.19
				FHLMCGLD MORTPASS	4.500	12/01/2035	197,444.86
				FHLMCGLD MORTPASS	5.000	04/01/2018	632,060.20
				FHLMCGLD MORTPASS	5.000	04/01/2018	129,516.47
				FHLMCGLD MORTPASS	5.000	11/01/2018	3,919,279.65
				FHLMCGLD MORTPASS	5.000	01/01/2019	359,920.55
				FHLMCGLD MORTPASS	5.000	04/01/2019	182,506.72
				FHLMCGLD MORTPASS	5.000	09/01/2019	314,039.66
				FHLMCGLD MORTPASS	5.000	01/01/2020	1,373,800.16
				FHLMCGLD MORTPASS	5.000	01/01/2020	1,115,941.44
				FHLMCGLD MORTPASS	5.000	04/01/2020	1,028,256.84
				FHLMCGLD MORTPASS	5.000	04/01/2020	164,016.43
				FHLMCGLD MORTPASS	5.000	05/01/2020	2,012,529.69
				FHLMCGLD MORTPASS	5.000	07/01/2020	135,953.57
				FHLMCGLD MORTPASS	5.000	10/01/2020	10,343,321.23
				FHLMCGLD MORTPASS	5.000	11/01/2020	11,750,158.71
				FHLMCGLD MORTPASS	5.000	12/01/2020	1,130,527.37
				FHLMCGLD MORTPASS	5.000	12/01/2020	395,695.33
				FHLMCGLD MORTPASS	5.000	04/01/2021	1,130,688.18
				FHLMCGLD MORTPASS	5.000	05/01/2021	842,422.65
				FHLMCGLD MORTPASS	5.000	05/01/2021	356,092.56
				FHLMCGLD MORTPASS	5.000	06/01/2021	4,593,923.15
				FHLMCGLD MORTPASS	5.000	07/01/2021	242,271.66
				FHLMCGLD MORTPASS	5.000	07/01/2021	341,854.33
				FHLMCGLD MORTPASS	5.000	10/01/2023	296,198.18
				FHLMCGLD MORTPASS	5.000	03/01/2024	108,417.84
				FHLMCGLD MORTPASS	5.000	10/01/2025	615,550.90

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES GOVERNMENT SECURITIES				UNITED STATES GOVERNMENT SECURITIES			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
FHLMCGLD MORTPASS	5.000	06/01/2033	571,230.77	FHLMCGLD MORTPASS	6.000	09/01/2022	351,692.18
FHLMCGLD MORTPASS	5.000	08/01/2033	736,781.15	FHLMCGLD MORTPASS	6.000	02/01/2027	1,949,741.99
FHLMCGLD MORTPASS	5.000	11/01/2033	939,598.00	FHLMCGLD MORTPASS	6.000	03/01/2027	417,972.50
FHLMCGLD MORTPASS	5.000	06/01/2034	871,950.29	FHLMCGLD MORTPASS	6.000	05/01/2028	13,294.46
FHLMCGLD MORTPASS	5.000	07/01/2034	725,545.42	FHLMCGLD MORTPASS	6.000	08/01/2028	65,625.80
FHLMCGLD MORTPASS	5.000	08/01/2034	1,120,178.64	FHLMCGLD MORTPASS	6.000	01/01/2029	181,813.57
FHLMCGLD MORTPASS	5.000	11/01/2034	1,088,909.25	FHLMCGLD MORTPASS	6.000	02/01/2029	43,523.57
FHLMCGLD MORTPASS	5.000	12/01/2034	185,448.75	FHLMCGLD MORTPASS	6.000	04/01/2029	58,562.59
FHLMCGLD MORTPASS	5.000	12/01/2034	109,648.41	FHLMCGLD MORTPASS	6.000	05/01/2029	151,069.24
FHLMCGLD MORTPASS	5.000	02/01/2035	200,043.18	FHLMCGLD MORTPASS	6.000	04/01/2031	46,144.17
FHLMCGLD MORTPASS	5.000	04/01/2035	119,162.33	FHLMCGLD MORTPASS	6.000	05/01/2031	65,245.23
FHLMCGLD MORTPASS	5.000	08/01/2035	593,229.92	FHLMCGLD MORTPASS	6.000	12/01/2031	156,526.64
FHLMCGLD MORTPASS	5.000	09/01/2035	119,658.53	FHLMCGLD MORTPASS	6.000	01/01/2032	93,995.04
FHLMCGLD MORTPASS	5.000	09/01/2035	577,721.60	FHLMCGLD MORTPASS	6.000	02/01/2032	132,952.84
FHLMCGLD MORTPASS	5.000	10/01/2035	194,639.53	FHLMCGLD MORTPASS	6.000	02/01/2032	249,265.14
FHLMCGLD MORTPASS	5.000	12/01/2035	634,233.91	FHLMCGLD MORTPASS	6.000	11/01/2032	271,203.46
FHLMCGLD MORTPASS	5.000	01/01/2036	295,610.74	FHLMCGLD MORTPASS	6.000	12/01/2032	226,150.62
FHLMCGLD MORTPASS	5.000	06/01/2037	577,819.96	FHLMCGLD MORTPASS	6.000	11/01/2033	830,274.59
FHLMCGLD MORTPASS	5.000	06/01/2037	2,590,217.90	FHLMCGLD MORTPASS	6.000	08/01/2034	102,357.00
FHLMCGLD MORTPASS	5.000	05/01/2038	957,669.90	FHLMCGLD MORTPASS	6.000	10/01/2034	457,365.44
FHLMCGLD MORTPASS	5.500	06/01/2009	44,307.47	FHLMCGLD MORTPASS	6.000	04/01/2035	452,421.80
FHLMCGLD MORTPASS	5.500	12/01/2013	73,319.99	FHLMCGLD MORTPASS	6.000	01/01/2036	791,619.02
FHLMCGLD MORTPASS	5.500	01/01/2014	40,374.28	FHLMCGLD MORTPASS	6.000	02/01/2036	294,406.32
FHLMCGLD MORTPASS	5.500	07/01/2016	121,951.33	FHLMCGLD MORTPASS	6.000	03/01/2036	2,142,935.86
FHLMCGLD MORTPASS	5.500	04/01/2017	275,549.70	FHLMCGLD MORTPASS	6.000	03/01/2036	571,301.72
FHLMCGLD MORTPASS	5.500	08/01/2017	165,380.72	FHLMCGLD MORTPASS	6.000	05/01/2036	242,454.14
FHLMCGLD MORTPASS	5.500	12/01/2017	37,501.37	FHLMCGLD MORTPASS	6.000	06/01/2036	452,974.21
FHLMCGLD MORTPASS	5.500	11/01/2018	1,289,101.10	FHLMCGLD MORTPASS	6.000	06/01/2036	458,673.75
FHLMCGLD MORTPASS	5.500	09/01/2019	226,101.24	FHLMCGLD MORTPASS	6.000	07/01/2036	360,029.26
FHLMCGLD MORTPASS	5.500	09/01/2019	475,223.38	FHLMCGLD MORTPASS	6.000	12/01/2036	358,052.14
FHLMCGLD MORTPASS	5.500	10/01/2019	196,826.33	FHLMCGLD MORTPASS	6.000	05/01/2037	499,022.31
FHLMCGLD MORTPASS	5.500	06/01/2020	150,359.67	FHLMCGLD MORTPASS	6.000	05/01/2037	418,134.29
FHLMCGLD MORTPASS	5.500	07/01/2020	229,261.44	FHLMCGLD MORTPASS	6.000	07/01/2037	660,848.04
FHLMCGLD MORTPASS	5.500	10/01/2020	810,749.16	FHLMCGLD MORTPASS	6.000	08/01/2037	1,531,912.67
FHLMCGLD MORTPASS	5.500	02/01/2021	2,183,024.35	FHLMCGLD MORTPASS	6.500	07/01/2013	4,741.01
FHLMCGLD MORTPASS	5.500	06/01/2021	8,060,405.84	FHLMCGLD MORTPASS	6.500	08/01/2017	179,547.04
FHLMCGLD MORTPASS	5.500	12/01/2021	2,549,033.42	FHLMCGLD MORTPASS	6.500	07/01/2022	86,362.25
FHLMCGLD MORTPASS	5.500	07/01/2022	454,717.23	FHLMCGLD MORTPASS	6.500	01/01/2024	59,900.01
FHLMCGLD MORTPASS	5.500	03/01/2023	198,531.86	FHLMCGLD MORTPASS	6.500	02/01/2024	49,193.65
FHLMCGLD MORTPASS	5.500	04/01/2023	373,817.71	FHLMCGLD MORTPASS	6.500	03/01/2026	15,157.52
FHLMCGLD MORTPASS	5.500	11/01/2032	567,144.89	FHLMCGLD MORTPASS	6.500	03/01/2028	26,749.98
FHLMCGLD MORTPASS	5.500	03/01/2033	485,862.02	FHLMCGLD MORTPASS	6.500	12/01/2028	47,336.20
FHLMCGLD MORTPASS	5.500	06/01/2033	230,522.35	FHLMCGLD MORTPASS	6.500	04/01/2029	55,071.63
FHLMCGLD MORTPASS	5.500	06/01/2033	912,526.95	FHLMCGLD MORTPASS	6.500	07/01/2029	29,896.92
FHLMCGLD MORTPASS	5.500	09/01/2033	127,174.44	FHLMCGLD MORTPASS	6.500	07/01/2029	51,742.76
FHLMCGLD MORTPASS	5.500	11/01/2033	386,725.66	FHLMCGLD MORTPASS	6.500	08/01/2032	57,882.50
FHLMCGLD MORTPASS	5.500	01/01/2034	1,028,927.89	FHLMCGLD MORTPASS	6.500	10/01/2032	38,535.84
FHLMCGLD MORTPASS	5.500	03/01/2034	537,630.61	FHLMCGLD MORTPASS	6.500	11/01/2032	388,253.98
FHLMCGLD MORTPASS	5.500	04/01/2034	704,936.44	FHLMCGLD MORTPASS	6.500	09/01/2033	87,072.96
FHLMCGLD MORTPASS	5.500	05/01/2034	120,591.01	FHLMCGLD MORTPASS	6.500	11/01/2033	89,307.06
FHLMCGLD MORTPASS	5.500	06/01/2034	608,670.29	FHLMCGLD MORTPASS	6.500	03/01/2035	68,855.44
FHLMCGLD MORTPASS	5.500	07/01/2034	1,300,472.86	FHLMCGLD MORTPASS	6.500	03/01/2036	124,363.86
FHLMCGLD MORTPASS	5.500	08/01/2034	256,603.51	FHLMCGLD MORTPASS	6.500	09/01/2036	317,729.15
FHLMCGLD MORTPASS	5.500	09/01/2034	421,755.27	FHLMCGLD MORTPASS	6.500	10/01/2036	364,110.03
FHLMCGLD MORTPASS	5.500	01/01/2035	673,254.59	FHLMCGLD MORTPASS	6.500	04/01/2037	1,198,809.56
FHLMCGLD MORTPASS	5.500	04/01/2035	461,021.09	FHLMCGLD MORTPASS	7.000	07/01/2008	189.92
FHLMCGLD MORTPASS	5.500	05/01/2035	8,725,676.68	FHLMCGLD MORTPASS	7.000	12/01/2015	3,812.96
FHLMCGLD MORTPASS	5.500	07/01/2035	252,966.65	FHLMCGLD MORTPASS	7.000	01/01/2023	27,781.39
FHLMCGLD MORTPASS	5.500	08/01/2035	534,402.68	FHLMCGLD MORTPASS	7.000	10/01/2023	45,515.02
FHLMCGLD MORTPASS	5.500	11/01/2035	366,302.87	FHLMCGLD MORTPASS	7.000	01/01/2026	11,077.66
FHLMCGLD MORTPASS	5.500	01/01/2036	2,283,361.74	FHLMCGLD MORTPASS	7.000	03/01/2026	15,415.65
FHLMCGLD MORTPASS	5.500	02/01/2036	233,723.43	FHLMCGLD MORTPASS	7.000	01/01/2027	8,532.02
FHLMCGLD MORTPASS	5.500	03/01/2036	328,333.26	FHLMCGLD MORTPASS	7.000	11/01/2028	76,827.94
FHLMCGLD MORTPASS	5.500	05/01/2036	438,410.99	FHLMCGLD MORTPASS	7.000	06/01/2029	25,478.18
FHLMCGLD MORTPASS	5.500	06/01/2036	200,577.68	FHLMCGLD MORTPASS	7.000	08/01/2029	30,130.36
FHLMCGLD MORTPASS	5.500	07/01/2036	132,945.37	FHLMCGLD MORTPASS	7.000	11/01/2030	14,714.50
FHLMCGLD MORTPASS	5.500	09/01/2036	610,678.25	FHLMCGLD MORTPASS	7.000	02/01/2031	16,220.84
FHLMCGLD MORTPASS	5.500	11/01/2036	1,203,157.96	FHLMCGLD MORTPASS	7.000	12/01/2031	23,801.23
FHLMCGLD MORTPASS	5.500	12/01/2036	3,033,758.57	FHLMCGLD MORTPASS	7.000	06/01/2032	81,808.83
FHLMCGLD MORTPASS	5.500	01/01/2037	583,847.39	FHLMCGLD MORTPASS	7.000	06/01/2032	55,392.44
FHLMCGLD MORTPASS	5.500	02/01/2037	2,391,165.63	FHLMCGLD MORTPASS	7.000	12/01/2032	468,005.02
FHLMCGLD MORTPASS	5.500	03/01/2037	716,997.10	FHLMCGLD MORTPASS	7.000	02/01/2036	117,484.39
FHLMCGLD MORTPASS	5.500	03/01/2037	2,962,464.63	FHLMCGLD MORTPASS	7.500	09/01/2014	16,453.95
FHLMCGLD MORTPASS	5.500	05/01/2037	17,723,564.76	FHLMCGLD MORTPASS	7.500	01/01/2023	8,812.64
FHLMCGLD MORTPASS	5.500	07/01/2037	724,494.03	FHLMCGLD MORTPASS	7.500	03/01/2030	657.67
FHLMCGLD MORTPASS	5.500	07/01/2037	496,285.80	FHLMCGLD MORTPASS	7.500	04/01/2030	6,759.23
FHLMCGLD MORTPASS	5.500	10/01/2037	2,794,586.14	FHLMCGLD MORTPASS	7.500	09/01/2030	51,695.87
FHLMCGLD MORTPASS	5.500	01/01/2038	1,422,853.15	FHLMCGLD MORTPASS	7.500	09/01/2030	4,916.81
FHLMCGLD MORTPASS	6.000	12/01/2008	2,285.05	FHLMCGLD MORTPASS	7.500	07/01/2034	120,111.50
FHLMCGLD MORTPASS	6.000	03/01/2014	7,342.02	FHLMCGLD MORTPASS	8.000	06/01/2027	27,350.02
FHLMCGLD MORTPASS	6.000	06/01/2014	36,270.85	FHLMCGLD MORTPASS	8.000	12/01/2027	15,546.99
FHLMCGLD MORTPASS	6.000	08/01/2014	15,390.03	FHLMCGLD MORTPASS	8.000	11/01/2029	5,228.77
FHLMCGLD MORTPASS	6.000	04/01/2017	50,480.21	FHLMCGLD MORTPASS	8.500	10/01/2026	26,347.75
FHLMCGLD MORTPASS	6.000	06/01/2022	87,259.92	FHLMCGLD MORTPASS	9.000	06/01/2021	491.08

PORTFOLIO OF ASSETS, JUNE 30, 2018

UNITED STATES			UNITED STATES		
GOVERNMENT SECURITIES			GOVERNMENT SECURITIES		
RATE	MATURITY DATE	MARKET VALUE	RATE	MATURITY DATE	MARKET VALUE
10.350	08/03/2018	690,600.00	6.000	07/01/2024	132,426.56
3.250	08/15/2008	4,003,760.00	6.000	02/01/2032	355,597.51
3.375	12/15/2008	5,018,750.00	6.000	09/01/2032	58,802.74
3.875	02/15/2010	5,068,750.00	6.000	11/01/2032	778,388.96
4.000	09/01/2011	194,509.02	6.000	11/01/2032	109,514.48
4.000	09/01/2018	938,805.68	6.000	04/01/2033	131,065.95
4.000	06/01/2019	230,894.79	6.000	05/01/2033	334,441.12
4.125	04/15/2014	6,415,750.50	6.000	08/01/2034	327,110.00
4.199	11/01/2034	3,094,295.00	6.000	08/01/2034	1,078,474.75
4.328	01/01/2035	871,083.26	6.000	11/01/2034	293,205.10
4.375	09/15/2012	5,182,875.00	6.000	11/01/2034	2,426,527.60
4.375	03/15/2013	6,569,095.00	6.000	11/01/2034	65,400.66
4.500	07/01/2010	211,147.12	6.000	08/01/2035	205,145.78
4.500	04/01/2018	962,773.97	6.000	02/01/2036	548,877.22
4.500	05/01/2018	484,603.51	6.000	09/01/2036	500,331.01
4.500	10/01/2018	293,905.12	6.000	05/01/2038	2,583,795.86
4.500	08/01/2023	226,715.50	6.250	02/01/2011	2,364,232.20
4.500	12/01/2034	2,163,969.74	6.250	02/01/2011	1,677,504.00
4.625	05/01/2013	1,815,312.50	6.500	02/01/2017	48,766.40
4.625	10/15/2014	5,198,838.00	6.500	03/01/2017	18,327.94
4.625	10/15/2014	335,570.40	6.500	08/01/2028	39,054.12
4.625	10/15/2014	5,084,400.00	6.500	10/01/2028	24,164.49
4.728	06/01/2045	413,411.19	6.500	07/01/2032	121,211.78
5.000	03/15/2016	1,020,630.00	6.500	08/01/2032	94,634.29
5.000	02/13/2017	1,528,125.00	6.500	07/25/2038	2,058,760.00
5.000	10/01/2017	270,631.80	6.625	09/15/2009	2,399,912.00
5.000	04/01/2018	313,838.14	6.625	11/15/2010	1,987,011.00
5.000	06/01/2020	281,395.11	6.625	11/15/2030	593,595.00
5.000	10/01/2020	1,005,924.44	7.000	04/01/2032	133,221.78
5.000	04/01/2024	84,539.74	7.250	05/15/2030	101,500.00
5.000	09/01/2033	1,035,634.53	4.000	08/01/2018	359,260.88
5.000	10/01/2033	1,764,137.39	4.000	10/01/2018	239,516.94
5.000	10/01/2033	385,905.06	4.000	04/01/2019	37,107.40
5.000	11/01/2033	1,702,339.80	4.000	05/01/2019	138,676.04
5.000	12/01/2033	1,131,471.38	4.000	05/01/2019	469,654.27
5.000	04/01/2035	309,447.39	4.500	07/01/2018	503,748.08
5.000	10/01/2035	425,570.17	4.500	09/01/2018	516,740.56
5.000	03/01/2036	917,525.85	4.500	12/01/2018	602,537.64
5.000	05/01/2036	250,978.79	4.500	06/01/2019	2,816,548.90
5.000	09/01/2036	1,386,456.70	4.500	10/01/2020	311,894.98
5.000	11/01/2036	56,927.56	4.500	09/01/2033	1,116,955.57
5.000	12/01/2036	1,613,201.27	4.500	06/01/2034	257,800.23
5.000	02/01/2037	458,231.14	4.500	08/01/2035	2,545,927.13
5.000	02/01/2037	1,409,742.06	4.500	08/01/2035	331,422.47
5.000	05/01/2037	495,884.83	5.000	12/01/2017	547,611.74
5.000	05/01/2037	94,541.76	5.000	01/01/2018	278,435.85
5.000	06/01/2037	212,073.50	5.000	03/01/2018	403,276.25
5.000	07/25/2038	46,771,872.00	5.000	05/01/2018	1,029,931.10
5.000	07/25/2038	718,830.00	5.000	11/01/2018	307,572.36
5.125	01/02/2014	898,029.00	5.000	05/01/2019	1,088,284.31
5.500	03/15/2011	5,568,339.00	5.000	04/01/2020	190,187.50
5.500	09/01/2019	110,650.63	5.000	08/01/2020	135,905.36
5.500	06/01/2023	831,152.88	5.000	08/01/2020	1,431,677.20
5.500	06/01/2033	1,362,175.37	5.000	09/01/2020	987,086.36
5.500	06/01/2033	4,500,263.47	5.000	09/01/2020	3,034,798.00
5.500	06/01/2033	761,684.12	5.000	10/01/2020	352,280.32
5.500	09/01/2033	153,482.44	5.000	10/01/2020	3,026,713.86
5.500	10/01/2033	262,960.03	5.000	12/01/2020	1,034,211.42
5.500	01/01/2034	384,990.34	5.000	12/01/2020	1,001,721.92
5.500	04/01/2034	3,945,340.39	5.000	05/01/2021	163,835.82
5.500	06/01/2034	3,328,864.86	5.000	06/01/2027	863,299.23
5.500	07/01/2034	816,904.98	5.000	11/01/2032	530,979.24
5.500	07/01/2034	998,809.75	5.000	05/01/2033	105,729.65
5.500	02/01/2035	802,911.85	5.000	06/01/2033	857,455.58
5.500	02/01/2035	1,239,835.47	5.000	06/01/2033	220,756.67
5.500	05/01/2035	309,552.03	5.000	08/01/2033	454,029.59
5.500	05/01/2035	132,595.22	5.000	09/01/2033	527,529.00
5.500	05/01/2035	384,321.86	5.000	11/01/2033	851,196.45
5.500	06/01/2035	297,325.83	5.000	01/01/2035	321,226.86
5.500	06/01/2035	327,101.94	5.000	04/01/2035	24,416,614.50
5.500	11/01/2035	1,195,304.54	5.000	05/01/2035	340,524.45
5.500	12/01/2035	615,354.78	5.000	07/01/2035	565,813.92
5.500	04/01/2036	2,707,509.37	5.000	07/01/2035	2,087,989.06
5.500	04/01/2036	7,885,787.49	5.000	08/01/2035	825,319.89
5.500	04/01/2036	1,204,200.71	5.000	08/01/2035	239,133.20
5.500	11/01/2036	445,480.84	5.000	08/01/2035	1,633,960.65
5.500	05/01/2037	6,412,006.77	5.000	10/01/2035	665,593.64
5.500	08/01/2037	1,366,256.02	5.000	10/01/2035	601,161.76
6.000	05/15/2011	1,278,000.00	5.000	10/01/2035	1,382,526.66
6.000	06/01/2016	525,977.21	5.000	12/01/2035	187,721.63
6.000	03/01/2017	127,358.28	5.000	12/01/2035	457,575.96
6.000	05/01/2017	73,643.17	5.000	12/01/2035	466,246.31
6.000	08/01/2017	148,658.75	5.000	01/01/2036	1,376,535.81
6.000	11/01/2022	918,389.44	5.000	02/01/2036	814,793.40

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES		MATURITY		MARKET		UNITED STATES		MATURITY		MARKET	
GOVERNMENT SECURITIES		RATE	DATE	VALUE	GOVERNMENT SECURITIES		RATE	DATE	VALUE		
FNMA MORTPASS	5.000	02/01/2036	28,948,107.12	FNMA MORTPASS	5.500	12/01/2033	1,508,684.55				
FNMA MORTPASS	5.000	02/01/2036	436,450.20	FNMA MORTPASS	5.500	12/01/2033	859,006.13				
FNMA MORTPASS	5.000	03/01/2036	2,473,016.38	FNMA MORTPASS	5.500	12/01/2033	312,179.61				
FNMA MORTPASS	5.000	04/01/2036	189,967.38	FNMA MORTPASS	5.500	01/01/2034	237,058.74				
FNMA MORTPASS	5.000	04/01/2036	5,363,567.46	FNMA MORTPASS	5.500	01/01/2034	259,806.46				
FNMA MORTPASS	5.000	05/01/2036	1,301,073.64	FNMA MORTPASS	5.500	02/01/2034	501,635.98				
FNMA MORTPASS	5.000	05/01/2036	9,950,253.08	FNMA MORTPASS	5.500	02/01/2034	1,364,311.57				
FNMA MORTPASS	5.000	06/01/2036	370,406.35	FNMA MORTPASS	5.500	03/01/2034	1,275,472.20				
FNMA MORTPASS	5.000	06/01/2036	2,522,183.71	FNMA MORTPASS	5.500	04/01/2034	519,427.55				
FNMA MORTPASS	5.000	07/01/2036	1,391,317.37	FNMA MORTPASS	5.500	05/01/2034	95,348.75				
FNMA MORTPASS	5.000	09/01/2036	1,392,851.61	FNMA MORTPASS	5.500	05/01/2034	420,503.86				
FNMA MORTPASS	5.000	11/01/2036	457,890.93	FNMA MORTPASS	5.500	06/01/2034	89,771.49				
FNMA MORTPASS	5.000	12/01/2036	1,396,019.39	FNMA MORTPASS	5.500	06/01/2034	303,018.05				
FNMA MORTPASS	5.000	12/01/2036	423,839.12	FNMA MORTPASS	5.500	09/01/2034	572,807.68				
FNMA MORTPASS	5.000	12/01/2036	492,923.67	FNMA MORTPASS	5.500	10/01/2034	143,011.86				
FNMA MORTPASS	5.000	12/01/2036	916,961.93	FNMA MORTPASS	5.500	11/01/2034	342,621.38				
FNMA MORTPASS	5.000	12/01/2036	428,607.32	FNMA MORTPASS	5.500	11/01/2034	278,413.98				
FNMA MORTPASS	5.000	12/01/2036	1,335,969.33	FNMA MORTPASS	5.500	12/01/2034	169,727.58				
FNMA MORTPASS	5.000	01/01/2037	462,627.08	FNMA MORTPASS	5.500	12/01/2034	1,126,779.02				
FNMA MORTPASS	5.000	01/01/2037	2,258,914.98	FNMA MORTPASS	5.500	12/01/2034	106,144.57				
FNMA MORTPASS	5.000	02/01/2037	1,414,384.07	FNMA MORTPASS	5.500	01/01/2035	636,634.67				
FNMA MORTPASS	5.000	02/01/2037	1,526,621.85	FNMA MORTPASS	5.500	01/01/2035	217,361.10				
FNMA MORTPASS	5.000	02/01/2037	941,172.58	FNMA MORTPASS	5.500	01/01/2035	98,105.43				
FNMA MORTPASS	5.000	02/01/2037	1,372,153.43	FNMA MORTPASS	5.500	01/01/2035	587,593.42				
FNMA MORTPASS	5.000	02/01/2037	1,387,708.75	FNMA MORTPASS	5.500	02/01/2035	1,847,007.90				
FNMA MORTPASS	5.000	02/01/2037	909,652.77	FNMA MORTPASS	5.500	02/01/2035	1,386,563.14				
FNMA MORTPASS	5.000	02/01/2037	401,788.50	FNMA MORTPASS	5.500	03/01/2035	2,556,013.86				
FNMA MORTPASS	5.000	02/01/2037	444,180.13	FNMA MORTPASS	5.500	03/01/2035	53,032.92				
FNMA MORTPASS	5.000	03/01/2037	795,762.92	FNMA MORTPASS	5.500	04/01/2035	350,204.99				
FNMA MORTPASS	5.000	03/01/2037	896,418.66	FNMA MORTPASS	5.500	04/01/2035	150,525.65				
FNMA MORTPASS	5.000	03/01/2037	933,100.69	FNMA MORTPASS	5.500	04/01/2035	122,492.82				
FNMA MORTPASS	5.000	03/01/2037	880,225.63	FNMA MORTPASS	5.500	04/01/2035	338,408.97				
FNMA MORTPASS	5.000	04/01/2037	872,522.03	FNMA MORTPASS	5.500	05/01/2035	162,468.57				
FNMA MORTPASS	5.000	04/01/2037	862,589.13	FNMA MORTPASS	5.500	05/01/2035	153,718.84				
FNMA MORTPASS	5.000	05/01/2037	872,778.22	FNMA MORTPASS	5.500	05/01/2035	161,363.50				
FNMA MORTPASS	5.000	05/01/2037	930,086.82	FNMA MORTPASS	5.500	05/01/2035	273,698.11				
FNMA MORTPASS	5.000	05/01/2037	812,113.10	FNMA MORTPASS	5.500	05/01/2035	159,619.85				
FNMA MORTPASS	5.000	05/01/2037	2,699,210.55	FNMA MORTPASS	5.500	05/01/2035	393,898.97				
FNMA MORTPASS	5.000	05/01/2037	606,988.32	FNMA MORTPASS	5.500	05/01/2035	352,194.05				
FNMA MORTPASS	5.000	05/01/2037	886,224.01	FNMA MORTPASS	5.500	05/01/2035	406,818.03				
FNMA MORTPASS	5.000	05/01/2037	89,791.52	FNMA MORTPASS	5.500	05/01/2035	291,610.67				
FNMA MORTPASS	5.000	05/01/2037	455,392.06	FNMA MORTPASS	5.500	05/01/2035	274,299.48				
FNMA MORTPASS	5.000	05/01/2037	848,086.30	FNMA MORTPASS	5.500	05/01/2035	349,318.41				
FNMA MORTPASS	5.000	05/01/2037	137,077.23	FNMA MORTPASS	5.500	05/01/2035	213,238.69				
FNMA MORTPASS	5.000	06/01/2037	209,927.99	FNMA MORTPASS	5.500	06/01/2035	349,303.55				
FNMA MORTPASS	5.000	06/01/2037	115,267.42	FNMA MORTPASS	5.500	06/01/2035	301,004.61				
FNMA MORTPASS	5.000	06/01/2037	806,931.98	FNMA MORTPASS	5.500	06/01/2035	544,903.91				
FNMA MORTPASS	5.000	06/01/2037	474,660.65	FNMA MORTPASS	5.500	06/01/2035	176,818.01				
FNMA MORTPASS	5.000	06/01/2037	2,854,383.51	FNMA MORTPASS	5.500	07/01/2035	325,528.42				
FNMA MORTPASS	5.000	06/01/2037	1,829,935.32	FNMA MORTPASS	5.500	07/01/2035	2,749,015.18				
FNMA MORTPASS	5.000	06/01/2037	591,936.22	FNMA MORTPASS	5.500	08/01/2035	2,425,194.54				
FNMA MORTPASS	5.000	07/01/2037	136,175.83	FNMA MORTPASS	5.500	08/01/2035	379,071.10				
FNMA MORTPASS	5.000	07/01/2037	2,855,197.06	FNMA MORTPASS	5.500	09/01/2035	1,874,327.91				
FNMA MORTPASS	5.000	07/01/2037	936,494.41	FNMA MORTPASS	5.500	09/01/2035	1,143,468.34				
FNMA MORTPASS	5.000	08/01/2037	2,340,984.60	FNMA MORTPASS	5.500	09/01/2035	248,524.27				
FNMA MORTPASS	5.000	08/01/2037	788,770.69	FNMA MORTPASS	5.500	09/01/2035	979,306.64				
FNMA MORTPASS	5.000	08/01/2037	941,207.74	FNMA MORTPASS	5.500	09/01/2035	77,577.49				
FNMA MORTPASS	5.000	08/01/2037	66,663.23	FNMA MORTPASS	5.500	09/01/2035	1,520,620.78				
FNMA MORTPASS	5.000	09/01/2037	894,671.66	FNMA MORTPASS	5.500	09/01/2035	1,352,858.00				
FNMA MORTPASS	5.000	03/01/2038	958,156.41	FNMA MORTPASS	5.500	09/01/2035	1,437,746.96				
FNMA MORTPASS	5.500	06/01/2014	41,071.10	FNMA MORTPASS	5.500	09/01/2035	1,583,374.19				
FNMA MORTPASS	5.500	03/01/2016	48,904.45	FNMA MORTPASS	5.500	09/01/2035	995,366.42				
FNMA MORTPASS	5.500	09/01/2016	207,767.91	FNMA MORTPASS	5.500	10/01/2035	710,123.64				
FNMA MORTPASS	5.500	12/01/2016	42,870.78	FNMA MORTPASS	5.500	10/01/2035	1,312,291.97				
FNMA MORTPASS	5.500	02/01/2017	243,409.06	FNMA MORTPASS	5.500	10/01/2035	394,418.35				
FNMA MORTPASS	5.500	05/01/2017	1,286,692.95	FNMA MORTPASS	5.500	10/01/2035	760,296.81				
FNMA MORTPASS	5.500	01/01/2019	287,836.20	FNMA MORTPASS	5.500	11/01/2035	319,786.57				
FNMA MORTPASS	5.500	07/01/2019	218,388.30	FNMA MORTPASS	5.500	11/01/2035	2,983,099.91				
FNMA MORTPASS	5.500	07/01/2019	528,774.77	FNMA MORTPASS	5.500	11/01/2035	658,068.74				
FNMA MORTPASS	5.500	09/01/2019	187,504.81	FNMA MORTPASS	5.500	12/01/2035	874,401.41				
FNMA MORTPASS	5.500	06/01/2020	126,028.32	FNMA MORTPASS	5.500	12/01/2035	265,906.34				
FNMA MORTPASS	5.500	04/01/2023	319,469.62	FNMA MORTPASS	5.500	12/01/2035	638,164.75				
FNMA MORTPASS	5.500	12/01/2023	139,203.97	FNMA MORTPASS	5.500	01/01/2036	3,778,829.10				
FNMA MORTPASS	5.500	03/01/2026	451,182.18	FNMA MORTPASS	5.500	01/01/2036	3,545,479.97				
FNMA MORTPASS	5.500	05/01/2029	68,044.70	FNMA MORTPASS	5.500	02/01/2036	1,078,652.28				
FNMA MORTPASS	5.500	01/01/2032	208,934.68	FNMA MORTPASS	5.500	03/01/2036	82,493.38				
FNMA MORTPASS	5.500	12/01/2032	199,759.01	FNMA MORTPASS	5.500	04/01/2036	1,683,662.67				
FNMA MORTPASS	5.500	03/01/2033	2,503,978.49	FNMA MORTPASS	5.500	04/01/2036	525,801.05				
FNMA MORTPASS	5.500	04/01/2033	203,162.00	FNMA MORTPASS	5.500	04/01/2036	2,797,624.13				
FNMA MORTPASS	5.500	04/01/2033	342,806.69	FNMA MORTPASS	5.500	04/01/2036	395,174.21				
FNMA MORTPASS	5.500	05/01/2033	1,536,834.58	FNMA MORTPASS	5.500	05/01/2036	3,512,688.66				
FNMA MORTPASS	5.500	09/01/2033	306,660.38	FNMA MORTPASS	5.500	05/01/2036	2,381,060.88				
FNMA MORTPASS	5.500	09/01/2033	141,137.63	FNMA MORTPASS	5.500	06/01/2036	1,387,833.26				
FNMA MORTPASS	5.500	11/01/2033	134,304.99	FNMA MORTPASS	5.500	06/01/2036	811,062.55				

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES			UNITED STATES				
GOVERNMENT SECURITIES			GOVERNMENT SECURITIES				
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
FNMA MORTPASS	5.500	07/01/2036	256,211.36	FNMA MORTPASS	6.000	08/01/2037	1,300,895.74
FNMA MORTPASS	5.500	07/01/2036	556,614.21	FNMA MORTPASS	6.000	09/01/2037	778,763.71
FNMA MORTPASS	5.500	09/01/2036	3,084,284.72	FNMA MORTPASS	6.000	11/01/2037	128,565.87
FNMA MORTPASS	5.500	11/01/2036	3,086,373.87	FNMA MORTPASS	6.000	12/01/2037	2,861,072.64
FNMA MORTPASS	5.500	11/01/2036	5,325,969.17	FNMA MORTPASS	6.500	03/01/2009	3,758.87
FNMA MORTPASS	5.500	11/01/2036	14,990,714.96	FNMA MORTPASS	6.500	09/01/2011	4,665.68
FNMA MORTPASS	5.500	12/01/2036	5,415,765.31	FNMA MORTPASS	6.500	01/01/2013	65,080.44
FNMA MORTPASS	5.500	12/01/2036	658,745.33	FNMA MORTPASS	6.500	06/01/2014	64,195.69
FNMA MORTPASS	5.500	12/01/2036	920,987.42	FNMA MORTPASS	6.500	03/01/2016	12,701.65
FNMA MORTPASS	5.500	01/01/2037	3,371,132.77	FNMA MORTPASS	6.500	07/01/2016	7,099.56
FNMA MORTPASS	5.500	02/01/2037	25,390.54	FNMA MORTPASS	6.500	09/01/2016	42,187.94
FNMA MORTPASS	5.500	02/01/2037	569,502.87	FNMA MORTPASS	6.500	10/01/2016	17,091.76
FNMA MORTPASS	5.500	02/01/2037	260,454.42	FNMA MORTPASS	6.500	12/01/2016	128,960.87
FNMA MORTPASS	5.500	03/01/2037	346,596.76	FNMA MORTPASS	6.500	12/01/2016	20,560.70
FNMA MORTPASS	5.500	03/01/2037	2,977,539.25	FNMA MORTPASS	6.500	02/01/2017	13,870.76
FNMA MORTPASS	5.500	03/01/2037	378,788.04	FNMA MORTPASS	6.500	03/01/2017	46,428.86
FNMA MORTPASS	5.500	03/01/2037	401,492.59	FNMA MORTPASS	6.500	03/01/2017	119,291.74
FNMA MORTPASS	5.500	03/01/2037	604,126.06	FNMA MORTPASS	6.500	04/01/2017	23,478.33
FNMA MORTPASS	5.500	03/01/2037	8,689,193.12	FNMA MORTPASS	6.500	07/01/2017	37,651.76
FNMA MORTPASS	5.500	04/01/2037	837,198.39	FNMA MORTPASS	6.500	08/01/2017	23,667.99
FNMA MORTPASS	5.500	04/01/2037	271,013.73	FNMA MORTPASS	6.500	09/01/2021	77,670.69
FNMA MORTPASS	5.500	04/01/2037	1,598,682.28	FNMA MORTPASS	6.500	01/01/2024	31,918.97
FNMA MORTPASS	5.500	04/01/2037	82,559.78	FNMA MORTPASS	6.500	08/01/2025	180,751.75
FNMA MORTPASS	5.500	04/01/2037	1,750,329.37	FNMA MORTPASS	6.500	02/01/2026	32,643.32
FNMA MORTPASS	5.500	05/01/2037	2,215,800.47	FNMA MORTPASS	6.500	03/01/2028	65,832.92
FNMA MORTPASS	5.500	05/01/2037	9.04	FNMA MORTPASS	6.500	08/01/2028	31,406.50
FNMA MORTPASS	5.500	06/01/2037	1,432,199.96	FNMA MORTPASS	6.500	09/01/2028	197,487.44
FNMA MORTPASS	5.500	06/01/2037	1,057,841.30	FNMA MORTPASS	6.500	09/01/2028	24,518.76
FNMA MORTPASS	5.500	06/01/2037	620,778.56	FNMA MORTPASS	6.500	10/01/2028	21,624.71
FNMA MORTPASS	5.500	07/01/2037	1,021,900.12	FNMA MORTPASS	6.500	11/01/2028	31,966.61
FNMA MORTPASS	5.500	07/01/2037	37,620.13	FNMA MORTPASS	6.500	11/01/2028	24,163.42
FNMA MORTPASS	5.500	01/01/2038	1,470,036.18	FNMA MORTPASS	6.500	06/01/2029	51,094.72
FNMA MORTPASS	5.500	02/01/2038	10,945,640.63	FNMA MORTPASS	6.500	06/01/2029	21,241.46
FNMA MORTPASS	6.000	12/01/2008	3,480.99	FNMA MORTPASS	6.500	07/01/2029	67,244.78
FNMA MORTPASS	6.000	01/01/2009	3,210.21	FNMA MORTPASS	6.500	08/01/2029	56,219.61
FNMA MORTPASS	6.000	04/01/2013	18,454.10	FNMA MORTPASS	6.500	11/01/2029	226,099.59
FNMA MORTPASS	6.000	12/01/2013	22,670.85	FNMA MORTPASS	6.500	05/01/2031	60,766.52
FNMA MORTPASS	6.000	02/01/2014	53,011.20	FNMA MORTPASS	6.500	05/01/2031	31,424.69
FNMA MORTPASS	6.000	05/01/2014	21,594.93	FNMA MORTPASS	6.500	06/01/2031	37,332.89
FNMA MORTPASS	6.000	07/01/2014	14,643.52	FNMA MORTPASS	6.500	10/01/2031	113,131.80
FNMA MORTPASS	6.000	08/01/2019	8,795.54	FNMA MORTPASS	6.500	08/01/2032	154,089.42
FNMA MORTPASS	6.000	06/01/2021	202,360.38	FNMA MORTPASS	6.500	01/01/2033	528,216.45
FNMA MORTPASS	6.000	09/01/2021	410,190.00	FNMA MORTPASS	6.500	08/01/2033	27,528.63
FNMA MORTPASS	6.000	09/01/2021	186,841.84	FNMA MORTPASS	6.500	09/01/2033	85,297.23
FNMA MORTPASS	6.000	01/01/2023	551,321.21	FNMA MORTPASS	6.500	09/01/2034	639,102.92
FNMA MORTPASS	6.000	05/01/2024	206,877.17	FNMA MORTPASS	6.500	11/01/2034	210,808.31
FNMA MORTPASS	6.000	09/01/2025	47,221.69	FNMA MORTPASS	6.500	04/01/2036	201,024.27
FNMA MORTPASS	6.000	12/01/2028	401,927.66	FNMA MORTPASS	6.500	05/01/2036	2,119,529.36
FNMA MORTPASS	6.000	08/01/2029	112,192.36	FNMA MORTPASS	6.500	06/01/2036	1,443,652.82
FNMA MORTPASS	6.000	05/01/2031	22,122.35	FNMA MORTPASS	6.500	06/01/2036	445,268.66
FNMA MORTPASS	6.000	01/01/2032	300,434.32	FNMA MORTPASS	6.500	07/01/2036	300,152.86
FNMA MORTPASS	6.000	08/01/2032	373,177.51	FNMA MORTPASS	6.500	07/01/2036	149,779.34
FNMA MORTPASS	6.000	10/01/2032	81,240.00	FNMA MORTPASS	6.500	07/01/2036	333,576.62
FNMA MORTPASS	6.000	12/01/2032	276,759.26	FNMA MORTPASS	6.500	08/01/2036	481,215.92
FNMA MORTPASS	6.000	09/01/2034	139,318.23	FNMA MORTPASS	6.500	11/01/2037	3,523,126.44
FNMA MORTPASS	6.000	09/01/2034	905,803.93	FNMA MORTPASS	6.500	11/01/2037	392,307.79
FNMA MORTPASS	6.000	10/01/2034	408,267.07	FNMA MORTPASS	7.000	04/01/2015	36,852.91
FNMA MORTPASS	6.000	12/01/2034	229,649.53	FNMA MORTPASS	7.000	01/01/2016	318,354.05
FNMA MORTPASS	6.000	09/01/2035	444,812.84	FNMA MORTPASS	7.000	06/01/2020	26,867.22
FNMA MORTPASS	6.000	09/01/2035	928,846.25	FNMA MORTPASS	7.000	04/01/2024	27,374.34
FNMA MORTPASS	6.000	10/01/2035	362,721.24	FNMA MORTPASS	7.000	06/01/2024	22,426.73
FNMA MORTPASS	6.000	10/01/2035	1,152,671.17	FNMA MORTPASS	7.000	02/01/2026	24,676.52
FNMA MORTPASS	6.000	10/01/2035	987,159.23	FNMA MORTPASS	7.000	06/01/2026	15,305.11
FNMA MORTPASS	6.000	10/01/2035	186,833.73	FNMA MORTPASS	7.000	08/01/2027	126,264.74
FNMA MORTPASS	6.000	12/01/2035	205,136.07	FNMA MORTPASS	7.000	09/01/2027	24,179.03
FNMA MORTPASS	6.000	06/01/2036	475,293.93	FNMA MORTPASS	7.000	01/01/2028	3,585.19
FNMA MORTPASS	6.000	07/01/2036	425,475.52	FNMA MORTPASS	7.000	08/01/2029	17,672.90
FNMA MORTPASS	6.000	07/01/2036	535,533.43	FNMA MORTPASS	7.000	09/01/2029	25,906.20
FNMA MORTPASS	6.000	08/01/2036	29,336.37	FNMA MORTPASS	7.000	02/01/2030	14,449.12
FNMA MORTPASS	6.000	09/01/2036	790,722.07	FNMA MORTPASS	7.000	11/01/2030	43,638.42
FNMA MORTPASS	6.000	11/01/2036	386,058.44	FNMA MORTPASS	7.000	10/01/2032	115,621.42
FNMA MORTPASS	6.000	12/01/2036	2,966,029.77	FNMA MORTPASS	7.000	01/01/2037	239,646.11
FNMA MORTPASS	6.000	12/01/2036	535,871.47	FNMA MORTPASS	7.500	11/01/2022	24,045.02
FNMA MORTPASS	6.000	12/01/2036	701,035.84	FNMA MORTPASS	7.500	07/01/2024	21,867.45
FNMA MORTPASS	6.000	01/01/2037	495,641.87	FNMA MORTPASS	7.500	08/01/2024	6,908.77
FNMA MORTPASS	6.000	01/01/2037	1,931,950.87	FNMA MORTPASS	7.500	12/01/2026	7,637.79
FNMA MORTPASS	6.000	04/01/2037	544,293.52	FNMA MORTPASS	7.500	05/01/2027	17,340.29
FNMA MORTPASS	6.000	04/01/2037	457,767.64	FNMA MORTPASS	7.500	07/01/2028	35,016.76
FNMA MORTPASS	6.000	04/01/2037	1,070,219.51	FNMA MORTPASS	7.500	09/01/2028	42,450.25
FNMA MORTPASS	6.000	06/01/2037	1,852,320.40	FNMA MORTPASS	7.500	11/01/2029	22,678.68
FNMA MORTPASS	6.000	06/01/2037	791,174.71	FNMA MORTPASS	7.500	05/01/2030	5,552.66
FNMA MORTPASS	6.000	07/01/2037	809,302.78	FNMA MORTPASS	7.500	07/01/2030	11,518.87
FNMA MORTPASS	6.000	07/01/2037	6,463,532.41	FNMA MORTPASS	7.500	11/01/2031	45,134.32
FNMA MORTPASS	6.000	08/01/2037	882,749.72	FNMA MORTPASS	7.500	03/01/2032	248,133.90

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES			UNITED STATES				
GOVERNMENT SECURITIES			GOVERNMENT SECURITIES				
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
FNMA MORTPASS	8.000	06/01/2015	43,503.60	GNMA	6.500	06/15/2028	40,284.89
FNMA MORTPASS	8.000	01/01/2025	19,722.94	GNMA	7.500	10/15/2029	17,732.18
FNMA MORTPASS	8.000	05/01/2025	50,709.57	GNMA	8.000	04/15/2022	1,199.25
FNMA MORTPASS	8.000	06/01/2025	19,958.31	GNMA	8.500	12/15/2024	14,559.81
FNMA MORTPASS	8.000	06/01/2027	12,507.04	GNMA	8.500	04/15/2030	84,255.90
FNMA MORTPASS	9.000	05/01/2017	72,569.81	GNMA	9.000	12/15/2017	93,052.68
FNMA MORTPASS	9.000	10/01/2030	27,039.53	GNMA	9.000	03/15/2021	3,129.89
FNMA MORTPASS	9.500	12/01/2018	2,971.63	GNMA	9.000	03/15/2021	6,099.90
FNMA MORTPASS	9.500	06/01/2020	920.44	GNMA	10.000	05/15/2020	1,387.58
FNMA MORTPASS	9.500	10/01/2020	1,346.61	GNMA	10.000	12/15/2020	5,508.03
FNMA MORTPASS	12.500	12/01/2013	6.85	GNMA I	5.500	08/15/2033	253,965.99
FNMA MORTPASS ARM	3.824	06/01/2034	559,552.26	GNMA I & II SINGLE ISSUER	5.000	08/15/2035	5,179,646.00
FNMA MORTPASS ARM	4.302	06/01/2034	168,894.07	GNMA I & II SINGLE ISSUER	5.000	04/15/2038	8,967,043.27
FNMA MORTPASS ARM	4.589	03/01/2034	570,852.15	GNMA I & II SINGLE ISSUER	5.500	04/15/2038	4,191,994.12
FNMA MORTPASS ARM	4.728	08/01/2042	124,456.17	GNMA I & II SINGLE ISSUER	5.500	04/15/2038	4,038,629.86
FNMA MORTPASS ARM	4.728	08/01/2042	137,013.71	GNMA I & II SINGLE ISSUER	6.500	09/15/2032	164,917.23
FNMA MORTPASS ARM	4.728	10/01/2044	61,857.60	GNMA I MORTPASS	4.500	11/15/2018	104,947.90
FNMA MORTPASS ARM	4.863	09/01/2035	1,498,998.44	GNMA I MORTPASS	4.500	10/15/2033	264,705.55
FNMA MORTPASS ARM	4.928	09/01/2040	926,499.36	GNMA I MORTPASS	5.000	10/15/2018	208,835.45
FNMA MORTPASS ARM	4.997	09/01/2034	1,739,584.56	GNMA I MORTPASS	5.000	09/15/2033	263,700.70
FNMA MORTPASS ARM	5.191	11/01/2036	853,425.77	GNMA I MORTPASS	5.000	10/15/2033	193,803.07
FNMA MORTPASS ARM	5.250	10/01/2035	5,376,549.67	GNMA I MORTPASS	5.000	01/15/2035	136,187.43
FNMA MORTPASS ARM	5.353	12/01/2036	418,000.84	GNMA I MORTPASS	5.000	04/15/2035	156,927.11
FNMA MORTPASS ARM	5.471	02/01/2037	476,240.80	GNMA I MORTPASS	5.000	06/15/2035	128,269.66
FNMA MORTPASS ARM	5.492	04/01/2036	1,802,909.95	GNMA I MORTPASS	5.000	09/15/2035	164,928.71
FNMA MORTPASS ARM	5.517	04/01/2036	2,972,714.86	GNMA I MORTPASS	5.000	04/15/2038	3,930,377.93
FNMA MORTPASS ARM	5.524	04/01/2036	2,526,226.03	GNMA I MORTPASS	5.000	05/15/2038	10,876,071.42
FNMA MORTPASS ARM	5.629	06/01/2036	2,707,765.27	GNMA I MORTPASS	5.000	12/20/2034	618,649.23
FNMA MORTPASS ARM	5.663	08/01/2036	4,540,966.31	GNMA I MORTPASS	5.375	04/20/2027	43,972.14
FNMA MORTPASS ARM	5.725	10/01/2036	5,088,845.06	GNMA I MORTPASS	5.375	04/20/2030	515,314.55
FNMA MORTPASS ARM	5.759	10/01/2036	1,790,318.31	GNMA I MORTPASS	5.500	09/15/2016	89,772.27
FNMA MORTPASS ARM	5.834	10/01/2036	2,218,316.65	GNMA I MORTPASS	5.500	04/15/2029	51,717.82
FNMA MORTPASS ARM	5.928	05/01/2036	1,595,762.13	GNMA I MORTPASS	5.500	11/15/2032	170,814.92
FNMA MORTPASS ARM	5.930	12/01/2036	6,992,995.41	GNMA I MORTPASS	5.500	11/15/2032	135,522.38
FNMA MORTPASS ARM	5.933	08/01/2036	3,810,741.07	GNMA I MORTPASS	5.500	02/15/2033	238,835.16
FNMA MORTPASS ARM	6.045	02/01/2037	2,163,676.10	GNMA I MORTPASS	5.500	10/20/2033	1,315,293.63
FNMA MORTPASS ARM	6.259	08/01/2029	212,695.05	GNMA I MORTPASS	5.500	11/15/2033	272,170.23
FNMA MORTPASS ARM	6.296	09/01/2031	41,971.62	GNMA I MORTPASS	5.500	01/15/2034	367,617.21
FNMA MORTPASS ARM	6.397	08/01/2036	870,673.62	GNMA I MORTPASS	5.500	02/15/2034	121,210.15
FNMA PASS THRU CTF	5.000	08/01/2023	487,259.42	GNMA I MORTPASS	5.500	04/15/2034	156,177.99
FNMA PASS THRU CTF	5.500	01/01/2024	682,201.90	GNMA I MORTPASS	5.500	02/15/2035	321,266.23
FNMA PASS THRU CTF	5.500	03/01/2032	578,395.48	GNMA I MORTPASS	5.500	06/15/2035	344,612.64
FNMA PASS THRU CTF	5.500	06/01/2036	181,912.85	GNMA I MORTPASS	5.500	07/15/2035	261,074.66
FNMA PASS THRU CTF	5.500	06/01/2036	343,251.65	GNMA I MORTPASS	5.500	07/15/2035	106,817.94
FNMA PASS THRU CTF	6.000	03/01/2013	73,408.17	GNMA I MORTPASS	5.500	11/15/2035	176,418.90
FNMA PASS THRU CTF	6.000	11/01/2013	13,866.44	GNMA I MORTPASS	5.500	02/15/2036	224,118.84
FNMA PASS THRU CTF	6.000	05/01/2028	23,263.17	GNMA I MORTPASS	5.500	03/15/2036	338,580.17
FNMA PASS THRU CTF	6.000	12/01/2028	186,008.50	GNMA I MORTPASS	5.500	07/15/2036	248,457.33
FNMA PASS THRU CTF	6.000	01/01/2032	353,876.71	GNMA I MORTPASS	5.500	01/15/2038	1,704,969.65
FNMA PASS THRU CTF	6.000	03/01/2032	169,358.97	GNMA I MORTPASS	5.500	02/15/2038	3,497,972.53
FNMA PASS THRU CTF	6.500	12/01/2008	2,603.85	GNMA I MORTPASS	5.500	04/15/2038	2,954,586.19
FNMA PASS THRU CTF	6.500	03/01/2013	44,593.34	GNMA I MORTPASS	5.500	05/15/2038	696,937.89
FNMA PASS THRU CTF	6.500	03/01/2013	13,701.06	GNMA I MORTPASS	5.625	07/20/2030	192,102.90
FNMA PASS THRU CTF	6.500	06/01/2013	90,400.03	GNMA I MORTPASS	6.000	08/15/2014	40,832.86
FNMA PASS THRU CTF	6.500	07/01/2016	47,717.08	GNMA I MORTPASS	6.000	10/15/2028	46,488.33
FNMA PASS THRU CTF	6.500	06/01/2017	117,913.29	GNMA I MORTPASS	6.000	01/15/2029	98,042.25
FNMA PASS THRU CTF	6.500	06/01/2026	19,421.24	GNMA I MORTPASS	6.000	02/15/2029	91,355.80
FNMA PASS THRU CTF	6.500	03/01/2028	80,480.53	GNMA I MORTPASS	6.000	02/15/2029	118,745.21
FNMA PASS THRU CTF	6.500	04/01/2028	41,692.51	GNMA I MORTPASS	6.000	07/15/2031	161,039.81
FNMA PASS THRU CTF	6.500	10/01/2028	44,278.16	GNMA I MORTPASS	6.000	10/15/2032	98,219.62
FNMA PASS THRU CTF	6.500	11/01/2031	43,009.80	GNMA I MORTPASS	6.000	12/15/2032	88,335.04
FNMA PASS THRU CTF	7.000	12/01/2023	67,153.66	GNMA I MORTPASS	6.000	12/15/2032	39,199.29
FNMA PASS THRU CTF	7.500	10/01/2029	83,265.77	GNMA I MORTPASS	6.000	04/15/2033	182,293.77
FNMA PASS THRU CTF	8.000	02/01/2023	26,490.65	GNMA I MORTPASS	6.000	07/15/2033	130,546.17
FNMA PASS THRU CTF	9.500	11/01/2017	8,754.33	GNMA I MORTPASS	6.000	10/20/2033	1,013,899.34
FNMA PASS THRU CTF	9.500	12/01/2020	6,224.32	GNMA I MORTPASS	6.000	12/15/2033	161,721.58
FNMA TBA	5.500	07/25/2037	295,689.00	GNMA I MORTPASS	6.000	07/15/2034	183,290.87
FNMA TBA	5.500	07/25/2037	(60,123,430.00)	GNMA I MORTPASS	6.000	10/15/2034	158,945.91
FNMA TBA	5.500	07/25/2037	1,182,756.00	GNMA I MORTPASS	6.000	10/15/2034	144,779.26
FNMA TBA	6.000	07/25/2038	70,007,250.00	GNMA I MORTPASS	6.000	11/15/2035	221,797.79
FREDDIE MAC	4.500	08/01/2035	157,292.64	GNMA I MORTPASS	6.000	06/15/2036	1,185,096.87
FREDDIE MAC	4.875	02/09/2010	5,632,406.25	GNMA I MORTPASS	6.000	07/15/2036	172,405.31
FREDDIE MAC	4.875	11/15/2013	7,203,420.00	GNMA I MORTPASS	6.000	05/15/2037	1,001,114.83
FREDDIE MAC	6.625	09/15/2009	1,669,504.00	GNMA I MORTPASS	6.000	11/15/2037	6,503,178.34
GNMA	4.500	09/15/2033	685,951.63	GNMA I MORTPASS	6.000	11/15/2037	6,387,642.16
GNMA	5.000	07/15/2033	311,967.76	GNMA I MORTPASS	6.000	03/15/2038	1,007,067.10
GNMA	5.000	10/15/2033	269,732.71	GNMA I MORTPASS	6.500	11/15/2023	30,481.81
GNMA	5.000	10/15/2033	1,610,535.18	GNMA I MORTPASS	6.500	01/15/2024	36,277.40
GNMA	5.000	11/15/2035	232,092.52	GNMA I MORTPASS	6.500	10/15/2024	75,133.99
GNMA	5.500	07/15/2033	148,407.53	GNMA I MORTPASS	6.500	06/15/2028	74,289.44
GNMA	5.500	02/20/2034	1,162,969.41	GNMA I MORTPASS	6.500	06/15/2028	104,656.28
GNMA	5.500	04/20/2034	1,739,458.41	GNMA I MORTPASS	6.500	08/15/2028	67,296.82
GNMA	6.000	04/15/2029	20,340.06	GNMA I MORTPASS	6.500	12/15/2028	35,218.73
GNMA	6.000	01/15/2032	258,230.52	GNMA I MORTPASS	6.500	02/15/2029	37,632.79

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES GOVERNMENT SECURITIES				UNITED STATES GOVERNMENT SECURITIES			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
GNMA I MORTPASS	6.500	04/15/2029	29,901.19	UNITED STATES OF AMER TREAS BON	5.500	08/15/2028	691,932.40
GNMA I MORTPASS	6.500	07/15/2029	15,619.80	UNITED STATES OF AMER TREAS BON	6.000	02/15/2026	1,522,521.00
GNMA I MORTPASS	6.500	07/15/2029	31,923.58	UNITED STATES OF AMER TREAS BON	6.125	11/15/2027	10,256,891.22
GNMA I MORTPASS	6.500	04/15/2032	150,590.13	UNITED STATES OF AMER TREAS BON	6.125	11/15/2027	597,930.00
GNMA I MORTPASS	6.500	11/15/2033	40,184.44	UNITED STATES OF AMER TREAS BON	6.125	08/15/2029	10,305,516.48
GNMA I MORTPASS	6.500	01/15/2036	1,058,988.09	UNITED STATES OF AMER TREAS BON	6.250	08/15/2023	2,778,112.95
GNMA I MORTPASS	6.500	10/15/2036	364,409.06	UNITED STATES OF AMER TREAS BON	6.375	08/15/2027	1,225,000.00
GNMA I MORTPASS	6.500	12/15/2036	389,848.44	UNITED STATES OF AMER TREAS BON	6.500	11/15/2026	1,421,595.50
GNMA I MORTPASS	7.000	07/15/2011	11,280.12	UNITED STATES OF AMER TREAS BON	6.625	02/15/2027	726,995.20
GNMA I MORTPASS	7.000	09/15/2023	16,896.56	UNITED STATES OF AMER TREAS BON	7.125	02/15/2023	1,101,066.60
GNMA I MORTPASS	7.000	11/15/2023	58,217.60	UNITED STATES OF AMER TREAS BON	7.250	05/15/2016	1,228,670.00
GNMA I MORTPASS	7.000	05/15/2024	8,375.62	UNITED STATES OF AMER TREAS BON	7.500	11/15/2016	1,755,041.70
GNMA I MORTPASS	7.000	11/15/2027	40,244.31	UNITED STATES OF AMER TREAS BON	8.000	11/15/2021	2,305,761.00
GNMA I MORTPASS	7.000	01/15/2028	24,226.96	UNITED STATES OF AMER TREAS BON	8.125	08/15/2019	2,557,731.45
GNMA I MORTPASS	7.000	01/15/2028	45,909.01	UNITED STATES OF AMER TREAS BON	8.125	05/15/2021	1,294,080.50
GNMA I MORTPASS	7.000	05/15/2028	41,248.10	UNITED STATES OF AMER TREAS BON	8.750	05/15/2017	3,799,301.40
GNMA I MORTPASS	7.000	08/15/2029	32,247.56	UNITED STATES OF AMER TREAS BON	8.750	05/15/2020	2,480,936.95
GNMA I MORTPASS	7.000	07/15/2031	55,021.13	UNITED STATES OF AMER TREAS BON	8.875	08/15/2017	680,860.00
GNMA I MORTPASS	7.000	08/15/2032	28,071.97	UNITED STATES OF AMER TREAS BON	9.250	02/15/2016	136,109.00
GNMA I MORTPASS	7.000	08/15/2034	146,938.43	UNITED STATES OF AMER TREAS BON	12.500	08/15/2014	2,545,985.00
GNMA I MORTPASS	7.500	03/15/2017	38,137.85	UNITED STATES OF AMER TREAS NOT	2.125	04/30/2010	416,946.60
GNMA I MORTPASS	7.500	09/15/2025	14,449.03	UNITED STATES OF AMER TREAS NOT	2.534	01/15/2027	2,568,051.82
GNMA I MORTPASS	7.500	10/15/2025	9,075.54	UNITED STATES OF AMER TREAS NOT	3.125	04/30/2013	9,017,974.16
GNMA I MORTPASS	7.500	12/15/2025	9,788.16	UNITED STATES OF AMER TREAS NOT	3.125	04/30/2013	1,388,296.00
GNMA I MORTPASS	7.500	07/15/2028	26,438.68	UNITED STATES OF AMER TREAS NOT	3.375	12/15/2008	1,529,150.40
GNMA I MORTPASS	7.500	11/15/2028	6,402.37	UNITED STATES OF AMER TREAS NOT	3.375	09/15/2009	2,461,322.70
GNMA I MORTPASS	7.500	08/15/2029	23,151.80	UNITED STATES OF AMER TREAS NOT	3.375	11/30/2012	2,224,701.70
GNMA I MORTPASS	8.000	04/15/2017	497.41	UNITED STATES OF AMER TREAS NOT	3.500	05/31/2013	14,835,266.92
GNMA I MORTPASS	8.000	12/15/2021	13,688.26	UNITED STATES OF AMER TREAS NOT	3.500	02/15/2018	11,295,876.30
GNMA I MORTPASS	8.000	12/15/2023	135,358.46	UNITED STATES OF AMER TREAS NOT	3.500	02/15/2018	8,663,220.00
GNMA I MORTPASS	8.000	11/15/2025	26,099.16	UNITED STATES OF AMER TREAS NOT	3.625	05/15/2013	5,580,355.00
GNMA I MORTPASS	8.000	02/15/2027	8,492.19	UNITED STATES OF AMER TREAS NOT	3.875	05/15/2010	322,726.95
GNMA I MORTPASS	8.500	08/15/2017	14,933.86	UNITED STATES OF AMER TREAS NOT	3.875	09/15/2010	2,657,184.60
GNMA I MORTPASS	8.500	03/15/2027	21,711.69	UNITED STATES OF AMER TREAS NOT	3.875	02/15/2013	7,682,375.00
GNMA I MORTPASS	8.500	07/15/2030	11,267.20	UNITED STATES OF AMER TREAS NOT	3.875	02/15/2013	1,127,500.00
GNMA I MORTPASS	9.000	09/15/2008	223.27	UNITED STATES OF AMER TREAS NOT	3.875	05/15/2018	1,220,708.84
GNMA I MORTPASS	9.000	11/15/2008	913.32	UNITED STATES OF AMER TREAS NOT	3.875	05/15/2018	10,000,689.40
GNMA I MORTPASS	9.000	04/15/2009	759.94	UNITED STATES OF AMER TREAS NOT	4.000	11/15/2012	7,235,130.00
GNMA I MORTPASS	9.000	05/15/2016	2,543.91	UNITED STATES OF AMER TREAS NOT	4.000	02/15/2014	474,411.80
GNMA I MORTPASS	9.000	06/15/2016	1,646.06	UNITED STATES OF AMER TREAS NOT	4.000	02/15/2014	6,187,980.00
GNMA I MORTPASS	9.000	07/15/2016	6,164.35	UNITED STATES OF AMER TREAS NOT	4.000	02/15/2015	853,148.70
GNMA I MORTPASS	9.000	10/15/2019	1,910.76	UNITED STATES OF AMER TREAS NOT	4.125	08/31/2012	905,695.00
GNMA I MORTPASS	9.000	02/15/2020	7,653.62	UNITED STATES OF AMER TREAS NOT	4.125	05/15/2015	589,015.20
GNMA I MORTPASS	9.500	08/15/2016	1,500.52	UNITED STATES OF AMER TREAS NOT	4.250	01/15/2011	1,556,490.00
GNMA I MORTPASS	9.500	07/15/2017	3,851.67	UNITED STATES OF AMER TREAS NOT	4.250	01/15/2011	6,018,428.00
GNMA I MORTPASS	9.500	07/15/2017	1,213.13	UNITED STATES OF AMER TREAS NOT	4.250	08/15/2013	2,503,872.00
GNMA I MORTPASS	9.500	07/15/2020	5,397.46	UNITED STATES OF AMER TREAS NOT	4.250	11/15/2013	3,130,770.00
GNMA I MORTPASS	10.000	10/15/2016	4,091.01	UNITED STATES OF AMER TREAS NOT	4.250	11/15/2014	8,827,527.30
GNMA I MORTPASS	10.000	08/15/2017	3,708.16	UNITED STATES OF AMER TREAS NOT	4.250	11/15/2014	522,030.00
GNMA I MORTPASS	10.000	11/15/2020	2,683.23	UNITED STATES OF AMER TREAS NOT	4.250	11/15/2017	4,392,364.00
GNMA I MORTPASS	12.500	09/15/2014	48,381.13	UNITED STATES OF AMER TREAS NOT	4.375	12/15/2010	155,778.00
GNMA I MORTPASS	13.000	09/15/2013	81,083.48	UNITED STATES OF AMER TREAS NOT	4.375	08/15/2012	2,357,055.00
GNMA TBA	6.000	07/15/2038	15,225,000.00	UNITED STATES OF AMER TREAS NOT	4.375	08/15/2012	5,237,900.00
HOUSTON TEX UTIL SYS REV	5.000	11/15/2036	504,440.00	UNITED STATES OF AMER TREAS NOT	4.500	04/30/2009	5,088,650.00
ILLINOIS ST GO PENSION FUND	5.100	06/01/2033	470,670.00	UNITED STATES OF AMER TREAS NOT	4.500	11/15/2010	1,353,326.00
LOS ANGELES CALIF DEPT WTR	5.000	07/01/2037	3,414,654.00	UNITED STATES OF AMER TREAS NOT	4.500	02/28/2011	1,563,750.00
MASSACHUSETTS ST WTR RES AUTH	5.250	08/01/2029	2,495,946.20	UNITED STATES OF AMER TREAS NOT	4.500	09/30/2011	7,316,120.00
MASSACHUSETTS ST WTR RES AUTH	5.250	08/01/2036	1,243,462.75	UNITED STATES OF AMER TREAS NOT	4.625	07/31/2012	4,263,996.30
MORGAN STANLEY DEAN WITTER CAJ	6.000	05/01/2018	24,590.40	UNITED STATES OF AMER TREAS NOT	4.625	07/31/2012	2,740,764.00
PALOMAR CALIF CMNTY COLLEGE DI	4.750	05/01/2032	97,486.00	UNITED STATES OF AMER TREAS NOT	4.625	11/15/2016	791,077.50
TENNESSEE VALLEY AUTHORITY	5.880	04/01/2036	398,541.80	UNITED STATES OF AMER TREAS NOT	4.750	03/31/2011	1,888,740.00
TOBACCO SETTLEMENT FIN AUTH WE	7.467	06/01/2047	651,225.70	UNITED STATES OF AMER TREAS NOT	4.750	05/31/2012	58,158.10
TOBACCO SETTLEMENT FIN AUTH WE	7.467	06/01/2047	2,988,501.50	UNITED STATES OF AMER TREAS NOT	4.750	05/15/2014	771,861.60
TOBACCO SETTLEMENT FING CORP	5.000	06/01/2041	75,496.00	UNITED STATES OF AMER TREAS NOT	4.875	08/15/2009	2,566,800.00
TOBACCO SETTLEMENT FING CORP L	5.875	05/15/2039	726,784.00	UNITED STATES OF AMER TREAS NOT	4.875	04/30/2011	1,686,624.00
UNITED STATES OF AMER TREAS BON	4.375	02/15/2038	8,738,095.85	UNITED STATES OF AMER TREAS NOT	4.875	07/31/2011	7,162,934.40
UNITED STATES OF AMER TREAS BON	4.375	02/15/2038	2,680,397.50	UNITED STATES OF AMER TREAS NOT	4.875	02/15/2012	1,643,480.50
UNITED STATES OF AMER TREAS BON	4.500	02/15/2036	33,162,526.00	UNITED STATES OF AMER TREAS NOT	4.875	08/15/2016	13,390,653.90
UNITED STATES OF AMER TREAS BON	4.500	02/15/2036	4,203,896.26	UNITED STATES OF AMER TREAS NOT	4.875	08/15/2016	911,293.50
UNITED STATES OF AMER TREAS BON	4.750	08/15/2017	11,488,976.10	UNITED STATES OF AMER TREAS NOT	5.000	08/15/2011	1,486,520.00
UNITED STATES OF AMER TREAS BON	4.750	08/15/2017	1,165,318.00	UNITED STATES OF AMER TREAS NOT	5.000	05/15/2037	1,832,346.45
UNITED STATES OF AMER TREAS BON	4.750	02/15/2037	3,490,390.80	UNITED STATES OF AMER TREAS NOT	5.000	05/15/2037	3,143,468.25
UNITED STATES OF AMER TREAS BON	4.750	02/15/2037	2,917,264.50	UNITED STATES OF AMER TREAS NOT	5.000	05/15/2037	806,017.50
UNITED STATES OF AMER TREAS BON	4.750	02/15/2037	1,032,660.00	UNITED STATES OF AMER TREAS NOT	5.125	06/30/2011	1,487,934.00
UNITED STATES OF AMER TREAS BON	5.250	11/15/2028	43,893,602.14	UNITED STATES OF AMER TREAS NOT	5.125	05/15/2016	2,398,682.00
UNITED STATES OF AMER TREAS BON	5.250	11/15/2028	867,184.00	UNITED STATES OF AMER TREAS NOT	5.750	08/15/2010	3,084,208.00
UNITED STATES OF AMER TREAS BON	5.250	02/15/2029	32,547,600.00	UNITED STATES OF AMER TREAS NOT	6.000	08/15/2009	4,778,618.00
UNITED STATES OF AMER TREAS BON	5.375	02/15/2031	3,649,930.65	UNITED STATES OF AMER TREAS NOT	6.250	05/15/2030	4,271,084.20
UNITED STATES OF AMER TREAS BON	5.375	02/15/2031	1,222,199.00	UNITED STATES OF AMER TREAS NOT	6.500	02/15/2010	1,596,090.00
UNITED STATES OF AMER TREAS BON	5.375	02/15/2031	1,338,863.45	UNITED STATES OF AMER TREAS STRI	0.000	11/15/2021	31,431,465.00
UNITED STATES OF AMER TREAS BON	5.500	08/15/2028	10,337,693.26	UNITED STATES OF AMER TREAS STRI	0.000	11/15/2027	103,927,200.00

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES				UNITED STATES			
GOVERNMENT SECURITIES		MATURITY	MARKET	CORPORATE BONDS		MATURITY	MARKET
	RATE	DATE	VALUE		RATE	DATE	VALUE
UNITED STATES OF AMER TREAS STRI	0.000	11/15/2028	10,199,400.00	BANC OF AMERICA COMMERCIAL MO'	5.838	06/10/2049	1,265,335.82
UNITED STATES OF AMER TREAS STRI	0.000	02/15/2029	10,213,290.00	BANC OF AMERICA COMMERCIAL MO'	5.372	09/10/2045	1,429,953.15
UNITED STATES OF AMER TREAS STRI	0.000	05/15/2030	10,331,178.00	BANC OF AMERICA COMMERCIAL MO'	5.634	07/10/2046	337,112.86
UNITED STATES OF AMER TREAS STRI	0.000	02/15/2036	8,541,900.00	BANC OF AMERICA COMMERCIAL MO'	5.889	07/10/2044	3,248,192.14
UNITED STATES OF AMER TREAS STRI	0.000	02/15/2036	2,062,299.39	BANC OF AMERICA COMMERCIAL MO'	6.008	07/10/2044	882,248.80
BOND INDEX FUTURES			(1,645.19)	BANC OF AMERICA COMMERCIAL MO'	6.141	01/20/2047	136,331.24
OPTIONS			34,317.22	BANC ONE CORP 7.625% SUB DEB STK	7.625	10/15/2026	495,638.85
INTEREST RATE SWAPS			(14,765,818.27)	BANK OF AMERICA CORP	4.111	05/25/2035	1,189,628.93
CREDIT DEFAULT SWAPS			(268,243.74)	BANK OF AMERICA CORP	5.625	10/14/2016	5,471,093.60
				BANK OF AMERICA CORP	5.650	05/01/2018	933,590.00
				BANK OF AMERICA CORP	5.650	05/01/2018	2,240,616.00
				BANK OF AMERICA CORP	5.750	12/01/2017	370,952.40
				BANK OF AMERICA CORP	7.800	02/15/2010	417,484.00
				BANK OF AMERICA CORP	8.125	12/31/2049	7,467,554.00
				BANK OF AMERICA MORTGAGE PASS'	2.932	01/25/2034	474,973.85
				BARCLAYS BANK PLC	5.450	09/12/2012	4,956,938.00
				BARCLAYS BANK PLC	7.700	12/31/2049	3,159,241.00
				BAXTER INTL INC	4.625	03/15/2015	237,900.00
				BAYVIEW COMMERCIAL ASSET TRUS'	2.712	12/25/2036	374,618.96
				BB&T CORPORATION	4.750	10/01/2012	856,767.40
				BEAR STEARNS ADJUSTABLE RATE M	4.476	02/25/2034	254,909.83
				BEAR STEARNS ADJUSTABLE RATE M	4.534	08/25/2033	2,280,607.51
				BEAR STEARNS ADJUSTABLE RATE M	4.550	08/25/2035	41,591.98
				BEAR STEARNS ADJUSTABLE RATE M	4.750	10/25/2035	764,587.10
				BEAR STEARNS ALT-A TRUST	5.372	05/25/2035	576,747.79
				BEAR STEARNS ALTERNATIVE A TRUS	5.784	11/25/2036	1,826,724.72
				BEAR STEARNS CO INC	2.875	07/02/2008	1,150,000.00
				BEAR STEARNS CO INC	6.950	08/10/2012	1,455,678.00
				BEAR STEARNS COMMERCIAL MORTG	4.133	11/11/2041	745,770.08
				BEAR STEARNS COMMERCIAL MORTG	4.361	06/11/2041	494,458.82
				BEAR STEARNS COMMERCIAL MORTG	4.386	02/11/2041	348,495.59
				BEAR STEARNS COMMERCIAL MORTG	4.556	02/13/2042	1,642,234.28
				BEAR STEARNS COMMERCIAL MORTG	4.735	09/11/2042	227,822.64
				BEAR STEARNS COMMERCIAL MORTG	4.750	02/13/2046	779,085.37
				BEAR STEARNS COMMERCIAL MORTG	4.871	09/11/2042	950,055.69
				BEAR STEARNS COMMERCIAL MORTG	4.871	09/11/2042	1,128,779.04
				BEAR STEARNS COMMERCIAL MORTG	4.933	02/13/2042	950,847.28
				BEAR STEARNS COMMERCIAL MORTG	5.186	05/11/2039	1,137,020.46
				BEAR STEARNS COMMERCIAL MORTG	5.270	12/11/2040	1,638,887.26
				BEAR STEARNS COMMERCIAL MORTG	5.405	12/11/2040	3,074,095.45
				BEAR STEARNS COMMERCIAL MORTG	5.537	10/12/2041	1,224,721.15
				BEAR STEARNS COMMERCIAL MORTG	5.540	09/11/2041	895,515.60
				BEAR STEARNS COMMERCIAL MORTG	5.575	03/11/2039	1,396,863.02
				BEAR STEARNS COMMERCIAL MORTG	5.700	11/15/2014	599,180.40
				BEAR STEARNS COMMERCIAL MORTG	5.700	06/11/2050	847,542.51
				BEAR STEARNS COMMERCIAL MORTG	5.902	09/11/2038	2,988,846.70
				BEAR STEARNS COMMERCIAL MORTG	7.000	05/20/2030	1,746,292.58
				BEAR STEARNS COMMERCIAL MORTG	7.000	05/20/2030	2,606,083.72
				BEAR STEARNS COMMERCIAL MORTG	7.080	07/15/2031	826,238.13
				BEAR STEARNS COMMERCIAL MORTG	7.250	02/01/2018	806,679.61
				BEAR STEARNS COMMERCIAL MORTG	5.085	12/11/2040	303,682.43
				BEAR STEARNS COMMERCIAL MORTG	5.243	12/11/2038	376,132.34
				BEAR STEARNS COMMERCIAL MORTG	5.382	12/11/2040	5,385,928.58
				BEAR STEARNS COMMERCIAL MORTG	5.631	04/12/2038	424,767.31
				BEAR STEARNS COMMERCIAL MORTG	5.902	06/11/2040	420,452.66
				BEAR STEARNS SECOND LIEN TRUST	2.702	01/25/2036	673,127.32
				BEAR STEARNS STRUCTURED PRODU	5.674	01/26/2036	436,499.51
				BEAR STEARNS TRUST	4.125	03/25/2035	2,393,694.29
				BEAR STEARNS TRUST	4.550	08/25/2035	557,409.93
				BELDEN INC	7.000	03/15/2017	100,800.00
				BELLSOUTH CAPITAL FUNDING CORP	7.875	02/15/2030	552,305.00
				BERKSHIRE HATHAWAY FINANCE COI	4.850	01/15/2015	364,438.90
				BEST BUY INC	6.750	07/15/2013	1,448,718.70
				BHP FINANCE	6.420	03/01/2026	289,749.00
				BIOGEN IDEC INC	6.875	03/01/2018	1,290,643.20
				BIOMET INC	11.625	10/15/2017	588,300.00
				BJ SERVICES	6.000	06/01/2018	761,651.55
				BK AMER MTG SEC	5.061	03/11/2041	977,084.10
				BLACKROCK INC	6.250	09/15/2017	2,222,508.60
				BMC SOFTWARE INC	7.250	06/01/2018	705,263.76
				BMW VEH OWN TR	4.280	02/25/2010	907,401.96
				BOEING CO	6.125	02/15/2033	222,644.40
				BOSTON PROPERTIES INC	5.000	06/01/2015	412,794.00
				BOWATER INC	9.375	12/15/2021	188,800.00
				BOYD GAMING CORP	7.125	02/01/2016	47,937.50
				BOYD GAMING CORP	7.750	12/15/2012	176,812.50
				BRISTOL MYERS SQUIBB	7.150	06/15/2023	298,096.20
				BROOKSTONE INC	12.000	10/15/2012	678,900.00
				BSCMS	4.940	10/12/2042	1,147,537.60
				BSKYB FIN U K PLC	6.500	10/15/2035	654,899.00
				C10 CAPITAL SPV LTD	6.722	12/31/2049	1,487,200.00
				CAMERON INTERNATIONAL CORP	6.375	07/15/2018	354,175.36
				CANADIAN NATIONAL RAILWAY CO	6.200	06/01/2036	193,476.00
				CANWEST MEDWKS	9.250	08/01/2015	114,100.00
TOTAL U.S. GOVERNMENT SECURITIES				1,707,962,909.70			
UNITED STATES CORPORATE BONDS							
	RATE	MATURITY DATE	MARKET VALUE				
ACCO BRANDS CORP	7.625	08/15/2015	27,000.00				
ACTUANT CORPORATION	6.875	06/15/2017	93,337.50				
ADJUSTABLE RATE MORTGAGE TRUS'	4.584	05/25/2035	639,031.67				
AES CORP	7.750	10/15/2015	714,125.00				
AES CORP	8.000	10/15/2017	1,391,600.00				
AES EASTERN ENERGY	9.000	01/02/2017	103,677.31				
AGILENT TECHS INC	6.500	11/01/2017	1,971,436.72				
ALABAMA POWER CO	5.500	10/15/2017	352,548.00				
ALCOA INC	5.870	02/23/2022	135,384.48				
ALERIS INTERNATIONAL INC	10.000	12/15/2016	505,425.00				
ALGOMA ACQUISITION CORP	9.875	06/15/2015	617,500.00				
ALLEGHENY TECHNOLOGIES INC	8.375	12/15/2011	228,700.80				
ALLEGHENY TECHNOLOGIES INC	8.375	12/15/2011	68,822.00				
ALLIANCE IMAGING INC	7.250	12/15/2012	42,300.00				
ALLIED WASTE NORTH AMERICA	7.250	03/15/2015	99,750.00				
ALLIS-CHALMERS ENERGY INC	8.500	03/01/2017	64,750.00				
ALLIS-CHALMERS ENERGY INC	9.000	01/15/2014	53,212.50				
ALLSTATE CORP	5.000	08/15/2014	354,837.60				
ALLSTATE CORP	6.125	02/15/2012	239,048.20				
ALTERNATIVE LOAN TRUST	2.562	09/20/2046	635,650.89				
AMBAC FINANCIAL GROUP INC	6.150	02/07/2087	138,849.80				
AMERADA HESS CORP	7.300	08/15/2031	279,212.50				
AMERICAN EXPRESS BK	2.495	06/12/2009	3,177,184.00				
AMERICAN EXPRESS CO	4.875	07/15/2013	288,879.00				
AMERICAN EXPRESS CO	6.150	08/28/2017	244,185.00				
AMERICAN EXPRESS CREDIT CORP	5.875	05/02/2013	6,362,752.00				
AMERICAN GENERAL FIN	5.400	12/01/2015	424,335.00				
AMERICAN GENERAL FINANCE	6.900	12/15/2017	348,624.00				
AMERICAN GENERAL FINANCE	8.125	08/15/2009	802,764.55				
AMERICAN INTERNATIONAL GROUP II	4.950	03/20/2012	1,859,227.50				
AMERICAN INTERNATIONAL GROUP II	5.050	10/01/2015	416,796.80				
AMERICAN INTERNATIONAL GROUP II	5.850	01/16/2018	2,789,939.30				
AMERICAN WATER WORKS CO INC	6.593	10/15/2037	1,030,722.92				
AMERICREDIT CORP	8.500	07/01/2015	88,000.00				
AMGEN INC	6.375	06/01/2037	1,254,817.44				
ANADARKO PETROLEUM CORP	6.450	09/15/2036	197,418.00				
ANR PIPELINE CO	7.375	02/15/2024	70,434.00				
AOL TIME WARNER INC	7.625	04/15/2031	203,050.00				
AOL TIME WARNER INC	7.700	05/01/2032	286,664.00				
APACHE CORP	6.000	01/15/2037	98,123.00				
ASTRAZENECA	6.450	09/15/2037	407,220.00				
AT&T BROADBAND CORP	9.455	11/15/2022	2,253,538.72				
AT&T CORP	5.500	02/01/2018	2,228,723.00				
AT&T CORP	5.500	02/01/2018	557,180.75				
AT&T INC	4.125	09/15/2009	800,936.00				
AT&T INC	6.300	01/15/2038	850,275.00				
AT&T WIRELESS SERVICES INC	7.875	03/01/2011	958,194.00				
ATLANTIC BROADBAND	9.375	01/15/2014	381,600.00				
ATLANTIC CITY ELECTRIC	5.550	10/20/2023	737,742.90				
ATLANTIC EXPRESS TRANSPORTATIO	9.961	04/15/2012	17,900.00				
AVNET INC	6.625	09/15/2016	2,324,976.56				
AVON PRODUCTS INC	5.750	03/01/2018	460,925.76				
AXA FINANCIAL INC	7.750	08/01/2010	706,401.10				
BA CREDIT CARD	3.051	04/15/2013	5,988,768.00				
BALDOR ELECTRIC CO	8.625	02/15/2017	348,735.00				
BALDOR ELECTRIC CO	8.625	02/15/2017	105,525.00				

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES CORPORATE BONDS	RATE	MATURITY DATE	MARKET VALUE	UNITED STATES CORPORATE BONDS	RATE	MATURITY DATE	MARKET VALUE
CAPITAL AUTO RECE	5.040	05/17/2010	504,777.40	COMMERCIAL MORTGAGE	5.167	06/10/2044	799,610.36
CAPITAL ONE FINANCIAL CORP	6.750	09/15/2017	1,783,494.00	COMMERCIAL MORTGAGE	6.455	05/15/2032	390,724.58
CAPITAL ONE FINL	6.150	09/01/2016	352,616.00	COMMERCIAL MTG TR	5.444	03/10/2039	1,118,151.48
CAPITAL ONE MULTI ASSET BKD SEC	3.650	07/15/2011	2,002,815.80	COMMONWEALTH EDISON	6.150	09/15/2017	406,878.00
CAPITAL ONE MULTI-ASSET EXECUTIV	4.790	08/15/2013	2,407,029.50	COMMONWEALTH EDISON	6.950	07/15/2018	635,200.00
CARDINAL HEALTH 409 INC	9.500	04/15/2015	156,625.00	COMMUNITY HEALTH SYSTEMS INC	8.875	07/15/2015	261,625.00
CARDTRONICS INC	9.250	08/15/2013	137,025.00	COMPLETE PRODUCTION SERVICES IN	8.000	12/15/2016	204,743.75
CARDTRONICS INC	9.250	08/15/2013	61,425.00	CON EDISON OF NY	6.200	06/15/2036	192,728.00
CARGILL INC	4.375	06/01/2013	306,134.40	CONAGRA INC	7.875	09/15/2010	580,336.92
CARMAX AUTO OWNER TRUST	5.150	02/15/2011	2,397,036.64	CONNACHER OIL & GAS	10.250	12/15/2015	627,725.00
CARRINGTON MORTGAGE LOAN TRUS	2.548	07/25/2031	99,982.50	CONOCO INC	6.950	04/15/2029	460,635.00
CATERPILLAR FIN SERV CRP	5.450	04/15/2018	3,603,629.95	CONSECO INC	3.500	09/30/2035	20,250.00
CATERPILLAR INC	6.050	08/15/2036	437,025.60	CONSOL ENERGY INC	7.875	03/01/2012	748,800.00
CATERPILLAR INC	6.625	07/15/2028	297,194.80	CONSTELLATION BRANDS INC	7.250	05/15/2017	107,525.00
CB DELTA AIR LINES	2.875	02/06/2024	910.00	CONSTELLATION ENERGY GROUP INC	7.000	04/01/2012	518,415.00
CB NORTHWEST AIRLINES	8.875	06/01/2006	131.25	CONSUMERS ENERGY-ITC	4.000	05/15/2010	1,235,674.95
CB NORTHWEST AIRLINES	10.000	02/01/2009	243.75	CONTINENTAL AIRLINES	6.703	12/15/2022	303,918.61
C-BASS MORTGAGE LOAN ASSET BAC	2.522	05/25/2036	342,710.22	COOPER COS INC	7.125	02/15/2015	81,600.00
CD 2005 C1 COMMERCIAL MORTGAGE	5.400	07/15/2044	1,350,004.46	COPANO ENERGY LLC	8.125	03/01/2016	85,425.00
CD 2005 C1 COMMERCIAL MTG TR MA'	5.047	09/15/2020	1,230,945.89	CORN PRODUCTS INTERNATIONAL IN	6.000	04/15/2017	732,067.05
CD 2006-CD2 MORTGAGE TRUST	5.408	01/15/2046	965,142.82	CORN PRODUCTS INTERNATIONAL IN	8.450	08/15/2009	1,264,054.20
CD 2006-CD2 MORTGAGE TRUST	5.408	01/15/2046	1,313,390.23	CORNING INC	7.250	08/15/2036	1,628,063.85
CENTENE CORP	7.250	04/01/2014	118,125.00	CORRECTIONS CORP OF AMER	7.500	05/01/2011	497,475.00
CENTURY ALUM COMPANY	7.500	08/15/2014	361,350.00	COUNTR YWIDE ASSET BACKED CERT	2.593	09/25/2026	1,060,256.18
CHAPARRAL ENERGY INC	8.500	12/01/2015	143,137.50	COUNTR YWIDE ASSET-BACKED CERT	3.872	03/25/2020	234,981.07
CHASE ISSUANCE TRUST SER	2.761	01/15/2014	1,182,951.90	COUNTR YWIDE ASSET-BACKED CERT	4.615	02/25/2035	750,358.54
CHESAPEAKE ENERGY CORP	6.500	08/15/2017	416,075.00	COUNTR YWIDE FINANCIAL	4.000	03/22/2011	528,020.40
CHESAPEAKE ENERGY CORP	6.500	08/15/2017	201,025.00	COUNTR YWIDE FINANCIAL CORP	5.800	06/07/2012	565,594.38
CHESAPEAKE ENERGY CORP	6.875	11/15/2020	549,900.00	COVDIEN INTERNATIONAL FINANCE	6.000	10/15/2017	612,314.45
CHESAPEAKE ENERGY CORP	6.875	11/15/2020	4,700.00	COX COMMUNICATIONS INC	6.750	03/15/2011	1,511,938.60
CHESAPEAKE ENERGY CORP	7.000	08/15/2014	294,000.00	CRANE CO	6.550	11/15/2036	2,248,969.25
CHESAPEAKE ENERGY CORP	7.625	07/15/2013	1,644,100.00	CREDIT SUISSE COMMERCIAL MORTG	5.439	09/15/2039	965,067.30
CII CARBON	11.125	11/15/2015	911,125.00	CREDIT SUISSE FIRST BOSTON	6.500	01/15/2012	1,037,750.00
CIMAREX ENERGY CO	7.125	05/01/2017	849,862.50	CRH AMERICA INC	5.300	10/15/2013	465,345.00
CISCO SYSTEMS INC	5.500	02/22/2016	353,118.50	CRH AMERICA INC	5.625	09/30/2011	1,143,873.90
CIT GROUP INC	5.000	02/13/2014	43,084.80	CRUM & FORSTER HOLDINGS CORPOR	7.750	05/01/2017	241,150.00
CIT GROUP INC	5.000	02/01/2015	480,564.70	CS FIRST BOSTON MORTGAGE SECURI	5.014	02/15/2038	496,856.10
CIT GROUP INC	5.125	09/30/2014	85,950.00	CS FIRST BOSTON MTG SEC CO	4.801	03/15/2036	973,259.80
CIT GROUP INC	5.400	02/13/2012	35,721.90	CS FIRST BOSTON MTG SECURITIES CO	4.900	12/15/2036	404,941.03
CIT GROUP INC	5.400	01/30/2016	299,580.15	CS FIRST BOSTON MTG SECURITIES CO	4.900	12/15/2036	964,145.30
CIT GROUP INC	5.650	02/13/2017	600,169.50	CVS CAREMARK CORP	5.750	06/01/2017	265,558.50
CIT GROUP INC	5.800	10/01/2036	481,062.50	CVS CAREMARK CORP	6.302	06/01/2062	716,012.50
CIT GROUP INC	5.850	09/15/2016	37,948.35	CVS CORP	5.789	01/10/2026	1,220,886.23
CIT GROUP INC	6.000	04/01/2036	757,849.50	CWABS ASSET BACKED CERTIFICATE	2.543	02/25/2029	586,144.76
CIT GROUP INC	6.000	04/01/2036	86,512.50	CWABS ASSET-BACKED CERTIFICATE	2.532	11/25/2028	1,363,849.15
CITIBANK CREDIT CARD ISSUANCE TR	2.668	01/09/2012	1,349,622.54	CWABS ASSET-BACKED CERTIFICATE	2.532	12/25/2046	772,710.70
CITIBANK CREDIT CARD MASTER TRU	6.150	03/10/2011	1,011,324.20	CWABS INC FR ABKD	2.532	11/25/2028	348,377.88
CITICORP RESIDENTIAL MORTGAGE T	5.610	11/25/2036	480,366.17	CWHEQ HOME EQUITY LOAN TRUST	5.804	07/25/2034	2,290,821.44
CITICORP RESIDENTIAL MORTGAGE T	5.706	07/25/2036	741,460.81	CWMSB INC	4.708	08/25/2034	2,249,493.91
CITIGROUP CAPITAL	8.300	12/21/2077	1,605,361.00	CWMSB INC	5.607	08/25/2034	107,473.53
CITIGROUP COMMERCIAL MORTGAGE	2.541	08/15/2021	76,895.95	CWMSB INC	6.500	11/25/2034	78,210.41
CITIGROUP COMMERCIAL MORTGAGE	4.830	05/15/2043	1,266,824.01	CWMSB REPERFORMING LOAN REMIC	2.823	06/25/2039	1,505,597.32
CITIGROUP COMMERCIAL MORTGAGE	5.622	12/10/2049	1,336,410.74	DAIMLERCHRYSLER NA HLDGS	7.200	09/01/2005	462,852.00
CITIGROUP COMMERCIAL MORTGAGE	5.915	03/15/2049	487,720.80	DAIMLERCHRYSLER NA HLDGS	8.500	01/18/2031	161,869.40
CITIGROUP INC	4.125	02/22/2010	4,953,700.00	DB MASTER FINANCE	5.779	06/20/2031	625,702.00
CITIGROUP INC	5.000	09/15/2014	592,742.40	DEAN FOODS CO	7.000	06/01/2016	1,479,087.50
CITIGROUP INC	5.500	04/11/2013	5,277,123.86	DELTA AIR	2.875	02/18/2042	490.00
CITIGROUP INC	6.000	02/21/2012	554,444.00	DELTA AIR LINES	8.300	12/15/2029	343.75
CITIGROUP INC	6.000	08/15/2017	1,830,476.53	DELTA AIRLINES	8.000	06/03/2023	1,440.00
CITIGROUP INC	6.125	11/21/2017	575,820.00	DEUTSCHE ALT-A SECURITIES MORTG	2.572	08/25/2037	2,143,888.70
CITIGROUP INC	6.125	08/25/2036	224,126.40	DEVON FINANCING CO	6.875	09/30/2011	530,680.00
CITIGROUP INC	6.875	03/05/2038	1,419,500.29	DISCOVER CARD MASTER TRUST	2.471	07/15/2009	1,980,495.20
CITIGROUP INC	8.400	12/31/2049	4,182,684.00	DISCOVER CARD MASTER TRUST	2.491	05/15/2011	4,987,992.50
CITIGROUP MORTGAGE LOAN TRUST	2.522	08/25/2036	191,436.02	DOMINION RESOURCES INC	7.000	06/15/2038	443,674.00
CITIGROUP MORTGAGE LOAN TRUST	2.532	10/25/2036	350,276.25	DOMINOS PIZZA MASTER ISSUER LLC	5.261	04/25/2037	788,247.82
CITIGROUP MORTGAGE LOAN TRUST	2.553	08/25/2036	84,208.52	DOMTAR CORP	7.875	10/15/2011	507,525.00
CITIGROUP MORTGAGE LOAN TRUST	4.679	06/25/2035	1,008,321.78	DR PEPPER SNAPPLE GROUP INC	6.820	05/01/2018	1,792,372.05
CITIGROUP MORTGAGE LOAN TRUST	4.900	10/25/2035	934,261.91	DSL A MORTGAGE LOAN TRUST	5.973	07/19/2044	253,735.23
CMS ENERGY CORP	6.550	07/17/2017	588,497.80	DU PONT E I DENEMOURS & CO	4.750	11/15/2012	422,608.20
COCA COLA BOTTLING CO CONS	5.000	06/15/2016	933,080.00	DUKE ENERGY CORP	6.000	12/01/2028	216,468.00
COCA COLA ENTERPRISES INC	8.500	02/01/2012	1,121,650.00	DYNEGY HLDGS INC	7.500	06/01/2015	369,000.00
COLLINS & AIKMAN PRODUCTS	12.875	08/15/2012	70.00	E.ON INTERNATIONAL FINANCE	6.650	04/30/2038	1,055,367.80
COLONIAL PROPERTIES TRST	4.750	02/01/2010	209,332.60	EL PASO ELECTRIC CO	7.500	03/15/2038	340,444.14
COLONIAL RLTY LP	5.500	10/01/2015	1,497,139.00	EL PASO NATURAL GAS	7.500	11/15/2026	10,165.80
COLUMBIA HCA HEALTHCARE CORP	7.500	12/15/2023	634,233.60	EL PASO NATURAL GAS	8.625	01/15/2022	49,934.70
COMCAST CORP	6.450	03/15/2037	148,910.40	EMBARQ CORPORATION	7.995	06/01/2036	3,774,460.20
COMCAST CORP	6.950	08/15/2037	3,334,370.10	EMBARQ CORPORATION	7.995	06/01/2036	945,980.00
COMCAST CORP	6.950	08/15/2037	663,923.25	EMC MORTGAGE LOAN TRUST	2.852	05/25/2040	763,844.75
COMCAST CORP	6.950	08/15/2037	216,389.80	EMERSON ELECTRIC CO	5.850	03/15/2009	712,481.00
COMCAST HLDS	10.625	07/15/2012	574,685.00	ENERGY TRANSFER PA	7.500	07/01/2038	337,564.48
COMM MORTGAGE TRUST	5.921	06/10/2046	3,063,999.74	ENTERGY ARKANSAS INC	5.660	02/01/2025	729,275.20
COMM MORTGAGE TRUST	5.961	06/10/2046	3,027,074.34	ENTERGY LOUISIANA	6.000	05/01/2018	313,205.12
COMM MORTGAGE TRUST	5.961	06/10/2046	782,442.48	ENTERPRISE PRODUCTS OPER L P	5.600	10/15/2014	548,576.00
COMMERCIAL MORTGAGE	5.077	06/10/2044	2,692,884.03	EQUIFAX INC	7.000	07/01/2037	1,118,200.95

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES CORPORATE BONDS				UNITED STATES CORPORATE BONDS			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
EQUIFAX INC	7.000	07/01/2037	517,225.46	GMAC COMMERCIAL MORTGAGE SEC	4.754	05/10/2043	1,847,671.80
EQUITABLE RESOURCES INC	6.500	04/01/2018	1,206,735.20	GMAC COMMERCIAL MORTGAGE SEC	4.760	08/10/2038	2,482,166.75
EXELON CORP	5.625	06/15/2035	189,620.20	GMAC COMMERCIAL MORTGAGE SEC	4.908	03/10/2038	2,091,652.65
FANNIE MAE	2.543	07/25/2037	986,159.54	GMAC COMMERCIAL MORTGAGE SEC	4.930	07/10/2039	147,416.00
FANNIE MAE	2.603	03/25/2034	161,424.14	GMAC COMMERCIAL MORTGAGE SEC	5.667	05/10/2040	841,589.51
FANNIE MAE	2.982	03/25/2017	388,070.41	GMAC LLC	6.000	12/15/2011	937,246.68
FANNIE MAE	3.382	04/25/2032	189,381.32	GMAC LLC	6.625	05/15/2012	2,349,618.50
FANNIE MAE	5.000	07/25/2019	54,912.86	GMAC LLC	6.625	05/15/2012	617,418.00
FANNIE MAE	5.000	07/25/2024	3,896,874.38	GMAC LLC	7.000	02/01/2012	1,529,242.00
FANNIE MAE	5.500	09/25/2024	907,121.47	GMAC LLC	7.250	03/02/2011	514,507.00
FANNIE MAE	6.000	03/25/2031	11,106,935.29	GMAC LLC	8.000	11/01/2031	1,340,194.80
FEDERATED DEPT STO	6.625	04/01/2011	286,114.00	GMAC LLC	8.000	11/01/2031	236,811.12
FEDEX CORP	3.500	04/01/2009	996,610.00	GMACM MTG LN TR	5.500	09/25/2034	454,088.52
FHLMC REMIC	3.500	06/15/2013	902,641.24	GOLDMAN SACHS CAPITAL I	6.250	09/01/2017	5,931,360.00
FHLMC REMIC	5.000	03/15/2025	1,921,805.26	GOLDMAN SACHS CAPITAL I	6.345	02/15/2034	296,705.50
FIRST DATA CORP	9.875	09/24/2015	482,850.00	GOLDMAN SACHS GROUP INC	5.300	02/14/2012	1,338,605.10
FIRST HORIZON MORTGAGE PASS THR	5.368	08/25/2035	116,564.69	GOLDMAN SACHS GROUP INC	5.300	02/14/2012	2,113,587.00
FIRST NLC TRUST	2.553	08/25/2037	2,044,722.83	GOLDMAN SACHS GROUP INC	5.350	01/15/2016	666,435.00
FIRST USA CR CARD MASTER TR	2.641	04/18/2011	499,980.50	GOLDMAN SACHS GROUP INC	5.750	10/01/2016	552,854.40
FISERV INC	6.125	11/20/2012	2,708,609.75	GOLDMAN SACHS GROUP INC	5.950	01/18/2018	755,488.52
FISHER SCIENTIFIC INTERNATIONAL	6.750	08/15/2014	889,153.16	GOLDMAN SACHS GROUP INC	5.950	01/18/2018	460,780.80
FLEETPRIDE CORP	11.500	10/01/2014	161,500.00	GOLDMAN SACHS GROUP INC	6.125	02/15/2033	704,051.64
FLORIDA POWER & LIGHT	5.625	04/01/2034	254,993.40	GOLDMAN SACHS GROUP INC	6.150	04/01/2018	2,255,622.00
FNBR	6.000	06/25/2016	708,608.39	GOLDMAN SACHS GROUP INC	6.600	01/15/2012	771,210.00
FORD CREDIT AUTO OWNER TRUST	3.371	01/15/2011	3,209,115.84	GOLDMAN SACHS GROUP INC	6.750	10/01/2037	2,469,825.00
FORD MOTOR CO	7.450	07/16/2031	1,205,775.00	GOLDMAN SACHS GROUP INC	7.350	10/01/2009	431,335.80
FORD MOTOR CO	8.000	12/15/2016	1,231,858.20	GOODYEAR TIRE & RUBBER CO	8.625	12/01/2011	87,870.00
FORD MOTOR CREDIT CO	7.000	10/01/2013	1,439,681.55	GOVERNMENT NATL MTG ASSN	3.021	12/16/2025	152,548.04
FORD MOTOR CREDIT CO	7.000	10/01/2013	1,767,384.00	GRAND METROPOLITAN INVESTMENT	7.450	04/15/2035	168,300.00
FORD MOTOR CREDIT CO	7.250	10/25/2011	271,236.00	GREENBRIER COMPANIES INC	8.375	05/15/2015	104,775.00
FORD MOTOR CREDIT CO	7.375	10/28/2009	72,862.40	GREENPOINT MORTGAGE SECURITIES	4.393	10/25/2033	318,290.62
FORD MOTOR CREDIT CO	7.875	06/15/2010	1,216,192.44	GREENWICH CAPITAL COMMERCIAL F	4.305	08/10/2042	1,389,942.54
FORD MOTOR CREDIT CO	7.875	06/15/2010	5,178.96	GREENWICH CAPITAL COMMERCIAL F	4.915	01/05/2036	288,681.93
FORD MOTOR CREDIT CO	9.750	09/15/2010	87,188.00	GREENWICH CAPITAL COMMERCIAL F	5.224	04/10/2037	1,519,220.39
FOREST OIL CORP	7.250	06/15/2019	158,400.00	GS MORTGAGE SECURITIES CORPORA	2.540	03/06/2020	950,270.35
FOREST OIL CORP	8.000	12/15/2011	20,600.00	GS MORTGAGE SECURITIES CORPORA	4.751	07/10/2039	1,721,121.28
FOUR TIMES SQUARE TRUST	5.401	12/13/2028	727,927.60	GS MORTGAGE SECURITIES CORPORA	4.751	07/10/2039	2,314,958.83
FREDDIE MAC	2.821	12/15/2029	289,606.17	GS MORTGAGE SECURITIES CORPORA	5.535	11/10/2039	3,224,679.09
FREDDIE MAC	3.500	07/15/2032	150,558.78	GS MORTGAGE SECURITIES CORPORA	5.553	04/10/2038	1,165,958.42
FREDDIE MAC	4.375	04/15/2015	4,724,395.65	GS MORTGAGE SECURITIES CORPORA	5.560	11/10/2039	478,566.20
FREDDIE MAC	4.728	10/25/2044	446,580.94	GS MORTGAGE SECURITIES CORPORA	5.587	04/10/2038	7,978,668.36
FREDDIE MAC	4.928	07/25/2044	2,294,562.89	GS MORTGAGE SECURITIES CORPORA	5.622	04/10/2038	1,355,750.45
FREDDIE MAC	5.000	09/15/2016	152,025.55	GSAMP TRUST	2.553	10/25/2036	86,733.66
FREDDIE MAC	5.000	11/15/2024	1,013,170.55	GSAMP TRUST	4.540	09/25/2035	1,070,410.61
FREDDIE MAC	5.500	03/15/2017	231,339.11	GSR MTG TR	4.519	06/25/2034	87,481.69
FREEDPORT-MCMORAN COPPER & GOL	8.250	04/01/2015	68,331.25	GTE CORP	6.940	04/15/2028	247,500.00
FREEDPORT-MCMORAN COPPER & GOL	8.375	04/01/2017	137,150.00	HANGER ORTHOPEDIC GROUP	10.250	06/01/2014	102,750.00
FREESCALE SEMICONDUCTOR INC	10.125	12/15/2016	2,436,187.50	HARBORVIEW MORTGAGE LOAN TRU	2.572	01/19/2038	1,129,820.06
FRONTIER COMMUNICATIONS CORP	7.875	01/15/2027	1,828,750.00	HARBORVIEW MORTGAGE LOAN TRU	2.672	01/19/2038	1,724,305.17
FUND AMERICAN COS INC	5.875	05/15/2013	1,117,323.90	HARBORVIEW MORTGAGE LOAN TRU	2.702	05/19/2035	883,993.75
GCCFC	5.117	04/10/2037	2,345,174.28	HARBORVIEW MORTGAGE LOAN TRU	5.219	07/19/2035	614,846.44
GCI INC	7.250	02/15/2014	86,000.00	HARLEY-DAVIDSON FDG	6.800	06/15/2018	414,972.60
GE CAPITAL COMMERCIAL MORTGAG	4.353	06/10/2048	2,414,901.51	HARLEY-DAVIDSON MOTORCYCLE TR	2.821	06/15/2012	5,783,939.80
GE CAPITAL COMMERCIAL MORTGAG	4.433	07/10/2039	449,046.54	HARLEY-DAVIDSON MOTORCYCLE TR	4.850	06/15/2012	3,037,695.01
GE CAPITAL COMMERCIAL MORTGAG	4.772	06/10/2048	843,086.60	HARLEY-DAVIDSON MOTORCYCLE TR	5.220	03/15/2012	1,258,316.29
GE CAPITAL COMMERCIAL MORTGAG	4.978	05/10/2043	1,093,063.04	HARRY & DAVID OPERATIONS CORP	9.000	03/01/2013	22,000.00
GE CAPITAL COMMERCIAL MORTGAG	5.512	11/10/2045	2,183,036.18	HARTFORD FINANCIAL SERVICES GRP	6.100	10/01/2041	263,229.00
GE CAPITAL COMMERCIAL MORTGAG	6.290	08/11/2033	766,651.35	HAWKER BEECHCRAFT ACQ	8.500	04/01/2015	80,600.00
GENERAL ELECTRIC CAPITAL CORP	2.907	10/24/2008	9,389,472.00	HAWKER BEECHCRAFT ACQ	9.750	04/01/2017	983,000.00
GENERAL ELECTRIC CAPITAL CORP	5.250	12/06/2017	461,438.40	HAWKER BEECHCRAFT ACQ	9.750	04/01/2017	35,000.00
GENERAL ELECTRIC CAPITAL CORP	5.625	09/15/2017	7,085,102.85	HCA INC	6.300	10/01/2012	85,262.50
GENERAL ELECTRIC CAPITAL CORP	5.625	05/01/2018	348,141.60	HCA INC	9.125	11/15/2014	1,978,537.50
GENERAL ELECTRIC CAPITAL CORP	5.875	01/14/2038	2,196,798.48	HCA INC	9.250	11/15/2016	175,100.00
GENERAL ELECTRIC CAPITAL CORP	5.875	01/14/2038	362,508.00	HCA INC	9.250	11/15/2016	618,000.00
GENERAL ELECTRIC CAPITAL CORP	6.000	02/15/2012	205,654.00	HCA-HEALTHCARE CO	8.750	09/01/2010	25,312.50
GENERAL ELECTRIC CAPITAL CORP	6.750	03/15/2032	755,212.50	HCP INC	5.650	12/15/2013	658,519.20
GENERAL MOTORS ACCEPTANCE COR	5.625	05/15/2009	930,529.50	HCP INC	6.000	01/30/2017	615,329.00
GENERAL MOTORS ACCEPTANCE COR	6.750	12/01/2014	199,452.88	HEWLETT-PACKARD CO	4.500	03/01/2013	445,689.00
GENERAL MOTORS ACCEPTANCE COR	7.200	01/15/2011	748,440.00	HIGHMARK INC	6.800	08/15/2013	547,285.00
GEO SUB CP	11.000	05/15/2012	68,775.00	HILCORP ENERGY/FINANCE	9.000	06/01/2016	66,137.50
GEORGIA PACIFIC CORP	7.000	01/15/2015	155,100.00	HOME DEPOT INC	5.250	12/16/2013	479,555.00
GEORGIA PACIFIC CORP	7.125	01/15/2017	291,400.00	HOME DEPOT INC	5.875	12/16/2036	468,917.82
GEORGIA PACIFIC CORP	7.125	01/15/2017	470,000.00	HONDA AUTO RECEIVELS OWER TR	4.030	12/20/2010	3,077,616.91
GEORGIA PACIFIC CORP	7.375	12/01/2025	1,750,840.00	HORNBECK OFFSHORE SERVICES INC	6.125	12/01/2014	561,600.00
GEORGIA PACIFIC CORP	8.000	01/15/2024	1,049,875.00	HOSPIRA INC	6.050	03/30/2017	723,802.50
GEORGIA PACIFIC CORP	8.000	01/15/2024	143,375.00	HOSPIRA INC	6.050	03/30/2017	818,379.36
GEORGIA PACIFIC CORP	8.000	01/15/2024	462,500.00	HOST HOTELS & RESORTS INC	6.875	11/01/2014	78,200.00
GEORGIA PACIFIC CORP	8.875	05/15/2031	518,000.00	HOST MARRIOTT LP	6.375	03/15/2015	75,225.00
GE-WMC MORTGAGE SECURITIES TRI	2.522	08/25/2036	1,296,739.73	HOST MARRIOTT LP	6.750	06/01/2016	35,500.00
GLAXOSMITHKLINE CAPITAL	6.375	05/15/2038	4,169,046.00	HSBC BANK USA	4.625	04/01/2014	664,811.00
GMAC COMMERCIAL MORTGAGE SEC	3.337	05/10/2036	4,102,226.44	HSBC FINANCE CORP	5.500	01/19/2016	432,283.50
GMAC COMMERCIAL MORTGAGE SEC	4.079	05/10/2036	4,251,130.20	HSBC FINANCE CORP	8.000	07/15/2010	1,501,625.20
GMAC COMMERCIAL MORTGAGE SEC	4.471	05/10/2043	975,534.09	HSI ASSET SECURITIZATION CORPORA	2.543	05/25/2037	328,664.86
GMAC COMMERCIAL MORTGAGE SEC	4.576	05/10/2040	565,178.19	HUB INTL HOLDINGS	9.000	12/15/2014	212,675.00

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES CORPORATE BONDS		MATURITY DATE	MARKET VALUE	UNITED STATES CORPORATE BONDS		MATURITY DATE	MARKET VALUE
	RATE				RATE		
ICAHN ENTERPRISES LP	7.125	02/15/2013	294,937.50	LEHMAN BROS FR COM MTG TST	2.551	09/15/2021	348,261.20
ICAHN ENTERPRISES LP	8.125	06/01/2012	326,400.00	LEHMAN BROS HLDGS INC	4.800	03/13/2014	341,183.00
IDAHO POWER CORP	6.250	10/15/2037	380,320.38	LEHMAN BROS HLDGS INC	5.750	01/03/2017	335,338.60
IDEARC INC	8.000	11/15/2016	1,197,768.75	LEHMAN BROS HLDGS INC	6.750	12/28/2017	1,878,860.00
IMC HOME EQUITY	7.670	05/20/2027	192,077.00	LEHMAN BROS HLDGS INC	6.875	05/02/2018	484,055.00
INDY MBS BANK	2.882	05/25/2033	413,406.11	LEHMAN BROS HLDGS INC	6.875	05/02/2018	435,649.50
INDYMAC INDX MORTGAGE LOAN TR	5.044	12/25/2034	58,603.83	LEHMAN BROS HLDGS INC	7.000	09/27/2027	514,083.16
INERGY LP/INERGY FINANCE CORP	8.250	03/01/2016	458,025.00	LEHMAN BROS INC	5.625	01/24/2013	1,746,292.50
INN OF MOUNTAIN GODS RESORT&CA	12.000	11/15/2010	374,100.00	LEHMAN BROS INC	5.625	01/24/2013	189,300.00
INTERNATIONAL BUS MACH CORP	5.700	09/14/2017	3,247,744.00	LEHMAN XS TRUST	2.563	08/25/2046	610,081.09
INTERNATIONAL BUS MACH CORP	8.375	11/01/2019	637,024.50	LEHMAN XS TRUST	2.563	11/25/2046	1,412,563.63
INTERNATIONAL LEASE FINANCE COR	6.625	11/15/2013	1,078,188.00	LENDER PROCESSING SERVICES INC	8.125	07/01/2016	1,326,656.25
INTERNATIONAL PAPER CO	5.850	10/30/2012	626,184.00	LIBBEY GLASS	9.928	06/01/2011	97,850.00
INTERNATIONAL PAPER CO	8.700	06/15/2038	302,184.00	LILLY(ELI)& CO	7.125	05/01/2025	225,250.00
INTUIT INC	5.750	03/15/2017	260,177.79	LIMITED BRANDS INC	5.250	11/01/2014	304,520.40
INVACARE CORP	9.750	02/15/2015	135,000.00	LONG BEACH MORTGAGE LOAN TRUS	2.532	08/25/2036	971,810.58
ION MEDIA NETWORKS INC	5.963	01/15/2012	25,500.00	LONG BEACH MORTGAGE LOAN TRUS	2.762	10/25/2034	121,642.43
ION MEDIA NETWORKS INC	8.963	01/15/2013	54,825.00	LOWE'S COMPANIES INC	5.500	10/15/2035	167,910.00
IPALCO ENTERPRISES INC	7.250	04/01/2016	1,443,025.00	LUCENT TECHNOLOGIE	5.500	11/15/2008	69,825.00
IPCS INC FLTG RATE	4.998	05/01/2013	36,000.00	LUCENT TECHNOLOGIE	6.450	03/15/2029	420,750.00
ISTAR FINANCIAL INC	4.875	01/15/2009	806,400.00	MACDERMID INC	9.500	04/15/2017	76,925.00
ISTAR FINANCIAL INC	5.875	03/15/2016	338,766.90	MACY'S INC	7.450	07/15/2017	141,727.50
ISTAR FINANCIAL INC	6.000	12/15/2010	481,662.50	MAGELLAN MIDSTREAM PARTNERS	6.400	05/01/2037	525,482.36
ITC MIDWEST LLC	6.150	01/31/2038	553,170.87	MARINER ENERGY INC	7.500	04/15/2013	155,200.00
JACOBS ENTERTAINMENT	9.750	06/15/2014	67,500.00	MARKWEST ENERGY PARTNERS	6.875	11/01/2014	98,962.50
JANUS CAPITAL GROUP INC	6.700	06/15/2017	519,224.75	MARKWEST ENERGY PARTNERS	8.500	07/15/2016	30,450.00
JARDEN CORPORATION	7.500	05/01/2017	78,300.00	MARSH & MCLENNAN COS INC	5.750	09/15/2015	416,413.20
JEFFERIES GROUP INC	5.500	03/15/2016	287,286.40	MASCO CORP	6.500	08/15/2032	146,890.80
JP MORGAN CHASE COMMERCIAL MO	4.275	01/12/2037	4,924,323.98	MASSACHUSETTS RRB SPECIAL PURP	6.530	06/01/2015	1,056,374.59
JP MORGAN CHASE COMMERCIAL MO	4.475	07/15/2041	2,413,740.72	MASTR ADJUSTABLE RATE MORTGAG	3.788	11/21/2034	439,447.37
JP MORGAN CHASE COMMERCIAL MO	4.625	03/15/2046	343,331.17	MASTR ASSET BACKED SECURITIES TI	2.543	11/25/2036	432,603.22
JP MORGAN CHASE COMMERCIAL MO	4.719	01/15/2038	949,378.40	MASTR ASSET SECURITIZATION TRUS	5.500	09/25/2033	504,300.16
JP MORGAN CHASE COMMERCIAL MO	4.738	07/15/2042	473,927.35	MATTEL INC	5.625	03/15/2013	2,025,556.65
JP MORGAN CHASE COMMERCIAL MO	4.936	08/15/2042	471,930.30	MAY DEPARTMENT STORES CO	5.750	07/15/2014	316,018.50
JP MORGAN CHASE COMMERCIAL MO	5.038	03/15/2046	573,147.30	MBNA AMERICA BANK	6.625	06/15/2012	681,180.50
JP MORGAN CHASE COMMERCIAL MO	5.250	05/01/2015	339,370.50	MBNA CREDIT CARD MASTER NOTE T	4.900	07/15/2011	6,121,240.54
JP MORGAN CHASE COMMERCIAL MO	5.255	07/12/2037	583,223.85	MBNA MASTER CREDIT CARD TRUST	2.701	11/15/2011	778,275.82
JP MORGAN CHASE COMMERCIAL MO	5.345	12/15/2044	2,749,922.58	MBNA MASTER CREDIT CARD TRUST	5.900	08/15/2011	712,675.46
JP MORGAN CHASE COMMERCIAL MO	5.376	07/12/2037	1,008,154.30	MEAR STEARNS ALT-A TRUST	5.796	11/25/2036	987,021.89
JP MORGAN CHASE COMMERCIAL MO	5.399	05/15/2045	714,812.26	MEDCO HEALTH SOLUTIONS INC	6.125	03/15/2013	877,913.75
JP MORGAN CHASE COMMERCIAL MO	5.420	01/15/2049	1,112,066.52	MEDCO HEALTH SOLUTIONS INC	7.125	03/15/2018	398,780.16
JP MORGAN CHASE COMMERCIAL MO	5.490	04/15/2043	3,143,221.52	MEDCO HEALTH SOLUTIONS INC	7.250	08/15/2013	1,454,487.90
JP MORGAN CHASE COMMERCIAL MO	5.790	06/12/2043	2,104,507.76	MEDCO HEALTH SOLUTIONS INC	7.250	08/15/2013	207,025.65
JP MORGAN CHASE COMMERCIAL MO	6.244	04/15/2035	312,670.68	MEDIACOM BROADBAND LLC	8.500	10/15/2015	674,781.25
JP MORGAN CHASE COMMERCIAL MO	7.371	08/15/2032	936,585.54	MERRILL LYNCH MORTGAGE TRUST	5.236	11/12/2035	3,122,057.47
JP MORGAN CHASE COMMERCIAL MO	5.024	02/25/2035	487,674.52	MERRILL LYNCH & CO INC	2.960	10/23/2008	3,081,679.00
JP MORGAN MORTGAGE TRUST	5.937	01/25/2037	971,479.10	MERRILL LYNCH & CO INC	4.353	02/12/2042	1,356,034.92
JP MORGAN MORTGAGE TRUST	2.532	08/25/2036	971,334.98	MERRILL LYNCH & CO INC	5.000	01/15/2015	1,371,340.95
JP MORGAN MTG ACQ	4.750	05/01/2013	1,139,019.92	MERRILL LYNCH & CO INC	5.450	02/05/2013	2,622,096.00
JPMORGAN & CHASE & CO	4.994	07/12/2035	889,799.44	MERRILL LYNCH & CO INC	6.050	08/15/2012	1,272,336.00
JPMORGAN & CHASE & CO	6.000	01/15/2018	1,768,064.10	MERRILL LYNCH & CO INC	6.875	11/15/2018	668,290.00
JPMORGAN & CHASE & CO	6.000	01/15/2018	1,516,735.98	MERRILL LYNCH & CO INC	6.875	06/12/2050	523,960.76
JPMORGAN & CHASE & CO	6.000	01/15/2018	389,656.00	MERRILL LYNCH & CO INC	6.875	04/25/2018	3,535,676.95
KELLOGG CO	7.450	04/01/2031	309,669.25	MERRILL LYNCH & CO INC	6.875	04/25/2018	6,091,072.00
KEY ENERGY SERVICE	8.375	12/01/2014	280,500.00	MERRILL LYNCH FRANKLIN MORTGAG	2.543	07/25/2037	1,564,703.32
KEYSPAN CORP	8.000	11/15/2030	220,408.00	MERRILL LYNCH MORTGAGE INVESTC	2.543	04/25/2037	456,315.97
KINDER MORGAN ENERGY PARTNERS	7.125	03/15/2012	981,275.40	MERRILL LYNCH MORTGAGE INVESTC	2.553	07/25/2037	1,321,131.37
KINDER MORGAN ENERGY PARTNERS	7.125	03/15/2012	835,128.00	MERRILL LYNCH MORTGAGE INVESTC	2.733	11/25/2035	56,803.71
KRAFT FOODS INC	5.625	11/01/2011	428,803.75	MERRILL LYNCH MORTGAGE TRUST	3.459	10/25/2035	76,738.85
KRAFT FOODS INC	6.125	02/01/2018	422,854.80	MERRILL LYNCH MORTGAGE TRUST	4.166	08/12/2039	2,682,595.23
KRAFT FOODS INC	6.875	02/01/2038	1,988,189.45	MERRILL LYNCH MORTGAGE TRUST	4.556	06/12/2043	10,751,098.05
KRAFT FOODS INC	6.875	02/01/2038	291,663.00	MERRILL LYNCH MORTGAGE TRUST	4.674	06/12/2043	211,276.82
KRAFT FOODS INC	6.875	01/26/2039	923,887.44	MERRILL LYNCH MORTGAGE TRUST	5.017	01/12/2044	64,784.30
KROGER CO	7.250	06/01/2009	718,655.00	MERRILL LYNCH MORTGAGE TRUST	5.047	07/12/2038	1,426,316.25
LABRANCHE & CO INC	11.000	05/15/2012	15,412.50	MERRILL LYNCH MORTGAGE TRUST	5.202	03/12/2044	2,001,138.60
LAMAR MEDIA CORP	6.625	08/15/2015	282,100.00	MERRILL LYNCH MORTGAGE TRUST	5.282	01/12/2044	435,863.04
LAMAR MEDIA CORP	6.625	08/15/2015	54,600.00	MERRILL LYNCH MORTGAGE TRUST	5.395	11/12/2037	130,005.60
LAMAR MEDIA CORP	7.250	01/01/2013	76,900.00	MERRILL LYNCH MORTGAGE TRUST	5.416	11/12/2037	1,404,363.53
LB COMMERCIAL CONDUIT MORTGAC	7.325	10/15/2032	1,079,202.35	MERRILL LYNCH MORTGAGE TRUST	5.528	05/12/2039	604,194.99
LB UBS CMBS	3.246	03/15/2029	1,781,932.04	MERRILL LYNCH MORTGAGE TRUST	5.796	05/12/2039	3,571,568.66
LB UBS CMBS	5.430	02/15/2040	697,332.68	MERRILL LYNCH MORTGAGE TRUST	5.841	05/12/2039	1,556,751.20
LB UBS CMBS	5.661	03/15/2039	1,293,947.95	MERRILL LYNCH MORTGAGE TRUST	5.841	05/12/2039	747,571.28
LB UBS COMMERCIAL MORTGAGE TR	4.201	12/15/2029	992,559.60	MERRILL LYNCH/COUNTRYWIDE COM	5.700	09/12/2049	1,602,820.52
LB UBS COMMERCIAL MORTGAGE TR	4.647	07/15/2030	1,988,815.99	METLIFE INC	6.125	12/01/2011	832,984.80
LB UBS COMMERCIAL MORTGAGE TR	4.885	09/15/2030	229,498.53	METLIFE INC	6.400	12/15/2066	104,774.40
LB UBS COMMERCIAL MORTGAGE TR	4.990	11/15/2030	2,704,766.32	METROPOLITAN EDISON CO	4.875	04/01/2014	472,080.00
LB UBS COMMERCIAL MORTGAGE TR	5.084	02/15/2031	1,387,114.96	METROPOLITAN LIFE GLOBAL FUNDIN	2.759	05/17/2010	3,155,744.00
LB UBS COMMERCIAL MORTGAGE TR	5.103	11/15/2030	798,010.64	MGM MIRAGE INC	7.500	06/01/2016	98,700.00
LB UBS COMMERCIAL MORTGAGE TR	5.125	06/15/2029	1,109,813.40	MGM MIRAGE INC	8.500	09/15/2010	34,562.50
LB UBS COMMERCIAL MORTGAGE TR	5.156	02/15/2031	527,010.23	MIDAMERICAN ENERGY HLDGS	6.125	04/01/2036	259,272.90
LB UBS COMMERCIAL MORTGAGE TR	5.403	02/15/2040	949,182.60	MILLENNIUM AMERICA INC	7.625	11/15/2026	59,400.00
LB UBS COMMERCIAL MORTGAGE TR	5.478	03/15/2032	635,828.17	ML MTG INVESTORS	2.693	02/25/2036	234,049.97
LEAR CORP	8.500	12/01/2013	61,968.75	MLCC MORTGAGE INVESTORS INC	2.851	03/15/2025	210,535.60
LEAR CORP	8.750	12/01/2016	54,600.00	ML-CFC COMMERCIAL MORTGAGE TR	5.291	07/12/2046	3,562,274.14

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES CORPORATE BONDS				UNITED STATES CORPORATE BONDS			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
MOHAWK INDUSTRIES	6.125	01/15/2016	870,925.11	ONCOR ELECTRIC DELIVERY CO	7.250	01/15/2033	396,950.97
MOHEGAN TRIBAL GAMING	6.375	07/15/2009	74,250.00	ONEOK PARTNERS LP	6.150	10/01/2016	374,467.20
MOHEGAN TRIBAL GAMING	7.125	08/15/2014	74,700.00	OPTION ONE MORTGAGE LOAN	5.900	03/25/2037	4,220,316.94
MOHEGAN TRIBAL GAMING	8.000	04/01/2012	36,600.00	ORACLE CORP	5.750	04/15/2018	519,558.00
MORGAN STANLEY	4.000	01/15/2010	1,620,349.50	OWENS CORNING INC	7.000	12/01/2036	1,457,790.45
MORGAN STANLEY	5.300	03/01/2013	385,424.00	PACIFIC BELL	7.125	03/15/2026	302,724.00
MORGAN STANLEY	5.450	01/09/2017	508,608.80	PACIFIC ENERGY PARTNERS LP	6.250	09/15/2015	1,403,085.70
MORGAN STANLEY	5.550	04/27/2017	2,146,560.00	PACIFIC ENERGY PARTNERS LP	7.125	06/15/2014	85,715.70
MORGAN STANLEY	6.000	04/28/2015	1,367,108.60	PACIFIC GAS & ELECTRIC	4.800	03/01/2014	535,931.00
MORGAN STANLEY	6.625	04/01/2018	1,335,069.77	PACTIV CORP	5.875	07/15/2012	401,632.56
MORGAN STANLEY	6.625	04/01/2018	6,158,945.00	PAETEC HOLDING CORP	9.500	07/15/2015	78,412.50
MORGAN STANLEY	6.625	04/01/2018	473,765.00	PARKER DRILLING CO	9.625	10/01/2013	47,250.00
MORGAN STANLEY CAP 1	2.532	09/25/2036	733,046.85	PEABODY ENERGY CORP	7.375	11/01/2016	84,787.50
MORGAN STANLEY CAP 1	2.542	10/15/2020	1,073,822.65	PEABODY ENERGY CORP	7.875	11/01/2026	135,675.00
MORGAN STANLEY CAP 1	4.450	01/14/2042	655,046.97	PECO ENERGY TRANSITION TRUST	6.130	03/01/2009	179,238.72
MORGAN STANLEY CAP 1	4.510	07/15/2056	1,429,446.15	PEMEX PROJECT FUNDING MASTER TI	6.625	06/15/2035	345,310.00
MORGAN STANLEY CAP 1	4.700	07/15/2056	1,146,353.72	PEMEX PROJECT FUNDING MASTER TI	7.875	02/01/2009	2,487,936.40
MORGAN STANLEY CAP 1	4.740	11/13/2036	547,468.22	PEMEX PROJECT FUNDING MASTER TI	8.625	02/01/2022	572,832.00
MORGAN STANLEY CAP 1	4.800	01/13/2041	826,044.03	PENN NATIONAL GAMING INC	6.750	03/01/2015	208,550.00
MORGAN STANLEY CAP 1	4.882	08/13/2042	993,565.40	PENNEY(J.C.)CO INC	7.400	04/01/2037	179,572.00
MORGAN STANLEY CAP 1	4.890	06/12/2047	2,782,577.18	PETROBRAS INTERNATIONAL FINANC	5.875	03/01/2018	1,769,007.66
MORGAN STANLEY CAP 1	4.890	06/12/2047	943,246.50	PHIBRO ANIMAL HEALTH CORP	10.000	08/01/2013	101,000.00
MORGAN STANLEY CAP 1	4.970	12/15/2041	1,383,963.84	PHILIP MORRIS INTL INC	5.650	05/16/2018	233,270.40
MORGAN STANLEY CAP 1	5.257	12/15/2043	694,563.48	PHILLIPS PETROLEUM	8.750	05/25/2010	206,767.50
MORGAN STANLEY CAP 1	5.283	11/12/2041	5,016,358.38	PILGRIMS PRIDE CORP	8.375	05/01/2017	195,510.00
MORGAN STANLEY CAP 1	5.380	04/15/2049	1,122,154.55	PITNEY BOWES INC	5.250	01/15/2037	1,146,558.05
MORGAN STANLEY CAP 1	5.560	03/12/2044	984,096.76	PLAINS ALL AMERN PIPELINE L P	7.750	10/15/2012	2,226,650.85
MORGAN STANLEY CAP 1	5.564	03/12/2044	1,951,783.80	PP&L TRANSITION BOND LLC	7.150	06/25/2009	323,996.76
MORGAN STANLEY CAP 1	5.692	04/15/2049	942,993.90	PPL ENERGY SUPPLY LLC	6.200	05/15/2016	195,394.00
MORGAN STANLEY CAP 1	5.731	07/12/2044	513,839.61	PPL ENERGY SUPPLY LLC	6.500	05/01/2018	883,886.35
MORGAN STANLEY CAP 1	5.740	12/15/2035	377,195.89	PRINCIPAL LIFE INC	5.300	04/24/2013	500,005.00
MORGAN STANLEY CAP 1	6.530	03/15/2031	1,039,409.43	PROC & GAMBL PFT	9.360	01/01/2021	234,666.52
MORRIS PUBLISHING GR LLC	7.000	08/01/2013	53,680.00	PROCTER & GAMBLE CO	5.550	03/05/2037	192,226.00
MORTGAGE EQU CONV TR	2.350	02/25/2042	799,828.47	PROGRESSIVE CORP	6.625	03/01/2029	187,166.35
MOSAIC CO	7.375	12/01/2014	99,275.00	PROLOGIS TRUST	5.625	11/15/2016	268,583.50
MOSAIC CO	7.875	12/01/2016	122,475.00	PRUDENTIAL COMMERCIAL MORTGAI	4.493	02/11/2036	570,643.38
MOTOROLA INC	6.500	09/01/2025	70,937.45	PSYCHIATRIC SOLUTIONS INC	7.750	07/15/2015	103,950.00
MOTOROLA INC	6.500	11/15/2028	195,290.00	QUESTAR MKT RES INC	6.800	04/01/2018	817,815.96
MOTOROLA INC	6.625	11/15/2037	251,747.20	QUICKSILVER RESOURCES INC	7.750	08/01/2015	450,450.00
MRFC MORTGAGE PASS-THROUGH TR	2.951	06/15/2030	366,786.16	QWEST CAPITAL FUNDING INC	7.250	10/15/2035	390,600.00
MTR GAMING GROUP INC	9.000	06/01/2012	28,297.50	QWEST COMMUNICATIONS INTL INC	6.176	02/15/2009	696,500.00
MTR GAMING GROUP INC	9.750	04/01/2010	80,000.00	QWEST COMMUNICATIONS INTL INC	7.250	02/15/2011	67,637.50
MUELLER WATER PRODUCTS INC	7.375	06/01/2017	814,815.00	QWEST COMMUNICATIONS INTL INC	7.500	02/15/2014	475,000.00
MUELLER WATER PRODUCTS INC	7.375	06/01/2017	89,775.00	QWEST CORPORATION	6.500	06/01/2017	357,000.00
MURCIE LAGO INTL	2.712	11/01/2011	473,596.20	QWEST CORPORATION	7.500	10/01/2014	202,125.00
NABORS INDUSTRIES INC	6.150	02/15/2018	424,523.40	R.H. DONNELLEY CORP	8.875	10/15/2017	960,925.00
NABORS INDUSTRIES INC	6.150	02/15/2018	1,548,499.64	RAINBOW NATL SRVCS LLC	10.375	09/01/2014	51,000.00
NATIONAL AUSTRALIA BANK	5.350	06/12/2013	3,893,838.00	RALI SERIES TRUST	2.662	06/25/2046	331,592.85
NATIONAL FUEL GAS CO	6.500	04/15/2018	995,963.72	RALI SERIES TRUST	2.882	03/25/2033	423,476.91
NATIONAL RURAL UTILITIES CO-OP	8.000	03/01/2032	172,314.00	RAS LAFFAN LIQNTL	6.332	09/30/2027	945,050.40
NATIONAL SEMICONDUCTOR CORP	6.600	06/15/2017	514,758.42	RBS GLOBAL & REYNORD CORP	9.500	08/01/2014	144,750.00
NATIONSBANK CAP TRUST	8.250	04/15/2027	1,585,703.80	REGENCY ENERGY PARTNERS LP	8.375	12/15/2013	102,250.00
NBTY INC	7.125	10/01/2015	76,400.00	RELIANT ENERGY INC	7.625	06/15/2014	34,125.00
NEENAH CORP	9.500	01/01/2017	119,350.00	RELIANT ENERGY INC	7.875	06/15/2017	244,375.00
NEVADA POWER CO	5.875	01/15/2015	1,020,170.62	RELIANT ENERGY MID-ATLANTIC POW	9.681	07/02/2026	117,600.00
NEW CENTURY HOME EQUITY LOAN T	2.553	08/25/2036	444,013.05	RESIDENTIAL ASSETT SEC CORP	4.470	03/25/2032	921,469.97
NEW YORK LIFE GLOBAL FUNDING	4.650	05/09/2013	7,935,520.00	REXAM	6.750	06/01/2013	2,403,245.08
NEWFIELD EXPLORATION CO	6.625	04/15/2016	119,275.00	REYNOLDS AMERICAN INC	6.750	06/15/2017	198,958.00
NEWFIELD EXPLORATION CO	7.125	05/15/2018	364,787.50	REYNOLDS AMERICAN INC	7.250	06/15/2037	2,647,309.70
NEWS AMERICA HLDGS INC	8.000	10/17/2016	666,756.00	REYNOLDS AMERICAN INC	7.250	06/15/2037	995,939.56
NEWS AMERICA HLDGS INC	8.000	10/17/2016	766,769.40	REYNOLDS AMERICAN INC	7.625	05/01/2016	46,881.45
NEXTEL COMMUNICATIONS INC	5.950	03/15/2014	28,087.50	REYNOLDS AMERICAN INC	7.625	06/01/2016	312,543.00
NEXTEL COMMUNICATIONS INC	5.950	03/15/2014	401,250.00	REYNOLDS AMERICAN INC	7.750	06/01/2018	1,256,628.00
NEXTEL COMMUNICATIONS INC	7.375	08/01/2015	24,900.00	RIO TINTO FINANCE LTD	5.875	07/15/2013	919,063.56
NEXTEL COMMUNICATIONS INC	7.375	08/01/2015	688,900.00	RITE AID CORP	7.500	01/15/2015	214,000.00
NGPL PIPECO LLC	6.514	12/15/2012	2,639,676.00	RITE AID CORP	8.625	03/01/2015	111,300.00
NGPL PIPECO LLC	7.119	12/15/2017	2,452,944.00	RITE AID CORP	9.375	12/15/2015	53,600.00
NGPL PIPECO LLC	7.768	12/15/2037	942,444.00	ROCKIES FUND INC	6.850	07/15/2018	389,700.85
NIPPON LIFE INSURANCE	4.875	08/09/2010	347,266.50	ROCK-TENN CO	9.250	03/15/2016	238,500.00
NORFOLK SOUTHERN CORP	7.700	05/15/2017	389,620.00	ROHM & HAAS CO	7.850	07/15/2029	172,265.60
NORSK HYDRO ASA	7.250	09/23/2027	163,120.65	ROYAL CARIBBEAN CRUISES	8.750	02/02/2011	1,207,500.00
NORTHERN TELECOM CAPITAL	7.875	06/15/2026	936,650.00	SAFEWAY INC	7.250	02/01/2031	353,756.70
NORTHPROP GRUMMAN CORP	7.125	02/15/2011	469,057.60	SANWA BANK	7.400	06/15/2011	899,410.50
NORTHWEST AIR	7.625	11/15/2023	200.00	SARA LEE CORP	6.250	09/15/2011	102,381.00
NRG ENERGY INC	7.250	02/01/2014	19,100.00	SAXON ASSET SECURITIES TRUST	2.543	11/25/2036	217,331.26
NRG ENERGY INC	7.250	02/01/2014	1,623,500.00	SCHERING-PLOUGH CORP	5.550	12/01/2013	533,508.60
NRG ENERGY INC	7.375	02/01/2016	37,650.00	SCHERING-PLOUGH CORP	6.550	09/15/2037	770,553.18
NRG ENERGY INC	7.375	02/01/2016	941,250.00	SEMINOLE HARD ROCK ENTERTAINM	5.276	03/15/2014	88,200.00
NSG HOLDINGS LLC	7.750	12/15/2025	59,100.00	SERVICE CORPORATION INTERNATIONAL	7.375	10/01/2014	65,000.00
OHIO POWER CO	6.600	02/15/2033	210,139.60	SERVICE CORPORATION INTERNATIONAL	7.625	10/01/2018	64,837.50
OMEGA HEALTHCARE INVESTORS	7.000	04/01/2014	38,100.00	SIEMENS FINANCIERINGSMAAT NV	6.125	08/17/2026	633,606.60
OMX TIMBER FIN INV	5.420	01/29/2020	308,638.85	SIMON PPTY GROUP LP	6.350	08/28/2012	876,802.50
ONCOR ELECTRIC DELIVERY CO	6.375	05/01/2012	303,909.00	SK TELECOM	6.625	07/20/2027	2,695,334.35
ONCOR ELECTRIC DELIVERY CO	7.000	09/01/2022	392,973.36	SLC STUDENT LOAN TRUST	2.674	02/15/2015	2,071,342.74

PORTFOLIO OF ASSETS, JUNE 30, 2008

UNITED STATES CORPORATE BONDS				UNITED STATES CORPORATE BONDS			
	RATE	MATURITY DATE	MARKET VALUE		RATE	MATURITY DATE	MARKET VALUE
SLM CORP	5.000	10/01/2013	289,661.10	US BANK NATIONAL ASSOC MNNEA	6.375	08/01/2011	522,245.00
SLM CORP	5.000	04/15/2015	363,853.10	US WEST CAPITAL FUNDING INC	6.500	11/15/2018	315,700.00
SLM CORP	5.000	06/15/2018	141,280.80	US WEST COMMUNICATIONS GROUP	7.200	11/10/2026	1,272,600.00
SLM CORP	5.050	11/14/2014	326,976.65	US WEST COMMUNICATIONS GROUP	7.200	11/10/2026	33,600.00
SLM CORP	5.375	05/15/2014	48,319.15	US WEST COMMUNICATIONS INC	6.875	09/15/2033	193,875.00
SLM CORP	5.625	08/01/2033	489,417.50	US WEST COMMUNICATIONS INC	7.250	09/15/2025	1,579,725.00
SLM CORP	8.450	06/15/2018	1,731,608.70	US WEST COMMUNICATIONS INC	7.500	06/15/2023	734,250.00
SLM STUDENT LOAN TRUST	2.910	07/25/2013	1,508,834.67	USAA AUTO OWNER TRUST	5.010	09/15/2010	515,992.59
SLM STUDENT LOAN TRUST	2.920	10/25/2016	2,040,895.51	USB CAPITAL IX	6.189	12/31/2049	619,400.00
SMALL BUSINESS ADMINISTRATION	7.190	12/01/2019	652,086.37	USG CORP	6.300	11/15/2016	1,396,675.00
SMALL BUSINESS ADMINISTRATION	7.540	08/10/2009	182,975.79	USI HLDGS CORP	6.551	11/15/2014	37,575.00
SMITHFIELD FOODS INC	7.750	07/01/2017	622,500.00	USI HLDGS CORP	9.750	05/15/2015	98,900.00
SOLO CUP	8.500	02/15/2014	529,375.00	USX CORP	6.650	06/01/2037	1,374,313.20
SOUNDVIEW HOME LOAN TRUST	2.522	11/25/2036	33,568.69	USXL FUNDING II LLC	5.379	04/15/2014	293,451.03
SOUNDVIEW HOME LOAN TRUST	2.532	10/25/2036	675,373.62	UTD AIRLINES INC	6.201	03/01/2010	705,885.43
SOUNDVIEW HOME LOAN TRUST	2.543	11/25/2036	1,396,782.23	UTD HEALTH GROUP	6.625	11/15/2037	1,118,009.02
SOURCE GAS LLC	5.900	04/01/2017	426,651.45	VAL RESORTS INC	6.750	02/15/2014	203,175.00
SOUTHERN CALIFORNIA EDISON CO	7.625	01/15/2010	1,144,636.35	VALEANT PHARMACEUTICALS INTERI	7.000	12/15/2011	1,283,400.00
SOUTHERN CALIFORNIA EDISON CO	5.950	02/01/2038	266,911.20	VALERO ENERGY CORP	7.500	04/15/2032	177,112.25
SOUTHWESTERN ENERGY CO	7.500	02/01/2018	421,853.10	VANGUARD HEALTH HLDGS	9.000	10/01/2014	44,550.00
SPEEDWAY MOTOR SPORTS INC	6.750	06/01/2013	204,750.00	VERASUN ENERGY CORP	9.375	06/01/2017	15,450.00
SPRINT CAP CORP	8.750	03/15/2032	476,250.00	VERIZON GLOBAL FUND	7.250	12/01/2010	1,167,815.00
SPRINT CAPITAL CORP	6.875	11/15/2028	3,663,000.00	VERIZON VIRGINIA INC	4.625	03/15/2013	681,509.40
SPRINT CAPITAL CORP	6.900	05/01/2019	30,712.50	VF CORP	6.450	11/01/2037	861,778.67
SPRINT CAPITAL CORP	7.625	01/30/2011	1,230,090.00	VIACOM INC	5.500	05/15/2033	132,703.70
STAR GAS PARTNERS	10.250	02/15/2013	19,600.00	VIACOM INC	6.875	04/30/2036	206,599.80
STATER BROS HLDGS INC	7.750	04/15/2015	124,062.50	VIRGINIA ELECTRIC & POWER CO	6.000	05/15/2037	186,214.00
STEEL DYNAMICS INC	7.375	11/01/2012	1,415,000.00	VISTEON CORP	7.000	03/10/2014	504,125.00
STEEL DYNAMICS INC	7.375	11/01/2012	490,000.00	VOUGHT AIRCRAFT INDUSTRIES	8.000	07/15/2011	232,500.00
STEELCASE INC	6.500	08/15/2011	994,753.62	VULCAN MATERIALS	6.300	06/15/2013	694,007.75
STONE ENERGY CORP	6.750	12/15/2014	83,362.50	VULCAN MATERIALS	7.000	06/15/2018	1,248,752.75
STRUCTURED ADJUSTABLE RATE MOI	5.349	01/25/2035	767,483.30	VWR FDG INC	10.250	07/15/2015	101,475.00
STRUCTURED ASSET MORTGAGE INVI	2.553	08/25/2036	1,025,464.76	W & T OFFSHORE INC	8.250	06/15/2014	525,925.00
STRUCTURED ASSET MORTGAGE INVI	2.702	04/25/2036	877,767.37	WACHOVIA BANK COMMERCIAL MOR	2.561	09/15/2021	4,076,126.83
STRUCTURED ASSET MORTGAGE INVI	2.733	07/19/2035	103,569.25	WACHOVIA BANK COMMERCIAL MOR	4.516	05/15/2044	394,864.48
STRUCTURED ASSET MORTGAGE INVI	2.733	07/19/2035	182,988.84	WACHOVIA BANK COMMERCIAL MOR	4.692	10/15/2041	744,993.78
STRUCTURED ASSET MORTGAGE INVI	2.733	07/19/2035	35,120.64	WACHOVIA BANK COMMERCIAL MOR	4.807	04/15/2042	4,809,549.50
SUNCOR ENERGY	6.100	06/01/2018	910,751.24	WACHOVIA BANK COMMERCIAL MOR	5.000	08/15/2015	454,230.00
SUNGARD DATA SYSTEMS INC	3.750	01/15/2009	44,381.25	WACHOVIA BANK COMMERCIAL MOR	5.037	03/15/2042	1,126,609.17
SUNGARD DATA SYSTEMS INC	4.875	01/15/2014	17,775.00	WACHOVIA BANK COMMERCIAL MOR	5.118	07/15/2042	1,336,553.54
SUNGARD DATA SYSTEMS INC	9.125	08/15/2013	35,350.00	WACHOVIA BANK COMMERCIAL MOR	5.215	01/15/2041	390,770.08
SUNTRUST CAPITAL	6.100	12/01/2066	158,838.00	WACHOVIA BANK COMMERCIAL MOR	5.384	10/15/2044	4,670,575.39
SUPERIOR WHOLESALE INVENTORY	2.571	01/15/2012	329,244.68	WACHOVIA BANK COMMERCIAL MOR	7.980	12/31/2049	5,510,400.00
SUSSER HOLDINGS CORP	10.625	12/15/2013	76,125.00	WACHOVIA CORP	5.625	12/15/2008	799,528.00
TARGET CORP	5.875	03/01/2012	312,657.00	WACHOVIA CORP	5.750	02/01/2018	455,705.00
TCI COMMUNICATIONS INC	8.750	08/01/2015	480,411.50	WAL-MART STORES INC	4.550	05/01/2013	828,811.50
TELECOM ITALIA CAPITAL	7.721	06/04/2038	3,759,718.00	WAL-MART STORES INC	6.500	08/15/2037	720,405.00
TENNECO AUTOMOTIVE INC	8.625	11/15/2014	88,250.00	WAL-MART STORES INC	7.250	06/01/2013	834,161.00
TENNESSEE GAS PIPELINE CO	6.000	12/15/2011	1,007,250.00	WALT DISNEY COMPANY	6.200	06/20/2014	592,801.75
TEPPCO PARTNERS L.P	7.550	04/15/2038	1,928,551.00	WAMU MORTGAGE PASS-THROUGH C	3.796	06/25/2034	3,234,147.18
TEPPCO PARTNERS L.P	7.550	04/15/2038	513,932.78	WAMU MORTGAGE PASS-THROUGH C	5.060	08/25/2046	1,737,613.16
TESCO	6.150	11/15/2037	1,654,516.50	WAMU MORTGAGE PASS-THROUGH C	5.060	09/25/2046	1,742,370.65
TEXAS COMPETITIVE ELEC HLDGS LL	10.250	11/01/2015	543,900.00	WAMU MTGE SEC CORP	4.928	08/25/2042	108,037.55
TEXAS EASTERN CORP	7.000	07/15/2032	200,456.00	WASHINGTON MUTUAL	3.022	12/25/2027	1,253,770.32
THORNBURG MORTGAGE SECURITIES	2.603	09/25/2046	2,140,546.08	WASHINGTON MUTUAL	4.361	02/27/2034	218,022.73
TIMBERSTAR TRUST	5.668	10/15/2036	259,960.25	WASHINGTON MUTUAL	8.250	04/01/2010	885,000.00
TIME WARNER CABLE INC	6.550	05/01/2037	1,765,557.00	WASTE MANAGEMENT INC	6.500	11/15/2008	404,192.00
TIME WARNER CABLE INC	7.300	07/01/2038	737,436.70	WEATHERFORD INTERNATIONAL INC	5.500	02/15/2016	290,250.00
TIME WARNER ENT	8.875	10/01/2012	524,659.20	WEATHERFORD INTERNATIONAL INC	6.500	08/01/2036	1,629,169.20
TOBACCO SETTLEMENT REV MGMT A	6.000	05/15/2022	105,093.00	WELLPOINT INC	5.000	12/15/2014	375,340.00
TOYS R US INC	7.625	08/01/2011	44,750.00	WELLS FARGO & CO	5.250	10/23/2012	729,067.25
TRANS-CANADA PIPELINES	6.200	10/15/2037	229,165.00	WELLS FARGO BANK	6.450	02/01/2011	1,504,785.60
TRANSOCEAN INC	6.800	03/15/2038	918,411.54	WELLS FARGO MORTGAGE BACKED S	3.541	09/25/2034	1,577,964.94
TRAVELERS COMPANIES INC	6.250	06/15/2037	148,728.00	WELLS FARGO MORTGAGE BACKED S	4.416	05/25/2035	791,799.23
TRAVELERS COS INC	6.250	03/15/2067	429,570.00	WELLS FARGO MORTGAGE BACKED S	4.946	01/25/2035	720,349.92
TRONOX WORLDWIDE FINANCE	9.500	12/01/2012	97,800.00	WELLS FARGO MORTGAGE BACKED S	4.950	03/25/2036	869,696.43
TRUMAN CAPITAL MTG LOAN TRUST	2.823	01/25/2034	66,021.98	WELLS FARGO MORTGAGE BACKED S	5.515	08/25/2036	1,804,080.23
TRUST STREET PROPERTIES	7.500	04/01/2015	95,958.90	WESTINGHOUSE AIR BRAKE CO	6.875	07/31/2013	735,687.50
U.S. SMALL BUSINESS ADMINISTRATION	7.200	10/01/2019	2,301,324.47	WFS FINANCIAL OWNER TRUST	3.440	05/17/2012	867,047.14
UCAR FINANCE	10.250	02/15/2012	24,840.00	WHITING PETROLEUM CORP	7.000	02/01/2014	161,906.25
UNIFI INC	11.500	05/15/2014	38,025.00	WHITING PETROLEUM CORP	7.250	05/01/2013	54,587.50
UNILEVER CAPITAL CORP	7.125	11/01/2010	853,696.00	WILLIAMS COMPANIES INC	7.500	01/15/2031	303,375.00
UNION PACIFIC CORP	3.625	06/01/2010	1,222,166.70	WILLIAMS COMPANIES INC	7.875	09/01/2021	1,166,000.00
UNION PACIFIC CORP	6.125	01/15/2012	495,211.20	WILLIAMS PARTNERS LP	7.250	02/01/2017	1,140,000.00
UNION PACIFIC CORP	6.500	04/15/2012	313,608.00	WILLIS NORTH AMERICA INC	6.200	03/28/2017	653,901.00
UNITED HEALTH GROUP INC	6.875	02/15/2038	696,484.16	WILMINGTON TRUST CORP	8.500	04/02/2018	323,915.50
UNITED HEALTH GROUP INC	6.875	02/15/2038	283,893.00	WISCONSIN ENERGY CORP	6.500	04/01/2011	339,137.50
UNITED PARCEL SERVICE INC	8.375	04/01/2020	481,412.10	WYETH	5.500	02/01/2014	302,427.00
UNITED TECHNOLOGIES CORP	6.125	07/15/2038	1,938,723.60	WYETH	5.950	04/01/2037	241,310.00
UNITED TECHNOLOGIES CORP	7.500	09/15/2029	115,338.00	WYNDHAM WORLDWIDE	6.000	12/01/2016	737,363.45
UNITEDHEALTH GROUP INC	5.375	03/15/2016	399,291.75	WYNN LAS VEGAS LLC	6.625	12/01/2014	77,775.00
UNITEDHEALTH GROUP INC	6.900	02/15/2018	1,644,461.00	WYNN LAS VEGAS LLC	6.625	12/01/2014	736,575.00
UNIV HOSPITAL SVCS	8.500	06/01/2015	50,000.00	XEROX CORP	5.500	05/15/2012	543,642.00
UNIVERSAL HOSPITAL SERVICES	6.303	06/01/2015	46,750.00	XEROX CORP	6.350	05/15/2018	1,984,071.00

PORTFOLIO OF ASSETS, JUNE 30, 2018

UNITED STATES			MATURITY		MARKET		INTERNATIONAL			
CORPORATE BONDS			RATE	DATE	VALUE		CORPORATE BONDS			
XEROX CORP	6.400	03/15/2016			1,395,483.60		ATF CAPITAL BV	9.250	02/21/2014	472,350.00
XEROX CORP	7.625	06/15/2013			1,516,078.60		BANQUE CENTRALE	7.375	04/25/2012	535,950.00
XEROX CORP	9.750	01/15/2009			1,441,118.00		BOWATER CANADA FINANCE CORP	7.950	11/15/2011	17,375.00
XTO ENERGY INC	6.100	04/01/2036			214,305.75		BRASKEM FINANCE LIMITED	7.250	06/05/2018	990,000.00
XTO ENERGY INC	6.375	06/15/2038			1,701,146.00		BRITISH TELECOM	9.125	12/15/2030	2,637,363.52
YUM BRANDS INC	6.250	03/15/2018			321,783.00		BRITISH TELECOM	9.125	12/15/2030	360,624.00
ZIFF DAVIS MEDIA INC	0.000	05/01/2012			21,000.00		BRITISH TELECOM	6.640	12/31/2049	1,483,072.00
ZIONS BANCORP	5.500	11/16/2015			238,945.00		CANADIAN NATURAL RESOURCES	5.700	05/15/2017	391,860.00
TOTAL U.S. CORPORATE BONDS					952,772,558.89		CITIC RESOURCES FINANCE	6.750	05/15/2014	186,750.00
							CITIGROUP GLOBAL MA	0.800	10/30/2008	808,726.95
							CODELCO INC	6.150	10/24/2036	1,521,216.00
INTERNATIONAL			MATURITY		MARKET					
GOVERNMENT SECURITIES			RATE	DATE	VALUE					
ARGENTINA(REP OF)	8.280	12/31/2033			196,620.61		COMPANHIA BRASILEIRA BEBIDAS	10.500	12/15/2011	457,000.00
ASIAN DEV BK	4.500	09/04/2012			451,136.40		CREDIT SUISSE NEW YORK	5.000	05/15/2013	778,528.00
BRAZIL(FEDERATIVE REPUBLIC OF)	6.000	01/17/2017			509,750.00		DEUTSCHE BANK AG LONDON	6.000	09/01/2017	4,442,680.00
BRAZIL(FEDERATIVE REPUBLIC OF)	6.000	01/17/2017			1,733,150.00		DEUTSCHE BANK AG LONDON	6.000	09/01/2017	454,565.00
CANADA (GOVT OF)	5.250	11/05/2008			706,181.00		DEUTSCHE TELEKOM	8.500	06/15/2010	2,733,587.76
CANADA (GOVT OF)	5.750	06/01/2033			154,538.96		DEUTSCHE TELEKOM	8.500	06/15/2010	1,406,993.70
CANADA HOUSING TRUST	3.550	09/15/2010			157,579.22		DP WORLD LTD	6.850	07/02/2037	364,679.75
CANADA(GOVT OF)	1.900	03/23/2009			3,567,461.44		EDP FINANCE BV	6.000	02/02/2018	1,219,818.25
CANADA(GOVT OF)	5.500	06/01/2010			528,609.14		ENEL FINANCE INT	6.250	09/15/2017	1,079,665.29
COLOMBIA(REPUBLIC OF)	7.375	01/27/2017			831,428.00		ENEL FINANCE INT	6.800	09/15/2037	963,002.90
EUROPEAN INVESTMENT	4.625	10/20/2015			665,281.50		ENERSIS S.A	7.375	01/15/2014	823,181.75
EUROPEAN INVESTMENT	5.125	05/30/2017			472,189.50		FAIRFAX FINANCIAL HLDGS	7.375	04/15/2018	13,650.00
EXPORT-IMPORT BANK OF KOREA	2.920	10/04/2011			6,317,514.00		FMC FINANCE III SA	6.875	07/15/2017	255,450.00
GERMANY(FEDERAL REPUBLIC)	3.750	01/04/2017			639,322.90		FRANCE TELECOM	7.750	03/01/2011	1,187,183.84
GERMANY(FEDERAL REPUBLIC)	4.000	07/04/2016			733,155.81		FRANCE TELECOM	8.500	03/01/2031	139,200.60
GERMANY(FEDERAL REPUBLIC)	4.250	07/04/2014			2,782,106.21		GAZPROM INTL SA	7.201	02/01/2020	385,729.09
GERMANY(FEDERAL REPUBLIC)	4.250	07/04/2039			2,126,756.18		GAZPROM INTL SA	8.146	04/11/2018	1,757,375.00
GERMANY(FEDERAL REPUBLIC)	4.750	07/04/2034			12,442,906.20		GENERAL ELECTRIC CAPITAL CORP	0.550	10/14/2008	3,608,882.13
GERMANY(FEDERAL REPUBLIC)	5.000	07/04/2011			1,590,517.74		GENERAL ELECTRIC CAPITAL CORP	6.500	09/15/2067	3,679,198.47
GERMANY(FEDERAL REPUBLIC)	5.625	01/04/2028			2,560,662.65		GLAXOSMITHKLINE CAPITAL INC	5.650	05/15/2018	498,090.00
GHANA (REPUBLIC OF)	8.500	10/04/2017			308,250.00		GRUPO TELEVISION SA DE CV	6.000	05/15/2018	481,407.30
INDONESIA (REPUBLIC)	7.750	01/17/2038			2,350,000.00		HANAROTELECOM INC	7.000	02/01/2012	503,737.50
INTER-AMERICAN DEVEL BK	1.900	07/08/2009			6,281,652.28		HSBC HLDGS PLC	7.625	05/17/2032	423,546.40
INTER-AMERICAN DEVEL BK	4.375	09/20/2012			782,751.20		HUTCHISON WHAMPOA INT	6.500	02/13/2013	1,348,008.20
INTERNATIONAL BANK FOR REC & DE	8.625	10/15/2016			383,439.00		INEOS GROUP HLDGS	8.500	02/15/2016	371,487.50
IRELAND	4.600	04/18/2016			1,167,600.72		INTERGEN NV	9.000	06/30/2017	269,100.00
ITALY(REPUBLIC)	6.875	09/27/2023			337,058.40		INVESTA	9.250	05/01/2012	117,587.50
JAMAICA	8.000	06/24/2019			910,000.00		ISRAEL ELEC CORP LTD	7.250	01/15/2019	305,228.00
KFW INTERNATIONAL FINANCE INC	2.050	09/21/2009			5,563,908.78		KANSAS CITY SOUTHERN MEX	7.375	06/01/2014	38,800.00
KOREA (REP)	4.875	09/22/2014			391,556.00		KFW-KREDIT WIEDERAUFBAU	3.250	03/30/2009	895,671.00
KOREA DEVELOPMENT BANK	2.824	04/03/2010			1,595,920.00		KREDITANST FUR WIE	4.875	01/17/2017	1,324,889.60
KREDITANSTALT FUR WIEDERAUFBAU	1.850	09/20/2010			2,000,335.83		MILLICOM INTL CELLULAR S A	10.000	12/01/2013	95,400.00
LANDWIRTSCHAFTLICHE RENTENBAU	4.875	11/16/2015			414,428.00		NEXEN INC	5.875	03/10/2035	142,894.40
MANITOBA PROV CDA DEB SER BU FR	9.625	12/01/2018			458,282.50		NORSKE SKOG OF CANADA	7.375	03/01/2014	85,100.00
MEXICO(UNITED MEXICAN STATES)	8.375	01/14/2011			2,077,650.00		NORTEL NETWORKS CORP	6.875	09/01/2023	337,250.00
MEXICO(UNITED MEXICAN STATES)	9.875	02/01/2010			1,199,550.00		NORTEL NETWORKS LIMITED	10.125	07/15/2013	2,541,500.00
NOVA SCOTIA (CANADA)	8.750	04/01/2022			311,897.25		NORTEL NETWORKS LIMITED	10.125	07/15/2013	381,225.00
OESTERREICHISCHE KONTROLLBANK	1.800	03/22/2010			5,350,326.87		NORTEL NETWORKS LIMITED	10.750	07/15/2016	84,150.00
ONFARIO (CANADA)	4.375	02/15/2013			555,681.50		NOVA CHEMICALS CORP	5.952	11/15/2013	12,750.00
PANAMA (REPUBLIC)	7.125	01/29/2026			443,100.00		NXP BV	7.875	10/15/2014	294,400.00
PANAMA (REPUBLIC)	7.250	03/15/2015			215,000.00		NXP BV	9.500	10/15/2015	62,640.00
PANAMA (REPUBLIC)	9.375	04/01/2029			842,690.65		OESTERREICHISCHE KONTROLLBANK	4.875	02/16/2016	412,480.00
PERU (REPUBLIC)	8.750	11/21/2033			449,750.00		PETROPLUS FINANCE LTD	7.000	05/01/2017	798,662.50
PHILIPPINES (REPUBLIC)	10.625	03/16/2025			648,375.00		QUEBECOR MEDIA INC	7.750	03/15/2016	41,850.00
QUEBEC	6.125	01/22/2011			2,115,060.00		QUEBECOR WORLD INC	9.750	01/15/2015	58,200.00
QUEBEC	7.500	07/15/2023			459,195.90		ROGERS WIRELESS COMMUNICATION	9.625	05/01/2011	370,818.20
SOUTH AFRICA (REP)	7.375	04/25/2012			529,800.00		ROGERS WIRELESS INC	7.250	12/15/2012	1,063,973.40
SOUTH AFRICA (REPUBLIC)	6.500	06/02/2014			534,950.00		ROYAL BANK OF SCOT	5.000	10/01/2014	527,070.50
TREASURY STK	4.000	09/07/2016			451,646.73		SANTANDER PERPETUAL	6.671	12/31/2049	1,062,665.00
TREASURY STK	4.750	09/07/2015			2,137,259.89		SATELITES MEXICANOS	11.551	11/30/2011	97,250.00
TREASURY STK	5.000	03/07/2012			534,379.75		SCOTTISH POWER	5.375	03/15/2015	1,190,280.00
TREASURY STK	5.000	03/07/2018			183,342.31		SEAGATE TECHNOLOGY HLDGS	6.800	10/01/2016	1,252,862.50
TREASURY STK	6.000	12/07/2028			446,466.27		SK TELECOM LTD	4.250	04/01/2011	825,103.50
TREASURY STK	8.000	12/07/2015			695,849.97		SMURFIT CAPITAL FUNDING	7.500	11/20/2025	198,000.00
UKRAINE (REPUBLIC)	7.650	06/11/2013			339,500.00		SUNCOR ENERGY	6.500	06/15/2038	1,765,600.20
VENEZUELA (REPUBLIC)	6.000	12/09/2020			203,334.50		SVENSK EXPORTKREDIT AKTIEBOLAC	5.125	03/01/2017	513,940.00
TOTAL INTERNATIONAL GOVERNMENT SECURITIES					82,836,856.76		TAQA ABU DHABI NATL ENER	6.165	10/25/2017	1,524,267.98
							TELECOM ITALIA CAPITAL	5.250	11/15/2013	661,255.00
							TELECOM ITALIA CAPITAL	7.200	07/18/2036	1,931,966.10
INTERNATIONAL			MATURITY		MARKET					
CORPORATE BONDS			RATE	DATE	VALUE					
ABBEY NATIONAL	7.950	10/26/2029			284,776.80		TELEFONICA EUROPE BV	8.250	09/15/2030	246,811.40
ABU DHABI NATIONAL ENERGY COME	6.500	10/27/2036			1,322,229.00		TELEFONOS DE MEXICO SAB DE CV	5.500	01/27/2015	467,160.00
ALCAN INC	4.500	05/15/2013			354,519.20		TNK-BP FINANCE SA	7.500	07/18/2015	449,445.00
AMERICA MOVIL SA DE CV	6.375	03/01/2035			275,468.10		TRANSOCEAN INC(NEW)	1.625	12/15/2037	763,300.00
ANGIOTECH PHARMACEUTICALS INC	6.432	12/01/2013			65,250.00		TRUE MOVE CO LTD	10.750	12/16/2013	1,868,831.25
ARCELORMITTAL	5.375	06/01/2013			1,119,581.16		TYCO ELECTRONICS GROUP S A	7.125	10/01/2037	1,510,050.75
ASIA ALUMINUM HLDGS	8.000	12/23/2011			660,250.00		TYCO INTERNATIONAL	6.000	11/15/2013	603,068.75
							UBS AG(STAMFORD)	5.875	12/20/2017	2,723,700.00
							UBS AG(STAMFORD)	5.875	12/20/2017	486,375.00
							VALE OVERSEAS LIMITED	8.250	01/17/2034	335,398.30
							VALE OVERSEAS LTD	6.875	11/21/2036	232,185.00

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INTERNATIONAL CORPORATE BONDS			MATURITY DATE	MARKET VALUE	U.S. EQUITY SECURITIES	
	RATE				SHARES	MARKET VALUE
VIDEOTRON LTD	6.375	12/15/2015	83,475.00	AXIS CAPITAL HLDGS	81,200	2,420,572.00
VODAFONE GROUP	7.875	02/15/2030	307,622.00	AXSYS TECHNOLOGIES INC	18,300	952,332.00
VTB CAPITAL SA	3.384	08/01/2008	1,584,000.00	BALDOR ELECTRIC CO	297,800	10,417,044.00
XSTRATA FINANCE CANADA	6.900	11/15/2037	485,759.50	BALLY TECHNOLOGIES INC	57,400	1,940,120.00
TOTAL INTERNATIONAL CORPORATE BONDS			76,296,833.49	BANK OF AMERICA CORP	460,756	10,998,245.72
TOTAL INTERNATIONAL SECURITIES			159,133,690.25	BANK OF NEW YORK MELLON CORP	144,954	5,483,609.82
TOTAL FIXED INCOME SECURITIES			2,819,869,158.84	BARD(C.R.) INC	54,600	4,802,070.00
				BARR PHARMACEUTICALS INC	131,000	5,905,480.00
				BAXTER INTL INC	445,700	28,498,058.00
				BEBE STORES INC	290,000	2,786,900.00
				BECKMAN COULTER INC	57,500	3,882,975.00
				BECTON DICKINSON & CO	89,400	7,268,220.00
				BERKLEY(W.R.)CORP	195,650	4,726,904.00
				BERKSHIRE HATHAWAY INC	798	3,201,576.00
				BEST BUY CO INC	76,400	3,025,440.00
				BIG LOTS INC	86,800	2,711,632.00
				BIOGEN IDEC INC	55,500	3,101,895.00
				BIOMED REALTY TRUST INC	49,100	1,204,423.00
				BJS WHOLESALE CLUB INC	36,600	1,416,420.00
				BMC SOFTWARE INC	656,300	23,626,800.00
				BOB EVANS FARMS INC	141,501	4,046,928.60
				BOEING CO	153,500	10,088,020.00
				BOSTON SCIENTIFIC CORP	417,350	5,129,231.50
				BRISTOL-MYERS SQUIBB CO	898,800	18,452,364.00
				BROADCOM CORP	161,800	4,415,522.00
				BRUSH ENGINEERED MATERIALS INC	284,300	6,942,606.00
				BUCKLE	92,400	4,225,452.00
				BUFFALO WILD WINGS INC	64,455	1,600,417.65
				BUNGE LIMITED	64,700	6,967,543.00
				BURLINGTON NORTHERN SANTA FE CORP	145,440	14,528,001.60
				CA INC	1,519,170	35,077,635.30
				CABOT MICROELECTRONICS CORP	618,241	20,494,689.15
				CACI INTL INC	42,100	1,926,917.00
				CAL DIVE INTL INC	597,600	8,539,704.00
				CALIFORNIA PIZZA KITCHEN INC	338,000	3,782,220.00
				CAMBREX CORP	350,000	2,054,500.00
				CAMECO CORP	95,065	4,075,436.55
				CAMERON INTL CORP	152,500	8,440,875.00
				CANADIAN NATURAL RESOURCES	38,300	3,839,575.00
				CAPITAL ONE FINANCIAL CORP	162,600	6,180,426.00
				CARLISLE COS INC	95,500	2,769,500.00
				CARPENTER TECHNOLOGY CORP	42,000	1,833,300.00
				CARTERS INC	298,200	4,121,124.00
				CATALYST HEALTH SOLUTIONS INC	72,300	2,179,122.00
				CATERPILLAR INC	99,885	7,373,510.70
				CBIZ INC	70,100	557,295.00
				CBS CORP	105,891	2,063,815.59
				CELESTICA INC	144,100	1,214,763.00
				CENTENE CORP(DEL)	195,900	3,289,161.00
				CENTERPOINT ENERGY INC	363,870	5,840,113.50
				CENTEX CORP	219,600	2,936,052.00
				CENTURYTEL INC	82,300	2,929,057.00
				CEPHALON INC	86,100	5,742,009.00
				CF INDUSTRIES HOLDINGS INC	21,400	3,269,920.00
				CHECK POINT SOFTWARE TECHNOLOGIES	134,200	3,176,514.00
				CHECKPOINT SYSTEMS	773,289	16,146,274.32
				CHESAPEAKE ENERGY CORP	418,749	27,620,684.04
				CHEVRON CORP	103,880	10,297,624.40
				CHICAGO BRIDGE & IRON CO	106,000	4,220,920.00
				CIGNA CORP	59,700	2,112,783.00
				CIMAREX ENERGY CO	49,900	3,476,533.00
				CISCO SYSTEMS INC	984,100	22,890,166.00
				CIT GROUP INC	230,800	1,571,748.00
				CITADEL BROADCASTING CORP	1,757,000	2,143,540.00
				CITIGROUP INC	524,600	8,792,296.00
				CITRIX SYSTEMS INC	161,100	4,737,951.00
				CLEAN HARBORS INC	35,000	2,487,100.00
				CLEVELAND CLIFFS INC	23,800	2,836,722.00
				CME GROUP INC	25,400	9,733,026.00
				CNA FINANCIAL CORP	152,400	3,832,860.00
				CNX GAS CORP	236,344	9,935,901.76
				COACH INC	116,700	3,370,296.00
				COCA-COLA CO	261,650	13,600,567.00
				COGNIZANT TECHNOLO	167,400	5,442,174.00
				COLGATE-PALMOLIVE CO	138,000	9,535,800.00
				COLUMBIA SPORTSWEAR CO	144,503	5,310,485.25
				COLUMBUS MCKINNON CORP	34,900	840,392.00
				COMCAST CORP	940,750	17,727,209.50
				COMERICA INC	320,200	8,206,726.00
				COMFORT SYSTEMS USA	74,800	1,005,312.00
				COMMUNITY BANK SYSTEMS NY	79,200	1,633,104.00
				COMPUTER SCIENCES CORP	45,000	2,107,800.00
				COMPUWARE CORP	278,800	2,659,752.00
				COMSTOCK RESOURCES INC	50,700	4,280,601.00
				CONAGRA FOODS INC	163,000	3,142,640.00

PORTFOLIO OF ASSETS, JUNE 30, 2008

<u>U.S. EQUITY SECURITIES</u>		<u>SHARES</u>	<u>MARKET VALUE</u>	<u>U.S. EQUITY SECURITIES</u>		<u>SHARES</u>	<u>MARKET VALUE</u>
CONMED CORP		69,500	1,845,225.00	FIRST HORIZON NATIONAL CORP		749,500	5,568,785.00
CONOCOPHILLIPS		251,274	23,717,752.86	FISERV INC		111,900	5,076,903.00
CONSECO INC		670,700	6,653,344.00	FLR SYSTEMS INC		89,193	3,618,560.01
CONSOL ENERGY INC		27,800	3,123,886.00	FLOWERS FOODS INC		108,900	3,086,226.00
CONSTELLATION ENERGY GROUP INC		119,640	9,822,444.00	FMC CORP		66,800	5,172,992.00
CONTINENTAL RESOURCES INC		82,183	5,696,925.56	FOOT LOCKER INC		416,700	5,187,915.00
COOPER COS INC		527,662	19,602,643.30	FOREST LABORATORIES INC		70,300	2,442,222.00
CORINTHIAN COLLEGES INC		233,100	2,706,291.00	FORTUNE BRANDS INC		222,875	13,909,628.75
CORNING INC		755,700	17,418,885.00	FORWARD AIR CORPORATION		47,400	1,640,040.00
COSTCO WHOLESALE CORP		169,900	11,916,786.00	FOSTER WHEELER LTD		100,500	7,351,575.00
COVENTRY HEALTHCAR		214,600	6,528,132.00	FOUNDRY NETWORKS INC		892,900	10,554,078.00
COX RADIO INC		1,015,000	11,977,000.00	FPL GROUP INC		231,500	15,181,770.00
CRANE CO		30,700	1,182,871.00	FREDDIE MAC		750,900	12,314,760.00
CREDICORP		39,900	3,276,588.00	GAP INC		613,500	10,227,045.00
CROWN CASTLE INTERNATIONAL CORP		228,180	8,837,411.40	GARDNER DENVER INC		45,900	2,607,120.00
CROWN HOLDINGS INC		448,600	11,659,114.00	GATX CORP		52,100	2,309,593.00
CSG SYSTEMS INTL INC		108,900	1,200,078.00	GENENTECH INC		175,500	13,320,450.00
CSX CORP		50,500	3,171,905.00	GENERAL CABLE CORP		61,505	3,742,579.25
CUMMINS INC		62,300	4,081,896.00	GENERAL DYNAMICS CORP		209,600	17,648,320.00
CVS CAREMARK CORP		419,994	16,619,162.58	GENERAL ELECTRIC CO		422,420	11,274,389.80
CYTEC INDUSTRIES INC		49,000	2,673,440.00	GENERAL GROWTH PROPERTIES		50,830	1,780,574.90
DANAHER CORP		137,500	10,628,750.00	GENUINE PARTS CO		89,000	3,531,520.00
DARDEN RESTAURANTS INC		85,500	2,730,870.00	GENWORTH FINANCIAL INC		887,400	15,804,594.00
DARLING INTL INC		160,300	2,648,156.00	GENZYME CORP		150,000	10,803,000.00
DAVITA INC		182,000	9,669,660.00	GILEAD SCIENCES INC		360,600	19,093,770.00
DAWSON GEOPHYSICAL CO		39,000	2,318,940.00	GLATFELTER(P.H.)CO		811,500	10,963,365.00
DECKERS OUTDOOR CORP		33,000	4,593,600.00	GLOBAL PAYMENTS INC		145,900	6,798,940.00
DEERE & CO		51,060	3,682,957.80	GMX RESOURCES INC		53,785	3,985,468.50
DELL INC		374,800	8,200,624.00	GOLDCORP INC		135,415	6,252,110.55
DELTA PETROLEUM CORP		161,020	4,109,230.40	GOODRICH CORP		26,600	1,262,436.00
DELTAIC TIMBER CORP		59,580	3,188,125.80	GOOGLE INC		29,600	15,582,032.00
DENBURY RESOURCES INC		360,078	13,142,847.00	GORMAN-RUPP CO		17,375	692,220.00
DEVON ENERGY CORP		117,885	14,165,061.60	GRACO INC		169,200	6,441,444.00
DG FGD		295.00	2,936,170.40	GRAFTECH INTL LTD		153,700	4,123,771.00
DIAMONDROCK HOSPIT		92,400	1,006,236.00	GRAINGER(W.W.) INC		17,500	1,431,500.00
DICKS SPORTING GOODS INC		61,500	1,091,010.00	GREAT PLAINS ENERGY INC		160,700	4,062,496.00
DIONEX CORP		30,100	1,997,737.00	GREATBATCH INC		218,386	3,778,077.80
DIRECTV GROUP INC		212,800	5,513,648.00	GREENHILL & CO INC		19,700	1,061,042.00
DISCOVER FINANCIAL SERVICES		439,650	5,790,190.50	GREIF INC		64,400	4,123,532.00
DOLLAR TREE INC		141,700	4,632,173.00	GUESS INC		81,700	3,059,665.00
DONALDSON CO INC		72,900	3,254,256.00	GULFMARK OFFSHORE INC		44,625	2,596,282.50
DONNELLEY(R.R.)& SONS CO		42,900	1,273,701.00	GYMBOREE CORP		296,200	11,868,734.00
DOVER CORP		70,200	3,395,574.00	HAEMONETICS CORP		24,340	1,349,896.40
DOW CHEMICAL CO		292,600	10,214,666.00	HAIN CELESTIAL GROUP INC		286,000	6,715,280.00
DREAMWORKS ANIMATION SKG INC		46,900	1,398,089.00	HALLIBURTON CO		333,954	17,722,938.78
DRIL QUIP INC		94,900	5,978,700.00	HANOVER INSURANCE GROUP INC		266,400	11,322,000.00
DRYSHIPS INC		42,100	3,375,578.00	HANSEN NATURAL CORP		38,800	1,118,216.00
DTE ENERGY CO		77,200	3,276,368.00	HARLEYSVILLE GROUP INC		12,600	426,258.00
DU PONT(E.I.)DE NEMOURS & CO		167,500	7,184,075.00	HASBRO INC		86,300	3,082,636.00
DXP ENTERPRISES INC		27,200	1,132,608.00	HAYNES INTERNATIONAL INC		199,200	11,463,960.00
DYNEGY INC		440	3,762.00	HEALTH NET INC		155,100	3,731,706.00
EASTMAN CHEMICAL CO		254,700	17,538,642.00	HEINZ(H.J.)CO		67,600	3,234,660.00
EDISON INTERNATIONAL		89,500	4,598,510.00	HELEN OF TROY		190,000	3,052,800.00
EDWARDS LIFESCIENCES CORP		30,800	1,910,832.00	HELIX ENERGY SOLUTIONS GROUP INC		140,153	5,835,970.92
ELECTRO SCIENTIFIC INDUSTRIES INC		481,000	6,815,770.00	HELMERICH & PAYNE INC		40,500	2,916,810.00
ELECTRONIC ARTS		482,982	21,458,890.26	HERBALIFE LTD		208,200	8,057,750.00
ELECTRONIC DATA SYSTEMS CORP		853,200	21,022,848.00	HERCULES OFFSHORE INC		153,800	5,847,476.00
EMBARQ CORPORATION		138,241	6,534,652.07	HESS CORPORATION		154,409	19,484,871.71
EMBRAER-EMPRESA BRAS DE AERONAUTICA		112,100	2,970,650.00	HEWITT ASSOCIATES		227,100	8,704,743.00
EMC CORP		368,400	5,411,796.00	HEWLETT-PACKARD CO		264,507	11,693,854.47
EMCOR GROUP		95,800	2,733,174.00	HOME DEPOT INC		517,092	12,110,294.64
EMCORE ELECT		1,385,000	8,670,100.00	HOSPIRA INC		86,500	3,459,515.00
EMERSON ELECTRIC CO		65,460	3,236,997.00	HUB GROUP INC		171,610	5,857,049.30
EMS TECHNOLOGIES INC		18,500	404,040.00	HUBBELL INC		28,500	1,136,295.00
ENCAVA CORP		85,300	7,756,329.00	HUDSON CITY BANCORP INC		631,438	10,532,385.84
ENDO PHARMACEUTICAL HLDGS INC		287,650	6,958,253.50	HUNTINGTON BANCSHARES INC		614,400	3,545,088.00
ENDURANCE SPECIALTY HLDGS LTD		73,500	2,263,065.00	ICU MEDICAL INC		133,000	3,043,040.00
ENERGEN CORP		76,400	5,961,492.00	IDEARC INC		529,100	1,243,385.00
ENTERGY CORP		31,300	3,771,024.00	II-VI INC		40,300	1,407,276.00
ENTERTAINMENT PROPERTY TRUST		22,700	1,122,288.00	IKON OFFICE SOLUTIONS		622,900	7,026,312.00
EPICOR SOFTWARE CORP		687,500	4,750,625.00	ILLINOIS TOOL WORKS INC		118,359	5,623,236.09
ERESEARCHTECHNOLOGY INC		191,300	3,336,272.00	INLAND REAL ESTATE CORP		75,700	1,091,594.00
EVEREST RE GROUP		89,950	7,169,914.50	INTEGRATED DEVICE TECHNOLOGY INC		215,400	2,141,076.00
EXAR CORP		1,037,000	7,818,980.00	INTEL CORP		729,000	15,658,920.00
EXELON CORP		183,335	16,492,816.60	INTER PARFUMS INC		42,300	634,500.00
EXPRESS SCRIPTS INC		139,800	8,768,256.00	INTERNATIONAL BUS MACH CORP		280,935	33,299,225.55
EXXON MOBIL CORP		275,725	24,299,644.25	INTERNATIONAL FLAVORS & FRAGRANCES		142,200	5,554,332.00
FACTSET RESEARCH SYSTEMS INC		67,900	3,826,844.00	INTERNATIONAL GAME TECHNOLOGY		391,750	9,785,915.00
FAIR ISAAC CORP		131,150	2,723,985.50	INTERPUBLIC GROUP COMPANIES INC		896,660	7,711,276.00
FAIRFAX FINANCIAL HLDGS		10,300	2,615,170.00	INTERVOICE INC		1,120,000	6,384,000.00
FANNIE MAE		148,800	2,903,088.00	INTERWOVEN INC		667,000	8,010,670.00
FEDERATED INVESTORS INC		70,900	2,440,378.00	INTUIT INC		213,900	5,897,223.00
FEI CO		483,000	11,002,740.00	INVESCO LTD		299,600	7,184,408.00
FIFTH THIRD BANCORP		83,600	851,048.00	INVESTMENT TECHNOLOGY GROUP		198,900	6,655,194.00

PORTFOLIO OF ASSETS, JUNE 30, 2008

<u>U.S. EQUITY SECURITIES</u>		<u>MARKET</u>	<u>U.S. EQUITY SECURITIES</u>		<u>MARKET</u>
	<u>SHARES</u>	<u>VALUE</u>		<u>SHARES</u>	<u>VALUE</u>
INVESTORS BANCORP INC	427,551	5,583,816.06	NATIONAL OILWELL VARCO INC	237,600	21,079,872.00
INVITROGEN	133,600	5,245,136.00	NATIONAL SEMICONDUCTOR CORP	292,900	6,016,166.00
ISHARES TRUST LEHMAN	85,000.00	8,539,940.00	NAVIGATORS GROUP INC	8,800	475,640.00
ISHARES TRUST RUSSELL	373,300.00	25,776,365.00	NAVISTAR INTERNATIONAL CORP	96,000	6,318,720.00
ISTAR FINANCIAL INC	302,010	3,989,552.10	NETAPP INC	225,400	4,882,164.00
ITT CORP	64,500	4,084,785.00	NETFLX COM INC	66,900	1,744,083.00
JACK IN THE BOX INC	120,600	2,702,646.00	NEWELL RUBBERMAID INC	121,900	2,046,701.00
JACOBS ENGINEERING GROUP INC	47,000	3,792,900.00	NEWMONT MINING CORP	151,555	7,905,108.80
JANUS CAPITAL GROUP INC	61,400	1,625,258.00	NEXEN INC	91,900	3,653,025.00
JEFFERIES GROUP INC	177,790	2,990,427.80	NII HOLDINGS INC	138,600	6,582,114.00
JOHNSON & JOHNSON	374,600	24,101,764.00	NIKE INC	355,670	21,201,488.70
JONES APPAREL GROUP INC	936,700	12,879,625.00	NOBLE CORP	294,300	19,117,728.00
JONES LANG LASALLE INC	29,100	1,751,529.00	NOBLE ENERGY INC	95,100	9,563,256.00
JOS A BANK CLOTHIERS	162,000	4,333,500.00	NORDSTROM INC	66,280	2,008,284.00
JPMORGAN CHASE & CO	506,300	17,371,153.00	NORTHERN TRUST CORP	94,600	6,486,722.00
JUNIPER NETWORKS	270,800	6,006,344.00	NORTHROP GRUMMAN CORP	87,300	5,840,370.00
KEYCORP	719,116	7,895,893.68	NORTHWEST AIRLINES CORP	4,364	29,064.24
KING PHARMACEUTICALS INC	698,300	7,311,201.00	NOVELL INC	315,600	1,858,884.00
KOHL'S CORP	88,200	3,531,528.00	NRG ENERGY INC	52,500	2,252,250.00
KOPIN CORP	2,513,500	7,213,745.00	NUCOR CORP	46,900	3,502,023.00
KRAFT FOODS INC	113,300	3,223,385.00	NVR INC	4,300	2,150,344.00
KROGER CO	116,000	3,348,920.00	OCEANEERING INTERNATIONAL INC	87,200	6,718,760.00
L-1 IDENTITY SOLUTIONS INC	100,205	1,334,730.60	ODYSSEY HEALTHCARE INC	710,500	6,920,270.00
L3 COMMUNICATIONS HLDGS INC	79,800	7,251,426.00	OIL STATES INTERNATIONAL INC	52,500	3,330,600.00
LABORATORY CORP OF AMERICA HOLDINGS	92,700	6,454,701.00	OILSANDS QUEST INC	738,904	4,802,876.00
LAM RESEARCH CORP	112,900	4,081,335.00	OLD REPUBLIC INTERNATIONAL CORP	363,176	4,300,003.84
LANDEC CORP	381,500	2,468,305.00	OLIN CORP	105,600	2,764,608.00
LANDSTAR SYSTEMS INC	56,900	3,142,018.00	OMNICARE INC	240,200	6,298,044.00
LENNAR CORP	61,900	687,090.00	ON SEMICONDUCTOR CORP	288,400	2,644,628.00
LENNOX INTERNATIONAL INC	74,200	2,148,832.00	ONEOK INC	189,600	9,258,168.00
LEUCADIA NATIONAL CORP	212,946	9,995,685.24	ORACLE CORP	1,288,040	27,048,840.00
LIBERTY GLOBAL INC	127,400	4,004,182.00	O'REILLY AUTOMOTIVE INC	226,600	5,064,510.00
LIBERTY MEDIA CORP	478,766	11,600,500.18	OSHKOSH CORPORATION	144,200	2,983,498.00
LIBERTY MEDIA HOLDING	27,480	395,712.00	OSI PHARMACEUTICALS INC	49,800	2,057,736.00
LIFEPOINT HOSPITALS INC	630,470	17,842,301.00	OVERSEAS SHIPHOLDING GROUP INC	85,600	6,806,912.00
LILLY (ELI) & CO	220,100	10,159,816.00	OWENS & MINOR INC	21,900	1,000,611.00
LIMITED BRANDS INC	779,900	13,141,315.00	PACCAR INC	158,900	6,646,787.00
LINCARE HLDGS INC	160,000	4,544,000.00	PANERA BREAD CO	111,051	5,137,219.26
LINEAR TECHNOLOGY CORP	197,100	6,419,547.00	PAREXEL INTERNATIONAL CORP	83,200	2,188,992.00
LIONBRIDGE TECHNOLOGIES INC	2,368,000	6,109,440.00	PARKER-HANNIFIN CORP	51,900	3,701,508.00
LIVE NATION INC	1,528,453	16,171,032.74	PARTNERRE	36,300	2,509,419.00
LIZ CLABORNE INC	35,500	502,325.00	PATTERSON COS INC	147,700	4,340,903.00
LOCKHEED MARTIN CORP	71,000	7,004,860.00	PATTERSON UTI ENERGY INC	103,600	3,733,744.00
LONGS DRUG STORES INC	165,007	6,948,444.77	PEDIATRIC MEDICAL GROUP INC	55,500	2,732,265.00
LOWES COMPANIES INC	554,702	11,510,066.50	PENNEY (J.C.) CO INC	156,200	5,668,498.00
LUBRIZOL CORP	23,600	1,093,388.00	PEOPLES UNITED FINANCIAL INC	218,650	3,410,940.00
MACY'S INC	90,285	1,753,334.70	PEPCO HLDGS INC	98,700	2,531,655.00
MAGNA INTERNATIONAL INC	43,800	2,594,712.00	PEPSI BOTTLING GROUP INC	83,600	2,334,112.00
MANHATTAN ASSOCIATES INC	30,600	726,138.00	PEPSICO INC	285,449	18,151,701.91
MANPOWER INC	317,000	18,462,080.00	PERFICIENT INC	624,000	6,027,840.00
MARINER ENERGY INC	80,700	2,983,479.00	PERINI CORP	34,740	1,148,157.00
MARSHALL & ISLEY CORP	267,900	4,106,907.00	PEROT SYSTEMS	436,800	6,556,368.00
MARTEK BIOSCIENCES CORP	344,600	11,616,466.00	PETROLEO BRASILEIRO SA PETROBRAS	88,010	6,233,748.30
MARVEL ENTERTAINMENT INC	89,800	2,886,172.00	PETROQUEST ENERGY INC	121,860	3,278,034.00
MASSEY ENERGY	16,500	1,546,875.00	PETSMART INC	833,200	16,622,340.00
MAXIM INTEGRATED PRODUCTS	138,500	2,929,275.00	PFIZER INC	557,500	9,739,525.00
MBA INC	258,500	1,134,815.00	PHARMACEUTICAL PRODUCT DEVELOPMENT	126,758	5,437,918.20
MCDONALD'S CORP	317,700	17,861,094.00	PIH CORP	186,800	2,867,380.00
MCGRAW-HILL COS INC	270,162	10,838,899.44	PHILIP MORRIS INTERNATIONAL INC	270,097	13,340,090.83
MCKESSON CORP	47,300	2,644,543.00	PIMCO DISTRESSED MORTGAGE FUND	53,696,869.73	53,696,869.73
MCMORAN EXPLORATION	204,335	5,623,299.20	PIONEER NATURAL RESOURCES CO	114,460	8,959,928.80
MEDICINES CO	481,000	9,533,420.00	PLAINS EXPLORATION & PRODUCTION CO	99,250	7,242,272.50
MEDTRONIC INC	74,860	3,874,005.00	PLUM CREEK TIMBER CO INC	164,274	7,016,142.54
MEMC ELECTRONICS MATERIALS INC	122,655	7,548,188.70	POLARIS INDUSTRIES INC	40,900	1,651,542.00
MENTOR GRAPHICS CORP	202,000	3,191,600.00	POLYCOM INC	191,400	4,662,504.00
MERCK & CO INC	508,581	19,168,417.89	POLYCOM INC	230,900	5,624,724.00
MERIDIAN BIOSCIENCE INC	64,200	1,728,264.00	PORTLAND GENERAL ELECTRIC CO	735,084	16,554,091.68
MERIT MEDICAL SYSTEMS INC	86,500	1,271,550.00	POTASH CORP OF SASKATCHEWAN INC	54,400	12,434,208.00
MERRILL LYNCH & CO INC	125,510	3,979,922.10	PPL CORP	72,300	3,779,121.00
METHANEX CORP	60,000	1,681,200.00	PRAXAIR INC	251,350	23,687,224.00
METLIFE INC	278,645	14,704,096.65	PRECISION CASTPARTS CORP	112,800	10,870,536.00
MGM MIRAGE INC	35,845	1,214,787.05	PREMIERE GLOBAL SERVICES INC	109,600	1,597,968.00
MI DEVELOPMENTS INC	294,200	6,616,558.00	PRICE T. ROWE ASSOC INC	61,200	3,455,964.00
MICROSEMI	252,400	6,355,432.00	PRICELINE.COM INC	33,500	3,867,910.00
MICROSOFT CORP	2,210,640	60,814,706.40	PROCTER & GAMBLE CO	194,750	11,842,747.50
MILLER (HERMAN) INC	299,500	7,454,555.00	PROGRESS SOFTWARE CORP	68,900	1,761,773.00
MITCHAM INDUSTRIES INC	29,900	510,692.00	PROVIDENT FINANCIAL SERVICES INC	64,700	906,447.00
MOLSON COORS BREWING CO	202,800	11,018,124.00	PS BUSINESS PARKS INC	21,300	1,099,080.00
MONEYGRAM INTERNATIONAL INC	348,265	314,135.03	PSYCHIATRIC SOLUTIONS INC	177,600	6,720,384.00
MULTI FINELINE ELECTRONIX INC	49,600	1,372,432.00	QIAGEN	101,000	2,033,130.00
MURPHY OIL CORP	134,335	13,171,546.75	QLOGIC CORP	446,200	6,510,058.00
NALCO HLDG CO	897,777	18,987,983.55	QUADRAMED CORP	200	2,010.00
NASDAQ OMX GP INC	109,880	2,917,314.00	QUALCOMM INC	689,685	30,601,323.45
NATIONAL CITY CORP	351,893	9,663,066.00	QUANTA SERVICES INC	314,200	10,453,434.00

PORTFOLIO OF ASSETS, JUNE 30, 2008

<u>U.S. EQUITY SECURITIES</u>		<u>SHARES</u>	<u>MARKET VALUE</u>	<u>U.S. EQUITY SECURITIES</u>		<u>SHARES</u>	<u>MARKET VALUE</u>
QUEST SOFTWARE INC		123,200	1,824,592.00	THERMO FISHER SCIENTIFIC INC		516,660	28,793,461.80
QUIDEL CORP VTI		100,500	1,660,260.00	THOMAS & BETTS CORP		197,700	7,482,945.00
R.H. DONNELLEY CORP		141,442	424,326.00	THORATEC CORP		887,400	15,431,886.00
RAYMOND JAMES FINANCIAL INC		296,700	7,829,913.00	TIBCO SOFTWARE INC		434,500	3,323,925.00
REALNETWORKS INC		1,308,000	8,632,800.00	TIMKEN CO		41,500	1,367,010.00
RED HAT		107,700	2,228,313.00	TITANIUM METALS CORP		322,955	4,518,140.45
REGIONS FINANCIAL CORP		298,700	3,258,817.00	TJX COS INC		217,900	6,857,313.00
RELIANCE STEEL & ALUMINUM		42,100	3,245,489.00	TNS INC		81,700	1,957,532.00
RENT-A-CENTER INC		324,900	6,683,193.00	TOWER GROUP INC		52,900	1,120,951.00
REPUBLIC SERVICES INC		85,900	2,551,230.00	TRACTOR SUPPLY CO		95,000	2,758,800.00
RESEARCH IN MOTION		89,400	10,450,860.00	TRANSOCEAN INC		92,852	14,149,716.28
ROBBINS & MYERS INC		95,800	4,777,546.00	TRUE RELIGION APPAREL INC		131,026	3,491,842.90
ROBERT HALF INTERNATIONAL INC		124,200	2,977,074.00	TRW AUTOMOTIVE HLDGS CORP		49,800	919,806.00
ROCK-TENN CO		77,600	2,327,224.00	TUESDAY MORNING CORP		760,200	3,124,422.00
ROPER INDUSTRIES INC		60,900	4,012,092.00	TUPPERWARE BRANDS CORP		90,700	3,103,754.00
ROYAL DUTCH SHELL		218,400	17,496,024.00	TYCO ELECTRONICS LTD		245,525	8,794,705.50
RÝDER SYSTEM INC		33,900	2,335,032.00	TYCO INTERNATIONAL LTD		235,825	9,442,433.00
S1 CORP		166,000	1,256,620.00	ULTRA PETROLEUM CORP		88,200	8,661,240.00
SAFECO CORP		58,900	3,955,724.00	ULTRA TECH INC		642,300	9,968,496.00
SAFEWAY INC		569,670	16,264,078.50	UMB FINANCIAL CORP		166,149	8,518,459.23
SALIX PHARMACEUTICALS		2,314,815	16,273,149.45	UNION BANCAL CORP		27,000	1,091,340.00
SALLY BEAUTY HOLDINGS INC		1,540,903	9,954,233.38	UNISYS CORP		72,000	284,400.00
SARA LEE CORP		333,990	4,091,377.50	UNIT CORP		23,200	1,924,904.00
SAUL CENTERS INC		23,300	1,094,867.00	UNITED STATES STEEL CORP		10,000	1,847,800.00
SCANA CORP		186,570	6,903,090.00	UNITED TECHNOLOGIES CORP		239,176	14,757,159.20
SCHERING-PLOUGH CORP		830,400	16,350,576.00	UNIVERSAL HEALTH SERVICES INC		42,100	2,661,562.00
SCHLUMBERGER		118,800	12,762,684.00	UNUM GROUP		684,700	14,002,115.00
SCHNITZER STEEL		18,900	2,165,940.00	URS CORP		107,400	4,507,578.00
SCHWAB(CHARLES)CORP		558,400	11,469,536.00	VAIL RESORTS INC		65,820	2,819,070.60
SEACOR HLDGS INC		15,000	1,342,650.00	VALASSIS COMMUNICATIONS INC		207,400	2,596,648.00
SBAGATE TECHNOLOGY HLDGS		162,000	3,099,060.00	VALMONT INDUSTRIES INC		22,700	2,367,383.00
SECURE COMPUTING CORP		1,152,000	4,769,280.00	VALSPAR CORP		511,500	9,672,465.00
SEI INVESTMENT CO		105,700	2,486,064.00	VALUECLICK INC		140,700	2,131,605.00
SEMTECH CORP		196,200	2,760,534.00	VARIAN SEMICONDUCT EQUIP ASSOC INC		106,000	3,690,920.00
SENIOR HOUSING PROPERTIES TRUST		49,700	970,641.00	VCA ANTECH INC		93,500	2,597,430.00
SHAW COMMUNICATIONS		127,500	2,595,900.00	VEECO FEI INC		108,100	1,738,248.00
SIERRA PACIFIC RESOURCES		179,600	2,282,716.00	VENTAS INC		213,600	9,092,952.00
SILGAN HLDGS INC		140,300	7,118,822.00	VERTEX PHARMACEUTICAL		65,005	2,175,717.35
SILICON IMAGE INC		2,265,879	16,427,622.75	VIACOM INC		129,009	3,939,934.86
SILVER WHEATON CORP		161,280	2,362,752.00	VISA INC		196,920	16,011,565.20
SKYWORKS SOLUTIONS INC		196,500	1,939,455.00	VISHAY INTL		157,200	1,394,364.00
SL GREEN REALTY CORP		31,980	2,645,385.60	VNUS MEDICAL TECHNOLOGIES INC		36,400	728,364.00
SMITH INTERNATIONAL INC		40,100	3,333,914.00	VOCUS INC		79,600	2,560,732.00
SNAP-ON INC		52,100	2,709,721.00	VOLCOM INC		47,700	1,141,461.00
SOTHEBYS INC		180,100	4,749,237.00	VOLTERRA SEMICONDUCTOR CORP		121,200	2,091,912.00
SOUTHERN UNION CO		284,400	7,684,488.00	W & T OFFSHORE INC		52,100	3,048,371.00
SOVEREIGN BANCORP INC		77,900	573,344.00	WABCO HOLDINGS INC		33,216	1,543,215.36
SOVEREIGN REAL ESTATE INVT TR		31.00	3,007.00	WACHOVIA CORP		985,700	15,307,921.00
SPDR GOLD TRUST		53,390.00	4,879,846.00	WADDELL & REED FINANCIAL INC		110,900	3,882,609.00
ST MARY LAND & EXPLORATION		165,400	10,691,456.00	WALGREEN CO		130,620	4,246,456.20
ST JUDE MEDICAL INC		484,546	19,808,240.48	WAL-MART STORES INC		437,835	24,606,327.00
STANCORP FINANCIAL GROUP		51,600	2,423,136.00	WARNART GROUP INC		122,700	5,407,389.00
STAPLES INC		182,000	4,322,500.00	WASHINGTON MUTUAL INC		3,340,426	16,468,300.18
STARWOOD HOTELS & RESORTS WORLDWIDE		45,500	1,823,185.00	WASTE MANAGEMENT INC		213,550	8,052,970.50
STEINER LEISURE		135,200	3,832,920.00	WATERS CORP		84,600	5,456,700.00
STERIS CORP		95,700	2,752,332.00	WATSON WYATT WORLDWIDE INC		143,560	7,592,888.40
STONE ENERGY CORP		60,200	3,967,782.00	WEATHERFORD INTERNATIONAL		588,400	29,178,756.00
STRYKER CORP		64,600	4,062,048.00	WEBMD HEALTH CORP		108,460	3,026,034.00
SUN HEALTHCARE GROUP		92,300	1,235,897.00	WEBSense INC		125,400	2,111,736.00
SUNCOR ENERGY		485,740	28,231,208.80	WESTERN DIGITAL CORP		103,100	3,560,043.00
SUNOCO INC		233,400	9,497,046.00	WESTERN UNION COMPANY		1,404,440	34,717,756.80
SUNTECH POWER HOLDINGS CO		40,875	1,531,177.50	WEYERHAEUSER CO		110,841	5,668,408.74
SUNTRUST BANKS INC		17,900	648,338.00	WHIRLPOOL CORP		19,100	1,179,043.00
SUPERIOR ENERGY SERVICES INC		57,500	3,170,550.00	WHITE MOUNTAINS INSURANCE GROUP		13,835	5,935,215.00
SUPERVALU INC		116,800	3,607,952.00	WINN-DIXIE STORES INC		385,710	6,179,074.20
SYBASE INC		156,800	4,613,056.00	WMS INDUSTRIES		59,504	1,771,434.08
SYMANTEC CORP		553,900	10,717,965.00	WOODWARD GOVERNOR CO		78,920	2,814,287.20
SYMYX TECHNOLOGIES INC		753,000	5,255,940.00	WORLDSpace INC		301,750	564,272.50
SYNNEX CORP		80,300	2,014,727.00	WRIGHT MEDICAL GROUP INC		330,000	9,375,300.00
SYNOVIS LIFE TECHNOLOGIES INC		30,800	579,964.00	WYNN RESORTS		25,915	2,108,185.25
SYSCO CORP		224,300	6,170,493.00	XL CAPITAL		270,600	5,563,536.00
TARGET CORP		270,138	12,558,715.62	XTO ENERGY INC		33,800	2,315,638.00
TD AMERITRADE HOLDING CORP		401,200	7,257,708.00	YAMANA GOLD INC		283,400	4,687,436.00
TECK COMINCO LTD		38,700	1,855,665.00	YUM BRANDS INC		213,600	7,495,224.00
TELEDYNE TECHNOLOGIES INC		44,100	2,151,639.00	ZALE CORP		911,700	17,222,013.00
TELLABS INC		226,800	1,054,620.00	ZEBRA TECHNOLOGIES		643,300	20,997,312.00
TEREX CORP		182,900	9,395,573.00	ZIMMER HOLDINGS INC		35,900	2,442,995.00
TERRA INDUSTRIES		29,500	1,455,825.00				
TESORO CORP		330,425	6,532,502.25	TOTAL U.S. EQUITY SECURITIES			4,381,924,106.43
TETRA TECHNOLOGIES		652,160	15,462,713.60				
TEVA PHARMACEUTICAL INDUSTRIES		425,717	19,497,838.60	<u>INTERNATIONAL EQUITY SECURITIES</u>			
TEXAS CAPITAL BANCSHARES INC		55,100	881,600.00				
TEXTRON INC		93,700	4,491,041.00	ACCOR		12,200	815,577.16
TFS FINANCIAL CORPORATION		395,835	4,587,727.65	AEON		797,013	10,564,488.79

PORTFOLIO OF ASSETS, JUNE 30, 2008

INTERNATIONAL EQUITY SECURITIES		MARKET VALUE	INTERNATIONAL EQUITY SECURITIES		MARKET VALUE
	SHARES			SHARES	
AEON CO	309,200	3,823,981.89	FORTIS	76,164	824,502.28
AIFUL CORP	287,000	3,330,125.94	FORTUM	126,809	6,445,351.90
AIR LIQUIDE	70,192	9,275,267.71	FOSTERS GROUP	59,273	288,388.37
AJINOMOTO CO INC	65,000	615,631.34	FRANCE TELECOM	837,218	24,679,964.87
AKER SOLUTIONS	184,100	4,346,371.32	FUJIFILM HLDGS CORP	153,700	5,292,250.36
AKZO NOBEL	203,526	14,000,250.99	GAZPROM OAO ADS	200,200	11,611,600.00
ALCATEL LUCENT	1,571,400	9,556,662.44	GILDAN ACTIVEWEAR INC	26,700	689,770.83
ALIBABA.COM LTD	94,500	133,312.81	GIVAUDAN AG	3,026	2,712,289.42
ALLIANCE & LEICESTER	87,111	511,423.67	GLAXOSMITHKLINE	781,477	17,310,004.23
ALLIANZ SE	26,000	4,580,218.41	GROUPE DANONE	103,600	7,279,923.35
ALLIED IRISH BANKS	377,969	5,853,854.08	HARMONY GOLD MINING CO	49,200	597,075.94
AMCOR	152,900	740,988.95	HARMONY GOLD MNG SPON	18,300	224,175.00
AMDOCS	97,200	2,859,624.00	HASEKO CORP	2,572,069	3,445,439.35
AMERICA MOVIL SAB DE CV	162,800	8,587,700.00	HBOS	1,098,486.00	4,376,989.18
AF MOLLER-MAERSK	72	882,231.78	HEINEKEN HLDG	11,250	516,504.68
ARM HLDGS	1,050,700	1,782,620.63	HENNES & MAURITZ AB	57,509	3,121,462.34
ASTRAZENECA	449,673	19,167,356.86	HIROSE ELECTRIC CO	5,600	563,143.25
ATLAS COPCO AB	413,200	6,096,320.25	HITACHI	1,614,000	11,662,883.82
AVIVA ORD	520,241	5,187,141.68	HOLCIM	41,245	3,350,700.72
AXA	445,622	13,241,601.22	HONDA MOTOR CO	246,000	8,377,529.36
BAE SYSTEMS	1,498,112	13,192,994.06	HONG KONG & CHINA GAS CO	305,690	726,839.24
BANCO BILBAO VIZCAYA ARGENTARIA SA	170,400	3,267,325.19	HONG KONG EXCHANGES & CLEARING	151,200	2,210,568.84
BANCO SANTANDER SA	20,500	376,926.71	HOYA CORP	88,800	2,056,544.50
BANK OF EAST ASIA	302,800	1,644,586.37	HSBC HLDGS	901,830	13,939,988.02
BARCLAYS	834,300	4,840,013.93	HYPO REAL ESTATE HLDG AG	87,647	2,453,898.96
BARRICK GOLD CORP	116,900	5,318,950.00	HYUNDAI HEAVY INDUSTRIES CO	19,932	6,173,670.47
BASF SE	70,800	4,866,880.28	IDEMITSU KOSAN CO	7,200	639,818.88
BAYER AG	90,690	7,621,572.87	IMPERIAL TOBACCO GROUP	22,100	822,909.11
BAYERISCHE MOTOREN WERKE AG	35,541	1,710,696.83	INDUSTRIA DE DISENO TEXTIL SA	19,054	878,400.70
BHP BILLITON	133,647	5,259,703.40	INDUSTRIAL & COMMERCIAL BK OF CHINA	1,205,000	823,685.95
BNP PARIBAS	150,766	13,668,015.51	INFINEON TECHNOLOGIES AG	464,900	3,999,303.67
BOUYGUES	106,494	7,073,884.02	ING GROEP	297,288	9,487,282.23
BOVESPA HOLDING SA	42,000	525,495.13	INMET MINING CORP	10,600	707,119.41
BP AMOCO P.L.C	6,000	417,420.00	INPEX CORPORATION	178	2,250,082.54
BP	854,503	9,918,686.15	INTESA SANPAOLO	1,689,614	9,656,663.85
BRAMBLES LTD	114,380	958,246.42	ITV	7,480,300	6,654,452.78
BRITISH AIRWAYS	723,178	3,097,948.38	JAPAN TOBACCO INC	174	743,568.70
BRITISH AMERICAN TOBACCO	267,657	9,263,263.05	JGC CORP	67,000	1,320,975.43
BRITISH SKY BROADCASTING GROUP	645,800	6,066,327.44	KANSAI ELECTRIC POWER CO	30,600	717,334.09
C&C GROUP	278,971	1,525,178.68	KEYENCE CORPORATION	11,430	2,726,896.84
CAIRN ENERGY PLC	15,300	985,034.69	KINGFISHER	2,074,600	4,636,603.29
CAMECO CORP	42,100	1,817,534.87	KOMATSU	128,966	3,601,144.85
CANADIAN NATIONAL RAILWAY CO	90,300	4,359,463.80	KONINKLIJKE AHOLD	806,891	10,856,877.43
CANADIAN NATURAL RESOURCES	143,300	14,243,134.40	KONINKLIJKE KPN	126,900	2,179,216.53
CANADIAN OIL SANDS	24,600	1,333,596.18	KONINKLIJKE PHILIPS ELECTRONICS	188,231	6,408,820.52
CANON INC	67,350	3,468,996.75	KOREA ELECTRIC POWER CORP	413,680	6,010,770.40
CARLSBERG	42,600	4,117,398.51	KT CORP	257,610	5,492,245.20
CARNIVAL	116,156	3,710,244.19	LAFARGE	14,800	2,270,953.67
CARREFOUR	126,520	7,168,215.60	LG ELECTRONICS INC	9,000	1,019,549.73
CENTRAIS ELETR BRAS-ELETOBRAS	497,100	9,229,158.60	LLOYDS TSB GROUP	116,000	717,389.37
CHINA LIFE INSURANCE CO	969,400	3,394,009.58	LOGITECH INTERNATIONAL SA	77,255	2,085,718.14
CHINA MERCHANTS BANK	667,871	2,098,485.98	L'OREAL	46,300	5,040,704.41
CHINA MOBILE LTD	304,834	4,097,057.78	LVMH MOET-HENNESSY LOUIS VUITTON	47,012	4,931,564.43
CHINA OVERSEAS LAND & INVESTMNTS	202,000	319,160.75	MACQUARIE GROUP LTD	19,569	913,429.57
CHINA SHENHUA ENERGY CO LTD	314,000	1,232,249.00	MANULIFE FINANCIAL CORP	140,654	4,943,789.50
CHIYODA CORP	107,000	1,164,831.85	MARKS & SPENCER GROUP	1,784,959	11,669,424.23
CHUO MITSUI TRUST HLDGS INC	458,000	2,730,588.18	METHANEX CORP	18,600	528,364.30
CITIZEN HOLDINGS CO LTD	93,000	709,749.54	METRO AG	11,400	729,407.18
COMMERZBANK AG	17,791	528,937.61	MICHELIN	17,200	1,236,819.36
COMPAGNIE FINANCIERE RICHEMONT SA	74,559	4,164,939.23	MITSUBISHI CORP	46,400	1,532,003.21
COMPANHIA VALE DO RIO DOCE	49,100	1,758,762.00	MITSUBISHI ESTATE CO	29,000	664,779.96
CONTAX PARTICIPACOES SA	702,900	1,012,176.00	MITSUBISHI GAS CHEMICAL CO INC	166,000	1,199,528.32
CONTINENTAL AG	7,000	714,669.48	MITSUBISHI UFJ FINANCIAL GROUP	2,501,900	22,209,215.61
COUNTRY GARDEN HLDGS CO	2,675,700	1,736,342.27	mitsui O.S.K.LINES	59,000	842,101.79
CREDIT AGRICOLE	187,500	3,834,494.84	mitsui SUMITOMO INSURANCE GROUP HLD	361,800	12,491,750.39
CREDIT SUISSE GROUP AG	113,419	5,222,217.85	MIZUHO FINANCIAL GROUP	3,095	14,481,581.06
CRH	289,766	8,456,739.16	MORRISON(WM)SUPERMARKETS	1,517,419	8,040,460.88
DAI NIPPON PRINTING CO	258,000	3,808,971.27	MURATA MANUFACTURING CO	34,700	1,636,715.25
DAICHI SANKYO COMPANY LIMITED	136,000	3,752,653.18	NATIONAL BANK OF GREECE	65,208	2,940,374.87
DAIMLER AG	34,300	2,118,421.52	NATIONAL GRID	73,800	970,096.62
DAIWA HOUSE INDUSTRY CO	15,000	141,219.75	NATIXIS	370,900	4,119,819.07
DASSAULT SYSTEMES SA	15,200	927,280.51	NESTLE SA	312,300	14,152,530.93
DEUTSCHE BANK AG	14,400	1,234,903.49	NEWCREST MINING	54,008	1,518,583.17
DEUTSCHE POST AG	258,037	6,720,274.77	NEWS CORPORATION	16,969	262,828.62
DEUTSCHE TELEKOM AG	1,303,138	21,394,246.05	NEXEN INC	29,300	1,174,252.62
E.ON AG	78,139	15,769,403.55	NEXT	76,525	1,476,511.94
EAST JAPAN RAILWAY CO	170	1,387,198.72	NINTENDO CO	22,220	12,555,803.97
EDF	78,635	7,475,726.24	NIPPON ELECTRIC GLASS	40,500	701,839.54
ELPIDA MEMORY INC	55,300	1,773,689.92	NIPPON TEL & TEL CORP	3,747	18,380,642.42
EMBRAER EMPRESA BRAS DE AERONAUTICA	71,700	1,900,050.00	NISSAN MOTOR CO	228,100	1,887,115.70
ENCANA CORP	62,600	5,760,520.43	NOBEL BIOCORE HLDG AG	28,032	918,071.39
ENI	29,500	1,101,545.79	NOKIA CORP	234,100	5,713,273.62
ERICSSON	2,247,849	23,467,200.90	NOMURA HLDGS INC	315,700	4,684,647.89
FANUC CO	69,700	6,818,442.53	NORTEL NETWORKS CORP	381,810	3,138,478.20

PORTFOLIO OF ASSETS, JUNE 30, 2008

INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE	INTERNATIONAL EQUITY SECURITIES	SHARES	MARKET VALUE
NOVARTIS AG	346,948	19,157,612.23	TELE NORTE LESTE PARTICIPACOES	419,400.00	10,447,254.00
NOVO-NORDISK AS	122,106	7,996,885.99	TELEC BRASILEIRAS-TELEBRAS	99,900	1,994,004.00
NTT DOCOMO INC	633	931,540.97	TELECOM CORP OF NEW ZEALAND	1,237,785	3,363,219.05
ONEK CORP	24,700	731,103.44	TELECOM ITALIA	5,573,812	9,496,823.62
ONO PHARMACEUTICAL CO	112,000	6,180,840.53	TELEFONICA SA	661,147	17,583,392.34
OPAP SA	70,825	2,475,029.15	TELEFONOS DE MEXICO SA	357,400	8,463,232.00
ORACLE CORP	15,900	649,469.36	TELEKOM AUSTRIA	35,300	766,401.09
ORDX CORP	37,020	5,304,785.62	TELEKOMUNIKASI INDONESIA	437,000	345,997.83
PANASONIC CORP	76,000	1,641,809.35	TELEMIG CELULAR PARTICIPACOES	3,043	181,058.50
PERNOD-RICARD	24,300	2,498,152.71	TELENOR ASA ORD	143,400	2,697,134.56
PERSIMMON	70,000	440,221.18	TELIASONERA AB	108,600	805,200.03
PETROPLUS HOLDINGS AG	31,200	1,681,602.20	TELMEX INTERNATIONAL SAB DE CV	393,700	5,983,940.99
PEUGEOT SA	43,000	2,336,650.95	TELSTRA CORPORATION	233,481	950,014.58
POLSKI KONCERN NAFTOWY ORLEN SA	21,000	647,430.00	TELUS CORP	100,611	4,114,484.64
PORSCHE AUTOMOBIL HOLDING SE	28,470.00	4,382,870.85	TESCO	379,200	2,786,977.39
PORTUGAL TCOM SGPS	636,366	7,228,936.76	TEVA PHARMACEUTICAL INDUSTRIES	162,800	7,456,240.00
POTASH CORP OF SASKATCHEWAN INC	83,900	19,484,327.96	THK CO	44,600	866,713.83
POWER CORP OF CANADA	25,000	769,306.59	TIM PARTICIPACOES SA	9,251.00	263,005.93
PRECISION DRILLING TRUST	203,685	5,521,006.85	TNT N.V	267,193	9,143,597.28
PREMIER FOODS PLC	302,100	572,666.16	TOKIO MARINE HOLDINGS INC	328,300	12,821,678.22
PUBLICIS GROUPE SA	71,819	2,328,718.09	TOKUYAMA CORP	46,000	342,814.02
RAIFFEISEN INTERNATIONAL BANK-HLDG	18,705	2,392,133.71	TOKYO ELECTRON	38,200	2,205,405.41
RAUTARUUKKI	17,400	796,667.41	TOKYO GAS CO	157,000	633,894.63
RECKITT BENCKISER GROUP PLC	74,000	3,748,049.48	TOKYU CORP	80,000	415,829.44
REDECARD SA	90,300	1,759,444.83	TOLL HLDGS LTD	56,950	329,005.45
REED ELSEVIER	386,142	6,515,807.58	TOSHIBA CORP	440,000	3,250,035.38
RENAULT(REGIE NATIONALE DES USINES)	98,700	8,101,903.55	TOTAL S.A.	23,500	2,006,778.05
REPSOL YPF SA	75,900	2,993,193.67	TOYOTA MOTOR CORP	91,300	4,315,013.44
RESEARCH IN MOTION	9,700	1,144,342.81	TREND MICRO INC	90,000	2,971,557.95
RHODIA	23,800	439,477.62	TYCO ELECTRONICS LTD	184,746	6,617,601.72
RIO TINTO	38,800	4,640,018.78	UBS AG	241,807	5,087,691.64
ROCHE HLDG AG GENUSSCHEINE	83,299	15,047,139.21	UNI.CHARM CORP	17,400	1,239,281.17
ROGERS COMMUNICATIONS INC	136,400	5,318,598.39	UNICREDIT SPA	854,440	5,233,402.85
RDHM CO	115,000	6,628,460.92	UNILEVER	711,915	20,228,543.25
ROSNEFT OJSC	125,150	1,451,740.00	UNIPOL GRUPPO FINANZIARIO	1,946,000.00	3,758,940.91
ROYAL BANK OF SCOTLAND GROUP PLC	4,402,362	18,836,925.49	UNITED MICROELECTRONICS CORP	9,879,855	5,240,525.34
ROYAL DUTCH SHELL	356,613	14,507,961.98	UPM-KYMMENE	129,452	2,121,164.24
S.E.S.SA FIDUCIARY	79,300	1,994,614.80	URALKALI JSC	14,900	1,083,230.00
SABMILLER	450,858	10,336,608.51	USHIO INC	37,100	607,221.36
SAMSUNG ELECTRONIC	18,738	10,081,620.87	VALLOUREC	8,259	2,900,609.14
SAN-IN GODO BANK	89,000	779,133.06	VEOLIA ENVIRONNEMENT	63,575	3,568,900.04
SANKYO CO	90,000	5,875,194.57	VINCI	138,618	8,517,584.06
SANOFI-AVENTIS	386,730	25,853,127.48	VIVENDI	34,300	1,302,396.90
SAP AG	63,371	3,308,836.12	VIVO PARTICIPACOES SA	64,200.00	408,312.00
SASOL	25,400	1,495,806.80	VODAFONE GROUP	2,456,110	11,540,024.91
SBI HLDGS INC	3,860	846,246.88	WAL-MART DE MEXICO SAB DE CV	1,125,500	4,465,407.26
SCHLUMBERGER	49,550	5,323,156.50	WIENERBERGER AG	12,300	516,845.00
SCHNEIDER ELECTRIC	6,530	705,883.11	WOLSELEY	99,100	742,547.85
SCOTTISH & SOUTHERN ENERGY	63,800	1,781,411.12	WOLTERS-KLUWER NV	187,218	4,377,374.41
SEVEN & 1 HOLDINGS CO LTD	342,200	9,781,293.34	WOODSIDE PETROLEUM	17,000	1,101,198.37
SHAW COMMUNICATIONS	39,400	808,543.69	WOOLWORTHS LIMITED	97,149	2,279,449.97
SHIMAMURA CO	7,000	431,866.42	XSTRATA PLC	14,266	1,142,473.15
SHIN-ETSU CHEMICAL CO	15,300	949,709.92	YAMADA DENKI CO	23,930	1,706,625.16
SHOPPERS DRUG MART CORP	26,700	1,470,861.96	YAMAHA MOTOR CO	254,300	4,766,700.63
SIEMENS AG	113,654	12,556,217.37	YAMATO HOLDINGS CO	188,200	2,631,124.95
SINGAPORE TELECOMMUNICATIONS	387,664	1,032,895.65	YARA INTERNATIONAL ASA	21,200	1,877,155.96
SK TELECOM	300,500	6,241,385.00	YELL GROUP	208,000	291,835.59
SMC CORP	21,400	2,347,832.65	YUE YUEN INDUSTRIAL HLDGS	912,725	2,167,845.51
SMURFIT KAPPA GROUP PLC	261,743	2,165,043.23	ZURICH FINANCIAL SERVICES	18,519	4,754,288.73
SNS REAAL GROEP	98,983	1,922,896.38			
SOCIETE GENERALE	21,718	1,891,901.89	TOTAL INTERNATIONAL EQUITY SECURITIES		1,472,723,734.97
SOFTBANK CORP	470,300	7,941,483.89			
SOHO CHINA LIMITED	1,098,500	598,737.41	TOTAL EQUITY SECURITIES		5,854,647,841.40
SONY CORP	123,200	5,392,651.29			
SONY FINANCIAL HOLDINGS INC	1,384	5,574,906.84	TOTAL PORTFOLIO OF ASSETS		9,115,699,511.47
ST MICROELECTRONICS	702,810	7,320,441.63			
STANDARD CHARTERED	193,800	5,515,382.27			
STOLT-NIELSEN	98,779	2,249,627.27			
SUMITOMO CHEMICAL CO	299,800	1,892,044.71			
SUMITOMO CORP	226,800	2,984,632.80			
SUMITOMO MITSUI FINANCIAL GROUP INC	2,602	19,612,263.57			
SUMITOMO REALTY & DEVELOPMENT CO	55,000	1,094,759.68			
SUN LIFE FINANCIAL INC	20,300	839,372.14			
SUNCOR ENERGY	43,400	2,532,433.10			
SUZUKI MOTOR CORP	98,400	2,329,927.83			
SWIRE PACIFIC	12,000	122,732.43			
SWISS REINSURANCE	265,023	17,705,492.98			
SWISSCOM AG	32,005	10,706,561.70			
SYNTHES INC WILMINGTON	8,098	1,119,377.97			
TAISHO PHARMACEUTICAL CO	244,000	4,532,201.31			
TAIWAN SEMICONDUCTOR MANUFACTURING	289,677	3,160,376.07			
TAKEDA PHARMACEUTICAL CO	142,400	7,253,997.45			
TAKEFUI CORPORATION	212,560	2,961,663.32			
TECHNIP	126,185	11,688,085.64			

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Addendum to June 30, 2008, Actuarial Valuation
Schedule of Increases and Decreases of Benefit Recipients





October 22, 2008

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, 2008

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, 2008

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, employer, State, and “federal matching” contribution rates are established by law. Members contribute 7.00% of covered compensation. The fiscal year 2008 contribution rates for employers covered by the Education Employees Service Incentive Plan (EESIP) were 7.85% effective July 1, 2007 and 8.35% effective Jan. 1, 2008. This rate increases to 8.50% effective July 1, 2008, 9.00% effective Jan. 1, 2009, and 9.50% effective Jan. 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate for FY 2008 was 7.05% and increased to 7.55% on Jan. 1, 2008. This rate will increase to 8.05% on Jan. 1, 2009, and 8.55% on Jan. 1, 2010. In addition, the State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, and individual income taxes to the System. This percentage is currently 5.00%, and no increases are scheduled in this rate. Additionally, the System receives “federal matching contributions” for positions whose funding comes from federal sources or certain grants. The federal matching contribution rate for FY 2008 was 7.00% and increased to 7.50% for FY 2009. This federal matching rate is intended to approximate the contribution from the State of Oklahoma measured as a percentage of “state” payroll, i.e., payroll excluding that paid from federal or grant sources.

In the fiscal year ending June 30, 2008, the state’s contribution plus the federal contribution was equivalent to a contribution of approximately 7.3% of covered payroll. The employer contributions averaged about 7.8% of payroll, so on a combined basis, the employing entities contributed about 15.1% of covered payroll for FY 2008. This is expected to increase as the contribution rates for the employers increase in the future. We project that by FY 2011, when the higher employer contribution rates are fully phased in, the combined employer, State, and federal contributions will amount to about 16.8% of payroll.

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, 2007 was \$7,603 million, and it increased to \$9,090 million this year. The funded ratio - actuarial value of assets divided by actuarial accrued liability – decreased from 52.6% to 50.5%.

Last year, the period required to completely amortize the UAAL (the funding period) based on the contribution schedule in effect at that time was 21.6 years, measured from June 30, 2007. This year, the funding period is 54.4 years. The increase in the UAAL and the funding period is principally due to the increase in our assumed rate of future ad hoc cost of living adjustments (COLA) from 1% to 2%. This added over \$1.4 billion to the UAAL.

Based on the current contribution schedule, assuming no actuarial gains or losses in the future, the UAAL is expected to decrease starting in FY 2044 until it reaches zero in FY 2063.

DEFERRED ASSET LOSSES/GAINS

The UAAL and the funded ratio cited above 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, \$9,257 million, is \$623 million larger than the market value of \$8,634 million. The actuarial value is now 107.2% of the market value. The funded ratio determined using the market value rather than the actuarial value is 47.1%.

BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in current statutes, including those adopted in the 2008 legislative session.

HB 3112 was passed during the 2008 legislative session. This bill implements a 2% ad hoc COLA for TRS retirees who retired prior to July 1, 2007.

ASSUMPTIONS AND METHODS

Assumptions are set by the Board of Trustees, taking into account the recommendations of the plan's actuaries. In July of this year, the Board voted to increase the assumed future ad hoc COLA assumption from 1% to 2%. Otherwise, the actuarial assumptions and methods used in this report are unchanged from last year.

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

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods.

The 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, 2008 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

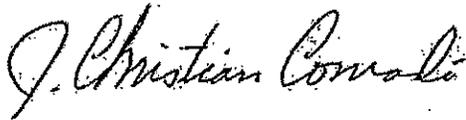
We prepared all of the schedules and exhibits in this section except for the Schedule of Increases and Decreases of Benefit Recipients which was prepared by the System's staff. We have also

Board of Trustees
October 22, 2008
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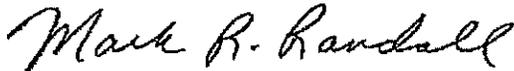
prepared the Schedule of Funding Progress and the Schedule of Employer Contributions in the Financial Section. We have prepared the annual actuarial valuations each year, beginning with the one prepared as of June 30, 1989. Information related to earlier actuarial valuations was prepared by the previous actuary for the System.

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

Sincerely,



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



Mark R. Randall, FCA, EA, MAAA
Senior Consultant

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Executive Summary

Item	2008	2007
Membership		
• Number of		
- Active members	88,678	88,133
- Retirees and beneficiaries	45,238	43,506
- Inactive, vested	6,915	6,637
- Inactive, nonvested	6,908	6,613
- Total	147,739	144,889
• Payroll	\$ 3,751 million	\$ 3,599 million
Statutory contribution rates	FY 2009	FY 2008
• Employers in EESIP	8.50%/9.00% *	7.85%/8.35% *
• Regional universities	7.55%/8.05% *	7.05%/7.55% *
• Federal/grant salaries	7.50%	7.00%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.00%	5.00%
Assets		
• Market value	\$ 8,634 million	\$ 9,293 million
• Actuarial value	\$ 9,257 million	\$ 8,422 million
• Return on market value	-7.5%	18.0%
• Return on actuarial value	9.4%	12.4%
• State/local/federal contributions	\$ 597 million	\$ 536 million
• External cash flow %	0.4%	0.2%
• Ratio of actuarial to market value	107.2%	90.6%
Actuarial Information		
• Normal cost %	11.25%	10.52%
• Unfunded actuarial accrued liability (UAAL)	\$ 9,090 million	\$ 7,603 million
• Funded ratio	50.5%	52.6%
• Funding period (years)	54.4	21.6
GASB 25 ARC (30 year, level %)	FY 2009	FY 2008
• Dollar amount	\$714,367,558	\$590,495,652
• Percent of pay	18.19%	15.68%
Gains/(losses)		
• Asset experience	\$ 118 million	\$ 333 million
• Liability experience	(31) million	(123) million
• Benefit changes	(67) million	0 million
• Assumption Changes	(1,406) million	0 million
• Total	(\$1,386) million	\$ 210 million

* First rate shown is effective for July-December, second rate shown is effective for January-June

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 \$1.488 billion, from \$7.603 billion to \$9.090 billion. The funded ratio – the ratio of the actuarial value of assets to actuarial accrued liability – decreased from 52.6% to 50.5%. The funding period – the number of years that would be required under the current contribution schedule to amortize the UAAL – has gone from 21.6 years to 54.4 years. We now project that the System will not reach 80% funded until after 2050, assuming no further changes in benefits or contribution rates and assuming no actuarial gains or losses.

These effects are primarily due to an increase in the assumed rate of future cost of living adjustments from 1% to 2% per year.

OTRS remains among the most poorly funded of all statewide plans. The actuarial value of assets is just sufficient to cover the liabilities for currently retired members. Despite an increase in contribution rates, future contributions are not projected to reach the GASB 25 ARC (the benchmark contribution) until FY 2034.

The current combined state/local/federal contribution for FY 2008 was not sufficient to pay the normal cost and pay the interest on the UAAL, so negative amortization is occurring. This is expected to continue over the next 35 years.

This report also determines the GASB Annual Required Contribution (ARC). This is the contribution required to fund the normal cost and to amortize the UAAL as a level percent of pay over 30 years. This amount is 18.19% of salary as shown in Table 1, compared to 15.68% last year. Our projections show that the ARC is expected to increase over the next decade before starting to decrease.

ANALYSIS OF CHANGES

UAAL

Table 12a shows an analysis of the change in the UAAL. The UAAL, which was \$7,602.5 million last year, has increased to \$9,090.1 million this year.

The increase in the UAAL was primarily due the assumption change for the current year. Increasing the assumed future ad hoc cost of living adjustments from 1% to 2% per year increased the UAAL by \$1,406.0 million. Despite the loss on the market value of assets in FY 2008, the System had a gain on the actuarial value of assets (AVA) of \$117.7 million, due to the phase in of previously deferred gains. There was a \$30.5 million liability loss related to deviation from our assumptions. This loss excludes the effect of the COLA assumption and the adoption of the 2% ad hoc COLA. There was a \$67.3 million loss due 2% ad hoc COLA. (This figure is the additional liability produced, in excess of the assumed 1% COLA.)

The rest of the change in the UAAL since the last valuation is due to the negative amortization that occurs because statutory contributions are not sufficient to reduce the UAAL.

Funding Period

The funding period (the period required to amortize the UAAL) increased from 21.6 years to 54.4 years. This was primarily due the assumption change for the current year that increased the future ad hoc cost of living adjustment from 1% to 2% per year

The funding period shown on Table 1, and the projection of the UAAL shown on Table 13, are based upon a deterministic projection that takes into account future increases in employer contribution rates and the phase in of the difference between the actuarial and market values of assets. This projection assumes: (a) future market earnings, net of expenses, will equal 8.00% per year, (b) there will be no liability gains/losses or changes in assumptions, (c) the number of active members will remain unchanged, (d) active members who leave employment will be replaced by new entrants each year, (e) the State's contribution for FY 2009 will be \$268 million as projected by the Office of State Finance (OSF), and (f) future state revenues will increase at 3.5% per year, except that, due to changes in the State's income tax, increases will only be 2.25% until FY 2010.

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.

In July, prior to the preparation of this report, the Board of Trustees voted to increase the assumption about future ad hoc cost-of-living increases from 1% to 2%. There were no other changes to the actuarial assumptions and methods for this year.

The change in the assumption about future ad hoc COLAs increased the plan's UAAL by just over \$1.4 billion, and was the primary reason for the increase in the funding period and the decrease in the funded ratio.

Development of Employer Cost

	June 30, 2008 (1)	June 30, 2007 (2)
1. Payroll		
a. Supplied by system	\$ 3,751,436,376	\$ 3,598,926,888
b. Adjusted for one year's pay increase	3,926,476,288	3,766,989,331
2. Present value of future pay (paid monthly)	\$ 29,734,468,919	\$ 28,625,597,268
3. Normal cost rate (payable monthly)		
a. Total normal cost rate	11.25%	10.52%
b. Less: member rate	(7.00%)	(7.00%)
c. Employer normal cost rate	4.25%	3.52%
4. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	\$ 12,402,320,069	\$ 10,973,945,087
b. Less: present value of future employer normal costs (Item 3c * Item 2)	(1,263,714,929)	(1,007,621,024)
c. Less: present value of future member contributions	(2,081,412,824)	(2,003,791,809)
d. Actuarial accrued liability	\$ 9,057,192,316	\$ 7,962,532,254
5. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	\$ 8,919,572,410	\$ 7,730,260,900
b. Inactive members	370,099,726	331,600,462
c. Active members (Item 4d)	9,057,192,316	7,962,532,254
d. Total	\$ 18,346,864,452	\$ 16,024,393,616
6. Actuarial value of assets	\$ 9,256,786,936	\$ 8,421,866,942
7. Unfunded actuarial accrued liability (UAAL) (Item 5d - Item 6)	\$ 9,090,077,516	\$ 7,602,526,674
8. Funding period based on statutory contribution rates	54.4 years	21.6 years
9. GASB 25 ARC		
a. Employer normal cost (Item 1b * 3c)	\$ 166,875,242	\$ 132,598,024
b. Level % 30-year amortization of UAAL (payable monthly)	547,492,316	457,897,628
c. Total	\$ 714,367,558	\$ 590,495,652
d. Contributions as percentage of payroll	18.19%	15.68%

Actuarial Present Value of Future Benefits

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	(1)	(2)
1. Active members		
a. Service retirement benefits	\$ 11,005,919,339	\$ 9,659,766,185
b. Deferred termination benefits	526,742,358	491,618,941
c. Refunds	29,187,692	29,203,497
d. Death benefits	207,201,059	186,709,472
e. Disability retirement benefits	254,810,876	226,636,138
f. Supplemental medical insurance	344,820,144	346,973,635
g. \$5,000 post-retirement death benefit	33,638,601	33,037,219
h. Total	<u>\$ 12,402,320,069</u>	<u>\$ 10,973,945,087</u>
2. Retired members		
a. Service retirements	\$ 7,990,530,539	\$ 6,872,645,397
b. Disability retirements	150,564,821	132,443,995
c. Beneficiaries	261,621,315	226,494,181
d. Supplemental medical insurance	439,818,068	424,662,044
e. \$5,000 post-retirement death benefit	77,037,667	74,015,283
f. Total	<u>\$ 8,919,572,410</u>	<u>\$ 7,730,260,900</u>
3. Inactive members		
a. Vested terminations	\$ 317,453,733	\$ 285,381,471
b. Nonvested terminations	25,114,016	24,373,611
c. Suspense fund	27,531,977	21,845,380
d. Total	<u>\$ 370,099,726</u>	<u>\$ 331,600,462</u>
4. Total actuarial present value of future benefits	\$ 21,691,992,205	\$ 19,035,806,449

Analysis of Normal Cost

	<u>June 30, 2008</u> (1)	<u>June 30, 2007</u> (2)
1. Gross normal cost rate (payable monthly)		
a. Retirement benefits	8.31%	7.65%
b. Deferred termination benefits	1.36%	1.33%
c. Refunds	0.78%	0.78%
d. Supplemental medical insurance	0.28%	0.28%
e. \$5,000 Post-retirement death benefits	0.04%	0.04%
f. Death Benefits	0.15%	0.14%
g. Disability retirement benefits	<u>0.33%</u>	<u>0.30%</u>
h. Total	11.25%	10.52%
2. Less: member rate	<u>7.00%</u>	<u>7.00%</u>
3. Employer normal cost rate	4.25%	3.52%

Teachers' Retirement System of Oklahoma
Actuarial Valuation - June 30, 2008

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 (6)	UAAL as % of Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
June 30, 2005	\$6,952.7	\$14,052.4	\$7,099.7	49.5%	\$3,175.2	223.6%
June 30, 2006	\$7,470.4	\$15,143.4	\$7,672.9	49.3%	\$3,354.9	228.7%
June 30, 2007	\$8,421.9	\$16,024.4	\$7,602.5	52.6%	\$3,598.9	211.2%
June 30, 2008	\$9,256.8	\$18,346.9	\$9,090.1	50.5%	\$3,751.4	242.3%

Note: Dollar amounts in millions

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

<u>Year Ending June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
(1)	(2)	(3)
1996	\$434,728,781	40.8%
1997	\$446,459,961	62.0%
1998	\$446,219,296	59.1%
1999	\$456,864,002	53.5%
2000	\$455,265,033	60.6%
2001	\$451,463,258	72.7%
2002	\$556,201,571	65.6%
2003	\$585,168,488	61.9%
2004	\$534,811,845	70.2%
2005	\$722,095,783	56.2%
2006	\$535,228,038	85.8%
2007	\$575,745,142	93.1%
2008	\$590,495,652	101.1%

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, 2008
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll, open period
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increase *	4.25% to 6.00%
* Includes inflation at:	3.00%
Cost of living adjustment	2.00%

Membership Data

	June 30, 2008 (1)	June 30, 2007 (2)
1. Active members		
a. Number	88,678	88,133
b. Total payroll supplied by System	\$ 3,751,436,376	\$ 3,598,926,888
c. Average salary	\$ 42,304	\$ 40,835
d. Average age	45.9	45.8
e. Average service	11.5	11.5
2. Vested inactive members		
a. Number	6,915	6,637
b. Total annual deferred benefits	\$ 51,446,164	\$ 49,993,687
c. Average annual deferred benefit	\$ 7,440	\$ 7,533
3. Nonvested inactive members		
a. Number	6,908	6,613
b. Member contributions with interest due	\$ 25,114,016	\$ 24,373,611
c. Average refund due	\$ 3,635	\$ 3,686
4. Service retirees		
a. Number	41,685	40,068
b. Total annual benefits ^{1,2}	\$ 747,336,202	\$ 696,685,159
c. Average annual benefit	\$ 17,928	\$ 17,388
5. Special service retirees		
a. Number	63	91
b. Total annual benefits ^{1,2}	\$ 146,762	\$ 208,106
c. Average annual benefit	\$ 2,330	\$ 2,287
6. Disabled retirees		
a. Number	1,513	1,471
b. Total annual benefits ^{1,2}	\$ 16,606,561	\$ 15,770,285
c. Average annual benefit	\$ 10,976	\$ 10,721
7. Beneficiaries and spouses		
a. Number	1,977	1,876
b. Total annual benefits ^{1,2}	\$ 29,045,325	\$ 26,691,199
c. Average annual benefit	\$ 14,692	\$ 14,228

¹ Benefit amounts exclude the supplemental medical insurance payment.

² Benefit amounts for 2008 include 2.00% COLA effective July 1, 2008

Teachers' Retirement System of Oklahoma
Actuarial Valuation - June 30, 2008

Historical Summary of Active Member Data

Valuation as of June 30, (1)	Active Members		Covered Payroll		Average Salary		Average Age (8)	Average Service Age (9)
	Number (2)	Percent Increase (3)	Amount in \$ Millions (4)	Percent Increase (5)	\$ Amount (6)	Percent Increase (7)		
1990	69,062	2.0%	1,745	8.4%	25,265	5.0%	43.1	10.5
1991	71,936	4.2%	1,921	10.1%	26,709	5.7%	43.1	10.5
1992	73,568	2.3%	2,002	4.2%	27,218	1.9%	43.3	10.6
1993	75,599	2.8%	2,122	6.0%	28,069	3.1%	43.4	10.7
1994	76,280	0.9%	2,190	3.2%	28,704	2.3%	43.6	10.8
1995	79,044	3.6%	2,336	6.7%	29,555	3.0%	43.6	10.7
1996	78,942	(0.1%)	2,375	1.7%	30,091	1.8%	44.0	11.1
1997	79,510	0.7%	2,429	2.3%	30,546	1.5%	44.2	11.2
1998	80,578	1.3%	2,538	4.5%	31,493	3.1%	44.3	11.2
1999	81,851	1.6%	2,648	4.3%	32,356	2.7%	44.4	11.2
2000	83,024	1.4%	2,738	3.4%	32,982	1.9%	44.5	11.0
2001	84,387	1.6%	2,991	9.2%	35,438	7.4%	44.7	11.0
2002	85,366	1.2%	3,047	1.9%	35,695	0.7%	44.9	11.1
2003	83,127	(2.6%)	3,046	(0.0%)	36,639	2.6%	45.3	11.5
2004	81,683	(1.7%)	3,031	(0.5%)	37,104	1.3%	45.6	11.8
2005	84,286	3.2%	3,175	4.8%	37,671	1.5%	45.6	11.6
2006	87,194	3.5%	3,355	5.7%	38,476	2.1%	45.7	11.6
2007	88,133	1.1%	3,599	7.3%	40,835	6.1%	45.8	11.5
2008	88,678	0.6%	3,751	4.2%	42,304	3.6%	45.9	11.5

Plan Net Assets
(Assets at Market or Fair Value)

Item (1)	Valuation as of	
	June 30, 2008 (2)	June 30, 2007 (3)
1. Cash and cash equivalents	\$ 2,124,625	\$ 4,771,218
2. Receivables		
a. Employer and member contributions	\$ 54,776,735	\$ 45,465,506
b. State contribution	28,969,735	25,074,415
c. Net investment income and other accruals	33,221,531	28,251,274
d. Total receivables	<u>\$ 116,968,001</u>	<u>\$ 98,791,195</u>
3. Investments		
a. Invested cash and other	\$ 441,182,511	\$ 480,385,331
b. Domestic equities	4,381,924,106	5,052,869,614
c. International equities	1,472,723,735	1,640,103,192
d. Fixed income	2,819,869,159	2,679,194,330
e. Real estate, furniture & equipment	247,186	262,461
f. Total investments	<u>\$ 9,115,946,697</u>	<u>\$ 9,852,814,928</u>
4. Total assets	\$ 9,235,039,323	\$ 9,956,377,341
5. Liabilities		
a. Benefits payable, including insurance payments	\$ 67,389,081	\$ 16,768,162
b. Net due to brokers	213,584,916	279,245,962
c. Other liabilities	8,206,044	9,321,354
d. Total liabilities	<u>\$ 289,180,041</u>	<u>\$ 305,335,478</u>
6. Net assets available (Item 4 - Item 5)	\$ 8,945,859,282	\$ 9,651,041,863
7. Less: Teachers' Deposit Fund	(312,159,587)	(357,840,841)
8. Net assets available for OTRS benefits	\$ 8,633,699,695	\$ 9,293,201,022

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

Item	Valuation as of	
	June 30, 2008	June 30, 2007
(1)	(2)	(3)
a. Invested cash and other	4.8%	4.9%
b. Domestic equities	48.1%	51.3%
c. International equities	16.2%	16.6%
d. Fixed income	30.9%	27.2%
e. Real estate, furniture & equipment	0.0%	0.0%
f. Total investments	100.0%	100.0%

Reconciliation of Plan Net Assets

	Year Ending	
	June 30, 2008 (1)	June 30, 2007 (2)
1. Market value of assets at beginning of year, net of Teachers' Deposit Fund	\$ 9,293,201,022	\$ 7,858,937,186
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	\$ 286,738,943	\$ 285,408,749
ii. Federal matching funds	21,274,957	21,402,183
iii. State contribution	266,761,597	243,501,987
iv. Employer/district contributions	308,804,479	271,012,403
v. Total	\$ 883,579,976	\$ 821,325,322
b. Net investment earnings		
i. Interest, dividends and other income	\$ 269,601,388	\$ 236,385,329
ii. Net appreciation/(depreciation)	(959,036,578)	1,269,034,289
iii. Less: investment expenses	(32,992,027)	(30,790,763)
iv. Less: transfers to Teachers' Deposit Fund	25,932,253	(56,098,820)
v. Net investment earnings	\$ (696,494,964)	\$ 1,418,530,035
c. Total revenue	\$ 187,085,012	\$ 2,239,855,357
3. Expenditures for the year		
a. Refunds	35,254,496	\$ 33,829,653
b. Benefit payments, including insurance payments	806,540,725	767,212,709
c. Administrative expenses	4,791,118	4,549,159
d. Total expenditures	846,586,339	\$ 805,591,521
4. Increase in net assets (Item 2 - Item 3)	\$ (659,501,327)	\$ 1,434,263,836
5. Market value of assets at end of year, net of Teachers' Deposit Fund (Item 1 + Item 4)	\$ 8,633,699,695	\$ 9,293,201,022

Development of Actuarial Value of Assets

	<u>Year Ending June 30, 2008</u>
1. Market value of assets at beginning of year	\$ 9,293,201,022
2. Net new investments	
a. Contributions	\$ 883,579,976
b. Benefits paid	(806,540,725)
c. Refunds	<u>(35,254,496)</u>
d. Subtotal	41,784,755
3. Market value of assets at end of year	\$ 8,633,699,695
4. Net earnings (3-1-2)	\$ (701,286,082)
5. Assumed investment return rate	8.00%
6. Expected return	\$ 745,127,472
7. Excess return (4-6)	\$ (1,446,413,554)
8. Excess return on assets for last four years :	
	<u>Deferred Amount</u>
	<u>(4)</u>
	<u>Percent Deferred</u>
	<u>(3)</u>
	<u>Excess Return</u>
	<u>(2)</u>
	<u>Period End</u>
a. June 30, 2005	\$ 25,927,374
b. June 30, 2006	37,443,478
c. June 30, 2007	470,672,750
d. June 30, 2008	<u>(1,157,130,843)</u>
	\$ (623,087,241)
9. Actuarial value of assets (Item 3 - Item 8)	\$ 9,256,786,936
10. Actuarial value as percentage of market value	107.2%

Estimation of Yields

	Year Ending	
	June 30, 2008 (1)	June 30, 2007 (2)
A. Market value yield		
1. Beginning of year market assets	\$ 9,293,201,022	\$ 7,858,937,186
2. Net investment income (including realized and unrealized gains and losses)	\$ (696,494,964)	\$ 1,418,530,035
3. End of year market assets	\$ 8,633,699,695	\$ 9,293,201,022
4. Estimated dollar weighted market value yield	-7.5%	18.0%
B. Actuarial value yield		
1. Beginning of year actuarial assets	\$ 8,421,866,942	\$ 7,470,433,915
2. Actuarial return	\$ 793,135,239	\$ 931,150,067
3. End of year actuarial assets	\$ 9,256,786,936	\$ 8,421,866,942
4. Estimated actuarial value yield	9.4%	12.4%

Teachers' Retirement System of Oklahoma,
Actuarial Valuation - June 30, 2008

History of Cash Flow

Year Ending June 30, (1)	Distributions and Expenditures				Total (6)	External Cash Flow for the Year ¹ (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
	Contributions (2)	Benefit Payments (3)	Refunds (4)	Administrative Expenses (5)				
1999	435.0	(479.6)	(24.5)	(2.7)	(506.9)	(71.8)	5,387	(1.3%)
2000	471.8	(500.3)	(29.5)	(3.0)	(532.7)	(60.9)	5,890	(1.0%)
2001	544.8	(537.3)	(31.4)	(3.5)	(572.2)	(27.4)	5,732	(0.5%)
2002	591.5	(561.2)	(26.7)	(3.9)	(591.9)	(0.4)	5,418	(0.0%)
2003	582.5	(609.0)	(30.2)	(4.0)	(643.2)	(60.7)	5,614	(1.1%)
2004	608.4	(647.3)	(33.7)	(3.9)	(684.9)	(76.5)	6,666	(1.1%)
2005	640.8	(701.9)	(26.8)	(4.2)	(732.9)	(92.1)	7,238	(1.3%)
2006	708.4	(727.4)	(30.9)	(4.4)	(762.7)	(54.3)	7,859	(0.7%)
2007	821.3	(767.2)	(33.8)	(4.5)	(805.5)	15.8	9,293	0.2%
2008	883.6	(806.5)	(35.3)	(4.8)	(846.6)	37.0	8,634	0.4%

Dollar amounts in millions

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

Investment Experience Gain or Loss

Item (1)	Year Ending June 30, 2008 (2)	Year Ending June 30, 2007 (3)
1. Actuarial assets, beginning of year	\$ 8,421,866,942	\$ 7,470,433,915
2. Contributions during year	\$ 883,579,976	\$ 821,325,322
3. Benefits and refunds paid	\$ (841,795,221)	\$ (801,042,362)
4. Assumed net investment income at 8%		
a. Beginning of year assets	\$ 673,749,355	\$ 597,634,713
b. Contributions	35,343,199	32,853,013
c. Benefits and refunds paid	<u>(33,671,809)</u>	<u>(32,041,694)</u>
d. Total	\$ 675,420,745	\$ 598,446,032
5. Expected actuarial assets, end of year (Sum of items 1 through 4)	\$ 9,139,072,442	\$ 8,089,162,907
6. Actual actuarial assets, end of year	\$ 9,256,786,936	\$ 8,421,866,942
7. Asset gain (loss) for year (Item 6 - Item 5)	\$ 117,714,494	\$ 332,704,035

Total Experience Gain or Loss

Item (1)	Year Ending June 30, 2008 (2)	Year Ending June 30, 2007 (3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	\$ 7,602,526,674	\$ 7,672,923,905
2. Normal cost for the year (employer and employee)	\$ 396,287,278	\$ 364,799,297
3. Less: total contributions for the year	\$ (883,579,976)	\$ (821,325,322)
4. Interest at 8 %		
a. On UAAL	\$ 608,202,134	\$ 613,833,912
b. On normal cost	15,851,491	14,591,972
c. On contributions	<u>(35,343,199)</u>	<u>(32,853,013)</u>
d. Total	\$ 588,710,426	\$ 595,572,871
5. Expected UAAL (Sum of Items 1 - 4)	\$ 7,703,944,402	\$ 7,811,970,751
6. Actual UAAL	\$ 9,090,077,516	\$ 7,602,526,674
7. Total gain (loss) for the year (Item 5 - Item 6)	\$ (1,386,133,114)	\$ 209,444,077
B. Source of gains and losses		
8. Asset gain (loss) for the year	\$ 117,714,494	\$ 332,704,035
9. Liability gain (loss) for the year	(30,504,190)	(123,259,958)
10. 2% Ad-Hoc COLA	(67,332,566)	-
11. Increase in future ad hoc COLA assumption	<u>(1,406,010,852)</u>	<u>-</u>
12. Total	\$ (1,386,133,114)	\$ 209,444,077

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	June 30, 2008 UAAL (in \$ Millions)	June 30, 2007 UAAL (in \$ Millions)
(1)	(2)	(3)
1. From prior valuation	\$ 7,602.5	\$ 7,672.9
2. Impact of changes, gains and losses		
a. Expected increase based on expected contributions and passage of time	130.2	222.5
b. Liability (gain)/loss	30.5	123.3
c. Asset (gain)/loss	(117.7)	(332.7)
d. Impact of actual ctrb (more)/less than expected under schedule	(28.8)	(83.4)
e. 2% Ad-Hoc COLA	67.3	0.0
f. Increase in future ad hoc COLA assumption	1,406.0	0.0
h. Total	1,487.5	(70.3)
3. Current UAAL (1+2h)	\$ 9,090.1	\$ 7,602.5

Columns may not total due to rounding

Projection of UAAL

<u>Valuation Date</u> (1)	<u>UAAL</u> (Millions) (2)
June 30, 2008	9,090.1
June 30, 2009	9,474.1
June 30, 2010	9,876.1
June 30, 2011	10,297.7
June 30, 2012	10,883.1
June 30, 2013	11,186.1
June 30, 2014	11,495.9
June 30, 2015	11,812.1
June 30, 2016	12,134.6
June 30, 2017	12,462.8
June 30, 2018	12,796.5
June 30, 2019	13,135.1
June 30, 2020	13,478.1
June 30, 2021	13,824.6
June 30, 2022	14,174.0
June 30, 2023	14,525.6
June 30, 2024	14,878.5
June 30, 2025	15,231.8
June 30, 2026	15,584.5
June 30, 2027	15,935.8
June 30, 2028	16,284.4
June 30, 2029	16,629.2
June 30, 2030	16,968.8
June 30, 2031	17,301.6
June 30, 2032	17,625.8
June 30, 2033	17,939.7
June 30, 2034	18,241.0
June 30, 2035	18,527.3
June 30, 2036	18,796.1
June 30, 2037	19,044.2

Teachers' Retirement System of Oklahoma
Actuarial Valuation - June 30, 2008

Solvency Test

Actuarial Accrued Liability and Percent of Active Member Payroll for:

June 30,	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits		Portion of Accrued Liabilities Covered by Assets				
	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	(1)	(2)	(3)	(4)	
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%
2005	3,381.7	107%	7,046.5	222%	301.4	9%	3,322.9	105%	6,952.7	100%	51%	0%	0%
2006	3,853.7	115%	7,340.0	219%	314.3	9%	3,635.3	108%	7,470.4	100%	51%	0%	0%
2007	4,057.5	113%	7,730.3	215%	331.6	9%	3,905.0	109%	8,421.9	100%	56%	0%	0%
2008	4,323.0	115%	8,919.6	238%	370.1	10%	4,734.2	126%	9,256.8	100%	55%	0%	0%

Note : Dollar amounts in millions

Distribution of Active Members by Age and by Years of Service
As of 06/30/2008

Attained Age	Years of Credited Service											Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34		35 & Over
	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.	Count & Ave. Comp.
Under 25	262 \$20,444	795 \$29,661	216 \$29,743	48 \$24,890	13 \$21,046	7 \$30,691	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	1,341 \$27,624
25-29	357 \$21,213	1,724 \$31,281	1,602 \$33,535	1,496 \$34,275	1,007 \$35,462	859 \$36,279	6 \$36,190	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	7,051 \$33,129
30-34	321 \$18,640	1,028 \$31,519	1,011 \$33,859	897 \$34,926	891 \$36,377	3,551 \$39,413	648 \$41,893	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	8,347 \$36,356
35-39	364 \$17,544	933 \$30,216	947 \$33,230	900 \$34,651	800 \$36,764	2,998 \$41,755	2,998 \$44,267	724 \$45,481	4 \$42,951	0 \$0	0 \$0	0 \$0	10,668 \$39,149
40-44	281 \$16,942	814 \$29,723	826 \$31,036	726 \$32,914	648 \$35,263	2,609 \$41,276	1,979 \$46,975	2,468 \$47,902	581 \$49,711	4 \$41,067	0 \$0	0 \$0	10,936 \$41,081
45-49	292 \$16,834	784 \$29,112	794 \$30,893	695 \$32,417	637 \$33,139	2,738 \$40,241	2,257 \$44,293	2,135 \$48,760	2,127 \$50,825	874 \$52,456	5 \$47,194	0 \$0	13,338 \$42,311
50-54	218 \$17,868	633 \$30,684	582 \$32,118	551 \$34,092	528 \$35,555	2,247 \$39,620	2,204 \$43,798	2,400 \$47,014	1,803 \$52,331	2,432 \$54,744	795 \$56,055	3 \$100,552	14,396 \$45,173
55-59	162 \$16,045	435 \$32,270	442 \$34,886	376 \$34,319	373 \$35,448	1,745 \$40,895	1,686 \$44,111	2,164 \$45,921	1,967 \$50,509	1,397 \$60,141	1,604 \$59,191	477 \$59,970	12,828 \$47,568
60-64	87 \$15,547	228 \$29,711	197 \$35,968	182 \$30,477	213 \$34,155	911 \$41,773	964 \$46,085	1,262 \$46,648	1,074 \$52,170	745 \$59,888	665 \$65,944	755 \$68,815	7,283 \$50,232
65 & Over	68 \$13,565	131 \$20,379	96 \$24,713	91 \$22,318	84 \$26,614	338 \$31,020	292 \$41,465	380 \$45,251	306 \$49,192	211 \$60,175	181 \$73,044	312 \$92,159	2,490 \$48,090
Total	2,412 \$18,136	7,505 \$30,383	6,713 \$32,710	5,962 \$33,659	5,194 \$35,286	18,003 \$40,177	13,034 \$44,533	11,533 \$47,128	7,862 \$51,125	5,663 \$56,592	3,250 \$60,559	1,547 \$70,857	88,678 \$42,304

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

I. Valuation Date

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

II. Actuarial Cost Method

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

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

The total normal cost is determined by dividing the present value of future benefits for a hypothetical group of new members by the present value of their future pay. In calculating the benefits for this group, all changes in provisions or member contribution rates scheduled to occur in the future are assumed to already be in effect. The hypothetical group of new entrants was reset in the 2005 experience study, based on actual new members joining during FY 2000 through FY 2004.

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

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

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

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

III. Actuarial Value of Assets

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

IV. Actuarial Assumptions

A. Economic Assumptions

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

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

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.
5. Future ad hoc cost-of-living increases: 2.0% per year.

B. Demographic Assumptions

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

Sample rates are shown below:

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

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

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

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

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

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

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

a. During the first ten years of Credited Service:

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

b. With 10 or More Years of Credited Service:

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

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

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

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

C. Other Assumptions

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

4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years of credited service are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.
11. For EESIP eligible employees, if the refund amount to be paid exceeds the actuarial present value of the additional benefit, then we assume the member does not elect the enhanced benefit.
12. For those participants eligible for the EESIP, it is assumed that retirement is delayed in each year past first eligibility by 10%, until all eligible years are uncapped, at which point those delayed members are assumed to retire.

V. Participant Data

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

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

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

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

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

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

VI. Dates of Adoption of Assumptions and Methods

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

Since the June 30, 2004 valuation, there is an assumption that future ad hoc cost-of-living increases would be granted from time to time, without additional funding. The initial assumptions were that these would average 1.00% per year. Effective July 1, 2008, the assumption was modified from 1.0% to 2.0% per year.

Effective July 1, 2006, retirement assumptions were modified for members eligible for the EESIP.

ADDENDUM TO JUNE 30, 2008 ACTUARIAL VALUATION

Certification

We have prepared an actuarial valuation of the Oklahoma Teachers' Retirement System as of June 30, 2008, for the plan year ending June 30, 2009. 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, 2008.

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 regular June 30, 2008 valuation prepared for the Board of Trustees.

The results shown in this Addendum are not consistent with those in the June 30, 2008 valuation. The June 30, 2008 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 Board of Trustees. For those results, see the regular June 30, 2008 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

J. Christian Conradi, ASA, MAAA, EA

October 16, 2008

Mark R. Randall

Mark R. Randall, FCA, EA, MAAA

October 16, 2008

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, 2008, based on the prescribed assumptions under 70 O.S. 2001, Section 17-106.1, Section H of current State Statutes and regulations issued thereunder.

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

	Actuarial Valuation as of		Change Between Years	
	June 30, 2008	June 30, 2007	Amount	Percent
Summary of Costs				
Required State Contribution for Current Year under Prescribed Assumptions	\$710,809,846	\$719,292,712	-\$8,482,866	-1.18%
Actual State Contribution Received in Prior Year	\$266,761,597	\$243,501,987	\$23,259,610	9.55%
Funded Status				
Actuarial Accrued Liability	\$19,566,540,948	\$18,494,245,830	\$1,072,295,118	5.80%
Actuarial Value of Assets	\$9,256,786,936	\$8,421,866,942	\$834,919,994	9.91%
Unfunded Actuarial Accrued Liability	\$10,309,754,012	\$10,072,378,888	\$237,375,124	2.36%
Market Value of Assets and Additional Liabilities				
Market Value of Assets	\$8,633,699,695	\$9,293,201,022	-\$659,501,327	-7.10%
Present Value of Projected System Benefits	\$23,507,582,253	\$22,287,584,027	\$1,219,998,226	5.47%

Summary of Contribution Requirements	Actuarial Valuation as of				% of Change
	June 30, 2008		June 30, 2007		
	Amount	% of Active Covered Comp	Amount	% of Active Covered Comp	
1. Payroll					
a. Supplied by system	\$3,751,436,376		\$3,598,926,888		4.24%
b. Adjusted for 1-year's pay increase	\$3,926,476,288		\$3,766,989,331		4.23%
2. Total normal cost (mid-year)	\$502,131,944	12.79%	\$481,736,177	12.79%	4.23%
3. Unfunded actuarial accrued liability (UAAL)	\$10,309,754,012		\$10,072,378,888		2.36%
4. Amortization of UAAL over 30 years from valuation date	\$844,295,883	21.50%	\$824,856,541	21.90%	2.36%
5. Total required contribution under prescribed assumptions (2+4)	\$1,346,427,827	34.29%	\$1,306,592,718	34.69%	3.05%
6. Estimated employee contribution (7% x 1b)	\$274,853,340	7.00%	\$263,689,253	7.00%	4.23%
7. Estimated local employer and federal/grant contributions					
a. Local employers	\$335,733,355	8.55%	\$298,797,594	7.93%	
b. Federal/grant	\$25,031,286	0.64%	\$24,813,159	0.66%	0.88%
c. Total	\$360,764,641	9.19%	\$323,610,753	8.59%	11.48%
8. Required state contribution to amortize UAAL over 30 years from valuation date (5 - 6 - 7c)	\$710,809,846	18.10%	\$719,292,712	19.09%	-1.18%
9. Previous year's actual State Contribution	\$266,761,597	7.08%	\$243,501,987	7.02%	9.55%
10. Projected State Contribution per OSF	\$268,427,420	6.84%	\$268,627,400	7.13%	-0.07%
11. Funding period	Not Sufficient to Amortize UAAL		Not Sufficient to Amortize UAAL		N/A

Unfunded Actuarial Accrued Liability

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

	Total System	
	June 30, 2008	June 30, 2007
1. Actuarial Present Value of Benefits		
a. Active members	\$ 13,854,041,486	\$ 13,271,404,967
b. Inactives	400,910,797	381,809,950
c. Retirees and beneficiaries	9,252,629,970	8,634,369,110
d. Total	23,507,582,253	22,287,584,027
2. Actuarial Present Value of Future Normal Costs	\$ 3,941,041,305	\$ 3,793,338,197
3. Total Actuarial Accrued Liability (1d - 2)	\$ 19,566,540,948	\$ 18,494,245,830
4. Actuarial Value of Assets	\$ 9,256,786,936	\$ 8,421,866,942
5. Unfunded Actuarial Accrued Liability (3-4, not less than \$0)	\$ 10,309,754,012	\$ 10,072,378,888

Normal Cost

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

Component	June 30, 2008	June 30, 2007
Retirement Benefits	\$ 380,082,905	\$ 364,644,567
Withdrawal Benefits	56,904,606	54,593,236
Active Death Benefits	8,707,975	8,354,271
Refunds	26,309,632	25,240,978
Supplemental Medical Insurance	11,860,967	11,379,195
Post Retirement Death Benefits	1,837,004	1,762,388
Disability Benefits	16,428,855	15,761,542
Total Normal Cost (Mid-year)	\$ 502,131,944	\$ 481,736,177
Annual Covered Payroll (with pay caps)	\$ 3,926,476,288	\$ 3,766,989,331
Normal Cost Rate At Mid-year	12.79%	12.79%

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: 7.5%, net of investment and administrative expenses, per annum, compound annually.
2. Earnings Progression Sample rates below:

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

3. Payroll growth rate: In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.5% per year. This increase rate has no allowance for future membership growth.
4. State revenue growth rate: In determining the funding period, the state's sales and income tax revenues are anticipated to grow at 3.5% per year. However, for years FY 2007 through FY 2010, revenue growth was decreased, reflecting the expected impact of new income tax rates.
5. Future ad hoc cost-of-living increases: We assume that in future years, cost-of-living increases will be granted that will average 2% per year.

Demographic Assumptions

1. Retirement rate - Sample rates are shown below:

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

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

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

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

3. Disability rates: Sample rates are shown below:

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

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

4. Withdrawal Rates: Sample rates are shown below:

During the first ten years of Credited Service:

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

With 10 or More Years of Credited Service:

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

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

Other Assumptions

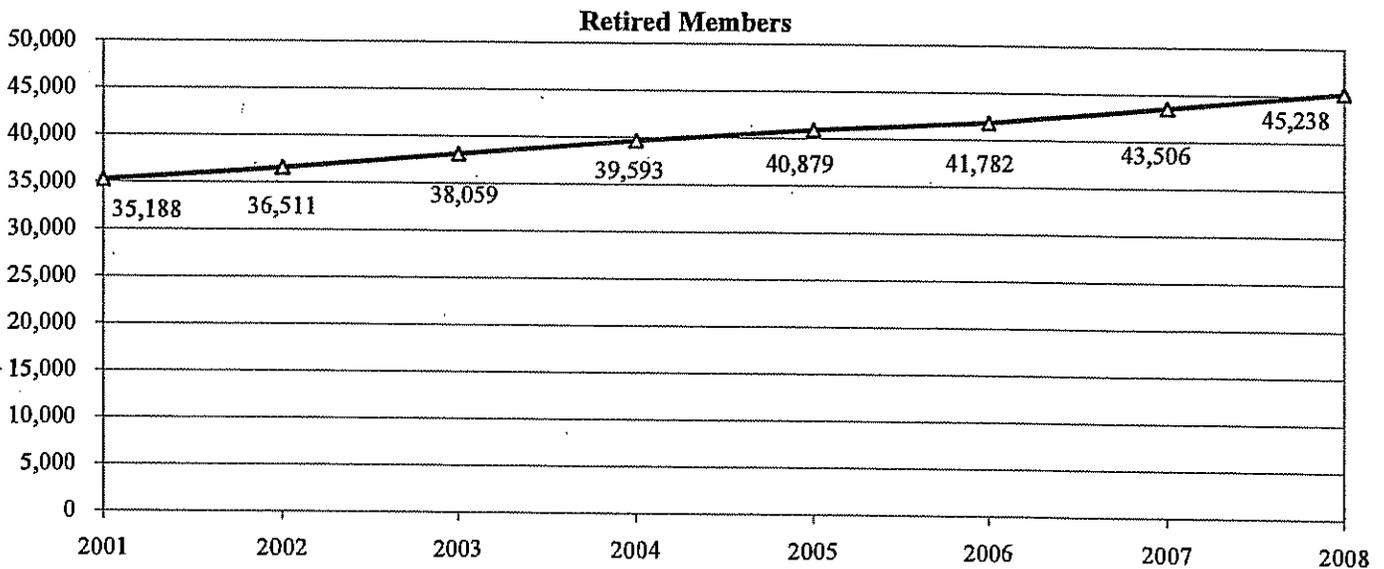
1. Percent married: 80% of employees are assumed to be married.
2. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.
3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the \$18,000 lump sum and refund.
4. Percent electing deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.
5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62.
6. Administrative expenses: The assumed investment return rate represents the anticipated net return after payment of all investment and administrative expenses.
7. Supplemental medical insurance: All members, whether currently active, inactive, or retired, are assumed to be eligible to receive the supplemental insurance benefit, if they have at least 10 years of service credit at retirement.
8. Members who retire with at least 24 years credit are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.
9. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of OTRS.
10. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.
11. For EESIP eligible employees, if the refund amount to be paid exceeds the additional APV of the enhanced benefit, then the employee does not elect the enhanced benefit.
12. For those participants eligible for the EESIP, it is assumed that retirement is delayed in each year past first eligibility by 10%.

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

Year Ended	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls-End of Year</u>		%	Average Annual
	<u>No.</u>	<u>Annual Allowances*</u>	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>		
2001	2,098	40,394,458	1,027	12,641,988	35,188	498,928,273	5.9%	1,231
2002	2,353	36,595,970	1,030	12,303,662	36,511	523,220,581	4.9%	1,231
2003	2,630	57,537,594	1,082	10,798,222	38,059	569,959,953	8.9%	1,304
2004	2,616	49,732,316	1,082	12,334,953	39,593	607,357,316	6.6%	1,315
2005	2,346	62,318,530	1,060	8,518,211	40,879	661,157,635	8.9%	1,373
2006	2,060	32,777,192	1,157	7,344,953	41,782	686,589,874	3.8%	1,376
2007	2,337	48,762,552	613	8,907,437	43,506	726,444,989	5.8%	1,419
2008	2,577	46,858,028	845	8,758,271	45,238	764,544,746	5.2%	1,437

* 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.



Statistical Section Summary

Retired Members by Benefit Type

Average Benefit Payments

Principal Participating Employers

Schedule of Average Payment Amounts

Active Personnel

Schedule of Retired Members by Type of Benefits

Distribution by Years of Service

Distribution by Age at Retirement

Distribution by Retiree Age

Distribution by Monthly Income

Schedule of Cash Receipts and Disbursements

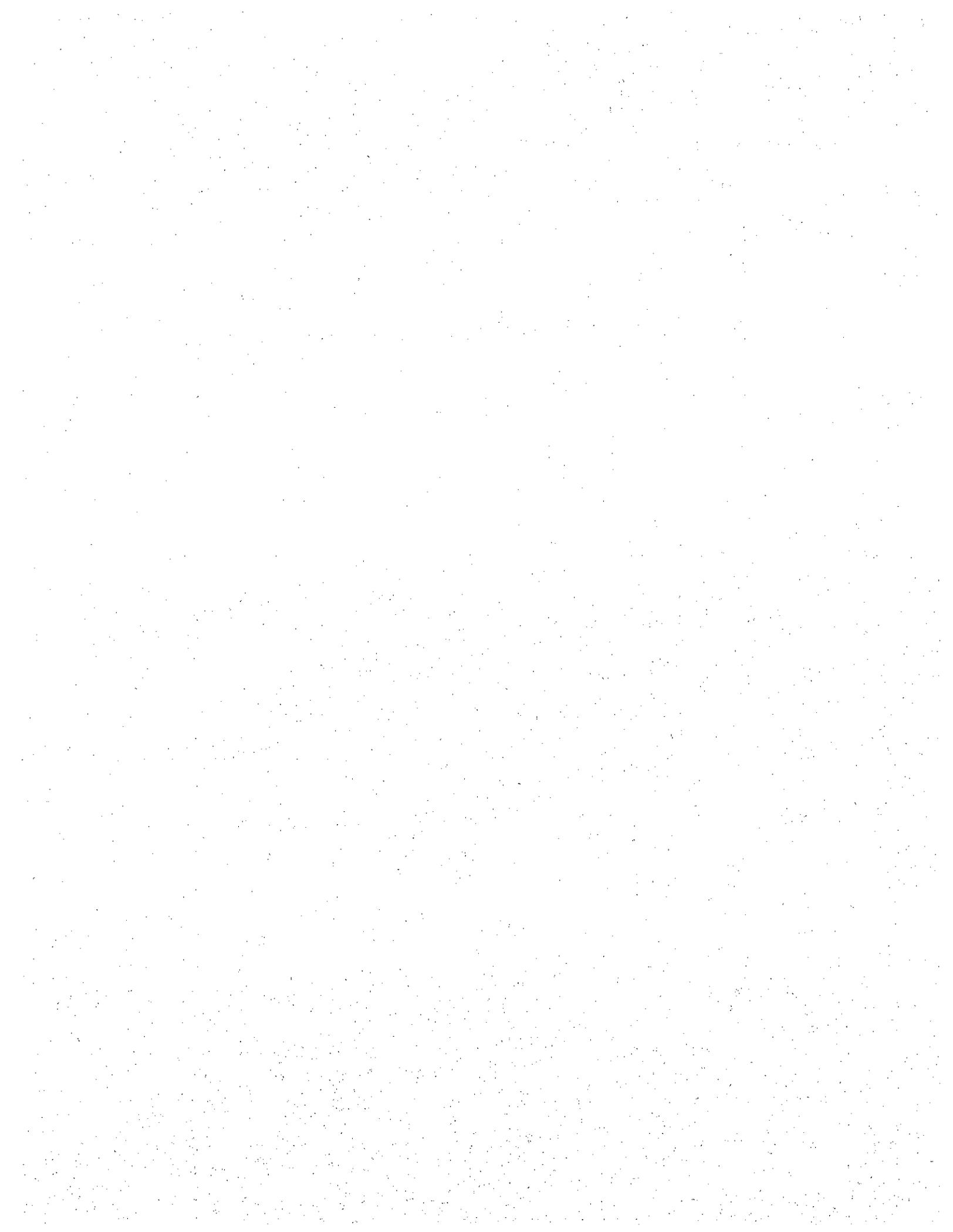
Schedule of Revenue by Source

Schedule of Expenses by Type

Schedule of Benefit Expenses by Type

Retirees in the State of Oklahoma, by County

2008 Participating Employers



Statistical Section Summary

The Statistical Section presents several schedules that provide financial trends analysis of the Teachers' Retirement System of Oklahoma's overall financial health and additional analytical information on membership data and retirement benefits. The schedules beginning on page 158 through page 167 provide data depicting active membership, level of monthly benefits, years of service, and retirement options. The schedules on page 168 to page 172 provide financial data showing revenues and expenses. On page 173 and page 174 these schedules report the financial impact of retirees in the state of Oklahoma and the participating employers. The source of the information in these schedules is derived from internal information unless otherwise noted.

**Retired Members by Type of Benefit
Fiscal Year Ended June 30, 2008**

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement *						Option Selected #						
		1	2	3	4	5	6	Option A	Option B	Option C	Option D	Option E	Option F	Option G
\$ 1 - \$ 500	6,293	3,375	2,233	244	52	326	63	2,701	1,695	1,093	243	195	303	63
501 - 1,000	7,916	5,169	1,579	496	72	600	-	2,963	2,093	1,492	625	176	567	-
1,001 - 1,500	7,547	6,413	292	427	15	400	-	2,571	2,034	1,759	686	113	384	-
1,501 - 2,000	11,564	10,654	362	356	4	188	-	3,710	3,367	2,985	1,112	202	188	-
2,001 - 2,500	8,651	8,223	199	214	3	12	-	2,608	2,294	2,498	1,011	228	12	-
2,501 - 3,000	2,535	2,405	48	81	-	1	-	837	597	717	341	42	1	-
3,001 - 3,500	552	528	16	7	1	-	-	217	136	118	68	13	-	-
3,501 - 4,000	122	114	8	-	-	-	-	51	29	25	13	4	-	-
Over 4,000	58	53	1	4	-	-	-	18	13	19	8	-	-	-
Totals	45,238	36,934	4,738	1,829	147	1,527	63	15,676	12,258	10,706	4,107	973	1,455	63

* Type of Retirement

- Type 1 - Normal retirement for age and service
- Type 2 - Early retirement
- Type 3 - Beneficiary payment (Normal retirement)
- Type 4 - Beneficiary payment (Early retirement)
- Type 5 - Disability retirement
- Type 6 - Special annuitants

Option Selected

- Option A - The Maximum Retirement Plan - provides the greatest monthly lifetime benefit.
- Option B - Retirement Option 1 - provides for a decreased rate of reduction of a member's account balance.
- Option C - Retirement Option 2 - known as the 100% joint survivor annuity - provides for a reduced monthly benefit to the member for life. Upon the death of the member, the designated beneficiary will continue to receive 100% of the member's benefit for life.
- Option D - Retirement Option 3 - known as the 50% joint survivor annuity - provides a similar benefit as Option 2, however, upon the death of the member, the monthly benefit to the designated beneficiary is 50% of the benefit of the member.
- Option E - Retirement Option 4 - provides a reduced monthly benefit payable to the member for life. 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.
- Option F - Upon meeting requirements, a vested member may receive a monthly benefit.
- Option G - Special Annuitants - a former teacher, who taught a minimum of ten years in the public schools of Oklahoma prior to July 1, 1943 receives a special annuity.

**Average Benefit Payments
Fiscal Years Ended June 30**

Retirement Effective Dates	Years of Credited Service							
	5-10	10-15	15-20	20-25	25-30	30-35	35-40	40+
Period 7/1/1998 to 6/30/1999								
Average monthly benefit		\$400	\$664	\$1,077	\$1,584	\$1,890	\$2,230	\$2,726
Average final average salary		\$22,791	\$25,903	\$30,261	\$35,948	\$37,453	\$38,922	\$40,550
Number of retired members		288	240	375	590	408	99	31
Period 7/1/1999 to 6/30/2000								
Average monthly benefit		\$427	\$680	\$1,111	\$1,610	\$1,926	\$2,306	\$2,668
Average final average salary		\$24,313	\$27,068	\$31,312	\$36,344	\$38,223	\$39,999	\$41,673
Number of retired members		357	260	362	563	422	115	30
Period 7/1/2000 to 6/30/2001								
Average monthly benefit		\$410	\$680	\$1,187	\$1,641	\$1,982	\$2,326	\$3,844
Average final average salary		\$22,766	\$26,326	\$33,206	\$37,116	\$39,653	\$40,789	\$43,496
Number of retired members		314	267	361	580	445	105	26
Period 7/1/2001 to 6/30/2002								
Average monthly benefit		\$442	\$713	\$1,181	\$1,670	\$1,999	\$2,356	\$2,631
Average final average salary		\$24,769	\$28,502	\$33,217	\$38,045	\$39,787	\$41,533	\$41,826
Number of retired members		329	317	421	649	473	124	40
Period 7/1/2002 to 6/30/2003								
Average monthly benefit		\$478	\$772	\$1,249	\$1,696	\$2,065	\$2,399	\$2,750
Average final average salary		\$26,853	\$29,763	\$34,707	\$38,797	\$40,775	\$41,913	\$41,881
Number of retired members		334	337	444	715	600	167	33
Period 7/1/2003 to 6/30/2004								
Average monthly benefit	\$306	\$490	\$772	\$1,239	\$1,700	\$2,010	\$2,381	\$2,796
Average final average salary	\$28,628	\$28,466	\$30,699	\$35,192	\$38,860	\$41,194	\$42,436	\$43,492
Number of retired members	99	381	358	433	639	505	153	48
Period 7/1/2004 to 6/30/2005								
Average monthly benefit	\$314	\$502	\$804	\$1,228	\$1,731	\$2,035	\$2,358	\$2,915
Average final average salary	\$31,394	\$28,718	\$31,363	\$34,939	\$40,015	\$41,648	\$43,218	\$46,519
Number of retired members	94	335	304	467	531	417	150	48
Period 7/1/2005 to 6/30/2006								
Average monthly benefit	\$311	\$545	\$803	\$1,204	\$1,729	\$2,008	\$2,350	\$2,944
Average final average salary	\$28,873	\$30,160	\$31,960	\$34,350	\$39,703	\$42,053	\$42,948	\$47,656
Number of retired members	112	275	325	403	475	328	107	35
Period 7/1/2006 to 6/30/2007								
Average monthly benefit	\$289	\$548	\$844	\$1,319	\$1,825	\$2,205	\$2,692	\$3,033
Average final average salary	\$27,920	\$31,084	\$33,123	\$37,294	\$41,634	\$45,283	\$48,400	\$50,850
Number of retired members	145	318	349	453	601	490	260	80
Period 7/1/2007 to 6/30/2008								
Average monthly benefit	\$331	\$558	\$897	\$1,294	\$1,846	\$2,243	\$2,767	\$3,535
Average final average salary	\$31,448	\$32,300	\$34,616	\$36,877	\$42,274	\$46,606	\$50,852	\$56,650
Number of retired members	155	324	346	512	568	528	271	103

**Principal Participating Employers
Current Year and Nine Years Ago**

<u>Participating School</u>	<u>Fiscal Year 2008</u>			<u>Fiscal Year 1999</u>		
	<u>Covered Members</u>	<u>Rank</u>	<u>Percentage of Total System</u>	<u>Covered Members</u>	<u>Rank</u>	<u>Percentage of Total System</u>
Oklahoma City Public Schools	4,352	1	4.93%	4,643	1	5.66%
Tulsa Public Schools	3,864	2	4.36%	3,865	2	4.72%
Oklahoma State University	3,770	3	4.25%	3,709	3	4.53%
University of Oklahoma	2,622	4	2.96%	2,581	4	3.15%
Edmond Public Schools	2,324	5	2.62%	1,783	6	2.18%
Moore Public Schools	2,150	6	2.42%	1,846	5	2.26%
OU Health Sciences Center	1,964	7	2.21%	1,768	7	2.16%
Lawton Public Schools	1,667	8	1.88%	1,448	10	1.77%
Putnam City Public Schools	1,610	9	1.82%	1,532	9	1.87%
Mid-Del Public Schools	1,581	10	1.78%	1,644	8	2.01%
* All Other	62,774		70.79%	57,032		69.68%
Total (629 Schools)	88,678		100.00%	81,851		100.00%

*In Fiscal Year 2008, "all other " consisted of:

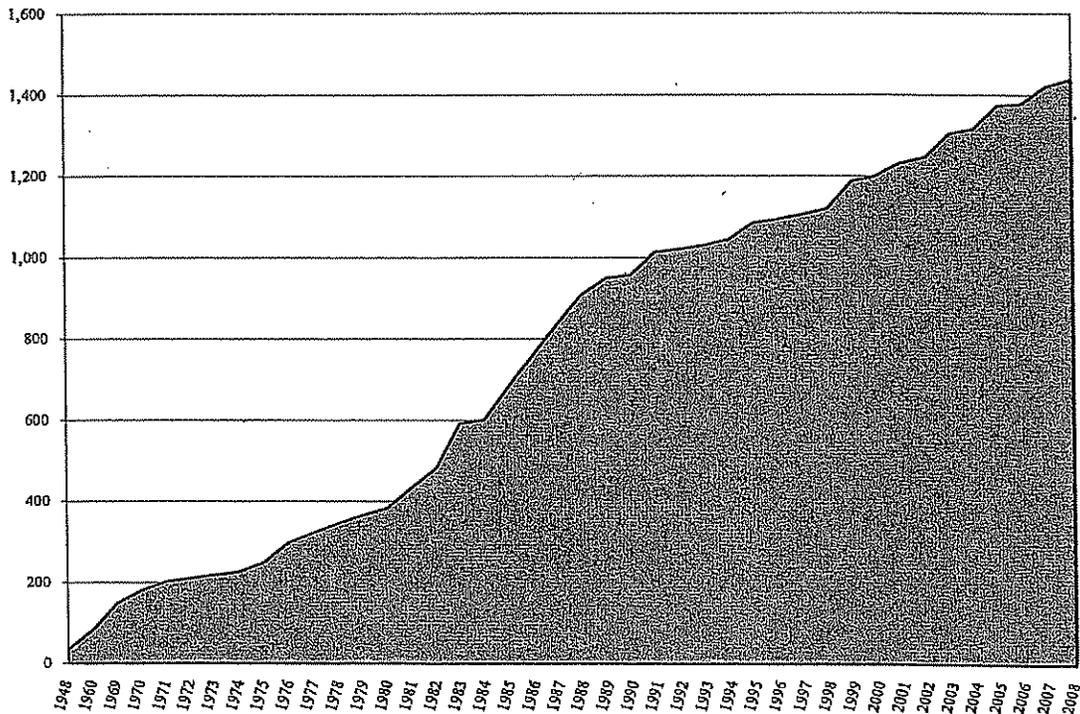
<u>Type</u>	<u>Participating Employers</u>	<u>Members</u>
School Districts	532	48,781
Higher Education	26	8,630
Career Technology	28	3,626
State Agencies	25	1,574
Other	<u>8</u>	<u>163</u>
Total	619	62,774

Schedule of Average Payment Amounts Fiscal Year Ended June 30, 2008

Date	Regular Annuitants	Date	Regular Annuitants	Special Annuitants
June 30, 1948	\$33	June 30, 1987	\$837	159
June 30, 1954	75	June 30, 1988	907	159
June 30, 1960	83	June 30, 1989	949	159
June 30, 1966	129	June 30, 1990	956	159
June 30, 1969	148	June 30, 1991	1,013	159
June 30, 1970	179	June 30, 1992	1,021	159
June 30, 1971	201	June 30, 1993	1,030	159
June 30, 1972	209	June 30, 1994	1,044	159
June 30, 1973	217	June 30, 1995	1,084	163
June 30, 1974	226	June 30, 1996	1,093	163
June 30, 1975	248	June 30, 1997	1,105	163
June 30, 1976	297	June 30, 1998	1,119	163
June 30, 1977	321	June 30, 1999	1,187	172
June 30, 1978	345	June 30, 2000	1,199	172
June 30, 1979	365	June 30, 2001	1,231	175
June 30, 1980	382	June 30, 2002	1,246	175
June 30, 1981	432	June 30, 2003	1,304	175
June 30, 1982	480	June 30, 2004	1,304	180
June 30, 1983	592	June 30, 2005	1,373	187
June 30, 1984	600	June 30, 2006	1,376	191
June 30, 1985	600	June 30, 2007	1,419	191
June 30, 1986	\$761	June 30, 2008	\$1,437	\$191

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, 2008

Years of Service	All Active Personnel	Classified Personnel	Unclassified Personnel
Under 5 years	27,786	15,605	12,181
5-9	18,003	11,452	6,551
10-14	13,034	8,886	4,148
15-19	11,533	8,189	3,344
20-24	7,862	5,697	2,165
25-29	5,663	4,987	676
30-34	3,250	3,061	189
35-39	1,287	1,237	50
40-44	233	221	12
45-49	20	20	0
50-54	7	7	0
Totals	88,678	59,362	29,316

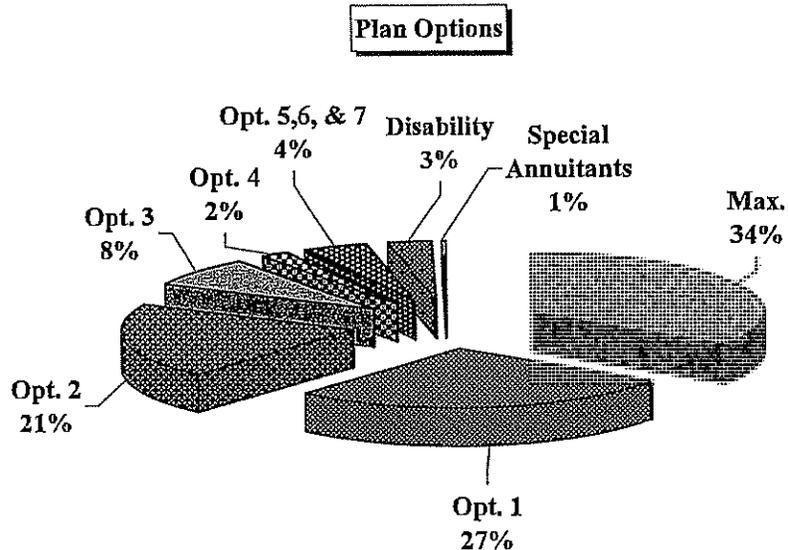
Salary Range	All Active Personnel	Classified Personnel	Unclassified Personnel
0-\$5,000	495	254	241
5001-10,000	1,704	220	1,484
10,001-15,000	5,299	283	5,016
15,001-20,000	5,019	784	4,235
20,001-25,000	4,112	642	3,470
25,001-30,000	3,610	657	2,953
30,001-35,000	9,803	7,122	2,681
35,001-40,000	16,421	13,923	2,498
40,001-45,000	13,341	11,564	1,777
45,001-50,000	8,657	7,438	1,219
50,001-55,000	5,320	4,385	935
55,001-60,000	3,282	2,608	674
60,001-65,000	2,342	1,804	538
65,001-70,000	1,913	1,532	381
70,001-75,000	1,486	1,188	298
75,001 and Above	5,874	4,958	916
Totals	88,678	59,362	29,316

Average Age (years)	45.9	44.3	46.4
Average Salary	\$42,304	\$48,359	\$30,042
Average Service (years)	11.5	13.0	8.5

**Schedule of Retired Members by Type of Benefits
Selected Plan Options
Fiscal Year Ended June 30, 2008**

Option	Retired Members			Average Monthly Payment	% of Total
	Male	Female	Total		
Maximum	3,285	12,338	15,623	\$1,361	34%
Option 1	2,985	9,306	12,291	1,432	27%
Option 2	5,436	3,860	9,296	1,585	21%
Option 3	1,740	1,839	3,579	1,760	8%
Option 4	308	643	951	1,385	2%
Options 5, 6 & 7	1,659	318	1,977	1,201	4%
Disability	394	1,064	1,458	905	3%
Special Annuitants	7	56	63	191	1%
Totals	15,814	29,424	45,238	\$1,437	100%

Average monthly payment is \$1,437 excluding special annuitants



Maximum - provides for the greatest possible benefit.

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

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

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

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

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

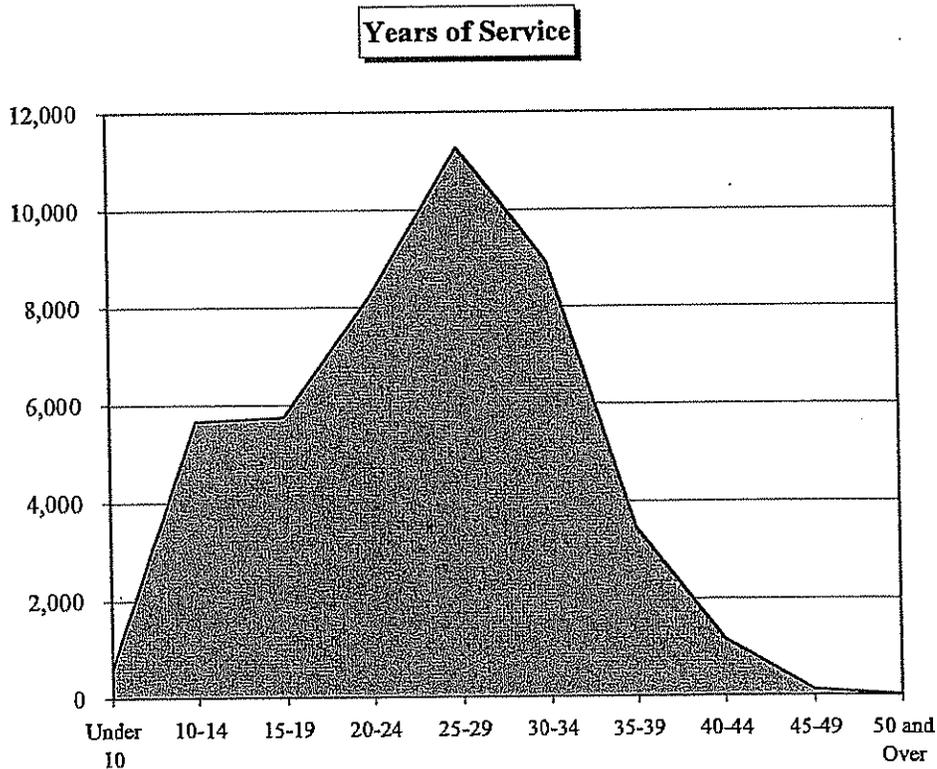
Disability - upon meeting requirements, a vested member may receive a monthly benefit.

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

**Distribution by Years of Service
Fiscal Year Ended June 30, 2008**

Years of Creditable Service	Retired Members			Average Monthly Payment
	Male	Female	Total	
	Under 10	248	355	
10-14	1,646	4,010	5,656	445
15-19	1,673	4,066	5,739	729
20-24	1,940	6,286	8,226	1,182
25-29	3,647	7,618	11,265	1,686
30-34	3,876	5,040	8,916	2,019
35-39	1,916	1,544	3,460	2,284
40-44	763	407	1,170	2,549
45-49	87	37	124	2,909
50 and Over	11	5	16	3,541
Totals	15,807	29,368	45,175	\$1,437

Does not include 63 special annuitants.

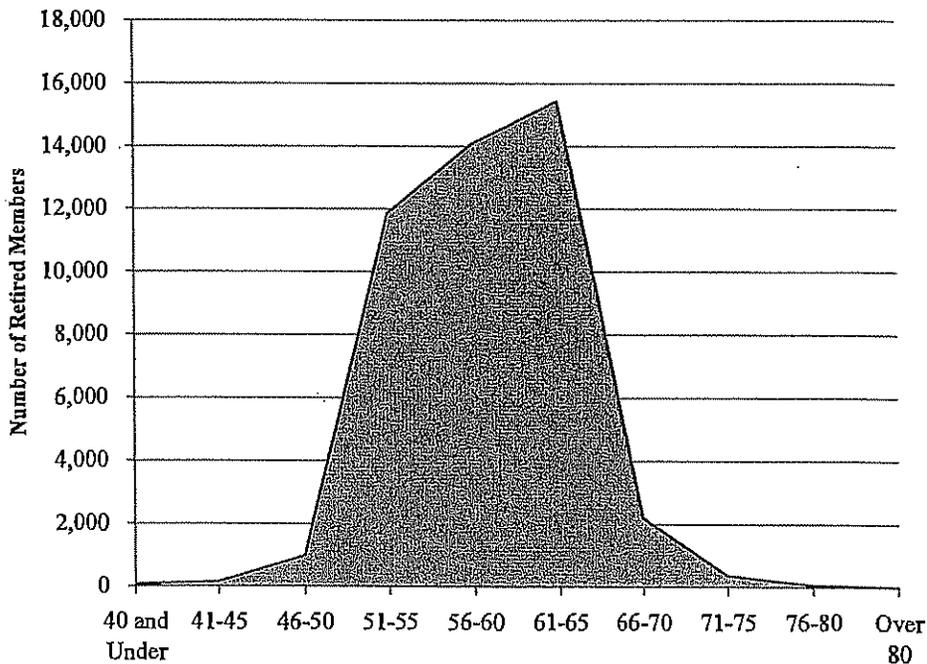


**Distribution by Age at Retirement
Fiscal Year Ended June 30, 2008**

Age at Retirement	Retired Members			Average Monthly Payment	Average Length of Service (Years)
	Male	Female	Total		
40 and Under	20	48	68	\$653	13.1
41-45	43	111	154	885	16.1
46-50	347	632	979	1,613	25.3
51-55	4,741	7,093	11,834	1,730	27.3
56-60	4,378	9,676	14,054	1,463	25.2
61-65	5,270	10,144	15,414	1,233	23.0
66-70	829	1,381	2,210	1,207	22.2
71-75	144	229	373	993	21.2
76-80	33	41	74	921	20.8
Over 80	2	13	15	515	20.9
Totals	15,807	29,368	45,175	\$1,437	24.8

Does not include 63 special annuitants.
The average age of members at retirement is 58.7.

Age At Retirement

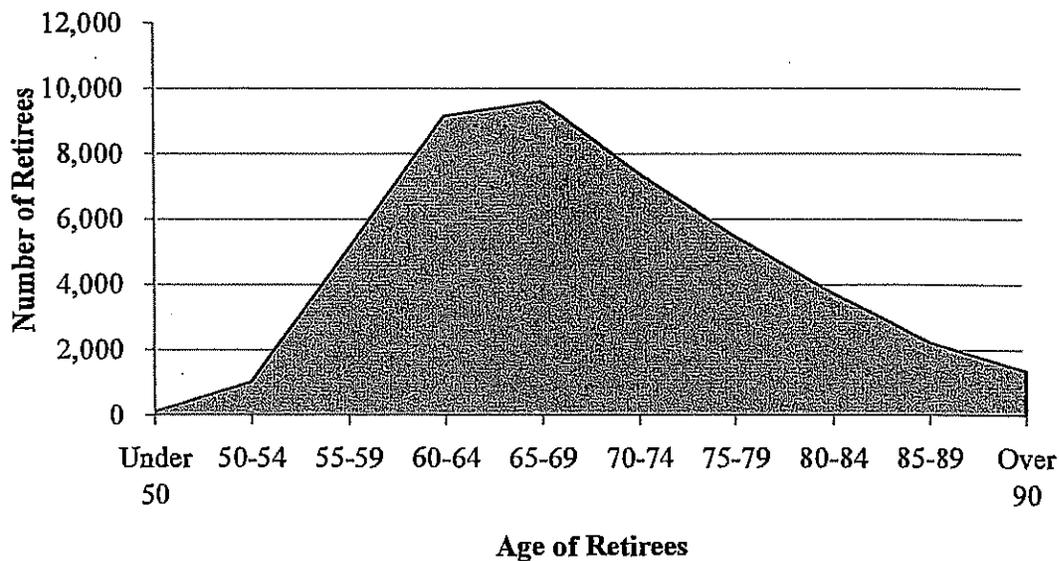


**Distribution by Retiree Age
Fiscal Year Ended June 30, 2008**

Age	Total Retired Members	Average Length of Service	Average Monthly Payment
Under 50	98	15.2	\$855
50-54	1,013	26.7	1,775
55-59	5,089	26.5	1,733
60-64	9,148	25.2	1,607
65-69	9,596	24.1	1,469
70-74	7,412	23.6	1,333
75-79	5,482	23.8	1,258
80-84	3,744	24.9	1,204
85-89	2,235	26.1	1,153
Over 90	1,358	28.4	1,143
Totals	45,175	24.8	\$1,437

Does not include 63 special annuitants.
Average age of retired members is 69.5 years.

Average Age of Retirees

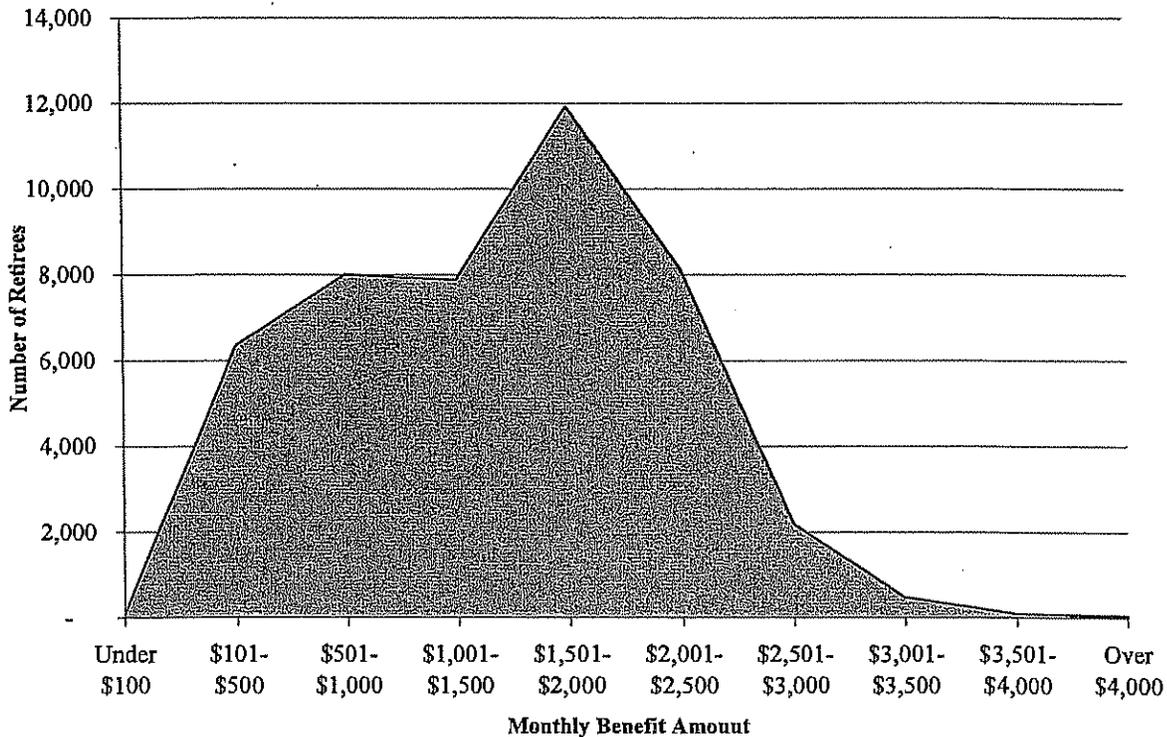


**Distribution by Monthly Income
Fiscal Year Ended June 30, 2008**

Monthly Income	Retired Members	Total	Average Payment
Under \$100	63	\$5,493	\$87
\$101-\$500	6,349	2,084,147	328
\$501-\$1,000	8,002	5,856,134	732
\$1,001-\$1,500	7,876	10,010,939	1,271
\$1,501-\$2,000	11,927	20,958,576	1,757
\$2,001-\$2,500	8,134	17,945,760	2,206
\$2,501-\$3,000	2,190	5,891,247	2,690
\$3,001-\$3,500	483	1,545,195	3,199
\$3,501-\$4,000	98	360,253	3,676
Over \$4,000	53	252,033	4,755
Totals	45,175	\$64,909,778	\$1,437

Does not include 63 special annuitants.

Distribution by Monthly Income



**Teachers' Retirement System of Oklahoma
Schedule of Cash Receipts and Disbursements
Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash balance, beginning of year	\$4,771,218	\$3,812,625
<u>Receipts:</u>		
Members' contributions	283,167,523	282,912,915
Member tax-shelter	8,922,095	8,883,033
Employer statutory requirement from local school districts	303,251,076	266,773,994
Matching funds	21,060,672	21,048,124
Dedicated revenue	262,866,277	239,888,973
Interest income	148,098,380	142,231,151
Dividends	106,001,243	87,143,703
Net gain (loss) on investments	261,263,417	922,568,043
Other revenue	11,139,001	6,788,605
* Investments sold	<u>18,352,919,767</u>	<u>25,866,856,885</u>
 Total receipts	 <u>19,758,689,451</u>	 <u>27,845,095,426</u>
<u>Disbursements:</u>		
Retirement, death, survivor, and health benefits	755,919,806	767,298,488
Refund of member contributions and annuity payments	63,925,592	57,378,925
Administrative expenses	4,711,643	4,437,820
Investment expenses	34,901,529	30,523,848
Equipment purchases	59,669	52,630
* Investment purchases	<u>18,901,817,805</u>	<u>26,984,445,122</u>
 Total disbursements	 <u>19,761,336,044</u>	 <u>27,844,136,833</u>
 Balance of cash, June 30	 <u>\$2,124,625</u>	 <u>\$4,771,218</u>

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

**Schedule of Changes in Net Assets
For Periods Ended June 30**

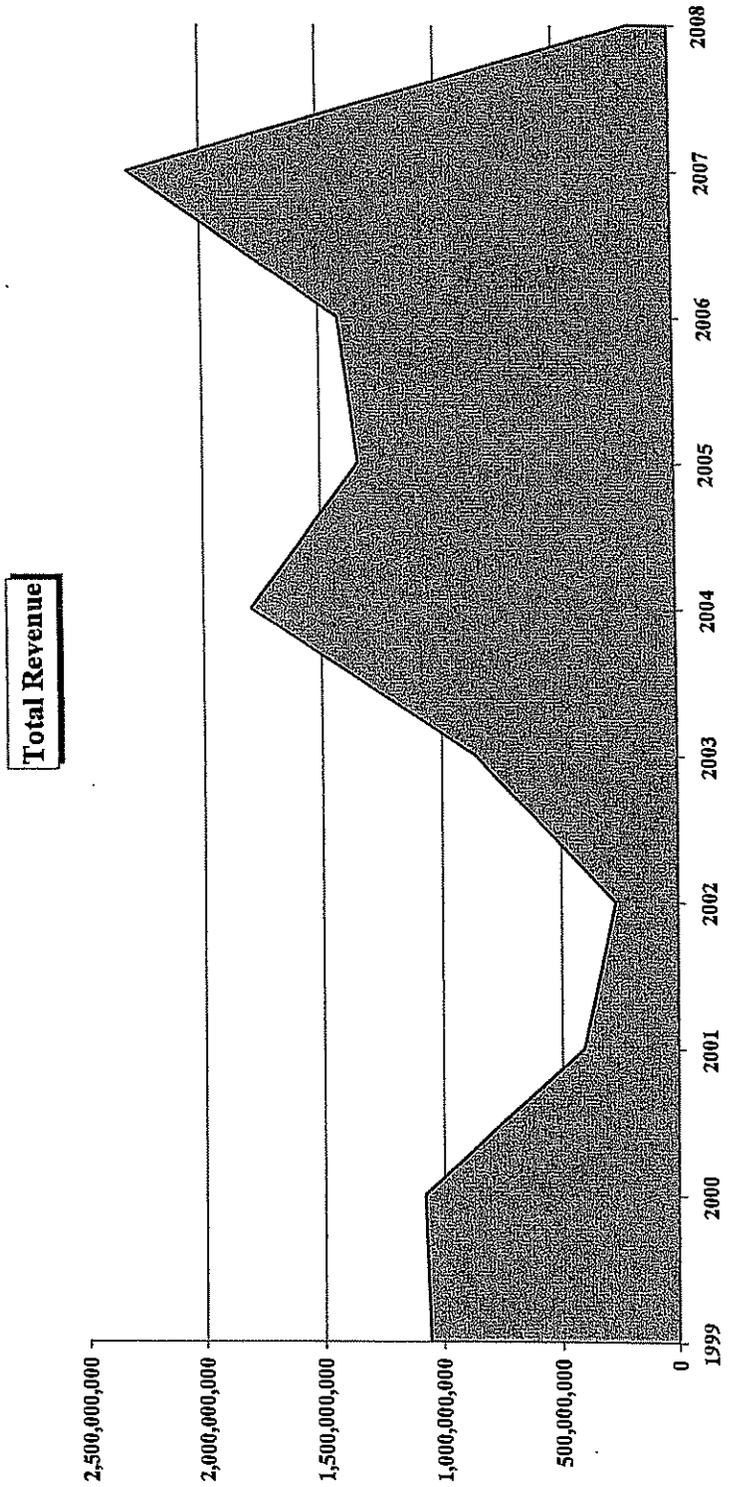
Year	Additions				Deductions			Total Changes in Net Assets
	Contributions		State and Federal Matching	Net Investment Income	Benefit Payments	Refunds and Annuity Payments	Administrative Expenses	
	Member	Employer						
1999 *	\$197,974,445	\$127,047,763	\$117,259,320	\$614,372,751	\$479,637,193	\$48,962,376	\$2,699,015	\$525,355,695
2000 *	203,027,123	130,758,712	145,029,086	599,709,397	500,289,049	61,725,419	2,964,237	513,545,613
2001 *	221,934,654	172,749,389	155,331,620	(144,067,802)	537,308,002	65,763,326	3,471,796	(200,595,263)
2002 *	231,260,978	210,829,995	154,196,326	(325,734,295)	561,222,392	58,495,950	3,905,754	(353,071,092)
2003 *	224,952,145	218,841,977	143,147,463	266,036,160	608,976,125	73,563,552	4,007,846	166,430,222
2004 *	238,312,953	219,126,867	156,142,888	1,178,338,068	647,277,986	52,327,030	3,851,320	1,088,464,440
2005 *	241,459,049	227,791,719	177,966,919	691,956,300	701,715,390	44,060,265	4,212,266	589,186,066
2006 *	256,586,987	241,174,959	218,294,582	703,031,333	727,379,279	52,902,064	4,425,007	634,381,511
2007 *	294,291,782	271,012,403	264,904,170	1,474,628,856	767,212,709	57,378,925	4,549,159	1,475,696,418
2008 *	\$295,661,038	\$308,804,479	\$288,036,554	(\$722,427,217)	\$806,540,725	\$63,925,592	\$4,791,118	(\$705,182,581)

* - Net investment income includes both securities lending income and realized and unrealized gains and losses on investments.

**Schedule of Revenue by Source
For Periods Ended June 30**

Year	Member Contributions	Employer Contributions	State of Oklahoma and		Investment Income	Other Revenue	Total
			Various Grant Sources	Net			
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	
2005 *	241,459,049	227,791,719	177,966,919	688,638,096	3,318,204	1,339,173,987	
2006 *	256,586,987	241,174,959	218,294,582	699,048,530	3,982,803	1,419,087,861	
2007 *	294,291,782	271,012,403	264,904,170	1,469,645,750	4,983,106	2,304,837,211	
2008 *	\$295,661,038	\$308,804,479	\$288,036,554	(\$732,959,172)	\$10,531,955	\$170,074,854	

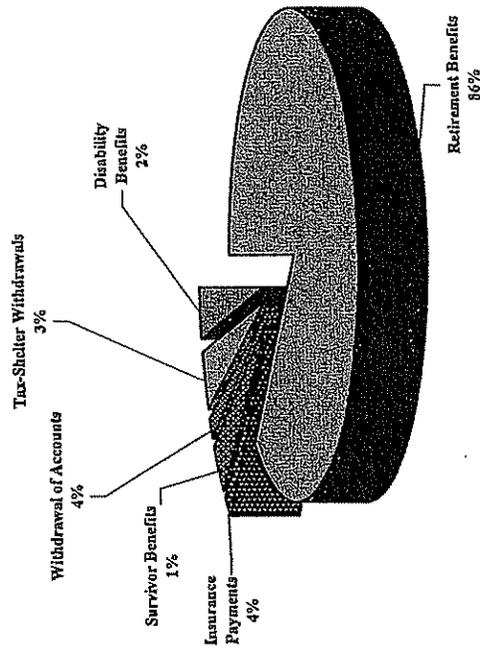
* - Investment income includes both realized and unrealized gains and losses on investments.



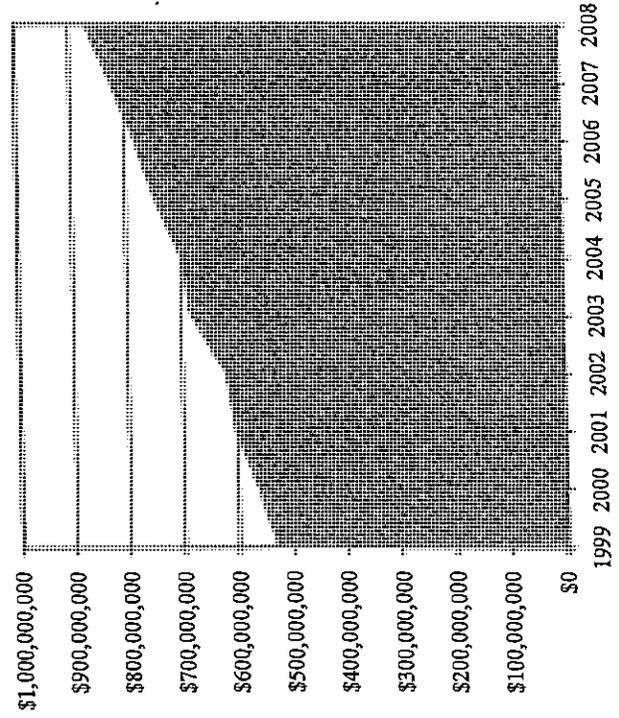
**Schedule of Benefit Expenses by Type
For Periods Ended June 30**

<u>Year</u>	<u>Age and Service Benefits</u>	<u>Disability Benefits</u>	<u>Insurance Payments</u>	<u>Survivor Benefits</u>	<u>Withdrawal of Accounts</u>	<u>Tax-Shelter Withdrawals</u>	<u>Total</u>
1999	\$441,509,222	\$10,095,552	\$19,869,158	\$8,163,261	\$24,523,574	\$24,438,802	\$528,599,569
2000	460,558,191	10,617,612	20,537,317	8,575,929	29,460,152	32,265,267	562,014,468
2001	487,643,857	11,284,416	29,159,573	9,220,156	31,432,937	34,330,389	603,071,328
2002	511,344,325	11,876,256	29,227,075	8,774,736	26,728,503	31,767,447	619,718,342
2003	557,082,285	12,877,668	29,625,205	9,390,967	30,176,320	43,387,232	682,539,677
2004	593,951,000	13,406,316	31,142,570	8,778,100	33,663,294	18,663,735	699,605,015
2005	646,805,731	14,351,904	30,933,923	9,623,832	26,935,850	17,124,415	745,775,655
2006	671,474,697	15,115,176	30,421,535	10,367,870	30,864,619	22,037,445	780,281,342
2007	710,990,189	15,454,800	30,491,840	10,275,879	33,829,654	23,549,272	824,591,634
2008	748,710,866	15,833,880	30,404,352	11,591,627	35,254,496	28,671,096	870,466,317

2008 Benefit Expenses



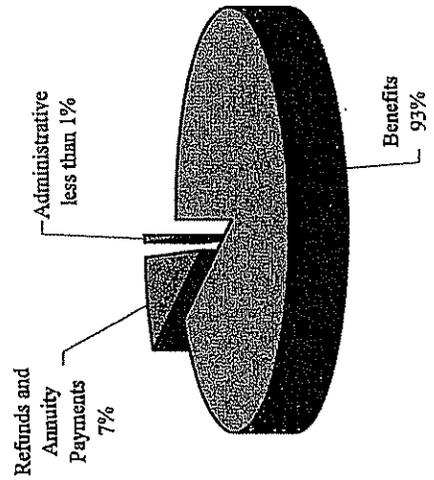
Total Benefit Expenses



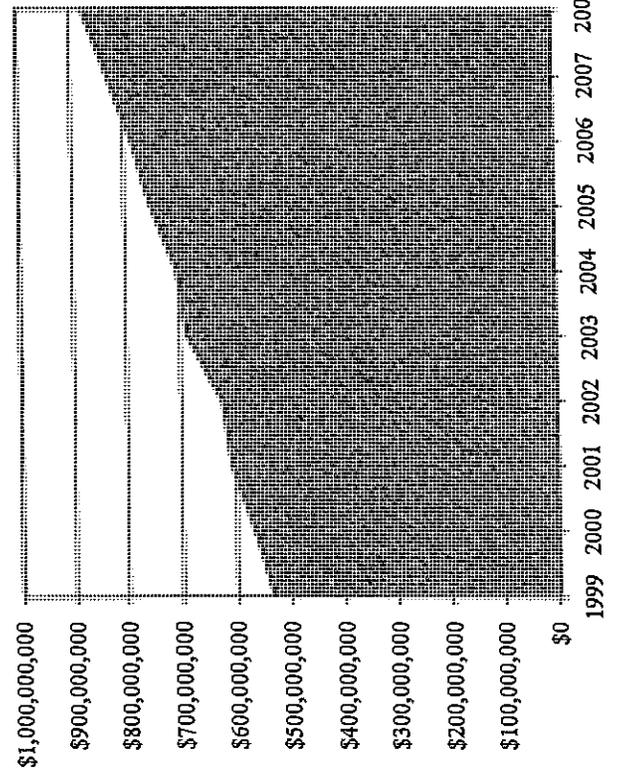
**Schedule of Expenses by Type
For Periods Ended June 30**

<u>Year</u>	<u>Benefits</u>	<u>Refunds and Annuity Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
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
2005	701,715,390	44,060,265	4,212,266	749,987,921
2006	727,379,279	52,902,064	4,425,007	784,706,350
2007	767,212,709	57,378,925	4,549,159	829,140,793
2008	\$806,540,725	\$63,925,592	\$4,791,118	\$875,257,435

2008 Expenses



Total Expenses



Retirees in the State of Oklahoma by County

Of the 45,238 pensioners and beneficiaries in the Teachers' Retirement System of Oklahoma 90% or 40,764 remain state of Oklahoma residents. As such, benefit payments of approximately, \$709,506,480 this year alone went into the State's communities and businesses. Since money changes hands several times, the System's payments have a dramatic effect on the State's economy.

<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>	<u>County</u>	<u>Recipients</u>	<u>Annual Payment</u>
Adair	309	\$5,529,636	LeFlore	620	\$11,055,528
Alfalfa	109	2,030,136	Lincoln	345	5,437,044
Atoka	178	3,008,772	Logan	346	5,433,636
Beaver	92	1,546,620	Love	84	1,384,044
Beckham	240	4,139,844	Major	94	1,541,280
Blaine	155	2,726,232	Marshall	215	3,803,544
Bryan	672	11,936,544	Mayes	431	7,730,292
Caddo	437	6,779,268	McClain	418	6,699,696
Canadian	1,005	17,732,568	McCurtain	513	8,915,244
Carter	576	9,624,468	McIntosh	357	6,367,200
Cherokee	809	15,245,640	Murray	162	3,005,232
Choctaw	208	3,493,896	Muskogee	993	17,703,144
Cimarron	33	545,100	Noble	117	1,821,684
Cleveland	2,446	43,587,624	Nowata	70	1,142,628
Coal	69	1,184,832	Okfuskee	165	2,600,592
Comanche	1,257	22,574,832	Oklahoma	7,110	124,549,884
Cotton	73	1,199,868	Okmulgee	605	9,933,264
Craig	185	3,114,660	Osage	171	2,755,416
Creek	590	9,873,228	Ottawa	554	8,679,216
Custer	457	8,213,736	Pawnee	158	2,386,860
Delaware	300	5,436,312	Payne	1,790	31,158,744
Dewey	106	1,850,160	Pittsburg	543	8,946,516
Ellis	54	845,208	Pontotoc	675	12,024,108
Garfield	627	10,789,812	Pottawatomie	696	11,801,592
Garvin	387	6,241,164	Pushmataha	159	2,686,308
Grady	506	8,449,488	Roger Mills	67	1,167,384
Grant	83	1,305,876	Rogers	705	12,689,196
Greer	90	1,567,836	Seminole	308	5,156,352
Harmon	79	1,310,172	Sequoyah	527	9,463,428
Harper	73	1,336,176	Stephens	512	9,131,892
Haskell	200	3,390,612	Texas	195	3,309,552
Hughes	161	2,722,032	Tillman	115	1,925,424
Jackson	324	6,350,088	Tulsa	5,228	93,457,440
Jefferson	74	1,261,908	Wagoner	326	6,066,204
Johnston	218	3,810,864	Washington	549	8,851,968
Kay	545	8,949,996	Washita	145	2,559,156
Kingfisher	166	2,872,080	Woods	240	4,188,708
Kiowa	169	2,711,244	Woodward	201	3,445,272
Latimer	193	3,243,276			
			Total	<u>40,764</u>	<u>\$709,506,480</u>

**2008 PARTICIPATING EMPLOYERS
PUBLIC SCHOOL DISTRICTS**

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

PUBLIC SCHOOL DISTRICTS (continued)

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

PUBLIC SCHOOL DISTRICTS (continued)

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

CAREER AND TECHNOLOGY CENTERS

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

COLLEGES AND UNIVERSITIES

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

JUNIOR COLLEGES

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

OTHER PARTICIPATING ENTITIES

Atoka-Coal Interlocal	John Wesley Charter Sch.
Bd. of Priv. Voc. Schs	Kipp Reach Coll. Prep. Sch.
Bd. of Reg. of Okla. Colleges	McCurtain Cty Inter. Co-op
Bd. of Reg. for Higher Ed.	Mid-DelACT
CCOSA	Mid-Del Central Foods
Cherokee Cty Interlocal Co-op	MooreACT
Choctaw Nation Interlocal	OCAST
Comm. on Teacher Prep.	OKC Fed. of Teachers
Deborah Brown Comm. Sch.	Okla. Educ. Assn.
Dept. of Career and Tech. Ed.	Okla. Sch. of Science and Math
Dept. of Corrections	Ok. St. Election Board
Dept. of Education	Okla. St. Loan Auth.
Dept. of Human Svcs.	Okla. House of Rep.
Dept. of Rehab. Svcs.	Osage Cty Interlocal Coop
Dove Sci. Acad.-OKC	Quartz Mountain
Five Star Interlocal Co-op	Secondary Sch. Act. Assoc.
Garfield Cty. Inter. Co-op	Teachers' Retirement System
Harding Charter Prep. H.S.	Tri-County Interlocal Coop
Harding Fine Arts Ctr.	Tulsa Sch. of Arts and Sciences
Independence Charter M.S.	Western Village Charter Sch.

