

DEPARTMENT OF  
THE TREASURY

John E. McCormac, CPA

*State Treasurer*

DIVISION OF PENSIONS  
AND BENEFITS

Frederick J. Beaver

*Director*

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SUPPLEMENTAL  
ANNUITY  
COLLECTIVE TRUST  
OF NEW JERSEY  
COUNCIL

as of June 30, 2004

JOHN E. McCORMAC

*State Treasurer, Chairperson*

HOLLY BAKKE

*Commissioner*

Department of

Banking and Insurance

CHARLENE HOLZBAUR

*Director & State Comptroller*

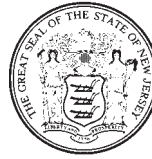
Office of Management

& Budget, Department

of the Treasury

FREDERICK J. BEAVER

*Secretary*



State of New Jersey

DIVISION OF PENSIONS AND BENEFITS

PO Box 295 • Trenton, NJ 08625-0295

TO THE HONORABLE  
JAMES E. MCGREEVEY  
GOVERNOR of the STATE OF NEW JERSEY

Dear Governor McGreevey:

The Council for the

**SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

is pleased to present the Fiscal Year 2004 Annual Report in accordance with the provisions of N.J.S.A. 52:18A-111.

Respectfully submitted,

A handwritten signature in cursive script that reads "Frederick J. Beaver".

FREDERICK J. BEAVER

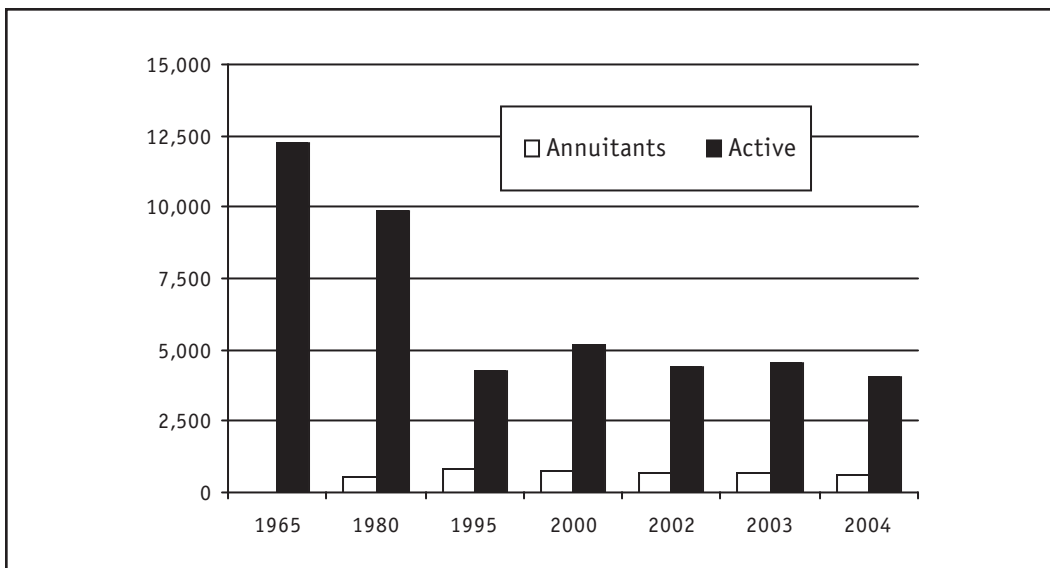
Secretary

## SIGNIFICANT LEGISLATION

There were no significant changes in legislation governing the Supplementary Annuity Collective Trust of New Jersey during fiscal year 2004.

## MEMBERSHIP

- As of June 30, 2004, the active contributing membership of the Trust totaled 4,098.
- The unit value was \$54.9882, an increase of \$7.0559 from the June 30, 2003 value of \$47.9323.
- There were 645 annuitants.
- The Trust's assets totaled \$146,587,112 at the close of the fiscal year 2004.



KPMG LLP  
New Jersey Headquarters  
150 John F. Kennedy Parkway  
Short Hills, NJ 07078

### **Independent Auditors' Report**

The Council  
Supplemental Annuity Collective  
Trust of New Jersey:

We have audited the accompanying statements of fiduciary net assets of the State of New Jersey Supplemental Annuity Collective Trust (the Trust) as of June 30, 2004 and 2003, and the related statements of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of the Trust'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Supplemental Annuity Collective Trust of New Jersey as of June 30, 2004 and 2003, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 financial statements that collectively comprise the Trust's basic financial statements. The supplementary information included in the schedule of portfolio of investment securities is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Trust. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

September 24, 2004

**KPMG LLP**

**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Management's Discussion and Analysis

June 30, 2004 and 2003

Our discussion and analysis of the Supplemental Annuity Collective Trust (the Trust)'s financial performance provides an overview of the Trust's financial activities for the fiscal year ended June 30, 2004 and 2003. Please read it in conjunction with the basic financial statements and financial statement footnotes that follow this discussion.

FINANCIAL HIGHLIGHTS

2004 - 2003

- Fiduciary net assets increased by \$16,274,168 as a result of this year's operations from \$128,766,921 to \$145,041,089.
- Additions for the year were \$30,926,020, which are comprised of member contributions of \$7,217,751 and investment revenues of \$23,708,269.
- Deductions for the year were \$14,651,852, which are comprised entirely of benefit payments.
- As of June 30, 2003, the date of the most recent actuarial valuation, there was a deficit of \$163,445 in the Variable Benefit Account to which annuity payments are charged. The deficit is primarily due to experience losses during the three-year period since the prior valuation.

2003 - 2002

- Fiduciary net assets decreased by \$12,047,481 as a result of this year's operations from \$140,814,402 to \$128,766,921.
- Additions for the year were \$5,810,738, which are comprised of member contributions of \$7,803,771 and investment losses of \$(1,993,033).
- Deductions for the year were \$17,858,219, which are comprised entirely of benefit payments.
- As of June 30, 2000, the date of the most recent actuarial valuation, there was a surplus of \$1,069,350 in the Variable Benefit Account to which annuity payments are charged. The surplus represents the overfunded amount of the Variable Benefit Account in comparison to the present value of benefits payable. The Variable Benefit Account has since been placed in balance through a redistribution of the Trust's assets.

THE STATEMENTS OF FIDUCIARY NET ASSETS AND THE STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

This annual report consists of two financial statements: *The Statements of Fiduciary Net Assets* and *The Statements of Changes in Fiduciary Net Assets*. These financial statements report information about the Trust and about its activities to help you assess whether the Trust, as a whole, has improved or declined as a result of the year's activities. The financial statements were prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned, and expenses are recorded in the year they are incurred, regardless of when cash is received or paid.

**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Management's Discussion and Analysis, Continued

*The Statements of Fiduciary Net Assets* show the balances in all of the assets and liabilities of the Trust at the end of the fiscal year. The difference between assets and liabilities represents the Trust's fiduciary net assets. Over time, increases or decreases in the Trust's fiduciary net assets provide one indication of whether the financial health of the Trust is improving or declining. *The Statements of Changes in Fiduciary Net Assets* show the results of financial operations for the year. The statements provide an explanation for the change in the Trust's fiduciary net assets since the prior year. These two financial statements should be reviewed along with the information contained in the financial statement footnotes, including the required supplementary schedules, to determine whether the Trust is becoming financially stronger or weaker.

FINANCIAL ANALYSIS

STATEMENTS OF FIDUCIARY NET ASSETS

2004 - 2003

	2004	2003	Increase (Decrease)
Assets	\$146,587,112	\$131,858,026	\$14,729,086
Liabilities	1,546,023	3,091,105	(1,545,082)
Net Assets (Deficit)	\$145,041,089	\$128,766,921	\$16,274,168

Total assets increased by \$14.7 million or 11.2% between fiscal years 2003 and 2004 primarily due to an increase in fair value of equities.

Total liabilities decreased by \$1.5 million or 50% mainly due to completion of the last year's securities purchased in transit

Net assets increased by \$16.3 million or 12.6%.

2003 - 2002

	2003	2002	Increase (Decrease)
Assets	\$131,858,026	\$141,958,661	\$(10,100,635)
Liabilities	3,091,105	1,144,259	1,946,846
Net Assets (Deficit)	\$128,766,921	\$140,814,402	\$(12,047,481)

Total assets decreased by \$10.1 million or 7.1% between fiscal years 2002 and 2003 primarily due to a decrease in fair value of equities.

Total liabilities increased by \$1.9 million or 170.1% mainly due to securities purchased in transit.

Net assets decreased by \$12 million or 8.6%.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

2004 - 2003

	2004	2003	Increase (Decrease)
Member Contributions	\$7,217,751	\$7,803,771	\$(586,020)
Investment & Other	23,708,269	(1,993,033)	25,701,302
Totals	\$30,926,020	\$5,810,738	\$25,115,282

**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Management's Discussion and Analysis, Continued

Additions primarily consist of member contributions and earnings from investment activities. Member contributions decreased by 7.5% due to a reduction in active membership. Total revenues increased by \$25.1 million or 432.2% between fiscal year 2003 and 2004. The increase is attributable to an overall improvement in the equity markets.

During fiscal year 2004, the overall investment return for the Trust was a 17.6%. The investment return was a negative 1.0% in the prior year.

2003 - 2002

	2003	2002	Increase (Decrease)
Member Contributions	\$7,803,771	\$8,413,708	\$(609,937)
Investment & Other	(1,993,033)	(34,886,186)	32,893,153
Totals	\$5,810,738	\$(26,472,478)	\$32,283,216

Total revenues increased by \$32.3 million or 122% between fiscal year 2002 and 2003. Revenues are higher compared to the prior year due to an improvement in the fair market value of the Trust's investments although the fair value of investments overall are still lower than a year earlier. The increase is attributable to an overall improvement in the equity markets.

For the third consecutive year, there has been a negative investment return due to market conditions. However, that loss was significantly smaller in 2003 when compared to 2002. During fiscal year 2003, the overall investment return for the Trust was a negative 1.0%. The investment return was a negative 19.1% in the prior year.

DEDUCTIONS FROM FIDUCIARY NET ASSETS

2004 - 2003

	2004	2003	Increase (Decrease)
Benefits	\$14,651,852	\$17,858,219	\$(3,206,367)

Deductions consist entirely of retirement and other benefit payments made during the year. Total expenses decreased by \$3.2 million or 17.9% between fiscal year 2003 and 2004 due to a decrease in retirees receiving retirement benefits.

2003 - 2002

	2003	2002	Increase (Decrease)
Benefits	\$17,858,219	\$17,886,559	\$(28,340)

Total expenses slightly decreased by 0.2% between fiscal year 2002 and 2003 due to decrease in unit value.

RETIREMENT SYSTEM AS A WHOLE

Members are 100% vested in the present value of their contributions and the Trust has assets sufficient to meet its benefit obligations.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

The financial report is designed to provide our members, beneficiaries, investors and other interested parties with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Statements of Fiduciary Net Assets

June 30, 2004 and 2003

	<b>2004</b>	<b>2003</b>
<b>Assets:</b>		
Investments, at fair value:		
Cash Management Fund	1,834,102	7,191,603
Common stocks	144,127,446	121,534,925
Total investments	145,961,548	128,726,528
Receivables:		
Accrued dividends	180,200	160,382
Participant contributions	429,928	483,956
Other	15,436	2,487,160
Total assets	146,587,112	131,858,026
<b>Liabilities:</b>		
Accounts payable and accrued expenses	73,581	1,996,486
Cash overdraft	860,496	179,451
Withholdings payable	44,273	28,032
Benefits payable	435,961	755,424
Unclaimed accounts	131,712	131,712
Total liabilities	1,546,023	3,091,105
<b>Net Assets:</b>		
Held in trust for pension benefits	\$ 145,041,089	128,766,921

See accompanying notes to financial statements.

**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Statements of Changes in Fiduciary Net Assets

Years ended June 30, 2004 and 2003

	<b>2004</b>	<b>2003</b>
<b>Additions:</b>		
Contributions:		
Members	\$ 7,217,751	7,803,771
Investment income:		
Net appreciation (depreciation) in fair value of investments	21,166,968	(4,376,793)
Interest	59,835	63,473
Dividends	2,481,466	2,320,287
Total additions	30,926,020	5,810,738
<b>Deductions:</b>		
Benefits	14,651,852	17,858,219
Change in net assets	16,274,168	(12,047,481)
Net assets - Beginning of year	128,766,921	140,814,402
Net assets - End of year	\$ 145,041,089	128,766,921

See accompanying notes to financial statements.



**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Notes to Financial Statements

June 30, 2004 and 2003

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of accounting***

The financial statements of the Supplemental Annuity Collective Trust of New Jersey (the Trust) have been prepared using the accrual basis of accounting and conform to the provisions of Government Accounting Standards Board (GASB) Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans".

***Investment valuation***

Investments, including short-term investments (State of New Jersey Cash Management Fund) are reported at fair value. Common stocks and State of New Jersey Cash Management Fund Units are stated at fair values. Investments in common stock traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Other listed securities for which no sale was reported on that date are stated at the last quoted bid price.

State of New Jersey Cash Management Fund units are stated at a cost of \$1 per unit, which approximates quoted market value. Investment income is recognized when earned and is distributed daily on the basis of units of ownership.

***Investment transactions and related investment income***

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are determined using the average cost method and recognized as investment income when they occur. Interest and dividend income is recorded on the accrual basis with dividends accruing on the ex-dividend date. Net appreciation (depreciation) in fair value of investments is the change in market value of the investments.

***Administrative expenses***

All expenses incurred in administering the Trust are borne by the State of New Jersey.

***Unit valuation***

Participants' net asset value per unit is determined on a monthly basis. Net asset value per unit is computed on the total value at the end of the month of the Trust's net assets divided by the total outstanding units of the Trust.

**(2) DESCRIPTION OF THE TRUST**

The following description of the Trust provides only general information. Participants should refer to the Trust's pamphlet, "Supplemental Annuities and Tax Sheltered Annuities for New Jersey Public Employees," for a more complete description of the Trust's provisions.

***Organization***

The Trust, a single-employer defined contribution plan, was established by Chapter 123, P.L. 1963 and amended by Chapter 90, P.L. 1965 and is available to active members of several state-administered retirement systems to provide specific benefits to supplement the guaranteed benefits that are provided by their basic retirement systems. Membership totaled 4,743 and 5,207 as of June 30, 2004, and 2003, respectively. Of that total, members receiving a monthly annuity benefit from the Trust were 645 and 670 as of June 30, 2004 and 2003, respectively. The Trust is administered by the State of New Jersey Division of Pensions and Benefits. The Trust is included along with other

**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Notes to Financial Statements, Continued

state-administered pension trust and agency funds in the financial statements of the State of New Jersey. There are two active plans within the Supplemental Annuity System; the Regular Supplemental Annuity Plan that applies to all eligible employees and does not reduce the participant's taxable compensation, and the Tax Sheltered Supplemental Annuity Plan that pertains to eligible employees of public education institutions and reduces the participant's taxable income.

***Benefits***

Upon retirement, a participant is paid a single cash payment or may elect various forms of monthly annuities or reduced annuity payments with a beneficiary provision based on the value of the participant's account in the month of retirement. Upon the death of a participant, the designated beneficiary may elect to receive a lump sum equal to the account value or an annuity under any of the settlement options which a retiree could elect under the Trust. Upon termination of employment and withdrawal from the basic retirement systems, a participant must also withdraw his account under the Trust as a lump-sum settlement.

***Contributions***

Participants contribute through payroll deductions and may contribute from 1% to 10% of their base salary, as defined. Contributions are voluntary and may be suspended at the beginning of any quarter. Contributions under the Tax Sheltered Supplemental Annuity Plan are subject to Federal law limitations and qualify for tax-sheltered treatment permitted under Section 403(b) of the Internal Revenue Code. Participants are always fully vested for the accumulated units in their accounts.

***Actuarial valuation***

The act governing the Trust provides for an actuarial review of the Trust at least once in every three-year period. As of June 30, 2003, the date of the most recent actuarial valuation, there was a deficit of \$163,445 in the Variable Benefit Account to which annuity payments are charged. The deficit is primarily due to experience losses during the three-year period since the prior valuation. The 1983 Individual Annuity Tables projected to 1993 were used in valuing the present value of benefits payable for service annuitants and dependent beneficiaries.

Significant assumptions underlying the actuarial computation include: (a) assumed rate of return on investments of 4%; (b) assets valued at market; and (c) mortality, vesting, retirement age, and retirement estimates based on tables furnished by the actuary.

***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**3) CASH AND CASH EQUIVALENTS**

The Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements*, requires the bank balances of deposits to be categorized to indicate the level of custodial risk assumed by the entity. Category 1 consists of deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name. Category 3 consists of deposits which are uninsured and uncollateralized.

Based upon aggregate collateral levels maintained for all State bank accounts as a whole, substantially all cash balances maintained in financial institutions as of June 30, 2004 and 2003 are designated Category 3.

**STATE OF NEW JERSEY  
SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

Notes to Financial Statements, Continued

**(4) INVESTMENTS**

The investment responsibility of the Trust is assigned to the State Investment Council (the Council) through the State of New Jersey, Department of the Treasury, Division of Investment (the Division) which issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290. All investments under the supervision of the Council must conform to standards of prudence set by State of New Jersey law, which mandate that the Division make investments in which fiduciaries of trust estates may legally invest.

The purchases, sales, receipts of income, and other transactions affecting investments are governed by custodial agreements between the Trust through the State Treasurer and custodian banks as agents for the Trust. State of New Jersey laws and policies set forth the requirements of the agreements and other particulars as to the size of the custodial institution, amount of the portfolio to be covered by the agreements and other pertinent matters.

Government Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements*, requires disclosure of the level of custodial risk assumed by the Trust. Category 1 includes investments that are insured or registered or for which the securities are held by the Trust or its agent in the Trust's name. As of June 30, 2004, and 2003, all investments held by the Trust (other than State of New Jersey Cash Management Funds, which are not categorized) are classified as Category 1.

The Trust's portfolio of corporate equity and debt securities is maintained by the Depository Trust Company (DTC) through the custodian banks in trust for the Trust. The custodian banks as agents for the state funds maintain internal accounting records identifying the securities maintained by the DTC as securities owned by the Trust.

Securities not maintained by the DTC are held in the name of a designated nominee representing the securities of the Trust that establishes the Trust's unconditional right to the securities.

**(5) INCOME TAX STATUS**

Based on a 1986 declaration of the Attorney General of the State of New Jersey, the Trust is a qualified plan as described in Section 401(a) of the Internal Revenue Code. The Trust operates within the terms of the Trust and remains eligible under the applicable provisions of the Internal Revenue Code.

**STATE OF NEW JERSEY**  
**SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**  
Portfolio of Investment Securities  
June 30, 2004

<u>Description</u>	<u>Number of Shares or Units</u>	<u>Cost</u>	<u>Fair Value</u>
Abbott Laboratories	30,000	\$ 393,547	\$ 1,222,800
Advanced Micro Devices, Inc.	30,000	287,416	477,000
Agilent Technologies, Inc.	14,111	159,275	413,170
Albertson's, Inc.	10,000	206,606	265,400
Alcoa, Inc.	20,000	702,900	660,600
Alliant Techsystems, Inc	7,500	409,552	475,050
Alltel Corp.	20,000	1,010,442	1,012,400
Altria Group, Inc.	35,000	940,666	1,751,750
American Axle & Manufacturing, Inc.	13,000	316,755	472,680
American International Group, Inc.	50,696	491,489	3,613,611
American Power Conversion Corp.	5,000	49,137	98,250
American Tower Corp.	90,000	985,812	1,368,000
Anadarko Petroleum Corp.	17,000	486,475	996,200
Analog Devices, Inc.	10,000	746,812	470,800
Archer Daniels Midland Co.	53,603	610,852	899,458
AT&T Wireless Services, Inc.	77,112	1,668,139	1,104,244
Bank Of America Corp.	16,978	601,037	1,436,678
Bank Of New York Co., Inc. (The)	35,000	238,337	1,031,800
Bausch & Lomb, Inc.	12,000	543,171	780,840
Baxter International, Inc.	30,000	1,258,907	1,035,300
Bellsouth Corp.	20,000	288,892	524,400
Berkshire Hathaway, Inc.	315	336,300	930,825
Best Buy Co., Inc.	15,000	503,425	761,100
BMC Software, Inc.	18,000	299,426	333,000
Boeing Company (The)	9,000	292,295	459,810
Bristol-Myers Squibb Co.	40,000	850,670	980,000
Burlington Northern Santa Fe Corp.	15,000	203,823	526,050
Cadence Design Systems, Inc.	58,500	270,400	855,855
Cendant Corp.	49,515	1,016,138	1,212,127
Centex Corp.	40,000	217,899	1,830,000
Chevrontexaco Corp.	30,000	1,359,000	2,823,300
Chubb Corp. (The)	10,000	476,978	681,800
Citigroup, Inc.	126,534	1,326,098	5,883,831
Clear Channel Communications, Inc.	8,930	611,225	329,963
Coachmen Industries, Inc.	10,000	190,000	159,900
Coca-Cola Co. (The)	50,000	1,044,000	2,524,000
Comcast Corp. New Cl A	10,175	278,258	285,917
Computer Associates Intl., Inc.	20,000	741,804	561,200
Computer Sciences Corp.	3,000	158,400	139,290
Cox Communications, Inc. A	10,000	325,250	277,900
Crown Castle International Corp.	90,000	1,092,730	1,327,500
Danaher Corp.	4,000	89,100	207,400

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SUPPLEMENTARY ANNUITY COLLECTIVE TRUST**

Portfolio of Investment Securities

Darden Restaurants, Inc.	21,750	\$ 116,968	\$ 446,963
Disney (Walt) Co. (The)	78,723	1,951,948	2,006,649
Dominion Resources, Inc.	21,028	674,095	1,326,446
Dover Corp.	20,000	165,334	842,000
Duke Energy Corp.	15,200	267,406	308,408
Dun & Bradstreet Corp. (The)	5,000	48,930	269,550
Eagle Materials, Inc.	886	5,432	62,924
Eagle Materials, Inc. CI B	2,980	18,077	206,365
Eaton Corp.	24,000	435,350	1,553,760
El Paso Corp.	15,000	458,250	118,200
EMC Corp.	81,000	1,749,217	923,400
Equity Residential Property Trust	22,000	511,900	654,060
ESCO Technologies, Inc.	4,500	76,685	240,120
Exelon Corp.	15,600	207,146	519,324
Exxon Mobil Corp.	120,806	999,391	5,364,994
Fannie Mae	14,000	499,742	999,040
Fedex Corp.	6,000	193,650	490,140
FMC Corp.	5,000	114,585	215,550
Freddie Mac	23,000	1,273,146	1,455,900
Gallagher (Arthur J.) & Co.	25,000	786,880	761,250
Genentech, Inc.	18,000	402,102	1,011,600
General Electric Co.	152,400	3,783,766	4,937,760
General Mills, Inc.	29,000	535,095	1,378,370
General Motors Corp.	11,250	351,364	524,138
Genuine Parts Co.	10,000	323,209	396,800
Goldman Sachs Group, Inc.	10,000	824,281	941,600
Goodrich Corp.	7,500	255,027	242,475
Harley-Davidson, Inc.	20,000	112,277	1,238,800
Harris Corp.	18,000	571,550	913,500
Hartford Financial Services Group	5,000	295,250	343,700
HCA, Inc.	15,000	518,289	623,850
Hercules, Inc.	20,000	352,967	243,800
Hewlett-Packard Co.	54,000	416,033	1,139,400
Home Depot, Inc. (The)	42,125	369,267	1,482,800
Honeywell International, Inc.	11,250	378,425	412,088
Hospira, Inc.	3,000	27,202	82,800
Illinois Tool Works, Inc.	10,000	436,500	958,900
IMS Health, Inc.	15,777	156,595	369,813
Interpublic Group Companies, Inc.	7,500	85,538	102,975
International Business Machines Corp.	35,000	817,575	3,085,250
J.P. Morgan Chase & Co.	29,500	335,196	1,143,715
Johnson & Johnson	37,000	1,482,775	2,060,900
Johnson Controls, Inc.	20,000	261,474	1,067,600
Kerr-Mcgee Corp.	8,000	362,454	430,160
Kohls Corp.	15,000	200,344	634,200
L-3 Communications Holdings, Inc.	16,000	681,260	1,068,800

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Portfolio of Investment Securities

Lilly (Eli) & Co.	12,964	\$	419,420	\$	906,313
Lockheed Martin Corp.	1,083		19,529		56,403
Lowes Companies, Inc.	30,000		611,180		1,576,500
Lucent Technologies, Inc.	77,740		488,182		293,857
Marsh & McLennan Companies, Inc.	10,000		450,200		453,800
McData Corp. CI A	1,325		10,108		7,129
McDonald's Corp.	30,000		229,912		780,000
McGraw-Hill Companies, Inc. (The)	20,000		343,925		1,531,400
Medtronic, Inc.	34,000		154,785		1,656,480
Mellon Financial Corp.	11,000		275,619		322,630
Merck & Co., Inc.	33,000		406,798		1,567,500
Merrill Lynch & Co., Inc.	40,000		205,664		2,159,200
Metlife, Inc.	20,000		630,900		717,000
MSC Software Corp.	50,000		419,206		447,500
National Semiconductor Corp.	24,000		675,444		527,760
New Jersey Resources Corp.	15,000		585,533		623,700
Norfolk Southern Corp.	31,500		402,532		835,380
Northrop Grumman Corp.	10,714		322,101		575,342
Occidental Petroleum Corp.	35,000		938,746		1,694,350
Orbital Sciences Wt Exp 8/31/04	2,244		-		20,488
Paxson Communications Corp.	10,000		78,000		32,500
Pepsico, Inc.	28,000		473,664		1,508,640
Pfizer, Inc.	105,990		1,380,569		3,633,337
PG&E Corp.	37,000		1,075,700		1,033,780
PPG Industries, Inc.	14,000		427,642		874,860
Principal Financial Group, Inc.	2,500		46,250		86,950
Procter & Gamble Co. (The)	30,000		275,575		1,633,200
Prudential Financial, Inc.	10,000		445,350		464,700
Public Service Enterprise Group, Inc.	20,000		582,363		800,600
Raytheon Co.	12,000		390,432		429,240
Robert Half International, Inc.	20,000		133,917		595,400
Rohm & Haas Co.	5,531		87,599		229,979
Sara Lee Corp.	21,500		202,860		494,285
SBC Communications, Inc.	39,010		1,184,836		945,993
Schering-Plough Corp.	100,000		1,972,045		1,848,000
Scientific-Atlanta, Inc.	15,000		729,681		517,500
Southern Co.	22,500		265,706		655,875
SPX Corp.	14,000		230,880		650,160
St.Paul Travelers Cos, Inc. (The)	18,529		623,941		751,166
State Street Corp.	4,600		114,396		225,584
Sungard Data Systems, Inc.	12,000		311,688		312,000
Symbol Technologies, Inc	22,780		62,925		335,777
Sysco Corp.	52,000		268,386		1,865,240
Target Corp.	16,000		371,025		679,520
Texas Instruments, Inc.	67,400		274,150		1,629,732
Timco Aviation Services, Inc.	431		-		159

**STATE OF NEW JERSEY  
SUPPLEMENTARY ANNUITY COLLECTIVE TRUST**

Portfolio of Investment Securities

Timco Aviation Ser Wt 02/27/07	1,376	\$ -	\$ -
Timco Aviation Svs NT 1/2/07	1,435	-	72
Time Warner, Inc.	165,000	2,321,751	2,900,700
Tyco International, Ltd	41,834	1,014,748	1,386,379
Union Pacific Corp.	8,500	246,497	505,325
Unisys Corp.	26,000	310,851	360,880
Unitedhealth Group, Inc.	26,000	277,664	1,618,500
Univision Communications, Inc.	4,000	66,475	127,720
Unocal Corp.	14,500	514,727	551,000
Unumprovident Corp.	20,000	441,984	318,000
Veritas Software Corp.	2,232	160,085	62,027
Verizon Communications, Inc.	25,900	853,992	937,320
Viacom, Inc. Cl B	32,269	648,258	1,152,649
Vishay Intertechnology, Inc.	4,339	54,725	80,619
Wachovia Corp.	20,000	924,800	890,000
Wal-Mart Stores, Inc.	50,000	608,125	2,638,000
Wells Fargo & Co.	25,000	1,028,750	1,430,750
Wendy's International, Inc.	24,000	314,018	836,160
Wyeth	15,000	570,276.00	542,400
Total Common Stock		78,926,475	144,127,446
State of New Jersey Cash Management Fund	1,834,388	1,834,388	1,834,102
Total fund		\$ 80,760,863	\$ 145,961,548

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