

DEPARTMENT OF  
THE TREASURY

Bradley I. Abelow  
*State Treasurer*

DIVISION OF PENSIONS  
AND BENEFITS

Frederick J. Beaver  
*Director*



State of New Jersey  
DIVISION OF PENSIONS AND BENEFITS  
PO Box 295 • Trenton, NJ 08625-0295

SUPPLEMENTAL  
ANNUITY  
COLLECTIVE TRUST  
OF NEW JERSEY  
COUNCIL

as of June 30, 2005

JOHN E. McCORMAC  
*State Treasurer, Chairperson*

DONALD BRYAN  
*Acting Commissioner*  
Department of  
Banking and Insurance

CHARLENE HOLZBAUR  
*Director & State Comptroller*  
Office of Management  
& Budget, Department  
of the Treasury

FREDERICK J. BEAVER  
*Secretary*

TO THE HONORABLE  
JON S. CORZINE  
GOVERNOR of the STATE OF NEW JERSEY

Dear Governor Corzine:

The Council for the

**SUPPLEMENTAL ANNUITY COLLECTIVE TRUST**

is pleased to present the Fiscal Year 2005 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".

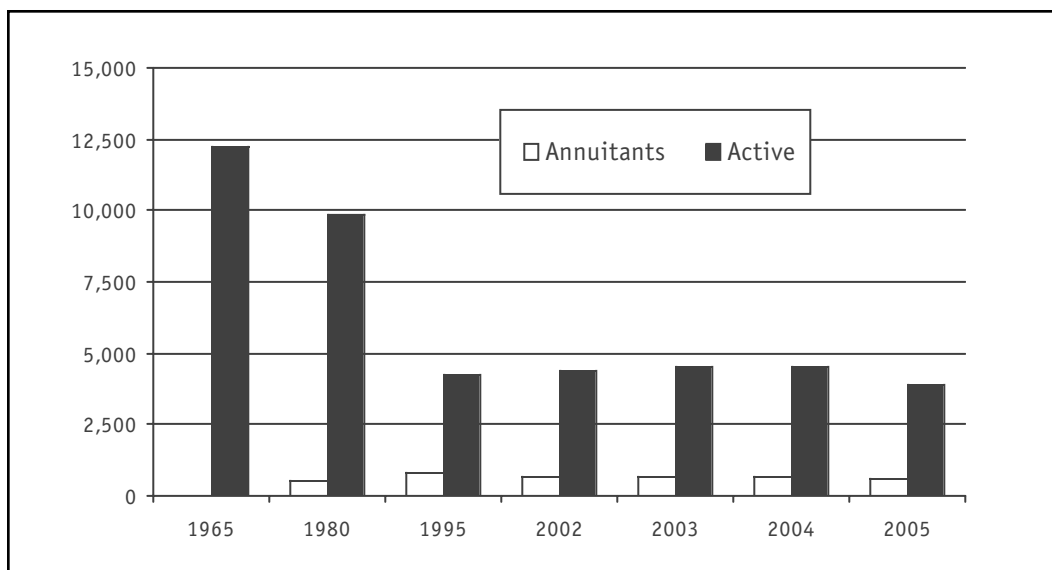
FREDERICK J. BEAVER  
Secretary

## **SIGNIFICANT LEGISLATION**

There were no significant changes in legislation governing the Supplementary Annuity Collective Trust of New Jersey during fiscal year 2005.

## **MEMBERSHIP**

- As of June 30, 2005, the active contributing membership of the Trust totaled 3,956.
- The unit value was \$58.1906, an increase of \$3.2024 from the June 30, 2004 value of \$54.9882.
- There were 626 annuitants.
- The Trust's assets totaled \$152,933,129 at the close of the fiscal year 2005.



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, 2005 and 2004, 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 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 Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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.

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, 2005 and 2004, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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.

KPMG LLP

December 14, 2005

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

Management's Discussion and Analysis

June 30, 2005 and 2004

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, 2005 and 2004. Please read it in conjunction with the basic financial statements and financial statement footnotes that follow this discussion.

**FINANCIAL HIGHLIGHTS**

**2005 - 2004**

- Fiduciary net assets increased by \$6,036,105 as a result of fiscal year 2005's operations from \$145,041,089 to \$151,077,194.
- Additions for the year were \$21,614,935, which are comprised of member contributions of \$7,368,235 and investment revenues of \$14,246,700.
- Deductions for the year were \$15,578,830, which are comprised entirely of benefit payments.

**2004 - 2003**

- Fiduciary net assets increased by \$16,274,168 as a result of fiscal year 2004'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.

**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.

*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.

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

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS

STATEMENTS OF FIDUCIARY NET ASSETS

2005 - 2004

|             | 2005          | 2004          | Increase (Decrease) |
|-------------|---------------|---------------|---------------------|
| Assets      | \$152,933,129 | \$146,587,112 | \$6,346,017         |
| Liabilities | 1,855,935     | 1,546,023     | 309,912             |
| Net Assets  | \$151,077,194 | \$145,041,089 | \$6,036,105         |

Total assets increased by \$6.3 million or 4.3% between fiscal years 2004 and 2005 primarily due to increase in fair value of equities.

Total liabilities increased by \$0.3 million or 20.1% just due to temporary timing adjustment.

Net assets increased by \$6.0 million or 4.2%.

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  | \$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%.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

2005 - 2004

|                      | 2005         | 2004         | Increase (Decrease) |
|----------------------|--------------|--------------|---------------------|
| Member Contributions | \$7,368,235  | \$7,217,751  | \$150,484           |
| Investment & Other   | 14,246,700   | 23,708,269   | (9,461,569)         |
| Totals               | \$21,614,935 | \$30,926,020 | \$(9,311,085)       |

Additions primarily consist of member contributions and earnings from investment activities. Member contributions increased by 2.1%. Total revenues decreased by \$9.3 million or 30.1% between fiscal year 2004 and 2005 due to decrease in net appreciation in fair value of investments.

During fiscal year 2005, the overall investment return for the Trust was a 10.2% gain. The investment return was a 17.6% gain in the prior year.

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

Management's Discussion and Analysis, Continued

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        |

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.

**DEDUCTIONS FROM FIDUCIARY NET ASSETS**

2005 - 2004

|          | 2005         | 2004         | Increase (Decrease) |
|----------|--------------|--------------|---------------------|
| Benefits | \$15,578,830 | \$14,651,852 | \$926,978           |

Deductions consist entirely of retirement and other benefit payments made during the year. Total expenses increased by \$1.0 million or 6.3% between fiscal year 2004 and 2005. There was a decrease in number of retirees receiving retirement benefits.

2004 - 2003

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

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.

**RETIREMENT SYSTEM AS A WHOLE**

Members are 100% vested in the present value of their contributions and the Trust has sufficient assets 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, 2005 and 2004

|                                       | <u>2005</u>           | <u>2004</u>        |
|---------------------------------------|-----------------------|--------------------|
| <b>Assets:</b>                        |                       |                    |
| Investments, at fair value:           |                       |                    |
| Cash Management Fund                  | 3,275,078             | 1,834,102          |
| Common stocks                         | <u>147,954,767</u>    | <u>144,127,446</u> |
| Total investments                     | <u>151,229,845</u>    | <u>145,961,548</u> |
| Receivables:                          |                       |                    |
| Accrued dividends                     | 205,262               | 180,200            |
| Participant contributions             | 427,494               | 429,928            |
| Other                                 | <u>1,070,528</u>      | <u>15,436</u>      |
| Total assets                          | <u>152,933,129</u>    | <u>146,587,112</u> |
| <b>Liabilities:</b>                   |                       |                    |
| Accounts payable and accrued expenses | 78,882                | 73,581             |
| Cash overdraft                        | 1,097,773             | 860,496            |
| Withholdings payable                  | 23,307                | 44,273             |
| Benefits payable                      | 524,261               | 435,961            |
| Unclaimed accounts                    | <u>131,712</u>        | <u>131,712</u>     |
| Total liabilities                     | <u>1,855,935</u>      | <u>1,546,023</u>   |
| <b>Net Assets:</b>                    |                       |                    |
| Held in trust for pension benefits    | <u>\$ 151,077,194</u> | <u>145,041,089</u> |

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, 2005 and 2004

|  | <u>2005</u>                  | <u>2004</u>               |
|--|------------------------------|---------------------------|
| <b>Additions:</b>  |                              |                           |
| Contributions:   |                              |                           |
| Members  | \$ 7,368,235                 | 7,217,751                 |
| Investment income:   |                              |                           |
| Net appreciation (depreciation) in fair value of investments | 11,573,953                   | 21,166,968                |
| Interest   | 42,199                       | 59,835                    |
| Dividends  | <u>2,630,548</u>             | <u>2,481,466</u>          |
| Total additions  | 21,614,935                   | 30,926,020                |
| <b>Deductions:</b>   |                              |                           |
| Benefits   | <u>15,578,830</u>            | <u>14,651,852</u>         |
| Change in net assets   | 6,036,105                    | 16,274,168                |
| Net assets - Beginning of year                               | <u>145,041,089</u>           | <u>128,766,921</u>        |
| Net assets - End of year                                     | \$ <u><u>151,077,194</u></u> | <u><u>145,041,089</u></u> |

See accompanying notes to financial statements.



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

Notes to Financial Statements

June 30, 2005 and 2004

**(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".

***Adoption of Accounting Standard***

Effective July 1, 2004, the Division adopted Statement No. 40 of the Governmental Accounting Standards Board (GASB), "Deposit and Investment Risk Disclosures", an amendment of GASB Statement No. 3.

***Valuation of Investments***

Investments are reported at fair value as follows:

- Common Stocks – closing prices as reported on the primary market or exchange on which they trade.
- Cash Management Fund – closing bid price on the last day of trading during the period as determined by the Transfer Agent.

***Investment Transactions***

Investment transactions are accounted for on a trade date basis. Interest and dividend income and the related receivable are recorded on the accrual basis, with dividends accruing on the ex dividend date.

***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 4,582 and 4,743 as of June 30, 2005, and 2004, respectively. Of that total, members receiving a monthly annuity benefit from the Trust were 626 and 645 as of June 30, 2005 and 2004, 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) SUMMARY OF CUSTODIAL AND CREDIT**

The Trust's investments as of June 30, 2005 and 2004 consist of domestic equity securities and an interest in the Cash Management Fund. The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by the Trust, and is unrated.

Not more than 10 percent of the market value of the Trust can be invested in the common stock and convertible securities of any one corporation.

**(4) 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.

Schedule A

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

Portfolio of Investment Securities

June 30, 2005

| <u>Description</u>                  | <u>Number of<br/>Shares or Units</u> | <u>Cost</u> | <u>Fair<br/>Value</u> |
|-------------------------------------|--------------------------------------|-------------|-----------------------|
| Abbott Laboratories                 | 30,000                               | \$ 393,548  | \$ 1,470,300          |
| Advanced Micro Devices, Inc.        | 25,000                               | 239,514     | 433,500               |
| Agilent Technologies, Inc.          | 14,111                               | 159,275     | 324,835               |
| Alcoa, Inc.                         | 20,000                               | 702,900     | 522,600               |
| Alliant Techsystems, Inc.           | 7,500                                | 409,552     | 529,500               |
| Alltel Corp.                        | 20,000                               | 1,010,442   | 1,245,600             |
| Altria Group, Inc.                  | 35,000                               | 940,666     | 2,263,100             |
| American Axle & Manufacturing, Inc. | 13,000                               | 316,755     | 328,510               |
| American International Group, Inc.  | 40,696                               | 394,541     | 2,364,438             |
| American Tower Corp.                | 90,000                               | 985,812     | 1,891,800             |
| Anadarko Petroleum Corp.            | 17,000                               | 486,475     | 1,396,550             |
| Analog Devices, Inc.                | 10,000                               | 746,812     | 373,100               |
| Archer Daniels Midland Co.          | 53,603                               | 610,852     | 1,146,032             |
| Abbott Laboratories                 | 30,000                               | 393,548     | 1,470,300             |
| Advanced Micro Devices, Inc.        | 25,000                               | 239,514     | 433,500               |
| Agilent Technologies, Inc.          | 14,111                               | 159,275     | 324,835               |
| Bank Of America Corp.               | 33,956                               | 601,037     | 1,548,733             |
| Bank Of New York Co., Inc. (The)    | 35,000                               | 238,337     | 1,007,300             |
| Bausch & Lomb, Inc.                 | 12,000                               | 543,171     | 996,000               |
| Baxter International, Inc.          | 30,000                               | 1,258,907   | 1,113,000             |
| Berkshire Hathaway, Inc.            | 315                                  | 336,300     | 876,802               |
| Best Buy Co., Inc.                  | 15,000                               | 503,425     | 1,028,250             |
| BMC Software, Inc.                  | 18,000                               | 299,426     | 323,100               |
| Boeing Company (The)                | 9,000                                | 292,295     | 594,000               |
| Bristol-Myers Squibb Co.            | 40,000                               | 850,670     | 999,200               |
| Burlington Northern Santa Fe Corp.  | 15,000                               | 203,822     | 706,200               |
| Bank Of America Corp.               | 33,956                               | 601,037     | 1,548,733             |
| Cadence Design Systems, Inc.        | 58,500                               | 270,400     | 799,110               |
| Cendant Corp.                       | 49,515                               | 968,674     | 1,107,651             |
| Centex Corp.                        | 40,000                               | 217,899     | 2,826,800             |
| Chevrontexaco Corp.                 | 60,000                               | 1,359,000   | 3,355,200             |
| Chubb Corp. (The)                   | 10,000                               | 476,978     | 856,100               |
| Citigroup, Inc.                     | 116,534                              | 1,221,296   | 5,387,367             |
| Clear Channel Communications, Inc.  | 8,930                                | 611,225     | 276,205               |
| Coca-Cola Co. (The)                 | 50,000                               | 1,044,000   | 2,087,500             |
| Comcast Corp. New Cl A              | 10,175                               | 278,258     | 312,067               |
| Computer Associates Intl., Inc.     | 20,095                               | 741,804     | 552,211               |
| Crown Castle International Corp.    | 90,000                               | 1,092,730   | 1,828,800             |
| Cadence Design Systems, Inc.        | 58,500                               | 270,400     | 799,110               |
| Cendant Corp.                       | 49,515                               | 968,674     | 1,107,651             |
| Centex Corp.                        | 40,000                               | 217,899     | 2,826,800             |
| Danaher Corp.                       | 4,000                                | 89,100      | 209,360               |

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

Portfolio of Investment Securities

| <u>Description</u>                     | <u>Number of<br/>Shares or Units</u> | <u>Cost</u> | <u>Fair<br/>Value</u> |
|--|--------------------------------------|-------------|-----------------------|
| Darden Restaurants, Inc.               | 21,750                               | \$ 116,968  | \$ 717,315            |
| Disney (Walt) Co. (The)                | 78,723                               | 1,951,948   | 1,982,245             |
| Dominion Resources, Inc.               | 21,028                               | 674,095     | 1,543,245             |
| Dover Corp.                            | 20,000                               | 165,334     | 727,600               |
| Duke Energy Corp.                      | 15,200                               | 267,406     | 451,896               |
| Dun & Bradstreet Corp. (The)           | 5,000                                | 48,930      | 308,250               |
| Eaton Corp.                            | 24,000                               | 435,350     | 1,437,600             |
| EMC Corp.                              | 81,000                               | 1,749,217   | 1,110,510             |
| Equity Residential Property Trust      | 22,000                               | 511,900     | 810,040               |
| ESCO Technologies, Inc.                | 4,500                                | 76,685      | 453,600               |
| Exelon Corp.                           | 15,600                               | 207,146     | 800,748               |
| Exxon Mobil Corp.                      | 110,806                              | 916,664     | 6,368,021             |
| Fannie Mae                             | 14,000                               | 499,742     | 817,600               |
| Fedex Corp.                            | 6,000                                | 193,650     | 486,060               |
| FMC Corp.                              | 5,000                                | 114,585     | 280,700               |
| Freddie Mac                            | 23,000                               | 1,273,146   | 1,500,290             |
| Gallagher (Arthur J.) & Co.            | 25,000                               | 786,880     | 678,250               |
| Gennitech, Inc.                        | 18,000                               | 402,102     | 1,445,040             |
| General Electric Co.                   | 152,400                              | 3,783,766   | 5,280,660             |
| General Mills, Inc.                    | 29,000                               | 535,095     | 1,356,910             |
| Genuine Parts Co.                      | 10,000                               | 323,209     | 410,900               |
| Goldman Sachs Group, Inc. (The)        | 10,000                               | 824,281     | 1,020,200             |
| Goodrich Corp.                         | 7,500                                | 255,027     | 307,200               |
| Gallagher (Arthur J.) & Co.            | 25,000                               | 786,880     | 678,250               |
| Harley-Davidson, Inc.                  | 20,000                               | 112,277     | 992,000               |
| Harris Corp.                           | 36,000                               | 571,550     | 1,123,560             |
| Hartford Financial Services Group      | 5,000                                | 295,250     | 373,900               |
| HCA, Inc.                              | 15,000                               | 518,289     | 850,050               |
| Hercules, Inc.                         | 20,000                               | 352,967     | 283,000               |
| Hewlett-Packard Co.                    | 54,000                               | 416,033     | 1,269,540             |
| Home Depot, Inc. (The)                 | 42,125                               | 369,267     | 1,638,662             |
| Honeywell International, Inc.          | 11,250                               | 378,425     | 412,087               |
| Illinois Tool Works, Inc.              | 10,000                               | 436,500     | 796,800               |
| IMS Health, Inc.                       | 15,777                               | 156,595     | 390,796               |
| International Business Machines, Corp. | 35,000                               | 817,575     | 2,597,000             |
| Harley-Davidson, Inc.                  | 20,000                               | 112,277     | 992,000               |
| Harris Corp.                           | 36,000                               | 571,550     | 1,123,560             |
| J.P. Morgan Chase & Co.                | 29,500                               | 335,196     | 1,041,940             |
| Johnson & Johnson                      | 37,000                               | 1,482,775   | 2,405,000             |
| Johnson Controls, Inc.                 | 20,000                               | 261,474     | 1,126,600             |
| Kerr-Mcgee Corp.                       | 5,309                                | 240,534     | 405,130               |
| Kohls Corp.                            | 15,000                               | 200,344     | 838,650               |
| L-3 Communications Holdings, Inc.      | 16,000                               | 681,260     | 1,225,280             |

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

Portfolio of Investment Securities

| <u>Description</u>                    | <u>Number of<br/>Shares or Units</u> | <u>Cost</u> | <u>Fair<br/>Value</u> |
|---------------------------------------|--------------------------------------|-------------|-----------------------|
| Lilly (Eli) & Co.                     | 12,964                               | \$ 419,420  | \$ 722,224            |
| Lowes Companies, Inc.                 | 30,000                               | 611,180     | 1,746,600             |
| McDonald's Corp.                      | 30,000                               | 229,912     | 832,500               |
| McGraw-Hill Companies, Inc. (The)     | 40,000                               | 343,925     | 1,770,000             |
| Medtronic, Inc.                       | 34,000                               | 154,785     | 1,760,860             |
| Mellon Financial Corp.                | 11,000                               | 275,619     | 315,590               |
| Merk & Co., Inc.                      | 33,000                               | 406,798     | 1,016,400             |
| Merrill Lynch & Co., inc.             | 40,000                               | 205,664     | 2,200,400             |
| Metlife, Inc.                         | 20,000                               | 630,900     | 898,800               |
| MSC Software Corp.                    | 50,000                               | 419,206     | 687,500               |
| National Semiconductor Corp.          | 24,000                               | 675,444     | 528,720               |
| New Jersey Resources Corp.            | 15,000                               | 585,533     | 723,750               |
| Norfolk Southern Corp.                | 31,500                               | 402,532     | 975,240               |
| Northrop Gruman Corp.                 | 10,714                               | 322,101     | 591,949               |
| Occidental Petroleum Corp.            | 35,000                               | 938,746     | 2,692,550             |
| Pepsico, Inc.                         | 28,000                               | 473,664     | 1,510,040             |
| Pfizer, Inc.                          | 105,990                              | 1,380,569   | 2,923,204             |
| PG&E Corp.                            | 37,000                               | 1,075,700   | 1,388,980             |
| PPG Industries, Inc.                  | 14,000                               | 427,642     | 878,640               |
| Procter & Gamble Co. (The)            | 30,000                               | 275,575     | 1,582,500             |
| Prudential Financial, Inc.            | 10,000                               | 445,350     | 656,600               |
| Public Service Enterprise Group, Inc. | 20,000                               | 582,363     | 1,216,400             |
| Raytheon Co.                          | 12,000                               | 390,432     | 469,440               |
| Robert Half International, Inc.       | 20,000                               | 133,917     | 499,400               |
| Rohm & Haas Co.                       | 5,531                                | 87,599      | 256,307               |
| Sara Lee Corp.                        | 21,500                               | 202,860     | 425,915               |
| Schering-Plough Corp.                 | 100,000                              | 1,972,045   | 1,906,000             |
| Scientific-Atlanta, Inc.              | 15,000                               | 729,681     | 499,050               |
| Southern Co.                          | 22,500                               | 265,706     | 780,075               |
| Sprint Corp.                          | 60,000                               | 1,093,332   | 1,505,400             |
| SPX Corp.                             | 14,000                               | 230,880     | 643,720               |
| St. Paul Travelers Cos, Inc. (The)    | 18,529                               | 623,941     | 732,451               |
| State Street Corp.                    | 4,600                                | 114,396     | 221,950               |
| Sungard Data Systems, Inc.            | 12,000                               | 311,688     | 422,040               |
| Symbol Technologies, Inc.             | 22,780                               | 62,925      | 224,839               |
| Sysco Corp.                           | 52,000                               | 268,386     | 1,881,880             |
| Target Corp.                          | 16,000                               | 371,025     | 870,560               |
| Texas Instruments, Inc.               | 57,400                               | 233,475     | 1,611,218             |
| Timco Aviation Services, Inc.         | 3,478                                | -           | 522                   |
| Timco Aviation Ser Wt 02/27/07        | 1,376                                | -           | -                     |
| Time Warner, Inc.                     | 165,000                              | 2,321,751   | 2,757,150             |
| Tyco International, LTD               | 41,834                               | 1,014,748   | 1,221,553             |
| Union Pacific Corp.                   | 8,500                                | 246,497     | 550,800               |

Schedule A, Continued

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

Portfolio of Investment Securities

| <u>Description</u>                       | <u>Number of<br/>Shares or Units</u> | <u>Cost</u>   | <u>Fair<br/>Value</u> |
|--|--------------------------------------|---------------|-----------------------|
| Unitedhealth Group, Inc.                 | 52,000                               | \$ 277,664    | \$ 2,711,280          |
| Unocal Corp.                             | 14,500                               | 514,727       | 943,225               |
| Unumprovident Corp.                      | 20,000                               | 441,984       | 366,400               |
| Viacom Inc. Cl B                         | 29,227                               | 577,800       | 935,849               |
| Wachovia Corp.                           | 20,000                               | 924,800       | 992,000               |
| Wal-Mart Stores, Inc.                    | 50,000                               | 608,125       | 2,410,000             |
| Wells Fargo & Co.                        | 25,000                               | 1,028,750     | 1,539,500             |
| Wendy's International, Inc.              | 24,000                               | 314,018       | 1,143,600             |
| Wyeth                                    | 15,000                               | 570,276       | 667,500               |
|  |                                      |               |                       |
| Total Common Stock                       |                                      | 76,172,445    | 147,954,767           |
|  |                                      |               |                       |
| State of New Jersey Cash Management Fund | 3,275,294                            | 3,275,294     | 3,275,078             |
|  |                                      |               |                       |
| Total fund                               |                                      | \$ 79,447,739 | \$ 151,229,845        |

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