

1/27/05

ROLES OF
ASPIB &
TREASURY
DIVISION,
DEPT. OF
REVENUE

SFIN

FILE

Alaska State Pension Investment Board

Presentation to the Senate Finance Committee:

The Role of ASPIB and the Treasury Division

Gary M. Bader, Chief Investment Officer

January 27, 2005

Agenda

- Present reasoning behind capital market projection process
 - economic background
 - specific projections
- Discuss implications generally
- Outline next steps

Capital Market Projections

(from Callan Associates Inc., January 2004)

Callan's Capital Market Projection Process

Economic Outlook Drives Our Projections

- Evaluate the current environment and economic outlook for the U.S. and other major industrial countries:
 - Business cycles, relative growth, inflation.
- Examine the relationships between the economy and asset class performance patterns.
- Examine recent and long-run trends in asset class performance.
- Apply market insight:
 - Consultant experience - Plan Sponsor, Manager Search, Specialty
 - Industry consensus
 - Client Policy Review Committee
- Test the projections for reasonable results.

2004 Capital Market Projections

Guiding Objectives

- Our best thinking regarding the 5-year outlook, recognizing our median projections represent the midpoint of a range, rather than a specific number.
- Results that are readily defensible both for individual asset classes and for total portfolios.
- Conscious of the level of change suggested in strategic allocations for DB, DC and foundation/endowment clients.
- Reflect common sense and recent market developments.
- Balance conflicting goals and conflicting opinions.

Back in Black After the Longest Equity Bear Market Since 1930's

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>Avg Ann Return Last Five Years</u>
Russell 3000	20.90	-7.46	-11.46	-21.54	31.06	0.37
S&P Super Composite 1500	20.27	-6.98	-10.64	-21.31	29.59	0.39
Russell 1000	20.91	-7.79	-12.45	-21.65	29.89	-0.13
S&P 500	21.04	-9.10	-11.88	-22.10	28.80	-0.57
Russell 2000	21.26	-3.02	2.49	-20.48	47.25	7.13
S&P 600 Small Cap	12.40	11.80	6.54	-14.63	38.79	9.67
EAFE (\$US)	26.96	-14.17	-21.44	-15.94	38.59	-0.06
LB Aggregate	-0.82	11.63	8.43	10.26	4.10	6.62
SB Non-US Bonds	-5.07	-2.63	-3.54	21.99	18.52	5.21
90-day T-bill	4.85	6.18	4.42	1.78	1.15	3.66

An Investment-Led Global Recession

- The recession was triggered by an investment bubble that resulted in excess capacity and reduced returns on capital.
- The manufacturing recession was deep and global.
- Deflation became a greater concern than inflation.
- Expansionary fiscal and monetary policies cushioned the downturn.
- Consumers kept spending and housing markets boomed.
- A succession of shocks impeded recovery—terrorist attacks, corporate governance scandals, the Iraq war, SARS.
- Investment will recover as excess capacity is cleared and profitability improves.

The Current Economic Environment

Recovery Rolls Across The U.S. Economy

- The recession is over, but it hadn't felt like it until recently - in part because we're following the mildest recession in postwar history.
- Economy is growing, but unemployment is stuck at 6%.
- Business investment continues to be weak, as many of the growth industries of the 1990s are plagued with overcapacity.
- Inflation remains non-existent. Last over 3% in 2000; just 1.9% in 2003.
- Interest rates are still extraordinarily low:
 - Treasury bonds yields were at their lowest in 40-years, due to
 - Aggressive Fed action to lower interest rates,
 - Investors, afraid of equity, favoring bonds and driving yields lower.
 - Fed policy still seems to work, at least on consumers...
- Credit spreads and equity risk premium have been higher than normal.
- Consumers have been tireless, and the federal government has been spending to boost the economy and for the war in Iraq.

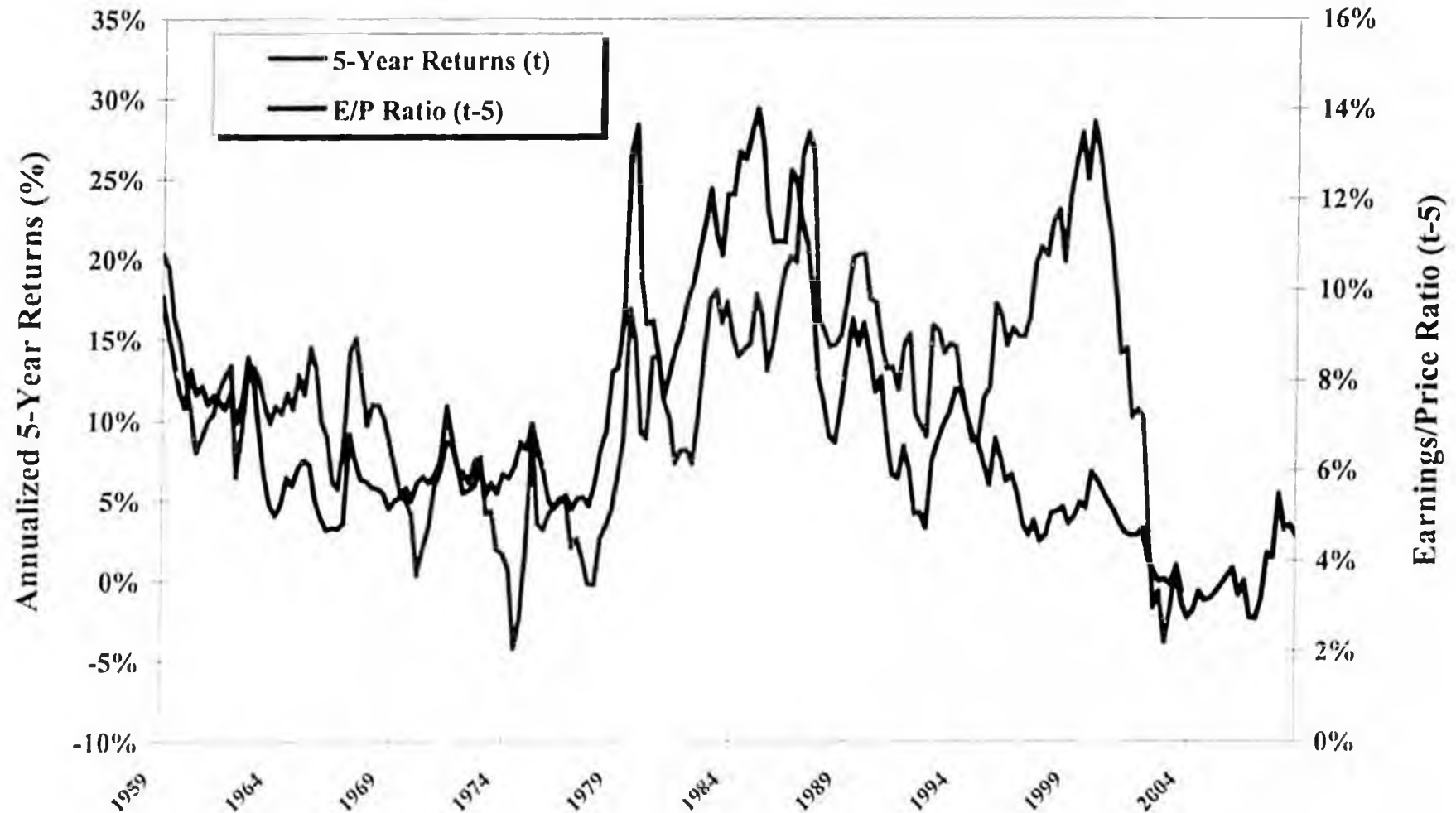
2004 Capital Market Preview:

Keep Those Expectations Low

- The economic recovery will continue, but growth will remain modest. Capital spending will ultimately follow GDP.
- Fed will ultimately shift to tightening monetary policy.
- The stock market recovery will be slow. U.S. stocks are still expensive relative to their valuations and to other markets.
- Callan's outlook in a nutshell: expect a low inflation, low interest rate, single digit return environment.
- Low return expectations mean 8% nominal return assumptions may be difficult to achieve. Callan's 2004 assumptions generate an expected return for a 60% stock/40% bond allocation of 7.4% over the next five years. Plans may need to shift their focus to real return expectations.

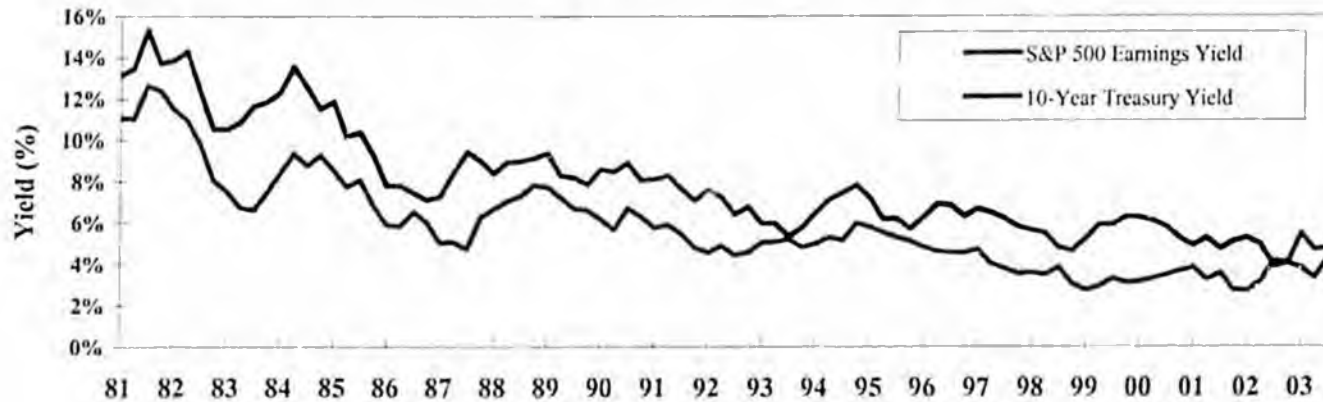
Equity Is Now More Reasonably Priced

S&P 500 5-Year Returns vs. Lagged Earnings/Price (1954 - 2003)



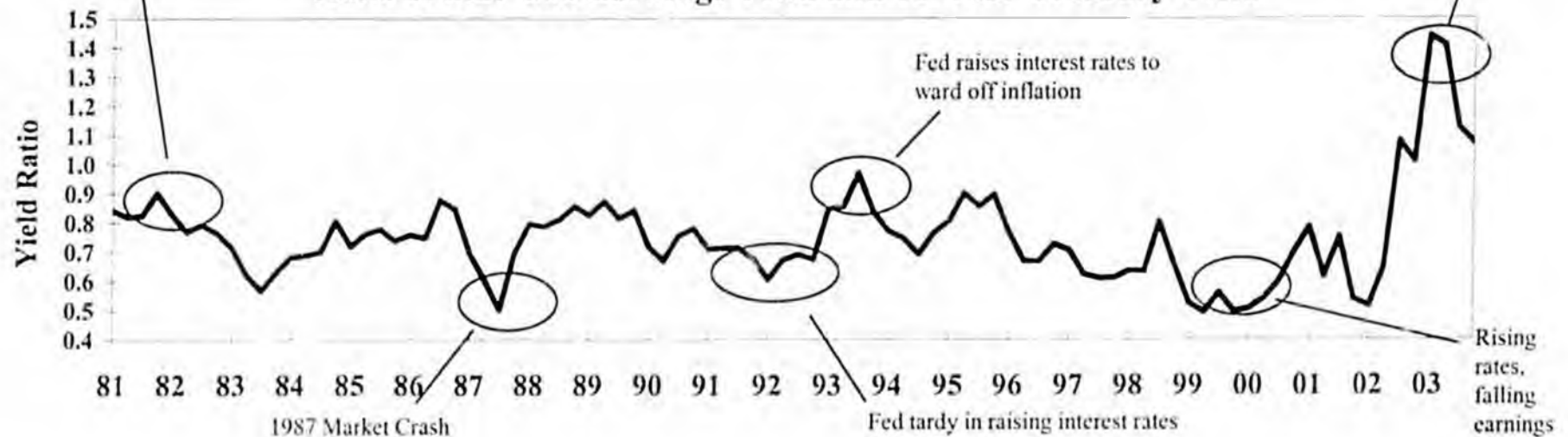
Domestic Equity vs. Bond Yields

S&P 500 Earnings Yield vs. 10-Year Treasury Yield



Peak of interest rates and inflation

Ratio of S&P 500 Earnings Yield and 10-Year Treasury Yield



S&P data includes negative earnings from 1998 onward

Domestic Fixed Income

Current Yield Is A Strong Predictor of Returns

Lehman Aggregate Index 5 Year Returns vs. Lagged Yield to Worst



2004 Capital Market Projections

- Practically no changes from last year's projections!
- Inflation is held at 2.6%, depicting inflation rising from current low levels.
- Cash returns reflect rising short-term yields, but still low real return of 0.1%.
- Bond returns held at 4.75% :
 - reflects current yield-to-worst, plus small adjustment
 - build in moderate increase in short rates, relatively stable long rates, a little more narrowing of credit spreads.
- Equity returns built from fundamentals: 3-4% real GDP growth which means 5.5%-6.5% nominal earnings growth, 2% dividend yield, 0.5%-1% "buyback" yield.
- Real estate return held at 7.6%, reflecting income component & potential valuation pressure.
- Private equity return held at 12%, a 3% premium over public markets.
- Premiums of international equity over domestic and small cap over large cap have been narrowed, reflecting recent performance and relative valuations.

2004 Capital Market Projections

Asset Class	Index	Projected Annual Return	Projected Standard Deviation (Risk)	Projected Yield	2003 Projections	
Equities						
Broad Domestic Equity	S&P 1500	9.00%	16.90	2.10	9.00%	17.30
Large Cap	S&P 500	8.80%	16.20	2.20	8.70%	16.20
Small Cap	S&P 1000	10.10%	23.50	1.20	10.30%	25.00
International Equity	MSCI EAFE	9.30%	20.30	2.20	9.60%	21.50
Emerging Markets Equity	MSCI EMF	9.80%	33.00	0.00	10.10%	35.00
Fixed Income						
Domestic Fixed	LB Aggregate	4.75%	4.50	4.75	4.75%	4.50
Defensive	LB Gov't 1-3 Year	3.75%	2.30	3.75	3.75%	2.30
TIPS	LB TIPS	4.40%	6.00	4.40	4.40%	6.00
High Yield	FB High Yield	6.75%	12.10	6.75	6.75%	12.30
Non US Fixed	SB Non-US Gov't	4.65%	9.60	4.65	4.65%	9.60
Other						
Real Estate	Callan Real Estate	7.60%	16.50	7.00	7.60%	16.50
Private Equity	Post Venture Cap	12.00%	34.00	0.00	12.00%	34.00
	Absolute Return	6.50%	10.50	0.00	6.50%	10.50
Cash Equivalents	90-Day T-Bill	2.70%	0.70	2.70	3.00%	0.70
Inflation	CPI-U	2.60%	1.40		2.60%	1.40

2004 Correlation Coefficient Matrix

Key to Constructing Efficient Portfolios

2004 Correlation Matrix

	Broad	Lrg Cap	Sml Cap	Int'l Eq	Emerg	Dom Fix	Defensive	TIPS	Hi Yield	NUS Fix	Real Est	Pvt Equity	Abs Ret	T-Bill
Broad Dom Eq	1.00													
Large Cap Eq	0.96	1.00												
Small Cap Eq	0.92	0.82	1.00											
Int'l Equity	0.72	0.73	0.60	1.00										
Emerging Mkts	0.50	0.50	0.44	0.43	1.00									
Domestic Fixed	0.25	0.27	0.16	0.22	0.15	1.00								
Defensive	0.27	0.29	0.18	0.20	0.00	0.94	1.00							
TIPS	0.01	0.01	-0.01	-0.09	-0.14	0.40	0.36	1.00						
High Yield	0.65	0.64	0.58	0.50	0.35	0.41	0.44	0.15	1.00					
Non SUS Fixed	0.01	0.03	-0.03	0.20	-0.03	0.32	0.40	0.11	0.05	1.00				
Real Estate	0.62	0.53	0.52	0.50	0.35	0.20	0.30	0.00	0.53	0.03	1.00			
Private Equity	0.64	0.63	0.59	0.63	0.55	0.20	0.20	-0.03	0.45	0.10	0.45	1.00		
Absolute Return	0.65	0.64	0.60	0.58	0.33	0.45	0.44	0.00	0.50	0.15	0.45	0.46	1.00	
T-Bills	-0.12	-0.10	-0.15	-0.25	-0.15	0.30	0.28	0.29	0.07	-0.05	-0.06	0.07	0.50	1.00

Where Do We Go From Here?

Is There Something I Should Be Doing?

- Despite the chaotic markets and the pain suffered by pension plans, foundations and endowments, most sponsors have maintained a long-term focus and have resisted the urge to do something drastic.
- Sponsors are carefully re-examining their strategic plans:
 - Asset allocation, and the assumptions driving their allocations.
 - Long-term return assumptions.
 - Asset class portfolio structures.
 - New asset classes or investment strategies
 - Real estate
 - Hedge funds
 - Private equity
 - Market timing & the “new” TAA
 - “All-weather” portfolios

Asset Class Round-Up

No easy answers - Issues & Questions

- Bonds?
 - Yields are well below 5%, and not likely to rise much. Market suffered a violent correction last July, as prices plummeted and yields shot up. The “best case” for bonds is a weak recovery, where consumers lose confidence and the Fed holds off raising interest rates - not exactly fertile ground for strong returns in any part of the capital market.
- High Yield?
 - Current pricing is still somewhat attractive by historical standards - 4.5% premium over Treasuries - but the big gains may have already happened.
 - Companies that survived should do well as the economy expands.
 - Defaults soared during the recession - 10.5% of below-investment grade companies defaulted in 2001, 8.4% in 2002. Rate for 2003 will be close to 6%, long-run average is below 4%.
 - If growth remains slow and inflation is absent, credit problems may linger. One more accounting scandal...

Potential Mixes For IAC Discussion

Efficient Frontier Segment

Note the use of constraints & "set aside"

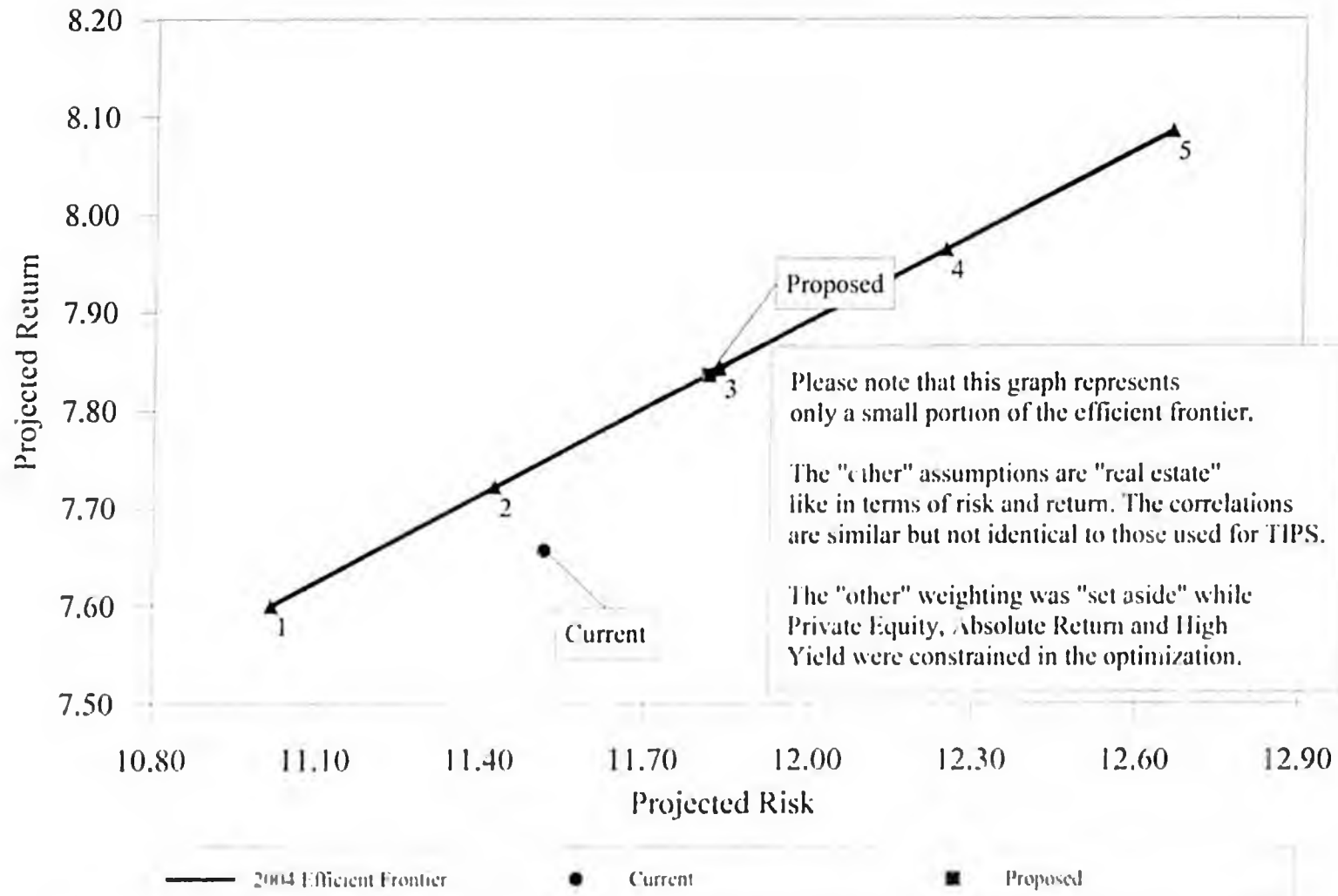
Portfolio Component	Set Aside	Max	Mix 1	Mix 2	Current	Proposed	Mix 3	Mix 4	Mix 5
Large Cap	0	100	29	30	31	30	32	33	34
Small Cap	0	100	6	6	6	6	6	7	7
International Equity	0	100	12	13	15	15	14	14	15
Domestic Fixed	0	100	29	26	30	24	24	21	19
Non US\$ Fixed	0	100	2	3	3	2	2	2	2
Real Estate	0	100	8	8	9	9	8	9	9
Private Equity	0	6	6	6	6	6	6	6	6
Cash Equivalents	0	100	0	0	0	0	0	0	0
High Yield	0	2	2	2	0	2	2	2	2
Absolute Return	0	3	3	3	0	3	3	3	3
Other (Agriculture & Energy)	3	0	3	3	0	3	3	3	3
Totals			100	100	100	100	100	100	100
Expected Return			7.60	7.72	7.70	7.84	7.84	7.96	8.09
Standard Deviation			11.02	11.42	11.65	11.81	11.83	12.24	12.66

Note that HY, Absolute Return & Private Equity have all been constrained. "Other" was "set aside" so that it would have minimal effect on the optimization process since the inputs were highly subjective.

Efficient Frontier Segment

TRS & PERS

Efficient Frontier

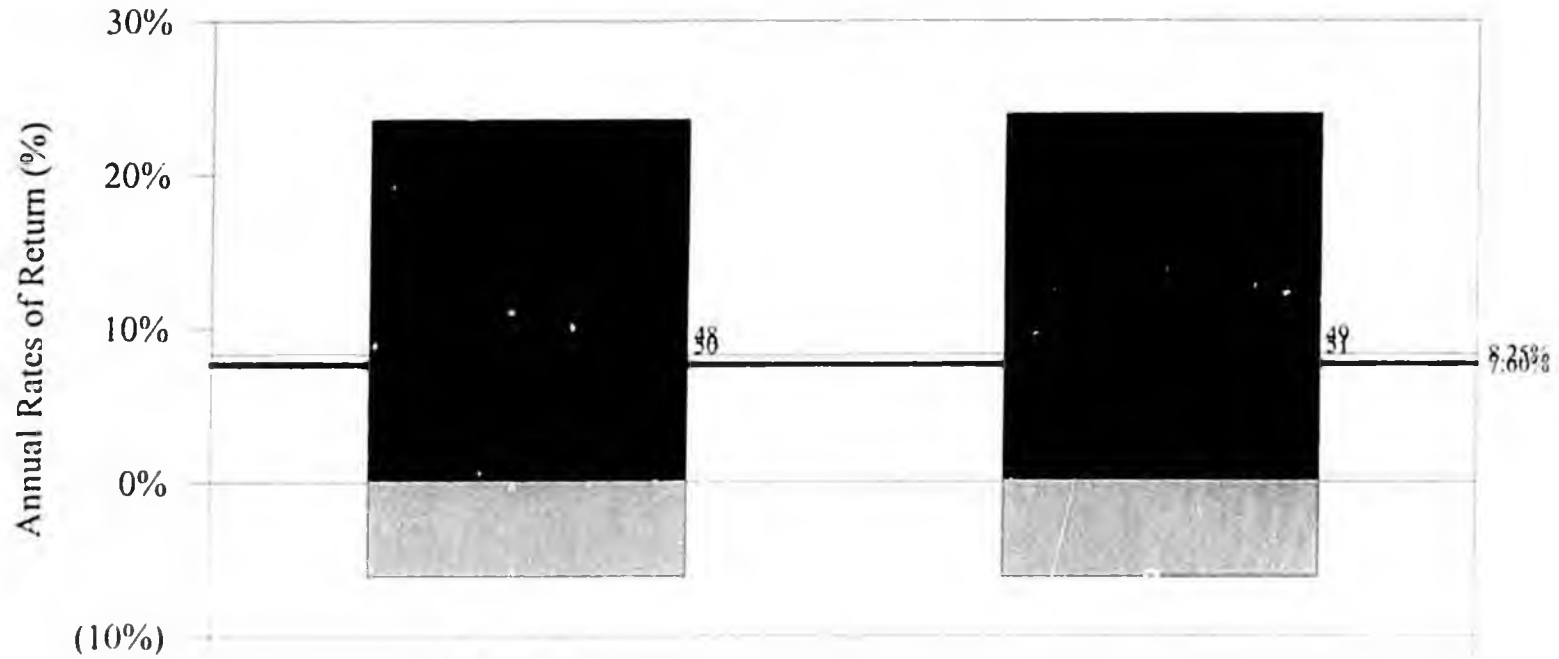


Range of Returns & Threshold Return Probabilities

- The graphs on the following pages depict the range of returns for ASPIB's current policy and the proposed policy
 - Neither produces an expected return equal to the actuarial discount rate. The difference reflects Callan's use of a lower inflation assumption than that embedded in the actuary's discount rate.
 - Callan's projection is a 5-year projection while the actuary understandably must focus on a much longer horizon.
 - One way to make the assumptions comparable is to consider "expected" real returns. A 7.60% nominal return would be consistent with a 5% expected real return.
 - We have plotted two threshold return lines on each of the graphs. One illustrates the probability of each mix producing a return of 7.6% while the other illustrates the probability of achieving an 8.25% annual return.

1-Year Range of Return Comparison

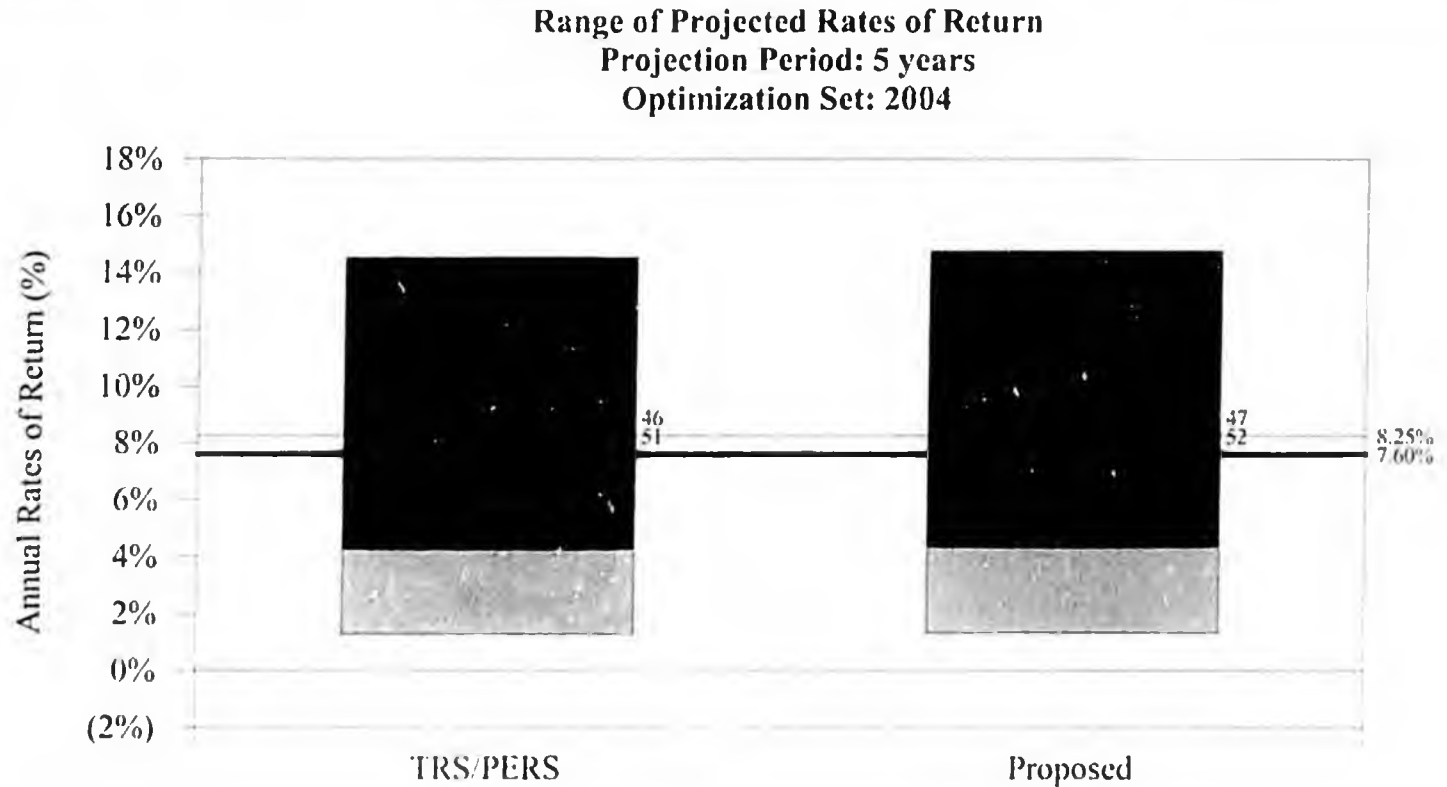
Range of Projected Rates of Return
 Projection Period: 1 year
 Optimization Set: 2004



	TRS/PERS	Proposed
10th Percentile	23.57%	23.94%
25th Percentile	15.78%	16.03%
Median	7.70%	7.84%
75th Percentile	0.18%	0.22%
90th Percentile	(6.13%)	(6.17%)

Five Year Horizon

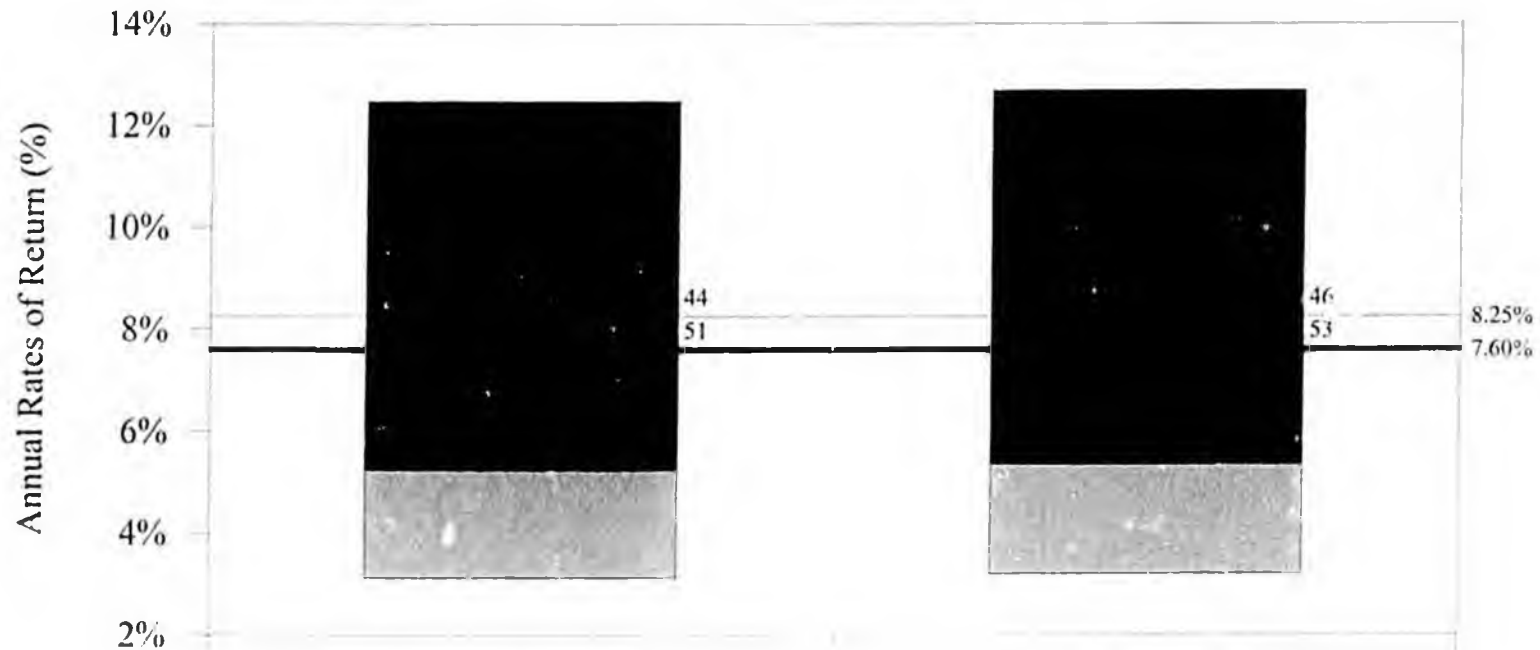
This graph demonstrates that the proposed policy has a 52% probability of achieving a 5-year return of 7.6% or greater. The current policy has a 51% probability.



	TRS/PERS	Proposed
10th Percentile	14.53%	14.76%
25th Percentile	11.24%	11.43%
Median	7.70%	7.84%
75th Percentile	4.27%	4.36%
90th Percentile	1.28%	1.33%

10-Year Range of Return Comparison

Range of Projected Rates of Return
 Projection Period: 10 years
 Optimization Set: 2004

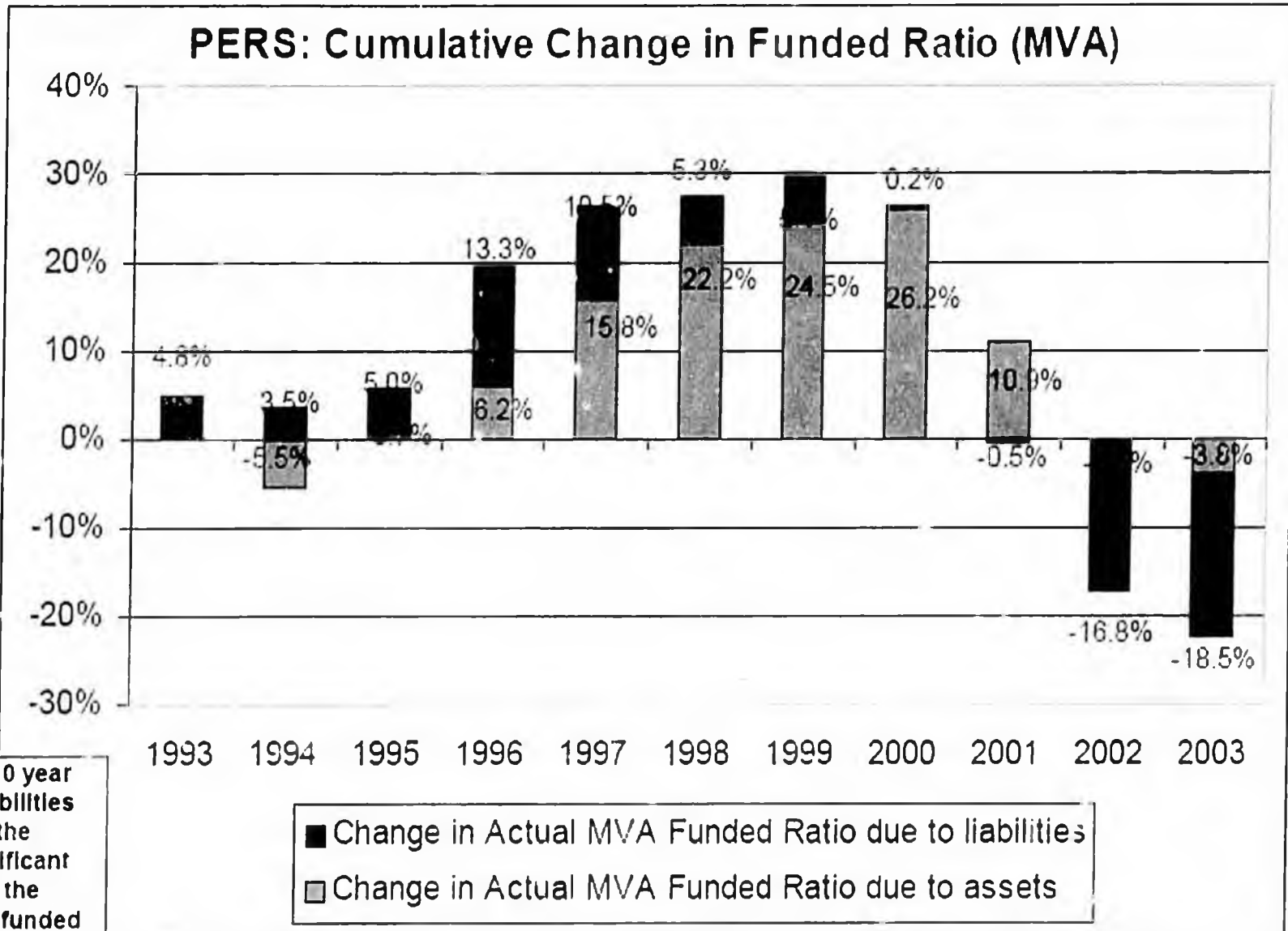


TRS/PERS

Proposed

10th Percentile	12.48%	12.69%
25th Percentile	10.19%	10.36%
Median	7.70%	7.84%
75th Percentile	5.26%	5.37%
90th Percentile	3.12%	3.19%

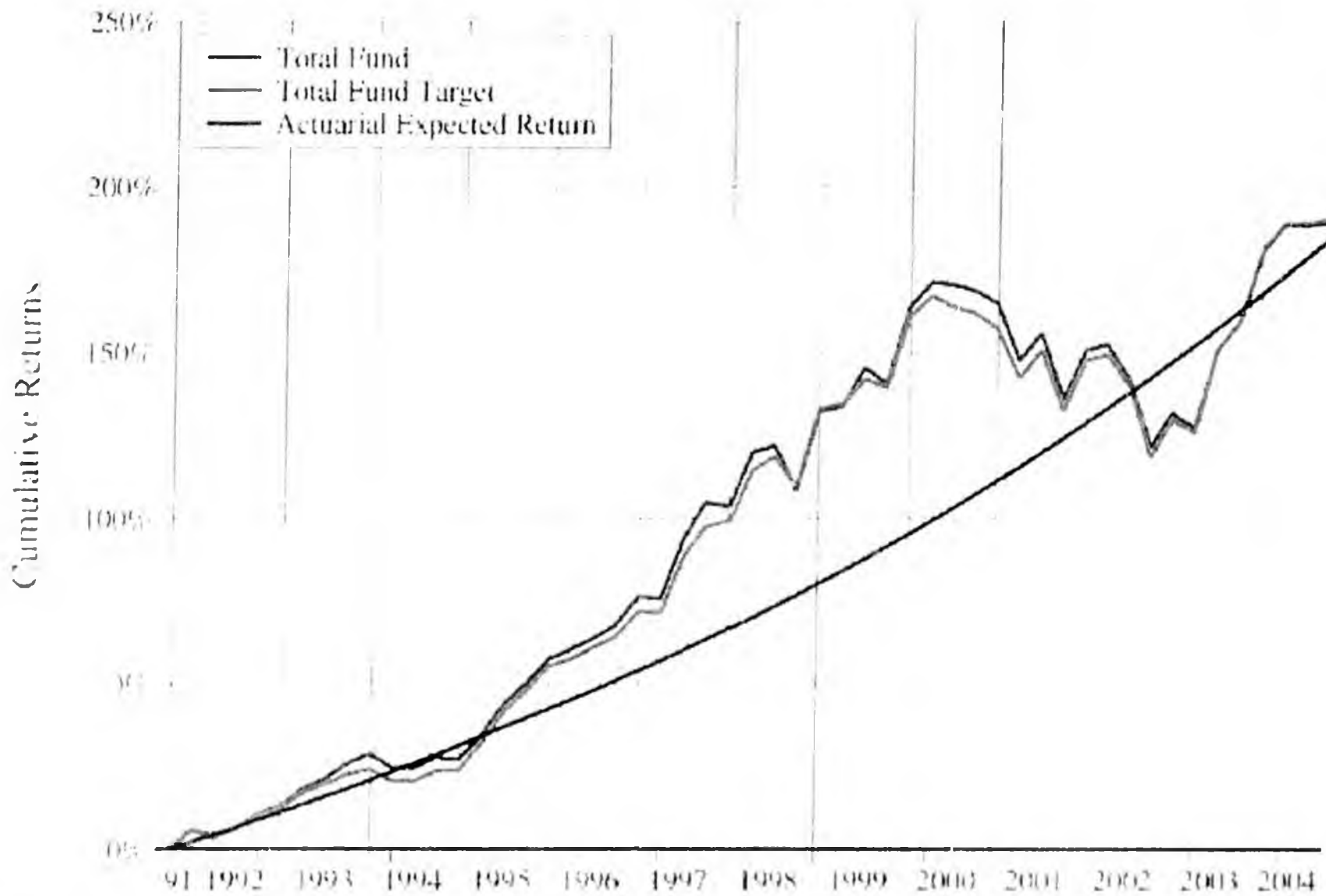
Investment Returns and Funded Status



Over the 10 year period, liabilities have had the more significant impact on the decline in funded status (MVA basis)

Mercer Human Resource Consulting

Cumulative Returns Actual vs. Target



Changes in Funded Status – PERS and TRS

MERCER

January 3, 2005

Ms. Melanie Millhorn
 Director of Retirement and Benefits
 State of Alaska
 Department of Administration
 Division of Retirement and Benefits
 P.O. Box 110203
 Juneau, AK 99811-0203

Subject:

Changes in Funded Status - PERS and TRS

Dear Melanie:

Part of our December 1 presentation to the Alaska State Pension Investment Board (ASPIB) focused on changes in the funded percentages for PERS and TRS. From July 1, 1992 to June 30, 2003, the funded percentage for the PERS declined from 92.3% to 70.0% based on the market value of assets. The funded percentage for TRS declined from 91.0% to 61.7%. The dollar amount increases in the unfunded accrued liabilities (UAL) were \$3.2 billion for PERS and \$2.2 billion for TRS. We found that the total change in funded status for the PERS and TRS from July 1, 1992 to June 30, 2003 was due to asset and liability sources as follows:

	PERS		TRS	
	Change in Funded Status	Increase in UAL (billions)	Change in Funded Status	Increase in UAL (billions)
Change due to assets	(3.8)%	\$1.1	(2.7)%	\$0.6
Change due to liabilities	(1.6)%	2.1	(26.6)	1.6
Total	(22.3)%	\$3.2	(29.3)%	\$2.2

This letter provides further breakdown of the changes in funded status attributable to liabilities. The percentages have been revised slightly from those quoted in the ASPIB meeting based on further research on the effect of the various factors:

	PERS		TRS	
	Change in Funded Status	Increase in UAL (billions)	Change in Funded Status	Increase in UAL (billions)
Health experience	(6.9)%	\$0.6	(3.6)%	\$0.2
Health assumption changes	(1.9)%	1.1	(4.7)	0.3
Plan changes	(4.7)	0.3	(5.3)	0.2
Demographic experience	0.4	(0.1)	(5.6)	0.5
Non-health assumption changes	0.2	0.2	(6.6)	0.4
Total change due to liabilities	(13.5)%	\$2.1	(26.6)%	\$1.6

MARC

MERCER

Page 2

January 3, 2005
 Ms. Melanie Millhorn
 State of Alaska

Health experience and changes in health assumptions were relatively large contributors to the decline in funded status. Benefit improvements also contributed to the decline. For both Systems, plan changes include benefit improvements enacted by the legislature, as well as ad-hoc Post-Retirement Pension Adjustments (PRPAs).

I hope this information is helpful. Please call or email if you have questions or need additional information.

Sincerely,



Robert M. Reynolds, ASA, MAAA

MARC DK

Copy:
 Anselm Staack
 Chris Byrnes
 Marcia Chapman

Range of Returns (in dollars)

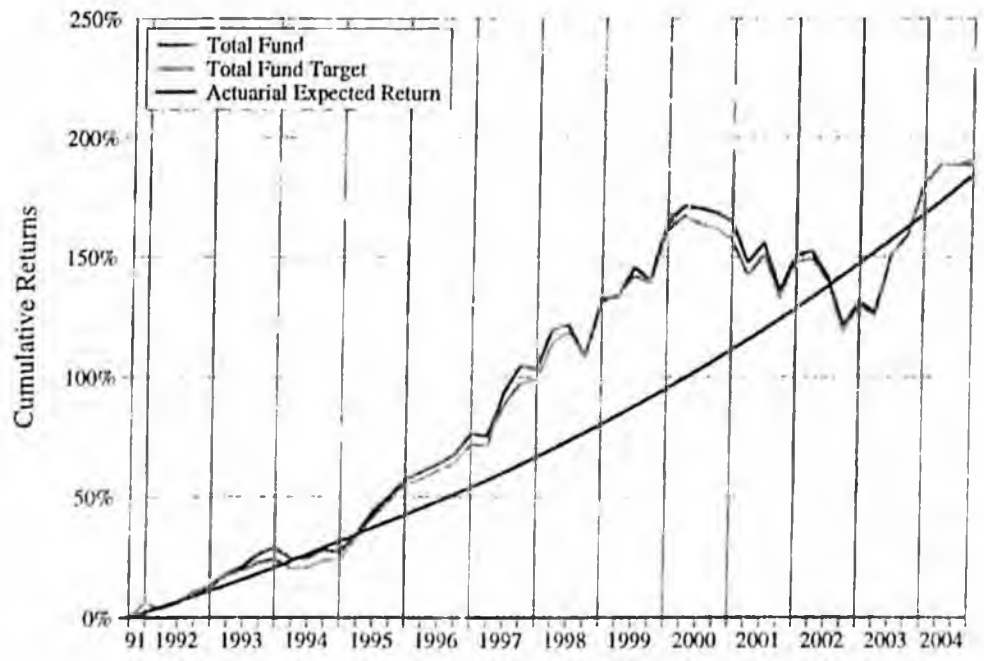
	Proposed	PERS \$8,185,108,000 Gain/(Loss)	TRS \$3,913,423,000 Gain/(Loss)
10th Percentile	23.94%	1,959,514,855	936,873,466
25th Percentile	16.03%	1,312,072,812	627,321,707
Median	7.84%	641,712,467	306,812,363
75th Percentile	0.22%	18,007,238	8,609,531
90th Percentile	-6.17%	(505,021,164)	(241,458,199)

*Provided by Gary BuderDoe
1/28/05*

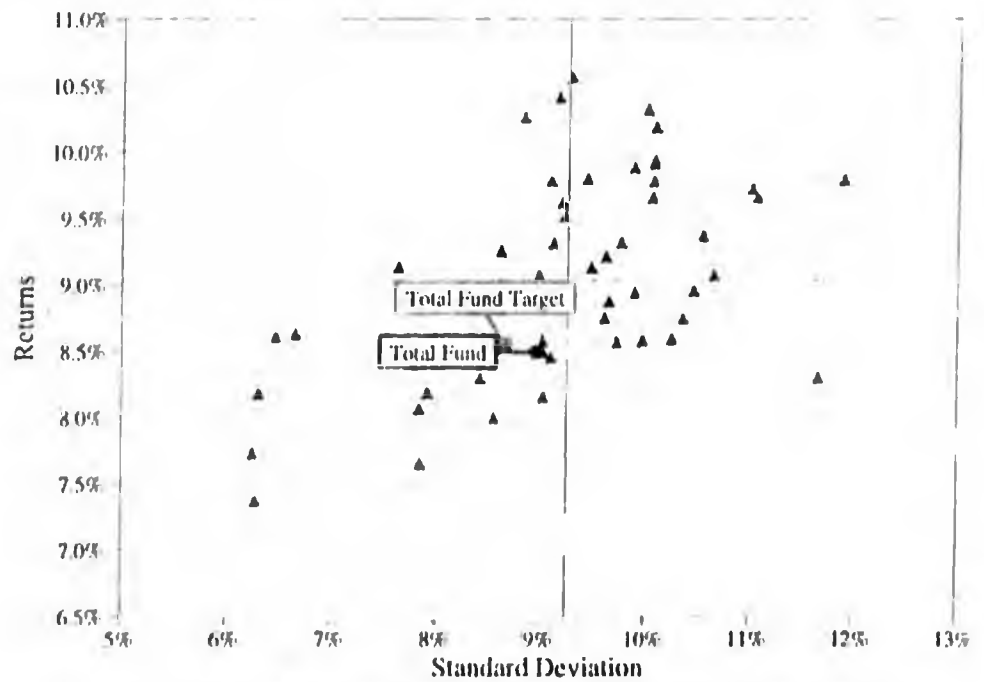
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the CAI Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Thirteen Year Annualized Risk vs Return



Triangles represent membership of the CAI Public Fund Sponsor Database

* Current Quarter Target = 31.0% L/H Agg, 30.0% S&P 500, 15.0% MSCI EAFE Index, 9.0% Total Real Estate DB, 6.0% Russell 2000, 3.0% Non-US Govt World Govt Bd, 2.0% MSCI EAFE Index, 2.0% S&P 500 and 2.0% Russell 2000.

Historical Returns for PERS and TRS (Fiscal Years)

	PERS	TRS
1 Year	15.08%	15.09%
3 Year	4.06%	4.06%
5 Year	3.29%	3.29%
12.75 year	8.67%	8.73%

Provided by Gary Bader, DOR
1/28/05

COMBINED SCHEDULE OF INVESTED ASSETS
 at Fair Value
 December 31, 2004
 (in thousands of dollars)

	CONSTITUTIONAL BUDGET RESERVE FUND		GENERAL FUND AND OTHER NON- REVENUE RELATED INVESTMENTS	PERMANENT FUND DIVIDEND FUND (1)	PUBLIC SCHOOLS TRUST FUND		ALAKA CHILDREN'S TRUST		INVESTMENT LOAN TRUST	POWER COST EQUALIZATION EMPOWERMENT FUND	88 TRUST	INTERNATIONAL	PETROLEUM	GENERAL	TOTAL
	NAAM	SUBACCOUNT			PRINCIPAL	INCOME	PRINCIPAL	INCOME				ASSETS	HEALTH INSURANCE	DELIQUENT BONDS	
												(See page three for details)	(See page four for details)	(See page four for details)	
INVESTED ASSETS															
Workmen's Fund Income Fund	300,645	84	729,791	30,348	847	8,983	12	255	2,196	10	1,842	116,654	44,274	306,488	1,832,917
Intermediate-term Fixed Income Fund	848,496		831,386									133,730	41,652		1,066,798
Fixed Mutual Fund Income Fund	341,910	179,648			796,392		5,750			86,296		1,221	64,910		836,426
Retirement Fixed Income Fund															
External Domestic Fixed Income Fund															
Non-revolving Domestic Fixed Income Fund															
International Fixed Income Fund															
Tobacco Revenue Fixed Income Fund			30,833												30,833
Real estate held, trust securities and other investments			10,778												10,778
Domestic Equity Fund															
Foreign Investment Domestic Equity Fund		106,316			138,805		4,731			60,327			47,111		616,369
International Equity Fund															
Risk International Equity Fund		81,622								35,762			18,943		177,650
Emerging Markets Equity Fund															
Energy Equity Fund															
Real Estate Fund															
Other Investment Fund															
Agribusiness Fund															
Mortgage related assets															
Total investments	1,889,426	436,278	1,310,000	30,348	304,613	8,983	19,542	255	2,196	184,846	1,842	233,812	244,542	306,488	4,816,474
Income earned, but not distributed from (to) other funds	772		1,210	83	816	18	30	1	8			248	92	849	3,068
Income earned, but not distributed from (to) other funds			85	(55)	(1,486)	1,486	(51)	61							
Total managed investments	1,791,182	436,278	1,311,264	30,348	303,416	10,479	19,521	369	2,172	184,846	1,842	234,060	244,634	307,138	4,820,864
Total invested assets	1,791,182	436,278	1,312,254	30,348	303,416	10,479	19,521	369	2,172	184,846	1,842	234,060	244,634	307,138	4,820,864

COMBINED SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS
 for the period July 1, 2004 through December 31, 2004
 (in thousands of dollars)

Workmen's Fund Income Fund	3,347	1	4,162	521	51	94	1	2	53		27	1,230	413	3,275	14,144
Intermediate-term Fixed Income Fund	17,440		16,390									2,495	836		20,930
Fixed Mutual Fund Income Fund	13,840	8,866			8,747		230			2,951		335	3,322		33,960
Retirement Fixed Income Fund															
External Domestic Fixed Income Fund															
Non-revolving Domestic Fixed Income Fund															
International Fixed Income Fund															
Tobacco Revenue Fixed Income Fund			478												478
Real estate held, trust securities and other investments				1,533											1,533
Domestic Equity Fund															
Foreign Investment Domestic Equity Fund		14,636			18,263		353			4,061			4,936		35,613
International Equity Fund															
Risk International Equity Fund		10,749								6,162			2,466		19,367
Emerging Markets Equity Fund															
Energy Equity Fund															
Real Estate Fund															
Other Investment Fund															
Agribusiness Fund															
Mortgage related assets															
Portfolio dividend income															
Total investment income (loss)	31,827	32,336	16,968	2,074	17,821	64	361	2	63	14,423	27	1,926	16,355	3,275	136,619
Total invested assets, beginning of period	1,686,276	417,030	1,182,722	10,714	297,243	11,236	19,041	296	2,441	179,383	2,543	292,370	209,853	307,647	4,011,933
Net investment income (loss)	26,600		181,467	25,046	4,416	(6,814)	67	(1,35)	(4,301)	(6,986)	(1,311)	(47,449)	27,422	(11,104)	73,364
Transfers from (to) other funds			2,874	(2,074)	(9,219)	9,219	(1,621)	182							
Commission structure (2)			51							5			3		16
Total invested assets, end of period	1,791,182	436,278	1,311,264	30,348	303,416	10,479	19,521	369	2,172	184,846	1,842	234,060	244,634	307,138	4,820,864

(1) Includes all fixed fund income earned in the U.S. Government debt, Federal Agency debt, CDO, interest on mortgage loans, interest on credit card receivables and other investments.
 (2) Commission fee related to sales of equity funds by the Investment and International Equity Funds.
 (3) Transfer of fixed investment fund assets to the fixed fund investment fund.

COMBINED SCHEDULE OF INVESTED ASSETS
 at Fair Value
 December 31, 2004
 (in thousands of dollars)

INTERNATIONAL AIRPORTS	BOND PROCEEDS										TOTAL
	REVENUE / REPAIR & REPLACEMENT	Series 1993A	Series 1999B	Series 1999C	Series 2002A	Series 2002B	Series 2002 Reserve	Series 2003A	Series 2003B	Series 2003 Reserve	
INVESTED ASSETS											
Short-term Fixed Income Fund	18,096	8,378	8,274	2,197	3,188	31,848	8,423	21,298	13,174	3,858	118,854
Intermediate-term Fixed Income Fund	98,732					3,298	23,881				133,730
Fixed Market Fixed Income Fund							1,778				1,778
Northward Fixed Income Fund											
International Domestic Fixed Income Fund											
Nonresidential Domestic Fixed Income Fund											
International Fixed Income Fund											
Tobacco Revenue Fund Income ^(a)											
Individually held debt securities and other investments ^(b)											
Domestic Equity Fund											
Nonresidential Domestic Equity Fund											
International Equity Fund											
USA International Equity Fund											
Emerging Markets Equity Fund											
Europe Equity Fund											
Road & State Fund											
Other Investment Fund											
Asset Backed Fund											
Mortgage related assets											
Total Investments	116,877	8,378	8,274	2,197	6,442	68,289	13,883	21,298	13,174	3,858	251,813
Less: non-investable	36	17	11	4	7	87	28	48	27	8	214
Income earned, but not distributed from (to) other funds											
Total managed investments	116,813	8,361	8,263	2,193	6,435	68,202	13,855	21,250	13,147	3,850	251,600
Total invested assets	116,813	8,361	8,263	2,193	6,435	68,202	13,855	21,250	13,147	3,850	251,600

COMBINED SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS
 for the period July 1, 2004 through December 31, 2004
 (in thousands of dollars)

Short-term Fixed Income Fund	173	77	58	21	33	364	87	328	128	16	1,238
Intermediate-term Fixed Income Fund	1,726					78	881				2,485
Fixed Market Fixed Income Fund							195				195
Northward Fixed Income Fund											
International Domestic Fixed Income Fund											
Nonresidential Domestic Fixed Income Fund											
International Fixed Income Fund											
Tobacco Revenue Fund Income											
Individually held debt securities and other investments											
Domestic Equity Fund											
Nonresidential Domestic Equity Fund											
International Equity Fund											
USA International Equity Fund											
Emerging Markets Equity Fund											
Europe Equity Fund											
Road & State Fund											
Other Investment Fund											
Asset Backed Fund											
Mortgage related assets											
Total investment income (loss)	1,901	77	58	21	108	77	262	328	128	16	3,028
Total invested assets, beginning of period	114,387	8,211	8,413	2,938	8,872	73,383	12,828	48,881	18,888	3,873	262,578
Net transfers from other assets	(788)	(1,181)	(178)	(798)	(1,881)	(8,123)	(1,661)	(28,821)	(2,811)	(47)	(42,241)
Transfers from (to) other funds ^(c)											
Total invested assets, end of period	116,813	8,361	8,263	2,163	6,991	65,260	11,167	20,060	16,077	3,826	254,636

See Note

- (a) Individually held debt securities include (i) U.S. Government debt, (ii) state and agency debt, (iii) foreign government debt, (iv) municipal debt, and (v) other investments.
 (b) Composition of the tobacco revenue fund is as follows: (i) U.S. Government debt, (ii) state and agency debt, (iii) foreign government debt, (iv) municipal debt, and (v) other investments.
 (c) Transfers from (to) other funds include (i) U.S. Government debt, (ii) state and agency debt, (iii) foreign government debt, (iv) municipal debt, and (v) other investments.

COMBINED SCHEDULE OF INVESTED ASSETS
of Fair Value
December 31, 2004
(In thousands of dollars)

INVESTED ASSETS	GENERAL OBLIGATION BONDS			EDUCATION AND BURELUE FACILITY	TRANSPORTATION PROJECTS	ACCELERATED TRANSPORTATION	TOTAL			
	Series 2003A							Series 2003B		
	MAJOR MEDICAL	LONG TERM CARE	TOTAL							
Charter Fund Income Fund	66,763	1,813	68,576							
Intermediate Term Fund Income Fund	41,882		41,882	126,194	96,674	83,917	306,665			
Fund Market Fund Income Fund	94,370	13,143	107,513							
Robinson Fund Income Fund										
Global Domestic Fund Income Fund										
Non-refunded Domestic Fund Income Fund										
International Fixed Income Fund										
Tobacco Revenue Fund Income										
Participating in debt securities and other investments										
Domestic Equity Fund										
Non-refunded Domestic Equity Fund		47,511	47,511							
International Equity Fund										
RJA International Equity Fund		18,945	18,945							
Emerging Markets Equity Fund										
Hybrid Equity Fund										
Risk Equity Fund										
Other investment Fund										
Special Return Fund										
Managed investment assets										
Total investment	143,791	196,753	340,544	126,194	96,674	83,917	368,449			
Income received	90	2	92	298	297	176	869			
Income earned but not distributed from (to) an investment										
Total managed investments	143,881	196,753	340,636	126,492	96,971	84,093	369,318			
Participated direct investments										
Total invested assets	143,881	196,753	340,636	126,492	96,971	84,093	369,318			

COMBINED SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS
for the period July 1, 2004 through December 31, 2004
(In thousands of dollars)

Charter Fund Income Fund	408	13	421	1,417	1,011	848	3,275
Intermediate Term Fund Income Fund	836		836				
Fund Market Fund Income Fund	1,947	1,335	3,282				
Robinson Fund Income Fund							
Global Domestic Fund Income Fund							
Non-refunded Domestic Fund Income Fund							
International Fixed Income Fund							
Tobacco Revenue Fund Income							
Participating in debt securities and other investments							
Domestic Equity Fund							
Non-refunded Domestic Equity Fund		1,136	1,136				
International Equity Fund							
RJA International Equity Fund		2,444	2,444				
Emerging Markets Equity Fund							
Hybrid Equity Fund							
Risk Equity Fund							
Other investment Fund							
Special Return Fund							
Managed investment assets							
Participated direct investments							
Total investment income (loss)	3,221	3,522	6,743	1,417	1,011	848	3,275
Total investment assets, beginning of period	110,970	87,703	198,673	170,832	110,190	92,826	367,647
Net contributions with respect to:							
Investments from (to) other funds	21,760	8,610	30,370	(12,900)	(10,110)	(9,880)	(32,790)
Investment income							
Total investment assets, end of period	143,881	196,753	340,636	126,492	96,971	84,093	369,318

Notes:

- (a) Includes Equity Fund Income Fund, Government debt, Federal Agency debt, CDs, repurchase agreements, MBS, CDOs, Cash, and other investments.
- (b) Represents the net change in the value of the investments during the period.
- (c) Includes the net change in the value of the investments during the period.