

**DEPARTMENT OF
THE TREASURY**
John E. McCormac, CPA
State Treasurer

**DIVISION OF PENSIONS
AND BENEFITS**
Frederick J. Beaver
Director

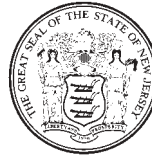
**SUPPLEMENTAL
ANNUITY
COLLECTIVE TRUST
OF NEW JERSEY
COUNCIL
as of June 30, 2003**

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 2003 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".

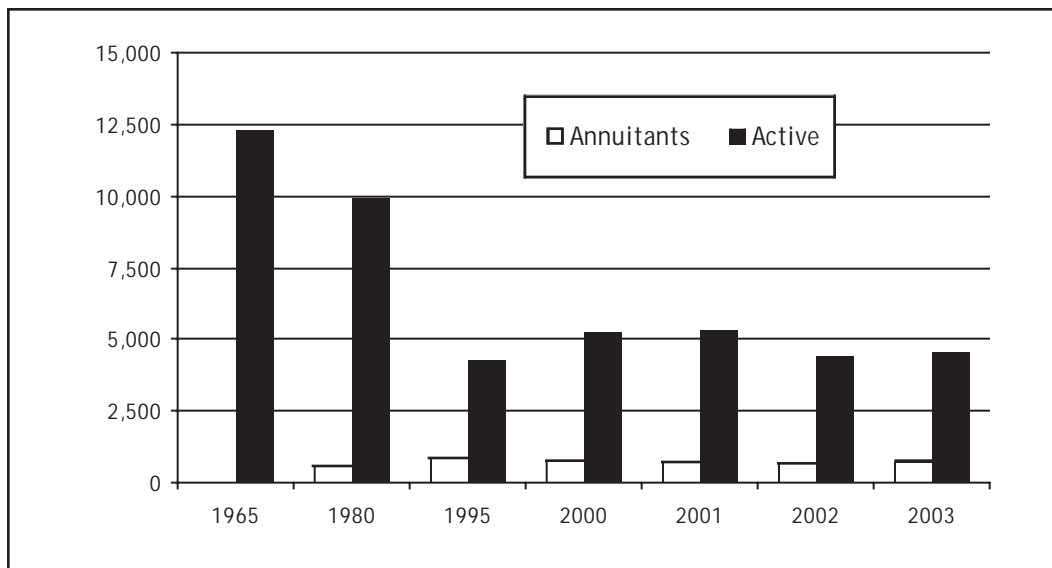
FREDERICK J. BEAVER
Secretary

SIGNIFICANT LEGISLATION

There were no significant changes in legislation governing the Supplementary Annuity Collective Trust of New Jersey during fiscal year 2003.

MEMBERSHIP

- As of June 30, 2003, the active contributing membership of the Trust totaled 4,537.
- The unit value was \$47.9323, a decrease of \$2.5881 from the June 30, 2002 value of \$50.5204.
- There were 670 annuitants.
- The Trust's assets totaled \$131,858,026 at the close of the fiscal year 2003.



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, 2003 and 2002, 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, 2003 and 2002, 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 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 supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedule A is presented for purposes of additional analysis and is not a required part 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 19, 2003

KPMG LLP

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

Management's Discussion and Analysis

June 30, 2003 and 2002

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, 2003 and 2002. Please read it in conjunction with the basic financial statements and financial statement footnotes that follow this discussion.

FINANCIAL HIGHLIGHTS

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). 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.
- 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.

2002 - 2001

- Fiduciary net assets decreased by \$44,359,037 as a result of the year's operations from \$185,173,439 to \$140,814,402.
- Additions for the year were (\$26,472,478), which are comprised of member contributions of \$8,413,708 and investment losses of (\$34,886,186). Revenues were down compared to the prior year due to an additional decrease in the fair market value of the Trust's investments. The decrease is attributable to an overall decline in the equity markets.
- Deductions for the year were \$17,886,559, 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 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

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

Management's Discussion and Analysis, Continued

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

2003 - 2002

Total assets decreased by \$10,100,635 or 7.1% from \$141,958,661 to \$131,858,026 between fiscal years 2002 and 2003 primarily due to a decrease in fair value of equities.

Total liabilities increased by \$1,946,846 or 170.1% from \$1,144,259 to \$3,091,105 mainly due to securities purchased in transit.

Net assets decreased by \$12,047,481 or 8.6% from \$140,814,402 to \$128,766,921.

2002 - 2001

Total assets decreased by \$43,954,771 or 23.6% from \$185,913,432 to \$141,958,661 between fiscal years 2001 and 2002 primarily due to a decrease in investment earnings and poor investment performance.

Total liabilities increased by \$404,266 or 54.6% from \$739,993 to \$1,144,259 mainly due to cash overdraft.

Net assets decreased by \$44,359,037 or 24.0% from \$185,173,439 to \$140,814,402.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS TO FIDUCIARY NET ASSETS

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

Additions primarily consist of member contributions and earnings from investment activities. Total revenues increased by 122.0% between fiscal year 2002 and 2003 from \$(26,472,478) to \$5,810,738 primarily because of improved investment performance.

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.

2002 - 2001

	2002	2001	Increase (Decrease)
Member Contributions	\$8,413,708	\$7,735,592	\$678,116
Investment & Other	(34,886,186)	(18,240,659)	(16,645,527)
Totals	\$(26,472,478)	\$(10,505,067)	\$(15,967,411)

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

Management's Discussion and Analysis, Continued

Total revenues decreased by 152.0% between fiscal year 2001 and 2002 from (\$10,505,067) to (\$26,472,478) primarily because of a decrease in investment earnings and poor investment performance.

During fiscal year 2002, the overall investment return for the Trust was a negative 19.1%. The investment return was a negative 8.7% in the prior year.

**DEDUCTIONS FROM FIDUCIARY NET ASSETS
2003 - 2002**

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

Deductions consist entirely of retirement and other benefit payments made during the year. Total expenses slightly decreased by 0.2% between fiscal year 2002 and 2003 from \$17,886,559 to \$17,858,219 due to decrease in unit value.

2002 - 2001

	2002	2001	Increase (Decrease)
Benefits	\$17,886,559	\$22,861,679	\$(4,975,120)

Total expenses decreased by 21.8% between fiscal year 2001 and 2002 from \$22,861,679 to \$17,886,559. The decrease in expenses is mainly due to a decrease in investment earnings and poor investment performance and the proportional decline in participant accumulated account values upon the payment of benefits.

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, 2003 and 2002

	2003	2002
Assets:		
Investments, at fair value:		
Cash Management Fund	7,191,603	2,517,369
Common stocks	121,534,925	138,280,317
Total investments	128,726,528	140,797,686
Receivables:		
Accrued dividends	160,382	169,757
Participant contributions	483,956	484,252
Other	2,487,160	506,966
Total assets	131,858,026	141,958,661
Liabilities:		
Accounts payable and accrued expenses	1,996,486	196,418
Cash overdraft	179,451	457,860
Withholdings payable	28,032	39,956
Benefits payable	755,424	318,312
Unclaimed accounts	131,712	131,713
Total liabilities	3,091,105	1,144,259
Net Assets:		
Held in trust for pension benefits	\$ 128,766,921	140,814,402

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, 2003 and 2002

	2003	2002
Additions:		
Contributions:		
Members	\$ 7,803,771	8,413,708
Investment income:		
Net (depreciation) in fair value of investments	(4,376,793)	(37,313,819)
Interest	63,473	112,138
Dividends	2,320,287	2,315,495
Total additions	5,810,738	(26,472,478)
Deductions:		
Benefits	17,858,219	17,886,559
Change in net assets	(12,047,481)	(44,359,037)
Net assets - Beginning of year	140,814,402	185,173,439
Net assets - End of year	\$ 128,766,921	140,814,402

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2003 and 2002

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Supplemental Annuity Collective Trust of New Jersey (the Trust) are 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 5,207 and 5,121 as of June 30, 2003, and 2002, respectively. Of that total, members receiving a monthly annuity benefit from the Trust were 670 and 697 as of June 30, 2003 and 2002, 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, 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 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 3 requires the bank balances of deposits to be categorized to indicate the level of 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, 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 requires disclosure of the level of risk assumed by the Trust as of June 30, 2003, and 2002. 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, 2003, and 2002, 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, 2003

<u>Description</u>	<u>Number of Shares or Units</u>	<u>Cost</u>	<u>Fair Value</u>
Abbott Laboratories	30,000	\$420,750	\$1,312,800
Advanced Micro Devices, Inc.	30,000	287,417	192,300
Agilent Technologies Inc.	14,111	159,275	275,870
Albertson's, Inc.	10,000	206,606	192,000
Alcoa Inc.	20,000	702,900	510,000
Alliant Techsystems Inc.	7,500	409,552	389,325
Altria Group Inc.	35,000	940,667	1,590,400
American Axle & Manufacturing	13,000	316,755	310,700
American International Group, Inc.	50,696	491,489	2,797,405
American Power Conversion Corp.	5,000	49,138	78,050
Anadarko Petroleum Corp.	17,000	486,475	755,990
Analog Devices, Inc.	10,000	746,813	348,200
AOL Time Warner Inc.	165,000	2,321,751	2,654,850
Archer-Daniels-Midland Co.	53,603	610,852	689,871
AT&T Corp.	6,290	193,419	121,083
AT&T Wireless Services, Inc.	77,112	1,668,139	633,090
Bank New York Co., Inc.	35,000	238,337	1,006,250
Bank of America Corp.	15,000	896,250	1,185,450
Bausch & Lomb Inc.	12,000	543,171	450,000
Baxter International Inc.	30,000	1,258,908	780,000
Bellsouth Corp.	60,000	866,675	1,597,800
Berkshire Hathaway Inc.	315	336,300	765,450
Best Buy Co., Inc.	15,000	503,425	658,800
BMC Software Inc.	18,000	299,426	293,940
Boeing Company	9,000	292,295	308,880
Bristol-Myers Squibb Co.	40,000	850,670	1,086,000
Burlington Northern Santa Fe Corp.	15,000	203,823	426,600
Cadence Design Systems, Inc.	58,500	270,400	705,510
Capital One Financial Corp.	6,000	277,271	295,080
Cendant Corp.	49,515	1,016,138	907,115
Centex Corp.	20,000	244,313	1,555,800
ChevronTexaco Corp.	30,000	1,359,000	2,166,000
Chubb Corp.	10,000	476,978	600,000
Citigroup Inc.	134,534	1,409,939	5,758,055
Clear Channel Communications Inc.	8,930	611,225	378,543

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

Portfolio of Investment Securities

June 30, 2003

<u>Description</u>	<u>Number of Shares or Units</u>	<u>Cost</u>	<u>Fair Value</u>
Coachmen Industries, Inc.	10,000	190,000	119,500
Coca Cola (The) Co.	50,000	1,044,000	2,320,500
Comcast Corp.	10,175	\$278,258	\$307,082
Computer Associates Intl., Inc.	20,000	741,804	445,600
Computer Sciences Corp.	3,000	158,400	114,360
Cox Communications Inc.	10,000	325,250	319,000
Danaher Corp.	2,000	89,100	136,100
Darden Restaurants, Inc.	21,750	116,968	412,814
Disney (Walt) Co.	78,723	1,951,948	1,554,779
Dominion Resources Inc.	21,028	674,095	1,351,470
Dover Corp.	20,000	165,334	599,200
Duke Energy Corp.	15,200	267,406	303,240
Dun & Bradstreet Corp.	5,000	48,930	205,500
Eaton Corp.	12,000	435,350	943,320
El Paso Corp.	15,000	458,250	121,200
EMC Corp.	81,000	1,749,217	848,070
Equity Residential Ppty. Trust	22,000	511,900	570,900
ESCO Technologies Inc.	4,500	76,685	198,000
Exelon Corp.	7,800	207,146	466,518
Exxon Mobil Corp.	120,806	999,391	4,338,143
Federal Home Loan Mortgage Corp.	23,000	1,273,146	1,167,710
Federal National Mortgage Assoc.	8,000	90,122	539,520
FEDEX Corp.	6,000	193,650	372,180
Fleet Boston Financial Corp.	32,376	514,692	961,891
FMC Corp.	5,000	114,585	113,150
Gallagher (Arthur J.) & Co.	25,000	786,880	680,000
Genentech Inc.	9,000	402,102	649,080
General Electric Co.	152,400	3,783,766	4,370,832
General Mills, Inc.	29,000	535,095	1,374,889
General Motors Corp.	11,250	351,364	405,000
Genuine Parts Co.	10,000	323,209	320,100
Goldman Sachs Group Inc.	10,000	530,000	837,500
Goodrich Corp.	7,500	255,027	157,500
Harley-Davidson, Inc.	20,000	112,277	797,200
Harris Corp.	18,000	571,550	540,900

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

Portfolio of Investment Securities

June 30, 2003

<i>Description</i>	<u>Number of Shares or Units</u>	<u>Cost</u>	<u>Fair Value</u>
Hartford Financial Services	5,000	295,250	251,800
HCA - The Healthcare Co.	15,000	518,289	480,600
Hercules Inc.	20,000	352,967	198,000
Hewlett-Packard Co.	74,000	570,119	1,576,200
Home Depot (The), Inc.	42,125	369,267	1,395,180
Honeywell International Inc.	11,250	\$378,425	\$302,063
Illinois Tool Works, Inc.	10,000	436,500	658,500
IMS Health	15,777	156,595	283,827
International Business Machines Corp.	35,000	817,575	2,887,500
Interpublic Group Companies, Inc.	7,500	85,538	100,350
J.P. Morgan Chase & Co.	29,500	335,196	1,008,310
Johnson & Johnson	37,000	1,482,775	1,912,900
Johnson Controls., Inc.	10,000	261,474	856,000
Kerr-Mcgee Corp.	8,000	362,454	358,400
Kohls Corp.	15,000	200,344	770,700
L-3 Communications Holdings Inc.	16,000	681,260	695,840
Lilly (Eli) & Co.	12,964	419,420	894,127
Lockheed Martin Corp.	1,083	19,529	51,518
Lowes Companies	30,000	611,180	1,288,500
Lucent Technologies, Inc.	77,740	488,182	157,812
McData Corp. Class A	1,325	10,108	19,411
McDonald's Corp.	30,000	229,912	661,800
McGraw-Hill Companies, Inc.	20,000	343,925	1,240,000
Medtronic, Inc.	34,000	154,785	1,630,980
Mellon Financial Corp.	11,000	275,619	305,250
Merck & Co., Inc.	33,000	429,811	1,998,150
Merrill Lynch & Co., Inc.	40,000	205,664	1,867,200
MetLife Inc.	20,000	630,900	566,400
MSC Software Corp.	50,000	419,206	337,000
National Semiconductor Corp.	12,000	675,444	236,640
Norfolk Southern Corp.	31,500	402,532	604,800
Northrop Gruman Corp.	5,357	322,101	462,256
Occidental Petroleum Corp.	35,000	938,746	1,174,250
Orbital Sciences Wts Exp 8/31/04	2,244	-	7,562
Paxson Communications Corp.	10,000	78,000	59,900

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

Portfolio of Investment Securities

June 30, 2003

<u>Description</u>	<u>Number of Shares or Units</u>	<u>Cost</u>	<u>Fair Value</u>
PepsiCo, Inc.	28,000	473,664	1,246,000
Pfizer, Inc.	105,990	1,380,569	3,619,559
PG&E Corp.	37,000	1,075,700	782,550
PPG Industries, Inc.	14,000	427,642	710,360
Principal Financial Group Inc.	2,500	46,250	80,625
Proctor & Gamble Co.	15,000	275,575	1,337,700
Public Service Enterprise Group, Inc.	20,000	582,363	845,000
Raytheon Co.	12,000	390,432	394,080
Robert Half International, Inc.	20,000	\$133,917	\$378,800
Rohm & Haas Co.	5,531	87,599	171,627
Sara Lee Corp.	21,500	202,860	404,415
SBC Communications, Inc.	59,010	1,792,288	1,507,706
Schering-Plough	40,000	1,086,547	744,000
Scientific-Atlanta, Inc.	15,000	729,681	357,599
Southern Co.	22,500	265,706	701,100
SPX Corp.	14,000	230,880	616,840
State Street Corp.	4,600	114,396	181,240
Sungard Data Systems Inc.	12,000	311,688	310,920
Symbol Technologies, Inc.	22,780	62,925	296,368
Sysco Corp.	52,000	268,386	1,562,080
Target Corp.	16,000	371,025	605,440
Texas Instruments Inc.	67,400	274,150	1,186,240
Timco Aviation Conv.Note 1/2/07	1,327	-	93
Timco Aviation Services Inc.	431	-	164
Timco Aviation Ser WT 02/27/07	1,376	-	1
Travelers Property Casualty Corp. CI A	30,812	522,145	489,911
Travelers Property Casualty Corp. CI B	11,941	101,796	188,310
Tyco International Inc.	41,834	1,014,748	794,009
Union Pacific Corp.	8,500	246,497	493,170
Unisys Corp.	26,000	310,851	319,280
Unitedhealth Group Inc.	26,000	277,664	1,306,500
Univision Communications Inc.	4,000	66,475	121,600
Unocal Corp.	14,500	514,727	416,005
Unumprovident Corp.	20,000	441,984	268,200
Veritas Software Corp.	2,232	160,085	64,326

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

Portfolio of Investment Securities

June 30, 2003

<u>Description</u>	<u>Number of Shares or Units</u>	<u>Cost</u>	<u>Fair Value</u>
Verizon Communications Inc.	55,900	1,843,171	2,205,255
Viacom Inc. Class B	32,269	648,258	1,408,865
Vishay Intertechnology, Inc.	4,339	54,725	57,275
Wal-Mart Stores, Inc.	50,000	608,125	2,683,500
Wells Fargo & Co.	25,000	1,028,750	1,260,000
Wendy's International, Inc.	24,000	314,018	695,280
Wyeth	15,000	570,276	683,250
Total Common Stock		<u>75,561,065</u>	<u>121,534,924.00</u>
State of New Jersey Cash Management Fund	7,187,166	<u>7,187,166</u>	<u>7,191,603</u>
Total fund		<u>82,748,231</u>	<u>128,726,527</u>