

HORACE MANN EDUCATORS CORP /DE/  
Form 11-K  
June 28, 2006

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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### FORM 11-K

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ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the fiscal year ended December 31, 2005.

OR

TRANSITION REPORT PURSUANT TO SECTION 15 [d] OF THE SECURITIES EXCHANGE ACT  
OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10890

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## HORACE MANN SUPPLEMENTAL RETIREMENT AND SAVINGS PLAN

(Full title of the Plan)

HORACE MANN EDUCATORS CORPORATION

1 Horace Mann Plaza, Springfield, Illinois 62715

Registrant's telephone number, including area code:

(217) 789 - 2500

(Name, Address and Telephone Number of Issuer)



REQUIRED INFORMATION

Financial Statements:

Item 4. In lieu of the requirements of Items 1-3, audited statements and schedule are prepared in accordance with the requirements of ERISA for the Plan's fiscal years ended December 31, 2005 and 2004, and are presented on pages 3 through 11.

Horace Mann Service Corporation

Supplemental Retirement and Savings Plan

Financial Statements and Supplemental Schedule

*Years ended December 31, 2005 and 2004*

*with Report of Independent Registered Public Accounting Firm*

Horace Mann Supplemental

Retirement and Savings Plan

Financial Statements

and Supplemental Schedule

Years ended December 31, 2005 and 2004

**Contents**

<u>Report of Independent Registered Public Accounting Firm</u>	1
<u>Financial Statements</u>	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statements of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4
<u>Supplemental Schedule</u>	
<u>Schedule H, Line 4i - Schedule of Assets (Held at End of Year)</u>	11

Report of Independent Registered Public Accounting Firm

Pension Committee and The Board of Directors

Horace Mann Educators Corporation

We have audited the accompanying statements of net assets available for benefits of Horace Mann Supplemental Retirement and Savings Plan (the Plan) as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, 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 net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our 2005 audit was performed for the purpose of forming an opinion on the 2005 basic financial statements taken as a whole. The supplemental schedule, Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2005, is presented for the purpose of additional analysis and is not a required part of the 2005 basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the 2005 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2005 basic financial statements taken as a whole.

Chicago, Illinois  
June 28, 2006

/s/ KPMG LLP

Horace Mann Supplemental Retirement and Savings Plan

Statements of Net Assets Available for Benefits

December 31, 2005 and 2004

	2005	2004
<b>Assets</b>		
Investments:		
Group Annuity Contract:		
Mutual funds, at fair value	\$ 61,815,139	\$ 55,383,261
Fixed fund, at contract value	38,655,360	37,227,928
Horace Mann Educators Corporation Common Stock, at fair value	6,846,365	7,762,573
Participant loans	2,265,938	1,888,313
Cash	398,848	293,074
<b>Total assets</b>	<b>109,981,650</b>	<b>102,555,149</b>
<b>Liabilities</b>		
Accrued administrative expenses	127,789	94,717
<b>Net assets available for benefits</b>	<b>\$ 109,853,861</b>	<b>\$ 102,460,432</b>

*See accompanying notes to financial statements.*

Horace Mann Supplemental Retirement and Savings Plan

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2005 and 2004

	2005	2004
<b>Additions to net assets attributed to:</b>		
Investment income:		
Net realized and unrealized appreciation of investments	\$ 4,132,738	\$ 7,674,405
Dividends and interest	1,918,741	1,857,908
	6,051,479	9,532,313
Contributions:		
Employer	3,756,875	3,574,063
Employees	7,015,701	6,434,479
Total additions	16,824,055	19,540,855
<b>Deductions from net assets attributed to:</b>		
Withdrawals by participants	(8,962,517)	(10,537,571)
Administrative fees	(468,109)	(520,068)
Total deductions	(9,430,626)	(11,057,639)
Net increase during year	7,393,429	8,483,216
<b>Net assets available for benefits</b>		
Beginning of year	102,460,432	93,977,216
End of year	\$ 109,853,861	\$ 102,460,432

See accompanying notes to financial statements.



**Horace Mann Supplemental Retirement and Savings Plan**

Notes to Financial Statements

December 31, 2005 and 2004

**(1) General Plan Information**

**(a) Description of the Plan**

The Horace Mann Supplemental Retirement and Savings Plan (the Plan) is sponsored by Horace Mann Service Corporation (HMSC) which is a wholly owned subsidiary of Horace Mann Educators Corporation (HMEC). HMSC and HMEC are collectively referred to as the Company. The following brief description of the Plan is provided for general information purposes. Readers should refer to the actual Plan document or the employee summary plan description for additional information.

The Plan is a defined-contribution plan covering all employees of the Company. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

**(b) Contributions and Vesting**

Participating employees may contribute up to 20% of eligible compensation, including salary, overtime, commissions, and certain incentive bonuses on a before-tax basis to one or more of twenty available investment funds. Effective January 1, 2004, compensation used to determine Company contributions no longer includes bonuses for non-commissioned employees.

The total pre-tax contributions by participant were limited to \$14,000 in 2005 and \$13,000 in 2004 (the limit will increase \$1,000 to \$15,000 in 2006, after which the limit will be subject to adjustments to reflect increases in the cost of living pursuant to Section 402(g) of the Internal Revenue Code). Participating employees who reached age 50 or older during the Plan year have the opportunity to make pretax, catch-up contributions subject to federal limits.

Prior to January 1, 2002, the Company contributed an amount equal to 50% of the first 6% of eligible compensation contributed by participating employees. Employer contributions and earnings thereon vested 20% for each year of service, with full vesting occurring after five years of service. In addition, employer contributions generally become fully vested in the event of disability or death. Forfeitures of nonvested employer contributions serve to reduce future Company matching contributions, reinstate balances for rehires, and pay expenses.

Participant contributions and earnings thereon are fully vested at all times. Effective January 1, 2002, the Plan became a "safe harbor" Plan.

The Company contributes 3% of eligible compensation to every employee. The automatic 3% Company contribution replaces the 50% Company match of the first 6% contributed. The 3% Company contribution is 100% vested at the time the contribution is made and is participant-directed. Company match contributions made prior to January 1, 2002, will continue to vest at the rate of 20% per year of service.

In accordance with the Omnibus Budget Reconciliation Act of 1993, eligible compensation for purposes of contributions was limited to \$210,000 and \$205,000 in 2005 and 2004, respectively.

**Horace Mann Supplemental Retirement and Savings Plan**

Notes to Financial Statements

December 31, 2005 and 2004

**(c) Participant Accounts and Benefits**

Each participant's account is credited with the participant's contribution, the Company's contribution, and an allocation of Plan investment earnings and charged with an allocation of administrative expenses. The benefit to which a given participant is entitled is the benefit that can be provided from that participant's vested account. A participant subaccount is maintained in each of the investment funds in which a participant chooses to invest. There were 2,943 and 2,416 participants at December 31, 2005 and 2004, respectively.

**(d) Trust Agreement**

Except for participant loans, all Plan assets are in a Master Trust held by The Northern Trust Quantitative Advisors, Inc. The Master Trust also includes the specifically identified assets of the HMSC Money Purchase Pension Plan. At both December 31, 2005 and 2004, the assets of the Plan represent 46% of the total assets in the Master Trust. The assets of the Plan are participant-directed investments and are deposited in a Horace Mann Life Insurance Company (HMLIC) Group Annuity Contract (Fixed Account), mutual funds, or HMEC Common Stock. Prior to September 30, 2004, investments were available through the HMLIC Group Annuity Contract Separate Account that consisted of seven Horace Mann Mutual Funds. Other mutual fund options listed on the following page were also available. Effective October 1, 2004, the sponsorship of the Horace Mann Mutual Funds was transferred to Wilshire Associates, Inc.

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**Horace Mann Supplemental Retirement and Savings Plan**

Notes to Financial Statements

December 31, 2005 and 2004

The following presents investments held at December 31, 2005 and 2004:

Description of investment	2005	2004
<b>Mutual funds:</b>		
Wilshire VIT Equity Fund HM Shares*	\$ 12,390,624	12,679,219
Wilshire VIT Balanced Fund HM Shares*	7,993,671	7,892,270
Fidelity VIP Mid Cap Portfolio	5,385,521	3,302,552
Wilshire VIT Small Cap Growth Fund HM Shares	4,696,166	5,047,901
T. Rowe Price Small Cap Value Fund	4,636,695	3,894,835
Wilshire VIT Socially Responsible Fund HM Shares	3,599,510	3,719,999
Wilshire 5000 Index Portfolio	3,577,372	3,092,617
Wilshire Large Company Growth Portfolio	3,308,973	2,882,528
Wilshire VIT International Equity Fund HM Shares	3,181,977	3,106,843
T. Rowe Price Small Cap Stock Fund	2,374,025	1,929,794
Fidelity VIP Growth Portfolio	2,025,984	1,723,221
Fidelity VIP Overseas Portfolio	1,820,820	942,228
Wells Fargo Advantage Opportunity Fund	1,591,244	
Strong Opportunity Fund II		1,528,066
Wilshire VIT Income Fund HM Shares	1,570,011	1,263,972
Davis Value Portfolio	1,297,380	913,547
Putnam VT Vista Fund	1,178,483	628,626
J.P. Morgan U.S. Disciplined Equity Portfolio	655,302	595,500
Wilshire VIT Short-Term Investment Fund HM Shares	531,381	239,543
<b>Total mutual funds</b>	<b>61,815,139</b>	<b>55,383,261</b>
HMLIC Fixed Account*	38,655,360	37,227,928
Horace Mann Educators Corporation Common Stock*	6,846,365	7,762,573
	<b>\$ 107,316,864</b>	<b>100,373,762</b>

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\* Represents 5% or more of the Plan's net assets held at year end.

**(e) Transfers and Withdrawals**

Participants may transfer all or a portion of their account balance between the various investment funds on a daily basis. Participant withdrawals (as allowed under the Plan) are permitted on a weekly basis.

**(f) Loans**

Effective October 1, 2002, participants may borrow a minimum of \$1,000 up to a maximum of 50% of their vested account balance but no more than \$50,000. The minimum term for a loan is 12 months and the maximum is 60 months (180 months for primary residence loans). Participants may have up to two active loans at one time. A \$65 loan administration fee is deducted from the participant's loan proceeds. Loans totaling \$2,265,938 and \$1,888,313 from 325 and 238 active participants were outstanding at December 31, 2005 and 2004, respectively. Interest rates charged on loans ranged from 5.00% to 7.75%.



**Horace Mann Supplemental Retirement and Savings Plan**

Notes to Financial Statements

December 31, 2005 and 2004

**(g) Termination**

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan at any time, subject to the provisions of ERISA. In the event of Plan termination, participants become fully vested in the Company's pre-January 1, 2002, matching contributions and related investment earnings.

**(h) Forfeited Accounts**

Amounts that are forfeited relate to the Company's pre-January 1, 2002 matching contributions and any investment gains on those amounts and are used to offset the Company's future contributions, reinstate balances for rehires, and pay expenses. Forfeitures were \$38,043 and \$14,188 for the years ended December 31, 2005 and 2004, respectively.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting.

**(b) Investment Valuation and Income Recognition**

The Plan's investments are stated at fair value. Quoted market prices are used to value investments in common stock. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end. Investments in the fixed fund are stated at contract value, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Participant loans are valued at the unpaid principal balance, which approximates fair value. Interest and dividend income is recorded as earned on an accrual basis.

**(c) Net Appreciation in Fair Value of Investments**

In the statements of changes in net assets available for benefits, the Plan presents the net appreciation (depreciation) in the fair value of its investments which consists of realized gains or losses and the unrealized appreciation (depreciation) on those investments.

**(d) Plan Expenses**

The Plan pays all Plan administrative expenses, consisting primarily of recordkeeping, trustee, audit, and legal fees. All investment fees have been included in the quarterly performance gains or losses reported for individual Plan funds.

**(e) Payment of Benefits**

Benefit payments are recorded when paid.

*(f) Use of Estimates*

The preparation of the Plan's financial statements in conformity with U.S. generally accepted accounting principles requires the Plan administrator to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

**Horace Mann Supplemental Retirement and Savings Plan**

Notes to Financial Statements

December 31, 2005 and 2004

**(g) Risks and Uncertainties**

The Plan provides for investments in mutual funds and Horace Mann Educator Corporation common stock. Investment securities are exposed to various risks including, but not limited to, interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

**(3) Investments**

HMLIC Group Annuity Contract (Fixed and Separate Accounts).

**(a) Fixed Account**

Within the HMLIC Group Annuity Contract plan, participants may invest in a fixed interest rate fund. Plan assets invested in this fixed interest rate fund are guaranteed by HMLIC and, as a result, are presented in the financial statements at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less withdrawals by participants. The fair value of the group annuity contract is approximately equal to contract value at December 31, 2005 and 2004.

The actual credited interest rate on the group annuity contract was 4.50% for the years ended December 31, 2005 and 2004, respectively.

The minimum guaranteed annual interest rate per the group annuity contract is 4.50%. The actual credited interest rate may be reset by HMLIC with 30 days advance notice. The rate was unchanged from 2004 at 4.50%.

**(b) Separate Account**

Prior to October 1, 2004, the separate account available within the HMLIC Group Annuity Contract included investment options for the purpose of separately investing Plan assets in one or more of seven HMLIC sponsored mutual funds, (Equity Fund, Balanced Fund, Small Cap Growth Fund, Socially Responsible Fund, International Equity Fund, Income Fund, and Short-Term Investment Fund) and 11 additional mutual fund options including the Wilshire Funds, the Fidelity Funds, T. Rowe Price Small Cap Stock Fund and the T. Rowe Price Small Cap Value Fund, the Davis Value Portfolio, the Strong Opportunity Fund II, the J.P. Morgan U.S. Disciplined Equity Portfolio, and the Putnam VT Vista Fund. Effective October 1, 2004, the sponsorship of the HMLIC mutual funds was transferred to Wilshire Associates Inc.

The investments of the underlying mutual funds are primarily common stocks, U.S. government and corporate bonds, and short-term commercial paper. Short-term commercial paper is presented at cost, which approximates fair value.

**Horace Mann Supplemental Retirement and Savings Plan**

Notes to Financial Statements

December 31, 2005 and 2004

**(c) Appreciation (Depreciation)**

The Plan's investments (including realized gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value during 2005 and 2004 as follows:

	2005	2004
Mutual funds	\$ 4,279,060	\$ 5,534,342
Common stock	(146,322)	2,140,063
	\$ 4,132,738	\$ 7,674,405

Total annual returns for each of the mutual funds were as follows:

	2005	2004
	(Unaudited)	
Mutual funds:		
Wilshire VIT Equity Fund HM Shares	5.32%	9.55%
Wilshire VIT Balanced Fund HM Shares	3.77	7.60
Fidelity VIP Mid Cap Portfolio	17.46	24.03
Wilshire VIT Small Cap Growth Fund HM Shares	3.20	3.83
T. Rowe Price Small Cap Value Fund	8.04	24.81
Wilshire VIT Socially Responsible Fund HM Shares	4.60	12.69
Wilshire 5000 Index Portfolio	5.33	10.96
Wilshire Large Company Growth Portfolio	8.31	6.53
Wilshire VIT International Equity Fund HM Shares	9.57	10.03
T. Rowe Price Small Cap Stock Fund	7.71	17.87
Fidelity VIP Growth Portfolio	4.98	2.60
Fidelity VIP Overseas Portfolio	18.23	12.75
Wells Fargo Advantage Opportunity Fund	7.36	
Strong Opportunity Fund II		17.61
Wilshire VIT Income Fund HM Shares	1.47	4.38
Davis Value Portfolio	8.92	11.76
Putnam VT Vista Fund	11.63	17.97
J.P. Morgan U.S. Disciplined Equity Portfolio	0.85	8.94
Wilshire VIT Short-Term Investment Fund HM Shares	2.03	0.60



**Horace Mann Supplemental Retirement and Savings Plan**

Notes to Financial Statements

December 31, 2005 and 2004

**(d) HMEC Common Stock**

The Plan's HMEC Common Stock at December 31, 2005 and 2004, consisted of 361,095 shares and 406,843 shares, respectively, of HMEC common stock, which is traded on the New York Stock Exchange under the symbol HMN. This investment is presented in the financial statements at fair value with a quoted market price at December 31, 2005 and 2004 of \$18.96 and \$19.08 per share, respectively.

Total annual returns for investments in the HMEC Common Stock were as follows:

1 Year		Since inception
2005	2004	(November 1991)
1.65%	39.90%	7.22%

**(4) Income Tax Status**

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated August 21, 2003, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code), and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

**(5) Related Party Transactions**

Investment options available to Plan participants include investments in the common stock of the Plan sponsor's parent, HMEC, and investments in annuity contracts guaranteed by HMLIC, a subsidiary of HMEC.

The Parent provides staffing, building space, and supplies at no cost to the Plan.

**Supplemental Schedule**

EIN: 37-0972590

Plan: 004

## Horace Mann Supplemental Retirement and Savings Plan

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2005

Number of Shares or Units	Description of Investment	Contract or Fair Value
Mutual Funds:		
516,341	Wilshire VIT Equity Fund-HM Shares	\$ 12,390,624
365,503	Wilshire VIT Balanced Fund-HM Shares	7,993,671
150,001	Fidelity VIP Mid Cap Portfolio	5,385,521
360,819	Wilshire VIT Small Cap Growth Fund- HM Shares	4,696,166
99,193	T. Rowe Price Small Cap Value Fund	4,636,695
195,267	Wilshire VIT Socially Responsible Fund- HM Shares	3,599,510
316,349	Wilshire 5000 Index Portfolio	3,577,372
91,997	Wilshire Large Company Growth Portfolio	3,308,973
234,476	Wilshire VIT International Equity Fund- HM Shares	3,181,977
57,708	T. Rowe Price Small Cap Stock Fund	2,374,025
56,206	Fidelity VIP Growth Portfolio	2,025,984
75,437	Fidelity VIP Overseas Portfolio	1,820,820
46,770	Wells Fargo Advantage Opportunity Fund	1,591,244
86,253	Wilshire VIT Income Fund-HM Shares	1,570,011
96,712	Davis Value Portfolio	1,297,380
73,565	Putnam VT Vista Fund	1,178,483
46,386	J.P. Morgan U.S. Disciplined Equity Portfolio	655,302
45,272	Wilshire VIT Short-Term Investment Fund- HM Shares	531,381
	Total mutual funds	61,815,139
N/A	HMLIC Fixed Account*	38,655,360
361,095	Horace Mann Educators Corporation Common Stock*	6,846,365
	Participant loans (460 loans, interest rates ranging from 5.00% to 7.75%, maturing January 15, 2006 to December 31, 2020)	2,265,938
		\$ 109,582,802

\* Represents a party- in-interest.

See accompanying report of independent registered public accounting firm.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Pension Plan Committee of the Horace Mann Supplemental Retirement and Savings Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date 28 June 2006

HORACE MANN SUPPLEMENTAL RETIREMENT AND  
SAVINGS PLAN

/s/ Kathryn E. Karr  
Kathryn E. Karr  
Plan Administrator  
Vice President,  
Human Resources Financial Services