ANNUAL REPORT

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STATE OF KENTUCKY

for the fiscal year ended June 30, 2000



# Teachers' Retirement System of the State of Kentucky

## The 60th Annual Report

Fiscal Year Ended June 30, 2000

Kentucky Teachers' Retirement System 479 Versailles Road Frankfort, Kentucky 40601-3800

# Pat N. Miller Executive Secretary

This report was printed on recycled paper.

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## Introductory Section

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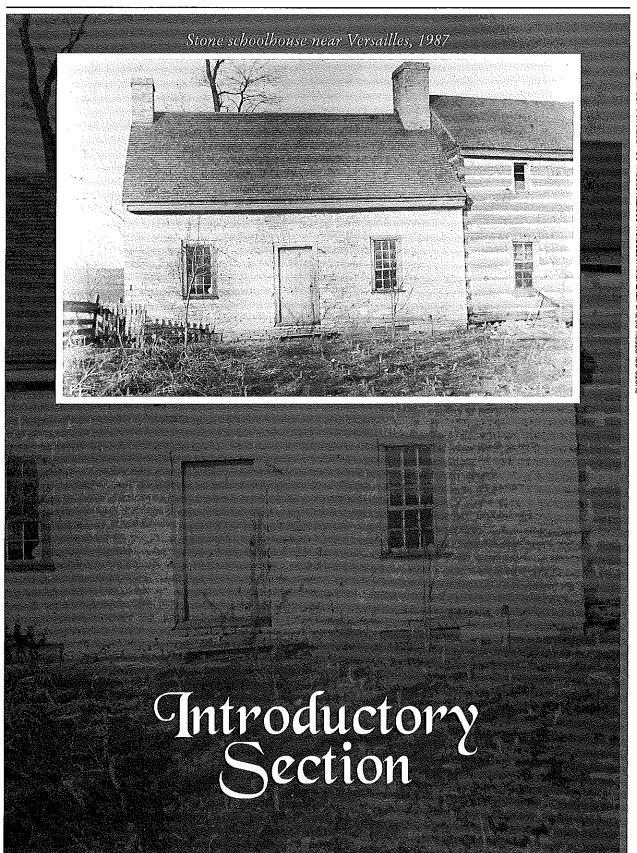
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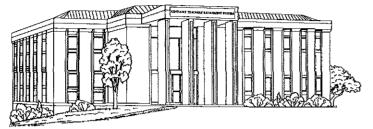
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PHOTO COURTESY OF THE KENTUCKY HISTORICAL SOCIETY SPECIAL COLLECTIONS & ARCHIVES

# Teachers' Retirement System of the State of Kentucky



November 30, 2000

Dear Members:

On behalf of the Board of Trustees and staff, I am pleased to present this Annual Report of the Teachers' Retirement System of the State of Kentucky for the year ending June 30, 2000, the 60th year of operation of the System. The accompanying reports from the independent auditor and the consulting actuary substantiate the financial integrity and the actuarial soundness of the system.

KTRS closed the 1999-2000 fiscal year with \$12.8 billion in assets. The active membership totaled 52,620 and the retired membership was 30,612 with an annual payroll of \$609.4 million.

The Board of Trustees is totally committed to managing the retirement system funds in a prudent, professional manner. The retirement system is justly proud that the funding level of the system has shown continued improvement over the past twenty years. Every effort will be made to insure that the system continues to operate in a fiscally sound manner. Present and future members of the system deserve to be able to avail themselves of the best possible retirement as authorized by statute.

We appreciate the support and cooperation extended by the Governor and the Legislature. This cooperation allows the system to not only meet current challenges but to also make timely provisions for the future.

The Board of Trustees pledges to continue to administer the affairs of the Kentucky Teachers' Retirement System in the most competent and efficient manner possible.

Sincerely,

Virginia Murrell
Virginia Murrell

Chairperson
Board of Trustees

#### BOARD OF TRUSTEES

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VIRGINIA MURRELL CHAIRPERSON SOMERSET

JUDITH R. GAMBILL VICE CHAIRPERSON ASHLAND

ROBERT M. CONLEY PAINTSVILLE

ARTHUR GREEN ELKTON

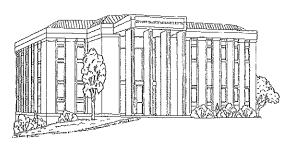
EARLE V. POWELL FRANKFORT

> J. KENNETH SHADOWEN BENTON

BARBARA
G. STERRETT
LEXINGTON

EX OFFICIO WILMER S. CODY CHIEF STATE SCHOOL OFFICER

EX OFFICIO JONATHAN MILLER STATE TREASURER



# Teachers'Retirement System of the State of Kentucky

Honorable Paul E. Patton, Governor Commonwealth of Kentucky Capitol Building Frankfort, Kentucky 40601-3800

November 30, 2000

Dear Governor Patton:

It is my pleasure to submit the 60th Annual Report of the Teachers' Retirement System of the State of Kentucky for the fiscal year ending on June 30, 2000.

State law provides the legal requirement for the publication of this report and in addition requires an annual audit of the retirement system.

Kentucky Teachers' Retirement System (KTRS) has produced an annual report that will provide you, the General Assembly, and the general public, with information necessary to gain a better understanding of the Teachers' Retirement System.

#### This Report Consists of Five Sections:

- ♦ The Introductory Section contains the Board Chairperson's letter, this letter of transmittal, Board of Trustees information, a list of consultants used by the System, and the organizational chart.
- ♦ The Financial Section contains the opinion of the independent accountants, financial statements and required supplementary schedules.

- ♦ The Investment Section presents investment and portfolio performance. This includes the policies, summary, profile, and listings of the System's holdings.
- The Actuarial Section contains the certification from the Actuaries of Buck Consultants as well as the results of the System's actuarial valuation.
- ♦ The Statistical Section contains information on the System's membership, both active and retired.

#### Accounting System and Reports

This report has been prepared to conform with the principles of governmental accounting and reporting as established by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report was prepared by the Kentucky Teachers' Retirement System comptroller's section. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with KTRS. KTRS believes the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of KTRS as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of KTRS's financial affairs have been included.

The accrual basis of accounting is used to record the assets, liabilities, revenues, and expenses of the System. Revenues of the System are taken into account when earned without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment was made. Fixed assets are recorded at cost and depreciated over the estimated useful lives of the assets.

In developing and evaluating KTRS's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding

of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that KTRS's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

#### Revenues

The reserves needed to finance retirement and other member benefits are accumulated through the collection of member, employer or state contributions as well as income derived from the investment of reserve funds. Total additions (contributions and net investment income) for the fiscal year were \$968 million for the defined benefit plan, while the additions to the medical insurance plan and the tax-sheltered annuity plan were \$89 million and \$38 thousand respectively. There were no changes to the contribution rates in the defined benefit and medical insurance plans. The tax-sheltered annuity plan no longer accepts contributions as of April 30, 1997.

#### Expenses

The primary purpose of a retirement system relates to the purpose for which it was created, the payment of benefits. These payments, along with refunds of contributions to terminated employees, insurance benefits of retired teachers, and the cost of administering the system, comprise the total expenses. The total expenses of the tax-sheltered annuity plan were \$94.5 thousand, consisting primarily of refunds and benefits. The total expenses of the medical insurance plan were \$80.4 million. The majority of that amount is composed of health premiums and actual medical expenses. The defined benefit plan generated a total of \$625.5 million of expenses which are detailed as follows:

Expenses	(Millions)
Benefits	\$ 609.3
Refunds	11.3
Administration	4.9

#### Investments

The investment portfolio's earnings represent a substantial financial contribution to the System. Income from investments provides most of the funds used in paying member annuities. The investment portfolio experienced significant growth during the 1999-00 fiscal year. The portfolio's par value increased from \$10,068,021,012 to \$11,337,840,290. The growth of the portfolio primarily was due to investment income that included realized capital gains. Investment earnings exceeded \$458 million. Employer and employee contributions also provided significant income to the portfolio.

The majority of earnings from the System's investment portfolio was generated in interest income earned on investments in the amount of \$330,705,676. The second largest earnings component, \$108,497,404, was earned from dividends, rent, and securities lending. Other income of \$23,754,849 was the result of net appreciation in fair value of investments.

According to KRS 161.430 the KTRS Board of Trustees has the authority to invest the assets of the System. The Board of Trustees, generally, delegates investment authority to an Investment Committee that is comprised of two Trustees and the System's Executive Secretary. The Investment Committee works closely with experienced investment counselors, who are contracted by the Board of Trustees, and the System's professional staff in evaluating investments.

#### Funding

Based on recommendations of the Board of Trustees, the General Assembly establishes the levels of contribution by statue that are to be made by members and employers to fund the liabilities of the system. Each year, an independent actuary performs a valuation to determine whether the current levels of contribution will be sufficient to cover the cost of benefits earned by members.

The latest actuarial valuation was for the period ending June 30, 1999. This report reflects that the System's assets based on modified market value totaled \$11.9 billion and the liabilities totaled \$12.2 billion. The actuary determined that the existing levels of contribution by members and employers would be sufficient to fund all of the System's liabilities within a reasonable period of time. The report concludes that the System is operating on an actuarially sound basis. Assuming that employer contributions continue in the future at rates recommended on the basis of the successive actuarial valuations, the actuary states that the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

#### KTRS Medical Insurance Plan

KTRS health care costs keep escalating at a much faster clip than revenue growth in the Medical Insurance Fund. Last year, basic doctor/hospital costs and the cost of medications (prescription drugs) rose about 14%. An actuarial valuation of the Medical Insurance Fund for the fiscal year ended June 30,2000 indicated that the fund has an unfunded liability of \$2.2 billion. The KTRS 2000-2002 biennial budget requested additional funding from the Commonwealth, but due to difficult economic times, these funds were not available. The General Assembly partially addressed the problem by allowing KTRS to transfer 3.25% of the employer contribution rate to the medical insurance program.

Effective January 1, 1999 KTRS retirees and dependents under the age of 65 have their health insurance provided by plans managed by the Kentucky Personnel Cabinet. Under this arrangement, KTRS provides a monthly supplement to assist the retiree and their dependents in purchasing their health insurance. Retirees 65 and over remain in the plan administered by KTRS. These retirees also receive a supplement for the cost of their coverage.

The System realizes that these means alone will not solve the medical insurance funding crisis. Additional

steps must be taken through legislation on both the state and national levels in order for true cost control to result. Meanwhile, KTRS will address the problem by taking measures to contain costs and by increasing revenues to the insurance fund, adjusting coverage to meet existing revenues, or a combination of the two.

#### **Professional Services**

Professional consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the KTRS. A certification from the certified public accountant and actuary are enclosed in this report. The systems consultants who are appointed by the Board are listed on pages 8 and 35 of this report.

#### Our Gratitude

Mr. Kenneth Shadowen of Benton, Kentucky retired from the Board of Trustees effective June 30, 2000. His service began September 16, 1991 when he was appointed to fill an unexpired term and was elected to the Board on July 1, 1992. Mr. Shadowen served as a member on both the Legislative and Personnel Committees. He was a most dedicated member of the Board of Trustees and he will be missed by the Board and the staff.

We welcome Mr. Steve Hoskins of Wickliffe, Kentucky who was elected to the Board of Trustees on July 1, 2000.

Following twenty-three years of dedicated and exemplary service as Deputy Executive Secretary of the KTRS, Mr. Billy F. Hunt elected to retire effective December 1, 1999. The KTRS Board and staff wish for Mr. Hunt many years of enjoyable retirement.

The System was honored by two National professional organizations in regard to the administration of the retirement program.

#### **PPCC Achievement Award**

The Public Pension Coordinating Council awarded a Certificate of Achievement to the Teachers' Retirement System of the State of Kentucky for 1998 (this award is issued every two years) for implementing and maintaining high professional standards in administering the affairs of the System. The award is

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based on compliance with principles judged to underlic exemplary retirement system achievements in the areas of benefits, actuarial valuation, financial reporting, investments and disclosure and are widely acknowledged to be marks of excellence for retirement systems. It represents the highest standards of excellence in the public pension industry.

The PPCC is a coalition of the four major public pension organizations in the nation. These include the National Association of State Retirement Administrators, The National Council on Teacher Retirement, the National Conference on Public Employees Retirement Systems, and Government Finance Officers Association.

#### Acknowledgments

The preparation of this report reflects the combined efforts of the KTRS staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information. This information serves as a basis for making management decisions and for determining compliance with legal provisions. It is also used to determine responsible stewardship for the assets contributed by the members and their employers.

This report is being mailed to all employer members of the System who, form the link between KTRS and its members. Their coosperation continues to contribute significantly to the success of KTRS. Hopefully, the employers and their employees will find this report both informative and helpful.

KTRS is totally committed to the continued operation of an actuarially sound retirement system. The support that you have demonstrated in the past is an essential part of this commitment, and we look forward to continuing this good relationship in the future.

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Respectfully Submitted,

Pat N. Miller

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Executive Secretary



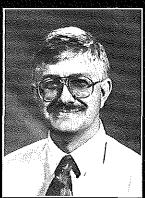
Virginia Murrell Chairperson, Retired Teacher Trustee Somerset



Judith Gambill Vice-Chairperson, Teacher Trustee Ashland



Robert Conley Lay Trustee Paintsville



Arthur Green Teacher Trustee Elkton



Earle Powell Lay Trustee Frankfort



Kenneth Shadowen Teacher Trustee Benton



Barbara Sterrett Teacher Trustee Lexington



Wilmer Cody Ex-Officio Trustee Chief State School Officer



Jonathan Miller Ex-Officio Trustee State Treasurer

**Board of Trustees** 

## Kentucky Teachers' Retirement System

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479 Versailles Road Frankfort, Kentucky 40601-3800

#### ADMINISTRATIVE STAFF

#### PAT N. MILLER

Executive Secretary

#### GARY L. HARBIN, CPA

Chief Deputy Executive Secretary for Administration

#### **BILLY F. HUNT**

Deputy Executive Secretary for Administration (Retired December 1999)

#### STUART A. REAGAN, CFA

Deputy Executive Secretary for Investments

#### PROFESSIONAL CONSULTANTS

#### **ACTUARY**

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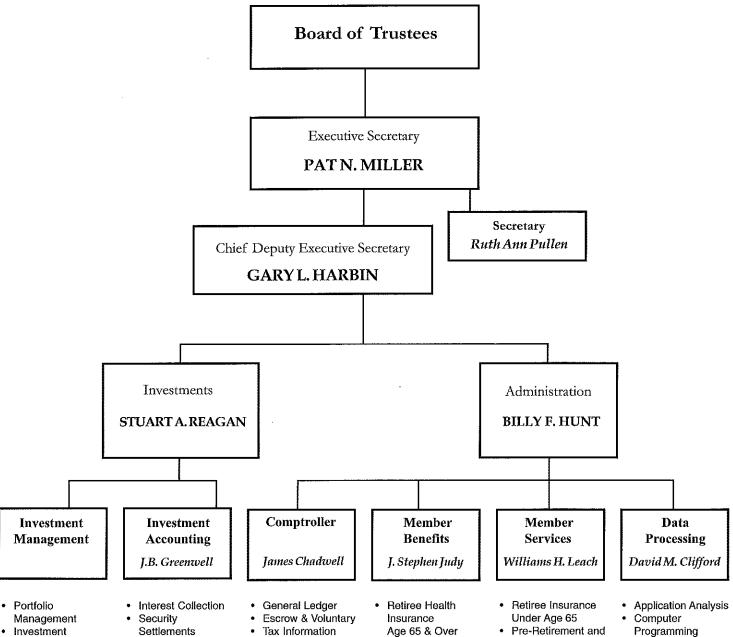
George B. Buck Consulting Actuaries, Inc.
Suite 1200
Galleria Parkway NW
Atlanta, Georgia 30339

#### **AUDITOR**

Charles T. Mitchell, LLP 201 West Main Street P.O. Box 698 Frankfort, Kentucky 40601

\* See page 35 of the Investment Section for investment consultants.

## KTRS Organizational Chart



- Investment Transactions
- Portfolio Evaluation
- Assist Investment Committee

10

- Settlements
- **Custodial Services**
- Record Maintenance
- - Reports
  - Administrative Services
  - **Budget Preparation**
  - Payroll
- - **Employer Annual**

  - Administration
- Member & Group Counseling
- Survivor & Death Benefits
- Disability & Service Retirement
- Retirement Waivers & Re-Employment
- On Site Workshops
- Pre-Retirement and Mid-Career Planning Programs
- Refunds & Personal Payments
- Retiree Payroll
- Record Maintenance
- Administrative Services
- Computer Operations
- Data Base Administrator
- Data Entry
- · Special Reports

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# Public Pension Coordinating Council Public Pension Principles 1998 Achievement Award

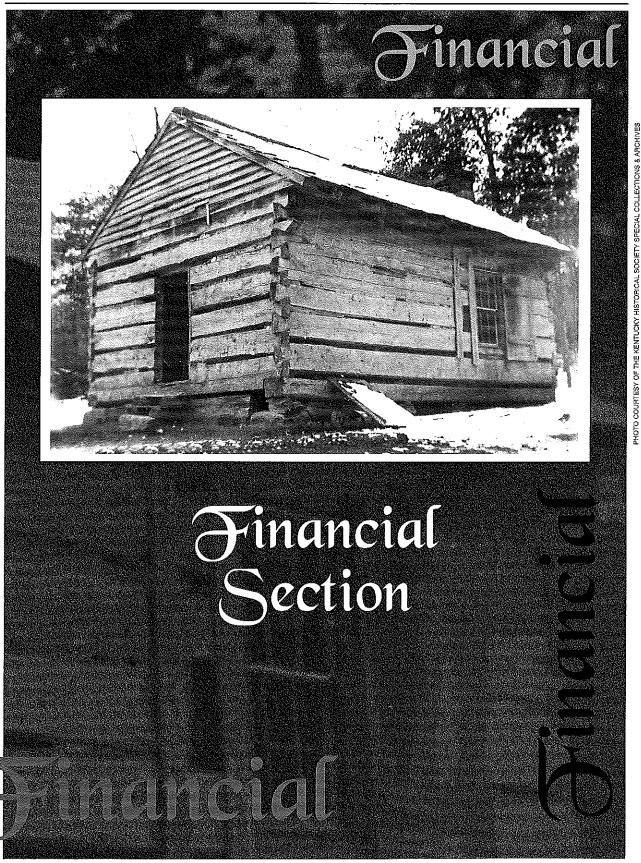
Presented to

## Kentucky Teachers' Retirement System

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Scott Engmann Chairman



One room schoolhouse in eastern Kentucky (Lee County)

## Charles T. Mitchell Company, LLP

Certified Public Accountants

201 WEST MAIN, P.O. BOX 698 FRANKFORT, KENTUCKY 46602-0698 TELEPHONE - (502) 227-7395 TELECOPIER - (502) 227-8005 CTM

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DON C. GILES, C.P.A.
WILLIAM G. JOHNSON, JR., C.P.A.
LARRY T. WILLIAMS, C.P.A.
JAMES CLOUSE, C.P.A.
BERNADETTE SMITH, C.P.A.
KIM FIELD, C.P.A.

CHARLES T. MITCHELL, C.P.A. CONSULTANT

Board of Trustees Teachers' Retirement System of the State of Kentucky Frankfort, Kentucky 40601

#### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky, as of June 30, 2000 and 1999 and the related statements of changes in plan net assets for the years then ended. These component unit financial statements are the responsibility of the Teachers' Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the 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. 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 plan net assets of the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky, at June 30, 2000 and 1998, and the changes in its plan net assets for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2000 on our consideration of the Teachers' Retirement System of the State of Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with the report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental schedules listed in the table of contents as of and for the year ended June 30, 2000 and 1999 have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The financial section supporting schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the System's management. Such schedules as of and for the year ended June 30, 2000 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The required supplemental information presented on page 28 is presented for information purposes only. We have not audited or reviewed this information and, accordingly, do not express an opinion or any other form of assurance on it.

Charles T. Mitchell Co.

December 11, 2000

## Statements of Plan Net Assets As of June 30, 2000 and 1999

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		efined efit Plan		Iedical rance Plan		03(B) Shelter
	2000	1999	2000	1999	2000	1999
ASSETS						
Cash Prepaid expenses	\$ 1,595,580 254,331	\$ 152,098 222,000				
Receivables Contributions Investment income Investment sales receivable Other receivables	21,705,562 63,900,058 9,212,393 1,792,622	24,297,545 61,585,523 4,814,950 1,740,321	\$ 1,707,488	\$ 1,838,232		*****
Total receivables	96,610,635	92,438,339	1,707,488	1,838,232		
Investments, at fair value (See Note 4) Short term investments Bonds and mortgages Common stock Real estate	818,099,133 4,355,407,607 7,393,185,234 230,462,637	855,297,818 4,417,838,667 6,921,493,542 _196,461,282	59,585,346	49,580,837	\$ 665,521	\$ 821,345
Total investments	12,797,154,611	12,391,091,309	59,585,346	49,580,837	665,521	821,345
Invested security lending collateral Fixed assets, at cost net of accumulated depreciation	349,778,001	257,678,042			TO THE TAX AND THE	
of \$1,525,088 (See Note 2)	3,252,119	3,145,416				
Total assets	13,248,645,277	12,744,727,204	61,292,834	51,419,069	665,521	821,345
LIABILITIES						
Liabilities  Disbursements in excess of cash balance Accounts payable 'Treasurer's unredeemed checks	812,101 19,608	1,192,850 1,072,520 14,467	75,852			
Insurance claims payable Compensated absences payable	502,315	492,923	7,240,347	5,402,348	70.0	
Uncarned insurance premium receipts State of Kentucky Investment purchases payable Obligations under securities	3,325,999 77,096,075	3,172,320 7,156,316	106,788	100,723 730,786		
lending	349,778,001	<u>257,678,042</u>				
Total Liabilities	431,534,099	270,779,438	7,422,987	6,233,857		
Net assets held in trust for pension penelits A schedule of funding progress is	\$12,817,111,178	\$12,473,947,766 	\$ 53,869,847	\$ 45,185,212	\$ 665,521	\$ 821,345
oresented on page 28.)	The accor	mpanying notes a	re an integral p	art of these financia	al statements,	

## Statements of Changes in Plan Net Assets As of June 30, 2000 and 1999

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	Defined Benefit Plan			Medical Insurance Plan		403(B) Tax Shelter	
	2000	1999	2000	1999	2000	1999	
ADDITIONS	And the second s						
Contributions							
Employer	\$ 311,286,811	\$ 288,543,990		\$ 46,168,014			
Member	203,149,281	194,747,429	36,392,846	34,579,816			
Total contributions	\$ 514,436,092	483,291,419	85,339,492	80,747,830			
Investment Income	,						
Net appreciation							
in fair value of							
Investments	23,754,849	856,904,113					
Interest	326,956,123	318,818,494	3,710,881	2,306,711	\$ 38,672	\$ 42,987	
Dividends	87,536,232	85,381,417	' '	-,,·	",-	¥ 1,r57	
Rental income, net	20,222,465	17,268,346	Į				
Securities lending,	20,222,103	17,200,5 (0					
gross earnings	22,176,234	23,219,665					
gross eathings		23,219,003					
Gross investment income	480,645,903	1,301,592,035	3,710,881	2,306,711	38,672	42,987	
Less investment expense	(4,957,052)	(4,174,225)					
Less securities lending	(1,557,052)	(1,171,440)					
expense	(21,437,527)	(22,653,440)					
expense	(21,457,327)	(22,033,440)					
Net investment income	454,251,324	1,274,764,370	3,710,881	2,306,711	38,672	42,987	
Total additions	968,687,416	1,758,055,789	89,050,373	83,054,541	38,672	42,987	
DEDUCTIONS							
Benefits	609,359,896	547,300,497			62,437	85,468	
Refunds of contributions	11,304,485	9,083,461	2,246	3,145	132,059	2,999	
Insurance expenses	11,504,405	2,003,701	77,339,737	67,625,174	132,037	2,999	
Administrative expense	4,859,623	4,522,908	3,023,755	2,728,897			
AGIIIIIstiative expense	4,039,023	4,322,900		2,720,897			
Total deductions	625,524,004	560,906,866	80,365,738	70,357,216	194,496	88,467	
Net increase (decrease)	343,163,412	1,197,148,923	8,684,635	12,697,325	(155,824)	(45,480)	
` ,		y y	,,	,,	,	(10,100)	
Net assets held in trust							
for pension benefits	12,473,947,766	11,276,798,843	45,185,212	32,487,887	821,345	866,825	
for pension benefits Beginning of year		, , ,	, ,	,,		,	
for pension benefits Beginning of year							

## Notes to Financial Statements

Years Ended June 30, 2000 and 1999

## Note 1: Description of Plan

#### A. REPORTING ENTITY

The Teachers' Retirement System of the State of Kentucky (KTRS) was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan established to provide pension benefit plan coverage for local school districts and other public educational agencies in the state.

#### B. PARTICIPANTS

As of June 30, 2000 a total of 203 employers participated in the plan. Employers are comprised of 176 local school districts, 21 Department of Education Agencies and other educational organizations, 5 universities and also the Kentucky Community and Technical College System.

According to KRS 161.220 "... any regular or special teacher, or professional occupying a position requiring certification or graduation from a four (4) year college or university... "is eligible to participate in the System. The following illustrates the classifications of members:

Active contributing members:	2000	1999
Vested	37,730	38,811
Non-vested	14,890	13,896
Inactive members, both vested and non-vested	5,172	4,960
Retirees and beneficiaries currently receiving benefits	30,612	29,157
Total members, retirees and beneficiaries	88,404	86,824

#### C. BENEFIT PROVISIONS

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members receive monthly payments equal to two (2) percent (service prior to January 1, 1984) and two and one-half (2.5) percent (service after January 1, 1984) of their final average salaries for each year of credited service. University employees receive monthly benefits equal to two (2) percent of their final average salary for each year of credited service. The final average salary is the member's five (5) highest annual salaries for those with less than 27 years of service. Members over age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. The system also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A death benefit payable upon the death of a member is the sum of \$2,000 for active contributing members and \$3,000 for retired or disabled members.

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Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases, and any other benefit amendments must be authorized by the General Assembly.

#### Note 2: Summary of Significant Accounting Policies

#### A. BASIS OF ACCOUNTING

The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### B. CASH

KTRS has two cash accounts. At June 30, 2000, the pension cash account totaled \$1,095,690 and the administrative expense fund cash account was \$499,890; therefore, the carrying value of cash was \$1,595,580 and the corresponding bank balance was \$5,310,228. The difference is primarily due to outstanding checks and items not yet processed by the bank.

#### C. FIXED ASSETS

Fixed assets are recorded at historical cost less straight line accumulated depreciation. The classes of fixed assets are furniture and equipment, the KTRS office buildings and land. Furniture, and equipment are depreciated over an average useful life of five to seven years. The office buildings are depreciated over forty years.

#### D. INVESTMENTS

Plan investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Short-term securities are carried at cost, which approximates fair value. Fixed income and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued based on appraisals performed by independent appraisers.

Purchase and sales of debt securities, equity securities, and short-term investments are recorded on the trade date. Real estate equity transactions are recorded on the settlement date. Upon sale of investments, the difference between sales proceeds and cost is reflected in the statement of changes in plan net assets.

Investment expenses consist of investment manager and consultant fees along with fees for custodial services.

#### E. COMPENSATED ABSENCES

Expenses for accumulated vacation days and compensatory time earned by the System's employees are recorded when earned. Upon termination or retirement, employees of the system are paid for accumulated vacation time limited to 450 hours and accumulated compensatory time limited to 240 hours. As of June 30, 2000 accrued compensated absences were \$502,315.

#### F. RISK MANAGEMENT

Destruction of assets, theft, employee injuries and court challenges to administrative policy are among the various risks to which the system is exposed. In order to cover such risks the system carries appropriate insurance policies such as fire and tornado, employee bonds, fiduciary liability, worker's compensation and equipment insurance.

#### G. OTHER RECEIVABLES

KTRS now allows qualified purchases of service credit to be made by installment payments not to exceed a five year period. Revenue is recognized in full the initial year of the installment contract agreement. The June 30, 2000 and 1999 installment contract receivables were \$1,785,365 and \$1,740,321.

#### H. 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 report amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ form those estimates.

#### I. INCOME TAXES

The defined benefit plan is organized as a tax-exempt retirement plan under the Internal Revenue Code. The tax sheltered annuity plan is no longer continued and will be fully terminated when all life time annuities have expired. The system's management believes that it has operated the plans within the constraints imposed by federal tax law.

#### Note 3: Contributions and Reserves

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#### A. CONTRIBUTIONS

Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 9.855% of their salaries to the System. University members are required to contribute 8.375% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 6.16% of their salary to KTRS.

The Commonwealth of Kentucky is required to contribute 13.105% of salaries for its non-university members and 13.84% of salaries for university members.

The member and employer contributions consist of pension contributions and post-retirement contributions. The post-retirement contribution (.75%) finances KTRS's retired medical insurance program.

If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee contributions plus interest are refunded to the employee upon the member's request.

#### B. RESERVES

#### Member Reserve

This fund was established by KRS 161.420 as the Teacher Savings Fund and consists of contributions paid by university and non-university members. The fund also includes interest authorized by the Board of Trustees from Unallocated Reserves. The accumulated contributions of members that are returned upon withdrawal or paid to the estate or designated beneficiary in the event of death are paid from this fund. Upon retirement, the member's contributions and the matching state contributions are transferred from this fund to Benefit Reserves, the fund from which retirement benefits are paid.

#### **Employer Reserve**

This fund was established by KRS 161.420 as the State Accumulation Fund and receives state appropriations to the Retirement System. The state matches an amount equal to member's contributions. State appropriations during the year are based on estimates of members' salaries. At year end when actual salaries are known, the required state matching is also realized by producing either a receivable from or a payable to the State of Kentucky. The net effect of over appropriations for the fiscal years 2000 and 1999 has generated a payable to the state.

#### Benefit Reserve

This fund was established by KRS 161.420 as the Allowance Reserve Fund, the source for retirement, disability, and survivor benefits paid to members of the System. These benefits are paid from the retired members' contributions until they are exhausted, at which time state matching contributions are used to pay the benefits. After an individual member's contributions and the state matching contributions have been exhausted, retirement benefits are paid from monies transferred from Unallocated Reserves. Death benefits are also paid from this fund.

#### Unallocated Reserve

This fund was established by KRS 161.420 as the Guarantee Fund to collect income from investments, state matching contributions of members withdrawn from the System, and state matching contributions for cost of living adjustments (COLAs). In addition, it receives money for which disposition is not otherwise provided. This fund provides interest to the other funds, benefits in excess of both members' and state matching contributions, monies for administrative expenses of the System, and deficiencies not covered by the other funds.

#### Administrative Expense Reserve

This fund was established by KRS 161.420 as the Expense Fund. Monies transferred to this fund from Unallocated Reserves are used to pay the administrative expenses of the System. The Board of Trustees annually adopts a budget that, according to KRS 161.420(1), cannot be greater than four percent (4%) of income earned from investments.

## Note 4: Deposits With Financial Institutions and Investments (Including Repurchase Agreements)

#### A. Summary of Investments

The following disclosures are meant to help the users of KTRS's financial statements assess the risks KTRS takes in investing public funds. The Board of Trustees and the Investment Committee are guided by asset allocation parameters that the Board approves through its powers defined in KRS 161.430. The parameters as outlined in Title 102, Chapter 1.175, Section 2 of the Kentucky Administrative Regulations are as follows:

- There shall be no limit on the amount of investments owned by the System that are guaranteed by the U.S. Government.
- Not more than thirty-five percent (35%) of the assets of the System at book value shall be invested in corporate debt obligations.

 Not more than sixty percent (60%) of the assets of the System at book value shall be invested in common stocks or preferred stocks. Not more than twenty-five percent (25%) of the assets of the System at book value shall be invested in a stock portfolio designed to replicate a general, United States stock index. Ħ

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- Not more than ten percent (10%) of the assets of the System at book value shall be invested in real estate. This would include real estate equity, real estate lease agreements, mortgages on real estate that are not guaranteed by the U.S. Government, and shares in real estate investment trusts.
- Not more than one percent (1%) of the assets of the System at book value shall be invested in venture capital investments, providing at least seventy-five percent (75%) of such investments must be in-state.
- Not more than ten percent (10%) of the assets of the System at book value shall be invested in any additional category or categories of investments. The Board of Trustees shall approve by resolution such additional category or categories of investments.

The chart on the following page represents the fair values of the investments of the Kentucky Teachers' Retirement System for June 30, 2000.

The KTRS bank balance consists of cash totaling \$5,310,228 which is fully insured or collateralized with securities by KTRS or its agent in the entity's name.

#### B. Securities Lending

Section 161.430 of the Kentucky Revised Statutes empowers the Board of Trustees with complete fiduciary responsibility for the funds of the System. The System operates a securities lending program in which it temporarily lends securities to qualified agents in exchange for a net fee and high quality collateral. U.S. Government and agency securities and selected domestic stocks and bonds are the types of securities that are lent. The System's securities sub-custodian, The Bank of New York, acts as lending agent in exchanging securities for collateral. The collateral has a value of not less than 102% of the market value of the lent securities plus any accrued, unpaid distributions. The collateral consists of cash, marketable U.S. Government securities, and selected marketable U.S. Government agency securities approved by the System. Cash collateral is invested in short term obligations fully guaranteed by the United States Government or select Government agencies and Government Repurchase Agreements with qualified agents. The System cannot pledge or sell collateral securities received unless the borrower defaults. The lending agent also indemnifies the System from any financial loss associated with a borrower's default and collateral inadequacy. As of June 30, 2000, the weighted average maturity of cash collateral investments was three days. At fiscal year end, the System has no credit risk exposure to borrowers, since the amounts the System owes the borrowers exceeds the amounts the borrowers owe the System.

Note 4: Deposits With Financial Institutions and Investments (Including Repurchase Agreements)
Continued . . .

## Schedule of Investments

	June 30, 2000	<u>June 30, 1999</u>
Short Term Investments		
Repurchase Agreements (1)	\$ 878,350,000	\$ 905,700,000
Total Short Term Investments	\$ 878,350,000	\$ 905,700,000
Bonds and Mortgages		
U.S. Government Obligations		
Treasury Notes & Bonds	\$ 1,134,865,286	\$ 1,098,167,431
Agencies	944,372,549	1,087,748,024
GNMA (Single Family)	134,400,060	137,400,286
Other Miscellaneous	135,352,129	130,728,866
Total U.S. Government Obligations	\$ 2,348,990,024	\$ 2,454,044,607
Corporate Bonds		
Industrial	\$ 560,254,071	\$ 451,508,998
Finance	1,032,376,853	1,088,074,927
Utility Bonds (Except Telephone)	125,892,109	120,040,783
Telephone Bonds	164,072,073	171,450,373
Railroad Obligations	102,141	101,682
Total Corporate Bonds	\$ 1,882,697,247	\$ 1,831,176,763
Other Fixed Income Investments		
FHA and VA Single Family Mortgages	\$ 484,259	\$ 710,098
Project Mortgages (FHA & GNMA)	100,196,850	105,268,635
State and Local Government Issues	23,039,227	26,638,564
Total Other Investments	\$ 123,720,336	\$ 132,617,297
Total Bonds and Mortgages	\$ 4,355,407,607	\$ 4,417,838,667
Stocks	\$ 7,393,185,234	\$ 6,921,493,542
Real Estate	\$ 230,462,637	\$ 196,461,282
Total Investments	\$ 12,857,405,478	\$ 12,441,493,491

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<sup>(1)</sup> Includes \$59,585,346 of Medical Insurance Fund investments and \$665,521 of 'Tax-Sheltered Annuity Plan investments for June 30, 2000. Does not include \$349,778,001 securities lending collateral.

Note 4: Deposits With Financial Institutions and Investments (Including Repurchase Agreements) Continued . . .

#### C. Summary of Categorized Investments

The following chart categorizes KTRS's investments, which gives an indication of the level of risk assumed by KTRS at June 30, 2000. Category 1 includes investments that are insured or registered or for which the securities are held by KTRS's custodial agent in KTRS's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in KTRS's name. Category 3 includes securities purchased by and held by the System's custodial agent. The agent loans securities owned by the System with the simultaneous receipt of cash collateral for the loaned securities. Cash collateral is reinvested in accordance with the System's securities lending agreement. All securities purchased with cash collateral are segregated by the custodial agent and held in the name of KTRS.

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Included in Category 1 are individual repurchase agreements which are ordered by KTRS under the terms of master repurchase agreements with various qualified brokers. The terms of these master agreements are dictated by KTRS. The repurchase agreements and their supporting collateral are held by the custodial agent's correspondent bank in an account identified by the custodian's name and KTRS's nominee name. This account is unique to KTRS. The master repurchase agreements require that the supporting collateral have a market value of at least 100% of the value of the repurchase agreements. Also, listed among the Other Government Guaranteed Fixed Income Investments are mortgages which are either securitized or unsecuritized, but all are insured through various Federal or State Agencies (FHA, GNMA, VA).

as of June 30, 2000		<u>Total Fair Valu</u>
Investments - Category 1		
Repurchase Agreements (1)	\$	878,350,000
U.S. Government Obligations	\$	2,041,699,282
Corporate Bonds		1,879,638,787
State and Local Government Issues		23,039,227
Common Stocks		7,385,106,038
Investments - Category 3		
Securities Lending Short-Term Collateral Repurchase Agreements	\$	349,778,001
SUBTOTAL	\$	12,557,611,335
Investments - Not Categorized		
Investments held by broker dealers under securities loans with cash collateral		
U.S. Government Obligations	\$	326,971,665
Corporate Bonds		3,058,461
Common Stocks		8,079,196
Other Government Guaranteed Fixed Income Investments		81,000,186
Real Estate		230,462,637
TOTAL	\$	13,207,183,480
(1) Includes \$59,585,346 of Medical Insurance Fund investments and \$665,521	c T	

#### Note 5: Medical Insurance Plan & Post-Employment Benefits

#### A. PLAN DESCRIPTION

In addition to the required pension benefits described in Note 1, Kentucky Revised Statute 161.675 allows KTRS to provide post-retirement healthcare benefits to members and dependents. To be eligible for medical benefits, the member must have retired either for service or disability, attain age 55 with 5 years of Kentucky service or had 27 years of Kentucky service.

The KTRS self insured plan is limited to KTRS members and spouses over the age of 65. All KTRS members under the age of 65 were offered commercial insurance through a state insurance purchasing pool administered by the Kentucky Personnel Cabinet. The Personnel Cabinet's primary function is to negotiate contracts with health plans to obtain the best price for persons covered. KTRS members were given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement was based on the member's service credit and age. Premiums over the monthly supplement were paid by the member. The system bears no risk for excess claims expenses under the commercial insurance coverage.

KTRS members and spouses over age 65 in the KTRS self-insured plan were also given a supplement based on service credit. Members with 25 or more years of service received the highest supplement.

At June 30, 2000, KTRS insurance covered 25,152 retirees and 5,975 dependents.

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The Medical Insurance Plan financial statements are prepared using the accrual basis of accounting. Member contributions and employer matching are recognized in the fiscal year due. Healthcare premiums charged to retired members are recognized when due and any premiums collected in advance are recognized as a liability.

#### Method Used to Value Investments

Since the investments are all short-term investments they are reported at cost, which is fair value.

#### C. CONTRIBUTIONS

The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefits, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description help meet the medical expenses of the plan.

Since medical expenses have skyrocketed in the last decade, it has become increasingly difficult to meet the expenses of the retiree health insurance program. To fund the plan, the state legislature has approved additional funding (up to 1.65%) from the 3.25% overmatch appropriations to be allotted to the Medical Insurance Plan.

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#### D. INCURRED BUT NOT REPORTED CLAIMS LIABILITIES

July 1, 1991 KTRS became self-insured assuming all liability for post-retirement care costs. Effective January 1, 1997, insurance plan participants under age 65 were offered insurance through a state purchasing pool as described in the preceding plan description. KTRS recognizes estimates of liabilities for self-insured unpaid claims that have incurred (both reported and unreported) using the development method. This method uses past observed patterns of time between the date the claim is incurred and the date the claim is paid to estimate incurred claims from available paid claim information. The following schedule shows the change in the claims and liability and the claims activity for the years ended June 30, 2000 and 1999.

_	Fisca	al Year 2000	Fise	cal Year 1999
Beginning Unpaid Claims Liability	\$	5,402,348	\$	3,747,882
Claims Incurred				
Current Year		75,182,546		65,117,539
Increase (Decrease) in Prior Years		<u>2,157,191</u>		<u>2,471,686</u>
Total Incurred Claims	\$	77,339,737	\$	67,589,225
Claims Paid				
Current Year	\$	69,786,513	\$	60,431,519
Prior Years		<u>5,639,373</u>		<u>5,503,240</u>
Total Payments	\$	<u>75,425,886</u>	\$	65,934,759
Ending Unpaid Claims Liability	\$	7,316,199	\$	5,402,348

#### E. ADMINISTRATIVE EXPENSES

The total administrative expenses of \$3,023,755 are processing fees paid to third party administrators.

#### Note 6: 403(b) Tax-Sheltered Annuity Plan

#### A. Plan Description

KTRS has, in prior years, administered a salary deferral program as permitted by section 403(b) of the Internal Revenue Code. Under this program members were able to voluntarily defer a portion of their compensation within the limits established by the applicable laws and regulations. However, the System's Board of Trustees determined that the cost of providing the necessary services to assure the System of continuing compliance with these laws and regulations was not economically feasible due to the limited participation in the program by the System's members. The Board decided, therefore, to discontinue offering the program as of April 30, 1997. Members who were not receiving annuities from their account as of April 30, 1997, were able to transfer their respective accounts directly into other tax-sheltered plans on a tax-free basis. Currently, the seventy members who are receiving annuities will continue to receive distributions according to the terms of their respective elections.

#### B. Summary of Significant Policies

#### **Basis of Accounting**

The Tax-sheltered Annuity Plan financial statements are prepared using an accrual basis of accounting. Contributions are no longer being accepted into the plan, therefore, there are no receivables to be recognized.

#### Method Used to Value Investments

Since the investments are all short-term investments they are reported at cost, which is fair value.

## Required Supplemental Schedule 1 Schedule of Funding -Progress

(dollar amounts in millions)

VALUATION YEAR JUNE 30	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITIES	UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL)	FUNDED RATIO	COVERED PAYROLL	-
	a	b	(b-a)	(a/b)	c	[(b-a)/c]
1995	\$ 6,621.2	\$ 8,210.0	\$ 1,588.8	80.7%	\$ 1,819.8	87.3%
1996	7,624.7	9,178.6	1,553.9	83.1	1,877.9	82.7
1997	8,789.9	9,906.2	1,116.3	88.7	1,925.0	58.0
1998	10,370.6	11,516.6	1,146.0	90.0	1,973.7	58.1
1999	11,958.6	12,288.2	329.6	97.3	2,041.4	16.1
2000	12,759.6	13,330.4	570.8	95.7	2,133.7	26.8

The amounts reported in this schedule of funding progress do not include assets or liabilities for post-employment healthcare benefits, nor are the assets and liabilities of the tax-sheltered annuity plan included. As of June 30, 2000 the Medical Insurance fund has an unfunded liability of \$2.1 billion. The actuarial value of assets is calculated using the modified market value as prescribed by KRS 161.400(2).

### Required Supplemental Schedule 2 Schedule of Employer Contributions (dollar amounts in millions)

FISCAL YEAR ENDED JUNE 30	ANNUAL REQUIRED CONTRIBUTIONS (1)	PERCENTAGE CONTRIBUTED
1995	\$ 298.4	100%
1996	307.1	100%
1997	328.6	100%
1998	329.5	100%
1999	334.7	100%
2000	360.2	100%

<sup>(1)</sup> The annual required contributions includes the Medical Insurance Plans contributions. See accompanying notes to required supplementary schedules.

## Notes to Required Supplementary Information

#### Note 1: Description of Schedule of Funding Progress

The schedule of Funding Progress summarizes the actuarial value of the System's assets and actuarial accrued liability as of June 30, 2000, and each of the preceding five years. The data presented in the schedule were obtained from the System's independent actuary's annual valuation report for each year presented. Of note, the actuarial report published in this annual report is for June 30, 1999. Although KTRS receives current year information on actuarial accrued liabilities, actuarial valuation of assets and covered payroll (in order to present these schedules) the current year actuarial report is not published in time to be included in the actuarial section of this June 30, 2000 financial annual report.

Expressing the actuarial value of assets as a percentage of the actuarial accrued liabilities provides an indication whether the system is becoming financially stronger or weaker. Generally, the greater the percentage, the stronger the retirement system. Trends in unfunded actuarial accrued liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liabilities as a percentage of covered progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement.

#### Note 2: Actuarial Methodologies and Assumptions

#### A. Methodologies

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the unit credit actuarial cost method with projected benefits. Modified market value of plan assets is used for actuarial valuation purposes - the book value of assets is adjusted to reflect the average ratio of market value to book value during the five years ending on the valuation day. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 4-year period using an open amortization approach.

#### B. Assumptions

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Significant actuarial assumptions employed by the actuary for the funding purposes as of June 30, 2000, the most recent updated actuarial information include:

*	Assumed inflation rate	4.0%
*	Assumed investment rate	7.5%
*	Assumed projected salary increases	4.0% - 8.1%
*	Assumed post retirement benefit increase	1.5%

## **Supporting Schedule 1**

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## Schedule of Administrative Expenses Year Ended June 30, 2000

ADMINISTRATIVE EXPENSES	YEAR ENDED JUNE 30, 2000
Salaries	\$ 3,676,824
Other Personnel Costs	20,051
Professional Services & Contracts	167,490
Utilities	36,471
Rentals	18,464
Maintenance	83,449
Postage & Related Services	148,417
Printing	115,982
Insurance	52,783
Miscellaneous Services	92,084
Telecommunications	28,547
Computer Services	26,525
Supplies	47,033
Depreciation	143,603
Travel	30,838
Dues & Subscriptions	22,523
Miscellaneous Commodities	10,094
Furniture, Fixtures, & Equipment not Capitalized	129,054
Compensated Absences	9,391
TOTAL ADMINISTRATIVE EXPENSES	\$ 4,859,623

Supporting	Schedule	2
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Schedule of Contracted Investment Management Expenses Year Ended June 30, 2000

#### FIXED INCOME MANAGERS

National Asset Management Corporation	\$ 350,569
Todd Investment Advisors	 294,501

Total Fixed Income Managers \$ 645,070

#### **EQUITY MANAGERS**

Brinson Partners	\$ 900,000
National Asset Management Corporation	580,000
Todd Investment Advisors	399,015
Wellington Management Company	1,725,000

Total Equity Managers \$ 3,604,015

#### **CUSTODIAN**

Farmers Bank \$ 662,967

#### **CONSULTANT**

Becker, Burke Associates \$ 45,000

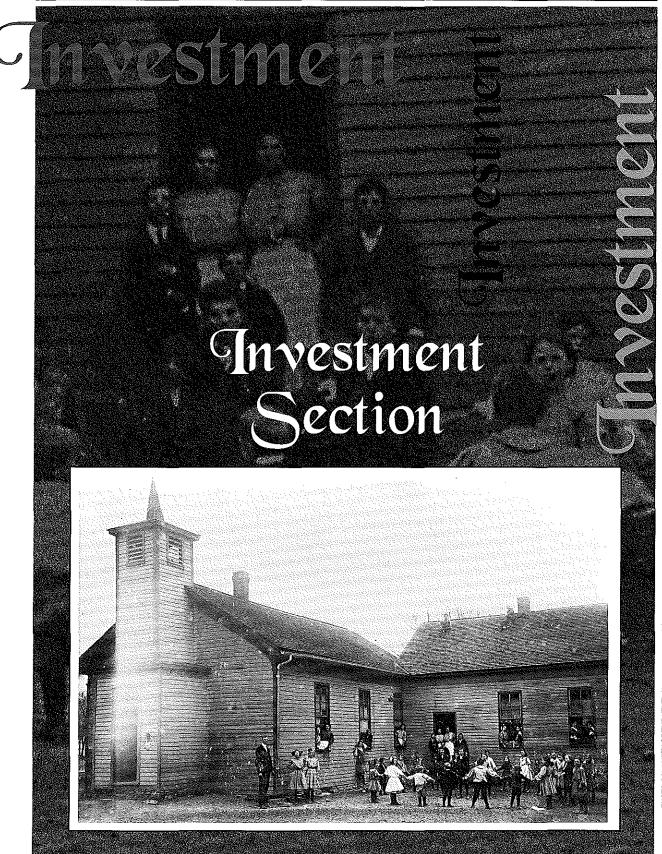
TOTAL CONTRACTED INVESTMENT

MANAGEMENT EXPENSES \$ 4,957,052

## Supporting Schedule 3

Schedule of Professional Fees for Year Ended June 30, 2000

PROFESSIONAL	NATURE OF SERVICE	JUNE 30, 2000
Charles T. Mitchell Company, LLP	Auditing Services	\$ 24,500
Buck Actuaries	Actuarial Services	114,866
International Claim Specialist	Investigative Services	3,355
Farmers Bank	Banking Service	24,863
	TOTAL	\$ 167,584



English, Kentucky (Carrol County), 1906

PHOTO COURTESY OF THE KENTUCKY HISTORICAL SOCIETY SPECIAL COLLECTIONS & ARCHIVE

#### **OVERVIEW**

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The Board of Trustees of the Teachers' Retirement System annually appoints an Investment Committee consisting of two Board members and the Executive Secretary. This Committee acts on behalf of the Board, subject to its approval, in all matters concerning investments. In compliance with the Kentucky Revised Statutes, the Board of Trustees has adopted an "Investment Policy" which it reviews periodically. The investment objectives of the Board of Trustees are as follows:

- 1. The funds of the Teachers' Retirement System of the State of Kentucky shall be invested solely in the interest of its members and their beneficiaries. Investment income shall be used for the exclusive purpose of providing benefits to the members and their beneficiaries and making payment of reasonable expenses in administering the Plan and its Trust Funds.
- 2. The specific objective of the investment program shall be the investment of the Fund's assets in securities which shall provide a reasonable rate of total return with major emphasis being placed upon the protection of the invested assets. When investments are acquired, current income together with prospects for capital appreciation shall be weighed in regard to the long range needs of providing benefits to members and their beneficiaries. Short term fluctuations in the market value of the Fund's assets shall be considered as secondary to the long-term objectives and needs of the System.

Within the Kentucky Revised Statutes and pertinent policies, the Board of Trustees and the Investment Committee shall execute their fiduciary responsibilities in accordance with the "prudent man rule", as identified in KRS 161.430 (2)(b). Investment activities shall be conducted, "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims". The responsibility for investing the assets of the System is clearly assigned to the Board of Trustees.

#### **INVESTMENT COMMITTEE**

MR. EARLE V. POWELL

MR, ROBERT M. CONLEY

Chairman

Vice-Chairman

MR. PAT N. MILLER

Ex-Officio Member, Executive Secretary

#### **EXECUTIVE INVESTMENT STAFF**

MR, PAT N. MILLER

MR. STUART A. REAGAN, CFA

Executive Secretary

Chief Investment Officer

#### PROFESSIONAL CONSULTANTS

#### **Investment Advisors**

Fixed Income and Equity Managers

Todd Investment Advisors 3160 National City Tower Louisville, Kentucky 40202

National Asset Management Corp. 101 South Fifth Street Louisville, Kentucky 40202

#### **Equity Managers**

Brinson Partners Suite 102 209 South LaSalle Street Chicago, Illinois 60604-1295

Wellington Management Company 75 State Street Boston, Massachusetts 02109

#### **Investment Consultant**

Becker, Burke Associates, Inc. Suite 1000 221 North LaSalle Street Chicago, Illinois 60601

#### Investment Custodian

Farmers Bank and Capital Trust Co. Farmers Bank Plaza Frankfort, Kentucky 40601

#### INVESTMENT CONSULTANT'S STATEMENT

Becker, Burke Associates served as Investment Consultant to the Kentucky Teachers' Retirement System during the 1999-2000 fiscal year as it has in several previous years. Becker, Burke Associates is familiar with the operation of the System's investment program as well as its performance. The investment program of the Retirement System is operated in a prudent manner that reflects a desire to preserve capital while maximizing returns. The assets of the Retirement System are assigned to various portfolios in order to diversify the System's investments and take advantage of opportunities in various asset classes and sectors. The System gravitates toward relatively conservative holdings in each asset class. The overall effect of diversification is to minimize risk. The manner in which the Retirement System operates and its investment results are commensurate with other risk-averse institutional investors in similar regulatory environments.

Edmund M. Burke

Edmund M. Burke President Becker, Burke Associates October 5, 2000

#### ASSET ALLOCATION

The Board of Trustees and the Investment Committee are guided by asset allocation parameters that the Board approves through its powers defined in KRS 161.430. The asset allocation limits complement the investment principals used by the Board and Committee regarding security, diversification, high return, and liquidity. The asset allocation policy is adopted by the Board of Trustees and approved in the form of administrative regulation. The asset allocation parameters are structured in order to maximize return while at the same time provide a prudent diversification of assets and preserve the capital of the Teachers' Retirement System. The Board is interested in assuming secure investments that will provide long term growth to the fund. The Board does not arbitrarily compromise security in order to enhance the prospects of return. The Investment Committee and the Board are mindful of the fund's liquidity and its capability at meeting both short and long term obligations. Asset allocation parameters follow:

- 1. There will be no limit on the amount of investments owned by the System that are guaranteed by the U.S. Government.
- 2. Not more than 35% of the assets of the System at book value shall be invested in corporate debt obligations.
- 3. Not more than 60% of the assets of the System at book value shall be invested in common stocks or preferred stocks. No more than 25% of the assets of the System at book value shall be invested in a stock portfolio designed to replicate a general, U.S. stock index.

- 4. Not more than 10% of the assets of the System at book value shall be invested in real estate. This would include real estate equity, real estate lease agreements, mortgages on real estate that are not guaranteed by the U.S. Government, and shares in real estate investment trusts.
- 5. Not more than 1% of the assets of the System at book value shall be invested in venture capital investments providing at least 75% of such investments must be in-state.
- 6. Not more than 10% of the assets of the System at book value shall be invested in any additional category or categories of investments. The Board shall approve by resolution such additional category or categories of investments. Within this parameter, the Board approved a provision in 1999-2000 that permits limited ownership of foreign equities. The System may acquire equity in large capitalization companies whose stock is traded in the U.S., but the companies are domiciled in select foreign countries. Foreign exposure is limited to 1.2% of the System's assets at book value.

The asset allocation of investments at market value was somewhat different at the beginning of the fiscal year than what it was on June 30, 2000. In addition, the market value allocation of assets through the dynamics of the securities markets is different than the book value allocations. During the 1999-2000 fiscal year, the market value of the stock position increased from 56% to 58% of assets. The portion of the portfolio in Government securities decreased from 20% to 18%. The cash position remained the same during the year at 7% of assets. The real estate equity position remained a relatively small portion of the System's portfolio at approximately 2%.

The Kentucky Revised Statutes require the Board of Trustees to employ experienced investment counselors to advise it on investment related matters. Todd Investment Advisors was employed during 1999-2000 as the System's principal investment counselor, providing assistance in the management of \$2.4 billion of stocks and bonds. National Asset Management, Brinson Partners, and Wellington Management Company also were retained during the 1999-2000 fiscal year to provide investment counseling services. National Asset Management assisted in the management of approximately \$1 billion in bonds, as well as managing about \$714 million in equity investments. Brinson Partners was responsible for managing approximately \$839 million in equities, and Wellington Management Company managed about \$1.3 billion in equities. In addition to monitoring the investment counselors, the in-house investment staff managed about \$5.9 billion of fixed income and equity assets. All of the investment firms, while specializing in particular asset classes or sectors, are required to work within the same broad objectives, portfolio constraints, and administrative guidelines. Four investment counselors plus an in-house staff provide the Board of Trustees with a diversification of management that is appropriate for a \$12.9 billion fund. The Farmers Bank & Capital Trust Company, located in Frankfort, Kentucky, was retained in 1999-2000 as the Custodian of Securities.

The System regularly votes proxy statements associated with its equity ownership. The positions assumed by the System are intended to represent the financial interests of the membership. The Board of Trustees has adopted a policy that directs the staff not to subjugate the financial concerns of the System to social or political protests. At the same time, the System expects the companies in which it acquires stock to be solid corporate citizens that abide by Federal, state, and local laws.

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#### FINANCIAL ENVIRONMENT

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After five consecutive years of annual returns in excess of 20%, the Standard & Poor's 500 Index slowed its advance in a volatile year to return 7.2% in the fiscal year ended June 30, 2000. The Dow Jones Industrial Average was down 3.3% over the year, while the technology dominated Nasdaq Composite was up 47.7%. Outside the volatile but booming technology sector, the market was generally weak. Economic growth accelerated with the Gross Domestic Product, adjusted for inflation, growing 6.0% over the fiscal year. The economic strength was a mixed blessing, however, as the Federal Reserve continued a campaign of interest rate increases designed to slow a potentially overheating economy. From June 1999 to May 2000, the Federal Reserve raised rates six times, moving the federal funds rate from 4.75% to 6.50%. The interest rate increases were a restraining influence on the market throughout the fiscal year.

Inflation also accelerated during the year with the Consumer Price Index rising 3.7%, up from 2.0% the previous year, largely due to higher oil prices. Excluding food and energy prices, the Consumer Price Index rose 2.4% in the fiscal year, an increase from 2.1% the previous year. The unemployment rate fell from 4.3% to 4.0%. Rising employment and surging productivity led to the strong economic growth and strong corporate profits. Non-farm productivity for the quarter ended June 30, 2000 was 5.1% higher than a year earlier. S & P 500 profits were estimated to have risen 14-15% over the fiscal year, about double the 7.3% total return of the Index.

Bond managers grappled with an unfamiliar set of circumstances in the fiscal year. As economic growth roared ahead at a pace deemed unsustainable, the Federal Reserve raised short-term interest rates in an attempt to slow the economy's growth. Simultaneously, the U.S. Treasury was generating growing surpluses, causing the supply of Treasury bonds to shrink for the first time in a generation. The U.S. Treasury began buying back high-coupon longer maturity Treasury bonds. The scarcity value of long-term Treasury bonds drove their prices up and yields down. This, combined with the hikes in short-term rates, drove long-term rates well below short-term rates. Partially due to the growing scarcity value of risk-free Government bonds, the yield gap between Treasury bonds and corporate bonds widened dramatically. With the Treasury market shrinking, the market began looking to the bonds of Government sponsored enterprises such as Fannie Mae and Freddie Mac to provide benchmark yields. Those bonds, however, began to behave less like Government bonds and more like corporate bonds as their implicit Government guarantee came under question by Congress. As a result of the various cross-currents in the fixed income market, short-term obligations and Treasury securities were among the best performers in the fiscal year. Mortgages also did relatively well. Corporate bonds, particularly those of lower credit quality, did relatively poorly. On the whole, it was a mediocre year for the fixed income market with the Lehman Government/Corporate Index producing a total return of 4.3%.

#### PORTFOLIO CHARACTERISTICS

At year's end, the System's entire stock portfolio, exclusive of the stock index fund, could be characterized as high quality and diversified. The KTRS portfolio, as measured by beta, was approximately as risky as the Standard & Poor's 500 Index. Beta is a measure of the volatility in price of a particular stock or portfolio compared to the volatility of the index. The beta of the KTRS portfolio at the end of the fiscal year was 0.89, compared to the index's beta of 1.00. The KTRS portfolio registered a price-earnings multiple that was lower than the index. The price-earnings ratio for the portfolio at the end of the fiscal year was 24.0, compared to 29.1 for the index. Two factors attesting to the high quality of the portfolio were the high rate of growth in both earnings per share and dividends per share. The average earnings growth rate over the past five years for the KTRS stock portfolio was 16.3%. The average dividend growth rate for the past five years of the KTRS portfolio was 10.4%. At the end of the 1999-2000 fiscal year, the yield level for the KTRS portfolio stood at 1.3%, which was slightly higher than the index.

The stock position, apart from the stock index fund, began the 1999-2000 fiscal year by being 37% of assets at market value, and by year-end, it constituted 32% of assets. In dollars, the value of the stock position decreased from approximately \$4.6 billion to about \$4.0 billion in 1999-2000. The stock index fund represented another \$3.3 billion that was invested in stocks at year end. Stock selections during 1999-2000 affected a variety of market sectors. At the end of 1999-2000, the sector weightings in the KTRS stock portfolio were similar to those of the Standard & Poor's 500 Index. The greatest differences were underweightings by KTRS in the consumer non-durables and technology sectors and overweightings in the materials & services and financial sectors.

On June 30, 2000, the System's entire bond portfolio had a duration of 6.0 years. Its yield to maturity was 7.3%. The average coupon rate for the holdings was 6.7%. As of June 30, 2000, the effective maturity of the fixed income portfolio was 9.9 years. The maturities of fixed income investments will generate cash for the fund in future years. Approximately 70% of the fixed income investments, including short term cash equivalents, will mature by the end of 2012, about 12 years. This will assist the System in meeting retirement fund obligations as well as permit it to assume new investments.

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#### PORTFOLIO RETURNS

The investment portfolio experienced considerable growth in both market and book values during the 1999-2000 year. The market value of the portfolio increased \$415.9 million, or 3.3%, to a total of \$12.9 billion at year-end. The book value of the fund correspondingly increased 12.5% during the year. The System accumulated in excess of \$1.3 billion of investment income during 1999-2000; this investment income total excludes monies earned but not received by the end of the fiscal year. The income resulted from interest, dividends, rental income, lending income, and gains. At year-end, the "net indicated yield" on fixed income investments at book value was 6.4%. The "indicated dividend yield" on common stocks was 1.6%.

For the 1999-2000 fiscal year, the total return earned by the System's stock position is less than the return generated by the Standard & Poor's 500 Stock Index. The KTRS stock position earned a total return of 3.6% in 1999-2000, while the stock index earned 7.3%. The ten year annualized return for the years 1991 through 2000 was 17.5% for the System's stock position and 17.8% for the stock index. The System's bond position earned a ten year annualized total return of 8.0%. This exceeds the 7.8% earned by the Lehman Brothers Government/Corporate Bond Index. In 1999-2000, the System's bonds earned a total return of 4.9%, while the Lehman Brothers Index earned 4.3%. The entire portfolio earned a total return of 4.1% in 1999-2000. The portfolio's ten year annualized rate of total return was 11.8%. The total return of the portfolio more than kept up with the rate of inflation and provided real growth. In 1999-2000, the Consumer Price Index registered an inflation rate of 3.7%. The ten year annualized rate is 2.9%. The System conforms to "AIMR Performance Presentation Standards" in calculating portfolio returns.

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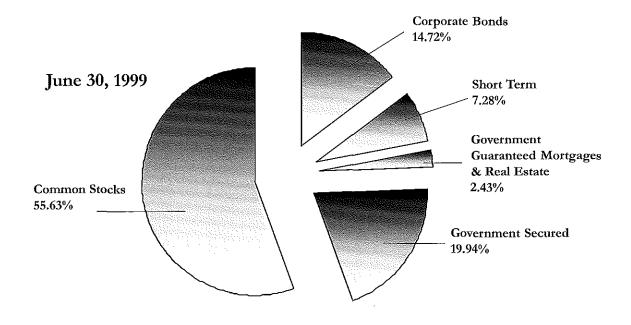
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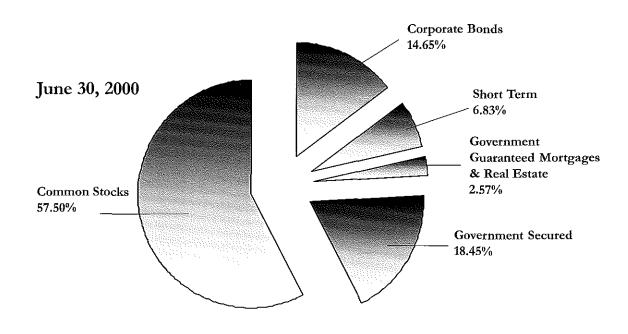
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The charts that follow this narrative graphically display the growth that is discussed in the preceding paragraphs. Following the charts is a summary description of investments held at June 30, 2000. The pages thereafter provide a detailed listing of all investments held on June 30, 2000. The System annually produces a detailed investment report that is available on request.

# Distribution of Investments Market Values



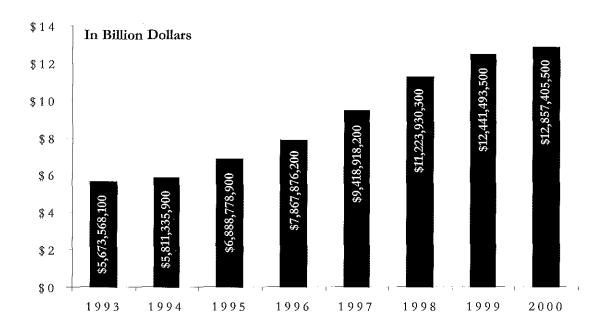


### **Investment Portfolio Growth**

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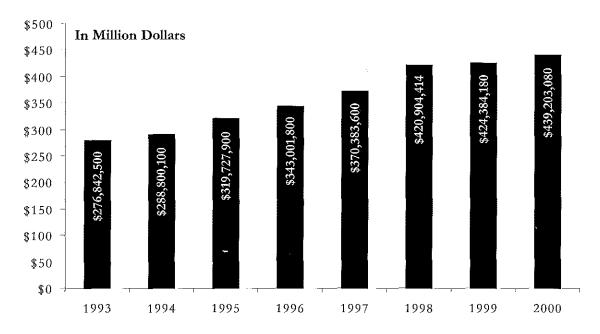
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Market Values



### **Investment Income Growth**

Excludes Amortization Excludes Net Gains



# Total Return on KTRS Investments\*

### Percentages

Fiscal	Standard & Poor's 00 Index	KTRS Stocks	Lehman Brothers Govt./Corp. Bond Index	KTRS Bond Funds	Consumer Price Index	KTRS Cash Collection Fund	KTRS Real Estate	KTRS Total Portfolio	
1990-91	7.4	11.4	10.2	10.5	4.7	10.6	3.3	9.6	<del></del>
1991-92	13.4	13.7	14.2	14.9	3.1	5.2	6.8	12.5	
1992-93	13.6	13.3	13.2	13.2	3.0	3.0	9.0	12.1	
1993-94	1.4	2.2	(1.5)	(.9)	2.5	3.6	7.2	.7	
1994-95	26,1	25.3	12.8	12.7	3.0	6.3	10.1	16.9	
1995-96	26.0	25.3	<b>4.</b> 7	4.3	2.8	6.0	11.6	13.5	
1996-97	34.7	33.1	7.8	7.8	2.3	5.8	8.8	19.6	
1997-98	30.2	29.2	11.3	11.6	1.7	6.1	9.7	19.4	
1998-99	22.8	22.0	2.7	2.3	2.0	5.3	9.7	11.5	
1999-00	7.3	3.6	4.3	4.9	3.7	5.8	9.9	4.1	
Three Year Annualized Ra	ate 19.7	17.8	6.0	6.1	2.5	5.8	9.6	11.4	
Five Year Annualized Ra	ate 23.8	22,2	6.1	6.1	2.6	5.8	10.0	13.4	
Ten Year Annualized Ra	ate 17.8	17.5	7.8	8.0	2.9	5.8	8.6	11.8	

<sup>\*</sup> Teachers' Retirement System of the State of Kentucky has prepared and presented this report in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS). AIMR has not been involved with the preparation or review of this report.

#### **Investment Summary**

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Fair Market Value 06/30/2000

Type of Investment	Fair Value 07/01/99	Acquisitions	Appreciation (Depreciation)	Sales Redemptions, Maturities & Paydowns	Fair Value 06/30/00
Short Term	905,700,000	37,765,635,300	6,418,300	37,799,403,600	878,350,000
Fixed Income	4,417,838,700	3,455,154,400	(71,348,400)	3,446,237,100	4,355,407,600
Equities	7,117,954,800	3,659,507,300	88,684,900	3,242,499,100	7,623,647,900
TOTAL	12,441,493,500	44,880,297,000	23,754,800	44,488,139,800	12,857,405,500

# Contracted Investment Management Expenses

(\$ Thousands) as of 06/30/2000

VESTMENT MANAGER FEES		Assets Under Management	E	Expenses	Basis Points *
Fixed Income Managers	\$	1,003,012	\$	351 3,205	3.5
Equity Managers Balanced Manager	_	2,859,031 2,423,888		694	11.2 2.9
TOTALS		6,285,931	\$	4,250	6.8
THER INVESTMENT SERVICES					
Custodian Services Investment Consultant		\$12,857,405		663 45	0.6
TOTAL				708	
GRAND TOTAL			\$	4,958	

<sup>\*</sup> One basis point is one-hundreth of one percent or the equivalent of .0001.

# **Transaction Commissions**

COMPANIES	SHARES TRADED	COMMISSIONS	COMMISSION PER SHARE
A G EDWARDS	3,484,950	174,335.50	0.0500
AB WATLEY	37,000	1,850.00	0.0500
ABN AMRO	350,600	36,023.00	0.1027
ACCESS SEC	8,600	344.00	0.0400
ADAMS HARKNESS & HILL	16,000	2,889.00	0.1806
ADVEST	3,695,700	184,988.00	0.0501
AUTRANET INC	35,300	1,765.00	0.0500
B TRADE SERVICES	383,200	7,664.00	0.0200
BANC OF AMERICA	843,600	140,840.00	0.1670
BANCBOSTON ROBERTSON	31,900	21,046.00	0.6597
BEAR STEARNS	795,700	77,413.00	0.0973
BLAIR, WILLIAM AND CO	61,400	7,368.00	0.1200
BOENNING & SCATTERGOOD	1,817,750	206,230.00	0.1135
BRANDT ROBERT	62,200	3,035.00	0.0488
BRIDGE TRADING	953,073	20,539.46	0.0216
C E UNTERBERG TOWBIN	89,000	10,680.00	0.1200
CS FIRST BOSTON	935,416	141,348.32	0.1511
	233,000		0.0556
CANTOR FITZGERALD	•	12,966.00	
CAPITAL INSTITUTIONAL SERVICES	298,666	14,906.98	0.0499
CHASE H & Q	10,600	1,272.00	0.1200
CIBC OPPENHEIMER	177,400	16,487.00	0.0929
DAIN RAUSCHER INC	12,600	630.00	0.0500
DEUTSCHE BANK	1,139,304	93,029.20	0.0817
DONALDSON LUFKIN	6,745,932	550,350.64	0.0816
DRESDNER KLEINWORT	59,200	3,445.00	0.0582
E SHAW SEC	2,900	348.00	0.1200
ENGELMAN SECURITIES	6,800	136.00	0.0200
FIRST ALBANY CORP	8,800	440.00	0.0500
FIRST UNION	3,754,390	211,254.50	0.0563
FOX PITT KELTON INC	183,700	9,548.00	0.0520
FRANK RUSSEL SEC	185,800	9,482.00	0.0510
FREIDMAN BILLINGS	95,800	3,886.00	0.0406
FURMAN SELZ	894,100	104,624.00	0.1170
GEORGE K BAUM & CO	9,200	804.00	0.0874
GOLDMAN SACHS	6,978,890	450,703.50	0.0646
HAMBRECHT & QUIST	366,100	78,726.00	0.2150
HEFLIN & CO	347,390	13,895.60	0.0400
HERZOG HEINE GEDULD	882,650	105,918.00	0.1200
HILLIARD LYONS	3,516,954	175,847.70	0.0500
HOEFER & ARNETT INC	19,000	1,783.00	0.0938
HOWE BARNES INVESTMENT	19,500	2,340.00	0.1200
INSTINET	1,300,100	21,395.50	0.0165
INVESTMENT TECHNOLOGY	5,349,600	48,127.00	0.0090
J C BRADFORD	9,899,029	495,490.39	0.0501
JANNEY MONTGOMERY SC	1,900	228.00	0.1200

#### Transaction Commissions continued . . .

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0.01.0043.477.0	SHARES		COMMISSION
COMPANIES	TRADED	COMMISSIONS	PER SHARE
JEFFERIES	4,659,700	329,775.00	0.0708
JONES & ASSOCIATES	172,300	9,273.00	0.0538
JP MORGAN	644,200	59,974.00	0.0931
KALB VOORHIS	15,500	310.00	0.0200
KEEFE BRUYETTE & WOOD	288,976	19,999.80	0.0692
KNIGHT SECURITIES	6,000	720.00	0.1200
KV EXECUTION SERVICE	10,700	214.00	0.0200
LAZARD FRERES	8,982,528	500,789.69	0.0558
LEGG MASON	3,206,510	172,902.50	0.0539
LEHMAN	1,689,139	157,629.95	0.0933
LEXINGTON INVESTMENT	3,026,088	155,574.40	0.0514
MCDONALD & CO	54,300	5,039.00	0.0928
MERRILL LYNCH	25,626,937	1,479,536.88	0.0577
MILLER TABAK HIRSCH	8,800	440.00	0.0500
MORGAN STANLEY DEAN WITTER	9,154,370	593,035.29	0.0648
NDB CAPITAL MARKETS	72,400	8,688.00	0.1200
NEEDHAM & CO	105,900	58,125.00	0.5489
OTA LIMITED PARTNERS	141,800	8,326.00	0.0587
PACIFIC GROWTH	11,000	1,320.00	0.1200
PAINE WEBBER	9,145,820	577,257.00	0.0631
PRUDENTIAL SEC	252,550	61,069.00	0.2418
R W BAIRD	108,500	13,020.00	0.1200
RAGEN MACKENZIE	21,700	2,604.00	0.1200
RESEARCH CONVERSION	4,000	240.00	0.0600
ROBERTSON STEPHENS	184,300	18,458.00	0.1002
ROBINSON HUMPHREY	44,700	5,364.00	0.1200
SALOMON SMITH BARNEY	5,894,032	388,237.35	0.0659
SANDLER O'NEILL	69,300	7,926.00	0.1144
SANFORD C BERNSTEIN	35,400	2,124.00	0.0600
SCHRODER & CO	4,200	504.00	0.1200
SCHWAB CHARLES & CO	60,900	7,308.00	0.1200
G COWEN	420,000	64,104.00	0.1526
SHERWOOD SECURITIES	139,900	16,788.00	0.1200
SOUNDVIEW FINANCIAL	228,700	27,444.00	0.1200
SPEAR LEEDS & KELLOG	74,800	8,976.00	0.1200
STANDARD & POORS	1,404,750	68,160.00	0.0485
STATE STREET BROKERS	41,700	834.00	0.0200
TERNE AGEE & LEACH	6,700	804.00	0.1200
CHOMAS WEISEL PARTNERS	2,600	2,237.00	0.8604
TRANSPER NO BROKER	27,624	-	0.0000
FUCKER CLEARY GULL	80,501	9,660.12	0.1200
J S BANCORP PIPER J	155,950	11,505.00	0.0738
USCC TRADING	4,300	516.00	0.1200
VAN KASPER & CO	16,000	1,920.00	0.1200
VOLPE BROWN WHELAN	2,700	1,323.00	0.4900

#### Transaction Commissions continued . . .

COMPANIES	SHARES TRADED	COMMISSIONS	COMMISSION PER SHARE
WACHOVIA	8,865,129	445,750.45	0.0503
WARBURG DILLON READ	791,300	62,572.00	0.0791
WEEDEN	4,541,839	341,778.95	0.0753
WESTMINISTER RESEARCH	149,400	7,906.00	0.0529
TOTAL	146,757,137	\$ 9,184,484.67	0.0626

Over-the-counter transactions and small capitalization stock transactions increase the overall average commission per share. The over-the-counter commission rate on medium to large capitalization stocks is assumed to be \$.12 per share. Small capitalization stock transactions can have even higher rates. The acquisition of initial public offerings (IPOs) represented a significant portion of small capitalization stock purchases. IPOs usually have a high commission rate. However, the security users and not the investors pay the commissions. In 1999-00, the System bought small capitalization IPOs that generated \$669,754.00 in commissions. Although these commissions were not paid by the Retirement System, they resulted from the System's investment activities and are included in the total commissions of \$9,184,484.67. Medium to large capitalization stocks are bought and sold at significantly less expensive rates, frequently \$.04 or \$.05 per share. Investment companies usually provide investment research for brokerage clients. On occasion, investment companies direct third party research to active clients. The Retirement System received third party research through Merrill Lynch. Trading commissions of \$263,847.14 were associated with third party research obligations. The primary research providers were: Bloomberg, Capital Management Science, Capital Resource Advisors, and Vestek.

#### Schedule of Investments as of June 30, 2000

Investment	Par Value* or Remaining Principal Balance	Market Value	Percentage of Market Value
Repurchase Agreements	878,350,000.00	878,350,000.00	6.83%
Total Short Term	878,350,000.00	878,350,000.00	6.83%
Treasury Notes and Bonds Agencies GNMA (Single Family) Collateralized Mortgage Obligations Treasury Strip Bonds Other Miscellaneous	1,067,185,000.00 990,026,003.24 140,430,455.25 29,493,500.00 156,040,080.00 32,887.02	1,134,865,286.30 944,372,549.19 134,400,059.81 28,322,167.99 107,029,960.59 0.00	8.83% 7.34% 1.05% 0.22% 0.83% 0.00%
Total U.S. Government Obligations	2,383,207,925.51	2,348,990,023.88	18.27%
Industrials Finance Utility Bonds (Except Telephone) Telephone Bonds Railroad Obligations  Total Corporate Bonds  FHA & VA Single Family Mortgages Project Mortgages (FHA & GNMA)	587,542,342.28 1,061,844,666.04 134,800,000.00 178,780,000.00 107,000.00 1,963,074,008.32 490,791.34 105,054,573.11	560,254,070.93 1,032,376,853.29 125,892,109.00 164,072,073.50 102,141.13 1,882,697,247.85 484,258.88 100,196,849.62	4.36% 8.03% 0.98% 1.28% 0.00% 14.65% 0.00% 0.78%
State and Local Government Issues  Total Other Fixed Income	23,855,000.00	23,039,227.33	0.18%
Subtotal (Fixed Income)	5,354,032,298.28	123,720,335.83 5,233,757,607.56	40.71%
Real Fstate Equity	228,238,795.47	230,462,636.52	1.79%
Total Real Estate Equity	228,238,795.47	230,462,636.52	1.79%
Common Stocks 77,822,840 Shares Small Cap Stocks 12,211,364 Shares Stock Index 65,451,720 Shares	3,270,856,901.53 270,196,755.94 2,214,515,539.00	3,749,540,697.18 311,517,132.87 3,332,127,404.13	29.16% 2.42% 25.92%
Total Stocks 155,485,924 Shares	5,755,569,196.47	7,393,185,234.18	57.50%
Subtotal (Equity)	5,983,807,991.94	7,623,647,870.70	59.29%
Total Investments	11,337,840,290.22	12,857,405,478.26	100.00%
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<sup>\*</sup> In this asset display, par value represents the redemption value of bonds and the cost value of equities. Market value is a volatile measure that changes daily and represents the approximate transaction value of an investment on a particular day--in this case June 30, 2000. Detailed information concerning these values along with book values and cost values of all KTRS investments is available on request.

# DETAILED LISTING OF INVESTMENTS SHORT TERM INVESTMENTS

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REPURCHASE AGREEMENTS	COUPON	MATURITY	PAR	MARKET VALUE
Repurchase Agreement	6.3700	07/03/2000	5,816,800.00	5,816,800.00
Repurchase Agreement	6.3700	07/03/2000	45,811,100.00	45,811,100.00
Repurchase Agreement	6.3700	07/03/2000	191,622,100.00	191,622,100.00
Repurchase Agreement	6.3800	07/11/2000	29,748,700.00	29,748,700.00
Repurchase Agreement	6.3800	07/11/2000	8,004,600.00	8,004,600.00
Repurchase Agreement	6.3800	07/11/2000	35,363,400.00	35,363,400.00
Repurchase Agreement	6.3800	07/11/2000	16,710,100.00	16,710,100.00
Repurchase Agreement	6.3800	07/11/2000	835,200.00	835,200.00
Repurchase Agreement	6.3800	07/11/2000	1,345,600.00	1,345,600.00
Repurchase Agreement	6.3800	07/11/2000	2,988,200.00	2,988,200.00
Repurchase Agreement	6.3800	07/11/2000	24,363,400.00	24,363,400.00
Repurchase Agreement	6.3800	07/11/2000	4,141,000.00	4,141,000.00
Repurchase Agreement	6.3800	07/11/2000	187,600.00	187,600.00
Repurchase Agreement	6.3800	07/11/2000	10,000,000.00	10,000,000.00
Repurchase Agreement	6.3800	07/11/2000	31,312,200.00	31,312,200.00
Repurchase Agreement	6.4000	07/06/2000	85,600,000.00	85,600,000.00
Repurchase Agreement	6.4200	07/10/2000	926,000.00	926,000.00
Repurchase Agreement	6.4200	07/10/2000	10,774,100.00	10,774,100.00
Repurchase Agreement	6.4200	07/10/2000	43,346,200.00	43,346,200.00
Repurchase Agreement	6.4200	07/10/2000	2,913,900.00	2,913,900.00
Repurchase Agreement	6.4200	07/10/2000	5,077,200.00	5,077,200.00
Repurchase Agreement	6.4200	07/10/2000	671,000.00	671,000.00
Repurchase Agreement	6.4200	07/10/2000	146,300.00	146,300.00
Repurchase Agreement	6.4200	07/10/2000	5,308,200.00	5,308,200.00
Repurchase Agreement	6.4200	07/10/2000	1,199,000.00	1,199,000.00
Repurchase Agreement	6.4200	07/10/2000	810,700.00	810,700.00
Repurchase Agreement	6.4200	07/10/2000	105,527,400.00	105,527,400.00
Repurchase Agreement	6,4300	07/05/2000	123,500,000.00	123,500,000.00
Repurchase Agreement	6.4600	07/07/2000	24,265,100.00	24,265,100.00
Repurchase Agreement	6.4600	07/07/2000	8,652,500.00	8,652,500.00
Repurchase Agreement	6.4600	07/07/2000	7,716,800.00	7,716,800.00
Repurchase Agreement	6.4600	07/07/2000	43,665,600.00	43,665,600.00
Total:			878,350,000.00	878,350,000.00
Total Short Term:			878,350,000.00	878,350,000.00

#### U. S. GOVERNMENT OBLIGATIONS

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TREASURY BONDS	COUPON	MATURITY	PAR	MARKET VALUE
& NOTES			24 200 000 00	04.040.000.00
U S Treasury Bonds	5.2500	11/15/2028	24,000,000.00	21,210,000.00
U S Treasury Bonds	5.2500	11/15/2028	21,000,000.00	18,558,750.00
U S Treasury Bonds	5.5000	08/15/2028	5,000,000.00	4,585,950.00
U S Treasury Bonds	5.5000	08/15/2028	15,000,000.00	13,757,850.00
U S Treasury Bonds	6.0000	02/15/2026	13,000,000.00	12,713,610.00
U S Treasury Bonds	6.0000	02/15/2026	3,000,000.00	2,933,910.00
U S Treasury Bonds	6.0000	02/15/2026	2,000,000.00	1,955,940.00
U S Treasury Bonds	6.0000	02/15/2026	2,000,000.00	1,955,940.00
U S Treasury Bonds	6.0000	02/15/2026	3,000,000.00	2,933,910.00
U S Treasury Bonds	6.0000	02/15/2026	2,000,000.00	1,955,940.00
U S Treasury Bonds	6.0000	02/15/2026	2,000,000.00	1,955,940.00
U S Treasury Bonds	6.0000	02/15/2026	9,000,000.00	8,801,730.00
U S Treasury Bonds	6.0000	02/15/2026	2,000,000.00	1,955,940.00
U S Treasury Bonds	6.0000	02/15/2026	5,000,000.00	4,889,850.00
U S Treasury Bonds	6.0000	02/15/2026	5,000,000.00	4,889,850.00
U S Treasury Bonds	6.0000	02/15/2026	8,000,000.00	7,823,760.00
U S Treasury Bonds	6.1250	08/15/2029	8,000,000.00	8,073,760.00
U S'Treasury Bonds	6.1250	08/15/2029	1,900,000.00	1,917,518.00
U S'Treasury Bonds	6.1250	08/15/2029	6,000,000.00	6,055,320.00
U S Treasury Bonds	6.1250	08/15/2029	3,375,000.00	3,406,117.50
U S Treasury Bonds	6,1250	11/15/2027	7,000,000.00	6,981,380.00
U S Treasury Bonds	6.1250	11/15/2027	2,000,000.00	1,994,680.00
U S Treasury Bonds	6.1250	11/15/2027	2,000,000.00	1,994,680.00
	6.1250	11/15/2027	5,000,000.00	4,986,700.00
U S Treasury Bonds	6.2500	08/15/2023	5,000,000.00	5,035,150.00
U S Treasury Bonds	6.2500	08/15/2023	7,000,000.00	7,049,210.00
U S Treasury Bonds	6.2500	08/15/2023	10,000,000.00	10,070,300.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6,2500		2,000,000.00	2,014,060.00
U S Treasury Bonds		08/15/2023	5,000,000.00	5,035,150.00
U S Treasury Bonds	6,2500	08/15/2023		
U S Treasury Bonds	6,2500	08/15/2023	5,000,000.00 2,000,000.00	5,035,150.00
U S Treasury Bonds	6.2500	08/15/2023	, .	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	15,000,000.00	15,105,450.00
U S Treasury Bonds	6.2500	08/15/2023	10,000,000.00	10,070,300.00
U S'Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00
U S Treasury Bonds	6.2500	08/15/2023	9,500,000.00	9,566,785.00
U S Treasury Bonds	6.2500	08/15/2023	5,500,000.00	5,538,665.00
U S Treasury Bonds	6.2500	08/15/2023	4,000,000.00	4,028,120.00
U S Treasury Bonds	6.2500	08/15/2023	2,000,000.00	2,014,060.00

# U. S. Government Obligations continued . . .

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TREASURY BONDS	COUPON	MATURITY	PAR	MARKET VALUE
& NOTES	4.5000	44 (45 (000)	r 000 000 00	£ 010 750 00
U S Treasury Bonds	6.5000	11/15/2026	5,000,000,00	5,218,750.00
U S Treasury Bonds	6.5000	11/15/2026	2,000,000,00	2,087,500.00
U S Treasury Bonds	6.5000	11/15/2026	22,000,000.00	22,962,500.00
U S Treasury Bonds	6.7500	08/15/2026	3,000,000.00	3,225,000.00
U S Treasury Bonds	6.8750	08/15/2025	9,000,000.00	9,798,750.00
U S'Treasury Bonds	6.8750	08/15/2025	12,500,000.00	13,609,375.00
U S Treasury Bonds	6.8750	08/15/2025	7,000,000.00	7,621,250.00
U S Treasury Bonds	7.1250	02/15/2023	4,500,000.00	4,995,000.00
U S Treasury Bonds	7.1250	02/15/2023	1,000,000.00	1,110,000.00
U S Treasury Bonds	7.1250	02/15/2023	2,000,000.00	2,220,000.00
U S Treasury Bonds	7.2500	05/15/2016	4,000,000.00	4,401,880.00
U S Treasury Bonds	7.2500	05/15/2016	3,000,000.00	3,301,410.00
U S Treasury Bonds	7.2500	05/15/2016	1,000,000.00	1,100,470.00
U S Treasury Bonds	7.2500	05/15/2016	3,000,000.00	3,301,410.00
U S Treasury Bonds	7.2500	05/15/2016	1,000,000.00	1,100,470.00
U S Treasury Bonds	7.2500	05/15/2016	1,000,000.00	1,100,470.00
U S Treasury Bonds	7.2500	05/15/2016	5,000,000.00	5,502,350.00
U S Treasury Bonds	7.2500	05/15/2016	15,500,000.00	17,057,285.00
U S Treasury Bonds	7.2500	05/15/2016	5,000,000.00	5,502,350.00
U S Treasury Bonds	7.2500	05/15/2016	4,000,000.00	4,401,880.00
U S Treasury Bonds	7.2500	08/15/2022	3,000,000.00	3,372,180.00
U S Treasury Bonds	7,5000	11/15/2016	3,500,000.00	3,946,810.00
U S Treasury Bonds	7.5000	11/15/2016	35,500,000.00	40,031,930.00
U S Treasury Bonds	7.5000	11/15/2016	14,000,000.00	15,787,240.00
U S Treasury Bonds	7.5000	11/15/2016	5,000,000.00	5,638,300.00
U S Treasury Bonds	7.6250	02/15/2007	400,000.00	406,312.00
U S Treasury Bonds	7.6250	02/15/2007	3,700,000.00	3,758,386.00
U S Treasury Bonds	7.6250	02/15/2007	4,000,000.00	4,063,120.00
U S Treasury Bonds	7.6250	02/15/2007	2,500,000.00	2,539,450.00
U S Treasury Bonds	7.6250	02/15/2007	3,800,000.00	3,859,964.00
U S Treasury Bonds	7.6250	02/15/2007	8,900,000.00	9,040,442.00
U S Treasury Bonds	7.6250	02/15/2025	2,000,000.00	2,362,500.00
U S Treasury Bonds	7.8750	02/15/2021	1,500,000.00	1,783,365.00
U S Treasury Bonds	7.8750	02/15/2021	9,000,000.00	10,700,190.00
U S Treasury Bonds	7.8750	02/15/2021	9,000,000.00	10,700,190.00
U S Treasury Bonds	7.8750	11/15/2007	2,000,000.00	2,055,940.00
U S Treasury Bonds	8.0000	11/15/2021	2,000,000.00	2,415,940.00
U S Treasury Bonds	8.1250	08/15/2021	14,400,000.00	17,574,768.00
	8.1250	08/15/2021	5,600,000.00	6,834,632.00
U S Treasury Bonds	8.1250	08/15/2021	1,200,000.00	1,464,564.00
U S Treasury Bonds U S Treasury Bonds	8.1250	08/15/2021	7,600,000.00	9,275,572.00
	8.1250	08/15/2021	11,515,000.00	14,053,712.05
U S Treasury Bonds		• •	17,500,000.00	21,358,225.00
U S Treasury Bonds	8.1250 8.5000	08/15/2021 02/15/2020	7,180,000.00	8,995,175.80
U S Treasury Bonds	8.5000 8.5000	• • • • • • • • • • • • • • • • • • • •	7,800,000.00	9,771,918.00
U S Treasury Bonds	8.5000 8.7500	02/15/2020		4,255,640.00
U S Treasury Bonds	8.7500	11/15/2008	4,000,000.00	
U S Treasury Bonds	8,7500	11/15/2008	6,000,000.00	6,383,460.00 8 102 107 00
U S Treasury Bonds	8,7500	11/15/2008	7,700,000.00	8,192,107.00 2,553,384,00
U S Treasury Bonds	8.7500	11/15/2008	2,400,000.00	2,553,384.00
U S Treasury Bonds	8.7500	11/15/2008	1,900,000.00	2,021,429.00

U. S. Government Obligations continued . . .

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TREASURY BONDS	COUPON	MATURITY	PAR	MARKET
& NOTES				VALUE
U S Treasury Bonds	8.8750	02/15/2019	4,725,000.00	6,077,531.25
U S Treasury Bonds	8.8750	02/15/2019	7,375,000.00	9,486,093.75
U S Treasury Bonds	8.8750	08/15/2017	3,000,000.00	3,819,840.00
U S Treasury Bonds	8.8750	08/15/2017	10,000,000.00	12,732,800.00
U S Treasury Bonds	9.0000	11/15/2018	9,700,000.00	12,587,302.00
U S Treasury Bonds	9.1250	05/15/2009	11,900,000.00	12,935,657.00
U S Treasury Bonds	9.1250	05/15/2018	2,500,000.00	3,266,025.00
U S Treasury Bonds	9.1250	05/15/2018	9,300,000.00	12,149,613.00
U S Treasury Bonds	9.1250	05/15/2018	2,800,000.00	3,657,948.00
U S Treasury Bonds	9.1250	05/15/2018	3,400,000.00	4,441,794.00
U S Treasury Bonds	9.1250	05/15/2018	22,000,000.00	28,741,020.00
U S Treasury Bonds	9.1250	05/15/2018	3,750,000.00	4,899,037.50
U S Treasury Bonds	9,1250	05/15/2018	10,000,000.00	13,064,100.00
U S Treasury Bonds	9.2500	02/15/2016	4,000,000.00	5,190,000.00
U S Treasury Bonds	11.6250	11/15/2004	2,500,000.00	3,000,400.00
U S Treasury Bonds	14.0000	11/15/2011	13,200,000.00	18,333,612.00
U S Treasury Notes	5.3750	06/30/2003	30,000,000.00	29,203,200.00
U S'Treasury Notes	5.6250	02/15/2006	4,000,000.00	3,880,640.00
U S Treasury Notes	5.6250	05/15/2008	3,000,000.00	2,894,070.00
U S Treasury Notes	5.7500	06/30/2001	9,500,000.00	9,428,750.00
U S Treasury Notes	5.8750	11/15/2004	10,000,000.00	9,854,700.00
U S Treasury Notes	5.8750	11/15/2005	25,000,000.00	24,570,250.00
U S Treasury Notes	5.8750	11/30/2001	18,000,000.00	17,850,960.00
U S Treasury Notes	5.8750	11/30/2001	15,000,000.00	14,875,800.00
U S Treasury Notes	6.1250	07/31/2000	1,000,000.00	1,000,000.00
U S Treasury Notes	6.1250	08/15/2007	2,000,000.00	1,987,180.00
U S Treasury Notes	6.1250	08/15/2007	7,000,000.00	6,955,130.00
U S Treasury Notes	6.1250	08/15/2007	10,000,000.00	9,935,900.00
U S Treasury Notes	6.1250	08/15/2007	5,000,000.00	4,967,950.00
U S Treasury Notes	6.1250	08/15/2007	5,000,000.00	4,967,950.00
U S'Treasury Notes	6.1250	08/15/2007	1,000,000.00	993,590.00
U S Treasury Notes	6.1250	08/15/2007	2,000,000.00	1,987,180.00
U S Treasury Notes	6.1250	08/15/2007	20,000,000.00	19,871,800.00
U S Treasury Notes	6.1250	12/31/2001	6,200,000.00	6,169,000,00
U S Treasury Notes	6.2500	01/31/2002	19,000,000.00	18,931,790.00
U S Treasury Notes	6.2500	02/15/2003	4,000,000.00	3,985,640.00
U S Treasury Notes	6.2500	02/15/2003	3,000,000.00	2,989,230.00
U S Treasury Notes	6.2500	02/15/2003	2,000,000.00	1,992,820.00
U S Treasury Notes	6.2500	08/31/2002	14,700,000.00	14,647,227.00
U S Treasury Notes	6.2500	08/31/2002	18,000,000.00	17,935,380.00
U S Treasury Notes	6.3750	08/15/2002	7,000,000.00	6,994,540.00
U S'Ireasury Notes	6.3750	08/15/2002	2,000,000.00	1,998,440.00
U S Treasury Notes	6.5000	05/15/2005	2,000,000.00	2,022,180.00
U S Treasury Notes	6.5000	10/15/2006	5,500,000.00	5,565,285.00
U S'Treasury Notes	6.5000	10/15/2006	11,980,000.00	12,122,202.60
U S'Treasury Notes	6.5000	10/15/2006	16,000,000.00	16,189,920.00
U S Treasury Notes	6.5000	10/15/2006	5,500,000.00	5,565,285.00
U S Treasury Notes	7.2500	05/15/2004	3,000,000.00	3,094,230.00
U S Treasury Notes	7.2500	05/15/2004	35,900,000.00	37,027,619.00
U S Treasury Notes	7.2500	05/15/2004	11,385,000.00	11,742,602.85
U S Treasury Notes	7.2500	05/15/2004	10,000,000.00	10,314,100.00
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### U. S. Government Obligations continued . . .

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TREASURY BONDS & NOTES	COUPON	MATURITY	PAR	MARKET VALUE
U S Treasury Notes U S Treasury Notes	7.5000 7.5000	02/15/2005 02/15/2005	6,500,000.00 16,500,000.00	6,812,780.00 17,293,980.00
TOTAL US TREASURY BO	ONDS & NOTES		\$ 1,067,185,000.00	\$ 1,134,865,286.30

FEDERAL AGENCIES	COUPON	MATURITY	PAR	MARKET VALUE
Federal Farm Credit Bank Notes	5.4500	12/11/2013	5,500,000.00	4,624,290.00
Federal Farm Credit Bank Notes	5.4500	12/11/2013	2,500,000.00	2,101,950.00
Federal Farm Credit Bank Notes	5.7300	09/03/2002	4,500,000.00	4,382,595.00
FHLB Bonds	5.1150	11/24/2003	4,500,000.00	4,242,645.00
FHLB Bonds	6.1250	02/15/2002	6,000,000.00	5,928,780.00
FHLB Bonds	6.8000	07/26/2002	8,500,000.00	8,412,365,00
FHLB Discount Note	0.0000	07/07/2000	50,000,000.00	49,999,650.00
FHLB Notes	5.1250	09/15/2003	15,000,000.00	14,191,350.00
FHLB Notes	5.1250	09/15/2003	5,700,000.00	5,392,713.00
FHLB Notes	5.1250	09/15/2003	5,700,000.00	5,392,713.00
FHLB Notes	5.1250	09/15/2003	8,000,000.00	7,568,720.00
FHLB Notes	6.7500	04/05/2004	12,000,000.00	11,859,360.00
FHLMC (Gold) Pool # E00210	7.0000	05/01/2008	2,544,604.80	2,516,614.15
FHLMC (Gold) Pool # E00408	6.5000	12/01/2010	7,765,327.70	7,549,296.28
FHLMC (Gold) Pool # W00067	6.4200	12/01/2005	7,581,556.80	7,315,444.16
FHLMC (Gold) Pool # W10001	6.4200	12/01/2005	5,921,000.00	5,537,378.41
FHLMC (Gold) Pool # E77524	6.5000	07/01/2009	1,145,435.41	1,116,524.62
FHLMC (Gold) Pool # E77842	6.5000	07/01/2009	1,355,336.21	1,321,127.52
FHLMC (Gold) Pool # E77983	6.5000	07/01/2009	888,511.79	857,173.98
FHLMC 1576 PE	6.0000	09/15/2005	2,007,410.00	1,998,617.54
FHLMC 1628 PG	6.1500	08/15/2019	5,000,000.00	4,939,050.00
FHLMC 2123 PE	6.0000	12/15/2027	11,500,000.00	10,454,190.00
FHLMC Debs	6.9430	03/21/2007	3,000,000.00	2,963,910.00
FHLMC Debs	7.0900	11/24/2006	8,100,000.00	7,841,772.00
FHLMC Debs	7.2250	11/08/2006	3,300,000.00	3,207,699.00
FHLMC Debs	7.4400	09/20/2006	1,200,000.00	1,176,192.00
FHLMC Debs	7.5280	09/25/2006	5,000,000.00	4,939,050.00
FHLMC GNMA 25 B	6.5000	12/25/2008	3,010,000.00	2,911,211.80
FI-ILMC Notes	5.1250	10/15/2008	5,000,000.00	4,374,200.00
FI-ILMC Notes	5.1250	10/15/2008	33,060,000.00	28,922,210.40
FHLMC Notes	5.5000	05/15/2002	8,000,000.00	7,801,280.00
FHLMC Notes	5.7500	03/15/2009	3,700,000.00	3,368,147.00
FHLMC Notes	5.7500	03/15/2009	3,700,000.00	3,368,147.00
FHLMC Notes	5.7500	03/15/2009	3,100,000.00	2,821,961.00
FHLMC Notes	5.7500	03/15/2009	9,000,000.00	8,192,790.00
FHLMC Notes	5.7500	03/15/2009	5,400,000.00	4,915,674.00
FHLMC Notes	5.7500	07/15/2003	2,000,000.00	1,931,240.00
FHLMC Notes	5.7500	07/15/2003	4,600,000.00	4,441,852.00
FHLMC Notes	6.2500	07/15/2004	7,200,000.00	6,999,768.00
FHLMC Notes	6.8750	01/15/2005	5,800,000.00	5,763,750.00
FHLMC Notes	6.8750	01/15/2005	3,500,000.00	3,478,125.00

U. S. Government Obligations continued . . .

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FEDERAL AGENCIES	COUPON	MATURITY	PAR	MARKET
continued				VALUE
FHLMC REMIC 1487 CL F	6.0000	11/15/2020	5,285,127.25	5,192,637.52
FHLMC REMIC 1546 CLE	6.3500	11/15/2019	4,807,421.50	4,748,819.03
FHLMC(Gold) Pool # G10857	6.5000	11/01/2008	3,673,779.00	3,544,204.81
FHR 1624 EA	5.5000	01/15/2007	1,131,624.00	1,125,252.96
FHR 1630 PG	5.7500	04/15/2020	5,000,000.00	4,920,300.00
FMHA #02 002 610657376 (Mtgs KY)	7.7500	05/22/2012	1,100,118.15	1,087,741.82
FNMA	5.1250	02/13/2004	14,000,000.00	13,151,180.00
FNMA 1993-189 PJ	6.5000	02/25/2021	4,155,145.00	4,060,324.59
FNMA Bonds	6.2500	05/15/2029	4,600,000.00	4,137,102.00
FNMA Bonds	6.2500	05/15/2029	4,850,000.00	4,361,944.50
FNMA Bonds	7.1250	02/15/2005	11,000,000.00	11,044,660.00
FNMA Debs	7.1700	06/26/2007	1,950,000.00	1,877,479.50
FNMA Debs	7.1700	06/26/2007	5,600,000.00	5,391,736.00
FNMA Debs	7.5500	03/27/2007	6,200,000.00	6,062,422.00
FNMA Debs	7.5500	03/27/2007	1,300,000.00	1,271,153.00
FNMA Debs	7.5500	03/27/2007	7,000,000.00	6,844,670.00
FNMA Debs	8.2500	12/18/2000	2,200,000.00	2,213,398.00
FNMA MIN	5.7800	10/10/2000	1,700,000.00	1,698,147.00
FNMA MIN	5.9400	08/06/2003	19,000,000.00	18,346,780.00
FNMA MTN	6.5000	08/15/2004	3,000,000.00	2,942,340.00
FNMA MTN	7.0300	10/25/2006	2,000,000.00	1,955,000.00
FNMA MTN	7.0300	10/25/2006	5,000,000.00	4,887,500.00
FNMA MTN	7.0300	10/25/2006	2,000,000.00	1,955,000.00
FNMA MTN	7.1500	08/27/2012	14,000,000.00	13,118,420.00
FNMA MTN	7.1600	06/26/2007	8,265,000.00	7,984,733.85
FNMA MTN	7.2500	06/01/2005	2,000,000.00	1,964,060.00
FNMA Notes	0.0000	08/15/2001	11,500,000.00	10,644,630.00
FNMA Notes	4.7500	11/14/2003	2,000,000.00	1,864,380.00
FNMA Notes	5.1250	02/13/2004	20,000,000.00	18,787,400.00
FNMA Notes	5.2500	01/15/2003	6,700,000.00	6,430,928.00
FNMA Notes	5.2500	01/15/2003	2,700,000.00	2,591,568.00
FNMA Notes	5.2500	01/15/2009	2,400,000.00	2,114,256.00
FNMA Notes	5.2800	11/15/2001	7,000,000.00	6,849,080.00
FNMA Notes	5.2800	11/15/2001	3,700,000.00	3,625,223.00
FNMA Notes	5.3000	04/17/2001	7,000,000.00	6,919,150.00
FNMA Notes	5.6700	03/27/2002	3,750,000.00	3,670,912.50
FNMA Notes	5.7500	02/15/2008	36,500,000.00	33,574,160.00
FNMA Notes	5.7500	03/15/2002	10,900,000.00	10,696,606.00
FNMA Notes	5.7500	06/15/2005	40,000,000.00	37,900,000.00
FNMA Notes	5.7500	06/15/2005	15,000,000.00	14,212,500.00
FNMA Notes	5.8600	07/19/2001	20,000,000.00	19,634,400.00
FNMA Notes	5.8750	04/23/2004	2,500,000.00	2,394,525.00
FNMA Notes	5.8750	04/23/2004	5,000,000.00	4,789,050.00
FNMA Notes	5.8750	04/23/2004	15,090,000.00	14,453,352.90
FNMA Notes	6.0000	05/15/2008	4,000,000.00	3,728,760.00
FNMA Notes	6.0000	05/15/2008	6,000,000.00	5,593,140.00
FNMA Notes	6.0100	07/17/2003	2,500,000.00	2,418,750.00
FNMA Notes	6.1500	01/28/2028	4,000,000.00	3,501,240.00
FNMA Notes	6.5000	08/15/2004	32,000,000.00	31,384,960.00
FNMA Notes	7.0200	08/28/2007	10,000,000.00	9,603,100.00
FNMA Notes	7.0300	10/25/2006	2,000,000.00	1,955,000.00

# U. S. Government Obligations continued . . .

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EDERAL AGENCIES	COUPON	MATURITY	PAR	MARKET
ontinued				VALUE
NMA Notes	7.0300	10/25/2006	2,500,000.00	2,443,750.00
NMA Notes	7.4500	04/30/2007	6,000,000.00	5,879,040.00
NMA Notes	7.4900	05/22/2007	5,000,000.00	4,781,250.00
NMA Notes	7.4900	05/22/2007	2,500,000.00	2,390,625.00
NMA Pool # 124921	6.5000	07/01/2023	12,144,078.97	11,555,576.90
NMA Pool # 190555	7.0000	01/01/2014	2,920,779.05	2,881,202.49
NMA Pool # 190609	7.0000	02/01/2014	2,484,950.77	2,446,061.29
NMA Pool # 251258	7.0000	09/01/2007	3,009,827.03	2,905,687.03
NMA Pool # 251344	7.0000	10/01/2007	2,183,138,45	2,107,601.80
NMA Pool # 251418	7.0000	11/01/2007	3,762,964.13	3,632,765.5
NMA Pool # 251524	7.0000	11/01/2007	2,892,561.47	2,792,478.84
NMA Pool # 251725	6.0000	04/01/2008	1,327,473.07	1,214,279.4
NMA Pool # 251752	6.5000	05/01/2028	1,950,105.25	1,841,016.30
NMA Pool # 251764	6.0000	05/01/2008	5,983,394.11	5,473,190.09
NMA Pool # 251765	6.5000	04/01/2008	2,221,466.95	2,094,221.32
NMA Pool # 251765	6.5000	04/01/2008	3,335,535.95	3,144,476.45
NMA Pool # 251841	6.5000	06/01/2008	1,346,819.23	1,269,673.42
NMA Pool # 251893	6.5000	07/01/2008	4,228,878.92	3,986,648.74
NMA Pool # 251905	6.5000	08/01/2008	2,130,782.49	2,008,731.23
NMA Pool # 251905	6.5000	08/01/2008	1,340,180.37	1,263,414.84
NMA Pool # 252318	6.0000	02/01/2009	4,933,493.58	4,512,814.58
NMA Pool # 266220	6.5000	12/01/2023	6,918,428.23	6,574,651.53
NMA Pool # 313644	7.0000	07/01/2027	12,088,720.97	11,703,332.55
NMA Pool # 323119	7.0000	03/01/2005	4,419,471.15	4,356,493.69
NMA Pool # 340755 (Mtgs KY)	6.5000	03/01/2026	971,598.92	920,891.17
NMA Pool # 340800 (Mtgs KY)	6.5000	03/01/2026	619,153.61	588,387.87
NMA Pool # 343306 (Mtgs KY)	6.5000	04/01/2026	938,684.43	889,694.49
NMA Pool # 347255 (Mtgs KY)	6.5000	05/01/2026	866,887.05	821,644.21
NMA Pool # 347916 (Mtgs KY)	7.0000	06/01/2026	440,630.48	426,997.37
NMA Pool # 351248 (Mtgs KY)	7.5000	07/01/2026	347,268.84	343,362.07
NMA Pool # 375218 DUS (Mtgs KY)	7.2100	06/01/2007	2,184,701.00	2,155,345.17
NMA Pool # 380661 (Mtgs KY)	6.1900	09/01/2008	3,435,377.49	3,186,312.62
NMA Pool # 381276	5.9900	01/09/2009	5,345,139.96	4,886,420.05
NMA Pool # 381497 (Mtgs KY)	6.2300	04/01/2009	3,617,034.04	3,355,931.20
NMA Pool # 381934 (Mtgs KY)	7,2500	09/01/2009	4,198,266.52	4,152,043.61
NMA Pool # 381934 (Mtgs KY)	7.2500	09/01/2009	25,215.06	24,937.44
NMA Pool # 381935 (Mtgs KY)	7.2500	09/01/2009	4,000,701.62	3,940,691.10
NMA Pool # 381935 (Mtgs KY)	7.2500	09/01/2009	24,027.89	23,667.47
NMA Pool # 382012	6.9400	10/01/2009	7,465,364.91	7,186,757.49
NMA Pool # 382024	7.0100	10/01/2009	5,124,000.00	5,058,351.31
NMA Pool # 382025	7.0100	10/01/2009	5,376,000.00	5,307,122.69
NMA Pool # 382031 (Mtgs KY)	7.1000	11/01/2009	4,260,276.50	4,204,360.37
NMA Pool # 420943	6.0000	03/01/2013	14,394,436.20	13,634,122.08
NMA Pool # 456258	6.5000	01/01/2029	4,504,995.04	4,251,589.07
NMA Pool # 457075	6.5000	01/01/2029	4,275,122.12	4,034,646.50
NMA Pool # 460299	7.3200	06/01/2009	2,986,844.04	2,960,500.08
NMA Pool # 460303 DUS	8.0100	09/01/2009	8,508,670.10	8,598,862.00
NMA Pool # 460323 DUS	7.4700	04/01/2010	3,500,000.00	3,447,465.00
NMA Pool # 481584	6.0000	02/01/2029	12,889,700.02	11,790,595.30
NMA Pool # 481584	6.0000	02/01/2029	37,634,160.65	34,446,923.58
NMA Pool # 501225	6.0000	07/01/2029	5,939,064.23	5,432,640.22

U. S. Government Obligations continued . . .

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FEDERAL AGENCIES continued	COUPON	MATURITY	PAR	MARKET VALUE
FNMA Pool # 503689	6.5000	06/01/2029	4,896,715.74	4,621,275.48
FNMA Pool # 508866	7.0000	08/01/2029	6,983,595.71	6,741,963.30
FNMA Pool # 521220	7.0000	12/01/2029	7,954,550.37	7,679,322.93
FNMA Pool 252795		09/01/2009	913,947.15	861,596.26
FNR 1994-72 CL E	6.5000	11/25/2017	2,021,425.80	2,006,265.11
FNR 1996-21 CL PG	6.0000 6.0000	02/25/2010	6,400,000.00	6,193,984.00
FNR 1997-56 CL PD	6.5000	05/18/2022	5,000,000.00	4,821,850.00
Tennessee Valley Authority Bonds	6.0000	03/15/2013	1,900,000.00	1,759,875.00
Tennessee Valley Authority Bonds	6.0000	03/15/2013	2,200,000.00	2,037,750.00
USDA Business & Ind Loan (Mtgs K		05/15/2020	5,922,000.00	5,973,817.50
Total Federal Agencies			\$ 990,026,003.24	\$ 944,372,549.19
GNMA SINGLE FAMILY MORTGAGES	COUPON	MATURITY	PAR	MARKET VALUE
GNMA Single Family Mortgages 28 P	ools		140,430,455.25	134,400,059.81
Total GNMA Single Family Mortga	iges		\$ 140,430,455.25	\$ 134,400,059.81
COLLATERALIZED MORTGAGE OBLIGATIONS	COUPON	MATURITY	PAR	MARKET VALUE
CMO FHLMC 1494 CL PJ	6.8500	01/15/2022	2,000,000.00	1,928,120.00
CMO FHLMC 1645 CL PD	4.5000	09/15/2008	4,000,000.00	3,738,720.00
CMO FHR 1584 CL K	6,5000	08/15/2022	5,000,000.00	4,757,800.00
CMO FHR 1679 CL D	6.0000	09/15/2008	10,000,000.00	9,656,200.00
CMO FNR 1994-10 CL H	6.5000	08/25/2022	8,493,500.00	8,241,327.99
Total Collateralized Mortgage Obil	gations		\$ 29,493,500.00	\$ 28,322,167.99
TREASURY STRIP	COUPON	MATURITY	PAR	MARKET
BONDS	0001011	THE STATE OF THE S	1111	VALUE
BECCS Strip Note	0.0000	05/15/2011	6,000,000.00	4,050,660.00
FICO Strip Debs	0.0000	06/27/2001	6,270,000.00	5,646,385.80
Treasury Receipts	0.0000	05/15/2004	2,170,080.00	1,689,732.79
U S Treasury Principal Strips	0.0000	08/15/2020	21,600,000.00	6,262,272.00
U S Treasury Principal Strips	0.0000	11/15/2001	25,000,000.00	22,908,500.00
U S Treasury Strip Bonds	0.0000	02/15/2007	30,000,000.00	20,021,100.00
U S Treasury Strip Bonds	0.0000	05/15/2009	3,000,000.00	1,739,820.00
U S Treasury Strip Bonds	0.0000	08/15/2014	3,000,000.00	1,253,100.00
U S Treasury Strip Bonds	0.0000	11/15/2004	43,000,000.00	32,963,800.00
U S Treasury Strip Bonds	0.0000	11/15/2005	1,000,000.00	720,590.00
U S Treasury Strip Bonds	0.0000	11/15/2011	15,000,000.00	9,774,000.00
Total Treasury Strip Bonds			\$ 156,040,080.00	\$ 107,029,960.59

### U. S. Government Obligations continued . . .

OTHER MISCELLANEOUS	COUPON	MATURITY	PAR	MARKET VALUE
FHA Certificate of Claim	3,0000	//	32,887.02	0.00
Total Other Miscellaneous			\$ 32,887.02	\$ 0.00

TOTAL U.S. GOVERNMENT OBLIGATIONS

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\$ 2,383,207,925.51 \$ 2,348,990,023.88

#### **CORPORATE BONDS**

INDUSTRIALS	COUPON	MATURITY	PAR	MARKET VALUE
Abbott Laboratories Notes	6.0000	03/15/2008	2,000,000.00	1,862,660.00
Abbott Laboratories Notes	6,8000	05/15/2005	4,000,000.00	3,949,160.00
Abbott Laboratories Notes	6.8000	05/15/2005	2,000,000.00	1,974,580.00
Aflac Inc Sr Notes 144A	6.5000	04/15/2009	3,000,000.00	2,722,170.00
Albertson's Inc Notes	6.6250	06/01/2028	9,000,000.00	7,480,800.00
Aluminum Co of America Notes	5.7500	02/01/2001	1,000,000.00	991,900.00
Aluminum Co of America Notes	6.1250	06/15/2005	5,000,000.00	4,775,850.00
Amoco Company Notes	6,2500	10/15/2004	3,000,000.00	2,909,220.00
Amoco Company Notes	6.2500	10/15/2004	1,000,000.00	969,740.00
Arco Chemical Co Debs	9.9000	11/01/2000	2,000,000.00	2,010,000.00
Arco Chemical Co Debs	9.9000	11/01/2000	2,000,000.00	2,010,000.00
Atlantic Richfield Debs	8.2500	02/01/2022	2,000,000.00	2,164,380.00
Atlantic Richfield Notes	5.9000	04/15/2009	2,850,000.00	2,602,905.00
Atlantic Richfield Notes	5.9000	04/15/2009	9,000,000.00	8,219,700.00
Atlantic Richfield Notes	5.9000	04/15/2009	1,000,000.00	913,300.00
Atlantic Richfield Notes	5.9000	04/15/2009	3,000,000.00	2,739,900.00
Becton Dickinson & Co Notes	6.9000	10/01/2006	2,000,000.00	1,968,160.00
Becton Dickinson Debs	7.0000	08/01/2027	8,650,000.00	7,765,451.00
Boeing Co Debs	7.2500	06/15/2025	1,000,000.00	940,920.00
Bocing Co Notes	6.3500	06/15/2003	2,750,000.00	2,701,435.00
Boeing Co Notes	6.3500	06/15/2003	500,000.00	491,170.00
Bristol Meyer Squibb Debs	7.1500	06/15/2023	2,500,000.00	2,457,825.00
Bristol Myers Squibb Debs	6.8000	11/15/2026	2,000,000.00	1,880,800.00
Bristol Myers Squibb Debs	6.8000	11/15/2026	3,000,000.00	2,821,200.00
Browning-Ferris Inds Inc Sr Notes	6.3750	01/15/2008	1,500,000.00	1,125,000.00
Burlington Resources Debs	7.3750	03/01/2029	10,000,000.00	9,276,600.00
Burlington Resources Debs	7.3750	03/01/2029	2,000,000.00	1,855,320.00
Burlington Resources Debs	7.3750	03/01/2029	2,000,000.00	1,855,320.00
Burlington Resources Debs	7.3750	03/02/2029	2,650,000.00	2,458,299.00
Campbell Soup Co Notes	4.7500	10/01/2003	5,000,000.00	4,667,350.00
Cargill Inc 144A Notes	6,1500	02/25/2008	3,000,000.00	2,811,000.00
Cargill Inc 144A Sr Notes	7.2500	11/01/2036	2,000,000.00	1,844,160.00
Chrysler Corp Debs	7.4500	03/01/2027	4,000,000.00	3,838,120.00
Clorox Company Debs	8.8000	07/15/2001	2,000,000.00	2,034,620.00

### **CORPORATE BONDS**

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INDUSTRIALS	COUPON	MATURITY	PAR	MARKET
continued				VALUE
Clorox Company Debs	8.8000	07/15/2001	1,000,000.00	1,017,310.00
Coca Cola Enterprises Debs	6.9500	11/15/2026	2,000,000.00	1,768,040.00
Coca Cola Enterprises Notes	6.6250	08/01/2004	5,000,000.00	4,846,550.00
Colgate-Pallmolive Co Notes	5.2700	12/01/2003	3,000,000.00	2,827,350.00
Colgate-Palmolive Co Notes	6.5800	11/05/2002	3,000,000.00	2,961,060.00
Conoco Sr Notes	6.9500	04/15/2029	10,000,000.00	9,090,400.00
Cooper Industries Inc Notes	5.8800	02/20/2003	2,000,000.00	1,939,260.00
Cooper Industries Inc Notes	5.8800	02/20/2003	3,000,000.00	2,908,890.00
CPC International Inc Debs	7.2500	12/15/2026	5,000,000.00	4,719,200.00
CSC Enterprises Notes	6.5000	11/15/2001	18,500,000.00	18,419,525.00
Daimler Chrysler Na Hldg Notes	8.0000	06/15/2010	7,000,000.00	7,155,330.00
Dean Foods Co Debs	6.9000	10/15/2017	2,000,000.00	1,555,100.00
Dean Foods Co Debs	6.9000	10/15/2017	2,000,000.00	1,555,100.00
Donnelley & Sons Debs	9.1250	12/01/2000	2,500,000.00	2,519,900.00
Donnelley & Sons Notes	7.0000	01/01/2003	1,800,000.00	1,804,788.00
Dover Corp Debs	6.6500	06/01/2028	3,000,000.00	2,319,960.00
Dover Corp Debs	6.6500	06/01/2028	425,000.00	328,661.00
Dover Corp Debs	6.6500	06/01/2028	350,000.00	270,662.00
Dover Corp Notes	6.4500	11/15/2005	2,000,000.00	1,829,280.00
Dow Chemical Debs	7,3750	11/01/2029	2,500,000.00	2,423,925.00
Dow Chemical Debs	7.3750	11/01/2029	8,000,000.00	7,756,560.00
Dupont (EI) Denemours Debs	8.2500	09/15/2006	12,000,000.00	12,603,840.00
Eaton Corp Debs	8.9000	08/15/2006	1,800,000.00	1,901,790.00
Electronic Data Systems 144A Notes	7.1250	05/15/2005	5,000,000.00	4,999,300.00
Electronic Data Systems 144A Notes	7.1250	05/15/2005	5,000,000.00	4,999,300.00
Emerson Electric Co Bonds	5.5000	09/15/2008	2,000,000.00	1,783,540.00
Emerson Electric Co Bonds	5.8500	03/15/2009	4,000,000.00	3,637,040.00
Enron Oil & Gas Sr Notes	6,7000	11/15/2006	2,000,000.00	1,894,820.00
Enron Oil & Gas Sr Notes	6.7000	11/15/2006	1,000,000.00	947,410.00
First Data Corp MTN	6.8200	09/18/2001	2,000,000.00	1,999,900.00
First Data Corp Notes	5,8000	12/15/2008	4,000,000.00	3,644,720.00
First Data Corp Notes	5.8000	12/15/2008	5,500,000.00	5,011,490.00
First Data Corp Notes	6.7500	07/15/2005	2,000,000.00	1,905,180.00
Ford Motor Co Debs	7.4000	11/01/2046	10,000,000.00	9,172,600.00
Ford Motor Co Debs	7.4000	11/01/2046	4,000,000.00	3,669,040.00
Ford Motor Co Debs	7.4000	11/01/2046	12,000,000.00	11,007,120.00
Ford Motor Company Bonds	6.5000	08/01/2018	4,500,000.00	3,875,040.00
Fortune Brands Inc Debs	7.8750	01/15/2023	2,000,000.00	1,943,200.00
General Mills Inc Notes	5.8200	02/05/2003	5,800,000.00	5,625,594.00
General Mills MTN	5.4000	12/08/2008	3,000,000.00	2,647,320.00
General Motors Debs	7.7000	04/15/2016	5,000,000.00	4,872,900.00
Halliburton Co Notes	6.3000	08/05/2002	3,750,000.00	3,698,437.50
Halliburton Co Notes	6.7500	02/01/2027	3,000,000.00	2,942,250.00
Heinz (HJ) Co Debs	6.3750	07/15/2028	1,200,000.00	1,006,176.00
Heinz (HJ) Co Notes	6.3750	07/15/2028	3,000,000.00	2,515,440.00
Heinz (HJ) Co Notes	6.8750	01/15/2003	1,000,000.00	990,280.00
Hershey Foods Co Debs	8.8000	02/15/2021	2,000,000.00	2,184,640.00
Hewlett-Packard Co Notes	7.1500	06/15/2005	5,000,000.00	5,009,150.00
Home Depot Inc Notes 144A	6.5000	09/15/2004	4,000,000.00	3,962,560.00
Home Depot Inc Notes 144A	6.5000	09/15/2004	10,625,000.00	10,525,550.00
IBM Corp Debs	6.5000	01/15/2028	6,000,000.00	5,409,360.00

INDUSTRIALS	COUPON	MATURITY	PAR	MARKET
continued				VALUE
IBM Corp Debs	7,0000	10/30/2025	1,000,000.00	963,470.00
IBM Corp Debs	7.0000	10/30/2025	2,000,000.00	1,926,940.00
IBM Corp Debs	7.5000	06/15/2013	1,000,000.00	1,012,680.00
IBM Corp Debs	8.3750	11/01/2019	5,000,000.00	5,562,000.00
IBM Corp Notes	6.4500	08/01/2007	2,000,000.00	1,915,540.00
Illinois Tool Works Notes	5.7500	03/01/2009	3,000,000.00	2,674,230.00
Johnson & Johnson Notes	6.6250	09/01/2009	1,500,000.00	1,445,145.00
Johnson & Johnson Notes	6.9500	09/01/2029	1,600,000.00	1,532,192.00
Kimberly Clark Corp Bonds	6.2500	07/15/2018	3,000,000.00	2,637,360.00
Leggett & Platt Notes 144-A	7.1850	04/24/2002	10,000,000.00	9,990,000.00
Leggett & Platt Notes 144-A	7.1850	04/24/2002	4,000,000.00	3,996,000.00
Lowe's Companies Notes	7.1100	05/15/2037	5,000,000.00	4,946,450.00
Marion Merrell Dow-ASOP Debs	9.1100	08/01/2005	2,722,342.28	2,810,437.28
Masco Corp Debs	6,6250	04/15/2018	4,000,000.00	3,317,240.00
Masco Corp Debs	6,6250	04/15/2018	2,000,000.00	1,658,620.00
Masco Corp Debs	6.6250	04/15/2018	2,580,000.00	2,139,619.80
McDonnell Douglas Notes	6.8750	11/01/2006	3,000,000.00	2,847,270.00
Mead Corp Notes	6.6000	03/01/2002	1,000,000.00	988,670.00
Merck & Co Inc Debs	5.9500	12/01/2028	10,000,000.00	8,389,100.00
Merck & Co Sr Notes	6.4000	03/01/2028	2,000,000.00	1,782,380.00
Minnesota Mining & Mfg Debs	6.3750	02/15/2028	2,000,000.00	1,668,460.00
Minnesota Mining & Mfg Debs	6.3750	02/15/2028	2,000,000.00	1,668,460.00
Monsanto Company Notes	5.7500	12/01/2005	9,000,000.00	8,344,800.00
Motorola Inc Debs	6,5000	11/15/2028	5,000,000.00	4,389,800.00
Motorola Inc Debs	6.5000	11/15/2028	4,115,000.00	3,612,805.40
New Times Mirror Inc Debs	7.5000	07/01/2023	5,000,000.00	4,970,050.00
Pepsico Bottling Holdings Inc 144A	5.3750	02/17/2004	10,000,000.00	9,420,300.00
Pepsico Bottling Holdings Inc 144A	5.3750	02/17/2004	5,000,000.00	4,710,150.00
Pepsico Inc Notes	5.7500	01/02/2003	3,000,000.00	2,892,450.00
Pepsico Inc Notes	5.7500	01/02/2003	1,000,000.00	964,150.00
Pioneer Hi-Bred Intl Inc Sr Notes	5.7500	01/15/2009	3,000,000.00	2,677,800.00
PPG Industries Inc Notes	6.2500	02/15/2002	2,500,000.00	2,453,875.00
Procter & Gamble Co	6.8750	09/15/2009	1,000,000.00	973,380.00
Procter & Gamble Co Notes	5.2500	09/15/2003	3,500,000.00	3,313,030.00
Procter & Gamble Co Notes	5.2500	09/15/2003	3,500,000.00	3,313,030.00
Procter & Gamble Co Notes	6.8750	09/15/2009	5,000,000.00	4,866,900.00
Procter & Gamble Co Debs	8.0000	10/26/2029	5,000,000.00	5,234,050.00
Procter & Gamble Co Debs	8.5000	08/10/2009	3,000,000.00	3,239,460.00
Procter & Gamble Co Debs	8.7000	08/01/2001	3,000,000.00	3,047,820.00
Procter & Gamble-ESOP Co Debs	9.3600	01/01/2021	6,900,000.00	7,952,871.00
Rockwell Intl Corp Notes	6.1500	01/15/2008	2,500,000.00	2,298,400.00
Rohm & Haas Co Notes	6.9500	07/15/2004	2,000,000.00	1,968,560.00
Rohm & Haas Co Notes	6,9500	07/15/2004	3,000,000.00	2,952,840.00
Sara Lee Corp MTN	5.6000	10/12/2005	1,500,000.00	1,401,870.00
Sara Lee Corp MTN	6.0000	01/15/2008	3,000,000.00	2,787,600.00
Sara Lee Corp Notes	6.0000	12/05/2005	2,000,000.00	1,900,600.00
Sara Lee Corp Notes	6.4000	11/01/2001	2,000,000.00	1,989,580.00
Sysco Corp Sr Notes	7.0000	05/01/2006	2,000,000.00	1,943,100.00
Sysco Corp Sr Notes	7.0000	05/01/2006	1,500,000.00	1,457,325.00
· -			4,000,000.00	
TCI Communications Inc Notes	6.3400	02/01/2002	4,000,000.00	3,932,280.00

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INDUSTRIALS continued	COUPON	MATURITY	PAR	MARKET VALUE
Texas Instruments Inc Sr Notes	7.0000	08/15/2004	3,000,000.00	2,988,120.00
Texas Instruments Inc Sr Notes	7.0000	08/15/2004	8,000,000.00	7,968,320.00
Texas Instruments Inc Sr Notes	7.0000	08/15/2004	3,000,000.00	2,988,120.00
The Gap Inc Notes	6.9000	09/15/2007	3,000,000.00	2,841,210.00
The Gap Inc Notes	6.9000	09/15/2007	9,830,000.00	9,309,698.10
Times Mirror Co Notes	7.4500	10/15/2009	2,900,000.00	2,847,365.00
Tribune Company Notes	5.9500	02/17/2004	3,895,000.00	3,735,032,35
Tribune Company Notes	5,9500	02/17/2004	11,000,000.00	10,548,230.00
TRW Inc MTN	6.3000	05/15/2008	3,000,000.00	2,791,020.00
United Technologies Corp Notes	6.6250	11/15/2004	2,000,000.00	1,964,500.00
United Technologies Corp Notes	6.6250	11/15/2004	2,500,000.00	2,455,625.00
United Technologies Corp Notes	9.3200	02/05/2021	3,000,000.00	3,681,090.00
Wal-Mart Stores Notes	5.8750	10/15/2005	3,000,000.00	2,851,680.00
Warner Lambert Co Notes	5.7500	01/15/2003	3,000,000.00	2,900,970.00
Washington Post Co Bonds	5.5000	02/15/2009	3,000,000.00	2,628,510.00
Westvaco Corp Debs	8.2000	01/15/2030	2,500,000.00	2,431,500.00
Westvaco Corp Debs	8.2000	01/15/2030	4,000,000.00	3,890,400.00
Westvaco Corp Debs	8.2000	01/15/2030	4,000,000.00	3,890,400.00
Westvaco Corp Notes	7.1000	11/15/2009	2,850,000.00	2,668,426.50
Weyerhaeuser Company Debs	7.9500	03/15/2025	1,000,000.00	973,610.00
Weyerhaeuser Company Debs	7.9500	03/15/2025	1,000,000.00	973,610.00
Weyerhaeuser Company Debs	7.9500	03/15/2025	3,000,000.00	2,920,830.00
WMX Technologies Inc Notes	7.1250	06/15/2001	1,000,000.00	982,880.00
Xerox Corp Notes	5.5000	11/15/2003	5,000,000.00	4,658,850.00
Total Industrials			\$ 587,542,342.28	\$ 560,254,070.93

Total Industrials	\$ 587,542,342.28	\$ 560,254,070.93
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FINANCE	COUPON	MATURITY	PAR	MARKET VALUE
American Express Cr Co Sr Notes	6,1250	11/15/2001	2,271,000.00	2,237,434.62
American Express Master Trust 97-1A	6.4000	04/15/2005	3,000,000.00	2,959,680.00
American Express Master Trust 97-1A	6,4000	04/15/2005	2,000,000.00	1,973,120.00
American Express Master Trust 97-1B	6.5500	04/15/2005	10,000,000.00	9,840,600.00
American Express Master Trust 97-1B	6,5500	04/15/2005	4,000,000.00	3,936,240.00
American Express Sr Unsub Notes	6.7500	06/23/2004	5,000,000.00	4,863,600.00
Ameritech Captial Funding Notes	5.6500	01/15/2001	7,000,000.00	6,947,500.00
Associates Corp NA Notes	5.8750	05/16/2001	4,000,000.00	3,950,840.00
Associates Corp NA Notes	6.3750	07/15/2002	5,500,000.00	5,398,525.00
Associates Corp NA Sr Notes	5.7500	10/15/2003	2,000,000.00	1,901,600.00
Avco Financial Services Sr Notes	7.3750	08/15/2001	2,000,000.00	1,998,360.00
Banc One Auto Grantor Tr 97-B CL A	6,2900	07/20/2004	1,398,193.70	1,385,959.51
Banc One Auto Grantor Tr 97-B CL A	6,2900	07/20/2004	1,258,374.26	1,247,363.49
Banc One Cr Card Mstr Tr 95-B CL A	6,3000	10/15/2002	2,000,000.00	1,996,860.00
Bank One Corp Notes	7,6000	05/01/2007	5,000,000.00	4,889,200.00
Bank One Corp Notes	7,6000	05/01/2007	10,000,000.00	9,778,400.00
Bankamerica Corp Notes	6.8500	03/01/2003	10,000,000.00	9,823,100.00
Bankamerica Corp Notes	9.6250	02/13/2001	4,200,000.00	4,256,784.00
Bankamerica Corp Sub Notes	7.7500	07/15/2002	2,650,000.00	2,665,635.00
BankAmerica Corp Sub Notes	7.8750	12/01/2002	3,000,000.00	3,028,020.00

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FINANCE	COUPON	MATURITY	PAR	MARKET
continued				VALUE
Bankboston Na Sub Notes	6.3750	03/25/2008	3,000,000.00	2,734,830.00
Bankers Trust - NY Sub Notes	8.2500	05/01/2005	3,000,000.00	3,069,570.00
Block Financial Notes	8,5000	04/15/2007	4,500,000.00	4,568,940.00
BSCMS 00-WF1 A2	7.7800	02/15/2010	5,000,000.00	5,101,500.00
Capital Holding Corp MTN	7.8200	06/23/2004	2,500,000.00	2,461,425.00
Case Equipment Loan Trust 98-A A4	5.8300	02/15/2005	3,413,005.08	3,360,990.88
Caterpillar Fin Asset Tr 97-A A3	6.4500	05/25/2003	377,324.34	376,962.11
Caterpillar Fin Asset Tr 97-B A3	6.1600	09/25/2003	787,522.12	785,002.05
Caterpillar Fin Asset Tr 97-B A3	6.1600	09/25/2003	1,181,283.18	1,177,503.07
Caterpillar Fin Asset Tr 98-A A3	5.8500	04/25/2003	2,796,449.16	2,771,840.41
Caterpillar Fin Asset Tr 98-A A3	5.8500	04/25/2003	1,864,299.44	1,847,893.60
Chase Credit Card Master Trust	6.1940	08/15/2005	5,000,000.00	4,876,550.00
Chase Credit Card Master Trust	6.2300	04/15/2005	12,125,000.00	11,912,812.50
Chase Manhattan Auto Owner Tr 96-C	6.1500	03/15/2002	3,062,754.75	3,048,390.43
Chase Manhattan Auto Owner Tr 97-A	6,5000	12/17/2001	3,000,000.00	2,987,790.00
Chase Manhattan Auto Owner Tr 98-B	5.7500	10/15/2001	1,102,301.08	1,100,570.47
Chase Manhattan Auto Owner Tr 98-B	5.7500	10/15/2001	2,844,648.00	2,840,181.90
Chase Manhattan Auto Owner Tr 98-B	5.8000	02/17/2003	22,500,000.00	22,183,425.00
Chase Manhattan Corp Notes	5.7500	04/15/2004	12,000,000.00	11,325,840.00
Chemical Bank Sub Notes	6.1250	11/01/2008	2,000,000.00	1,789,020.00
Chemical Bank Sub Notes	6.1250	11/01/2008	3,000,000.00	2,683,530.00
Chrysler Financial Corp MTN	5.7600	01/16/2001	2,000,000.00	1,985,820.00
Chrysler Financial Corp Notes	5.2500	10/22/2001	10,000,000.00	9,727,300.00
Cigna Corp Notes	7.4000	05/15/2007	3,000,000.00	2,852,880.00
Cincinnati Financial Corp Debs	6,9000	05/15/2028	2,000,000.00	1,687,600.00
Cincinnati Financial Corp Debs	6,9000	05/15/2028	2,500,000.00	2,109,500.00
Citibank Cr Card Master Tr 99-1 A	5.5000	02/15/2006	4,000,000.00	3,780,000.00
Citibank Cr Card Master Tr 99-1 A	5.5000	02/15/2006	15,875,000.00	15,001,875.00
Citibank Cr Card Master Tr 99-1 A	5.5000	02/15/2006	6,280,000.00	5,934,600.00
Citibank Credit Card Trust	6.3500	08/15/2002	3,000,000.00	2,997,180.00
Citibank Credit Card Trust 97-7 A	6.3500	08/15/2002	7,000,000.00	6,993,420.00
Citicorp Notes	7.1250	09/01/2005	20,000,000.00	19,882,000.00
Citigroup Inc Bonds	6,2000	03/15/2009	12,000,000.00	11,011,560.00
Citigroup Inc Notes	6.8750	06/01/2025	2,000,000.00	1,942,320.00
Citigroup Inc Sr Notes	9.5000	03/01/2002	2,000,000.00	2,065,920.00
College & Univ Facility Ln Tr 2 CL D	4.0000	06/01/2018	8,070,000.00	6,758,625.00
College & Univ Facility Ln Tr 2 CL D	4.0000	06/01/2018	10,000,000.00	8,375,000.00
Commercial Credit Co Notes	6.4500	07/01/2002	10,500,000.00	10,325,175.00
Commercial Credit Notes	6.6250	11/15/2006	3,000,000.00	2,849,850.00
Commercial Credit Sr Notes	6.2000	11/15/2001	5,000,000.00	4,923,350.00
Countrywide Funding Corp Notes	7.4700	08/20/2001	5,000,000.00	5,012,050.00
Countrywide Home Loans MTN	6.5100	02/11/2005	4,000,000.00	3,772,360.00
Countrywide Home Loans MTN	6.8400	10/22/2004	14,850,000.00	14,232,091.50
Daimler Chrysler Auto Trust 00-A A3	7.0900	12/06/2003	8,000,000.00	8,001,360.00
Daimler Chrysler Auto Trust 00-A A3	7.0900	12/06/2003	3,000,000.00	3,000,510.00
Daimler Chrysler Bonds	7.1250	03/01/2002	1,375,000.00	1,371,122.50
Daimler Chrysler Bonds	7.1250	03/01/2002	11,000,000.00	10,968,980.00
Daimler Chrysler Bonds	7.1250	03/01/2002	4,000,000.00	3,988,720.00
Daimler Chrysler Na Hldg MTN	6.5900	06/18/2002	4,000,000.00	3,952,440.00
Daimler Chrysler Na Hldg Notes	7.7500	05/27/2003	5,000,000.00	5,040,450.00
		09/16/2003	10,250,000.00	10,163,490.00

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FINANCE	COUPON	MATURITY	PAR	MARKET
continued				VALUE
Discover Credit Card Tr 91-1 CL A	5.3000	08/15/2004	25,000,000.00	24,257,750.00
First Bank Corp Master Tr 97-1 A	6.4000	02/15/2003	22,000,000.00	21,772,960.00
First Natl Bank of Boston Sub Notes	8.0000	09/15/2004	2,000,000.00	2,020,220.00
First NBC Credit Card 97-1 CL A	6.1500	09/15/2004	23,000,000.00	22,554,260.00
First Union Corp Notes	6.5500	10/15/2035	2,000,000.00	1,895,020.00
First Union Corp Notes	6.6250	07/15/2005	2,000,000.00	1,906,300.00
First Union Corp Sub Debs	6.5500	10/15/2035	1,000,000.00	947,510.00
First USA Credit Card 97-6 CL A	6.4200	03/17/2005	23,000,000.00	22,705,140.00
First USA Credit Card 97-6 CL A	6.4200	03/17/2005	4,000,000.00	3,948,720.00
First USA Credit Card 98-9 CL A	5.2800	09/18/2006	10,000,000.00	9,459,300.00
Ford Credit Auto Owner Tr 00-A A4	7.0900	11/17/2003	15,000,000.00	15,009,300.00
Ford Credit Auto Owner Tr 00-A A4	7.0900	11/17/2003	4,000,000.00	4,002,480.00
Ford Credit Auto Owner Tr 00-A A4	7.0900	11/17/2003	8,000,000.00	8,004,960.00
Ford Credit Auto Owner Tr 98-B A3	5.8500	10/15/2001	2,237,348.55	2,231,755.18
Ford Credit Auto Owner Tr 98-B A3	5.8500	10/15/2001	2,414,099.07	2,408,063.82
Ford Motor Credit Co Notes	7.7500	11/15/2002	5,000,000.00	5,021,950.00
Ford Motor Credit Co Sr Notes	5.7500	02/23/2004	12,000,000.00	11,302,680.00
Ford Motor Credit Corp Global Bond	7.0000	09/25/2001	2,000,000.00	1,987,260.00
Ford Motor Credit Notes	7.7500	11/15/2002	4,000,000.00	4,017,560.00
Ford Motor Credit Notes	8,2000	02/15/2002	2,000,000.00	2,019,980.00
Ford Motor Credit Notes	9.0300	12/30/2009	1,400,000.00	1,471,386.00
Frank Russell Co Notes 144A	5.6250	01/15/2009	3,000,000.00	2,641,110.00
Frank Russell Co Notes 144A	5.6250	01/15/2009	2,000,000.00	1,760,740.00
GE Global Insurance Hldg Notes	6.4500	03/01/2019	9,825,000.00	8,529,573.75
GE Global Insurance Holding Notes	6.4500	03/01/2019	2,000,000.00	1,736,300.00
Geico Corp Notes	7.5000	04/15/2005	3,750,000.00	3,724,500.00
Geico Corp Notes	7.5000	04/15/2005	3,000,000.00	2,979,600.00
General Electric Capital Corp Debs	8.7000	02/15/2003	9,000,000.00	9,319,680.00
General Electric Capital Corp MTN	6.5200	10/08/2002	4,000,000.00	3,947,880.00
General Electric Capital Corp MTN	9.1900	07/16/2009	3,000,000.00	3,378,900.00
General Electric Capital Corp Notes	6.1500	11/05/2001	2,000,000.00	1,974,500.00
General Electric Capital Corp Notes	6.2600	07/23/2003	5,000,000.00	4,871,850.00
General Electric Capital Corp Notes	6.2900	12/15/2007	3,000,000.00	2,961,780.00
General Electric Capital Corp Notes	6.2900	12/15/2007	2,000,000.00	1,974,520.00
General Electric Capital Corp Notes	6.2900	12/15/2007	3,825,000.00	3,776,269.50
General Electric Capital Corp Notes	6.2900	12/15/2007	3,000,000.00	2,961,780.00
General Electric Capital Corp Notes	7.0000	02/03/2003	12,150,000.00	12,100,671.00
General Electric Capital Corp Notes	7.0000	03/01/2002	5,000,000.00	4,988,300.00
General Electric Capital Corp Notes	8.1000	12/03/2001	5,000,000.00	5,086,800.00
General Electric Capital Sub Notes	7.5000	08/21/2035	2,000,000.00	1,974,860.00
General Electric Credit Corp Debs	5.5000	11/01/2001	4,000,000.00	3,916,320.00
GMAC Bonds	6.1500	04/05/2007	4,000,000.00	3,682,760.00
GMAC Bonds	6.1500	04/05/2007	12,150,000.00	11,186,383.50
GMAC Debs	8.7500	07/15/2005	3,000,000.00	3,146,100.00
GMAC Debs	8.7500	07/15/2005	2,000,000.00	2,097,400.00
GMAC MTN	5.4800	12/16/2002	2,000,000.00	1,909,640.00
GMAC Notes	5.6250	02/15/2001	1,000,000.00	989,460.00
GMAC Notes	5.6250	02/15/2001	2,000,000.00	1,978,920.00
GMAC Notes	6.3750	12/01/2001	12,000,000.00	11,815,080.00
GMAC Notes	6.7500	03/15/2003	2,000,000.00	1,961,040.00
GMAC Notes	6.7500	06/05/2001	3,440,000.00	3,419,428.80

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FINANCE	COUPON	MATURITY	PAR	MARKET	
continued				VALUE	
GMAC Notes	6.8500	04/17/2001	2,000,000.00	1,995,740.00	
Goldman Sachs Notes #144A Reg	7.8750	01/15/2003	14,000,000.00	14,098,560.00	
Greentree Financial 96-7 A-4	6,8000	10/15/2027	3,520,767.76	3,510,839.19	
Greentree Financial 97-6 A-4	6.8000	10/15/2027	1,408,307.10	1,404,335.67	
Greentree Financial 97-6 M1	7.2100	01/15/2029	4,000,000.00	3,542,480.00	
Greentree Financial 97-6 M1	7.2100	01/15/2029	11,750,000.00	10,406,035.00	
HAFMT 93-2 CL A	5.6000	05/15/2002	2,083,333.60	2,077,458.60	
Hartford Financial Svs Grp Debs	7.3000	11/01/2015	11,000,000.00	10,141,560.00	
Household Finance Co Notes	6.7000	06/15/2002	3,000,000.00	2,945,700.00	
Household Finance Co Notes	7.2500	07/15/2003	1,000,000.00	985,550.00	
Household Finance Co Notes	7.2500	07/15/2003	4,000,000.00	3,942,200.00	
Household Finance Co Sr Unsub Notes	6.4000	06/17/2008	1,000,000.00	907,310.00	
Household Finance Corp Notes	6.0000	05/01/2004	10,775,000.00	10,154,144.50	
International Lease Finance Bonds	5.6250	05/01/2002	10,000,000.00	9,700,000.00	
International Lease Finance Notes	6.4300	11/01/2001	3,000,000.00	2,980,020.00	
J P Morgan & Co Notes	7.2500	10/01/2010	2,000,000.00	1,898,160.00	
J P Morgan & Co Notes	7.6250	09/15/2004	2,000,000.00	2,015,000.00	
John Deere Capital Corp MTN	5.7200	01/22/2001	4,350,000.00	4,313,938.50	
Liberty National Bank & Trust Notes	6.7500	06/01/2003	2,000,000.00	1,960,980.00	
Liberty National Bank & Trust Notes	6.7500	06/01/2003	2,000,000.00	1,960,980.00	
Metris Master Trust 97-1 CL A	6.8700	10/20/2005	12,090,000.00	11,969,100.00	
Metropolitan Life 144-A Surplus Notes	7.8000	11/01/2025	12,000,000.00	11,265,120.00	
National City Bank Notes	6.2500	03/15/2011	4,000,000.00	3,457,440.00	
National City Kentucky Sub Notes	6.3000	02/15/2011	2,000,000.00	1,737,140.00	
National City Kentucky Sub Notes	6.3000	02/15/2011	1,000,000.00	868,570.00	
Nationsbank Corp Notes	6.8750	02/15/2005	2,500,000.00	2,413,300.00	
Nationsbank Corp Sr Notes	5.7500	03/15/2001	2,000,000.00	1,979,880.00	
Nationsbank Corp Sr Notes	6,1250	07/15/2004	10,000,000.00	9,558,500.00	
Nationsbank Corp Sub Notes	6,6000	05/15/2010	2,000,000.00	1,808,100.00	
Nationsbank Corp Sub Notes	7.5000	09/15/2006	2,000,000.00	1,989,900.00	
Nationslink Funding Corp	6.0010	11/20/2007	3,604,204.36	3,428,751.69	
Nationslink Funding Corp	6.0010	11/20/2007	10,812,613.07	10,286,255.07	
Nationwide CSN Trust Notes	9.8750	02/15/2025	14,000,000.00	14,817,320.00	
Norwest Financial Inc Notes	7.2000	05/01/2007	3,000,000.00	2,924,970.00	
Norwest Financial Inc Sr Notes	6.0000	02/01/2004	2,000,000.00	1,900,900.00	
Old Republic Intl Debs	7.0000	06/15/2007	2,000,000.00	1,933,680.00	
Old Republic Intl Debs	7.0000	06/15/2007	8,500,000.00	8,218,140.00	
Pitney Bowes Credit Corp Notes	5.6500	01/15/2003	3,000,000.00	2,897,490.00	
Pitney Bowes Credit Corp Notes	6.8000	10/01/2001	2,000,000.00	2,001,500.00	
PNC Student Loan Tr I 97-2 A4	6.4460	01/25/2002	5,000,000.00	4,983,300.00	
PNC Student Loan Trust 97-2 CL A3	6.3140	01/25/2001	1,154,250.00	1,154,019.15	
Premier Auto Trust 97-1 CL A4	6.3500	04/06/2002	1,233,757.42	1,231,820.42	
Premier Auto Trust 98-3 CL A3	5.8800	12/08/2001	10,799,412.56	10,765,610.40	
Premier Auto Trust 98-3 CL A3	5.8800	12/08/2001	3,617,893.65	3,606,569.64	
Premier Auto Trust 98-3 CL A3	5.8800	12/08/2001	1,808,946.82	1,803,284.82	
Premier Auto Trust 98-3 CL A3	5.8800	12/08/2001	2,170,736.19	2,163,941.79	
Premier Auto Trust 98-3 CL A4	5.9600	10/08/2002	28,380,000.00	28,051,643.40	
Reliastar Financial Corp Notes	6.5000	11/15/2008	3,000,000.00	2,741,910.00	
Reliastar Financial Corp Notes	6.5000	11/15/2008	5,000,000.00	4,569,850.00	
Seats Credit Acct Master Tr 96-4 A	6.4500	10/16/2006	7,500,000.00	7,450,725.00	
Sears Credit Acct Master Tr 98-1 A	5.8000	08/15/2005	5,000,000.00	4,965,600.00	
State State Hoof Madel II 70 1 11	5.0000	00, 10, 2000	2,223,000100	132 003000100	

FINANCE continued	COUPON	MATURITY	PAR	MARKET VALUE
Sears Credit Acct Master Tr 98-2 A	5,2500	10/16/2008	5,000,000.00	4,692,150.00
Sears Roebuck Acceptance Corp Notes	6.2500	01/15/2002	10,000,000.00	9,867,500.00
Sears Rocbuck Acceptance Corp Notes	7.0700	09/17/2001	3,000,000.00	2,999,580.00
Southtrust Bank Birmingham Notes	6.5650	12/15/2027	2,000,000.00	1,903,360.00
Southtrust Bank Birmingham Notes	6.5650	12/15/2027	2,000,000.00	1,903,360.00
Southtrust Bank Birmingham Notes	7,0000	11/15/2008	2,000,000.00	1,842,380.00
Star Bank NA - Cincinnati Sub Notes	6.3750	03/01/2004	3,000,000.00	2,865,150.00
Star Bank NA Sub Notes	6.6250	12/15/2006	3,000,000.00	2,857,590.00
Suntrust Bank Inc Debs	6.0000	01/15/2028	6,000,000.00	5,407,680.00
Suntrust Bank Sub Notes	6,0000	02/15/2026	3,500,000.00	3,208,765.00
Texaco Capital Inc Notes	6.0000	06/15/2005	10,000,000.00	9,513,700.00
Travelers PPTY Cas Corp Sr Notes	6.7500	04/15/2001	8,705,000.00	8,680,016.65
Union Acceptance Corp	6.3750	10/08/2003	6,488,077.59	6,451,744.36
USAA Auto Loan Grantor Tr 98-1 A	5.8000	01/15/2005	1,618,763.19	1,600,552.10
Wachoyia Bank Notes	6.6050	10/01/2025	2,000,000.00	1,918,760.00
Wachovia Corp Sub Notes	6.1500	03/15/2009	4,000,000.00	3,564,080.00
Wells Fargo & Co Sub Notes	6,2500	04/15/2008	3,000,000.00	2,744,490.00
Wells Fargo Co Notes	6,5000	09/03/2002	14,925,000.00	14,692,617.75
Wells Fargo Co Notes	6,5000	09/03/2002	5,000,000.00	4,922,150.00
Westo 2000-A A3	7.2200	09/20/2004	4,000,000.00	4,000,800.00
Westo 2000-A A3	7.2200	09/20/2004	12,325,000.00	12,327,465.00
Total Finance			\$ 1,061,844,666.04	\$ 1,032,376,853.29

Total Finance	\$ 1,061,844,666.04	\$ 1,032,376,853.29

UTILITY BONDS (EXCEPT TELEPHONE)	COUPON	MATURITY	PAR	MARKET VALUE
Alabama Power Sr Notes	7.1200	08/15/2004	4,000,000.00	3,956,800.00
Atlanta Gas Light Notes	5.9000	10/06/2003	6,000,000.00	5,788,860.00
Citizens Utilities Co Debs	7.0500	10/01/2046	18,000,000.00	14,849,280.00
Colonial Gas Co Notes	5.5000	10/06/2003	5,000,000.00	4,623,150.00
Consolidated Edison Inc Debs	6.1500	07/01/2008	10,000,000.00	9,074,300.00
L G & E Capital Corp Bonds 144A	5.7500	11/01/2011	2,000,000.00	1,961,860.00
L G & E Capital Corp Bonds 144A	5.7500	11/01/2011	4,000,000.00	3,923,720.00
L G & E Capital Corp Bonds 144A	5,7500	11/01/2011	5,000,000.00	4,904,650.00
L G & E Capital Corp Notes 144A	6,2050	05/01/2004	2,500,000.00	2,418,150.00
L G & E Capital Corp Notes 144A	6.2050	05/01/2004	2,500,000.00	2,418,150.00
Louisville Gas & Electric 1st Mtg	6.0000	08/15/2003	4,050,000.00	3,921,129.00
National Rural Utilities Bonds	5.7500	11/01/2008	4,000,000.00	3,543,880.00
National Rural Utilities Bonds	5.7500	11/01/2008	12,000,000.00	10,631,640.00
National Rural Utilities Notes	5.7500	12/01/2008	4,000,000.00	3,540,040.00
National Rural Utilities Notes	6,0000	01/15/2004	5,000,000.00	4,798,050.00
National Rural Utilities Notes	7,3750	02/10/2003	4,000,000.00	4,014,080,00
Oklahoma Gas & Electric Notes	6.6500	07/15/2027	2,000,000.00	1,948,620.00
Picdmont Natural Gas Notes	7.5000	10/09/2026	2,000,000.00	1,913,480.00
Portland General Electric 1st Mtg	7.1500	06/15/2007	3,000,000.00	2,924,970.00
Potomac Electric Power 1st Mtg	6.5000	09/15/2005	2,000,000.00	1,894,200.00
Potomac Electric Power 1st Mtg	6.5000	09/15/2005	3,000,000.00	2,841,300.00
Southern California Edison Notes	5,8750	01/15/2001	2,000,000.00	1,985,800.00
Southern California Edison Notes	6.3750	01/15/2006	3,000,000.00	2,845,230.00

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UTILITY BONDS (EXCEPT TELEPHONE) continued	COUPON	MATURITY	PAR	MARKET VALUE
Southern California Edison Notes	7.6250	01/15/2010	9,750,000.00	9,718,800.00
Texas Utilities Sr Notes Ser A	6.2000	10/01/2002	4,000,000.00	3,863,880.00
Texas Utilities Sr Notes Ser B	6.3750	10/01/2004	3,000,000.00	2,854,770.00
Virginia Electric Power 1st Mtg	7.6250	07/01/2007	4,000,000.00	3,990,920.00
Wisconsin Electric Power Debs	6.6250	11/15/2006	5,000,000.00	4,742,400.00
Total Utility Bonds (Except Telephone)			\$ 134,800,000.00	\$ 125,892,109.00
TELEPHONE	COUPON	MATURITY	PAR	MARKET
BONDS				VALUE
AT&TCorp Bonds	6.5000	03/15/2029	6,000,000.00	5,038,020.00
AT&T Corp Notes	6.5000	03/15/2029	4,000,000.00	3,358,680.00
AT&TCorp Notes	6.7500	04/01/2004	2,000,000.00	1,957,680.00
AT&T Corp Notes	7.1250	01/15/2002	5,500,000.00	5,491,365.00
Alltel Corp Bonds	6.8000	05/01/2029	15,000,000.00	12,769,200.00
Ameritech Capital Bonds	6.3000	10/15/2004	4,000,000.00	3,835,840.00
Ameritech Capital Debs	9.1000	06/01/2016	8,000,000.00	9,027,920.00
Bellsouth Capital Funding Notes	7.7500	02/15/2010	5,000,000.00	5,000,200.00
Bellsouth Telecommunications Debs	7.0000	10/01/2025	5,000,000.00	4,492,550.00
Bellsouth Telecommunications Debs	7.5000	06/15/2033	2,000,000.00	1,799,400.00
Central Telephone MTN	6.8750	09/21/2004	1,000,000.00	964,320.00
GTE Florida Inc Debs	6.2500	11/15/2005	5,000,000.00	4,713,200.00
GTE Florida Inc Debs	6.3100	12/15/2002	4,550,000.00	4,438,206.50
GTE North Inc Notes	5.6500	11/15/2008	2,000,000.00	1,744,680.00
GTE Northwest Inc Bonds	5.5500	10/15/2008	3,000,000.00	2,601,780.00
GTE Northwest Inc Bonds	5.5500	10/15/2008	10,000,000.00	8,672,600.00
GTE Northwest Inc Debs	5,5500	10/15/2008	4,000,000.00	3,469,040.00
Lucent Technologies Bonds	6.4500	03/15/2029	7,850,000.00	6,881,153.00
Lucent Technologies Inc Debs	6.5000	01/15/2028	5,000,000.00	4,455,200.00
Lucent Technologies Inc Notes	6.9000	07/15/2001	2,000,000.00	1,998,120.00
Lucent Technologies Notes	5.5000	11/15/2008	4,000,000.00	3,560,640.00
MCI Worldcom Inc Sr Notes	6.9500	08/15/2028	2,500,000.00	2,202,250.00
MCI Worldcom Inc Sr Notes	6.9500	08/15/2028	8,150,000.00	7,179,335.00
New England Tel & Tel Bonds	6.3000	12/16/2012	9,000,000.00	8,794,260.00
Pacific Bell Telephone Debs	5.8750	02/15/2006	10,000,000.00	9,247,000.00
Southwestern Bell Telephone Debs	7.6250	03/01/2023	2,000,000.00	1,812,500.00
Southwestern Bell Telephone Notes	6.3750	04/01/2001	1,000,000.00	993,740.00
Southwestern Bell Telphone Debs	7.6250	03/01/2023	3,380,000.00	3,063,125.00
U S West Capital Funding Inc	6.5000	11/15/2018	12,850,000.00	10,847,199.00
U S West Communications Debs	7.2500	09/15/2025	9,000,000.00	8,124,840.00
U S West Communications Debs	8.8750	06/01/2031	2,000,000.00	1,946,280.00
U S West Communications Notes	6.1250	11/15/2005	4,000,000.00	3,707,200.00
Wisconsin Bell Inc Debs	6.3500	12/01/2026	3,000,000.00	2,853,300.00
Wisconsin Bell Inc Debs	6,3500	12/01/2026	2,000,000.00	1,902,200.00
Worldcom Inc Notes	8,2500	05/15/2010	5,000,000.00	5,129,050.00
Total Telephone Bonds			\$ 178,780,000.00	\$ 164,072,073.50

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RAILROAD OBLIGATIONS	COUPON	MATURITY	PAR	MARKET VALUE
Virginia Southwestern Ry lst Mtg	5.0000	01/01/2003	107,000.00	102,141.13
Total Railroad Obilgations			\$ 107,000.00	\$ 102,141.13
TOTAL CORPORATE BONDS:		Š	\$ 1,963,074,008.32	\$ 1,882,697,247.85

#### OTHER FIXED INCOME INVESTMENTS

FHA & VA SINGLE FAMILY MORTGAGES	COUPON	MATURITY	PAR	MARKET VALUE
FHA Mortgage	Various		226,602.89	223,586.80
VA Mortgage	Various		264,188.45	260,672.08
Total FHA & VA Single Family Mortgages			\$ 490,791.34	\$ 484,258.88
raining mortgages			ψ 420,121.04	Ψ 404,236,00
PROJECT MORTGAGES	COUPON	MATURITY	PAR	MARKET
(FHA& GNMA)				VALUE
Americana Apts KY 221D4	7.5000	10/01/2018	3,715,973.79	3,544,147.16
Bedford Commons KY 221D4	8.0000	11/01/2023	1,134,922.51	1,082,443.69
Bedford House KY 221D4	7,5000	01/01/2020	1,052,015.57	1,003,370.37
Beech Creek Apts KY 221D4	7.5000	08/01/2021	1,776,662.98	1,694,510.08
Belleville Manor Apts KY 221D4	7.5000	11/01/2019	540,010.10	515,040.03
Berrytown Apts KY 221D4	8.0000	02/01/2024	1,240,684.54	1,183,315.29
Bethany Circle Kings Daughters IN	8.3750	03/01/2002	310,874.51	296,499.67
Bowling Green Towers KY 223A7	7.6250	08/01/2018	395,856.42	377,552.02
Cambridge Square Apts KY 221D4	7.5000	11/01/2019	1,007,849.05	961,246.11
Carnaby Square Apts KY 221D4	7.5000	06/01/2019	1,031,805.51	984,094.82
Carrollton Village Apts KY 221D4	7.5000	09/01/2020	1,675,490.65	1,598,015.96
Carter Court Apts KY 221D4	7.5000	09/01/2020	1,104,782.91	1,053,697.75
Coolavin Apts KY 221D4	7.5000	04/01/2022	2,736,922.70	2,610,367.39
Denver Ed Sr Citzns 231	5.2500	11/01/2003	217,146.11	207,105.27
Dixie Apts KY 221D4	7.5000	05/01/2018	932,511.15	889,391.83
Ephraim McDowell Hosp KY	9.0000	01/01/2001	178,239.80	169,997.99
Ferndale Apts KY 221D4	7.5000	08/01/2023	3,272,980.42	3,121,637.81
Five Star Hospitality KY	6.9300	03/18/2018	3,563,209.89	3,398,447.06
Gainesway Village KY 221D4	7.5000	02/01/2019	1,354,371.04	1,291,744.92
Glenbrook Park KY 221D4	7.5000	12/01/2021	2,119,827.43	2,021,806.61
Grand Central Apts KY 221D4	7.5000	03/01/2025	2,072,245.87	1,976,425.22
Grandview Apts KY 223F	8.8750	08/01/2029	1,292,655.78	1,232,883.38
Greater Corbin Mnr KY 221D4	7.5000	03/01/2021	3,022,196.74	2,882,450.36
Hallmark Plaza KY 223F	8.5000	06/01/2011	798,407.78	761,489.40
Huntington Apts KY 223F	7.5000	08/01/2028	2,316,999.11	2,209,861.07
Jackson Valley Apts KY 221D4	7.5000	08/01/2020	1,672,458.08	1,595,123.62
Jamestown Manor Ltd KY 221D4	7.5000	02/01/2022	1,295,505.29	1,235,601.13
Lakeview Estates KY 221D4	7.5000	01/01/2020	942,918.11	899,317.58

### Other Fixed Income Investments continued . . .

PROJECT MORTGAGES (FHA& GNMA) continued	COUPON	MATURITY	PAR	MARKET VALUE
Lebanon Apts KY 221D4	7.5000	02/01/2020	1,015,755.87	968,787.32
Lighthouse Sq Apts KY 223F	7.6000	01/01/2027	4,478,279.33	4,271,203.69
Lin Meadows Homes KY 221D4	7.5000	11/01/2022	236,663.15	225,719.85
Locust Ridge KY 221D4	7.5000	10/10/2021	1,646,900.63	1,570,747.94
Madison Avc Apts KY 221D4	7.5000	09/01/2020	1,646,970.68	1,570,814.76
Manchester Heights Apts KY 221D4	7.5000	06/01/2019	1,025,604.45	978,180.50
Maple Grove Apartments KY 223A7	7.7500	08/01/2018	123,723.02	118,002.07
Middletown Apts KY 221D4	7.5000	02/01/2018	860,035.05	820,267.03
Montgomery Square Apts KY 221D4	7.5000	05/01/2019	1,024,810.97	977,423.71
Mountain Manor KY 232	8.9500	12/01/2035	4,185,924.20	3,992,367.06
Mt Lebanon Cedars KY 221D3	7.5000	03/01/2023	2,334,613.19	2,226,660.68
Nazareth Village KY 223A7	7.6250	01/01/2010	256,538.43	244,676.09
Oak Tree Villa Apts KY 221D4	7.5000	05/01/2023	3,150,894.33	3,005,196.98
Panorama West KY 236	8.5000	12/01/2012	334,545.35	319,075.97
Park Regency Apts KY 221D4	7.6250	05/01/2028	2,034,365.08	1,940,296.04
Pine Ridge Apts KY 221D4	7.5000	09/01/2018	682,236.90	650,690.27
Pinecreek Apts KY 221D4	7.5000	10/01/2017	466,828.06	445,241.93
Regency Park Apts KY 221D4	7.5000	05/01/2018	789,809.77	753,288.97
Regency Park BG KY 221D4	7.5000	02/01/2023	3,202,154.53	3,054,086.90
Rucker Village Apts KY 221D4	7.5000	03/01/2020	923,562,20	880,856.68
Sandefur Manor KY 221D4	7.5000	01/01/2020	801,154.69	764,109.30
Shepherdsville VLG KY 221D4	7.5000	05/01/2020	1,158,205.64	1,104,650.21
Shively Apts KY 221D4	7.5000	10/01/2021	2,098,460.64	2,001,427.82
Sisson Manor KY 223A7	7.7500	08/01/2018	178,161.16	169,922.99
Southside Manor KY 221D4	7.5000	02/01/2019	1,186,454.50	1,131,592.84
Staggers Manor KY 223A7	7.7500	01/01/2015	90,426.30	86,244.99
Town Branch Apts KY 221D4	7.5000	11/01/2023	670,573,34	639,566.03
Tree Top Apts KY 221D4	7.5000	11/01/2020	973,361.25	928,353.03
Vernon Manor Ltd KY 221D4	7.5000	11/01/2022	795,919.89	759,116.55
Village Square Apts KY 223F	9.0000	12/01/2029	1,697,908.15	1,619,396.88
Walnut Hill Apts KY 221D4	7.5000	05/01/2019	1,375,160.27	1,311,572.86
Wessington House Apts TN 221D4	7,5000	02/01/2022	1,606,612.92	1,532,323.14
Westchester Circle KY 221D4	7,5000	04/01/2019	3,538,711.43	3,375,081.41
Westwood Apts KY 221D4	7,5000	10/01/2023	1,071,406.26	1,021,864.43
Wilderness Trail Mnr KY 221D4	7.5000	03/01/2023	5,039,652.38	4,806,618.85
Wildwood Apts KY 221D4	7.5000	08/01/2020	1,603,757.90	1,529,600.13
Willow Creek Apts KY 221D4	7.5000	08/01/2023	1,237,041.55	1,179,840.75
Woodsview Apts KY 221D4	7.5000	01/01/2019	1,191,838.76	1,136,728,14
Yorktown Apts KY 223F	7.5000	06/01/2028	5,544,027.05	5,287,671.24
Total Draingt Mantagan (EUA & CNIMA)			¢ 105 054 572 11	¢ 100 106 940 62

Total Project Mortgages (FHA & GNMA)

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\$ 105,054,573.11 \$ 100,196,849.62

### Other Fixed Income Investments continued . . .

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STATE & LOCAL GOVERNMENT ISSUES	COUPON	MATURITY	PAR	MARKET VALUE
Jefferson Co Ky Multifamily Rev Bonds	6.0000	02/20/2011	1,730,000.00	1,507,764.20
Ky Housing Corp Rev Bonds 96 Ser F	7.2100	07/10/2010	1,825,000.00	1,775,953.13
New Jersey Economic Dev Auth Bonds	7.4250	02/15/2029	12,300,000.00	12,029,400.00
Ohio Pet Underground Storage Tank	6,3750	08/15/2013	5,000,000.00	4,775,250.00
Warren Co Ky Industrial Bldg Rev Bonds	6.4100	02/01/2023	1,000,000.00	983,620.00
Warren Co Ky Industrial Bldg Rev Bonds	6.4100	02/01/2023	2,000,000.00	1,967,240.00
Total State & Local Government Issues			\$ 23,855,000.00	\$ 23,039,227.33
Total Other Fixed Income Investments			\$ 129,400,364.45	\$ 123,720,335.83
TOTAL FIXED INCOME INVESTMENTS			\$ 5,354,032,298.28 \$	5,233,757,607.56

# REAL ESTATE EQUITY

REAL ESTATE	COUPON	MATURITY	ORIGINAL	MARKET
EQUITY			COST	VALUE
CVS Drug Store Mitchell IN	8.1100	07/31/2020	2,673,086.00	2,673,086.00
CVS Drug Store Shelbyvill IL	8.1100	01/31/2020	2,683,140.00	2,683,140.00
CVS Drugstore Belpre,OH	8.1590	01/31/2019	2,132,000.00	2,132,000.00
CVS Drugstore Indianapolis IN	7.9990	01/31/2020	3,129,198.00	3,129,198.00
CVS Drugstore Lenoir City TN	8.4220	01/31/2021	2,140,000.00	2,140,000.00
CVS Drugstore Nashville, TN	7.9200	01/31/2019	2,870,000.00	2,870,000.00
CVS Drugstore Wabash IN	8.0000	01/31/2021	2,657,972.00	2,657,972.00
CVS Drugstore, Linton IN	8.0120	01/31/2020	2,216,038.00	2,216,038.00
K Mart Store Cold Springs KY	9.3000	02/28/2019	6,415,000.00	6,000,000.00
K Mart Store Terre Haute IN	9.1000	08/31/2019	12,509,615.00	11,550,000.00
K Mart Store Winchester KY	9.9560	09/30/2007	2,715,512.53	2,715,512.53
Kroger Revco Bowling Green KY	10.5000	10/31/2007	2,792,467.00	2,792,467.00
Kroger Revco Owensboro KY	10.5000	11/30/2007	2,232,400.00	2,460,000.00
Kroger Store Georgetown KY	10.6000	12/31/2008	2,179,400.00	2,186,000.00
Kroger Store Richmond KY	10.5000	11/30/2007	2,305,000.00	2,305,000.00
Lowe's Store Conroc TX	9.8570	07/31/2015	7,859,747.00	8,330,000.00
Lowe's Store Elizabethtown KY	9,1560	01/31/2016	8,409,000.00	8,409,000.00
Lowe's Store Hamilton OH	9.1540	10/31/2015	8,497,160.00	8,560,000.00
Lowe's Store Lafayette IN	9.2760	07/31/2014	7,600,000.00	7,590,000.00
Lowe's Store Marion IN	9.7370	07/31/2015	5,582,420.00	5,650,000.00
Lowe's Store Paducah KY	9.7200	07/31/2015	7,351,000.00	7,400,000.00
Lowe's Store Pikeville KY	9.8380	08/31/2014	5,530,000.00	5,850,000.00
Lowe's Store Sherman TX	9.8410	07/31/2015	8,726,000.00	8,770,000.00
Mercantile Warehouse L'ville KY	9.1250	01/31/2009	7,730,000.00	7,730,000.00
Office Building 477	8.2770	06/30/1997	714,835.94	703,613,38
Rite Aid Horse Cave KY	12.2600	03/31/2001	370,000.00	388,000.00
Rite Aid Liberty KY	12.2500	01/30/2002	397,700.00	515,000.00
Sam's Warehouse Paducah KY	10.6110	01/31/2009	3,600,000.00	3,600,000.00
Walgreen's Store Bay City MI	8.5030	09/30/2019	4,857,000.00	4,857,000.00
Walgreen's Store Chattanooga TN	9.3800	08/31/2015	2,772,000.00	2,790,000.00

### Other Fixed Income Investments continued . . .

REAL ESTATE EQUITY continued	COUPON	MATURITY	PAR	MARKET VALUE
Walgreen's Store Chattanooga TN	9.4000	07/31/2015	2,313,000.00	2,335,000.00
Walgreen's Store Clarksville IN	9.1600	07/31/2014	3,403,460.00	3,375,000.00
Walgreen's Store East Ridge TN	9.6330	09/30/2015	2,283,800.00	2,330,000.00
Walgreen's Store Elizabethtown KY	9.1050	10/31/2016	2,400,000.00	2,380,000.00
Walgreen's Store Jeff ville IN	9,5850	11/30/2015	2,692,894.00	2,730,000.00
Walgreen's Store Knoxville TN	9.0830	02/28/2018	3,190,000.00	3,437,600.00
Walgreen's Store Knoxville TN	9.2100	02/28/2015	1,954,945.00	1,925,000.00
Walgreen's Store Knoxville TN	9.5090	06/30/2016	3,233,840.00	3,280,000.00
Walgreen's Store Muskegon MI	8,5920	09/30/2019	3,736,000.00	3,736,000.00
Walgreen's Store Nashville TN	9,3800	12/31/2014	2,588,000.00	2,580,000.00
Walgreen's Store Red Bank TN	9,2780	02/28/2017	3,018,000.00	3,065,000.00
Wal-Mart Store Hardinsburg KY	10.6000	01/31/2011	960,100.00	1,260,579.61
Wal-Mart Store Jefferson City TN	9.1000	06/30/2015	8,599,000.00	8,550,000.00
Wal-mart Store Lenoir City TN	8.9330	03/17/2018	11,181,000.00	11,181,000.00
Wal-Mart Store Paris KY	11.0000	01/31/2009	1,200,000.00	1,567,560.00
Wal-Mart Store Princeton KY	9.7700	07/08/2011	2,913,682.00	2,913,682.00
Wal-Mart Store Vincennes IN	9.1480	03/26/2016	11,920,000.00	11,920,000.00
Wal-Mart Store Williamstown KY	10.6000	01/31/2011	1,090,000.00	1,423,867.00
Winn Dixie Bullitt Cty KY #1669	9.2700	01/31/2015	3,013,000.00	3,050,000.00
Winn Dixie Lakeland FL	8,0000	06/30/2019	4,679,321.00	4,679,321.00
Winn Dixie Leitchfield KY #1617	9.6000	06/18/2012	2,145,833.00	2,275,000.00
Winn Dixie Lexington KY #1614	9.6000	06/18/2012	3,639,167.00	3,860,000.00
Winn Dixie Lexington KY #1632	9.4910	06/06/2013	3,407,000.00	3,540,000.00
Winn Dixie Radcliff KY # 1610	9.2310	10/31/2016	3,590,146.00	3,540,000.00
Winn Dixie Somerset KY #1602	9.6000	06/18/2012	3,090,479.00	3,275,000.00
Winn Dixie St Matthews KY #1659	9.6000	06/18/2012	4,348,437.00	4,600,000.00
Total Real Estate Equity			\$ 228,238,795.47	\$ 230,462,636.52

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#### **COMMON STOCKS**

COMMON STOCKS	SHARES	ORIGINAL COST	MARKET
			VALUE
AT&TCorp	288,300	13,385,177.65	9,117,487.50
Abbott Laboratories	873,380	26,009,201.09	38,919,996.25
Advanced Micro Devices	415,000	10,394,246.40	32,058,750.00
Agilent Technologies Inc A	42,335	1,320,922.53	3,122,206.25
Alcoa Inc	564,820	18,361,763.08	16,379,780.00
Allergan Inc	252,000	13,859,655.90	18,774,000.00
Altera Corp	235,800	4,729,948.79	24,036,862.50
Alza Corp	261,000	9,940,811.40	15,431,625.00
America Online Inc	201,800	13,042,005.49	10,632,337.50
American Electric Power	322,800	10,123,409.40	9,562,950.00
American General Corp	113,000	7,832,031.70	6,893,000.00
American Home Products	213,800	9,635,038.89	12,560,750.00
American International Group	679,650	41,925,888.07	79,858,875.00
American Standard Companies	211,900	7,360,648.34	8,687,900.00
AMR Corp	156,000	4,269,452.07	4,124,250.00

### Common Stocks continued . . .

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COMMON STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE	
Amsouth Bancorp	243,660	4,815,200.70	3,837,645.00	
Analog Devices Inc	142,000	7,966,473.82	10,792,000.00	
Aon Corp	383,012	7,023,436.87	11,897,310.25	
Applied Materials Inc	340,060	11,768,521.76	30,817,937.50	
Applied Micro Circuits Corp	89,000	8,714,300.00	8,788,750.00	
Associates First Capital - A	1,203,100	35,144,659.29	26,844,168.75	
Astrazeneca Plc ADR	92,500	3,288,345.75	4,301,250.00	
At&t Corp - Liberty Media A	558,200	13,345,509.64	13,536,350.00	
Automatic Data Processing Inc	1,123,690	36,904,971.32	60,187,645.63	
Bank of America Corp	1,026,000	55,849,502.97	44,118,000.00	
Bank One Corp	397,520	14,268,713.00	10,559,125.00	
Baxter International Inc	327,800	17,934,773.05	23,048,437.50	
Bell Atlantic Corp	648,840	31,353,008.90	32,969,182.50	
BellSouth	325,200	9,518,939.11	13,861,650.00	
Bestfoods	134,000	4,650,718.11	9,279,500.00	
Block H&R	572,000	23,973,683.82	18,518,500.00	
BP Amoco PLC Spons	377,200	16,265,888.42	21,335,375.00	
Bristol-Myers Squibb Co	753,800	32,954,290,97	43,908,850.00	
Burlington Northern Santa Fe Corp	1,032,500	29,933,798.07	23,682,968.75	
Cardinal Health Inc	158,830	7,695,019.12	11,753,420.00	
Caterpillar Inc	302,600	15,470,701.87	10,250,575.00	
Centex Corp	50,000	1,213,625.00	1,175,000,00	
Chase Manhattan Corp	279,750	12,491,230.50	12,885,984.38	
Chevron Corp	112,000	9,998,678.00	9,499,000.00	
Cigna Corp	171,300	7,192,658.15	16,016,550.00	
Cintas Corp	215,550	6,111,479.59	7,907,990.63	
	132,200	6,700,861.06		
Circuit City Stores Cisco Systems	1,561,180	43,912,953.74	4,387,387.50 99,232,503.75	
		30,573,228.25		
Citigroup Inc	808,657		48,721,584.25	
CMS Energy Corp	196,400	5,387,200.62	4,345,350.00	
Coca Cola Co	284,700	13,285,437.83	16,352,456.25	
Comerica Inc	124,300	8,074,765.83	5,577,962.50	
Commerce Bancshares Inc	172,511	6,439,364.26	5,132,202.25	
Compaq Computer	481,000	10,086,400.06	12,295,562.50	
Computer Associates Int'l	435,750	19,234,240.13	22,304,953.13	
Computer Sciences Corp	892,600	58,983,357.38	66,666,062.50	
Compuware Corp	652,000	17,928,040.60	6,764,500.00	
Conoco Inc CL B	383,600	9,444,622.00	9,422,175.00	
Corning Inc	53,820	6,336,949.89	14,524,672.50	
Costco Wholesale Corp	209,000	11,690,740.20	6,897,000.00	
CVS Corp	535,600	21,218,103.58	21,424,000.00	
Deere & Co	301,000	12,693,994.00	11,137,000.00	
Dell Computer Corp	257,800	13,359,907.08	12,712,762.50	
Delta Airlines Inc	266,000	13,883,282.60	13,449,625.00	
Disney Walt Co (Holding Co)	140,800	4,564,333.54	5,464,800.00	
Dollar General Corp	672,500	15,150,445.80	13,113,750.00	
Dominion Resources	174,800	8,096,438.63	7,494,550.00	
Dow Chemical Co	506,400	15,624,205.28	15,286,950.00	
Duke Energy Corp	561,000	29,235,557.70	31,626,375.00	
Dun & Bradstreet Corp	124,000	3,034,298.51	3,549,500.00	
DuPont (EI) De Nemours	465,697	26,943,472.67	20,374,243.75	
Eastman Chemical Co	122,600	6,685,280.29	5,854,150.00	
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# Common Stocks continued . . .

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COMMON STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Electronic Data Systems	355,920	22,719,965.99	14,681,700.00
EMC Corp	144,400	7,861,578.45	11,109,775.00
Emerson Electric	253,000	14,236,638.90	15,274,875.00
Englehard Corp	271,000	5,259,913.36	4,623,937.50
Entergy Corp	275,600	6,884,516.25	7,492,875.00
Exxon Mobil Corp	1,517,249	98,690,517.18	119,104,046.50
Fannie Mae	455,100	26,385,354.03	23,750,531.25
Federal Realty	165,000	3,635,783.38	3,300,000.00
Federated Dept Stores	148,400	6,080,377.12	5,008,500.00
Fedex Corp	645,800	18,956,888.23	24,540,400.00
First Data Corp	426,200	16,341,486.06	21,150,175.00
Fiserv Inc	229,200	7,914,005.84	9,912,900.00
Fleetboston Financial Corp	318,574	12,994,781.97	10,831,516.00
Ford Motor Co	406,000	20,789,601.34	17,458,000.00
Fort James Corp	371,500	11,306,833.96	8,590,937.50
Gannett Co	350,700	18,514,625.73	20,976,243.75
Gateway Inc	284,000	17,580,610.00	16,117,000.00
Gatx Corp	82,000	2,702,957.80	2,788,000.00
General Electric Co	2,387,490	64,412,217.35	126,536,970.00
General Motors CL H	38,600	3,511,766.24	3,387,150.00
Genzyme Corp	134,000	5,130,377.60	7,964,625.00
Gillette Co	106,600	4,113,774.19	3,724,337.50
Global Crossing Ltd	230,000	5,910,011.00	6,051,875.00
Goldman Sachs Group	59,400	4,367,022.66	5,635,575.00
Grainger (WW) Inc	145,000	6,509,403.00	4,467,812.50
Greenpoint Financial Corp	393,600	12,949,185.70	7,380,000.00
GTE Corp	499,000	26,911,000.24	31,062,750.00
Guidant Corp	140,960	7,903,987.90	6,977,520.00
Hartford Finl Svcs Group	180,300	7,502,724.14	10,085,531.25
Heinz (HJ) Co	204,000	8,444,563.69	8,925,000.00
Hewlett Packard Co	190,600	13,505,549.38	23,801,175.00
Home Depot	1,037,600	39,806,881.63	51,815,150.01
Honeywell International Inc	923,770	43,935,393.46	31,119,501.88
Household International	210,000	8,377,575.07	8,728,125.00
Illinois Tool Works	352,600	23,671,630.60	20,098,200.00
IMC Global Inc	432,600	9,893,831.98	5,623,800.00
IMS Health Inc	196,000	3,617,090.39	3,528,000.00
Ingersoll-Rand	257,000	14,981,164.74	10,344,250.00
Intel Corp	828,200	43,967,391.96	110,719,987.50
International Business Machines	413,210	25,719,009.11	45,272,320.63
International Paper	327,863	9,917,175.91	9,774,415.69
Interpublic Group Cos Inc	254,900	10,859,727.50	10,960,700.00
JDS Uniphase Corp	17,500	2,446,302.10	2,097,812.50
Johnson & Johnson	560,700	46,193,646.98	57,121,312.50
Johnson Controls	130,000	6,940,058.00	6,670,625.00
Kimberly Clark Corp	1,170,700	63,786,093.66	67,168,912.50
Kroger Ćo	530,000	9,630,891.80	11,693,125.00
Lafarge Corp	93,000	3,586,633.11	1,953,000.00
Lear Corp	254,000	11,323,351.80	5,080,000.00
Lexmark International Group Inc	190,000	20,303,634.50	12,777,500.00
Lincoln National Corp	199,000	7,335,947.95	7,188,875.00
Lucent Technologies Inc	451,900	26,624,253.39	26,775,075.00

# Common Stocks continued . . .

COMMON STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Lyondell Chemical Co	247,300	6,215,527.20	4,142,275.00
Marsh & McLennan Inc	145,400	11,826,168.59	15,185,212.50
Martin Marietta Materials	121,328	3,020,266.78	4,906,201.00
Masco Corp	1,247,000	27,882,071.86	22,523,937.50
Mattel Inc	802,000	14,578,488.00	10,576,375.00
Maxim Integrated Products	258,200	4,451,361.87	17,541,462.50
MBNA Corp	1,026,250	21,818,991.91	27,837,031.25
McDonald's Corp	316,000	11,345,187.66	10,408,250.00
Mead Corp	188,000	7,398,768.80	4,747,000.00
Medtronic Inc	332,898	12,093,865.39	16,582,481.63
Merck & Co	774,760	39,743,862.07	59,365,985.00
Merrill Lynch	91,800	7,416,390.65	10,557,000.00
MGIC Investment Corp	129,100	5,082,117.46	5,874,050.00
Micron Technology	245,940	7,835,499.71	21,658,091.25
Microsoft	1,466,300	109,163,143.14	117,304,000.00
Morgan (JP) & Co	135,000	11,780,054.63	14,866,875.00
Motorola Inc	482,100	23,620,759.29	14,011,031.25
New York Times CL A	139,000	5,539,970.43	5,490,500.00
Newell Rubbermaid Inc	412,500	16,003,062.99	10,621,875.00
News Corp Ltd ADR	68,200	3,860,492.02	3,716,900.00
Nextel Communications Inc A	222,600	13,726,883.71	13,620,337.50
Nokia Corp Spon ADR	86,000	4,207,744.15	4,294,625.00
Norfolk Southern Corp	388,000	11,203,469.28	5,771,500,00
Nortel Networks Corp	99,200	5,710,949.86	6,770,400.00
Northern States Power	355,000	9,166,447.51	7,166,562.50
Oracle Corp	142,300	6,430,063.84	11,962,093.75
PECO Energy Co	295,800	9,977,090.54	11,924,437.50
Pentair Inc	175,700	4,085,068.81	6,237,350.00
Pepsico Inc	621,800	21,499,729.59	27,631,237.50
Pfizer Inc	1,547,500	35,827,950.87	74,280,000.00
Pharmacia Corp	247,341	9,546,992.04	12,784,437.94
Pinnacle West Capital	56,410	1,979,447.67	1,910,888.75
Pitney-Bowes Inc	222,400	11,227,995.21	8,896,000.00
PMI Group Inc	132,450	5,638,387.52	6,291,375.00
PNC Financial Services Group	174,000	9,993,990.20	8,156,250.00
Praxair Inc	618,400	25,979,295.95	23,151,350.01
Procter & Gamble	134,300	11,096,937.46	7,688,675.00
Radian Group Inc	211,400	9,568,425.04	10,939,950.00
Raytheon Co CL B	669,200	36,038,870.72	12,882,100.00
Regions Financial Corp	437,000	11,278,298.01	8,685,375.00
Rohm & Haas	252,000	8,780,630.64	8,694,000.00
Royal Dutch Petroleum Co	280,240	14,586,656.05	17,252,275.00
Safeway Inc	464,160	19,450,130.69	20,887,200.00
SBC Communications Inc	1,777,900	67,399,498.22	76,894,175.00
Schlumberger Ltd	366,100	20,323,029.39	27,320,212.50
Sealed Air Corp	83,470	4,713,138.53	4,371,741.25
Siebel Systems Inc	59,000	7,015,437.70	9,650,187.50
Smurfit Stone Container Corp	212,000	3,416,368.80	2,729,500.00
Sony Corp ADR	25,000	3,462,056.33	2,357,812.50
Southdown Inc	140,200	8,393,322.48	8,096,550.00
Sprint Corp (FON GROUP)	237,000	14,342,197.20	12,087,000.00
Sprint Corp (PCS Group)	270,100	13,519,197.95	16,070,950.00

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# Common Stocks continued . . .

COMMON STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
SPX Corp	64,000	6,436,688.40	7,740,000.00
St Jude Medical Inc	338,000	9,645,665.80	15,505,750.00
State Street Corp	75,480	5,775,573.93	8,005,597.50
Target Corp	1,123,600	70,310,044.11	65,168,800.00
Teco Energy Inc	407,000	10,211,433.16	8,165,437.50
Teliabs Inc	370,000	23,463,276.12	25,321,875.00
Teradyne Inc	79,000	6,593,408.18	5,806,500.00
Texaco Inc	499,500	28,318,834.33	26,598,375.00
Texas Instruments	301,800	16,492,820.79	20,729,887.50
Texas Utilities Co	288,080	10,544,991.89	8,498,360.00
Tranocean Sedco Forex Inc	29,679	948,166.64	1,585,971.56
Tyco International Ltd	187,898	6,704,058.48	8,901,667.75
Tyson Foods Inc CL A	398,450	7,743,254.58	3,486,437.50
U S Bancorp	137,200	2,833,106.95	2,641,100.00
Ultramar Diamond Shamrock Corp	257,600	7,344,278.50	6,391,700.00
Union Pacific Corp	72,000	4,247,474.40	2,677,500.00
Unisys Corp	224,700	7,043,768.15	3,272,193.75
United Health Group Inc	293,000	17,185,549.04	25,124,750.00
United Technologies Corp	751,400	31,052,749.40	44,238,675.00
USG Corp	113,000	5,425,782.50	3,432,375.00
Verisign Inc	26,545	4,374,271.80	4,685,192.50
Viacom Inc CL B	245,155	12,622,939.70	16,716,506.56
Viad Corp	199,400	4,935,007.12	5,433,650.00
Visteon Corp	53,158	865,377.00	644,540.75
Vitesse Semiconductor Corp	100,000	5,601,240.00	7,356,250.00
Wachovia Corp	429,730	29,814,753.00	23,312,852.50
Walgreen	400,000	10,048,115.00	12,875,000.00
Wal-Mart Stores	632,100	31,610,574.24	36,424,762.50
Watson Pharmaceuticals Inc	181,900	7,383,081.77	9,777,125.00
Wellpoint Health Newworks Inc	275,000	16,436,113.90	19,920,312.50
Wells Fargo & Co	372,000	14,539,912.32	14,415,000.00
Westvaco Corp	237,700	7,021,354.49	5,897,931.25
Weyerhaeuser Corp	154,300	9,023,883.20	6,634,900.00
Willamette Ind Inc	830,420	30,110,482.49	22,628,945.00
Worldcom Inc Ga	767,350	36,978,468.05	35,202,181.25
Xerox Corp	474,000	14,345,580.22	9,835,500.00
York International Corp	152,300	7,011,555.02	3,845,575.00
Total Common Stocks	\$ 77,822,840	\$ 3,270,856,901.53	\$ 3,749,540,697.18

# SMALL CAP STOCKS

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SMALL CAP STOCKS	SHARES	ORIGINAL COST	MARKET VALUE
ABC Bancorp	42,760	458,012.51	411,565.00
ADAC Laboratories	84,700	1,522,336.43	2,032,800.00
Ade Corp/Mass	30,900	647,829.97	590,962.50
Advanced Fibre Commn	25,900	632,080.30	1,173,593.75
Affiliated Computer Services A	47,800	1,892,207.77	1,580,387.50
Airgas Inc	110,200	1,122,350.48	626,762.50
Airgate PCS Inc	19,700	1,508,940.64	1,035,481.25
Albany Intl Corp CL A	61,140	1,271,155.33	886,530,00
Alliance Pharmaceutical Corp	44,900	499,065.64	505,125.00
Allscripts Inc	5,300	386,900.00	121,900.00
American Eagle Outfitters	65,800	2,862,919.13	921,200.00
Amerisource Health Corp CL A	152,100	3,084,878.78	4,715,100.00
Anaren Microwave Inc	10,500	532,000.00	1,377,961.20
Annunity & Life Re (Hldgs)	149,300	3,446,312.77	3,657,850.00
Answerthink Inc	48,900	1,111,656.58	812,962.50
Applebee's Intl Inc	22,600	692,902.30	685,062.50
Arrow International Inc	18,000	633,369.61	603,000.00
Atlas Air Inc	48,650	1,231,265.43	1,745,318.75
ATMI Inc	59,600	2,676,670.91	2,771,400.00
Atwood Oceanies Inc	35,900	1,587,421.78	1,593,062.50
Avista Corp	32,400	675,704.98	564,975.00
Axys Pharmaceuticals	79,800	571,929.90	473,812.50
Bancfirst Corp	39,900	1,105,950.12	1,256,850.00
Bancorp South	32,700	550,249.57	459,843.75
Beasley Broadcast Group Inc A	19,300	281,998.09	262,962.50
Beringer Wine Estate - B	53,400	1,850,142.33	1,885,687.50
Bisys Group Inc	68,500	2,989,876.60	4,212,750.00
Borders Group Inc	80,400	1,315,568.92	1,251,225.00
Borg-Warner Automotive Inc	44,800	1,874,099.80	1,573,600.00
Briggs & Stratton	39,900	1,802,345.51	1,366,575.00
Broadbase Software Inc	38,800	1,146,263.04	1,188,250.00
Brooks Automations Inc	8,500	646,000.00	543,468.75
C & D Technologies Inc	12,600	715,680.00	712,096.56
Calico Commerce Inc	75,400	2,287,747.16	1,225,250.00
Cambrex Corp	27,000	655,929.59	1,215,000.00
Cambridge Tech Partner	106,200	2,020,244.59	925,936.56
Caraustar Industries Inc	75,200	1,964,784.77	1,137,400.00
Carrier Access Corp	19,800	1,005,801.42	1,046,925.00
Celeritek Inc	71,400	3,016,346.75	2,914,012.50
Century Bancorp Inc CL A	42,300	704,392.68	518,175.00
Cephalon Inc	58,100	863,934.05	3,478,737.50
Charles River Laboratories	4,300	90,515.00	95,406.25
Charter One Financial	4,300 10,416	221,000.93	239,568.00
Circle Intl Group Inc	83,500	1,720,838.94	2,097,937.50
Citizens Banking Corp Mich	83,500 19,600	359,981.61	2,097,937.50 318,194.24
Cleveland Cliffs Inc		2,766,678.38	
	65,100		1,680,393.75
Columbia Banking System Inc	94,246	1,054,486.87	1,154,513.50

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ORIGINAL COST	MARKET VALUE
195,508.84	179,133.00
1,808,627.84	2,427,200.00
1,203,010.31	629,600.00
791,446.92	1,250,000.00
1,808,420.62	2,064,131.25
1,174,941.57	3,482,331.25
1,212,429.37	956,325.00
1,098,232.28	1,097,600.00
1,880,795.48	2,754,562.50
1,723,471.42	2,696,606.25
1,896,325.86	1,881,343.75
156,729.82	180,212.50
1,753,403.40	3,472,950.00
652,758.74	622,125.00
1,315,548.53	1,128,400.00
542,755.27	965,638.38
1,163,567.60	1,472,568.75
665,037.50	730,400.00
2,307,303.15	3,046,187.50
672,752.00	679,250.00
766,325.30	1,436,312.50
771,788.92	986,050.00
1,299,968.53	1,675,162.50
1,147,370.00	1,166,906.25
849,782.86	1,812,350.00
2,151,863.05	1,636,250.00
1,362,361.56	1,051,187.50
331,112.72	415,125.00
1,028,523.09	712,975.00
1,156,920.63	1,089,318.75
1,587,179.33	1,780,806.25
1,261,269.00	1,261,094.32
283,415.83	290,731.25
894,000.00	1,206,000.00
334,857.78	753,262.50
3,308,059.70	1,825,050.00
1,594,746.13	1,268,275.00
544,874.87	541,450.00
1,068,265.15	1,137,150.00
1,747,025.89	1,836,000.00
1,542,852.53	2,343,250.00
594,354.01	657,300.00
-	748,870.50
	1,860,300.00
-	1,166,100.00
	1,555,693.75
	757,937.50
	613,536.47 769,636.68 1,008,066.66 2,044,140.78 518,752.30

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SMALL CAP STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Hudson United Bancorp	50,344	1,315,096.84	1,129,593.50
Idexx Laboratories Inc	39,200	740,789.39	896,700.00
Informix Corp	265,400	2,236,807.11	1,973,912.50
Internet Pictures Corp	42,629	713,374.70	644,763.63
Investment Technology Group	91,200	2,445,059.68	3,602,400.00
Iron Mountain Inc	51,500	1,502,765.66	1,751,000.00
ITC Delta Com	87,200	2,464,022.43	1,945,650.00
ITT Educational Services	61,600	1,832,336.02	1,081,850.00
Jacobs Engineering Group Inc	95,100	2,641,063.81	3,108,581.25
Kennametal Inc	86,700	2,265,433.64	1,858,631.25
Kenneth Cole Productions A	4,600	181,197.20	184,000.00
Keynote Systems Inc	32,400	1,217,006.37	2,286,225.00
Kilroy Realty Corp	103,700	2,285,296.77	2,689,718.75
Kimco Realty Corp	65,600	2,285,119.56	2,689,600.00
King Pharmaceuticals CL A	27,000	891,309.51	1,184,625.00
KV Pharmaceutical B	22,100	687,549.30	600,843.75
Laboratory Corp of America	32,590	2,134,917.64	2,513,503.75
Lance Inc	61,800	896,257.65	556,200.00
Lattice Semiconductor Corp	64,200	2,210,803.42	4,437,825.00
Liberty Property Trust	107,400	2,730,364.43	2,785,687.50
Liz Claiborne Inc	25,000	1,010,280.47	881,250.00
LNR Property Corp	66,400	1,267,759.87	1,294,800.00
Looksmart LTD	25,200	472,484.53	466,200.00
Manpower Inc	120,100	3,239,750.34	3,843,200.00
Manufacturers Services Ltd	16,800	268,800.00	345,450.00
McClatchy Co CL A	74,200	2,381,812.61	2,457,875.00
MDU Resources Group Inc	113,350	2,565,651.66	2,451,193.75
Memc Electronic Materials	102,100	2,251,725.63	1,837,800.00
Mesa Air Group Inc	165,900	1,164,174.97	917,626.08
Methode Electronics CL A	37,800	2,037,718.97	1,460,025.00
Metris Companies Inc	21,300	543,910.39	535,162.50
MGC Communications Inc	45,600	2,701,190.50	2,733,150.00
Micros Systems Inc	27,400	1,330,372.74	508,612.50
Midcoast Energy Resources	27,800	449,343.66	437,850.00
Minerals Technologies Inc	38,700	1,644,793.88	1,780,200.00
MRV Communications Inc	4,900	331,337.02	329,525.00
NCO Group Inc	85,500	2,478,833.27	1,977,187.50
Netro Corp	8,000	442,000.00	459,000.00
Nextcard Inc	34,400	946,371.32	292,400.00
Northwestern Corp	146,800	3,597,167.16	3,394,750.00
Oshkosh Truck Corp B	29,000	802,868.41	1,036,750.00
P F Changs China Bristro Inc	6,300	201,206.25	201,206.25
Pacific Century Finl Corp	139,400	2,893,944.00	2,038,725.00
Pacific Sunwear of Calif	116,850	2,943,559.58	2,190,937.50
Packaging Corp of America	45,500	476,206.60	460,687.50
Pall Corp	52,400	1,092,854.82	969,400.00
Pathogensis Corp	25,600	352,525.49	665,600.00

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IGINAL COST	MARKET VALUE
704,716.17	717,600.00
720,883.16	236,500.00
858,000.00	3,826,875.00
1,505,644.36	1,326,675.00
3,198,542.75	2,946,125.00
933,506.72	899,300.00
815,702.46	652,800.00
169,059.93	169,968.75
1,257,534.93	815,237.50
926,693.02	754,775.00
5,378,561.04	6,654,093.75
33,600.00	38,400.00
1,758,578.52	8,996,350.00
598,242.35	690,750.00
4,511,674.92	4,785,115.25
2,706,251.71	2,558,562.50
889,503.32	1,092,600.00
2,102,046.37	2,128,406.25
322,986.05	348,750.00
435,803.54	1,895,718.75
950,995.84	772,500.00
879,076.43	828,900.00
3,139,454.82	2,632,450.00
1,264,099.06	3,954,243.48
879,295.00	5,342,906.25
1,936,292.02	2,750,037.50
1,238,133.07	3,104,012.50
690,021.67	618,375.00
1,865,268.76	2,425,125.00
3,167,598.88	3,256,812.50
1,067,865.96	1,235,850.00
596,378.07	2,109,600.00
1,492,007.28	1,587,487.50
67,491.41	48,750.00
710,647.21	817,200.00
502,440.16	517,650.00
331,405.74	637,312.50
1,956,913.74	1,869,600.00
2,788,837.67	3,441,693.75
1,578,235.83	2,223,000.00
584,944.47	251,937.50
1,152,672.08	1,572,656.25
378,216.90	1,293,381.25
	1,324,800.00
	1,068,600.00
	120,800.00
	453,200.00
	1,072,634.09 1,015,163.44 138,420.57 236,711.07

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SMALL CAP STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Unionbancorp Inc (Del)	32,800	416,799.39	360,800.00
United Natural Foods Inc	44,100	931,005.38	606,375.00
Valassis Communications	28,500	967,391.93	1,086,562.50
Valence Technology Inc	144,200	2,353,028.83	2,658,687.50
Veeco Instruments Inc	14,739	412,153.75	1,079,631.75
Ventana Medical Systems	13,200	282,430.47	310,200.00
Vertex Pharmaceuticals Inc	42,500	1,014,389.86	4,478,437.50
Viant Corp	46,200	1,708,297.17	1,368,675.00
Viatel Inc	18,200	876,551.51	519,837.50
Vignette Corp	86,100	1,017,633.73	4,478,543.16
Vista Bancorp Inc	53,855	886,369.74	753,970.00
Washington Gas Light Co	55,500	1,477,429.35	1,335,468.75
Wausau-Mosince Paper Corp	62,938	1,060,453.54	538,906.63
Wellman Inc	31,500	456,708.85	509,906.25
Werner Enterprises Inc	59,000	745,465.00	682,187.50
Westell Technology Inc A	62,700	1,684,449.88	940,500.00
Wild Oats Markets	142,650	2,169,345.48	1,792,040.63
Total Small Cap Stocks	12,211,364	\$ 270,196,755.94	\$ 311,517,132.87

### S & P 500 STOCKS

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S & P 500 STOCKS	SHARES	ORIGINAL COST	MARKET VALUE
3 Com Corp	95,900	3,667,608.32	5,526,237.50
ЛТ&T Corp	856,599	29,135,019.94	27,089,943.38
Abbott Laboratories	407,800	12,650,786.76	18,172,587.50
Adaptec Inc	27,700	1,128,118.51	630,175.00
ADC Telecommunications Inc	72,600	1,590,696.52	6,089,325.00
Adobe Systems Inc	32,800	952,310.39	4,264,000.00
Advanced Micro Devices	39,500	823,535.85	3,051,375.00
AES Corp	103,000	2,186,762.89	4,699,375.00
Aetna Inc	37,805	2,429,091.89	2,426,608.44
AFLAC Inc	71,300	3,401,568.78	3,275,343.75
Agilent Technologies Inc Λ	120,750	4,157,921.42	8,905,312.50
Air Products & Chemicals	61,500	1,907,343.54	1,894,968.75
Alberto-Culver	11,200	219,678.44	342,300.00
Albertson's	112,654	4,171,683.03	3,745,745.50
Alcan Aluminium	60,600	1,649,785.45	1,878,600.00
Alcoa Inc	232,428	4,641,881.08	6,740,412.00
Allegheny Technologies Inc	25,537	995,099.19	459,666.00
Allergan Inc	35,400	1,007,959.88	2,637,300.00
Allied Waste Industries Inc	50,500	573,932.50	505,000.00
Allstate Corp	214,014	6,153,683.20	4,761,811.50
Alltel Corp	81,800	4,172,616.13	5,066,487.50
Altera Corp	53,000	4,188,966.30	5,402,687.50
Alza Corp	27,200	1,057,398.63	1,608,200.00
Amerada Hess	24,300	1,322,716.97	1,500,525.00
Ameren Corp	36,800	1,426,130.52	1,242,000.00
America Online Inc	610,000	27,049,961.84	32,139,375.00
American Electric Power	86,000	3,456,684.92	2,547,750.00
American Express	361,200	9,507,934.78	18,827,550.00
American General Corp	66,742	3,343,180.86	4,071,262.00
American Greetings	18,100	552,299.00	343,900.00
American Home Products	350,200	12,924,151.52	20,574,250.00
American International Group	414,991	22,945,015.79	48,761,442.50
American Power Conversion	46,300	1,660,906.01	1,889,618.75
Amgen Inc	273,400	5,648,902.76	19,206,350.00
AMR Corp	40,300	937,672.43	1,065,431.25
Amsouth Bancorp	105,200	2,852,248.76	1,656,900.00
Anadarko Petroleum Corp	34,200	1,094,142.49	1,686,487.50
Analog Devices Inc	92,200	2,271,937.08	7,007,200.00
Andrew Corp	17,562	277,493.30	589,424.63
Anheuser-Busch Co Inc	125,300	5,950,906.32	9,358,343.75
Aon Corp	68,675	2,152,810.51	2,133,217.19
Apache Corp	30,500	1,118,246.33	1,793,781.25
Apple Computer	86,200	1,948,489.56	4,514,725.00
Applied Materials Inc	215,000	5,603,222.28	19,484,375.00
Archer-Daniels Midland	165,503	2,384,888.16	1,623,998.19
Armstrong Holdings Inc	10,700	569,344.76	163,843.75
Ashland Inc	19,300	767,703.92	676,706.25
Associates First Capital - A	195,124	5,582,519.41	4,353,704.25
Autodesk Inc	15,800	436,713.16	548,062.50
Automatic Data Processing Inc	165,900	4,946,440.06	8,886,018.75
Autozone Inc	39,900	1,057,101.67	877,800.00
Avery Dennison Corp	30,500	1,093,285.40	2,047,312.50

S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Avon Products	69,900	1,829,783.48	3,110,550.00
BB&TCorp	85,700	2,811,470.24	2,046,087.50
Baker Hughes	88,140	2,137,799.17	2,820,480.00
Ball Corp	7,300	236,004.22	234,968.75
Bank of New York Inc	197,100	4,784,754.28	9,165,150.00
Bank of America Corp	441,236	20,739,203.97	18,973,148.00
Bank One Corp	314,348	12,117,317.35	8,349,868.75
Bard (CR) Inc	13,700	498,014.84	659,312.50
Barrick Gold Corp	104,500	2,365,574.42	1,900,593.75
Bausch & Lomb	15,400	771,763.14	1,191,575.00
Baxter International Inc	78,000	3,720,694.81	5,484,375.00
Bear Stearns Companies Inc	32,807	1,443,496.04	1,365,591.38
Becton Dickinson	67,100	1,680,416.39	1,924,931.25
Bed Bath & Beyond Inc	37,400	1,303,240.40	1,355,750.00
Bell Atlantic Corp	416,176	19,064,504.25	21,146,943.00
BellSouth	505,400	15,191,304.87	21,542,675.00
Bemis Co	14,000	452,618.56	470,750.00
Best Buy Co Inc	54,600	3,791,108.88	3,453,450.00
Bestfoods	74,800	3,062,316.78	5,179,900.00
Bethlehem Steel	30,800	494,014.00	109,725.00
Biogen Inc	40,100	3,970,248.87	2,586,450.00
Biomet Inc	30,100	728,381.43	1,156,968.75
Black & Decker Corp	23,300	908,892.08	915,981.25
Block H&R	26,200	1,006,015.05	848,225.00
BMC Software Inc	64,100	3,262,365.60	2,338,650.04
Boeing Co	232,014	8,195,953.50	9,701,085.38
Boise Cascade	15,300	492,778.60	395,887.50
Boston Scientific Corp	110,900	2,659,132.61	2,432,868.75
Briggs & Stratton	6,000	178,198.08	205,500.00
Bristol-Myers Squibb Co	532,400	24,129,437.90	31,012,300.00
Brown-Forman Inc	18,400	953,302.56	989,000.00
Brunswick Corp	24,700	566,233.87	409,093.75
Burlington Northern Santa Fe Corp	124,635	3,081,732.69	2,858,815.31
Burlington Resources	47,545	1,889,865.45	1,818,596,25
C P & L Energy Inc	42,800	1,525,027.50	1,366,925.00
Cabletron Systems Inc	46,700	1,028,347.58	1,179,175.00
Campbell Soup	116,400	4,379,047.71	3,390,150.00
Capital One Financial Corp	52,900	2,056,501.78	2,360,662.50
Cardinal Health Inc	73,050	4,090,918.59	5,405,700.00
Carnival Corp	164,400	7,526,869.00	3,205,800.00
Caterpillar Inc	95,300	3,754,983.04	3,228,287.50
Cendant Corp	193,123	4,261,952.70	2,703,722.00
Centex Corp	16,000	388,362.43	
Centurytel Inc			376,000.00
	37,350	1,654,401.97	1,073,812.50
Ceridian Corp	38,800 25,700	804,729.91	933,625.00
Champion International Charter One Financial Inc	25,700 55,800	1,072,170.73	1,852,006.25
	55,800	1,303,627.50	1,283,400.00
Chase Manhattan Corp	334,674	10,883,446.12	15,415,921.13
Chevron Corp	175,800	12,210,108.43	14,910,037.50
Chubb Corp	47,200	2,473,737.36	2,902,800.00
Cigna Corp	45,100	2,440,573.51	4,216,850.00
Cincinnati Financial Corp	44,200	1,787,330.12	1,389,537.50

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S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Cinergy Corp	42,618	1,268,721.40	1,084,095.38
Circuit City Stores	53,900	1,156,719.15	1,788,806.25
Cisco Systems	1,852,100	36,992,993.00	117,724,106.25
Citigroup Inc	905,296	24,998,551.58	54,544,084.00
Citrix Systems Inc	47,000	2,700,312.15	890,062.50
Clear Channel Communications	90,500	4,998,535.35	6,787,500.00
Clorox Co	63,300	2,190,399.87	2,836,631.25
CMS Energy Corp	31,600	1,289,374.12	699,150.00
Coastal Corp	57,200	1,679,744.57	3,482,050.00
Coca Cola Co	661,900	31,731,753.22	38,017,881.25
Coca Cola Enterprises	113,900	3,426,029.72	1,857,993.75
Colgate-Palmolive	156,300	5,152,300.40	9,358,462.50
Columbia Energy Group	22,000	989,550.38	1,443,750.00
Comcast Corp CL A Spl	231,800	5,925,705.65	9,387,900.00
Comerica Inc	41,900	1,975,209.96	1,880,262.50
Compaq Computer	455,713	10,163,760.21	11,649,163.56
Computer Associates Int'l	144,112	5,184,147.06	7,376,733.00
Computer Sciences Corp	42,900	1,956,304.52	3,204,093.75
Compuware Corp	95,700	3,299,408.87	992,887.50
Comverse Technology Inc	37,400	2,625,850.26	3,478,200.00
Conagra Inc	130,900	3,134,540.18	2,495,281.25
Conexant Systems Inc	52,500	5,822,502.00	2,552,812.50
Conoco Inc CL B	168,100	4,519,289.77	4,128,956.25
Conseco Inc	87,652	2,885,469.19	854,607.00
Consolidated Edison Inc	59,200	2,281,009.10	1,753,800.00
Consolidated Stores Corp	29,500	941,872.20	354,000.00
Constellation Energy Group Inc	40,050	1,100,665.89	1,304,128.13
Convergys Corp	40,500	1,913,493.38	2,100,937.50
Cooper Industries	25,300	1,201,784.15	823,831.25
Cooper Tire & Rubber	15,900	333,114.48	176,887.50
Coors (Adolph)	9,900	327,986.00	598,950.00
Corning Inc	73,700	4,482,096.48	19,889,787.50
Costco Wholesale Corp	118,472	2,806,699.32	3,909,576.00
Countrywide Credit Ind Inc	30,300	1,129,396.15	918,468.75
Crane Co	13,800	249,930.94	335,512.50
Crown Cork & Seal Co	32,800	1,216,795.79	492,000.00
CSX Corp	58,300	2,356,150.30	1,235,231.25
Cummins Engine Co Inc	11,200	521,672.26	305,200.00
CVS Corp	105,000	3,665,155.66	4,200,000.00
Dana Corp	44,418	1,620,586.27	941,106.38
Danaher Corp	38,100	1,848,278.52	1,883,568.75
Darden Restaurants Inc	35,400	489,491.79	575,250.00
Deere & Co	62,600	2,207,506.34	2,316,200.00
Dell Computer Corp	681,100	14,422,999.45	33,586,743.75
Delphi Automotive Systems	151,427	2,066,584.77	2,205,155.69
Delta Airlines Inc	37,600	1,707,449.44	1,901,150.00
Deluxe Corp	20,300	703,978.06	478,318.75
Dillard's Inc	28,700	888,887.05	351,575.00
Disney Walt Co (Holding Co)	552,782	12,424,760.20	21,454,851.38
Dollar General Corp	75 <b>,</b> 288	1,615,001.81	1,468,116.00
Dominion Resources	63,562	2,486,314.56	2,725,220.75
DOMINION INSOURCES	34,200	1,122,481.44	771,637.50

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S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Dover Corp	55,900	1,531,281.25	2,267,443.75
Dow Chemical Co	177,000	5,069,641.17	5,343,187.50
Dow Jones & Co Inc	24,400	1,056,356.98	1,787,300.00
DTE Energy Co	38,900	1,376,002.90	1,188,881.25
Duke Energy Corp	97,794	4,714,321.06	5,513,136.75
Dun & Bradstreet Corp	43,200	1,089,131.81	1,236,600.00
DuPont (EI) De Nemours	278,962	13,516,493.06	12,204,587.50
Eastern Enterprises	7,200	258,678.63	453,600.00
Eastman Chemical Co	20,950	824,843.99	1,000,362.50
Eastman Kodak	84,800	5,439,932.23	5,045,600.00
Eaton Corp	19,400	1,326,588.06	1,299,800.00
Ecolab Inc	34,700	828,258.89	1,355,468.75
Edison International	93,100	2,208,838.31	1,908,550.00
El Paso Energy Corp	61,100	2,280,584.01	3,112,281.25
Electronic Data Systems	132,100	5,787,804.76	5,449,125.00
EMC Corp	577,786	11,180,798.29	44,453,410.38
Emerson Electric	116,500	5,887,917.51	7,033,687.50
Engelhard Corp	33,737	565,330.73	575,637.56
Enron Corp	191,300	4,986,355.10	12,338,850.00
Entergy Corp	66,200	1,876,261.35	1,799,812.50
Equifax Inc	38,500	1,277,233.15	1,010,625.00
Exxon Mobil Corp	922,399	51,531,504.52	72,408,321.50
Fannie Mae	274,700	12,880,127.01	14,335,906.25
Federal Home Loan Mortgage	186,300	7,125,889.33	7,545,150.00
Federated Dept Stores Inc Del	55,900	2,138,761.30	1,886,625.00
Fedex Corp	79,720	2,268,730.36	3,029,360.00
Fifth Third Bancorp	72,750	3,532,815.55	4,601,437.50
First Data Corp	115,000	3,755,470.39	5,706,875.00
First Union Corp	256,414	10,349,910.78	6,362,272.38
Firstar Corp	263,912	7,292,506.67	5,558,646.50
Firstenergy Corp	62,700	1,677,315.35	1,465,612.50
Fleetboston Financial Corp	246,557	7,820,531.03	8,382,938.00
Florida Progress Corp	26,300	1,126,558.24	1,232,812.50
Fluor Corp	20,300	869,274.43	641,987.50
FMC Corp	6,800	387,015.02	394,400.00
Ford Motor Co	324,300	11,766,031.06	13,944,900.00
Fort James Corp	59,200	1,959,059.67	1,369,000.00
Fortune Brands Inc	44,600	1,452,601.29	1,028,587.50
FPL Group	48,000	2,369,484.17	2,376,000.00
Franklin Resources Inc	67,600	2,963,595.80	2,053,350.00
Freeport-McMoran Copper & Gold	43,800	2,905,395.80 948,257.83	405,150.00
Gannett Co	75,000		•
Gap (The)	229,850	3,806,597.02 4,472,687.42	4,485,937.50
Gateway Inc			7,182,812.50
•	84,000 53.400	2,832,259.35	4,767,000.00
General Dynamics General Electric Co	53,400 2,628,800	2,662,232.91	2,790,150.00
General Mills	2,628,800	63,130,216.69	139,326,400.00
	82,000	2,677,981.23	3,136,500.00
General Motors Corp	148,000	7,181,088.32	8,593,250.00
Genuine Parts	47,975 46,000	1,310,270.15	959,500.00
Georgia Pacific Corp	46,000	1,290,776.22	1,207,500.00
Gillette Co	290,800	10,432,930.02	10,159,825.00
Global Crossing	205,945	4,356,673.88	5,418,927.81

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S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Golden West Financial	44,100	1,096,018.43	1,799,831.25
Goodrich (BF)	29,400	923,548.56	1,001,437.50
Goodyear Tire & Rubber	41,900	2,007,907.02	838,000.00
GPU Inc	33,600	1,240,198.68	909,300.00
Grace W R & Co New	17,900	170,259.40	217,037.50
Grainger (WW) Inc	25,000	978,047.16	770,312.50
Great ∧ & P	9,200	345,004.60	152,950.00
Great Lakes Chemical	15,700	710,402.17	494,550.00
GTE Corp	262,900	14,182,761.32	16,365,525.00
Guidant Corp	81,000	2,702,048.32	4,009,500.00
Halliburton Co	118,300	4,107,345.64	5,582,281.25
Harcourt General Corp.	19,100	673,397.23	1,038,562.50
Harley Davidson Inc	80,800	2,873,320.72	3,110,800.00
Harrah's Entertainment Inc	34,400	655,493.94	720,250.00
Hartford Finl Svcs Group	60,600	2,198,630.22	3,389,812.50
Hasbro Inc	52,175	976,307.21	785,885.94
HCA-The Healthcare Co	151,230	3,674,138.89	4,593,611.25
Healthsouth Corp	111,200	1,903,852.03	799,250.00
Heinz (HJ) Co	96,100	4,068,399.72	4,204,375.00
Hercules Inc	28,400	808,742.07	399,375.00
Hershey Foods	37,400	1,719,647.49	1,813,900.00
Hewlett Packard Co	266,300	11,482,173.50	33,254,212.50
Hilton Hotels	68,300	875,162.06	640,312.50
Home Depot	614,822	16,376,045.28	30,702,673.63
Homestake Mining	69,800	790,611.29	479,875.00
Honeywell International Inc	211,625	7,757,351.95	7,129,117.19
Household International	128,252	3,798,206.90	5,330,473.75
Humana Inc	34,100	786,491.91	166,237.50
Huntington Bancshares	61,712	1,734,452.91	975,821.00
Ikon Office Solutions Inc	32,500	846,044.67	125,937.50
Illinois Tool Works	80,300	4,167,646.92	4,577,100.00
IMS Health Inc	83,900	1,609,981.35	1,510,200.00
Inco Ltd	51,500	1,286,417.89	791,812.50
Ingersoll-Rand	44,250	1,712,954.00	1,781,062.50
Intel Corp	893,100	36,242,340.47	119,396,306.25
International Business Machines	472,000	30,255,955.63	51,713,500.00
International Flavors/Frag	28,400	1,068,452.18	857,325.00
	110,861	4,451,600.34	3,305,043.56
International Paper	·		
Interpublic Group Cos Inc '1'T' Inds Inc	75,600	2,022,650.92	3,250,800.00
	23,000	582,544.40	698,625.00
efferson-Pilot	28,287	1,340,942.03	1,596,447.56
Johnson & Johnson	371,600	23,833,858.80	37,856,750.00
Ohnson Controls	22,900	1,066,846.47	1,175,056.25
K Mart Corp	132,300	1,919,046.47	901,293.75
Kansas City Southern Inds	29,600	1,658,526.33	2,625,150.00
Kaufman & Broad Home Corp	9,100	152,060.80	180,293.75
Kellogg Co	108,600	3,651,354.73	3,230,850.00
Kerr-McGee	23,170	1,236,232.97	1,365,581.88
Keycorp New	120,300	3,048,476.48	2,120,287.50
Kimberly Clark Corp	142,768	5,968,028.57	8,191,314.00
KLA-Tencor Corp	47,200	1,333,996.35	2,764,150.00
Knight-Ridder News	21,700	957,500.09	1,154,168.75

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S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Kohls Corp	87,200	2,544,797.91	4,850,500.00
Kroger Co	222,300	4,350,583.88	4,904,493.75
Leggett and Platt	52,500	1,173,138.75	866,250.00
Lehman Brothers	32,100	1,637,725.32	3,035,456.25
Lexmark International Group Inc	34,500	2,636,029.65	2,320,125.00
Lilly (Eli) & Co	292,900	15,985,364.58	29,253,387.50
Limited Inc	114,800	1,430,643.80	2,482,550.00
Lincoln National	53,300	1,679,014.01	1,925,462.50
Linear Technology Corp	79,600	4,738,500.44	5,089,425.00
Liz Claiborne Inc	13,300	517,038.48	468,825.00
Lockheed Martin	105,942	3,821,742.09	2,628,685.88
Loew's Corp	28,800	2,611,375.92	1,728,000.00
Longs Drug Stores	7,800	162,625.22	169,650.00
Louisiana Pacific	28,800	558,544.20	313,200.00
Lowe's Cos	102,200	3,139,761.01	4,196,587.50
LSI Logic Corp	79,000	1,330,716.86	4,275,875.00
Lucent Technologies Inc	851,201	30,386,828.00	50,433,659.25
Mallinckrodt Inc	19,000	592,197.21	825,312.50
Manor Care Inc	28,700	712,143.47	200,900.00
Marriott International CL A	66,700	1,893,330.39	2,405,368.75
Marsh & McLennan Inc	70,800	3,562,158.80	7,394,175.00
Masco Corp	118,700	3,011,758.10	2,144,018.75
Mattel Inc	112,666	2,733,842.08	1,485,782.88
Maxim Integrated Products	73,800	4,278,665.70	5,013,787.50
May Dept Stores Co	89,550	2,826,756.13	2,149,200.00
Maytag Co	23,400	760,683.29	862,875.00
MBIA Inc	26,800	1,475,874.24	1,291,425.00
MBNA Corp	214,952	3,527,722.21	5,830,573,00
McDermott International	12,100	313,767.79	106,631.25
McDonald's Corp	363,100	10,042,985.36	11,959,606.25
McGraw-Hill	52,800	1,856,500.63	2,851,200.00
Mckesson HBOC Inc	75,432	4,567,980.73	1,579,357.50
Mead Corp	27,400	758,956.82	691,850.00
Mediaone Group Inc	162,600	6,025,890.28	10,751,925.00
Medimmune Inc	56,200	3,698,662.50	4,158,800.00
Medtronic Inc	314,600	7,928,285.29	15,671,012.50
Mellon Financial Corp	137,800	3,186,174.87	5,021,087.50
Merck & Co	612,200	30,569,468.40	46,909,825.00
Meredith Corp	13,900	320,099.34	
Merrill Lynch	99,100	5,081,785.12	469,125.00 1 <b>1,</b> 396,500.00
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MGIC Investment Corp Micron Technology	29,300 134,200	1,308,281.48	1,333,150.00
2,	•	3,122,270.61	11,817,987.50
Microsoft	1,401,200	67,320,644.70	112,096,000.00
Milacron Inc	9,300 10,200	196,959.70	134,850.00
Millipore Corp	10,200	233,338.50	768,825.00
Minnesota Mining & Manufacturing	108,000	8,079,215.52	8,910,000.00
MIPS Technologies Inc CL B	7,012	483,714.75	269,962.00
Molex Inc	51,875	2,156,530.90	2,496,484.38
Morgan (JP) & Co	47,100	4,366,927.51	5,186,887.50
Morgan Stanley Dean Witter & Co	305,822	8,139,003.10	25,459,681.50
Motorola Inc	568,611	10,859,269.19	16,525,257.19
Nabisco Group Holding	87,400	1,561,673.00	2,266,937.50

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S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Nacco Ind CL A	2,000	127,533.60	70,250.00
National City Corp	165,700	4,793,872.88	2,827,256.25
National Semiconductor	45,000	960,199.47	2,553,750.00
National Service Industries	8,500	279,626.27	170,000.00
Navistar International	17,720	517,955.83	550,427.50
NCR Corp	25,800	980,015.58	1,004,587.50
Network Appliance Inc	78,800	1,201,997.43	6,343,400.00
New Century Energies	30,900	1,372,623.51	927,000.00
New York Times CL A	46,700	1,210,025.34	1,844,650.00
Newell Rubbermaid Inc	75,543	2,463,074.30	1,945,232.25
Newmont Mining	44,858	1,263,483.15	970,054.25
Nextel Communications Inc A	193,800	4,589,385.25	11,858,137.50
Niagara Mohawk Holdings Inc	50,200	726,828.54	699,662.50
Nicor Inc	12,600	424,969.01	411,075.00
Nike Inc	75,400	2,943,125.54	3,001,862.50
Nordstrom	37,600	965,787.82	907,100.00
Norfolk Southern Corp	102,000	2,609,714.72	1,517,250.00
Nortel Networks Corp	788,740	14,872,499.86	53,831,505.00
Northern States Power	41,300	980,962.99	833,743.75
Northern Trust Corp	59,800	2,356,150.85	3,890,737.50
Northrop Gruman Corp	18,600	1,263,649.69	1,232,250.00
Novell	89,800	1,566,188.72	830,650.00
Novellus Systems Inc	34,800	1,987,950.00	1,968,375.00
Nucor Corp	23,400	993,861.73	776,587.50
Occidental Petroleum	93,400	2,133,640.35	1,967,237.50
Office Depot Inc	100,500	1,901,689.65	628,125.00
Old Kentucky Financial Corp	33,390	1,235,264.64	893,182,50
Omnicom Group	47,600	2,492,053.50	4,239,375.00
Oneok Inc	7,500	172,670.42	194,531.25
Oracle Corp	751,386	8,069,678.98	63,163,385.63
Owens Corning	11,100	386,571.12	102,675.00
Owens-Illinois Inc	41,800	1,283,944.64	488,537.50
PG & E Corp	102,900	2,871,961.35	2,533,912.50
Paccar Inc	20,960	841,712.71	831,850.00
PACTTV CORP	45,700	616,179.09	359,887.50
Paine Webber Group Inc	39,000	1,554,109.74	1,774,500.00
Pall Corp	33,233	707,931.80	614,810.50
Parametric Technology Corp	72,200	1,441,861.37	794,200.00
Parker-Hannifin	29,125	952,360.76	997,531.25
Paychex Inc	98,925	2,078,562.88	4,154,850.00
PE Corp Biosystems Group	54,600	1,089,030.83	3,596,775.00
PECO Energy Co	50,000	1,487,714.90	2,015,625.00
Penney (JC)	70,600	3,102,119.60	1,301,687.50
Peoples Energy	7,200	229,474.72	233,100.00
Peoplesoft Inc	65,200	1,278,930.08	1,092,100.00
Pepsico Inc	392,000	11,260,268.14	17,419,500.00
Perkinelmer Inc	10,600	223,195.00	700,925.00
Pfizer Inc	1,668,725	36,973,602.11	80,098,800.00
Pharmacia Corp	331,502	11,155,992.26	17,134,509.63
Phelps Dodge	23,147	1,451,033.04	860,779.06
Philip Morris Companies Inc	608,900	25,827,885.49	16,173,906.25
Timb morns combangs inc	000,700	20,021,000,49	10,110,700,20

S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
Pinnacle West Capital	22,600	808,133.06	765,575.00
Pitney-Bowes Inc	71,700	2,908,768.23	2,868,000.00
Placer Dome	87,300	1,342,336.20	834,806.25
PNC Financial Services Group	81,500	3,506,503.51	3,820,312.50
Polaroid Corp	11,900	384,842.22	214,943.75
Potlatch Corp	6,800	275,525.26	225,250.00
PPG Industries	46,500	2,256,087.78	2,060,531.25
PPL Corp	42,300	1,072,146.07	927,956.25
Praxair Inc	42,700	1,485,336.05	1,598,581.25
Price T Rowe Association	32,400	1,007,759.88	1,377,000.00
Procter & Gamble	356,100	23,861,461.86	20,386,725.00
Progressive Corp Ohio	19,600	2,208,305.29	1,450,400.00
Providian Corp	38,050	1,606,623.75	3,424,500.00
Public Service Enterprise Inc	58,800	1,951,099.45	2,035,950.00
Pulte Corp	8,800	145,249.72	190,300.00
Quaker Oats	35,900	1,743,102.42	2,696,987.50
Qualcomm Inc	196,500	10,688,047.10	11,790,000.00
Quintiles Transnational Corp	30,700	756,211.61	433,637.50
RadioShack Corp	51,800	1,251,939.36	2,454,025.00
Ralston Purina	86,700	1,658,197.05	1,728,581.25
Raytheon Co CI, B	90,500	4,272,267.99	1,742,125.00
Reebok International	13,100	360,568.24	208,781.25
Regions Financial Corp	60,000	2,047,315.22	1,192,500.00
Reliant Energy Inc	79,262	1,995,971.33	2,343,182.88
Rite Aid	69,400	1,724,241.32	455,437.50
Rockwell International	51,300	1,825,184.21	1,615,950.00
Rohm & Haas	58,330	1,607,179.63	2,012,385.00
Rowan Companies Inc	21,900	424,481.79	665,212.50
Royal Dutch Petroleum Co	574,800	26,012,101.43	35,386,125.00
Russell Corp	6,300	170,829.50	126,000.00
Ryder System	15,000	402,342.23	284,062.50
Sabre Holdings Corp	34,622	1,350,694.89	986,727.00
Safeco Corp	35,300	1,244,977.57	701,587.50
Safeway Inc	136,800	6,577,472.77	6,156,000.00
Sanmina Corp	34,300	2,838,325.00	2,932,650.00
Sapient Corp	15,600	1,620,774,48	1,668,225.00
Sara Lee Corp	242,200	5,129,896.69	4,677,487.50
SBC Communications Inc	915,169	32,197,785.34	39,581,059.25
Schering-Plough Corp	393,600	12,879,531.91	19,876,800.00
Schlumberger Ltd	146,800	7,052,188.59	10,954,950.00
Schwab (Charles) Corp	328,800	3,915,624.52	11,055,900.00
Scientific-Atlanta	41,000	484,213.90	3,054,500.00
Seagate Technology Inc	59,700	1,950,316.49	3,283,500.00
Seagram Ltd	115,900	4,187,795.52	6,722,200.00
Sealed Air Corp	22,397	1,048,392.32	1,173,042.88
Sears Roebuck & Co	102,000	3,847,305.53	3,327,750.00
Sempra Energy	64,426	1,440,171.04	1,095,242.00
Shared Medical Systems	5,300	231,231.50	386,568.75
Sherwin-Williams	45,400	987,479.22	961,912,50
Siebel Systems Inc	51,000	6,627,562.20	8,341,687.50
Sigma Áldrich Corp	27,000	769,082.03	789,750.00
Silicon Graphics	50,600	424,709.69	189,750.00

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S & P 500 STOCKS continued	SHARES	ORIGINAL COST	MARKET VALUE
SLM Holding Corp	43,100	1,979,087.18	1,613,556.25
Snap-on Inc	17,550	556,043.76	467,268.75
Solectron Corp	144,600	3,953,432.17	6,055,125.00
Southern Co	183,100	4,318,346.72	4,268,518.75
Southtrust Corp	44,900	1,746,081.90	1,015,862.50
Southwest Airlines	135,075	1,498,997.91	2,557,982.81
Springs Industries Inc	4,900	195,894.75	156,800.00
Sprint Corp	232,500	7,322,793.80	11,857,500.00
Sprint Corp (PCS Group)	235,700	3,704,541.83	14,024,150.00
St Jude Medical Inc	22,700	684,131.09	1,041,362.50
St Paul Cos	60,760	1,825,292.12	2,073,435.00
Stanley Works	23,800	677,161.74	565,250.00
Staples Inc	124,550	2,638,434.98	1,914,956.25
Starbucks Corp	49,000	1,759,501.80	1,871,187.50
State Street Corp	43,200	2,711,377.50	4,581,900.00
Summit Bancorp	47,500	2,044,071.59	1,169,687.50
Sun Microsystems Inc	414,800	7,699,340.20	37,720,875.00
Sunoco Inc	24,300	804,388.69	715,331.25
Suntrust Banks	86,200	5,126,102.08	3,938,262.50
Super Valu Stores	37,200	746,060.62	709,125.00
Synovus Financial Corp	72,750	1,552,521.48	1,282,218.75
Sysco Corp	88,700	1,969,916.59	3,736,487.50
Target Corp	118,500	4,338,948.90	6,873,000.00
Tektronix Inc	12,200	321,005.76	902,800.00
Tellabs Inc	105,000	3,198,108.46	7,185,937.50
Temple-Inland	15,000	781,635.59	630,000.00
Tenet Healthcare Corp	83,200	2,013,882.70	2,246,400.00
Teradyne Inc	45,900	2,237,055.84	3,373,650.00
Texaco Inc	148,200	7,629,606.57	7,891,650.00
Texas Instruments	434,200	8,863,554.88	29,824,112.50
Texas Utilities Co	74,135	2,933,248.47	2,186,982.50
Textron Inc	40,300	2,288,822.62	2,188,793.75
Thermo Electron Corp	42,300	1,148,690.42	890,943.75
Thomas & Betts	15,300	687,609.59	292,612.50
Tiffany & Co	19,300	1,243,402.50	1,302,750.00
Time Warner Inc	346,700	13,798,702.98	26,349,200.00
Timken Co	12,700	290,853.66	236,537.50
TJX Cos Inc	85,200	1,475,623.03	1,597,500.00
Torchmark Corp	35,700	997,335.93	881,343.75
Tosco Corp	40,800	1,039,992.00	1,155,150.00
Toys 'R' Us (Holding Co)	66,400	1,654,853.68	966,950.00
Transocean Sedco Forex Inc	55,820	2,230,147.76	2,982,881.25
Tribune Co	82,150	1,787,379.57	2,875,250.00
Tricon Global Restaurants Inc	41,200	1,138,990.46	1,163,900.00
TRW Inc	32,500	1,458,629.63	1,409,687.50
Tupperware Corp	14,200	320,958.91	312,400.00
Tyco International Ltd	448,568	13,572,068.20	21,250,909.00
U S Bancorp	196,080	5,363,957.70	3,774,540.00
U S Surgical Value Support Rights	47	0.00	0.00
U S West Inc	135,300	5,970,322.27	11,601,975.00
Unicom Corp	58,300	1,981,344.34	2,255,481.25
Unilever NV	153,250	9,329,913.82	6,589,750.00

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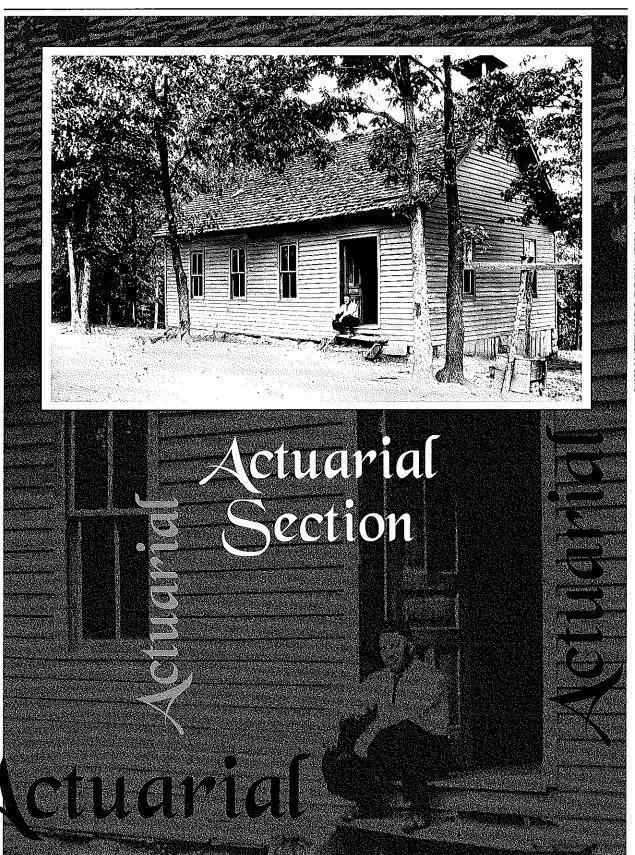
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Union Carbide Union Pacific Corp Union Pacific Resources Group Union Planters Corp Unisys Corp	35,700 66,400 67,501 38,300 82,000 46,500 129,100	1,398,834.53 3,163,847.43 1,234,030.11 1,740,479.18 2,323,196.91	1,767,150.00 2,469,250.00 1,485,022.00 1,070,006.29
Union Pacific Resources Group Union Planters Corp	67,501 38,300 82,000 46,500	1,234,030.11 1,740,479.18 2,323,196.91	1,485,022.00 1,070,006.29
Union Planters Corp	38,300 82,000 46,500	1,740,479.18 2,323,196.91	1,070,006.29
-	82,000 46,500	2,323,196.91	
Unisys Corp	46,500		
	,		1,194,125.00
United Health Group Inc	129,100	2,239,765.01	3,987,375.00
United Technologies Corp		5,066,890.74	7,600,762.50
Unocal Corp	65,000	2,198,283.66	2,153,125.00
Unumprovident Corp	63,975	2,501,554.00	1,283,498.44
US Airways Group Inc	18,200	726,097.96	709,800.00
UST Inc	46,700	1,466,774.94	685,906.25
USX-Marathon Group	82,800	2,406,384.74	2,075,175.00
USX-US Steel Group	23,680	652,050.59	439,560.00
V F Corp	31,900	1,075,915.27	759,618.75
Veritas Software Corp	101,000	13,952,251.10	11,414,575.60
Viacom Inc CL B	408,524	11,356,053.76	27,856,230.25
Visteon Corp	42,461	489,767.37	514,839.63
Vulcan Materials	26,800	1,262,586.36	1,144,025.00
Wachovia Corp	54,200	3,714,568.77	2,940,350.00
Walgreen	269,000	4,519,812.15	8,658,437.50
Wal-Mart Stores	1,192,800	32,753,487.17	68,735,100.00
Washington Mutual Inc	155,195	5,048,185.17	4,481,255.63
Waste Management Inc	166,005	6,535,707.56	3,154,095.00
Watson Pharmaccuticals Inc	25,700	1,038,297.54	1,381,375.00
Wellpoint Health Networks Inc	17,600	1,397,215.20	1,274,900.00
Wells Fargo & Co	442,100	12,510,832.80	17,131,375.00
Wendy's Int'l	32,600	677,317.95	580,687.50
Westvaco Corp	26,900	696,180.44	667,456.25
Weyerhaeuser Corp	53,900	2,476,067.46	2,317,700.00
Whirlpool Corp	20,200	1,056,980.05	941,825.00
Willamette Ind Inc	29,900	990,461.52	814,775.00
Williams Cos	116,400	3,070,828.00	4,852,425.00
Winn-Dixie	39,800	1,248,717.79	569,637.50
Worldcom Inc GA	753,171	23,622,181.91	34,551,719.63
Worthington Industries	22,625	378,254.59	237,562,50
Wrigley, (Wm) Jr	31,200	1,931,950.69	2,501,850.00
Xerox Corp	177,700	6,251,069.15	3,687,275.00
Xilinx	84,600	3,913,650.99	6,984,787.50
Yahoo Inc	141,200	22,401,951.86	17,491,150.00
Total S & P 500 Stocks	65,451,720	\$ 2,214,515,539.00	\$ 3,332,127,404.13
TOTAL STOCK EQUITY	155,485,924	\$ 5,755,569,196.47	\$ 7,393,185,234.1 <b>8</b>



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Dogtown Schoolhouse in Whitley County, Kentucky, 1920

PHOTO COURTESY OF THE KENTUCKY HISTORICAL SOCIETY SPECIAL COLLECTIONS & ARCHIVES

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200 Galleria Parkway, N. W. Suite 1200 Atlanta, Georgia 30339

January 19, 2000

Board of Trustees Teachers' Retirement System of the State of Kentucky 216 West Main Street Frankfort, Kentucky 40601

Members of the Board:

Section 161.400 of the law governing the operation of the Teachers' Retirement System of the State of Kentucky provides that the actuary shall make an actuarial valuation of the System. We have submitted the results of the actuarial valuation prepared as of June 30, 1999. The valuation indicates that combined member and State contributions at the rate of 16.85% of university members' salaries and of 19.81% of non-university members' salaries are sufficient to support the benefits of the System. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

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The valuation takes into account the effect of amendments to the System enacted through the 1999 Session of the Legislature and effective on the valuation date. There have been no changes since the previous valuation.

The financing objective of the System is that contribution rates will remain relatively level over time as a percentage of payroll. The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the unit credit actuarial cost method with projected benefits. Modified market value of plan assets is used for actuarial valuation purposes - the book value of assets is adjusted to reflect the average ratio of market value to book value during the five years ending on the valuation date. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 4-year period, on the assumption that payroll will increase by 4.0% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the trend information shown in the Schedule of Funding Progress in the Financial Section of the Annual Report and Schedule A, Schedule B, Schedule C, Solvency Test and Analysis of Financial Experience shown in the Actuarial Section of the Annual Report.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

Respectfully submitted,

Edward A. Macdonald, ASA, MAAA, FCA

Principal and Consulting Actuary

### Report of Actuary on the Valuation Prepared as of June 30, 1999 Section I - Summary of Principal Results

1. For convenience of reference, the principal results of the valuation and a comparison with the results of the previous valuation are summarized below (all dollar amounts are \$1,000's):

Valuation Date	] 	June 30, 1999	J	une 30, 1998
Number of active members Annual salaries	\$	51,983 2,041,0463	 	51,677 1,973,749
Number of annuitants and beneficiaries Annual allowances	\$	29,193 570,722 <sup>1</sup>	[   	27,765 502,157 <sup>2</sup>
Assets for valuation purposes	\$	11,958,584	<b>\$</b>	10,370,595
Unfunded actuarial accrued liability	\$	329,647	[   \$	1,146,024
Statutory contribution rates:	University	Non- University	University	Non- University
Member State	7.625 % <u>9.225</u>	9.105 % 10.705	7.625 % 9.225	9.105% 10.705
Total	16.85 %	19.81 %	16.85%	19.81%
Annual Required Contribution (ARC)   Normal Accrued liability Total	13.77 % 3.08 16.85 %	1 17.92 % 1 1.89 1 19.81 %	13.72% 3.13 16.85%	18.03% 1.78 19.81%
Accrued liability funding period  Contribution to Medical Insurance	4 years	   4 years   	19 years	   19 years 
Member State	0.75 % <u>2.40</u>	0.75 % 2.40	0.75% 2.40	0.75%
Total	3.15 %	   3.15 %	3.15%	3.15%

<sup>1</sup> Includes the annual 1.5% cost-of-living adjustment effective July 1, 1999, as well as one-time cost-of living increases granted effective July 1, 1998 and July 1, 1999.

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<sup>2</sup> Includes the annual 1.5% cost-of-living adjustment effective July 1, 1998.

- 2. The valuation indicates that combined member and State contributions at the of 16.85% of salaries for university members and at 19.81% for non-university members are sufficient to support the benefits of the System. Comments on the valuation results as of June 30, 1999, are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
- 3. Schedule B of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. There have been no changes since the previous valuation.
- 4. The valuation takes into account the effect of amendments to the System enacted through the 1999 Session of the Legislature and effective on the valuation date. There have been no changes since the previous valuation. Provisions of the System which were taken into account in the current valuation are summarized in Schedule C.

#### Section II - MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuation were furnished by the Retirement System office. The following table shows the number of active members and their annual salaries as of June 30, 1999 on the basis of which the valuation was prepared.

Group	Number	Annual Salaries (\$1,000)
Men Women	13,676 <u>38,307</u>	\$ 600,725 1,440,738
Total	51,983	\$ 2,041,463

The table reflects the active membership for whom complete valuation data was submitted. The results of the valuation were adjusted to take account of inactive members and members for whom incomplete data was submitted.



2. The following table shows the number and annual retirement allowances payable to annuitants and beneficiaries on the roll of the Retirement System as of the valuation date.

The Number and Annual Retirement Allowances of
Annuitants and Beneficiaries on the Roll as of June 30, 1999

Group	Number	Annual Retirement Allowances <sup>2</sup> (\$1,000)
Service Retirements Disability Retirements Beneficiaries of Deceased Members <sup>1</sup>	25,220 1,533 <u>1,954</u>	\$ 519,183 27,521 <u>21,584</u>
Total	28,707	\$ 568,288

- In addition, there are 486 beneficiaries entitled to term-certain only annuities totaling \$2,433,510 annually.
- Lucludes the annual 1.5% cost-of-living adjustment effective July 1, 1999, as well as one-time 1.5% cost-of-living increases effective July 1, 1998 and July 1, 1999.

3. Tables 1 and 2 of Schedule E (not shown in this report) give the distribution by age and by years of service of the number and annual salaries of active members included in the valuation, while Tables 3, 4 and 5 give the number and annual retirement allowances of annuitants and beneficiaries included in the valuation, distributed by age.



#### Section III - ASSETS

1. The retirement law provides for the maintenance of seven funds for the purpose of recording the financial transactions of the System, namely, the Member Reserve Fund, the Employer Reserve Fund, the Benefit Reserve Fund, the Unallocated Reserve Fund, the Medical Insurance Reserve Fund, the Administrative Expense Reserve Fund, and the 403(B) Program Reserve Fund.

#### (a) Member Reserve Fund

The Member Reserve Fund is the fund to which are credited all contributions made by members together with regular interest thereon. When a member retires by reason of service or disability, the amount of the member's accumulated contributions are transferred from the Member Reserve Fund to the Benefit Reserve Fund. If a survivor's benefit becomes payable, the member's accumulated contributions are transferred from the Member Reserve Fund to the Benefit Reserve Fund. Refunds of accumulated member contributions upon withdrawal or death are also made from this Fund. The assets credited to the Member Reserve Fund on June 30, 1999 amounted to \$2,051,063,592.

#### (b) Employer Reserve Fund

The Employer Reserve Fund consists of funds appropriated by the State for the purpose of providing annuities. When a member retires by reason of service or disability, the amount, which together with the amount transferred from the Member Reserve Fund will provide the member's annuity, is transferred from the Employer Reserve Fund to the Benefit Reserve Fund. Transfers are also made from this Fund to the Benefit Reserve Fund when the death of a member results in an obligation on that Fund. The assets credited to the Employer Reserve Fund on June 30, 1999 amounted to \$2,118,321,180.

#### (c) Benefit Reserve Fund

The Benefit Reserve Fund is the Fund from which all retirement, survivor, and death benefit allowances are paid. When a member retires, his accumulated contributions are transferred from the Member Reserve Fund to the Benefit Reserve Fund. The balance of the amount necessary to provide the allowance is transferred from the Employer Reserve Fund to the Benefit Reserve Fund. The assets credited to the Benefit Reserve Fund as of June 30, 1999 amounted to \$685,149,161.

#### (d) Unallocated Reserve Fund

The Unallocated Reserve Fund is the Fund to which all investment earnings are credited and from which interest is paid to the other Funds as allowed by the Board of Trustees. The Unallocated Reserve Fund also serves to meet special requirements of the other Funds. On June 30, 1999 the assets credited to this Fund amounted to \$5,254,159,537.



#### (e) Medical Insurance Fund

Medical benefits are payable from this Fund, which is supported by the joint contributions of members and the State. The assets credited to this Fund as of June 30, 1999 amounted to \$45,185,212. This amount was not included in the assets used for valuation purposes.

#### (f) Administrative Expense Reserve Fund

The assets credited to this Fund as of June 30, 1999 amounted to \$2,757,445 This amount was not included in the assets used for valuation purposes.

#### (g) 403(b) Program Reserve Fund

The assets credited to this Fund as of June 30, 1999 amounted to \$821,345. This amount was not included in the assets used for valuation purposes.

- 2. As of June 30, 1999, the total book value of assets held by the System amounted to \$10,157,457,472. The corresponding market value of assets was \$12,519,954,323. Of the total book value, \$10,108,693,470 was used for valuation purposes.
- 3. The book value of assets was adjusted to reflect the average ratio of market value to book value during the five years ending on the valuation date. Application of the adjustment factor of 1.183 to the book value of assets resulted in a modified market value of \$11,958,584,375 to be used for valuation purposes, as shown in the following table.

## Assets as of June 30, 1999

Fund	Assets for	Other	Total Assets
rund	Valuation Purposes	Assets	Iotai Assets
Member Reserve	\$ 2,051,063,592		\$ 2,051,063,592
Employer Reserve	2,118,321,180		2,118,321,180
Benefit Reserve	685,149,161		685,149,161
Unallocated Reserve	5,254,159,537		5,254,159,537
Medical Insurance Reserve		\$ 45,185,212	45,185,212
Administrative Expense		2,757,445	2,757,445
403(b) Program		821,345	821,345
Total	\$10,108,693,470	\$ 48,764,002	\$ 10,157,457,472
Market Value Adjustment	<u>x 1.183</u>		
Modified Market Value	\$ 11,958,584,375		
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#### Section IV - COMMENTS ON VALUATION

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- 1. Schedule A of this report outlines the results of the actuarial valuation (amounts are \$1,000's). The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method which are described in Schedule B.
- 2. The valuation shows that the System has an actuarial accrued liability of \$5,996,518 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to annuitants and beneficiaries amounts to \$6,134,259 of which \$400,395 is for special appropriations remaining to be made toward funding minimum annuities and ad hoc increases granted after 1981. The liability for benefits expected to be paid to inactive members and to members entitled to deferred vested benefits is \$157,454. The total actuarial accrued liability of the System amounts to \$12,288,231. Against these liabilities, the System has present assets for valuation purposes of \$11,958,584. When this amount is deducted from the actuarial accrued liability of \$12,288,231 there remains \$329,647 as the unfunded actuarial accrued liability.
- 3. The normal contribution rate is equal to the actuarial present value of benefits accruing during the current year divided by the annual active members' payroll. The normal contribution rate is determined to be 13.77% of payroll for university members and 17.92% for non-university members.

#### Section V - CONTRIBUTIONS PAYABLE UNDER THE SYSTEM

- 1. Section 161.540 of the retirement law provides that each university member will contribute 8.375% of his annual salary to the System and each non-university member will contribute 9.855% of salary. Of this amount, 0.75% is paid to the Medical Insurance Fund for medical benefits leaving 7.625% for university members and 9.105% for non-university members applicable for the retirement and death benefits taken into account in the valuation.
- 2. Section 161.550 provides that the State will match the member contributions and contribute an additional 3.25% of members' salaries towards discharging the System's unfunded obligations. The System was amended as of June 30, 1998, to allow the Board to allocate up to a maximum of 1.65% of the 3.25% to the Medical Insurance Fund



3. The total net statutory contribution rate is 16.85% of active university members' salaries and 19.81% for active non-university members.

Source	University	Non-University
Member	7.625 %	9.105 %
State	<u>9.225</u>	<u> 10.705</u>
Total	16.850 %	19.810 %

4. The valuation indicates that normal contributions at the rate of 13.77% of active university members' salaries are required to meet the cost of benefits currently accruing. The normal rate for non-university members is 17.92%. The difference between the total contribution rate and the normal rate remains to be applied toward the liquidation of the unfunded actuarial accrued liability. This accrued liability rate is 3.08% for university members and 1.89% for non-university members. These rates are shown in the following table.

	PERCENT ACTIVE MEMBE	·
Rate	University	Non-University
Normal   Accrued Liability	13.77 % 3.08	17.92 % _1.89
Total	16.85 %	19.81 %

5. The unfunded actuarial accrued liability amounts to \$329,647,000 as of the valuation date. Accrued liability contributions at the rate of 3.08% of active university members' payroll and 1.89% of non-university members' payroll along with special appropriations amount of \$60,656,000 are sufficient to amortize the unfunded actuarial accrued liability over the 4-year period commencing June 30, 1999, based on the assumption that the payroll will increase by 4.0% annually.



#### Section VI - COMMENTS ON LEVEL OF FUNDING

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- 1. The benefit percentage for non-university members is 2.0% for service accrued through July 1, 1983 and 2.5% for service accrued after that date. The total net contribution rate is 19.81% of payroll for these members. For university members the benefit percentage is 2.0% for all service and the contribution rate is 16.85%. Our calculations indicate that these contribution rates will be sufficient to cover the basic benefits of the System and the annual 1.5% increases in the allowances of retired members and beneficiaries. Special appropriations are being made toward the minimum annuities, ad hoc increases and sick leave allowances granted after 1981.
- 2. The valuation indicates that the present statutory contribution rates and special appropriations are sufficient to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a reasonable period of time. The effect of the System experience has produced a decrease in the funding period for the unfunded actuarial accrued liability from 19 years to 4 years.
- 3. The System has been operating on an actuarially sound basis. However, there are no excess assets or contributions available to provide additional benefits. Any further benefit improvements should be accompanied by the additional contributions necessary to support the benefits.

### Section VII - ANALYSIS OF FINANCIAL EXPERIENCE

The following table shows the estimated gain or loss from various factors that resulted in a decrease of \$816,377,000 in the unfunded accrued liability from \$1,146,024,000 to \$329,647,000 during the year ending June 30, 1999.

ITEM	Amount of Increase/ (Decrease)
Interest (7.5%) added ot previous unfunded accrued liability	\$ 85,952
Accrued liability contribution	(102,670)
Experience:	
Valuation asset growth	(890,720)
Pensioners' mortality	16,409
Turnover and retirements	102,341
New entrants	10,155
(Dollar amounts Salary Increases	(37,844)
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in thousands)  Amendments	0
Assumption changes	0
TOTAL	\$ (816,377)



### Section VIII - ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statement No. 25 and 27 sets forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

Number of Active and Retired Members as of June 30, 1999				
GROUP	NUMBER			
Retirees and Beneficiaries currently receiving benefits	29,193			
Terminated employees entitled to benefits but not yet receiving benefits	4,960			
Active Plan Members:	_51,983			
TOTAL	86,136			

2. Another such item is the schedule of funding progress as shown below.

	Actuarial Accrued				
Actuarial Value of	Liability (AAL)	Unfunded	Fundad	Cayrarad	(UAAL as Percentag of Covere
	•				
(a)	(b)	(UAAL) (b-a)	(a/b)	(c)	Payro ( <u>(b-a)/</u> 0
\$ 4,259,123	5,852,9 15	1,593,792	72.8%	1,522,497	104.
4,808,670	6,649,716	1,841,046	72.3	1,669,228	110.
5,454,581	7,173,717	1,719,136	76.0	1,696,901	101.
6,006,636	7,779,919	1,773,283	77.2	1,748,141	101.
6,621,235	8,438,218	1,816,983	78.5	1,819,778	99.
7,624,699	9,178,577	1,553,878	83.1	1,877,888	82.
8,789,911	9,906,260	1,116,349	88.7	1,925,047	58.
10,370,595	11,516,619	1,146,024	90.0	1,973,749	58.
11,958,584	12,288,231	329,647	97.3	2,041,463	16.
	\$ 4,259,123 4,808,670 5,454,581 6,006,636 6,621,235 7,624,699 8,789,911 10,370,595	Actuarial Value of Assets Credit (a) (b)  \$ 4,259,123	Actuarial Value of Assets Credit (UAAL) (a) (b) (b-a)  \$ 4,259,123 5,852,9 15 1,593,792 4,808,670 6,649,716 1,841,046 5,454,581 7,173,717 1,719,136 6,006,636 7,779,919 1,773,283 6,621,235 8,438,218 1,816,983 7,624,699 9,178,577 1,553,878 8,789,911 9,906,260 1,116,349 10,370,595 11,516,619 1,146,024	Actuarial Value of Assets Credit (UAAL) Ratio (b) (b-a) (a/b)  \$ 4,259,123	Actuarial Value of Assets         Projected Unit Credit         AAL (UAAL) (UAAL)         Funded (UAAL)         Covered Payroll (UAAL)           (a)         (b)         (b-a)         (a/b)         (c)           \$ 4,259,123         5,852,9 15         1,593,792         72.8%         1,522,497           4,808,670         6,649,716         1,841,046         72.3         1,669,228           5,454,581         7,173,717         1,719,136         76.0         1,696,901           6,006,636         7,779,919         1,773,283         77.2         1,748,141           6,621,235         8,438,218         1,816,983         78.5         1,819,778           7,624,699         9,178,577         1,553,878         83.1         1,877,888           8,789,911         9,906,260         1,116,349         88.7         1,925,047           10,370,595         11,516,619         1,146,024         90.0         1,973,749

3. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 1999. Additional information as of the latest actuarial valuation follows.

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	Valuation Date
Projected unit credit	Actuarial cost method
Level percent of pay, open	Amortization method
4 years	Remaining amortization period
5-year smoothed market	Asset valuation method
	Actuarial Assumptions:
	1
	Investment Rate of Return*
4.00 - 8.10%	Projected Salary Increases*
	Cost-of-Living Adjustment
1.50% Annually	

	TREND	INFORMATION	
Year Ending	Annual Pension  Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
June 30, 1998	\$294,323,253	100%	\$0
June 30, 1999	\$288,543,990	100%	\$0



## **SCHEDULE A**

Results of the Valuation Prepared as of June 30, 1999 (\$1,000)

#### 1. ACTUARIAL ACCRUED LIABILITY

Present value of prospective benefits payable in respect:

(a)	Pre	esent active members:	
	•	Service retirement benefits	\$ 5,679,425
	•	Disability retirement benefits	168,181
	•	Death and survivor benefits	64,567
	•	Refunds of member contributions	 84,345
		Total	

(b) Present inactive members and members
entitled to deferred vested benefits: \$ 157,454

(c) Present annuitants and beneficiaries
• Service retirement benefits
• Disability retirement benefits
• Death and survivor benefits
225,229
• Death and survivor benefits

(d) Total actuarial accrued liability \$12,288,231

2. PRESENT ASSETS FOR VALUATION PURPOSES 11,958,584

3. Unfunded Actuarial Accrued Liability
[(1) MINUS (2)] \$329,647

#### 4. NORMAL CONTRIBUTION RATE

Total

		UNIVERSITY	<u>NON-</u> <u>UNIVERSITY</u>
(a)	Actuarial present value of benefits accruing annually	\$ 19,911	\$ 339,972
(b)	Annual payroll of active members		
(a)	Normal contribution note	144,644	1,896,819
(c)	Normal contribution rate [4(a) divided by 4(b)]	13.77%	17.92%

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5,996,518

6,134,259

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# **SCHEDULE B**

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#### Outline of Actuarial Assumptions and Methods

Investment Rate of Return: 7.5% per annum, compounded annually (Adopted 1989).

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.0% per annum:

Age	20	25	30	35	40	45	50	55	60	65
Annual Rate	8.10%	7.20%	6.20%	5.50%	5.00%	4.70%	4.50%	4.30%	4.20%	4.00%

**Separations From Service:** Representative values of the assumed annual rates of death, disability, withdrawal, service retirement and early retirement are as follows (adopted 1995):

		ME	N: Annual Rate of	• • •	
AGE	DEATH	DISABILITY	   WITHDRAWAL	SERVICE RETIREMENT*	EARLY RETIREMENT
20	.005 %	.01%	7.16 %		
25	.014	.01	7.45		
30	.023	.01	6.46	I	
35	.046	.05	4.49	! [	
40	.068	.07	3.11		
45	.091	.10	2.12		
50	.149	.29	1.58	10.00 %	
55	.308	1.20	]	17.00	4.00%
60	.535	.05		20.00	
62	.626	.03		27.00	
65	.808	I	' 	45.00	
70	İ	] 	 	100.00	

<sup>\*</sup> Is also assumed that an additional 15% of men will retire in their first year of eligibility if before age 60.



		Wo	OMEN: Annual Ra	te of	
AGE	DEATH	DISABILITY	WITHDRAWAL	SERVICE RETIREMENT*	EARLY RETIREMENT
20	.004 %	.01%	5.66 %		
25	.008	.01	6.84		
30	.022	.01	6.30		
35	.035	.04	4.08	! [	
40	.056	.09	2.61		
45	.065	.18	1.92		
50	.078	.29	1.57	10.00%	
55	.100	.60		17.00	5.00%
60	.143	.25		20.00	
62	.161	.06		22.00	
65	.187	! ! 		35.00	
70	!	I I		100.00	

<sup>\*</sup> Is also assumed that an additional 20% of women will retire in their first year of eligibility if before age 60.

**Deaths After Retirement:** Representative values of the assumed annual rates of death after service and disability retirement are as follows (adopted 1983):

Annual Rate of Death After							
	Service Re	irement	Disability	Retirement			
Лде	MEN	WOMEN	MEN	WOMEN			
40	.1%	.1% j	5.1%	4.5 %			
50 j	.4	.2	5.1	4.5			
55 i	.6	.2	5.1	4.5			
60 ¦	1.1	.4	5.1	4.5			
65	1.9	.7	5.1	4.5			
70	3.1	1,4	5.1	4.5			
75	4.6	2,6	5.1	4.5			
80 l	7.0	4.4	7.8	5.5			
85	11.0	7.5	12.3	9.4			
90	16.8	12.8	19.1	15.9			
95	23.2	21.1	29.2	26.2			

**Actuarial Method:** Unit Credit Actuarial Cost Method with projected benefits. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

**Assets:** Modified market value. This value was calculated by multiplying the book value of assets available for valuation purposes by the average ratio of market to book value during the five years ending on the valuation date.

Expense Load: None

Percent Married: 100%, with females 3 years younger than males.

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### **SCHEDULE C**

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Summary of Main System Provisions As Interpreted for Valuation Purposes

The Teachers' Retirement System of the State of Kentucky was established on July 1, 1940. The valuation took into account amendments to the System effective through June 30, 1999. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

#### **DEFINITIONS**

"Final average salary" means the average of the five highest annual salaries which the member has received for service in a covered position and on which the member has made contributions or on which the public board, institution or agency has picked up the member contributions. For a member who retires after attaining age 55 with 27 years of service, "final average salary" means the average of the three highest annual salaries.

#### **BENEFITS**

#### Service Retirement Allowance

#### Condition for Allowance:

Completion of 27 years of service or attainment of age 55 and 5 years of service.

**Amount of Allowance:** The annual retirement allowance equals the sum of:

- (a) 2% of final average salary multiplied by service after July 1, 1941, plus
- (b) \$100 multiplied by credited service prior to July 1, 1941.

For service after July 1, 1983, the annual allowance for non-university members is 2.5% of final average salary.

The annual allowance is reduced by actuarial equivalent factors from the earlier of age 60 or the date the member would have completed 27 years of service

The minimum annual service retirement allowance is the greater of:

- (a) \$310.00 multiplied by credited service, or
- (b) For a member who has attained age 60 at retirement, \$900.00.



### **Disability Retirement Allowance**

**Condition for Allowance:** Totally and permanently incapable of being employed as a teacher and under age 60 but after completing 5 years of service.

Amount of Allowance: The disability allowance is equal to the greater of the service retirement allowance or 60% of the member's final average salary. The disability allowance is payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. After the disability entitlement period has expired and if the member remains disabled, he will be retired under service retirement. The service retirement allowance will be computed with service credit given for the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for commencement of the allowance before age 60 or the completion of 27 years of service.

### Benefits Payable on Separation from Service

Any member who ceases to be in service is entitled to receive his contributions with allowable interest. A member who has completed 5 years of creditable service and leaves his contributions with the System may be continued in the membership of the System after separation from service, and file application for service retirement after the attainment of age 60.

#### **Death Benefits**

Active Service: A lump-sum benefit of \$2,000 is payable to the member's estate.

A surviving spouse of a member with less than 10 years of service may elect to receive an annual allowance of \$2,880 except that if income from other sources exceeds \$6,600 per year the annual allowance will be \$2,160.

A surviving spouse of a member with 10 or more years of service may elect to receive an allowance which is the actuarial equivalent of the allowance the deceased member would have received upon retirement. The allowance will commence on the date the deceased member would have been eligible for service retirement and will be payable during the life of the spouse.



If the deceased member is survived by unmarried children under age 18 the following schedule of annual allowances applies:

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Number of Children	1	2	3	4 or more
Annual Attowance	\$ 2,400	\$ 4,080	\$ 4,800	\$ 5,280

The allowances are payable until a child attains age 18, or age 19 if a full-time student. If the member has no eligible survivor, a refund of his accumulated contributions is payable to his estate.

After Retirement: A lump-sum amount of \$3,000 is payable to the member's estate.

#### **Options**

In lieu of the regular Option 1, a retirement allowance payable in the form of a life annuity with refundable balance, any member before retirement may elect to receive a reduced allowance which is actuarially equivalent to the full allowance, in one of the following forms:

Option 2. A single life annuity payable during the member's lifetime with payments for 10 years certain.

Option 3. At the death of the member his allowance is continued throughout the life of his beneficiary.

Option 3(a). At the death of the beneficiary designated by the member under Option 3, the member's benefit will revert to what would have been paid had he not selected an option.

Option 4. At the death of the member one half of his allowance is continued throughout the life of the beneficiary.

Option 4(a). At the death of the beneficiary designated by the member under Option 4, the member's benefit will revert to what would have been paid had he not selected an option.

#### Post-Retirement Adjustments

The retirement allowance of each retired member and of each beneficiary shall be increased by 1-1/2% each July 1.

#### **CONTRIBUTIONS**

#### Member Contributions

University members contribute 8.375% of salary of which 7.625% is contributed to the Retirement System and 0.75% is contributed to the Medical Insurance Fund. Non-university members contribute 9.855% of salary of which 9.105% is contributed to the Retirement System and 0.75% is contributed to the Medical Insurance Fund. Member contributions are picked up by the employer.

		(in	olvency Te millions of doll Accrued Lial	lars)	
1	Fiscal Year	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets
	1994	\$ 1,582.2	\$ 2,907.6	\$ 3,032.1	\$ 6,006.6
	1995	1,691.7	3,281.5	3,236.8	6,621.2
	1996	1,805.3	4,018.2	3,355.0	7,624.7
	1997	1,893.5	4,575.5	3,437.3	8,789.9
	1998	1,967.2	5,680.4	3,869.0	10,370.6
	1999	2,051.1	6,291.7	3,945.4	11,958.6
	Fiscal Yea	(1)	(2)	(3)	
Portion of	f 1994	100 %	100	% 50 %	
Accrued	1995	100	100		
Liabilities	1996	100	100	54	
Covered	1997	100	100	68	
by	1998	100	100	70	
Assets	1999	100	100	92	

The solvency test is one means of checking a system's progress under its funding program. In a solvency test, the plan's present assets are compared with (1) the active member contributions, (2) the amount necessary to cover the present value of benefits payable to current retirees and beneficiaries and (3) the amount necessary to cover the present value of benefits owed to active members for service already rendered. The total of (1), (2) and (3) is the total actuarial accrued liability of the plan.

In a system that has been following the discipline of level percent of payroll financing, such as KTRS, the liabilities in columns (1) and (2) should be fully covered by assets and the portion of the liability in column 3 covered by assets should increase over time.

Add

	Schedule of	Active Meml	der v	aiuauo	II Data
	(1)	(2)		(3)	(4)
Fiscal Year	Number of Active Members	Total Annual Payroll		Average Annual Pay	% Increase (Decrease) in Average Pay
1994	50,255	1,748,141,000	\$	34,785	1.9 %
1995	50,903	1,819,778,000		35,750	2.8
1996	51,429	1,877,888,000		36,514	2,1
1997	51,297	1,925,047,000		37,527	2.8
1998	51,677	1,973,749,000		38,194	1.8
1999	51,983	2,041,463,000		39,272	2.8

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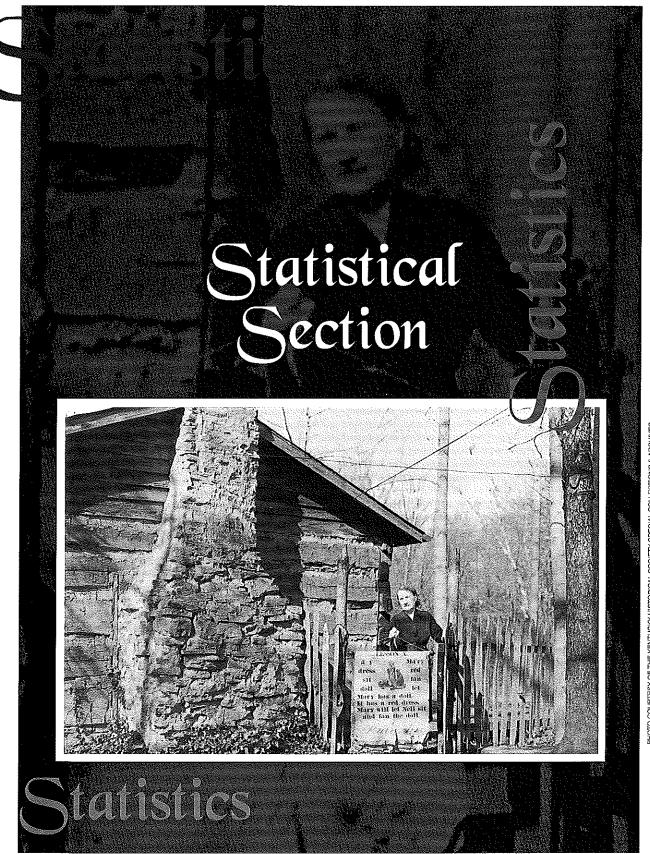
Rolls End-

### Schedule of Retirants, Beneficiaries and Survivors Added to and Removed from Rolls

	to h	<i>lolls</i>	froi	n Kolls	a	of-Year
1		Annual		Annual		Annual
Fiscal		Allowances		Allowances		Allowances
<u>Year</u>	Number	(Millions)	Number	(Millions)	Number	(Millions)
1994 I	1,825	\$ 39.7	900	\$ 9.7	22,864	\$ 311.7
1995	1,973	49.2	903	10.1	23,934	350.9
1996	1,910	50.1	967	11.4	24,877	389,5
1997	2,383	62.9	976	11.6	26,284	440.8
1998	2,500	66.7	1,040	13.4	27,744	494.1
1999 l	2,415	73.9	998	13.9	29,161	554.0

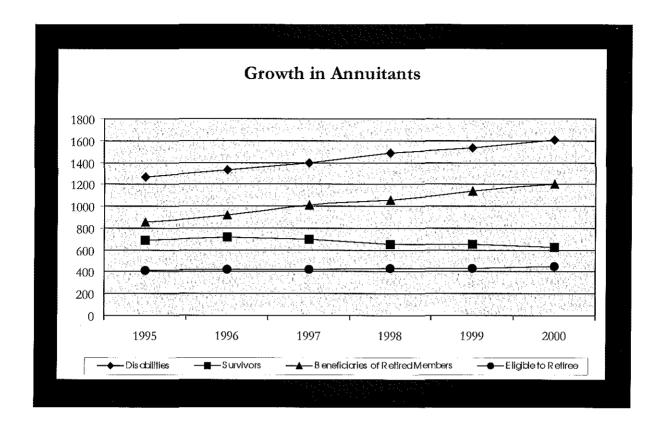
Fiscal Year	% Increase in Annual Allowances	Average Annual Allowances
1994	10.7	13,632
1995	12.6	14,659
1996	11.0	15,658
1997	13.2	16,771
1998	12.1	17,809
1999	12.1	19,000





Jean Thomas in front of the McGuffy School

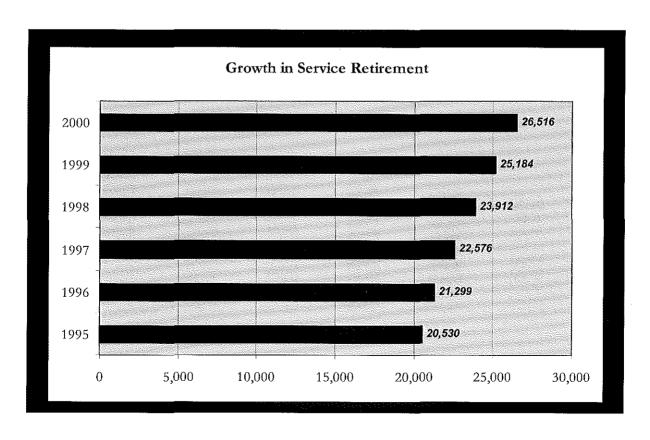
PHOTO COURTESY OF THE KENTUCKY HISTORICAL SOCIETY SPECIAL COLLECTIONS & ARCHIVES

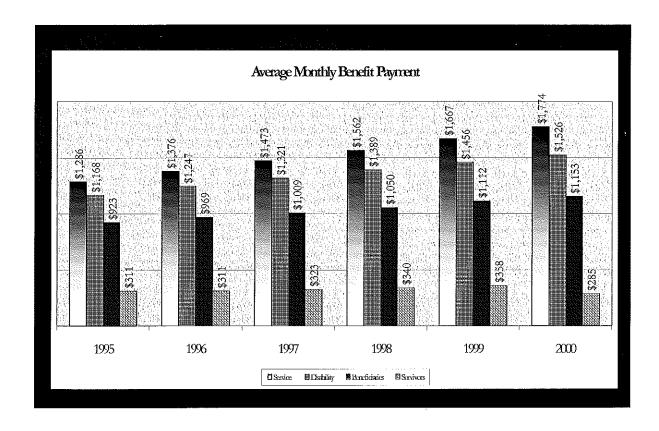


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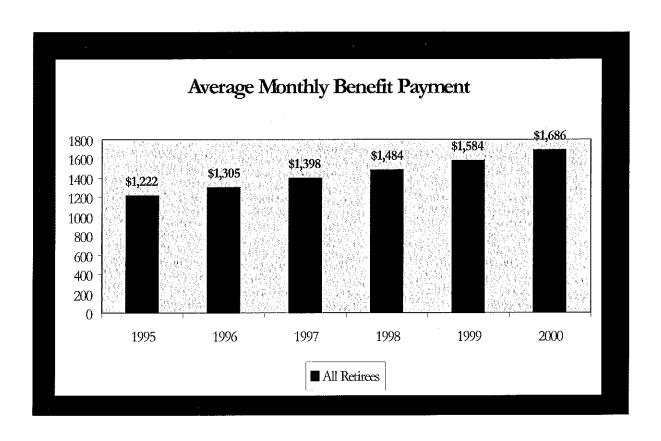
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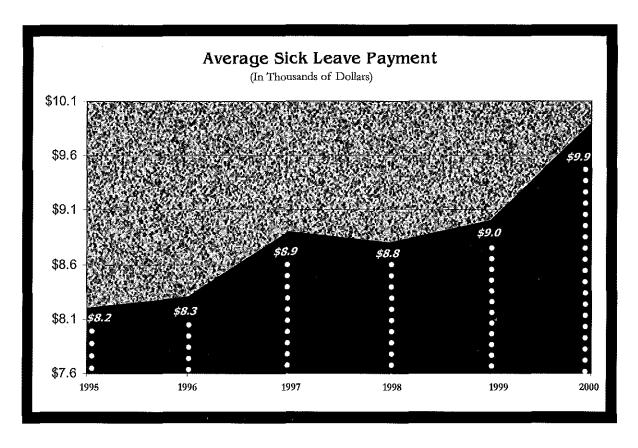
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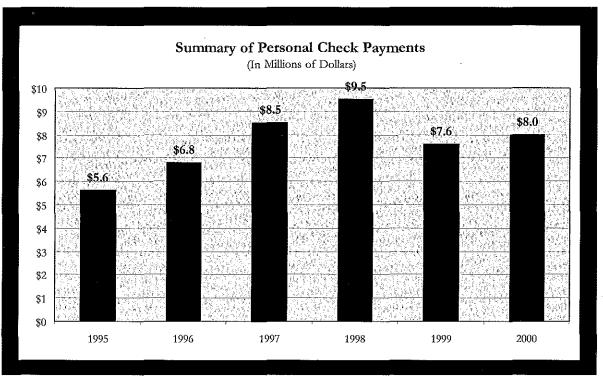
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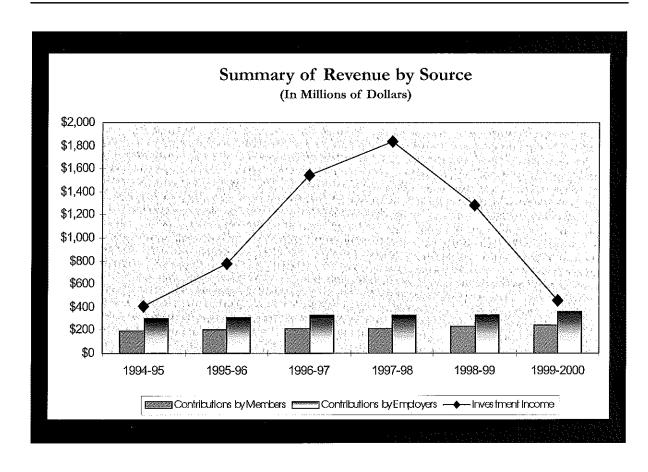
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YEAR	CONTRIBUTIONS BY MEMBERS	CONTRIBUTIO  DOLLARS	NS BY EMPLOYERS % of Covered Payroll	INVESTMENT INCOME	TOTAL
1993-94	\$ 185,598,452	\$ 289,546,298	16.56 %	\$ 440,053,848	\$ 915,198,59
1994-95	194,292,694	298,396,992	16.40	408,266,676	900,956,36
1995-96	201,890,485	307,111,462	16.35	772,668,343	1,281,670,29
1996-97	212,571,963	328,607,418	17.07	1,546,473,337	2,087,652,71
1997-98	218,147,253	329,493,235	16.85	1,833,833,069	2,381,473,55
1998-99	229,327,245	334,712,004	16.40	1,277,114,068	1,841,153,31
1999-00	239,542,127	360,233,457	16.88	459,208,376	1,058,983,96

### Summary of Expenses by Type

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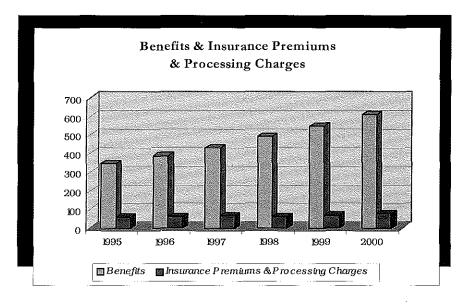
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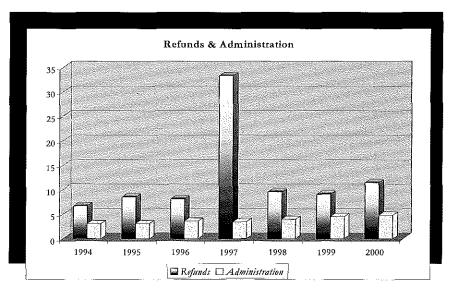
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(In Millions of Dollars)





YEAR	BENEFITS	INSURANCE PREMIUMS & PROCESSING CHARGES	REFUNDS	ADMINISTRATION
1994-95	\$ 348,566,240	\$ 58,817,338	\$ 8,528,796	\$ 3,159,473
1995-96	388,760,547	61,607,051	8,418,031	3,575,187
1996-97	431,597,292	67,962,768	33,319,583	3,487,717
1997-98	491,442,664	62,586,420	9,525,548	3,997,314
1998-99	547,385,965	70,354,071	9,089,605	4,522,908
1999-00	609,422,333	80,363,492	11,438,790	4,859,623

## Schedule of Benefit Expenses by Type

_	Year Ended	Service Retirants	Disability Retirants	Survivors	Death Benefits	Refunds
-	June 30, 1991 June 30, 1992 June 30, 1993 June 30, 1994 June 30, 1995 June 30, 1996 June 30, 1997 June 30, 1998 June 30, 1999 June 30, 2000	\$ 208,034,102 232,027,180 260,267,306 286,963,990 321,855,622 359,085,382 399,493,437 456,467,869 509,873,252 568,598,419	\$ 10,582,152 11,896,196 13,557,546 15,188,244 17,328,942 19,661,323 21,775,003 24,305,495 26,464,287 29,148,420	\$ 5,351,157 5,770,289 6,379,427 6,962,111 7,483,006 7,834,903 8,204,891 8,375,394 8,718,626 9,322,582	\$ 1,748,448 1,627,527 1,848,216 2,085,691 1,898,670 2,178,939 2,123,959 2,293,906 2,329,800 2,350,600	\$ 6,774,864 6,516,430 6,714,014 6,690,665 8,528,796 8,418,031 33,319,583 * 9,525,548 9,089,605 11,438,790
		, ,	1 ' '	1 ' '	1 ' '	, ,

<sup>\*</sup> Includes benefit and refund expenses of the tax-sheltered annuity plan.

### Summary of State Match and Supplemental Appropriations for Member Contributions to Teachers' Retirement System

Fiscal Year	Total Member Contributions	Employer/ Federal Payments	Required State Match Contributions	Required Supplemental Appropriation	Required Sick Leave Payments	Total State Appropriation	(Deficit) Surplus State Funding
1944-48	3,184,178		3,184,178			3,039,017	(145,160)
1948-52	4,951,458		4,951,458			5,090,848	(139,390)
1952-56	7,267,163		7,267,163			6,494,102	(773,062)
1956-60	14,970,961		14,970,961			14,963,272	(7,689)
1960-64	25,945,897		25,945,897			25,938,763	(7,134)
1964-68	49,957,299	2,042,014	47,915,285			45,317,694	(2,597,591)
1968-72	82,922,869	6,044,865	76,878,005			80,091,951	3,213,946
1972-76	120,349,350	8,019,216	112,330,134			111,665,685	(664,449)
1976-80	189,072,371	12,044,186	177,028,185	75,010,028		256,784,030	4,745,817
1980-84	272,744,772	16,334,937	256,409,836	109,622,111	5,197,234	378,667,011	7,437,831
1984-88	413,932,416	21,417,604	392,514,811	141,251,827	13,341,243	515,932,177	(31,175,706)
1988-92	602,399,432	119,352,211	483,347,221	133,545,987	28,978,117	634,358,200	(11,537,557)
1992-96	756,817,769	154,296,351(2)	602,521,418	213,030,177	53,308,591	854,138,311	(14,751,875)
1996-97	206,462,720	41,264,724	165,197,996	58,543,960	24,728,591	243,977,468	(4,493,079)
1997-98	211,161,650	41,757,997	169,403,653	59,838,776	18,480,413	253,962,432	6,239,590
1998-99	217,872,677	42,658,177	175,214,500	61,828,816	see (i)	240,946,421	3,903,105
1999-00	228,456,973	45,356,991	183,099,982	65,189,042		251,615,023	3,325,999

<sup>(1)</sup> The state over-appropriation payable at June 30, 2000 is \$3,325,999. The state appropriations for the 1999-2000 year's sick leave deficit will be amortized over a 15-year period. The sick leave deficit is not included in the 1999-2000 over-appropriation calculation.

<sup>(2)</sup> Beginning with the 1988-89 fiscal year, the Department of Education and the state universities were responsible for matching their members' contributions with the state reimbursing the respective agencies in their normal budget appropriation.

### Summary of Fiscal Year 1999-2000 Retiree Sick Leave Payments

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#### ACTUARIAL RATE

Cond Tree Menters Berider		2.210
Grand Total Members Retiring		2,218
Total members receiving sick leave payments		1,657
Total amount of sick leave payments @ 9.855% contribution rate	\$	16,402,413.18
Average payment per retiree	\$	9,898.86
Total increase in final average salary base	\$	4,102,289.41
Average increase in FAS		\$ 2,475.73
Total service credit of retirees		45,112.23
Average service credit of retirees	_	27.23
AVERAGE YEARLY ANNUITY	\$	1,558.72
AVERAGE MONTHLY ANNUITY	\$	129.89
ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY	\$	32,512,989.62

## Funding of Additional Payout

Member contributions 9.855% x Sick Leave Payment	\$	1,616,457.82
State Contributions 13.105% x Sick Leave Payment	_	2,149,536.25
TOTAL Member-State Contributions	\$	3,765,994.07
DEFICIT		
Anticipated additional payout  Less total member & state contributions  Subtotal unfunded debt	\$	32,512,989.62 3,765,994.07 28,746,995.50
Less current year appropriations	\$	4,171,000.00
TOTAL DEFICIT	\$	24,575.995.56 *

<sup>\*</sup> The sick leave deficit for June 30, 2000 will be amortized over a fifteen year period.

## Distribution of Retirement Payments Worldwide

As of June 30, 2000



- 92 Alabama
- 5 Alaska
- 58 Arizona
- 20 Arkansas
- 63 California
- 37 Colorado
  - 7 Connecticut
  - 7 Delaware
  - 1 District of
    - Diomict of

Columbia

- 679 Florida
- 128 Georgia
  - 2 Hawaii
  - 3 Idaho
- 67 Illinois
- 342 Indiana
  - 9 Iowa
  - 22 Kansas
  - 23 Louisiana
  - 9 Maine
  - 18 Maryland
  - 10 Massachusetts
- 28 Michigan

- 10 Minnesota
- 37 Mississippi
- 44 Missouri
- 6 Montana
- 5 Nebraska
- 10 Nevada
- 3 New Hampshire
- 10 New Jersey
- 10 New Mexico
- 27 New York
- 122 North Carolina
  - 2 North Dakota
- 373 Ohio
- 13 Oklahoma
- 18 Oregon
- 23 Pennsylvania
- 0 Rhode Island
- 56 South Carolina
- 0 South Dakota
- 454 Tennessee
- 103 Texas
- 10 Utah
- 2 Vermont
- 95 Virginia
- 16 Washington
- 52 West Virginia
- 10 Wisconsin
- 0 Wyoming

#### Additional Distribution Outside USA

- 1 CHINA
- 1 PUERTO RICO
- 2 MILITARY APO
- 2 MEXICO
- 2 CANADA
- 1 PHILIPPINES
- 1 SWITZERLAND
- 1 TURKEY

TOTAL: Out of State Payments ......\$42,683,601

TOTAL: Number of Payments ......31,670

# Distribution of Retirement Payments Statewide as of June 30, 2000

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County Name	Total Payments	Number of Recipients
Adair	\$2,933,231	160
Allen	2,246,498	113
Anderson	2,022,431	113
Ballard	1,244,762	62
Barren	5,315,281	281
Bath	1,847,109	106
Bell	5,971,908	323
Boone	8,962,900	410
Bourbon	2,751,812	142
Boyd	7,991,866	398
Boyle	4,454,968	235
Bracken	928,993	49
Breathitt	3,449,630	183
Breckinridge	2,120,270	109
Bullitt	5,673,144	249
Butler	1,409,748	81
Caldwell	2,123,044	119
Calloway	8,476,461	435
Campbell	8,029,597	387
Carlisle	626,983	35
Carroll	1,056,345	56
Carter	4,274,941	231
Casey	2,116,596	127
Christian	6,768,656	353
Clark	3,785,797	205
Clay	4,202,591	223
Clinton	2,163,766	109
Crittenden	738,844	43
Cumberland	1,174,443	60
Daviess	13,960,697	695
Edmonson	1,158,758	61
Elliott	898,383	52
Estill	1,477,747	88
Fayette	33,098,655	1,643
Fleming	1,856,804	103
Floyd	9,095,706	462
Franklin	9,707,845	567
Fulton	1,062,743	61
Gallatin	354,102	22
Garrard	2,015,595	103
Grant	1,968,102	101

## Distribution of Retirement Payments Statewide as of June 30, 2000 continued...

County Name	Total Payments	Number o Recipient
6	4 400 474	02
Graves	4,402,471	23:
Grayson	3,212,396	170
Green	1,846,307	9
Greenup	5,664,330	27.
Hancock	1,070,311	5.
Hardin	9,684,003	46
Harlan	6,831,489	334
Harrison	2,515,053	13-
Hart	1,899,231	94
Henderson	5,552,830	269
Henry	2,270,234	124
Hickman	362,085	2.
Hopkins	6,533,484	33'
Jackson	1,751,194	10
Jefferson	91,139,465	4,19
Jessamine	3,209,603	16
Johnson	4,980,172	250
Kenton	10,556,817	522
Knott	3,197,998	17:
Knox	4,055,585	200
Larue	2,168,244	99
Laurel	6,470,545	360
Lawrence	1,521,964	9,
Lee	1,213,747	74
Leslie	2,147,422	120
Letcher	5,794,721	28
Lewis	2,732,738	14:
Lincoln	3,735,376	19:
Livingston	1,089,540	68
Logan	3,308,111	193
Lyon	1,351,786	7:
Madison	15,164,599	748
Magoffin	2,143,859	118
Marion	1,993,166	108
Marshall	4,263,062	21
Martin	1,619,784	9:
Mason	2,103,992	100
McCracken	9,628,836	485
McCreary	3,204,913	159
McLean	1,319,720	65
Meade	1,912,613	87

## Distribution of Retirement Payments Statewide as of June 30, 2000 continued...

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County Name	Total Payments	Number of Recipients
	<b>7</b> 00.000	
Menifee	798,933	50
Mercer	3,323,009	192
Metcalfe	1,694,542	92
Monroe	2,592,779	142
Montgomery	3,019,720	153
Morgan	2,137,839	117
Muhlenberg	3,974,271	204
Nelson	4,330,401	212
Nicholas	613,120	34
Ohio	2,385,107	130
Oldham	5,106,677	237
Owen	,842,730	53
Owsley	1,590,337	79
Pendleton	1,768,333	93
Perry	5,509,469	304
Pike	13,829,777	692
Powell	1,559,079	80
Pulaski	9,422,420	497
Robertson	197,046	12
Rockcastle	2,535,869	141
Rowan	6,792,061	320
Russell	2,920,098	160
Scott	3,463,059	163
Shelby	4,362,678	226
Simpson	1,973,482	110
Spencer	1,176,609	63
Taylor	3,445,361	197
Todd	1,459,681	83
Trigg	1,949,566	104
Trimble	657,787	32
Union	1,792,150	91
Warren	20,111,709	1,011
Washington	1,512,930	82
Wayne	3,534,272	178
Webster	1,543,649	89
Whitley	8,198,040	425
Wolfe	1,938,432	100
Woodford	3,107,424	146
Total in Kentucky	\$ 564,311,994	28, 575

### School Districts Electing to Pay for Sick Leave Under KRS 161.155(8) for Fiscal Year 1999-2000

County School District		
Adair	11	52,038.16
Allen	10	102,646.37
Anderson	12	100,404.76
Ballard	8	86,891.94
Barren	14	152,496.51
Bath	4	28,781.02
Bell	7	48,222.62
Boone	27	260,775.95
Bourbon	7	104,456.41
Boyd	11	48,190.46
Boyle	5	31,821.83
Bracken	3	54,308.47
Breathitt	6	74,428.50
Breckinridge	9	107,732.83
Bullitt	19	200,814.41
Butler	3	43,764.28
Caldwell	3	41,271.14
Calloway	8	97,113.96
Campbell	17	206,009.87
Carroll	2	17,221.71
Carter	15	117,211.87
Casey	7	46,079.26
Christian	28	265,937.99
Clark	11	79,557.28
Clay	10	108,476.71
Clinton	2	24,675.59
Crittenden	8	80,212.90
Cumberland	1	4,709.69
Daviess	27	326,942.15
Edmonson	2	9,707.15
Elliott	2	2,750.88
Estill	12	113,531.91
Fayette	119	1,317,168.59
Fleming	7	83,910.40
Floyd	11	44,261.70
Franklin	20	171,080.05
Fulton	2	4,542.16
Gallatin	1	5,321.97
Garrard	2	24,697.41
Grant	7	80,107.87

# School Districts Electing to Pay for Sick Leave Under KRS 161.155(8) for Fiscal Year 1999-2000 continued . . .

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Graves Grayson	10 11 6	111,957.88
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	6	124,886.17
Green	U	84,875.28
Greenup	4	36,075.59
Hancock	7	71,708.79
Hardin	27	277,050.95
Harlan	8	25,244.65
Harrison	11	98,172.99
Hart	4	43,070.53
Henderson	13	75,394.82
Henry	4	12,018.07
Hickman	3	11,695.69
Hopkins	20	179,600.00
Jackson	5	37,096.81
Jefferson	301	3,313,070,29
Jessamine	11	93,383.36
Johnson	7	54,433.70
Kenton	34	364,200.51
Knott	7	80,317.61
Knox	3	29,087,26
Larue	8	96,425.06
Laurel	16	212,653.79
Lawrence	10	96,404.25
Lee	1	26,902.38
Leslie	1	7,234.80
Letcher	15	120,013.19
Lewis	6	47,660.59
Lincoln	15	149,123.39
Livingston	3	32,567.52
Logan	5	41,281.48
Lyon	5	44,296.51
Madison	23	279,400.22
Magoffin	6	32,980.63
Marion	8	71,483.52
Marshall	18	257,391.59
Martin	5	38,952.71
Mason	23	217,816.13
McCracken	2 <i>3</i> 8	92,277.03
	7	50,438.26
McCreary Meade	10	129,374.01

# School Districts Electing to Pay for Sick Leave Under KRS 161.155(8) for Fiscal Year 1999-2000 continued . . .

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County School District	Number of Members	Total Additional Compensation
Menifee	2	7,606.49
Mercer	4	33,696.60
Metcalfe	5	56,246.37
Monroe	4	61,615.22
Montgomery	12	104,526.63
Morgan	7	42,594.11
Muhlenberg	9	57,529.27
Nelson	15	99,027.30
Nicholas	11	100,082.69
Ohio	9	127,185.90
Oldham	19	135,857.74
Owen	5	46,790.07
Owsley	3	39,003.35
Pendleton	5	79,674.98
Perry	7	94,890.42
Pike	10	42,060.58
Powell	5	43,808.53
Pulaski	13	104,401.32
Rockcastle	6	37,197.97
Rowan	7	59,494.87
Russell	5	44,812.38
Scott	8	62,242.72
Shelby	13	95,172.50
Simpson	9	105,820.00
Spencer	3	26,416.73
Taylor	5	49,944.91
Todd	4	37,662.71
Trigg	8	92,068.89
Union	5	36,386.81
Warren	33	355,711.10
Washington	6	59,831.25
Wayne	3	18,678.84
Webster	6	59,542.16
Whitley	5	14,513.14
Wolfe	8	100,208.12
Woodford	13	141,425.47

# School Districts Electing to Pay for Sick Leave Under KRS 161.155(8) for Fiscal Year 1999-2000 continued . . .

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City School	Number of	Total Additional
District	Members	Compensation
Anchorage	3	35,802.03
Ashland	4	22,992.39
Augusta	1	12,627.40
Barbourville	2	23,987.41
Bardstown	5	35,347.64
Berea	1	4,133.94
Bowling Green	14	129,750.79
Campbellsville	4	43,393.50
Caverna	4	25,377.17
Covington	9	85,491.34
Danville	5	57,509.90
Dawson Springs	1	24,211.97
Dayton	5	34,248.10
East Bernstadt	3	57,817.66
Elizabethtown	8	80,250.53
Eminence	1	3,669.71
Erlanger-Elsmere	10	96,766.50
Fort Thomas	10	35,786.91
Frankfort	3	26,258.44
Fulton	1	1,561.34
Glasgow	8	79,156.97
Harrodsburg	3	20,587.92
Jackson	1	2,264.94
Jenkins	1	526.03
Ludlow	3	16,304.41
Mayfield	3	29,430.55
Middlesboro	2	17,283.51
Monticello	1	10,554.44
Murray	4	37,524.91
Newport	9	95,529.47
Owensboro	14	177,649.33
Paducah	10	57,432.68
Paintsville	1	846.27
Paris	6	63,005.38
Pikeville	1	8,137.39
Pineville	2	12,539.02
Providence	1	10,433.49
Russell	5	65,235.61
Russellville	6	58,199.19
Somerset	9	80,117.92
Southgate	2	31,169.35
Walton-Verona	3	21,291.02
Williamsburg	2	10,684.63
Williamstown	4	43,707.06
Ohio Valley	1	3,796.14
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Total For All Districts	1,657	\$ 16,402,413.18

# Schedule of KTRS Annuitants by Type of Benefit as of June 30, 2000

Type of Retire	ement*
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				1		
Amount of Monthly Benefit (\$)	Number of Annuitants	1	2	3	4	5
1 - 200	1,404	585	9	539	54	217
201 - 400	1,189	1,020	7	46	116	0
401 - 600	1,119	886	28	22	183	0
601 - 800	1,487	1,075	203	0	209	0
801 - 1,000	2,382	1,974	159	0	249	0
1,001 - 1,200	2,287	2,005	119	0	163	0
1,201 - 1,400	2,079	1,796	150	1	132	0
1,401 - 1,600	2,293	2,037	131	2	123	0
1,601 - 1,800	2,623	2,312	211	4	96	0
1,801 - 2,000	2,942	2,635	228	5	74	0
Over 2,000	10,270	9,780	_300_	12	178	0
TOTALS	30,075	26,105	1,545	631	1,577	217

#### \*Type of Retirement

- 1 Normal Retirement for Age & Service
- 2 Disability Retirement
- 3 Survivor Payment Active Member
- 4 Beneficiary Payment Retired Member
- 5 Mentally Disabled Child

# Distribution of Active Contributing Members as of June 30, 2000

By Age

By Service

Age	Male	Female	Years of Service	Male	Female
20-24	241	1,196	Less than 1	357	1,107
25-29	1,459	4,811	1-4	3,076	8,954
30-34	1,565	4,793	5-9	2,653	8,279
35-39	1,548	4,955	10-14	1,942	6,535
40-44	1,838	6,171	15-19	1,258	4,420
45-49	2,774	8,486	20-24	1,838	5,111
50-54	2,470	5,841	25-29	1,696	3,958
55-59	1,074	2,274	30-34	502	725
60-64	356	543	35 or more	106	103
65-69	84	92			
ver 70	19	30	TOTAL	13,428	39,192
OTAL	13,428	39,192			

### KTRS Schedule of Participating Employers School Districts: County Schools

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1.	Adair	37.	Franklin	73.	Madison	109.	Taylor
2.	Allen	38.	Fulton	74.	Magoffin	110.	Todd
3.	Anderson	39.	Gallatin	75.	Marion	111.	Trigg
4.	Ballard	40.	Garrard	76.	Marshall	112.	Trimble
5.	Barren	41.	Grant	77.	Martin	113.	Union
6.	Bath	42.	Graves	78.	Mason	114.	Warren
7.	Bell	43.	Grayson	79.	McCracken	115.	Washington
8.	Boone	44.	Green	80.	McCreary	116.	Wayne
9.	Bourbon	45.	Greenup	81.	McLean	117.	Webster
10.	Boyd	46.	Hancock	82.	Meade	118.	Whitley
11.	Boyle	47.	Hardin	83.	Menifee	119.	Wolfe
12.	Bracken	48.	Harlan	84.	Mercer	120.	Woodford
13.	Breathitt	49.	Harrison	85.	Metcalfe		
14.	Breckinridge	50.	Hart	86.	Monroe		
15.	Bullitt	51.	Henderson	87.	Montgomery		
16.	Butler	52.	Henry	88.	Morgan		
17.	Caldwell	53.	Hickman	89.	Muhlenberg		
18.	Calloway	54.	Hopkins	90.	Nelson		
19.	Campbell	55.	Jackson	91.	Nicholas		
20.	Carlisle	56.	Jefferson	92.	Ohio		
21.	Carroll	57.	Jessamine	93.	Oldham		
22.	Carter	58.	Johnson	94.	Owen		
23.	Casey	59.	Kenton	95.	Owsley		
24.	Christian	60.	Knott	96.	Pendleton		
25.	Clark	61.	Knox	97.	Perry		
26.	Clay	62.	Larue	98.	Pike		
27.	Clinton	63.	Laurel	99.	Powell		
28.	Crittenden	64.	Lawrence	100.	Pulaski		
29.	Cumberland	65.	Lee	101.	Robertson		
30.	Daviess	66.	Leslie	102.	Rockcastle		
31.	Edmonson	67.	Letcher	103.	Rowan		
32.	Elliott	68.	Lewis	104.	Russell		
33.	Estill	69.	Lincoln	105.	Scott		
34.	Fayette	70.	Livingston	106.	Shelby		
35.	Fleming	71.	Logan	107.	Simpson		
36.	Floyd	72.	Lyon	108.	Spencer		

#### **School Districts: City Schools**

1.	Anchorage	15.	Covington	29.	Harrodsburg	43.	Pikeville
2.	Ashland	16.	Danville	30.	Hazard	44.	Pineville
3.	Augusta	17.	Dawson Springs	31.	Jackson	45.	Providence
4.	Barbourville	18.	Dayton	32.	Jenkins	46.	Raceland
5.	Bardstown	19.	East Bernstadt	33.	Ludlow	47.	Russell
6.	Beechwood	20.	Elizabethtown	34.	Mayfield	48.	Russellville
7.	Bellevue	21.	Eminence	35.	Middlesboro	49.	Science Hill
8,	Berea	22.	Erlanger-Elsmere	36.	Monticello	50.	Silver Grove
9.	Bowling Green	23.	Fairview	37.	Murray	51.	Somerset
10.	Burgin	24.	Fort Thomas	38.	Newport	52.	Southgate
11.	Campbellsville	25.	Frankfort	39.	Owensboro	53.	Walton-Verona
12.	Caverna	26.	Fulton	40.	Paducah	54.	West Point
13.	Cloverport	27.	Glasgow	41.	Paintsville	55.	Williamsburg
14.	Corbin	28.	Harlan	42.	Paris	56.	Williamstown

## KTRS Schedule of Participating Employers (continued)

#### Universities & Community/Technical Colleges

- 1. Eastern Kentucky
- 2. Kentucky State
- 3. Morehead State
- 4. Murray State
- 5. Western Kentucky
- 6. Kentucky Community & Technical College System

## State of Kentucky/Other Organizations State of Kentucky

- 1. Education and Humanities Cabinet
- 2. Labor Cabinet\*
- 3. Legislative Research Commission\*
- 4. Workforce Development Cabinet
- 5. Cabinet for Families and Children\*
- 6. Cabinet for Health Services\*

#### Other Organizations

- 1. Central Kentucky Education Cooperative
- 2. Christian County Health Department\*
- 3. Kentucky Education Association President
- 4. Kentucky Academic Association
- 5. Kentucky Association of School Administration
- 6. Kentucky Educational Development Corporation
- 7. Kentucky High School Athletic Association
- 8. Kentucky School Boards Association
- 9. Kentucky Valley Educational Cooperative
- 10. Northern Kentucky Cooperative for Educational Services
- 11. Ohio Valley Educational Cooperative
- 12. Pennyroyal Region Mental Health\*
- 13. West Kentucky Education Cooperative
- 14. Green River Regional Education Cooperative
- 15. Central Kentucky Special Education Cooperative

<sup>\*</sup> According to Kentucky Revised Statue 161.607 (1), any member of the Kentucky Teachers' Retirement System who entered employment covered by the Kentucky Employees Retirement System, the State Police Retirement System, or the County Employees Retirement System prior to July 1, 1976, may retain membership in the Teachers' Retirement System instead of joining the new system. These organizations have members who are in this category. Once these members retire, the organization will no longer be considered a KTRS participating employer.