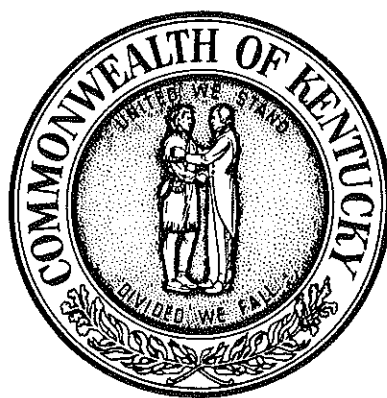


# **TEACHERS' RETIREMENT SYSTEM**

## **OF THE STATE OF KENTUCKY**



**1978-79**

**DECEMBER 1979**

**39TH ANNUAL REPORT**

BOARD OF TRUSTEES

W. D. BRUCE, JR.  
CHAIRPERSON, LOUISVILLE

MRS. JAMES SHEEHAN  
VICE-CHAIRPERSON, DANVILLE

MARTHA BAKER, PADUCAH

RUTH REEVES, ASHLAND

ARLENE ROMINE, MT. WASHINGTON

T. K. STONE, ELIZABETHTOWN

RUMSEY TAYLOR, SR., PRINCETON

EX-OFFICIO

FRANCES J. MILLS

STATE TREASURER

JAMES B. GRAHAM

SUPT. OF PUBLIC INSTRUCTION



PAT N. MILLER  
EXECUTIVE SECRETARY

COMMONWEALTH OF KENTUCKY  
TEACHERS' RETIREMENT SYSTEM  
216 WEST MAIN STREET  
FRANKFORT, KENTUCKY  
40601

December 1, 1979

Honorable Julian M. Carroll, Governor  
Commonwealth of Kentucky  
Capitol Building  
Frankfort, Kentucky 40601

Dear Governor Carroll:

Submitted herewith is the thirty-ninth Annual Report of the Teachers' Retirement System of the State of Kentucky as provided for in Kentucky Revised Statute 161.320.

The most significant activities of the Kentucky Teachers' Retirement System in the past year have been the continued efforts to improve the financial condition of the System, to provide reasonable cost of living adjustments for the retired members, and to improve active member benefits. Members now have reasonable survivor and retirement benefits and know that adequate funds will be available to finance their future payments. These important accomplishments would not have been possible without the excellent cooperation from you and the General Assembly.

Kentucky teachers, both active and retired, recognize the keen and sincere interest you have shown in the Teachers' Retirement System. Your concern for the actuarial and financial soundness of the System and for the welfare of public school teachers is especially appreciated by all concerned.

Respectfully yours,

A handwritten signature in cursive script, reading "W. D. Bruce, Jr.".

W. D. Bruce, Jr., Chairperson  
Board of Trustees

A handwritten signature in cursive script, reading "Pat N. Miller".

Pat N. Miller  
Executive Secretary



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# TEACHERS' RETIREMENT SYSTEM

## STATE OF KENTUCKY

### BOARD OF TRUSTEES

The Kentucky Teachers' Retirement System was created by the 1938 General Assembly and became operational on July 1, 1940 with an appropriation of one million dollars.

The Board of Trustees was elected and qualified to serve and a staff of six persons was employed to work under the direction of Mr. N. O. Kimbler, the first Executive Secretary.

The Board is responsible for the general administration and management of the Retirement System and for making effective provisions of KRS 161.220 to 161.710. The Board consists of nine members, seven of which are elected by the membership for four-year terms and two who are ex-officio members. Four of the elective trustees are members of the Retirement System, known as teacher trustees. Two are persons who are not teachers and are known as lay trustees. One member is an annuitant of the System, known as the retired teacher trustee. The two ex-officio members are the Superintendent of Public Instruction and the State Treasurer.

The Board has employed four Executive Secretaries since 1940 to serve the System beginning with Mr. N. O. Kimbler, who served from 1940 to 1957. Mr. Kimbler has been followed by Mr. James L. Sublett, who served 1957 to 1970; Mr. Ted Crosthwait, 1970 to 1976; and Mr. Pat N. Miller, 1976 to the present.

## BOARD OF TRUSTEES



Mr. W.D. Bruce, Jr.  
Chairperson  
Louisville  
Teacher Trustee



Mrs. James Sheehan  
Vice-Chairperson  
Danville  
Lay Trustee



Mrs. Martha Baker  
Paducah  
Teacher Trustee



Mrs. Arlene Romine  
Mt. Washington  
Teacher Trustee



Mrs. Francis Miller  
Russell  
Teacher Trustee



Mr. T.K. Stone  
Elizabethtown  
Retired Teacher Trustee



Mr. Rumsey Taylor, Sr.  
Princeton  
Lay Trustee



Dr. James B. Graham  
Superintendent of Public Instruction  
Ex-Officio Trustee



Mrs. Frances Jones Mills  
State Treasurer  
Ex-Officio Trustee

## TEACHERS' RETIREMENT SYSTEM

### STAFF

Pat N. Miller, Executive Secretary. . . . . (502)564-3266  
Charles L. Bratton, Deputy Executive Secretary. . . . . 564-2057  
Billy F. Hunt, Deputy Executive Secretary . . . . . 564-3266

### CONSULTANTS

Actuary: Huggins and Company  
229 S. 18th St., Rittenhouse Sq.  
Philadelphia, Pennsylvania 19102

Investment Counselor: Todd Investment Advisors, Inc.  
3160 First National Tower  
Louisville, Kentucky 40202

Auditor: The Charles T. Mitchell Company  
Box 698  
Frankfort, Kentucky 40601

## ORGANIZATION AND ADMINISTRATION

The thirty-two staff positions of the Retirement System are organized in the manner depicted on the organization chart on the adjoining page.

Emphasis is placed on providing the best possible service to the membership just as has been true over the 40 year history of the Retirement System.

Office visits, mail and telephone calls continue to increase thereby indicating a heightened interest and awareness on the part of the membership concerning their retirement program.

INVESTMENTS: Personnel in this area are responsible for overseeing the nearly \$800 million invested by the Retirement System. In coordination with the Todd Investment Advisors, Inc., the investment staff helped the System realize an overall yield of nearly 8% on its total investment program in 1978-79.

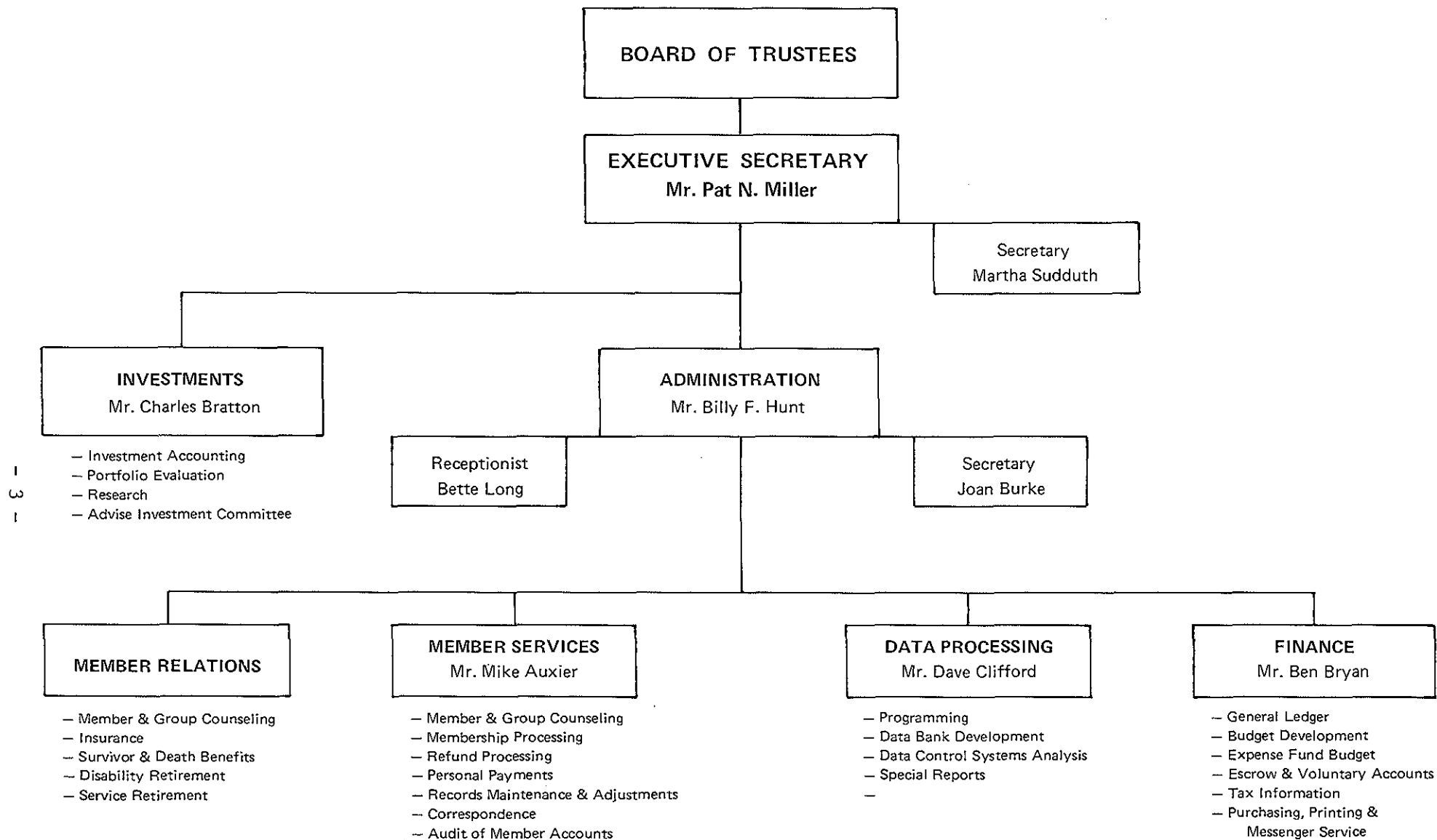
MEMBER RELATIONS: These staff positions work directly with members concerning service retirement, disability retirement, survivor benefits, medical insurance benefits and auditing of member accounts.

MEMBER SERVICES: Employees in this area concentrate heavily on member records and their accuracy including payroll changes, membership enrollment, annual statements to members, refund of member accounts and improvement of member accounts through reinstatements, purchase of annual leaves of absence, military leaves and out-of-state service.



DATA PROCESSING: Personnel in this area are responsible for implementing program changes and integrating them into the data processing system. They are directly responsible for seeing that members payroll checks are processed for mailing each month. They assist with the preparation of income tax statements, Board of Trustee ballots and mailing of member statements at the close of each Fiscal Year.

FINANCE: This section is responsible for receiving contributions from local school districts and other member agencies as well as accounting for the funds of the system. Also, responsible for staff payroll, employee leave time and agency purchasing.



**KENTUCKY TEACHERS' RETIREMENT SYSTEM**  
**EFFECTIVE 11-16-78**



Teachers' Retirement System  
Administrative Expenses  
for the period July 1, 1973 through June 30, 1979

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Payroll Salaries	264,009	288,869	312,162	368,020	404,246	453,319
Contracted Services	55,348	159,897	145,477	201,897	196,290	245,858
Operating Expenses	95,640	101,348	136,878	139,272	155,816	182,931
Fixed Equipment	8,385	11,415	19,801	4,712	6,833	27,154
TOTALS	423,382	561,529	614,318	713,901	763,185	909,262

The contracted services include investment counsel and processing fees that are paid from investment income. The remaining Administrative Expenses are paid from state funds.

## BENEFITS AND SERVICES TO MEMBERS

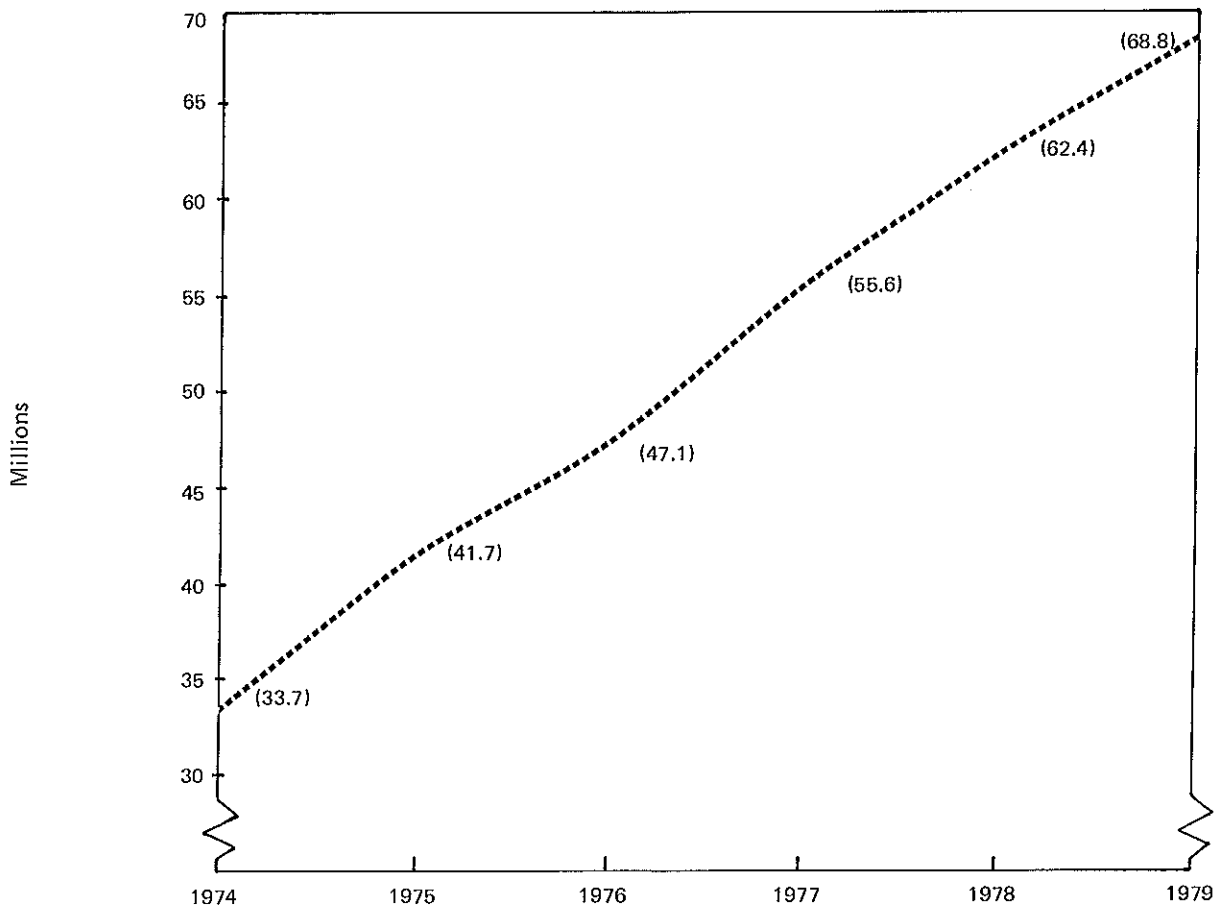
Annual applications for service retirement have shown a decline, particularly since 1976. Two reasons appear to be mainly responsible for the decrease. Inflation has probably been the primary reason members who were eligible to retire have elected to continue working. Inflation over the recent past has helped many persons to make the decision to avoid a relatively stable income with rather modest increases. The second major reason for postponing retirement has been the salary increases afforded members over the last five years, particularly the last three years. Since retirement benefits are so closely tied to final average salaries, it is clear why members are choosing to work rather than retire at this particular point in time.

Tables at the end of this section show the trend in service retirements and the annual payroll for retirees and survivors since 1974.

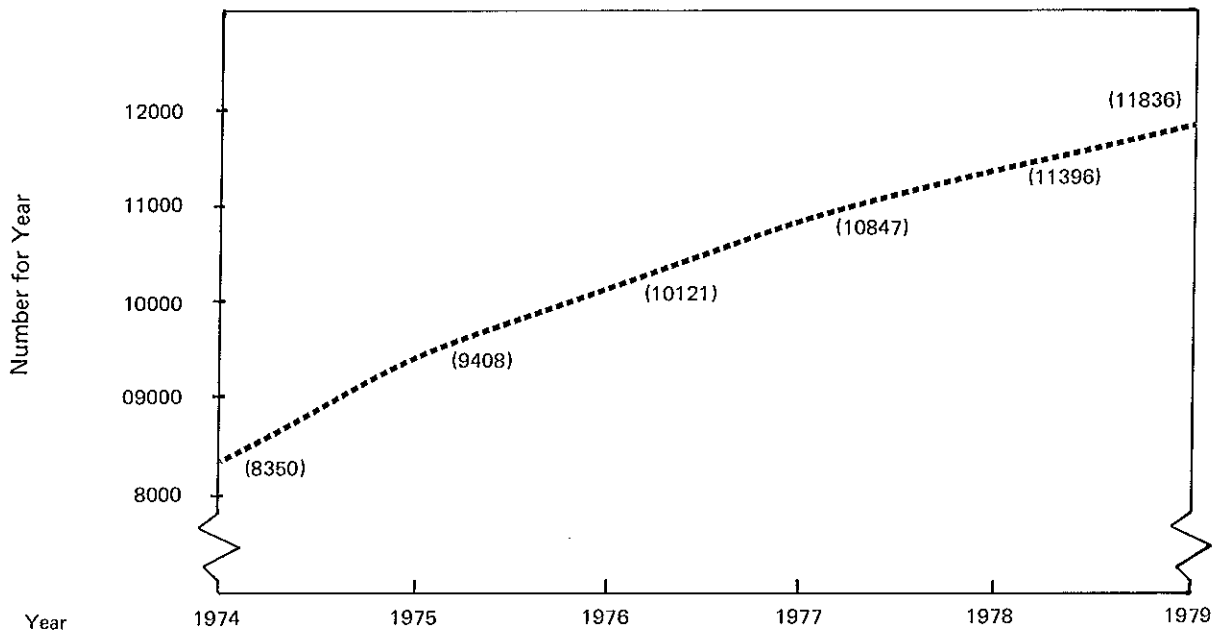
There has been a steady increase in persons eligible for benefit payments other than retirees. This is especially true for persons retiring on disability and those persons classified as survivors of members as shown in the table depicting the payroll for persons other than service retirees.

The graphs at the conclusion of this section are designed to show monthly benefit payments for the different types of eligible recipients of the Retirement System.

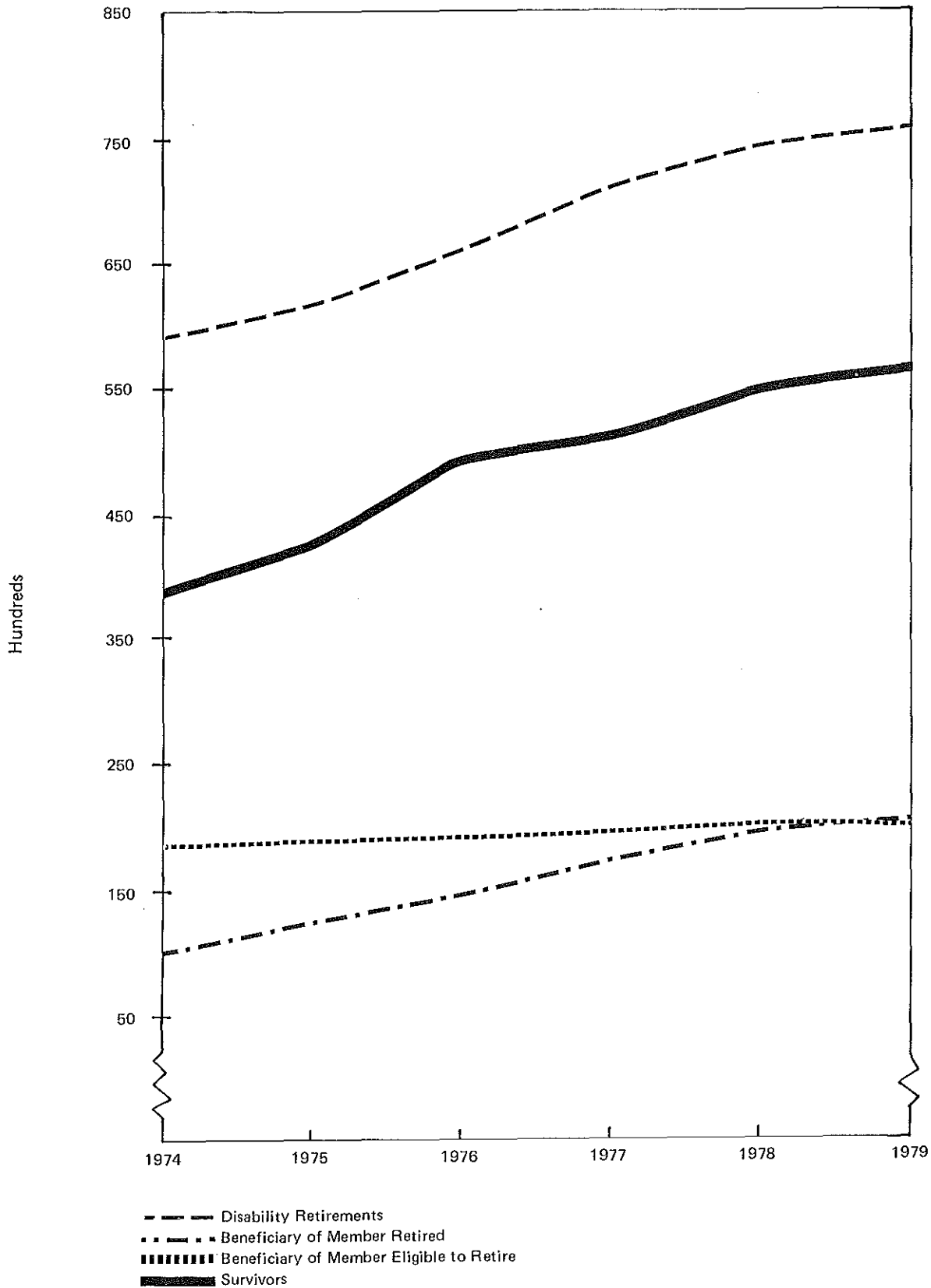
## GROWTH IN ANNUAL PAYROLL TO RETIREES AND SURVIVORS



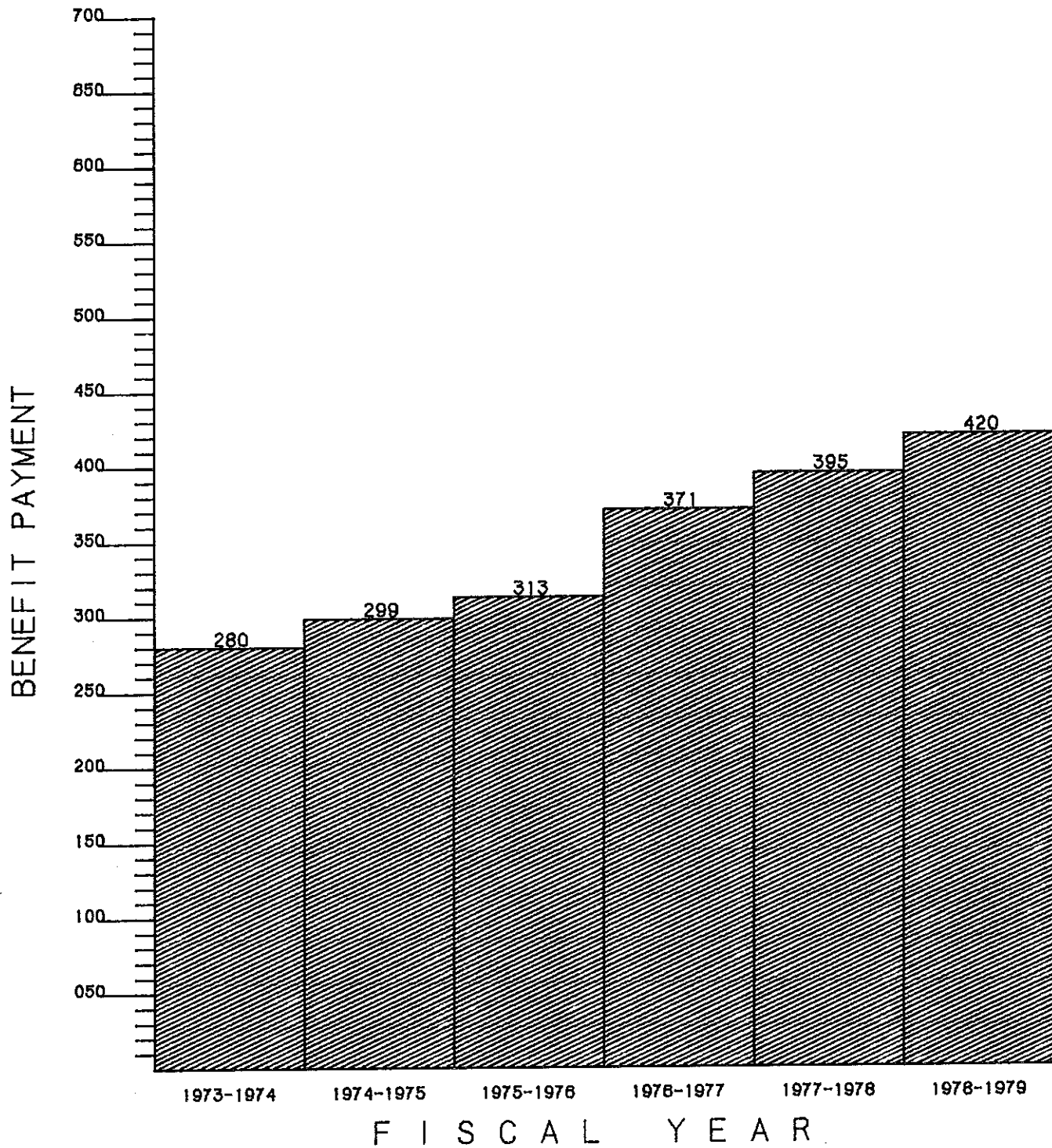
## GROWTH IN SERVICE RETIREMENTS



# NUMBER OF ANNUITANTS ON PAYROLL OTHER THAN SERVICE RETIREMENT

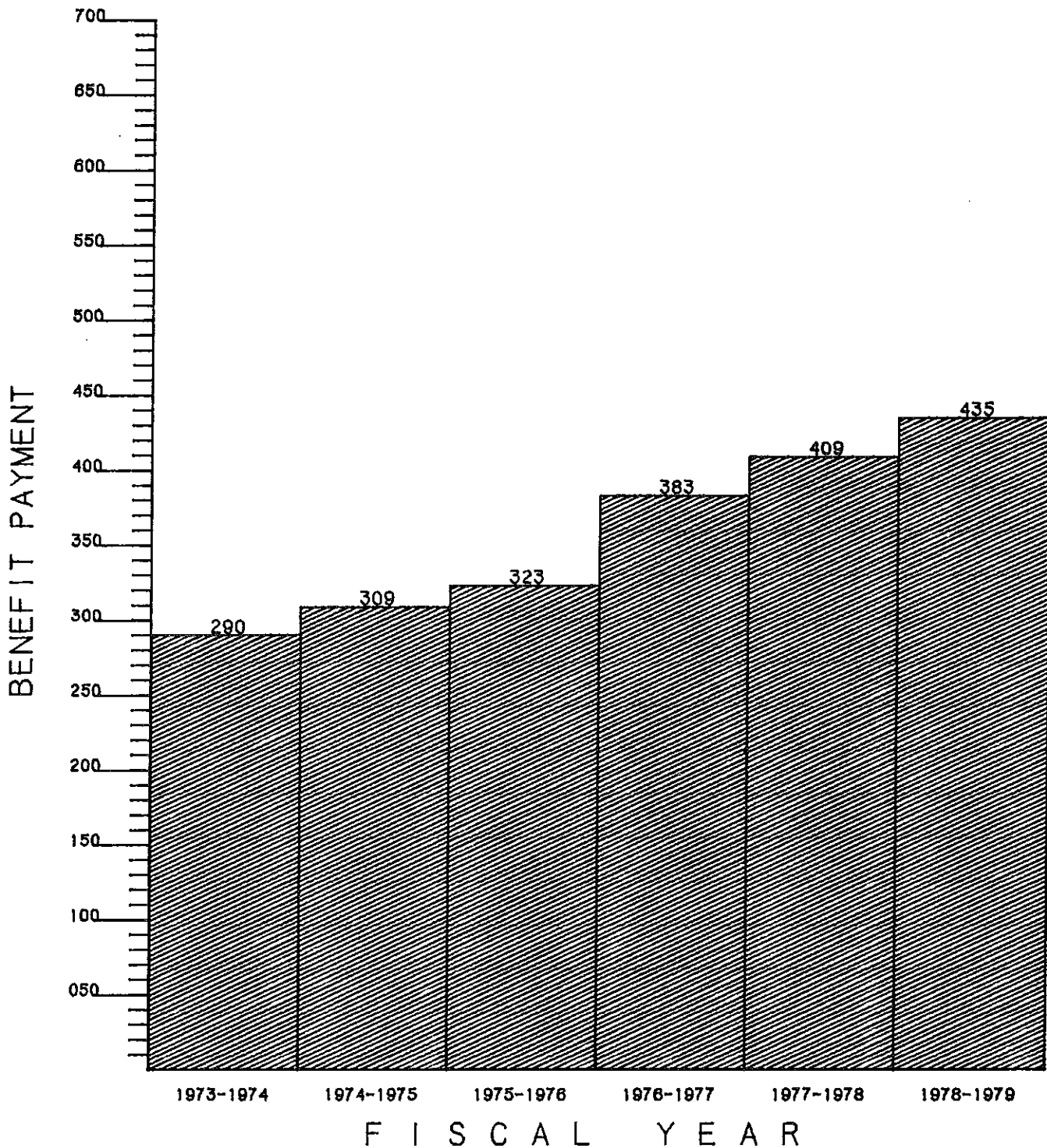


TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH  
ALL RECIPIENTS





TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH  
SERVICE RETIREES

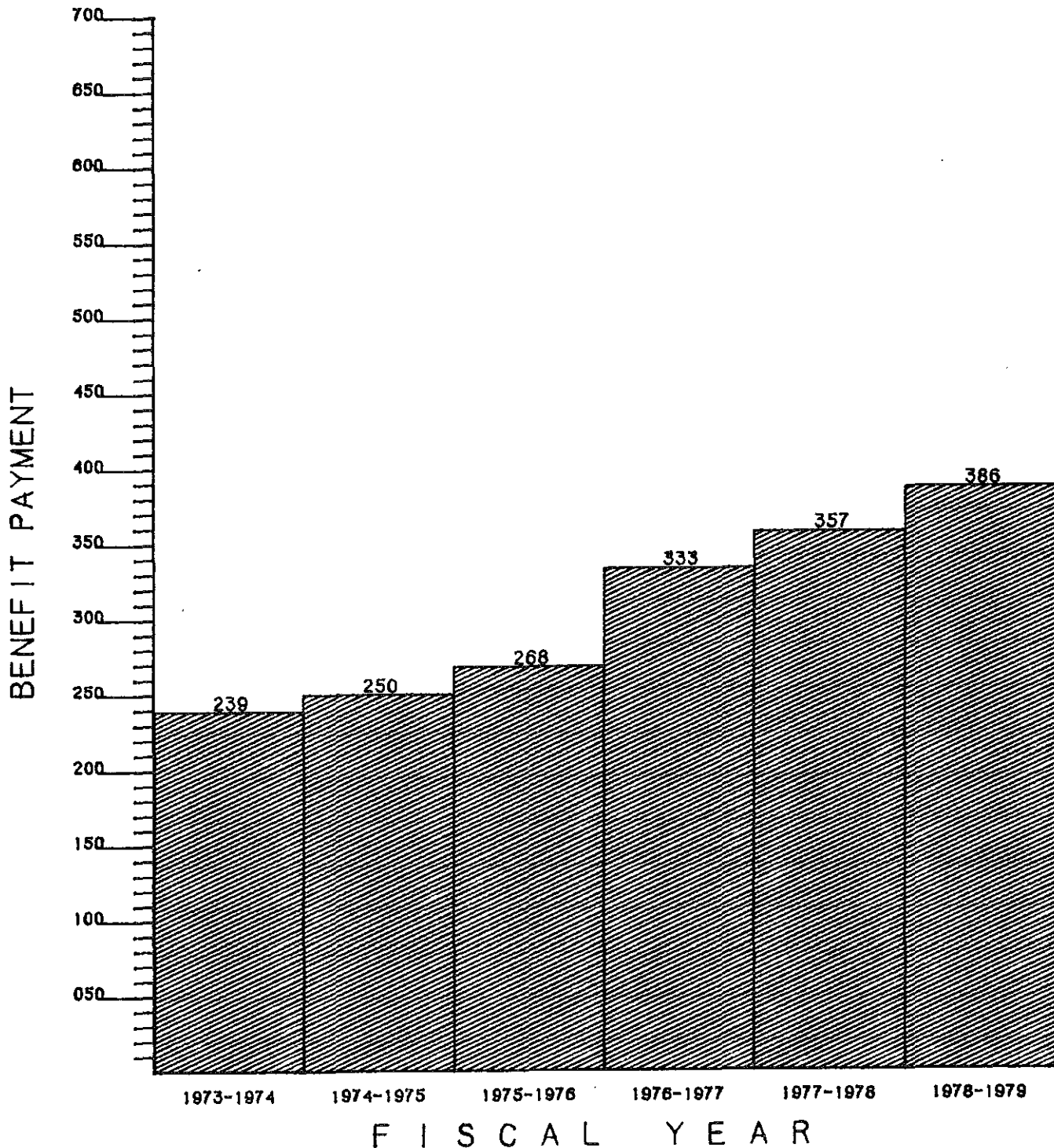


# TEACHERS RETIREMENT SYSTEM

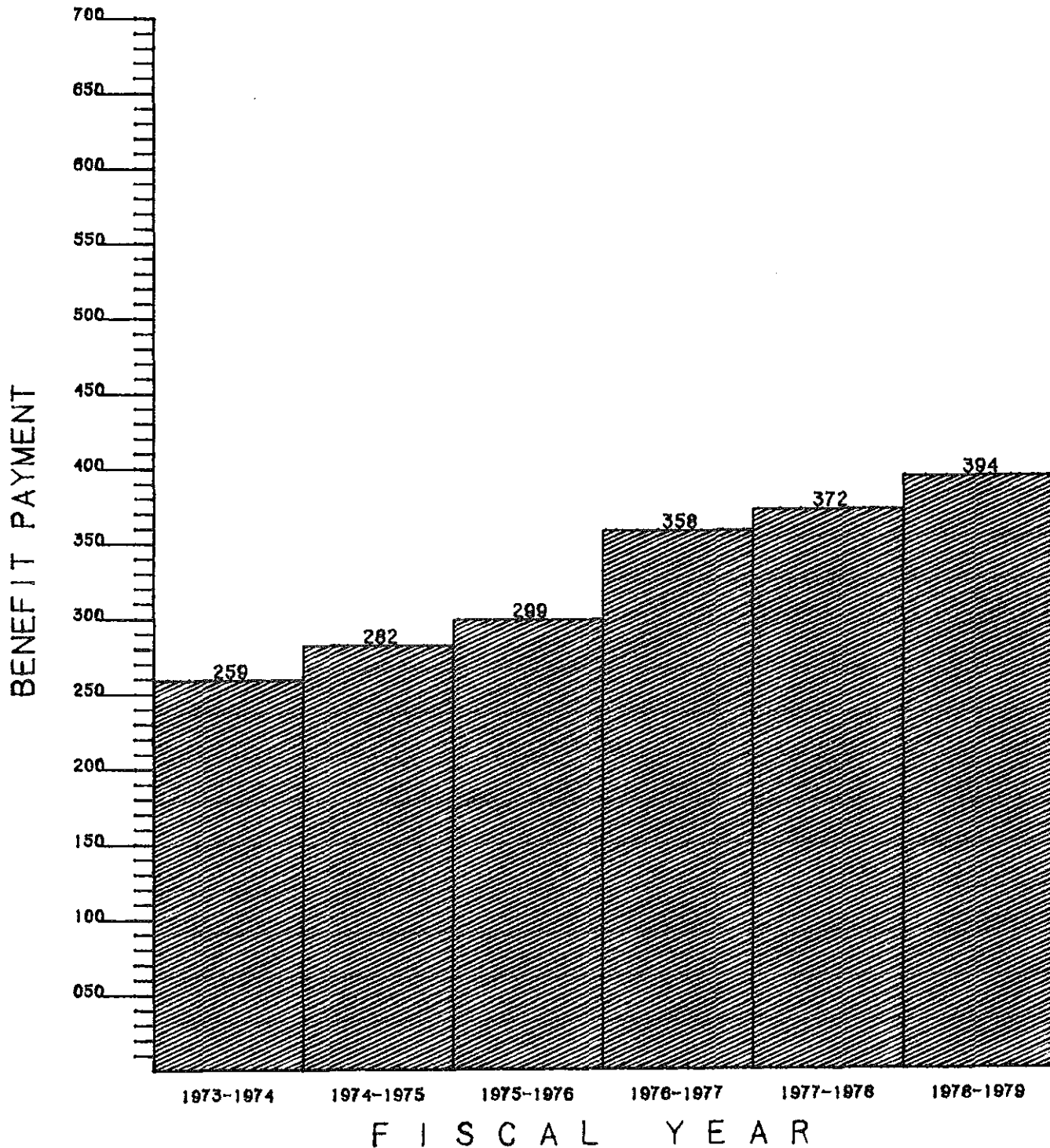
216 W. MAIN  
FRANKFORT KY 40601

## AVERAGE BENEFIT PAYMENT GRAPH

### DISABILITY RETIREES



TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH  
BENEFICIARIES

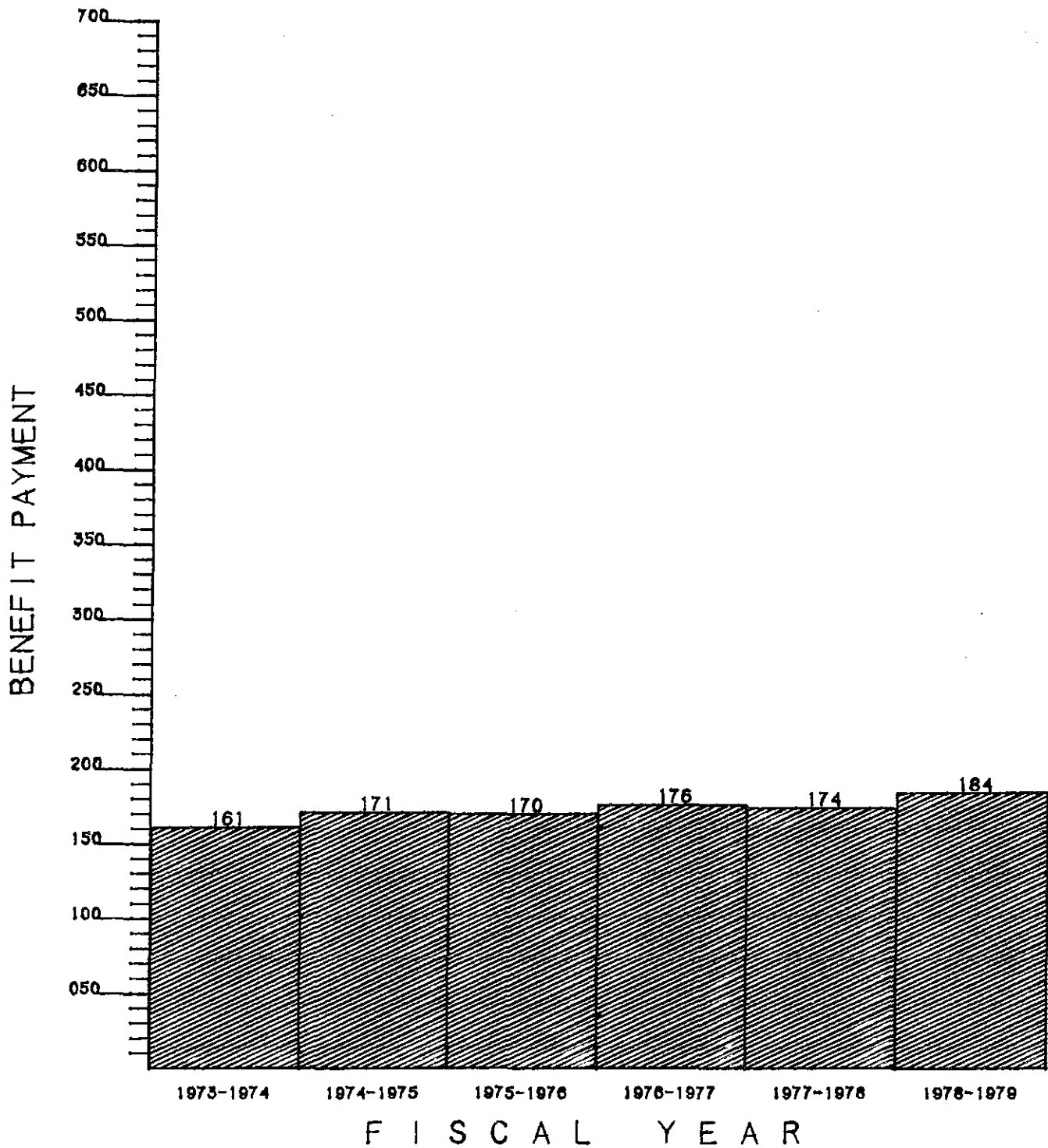


# TEACHERS RETIREMENT SYSTEM

216 W. MAIN  
FRANKFORT KY 40601

## AVERAGE BENEFIT PAYMENT GRAPH

### SURVIVOR PAYEES



## INVESTMENTS

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 for the board in all matters of investment subject to the approval of the Board of Trustees. In compliance with the Kentucky Revised Statutes, the Board of Trustees has adopted an "Investment Policy" which is subject to periodic review. On June 30, 1979, the investment objectives of the Board of Trustees were as follows:

1. Investment of the funds of the Teachers' Retirement System of the State of Kentucky shall be made solely in the interest of its members and their beneficiaries and for the exclusive purpose of providing benefits to such members and their beneficiaries and for the payment of reasonable expenses of 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 assets so invested. Current income together with prospects for capital appreciation shall be weighed in terms of long term needs to provide benefits to members and their beneficiaries. Short term fluctuations in the market value of the fund's assets shall be considered as secondary to long term objectives in terms of the needs of the System.

The Kentucky Revised Statutes also require the Board of Trustees to employ an experienced investment counselor to advise it on investment related matters. Todd Investment Advisors Inc., a Louisville company, was employed on a contractual basis as investment counsel during 1978-79. A letter from this firm is included in this report, attesting to the propriety of the portfolio structure as of June 30, 1979. The Farmers Bank and Capital Trust Company, located in Frankfort, Kentucky, was employed as the custodian of securities for 1978-79.

The par value of the portfolio increased \$96.2 million, or 14.3%, to a total of \$768.1 million during the year. Investment income (dividends and interest) increased \$9.6 million, or 22.7%, during the year to a total of \$51.9 million. The growth in the size of the portfolio and the even greater growth in income must be considered positive factors when evaluating the investment and funding programs of the agency. The improvement in the net indicated yield on fixed income investments was also significant, showing an increase of 43 basis points to 7.91%.

The investment strategy of the Teachers' Retirement System during the year can best be described as cautious. A number of factors including rising inflation and impending recession led to this conclusion.

The most apparent result of this strategy was the increase in short term investments. The advantage of these investments is that they fluctuate very little in value while providing attractive current income return. These short term investments increased from a position of 4% of the portfolio at June 30, 1978, to 12% by June 30, 1979. As long bond interest rates move upward and as stock prices become more attractive, the funds held in short term investments will be moved into these market sectors.

Common Stock holdings decreased slightly from 16% of the portfolio to 14.4% during the year. Several substantial programs were undertaken in this sector of the portfolio to improve the expected return and to restructure common stock holdings in accordance with the overall cautious strategy.

Bond activity during the year was a continuation of the program begun several years ago to upgrade the quality and increase the income

from these holdings. The portfolio is currently invested 40% in U. S. Government secured obligations and 25% in corporate bonds. Additionally, over 8% of the portfolio is invested in mortgages that are insured or guaranteed by the U. S. Government. A detailed analysis of bond holdings reveals that over 70% are rated AAA, the highest possible rating.

The charts on the following pages display graphically the growth that is discussed in preceding paragraphs and perhaps more importantly, provide the reader an opportunity to analyze the growth of the retirement system over the last twenty years. Following the graphs is a summary analysis of investments held at June 30, 1979. This analysis provides a breakdown of securities held by type and further identifies the indicated yield and portfolio percentage for each type. Following the summary, is a detailed listing of all securities held at June 30, 1979.

# TODD INVESTMENT ADVISORS

INCORPORATED

3160 FIRST NATIONAL TOWER, LOUISVILLE, KENTUCKY 40202 • (502) 585-3121

October 1, 1979

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

Ladies and Gentlemen:

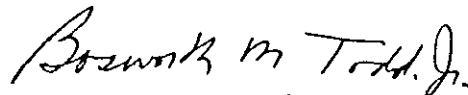
As investment advisor to the Board for the past eight years we are confident that the fund of the Teachers' Retirement System of the State of Kentucky has been invested in a prudent manner solely for the benefit of the participants and beneficiaries of the Retirement Fund, and in accordance with State Statutes and Board policy.

As of June 30, 1979 the portfolio of securities was \$762 million at book, and consisted of 12% Short Term Treasuries; 41% Long Term Treasury, Government Guaranteed, and Federal Agency bonds; 28% in Corporate Bonds; 15% in Common Stocks; and 4% in Mortgages. In accordance with investment policy established by the Board of Trustees the bonds and notes are rated A or better by major rating services. The bond portfolio has an intermediate maturity of 14 years rather than long maturity to somewhat insulate these assets from the impact of above average inflation and reduce the risk and volatility in these assets.

The common stocks held in the fund are selected with the objective of long-term participation in the growth sectors of our economy and these companies generally represent larger, well capitalized firms with experienced and proven management.

In summary, the participants and beneficiaries of the Retirement Fund can be assured that these assets, which are being held in trust for future benefit payments, are being invested in a prudent manner in keeping with the fiduciary responsibility vested in the Board of Trustees.

Very truly yours,



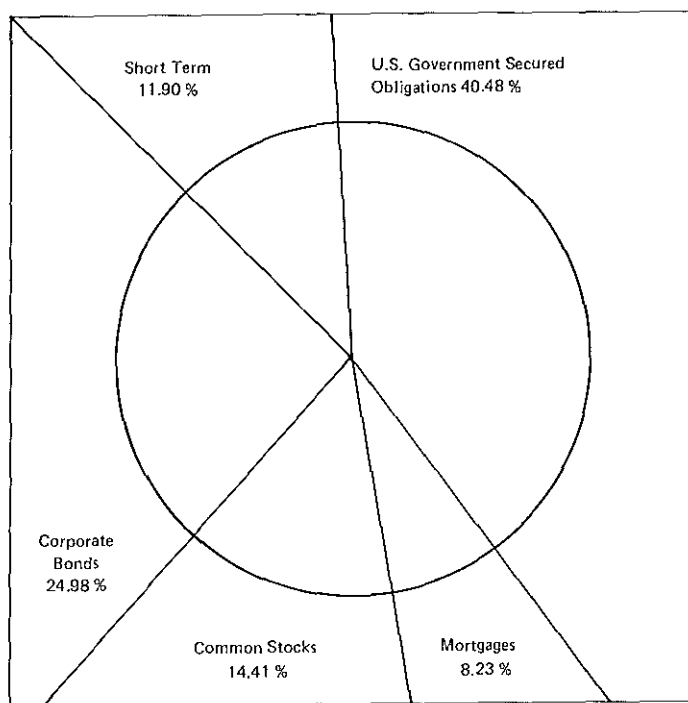
Bosworth M. Todd, Jr.  
President

BMT:ebt



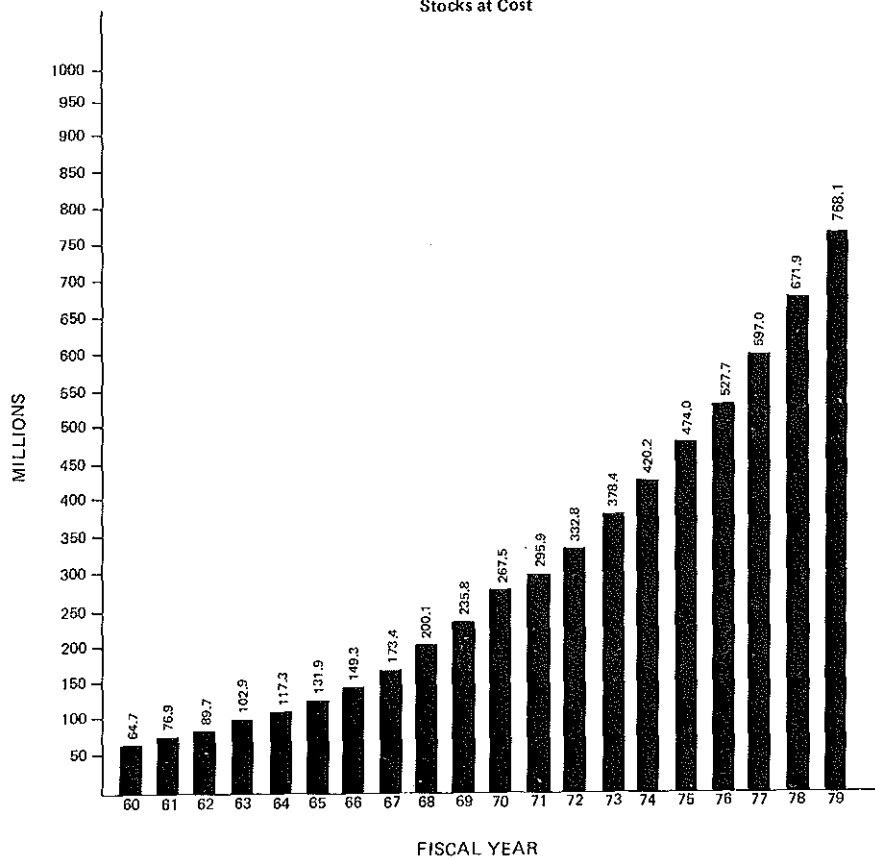
# DISTRIBUTION OF INVESTMENTS

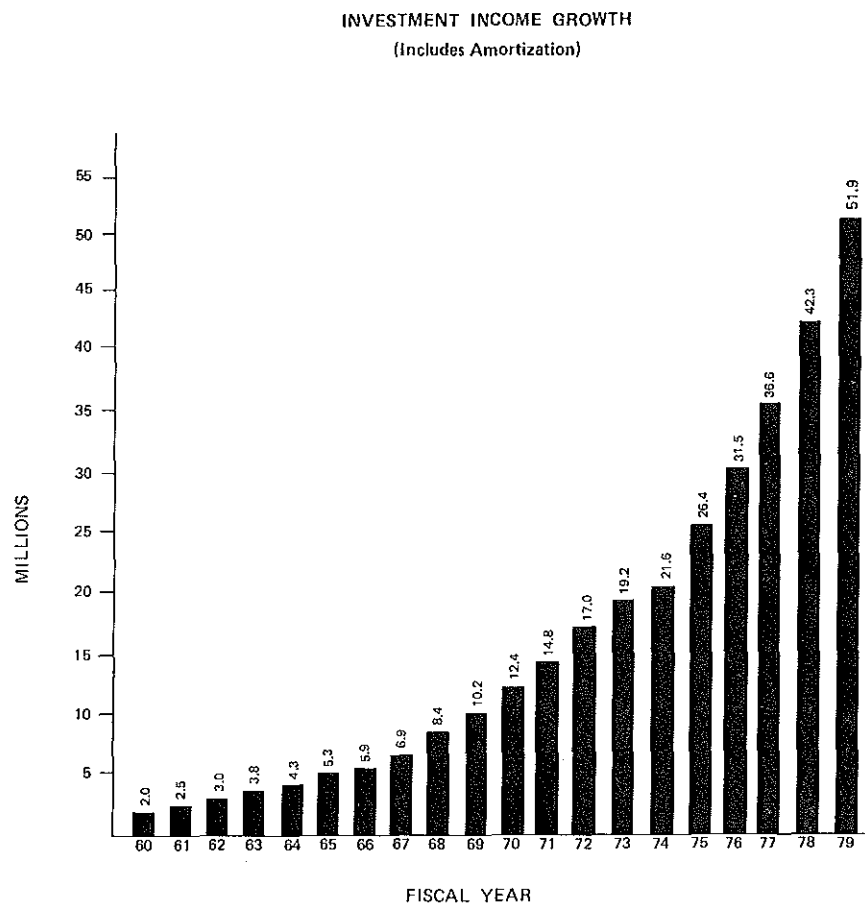
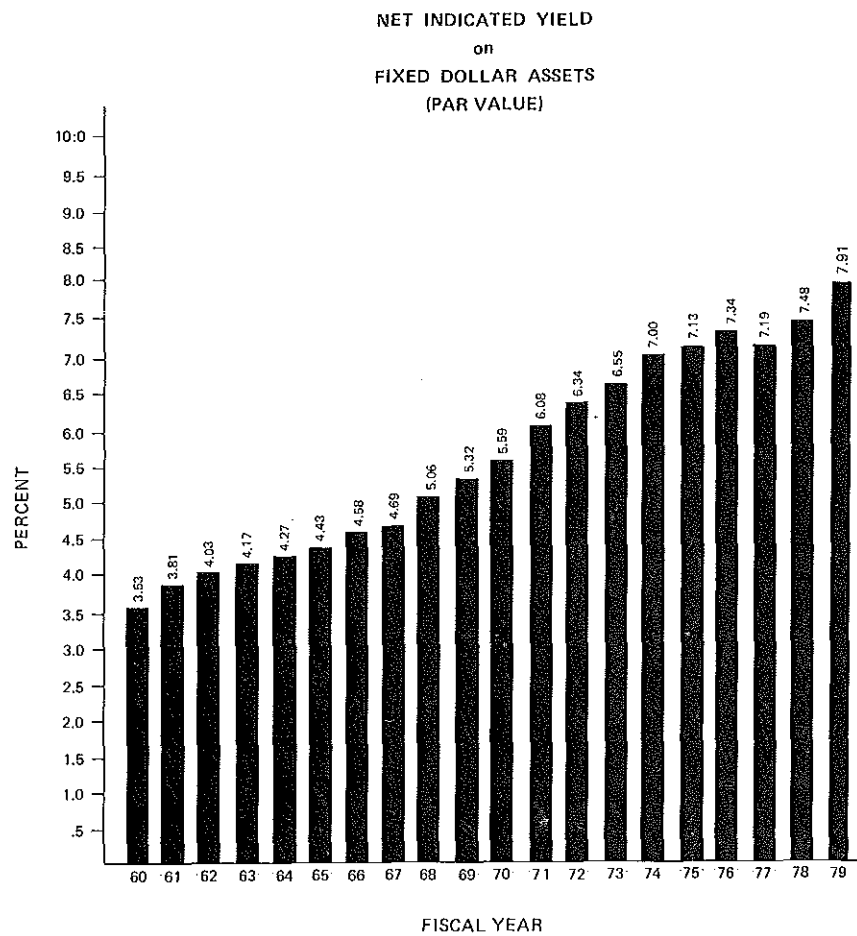
June 30, 1979



## INVESTMENT PORTFOLIO GROWTH

Bonds at Par Value  
Stocks at Cost





ANALYSIS OF INVESTMENTS HELD JUNE 30, 1979  
to show annual yield rate  
Teachers' Retirement System of the State of Kentucky

	Percentage of Total	Par Value	Net Annual Interest/Indicated Dividend Income	Net Annual Yield
Short Term Investments	11.90%	\$ 91,400,000.00	\$ 9,029,055.00	9.879%
U. S. Government Secured Obligations:				
Treasury Bonds & Notes	2.21%	17,000,000.00	1,381,593.86	8.127%
Federal Agencies	22.25%	170,897,166.12	13,285,639.19	7.774%
Title XI Ship Bonds	3.48%	65,153,611.04	5,124,717.95	7.866%
GNMA Single Family	7.45%	57,235,862.09	4,567,708.78	7.981%
Other - Miscellaneous	.09%	656,211.21	56,770.06	8.651%
	<u>40.48%</u>	<u>310,942,850.46</u>	<u>24,416,429.84</u>	<u>7.852%</u>
Corporate Bonds:				
Industrial	8.61%	66,117,128.03	5,263,619.10	7.961%
Utilities	9.75%	74,937,000.00	5,548,654.96	7.404%
Finance	4.69%	36,001,258.02	2,424,812.01	6.735%
Railroad	1.65%	12,670,184.64	752,943.68	5.943%
Other - Miscellaneous	.28%	2,125,333.51	111,242.27	5.234%
	<u>24.98%</u>	<u>191,850,904.20</u>	<u>14,101,272.02</u>	<u>7.350%</u>
U. S. Government Guaranteed Mortgages:				
FHA & VA Single Family	4.06%	31,203,163.90	1,961,967.36	6.288%
Project Mortgages (FHA & GNMA)	4.17%	32,011,997.59	2,467,949.86	7.709%
	<u>8.23%</u>	<u>63,215,161.49</u>	<u>4,429,917.22</u>	<u>7.008%</u>
Sub-Total	<u>85.59%</u>	<u>\$657,408,916.15</u>	<u>\$51,976,674.08</u>	<u>7.906%</u>
Common Stocks - 2,630,141 Shares	<u>14.41%</u>	<u>110,683,653.42</u>	<u>5,423,876.07</u>	<u>4.900%</u>
TOTAL INVESTMENTS, INCOME AND YIELD	<u>100.00%</u>	<u>\$768,092,569.57</u>	<u>\$57,400,550.15</u>	<u>7.473%</u>

# SHORT TERM INVESTMENTS

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Repurchase Agreements:</u>			
Repurchase Agreement	9.700%	7/79	9,000,000.00
Repurchase Agreement	9.700%	7/79	4,500,000.00
Repurchase Agreement	9.700%	8/79	4,500,000.00
Repurchase Agreement	9.750%	8/79	5,000,000.00
Repurchase Agreement	9.750%	8/79	2,000,000.00
Repurchase Agreement	9.780%	8/79	5,000,000.00
Repurchase Agreement	9.800%	8/79	2,000,000.00
Repurchase Agreement	9.800%	8/79	1,250,000.00
Repurchase Agreement	9.810%	8/79	10,000,000.00
Repurchase Agreement	9.870%	7/79	6,270,000.00
Repurchase Agreement	9.900%	7/79	1,200,000.00
Repurchase Agreement	9.920%	7/79	9,730,000.00
Repurchase Agreement	10.000%	7/79	2,500,000.00
Repurchase Agreement	10.000%	7/79	1,500,000.00
Repurchase Agreement	10.000%	7/79	3,250,000.00
Repurchase Agreement	10.050%	7/79	12,000,000.00
Repurchase Agreement	10.070%	7/79	11,700,000.00
Total Short Term Investments			91,400,000.00

## U. S. GOVERNMENT OBLIGATIONS

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Treasury Bonds &amp; Notes:</u>			
U. S. Treasury Bonds	8.750%	11/08	3,000,000.00
U. S. Treasury Bonds	9.000%	2/94	7,000,000.00
U. S. Treasury Notes	7.000%	11/81	7,000,000.00
			17,000,000.00
<u>Federal Agencies:</u>			
Banks for Cooperatives	7.750%	1/86	14,000,000.00
Farmers Home Insured Notes FHA	7.500%	5/88	1,497,166.12
Federal Farm Credit Banks	7.750%	9/89	5,000,000.00
Federal Farm Credit Banks	8.450%	4/82	9,000,000.00
Federal Home Loan Bank	7.450%	5/82	2,600,000.00
Federal Home Loan Bank	7.650%	5/87	12,000,000.00
Federal Home Loan Bank	7.850%	8/84	20,000,000.00
Federal Home Loan Bank	7.950%	2/82	4,000,000.00
Federal Home Loan Bank	8.100%	11/85	10,000,000.00
Federal Home Loan Bank	8.250%	11/82	5,000,000.00
Federal Home Loan Bank	7.600%	8/87	10,000,000.00
Federal Intermediate Credit Banks	6.950%	1/87	15,000,000.00
Federal Intermediate Credit Banks	7.950%	4/86	15,000,000.00

U. S. GOVERNMENT OBLIGATIONS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Federal Agencies: (Continued)</u>			
Federal Land Bank	7.350%	10/83	5,000,000.00
Federal Land Bank	7.850%	1/88	10,000,000.00
Federal Land Bank	7.950%	10/85	14,000,000.00
Federal Land Bank	8.100%	7/85	9,800,000.00
Federal Land Bank	8.600%	4/80	6,000,000.00
Federal Land Bank	8.800%	10/85	1,000,000.00
Tennessee Valley Auth Pr Ser B	7.350%	5/97	2,000,000.00
			<u>170,897,166.12</u>

<u>Title XI Ship Bonds:</u>			
American Export Freedom	7.300%	7/97	1,827,000.00
American Export Isbrandtsen MM	7.300%	7/97	1,748,000.00
American Export Lines SF Ser I	7.950%	12/06	4,326,000.00
Atlas Marine American Heritage	7.700%	12/96	2,975,554.20
Central Gulf Lines Lash Lighters	8.250%	1/95	4,572,383.25
Crowley Maritime	8.125%	9/99	4,709,115.04
Diamond M Drilling New Era	7.750%	9/89	3,985,075.73
Flowers Transportation SF	8.400%	5/00	2,000,000.00
Marine Ship Leasing Ser A Antarctic	7.875%	9/95	1,096,296.28
Marine Vessel Leasing Indian Ocean	7.875%	10/95	903,703.69
Shipco 2296 Series C SF	8.100%	2/02	4,738,000.00
Shipco 668 Series A SF	8.500%	5/02	4,885,000.00
Stuyvesant Issue	7.950%	9/97	9,669,639.09
Stuyvesant Issue	8.000%	5/95	3,251,000.00
Union Mechling Corp SF	8.000%	1/02	4,770,843.76
Wabash Transportation	5.400%	6/89	4,696,000.00
Zapata Marine U S Inc SF	7.700%	9/94	5,000,000.00
			<u>65,153,611.04</u>

<u>GNMA Single Family:</u>			
Pool 13400	7.500%	1/07	944,561.35
Pool 13512	7.500%	1/07	1,690,661.32
Pool 13848	7.500%	3/07	758,061.98
Pool 14006	7.500%	1/07	799,896.20
Pool 14172	7.500%	2/07	866,872.06
Pool 14282	7.500%	1/07	2,627,551.67
Pool 14356	7.500%	1/07	895,902.78
Pool 14563	7.500%	1/07	936,284.66
Pool 14572	7.500%	1/07	813,989.79
Pool 14705	7.500%	2/07	1,746,259.11
Pool 14958	7.500%	2/07	953,731.59
Pool 15033	7.500%	2/07	871,964.26
Pool 15094	7.500%	1/07	854,977.02
Pool 15242	7.500%	2/07	931,794.70
Pool 15293	7.500%	1/07	1,876,497.51
Pool 15374	7.500%	2/07	906,254.78
Pool 15397	7.500%	1/07	868,670.29
Pool 15510	7.500%	2/07	867,136.34
Pool 15581	7.500%	2/07	809,262.21
Pool 15597	7.500%	6/07	949,472.01

## U. S. GOVERNMENT OBLIGATIONS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>GNMA Single Family: (Continued)</u>			
Pool 15703	7.500%	3/07	1,778,776.68
Pool 15704	7.500%	4/07	453,215.73
Pool 15738	7.500%	3/07	772,216.15
Pool 15814	7.500%	6/07	860,147.72
Pool 15891	7.500%	4/07	1,872,094.41
Pool 15910	7.500%	2/07	880,165.59
Pool 15924	7.500%	2/07	1,844,715.14
Pool 15943	7.500%	2/07	1,776,761.68
Pool 16032	7.500%	5/07	933,656.37
Pool 16114	7.500%	3/07	878,190.26
Pool 16336	7.500%	5/07	939,650.45
Pool 16547	7.500%	4/07	1,560,616.29
Pool 16751	7.500%	6/07	878,258.49
Pool 16837	7.500%	4/07	899,747.12
Pool 16844	7.500%	4/07	2,634,588.58
Pool 16943	7.500%	5/07	874,630.12
Pool 16980	7.500%	7/07	460,405.03
Pool 17030	7.500%	4/07	1,847,767.63
Pool 17151	7.500%	6/07	1,650,789.79
Pool 17194	7.500%	4/07	1,829,793.99
Pool 17296	7.500%	7/07	2,802,238.70
Pool 19197	7.500%	9/07	860,531.03
Pool 5144	7.250%	11/04	1,334,995.77
Pool 7199	7.250%	6/05	688,017.91
Pool 7405	7.250%	7/05	1,552,197.66
Pool 9012	7.250%	12/05	823,571.41
Pool 9373	7.250%	1/06	775,361.55
Pool 9394	7.250%	12/05	802,959.21
			<u>57,235,862.09</u>

Other - Miscellaneous:

Missouri Kansas Texas RR Notes	9.250%	12/87	539,000.00
FHA Certificate of Claim	3.000%		4,516.76
FHA Certificate of Claim	3.000%		32,887.02
Student Loans HEW Pleasureville Bk	7.000%		56,858.60
Student Loans HEW Pleasureville Bk	7.750%		22,948.83
			<u>656,211.21</u>

Total U. S. Government Obligations			310,942,850.46
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## CORPORATE BONDS

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Industrials:</u>			
Allied Chemical Corp Notes	8.375%	4/83	4,000,000.00
Allis Chalmers Mfg SF Deb	5.100%	5/90	750,000.00
Aluminum Co America SF Deb	9.450%	5/00	1,250,000.00
American Metal Climax SF Deb	8.500%	3/96	1,300,000.00
Ariel Properties Inc Mortgage Note	7.000%	7/98	528,675.75
Armco Steel Deb	9.200%	7/00	1,300,000.00
Chevron London 1st Prfd Ship Mtg	7.700%	9/97	966,020.83
Chevron Stations Inc Note	5.100%	4/91	149,000.00
Countrywide Stations Secrd Notes C	7.500%	9/02	3,697,000.00
Cummins Engine Co Inc Notes	4.600%	7/90	180,000.00
Dow Chemical Deb	8.500%	2/05	2,200,000.00
Dow Chemical Notes	5.000%	4/91	876,800.00
Dresser Industries Inc Notes	8.650%	5/85	4,250,000.00
Dresser Industries SF Deb	9.375%	5/00	1,750,000.00
Exxon Transportation Guarntd Nts	7.400%	7/02	2,500,000.00
Fahrney Paul L 1st Prfd Ship Mtg	7.700%	9/97	966,020.83
I P Petroleum Gtd Notes	8.500%	2/82	1,092,726.00
Ingersoll-Rand Notes	8.750%	5/85	4,000,000.00
Inland Steel 1st Mtg Ser O	8.750%	7/95	2,733,000.00
Leased Tankers Secured Notes A	7.450%	12/92	4,000,000.00
Liggett Myers SF Deb	8.625%	4/01	2,000,000.00
North American Rockwell SF Deb	8.300%	4/96	1,200,000.00
Phillip Morris Inc Notes	8.500%	3/85	4,000,000.00
Phillip Morris SF Debs	9.125%	7/03	1,600,000.00
Pitney Bowes Inc SF Deb	9.000%	10/95	600,000.00
Quaker Oats SF Deb	7.700%	6/01	2,000,000.00
Revlon Inc Notes	8.450%	5/85	3,000,000.00
Reynolds R J Industries SF Deb	7.375%	2/01	1,000,000.00
Sybron Corporation SF Deb	7.500%	4/94	1,000,000.00
Transocean Gulf Oil Gtd Notes	8.500%	11/81	4,000,000.00
Union Oil of Calif Deb	8.375%	12/82	1,000,000.00
Union Oil of Calif Deb	8.625%	3/06	1,500,000.00
United States Steel Sub Deb	4.625%	1/96	4,425,000.00
Vale B S Corp Note Ashland Oil	5.000%	6/86	302,884.62
			<hr/> 66,117,128.03

Utilities:

Alabama Gas Corp 1st Mtg F	7.250%	2/94	300,000.00
Arkansas Power Light 1st Mtg	4.375%	2/93	325,000.00
Arkansas Power Light 1st Mtg	5.875%	3/97	200,000.00
Brooklyn Union Gas 1st Mtg	4.375%	5/88	203,000.00
Cambridge Electric Light Notes C	6.250%	6/97	592,000.00
Cape Vineyard Elec Notes B	6.125%	6/97	99,000.00
Con Edison 1st Ref Mtg EE	6.250%	8/97	500,000.00
Con Edison 1st Ref Mtg FF	6.850%	10/98	250,000.00
Con Edison 1st Ref Mtg R	4.750%	6/90	575,000.00
Con Edison 1st Ref Mtg S	5.000%	12/90	700,000.00
Con Edison 1st Ref Mtg V	4.375%	6/92	1,150,000.00
Con Natural Gas Deb	9.250%	7/95	2,000,000.00
Consumers Power 1st Mtg	7.500%	6/02	3,000,000.00
Continental Oil Company Notes	4.750%	5/85	63,000.00
Continental Oil Company Notes	5.875%	12/89	583,000.00

## CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Utilities: (Continued)</u>			
Continental Pipe Line Guarntd Notes	7.500%	5/94	225,000.00
Elizabethtown Water Co Deb N J	4.875%	2/92	818,000.00
Florida Power Corp 1st Mtg	7.375%	6/02	2,000,000.00
Florida Power Light 1st Mtg	4.625%	3/95	100,000.00
Florida Power Light 1st Mtg	5.000%	12/95	700,000.00
Interstate Power 1st Mtg	4.625%	5/95	400,000.00
Interstate Power 1st Mtg	5.000%	5/87	325,000.00
Interstate Power 1st Mtg	6.125%	5/97	555,000.00
Iowa Electric Lt Pr 1st Mtg J	6.250%	9/96	250,000.00
Kentucky Utilities 1st Mtg I	8.750%	4/00	300,000.00
Kentucky Utilities 1st Mtg J	7.625%	9/01	2,000,000.00
Louisiana Power Light 1st Mtg	5.750%	3/96	150,000.00
Louisiana Power Light 1st Mtg	6.500%	9/97	200,000.00
Louisville Gas Electric 1st Mtg	8.250%	8/01	2,000,000.00
Milwaukee Gas Light 1st Mtg	4.625%	5/87	794,000.00
New York St Elec Gas 1st Mtg	6.500%	9/98	250,000.00
Nor Indiana Pub Ser 1st Mtg O	6.375%	9/97	650,000.00
Northern Natural Gas Debentures	9.000%	11/95	4,500,000.00
Ohio Power 1st Mtg	10.125%	6/82	1,750,000.00
Old Ocean Fuel 1st Mtg	5.000%	1/81	211,000.00
Otter Tail Power 1st Mtg	4.875%	2/91	500,000.00
Pacific Gas Elec 1st Ref Mtg QQ	6.625%	6/00	1,000,000.00
Pacific Gas Elec 1st Ref Mtg XX	7.500%	12/03	1,300,000.00
Pacific Power Light 1st Mtg	4.500%	12/92	1,361,000.00
Pacific Power Light 1st Mtg	4.625%	10/94	385,000.00
Pacific Power Light 1st Mtg	4.750%	4/92	283,000.00
Pacific Power Light 1st Mtg	5.000%	10/95	270,000.00
Pennsylvania Electric Deb	5.250%	6/86	483,000.00
Pennsylvania Electric Deb	7.000%	11/92	98,000.00
Pennsylvania Electric 1st Mtg	4.625%	10/94	100,000.00
Pennsylvania Gas Water 1st Mtg	6.875%	10/92	250,000.00
Pub Ser Elec Gas Deb	6.000%	7/98	255,000.00
Pub Ser Elec Gas Deb	9.000%	11/95	1,069,000.00
Pub Ser Elec Gas 1st Ref Mtg	6.250%	6/97	790,000.00
Pub Ser Indiana 1st Mtg W	9.600%	8/05	500,000.00
Pub Ser New Hampshire 1st Mtg Q	9.000%	11/00	150,000.00
Sierra Pacific Power 1st Mtg	4.750%	6/94	200,000.00
Sierra Pacific Power 1st Mtg	4.875%	6/92	750,000.00
Sou Carolina Elec Gas 1st Ref	8.000%	3/01	250,000.00
Sou Elec Gen 1st Mtg 1959	5.250%	6/92	570,000.00
Sou Elec Gen 1st Mtg 1961	5.250%	6/92	700,000.00
Sou Natural Gas 1st Mtg PL SF	4.750%	12/81	128,000.00
Tenneco Inc Deb	9.875%	5/00	4,500,000.00
Texas Estrn Trans 1st Mtg PL	10.500%	5/90	626,000.00
Tucson Gas Electric 1st Mtg	4.550%	2/95	300,000.00
United Gas Inc 1st Mtg	6.500%	12/89	2,096,000.00
Virginia Elec Power 1st Ref Mtg	9.250%	3/06	1,000,000.00
Washington Natural Gas 1st Mtg	6.875%	9/93	190,000.00
Western Mass Elec 1st Mtg	5.750%	3/97	200,000.00
Western Mass Elec 1st Mtg G	6.750%	3/98	100,000.00
Wisconsin Gas 1st Mtg	6.625%	10/91	625,000.00
American Tel Tel Deb	5.500%	1/97	2,100,000.00
American Tel Tel Deb	6.000%	8/00	1,000,000.00



## CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Utilities: (Continued)</u>			
Gen Telephone Florida 1st Mtg	8.000%	3/01	250,000.00
Gen Telephone Midwest 1st Mtg F	7.500%	2/01	200,000.00
Hawaiian Telephone 1st Mtg S	6.750%	4/98	100,000.00
Hawaiian Telephone 1st Mtg T	8.750%	9/00	200,000.00
Michigan Bell Tel Deb	7.000%	11/12	2,000,000.00
New England Tel Co Notes	8.750%	6/81	6,000,000.00
New York Tel Ref Mtg W	8.300%	8/12	1,500,000.00
Pacific Tel Tel Deb	7.800%	3/07	250,000.00
South Central Bell Tel Deb	8.250%	8/13	2,500,000.00
South Central Bell Tel Deb	8.250%	11/15	4,500,000.00
Southwestern Bell Tel Deb	4.625%	8/95	1,590,000.00
Southwestern Bell Tel Deb	6.750%	6/08	1,000,000.00
Southwestern Bell Tel Deb	7.750%	9/09	2,000,000.00
			<u>74,937,000.00</u>

Finance:

Associates Investment Sr Deb	7.375%	12/88	800,000.00
Bankamerica Corp Deb	7.875%	12/03	1,000,000.00
Beneficial Corp Notes	4.625%	6/87	1,000,000.00
Beneficial Finance Deb	4.500%	3/92	495,000.00
Beneficial Finance Deb	5.000%	11/90	1,675,000.00
Beneficial Finance Sr Notes	4.600%	3/89	2,625,000.00
Commercial Credit Sr Notes	4.875%	9/87	1,000,000.00
General Electric Credit Sr Note	4.650%	5/86	2,500,000.00
General Motors Accept Corp Deb	7.750%	10/94	4,877,000.00
General Motors Accept Corp Deb	8.000%	1/02	3,500,000.00
GMAC Notes Shelf Reg	8.250%	3/82	3,000,000.00
Household Finance Corp Deb	4.750%	1/89	3,500,000.00
International Harvstr Credit Deb	8.625%	8/91	500,000.00
Marathon Finance Guaranteed Nts	5.500%	5/87	312,500.00
Marathon Finance Promissory Nts	4.550%	4/85	122,400.00
Mellon National Corp Notes	7.800%	3/82	4,000,000.00
Montgomery Ward Credit Deb	6.500%	9/87	300,000.00
Montgomery Ward Credit Deb	9.250%	11/90	1,500,000.00
Penney J C Financial Corp Deb	7.875%	9/91	2,000,000.00
Roxbury Properties Corp Secrd Nt	4.750%	1/89	266,256.56
Seaboard Finance SF Deb	7.875%	4/89	546,000.00
United California Bk Cap Notes	4.500%	1/90	200,000.00
Villiers Realty Corp Secrd Nts	4.750%	10/89	282,101.46
			<u>36,001,258.02</u>

Railroad:

Atchison Topeka Santa Fe Equip Tr B	8.750%	3/85	221,000.00
Carolina Clinch Ohio 1st Mtg	4.500%	4/90	438,000.00
Chesapeake Ohio Ry Condtl Sale	6.000%	4/82	90,000.00
Chesapeake Ohio Ry Equip Trust	5.125%	4/82	337,000.00
Chesapeake Ohio Ry Gen Mtg	4.500%	3/92	656,000.00
Chic Burl Quincy RR Condtl Sales	5.500%	4/81	38,584.90
Chic Burl Quincy RR Condtl Sales	6.375%	8/82	242,666.88

## CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Railroad: (Continued)</u>			
Delaware Hudson RR Condtl Sale	6.875%	9/83	210,983.36
Delaware Hudson RR 1st Gen Mtg	5.500%	5/83	359,000.00
Erie Lackawanna RR Condtl Sale	6.500%	5/82	116,820.81
Kansas City Sou Ry Condtl Sale	5.500%	10/81	50,000.00
Kansas City Sou Ry Condtl Sale	5.500%	4/81	83,333.51
Kentucky Central Ry 1st Mtg	4.000%	7/87	137,000.00
Ky and Ind Terminal RR 1st Mtg	4.875%	3/86	100,000.00
Louisville Nashville Condtl Sale	5.750%	11/81	106,097.91
Louisville Nashville RR Col Tr	4.875%	12/87	1,290,000.00
Louisville Nashville RR Col Tr	7.375%	12/93	300,000.00
N Y Central RR Equip Tr Cert	4.750%	2/81	160,000.00
Norfolk Western Ry Condtl Sale	9.500%	5/85	660,000.00
North American Car Corp Equip Tr	8.500%	8/84	180,000.00
Northern Pacific Ry Condtl Sale	5.500%	3/82	90,000.00
Northern Pacific Ry Condtl Sale	6.625%	2/83	73,918.66
Seaboard Coast Line Condtl Sale	6.375%	6/82	143,905.00
Sou Railway Memphis Div 1st Mtg	5.000%	7/96	539,000.00
Southern Pacific RR 1st Mtg H	5.250%	10/83	100,000.00
Southern Railway 1st Con Mtg	5.000%	7/94	2,950,000.00
St Louis San Fran Condtl Sale	5.750%	3/82	60,000.00
St Louis San Fran Condtl Sale	6.250%	3/82	99,865.75
St Louis San Fran Condtl Sale	6.250%	7/82	132,537.99
St Louis San Fran Condtl Sale	6.750%	1/83	400,000.00
St Louis San Fran Condtl Sale	7.250%	12/83	500,000.00
St Louis San Fran Condtl Sale	8.250%	8/84	330,000.00
St Louis San Fran Condtl Sale	9.375%	1/85	270,000.00
St Louis San Fran Condtl Sale	9.500%	2/85	450,000.00
St Louis San Fran Condtl Sale	9.750%	7/85	347,469.87
Texas Pacific Ry Equip Tr Cert	5.500%	3/80	300,000.00
Virginia Southwestern Ry 1st Mtg	5.000%	1/03	107,000.00
			<u>12,670,184.64</u>

Other - Miscellaneous:

Ky Industrial Dev Finance Auth Note	4.500%	7/85	151,666.61
Ky Industrial Dev Finance Auth Note	5.000%	7/86	50,000.05
Ky Industrial Dev Finance Auth Note	5.000%	1/87	373,333.38
Ky Industrial Dev Finance Auth Note	5.500%	1/87	106,666.76
Ky Industrial Dev Finance Auth Note	5.500%	7/87	56,666.71
Kentucky Southern College 1st Mtg	5.250%	1/83	500,000.00
Republic Panama External Secured	4.800%	4/93	887,000.00
			<u>2,125,333.51</u>

Total Corporate Bonds

191,850,904.20

U. S. GOVERNMENT GUARANTEED MORTGAGES

	<u>Coupon</u>	<u>Maturity</u>	<u>Remaining Principal Balance</u>
<u>Single Family:</u>			
FHA	various		16,560,337.75
VA	various		14,642,826.15
			<u>31,203,163.90</u>

Project Mortgages:

Americana Apts Ky 221D4	7.500%	10/18	4,717,607.65
Bethany Circle Kings Daughters Ind	8.375%	3/02	1,932,333.29
Calif Guidance Care Center 232	8.500%	2/92	533,011.50
Calvert City Convalescent Ky I 232	7.000%	1/93	445,987.83
Camellia Center Hospital Calif 232	6.000%	11/88	502,816.25
Congregational Home Aged Kan 231	5.250%	7/04	1,659,414.69
Cottage Bell Apts Calif 221D4	7.500%	11/10	962,577.65
Cottage Bell Apts II Calif 221D4	8.500%	11/11	463,503.43
Denver Ed Sr Citzns 231	5.250%	11/03	957,868.06
Dixie Apts Ky 221D4	7.500%	5/18	1,194,642.98
Ephraim McDowell Hospital Ky HEW CL	9.000%	1/01	3,299,073.96
Gallantime Apts Calif 207	5.250%	10/02	669,177.55
Gladman Nursing Home 232	5.250%	4/87	368,073.08
Glenway Lodge Inc Nursing Home 232	5.250%	9/87	141,064.13
Hallmark Plaza Ky 223F	8.500%	6/11	1,229,641.57
Longmont Christian Housing 231	5.250%	3/03	609,822.15
Middletown Apts Ky 221D4	7.500%	2/18	1,108,019.72
Panorama West Covington Ky 236	8.500%	12/12	485,470.58
Pinecreek Apts Ky 221D4	7.500%	10/17	606,113.65
Regency Park Apts Ky 221D4	7.500%	5/18	1,023,448.67
Salem Village No I FHA Sec 232 I11	7.750%	3/16	1,070,337.32
Salem Village No II FHA Sec 231 I11	7.750%	10/16	3,646,991.88
GNMA Mtg Pool 13088CL Cortland Hosp	8.750%	4/81	1,460,000.00
GNMA Mtg Pool 14923CL Boston Hosp	8.500%	6/84	920,000.00
GNMA Mtg Pool 21190CL Christ Hosp	8.000%	10/83	2,005,000.00
			<u>32,011,997.59</u>

Total U. S. Government Guaranteed Mortgages

63,215,161.49

## COMMON STOCKS

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Allied Chemical Corp	63,794	2,490,688.41	2,240,423
American Home Products	31,300	908,242.50	848,856
American Standard Inc	25,000	1,097,925.00	1,284,250
American Telephone Telegraph Co	92,023	5,222,437.26	5,325,391
Baxter Travenol Laboratories Inc	33,000	1,457,487.50	1,398,210
Bristol-Myers Company	44,000	1,564,912.50	1,419,000
Caterpillar Tractor Company	6,000	326,162.50	330,750
Central & South West Corporation	82,000	1,318,426.00	1,301,340
Coca Cola Company	54,000	3,348,554.28	2,065,500
Continental Oil Company	83,000	2,604,195.83	3,143,210
Dart Industries Inc	10,000	457,487.50	452,500
Disney Walt Productions	16,000	725,812.50	540,000
Eastman Kodak	23,000	3,175,428.00	1,313,760
Exxon Corporation	73,500	2,883,219.26	3,959,445
Federated Department Stores	87,100	3,786,337.71	2,579,902
Florida Power Light Co	80,000	3,176,575.20	2,229,600
Fort Howard Paper Company	10,000	423,115.35	445,000
Gannett Company Inc	82,000	3,014,515.00	3,638,340
General Electric Company	64,100	3,118,325.31	3,205,000
General Mills Inc	30,000	847,417.98	750,000
General Motors Corporation	64,000	4,946,753.98	3,799,680
Gillette Company	75,000	4,572,348.35	1,837,500
IC Industries Inc	46,000	1,306,610.00	1,276,500
International Business Machines	68,204	4,065,746.72	5,004,127
International Paper	44,165	2,342,916.98	1,970,653
International Tel and Tel Corp	75,000	3,797,634.80	2,184,000
K Mart Corporation	10,000	272,125.00	265,000
Kellogg Company	110,000	2,508,362.50	2,130,700
Kentucky Utilities Company	52,900	1,493,868.66	1,117,248
Lilly Eli and Company	39,600	1,987,722.50	2,128,500
Louisville Gas and Electric Co	120,000	3,828,078.08	2,504,400
Lucky Stores Inc	68,000	1,092,040.00	1,105,000
Manufacturers Hanover Corporation	37,000	1,335,752.50	1,313,500
Marsh & McLennan Companies Inc	30,000	1,915,625.00	1,871,100
McDonalds Corp	30,200	1,467,545.00	1,374,100
Mobil Corporation	94,800	3,160,915.00	3,720,900
Penney J C Company	10,000	790,862.13	298,700
Pepsico Inc	65,000	2,104,937.50	1,649,050
Procter and Gamble	17,000	1,599,580.00	1,306,790
R J Reynolds Industries Inc	65,500	3,981,441.69	3,733,500
Sears Roebuck and Company	79,800	3,281,957.30	1,536,150
Sperry Rand Corporation	10,000	457,250.00	458,750
Standard Oil Co Indiana	51,500	2,602,712.16	3,386,125
Texaco Inc	61,000	1,525,087.50	1,684,820
Texas Utilities Company	161,855	4,625,537.31	3,115,702
Trans Union Corporation	60,000	2,179,587.50	2,032,200
Warner Lambert Company	68,000	2,065,521.36	1,691,160
Xerox Corporation	25,800	3,427,868.31	1,563,996
 Total Common Stocks	 2,630,141	 110,683,653.42	 94,530,328

## ACCOUNTANTS REPORTS

Each year the records of the Teachers' Retirement System are subject to audit by an Independent Certified Public Accounting Firm to insure that the accounting records accurately disclose its financial status and to insure the presence of adequate internal control. The Financial Report for Fiscal Year Ended June 30, 1979 is prepared prior to the Charles T. Mitchell Company's annual review. The audited results will be available at a later date.

During the year ending June 30, 1979, assets of the Teachers' Retirement System increased \$93,471,533.36 to a total of \$767,797,797.98. It is noted that of the \$768 million in assets, \$334.8 million is credited to members accounts (Teachers Savings Fund) and a like amount is reserved in the State Accumulation Fund as state matching for member contributions. This leaves a reserve for benefit payments of \$98.4 million, which compares favorably with a reserve of \$86.4 million for the previous year.

Administrative cost for the Fiscal Year totaled \$727,937. This breaks down to a cost of \$6.00 per each member account (active, retired and inactive) that is maintained by the Teachers' Retirement System.

## KENTUCKY TEACHERS' RETIREMENT SYSTEM

## BALANCE SHEET

JUNE 30, 1979 AND 1978

<u>ASSETS</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Cash	\$ 5,659,134.85	\$ 5,293,965.55
Special Reserve Account		
Aetna Life Insurance Co. (CF Fm 78)	266,929.00	266,929.00
(1979 Not Available at Time of Printing)		
Investments (See Note Below)	768,092,569.57	671,941,589.46
Unamortized Premium on Investments	2,004,660.26	2,291,906.35
Accrued Interest Purchased	114,989.72	29,378.58
Unamortized Discount on Investments	<u>(8,340,485.42)</u>	<u>(5,497,504.32)</u>
TOTAL ASSETS	\$767,797,797.98	\$674,326,264.62
<u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Irregular Payments - Escrow Account	\$ 17,467.95	\$ 27,393.73
Treasurers Unredeemed Checks	25,652.99	10,385.40
Total Liabilities	<u>\$ 43,120.94</u>	<u>\$ 37,779.13</u>
FUND BALANCES		
Teachers' Savings Fund	\$334,872,186.44	\$293,812,422.75
State Accumulation Fund	334,872,186.44	293,812,422.75
Allowance Reserve Fund	44,196,023.06	43,539,735.66
Guarantee Fund	35,650,491.93	24,582,970.32
Voluntary Contribution Fund	3,878,633.24	3,370,909.96
Hospital and Medical Insurance Fund	---	4,099,958.58
Survivor and Death Benefit Fund	---	11,053,155.84
Survivor, Death, Medical Fund	14,281,793.32	---
General Expense Fund	3,362.61	16,909.13
Total Fund Balances	<u>\$767,754,677.04</u>	<u>\$674,288,485.49</u>
TOTAL LIABILITIES AND FUND BALANCES	\$767,797,797.98	\$674,326,264.62

NOTE: Par Value of Bonds and Notes - \$657,408,916.15 As of June 30, 1979  
and \$564,522,250.37 As of June 30, 1978.

Quoted Approximate Market Values of Bonds and Notes - \$590,305,896.00  
As of June 30, 1979 and \$516,772,423.00 As of June 30, 1978.

Quoted Approximate Market Values of Common and Preferred Stocks -  
\$94,530,328.00 As of June 30, 1979 and \$89,061,851.00 As of June 30, 1978.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
COMBINED STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>REVENUES</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Teachers' Contributions	\$ 50,366,491.96	\$ 43,440,611.72
State Contributions	67,888,000.00	59,626,165.00
Interest & Dividends Earned on Investments	51,860,434.91	42,306,556.25
Employers' Matching Contributions	3,240,392.99	2,672,980.06
General Expense Fund Appropriations	688,300.00	622,135.00
Voluntary Contributions	717,954.97	556,726.86
Teachers' Reinstatements	859,645.65	338,071.47
Aetna Life Insurance Co. - Reserve		
Interest Income	---	52,186.00
Experience Increase (Deficit)	---	(530,776.00)
Gain (Loss) on Sale of Investments	(884,221.73)	(833,355.28)
Irregular Payments	9,925.78	1,376.29
Refund Recoveries	661.12	2,078.74
Forfeitures and Adjustments	484.59	615.58
Total Revenues	<u>\$174,748,070.24</u>	<u>\$148,255,371.69</u>
<u>EXPENDITURES</u>		
Benefits for Service and		
Disability Retirements	\$ 66,435,605.55	\$ 60,244,549.78
Benefits Increased by Voluntary		
Contributions	90,772.31	95,641.41
Increased Benefits Continued After		
Voluntary Contributions Expire	8,617.95	5,972.51
Refund of Members' Contributions	5,391,832.05	4,898,179.66
Survivor and Death Benefits	3,111,816.83	2,869,752.20
Comprehensive Medical Insurance Premiums	5,333,971.61	4,055,971.39
General Expense Fund Expenditures	727,937.39	605,225.87
Investment Counsel & Processing Fees	181,325.00	157,958.91
Total Expenditures	<u>\$ 81,281,878.69</u>	<u>\$ 72,933,251.73</u>
<u>EXCESS OF REVENUE OVER EXPENDITURES</u>	<u>\$ 93,466,191.55</u>	<u>\$ 75,322,119.96</u>
<u>TOTAL FUND BALANCES</u>		
Beginning of Year	<u>\$674,288,485.49</u>	<u>\$598,966,365.53</u>
End of Year	<u>\$767,754,677.04</u>	<u>\$674,288,485.49</u>

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
STATE ACCUMULATION FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>REVENUES</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
State Contributions - Permanent	\$ 49,488,128.00	\$ 40,709,416.24
State Contributions - Prior Service	4,882,900.00	4,882,900.00
State Contributions - Benefit Improvements	10,080,300.00	11,206,809.00
Employers' Matching Contributions	3,029,918.80	2,499,373.96
Teachers' Reinstatement Contributions	357,439.99	44,493.76
Expense Fund Balance - 1978 And 1977	16,909.13	14,784.71
Transfers From Guarantee Fund:		
Interest on Fund Balance	8,423,715.52	7,390,155.92
Reinstatements	466,632.62	293,577.71
To Close Prior Year Overpayments by Employers	25,614.91	26,901.84
Forfeitures and Adjustments	6,476.55	6,622.69
Total Revenues	<u>\$ 76,778,035.52</u>	<u>\$ 67,075,035.83</u>
<u>EXPENDITURES</u>		
Transfers to Expense Fund	\$ 43,000.00	\$ ---
Transfers to Allowance Reserve Fund:		
Retirements	9,618,554.27	10,025,888.97
Benefit Improvements	---	10,195,700.00
State Contributions - Prior Service	---	4,882,900.00
Expense Fund Balance	---	14,784.71
Transfers to Guarantee Fund:		
To Adjust for Overpayments by Employers	16,333.67	25,614.91
Refunds	4,947,752.68	4,589,493.39
Benefit Improvements	14,963,200.00	1,011,109.00
To Adjust State Contributions to Match Teachers' Contributions	5,807,008.71	2,614,697.97
Transfers to Survivor, Death, Medical Fund:		
Survivors' Benefits	322,422.50	300,966.60
Forfeitures and Adjustments	---	---
Total Expenditures	<u>\$ 35,718,271.83</u>	<u>\$ 33,661,155.55</u>
<u>EXCESS REVENUES OVER EXPENDITURES</u>	<u>\$ 41,059,763.69</u>	<u>\$ 33,413,880.28</u>
<u>FUND BALANCE</u>		
Beginning of Year	<u>\$293,812,422.75</u>	<u>\$260,398,542.47</u>
End of Year	<u>\$334,872,186.44</u>	<u>\$293,812,422.75</u>



KENTUCKY TEACHERS' RETIREMENT SYSTEM  
TEACHERS' SAVINGS FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>REVENUES</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Teachers' Contributions	\$ 47,155,298.48	\$ 40,640,705.82
Reinstatements	502,205.66	293,577.71
Irregular Payments Prior Year - Escrow	27,393.73	28,770.02
Transfers From Guarantee Fund:		
Interest on Fund Balance	8,423,715.52	7,390,155.92
Transfers Fm Survivor, Death, Medical Fund:		
To Adjust Overpayments by Employers	1,134.28	1,778.82
Refund Recoveries	661.12	2,078.74
Forfeitures and Adjustments	5,011.60	3,738.76
Total Revenues	<u>\$ 56,115,420.39</u>	<u>\$ 48,360,805.79</u>
<u>EXPENDITURES</u>		
Refunds - Regular	\$ 5,087,904.36	\$ 4,575,994.16
Refunds - Special	7,528.80	14,813.87
Irregular Payments - Current Year Escrow	17,467.95	27,393.73
Transfers to Allowance Reserve Fund:		
Retirements	9,618,554.27	10,025,888.97
Transfers to Survivor, Death, Medical Fund:		
Survivors Benefits	322,422.50	300,966.60
To Close Prior Year Overpayments by		
Employers	1,778.82	1,868.18
Total Expenditures	<u>\$ 15,055,656.70</u>	<u>\$ 14,946,925.51</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>\$ 41,059,763.69</u>	<u>\$ 33,413,880.28</u>
<u>FUND BALANCE</u>		
Beginning of Year	<u>\$293,812,422.75</u>	<u>\$260,398,542.47</u>
End of Year	<u>\$334,872,186.44</u>	<u>\$293,812,422.75</u>

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
ALLOWANCE RESERVE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>REVENUES</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Transfers From Teachers' Savings Fund:		
Retirements	\$ 9,620,513.52	\$ 10,025,888.97
Transfers From State Accumulation Fund:		
Retirements	9,620,513.52	10,025,888.97
State Contributions - Prior Service	---	4,882,900.00
Expense Fund Balance - 1977	---	14,784.71
Benefit Improvements	---	10,195,700.00
Transfers From Guarantee Fund:		
Interest on Fund Balance	848,591.27	1,010,922.06
State Deficiency in Service Obligations for Teachers Retired	47,078,225.24	30,717,669.49
Forfeitures and Adjustments	---	---
Total Revenues	<u>\$ 67,167,843.55</u>	<u>\$ 66,873,754.20</u>
<u>EXPENDITURES</u>		
Benefits for Service & Disability Ret.	\$ 66,435,605.55	\$ 60,244,549.78
Transfers to Survivor & Death Benefit Fund:		
Transfers for Payments to Survivors of Deceased Members	45,318.06	33,779.50
Forfeitures and Adjustments	30,632.54	8,105.43
Total Expenditures	<u>\$ 66,511,556.15</u>	<u>\$ 60,286,434.71</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	\$ 656,287.40	\$ 6,587,319.49
<u>FUND BALANCE</u>		
Beginning of Year	\$ 43,539,735.66	\$ 37,574,084.73
Less Transfer to Voluntary Contribution Fund	---	(621,668.56)
End of Year	\$ 44,196,023.06	\$ 43,539,735.66

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
 GUARANTEE FUND  
 STATEMENT OF OPERATIONS AND FUND BALANCE  
 FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>REVENUES</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Interest & Dividends Earned on Investments	\$ 51,860,434.91	\$ 42,306,556.25
Transfers From State Accumulation Fund:		
Refunds	4,948,106.60	4,589,493.39
To Adjust for Employers Overpayments	16,333.67	25,614.91
Benefit Improvements	14,963,200.00	1,011,109.00
To Adjust State Contributions to Match Teachers' Contributions	5,807,008.71	2,614,697.97
Transfers From Survivor, Death, Medical Fund:		
To Adjust Employers Overpayments	1,134.28	1,778.82
To Adjust State Contributions to Match Teachers' Contributions	403,264.06	179,673.72
Gain (Loss) on Sale of Investments	(884,221.73)	(833,355.28)
Forfeitures and Adjustments	16,147.40	192.10
Total Revenues	<u>\$ 77,131,407.90</u>	<u>\$ 49,895,760.88</u>
<u>EXPENDITURES</u>		
Investment Counsel & Processing Fees	\$ 181,325.00	\$ 157,958.91
Transfers to Teachers' Savings Fund:		
Interest on Fund Balance	8,423,715.52	\$ 7,390,155.92
Transfers to State Accumulation Fund:		
Interest on Fund Balance	8,423,715.52	7,390,155.92
Reinstatements	466,632.62	293,577.71
To Close Prior Year Overpayments by Employers	25,614.91	26,901.84
Transfers to Allowance Reserve Fund:		
Interest on Fund Balance	848,591.27	1,010,922.06
State Deficiency in Service Obligation for Teachers Retired	47,078,225.24	30,717,669.49
Transfers to Voluntary Contribution Fund:		
Interest on Fund Balance	177,249.28	131,281.42
To Fund Deficiency From Increased Benefits Continued After Voluntary Contributions Expire	8,617.95	5,972.51
Transfers to Survivor, Death, Medical Fund:		
Interest on Fund Balance	428,420.66	439,587.21
To Close Prior Year Overpayments by Employers	1,778.82	1,868.18
Forfeitures and Adjustments	---	---
Total Expenditures	<u>\$ 66,063,886.79</u>	<u>\$ 47,566,051.17</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>\$ 11,067,521.11</u>	<u>\$ 2,329,709.71</u>
<u>FUND BALANCE</u>		
Beginning of Year	<u>\$ 24,582,970.82</u>	<u>\$ 22,253,261.11</u>
End of Year	<u>\$ 35,650,491.93</u>	<u>\$ 24,582,970.82</u>

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
VOLUNTARY CONTRIBUTION FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>REVENUES</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Voluntary Contributions	\$ 717,954.97	\$ 556,726.86
Transfers From Guarantee Fund:		
Interest on Members Account	177,249.28	131,281.42
Deficiency From Increased Benefits Continued After Voluntary Contributions Expire	8,617.95	5,972.51
Total Revenues	<u>\$ 903,822.20</u>	<u>\$ 693,980.79</u>
<u>EXPENDITURES</u>		
Refunds - Active Members' Contributions	\$ 256,439.43	\$ 304,402.83
Refunds - Retired Members' Contributions	39,959.46	2,968.80
Benefits Increased by Voluntary Contributions	90,772.31	95,641.41
Increased Benefits Continued After Voluntary Contributions Expire	8,617.95	5,972.51
Forfeitures and Adjustments	309.77	---
Total Expenditures	<u>\$ 396,098.92</u>	<u>\$ 408,985.55</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	\$ 507,723.28	\$ 284,995.24
<u>FUND BALANCE</u>		
Beginning of Year	\$ 3,370,909.96	\$ 2,464,246.16
Add Transfer From Allowance Reserve Fund	<u>---</u>	<u>621,668.56</u>
End of Year	\$ 3,878,633.24	\$ 3,370,909.96

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
SURVIVOR, DEATH, MEDICAL FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>REVENUES</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Teachers' Contributions	\$ 3,211,193.48	\$ 2,799,905.90
Employer Matching Contributions	210,474.19	173,606.10
State Matching Contributions	3,436,672.00	2,827,039.76
Transfers From Teachers' Savings Fund:		
Survivor Payments	322,422.50	300,966.60
To Close Prior Year Overpayments by Employers	1,778.82	1,868.18
Transfers From State Accumulation Fund:		
Survivor Payments	322,422.50	300,966.60
Transfers From Allowance Reserve Fund:		
Transfers for Payments to Survivors	45,318.06	33,779.50
Transfers From Guarantee Fund:		
Interest on Fund Balance	428,420.66	439,587.21
To Close Prior Year Overpayments by Employers	1,778.82	1,868.18
Aetna Life Insurance Company		
Interest Income	---	52,186.00
Experience Increase (Deficit)	---	(530,776.00)
Total Revenues	<u>\$ 7,980,481.03</u>	<u>\$ 6,400,998.03</u>
<u>EXPENDITURES</u>		
Comprehensive Medical Insurance Premiums	\$ 5,333,971.61	\$ 4,055,971.39
Survivor & Death Benefit Payments	3,111,816.83	2,869,752.20
Transfers to Teachers' Savings Fund:		
To Adjust for Overpayments by Employers	1,134.28	1,778.82
Transfers to Guarantee Fund:		
To Comply with KRS 161.420 and 161.550	403,264.06	179,673.72
To Adjust for Overpayments by Employers	1,134.28	1,778.82
Forfeitures and Adjustments	481.07	1,832.54
Total Expenditures	<u>\$ 8,851,802.13</u>	<u>\$ 7,110,787.49</u>
<u>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</u>	\$ (871,321.10)	\$ (709,789.46)
<u>FUND BALANCE</u>		
Beginning of Year	<u>\$ 15,153,114.42</u>	<u>\$ 15,862,903.88</u>
End of Year	\$ 14,281,793.32	\$ 15,153,114.42

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
GENERAL EXPENSE FUND  
STATEMENT OF OPERATIONS  
FOR THE YEARS ENDED JUNE 30, 1979 AND 1978

<u>ALLOTMENTS</u>	<u>JUNE 30, 1979</u>	<u>JUNE 30, 1978</u>
Regular Legislative Appropriations	\$ 688,300.00	\$ 622,135.00
Additions Fm State Accumulation Fund	43,000.00	---
Totals	<u>\$ 731,300.00</u>	<u>\$ 622,135.00</u>
 <u>EXPENDITURES</u>		
Salaries Including Fringe Benefits	\$ 453,319.18	\$ 404,892.39
Contracted Professional Services	64,533.34	38,331.48
Postage, Freight	48,303.15	47,452.00
Telephone	9,529.83	8,794.99
Travel	13,257.36	11,487.32
Printing	23,692.38	6,721.37
Maintenance, Building and Equipment	4,150.23	4,513.53
Office, Janitor and Computer Supplies	7,309.39	8,621.19
Carpool Rent	1,882.02	1,641.13
Building Rent	28,601.04	28,055.04
Computer and Other Equipment Rent	38,060.09	31,635.71
Insurance	2,465.60	1,659.60
Subscriptions	1,944.93	2,593.54
Bonds, Fees, Other Miscellaneous	3,734.36	1,386.60
Office Furniture and Equipment	<u>27,154.49</u>	<u>7,439.98</u>
Total Expenditures	<u>\$ 727,937.39</u>	<u>\$ 605,225.87</u>
 Ending Balance Lapsed To State Accumulation Fund	 \$ 3,362.61	 16,909.13







