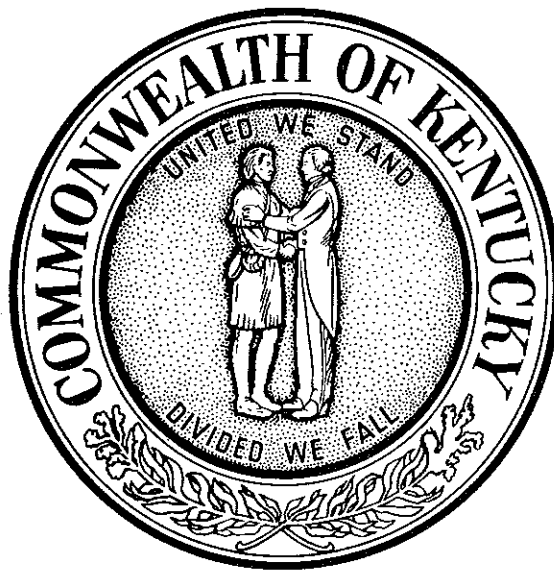


# **TEACHERS' RETIREMENT SYSTEM**

**OF THE STATE OF KENTUCKY**



**1979-80**

**DECEMBER 1980**

**40TH ANNUAL REPORT**

BOARD OF TRUSTEES

W. D. BRUCE, JR.  
CHAIRPERSON, LOUISVILLE

MRS. JAMES SHEEHAN  
VICE CHAIRPERSON, DANVILLE

MARTHA BAKER, PADUCAH  
FRANCES MILLER, RUSSELL  
ARLENE ROMINE, MT. WASHINGTON  
T. K. STONE, ELIZABETHTOWN  
RUMSEY TAYLOR, SR., PRINCETON  
EX-OFFICIO  
DREXELL R. DAVIS  
STATE TREASURER  
RAYMOND H. BARBER  
SUPT. OF PUBLIC INSTRUCTION



PAT N. MILLER  
EXECUTIVE SECRETARY

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

December 1, 1980

Honorable John Y. Brown, Jr., Governor  
Commonwealth of Kentucky  
Capitol Building  
Frankfort, Kentucky 40601

Dear Governor Brown:

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

The Board of Trustees has worked diligently during the past year to maintain and improve the financial aspects of the System, along with providing modest cost of living adjustments for the retired members.

As always, the accomplishments would not have been possible without your assistance and that of the General Assembly.

Kentucky teachers, both active and retired, are proud of their retirement program and your interest and assistance is greatly appreciated.

Respectfully yours,

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

*Pat N. Miller*  
Pat N. Miller  
Executive Secretary

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# TEACHERS' RETIREMENT SYSTEM

## STATE OF KENTUCKY

### BOARD OF TRUSTEES

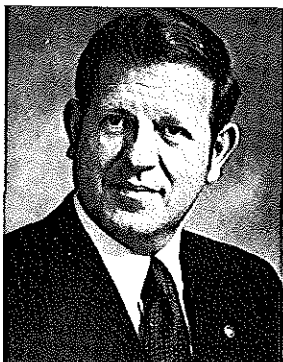
The Kentucky Teachers' Retirement System was created by the 1938 General Assembly and became operational on July 1, 1940 with an appropriation of one million dollars.

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. Frances Miller  
Russell  
Teacher Trustee



Mrs. Arlene Romine  
Mt. Washington  
Teacher Trustee



Mr. T. K. Stone  
Elizabethtown  
Retired Teacher Trustee



Mr. Rumsey Taylor, Sr.  
Princeton  
Lay Trustee



Mr. Raymond Barber  
Superintendent of  
Public Instruction  
Ex-Officio Trustee



Mr. Drexell R. Davis  
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 Counselors: Alliance Capital Mngt. Corp.  
115 S. Lasalle St.  
Chicago, Illinois 60603

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.

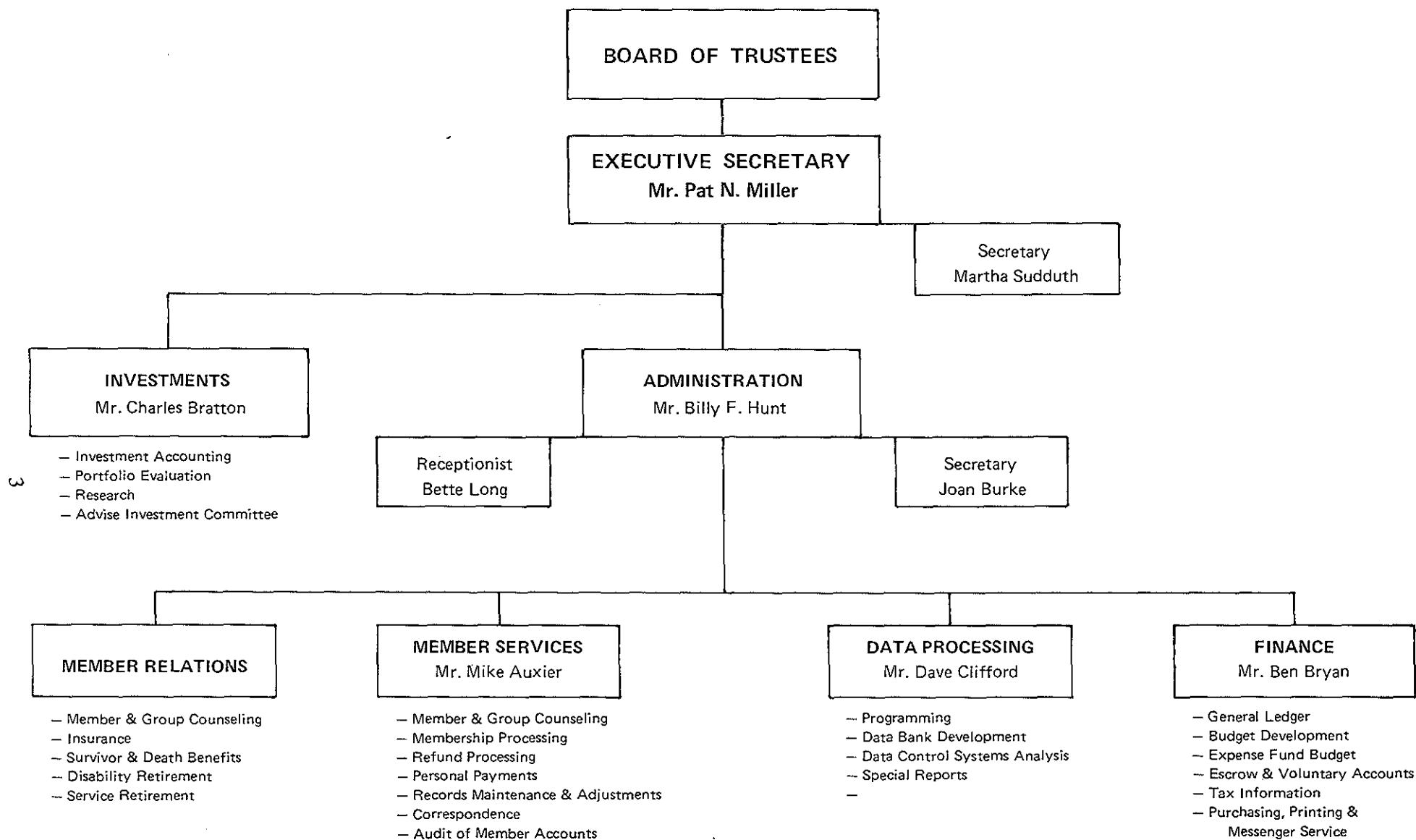
INVESTMENTS: Personnel in this area are responsible for overseeing the nearly \$900 million invested by the Retirement System. In coordination with the Investment Counselors, the investment staff helped the System realize an overall yield of nearly 8% on its total investment program in 1979-80.

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, agency purchasing, and detail administrative functions.



**KENTUCKY TEACHERS' RETIREMENT SYSTEM**  
**EFFECTIVE 7-1-80**



Teachers' Retirement System

Administrative Expenses

for the period July 1, 1974 through June 30, 1978

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Payroll Salaries	288,869	312,162	368,020	404,246	426,319	530,433
Contracted Services	159,897	145,477	201,897	196,290	245,858	247,154
Operating Expenses	101,348	136,878	139,272	155,816	182,931	191,268
Fixed Equipment	11,415	19,801	4,712	6,833	27,154	3,515
TOTALS	561,529	614,318	713,901	763,185	882,262	972,370

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

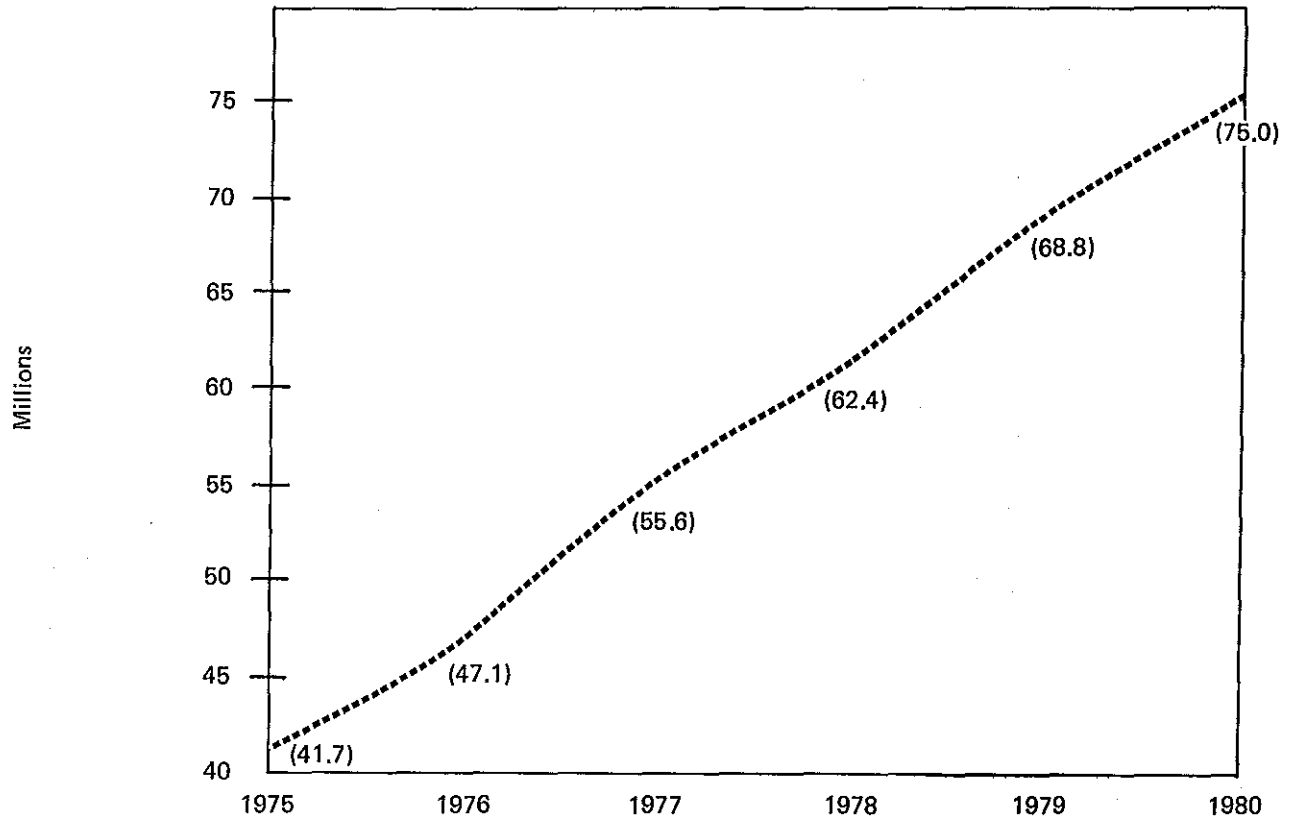
Annual applications for service retirement have shown a decline, particularly since 1976. Two reasons appear to be mainly responsible for the decrease. Inflation has probably been the primary reason members who were eligible to retire have elected to continue working. Inflation over the recent past has 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 1975.

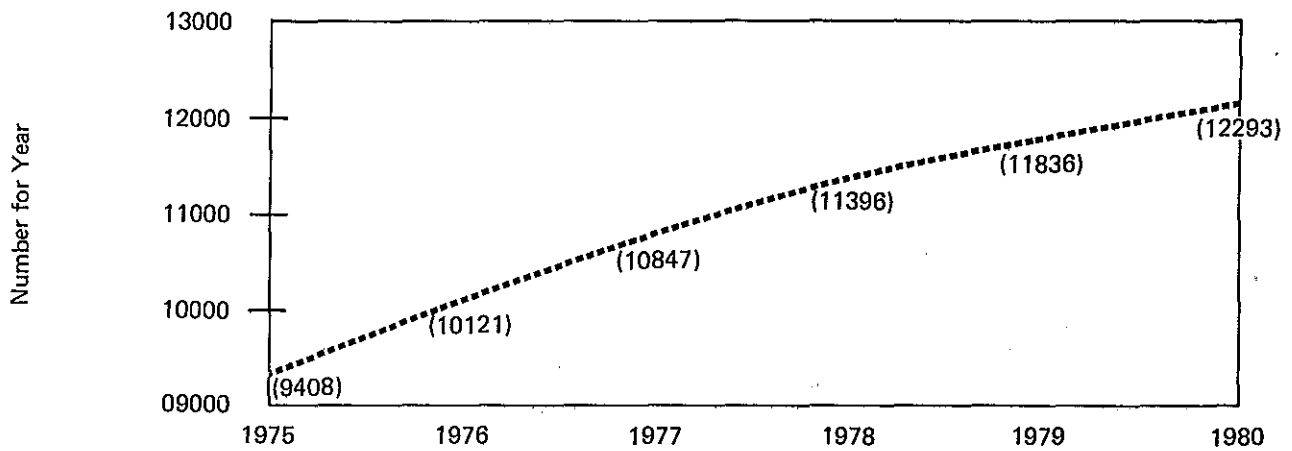
There has been a steady increase in persons eligible for benefit payments other than retirees. This is especially true for persons retiring on disability and those persons classified as survivors of members as shown in the table depicting the payroll for persons other than service retirees.

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.

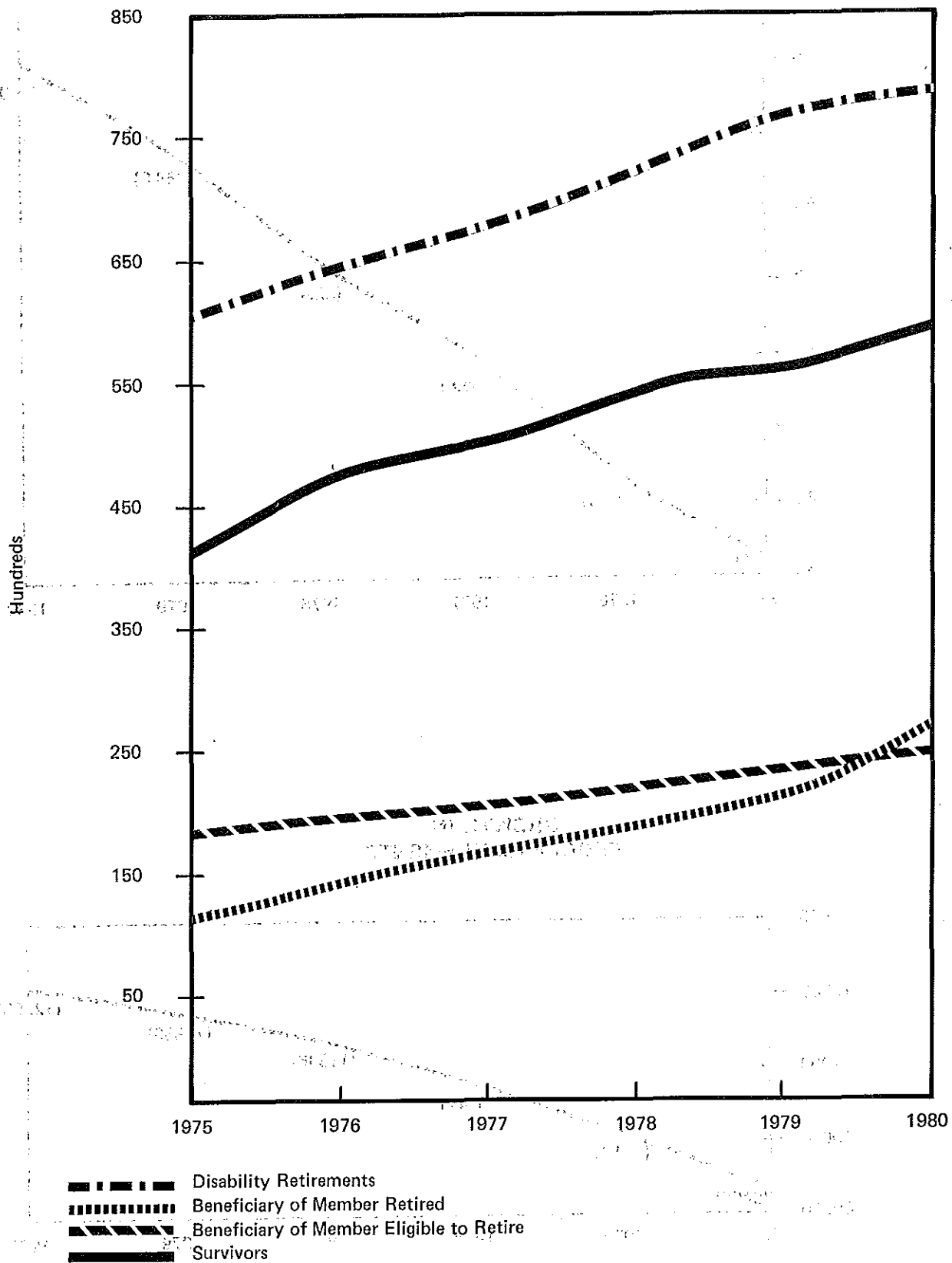
### GROWTH IN ANNUAL PAYROLL TO RETIREES AND SURVIVORS



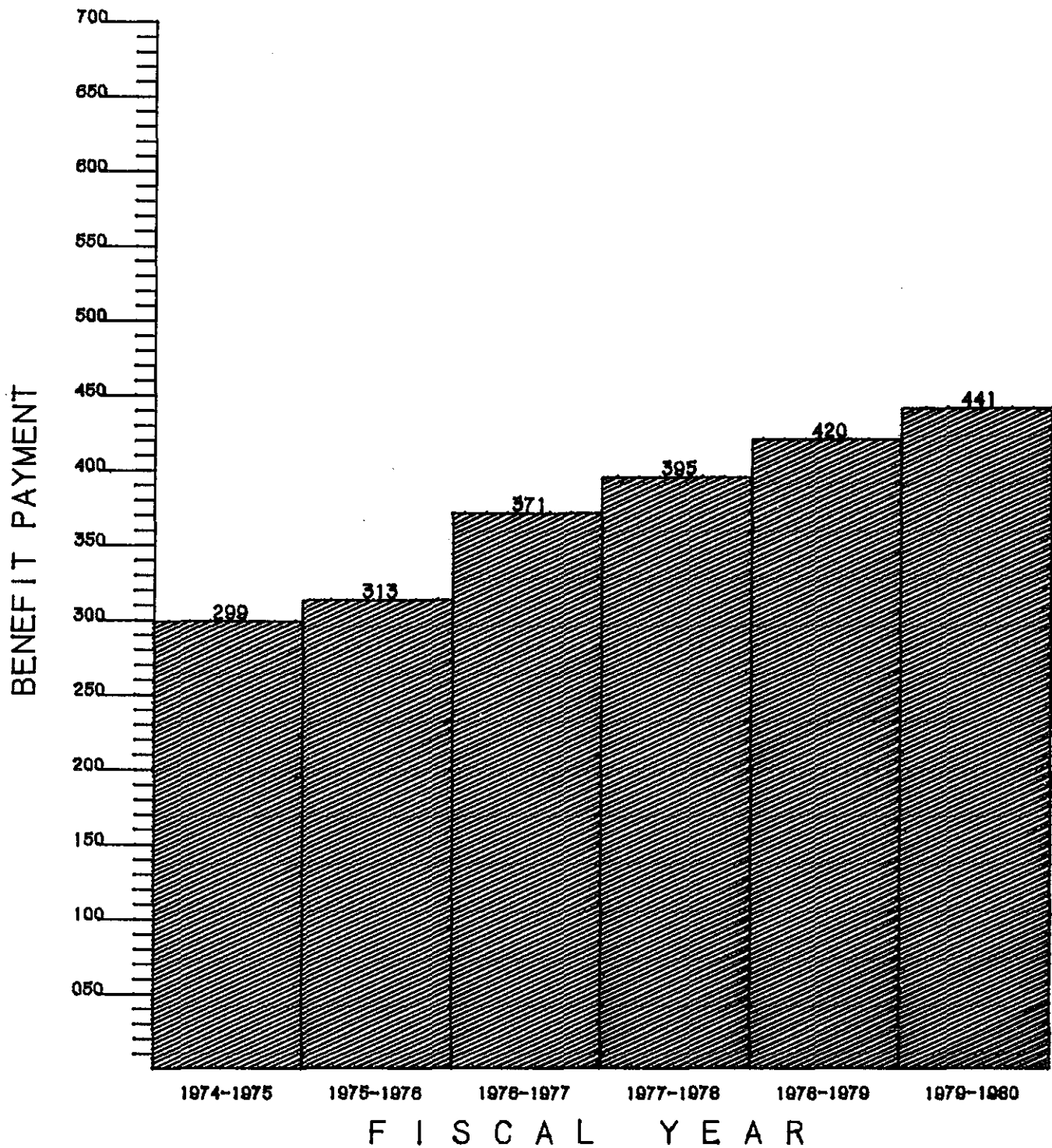
### GROWTH IN SERVICE RETIREMENTS



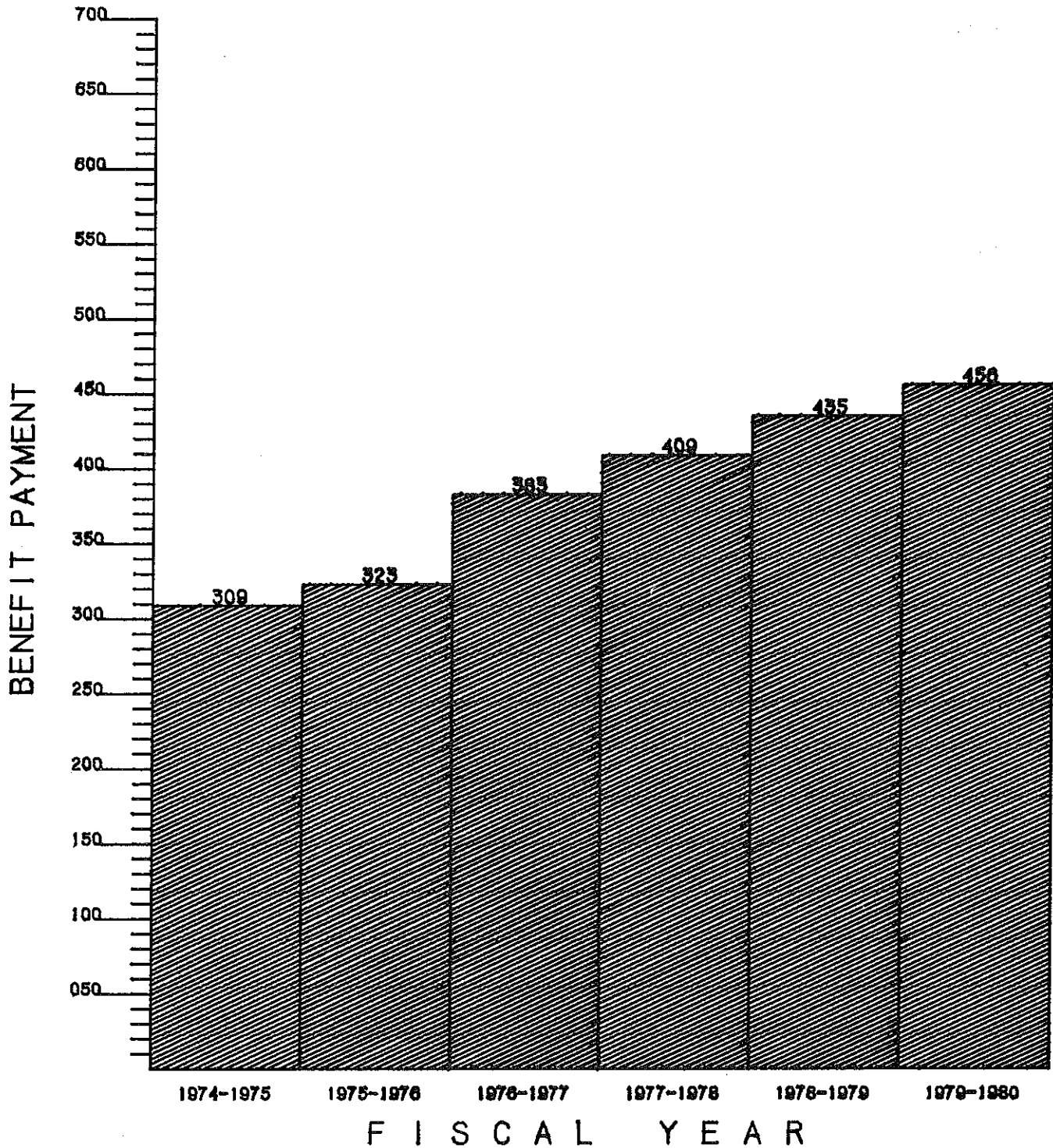
# NUMBER OF ANNUITANTS ON PAYROLL OTHER THAN SERVICE RETIREMENT



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

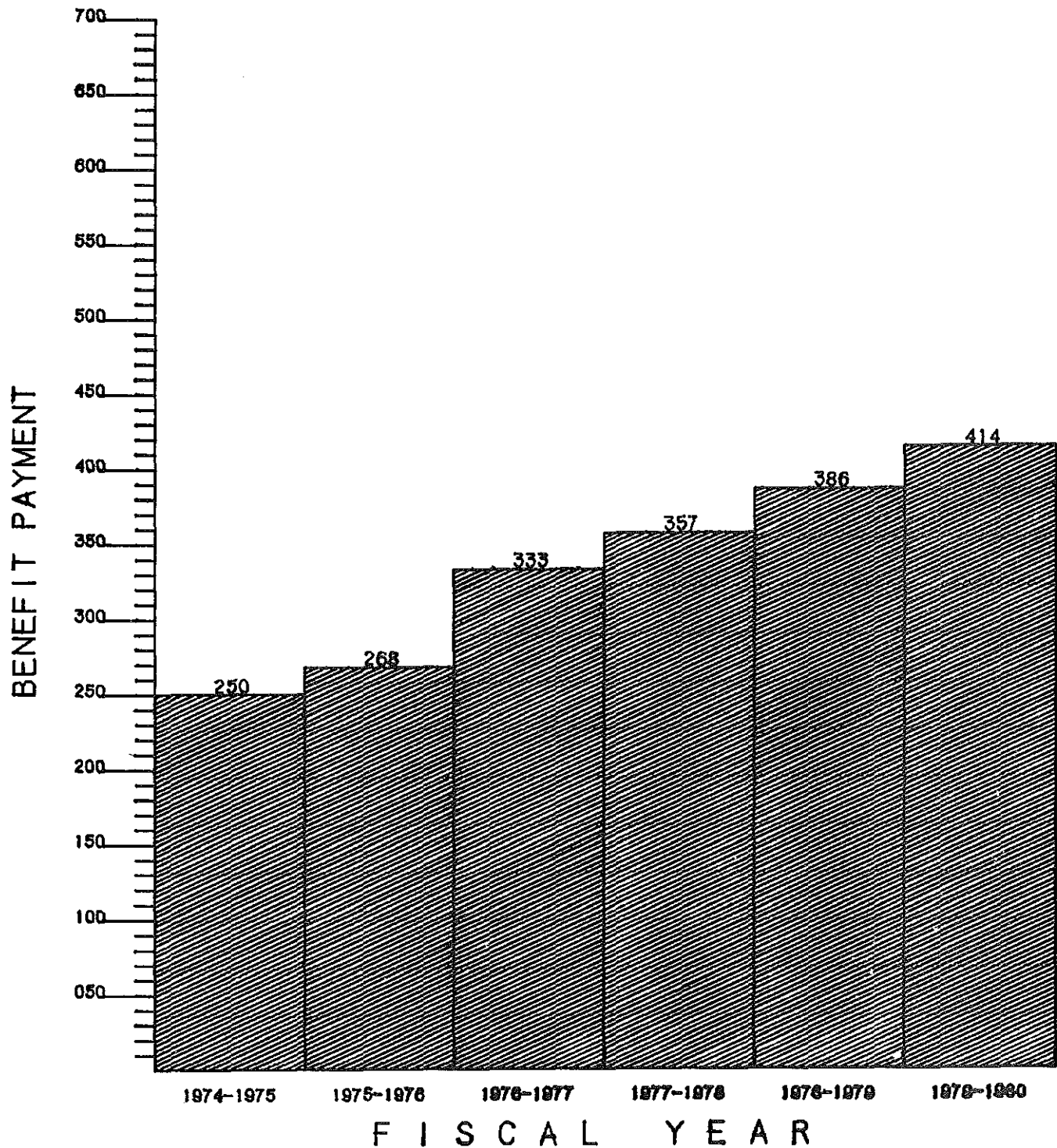


# TEACHERS RETIREMENT SYSTEM

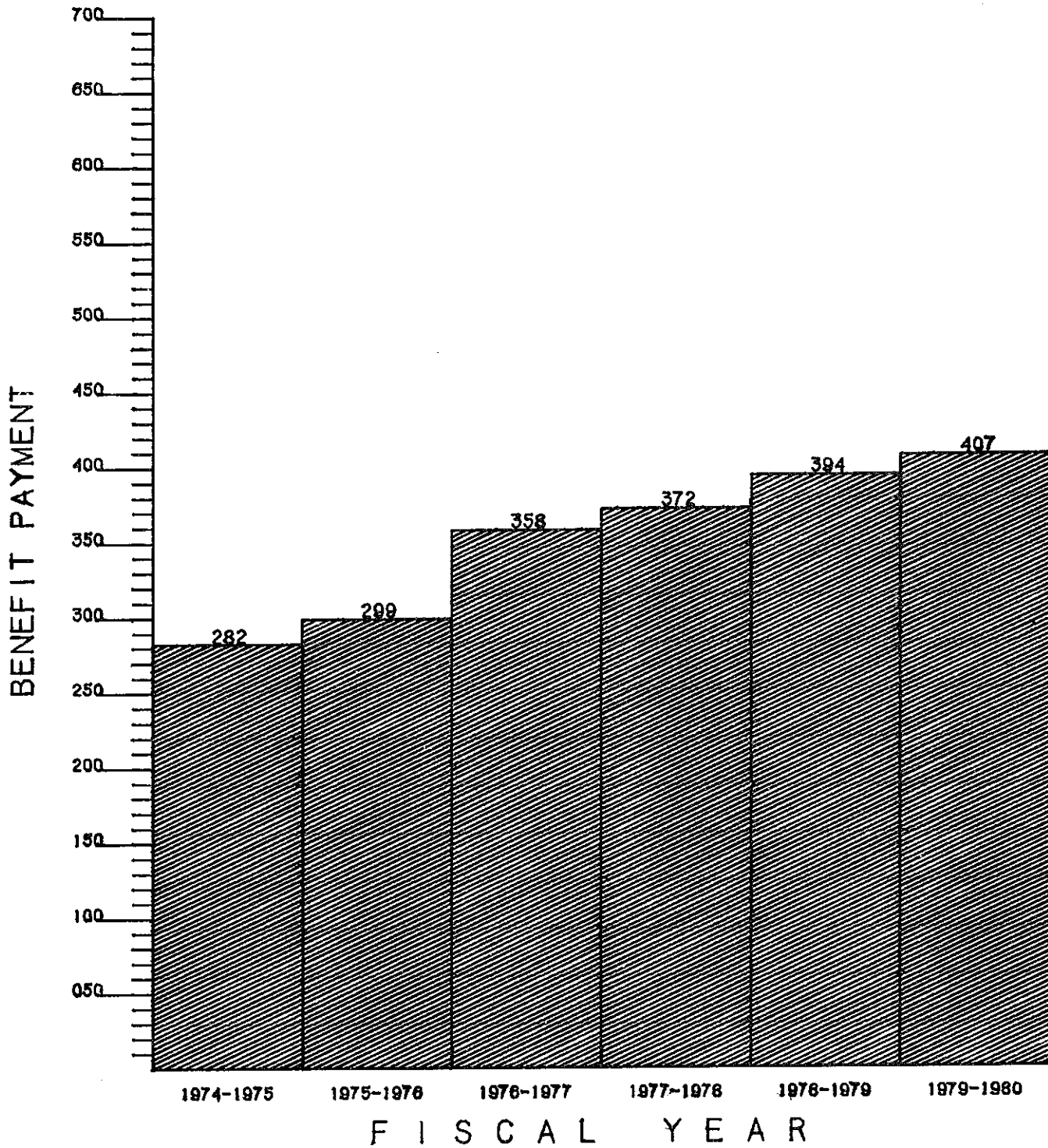
218 W. MAIN  
FRANKFORT KY 40601

## AVERAGE BENEFIT PAYMENT GRAPH

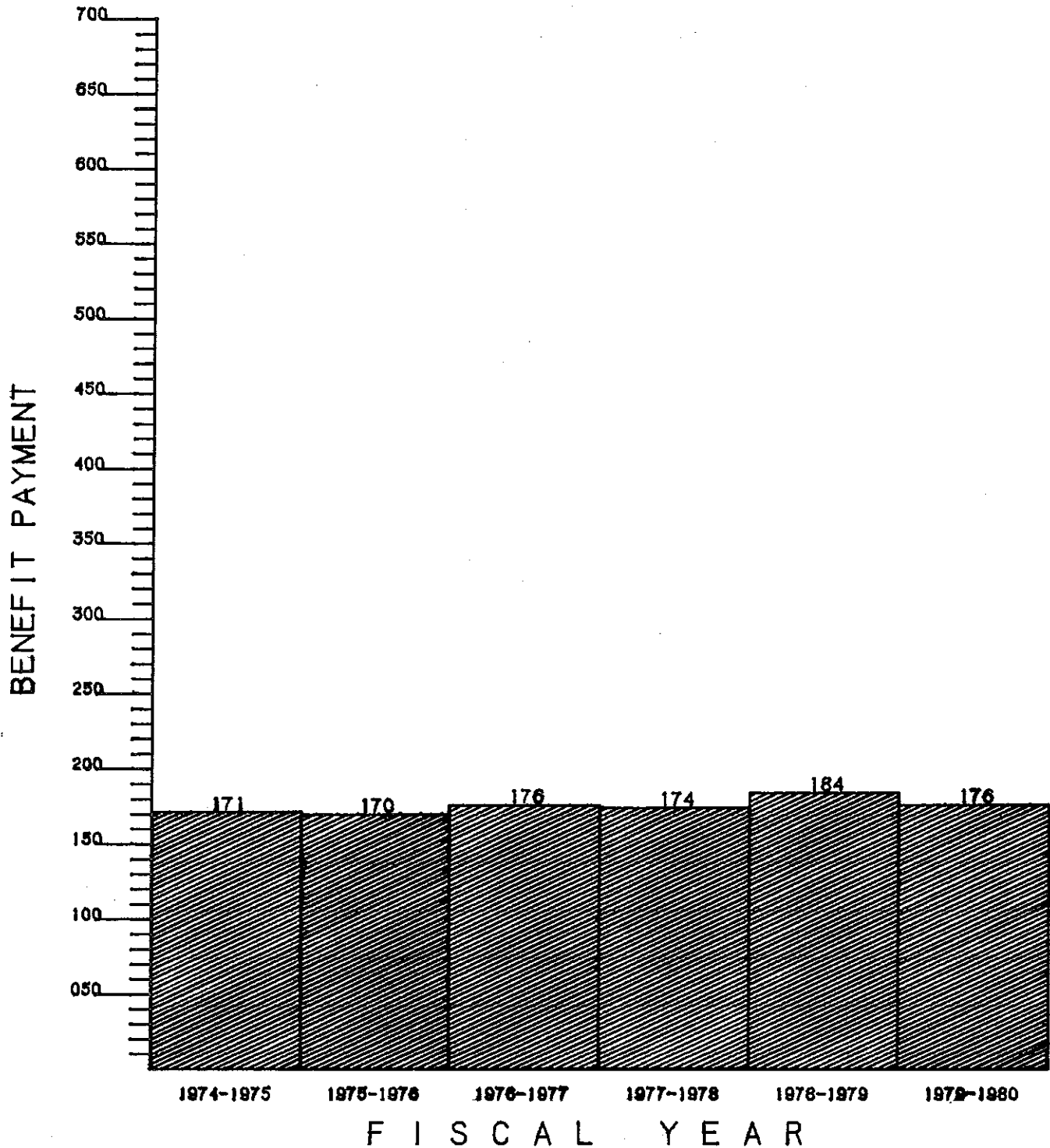
### DISABILITY RETIREES



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, 1980, 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. During the 1979-80 fiscal year the Board of Trustees completely re-evaluated its investment counselor relationship. Proposals were invited from twenty prominent investment counseling firms including six that were located in Kentucky. Following an extensive analysis of the proposals received, final selection was made from a group of six firms that were chosen as finalists and asked to make a formal presentation. Todd Investment Advisors of Louisville was retained as the principal investment counselor. The Chicago office of Alliance Capital Management Corporation was selected as a second investment counselor and approximately \$85 million had been allocated to their

management by year-end. Two firms were selected because the Board of Trustees felt that the portfolio had grown to a size that warranted a reasonable diversification of management and further that the subsequent evaluation of services would be more appropriate given the opportunity to compare the strategies and results of two counseling firms. Both firms employed to provide investment counseling services were required to work within the same set of administrative guidelines and portfolio objectives.

The Farmers Bank and Capital Trust Company, located in Frankfort, Kentucky was retained for 1979-80 as the Custodian of Securities. The Board of Trustees also requested proposals for this service to insure that custodial services received and the related fees were determined in a "competitive bid" environment. It was determined that the Farmers Bank and Capital Trust Company could provide the most cost effective custodial service from among the proposals received from several Kentucky banks.

During the 1980 session of the Kentucky General Assembly, the Board of Trustees worked with the State legislators to pass Senate Bill 108 which modernized that section of the Teachers Retirement Law that governs the investment process. The law is now patterned after the "Prudent Man" concept with a limited number of restrictions regarding asset allocation and legality of specified types of securities. It is anticipated that the changes in the law will increase the flexibility of investment counsel in the management of the portfolio.

The investment portfolio experienced substantial growth during the year. The par value of the portfolio increased \$127.5 million, or 16.6%, to a total of \$895.6 million at year-end. The book value of the fund correspondingly increased 15.2% during the year. Investment income (dividends and interest) also experienced a significant increase of 23% over the previous year to a total of \$64.0 million. The growth of the portfolio can be attributed to

improving teacher salaries and thus increasing contributions and also to the reinvestment of increasing portfolio income. Higher interest rates which were predominant throughout most of the year contributed to the increase in income.

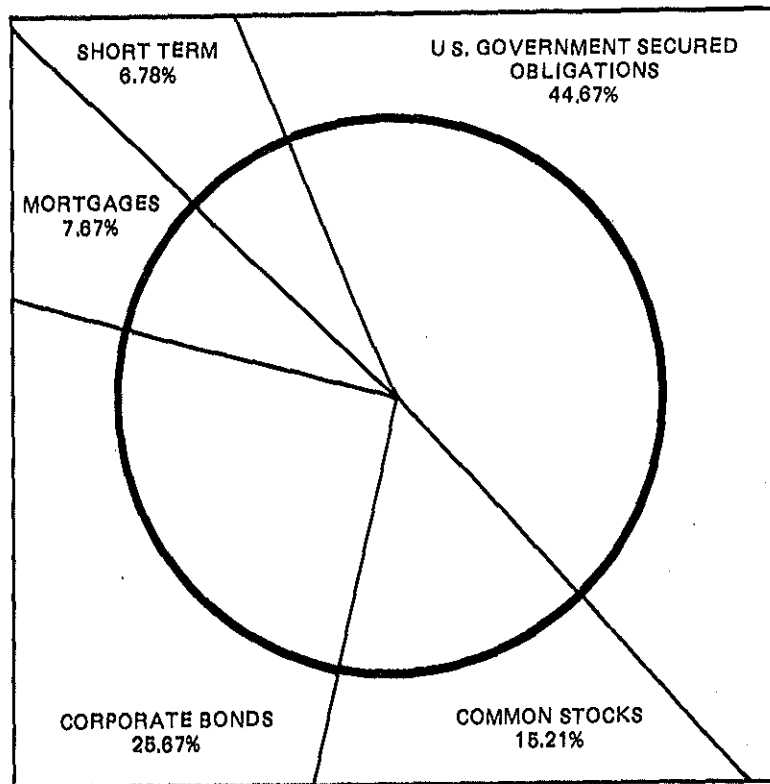
At year-end the "net indicated yield" on fixed income investments was 8.20%. This compares favorably with a projected yield of 7.91% at the beginning of the year and again is the result of purchasing fixed income securities with higher interest rates during the year. The indicated dividend yield on common stocks also reflects a substantial improvement for the year, increasing from 4.90% to 5.42%.

Investment strategy during the first half of the fiscal year called for the accumulation of cash flows in short term investments as both bond and stock markets were reflecting weakness and uncertainty in anticipation of an economic recession. As recession became a reality during the last half of the fiscal year, strategies were initiated to begin shifting short term funds into the stock market and the long term bond market. At year-end, the allocation of funds between stocks and fixed income on a percentage basis were essentially unchanged from the beginning of the year.

The charts on the following two pages display graphically the growth that is discussed in the preceding paragraphs and also provide the reader an opportunity to examine the growth of the system over the last twenty years. Immediately following the charts is a one page analysis of investments held at June 30, 1980. The pages thereafter provide a detail listing of all investments held at June 30, 1980.

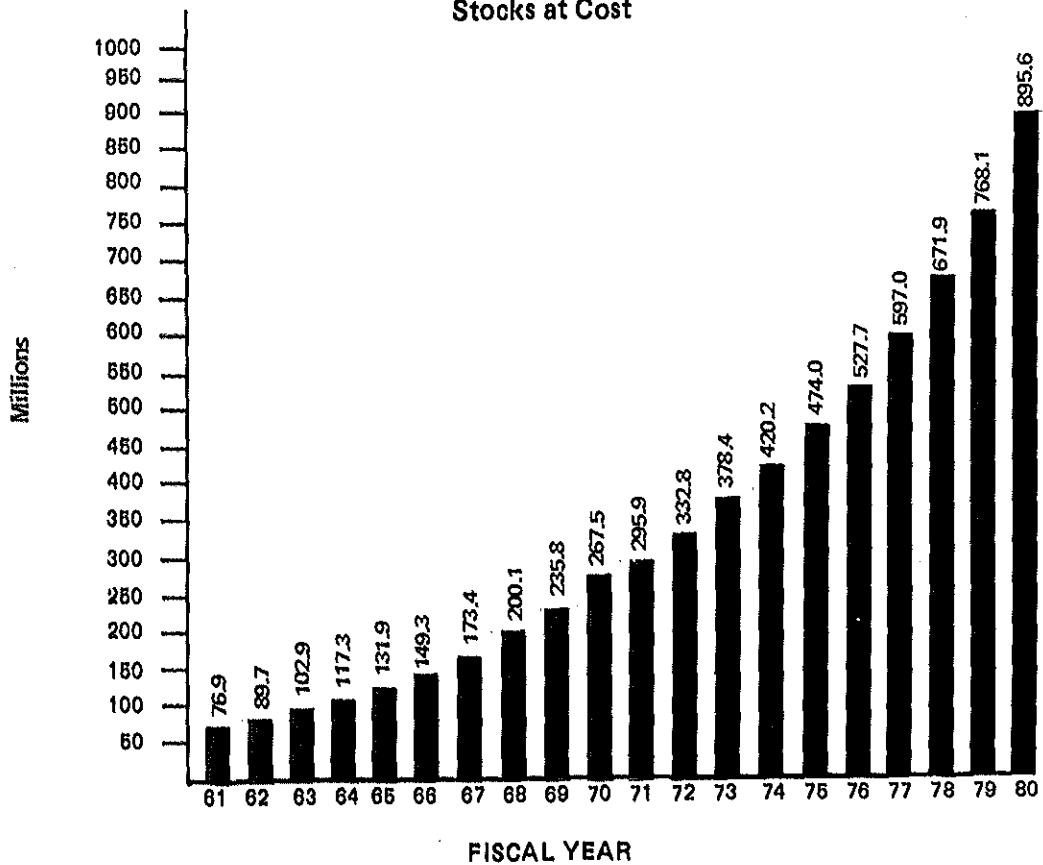
# DISTRIBUTION OF INVESTMENTS

June 30, 1980

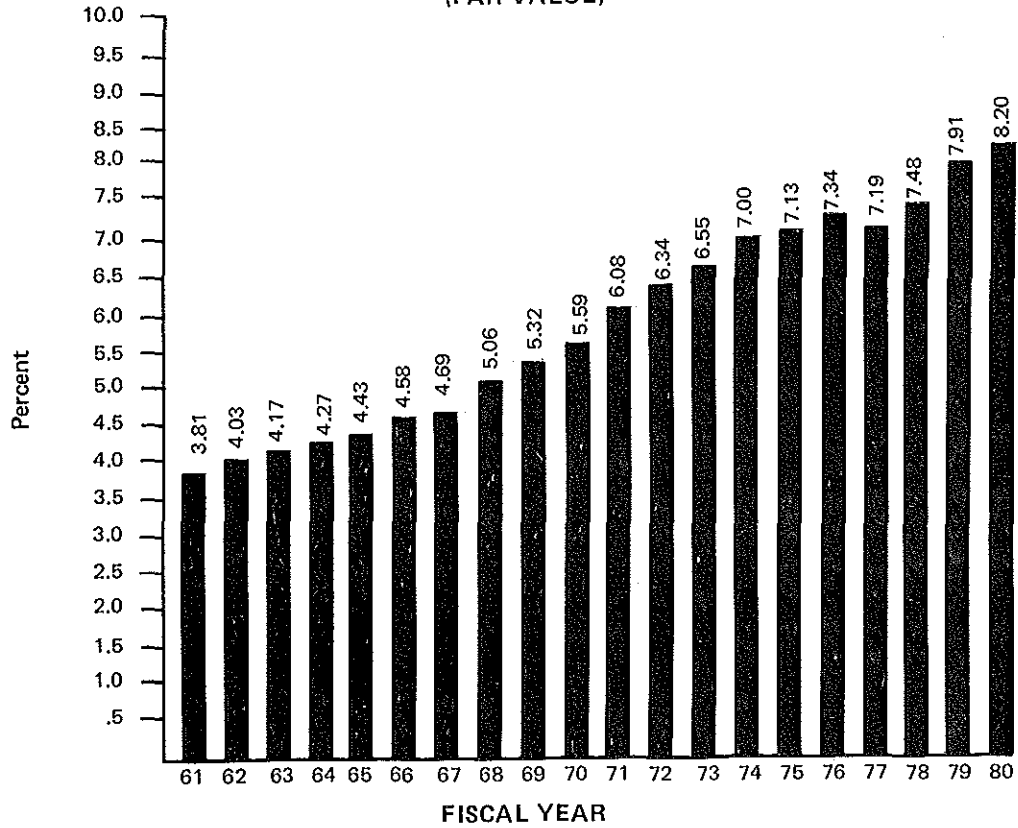


## INVESTMENT PORTFOLIO GROWTH

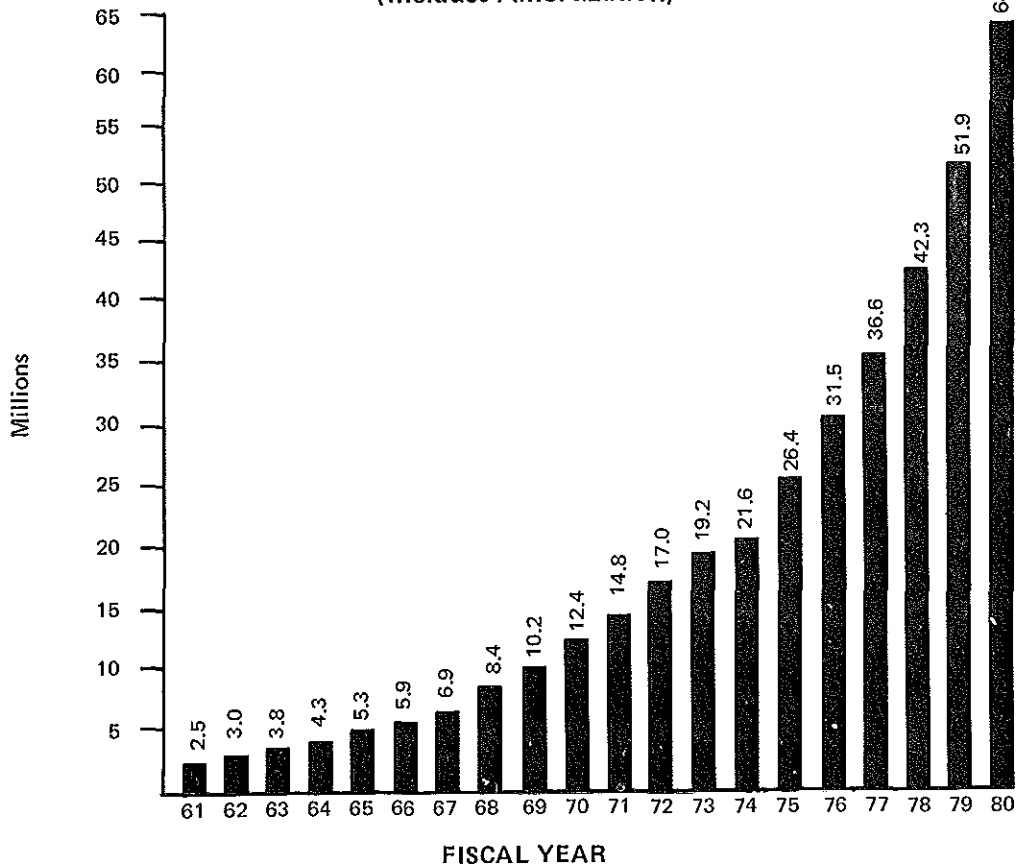
Bonds at Par Value  
Stocks at Cost



STATEMENT OF INVESTMENTS  
**NET INDICATED YIELD**  
on  
**FIXED DOLLAR ASSETS**  
(PAR VALUE)



**INVESTMENT INCOME GROWTH**  
(Includes Amortization)



KENTUCKY TEACHERS RETIREMENT  
ANALYSIS OF INVESTMENTS HELD  
AS OF 06-30-80

	PERCENTAGE OF TOTAL	PAR VALUE	NET ANNUAL INTEREST/INDICATED DIVIDEND INCOME	ANNUAL YIELD
REPURCHASE AGREEMENTS	6.78%	60,700,000.00	5,148,125.00	8.48%
TOTAL SHORT TERM	6.78%	60,700,000.00	5,148,125.00	8.48%
TREASURY NOTES AND BONDS	8.15%	73,000,000.00	7,046,060.40	9.65%
AGENCIES	18.41%	164,896,993.00	12,772,681.51	7.75%
SHIP BONDS (TITLE XI)	7.62%	68,223,597.53	5,521,103.24	8.09%
GNMA (SINGLE FAMILY)	9.68%	86,726,196.14	7,665,171.50	8.84%
OTHER MISCELLANEOUS	.80%	7,188,628.21	688,700.31	9.58%
TOTAL U. S. GOVERNMENT OBLIGATIONS	44.67%	400,035,414.88	33,693,716.96	8.42%
INDUSTRIALS	8.99%	80,506,602.99	6,822,129.49	8.47%
FINANCE	4.34%	38,900,086.96	2,773,767.43	7.13%
UTILITY BONDS (EXCEPT TELEPHONE)	4.83%	43,218,000.00	2,987,253.04	6.91%
TELEPHONE BONDS	6.30%	56,440,000.00	5,086,719.84	9.01%
RAILROAD OBLIGATIONS	1.20%	10,786,232.25	634,850.64	5.89%
TOTAL CORPORATE BONDS	25.67%	229,850,922.20	18,304,720.44	7.96%
FHA & VA SINGLE FAMILY MORTGAGES	3.21%	28,790,078.07	1,919,501.86	6.67%
PROJECT MORTGAGES (FHA & GNMA)	4.34%	38,853,523.41	3,158,653.97	8.13%
STATE AND LOCAL GOVERNMENT OBLIGATIONS	.13%	1,141,666.87	59,271.41	5.19%
TOTAL OTHER FIXED INCOME INVESTMENTS	7.68%	68,785,268.35	5,137,427.24	7.47%
SUBTOTAL	84.79%	759,371,605.43	62,283,989.64	8.20%
COMMON STOCKS 3,390,014.3413 SHARES	15.21%	136,186,123.56	7,375,130.04	5.42%
TOTAL STOCK - 3,390,014.3413 SHARES	15.21%	136,186,123.56	7,375,130.04	5.42%
TOTAL INVESTMENTS, INCOME AND YIELD	100.00%	895,557,728.99	69,659,119.68	7.78%

# SHORT TERM INVESTMENTS

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Repurchase Agreements:</u>			
Repurchase Agreement	7.900%	07/80	500,000.00
Repurchase Agreement	8.000%	07/80	10,500,000.00
Repurchase Agreement	8.000%	07/80	1,600,000.00
Repurchase Agreement	8.250%	07/80	1,600,000.00
Repurchase Agreement	8.250%	07/80	1,500,000.00
Repurchase Agreement	8.250%	07/80	5,000,000.00
Repurchase Agreement	8.450%	07/80	6,000,000.00
Repurchase Agreement	8.500%	07/80	6,600,000.00
Repurchase Agreement	8.625%	07/80	1,600,000.00
Repurchase Agreement	8.625%	07/80	2,000,000.00
Repurchase Agreement	8.650%	07/80	10,500,000.00
Repurchase Agreement	8.650%	07/80	5,000,000.00
Repurchase Agreement	8.875%	07/80	5,000,000.00
Repurchase Agreement	9.375%	07/80	3,300,000.00
Total Short Term Investments			60,700,000.00

# U. S. GOVERNMENT OBLIGATIONS

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Treasury Notes &amp; Bonds</u>			
U. S. Treasury Bonds	8.750%	11/08	3,000,000.00
U. S. Treasury Bonds	9.000%	02/94	7,000,000.00
U. S. Treasury Bonds	9.125%	05/09	15,000,000.00
U. S. Treasury Bonds	10.125%	11/94	14,000,000.00
U. S. Treasury Bonds	10.375%	11/09	27,000,000.00
U. S. Treasury Notes	7.000%	11/81	7,000,000.00
			73,000,000.00
<u>Federal Agencies:</u>			
Banks for Cooperatives	7.750%	01/86	14,000,000.00
Farmers Home Insured Notes FHA	7.500%	05/88	1,496,993.00
Federal Farm Credit Banks	7.750%	09/89	5,000,000.00
Federal Farm Credit Banks	8.450%	04/82	9,000,000.00
Federal Home Loan Bank	7.450%	05/82	2,600,000.00
Federal Home Loan Bank	7.650%	05/87	12,000,000.00
Federal Home Loan Bank	7.850%	08/84	20,000,000.00
Federal Home Loan Bank	7.950%	02/82	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%	08/87	10,000,000.00
Federal Intermediate Credit Banks	6.950%	01/87	15,000,000.00
Federal Intermediate Credit Banks	7.950%	04/86	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%	01/88	10,000,000.00
Federal Land Bank	7.950%	10/85	15,000,000.00
Federal Land Bank	8.100%	07/85	9,800,000.00
Tennessee Valley Auth Pr Ser B	7.350%	05/97	2,000,000.00
			<u>164,896,993.00</u>

<u>Ship Bonds (Title XI):</u>			
American Export Freedom	7.300%	07/97	1,818,000.00
American Export Isbrandtsen MM	7.300%	07/97	1,745,000.00
American Export Lns S F Ser I	7.950%	06/04	4,319,000.00
Apache Marine Services	10.400%	04/04	4,781,000.00
Atlas Marine American Heritage	7.700%	12/96	2,975,554.20
Central Gulf Lines Lash Lighters	8.250%	01/95	4,216,710.03
Crowley Maritime	8.125%	09/99	4,552,569.82
Diamond M. Drilling New Era	7.750%	09/89	3,727,429.60
Flowers Transportation SF	8.400%	05/00	1,978,714.40
Marine Ship Leasing A Antarctic	7.875%	09/95	1,096,296.28
Marine Vessel Leasing Ind Ocean	7.875%	10/95	903,703.69
Shipco 2296 Series C SF	8.100%	02/02	4,738,000.00
Shipco 668 Series A SF	8.500%	05/02	4,785,000.00
Stuyvesant Issue	7.950%	09/97	9,426,931.99
Stuyvesant Issue	8.000%	05/95	3,145,000.00
Union Mechling Corp SF	8.000%	01/02	4,563,687.52
Wabash Transportation	5.400%	06/89	4,451,000.00
Zapata Marine US Inc SF	7.700%	09/94	5,000,000.00
			<u>68,223,597.53</u>

<u>GNMA (Single Family):</u>			
Pool 04511	9.000%	11/04	67,283.34
Pool 05144	7.250%	11/04	1,212,197.25
Pool 07199	7.250%	06/05	644,992.27
Pool 07405	7.250%	07/05	1,455,403.28
Pool 09012	7.250%	12/05	768,603.77
Pool 09373	7.250%	01/06	711,573.05
Pool 09394	7.250%	12/05	740,868.49
Pool 13400	7.500%	01/07	876,681.18
Pool 13512	7.500%	01/07	1,543,479.54
Pool 13848	7.500%	03/07	674,905.49
Pool 14006	7.500%	01/07	742,612.65
Pool 14172	7.500%	02/07	802,306.92
Pool 14282	7.500%	01/07	2,443,808.14
Pool 14356	7.500%	01/07	840,462.86
Pool 14563	7.500%	01/07	893,692.07
Pool 14572	7.500%	01/07	750,154.24
Pool 14705	7.500%	02/07	1,653,286.82
Pool 14958	7.500%	02/07	890,058.01
Pool 15033	7.500%	02/07	785,512.09
Pool 15094	7.500%	01/07	820,667.49
Pool 15242	7.500%	02/07	879,045.45
Pool 15293	7.500%	01/07	1,834,656.34

U. S. GOVERNMENT OBLIGATIONS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
GNMA Single Family: (Continued)			
Pool 15374	7.500%	02/07	865,554.64
Pool 15397	7.500%	01/07	794,287.14
Pool 15510	7.500%	02/07	813,930.96
Pool 15581	7.500%	02/07	726,529.74
Pool 15597	7.500%	06/07	890,432.36
Pool 15703	7.500%	03/07	1,661,294.46
Pool 15704	7.500%	04/07	425,574.35
Pool 15738	7.500%	03/07	745,602.55
Pool 15814	7.500%	06/07	730,040.54
Pool 15891	7.500%	04/07	1,797,145.26
Pool 15910	7.500%	02/07	829,774.34
Pool 15924	7.500%	02/07	1,670,529.30
Pool 15943	7.500%	02/07	1,699,199.16
Pool 16032	7.500%	05/07	879,936.61
Pool 16114	7.500%	03/07	786,586.39
Pool 16336	7.500%	05/07	901,343.17
Pool 16547	7.500%	04/07	1,544,217.25
Pool 16751	7.500%	06/07	813,005.59
Pool 16837	7.500%	04/07	874,210.59
Pool 16844	7.500%	04/07	2,509,574.21
Pool 16943	7.500%	05/07	750,586.99
Pool 16980	7.500%	07/07	427,133.16
Pool 17030	7.500%	04/07	1,749,876.91
Pool 17151	7.500%	06/07	1,486,668.77
Pool 17194	7.500%	04/07	1,760,920.43
Pool 17296	7.500%	07/07	2,629,787.42
Pool 19197	7.500%	09/07	795,496.38
Pool 26125	9.000%	11/08	964,219.07
Pool 26749	9.000%	01/09	1,000,370.72
Pool 27076	9.000%	10/08	951,876.17
Pool 27128	9.000%	02/09	975,750.01
Pool 27223	9.000%	01/09	987,251.15
Pool 27438	9.000%	12/08	947,513.80
Pool 27533	9.000%	04/09	992,598.73
Pool 27545	9.000%	12/08	1,933,655.02
Pool 27691	9.000%	10/08	904,717.77
Pool 28233	9.000%	12/08	976,154.21
Pool 28314	9.000%	12/08	923,198.18
Pool 28521	9.000%	04/09	992,739.39
Pool 28911	9.000%	01/09	990,848.28
Pool 29388	9.000%	01/09	941,939.99
Pool 29419	9.000%	05/09	998,145.20
Pool 29697	9.000%	02/09	946,516.60
Pool 29734	9.000%	02/09	966,829.59
Pool 29895	9.000%	02/09	978,561.52
Pool 30084	9.000%	01/09	993,137.16
Pool 30657	9.000%	03/09	1,941,903.10
Pool 31076	9.000%	05/09	993,585.29
Pool 31893	9.000%	06/09	978,648.64
Pool 32284	9.000%	05/09	4,904,618.75
Pool 32706	9.500%	09/09	4,949,928.39
			<u>86,726,196.14</u>

# U. S. GOVERNMENT OBLIGATIONS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Other - Miscellaneous:</u>			
FHA Certificate of Claim	3.000%		4,516.76
FHA Certificate of Claim	3.000%		32,887.02
Missouri Kansas Texas RR Notes	9.250%	12/87	517,000.00
Republic Panama External Secured	4.800%	04/93	618,000.00
Seatrains Ship Bldg. US Gtd (EDA) A	9.875%	05/01	5,964,000.00
Student Loans HEW Pleasureville Bk	7.000%		35,959.12
Student Loans HEW Pleasureville Bk	7.750%		16,265.31
			<u>7,188,628.21</u>

Total U. S. Government Obligations

400,035,414.88

## CORPORATE BONDS

### Industrials:

Allied Chemical Corp Notes	8.375%	04/83	4,000,000.00
Allis Chalmers Mfg. S F Deb	5.100%	05/90	750,000.00
Aluminum Co. America S F Deb	9.450%	05/00	1,250,000.00
American Metal Climax S F Deb	8.500%	03/96	1,300,000.00
Ariel Properties Inc. Mortgage Note	7.000%	07/98	515,355.46
Armco Steel Deb	9.200%	07/00	1,300,000.00
Atlantic Richfield S F Deb	11.375%	05/10	2,000,000.00
Beatrice Foods Co. S F Deb	10.875%	05/10	3,000,000.00
Chevron London 1st Prfd. Ship Mtg	7.700%	09/97	941,131.76
Chevron Stations Inc. Note	5.100%	04/91	137,000.00
Countrywide Stations Secrd Notes C	7.500%	09/02	3,636,000.00
Cummins Engine Co. Inc. Notes	4.600%	07/90	165,000.00
Dayton-Hudson Corp. S F Deb	10.875%	05/05	4,000,000.00
Dow Chemical Deb	8.500%	02/05	2,200,000.00
Dow Chemical Notes	5.000%	04/91	822,000.00
Dresser Industries Inc. Notes	8.650%	05/85	4,250,000.00
Dresser Industries S F Deb	9.375%	05/00	1,750,000.00
Exxon Transportation Gtd Notes	7.400%	07/02	2,500,000.00
Fahrney Paul L 1st Prfd Ship Mtg	7.700%	09/97	941,131.76
Federated Dept. Stores S F Deb	10.250%	06/10	4,000,000.00
Halliburton Company S F Deb	10.200%	06/05	2,000,000.00
I P Petroleum Gtd Notes	8.500%	02/82	728,484.00
Ingersoll-Rand Notes	8.750%	05/85	4,000,000.00
Inland Steel 1st Mtg Ser O	8.750%	07/95	2,733,000.00
Leased Tankers Secured Notes A	7.450%	12/92	4,000,000.00
Liggett Myers S F Deb	8.625%	04/01	2,000,000.00
North American Rockwell S F Deb	8.300%	04/96	1,200,000.00
Philip Morris Inc. Notes	8.500%	03/85	4,000,000.00
Philip Morris S F Debs	9.125%	07/03	1,600,000.00
Pitney Bowes Inc S F Deb	9.000%	10/95	600,000.00
Quaker Oats S F Deb	7.700%	06/01	2,000,000.00
Revlon Inc Notes	8.450%	05/85	3,000,000.00

## CORPORATE BONDS (Continued)

	Coupon	Maturity	Par Value
<u>Industrials: (Continued)</u>			
Reynolds R J Industries S F Deb	7.375%	02/01	1,000,000.00
Sybron Corporation S F Deb	7.500%	04/94	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%	03/06	1,500,000.00
United States Steel Sub Deb	4.625%	01/96	4,425,000.00
Vale B S Corp Note Ashland Oil	5.000%	06/86	262,500.01
			<u>80,506,602.99</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%	06/87	1,000,000.00
Beneficial Finance Deb	4.500%	03/92	495,000.00
Beneficial Finance Deb	5.000%	11/90	1,675,000.00
Beneficial Finance SR Notes	4.600%	03/89	2,625,000.00
Commercial Credit SR Notes	4.875%	09/87	1,000,000.00
General Electric Credit Deb	11.750%	06/05	3,000,000.00
General Electric Credit SR Note	4.650%	05/86	2,500,000.00
General Motors Accept Corp Deb	7.750%	10/94	4,877,000.00
General Motors Accept Corp Deb	8.000%	01/02	3,500,000.00
GMAC Notes Shelf Reg	8.250%	03/82	3,000,000.00
Household Finance Corp Deb	4.750%	01/89	3,500,000.00
International Harvstr Credit Deb	8.625%	08/91	500,000.00
Marathon Finance Guaranteed Nts	5.500%	05/87	275,000.00
Marathon Finance Promissory Nts	4.550%	04/85	102,000.00
Mellon National Corp Notes	7.800%	03/82	4,000,000.00
Montgomery Ward Credit Deb	6.500%	09/87	300,000.00
Montgomery Ward Credit Deb	9.250%	11/90	1,500,000.00
Penney J C Financial Corp Deb	7.875%	09/91	2,000,000.00
Roxbury Properties Corp Secrd Nt	4.750%	01/89	244,237.96
Seaboard Finance S F Deb	7.875%	04/89	546,000.00
United California Bk Cap Notes	4.500%	01/90	200,000.00
Villiers Realty Corp Secrd Nts	4.750%	10/89	260,849.00
			<u>38,900,086.96</u>

Utility Bonds: (Except Telephone)

Alabama Gas Corp 1st Mtg F	7.250%	02/94	300,000.00
Arkansas Power Light 1st Mtg	4.375%	02/93	325,000.00
Arkansas Power Light 1st Mtg	5.875%	03/97	200,000.00
Brooklyn Union Gas 1st Mtg	4.375%	05/88	197,000.00
Cambridge Electric Light Notes C	6.250%	06/97	592,000.00
Cape Vineyard Electric Notes B	6.125%	06/97	99,000.00
Con Edison 1st Ref Mtg EE	6.250%	08/97	500,000.00
Con Edison 1st Ref Mtg FF	6.850%	10/98	250,000.00
Con Edison 1st Ref Mtg R	4.750%	06/90	575,000.00
Con Edison 1st Ref Mtg S	5.000%	12/90	700,000.00
Con Edison 1st Ref Mtg V	4.375%	06/92	1,150,000.00
Consumers Power 1st Mtg	7.500%	06/02	3,000,000.00

## CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Utility Bonds: (Continued)</u>			
Continental Oil Company Notes	4.750%	05/85	53,000.00
Continental Oil Company Notes	5.875%	12/89	531,000.00
Continental Pl Gtd Notes	7.500%	05/94	210,000.00
Elizabethtown Water Co. Deb N J	4.875%	02/92	818,000.00
Florida Power Corp 1st Mtg	7.375%	06/02	2,000,000.00
Florida Power Light 1st Mtg	4.625%	03/95	100,000.00
Florida Power Light 1st Mtg	5.000%	12/95	700,000.00
Interstate Power 1st Mtg	4.625%	05/95	400,000.00
Interstate Power 1st Mtg	5.000%	05/87	325,000.00
Interstate Power 1st Mtg	6.125%	05/97	555,000.00
Iowa Electric Lt Pr 1st Mtg J	6.250%	09/96	250,000.00
Kentucky Utilities 1st Mtg I	8.750%	04/00	300,000.00
Kentucky Utilities 1st Mtg J	7.625%	09/01	2,000,000.00
Louisiana Power Light 1st Mtg	5.750%	03/96	150,000.00
Louisiana Power Light 1st Mtg	6.500%	09/97	200,000.00
Louisville Gas Electric 1st Mtg	8.250%	08/01	2,000,000.00
Milwaukee Gas Light 1st Mtg	4.625%	05/87	794,000.00
New York St Elec Gas 1st Mtg	6.500%	09/98	250,000.00
Nor Indiana Pub Ser 1st Mtg O	6.375%	09/97	650,000.00
Northern Natural Gas Debentures	9.000%	11/95	4,500,000.00
Ohio Power 1st Mtg	10.125%	06/82	1,750,000.00
Otter Tail Power 1st Mtg	4.875%	02/91	500,000.00
Pacific Gas Elec 1st Ref Mtg QQ	6.625%	06/00	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%	04/92	283,000.00
Pacific Power Light 1st Mtg	5.000%	10/95	270,000.00
Pennsylvania Electric Deb	5.250%	06/86	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%	07/98	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%	06/97	790,000.00
Pub Ser Indiana 1st Mtg W	9.600%	08/05	500,000.00
Pub Ser New Hampshire 1st Mtg Q	9.000%	11/00	150,000.00
Sierra Pacific Power 1st Mtg	4.750%	06/94	200,000.00
Sierra Pacific Power 1st Mtg	4.875%	06/92	750,000.00
Sou Carolina Elec Gas 1st Ref	8.000%	03/01	250,000.00
Sou Elec Gen 1st Mtg 1959	5.250%	06/92	570,000.00
Sou Elec Gen 1st Mtg 1961	5.250%	06/92	700,000.00
Sou Natural Gas 1st Mtg Pl S F	4.750%	12/81	87,000.00
Tenneco Inc Deb	9.875%	05/00	1,000,000.00
Tucson Gas Electric 1st Mtg	4.550%	02/95	300,000.00
United Gas Inc. 1st Mtg	6.500%	12/89	2,028,000.00
Virginia Elec Power 1st Ref Mtg	9.250%	03/06	1,000,000.00
Washington Natural Gas 1st Mtg	6.875%	09/93	190,000.00
Western Mass Elec 1st Mtg	5.750%	03/97	200,000.00
Western Mass Elec 1st Mtg G	6.750%	03/98	100,000.00
Wisconsin Gas 1st Mtg	6.625%	10/91	625,000.00
			<u>43,218,000.00</u>

## CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Telephone Bonds:</u>			
American Tel Tel Deb	5.500%	01/97	2,100,000.00
American Tel Tel Deb	6.000%	08/00	1,000,000.00
Chesapeake Potomac Tel W Va Deb	9.250%	07/19	2,000,000.00
Gen Telephone Florida 1st Mtg	8.000%	03/01	250,000.00
Gen Telephone Midwest 1st Mtg F	7.500%	02/01	200,000.00
Hawaiian Telephone 1st Mtg S	6.750%	04/98	100,000.00
Hawaiian Telephone 1st Mtg T	8.750%	09/00	200,000.00
Michigan Bell Tel Deb	7.000%	11/12	2,000,000.00
New England Tel Tel Co Notes	8.750%	06/81	6,000,000.00
New York Tel Ref Mtg W	8.300%	08/12	2,500,000.00
New York Tel Tel Deb	8.250%	10/15	3,750,000.00
Ohio Bell Telephone Deb	9.000%	11/18	2,500,000.00
Pacific Northwestern Bell Tel Deb	11.000%	05/20	5,000,000.00
Pacific Tel Tel Deb	7.800%	03/07	250,000.00
Pacific Tel Tel Deb	15.500%	03/20	3,000,000.00
South Central Bell Tel Deb	8.250%	08/13	4,000,000.00
South Central Bell Tel Deb	8.250%	11/15	7,500,000.00
Southern Bell Tel Tel Deb	8.625%	09/18	2,500,000.00
Southwestern Bell Tel Deb	4.625%	08/95	1,590,000.00
Southwestern Bell Tel Deb	6.750%	06/08	1,000,000.00
Southwestern Bell Tel Deb	7.750%	09/09	2,000,000.00
Southwestern Bell Tel Deb	8.500%	03/16	5,000,000.00
Southwestern Bell Tel Deb	9.625%	03/19	2,000,000.00
			<u>56,440,000.00</u>

Railroad Obligations:

Atch Topeka Santa Fe Equip Tr B	8.750%	03/85	208,000.00
Chesapeake Ohio Ry Condtl Sale	6.000%	04/82	60,000.00
Chesapeake Ohio Ry Equip Trust	5.125%	04/82	337,000.00
Chesapeake Ohio Ry Gen Mtg	4.500%	03/92	656,000.00
Chic Burl Quincy RR Condtl Sales	5.500%	04/81	18,584.90
Chic Burl Quincy RR Condtl Sales	6.375%	08/82	173,333.52
Delaware Hudson RR Condtl Sale	6.875%	09/83	161,339.96
Delaware Hudson RR 1st Gen Mtg	5.500%	05/83	359,000.00
Erie Lackawanna RR Condtl Sale	6.500%	05/82	74,835.03
Kansas City Sou Ry Condtl Sale	5.500%	10/81	30,000.00
Kansas City Sou Ry Condtl Sale	5.500%	04/81	50,000.19
Kentucky Central Ry 1st Mtg	4.000%	07/87	137,000.00
Ky and Ind Terminal RR 1st Mtg	4.875%	03/86	100,000.00
Louisville Nashville Condtl Sale	5.750%	11/81	65,453.78
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%	02/81	80,000.00
Norfolk Western Ry Condtl Sale	9.500%	05/85	550,000.00
North American Car Corp Equip TR	8.500%	08/84	150,000.00
Northern Pacific Ry Condtl Sale	5.500%	03/82	60,000.00
Northern Pacific Ry Condtl Sale	6.625%	02/83	55,438.99
Seaboard Coast Line Condtl Sale	6.375%	06/82	95,433.80
Sou Railway Memphis Div 1st Mtg	5.000%	07/96	539,000.00
Southern Pacific RR 1st Mtg H	5.250%	10/83	100,000.00
Southern Railway 1st Con Mtg	5.000%	07/94	2,950,000.00
St. Louis San Fran Condtl Sale	5.750%	03/82	40,000.00
St. Louis San Fran Condtl Sale	6.250%	03/82	66,577.25

## CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Railroad Obligations: (Continued)</u>			
St. Louis San Fran Condtl Sale	6.250%	07/82	99,403.51
St. Louis San Fran Condtl Sale	6.750%	01/83	300,000.00
St. Louis San Fran Condtl Sale	7.250%	12/83	400,000.00
St. Louis San Fran Condtl Sale	8.250%	08/84	275,000.00
St. Louis San Fran Condtl Sale	9.375%	01/85	225,000.00
St. Louis San Fran Condtl Sale	9.500%	02/85	375,000.00
St. Louis San Fran Condtl Sale	9.750%	07/85	297,831.32
Virginia Southwestern Ry 1st Mtg	5.000%	01/03	107,000.00
			<u>10,786,232.25</u>
Total Corporate Bonds			<u>229,850,922.20</u>

## OTHER FIXED INCOME INVESTMENTS

	<u>Coupon</u>	<u>Maturity</u>	<u>Remaining Principal Balance</u>
<u>Single Family Mortgages:</u>			
FHA	various		15,215,316.29
VA	various		<u>13,574,761.78</u>
			<u>28,790,078.07</u>
<u>Project Mortgages: (FHA &amp; GNMA)</u>			
Americana Apts Ky 221D4	7.500%	10/18	4,697,182.92
Bethany Circle Kings Daughters Ind	8.375%	03/02	1,901,126.61
Boston Hosp GNMA Pool 14923CL	8.500%	06/84	1,615,000.00
Calif Guidance Care Center 232	8.500%	02/92	508,521.51
Calvert City Convalescent Ky 1 232	7.000%	01/93	425,591.69
Camellia Center Hospital Calif 232	6.000%	11/88	468,846.33
Christ Hosp GNMA Pool 21190CL	8.000%	10/83	2,870,000.00
Congregational Home Aged Kan 231	5.250%	07/04	1,626,615.97
Cortland Hosp GNMA Pool 13088CL	8.750%	04/81	1,460,000.00
Cottage Bell Apts Calif 221D4	7.500%	11/10	940,942.37
Cottage Bell Apts II Calif 221D4	8.500%	11/11	460,562.06
Denver Ed SR Citzns 231	5.250%	11/03	936,430.50
Dixie Apts Ky 221D4	7.500%	05/18	1,189,297.74
Ephraim McDowell Hospital Ky HEW CL	9.000%	01/01	3,243,595.76
Gainesway Village Apts Ky 221D4	7.500%	02/19	1,714,536.86
Gallantine Apts Calif 207	5.250%	10/02	644,171.46
Gladman Nursing Home 232	5.250%	04/87	332,385.56
Hallmark Plaza Ky 223F	8.500%	06/11	1,221,897.68
Longmont Christian Housing 231	5.250%	03/03	595,493.60
Middletown Apts Ky 221D4	7.500%	02/18	1,102,962.95
Panorama West Covington Ky 236	8.500%	12/12	482,760.32
Pine Ridge Apts Ky 221D4	7.500%	09/18	877,674.15
Pinecreek Apts Ky 221D4	7.500%	10/17	603,273.41

OTHER FIXED INCOME INVESTMENTS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Remaining Principal Balance</u>
<u>Project Mortgages: (Continued)</u>			
Regency Park Apts Ky 221D4	7.500%	05/18	1,018,684.45
Salem Village No I FHA Sec 232 I11	7.750%	03/16	1,064,997.28
Salem Village No II FHA Sec 231 I11	7.750%	10/16	3,629,646.11
Southside Manor Ky 221D4	7.500%	02/19	1,489,491.99
Walnut Hill Apts Ky 221D4	7.500%	05/19	1,731,834.13
			<u>38,853,523.41</u>

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>State and Local Government Obligations:</u>			
Kentucky Sou College 1st Mtg	5.250%	01/83	500,000.00
Ky Indstrl Dev Finance Auth Nt	4.500%	07/85	128,333.27
Ky Indstrl Dev Finance Auth Nt	5.000%	07/86	43,333.39
Ky Indstrl Dev Finance Auth Nt	5.000%	01/87	326,666.72
Ky Indstrl Dev Finance Auth Nt	5.500%	01/87	93,333.44
Ky Indstrl Dev Finance Auth Nt	5.500%	07/87	50,000.05
			<u>1,141,666.87</u>

Total Other Fixed Income Investments 68,785,268.35

TOTAL FIXED INCOME INVESTMENTS 759,371,605.43

## COMMON STOCKS

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Amerada Hess Corporation	5,000.0000	254,350.00	265,000
American Home Products	31,300.0000	908,242.50	892,050
American International Group	6,000.0000	340,000.00	402,000
American Standard	39,000.0000	1,778,975.00	2,252,250
American Telephone Telegraph Co	101,498.7790	5,699,073.35	5,328,686
Amp Inc	4,000.0000	163,480.00	151,500
Archer-Daniels-Midland Co.	10,000.0000	284,450.00	335,000
Baxter Travenol Laboratories Inc	40,000.0000	1,737,312.50	1,780,000
Becton Dickinson & Co	8,000.0000	248,585.00	265,000
Black & Decker Mfg Co	17,000.0000	386,560.00	297,500
Boeing Company	8,000.0000	322,037.50	280,000
Boise Cascade Corporation	8,000.0000	301,062.50	289,000
Bristol-Myers Company	44,000.0000	1,564,912.50	1,710,500
Burroughs Corporation	3,000.0000	208,800.00	192,750
Caterpillar Tractor Co	31,000.0000	1,644,025.00	1,635,250
Central & South West Corp	82,000.0000	1,318,426.00	1,189,000
Coca Cola Co	54,000.0000	3,348,554.28	1,782,000
Conoco Inc	83,000.0000	2,604,195.83	4,367,875
Dart Industries Inc	40,000.0000	1,779,987.50	1,695,000
Digital Equipment Corp	4,000.0000	299,900.00	267,500
Disney Walt Productions	45,000.0000	1,913,275.00	2,160,000
Dresser Industries Inc	5,000.0000	267,287.50	310,625
E-Systems Inc	8,000.0000	291,075.00	285,000
Eastman Kodak	23,000.0000	3,175,428.00	1,288,000
Exxon Corporation	73,500.0000	2,883,219.26	4,869,375
Farmers Group Inc	10,000.0000	280,000.00	278,750
Federated Department Stores	87,100.0000	3,786,337.71	2,525,900
Florida Power Light Co	80,000.0000	3,176,575.20	2,180,000
Fluor Corp	5,000.0000	293,100.00	349,375
Fort Howard Paper Co	27,000.0000	1,164,940.35	1,228,500
Gannett Company Inc	82,000.0000	3,014,515.00	3,731,000
General Electric Co	71,000.0000	3,439,515.31	3,656,500
General Mills Inc	30,000.0000	847,417.98	825,000
General Motors Corp	67,000.0000	5,101,678.98	3,115,500
Georgia-Pacific Corp	8,000.0000	198,800.00	220,000
Geosource Inc	5,000.0000	250,500.00	330,000
Gillette Company	75,000.0000	4,572,348.35	1,837,500
Great Western Financial Corp	12,000.0000	229,200.00	255,000
Gulf Oil Corp	7,000.0000	271,950.00	282,625
Halliburton Co	3,000.0000	315,200.00	328,500
Harris Corp	8,000.0000	271,380.00	291,000
Holiday Inns Inc	15,000.0000	272,050.00	307,500
Honeywell Inc	4,000.0000	278,360.00	313,500
Hughes Tool Company	5,000.0000	263,000.00	313,750
Intel Corporation	27,000.0000	1,761,650.00	1,786,750
International Business Machines	74,204.0000	4,396,721.72	4,359,485
International Paper	46,992.9903	2,446,771.27	1,715,244
International Tel and Tel Corp	75,000.0000	3,797,634.80	2,081,250
K Mart Corporation	40,000.0000	1,081,775.00	905,000
Kaiser Cement Corp	30,000.0000	715,300.00	727,500
Kellogg Company	110,000.0000	2,508,362.50	2,227,500

## COMMON STOCKS (Continued)

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Kentucky Utilities Co	52,900.0000	1,493,868.66	985,263
Lilly Eli & Co	39,600.0000	1,987,722.50	1,940,400
Louisville Gas & Electric Co	131,428.4640	4,018,949.85	2,529,998
Lucky Stores Inc	110,000.0000	1,756,087.50	1,842,500
Manufacturers Hanover Corp	37,000.0000	1,335,752.50	1,225,625
Marathon Oil Co	5,000.0000	245,400.00	286,250
Marsh & McLennan Co	30,000.0000	1,915,625.00	1,845,000
McDonalds Corp	30,200.0000	1,467,545.00	1,457,150
McDonnell Douglas Corp	7,000.0000	291,075.00	210,000
McGraw-Hill Inc	30,000.0000	829,225.00	926,250
Melville Corp	12,000.0000	327,675.00	415,500
Milton Bradley Co	8,000.0000	227,322.50	241,000
Mobil Corp	40,000.0000	1,333,883.00	2,850,000
Motorola Inc	3,000.0000	151,800.00	144,375
Newmont Mining Corp	7,000.0000	327,700.00	291,375
Pepsico Inc	65,000.0000	2,104,937.50	1,568,125
Petrolane Inc	8,000.0000	192,800.00	281,000
Procter and Gamble	17,000.0000	1,599,580.00	1,253,750
Pullman Inc	5,000.0000	202,287.50	141,250
R J Reynolds Industries Inc	81,000.0000	2,461,691.69	3,148,875
Rite Aid Corp	10,000.0000	282,250.00	262,500
Sears Roebuck & Co	79,800.0000	3,281,957.30	1,356,600
Shell Oil Co	88,000.0000	2,851,837.50	3,366,000
Signal Companies Inc	8,000.0000	335,237.50	264,000
Sperry Corporation	53,842.0000	2,600,549.09	2,557,495
St Joe Minerals Corp	10,000.0000	458,725.00	502,500
Standard Oil Co Indiana	109,000.0000	2,948,012.16	6,240,250
Superior Oil Co	2,000.0000	296,500.00	320,500
Taft Broadcasting Co	10,000.0000	302,272.50	302,500
Texaco Inc	79,000.0000	2,207,387.50	2,903,250
Texas Gas Transmission Corp	4,100.0000	110,947.50	116,338
Texas Instruments Inc	3,000.0000	302,450.00	276,000
Texas Utilities Co	178,548.1080	4,905,506.25	3,258,503
Texasgulf Inc	5,000.0000	245,500.00	188,750
Trans Union Corp	60,000.0000	2,179,587.50	2,025,000
United Technologies Corp	60,000.0000	2,462,212.50	2,512,500
Warner Lambert Co	68,000.0000	2,065,521.36	1,258,000
Williams Co	10,000.0000	289,875.00	306,250
Xerox Corporation	55,000.0000	5,330,568.31	2,956,250
TOTAL COMMON STOCKS	3,390,014.3413	136,186,123.56	125,020,362

## ACCOUNTANTS REPORT

Each year the records of the Teachers' Retirement System are subject to audit by an independent certified public accounting firm to insure the accounting records accurately disclose its financial status and to insure the presence of adequate internal control. The Financial Report for the fiscal year ended June 30, 1980 is prepared prior to the Charles T. Mitchell Company's Annual Review. However, the Audit Report for the fiscal year ended June 30, 1979 is herein presented.

During the year ended June 30, 1980, assets of the Teachers' Retirement System increased \$112,956,370.91 to a total of \$881,127,940.89. It is noted that of the \$881 million in assets, \$378 million is credited to the Teachers Saving Fund for members accounts 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 \$125 million, which compares favorably with a reserve of \$98.4 million for the previous year.

Administrative cost for the fiscal year totaled \$761,370.00. This breaks down to a cost of \$5.92 per each member account (active, retired, and inactive) that is maintained by the Teachers' Retirement System.

## KENTUCKY TEACHERS' RETIREMENT SYSTEM

## BALANCE SHEET

JUNE 30, 1980

<u>ASSETS</u>	<u>JUNE 30, 1980</u>
Cash	\$ 2,958,888.85
Prepaid Investment Counsel Fee	
Special Reserve Account	
Aetna Life Insurance Co.	613,701.00
(1980 Updated Information Not Available At Time of Printing)	
Investments	895,557,728.99
Unamortized Premium on Investments	1,795,058.58
Accrued Interest Purchased	134,366.37
Unamortized Discount on Investments	(19,931,802.90)
<b>TOTAL ASSETS</b>	<b>\$881,127,940.89</b>
 <u>LIABILITIES AND FUND BALANCES</u>	
<b>LIABILITIES</b>	
Treasurers Unredeemed Checks	\$ 26,002.10
Total Liabilities	<u>\$ 26,002.10</u>
 <b>FUND BALANCES</b>	
State Accumulation Fund	\$378,458,539.65
Teachers' Savings Fund	378,458,539.65
Allowance Reserve Fund	47,831,793.09
Guarantee Fund	57,765,523.31
Voluntary Contribution Fund	4,360,225.55
Survivor, Death, Medical Fund	14,248,687.91
General Expense Fund	4,631.73
Total Fund Balances	<u>\$881,101,938.79</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$881,127,940.89</b>

NOTE: Par Value of Bonds and Notes - \$759,371,605.43 As of June 30, 1980.

Quoted Approximate Market Values of Bonds and Notes - \$659,346,312.00  
As of June 30, 1980.

Quoted Approximate Market Values of Common and Preferred Stocks -  
\$125,020,362.00 As of June 30, 1980.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
 COMBINED STATEMENT OF OPERATIONS AND FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 1980

	<u>JUNE 30, 1980</u>
<u>REVENUES</u>	
Teachers' Contributions	\$ 55,649,258.92
State Contributions	75,795,900.00
Interest & Dividends Earned on Investments	63,964,690.92
Employers' Matching Contributions	3,689,027.14
General Expense Fund Appropriations	740,700.00
Voluntary Contributions	853,878.71
Teachers' Reinstatement	422,970.78
Gain (Loss) on Sale of Investments	2,011,991.10
Irregular Payments	17,467.95
Total Revenues	<u>\$203,145,885.52</u>
<u>EXPENDITURES</u>	
Benefits for Service and Disability Retirements	\$ 72,538,552.81
Benefits Increased by Voluntary Contributions	94,036.22
Increased Benefits Continued After Voluntary Contributions Expire	10,391.96
Refund of Members' Contributions	6,162,642.80
Survivor and Death Benefits	3,433,052.37
Comprehensive Medical Insurance Premiums	6,951,208.10
General Expense Fund Expenditures	761,369.98
Investment Counsel & Processing Fees	211,000.00
Forfeitures and Adjustments	10,141.53
Total Expenditures	<u>\$ 90,172,395.77</u>
<u>EXCESS OF REVENUE OVER EXPENDITURES</u>	\$112,973,489.75
<u>TOTAL FUND BALANCES</u>	
Beginning of Year	<u>\$768,128,449.04</u>
End of Year	\$881,101,938.79

KENTUCKY TEACHERS' RETIREMENT SYSTEM

STATE ACCUMULATION FUND

STATEMENT OF OPERATIONS AND FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 1980

<u>REVENUES</u>	<u>JUNE 30, 1980</u>
State Contribution - Permanent	\$ 53,265,233.00
State Contribution - Benefit Improvements	17,913,900.00
Employers' Matching Contributions	3,328,748.78
Teachers' Reinstatement Contributions	70,649.65
Expense Fund Balance-1979 and 1978	3,362.61
Transfers From Guarantee Fund:	
Current Year Employer Underpayment	28,178.17
Interest on Fund Balance	9,544,270.45
Reinstatements	352,321.13
To Close Prior Year Overpayments by Employers	16,333.67
Forfeitures and Adjustments	2,814.23
Total Revenues	<u>\$ 84,522,997.46</u>
<u>EXPENDITURES</u>	
Transfers to Expense Fund	\$ 25,301.71
Transfers to Allowance Reserve Fund:	
Retirements	11,612,477.23
Transfers to Guarantee Fund:	
Refunds	5,672,300.19
Benefit Improvements	17,913,900.00
To Adjust State Contributions to Match Teachers' Contributions	5,360,242.65
Transfers to Survivor, Death, Medical Fund:	
Survivors' Benefits	352,422.47
Total Expenditures	<u>\$ 40,936,644.25</u>
<u>EXCESS REVENUES OVER EXPENDITURES</u>	<u>\$ 43,586,353.21</u>
<u>FUND BALANCE</u>	
Beginning of Year	<u>\$334,872,186.44</u>
End of Year	<u>\$378,458,539.65</u>

## KENTUCKY TEACHERS' RETIREMENT SYSTEM

## TEACHERS' SAVINGS FUND

## STATEMENT OF OPERATIONS AND FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 1980

REVENUES

JUNE 30, 1980

Teachers' Contributions	\$ 51,293,836.82
Reinstatements	352,321.13
Irregular Payments - Prior Years Escrow	17,467.95
Transfers from Guarantee Fund:	
Current Year Employer Underpayment	28,178.17
Interest on Fund Balance	9,544,270.45
Total Revenues	<u>\$ 61,236,074.52</u>

EXPENDITURES

Refunds - Regular	\$ 5,665,969.49
Refunds - Special	10,797.31
Transfers to Allowance Reserve Fund:	
Retirements	11,612,477.23
Transfers to Survivor, Death, Medical Fund:	
Survivors Benefits	352,422.47
To Close Prior Year Overpayments by Employers	1,134.28
Forfeitures and Adjustments	6,920.53
Total Expenditures	<u>\$ 17,649,721.31</u>

EXCESS OF REVENUES OVER EXPENDITURES

\$ 43,586,353.21

FUND BALANCE

Beginning of Year	<u>\$ 334,872,186.44</u>
End of Year	\$ 378,458,539.65

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
ALLOWANCE RESERVE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 1980

<u>REVENUES</u>	<u>JUNE 30, 1980</u>
Transfers from Teachers' Savings Fund:	
Retirements	\$ 11,612,477.23
Transfers from State Accumulation Fund:	
Retirements	11,612,477.23
Transfers from Guarantee Fund:	
Interests on Fund Balance	1,179,453.42
State Deficiency in Service Obligations for Teachers Retired	51,794,731.83
Total Revenues	<u>\$ 76,199,139.71</u>

<u>EXPENDITURES:</u>	
Benefits for Service and Disability Retirements	\$ 72,538,552.81
Transfers to Survivor and Death Benefit Fund:	
Transfers for Payments to Survivors of Deceased Members	20,858.85
Forfeitures and Adjustments	3,958.02
Total Expenditures	<u>\$ 72,563,369.68</u>

<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	\$ 3,635,770.03
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<u>FUND BALANCE</u>	
Beginning of Year	<u>\$ 44,196,023.06</u>
End of Year	\$ 47,831,793.09

## KENTUCKY TEACHERS' RETIREMENT SYSTEM

## GUARANTEE FUND

## STATEMENT OF OPERATIONS AND FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 1980

<u>REVENUES</u>	<u>JUNE 30, 1980</u>
Interest & Dividends Earned on Investments	\$ 63,964,690.92
Transfers from State Accumulation Fund:	
Refunds	5,671,974.66
To Adjust for Employers Overpayments	----
Benefit Improvements	17,913,900.00
To Adjust State Contributions to Match Teachers' Contributions	5,363,056.88
Transfers from Survivor, Death, Medical Fund:	
To Adjust State Contributions to Match Teachers' Contributions	464,572.81
Gain (Loss) on Sale of Investments	2,011,991.10
Forfeitures and Adjustments	2,364.34
Total Revenues	<u>\$ 95,392,550.71</u>

<u>EXPENDITURES</u>	
Investment Counsel & Processing Fees	\$ 211,000.00
Transfers to Teachers' Savings Fund:	
Current Year Employers Underpayments	28,178.17
Interest on Fund Balance	9,544,270.45
Transfer to State Accumulation Fund:	
Current Year Employers Underpayments	28,178.17
Interest on Fund Balance	9,544,270.45
Reinstatements	352,321.13
To Close Prior Year Overpayments by Employers	16,333.67
Transfers to Allowance Reserve Fund:	
Interest on Fund Balance	1,179,453.42
State Deficiency in Service Obligation for Teachers Retired	51,794,731.83
Transfers to Voluntary Contribution Fund:	
Interests on Fund Balance	209,618.43
To Fund Deficiency from Increased Benefits Continued after Voluntary Contributions Expire	10,391.96
Transfer to Survivor, Death, Medical Fund:	
Current Year Underpayments by Employers	4,881.84
Interest on Fund Balance	405,757.63
To Close Prior Year Overpayments by Employers	1,134.28
Total Expenditures	<u>\$ 73,330,521.43</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>\$ 22,062,029.28</u>

<u>FUND BALANCE</u>	
Beginning of Year	<u>\$ 35,677,491.9</u>
End of Year	<u>\$ 57,739,521.21</u>

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
VOLUNTARY CONTRIBUTION FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 1980

<u>REVENUES</u>	<u>JUNE 30, 1980</u>
Voluntary Contributions	\$ 853,878.71
Transfers from Guarantee Fund:	
Interest on Members Account	209,618.43
Deficiency From Increased Benefits	
Continued After Voluntary	
Contributions Expire	10,391.96
Total Revenues	<u>\$1,073,889.10</u>
<u>EXPENDITURES</u>	
Refunds - Active Members' Contributions	\$ 483,467.51
Refunds - Retired Members' Contributions	2,408.49
Benefits Increased by Volunatry	
Contributions	94,036.22
Increased Benefits Continued After	
Volunatry Contributions Expire	10,391.96
Forfeitures and Adjustments	1,992.61
Total Expenditures	<u>\$ 592,296.79</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	\$ 481,592.31
<u>FUND BALANCE</u>	
Beginning of Year	\$3,878,633.24
End of Year	<u>\$4,360,225.55</u>

# KENTUCKY TEACHERS' RETIREMENT SYSTEM

## SURVIVOR, DEATH, MEDICAL FUND

### STATEMENT OF OPERATIONS AND FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 1980

#### REVENUES

JUNE 30, 1980

Teachers' Contributions	\$ 4,355,422.10
Employer Matching Contributions	360,278.36
State Matching Contributions	4,616,767.00
Transfers From Teachers' Savings Fund:	
Survivor Payments	352,422.47
To Close Prior Year Overpayments by Employers	1,134.28
Transfers From State Accumulation Fund:	
Survivor Payments	352,422.47
Transfers From Allowance Reserve Fund:	
Transfers for Payments to Survivors	20,858.85
Transfers From Guarantee Fund:	
Current Year Employer Underpayment	4,881.84
Interest on Fund Balance	405,757.63
To Close Prior Year Overpayments by Employers	1,134.28
Aetna Life Insurance Company	
Experience Increase (Deficit)	-----
Total Revenues	<u>\$ 10,471,079.28</u>

#### EXPENDITURES

Comprehensive Medical Insurance Premiums	\$ 6,951,208.10
Survivor & Death Benefit Payments	3,433,052.37
Transfers to Teachers' Savings Fund:	
To Adjust for Overpayment by Employers	-----
Transfers to Guarantee Fund:	
To Comply With KRS 161.420 and 161.550	464,572.81
To Adjust for Overpayment by Employers	-----
Forfeitures and Adjustments	2,123.41
Total Expenditures	<u>\$ 10,850,956.69</u>

EXCESS (DEFICIT) REVENUES OVER EXPENDITURES \$ (379,877.41)

#### FUND BALANCE

Beginning of Year	<u>\$ 14,628,565.32</u>
End of Year	\$ 14,248,687.91

## KENTUCKY TEACHERS' RETIREMENT SYSTEM

## GENERAL EXPENSE FUND

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 1980

ALLOTMENTS

	<u>JUNE 30, 1980</u>
Regular Legislative Appropriations	\$ 740,700.00
Additions Fm State Accumulation Fund	25,301.71
Totals	<u>\$ 766,001.71</u>

EXPENDITURES

Personal Services	
Salaries	\$ 502,324.58
Contracted Professional & Consulting Services	63,154.54
Current Operations Expense	
Occasional Labor	-----
Employee Training Expense	512.09
Employee Life Insurance	596.23
Postage, Freight, and Express	59,124.00
Telephone and Telegraph	11,269.48
Travel-In-State	8,886.35
Travel-Out-of-State	4,382.46
Printing	16,404.07
Utilities	8,914.98
Maintenance of Equipment	2,115.98
Maintenance of Building	87.62
Carpool Rentals	1,760.00
Office Supplies	5,166.66
Motor Fuels	-----
Janitor Supplies	401.88
Rental of Computer	23,870.10
Rental of Building	29,243.04
Rental of Equipment	3,300.20
Insurance	1,738.60
Fidelity Bonds	35.00
Membership Fees	290.00
Subscriptions	1,825.22
Miscellaneous	855.69
Advertising	333.04
Data Processing Supplies	10,940.52
Capital Outlay	
Office Furniture, Fixtures, and Equipment	<u>3,837.65</u>
Total Expenditures	<u>\$ 761,369.98</u>
Ending Balance Lapsed To	
State Accumulation Fund	\$ 4,631.73

TEACHERS RETIREMENT SYSTEM  
OF THE COMMONWEALTH OF KENTUCKY

REPORT OF AUDIT  
FOR FISCAL YEAR ENDED

JUNE 30, 1979

*Charles T. Mitchell Company*

119½ WEST MAIN  
P. O. BOX 698  
FRANKFORT, KENTUCKY 40602  
(502) 227-7395

*Certified Public Accountants*

CHARLES T. MITCHELL, C.P.A.  
DON C. GILES, C.P.A.  
WILLIAM G. JOHNSON, JR., C.P.A.  
GARY L. HARBIN, C.P.A.  
C. JOE HUTCHISON, C.P.A.  
JOHN J. McQUEEN, C.P.A.  
LARRY T. WILLIAMS, C.P.A.

December 28, 1979

The Board Of Trustees  
Kentucky Teachers' Retirement System  
214 W. Main Street  
Frankfort, Kentucky 40601

Gentlemen:

We have examined the balance sheet of the Kentucky Teachers' Retirement System as of June 30, 1979 and 1978 and the related statements of operation and fund balance for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the referred to above financial statements present fairly the financial position of the Kentucky Teachers' Retirement System at June 30, 1979 and 1978, and the results of its operations for the years then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Respectfully submitted,

*Charles T. Mitchell Co.*

CHARLES T. MITCHELL COMPANY

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
BALANCE SHEET  
JUNE 30, 1979 AND 1978

<u>ASSETS</u>	JUNE 30, 1979	JUNE 30, 1978
Cash	\$ 5 659 134 85	\$ 5 293 965 55
Investments: (See Note Below)		
Bonds And Notes (Approximate Quoted Market Values - \$594,805,896.00 As Of June 30, 1979 And - \$516,772,423.00 As of June 30, 1978)	651 073 090 99	561 316 652 40
Common And Preferred Stocks (Approximate Quoted Market Values - \$94,530,328.00 As Of June 30, 1979 And - \$89,061,851.00 As Of June 30, 1978)	110 683 653 42	107 419 339 09
Accrued Interest Purchased	114 989 72	29 378 58
Special Reserve Account, Aetna Life Insurance Company	613 701 00	266 929 00
Prepaid Investment Counsel Fees	27 000 00	-0-
 TOTAL ASSETS	 \$768 171 569 98	 \$674 326 264 62
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Irregular Payments - Escrow Account	\$ 17 467 95	\$ 27 393 73
Treasurers Unredeemed Checks	25 652 99	10 385 40
Total Liabilities	\$ 43 120 94	\$ 37 779 13
 <u>FUND BALANCES</u>		
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	35 677 491 93	24 582 970 82
Voluntary Contribution Fund	3 878 633 24	3 370 909 96
Survivor And Death, Medical Fund	14 628 565 32	15 153 114 42
General Expense Fund	3 362 61	16 909 13
Total Fund Balances	\$768 128 449 04	\$674 288 485 49
 TOTAL LIABILITIES AND FUND BALANCES	 \$768 171 569 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.

The Accompanying Notes Are An Integral Part Of These Statements.

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

	YEAR ENDED JUNE 30,	
	1979	1978
<u>REVENUES</u>		
Teachers' Contributions	\$ 50 366 491 96	\$ 43 440 611 72
State Contributions	67 888 000 00	59 626 165 00
Interest and 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 Company - Reserve		
Interest Income	19 352 00	52 186 00
Experience Increase (Deficit)	327 420 00	( 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>\$175 094 842 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 Increase By Voluntary Contributions	90 772 31	95 641 41
Increased Benefits Continued After Voluntary		
Contributions Expire	8 617 95	5 972 51
Refund 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 And Processing Fees	154 325 00	157 958 91
Total Expenditures	<u>\$ 81 254 878 69</u>	<u>\$ 72 933 251 73</u>
<u>EXCESS OF REVENUE OVER EXPENDITURES</u>	<u>\$ 93 839 963 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	\$768 128 449 04	\$674 288 485 49

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

REVENUES	YEAR ENDED JUNE 30,	
	1979	1978
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 From Survivor And Death, Medical Fund		
To Adjust For Overpayment 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 And Death, Medical Fund		
To Close Prior Year Overpayment By Employers	1 778 82	1 868 18
Survivors Benefits	322 422 50	300 966 60
Total Expenditures	<u>\$ 15 055 656 70</u>	<u>\$ 14 946 925 51</u>
 <u>EXCESS OF REVENUES OVER EXPENDITURES</u>	 \$ 41 059 763 69	 \$ 33 413 880 28
 <u>FUND BALANCE</u>		
Beginning Of Year	<u>293 812 422 75</u>	<u>260 398 542 47</u>
End Of Year	\$334 872 186 44	\$293 812 422 75

The Accompanying Notes Are An Integral Part Of These Statements.

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

	YEAR ENDED JUNE 30,	
	1979	1978
<u>REVENUES</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
Transfer From Guarantee Fund:		
Interest On Fund Balance	8 423 715 52	7 390 155 92
Reinstatements	502 205 66	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>\$ 76 813 608 56</u>	<u>\$ 67 075 035 83</u>
<u>EXPENDITURES</u>		
Transfers To Expense Fund	\$ 43 000 00	\$ -0-
Transfers To Allowance Reserve Fund:		
Retirements	9 618 554 27	10 025 888 97
Benefit Improvements	-0-	10 195 700 00
State Contributions - Prior Service	-0-	4 882 900 00
Expense Fund Balance 1977	-0-	14 784 71
Transfers To Guarantee Fund:		
To Adjust For Overpayments By Employers	16 333 67	25 614 91
Refund	5 093 372 92	4 589 493 39
Benefit Improvements	14 963 200 00	1 011 109 00
To Adjust State Contributions To Match Teachers' Contributions	5 696 961 51	2 614 697 97
Transfers To Survivor And Death, Medical Fund		
Survivors' Benefits	322 422 50	300 966 60
Total Expenditures	<u>\$ 35 753 844 87</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	293 812 422 75	260 398 542 47
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

	YEAR ENDED JUNE 30,	
	1979	1978
<u>REVENUES</u>		
Transfers From Teachers' Savings Fund:		
Retirements	\$ 9 618 554 27	\$ 10 025 888 97
Transfers From State Accumulation Fund:		
Retirements	9 618 554 27	10 025 888 97
State Contributions - Prior Service (See Note 3)	-0-	4 882 900 00
Expense Fund Balance - 1978 And 1977 (See Note 3)	-0-	14 784 71
Benefit Improvements	-0-	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 (See Note 3)	47 078 225 24	30 717 669 49
Total Revenues	<u>\$ 67 163 925 05</u>	<u>\$ 66 873 754 20</u>
<u>EXPENDITURES</u>		
Benefits For Service And Disability Retirements	\$ 66 435 605 55	\$ 60 244 549 78
Transfers To Survivor And Death, Medical Fund:		
Transfers For Payments To Survivors Of Deceased Members	45 318 06	33 779 50
Forfeitures And Adjustments	26 714 04	8 105 43
Total Expenditures	<u>\$ 66 507 637 65</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 (See Note On Voluntary Contribution Fund Statement)	-0-	( 621 668 56)
End Of Year	<u>\$ 44 196 023 06</u>	<u>\$ 43 539 735 66</u>

The Accompanying Notes Are An Integral Part Of These Statements.

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

REVENUES	YEAR ENDED JUNE 30,	
	1979	1978
Interest And Dividends Earned On Investments	\$ 51 860 434 91	\$ 42 306 556 25
Transfers From State Accumulation Fund:		
Refunds	5 093 372 92	4 589 493 39
To Adjust For Overpayments By Employers	16 333 67	25 614 91
Benefit Improvements (See Note 2)	14 963 200 00	1 011 109 00
To Adjust State Contributions To Match Teachers' Contributions (See Note 1)	5 696 961 51	2 614 697 97
Transfers From Survivor And Death, Medical Fund		
To Adjust For Overpayments By Employers	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	16 501 32	192 10
Total Revenue	\$ 77 166 980 94	\$ 49 895 760 88
 <u>EXPENDITURES</u>		
Investment Counsel And Processing Fees	\$ 154 325 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	502 205 66	293 577 71
To Close Prior Year Overpayment By Employers	25 614 91	26 901 84
Transfer To Allowance Reserve Fund:		
Interest On Fund Balance	848 591 27	1 010 922 06
State Deficiency In Service Obligation For Teachers Retired (See Note 3)	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 And 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
Total Expenditures	\$ 66 072 459 83	\$ 47 566 051 17
 <u>EXCESS OF REVENUES OVER EXPENDITURES</u>	 \$ 11 094 521 11	 \$ 2 329 709 71
 <u>FUND BALANCE</u>		
Beginning Of Year	24 582 970 82	22 253 261 11
End Of Year	\$ 35 677 491 93	\$ 24 582 970 82

The Accompanying Notes Are An Integral Part Of These Statements.

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

	YEAR ENDED JUNE 30,	
	1979	1978
<u>REVENUES</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	8 617 95	5 972 51
After Voluntary Contributions Expire	\$ 903 822 20	\$ 693 980 79
Total Revenues		
<u>EXPENDITURES</u>		
Refunds - Active Members' Voluntary Contributions	\$ 256 439 43	\$ 304 402 83
And Employers' Voluntary Contributions	39 959 46	2 968 80
Refunds - Retired Members' Voluntary Contributions	90 772 31	95 641 41
Benefits Increased By Voluntary Contributions	8 617 95	5 972 51
Increased Benefits Continued After	309 77	-0-
Voluntary Contributions Expire	\$ 396 098 92	\$ 408 985 55
Forfeitures And Adjustments		
Total Expenditures		
<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	-0-	621 668 56
Fund (See Note Below)		
End Of Year	\$ 3 878 633 24	\$ 3 370 909 96

NOTE: In prior years, voluntary contributions used in determining retirement benefits were transferred to the allowance reserve fund from which these benefits were paid beginning July 1, 1977, the voluntary portion of retirement benefits were charged directly to the voluntary contribution fund instead of the allowance reserve fund. The balance of monies transferred to the allowance reserve fund in prior years had to therefore be transferred back to the voluntary contribution fund.

The Accompanying Notes Are An Integral Part Of These Statements.

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

	YEAR ENDED JUNE 30,	
	1979	1978
<u>REVENUES</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 Overpayment 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 Of Deceased Members	45 318 06	33 779 50
Transfers From Guarantee Fund:		
Interest On Fund Balance	428 420 66	439 587 21
To Close Prior Year Overpayment By Employers	1 778 82	1 868 18
Aetna Life Insurance Company		
Interest Income	19 352 00	52 186 00
Experience Increase (Deficit)	327 420 00	( 530 776 00)
Total Revenues	<u>\$ 8 327 253 03</u>	<u>\$ 6 400 998 03</u>
<u>EXPENDITURES</u>		
Comprehensive Medical Insurance Premiums	\$ 5 333 971 61	\$ 4 055 971 39
Survivor And Death Benefit Payments	3 111 816 83	2 869 752 20
Transfers To Teachers' Savings Fund:		
To Adjust For Overpayment By Employers	1 134 28	1 778 82
Transfers To Guarantee Fund:		
To Adjust For Overpayment By Employers	1 134 28	1 778 82
To Comply With KRS 161.420 (7) And KRS 161.550 (See Note 1)	403 264 06	179 673 72
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>	<u>\$ ( 524 549 10)</u>	<u>\$ ( 709 789 46)</u>
<u>FUND BALANCE</u>		
Beginning Of Year	<u>15 153 114 42</u>	<u>15 862 903 88</u>
End Of Year	\$ 14 628 565 32	\$ 15 153 114 42

The Accompanying Notes Are An Integral Part Of These Statements.

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

	YEAR ENDED JUNE 30,	
	1979	1978
<u>ALLOTMENTS</u>		
Regular Legislative Appropriations	\$ 688 300 00	\$ 622 135 00
Transfers From State Accumulation Fund	43 000 00	-0-
Total	\$ 731 300 00	\$ 622 135 00
<u>EXPENDITURES</u>		
Personal Services		
Salaries	\$ 452 350 94	\$ 404 245 56
Contracted Professional And Consulting Services	64 533 34	38 331 48
Current Operating Expenses		
Occasional Labor	92 33	37 12
Employee Training Expense	318 30	-0-
Life Insurance - Employees	557 61	609 71
Postage, Freight, And Expense	48 303 15	47 452 00
Telephone And Telegraph	9 529 83	8 794 99
Travel-In-State	10 676 35	7 314 84
Travel-Out-Of-State	2 581 01	4 172 48
Printing	23 692 38	6 721 37
Utilities	24 00	-0-
Maintenance Of Equipment	3 815 43	2 027 90
Maintenance Of Building	334 80	2 485 63
Carpool Rentals	1 882 02	1 641 13
Office Supplies	7 028 95	8 621 19
Motor Fuels	1 16	-0-
Janitor Supplies	279 28	-0-
Rental Of Computer	35 612 50	14 046 35
Rental Of Building	28 601 04	28 055 04
Rental Of Equipment	2 447 59	17 589 36
Insurance	2 465 60	1 659 60
Fidelity Bonds	35 00	35 00
Membership Fees	215 00	225 00
Subscriptions	1 944 93	2 593 54
Miscellaneous	3 143 72	1 126 60
Advertising	316 64	-0-
Capital Outlay		
Office Furniture, Fixtures, And Equipment	27 154 49	7 439 98
Total Expenditures	\$ 727 937 39	\$ 605 225 87
Ending Balance Lapsed To State Accumulation Fund	\$ 3 362 61	\$ 16 909 13

The Accompanying Notes Are An Integral Part Of These Statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
BALANCE SHEET COMMENTS  
JUNE 30, 1979

CASH - \$5,659,134.85

Cash Consists Of:

Cash On Deposit With The Kentucky State Treasurer

\$ 5 659 134 85

INVESTMENTS

BONDS AND NOTES

MATURITY VALUE

	JUNE 30, 1979	JUNE 30, 1978
Obligations Secured By U.S. Treasury		
Treasury Bonds And Bills	\$108 400 000 00	\$ 33 400 000 00
Federal Agencies	232 635 239 42	219 693 128 07
Republic Of Panama External Secured	887 000 00	1 398 000 00
Maritime Bonds	65 153 611 04	67 220 231 20
FHA and VA Mortgages	31 203 163 90	34 661 031 17
Railroad Notes	539 000 00	550 000 00
Other Mortgages	27 626 997 59	19 766 009 87
Total Secured By U.S. Treasury	<u>\$466 445 011 95</u>	<u>\$376 688 400 31</u>
Corporate Bonds		
Telephone	\$ 25 190 000 00	\$ 19 690 000 00
Public Utilities	49 747 000 00	50 423 000 00
Industrials	66 117 128 03	66 563 034 62
Finance	36 001 258 02	36 100 433 30
Railroads	12 670 184 64	13 722 381 99
Miscellaneous	500 000 00	500 000 00
Total Corporate Bonds	<u>\$190 225 570 69</u>	<u>\$186 998 849 91</u>
Other		
Kentucky Industrial Development		
Finance Authority Notes	\$ 738 333 51	\$ 835 000 15
TOTAL BONDS AND NOTES	\$657 408 916 15	\$564 522 250 37
Unamortized Premiums	2 004 660 26	2 291 906 35
Unamortized Discounts	<u>(8 340 485 42)</u>	<u>(5 497 504 32)</u>
BOND AND NOTES NET OF UNAMORTIZED PREMIUMS AND DISCOUNTS	\$651 073 090 99	\$561 316 652 40
COMMON AND PREFERRED STOCK	JUNE 30, 1979	JUNE 30, 1978
AT COST	<u>\$110 683 653 42</u>	<u>\$107 419 339 09</u>

INVESTMENTS WERE MADE IN ACCORDANCE WITH KRS 161.430