

# **TEACHERS' RETIREMENT SYSTEM**

**OF THE STATE OF KENTUCKY**



**1980-81**

**DECEMBER 1981**

**41ST ANNUAL REPORT**

BOARD OF TRUSTEES

W. D. BRUCE, JR.  
CHAIRPERSON, LOUISVILLE

MRS. JAMES SHEEHAN  
VICE CHAIRPERSON, DANVILLE



PAT N. MILLER  
EXECUTIVE SECRETARY

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

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

December 1, 1981

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

Dear Governor Brown:

Submitted herewith is the forty-first 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 161.990. 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  
Billy F. Hunt, Deputy Executive Secretary. . . . . 564-3266  
Stuart Reagan, Deputy Executive Secretary. . . . . 564-2057

### CONSULTANTS

Actuary: George B. Buck, Consulting Actuaries, Inc.  
340 Interstate North  
Atlanta, Georgia 30339

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-one 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 more than 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.

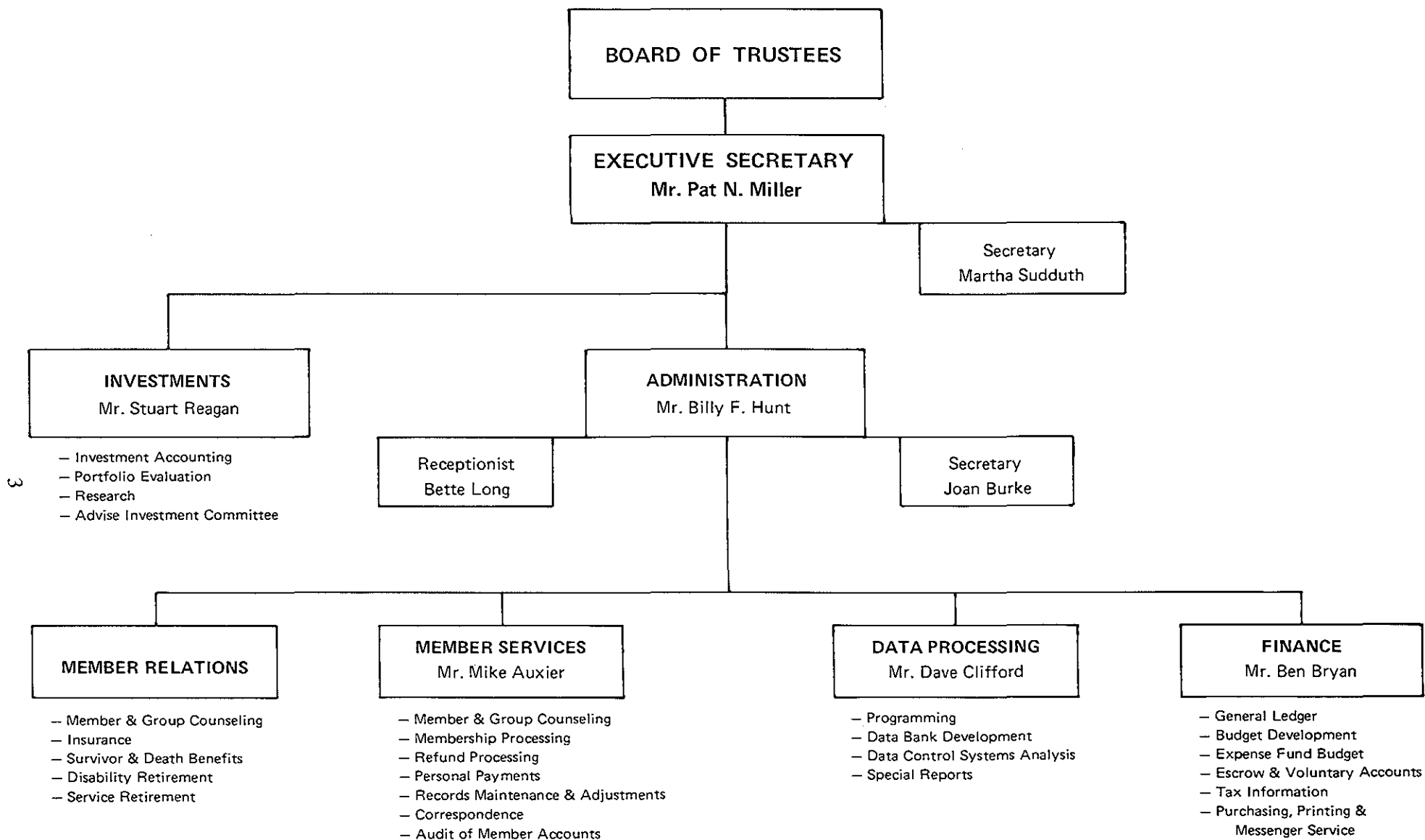
INVESTMENTS: Personnel in this area are responsible for overseeing more than \$1 billion invested by the Retirement System. In coordination with the Investment Counselors, the investment staff helped the System realize an overall yield of over 9% on its total investment program in 1980-81.

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. In addition, responsible for staff payroll, agency purchasing, and daily administrative functions.



**KENTUCKY TEACHERS' RETIREMENT SYSTEM**  
**EFFECTIVE 7-1-81**



Teachers' Retirement System

Administrative Expenses

for the period July 1, 1975 through June 30, 1981

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Payroll Salaries	312,162	368,020	404,246	426,319	530,433	551,504
Contracted Services	145,477	201,897	196,290	245,858	247,154	321,142
Operating Expenses	136,878	139,272	155,816	182,931	191,268	234,763
Fixed Equipment	19,801	4,712	6,833	27,154	3,515	3,308
TOTALS	614,318	713,901	763,185	882,262	972,370	1,110,717

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

## BENEFITS AND SERVICES TO MEMBERS

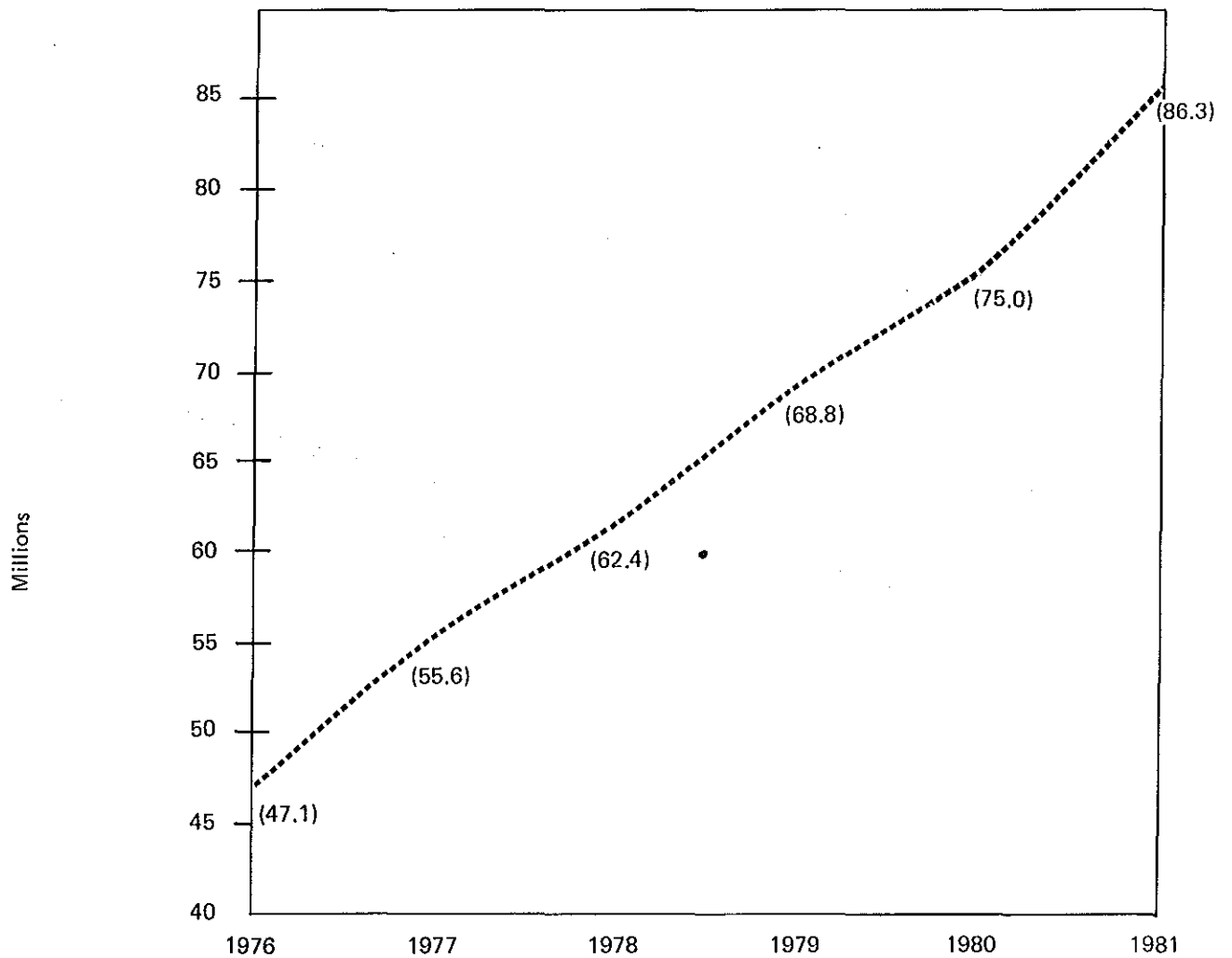
Applications for service retirement reached an all time high of 1,291 for the 1974-75 fiscal year. With the improvement in teachers salaries during 1976-1980 coupled with double digit inflation, many members decided to postpone retirement and continue working. This has obviously been done with the hope that inflation will at least level off and subside to a degree thereby affording more security to retirement income. From the high of 1,291 applications in 1974-75, the number gradually decreased to a low of 726 for 1978-79. Since that time the number of applications has increased to 800 for 1979-80 and approximately 850 for 1980-81, still far below the 1972-1976 period levels.

Tables at the end of this section show the trend in service retirements and the annual payroll for retirees and survivors since 1976.

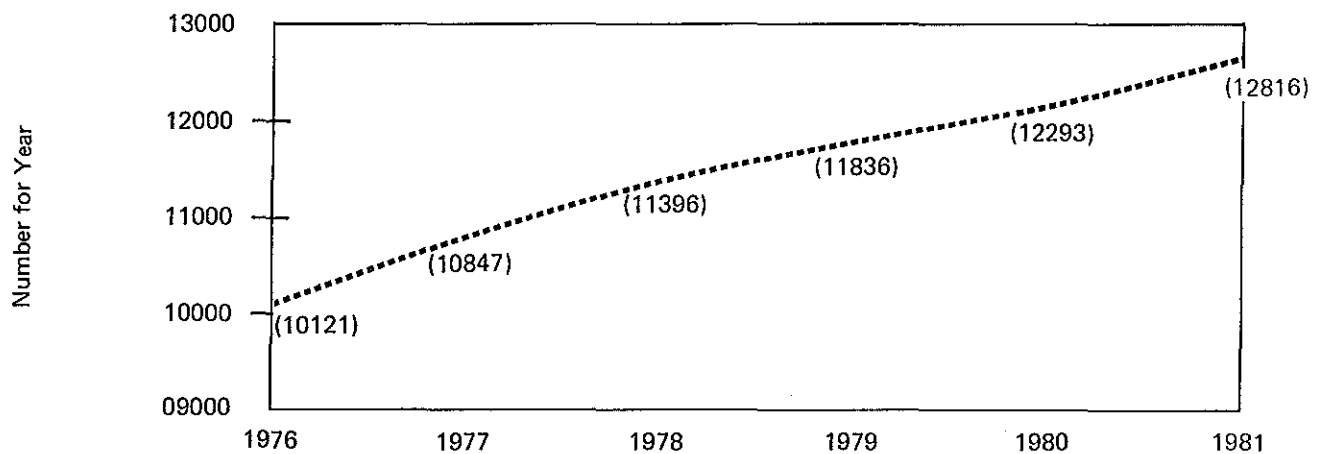
There has been a steady increase in persons eligible for benefit payments other than retirees. This is especially true for persons retiring on disability and those persons classified as survivors of members as shown in the table depicting the payroll for persons other than service retirees.

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.

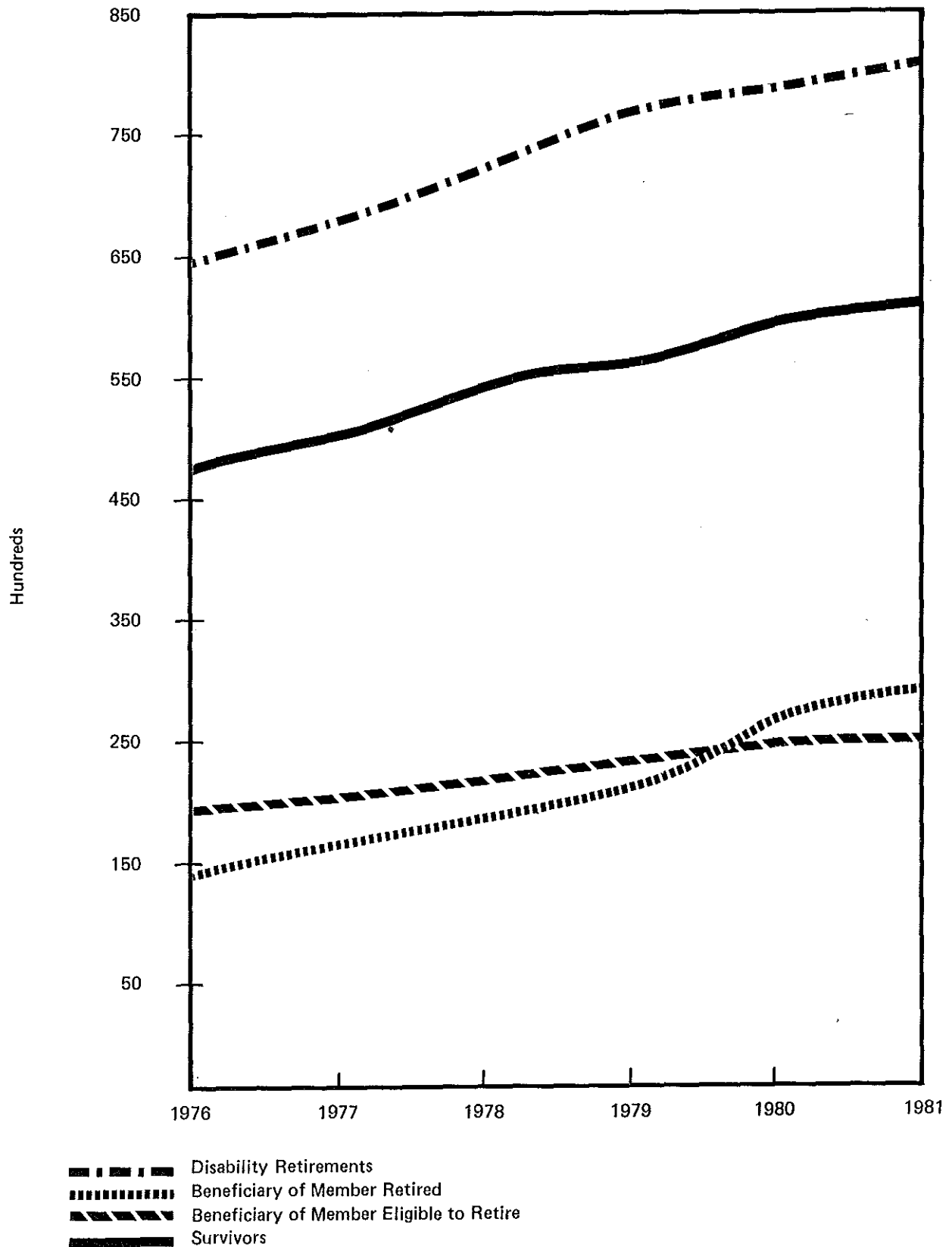
# GROWTH IN ANNUAL PAYROLL TO RETIREES AND SURVIVORS



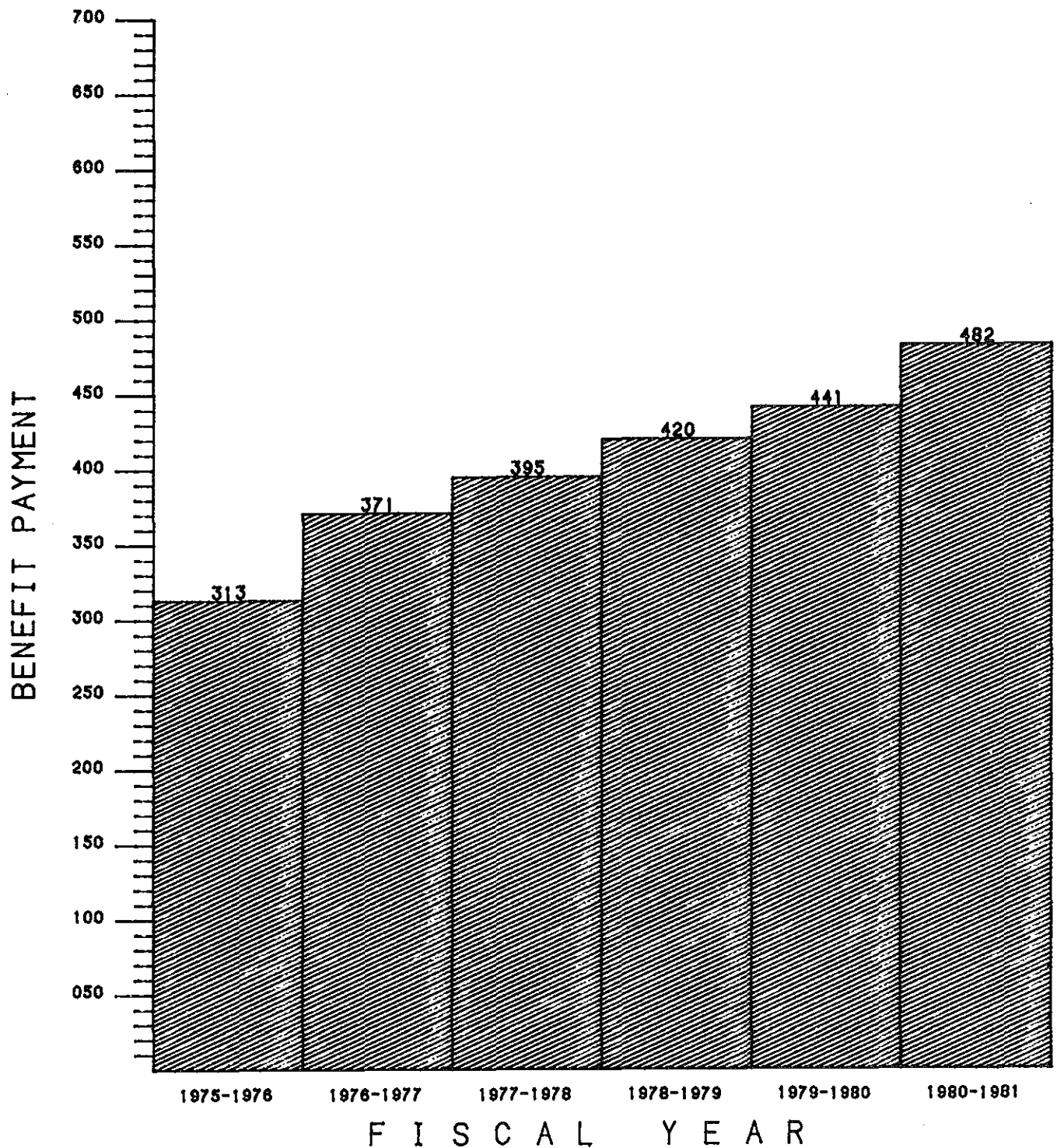
## GROWTH IN SERVICE RETIREMENTS



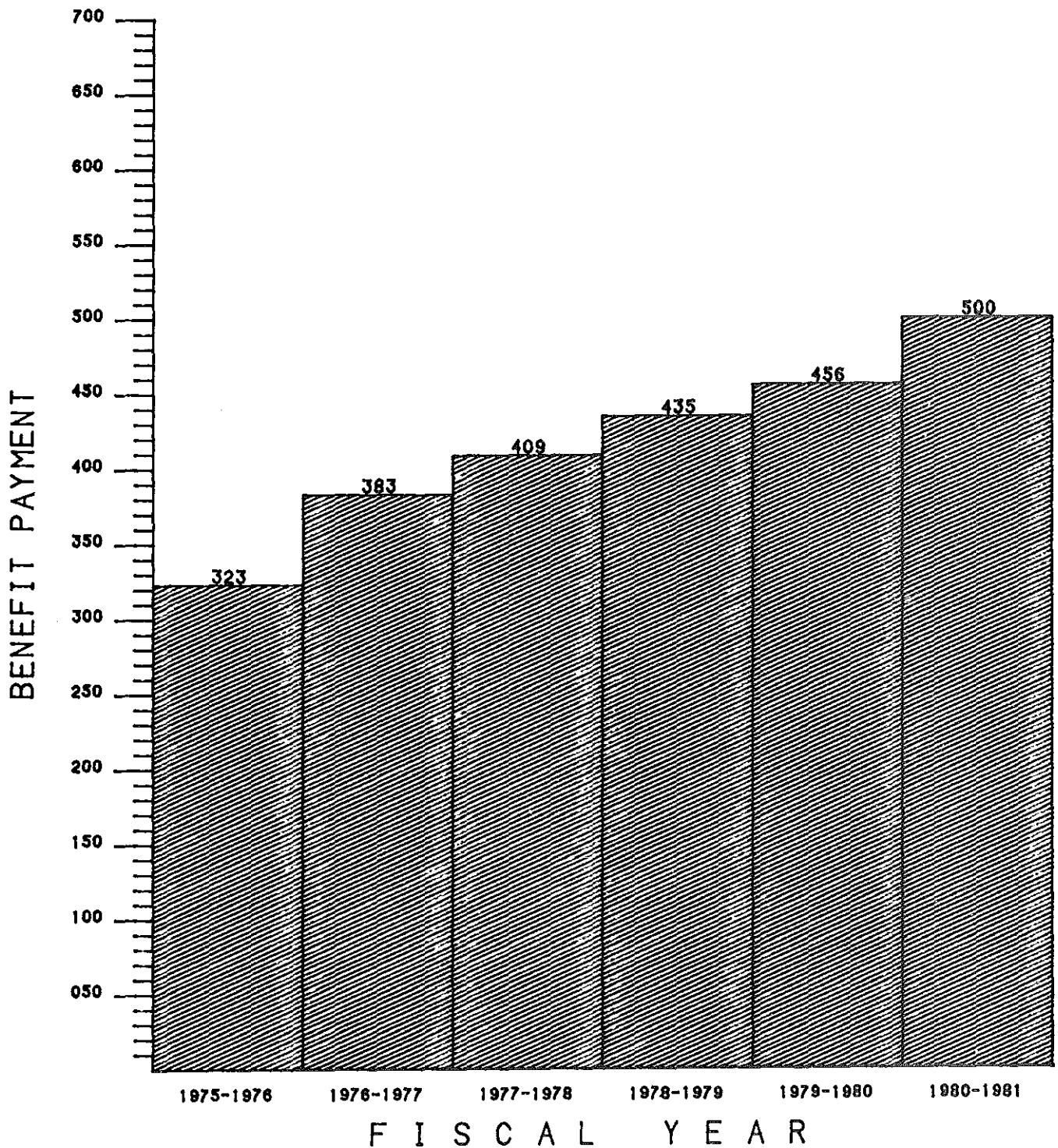
# NUMBER OF ANNUITANTS ON PAYROLL OTHER THAN SERVICE RETIREMENT



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

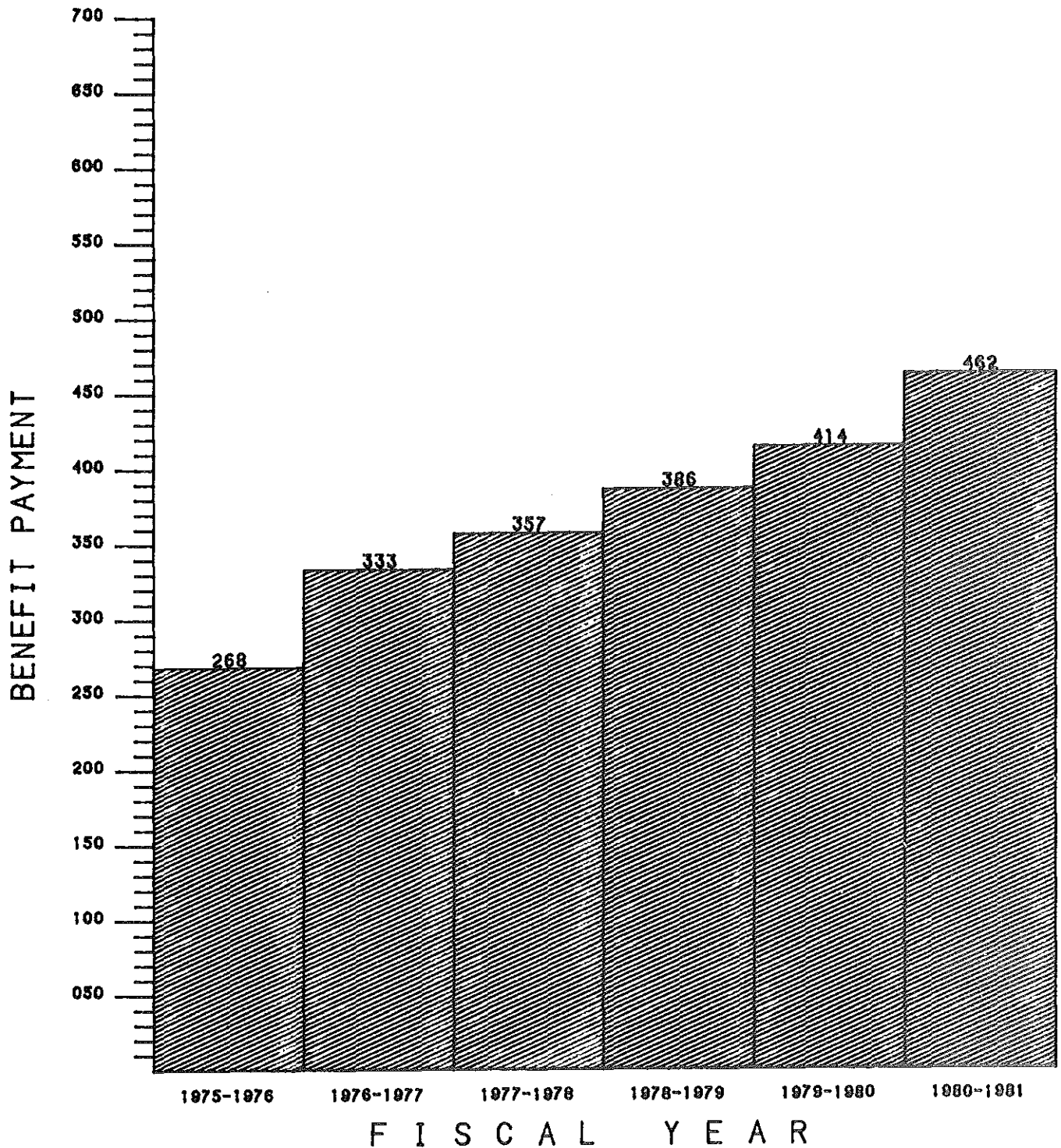


# TEACHERS RETIREMENT SYSTEM

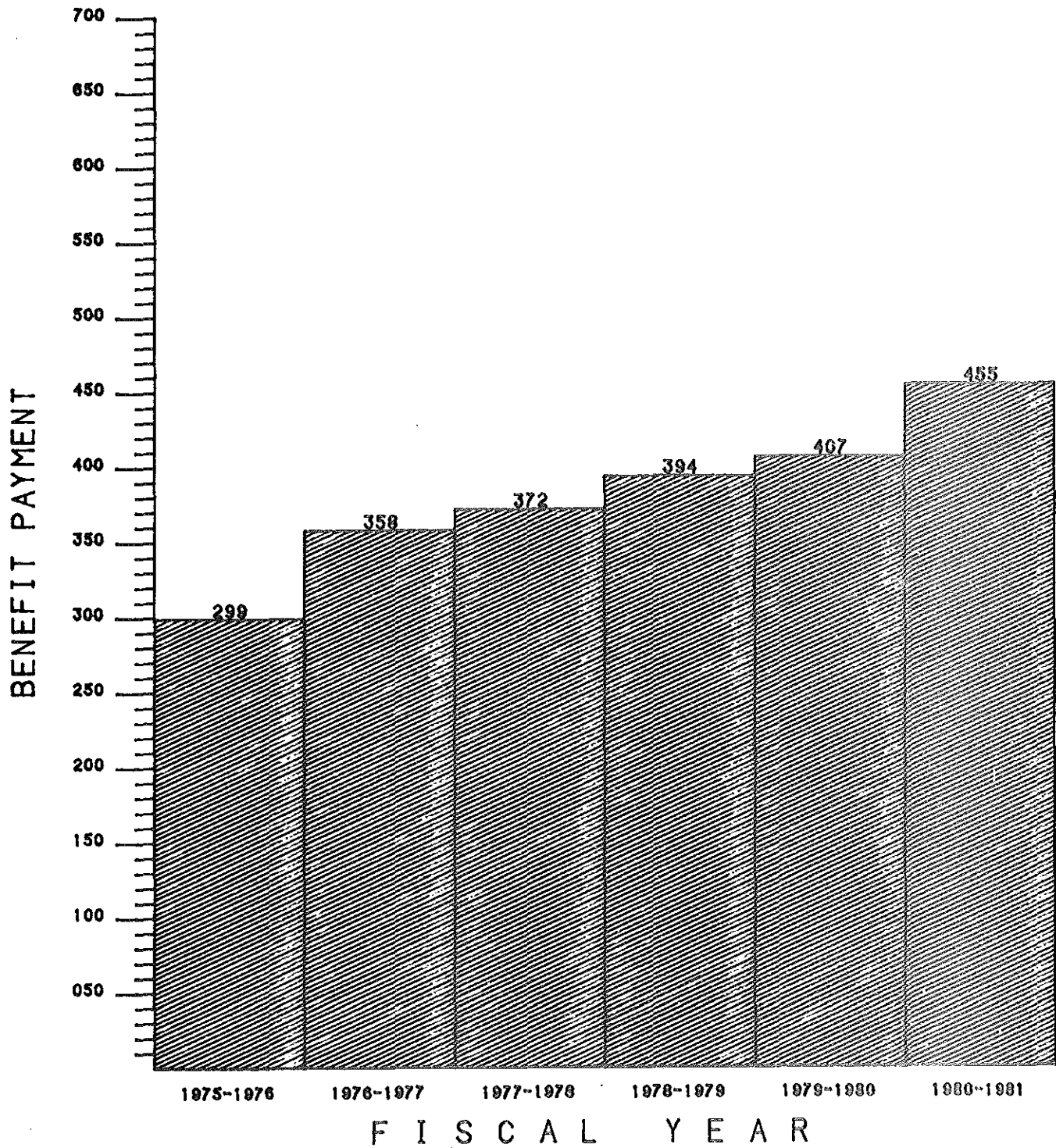
216 W. MAIN  
FRANKFORT KY 40601

## AVERAGE BENEFIT PAYMENT GRAPH

### DISABILITY RETIREES



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

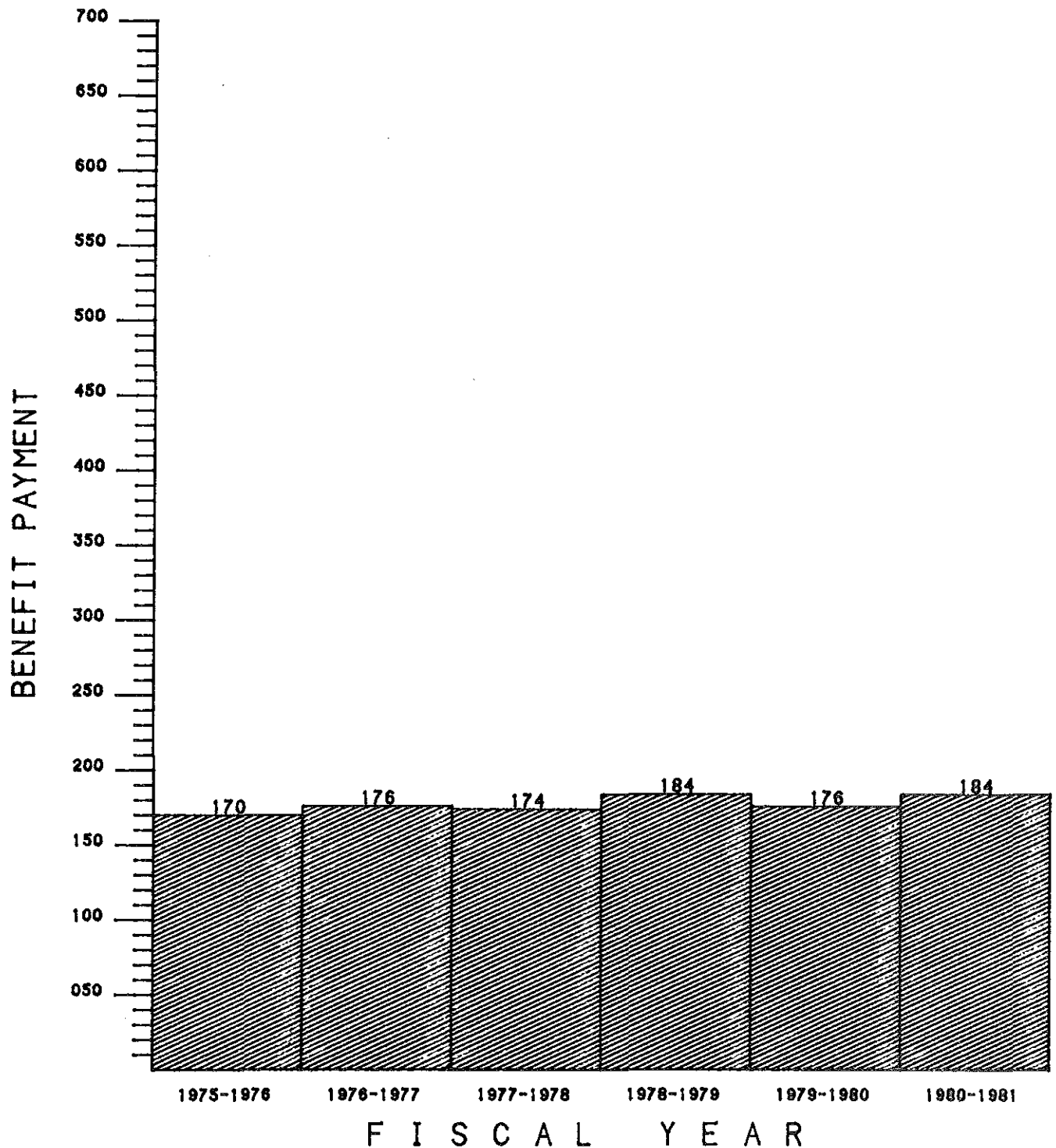


# TEACHERS RETIREMENT SYSTEM

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 it reviews periodically. The investment objectives of the Board of Trustees are 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 require the Board of Trustees to employ an experienced investment counselor to advise it on investment related matters. Todd Investment Advisors of Louisville was retained during 1980-81 as the principal investment counselor, while the Chicago office of Alliance Capital Management Corporation was a second investment counselor. Approximately \$100 million had been allocated to Alliance Capital's management by year-end. Both firms provide investment counseling services and are required to work within the same set of administrative guidelines and portfolio objectives. Two investment counselors provide the Board of Trustees with a diversification of management that is appropriate for a fund of our size. The Farmers Bank & Capital Trust Company, located in Frankfort, Kentucky, was

retained for 1980-81 as the Custodian of Securities.

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.

The investment portfolio experienced substantial growth during the year. The par value of the portfolio increased \$138.4 million, or 15.5%, to a total of \$1.03 billion at year-end. The book value of the fund correspondingly increased 14.5% during the year. Investment income (dividends and interest) also experienced a significant increase of more than 20% over the previous year to a total of \$76.9 million. The growth of the portfolio can be attributed to improved teachers' salaries and the corresponding effect on retirement contributions as well as the reinvestment of portfolio income. High interest rates, which were predominant throughout much of the year, contributed to the increase in income.

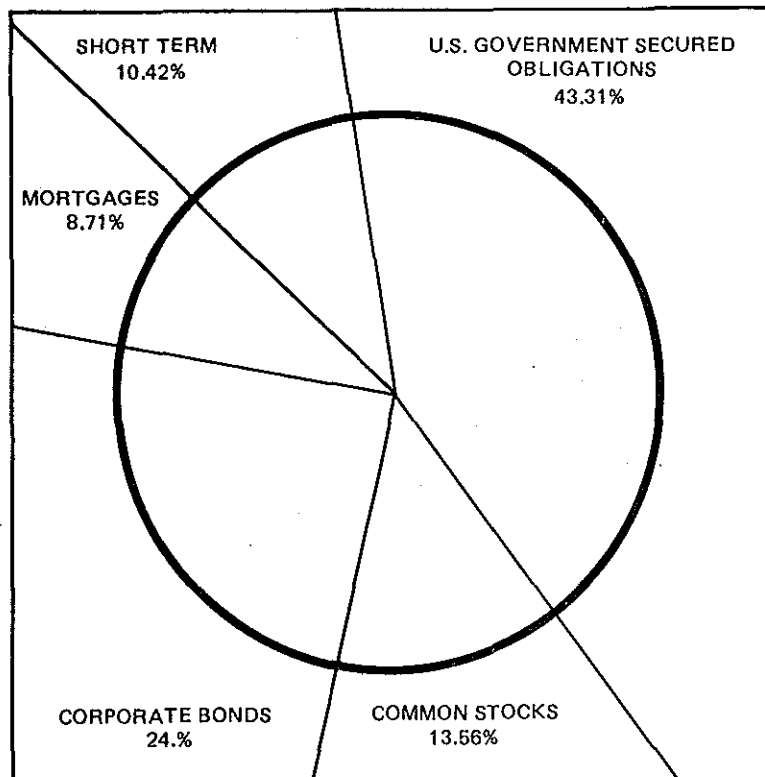
At year-end the "net indicated yield" on fixed income investments was 9.71%. This compares favorably with a projected yield of 8.2% at the beginning of the year and again is the result of purchasing fixed income securities with higher interest rates during the year. The indicated dividend yield on common stocks also reflects a substantial improvement for the year, increasing from 5.42% to 5.64%.

Investment strategy during the fiscal year called for the accumulation of cash flows in short term investments as both bond and stock markets reflected relative weakness compared to short term investments. By year's end short term investments constituted 10.4% of the portfolio compared with 6.8% a year earlier. The position in common stocks was reduced during the same period from 15.2% to 13.6%.

The charts on the following two pages display graphically the growth that is discussed in the preceding paragraphs and also depict the growth of the system over the last twenty years. Following the charts is a one page analysis of investments held at June 30, 1981. The pages thereafter provide a detailed listing of all investments held at June 30, 1981.

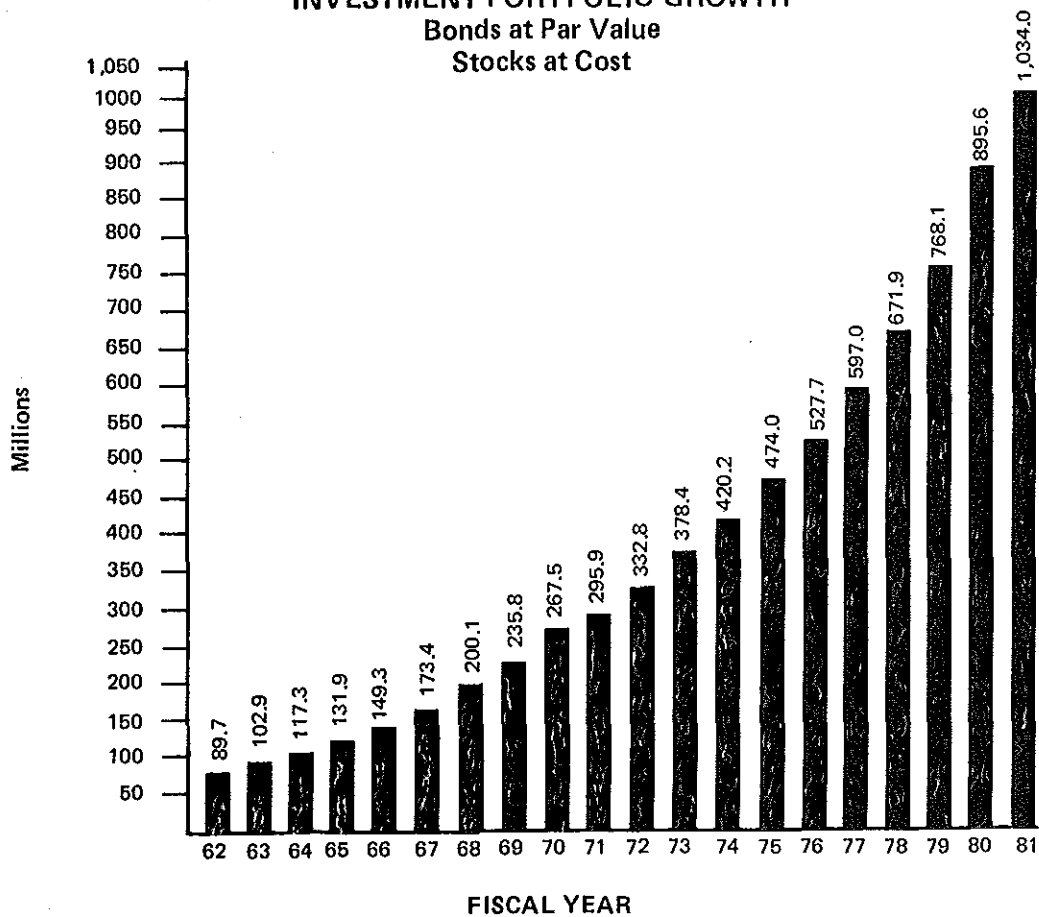
# DISTRIBUTION OF INVESTMENTS

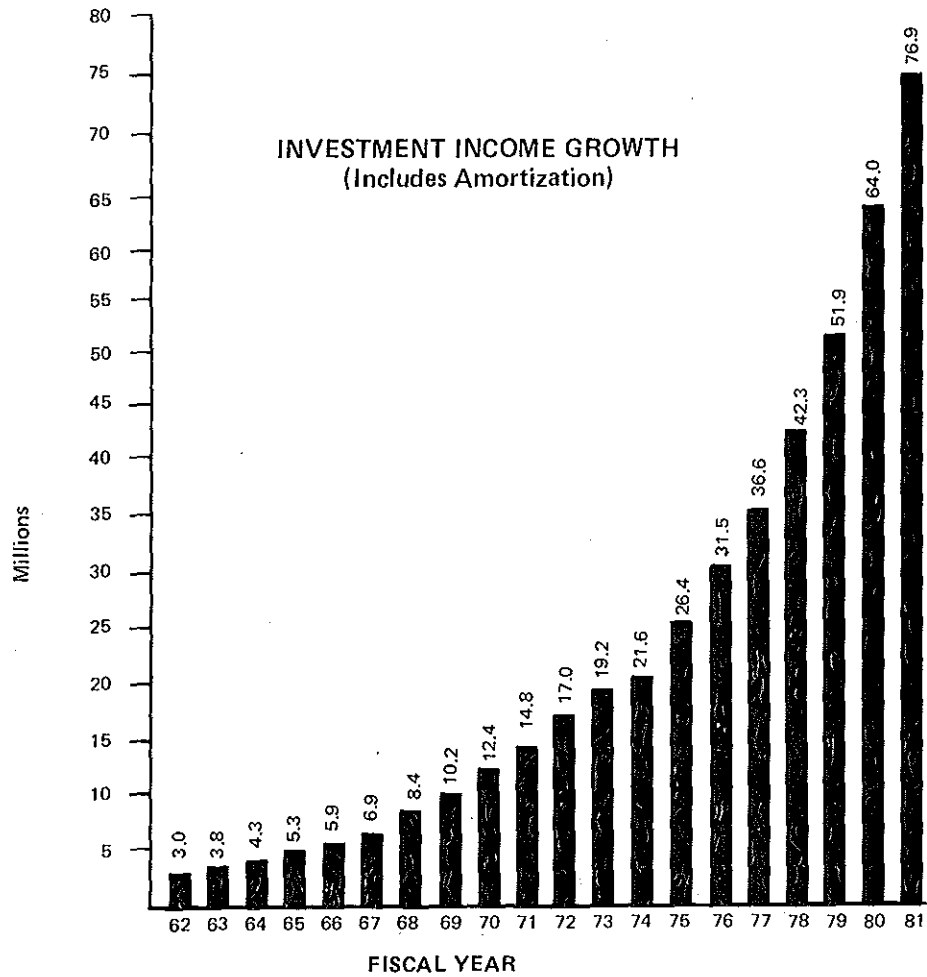
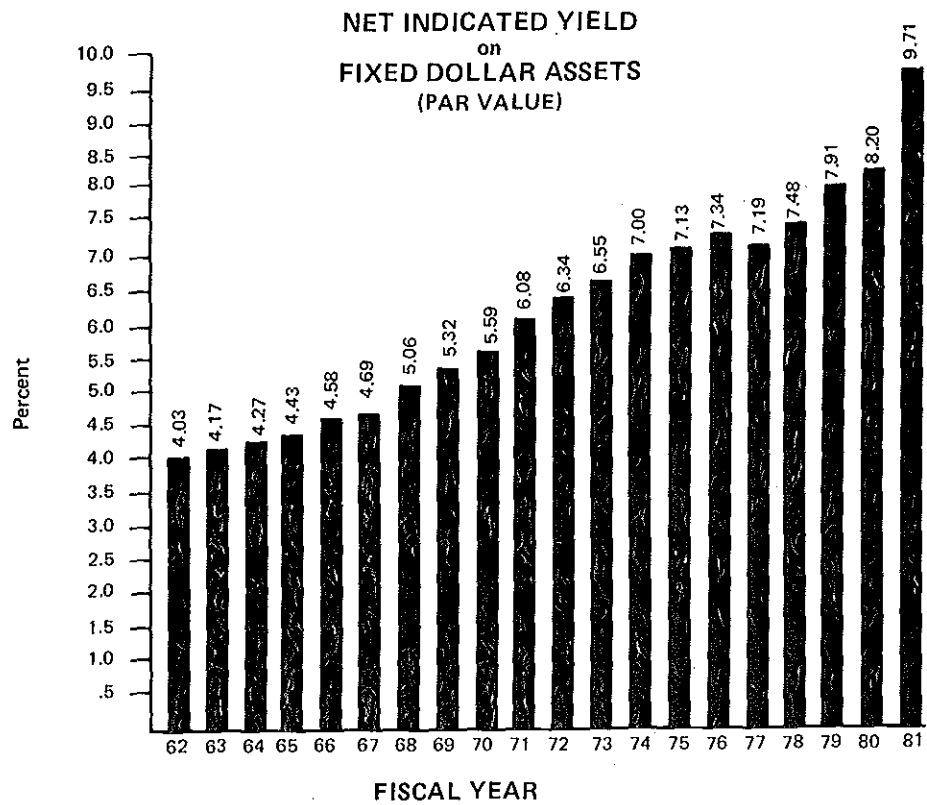
June 30, 1981



## INVESTMENT PORTFOLIO GROWTH

Bonds at Par Value  
Stocks at Cost





KENTUCKY TEACHERS RETIREMENT  
ANALYSIS OF INVESTMENTS HELD  
AS OF 06-30-81

	PERCENTAGE OF TOTAL	PAR VALUE	NET ANNUAL INTEREST/INDICATED DIVIDEND INCOME	ANNUAL YIELD
REPURCHASE AGREEMENTS	10.41%	107,598,000.00	18,683,687.00	17.36%
CERTIFICATES OF DEPOSIT	.01%	132,600.00	19,890.00	15.00%
TOTAL SHORT TERM	10.42%	107,730,600.00	18,703,577.00	17.36%
TREASURY NOTES AND BONDS	10.15%	105,000,000.00	11,228,436.96	10.69%
AGENCIES	15.95%	164,896,797.96	12,772,666.76	7.75%
SHIP BONDS (TITLE XI)	7.82%	80,847,545.22	7,167,870.22	8.87%
GNMA (SINGLE FAMILY)	8.27%	85,539,204.68	7,681,541.81	8.98%
OTHER MISCELLANEOUS	1.12%	11,567,403.78	1,172,914.48	10.14%
TOTAL U. S. GOVERNMENT OBLIGATIONS	43.31%	447,850,951.64	40,023,430.23	8.94%
INDUSTRIALS	9.22%	95,356,107.11	8,515,733.93	8.93%
FINANCE	3.89%	40,250,823.64	3,001,958.29	7.46%
UTILITY BONDS (EXCEPT TELEPHONE)	4.64%	48,029,000.00	3,482,143.30	7.25%
TELEPHONE BONDS	4.88%	50,440,000.00	4,561,719.84	9.04%
RAILROAD OBLIGATIONS	1.36%	14,085,925.35	1,158,531.55	8.22%
TOTAL CORPORATE BONDS	24.00%	248,161,856.10	20,720,086.91	8.35%
FHA & VA SINGLE FAMILY MORTGAGES	2.60%	26,920,959.93	1,738,422.10	6.46%
PROJECT MORTGAGES (FHA & GNMA)	6.00%	62,040,991.60	5,524,851.89	8.91%
STATE AND LOCAL GOVERNMENT OBLIGATIONS	.10%	1,045,000.23	54,454.75	5.21%
TOTAL OTHER FIXED INCOME INVESTMENTS	8.70%	90,006,951.76	7,317,728.74	8.13%
SUBTOTAL	86.44%	893,750,359.50	86,764,822.88	9.71%
COMMON STOCKS 4,048,582.6590 SHARES	13.56%	140,257,408.41	7,904,445.36	5.64%
TOTAL STOCK - 4,048,582.6590 SHARES	13.56%	140,257,408.41	7,904,445.36	5.64%
TOTAL INVESTMENTS, INCOME AND YIELD	100.00%	1,034,007,767.91	94,669,268.24	9.16%

# SHORT TERM INVESTMENTS

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Repurchase Agreements:</u>			
Repurchase Agreement	16.375	07/81	1,500,000.00
Repurchase Agreement	16.500	07/81	315,000.00
Repurchase Agreement	16.500	07/81	1,225,000.00
Repurchase Agreement	16.500	07/81	6,660,000.00
Repurchase Agreement	16.625	07/81	5,325,000.00
Repurchase Agreement	16.875	07/81	10,500,000.00
Repurchase Agreement	17.000	07/81	5,675,000.00
Repurchase Agreement	17.010	07/81	875,000.00
Repurchase Agreement	17.050	07/81	15,084,000.00
Repurchase Agreement	17.125	07/81	1,280,000.00
Repurchase Agreement	17.125	07/81	1,665,000.00
Repurchase Agreement	17.250	07/81	1,000,000.00
Repurchase Agreement	17.375	07/81	7,600,000.00
Repurchase Agreement	17.500	07/81	1,775,000.00
Repurchase Agreement	17.750	07/81	5,425,000.00
Repurchase Agreement	17.875	07/81	11,484,000.00
Repurchase Agreement	17.875	07/81	23,340,000.00
Repurchase Agreement	18.000	07/81	1,400,000.00
Repurchase Agreement	18.125	07/81	2,770,000.00
Repurchase Agreement	18.250	07/81	700,000.00
Repurchase Agreement	18.250	07/81	2,000,000.00
			<u>107,598,000.00</u>
<u>Certificate of Deposit:</u>			
Certificate of Deposit	15.000	07/81	<u>132,600.00</u>
Total Short Term Investments			<u><u>107,730,600.00</u></u>

## U. S. GOVERNMENT OBLIGATIONS

<u>Treasury Bonds &amp; Notes:</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	25,000,000.00
U. S. Treasury Bonds	11.500	11/95	14,000,000.00
U. S. Treasury Bonds	13.125	05/01	8,000,000.00
U. S. Treasury Bonds	14.500	05/91	2,000,000.00
U. S. Treasury Notes	7.000	11/81	7,000,000.00
U. S. Treasury Notes	13.000	11/90	<u>10,000,000.00</u>
			105,000,000.00
<u>Federal Agencies:</u>			
Banks for Cooperatives	7.750	01/86	14,000,000.00
Farmers Home Insured Notes FHA	7.500	05/88	1,496,797.96
Federal Farm Credit Banks	7.750	09/89	5,000,000.00
Federal Farm Credit Banks	8.450	04/82	9,000,000.00

U. S. GOVERNMENT OBLIGATIONS (Continued)

<u>Federal Agencies: (Continued)</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
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
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>164,896,797.96</u>

Ship Bonds (Title XI):

American Commercial Lines Ser F XI	10.950	07/04	7,800,000.00
American Export Freedom Title XI	7.300	07/97	1,718,000.00
American Export Isbrandtsen MM	7.300	07/97	1,723,000.00
American Export Lns S F Ser I XI	7.950	06/04	4,319,000.00
Apache Marine Services Title XI	10.400	04/04	4,776,000.00
Atlas Marine American Hertge XI	7.700	12/96	2,975,554.20
Cntrl Gulf Lns Lash Lighters XI	8.250	01/95	3,940,437.60
Crowley Maritime Title XI	8.125	09/99	4,383,046.92
Diamond M Drilling New Era XI	7.750	09/89	3,449,429.06
Flowers Transportation XI SF	8.400	05/00	1,964,000.00
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 Title XI	8.100	02/02	4,738,000.00
Shipco 668 Series A S F Title XI	8.500	05/02	4,677,000.00
Stuyvesant Issue Title XI	7.950	09/97	9,164,546.19
Stuyvesant Issue Title XI	8.000	05/95	3,031,000.00
Union Mechling Corp S F Title XI	8.000	01/02	4,356,531.28
Wabash Transportation Title XI	5.400	06/89	3,716,000.00
Waterways Barge S F Title XI	13.500	09/05	7,116,000.00
Zapata Marine US Inc SF Title XI	7.700	09/94	5,000,000.00
			<u>80,847,545.22</u>

GNMA (Single Family):

Pool 04511	9.000	11/04	65,145.01
Pool 05144	7.250	11/04	1,152,587.29
Pool 07199	7.250	06/05	628,724.29
Pool 07405	7.250	07/05	1,408,269.82
Pool 09012	7.250	12/05	746,246.63
Pool 09373	7.250	01/06	684,016.85
Pool 09394	7.250	12/05	705,502.61

U. S. GOVERNMENT OBLIGATIONS (Continued)

<u>GNMA Single Family: (Continued)</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
Pool 13400	7.500	01/07	865,992.14
Pool 13512	7.500	01/07	1,494,238.86
Pool 13848	7.500	03/07	667,214.92
Pool 14006	7.500	01/07	725,169.35
Pool 14172	7.500	02/07	768,253.77
Pool 14282	7.500	01/07	2,375,496.26
Pool 14356	7.500	01/07	809,354.55
Pool 14563	7.500	01/07	872,096.36
Pool 14572	7.500	01/07	724,240.39
Pool 14705	7.500	02/07	1,604,911.56
Pool 14958	7.500	02/07	865,077.68
Pool 15033	7.500	02/07	742,902.19
Pool 15094	7.500	01/07	773,345.65
Pool 15242	7.500	02/07	853,710.62
Pool 15293	7.500	01/07	1,813,590.76
Pool 15374	7.500	02/07	836,722.72
Pool 15397	7.500	01/07	754,288.44
Pool 15510	7.500	02/07	791,619.84
Pool 15581	7.500	02/07	712,050.28
Pool 15597	7.500	06/07	842,914.48
Pool 15703	7.500	03/07	1,592,961.34
Pool 15704	7.500	04/07	406,401.49
Pool 15738	7.500	03/07	713,968.13
Pool 15814	7.500	06/07	684,680.21
Pool 15891	7.500	04/07	1,775,457.83
Pool 15910	7.500	02/07	798,734.27
Pool 15924	7.500	02/07	1,585,690.16
Pool 15943	7.500	02/07	1,654,093.52
Pool 16032	7.500	05/07	851,335.82
Pool 16114	7.500	03/07	737,164.73
Pool 16336	7.500	05/07	880,055.19
Pool 16547	7.500	04/07	1,460,510.04
Pool 16751	7.500	06/07	784,172.09
Pool 16837	7.500	04/07	864,302.87
Pool 16844	7.500	04/07	2,425,174.12
Pool 16943	7.500	05/07	665,253.20
Pool 16980	7.500	07/07	413,974.46
Pool 17030	7.500	04/07	1,712,000.28
Pool 17151	7.500	06/07	1,383,764.05
Pool 17194	7.500	04/07	1,722,557.19
Pool 17296	7.500	07/07	2,548,587.98
Pool 19197	7.500	09/07	755,118.37
Pool 26125	9.000	11/08	948,965.37
Pool 26749	9.000	01/09	992,757.24
Pool 27076	9.000	10/08	918,762.69
Pool 27128	9.000	02/09	947,067.08
Pool 27223	9.000	01/09	959,127.78
Pool 27438	9.000	12/08	900,061.16
Pool 27533	9.000	04/09	967,489.49
Pool 27545	9.000	12/08	1,893,063.90

# U. S. GOVERNMENT OBLIGATIONS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>GNMA Single Family: (Continued)</u>			
Pool 27691	9.000	10/08	881,538.74
Pool 28233	9.000	12/08	964,919.11
Pool 28314	9.000	12/08	916,518.52
Pool 28521	9.000	04/09	973,420.12
Pool 28911	9.000	01/09	946,919.20
Pool 29388	9.000	01/09	911,018.58
Pool 29419	9.000	05/09	959,915.54
Pool 29697	9.000	02/09	925,399.04
Pool 29734	9.000	02/09	914,387.92
Pool 29895	9.000	02/09	950,220.25
Pool 30084	9.000	01/09	985,655.20
Pool 30657	9.000	03/09	1,874,966.45
Pool 31076	9.000	05/09	986,533.91
Pool 31893	9.000	06/09	944,744.35
Pool 32284	9.000	05/09	4,783,839.34
Pool 32706	9.500	09/09	4,751,131.73
Pool 47331	13.500	05/11	1,013,990.56
Pool 48414	14.000	06/11	627,150.75
			<u>85,539,204.68</u>

## Other - Miscellaneous:

Certificate of Deposit	11.050	11/84	100,000.00
Chrysler Corp Secured Nts U S Gtd	10.350	06/90	5,000,000.00
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	484,000.00
Republic Panama External Secured	4.800	04/93	59,000.00
Seatrains Ship Bldg US Gtd (EDA) A	9.875	05/01	5,887,000.00
			<u>11,567,403.78</u>

Total U. S. Government Obligations			<u><u>447,850,951.64</u></u>
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## 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 Nt	7.000	07/98	501,086.43
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	914,289.34
Chevron Stations Inc Note	5.100	04/91	124,000.00
Countrywide Stations Secrd Nts C	7.500	09/02	3,570,000.00

CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Industrials: (Continued)</u>			
Cummins Engine Co Inc Notes	5.000	07/90	150,000.00
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 Deb	11.250	07/10	5,000,000.00
Dow Chemical Notes	5.000	04/91	767,200.00
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 Guarntd Nts	7.400	07/02	2,500,000.00
Fahrney Paul L 1st Prfd Ship Mtg	7.700	09/97	914,289.34
Federated Dept Stores S F Deb	10.250	06/10	4,000,000.00
General Foods Corporation Deb	6.000	06/01	3,000,000.00
Halliburton Company S F Deb	10.200	06/05	2,000,000.00
I P Petroleum Gtd Notes	8.500	02/82	364,242.00
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	3,693,000.00
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
Pembroke Capital Co S F Deb C	11.500	08/05	5,000,000.00
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
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
Union Pacific Corp S F Deb	11.875	09/10	3,000,000.00
United States Steel Sub Deb	4.625	01/96	4,425,000.00
			<u>95,356,107.11</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

## CORPORATE BONDS (Continued)

<u>Finance: (Continued)</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
Marathon Finance Guaranteed Nts	5.500	05/87	237,500.00
Marathon Finance Promissory Nts	4.550	04/85	81,600.00
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
Republic New York Corporation Deb	13.750	09/05	2,000,000.00
Roxbury Properties Corp Secrd Nt	4.750	01/89	221,154.71
United California Bk Cap Notes	4.500	01/90	200,000.00
Villiers Realty Corp Secrd Nts	4.750	10/89	238,568.93
			<u>40,250,823.64</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	191,000.00
Cambridge Electric Light Notes C	6.250	06/97	592,000.00
Commonwealth Electric Company	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
Continental Oil Company Notes	4.750	05/85	43,000.00
Continental Oil Company Notes	5.875	12/89	479,000.00
Continental PL Guarntd Notes	7.500	05/94	195,000.00
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
National Rural Utils Coll TR F	9.750	04/09	5,000,000.00
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

## CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Utility Bonds (Continued)</u>			
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 P1 S F	4.750	12/81	46,000.00
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	1,963,000.00
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>48,029,000.00</u>

Telephone Bonds:

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 York Tel Ref Mtg W	8.300	08/12	2,500,000.00
New York Tel Tel Debs	8.250	10/15	3,750,000.00
Ohio Bell Telephone Debentures	9.000	11/18	2,500,000.00
Pacific Northwestern Bell Tel Debs	11.000	05/20	5,000,000.00
Pacific Tel Tel Deb	7.800	03/07	250,000.00
Pacific Tel Tel Debs	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

CORPORATE BONDS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value</u>
<u>Telephone Bonds: (Continued)</u>			
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	<u>2,000,000.00</u>
			50,440,000.00
<u>Railroad Obligations:</u>			
Burlington Northern Con Mtg Ser G	12.875	08/05	2,500,000.00
Burlington Northern Con Mtg Ser G	12.875	08/05	2,500,000.00
Chesapeake Ohio Ry Condtl Sale	6.000	04/82	30,000.00
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	6.375	08/82	104,000.16
Delaware Hudson RR Condtl Sale	6.875	09/83	111,696.56
Erie Lackawanna RR Condtl Sale	6.500	05/82	32,693.53
Kansas City Sou Ry Condtl Sale	5.500	10/81	10,000.00
Kansas City Sou Ry Condtl Sale	5.500	10/81	16,666.87
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	22,439.02
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
Norfolk Western Ry Condtl Sale	9.500	05/85	440,000.00
North American Car Corp Equip Tr	8.500	08/84	120,000.00
Northern Pacific Ry Condtl Sale	5.500	03/82	30,000.00
Northern Pacific Ry Condtl Sale	6.625	02/83	36,959.32
Seaboard Coast Line Condtl Sale	6.375	06/82	47,719.34
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	20,000.00
St Louis San Fran Condtl Sale	6.250	03/82	33,288.75
St Louis San Fran Condtl Sale	6.250	07/82	66,269.03
St Louis San Fran Condtl Sale	6.750	01/83	200,000.00
St Louis San Fran Condtl Sale	7.250	12/83	300,000.00
St Louis San Fran Condtl Sale	8.250	08/84	220,000.00
St Louis San Fran Condtl Sale	9.375	01/85	180,000.00
St Louis San Fran Condtl Sale	9.500	02/85	300,000.00
St Louis San Fran Condtl Sale	9.750	07/85	248,192.77
Virginia Southwestern Ry 1st Mtg	5.000	01/03	<u>107,000.00</u>
			14,085,925.35
Total Corporate Bonds			<u>248,161,856.10</u>

## OTHER FIXED INCOME INVESTMENTS

	<u>Coupon</u>	<u>Maturity</u>	<u>Remaining Principal Balance</u>
<u>Single Family Mortgages:</u>			
FHA	various		14,223,094.08
VA	various		12,697,865.85
			<u>26,920,959.93</u>
 <u>Project Mortgages: (FHA &amp; GNMA)</u>			
Americana Apts Ky 221D4	7.500	10/18	4,675,172.57
Belleville Manor Apts Ky 221D4	7.500	11/19	665,246.51
Bethany Circle Kings Daughters Ind	8.375	03/02	1,970,303.05
Calif Guidance Care Center 232	8.500	02/92	481,866.80
Calvert City Convalescent Ky I 232	7.000	01/93	403,721.10
Cambridge Square Apts Ky 221D4	7.500	11/19	1,243,422.81
Camellia Center Hospital Calif 232	6.000	11/88	418,350.15
Carnaby Square Apts Ky 221D4	7.500	06/19	1,281,072.42
Carter Court Apts Ky 221D4	7.500	09/20	1,350,764.94
Christ Hosp GNMA Pool 21190CL	8.000	10/83	3,460,000.00
Congregational Home Aged Kan 231	5.250	07/04	1,592,053.26
Cortland Hosp GNMA Pool 13089PL	8.750	10/04	1,551,986.88
Cottage Bell Apts Calif 221D4	7.500	11/10	917,955.90
Cottage Bell Apts II Calif 221D4	8.500	11/11	457,360.70
Denver Ed Sr Citzns 231	5.250	11/03	915,532.56
Dixie Apts Ky 221D4	7.500	05/18	1,183,537.54
Ephraim McDowell Hospital Ky	9.000	01/01	3,357,910.84
Gainesway Village Apts Ky 221D4	7.500	02/19	1,706,712.19
Gallantine Apts Calif 207	5.250	10/02	618,863.63
Gladman Nursing Home 232	5.250	04/87	287,939.40
Hallmark Plaza Ky 223F	8.500	06/11	1,213,469.29
Jackson Valley Apts Ky 221D4	7.500	08/20	2,067,044.59
Knights Inn FMHA Loan	13.750	12/90	1,131,280.99
Lakeview Estates Ky 221D4	7.500	01/20	1,164,673.30
Lebanon Apts Ky 221D4	7.500	02/20	1,246,106.89
Longmont Christian Housing 231	5.250	03/03	582,717.86
Mac Mining Co FMHA Loan	15.150	06/85	2,309,720.61
Manchester Heights Apts Ky 221D4	7.500	06/19	1,281,565.58
Middletown Apts Ky 221D4	7.500	02/18	1,097,983.47
Montgomery Square Apts Ky 221D4	7.500	05/19	1,279,585.21
Panorama West Covington Ky 236	8.500	12/12	479,810.50
Pine Ridge Apts Ky 221D4	7.500	09/18	873,290.14
Pinecreek Apts Ky 221D4	7.500	10/17	600,212.69
Regency Park Apts Ky 221D4	7.500	05/18	1,013,550.37
Ridgeway Apts Ky 221D4	7.500	02/19	1,090,885.87
Rucker Village Apts Ky 221D4	7.500	03/20	1,130,907.22
Salem Village No I FHA Sec 232 I11	7.750	03/16	1,059,228.40
Salem Village No II FHA Sec 231 I11	7.750	10/16	3,610,907.27
Sandefur Manor Ky 221D4	7.500	01/20	983,948.27
Shepherdsville Village Apt Ky 221D4	7.500	05/20	1,432,675.58
Southside Manor Ky 221D4	7.500	02/19	1,482,694.28
Tree Top Apts Ky 221D4	7.500	11/20	1,178,313.98

## OTHER FIXED INCOME INVESTMENTS (Continued)

	<u>Coupon</u>	<u>Maturity</u>	<u>Remaining Principal Balance</u>
<u>Project Mortgages: (Continued)</u>			
Walnut Hill Apts Ky 221D4	7.500	05/19	1,724,085.30
Wildwood Apts Ky 221D4	7.500	08/20	1,974,659.90
Woodsvew Apts Ky 221D4	7.500	01/19	1,491,900.79
			<u>62,040,991.60</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	104,999.93
Ky Indstrl Dev Finance Auth Nt	5.000	07/86	36,666.73
Ky Indstrl Dev Finance Auth Nt	5.000	01/87	280,000.06
Ky Indstrl Dev Finance Auth Nt	5.500	01/87	80,000.12
Ky Indstrl Dev Finance Auth Nt	5.500	07/87	43,333.39
			<u>1,045,000.23</u>
Total Other Fixed Income Investments			<u>90,006,951.76</u>
TOTAL FIXED INCOME INVESTMENTS			<u>893,750,359.50</u>

## COMMON STOCKS

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
American Airlines Inc	30,000.0000	286,475.00	517,500
American Express Company	60,000.0000	2,883,912.50	2,902,500
American Home Products	141,300.0000	4,573,605.00	4,645,238
American International Group	15,000.0000	624,750.00	862,500
American Medical International Inc	15,000.0000	592,125.00	633,750
American Standard Inc	70,000.0000	1,835,087.91	2,782,500
American Telephone Telegraph Co	148,514.6450	7,994,730.25	8,353,949
AMP Inc	8,000.0000	372,605.00	429,000
Archer-Daniels-Midland Company	15,750.0000	284,450.00	283,500
Baker International Corporation	13,000.0000	515,187.50	495,625
Baltimore Gas and Electric Company	43,500.0000	954,175.00	1,011,375
Baxter Travenol Laboratories Inc	50,000.0000	2,240,812.50	2,718,750
Boeing Company	78,000.0000	3,068,247.50	2,388,750
Boise Cascade Corporation	15,000.0000	567,762.50	639,375
Bristol-Myers Company	60,000.0000	2,297,077.50	2,992,500
Bucyrus-Erie Company	20,000.0000	481,775.00	387,500
Capital Holding Corporation	105,000.0000	2,343,050.00	2,415,000
Caterpillar Tractor Company	34,000.0000	1,821,325.00	2,231,250
Centex Corp	5,000.0000	216,052.08	173,750
Central & South West Corporation	282,000.0000	4,028,863.50	3,983,250
Conoco Inc	23,896.0000	749,757.40	1,565,188
Continental Illinois Corporation	25,000.0000	1,055,637.50	1,018,750
Dart & Kraft Inc	60,000.0000	2,764,087.50	3,075,000
Dataproducts Corp	15,000.0000	511,362.50	465,000
Deere and Company	15,000.0000	650,575.00	588,750
Delta Air Lines Inc	50,200.0000	2,514,313.61	3,576,750
Digital Equipment Corp	6,000.0000	484,850.00	592,500
Disney Walt Productions	40,000.0000	1,789,458.34	2,535,000
Donnelley R R and Sons Company	15,000.0000	544,425.00	594,375
Dresser Industries Inc	14,000.0000	402,862.50	533,750
Eastman Kodak	10,000.0000	752,900.00	747,500
Exxon Corporation	120,000.0000	2,353,648.37	4,110,000
Farmers Group Inc	10,000.0000	280,000.00	343,750
Federated Department Stores	87,100.0000	3,786,337.71	3,484,000
Florida Power Light Co	89,411.7550	3,410,460.18	2,660,000
Fluor Corp	10,000.0000	293,100.00	357,500
General Electric Company	71,000.0000	3,439,515.31	4,393,125
General Mills Inc	60,000.0000	1,726,167.98	2,272,500
General Motors Corp	70,000.0000	5,257,978.98	3,710,000
Georgia-Pacific Corporation	20,000.0000	527,375.00	552,500
Geosource Inc	10,000.0000	250,500.00	521,250
Halliburton Co	56,000.0000	3,257,050.00	3,346,000
Harris Corporation	4,000.0000	135,690.00	179,500
Holiday Inns Inc	15,000.0000	313,116.76	478,125
Honeywell Incorporated	6,000.0000	474,810.00	512,250
Hughes Tool Company	10,000.0000	263,000.00	378,750
Intel Corporation	15,000.0000	558,150.00	540,000
International Business Machines	12,000.0000	707,100.00	694,500

## COMMON STOCKS (Continued)

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
K Mart Corporation	120,000.0000	3,075,125.00	2,565,000
Kaiser Cement Corporation	70,000.0000	1,901,250.00	2,100,000
Kellogg Company	110,000.0000	2,508,362.50	2,392,500
Lilly Eli Company	10,000.0000	675,525.00	610,000
Louisville Gas and Electric Co	199,210.2590	5,180,274.37	3,436,377
Lucky Stores Inc	110,000.0000	1,756,087.50	1,760,000
Manufacturers Hanover Corp	57,000.0000	1,972,240.00	2,208,750
Marathon Oil Company	8,000.0000	465,150.00	490,000
Marsh & McLennan Companies Inc	60,000.0000	1,915,625.00	2,347,500
McDonalds Corp	87,200.0000	4,744,370.00	5,646,200
McDonnell Douglas Corp	10,000.0000	386,625.00	393,750
McGraw-Hill Inc	65,000.0000	1,998,600.00	3,363,750
Melville Corporation	8,000.0000	218,449.92	350,000
Milton Bradley Company	10,000.0000	297,998.75	313,750
Monsanto Company	10,000.0000	712,375.00	818,750
Morgan J P and Company	100,000.0000	5,424,750.00	5,975,000
Motorola Inc	4,000.0000	226,400.00	286,000
Pepsico Inc	115,000.0000	3,694,800.00	4,068,125
Pfizer Inc	85,000.0000	3,519,175.00	4,080,000
Philip Morris Inc	102,000.0000	4,900,812.50	5,074,500
Phillips Petroleum Company	10,000.0000	499,125.00	382,500
Prime Computer Inc	13,500.0000	349,700.00	509,625
Public Service Co of Indiana Inc	150,000.0000	2,943,750.00	3,187,500
R J Reynolds Industries Inc	50,000.0000	1,519,562.78	2,250,000
Raymond International Inc	20,000.0000	575,187.50	435,000
Shell Oil Company	70,000.0000	2,329,632.81	3,150,000
Signal Companies Inc	15,000.0000	422,437.50	442,500
Standard Oil Co Indiana	58,000.0000	1,781,452.51	3,182,750
Stauffer Chemical Company	25,000.0000	533,250.00	643,750
Superior Oil Company	3,000.0000	523,326.39	561,000
Taft Broadcasting Company	20,000.0000	585,772.50	612,500
Texas Instruments Inc	5,000.0000	527,400.00	485,000
Union Pacific Corporation	10,000.0000	654,125.00	577,500
United Technologies Corp	60,000.0000	2,462,212.50	3,322,500
US Air Inc	15,000.0000	325,875.00	316,875
Waste Management Inc	6,000.0000	222,100.00	210,000
Wheelabrator-Frye Inc	10,000.0000	437,250.00	520,000
Williams Companies	15,000.0000	502,250.00	414,375
Xerox Corporation	4,000.0000	252,705.00	216,000
TOTAL COMMON STOCKS	4,048,582.6590	140,257,408.41	154,373,202



## ACCOUNTANTS REPORT

Each year the records of the Teachers' Retirement System are audited by an independent certified public accounting firm to determine 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, 1981 is prepared prior to the Charles T. Mitchell Company's Annual Review. However, the Audit Report for the fiscal year ended June 30, 1980 is herein presented.

During the year ended June 30, 1981, assets of the Teachers' Retirement System increased \$129,163,687.01 to a total of \$1,010,291,627.90. It is noted that of the \$1.01 billion in assets \$424 million is credited to the Teachers Saving Fund for members accounts and \$426 million is reserved in the State Accumulation Fund as State Matching for member contributions. This leaves a reserve for benefit payments of \$160 million, which compares favorably with a reserve of \$125 million for the previous year.

Administrative cost for the fiscal year totaled \$1,110,717.00. This breaks down to a cost of \$8.64 per each member account (active, retired, and inactive) that is maintained by the Teachers' Retirement System.

# TEACHERS' RETIREMENT SYSTEM

Receipts for the period of  
July 1, 1980 thru June 30, 1981  
as of September 21, 1981

## MEMBER CONTRIBUTIONS

Payroll Deductions	\$ 58,384,275.69	
Personal Checks	\$ 424,976.13	
Anticipated Additional Contributions	\$ ---	
* Total from Members		\$ 58,809,251.82
Employer Matching to Member Contributions		\$ 4,109,089.83

## STATE APPROPRIATION

For .02215 of University Member Salaries	\$ 1,440,750.00	
To Match Member Contribution:		
* \$ 58,646,605.62 Plus \$ 1,440,750.00		
Member Contribution .02215 Above		
Less \$ 4,109,089.83 Equals	\$ 55,978,265.79	
Employer Matching		
For Required Overmatch of Member Contributions:		
* \$ 58,646,605.62 Plus \$ 1,440,750.00		
Member Contribution .02215 Above		
Divided by .0784 Times .0325 Equals	\$ 24,908,661.45	
For Recipients Cost of Living Increase	\$ 2,880,000.00	
For Prior Service Allowances	\$ 640,000.00	
For Other Allowances/Benefits	\$ 153,500.00	
For Excess of Member Contributions	\$ 2,562,450.00	
Net of Excess Contributions	\$ 172.76	
Expense Fund Balance from FY 79-80	\$ 10,500.00	
Administrative Expenses	\$ 784,900.00	
Total from State		\$ 89,359,200.00

\* Variance is caused by refunds and adjustments. The \$58,646,605.62 is derived directly from the Annual Reports of individual contributions submitted by employers for fiscal year 1980-81 plus applicable personal check payments from individual members.

Receipts - continued

INVESTMENTS

Investment Sales	\$ 958,172,491.15	
Decrease of Accrued Interest Purchase	\$ 1,343,534.63	
Gain/Loss on Sale	\$ 1,207,787.78	
Interest Income	\$ 69,041,003.04	
Dividend Income	\$ 7,858,672.03	
Total from Investments		\$ 1,037,623,488.63

OTHER RECEIPTS

Voluntary Fund Contributions	\$ 968,965.26	
Account Reinstatements	\$ 199,164.96	
Aetna Reserve - Experience Increase	\$ 540,329.00	
Miscellaneous Receipts	\$ 182,263.69	
Total Other Receipts		\$ 1,890,722.91

TOTAL RECEIPTS		\$ 1,191,791,753.19
Beginning Cash Balance, July 1, 1980		\$ 2,958,888.85
Total Receipts Plus Beginning Cash Balance		\$ 1,194,750,642.04

# TEACHERS' RETIREMENT SYSTEM

Disbursement and Cash Balance  
For the period of  
July 1, 1980 thru June 30, 1981  
As of September 21, 1981

Total Receipts Plus Beginning Cash Balance		\$ <u>1,194,750,642.04</u>
<u>Insurance and Benefit Payments</u>		
Medical Insurance Premiums	\$ <u>7,930,572.55</u>	
Service and Disability Retirement	\$ <u>83,481,465.43</u>	
Survivor Benefits	\$ <u>2,918,991.81</u>	
Death Benefits	\$ <u>941,542.34</u>	
Voluntary/Tax Shelter	\$ <u>97,303.36</u>	
Total Insurance and Benefits		\$ <u>95,369,875.49</u>
<u>Investment Payments</u>		
Purchase of Investments	\$ <u>1,085,095,897.92</u>	
Accrued Interest Purchased	\$ <u>1,558,964.64</u>	
Investment Counsel and Processing Fees	\$ <u>256,963.00</u>	
Total Investments		\$ <u>1,086,911,825.56</u>
<u>Refunds</u>		
Member Contributions	\$ <u>6,029,366.79</u>	
Voluntary/Tax Shelter	\$ <u>582,262.55</u>	
Total Refunds		\$ <u>6,611,629.34</u>
<u>Other Disbursements</u>		
Decrease in Administrative Expense Allotment	\$ <u>2,457.00</u>	
Administrative Expenses	\$ <u>830,888.15</u>	
Aetna Increase in Reserve Account	\$ <u>540,329.00</u>	
Miscellaneous Disbursements	\$ <u>40,227.42</u>	
Total Other Disbursements		\$ <u>1,413,901.57</u>
TOTAL DISBURSEMENTS		\$ <u>1,190,307,231.96</u>
Cash Balance - End of Period		\$ <u>4,443,410.08</u>

BALANCE SHEET  
Teachers' Retirement System  
For the period of July 1, 1980 - June 30, 1981  
As of September 21, 1981

ASSETS

Cash, All Funds		\$	4,443,410.08	
Special Reserve Account (Aetna Life Ins. Co.)			<u>1,154,030.00</u>	\$ 5,597,440.08
Investments	\$1,034,007,767.91			
Unamortized Premium on Investments	1,731,546.23			
Accrued Interest Purchased	<u>349,796.38</u>			
Sub-total Investments Plus Def.' Chgs.		\$1,036,089,110.52		
Deduct Unamortized Discount on Investments		<u>(31,394,922.70)</u>		\$1,004,694,187.82

TOTAL ASSETS

\$1,010,291,627.90

FUND BALANCES

Teachers' Savings Fund		\$	423,671,923.77	
State Accumulation Fund			426,275,888.57	
Guarantee Fund			88,911,405.56	
Voluntary/Tax Sheltered Fund			4,930,024.19	
Administrative Expense Fund			29,054.85	
Allowance Reserve Fund				
Teachers' Contributions	\$	8,852,668.49		
State Contributions (Permanent)		<u>43,925,659.25</u>		
		\$	52,778,327.74	
Survivor & Death, Medical Fund				
Reserve from Contributions (Member & State)	\$	12,728,226.50		
Teachers' Balances, Accounts in Benefit Status		248,531.05		
State Reserve for Accounts in Benefit Status		<u>718,245.67</u>		
		\$	13,695,003.22	

TOTAL FUND BALANCES

\$1,010,291,627.90

SUMMARY OF STATE APPROPRIATIONS FOR MATCH & OVERMATCH OF MEMBER CONTRIBUTIONS TO TEACHERS' RETIREMENT SYSTEM 1940 - 1981

<u>Date</u>	<u>Total Member Contributions</u>	<u>Federal Payments</u>	<u>Required State Match Contribution</u>	<u>Required State Overmatch</u>	<u>State Appropriation</u>	<u>Deficit/Surplus State Funding</u>	<u>Running Total Deficit/Surplus State Funding</u>
1940-44	\$ 2,063,716.64	\$ -	\$ 2,063,716.64	\$ -	\$ 2,063,636.92	\$ -79.72	\$ -79.72
1944-48	3,184,177.52	-	3,184,177.52	-	3,039,017.44	-145,160.08	-145,239.80
1948-52	4,951,457.55	-	4,951,457.55	-	5,090,847.83	139,390.28	-5,849.52
1952-56	7,267,163.31	-	7,267,163.31	-	6,494,101.79	-773,061.52	-778,911.04
1956-60	14,970,960.84	-	14,970,960.84	-	14,963,272.06	-7,688.78	-786,599.82
1960-64	25,945,897.28	-	25,945,897.28	-	25,938,763.39	-7,133.89	-793,733.71
1964-68	49,957,298.50	2,042,013.63	47,915,284.87	-	45,317,694.37	-2,597,590.50	-3,391,324.21
1968-72	82,922,869.43	6,044,864.81	76,878,004.62	-	80,091,950.94	3,213,946.32	-177,377.89
1972-76	120,349,349.69	8,019,215.64	112,330,134.05	-	111,665,685.06	-664,448.99	-841,826.88
1976-77	39,616,015.00	2,443,300.00	37,172,709.00	13,757,640.00	53,473,965.00	2,543,615.00	+1,701,788.00
1977-78	43,440,611.00	2,672,980.00	40,767,631.00	16,924,913.00	59,626,165.00	1,933,619.00	+3,635,408.00
1978-79	50,366,491.00	3,238,879.00	47,127,612.00	21,258,584.00	67,888,000.00	-498,197.00	+3,137,211.00
1979-80	55,649,258.00	3,689,027.00	51,960,231.00	23,068,889.00	75,795,900.00	766,779.00	+3,903,990.00
1980-81	60,087,341.00	4,109,090.00	55,978,251.00	24,908,848.00	83,449,550.00	2,562,450.00	+6,466,440.00
Totals	\$560,722,610.00	\$32,259,377.00	\$528,513,233.00	\$99,918,876.00	\$634,898,549.00	\$6,466,440.00	

As of June 30, 1981, State appropriation to the Teachers' Retirement System had exceeded the amounts necessary to meet statutory requirements in the amount of \$6,466,440. The entire amount has been returned to the General Fund.

TEACHERS RETIREMENT SYSTEM  
OF THE COMMONWEALTH OF KENTUCKY

REPORT OF AUDIT  
FOR FISCAL YEAR ENDED  
JUNE 30, 1980

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*Charles T. Mitchell Company*

*Certified Public Accountants*

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

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 22, 1980

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

We have examined the balance sheet of the Kentucky Teachers' Retirement System as of June 30, 1980 and 1979 and the related statements of operations 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 financial statements referred to above present fairly the financial position of the Kentucky Teachers' Retirement System at June 30, 1980 and 1979, 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  
BOARD OF TRUSTEES AND ADMINISTRATIVE PERSONNEL  
HOLDING OFFICE AT JUNE 30, 1980

BOARD MEMBERS

Mr. W.D. Bruce, Jr., Chairperson / Teacher Trustee  
Mrs. James Sheehan, Vice-Chairperson / Lay Trustee  
Mrs. Martha Baker, Member / Teacher Trustee  
Mrs. Arlene Romine, Member / Teacher Trustee  
Mrs. Frances Miller, Member / Teacher Trustee  
Mr. T.K. Stone, Member / Retired Teacher Trustee  
Mr. Rumsey Taylor, Sr., Member / Lay Trustee  
Mr. Drexell Davis, Member Ex-Officio / State Treasurer  
Mr. Raymond Barber, Member Ex-Officio / Superintendent of Public Instruction

ADMINISTRATIVE PERSONNEL

Pat Miller, Executive Secretary  
Charles L. Bratton, Deputy Executive Secretary  
Billy Hunt, Deputy Executive Secretary

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
BALANCE SHEET  
JUNE 30, 1980 AND 1979

<u>ASSETS</u>	<u>JUNE 30,</u>	
	<u>1980</u>	<u>1979</u>
Cash	\$ 2 958 888 85	\$ 5 659 134 85
Investments: (See Note Below)		
Bonds And Notes (Approximate Quoted Market		
Values - \$659,346,312 As Of June 30, 1980		
And - \$594,805,896 As Of June 30, 1979)	741 234 861 11	651 073 090 99
Common And Preferred Stocks (Approximate quoted		
Market Values - \$125,020,362 As Of June 30,		
1980 And - \$94,530,328 As Of June 30, 1979)	136 186 123 56	110 683 653 42
Accrued Interest Purchased	134 366 37	114 989 72
Premium Stabilization And Reserve Accounts, Aetna Life		
Insurance Co	1 154 030 00	613 701 00
Prepaid Investment Counsel Fees	-0-	27 000 00
 TOTAL ASSETS	 \$881 668 269 89	 \$768 171 569 98
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Irregular Payments - Escrow Account	\$ (30 619 09)	\$ 17 467 95
Treasurers Unredeemed Checks	26 002 10	25 652 99
Total Liabilities	<u>\$ (4 616 99)</u>	<u>\$ 43 120 94</u>
 <u>FUND BALANCES</u>		
Teachers' Savings Fund	\$378 458 539 65	\$334 872 186 44
State Accumulation Fund	378 458 539 65	334 872 186 44
Allowance Reserve Fund	47 831 793 09	44 196 023 06
Guarantee Fund	57 770 140 30	35 677 491 93
Voluntary Contribution Fund	4 360 225 55	3 878 633 24
Survivor, Death, Medical Fund	14 789 016 91	14 628 565 32
General Expense Fund	4 631 73	3 362 61
Total Fund Balances	<u>\$881 672 886 88</u>	<u>\$768 128 449 04</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$881 668 269 89	 \$768 171 569 98

NOTE: Par value of bonds and notes - \$759,371,605.43 as of June 30, 1980, and \$657,408,916.15 as of June 30, 1979.

The accompanying comments and notes are an integral part of this statement.

KENTUCKY TEACHERS RETIREMENT SYSTEM  
COMBINED STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1980 AND 1979

REVENUES	YEAR ENDED JUNE 30,	
	1980	1979
Teachers' Contributions	\$ 55 649 258 92	\$ 50 366 491 96
State Contributions	75 795 900 00	67 888 000 00
Interest And Dividends	63 964 690 92	51 860 434 91
Employers Matching Contributions	3 689 027 14	3 240 392 99
General Expense Fund Appropriations	740 700 00	688 300 00
Voluntary Contributions	853 878 71	717 954 97
Teachers' Reinstatements	422 970 78	859 645 65
Aetna Life Insurance Company Accounts		
Interest	216 714 00	19 352 00
Experience Deposits (Withdrawals)	323 615 00	327 420 00
Gain (Loss) On Sale Of Investments	2 011 991 10	( 884 221 73)
Irregular Payments	48 087 04	9 925 78
Refund Recoveries	--0--	661 12
Forfeitures And Adjustments	(10 141 53)	484 59
Total Revenues	<u>\$203 706 692 08</u>	<u>\$175 094 842 24</u>
 <u>EXPENDITURES</u>		
Benefits For Service And Disability Retirements	\$ 72 538 552 81	\$ 66 435 605 55
Benefits Increased By Voluntary Contributions	94 036 22	90 772 31
Increased Benefits Continue After Voluntary		
Contributions Expire	10 391 96	8 617 95
Refund Members' Contributions	6 162 642 80	5 391 832 05
Survivor And Death Benefits	3 433 052 37	3 111 816 83
Comprehensive Medical Insurance Premiums	6 951 208 10	5 333 971 61
General Expense Fund Expenditures	761 369 98	727 937 39
Investment Counsel And Processing Fees	211 000 00	154 325 00
Total Expenditures	<u>\$ 90 162 254 24</u>	<u>\$ 81 254 878 69</u>
 <u>EXCESS OF REVENUE OVER EXPENDITURES</u>	 \$113 544 437 84	 \$ 93 839 963 55
 <u>TOTAL FUND BALANCES</u>		
Beginning Of Year	<u>768 128 449 04</u>	<u>674 288 485 49</u>
End of Year	\$881 672 886 88	\$768 128 449 04

The accompanying notes are an integral part of these statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
TEACHERS' SAVINGS FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1980 AND 1979

REVENUES	YEAR ENDED JUNE 30,	
	1980	1979
Teachers' Contributions	\$ 51 293 836 82	\$ 47 155 298 48
Reinstatements	352 321 13	502 205 66
Irregular Payments Prior Year - Escrow	17 467 95	27 393 73
Underpayment By Employers Current Year - Escrow	30 619 09	-0-
Transfers From Guarantee Fund:		
Interest On Fund Balance	9 544 270 45	8 423 715 52
Transfers From Survivor And Death, Medical Fund:		
To Adjust For Overpayment By Employers	-0-	1 134 28
Refund Recoveries	-0-	661 12
Forfeitures And Adjustments	-0-	5 011 60
Total Revenues	\$ 61 238 515 44	\$ 56 115 420 39
<u>EXPENDITURES</u>		
Refunds - Regular	\$ 5 665 969 49	\$ 5 087 904 36
Refunds - Special	10 797 31	7 528 80
Irregular Payments - Current Year Escrow	-0-	17 467 95
Transfers To Allowance Reserve Fund:		
Retirements	11 612 477 23	9 618 554 27
Transfers To Survivors And Death, Medical Fund		
To Close Prior Year Overpayment By Employers	1 134 28	1 778 82
Survivor Benefits	352 422 47	322 422 50
Underpayment By Employers Current Year - Escrow	2 440 92	-0-
Forfeitures And Adjustments	6 920 53	-0-
Total Expenditures	\$ 17 652 162 23	\$ 15 055 656 70
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	\$ 43 586 353 21	\$ 41 059 763 69
<u>FUND BALANCE</u>		
Beginning Of Year	334 872 186 44	293 812 422 75
End of Year	\$378 458 539 65	\$334 872 186 44

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, 1980 AND 1979

	YEAR ENDED JUNE 30,	
	1980	1979
<u>REVENUES</u>		
State Contributions - Permanent	\$ 53 265 233 00	\$ 49 488 128 00
State Contributions - Prior Service	-0-	4 882 900 00
State Contributions - Benefit Improvements	17 913 900 00	10 080 300 00
Employers' Matching Contributions	3 328 748 78	3 029 918 80
Teachers' Reinstatement Contributions	70 649 65	357 439 99
Expense Fund Balance - 1979 And 1978	3 362 61	16 909 13
Transfers From Guarantee Fund:		
Interest On Fund Balance	9 544 270 45	8 423 715 52
Reinstatements	352 321 13	502 205 66
To Close Prior Year Overpayment By Employers	16 333 67	25 614 91
Underpayment By Employers Current Year - Escrow	28 178 17	-0-
Forfeitures And Adjustments	2 814 23	6 476 55
Total Revenues	\$ 84 525 811 69	\$ 76 813 608 56
<u>EXPENDITURES</u>		
Transfers To Expense Fund	\$ 25 301 71	\$ 43 000 00
Transfers To Allowance Reserve Fund:	11 612 477 23	9 618 554 27
Retirements		
Transfers To Guarantee Fund:		
To Adjust For Overpayment By Employers	-0-	16 333 67
Refunds	5 672 300 19	5 093 372 92
Benefit Improvements	17 913 900 00	14 963 200 00
To Adjust State Contributions To Match Teachers' Contributions	5 363 056 88	5 696 961 51
Transfers To Survivors And Death, Medical Fund		
Survivors Benefits	352 422 47	322 422 50
Total Expenditures	\$ 40 939 458 48	\$ 35 753 844 87
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	\$ 43 586 353 21	\$ 41 059 763 69
<u>FUND BALANCE</u>		
Beginning Of Year	334 872 186 44	293 812 422 75
End Of Year	\$378 458 539 65	\$334 872 186 44

The accompanying notes are an integral part of these statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
ALLOWANCE RESERVE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1980 AND 1979

	YEAR ENDED JUNE 30,	
	1980	1979
<u>REVENUES</u>		
Transfers From Teachers' Savings Fund:		
Retirements	\$ 11 612 477 23	\$ 9 618 554 27
Transfers From State Accumulation Fund:		
Retirements	11 612 477 23	9 618 554 27
Transfers From Guarantee		
Interest On Fund Balance	1 179 453 42	848 591 27
State Deficiency In Service Obligations For		
Teachers Retired (See note 3)	51 794 731 83	47 078 225 24
Total Revenues	<u>\$ 76 199 139 71</u>	<u>\$ 67 163 925 05</u>
<u>EXPENDITURES</u>		
Benefits For Service And Disability Retirements	\$ 72 538 552 81	\$ 66 435 605 55
Transfers To Survivor, Death, Medical Fund:		
Transfers For Payments To Survivors		
Of Deceased Members	20 858 85	45 318 06
Forfeitures And Adjustments	3 958 02	26 714 04
Total Expenditures	<u>\$ 72 563 369 68</u>	<u>\$ 66 507 637 65</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	\$ 3 635 770 03	\$ 656 287 40
<u>FUND BALANCE</u>		
Beginning Of Year	44 196 023 06	43 539 735 66
End Of Year	\$ 47 831 793 09	\$ 44 196 023 06

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, 1980 AND 1979

REVENUES	YEAR ENDED JUNE 30,	
	1980	1979
Interest And Dividends Earned On Investments	\$ 63 964 690 92	\$ 51 860 434 91
Gain (Loss) On Sale Of Investments	2 011 991 10	( 884 221 73)
Transfers From State Accumulation Fund:		
Refunds	5 672 300 19	5 093 372 92
To Adjust For Overpayments By Employers	-0-	16 333 67
Benefit Improvements (See note 2)	17 913 900 00	14 963 200 00
To Adjust State Contributions To Match Teachers' Contributions (See note 1)	5 363 056 88	5 696 961 51
Transfers From Survivor, Death, Medical Fund:		
To Adjust For Overpayments By Employers	-0-	1 134 28
To Adjust State Contributions To Match Teachers' Contributions	464 572 81	403 264 06
Forfeitures And Adjustments	2 038 81	16 501 32
Total Revenues	<u>\$ 95 392 550 71</u>	<u>\$ 77 166 980 94</u>
 <u>EXPENDITURES</u>		
Investment Counsel And Processing Fees	\$ 211 000 00	\$ 154 325 00
Transfers To Teachers' Savings Fund:		
Interest On Fund Balance	9 544 270 45	8 423 715 52
Transfers To State Accumulation Fund:		
Interest On Fund Balance	9 544 270 45	8 423 715 52
Reinstatements	352 321 13	502 205 66
Current Year Employers Underpayments	28 178 17	-0-
To Close Prior Year Overpayments By Employers	16 333 67	25 614 91
Transfers To Allowance Reserve Fund:		
Interest On Fund Balance	1 179 453 42	848 591 27
State Deficiency In Service Obligation For Teachers Retired (See note 3)	51 794 731 83	47 078 225 24
Transfers To Voluntary Contribution Fund:		
Interest On Voluntary Accounts	209 618 43	177 249 28
To Fund Deficiency From Increased Benefits Continued After Voluntary Contributions Expire	10 391 96	8 617 95
Transfers To Survivor, Death, Medical Fund:		
Underpayment By Employers Current Year Escrow	2 440 92	-0-
Interest On Fund Balance	405 757 63	428 420 66
To Close Prior Year Overpayments By Employers	1 134 28	1 778 82
Total Expenditures	<u>\$ 73 299 902 34</u>	<u>\$ 66 072 459 83</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>\$ 22 092 648 37</u>	<u>\$ 11 094 521 11</u>
 <u>FUND BALANCE</u>		
Beginning Of Year	<u>35 677 491 93</u>	<u>24 582 970 82</u>
End Of Year	\$ 57 770 140 30	\$ 35 677 491 93

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 YEARS ENDED JUNE 30, 1980 AND 1979

	YEAR ENDED JUNE 30,	
	1980	1979
<u>REVENUES</u>		
Voluntary Contributions	\$ 853 878 71	\$ 717 954 97
Transfers From Guarantee Fund:		
Interest On Voluntary Accounts	209 618 43	177 249 28
To Fund Deficiency From Increased Benefits		
Continued After Voluntary Contributions Expire	10 391 96	8 617 95
Total Revenues	<u>\$1 073 889 10</u>	<u>\$ 903 822 20</u>
<u>EXPENDITURES</u>		
Refunds - Active Members' Contributions	\$ 483 467 51	\$ 256 439 43
Refunds - Retired Members' Contributions	2 408 49	39 959 46
Benefits Increased By Voluntary Contributions	94 036 22	90 772 31
Increased Benefits Continued After		
Voluntary Contributions Expire	10 391 96	8 617 95
Forfeitures And Adjustments	1 992 61	309 77
Total Expenditures	<u>\$ 592 296 79</u>	<u>\$ 396 098 92</u>
<u>EXCESS REVENUES OVER EXPENDITURES</u>	\$ 481 592 31	\$ 507 723 28
<u>FUND BALANCE</u>		
Beginning Of Year	<u>3 878 633 24</u>	<u>3 370 909 96</u>
End Of Year	\$4 360 225 55	\$3 878 633 24

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, 1980 AND 1979

REVENUES	YEAR ENDED JUNE 30,	
	1980	1979
Teachers' Contributions	\$ 4 355 422 10	\$ 3 211 193 48
Employer Matching Contributions	360 278 36	210 474 19
State Matching Contributions	4 616 767 00	3 436 672 00
Transfers From Teachers' Savings Fund:		
Survivor Payments	352 422 47	322 422 50
To Close Prior Year Overpayment By Employers	1 134 28	1 778 82
Underpayment By Employers Current Year Escrow	2 440 92	-0-
Transfers From State Accumulation Fund:		
Survivor Payments	352 422 47	322 422 50
Transfers From Allowance Reserve Fund:		
Transfers For Payments To Survivors		
Of Deceased Members	20 858 85	45 318 06
Transfers From Guarantee Fund:		
Interest On Fund Balance	405 757 63	428 420 66
To Close Prior Year Overpayment By Employers	1 134 28	1 778 82
Underpayment By Employers Current Year Escrow	2 440 92	-0-
Atena Life Insurance Company		
Interest Income	216 714 00	19 352 00
Experience Increase (Deficit)	323 615 00	327 420 00
Total Revenues	\$ 11 011 408 28	\$ 8 327 253 03
EXPENDITURES		
Comprehensive Medical Insurance Premiums	\$ 6 951 208 10	\$ 5 333 971 61
Survivor And Death Benefit Payments	3 433 052 37	3 111 816 83
Transfers To Teachers' Savings Fund:		
To Adjust For Overpayment By Employers	-0-	1 134 28
Transfers To Guarantee Fund:		
To Adjust For Overpayment By Employers	-0-	1 134 28
To Comply With KRS 161.420 (7) And		
KRS 161.550 (See Note 1)	464 572 81	403 264 06
Forfeitures And Adjustments	2 123 41	481 07
Total Expenditures	\$ 10 850 956 69	\$ 8 851 802 13
EXCESS (DEFICIT) REVENUES OVER (UNDER) EXPENDITURES	\$ 160 451 59	\$ ( 524 549 10)
FUND BALANCE		
Beginning Of Year	14 628 565 32	15 153 114 42
End Of Year	\$ 14 789 016 91	\$ 14 628 565 32

The accompanying notes are an integral part of these statements.

KENTUCKY TEACHERS RETIREMENT SYSTEM  
GENERAL EXPENSE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1980 AND 1979

	YEAR ENDED JUNE 30,	
	1980	1979
<u>ALLOTMENTS</u>		
Regular Legislative Appropriations	\$ 740 700 00	\$ 688 300 00
Transfers From State Accumulation Fund	25 301 71	43 000 00
Total	<u>\$ 766 001 71</u>	<u>\$ 731 300 00</u>
<u>EXPENDITURES</u>		
Personal Services		
Salaries	\$ 502 324 58	\$ 452 350 94
Contracted Professional And Consulting Services	63 154 54	64 533 34
Current Operating Expenses		
Occasional Labor	-0-	92 33
Employee Training Expense	512 09	318 30
Life Insurance - Employees	596 23	557 61
Postage, Freight, And Expense	59 124 00	48 303 15
Telephone And Telegraph	11 269 48	9 529 83
Travel, In-State	8 886 35	10 676 35
Travel, Out-Of-State	4 382 46	2 581 01
Printing	16 404 07	23 692 38
Utilities	8 914 98	24 00
Maintenance Of Equipment	2 115 98	3 815 43
Maintenance Of Building	87 62	334 80
Carpool Rentals	1 760 00	1 882 02
Office Supplies	5 166 66	7 028 95
Janitor Supplies	401 88	279 28
Rental Of Computer	23 870 10	35 612 50
Rental Of Building	29 243 04	28 601 04
Rental Of Equipment	3 300 20	2 447 59
Insurance	1 738 60	2 465 60
Fidelity Bonds	35 00	35 00
Membership Fees	290 00	215 00
Subscriptions	1 825 22	1 944 93
Miscellaneous	855 69	3 144 88
Advertising	333 04	316 64
Data Processing Supplies	10 940 52	-0-
Capital Outlay		
Office Furniture, Fixtures, And Equipment	3 837 65	27 154 49
Total Expenditures	<u>\$ 761 369 98</u>	<u>\$ 727 937 39</u>
Ending Balance	\$ 4 631 73	\$ 3 362 61

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
BALANCE SHEET COMMENTS  
JUNE 30, 1980

CASH - \$2,958,888.85

Cash Consists Of:

Cash On Deposit With The Kentucky State Treasurer

\$ 2 958 888 85

INVESTMENTS	MATURITY VALUE	
	JUNE 30, 1980	JUNE 30, 1979
<u>BONDS AND NOTES</u>		
Repurchase Agreements - Short Term	\$ 60 700 000 00	\$ 91 400 000 00
<u>U.S. GOVERNMENT OBLIGATIONS</u>		
Treasury Notes And Bonds	\$ 73 000 000 00	\$ 17 000 000 00
Agencies	164 896 993 00	168 897 166 12
Ship Bonds (Title XI)	68 223 597 53	65 153 611 04
GNMA (Single Family)	86 726 196 14	59 235 862 09
Other Miscellaneous	7 188 628 21	1 543 211 21
Total U.S. Government Obligations	<u>\$400 035 414 88</u>	<u>\$311 829 850 46</u>
<u>CORPORATE BONDS</u>		
Industrials	\$ 80 506 602 99	\$ 66 117 128 03
Finance	38 900 086 96	36 001 258 02
Utility Bonds (Except Telephone)	43 218 000 00	49 747 000 00
Telephone Bonds	56 440 000 00	25 190 000 00
Railroad Obligations	10 786 232 25	12 670 184 64
Total Corporate Bonds	<u>\$229 850 922 20</u>	<u>\$189 725 570 69</u>
<u>OTHER FIXED INCOME INVESTMENTS</u>		
FHA And VA Single Family Mortgages	\$ 28 790 078 07	\$ 31 203 163 90
Project Mortgages (FHA & VA)	38 853 523 41	32 011 997 59
State And Local Government Obligations	1 141 666 87	1 238 333 51
Total Other Fixed Income Investments	<u>\$ 68 785 268 35</u>	<u>\$ 64 453 495 00</u>
TOTAL BONDS AND NOTES	\$759 371 605 43	\$657 408 916 15
Unamortized Premiums	1 795 058 58	2 004 660 26
Unamortized Discounts	<u>(19 931 802 90)</u>	<u>(8 340 485 42)</u>
BOND AND NOTES NET OF UNAMORTIZED PREMIUMS AND DISCOUNTS	\$741 234 861 11	\$651 073 090 99
COMMON AND PREFERRED STOCKS AT COST	<u>136 186 123 56</u>	<u>110 683 653 42</u>
TOTAL INVESTMENTS	\$877 420 984 67	\$761 756 744 41

INVESTMENTS WERE MADE IN ACCORDANCE WITH KRS 161.430

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
BALANCE SHEET COMMENTS (CONTINUED)  
JUNE 30, 1980

ACCRUED INTEREST PURCHASED - \$134,366.37

This is the amount of accrued interest purchased upon the acquisition of bonds and notes.

PREMIUM STABILIZATION AND RESERVE ACCOUNTS, AETNA LIFE INSURANCE CO - \$1,154,030.00

These accounts are maintained through an agreement with Aetna Life Insurance Company to cover any loss experience in excess of estimated premiums on medical insurance maintained for retired members. Interest is currently being paid by the Company on these accounts and an adjustment is made annually by the Company to allow for experience deposits or withdrawals. Below is a summary of the changes in the accounts for fiscal year ended June 30, 1980.

	RESERVE ACCOUNT	PREMIUM STABILIZATION ACCOUNT	TOTAL ACCOUNTS
Balance June 30, 1979	\$613 701 00	\$	\$ 613 701 00
Transfer To Open Premium Stabilization Account		100 000 00	100 000 00
Interest Earned	52 165 00	164 549 00	216 714 00
Experience Deposit		223 615 00	223 615 00
Balance June 30, 1980	\$665 866 00	\$488 164 00	\$ 1 154 030 00

IRREGULAR PAYMENTS - ESCROW ACCOUNT - \$(30,619.09)

During the year school districts and other agencies submit teachers' contributions monthly in a lump sum, individual accounts are not credited. On June 30 of each year these school districts and other agencies submit a year end report which designates the amount that each individual's account is to be credited for the year's contributions. Irregular payments - escrow account is the amount that the actual monthly contributions differ from the year end reports. School districts and other agencies are contacted in the subsequent year in order to try and reconcile these differences.

TREASURERS UNREDEEMED CHECKS - \$26,002.10

This account is the amount of checks issued on behalf of the Retirement System and have not been redeemed in a reasonable amount of time.

TEACHERS' SAVINGS FUND - \$378,458,539.65

This fund consists of contributions paid by members of the Retirement System and interest authorized by the Board of Trustees from the Guarantee Fund. The accumulated contributions of a member returned to him upon his withdrawal or paid to his estate or designated beneficiary in the event of his death shall be paid from the Teachers' Savings Fund. The accumulated contributions of a member shall be transferred from the Teachers' Savings Fund to the Allowance Reserve Fund in the event of retirement by reason of service or disability.

STATE ACCUMULATION FUND - \$378,458,539.65

This fund consists of state appropriations to the Retirement System which are used for matching the members' contributions for prior service obligations. Also included in the State Accumulation Fund is interest authorized by the Board of Trustees from the Guarantee Fund.

STATE ACCUMULATION FUND (CONTINUED)

At the time of retirement of a member, there shall be transferred from this fund to the Allowance Reserve Fund an amount which together with the sum transferred from the Teachers' Savings Fund will be sufficient to provide the member the allowance granted in KRS 161.620 and 161.660. Upon termination by a member, his share of the state matching appropriations is transferred to the Guarantee Fund.

ALLOWANCE RESERVE FUND - \$47,831,793.09

This fund consists of transfers from other funds in order to provide for retirement allowances.

GUARANTEE FUND - \$57,770,140.30

This fund receives all interest and dividends on investments; deposits; gifts and bequests; transfers, from the Teachers' Savings Fund and State Accumulation Fund by reason of lack of claimant or because of a surplus in any fund; and any other money whose disposition is not otherwise provide for. The interest authorized by the Board of Trustees to each of the other funds shall be paid from this fund. Any deficit occuring in any fund that would not be automatically covered shall be met by the payments from the Guarantee Fund to that fund.

VOLUNTARY CONTRIBUTION FUND - \$4,360,225.56

Members are allowed to contribute four per cent or more of their annual compensation to their accounts. These voluntary contributions earn interest for the members at the rate of 7.00% for active members. These contributions are returned to the member upon request or they can be used to increase the members allowance at the time of his retirement.

SURVIVOR AND DEATH, MEDICAL FUND - \$14,300,852.91

This fund receives an amount equal to one and one quarter percent (1.25%) of the gross annual payroll of all members. One half of one and one quarter percent (.625%) of such funds derives from member contributions and one half of one and one quarter percent (.625%) from state appropriations. Whenever a change in status of a member results in an obligation on this fund, there is transferred to this fund from the Teachers' Savings Fund, the State Accumulation Fund and the Allowance Reserve Fund such amounts as may be held in these funds for the member. All claims for benefits under KRS 161.520, 161.525, and 161.675 shall be paid from this fund. Any amounts not required to meet current costs shall be maintained as a reserve for these benefits.

GENERAL EXPENSE FUND - \$4,631.73

Each fiscal year, an amount not greater than 4% of the receipts of the State Accumulation Fund shall be set aside into the expense fund to defray administrative expenses of the Retirement System. The balance of this fund is transferred annually to the State Accumulation Fund.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
JUNE 30, 1980

- A. Assets, liabilities, and fund balances, and revenues and expenditures are recognized in accordance with the governmental accounting policies of the Commonwealth of Kentucky.
- B. Bonds and notes are stated at maturity value net of unamortized premiums and discounts. Stocks are stated at cost. Realized gains or losses on all securities are recorded at the time of sale.
- C. Premiums and discounts are amortized using the straight line method over the period the bonds and notes are to be held. Any unamortized premium or discount is recognized at the time of sale for bonds or notes sold prior to maturity.
- D. Fixed assets are expensed when purchased in accordance with the governmental accounting policies of the Commonwealth of Kentucky.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1980

1. ANNUAL YEAR END ADJUSTMENTS

State appropriations to match teachers' contributions to the Teachers' Savings Fund and the Survivor and Death Medical Fund exceeded those contributions by \$5,827,629.69. In accordance with KRS 161.420 (6), the excess appropriation was transferred to the Guarantee Fund. It consisted of transfers from the State Accumulation Fund - \$5,363,056.88 and the Survivor and Death Medical Fund - \$464,572.81.

2. SUPPLEMENTAL PRESENT VALUE TO BE FINANCED IN THE FUTURE

The amount necessary to be appropriated to this system by the General Assembly to fund the unfunded supplemental present value to be financed in the future is not included as an asset, nor as a liability in these statements.

Actuarial reports are required biannually, with the most current report available to us of July 1, 1978. At that time the system's consulting actuary determined the unfunded supplemental present value to be financed in the future to be \$729,121,520.00. The additional state contribution of 3.25% is considered in arriving at this figure.

The retirement system has changed actuaries for the study of the year ended June 30, 1980. As of the date of this report the actuaries had not completed their report and we were not able to update the supplemental present value.

NOTE: In past actuarial reports supplemental present value to be financed in the future was referred to as unfunded past service liability.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1980

SUPPLEMENTAL PRESENT VALUE TO BE FINANCED IN THE FUTURE (CONT)

In accordance with KRS 161.550 "the state shall contribute annually to the retirement system a permanent amount equal to that contributed by all members. The state shall, in addition to the above amount, contribute annually an amount sufficient to discharge the prior service and other unfunded obligations with interest assumed by the state, over a period not greater than thirty years."

At June 30, 1980 participating members contributed to the System at the rate of 7.84% of creditable compensation with state appropriations contributed at the rate of 11.09% of creditable compensation. The additional 3.25% state contribution is \$17,913,900.00.

3. RETIREMENT ALLOWANCE PROVISIONS

Retirement allowances paid, first reduce the member's contributions, until they are exhausted, then the state matching contributions are used to cover the allowances. When both the member's contributions and the state matching contributions are exhausted, the retirement allowance is paid from investment earnings and funds available through actuarial provisions. For the year June 30, 1980, \$52,974.25 was paid in excess of teachers' contributions and state matching contributions. This amount is comprised of transfers from the Guarantee Fund \$51,794,231.83, and interest on fund balance - \$1,179,453.42.

4. LEASE COMMITMENTS

Assets leased by Kentucky Teachers' Retirement System include their building, parking spaces, computer, and copy machine. The current leases on the building and parking spaces run through June 30, 1984 and June 30, 1982 respectively. The computer equipment is leased for varying periods of time. Some components of the computer are leased for two years and others for three years. Teachers' Retirement has the option to purchase the computer components at the end of the lease period with fifty percent of the lease payments applying to the purchase price. The copy machine is leased on a monthly basis.

5. Kentucky Teachers' Retirement System owned office machines and equipment as of June 30, 1980 with an original cost of \$102,045.02. All of this equipment was purchased through the Expense Fund. These assets are not reflected in accounts of any fund. Control of these assets is maintained through use of an equipment inventory listing and physical inventory as of September each year.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 1980

6. SUBSEQUENT EVENTS

After the close of the fiscal year ended June 30, 1980, Kentucky Teachers' Retirement System filed suit against one of their mortgage servicers seeking to terminate their contract with that mortgage servicing agency. As of February 3, 1981 Teachers' had received a favorable ruling from the court and recovered their records from the servicing agency on February 4, 1981. However, in the opinion of administrators of the Retirement System appeal by the mortgage servicer is almost certain.