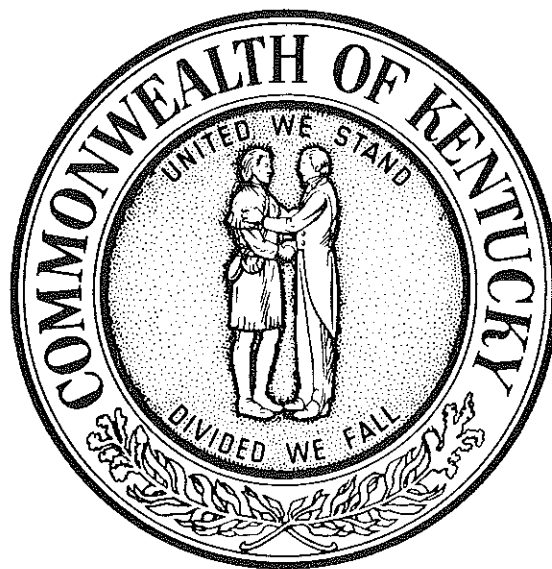


# **TEACHERS' RETIREMENT SYSTEM**

**OF THE STATE OF KENTUCKY**



**1981-82**

**DECEMBER 1982**

**42ND 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, 1982

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

Dear Governor Brown:

Submitted herewith is the forty-second 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,

A handwritten signature in dark ink, appearing to read "W. D. Bruce, Jr.".

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

A handwritten signature in dark ink, appearing to read "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 1981-82.

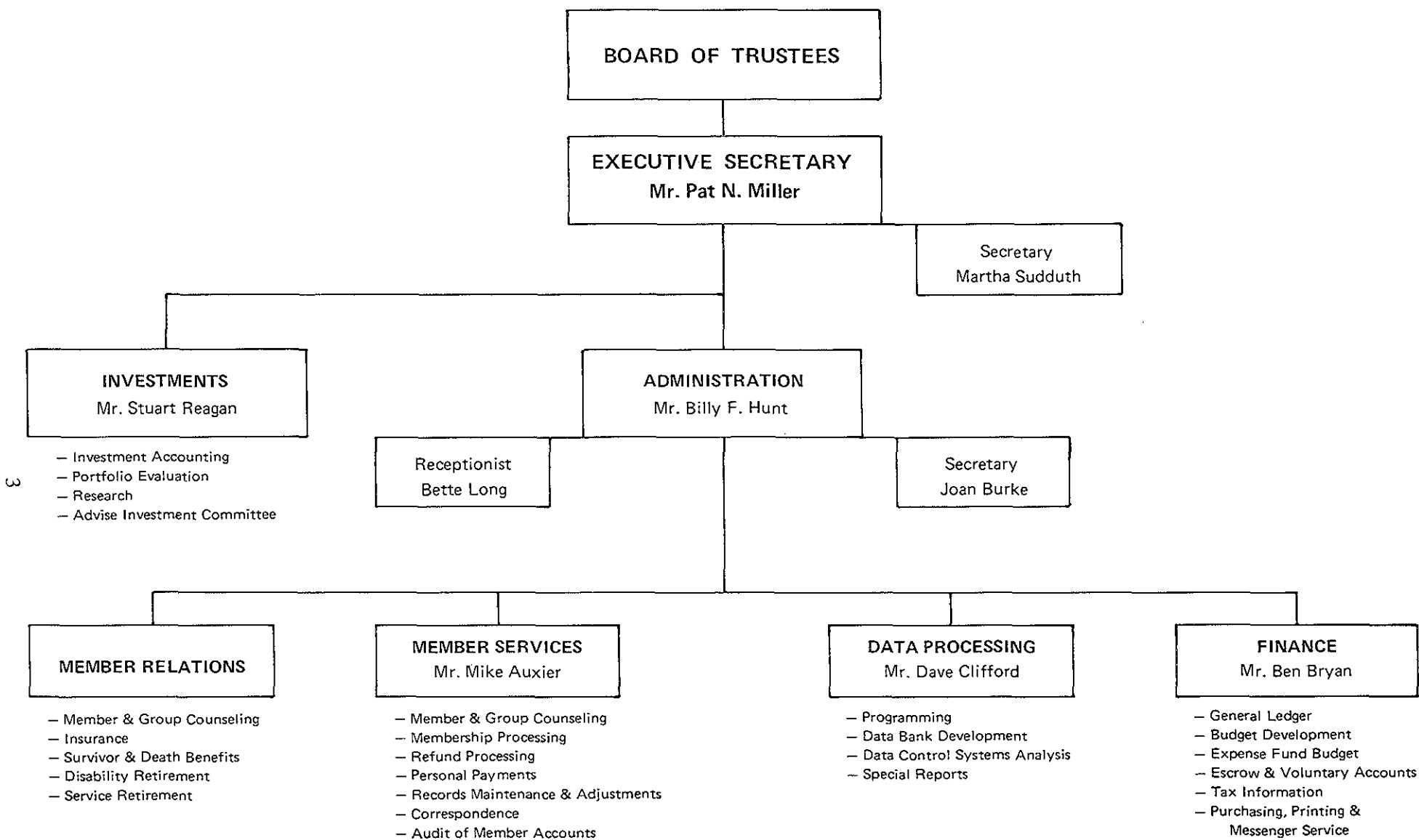
MEMBER RELATIONS: These staff positions work directly with members concerning service retirement, disability retirement, survivor benefits, medical insurance benefits, and auditing of member accounts.

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, 1976 through June 30, 1982

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Payroll Salaries	368,020	404,246	426,319	530,433	551,504	627,354
Contracted Services	201,897	196,290	245,858	247,154	321,142	380,246
Operating Expenses	139,272	155,816	182,931	191,268	234,763	249,565
Fixed Equipment	4,712	6,833	27,154	3,515	3,308	3,130
TOTALS	713,901	763,185	882,262	972,370	1,110,717	1,260,295

Administrative Expenses are paid with income earned by the Teachers' Retirement System.

## BENEFITS AND SERVICES TO MEMBERS

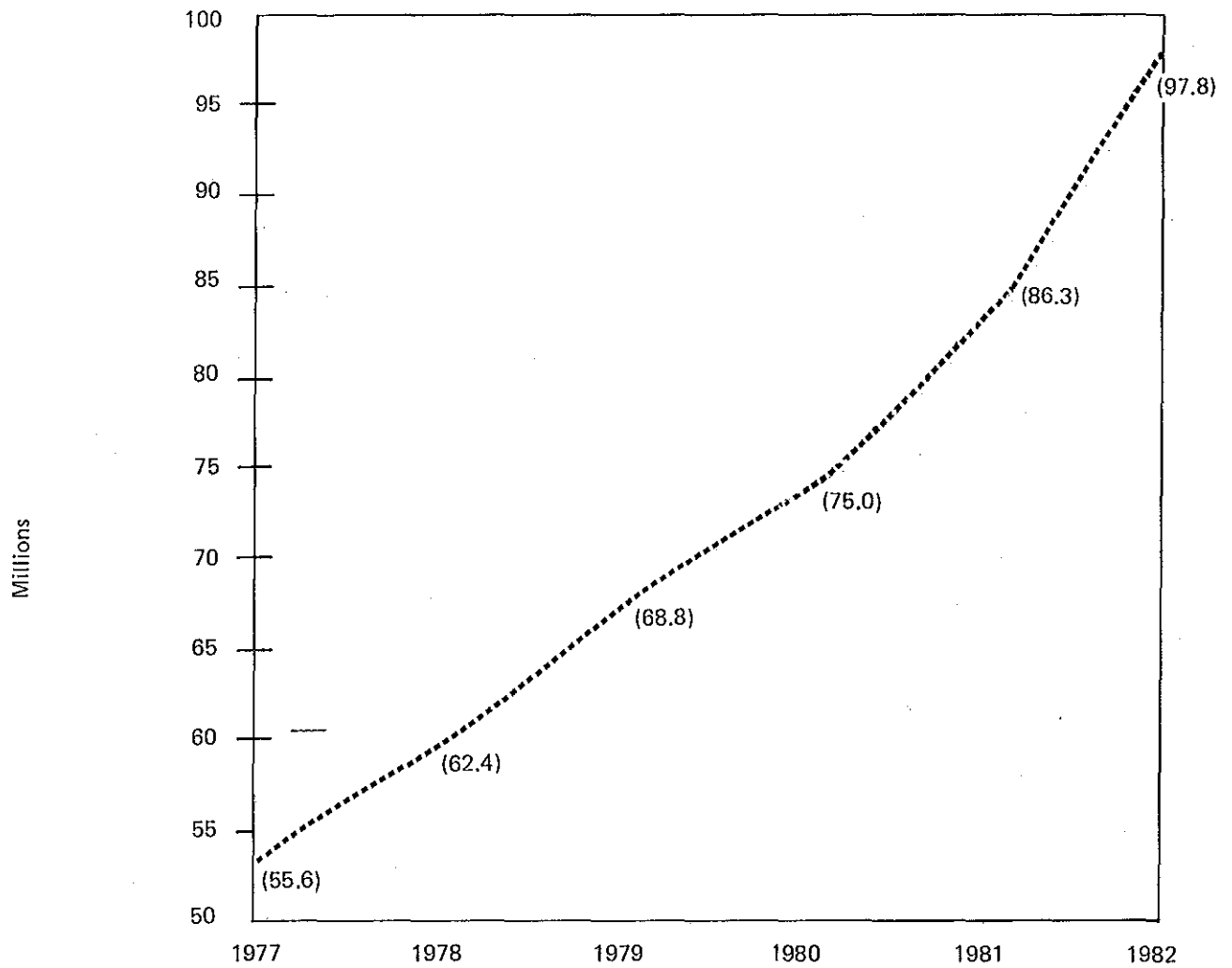
Applications for service retirement reached an all-time high of 1,291 for the 1974-75 fiscal year. With the improvement in teachers' salaries during 1976-1980 coupled with double digit inflation, many members decided to postpone retirement and continue working. This has obviously been done with the hope 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 850 for 1980-81 and approximately 980 for 1981-82, still far below the 1972-76 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.

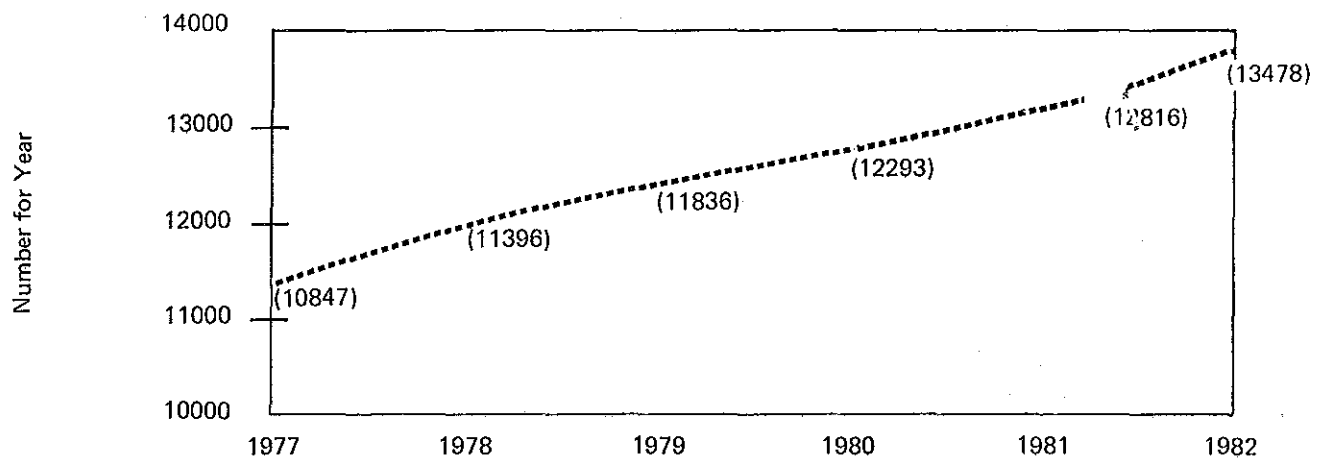
There has been a steady increase in persons eligible for benefit payments other than retirees. This is especially true for persons retiring on disability and those persons classified as survivors of members as shown in the table depicting the payroll for persons other than service retirees.

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.

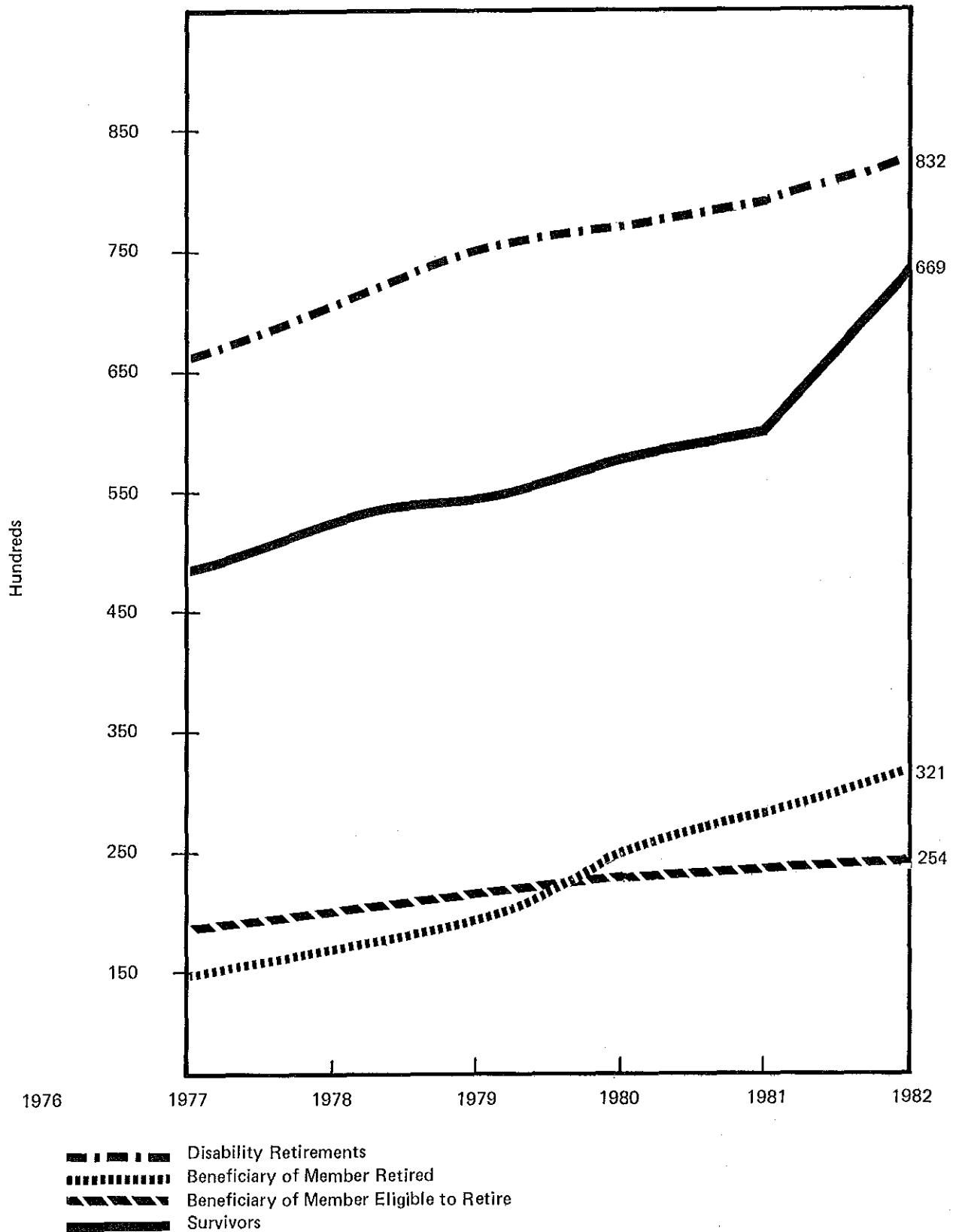
# GROWTH IN ANNUAL PAYROLL TO RETIREES AND SURVIVORS



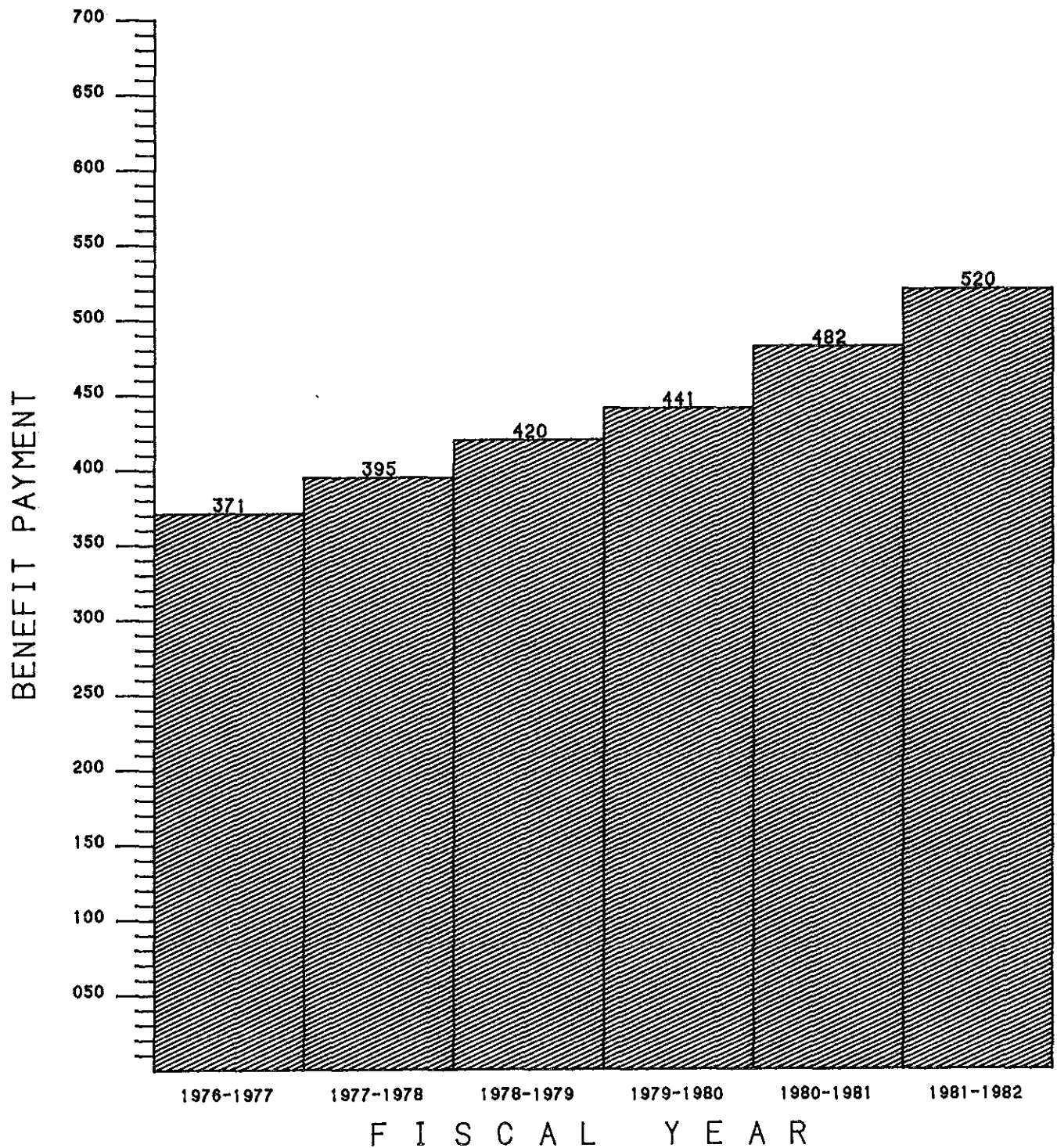
# GROWTH IN SERVICE RETIREMENTS



# NUMBER OF ANNUITANTS ON PAYROLL OTHER THAN SERVICE RETIREMENT

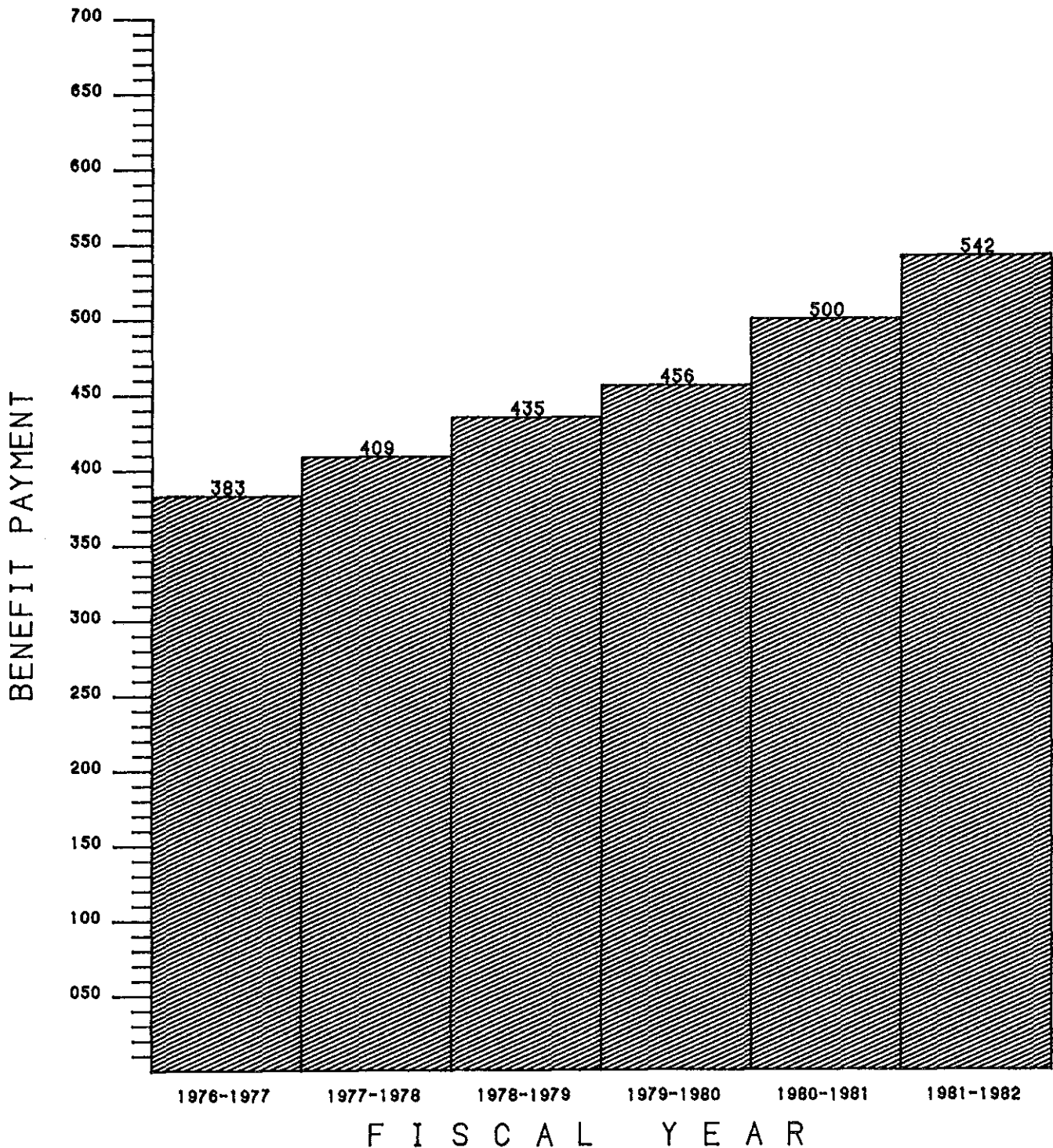


TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH  
ALL RECIPIENTS





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

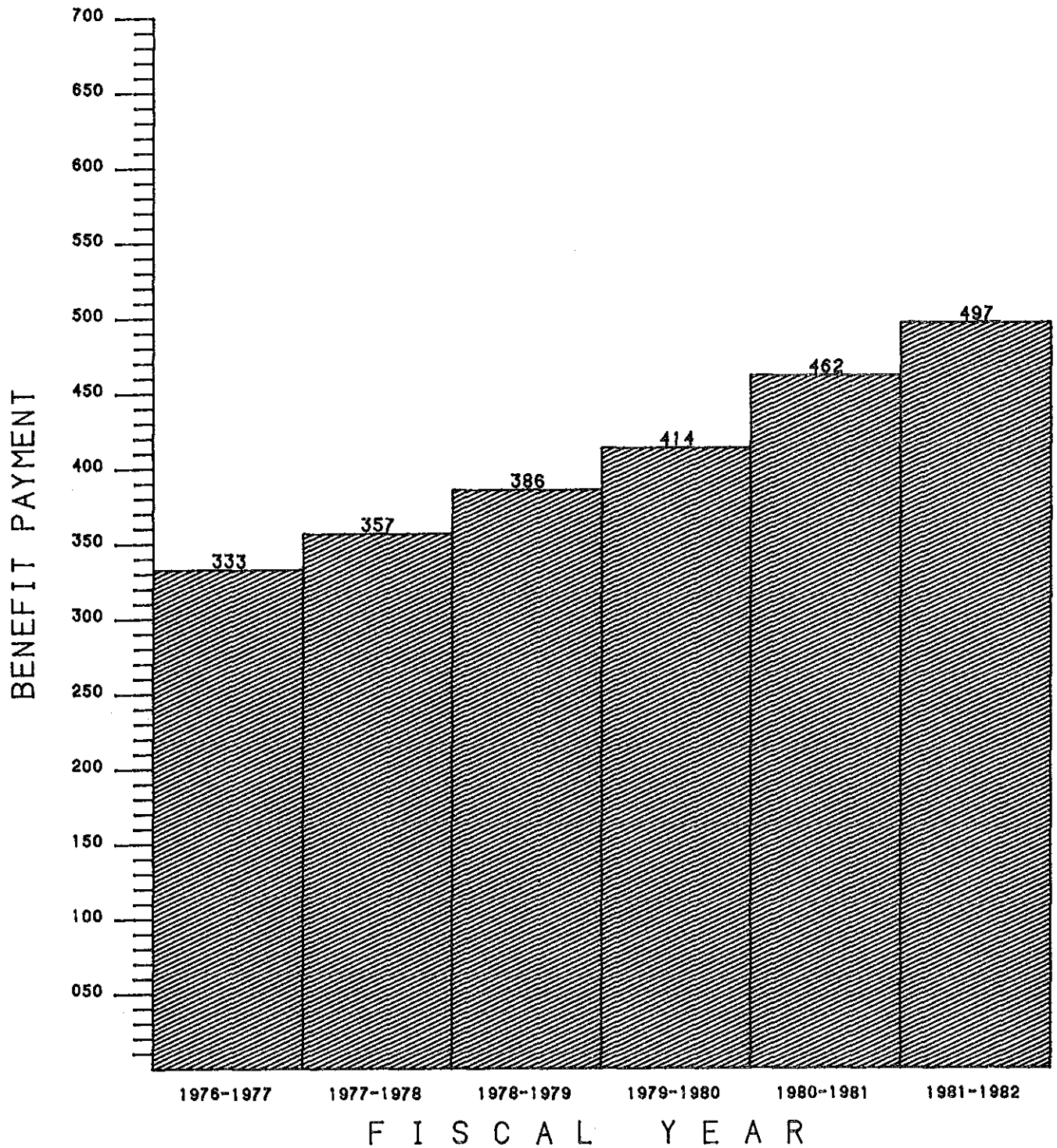


# TEACHERS RETIREMENT SYSTEM

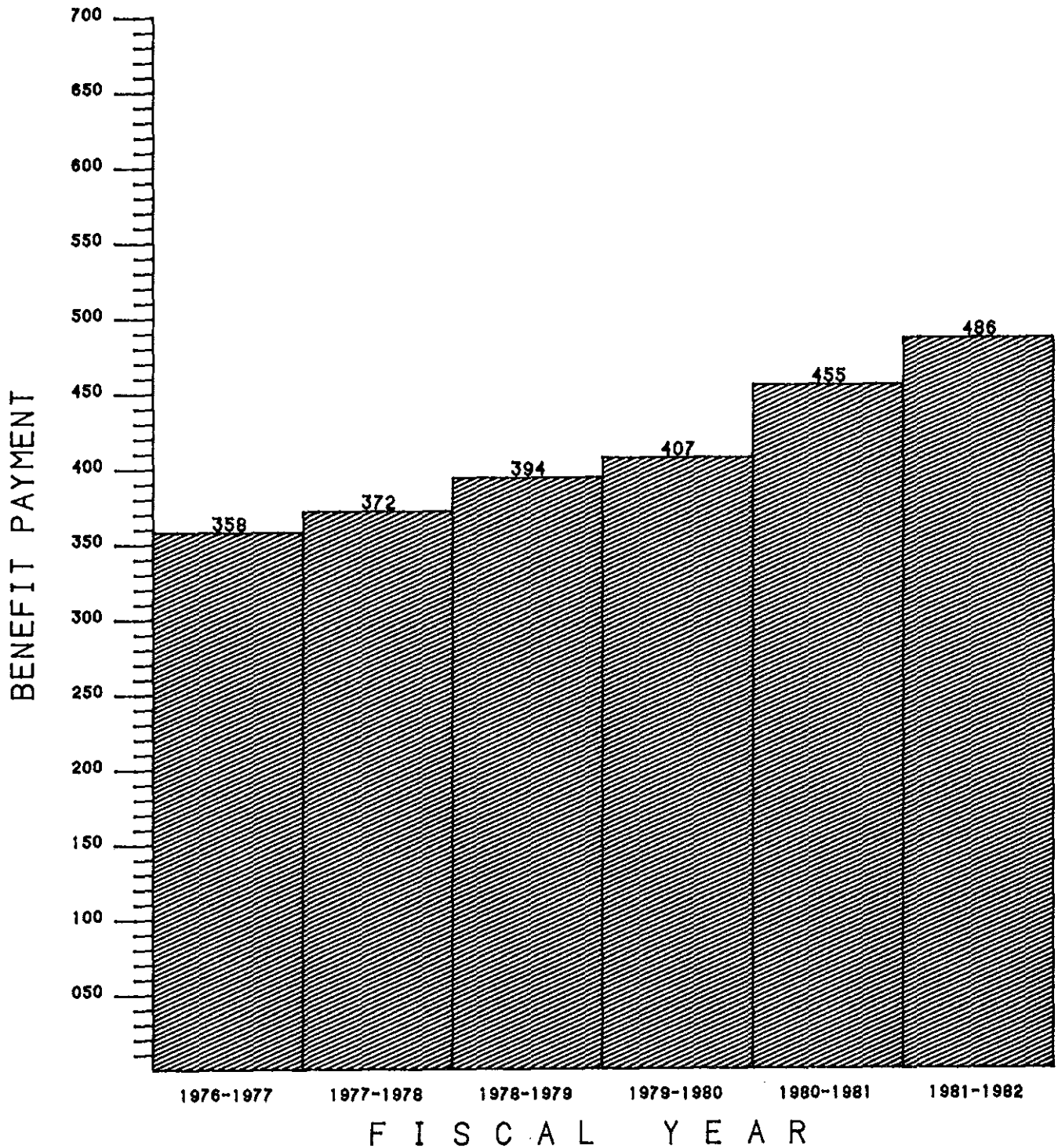
216 W. MAIN  
FRANKFORT KY 40601

## AVERAGE BENEFIT PAYMENT GRAPH

### DISABILITY RETIREES



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

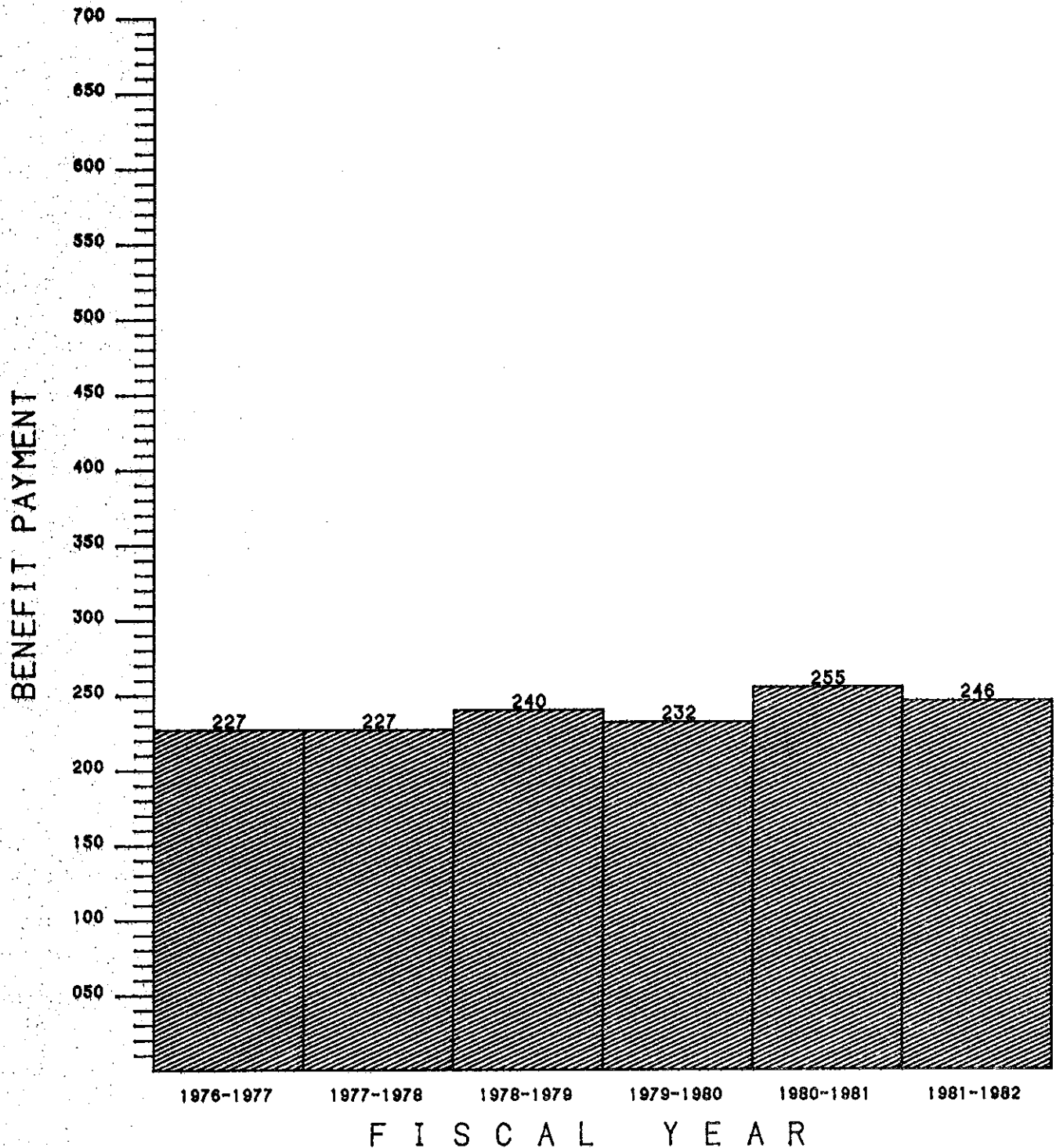


# TEACHERS RETIREMENT SYSTEM

216 W. MAIN  
FRANKFORT KY 40601

## AVERAGE BENEFIT PAYMENT GRAPH

### SURVIVOR ACCOUNTS



## 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.

During the 1980 session of the Kentucky General Assembly, the Board of Trustees worked with the General Assembly to pass Senate Bill 108 which modernized the 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 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 1981-82 as the principal

investment counselor, while the Chicago office of Alliance Capital Management Corporation was a second investment counselor. Approximately \$150 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 1981-82 as the Custodian of Securities.

The investment portfolio experienced substantial growth during the year. The par value of the portfolio increased \$164.7 million, or 15.9%, to a total of \$1.2 billion at year-end. The book value of the fund correspondingly increased 13.6% during the year. Investment income (dividends and interest) also experienced a significant increase of more than 29% over the previous year to a total of \$99.6 million. The growth of the portfolio can be attributed to higher teachers' salaries and the corresponding effect on retirement contributions as well as the reinvestment of portfolio income. High interest rates, which were evident throughout much of the year, contributed to the increase in income.

At the year-end the "net indicated yield" on fixed income investments was 9.96%. This compares favorably with a projected yield of 9.71% at the beginning of the year. The indicated dividend yield on common stocks also reflects a substantial improvement for the year, increasing from 5.64% to 5.98%.

Investment strategy during the fiscal year called for the maintenance of sizeable short term investments, since both bond and stock markets reflected

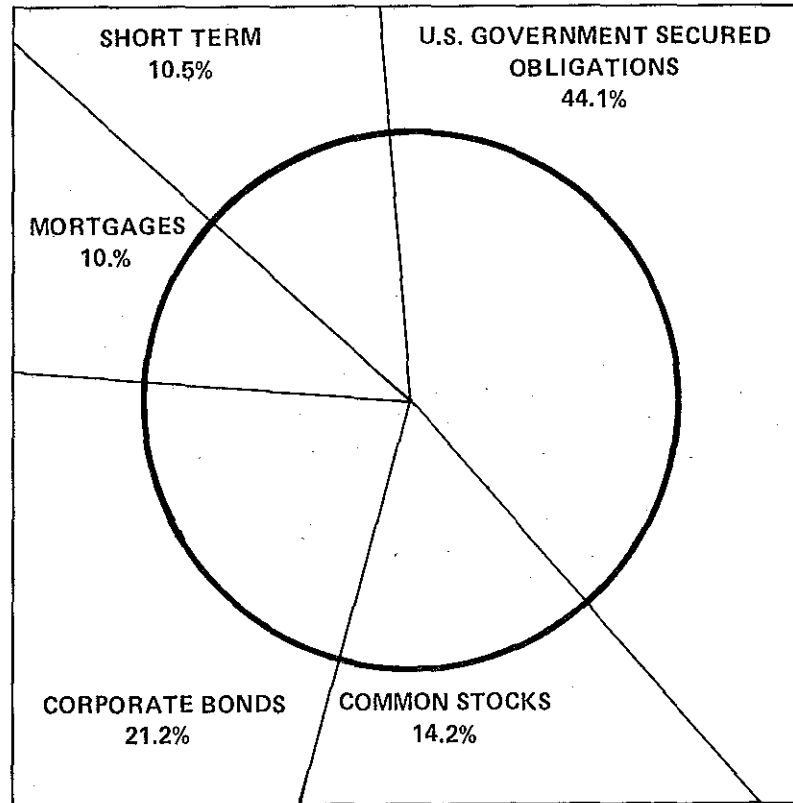
some weakness compared to short term investments. At year's end, short term investments constituted 10.5% of the portfolio compared with 10.4% a year earlier. The position in common stocks was increased during the same period from 13.6% to 14.16%. The stock investment strategy concentrated on conservative, disinflationary stocks that had high dividends.

During the 1981-82 fiscal year, the System purchased over \$32 million of U. S. guaranteed mortgages from the government for less than \$17 million. Among these mortgages were loans on multi-family housing projects located in Kentucky. The average annual yield-on-cost from these mortgages exceeds 19%.

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 summary description of investments held at June 30, 1982. The pages thereafter provide a detailed listing of all investments held at June 30, 1982.

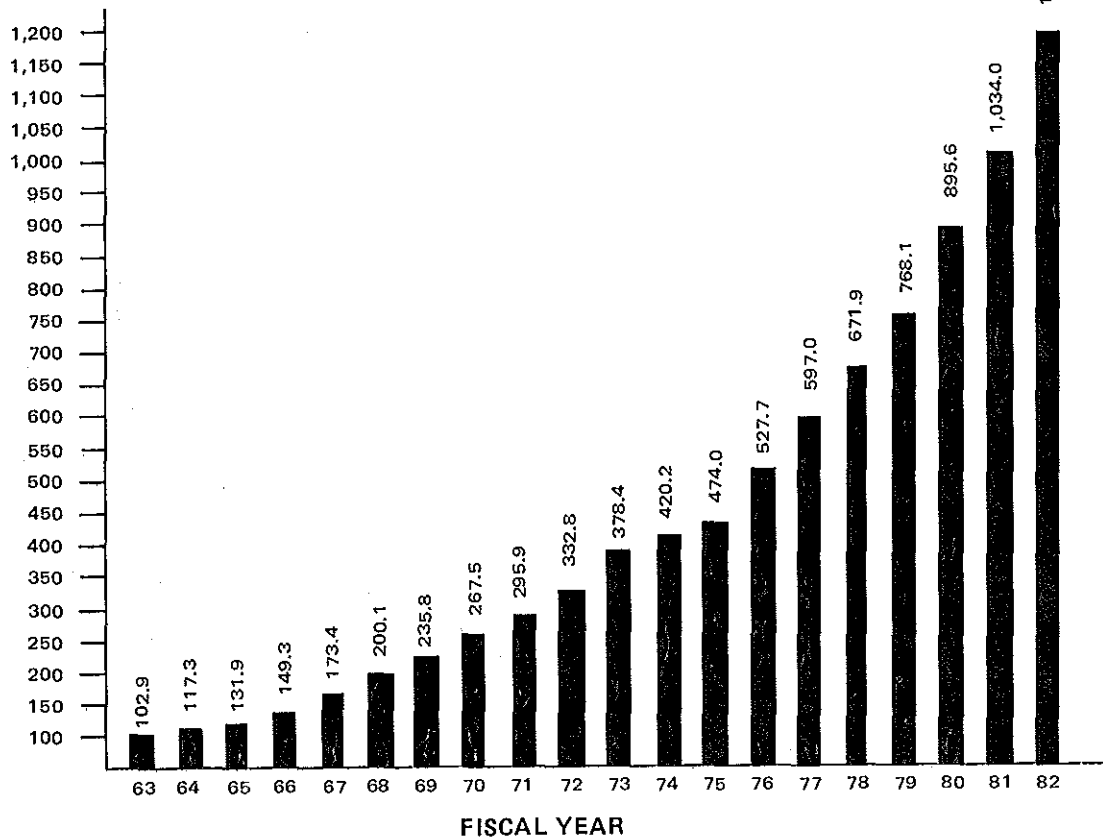
# DISTRIBUTION OF INVESTMENTS

June 30, 1982

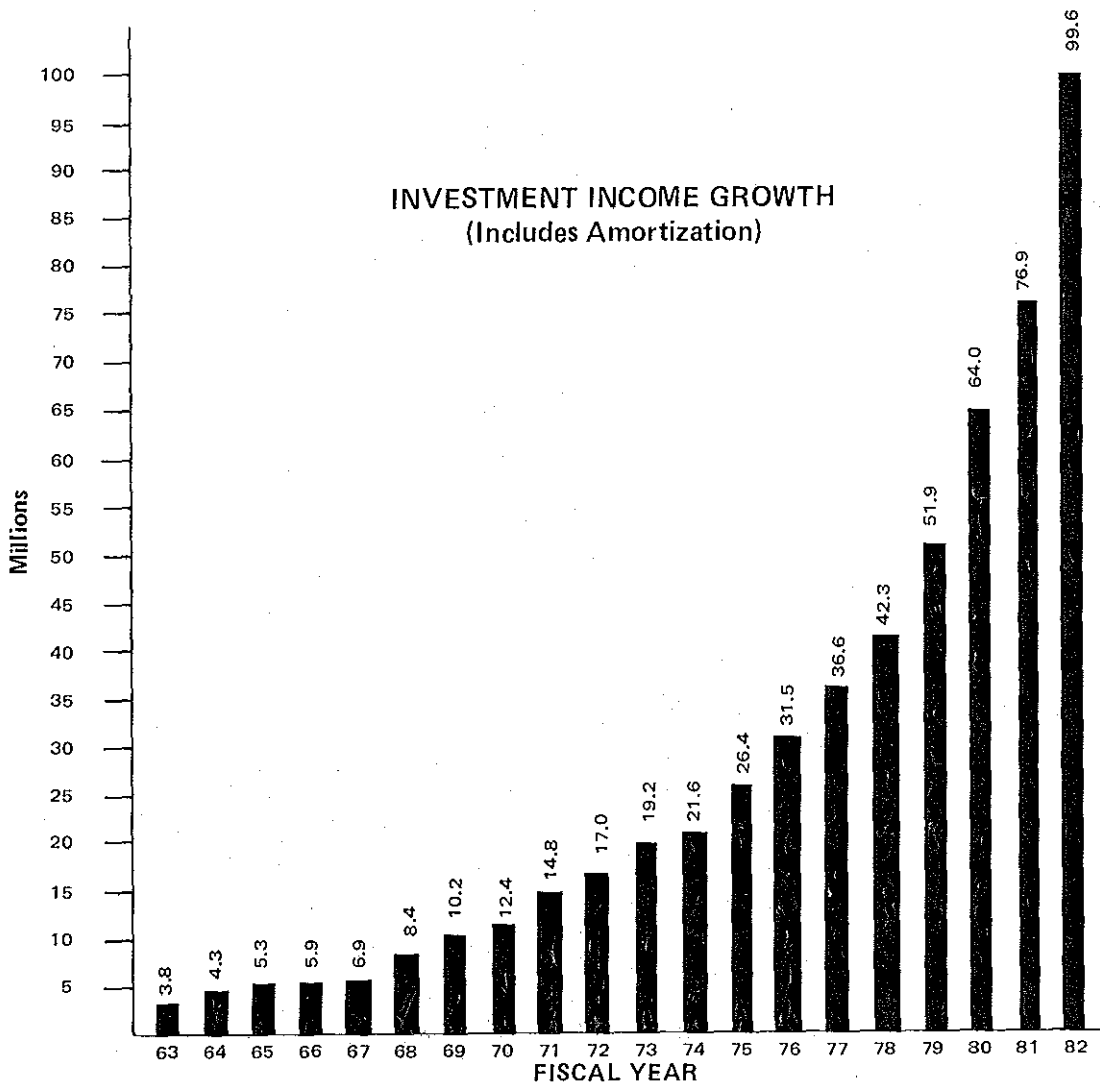
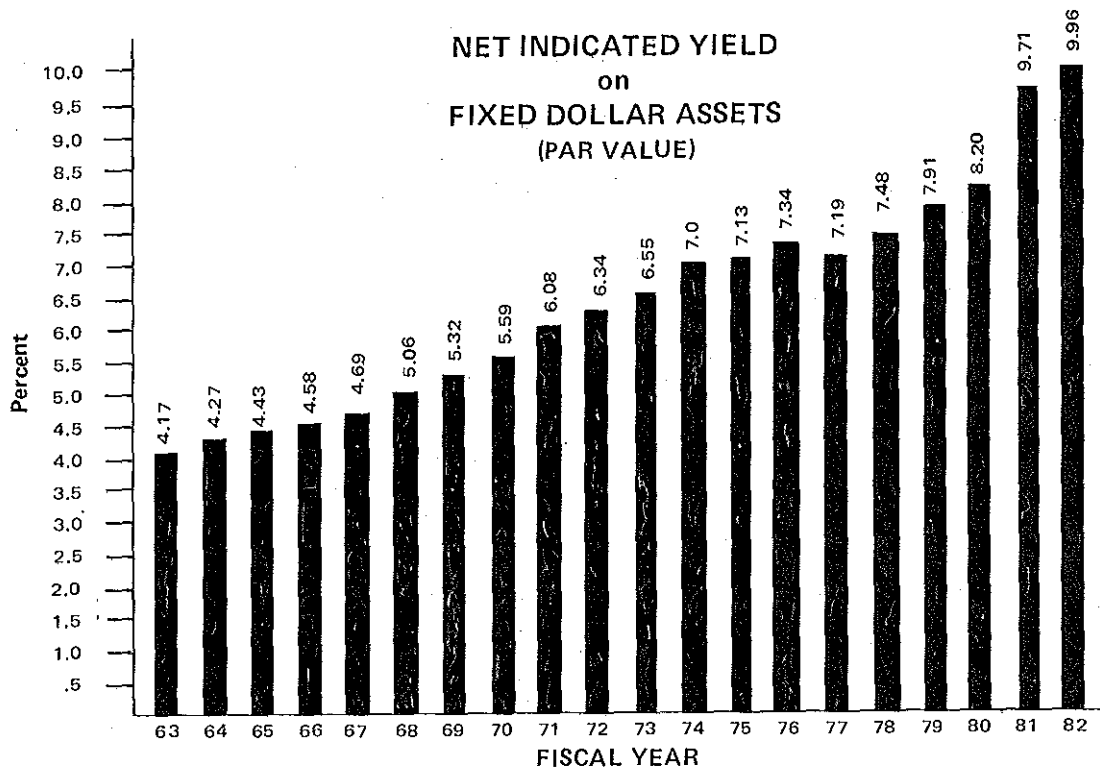


## INVESTMENT PORTFOLIO GROWTH

Bonds at Par Value  
Stocks at Cost







KENTUCKY TEACHERS RETIREMENT  
ANALYSIS OF INVESTMENTS HELD  
AS OF 06-30-82

	PERCENTAGE OF TOTAL	PAR VALUE *	NET ANNUAL INTEREST/INDICATED DIVIDEND INCOME	ANNUAL YIELD
REPURCHASE AGREEMENTS	10.50%	125,820,000.00	17,564,435.01	13.96%
TOTAL SHORT TERM	10.50%	125,820,000.00	17,564,435.01	13.96%
TREASURY NOTES AND BONDS	15.18%	182,020,000.00	22,889,344.20	12.58%
AGENCIES	13.29%	159,296,641.05	12,888,773.26	8.09%
SHIP BONDS (TITLE XI)	7.86%	94,216,678.65	8,872,556.96	9.42%
GNMA (SINGLE FAMILY)	6.97%	83,518,054.71	7,516,640.68	9.00%
OTHER MISCELLANEOUS	.83%	9,950,755.20	1,012,641.68	10.18%
TOTAL U. S. GOVERNMENT OBLIGATIONS	44.13%	529,002,129.61	53,179,956.78	10.05%
INDUSTRIALS	9.46%	113,457,881.61	10,096,659.19	8.90%
FINANCE	2.72%	32,645,366.86	2,391,214.93	7.32%
UTILITY BONDS (EXCEPT TELEPHONE)	3.79%	45,373,000.00	3,256,255.22	7.18%
TELEPHONE BONDS	4.21%	50,440,000.00	4,561,719.84	9.04%
RAILROAD OBLIGATIONS	1.07%	12,783,304.11	1,071,511.80	8.38%
TOTAL CORPORATE BONDS	21.25%	254,699,552.58	21,377,360.98	8.39%
FHA & VA SINGLE FAMILY MORTGAGES	2.12%	25,423,629.53	1,634,128.99	6.43%
PROJECT MORTGAGES (FHA & GNMA)	7.76%	93,078,986.97	8,652,355.90	9.30%
STATE AND LOCAL GOVERNMENT OBLIGATIONS	.08%	948,333.59	49,638.07	5.23%
TOTAL OTHER FIXED INCOME INVESTMENTS	9.96%	119,450,950.09	10,336,122.96	8.65%
SUBTOTAL	85.84%	1,028,972,632.28	102,457,875.73	9.96%
COMMON STOCKS 5,188,818.5530 SHARES	14.16%	169,709,965.61	10,153,971.89	5.98%
PREFERRED STOCKS 2,370.0000 SHARES	.00%	59,052.50	6,517.50	11.04%
TOTAL STOCK - 5,191,188.5530 SHARES	14.16%	169,769,018.11	10,160,489.39	5.98%
TOTAL INVESTMENTS, INCOME AND YIELD	100.00%	1,198,741,650.39	112,618,365.12	9.39%

\* These figures represent the par value for fixed income investments and the cost of stocks. The total book value and market value of KTRS investments are predictably different from the par value. The book value of fixed income investments as of 6-30-82 was \$971,553,313; the market value was \$765,183,340. The par and book values of stocks, which are the same, was \$169,769,018 for 6-30-82; the market value of stocks was \$170,064,667. Market value can be a highly volatile measure that changes daily and is particularly important when trading securities. Detailed information concerning the book values and market values of KTRS securities is available on request.

# SHORT TERM INVESTMENTS

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Repurchase Agreements:</u>			
Repurchase Agreement	13.010	07/82	325,000.00
Repurchase Agreement	13.260	07/82	1,345,000.00
Repurchase Agreement	13.400	07/82	6,013,500.00
Repurchase Agreement	13.400	07/82	17,393,500.00
Repurchase Agreement	13.500	07/82	2,920,000.00
Repurchase Agreement	13.500	07/82	2,654,775.00
Repurchase Agreement	13.500	07/82	1,130,225.00
Repurchase Agreement	13.920	07/82	19,164,800.00
Repurchase Agreement	13.920	07/82	660,200.00
Repurchase Agreement	13.950	07/82	2,610,000.00
Repurchase Agreement	13.950	07/82	2,000,000.00
Repurchase Agreement	14.000	07/82	5,838,600.00
Repurchase Agreement	14.000	07/82	1,201,400.00
Repurchase Agreement	14.130	07/82	6,900,000.00
Repurchase Agreement	14.130	07/82	3,814,100.00
Repurchase Agreement	14.130	07/82	4,470,900.00
Repurchase Agreement	14.150	07/82	15,000,000.00
Repurchase Agreement	14.150	07/82	133,200.00
Repurchase Agreement	14.150	07/82	6,316,800.00
Repurchase Agreement	14.150	07/82	3,486,500.00
Repurchase Agreement	14.150	07/82	5,796,500.00
Repurchase Agreement	14.375	08/82	1,400,000.00
Repurchase Agreement	14.550	07/82	15,245,000.00
Total Short Term Investments			<u>125,820,000.00</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 Notes	13.000	11/90	10,000,000.00
U. S. Treasury Notes	13.750	05/92	19,020,000.00
U. S. Treasury Notes	14.000	05/87	10,000,000.00
U. S. Treasury Notes	14.250	11/91	3,000,000.00
U. S. Treasury Notes	14.500	05/91	4,000,000.00
U. S. Treasury Notes	14.625	01/89	16,000,000.00
U. S. Treasury Notes	14.625	01/89	11,000,000.00
U. S. Treasury Notes	14.875	08/91	3,000,000.00
U. S. Treasury Notes	14.875	08/91	10,000,000.00
U. S. Treasury Notes	15.375	10/88	10,000,000.00
			<u>182,020,000.00</u>

U. S. GOVERNMENT OBLIGATIONS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Federal Agencies:</u>			
Banks for Cooperatives	7.750	01/86	14,000,000.00
Farmers Home Insured Notes FHA	7.500	05/88	1,496,641.05
Federal Farm Credit Banks	7.750	09/89	5,000,000.00
Federal Farm Credit Banks	13.650	12/91	10,000,000.00
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	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>159,296,641.05</u>
 <u>Ship Bonds (Title XI):</u>			
American Atlantic Shipping	8.000	01/04	8,993,000.00
American Commercial Lines Ser F	10.950	07/04	7,800,000.00
American Export Freedom	7.300	07/97	1,618,000.00
American Export Isbrandtsen MM	7.300	07/97	1,625,000.00
American Export Lns S F Ser I	7.950	06/04	4,225,000.00
Atlas Marine American Hertge	7.700	12/96	2,975,554.20
Beker Industries	13.400	09/01	4,100,000.00
Beker Transportation Series B	13.400	09/01	1,250,000.00
Cntrl Gulf Lns Lash Lighters	8.250	01/95	3,660,926.75
Crowley Maritime	8.125	09/99	4,199,470.54
Diamond M Drilling New Era	7.750	09/89	3,149,466.02
Flowers Transportation	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	8.100	02/02	4,738,000.00
Shipco 668 Series A SF	8.500	05/02	4,621,000.00
Stuyvesant Issue	7.950	09/97	8,880,886.13
Stuyvesant Issue	8.000	05/95	2,907,000.00
Tideland Limited	12.250	12/95	6,309,000.00
Union Mechling Corp SF	8.000	01/02	4,149,375.04
Wabash Transportation	5.400	06/89	3,226,000.00
Waterways Barge SF	13.500	09/05	6,825,000.00
Zapata Marine US Inc SF	7.700	09/94	5,000,000.00
			<u>94,216,678.65</u>
 <u>GNMA Single Family Mortgages:</u>			
75 Mortgage Pools	various		83,518,054.71
			<u>83,518,054.71</u>

U. S. GOVERNMENT OBLIGATIONS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Other - Miscellaneous:</u>			
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		32,887.02
FHA Certificate of Claim	3.000		4,516.76
Missouri Kansas Texas RR Notes	9.250	12/87	440,000.00
Seatrains Ship Bldg US Gtd (EDA) A	9.875	05/01	4,373,351.42
			<u>9,950,755.20</u>
Total U. S. Government Obligations			<u>529,002,129.61</u>

CORPORATE BONDS

<u>Industrials:</u>			
Allied Chemical Corp Notes	8.375	04/83	4,000,000.00
Allis Chalmers Mfg SF Deb	5.100	05/90	750,000.00
Aluminum Co America SF Deb	9.450	05/00	1,250,000.00
American Metal Climax SF Deb	8.500	03/96	1,300,000.00
Ariel Properties Inc Mortgage Nt	7.000	07/98	485,801.09
Armco Steel Deb	9.200	07/00	1,300,000.00
Atlantic Richfield SF Deb	11.375	05/10	2,000,000.00
Beatrice Foods Co SF Deb	10.875	05/10	3,000,000.00
Chevron London 1st Prfd Ship Mtg	7.700	09/97	885,340.26
Chevron Stations Inc Note	5.100	04/91	111,000.00
Countrywide Stations Secrd Nts C	7.500	09/02	3,500,000.00
Cummins Engine Co Inc Notes	5.000	07/90	135,000.00
Dayton-Hudson Corp SF 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	712,400.00
Dresser Industries Inc Notes	8.650	05/85	4,250,000.00
Dresser Industries SF Deb	9.375	05/00	1,750,000.00
Dupont E I De Nemours & Co Deb	6.000	12/01	15,000,000.00
Exxon Transportation Guarntd Nts	7.400	07/02	2,500,000.00
Fahrney Paul L 1st Prfd Ship Mtg	7.700	09/97	885,340.26
Federated Dept Stores SF Deb	10.250	06/10	4,000,000.00
General Foods Corporation Deb	6.000	06/01	11,000,000.00
Halliburton Company SF Deb	10.200	06/05	2,000,000.00
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	3,385,000.00
Liggett Myers SF Deb	8.625	04/01	2,000,000.00
North American Rockwell SF Deb	8.300	04/96	1,200,000.00
Pembroke Capital Co SF Deb C	11.500	08/05	5,000,000.00
Philip Morris Inc Notes	8.500	03/85	4,000,000.00

CORPORATE BONDS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Industrials: (Continued)</u>			
Philip Morris SF Debs	9.125	07/03	1,600,000.00
Pitney Bowes Inc SF Deb	9.000	10/95	600,000.00
Quaker Oats SF Deb	7.700	06/01	2,000,000.00
Revlon Inc Notes	8.450	05/85	3,000,000.00
Reynolds R J Industries SF Deb	7.375	02/01	1,000,000.00
Sybron Corporation SF Deb	7.500	04/94	1,000,000.00
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 SF Deb	11.875	09/10	3,000,000.00
United States Steel Sub Deb	4.625	01/96	4,425,000.00
			<u>113,457,881.61</u>
<u>Finance:</u>			
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
Household Finance Corp Deb	4.750	01/89	3,500,000.00
Marathon Finance Guaranteed Nts	5.500	05/87	200,000.00
Marathon Finance Promissory Nts	4.550	04/85	61,200.00
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	196,955.30
United California Bk Cap Notes	4.500	01/90	200,000.00
Villiers Realty Corp Secrd Nts	4.750	10/89	215,211.56
			<u>32,645,366.86</u>
<u>Utility Bonds (Except Telephone):</u>			
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

## CORPORATE BONDS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Utility Bonds: (Continued)</u>			
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	33,000.00
Continental Oil Company Notes	5.875	12/89	427,000.00
Continental PL Guarntd Notes	7.500	05/94	180,000.00
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
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

CORPORATE BONDS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Utility Bonds: (Continued)</u>			
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	1,880,000.00
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>45,373,000.00</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 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 Deb	15.500	03/20	3,000,000.00
South Central Bell Tel Deb	8.250	11/15	7,500,000.00
South Central Bell Tel Deb	8.250	08/13	4,000,000.00
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>50,440,000.00</u>
<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 Gen Mtg	4.500	03/92	656,000.00
Chic Burl Quincy RR Condtl Sales	6.375	08/82	34,666.80
Delaware Hudson RR Condtl Sale	6.875	09/83	74,464.01
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 RR Col Tr	4.875	12/87	1,290,000.00
Louisville Nashville RR Col Tr	7.375	12/93	300,000.00



CORPORATE BONDS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Railroad Obligations: (Continued)</u>			
Norfolk Western Ry Condtl Sale	9.500	05/85	330,000.00
North American Car Corp Equip Tr	8.500	08/84	90,000.00
Northern Pacific Ry Condtl Sale	6.625	02/83	18,479.65
Seaboard Coast Line Condtl Sale	6.375	06/82	4.88
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	6.250	07/82	33,134.55
St Louis San Fran Condtl Sale	6.750	01/83	100,000.00
St Louis San Fran Condtl Sale	7.250	12/83	200,000.00
St Louis San Fran Condtl Sale	8.250	08/84	165,000.00
St Louis San Fran Condtl Sale	9.375	01/85	135,000.00
St Louis San Fran Condtl Sale	9.500	02/85	225,000.00
St Louis San Fran Condtl Sale	9.750	07/85	198,554.22
Virginia Southwestern Ry 1st Mtg	5.000	01/03	107,000.00
			<u>12,783,304.11</u>
Total Corporate Bonds			<u>254,699,552.58</u>

OTHER FIXED INCOME INVESTMENTS

Single Family Mortgages:

FHA	various	13,353,715.85
VA	various	12,069,913.68
		<u>25,423,629.53</u>

Project Mortgages (FHA & GNMA):

Americana Apts Ky 221D4	7.500	10/18	4,651,453.49
Bedford House Ky 221D4	7.500	01/20	1,286,119.12
Beech Creek Apts Ky 221D4	7.500	08/21	2,155,257.89
Belleville Mnr Apts Ky 221D4	7.500	11/19	662,149.65
Cambridge Sq Apts Ky 221D4	7.500	11/19	1,237,597.52
Carnaby Sq Apts Ky 221D4	7.500	06/19	1,274,908.54
Carrollton Vlg Apts Ky 221D4	7.500	09/20	2,033,594.69
Carter Court Apts Ky 221D4	7.500	09/20	1,342,816.04
Coolavin Apts Ky 221D4	7.500	04/22	3,296,311.50
Dixie Apts Ky 221D4	7.500	05/18	1,177,330.16
Gainesway Vlg Apts Ky 221D4	7.500	02/19	1,695,326.32
Glenbrook Park Ky 221D4	7.500	12/21	2,623,601.44
Greater Corbin Mnr Ky 221D4	7.500	03/21	3,668,124.76
Jackson Vly Apts Ky 221D4	7.500	08/20	2,050,716.99
Lakeview Estates Ky 221D4	7.500	01/20	1,159,322.85
Lebanon Apts Ky 221D4	7.500	02/20	1,239,967.18
Locust Ridge Ky 221D4	7.500	10/21	1,956,993.37

## OTHER FIXED INCOME INVESTMENTS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Project Mortgages: (Continued)</u>			
Madison Ave Apts Ky 221D4	7.500	09/20	2,023,832.69
Manchester Hts Apts Ky 221D4	7.500	06/19	1,273,294.21
Middletown Apts Ky 221D4	7.500	02/18	1,091,641.26
Montgomery Sq Apts Ky 221D4	7.500	05/19	1,272,308.87
Pine Ridge Apts Ky 221D4	7.500	09/18	868,565.78
Pinecreek Apts Ky 221D4	7.500	10/17	596,914.35
Regency Park Apts Ky 221D4	7.500	05/18	1,008,017.71
Regency Pk Apts of BG Ky 221D4	7.500	02/23	3,920,000.00
Ridgeway Apts Ky 221D4	7.500	02/19	1,085,496.15
Rucker Vlg Apts Ky 221D4	7.500	03/20	1,125,779.98
Sandefur Mnr Ky 221D4	7.500	01/20	979,428.14
Shepherdsville Vlg Apt Ky 221D4	7.500	05/20	1,422,298.52
Shively Apts Ky 221D4	7.500	10/21	2,505,605.80
Southside Mnr Ky 221D4	7.500	02/19	1,475,368.86
Tree Top Apts Ky 221D4	7.500	11/20	1,173,245.90
Walnut Hill Apts Ky 221D4	7.500	05/19	1,712,809.81
Wessington House Apts Tn 221D4	7.500	02/22	1,944,869.82
Westchester Circle Ky 221D4	7.500	04/19	4,386,286.51
Wildwood Apts Ky 221D4	7.500	08/20	1,960,636.98
Woodsvlew Apts Ky 221D4	7.500	01/19	1,484,480.87
Panorama West Ky 236	8.500	12/12	476,599.95
Salem Vlg I 232 Ill	7.750	03/16	1,052,996.20
Salem Vlg II 231 Ill	7.750	10/16	3,590,663.46
Calvert City Conval Ky 232	7.000	01/93	380,269.50
Hallmark Plaza Ky 223F	8.500	06/11	1,204,295.91
Knights Inn FMHA Loan	13.750	12/90	1,125,252.23
Ca Guidance Care Center 232	8.500	02/92	452,856.07
Cottage Bell Apts Ca 221D4	7.500	11/10	893,184.93
Cottage Bell Apts II Ca 221D4	8.500	11/11	453,876.39
Christ Hosp GNMA 21190CL	8.000	10/83	3,790,000.00
Cortland Hosp GNMA 13089PL	8.750	10/04	1,531,488.73
Bethany Cir Kings Daughters In	8.375	03/02	1,933,427.47
Camellia Center Hosp Ca 232	6.000	11/88	372,170.87
Congregational Home Kan 231	5.250	07/04	1,555,631.70
Denver Ed Sr Citzns 231	5.250	11/03	893,509.40
Ephraim McDowell Hosp Ky	9.000	01/01	3,291,535.98
Gallantine Apts Ca 207	5.250	10/02	591,104.29
Gladman Nursing Home 232	5.250	04/87	244,612.06
Longmont Christian Hsg 231	5.250	03/03	566,806.65
Mac Mining Co FMHA Loan	15.150	06/85	1,856,231.46
			<u>93,078,986.97</u>

OTHER FIXED INCOME INVESTMENTS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</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	81,666.59
Ky Indstrl Dev Finance Auth Nt	5.000	07/86	30,000.07
Ky Indstrl Dev Finance Auth Nt	5.000	01/87	233,333.40
Ky Indstrl Dev Finance Auth Nt	5.500	01/87	66,666.80
Ky Indstrl Dev Finance Auth Nt	5.500	07/87	36,666.73
			<u>948,333.59</u>
Total Other Fixed Income Investments			<u>119,450,950.09</u>
TOTAL FIXED INCOME INVESTMENTS			<u>1,028,972,632.28</u>

## COMMON STOCKS

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Aetna Life and Casualty Co	20,000.0000	867,612.50	700,000
American Airlines Inc	50,000.0000	599,625.00	887,500
American Cyanamid Co	25,000.0000	691,462.50	681,250
American Exp Warrants 717 Exp 2/87	.0000	.00	7,618
American Express Company	92,762.3150	4,427,730.54	3,733,683
American Home Products	141,300.0000	4,573,605.00	5,351,738
American International Group	15,000.0000	624,750.00	873,750
American Medical International Inc	30,000.0000	769,125.00	652,500
American Standard Inc	70,000.0000	1,835,087.91	1,662,500
American Telephone Telegraph Co	112,548.8940	6,067,050.71	5,739,994
Amp Inc	8,000.0000	372,605.00	414,000
Atlantic Richfield Company	50,000.0000	2,302,875.00	1,843,750
Baker International Corporation	15,000.0000	592,637.50	356,250
Baltimore Gas and Electric Company	199,345.9740	4,693,399.06	5,033,486
Baxter Travenol Laboratories Inc	120,000.0000	2,932,612.50	4,365,000
Boise Cascade Corporation	15,000.0000	567,762.50	324,375
Bristol-Myers Company	80,000.0000	3,370,865.00	4,450,000
Capital Holding Corporation	175,000.0000	3,966,800.00	4,309,375
Caterpillar Tractor Company	26,000.0000	1,371,650.00	965,250
Centex Corp	5,000.0000	216,052.08	108,125
Central & South West Corporation	282,000.0000	4,028,863.50	4,371,000
CIGNA Corporation	12,801.0000	621,197.50	435,234
Commonwealth Edison Company	50,000.0000	1,017,850.00	1,068,750
Consolidated Edison Co NY	300,000.0000	5,267,687.50	5,343,900
Continental Illinois Corporation	70,000.0000	2,782,862.50	1,618,750
Dart & Kraft Inc	80,000.0000	3,735,975.00	4,160,000
Dataproducts Corp	20,000.0000	662,487.50	345,000
Delta Air Lines Inc	100,400.0000	2,514,313.61	3,413,600
Digital Equipment Corp	10,000.0000	822,250.00	698,750
Disney Walt Productions	15,000.0000	815,250.00	881,250
Donnelley R R and Sons Company	25,000.0000	962,587.50	1,003,125
Dresser Industries Inc	14,000.0000	402,862.50	250,250
E-Systems Inc	20,000.0000	491,750.00	660,000
Eastman Kodak	15,000.0000	1,100,900.00	1,106,250
Exxon Corporation	120,000.0000	2,353,648.37	3,330,000
Federated Department Stores	87,100.0000	3,786,337.71	3,723,525
Florida Power Light Co	99,698.4120	3,701,751.10	3,202,811
Florida Progress Corp	50,000.0000	778,000.00	781,250
Fluor Corp	10,000.0000	293,100.00	168,750
General Electric Company	71,000.0000	3,439,515.31	4,517,375
General Mills Inc	60,000.0000	1,726,167.98	2,512,500
General Motors Corporation	89,000.0000	6,119,241.48	3,971,625
Georgia-Pacific Corporation	20,000.0000	527,375.00	280,000
Halliburton Co	82,000.0000	4,641,650.00	2,306,250
Hewlett-Packard Co	15,000.0000	608,250.00	637,500
Holiday Inns Inc	30,000.0000	704,329.26	825,000
Houston Industries Inc	40,000.0000	808,012.50	740,000
Intel Corporation	25,000.0000	860,900.00	781,250
International Business Machines	86,000.0000	5,184,125.00	5,213,750

## COMMON STOCKS (Continued)

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
Johnson and Johnson	20,000.0000	721,887.50	790,000
K Mart Corporation	120,000.0000	3,075,125.00	2,205,000
Kaiser Cement Corporation	70,000.0000	1,901,250.00	1,242,500
Kellogg Company	110,000.0000	2,508,362.50	2,860,000
Knight-Ridder Newspapers Inc	20,000.0000	610,800.00	630,000
Kroger Company	50,000.0000	1,522,175.00	1,725,000
Lilly Eli Company	10,000.0000	675,525.00	572,500
Louisville Gas and Electric Co	248,032.8250	6,018,623.06	4,619,611
Lucky Stores Inc	110,000.0000	1,756,087.50	1,430,000
Manufacturers Hanover Corporation	20,000.0000	636,487.50	542,500
Marsh & McLennan Companies Inc	60,000.0000	1,915,625.00	1,912,500
McDonalds Corp	87,200.0000	4,744,370.00	6,245,700
McGraw-Hill Inc	50,000.0000	1,606,437.50	2,550,000
MCI Communications Corp	10,000.0000	193,150.00	453,750
Melville Corporation	20,000.0000	726,699.92	960,000
Morgan J P and Company	100,000.0000	5,424,750.00	5,175,000
Motorola Inc	7,000.0000	428,450.00	428,750
Northwest Airlines Inc	15,000.0000	507,750.00	423,750
Paradyne Corporation	20,000.0000	645,775.00	557,500
Pepsico Inc	115,000.0000	3,694,800.00	4,427,500
Pfizer Inc	85,000.0000	3,519,175.00	4,696,250
Philip Morris Inc	110,000.0000	5,291,612.50	5,637,500
Philips Petroleum Company	20,000.0000	817,475.00	595,000
Public Service Co of Indiana Inc	26,629.1330	577,793.90	619,127
Pullman Transportation Co Inc	5,000.0000	.00	7,500
R J Reynolds Industries Inc	50,000.0000	1,519,562.78	2,268,750
Raymond International Inc	20,000.0000	575,187.50	215,000
Rite Aid Corp	30,000.0000	862,525.00	960,000
Shell Oil Company	50,000.0000	1,664,023.43	1,737,500
Smithkline Beckman Corp	40,000.0000	2,715,137.50	2,575,000
Standard Oil Co Indiana	65,000.0000	2,078,007.51	2,624,375
Sterling Drug Inc	30,000.0000	667,087.50	626,250
Storage Technology Corp	30,000.0000	729,400.00	630,000
Sundstrand Corporation	20,000.0000	569,325.00	527,500
Superior Oil Company	20,000.0000	708,476.39	560,000
Texas Instruments Inc	5,000.0000	527,400.00	433,125
Union Pacific Corporation	10,000.0000	654,125.00	338,750
United Technologies Corp	60,000.0000	2,462,212.50	2,355,000
US Air Inc	15,000.0000	325,875.00	243,750
Waste Management Inc	26,000.0000	836,455.00	728,000
Wheelabrator-Frye Inc	10,000.0000	437,250.00	293,750
Xerox Corporation	10,000.0000	574,155.00	321,250
Zenith Radio Corporation	40,000.0000	681,025.00	460,000
TOTAL COMMON STOCKS	5,188,818.5530	169,709,965.61	170,012,527

# PREFERRED STOCK

	<u>No. of Shares</u>	<u>Cost</u>	<u>Market Value</u>
CIGNA Corporation Convertible	<u>2,370.0000</u>	<u>59,052.50</u>	<u>52,140</u>
TOTAL PREFERRED STOCK	2,370.0000	59,052.50	52,140
<hr/>			
TOTAL STOCKS	<u>5,191,188.5530</u>	<u>169,769,018.11</u>	<u>170,064,667</u>

# SUMMARY STATEMENT OF STATE BUDGET APPROPRIATION TO TEACHERS' RETIREMENT SYSTEM

Expense Item	1981-82 State Revised Budget Appropriation	1981-82 State Actual Budgetary Requirements
Local School Districts	\$75,559,300.00	\$72,642,475.88
Department of Education & other	5,879,525.00	6,244,907.51
Higher Education	7,862,600.00	7,431,560.77
Basic Program-State Expense *	\$89,301,425.00	\$86,318,944.16
Higher Education Contribution Reduction	1,570,400.00	1,484,301.81
Retiree Cost of Living Payment	5,760,000.00	5,760,000.00
Prior Service Increase	640,000.00	640,000.00
\$75 Minimum Benefit	50,000.00	50,000.00
Handicapped Child Benefit	115,000.00	115,000.00
Administrative Expenses	26,315.00	-0-
TOTALS	\$97,463,140.00	\$94,368,245.97
State Over Appropriation for 1981-82:	<u>\$3,094,894.03</u>	

Kentucky Revised Statute 161.550 requires the Teachers' Retirement System to return any State surplus to the State General Fund. The \$3,094,894.03 over appropriation has been subtracted from the 1982-83 budget appropriation to the Teachers' Retirement System. As of June 30, 1982, the State has made all payments to the Teachers' Retirement System that are required by law.

\* The basic retirement program requires the State to match all member contributions plus a 3.25 percent overmatch of all member salaries to retire the System's unfunded liabilities. The primary reason for the State's over appropriation for 1981-82 was that the total member salaries were estimated at \$838,585,380 and the actual total was \$814,533,011. Total teacher salaries were \$23,000,000 less than estimated in the revised budget for 1981-82.

SUMMARY OF STATE APPROPRIATIONS FOR MATCH & OVERMATCH OF MEMBER CONTRIBUTIONS TO TEACHERS' RETIREMENT SYSTEM 1940 - 1982

<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 <sup>(1)</sup>
1981-82	63,859,388.30	4,012,766.76	59,846,621.54	26,472,322.96	89,301,425.00	2,982,480.84 <sup>(2)</sup>	-0-

(1) At the close of the 1980-81 fiscal year, the \$6,466,440.00 that the State had overappropriated in prior years was returned to the General Fund.

(2) The State overappropriation for 1981-82 has been returned to the State General Fund as required under KRS 161.550 (1982 revision).



SUMMARY OF HOW SPECIAL PAYMENTS FOR SICK LEAVE  
AFFECTS THE TEACHERS' RETIREMENT SYSTEM

The 1980 General Assembly amended KRS 161.155(5) to permit school district employers to make special payments to retiring teachers for their accrued sick leave. The Statute provided that the amount of the sick leave payment would be counted for retirement purposes as part of the last year's annual salary. KRS 161.155(5) originally had no provision for funding the liability that resulted from the special payments. During 1980-81 and 1981-82 a total of 698 retiring teachers received \$2,010,041 in payments for their unused sick leave. These payments added a total of \$2,784,122 in debt to the Retirement System that is not funded.

The funding problem was presented to the 1982 Kentucky Legislature with the request that the State provide funds to cover any liabilities that result from the provisions of KRS 161.155(5). The request was not considered until it was too late to amend the 1982-84 State Budget, however, the General Assembly did make provisions to fund the liability that occurs during 1982-84 from the sick leave payment law. Any State surplus that occurs during 1982-84 in the KTRS budget appropriation will be used to fund the noted liabilities and any remaining balance will be funded by inclusion in the 1984-86 budget appropriation.

During the 1982-83 and 1983-84 fiscal years, the Teachers' Retirement System will attempt to obtain State funding for the \$2,784,122 in liabilities that occurred prior to 1982 and for any additional liabilities that occur during this biennium from the provisions of KRS 161.155(5). Summary statements regarding 1980-82 employer payments and the resulting consequences are presented on the following pages as general information.

# SUMMARY OF JULY 1, 1981 RETIREE SICK LEAVE PAYMENTS

Total members retiring	710
Total members receiving sick leave payments	320
Total amount of sick leave payments	\$1,053,554.00
Average payment per retiree	3,292.36
Total increase in final average salary base	210,710.80
Average increase in FAS	658.47
Total service credit of 320 retirees	10,272.00 years
Average service credit per 320 retirees	32.10 years

## ADDITIONAL AVERAGE MONTHLY ANNUITY PAYMENT PER RETIREMENT FORMULA

\$658.47 x 32.1 years x \$.02 =	\$421.45 year
\$421.45 ÷ 12 months =	35.12 month

## ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY

\$35.12 x 150.0125* x 320 members =	\$1,685,900.00
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## FUNDING OF ADDITIONAL PAYOUT

Member Contribution	7.84% x \$1,053,554	\$ 82,598.63
State Contribution	11.09% x 1,053.554	<u>116,839.14</u>
Total Member - State Contributions		\$ 199,437.77

## UNFUNDED DEBT TO KTRS

Anticipated additional payout	\$1,685,900.00
Less total Member & State Contributions	<u>199,437.00</u>
Total Unfunded Debt	<u>\$1,486,463.00</u>

\*Actuary factors for 60-year old members

# SUMMARY OF JULY 1, 1982 RETIREE SICK LEAVE PAYMENTS

Total members retiring	683
Total members receiving sick leave payments	378
Total amount of sick leave payments	\$956,487.61
Average payment per retiree	\$ 2,530.39
Total increase in final average salary base	\$191,297.52
Average increase in FAS	\$ 506.08
Total service credit of 378 retirees	11,402.25 years
Average service credit per 378 retirees	30.16 years

## ADDITIONAL AVERAGE MONTHLY ANNUITY PAYMENT PER RETIREMENT FORMULA

\$506.08 x 30.16 years x \$ .02%	=	\$305.27 year
\$305.27 ÷ 12 months	=	25.44 month

## ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY

\$25.44 x 145.2214* x 93 male retirees	=	\$ 343,582.21
\$25.44 x 156.5625* x 285 female retirees	=	<u>1,135,140.75</u>

Total Anticipated Payout	\$1,478,722.96
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## FUNDING OF ADDITIONAL PAYOUT

Member Contribution	7.84% x \$956,487.61	\$ 74,988.63
State Contribution	11.09% x \$956,487.61	<u>106,074.48</u>

Total Member - State Contributions	\$181,063.11
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## UNFUNDED DEBT TO KTRS

Anticipated additional payout	\$1,478,722.96
Less total Member & State Contributions	<u>181,063.11</u>

Total Unfunded Debt	<u>\$1,297,659.85</u>
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\*Actuary factors for 60-year old members by sex

SCHOOL DISTRICTS THAT HAVE ELECTED TO PAY FOR SICK LEAVE

<u>School District</u>	1981		1982	
	<u>Member Payments</u>	<u>Total Payments</u>	<u>Member Payments</u>	<u>Total Payments</u>
Allen			3	\$ 6,673.97
Anderson			2	3,344.38
Barren			4	9,771.69
Bell			4	7,595.02
Boone	6	\$ 14,672.00	6	33,497.19
Bourbon	2	5,294.00	5	14,071.56
Boyd			7	14,784.56
Bullitt			2	5,572.45
Calloway	1	3,234.00	2	8,018.36
Campbell	4	7,623.00	3	8,961.48
Carter	1	4,254.00	3	6,917.09
Casey			3	4,745.92
Daviess	6	17,188.00	1	2,195.92
Edmonson			4	12,617.60
Elliott	3	5,982.00		
Estill	5	10,513.00	1	314.80
Fayette	26	73,308.00	24	81,691.20
Franklin			3	6,621.69
Fulton			1	325.51
Garrard			3	5,906.38
Greenup	2	5,031.00	3	5,521.94
Hardin	3	5,639.00	6	20,720.02
Hart			5	13,572.71
Henderson			11	47,077.81
Hickman	2	3,201.00	1	804.72
Hopkins	4	11,612.00	3	6,984.57
Jackson	3	6,416.00	3	5,763.78
Jefferson	182	748,755.00	91	226,275.60
Jessamine			3	6,199.75
Johnson	2	5,246.00	2	6,259.43
Kenton	6	13,370.00	9	14,427.91
Knott			7	8,055.98
Larue			2	5,116.97
Laurel			11	31,108.18
Leslie	3	6,349.00	6	8,874.75
Letcher			9	17,863.01
Lincoln	3	4,484.00	3	9,288.90
Lyon			1	942.09
Magoffin	3	4,950.00	3	4,573.47
Marion			3	7,435.46
Marshall	5	6,132.00	2	1,221.94
Mason			5	10,969.28
Metcalfe			2	7,305.10
Morgan			3	6,404.98
Muhlenburg			2	4,496.43
Nelson			3	13,632.14

School District	1981		1982	
	Member Payments	Total Payments	Member Payments	Total Payments
Ohio	2	4,880.00	4	11,868.50
Oldham			2	5,181.50
Perry			1	867.73
Pike			16	40,024.99
Powell	6	10,176.00		
Pulaski	5	8,982.00	7	18,819.38
Robertson			2	3,591.97
Rockcastle	3	1,911.00	4	2,783.93
Russell	5	4,207.00	5	2,569.64
Shelby	2	2,693.00		
Spencer			1	983.29
Trigg	5	12,566.00		
Trimble			2	7,301.27
Union			2	5,954.85
Washington			3	8,590.44
Webster			1	1,410.20
Anchorage			2	13,288.90
Ashland			9	16,832.66
Bowling Green	5	12,258.00	3	6,620.03
East Bernstadt			2	6,410.79
Elizabethtown			1	3,061.86
Erlanger			4	7,303.95
Fairview			1	2,985.59
Frankfort			1	2,273.34
Glasgow			1	2,221.30
Greenville			3	13,078.44
Hazard			2	4,025.26
Jenkins			1	1,708.16
Middlesboro	1	2,304.00	1	1,097.58
Newport			1	1,713.01
Owensboro	4	6,491.00	7	18,835.34
Paintsville			1	1,133.16
Pikeville			2	3,289.29
Providence	1	689.00		
Russell	5	13,232.00	1	5,396.56
Somerset	4	9,897.00	5	10,750.01
Totals	320	\$1,053,554.00	378	\$956,487.61

TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF KENTUCKY

REPORT OF EXAMINATION  
JUNE 30, 1982

T A B L E   O F   C O N T E N T S

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*Charles T. Mitchell Company*

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C. JOE HUTCHISON, C.P.A.  
JOHN J. McQUEEN, C.P.A.  
LARRY T. WILLIAMS, C.P.A.

October 4, 1982

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

We have examined the balance sheet of the Teachers' Retirement System of the State of Kentucky as of June 30, 1982 and 1981 and the related statements of operations, changes in fund balance, and changes in financial position for the years then ended. Our examinations were 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, such financial statements present fairly the financial position of the Teachers' Retirement System of the State of Kentucky at June 30, 1982 and 1981, and the results of its operations, changes in fund balances, and changes in financial position for the years then ended, in conformity with generally accepted accounting principles.

Respectfully Submitted,

*Charles T. Mitchell Co.*

Charles T. Mitchell Company



KENTUCKY TEACHERS' RETIREMENT SYSTEM  
BALANCE SHEET  
JUNE 30, 1982 AND JUNE 30, 1981

	<u>JUNE 30, 1982</u>	<u>JUNE 30, 1981</u>
<u>ASSETS</u>		
Cash	\$ 9,442,154	\$ 4,443,410
Investments	1,141,322,331	1,004,694,188
Accrued Investment Income	20,076,525	16,959,240
Premium Stabilization and Reserve Account Aetna Life Insurance Company	<u>1,312,849</u>	<u>2,020,905</u>
Total Assets	\$1,172,153,859	\$1,028,117,743
 <u>LIABILITIES AND FUND BALANCES</u>		
Treasurer's Unredeemed Checks	\$ 30,600	\$ 31,528
 FUND BALANCES		
Teachers' Savings Fund	467,628,673	423,671,924
State Accumulation Fund	473,364,436	426,275,888
Allowance Reserve Fund	62,180,203	52,778,328
Guarantee Fund	151,669,270	105,839,118
Voluntary Fund	4,660,309	4,930,024
Survivor, Death and Medical Insurance	12,612,347	14,561,878
General Expense Fund	<u>8,021</u>	<u>29,055</u>
Total Fund Balances	<u>1,172,123,259</u>	<u>1,028,086,215</u>
Total Liabilities and Fund Balances	\$1,172,153,859	\$1,028,117,743

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
COMBINED STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	YEAR ENDED JUNE 30, 1982	YEAR ENDED JUNE 30, 1981
<u>REVENUES</u>		
Teachers' Contributions	\$ 62,392,364	\$ 58,652,181
State Contributions	90,537,615	88,563,800
Employers' Matching Contributions	3,979,847	4,109,715
Voluntary Contributions	941,767	968,965
Teachers' Reinstatement Contributions	206,892	263,675
Interest and Dividend Income	102,727,197	80,102,817
Gain on Sale of Investments	1,083,121	1,207,788
Aetna Life Insurance Company:		
Interest Income	486,736	385,911
Experience Increase (Decrease)	(391,174)	480,964
General Expense Fund Appropriations	<u>462,085</u>	<u>792,943</u>
Total Revenues	262,426,450	235,528,759
<u>EXPENSES</u>		
Benefits for Service and Disability Retirements	94,765,217	83,403,940
Comprehensive Medical Insurance Premiums	9,314,622	7,930,573
Survivor and Death Benefits	4,131,341	3,901,748
Refunds of Members' Contributions	8,873,768	6,492,338
General Expense Fund Expenditures	919,064	830,888
Investment Counsel and Processing Fees	340,625	256,963
Net Other Expenses	<u>44,769</u>	<u>24,460</u>
Total Expenses	118,389,406	102,840,910
EXCESS OF REVENUES OVER EXPENSES	144,037,044	132,687,849
<u>FUND BALANCES</u>		
Beginning of Year	<u>1,028,086,215</u>	<u>895,398,366</u>
End of Year	\$1,172,123,259	\$1,028,086,215

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	<u>YEAR ENDED</u> <u>JUNE 30, 1982</u>	<u>YEAR ENDED</u> <u>JUNE 30, 1981</u>
<u>SOURCE OF FUNDS</u>		
Excess of Revenues Over Expenses	\$ 144,037,044	\$ 132,687,849
Decrease in Premium Stabilization and Reserve Accounts with Aetna Life Insurance Company	708,056	
Increase in Treasurer's Unredeemed Checks		<u>5,526</u>
Total Source of Funds	144,745,100	132,693,375
 <u>USE OF FUNDS</u>		
Net Increase in Investments	136,628,143	127,138,837
Increase in Accrued Investment Income	3,117,285	3,203,142
Decrease in Treasurer's Unredeemed Checks	928	
Increase in Premium Stabilization and Reserve Accounts with Aetna Life Insurance Company		<u>866,875</u>
Total Use of Funds	139,746,356	131,208,854
 INCREASE IN CASH	 4,998,744	 1,484,521
 <u>CASH BALANCE</u>		
Beginning of Year	<u>4,443,410</u>	<u>2,958,889</u>
End of Year	\$ 9,442,154	\$ 4,443,410

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
TEACHERS' SAVINGS FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	<u>YEAR ENDED JUNE 30, 1982</u>	<u>YEAR ENDED JUNE 30, 1981</u>
<u>REVENUES</u>		
Teachers' Contributions	\$ 57,442,796	\$ 53,991,606
Teachers' Reinstatement Contributions	133,225	199,165
Transfers from Guarantee Fund:		
Interest on Fund Balance	<u>11,966,095</u>	<u>10,780,457</u>
Total Revenues	69,542,116	64,971,228
<u>EXPENSES</u>		
Refunds of Members' Contributions	7,451,926	5,910,075
Transfers to Allowance Reserve Fund:		
Retirements	17,698,283	13,438,456
Transfers to Survivor, Death and Medical Insurance Fund:		
Survivor Benefits	425,397	400,060
Escrow for Current Year Underpayment by Employers		2,166
Other Expenses	<u>9,761</u>	<u>7,087</u>
Total Expenses	25,585,367	19,757,844
EXCESS OF REVENUES OVER EXPENSES	43,956,749	45,213,384
<u>FUND BALANCE</u>		
Beginning of Year	<u>423,671,924</u>	<u>378,458,540</u>
End of Year	\$467,628,673	\$423,671,924

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
STATE ACCUMULATION FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	YEAR ENDED JUNE 30, 1982	YEAR ENDED JUNE 30, 1981
<u>REVENUES</u>		
State Contributions - Permanent	\$ 49,516,587	\$ 52,868,890
State Contributions - Benefit Improvements	33,318,801	28,315,162
State Contributions - University Salaries	3,140,800	2,576,786
Employers' Matching Contributions	3,662,577	3,779,434
Teachers' Reinstatement Contributions	73,667	64,510
Expense Fund Balance - Prior Years	29,055	4,632
Transfers from Guarantee Fund:		
Interest on Fund Balance	12,038,319	10,780,457
Reinstatements	124,790	199,165
Return of Prior Years State Overmatching Contributions	4,616,358	
Escrow for Current Year Underpayment by Employers		25,012
Other Revenues	4,654	48,631
 Total Revenues	 106,525,608	 98,662,679
<u>EXPENSES</u>		
Transfers to Expense Fund	465,000	67,000
Transfers to Allowance Reserve Fund:		
Retirements	17,734,774	13,438,456
Transfers to Guarantee Fund:		
Refunds	7,484,578	5,946,199
Benefit Improvements	33,318,801	28,315,162
State Overmatching Contributions		2,678,454
Transfers to Survivor, Death and Medical Insurance Fund:		
Survivor Benefits	433,907	400,060
 Total Expenses	 59,437,060	 50,845,331
 EXCESS OF REVENUES OVER EXPENSES	 47,088,548	 47,817,348
 <u>FUND BALANCE</u>		
Beginning of Year	426,275,888	378,458,540
End of Year	\$473,364,436	\$426,275,888

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
ALLOWANCE RESERVE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	<u>YEAR ENDED</u> <u>JUNE 30, 1982</u>	<u>YEAR ENDED</u> <u>JUNE 30, 1981</u>
<u>REVENUES</u>		
Transfers from Teachers' Savings Fund:		
Retirements	\$ 17,698,283	\$ 13,438,456
Transfers from State Accumulation Fund:		
Retirements	17,734,774	13,438,456
Transfers from Guarantee Fund:		
Interest on Fund Balance	1,639,548	1,306,686
State Deficiency in Service Obligation for Members Retired	<u>67,018,898</u>	<u>60,129,686</u>
Total Revenues	104,091,503	88,313,284
<u>EXPENSES</u>		
Benefits for Service and Disability Retirements	94,656,804	83,297,993
Other Expenses	<u>32,824</u>	<u>68,756</u>
Total Expenditures	94,689,628	83,366,749
 EXCESS OF REVENUES OVER EXPENSES	 9,401,875	 4,946,535
 <u>FUND BALANCE</u>		
Beginning of Year	<u>52,778,328</u>	<u>47,831,793</u>
End of Year	\$ 62,180,203	\$ 52,778,328

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
GUARANTEE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	YEAR ENDED JUNE 30, 1982	YEAR ENDED JUNE 30, 1981
<u>REVENUES</u>		
Interest and Dividends Earned on Investments	\$102,727,197	\$ 80,102,817
Gain on Sale of Investments	1,083,121	1,207,788
Transfers from State Accumulation Fund:		
Refunds	7,484,578	5,946,199
Benefit Improvements	33,318,801	28,315,162
State Overmatching Contributions		2,678,454
Transfers from Survivor, Death and Medical Insurance Fund:		
State Overmatching Contributions		232,020
Other Revenues		10,023
Total Revenues	<u>144,613,697</u>	<u>118,492,463</u>
<u>EXPENSES</u>		
Investment Counsel and Processing Fees	340,625	256,963
Transfers to Teachers' Savings Fund:		
Interest on Fund Balance	11,966,095	10,780,457
Transfers to State Accumulation Fund:		
Interest on Fund Balance	12,038,319	10,780,457
Reinstatements	124,790	199,165
Return of Prior Years State Overmatching Contributions	4,616,358	
Escrow for Current Year		
Underpayment by Employers		25,012
Transfers to Allowance Reserve Fund:		
Interest on Fund Balance	1,639,548	1,306,686
State Deficiency in Service Obligation for Members Retired	67,018,898	60,129,686
Transfers to Voluntary Contribution Fund:		
Interest on Voluntary Accounts	306,413	279,224
To Fund Deficiency from Increased Benefits Continued After Voluntary Contributions Expire	14,278	10,629
Transfers to Survivor, Death and Medical Insurance Fund:		
Return of Prior Years State Overmatching Contributions	399,890	
Interest on Fund Balance	315,441	378,518
Escrow for Current Year Underpayment by Employers		2,166
Other Expenses	2,890	
Total Expenses	<u>98,783,545</u>	<u>84,148,963</u>
EXCESS OF REVENUES OVER EXPENSES	45,830,152	34,343,500
<u>FUND BALANCE</u>		
Beginning of Year	<u>105,839,118</u>	<u>71,495,618</u>
End of Year	\$151,669,270	\$105,839,118

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
VOLUNTARY CONTRIBUTION FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	YEAR ENDED JUNE 30, 1982	YEAR ENDED JUNE 30, 1981
<u>REVENUES</u>		
Voluntary Contributions	\$ 941,767	\$ 968,965
Transfers from Guarantee Fund:		
Interest on Voluntary Accounts	306,413	279,224
To Fund Deficiency from Increased Benefits		
Continued After Voluntary Contributions Expire	<u>14,278</u>	<u>10,629</u>
Total Revenues	1,262,458	1,258,818
<u>EXPENSES</u>		
Refunds of Members' Contributions	1,421,842	582,263
Benefits Increased by Voluntary Contributions	94,135	95,318
Increased Benefits Continued After		
Voluntary Contributions Expire	14,278	10,629
Other Expenses	<u>1,918</u>	<u>810</u>
Total Expenses	1,532,173	689,020
EXCESS OF REVENUES OVER EXPENSES	(269,715)	569,798
<u>FUND BALANCE</u>		
Beginning of Year	<u>4,930,024</u>	<u>4,360,226</u>
End of Year	\$4,660,309	\$4,930,024

The accompanying notes are an integral part of these financial statements.



KENTUCKY TEACHERS' RETIREMENT SYSTEM  
SURVIVOR, DEATH AND MEDICAL INSURANCE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	YEAR ENDED JUNE 30, 1982	YEAR ENDED JUNE 30, 1981
<u>REVENUES</u>		
Teachers' Contributions	\$ 4,949,568	\$ 4,660,575
State Contributions	4,561,427	4,802,962
Employers' Matching Contributions	317,270	330,281
Aetna Life Insurance Company:		
Interest Income	486,736	385,911
Experience Increase (Decrease)	(391,174)	480,964
Transfers from Teachers' Savings Fund:		
Survivor Benefits	425,397	400,060
Escrow for Current Year Underpayment by Employers		2,166
Transfers from State Accumulation Fund:		
Survivor Benefits	433,907	400,060
Transfers from Guarantee Fund:		
Return of Prior Years State		
Overmatching Contributions	399,890	
Interest on Fund Balance	315,441	378,518
Escrow for Current Year Underpayment by Employers		2,166
Total Revenues	11,498,462	11,843,663
<u>EXPENSES</u>		
Comprehensive Medical Insurance Premiums	9,314,622	7,930,573
Survivor and Death Benefits	4,131,341	3,901,748
Transfers to Guarantee Fund:		
State Overmatching Contributions		232,020
Other Expenses	2,030	6,461
Total Expenses	13,447,993	12,070,802
EXCESS OF REVENUES OVER EXPENSES	(1,949,531)	(227,139)
<u>FUND BALANCE</u>		
Beginning of Year	14,561,878	14,789,017
End of Year	\$12,612,347	\$14,561,878

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
GENERAL EXPENSE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1982 AND 1981

	YEAR ENDED JUNE 30, 1982	YEAR ENDED JUNE 30, 1981
<u>ALLOTMENTS</u>		
Regular Legislative Appropriations	\$ 462,085	\$ 784,900
Transfers from State Accumulation Fund	465,000	67,000
Salary Improvements		10,500
Decrease in Equipment Allotment		(2,457)
Total Allotments	<u>927,085</u>	<u>859,943</u>
<u>EXPENSES</u>		
Personal Services:		
Salaries, Payroll Taxes and Retirement	622,163	549,683
Contracted Professional and Consulting Services	39,113	41,312
Current Operating Expenses:		
Postage, Freight, and Express	73,070	62,720
Telephone	9,006	15,533
Travel, In-State	10,729	9,757
Travel, Out-of-State	9,004	6,409
Printing	41,490	31,739
Utilities	14,669	10,079
Maintenance of Equipment	3,536	3,535
Maintenance of Building	1,093	420
Car Pool Rental	2,566	2,260
Office Supplies	7,128	4,904
Janitor Supplies	836	596
Rental of Computer	36,964	44,670
Rental of Equipment	3,819	3,925
Rental of Building	29,346	29,523
Employee Training Expense	971	374
Legislative Financial Review		270
Life Insurance - Employees	467	452
Honorarium		724
Insurance	2,501	156
Fidelity Bonds	35	35
Membership Fees	365	300
Subscriptions	2,887	3,042
Miscellaneous	660	1,006
Data Processing Supplies	4,122	108
Furniture, Fixtures, and Equipment	1,407	4,048
Capital Outlay:		
Office Equipment Purchased	<u>1,117</u>	<u>3,308</u>
Total Expenses	919,064	830,888
ENDING BALANCE	\$ 8,021*	\$ 29,055

\* Included in the ending balance is \$3,000 which is authorized for an imprest cash fund.

The accompanying notes are an integral part of these financial statements.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1982

NOTE 1: Summary of Significant Accounting Policies

A. The financial statements of the Teachers' Retirement System of the State of Kentucky are prepared on the accrual basis generally in accordance with the National Committee on Governmental Accounting Statement 1 which became effective for the year ending June 30, 1981.

B. All available cash is invested immediately upon receipt. The balance of cash presented is cash in transit to the Retirement System primarily from members' contributions. Employers have 15 days from the date members are paid to remit such contributions in accordance with KRS 161.560.

C. Investments in United States Government obligations, corporate bonds, and other fixed income investments are stated at amortized cost. Investments in stocks and repurchase agreements are stated at cost. Realized gains or losses on all securities are recorded at the time of sale.

D. 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.

E. Items of equipment are expensed in the year of purchase. The Retirement System maintains equipment records from which an annual inventory is taken each September. These items of equipment are immaterial in relation to the balance sheet taken as a whole.

NOTE 2: Explanation of The Funds

TEACHERS' SAVINGS FUND: This fund consists of contributions paid by members at the rate of 7.84% of creditable compensation and interest authorized by the Board of Trustees from the Guarantee Fund. The accumulated contributions of a member which are returned to him upon his withdrawal or paid to his estate or designated beneficiary in the event of his death are paid from this fund. Upon a member's retirement his contributions along with the matching state contributions are transferred from this fund to the Allowance Reserve Fund, from which retirement benefits are paid.

STATE ACCUMULATION FUND: State appropriations to the Retirement System are accumulated in this fund. The State contributes an amount equal to the members' contributions. In addition the State provides an annual overmatch of 3.25% to discharge the System's unfunded obligations with interest. The State appropriations are submitted in advance based on members' salaries as estimated by the Kentucky Department of Education. At June 30, 1982 these estimated appropriations exceeded required appropriations by \$3,094,894. This amount will be deducted from 1982-83 requirements as estimated by the Kentucky Department of Education resulting in a recovery by the General Fund of the State of Kentucky of this overpayment. A request was made by the System to fund the increase in sick pay, totaling \$2,784,123, authorized under KRS 161.155 and 161.550 from this surplus. At the time of this report the request had not been approved by the Office of Policy and Management.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1982

NOTE 2: Explanation of the Funds (Continued)

ALLOWANCE RESERVE FUND: Retirement benefits of the members of the System are paid from this fund. Retirement benefits paid first reduce the retired member's contributions until they are exhausted, then state matching contributions are used to cover the benefits. After both the member's contributions and the state matching contributions are exhausted, the retirement benefits are paid from investment earnings and funds available through actuarial provisions. For the year ended June 30, 1982, \$63,636,171 was paid in excess of members' and state matching contributions.

GUARANTEE FUND: This fund collects all income from investments, state matching contributions of members withdrawn from the system, state overmatching contributions, and any other money whose disposition is not provided for. From this fund is transferred interest to the other funds, except the General Expense Fund, as authorized by the Board of Trustees. Also transferred are retirement benefits in excess of both members' and state matching contributions, and any other deficiency not covered by the other funds.

VOLUNTARY CONTRIBUTION FUND: Members are allowed to contribute four per cent or more of their annual compensation to their accounts. These voluntary accounts earn interest at the rate of 8% for active members. Accounts are returned to members upon request or can be used to increase members retirement benefits.

SURVIVOR, DEATH AND MEDICAL INSURANCE FUND: A total of 1.25% of members payroll is contributed to this fund in equal parts from members' contributions and state matching contributions. From this fund is paid benefits to survivors of members retired or eligible to retire, death benefits of \$2,000 for active members and \$2,500 for retired members, and health insurance premiums for retired members.

GENERAL EXPENSE FUND: The Board of Trustees sets aside not greater than 4% of the receipts of the State Accumulation Fund into this fund to defray the expense of the administration of the System. Any balance remaining in this fund at the end of the fiscal year is transferred to the State Accumulation Fund the following year. Accordingly, the fund balance of \$29,055 at June 30, 1981 was transferred to State Accumulation Fund during fiscal year ended June 30, 1982.

NOTE 3: Premium Stabilization and Reserve Accounts, Aetna Life Insurance Company

The Aetna Life Insurance Company is the administrator of the health insurance plan provided to retired members. During the year estimated premiums are paid to the Company. The premium stabilization and reserve accounts are maintained with the Company to cover any loss experience in excess of estimated premiums. Interest is paid to the Retirement System on these accounts and an adjustment is made annually in the premiums with those increases or decreases changing these reserves.

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1982

NOTE 4: Actuarial Valuation

Actuarial valuations are conducted by statute on a biannual basis with the most recent valuation currently being conducted for the year ended June 30, 1982. This valuation is not complete as of the date of this report; therefore, the information presented below is for the last valuation taken June 30, 1980. At that time the System's consulting actuaries, George B. Buck Consulting Actuaries, Inc., determined the accumulated plan benefits of the Retirement System.

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Retirement System's provisions to the services rendered by the members through the valuation date. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated members or their beneficiaries, (b) beneficiaries of members who have died, and (c) present members or their beneficiaries. Benefits under the Retirement System's plan are based on members' average compensation during their five highest paid years. The accumulated plan benefits for active members are based on their current compensation as of June 30, 1980. Benefits payable under all circumstances-retirement, death, disability, and termination of employment-are included, to the extent they are deemed attributable to member service rendered to the valuation date.

The significant actuarial assumptions in determination of this accrued liability were (a) unit credit actuarial cost method, (b) investment return of 6.5% compounded annually, and (c) life expectancy and withdrawal of members as presented in the actuarial report.

Accumulated plan benefit information and the unfunded actuarial liability is as follows for the year ended June 30, 1980:

Present value of prospective benefits payable in respect of:	
Present active members	\$1,114,093,000
Present annuitants and beneficiaries	<u>788,676,000</u>
Accumulated plan benefits	1,902,769,000
Present assets for valuation purposes	<u>872,453,000</u>
Unfunded actuarial accrued liability	\$1,030,316,000

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1982

NOTE 5: Investments

The investments of the Retirement System at June 30, 1982 and June 30, 1981 are as follows:

	<u>JUNE 30, 1982</u>	<u>JUNE 30, 1981</u>
BONDS AND MORTGAGES		
Short Term		
Repurchase Agreements	\$ 125,820,000	\$ 107,598,000
Certificates of Deposit		132,600
Total Short Term	<u>125,820,000</u>	<u>107,730,600</u>
U.S. Government Obligations		
Treasury Notes and Bonds	182,020,000	105,000,000
Agencies	159,296,641	164,896,798
Ship Bonds (Title XI)	94,216,679	80,847,545
GNMA (Single Family)	83,518,055	85,539,205
Other Miscellaneous	<u>9,950,755</u>	<u>11,567,404</u>
Total U.S. Government Obligations	<u>529,002,130</u>	<u>447,850,952</u>
Corporate Bonds		
Industrials	113,457,881	95,356,107
Finance	32,645,367	40,250,824
Utility Bonds (Except Telephone)	45,373,000	48,029,000
Telephone Bonds	50,440,000	50,440,000
Railroad Obligations	<u>12,783,304</u>	<u>14,085,925</u>
Total Corporate Bonds	<u>254,699,552</u>	<u>248,161,856</u>
Other Fixed Income Investments		
FHA & VA Single Family Mortgages	25,423,629	26,920,960
Project Mortgages	93,078,987	62,040,992
State and Local Government Obligations	<u>948,334</u>	<u>1,045,000</u>
Total Other Investments	<u>119,450,950</u>	<u>90,006,952</u>
TOTAL BONDS AND MORTGAGES	1,028,972,632	893,750,360
Accrued Interest Purchased	854,535	349,797
Unamortized Premiums	1,890,000	1,731,546
Unamortized Discounts	<u>(60,163,854)</u>	<u>(31,394,923)</u>
NET BONDS AND MORTGAGES	971,553,313	864,436,780
STOCKS	<u>169,769,018</u>	<u>140,257,408</u>
TOTAL INVESTMENTS	\$1,141,322,331	\$1,004,694,188

The market value of bonds and mortgages is \$765,183,340 at June 30, 1982 and \$679,199,434 at June 30, 1981. The market value of stocks is \$170,064,667 at June 30, 1982 and \$154,373,202 at June 30, 1981.

