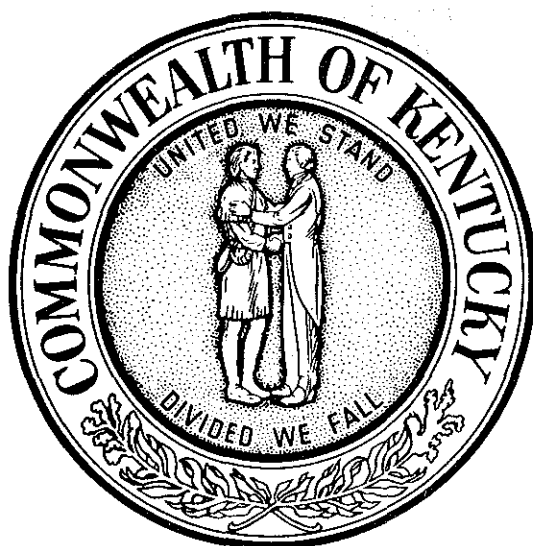


1982-83
43rd Annual Report
December 1983

ACCOUNTING SECTION COPY
PLEASE RETURN



**TEACHERS'
RETIREMENT
SYSTEM**
OF THE STATE OF KENTUCKY

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

1982-83 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, 1983

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

Dear Governor Brown:

Submitted herewith is the forty-third 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 cursive script, appearing to read "W. D. Bruce, Jr.".

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

A handwritten signature in cursive script, appearing to read "Pat N. Miller".

Pat N. Miller
Executive Secretary

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ORGANIZATION AND ADMINISTRATION



**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 Crothwait, 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
216 WEST MAIN STREET
FRANKFORT, KENTUCKY 40601**

STAFF

Pat N. Miller, Executive Secretary (502) 564-3266
Billy F. Hunt, Deputy Executive Secretary (502) 564-3266
Stuart A. Reagan, Deputy Executive Secretary (502) 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

STAFF AND SERVICES

The thirty-two staff positions of the Retirement System are organized in the manner depicted on the organization chart on page 15.

Emphasis is placed on providing the best possible service to the membership just as has been true over the forty three 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. Requests for the Staff to meet with local education groups, both active and retired have increased in recent years. The staff makes every effort to meet with the membership to explain the retirement program and to counsel with individual members.

INVESTMENTS: Personnel in this area are responsible for overseeing \$1.4 billion invested by the Retirement System. In coordination with the Investment Counselors, the investment staff helped the System realize an overall yield of 9.51% on its total investment program in 1982-83.

MEMBER RELATIONS: These staff positions work directly with members concerning service retirement, disability retirement, survivor benefits, medical insurance benefits, and auditing of member accounts. With the increased number of retirement and benefit options available, it is important that individual members understand how they will be affected in order to plan for the future.

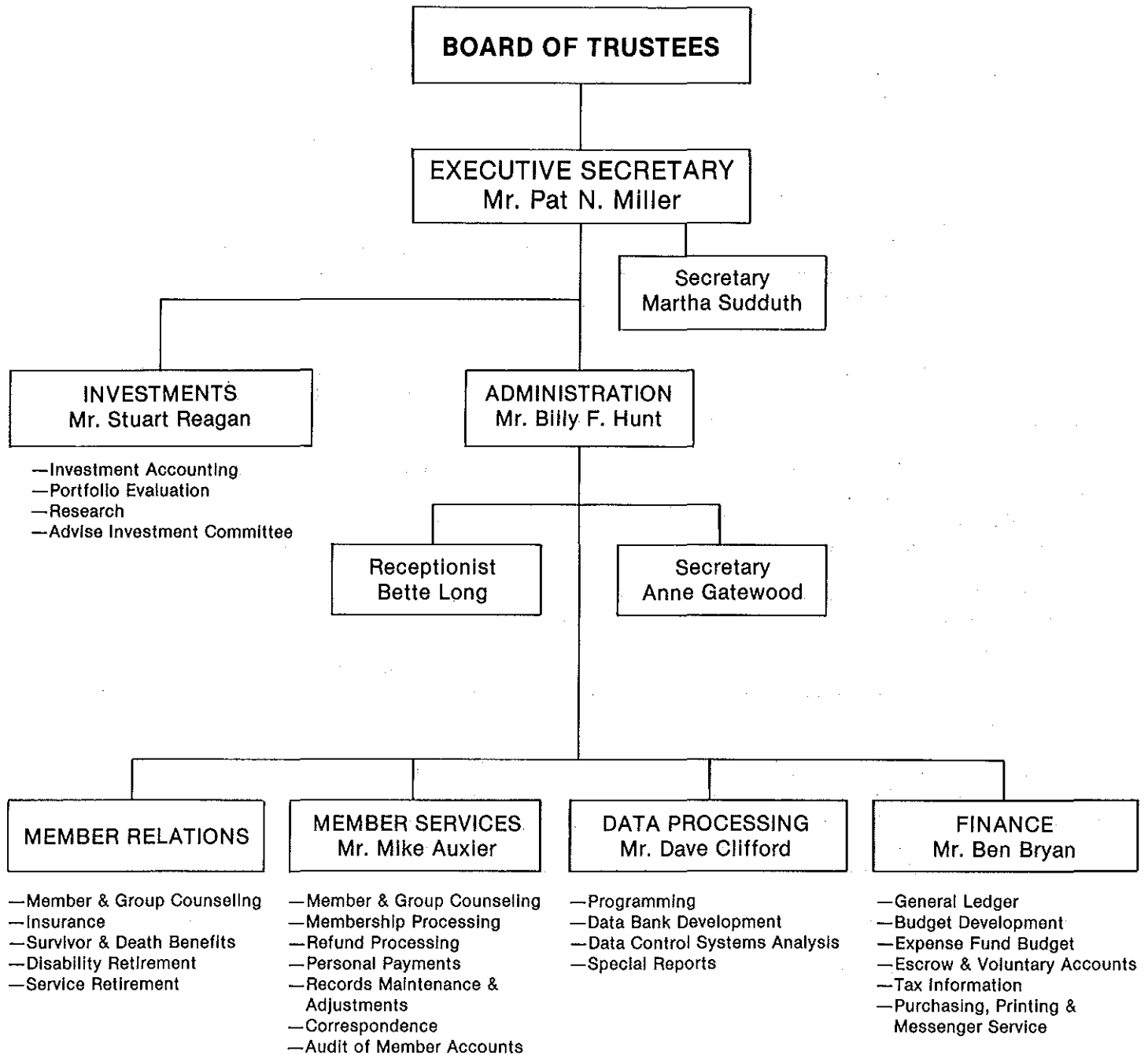
MEMBER SERVICES: Employees in this area concentrate heavily on member records and their accuracy including payroll changes, membership enrollment, annual statements to members, refund of member accounts, address changes and improvement of member accounts through reinstatements, purchase of annual leaves of absence, military leaves, substitute service and out of state service. Members are encouraged to review their accounts and contact the Retirement System any time they have questions about their account.

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 retired members' and survivors of members' checks are processed for mailing on an exact date each month. They assist with the preparation of income tax statements, tax withholding statements, Board of Trustee ballots and the 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. The staff payroll, agency purchasing and daily administrative functions are coordinated through this section.

TEACHERS' RETIREMENT SYSTEM

Organization and Administration



KENTUCKY TEACHERS' RETIREMENT SYSTEM

TEACHERS' RETIREMENT SYSTEM
Administrative Expenses
for the period July 1, 1977 through June 30, 1983

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
Payroll Salaries	404,246	426,319	530,433	551,504	627,354	683,452
Contracted Services	196,290	245,858	247,154	321,142	380,246	407,613
Operating Expenses	155,816	182,931	191,268	234,763	249,565	287,151
Fixed Equipment	6,833	27,154	3,515	3,308	3,130	7,678
 TOTALS	 763,185	 882,262	 972,370	 1,110,717	 1,260,295	 1,385,894

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

BENEFITS AND SERVICES

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 1976-80 coupled with double digit inflation, many members decided to postpone retirement and continue working. This was obviously done with the hope that inflation would 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 990 for 1981-82 and approximately 930 for 1982-83. Inflation has dropped considerably in the last two years helping to account for the gradual increase in retirements since 1978-79.

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 and tables at the conclusion of this section are designed to show monthly benefit payments for the different types of eligible recipients of the Retirement System and to provide a summary of payments to recipients on a statewide basis.

TEACHERS' RETIREMENT SYSTEM

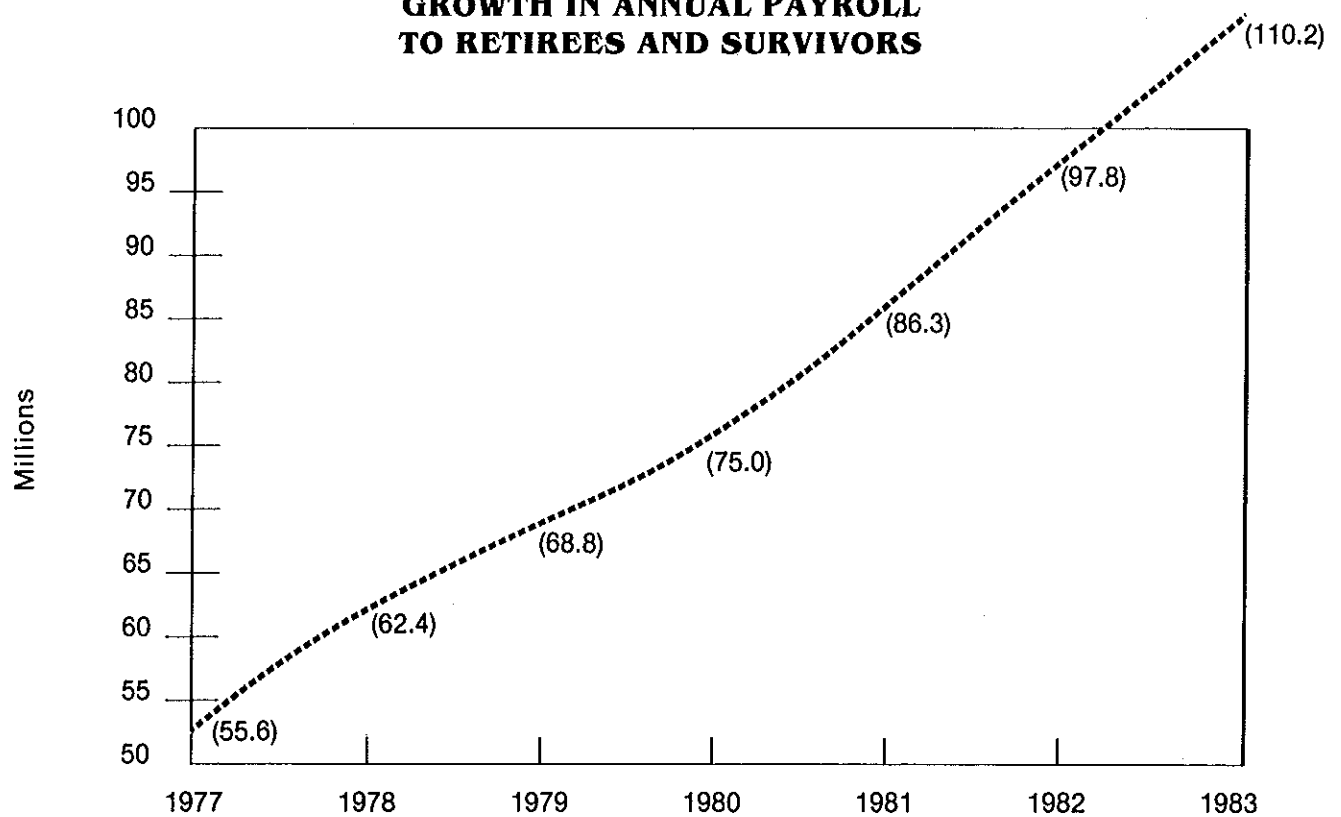
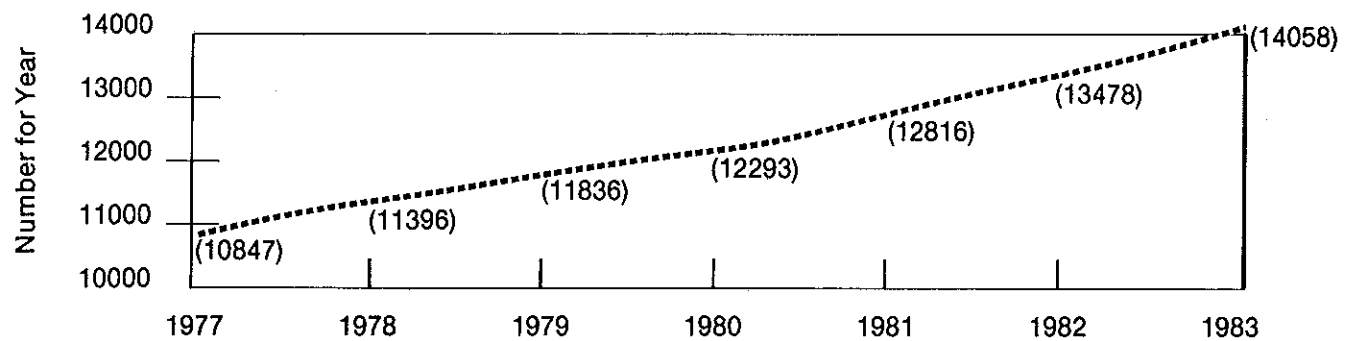
Benefits and Services

TEN YEAR MEMBERSHIP PROFILE

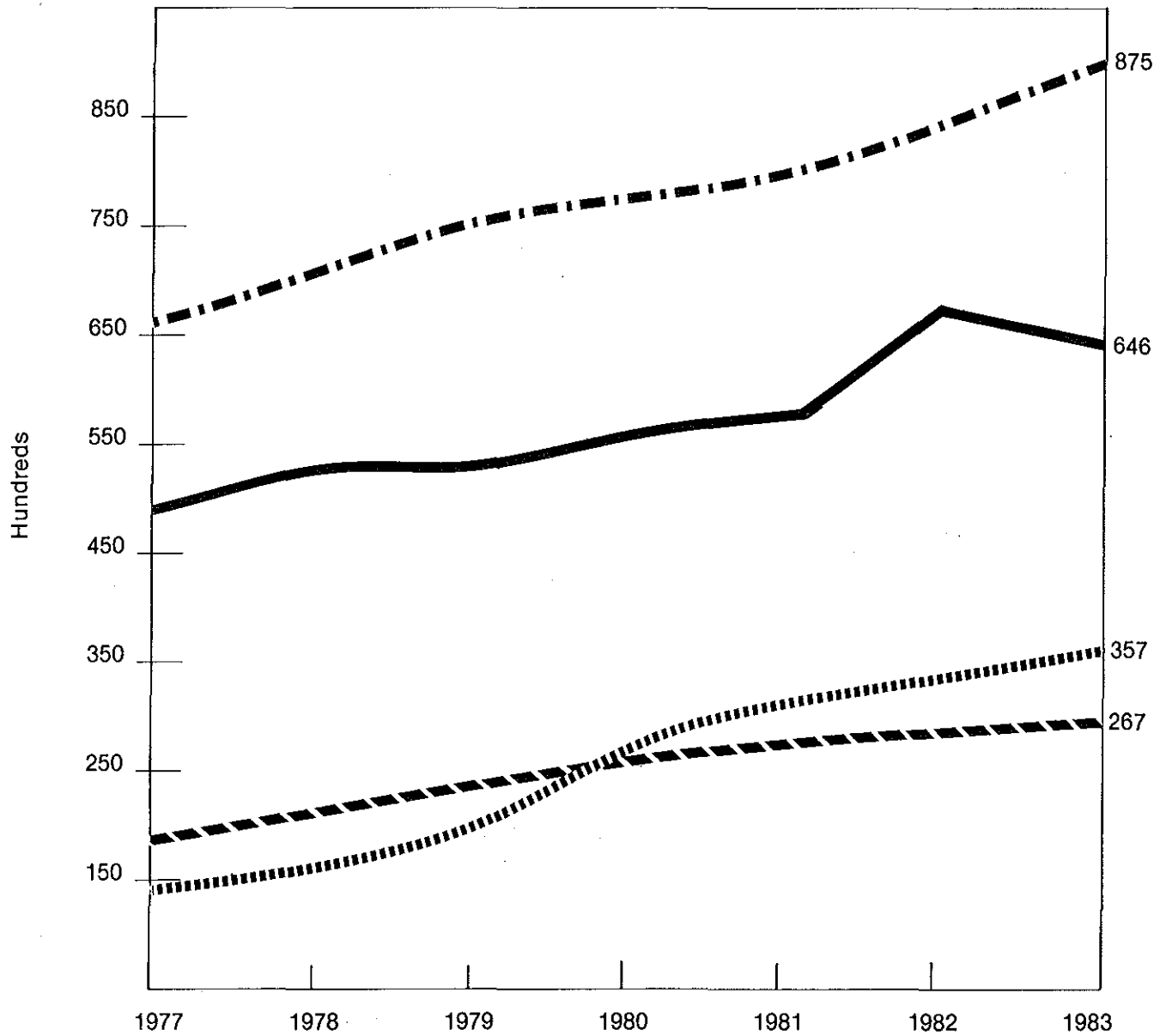
<u>YEAR ENDED JUNE 30</u>	<u>BENEFIT RECIPIENTS</u>	<u>INACTIVE MEMBERS</u>	<u>ACTIVE MEMBERS</u>
1974	9,621	5,470	41,509
1975	10,764	5,236	41,992
1976	11,620	5,321	42,517
1977	12,451	5,354	43,102
1978	13,081	5,282	43,837
1979	13,582	5,121	44,194
1980	14,142	4,928	44,470
1981	14,843	4,868	44,233
1982	15,634	5,113	43,423
1983	16,278	4,786	42,570

DISTRIBUTION OF ACTIVE MEMBERS (At June 30, 1983)

<u>BY AGE</u>				<u>BY SERVICE</u>			
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Years of Service</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
20-24	188	972	1,160	Under 1	156	403	559
25-29	1,253	4,114	5,367	1-4	2,151	5,386	7,537
30-34	2,646	6,440	9,086	5-9	2,953	7,475	10,428
35-39	3,021	5,301	8,322	10-14	3,260	6,736	9,996
40-44	2,457	3,831	6,288	15-19	2,284	3,566	5,850
45-49	1,877	2,661	4,538	20-24	1,522	2,036	3,558
50-54	1,374	2,235	3,609	25-29	1,089	1,461	2,550
55-59	812	1,640	2,425	30-34	446	831	1,277
60-64	445	888	1,333	35 or MORE	327	488	815
65-69	111	285	396				
70 or OLDER	4	15	19				
TOTAL	14,188	28,382	42,570	TOTAL	14,188	28,328	42,570

**GROWTH IN ANNUAL PAYROLL
TO RETIREES AND SURVIVORS****GROWTH IN
SERVICE RETIREMENTS**

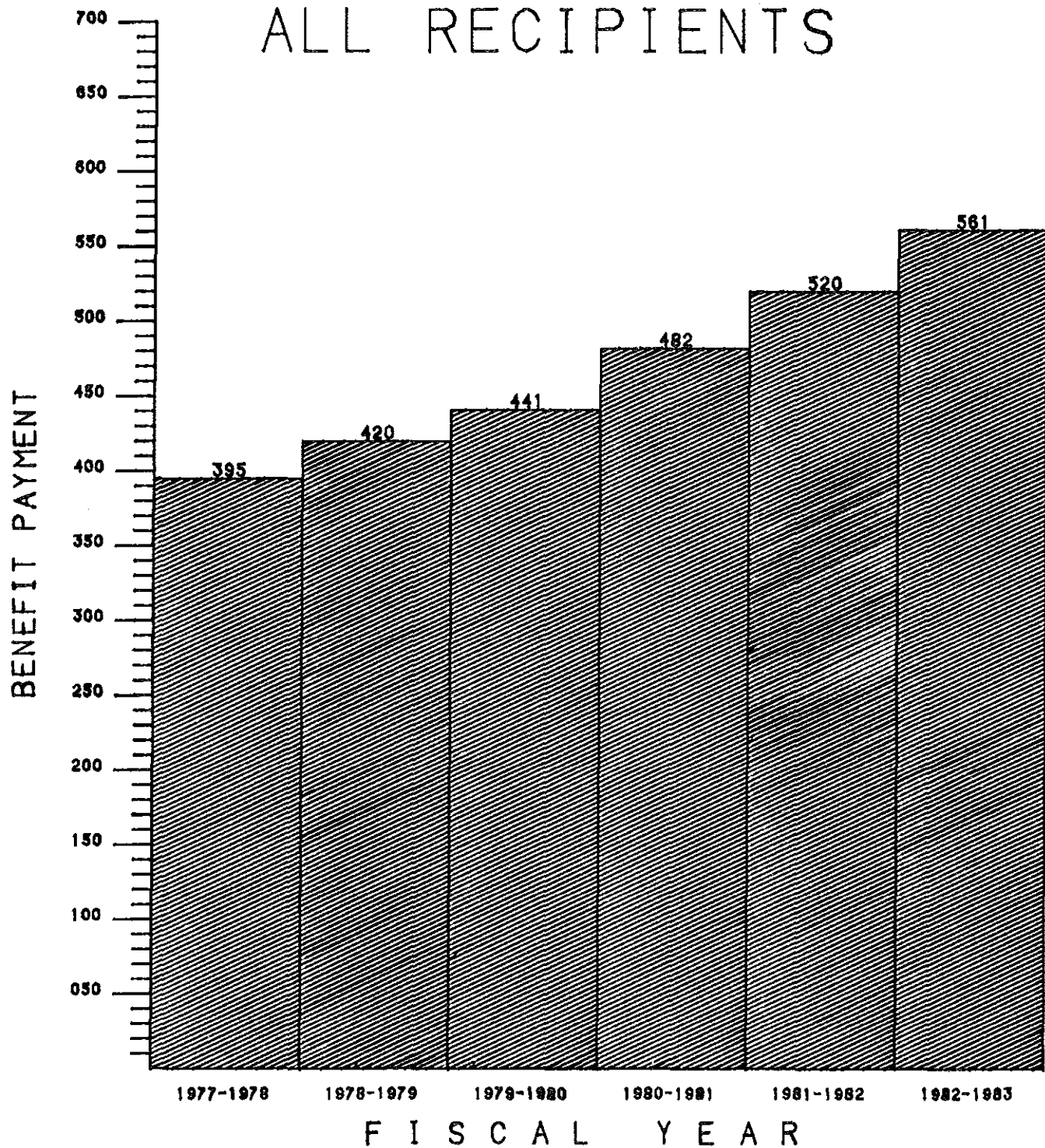
NUMBER OF
ANNUITANTS ON PAYROLL
OTHER THAN SERVICE RETIREMENT



1976

- Disability Retirements
- Beneficiary of Member Retired
- \\ Beneficiary of Member Eligible to Retire
- _____ Survivors

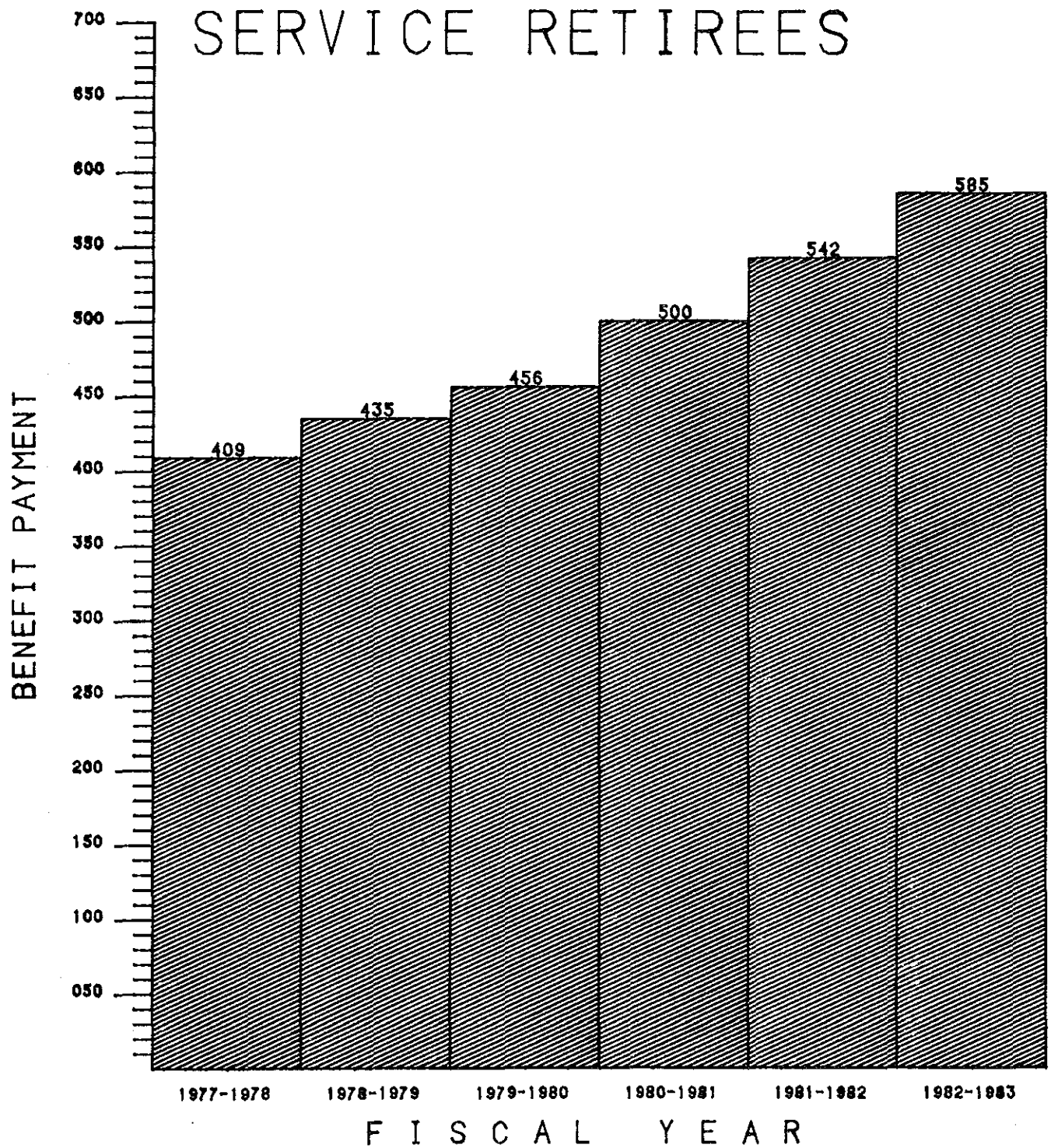
TEACHERS RETIREMENT SYSTEM
216 W. MAIN
FRANKFORT KY 40601
AVERAGE BENEFIT PAYMENT GRAPH
ALL RECIPIENTS



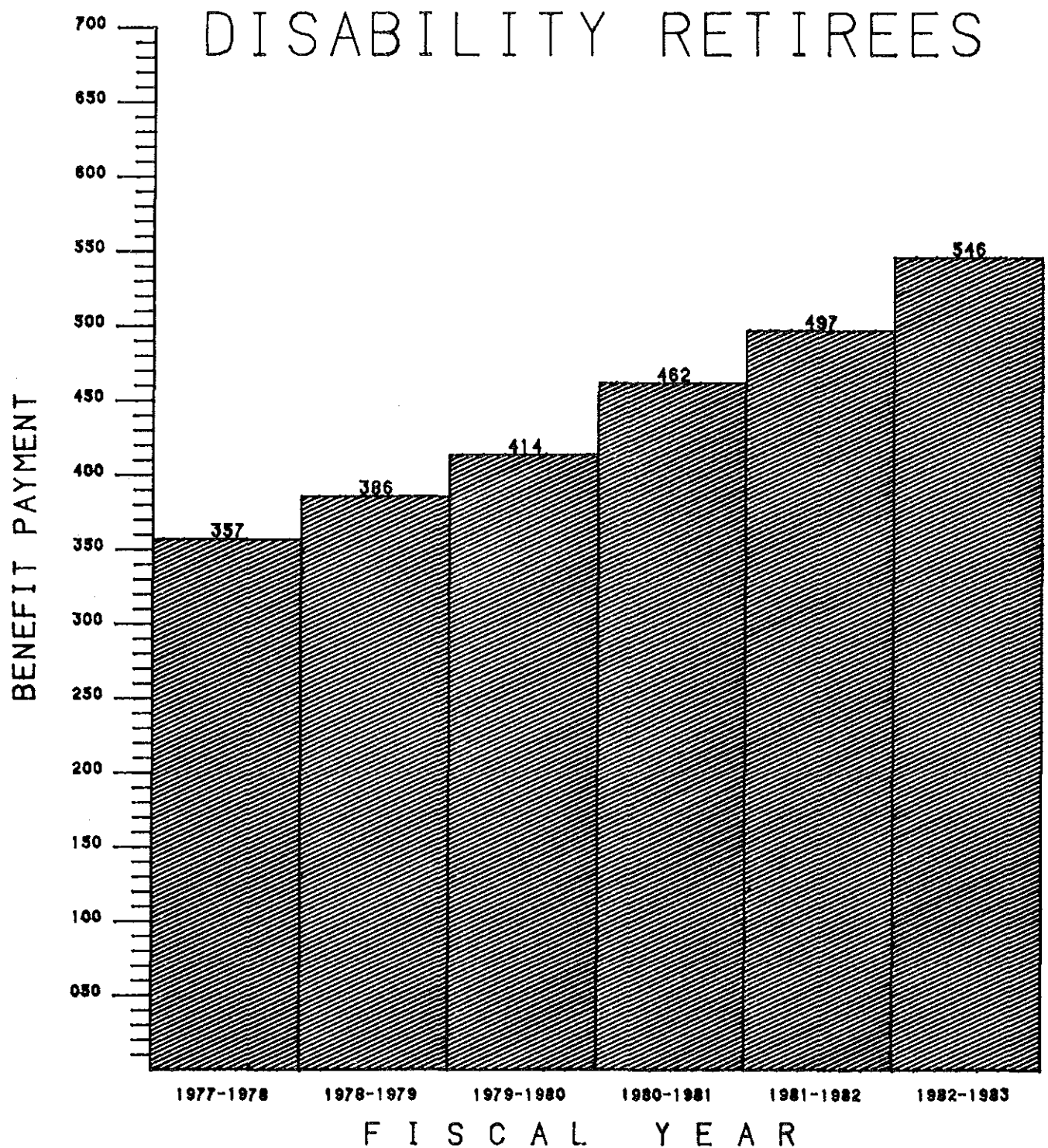
TEACHERS RETIREMENT SYSTEM

216 W. MAIN
FRANKFORT KY 40601

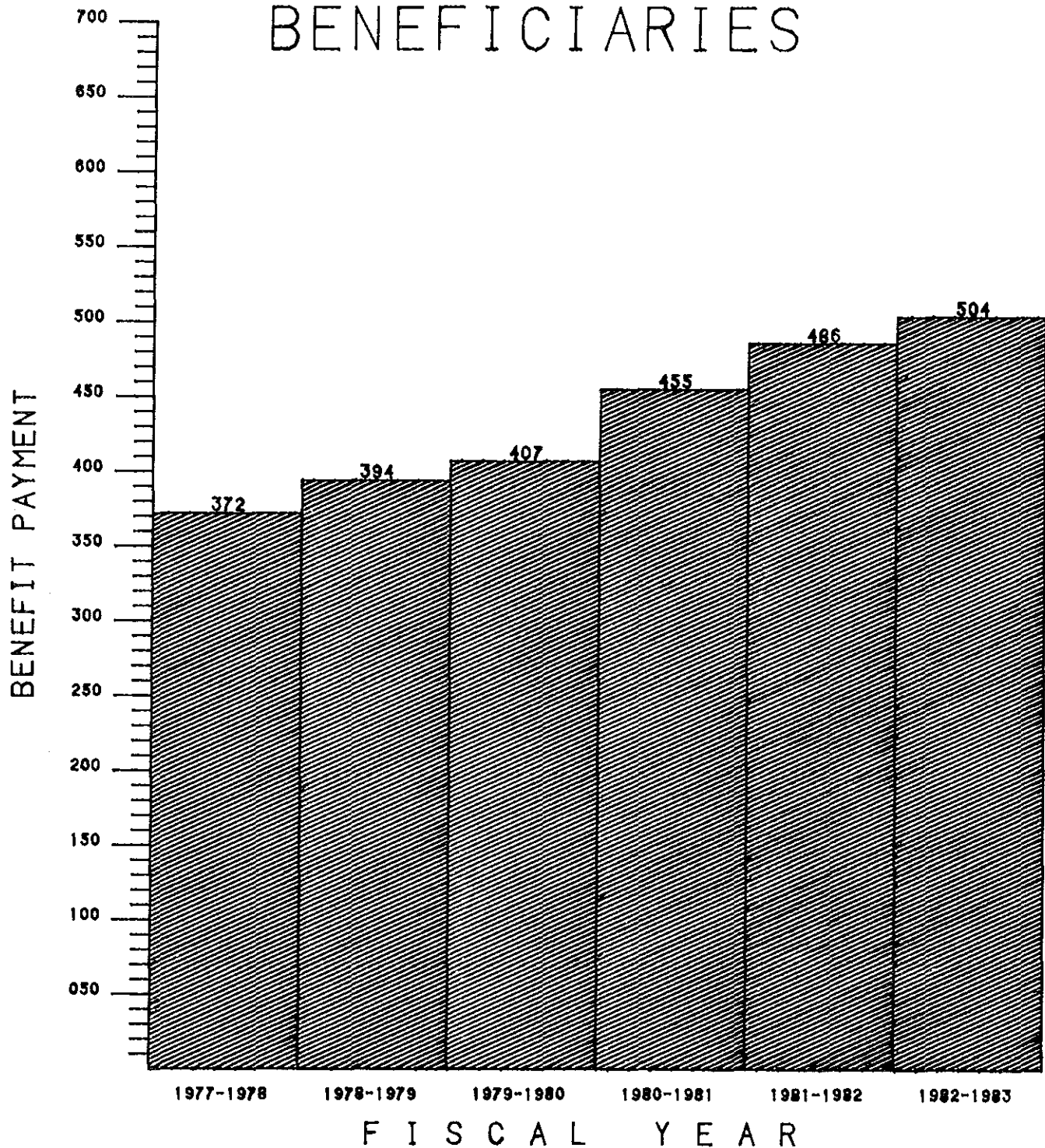
AVERAGE BENEFIT PAYMENT GRAPH



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



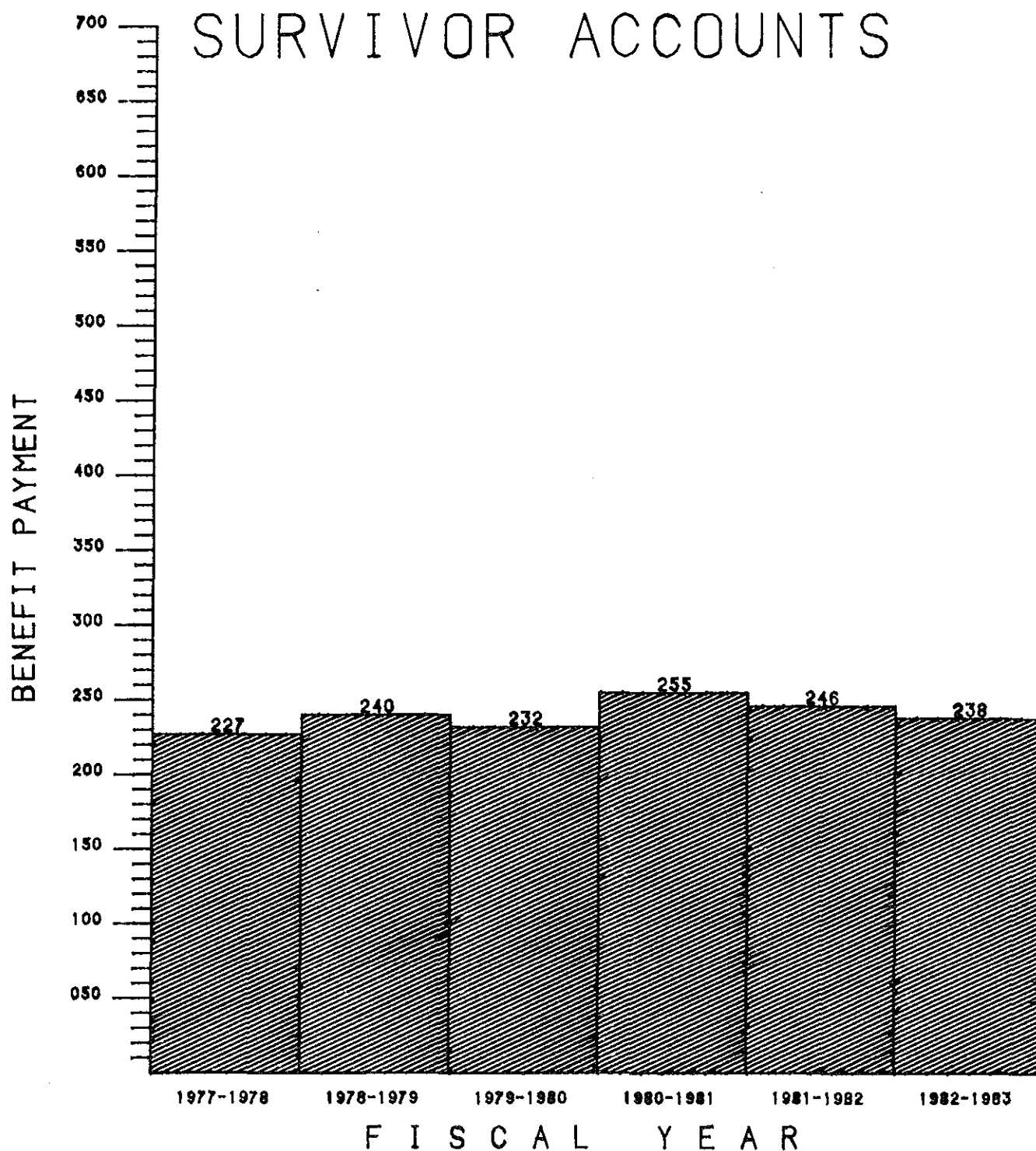
TEACHERS RETIREMENT SYSTEM
216 W. MAIN
FRANKFORT KY 40601
AVERAGE BENEFIT PAYMENT GRAPH
BENEFICIARIES



TEACHERS RETIREMENT SYSTEM

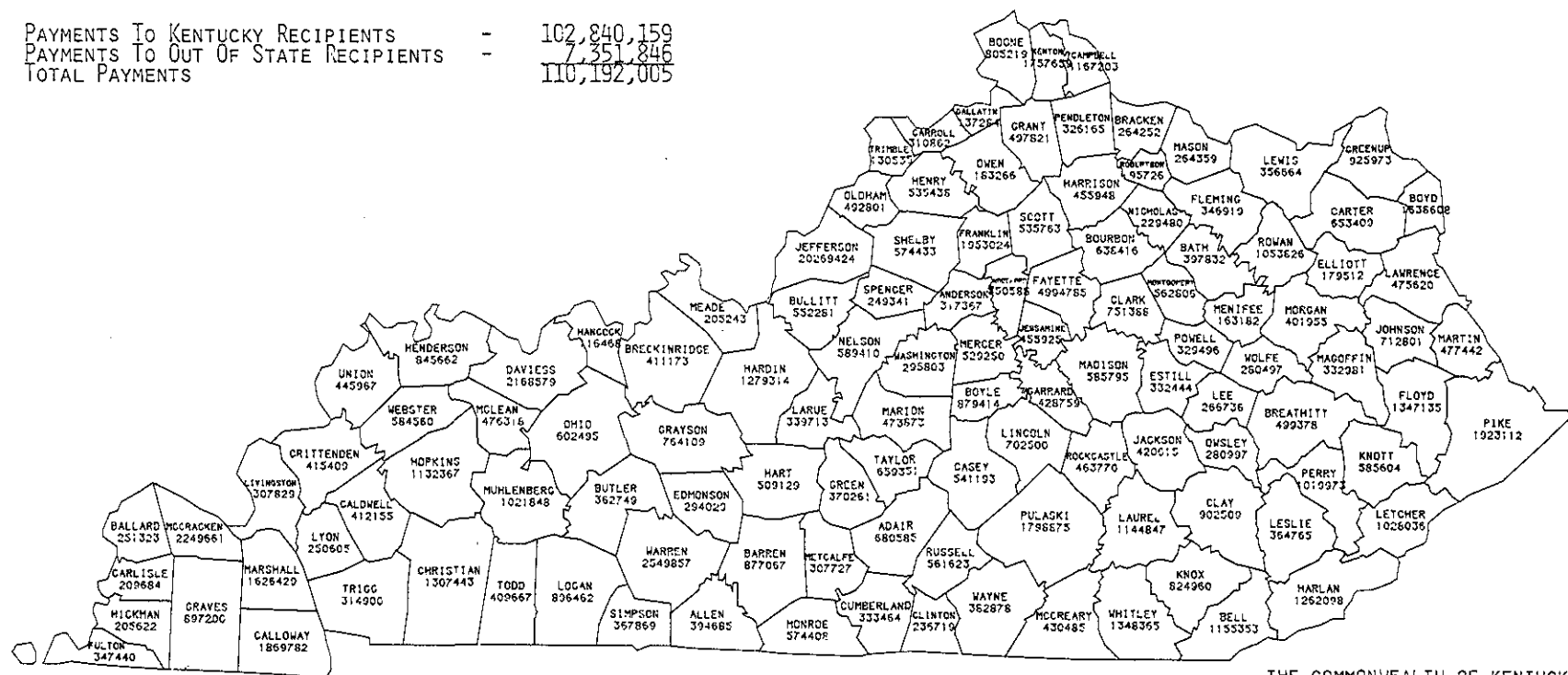
216 W. MAIN
FRANKFORT KY 40601

AVERAGE BENEFIT PAYMENT GRAPH



GEOGRAPHICAL DISTRIBUTION OF ANNUAL RETIREMENT PAYMENTS
FISCAL YEAR 1982-83

PAYMENTS TO KENTUCKY RECIPIENTS	-	102,840,159
PAYMENTS TO OUT OF STATE RECIPIENTS	-	7,351,846
TOTAL PAYMENTS		<u>110,192,005</u>



THE COMMONWEALTH OF KENTUCKY

RECIPIENTS LIVING IN KENTUCKY	-	15,386
RECIPIENTS LIVING OUT OF STATE	-	1,495
TOTAL RECIPIENTS	-	16,881



INVESTMENTS

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 on behalf of the Board, subject to its approval, in all matters concerning investments. In compliance with the Kentucky Revised Statutes, the Board of Trustees has adopted an "Investment Policy" which it reviews periodical-ly. 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. Investment income shall be used for the exclusive purpose of providing benefits to the members and their beneficiaries and making payment of reasonable expenses in administering the Plan and its Trust Funds.
2. The specific objective of the investment program shall be the investment of the Fund's assets in securities which shall provide a reasonable rate of total return with major emphasis being placed upon the protection of the invested assets. When investments are acquired, current income together with prospects for capital appreciation shall be weighed in regard to the long range needs of providing benefits to members and their beneficiaries. Short term fluctuations in the market value of the fund's assets shall be considered as secondary to the long term objectives and needs of the System.

During the 1980 session of the Kentucky General Assembly, the Board of Trustees worked with the General Assembly and 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 permissible types of investments.

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 1982-83 as the principal investment counselor, while the Chicago office of Alliance Capital Management Corporation was a second investment counselor. Approximately \$210 million had been allocated to Alliance Capital's management by year-end. Both firms 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 billion dollar fund. The Farmers Bank & Capital Trust Company, located in Frankfort, Kentucky, was retained in 1982-83 as the Custodian of Securities.

The investment portfolio experienced substantial growth during the year. The par value of the portfolio increased \$208 million, or 17.4%, to a total of \$1.4 billion at year-end. The book value of the fund correspondingly increased 18.3% during the year. Investment income (dividends, interest, and rental income) experienced significant growth of more than 12.4% over the previous year to a total of \$112 million for 1982-83. 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. The value of the portfolio was positively affected by significant appreciations in bond and stock securities during 1982-83. Some of the appreciated securities were sold to the benefit of the System.

At the year-end the "net indicated yield" on fixed income investments was 9.51%. This represented a decline from a projected yield of 9.96% at the beginning of the year, since interest rates were lower in 1982-83 than in the preceding year. The indicated dividend yield on common stocks also reflected a decline from a year earlier, decreasing from 5.98% to 5.34%. In 1982-83, it was generally more profitable to own low dividend, growth oriented stocks than in the previous year.

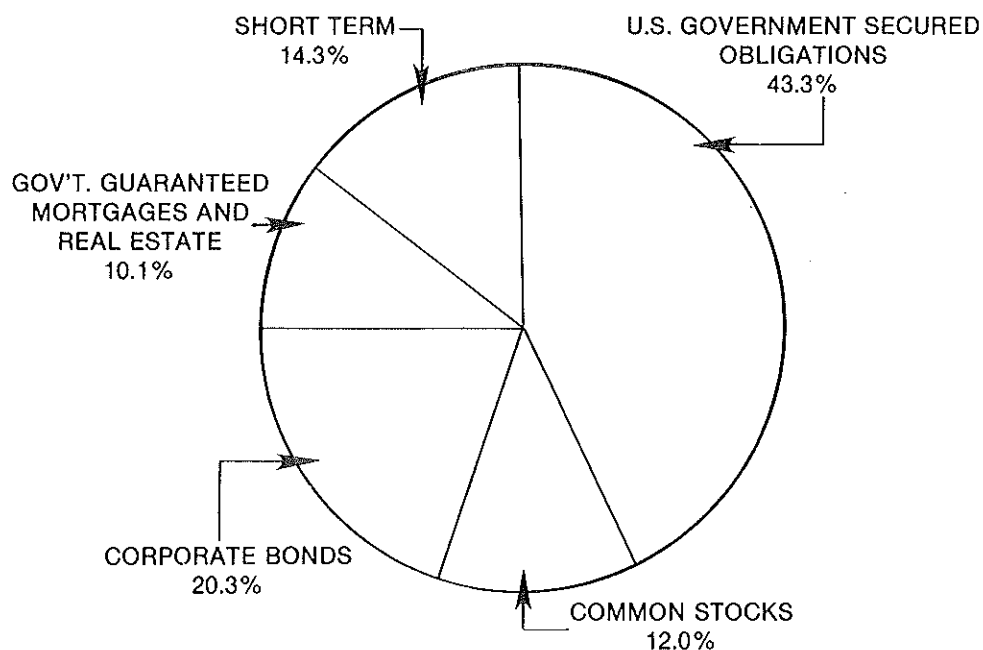
Stocks and bonds, generally, were better investments than cash equivalent investments in 1982-83. Significant appreciations in bonds and stocks enabled the System to realize high rates of return. The System sold securities in late 1982-83 to realize some of the appreciated values. This raised the portion of the portfolio invested in short term investments by year-end. On June 30, 1983, the short term cash equivalent position of the portfolio constituted approximately 14.25%. Corporate bonds with long maturities and growth oriented stocks showed the best return during the past year in each of their respective security groups.

During the 1982-83 fiscal year the System acquired its first real estate equity investments. The System purchased seven retail stores for approximately \$15.6 million. Each store is leased on a long term basis by a major retailer who generates a credit rating of at least "A" by a major credit rating service. The System will realize rental income from these properties that approximates high quality bond yields. In addition to the rental income, the System will participate in sales growth over prescribed levels. The System may also experience gains from the investment if the property appreciates. While the real estate position is a relatively small portion of the System's portfolio at 1%, it should benefit the fund, particularly during inflationary periods.

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, 1983. The pages thereafter provide a detailed listing of all investments held at June 30, 1983.

DISTRIBUTION OF INVESTMENTS

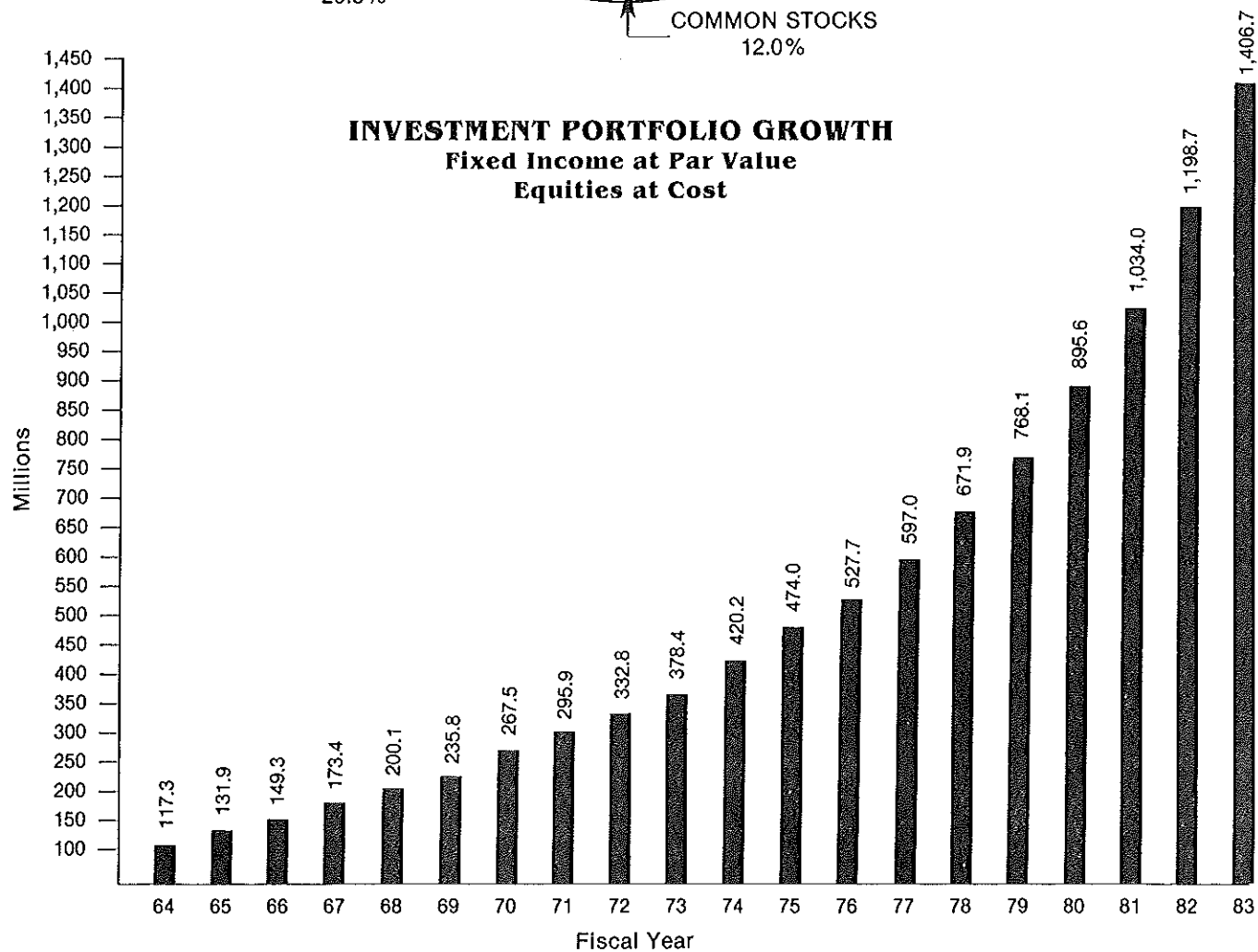
June 30, 1983

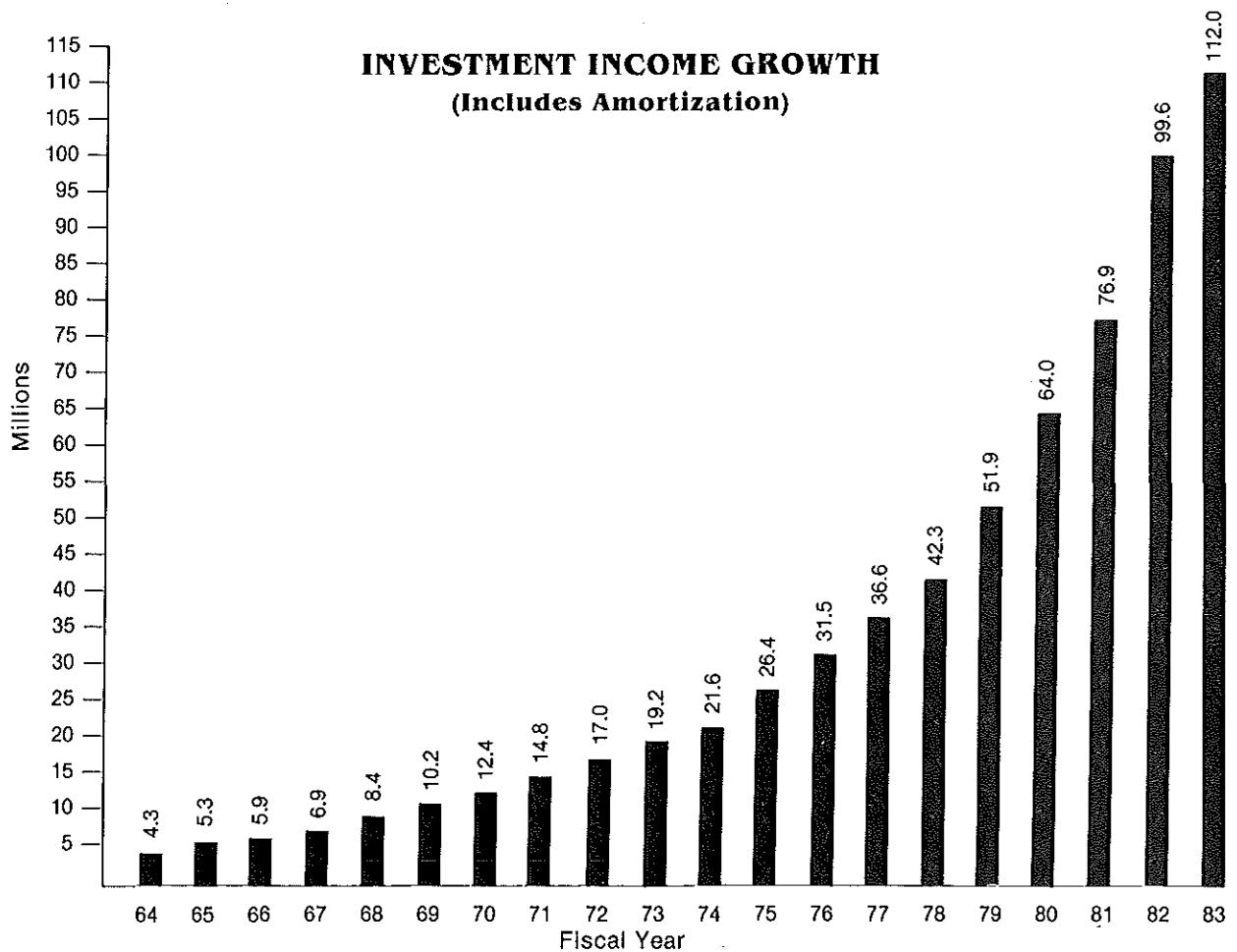
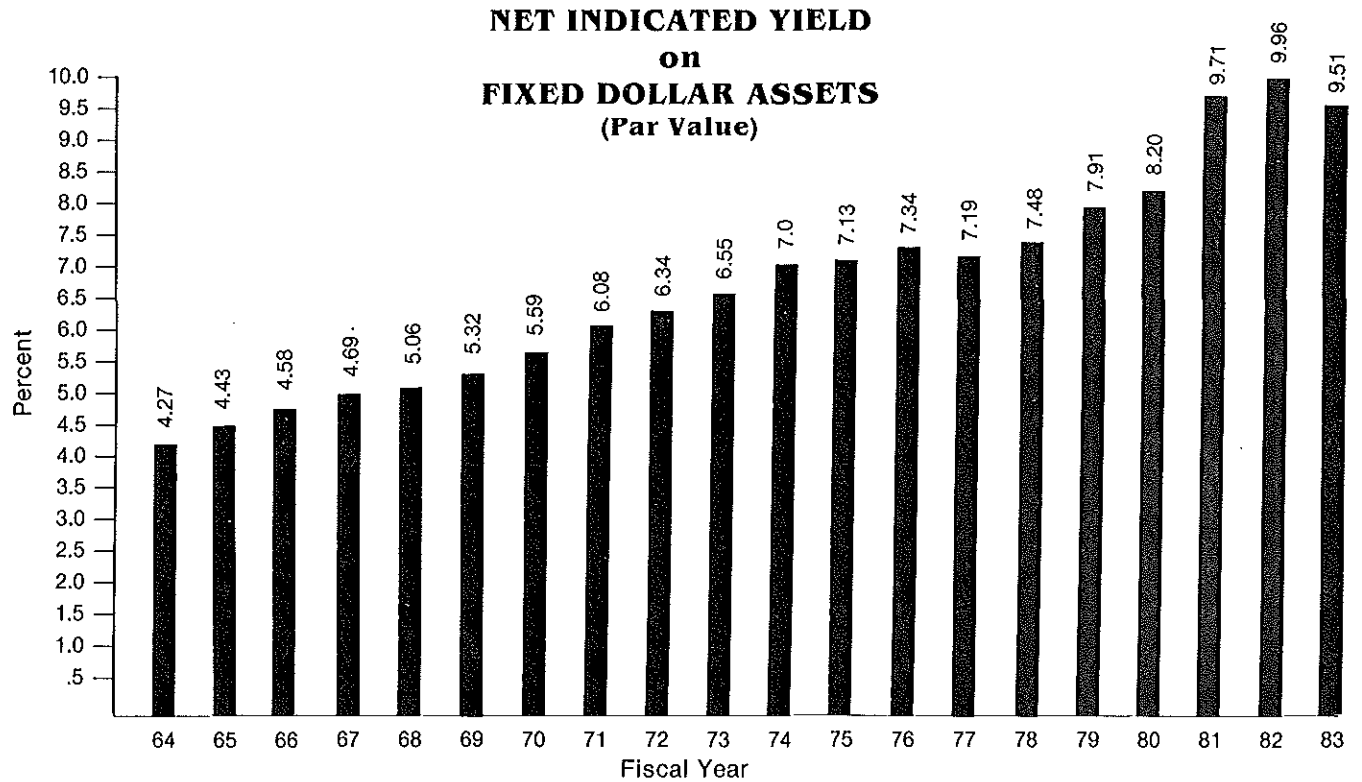


INVESTMENT PORTFOLIO GROWTH

Fixed Income at Par Value

Equities at Cost





**KENTUCKY TEACHERS' RETIREMENT
ANALYSIS OF INVESTMENTS HELD
AS OF JUNE 30, 1983**

	Percentage of Total	Par Value*	Net Annual Interest, Rental & Dividend Income	Annual Yield	
Repurchase Agreements	12.47%	175,360,000.00	16,325,404.00	9.31%	
U.S. Treasury Bills	1.78%	25,000,000.00	2,594,500.00	10.38%	
Total Short Term	14.24%	200,360,000.00	18,919,904.00	9.44%	
Treasury Notes and Bonds	17.98%	252,900,000.00	28,993,967.86	11.46%	
Agencies	10.97%	154,294,801.25	12,474,918.89	8.09%	
Ship Bonds (Title XI)	6.61%	93,016,455.60	9,047,385.06	9.73%	
GNMA (Single Family)	6.91%	97,275,421.55	9,245,521.56	9.50%	
Other Miscellaneous	.83%	11,735,413.03	1,183,636.56	10.09%	
Total U.S. Government Obligations	43.31%	609,222,091.43	60,945,429.93	10.00%	
Industrials	9.73%	136,921,265.45	13,094,797.44	9.56%	
Finance	2.34%	32,937,610.57	2,415,002.70	7.33%	
Utility Bonds (Except Telephone)	3.57%	50,199,000.00	3,905,688.25	7.78%	
Telephone Bonds	3.80%	53,440,000.00	4,822,818.48	9.02%	
Railroad Obligations	.85%	11,957,915.67	1,007,699.00	8.43%	
Total Corporate Bonds	20.29%	285,455,791.69	25,246,005.87	8.84%	
FHA & VA Single Family Mortgages	1.64%	23,055,793.63	1,485,592.42	6.44%	
Project Mortgages (FHA & GNMA)	7.35%	103,382,744.57	9,585,850.36	9.27%	
State and Local Government Obligations	.02%	351,666.95	17,708.35	5.04%	
Total Other Fixed Income Investments	9.01%	126,790,205.15	11,089,151.13	8.75%	
SUBTOTAL (FIXED INCOME)	86.86%	1,221,828,088.27	116,200,490.93	9.51%	
Triple Net Lease	1.11%	15,641,784.53	1,648,031.04	10.54%	
Total Real Estate Equity	1.11%	15,641,784.53	1,648,031.04	10.54%	
Common Stocks	4,973,675.2840 Shares	12.03%	169,263,740.47	9,032,475.06	5.34%
Total Stock	4,973,675.2840 Shares	12.03%	169,263,740.47	9,032,475.06	5.34%
SUBTOTAL (EQUITY)	13.14%	184,905,525.00	10,680,506.10	5.78%	
TOTAL INVESTMENTS, INCOME AND YIELD	100.00%	1,406,733,613.27	126,880,997.03	9.02%	

*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 understandably different from the par value. The book value of fixed income investments as of 6-30-83 was \$1,165,423,863; the market value was \$1,092,916,049. The par and book values of stocks, which are the same, was \$169,263,740 for 6-30-83; the market value of stocks was \$212,203,600. 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.

TEACHERS' RETIREMENT SYSTEM**Investments****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	8.960	07/83	1,210,000.00
Repurchase Agreement	9.000	07/83	1,606,600.00
Repurchase Agreement	9.000	07/83	93,400.00
Repurchase Agreement	9.020	07/83	14,440,000.00
Repurchase Agreement	9.030	07/83	1,330,000.00
Repurchase Agreement	9.100	07/83	16,860,000.00
Repurchase Agreement	9.130	07/83	8,050,000.00
Repurchase Agreement	9.140	07/83	12,000,000.00
Repurchase Agreement	9.160	07/83	3,695,800.00
Repurchase Agreement	9.160	07/83	1,304,200.00
Repurchase Agreement	9.170	07/83	11,930,000.00
Repurchase Agreement	9.380	07/83	1,888,200.00
Repurchase Agreement	9.380	07/83	3,111,800.00
Repurchase Agreement	9.390	08/83	13,260,000.00
Repurchase Agreement	9.410	07/83	4,910,000.00
Repurchase Agreement	9.430	08/83	10,000,000.00
Repurchase Agreement	9.460	08/83	15,960,000.00
Repurchase Agreement	9.460	07/83	10,930,000.00
Repurchase Agreement	9.470	07/83	209,800.00
Repurchase Agreement	9.470	07/83	9,790,200.00
Repurchase Agreement	9.470	07/83	4,000,000.00
Repurchase Agreement	9.480	07/83	10,000,000.00
Repurchase Agreement	9.520	07/83	18,780,000.00
			<u>175,360,000.00</u>
<u>U.S. Treasury Bills:</u>			
U.S. Treasury Bills		08/83	10,000,000.00
U.S. Treasury Bills		07/83	15,000,000.00
			<u>25,000,000.00</u>
Total Short Term Investments			<u>200,360,000.00</u>

U.S. GOVERNMENT OBLIGATIONSTreasury Bonds & Notes:

U.S. Treasury Bonds	8.375	08/00	3,200,000.00
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	12,500,000.00
U.S. Treasury Bonds	10.375	11/09	12,500,000.00
U.S. Treasury Bonds	11.500	11/95	14,000,000.00
U.S. Treasury Bonds	11.625	11/02	16,700,000.00
U.S. Treasury Bonds	13.125	05/01	8,000,000.00
U.S. Treasury Notes	9.500	04/85	10,000,000.00

U.S. GOVERNMENT OBLIGATIONS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
U.S. Treasury Notes	9.500	04/85	15,000,000.00
U.S. Treasury Notes	10.250	03/87	10,000,000.00
U.S. Treasury Notes	10.875	02/93	20,000,000.00
U.S. Treasury Notes	11.875	10/89	17,000,000.00
U.S. Treasury Notes	13.000	11/90	10,000,000.00
U.S. Treasury Notes	14.000	05/87	10,000,000.00
U.S. Treasury Notes	14.000	05/87	10,000,000.00
U.S. Treasury Notes	14.875	06/86	10,000,000.00
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.S. Treasury Notes	15.375	10/88	15,000,000.00
			<hr/> 252,900,000.00
Federal Agencies:			
Banks for Cooperatives	7.750	01/86	14,000,000.00
Farmers Home Insured Notes FHA	7.500	05/88	1,494,801.25
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 Banks	7.650	05/87	12,000,000.00
Federal Home Loan Banks	7.850	08/84	20,000,000.00
Federal Home Loan Banks	8.100	11/85	10,000,000.00
Federal Home Loan Banks	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 Banks	7.350	10/83	5,000,000.00
Federal Land Banks	7.850	01/88	10,000,000.00
Federal Land Banks	7.950	10/85	15,000,000.00
Federal Land Banks	8.100	07/85	9,800,000.00
Tennessee Valley Authority Pr Ser B	7.350	05/97	2,000,000.00
			<hr/> 154,294,801.25
Ship Bonds (Title XI):			
American Commerical Lines Ser F	10.950	07/04	7,800,000.00
American Export Freedom	7.300	07/97	1,504,000.00
American Export Lns SF Ser I	7.950	06/04	4,037,000.00
Atlas Marine American Heritage	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	1,172,000.00
Central Gulf Lns Lash Lighters	8.250	01/95	3,420,181.00
Crowley Maritime	8.125	09/99	4,000,675.71
Diamond M Drilling New Era	7.750	09/89	2,825,805.44
Flowers Transportation SF	8.400	05/00	1,852,793.60
Goodyear Steamship SF	11.550	05/06	12,100,000.00
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	8,574,226.88
Stuyvesant Issue	8.000	05/95	2,774,000.00

U.S. GOVERNMENT OBLIGATIONS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Tideland Limited	12.250	12/95	6,309,000.00
Union Mechling Corp SF	8.000	01/02	3,942,218.80
Wabash Transportation	5.400	06/89	2,736,000.00
Waterways Barge SF	13.500	09/05	6,534,000.00
Zapata Marine US Inc SF	7.700	09/94	5,000,000.00
			93,016,455.60
GNMA Single Family Mortgages:			
94 Mortgage Pools	various		97,275,421.55
			97,275,421.55
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		32,887.02
FHA Certificate of Claim	3.000		4,516.76
GNMA Mtg Pool 02333 (Mtg in Ky)	8.200	10/11	1,908,249.37
Missouri Kansas Texas RR Nts	9.250	12/87	385,000.00
Seatrains Ship Bldg. U.S. Gtd (EDA)A	9.875	05/01	4,304,759.88
			11,735,413.03
Total U.S. Government Obligations			609,222,091.43

CORPORATE BONDS

Industrials:

Aluminum Co America SF Debs	7.000	04/11	5,000,000.00
Aluminum Co America SF Debs	7.000	04/11	7,500,000.00
Aluminum Co America SF Debs	9.450	05/00	1,250,000.00
Aluminum Co America SF Debs	7.000	04/11	1,000,000.00
Aluminum Co America SF Debs	7.000	04/11	1,500,000.00
Aluminum Co America SF Debs	7.000	04/11	4,000,000.00
Ariel Properties Inc Mortgage Nt	7.000	07/98	469,427.05
Armco Steel Debs	9.200	07/00	1,300,000.00
Armco Steel SF Debs	9.200	07/00	3,000,000.00
Atlantic Richfield Debs	12.500	09/12	2,000,000.00
Beatrice Foods Co SF Debs	10.875	05/10	3,000,000.00
Capital Cities Comm Inc Sub SF Debs	11.750	06/13	3,000,000.00
Celanese Corp SF Debs	11.875	07/05	3,000,000.00
Chevron London 1st Prfd Ship Mtg	7.700	09/97	854,119.20
Chevron Stations Inc Nt	5.100	04/91	99,000.00
Countrywide Stations Secured Nts C	7.500	09/02	11,982,000.00
Cummins Engine Co Inc Nts	5.000	07/90	120,000.00
Dayton-Hudson Corp SF Debs	10.750	05/13	3,000,000.00
Dayton-Hudson Corp SF Debs	10.875	05/05	4,000,000.00
Dow Chemical Debs	8.500	02/05	2,200,000.00
Dow Chemical Debs	8.625	02/08	3,000,000.00
Dow Chemical Debs	11.250	07/10	5,000,000.00

CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Dow Chemical Notes	5.000	04/91	657,600.00
Dresser Industries Inc Nts	8.650	05/85	4,250,000.00
Dresser Industries SF Debs	9.375	05/00	1,750,000.00
DuPont (E I) de Nemours Debs	6.000	12/01	4,000,000.00
Engelhard Minerals & Chemicals Debs	11.750	08/05	3,000,000.00
Fahrney Paul L 1st Prfd Ship Mtg	7.700	09/97	854,119.20
Federated Dept Stores SF Debs	10.250	06/10	4,000,000.00
Halliburton Company SF Debs	10.200	06/05	2,000,000.00
Ingersoll-Rand Nts	8.750	05/85	4,000,000.00
Inland Steel 1st Mtg Ser O	8.750	07/95	2,733,000.00
International Minerals & Chemicals SF Debs	11.875	05/05	3,000,000.00
Leased Tankers Secured Nts A	7.450	12/92	3,077,000.00
Liggett Myers SF Debs	8.625	04/01	2,000,000.00
North American Rockwell SF Debs	8.300	04/96	1,200,000.00
Pembroke Capital Co SF Debs C	11.500	08/05	5,000,000.00
Phillip Morris Inc Nts	8.500	03/85	4,000,000.00
Phillip Morris SF Debs	9.125	07/03	1,600,000.00
Pitney Bowes Inc SF Debs	9.000	10/95	600,000.00
Quaker Oats SF Debs	7.700	06/01	2,000,000.00
Revlon Inc Nts	8.450	05/85	3,000,000.00
Reynolds R J Industries SF Debs	7.375	02/01	1,000,000.00
Reynolds R J Industries SF Debs	13.350	10/12	3,000,000.00
Sybron Corporation SF Debs	7.500	04/94	1,000,000.00
Tenneco Inc Debs	9.875	05/00	1,000,000.00
Tenneco Inc Debs	13.625	10/07	3,000,000.00
Union Oil Of Calif Debs	8.625	03/06	1,500,000.00
Union Pacific Corp SF Debs	11.875	09/10	3,000,000.00
United States Steel Sub Debs	4.625	01/96	4,425,000.00
			136,921,265.45

Finance:

Associates Investment Sr Debs	7.375	12/88	800,000.00
Bankamerica Corp Debs	7.875	12/03	1,000,000.00
Beneficial Corp Nts	4.625	06/87	1,000,000.00
Beneficial Finance Debs	4.500	03/92	495,000.00
Beneficial Finance Debs	5.000	11/90	1,675,000.00
Beneficial Finance Sr Nts	4.600	03/89	2,625,000.00
Citicorp Nts	10.875	06/10	3,400,000.00
Commercial Credit Sr Nts	4.875	09/87	1,000,000.00
General Electric Credit Sr Nts	4.650	05/86	2,500,000.00
General Motors Accept Corp Debs	7.750	10/94	4,877,000.00
General Motors Accept Corp Debs	8.000	01/02	3,500,000.00
Household Finance Corp Debs	4.750	01/89	3,500,000.00
Marathon Finance Guaranteed Nts	5.500	05/87	162,500.00
Marathon Finance Promissory Nts	4.550	04/85	40,800.00
Montgomery Ward Credit Debs	6.500	09/87	300,000.00
Montgomery Ward Credit Debs	9.250	11/90	1,500,000.00
Penney J C Financial Corp Debs	7.875	09/91	2,000,000.00
Republic New York Corp Debs	13.750	09/05	2,000,000.00
Roxbury Properties Corp Secured Nts	4.750	01/89	171,585.79

CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
United California Bk Cap Nts	4.500	01/90	200,000.00
Villiers Realty Corp Secured Nts	4.750	10/89	190,724.78
			32,937,610.57
Utility Bonds (Except Telephone):			
Alabama Gas Corp 1st Mtg F	8.000	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	185,000.00
Cambridge Electric Light Nts C	6.250	06/97	592,000.00
Commonwealth Electric Co	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 Co Nts	4.750	05/85	22,000.00
Continental Oil Co Nts	5.875	12/89	374,000.00
Continental PL Guaranteed Nts	7.500	05/94	165,000.00
Elizabethtown Water Co Debs 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
Houston Lighting Power 1st Mtg	12.375	03/13	3,000,000.00
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 Power 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 Debs	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 Gas Elec 1st Ref Mtg 80A	12.750	02/13	3,000,000.00
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 Debs	5.250	06/86	483,000.00
Pennsylvania Electric Debs	7.000	11/92	98,000.00
Pennsylvania Electric 1st Mtg	4.625	10/94	100,000.00

CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Pennsylvania Gas Water 1st Mtg	6.875	10/92	250,000.00
Pub Ser Elec Gas Debs	6.000	07/98	255,000.00
Pub Ser Elec Gas Debs	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
Tucson Gas Electric 1st Mtg	4.550	02/95	300,000.00
United Gas Inc 1st Mtg	6.500	12/89	1,791,000.00
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
			<hr/> 50,199,000.00
Telephone Bonds:			
American Tel Tel Debs	5.500	01/97	2,100,000.00
American Tel Tel Debs	6.000	08/00	1,000,000.00
Chesapeake Potomac Tel W Va Debs	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 Debs	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 Debs	9.000	11/18	2,500,000.00
Pacific Northwestern Bell Tel Debs	11.000	05/20	5,000,000.00
Pacific Tel Tel Debs	7.800	03/07	250,000.00
Pacific Tel Tel Debs	15.500	03/20	3,000,000.00
South Central Bell Tel Debs	8.250	11/15	7,500,000.00
South Central Bell Tel Debs	8.250	08/13	4,000,000.00
Southern Bell Tel Tel Debs	8.625	09/18	2,500,000.00
Southwestern Bell Tel Debs	4.625	08/95	1,590,000.00
Southwestern Bell Tel Debs	6.750	06/08	1,000,000.00
Southwestern Bell Tel Debs	7.625	10/13	3,000,000.00
Southwestern Bell Tel Debs	7.750	09/09	2,000,000.00
Southwestern Bell Tel Debs	8.500	03/16	5,000,000.00
Southwestern Bell Tel Debs	9.625	03/19	2,000,000.00
			<hr/> 53,440,000.00

CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Railroad Obligations:			
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
Kentucky Central Ry 1st Mtg	4.000	07/87	137,000.00
Ky & 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
Norfolk Western Ry Condtl Sale	9.500	05/85	220,000.00
North American Car Corp Equip Tr	8.500	08/84	60,000.00
Sou Railway Memphis Div 1st Mtg	5.000	07/96	539,000.00
Southern Railway 1st Con Mtg	5.000	07/94	2,950,000.00
St Louis San Fran Condtl Sale	7.250	12/83	100,000.00
St Louis San Fran Condtl Sale	8.250	08/84	110,000.00
St Louis San Fran Condtl Sale	9.375	01/85	90,000.00
St Louis San Fran Condtl Sale	9.500	02/85	150,000.00
St Louis San Fran Condtl Sale	9.750	07/85	148,915.67
Virginia Southwestern Ry 1st Mtg	5.000	01/03	107,000.00
			11,957,915.67
Total Corporate Bonds			285,455,791.69

OTHER FIXED INCOME INVESTMENTS

Single Family Mortgages:

FHA	various	12,036,949.57
VA	various	11,018,844.06
		23,055,793.63

Project Mortgages (FHA & GNMA):

Americana Apt Ky 221D4	7.500	10/18	4,625,893.03
Bedford House Ky 221D4	7.500	01/20	1,279,722.63
Beech Creek Apts Ky 221D4	7.500	08/21	2,144,913.41
Belleville Mnr Apts Ky 221D4	7.500	11/19	658,812.40
Cambridge Sq Apts Ky 221D4	7.500	11/19	1,231,320.01
Carnaby Sq Apts Ky 221D4	7.500	06/19	1,268,266.16
Carrollton Vlg Apts Ky 221D4	7.500	09/20	2,023,810.09
Carter Court Apts Ky 221D4	7.500	09/20	1,336,312.18
Collavin Apts Ky 221D4	7.500	04/22	3,266,524.71
Dixie Apts Ky 221D4	7.500	05/18	1,170,640.87
Ferndale Apts Ky 221D4	7.500	08/23	3,845,157.86
Gainesway Vlg Apts Ky 221D4	7.500	02/19	1,686,010.27
Glenbrook Park Ky 221D4	7.500	12/21	2,586,162.73
Greater Corbin Mnr Ky 221D4	7.500	03/21	3,650,475.82
Jackson Vly Apts Ky 221D4	7.500	08/20	2,040,381.68
Jamestown Manor Ltd Ky 221D4	7.500	02/22	1,655,482.94
Lakeview Estates Ky 221D4	7.500	01/20	1,152,046.93
Lebanon Apts Ky 221D4	7.500	02/20	1,233,840.98

OTHER FIXED INCOME (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Lin Meadows Homes Ky 221D4	7.500	11/22	278,426.81
Locust Ridge Ky 221D4	7.500	10/21	1,948,520.62
Madison Ave Apts Ky 221D4	7.500	09/20	2,013,535.55
Manchester Hts Apts Ky 221D4	7.500	06/19	1,266,526.50
Middletown Apts Ky 221D4	7.500	02/18	1,085,313.01
Montgomery Sq Apts Ky 221D4	7.500	05/19	1,265,546.39
Oak Treck Villa Apts Ky 221D4	7.500	05/23	3,572,318.22
Pine Ridge Apts Ky 221D4	7.500	08/18	863,474.65
Pinecreek Apts Ky 221D4	7.500	10/17	593,359.96
Regency Park Apts Ky 221D4	7.500	05/18	1,002,055.53
Regency Pk Apts of BG Ky 221D4	7.500	02/23	3,867,844.86
Ridgeway Apts Ky 221D4	7.500	02/19	1,079,688.00
Rucker Vlg Apts Ky 221D4	7.500	03/20	1,120,254.71
Sandefur Mnr Ky 221D4	7.500	01/20	974,557.12
Shepherdsville Vlg Apt Ky 221D4	7.500	05/20	1,415,082.62
Shively Apts Ky 221D4	7.500	10/21	2,491,916.87
Southside Mnr Ky 221D4	7.500	02/19	1,467,474.75
Tree Top Apts Ky 221D4	7.500	11/20	1,167,784.39
Vernon Manor Ltd Ky 221D4	7.500	11/22	936,122.15
Walnut Hill Apts Ky 221D4	7.500	05/19	1,703,584.09
Wessington House Apts TN 221D4	7.500	02/22	1,935,627.65
Westchester Circle Ky 221D4	7.500	04/19	4,363,127.90
Wildwood Apts Ky 221D4	7.500	08/20	1,950,885.83
Willow Creek Apts Ky 221D4	7.500	08/23	1,425,500.00
Woodsvlew Apts Ky 221D4	7.500	01/19	1,476,484.92
Panorama West Ky 236	8.500	12/12	473,105.60
Salem Vlg I 232 III	7.750	03/16	1,046,263.46
Salem Vlg II 231 III	7.750	10/16	3,568,793.79
Calvert City Conval Ky 232	7.000	01/93	355,122.58
Hallmark Plaza Ky 223F	8.500	06/11	1,194,311.67
Knights Inn FmHA Loan	13.750	12/90	1,118,340.23
CA Guidance Care Center 232	8.500	02/92	421,281.06
Cottage Bell Apts CA 221D4	7.500	11/10	866,490.93
Cottage Bell Apts II CA 221D4	8.500	11/11	450,084.09
Christ Hosp GNMA 21190CL	8.000	10/83	3,790,000.00
Cortland Hosp GNMA 13089PL	8.750	10/04	1,509,067.68
Bethany Cir Kings Daughters IN	8.375	03/02	1,893,342.19
Camellia Center Hosp CA 232	6.000	11/88	323,143.34
Congregational Home Kan 231	5.250	07/04	1,517,251.33
Denver Ed Sr Citizns 231	5.250	11/03	870,303.15
Ephraim McDowell Hosp Ky	9.000	01/01	3,218,934.71
Gallantine Apts CA 207	5.250	10/02	567,328.36
Gladman Nursing Home 232	5.250	04/87	198,954.49
Longmont Christian Hsg 231	5.250	03/03	551,295.95
Mac Mining Co FmHA Loan	15.150	06/85	1,328,542.16
			103,382,744.57

TEACHERS' RETIREMENT SYSTEM**Investments****OTHER FIXED INCOME (Continued)**

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
State and Local Government Obligations:			
Ky Industrial Development Finance Authority Nt	4.500	07/85	58,333.25
Ky Industrial Development Finance Authority Nt	5.000	07/86	23,333.41
Ky Industrial Development Finance Authority Nt	5.000	01/87	186,666.74
Ky Industrial Development Finance Authority Nt	5.500	01/87	53,333.48
Ky Industrial Development Finance Authority Nt	5.500	07/87	30,000.07
			<u>351,666.95</u>
Total Other Fixed Income Investments			<u>126,790,205.15</u>
TOTAL FIXED INCOME INVESTMENTS			<u>1,221,828,088.27</u>

REAL ESTATE EQUITY

<u>Security</u>	<u>Par Value or Remaining Principal Balance</u>
Triple Net Lease:	
K Mart Store Winchester Ky	2,711,917.53
Kroger Richmond Ky L-308	2,305,000.00
Kroger Super-X Bowling Green Ky	2,792,467.00
Kroger Super-X Owensboro Ky	2,232,400.00
Wal-Mart Store Paducah Ky	2,800,000.00
Wal-Mart Store Paris Ky	1,200,000.00
Wal-Mart Store Shelbyville Ky	1,600,000.00
	<u>15,641,784.53</u>
Total Real Estate Equity	<u>15,641,784.53</u>

COMMON STOCKS

	No. of Shares	Cost	Market Value
Aluminum Co of America	50,000.0000	1,628,500.00	1,850,000
American Airlines Inc	50,000.0000	599,625.00	1,881,250
American Express Co	68,839.4100	2,420,230.56	4,922,018
American Home Products	71,300.0000	2,429,155.54	3,342,188
American International Group	18,750.0000	624,750.00	1,279,688
American Tel Tel Co	74,899.4570	4,050,134.49	4,756,116
Atlantic Richfield Co	150,000.0000	6,725,650.00	7,350,000
B F Goodrich Co	40,000.0000	1,637,350.00	1,840,000
Baker International Corp	15,000.0000	592,637.50	294,375
Baltimore Gas & Electric Co	221,078.5320	5,268,236.19	6,273,103
Baxter Travenol Labs Inc	20,000.0000	691,800.00	1,200,000
Bristol-Myers Co	50,000.0000	1,183,281.87	2,043,750
Capital Holding Corp	150,000.0000	3,531,336.98	5,231,250
Caterpillar Tractor Co	56,000.0000	2,724,012.50	2,646,000
Centex Corp	9,900.0000	276,212.08	287,100
Central & South West Corp	132,000.0000	1,885,852.82	2,392,500
Citicorp	30,000.0000	1,126,887.50	1,185,000
Color Tile Inc	40,000.0000	952,500.00	685,000
Commonwealth Edison Co	50,000.0000	1,017,850.00	1,262,500
Consolidated Edison Co NY	200,000.0000	3,511,793.42	4,450,000
Consolidated Freightways Inc	25,000.0000	1,280,875.00	1,271,875
Cox Communications Inc	25,000.0000	1,085,062.50	1,303,125
Dart & Kraft Inc	40,000.0000	1,867,987.50	2,630,000
Dataproducts Corp	60,000.0000	961,800.00	1,740,000
Dayton-Hudson Corp	30,000.0000	2,403,000.00	2,242,500
Denny's Inc	30,000.0000	874,862.50	1,020,000
Disney Walt Productions	15,000.0000	815,250.00	1,016,250
Donnelley R R & Sons Co	25,000.0000	962,587.50	2,150,000
Dun & Bradstreet Corp	30,000.0000	1,015,875.00	1,875,000
E-Systems Inc	40,000.0000	491,750.00	1,640,000
Eastman Kodak	20,000.0000	1,542,487.50	1,452,500
Exxon Corp	120,000.0000	2,353,648.37	4,050,000
Florida Power Light Co	110,215.5250	4,056,138.42	3,940,205
Florida Progress Corp	60,000.0000	955,125.00	1,102,500
General Electric Co	100,000.0000	3,505,721.53	5,500,000
General Motors Corp	139,000.0000	9,642,953.98	10,112,250
Georgia-Pacific Corp	50,000.0000	1,297,275.00	1,312,500
Halliburton Co	82,000.0000	4,641,650.00	3,341,500
Houston Industries Inc	50,000.0000	1,006,412.50	1,043,750
International Business Machines	100,000.0000	6,756,792.75	12,025,000
K Mart Corp	270,000.0000	7,463,262.50	9,416,250
Kaiser Cement Corp	70,000.0000	1,901,250.00	1,697,500
Knight-Ridder Newspaper Inc	20,000.0000	610,800.00	1,197,500
Kroger Co	140,000.0000	5,224,150.00	5,827,500
Louisville Gas & Electric Co	277,392.3600	6,609,852.22	5,929,262
Lucky Stores Inc	160,000.0000	2,557,212.50	3,620,000
Manufacturers Hanover Corp	20,000.0000	636,487.50	880,000
May Department Stores Co	40,000.0000	2,491,375.00	2,410,000
Maytag Co	50,000.0000	2,791,625.00	2,512,500
McDonalds Corp	40,800.0000	1,503,754.72	2,672,400
MCI Communications Corp	20,000.0000	193,150.00	990,000
Melville Corp	40,000.0000	726,699.92	1,840,000

COMMON STOCKS (Continued)

	No. of Shares	Cost	Market Value
National Medical Enterprises Inc	125,000.0000	3,490,112.50	3,796,875
NCR Corp	15,000.0000	1,046,875.00	1,762,500
Northwest Airlines Inc	35,000.0000	1,098,200.00	1,793,750
Paradyne Corp	37,500.0000	976,445.00	890,625
Pepsico Inc	115,000.0000	3,694,800.00	4,096,875
Pfizer Inc	40,000.0000	828,041.18	1,752,520
Phibro-Salomon Inc	40,000.0000	1,196,575.00	3,035,000
Philip Morris Inc	150,000.0000	8,253,525.00	8,793,750
Phillips Petroleum Co	20,000.0000	817,475.00	705,000
Prime Computer Inc.	40,000.0000	1,126,400.00	955,000
Shell Oil Co	150,000.0000	6,149,485.93	7,331,250
Signal Companies Inc	60,000.0000	1,493,475.00	2,317,500
SmithKline Beckman Corp	100,000.0000	6,993,950.00	7,325,000
Standard Oil Co Indiana	15,000.0000	814,555.00	772,500
Sterling Drug Inc	40,000.0000	970,425.00	1,060,000
Sundstrand Corp	20,000.0000	569,325.00	1,000,000
Tandy Corp	30,000.0000	837,962.50	1,522,500
Texas Instruments Inc	10,000.0000	1,318,687.50	1,191,250
United Technologies Corp	50,000.0000	2,175,537.50	3,668,750
USAir Group Inc	40,000.0000	929,937.50	1,530,000
Wang Labs Inc B	14,000.0000	354,925.00	553,000
Waste Management Inc	30,000.0000	1,022,355.00	1,616,250
Total Common Stocks	4,973,675.2840	169,263,740.47	212,203,600

**STATE APPROPRIATIONS
AND SICK LEAVE PAYMENTS**

1900-1901
1902-1903

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

<u>Expense Item</u>	<u>1982-83 State Revised Budget Appropriation</u>	<u>1982-83 State Actual Budgetary Requirements</u>
Local School Districts	\$ 80,927,215.00	\$ 76,893,309.52
Department of Education & Other	6,261,692.00	7,597,501.70
Higher Education	8,413,029.00	7,905,081.63
Basic Program—State Expense*	95,601,936.00	92,395,892.85
Higher Education Contribution Reduction	1,711,364.00	1,578,879.15
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	125,000.00	125,000.00
Sick Leave (KRS 161.550)	—0—	1,409,798.00
TOTALS	\$103,888,300.00	\$101,959,570.00
State Over Appropriation for 1982-83:	<u>\$ 1,928,730.00</u>	

Kentucky Revised Statute 116.550 requires the Teachers' Retirement System to return any State surplus to the State General Fund. The 1,928,730.00 over appropriation has been subtracted from the 1983-84 budget appropriation to the Teachers' Retirement System. As of June 30, 1983, 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 1982-83 was that the total member salaries were estimated at \$902,738,638.00 and the actual total was \$868,339,190.00. Total teacher salaries were \$34,400,000.00 less than estimated in the revised budget for 1982-83.*

**SUMMARY OF STATE APPROPRIATIONS FOR MATCH AND OVERMATCH
OF MEMBER CONTRIBUTIONS TO
TEACHERS' RETIREMENT SYSTEM 1940-1983**

Date	Total Member Contributions	Federal Payments	Required State Match Contribution	Required State Overmatch	State Appropriation	Deficit/Surplus State Funding	Running Total Deficit/Surplus State Funding
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
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	— 0 —
1982-83	68,077,792.47	3,902,923.29	64,174,869.18	28,221,023.67	95,601,936.00	3,206,043.15	— 0 —

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.

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

The State overappropriation for 1982-83 has been returned to the State General Fund as required under KRS 161.550 after adjustment for \$1,409,798.00 sick leave payment also covered under KRS 161.550.

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

$\$658.47 \times 32.1 \text{ years} \times .02\% =$	\$421.45 year
$\$421.45 \div 12 \text{ months} =$	35.12 month

ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY

$\$35.12 \times 150.0125^* \times 320 \text{ members} =$	\$ 1,685,900.00
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FUNDING OF ADDITIONAL PAYOUT

Member Contributions	7.84% \times \$1,053,554	\$ 82,598.63
State Contributions	11.09% \times \$1,053,554	116,839.14
Total Member - State Contributions		\$199,437.77

UNFUNDED DEBT TO KTRS

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

*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

$\$506.08 \times 30.16 \text{ years} \times .02\% =$	\$305.27 year
$\$305.27 \div 12 \text{ months} =$	25.44 month

ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY

$\$25.44 \times 145.2214^* \times 93 \text{ male retirees} =$	\$ 343,582.21
$\$25.44 \times 156.5625^* \times 285 \text{ female retirees} =$	\$ <u>1,135,140.75</u>
Total Anticipated Payout	\$ 1,478,722.96

FUNDING OF ADDITIONAL PAYOUT

Member Contributions	7.84% \times \$956,487.61	\$ 74,988.63
State Contributions	11.09% \times \$956,487.61	<u>106,074.48</u>
Total Member - State Contributions		\$181,063.11

UNFUNDED DEBT TO KTRS

Anticipated additional payout	\$1,478,722.96
Less total Member & State Contributions	<u>181,063.11</u>
Total Unfunded Debt	\$1,297,659.85

*Actuary factors for 60-year old members by sex

**SUMMARY OF JULY 1, 1983
RETIREE SICK LEAVE PAYMENTS**

Total members retiring	569
Total members receiving sick leave payments	377
Total amount of sick leave payments	\$ 1,027,717.29
Average payment per retiree	\$ 2,726.04
Total increase in final average salary base	\$ 205,543.48
Average increase in FAS	\$ 545.21
Total service credit of 377 retirees	11,539 years
Average service credit per 377 retirees	30.52 years

ADDITIONAL AVERAGE MONTHLY ANNUITY PAYMENT PER RETIREMENT FORMULA

$\$545.21 \times 30.52 \text{ years} \times .02\% =$	\$332.80 year
$\$332.80 \div 12 \text{ months} =$	27.73 month

ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY

$\$27.73 \times 145.2214^* \times 103 \text{ male retirees} =$	\$ 414,779.91
$\$27.73 \times 156.5625^* \times 274 \text{ female retirees} =$	\$ <u>1,189,565.01</u>
Total Anticipated Payout	\$ 1,604,344.92

FUNDING OF ADDITIONAL PAYOUT

Member Contributions	7.84% \times \$1,027,717.29	\$ 80,573.04
State Contributions	11.09% \times \$1,027,717.29	<u>113,973.85</u>
Total Member - State Contributions		\$194,546.89

UNFUNDED DEBT TO KTRS

Anticipated additional payout	\$1,604,344.92
Less total Member & State Contributions	<u>194,546.89</u>
Total Unfunded Debt	\$1,409,798.03 (1)

*Actuary factors for 60-year old members by sex

(1) This amount has been paid from surplus 1982-83 state funds as required in KRS 161.550, thus eliminating the 1982-83 unfunded debt for sick leave payments.

**SCHOOL DISTRICTS THAT HAVE ELECTED TO PAY FOR SICK LEAVE
UNDER KRS 161.155(5) FISCAL YEAR 1981**

<u>SCHOOL DISTRICTS</u>	<u>MEMBER PAYMENTS</u>	<u>TOTAL PAYMENTS</u>
Boone	6	\$ 16,672.00
Bourbon	2	5,294.00
Calloway	1	3,234.00
Campbell	4	7,623.00
Carter	1	4,254.00
Davless	6	17,188.00
Eillott	3	5,982.00
Estill	5	10,513.00
Fayette	26	73,308.00
Greenup	2	5,031.00
Hardin	3	5,639.00
Hickman	2	3,201.00
Hopkins	4	11,612.00
Jackson	3	6,416.00
Jefferson	182	748,755.00
Johnson	2	5,246.00
Kenton	6	13,370.00
Leslie	3	6,349.00
Lincoln	3	4,484.00
Magoffin	3	4,950.00
Marshall	5	6,132.00
Ohio	2	4,880.00
Powell	6	10,176.00
Pulaski	5	8,982.00
Rockcastle	3	1,911.00
Russell	5	4,207.00
Shelby	2	2,693.00
Trigg	5	12,566.00
Bowling Green	5	12,258.00
Middlesboro	1	2,304.00
Owensboro	4	6,491.00
Providence	1	689.00
Russell	5	13,232.00
Somerset	4	9,897.00
 TOTALS	 320	 \$1,053,554.00

**SCHOOL DISTRICTS THAT HAVE ELECTED TO PAY FOR SICK LEAVE
UNDER KRS 161.155(5) FISCAL YEAR 1982**

<u>SCHOOL DISTRICTS</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	33,497.19
Bourbon	5	14,071.56
Boyd	7	14,784.56
Bullitt	2	5,572.45
Calloway	2	8,018.36
Campbell	3	8,961.48
Carter	3	6,917.09
Casey	3	4,745.92
Daviess	1	2,195.92
Edmonson	4	12,617.60
Estill	1	314.80
Fayette	24	81,691.20
Franklin	3	6,621.69
Fulton	1	325.51
Garrard	3	5,906.38
Greenup	3	5,521.94
Hardin	6	20,720.02
Hart	5	13,572.71
Henderson	11	47,077.81
Hickman	1	804.72
Hopkins	3	6,984.57
Jackson	3	5,763.78
Jefferson	91	226,275.60
Jessamine	3	6,199.75
Johnson	2	6,259.43
Kenton	9	14,427.91
Knott	7	8,055.98
Larue	2	5,116.97
Laurel	11	31,108.18
Leslie	6	8,874.75
Letcher	9	17,863.01
Lincoln	3	9,288.90
Lyon	1	942.09
Magoffin	3	4,573.47
Marion	3	7,435.46
Marshall	2	1,221.94
Mason	5	10,969.28
Metcalf	2	7,305.10
Morgan	3	6,404.98
Muhlenburg	2	4,496.43
Nelson	3	13,632.14
Ohio	4	11,868.50
Oldham	2	5,181.50
Perry	1	867.73
Pike	16	40,024.99
Pulaski	7	18,819.38

TEACHERS' RETIREMENT SYSTEM**State Appropriations and Sick Leave****SCHOOL DISTRICTS THAT HAVE ELECTED TO PAY FOR SICK LEAVE
UNDER KRS 161.155(5) FISCAL YEAR 1982**

<u>SCHOOL DISTRICTS</u>	<u>MEMBER PAYMENTS</u>	<u>TOTAL PAYMENTS</u>
Robertson	2	3,591.97
Rockcastle	4	2,783.93
Russell	5	2,569.64
Spencer	1	983.29
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	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	1,097.58
Newport	1	1,713.01
Owensboro	7	18,835.34
Paintsville	1	1,133.16
Pikeville	2	3,289.29
Russell	1	5,396.56
Somerset	5	10,750.01
TOTALS	378	\$ 956,487.61

**SCHOOL DISTRICTS THAT HAVE ELECTED TO PAY FOR SICK LEAVE
UNDER KRS 161.155(5) FISCAL YEAR 1983**

<u>SCHOOL DISTRICTS</u>	<u>MEMBER PAYMENTS</u>	<u>TOTAL PAYMENTS</u>
Adair	3	\$ 3,645.41
Allen	7	22,479.85
Anderson	1	689.92
Barren	3	7,947.19
Bell	3	2,469.01
Boone	1	4,149.11
Bourbon	1	1,923.21
Boyd	3	6,982.27
Boyle	4	11,342.61
Breckinridge	1	746.94
Bullitt	6	13,629.07
Butler	5	13,153.06
Campbell	2	8,140.17
Carlisle	1	3,268.62
Carter	4	8,484.32
Casey	3	5,202.56
Clark	2	8,652.55
Cumberland	1	2,298.09
Daviess	3	5,357.01
Edmonson	1	771.94
Elliott	1	2,978.70
Estill	1	3,507.40
Fayette	19	69,091.97
Fleming	4	19,042.85
Franklin	1	2,510.59
Greenup	4	17,337.75
Hancock	4	13,312.88
Hardin	1	2,633.67
Hart	1	4,595.79
Henderson	3	11,113.91
Henry	1	650.00
Hopkins	3	5,669.77
Jackson	2	2,011.74
Jefferson	97	291,498.79
Jessamine	4	16,951.78
Johnson	3	10,914.03
Kenton	5	13,969.64
Knott	5	14,969.90
Larue	1	3,948.98
Laurel	9	20,179.08
Leslie	3	3,499.48
Letcher	3	1,781.13
Lincoln	2	5,172.45
Logan	1	6,373.98
Magoffin	1	1,752.93
Marion	2	4,235.08
Marshall	3	6,020.92
Mason	4	9,906.38
McCracken	4	9,541.70
Meade	2	8,549.11

**SCHOOL DISTRICTS THAT HAVE ELECTED TO PAY FOR SICK LEAVE
UNDER KRS 161.155(5) FISCAL YEAR 1983**

<u>SCHOOL DISTRICTS</u>	<u>MEMBER PAYMENTS</u>	<u>TOTAL PAYMENTS</u>
Metcalfe	1	2,988.01
Monroe	4	10,010.20
Montgomery	2	6,331.50
Morgan	2	6,539.54
Nelson	3	5,395.16
Nicholas	1	1,513.78
Ohio	1	1,837.24
Oldham	3	6,887.12
Owen	2	9,329.98
Perry	8	16,845.02
Pike	16	43,364.04
Powell	1	2,391.33
Pulaski	5	12,946.43
Rockcastle	3	1,972.96
Russell	5	4,635.85
Shelby	1	1,709.95
Simpson	1	2,501.02
Trigg	1	3,610.33
Union	2	6,225.38
Washington	2	4,767.34
Webster	1	3,835.59
Woodford	3	10,264.16
Ashland	8	17,456.38
Bowling Green	5	9,929.45
Campbellsville	1	2,808.04
Central City	2	6,144.90
Covington	4	7,844.90
Danville	2	7,158.16
East Bernstadt	1	5,154.97
Elizabethtown	1	2,422.58
Fairview	3	6,290.31
Frankfort	1	2,895.28
Glasgow	4	8,153.83
Harrodsburg	3	5,316.71
Hazard	1	504.21
Jenkins	1	3,352.93
Ludlow	1	3,867.86
Mayfield	2	4,200.51
Maysville	3	11,269.64
Middlesboro	3	6,539.80
Owensboro	3	9,110.45
Paintsville	2	5,047.32
Paris	1	729.21
Raceland	1	1,578.83
Russell	2	3,498.47
Somerset	5	15,485.33
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TOTALS	377	\$1,027,717.29

SECTION II

AUDITORS REPORT



**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY**

**REPORT OF EXAMINATION
JUNE 30, 1983**

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October 4, 1983

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, 1983 and 1982 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, 1983 and 1982, 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, 1983 AND JUNE 30, 1982

<u>ASSETS</u>	<u>JUNE 30, 1983</u>	<u>JUNE 30, 1982</u>
Cash	\$ 11,665,616	\$ 9,439,154
Investments	1,338,329,388	1,141,322,331
Accrued Investment Income	24,222,227	20,076,525
Premium Stabilization and Reserve Account Aetna Life Insurance Company	<u>55,657</u>	<u>1,312,849</u>
Total Assets	\$1,374,272,888	\$1,172,150,859
 <u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Treasurer's Unredeemed Checks	\$ 33,824	\$ 30,600
Maintenance Reserve - Rental Property	6,246	
State Over Appropriations	<u>1,928,730</u>	<u>3,094,894</u>
Total Liabilities	1,968,800	3,125,494
FUND BALANCES		
Teachers' Savings Fund	517,805,618	467,628,673
State Accumulation Fund	525,858,368	473,364,436
Allowance Reserve Fund	71,142,232	62,180,203
Guarantee Fund	244,978,070	148,574,376
Voluntary Fund	5,629,027	4,660,309
Survivor, Death and Medical Insurance	6,887,553	12,612,347
General Expense Fund	<u>3,220</u>	<u>5,021</u>
Total Fund Balances	1,372,304,088	1,169,025,365
Total Liabilities and Fund Balances	\$1,374,272,888	\$1,172,150,859

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, 1983 AND 1982**

REVENUES	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
Teachers' Contributions	\$ 66,583,836	\$ 62,392,364
State Contributions	101,959,570	90,537,615
Employers' Matching Contributions	3,933,030	3,979,847
Voluntary Contributions	1,048,936	941,767
Teachers' Reinstatement Contributions	390,816	206,892
Interest and Dividend Income	115,445,137	102,727,197
Rental Income	679,929	
Gain on Sale of Investments	45,158,855	1,083,121
Aetna Life Insurance Company:		
Interest Income	471,756	486,736
Experience Decrease	(1,728,948)	(391,174)
General Expense Fund Appropriations		462,085
Escrow Late Remittance Penalty	1,680	
Total Revenues	333,944,597	262,426,450
EXPENSES		
Benefits for Service and Disability Retirements	106,879,301	94,765,217
Comprehensive Medical Insurance Premiums	11,702,523	9,314,622
Survivor and Death Benefits	4,476,584	4,131,341
Refunds of Members' Contributions	6,162,472	8,873,768
General Expense Fund Expenditures	1,019,301	919,064
Investment Counsel and Processing Fees	366,593	340,625
Net Other Expenses	59,100	47,769
Total Expenses	130,665,874	118,392,406
 EXCESS OF REVENUES OVER EXPENSES	 203,278,723	 144,034,044
FUND BALANCES		
Beginning of Year	1,169,025,365	1,024,991,321
End of Year	\$1,372,304,088	\$1,169,025,365

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, 1983 AND 1982**

<u>SOURCE OF FUNDS</u>	<u>YEAR ENDED JUNE 30, 1983</u>	<u>YEAR ENDED JUNE 30, 1982</u>
Excess of Revenues Over Expenses	\$ 203,278,723	\$ 144,034,044
Current Year State Over Appropriations	1,928,730	
Decrease in Premium Stabilization and Reserve Accounts with Aetna Life Insurance Company	1,257,192	708,056
Increase in Maintenance Reserve - Rental Property	6,246	
Increase in Treasurer's Unredeemed Checks	3,224	
Total Source of Funds	<u>206,474,115</u>	<u>144,742,100</u>
 <u>USE OF FUNDS</u> 		
Net Increase in Investments	197,007,057	136,628,143
Increase in Accrued Investment Income	4,145,702	3,117,285
Return of Prior Year State Over Appropriations	3,094,894	
Decrease in Treasurer's Unredeemed Checks		928
Total Use of Funds	<u>204,247,653</u>	<u>139,746,356</u>
 INCREASE IN CASH	 2,226,462	 4,995,744
 <u>CASH BALANCE</u> 		
Beginning of Year	<u>9,439,154</u>	<u>4,443,410</u>
End of Year	\$ 11,665,616	\$ 9,439,154

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, 1983 AND 1982**

REVENUES	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
Teachers' Contributions	\$ 61,348,503	\$ 57,442,796
Teachers' Reinstatement Contributions	308,346	133,225
Transfers from Guarantee Fund:		
Interest on Fund Balance	13,340,282	11,966,095
Other Revenues	21,865	
Total Revenues	<u>75,081,996</u>	<u>69,542,116</u>
 EXPENSES		
Refunds of Members' Contributions	5,744,626	7,451,926
Transfers to Allowance Reserve Fund:		
Retirements	18,756,835	17,698,283
Transfers to Survivor, Death and Medical Insurance Fund:		
Survivor Benefits	340,590	425,397
Other Expenses	9,761	9,761
Total Expenses	<u>24,842,051</u>	<u>25,585,367</u>
 EXCESS OF REVENUES OVER EXPENSES	 50,176,945	 43,956,749
 FUND BALANCE		
Beginning of Year	<u>467,628,673</u>	<u>423,671,924</u>
End of Year	\$ 517,805,618	\$ 467,628,673

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, 1983 AND 1982**

REVENUES	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
State Contributions - Permanent	\$ 59,058,912	\$ 49,516,587
State Contributions - Prior Service	640,000	
State Contributions - Benefit Improvements	34,156,024	33,318,801
State Contributions - University Salaries	1,578,878	3,140,800
Employers' Matching Contributions	3,620,547	3,662,577
Teachers' Reinstatement Contributions	82,470	73,667
Expense Fund Balance - Prior Year		29,055
Transfers from Guarantee Fund:		
Interest on Fund Balance	13,484,537	12,038,319
Reinstatements	281,472	124,790
Return of Prior Years State University Matching Contributions	781,364	
Return of Prior Years State Overmatching Contributions		4,616,358
Other Revenues		1,654
Total Revenues	113,684,204	106,522,608
 EXPENSES		
Transfers to Expense Fund	1,017,500	462,000
Transfers to Allowance Reserve Fund:		
Retirements	18,895,427	17,734,774
Transfers to Guarantee Fund:		
Refunds	5,878,771	7,484,578
State Overmatching Contributions	238,035	
Benefit Improvements	34,796,024	33,318,801
Transfers to Survivor, Death and Medical Insurance Fund:		
Survivor Benefits	346,711	433,907
Other Expenses	17,804	
Total Expenses	61,190,272	59,434,060
 EXCESS OF REVENUES OVER EXPENSES	 52,493,932	 47,088,548
 FUND BALANCE		
Beginning of Year	473,364,436	426,275,888
End of Year	\$ 525,858,368	\$ 473,364,436

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, 1983 AND 1982**

REVENUES	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
State Contributions - Sick Leave	\$ 1,409,798	\$
Transfers from Teachers' Savings Fund:		
Retirements	18,756,835	17,698,283
Transfers from State Accumulation Fund:		
Retirements	18,895,427	17,734,774
Transfers from Guarantee Fund:		
Interest on Fund Balance	1,660,424	1,639,548
State Deficiency in Service Obligation for Members Retired	75,078,543	67,018,898
Total Revenues	115,801,027	104,091,503
 EXPENSES		
Benefits for Service and Disability Retirements	106,769,773	94,656,804
Other Expenses	69,225	32,824
Total Expenses	106,838,998	94,689,628
 EXCESS OF REVENUES OVER EXPENSES	 8,962,029	 9,401,875
 FUND BALANCE		
Beginning of Year	62,180,203	52,778,328
End of Year	\$ 71,142,232	\$ 62,180,203

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, 1983 AND 1982**

REVENUES	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
Interest and Dividends Earned on Investments	\$ 115,445,137	\$ 102,727,197
Rental Income	679,929	
Gain on Sale of Investments	45,158,855	1,083,121
Escrow Late Remittance Penalty	1,680	
Transfers from State Accumulation Fund:		
Refunds	5,878,771	7,484,578
Benefit Improvements	34,796,024	33,318,801
Unmatched State Contributions	238,035	
Transfer from Survivor, Death and Medical Insurance Fund:		
Unmatched State Contributions	45,731	
Total Revenues	202,244,162	144,613,697
 EXPENSES		
Investment Counsel and Processing Fees	366,593	340,625
Transfers to Teachers' Savings Fund:		
Interest on Fund Balance	13,340,282	11,966,095
Transfers to State Accumulation Fund:		
Interest on Fund Balance	13,484,537	12,038,319
Reinstatements	281,472	124,790
Return of Prior Years State Overmatch Contributions		4,616,358
Return of Prior Years State University Matching Contributions	781,364	
Transfers to Allowance Reserve Fund:		
Interest on Fund Balance	1,660,424	1,639,548
State Deficiency in Service Obligation for Members Retired	75,078,543	67,018,898
Transfers to Voluntary Contribution Fund:		
Interest on Voluntary Accounts	428,644	306,413
To fund Deficiency from Increased Benefits Continued		
After Voluntary Contributions Expire	19,232	14,278
Transfers to Survivor, Death and Medical Insurance Fund:		
Return of Prior Years State Overmatching Contributions		399,890
Handicapped Child Benefit	125,000	
Interest on Fund Balance	251,506	315,441
Other Expenses	22,871	2,890
Total Expenses	105,840,468	98,783,545
 EXCESS OF REVENUES OVER EXPENSES	 96,403,694	 45,830,152
 FUND BALANCES		
Beginning of Year	148,574,376	102,744,224
End of Year	\$ 244,978,070	\$ 148,574,376

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, 1983 AND 1982**

REVENUES	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
Voluntary Contributions	\$ 1,048,936	\$ 941,767
Transfers from Guarantee Fund:		
Interest on Voluntary Accounts	428,644	306,413
To Fund Deficiency from Increased Benefits Continued After Voluntary Contributions Expire	19,232	14,278
Total Revenues	1,496,812	1,262,458
 EXPENSES		
Reufnds of Members' Contributions	417,846	1,421,842
Benefits Increased by Voluntary Contributions	90,296	94,135
Increased Benefits Continued After Voluntary Contributions Expire	19,232	14,278
Other Expenses	720	1,918
Total Expenses	528,094	1,532,173
 EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	 968,718	 (269,715)
 FUND BALANCE		
Beginning of Year	4,660,309	4,930,024
End of Year	\$ 5,629,027	\$ 4,660,309

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, 1983 AND 1982**

REVENUES	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
Teachers' Contributions	\$ 5,235,333	\$ 4,949,568
State Contributions	5,115,958	4,561,427
Employers' Matching Contributions	312,483	317,270
Aetna Life Insurance Company:		
Interest Income	471,756	486,736
Experience Increase (Decrease)	(1,728,948)	(391,174)
Transfers from Teachers' Savings Fund:		
Survivor Benefits	340,590	425,397
Transfer from State Accumulation Fund:		
Survivor Benefits	346,711	433,907
Transfers from Guarantee Fund:		
Return of Prior Years State Overmatching Contributions		399,890
Handicapped Child Benefit	125,000	
Interest on Fund Balance	251,506	315,441
Other Revenues	29,655	
Total Revenues	10,500,044	11,498,462
 EXPENSES		
Comprehensive Medical Insurance Premiums	11,702,523	9,314,622
Survivor and Death Benefits	4,476,584	4,131,341
Transfers to Guarantee Fund:		
Unmatched State Contributions	45,731	
Other Expenses		2,030
Total Expenses	16,224,838	13,447,993
 EXCESS OF REVENUES OVER EXPENSES	 (5,724,794)	 (1,949,531)
 FUND BALANCE		
Beginning of Year	12,612,347	14,561,878
End of Year	\$ 6,887,553	\$ 12,612,347

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, 1983 AND 1982**

ALLOTMENTS	YEAR ENDED JUNE 30, 1983	YEAR ENDED JUNE 30, 1982
Transfers from State Accumulation Fund	\$ 1,017,500	\$ 462,000
Regular Legislative Appropriations		462,085
Total Allotments	1,017,500	924,085
 EXPENSES		
Personal Services:		
Salaries, Payroll Taxes and Retirement	681,669	622,163
Contracted Professional and Consulting Services	41,019	39,113
Current Operating Expenses:		
Postage, Freight, and Express	75,887	73,070
Telephone	14,036	9,006
Travel, In-State	7,622	10,729
Travel, Out-of-State	11,695	9,004
Printing	41,289	41,490
Utilities	15,395	14,669
Maintenance of Equipment	3,217	3,536
Maintenance of Building	2,310	1,093
Car Pool Rental	2,235	2,566
Office Supplies	6,516	7,128
Janitor Supplies	544	836
Rental of Computer	55,957	36,964
Rental of Equipment	4,880	3,819
Rental of Building	29,303	29,346
Employee Training Expense	872	971
Life Insurance - Employee	351	467
Insurance	5,482	2,536
Membership Fees	505	365
Subscriptions	2,927	2,887
Miscellaneous	1,779	660
Data Processing Supplies	2,452	4,122
Furniture, Fixtures, and Equipment	3,681	1,407
Capital Outlay:		
Office Equipment Purchased	7,678	1,117
Total Expenses	1,019,301	919,064
 EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	 (1,801)	 5,021
 FUND BALANCE		
Beginning of Year	5,021	
End of Year	\$ 3,220	\$ 5,021

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

KENTUCKY TEACHERS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1983

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 I 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, repurchase agreements, and real estate are stated at cost. Realized gains or losses on all investments 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, 1983 these estimated appropriations exceeded required appropriations by \$1,928,730. This amount will be deducted from 1983-84 requirements as estimated by the Kentucky Department of Education resulting in a recovery by the General Fund of the State of Kentucky of this over appropriations.

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.

KENTUCKY TEACHERS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1983

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 percent or more of their annual compensation to their accounts. These voluntary accounts earn interest at the rate of 9.6%, compounded monthly, 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 cost of administration of Teachers' Retirement System is borne by the System. The Board of Trustees sets aside an amount 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.

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.

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. 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, 1982. 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.

KENTUCKY TEACHERS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1983

The significant actuarial assumptions in determination of this accrued liability were (a) unit credit actuarial cost method with projected benefits, (b) investment return of 7.5% 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 years ended June 30, 1982 and 1980:

	<u>1982</u>	<u>1980</u>
Present value of prospective benefits payable		
In respect of:		
Present active members	\$1,498,972,000	\$1,114,093,000
Present annuitants and beneficiaries	906,883,000	788,676,000
Present inactive members	<u>34,860,000</u>	<u></u>
Accumulated plan benefits	2,440,715,000	1,902,769,000
Present assets for valuation purposes	<u>1,163,671,000</u>	<u>872,453,000</u>
Unfunded actuarial accrued liability	\$1,277,044,000	\$1,030,316,000

KENTUCKY TEACHERS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1983

NOTE 5: Investments

The investments of the Retirement System at June 30, 1983 and June 30, 1982 are as follows:

<u>BONDS AND MORTGAGES</u>	<u>JUNE 30, 1983</u>	<u>JUNE 30, 1982</u>
Short Term		
Repurchase Agreements	\$ 163,360,000	\$ 125,820,000
Certificates of Deposit	25,000,000	
Total Short Term	<u>188,360,000</u>	<u>125,820,000</u>
U.S. Government Obligations		
Treasury Notes and Bonds	252,900,000	182,020,000
Agencies	154,294,801	159,296,641
Shlp Bonds (Title XI)	93,016,456	94,216,679
GNMA (Single Family)	97,275,421	83,518,055
Other Miscellaneous	11,735,413	9,950,755
Total U.S. Government Obligations	<u>609,222,091</u>	<u>529,002,130</u>
Corporate Bonds		
Industrials	136,921,265	113,457,881
Finance	32,937,610	32,645,367
Utility Bonds (Except Telephone)	50,199,000	45,373,000
Telephone Bonds	53,440,000	50,440,000
Railroad Obligations	11,957,916	12,783,304
Total Corporate Bonds	<u>285,455,791</u>	<u>254,699,552</u>
Other Fixed Income Investments		
FHA & VA Single Family Mortgages	23,055,794	25,423,629
Project Mortgages	103,382,745	93,078,987
State and Local Government Obligations	351,667	948,334
Total Other Investments	<u>126,790,206</u>	<u>119,450,950</u>
TOTAL BONDS AND MORTGAGES	1,209,828,088	1,028,972,632
Accrued Interest Purchased	731,141	854,535
Unamortized Premiums	7,007,016	1,890,000
Unamortized Discounts	<u>(64,142,382)</u>	<u>(60,163,854)</u>
NET BONDS AND MORTGAGES	1,153,423,863	971,553,313
REAL ESTATE	15,641,785	
STOCKS	<u>169,263,740</u>	<u>169,769,018</u>
TOTAL INVESTMENTS	\$1,338,329,388	\$1,141,322,331

The market value of bonds and mortgages is \$1,080,916,049 at June 30, 1983 and \$765,183,340 at June 30, 1982. The common stocks have a market value of \$212,203,600 at June 30, 1983 and \$170,064,667 at June 30, 1982. The market value of the real estate is \$15,641,785 at June 30, 1983.

SECTION III

ACTUARIAL VALUATION



ACTUARIAL VALUATION

KRS 161.400 requires that an Actuarial Valuation be performed at least once in each two year period. The most recent Actuarial Valuation was completed as of July 1, 1982, and has been previously distributed to interested individuals and organizations. Certain excerpts from the valuation are included on the following pages to assist in evaluating the financial soundness of the Retirement System, and perhaps equally important, to focus attention on the dangers of improving benefits without increasing contributions.

Section VI of the 1982 Actuarial Valuation Report states as follows: "Although the valuation shows that the System is operating on an actuarially sound basis, there are certainly no excess assets or contributions available from which it would be possible to provide additional benefits. The valuation indicates that the member and State contributions are just sufficient to support the benefits of the System."

KRS 161.400 also requires an Actuarial Investigation at least once in each six year period. Such an investigation was completed by the Retirement System actuaries as of June 30, 1982. An Actuarial Investigation requires comprehensive analysis of past experience of the Retirement System and the subsequent development of actuarial tables projecting experience trends into the future. Such tables relate to rates of mortality, withdrawal, disability and retirement as well as interest rate and salary scale. These tables are subsequently utilized in the preparation of the Actuarial Valuation referred to above. A complete copy of the Actuarial Investigation is available in the Retirement System Office for review and examination by interested parties.

June 7, 1983

BUCK
CONSULTANTS

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

Ladies and Gentlemen:

Section 161.400 of the law governing the operation of the Teachers' Retirement System of the State of Kentucky provides that at least once in each two-year period the actuary shall make an actuarial valuation of the System. We are pleased to submit the results of the actuarial valuation prepared as of June 30, 1982.

The valuation indicates that combined member and State contributions at the rate of 18.15% of university members' salaries and of 21.11% of non-university members' salaries are just sufficient to support the benefits of the System. Additional contributions will be required for other benefits.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

GEORGE B. BUCK CONSULTING ACTUARIES, INC.

(Signed) DONALD M. OVERHOLSER

Donald M. Overholser
Consulting Actuary

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TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
REPORT OF ACTUARY ON THE VALUATION
PREPARED AS OF JUNE 30, 1982

SECTION I - SUMMARY OF PRINCIPAL RESULTS

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

<u>Valuation Date</u>	:	June 30, 1982	:	June 30, 1980
Number of active members	:	42,798	:	43,938
Annual salaries	:	\$ 803,608	:	\$ 690,853
Number of annuitants and beneficiaries	:	15,622	:	14,701
Annual allowances	:	\$ 97,560	:	\$ 85,471
Assets for valuation purposes	:	\$ 1,163,671	:	\$ 872,453
Unfunded actuarial accrued liability	:	\$ 1,277,044	:	\$1,030,316
Statutory Contribution Rates:	:	<u>University</u>	:	<u>Non-University*</u>
Member	:	7.45%	:	8.93%
State matching	:	7.45	:	8.93
State overmatch	:	3.25	:	3.25
Total	:	18.15%	:	21.11%
Actuarially determined contribution rates:	:		:	
Normal	:	12.18%	:	14.55%
Accrued liability (balancing item)	:	5.97	:	6.56
Total	:	18.15%	:	21.11%
Accrued liability funding period	:	35 years	:	32 years

*Rates effective as of January 1, 1984.

2. The valuation indicates that combined member and State contributions at the current rate of 18.15% of salaries for university members and at 21.11% for non-university members are just sufficient to support the benefits of the System. Comments on the valuation results as of June 30, 1982 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
3. The valuation reflects a number of changes in actuarial assumptions since the previous valuation. The interest rate assumption was increased from 6-1/2% to 7-1/2% and the inflation component of the salary scale increase assumption was increased by 1%. The rates of service retirements were assumed to be heavier at younger ages than previously, and the assumptions for mortality both before and after retirement were changed to reflect the increased longevity of teachers. Schedule C of this report outlines the full set of actuarial assumptions and methods employed in the current valuation.
4. The valuation takes into account the effect of amendments to the System enacted through the 1982 Session of the Legislature and effective on the valuation date. The benefit and contribution increases effective January 1, 1984 for non-university members have been reflected, as well as the annual 1% increases for retired members and beneficiaries. The ad hoc increases scheduled for July 1, 1982 and July 1, 1983 have not been included in the valuation. It is expected that they will be funded separately. Provisions of the System which were taken into account in the current valuation are summarized in Schedule D.

SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuations were furnished by the Retirement System office. The following table shows the number of active members and their annual salaries as of June 30, 1982 on the basis of which the valuation was prepared.

GROUP	:	NUMBER	:	ANNUAL SALARIES (\$1,000's)
Men	:	14,273	:	\$ 308,805
Women	:	28,525	:	494,803
Total	:	42,798	:	\$ 803,608

The table reflects the active membership for whom complete valuation data was submitted. The results of the valuation were adjusted to take account of an additional 4,161 inactive members and members for whom incomplete data was submitted.

2. The following table shows the number and annual retirement allowances payable to annuitants and beneficiaries on the roll of the Retirement System as of the valuation date. The allowance amounts do not include any post-retirement supplements granted after June 30, 1982.

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF
ANNUITANTS AND BENEFICIARIES ON THE ROLL
AS OF JUNE 30, 1982

GROUP	NUMBER	ANNUAL RETIREMENT ALLOWANCES (\$1,000's)
Service Retirements	13,525	\$ 87,943
Disability Retirements	832	4,967
Beneficiaries of Deceased Members	826	3,419
Total	15,183	\$ 96,329

In addition, there are 439 beneficiaries entitled to term-certain only annuities totalling \$1,231,541 annually.

3. Tables 1 and 2 of Schedule E give the distribution by age and by years of service of the number and annual salaries of active members included in the valuation, while Tables 3, 4 and 5 give the number and annual retirement allowances of annuitants and beneficiaries included in the valuation, distributed by age.

SECTION III - ASSETS

1. The retirement law provides for the maintenance of six funds for the purpose of recording the financial transactions of the system, namely, the Teachers' Savings Fund, the State Accumulation Fund, the Allowance Reserve Fund, the Guarantee Fund, the Survivor, Death and Medical Insurance Fund and the Expense Fund.

(a) Teachers' Savings Fund

The Teachers' Savings Fund is the fund to which are credited all contributions made by members together with regular interest thereon. When a member retires by reason of service or disability, the amount of the member's accumulated contributions are transferred from the Teachers' Savings Fund to the Allowance Reserve Fund. If a survivor's benefit becomes payable, the member's accumulated contributions are transferred from the Teachers' Savings Fund to the Survivor, Death and Medical Insurance Fund. Refunds of accumulated member contributions upon withdrawal or death are also made from this Fund. The assets credited to the Teachers' Savings Fund on June 30, 1982 amounted to \$467,628,673.

(b) State Accumulation Fund

The State Accumulation Fund consists of funds appropriated by the State for the purpose of providing annuities. When a member retires by reason of service or disability, the amount, which together with the amount transferred from the Teachers' Savings Fund will provide the member's annuity, is transferred from the State Accumulation Fund to the Allowance Reserve Fund. Transfers are also made from this Fund to the Survivor, Death and Medical Insurance Fund when the death of a member results in an obligation on that Fund. The assets credited to the State Accumulation Fund on June 30, 1982 amounted to \$473,364,436.

(c) Allowance Reserve Fund

The Allowance Reserve Fund is the Fund from which all retirement allowances are paid. When a member retires, his accumulated contributions are transferred from the Teachers' Savings Fund to the Allowance Reserve Fund. The balance of the amount necessary to provide the allowance is transferred from the State Accumulation Fund to the Allowance Reserve Fund. Transfers are also made from this Fund to the Survivor, Death and Medical Insurance Fund when the death of a member results in an obligation on that Fund. The assets credited to the Allowance Reserve Fund as of June 30, 1982 amounted to \$62,180,203.

(d) Guarantee Fund

The Guarantee Fund is the Fund to which all investment earnings are credited and from which interest is paid to the other Funds as allowed by the Board of Trustees. The Guarantee Fund also serves to meet special requirements of the other Funds. On June 30, 1982 the assets credited to this Fund amounted to \$151,669,270.

(e) Survivor, Death and Medical Insurance Fund

Death and medical benefits are payable from this Fund, which is supported by the joint contributions of members and the State. Amounts held for a member in the Teachers' Savings Fund, State Accumulation Fund and Allowance Reserve Fund are transferred to the Survivor, Death and Medical Insurance Fund when the death of a member results in an obligation on the Fund. The assets credited to this Fund as of June 30, 1982 amounted to \$12,612,347. On the basis of past experience, it is assumed that 70 per cent of this amount, or \$8,828,643, is on account of survivor and death benefits and applicable for valuation purposes.

(f) Expense Fund; Voluntary Member Contributions

Assets credited to the Expense Fund amounted to \$8,021 and voluntary member contributions amounted to \$4,660,309 as of June 30, 1982. These amounts are not included in the assets used for valuation purposes.

2. As of June 30, 1982 the total assets held by the System amounted to \$1,172,123,259. Of this amount, \$1,163,671,225 was used for valuation purposes, as shown in the following table.

ASSETS AS OF JUNE 30, 1982

FUND	ASSETS FOR VALUATION PURPOSES	OTHER ASSETS	TOTAL ASSETS
Teachers' Savings	\$ 467,628,673		\$ 467,628,673
State Accumulation	473,364,436		473,364,436
Allowance Reserve	62,180,203		62,180,203
Guarantee	151,669,270		151,669,270
Survivor, Death and Medical Insurance	8,828,643	\$ 3,783,704	12,612,347
Expense		8,021	8,021
Voluntary Member Contributions		4,660,309	4,660,309
Total	\$1,163,671,225	\$ 8,452,034	\$1,172,123,259

3. Schedule B shows the receipts and disbursements of the System for the year preceding the valuation date and a reconciliation of the asset balances.

SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report outlines the results of the actuarial valuation (amounts are \$1,000's). The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method which are described in Schedule C.
2. The valuation shows that the System has an actuarial accrued liability of \$1,498,972 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to annuitants and beneficiaries amounts to \$906,883, and the liability for benefits expected to be paid to inactive members and to members entitled to deferred vested benefits is \$34,860. The total actuarial accrued liability of the System amounts to \$2,440,715. Against these liabilities, the System has present assets for valuation purposes of \$1,163,671. When this amount is deducted from the actuarial accrued liability of \$2,440,715, there remains \$1,277,044 as the unfunded actuarial accrued liability.
3. The normal contribution rate is equal to the actuarial present value of benefits accruing during the current year divided by the annual active members' payroll. The normal contribution rate is determined to be 12.18% of payroll for university members and 14.55% for non-university members.

SECTION V - CONTRIBUTIONS PAYABLE UNDER THE SYSTEM

1. Section 161.540 of the retirement law provides that each member will contribute 7.84% of his annual salary to the System. Effective January 1, 1984, each non-university member will contribute 9.32% of salary. Of this amount, 0.39% is paid to the Survivor, Death and Medical Insurance Fund for medical benefits leaving 7.45% for university members and 8.93% for non-university members applicable for the retirement and death benefits taken into account in the valuation.
2. Section 161.550 provides that the State will match the member contributions and contribute an overmatch of 3.25% of members' salaries.
3. The total net statutory contribution rate is 18.15% of active university members' salaries and 21.11% for active non-university members.

NET STATUTORY CONTRIBUTION RATES

SOURCE	RATES	
	UNIVERSITY	NON-UNIVERSITY
Member	7.45%	8.93%
State matching	7.45	8.93
State overmatch	3.25	3.25
Total	18.15%	21.11%

4. The valuation indicates that normal contributions at the rate of 12.18% of active university members' salaries are required to meet the cost of benefits currently accruing. The rate for non-university members is 14.55%. The difference between the total contribution rate and the normal rate remains to be applied toward the liquidation of the unfunded actuarial accrued liability. This accrued liability rate is 5.97% for university members and 6.56% for non-university members. These rates are shown in the following table.

3. Schedule B shows the receipts and disbursements of the System for the year preceding the valuation date and a reconciliation of the asset balances.

SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report outlines the results of the actuarial valuation (amounts are \$1,000's). The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method which are described in Schedule C.
2. The valuation shows that the System has an actuarial accrued liability of \$1,498,972 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to annuitants and beneficiaries amounts to \$906,883, and the liability for benefits expected to be paid to inactive members and to members entitled to deferred vested benefits is \$34,860. The total actuarial accrued liability of the System amounts to \$2,440,715. Against these liabilities, the System has present assets for valuation purposes of \$1,163,671. When this amount is deducted from the actuarial accrued liability of \$2,440,715, there remains \$1,277,044 as the unfunded actuarial accrued liability.
3. The normal contribution rate is equal to the actuarial present value of benefits accruing during the current year divided by the annual active members' payroll. The normal contribution rate is determined to be 12.18% of payroll for university members and 14.55% for non-university members.

SECTION V - CONTRIBUTIONS PAYABLE UNDER THE SYSTEM

1. Section 161.540 of the retirement law provides that each member will contribute 7.84% of his annual salary to the System. Effective January 1, 1984, each non-university member will contribute 9.32% of salary. Of this amount, 0.39% is paid to the Survivor, Death and Medical Insurance Fund for medical benefits leaving 7.45% for university members and 8.93% for non-university members applicable for the retirement and death benefits taken into account in the valuation.
2. Section 161.550 provides that the State will match the member contributions and contribute an overmatch of 3.25% of members' salaries.
3. The total net statutory contribution rate is 18.15% of active university members' salaries and 21.11% for active non-university members.

NET STATUTORY CONTRIBUTION RATES

SOURCE	RATES	
	UNIVERSITY	NON-UNIVERSITY
Member	7.45%	8.93%
State matching	7.45	8.93
State overmatch	3.25	3.25
Total	18.15%	21.11%

4. The valuation indicates that normal contributions at the rate of 12.18% of active university members' salaries are required to meet the cost of benefits currently accruing. The rate for non-university members is 14.55%. The difference between the total contribution rate and the normal rate remains to be applied toward the liquidation of the unfunded actuarial accrued liability. This accrued liability rate is 5.97% for university members and 6.56% for non-university members. These rates are shown in the following table.

ACTUARIALLY DETERMINED CONTRIBUTION RATES

RATE	PERCENTAGE OF ACTIVE MEMBERS' SALARIES	
	UNIVERSITY	NON-UNIVERSITY
Normal	12.18%	14.55%
Accrued liability (balancing)	5.97	6.56
Total	18.15%	21.11%

- The unfunded actuarial accrued liability amounts to \$1,277,044,000 as of the valuation date. Accrued liability contributions at the rate of 5.97% of active university members' payroll and 6.56% for non-university members are sufficient to amortize the unfunded actuarial accrued liability over the 35 year period commencing June 30, 1982, based on the assumption that the payroll will increase by 5% annually.

SECTION VI - COMMENTS ON LEVEL OF FUNDING

- The benefit percentage for non-university members for service accruing after January 1, 1984 is scheduled to increase from 2% to 2-1/2%. The total net contribution rate is also scheduled to increase from 18.15% to 21.11% of payroll for these members. The benefit percentage and contribution rate for university members will remain at 2% and 18.15%, respectively. Our calculations indicate that these contribution rates will be sufficient to cover the additional costs due to the higher benefit percentage and the annual 1% increases in the allowances of retired members and beneficiaries. The ad hoc increases scheduled for July 1, 1982 and July 1, 1983 are not included and should be funded separately.

2. The valuation indicates that the present statutory contribution rates and those scheduled to go into effect before the next valuation are sufficient to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a reasonable period of time. The combined effect of the assumption changes, projected benefit improvements, and plan experience has produced an increase in the funding period for the accrued liability from 32 years to 35 years.
3. A useful indicator of the funded status of a retirement System is the relation between the assets and the sum of active and inactive member contributions and the reserves required for present annuitants and beneficiaries. This so-called quick liability comparison under the System is shown in the following table.

QUICK LIABILITY COMPARISON

	<u>June 30, 1982</u>	<u>June 30, 1980</u>
Active and inactive member accumulated contributions	\$ 467,628,673	\$ 368,262,306
Reserves for present annuitants and beneficiaries	<u>906,882,558</u>	<u>788,676,094</u>
(A) Total	\$ 1,374,511,231	\$ 1,156,938,400
(B) Total assets for valuation purposes	\$ 1,163,671,225	\$ 872,453,165
Ratio = (B) divided by (A)	84.7%	75.4%

It is considered desirable for this indicator to be at least 100%. Although the System still falls short of this mark, some funding progress is being made.

4. Although the valuation shows that the System is operating on an actuarially sound basis, there are certainly no excess assets or contributions available from which it would be possible to provide additional benefits. Any further benefit improvements, including the ad hoc increases previously noted, should be accompanied by the additional contributions necessary to support the benefits.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that this is crucial for ensuring the integrity of the financial system and for providing a clear audit trail.

2. The second part of the document outlines the various methods used to collect and analyze data. It describes how different types of information are gathered and how they are processed to identify trends and patterns.

3. The third part of the document focuses on the results of the analysis. It presents the findings of the study and discusses the implications of these results for the future of the industry.

4. The final part of the document provides a summary of the key points discussed throughout the report. It reiterates the importance of accurate record-keeping and the need for ongoing research and development in this field.