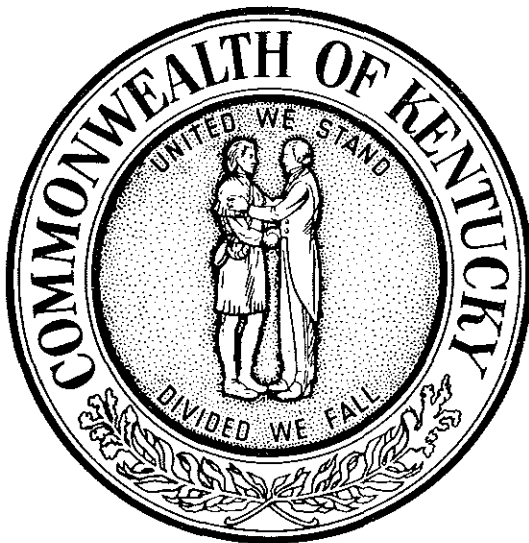


1983-84
44th Annual Report
December 1984



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

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

1983-84 ANNUAL REPORT

1

BOARD OF TRUSTEES

W. D. BRUCE, JR.
CHAIRPERSON, LOUISVILLE

ARLENE ROMINE,
VICE-CHAIRPERSON, MT. WASHINGTON

MARTHA BAKER, PADUCAH
DENVER C. KNUCKLES, MIDDLESBORO
FRANCES MILLER, RUSSELL
T. K. STONE, ELIZABETHTOWN
RUMSEY TAYLOR, SR., PRINCETON

EX-OFFICIO

FRANCES JONES MILLS
STATE TREASURER

ALICE McDONALD
SUPT. OF PUBLIC INSTRUCTION



PAT N. MILLER
EXECUTIVE SECRETARY

COMMONWEALTH OF KENTUCKY
TEACHERS' RETIREMENT SYSTEM

216 WEST MAIN STREET
FRANKFORT, KENTUCKY
40601

December 1, 1984

Honorable Martha Layne Collins, Governor
Commonwealth of Kentucky
Capitol Building
Frankfort, Kentucky 40601

Dear Governor Collins:

We are submitting to you the forty-fourth Annual Report of the Teachers' Retirement System of the State of Kentucky. KRS 161.320 provides for the publication of this report.

The Board of Trustees has devoted its efforts to maintaining and improving the System and its operations within the available financial resources.

Your assistance, as well as that of the General Assembly, is certainly appreciated in providing the necessary financing for the Teachers' Retirement System.

The interest and concern you have shown for the System is welcomed by both the active and retired teachers of Kentucky.

Respectfully yours,


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

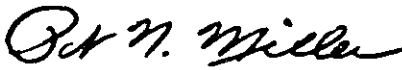

Pat N. Miller
Executive Secretary

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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 Crosthwait, 1970 to 1976; and Mr. Pat N. Miller, 1976 to the present.

BOARD OF TRUSTEES



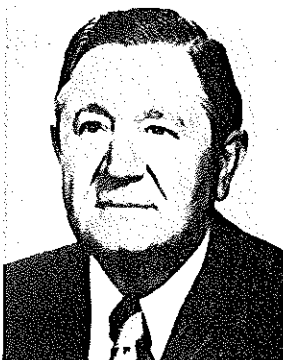
Mr. W. D. Bruce, Jr.
Chairperson
Louisville
Teacher Trustee



Mr. T. K. Stone
Vice-Chairperson
Elizabethtown
Retired Teacher Trustee



Mrs. Martha Baker
Paducah
Teacher Trustee



Mr. Denver Knuckles
Middlesboro
Lay Trustee



Mrs. Frances Miller
Russell
Teacher Trustee



Mrs. Arlene Romine
Mt. Washington
Teacher Trustee



Mr. Rumsey Taylor, Sr.
Princeton
Lay Trustee



Mrs. Alice McDonald
Superintendent of
Public Instruction
Ex-Officio Trustee



Mrs. Frances Jones Mills
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 staff positions of the Retirement System are organized in the manner depicted on the organization chart on the following page.

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 \$1.5 billion invested by the Retirement System. In coordination with the Investment Counselors, the investment staff helped the System realize an overall yield of 10.06% on its total investment program in 1983-84.

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.

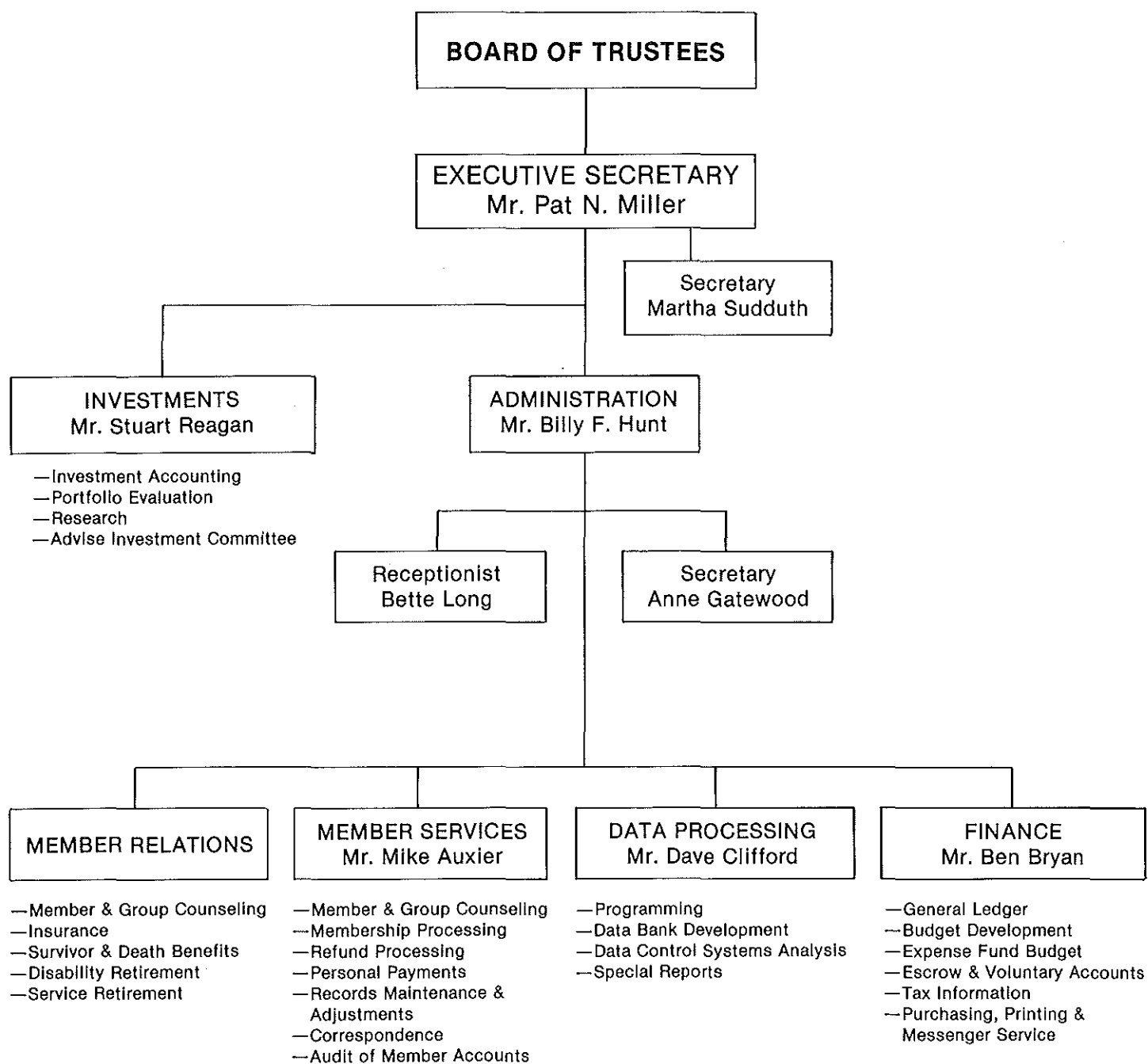
MEMBER SERVICES: Employees in this area concentrate heavily on member records and their accuracy including payroll changes, membership enrollment, annual statements to members, refund of member accounts, address changes and improvement of member accounts through reinstatments, purchase of annual leaves 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, 1979 through June 30, 1984**

	1979-80	1980-81	1981-82	1982-83	1983-84
Payroll Salaries	530,433	551,504	627,354	683,452	788,815
Contracted Services	247,154	321,142	380,246	407,613	390,617
Operating Expenses	191,268	234,763	249,565	287,151	388,720
Fixed Equipment	3,515	3,308	3,130	7,678	47,235
TOTALS	972,370	1,110,717	1,260,295	1,385,894	1,615,387

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. Since that time the highest number of applications has been 1,006 in 1976-77 while the lowest has been 733 in 1978-79. Last year just over 900 applications were filed. Several factors account for the fluctuation in the number of retirees from year to year. The retirement formula is based on the five highest salaries received by a member and depending on how fast a member's salary is increasing or has increased may affect a member's retirement plans. The state of the economy also is a factor because very rapid inflation may decrease the number of retirees or a stabilized economy may possibly increase the number electing to retire. In recent years with the educational program reductions in many school districts, compensation for sick leave at retirement has served to encourage many teachers to retire. Many of these members retired earlier than they had previously planned in order to obtain maximum retirement benefits from their accumulated sick leave.

A larger percentage of those retiring over the last ten years have selected a retirement option other than the straight life annuity (Option 1). This is evidenced by the fact that over the last three years approximately 55 percent of those retiring selected the Option I plan, compared to over 80 percent who selected the same plan 10 years ago.

Tables in this section show the trend in service retirements and the annual payroll for retirees and survivors.

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.

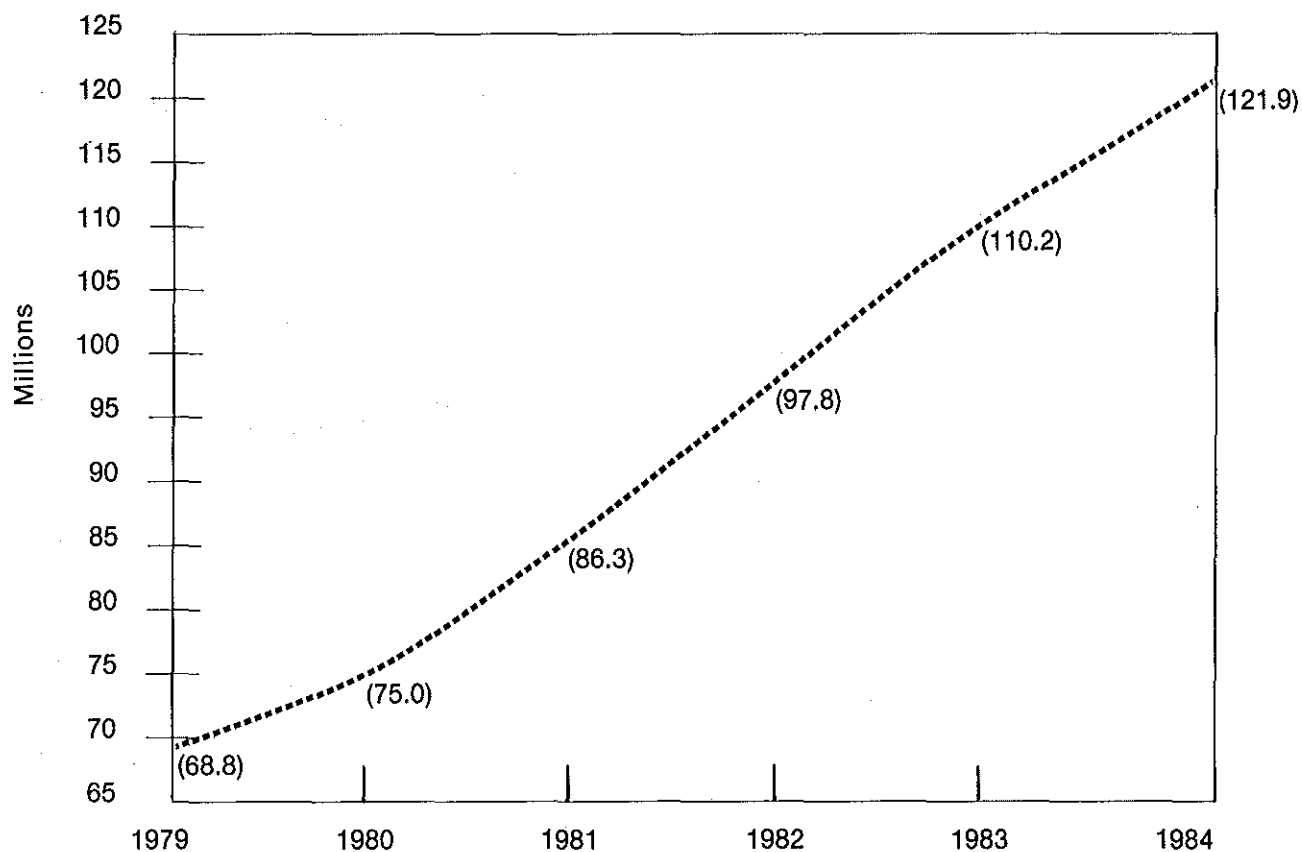
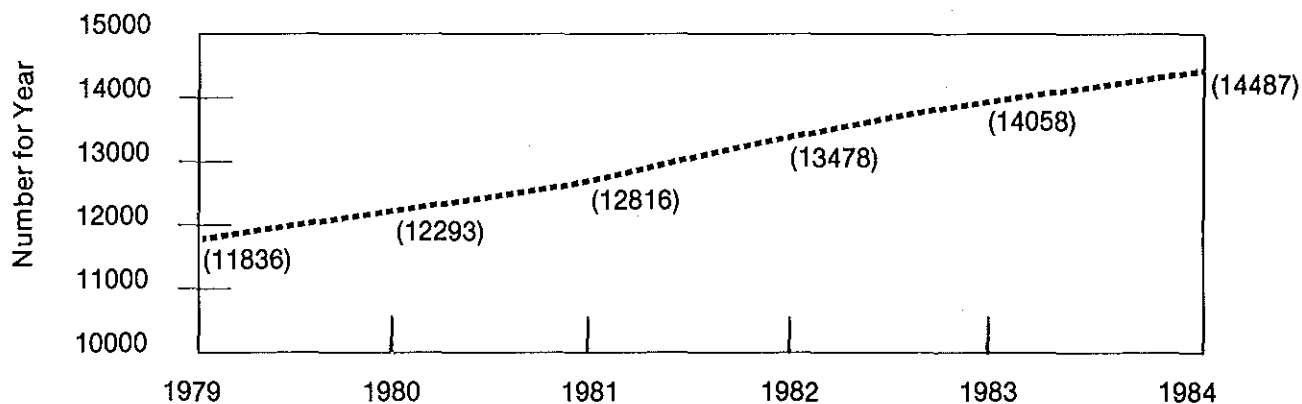
The graphs and tables at the conclusion of this section are designed to show monthly benefit payments for the different types of eligible recipients of the Retirement System and to provide a summary of payments to recipients on a statewide basis.

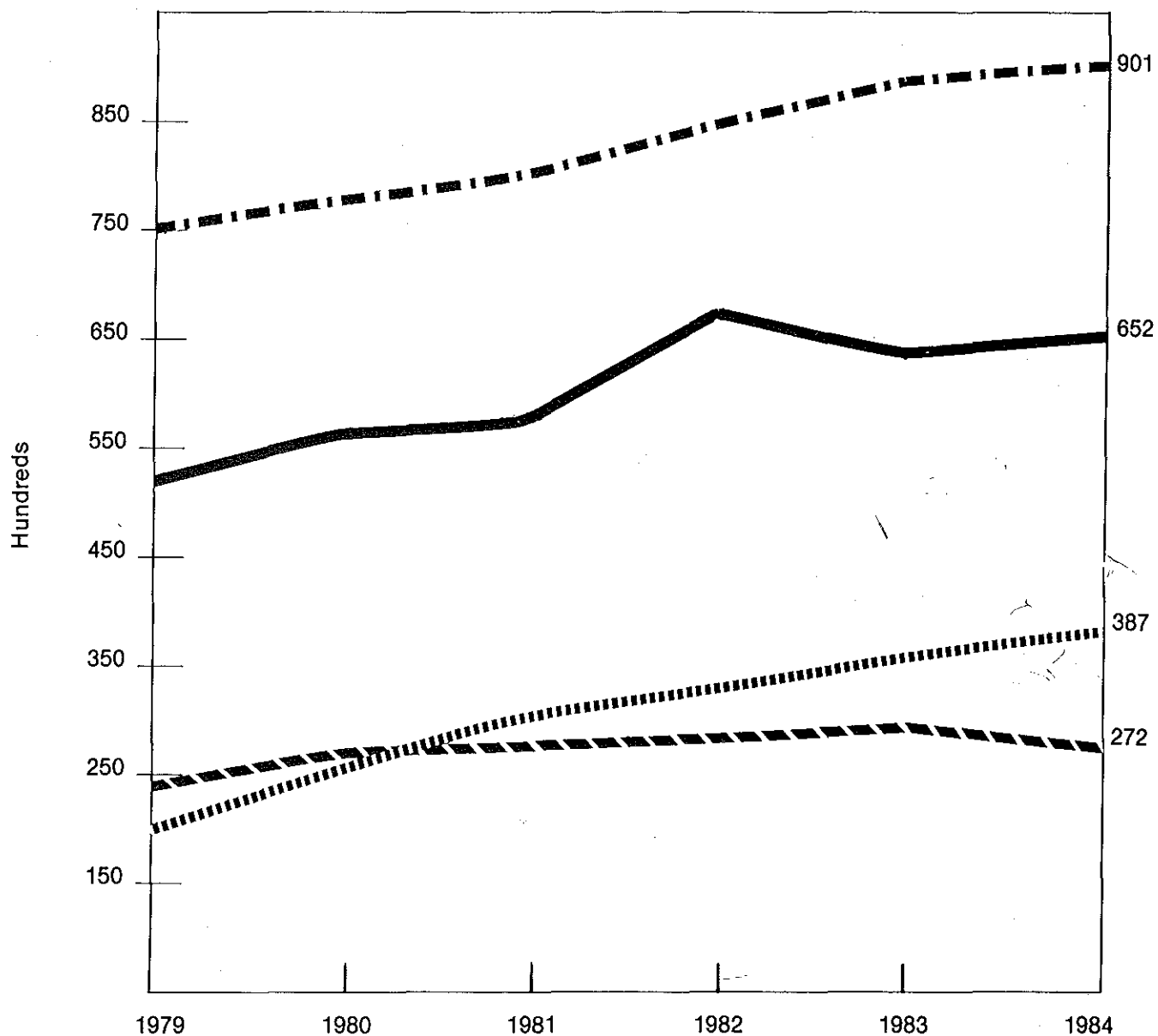
TEACHERS' RETIREMENT SYSTEM**Benefits and Services****TEN YEAR MEMBERSHIP PROFILE**

<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)

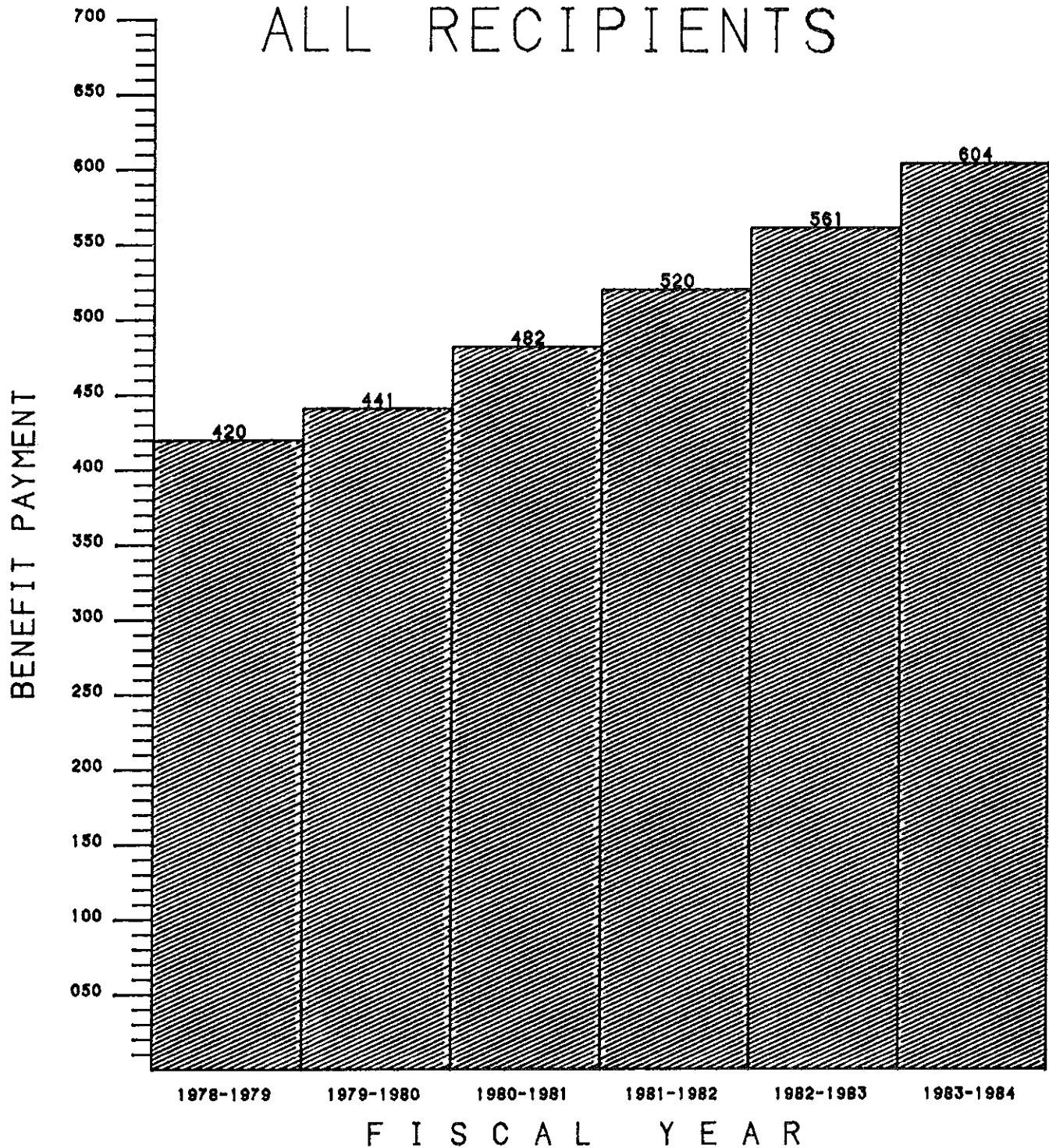
<u>BY AGE</u>				<u>BY SERVICE</u>			
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Years of Service</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
20-24	188	972	1,160	Under 1	156	403	559
25-29	1,253	4,114	5,367	1-4	2,151	5,386	7,537
30-34	2,646	6,440	9,086	5-9	2,953	7,475	10,428
35-39	3,021	5,301	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

- 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

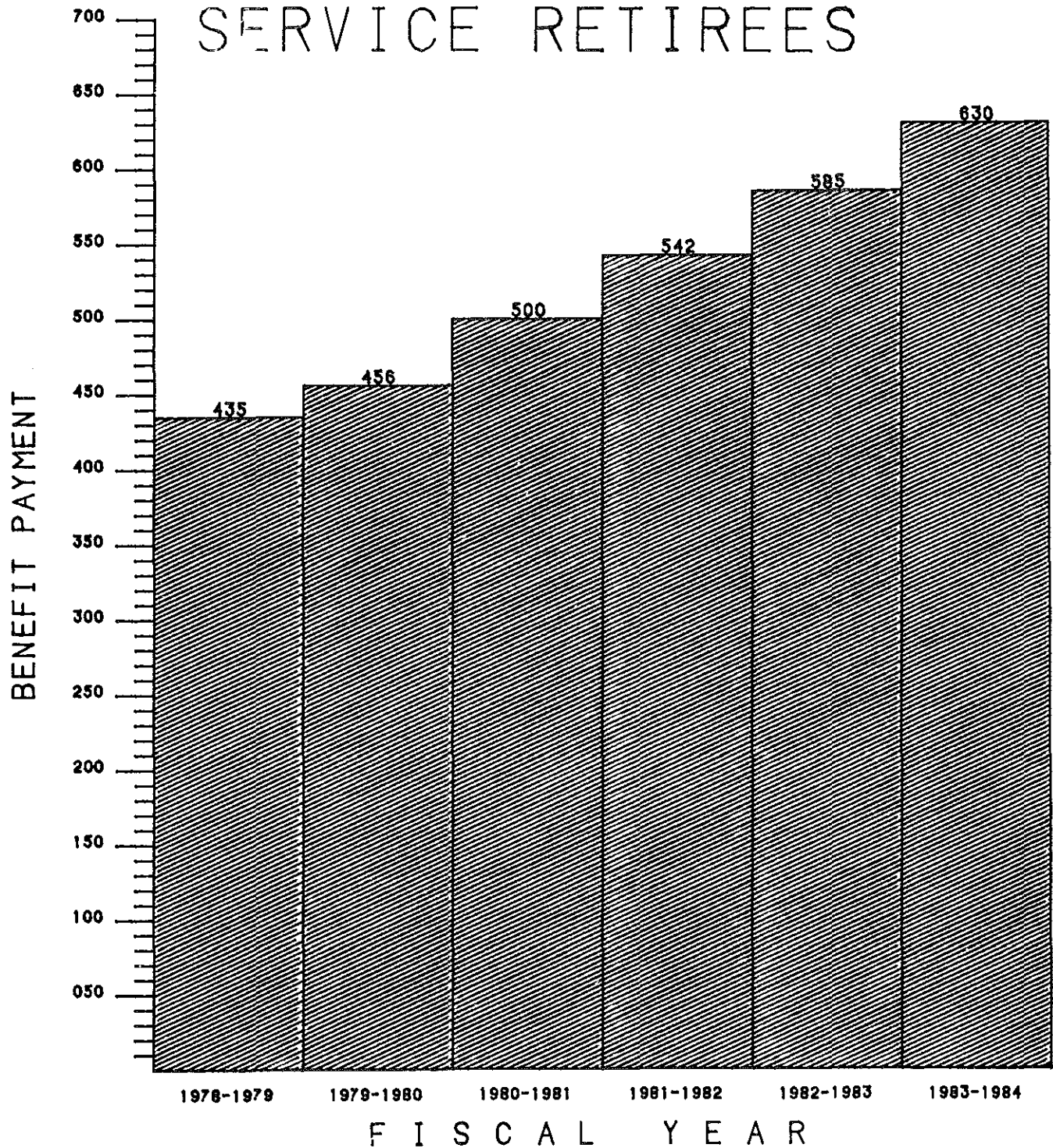


TEACHERS RETIREMENT SYSTEM

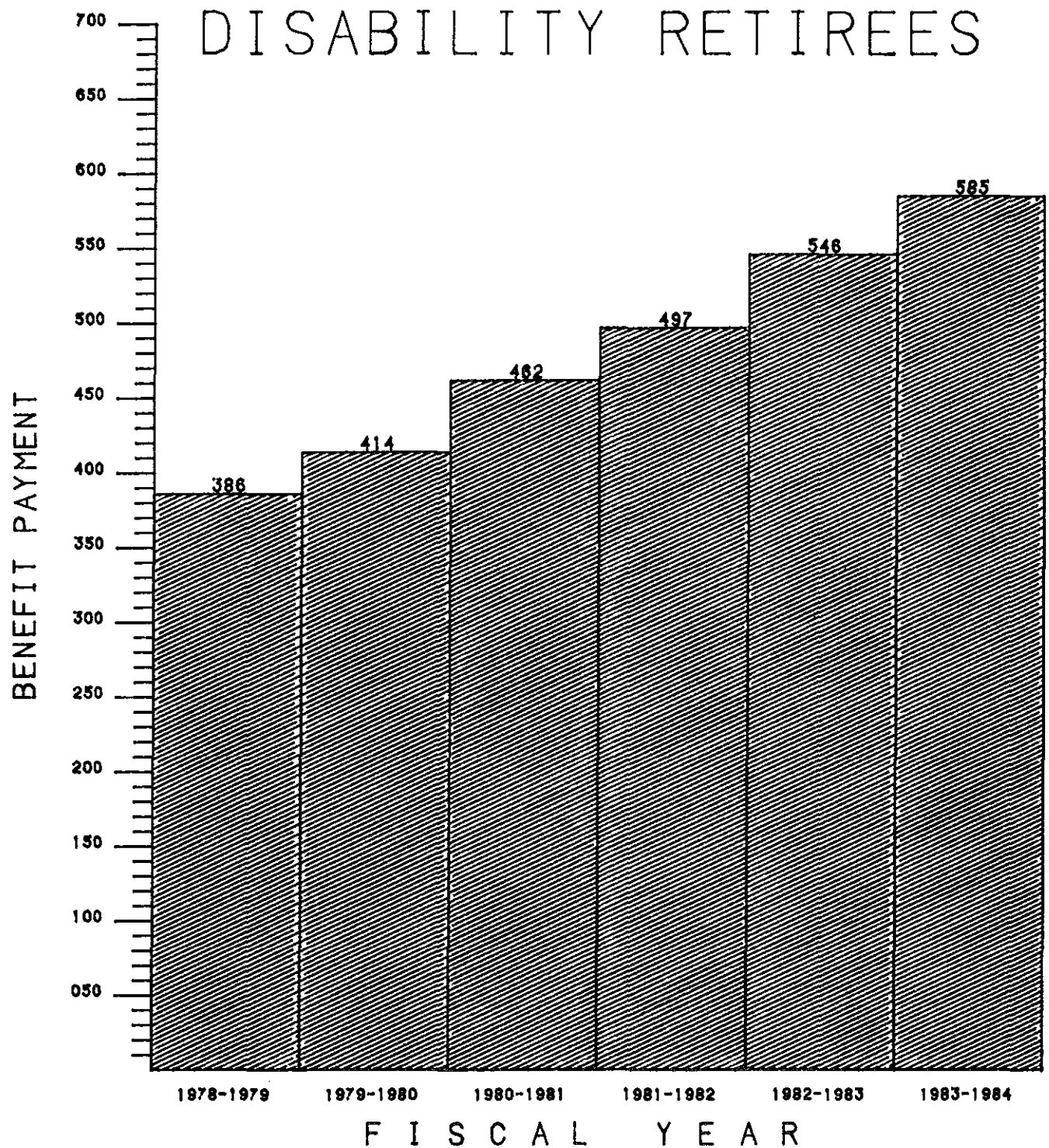
216 W. MAIN
FRANKFORT KY 40601

AVERAGE BENEFIT PAYMENT GRAPH

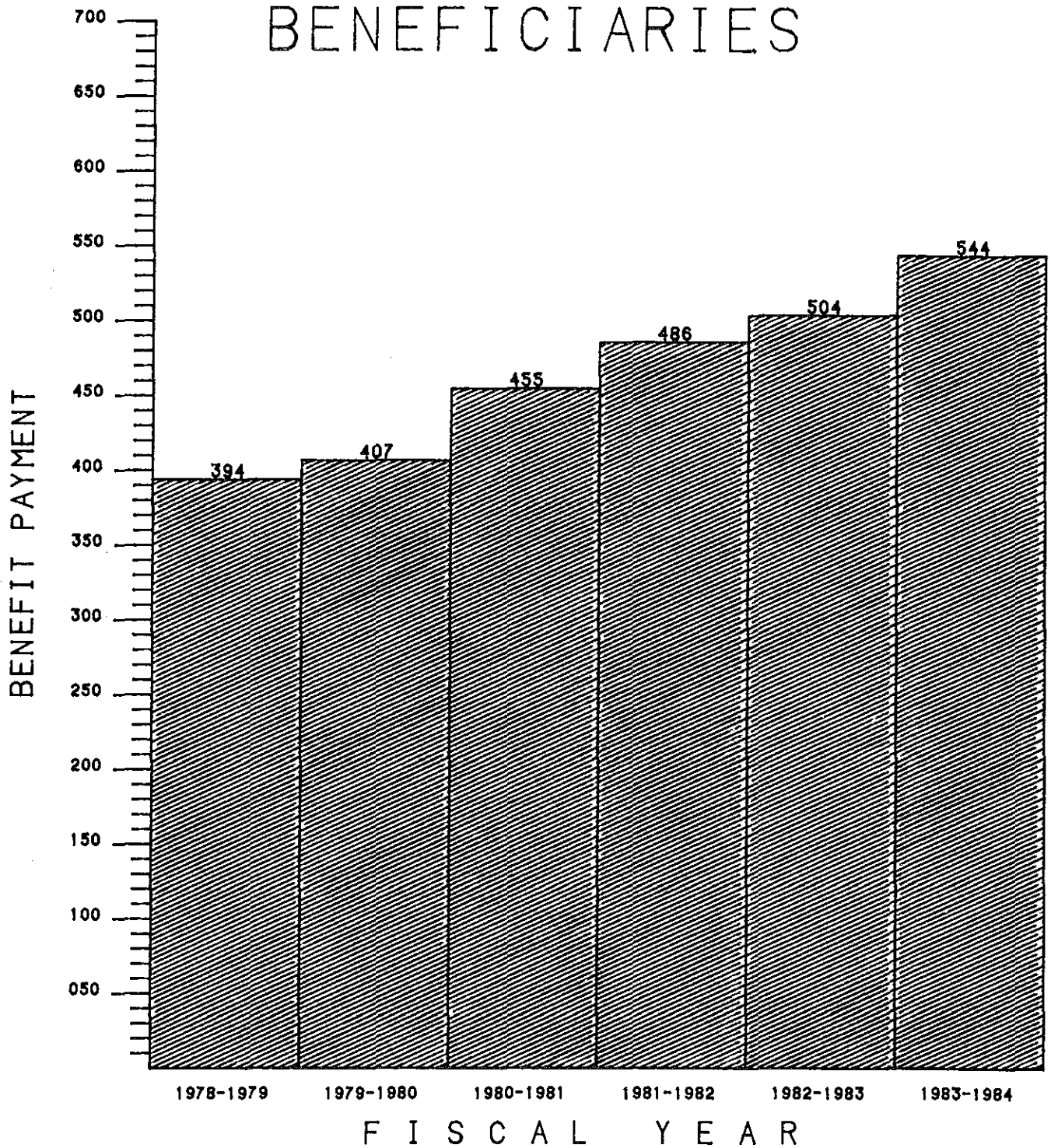
SERVICE RETIREES



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



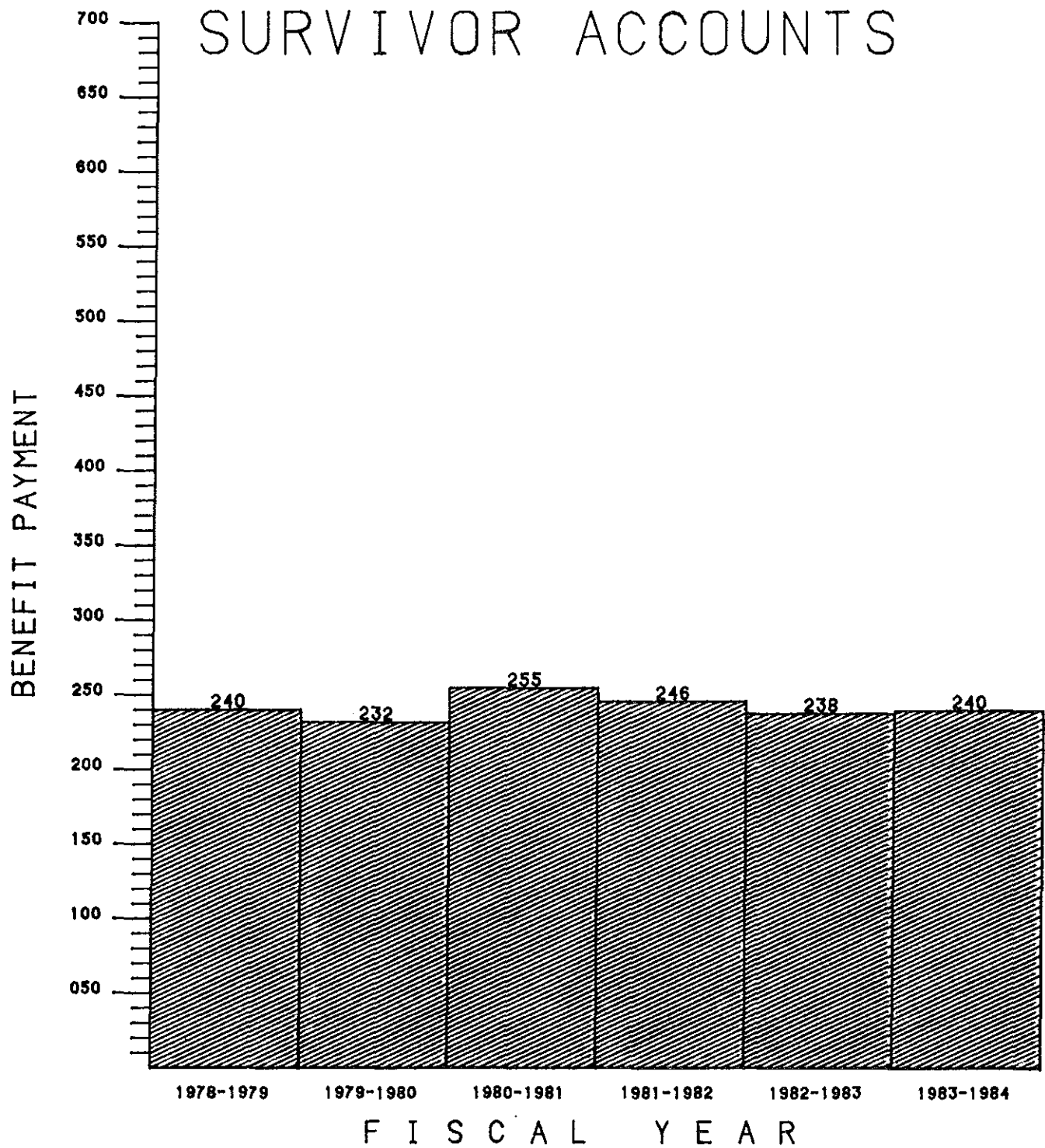
TEACHERS RETIREMENT SYSTEM
216 W. MAIN
FRANKFORT KY 40601
AVERAGE BENEFIT PAYMENT GRAPH
BENEFICIARIES



TEACHERS RETIREMENT SYSTEM

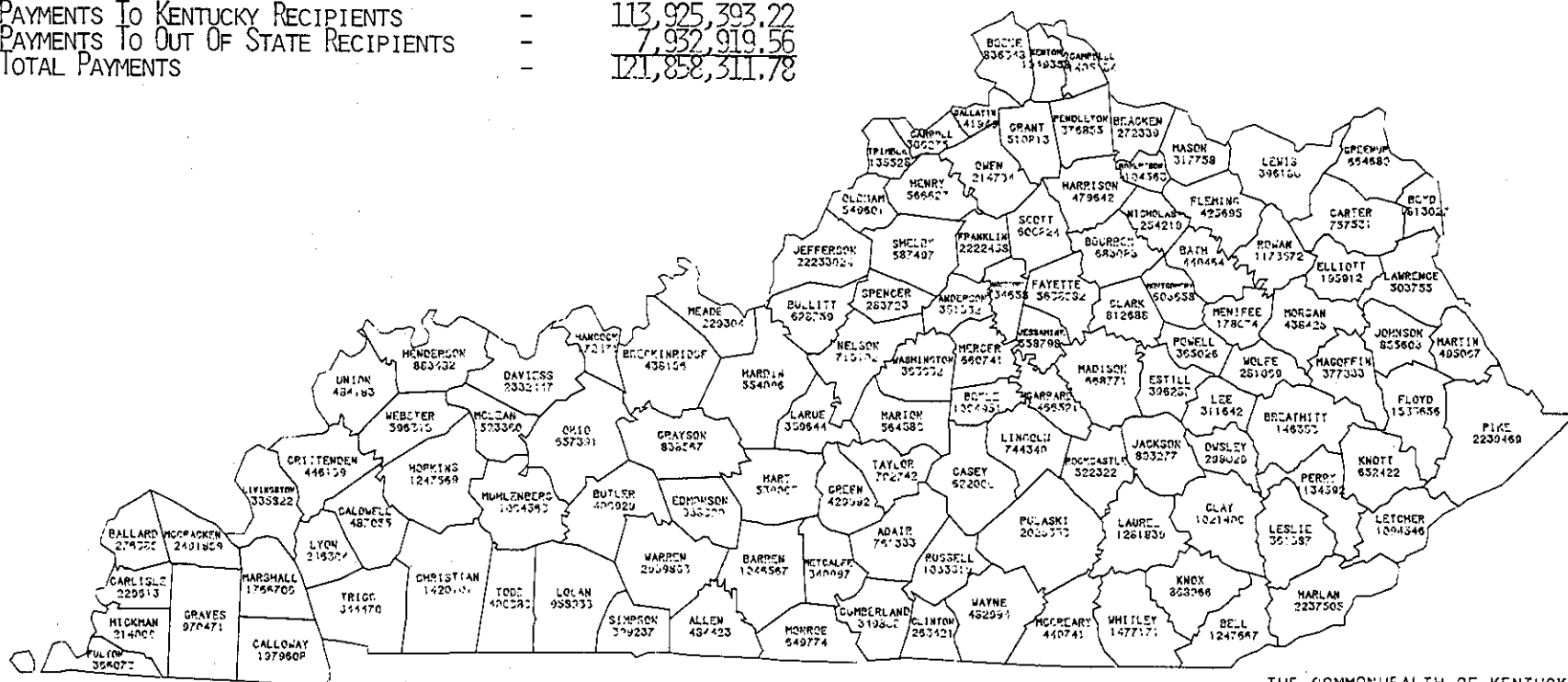
216 W. MAIN
FRANKFORT KY 40601

AVERAGE BENEFIT PAYMENT GRAPH



FISCAL YEAR 1983--1984

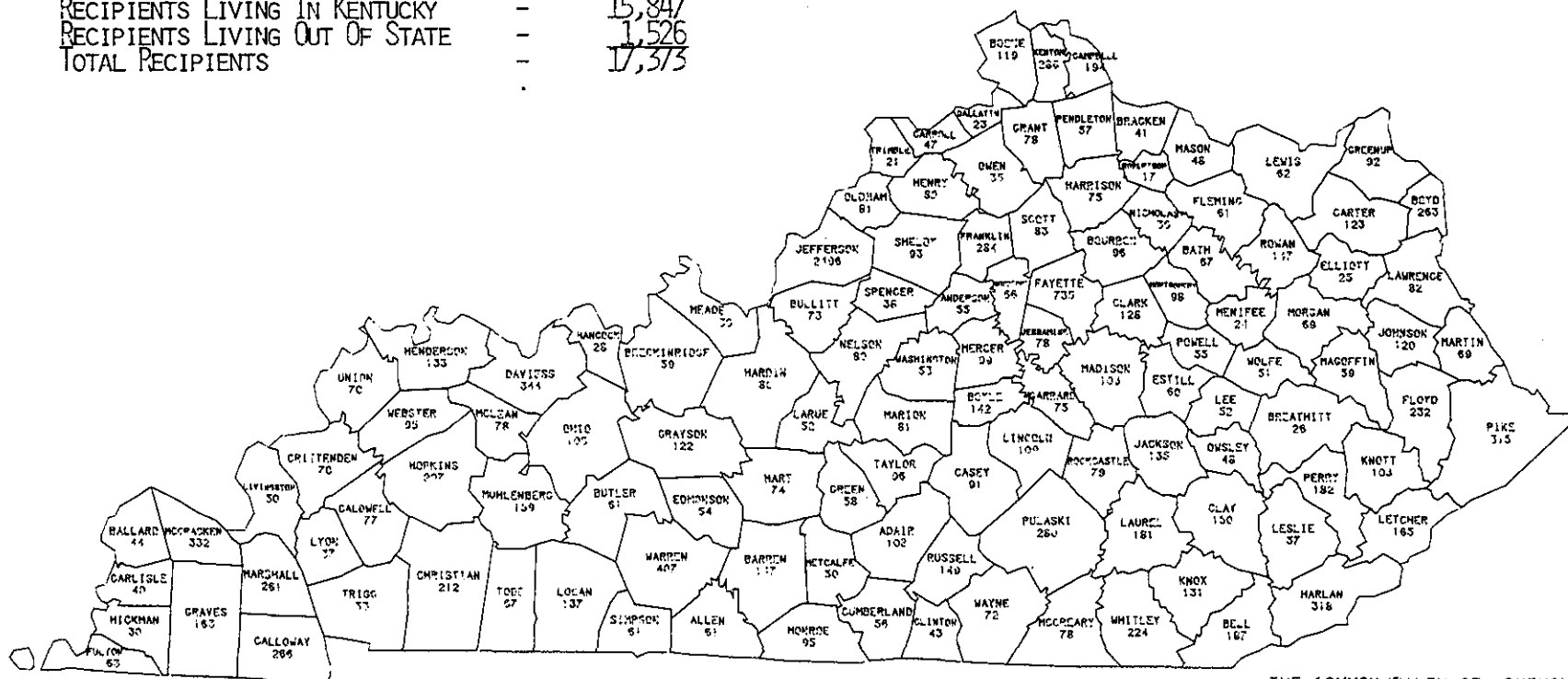
PAYMENTS TO KENTUCKY RECIPIENTS	-	113,925,393.22
PAYMENTS TO OUT OF STATE RECIPIENTS	-	7,932,919.56
TOTAL PAYMENTS	-	<u>121,858,311.78</u>



THE COMMONWEALTH OF KENTUCKY

FISCAL YEAR 1983-1984

RECIPIENTS LIVING IN KENTUCKY	-	15,847
RECIPIENTS LIVING OUT OF STATE	-	1,526
TOTAL RECIPIENTS	-	<u>17,373</u>



THE COMMONWEALTH OF KENTUCKY

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 periodically. The investment objectives of the Board of Trustees are as follows:

1. Investment of the funds of the Teachers' Retirement System of the State of Kentucky shall be made solely in the interest of its members and their beneficiaries. 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 1983-84 as the principal investment counselor, while the Chicago office of Alliance Capital Management Corporation was a second investment counselor. Approximately \$255 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 1983-84 as the Custodian of Securities.

The investment portfolio experienced substantial growth during the year. The par value of the portfolio increased \$186 million, or 13.2%, to a total of \$1.59 billion at year-end. The book value of the fund correspondingly increased 13.8% during the year. Investment income (dividends, interest, and rental income) experienced significant growth of more than 19.6% over the previous year to a total of \$134 million for 1983-84. 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 appreciations in bond and stock securities during 1983-84. 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 10.06%. This represented an increase from a projected yield of 9.51% at the beginning of the year, since interest rates were higher in 1983-84 than in the preceding year. The indicated dividend yield on common stocks reflected a modest decline from a year earlier, decreasing from 5.34% to 5.14%.

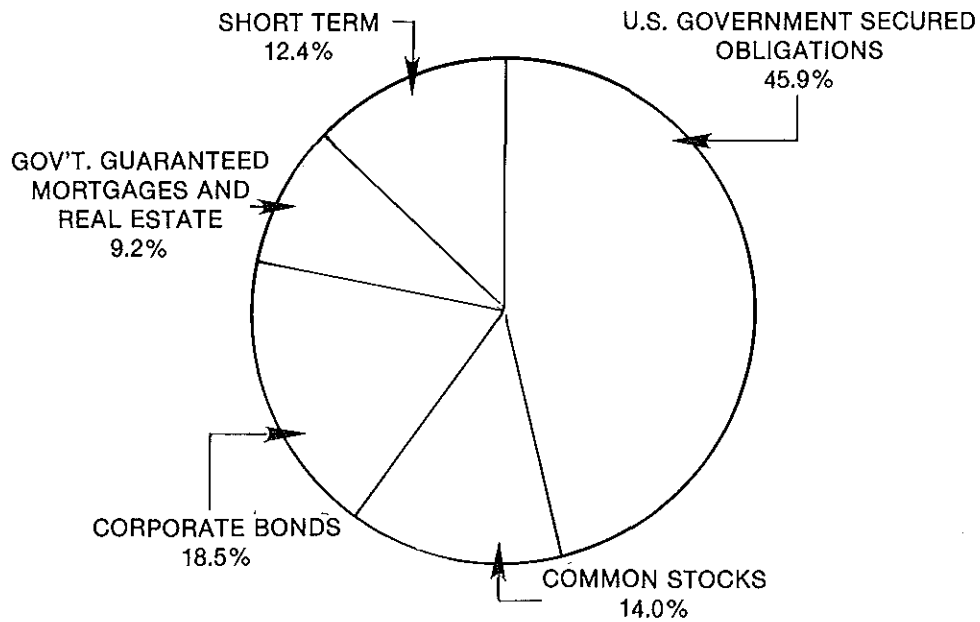
The financial markets did not show much strength during the 1983-84 fiscal year. Although the System earned a record level of interest income in 1983-84, there were limited opportunities for realized gains from selling appreciated securities. The asset allocation of investments was similar at the beginning of the fiscal year to what it was on June 30, 1984. During the 1983-84 fiscal year, the stock position increased from about 12% of assets to 14%. The portion of the portfolio in government funds increased from 43.3% to 45.9%. The cash position decreased during the year by going from 14.2% of assets to 12.3%. High quality blue chip stocks were the best performing stocks for the 1983-84 fiscal year.

During the last two fiscal years the System has acquired its first real estate equity investments. The System has purchased eight retail stores for approximately \$17.8 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 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, 1984. The pages thereafter provide a detailed listing of all investments held at June 30, 1984.

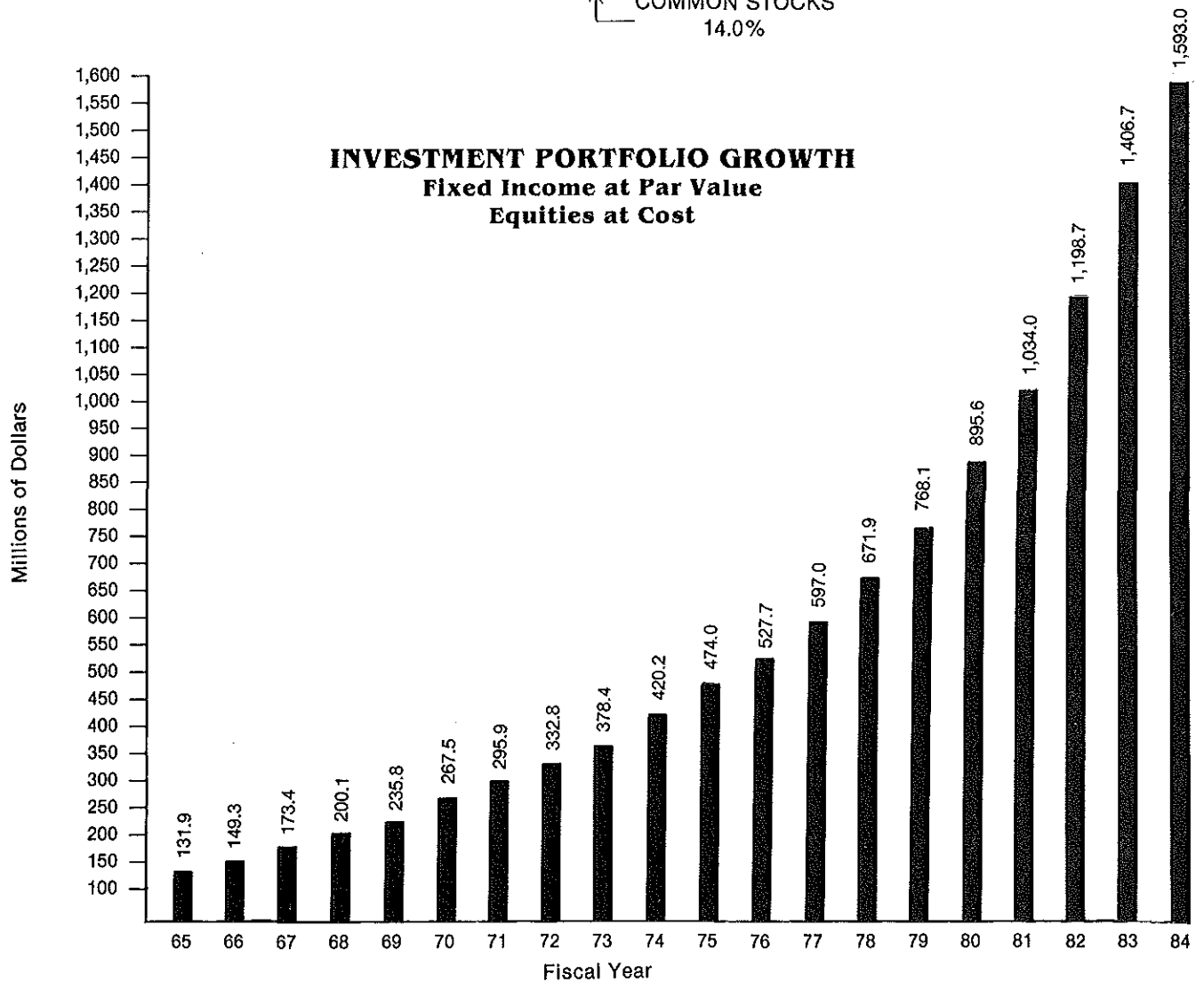
DISTRIBUTION OF INVESTMENTS

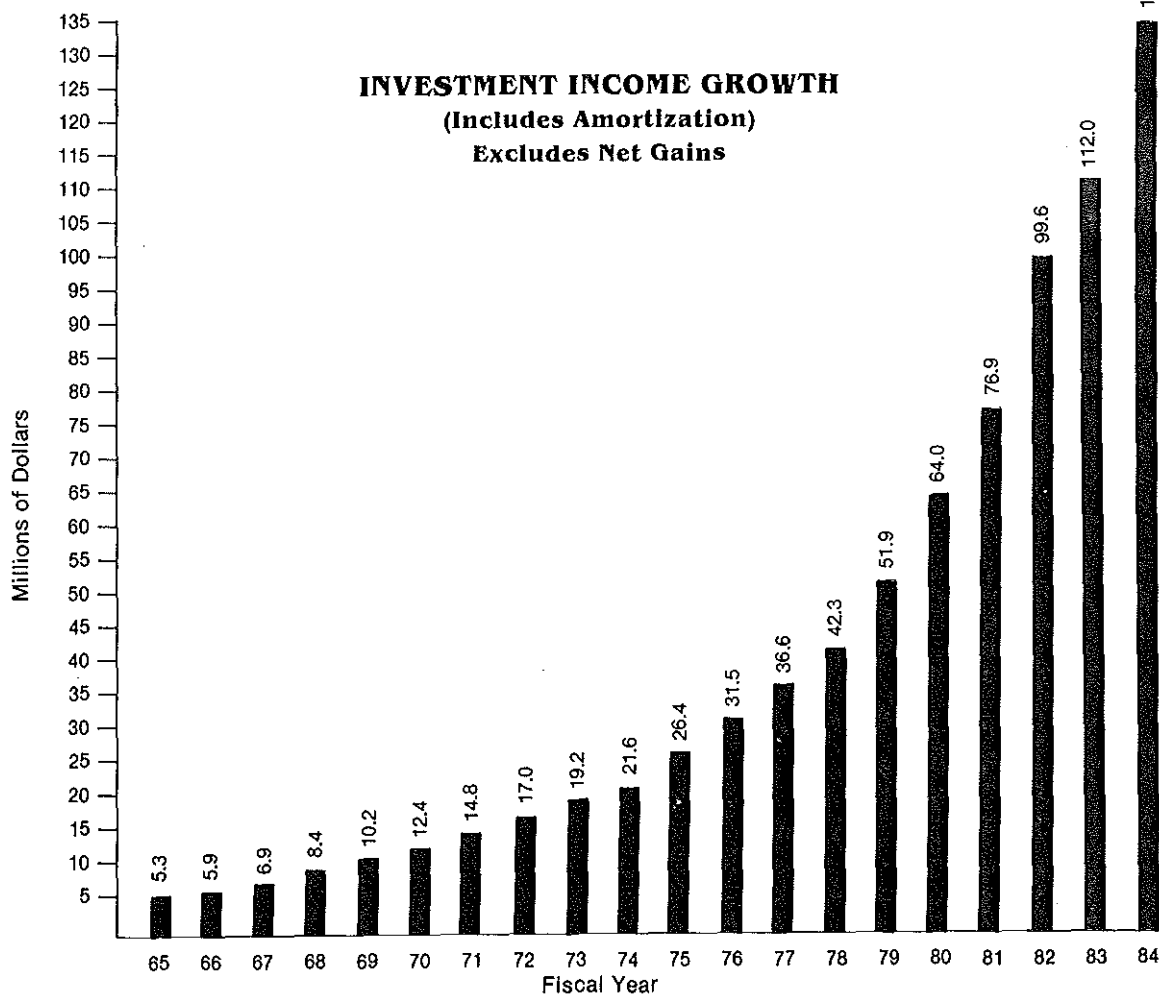
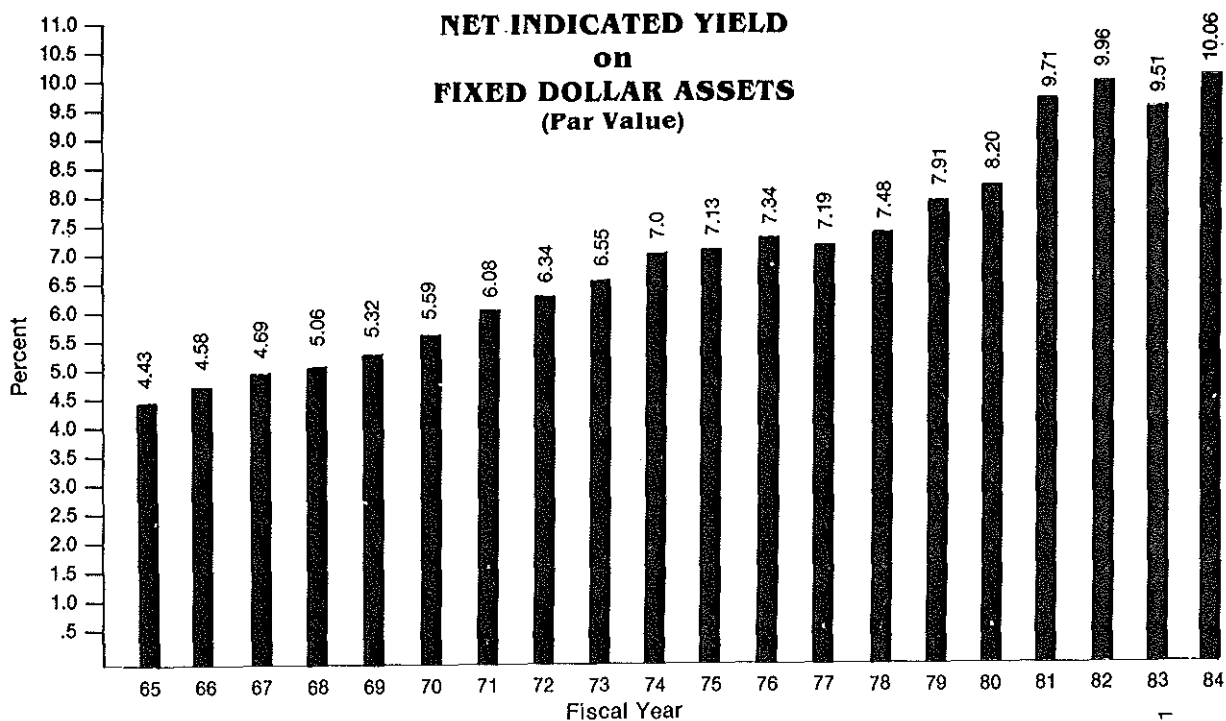
June 30, 1984



INVESTMENT PORTFOLIO GROWTH

Fixed Income at Par Value
Equities at Cost





TEACHERS' RETIREMENT SYSTEM

Investments

KENTUCKY TEACHERS' RETIREMENT ANALYSIS OF INVESTMENTS HELD AS OF JUNE 30, 1984

	Percentage of Total	Par Value*	Net Annual Interest, Rental & Dividend Income	Annual Yield
Repurchase Agreements	12.34%	196,520,000.00	22,053,764.00	11.22%
Total Short Term	12.34%	196,520,000.00	22,053,764.00	11.22%
Treasury Notes and Bonds	24.54%	390,900,000.00	45,586,226.98	11.66%
Agencies	9.37%	149,292,590.30	12,101,934.32	8.11%
Ship Bonds (Title XI)	5.66%	90,229,339.61	8,812,518.12	9.77%
GNMA (Single Family)	5.88%	93,655,971.39	8,930,480.33	9.54%
Other Miscellaneous	.41%	6,573,624.83	650,729.75	9.90%
Total U.S. Government Obligations	45.87%	730,651,526.13	76,081,889.50	10.41%
Industrials	8.75%	139,460,582.45	13,402,399.50	9.61%
Finance	1.94%	30,827,443.60	2,133,127.08	6.92%
Utility Bonds (Except Telephone)	3.14%	50,009,000.00	3,893,950.59	7.79%
Telephone Bonds	3.98%	63,440,000.00	6,022,981.26	9.49%
Railroad Obligations	.72%	11,493,277.12	966,727.99	8.41%
Total Corporate Bonds	18.53%	295,230,303.17	26,419,186.42	8.95%
FHA & VA Single Family Mortgages	1.33%	21,157,069.12	1,371,503.00	6.48%
Project Mortgages (FHA & GNMA)	6.75%	107,600,984.47	9,966,723.04	9.26%
State and Local Government Obligations	.02%	255,000.31	12,891.69	5.06%
Total Other Fixed Income Investments	8.10%	129,013,053.90	11,351,117.73	8.80%
SUBTOTAL (FIXED INCOME)	84.84%	1,351,414,883.20	135,905,957.65	10.06%
Triple Net Lease	1.12%	17,827,784.53	1,879,746.96	10.54%
Total Real Estate Equity	1.12%	17,827,784.53	1,879,746.96	10.54%
Common Stocks 6,297,600.6480 Shares	14.04%	223,728,361.05	11,510,662.79	5.14%
Total Stock 6,297,600.6480 Shares	14.04%	223,728,361.05	11,510,662.79	5.14%
SUBTOTAL (EQUITY)	15.16%	241,556,145.58	13,390,409.75	5.54%
TOTAL INVESTMENTS, INCOME AND YIELD	100.00%	1,592,971,028.78	149,296,367.40	9.37%

*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 6-30-84 was \$1,294,690,083; the market value was \$1,108,719,059. The par and book values of stocks, which are the same, were \$223,728,361 for 6-30-84; the market value of stocks was \$231,177,116. 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	10.350	07/84	5,513,600.00
Repurchase Agreement	10.350	07/84	466,400.00
Repurchase Agreement	10.810	07/84	10,480,000.00
Repurchase Agreement	10.910	07/84	15,700,000.00
Repurchase Agreement	10.910	07/84	12,000,000.00
Repurchase Agreement	10.920	07/84	6,360,000.00
Repurchase Agreement	10.940	07/84	10,000,000.00
Repurchase Agreement	10.970	07/84	2,460,000.00
Repurchase Agreement	11.090	07/84	13,740,000.00
Repurchase Agreement	11.130	07/84	1,460,000.00
Repurchase Agreement	11.130	07/84	5,860,000.00
Repurchase Agreement	11.130	07/84	10,000,000.00
Repurchase Agreement	11.140	07/84	12,000,000.00
Repurchase Agreement	11.150	07/84	10,700,000.00
Repurchase Agreement	11.290	07/84	16,780,000.00
Repurchase Agreement	11.330	07/84	757,900.00
Repurchase Agreement	11.330	07/84	2,612,100.00
Repurchase Agreement	11.380	07/84	1,139,500.00
Repurchase Agreement	11.380	07/84	860,500.00
Repurchase Agreement	11.430	07/84	9,470,000.00
Repurchase Agreement	11.520	07/84	3,340,000.00
Repurchase Agreement	11.640	07/84	20,360,000.00
Repurchase Agreement	11.760	07/84	6,528,200.00
Repurchase Agreement	11.760	07/84	471,800.00
Repurchase Agreement	11.890	08/84	17,460,000.00
			<u>196,520,000.00</u>
Total Short Term Investments			196,520,000.00

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	12.000	08/13	5,000,000.00
U.S. Treasury Notes	12.000	08/13	5,000,000.00
U.S. Treasury Notes	12.000	08/13	5,000,000.00
U.S. Treasury Notes	13.125	05/01	8,000,000.00
U.S. Treasury Notes	9.500	04/85	10,000,000.00
U.S. Treasury Notes	9.500	04/85	15,000,000.00

TEACHERS' RETIREMENT SYSTEM

Investments

U.S. GOVERNMENT OBLIGATIONS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
U.S. Treasury Notes	10.250	03/87	10,000,000.00
U.S. Treasury Notes	10.750	07/90	5,000,000.00
U.S. Treasury Notes	10.875	02/93	20,000,000.00
U.S. Treasury Notes	11.750	05/89	25,000,000.00
U.S. Treasury Notes	11.750	05/89	25,000,000.00
U.S. Treasury Notes	11.750	11/93	10,000,000.00
U.S. Treasury Notes	11.875	08/93	25,000,000.00
U.S. Treasury Notes	11.875	08/93	25,000,000.00
U.S. Treasury Notes	11.875	10/89	17,000,000.00
U.S. Treasury Notes	12.375	04/91	3,000,000.00
U.S. Treasury Notes	13.000	11/90	10,000,000.00
U.S. Treasury Notes	13.875	08/89	5,000,000.00
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	08/91	10,000,000.00
U.S. Treasury Notes	14.875	06/86	10,000,000.00
U.S. Treasury Notes	15.375	10/88	15,000,000.00
U.S. Treasury Notes	15.375	10/88	10,000,000.00
			390,900,000.00
Federal Agencies:			
Banks for Cooperatives	7.750	01/86	14,000,000.00
Farmers Home Insured Notes FHA	7.500	05/88	1,492,590.30
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	7.850	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
			149,292,590.30
Ship Bonds (Title XI):			
American Commerical Lines Ser F	10.950	07/04	7,800,000.00
American Export Freedom	7.300	07/97	1,401,000.00
American Export Lns SF Ser I	7.950	06/04	3,834,000.00
Atlas Marine American Heritage	7.700	12/96	2,975,554.20
Baker Industries	13.400	09/01	4,100,000.00
Baker Transportation Series B	13.400	09/01	1,172,000.00
Central Gulf Lns Lash Lighters	8.250	01/95	3,196,879.43
Crowley Maritime	8.125	09/99	3,785,400.61
Diamond M Drilling New Era	7.750	09/89	2,476,575.15
Flowers Transportation SF	8.400	05/00	1,741,587.20
Goodyear Steamship SF	11.550	05/06	11,982,507.25
Marine Ship Leasing A Antarctic	7.875	09/95	1,096,296.28

TEACHERS' RETIREMENT SYSTEM

Investments

U.S. GOVERNMENT OBLIGATIONS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
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	8,242,773.24
Stuyvesant Issue	8.000	05/95	2,629,000.00
Tideland Limited	12.250	12/95	6,309,000.00
Union Mechling Corp SF	8.000	01/02	3,735,062.56
Wabash Transportation	5.400	06/89	2,246,000.00
Waterways Barge SF	13.500	09/05	6,243,000.00
Zapata Marine US Inc SF	7.700	09/94	5,000,000.00
			<u>90,229,339.61</u>
GNMA Single Family Mortgages:			
94 Mortgage Pools	various		93,655,971.39
			<u>93,655,971.39</u>
Other — Miscellaneous:			
Certificate of Deposit	11.050	11/84	100,000.00
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	1,887,937.02
Missouri Kansas Texas RR Nts	9.250	12/87	319,000.00
Seatrains Ship Bldg. U.S. Gtd (EDA)A	9.875	05/01	4,229,284.03
			<u>6,573,624.83</u>
Total U.S. Government Obligations			<u><u>730,651,526.13</u></u>

CORPORATE BONDS

Industrials:			
Aluminum Co America SF Debs	9.450	05/00	1,250,000.00
Aluminum Co America SF Debs	7.000	04/11	4,000,000.00
Ariel Properties Inc Mortgage Nt	7.000	07/98	451,886.77
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
Caterpillar Tractor Debs	6.000	05/07	4,300,000.00
Celanese Corp SF Debs	11.875	07/05	3,000,000.00
Chevron London 1st Prfd Ship Mtg	7.700	09/97	820,447.85
Chevron Stations Inc Nt	5.100	04/91	87,000.00
Countrywide Stations Secured Nts C	7.500	09/02	11,696,000.00
Cummins Engine Co Inc Nts	5.000	07/90	105,000.00
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

CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Dow Chemical Debs	8.625	02/08	3,000,000.00
Dow Chemical Debs	11.250	07/10	5,000,000.00
Dow Chemical Notes	5.000	04/91	602,800.00
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	8,000,000.00
DePont (E I) de Nemours Debs	6.000	12/01	8,000,000.00
Engelhard Minerals & Chemicals Debs	11.750	08/05	3,000,000.00
Fahrney Paul L 1st Prfd Ship Mtg	7.700	09/97	820,447.83
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	2,769,000.00
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
Philip Morris Inc Nts	8.500	03/85	4,000,000.00
Philip 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
Tenneco Inc Debs	13.625	10/07	2,000,000.00
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
			139,460,582.45
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	125,000.00
Marathon Finance Promissory Nts	4.550	04/85	20,400.00
Montgomery Ward Credit Debs	6.500	09/87	300,000.00
Montgomery Ward Credit Debs	9.250	11/90	1,500,000.00

TEACHERS' RETIREMENT SYSTEM

Investments

CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Penney J C Financial Corp Debs	7.875	09/91	2,000,000.00
Roxbury Properties Corp Secured Nts	4.750	01/89	144,989.59
United California Bk Cap Nts	4.500	01/90	200,000.00
Villiers Realty Corp Secured Nts	4.750	10/89	165,054.01
			<hr/> 30,827,443.60
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	173,000.00
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	11,000.00
Continental Oil Co Nts	5.875	12/89	322,000.00
Continental PL Guaranteed Nts	7.500	05/94	150,000.00
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

TEACHERS' RETIREMENT SYSTEM

Investments

CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Pennsylvania Electric Debs	7.000	11/92	98,000.00
Pennsylvania Electric 1st Mtg	4.625	10/94	100,000.00
Pennsylvania Gas Water 1st Mtg	6.875	10/92	250,000.00
Pub Ser Elec Gas 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	1,691,000.00
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
			50,009,000.00
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
South Central Bell Tel Debs	11.875	04/23	2,000,000.00
South Central Bell Tel Debs	11.875	04/23	3,000,000.00
Southern Bell Tel Tel Debs	8.625	09/18	2,500,000.00
Southern Bell Tel Tel Debs	11.750	04/23	3,000,000.00
Southern Bell Tel Tel Debs	11.750	04/23	2,000,000.00
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
			63,440,000.00

TEACHERS' RETIREMENT SYSTEM**Investments****CORPORATE BONDS (Continued)**

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Railroad Obligations:</u>			
Burlington Northern Con Mtg Ser G	12.875	08/05	2,500,000.00
Burlington Northern Con Mtg Ser G	12.875	08/05	2,500,000.00
Chesapeake Ohio Ry Gen Mtg	4.500	03/92	656,000.00
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	110,000.00
North American Car Corp Equip Tr	8.500	08/84	30,000.00
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	8.250	08/84	55,000.00
St Louis San Fran Condtl Sale	9.375	01/85	45,000.00
St Louis San Fran Condtl Sale	9.500	02/85	75,000.00
St Louis San Fran Condtl Sale	9.750	07/85	99,277.12
Virginia Southwestern Ry 1st Mtg	5.000	01/03	107,000.00
			<u>11,493,277.12</u>
Total Corporate Bonds			<u>295,230,303.17</u>

OTHER FIXED INCOME INVESTMENTSSingle Family Mortgages:

FHA	various	10,979,842.76
VA	various	10,177,226.36
		<u>21,157,069.12</u>

Project Mortgages (FHA & GNMA):

Americana Apt Ky 221D4	7.500	10/18	4,598,348.26
Bedford Commons Ky 221D4	8.000	11/23	1,290,481.13
Bedford House Ky 221D4	7.500	01/20	1,272,829.57
Beech Creek Apts Ky 221D4	7.500	08/21	2,133,765.85
Belleville Mnr Apts Ky 221D4	7.500	11/19	655,216.06
CA Guidance Care Center 232	8.500	02/92	389,891.41
Cambridge Sq Apts Ky 221D4	7.500	11/19	1,224,555.19
Camellia Center Hosp CA 232	6.000	11/88	271,091.94
Carnaby Sq Apts Ky 221D4	7.500	06/19	1,261,108.10
Carrollton Vlg Apts Ky 221D4	7.500	09/20	2,013,265.88
Carter Court Apts Ky 221D4	7.500	09/20	1,329,303.41
Collavin Apts Ky 221D4	7.500	04/22	3,250,492.78
Cottage Bell Apts CA 221D4	7.500	11/10	837,724.61
Cottage Bell Apts II CA 221D4	8.500	11/11	445,956.57
Denver Ed Sr Citzns 231	5.250	11/03	845,848.83
Dixie Apts Ky 221D4	7.500	05/18	1,163,432.30
Ferndale Apts Ky 221D4	7.500	08/23	3,827,771.40
Gainesway Vlg Apts Ky 221D4	7.500	02/19	1,675,970.99
Glenbrook Park Ky 221D4	7.500	12/21	2,572,045.97

TEACHERS' RETIREMENT SYSTEM

Investments

OTHER FIXED INCOME (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Greater Corbin Mnr Ky 221D4	7.500	03/21	3,631,456.74
Jackson Vly Apts Ky 221D4	7.500	08/20	2,029,244.02
Jamestown Manor Ltd Ky 221D4	7.500	02/22	1,644,577.72
Lakeview Estates Ky 221D4	7.500	01/20	1,145,716.26
Lebanon Apts Ky 221D4	7.500	02/20	1,227,239.17
Lin Meadows Homes Ky 221D4	7.500	11/22	277,162.56
Locust Ridge Ky 221D4	7.500	10/21	1,939,390.07
Madison Ave Apts Ky 221D4	7.500	09/20	2,002,439.02
Manchester Hts Apts Ky 221D4	7.500	06/19	1,259,233.39
Middletown Apts Ky 221D4	7.500	02/18	1,078,493.46
Montgomery Sq Apts Ky 221D4	7.500	05/19	1,258,258.94
Mt. Lebanon Cedars Ky 221D3	7.500	03/23	2,698,737.75
Oak Treek Villa Apts Ky 221D4	7.500	05/23	3,557,547.27
Pine Ridge Apts Ky 221D4	7.500	09/18	857,988.28
Pinecreek Apts Ky 221D4	7.500	10/17	589,526.61
Regency Park Apts Ky 221D4	7.500	05/18	995,630.48
Regency Pk Apts BG Ky 221D4	7.500	02/23	3,847,693.30
Ridgeway Apts Ky 221D4	7.500	02/19	1,073,428.96
Rucker Vlg Apts Ky 221D4	7.500	03/20	1,114,300.50
Salem Vlg I 232 ILL	7.750	03/16	1,038,990.01
Salem Vlg II 231 ILL	7.750	10/16	3,545,167.71
Sandefur Mnr Ky 221D4	7.500	01/20	969,307.92
Shepherdsville Vlg Apt Ky 221D4	7.500	05/20	1,407,306.53
Shively Apts Ky 221D4	7.500	10/21	2,480,006.30
Southside Mnr Ky 221D4	7.500	02/19	1,458,967.82
Town Branch Apts Ky 221D4	7.500	11/23	769,146.60
Tree Top Apts Ky 221D4	7.500	11/20	1,161,898.87
Vernon Manor Ltd Ky 221D4	7.500	11/22	931,877.99
Walnut Hill Apts Ky 221D4	7.500	05/19	1,693,642.14
Wesley Manor Ky 232	8.000	12/11	1,005,631.43
Wessington House Apts TN 221D4	7.500	02/22	1,925,667.84
Westchester Circle Ky 221D4	7.500	04/19	4,338,171.44
Westwood Apts Ky 221D4	7.500	10/23	1,229,665.59
Wildwood Apts Ky 221D4	7.500	08/20	1,940,377.68
Willow Creek Apts Ky 221D4	7.500	08/23	1,421,149.55
Woodview Apts Ky 221D4	7.500	01/19	1,467,868.21
Panorama West Ky 236	8.500	12/12	469,302.38
Calvert City Conval Ky 232	7.000	01/93	328,157.78
Hallmark Plaza Ky 223F	8.500	06/11	1,183,444.93
Knights Inn FmHA Loan	13.750	12/90	1,110,415.62
Chrst Hosp GNMA 21191PL	8.000	09/06	3,801,219.09
Cortland Hosp GNMA 13089PL	8.750	10/04	1,484,543.33
Bethany Cir Kings Daughters IN	8.375	03/02	1,849,767.90
Congregational Home Kan 231	5.250	07/04	1,476,806.77
Ephraim McDowell Hosp Ky	9.000	01/01	3,139,522.91
Gladman Nursing Home 232	5.250	04/87	150,841.35
Longmont Christian Hsg 231	5.250	03/03	534,951.03
			107,600,984.47

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	34,999.91
Ky Industrial Development Finance Authority Nt	5.000	07/86	16,666.75
Ky Industrial Development Finance Authority Nt	5.000	01/87	140,000.08
Ky Industrial Development Finance Authority Nt	5.500	01/87	40,000.16
Ky Industrial Development Finance Authority Nt	5.500	07/87	23,333.41
			<u>255,000.31</u>
Total Other Fixed Income Investments			<u>129,013,053.90</u>
TOTAL FIXED INCOME INVESTMENTS			<u>1,351,414,883.20</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 Georgetown Ky L-357	2,186,000.00
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>17,827,784.53</u>
Total Real Estate Equity	<u>17,827,784.53</u>

COMMON STOCKS

	No. of Shares
Abbott Laboratories	25,000.0000
Aluminum Co of America	25,000.0000
American Express Co	38,148.2370
American Home Products	121,300.0000
American International Group	25,000.0000
American Medical International Inc	60,000.0000
Anheuser Busch Companies Inc	15,000.0000
Atlantic Richfield Co	200,000.0000
Baker International Corp	45,000.0000
Baltimore Gas & Electric Co	232,847.0000
Boeing Co	30,000.0000
Bristol-Myers Co	75,000.0000
Capital Cities Communications Inc	10,000.0000
Capital Holding Corp	150,000.0000
Caterpillar Tractor Co	30,000.0000
Centex Corp	60,000.0000
Central & South West Corp	132,000.0000
Commonwealth Edison Co	60,000.0000
Computer Sciences	50,000.0000
Consolidated Edison Co NY	200,000.0000
Consolidated Freightways Inc	25,000.0000
Cox Communications Inc	25,000.0000
Dataproducts Corp	70,000.0000
Dayton-Hudson Corp	120,000.0000
Digital Equipment Corp	30,000.0000
Donnelley R R & Sons Co	50,000.0000
Du Pont (El) de Nemours & Co	50,000.0000
E-Systems Inc	60,000.0000
Exxon Corp	200,000.0000
Farmers Group Inc	25,000.0000
Florida Power Light Co	121,978.0650
General Electric Co	120,000.0000
General Motors Corp	139,000.0000
Georgia-Pacific Corp	50,000.0000
Halliburton Co	130,000.0000
Hewlett Packard Co	70,000.0000
Houston Industries Inc	50,000.0000
Humana Inc	100,000.0000
International Business Machines	150,000.0000
ITT Corp	150,000.0000
K Mart Corp	270,000.0000
Kaiser Cement Corp	70,000.0000
Knight-Ridder Newspaper Inc	40,000.0000
Kroger Co	140,000.0000
Louisville Gas & Electric Co	262,027.3460
May Department Stores Co	60,000.0000
Maytag Co	115,000.0000
McDonalds Corp	25,000.0000
MCI Communications Corp	100,000.0000
Motorola Inc	45,000.0000
National Medical Enterprises Inc	150,000.0000
NCR Corp	40,000.0000

COMMON STOCKS (Continued)

	<u>No. of Shares</u>
Northwest Airlines Inc	35,000.0000
Overseas Shipholding Group	60,000.0000
Paradyne Corp	70,000.0000
Pepsico Inc	115,000.0000
Pfizer Inc	80,000.0000
Phibro-Salomon Inc	40,000.0000
Phillip Morris Inc	150,000.0000
Ryder System Inc	30,900.0000
SCOA Industries Inc	50,000.0000
Searles G D & Co	25,000.0000
Signal Companies Inc	60,000.0000
Smithkline Beckman Corp	100,000.0000
Standard Oil Co Indiana	150,000.0000
Stauffer Chemical Co	50,000.0000
Tie/Communications Inc	70,000.0000
Transco Energy Co	50,000.0000
Tyler Corp	40,000.0000
Union Camp Corp	144,400.0000
United Technologies Corp	160,000.0000
Wang Labs Inc B	40,000.0000
Waste Management Inc	40,000.0000
Xerox Corp	100,000.0000
Total Common Stocks	<u><u>6,297,600.6480</u></u>

**STATE APPROPRIATIONS
AND SICK LEAVE PAYMENTS**

TEACHERS' RETIREMENT SYSTEM

State Appropriations and Sick Leave

SUMMARY STATEMENT OF STATE BUDGET APPROPRIATION TO TEACHERS' RETIREMENT SYSTEM

<u>Expense Item</u>	<u>1983-84 State Revised Budget Appropriation</u>	<u>1983-84 State Actual Budgetary Requirements</u>
Local School Districts	\$ 92,447,002.00	\$ 90,007,705.00
Department of Education & Other	7,083,494.00	6,293,988.00
Higher Education	8,917,810.00	8,614,180.00
Higher Education Contribution Reduction	1,865,794.00	1,720,506.00
Retiree Cost of Living Payment	7,884,000.00	7,884,000.00
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)		2,300,973.00
TOTALS	\$119,013,100.00	\$117,636,352.00
State Over Appropriation for 1983-84:	<u><u>\$ 1,376,748.00</u></u>	

Kentucky Revised Statute 161.550 requires the Teachers' Retirement System to return any State surplus to the State General Fund. The \$1,376,748.00 over appropriation has been subtracted from the 1984-85 budget appropriation to the Teachers' Retirement System. As of June 30, 1984, the State has made all payments to the Teachers' Retirement System that are required by law.

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

<u>Date</u>	<u>Total Member Contributions</u>	<u>Federal Payments</u>	<u>Required State Match Contribution</u>	<u>Required State Overmatch</u>	<u>State Appropriation</u>	<u>Deficit/Surplus State Funding</u>	<u>Running Total Deficit/Surplus State Funding</u>
1940-44	\$ 2,063,716.64	\$ —	\$ 2,063,716.64	\$ —	\$ 2,063,636.92	\$ -79.72	\$ -79.72
1944-48	3,184,177.52	—	3,184,177.52	—	3,039,017.44	-145,160.08	-145,239.80
1948-52	4,951,457.55	—	4,951,457.55	—	5,090,847.83	139,390.28	-5,849.52
1952-56	7,267,163.31	—	7,267,163.31	—	6,494,101.79	-773,061.52	-778,911.04
1956-60	14,970,960.84	—	14,970,960.84	—	14,963,272.06	-7,688.78	-786,599.82
1960-64	25,945,897.28	—	25,945,897.28	—	25,938,763.39	-7,133.89	-793,733.71
1964-68	49,957,298.50	2,042,013.63	47,915,284.87	—	45,317,694.37	-2,597,590.50	-3,391,324.21
1968-72	82,922,869.43	6,044,864.81	76,878,004.62	—	80,091,950.94	3,213,946.32	-177,377.89
1972-76	120,349,349.69	8,019,215.64	112,330,134.05	—	111,665,685.06	-664,448.99	-841,826.88
1976-77	39,616,015.00	2,443,300.00	37,172,709.00	13,757,640.00	53,473,965.00	2,543,615.00	+1,701,788.00
1977-78	43,440,611.00	2,672,980.00	40,767,631.00	16,924,913.00	59,626,165.00	1,933,619.00	+3,635,408.00
1978-79	50,366,491.00	3,238,879.00	47,127,612.00	21,258,584.00	67,888,000.00	-498,197.00	+3,137,211.00
1979-80	55,649,258.00	3,689,027.00	51,960,231.00	23,068,889.00	75,795,900.00	766,779.00	+3,903,990.00
1980-81	60,087,341.00	4,109,090.00	55,978,251.00	24,908,848.00	83,449,550.00	2,562,450.00	+6,466,440.00
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—
1983-84	79,049,721.00	4,294,649.00	74,755,072.00	30,160,801.00	108,593,594.00	3,677,721.00	—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 1983-84 has been returned to the State General Fund as required under KRS 161.550 after adjustment for \$2,300,973.00 sick leave payment. Further the original state budgeted amount was reduced in December 1983 by \$1,100,000.00

TEACHERS' RETIREMENT SYSTEM

State Appropriations and Sick Leave

SUMMARY OF JULY 1, 1984 RETIREE SICK LEAVE PAYMENTS

Total members retiring	876
Total members receiving sick leave payments	569
Total amount of sick leave payments	
@ 7.84 = 200,797.94	
@ 9.32 = 1495,465.93	\$1,696,263.87
Average payment per retiree	\$ 2,981.13
Total increase in final average salary base	\$ 339,252.80
Average increase in FAS	\$ 596.23
Total service credit of 569 retirees	16,786.36 years
Average service credit per 569 retirees	29.50 years

ADDITIONAL AVERAGE MONTHLY ANNUITY PAYMENT PER RETIREMENT FORMULA

$596.23 \times 28.50 \times 2\% =$	339.85	
$596.23 \times 1.00 \times 2.25\% =$	13.42	
		353.27
$353.27 \div 12 \text{ months} =$		29.44

ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY

$\$29.44 \times 146.568 \times 569 =$	\$ 2,455,213.33
---------------------------------------	-----------------

FUNDING OF ADDITIONAL PAYOUT

Member Contributions	$7.84 \times \$200,797.94 =$	\$ 15,742.56
State Contributions	$11.09 \times \$200,707.94 =$	22,268.49
Member Contributions	$9.32 \times 1495,465.93 =$	139,377.42
State Contribution	$12.57 \times 1495,465.93 =$	187,980.07
Total Member - State Contributions		\$365,368.54

UNFUNDED DEBT TO KTRS

Anticipated additional payout	\$2,455,213.33	
Less total Member & state Contributions	365,368.54	
Subtotal unfunded debt	2,089,844.79	
Plus current year adjustment	211,128.50	
Total unfunded debt	2,300,973.29	(1)

(1) This amount has been paid from surplus 1983-84 state funds as required in KRS 161.550, thus eliminating the 1983-84 unfunded debt for sick leave payments.

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 1984**

<u>SCHOOL DISTRICTS</u>	<u>MEMBER PAYMENTS</u>	<u>TOTAL PAYMENTS</u>
Adair	3	\$ 7,481.01
Allen	1	1,336.48
Anderson	1	1,274.36
Barren	3	3,741.42
Bell	7	7,501.33
Boone	6	23,478.88
Bourbon	6	22,073.61
Boyd	4	9,194.54
Boyle	3	10,572.53
Breathitt	2	2,605.47
Breckinridge	1	13,198.49
Bullitt	3	11,961.34
Butler	2	3,815.45
Calloway	1	1,881.87
Campbell	7	18,654.32
Carlisle	2	4,376.18
Carroll	1	2,619.64
Carter	13	39,869.95
Casey	7	6,846.46
Clark	8	23,172.53
Clay	7	18,434.11
Clinton	1	4,854.97
Daviess	5	5,174.68
Elliott	1	2,793.78
Estill	1	742.47
Fayette	59	285,575.89
Fleming	3	7,187.01
Franklin	2	4,244.37
Garrard	4	12,361.17
Graves	4	13,774.59
Grayson	2	2,284.01
Greenup	5	10,518.24
Hancock	1	5,378.33
Hardin	3	9,510.41
Harrison	1	1,311.48
Hart	1	2,934.33
Henderson	5	17,271.17
Henry	2	7,109.77
Hickman	1	3,257.83
Hopkins	13	38,525.59
Jackson	4	6,007.11
Jefferson	113	338,623.83
Jessamine	5	10,579.61
Johnson	5	18,742.81
Kenton	5	14,263.09
Knott	7	14,125.54
Larue	1	4,513.52
Laurel	10	23,904.83
Leslie	5	12,271.95
Letcher	3	4,314.49

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 1984**

<u>SCHOOL DISTRICTS</u>	<u>MEMBER PAYMENTS</u>	<u>TOTAL PAYMENTS</u>
Lincoln	3	11,690.80
Logan	3	7,305.90
Lyon	1	1,827.68
Madison	5	15,937.56
Magoffin	3	3,553.75
Marion	1	1,223.09
Marshall	3	6,957.08
Mason	1	3,912.02
Meade	3	8,952.81
Mercer	1	2,843.99
Metcalfe	2	3,411.80
Monroe	3	4,807.97
Montgomery	2	4,027.47
Morgan	5	19,685.62
Muhlenberg	3	15,036.27
Nelson	4	14,616.31
Ohio	3	5,245.71
Oldham	4	2,274.96
Owen	3	10,274.36
Perry	11	24,570.60
Pike	19	56,892.75
Powell	3	10,001.08
Pulaski	6	15,518.13
Robertson	1	1,887.12
Rockcastle	4	3,563.41
Russell	1	630.47
Scott	4	13,805.77
Shelby	1	4,376.39
Simpson	6	10,119.80
Spencer	2	6,310.83
Taylor	1	2,387.98
Todd	3	8,622.53
Trigg	2	21,159.55
Trimble	2	3,748.28
Union	4	13,930.90
Washington	1	1,131.87
Webster	2	5,955.15
Woodford	1	3,005.10
Anchorage	1	4,341.45
Ashland	6	14,326.83
Bardstown	4	15,081.78
Bowling Green	7	23,963.84
Central City	1	2,197.00
Covington	13	55,042.27
Danville	3	3,592.81
Elizabethtown	2	6,331.97
Erlanger	4	9,488.32
Fairview	1	3,579.40
Frankfort	1	6,050.11
Glasgow	4	4,471.35

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 1984**

<u>SCHOOL DISTRICTS</u>	<u>MEMBER PAYMENTS</u>	<u>TOTAL PAYMENTS</u>
Greenville	1	3,015.82
Harrodsburg	1	3,259.98
Jenkins	1	1,840.99
Mayfield	1	5,060.62
Middlesboro	4	7,967.38
Newport	1	301.72
Owensboro	8	19,090.02
Paintsville	1	1,688.73
Pikeville	1	1,684.76
Providence	1	2,388.95
Russell	3	11,378.97
Somerset	5	17,741.42
Walton	1	4,709.23
Reg.14 Somerset	1	218.45
 TOTALS	 569	 \$1,696,263.87

SECTION II

AUDITORS REPORT



TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

REPORT OF EXAMINATION
JUNE 30, 1984

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GARY L. HARBIN, C.P.A.
LARRY T. WILLIAMS, C.P.A.

September 14, 1984

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, 1984 and 1983 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, 1984 and 1983, 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, 1984 AND JUNE 30, 1983

	<u>JUNE 30, 1984</u>	<u>JUNE 30, 1983</u>
<u>ASSETS</u>		
Cash	\$ 12,025,786	\$ 11,665,616
Investments	1,536,246,228	1,338,329,388
Accrued Investment Income	28,733,086	24,222,227
Premium Stabilization and Reserve Account Aetna Life Insurance Company	<u>3,751,631</u>	<u>55,657</u>
Total Assets	\$1,580,756,731	\$1,374,272,888
 <u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Treasurer's Unredeemed Checks	\$ 36,124	\$ 33,824
Maintenance Reserve - Rental Property	13,764	6,246
State Over Appropriations	<u>1,376,748</u>	<u>1,928,730</u>
Total Liabilities	1,426,636	1,968,800
FUND BALANCES		
Teachers' Savings Fund	580,793,842	517,805,618
State Accumulation Fund	592,940,319	525,858,368
Allowance Reserve Fund	72,403,649	71,142,232
Guarantee Fund	321,568,116	244,978,070
Voluntary Fund	6,092,544	5,629,027
Survivor, Death and Medical Insurance	5,531,625	6,887,553
General Expense Fund	<u>3,220</u>	<u>3,220</u>
Total Fund Balances	1,579,330,095	1,372,304,088
Total Liabilities and Fund Balances	\$1,580,756,731	\$1,374,272,888

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
<u>REVENUES</u>		
Teachers' Contributions	\$ 77,329,215	\$ 66,583,836
State Contributions	117,636,352	101,959,570
Employers' Matching Contributions	4,294,650	3,933,030
Insurance Premiums Paid by Members	1,699,430	
Voluntary Contributions	774,698	1,048,936
Teachers' Reinstatement Contributions	236,367	390,816
Interest and Dividend Income	136,649,372	115,445,137
Rental Income	1,774,306	679,929
Gain on Sale of Investments	8,441,789	45,158,855
Leased Security Income	227,718	
Employers Sick Leave Payments	86,689	
Aetna Life Insurance Company:		
Interest Income	641,119	471,756
Experience Decrease	3,054,855	-1,728,948
Escrow Late Remittance Penalty	3,290	1,680
Net Other Revenues	5,492	
	<hr/>	<hr/>
Total Revenues	352,855,342	333,944,597
<u>EXPENSES</u>		
Benefits for Service and Disability Retirements	118,450,162	106,879,301
Comprehensive Medical Insurance Premiums	15,208,756	11,702,523
Survivor and Death Benefits	4,618,718	4,476,584
Refunds of Members' Contributions	5,936,368	6,162,472
General Expense Fund Expenditures	1,265,339	1,019,301
Investment Counsel and Processing Fees	349,992	366,593
Net Other Expenses	59,100	
	<hr/>	<hr/>
Total Expenses	145,829,335	130,665,874
 EXCESS OF REVENUES OVER EXPENSES	 207,026,007	 203,278,723
<u>FUND BALANCES</u>		
Beginning of Year	1,372,304,088	1,169,025,365
End of Year	\$1,579,330,095	\$1,372,304,088

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, 1984 AND 1983

	<u>YEAR ENDED</u> <u>JUNE 30, 1984</u>	<u>YEAR ENDED</u> <u>JUNE 30, 1983</u>
<u>SOURCE OF FUNDS</u>		
Excess of Revenues Over Expenses	\$ 207,026,007	\$ 203,278,723
Current Year State Over Appropriations	1,376,748	1,928,730
Decrease in Premium Stabilization and Reserve Accounts with Aetna Life Insurance Company		1,257,192
Increase in Maintenance Reserve - Rental Property	7,518	6,246
Increase in Treasurer's Unredeemed Checks	<u>2,300</u>	<u>3,224</u>
Total Source of Funds	208,412,573	206,474,115
 <u>USE OF FUNDS</u>		
Net Increase in Investments	197,916,840	197,007,057
Increase in Premium Stabilization and Reserve Accounts with Aetna Life Insurance Company	3,695,974	
Increase in Accrued Investment Income	4,510,859	4,145,702
Return of Prior Year State Over Appropriations	<u>1,928,730</u>	<u>3,094,894</u>
Total Use of Funds	208,052,403	204,247,653
 INCREASE IN CASH	360,170	2,226,462
 <u>CASH BALANCE</u>		
Beginning of Year	<u>11,665,616</u>	<u>9,439,154</u>
End of Year	\$ 12,025,786	\$ 11,665,616

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
<u>REVENUES</u>		
Teachers' Contributions	\$ 71,661,283	\$ 61,348,503
Teachers' Reinstatement Contributions	188,116	308,346
Transfers from Guarantee Fund:		
Interest on Fund Balance	14,852,969	13,340,282
Other Revenues	<u>1,527</u>	<u>21,865</u>
Total Revenues	86,703,895	75,018,996
<u>EXPENSES</u>		
Refunds of Members' Contributions	5,225,974	5,744,626
Transfers to State Accumulation Fund:		
Adjustment to University Members' Accounts	354,584	
Transfers to Allowance Reserve Fund:		
Retirements	17,517,483	18,756,835
Transfers to Survivor, Death and Medical Insurance Fund:		
Survivor Benefits	<u>617,630</u>	<u>340,590</u>
Total Expenses	23,715,671	24,842,051
EXCESS OF REVENUES OVER EXPENSES	62,988,224	50,176,945
<u>FUND BALANCE</u>		
Beginning of Year	<u>517,805,618</u>	<u>467,628,673</u>
End of Year	\$580,793,842	\$517,805,618

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
<u>REVENUES</u>		
State Contributions - Permanent	\$ 69,395,376	\$ 59,058,912
State Contributions - Prior Service		640,000
State Contributions - Handicapped Child Benefits	125,000	
State Contributions - Overmatch and Benefit Improvements	38,734,802	34,156,024
State Contributions - University Salaries	1,720,506	1,578,878
State Contributions - Sick Leave	2,300,973	
Employers' Matching Contributions	3,986,413	3,620,547
Employers' Sick Leave Payments	86,689	
Teachers' Reinstatement Contributions	48,251	82,470
Transfers from Teachers Savings Fund: Adjust University Members Accounts	354,584	
Transfers from Guarantee Fund: Interest on Fund Balance	14,977,094	13,484,537
Reinstatements	187,826	281,472
Return of Prior Years State University Matching Contributions		781,364
Other Revenues	5,319	
Total Revenues	131,922,833	113,684,204
<u>EXPENSES</u>		
Transfers to Expense Fund		1,017,500
Transfers to Allowance Reserve Fund: Retirements	17,771,524	18,895,427
Transfers to Guarantee Fund: Refunds	5,225,448	5,878,771
State Overmatching Contributions		238,035
Benefit Improvements	38,734,802	34,796,024
Unmatched State Contributions	13,173	
Sick Leave Retirement Benefits	2,300,973	
Transfers to Survivor, Death and Medical Insurance Fund: Survivor Benefits	669,962	346,711
Handicapped Child Benefits	125,000	
Other Expenses		17,804
Total Expenses	64,840,882	61,190,272
EXCESS OF REVENUES OVER EXPENSES	67,081,951	52,493,932
<u>FUND BALANCE</u>		
Beginning of Year	525,858,368	473,364,436
End of Year	\$592,940,319	\$525,858,368

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
<u>REVENUES</u>		
State Contributions - Sick Leave	\$	\$ 1,409,798
Transfers from Teachers' Savings Fund:		
Retirements	17,517,483	18,756,835
Transfers from State Accumulation Fund:		
Retirements	17,771,524	18,895,427
Transfers from Guarantee Fund:		
Interest on Fund Balance	1,798,659	1,660,424
State Deficiency in Service Obligation for Members Retired	<u>84,002,621</u>	<u>75,078,543</u>
Total Revenues	121,090,287	115,801,027
<u>EXPENSES</u>		
Benefits for Service and Disability Retirements	118,328,513	106,769,773
Transfer to Guarantee Fund:		
Prior Year State Contributions - Sick Leave	1,409,798	
Transfers to Survivor, Death and Medical Insurance Fund:		
Benefits for Survivors of Retired Members	73,550	
Other Expenses	<u>17,009</u>	<u>69,225</u>
Total Expenditures	119,828,870	106,838,998
EXCESS OF REVENUES OVER EXPENSES	1,261,417	8,962,029
<u>FUND BALANCE</u>		
Beginning of Year	<u>71,142,232</u>	<u>62,180,203</u>
End of Year	\$ 72,403,649	\$ 71,142,232

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
REVENUES		
Interest and Dividends Earned on Investments	\$136,649,372	\$115,445,137
Rental Income	1,774,306	679,929
Gain on Sale of Investments	8,441,789	45,158,855
Leased Security Income	227,718	
Escrow Late Remittance Penalty	3,290	1,680
Transfers from State Accumulation Fund:		
Refunds	5,225,448	5,878,771
State Overmatch and Benefit Improvements	38,734,802	34,796,024
State Contribution - Sick Leave	2,300,973	
Unmatched State Contributions	13,173	238,035
Transfers from Allowance Reserve Fund:		
Prior Year State Contributions - Sick Leave	1,409,798	
Transfers from Survivor, Death and Medical Insurance Fund:		
Unmatched State Contributions		45,731
Other Revenues	17,605	
Total Revenues	<u>194,798,274</u>	<u>202,244,162</u>
EXPENSES		
Investment Counsel and Processing Fees	349,992	366,593
Transfers to Teachers' Savings Fund:		
Interest on Fund Balance	14,852,969	13,340,282
Transfers to State Accumulation Fund:		
Interest on Fund Balance	14,977,094	13,484,537
Reinstatements	187,826	281,472
Return of Prior Years State University Matching Contributions		781,364
Transfers to Allowance Reserve Fund:		
Interest on Fund Balance	1,798,659	1,660,424
State Deficiency in Service Obligation for Members Retired	84,002,621	75,078,543
Transfers to Voluntary Contribution Fund:		
Interest on Voluntary Accounts	494,128	428,644
To Fund Deficiency from Increased Benefits Continued After Voluntary Contributions Expire	27,213	19,232
Transfers to Survivor, Death and Medical Insurance Fund:		
Handicapped Child Benefit		125,000
Interest on Fund Balance	255,607	251,506
Transfer to Administrative Expense Fund:		
Funding of Administrative Expenses	1,262,119	
Other Expenses		22,871
Total Expenses	<u>118,208,228</u>	<u>105,840,468</u>
EXCESS OF REVENUES OVER EXPENSES	76,590,046	96,403,694
FUND BALANCE		
Beginning of Year	244,978,070	148,574,376
End of Year	<u>\$321,568,116</u>	<u>\$244,978,070</u>

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
<u>REVENUES</u>		
Voluntary Contributions	\$ 774,698	\$1,048,936
Transfers from Guarantee Fund:		
Interest on Voluntary Accounts	494,128	428,644
To Fund Deficiency from Increased Benefits Continued After Voluntary Contributions Expire	<u>27,213</u>	<u>19,232</u>
Total Revenues	1,296,039	1,496,812
<u>EXPENSES</u>		
Refunds of Members' Contributions	710,394	417,846
Benefits Increased by Voluntary Contributions	94,436	90,296
Increased Benefits Continued After Voluntary Contributions Expire	<u>27,213</u>	<u>19,232</u>
Other Expenses	<u>479</u>	<u>720</u>
Total Expenses	832,522	528,094
EXCESS OF REVENUES OVER EXPENSES	463,517	968,718
<u>FUND BALANCE</u>		
Beginning of Year	<u>5,629,027</u>	<u>4,660,309</u>
End of Year	\$6,092,544	\$5,629,027

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
<u>REVENUES</u>		
Teachers' Contributions	\$ 5,667,932	\$ 5,235,333
State Contributions	5,359,695	5,115,958
Employers' Matching Contributions	308,237	312,483
Insurance Premiums Paid by Members	1,699,430	
Aetna Life Insurance Company:		
Interest Income	641,119	471,756
Experience Increase (-Decrease)	3,054,855	-1,728,948
Transfers from Teachers' Savings Fund:		
Survivor Benefits	617,630	340,590
Transfers from State Accumulation Fund:		
Survivor Benefits	669,962	346,711
Handicapped Child Benefit	125,000	
Transfers from Allowance Reserve Fund:		
Benefits for Survivors of Retired Members	73,550	
Transfers from Guarantee Fund:		
Handicapped Child Benefit		125,000
Interest on Fund Balance	255,607	251,506
Other Revenues		29,655
Total Revenues	18,473,017	10,500,044
<u>EXPENSES</u>		
Comprehensive Medical Insurance Premiums	15,208,756	11,702,523
Survivor and Death Benefits	4,618,718	4,476,584
Transfers to Guarantee Fund:		
Unmatched State Contributions		45,731
Other Expenses	1,471	
Total Expenses	19,828,945	16,224,838
EXCESS (-DEFICIT) OF REVENUES OVER EXPENSES	-1,355,928	-5,724,794
<u>FUND BALANCE</u>		
Beginning of Year	6,887,553	12,612,347
End of Year	\$ 5,531,625	\$ 6,887,553

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, 1984 AND 1983

	YEAR ENDED JUNE 30, 1984	YEAR ENDED JUNE 30, 1983
<u>RECEIPTS</u>		
Transfers from Guarantee Fund	\$1,262,119	\$1,017,500
<u>EXPENSES</u>		
Personal Services:		
Salaries, Payroll Taxes and Retirement	785,940	681,669
Contracted Professional and Consulting Services	40,625	41,019
Current Operating Expenses:		
Postage, Freight, and Express	132,837*	75,887
Telephone	16,479	14,036
Travel, In-State	8,328	7,622
Travel, Out-of-State	14,012	11,695
Printing	40,535	41,289
Utilities	17,349	15,395
Maintenance of Equipment	8,725	3,217
Maintenance of Building	950	2,310
Car Pool Rental	1,829	2,235
Office Supplies	14,631	6,516
Janitor Supplies	505	544
Rental of Computer	83,600	55,957
Rental of Equipment	4,853	4,880
Rental of Building	29,243	29,303
Employee Training Expense	1,934	872
Life Insurance - Employees	421	351
Insurance	1,198	5,482
Membership Fees	565	505
Subscriptions	2,129	2,927
Miscellaneous	2,894	1,779
Data Processing Supplies	2,228	2,452
Furniture, Fixtures, and Equipment	6,294	3,681
Capital Outlay:		
Office Equipment Purchased	47,235	7,678
Total Expenses	1,265,339	1,019,301
EXCESS (-DEFICIT) OF REVENUES OVER EXPENSES	-3,220	-1,801
<u>FUND BALANCE</u>		
Beginning of Year	3,220	5,021
End of Year	\$ 0	\$ 3,220

* Included in this amount is \$46,227 of postage purchased and on hand at June 30, 1984 that will be used during the next fiscal year.

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

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 standards that were established by the National Committee on Governmental Accounting.

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% creditable compensation until December 31, 1983 and then at a rate of 9.32% of creditable compensation through June 30, 1984. The fund also includes 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. As of this report date the System, using an average contribution rate for the year, has calculated that these estimated appropriations may exceed required appropriations by \$1,376,748. After the annual reports from employers are reconciled, a more accurate determination will be made. The amount of excess appropriations will be deducted from 1984-85 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 appropriation.

NOTE 2: Explanation of the Funds (Continued)

ALLOWANCE RESERVE FUND: Retirement benefits of the members of the System are paid from this fund. Retirement benefits paid first reduce the retired member's contributions until they are exhausted, then state matching contributions are used to cover the benefits. After both the member's contributions and the state matching contributions are exhausted, the retirement benefits are paid from investment earnings and funds available through actuarial provisions.

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

VOLUNTARY CONTRIBUTION FUND: Members are allowed to contribute four per cent or more of their annual compensation to their accounts. These voluntary accounts earn interest at the rate of 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. Starting January 1, 1984, retired members contributed \$10 per month for health insurance coverage for themselves and \$25 per month for coverage of their spouses if eligible. 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 and eligible spouses.

GENERAL EXPENSE FUND: The cost of administration of the Teachers' Retirement System is born 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.

KENTUCKY TEACHERS' RETIREMENT SYSTEM
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1984

NOTE 4: Actuarial Valuation

Actuarial valuations are conducted by statute on a biannual basis with the most recent valuation being for the year ended June 30, 1982. The valuation for the year ended June 30, 1984 is not complete as of the date of this report. As of June 30, 1982 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.

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>	
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 (CONTINUED)
JUNE 30, 1984

NOTE 5: Investments

The investments of the Retirement System at June 30, 1984 and June 30, 1983 are as follows:

	<u>JUNE 30, 1984</u>	<u>JUNE 30, 1983</u>
BONDS AND MORTGAGES		
Short Term		
Repurchase Agreements	\$ 196,520,000	\$ 163,360,000
Certificates of Deposit		25,000,000
Total Short Term	<u>196,520,000</u>	<u>188,360,000</u>
U.S. Government Obligations		
Treasury Notes and Bonds	390,900,000	252,900,000
Agencies	149,292,590	154,294,801
Ship Bonds (Title XI)	90,229,340	93,016,456
GNMA (Single Family)	93,655,971	97,275,421
Other Miscellaneous	<u>6,573,625</u>	<u>11,735,413</u>
Total U.S. Government Obligations	<u>730,651,526</u>	<u>609,222,091</u>
Corporate Bonds		
Industrials	139,460,582	136,921,265
Finance	30,827,444	32,937,610
Utility Bonds (Except Telephone)	50,009,000	50,199,000
Telephone Bonds	63,440,000	53,440,000
Railroad Obligations	<u>11,493,277</u>	<u>11,957,916</u>
Total Corporate Bonds	<u>295,230,303</u>	<u>285,455,791</u>
Other Fixed Income Investments		
FHA & VA Single Family Mortgages	21,157,069	23,055,794
Project Mortgages	107,600,985	103,382,745
State and Local Government Obligations	<u>255,000</u>	<u>351,667</u>
Total Other Investments	<u>129,013,054</u>	<u>126,790,206</u>
TOTAL BONDS AND MORTGAGES	1,351,414,883	1,209,828,088
Accrued Interest Purchased	456,607	731,141
Unamortized Premiums	6,047,092	7,007,016
Unamortized Discounts	<u>-63,228,500</u>	<u>-64,142,382</u>
NET BONDS AND MORTGAGES	1,294,690,082	1,153,423,863
REAL ESTATE	17,827,786	15,641,785
STOCKS	<u>223,728,360</u>	<u>169,263,740</u>
TOTAL INVESTMENTS	\$1,536,246,228	\$1,338,329,388

The market value of bonds and mortgages is \$1,108,719,059 at June 30, 1984 and \$1,080,916,049 at June 30, 1983. The common stocks have a market value of \$231,177,116 at June 30, 1984 and \$212,203,600 at June 30, 1983. The market value of the real estate is not readily determinable at June 30, 1984.

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY**
216 West Main Street
Frankfort, Kentucky 40601

**BULK RATE
U.S. POSTAGE**
Permit No. 1
Frankfort, KY 40601