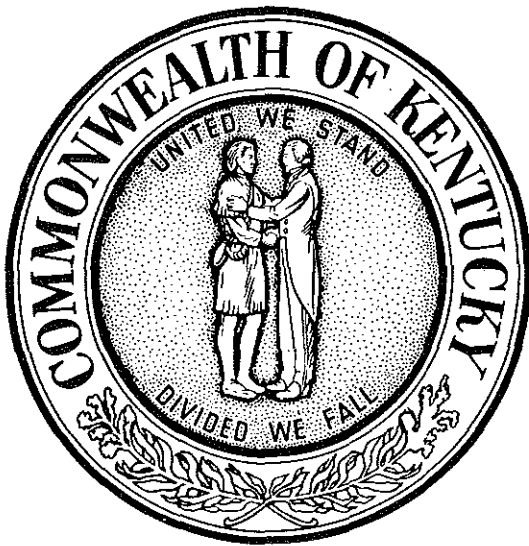


1984-85  
45<sup>th</sup> Annual Report  
December 1985



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

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

1984-85 ANNUAL REPORT

BOARD OF TRUSTEES

W. D. BRUCE, JR.  
CHAIRPERSON, LOUISVILLE

MARTHA BAKER  
VICE-CHAIRPERSON, PADUCAH

DENVER C. KNUCKLES, MIDDLESBORO  
FRANCES MILLER, RUSSELL  
ARLENE ROMINE, MT. WASHINGTON  
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, 1985

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

Dear Governor Collins:

Under authorization of KRS 161.320, the Board of Trustees is submitting to you the forty-fifth Annual Report of the Teachers' Retirement System of the State of Kentucky.

This report contains informative, statistical, investment and actuarial data in regard to the financial operations of the System.

The financial statements included in this report have been prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board.

Your support and assistance as well as that of the General Assembly is certainly appreciated in providing the financial assistance to insure the operation of the System in an actuarially sound manner.

Respectfully yours,

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

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

A handwritten signature in black ink, appearing to read "Pat N. Miller".

Pat N. Miller  
Executive Secretary

# **TABLE OF CONTENTS**

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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.

1911

1. The first part of the report is a general description of the work done during the year. It includes a list of the projects undertaken and a summary of the results achieved. The second part is a detailed account of the work done on the various projects, and the third part is a summary of the work done on the various projects.



**BOARD OF TRUSTEES**



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



**Mrs. Arlene Romine**  
Vice-Chairperson  
Mt. Washington  
Teacher Trustee



**Mrs. Martha Baker**  
Paducah  
Teacher Trustee



**Mr. Denver Knuckles**  
Middlesboro  
Lay Trustee



**Mrs. Frances Miller**  
Russell  
Teacher Trustee



**Mr. T. K. Stone**  
Elizabethtown  
Retired 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, CFA 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 five 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 \$1.8 billion invested by the Retirement System. In coordination with the Investment Counselors, the investment staff helped the System realize an overall yield of 10.7% on its total investment program in 1984-85.

**COMPTROLLER:** This area accounts for the fund of the Teachers Retirement System and is responsible for the general ledger, budget development, escrow and voluntary accounts, and for tax information.

**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.

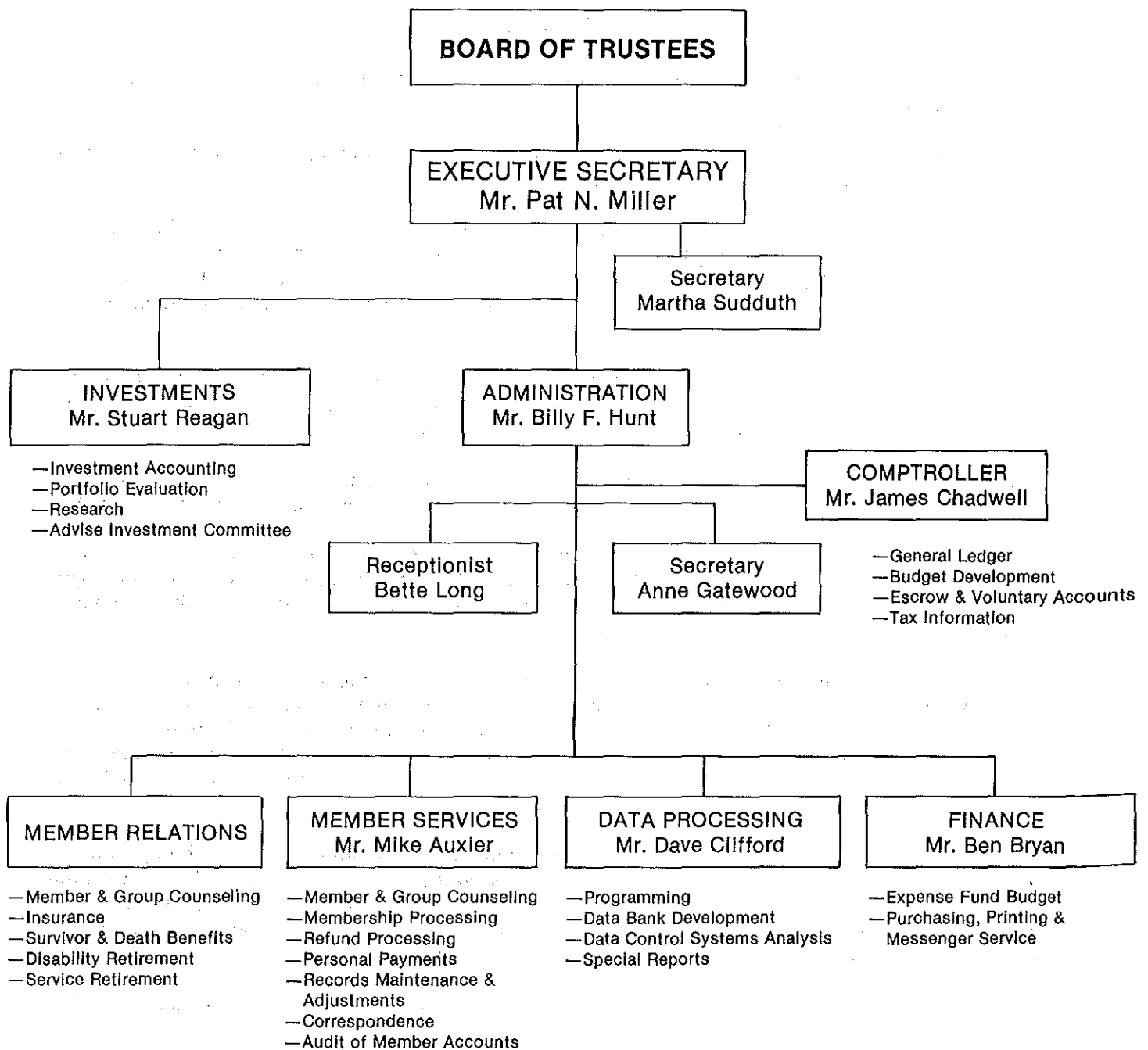
**MEMBER SERVICES:** Employees in this area concentrate heavily on member records and their accuracy including payroll changes, membership enrollment, annual statements to members, refund of member accounts, address changes and improvement of member accounts through reinstatements, purchase of annual 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 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, 1980 through June 30, 1985**

	1980-81	1981-82	1982-83	1983-84	1984-85
Payroll Salaries	551,504	627,354	683,452	788,815	883,078
Contracted Services	321,142	380,246	407,613	390,617	439,916
Operating Expenses	234,763	249,565	287,151	388,720	353,634
Fixed Equipment	3,308	3,130	7,678	47,235	29,458
<b>TOTALS</b>	<b>1,110,717</b>	<b>1,260,295</b>	<b>1,385,894</b>	<b>1,615,387</b>	<b>1,706,086</b>

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 1 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>
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
1984			

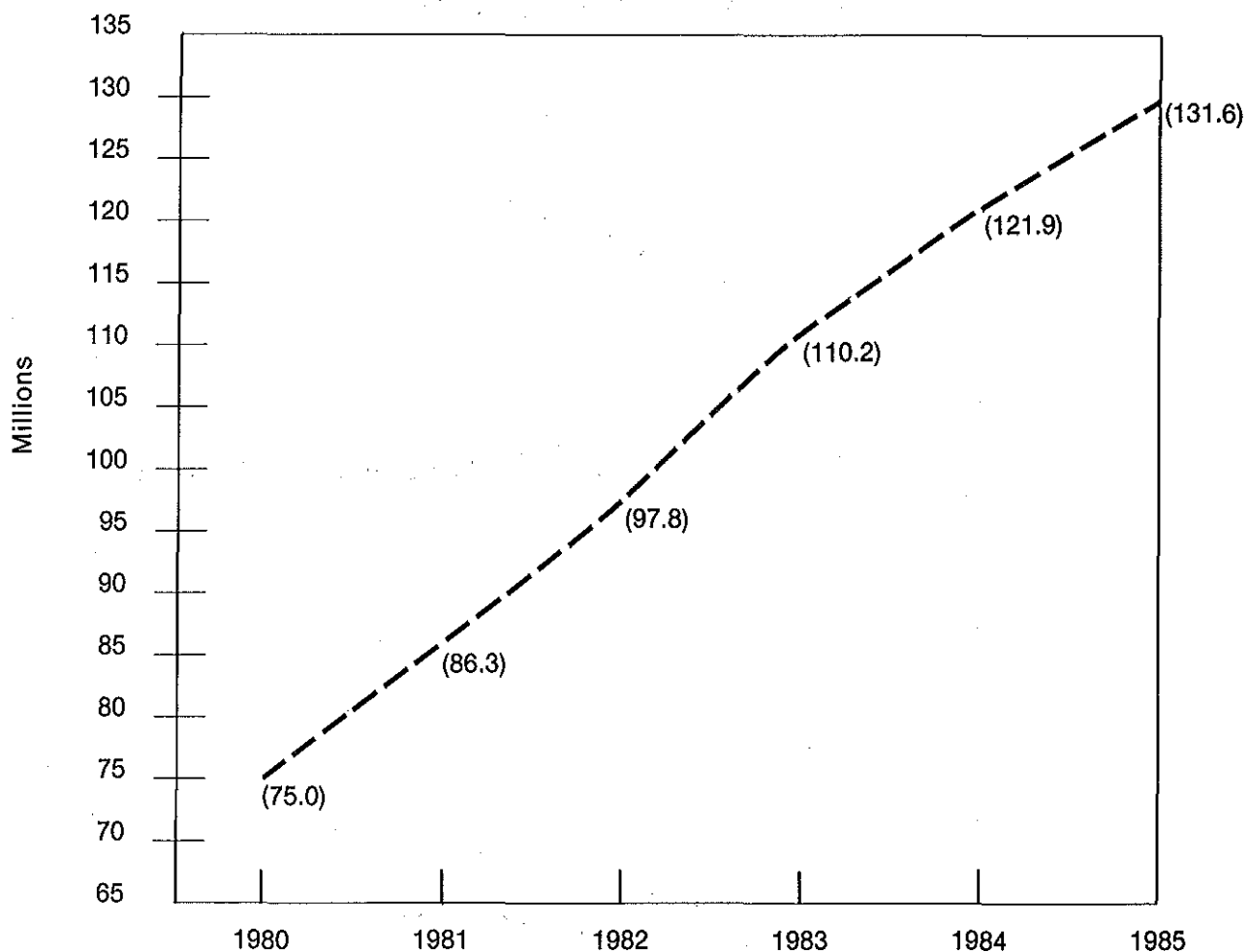
### DISTRIBUTION OF ACTIVE MEMBERS (At June 30, 1984)

<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

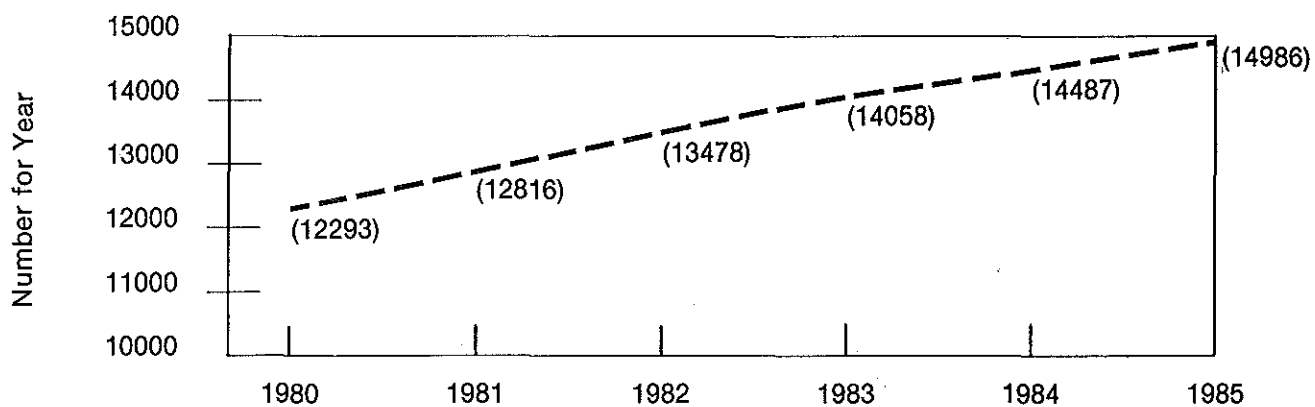
## TEACHERS' RETIREMENT SYSTEM

Benefits and Services

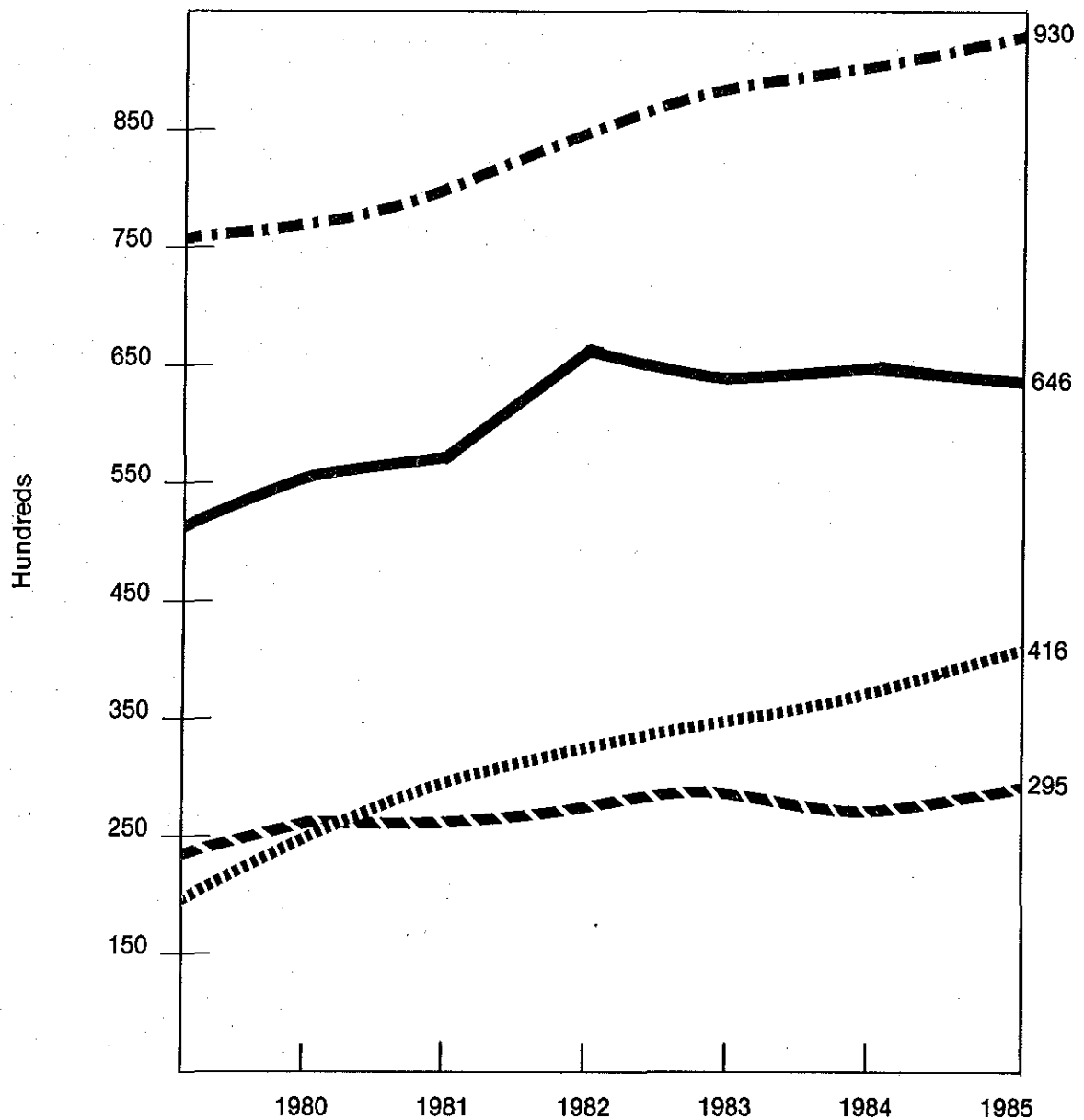
### GROWTH IN ANNUAL PAYROLL TO RETIREES AND SURVIVORS



### GROWTH IN SERVICE RETIREMENTS

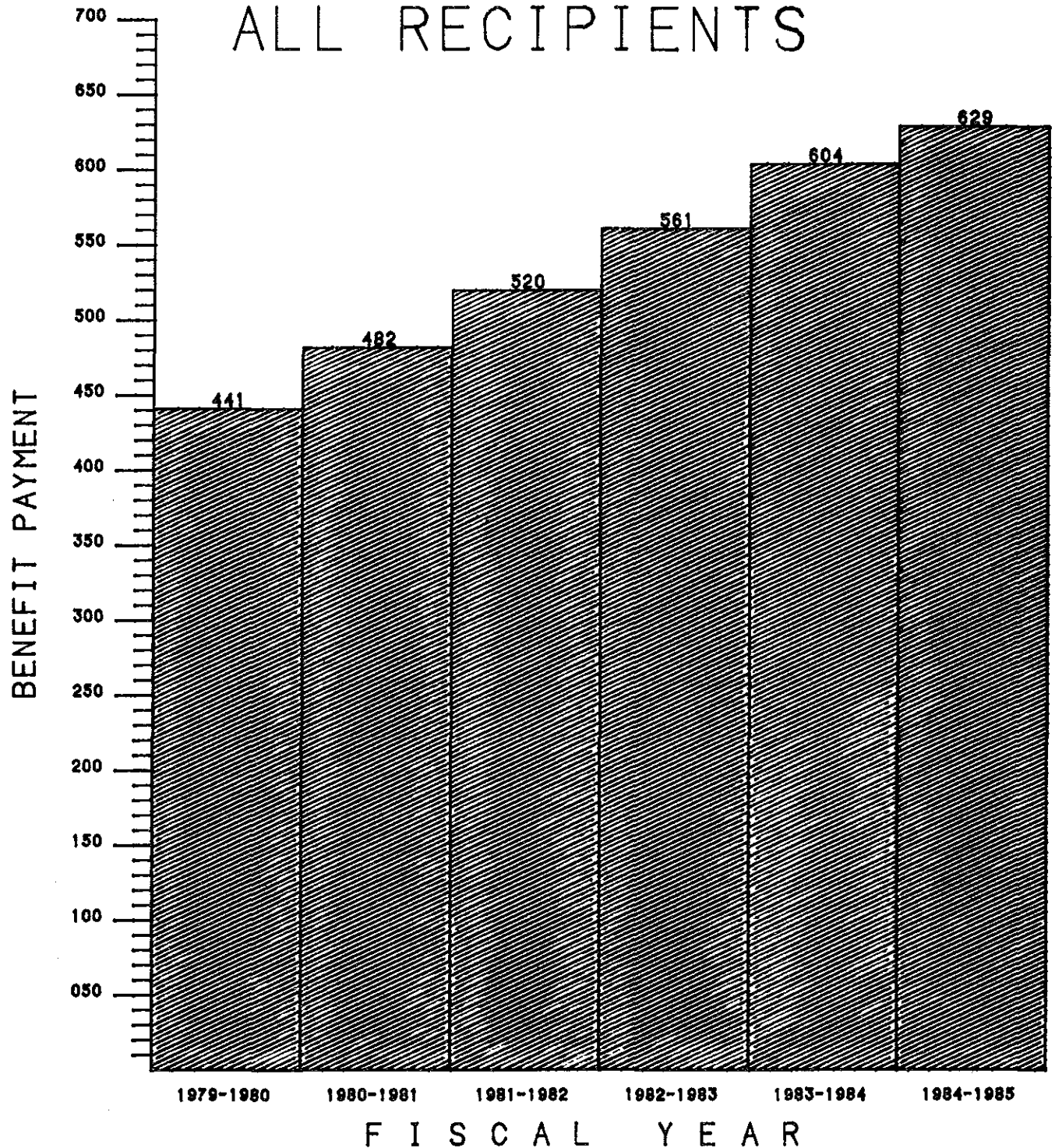


**NUMBER OF  
ANNUITANTS ON PAYROLL  
OTHER THAN SERVICE RETIREMENT**



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

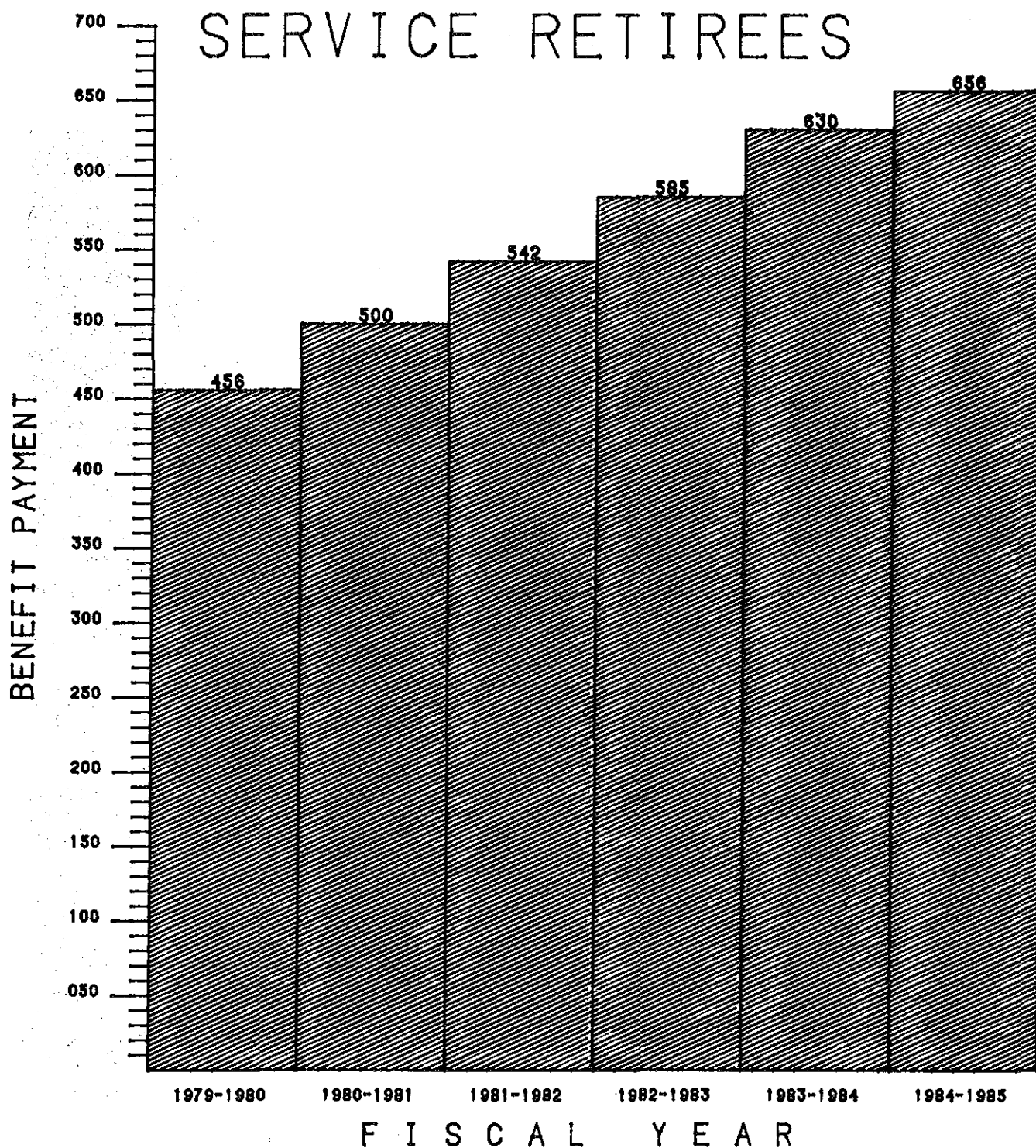
TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH  
ALL RECIPIENTS



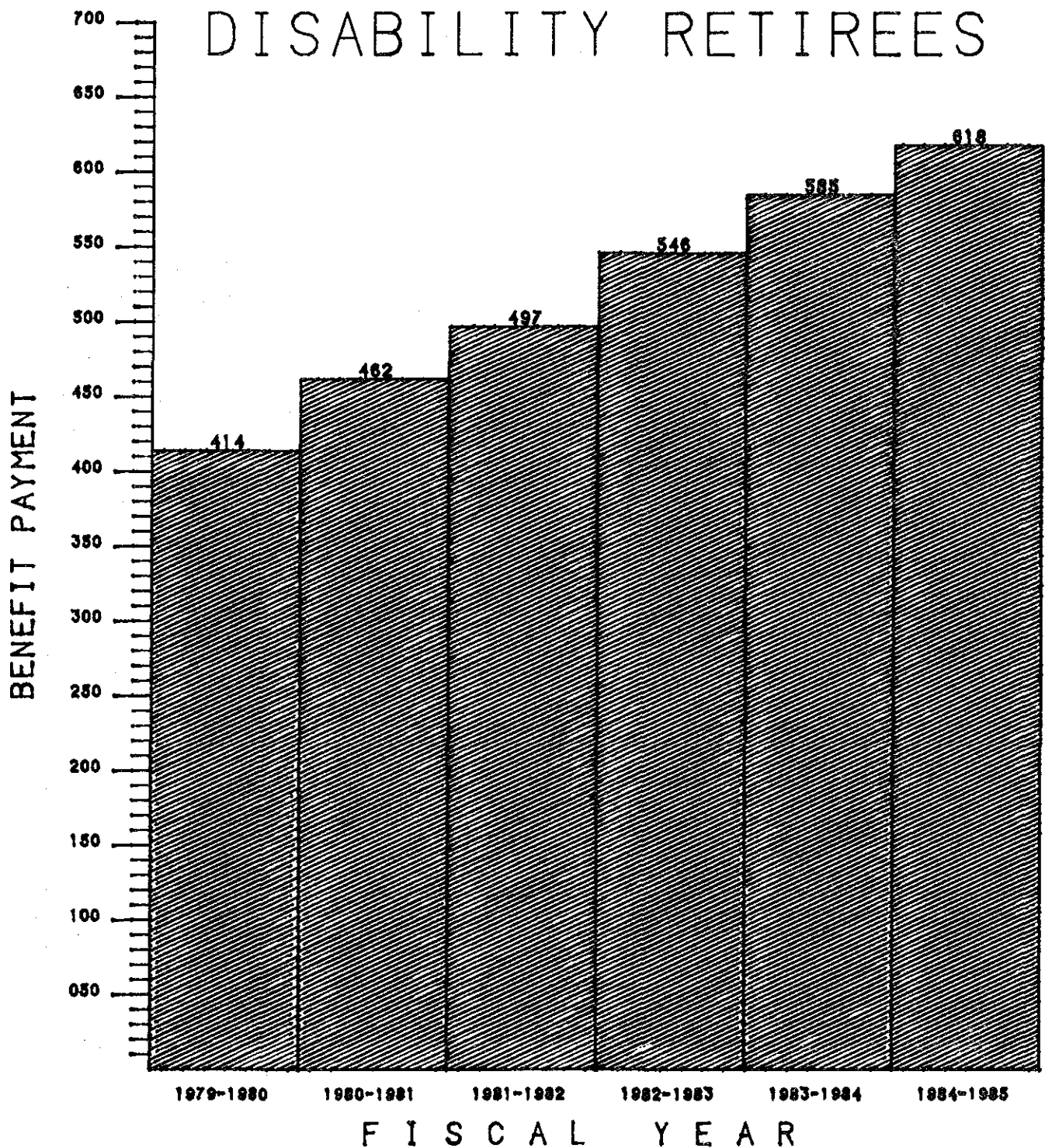
## TEACHERS RETIREMENT SYSTEM

216 W. MAIN  
FRANKFORT KY 40601

## AVERAGE BENEFIT PAYMENT GRAPH

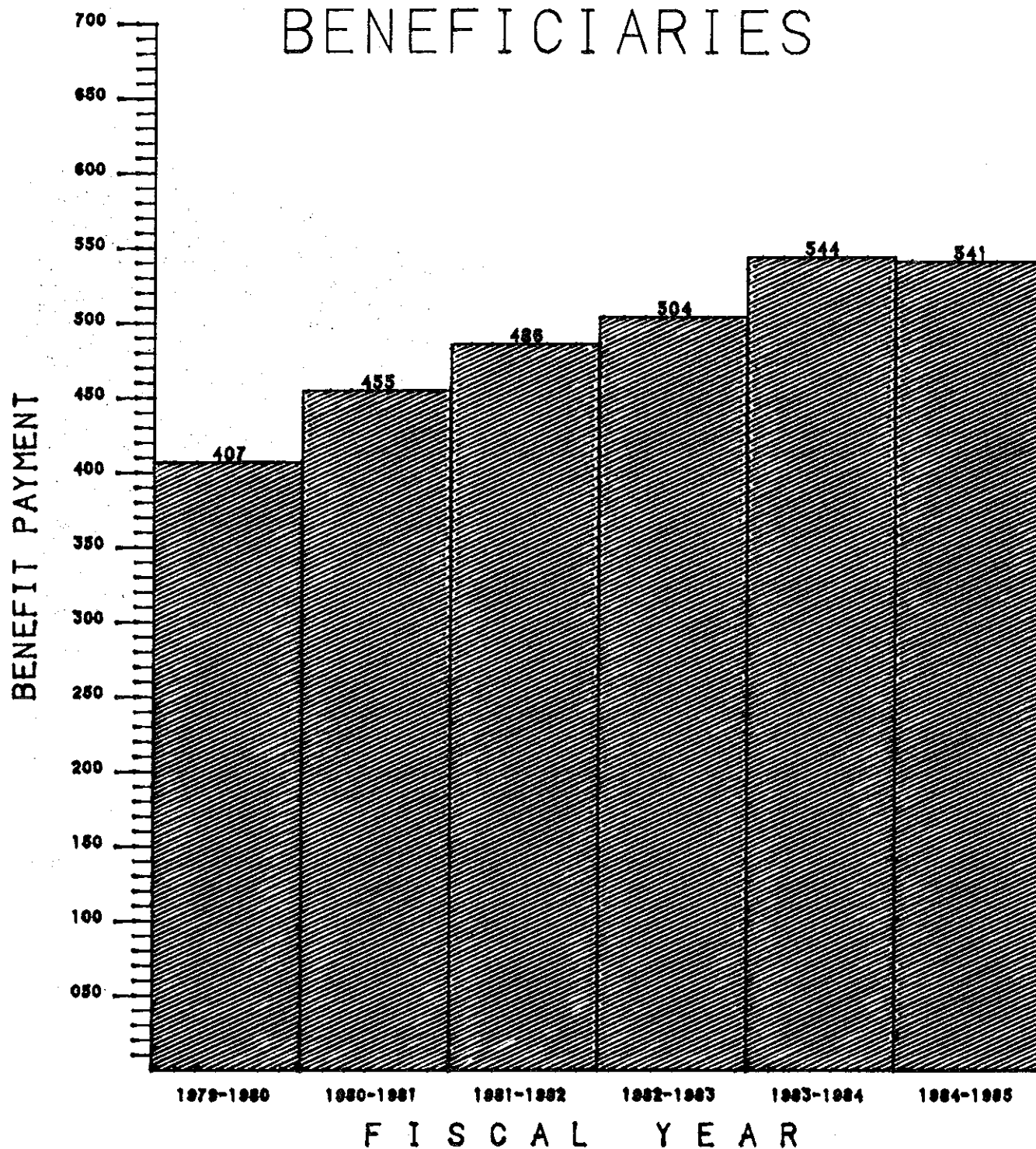


TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH

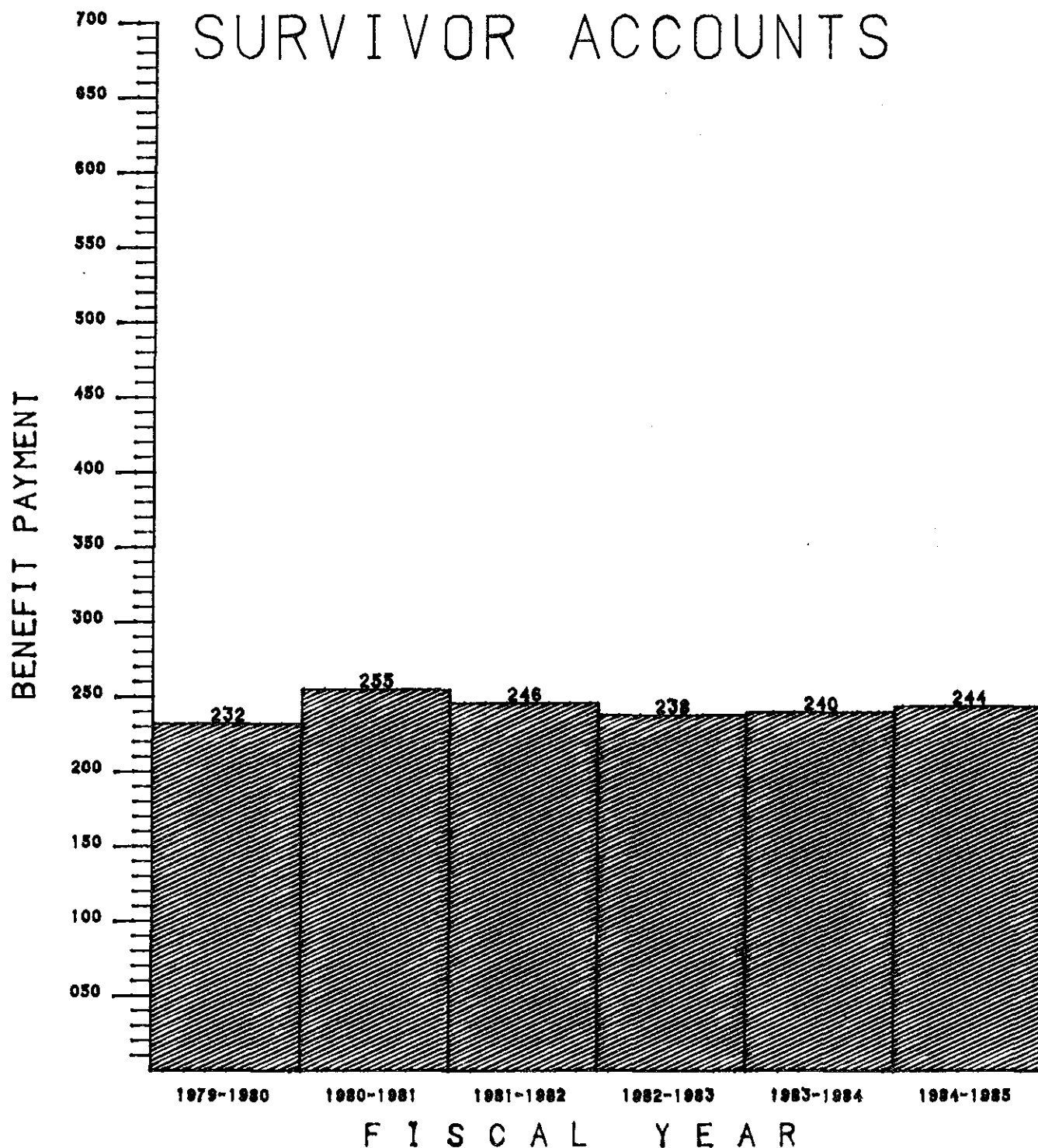


TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH

## BENEFICIARIES

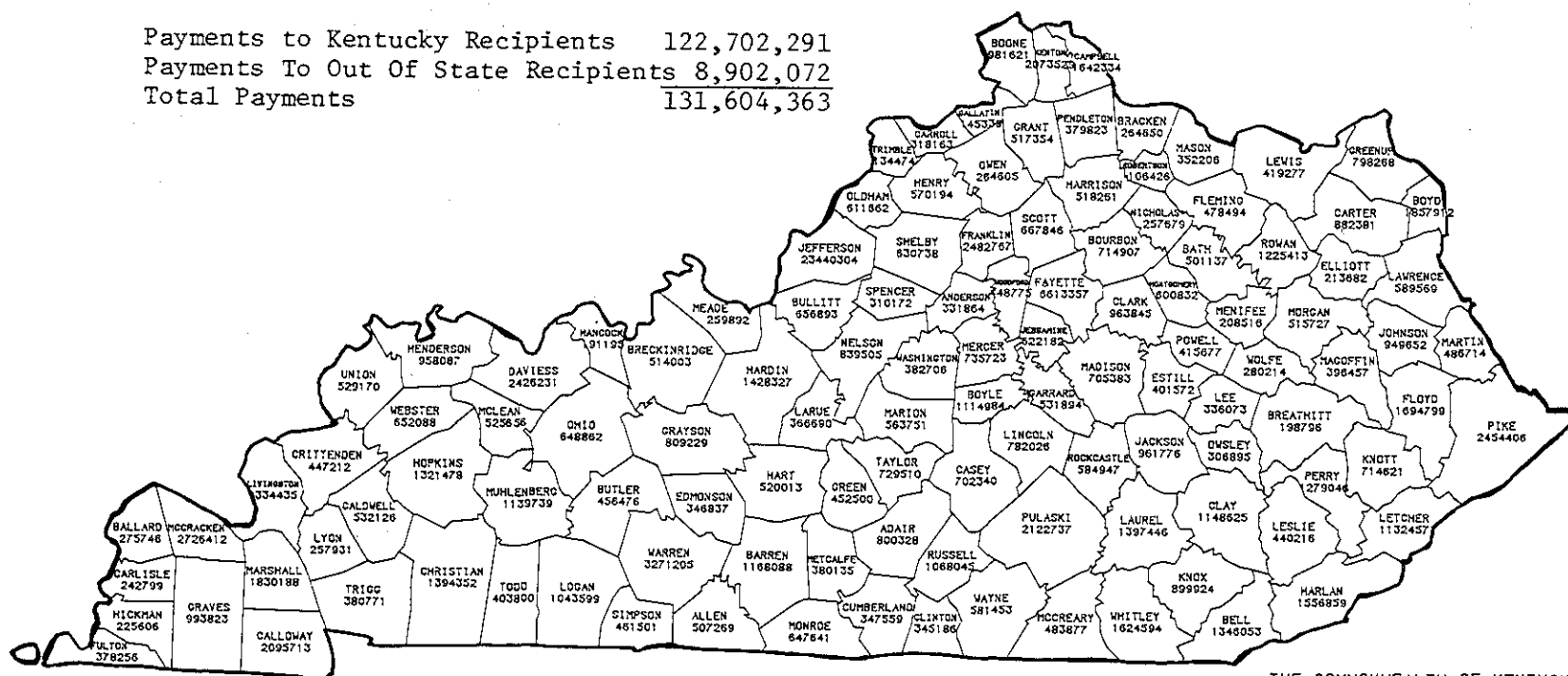


TEACHERS RETIREMENT SYSTEM  
216 W. MAIN  
FRANKFORT KY 40601  
AVERAGE BENEFIT PAYMENT GRAPH





Payments to Kentucky Recipients	122,702,291
Payments To Out Of State Recipients	8,902,072
Total Payments	<u>131,604,363</u>

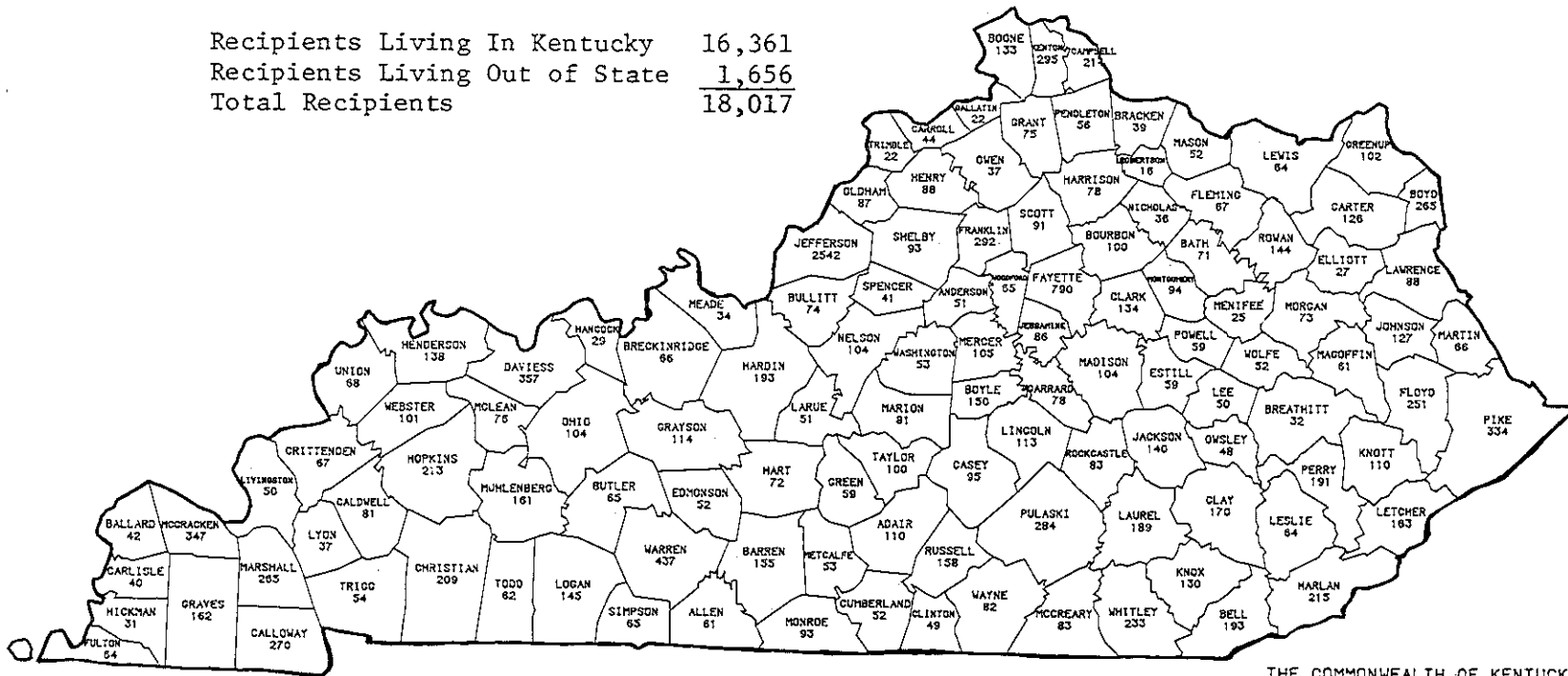


THE COMMONWEALTH OF KENTUCKY

# GEOGRAPHICAL DISTRIBUTION OF ALL RECIPIENTS

## FISCAL YEAR 1984 - 85

Recipients Living In Kentucky 16,361  
 Recipients Living Out of State 1,656  
 Total Recipients 18,017



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 1984-85 as the principal investment counselor, while the Chicago office of Alliance Capital Management Corporation was a second investment counselor. Approximately \$300 million was allocated to Alliance Capital's management. 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 1984-85 as the Custodian of Securities.

The investment portfolio experienced substantial growth during the year. The par value of the portfolio increased \$297 million, or 18.6%, to a total of \$1.89 billion at year-end. The book value of the fund correspondingly increased 15.4% during the year. Investment income (dividends, interest, gains, and rental income) experienced growth of more than 24.4% over the previous year for a total of \$177 million in 1984-85. 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 1984-85. 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 9.48%. The "indicated dividend yield" on common stocks reflected a modest improvement from a year earlier, increasing from 5.14% to 5.55%.

The financial markets exhibited considerable strength during the 1984-85 fiscal year. The System earned a record level of interest income in 1984-85, and it also was able to take advantage of appreciated securities by selling them. The System realized \$16.8 million in net gains from security sales. The combination of income and gains in the 1984-85 fiscal year provided the System with its greatest annual total income.

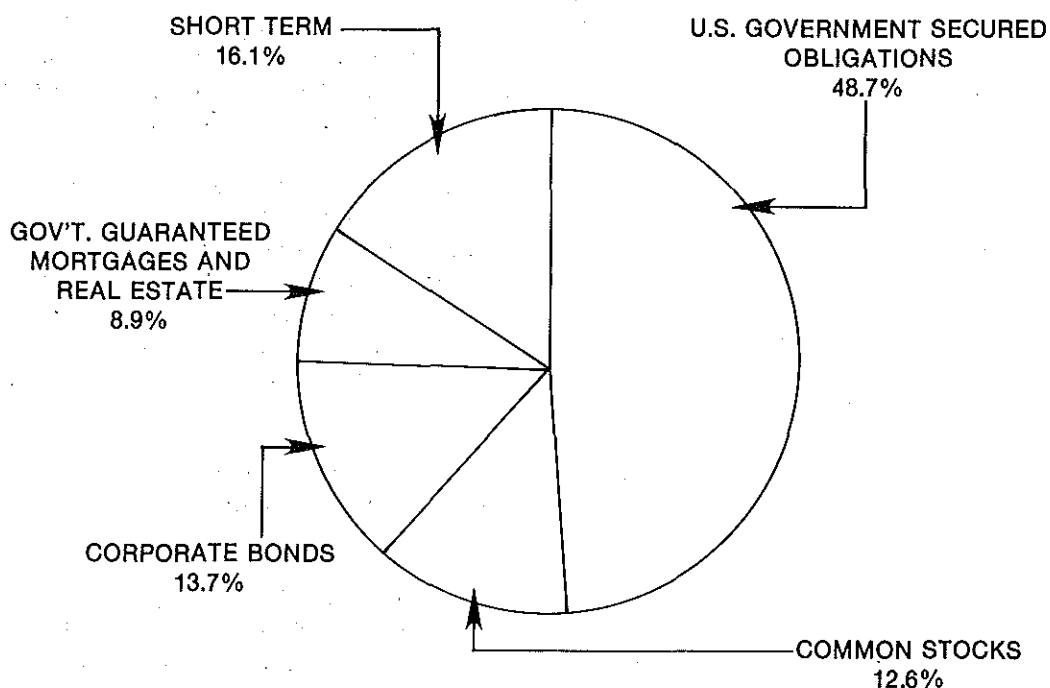
The asset allocation of Investments was similar at the beginning of the fiscal year to what it was on June 30, 1985. During the 1984-85 fiscal year, the stock position decreased from about 14% of assets to 12.6%. The portion of the portfolio in government funds increased from 45.9% to 48.7%. The cash position increased during the year by going from 12.3% of assets to 16.1%. The cash investment position increased significantly, since the System terminated its relationship with an investment counselor, Alliance Capital, at the end of the year. The System sold stocks which had been purchased on the advice of this advisor. Disinflation and defensive stocks were the best performing stocks in the 1984-85 fiscal year.

During the last three fiscal years, the System acquired its first real estate equity investments. The System has purchased ten retail stores for approximately \$19.9 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 2%, it should benefit the fund, particularly during inflationary periods.

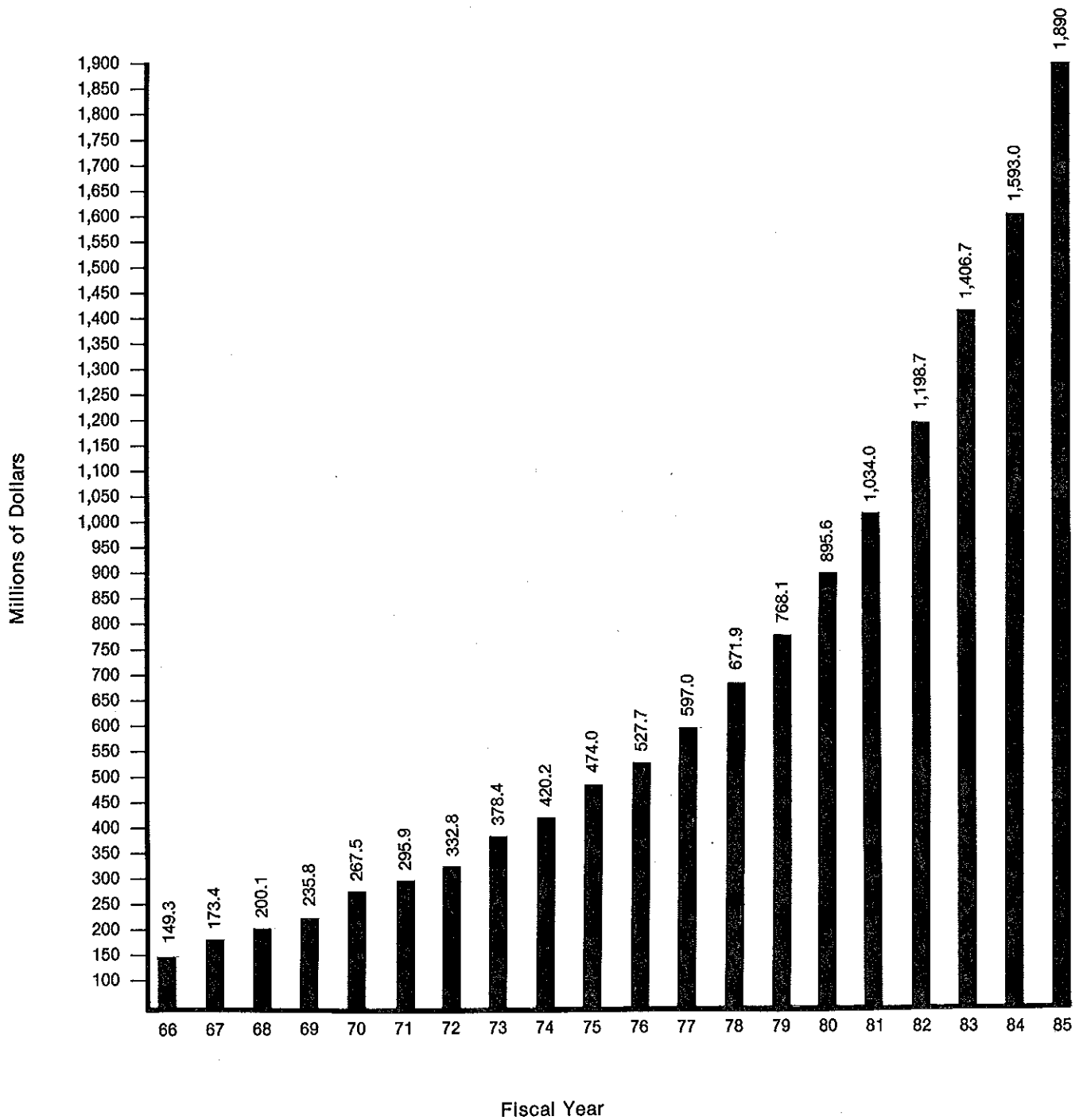
The charts on the following pages display graphically the growth that is discussed in the preceding paragraphs and also depict the growth of the System over the last twenty years. Following the charts is a summary description of investments held at June 30, 1985. The pages thereafter provide a detailed listing of all investments held at June 30, 1985.

### **DISTRIBUTION OF INVESTMENTS**

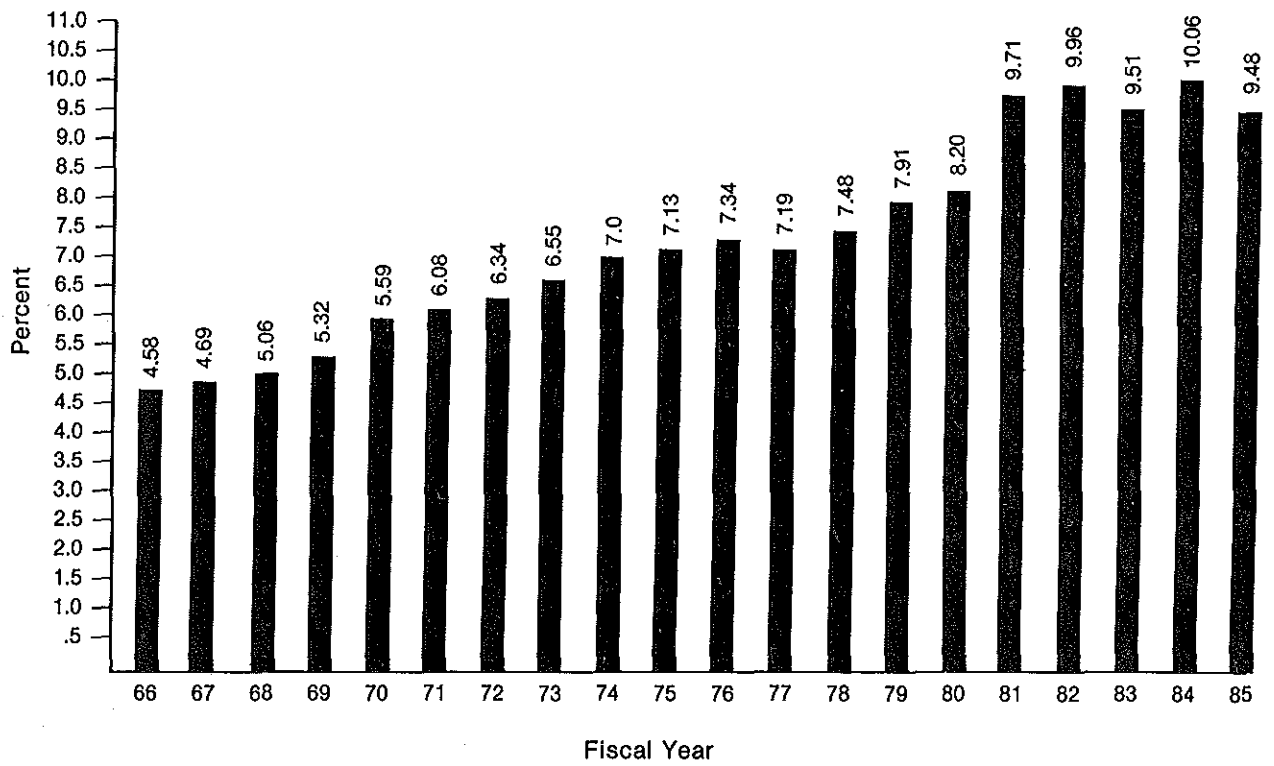
**June 30, 1985**



**INVESTMENT PORTFOLIO GROWTH**  
Fixed Income at Par Value  
Equities at Cost

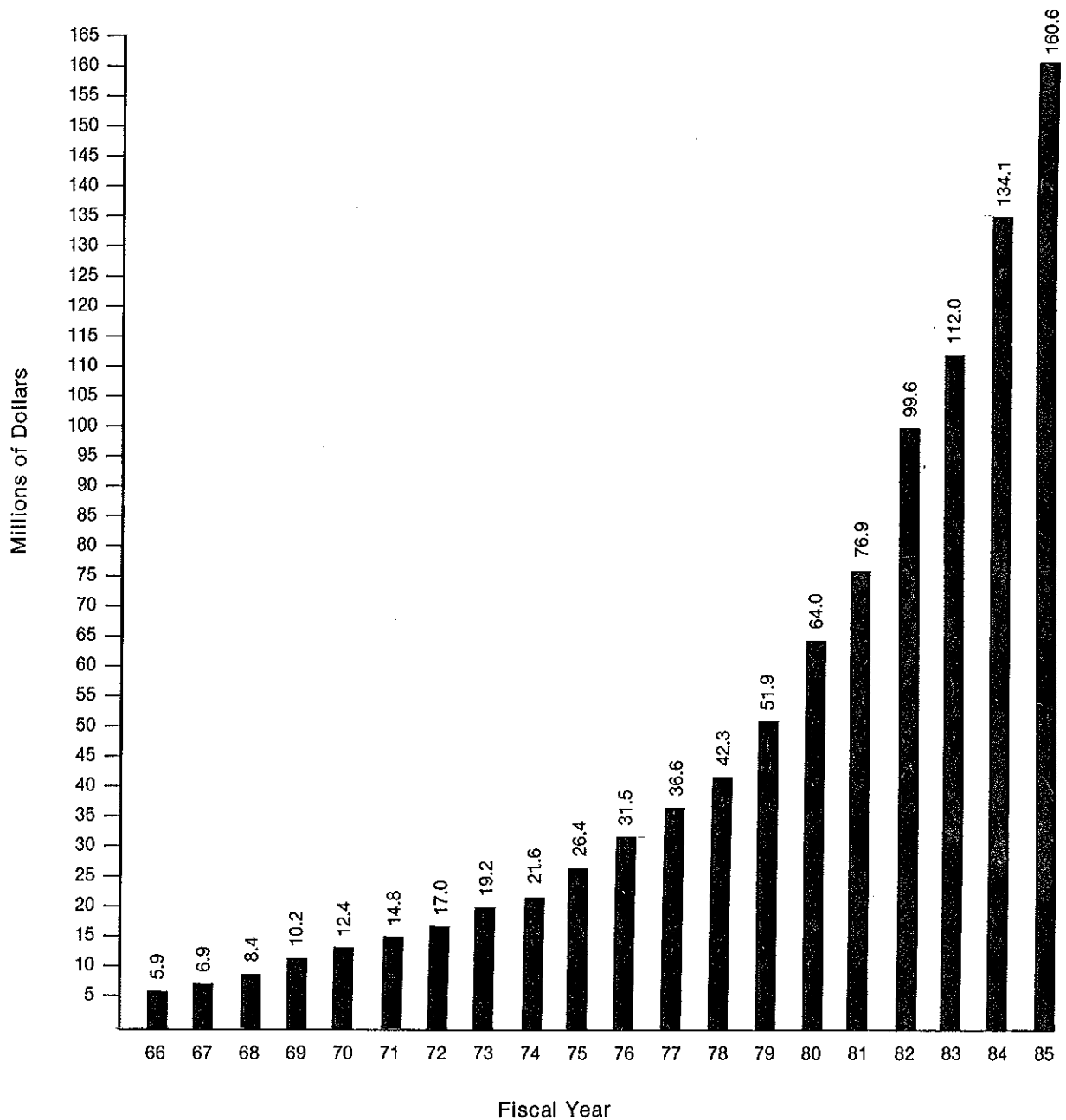


**NET INDICATED YIELD  
on  
FIXED DOLLAR ASSETS  
(Par Value)**





**INVESTMENT INCOME GROWTH**  
(Includes Amortization  
Excludes Net Gains)



# TEACHERS' RETIREMENT SYSTEM

## Investments

### KENTUCKY TEACHERS RETIREMENT ANALYSIS OF INVESTMENTS HELD AS OF 06-30-85

	Percentage of Total	Par Value*	Net Annual Interest/Indicated Dividend Income	Annual Yield
Repurchase Agreements	16.05%	303,305,000.00	22,830,115.00	7.53%
<b>Total Short Term</b>	<b>16.05%</b>	<b>303,305,000.00</b>	<b>22,830,115.00</b>	<b>7.53%</b>
Treasury Notes and Bonds	26.07%	492,850,000.00	58,463,924.70	11.86%
Agencies	6.84%	129,291,245.52	10,544,587.41	8.16%
Ship Bonds (Title XI)	4.88%	92,246,848.39	9,221,776.09	10.00%
GNMA (Single Family)	5.56%	105,088,446.47	10,443,618.00	9.94%
Other Miscellaneous	5.36%	101,278,430.69	7,237,069.41	7.15%
<b>Total U.S. Government Obligations</b>	<b>48.71%</b>	<b>920,754,971.07</b>	<b>95,910,975.61</b>	<b>10.42%</b>
Industrials	6.16%	116,423,364.94	11,205,401.59	9.62%
Finance	1.62%	30,714,749.38	2,127,533.64	6.93%
Utility Bonds (Except Telephone)	2.64%	49,821,000.00	3,882,229.82	7.79%
Telephone Bonds	2.67%	50,440,000.00	4,357,577.64	8.64%
Railroad Obligations	.59%	11,128,638.57	933,006.98	8.38%
<b>Total Corporate Bonds</b>	<b>13.68%</b>	<b>258,527,752.89</b>	<b>22,505,749.67</b>	<b>8.71%</b>
FHA & VA Single Family Mortgages	1.02%	19,326,538.12	1,250,229.61	6.47%
Project Mortgages (FHA & GNMA)	6.02%	113,729,434.75	10,587,436.94	9.31%
State and Local Government Obligations	.01%	158,333.67	8,075.02	5.10%
Fixed Income Securities NOC	.06%	1,065,071.70	130,471.28	12.25%
<b>Total Other Fixed Income Investments</b>	<b>7.10%</b>	<b>134,279,378.24</b>	<b>11,976,212.85</b>	<b>8.92%</b>
<b>SUBTOTAL (FIXED INCOME)</b>	<b>85.54%</b>	<b>1,616,867,102.20</b>	<b>153,223,053.13</b>	<b>9.48%</b>
Real Estate Equity	1.85%	34,882,784.53	2,847,576.96	8.16%
<b>Total Real Estate Equity</b>	<b>1.85%</b>	<b>34,882,784.53</b>	<b>2,847,576.96</b>	<b>8.16%</b>
Common Stocks 5,905,846.6600 Shares	12.62%	238,530,028.48	13,227,849.76	5.55%
<b>Total Stocks 5,905,846.6600 Shares</b>	<b>12.62%</b>	<b>238,530,028.48</b>	<b>13,227,849.76</b>	<b>5.55%</b>
<b>SUBTOTAL (EQUITY)</b>	<b>14.46%</b>	<b>273,412,813.01</b>	<b>16,075,426.72</b>	<b>5.88%</b>
<b>TOTAL INVESTMENTS, INCOME AND YIELD</b>	<b>100.00%</b>	<b>1,890,279,915.21</b>	<b>169,298,479.85</b>	<b>8.96%</b>

\*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 6-30-85 was \$1,500,021,708; the market value was \$1,500,339,766. The par and book values of stocks, which are the same, were \$238,530,028 for 6-30-85; the market value of stocks was \$294,616,308. 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	7.060	07/85	1,050,000.00
Repurchase Agreement	7.300	08/85	7,050,000.00
Repurchase Agreement	7.310	08/85	13,886,100.00
Repurchase Agreement	7.310	08/85	3,053,900.00
Repurchase Agreement	7.310	07/85	5,000,000.00
Repurchase Agreement	7.320	08/85	18,933,600.00
Repurchase Agreement	7.320	08/85	236,400.00
Repurchase Agreement	7.410	08/85	5,000,000.00
Repurchase Agreement	7.410	08/85	50,000.00
Repurchase Agreement	7.460	07/85	7,000,000.00
Repurchase Agreement	7.460	07/85	14,140,000.00
Repurchase Agreement	7.510	07/85	10,230,000.00
Repurchase Agreement	7.520	07/85	4,000,000.00
Repurchase Agreement	7.520	08/85	716,200.00
Repurchase Agreement	7.520	08/85	3,398,800.00
Repurchase Agreement	7.520	07/85	10,300,000.00
Repurchase Agreement	7.530	07/85	5,000,000.00
Repurchase Agreement	7.530	07/85	5,000,000.00
Repurchase Agreement	7.530	07/85	10,000,000.00
Repurchase Agreement	7.530	07/85	1,530,000.00
Repurchase Agreement	7.530	07/85	20,000,000.00
Repurchase Agreement	7.560	07/85	7,033,700.00
Repurchase Agreement	7.560	07/85	4,396,300.00
Repurchase Agreement	7.560	07/85	10,000,000.00
Repurchase Agreement	7.570	08/85	1,720,200.00
Repurchase Agreement	7.570	08/85	8,000,000.00
Repurchase Agreement	7.570	08/85	2,189,800.00
Repurchase Agreement	7.580	08/85	5,700,000.00
Repurchase Agreement	7.610	08/85	12,320,000.00
Repurchase Agreement	7.610	08/85	8,000,000.00
Repurchase Agreement	7.610	07/85	15,000,000.00
Repurchase Agreement	7.630	07/85	16,225,900.00
Repurchase Agreement	7.630	07/85	3,994,100.00
Repurchase Agreement	7.630	07/85	6,247,700.00
Repurchase Agreement	7.630	07/85	3,052,300.00
Repurchase Agreement	7.630	07/85	18,050,000.00
Repurchase Agreement	7.630	07/85	25,000,000.00
Repurchase Agreement	7.630	08/85	10,800,000.00
			<u>303,305,000.00</u>
<b>Total Short Term Investments</b>			<u><u>303,305,000.00</u></u>

**TEACHERS' RETIREMENT SYSTEM****Investments****U. S. GOVERNMENT OBLIGATIONS**

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Treasury Bonds &amp; Notes:</u>			
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	10.375	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	11.625	11/04	5,000,000.00
U S Treasury Bonds	13.125	05/01	8,000,000.00
U S Treasury Notes	10.125	05/93	14,000,000.00
U S Treasury Notes	10.250	03/87	10,000,000.00
U S Treasury Notes	10.500	04/90	5,000,000.00
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	11.250	05/95	20,000,000.00
U S Treasury Notes	11.250	05/95	15,000,000.00
U S Treasury Notes	11.625	01/92	5,000,000.00
U S Treasury Notes	11.750	04/92	15,000,000.00
U S Treasury Notes	11.750	11/93	10,000,000.00
U S Treasury Notes	11.750	11/93	15,450,000.00
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	11.875	10/89	17,000,000.00
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	12.375	04/91	3,000,000.00
U S Treasury Notes	12.750	11/89	10,000,000.00
U S Treasury Notes	12.750	11/89	10,000,000.00
U S Treasury Notes	13.000	06/86	6,500,000.00
U S Treasury Notes	13.000	11/90	10,000,000.00
U S Treasury Notes	13.625	06/88	15,000,000.00
U S Treasury Notes	13.625	06/88	10,000,000.00
U S Treasury Notes	13.625	06/88	15,000,000.00
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	15,000,000.00
U S Treasury Notes	15.375	10/88	10,000,000.00
			<u>492,850,000.00</u>

# TEACHERS' RETIREMENT SYSTEM

## Investments

### U. S. GOVERNMENT OBLIGATIONS (Continued)

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Federal Agencies:</u>			
Banks for Cooperatives	7.750	01/86	14,000,000.00
Farmers Home Insured Notes FHA	7.500	05/88	1,491,245.52
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	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 Auth Pr Ser B	7.350	05/97	2,000,000.00
			<u>129,291,245.52</u>
<u>Ship Bonds (Title XI):</u>			
American Commercial Lines Ser F	10.950	07/04	7,800,000.00
American Export Freedom	7.300	07/97	1,301,000.00
American Export Lns SF Ser I	7.950	06/04	3,745,000.00
Atlas Marine American Hertge	7.700	12/96	2,975,554.20
Beker Industries	13.400	09/01	4,100,000.00
Beker Transportation Series B	13.400	09/01	1,172,000.00
Centrl Gulf Lns Lash Lighters	8.250	01/95	2,970,903.80
Crowley Maritime	8.125	09/99	3,606,383.69
Diamond M Drilling New Era	7.750	09/89	2,099,755.13
Flowers Transportation SF	8.400	05/00	1,685,984.00
Goodyear Steamship SF	11.550	05/06	11,850,985.51
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	7,884,375.77
Stuyvesant Issue	8.000	05/95	2,472,000.00
Tideland Limited	12.250	12/95	6,309,000.00
Union Mechling Corp SF	8.000	01/02	3,527,906.32
Wabash Transportation	5.400	06/89	1,756,000.00
Waterways Barge SF	13.500	09/05	10,631,000.00
Zapata Marine US Inc SF	7.700	09/94	5,000,000.00
			<u>92,246,848.39</u>

**TEACHERS' RETIREMENT SYSTEM****Investments****U. S. GOVERNMENT OBLIGATIONS (Continued)**

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>GNMA Single Family Mortgages:</u>			
117 Mortgage Pools	various		105,088,446.47
			<u>105,088,446.47</u>
<u>Other - Miscellaneous:</u>			
CATS (Treasury Securities)		05/94	8,000,000.00
Coupon Treasury Receipts		08/95	3,660,000.00
Coupon Treasury Receipts		05/95	4,970,000.00
Coupon Treasury Receipts		08/94	5,880,000.00
Coupon Treasury Receipts		11/94	8,314,375.00
Coupon Treasury Receipts		02/94	3,000,000.00
Coupon Treasury Receipts		11/93	1,662,500.00
FHA Certificate of Claim	3.000		4,516.76
FHA Certificate of Claim	3.000		32,887.02
GNMA Mtg Pool 02333 (Mtg in KY)	8.200	10/11	1,865,829.23
Missouri Kansas TX RR Nts	9.250	12/87	242,000.00
Seatrail Ship Bldg US Gtd (EDA) A	9.875	05/01	4,146,322.68
TIGR'S (Treasury Securities)		08/94	26,500,000.00
TIGR'S (Treasury Securities)		08/94	33,000,000.00
			<u>101,278,430.69</u>
<b>Total U. S. Government Obligations</b>			<b><u>920,754,971.07</u></b>

**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 Mtg Nt	7.000	07/98	433,097.18
Armco Steel Debs	9.200	07/00	1,300,000.00
Armco Steel SF Debs	9.200	07/00	3,000,000.00
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

# TEACHERS' RETIREMENT SYSTEM

## Investments

### CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Chevron London 1st Prfd Ship Mtg	7.700	09/97	784,133.89
Chevron Stations Inc Nt	5.100	04/91	75,000.00
Countrywide Stations Secrd Nts C	7.500	09/02	11,389,000.00
Cummins Engine Co Inc Nts	5.000	07/90	90,000.00
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 Nts	5.000	04/91	548,000.00
Dresser Industries SF Debs	9.375	05/00	1,750,000.00
DuPont (E I) deNemours Debs	6.000	12/01	8,000,000.00
DuPont (E I) deNemours 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	784,133.87
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
Inland Steel 1st Mtg Ser O	8.750	07/95	2,733,000.00
Intl Minerals & Chemicals SF Debs	11.875	05/05	3,000,000.00
Leased Tankers Secured Nts A	7.450	12/92	2,462,000.00
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 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
Reynolds R J Industries SF Debs	7.375	02/01	1,000,000.00
Reynolds R J Ind 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	2,000,000.00
Tenneco Inc Debs	13.625	10/07	3,000,000.00
Unlon Oil of Calif Debs	8.625	03/06	1,500,000.00
Unlon 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
			<hr/> 116,423,364.94
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

# TEACHERS' RETIREMENT SYSTEM

## Investments

### CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Commercial Credit Sr Nts	4.875	09/87	1,000,000.00
General Electric Credit Sr Nt	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	87,500.00
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
Roxbury Properties Corp Secrd Nt	4.750	01/89	117,107.40
United California Bk Cap Nts	4.500	01/90	200,000.00
Villiers Realty Corp Secrd Nts	4.750	10/89	138,141.98
			<u>30,714,749.38</u>

#### 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	167,000.00
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	5.875	12/89	269,000.00
Continental PL Guarntd Nts	7.500	05/94	135,000.00
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 Pr 1st Mtg J	6.250	09/96	250,000.00
Kentucky Utilities 1st Mtg I	8.750	04/00	300,000.00
Kentucky Utilities 1st Mtg J	7.625	09/01	2,000,000.00
Louisiana Power Light 1st Mtg	5.750	03/96	150,000.00
Louisiana Power Light 1st Mtg	6.500	09/97	200,000.00
Louisville Gas Electric 1st Mtg	8.250	08/01	2,000,000.00
Milwaukee Gas Light 1st Mtg	4.625	05/87	794,000.00



# TEACHERS' RETIREMENT SYSTEM

## Investments

### CORPORATE BONDS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
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
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	1,588,000.00
Virginia Elec Power 1st Ref Mtg	9.250	03/06	1,000,000.00
Washington Natural Gas 1st Mtg	6.875	09/93	190,000.00
Western Mass Elec 1st Mtg	5.750	03/97	200,000.00
Western Mass Elec 1st Mtg G	6.750	03/98	100,000.00
Wisconsin Gas 1st Mtg	6.625	10/91	625,000.00
			<u>49,821,000.00</u>
<u>Telephone Bonds:</u>			
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

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

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
New York Tel Tel Debs	8.250	10/15	3,750,000.00
Ohlo 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
South Central Bell Tel Debs	8.250	08/13	4,000,000.00
South Central Bell Tel Debs	8.250	11/15	7,500,000.00
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
			<u>50,440,000.00</u>
<u>Railroad Obligations:</u>			
Burlington Northern Con Mtg Ser G	12.875	08/05	2,500,000.00
Burlington Northern Con Mtg Ser G	12.875	08/05	2,500,000.00
Chesapeake Ohio Ry Gen Mtg	4.500	03/92	656,000.00
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
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	9.750	07/85	49,638.57
Virginia Southwestern Ry 1st Mtg	5.000	01/03	107,000.00
			<u>11,128,638.57</u>
<b>Total Corporate Bonds</b>			<u><b>258,527,752.89</b></u>

**OTHER FIXED INCOME INVESTMENTS**Single Family Mortgages:

FHA	various		10,049,902.20
VA	various		<u>9,276,635.92</u>
			19,326,538.12

Project Mortgages (FHA & GNMA):

Americana Apts KY 221D4	7.500	10/18	4,568,665.12
Bedford Commons KY 221D4	8.000	11/23	1,285,479.10
Bedford House KY 221D4	7.500	01/20	1,266,041.82
Beech Creek Apts KY 221D4	7.500	08/21	2,121,752.88

# TEACHERS' RETIREMENT SYSTEM

## Investments

### OTHER FIXED INCOME INVESTMENTS (Continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Belleville Mnr Apts KY 221D4	7.500	11/19	651,340.52
Berrytown Apts KY 221D4	8.000	02/24	1,395,242.85
CA Guidance Care Center 232	8.500	02/92	349,511.52
Cambridge Sq Apts KY 221D4	7.500	11/19	1,217,265.18
Camellia Center Hosp CA 232	6.000	11/88	215,830.10
Carnaby Sq Apts KY 221D4	7.500	06/19	1,253,394.34
Carrollton Vlg Apts KY 221D4	7.500	09/20	2,001,903.10
Carter Court Apts KY 221D4	7.500	09/20	1,321,750.53
Coolavin Apts KY 221D4	7.500	04/22	3,233,216.25
Cottage Bell Apts CA 221D4	7.500	11/10	806,725.11
Cottage Bell Apts II CA 221D4	8.500	11/11	441,464.23
Denver Ed Sr Citzns 231	5.250	11/03	820,079.30
Dixie Apts KY 221D4	7.500	05/18	1,155,664.09
Ferndale Apts KY 221D4	7.500	08/23	3,809,108.99
Gainesway Vlg Apts KY 221D4	7.500	02/19	1,665,152.36
Glenbrook Park KY 221D4	7.500	12/21	2,556,833.30
Greater Corbin Mnr KY 221D4	7.500	03/21	3,610,961.19
Jackson Vly Apts KY 221D4	7.500	08/20	2,017,241.72
Jamestown Manor Ltd KY 221D4	7.500	02/22	1,632,825.89
Lakeview Estates KY 221D4	7.500	01/20	1,138,894.12
Lebanon Apts KY 221D4	7.500	02/20	1,220,124.84
Lin Meadows Homes KY 221D4	7.500	11/22	275,800.17
Locust Ridge KY 221D4	7.500	10/21	1,929,550.70
Madison Ave Apts KY 221D4	7.500	09/20	1,990,481.03
Manchester Hts Apts KY 221D4	7.500	06/19	1,251,374.08
Middletown Apts KY 221D4	7.500	02/18	1,071,144.50
Montgomery Sq Apts KY 221D4	7.500	05/19	1,250,405.73
Mt. Lebanon Cedars KY 221D3	7.500	03/23	2,686,502.37
Oak Tree Villa Apts KY 221D4	7.500	05/23	3,541,629.61
Pine Ridge Apts KY 221D4	7.500	09/18	852,076.01
Pinecreek Apts KY 221D4	7.500	10/17	585,401.91
Regency Park Apts KY 221D4	7.500	05/18	988,706.65
Regency Pk Apts BG KY 221D4	7.500	02/23	3,825,977.33
Ridgeway Apts KY 221D4	7.500	02/19	1,066,684.01
Rucker Vlg Apts KY 221D4	7.500	03/20	1,107,884.04
Salem Vlg I 232 ILL	7.750	03/16	1,031,132.39
Salem Vlg II 231 ILL	7.750	10/16	3,519,644.17
Sandefur Mnr KY 221D4	7.500	01/20	963,651.22
Shepherdsville Vlg Apt KY 221D4	7.500	05/20	1,398,926.78
Shively Apts KY 221D4	7.500	10/21	2,467,171.07
Southside Mnr KY 221D4	7.500	02/19	1,449,800.44
Town Branch Apts KY 221D4	7.500	11/23	765,574.90
Tree Top Apts KY 221D4	7.500	11/20	1,155,556.46
Vernon Manor Ltd KY 221D4	7.500	11/22	927,304.36
Walnut Hill Apts KY 221D4	7.500	05/19	1,682,928.38

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

<u>Security</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par Value or Remaining Principal Balance</u>
<u>Project Mortgages: (Continued)</u>			
Wesley Manor KY 232	8.000	12/11	995,144.60
Wessington Hse Apts TN 221D4	7.500	02/22	1,914,934.81
Westchester Circle KY 221D4	7.500	04/19	4,311,277.54
Westwood Apts KY 221D4	7.500	10/23	1,224,341.72
Wilderness Trail Mnr KY 221D4	7.500	03/23	5,798,242.37
Wildwood Apts KY 221D4	7.500	08/20	1,929,053.75
Willow Creek Apts KY 221D4	7.500	08/23	1,414,956.14
Woodsvlew Apts KY 221D4	7.500	01/19	1,458,582.55
Panorama West KY 236	8.500	12/12	465,163.04
Calvert City Conval KY 232	7.000	01/93	299,243.66
Hallmark Plaza KY 223F	8.500	06/11	1,171,617.65
Knights Inn FmHA Loan	13.750	12/90	1,101,329.98
Christ Hosp GNMA 21191PL	8.000	09/06	3,738,934.72
Cortland Hosp GNMA 13089PL	8.750	10/04	1,457,718.42
Bethany Cir Kings Daughters IN	8.375	03/02	1,802,400.86
Congregational Home KS 231	5.250	07/04	1,434,186.78
Ephraim McDowell Hosp KY	9.000	01/01	3,052,661.74
Gladman Nursing Home 232	5.250	04/87	100,140.60
Longmont Christian Hsg 231	5.250	03/03	517,727.06
			<u>113,729,434.75</u>
<u>State and Local Government Obligations:</u>			
Ky Indstrl Dev Finance Auth Nt	4.500	07/85	11,666.57
Ky Indstrl Dev Finance Auth Nt	5.000	07/86	10,000.09
Ky Indstrl Dev Finance Auth Nt	5.000	01/87	93,333.42
Ky Indstrl Dev Finance Auth Nt	5.500	01/87	26,666.84
Ky Indstrl Dev Finance Auth Nt	5.500	07/87	16,666.75
			<u>158,333.67</u>
<u>Fixed Income Securities NOC:</u>			
Wal-Mart Georgetown Part Mtg	12.250	01/10	1,065,071.70
			<u>1,065,071.70</u>
<b>Total Other Fixed Income Investments</b>			<u><u>134,279,378.24</u></u>
<b>TOTAL FIXED INCOME INVESTMENTS</b>			<u><u>1,616,867,102.20</u></u>

## REAL ESTATE EQUITY

Security	Par Value or Remaining Principal Balance
Real Estate Equity:	
F. I. A. Profile Fund I - 1,500 Units	15,000,000.00
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 Hardinsburg KY	965,000.00
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
Wal-Mart Store Williamstown KY	1,090,000.00
	<u>34,882,784.53</u>
<b>Total Real Estate Equity</b>	<b><u>34,882,784.53</u></b>

## COMMON STOCKS

	No. of Shares	Cost
American Can Co	90,000.0000	\$ 4,891,475.00
American Express Co	175,095.6600	6,473,132.24
American Home Products	201,300.0000	10,170,893.04
Amoco Corp	125,000.0000	6,905,468.75
Atlantic Richfield Co	150,000.0000	6,837,309.38
Baltimore Gas & Electric Co	152,847.0000	3,860,691.84
Bell Atlantic Corp	170,000.0000	13,348,462.50
Bristol-Myers Co	100,000.0000	3,646,256.87
Capital Holding Corp	250,000.0000	4,188,455.99
Coca Cola Co	120,000.0000	8,273,000.00
Consolidated Edison Co NY	230,000.0000	4,362,293.42
Cyprus Minerals Co	12,500.0000	.00
Dayton-Hudson Corp	160,000.0000	5,884,090.00
Delta Air Lines Inc	70,000.0000	3,032,700.00
Digital Equipment Corp	50,000.0000	4,748,625.00
DuPont (EI) deNemours & Co	170,000.0000	8,913,950.00
Exxon Corp	100,000.0000	2,838,136.68
FPL Group Inc	250,092.0000	4,587,344.14
General Electric Co	220,000.0000	10,721,071.53
General Motors Corp	114,000.0000	8,254,850.76
Hewlett Packard Co	70,000.0000	2,621,150.00
Humana Inc	160,000.0000	4,393,162.50
International Business Machines	150,000.0000	14,199,692.75

**TEACHERS' RETIREMENT SYSTEM****Investments****COMMON STOCKS (Continued)**

	<u>No. of Shares</u>	<u>Cost</u>
K Mart Corp	300,000.0000	8,710,612.50
Kroger Co	140,000.0000	5,224,150.00
Louisville Gas & Electric	215,985.0000	5,091,002.49
May Department Stores Co	130,000.0000	5,437,237.50
Maytag Co	145,000.0000	7,276,787.50
Morgan J P & Co Inc	200,000.0000	8,299,200.00
National Medical Enterprises Inc	230,000.0000	6,023,087.50
Pfizer Inc	140,000.0000	5,054,291.18
Philip Morris Inc	80,000.0000	4,401,880.00
Reynolds R J Industries Inc	329,627.0000	9,324,747.42
Smithkline Beckman Corp	100,000.0000	6,993,950.00
Transco Energy Co	100,000.0000	4,901,412.50
Union Camp Corp	164,400.0000	6,389,582.50
United Technologies Corp	220,000.0000	6,536,225.00
Xerox Corp	120,000.0000	5,713,650.00
<b>Total Common Stocks</b>	<u><u>5,905,846.6600</u></u>	<u><u>238,530,028.48</u></u>

## **SECTION II**

# **FINANCIAL STATEMENTS**



# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

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

FINANCIAL STATEMENTS  
JUNE 30, 1985

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# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

*Charles T. Mitchell Company*  
Certified Public Accountants

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CHARLES T. MITCHELL, C.P.A.  
DON C. GILES, C.P.A.  
WILLIAM G. JOHNSON, JR., C.P.A.  
GARY L. HARBIN, C.P.A.  
LARRY T. WILLIAMS, C.P.A.

October 15, 1985

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, 1985 and 1984 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, 1985 and 1984, 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 applied on a basis consistent with that of the preceding year.

Respectfully Submitted,

*Charles T. Mitchell Co.*

Charles T. Mitchell Company

**TEACHERS' RETIREMENT SYSTEM****Financial Statements**

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
BALANCE SHEET  
JUNE 30, 1985 AND JUNE 30, 1984

	<u>JUNE 30, 1985</u>	<u>JUNE 30, 1984</u>
<u>ASSETS</u>		
Cash	\$ 10,477,267	\$ 8,586,017
Accounts Receivable	44,802	202
Contributions Receivable	12,320,240	3,442,962
Investments	1,773,434,521	1,536,246,228
Accrued Investment Income	30,894,402	28,733,086
Premium Stabilization and Reserve Account		
Aetna Life Insurance Company	4,487,820	3,751,631
State Under Appropriations	4,853,444	
Total Assets	<u>\$1,836,512,496</u>	<u>\$1,580,760,126</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 60,187	\$ 3,395
Treasurer's Unredeemed Checks	41,219	36,124
Maintenance Reserve - Rental Property	22,006	13,764
State Over Appropriation		1,376,748
Total Liabilities	<u>123,412</u>	<u>1,430,031</u>
 <u>FUND BALANCES</u>		
Teachers' Savings Fund	646,868,997	580,793,842
State Accumulation Fund	666,019,381	592,940,319
Allowance Reserve Fund	81,993,134	72,403,649
Guarantee Fund	414,146,481	321,568,116
Voluntary Fund	7,233,532	6,092,544
Survivor, Death and Medical Insurance	20,127,559	5,531,625
General Expense Fund		
Total Fund Balances	<u>1,836,389,084</u>	<u>1,579,330,095</u>
 Total Liabilities and Fund Balances	 <u>\$1,836,512,496</u>	 <u>\$1,580,760,126</u>

The accompanying notes are an integral part of these financial statements

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

### KENTUCKY TEACHERS' RETIREMENT SYSTEM COMBINED STATEMENT OF OPERATIONS AND FUND BALANCE FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<b>REVENUES</b>		
Teachers' Contributions	\$ 89,371,213	\$ 77,329,215
State Contributions	131,127,614	117,636,352
Employers' Matching Contributions	5,194,981	4,294,650
Insurance Premiums Paid by Members	3,542,128	1,699,430
Voluntary Contributions	895,996	774,698
Teachers' Reinstatement Contributions	309,988	236,367
Interest and Dividend Income	160,513,044	136,649,372
Rental Income	1,925,162	1,774,306
Gain on Sale of Investments	16,832,009	8,441,789
Leased Security Income	341,422	227,718
Employers Sick Leave Payments	138,940	86,689
Aetna Life Insurance Company: Interest Income	825,528	641,119
Escrow Late Remittance Penalty	9,428	3,290
Net Other Revenues	157	5,492
Total Revenues	411,027,610	349,800,487
<b>EXPENSES</b>		
Benefits for Service and Disability Retirements	127,738,634	118,450,162
Comprehensive Medical Insurance Premiums (See Note 3)	12,378,427	12,153,901
Survivor and Death Benefits	5,236,970	4,618,718
Refunds of Members' Contributions	6,702,136	5,936,368
General Expense Fund Expenditures	1,320,594	1,265,339
Investment Counsel and Processing Fees	385,490	349,992
Total Expenses	153,762,251	142,774,480
EXCESS OF REVENUES OVER EXPENSES	257,265,359	207,026,007
<b>FUND BALANCES</b>		
Beginning of Year (See note 6)	1,579,123,725	1,372,304,088
End of Year	\$1,836,389,084	\$1,579,330,095

The accompanying notes are an integral part of these financial statements

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

### KENTUCKY TEACHERS' RETIREMENT SYSTEM STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<u>SOURCE OF FUNDS</u>		
Excess of Revenues Over Expenses	\$ 257,265,359	\$ 207,026,007
Current Year State Over Appropriations		1,376,748
Increase in Maintenance Reserve - Rental Property	8,242	7,518
Increase in Treasurer's Unredeemed Checks	5,095	2,300
Total Source of Funds	257,278,696	208,412,573
<u>USE OF FUNDS</u>		
Net Increase in Investments	237,188,293	197,916,840
Increase in Premium Stabilization and Reserve		
Accounts with Aetna Life Insurance Company	736,189	3,695,974
Increase in Accrued Investment Income	2,161,316	4,510,859
Current Year State Under Appropriations	4,853,444	
Return of Prior Year State Over Appropriations	1,376,748	1,928,730
Adjustment to Guarantee Fund Balance (See Note 6)	206,370	
Total Use of Funds	246,522,360	208,052,403
INCREASE IN WORKING CAPITAL	10,756,336	360,170
<u>WORKING CAPITAL BALANCE</u>		
Beginning of Year	12,025,786	11,665,616
End of Year	\$ 22,782,122	\$ 12,025,786

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

**TEACHERS' RETIREMENT SYSTEM****Financial Statements**

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
TEACHERS' SAVINGS FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<b>REVENUES</b>		
Teachers' Contributions	\$ 80,738,273	\$ 71,661,283
Teachers' Reinstatement Contributions	186,040	188,116
Transfers from Guarantee Fund:		
Interest on Fund Balance	16,514,257	14,852,969
Other Revenues	<u>6,181</u>	<u>1,527</u>
Total Revenues	97,444,751	86,703,895
<b>EXPENSES</b>		
Refunds of Members' Contributions	6,352,470	5,225,974
Transfers to State Accumulation Fund:		
Adjustment to University Members' Accounts		354,584
Inactive Accounts per		
KRS 161.470(5)(d) (See Note 7)	2,011,949	
Transfers to Allowance Reserve Fund:		
Retirements	22,599,513	17,517,483
Transfers to Survivor, Death		
and Medical Insurance Fund:		
Survivor Benefits	<u>405,664</u>	<u>617,630</u>
Total Expenses	31,369,596	23,715,671
 EXCESS OF REVENUES OVER EXPENSES	 66,075,155	 62,988,224
 <b>FUND BALANCE</b>		
Beginning of Year	<u>580,793,842</u>	<u>517,805,618</u>
End of Year	\$646,868,997	\$580,793,842

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

**TEACHERS' RETIREMENT SYSTEM****Financial Statements**

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
STATE ACCUMULATION FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<b>REVENUES</b>		
State Contributions - Permanent	\$ 77,687,366	\$ 69,395,376
State Contributions - Handicapped Child Benefits	125,000	125,000
State Contributions - Overmatch and Benefit Improvements	43,079,974	38,734,802
State Contributions - University Salaries	1,776,902	1,720,506
State Contributions - Sick Leave	2,790,200	2,300,973
Employers' Matching Contributions	4,703,715	3,986,413
Employers' Sick Leave Payments	138,940	86,689
Teachers' Reinstatement Contributions	123,948	48,251
Transfers from Teachers Savings Fund: Adjust University Members Accounts Inactive Accounts per KRS 161.470(5) (d) (See Note 7)	2,011,949	354,584
Transfers from Guarantee Fund: Interest on Fund Balance	16,681,942	14,977,094
Reinstatements	186,040	187,826
Return of Prior Years State Matched State Contributions	14,241	
Other Revenues	5,768	5,319
 Total Revenues	 149,325,985	 131,922,833
<b>EXPENSES</b>		
Transfers to Allowance Reserve Fund: Retirements	23,023,209	17,771,524
Transfers to Guarantee Fund: Refunds	6,801,018	5,225,448
Benefit Improvements		
Unmatched State Contributions	43,079,974	38,734,802
Sick Leave Retirement Benefits		13,173
Transfers to Survivor, Death and Medical Insurance Fund: Survivor Benefits	2,790,200	2,300,973
Handicapped Child Benefits	427,523	669,962
	125,000	125,000
 Total Expenses	 76,246,924	 64,840,882
 EXCESS OF REVENUES OVER EXPENSES	 73,079,061	 67,081,951
<b>FUND BALANCE</b>		
Beginning of Year	592,940,319	525,858,368
 End of Year	 \$666,019,380	 \$592,940,319

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

**TEACHERS' RETIREMENT SYSTEM****Financial Statements**

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
ALLOWANCE RESERVE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<b>REVENUES</b>		
Transfers from Teachers' Savings Fund:		
Retirements	\$ 22,599,513	\$ 17,517,483
Transfers from State Accumulation Fund:		
Retirements	23,023,209	17,771,524
Transfers from Guarantee Fund:		
Interest on Fund Balance	2,144,320	1,798,659
State Deficiency in Service Obligation for Members Retired	<u>89,697,289</u>	<u>84,002,621</u>
Total Revenues	137,464,331	121,090,287
<b>EXPENSES</b>		
Benefits for Service and Disability Retirements	127,612,434	118,328,513
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	247,651	73,550
Other Expenses	<u>14,761</u>	<u>17,009</u>
Total Expenditures	127,874,846	119,828,870
<b>EXCESS OF REVENUES OVER EXPENSES</b>	9,589,485	1,261,417
<b>FUND BALANCE</b>		
Beginning of Year	<u>72,403,649</u>	<u>71,142,232</u>
End of Year	\$ 81,993,134	\$ 72,403,649

The accompanying notes are an integral part of these financial statements

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
GUARANTEE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<b>REVENUES</b>		
Interest and Dividends Earned on Investments	\$160,513,044	\$136,649,372
Rental Income	1,925,162	1,774,306
Gain on Sale of Investments	16,832,009	8,441,789
Leased Security Income	341,422	227,718
Escrow Late Remittance Penalty	9,428	3,290
Transfers from State Accumulation Fund:		
Refunds	6,801,018	5,225,448
State Overmatch and Benefit Improvements	43,079,974	38,734,802
State Contribution - Sick Leave	2,790,200	2,300,973
Unmatched State Contributions		13,173
Transfers from Allowance Reserve Fund:		
Prior Year State Contributions - Sick Leave		1,409,798
Other Revenues	3,593	17,605
Total Revenues	232,295,850	194,798,274
<b>EXPENSES</b>		
Investment Counsel and Processing Fees	385,490	349,992
Transfers to Teachers' Savings Fund:		
Interest on Fund Balance	16,514,257	14,852,969
Transfers to State Accumulation Fund:		
Interest on Fund Balance	16,681,942	14,977,094
Reinstatements	186,040	187,826
Matched State Contributions	14,241	
Transfers to Allowance Reserve Fund:		
Interest on Fund Balance	2,144,320	1,798,659
State Deficiency in Service Obligation for Members Retired	89,697,289	84,002,621
Transfers to Voluntary Contribution Fund:		
Interest on Voluntary Accounts	684,526	494,128
To Fund Deficiency from Increased Benefits Continued After Voluntary Contributions Expire	36,513	27,213
Transfers to Survivor, Death and Medical Insurance Fund:		
Unmatched Medical Insurance Contribution (See Note 8)	2,511,294	
Interest on Fund Balance (See Note 9)	6,356,744	255,607
State Deficiency in Survivor Benefits (See Note 10)	2,976,841	
Matched State Contributions	1,024	
Transfer to Administrative Expense Fund:		
Funding of Administrative Expenses	1,320,594	1,262,119
Total Expenses	139,511,115	118,208,228
EXCESS OF REVENUES OVER EXPENSES	92,784,735	76,590,046
<b>FUND BALANCE</b>		
Beginning of Year (See Note 6)	321,361,746	244,978,070
End of Year	\$414,146,481	\$321,568,116

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



# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
VOLUNTARY CONTRIBUTION FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<u>REVENUES</u>		
Voluntary Contributions	\$ 895,995	\$ 774,698
Transfers from Guarantee Fund:		
Interest on Voluntary Accounts	684,526	494,128
To Fund Deficiency from Increased Benefits		
Continued After Voluntary Contributions Expire	<u>36,513</u>	<u>27,213</u>
Total Revenues	1,617,034	1,296,039
<u>EXPENSES</u>		
Refunds of Members' Contributions	349,666	710,394
Benefits Increased by Voluntary Contributions	89,686	94,436
Increased Benefits Continued After		
Voluntary Contributions Expire	36,513	27,213
Other Expenses	<u>181</u>	<u>479</u>
Total Expenses	476,046	832,522
EXCESS OF REVENUES OVER EXPENSES	1,140,988	463,517
<u>FUND BALANCE</u>		
Beginning of Year	<u>6,092,544</u>	<u>5,629,027</u>
End of Year	\$7,233,532	\$6,092,544

The accompanying notes are an integral part of these financial statements

**TEACHERS' RETIREMENT SYSTEM****Financial Statements**

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
SURVIVOR, DEATH AND MEDICAL INSURANCE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<b>REVENUES</b>		
Teachers' Contributions	\$ 8,632,940	\$ 5,667,932
State Contributions	5,668,172	5,359,695
Employers' Matching Contributions	491,266	308,237
Insurance Premiums Paid by Members	3,542,128	1,699,430
Aetna Life Insurance Company:		
Interest Income	825,528	641,119
Transfers from Teachers' Savings Fund:		
Survivor Benefits	405,664	617,630
Transfers from State Accumulation Fund:		
Survivor Benefits	427,523	669,962
Handicapped Child Benefits	125,000	125,000
Transfers from Allowance Reserve Fund:		
Benefits for Survivors of Retired Members	247,651	73,550
Transfers From Guarantee Fund:		
Unmatched Medical Insurance Contribution (See Note 8)	2,511,294	
Interest on Fund Balance (See Note 9)	6,356,744	255,607
State Deficiency in Survivor Benefits (See Note 10)	2,976,841	
Matched State Contributions	<u>1,024</u>	<u>          </u>
Total Revenues	32,211,775	15,418,162
<b>EXPENSES</b>		
Comprehensive Medical Insurance		
Premiums (See Note 3)	12,378,427	12,153,901
Survivor and Death Benefits	5,236,970	4,618,718
Other Expenses	<u>443</u>	<u>1,471</u>
Total Expenses	17,615,840	16,774,090
EXCESS (-DEFICIT) OF REVENUES OVER EXPENSES	14,595,935	-1,355,928
<b>FUND BALANCE</b>		
Beginning of Year	<u>5,531,625</u>	<u>6,887,553</u>
End of Year	\$20,127,560	\$ 5,531,625

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

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
GENERAL EXPENSE FUND  
STATEMENT OF OPERATIONS AND FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
<u>RECEIPTS</u>		
Transfers from Guarantee Fund	\$1,320,594	\$1,262,119
<u>EXPENSES</u>		
Personal Services:		
Salaries, Wages and Fringe Benefits	876,395	786,361
Other Personnel Costs	3,917	2,454
Professional Contract Cost	54,698	40,625
Other	379	
Operating Expenses:		
Utilities and Heating Fuels	16,679	17,349
Rentals	41,783	35,926
Maintenance and Repairs	20,669	9,744
Postage and Related Services	109,648*	133,015
Miscellaneous Services	54,121	42,411
Telecommunications	22,515	16,479
Computer Services	36,078	83,600
Supplies	22,056	17,374
Commodities	8,056	6,405
Travel Expenses	18,536	23,149
Miscellaneous Commodities and Other Expenses	5,605	3,212
Capital Outlay:		
Furniture, Fixtures/Office Equipment	29,459	47,235
Total Expenses	1,320,594	1,265,339
EXCESS (-DEFICIT) OF REVENUES OVER EXPENSES	0	-3,220
<u>FUND BALANCE</u>		
Beginning of Year	0	3,220
End of Year	\$ 0	\$ 0

\* Included in this amount is \$54,243 of postage purchased and on hand at June 30, 1985 that will be used during the next fiscal year.

The accompanying notes are an integral part of these financial statements

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

### KENTUCKY TEACHERS' RETIREMENT SYSTEM NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 1985

#### 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 established by the Governmental Accounting Standards Board.

B. In the June 30, 1985 balance sheet, only that cash on hand at June 30, 1985 is shown as "Cash". All available cash is invested immediately upon receipt. Any other amounts received or paid out after June 30, 1985 that relate to 1984-85 are shown as "Accounts Receivable", "Contributions Receivable" or "Accounts Payable". The cash amount at June 30, 1984 was restated to reflect this change in reporting policy.

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 current rate of 9.6% of creditable compensation. 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 received in this fund. The State contributes an amount equal to the members' contributions with the exception of the .28% medical insurance contribution (See Note 8). In addition the State provides an annual overmatch of 3.25% to discharge the System's unfunded obligations. Actual State appropriations for fiscal year 1984-85 were based on estimates of members' salaries provided by the Kentucky Department of Education. For the fiscal year ended June 30, 1985, actual appropriations fell short of required appropriations by \$5,059,814 (See Note 6).

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1985

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 are first paid from the retired member's contributions until they are exhausted, then state matching contributions are used to pay the benefits. After both the member's contributions and the state matching contributions are exhausted, retirement benefits are then paid from monies transferred from the Guarantee Fund.

**GUARANTEE FUND:** This fund collects all income from investments, state matching contributions of members withdrawn from the system, and state overmatching contributions. In addition money whose disposition is not provided for is placed in this fund. This fund provides interest to the other funds, benefits in excess of both members' and state matching contributions, monies for administrative expenses of the System, and deficiencies not covered by the other funds.

**VOLUNTARY CONTRIBUTION FUND:** This fund operates under the rules and regulations of Section 403(b) of the Internal Revenue Code. The primary purpose of the program is to enable members to defer payment of taxes on income until after they retire. KRS 161.705 allows members to voluntarily contribute 4% or more of their annual compensation to separate member accounts. Upon retirement these accounts may be used to increase monthly benefits or they may be refunded to the members. Active voluntary accounts earn interest at rates approved by the Board of Trustees.

**SURVIVOR, DEATH AND MEDICAL INSURANCE FUND:** This fund consists of members' contributions and state matching contributions. This fund provides survivor benefits, 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 administrative expenses of the Teachers' Retirement System are paid from monies transferred to this fund from the Guarantee Fund. The Board of Trustees annually adopts a budget which per KRS 161.420(1) cannot be greater than 4% of the receipts of the State Accumulation Fund.

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1985

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 Aetna. A premium stabilization and reserve account is maintained with Aetna to cover fluctuations in medical claims paid. Annually Aetna compares estimated premiums to actual claims incurred with the resulting difference either increasing or decreasing the premium stabilization and reserve account. Below is a schedule of insurance premiums for 1984-85 and 1983-84:

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
Estimated Premiums Paid	\$ 12,289,088	\$ 15,208,756
Less: Experience Increase (-Decrease)	<u>-89,339</u>	<u>3,054,855</u>
Actual Premiums Incurred	\$ 12,378,427	\$ 12,153,901

In past financial statements the estimated premiums and the experience increase or decrease were separately presented.

The premium stabilization and reserve account was affected in the following manner:

	YEAR ENDED JUNE 30, 1985	YEAR ENDED JUNE 30, 1984
Beginning Balance	\$ 3,751,631	\$ 55,657
Plus: Experience Increase (-Decrease)	-89,339	3,054,855
Plus: Interest Earned	<u>825,528</u>	<u>641,119</u>
Ending Balance	\$ 4,487,820	\$ 3,751,631

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1985

### NOTE 4: Actuarial Valuation

Actuarial valuations are conducted by statute on a biennial basis. The most recent valuation was conducted by George B. Buck Consulting Actuaries, Inc., to determine the accumulated plan benefits of the Retirement System at June 30, 1984.

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, 1984. 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, 1984 and 1982:

	<u>1984</u>	<u>1982</u>
Present value of prospective benefits payable in respect of:		
Present active members	\$1,806,601,000	\$1,498,972,000
Present annuitants and beneficiaries	1,062,190,000	906,883,000
Present inactive members	<u>39,007,000</u>	<u>34,860,000</u>
Accumulated plan benefits	2,907,798,000	2,440,715,000
Present assets for valuation purposes	<u>1,569,089,000</u>	<u>1,163,671,000</u>
Unfunded actuarial accrued liability	\$1,338,709,000	\$1,277,044,000

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

### KENTUCKY TEACHERS' RETIREMENT SYSTEM NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 1985

#### NOTE 5: Investments

The investments of the Retirement System at June 30, 1985 and June 30, 1984 are as follows:

	<u>JUNE 30, 1985</u>	<u>JUNE 30, 1984</u>
BONDS AND MORTGAGES		
Short Term		
Repurchase Agreements	\$ 303,305,000	\$ 196,520,000
U.S. Government Obligations		
Treasury Notes and Bonds	492,850,000	390,900,000
Agencies	129,291,246	149,292,590
Ship Bonds (Title XI)	92,246,848	90,229,340
GNMA (Single Family)	105,088,446	93,655,971
Other Miscellaneous	<u>101,278,431</u>	<u>6,573,625</u>
Total U.S. Government Obligations	920,754,971	730,651,526
Corporate Bonds		
Industrials	116,423,365	139,460,582
Finance	30,714,749	30,827,444
Utility Bonds (Except Telephone)	49,821,000	50,009,000
Telephone Bonds	50,440,000	63,440,000
Railroad Obligations	<u>11,128,639</u>	<u>11,493,277</u>
Total Corporate Bonds	258,527,753	295,230,303
Other Fixed Income Investments		
FHA & VA Single Family Mortgages	19,326,538	21,157,069
Fix Income Securities	1,065,072	
Project Mortgages	113,729,435	107,600,985
State and Local Government Obligations	<u>158,334</u>	<u>255,000</u>
Total Other Investments	134,279,379	129,013,054
SUBTOTAL	1,616,867,103	1,351,414,883
Accrued Interest Purchased	225,536	456,607
Unamortized Premiums	6,331,988	6,047,092
Unamortized Discounts	<u>-123,402,919</u>	<u>-63,228,500</u>
TOTAL BONDS AND MORTGAGES	1,500,021,708	1,294,690,082
REAL ESTATE	34,882,785	17,827,786
STOCKS	<u>238,530,028</u>	<u>223,728,360</u>
TOTAL INVESTMENTS	\$1,773,434,521	\$1,536,246,228

The market value of bonds and mortgages is \$1,500,339,766 at June 30, 1985 and \$1,108,719,059 at June 30, 1984. The common stocks have a market value of \$294,616,308 at June 30, 1985 and \$231,177,116 at June 30, 1984. The market value of the real estate is not readily determinable.



# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1985

### NOTE 6: Adjustment of the Guarantee Fund Beginning Balance

The balance in the Guarantee Fund at the beginning of the year was reduced \$206,370. This adjustment was needed because the actual appropriations in 1983-84 exceeded the required appropriations by \$1,583,118, not \$1,376,748, as was estimated in the June 30, 1984 financial statements. The estimate was necessary because at the date the June 30, 1984 financial statements were prepared the relevant financial information needed to determine the required appropriation was unavailable. The \$206,370 was used to reduce the 1984-85 under appropriation from \$5,059,814 to \$4,853,444.

### NOTE 7: Inactive Accounts per KRS 161.470(5) (d)

KRS 161.470(5) (d) states that membership in the Retirement System shall be terminated when a teacher, having less than five years of Kentucky service is absent from service for more than three consecutive years. In addition this statute states that the balance in these accounts shall be transferred to the State Accumulation Fund.

Since this is the first such transfer required by statute, it includes all inactive accounts as of June 30, 1985. These funds are not state matching contributions but are supplemental funds to the system, refundable upon request.

### NOTE 8: Unmatched Medical Insurance Contributions

KRS 161.420(5) states that 1.81% of the gross annual payroll of all members shall be deposited to the Survivor, Death and Medical Insurance Fund. One half of this amount (.905%) is from member contributions and is to be matched by state contributions. In 1984-85, the state matched .625%, leaving .28% unappropriated. Therefore, in accordance with KRS 161.550(1) the unmatched medical insurance contributions totaling \$2,511,294 were transferred out of the Guarantee Fund to the Survivor, Death and Medical Insurance Fund.

### NOTE 9: Retroactive Interest Transfer

The 1984 General Assembly revised KRS 161.440 so that the interest transferred to the Survivor, Death and Medical Insurance Fund would no longer be 3% of the fund balance but would be at a rate of interest not to exceed the average yield on fixed income security investments for the immediate past year. The change was made retroactive to July 1, 1978. Therefore, a one-time transfer of \$5,759,275 was made to the Survivor, Death and Medical Insurance Fund from the Guarantee Fund for the July 1, 1978 to June 30, 1984 period. In 1984-85, \$597,469 was transferred based on an interest rate of 9.48%.

# TEACHERS' RETIREMENT SYSTEM

## Financial Statements

KENTUCKY TEACHERS' RETIREMENT SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1985

NOTE 10: State Deficiency in Survivor Benefits

In 1984-85 \$2,976,841 was transferred from the Guarantee Fund to the Survivor, Death and Medical Insurance Fund for the survivor benefits paid in excess of the decedent members' contributions and state matching contributions. This transfer reflects a change in accounting policy in order to apply consistent treatment in the Allowance Reserve Fund and the Survivor, Death and Medical Insurance Fund.

**STATE APPROPRIATIONS  
AND SICK LEAVE PAYMENTS**

1

## TEACHERS' RETIREMENT SYSTEM

State Appropriations and Sick Leave

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

<u>Expense Item</u>	<u>1984-85 State Budget Appropriation</u>	<u>1984-85 State Actual Budget Requirements</u>
Local School Districts	\$ 97,391,645	\$102,386,137.00
Department of Education & Other	9,634,355	8,330,348.16
Higher Education	8,670,000	8,896,545.47
Higher Education Contribution Reduction	1,700,000	1,776,902.45
Federal Payments	(4,500,000)	(5,024,318.99)
Retiree Cost of Living Adjustment	11,180,000	11,180,000
Prior Service Increase	640,000	640,000
\$75 Minimum Benefit	50,000	50,000
Handicapped Child Benefit	125,000	125,000
Sick Leave (KRS 161.550)	1,200,000	2,790,200.24
Miscellaneous	<u>(23,200)</u>	<u>(23,200)</u>
 TOTALS	 126,067,800	 131,127,614.33
 State Underappropriation for 1984-85	 <u>\$5,059,814.33</u>	

KRS 161.550 requires that in the event an annual appropriation is less than the amount of the statutory requirements, the state shall make up the deficit in the next biennial budget appropriation to the Retirement System. As of October 15 1985, the 1984-85 deficit has been included in the Teachers' Retirement budget request for the 1986-88 biennium.

**SUMMARY OF STATE APPROPRIATIONS FOR MATCH AND OVERMATCH  
OF MEMBER CONTRIBUTIONS TO  
TEACHERS' RETIREMENT SYSTEM 1940-1985**

<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	80,720,250.13	4,310,157.00	76,410,093.13	30,019,915.87	110,314,100.00	3,884,091.00	+ 206,370.00
1984-85	90,156,759.21	5,024,318.99	85,132,440.22	31,233,173.87	112,896,000.00	-3,469,614.09	-3,263,244.09

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. \$206,370.00 of the 1983-84 overappropriation has been applied to the 1984-85 underappropriation.

The State underappropriation for 1984-85 member contributions and the unfunded sick leave liability have been included in the Teachers' Retirement System budget for the 1986-88 biennium as required by KRS 161.550.

**TEACHERS' RETIREMENT SYSTEM****State Appropriations and Sick Leave****SUMMARY OF JULY 1, 1985  
RETIREE SICK LEAVE PAYMENTS**

Total members retiring .....	1,026
Total members receiving sick leave payments .....	622
Total amount of sick leave payments	
@ 9.32 = 23,912.02	
@ 9.60 = 2,058,778.48	\$2,082,690.50
Average payment per retiree .....	3,348.38
Total increase in final average salary base .....	416,538.10
Average increase in FAS .....	699.68
Total service credit of 622 retirees .....	18,787.68
Average service credit per 622 retirees .....	30.21

**ADDITIONAL AVERAGE MONTHLY ANNUITY PAYMENT PER RETIREMENT FORMULA**

$699.68 \times 28.21 \times 2\% = 394.76$	
$699.68 \times 1.00 \times 2.25 = 15.74$	
$699.68 \times 1.00 \times 2.50 = 17.49$	427.99
$427.99 \div 12 \text{ months} =$	35.67

**ANTICIPATED LIFETIME PAYOUT OF ADDITIONAL ANNUITY**

$35.67 \times 146.568 \times 622 =$	3,251,865.76
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**FUNDING OF ADDITIONAL PAYOUT**

Member Contributions	$9.32 \times 23,912.02 =$	2,228.60
State Contributions	$12.57 \times 23,912.02 =$	3,005.74
Member Contributions	$9.60 \times 2,058,778.48$	197,642.73
State Contributions	$12.57 \times 2,058,778.48$	258,788.45
Total Member - State Contributions		461,665.52

**UNFUNDED DEBT TO KTRS**

Anticipated additional payout	3,251,865.76
Less total Member & State Contributions	461,665.52
Subtotal unfunded debt	2,790,200.24
Less current year appropriation	1,200,000.00
Total unfunded debt	1,590,200.24 (1)

(1) This amount has been included in the Teachers' Retirement System budget for the 1986-88 biennium as required by KRS 161.550.

**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 1985**

<b>SCHOOL DISTRICT</b>	<b>NUMBER OF MEMBERS</b>	<b>TOTAL ADDITIONAL COMPENSATION</b>
Adair	4	4,642.93
Allen	2	5,111.66
Anderson	6	18,277.92
Barren	2	1,281.87
Bell	6	5,325.11
Boone	1	10,432.92
Bourbon	3	10,321.26
Boyd	3	9,967.71
Boyle	3	7,106.25
Breathitt	7	33,223.04
Breckinridge	1	3,413.75
Bullitt	6	18,672.29
Butler	6	17,232.40
Calloway	4	6,809.90
Campbell	2	1,303.86
Carlsle	1	2,050.42
Carroll	1	2,841.88
Carter	4	10,114.16
Casey	2	1,823.86
Christian	8	20,364.91
Clark	4	17,551.15
Clay	4	3,842.08
Clinton	4	11,865.31
Cumberland	2	8,047.50
Davless	5	14,302.19
Edmonson	2	6,617.71
Elliott	3	6,302.71
Estill	4	2,328.12
Fayette	25	117,445.02
Fleming	1	330.63
Floyd	35	110,149.82
Franklin	4	19,420.00
Fulton	1	2,155.00
Garrard	2	7,953.44
Graves	2	9,456.10
Grayson	5	15,609.18
Green	5	16,655.10
Greenup	3	10,476.15
Hancock	2	12,504.07
Hardin	4	11,913.97
Harlan	8	25,518.96
Hart	2	2,283.64
Henderson	3	12,248.54
Henry	2	1,278.54
Hopkins	7	25,538.40



**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 1985**

<b>SCHOOL DISTRICT</b>	<b>NUMBER OF MEMBERS</b>	<b>TOTAL ADDITIONAL COMPENSATION</b>
Jackson	4	8,151.15
Jefferson	123	583,850.24
Jessamine	3	8,604.07
Johnson	6	24,845.21
Kenton	4	11,752.08
Knott	8	15,859.16
Knox	6	18,468.03
Larue	2	4,601.67
Laurel	9	25,713.03
Leslie	5	12,204.83
Letcher	7	7,952.61
Lewis	6	24,622.91
Lincoln	8	22,597.61
Livingston	4	11,573.86
Logan	2	3,146.87
Madison	6	10,334.19
Magoffin	2	4,510.86
Marshall	1	2,189.27
Mason	2	2,556.04
McCracken	4	13,695.63
Meade	1	4,015.00
Mercer	2	6,536.98
Metcalf	2	4,593.76
Monroe	2	5,156.46
Montgomery	3	16,077.92
Muhlenberg	4	15,375.21
Nelson	4	17,347.39
Nicholas	1	2,750.42
Ohio	2	4,364.69
Oldham	2	4,901.57
Owen	4	10,901.26
Pendleton	9	20,913.23
Perry	8	32,701.04
Pike	23	54,015.42
Powell	4	18,985.00
Pulaski	8	26,746.66
Robertson	1	2,754.90
Rockcastle	7	8,367.08
Russell	2	3,347.39
Scott	4	13,187.29
Simpson	4	8,150.42
Spencer	1	6,212.71
Taylor	1	4,189.90
Todd	3	11,551.98
Trimble	1	3,848.96

**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 1985**

<u>SCHOOL DISTRICT</u>	<u>NUMBER OF MEMBERS</u>	<u>TOTAL ADDITIONAL COMPENSATION</u>
Union	1	1,054.69
Warren	4	14,675.41
Washington	4	7,395.63
Webster	1	928.44
Whitley	4	12,676.98
Woodford	1	3,496.88
Ashland	1	5,223.65
Bardstown	1	4,838.02
Bowling Green	10	34,465.42
Caverna	1	2,365.94
Central	2	5,620.00
Covington	10	19,854.37
Danville	8	34,668.54
Elizabethtown	2	13,663.75
Erlanger	4	10,898.02
Fairview	4	16,613.44
Frankfort	1	1,265.00
Glasgow	4	8,734.28
Greenville	1	1,727.81
Jenkins	2	4,728.96
Mayfield	4	11,797.61
Maysville	2	9,868.85
Middlesboro	6	18,471.77
Owensboro	4	11,799.59
Paintsville	2	8,866.98
Paris	1	1,460.42
Pikeville	2	5,385.10
Russell	3	7,015.42
Russellville	1	3,418.44
Somerset	4	12,148.53
Williamsburg	1	1,229.17
Total	622	2,082,690.50

## **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 June 30, 1984 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 1984 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. Any further benefit improvements, including the ad hoc increases previously noted, should be accompanied by the additional contributions necessary to support the benefits.

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, 1984. 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.

THE UNIVERSITY OF CHICAGO

CHICAGO, ILL.

TO THE PRESIDENT OF THE UNIVERSITY OF CHICAGO

FROM THE FACULTY OF THE UNIVERSITY OF CHICAGO

RESOLUTION OF THE FACULTY OF THE UNIVERSITY OF CHICAGO  
PASSED AT A MEETING OF THE FACULTY HELD AT CHICAGO, ILL.,  
ON THE 15TH DAY OF MAY, 1954.

WHEREAS, the Faculty of the University of Chicago

has the honor to acknowledge the receipt of a letter from  
the President of the University of Chicago, dated May 10, 1954,  
in which the President has informed the Faculty that the  
Board of Trustees of the University of Chicago has decided  
to accept the resignation of the President of the University of Chicago,  
and to appoint as the new President of the University of Chicago,  
the Honorable Charles C. Frick, Jr., of Chicago, Illinois.

### BUCK CONSULTANTS

200 Galleria Parkway, N. W. Suite 1060  
Atlanta, Georgia 30339 404 | 955-2488

May 15, 1985

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, 1984.

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, 1984**

**SECTION I - SUMMARY OF PRINCIPAL RESULTS**

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

Valuation Date	June 30, 1984		June 30, 1982	
Number of active members	42,846		42,798	
Annual salaries	\$ 910,394		\$ 803,608	
Number of annuitants and beneficiaries	16,856		15,622	
Annual allowances	\$ 122,359		\$ 97,560	
Assets for valuation purposes	\$1,569,089		\$1,163,671	
Unfunded actuarial accrued liability	\$1,338,709		\$1,277,044	
Statutory contribution rates:	Univ.	Non-Univ.	Univ.	Non-Univ.
Member	7.45%	8.93%	7.45%	8.93%
State matching	7.45	8.93	7.45	8.93
State overmatch	3.25	3.25	3.25	3.25
Total	18.15%	21.11%	18.15%	21.11%
Actuarially determined contribution rates:				
Normal	12.54%	15.12%	12.18%	14.55%
Accrued liability (balancing item)	5.61	5.99	5.97	6.56
Total	18.15%	21.11%	18.15%	21.11%
Accrued liability funding period	36 years		35 years	

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, 1984 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
3. 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 1984 Session of the Legislature and effective on the valuation date. The annual 1% increases for retired members and beneficiaries have been reflected. 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, 1984 on the basis of which the valuation was prepared.

GROUP	NUMBER	ANNUAL SALARIES ((\$1,000's)
Men	14,197	\$345,092
Women	28,649	\$565,302
Total	42,846	\$910,394

The table reflects the active membership for whom complete valuation data was submitted. The results of the valuation were adjusted to take account of 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, 1984.

**THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF  
ANNUITANTS AND BENEFICIARIES ON THE ROLL  
AS OF JUNE 30, 1984**

GROUP	NUMBER	ANNUAL RETIREMENT ALLOWANCES (\$1,000's)
Service Retirements	14,566	\$110,002
Disability Retirements	955	6,751
Beneficiaries of Deceased Members	945	4,375
Total	16,466	\$121,128

In addition, there are 390 beneficiaries entitled to term-certain only annuities totalling \$1,230,976 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 Teacher's 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, 1984 amounted to \$580,793,842.

- (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, 1984 amounted to \$592,940,319.

- (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, 1984 amounted to \$72,403,649.

- (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, 1984 the assets credited to this Fund amounted to \$321,568,116.

## TEACHERS' RETIREMENT SYSTEM

### Actuarial Valuation

(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, 1984 amounted to \$5,531,625. On the basis of past experience, it is assumed that 25 percent of this amount, or \$1,382,906, is on account of survivor and death benefits and applicable for valuation purposes.

(f) Expense Fund; Voluntary Member Contributions

There were no assets credited to the Expense Fund. Voluntary member contributions amounted to \$6,092,544 as of June 30, 1984. This amount was not included in the assets used for valuation purposes.

2. As of June 30, 1984 the total assets held by the System amounted to \$1,579,330,095. Of this amount, \$1,569,088,832 was used for valuation purposes, as shown in the following table.

FUND	ASSETS FOR VALUATION PURPOSES	OTHER ASSETS	TOTAL ASSETS
Teacher's Savings	\$ 580,793,842		\$ 580,793,842
State Accumulation	592,940,319		592,940,319
Allowance Reserve	72,403,649		72,403,649
Guarantee	321,568,116		321,568,116
Survivor, Death and Medical Insurance	1,382,906	\$ 4,148,719	5,531,625
Expense; Voluntary Member Contribution		6,092,544	6,092,544
Total	\$1,569,088,832	\$10,241,263	\$1,579,330,095

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 \$1,806,601 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 benefit payable to annuitants and beneficiaries amounts to \$1,062,190 after adjustment for special appropriations remaining to be made toward funding the 1980 and 1982 ad hoc increases, and the liability for benefits expected to be paid to inactive members and to members entitled to deferred vested benefits is \$39,007. The total actuarial accrued liability of the System amounts to \$2,907,798. Against these liabilities, the System has present assets for valuation purposes of \$1,569,089. When this amount is deducted from the actuarial accrued liability of \$2,907,798, there remains \$1,338,709 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 12.54% of payroll for university members and 15.12% for non-university members.

**SECTION V - CONTRIBUTIONS PAYABLE UNDER THE SYSTEM**

1. Section 161.540 of the retirement law provides that each university member will contribute 8.12% of his annual salary to the System and each non-university member will contribute 9.60% of salary. Of this amount, 0.67% 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**

<b>SOURCE</b>	<b>UNIVERSITY</b>	<b>NON—UNIVERSITY</b>
Member	7.45%	8.93%
State matching	7.45	8.93
State overmatch	3.25	3.25
<b>Total</b>	<b>18.15%</b>	<b>21.11%</b>

4. The valuation indicated that normal contributions at the rate of 12.54% of active university members' salaries are required to meet the cost of benefits currently accruing. The rate for non-university members is 15.12%. 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 5.61% for university members and 5.99% 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	12.54%	15.12%
Accrued liability (balancing)	5.61	5.99
Total	18.15%	21.11%

5. The unfunded actuarial accrued liability amounts to \$1,338,709,000 as of the valuation date. Accrued liability contributions at the rate of 5.61% of active university members' payroll and 5.99% for non-university members are sufficient to amortize the unfunded actuarial accrued liability over the 36 year period commencing June 30, 1984, based on the assumption that the payroll will increase by 5% annually.

**SECTION VI - COMMENTS ON LEVEL OF FUNDING**

1. The benefit percentage for non-university members is 2% for service accrued through January 1, 1984 and 2½ % for service accrued after that date. The total net contribution rate is 21.11% of payroll for these members. For university members the benefit percentage is 2% for all service and the contribution rate is 18.15%. Our calculations indicate that these contribution rates will be sufficient to cover the basic benefits of the System and the annual 1% increases in the allowances of retired members and beneficiaries. Special appropriations are being made toward the ad hoc increases granted in 1980 and 1982.
2. The valuation indicates that the present statutory contribution rates 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 effect of the plan experience, particularly an increase in the average age of active members, has produced an increase in the funding period for the unfunded actuarial accrued liability from 35 years to 36 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, 1984</u>	<u>June 30, 1982</u>
Active and inactive member accumulated contributions	\$ 580,793,842	\$ 467,628,673
Reserve for present annuitants and beneficiaries	<u>1,062,190,340</u>	<u>906,882,558</u>
(A) Total	\$1,642,984,182	\$1,374,511,231
(B) Total assets for valuation purposes	\$1,569,088,832	\$1,163,671,225
Ratio = (B) divided by (A)	95.5%	84.7%

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

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

**BULK RATE  
U.S. POSTAGE**  
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