



TEACHERS'
RETIREMENT
SYSTEM
OF THE STATE OF
KENTUCKY

COMPREHENSIVE
ANNUAL REPORT
FISCAL YEAR ENDED
JUNE 30, 1990

50

Fifty Years

1940 - 1990

**50th Component Unit Financial Report
of the Teachers' Retirement System
of the State of Kentucky
for the Fiscal Year Ended
June 30, 1990**

**Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3868**

**Pat N. Miller
Executive Secretary**

50

Fifty Years

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Teachers' Retirement System
of the State of Kentucky

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1989

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFR's) achieve the highest standards in government accounting and financial reporting.



Gary R. Hordern

President

Jeffrey L. Esler

Executive Director

Table of Contents

| | Page |
|---|------|
| Introductory Section | |
| Letter of Transmittal | 2 |
| Chairperson's Letter | 3 |
| Board of Trustees | 4 |
| Administrative Staff and Professional Consultants | 5 |
| Organizational Chart | 6 |
| System Highlights | 7 |
| Financial Section | |
| Independent Auditor's Report | 12 |
| Balance Sheets | 13 |
| Statement of Revenues, Expenses, and Changes in Fund Balances | 14 |
| Statement of Changes in Financial Position | 16 |
| Notes to Financial Statements | 17 |
| Analysis of Funding Progress | 26 |
| Revenues by Source and Expenses by Type | 27 |
| Supporting Schedules | 30 |
| Actuarial Section | |
| Actuary's Certification Letter | 42 |
| Summary of Principal Results | 43 |
| Membership Data | 43 |
| Assets | 44 |
| Comments on Valuation | 46 |
| Contributions Payable Under the System | 46 |
| Comments on Level of Funding | 47 |
| Accounting Information | 47 |
| Results of the Valuation Prepared as of June 30, 1988 | 49 |
| Outline of Actuarial Assumptions and Methods | 50 |
| Solvency Test | 52 |
| Schedule of Active Member Valuation Data | 53 |
| Schedule of Retirants, Beneficiaries, and Survivors Added to and Removed from Rolls | 53 |
| Statistical Section | |
| Growth in Annuitants | 56 |
| Growth in Service Retirements | 56 |
| Average Benefits Payments | 57 |
| Average Benefit Payments (all recipients) | 57 |
| Summary of Revenue by Source | 58 |
| Summary of Expenses by Type | 58 |
| Geographical Distribution of Retirement Payments | 59 |
| Summary of State Budget Appropriation | 61 |
| Summary of State Match and Supplemental Appropriations | 62 |
| Summary of Retiree Sick Leave Payments | 63 |
| School Districts Electing to Pay for Sick Leave | 64 |
| Schedule of KTRS Annuitants by Type of Benefit | 66 |
| Distribution of Active Members | 66 |
| Investment Section | |
| Investments | 68 |
| Distribution of Investments | 69 |
| Investment Portfolio Growth | 70 |

| | Page |
|--|------|
| Investment Income Growth | 71 |
| Net Indicated Yield on Fixed Dollar Assets | 72 |
| Analysis of Investments Held as of June 30, 1989 | 73 |
| Short Term Investments | 74 |
| U.S. Government Obligations | 74 |
| Corporate Bonds | 80 |
| Other Fixed Income Investments | 84 |
| Real Estate Equity | 85 |
| Common Stocks | 86 |

| | |
|--|---|
| | <h1>INTRODUCTORY SECTION</h1> |
| | <p>Kentucky Teachers' Retirement System</p> |

Kentucky Teachers' Retirement System

Letter of Transmittal

BOARD OF TRUSTEES

W. D. BRUCE, JR.
CHAIRPERSON, LOUISVILLE

ARLENE M. ROMINE
VICE CHAIRPERSON, MT. WASHINGTON

ROBERT M. CONLEY, PAINTSVILLE
JUDITH R. GAMBILL, ASHLAND
VIRGINIA MURRELL, SOMERSET
EARLE V. POWELL, FRANKFORT
BARBARA G. STERRETT, LEXINGTON

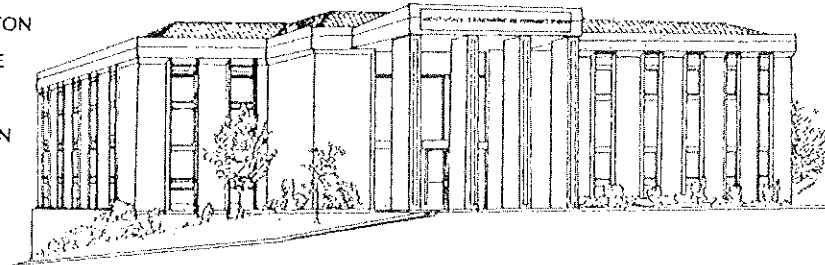
EX OFFICIO

JOHN BROCK
Supt. of Public Instruction

ROBERT MEADE CPA
State Treasurer

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

PAT N. MILLER
EXECUTIVE SECRETARY
(502) 564-3266



50 YEARS OF SERVICE
1940 - 1990

Honorable Wallace Wilkinson, Governor
Commonwealth of Kentucky
Capitol Building
Frankfort, Kentucky 40601

December 1, 1990

Dear Governor Wilkinson:

The 50th Annual Report of the Teachers' Retirement System of the State of Kentucky (the System) for the fiscal year ended June 30, 1990 is hereby submitted. The legal requirement for publication of this report is contained in Section 320 of Chapter 161 of the Kentucky Revised Statutes (KRS). In addition, KRS 161.370(2) requires an annual audit of the System. The auditor's opinion letter is in the Financial Section of this report.

The annual report consists of five sections: the Introductory Section containing this Letter of Transmittal and the identification of the trustees, staff, and consultants of the System; the Financial Section containing the auditor's opinion letter, the financial statements, and supporting schedules; the Actuarial Section containing the independent consulting actuary's opinion and results of their most recent actuarial valuation; the Statistical Section consisting of significant data pertaining to the System; and the Investment Section containing a detailed list of investments and charts reporting the investment performance and allocation.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of the State of Kentucky for its component unit financial report for the fiscal year ended June 30, 1989. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized component unit financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The System has received a Certificate of Achievement for the last two consecutive years (fiscal years ended 1988-1989). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

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 submitted,

Pat N. Miller
Executive Secretary

Chairperson's Letter

BOARD OF TRUSTEES

W. D. BRUCE, JR.
CHAIRPERSON, LOUISVILLE

ARLENE M. ROMINE
VICE CHAIRPERSON, MT. WASHINGTON

ROBERT M. CONLEY, PAINTSVILLE
JUDITH R. GAMBILL, ASHLAND
VIRGINIA MURRELL, SOMERSET
EARLE V. POWELL, FRANKFORT
BARBARA G. STERRETT, LEXINGTON

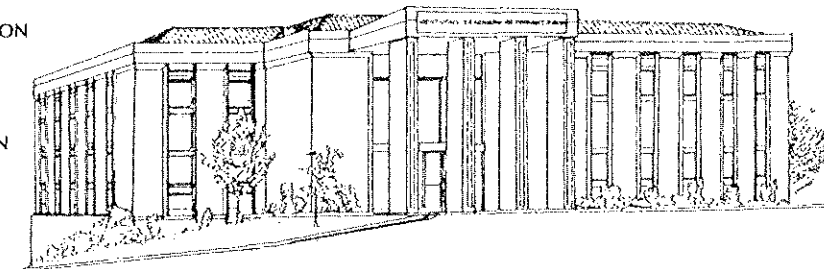
EX OFFICIO

JOHN BROCK
Supt. of Public Instruction

ROBERT MEADE CPA
State Treasurer

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

PAT N. MILLER
EXECUTIVE SECRETARY
(502) 564-3266



50 YEARS OF SERVICE
1940 - 1990

December 1, 1990

Honorable Wallace Wilkinson, Governor
Commonwealth of Kentucky
Capitol Building
Frankfort, Kentucky 40601

Dear Governor Wilkinson:

This 50th Annual Report of the Teachers' Retirement System of the State of Kentucky emphasizes the importance of a fiscally sound retirement system.

Local school districts, the Department of Education, state universities, and other participating employers are keenly aware of the importance of a growing, sound retirement system, particularly in attracting and retaining competent employees. The employees recognize the importance of their contributions and the Commonwealth's matching and overmatching of their contributions in providing a sound retirement system. In this manner, each member's future benefits are being protected and guaranteed.

The Board of Trustees is totally committed to maintaining a fiscally sound retirement system. Members of the system must continue to look to the future with confidence that their contributions, along with those of the Commonwealth, will be utilized to provide the very best retirement possible just as has been provided for present and past retirees.

The Board of Trustees looks forward to working with you and the members of the General Assembly in an effort to provide a financially sound retirement system for now and in the future for membership of the System.

Sincerely,

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

Board of Trustees

Mr. W. D. Bruce, Jr.



Chairperson
Louisville

Mrs. Arlene M. Romine



Vice-Chairperson, Teacher Trustee
Mt. Washington

Mrs. Martha Baker



Teacher Trustee
Paducah

Mrs. Judith R. Gambill



Teacher Trustee
Ashland

Ms. Virginia Murrell



Retired Teacher Trustee
Somerset

Mr. Earle V. Powell



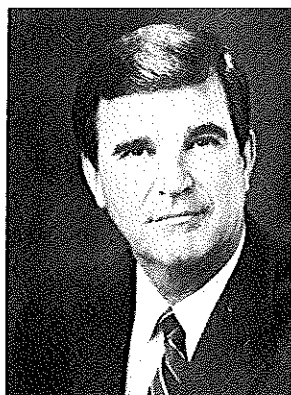
Lay Trustee
Frankfort

Mr. Robert M. Conley



Lay Trustee
Paintsville

Dr. John Brock



Ex-Officio Trustee, Superintendent
of Public Instruction

Mr. Robert Mead C.P.A.



Ex-Officio Trustee
State Treasurer

Administrative Staff

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3868

Executive Secretary Pat N. Miller
(502) 564-3266

Deputy Executive Secretary for Administration .. Billy F. Hunt
(502) 564-3266

Deputy Executive Secretary for Investments Stuart A. Reagan, CFA
(502) 564-2057

Professional Consultants

Investment Advisors

Fixed Income and Equity Manager Todd Investment Advisors
3160 First National Tower
Louisville, Kentucky 40202

Fixed Income Manager National Asset Management
Corporation
First National Tower
Louisville, Kentucky 40232

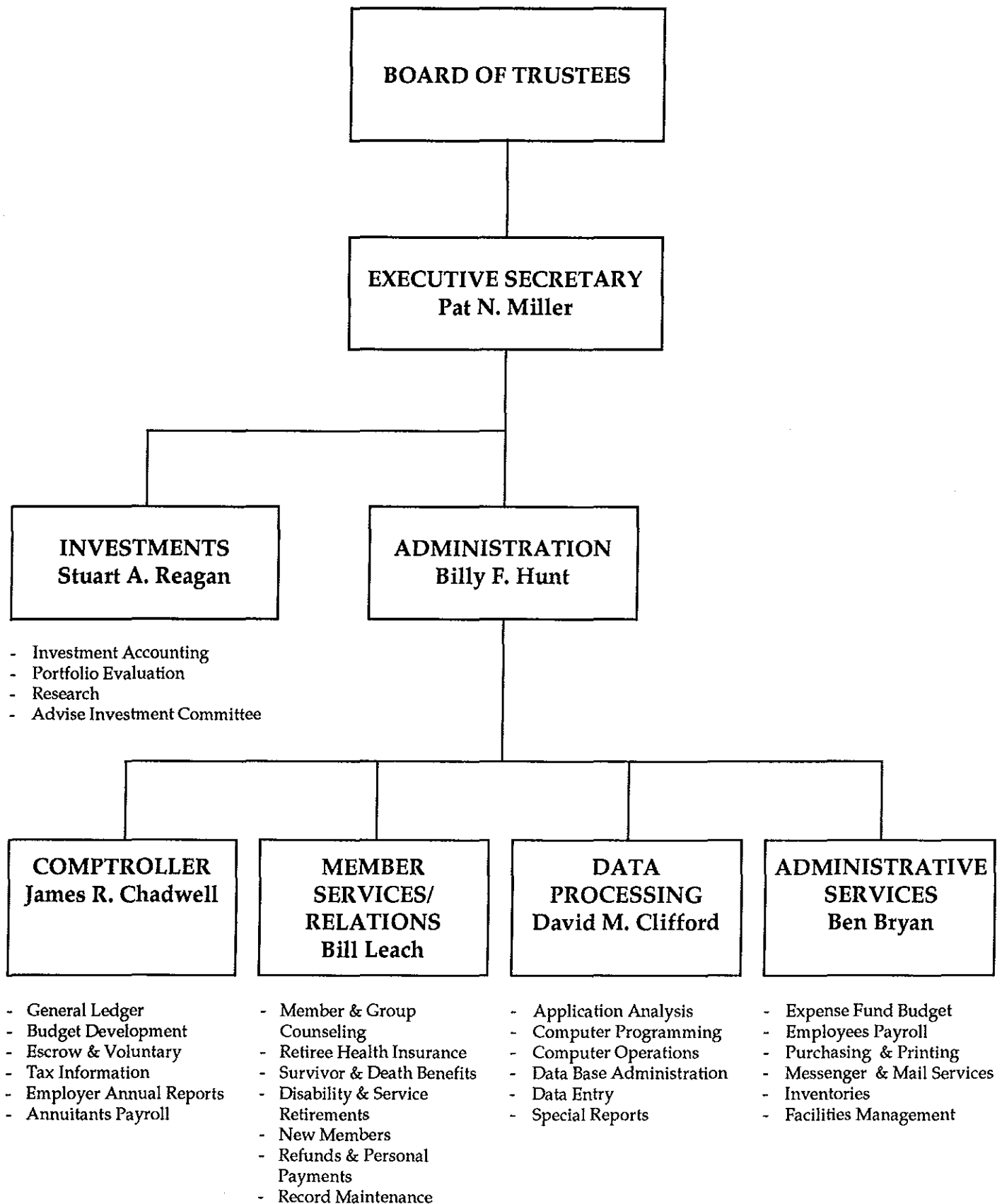
Equity Manager..... Invesco Capital Management, Inc.
1315 Peachtree Street, N.E., Suite 300
Atlanta, Georgia 30309

Investment Custodian Farmers Bank and Capital Trust Co.
Farmers Bank Plaza
Frankfort, Kentucky 40601

Actuary George B. Buck Consulting
Actuaries, Inc.
200 Galleria Parkway, N.W., Suite 1060
Atlanta, Georgia 30339

Auditor Charles T. Mitchell and Company
Box 698
Frankfort, Kentucky 40602

Organizational Chart



System Highlights

Accounting System and Reports

This report has been prepared to conform with the principles of governmental accounting and reporting as established by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report was prepared by the Kentucky Teachers' Retirement System (KTRS) accounting section. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with KTRS. KTRS believes the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of KTRS as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of KTRS's financial affairs have been included.

The accrual basis of accounting is used to record the assets, liabilities, revenues, and expenses of the System. Revenues of the System are taken into account when earned without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment was made. Fixed assets are recorded at cost and depreciated over the estimated useful lives of the assets.

In developing and evaluating KTRS's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the above framework. We believe that KTRS's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Revenues

The reserves needed to finance retirement and other member benefits are accumulated through the collection of member and employer or state contributions and through income derived from investment of reserve funds. Contributions and investment income for the fiscal year 1990 totaled \$650,382,908. This represents an increase of 14.9% over fiscal year 1989 revenue. The rate of increase for member and employer contributions over fiscal year 1989 was 3.9% and 8.0% respectively. KTRS's overall revenue growth for the 1990 fiscal year was affected by increased investment income (see Investments below).

Expenses

The primary purpose of a retirement system relates to the purpose for which it was created, the payment of benefits. These payments, along with refunds of contributions to terminated employees, insurance premiums for retired teachers, and the cost of administering the System, comprise the total expense. Expenses by type for 1990 and 1989 are shown for comparative purposes.

| Expenses | 1990 | 1989 | Increase/(Decrease) | |
|-------------------------|-----------------|-----------------|---------------------|--------------|
| | (Millions) | (Millions) | (Millions) | % |
| Retiree Benefits | \$ 190.5 | \$ 172.9 | \$ 17.6 | 10.18 |
| Disabilities | 9.5 | 8.7 | .8 | 9.20 |
| Survivor/Death Benefits | 6.8 | 6.6 | .2 | 3.03 |
| Refunds | 7.4 | 7.0 | .4 | 5.71 |
| Medical Insurance | 29.8 | 24.2 | 5.6 | 23.14 |
| Administration | 3.1 | 2.9 | .2 | 6.90 |
| | <u>\$ 247.1</u> | <u>\$ 222.3</u> | <u>\$ 24.8</u> | <u>11.16</u> |

The increase in medical insurance cost of 23.14 percent, while large, is comparable to increases other medical insurance plans have incurred. KTRS is reviewing the medical insurance plan to determine if any changes need to be made to the plan.

Investments

The investment portfolio is a substantial contributor to the System. It is estimated that income from investments will provide more than one-half of the funds that are paid to the average retired member. The investment portfolio experienced significant growth during the year. The par value of the portfolio increased from \$3,444,970,223 to \$3,988,201,911 during the 1989-90 fiscal year. The growth of the portfolio is due to higher teachers' salaries and the corresponding effect on contributions, as well as investment income. Results for the fiscal year show that investment income exceeded \$323.3 million. This figure is somewhat larger than last year's total of \$258 million.

The total investment income earned by the System can be attributed to three separate activities. The largest component, \$322,213,087, results from investment income to the System's investment portfolio. Another \$1,053,857 is earned through the maintenance of a medical insurance stabilization fund which is held by an insurer. The third item affecting investment income is a special maintenance reserve account that is dedicated to a specific real estate holding in the investment portfolio. This amount totals \$5,955 for 1989-90.

According to KRS 161.430 the KTRS Board of Trustees has the authority to invest the assets of the System. The Board of Trustees, generally, delegates investment authority to an Investment Committee that is comprised of two Trustees and the System's Executive Secretary. The Investment Committee works closely with experienced investment counselors who are contracted by the Board of Trustees to provide investment advice.

Funding

The most important consideration for a retirement system is the level of funding it receives. The better the level of funding, the larger the ratio of assets accumulated and the greater the level of investment income potential. Also, a better level of funding gives the participants a higher degree of assurance that their pension benefits are secure. The advantage of a well-funded plan is that the participants can look at assets that are irrevocably committed to the payment of benefits.

KRS 161.550(1) establishes the state's funding level at an amount equal to that contributed by all members. In addition to the matching requirement, the state is required to provide a supplemental appropriation of 3.25% of total members' salaries. In the event annual appropriations are not sufficient to meet these statutory requirements, the statute requires the state to make up the deficit in the next biennial budget.

The last actuarial valuation was conducted at June 30, 1989. The actuarial accrued liability of the System was \$4.681 billion. The reserve balance from participant contributions from employers, employees, and investment income was \$3.257 billion. The amount by which the accrued liability exceeds the reserves, or the unfunded liability, totaled \$1.424 billion on June 30, 1989.

Current and Future Developments

1988 General Assembly Legislation

The 1988 General Assembly significantly reduced its appropriation to KTRS for the 1988-90 biennium. The 3.25% supplemental appropriation required by KRS 161.550(1) for the fiscal years ended June 30, 1989 and 1990 was repealed and replaced with appropriations of \$17.6 and \$22.3 million. The effect of this legislative change was to reduce the KTRS funding over the 1988-90 biennium by \$55.3 million. Monies to alleviate these shortages were included in KTRS's budget request for the 1990-92 biennium but unfortunately were not funded.

Any amounts not currently funded will have to be funded in the future if the System is going to pay benefits already earned. Future payments for amounts not presently funded will cost the Commonwealth more money since these shortages will be accruing interest at an actuarially assumed rate of 8% per year.

1990 General Assembly Legislation

The 1990 General Assembly rejected the Governor's budget recommendation and returned to its policy of fully funding KTRS. KTRS wishes to express its appreciation to the General Assembly for recognizing the importance and value of properly funding its retirement systems.

In addition, the 1990 General Assembly raised the automatic Cost-of-Living Adjustment (COLA) from 1% to 1.5%. Ad hoc COLA's of 3.5% were granted to all retired members on July 1, 1990 and 1991, and the minimum value of a year of service was increased from \$200 to \$220. Despite efforts from some groups to repeal the law exempting KTRS annuities from state tax, the state tax exemption for KTRS retiree benefits was retained.

Separate KTRS Bank Account

Effective September 1, 1990, KTRS along with the Kentucky Retirement Systems were given separate bank accounts. KTRS will now be responsible for managing its cash account as well as its investments. KTRS views this as an opportunity to increase its investment income.

With the establishment of a new bank account, KTRS also changed the appearance of its retirement checks. KTRS's September, 1990 retirement checks were the first to be mailed using a light blue mailer.

KTRS Medical Insurance Program

The 1990 General Assembly amended KRS 161.420(5) to require that survivor and death benefits be paid from the Benefit Reserve instead of the Survivor, Death and Medical Reserve. On July 1, 1990, the Survivor, Death and Medical Reserve became the Medical Insurance Reserve. This change will allow KTRS to closely monitor the medical insurance program and make recommendations for changes to the 1992 General Assembly.

In July, 1990, in an effort to maintain the best medical insurance program possible, KTRS advertised the insurance program and sought requests for proposals from interested insurance carriers. In August, 1990, the request for proposals (RFPs) were received. KTRS is currently examining and evaluating each proposal. A final decision on the insurance carrier will hopefully be reached in November, 1990. The decision will be based upon the carrier that can provide the very best coverage for KTRS retirees and their dependents with the funds KTRS has available to finance the program.

Professional Services

Professional consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the Kentucky Teachers' Retirement System (KTRS). A certification from the certified public accountant and actuary are enclosed in this report. All of the consultants appointed by the Board are listed on page 5 of this report.

Our Gratitude

Effective July 1, 1990 Mrs. Martha Baker retired after having served almost nineteen years as an active member representative on the KTRS Board of Trustees. KTRS wishes to express its appreciation for Mrs. Baker's devotion to KTRS.

Acknowledgements

The preparation of this report reflects the combined efforts of the KTRS staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a method for determining responsible stewardship for the assets contributed by the members and their employers.

This report is being mailed to all employer members of the System. They form the link between KTRS and its membership. Their cooperation continues to contribute significantly to the success of KTRS. Hopefully, the employers and their employees will find this report both informative and helpful.

(This page left blank intentionally.)

| | |
|--|--------------------------------------|
| | FINANCIAL SECTION |
| | Kentucky Teachers' Retirement System |

Independent Auditor's Report

Charles T. Mitchell Company
Certified Public Accountants

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



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

Board of Trustees
Teachers' Retirement System
of the State of Kentucky
Frankfort, Kentucky 40601

Independent Auditor's Report

We have audited the accompanying balance sheets of the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky, as of June 30, 1990 and 1989, and the related statements of revenues, expenses, and changes in fund balances, and changes in financial position for the years then ended. These component unit financial statements are the responsibility of the Teachers' Retirement System's management. Our responsibility is to express an opinion on these component unit financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky, at June 30, 1990 and 1989, and the results of its operations and its changes in financial position for the years then ended in conformity with generally accepted accounting principles.

Our examinations were made for the purposes of forming an opinion on the basic component unit financial statements taken as a whole. The supplementary information included in the Supporting Schedules is presented for purposes of additional analysis and is not a required part of the basic component unit financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the basic component unit financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic component unit financial statements.

Charles T. Mitchell Co.

Charles T. Mitchell Company

September 27, 1990

Balance Sheets

June 30, 1990 and June 30, 1989

| ASSETS | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|---|-----------------------------|-----------------------------|
| Cash | \$ 2,797,362 | \$ 4,295,069 |
| Deposit with Insurance Carrier (See Note 4) | 3,951,671 | 3,771,730 |
| Prepaid Expenses | 114,564 | 112,926 |
| Receivables: | | |
| Contributions | 15,519,530 | 13,612,269 |
| State of Kentucky | 12,541,397 | 13,799,774 |
| Investment Income | 54,882,611 | 48,175,528 |
| Total Receivables | \$ 82,943,538 | \$ 75,587,571 |
| Investments, at Cost (See Note 2): | | |
| Short Term Investments (Market Value \$336,440,000 in 1990 and \$359,260,000 in 1989) | 336,440,000 | 359,260,000 |
| Bonds and Mortgages (Market Value \$2,328,290,621 in 1990 and \$2,058,163,064 in 1989) | 2,347,336,123 | 2,040,131,061 |
| Common Stock (Market Value \$1,048,607,977 in 1990 and \$869,311,552 in 1989) | 890,900,074 | 777,841,038 |
| Real Estate (Market Value \$38,418,785 in 1990 and \$41,389,468 in 1989) | 34,882,785 | 37,592,183 |
| Total Investments | \$ 3,609,558,982 | \$ 3,214,824,282 |
| Fixed Assets [Net of Accumulated Depreciation of \$451,636 in 1990 and \$306,068 in 1989 (See Note 2)] | 2,930,024 | 368,215 |
| Total Assets | <u>\$ 3,702,296,141</u> | <u>\$ 3,298,959,793</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts Payable | \$ 234,137 | \$ 266,742 |
| Capital Assets Payable | 40,820 | |
| Treasurer's Unredeemed Checks | 11,865 | 2,542 |
| Total Liabilities | \$ 286,822 | \$ 269,284 |
| Fund Balance | | |
| Member Reserve | 1,098,313,266 | 997,780,513 |
| Employer Reserve | 1,131,212,773 | 1,026,464,838 |
| Benefit Reserve | 139,782,934 | 116,325,901 |
| Survivor, Death, Medical Reserve | 34,063,592 | 40,568,317 |
| 403(b) Program Reserve | 12,549,924 | 11,173,769 |
| Unallocated Reserve | 1,283,037,062 | 1,106,004,450 |
| Administrative Expense Reserve | 3,009,768 | 372,721 |
| Capital Construction Reserve (See Note 3) | 40,000 | |
| Unfunded Pension Benefit Obligation (See Note 5) | | |
| Total Fund Balance | <u>\$ 3,702,009,319</u> | <u>\$ 3,298,690,509</u> |
| Total Liabilities and Fund Balance | <u>\$ 3,702,296,141</u> | <u>\$ 3,298,959,793</u> |

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

Statement of Revenues, Expenses

Years Ended June 30,

RESERVES

| | Member | Employer | Benefit | Survivor, Death, Medical |
|---|-----------------|------------------|------------------|--------------------------------|
| Operating Revenues | | | | |
| Member Contributions | \$ 119,657,850 | \$ 120,913 | \$ | \$ 14,131,027 |
| Employer Contributions | | 124,088,152 | | 12,270,168 |
| Investment Income | | | | |
| Total Operating Revenues | \$ 119,657,850 | \$ 124,209,065 | \$ | \$ 26,401,195 |
| Operating Expenses | | | | |
| Benefits | | | 199,979,645 | 6,752,176 |
| Refunds | 5,853,543 | 3,356 | | 836,989 |
| Insurance Premium (See Note 4) | | | | 29,795,874 |
| Administrative Expenses | | | | |
| Total Operating Expenses | \$ 5,853,543 | \$ 3,356 | \$ 199,979,645 | \$ 37,385,039 |
| Net Operating Income (Expense) | \$ 113,804,307 | \$ 124,205,709 | \$ (199,979,645) | \$ (10,983,844) |
| Reserve Transfers | | | | |
| Retirements by Members | \$ (41,673,598) | \$ (42,667,432) | \$ 82,524,554 | \$ 1,816,476 |
| Reimbursements | | | 137,346,261 | |
| Members Who Left System | | (6,412,174) | (589,697) | (107,283) |
| Interest Allocations | 28,512,326 | 29,305,019 | 4,778,239 | 2,311,730 |
| Administrative Expenses | | | | |
| Other Reclassifications | (110,282) | 316,813 | (622,679) | 458,196 |
| Total Reserve Transfers | \$ (13,271,554) | \$ (19,457,774) | \$ 223,436,678 | \$ 4,479,119 |
| Net Fund Balance Additions (Reductions) | \$ 100,532,753 | \$ 104,747,935 | \$ 23,457,033 | \$ (6,504,725) |
| Beginning Fund Balance | 997,780,513 | 1,026,464,838 | 116,325,901 | 40,568,317 |
| Change in Unfunded Pension Benefit Obligation (See Note 5) | | | | |
| Ending Fund Balance | \$1,098,313,266 | \$ 1,131,212,773 | \$139,782,934 | \$ 34,063,592 |

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

and Changes in Fund Balances

1990 and June 30, 1989

| 403(b) Program | Unallocated | Administrative Expense | Capital Construction | 1989-90 Total | 1988-89 Total |
|--------------------|---|---------------------------|-------------------------|---|---|
| \$ 1,096,849 | \$ 55,745,050 323,272,899 | \$ | \$ | \$ 135,006,639 192,103,370 323,272,899 | \$ 129,967,655 177,930,330 258,046,619 |
| \$ 1,096,849 | \$ 379,017,949 | \$ | \$ | \$ 650,382,908 | \$ 565,944,604 |
| 105,601 686,456 | 682,280 | 2,368,178 | | 206,837,422 7,380,344 29,795,874 3,050,458 | 188,258,379 6,996,134 24,193,806 2,854,463 |
| \$ 792,057 | \$ 682,280 | \$ 2,368,178 | \$ | \$ 247,064,098 | \$ 222,302,782 |
| \$ 304,792 | \$ 378,335,669 | \$ (2,368,178) | \$ | \$ 403,318,810 | \$ 343,641,822 |
| \$ 60,967 | \$ (137,407,228) 7,109,154 (65,919,036) (2,326,720) (2,759,227) | \$ 2,326,720 2,678,505 | \$ 40,000 | \$ | \$ |
| 1,011,722 | | | | | |
| (1,326) | | | | | |
| \$ 1,071,363 | \$ (201,303,057) | \$ 5,005,225 | \$ 40,000 | \$ | \$ |
| \$ 1,376,155 | \$ 177,032,612 | \$ 2,637,047 | \$ 40,000 | \$ 403,318,810 | \$ 343,641,822 |
| 11,173,769 | 1,106,004,450 | 372,721 | | 3,298,690,509 | 2,955,048,687 |
| \$ 12,549,924 | \$ 1,283,037,062 | \$ 3,009,768 | \$ 40,000 | \$ 3,702,009,319 | \$ 3,298,690,509 |

Statement of Changes in Financial Position

Year Ended June 30, 1990 and 1989

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|--|-----------------------------|-----------------------------|
| Sources of Working Capital: | | |
| Operations | | |
| Net income | \$ 403,318,810 | \$ 343,641,822 |
| Items not requiring working capital: | | |
| Net amortization of premium/discount | (10,784,063) | (9,164,076) |
| Depreciation of fixed assets | 155,989 | 105,241 |
| Total working capital provided by operations | <u>\$ 392,690,736</u> | <u>\$ 334,582,987</u> |
| Total sources of working capital | <u>\$ 392,690,736</u> | <u>\$ 334,582,987</u> |
| Uses of Working Capital: | | |
| Net increase (decrease) in long-term investments | \$ 406,770,637 | \$ 398,135,311 |
| Acquisition of building and equipment | 2,717,798 | 38,803 |
| Total uses of working capital | <u>\$ 409,488,435</u> | <u>\$ 398,174,114</u> |
| Net decrease in working capital | <u>\$ (16,797,699)</u> | <u>\$ (63,591,127)</u> |
| Elements of Net Increase (Decrease) in Working Capital: | | |
| Current Assets: | | |
| Cash | \$ (1,497,707) | \$ 1,703,573 |
| Deposit with Insurance Carrier | 179,941 | 562,336 |
| Prepaid Expenses | 1,638 | 1,642 |
| Receivables | 7,355,967 | 6,135,584 |
| Short-term investments | (22,820,000) | (72,200,000) |
| Total current assets | <u>\$ (16,780,161)</u> | <u>\$ (63,796,865)</u> |
| Current Liabilities: | | |
| Accounts payable | \$ (32,605) | \$ (207,104) |
| Treasurer's Unredeemed Checks | 9,323 | 1,366 |
| Capital Assets Payable | 40,820 | |
| Total current liabilities | <u>\$ 17,538</u> | <u>\$ (205,738)</u> |
| Net decrease in working capital | <u>\$ (16,797,699)</u> | <u>\$ (63,591,127)</u> |

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

Notes to Financial Statements

Years Ended June 30, 1990 and 1989

Note 1: Description of Plan

The Teachers' Retirement System of the State of Kentucky (KTRS) was created by the 1938 General Assembly. KTRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS).

1. **Reporting Entity:** KTRS is a cost-sharing multiple-employer defined benefit plan established and administered by the Commonwealth of Kentucky to provide benefit pension plan coverage for local school districts and other public educational agencies within the state. The System is a component unit of the Commonwealth of Kentucky and is included in the Commonwealth of Kentucky's financial statements as a pension trust fund. KTRS is considered a component unit of the Commonwealth of Kentucky for the reasons of financial interdependency, ability to significantly influence operations, and accountability for fiscal matters.
2. **Employers:** Chapter 161 Section 220 of the Kentucky Revised Statutes stipulates who may become a member of the Teachers' Retirement System. Generally, eligible persons are employed by local boards of education, the state Department of Education, some state universities, and some nonstate-supported organizations. The following illustrates the participating employers at June 30, 1990 and 1989.

| | 1990 | 1989 |
|---|------------|------------|
| Local School Districts | 177 | 177 |
| State Universities | 5 | 5 |
| Department of Education/Other Organizations | 16 | 19 |
| | <u>198</u> | <u>201</u> |

The covered payroll of all participating employers totaled \$1,346,537,954 for the year ended June 30, 1990 and \$1,268,680,057 for the year ended June 30, 1989.

3. **Participants:** According to KRS 161.220 "...Any regular or special teacher, or professional employee occupying a position requiring certification by the state department of education or graduation from a four (4) year college or university..." is eligible to participate in the System. The following illustrates the participants at June 30, 1990 and 1989.

| | 1990 | 1989 |
|---|---------------|---------------|
| Retirees and beneficiaries of deceased retirees currently receiving benefits: | | |
| Local School Districts | 16,350 | 15,886 |
| Universities | 946 | 908 |
| Department of Education/Other Organizations | 848 | 803 |
| | <u>18,144</u> | <u>17,597</u> |

Disabilities currently receiving benefits:

| | | |
|---|--------------|------------|
| Local School Districts | 923 | 898 |
| Universities | 27 | 27 |
| Department of Education/Other Organizations | 68 | 66 |
| | <u>1,018</u> | <u>991</u> |

Survivors currently receiving benefits:

| | | |
|---|------------|------------|
| Local School Districts | 681 | 652 |
| Universities | 36 | 40 |
| Department of Education/Other Organizations | 73 | 73 |
| | <u>790</u> | <u>765</u> |

Note 1: Description of Plan (continued)

| | <u>1990</u> | <u>1989</u> |
|---|---------------|---------------|
| Terminated employees entitled to benefits but not yet receiving them (no current contributions in the last fiscal year): | | |
| Local School Districts | 1,901 | 1,833 |
| Universities | 228 | 201 |
| Department of Education/Other Organizations | 147 | 142 |
| | <u>2,276</u> | <u>2,176</u> |
| Current employees: | | |
| Vested: | | |
| Local School Districts | 32,793 | 32,211 |
| Universities | 1,949 | 1,921 |
| Department of Education/Other Organizations | 1,698 | 1,652 |
| Non-Vested: | | |
| Local School Districts | 8,923 | 9,313 |
| Universities | 1,173 | 1,109 |
| Department of Education/Other Organizations | 748 | 731 |
| | <u>47,284</u> | <u>46,937</u> |

4. **Benefit Provisions:** Employees are entitled to an annual retirement benefit, payable monthly for life, if they either attain the age of fifty-five (55) and complete five (5) years of Kentucky service or complete twenty-seven (27) years of Kentucky service. Non-university employees receive monthly payments equal to two (2) percent (service prior to January 1, 1984) and two and one half (2 1/2) percent (service after January 1, 1984) of their final average salaries for each year of credited service. University employees receive monthly benefits equal to two (2) percent of their final average salary for each year of credited service. The final average salary is the average of the employee's five (5) highest annual salaries. Employees with less than twenty-seven (27) years of service may retire and receive reduced retirement benefits. Members' retirement benefits become vested when they complete five (5) years of credited service.
5. **Contributions:** Members are required to contribute 9.855% of their salaries to the System. University members are required to contribute 8.375% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 6.16% of their salary to KTRS.

The Commonwealth of Kentucky is required to contribute 13.105% of salaries for its non-university members and 13.84% of salaries for university members.

The member and employer contributions consist of pension contributions and post-retirement contributions. The post-retirement contribution (.67%) finances KTRS's retiree medical insurance program.

If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee contributions plus interest are refunded to the employee upon his request.

Note 2: Summary of Significant Accounting Policies

- A. **Basis of Accounting:** The financial statements are prepared on the accrual basis of accounting.
- B. **Investments:** The types of investments that KTRS may invest are subject to the provisions of KRS 161.430 (see Note 8). Investments in United States Government obligations, corporate bonds, and other fixed income investments are reported at amortized cost subject to adjustment for market declines judged to be other than temporary. Investments in stocks, repurchase agreements, and real estate are reported at cost subject to adjustment for market declines judged to be other than temporary. Gains and losses on sales and exchanges

Note 2: Summary of Significant Accounting Policies (continued)

of investments are recognized on the transaction date. Discounts on zero-coupon bonds and notes are amortized using the effective interest rate method. Premiums and discounts for all other bonds and notes are amortized using the straight-line method. Any unamortized premium or discount is recognized at the time of sale for bonds or notes sold prior to maturity.

The following represents the book values of the investments of the Kentucky Teachers' Retirement System at June 30, 1990 and June 30, 1989.

| | June 30, 1990 | June 30, 1989 |
|------------------------------------|-------------------------|-------------------------|
| Short Term Investments | | |
| Repurchase Agreements | \$ 336,440,000 | \$ 359,260,000 |
| Bonds and Mortgages | | |
| U.S. Government Obligations | | |
| Treasury Notes and Bonds | 1,013,350,831 | 884,203,543 |
| Agencies | 159,904,657 | 77,269,255 |
| Ship Bonds (Title XI) | 35,359,476 | 47,142,969 |
| GNMA (Single Family) | 129,723,707 | 100,761,866 |
| Other Miscellaneous | 357,019,288 | 279,631,834 |
| Total U.S. Government Obligations | \$ 1,695,357,959 | \$ 1,389,009,467 |
| Corporate Bonds | | |
| Industrials | 162,495,463 | 146,085,631 |
| Finance | 192,564,161 | 178,177,430 |
| Utility Bonds (Except Telephone) | 38,677,549 | 38,795,795 |
| Telephone Bonds | 93,088,414 | 117,572,458 |
| Railroad Obligations | 14,647,619 | 14,669,823 |
| Other Corporate Bonds | 51,594,529 | 55,824,543 |
| Total Corporate Bonds | \$ 553,067,735 | \$ 551,125,680 |
| Other Fixed Income Investments | | |
| FHA and VA Single Family Mortgages | 9,500,031 | 11,253,055 |
| Project Mortgages (FHA & GNMA) | 89,410,398 | 88,742,859 |
| Total Other Investments | \$ 98,910,429 | \$ 99,995,914 |
| Total Bonds and Mortgages | \$ 2,347,336,123 | \$ 2,040,131,061 |
| Stocks | 890,900,074 | 777,841,038 |
| Real Estate | 34,882,785 | 37,592,183 |
| Total Investments | \$ 3,609,558,982 | \$ 3,214,824,282 |

The System operates a securities lending program whereby for a fee the System lends U.S. Government bonds to a primary U.S. Government bond dealer. In return, the System receives similar U.S. Government bonds that serve as collateral. The exchanges of securities are temporary, and the market value of collateral as of June 30, 1990 was \$55,178,887 which exceeds the market value of the loaned bonds.

On June 30, 1990 and June 30, 1989, the following values of U.S. Government Bonds were on loan. They are included among the investments and assets of the System.

| Securities Loaned | 1990 | 1989 |
|-------------------|---------------|----------------|
| Book Value | \$ 52,158,172 | \$ 157,679,644 |
| Market Value | 52,813,960 | 161,599,832 |

Note 2: Summary of Significant Accounting Policies (continued)

- C. Furniture, Fixtures, and Equipment:** Furniture, fixtures, and equipment are reported on the balance sheet at historical cost, net of accumulated depreciation. These assets are depreciated on a straight-line basis over an average useful life of five (5) to ten (10) years with ten (10) percent of cost as a salvage value.
- D. Land and Building:** The KTRS office building and land have previously been included in the real estate investments of the System at cost. The total cost of the project is \$2,678,505, consisting of the land and building being valued at \$451,295 and \$2,227,210 respectively. Since the project was completed during fiscal year 1989-90, the land and building is included in the asset section of KTRS's financial statements. The building will be depreciated on a straight-line basis over a useful life of forty (40) years with ten (10) percent of cost as salvage value. KTRS has recorded a full year depreciation for fiscal year 1989-90. To complete this reclassification, a transfer of \$2,678,505 was made from Unallocated Reserve to Administrative Expense Reserve.

Note 3: Description of Funds

MEMBER RESERVE: This fund was established by KRS 161.420 as the Teacher Savings Fund and consists of contributions paid by university and non-university members. The fund also includes interest authorized by the Board of Trustees from Unallocated Reserves. The accumulated contributions of members that are returned upon withdrawal or paid to the estate or designated beneficiary in the event of death are paid from this fund. Upon retirement, the member's contributions and the matching state contributions are transferred from this fund to Benefit Reserves, the fund from which retirement benefits are paid.

EMPLOYER RESERVE: This fund was established by KRS 161.420 as the State Accumulation Fund and receives state appropriations to the Retirement System. The state contributes an amount equal to members' contributions. Actual state appropriations for the fiscal year 1989-90 were based on estimates of members' salaries. For the fiscal year ended June 30, 1990, actual appropriations exceeded of required appropriations by 1,258,377. This reduced the amount due from the state to \$12,541,397.

BENEFIT RESERVE: This fund was established by KRS 161.420 as the Allowance Reserve Fund, the source for retirement and disability benefits paid to members of the System. These benefits are paid from the retired members' contributions until they are exhausted, at which time state matching contributions are used to pay the benefits. After an individual member's contributions and the state matching contributions have been exhausted, retirement benefits are paid from monies transferred from Unallocated Reserves.

UNALLOCATED RESERVE: This fund was established by KRS 161.420 as the Guarantee Fund to collect income from investments, state matching contributions of members withdrawn from the System, and state matching contributions for COLAs, the amortization of the unfunded liability, etc. In addition, it receives money whose disposition is not otherwise provided for. 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.

403(b) PROGRAM RESERVE: This fund was established as the Voluntary Contribution Fund, operating 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 retirement. KRS 161.705 allows members to voluntarily contribute part 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, MEDICAL RESERVE: This fund was established by KRS 161.420 as the Survivor, Death, and Medical Insurance Fund. It consists of members' contributions and state matching contributions and 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. At June 30, 1990, the fund's balance was 34,063,592. Of this amount, \$3,857,333 was restricted for survivor benefits.

Note 3: Description of Funds (continued)

ADMINISTRATIVE EXPENSE RESERVE: This fund was established by KRS 161.420 as the Expense Fund. Monies transferred to this fund from Unallocated Reserves are used to pay the administrative expenses of the System. The Board of Trustees annually adopts a budget that, according to KRS 161.420(1), cannot be greater than four (4) percent of the receipts of Employer Reserve.

CAPITAL CONSTRUCTION RESERVE: This fund was established during the 1989-90 fiscal year to pay for expenses incurred for capital improvements to the system's real property (land and building). During the 1990-91 fiscal year, the system will expend these funds to alleviate drainage problems it has encountered.

Note 4: Premium Stabilization and Reserve Account, 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 to maintain a premium stabilization and reserve account covering fluctuations in medical claims paid. Aetna annually compares estimated premiums to actual claims incurred with the resulting difference either increasing or decreasing the premium stabilization and reserve account. The following schedule reflects insurance premiums for 1989-90 and 1988-89.

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|--------------------------------------|-----------------------------|-----------------------------|
| Estimated Premiums Paid | \$ 28,910,958 | \$ 23,876,346 |
| Less: Experience Increase (Decrease) | (873,916) | (317,461) |
| Actual Premiums Incurred | <u>\$ 29,784,874</u> | <u>\$ 24,193,807</u> |

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

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|--------------------------------------|-----------------------------|-----------------------------|
| Beginning Balance | \$ 3,771,730 | \$ 3,209,394 |
| Plus: Experience Increase (Decrease) | (873,916) | (317,461) |
| Plus: Interest Earned | 1,053,857 | 879,797 |
| Less: Withdrawals | 0 | 0 |
| Ending Balance | <u>\$ 3,951,671</u> | <u>\$ 3,771,730</u> |

Note 5: Funding Status of KTRS

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess KTRS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems.

The pension benefit obligation presented herein is the actuarial valuation prepared for the fiscal year ended June 30, 1989. Significant actuarial assumptions at June 30, 1989 include, (a) a rate of return on the investment of present and future assets of 7.5% compounded annually, (b) projected salary increases graduated by age from 5.20% to 9.30% per year compounded annually, (c) life expectancies before and after retirement based on the 1982 George B. Buck Teacher's Mortality Table set forward one year, and (d) annual post-retirement cost of living increases of 1%.

Note 5: Funding Status of KTRS (continued)

At June 30, 1989, the unfunded pension benefit obligation was \$1,424,108,000 as follows:

Pension Benefit Obligation:

| | |
|--|------------------------|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | \$1,690,695,000 |
| Current employees: | |
| Accumulated employee contributions including allocated investment income | 997,781,000 |
| Employer-financed vested | 1,096,754,000 |
| Employer-financed nonvested | 895,596,000 |
| Total pension benefit obligation | \$4,680,826,000 |
| Net assets available for benefits, at cost per Note 2 (market value \$3,368,575,945) | 3,256,718,000 * |
| Unfunded pension benefit obligation | \$1,424,108,000 |

The June 30, 1989 unfunded pension benefit obligation represents an increase of \$52,514,000 since June 30, 1988.

Ten-year historical trend information designed to provide information about the progress made in accumulating sufficient assets to pay benefits when due is presented on pages 27 and 28.

*In order to compute the net assets available for benefits, the actuary took the KTRS fund balance at June 30, 1989 of \$3,298,690,509 and made the following adjustments.

| | |
|--|-------------------------|
| June 30, 1989 KTRS Fund Balance | \$ 3,298,690,509 |
| Less portion of Survivor, Death, Medical Reserves Not Available for Benefits | 30,426,238 |
| Less 403(b) Program Reserves | 11,173,769 |
| Less Administrative Expense Reserves | 372,721 |
| Net Assets Available for Benefits | \$ 3,256,717,781 |

Effects of Current Year Changes in Actuarial Assumptions and Benefit Provisions : Section 161.400 of the law governing the operation of the Teachers' Retirement 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. Each valuation is affected by changes in actuarial assumptions and benefit provisions since the preceding valuation. The nature of changes in actuarial assumptions and benefit provisions, including the dollar effect on the Systems' pension benefit obligation at June 30, 1989 follows:

Actuarial Assumptions : No Changes.

Benefit Provisions : No Changes.

As a result of no changes in the actuarial assumptions and benefit provisions, the pension benefit obligation remained unaffected.

Note 6: Actuarially Determined Contributions Required and Contributions Made

The funding policy of KTRS is to provide for periodic employer pension contributions at actuarially determined rates that, expressed as percentage of annual covered payroll are designed to accumulate sufficient assets to pay the pension benefits when due. A level percentage of payroll employer pension contribution rates are determined using

Note 6: Actuarially Determined Contributions Required and Contributions Made (continued)

the projected unit credit actuarial cost method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 31 1/2 years.

Members are required to contribute 9.855% of their salaries to the System. University members are required to contribute 8.375% of their salaries. KRS 161.565 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 6.16% of their salary to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for its non-university members and 13.84% of salaries for university members. The member and employer contributions consist of pension contributions and post-retirement contributions. The post-retirement contribution (.67%) finances KTRS's retiree medical insurance program.

Significant actuarial assumptions used to compute pension contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note 5.

A comparison between actuarially established and actual member and employer pension contribution rates for the fiscal year ended June 30, 1990 is as follows:

| | Pension Contributions Required | | Pension Contributions Made | | | |
|---------------|-----------------------------------|----------------------|---------------------------------------|---------------------------------------|---|---------------------------------------|
| | Univ. Members | Non-Univ. Members | Univ. Members Amount (000's) | % of Current Covered Payroll | Non-Univ. Members Amount (000's) | % of Current Covered Payroll |
| Member | 5.49 % | 9.185 % | \$ 5,773 | 5.49 % | \$ 114,021 | 9.185 % |
| Employer | 13.17 | 12.435 | 10,432 | 9.92 | 132,679 | 10.688 |
| Total | 18.66 % | 21.620 % | \$ 16,205 | 15.41 % | \$ 246,700 | 19.873 % |
| Normal Cost | 13.12 % | 16.510 % | \$ 13,797 | 13.12 % | \$ 204,952 | 16.510 % |
| Unfunded Cost | 5.54 | 5.110 | 2,408 | 2.29 | 41,748 | 3.363 |
| | 18.66 % | 21.620 % | \$ 16,205 | 15.41 % | \$ 246,700 | 19.873 % |

The employer contributions for the 1989-90 fiscal year were under the required actuarial contributions by \$26,247,051. This amount is directly attributable to actions taken by the 1988 Kentucky General Assembly which reduced the 1989-90 required employers contribution rate by 3.25% and replaced it with an appropriation of \$22,300,000. The funding for the retiree cost-of-living adjustments granted by the 1988 General Assembly for the 1989-90 fiscal year was \$3,000,000 less than the actuarial requirements.

A surplus for 1989-90, \$1,258,377, is due to a difference between budgeted salaries and actual salaries. The 1989-90 surplus plus the 1988-89 and 1987-88 shortages of \$13,799,774 make-up the \$12,541,397 receivable from the Commonwealth of Kentucky at June 30, 1990. On July 1, 1990, KTRS received \$13,799,774 for the under-appropriations for fiscal years ended 1988 and 1989. The 1989-90 surplus will be handled in accordance with Kentucky law.

In addition to the above employer and member pension contributions, the member and employer made contributions for post-retirement benefits. The actuarial cost of retiree cost-of-living adjustments granted by the General Assembly are funded over a twelve year period and is also included in employer contributions. In accordance with KRS 161.550, these shortages are to be funded in the next biennial appropriation to KTRS.

Note 7: Compensated Accrued Absences

Expenses for accumulated vacation and compensatory time earned by the System's employees are recorded when paid or taken by the employees, not when earned. KTRS maintains records that document the cost of annual, sick, and compensatory leave earned by its employees. Annual leave is accumulated at amounts ranging from 7.5 to 13.13 hours per month (determined by length of service) with maximum accumulations ranging from 30 to 60 days. Compensatory leave is granted to authorized employees on an hour-for-hour basis. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or death in the family, there was no liability for sick leave at June 30, 1990. For retiring employees who qualify, a maximum of six (6) months of their accumulated sick leave balances (expressed in months) shall be added to their service credit for the purpose of determining their annual retirement allowances. The accumulated vacation and compensatory leave payable as of June 30, 1990 follows:

| | Balance July 1, 1989 | Earned 1989-1990 | Used or Paid 1989-1990 | Balance June 30, 1990 |
|---------------------------------|-------------------------|---------------------|---------------------------|--------------------------|
| Vacation and Compensatory Leave | \$273,412 | \$127,953 | \$85,719 | \$315,646 |

Note 8: Deposits With Financial Institutions and Investments (including Repurchase Agreements)

The following disclosures are meant to help the users of KTRS's financial statements assess the risks KTRS takes in investing public funds. The types of investments that KTRS may invest in are enumerated in KRS 161.430. The types of assets allowed by asset allocation parameters according to the statute are as follows:

Not more than 25% of any one issue may be purchased as an investment and not more than 7% of the invested funds of the System may be invested in the securities of any issuer except in the case of obligations of the United States government.

There shall be no limit on investments guaranteed by the United States government.

Except for investments guaranteed by the United States government, no more than 75% of the assets of the System may be invested in fixed debt obligations. Such obligations must be rated at the time of purchase within the three highest classifications established by one or more major rating services.

No more than 40% of the assets of the System may be invested in common stocks, preferred stocks, and stock index funds.

No more than 10% of the assets of the System may be invested in real estate.

At June 30, 1990, the amount of cash deposited in the State's General Depository Account was \$2,797,362. This account is under the control of the Kentucky State Treasurer and is insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC).

The following chart categorizes KTRS's investments, which gives an indication of the level of risk assumed by KTRS at June 30, 1990. Category 1 includes investments that are insured or registered or for which the securities are held by KTRS's custodial agent in KTRS's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, in KTRS's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in KTRS's name. KTRS does not have any Category 2 or Category 3 investments.

**Note 8: Deposits With Financial Institutions and Investments (including Repurchase Agreements)
(continued)**

| | Category | | | Carrying Amount | Market Value |
|--------------------------------|-------------------------|-----------|-----------|-------------------------|------------------------|
| | 1 | 2 | 3 | | |
| Repurchase Agreements | \$ 336,440,000 | \$ | \$ | \$ 336,440,000 | \$ 336,440,000 |
| U.S. Government Securities | 1,695,357,959 | | | 1,695,357,959 | 1,694,414,391 |
| Corporate Bonds | 553,067,735 | | | 553,067,735 | 532,100,651 |
| Other Fixed Income Investments | 98,910,429 | | | 98,910,429 | 101,775,579 |
| Real Estate | 34,882,785 | | | 34,882,785 | 38,418,785 |
| Common Stocks | 890,900,074 | | | 890,900,074 | 1,048,607,977 |
| Total Investments | <u>\$ 3,609,558,982</u> | <u>\$</u> | <u>\$</u> | <u>\$ 3,609,558,982</u> | <u>\$3,751,757,383</u> |

Included in Category 1 are individual repurchase agreements which are ordered by KTRS under the terms of master repurchase agreements with various qualified brokers. The terms of these master agreements are dictated by KTRS. The repurchase agreements and their supporting collateral are held by the custodial agent's correspondent bank in an account identified by the custodian's name and KTRS's nominee name. This account is unique to KTRS. The master repurchase agreements require that the supporting collateral have a market value of at least 100% of the value of the repurchase agreements.

Note 9: Funding Status of KTRS Medical Insurance Program

An actuarial valuation performed on July 1, 1988 revealed that the KTRS medical insurance program had an unfunded accrued liability of \$1.03 billion (see footnote 9 in KTRS's 1988-89 financial statements for further information). This valuation was performed to assess the program's existing funding approach and to identify changes needed to bring the program's costs under control.

The 1990 General Assembly amended KRS 161.420(5) to require that survivor and death benefits be paid from the Benefits Reserve instead of the Survivor, Death, and Medical Reserve. Therefore, on July 1, 1990, the Survivor, Death, and Medical Reserve became the Medical Insurance Reserve. This change will allow KTRS to closely monitor the medical insurance program and make recommendations for changes to the 1992 General Assembly.

Required Supplementary Information
Analysis of Funding Progress
(in millions of dollars)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|--------|--------------|------------|------------|------------|----------|--------------------|
| | Net Assets | Pension | Percentage | Unfunded | Annual | Unfunded Pension |
| | Available | Benefit | Funded | Pension | Covered | Benefit Obligation |
| Fiscal | for Benefits | Obligation | (1) ÷ (2) | Obligation | Payroll | as a Percentage |
| Year | (at cost) | | | (2) - (1) | | (4) ÷ (5) |
| 1980 | \$ 872.5 | \$ 1,902.8 | 45.85% | \$ 1,030.3 | \$ 704.1 | 146.33% |
| 1982 | 1,163.7 | 2,440.7 | 47.68 | 1,277.0 | 807.2 | 158.20 |
| 1984 | 1,569.1 | 2,907.8 | 53.96 | 1,338.7 | 916.6 | 146.05 |
| 1986 | 2,214.2 | 3,356.2 | 65.97 | 1,142.0 | 1,006.7 | 113.44 |
| 1987 | 2,562.3 | 3,799.3 | 67.44 | 1,237.0 | 1,105.0 | 111.95 |
| 1988 | 2,915.7 | 4,287.3 | 68.01 | 1,371.6 | 1,217.7 | 112.64 |
| 1989 | 3,256.7 | 4,680.8 | 69.58 | 1,424.1 | 1,268.7 | 112.25 |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of KTRS's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of KTRS's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement system.

Actuarial valuations performed prior to 1980 are not presented since the valuations were conducted using a different actuarial method. As a result, comparison of data derived from actuarial valuations conducted in earlier years is not meaningful. As stated before, actuarial information for June 30, 1990 is not available.

Required Supplementary Information
Revenues by Source and Expenses by Type
(in millions of dollars)

Revenues by Source

| Fiscal Year | Employee Contributions | Employer Contributions | | Percentage of Annual Covered Payroll | Investment Income | Total |
|-------------|------------------------|------------------------|------------------------|--------------------------------------|-------------------|----------|
| | | Employer Contributions | Annual Covered Payroll | | | |
| 1981 | \$ 61.1 | \$ 92.7 | \$ 761.0 | 12.2% | \$ 81.7 | \$ 235.5 |
| 1982 | 63.6 | 94.5 | 807.2 | 11.7 | 104.3 | 262.4 |
| 1983 | 66.2 | 105.9 | 849.8 | 12.5 | 161.8 | 333.9 |
| 1984 | 83.1 | 122.0 | 916.6 | 13.3 | 147.7 | 352.8 |
| 1985 | 94.1 | 136.5 | 950.1 | 14.4 | 180.4 | 411.0 |
| 1986 | 100.0 | 143.7 | 1,006.7 | 14.3 | 331.1 | 574.8 |
| 1987 | 107.8 | 162.6 | 1,105.0 | 14.7 | 266.1 | 536.5 |
| 1988 | 119.0 | 186.8 | 1,217.7 | 15.3 | 251.7 | 557.5 |
| 1989 | 130.0 | 177.9 | 1,268.7 | 14.0 | 258.0 | 565.9 |
| 1990 | 135.0 | 192.1 | 1,346.5 | 14.3 | 323.3 | 650.4 |

The employee and employer contributions include pension and post-retirement contributions for medical insurance. In addition, the employer contributions include the state appropriation for cost of living adjustments (COLA'S), increases in minimum values and the sick leave liability.

Expenses by Type

| Fiscal Year | Benefits | Refunds | Insurance Premium | Administrative Expenses | Total |
|-------------|----------|---------|-------------------|-------------------------|---------|
| 1981 | \$ 87.3 | \$6.5 | \$ 7.9 | \$ 1.1 | \$102.8 |
| 1982 | 98.9 | 8.9 | 9.3 | 1.3 | 118.4 |
| 1983 | 111.4 | 6.2 | 11.7 | 1.4 | 130.7 |
| 1984 | 123.1 | 5.9 | 15.2 | 1.6 | 145.8 |
| 1985 | 133.0 | 6.7 | 12.4 | 1.7 | 153.8 |
| 1986 | 143.3 | 7.4 | 14.5 | 1.9 | 167.1 |
| 1987 | 157.5 | 6.7 | 17.6 | 2.4 | 184.2 |
| 1988 | 169.9 | 5.9 | 20.6 | 2.6 | 199.0 |
| 1989 | 188.2 | 7.0 | 24.2 | 2.9 | 222.3 |
| 1990 | 206.8 | 7.4 | 29.8 | 3.1 | 247.1 |

(This page left blank intentionally.)

| | |
|--|--------------------------------------|
| | SUPPORTING SCHEDULES |
| | Kentucky Teachers' Retirement System |

Kentucky Teachers' Retirement System

Summary of Year Ended

| Type of Investment | (Beginning of Year) | | Purchases | Amortization |
|----------------------------|---------------------|------------------|------------------|---------------|
| | Book Value | Market Value | | |
| Bonds and Mortgages: | | | | |
| Government Bonds/Mortgages | \$ 1,489,005,381 | \$ 1,519,571,212 | \$ 617,639,437 | \$ 9,501,408 |
| Corporate Bonds | 551,125,680 | 538,591,852 | 87,006,005 | 1,282,655 |
| Total Bonds and Mortgages | \$ 2,040,131,061 | \$ 2,058,163,064 | \$ 704,645,442 | \$ 10,784,063 |
| Equity: | | | | |
| Common Stock | 777,841,038 | 869,311,552 | 282,116,182 | |
| Real Estate | 37,592,183 | 41,389,468 | 37,918 | |
| Total Equity | \$ 815,433,221 | \$ 910,701,020 | \$ 282,154,100 | \$ |
| Short Term Investments: | | | | |
| Repurchase Agreements | 359,260,000 | 359,260,000 | 9,281,661,947 | |
| Total | \$ 3,214,824,282 | \$ 3,328,124,084 | \$10,268,461,489 | \$ 10,784,063 |

Investments

June 30, 1990

| Sales and Redemptions | (End of Year) | | | |
|--------------------------|------------------|------------------|-------------------|----------------------|
| | Book Value | Market Value | % Market Value | % Yield at Market |
| \$ 321,877,838 | \$ 1,794,268,388 | \$ 1,796,189,970 | 47.88 % | 8.71% |
| 86,346,605 | 553,067,735 | 532,100,651 | 14.18 | 9.03 |
| \$ 408,224,443 | \$ 2,347,336,123 | \$ 2,328,290,621 | 62.06% | 8.79% |
| 169,057,146 | 890,900,074 | 1,048,607,977 | 27.95 | 3.74 |
| 2,747,316 | 34,882,785 | 38,418,785 | 1.02 | 8.22 |
| \$ 171,804,462 | \$ 925,782,859 | \$ 1,087,026,762 | 28.97 % | 3.90% |
| 9,304,481,947 | 336,440,000 | 336,440,000 | 8.97 | 8.20 |
| \$ 9,884,510,852 | \$ 3,609,558,982 | \$ 3,751,757,383 | 100.00 % | 7.32% |

Summary Schedule of Cash Receipts and Disbursements

Year Ended June 30, 1990

| | | |
|-----------------------------------|----------------|-----------------------|
| Cash Balance at Beginning of Year | | \$ 4,295,069 |
| Add Receipts: | | |
| Member Contributions | \$ 133,099,378 | |
| Employer Contributions | 193,361,747 | |
| Interest and Dividends | 244,518,092 | |
| Investments Redeemed | 9,943,096,008 | |
| Total Cash Receipts | | <u>10,514,075,225</u> |
| Less Disbursements: | | |
| Benefit Payments | \$ 206,828,738 | |
| Insurance Premiums | 29,975,815 | |
| Administrative Expenses | 2,887,253 | |
| Refunds | 7,380,344 | |
| Equipment Purchased | 39,293 | |
| Investments Purchased | 10,268,461,489 | |
| Total Cash Disbursements | | <u>10,515,572,932</u> |
| Cash Balance at End of Year: | | <u>\$ 2,797,362</u> |

Member Reserves **Schedule of Revenues, Expenses, and Changes in Fund Balances** **Years Ended June 30, 1990 and 1989**

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|---|-------------------------------|------------------------------|
| Operating Revenues | | |
| Member Contributions | \$ 116,634,309 | \$ 109,947,245 |
| Reinstated Accounts | 461,865 | 577,535 |
| Personal Check Contributions | 2,572,533 | 3,745,702 |
| Other Revenues | (10,857) | (3) |
| Total Operating Revenues | <u>\$ 119,657,850</u> | <u>\$ 114,270,479</u> |
| Operating Expenses | | |
| Refund of Member Contributions | 5,853,543 | 5,725,570 |
| Total Operating Expenses | <u>\$ 5,853,543</u> | <u>\$ 5,725,570</u> |
| Net Operating Income (Expense) | <u>113,804,307</u> | <u>108,544,909</u> |
| Reserve Transfers | | |
| Transfer from Benefit Reserves | | |
| Disability Recoveries | \$ 80,273 | \$ 143,777 |
| Transfer from Unallocated Reserves | | |
| Interest Credited to Member Accounts | 28,512,326 | 25,742,394 |
| Prior Year Reclassification | | 7,695 |
| Transfer to Benefit Reserves | | |
| Retirements | (40,779,186) | (41,960,251) |
| Transfer to Survivor, Death, Medical Reserves | | |
| Survivor Benefits | (894,412) | (952,522) |
| Transfer to Unallocated Reserves | | |
| Inactive Accounts | (190,555) | (151,097) |
| Total Reserve Transfers | <u>\$ (13,271,554)</u> | <u>\$ (17,170,004)</u> |
| Net Fund Balance Additions (Reductions) | <u>\$ 100,532,753</u> | <u>\$ 91,374,905</u> |
| Beginning Fund Balance | 997,780,513 | 906,405,608 |
| Ending Fund Balance | <u><u>\$1,098,313,266</u></u> | <u><u>\$ 997,780,513</u></u> |

Employer Reserves
Schedule of Revenues, Expenses, and Changes in Fund Balances
Years Ended June 30, 1990 and 1989

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|---|-----------------------------|-----------------------------|
| Operating Revenues | | |
| SAF Penalties | \$ 120,913 | \$ 1,132,864 |
| State Contributions - Matching | 103,674,999 | 98,153,308 |
| State Contributions - University Personnel | 2,329,236 | 2,157,753 |
| Employer Paid Matching | 17,831,216 | 16,696,660 |
| Employer Sick Leave Payments | 262,500 | 317,908 |
| Other Revenue | (9,799) | 1,693 |
| Total Operating Revenues | \$ 124,209,065 | \$ 118,460,186 |
| Operating Expenses | | |
| Other Expenses | 3,356 | 685 |
| Net Operating Income (Expense) | \$ 124,205,709 | \$ 118,459,501 |
| Reserve Transfers | | |
| Transfer from Unallocated Reserves | | |
| Match Interest Credited to Member Accounts | \$ 29,305,019 | \$ 26,430,413 |
| Reinstated Accounts | 461,866 | 577,535 |
| Prior Year Reclassification | | 7,695 |
| Balance Member Reserves and Employer Reserves | (38,922) | (4,988) |
| Transfer from Benefit Reserves | | |
| Disability Recoveries | 80,273 | 143,777 |
| Transfer to Benefit Reserves | | |
| Retirements | (41,745,368) | (43,115,403) |
| Transfer to Survivor, Death, Medical Reserves | | |
| Survivor Benefits | (922,064) | (1,022,060) |
| Transfer to Unallocated Reserves | | |
| Refund of Member Contributions | (6,412,174) | (6,222,385) |
| Inactive Accounts | (186,404) | (151,097) |
| Total Reserve Transfers | \$ (19,457,774) | \$ (23,356,513) |
| Net Fund Balance Additions (Reductions) | \$ 104,747,935 | \$ 95,102,988 |
| Beginning Fund Balance | 1,026,464,838 | 931,361,850 |
| Ending Fund Balance | \$ 1,131,212,773 | \$ 1,026,464,838 |

Benefit Reserves
Schedule of Revenues, Expenses, and Changes in Fund Balances
Years Ended June 30, 1990 and 1989

| | <u>Year Ended June 30, 1990</u> | <u>Year Ended June 30, 1989</u> |
|---|-------------------------------------|-------------------------------------|
| Operating Revenues | | |
| None | | |
| Operating Expenses | | |
| Benefits for Service Retirements | \$ 190,463,328 | \$ 172,878,871 |
| Benefits for Disability Retirements | 9,550,511 | 8,708,015 |
| Other Expenses | (34,194) | |
| Total Operating Expenses | <u>\$ 199,979,645</u> | <u>\$ 181,586,886</u> |
| Net Operating Income (Expense) | <u>(199,979,645)</u> | <u>(181,586,886)</u> |
| Reserve Transfers | | |
| Transfer from Member Reserves | | |
| Retirements | \$ 40,779,186 | \$ 41,960,251 |
| Transfer from Employer Reserves | | |
| Retirements | 41,745,368 | 43,115,402 |
| Transfer from Unallocated Reserves | | |
| Benefits Paid in Excess of Member | | |
| Contributions and Employer Matching | 137,346,261 | 129,325,433 |
| Interest on Fund Balance | 4,778,239 | 2,640,056 |
| Prior Year Reclassification | | 2,149 |
| Transfer to Unallocated Reserves | | |
| Refund of Member Contributions | (589,697) | (389,086) |
| Transfer to Member Reserves | | |
| Disability Recoveries | (80,273) | (143,777) |
| Transfer to Employer Reserves | | |
| Disability Recoveries | (80,273) | (143,777) |
| Transfer to Survivor, Death, Medical Reserves | | |
| Survivors of Disability Retirements | (462,133) | (168,938) |
| Total Reserve Transfers | <u>\$ 223,436,678</u> | <u>\$ 216,197,713</u> |
| Net Fund Balance Additions (Reductions) | <u>\$ 23,457,033</u> | <u>\$ 34,610,827</u> |
| Beginning Fund Balance | 116,325,901 | 81,715,074 |
| Ending Fund Balance | <u>\$ 139,782,934</u> | <u>\$ 116,325,901</u> |

Survivor, Death, Medical Reserves
Schedule of Revenues, Expenses, and Changes in Fund Balances
Years Ended June 30, 1990 and 1989

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|---|-----------------------------|-----------------------------|
| Operating Revenues | | |
| Member Contributions | \$ 12,270,599 | \$ 11,622,463 |
| Insurance Premiums Paid by Members | 1,860,428 | 1,770,770 |
| State Contributions - Matching | 10,074,799 | 9,570,695 |
| Employer Paid Matching | 2,195,379 | 2,051,875 |
| Other Revenues | (10) | |
| Total Operating Revenues | \$ 26,401,195 | \$ 25,015,803 |
| Operating Expenses | | |
| Survivor Benefits | 5,220,474 | 5,038,352 |
| Death Benefits | 1,531,702 | 1,522,922 |
| Comprehensive Medical Insurance Premiums | 29,795,874 | 24,193,806 |
| Maintenance of Effort Payments | 836,519 | |
| Other Expenses | 470 | 228 |
| Total Operating Expenses | \$ 37,385,039 | \$ 30,755,308 |
| Net Operating Income (Expense) | (10,983,844) | (5,739,505) |
| Reserve Transfers | | |
| Transfer from Member Reserves | | |
| Survivor Benefits | \$ 894,412 | \$ 952,523 |
| Transfer from Employer Reserves | | |
| Survivor Benefits | 922,064 | 1,022,060 |
| Transfer from Benefit Reserves | | |
| Survivors of Disability Retirements | 462,132 | 168,937 |
| Transfer from Unallocated Reserves | | |
| Benefits Paid in Excess of Member | | |
| Contributions and Employer Matching | | 3,716,117 |
| Interest on Fund Balance | 2,311,730 | 2,721,118 |
| Balance Member Reserves and Employer Reserves | (3,936) | (504) |
| Transfer to Unallocated Reserves | | |
| Refund of Member Contributions | (107,283) | (102,186) |
| Total Reserve Transfers | \$ 4,479,119 | \$ 8,478,065 |
| Net Fund Balance Additions (Reductions) | \$ (6,504,725) | \$ 2,738,560 |
| Beginning Fund Balance | 40,568,317 | 37,829,757 |
| Ending Fund Balance | \$ 34,063,592 | \$ 40,568,317 |

403(b) Program Reserves
Schedule of Revenues, Expenses, and Changes in Fund Balances
Years Ended June 30, 1990 and 1989

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|--|-----------------------------|-----------------------------|
| Operating Revenues | | |
| Voluntary Contributions by Members | \$ 1,096,849 | \$ 1,171,079 |
| Operating Expenses | | |
| Benefits Increased by Voluntary Contributions | 44,634 | 53,452 |
| Benefits Continued after Voluntary Contributions Expired | 60,967 | 56,767 |
| Refund of Member Contributions | 686,456 | 1,269,651 |
| Total Operating Expenses | \$ 792,057 | \$ 1,379,870 |
| Net Operating Income (Expense) | 304,792 | (208,791) |
| Reserve Transfers | | |
| Transfer from Unallocated Reserves | | |
| Benefits Continued after Voluntary Contributions Expired | \$ 60,967 | \$ 56,767 |
| Interest Credited to Member Accounts | 1,011,722 | 730,534 |
| Transfer to Unallocated Reserves | | |
| Penalty on Early Withdrawal of 403(b) Accounts | (1,326) | (1,775) |
| Total Reserve Transfers | \$ 1,071,363 | \$ 785,526 |
| Net Fund Balance Additions (Reductions) | \$ 1,376,155 | \$ 576,735 |
| Beginning Fund Balance | 11,173,769 | 10,597,034 |
| Ending Fund Balance | \$ 12,549,924 | \$ 11,173,769 |

Capital Construction Reserves
Schedule of Revenues, Expenses, and Changes in Fund Balances
Years Ended June 30, 1990 and 1989

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|---|-----------------------------|-----------------------------|
| Operating Revenues | \$ | \$ |
| Operating Expenses | _____ | _____ |
| Net Operating Income (Expense) | _____ | _____ |
| Reserve Transfers | | |
| Transfer from Unallocated Reserves | | |
| Capital Construction | 40,000 | |
| Total Reserve Transfers | 40,000 | |
| Net Fund Balance Additions (Reductions) | \$ 40,000 | \$ |
| Beginning Fund Balance | _____ | _____ |
| Ending Fund Balance | \$ 40,000 | \$ |

Unallocated Reserves

Schedule of Revenues, Expenses, and Changes in Fund Balances

Years Ended June 30, 1990 and 1989

| | Year Ended June 30, 1990 | Year Ended June 30, 1989 |
|---|-----------------------------|-----------------------------|
| Operating Revenues | | |
| Interest Earned on Investments | \$ 225,333,599 | \$ 203,772,173 |
| Dividend Income | 34,201,268 | 29,257,231 |
| Rental Income | 2,132,267 | 2,277,787 |
| Gain on Sale of Investments | 61,263,661 | 21,964,798 |
| Leased Security Income | 336,149 | 767,025 |
| Maintenance Reserve - Rental Property | 5,955 | 7,605 |
| State Contributions - Sick Leave | 5,275,861 | 7,051,434 |
| State Contributions - Benefit Improvement | 27,960,000 | 24,110,000 |
| State Contributions - Supplemental Appropriation | 22,300,000 | 17,600,000 |
| State Contributions - Handicapped Children | 183,600 | 178,300 |
| Escrow Late Remittance Penalty | 9,276 | 9,283 |
| Other Revenues | 16,313 | 31,421 |
| Total Operating Revenues | \$ 379,017,949 | \$ 307,027,057 |
| Operating Expenses | | |
| Investment Counsel Fees | 604,000 | 554,000 |
| Investment Processing Fees | 78,280 | 76,000 |
| Total Operating Expenses | \$ 682,280 | \$ 630,000 |
| Net Operating Income (Expense) | 378,335,669 | 306,397,057 |
| Reserve Transfers | | |
| Transfer from Various Funds | | |
| Refund of Member Contributions | \$ 7,109,154 | \$ 6,713,657 |
| Inactive Accounts | 376,960 | 302,194 |
| Penalty on Early Withdrawal of 403(b) Accounts | 1,326 | 1,775 |
| Transfer to Various Funds | | |
| Benefits Paid in Excess of Member Contributions and Employer Matching | (137,407,228) | (133,098,317) |
| Interest | (65,919,036) | (58,264,515) |
| Balance Member Reserves and Employer Reserves | 42,858 | 5,493 |
| Reinstated Accounts | (461,866) | (577,535) |
| Prior Year Reclassification | | (17,539) |
| Building and Land (See Note 2) | (2,678,505) | |
| Administrative Expense Allotment | (2,326,720) | (2,231,422) |
| Capital Construction | (40,000) | |
| Total Reserve Transfers | \$ (201,303,057) | \$ (187,166,209) |
| Net Fund Balance Additions (Reductions) | \$ 177,032,612 | \$ 119,230,848 |
| Beginning Fund Balance | 1,106,004,450 | 986,773,602 |
| Ending Fund Balance | \$ 1,283,037,062 | \$ 1,106,004,450 |

Administrative Expense Reserves
Schedule of Revenues, Expenses, and Changes in Fund Balances
Years Ended June 30, 1990 and 1989

| | <u>Year Ended June 30, 1990</u> | <u>Year Ended June 30, 1989</u> |
|--|-------------------------------------|-------------------------------------|
| Operating Revenues | | |
| None | | |
| Operating Expenses | | |
| Salaries, Wages, and Fringe Benefits | \$ 1,564,254 | \$ 1,463,973 |
| Other Personnel Costs | 3,206 | 6,934 |
| Professional Contracts | 138,792 | 148,356 |
| Interest | 8,684 | 14,287 |
| Utilities and Heating Fuels | 25,205 | 25,123 |
| Rentals | 8,421 | 8,348 |
| Maintenance and Repairs | 60,237 | 51,122 |
| Postage and Related Services | 139,477 | 134,745 |
| Printing | 59,349 | 68,849 |
| Insurance | 59,428 | 42,158 |
| Miscellaneous Services | 2,078 | 2,520 |
| Telecommunications | 41,235 | 39,268 |
| Computer Services | 20,005 | 30,828 |
| Supplies | 28,937 | 28,897 |
| Depreciation | 155,989 | 105,241 |
| Travel | 25,020 | 21,838 |
| Dues and Subscriptions | 24,660 | 19,480 |
| Miscellaneous Commodities | 2,221 | 10,447 |
| Furniture, Fixtures, and Equipment Not Capitalized | 980 | 2,049 |
| Total Operating Expenses | \$ 2,368,178 | \$ 2,224,463 |
| Net Operating Income (Expense) | (2,368,178) | (2,224,463) |
| Reserve Transfers | | |
| Transfer from Unallocated Reserves | | |
| Allotment | \$ 2,326,720 | \$ 2,231,422 |
| Building and Land (See Note 2) | 2,678,505 | |
| Total Reserve Transfers | \$ 5,005,225 | \$ 2,231,422 |
| Net Fund Balance Additions (Reductions) | \$ 2,637,047 | \$ 6,959 |
| Beginning Fund Balance | 372,721 | 365,762 |
| Ending Fund Balance | \$ 3,009,768 | \$ 372,721 |

(This page left blank intentionally.)

| | |
|--|--------------------------------------|
| | ACTUARIAL SECTION |
| | Kentucky Teachers' Retirement System |

Kentucky Teachers' Retirement System

Actuary's Certification Letter

**BUCK
CONSULTANTS**

200 Galleria Parkway, N. W. Suite 1060
Atlanta, Georgia 30339

August 20, 1990

Board of Trustees
Teachers' Retirement System of the
State of Kentucky
479 Versailles Road
Frankfort, Kentucky 40601-2868

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 have submitted the results of the actuarial valuation prepared as of June 30, 1989. The valuation indicates that combined member and State contributions at the rate of 18.66% of university members' salaries and of 21.62% of non-university members' salaries are sufficient to support the benefits of the System. In preparing the valuation, the actuary relied on data provided by the System. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The financing objective of the System is that contribution rates will remain relatively level over time as a percentage of payroll. Contribution rates are developed using the unit credit actuarial cost method with projected benefits. Book value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 32-year period, on the assumption that payroll will increase by 5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System.

In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

Sincerely,



Donald M. Overholser
Consulting Actuary

Buck Consultants, Inc.

404 | 855-2488 Fax 404 | 933-8336

Buck Consultants Pty. Limited | Buck Consultants S.A. | Buck Paterson Consultants Limited | GBB Buck Consultants Limited

Report of Actuary on the Valuation

Prepared as of June 30, 1989

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, 1989 | | June 30, 1988 | |
|--|---------------|------------------|---------------|------------------|
| Number of active members | 46,772 | | 46,278 | |
| Annual salaries | \$1,261,448 | | \$1,212,585 | |
| Number of annuitants and beneficiaries | 19,365 | | 18,619 | |
| Annual allowances | \$ 186,614 | | \$ 167,982 | |
| Assets for valuation purposes | \$3,256,718 | | \$2,915,714 | |
| Unfunded actuarial accrued liability | \$1,424,108 | | \$1,371,594 | |
| Statutory contribution rates: | <i>Univ.</i> | <i>Non-Univ.</i> | <i>Univ.</i> | <i>Non-Univ.</i> |
| Member | 7.705% | 9.185% | 7.705% | 9.185% |
| State matching | 7.705 | 9.185 | 7.705 | 9.185 |
| State supplemental appropriation | 3.250 | 3.250 | 3.250 | 3.250 |
| Total | 18.660% | 21.620% | 18.660% | 21.620% |
| Actuarially determined contribution rates: | | | | |
| Normal | 13.120% | 16.510% | 12.960% | 16.260% |
| Accrued liability (balancing item) | 5.540 | 5.110 | 5.700 | 5.360 |
| Total | 18.660% | 21.620% | 18.660% | 21.620% |
| Accrued liability funding period | 31½ years | | 29½ years | |

2. The valuation indicates that combined member and State contributions at the current rate of 18.66% of salaries for university members and at 21.62% for non-university members are just sufficient to support the benefits of the System. Comments on the valuation results as of June 30, 1989 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
3. Schedule B 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 1989 Session of the Legislature and effective on the valuation date. The valuation reflects the one time cost-of-living increase of 2% for members and for beneficiaries of members who retired on or before July 1, 1988. Provisions of the System which were taken into account in the current valuation are summarized in Schedule D (not shown in this annual report).

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, 1989 on the basis of which the valuation was prepared.

BUCK
CONSULTANTS

| GROUP | NUMBER | ANNUAL SALARIES (\$1,000's) |
|-------|--------|--------------------------------|
| Men | 14,246 | \$ 439,726 |
| Women | 32,526 | 821,722 |
| Total | 46,772 | \$1,261,448 |

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, 1989.

**THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF
ANNUITANTS AND BENEFICIARIES ON THE ROLL AS OF JUNE 30, 1989**

| GROUP | NUMBER | ANNUAL RETIREMENT ALLOWANCES (\$1,000's) |
|-----------------------------------|--------|---|
| Service Retirements | 16,731 | \$ 168,864 |
| Disability Retirements | 991 | 9,083 |
| Beneficiaries of Deceased Members | 1,295 | 7,473 |
| Total | 19,017 | \$ 185,420 |

In addition, there are 348 beneficiaries entitled to term-certain only annuities totaling \$1,193,579 annually.

3. Tables 1 and 2 of Schedule E (not shown in this annual report) 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 seven 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, the Expense Fund and the Voluntary Contribution Fund.

(a) Teachers' Savings Fund

The Teachers' Savings Fund is the fund to which are credited all contributions made by members together with regular interest thereon. When a member retires by reason of service or disability, the amount of the member's accumulated contributions are transferred from the Teachers' Savings Fund to the Allowance Reserve Fund. If a survivor's benefit becomes payable, the member's accumulated contributions are transferred from the Teachers' Savings Fund to the Survivor, Death and Medical Insurance Fund. Refunds of accumulated member contributions upon withdrawal or death are also made from this Fund. The assets credited to the Teachers' Savings Fund on June 30, 1989 amounted to \$997,780,513.

(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, 1989 amounted to \$1,026,464,838.

(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, 1989 amounted to \$116,325,901.

(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, 1989 the assets credited to this Fund amounted to \$1,106,004,450.

(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, 1989 amounted to \$40,568,317. On the basis of past experience, it is assumed that 25 per cent of this amount, or \$10,142,079, is on account of survivor and death benefits and applicable for valuation purposes.

(f) Expense Fund

The assets credited to this Fund as of June 30, 1989 amounted to \$372,721. This amount was not included in the assets used for valuation purposes.

(g) Voluntary Contribution Fund

The assets credited to this Fund as of June 30, 1989 amounted to \$11,173,769. This amount was not included in the assets used for valuation purposes.

2. As of June 30, 1989 the total assets held by the System amounted to \$3,298,690,509. Of this amount, \$3,256,717,781 was used for valuation purposes, as shown in the following table.

ASSETS AS OF JUNE 30, 1989

| FUND | ASSETS FOR VALUATION PURPOSES | OTHER ASSETS | TOTAL ASSETS |
|---------------------------------------|-------------------------------------|-----------------|-----------------|
| Teachers' Savings | \$ 997,780,513 | | \$ 997,780,513 |
| State Accumulation | 1,026,464,838 | | 1,026,464,838 |
| Allowance Reserve | 116,325,901 | | 116,325,901 |
| Guarantee | 1,106,004,450 | | 1,106,004,450 |
| Survivor, Death and Medical Insurance | 10,142,079 | \$ 30,426,238 | 40,568,317 |
| Expense | | 372,721 | 372,721 |
| Voluntary Member Contribution | | 11,173,769 | 11,173,769 |
| Total | \$3,256,717,781 | \$ 41,972,728 | \$3,298,690,509 |

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 B.
2. The valuation shows that the System has an actuarial accrued liability of \$2,990,131 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to annuitants and beneficiaries amounts to \$1,629,858 after adjustment for special appropriations remaining to be made toward funding the 1980, 1982, 1987, and 1989 ad hoc increases, and the liability for benefits expected to be paid to inactive members and to members entitled to deferred vested benefits is \$60,837. The total actuarial accrued liability of the System amounts to \$4,680,826. Against these liabilities, the System has present assets for valuation purposes of \$3,256,718. When this amount is deducted from the actuarial accrued liability of \$4,680,826, there remains \$1,424,108 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 13.12% of payroll for university members and 16.51% 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 8.375% of his annual salary to the System and each non-university member will contribute 9.855% of salary. Of this amount, 0.67% is paid to the Survivor, Death and Medical Insurance Fund for medical benefits leaving 7.705% for university members and 9.185% 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 additional 3.25% of members' salaries towards discharging the System's unfunded obligations.
3. The total net statutory contribution rate is 18.66% of active university members' salaries and 21.62% for active non-university members.

NET STATUTORY CONTRIBUTION RATES

| SOURCE | UNIVERSITY | NONUNIVERSITY |
|----------------|------------|---------------|
| Member | 7.705% | 9.185% |
| State matching | 10.955 | 12.435 |
| Total | 18.660% | 21.620% |

4. The valuation indicates that normal contributions at the rate of 13.12% of active university members' salaries are required to meet the cost of benefits currently accruing. The rate for non-university members is 16.51%. 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 5.54% for university members and 5.11% for non-university members. These rates are shown in the following table.

ACTUARIALLY DETERMINED CONTRIBUTION RATES

| RATE | PERCENTAGE OF ACTIVE MEMBERS' SALARIES | |
|-------------------------------|--|---------------|
| | UNIVERSITY | NONUNIVERSITY |
| Normal | 13.12% | 16.51% |
| Accrued liability (balancing) | 5.54 | 5.11 |
| Total | 18.66% | 21.62% |

5. The unfunded actuarial accrued liability amounts to \$1,424,108,000 as of the valuation date. Accrued liability contributions at the rate of 5.54% of active university members' payroll and 5.11% of nonuniversity members' payroll are sufficient to amortize the unfunded actuarial accrued liability over the 31½ year period commencing June 30, 1989, based on the assumption that the payroll will increase by 5% annually.

SECTION VI - COMMENTS ON LEVEL OF FUNDING

1. The benefit percentage for nonuniversity members is 2% for service accrued through January 1, 1984 and 2½% for service accrued after that date. The total net contribution rate is 21.62% of payroll for these members. For university members the benefit percentage is 2% for all service and the contribution rate is 18.66%. 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, 1982, 1987 and 1989.
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 System experience has produced an increase in the funding period for the unfunded actuarial accrued liability from 29½ years to about 31½ years..
3. With the exception noted below, the System has been operating on an actuarially sound basis. However, there are no excess assets or contributions available 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.
4. Contributions by the State for the year preceding the valuation were 1.625% of payroll less than the statutory rates. If the funding of the accrued liability is permanently reduced by 1.625% of payroll, the amortization period would be extended to over 60 years. In our opinion, recurring reductions in employer contributions will impair the ability of the System to operate on an actuarially sound basis.

SECTION VII - ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statement No. 5 sets forth certain items of information to be disclosed in the financial statements of the System and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

NUMBER OF ACTIVE AND RETIRED MEMBERS
AS OF JUNE 30, 1989

| GROUP | NUMBER |
|----------------------------|--------|
| Retirees and Beneficiaries | 19,365 |
| Active Members: | |
| Vested | 36,384 |
| Non-vested | 10,388 |
| Total | 66,137 |

2. Another such item is the pension benefit obligation, a standardized measure of the System's liabilities. It is the amount owed for benefits allocated to employee service before the balance sheet date, when total projected benefits (including the effects of projected salary increases) are allocated equally over all years of employee service before and after the balance sheet date. The pension benefit obligation, prepared in accordance with Governmental Accounting Standards Board Statement No. 5, and a comparison with net assets available for benefits as of June 30, 1989, are presented below.

BUCK
CONSULTANTS

Pension Benefit Obligation
(in \$ thousand)

| | |
|--|-------------|
| * Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving benefits | \$1,690,695 |
| * Current employees: | |
| Accumulated contributions | 997,781 |
| Employer-financed vested | 1,096,754 |
| Employer-financed nonvested | 895,596 |
| Total Pension Benefit Obligation | \$4,680,826 |
| * Net assets available for benefits | \$3,256,718 |
| * Unfunded Pension Benefit Obligation | \$1,424,108 |

3. The following first three years of the ten-year historical trend information, prepared in accordance with Governmental Accounting Standards Board Statement No. 5, provides information on progress made in accumulating sufficient assets to pay benefits when due. A purpose of the chart is to establish a consistent method for analyzing and making comparisons among different public retirement systems.

Required Supplementary Information Analysis of Funding Progress
(in \$ million)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-------------------|-----------------------------------|----------------------------|--------------------------------|--|------------------------|---|
| Fiscal Year Ended | Net Assets Available for Benefits | Pension Benefit Obligation | Percentage Funded (1) ÷ (2) | Unfunded Pension Benefit Obligation (2) - (1) | Annual Covered Payroll | Unfunded PBO as % of Covered Payroll (4) ÷ (5) |
| 6/30/87 | \$ 2,562.3 | \$3,799.3 | 67.4 % | \$ 1,237.0 | \$ 1,101.7 | 112.3 % |
| 6/30/88 | 2,915.7 | 4,287.3 | 68.0 | 1,371.6 | 1,212.6 | 113.1 |
| 6/30/89 | 3,256.7 | 4,680.8 | 69.6 | 1,424.1 | 1,261.4 | 112.9 |

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System.

SCHEDULE A

RESULTS OF THE VALUATION PREPARED AS OF JUNE 30, 1989
(\$1,000's)

1. ACTUARIAL ACCRUED LIABILITY

Present value of prospective benefits payable in respect of:

(a) Present active members:

| | |
|-----------------------------------|-------------|
| - Service retirement benefits | \$2,698,009 |
| - Disability retirement benefits | 145,033 |
| - Death and survivor benefits | 84,091 |
| - Refunds of member contributions | 62,998 |

| | |
|-------|-------------|
| Total | \$2,990,131 |
|-------|-------------|

(b) Present inactive members and members entitled to deferred vested benefits:

60,837

(c) Present annuitants and beneficiaries

| | |
|----------------------------------|-------------|
| - Service retirement benefits | \$1,474,212 |
| - Disability retirement benefits | 65,861 |
| - Death and survivor benefits | 89,785 |

| | |
|-------|-----------|
| Total | 1,629,858 |
|-------|-----------|

(d) Total actuarial accrued liability

\$4,680,826

2. PRESENT ASSETS FOR VALUATION PURPOSES

3,256,718

3. UNFUNDED ACTUARIAL ACCRUED LIABILITY
[(1) minus (2)]

\$1,424,108

4. NORMAL CONTRIBUTION RATE

| | UNIVERSITY | NONUNIVERSITY |
|---|------------|---------------|
| (a) Actuarial present value of benefits accruing annually | \$12,632 | \$ 192,427 |
| (b) Annual payroll of active members | 96,261 | 1,165,187 |
| (c) Normal contribution rate [4(a) divided by 4(b)] | 13.12% | 16.51% |

SCHEDULE B

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

INTEREST RATE: 7.5% per annum, compounded annually (Adopted 1983).

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows (Adopted 1983):

| <u>Age</u> | <u>Annual Rate</u> |
|------------|--------------------|
| 20 | 9.30% |
| 25 | 8.40 |
| 30 | 7.40 |
| 35 | 6.70 |
| 40 | 6.20 |
| 45 | 5.90 |
| 50 | 5.70 |
| 55 | 5.50 |
| 60 | 5.40 |
| 65 | 5.20 |

SEPARATIONS FROM SERVICE: Representative values of the assumed annual rates of death, disability, withdrawal and service retirement are as follows (Adopted 1983):

| <u>Age</u> | <u>Men</u> <u>Annual Rate of</u> | | | | |
|------------|-------------------------------------|-------------------|-------------------|----------------------------|-------------------------|
| | <u>Death</u> | <u>Disability</u> | <u>Withdrawal</u> | <u>Service Retirement*</u> | <u>Early Retirement</u> |
| 20 | .008% | .01% | 9.00% | | |
| 25 | .023 | .01 | 8.00 | | |
| 30 | .038 | .01 | 6.75 | | |
| 35 | .076 | .05 | 5.50 | | |
| 40 | .113 | .07 | 4.25 | | |
| 45 | .151 | .10 | 3.20 | | |
| 50 | .249 | .29 | 2.30 | | |
| 55 | .514 | 1.20 | | 9.30% | 2.00% |
| 60 | .892 | .05 | | 12.00 | |
| 62 | 1.043 | .03 | | 16.50 | |
| 65 | 1.346 | | | 47.30 | |
| 70 | | | | 100.00 | |

* It is also assumed that an additional 15% of men will retire in their first year of eligibility if before age 60.

| <u>Age</u> | <u>Women</u> <u>Annual Rate of</u> | | | | |
|------------|---------------------------------------|-------------------|-------------------|----------------------------|-------------------------|
| | <u>Death</u> | <u>Disability</u> | <u>Withdrawal</u> | <u>Service Retirement*</u> | <u>Early Retirement</u> |
| 20 | .007% | .01% | 8.50% | | |
| 25 | .014 | .01 | 8.00 | | |
| 30 | .036 | .01 | 7.40 | | |
| 35 | .058 | .04 | 6.40 | | |
| 40 | .094 | .09 | 4.60 | | |
| 45 | .109 | .18 | 2.80 | | |
| 50 | .130 | .29 | 1.80 | | |
| 55 | .167 | .60 | | 9.20% | 2.50% |
| 60 | .239 | .25 | | 15.00 | |
| 62 | .268 | .06 | | 20.00 | |
| 65 | .312 | | | 51.00 | |
| 70 | | | | 100.00 | |

* It is also assumed that an additional 20% of women will retire in their first year of eligibility if before age 60.

BUCK
CONSULTANTS

DEATHS AFTER RETIREMENT: Representative values of the assumed annual rates of death after service and disability retirement are as follows (Adopted 1983):

| Age | Annual Rate of Death After | | | |
|-----|----------------------------|-------|-----------------------|-------|
| | Service Retirement | | Disability Retirement | |
| | Men | Women | Men | Women |
| 40 | .1% | .1% | 5.1% | 4.5% |
| 50 | .4 | .2 | 5.1 | 4.5 |
| 55 | .6 | .2 | 5.1 | 4.5 |
| 60 | 1.1 | .4 | 5.1 | 4.5 |
| 65 | 1.9 | .7 | 5.1 | 4.5 |
| 70 | 3.1 | 1.4 | 5.1 | 4.5 |
| 75 | 4.6 | 2.6 | 5.1 | 4.5 |
| 80 | 7.0 | 4.4 | 7.8 | 5.5 |
| 85 | 11.0 | 7.5 | 12.3 | 9.4 |
| 90 | 16.8 | 12.8 | 19.1 | 15.9 |
| 95 | 23.2 | 21.1 | 29.2 | 26.2 |

ACTUARIAL METHOD: Unit Credit Actuarial Cost Method with projected benefits. Actuarial gains and losses are reflected in the unfunded accrued liability (Adopted 1980).

ASSETS: Book value, as reported by the System.

Solvency Test (in millions of dollars)

| Fiscal Year | Aggregate Accrued Liabilities For | | | Valuation Assets | Portion of Accrued Liabilities Covered By Assets | | |
|----------------|--|--|---|---------------------|--|-----|-----|
| | (1) Active Member Contributions | (2) Retirants and Beneficiaries | (3) Active Members (Employer Financed Portion) | | (1) | (2) | (3) |
| 1980 | \$ 368.3 | \$ 788.7 | \$ 745.8 | \$ 872.4 | 100% | 64% | 0% |
| 1982 | 467.6 | 941.8 | 1,031.3 | 1,163.7 | 100 | 74 | 0 |
| 1984 | 580.8 | 1,101.2 | 1,225.8 | 1,569.1 | 100 | 90 | 0 |
| 1986 | 719.1 | 1,320.2 | 1,316.9 | 2,214.2 | 100 | 100 | 13 |
| 1987 | 805.4 | 1,430.0 | 1,563.9 | 2,562.3 | 100 | 100 | 21 |
| 1988 | 906.4 | 1,499.2 | 1,881.7 | 2,915.7 | 100 | 100 | 27 |
| 1989 | 997.8 | 1,690.7 | 1,992.4 | 3,256.7 | 100 | 100 | 29 |

The solvency test is one means of checking a system's progress under its funding program. In a solvency test, the plan's present assets are compared with (1) the active member contributions, (2) the amount necessary to cover the present value of benefits payable to current retirees and beneficiaries and (3) the amount necessary to cover the present value of benefits owed to active members for service already rendered. The total of (1), (2) and (3) is the total actuarial accrued liability of the plan.

In a system that has been following the discipline of level percent of payroll financing, such as KTRS, the liabilities in columns (1) and (2) should be fully covered by assets and the portion of the liability in column 3 covered by assets should increase over time.

Schedule of Active Member Valuation Data

| Fiscal Year | (1) Number of Active Members | (2) Total Annual Payroll | (3) Average Annual Pay (2) ÷ (1) | (4) % Increase (Decrease) In Average Pay |
|-------------|------------------------------------|--------------------------------|---|---|
| 1981 | 44,233 | \$ 760,999,554 | \$ 17,204 | 8.7 % |
| 1982 | 43,426 | 807,159,764 | 18,587 | 8.0 |
| 1983 | 42,570 | 849,839,088 | 19,963 | 7.4 |
| 1984 | 41,438 | 916,650,063 | 22,121 | 10.8 |
| 1985 | 43,375 | 950,093,444 | 21,904 | (1.0) |
| 1986 | 44,366 | 1,006,751,275 | 22,692 | 3.6 |
| 1987 | 44,556 | 1,104,968,563 | 24,800 | 9.3 |
| 1988 | 46,396 | 1,217,746,805 | 26,247 | 5.8 |
| 1989 | 46,937 | 1,268,680,057 | 27,029 | 3.0 |
| 1990 | 47,284 | 1,346,537,954 | 28,478 | 4.7 |

Schedule of Retirants, Beneficiaries and Survivors Added to and Removed from Rolls

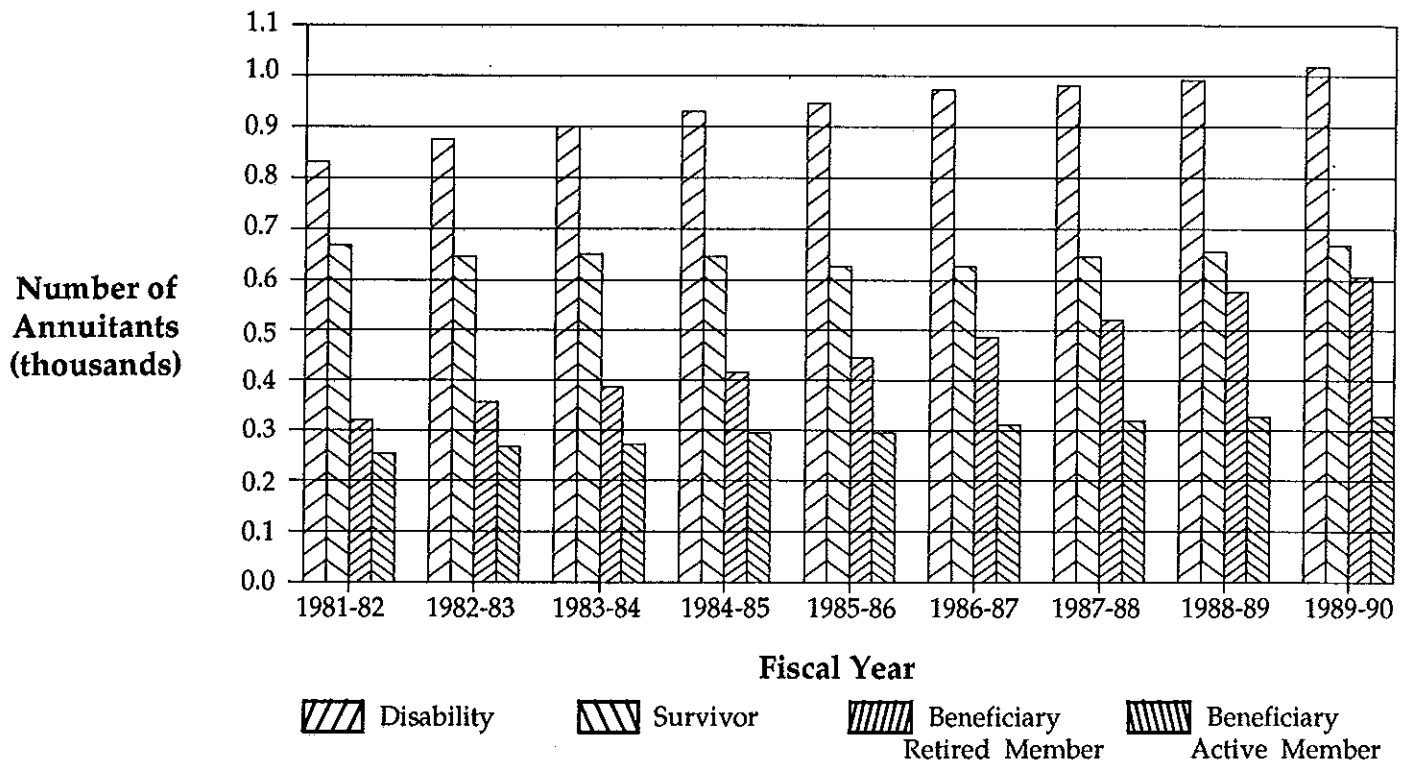
| Year Ended | Added to Rolls | | Removed from Rolls | | Rolls-End of Year | | % Increase in Annual Allowances | Average Annual Allowances |
|---------------|----------------|------------------------------------|--------------------|------------------------------------|-------------------|------------------------------------|---------------------------------------|---------------------------------|
| | Number | Annual Allowances (Millions) | Number | Annual Allowances (Millions) | Number | Annual Allowances (Millions) | | |
| 1981 | 1,184 | \$ 13.6 | 483 | \$ 2.6 | 14,844 | \$ 85.8 | 14.7% | \$5,778 |
| 1982 | 1,287 | 14.4 | 496 | 2.7 | 15,635 | 97.5 | 13.6 | 6,236 |
| 1983 | 1,234 | 15.3 | 590 | 3.2 | 16,279 | 109.6 | 12.4 | 6,733 |
| 1984 | 1,082 | 15.4 | 574 | 3.4 | 16,787 | 121.6 | 10.9 | 7,243 |
| 1985 | 1,209 | 13.5 | 630 | 4.1 | 17,366 | 131.0 | 7.7 | 7,545 |
| 1986 | 1,213 | 14.7 | 647 | 4.1 | 17,932 | 141.6 | 8.1 | 7,896 |
| 1987 | 1,119 | 18.7 | 695 | 4.9 | 18,356 | 155.4 | 9.7 | 8,464 |
| 1988 | 981 | 17.8 | 738 | 5.6 | 18,599 | 167.6 | 7.8 | 9,012 |
| 1989 | 1,565 | 20.6 | 811 | 6.7 | 19,353 | 181.5 | 8.3 | 9,377 |
| 1990 | 1,356 | 19.2 | 757 | 6.5 | 19,952 | 194.1 | 6.9 | 9,730 |

(This page left blank intentionally.)

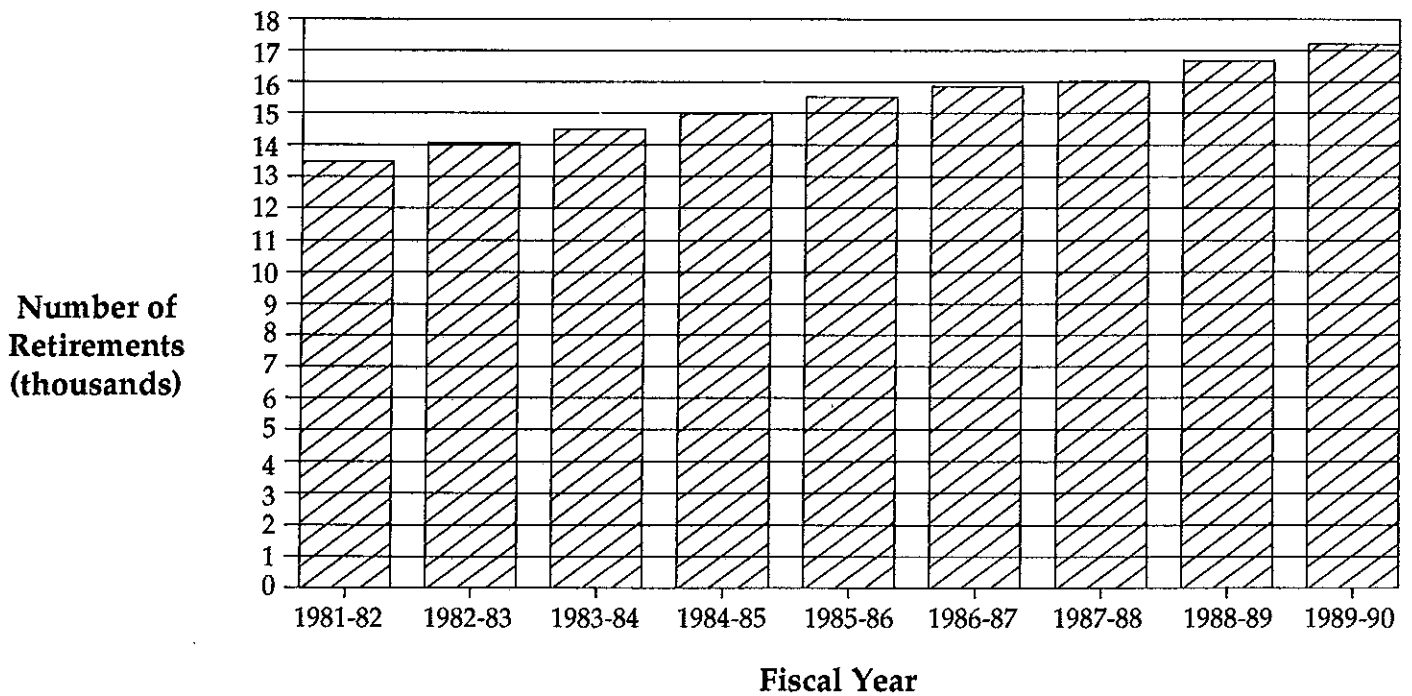
| | |
|--|--------------------------------------|
| | STATISTICAL SECTION |
| | Kentucky Teachers' Retirement System |

Kentucky Teachers' Retirement System

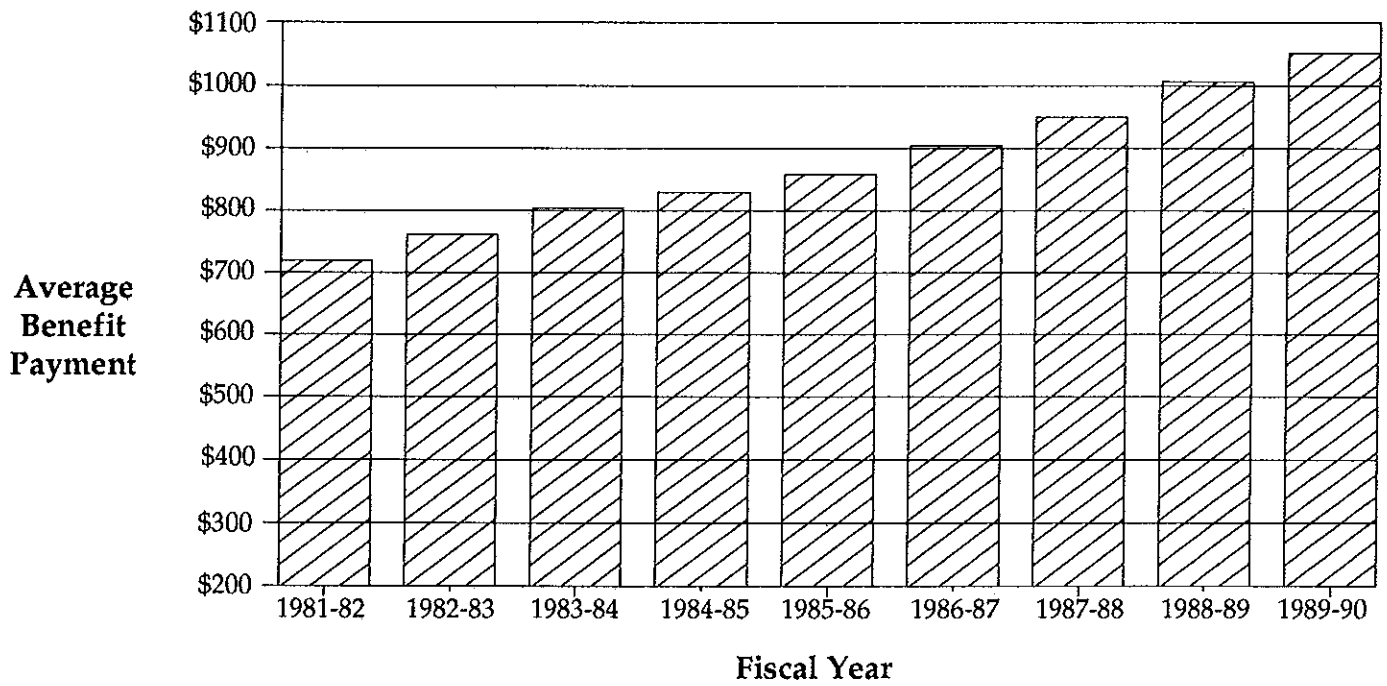
Growth in Annuitants (except service retirements)



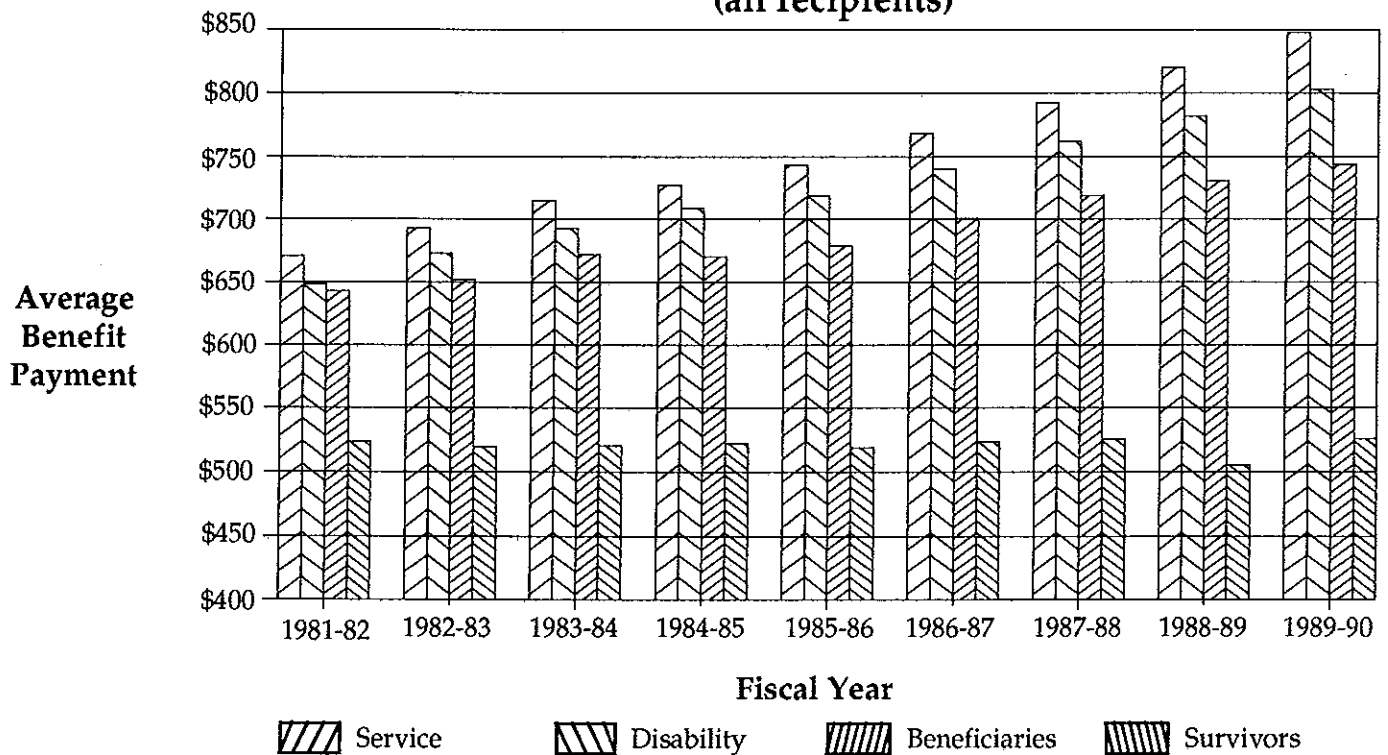
Growth in Service Retirements



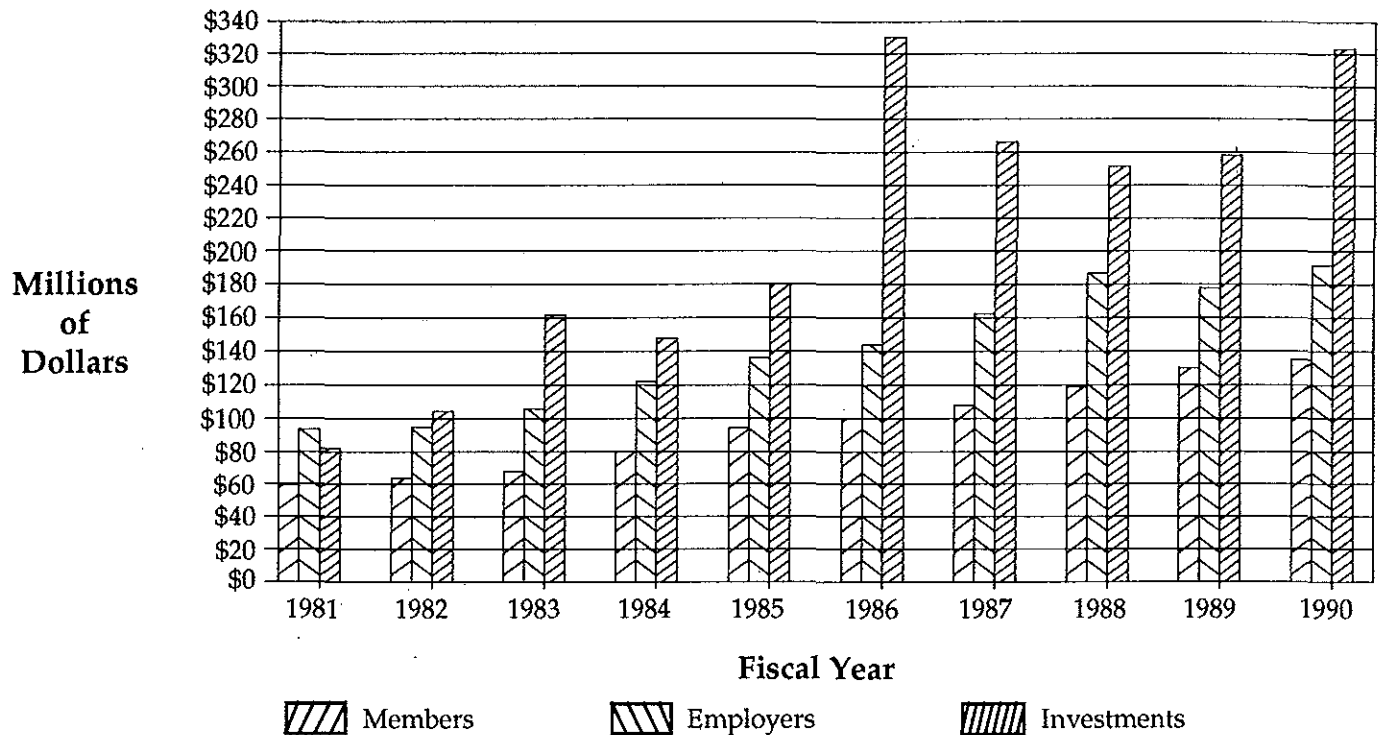
Average Benefit Payments



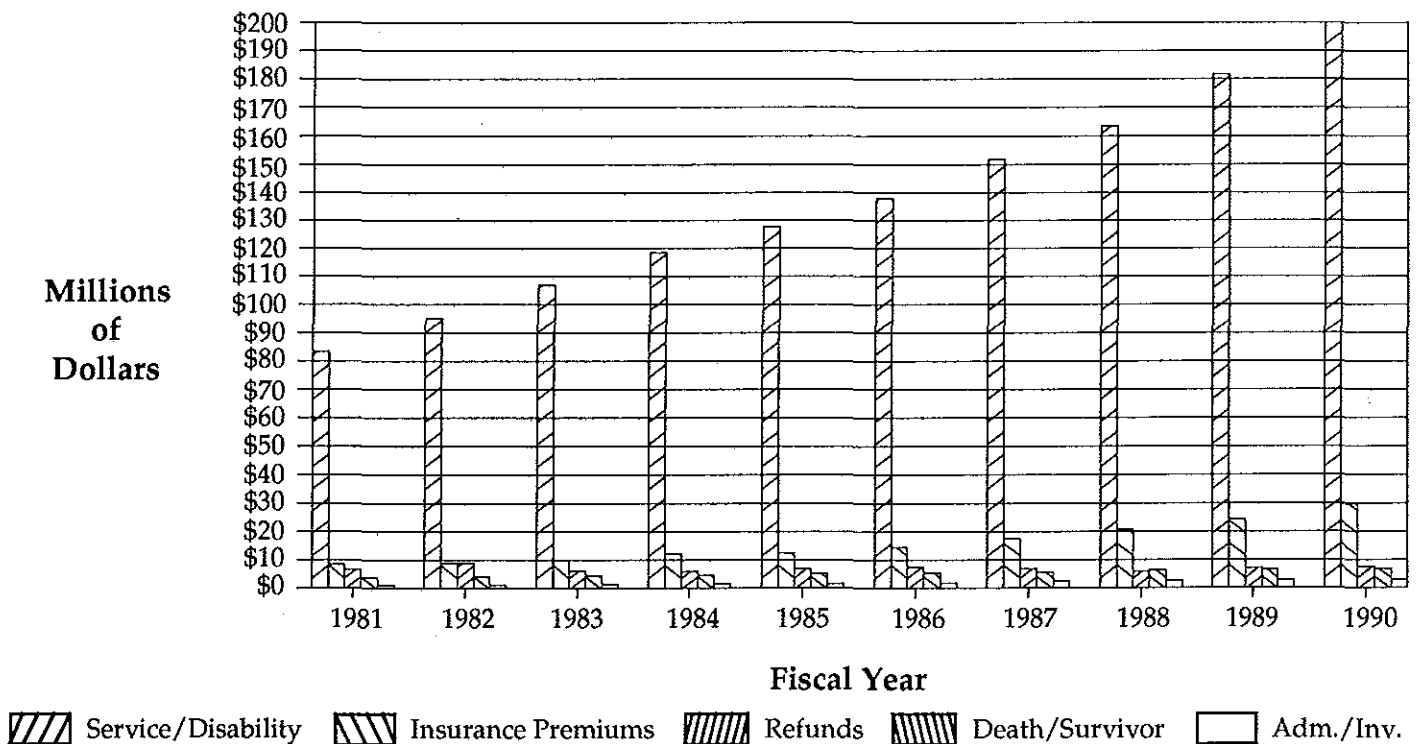
Average Benefit Payments (all recipients)



Summary of Revenue by Source (last ten years)



Summary of Expenses by Type (last ten years)



GEOGRAPHICAL DISTRIBUTION OF RETIREMENT PAYMENTS

as of June 30, 1990

| County Name | Total Payments | Number of Recipients | County Name | Total Payments | Number of Recipients |
|--------------|----------------|----------------------|-------------|----------------|----------------------|
| Adair | \$ 1,121,701 | 119 | Hancock | \$ 347,117 | 37 |
| Allen | 695,856 | 65 | Hardin | 2,593,609 | 252 |
| Anderson | 578,388 | 70 | Harlan | 2,330,263 | 227 |
| Ballard | 341,905 | 37 | Harrison | 1,054,358 | 105 |
| Barren | 1,643,547 | 170 | Hart | 753,936 | 78 |
| Bath | 650,816 | 73 | Henderson | 1,613,287 | 160 |
| Bell | 2,118,415 | 216 | Henry | 810,310 | 86 |
| Boone | 1,937,921 | 176 | Hickman | 227,436 | 26 |
| Bourbon | 957,719 | 103 | Hopkins | 1,899,396 | 216 |
| Boyd | 2,811,125 | 308 | Jackson | 752,720 | 86 |
| Boyle | 1,699,977 | 168 | Jefferson | 33,423,728 | 2,819 |
| Bracken | 302,769 | 36 | Jessamine | 956,146 | 95 |
| Breathitt | 1,163,025 | 110 | Johnson | 1,712,900 | 165 |
| Breckinridge | 646,530 | 74 | Kenton | 3,212,265 | 316 |
| Bullitt | 1,305,158 | 103 | Knott | 1,117,325 | 124 |
| Butler | 670,291 | 69 | Knox | 1,348,014 | 140 |
| Caldwell | 699,880 | 83 | Larue | 762,879 | 67 |
| Calloway | 3,277,793 | 303 | Laurel | 2,295,451 | 231 |
| Campbell | 2,523,177 | 250 | Lawrence | 730,526 | 87 |
| Carlisle | 282,109 | 32 | Lee | 625,210 | 65 |
| Carroll | 396,419 | 46 | Leslie | 667,723 | 72 |
| Carter | 1,516,025 | 151 | Letcher | 1,862,940 | 190 |
| Casey | 1,060,018 | 106 | Lewis | 786,787 | 77 |
| Christian | 2,119,297 | 229 | Lincoln | 1,237,576 | 129 |
| Clark | 1,295,357 | 140 | Livingston | 510,369 | 53 |
| Clay | 1,586,402 | 167 | Logan | 1,261,207 | 139 |
| Clinton | 648,276 | 60 | Lyon | 432,501 | 43 |
| Crittenden | 520,809 | 61 | Madison | 5,051,579 | 467 |
| Cumberland | 548,077 | 58 | Magoffin | 723,747 | 88 |
| Daviess | 4,014,423 | 418 | Marion | 719,538 | 80 |
| Edmonson | 515,775 | 56 | Marshall | 1,090,545 | 117 |
| Elliott | 364,282 | 34 | Martin | 606,834 | 67 |
| Estill | 673,175 | 75 | Mason | 755,047 | 76 |
| Fayette | 10,594,424 | 956 | McCracken | 2,944,588 | 316 |
| Fleming | 646,712 | 71 | McCreary | 702,636 | 74 |
| Floyd | 3,028,027 | 299 | McLean | 413,370 | 47 |
| Franklin | 3,558,151 | 344 | Meade | 358,041 | 39 |
| Fulton | 473,125 | 62 | Menifee | 400,445 | 40 |
| Gallatin | 204,733 | 24 | Mercer | 1,149,204 | 118 |
| Garrard | 704,780 | 74 | Metcalfe | 757,406 | 73 |
| Grant | 742,714 | 83 | Monroe | 942,673 | 103 |
| Graves | 1,539,780 | 175 | Montgomery | 929,862 | 100 |
| Grayson | 1,161,742 | 119 | Morgan | 732,497 | 79 |
| Green | 712,612 | 66 | Muhlenberg | 1,556,968 | 168 |
| Greenup | 1,784,016 | 172 | Nelson | 1,382,175 | 126 |

GEOGRAPHICAL DISTRIBUTION OF RETIREMENT PAYMENTS

as of June 30, 1990

| County Name | Total Payments | Number of Recipients | State Name | Total Payments | Number of Recipients |
|-------------|----------------|----------------------|----------------|----------------|----------------------|
| Nicholas | \$ 326,760 | 37 | Florida | \$ 4,141,774 | 500 |
| Ohio | 943,247 | 103 | Tennessee | 2,027,404 | 271 |
| Oldham | 1,102,810 | 114 | Indiana | 1,747,227 | 221 |
| Owen | 399,574 | 47 | Ohio | 1,633,145 | 267 |
| Owsley | 469,152 | 57 | Georgia | 553,101 | 69 |
| Pendleton | 766,631 | 73 | Virginia | 536,660 | 75 |
| Perry | 2,192,421 | 236 | Texas | 524,186 | 69 |
| Pike | 4,120,440 | 414 | Other States | 3,921,092 | 585 |
| Powell | 605,489 | 64 | Out Of Country | 20,584 | 6 |
| Pulaski | 2,928,644 | 297 | | | |
| Robertson | 141,501 | 16 | Total | | |
| Rockcastle | 1,167,444 | 111 | Out Of State | \$ 15,105,173 | 2,063 |
| Rowan | 1,986,803 | 173 | | | |
| Russell | 978,016 | 112 | In Kentucky | 189,304,878 | 18,627 |
| Scott | 947,283 | 100 | | | |
| Shelby | 1,095,137 | 126 | GRAND TOTAL | \$204,410,051 | 20,690 |
| Simpson | 608,563 | 64 | | | |
| Spencer | 339,410 | 37 | | | |
| Taylor | 1,180,575 | 119 | | | |
| Todd | 545,421 | 65 | | | |
| Trigg | 568,883 | 57 | | | |
| Trimble | 164,880 | 19 | | | |
| Union | 668,478 | 67 | | | |
| Warren | 6,410,886 | 596 | | | |
| Washington | 462,255 | 49 | | | |
| Wayne | 1,198,936 | 112 | | | |
| Webster | 705,949 | 84 | | | |
| Whitley | 2,645,430 | 273 | | | |
| Wolfe | 411,934 | 53 | | | |
| Woodford | 841,539 | 78 | | | |
| Total | | | | | |
| In Kentucky | \$189,304,878 | 18,627 | | | |

Summary of State Budget Appropriation to Teachers' Retirement System for 1989 - 1990

| Expense Item | 1989-90 State Budget Appropriation | 1989-90 State Actual Budget Requirement |
|--------------------------------------|---------------------------------------|--|
| Match of Member Contributions * | \$ 118,574,900 | \$ 118,127,446 |
| Supplemental Appropriation | 22,300,000 | 22,300,000 |
| Federal Payments | (4,250,100) | (6,706,884) |
| Sick Leave (KRS 161.155) | 3,630,000 | 5,275,861 |
| Retiree Cost of Living Adjustment | 25,530,000 | 25,530,000 |
| Prior Service Increase | 640,000 | 640,000 |
| \$75 Minimum Benefit | 10,000 | 10,000 |
| Handicapped Child Benefit | 183,600 | 183,600 |
| Minimum Benefit Adjustment | 1,780,000 | 1,780,000 |
| TOTALS | \$ 168,398,400 | \$ 167,140,023 |
| State Over-appropriation for 1989-90 | \$ 1,258,377 | |

The 1989-90 surplus will be lapsed to the Commonwealth's General Fund in accordance with Chapter 47 of the Kentucky Revised Statutes.

*Also, it should be noted that beginning with FY 1988-89, the Department of Education and the state universities were responsible for matching their members' contributions with the state reimbursing these respective agencies in their normal budget appropriation. During this fiscal year, these agencies contributed \$17,918,940 in order to match the members' contributions. This resulted in the match of member contributions totaling \$136,046,386. In prior years, the Retirement System was appropriated an allotment of funds in their budget to cover the costs of matching these agencies member contributions.

Summary of State Match and Supplemental Appropriations for Member Contributions to Teachers' Retirement System

| Fiscal Year | Total Member Contributions | Employer/ Federal Payments | Required State Match Contribution | Required Supplemental Appropriation | Required Sick Leave Payment | Total State Appropriation | (Deficit) Surplus State Funding | Running Total (Deficit) Surplus |
|-------------|----------------------------|-------------------------------|-----------------------------------|-------------------------------------|-----------------------------|---------------------------|---------------------------------|---------------------------------|
| 1940-44 | \$ 2,063,717 | \$ | \$ 2,063,717 | \$ | \$ | \$ 2,063,637 | \$ (80) | \$ (80) |
| 1944-48 | 3,184,178 | | 3,184,178 | | | 3,039,017 | (145,160) | (145,240) |
| 1948-52 | 4,951,458 | | 4,951,458 | | | 5,090,848 | 139,390 | (5,850) |
| 1952-56 | 7,267,163 | | 7,267,163 | | | 6,494,102 | (773,062) | (778,911) |
| 1956-60 | 14,970,961 | | 14,970,961 | | | 14,963,272 | (7,689) | (786,600) |
| 1960-64 | 25,945,897 | | 25,945,897 | | | 25,938,763 | (7,134) | (793,734) |
| 1964-68 | 49,957,299 | 2,042,014 | 47,915,285 | | | 45,317,694 | (2,597,591) | (3,391,324) |
| 1968-72 | 82,922,869 | 6,044,865 | 76,878,005 | | | 80,091,951 | 3,213,946 | (177,378) |
| 1972-76 | 120,349,350 | 8,019,216 | 112,330,134 | | | 111,665,685 | (664,449) | (841,827) |
| 1976-80 | 189,072,371 | 12,044,186 | 177,028,185 | 75,010,028 | | 256,784,030 | 4,745,817 | 3,903,990 |
| 1980-81 | 60,087,342 | 4,109,090 | 55,978,252 | 24,908,848 | | 83,449,550 | 2,562,450 | 6,466,440 |
| 1981-82 | 63,859,388 | 4,012,767 | 59,846,622 | 26,472,323 | 1,486,463 | 89,301,425 | 1,496,018 | 3,094,894 |
| 1982-83 | 68,077,792 | 3,902,923 | 64,174,869 | 28,221,024 | 1,409,798 | 95,601,936 | 1,796,245 | 1,928,730 |
| 1983-84 | 80,720,250 | 4,310,157 | 76,410,093 | 30,019,916 | 2,300,973 | 110,314,100 | 1,583,118 | 1,376,748 |
| 1984-85 | 90,156,759 | 5,024,319 | 85,132,440 | 31,233,174 | 2,790,200 | 114,096,000 | (5,059,814) | (3,476,696) |
| 1985-86 | 95,894,952 | 5,039,582 | 90,855,370 | 33,218,460 | 2,037,928 | 117,162,300 | (8,949,458) | (13,802,902) |
| 1986-87 | 108,335,521 | 5,369,721 | 102,965,799 | 36,494,008 | 2,444,613 | 136,094,156 | (5,810,265) | (7,901,823) |
| 1987-88 | 119,545,184 | 5,983,982 | 113,561,202 | 40,306,185 | 6,068,502 | 148,579,721 | (11,356,169) | (19,257,991) |
| 1988-89 | 129,546,325 | 23,980,075 (1) | 105,566,250 | 17,600,000(2) | 7,051,433 | 127,773,500 | (2,444,183) | (13,799,774) |
| 1989-90 | 136,046,386 | 24,625,824 | 111,420,562 | 22,300,000(3) | 5,275,861 | 140,254,800 | 1,258,377 | (12,541,397) |

The state under-appropriation at June 30, 1990 is \$12,541,397. This amount consists of the June 30, 1989 state under-appropriation which totaled \$13,799,774 reduced by the June 30, 1990 state over-appropriation of \$1,258,377. The 1990 General Assembly appropriated \$11,355,600 to fund the 1987-88 deficit and \$2,444,200 to fund the 1988-89 deficit. On July 1, 1990, KTRS received the \$13,799,800.

- (1) Beginning with the 1988-89 fiscal year, the Department of education and the state universities were responsible for matching their members' contributions with the state reimbursing the respective agencies in their normal budget appropriation.
- (2) The required supplemental appropriation for 1988-89 was less than the actuarially determined contribution by about \$25 million.
- (3) The required supplemental appropriation for 1989-90 was less than the actuarially determined contribution by about \$22.4 million.

Summary of June 30, 1990 Retiree Sick Leave Payments

| | |
|---|----------------|
| Total members retiring | 902 |
| Total members receiving sick leave payments | 590 |
| Total amount of sick leave payments (at 9.855% contribution rate) | \$3,329,442.89 |
| Average payment per retiree .. | \$5,643.12 |
| Total increase in final average salary base (FASB) | \$665,888.58 |
| Average increase in FASB | \$1,128.62 |
| Total service credit of 590 retirees | 16,896.98 |
| Average service credit of 590 retirees .. | 28.64 |

| Average Yearly Increase | | Service Credit | | Retirement Factor | | Average Yearly Annuity |
|-------------------------|---|----------------|---|-------------------|---|------------------------|
| \$1,128.62 | X | 22.64 | X | 2.00% | = | \$511.04 |
| \$1,128.62 | X | 1.00 | X | 2.25% | = | \$ 25.39 |
| \$1,128.62 | X | 5.00 | X | 2.50% | = | \$141.08 |

| | |
|---|----------|
| Average yearly annuity | \$677.51 |
| Average monthly annuity (\$677.51 ÷ 12) | \$56.46 |

| Average Monthly Annuity | | Present Value Factor Based on Average Age of 57 | | Number of Members With Sick Leave Payments |
|-------------------------|---|---|---|--|
| \$56.46 | X | 178.08 | X | 590 |

| | |
|---|-----------------------|
| Anticipated lifetime payout of additional annuity | <u>\$5,932,094.11</u> |
|---|-----------------------|

Funding of Additional Payout

| | | | | |
|----------------------------------|--------|---|------------------|----------------------|
| Member Contributions | 9.855% | X | \$3,329,442.89 = | \$ 328,116.60 |
| State Contributions | 9.855% | X | \$3,329,442.89 = | 328,116.60 |
| Total Member-State Contributions | | | | <u>\$ 656,233.20</u> |

Deficit

| | |
|---|-------------------------------|
| Anticipated additional payout | \$5,932,094.11 |
| Less total Member and State contributions | 656,233.20 |
| Subtotal unfunded debt | <u>\$5,275,860.91</u> |
| Less current year appropriation | 3,630,000.00 |
| Total Deficit | <u><u>\$1,645,860.91*</u></u> |

* This amount has been included in the 1989-90 surplus.

School Districts That Have Elected to Pay for Sick Leave Under KRS 161.155(8) Fiscal Year 1990

| School District | Number of Members | Total Additional Compensation | School District | Number of Members | Total Additional Compensation |
|-----------------|-------------------|-------------------------------|-----------------|-------------------|-------------------------------|
| Adair | 3 | \$ 18,353.01 | Henderson | 6 | \$ 39,563.47 |
| Allen | 2 | 22,616.03 | Henry | 2 | 5,467.68 |
| Ballard | 3 | 20,691.73 | Hopkins | 4 | 29,058.15 |
| Barren | 5 | 17,079.76 | Jackson | 6 | 38,802.65 |
| Bath | 2 | 9,594.31 | Jefferson | 108 | 598,067.94 |
| Bell | 3 | 2,327.65 | Jessamine | 1 | 3,127.55 |
| Boone | 5 | 67,570.56 | Johnson | 3 | 18,806.39 |
| Bourbon | 4 | 37,779.30 | Kenton | 6 | 28,565.30 |
| Boyd | 4 | 11,595.94 | Knott | 3 | 13,342.67 |
| Boyle | 1 | 7,980.21 | Knox | 4 | 30,708.27 |
| Bracken | 1 | 5,619.89 | Laurel | 5 | 26,910.70 |
| Breathitt | 2 | 9,310.00 | Lawrence | 1 | 5,090.01 |
| Breckinridge | 3 | 21,010.05 | Leslie | 7 | 22,721.76 |
| Bullitt | 5 | 33,948.25 | Letcher | 4 | 18,464.13 |
| Butler | 2 | 5,642.31 | Lincoln | 4 | 12,888.90 |
| Caldwell | 4 | 24,075.50 | Livingston | 2 | 9,309.89 |
| Calloway | 2 | 15,453.17 | Logan | 3 | 19,022.32 |
| Campbell | 6 | 39,831.57 | Lyon | 1 | 2,174.53 |
| Carroll | 2 | 9,592.69 | Madison | 11 | 52,520.94 |
| Carter | 6 | 24,673.56 | Magoffin | 3 | 18,105.12 |
| Christian | 11 | 55,472.25 | Marshall | 4 | 20,103.40 |
| Clay | 3 | 8,879.25 | Mason | 1 | 4,120.95 |
| Clinton | 1 | 1,112.63 | McCracken | 7 | 28,286.24 |
| Cumberland | 2 | 11,552.00 | McCreary | 2 | 4,835.21 |
| Daviess | 10 | 57,063.02 | Meade | 2 | 16,229.02 |
| Edmonson | 2 | 1,635.61 | Menifee | 1 | 767.73 |
| Estill | 4 | 15,576.15 | Mercer | 3 | 13,869.81 |
| Fayette | 50 | 429,007.20 | Metcalfe | 2 | 9,646.78 |
| Fleming | 1 | 6,590.36 | Monroe | 4 | 14,272.15 |
| Floyd | 7 | 20,825.87 | Montgomery | 1 | 8,562.15 |
| Franklin | 6 | 13,373.41 | Morgan | 1 | 6,883.21 |
| Fulton | 1 | 1,922.78 | Muhlenberg | 2 | 8,795.23 |
| Garrard | 4 | 16,321.47 | Nelson | 2 | 9,952.62 |
| Grant | 2 | 12,543.38 | Nicholas | 2 | 12,552.72 |
| Grayson | 2 | 18,557.68 | Ohio | 4 | 25,583.05 |
| Green | 1 | 3,301.47 | Oldham | 2 | 7,260.58 |
| Greenup | 9 | 22,555.85 | Owen | 1 | 3,431.76 |
| Hancock | 2 | 10,404.98 | Pendleton | 3 | 13,297.01 |
| Hardin | 13 | 89,784.97 | Perry | 1 | 4,234.91 |
| Harlan | 7 | 33,502.49 | Pike | 12 | 49,320.02 |
| Harrison | 1 | 1,590.26 | Powell | 3 | 18,654.19 |
| Hart | 4 | 17,039.27 | Pulaski | 6 | 28,666.77 |

School Districts That Have Elected to Pay for Sick Leave Under KRS 161.155(8) Fiscal Year 1990

| School District | Number of Members | Total Additional Compensation | School District | Number of Members | Total Additional Compensation |
|-----------------|-------------------|-------------------------------|------------------|-------------------|-------------------------------|
| Rockcastle | 1 | \$ 97.01 | Elizabethtown | 7 | \$ 36,611.16 |
| Rowan | 4 | 14,695.08 | Eminence | 1 | 2,694.98 |
| Russell | 2 | 9,745.20 | Erlanger | 2 | 10,544.09 |
| Scott | 5 | 40,892.64 | Glasgow | 3 | 27,812.78 |
| Simpson | 3 | 9,709.69 | Harlan | 1 | 8,326.53 |
| Spencer | 2 | 9,237.44 | Mayfield | 2 | 16,857.74 |
| Taylor | 3 | 13,687.57 | Maysville | 2 | 12,940.54 |
| Todd | 1 | 7,261.39 | Middlesboro | 3 | 6,313.14 |
| Trigg | 1 | 6,492.24 | Monticello | 1 | 15,462.51 |
| Trimble | 2 | 13,847.39 | Newport | 4 | 21,825.87 |
| Union | 1 | 5,684.93 | Owensboro | 11 | 57,668.08 |
| Warren | 5 | 25,446.77 | Paducah | 5 | 729.58 |
| Washington | 1 | 5,454.19 | Paintsville | 2 | 6,211.06 |
| Wayne | 11 | 68,566.21 | Pikeville | 2 | 13,860.58 |
| Whitley | 3 | 10,620.60 | Providence | 1 | 2,775.04 |
| Anchorage | 2 | 17,528.67 | Raceland | 1 | 5,290.11 |
| Ashland | 7 | 25,823.02 | Russell | 7 | 100,606.59 |
| Bardstown | 5 | 41,046.06 | Russellville | 3 | 15,512.94 |
| Bowling Green | 2 | 11,431.35 | Somerset | 1 | 7,215.83 |
| Campbellsville | 4 | 32,079.96 | Williamsburg | 1 | 2,993.71 |
| Caverna | 1 | 138.10 | Cumberland River | 1 | 10,711.52 |
| Corbin | 1 | 3,190.16 | | | |
| Covington | 3 | 10,348.05 | Total | 590 | \$3,329,442.89 |
| Danville | 1 | 8,053.07 | | | |

Schedule of KTRS Annuitants by Type of Benefit June 30, 1990

| Amount of Monthly Benefit (\$) | Number of Annuitants | Type of Retirement* | | | | |
|---|-------------------------|---------------------|-------|-----|-----|-----|
| | | 1 | 2 | 3 | 4 | 5 |
| 1 - 200 | 1,536 | 750 | 12 | 589 | 64 | 121 |
| 201 - 400 | 1,879 | 1,503 | 103 | 80 | 193 | 0 |
| 401 - 600 | 2,861 | 2,385 | 264 | 0 | 212 | 0 |
| 601 - 800 | 3,862 | 3,522 | 160 | 0 | 180 | 0 |
| 801 - 1,000 | 3,237 | 2,982 | 157 | 0 | 98 | 0 |
| 1,001 - 1,200 | 2,667 | 2,411 | 171 | 0 | 85 | 0 |
| 1,201 - 1,400 | 1,630 | 1,499 | 95 | 0 | 36 | 0 |
| 1,401 - 1,600 | 929 | 869 | 26 | 0 | 34 | 0 |
| 1,601 - 1,800 | 531 | 497 | 15 | 0 | 19 | 0 |
| 1,801 - 2,000 | 295 | 281 | 9 | 0 | 5 | 0 |
| Over 2,000 | 525 | 509 | 6 | 0 | 10 | 0 |
| Totals | 19,952 | 17,208 | 1,018 | 669 | 936 | 121 |

*Type of Retirement

- 1 - Normal retirement for age & service
- 2 - Disability retirement
- 3 - Survivor payment - Active member
- 4 - Beneficiary payment - Retired member
- 5 - Mentally Disabled Child

Distribution of Active Members As Of June 30, 1990

| By Age | | | By Service | | |
|---------|--------|--------|------------------|--------|--------|
| Age | Male | Female | Years Service | Male | Female |
| 20-24 | 164 | 919 | Less 1 | 221 | 625 |
| 25-29 | 916 | 3,253 | 1-4 | 2,445 | 7,318 |
| 30-34 | 1,309 | 4,242 | 5-9 | 1,825 | 5,518 |
| 35-39 | 2,388 | 6,806 | 10-14 | 2,106 | 5,827 |
| 40-44 | 3,347 | 7,404 | 15-19 | 2,740 | 6,486 |
| 45-49 | 2,758 | 4,802 | 20-24 | 2,505 | 4,166 |
| 50-54 | 1,706 | 2,789 | 25-29 | 1,454 | 1,919 |
| 55-59 | 1,035 | 1,631 | 30-34 | 625 | 676 |
| 60-64 | 439 | 825 | Over 35 | 233 | 359 |
| 65-69 | 84 | 189 | | | |
| Over 70 | 8 | 34 | | | |
| Total | 14,154 | 32,894 | Total | 14,154 | 32,894 |

| | |
|--|--------------------------------------|
| | INVESTMENT SECTION |
| | Kentucky Teachers' Retirement System |

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 1990 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 patterned after the "Prudent Man" concept with a limited number of restrictions. The responsibility for investing the assets of the System is clearly assigned to the Board of Trustees.

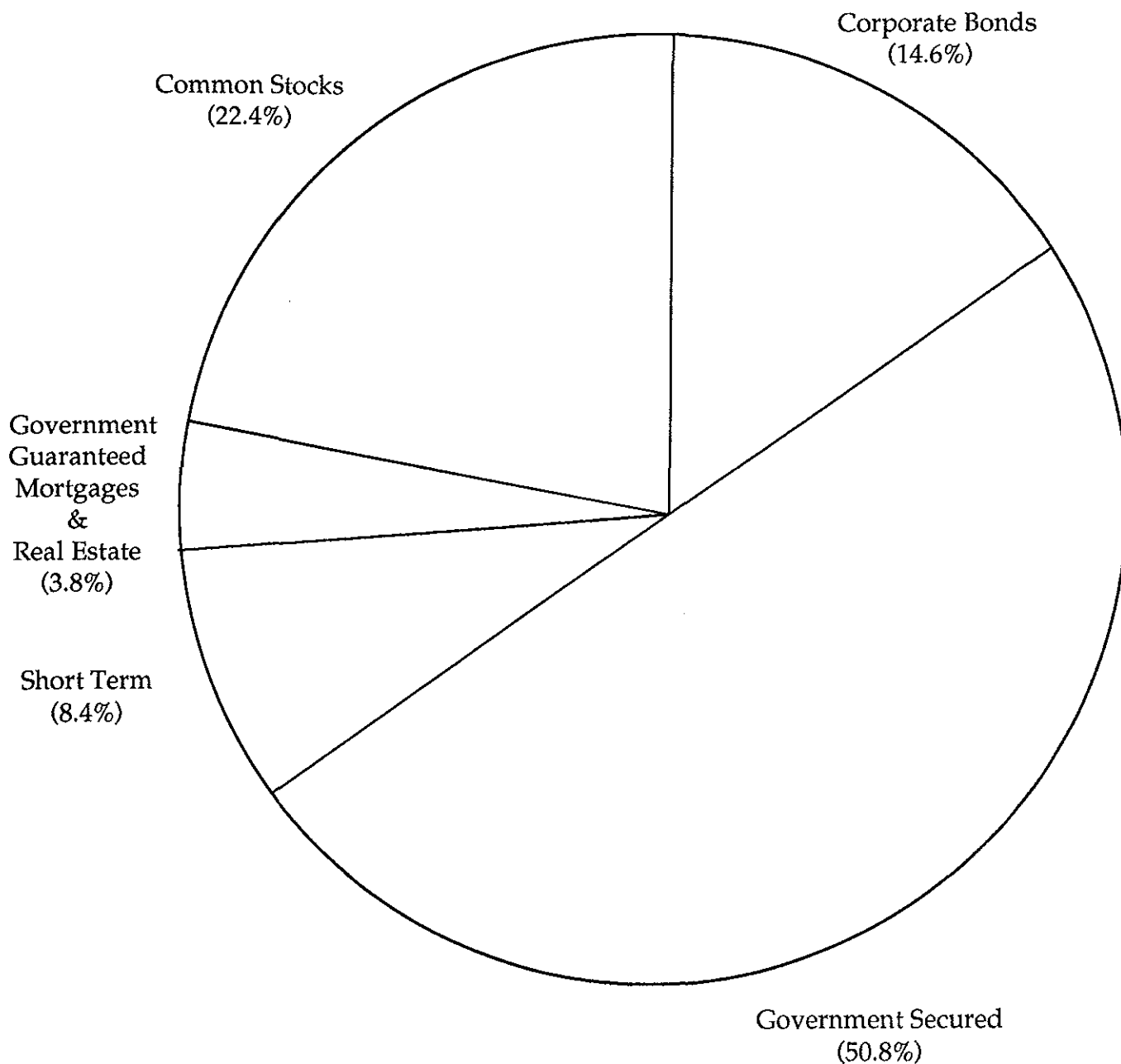
The Kentucky Revised Statutes require the Board of Trustees to employ experienced investment counselors to advise it on investment related matters. Todd Investment Advisors of Louisville was retained during 1989-90 as the principal investment counselor. National Asset Management and Invesco Capital Management also were employed to provide investment counseling services during the fiscal year. National Asset Management assisted in the management of approximately \$400 million in bonds, while Invesco Capital Management was involved with managing approximately \$180 million in equity investments. In addition to monitoring the investment counselors, the in-house investment staff also managed about \$540 million of fixed income and equity assets. All of the investment firms are required to work within the same set of portfolio objectives, portfolio constraints, and administrative guidelines. Three investment counselors plus an in-house staff provide the Board of Trustees with a diversification of management that is appropriate for a \$3.6 billion fund. The Farmers Bank & Capital Trust Company, located in Frankfort, Kentucky, was retained in 1989-90 as the Custodian of Securities.

The investment portfolio experienced considerable growth in both par and book values during the year. The par value of the portfolio increased \$543 million, or 15.8%, to a total of \$3.99 billion at year-end. The book value of the fund correspondingly increased 12.3% during the year. The System earned \$315.5 million of investment income during 1989-90; investment income excludes monies earned but not received by the end of the fiscal year. The income resulted from interest, dividends, rental income, lending income, and gains. Total investment income for 1989-90 was about \$67 million higher than in 1988-89. At year-end, the "net indicated yield" on fixed income investments at par value was 7.58%. The "indicated dividend yield" on common stocks was 4.40%.

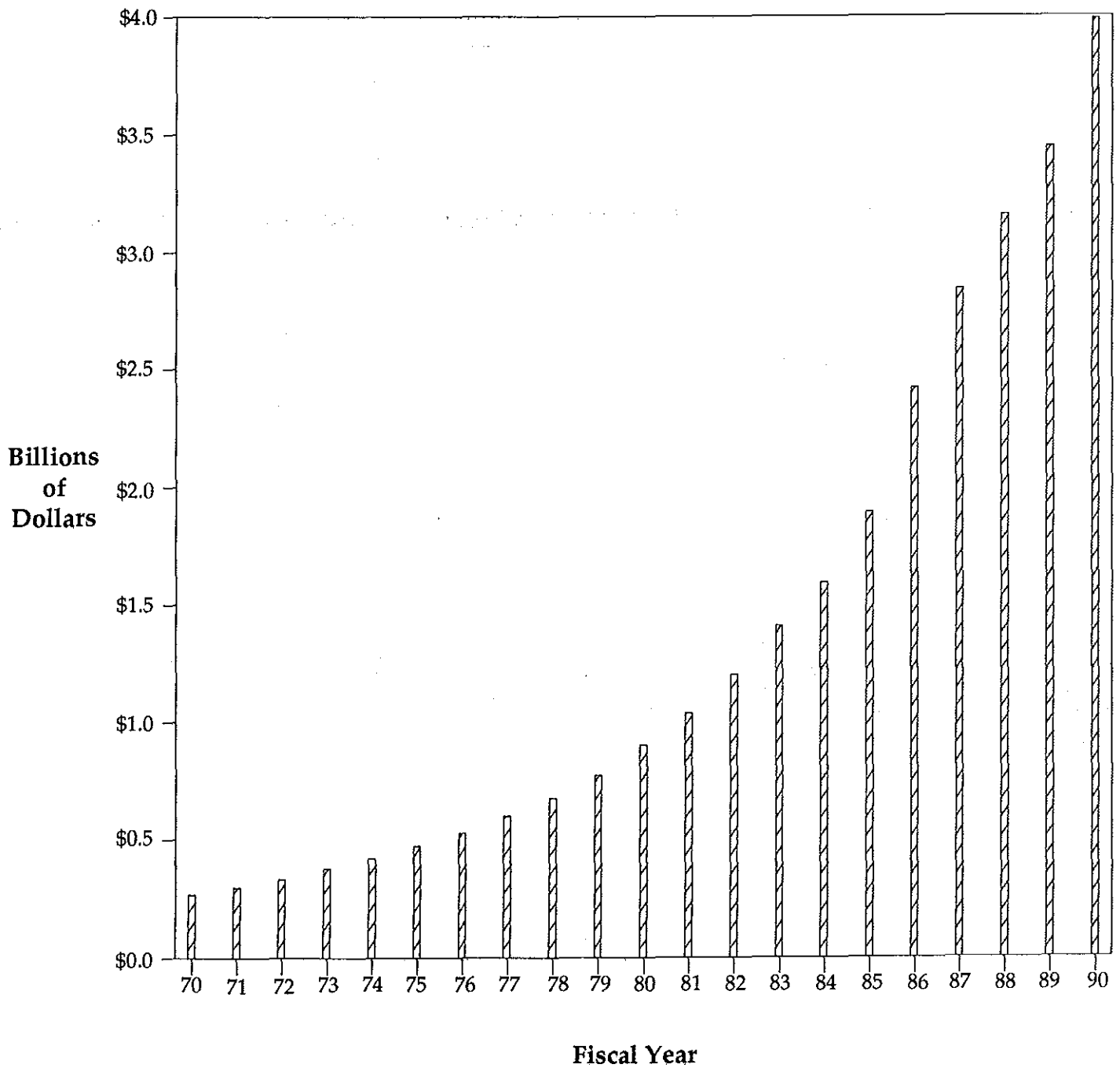
The asset allocation of investments at par value was similar at the beginning of the fiscal year to what it was on June 30, 1990. During the 1989-90 fiscal year, the stock position changed slightly from 22.6% of assets to 22.3%. The portion of the portfolio in government funds increased from 45.5% to 50.8%. The cash position decreased during the year, going from 10.4% to 8.4% of assets. The real estate equity position remained a relatively small portion of the System's portfolio at approximately 1%.

The charts on the following pages graphically display 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, 1990. The pages thereafter provide a detailed listing of all investments held on June 30, 1990. The System annually produces a detailed investment report that is available on request.

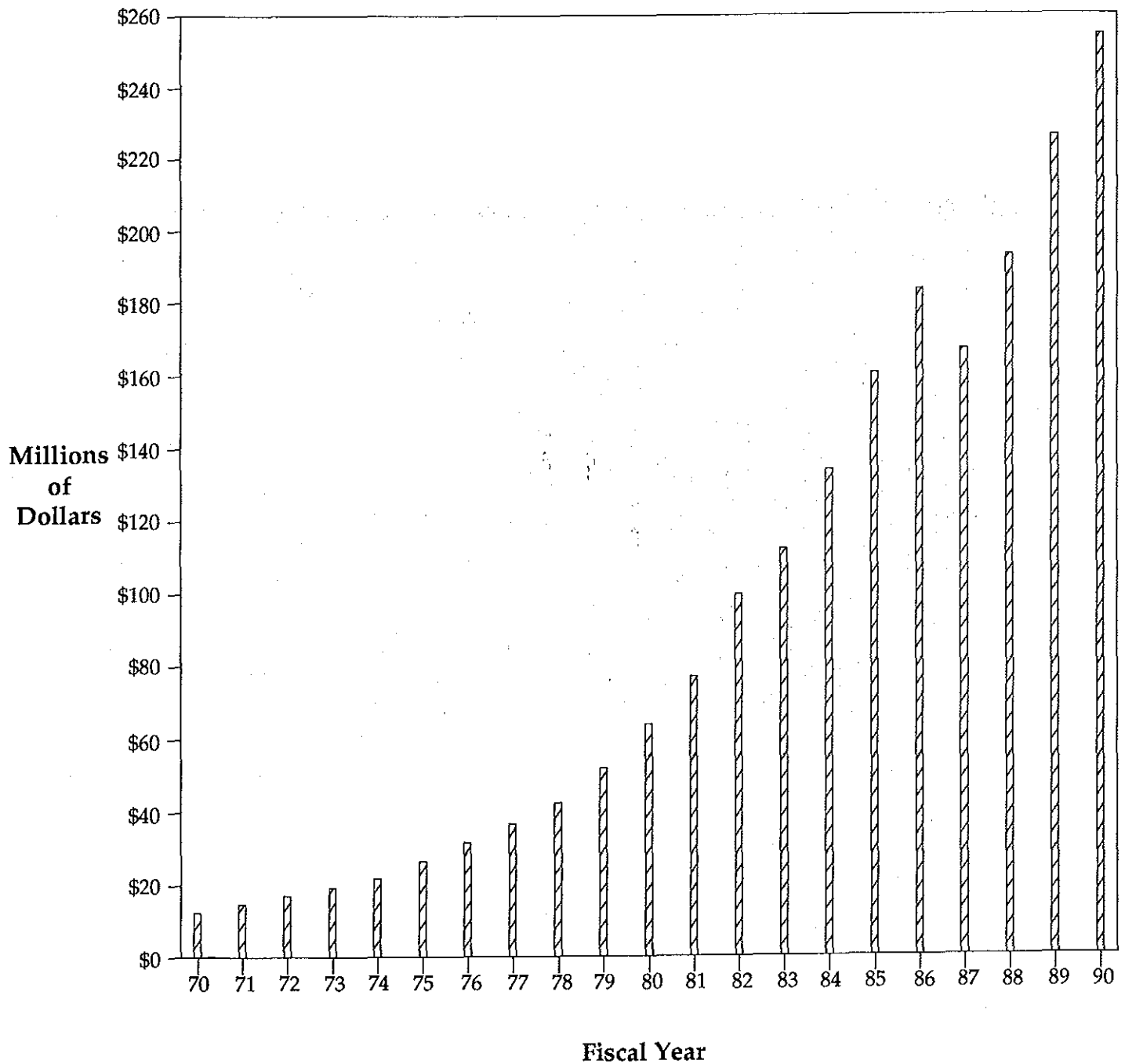
Distribution of Investments
June 30, 1990



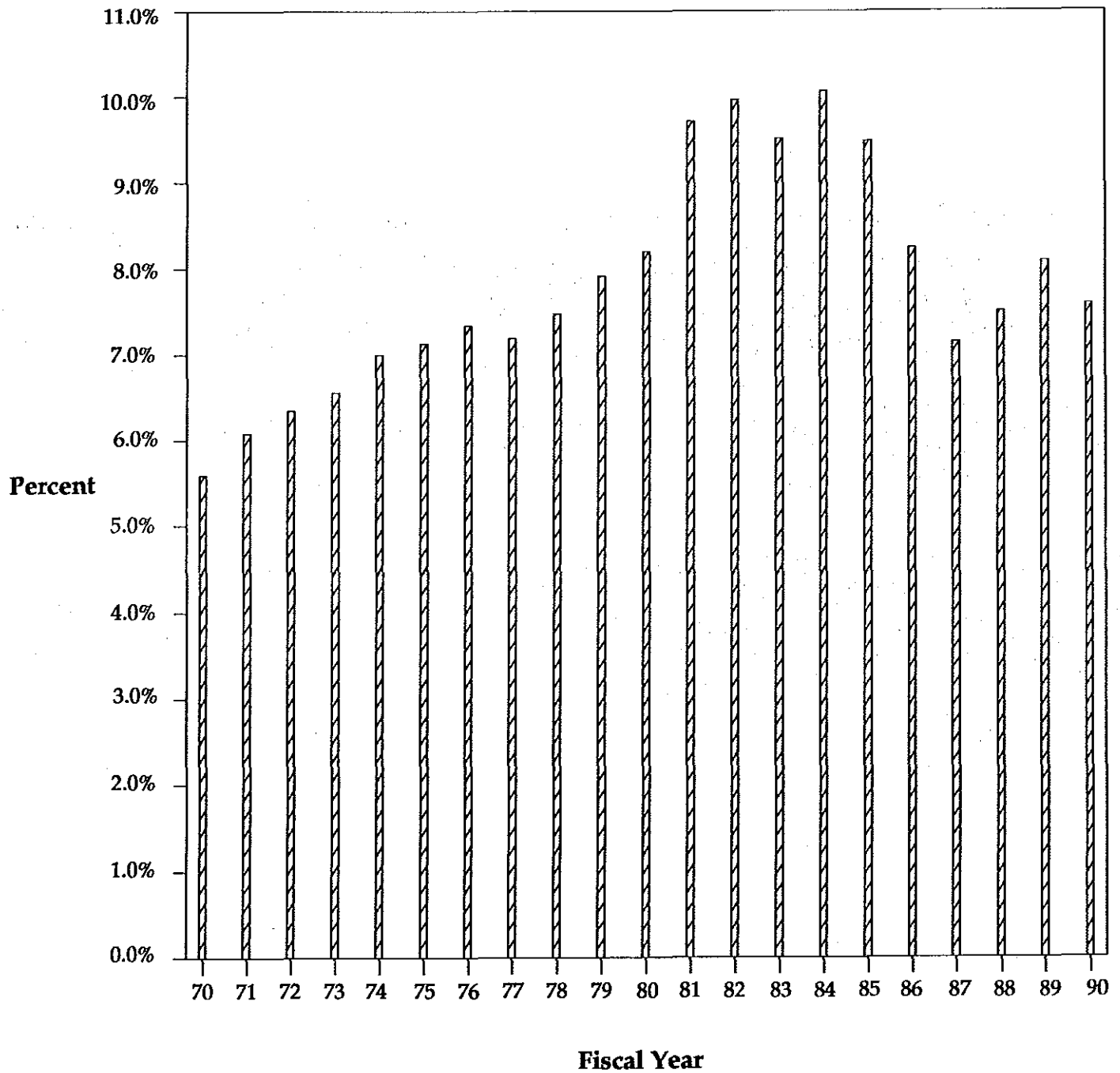
Investment Portfolio Growth
Fixed Income at Par Value
Equities at Cost



Investment Income Growth
(Includes Amortization
Excludes Net Gain)



**Net Indicated Yield on
Fixed Dollar Assets
(Par Value)**



ANALYSIS OF INVESTMENTS HELD as of June 30, 1990

| | Percentage of Total | Par Value* or Remaining Principal Balance | Net Annual Interest/ Indicated Dividend Income | Annual Yield |
|--------------------------------------|------------------------|---|--|-----------------|
| Repurchase Agreements | 8.44% | \$ 336,440,000.00 | \$ 27,581,395.40 | 8.20% |
| Total Short Term | 8.44% | \$ 336,440,000.00 | \$ 27,581,395.40 | 8.20% |
| Treasury Notes and Bonds | 24.52 | 977,778,000.00 | 83,711,331.16 | 8.56 |
| Agencies | 4.77 | 190,248,814.27 | 14,617,719.29 | 7.68 |
| Ship Bonds (Title XI) | .89 | 35,411,434.73 | 3,418,300.30 | 9.65 |
| GNMA Mortgage Securities | 3.35 | 133,418,061.53 | 11,730,387.71 | 8.79 |
| Other Miscellaneous | 17.23 | 687,271,561.82 | 32,285,472.70 | 4.70 |
| Total U S Government Obligations | 50.76% | \$ 2,024,127,872.35 | \$ 145,763,211.16 | 7.20% |
| Industrials | 4.22 | 168,141,201.40 | 14,822,246.53 | 8.82 |
| Finance | 5.39 | 214,797,000.00 | 16,473,695.84 | 7.67 |
| Utility Bonds (Except Telephone) | .98 | 39,239,000.00 | 3,026,704.70 | 7.71 |
| Telephone Bonds | 2.39 | 95,440,000.00 | 7,925,818.08 | 8.30 |
| Railroad Obligations | .36 | 14,552,000.00 | 1,109,241.70 | 7.62 |
| Corporate Bonds NOC | 1.30 | 52,011,026.32 | 4,716,761.63 | 9.07 |
| Total Corporate Bonds | 14.64% | \$ 584,180,227.72 | \$ 48,074,468.48 | 8.23% |
| FHA & VA Single Family Mortgages | .24 | 9,501,212.67 | 637,166.95 | 6.71 |
| Project Mortgages (FHA & GNMA) | 2.71 | 108,169,739.81 | 10,107,339.65 | 9.34 |
| Total Other Fixed Income Investments | 2.95% | \$ 117,670,952.48 | \$ 10,744,506.60 | 9.13% |
| Subtotal (Fixed Income) | 76.79% | \$ 3,062,419,052.55 | \$ 232,163,581.64 | 7.58% |
| Real Estate Equity | .87 | 34,882,784.53 | 3,157,244.08 | 9.05 |
| Total Real Estate Equity | .87% | \$ 34,882,784.53 | \$ 3,157,244.08 | 9.05% |
| Common Stocks 19,783,428.00 Shares | 19.85 | 791,836,822.48 | 35,694,386.92 | 4.51 |
| Stock Index 2,447,562.00 Shares | 2.49 | 99,063,251.37 | 3,505,978.80 | 3.54 |
| Total Stocks 22,230,990.00 Shares | 22.34% | \$ 890,900,073.85 | \$ 39,200,365.72 | 4.40% |
| Subtotal (Equity) | 23.21% | \$ 925,782,858.38 | \$ 42,357,609.80 | 4.58% |
| Total Investments, Income & Yield | 100.00% | \$ 3,988,201,910.93 | \$ 274,521,191.44 | 6.88% |

*These figures represent the par value for the 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 at June 30, 1990 was \$2,683,776,124; the market value was \$2,664,730,622. The par and book values of stocks, which are the same, were \$890,900,074 for June 30, 1990; the market value of stocks was \$1,048,607,977. Market value can be a highly volatile measure that changes daily and is particularly important when trading securities. Detailed information concerning the book values and market values of KTRS securities is available on request.

SHORT TERM INVESTMENTS

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|-------------------------------|--------|----------|--|
| Repurchase Agreements: | | | |
| Repurchase Agreement | 8.140 | 07/12/90 | \$ 29,630,000.00 |
| Repurchase Agreement | 8.150 | 07/06/90 | 6,180,000.00 |
| Repurchase Agreement | 8.172 | 07/02/90 | 25,580,000.00 |
| Repurchase Agreement | 8.182 | 07/19/90 | 25,740,000.00 |
| Repurchase Agreement | 8.190 | 07/10/90 | 36,750,000.00 |
| Repurchase Agreement | 8.190 | 07/17/90 | 35,170,000.00 |
| Repurchase Agreement | 8.200 | 07/26/90 | 26,800,000.00 |
| Repurchase Agreement | 8.210 | 07/02/90 | 15,600,000.00 |
| Repurchase Agreement | 8.210 | 07/03/90 | 35,000,000.00 |
| Repurchase Agreement | 8.210 | 07/05/90 | 27,500,000.00 |
| Repurchase Agreement | 8.220 | 07/05/90 | 7,925,900.00 |
| Repurchase Agreement | 8.220 | 07/05/90 | 5,274,100.00 |
| Repurchase Agreement | 8.230 | 07/02/90 | 9,950,000.00 |
| Repurchase Agreement | 8.240 | 07/03/90 | 13,234,200.00 |
| Repurchase Agreement | 8.240 | 07/03/90 | 10,458,000.00 |
| Repurchase Agreement | 8.240 | 07/03/90 | 5,952,000.00 |
| Repurchase Agreement | 8.240 | 07/03/90 | 19,329,900.00 |
| Repurchase Agreement | 8.240 | 07/03/90 | 365,900.00 |
| | | | <hr/> |
| | | | \$ 336,440,000.00 |
| Total Short Term Investments | | | <hr/> |
| | | | \$ 336,440,000.00 |

U. S. GOVERNMENT OBLIGATIONS

Treasury Bonds and Notes:

| | | | |
|--------------------|-------|----------|-----------------|
| U S Treasury Bonds | 7.500 | 11/15/16 | \$ 1,000,000.00 |
| U S Treasury Bonds | 7.500 | 11/15/16 | 2,000,000.00 |
| U S Treasury Bonds | 7.500 | 11/15/16 | 500,000.00 |
| U S Treasury Bonds | 7.500 | 11/15/16 | 500,000.00 |
| U S Treasury Bonds | 7.875 | 02/15/00 | 5,000,000.00 |
| U S Treasury Bonds | 7.875 | 11/15/07 | 2,000,000.00 |
| U S Treasury Bonds | 8.125 | 08/15/19 | 2,000,000.00 |
| U S Treasury Bonds | 8.125 | 08/15/19 | 450,000.00 |
| U S Treasury Bonds | 8.125 | 08/15/19 | 1,500,000.00 |
| U S Treasury Bonds | 8.125 | 08/15/19 | 3,000,000.00 |
| U S Treasury Bonds | 8.750 | 11/15/08 | 3,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 20,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 16,200,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 25,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |

U. S. GOVERNMENT OBLIGATIONS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|--|--------|----------|--|
| Treasury Bonds and Notes (cont.): | | | |
| U S Treasury Bonds | 8.875 | 08/15/17 | \$ 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 08/15/17 | 10,000,000.00 |
| U S Treasury Bonds | 8.875 | 02/15/19 | 25,675,000.00 |
| U S Treasury Bonds | 9.125 | 05/15/09 | 15,000,000.00 |
| U S Treasury Bonds | 9.250 | 02/15/16 | 4,600,000.00 |
| U S Treasury Bonds | 10.375 | 11/15/09 | 1,000,000.00 |
| U S Treasury Bonds | 10.625 | 08/15/15 | 1,000,000.00 |
| U S Treasury Bonds | 10.625 | 08/15/15 | 500,000.00 |
| U S Treasury Bonds | 10.625 | 08/15/15 | 1,000,000.00 |
| U S Treasury Bonds | 10.750 | 02/15/03 | 11,300,000.00 |
| U S Treasury Bonds | 10.750 | 08/15/05 | 2,850,000.00 |
| U S Treasury Bonds | 10.750 | 08/15/05 | 4,200,000.00 |
| U S Treasury Bonds | 10.750 | 08/15/05 | 2,600,000.00 |
| U S Treasury Bonds | 10.750 | 08/15/05 | 9,300,000.00 |
| U S Treasury Bonds | 10.750 | 08/15/05 | 1,625,000.00 |
| U S Treasury Bonds | 11.625 | 11/15/02 | 2,500,000.00 |
| U S Treasury Bonds | 11.625 | 11/15/02 | 1,500,000.00 |
| U S Treasury Bonds | 12.000 | 08/15/13 | 1,000,000.00 |
| U S Treasury Bonds | 12.000 | 08/15/13 | 3,000,000.00 |
| U S Treasury Bonds | 12.000 | 08/15/13 | 14,000,000.00 |
| U S Treasury Bonds | 12.000 | 08/15/13 | 7,500,000.00 |
| U S Treasury Bonds | 12.375 | 05/15/04 | 9,223,000.00 |
| U S Treasury Bonds | 13.125 | 05/15/01 | 8,000,000.00 |
| U S Treasury Bonds | 14.250 | 02/15/02 | 6,735,000.00 |
| U S Treasury Notes | 6.625 | 02/15/92 | 2,000,000.00 |
| U S Treasury Notes | 7.125 | 10/15/93 | 2,000,000.00 |
| U S Treasury Notes | 7.125 | 10/15/93 | 500,000.00 |
| U S Treasury Notes | 7.250 | 11/15/96 | 17,000,000.00 |
| U S Treasury Notes | 7.375 | 04/15/93 | 650,000.00 |
| U S Treasury Notes | 7.375 | 04/15/93 | 65,000,000.00 |
| U S Treasury Notes | 7.375 | 05/15/96 | 8,500,000.00 |
| U S Treasury Notes | 7.375 | 05/15/96 | 25,000,000.00 |
| U S Treasury Notes | 7.375 | 05/15/96 | 22,600,000.00 |
| U S Treasury Notes | 7.375 | 05/15/96 | 11,400,000.00 |
| U S Treasury Notes | 7.750 | 11/30/91 | 2,800,000.00 |
| U S Treasury Notes | 7.750 | 11/30/91 | 1,000,000.00 |
| U S Treasury Notes | 7.750 | 02/15/95 | 3,000,000.00 |
| U S Treasury Notes | 7.875 | 08/15/90 | 10,000,000.00 |
| U S Treasury Notes | 7.875 | 08/15/90 | 15,000,000.00 |
| U S Treasury Notes | 7.875 | 08/15/92 | 1,100,000.00 |
| U S Treasury Notes | 7.875 | 08/15/92 | 500,000.00 |
| U S Treasury Notes | 7.875 | 08/15/92 | 2,000,000.00 |
| U S Treasury Notes | 7.875 | 07/15/96 | 3,000,000.00 |
| U S Treasury Notes | 7.875 | 07/15/96 | 2,000,000.00 |
| U S Treasury Notes | 7.875 | 11/15/99 | 3,000,000.00 |
| U S Treasury Notes | 7.875 | 11/15/99 | 2,000,000.00 |
| U S Treasury Notes | 8.000 | 08/15/99 | 5,000,000.00 |
| U S Treasury Notes | 8.000 | 08/15/99 | 2,000,000.00 |

U. S. GOVERNMENT OBLIGATIONS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|--|--------|----------|--|
| Treasury Bonds and Notes (cont.): | | | |
| U S Treasury Notes | 8.000 | 08/15/99 | \$ 2,000,000.00 |
| U S Treasury Notes | 8.000 | 08/15/99 | 7,000,000.00 |
| U S Treasury Notes | 8.125 | 06/30/93 | 700,000.00 |
| U S Treasury Notes | 8.125 | 06/30/93 | 2,000,000.00 |
| U S Treasury Notes | 8.125 | 02/15/98 | 4,000,000.00 |
| U S Treasury Notes | 8.125 | 02/15/98 | 3,000,000.00 |
| U S Treasury Notes | 8.250 | 08/31/91 | 2,000,000.00 |
| U S Treasury Notes | 8.250 | 09/30/93 | 1,000,000.00 |
| U S Treasury Notes | 8.375 | 11/15/92 | 5,000,000.00 |
| U S Treasury Notes | 8.375 | 11/15/92 | 5,000,000.00 |
| U S Treasury Notes | 8.500 | 02/29/92 | 1,000,000.00 |
| U S Treasury Notes | 8.500 | 04/15/97 | 2,000,000.00 |
| U S Treasury Notes | 8.500 | 05/15/97 | 2,000,000.00 |
| U S Treasury Notes | 8.500 | 05/15/97 | 8,000,000.00 |
| U S Treasury Notes | 8.625 | 08/15/97 | 10,630,000.00 |
| U S Treasury Notes | 8.625 | 08/15/97 | 4,000,000.00 |
| U S Treasury Notes | 8.625 | 08/15/97 | 2,000,000.00 |
| U S Treasury Notes | 8.625 | 08/15/97 | 20,000,000.00 |
| U S Treasury Notes | 8.750 | 08/15/91 | 5,000,000.00 |
| U S Treasury Notes | 8.750 | 08/15/93 | 1,000,000.00 |
| U S Treasury Notes | 8.875 | 07/15/95 | 25,000,000.00 |
| U S Treasury Notes | 8.875 | 07/15/95 | 25,000,000.00 |
| U S Treasury Notes | 8.875 | 11/15/97 | 400,000.00 |
| U S Treasury Notes | 8.875 | 11/15/97 | 2,500,000.00 |
| U S Treasury Notes | 8.875 | 11/15/97 | 1,000,000.00 |
| U S Treasury Notes | 8.875 | 11/15/98 | 4,000,000.00 |
| U S Treasury Notes | 8.875 | 11/15/98 | 3,000,000.00 |
| U S Treasury Notes | 8.875 | 11/15/98 | 5,500,000.00 |
| U S Treasury Notes | 8.875 | 11/15/98 | 2,000,000.00 |
| U S Treasury Notes | 8.875 | 11/15/98 | 4,500,000.00 |
| U S Treasury Notes | 8.875 | 02/15/99 | 11,360,000.00 |
| U S Treasury Notes | 8.875 | 05/15/00 | 4,000,000.00 |
| U S Treasury Notes | 9.000 | 05/15/98 | 15,000,000.00 |
| U S Treasury Notes | 9.000 | 05/15/98 | 25,000,000.00 |
| U S Treasury Notes | 9.000 | 05/15/98 | 10,000,000.00 |
| U S Treasury Notes | 9.125 | 02/15/91 | 66,000,000.00 |
| U S Treasury Notes | 9.125 | 09/30/91 | 25,000,000.00 |
| U S Treasury Notes | 9.125 | 05/15/99 | 1,150,000.00 |
| U S Treasury Notes | 9.125 | 05/15/99 | 4,500,000.00 |
| U S Treasury Notes | 9.125 | 05/15/99 | 2,000,000.00 |
| U S Treasury Notes | 9.125 | 05/15/99 | 3,000,000.00 |
| U S Treasury Notes | 9.250 | 04/30/91 | 4,500,000.00 |
| U S Treasury Notes | 9.250 | 01/15/96 | 20,000,000.00 |
| U S Treasury Notes | 9.250 | 01/15/96 | 2,000,000.00 |
| U S Treasury Notes | 9.250 | 08/15/98 | 2,780,000.00 |
| U S Treasury Notes | 9.250 | 08/15/98 | 2,000,000.00 |
| U S Treasury Notes | 9.250 | 08/15/98 | 4,500,000.00 |
| U S Treasury Notes | 9.250 | 08/15/98 | 4,800,000.00 |

U. S. GOVERNMENT OBLIGATIONS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|--|--------|----------|--|
| Treasury Bonds and Notes (cont.): | | | |
| U S Treasury Notes | 9.250 | 08/15/98 | \$ 400,000.00 |
| U S Treasury Notes | 9.500 | 05/15/94 | 3,000,000.00 |
| U S Treasury Notes | 9.500 | 10/15/94 | 9,300,000.00 |
| U S Treasury Notes | 9.500 | 10/15/94 | 4,750,000.00 |
| U S Treasury Notes | 9.500 | 10/15/94 | 25,000,000.00 |
| U S Treasury Notes | 9.500 | 11/15/95 | 5,000,000.00 |
| U S Treasury Notes | 9.750 | 10/15/92 | 2,000,000.00 |
| U S Treasury Notes | 10.500 | 08/15/95 | 1,000,000.00 |
| U S Treasury Notes | 10.500 | 08/15/95 | 1,000,000.00 |
| U S Treasury Notes | 10.500 | 08/15/95 | 1,000,000.00 |
| U S Treasury Notes | 11.250 | 02/15/95 | 17,000,000.00 |
| U S Treasury Notes | 11.250 | 05/15/95 | 1,000,000.00 |
| U S Treasury Notes | 11.750 | 04/15/92 | 1,000,000.00 |
| U S Treasury Notes | 11.750 | 11/15/93 | 1,250,000.00 |
| U S Treasury Notes | 11.750 | 11/15/93 | 4,450,000.00 |
| U S Treasury Notes | 11.750 | 11/15/93 | 7,000,000.00 |
| U S Treasury Notes | 11.875 | 08/15/93 | 1,000,000.00 |
| U S Treasury Notes | 13.750 | 05/15/92 | 1,500,000.00 |
| | | | \$ 977,778,000.00 |

Federal Agencies:

| | | | |
|--------------------------------------|--------|----------|-----------------|
| FHLB | 8.600 | 08/25/94 | \$ 2,800,000.00 |
| FHLB | 8.800 | 11/25/92 | 2,000,000.00 |
| FHLB | 9.000 | 07/26/93 | 2,000,000.00 |
| FHLB | 10.000 | 03/25/91 | 2,000,000.00 |
| FHLB | 10.350 | 08/25/92 | 2,000,000.00 |
| FHLB | 10.350 | 08/25/92 | 2,000,000.00 |
| FHLB | 10.700 | 01/25/93 | 1,000,000.00 |
| FHLMC FHA/VA Freddie Mac 14-0527 B/E | 8.000 | 10/01/08 | 10,222,393.67 |
| FHLMC Multiclass Mtg Ctfs 53, 53-A | 9.500 | 08/15/20 | 5,634,420.60 |
| FHLMC Remic 129-G | 8.850 | 05/15/20 | 3,000,000.00 |
| FHLMC Remic PC 119G | 7.500 | 09/15/20 | 16,680,000.00 |
| FHLMC Series 149 F | 8.500 | 08/15/21 | 15,000,000.00 |
| FNMA | 7.000 | 09/10/91 | 1,000,000.00 |
| FNMA | 7.000 | 09/10/91 | 2,000,000.00 |
| FNMA | 7.750 | 11/10/93 | 1,500,000.00 |
| FNMA | 8.150 | 08/12/96 | 1,000,000.00 |
| FNMA | 8.550 | 08/30/99 | 2,000,000.00 |
| FNMA | 8.950 | 07/10/97 | 2,000,000.00 |
| FNMA | 10.500 | 09/11/95 | 1,000,000.00 |
| FNMA | 10.500 | 09/11/95 | 1,000,000.00 |
| FNMA | 10.500 | 09/11/95 | 2,000,000.00 |
| FNMA Bonds | 0.000 | 07/05/14 | 31,900,000.00 |
| FNMA Capital Deb. 1988-A | 9.400 | 08/10/98 | 13,500,000.00 |
| FNMA Remic Tr 1990-24-H | 9.250 | 07/25/13 | 13,012,000.00 |

U. S. GOVERNMENT OBLIGATIONS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|--------------------------------------|--------|----------|--|
| Federal Agencies (cont.): | | | |
| FNMA Remic Trust 1990-16-E | 9.000 | 03/25/20 | \$ 15,000,000.00 |
| Federal Farm Credit Banks | 11.500 | 01/20/92 | 5,000,000.00 |
| Federal Farm Credit Banks | 11.500 | 01/20/92 | 10,000,000.00 |
| Federal Farm Credit Banks | 14.700 | 07/22/91 | 10,000,000.00 |
| Sallie Mae (SLMA) MTN | 7.050 | 03/15/91 | 8,000,000.00 |
| Sallie Mae (SLMA) MTN | 7.050 | 03/15/91 | 2,000,000.00 |
| Tennessee Valley Auth Pr Ser B | 7.350 | 05/01/97 | 2,000,000.00 |
| Tennessee Valley Authority | 8.250 | 11/15/96 | 2,000,000.00 |
| | | | <hr/> |
| | | | \$ 190,248,814.27 |
| Ship Bonds (Title XI): | | | |
| American Commercial Lines Ser F | 10.950 | 07/15/04 | \$ 6,367,000.00 |
| Atlas Marine American Hertge | 7.700 | 12/15/96 | 2,173,000.00 |
| Cntrl Gulf Lns Lash Lighters | 8.250 | 01/15/95 | 641,460.47 |
| Crowley Maritime | 8.125 | 09/13/99 | 2,794,723.16 |
| Farrell Lines Inc Freedom | 7.300 | 07/01/97 | 797,000.00 |
| Farrell Lines Inc SF Ser I | 7.950 | 06/07/04 | 2,760,000.00 |
| Flowers Transportation SF | 8.400 | 05/05/00 | 1,028,178.59 |
| Goodyear Steamship SF | 11.550 | 05/15/06 | 10,918,642.52 |
| Marine Ship Leasing A Antarctic | 7.875 | 09/12/95 | 705,154.26 |
| Marine Vessel Leasing Ind Ocean | 7.875 | 10/14/95 | 581,275.73 |
| Shipco 668 Series A SF | 8.500 | 05/11/02 | 4,116,000.00 |
| Zapata Marine US Inc SF | 7.700 | 09/30/94 | 2,529,000.00 |
| | | | <hr/> |
| | | | \$ 35,411,434.73 |
| GNMA Single Family Mortgages: | | | |
| 164 Mortgage Pools | | various | \$ 133,418,061.53 |
| | | | <hr/> |
| | | | \$ 133,418,061.53 |
| Other - Miscellaneous: | | | |
| B/E TINT (Treasury Securities) | 0.000 | 02/15/91 | \$ 30,000,000.00 |
| CATS (Treasury Securities) A | 0.000 | 11/15/04 | 1,500,000.00 |
| CATS (Treasury Securities) G | 0.000 | 05/15/03 | 1,800,000.00 |
| CATS (Treasury Securities) K | 0.000 | 11/15/03 | 3,300,000.00 |
| CATS (Treasury Securities) M | 0.000 | 05/15/02 | 2,500,000.00 |
| CATS (Treasury Securities) N | 0.000 | 05/15/04 | 2,800,000.00 |
| CATS (Treasury Securities) Q | 0.000 | 05/15/02 | 1,200,000.00 |
| CATS (Treasury Securities) Q | 0.000 | 05/15/03 | 6,100,000.00 |
| CATS (Treasury Securities) R | 0.000 | 02/15/02 | 9,650,000.00 |
| CATS (Treasury Securities) R | 0.000 | 02/15/03 | 1,200,000.00 |

U. S. GOVERNMENT OBLIGATIONS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|---------------------------------------|--------|----------|--|
| Other - Miscellaneous (cont.): | | | |
| CATS (Treasury Securities) RU | 0.000 | 02/15/04 | \$ 4,600,000.00 |
| CATS (Treasury Securities) U | 0.000 | 02/15/01 | 1,100,000.00 |
| CATS (Treasury Securities) U | 0.000 | 02/15/02 | 10,800,000.00 |
| CATS (Treasury Securities) U | 0.000 | 08/15/02 | 5,500,000.00 |
| CATS (Treasury Securities) U | 0.000 | 02/15/03 | 5,000,000.00 |
| CATS (Treasury Securities) UR | 0.000 | 02/15/02 | 3,300,000.00 |
| CATS (Treasury Securities) VGLQT | 0.000 | 11/15/03 | 10,600,000.00 |
| CATS (Treasury Securities) Z | 0.000 | 05/15/03 | 5,000,000.00 |
| CMO Coll Mtg Sec Corp Ser 88-4 CLB | 8.750 | 04/20/19 | 16,800,000.00 |
| CMO E F H Trust I Ser 87 CL E | 9.750 | 07/01/17 | 10,000,000.00 |
| CMO Ryland Accept Corp Ser 54 CLS4B | 9.850 | 11/01/03 | 1,508,160.63 |
| CMO Ryland IV 62D Ser 62 | 7.500 | 02/01/11 | 1,250,000.00 |
| CMO Trust 43 Ser Y | 8.200 | 05/20/04 | 7,285,068.58 |
| CMO Trust II 4C Bonds | 9.650 | 07/25/06 | 5,000,000.00 |
| CMO-FHLMC Ser 21R Class B | 8.900 | 02/15/04 | 20,000,000.00 |
| CMO-FHLMC Ser 21R Class E | 9.350 | 02/15/09 | 1,000,000.00 |
| CMO-FHLMC Ser 21R Class E | 9.350 | 02/15/09 | 30,000,000.00 |
| CMO-FHLMC Ser 55 Class B | 9.000 | 05/15/97 | 18,002,210.00 |
| CMO-FHLMC Series 19-A | 10.000 | 01/15/05 | 2,905,462.00 |
| CMO-FNMA 1990-37 Series D | 8.100 | 07/25/14 | 10,000,000.00 |
| CMO-FNMA Trust 1989-41-B | 9.250 | 02/25/98 | 20,000,000.00 |
| CMO-Lomas Nettleton Mtg II 2 | 9.000 | 12/01/08 | 5,000,000.00 |
| CMO-MDC Asset Inv TR SER 11 CL 3 | 9.050 | 11/20/17 | 3,258,470.45 |
| CMO-Mortgage Bankers Fin 87A | 7.200 | 07/25/00 | 4,653,006.38 |
| CMO-United Saving Assoc TX 3B | 8.950 | 12/25/05 | 3,240,000.00 |
| Call Treasury Receipts | 0.000 | 11/15/11 | 2,520,000.00 |
| FHA Certificate of Claim | 3.000 | | 4,516.76 |
| FHA Certificate of Claim | 3.000 | | 32,887.02 |
| Principal CATS Series R | 0.000 | 08/15/04 | 45,000,000.00 |
| Principal CATS U | 0.000 | 08/15/04 | 22,800,000.00 |
| Principal CATS U | 0.000 | 08/15/04 | 5,004,000.00 |
| Principal Treasury Receipts | 0.000 | 08/15/04 | 10,000,000.00 |
| TIGR'S (Treasury Securities) 1 | 0.000 | 11/15/05 | 5,012,000.00 |
| TIGR'S (Treasury Securities) 18 | 0.000 | 02/15/02 | 2,500,000.00 |
| Treasury Receipts | 0.000 | 05/15/04 | 2,170,080.00 |
| Treasury Receipts Series G | 0.000 | 05/15/94 | 8,125,700.00 |
| U S Treasury Strip Bonds | 0.000 | 05/15/92 | 5,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 08/15/98 | 30,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 11/15/00 | 1,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 08/15/01 | 3,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 11/15/01 | 1,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 11/15/01 | 4,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 05/15/04 | 15,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 02/15/07 | 100,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 02/15/07 | 100,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 11/15/11 | 4,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 11/15/11 | 4,000,000.00 |
| U S Treasury Strip Bonds | 0.000 | 11/15/11 | 15,000,000.00 |

U. S. GOVERNMENT OBLIGATIONS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|---------------------------------------|--------|----------|--|
| Other - Miscellaneous (cont.): | | | |
| U S Treasury Strips Coupon | 0.000 | 08/15/90 | \$ 8,250,000.00 |
| U S Treasury Strips Coupon | 0.000 | 05/15/92 | 14,000,000.00 |
| U S Treasury Strips Coupon | 0.000 | 05/15/92 | 14,000,000.00 |
| | | | \$ 687,271,561.82 |
| Total U. S. Government Obligations | | | \$ 2,024,127,872.35 |

CORPORATE BONDS

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|-----------------------------------|--------|----------|--|
| Industrials: | | | |
| Ariel Properties Inc Mtg Nt | 7.000 | 07/01/98 | \$ 317,063.74 |
| Borden Inc SF Debs | 8.375 | 04/15/16 | 20,000,000.00 |
| Burlington Resources Inc Nts | 9.625 | 06/15/00 | 5,000,000.00 |
| Chevron London 1st Prfd Ship Mtg | 7.700 | 09/07/97 | 555,068.83 |
| Chevron Stations Inc Nt | 5.100 | 04/01/91 | 13,000.00 |
| Conoco Pipe Line Guaranteed Nts | 7.500 | 05/01/94 | 60,000.00 |
| Corning Glass Works Debs | 8.875 | 03/15/16 | 5,000,000.00 |
| Cummins Engine Co Inc Nts | 5.000 | 07/15/90 | 15,000.00 |
| Dayton-Hudson Corp SF Debs | 9.500 | 10/15/16 | 1,000,000.00 |
| Dow Chemical Debs | 8.625 | 02/15/08 | 2,200,000.00 |
| Dow Chemical Nts | 5.000 | 04/01/91 | 274,000.00 |
| Dupont (E I) deNemours Debs | 6.000 | 12/01/01 | 8,000,000.00 |
| Dupont (E I) deNemours Debs | 6.000 | 12/01/01 | 8,000,000.00 |
| Fahrney Paul L 1st Prfd Ship Mtg. | 7.700 | 09/08/97 | 555,068.83 |
| Federated Dept Stores | 9.375 | 11/01/92 | 3,000,000.00 |
| Ford Motor Co Nts | 8.875 | 04/01/06 | 3,045,000.00 |
| General Motors Corp Debs | 8.125 | 04/15/16 | 3,500,000.00 |
| ITT Corp Variable Duration Nts | 10.450 | 09/01/95 | 7,902,000.00 |
| Johnson & Johnson Nts | 8.875 | 10/15/90 | 9,500,000.00 |
| K-Mart MTN | 9.600 | 09/15/98 | 3,000,000.00 |
| Kimberly Clark Corp MTN | 8.350 | 12/31/91 | 8,000,000.00 |
| Kimberly Clark Corp MTN | 8.550 | 12/31/92 | 15,000,000.00 |
| Leased Tankers Secured Nts A | 7.450 | 12/01/92 | 923,000.00 |
| Loews Corp Nts | 8.875 | 04/15/11 | 4,900,000.00 |
| Marriott Corp Ser G Sr Nts | 8.375 | 02/01/94 | 2,000,000.00 |
| May Department Stores Debs | 9.125 | 12/01/16 | 3,000,000.00 |
| Pitney Bowes Inc SF Debs | 9.000 | 10/15/95 | 282,000.00 |
| Quaker Oats Co MTN | 7.850 | 03/15/96 | 3,000,000.00 |
| Quaker Oats SF Debs | 7.700 | 06/15/01 | 2,000,000.00 |
| RJR Nabisco Inc | 7.375 | 02/01/01 | 1,000,000.00 |
| RJR Nabisco Inc Nts | 9.250 | 05/01/95 | 20,000,000.00 |
| RJR Nabisco SF Debs | 8.625 | 03/15/17 | 1,600,000.00 |

CORPORATE BONDS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|-------------------------------------|--------|----------|--|
| Industrials (cont.): | | | |
| Ryder System Inc MTN | 8.800 | 07/19/93 | \$ 5,000,000.00 |
| Time Warner Inc Debs | 8.750 | 04/01/17 | 5,000,000.00 |
| U S Leasing Corp MTN | 8.780 | 05/20/91 | 2,000,000.00 |
| UPS (United Parcel) | 8.375 | 04/01/20 | 3,500,000.00 |
| United Tech Corp SF Debs | 8.875 | 12/15/16 | 1,000,000.00 |
| United Technologies MTN | 8.300 | 12/15/99 | 8,000,000.00 |
| Westvaco Corp SF Debs | 12.300 | 01/15/15 | 1,000,000.00 |
| | | | <hr/> |
| | | | \$ 168,141,201.40 |
| Finance: | | | |
| American Express Cr Co Sr Nts | 7.750 | 03/01/97 | \$ 10,000,000.00 |
| American Express Cr Corp Nts | 8.750 | 02/01/95 | 5,000,000.00 |
| American Express Cr Corp Nts | 8.750 | 02/01/95 | 5,000,000.00 |
| Bank of NY CD | 8.588 | 08/10/90 | 10,000,000.00 |
| Beneficial Finance Debs | 4.500 | 03/01/92 | 495,000.00 |
| Beneficial Finance Debs | 5.000 | 11/01/90 | 1,675,000.00 |
| C I T Group Hldg Inc Nts | 8.900 | 04/15/93 | 2,500,000.00 |
| Capital Cities ABC Fin Inc Gtd Debs | 8.750 | 03/15/16 | 20,000,000.00 |
| Citicorp Sub Cap Nts | 9.000 | 04/15/99 | 2,000,000.00 |
| First Nationwide Bank MTN | 9.080 | 06/25/93 | 3,000,000.00 |
| Fleet Financial CD MTN | 8.400 | 12/18/92 | 10,000,000.00 |
| Ford Motor Credit Co | 8.700 | 11/14/90 | 5,000,000.00 |
| Ford Motor Credit Nts | 7.500 | 03/01/94 | 10,000,000.00 |
| Ford Motor Credit Nts | 7.875 | 01/15/97 | 4,000,000.00 |
| G E Capital Corp Remarketed Resetnt | 8.750 | 12/15/07 | 15,000,000.00 |
| G E Capital Corp Remarketed Resetnt | 8.750 | 12/15/07 | 1,000,000.00 |
| G E Credit Corp Extennts | 9.375 | 10/15/07 | 8,000,000.00 |
| GMAC Deb Deferred Interest | 0.000 | 12/01/12 | 25,000,000.00 |
| GMAC MTN | 9.000 | 11/09/90 | 2,500,000.00 |
| GMAC Nts | 8.625 | 07/17/92 | 10,000,000.00 |
| General Motors Accept Corp Debs | 7.750 | 10/01/94 | 4,877,000.00 |
| General Motors Accept Corp Debs | 8.000 | 01/15/02 | 3,500,000.00 |
| Hartford Natl Corp Sub Cap Nts | 9.850 | 06/01/99 | 1,000,000.00 |
| IBM Credit MTN | 8.150 | 07/30/93 | 2,000,000.00 |
| IBM Credit MTN | 8.200 | 07/30/93 | 5,000,000.00 |
| IBM Credit | 8.000 | 08/15/90 | 10,000,000.00 |
| International Lease Finance MTN | 8.450 | 09/01/94 | 10,000,000.00 |
| First US Cr Card Tr 89A | 8.550 | 07/15/94 | 8,000,000.00 |
| First US Cr Card Tr 89A | 8.550 | 07/15/94 | 2,000,000.00 |
| Morgan Bank of Del Dep Nts | 9.750 | 03/01/91 | 6,750,000.00 |
| Metropolitan Federal Bk MTN | 8.450 | 03/01/93 | 4,500,000.00 |
| National Bank of Detroit Dep Nts | 8.750 | 06/25/92 | 4,000,000.00 |
| Penney J C Financial Corp Debs | 7.875 | 09/15/91 | 2,000,000.00 |
| Sovran Financial Corp Sub Cap Nts | 9.750 | 06/15/99 | 1,000,000.00 |
| | | | <hr/> |
| | | | \$ 214,797,000.00 |

CORPORATE BONDS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|--|--------|----------|--|
| Utility Bonds (except Telephone): | | | |
| Coop Util Tr (Cajun Ser) | 8.920 | 03/15/19 | \$ 1,500,000.00 |
| Columbus & Southern Power 1st Mtg | 8.625 | 02/01/96 | 2,000,000.00 |
| Con Edison 1st Ref Mtg EE | 6.250 | 08/01/97 | 500,000.00 |
| Con Edison 1st Ref Mtg FF | 6.850 | 10/01/98 | 250,000.00 |
| Con Edison 1st Ref Mtg S | 5.000 | 12/01/90 | 700,000.00 |
| Con Edison 1st Ref Mtg V | 4.375 | 06/01/92 | 1,150,000.00 |
| Elizabethtown Water Co Debs NJ | 4.875 | 02/01/92 | 818,000.00 |
| Florida Power Corp 1st Mtg | 7.375 | 06/01/02 | 2,000,000.00 |
| Florida Power Light 1st Mtg | 4.625 | 03/01/95 | 100,000.00 |
| Florida Power Light 1st Mtg | 5.000 | 12/01/95 | 700,000.00 |
| Florida Power Light 1st Mtg | 9.000 | 10/01/16 | 1,000,000.00 |
| Houston Lighting Power 1st Mtg | 9.000 | 03/01/17 | 207,000.00 |
| Kentucky Utilities 1st Mtg I | 8.750 | 04/01/00 | 300,000.00 |
| Kentucky Utilities 1st Mtg J | 7.625 | 09/01/01 | 2,000,000.00 |
| Louisville Gas Electric 1st Mtg | 8.250 | 08/01/01 | 2,000,000.00 |
| Otter Tail Power 1st Mtg | 4.875 | 02/01/91 | 500,000.00 |
| Pacific Gas Elec 1st Ref Mtg 86F | 9.125 | 10/01/19 | 1,000,000.00 |
| Pacific Gas Elec 1st Ref Mtg QQ | 6.625 | 06/01/00 | 1,000,000.00 |
| Pacific Gas Elec 1st Ref Mtg XX | 7.500 | 12/01/03 | 1,300,000.00 |
| Pacific Power Light 1st Mtg | 4.500 | 12/01/92 | 1,361,000.00 |
| Pennsylvania Electric Debs | 7.000 | 11/01/92 | 98,000.00 |
| Pub Ser Elec Gas 1st Ref Mtg U | 7.500 | 04/01/96 | 10,000,000.00 |
| Pub Ser Elec Gas Debs | 6.000 | 07/01/98 | 255,000.00 |
| Virginia Elec Power 1st Ref Mtg | 9.250 | 03/01/06 | 1,000,000.00 |
| Wisconsin Electric Power 1st Mtg | 8.500 | 12/15/16 | 7,500,000.00 |
| | | | \$ 39,239,000.00 |
| Telephone Bonds: | | | |
| American Tel Tel Credit Corp MTN | 8.800 | 01/31/95 | \$ 3,500,000.00 |
| American Tel Tel Debs | 5.125 | 04/01/01 | 4,000,000.00 |
| American Tel Tel Debs | 5.500 | 01/01/97 | 2,100,000.00 |
| American Tel Tel Debs | 6.000 | 08/01/00 | 1,000,000.00 |
| Bell South Capital Funding MTN | 7.820 | 03/01/91 | 5,000,000.00 |
| Bell South Capital Funding MTN | 7.820 | 04/01/91 | 5,000,000.00 |
| Chesapeake Potomac Tel W Va Debs | 9.250 | 07/01/19 | 2,000,000.00 |
| GTE Florida Inc | 8.000 | 03/01/01 | 250,000.00 |
| Gen Telephone Midwest 1st Mtg F | 7.500 | 02/01/01 | 200,000.00 |
| Hawaiian Telephone 1st Mtg S | 6.750 | 04/01/98 | 100,000.00 |
| Hawaiian Telephone 1st Mtg T | 8.750 | 09/01/00 | 200,000.00 |
| Illinois Bell Tel Debs | 8.000 | 12/10/04 | 5,000,000.00 |
| Michigan Bell Tel Co MTN | 9.500 | 10/31/90 | 10,000,000.00 |
| Michigan Bell Tel Debs | 7.000 | 11/01/12 | 2,000,000.00 |
| New York Telephone Co Debs | 8.625 | 05/15/24 | 3,750,000.00 |
| New York Telephone Co Debs | 8.750 | 04/01/23 | 20,000,000.00 |

CORPORATE BONDS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|--------------------------------------|--------|----------|--|
| Telephone Bonds (cont.): | | | |
| New York Telephone Co Debs | 8.750 | 04/01/23 | \$ 3,000,000.00 |
| New York Telephone Co Debs | 8.750 | 04/01/23 | 2,000,000.00 |
| Pacific Tel Tel Debs | 7.800 | 03/01/07 | 250,000.00 |
| Pacific Tel Tel Debs | 8.375 | 02/01/17 | 2,500,000.00 |
| South Central Bell Tel Debs | 8.250 | 08/01/13 | 4,000,000.00 |
| Southwestern Bell Tel Debs | 4.625 | 08/01/95 | 1,590,000.00 |
| Southwestern Bell Tel Debs | 6.750 | 06/01/08 | 1,000,000.00 |
| Southwestern Bell Tel Debs | 7.750 | 09/01/09 | 2,000,000.00 |
| US West Financial Service MTN | 9.125 | 08/02/93 | 12,000,000.00 |
| US West Financial Service MTN | 9.250 | 08/02/94 | 3,000,000.00 |
| | | | <hr/> |
| | | | \$ 95,440,000.00 |
| Railroad Obligations: | | | |
| CSX Corp Nts | 9.000 | 08/15/06 | \$ 10,000,000.00 |
| Chesapeake Ohio Ry Gen Mtg | 4.500 | 03/01/92 | 656,000.00 |
| Louisville Nashville RR Col Tr | 7.375 | 12/01/93 | 300,000.00 |
| Sou Railway Memphis Div 1st Mtg | 5.000 | 07/01/96 | 539,000.00 |
| Southern Railway 1st Con Mtg | 5.000 | 07/01/94 | 2,950,000.00 |
| Virginia Southwestern Ry 1st Mtg | 5.000 | 01/01/03 | 107,000.00 |
| | | | <hr/> |
| | | | \$ 14,552,000.00 |
| Corporate Bonds NOC: | | | |
| CFC-2 Grantor Trust Asset B/CT | 8.550 | 11/15/92 | \$ 1,025,275.34 |
| CFC-3 Grantor Trust | 7.700 | 02/15/93 | 6,086,234.57 |
| College & Univ Fac Loan TR Two Ser A | 4.000 | 06/01/96 | 2,549,636.37 |
| College & Univ Fac Loan TR Two Ser A | 4.000 | 06/01/96 | 2,411,818.19 |
| Ford Credit 1989-A Grantor Trust | 8.700 | 10/17/94 | 8,127,779.27 |
| Ford Motor Credit 1989-B Grantor Tr | 8.600 | 12/15/94 | 5,753,696.69 |
| GMAC Grantor Trust 1986-G | 6.850 | 12/16/91 | 2,290,694.67 |
| GMAC Grantor Trust 1986-G | 6.850 | 12/16/91 | 572,673.67 |
| Huntington Bank Grantor TR 1988 A | 9.350 | 10/15/94 | 4,305,965.41 |
| Mack Truck Receivables Series 3 | 10.200 | 03/15/94 | 5,590,401.34 |
| Marine Midland 1988-1 Cars Trust | 8.500 | 06/15/93 | 6,504,361.31 |
| Salomon Receivables Ser 87-1A | 8.500 | 11/15/90 | 1,908,665.22 |
| Shawmut National 1990-A Grantor Tr | 9.150 | 09/15/95 | 4,883,824.27 |
| | | | <hr/> |
| | | | \$ 52,011,026.32 |
| Total Corporate Bonds | | | <hr/> <hr/> |
| | | | \$ 584,180,227.72 |

OTHER FIXED INCOME INVESTMENTS

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|--|---------|----------|--|
| Single Family Mortgages: | | | |
| FHA | various | | \$ 4,841,304.61 |
| VA | various | | 4,659,908.06 |
| | | | <hr/> |
| | | | \$ 9,501,212.67 |
| Project Mortgages (FHA & GNMA): | | | |
| Americana Apts KY 221D4 | 7.500 | 10/01/18 | \$ 4,381,890.93 |
| Bedford Commons KY 221D4 | 8.000 | 11/01/23 | 1,253,513.03 |
| Bedford House KY 221D4 | 7.500 | 01/01/20 | 1,218,661.18 |
| Beech Creek Apts KY 221D4 | 7.500 | 08/01/21 | 2,046,164.08 |
| Belleville Manor Apts KY 221D4 | 7.500 | 11/01/19 | 626,954.59 |
| Berrytown Apts KY 221D4 | 8.000 | 02/01/24 | 1,362,424.35 |
| Bethany Circle Kings Daughters IN | 8.375 | 03/01/02 | 1,496,060.35 |
| Cambridge Square Apts KY 221D4 | 7.500 | 11/01/19 | 1,171,394.50 |
| Carnaby Square Apts KY 221D4 | 7.500 | 06/01/19 | 1,204,857.36 |
| Carrollton Village Apts KY 221D4 | 7.500 | 09/01/20 | 1,930,405.45 |
| Carter Court Apts KY 221D4 | 7.500 | 09/01/20 | 1,274,225.75 |
| Christ Hospital GNMA 21191PL | 8.000 | 09/15/06 | 3,337,710.27 |
| Congregational Home Kan 231 | 5.250 | 07/01/04 | 1,184,138.38 |
| Coolavin Apts KY 221D4 | 7.500 | 04/01/22 | 3,124,507.70 |
| Cortland Hosp GNMA 130809PL | 8.750 | 10/15/04 | 1,280,782.55 |
| Cottage Bell Apts CA 221D4 | 7.500 | 11/01/10 | 611,667.93 |
| Cottage Bell Apts II CA 221D4 | 8.500 | 11/01/11 | 412,296.07 |
| Denver Educational Sr Citzns 231 | 5.250 | 11/01/03 | 668,891.74 |
| Dixie Apts KY 221D4 | 7.500 | 05/01/18 | 1,106,784.48 |
| Ephraim McDowell Hosp KY | 9.000 | 01/01/01 | 2,479,729.67 |
| Ferndale Apts KY 221D4 | 7.500 | 08/01/23 | 3,691,656.77 |
| Gainesway Village KY 221D4 | 7.500 | 02/01/19 | 1,597,078.56 |
| Glenbrook Park KY 221D4 | 7.500 | 12/01/21 | 2,461,111.17 |
| Grand Central Apts KY 221D4 | 7.500 | 03/01/25 | 2,273,072.18 |
| Greater Corbin Mnr KY 221D4 | 7.500 | 03/01/21 | 3,481,997.81 |
| Hallmark Plaza KY 223F | 8.500 | 06/01/11 | 1,096,389.31 |
| Jackson Valley Apts KY 221D4 | 7.500 | 08/01/20 | 1,941,719.99 |
| Jamestown Manor Ltd KY 221D4 | 7.500 | 02/01/22 | 1,558,880.30 |
| Lakeview Estates KY 221D4 | 7.500 | 01/01/20 | 1,095,967.34 |
| Lebanon Apts KY 221D4 | 7.500 | 02/01/20 | 1,175,359.70 |
| Lin Meadows Homes KY 221D4 | 7.500 | 11/01/22 | 267,227.56 |
| Locust Ridge KY 221D4 | 7.500 | 10/10/21 | 1,867,638.77 |
| Longmont Christian Hsg 231 | 5.250 | 03/01/03 | 416,674.71 |
| Madison Ave Apts KY 221D4 | 7.500 | 09/01/20 | 1,915,238.24 |
| Manchester Heights Apts KY 221D4 | 7.500 | 06/01/19 | 1,201,921.34 |
| Middletown Apts KY 221D4 | 7.500 | 02/01/18 | 1,024,902.90 |
| Montgomery Square Apts KY 221D4 | 7.500 | 05/01/19 | 1,200,991.29 |
| Mt Lebanon Cedars KY 221D3 | 7.500 | 03/01/23 | 2,609,319.94 |
| Oak Tree Villa Apts KY 221D4 | 7.500 | 05/01/23 | 3,445,448.16 |
| Panorama West KY 236 | 8.500 | 12/01/12 | 439,377.88 |
| Pine Ridge Apts KY 221D4 | 7.500 | 09/01/18 | 814,874.30 |

OTHER FIXED INCOME INVESTMENTS (continued)

| Security | Coupon | Maturity | Par Value or Remaining Principal Balance |
|---|--------|----------|--|
| Project Mortgages (FHA & GNMA)(cont.): | | | |
| Pinecreek Apts KY 221D4 | 7.500 | 10/01/17 | \$ 559,429.39 |
| Regency Park BG KY 221D4 | 7.500 | 02/01/23 | 3,689,334.66 |
| Regency Park Apts KY 221D4 | 7.500 | 05/01/18 | 945,140.13 |
| Ridgeway Apts KY 221D4 | 7.500 | 02/01/19 | 1,024,243.00 |
| Rucker Village Apts KY 221D4 | 7.500 | 03/01/20 | 1,067,510.07 |
| Salem Village I 232 III | 7.750 | 03/01/16 | 981,301.61 |
| Salem Village II 231 III | 7.750 | 10/01/16 | 3,357,780.88 |
| Sandefur Manor KY 221D4 | 7.500 | 01/01/20 | 928,057.84 |
| Shepherdsville Village KY 221D4 | 7.500 | 05/01/20 | 1,346,199.05 |
| Shivley Apts KY 221D4 | 7.500 | 10/01/21 | 2,386,408.42 |
| Southside Manor KY 221D4 | 7.500 | 02/01/19 | 1,392,116.94 |
| Town Branch Apts KY 221D4 | 7.500 | 11/01/23 | 744,765.70 |
| Tree Top Apts KY 221D4 | 7.500 | 11/01/20 | 1,115,648.30 |
| Vernon Manor Ltd KY 221D4 | 7.500 | 11/01/22 | 898,525.77 |
| Walnut Hill Apts KY 221D4 | 7.500 | 05/01/19 | 1,615,514.64 |
| Wesley Manor KY232 | 8.000 | 12/01/11 | 921,537.46 |
| Wessington House Apts TN 221D4 | 7.500 | 02/01/22 | 1,847,399.47 |
| Westchester Circle KY 221D4 | 7.500 | 04/01/19 | 4,142,054.01 |
| Westwood Apts KY 221D4 | 7.500 | 10/01/23 | 1,190,842.64 |
| Wilderness Trail Mnr KY 221D4 | 7.500 | 03/01/23 | 5,632,080.21 |
| Wildwood Apts KY 221D4 | 7.500 | 08/01/20 | 1,857,800.68 |
| Willow Creek Apts KY 221D4 | 7.500 | 08/01/23 | 1,375,985.59 |
| Woodsview Apts KY 221D4 | 7.500 | 01/01/19 | 1,400,154.77 |
| | | | <u>\$ 108,169,739.81</u> |
| Total Other Fixed Income Investments | | | <u>\$ 117,670,952.48</u> |
| TOTAL FIXED INCOME INVESTMENTS | | | <u><u>\$ 3,062,419,052.55</u></u> |

REAL ESTATE EQUITY

| Security | Par Value or Remaining Principal Balance |
|---------------------------------|--|
| Real Estate Equity: | |
| FIA Profile Fund I- 1500 Units | \$ 15,000,000.00 |
| KMart Store Winchester KY | 2,711,917.53 |
| Kroger Store Georgetown KY | 2,186,000.00 |
| Kroger Store Richmond KY | 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 |

OTHER FIXED INCOME INVESTMENTS (continued)

| Security | Par Value or Remaining Principal Balance |
|------------------------------------|--|
| Real Estate Equity (cont.): | |
| 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 |
| | <hr/> |
| | \$ 34,882,784.53 |
| Total Real Estate Equity | <hr/> |
| | \$ 34,882,784.53 |

COMMON STOCKS

| | Number of Shares | Cost |
|-------------------------------|------------------|-----------------|
| AMR Corp Del | 75,000.0000 | \$ 6,023,867.65 |
| Abbott Laboratories | 332,000.0000 | 9,541,940.00 |
| Aetna Life & Casualty Co | 155,000.0000 | 9,229,225.00 |
| American General Corp | 125,000.0000 | 4,414,412.50 |
| American Home Products | 80,000.0000 | 2,910,462.50 |
| American Information Tech | 200,000.0000 | 9,264,405.22 |
| Amoco Corp | 380,000.0000 | 12,838,533.34 |
| Atlantic Richfield Co | 225,000.0000 | 16,860,032.81 |
| Banc One | 352,000.0000 | 8,299,875.00 |
| Bankers Trust NY Corp | 235,968.0000 | 10,523,562.10 |
| Bell Atlantic Corp | 200,000.0000 | 7,333,902.78 |
| Boeing Co | 293,750.0000 | 7,059,292.96 |
| Bristol-Myers Squibb | 363,000.0000 | 14,853,685.81 |
| Capital Holding Corp Del | 150,000.0000 | 3,103,799.71 |
| Central & South West | 300,000.0000 | 11,810,687.50 |
| Chemical Waste Management Inc | 220,600.0000 | 3,796,946.00 |
| Commonwealth Edison Co | 112,093.0000 | 3,682,678.38 |
| Community Psychiatric Cntr | 150,000.0000 | 3,376,942.80 |
| Compaq Computer | 75,000.0000 | 7,317,237.50 |
| Consolidated Edison Co NY | 525,000.0000 | 11,480,529.55 |
| Corestates Financial Corp | 250,000.0000 | 10,282,500.00 |
| Delta Airlines Inc | 100,000.0000 | 5,047,101.85 |
| Deluxe Corp | 120,000.0000 | 3,492,500.00 |
| Digital Equipment Corp | 170,000.0000 | 22,830,513.33 |
| Dover Corp | 110,000.0000 | 2,558,999.83 |
| Dow Chemical Co | 435,000.0000 | 25,647,062.50 |
| Dow Jones & Co Inc | 140,000.0000 | 4,539,450.00 |
| DuPont (EI) De Nemours | 555,000.0000 | 17,565,640.62 |
| Duke Power | 250,000.0000 | 11,149,425.00 |
| Dun & Bradstreet Corp | 210,000.0000 | 11,352,748.22 |
| E G & G Inc | 100,000.0000 | 3,488,325.00 |
| Emerson Electric | 100,000.0000 | 3,245,287.50 |

COMMON STOCKS (continued)

| | Number of Shares | Cost |
|----------------------------------|------------------|------------------|
| Exxon Corp | 440,000.0000 | \$ 18,674,775.00 |
| First Wachovia Corp | 336,626.0000 | 10,429,779.29 |
| Ford Motor Co Del | 200,000.0000 | 10,275,237.50 |
| General Electric Co | 620,000.0000 | 28,417,425.00 |
| General Motors Corp | 300,000.0000 | 11,926,362.50 |
| Georgia Pacific | 75,000.0000 | 4,323,762.50 |
| Grainger (WW) Inc | 35,000.0000 | 1,749,262.50 |
| Heinz (HJ) Co | 250,000.0000 | 5,302,176.34 |
| Hewlett Packard Co | 80,000.0000 | 3,716,846.59 |
| Humana Inc | 100,000.0000 | 3,859,375.00 |
| IBM | 225,000.0000 | 28,580,852.59 |
| James River Corp | 230,000.0000 | 6,551,262.50 |
| K Mart Corp | 375,000.0000 | 12,310,468.75 |
| Kellogg Co | 30,000.0000 | 2,023,587.50 |
| Kentucky Utilities | 125,000.0000 | 2,602,337.50 |
| Louisville Gas & Electric | 150,000.0000 | 6,065,162.50 |
| Marsh & McLennan Inc | 220,000.0000 | 11,858,713.64 |
| May Dept Stores Co | 275,000.0000 | 11,081,476.25 |
| McDonalds Corp | 489,000.0000 | 11,246,126.33 |
| Melville Corp | 90,000.0000 | 2,905,350.00 |
| Merck & Co | 185,000.0000 | 11,081,894.36 |
| Minnesota Mining & Manufacturing | 346,000.0000 | 20,502,125.00 |
| Mobil Corp | 300,000.0000 | 15,422,000.00 |
| Monsanto Co | 200,000.0000 | 10,331,375.00 |
| Morgan (JP) & Co | 300,000.0000 | 11,192,825.00 |
| Morton Intl | 100,000.0000 | 3,843,376.27 |
| NCR Corp | 50,000.0000 | 2,978,975.00 |
| New York Times Co A | 145,000.0000 | 3,891,987.50 |
| Norfolk Southern | 101,000.0000 | 2,916,712.50 |
| PHH Inc | 120,000.0000 | 4,058,375.00 |
| Pennsylvania Power & Light | 395,000.0000 | 14,293,262.50 |
| Philip Morris Cos Inc | 500,000.0000 | 11,155,717.46 |
| Pioneer Hi-Bred Intl | 100,000.0000 | 3,652,562.50 |
| Pitney Bowes Inc | 75,000.0000 | 2,470,492.50 |
| Procter & Gamble Co | 200,000.0000 | 8,101,362.51 |
| Raytheon Co | 265,000.0000 | 18,211,256.25 |
| Roadway Services Inc | 100,000.0000 | 3,447,875.00 |
| Rohm & Haas | 118,000.0000 | 4,013,855.00 |
| Safeco Corp | 100,000.0000 | 3,669,687.50 |
| Salomon Inc | 100,000.0000 | 3,509,212.50 |
| Snap-on-Tools | 120,000.0000 | 3,830,950.00 |
| Sovran Financial Co | 80,000.0000 | 2,795,900.00 |
| Super Valu Stores | 140,000.0000 | 3,552,900.00 |
| TRW Inc | 76,000.0000 | 3,503,775.00 |
| Tenneco Inc | 50,000.0000 | 3,270,075.00 |
| Texaco Inc | 200,000.0000 | 11,680,150.00 |
| Texas Utilities Co | 570,000.0000 | 17,686,375.00 |
| Textron Inc | 170,000.0000 | 4,157,162.50 |
| Transco Energy Co | 75,000.0000 | 3,676,059.37 |

COMMON STOCKS (continued)

| | Number of Shares | Cost |
|--------------------------|------------------|---|
| Travelers Corp | 308,787.0000 | \$ 14,067,740.03 |
| U S West Inc | 110,000.0000 | 2,718,300.00 |
| Union Camp Corp | 451,200.0000 | 14,000,888.68 |
| Union Carbide | 384,217.0000 | 9,756,238.50 |
| Union Pacific Corp | 150,000.0000 | 11,898,250.00 |
| United Technologies Corp | 377,000.0000 | 16,943,441.34 |
| V F Corp | 96,187.0000 | 3,376,412.47 |
| Wal-Mart Stores | 400,000.0000 | 13,850,512.50 |
| Waste Management | 350,000.0000 | 9,347,100.00 |
| Whirlpool Corp | 140,000.0000 | 4,157,750.00 |
| Total Common Stocks | 19,783,428.0000 | \$ 791,836,822.48 |
| S&P 500 Stock Index: | 2,447,562.0000 | \$ 99,063,251.37 |
| Total Stocks | 22,230,990.0000 | \$ 890,900,073.85 |
| TOTAL EQUITY | | \$ 925,782,858.38 |
| | | Par Value or Remaining Principal Balance/ Cost |
| TOTAL INVESTMENTS | | \$ 3,988,201,910.93 |