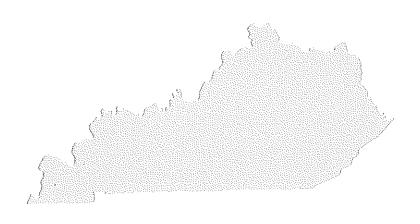


TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

COMPREHENSIVE ANNUAL REPORT FISCAL YEAR ENDED JUNE 30, 1991

51st Comprehensive Annual Financial Report of the Teachers' Retirement System of the State of Kentucky for the Fiscal Year Ended June 30, 1991



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

> l'at N. Miller Decertive Secretary

Table of Contents

	Pag
Letter of Transmittal	2
Chairperson's Letter	
Board of Trustees	
Organizational Chart	
System Highlights	7
•	
L'inancial Section	
Haddwerterbe	
Independent Auditor's Report	12
Basic Financial Statements	
Balance Sheets	
Statement of Revenues, Expenses, and Changes in Fund Balances	
Notes to Financial Statements	
Required Supplementary Information	07
Analysis of Funding Progress	27
revenues by course and Expended by Type Imminimum	
Supporting Schedules	
Summary of Investments	30
Summary Schedule of Cash Receipts and Disbursements	
Employer Reserves	
Benefit Reserves	
Medical Insurance Reserves	
403(b) Program Reserves	
Unallocated Reserves	
Administrative Expense Reserves	40
Actuarial Section	
Actuary's Certification Letter	
Summary of Principal Results Membership Data	
A scots	44

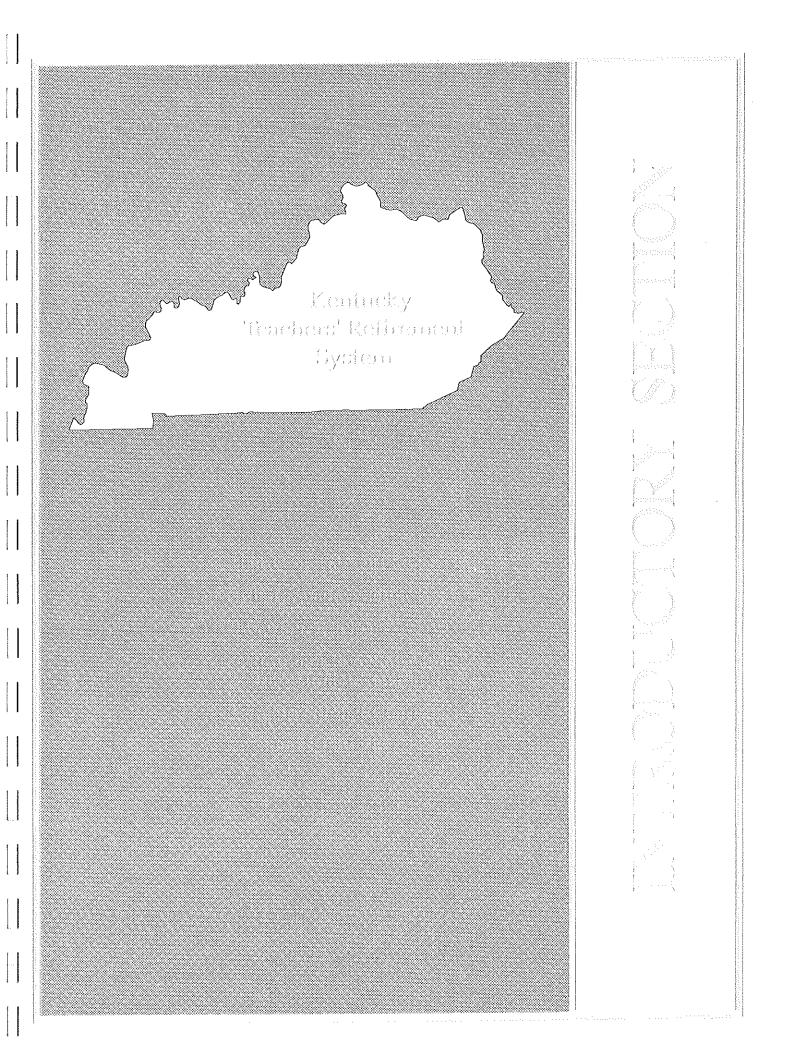


Table of Confens (confinence)

		Page
Comments on Valuation		46
	tem	
Accounting Information		48
Results of the Valuation Prepared as a	of June 30, 1990	50
	d Methods	
Solvency Test		53
Schedule of Active Member Valuation	1 Data	54
	nd Survivors Added to and Removed from Rolls	
beneated of rectinating Benefit arrest, a	in our fiforo riduca to una removed from nono im-	
	Conference and the second seco	
	Statistical Section	
		and the second second
	University the American Inter-Institution (Inter-Institution Inter-Institution Inter	•
Growth in Annuitants		56
Avorage Benefit Payments (all reginies	nts)	57
Comments of Possense has Course	IIIS/	50
Comments of Eugenesia by Toma		
	ant Dayne and	
	ent Payments	
Summary of State Budget Appropriati	ion	61
	nental Appropriations	
Summary of Retiree Sick Leave Payme	ents	63
School Districts Electing to Pay for Sic	k Leave	64
Schedule of KTRS Annuitants by Type	e of Benefit	66

KTRS Schedule of Participating Emplo	yers	67
·		
	tana (177)	
	The construction of the setting of	
	[Investment Section]	
•		
	ssets	
	ne 30, 1991	

Short Term Investments		7 6
U.S. Government Obligations		76
Corporate Bonds		81
Other Fixed Income Investments		85
	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	



BOARD OF TRUSTEES

ARLENE M. ROMINE CHAIRPERSON, MT. WASHINGTON

VIRGINIA MURRELL VICE CHAIRPERSON, SOMERSET

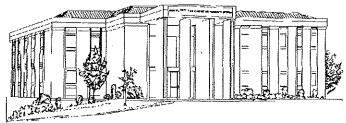
ROBERT M. CONLEY, PAINTSVILLE JUDITH R. GAMBILL, ASHLAND EARLE V. POWELL, FRANKFORT J. KENNETH SHADOWEN, BENTON BARBARA G. STERRETT, LEXINGTON

EX OFFICIO

THOMAS BOYSEN CHIEF STATE SCHOOL OFFICER

> ROBERT MEADE CPA STATE TREASURER

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY



PAT N. MILLER EXECUTIVE SECRETARY

(502) 564-3266

Serving Kentucky Teachers Since 1940

December 16, 1991

Honorable Brereton C. Jones, Governor Commonwealth of Kentucky Capitol Building Frankfort, Kentucky 40601

Dear Governor Jones:

The 51st Annual Report of the Teachers' Retirement System of the State of Kentucky (the System) for the fiscal year ended June 30, 1991 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.

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,

n mel

Pat N. Miller

Executive Secretary

BOARD OF TRUSTEES

ARLENE M. ROMINE CHAIRPERSON, MT. WASHINGTON

VIRGINIA MURRELL VICE CHAIRPERSON, SOMERSET

ROBERT M. CONLEY, PAINTSVILLE JUDITH R. GAMBILL, ASHLAND EARLE V. POWELL, FRANKFORT J. KENNETH SHADOWEN, BENTON BARBARA G. STERRETT, LEXINGTON

EX OFFICIO

THOMAS BOYSEN
CHIEF STATE SCHOOL OFFICER

ROBERT MEADE CPA STATE TREASURER

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY



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EXECUTIVE SECRETARY

(502) 564-3266

Serving Kentucky Teachers Since 1940

December 16, 1991

Honorable Brereton C. Jones, Governor Commonwealth of Kentucky Capitol Building Frankfort, Kentucky 40601

Dear Governor Jones:

This 51st 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,

Arlene M. Romine Chairperson

blene M. Romine, Chair

Board of Trustees

Transfer of Transfer



Chairperson Louisville

Mrs. Arlene M. Romine



Vice-Chairperson, Teacher Trustee Mt. Washington

Mrs. Judith R. Gambill



Teacher Trustee Ashland

Mrs. Barbara G. Sterrett



Teacher Trustee Lexington

Ms. Virginia Murrell



Retired Teacher Trustee Somerset

Mr. Earle V. Powell



Lay Trustee Frankfort

Mr. Robert M. Conley



Lay Trustee Paintsville

Dr. Thomas C. Boysen



Ex-Officio Trustee Chief State School Officer

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	
•	101 South Fifth Street	
	Louisville, Kentucky 40202	

Equity Manager	Invesco MIM INC
1 7 0	1315 Peachtree Street, N.E., Suite 500 Atlanta, Georgia 30309

	Investment Consultant	Becker, Burke Associates, Inc.
ļ		Suite 1000
		221 North LaSalle Street
		Chicago, Illinois 60601

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

Payments
- Record Maintenance



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 1991 totaled \$744,172,067. This represents an increase of 14.4% over fiscal year 1990 revenue. The rate of increase for member and employer contributions over fiscal year 1990 was 14.2% and 28.5% respectively. KTRS's overall revenue growth for the 1991 fiscal year was affected by increased employee and employer contributions.

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.

	1991	1990	Increase/(I	ecrease)
Expenses	(Millions)	(Millions)	(Millions)	%
Retiree Benefits	\$ 207.9	\$ 190.5	\$ 17.4	9.13
Disabilities	10.7	9 <i>.</i> 5	1.2	12.63
Survivor/Death Benefits	7.1	6.8	.3	4.41
Refunds	6.8	7.4	(.6)	(8.11)
Medical Insurance	36.5	29.8	6.7	22.48
Administration	3.8	3.1	.7	22.58
	\$ 272.8	\$ 247.1	\$ 25.7	10.40



The increase in medical insurance cost of 22.48 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. The increase in administrative cost of 22.58% can be attributed to investment counseling and processing fees increasing due to a larger investment portfolio.

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 \$3,988,201,911 to \$4,320,181,343 during the 1990-91 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 \$343.1 million. This figure is somewhat larger than last year's total of \$323 million.

As a result of the growth of the investment portfolio, many of KTRS's stocks and corporate bonds have been moved to the Bank of New York, a subcustodian which already held all treasury bonds. This movement will make maintenance of securities as well as the facilitation of transactions easier. In addition, it will now be possible for investment income growth to be realized earlier enabling reinvestment to occur sooner. The securities that were not moved to New York are still held by Farmer's Bank and Capital Trust in Frankfort, Kentucky.

The total investment income earned by the System can be attributed to three separate activities. The largest component, \$342,476,439, results from investment income to the System's investment portfolio. Another \$701,154 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 \$6,620 for 1990-91.

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.

à encline

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, 1990. The actuarial accrued liability of the System was \$5.072 billion. The reserve balance from participant contributions from employers, employees, and investment income was \$3.661 billion. The amount by which the accrued liability exceeds the reserves, or the unfunded liability, totaled \$1.411 billion on June 30, 1990.



Charantand Dutum Developments

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.

KTRS Medical Insurance Plan

The attention of our entire nation is focused on growing health care problems. The main cause of this developing crisis is soaring health care costs. Medical costs continue to increase at between 15 to 20% a year while the general inflation rate has averaged less than 5% a year since 1982.

The costs of the medical insurance plan for KTRS retirees and their spouses have increased drastically over the last several years. The program's annual costs have increased from \$7.9 million in 1980-81 to over \$36.5 million in 1990-91. The KTRS Board of Trustees and staff are continually examining the various possibilities for better control of health care costs.

In March 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 to administer the plan. In August 1990, the request for proposals were received, and KTRS retained the George Buck Company, which is also the actuary for the System, to assist in the evaluation of each proposal. In September 1990, the Board of Trustees appointed a Medical Insurance Committee to work with staff in the selection of a carrier and development of coverage. At the December 1990 Board meeting, the Medical Insurance Committee recommended that Aetna Insurance Company continue to administer KTRS's insurance plan.

Also at the December Board meeting, the Medical Insurance Committee recommended changing the method of funding the insurance plan from fully-insured to self-insured. With self-insured health care, a third party (Aetna) is responsible for the processing of claims, cost containment, and utilization review. Effective July 1, 1991, KTRS switched from a fully-insured plan with Aetna to a self-insured plan, meaning that the System assumed complete financial liability for its insurance plan. KTRS will have more control over health care costs and also monitor benefit and compensation payments, resulting in additional savings. Other advantages include earning interest on funds otherwise held by the insurer and adminstering the plan for less cost than the insurer's charge.

As of July 1, 1991, KTRS, with the assistance of Aetna, had negotiated discounts for its retirees at 34 Kentucky hospitals. When KTRS retirees choose a hospital that offers a discount, our costs will be reduced. Effective January 1, 1992, retail and mail order prescription drugs will be administered by Medco Containment Services, Inc., a firm that has several years of experience in administering this type of benefit.

KTRS will request additional funds from the 1992 General Assembly to help cover the increasing costs of medical insurance. Once the request is acted upon, the System will be able to determine the levels of coverage that can be financed from the available revenues. Until the problem of rising medical costs is addressed on a national level, KTRS will either continue to seek methods of increasing revenues to the insurance fund, adjust coverage to meet revenues available, or a combination of both.

Brankerschappel Beraviere

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 Grafflude

Mr. W. D. Bruce of Louisville, member of the Board of Trustees since August 1970, retired effective July 1, 1991. He was elected Chairperson in 1975 and served in that capacity until his retirement, making his tenure as a member of the Board of Trustees and as Chairperson the longest of any member since KTRS was established in 1941. During his tenure benefits to members were greatly improved and assets grew from \$279 million to \$4.4 billion. Most notable was his leadership in the area of protecting and improving the actuarial soundness of the system.

Mr. Bruce is retiring from the position of Deputy Superintendent with the Jefferson County School System. He has had a distinguished career in Jefferson County where he started as a classroom teacher in 1951.

He will be missed by the membership, the Board of Trustees and staff. We wish Mr. and Mrs. Bruce many happy years of retirement.

Road of Trustees

The Board of Trustees of the Teachers' Retirement System at its June 17, 1991, meeting elected Mrs. Arlene Romine of Mt. Washington Chairperson and Miss Virginia Murrell of Somerset Vice Chairperson for the 1991-92 fiscal year.

Mrs. Romine, a teacher in the Bullitt County School System, has been a member of the Board of Trustees since 1977. She was Vice Chairperson prior to her election as Chairperson.

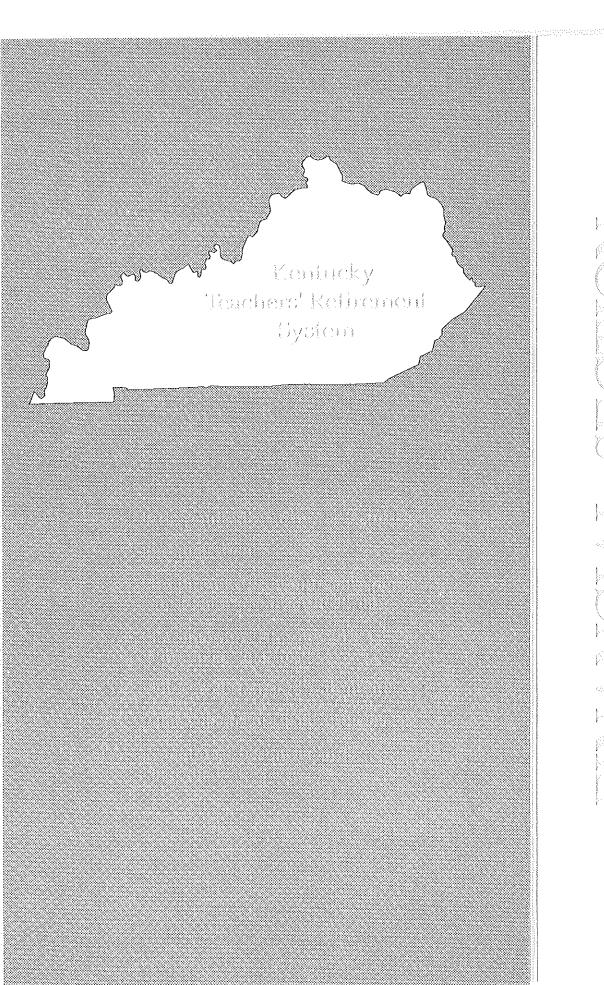
Miss Murrell, a retired teacher having spent most of her career in the Bellevue Independent School System, has been a member of the Board since 1988.

At its September 16, 1991, meeting the Board of Trustees appointed Mr. J. Kenneth Shadowen of Benton in Marshall County to serve the balance of Mr. W. D. Bruce's term on the Board. Mr. Bruce retired effective July 1, 1991, and his term expires on June 30, 1992. Mr. Shadowen is currently Superintendent of Marshall County Schools and was previously Superintendent of Livingston County Schools. Prior to becoming Superintendent he was a teacher and principal.

Addiovidagement

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.



Charles J. Mitchell Company

Certified Public Accountants

201 WEST MAIN, P.O. BOX 698 FRANKFORT, KENTUCKY 40601 TELEPHONE - (502) 227-7395 306 CUNDIFF SQUARE SOMERSET, KENTUCKY 42501 TELEPHONE - (604) 679-4813 CTM

DON C. GH.ES, C.P.A.
WILLIAM C. JOHNSON, JR., C.P.A.
GARY L. HARBIN, C.P.A.
LARKY T. WILLIAMS, C.P.A.
JAMES E. CLOUSE, C.P.A.
CHARLES F. WHELAN, 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, 1991 and 1990, 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, 1991 and 1990, 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 Thutchell Co.

Charles T. Mitchell Company

October 10, 1991



Balance Sheets June 30, 1991 and June 30, 1990

ASSETS	Year Ended June 30, 1991	Year Ended June 30, 1990	
Cash (See Note 2)	\$ (4,189,286)	\$ 2,797,362	
Deposit with Insurance Carrier (See Note 4)	4 (-)-01/-00/	3,951,671	
Prepaid Expenses	179,420	114,564	
. Receivables:			
Contributions	17,545,178	15,519,530	
State of Kentucky	1,502,584	12,541,397	
Investment Income	53,435,534	54,882,611	
Total Receivables	72,483,296	82,943,538	
Investments, at Cost (See Note 2):			
Short Term Investments (Market Value \$963,060,000			
in 1991 and \$336,440,000 in 1990)	963,060,000	336,440,000	
Bonds and Mortgages (Market Value \$2,363,716,773			
in 1991 and \$2,328,290,621 in 1990)	2,356,581,225	2,347,336,123	
Common Stock (Market Value \$908,911,109 in 1991	E40 4E4 100	000 000 054	
and \$1,048,607,977 in 1990)	748,176,190	890,900,074	
Real Estate (Market Value \$37,590,402 in 1991 and \$38,418,785 in 1990)	35,896,976	34,882,785	
Total Investments	4,103,714,391	3,609,558,982	
The same of the same of			
Fixed Assets [Net of Accumulated Depreciation of	2.001.570	2.020.024	
\$605,558 in 1991 and \$451,636 in 1990 (See Note 2)]	2,901,560	2,930,024	
Total Assets	\$ 4,175,089,381	\$ 3,702,296,141	
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 132,586	\$ 274,957	
Treasurer's Unredeemed Checks	6,661	11,865	
Amount Due Insurance Carrier (See Note 4)	1,384,441	11/000	
Compensated Absences Payable	238,982		
•	<u></u>		
Total Liabilities	1,762,670	286,822	
Fund Balance			
Member Reserve	1,218,852,239	1,098,313,266	
Employer Reserve	1,255,385,919	1,131,212,773	
Benefit Reserve	164,948,995	139,782,934	
Medical Insurance Reserve	20,657,295	34,063,592	
403(b) Program Reserve	14,749,043	12,549,924	
Unallocated Reserve	1,495,884,157	1,283,037,062	
Administrative Expense Reserve Capital Construction Reserve (See Note 3)	2,847,510 1,553	3,009,768 40,000	
	1,000	40,000	
Unfunded Pension Benefit Obligation (See Note 5)			
Total Fund Balance	4,173,326,711	3,702,009,319	
Total Liabilities and Fund Balance	\$ 4,175,089,381	\$ 3,702,296,141	
The accompanying notes are an integral part of these financial statements.			



Statement of Revenues, Expenses Years Inded June 30,

RESERVES

	Member	Employer	Benefit	Medical Insurance
Operating Revenues Member Contributions Employer Contributions Investment Income	\$ 138,947,373	\$ 291,593 143,636,424	\$	\$ 13,520,137 11,604,197
Total Operating Revenues	138,947,373	143,928,017		25,124,334
Operating Expenses Benefits Refunds Insurance Expenses (See Note 4) Administrative Expenses	6,364,012	86	225,614,171	36,532,845
Total Operating Expenses	6,364,012	86	225,614,171	36,532,845
Net Operating Income (Expense)	132,583,361	143,927,931	(225,614,171)	(11,408,511)
Reserve Transfers Retirements by Members Reimbursements Members Who Left System Interest Allocations Administrative Expenses Other Reclassifications Total Reserve Transfers Net Fund Balance Additions (Reductions)	(43,402,563) 31,487,257 (129,082) (12,044,388) 120,538,973	(45,024,050) (6,978,544) 32,390,252 (142,443) (19,754,785) 124,173,146	88,426,613 154,139,244 (622,691) 5,144,219 3,692,847 250,780,232 25,166,061	(661) 1,857,093 (3,854,218) (1,997,786) (13,406,297)
Beginning Fund Balance Change in Unfunded Pension Benefit Obligation (See Note 5)	1,098,313,266	1,131,212,773	139,782,934	34,063,592
Ending Fund Balance	\$1,218,852,239	\$ 1,255,385,919	\$ 164,948,995	\$ 20,657,295

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



and Changes in Fund Balances 1991 and June 30, 1990

403(b) Program	Unallocated	Administrative Expense	Capital Construction	1990-91 Total	1989-90 Total
\$ 1,465,174	\$ 91,522,956 343,184,213	\$	\$	\$ 154,224,277 246,763,577 343,184,213	\$ 135,006,639 192,103,370 323,272,899
1,465,174	434,707,169	·		744,172,067	650,382,908
101,688 410,766	948,683	2,829,477	52,947	225,715,859 6,774,864 36,532,845 3,831,107	206,837,422 7,380,344 29,795,874 3,050,458
512,454	948,683	2,829,477	52,947	272,854,675	247,064,098
952,720	433,758,486	(2,829,477)	(52,947)	471,317,392	403,318,810
62,307 1,184,702	(154,201,551) 7,601,896 (72,063,523)				
(610)	(2,667,219) 419,006	2,667,219	14,500		
1.246.399	(220,911,391)	2.667,219	14.500		
2,199,119	212,847,095	(162,258)	(38,447)	471,317,392	403,318,810
12,549,924	1,283,037,062	3,009,768	40,000	3,702,009,319	3,298,690,509
\$ 14,749,043	\$ 1,495,884,157	\$ 2,847,510	\$ 1,553	\$4,173,326,711	\$3,702,009,319



Statement of Changes in Financial Position Years Inded June 30, 1991 and 1990

	Year Ended June 30, 1991	Year Ended June 30, 1990
Sources of Working Capital:		
Operations Net income	\$ 471,317,392	\$ 403,318,810
Items not requiring working capital: Net amortization of premium/discount Depreciation of fixed assets Compensated absences accrual	(17,519,743) 163,026 238,982	(10,784,063) 155,989
Total working capital provided by operations	454,199,657	392,690,736
Total sources of working capital	454,199,657	392,690,736
Uses of Working Capital:		
Net increase (decrease) in long-term investments Acquisition of fixed assets	(149,984,334) 134,562	406,770,637 2,717,798
Total uses of working capital	(149,849,772)	409,488,435
Net increase (decrease) in working capital	\$ 604,049,429	\$ (16,797,699)
Elements of Net Increase (Decrease) in Working Capital:		
Current Assets: Cash Deposit with Insurance Carrier Prepaid Expenses Receivables Short-term investments	\$ (6,986,648) (5,336,112) 64,856 (10,460,242) 626,620,000	\$ (1,497,707) 179,941 1,638 7,355,967 (22,820,000)
Total current assets	603,901,854	(16,780,161)
Current Liabilities: Accounts payable Treasurer's Unredeemed Checks	(142,371) (5,204)	8,215 9,323
Total current liabilities	(147,575)	17,538
Net increase (decrease) in working capital	\$ 604,049,429	\$ (16,797,699)

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



Notes to Financial Statements Years Ended June 30, 1991 and 1990

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, 1991 and 1990.

	1991	1990
Local School Districts	176	177
State Universities	5	5
Department of Education/Other Organizations	24	16_
-	÷ 205	198

The covered payroll of all participating employers totaled \$1,535,562,959 for the year ended June 30, 1991 and \$1,346,537,954 for the year ended June 30, 1990.

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, 1991 and 1990.

	1991	1990
Retirees and beneficiaries of deceased retirees currently receiving benefits: Local School Districts Universities Department of Education/Other Organizations	16,711 1,009 907 18,627	16,350 946 <u>848</u> 18,144
Disabilities currently receiving benefits:	931	923
Local School Districts	28	27
Universities	73	68
Department of Education/Other Organizations	1,032	1,018
Survivors currently receiving benefits:	698	681
Local School Districts	49	36
Universities	68	<u>73</u>
Department of Education/Other Organizations	815	790



Note 1: Description of Plan (continued)

	1991	1990
Terminated employees entitled to benefits but not yet receiving them		
(no current contributions in the last fiscal year): Local School Districts	1,885	1.901
Universities	226	228
Department of Education/Other Organizations	157	147
	2,268	2,276
Current employees:		
Vested:		
Local School Districts	33,521	32,793
Universities	2,035	1,949
Department of Education/Other Organizations	1,730	1,698
Non-Vested:		
Local School Districts	9,284	8,923
Universities	1,163	1,173
Department of Education/Other Organizations	682	748
	48,415	47,284

- 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 (2½) 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 (.75%) 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 (see Note 6).

Note 2: Summary of Significant Accounting Policies

- A. Basis of Accounting: The financial statements are prepared on the accrual basis of accounting.
- B. Cash: Effective September 1, 1990, a separate bank account was established for KTRS. All transactions affecting KTRS (except for administrative expenses) are processed through this account.

As of June 30, 1991, the KTRS cash was:

Deposits (overdrafts)

Bank Balance \$3,328,453 Carrying Value (\$4,189,286)

The difference is due primarily to outstanding checks and items not yet processed by the bank.



Note 2: Summary of Significant Accounting Policies (continued)

C. 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 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, 1991 and June 30, 1990.

	June 30, 1991	June 30, 1990
Short Term Investments		
Repurchase Agreements	\$ 963,060,000	\$ 336,440,000
Bonds and Mortgages		
U.S. Government Obligations		
Treasury Notes and Bonds	1,114,395,165	1,013,350,831
Agencies	172,944,485	159,904,657
Ship Bonds (Title XI)	32,579,166	35,359,476
GNMA (Single Family)	120,269,815	129,723,707
Other Miscellaneous	270,937,800	357,019,288
Total U.S. Government Obligations	1,711,126,431	1,695,357,959
Corporate Bonds		
Industrials	177,815,551	162,495,463
Finance	215,883,475	192,564,161
Utility Bonds (Except Telephone)	38,511,508	38,677,549
Telephone Bonds	52,741,203	93,088,414
Railroad Obligations	14,625,416	14,647,619
Other Corporate Bonds	48,007,897	51,594,529
Total Corporate Bonds	547,585,050	553,067,735
Other Fixed Income Investments		
FHA and VA Single Family Mortgages	7,891,592	9,500,031
Project Mortgages (FHA & GNMA)	89,978,152	89,410,398
Total Other Investments	97,869,744	98,910,429
Total Bonds and Mortgages	2,356,581,225	2,347,336,123
Stocks	748,176,190	890,900,074
Real Estate	35,896,976	34,882,785
Total Investments	\$4,103,714,391	\$3,609,558,982

The System operates a securities lending program whereby for a fee the System lends U.S. Government bonds to two primary U.S. Government bond dealers. 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, 1991 was \$108,237,653 which exceeds the market value of the lent bonds.



Note 2: Summary of Significant Accounting Policies (continued)

On June 30, 1991 and June 30, 1990, the following values of U.S. Government Bonds were on loan. They are included among the investments and assets of the System.

Securities Loaned	1991	1990
Book Value	\$103,249,508	\$52,158,172
Market Value	102,239,620	52,813,960

D. Fixed Assets: Included in this classification are furniture, fixtures, equipment, the KTRS office building and land. These items are reported on the balance sheet at historical cost, net of accumulated depreciation. These assets are depreciated on a straight-line basis. Furniture, fixtures and equipment are depreciated over an average useful life of five to ten years using ten percent of cost as the salvage value. The KTRS office building is depreciated over a useful life of forty years.

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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 1990-91 were based on estimates of members' salaries. For the fiscal year ended June 30, 1991, actual appropriations were under the required appropriations by \$1,502,584.

BENEFIT RESERVE: This fund was established by KRS 161.420 as the Allowance Reserve Fund, the source for retirement, disability, and survivor 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. Also, death benefits of \$2,000 for active members and \$2,500 for retired members are paid from this fund.

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 for which disposition is not otherwise provided. 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. KRŞ 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.

MEDICAL INSURANCE RESERVE: This fund was established by KRS 161.420 as the Medical Insurance Fund. It consists of members' contributions and state matching contributions and provides health insurance premiums for retired members and eligible spouses and dependents. At June 30, 1991, the fund's balance was \$20,657,295.



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 percent (4%) 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). The project is now complete and will be closed out in the 1991-92 fiscal year.

Note 4: Premium Stabilization and Reserve Account, Actua 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 1990-91 and 1989-90.

	Year Ended June 30, 1991	Year Ended June 30, 1990
Estimated Premiums Paid Less: Experience Increase (Decrease)	\$ 30,430,885 (6,037,266)	\$ 28,910,958 (873,916)
Actual Premiums Incurred	\$ 36,468,151	\$ 29,784,874
The premium stabilization and reserve account was affected	in the following manner.	
	Year Ended June 30, 1991	Year Ended June 30, 1990
Beginning Balance Plus: Experience Increase (Decrease) Plus: Interest Earned Less: Withdrawals	\$ 3,951,671 (6,037,266) 701,154 0	\$ 3,771,730 (873,916) 1,053,857 0
Ending Balance	\$ (1,384,441)	\$ 3,951,671

Total KTRS insurance expenses for fiscal year 1990-91 consist of:

Medical Insurance Premiums COBRA Payment Reimbursements	\$ 36,468,151 63,991
Other Expenses	703
Total	\$ 36,532,845

Note 5: Junding 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



Note 5: Funding States of KTRS (continued)

sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. This is the required disclosure measure as prescribed by Governmental Accounting Standards Board Statement 5. This measure is independent of the funding method used to determine contributions to the system.

The pension benefit obligation presented herein is the actuarial valuation prepared for the fiscal year ended June 30, 1991. Significant actuarial assumptions at June 30, 1991 include, (a) a rate of return on the investment of present and future assets of 8.0% compounded annually, (b) projected salary increases graduated by age from 5.50% to 9.60% per year compounded annually with an inflation component of 5%, (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 1.5%.

At June 30, 1991 and 1990, the unfunded pension benefit obligation was \$1,580,959,000 and \$1,411,285,000 as follows:

Pension Benefit Obligation:		
	1991	1990
Retirces and beneficiaries currently receiving benefits		
and terminated employees entitled to benefits		
but not yet receiving them	\$2,037,542,000	\$1,862,821,000
Current employees:		
Accumulated employee contributions		
including allocated investment income	1,218,852,000	1,098,313,000
Employer-financed vested	1,350,891,000	1,100,971,000
Émployer-financed nonvested	1,108,745,000	1,010,042,000
Total pension benefit obligation	5,716,030,000	5,072,147,000
Net assets available for benefits, at cost		
per Note 2 (Market Value \$4,303,082,533 in 1991		
and \$3,801,479,813 in 1990)	4,135,071,000*	3,660,862,000*
Unfunded pension benefit obligation	\$1,580,959,000	\$1,411,285,000

The June 30, 1991 unfunded pension benefit obligation represents a increase of \$169,674,000 since June 30, 1990.

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 33 and 34.

*In order to compute the net assets available for benefits, the actuary took the KTRS fund balance at June 30, 1991 and 1990, and made the following adjustments.

	1991	1990
KTRS Fund Balance	\$4,173,326,711	\$3,702,009,319
Less portion of Medical Insurance Reserve	20,657,295	25,547,694
Less 403(b) Program Reserves	14,749,043	12,549,924
Less Administrative Expense Reserves	2,847,510	3,009,768
Less Capital Construction Reserves	1,553	40,000
Net Assets Available for Benefits	\$4,135,071,310	\$3,660,861,933

22



Note 5: Hunding Status of K'IRS (continued)

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, 1990 and June 30, 1991 follows:

During the 1989-90 fiscal year, the effect of the change in the COLA from 1% to 1.5% was an increase in the Projected Benefit Obligation of approximately \$195,000,000, while the effect of the change in interest rate assumption from 7.5% to 8% was a decrease in the Projected Benefit Obligation of approximately \$240,000,000. During the 1990-91 fiscal year there were no changes in actuarial assumptions or employee pension benefit provisions that would significantly affect the valuation of the pension benefit obligation.

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 the projected unit credit actuarial cost method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 30 years.

Significant actuarial assumptions used to compute pension contribution requirements are the same as those used to calculate the pension benefit obligation shown in Note 5, except that KRS 161.400(2) requires that the system's assets be valued at modified market value instead of cost. Using this assumption, the Pension Benefit Obligation at June 30, 1991 was \$1,456,907,000.

A comparison between actuarially established and actual member and employer pension contribution rates for the fiscal year ended June 30, 1991 is as follows:

Member
Employer
Total
Normal Cost
Unfunded Cost

	intributions uired			ontributions ade	
Univ. Members	Non-Univ. Members	Univ. Members Amount (000's)	% of Current Covered Payroll	Non-Univ. Members Amount (000's)	% of Current Covered Payroll
5.41 % 13.09	9.105% 12.355	\$ 6,330 15,317	5.41% 13.09	\$ 129,158 175,261	9.105 % 12.355
18.50%	21.460%	\$ 21,647	18.50%	\$ 304,419	21.460%
12.96 % 5.54	16.26% 5.20	\$ 15,165 6,482	12.96% 5.54	\$ 230,656 73,763	16.26% 5.20
18.50%	21.46%	\$ 21,647	18.50%	\$ 304,419	21.46%



Note 6: Actuarially Determined Contributions Required and Contributions Wade (configured)

The employer contributions for the 1990-91 fiscal year were under the required actuarial contributions by \$8.6 million. Of this amount, \$3 million represents a required state payment for cost-of-living adjustments granted to retirees for the 1986-88 biennium. In accordance with KRS 161.620(8), \$4.1 million of the 1991 COLA was assumed by KTRS.

In the 1990-91 fiscal year, a deficit of \$1,502,584 resulted because budgeted salaries were less than actual salaries. The 1990-91 shortage makes up the \$1,502,584 receivable from the Commonwealth of Kentucky at June 30,1991.

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 is funded over a twelve year period and is also included in employer contributions.

Note 7: Compensated Account 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, their accumulated sick leave balances (expressed in months) are 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	Earned	Used or Paid	Balance
	July 1, 1990	1990-1991	1990-1991	June 30, 1991
Vacation and Compensatory Leave	\$218,804	\$109,734	\$99,556	\$238,982

Note 8: Deposits With Financial Institutions and Investments (including Reporchase 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 Board of Trustees and the Investment Committee are guided by asset allocation parameters that the Board approves through its powers defined in KRS 161.430. The parameters as outlined in Title 102, Chapter 1.175, Section 2 of the Kentucky Administrative Regulations are as follows:

There shall be no limit on the amount of investments owned by the System that are guaranteed by the U.S. government.

Not more than thirty-five percent (35%) of the assets of the System at book value shall be invested in corporate debt obligations.

Not more than forty-five percent (45%) of the assets of the System at book value shall be invested in common stocks or preferred stocks. Not more than twenty-five percent (25%) of the assets of the System at book value shall be invested in a stock portfolio designed to replicate a general, United States stock index.



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

Not more than ten percent (10%) of the assets of the System at book value shall be invested in real estate. This would include real estate equity, real estate lease agreements, mortgages on real estate that are not guaranteed by the U.S. governement, and shares in real estate investment trusts.

Not more than one percent (1%) of the assets of the System at book value shall be invested in venture capital investments, providing at least seventy-five percent (75%) of such investments must be instate.

Not more than ten percent (10%) of the assets of the System at book value shall be invested in any additional category or categories of investments. The Board of Trustees shall approve by resolution such additional category or categories of investments.

The KTRS bank balance consists of an overnight repurchase agreement of \$2,153,861 which was fully collaterized by the bank and cash totaling \$1,174,592 which is fully insured by the Federal Depository Insurance Corporation.

The following chart categorizes KTRS's investments, which gives an indication of the level of risk assumed by KTRS at June 30, 1991. 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.

Repurchase Agreements U.S. Government Securities Corporate Bonds Other Fixed Income Investments Real Estate Common Stocks

Total Investments

1	2	3	Carrying Amount	Market Value
\$ 963,060,000	\$	\$	\$ 963,060,000	\$ 963,060,000
1,711,126,431			1,711,126,431	1,725,548,767
547,585,050			547,585,050	539,195,244
97,869,744			97,869,744	98,972,762
35,896,976			35,896,976	37,590,402
748,176,190			748,176,190	908,911,109
\$ 4,103,714,391	\$	\$	\$4,103,714,391	\$4,273,278,284

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: Postemployment Benefits in Addition to Pension Benefits

In addition to the pension benefits described in Note 1(4), KTRS provides postretirement health care benefits in accordance with Kentucky Revised Statute 161.675. To be eligible for medical benefits, the member must have retired either for service or disability, attained age 55 or had 27 years service. Eligible dependents include unmarried dependent children under the age of 19 and spouses.

Currently, KTRS insurance covers 18,243 retirees and 6,768 dependents. KTRS insurance coverage pays claims for retirees and eligible dependents up to age 65. For members 65 and over, KTRS coverage is based on the assumption that each individual eligible for all or part of Medicare coverage has enrolled and qualified for such coverage. KTRS does not reimburse for expenses that would have been covered by Medicare.

The KTRS health care insurance plan reimburses 80 percent (80%) of the amount of validated claims for medical, dental and hospitalization costs incurred by pre-Medicare retirees and their dependents with certain exceptions applying. The validated claims submitted by post-Medicare retirees and their dependents are also reimbursed 80 percent (80%) but only after medical expenses covered under Medicare are deducted.

The postretirement health care provided by KTRS are financed on a pay-as-you-go basis. In order to fund the postretirement healthcare benefits, one and five-tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half $(\frac{1}{2})$ of this amount is derived from member contributions and one-half $(\frac{1}{2})$ from state appropriation. Also, spouses must pay \$25 if the member participated in KTRS prior to July 1, 1978. If the member participated after July 1, 1978, then the spouse must pay the actual premium charge in order to be covered by the KTRS health care insurance plan. Any amounts not required to meet current costs shall be maintained as a reserve for future health care benefits. As of June 30, 1991, KTRS had \$20,657,295 of net assets available for future health care benefits.

During the 1990-91 fiscal year, KTRS expensed \$36,532,845 for postretirement health care benefits. This represents a \$6,736,971 increase in health care expenses over the previous fiscal year.



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

Fiscal Year	(1) Net Assets Available for Benefits (at cost)	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ± (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (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	68.00	1,371.6	1,217.7	112.64
1989	3,256.7	4,680.8	69.58	1,424.1	1,261.4	112.90
1990	3,660.9	5,072.1	72.20	1,411.2	1,346.5	105.00
1991	4,135.1	5,716.0	72.34	1581.0	1,535.6	102.96

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 explained in Note 6, KRS 161.400(2) requires the system to calculate the Projected Benefit Obligation using different assumptions from those that are used to determine the PBO for GASB 5 purposes. Using these assumptions, the schedule above reads as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
	Net Assets			Unfunded		Unfunded Pension
	Available for Benefits	Pension	Percentage	Pension Benefit	Annual	Benefit Obligation as a Percentage
Fiscal	as per	Benefit	Funded	Obligation	Covered	of Covered Payroll
Year	KRS 161.400(2)	Obligation	(1) -> (2)	(2) - (1)	Payroll	(4) + (5)
1991	4,259.1	5,716.0	74.5	1,456.9	1,522.5	95.7



Required Supplementary Information ' Revenues by Somece and Expenses by Type (in millions of dollar)

Revenues by Source							
			Emp	oloyer Contributio	ns		
Fiscal Year	Employee Contributions	Empl Contrib (Required	outions	Annual Covered Payroll	Percentage of Annual Covered Payroll	Investment Income	Total
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	i	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	209.5	177.9	1,268.7	14.0	258.0	565.9
1990	135.0	218.4	192.1	1,346.5	14.3	323.3	650.4
1991	154.2	253.9	246.8	1,535.6	16.1	343.2	744.2

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). The employer contribution for the 1990-91 fiscal year was \$7.1 million below actuarial requirements due to a shortage in funding the COLA's. (See Note 6.)

Expenses by Type							
Fiscal Year	Benefits	Refunds	Insurance Premium	Administrative Expenses	Total		
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		
1991	225.7	6.8	36.5	3.8	272.8		
			}				

Kentucky 'Teachers' Refirement System

KIKS (KIKS)

Summary of Year Ended

(Beginning of Year)

Type of Investment	Book Value	Market Value	Purchases	Amortization	
Bonds and Mortgages: Government Bonds/Mortgages Corporate Bonds	\$ 1,794,268,388 553,067,735	\$ 1,796,189,970 532,100,651	\$ 592,809,116 195,168,326	\$ 16,350,306 1,169,437	
Total Bonds and Mortgages	2,347,336,123	2,328,290,621	787,977,442	17,519,743	
Equity: Common Stock Real Estate	890,900,074 34,882,785	1,048,607,977 38,418,785	169,614,506 1,017,367		
Total Equity	925,782,859	1,087,026,762	170,631,873		
Short Term Investments: Repurchase Agreements Total	336,440,000 \$ 3,609,558,982	336,440,000 \$ 3,751,757,383	15,455,861,000 \$16,414,470,315	\$ 17,519,743	



Jane 30, 1991

(End of Year)

	Sales and Redemptions	Book Value	Market Value	% Market Value	% Yield at Market
\$	594,431,635 201,820,448	\$ 1,808,996,175 547,585,050	\$ 1,824,521,529 539,195,244	42.70% 12.62	8.32% 8.84
-	796,252,083	2,356,581,225	2,363,716,773	55.32%	8.44%
	312,338,390 3,176	748,176,190 35,896,976	908,911,109 37,590,402	21.27 .87	3.61 7.80
	312,341,566	784,073,166	946,501,511	22.14 %	3.77%
7	14,829,241,000	963,060,000	963,060,000	22.54	5.90
\$ 1	15,937,834,649	\$ 4,103,714,391	\$ 4,273,278,284	100.00 %	6.83%

SUPPORTING SCHIDULES



Summary Schedule of Cash Receipts and Disbursements Year Inded June 30, 1991

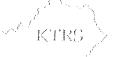
Cash Balance at Beginning of Year	\$	2,797,362	
Add Receipts:			
Member Contributions Employer Contributions Interest and Dividends Investments Redeemed	\$ 152,198,629 257,802,390 274,194,851 15,990,751,345		
Total Cash Receipts		16	,674,947,215
Less Disbursements:			
Benefit Payments Insurance Premiums Administrative Expenses Refunds Equipment Purchased Investments Purchased	225,662,941 31,196,733 3,694,448 6,774,864 134,562 16,414,470,315		
Total Cash Disbursements		16,	.681,933,863
Cash Balance at End of Year:		\$	(4,189,286)



Member Keserves

Schedule of Kevenues, Expenses, and Changes in Fund Balances Years Ended June 30, 1991 and 1990

	Year Ended June 30, 1991	Year Ended June 30, 1990
Operating Revenues Member Contributions Reinstated Accounts Personal Check Contributions Other Revenues	\$ 135,493,432 586,184 2,867,828 (71)	\$ 116,634,309 461,865 2,572,533 (10,857)
Total Operating Revenues	138,947,373	119,657,850
Operating Expenses Refund of Member Contributions Total Operating Expenses Net Operating Income	6,364,012 6,364,012 132,583,361	5,853,543 5,853,543 113,804,307
Reserve Transfers Transfer from Benefit Reserves Disability Recoveries Transfer from Unallocated Reserves Interest Credited to Member Accounts	82,243 31,487,257	80,273 28,512,326
Transfer to Benefit Reserves Retirements Transfer to Survivor, Death, Medical Reserves Survivor Benefits Transfer to Unallocated Reserves Inactive Accounts	(43,402,563) (211,325)	(40,779,186) (894,412) (190,555)
Total Reserve Transfers	(12,044,388)	(13,271,554)
Net Fund Balance Additions	120,538,973	100,532,753
Beginning Fund Balance Ending Fund Balance	1,098,313,266 \$1,218,852,239	997,780,513



Schodule of Revenues, Expenses, and Changes in Fund Falances Year Inded June 30, 1991 and 1990

Year Ended June 30, 1991	Year Ended June 30, 1990
\$ 291,593 120,266,611 2,591,849 20,392,437 383,383 2,144 143,928,017	\$ 120,913 103,674,999 2,329,236 17,831,216 262,500 (9,799) 124,209,065
86	3,356
143,927,931	124,205,709
32,390,252 586,184 37,822 82,243 (45,024,050) (6,978,544) (200,026) (648,666)	29,305,019 461,866 (38,922) 80,273 (41,745,368) (922,064) (6,412,174) (186,404)
(19,754,785)	(19,457,774)
124,173,146	104,747,935
1,131,212,773 \$ 1,255,385,919	1,026,464,838 \$ 1,131,212,773
	\$ 291,593 120,266,611 2,591,849 20,392,437 383,383 2,144 143,928,017 86 143,927,931 32,390,252 586,184 37,822 82,243 (45,024,050) (6,978,544) (200,026) (648,666) (19,754,785) 124,173,146 1,131,212,773



Benefit Reserves Schedule of Revenues, Expenses, and Changes in Fund Balances Years Birded June 30, 1991 and 1990

	Year Ended June 30, 1991	Year Ended June 30, 1990
Operating Revenues None		
Operating Expenses Benefits for Service Retirements Benefits for Disability Retirements Survivor Benefits Death Benefits Other Expenses	\$ 207,932,414 10,582,152 5,351,157 1,748,448	\$ 190,463,328 9,550,511 (34,194)
Total Operating Expenses	225,614,171	199,979,645
Net Operating Expense	(225,614,171)	(199,979,645)
Reserve Transfers Transfer from Member Reserves Retirements Transfer from Employer Reserves Retirements Transfer from Unallocated Reserves Benefits Paid in Excess of Member Contributions and Employer Matching Interest on Fund Balance Transfer from Medical Insurance Reserve Survivor Balances Remaining Transfer to Unallocated Reserves Refund of Member Contributions Transfer to Member Reserves Disability Recoveries Transfer to Employer Reserves Disability Recoveries Transfer to Survivor, Death, Medical Reserves Survivors of Disability Retirements	43,402,563 45,024,050 154,139,244 5,144,219 3,857,333 (622,691) (82,243) (82,243)	40,779,186 41,745,368 137,346,261 4,778,239 (589,697) (80,273) (80,273) (462,133)
Total Reserve Transfers	250,780,232	223,436,678
Net Fund Balance Additions	25,166,061	23,457,033
Beginning Fund Balance	139,782,934	116,325,901
Ending Fund Balance	\$ 164,948,995	\$ 139,782,934

KTRG X

Medical Insurance Reserves Schedule of Revenues, Expenses, and Changes in Fund Balances Years Inded June 30, 1991 and 1990

	Year Ended June 30, 1991		Year Ended June 30, 1990	
Operating Révenues Member Contributions Insurance Premiums Paid by Members State Contributions - Matching Employer Paid Matching Other Revenues	\$	11,601,724 1,918,413 9,568,545 2,035,654 (2)	\$	12,270,599 1,860,428 10,074,799 2,195,379 (10)
Total Operating Revenues		25,124,334		26,401,195
Operating Expenses Survivor Benefits Death Benefits Comprehensive Medical Insurance Premiums Reimbursement of Cobra Payment Other Expenses		36,468,151 63,991 703		5,220,474 1,531,702 29,795,874 836,519 470
Total Operating Expenses		36,532,845		37,385,039
Net Operating Expense		(11,408,511)		(10,983,844)
Reserve Transfers Transfer from Member Reserves Survivor Benefits Transfer from Employer Reserves Survivor Benefits Transfer from Benefit Reserves Survivors of Disability Retirements Transfer from Unallocated Reserves Benefits Paid in Excess of Member Contributions and Employer Matching				894,412 922,064 462,132
Interest on Fund Balance		1,857,093		2,311,730
Balance Member Reserves and Employer Reserves Transfer to Unallocated Reserves Refund of Member Contributions Transfer to Benefit Reserves Survivor Balances Remaining		3,115 (661) (3,857,333)		(3,936)
Total Reserve Transfers		(1,997,786)		4,479,119
Net Fund Balance Reductions		(13,406,297)		(6,504,725)
Beginning Fund Balance		34,063,592		40,568,317
Ending Fund Balance	\$	20,657,295	\$	34,063,592

Note: Beginning with the 1990-91 fiscal year, tha death and survivor benefits are paid from Benefit Reserves.



403(b) Program Reserves

Schedule of Revenues, Expenses, and Changes in Fund Balances Years Ended June 30, 1991 and 1990

	Year Ended June 30, 1991	Year Ended June 30, 1990
Operating Revenues Voluntary Contributions by Members	\$ 1,465,174	\$ 1,096,849
Operating Expenses Benefits Increased by Voluntary Contributions Benefits Continued after Voluntary Contributions Expired Refund of Member Contributions	39,381 62,307 410,766	44,634 60,967 <u>686,45</u> 6
Total Operating Expenses	512,454	792,057
Net Operating Income	952,720	304,792
Reserve Transfers Transfer from Unallocated Reserves Benefits Continued after Voluntary Contributions Expired Interest Credited to Member Accounts Transfer to Unallocated Reserves Penalty on Early Withdrawal of 403(b) Accounts	62,307 1,184,702 (610)	60,967 1,011,722 (1,326)
Total Reserve Transfers	1,246,399	1,071,363
Net Fund Balance Additions	2,199,119	1,376,155
Beginning Fund Balance	12,549,924	11,173,769
Ending Fund Balance	\$ 14,749,043	\$ 12,549,924

KIRG

Capital Construction Reserves Schedule of Revenues, Expenses, and Changes in Lunch Balances Years Ended June 30, 1991 and 1990

	Year Ended June 30, 1991			
Operating Revenues None	\$	\$		
Operating Expenses Drainage Improvement Expenses	(52,947)			
Total Operating Expenses	(52,947)			
Net Operating Expense	(52,947)			
Reserve Transfers Transfer from Unallocated Reserves Capital Construction	14,500		40,000	
Total Reserve Transfers	14,500		40,000	
Net Fund Balance Additions (Reductions)	(38,447)		40,000	
Beginning Fund Balance	40,000			
Ending Fund Balance	\$ 1,553	\$	40,000	



Transmusical Reserves

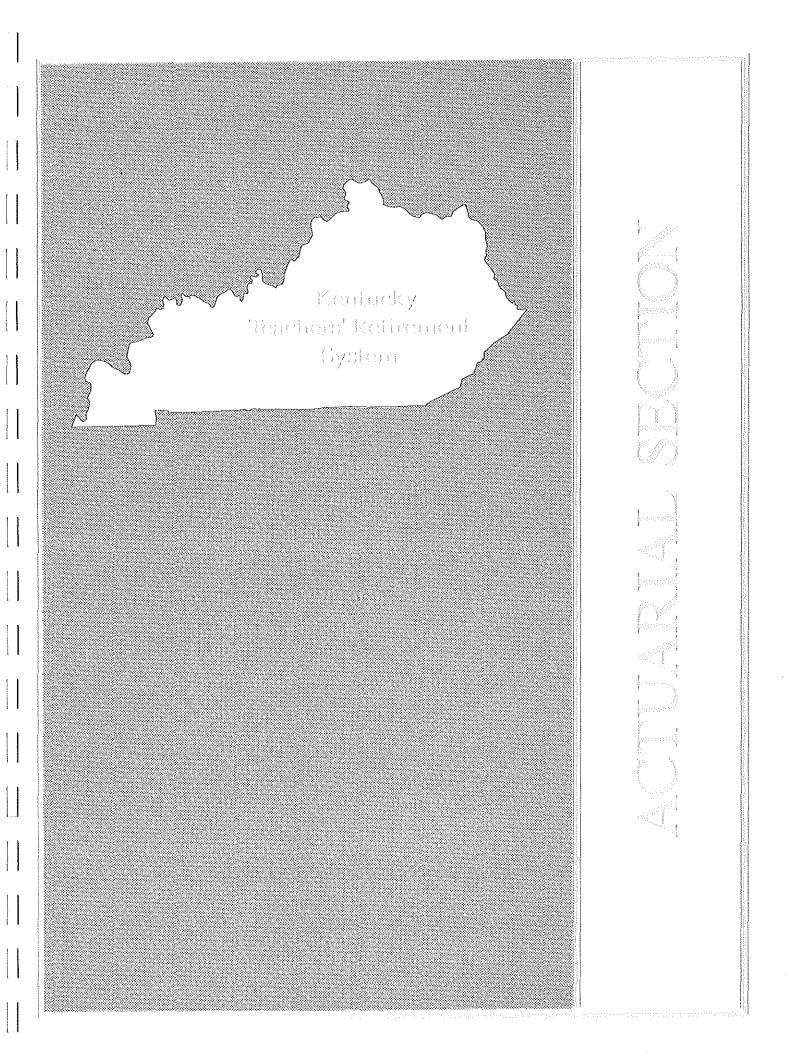
Schedule of Revenues, Expenses, and Changes in Fund Balances Years Ended June 30, 1991 and 1990

Operating Revenues Interest Earned on Investments Dividend Income Rental Income Gain on Sale of Investments Leased Security Income Maintenance Reserve - Rental Property State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	\$ 252,452,375 35,701,160 1,994,532 52,916,696 112,830 6,620 6,022,832 34,357,200 44,678,145 209,500 6,267,142 10,443	\$ 225,333,599 34,201,268 2,132,267 61,263,661 336,149 5,955 5,275,861 27,960,000 22,300,000 183,600
Interest Earned on Investments Dividend Income Rental Income Gain on Sale of Investments Leased Security Income Maintenance Reserve - Rental Property State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	35,701,160 1,994,532 52,916,696 112,830 6,620 6,022,832 34,357,200 44,678,145 209,500 6,267,142	34,201,268 2,132,267 61,263,661 336,149 5,955 5,275,861 27,960,000 22,300,000 183,600
Dividend Income Rental Income Gain on Sale of Investments Leased Security Income Maintenance Reserve - Rental Property State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	35,701,160 1,994,532 52,916,696 112,830 6,620 6,022,832 34,357,200 44,678,145 209,500 6,267,142	34,201,268 2,132,267 61,263,661 336,149 5,955 5,275,861 27,960,000 22,300,000 183,600
Rental Income Gain on Sale of Investments Leased Security Income Maintenance Reserve - Rental Property State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	1,994,532 52,916,696 112,830 6,620 6,022,832 34,357,200 44,678,145 209,500 6,267,142	2,132,267 61,263,661 336,149 5,955 5,275,861 27,960,000 22,300,000 183,600
Gain on Sale of Investments Leased Security Income Maintenance Reserve - Rental Property State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	52,916,696 112,830 6,620 6,022,832 34,357,200 44,678,145 209,500 6,267,142	61,263,661 336,149 5,955 5,275,861 27,960,000 22,300,000 183,600
Leased Security Income Maintenance Reserve - Rental Property State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	112,830 6,620 6,022,832 34,357,200 44,678,145 209,500 6,267,142	336,149 5,955 5,275,861 27,960,000 22,300,000 183,600
Maintenance Reserve - Rental Property State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	6,620 6,022,832 34,357,200 44,678,145 209,500 6,267,142	5,955 5,275,861 27,960,000 22,300,000 183,600
State Contributions - Sick Leave State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	6,022,832 34,357,200 44,678,145 209,500 6,267,142	5,275,861 27,960,000 22,300,000 183,600
State Contributions - Benefit Improvement State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	34,357,200 44,678,145 209,500 6,267,142	27,960,000 22,300,000 183,600
State Contributions - Overmatch State Contributions - Handicapped Children Employer Contributions - Overmatch	44,678,145 209,500 6,267,142	22,300,000 183,600
State Contributions - Handicapped Children Employer Contributions - Overmatch	209,500 6,267,142	183,600
Employer Contributions - Overmatch	6,267,142	·
* *		a:
	10,443	
Escrow Late Remittance Penalty		9,276
Other Revenues	(22,306)	16,313
Total Operating Revenues	434,707,169	379,017,949
Operating Expenses		
Investment Counsel Fees	810,000	604,000
Investment Processing Fees	138,683	78,280
Total Operating Expenses	948,683	682,280
Net Operating Income	433,758,486	378,335,669
Reserve Transfers		
Transfer from Various Funds		
Refund of Member Contributions	7,601,896	7,109,154
Inactive Accounts	411,351	376,960
	610	
Penalty on Early Withdrawal of 403(b) Accounts		1,326
Employer Reserve Reclassification	648,666	
Transfer to Various Funds		
Benefits Paid in Excess of Member	(45.4 004 554.)	(107 (07 000)
Contributions and Employer Matching	(154,201,551)	(137,407,228)
Interest	(72,063,523)	(65,919,036)
Balance Member Reserves and Employer Reserves	(40,937)	42,858
Reinstated Accounts	(586,184)	(461,866)
Building and Land (See Note 2)		(2,678,505)
Administrative Expense Allotment	(2,667,219)	(2,326,720)
Capital Construction	(14,500)	(40,000)
Total Reserve Transfers	(220,911,391)	(201,303,057)
Net Fund Balance Additions	212,847,095	177,032,612
Beginning Fund Balance	1,283,037,062	1,106,004,450
Ending Fund Balance	\$ 1,495,884,157	\$ 1,283,037,062



Administrative Expense Reserves Schedule of Revenues, Expenses, and Changes in Rend Salamees Veas Inded June 30, 1991 and 1990

Operating Revenues None	Year Ended June 30, 1991	Year Ended June 30, 1990
Operating Expenses Salaries, Wages, and Fringe Benefits Other Personnel Costs Professional Contracts Interest Utilities and Heating Fuels Rentals Maintenance and Repairs Postage and Related Services Printing Insurance Miscellaneous Services Telecommunications Computer Services Supplies Depreciation Travel Dues and Subscriptions Miscellaneous Commodities Furniture, Fixtures, and Equipment Not Capitalized Compensated Absences Total Operating Expenses	\$ 1,714,138 2,371 140,160 2,337 25,701 10,065 83,974 133,964 103,775 58,351 2,370 39,583 14,385 33,905 163,025 29,845 30,637 1,909 238,982 2,829,477	\$ 1,564,254 3,206 138,792 8,684 25,205 8,421 60,237 139,477 59,349 59,428 2,078 41,235 20,005 28,937 155,989 25,020 24,660 2,221 980
Net Operating Expense	(2,829,477)	(2,368,178)
Reserve Transfers Transfer from Unallocated Reserves Allotment Building and Land (See Note 2)	2,667,219	2,326,720 2,678,505
Total Reserve Transfers	2,667,219	5,005,225
Net Fund Balance Additions (Reductions)	(162,258)	2,637,047
Beginning Fund Balance	3,009,768	372,721
Ending Fund Balance	\$ 2,847,510	\$ 3,009,768





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

Suite 1060

October 15, 1991

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, 1990. 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 30-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.

4041955-2488 Fax 4041933-8336



Report of Actuary on the Valuation Prepared as of June 30, 1990

SIGNORI-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, 1990	June	1989
Number of active members Annual salaries		17,096 40,262	1	16,772 61,448
Number of annuitants and beneficiaries Annual allowances	19,969 \$ 204,536		· · · · · · · · · · · · · · · · · · ·	
Assets for valuation purposes	\$3,660,862		\$3,256,718	
Unfunded actuarial accrued liability	\$1,411,285		\$1,424,108	
Statutory contribution rates:	Univ.	Non-Univ.	Univ	Non-Univ.
Member State	7.705% 10.955	9.185% 12.435	7.705% 10.955	9.185% 12.435
Tota!	18.660%	21.620%	18.660%	21.620%
Actuarially determined contribution rates: Normal Accrued liability (balancing item)	12.910% 5.750	16.350% 5.270	13.120% 5.540	16.510% 5.110
Total	18.660%	21.620%	18.660%	21.620%
Accrued liability funding period	30 y	ears	31½ y	ears

- 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, 1990 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
- 3. Since the previous valuation, the interest rate assumption has been increased from 7½% to 8% and a comparable adjustment has been made in the assumed rate of salary increase. Schedule B of the 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 1990 Session of the Legislature and effective on the valuation date. In particular, the permanent annual cost-of-living increase factor for retired teachers was increased from 1.0% to 1.5%. The valuation also reflects the one time cost of living increase of 3.5% for members and for beneficiaries of members who retired on or before July 1, 1990. Provisions of the System which were taken into account in the current valuation are summarized in the Introductory Section of this annual report.





SICTION II - MINISHESHIP 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, 1990 on the basis of which the valuation was prepared.

GROUP	NUMBER	ANNUAL SALARIES (\$1,000's)
Men Women	14,166 32,930	\$ 460,366 879,896
Total	47,096	\$1,340,262

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, 1990.

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF ANNUITANTS AND BENEFICIARIES ON THE ROLL AS OF JUNE 30, 1990

		•
GROUP	NUMBER	ANNUAL RETIREMENT ALLOWANCES (\$1,000's)
Service Retirements Disability Retirements Beneficiaries of Deceased Members	17,243 1,018 1,351	\$ 185,338 9,854 8,097
Total	19,612	\$ 203,289

In addition, there are 357 beneficiaries entitled to term-certain only annuities totaling \$1,246,933 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.

DECEMBER ASSUES

- 1. The retirement law provides for the maintenance of eight 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; the Voluntary Contribution Fund; and the Capital Construction 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.

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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, 1990 amounted to \$1,098,313,266.

(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, 1990 amounted to \$1,131,212,773.

(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, 1990 amounted to \$139,782,934.

(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, 1990 the assets credited to this Fund amounted to \$1,283,037,062.

(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, 1990 amounted to \$34,063,592. On the basis of past experience, it is assumed that 25% of this amount, or \$8,515,898 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, 1990 amounted to \$3,009,768. 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, 1990 amounted to \$12,549,924. This amount was not included in the assets used for valuation purposes.

(h) Capital Construction Fund

The assets credited to this Fund as of June 30, 1990 amounted to \$40,000. This amount was not included in the assets used for valuation purposes.

2. As of June 30, 1990 the total assets held by the System amounted to \$3,702,009,319. Of this amount, \$3,660,861,933 was used for valuation purposes, as shown in the table on the following page.





ASSETS AS OF JUNE 30, 1990

FUND	ASSETS FOR VALUATION PURPOSES	OTHER ASSETS	TOTAL ASSETS
Teachers' Savings	\$1,098,313,266		\$1,098,313,266
State Accumulation	1,131,212,773		1,131,212,773
Allowance Reserve	139,782,934		139,782,934
Guarantee	1,283,037,062	\	1,283,037,062
Survivor, Death and Medical Insurance	8,515,898	\$ 25,547,694	34,063,592
Expense		3,009,768	3,009,768
Voluntary Member Contribution)	12,549,924	12,549,924
Capital Construction		40,000	40,000
Total	\$3,660,861,933	\$ 41,147,386	\$3,702,009,319

SECTION IV - COMMENTS ON VALUATION

- 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.
- The valuation shows that the System has an actuarial accrued liability of \$3,209,326 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 \$1,793,964 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 \$68,857. The total actuarial accrued liability of the System amounts to \$5,072,147. Against these liabilities, the System has present assets for valuation purposes of \$3,660,862. When this amount is deducted from the actuarial accrued liability of \$5,072,147, there remains \$1,411,285 as the unfunded actuarial accrued liability.
- The normal contribution rate is equal to the actuarial present value of benefits accruing during the current year divided by the annual active members' payroll. The normal contribution rate is determined to be 12.91% of payroll for university members and 16.35% for non-university members.

SECTION V. CONTRIBUTIONS PAYABLE UNDER THE SYSTEM

- 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.
- 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.
- The total net statutory contribution rate is 18.66% of active university members' salaries and 21.62% for active nonuniversity members.





NET STATUTORY CONTRIBUTION RATES

SOURCE	UNIVERSITY	NON-UNIVERSITY
Member State	7.705% 10.955	9.185% 12.435
Total	18.660%	21.620%

4. The valuation indicates that normal contributions at the rate of 12.91% of active university members' salaries are required to meet the cost of benefits currently accruing. The rate for non-university members is 16.35%. 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 5.75% for university members and 5.27% for non-university members. These rates are shown in the following table.

ACTUARIALLY DETERMINED CONTRIBUTION RATES

RATE	•	E OF ACTIVE SALARIES
	UNIVERSITY	NON-UNIVERSITY
Normal Accrued liability (balancing)	12.91% 5.75	16.35% 5.27
Total	18.66%	21.62%

5. The unfunded actuarial accrued liability amounts to \$1,411,285,000 as of the valuation date. Accrued liability contributions at the rate of 5.75% of active university members' payroll and 5.27% of non-university members' payroll are sufficient to amortize the unfunded actuarial accrued liability over the 30-year period commencing June 30, 1990, based on the assumption that the payroll will increase by 5% annually.

SECTION VI-COMMENTS ON LEVEL OF FUNDING

- 1. The benefit percentage for non-university members is 2% for service accrued through January 1, 1984 and 2½% for service accrued after that date. The total net contribution rate is 21.62% 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 1½% increases in the allowances of retired members and beneficiaries. Special appropriations are being made toward the ad hoc increases granted in 1980, 1982, 1987, 1989, and 1990.
- 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 net effect of the System experience, amendments, and changes in assumptions has produced a decrease in the funding period for the unfunded actuarial accrued liability from 31½ years to about 30 years.
- 3. 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.





SECTION VII - ACCOUNTING INFORMATION

 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, 1990

GROUP	NUMBER
Retirees and Beneficiaries	19,969
Active Members:	
Vested	37,140
Non-vested	9,956
Total	67,065

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, 1990, are presented below.

	Pension Benefit Obligation (in \$1,000's)	
*	Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving benefits	\$1,862,821
*	Current employees: Accumulated contributions Employer-financed vested Employer-financed nonvested	1,098,313 1,100,971 1,010,042
	Total Pension Benefit Obligation	\$5,072,147
*	Net assets available for benefits	\$3,660,862
*	Unfunded Pension Benefit Obligation	\$1,411,285





3. The following first four 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 \$ millions)

Fiscal Year Ended	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) + (2)	(4) Unfunded Pension Benefit Obligation (2) · (1)	(5) Annual Covered Payroll	(6) 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
6/30/90	3,660.9	5,072.1	72.2	1,411.2	1,340.3	105.3

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.



SCHEDULA

RESULTS OF THE VALUATION PREPARCED AS OFJUNE 30, 1990 (\$1,000's)

1.	ACT	UARIAL ACCRUED LIABILITY		
	Pres	ent value of prospective benefits payable in respect of:		
	(a)	Present active members:		
		 Service retirement benefits Disability retirement benefits Death and survivor benefits Refunds of member contributions 	\$2,895,275 150,112 86,649 77,290	
		Total		\$3,209,326
	(b)	Present inactive members and members entitled to deferred vested benefits:		68,857
	(c)	Present annuitants and beneficiaries		
		Service retirement benefitsDisability retirement benefitsDeath and survivor benefits	\$1,627,003 71,632 95,329	
		Total		1,793,964
	(d)	Total actuarial accrued liability		\$5,072,147
2.	PRES	SENT ASSETS FOR VALUATION PURPOSES		3,660,862
3.		UNDED ACTUARIAL ACCRUED LIABILITY ninus (2)]		\$1,411,285
4.	NOR	MAL CONTRIBUTION RATE	UNIVERSITY	NON-UNIVERSITY
	(a)	Actuarial present value of benefits accruing annually	\$13,490	\$ 202,099
	(b)	Annual payroll of active members	104,471	1,235,791
	(c)	Normal contribution rate	12.91%	16.35%



SCHEDULARS

OUTUNE OF ACTUARIAL ASSUMPTIONS AND METHODS

INTEREST RATE: 8.0% per annum, compounded annually (Adopted 1989).

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows (Adopted 1989):

Age	Annual Rate
20	9.80%
25	8.90
30	7.90
35	7.20
40	6.70
45	6.40
50	6.20
55	6.00
60	5.90
65	5.70

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

	Annual Rate of Death After					
	Service R	etirement	Disability	Retirement		
Age	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		
<i>7</i> 5	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		



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

ļ		Aı	Men nnual Rate of		
Age	Death	Disability	Withdrawal	Service Retirement*	Early Retirement
20	.008%	.01%	9.00%		
25	.023	.01	8.00	[
30	.038	.01	6.75		
35	.076	.05	5.50	į	
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	İ	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.

			Women		
L		A	nnual Rate of		
Age	Death	Disability	Withdrawal	Service Retirement*	Early Retiremen
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	İ	
50	.130	.29	1.80		
55	.167	.60		9.20%	2.50%
60	.239	.25	}	15.00	
62	.268	.06	1	20.00	
65	.312	ļ		51.00	
70			ļ	100.00	

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

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.



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Salvency less (in millions of dallars)

	Aggregate Accrued Liabilities For (1) (2) (3) Active Retirants Active Members				L	ortion Accruei iabiliti overed Assets	i es By
Eiscal Year	Member Contributions	and Beneficiaries	(Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
1980	\$ 368.3	\$ 788 <i>.</i> 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
1990	1,098.3	1,862.8	2,111.0	3,660.9	100	100	33

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.





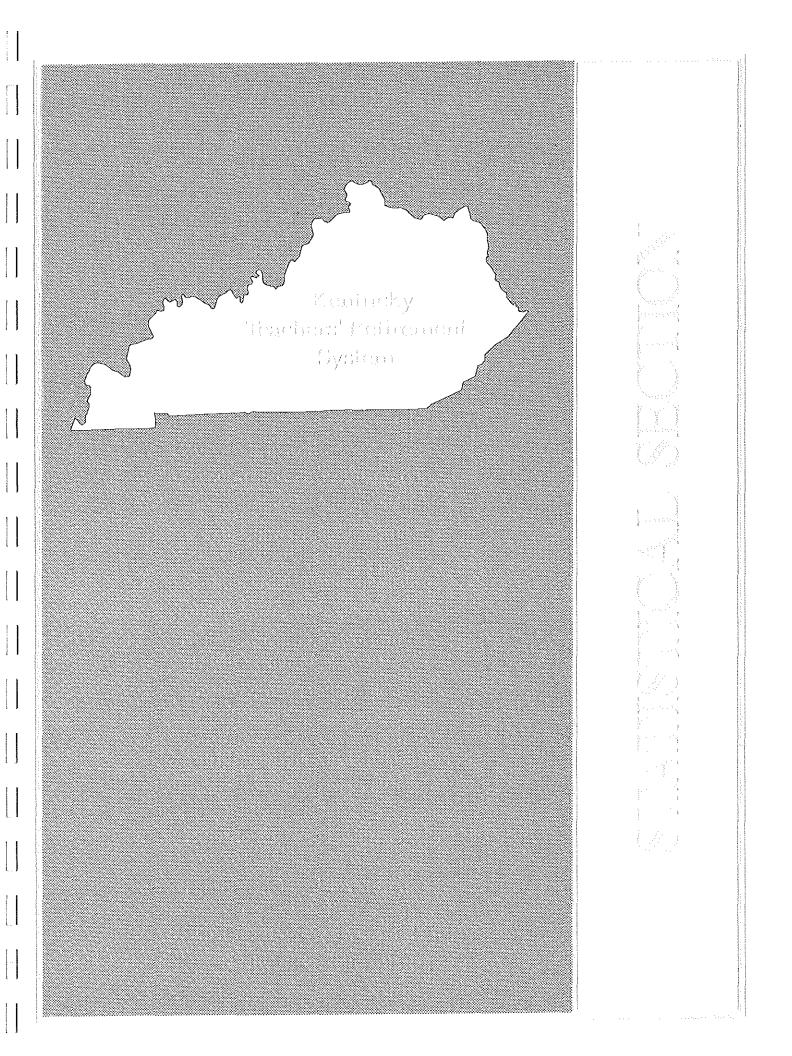
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Fiscal Year	(1) Number of Active Members	(2) Total Annual Payroll	(3) Average Annual Pay (2) ÷ (1)	(4) % Increase (Decrease) In Average Pay
1982	43,426	807,159,764	18,587	8.0
1983	42,570	849,839,088	19,963	7.4
1984	41,438	916,650,063	22,121	10.8
1985	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	5.4
1991	48,415	1,535,562,959	31,717	11.4

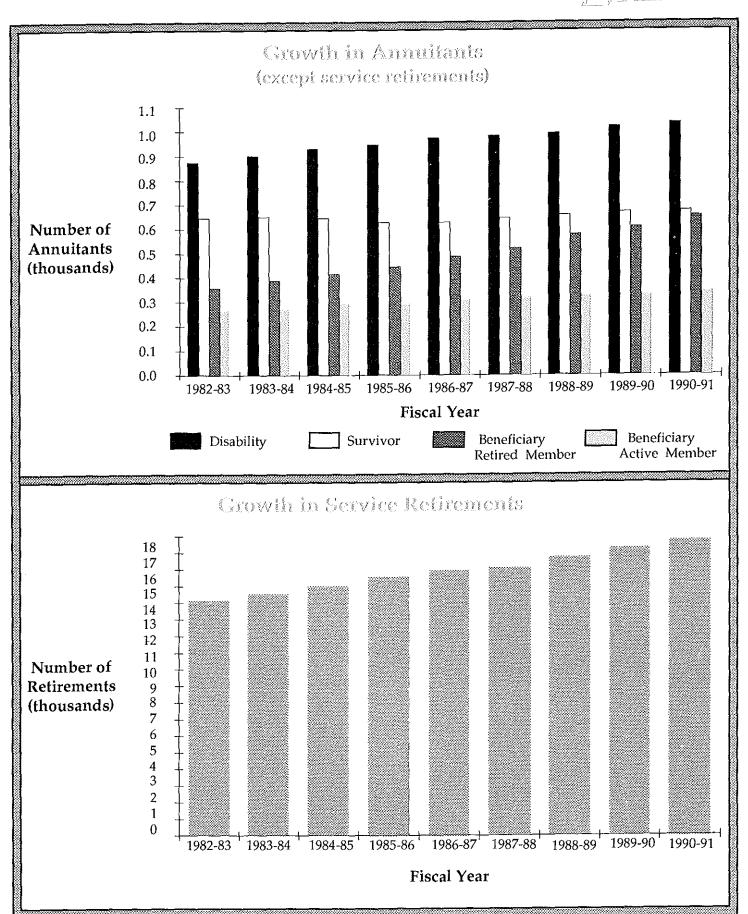
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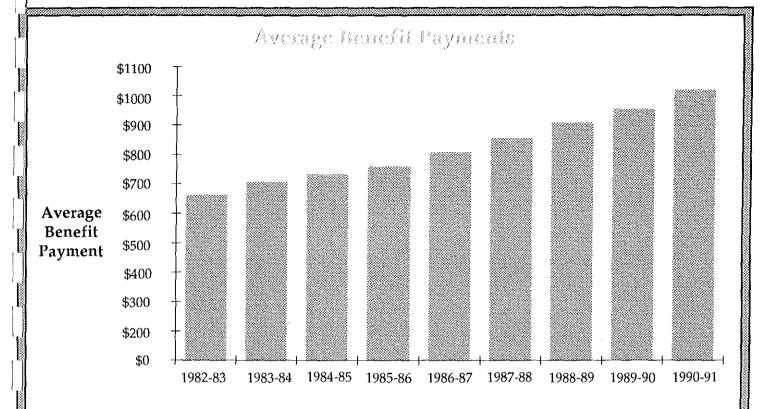
	Annual Allowances (Millions)		Annual		Annual	% Increase	Average
		Number	Allowances (Millions)		Allowances	in Annual	Annual Allowances
207	14.4	407	0.7	15 (05	05.5	10.6	C 00 C
287	14.4	496	2.7	15,635	97.5	13.6	6,236
234	15.3	590	3.2	16,279	109.6	12.4	6,733
082				-		· ·	7,243
209	13.5	630	4.1	17,366	131.0	7.7	<i>7,</i> 545
213	14.7	647	4.1	17,932	141.6	8.1	7,896
119	18.7	695	4.9	18,356	155.4	9. 7	8,464
981	17.8	738	5.6	_	167.6	7.8	9,012
565	25.4	811	6.7	,	186.3	11.2	9,626
356	24.4	757	6.6	-	204.1	9.6	10,231
376	29.4	854	7.8		225.7	10.6	11,025
0 2 2 1 9 5 3	82 09 13 19 81 65 56	82 15.4 09 13.5 13 14.7 19 18.7 81 17.8 65 25.4 56 24.4	82 15.4 574 09 13.5 630 13 14.7 647 19 18.7 695 81 17.8 738 65 25.4 811 56 24.4 757	82 15.4 574 3.4 09 13.5 630 4.1 13 14.7 647 4.1 19 18.7 695 4.9 81 17.8 738 5.6 65 25.4 811 6.7 56 24.4 757 6.6	82 15.4 574 3.4 16,787 09 13.5 630 4.1 17,366 13 14.7 647 4.1 17,932 19 18.7 695 4.9 18,356 81 17.8 738 5.6 18,599 65 25.4 811 6.7 19,353 56 24.4 757 6.6 19,952	82 15.4 574 3.4 16,787 121.6 09 13.5 630 4.1 17,366 131.0 13 14.7 647 4.1 17,932 141.6 19 18.7 695 4.9 18,356 155.4 81 17.8 738 5.6 18,599 167.6 65 25.4 811 6.7 19,353 186.3 56 24.4 757 6.6 19,952 204.1	82 15.4 574 3.4 16,787 121.6 10.9 09 13.5 630 4.1 17,366 131.0 7.7 13 14.7 647 4.1 17,932 141.6 8.1 19 18.7 695 4.9 18,356 155.4 9.7 81 17.8 738 5.6 18,599 167.6 7.8 65 25.4 811 6.7 19,353 186.3 11.2 56 24.4 757 6.6 19,952 204.1 9.6

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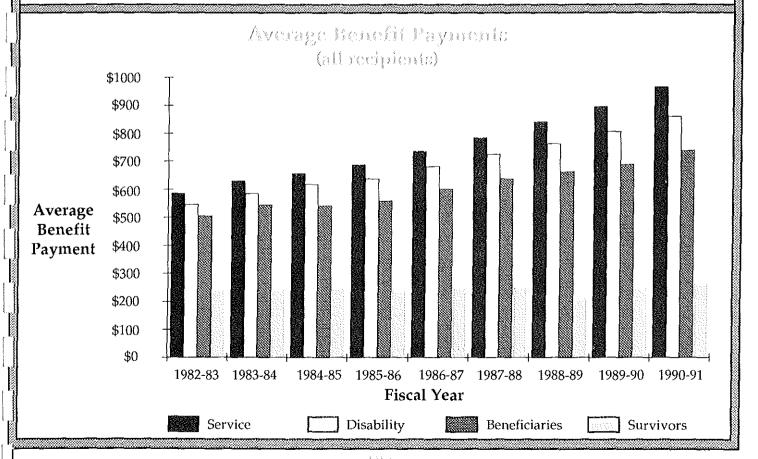




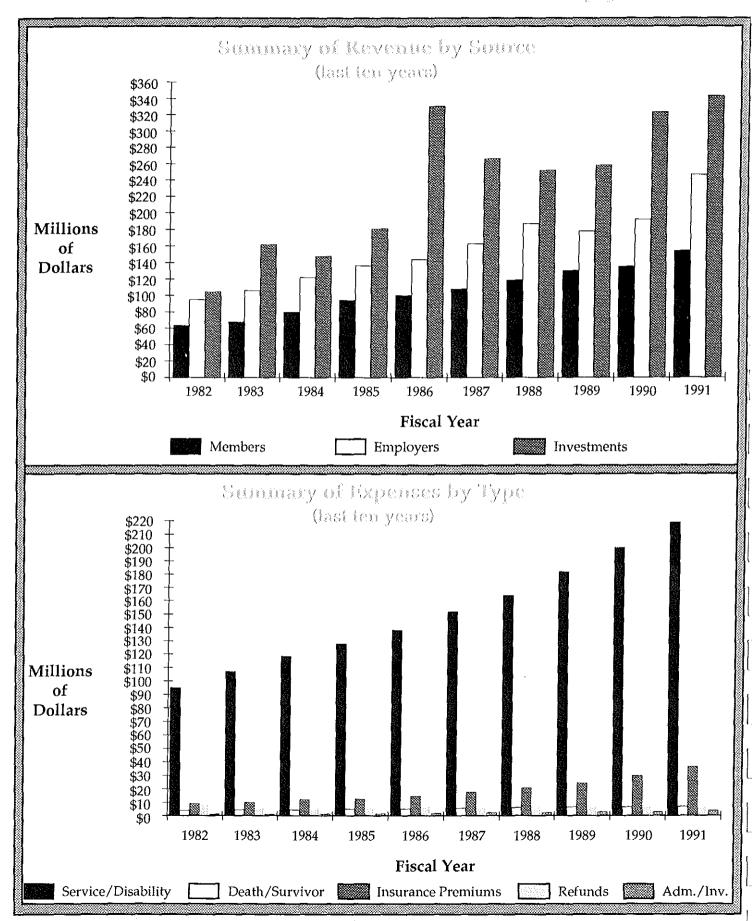




Fiscal Year









Geographical Distribution of Refirement Payments as of June 30, 1991

County	Total	Number of	County	Total	Number of
Name	Payments	Recipients	Name	Payments	Recipients
				ф <i>447</i> 100	40
]	\$ 1,186,416	114	Hancock	\$ 446,198	270
Allen	759,536	66	Hardin	3,062,870	226
Anderson	667,355	70	Harlan	2,598,840	100
Ballard	375,455	42	Harrison	1,048,749	81
Barren	1,926,588	185	Hart	859,052	
Bath	723,123	74	Henderson	1,741,536	165 88
Bell	2,322,477	225	Henry	911,558	k .
Boone	2,281,778	202	Hickman	235,331	26
Bourbon	1,168,269	115	Hopkins	2,037,597	222 88
Boyd	3,036,378	305	Jackson	867,126	1
Boyle	1,868,398	174	Jefferson	35,790,001	2,877
Bracken	296,032	37	Jessamine	1,050,921	100
Breathitt	1,177,519	108	Johnson	1,906,125	177
Breckinridge	714,492	80	Kenton	3,399,568	315
Bullitt	1,446,357	112	Knott	1,199,338	125
Butler	728,892	72	Knox	1,435,040	143
Caldwell	788,264	89	Larue	763,939	64
Calloway	3,449,596	302	Laurel	2,484,989	241
Campbell	2,877,761	261	Lawrence	778,512	81
Carlisle	293,880	31	Lee	678,539	70
Carroll	384,859	45	Leslie	755,407	77
Carter	1,682,377	159	Letcher	1,976,993	192
Casey	1,120,818	112	Lewis	836,316	81
Christian	2,401,749	239	Lincoln	1,345,802	134
Clark	1,341,522	143	Livingston	562,683	57
Clay	1,619,198	164	Logan	1,302,855	139
Clinton	724,000	66	Lyon	512,746	51
Crittenden	538,110	60	Madison	5,612,222	489
Cumberland	602,442	60	Magoffin	819,178	93
Daviess	4,576,621	435	Marion	803,966	84
Edmonson	559,097	57	Marshall	1,211,927	120
Elliott	377,923	33	Martin	670,492	71
Estill	717,394	73	Mason	832,614	78
Fayette	11,946,177	1013	McCracken	3,189,197	325
Fleming	662,364	73	McCreary	711,127	73
Floyd	3,280,739	303	McLean	436,450	47
Franklin	3,930,554	379	Meade	418,445	44
Fulton	478,971	59	Menifee	432,782	44
Gallatin	233,132	27	Mercer	1,249,995	121
Garrard	712,135	71	Metcalfe	756,626	75
Grant	756,481	77	Monroe	1,105,826	110
Graves	1,631,786	171	Montgomery	986,248	101
Grayson	1,271,992	126	Morgan	747,408	78
Green	751,929	67	Muhlenberg	1,626,101	167
Greenup	2,025,561	182	Nelson	1,498,460	131

⁷KTRG

Geographical Distribution of Rediseasen Payments as of June 30, 1991 (continued)

		or san garan can
County	Total	Number of
Name	Payments	Recipients
NI: balan	\$ 356,113	36
Nicholas	1,059,269	105
Ohio		120
Oldham	1,179,639 388,688	41
Owen	· .	58
Owsley	496,377	78
Pendleton	867,544	237
Perry	2,257,982	435
Pike	4,461,996	435 63
Powell	645,117	_
Pulaski	3,396,984	317
Robertson	146,247	17
Rockcastle	1,229,654	109
Rowan	2,225,608	192
Russell	1,014,758	116
Scott	1,041,187	104
Shelby	1,285,113	136
Simpson	750,180	74
Spencer	383,806	40
Taylor	1,430,671	127
Todd	570,479	67
Trigg	601,656	58
Trimble	157,037	19
Union	703,379	69
Warren	6,984,288	606
Washington	497,250	52
Wayne	1,530,464	129
Webster	710,662	83
Whitley	3,054,263	305
Wolfe	418,636	49
Woodford	866,720	80
Total		
In Kentucky	\$206,825,953	19,261

State	Total	Number of Recipients
Name	Payments	necipiemo
Florida	\$ 4,603,870	522
Georgia	690,763	77
Indiana	1,956,490	235
Ohio	1,777,894	267
Tennessee	2,412,419	291
Texas	572,044	78
Virginia	599,839	84
Other States	4,385,710	609
Out Of Country	28,952	7
Total		
Out Of State	\$ 17,027,981	2,170
In Kentucky	206,825,953	19,261
Crand Total	\$223,853,934	21,431

The second



Summary of State Budget Appropriation to Teachers' Retirement System for 1990 - 1991

Expense Hem	1990-91 State Budget Appropriation	1990-91 State Actual Budget Requirement
Match of Member Contributions * Overmatch Federal Payments Sick Leave (KRS 161.550) Retiree Cost of Living Adjustment Prior Service Increase \$75 Minimum Benefit Handicapped Child Benefit Minimum Benefit Adjustment	\$ 128,682,687 42,437,213 (4,199,400) 9,521,200 28,430,000 640,000 10,000 209,500 5,277,200	\$ 135,002,481 44,678,145 (7,759,174) 6,022,832 28,430,000 640,000 10,000 209,500 5,277,200
TOTALS State Under-appropriation for 1990-91	\$ 211,008,400 \$ 1,502,584	\$ 212,510,984

The 1990-92 budget enacted by the 1990 General Assembly requires that in the event an annual appropriation is less than the amount of the statutory requirements, the State shall make up the deficit in the next biennium budget appropriation to the retirement System.

^{*}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 \$25,869,350 in order to match the members' contributions. This resulted in the match of member contributions totaling \$160,871,831. 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.

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 1944-48 1948-52 1952-56 1956-60 1960-64 1964-68 1968-72 1972-76 1976-80 1980-81 1981-82 1982-83 1983-84 1984-85 1985-86 1986-87 1987-88 1988-89 1989-90 1990-91	\$ 2,063,717 3,184,178 4,951,458 7,267,163 14,970,961 25,945,897 49,957,299 82,922,869 120,349,350 189,072,371 60,087,342 63,859,388 68,077,792 80,720,250 90,156,759 95,894,952 108,335,521 119,545,184 129,546,325 136,046,386 160,871,831	\$ 2,042,014 6,044,865 8,019,216 12,044,186 4,109,090 4,012,767 3,902,923 4,310,157 5,024,319 5,039,582 5,369,721 5,983,982 23,980,075 24,625,824 33,628,524	\$ 2,063,717 3,184,178 4,951,458 7,267,163 14,970,961 25,945,897 47,915,285 76,878,005 112,330,134 177,028,185 55,978,252 59,846,622 64,174,869 76,410,093 85,132,440 90,855,370 102,965,799	\$ 75,010,028 24,908,848 26,472,323 28,221,024 30,019,916 31,233,174 33,218,460 36,494,008 40,306,185 17,600,000 22,300,000 44,678,145	\$ 1,486,463 1,409,798 2,300,973 2,790,200 2,037,928 2,444,613 6,068,502 7,051,433 5,275,861 6,022,832	\$ 2,063,637 3,039,017 5,090,848 6,494,102 14,963,272 25,938,763 45,317,694 80,091,951 111,665,685 256,784,030 83,449,550 89,301,425 95,601,936 110,314,100 114,096,000 117,162,300 136,094,156 148,579,721 127,773,500 140,254,800 176,441,700	\$ (80) (145,160) 139,390 (773,062) (7,689) (7,134) (2,597,591) 3,213,946 (664,449) 4,745,817 2,562,450 1,496,018 1,796,245 1,583,118 (5,059,814) (8,949,458) (5,810,265) (11,356,169) (2,444,183) 1,258,377 (1,502,584)	\$ (80) (145,240) (5,850) (778,911) (786,600) (793,734) (3,391,324) (177,378) (841,827) 3,903,990 6,466,440 3,094,894 1,928,730 1,376,748 (3,476,696) (13,802,902) (7,901,823) (19,257,991) (13,799,774) (12,541,397) (1,502,584)

The state under-appropriation at June 30, 1991 is \$1,502,584. 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. Also, KTRS returned the 1990-91 surplus of \$1,258,377 to the Finance Cabinet during the 1990-91 fiscal year.

- (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.

Section (



Summary of June 30, 1991 Retirce Sick Leave Payments

Total members retiring Total members receiving sick leave payments	1155 711
Total amount of sick leave payments (at 9.855% contribution rate)	\$4,466,980.91
Total increase in final average salary base (FASB)	\$893,396.18
Total service credit of 711 retirees	20,691.92

	age Yearly crease		Service Credit		Retirement Factor		Average Yearly Annuity	
\$1	,256.53	Χ	21.10	X	2.00%	=	\$530.26	
\$1	,256.53	Χ	1.00	X	2.25%	=	\$ 28.27	
\$1	,256.53	X	7.00	Χ	2.50%	=	\$219.89	
•	•	•						
verage m	•	•	78.42∹ 12) Present Va			Numb		
verage mo Av M	onthly ann verage	•	78.42∹ 12) Present Va	lue Facto	or	Numb Wit	er of Members	
verage mo As M	onthly ann verage onthly	•	78.42∹ 12) Present Val Bas Average A	lue Facto	or	Numb Wit	er of Members h Sick Leave	

Funding of Additional Payout

Member Contributions State Contributions	9.855% 13.105%	X X	\$4,466,980.91 = \$4,466,980.91 =	\$ 440,220.97 585,397.85
Total Member-State	: Contributi	ons		\$ 1,025,618.82
ficit				

Deficit

Anticipated additional payout Less total Member and State contributions	\$ 7,048,451.15 1,025,618.82
Subtotal unfunded debt Less current year appropriation	\$6,022,832.33 9,521,200.00
Total Surplus	(\$3,498,367.67)*

^{*} This amount has been included in the 1990-91 deficit.



Sick Leave Under KRS 161.155(8) for Piscal Year 1991

		A-1 1
County		Total
School	Number of	Additional
District	Members	Compensation
A 31	6	\$ 41,790.87
Allen Anderson	1	898.02
Ballard	2	11,453.98
Barren	3	22,017.15
Bath	3	15,950.07
Bell	3	3,753.83
Boone	4	43,566.62
Bourbon	4	42,498.23
	3	17,667.88
Boyd Boyle	1	12,201.32
Bracken	1	4,919.94
Breathitt	2	10,518.01
Breckinridge	2	15,093.96
Bullitt	6	41,907.46
Butler	4	25,312.03
Caldwell	4	41,964.89
Calloway	2	9,877.01
1	5	31,590.05
Campbell Carlisle	1	4,437.95
	2	2,058.65
Carroll	5	31,093.25
Carter	4	9,422.22
Casey	14	101,610.56
Christian	7	51,732.22
Clay Clinton	2	4,278.84
Cumberland	3	21,178.69
Daviess	16	107,006.49
Edmonson	3	19,357.29
Estill	3	25,408.92
Fayette	50	405,223.83
Fleming	5	36,560.75
Floyd	14	100,865.42
Franklin	14	81,005.49
Fulton	1	657.03
	1	2,212.18
Gallatin	3	13,513.65
Garrard	2	6,256.01
Grant	1	8,310.40
Graves	5	1 ·
Grayson	4	37,133.44 25,092.95
Green	'1	20,092,90
		<u></u>

County School	Number of	Total Additional
District	Members	Compensation
	,	. OF 000 FO
Greenup	6	\$ 35,908.58
Hancock	2	5,575.75
Hardin	9	57,035.42
Harlan	7	62,014.40
Harrison	3	15,798.58
Hart	1	4,206.49
Henderson	5	14,837.25
Henry	3	5,154.74
Hickman	1	1,478.23
Hopkins	6	47,927.85
Jackson	3	5,028.92
Jefferson	131	854,571.89
Jessamine	5	29,725.72
Johnson	5	37,124.11
Kenton	7	54,359.92
Knott	2	2,087.87
Knox	8	28,977.27
Larue	3	43,163.87
Laurel	8	36,383.76
Lawrence	1	10,931.10
Lee	2	3 <i>,</i> 779.40
Leslie	2	5,409.84
Letcher	6	20,198.68
Lewis	2	14,659.56
Lincoln	6	29,619.89
Livingston	1	10,332.32
Lyon	2	19,877.62
Madison	4	29,334.75
Magoffin	1	7,096.50
Marshall	11	84,120.44
Mason	7	45,273.15
McCracken	12	91,469.20 .
McCreary	3	8,973.31
Meade	6	52,981.23
Metcalfe	1	6,423.64
Monroe	3	9,219.38
Montgomery	4	26,254.19
Morgan	1	6,360.43
Muhlenberg	8	55,988.44
Nelson	6	19,434.81
]		

4.7



School Districts Electing to Pay for Sick Leave Under KRS 161.155(8) for Fiscal Year 1991 (continued)

County School District	Number of Members	Total Additional Compensation
Ohio	2	\$ 7,228.71
Oldham	4	23,511.22
Owsley	2	20,862.00
Pendleton	4	14,134.04
Perry	3	6,670.52
Pike	23	116,614.23
Powell	3	22,194.92
Pulaski	8	46,424.98
Rockcastle	6	24,572.71
Rowan	3	7,275.59
Russell	2	17,770.78
Scott	2	1,087.07
Shelby	5	15,145.30
Simpson	3	15,142.57
Spencer	1	7,522.07
Todd	3	26,826.79
Trimble	1	6,002.33
Union	4	37,262.10
-	4	25,026.08
Warren	1	3,110.10
Washington	I -	l '
Wayne	1	7,467.88
Webster	5	22,542.88
Whitley	5	13,040.08
Wolfe	4	38,104.62
Woodford	-5	31,320.65

Independent		Total	
School	Number of	Additional	
District	Members	Compensation	
		*	
Ashland	6	\$ 38,504.32	
Barbourville	1	8,519.63	
Bardstown	2	11,790.57	
Bowling Green	4	30,733.34	
Campbellsville	2	13,823.03	
Caverna	1	7,282.39	
Corbin	1	753.83	
Covington	4	6,507.56	
Danville	3	24,105.93	
Elizabethtown	2	7,843.63	
Erlanger-Elsmere	2	9,171.79	
Fairview	1	5,138.31	
Frankfort	2	25,107.97	
Glasgow	6	37,258.86	
Harlan	4	36,915.98	
Harrodsburg	1	2,118.42	
Jenkins	2	1,210.15	
Mayfield	3	7,951.09	
Middlesboro	4	17,571.88	
Newport	1	6,388.94	
Owensboro	12	67,813.09	
Paducah	1	188.53	
Paintsville	4	22,719.33	
Paris	2	13,926.13	
Pikeville	1	7,826.18	
Providence	1	8,305.02	
Raceland	2	9,618.46	
Russell	2	22,815.02	
Russellville	2	15,641.70	
Somerset	2	17,289.90	
Southgate	1	5,156.77	
Walton-Verona	2	17,510.40	
Williamsburg	3	16,116.49	
Total for			
All Districts	711	\$4,466,980.91	



Schoolule of KilkS Americants by Type of Benefit June 30, 1991

Amount of Monthly Benefit	Number of	Type of Retirement*				
(\$)	Annuitants	1	2	3	4	5
1 - 200	1,526	736	14	581	54	141
201 - 400	1,764	1,394	88	53	229	0
401 - 600	2,479	2,029	238) 0	212	0
601 - 800	3,497	3,135	165	0	197	0
801 - 1,000	3,259	2,999	140	0	120	0
1,001 - 1,200	2,767	2,520	166	0	81	0
1,201 - 1,400	1,992	1,813	123	0	56	0
1,401 - 1,600	1,283	1,185	60	0	38	0
1,601 - 1,800	731	684	19	0	28	0
1,801 - 2,000	408	391	10	0	7	0
Over 2,000	768	742	9	0	17	0
Totals	20,474	17,628	1,032	634	1,039	141

*Type of Retirement

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

By Age			
Age	Male	Female	
20-24	190	1,008	
25-29	938	3,274	
30-34	1,272	4,120	
35-39	2,218	6,454	
40-44	3,414	8,169	
45-49	2,783	5,112	
50-54	1,825	3,057	
55-59	1,072	1,618	
60-64	453	823	
65-69	87	187	
Over 70	13	38	
Total	14,265	33,860	

By Service				
Years Service	Male	Female		
Less 1 1-4 5-9 10-14 15-19 20-24 25-29 30-34 Over 35	277 2,462 1,969 1,846 2,598 2,642 1,582 637 252	751 7,352 6,146 5,387 6,394 4,704 2,144 637 345		
Total	14,265	33,860		



K'IKS Schoduic of Participating Employees

	Schoo	l Districts			
County Schools					
1. Adair	31. Edmonson	61. Knox	91. Nicholas		
2. Allen	32, Elliott	62. Larue	92. Ohio		
3. Anderson	33. Estill	63. Laurel	93. Oldham		
4. Ballard	34. Fayette	64. Lawrence	94. Owen		
5. Barren	35. Fleming	65. Lee	95. Owsley		
6. Bath	36. Floyd	66. Leslie	96. Pendleton		
7. Bell	37. Franklin	67. Letcher	97. Perry		
8. Boone	38. Fulton	68. Lewis	98. Pike		
9. Bourbon	39. Gallatin	69. Lincoln	99. Powell		
10. Boyd	40. Garrard	70. Livingston	100. Pulaski		
11. Boyle	41. Grant	71. Logan	101. Robertson		
12. Bracken	42. Graves	72. Lyon	102. Rockcastle		
13. Breathitt	43. Grayson	73. Madison	103. Rowan		
14. Breckinridge	44. Green	74. Magoffin	104. Russell		
15. Bullitt	45. Greenup	75. Marion	105. Scott		
16. Butler	46. Hancock	76. Marshall	106. Shelby		
17. Caldwell	47. Hardin	77. Martin	107. Simpson		
18. Calloway	48. Harlan	78. Mason	108. Spencer		
19. Campbell	49. Harrison	79. McCracken	109. Taylor		
20. Carlisle	50. Hart	80. McCreary	110. Todd		
21. Carroll	51. Henderson	81. McLean	111. Trigg		
22. Carter	52. Henry	82. Meade	112. Trimble		
23. Casey	53. Hickman	83. Menifee	113. Union		
24. Christian	54. Hopkins	84. Mercer	114. Warren		
25. Clark	55. Jackson	85. Metcalfe	115. Washington		
26. Clay	56. Jefferson	86. Monroe	116. Wayne		
27. Clinton	57. Jessamine	87. Montgomery	117. Webster		
28. Crittenden	58. Johnson	88. Morgan	118. Whitley		
29. Cumberland	59. Kenton	89. Muhlenberg	119. Wolfe		
30. Daviess	60. Knott	90. Nelson	120. Woodford		
City Schools					
1. Anchorage	15. Covington	29. Harrodsburg	43. Pikeville		
2. Ashland	16. Danville	30. Hazard	44. Pineville		
3. Augusta	17. Dawson Springs	31. Jackson	45. Providence		
4. Barbourville	18. Dayton	32. Jenkins	46. Raceland		
5. Bardstown	19. East Bernstadt	33. Ludlow	47. Russell		
6. Beechwood	20. Elizabethtown	34. Mayfield	48. Russellville		
7. Bellevue	21. Eminence	35. Middlesboro	49. Science Hill		
8. Berea	22. Erlanger-Elsmere	36. Monticello	50. Silver Grove		
9. Bowling Green	23. Fairview	37. Murray	51. Somerset		
10. Burgin	24. Fort Thomas	38. Newport	52. Southgate		
11. Campbellsville	25. Frankfort	39. Owensboro	53. Walton-Verona		
12. Campbensvine	26. Fulton	40. Paducah	54. West Point		
13. Cloverport	27. Glasgow	41. Paintsville	55. Williamsburg		
14. Corbin	28. Harlan	42. Paris	56. Williamstown		
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Universities

- 1. Eastern Kentucky
- 2. Kentucky State
- 3. Morehead State
- 4. Murray State
- 5. Western Kentucky

State of Kentucky / Other Organizations

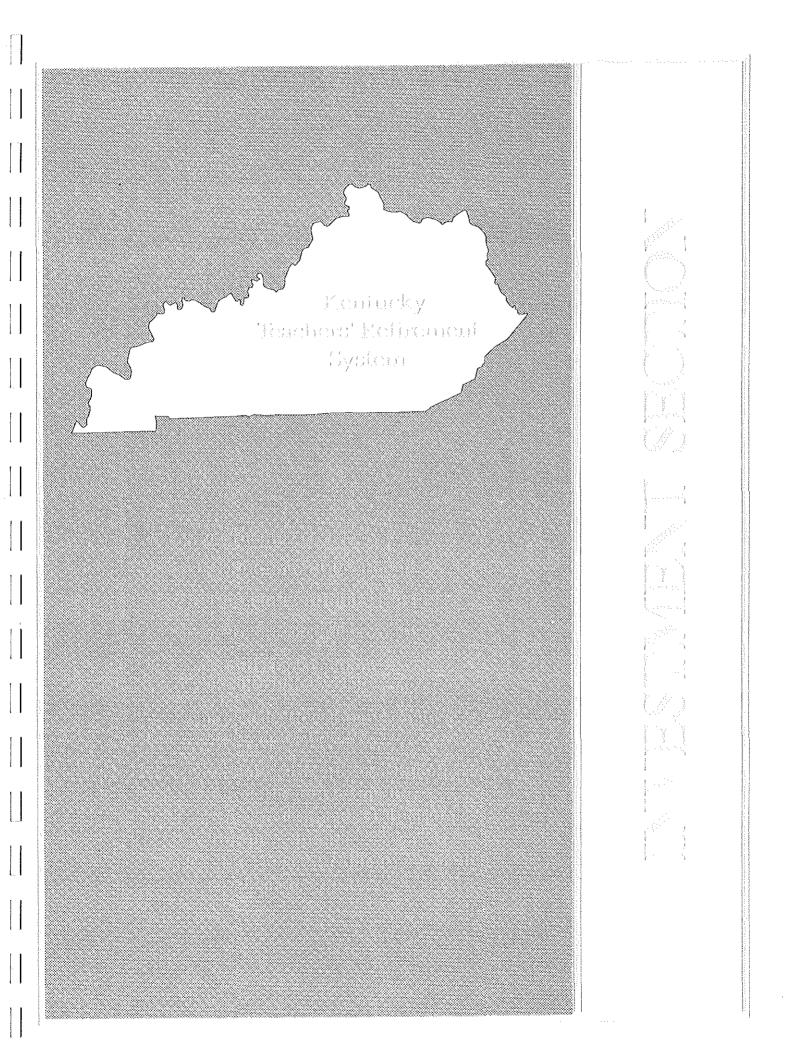
State of Kentucky

- 1. Administrative Office of the Courts *
- 2. Department of Corrections *
- 3. Department of Finance *
- 4. Department of Revenue *
- 5. Education and Humanities Cabinet
- 6. Human Resources *
- 7. Labor Cabinet *
- 8. Legislative Research Commission *
- 9. Workforce Development Cabinet

Other Organizations

- 1. Christian County Health Department *
- 2. City of Murray *
- 3. Communicare Inc. *
- 4. Fivco Area Development *
- 5. Kentucky Education Association President
- 6. Kentucky Academic Association
- 7. Kentucky Association of School Administration
- 8. Kentucky Educational Development Corporation
- 9. Kentucky High School Athletic Association
- 10. Kentucky School Boards Association
- 11. Kentucky Valley Educational Cooperative
- Northern Kentucky Cooperative for Educational Services
- 13. Ohio Valley Educational Cooperative
- 14. Pennyroyal Region Mental Health*
- 15. West Kentucky Education Cooperative

^{*} According to Kentucky Revised Statue 161.607 (1), any member of the Kentucky Teachers' Retirement System who entered employment covered by the Kentucky Employees Retirement System, the State Police Retirement System, or the County Employees Retirement System prior to July 1, 1976, may retain membership in the Teachers' Retirement System instead of joining the new system. These organizations have members who are in this category. Once these members retire, the organization will no longer be considered a KTRS participating employer.



ANADISTRACTOR SECTIONS

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:

- 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.

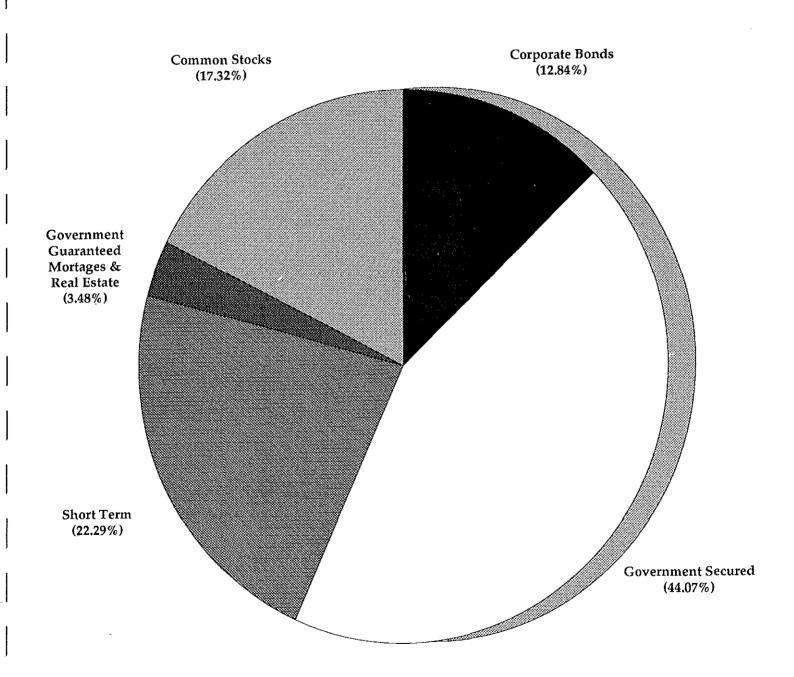
The Kentucky Revised Statutes require the Board of Trustees to employ experienced investment counselors to advise it on investment related matters. Todd Investment Advisors of Louisville was retained during 1990-91 as the principal investment counselor. National Asset Management and Invesco Capital Management also were employed to provide investment counseling services during the fiscal year. National Asset Management assisted in the management of approximately \$520 million in bonds, while Invesco Capital Management was involved with managing approximately \$200 million in equity investments. In addition to monitoring the investment counselors, the in-house investment staff managed about \$750 million of fixed income and equity assets. All of the investment firms are required to work within the same broad 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 \$4.1 billion fund. The Farmers Bank & Capital Trust Company, located in Frankfort, Kentucky, was retained in 1990-91 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 \$332 million, or 8.3%, to a total of \$4.3 billion at year-end. The book value of the fund correspondingly increased 13.7% during the year. The System earned in excess of \$343.9 million of investment income during 1990-91; 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 1990-91 was about \$28.4 million higher than in 1989-90. At year-end, the "net indicated yield" on fixed income investments at par value was 7.24%. The "indicated dividend yield" on common stocks was 4.38%.

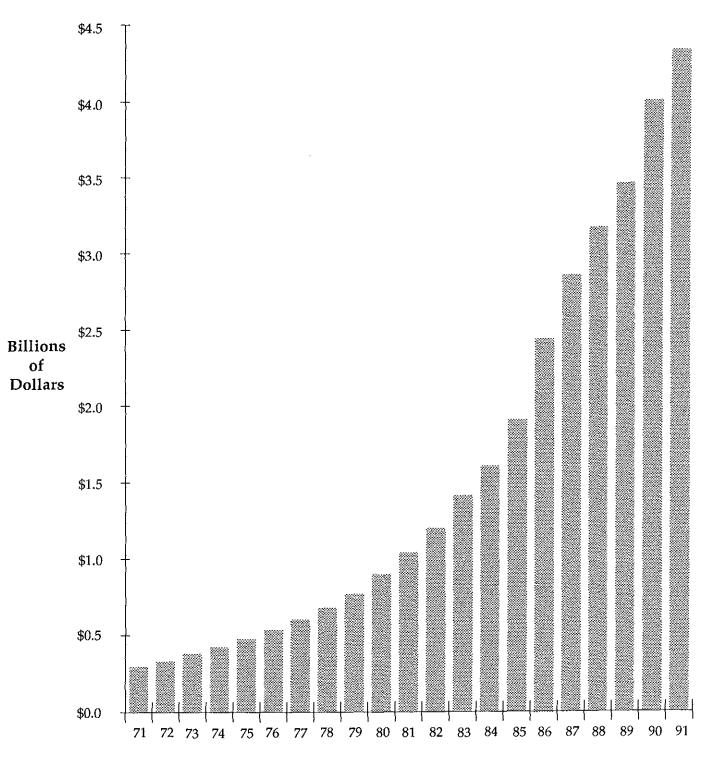
The asset allocation of investments at par value was somewhat different at the beginning of the fiscal year to what it was on June 30, 1991. During the 1990-91 fiscal year, the stock position decreased from 22.3% of assets to 17.3%. The portion of the portfolio in government funds decreased from 50.8% to 44.1%. The cash position increased during the year, going from 8.4% to 22.3% 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, 1991. The pages thereafter provide a detailed listing of all investments held on June 30, 1991. The System annually produces a detailed investment report that is available on request.

Distribution of Investments June 30, 1991



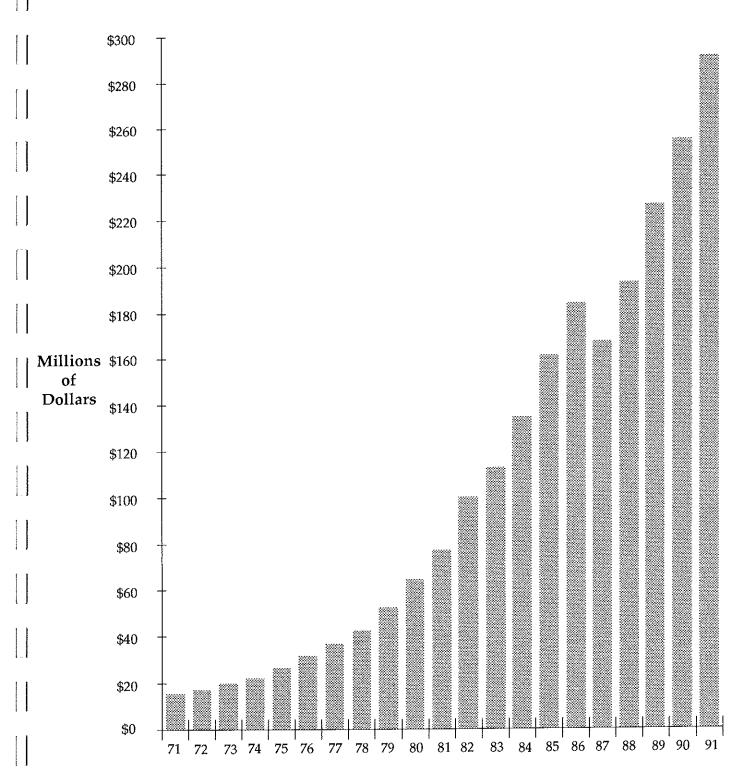
Investment l'orifolio Grawih Fixed Income al l'ar Value Equities at Cost



Fiscal Year



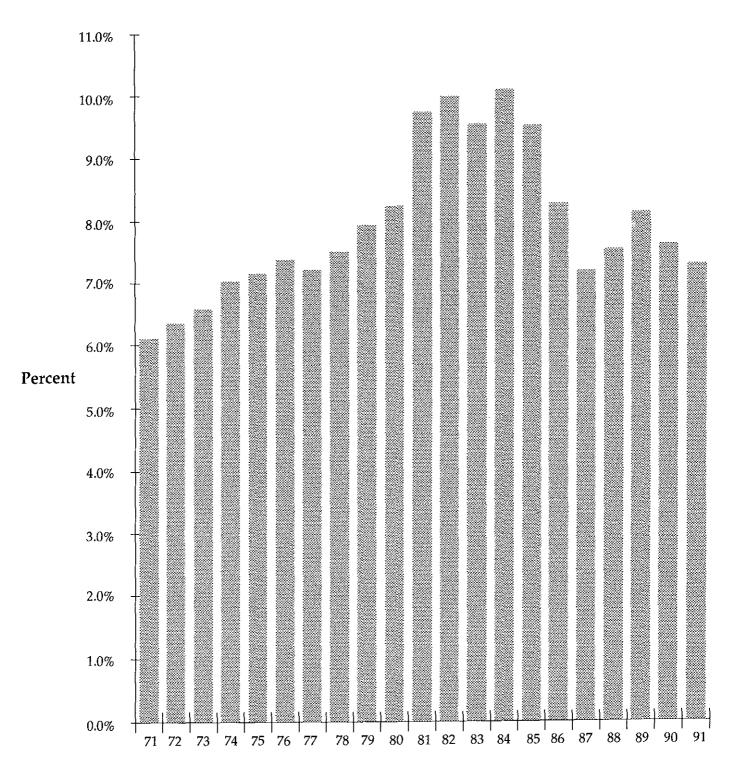
Investment Income Cirowth (Includes Amortization, Excludes Net Cain)



Fiscal Year



Net Indicated Victoria lixed Dollar Assets (Par Value)



Fiscal Year



Analysis of Investments Held as of June 30, 1991

Investment	Percentage of Total	Par Value* or Remaining Principal Balance	Net Annual Interest/ Indicated Dividend Income	Annual Yield
Repurchase Agreements	22.29%	\$ 963,060,000.00	\$ 56,814,194.02	5.90%
Total Short Term	22.29%	\$ 963,060,000.00	\$ 56,814,194.02	5.90%
Treasury Notes and Bonds Agencies Ship Bonds (Title XI) GNMA Mortgage Securities Collateralized Mortgage Obligations Treasury Strip Bonds Other Miscellaneous	24.86 4.70 .76 2.86 2.81 8.08 .00	\$ 1,074,053,000.00 203,198,552.13 32,623,100.35 123,460,831.24 121,567,161.51 348,931,780.00 37,403.78 \$ 1,903,871,829.01	\$ 87,037,121.61 15,672,586.92 3,175,783.06 10,884,850.36 11,205,076.85 13,157,603.02 1,122.11 \$ 141,134,143.93	8.10 7.71 9.73 8.82 9.22 3.77 3.00
Total US Government Obligations Industrials Finance Utility Bonds (Except Telephone) Telephone Bonds Railroad Obligations Corporate Bonds NOC	44.07% 4.21 5.00 .90 1.27 .34 1.12	\$ 1,903,871,829.01 \$ 181,971,526.02 216,072,000.00 39,039,000.00 54,940,000.00 14,552,000.00 47,985,555.96	\$ 16,248,258.15 18,523,085.64 3,068,483.94 4,486,052.76 1,109,241.70 4,197,897.47	8.93 8.57 7.86 8.17 7.62 8.75
Total Corporate Bonds	12.84%	\$ 554,560,081.98	\$ 47,633,019.66	8.59%
FHA & VA Single Family Mortgages Project Mortgages (FHA & GNMA)	.18 2.47	\$ 7,891,591.64 106,724,675.05	\$ 533,537.11 9,990,932.98	6.76 9.36
Total Other Fixed Income Investments	2.65%	\$ 114,616,266.69	\$ 10,524,470.09	9.18%
Subtotal (Fixed Income)	81.85%	\$3,536,108,177.68	\$ 256,105,827.70	7.24%
Real Estate Equity	.83	\$ 35,896,975.59	\$ 2,928,773.36	8.16
Total Real Estate Equity	.83%	\$ 35,896,975.59	\$ 2,928,773.36	8.16%
Common Stocks 14,662,916.00 Shares Stock Index 5,112,406.00 Shares	12.73 4.59	\$ 549,968,371.89 198,207,817.94	\$ 25,895,879.56 6,843,919.04	4.71 3.45
Total Stocks 19,775,322.00 Shares	17.32%	\$ 748,176,189.83	\$ 32,739,798.60	4.38%
Subtotal (Equity)	18.15%	\$ 784,073,165.42	\$ 35,668,571.96	4.55%
Total Investments, Income & Yield	100.00%	\$4,320,181,343.10	\$ 291,774,399.66	6.75%

^{*}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, 1991 was \$3,319,641,225; the market value was \$3,326,776,773. The par and book values of stocks, which are the same, were \$748,176,190 for June 30, 1991; the market value of stocks was \$908,911,109. 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.



Detailed Listing of Investments

Short Term Investments

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Repurchase Agreements:			
Repurchase Agreement	5.800	07/11/91	\$ 51,250,000.00
Repurchase Agreement	5.800	07/09/91	51,360,000.00
Repurchase Agreement	5.820	07/03/91	10,000,000.00
Repurchase Agreement	5.850	07/16/91	35,000,000.00
Repurchase Agreement	5.850	07/30/91	35,000,000.00
Repurchase Agreement	5.850	07/29/91	25,000,000.00
Repurchase Agreement	5.860	07/18/91	36,320,000.00
Repurchase Agreement	5.875	07/12/91	6,556,100.00
Repurchase Agreement	5.875	07/12/91	35,813,900.00
Repurchase Agreement	5.880	07/15/91	25,000,000.00
Repurchase Agreement	5.880	07/10/91	49,700,000.00
Repurchase Agreement	5.890	07/16/91	37,860,000.00
Repurchase Agreement	5.900	07/05/91	27,380,000.00
Repurchase Agreement	5.900	07/25/91	24,960,000.00
Repurchase Agreement	5.905	07/23/91	36,540,000.00
Repurchase Agreement	5.910	07/11/91	25,000,000.00
Repurchase Agreement	5.920	07/01/91	51,540,000.00
Repurchase Agreement	5.920	07/02/91	25,000,000.00
Repurchase Agreement	5.920	07/03/91	35,000,000.00
Repurchase Agreement	5.920	07/09/91	35,000,000.00
Repurchase Agreement	5.920	07/01/91	20,000,000.00
Repurchase Agreement	5.925	07/09/91	27,342,900.00
Repurchase Agreement	5.925	07/09/91	1,447,100.00
Repurchase Agreement	5.940	07/03/91	12,926,800.00
Repurchase Agreement	5.940	07/03/91	14,930,400.00
Repurchase Agreement	5.940	07/03/91	1,700,400.00
Repurchase Agreement	5.940	07/03/91	5,442,400.00
Repurchase Agreement	5.950	07/17/91	48,700,000.00
Repurchase Agreement	5.960	07/10/91	50,000,000.00
Repurchase Agreement	5.960	07/18/91	25,000,000.00
Repurchase Agreement	5.960	07/15/91	48,020,000.00
Repurchase Agreement	5.980	07/08/91	48,270,000.00
Total Short Term Investments			\$ 963,060,000.00

U.S. Government Obligations

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
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	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	8.750	11/15/08	1,500,000.00
U S Treasury Bonds	8.750	11/15/08	1,500,000.00
U S Treasury Bonds	8.875	08/15/17	15,005,000.00
U S Treasury Bonds	8.875	08/15/17	9,995,000.00
U.S. Treasury Bonds	8.875	08/15/17	3,000,000.00
U S Treasury Bonds	8.875	08/15/17	2,000,000.00
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. Government Obligations (continued)

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Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Treasury Bonds and Notes (cont.):			
U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds	8.875 8.875 8.875 9.875	08/15/17 08/15/17 02/15/19 11/15/15	\$ 10,000,000.00 10,000,000.00 25,675,000.00 6,000,000.00
U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds	10.375 10.375 10.375 10.375	11/15/09 11/13/09 11/15/09 11/15/12	1,000,000.00 4,000,000.00 2,500,000.00 2,500,000.00
U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds	10.375 10.625 10.625 10.625 10.625	11/15/12 08/15/15 08/15/15 08/15/15 08/15/15	1,000,000.00 1,000,000.00 500,000.00 1,000,000.00 3,500,000.00
U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds	10.625 10.625 10.750 10.750 10.750	08/15/15 08/15/15 02/15/03 05/15/03 05/15/03	3,200,000.00 1,700,000.00 11,300,000.00 1,500,000.00 2,800,000.00
U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds	10.750 10.750 10.750 10.750	08/15/05 08/15/05 08/15/05 08/15/05	2,850,000.00 4,200,000.00 9,300,000.00 14,000,000.00 1,625,000.00
U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds U S Treasury Bonds	10.750 12.000 12.000 12.375 12.750	08/15/05 08/15/13 08/15/13 05/15/04 11/15/10	7,500,000.00 3,800,000.00 9,223,000.00 3,000,000.00
U S Treasury Bonds U S Treasury Bonds U S Treasury Notes U S Treasury Notes U S Treasury Notes	13.125 14.250 6.500 6.500 7.125	05/15/01 02/15/02 11/15/91 11/15/91 10/15/93	8,000,000.00 6,735,000.00 50,000,000.00 50,000,000.00 2,000,000.00
U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes	7.250 7.250 7.375 7.375 7.375	11/15/96 11/15/96 04/15/93 05/15/96 05/15/96	7,000,000.00 2,400,000.00 60,000,000.00 8,500,000.00 6,300,000.00
U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes	7.375 7.375 7.375 7.375 7.750	05/15/96 05/15/96 05/15/96 07/31/91	25,000,000.00 9,300,000.00 11,400,000.00 50,000,000.00 3,000,000.00
U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes	7.750 7.875 7.875 7.875 7.875 7.875	02/15/95 07/15/96 07/13/96 11/15/99 11/15/99	3,000,000.00 2,000,000.00 3,000,000.00 2,000,000.00
U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes	7.875 8.000 8.000 8.000 8.000	11/15/99 01/15/97 08/15/99 08/15/99 08/15/99	3,000,000.00 1,500,000.00 5,000,000.00 2,000,000.00 2,000,000.00
U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes	8.000 8.125 8.250 8.250	08/15/99 02/15/98 08/31/91 08/31/91	7,000,000.00 4,000,000.00 20,000,000.00 50,000,000.00
U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes U S Treasury Notes	8.250 8.250 8.375 8.373 8.500	08/15/92 11/15/94 11/15/92 11/15/92 04/15/97	3,000,000.00 16,000,000.00 5,000,000.00 5,000,000.00 9,500,000.00
U S Treasury Notes	8.500	04/15/97	9,500,000.00

17

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U.S. Covernment Obligations (continued)

Elili Cloverinnicani Chhippeins (contitunted)			
Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Treasury Bonds and Notes (cont.):			
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	8.500	02/15/00	2,000,000.00 3,500,000.00
U S Treasury Notes U S Treasury Notes	8.625 8.625	05/15/93 10/15/95	19,000,000.00
U S Treasury Notes	8.625	08/15/97	10,630,000.00
U S Treasury Notes	8.625	08/15/97	2,000,000.00
U S Treasury Notes	8.625 8.625	08/15/97 08/15/97	2,000,000.00 10,000,000.00
U S Treasury Notes 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	8.875	07/15/95	22,500,000.00
U S Treasury Notes	8.875 8.875	07/15/95 07/15/95	6,000,000.00 2,500,000.00
U S Treasury Notes U S Treasury Notes	8.875	11/15/97	400,000.00
U S Treasury Notes	8.875	11/15/97	15,500,000.00
U S Treasury Notes	8.875	11/15/97	2,500,000.00
U S Treasury Notes	8.875	11/15/97 11/15/97	2,500,000.00 1,000,000.00
U S Treasury Notes U S Treasury Notes	8.875 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 4,500,000.00
U S Treasury Notes	8.875 8.875	11/15/98 02/15/99	360,000.00
U S Treasury Notes U S Treasury Notes	8.875	02/15/99	3,000,000.00
U S Treasury Notes	8.875	05/15/00	4,000,000.00
U S Treasury Notes	8.875	05/15/00	7,500,000.00
U S Treasury Notes	8.875 9.000	05/15/00 05/15/92	2,500,000.00 3,000,000.00
U S Treasury Notes U S Treasury Notes	9.000	05/15/92	2,700,000.00
U S Treasury Notes	9.000	05/15/98	15,000,000.00
U S Treasury Notes	9.000	05/15/98	11,856,000.00
U S Treasury Notes	9.000	05/15/98 05/15/98	1,144,000.00 10,000,000.00
U S Treasury Notes 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 05/15/99	2,000,000.00 3,000,000.00
U S Treasury Notes U S Treasury Notes	9.125 9.250	03/13/99	16,000,000.00
U S Treasury Notes	9.250	01/15/96	2,000,000.00
U S Treasury Notes	9.250	01/15/96	4,000,000.00
U S Treasury Notes	9.250	08/15/98 08/15/98	2,780,000.00 2,000,000.00
U S Treasury Notes U S Treasury Notes	9.250 9.250	08/15/98 08/15/98	4,500,000.00 4,500,000.00
US Treasury Notes	9.250	08/15/98	4,800,000.00
U S Treasury Notes	9.250	08/15/98	400,000.00
U S Treasury Notes	9.250	08/15/98	1,000,000.00
U S Treasury Notes	9.375 9.375	04/15/96 04/15/96	2,200,000.00 4,500,000.00
U S Treasury Notes U S Treasury Notes	9.500	05/15/94	2,000,000.00
U S Treasury Notes	9.500	05/15/94	4,400,000.00
U S Treasury Notes	9.500	05/15/94	2,000,000.00
U S Treasury Notes	9.500	10/15/94 10/15/94	9,300,000.00 4,750,000.00
U S Treasury Notes U S Treasury Notes	9.500 9.500	10/15/94	20,950,000.00
U S Treasury Notes	9.500	10/15/94	50,000.00
U S Treasury Notes	9.500	11/15/95	2,575,000.00
U S Treasury Notes	10.125	05/15/93	3,500,000.00

78



U.S. Government Obligations (continued)

O.O. CHOVERIMICAL ADMISSIONAL COMMISSIONAL			
Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Treasury Bonds and Notes (cont.):			
Treasury Bonds and Notes (cont.): U S Treasury Notes	10.125 10.125 10.375 10.375 10.500 10.500 10.500 10.500 11.250 11.250 11.250 11.750 11.750 11.750 11.750 11.750 11.875 11.875 13.750	05/15/93 05/15/93 07/15/92 07/15/92 11/15/92 08/15/95 08/15/95 08/15/95 02/15/95 05/15/95 05/15/95 11/15/93 11/15/93 11/15/93 11/15/93 11/15/93 08/15/93 08/15/93 08/15/93	3,000,000.00 \$ 19,000,000.00 \$,000,000.00 3,100,000.00 4,000,000.00 1,000,000.00 1,500,000.00 1,000,000.00 2,500,000.00 2,500,000.00 4,000,000.00 4,000,000.00 1,250,000.00 4,450,000.00 4,500,000.00 1,000,000.00 2,000,000.00 1,500,000.00 1,500,000.00
Total Treasury Bonds and Notes Federal Agencies:			\$ 1,074,053,000.00
FHLB FHLB FHLB FHLMC Freddie Mac Group 14-0527 FHLMC Mult Mtg Ctfs Ser 53 Cl 53-A FHLMC Remic 129-G FHLMC Remic PC 119G FHLMC Ser 149 F FICO FICO FICO FNMA FNMA FNMA FNMA FNMA FNMA FNMA FNMA	8.800 9.550 8.000 9.500 8.850 7.500 8.850 7.500 8.500 9.400 9.400 9.400 8.150 8.450 8.450 8.625 9.200 9.300 9.300 10.950 11.500 8.000 0.000 9.400 9.250 9.000 9.1500 11.500 11.500 11.500 11.500 11.500 11.500 8.250 8.250 8.250 8.250 8.250 8.750	10/25/93 04/25/94 10/01/08 08/15/20 05/15/20 09/15/20 09/15/20 08/15/21 02/08/18 02/08/18 02/08/18 08/12/96 07/12/99 07/12/99 09/10/96 09/11/00 05/10/94 05/10/94 03/10/93 03/10/93 02/10/95 08/25/16 07/05/14 08/10/98 07/25/13 03/25/20 01/20/92 01/20/92 01/20/92 07/22/91 05/01/97 11/15/96 11/15/96 11/15/96 11/15/99 10/01/19	\$ 3,700,000.00 1,500,000.00 9,360,346,73 4,846,205.40 3,000,000.00 16,680,000.00 2,000,000.00 2,000,000.00 1,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 2,000,000.00 13,500,000.00 13,500,000.00 13,500,000.00 13,012,000.00 10,000,000.00 10,000,000.00 10,000,000.00 2,000,000.00 10,000,000.00 2,000,000.00
Total Federal Agencies			\$ 203,198,552.13

70

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U.S. Clavermanent (Ibligations (confinence))

U.S. Government (Phligations (continued)			
Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Ship Bonds (Title XI):			
American Commercial Lines Ser F Atlas Marine American Hertge Cntrl Gulf Lns Lash Lighters Crowley Maritime Farrell Lines Inc Freedom Farrell Lines Inc SF Ser I Flowers Transportation SF Goodyear Steamship SF Marine Ship Leasing A Antarctic Marine Vessel Leasing Ind Ocean Shipco 668 Series A SF Zapata Marine US Inc SF	10.950 7.700 8.250 8.125 7.300 7.950 8.400 11.550 7.875 7.875 8.500 7.700	07/15/04 12/15/96 01/15/95 09/13/99 07/01/97 06/07/04 05/05/00 05/15/06 09/12/95 10/14/95 05/11/02 09/30/94	\$ 5,920,000.00 1,887,000.00 519,912.82 2,589,881.17 693,000.00 2,567,000.00 906,178.59 10,660,859.91 598,176.52 493,091.34 4,116,000.00 1,672,000.00
Total Ship Bonds			\$ 32,623,100.35
GNMA Single Family Mortgages:		; ;	
164 Mortgage Pools	various	various	\$ 123,460,831.24
Total GNMA Single Family Mortgages			\$ 123,460,831.24
Collaterized Mortgage Obligations:			
CMO Coll Mtg Sec Corp Ser 88-4 CLB CMO Coll Mtg Sec Corp Ser 88-4 CLB CMO Ryland Accept Corp Ser 54 CL54B CMO Ryland IV 62D Ser 62 CMO Trust 43 Ser Y CMO Trust II 4C Bonds CMO-FHLMC Ser 21R Class B CMO-FHLMC Ser 21R Class E CMO-FHLMC Ser 21R Class E CMO-FNMA 1990-37 Ser D CMO-FNMA 1990-37 Ser D CMO-FNMA Trust 1989-41-B CMO-Lomas Nettleton Mtg II 2 CMO-Lomas Nettleton Mtg II 2 CMO-MDC Asset Inv TR SER 11 CL 3 CMO-Mortgage Bankers Fin 87A CMO-United Saving Assoc TX 3B Total Collaterized Mortgage Obligations	8.750 8.750 9.830 7.500 8.200 9.650 8.900 9.350 9.350 8.100 8.100 9.250 9.000 9.000 9.000 9.050 7.200 8.950	04/20/19 04/20/19 11/01/03 02/01/11 05/20/04 07/25/06 02/15/09 02/15/09 02/15/09 07/25/14 07/25/14 02/25/98 12/01/08 12/01/08 11/20/17 07/25/00 12/25/05	\$ 2,887,871.71 11,504,128.29 1,343,162.48 1,250,000.00 6,192,009.78 5,000,000.00 18,516,880.00 1,000,000.00 30,000,000.00 5,000,000.00 20,000,000.00 2,500,000.00 2,500,000.00 2,500,000.00 2,423,485.86 3,209,623.39 3,240,000.00 \$ 121,567,161.51
CATS (Treasury Securities) RU CATS (Treasury Securities) U CATS (Treasury Securities) VGLQT CATS (Treasury Securities) VGLQT CATS (Treasury Securities) Z Call Treasury Receipts Principal CATS Series R Principal CATS U Principal CATS U	0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000 0.000	02/15/04 02/15/01 02/15/02 08/15/02 02/15/03 02/15/02 11/15/03 05/15/03 11/15/11 08/15/04 08/15/04	\$ 4,600,000.00 1,100,000.00 10,800,000.00 5,500,000.00 5,000,000.00 3,300,000.00 10,600,000.00 5,000,000.00 2,520,000.00 45,000,000.00 22,800,000.00 5,004,000.00
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U.S. Government Obligations (continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Treasury Strip Bonds (cont.):			
Treasury Receipts Treasury Receipts Series G U S Treasury Strip Bonds Total Treasury Strip Bonds Total Treasury Strip Bonds	0.000 0.000	05/15/04 05/15/94 05/15/92 05/15/93 02/15/94 02/15/94 02/15/94 05/15/95 11/15/96 08/15/97 08/15/98 02/15/01 11/15/01 05/15/04 08/15/06 02/15/07 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11 11/15/11	\$ 2,170,080.00 8,125,700.00 5,000,000.00 4,600,000.00 1,300,000.00 2,400,000.00 5,000,000.00 3,000,000.00 1,000,000.00 1,000,000.00 1,000,000.00 15,000,000.00 4,000,000.00 4,000,000.00 8,600,000.00 8,000,000.00 15,000,000.00 15,000,000.00 4,000,000.00 8,000,000.00 15,000,000.00 8,000,000.00 14,000,000.00 14,000,000.00 14,000,000.00 14,000,000.00 3,000,000.00 14,000,000.00 14,000,000.00 14,000,000.00
FHA Certificate of Claim FHA Certificate of Claim	3.000		32,887.02 \$ 37,403.78
Total U.S. Government Obligations			\$ 1,903,871,829.01

Corporate Bonds

Security	Coupan	Maturity	Par Value or Remaining Principal Balance
Industrials:			
Ariel Properties Inc Mtg Nt	7.000	07/01/98	\$ 288,671.38
Borden Inc SF Debs	8,375	04/15/16	10,000,000.00
Burlington Resources Inc Nts	9.625	06/15/00	3,000,000.00
Burlington Resources Inc Nts	9.625	06/15/00	2,000,000.00
Burlington Resources Inc Nts	9.625	06/15/00	9,000,000.00
Chevron London 1st Prfd Ship Mtg	7.700	09/07/97	497,927.32
Conoco Pipe Line Guaranteed Nts	7.500	05/01/94	45,000.00
Corning Glass Works Debs	8.875	03/15/16	5,000,000.00
Dayton-Hudson Corp Notes	10.000	12/01/00	11,000,000.00
Dayton-Hudson Corp SF Debs	9.500	10/15/16	1,000,000.00
Dow Chemical Co	8.625	02/15/08	1,800,000.00

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Corporate Bonds (continued)

A STATE OF THE STA	Conposate pares (continued)				
Security	Coupen	Maturity	Par Value or Remaining Principal Balance		
Industrials (cont.):					
Dow Chemical Debs	8.625	02/15/08	2,200,000.00		
Dupont (E I) deNemours Debs	6.000	12/01/01	4,000,000.00		
Dupont (E I) deNemours Debs	6.000	12/01/01	8,000,000.00		
Dupont (E I) deNemours Debs	6.000	12/01/01	4,000,000.00 497,927.32		
Fahrney Paul L 1st Prfd Ship Mtg.	7.700 9.375	09/08/97 11/01/92	3,000,000.00		
Federated Dept Stores Ford Motor Co Nts	8.875	04/01/06	3,045,000.00		
Ford Motor Credit MTN	9.030	07/15/96	5,500,000.00		
General Motors Corp Debs	8.125	04/15/16	3,500,000.00		
ITT Corp Variable Duration Nts	10.450	09/01/95	8,748,000.00 3,000,000.00		
K-Mart MTN	9.600	09/15/98 12/31/91	8,000,000.00		
Kimberly Clark Corp MTN Kimberly Clark Corp MTN	8.350 8.550	12/31/92	4,000,000.00		
Kimberly Clark Corp MTN Kimberly Clark Corp MTN	8.550	12/31/92	11,000,000.00		
Leased Tankers Secured Nts A	7.450	12/01/92	206,000.00		
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 3,000,000.00		
May Department Stores Debs	9.125 9.000	12/01/16 05/15/98	6,000,000.00		
Philip Morris Cos Nts Philip Morris Debs	9.250	12/01/97	10,500,000.00		
Pitney Bowes Inc SF Debs	9.000	10/15/95	143,000.00		
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 10,000,000.00		
RJR Nabisco Inc Nts	9.250 8.625	05/01/95 03/15/17	1,600,000.00		
RJR Nabisco SF Debs 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		
UPS (United Parcel)	8.375	04/01/20	3,500,000.00		
United Parcel Service Debs	8.375	04/01/20	5,000,000.00		
United Tech Corp SF Debs	8.875	12/15/16	1,000,000.00 8,000,000.00		
United Technologies MTN	8.300 12.300	12/15/99 01/15/15	1,000,000.00		
Westvaco Corp SF Debs	12.500	01/10/10			
Total Industrial Bonds			\$ 181,971,526.02		
Finance:					
American Express Cr Co Sr Nts	7.750	03/01/97	\$ 1,000,000.00		
American Express Cr Co Sr Nts	7.750	03/01/97 02/01/95	9,000,000.00 3,000,000.00		
American Express Cr Corp Nts	8.750 8.750	02/01/95	2,000,000.00		
American Express Cr Corp Nts American Express Cr Corp Nts	8.750	02/01/95	5,000,000.00		
American Tel Tel Credit Corp MTN	8.800	01/31/95	3,500,000.00		
Associates Corp of North America	8.375	01/15/98	5,000,000.00		
Associates Corp of North America	9.200	07/01/93	4,400,000.00 1,000,000.00		
Associates Corp of North America	9.200 8.375	07/01/93 03/15/94	12,000,000.00		
Bank of America MTN Beneficial Finance Debs	4.500	03/01/92	495,000.00		
C & S/Sovran Corp	9.750	06/15/99	1,000,000.00		
Capital Cities ABC Fin Inc Gtd Debs	8.750	03/15/16	10,000,000.00		
Capital Holding MTN	8.910	03/18/96	1,800,000.00		
Capital Holding MTN	8.910	03/18/96 02/15/98	12,000,000.00 5,000,000.00		
Commercial Credit Notes First Nationwide Bank MTN	8.500 9.080	06/25/93	3,000,000.00		
Fleet Financial CD MTN	8.400	12/18/92	4,000,000.00		
Fleet Financial CD MTN	8.400	12/18/92	6,000,000.00		
Ford Motor Credit Notes	7.500	03/01/94	4,000,000.00		
Ford Motor Credit Notes	7.500	03/01/94	6,000,000.00		
Ford Motor Credit Notes	7.875 9.000	01/15/97 06/01/93	4,000,000.00 3,000,000.00		
G E Capital Corp Notes	8.600	04/05/95	10,000,000.00		
GMAC	0.000	01/05/55			

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Corporate Bonds (continued)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Finance (cont.):			
GMAC Debs GMAC Debs GMAC MTN General Motors Accept Corp Debs General Motors Accept Corp Debs Household Finance Corp. MTN Household Finance Corp. MTN IBM Credit MTN MBIA Inc Notes Metropolitan Federal Bk MTN National Bank of Detroit Dep Nts National Credit Cards Series 1989-3 Norwest Financial MTN Penney J C Financial Corp Debs Republic Bank of N.Y. Sub. Notes U S West Financial Services MTN U S West Financial Services MTN U S West Financial Services MTN	8.625 8.625 8.350 7.750 8.000 9.040 9.040 8.200 9.375 8.450 8.750 10.150 8.540 7.875 8.875 9.125 9.125	06/15/99 06/15/99 08/04/93 10/01/94 01/15/02 08/02/93 08/02/93 07/30/93 02/15/11 03/01/93 06/25/92 04/15/93 04/17/95 09/15/91 02/15/01 08/02/93 08/02/94	4,000,000.00 6,000,000.00 9,000,000.00 4,877,000.00 3,500,000.00 4,000,000.00 5,000,000.00 2,000,000.00 4,500,000.00 10,000,000.00 10,000,000.00 10,000,000.00 10,000,000.00 10,000,000.00 6,000,000.00 6,000,000.00 6,000,000.00 3,000,000.00
Total Finance Bonds			\$ 216,072,000.00
Appalachian Power Co 1st Mtg MBIA Con Edison 1st Ref Mtg EE Con Edison 1st Ref Mtg FF Con Edison 1st Ref Mtg V Coop Util Tr. (Cajun Ser) Elizabethtown Water Co Debs NJ Florida Power Corp 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Florida Power Light 1st Mtg Kentucky Utilities 1st Mtg I Kentucky Utilities 1st Mtg J Louisville Gas Electric 1st Mtg Pacific Gas Elec 1st Ref Mtg QQ Pacific Gas Elec 1st Ref Mtg XX Pacific Power Light 1st Mtg Pennsylvania Electric Debs Park Flore Con 1st Pole Mtg Mtg	9.125 6.250 6.850 4.375 8.920 4.875 7.375 4.625 5.000 9.000 9.000 8.750 7.625 8.250 9.125 6.625 7.500 4.500 7.000 7.500	11/01/19 08/01/97 10/01/98 06/01/92 03/15/19 02/01/92 06/01/02 03/01/95 12/01/95 10/01/16 03/01/17 04/01/00 09/01/01 08/01/01 10/01/19 06/01/00 12/01/03 12/01/92 11/01/92 04/01/96	\$ 3,000,000.00 500,000.00 250,000.00 1,150,000.00 1,500,000.00 818,000.00 2,000,000.00 100,000.00 1,000,000.00 207,000.00 2,000,000.00 2,000,000.00 2,000,000.00 1,000,000.00 1,300,000.00 1,300,000.00 1,361,000.00 98,000.00 10,000,000.00
Pub Ser Elec Gas 1st Ref Mtg U Pub Ser Elec Gas Debs Virginia Elec Power 1st Ref Mtg Wisconsin Electric Power 1st Mtg Total Utility Bonds Telephone Bonds: American Tel Tel Debs American Tel Tel Debs American Tel Tel Debs Chesapeake Potomac Tel W Va Debs	6.000 9.250 8.500 5.125 5.500 6.000 9.250	07/01/98 03/01/06 12/15/16 12/15/16 04/01/01 01/01/97 08/01/00 07/01/19	255,000.00 1,000,000.00 7,500,000.00 \$ 39,039,000.00 4,000,000.00 2,100,000.00 1,000,000.00 2,000,000.00
Cincinnati Bell Inc Nts Cîncinnati Bell Inc Nts GTE Florida Inc	9.100 9.100 8.000	06/15/00 06/15/00 03/01/01	2,000,000.00 3,000,000.00 250,000.00



Corporate Beards (continued)

vorponic bones (continued)				
			Par Value	
Security	Coupen	Maturity	or Remaining Principal Balance	

Telephone Bonds (cont.):				
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 Illinois Bell Tel Debs	8.750 8.000	09/01/00 12/10/04	200,000.00 5,000,000.00	
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	10,000,000.00	
New York Telephone Co Debs	8.750	04/01/23	3,000,000.00	
New York Telephone Co Debs Pacific Tel Tel Debs	8,750 7,800	04/01/23 03/01/07	2,000,000.00 250,000.00	
Pacific 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	
Southern Bell Tel Tel Debs	8.500	08/01/29	3,000,000,0	
Southwestern Bell Tel Debs	4.625	08/01/95	1,590,000.00	
Southwestern Bell Tel Debs Southwestern Bell Tel Debs	6.750 7.750	06/01/08 09/01/09	1,000,000.00 2,000,000.00	
Southwestern ben Tei Debs	7.730	09/01/09	2,000,000,00	
Total Telephone Bonds			\$ 54,940,000.00	
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 Virginia Southwestern Ry lst Mtg	5.000 5.000	07/01/94 01/01/03	2,950,000.00 107,000.00	
inguin countries and it is may	3.000	01701705	\$ 14,552,000.00	
Corporate Bonds NOC:			\$ 14,332,000.00	
CFC-2 Grantor Trust Asset B/CT	8.550	10/15/92	\$ 437,258.03	
CFC-3 Grantor Trust	7.700	02/15/93	2,839,491.15	
College & Univ Fac Loan TR Two Ser A	4.000	06/01/96	1,920,442.08	
College & Univ Fac Loan TR Two Ser A	4.000	06/01/96	1,816,634.40	
Discover Credit card Trust 1990-B	9.200	11/16/95	11,000,000.00	
First USA Credit Card Trust 1989A First USA Credit Card Trust 1989A	8.550 8.550	07/15/94 07/15/94	2,000,000.00 2,000,000.00	
First USA Credit Card Trust 1989A	8.550	07/15/94	6,000,000.00	
Ford Credit 1989-A Grantor Trust	8.700	10/17/94	5,297,120.87	
Ford Motor Credit 1989-B Grantor Tr	8.600	12/15/94	3,838,811.52	
GMAC Grantor Trust 1986-G	6.850	12/16/91	465,493.07	
GMAC Grantor Trust 1986-G Huntington Bank Grantor TR 1988 A	6.850 9.350	12/16/91 10/15/94	116,373.27 1,927,315.15	
Mack Truck Rec Ser 3	10.200	03/15/94	1,927,313.13 2,557,843.54	
Marine Midland 1988-1 Cars Trust	8.500	06/15/93	3,099,738.08	
Shawmut National 1990-A Grantor Tr	9.150	09/15/95	2,669,034.80	
Total CorporateBonds NOC			\$ 47,985,555.96	
Total Corporate Bonds			\$ 554,560,081.98	



Other Eixed Income Investments

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Security	Coupon	Maturity	Par Value or Remaining , Principal Balance	
Single Family Mortgages:				
			\$ 4,025,805.35	
FHA	various	various	\$ 4,025,805.35 3,865,786.29	
VA VA	various	various		
Total Single Family Mortgages			\$ 7,891,591.64	
Project Mortgages (FHA & GNMA):				
Americana Anto KV 221FM	7.500	10/01/18	\$ 4,335,403.64	
Americana Apts KY 221D4 Bedford Commons KY 221D4	8.000	11/01/23	1,245,442.65	
Bedford House KY 221D4	7.500	01/01/20	1,207,027.75	
Beech Creek Apts KY 221D4	7.500	08/01/21	2,027,350.36	
Belleville Manor Apts KY 221D4	7.500	11/01/19	620,885.03	
Berrytown Apts KY 221D4	8.000	02/01/24	1,354,139.66	
Bethany Circle Kings Daughters IN	8.375	03/01/02	1,417,906.31	
Cambridge Square Apts KY 221D4	7.500	11/01/19	1,159,977.48	
Carnaby Square Apts KY 221D4	7.500	06/01/19	1,192,776.70	
Carrollton Village Apts KY 221D4	7.500	09/01/20	1,912,609.98	
Carter Court Apts KY 221D4	7.500	09/01/20	1,262,397.05	
Christ Hospital GNMA 21191PL	8.000	09/15/06	3,244,529.84	
Congregational Home Kan 231	5.250	07/01/04	1,125,778.39	
Coolavin Apts KY 221D4	7.500	04/01/22	3,097,450.62	
Cortland Hosp GNMA 13089PL	8.750	10/15/04	1,234,843.48 563,119.05	
Cottage Bell Apts CA 221D4	7.500	11/01/10	404,828.42	
Cottage Bell Apts II CA 221D4	8.500	11/01/11	633,605.06	
Denver Educational Sr Citzns 231	5.250	11/01/03 05/01/18	1,094,618.56	
Dixie Apts KY 221D4	7.500 9.000	01/01/01	2,330,975.38	
Ephraim McDowell Hosp KY	7.500	08/01/23	3,662,429.22	
Ferndale Apts KY 221D4	7.500	02/01/19	1,580,135.30	
Gainesway Village KY 221D4	7.500	12/01/21	2,437,286.35	
Glenbrook Park KY 221D4	7.500	03/01/25	2,258,885.32	
Grand Central Apts KY 221D4	7.500	03/01/21	3,449,899.37	
Greater Corbin Mnr KY 221D4 Hallmark Plaza KY 223F	8.500	06/01/11	1,076,867.10	
Jackson Valley Apts KY 221D4	7.500	08/01/20	1,922,922.96	
Jamestown Manor Ltd KY 221D4	7.500	02/01/22	1,540,475.56	
Lakeview Estates KY 221D4	7.500	01/01/20	1,085,283.07	
Lebanon Apts KY 221D4	7.500	02/01/20	1,164,217.83	
Lin Meadows Homes KY 221D4	7,500	11/01/22	265,093.87	
Locust Ridge KY 221D4	7.500	10/10/21	1,852,229.19	
Longmont Christian Hsg 231	5.250	03/01/03	393,089.62	
Madison Ave Apts KY 221D4	7.500	09/01/20	1,896,510.63	
Manchester Heights Apts KY 221D4	7.500	06/01/19	1,189,612.74	
Middletown Apts KY 221D4	7.500	02/01/18	1,013,393.56	
Montgomery Square Apts KY 221D4	7.500	05/01/19	1,188,692.25	
Mt Lebanon Cedars KY 221D3	7.500	03/01/23	2,590,142.82	
Oak Tree Villa Apts KY 221D4	7.500	05/01/23	3,422,950.67	
Panorama West KY 236	8.500	12/01/12	432,001.70	
Pine Ridge Apts KY 221D4	7.500	09/01/18	805,614.96	
Pinecreek Apts KY 221D4	7.500	10/01/17	552,964.94	
Regency Park Apts KY 221D4	7.500	05/01/18	934,296.60	
Regency Park BG KY 2211D4	7.500	02/01/23	3,655,324.90	
Ridgeway Apts KY 221D4	7.500	02/01/19	1,013,679.63	
Rucker Village Apts KY 221 D4	7.500	03/01/20	1,057,461.15	
Salem Village I 232 III	7.750	03/01/16	968,810.88	
Salem Village II 231 III	7.750	10/01/16	3,317,207.72	
Sandefur Manor KY 221D4	7.500	01/01/20	919,198.79	
Shepherdsville Village KY 221D4	7.500	05/01/20	1,333,075.34	

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Other Fixed Income Investments (continued)

Security	Coupan	Mähurity	Par Value or Remaining Principal Balance	
Project Mortgages (FHA & GNMA)(cont.): Shivley Apts KY 221D4 Southside Manor KY 221D4 Town Branch Apts KY 221D4 Tree Top Apts KY 221D4 Vernon Manor Ltd KY 221D4 Walnut Hill Apts KY 221D4 Wesley Manor KY232 Wessington House Apts TN 221D4 Westchester Circle KY 221D4 Westwood Apts KY 221D4 Wilderness Trail Mnr KY 221D4 Wildwood Apts KY 221D4 Wildwood Apts KY 221D4 Willow Creek Apts KY 221D4 Woodsview Apts KY 221D4 Total Project Mortgages	7.500 7.500 7.500 7.500 7.500 7.500 7.500 7.500 7.500 7.500 7.500 7.500 7.500 7.500	10/01/21 02/01/19 11/01/23 11/01/20 11/01/22 05/01/19 12/01/11 02/01/22 04/01/19 10/01/23 03/01/23 08/01/20 08/01/23 01/01/19	\$ 2,366,306.94 1,377,759.76 739,586.39 1,105,715.30 891,362.91 1,598,735.64 904,070.88 1,830,590.30 4,099,935.02 1,182,504.86 5,590,723.16 1,840,066.10 1,366,285.99 1,385,612.35 \$ 106,724,675.05	
Total Other Fixed Income Investments			\$ 114,616,266.69	
TOTAL FIXED INCOME INVESTMENTS			\$ 3,536,108,177.68	

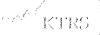
Real listate liquity

Security	or Rei	Value maining il Balance
Real Estate Equity:		
FIA Profile Fund I- 1500 Units K Mart Store Winchester KY Kroger Store Georgetown KY Kroger Store Richmond KY Kroger Super-X Bowling Green KY Kroger Super-X Owensboro KY Office Building 477 Wal-Mart Store Hardinsburg KY Wal-Mart Store Paducah KY Wal-Mart Store Paris KY Wal-Mart Store Shelbyville KY Wal-Mart Store Williamstown KY	\$	15,000,000.00 2,715,512.53 2,186,000.00 2,305,000.00 2,792,467.00 2,232,400.00 1,010,596.06 965,000.00 2,800,000.00 1,200,000.00 1,600,000.00 1,090,000.00
Total Real Estate Equity	\$	35,896,975.59



Common Stocks

Cammon Otorg			
Stock	Number of Shares	Cost	
3701.1			
Abbott Laboratories	332,000.0000	\$ 9,541,940.00	
Aetna Life & Casualty Co	100,000.0000	5,954,338.71	
Aluminum Co of America	65,000.0000	4,189,087.50	
American General Corp	135,000.0000	4,705,112.50	
American Home Products	80,000.0000	2,910,462.50	
American Information Tech	167,000.0000	7,735,778.33	
Amoco Corp	110,000.0000	3,909,725.00	
Atlantic Richfield	138,000.0000	17,216,172.75	
Banc One	272,000.0000	6,413,539.77	
Bankers Trust NY Corp	143,968.0000	6,420,600.20	
Bell Atlantic Corp	130,000.0000	4,767,036.80	
Boeing Co	188,750.0000	4,579,131.93	
Bristol-Myers Squibb	268,000.0000	10,842,756.17	
C & S/Sovran Corp	158,400.0000	3,822,000.00	
Capital Holding Corp Del	150,000.0000	3,103,799.71	
Central & South West	258,000.0000	10,157,191.25	
Chemical Waste Management Inc	178,600.0000	3,074,046.03	
Commonwealth Edison Co	112,093.0000	3,682,678.38	
Community Psychiatric Cntr	90,000.0000	2,026,165.68	
Consolidated Edison Co NY	376,000.0000	8,222,245.92	
Corestates Financial Corp	250,000.0000	10,282,500.00	
Deluxe Corp	120,000.0000	3,492,500.00	
Dover Corp	120,000.0000	2,960,562.33	
Dow Chemical	305,000.0000	17,002,765.52	
Dow Jones & Co Inc	160,000.0000	5,000,850.00	
DuPont (EI) De Nemours	346,000.0000	10,771,263.97	
Dun & Bradstreet Corp	200,000.0000	10,470,142.15	
EG&GInc	115,000.0000	3,958,387.50	
Emerson Electric	100,000.0000	3,245,287.50	
Esco Electronics	5,000.0000	0.00	
Exxon Corp	349,000.0000	14,536,699.50	
General Electric Co	310,000.0000	14,494,761.60	
General Motors Corp	230,000.0000	9,033,553.41	
Grainger (WW) Inc	70,000.0000	1,749,262.50	
Heinz (HJ) Co	134,000.0000	2,841,966.52	
Hewlett Packard Co	140,000.0000	5,510,184.09 3,859,375.00	
Humana Inc	100,000.0000	25,809,677.85	
IBM	205,000.0000	7,155,061.66	
James River Corp	280,000.0000	8,568,086.25	
K Mart Corp	261,000.0000 50,000.0000	3,342,975.00	
Kellogg Co		2,206,782.20	
Kentucky Utilities	106,000.0000	4,649,957.91	
LG & E Energy Corp	115,000.0000 147,000.0000	8,181,291.02	
Marsh & McLennan Inc	179,000.0000	7,213,033.63	
May Dept Stores Co	370,000.0000	8,594,025.18	
McDonalds Corp	100,000.0000	3,395,950.00	
Melville Corp	185,000.0000	11,539,766.94	
Merck & Co	158,000.0000	9,411,477.75	
Minnesota Mining & Manufacturing	152,000.0000	7,813,813.34	
Mobil Corp	118,000.0000	6,095,511.25	
Monsanto Co	190,000.0000	7,088,789.17	
Morgan (JP) & Co	50,000.0000	1,921,688.13	
Morton Intl	145,000.0000	3,891,987.50	
New York Times Cl A	101,000.0000	2,916,712.50	
Norfolk Southern	170,000.0000	4,986,875.00	
PHH Inc	262,000.0000	9,480,594.37	
Pennsylvania Power & Light	380,000.0000	8,478,345.27	
Philip Morris Cos Inc	80,000.0000	2,925,500.00	
Pioneer Hi-Bred Inti	100,000.0000	3,238,255.00	
Pitney Bowes Inc	187,000.0000	12,702,009.00	
Raytheon Co	100,000.0000	3,447,875.00	
Roadway Services Inc	128,000.0000	4,387,830.00	
Rohm & Haas	120,000.0000	4,188,437.50	
Safeco Corp	120,000,000	7,100,137.50	



Comment Stocks (confined)

Stack	Number of Shares		Cost	
Salomon Inc	100,000,0000	s	3,509,212.50	
Snap-on-Tools	160,000,0000	1	5,082,137.50	
Super Valu Stores	180,000.0000	ĺ	4,663,025.00	
TRW Inc	116,000.0000	ł	4,965,675.00	
Tenneco Inc	50,000.0000		3,270,075.00	
Texaco Inc	225,000.0000	ł	13,105,725.00	
Texas Utilities Co	427,000.0000		13,262,642.20	
Textron Inc	170,000.0000	i	4,157,162.50	
Travelers Corp	104,875.0000		4,663,223.81	
U S West Inc	130,000.0000		3,454.500.00	
Union Camp Corp	161,200.0000		5,002,090.55	
Union Carbide	227,217.0000		5,769,612.60	
Union Pacific Corp	120,000.0000		9,518,600.00	
United Technologies Corp	300,000.0000	İ	13,533,528.80	
V F Corp	186,187.0000]	4,681,312.47	
Wachovia Corp	190,626.0000	ì	5,906,219.68	
Wal-Mart Stores	449,000.0000		7,773,600.14	
Waste Management	250,000.0000	İ	6,676,500.00	
Whirlpool Corp	170,000.0000		4,857,350.00	
Total Common Stocks	14,662,916.0000	\$	549,968,371.89	
S&P 500 Stock Index:	5,112,406.0000	\$	198,207,817.94	
Total Stocks	19,775,322.0000	\$	748,176,189.83	
TOTAL EQUITY		\$	784,073,165.42	

Par Value or Remaining Principal Balance

\$4,320,181,343.10

TOTAL INVESTMENTS