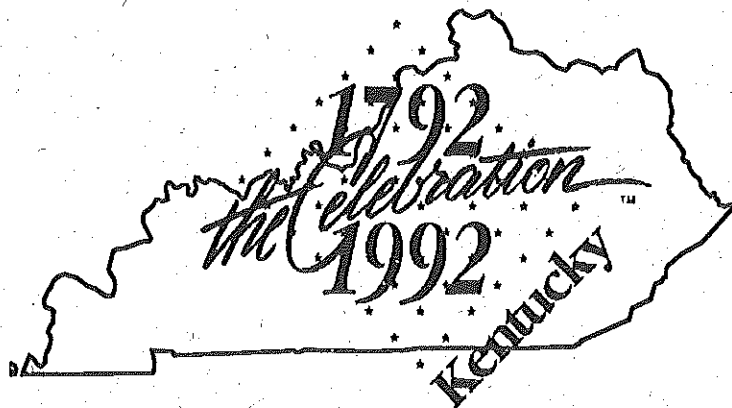




TEACHERS'
RETIREMENT
SYSTEM
OF THE STATE OF
KENTUCKY

COMPONENT UNIT
FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 1992

52ND COMPONENT UNIT FINANCIAL REPORT
OF THE TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
FOR THE FISCAL YEAR ENDED
JUNE 30, 1992



KENTUCKY TEACHERS' RETIREMENT SYSTEM
479 VERSAILLES ROAD
FRANKFORT, KENTUCKY 40601-3868

PAT N. MILLER
EXECUTIVE SECRETARY



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Certificate of Achievement for Excellence in Financial Reporting


Presented to

Teachers' Retirement System of the State of Kentucky

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1991

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




President

Jeffrey L. Esser
Executive Director

INTRODUCTORY SECTION

FINANCIAL SECTION

SUPPORTING SCHEDULES

ACTUARIAL SECTION

★ iii ★



TABLE OF CONTENTS (CONTINUED)

	Page
Comments on Valuation	46
Contributions Payable Under the System	46
Comments on Level of Funding	47
Accounting Information	48
Results of the Valuation Prepared as of June 30, 1991	50
Outline of Actuarial Assumptions and Methods	51
Solvency Test	53
Schedule of Active Member Valuation Data	54
Schedule of Retirants, Beneficiaries, and Survivors Added to and Removed from Rolls	54

STATISTICAL SECTION

Growth in Annuitants	56
Growth in Service Retirements	56
Average Benefit Payments	57
Average Benefit Payments (all recipients)	57
Summary of Revenue by Source	58
Summary of Expenses by Type	58
Geographical Distribution of Retirement Payments	59
Summary of State Budget Appropriation	61
Total Return on KTRS Investments	61
Summary of State Match and Supplemental Appropriations	62
Summary of Retiree Sick Leave Payments	63
School Districts Electing to Pay for Sick Leave	64
Schedule of KTRS Annuitants by Type of Benefit	66
Distribution of Active Members	66
KTRS Schedule of Participating Employers	67

INVESTMENT SECTION

Investments	70
Distribution of Investments	71
Investment Portfolio Growth	72
Investment Income Growth	73
Net Indicated Yield on Fixed Dollar Assets	74
Analysis of Investments Held as of June 30, 1992	75
Detailed Listing of Investments	76
Short Term Investments	76
U.S. Government Obligations	76
Corporate Bonds	82
Other Fixed Income Investments	84
Real Estate Equity	86
Common Stocks	87

Introductory Section

LETTER OF TRANSMITTAL

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

BOARD OF TRUSTEES

VIRGINIA MURRELL
CHAIRPERSON, SOMERSET

JUDITH R. GAMBILL
VICE CHAIRPERSON, ASHLAND

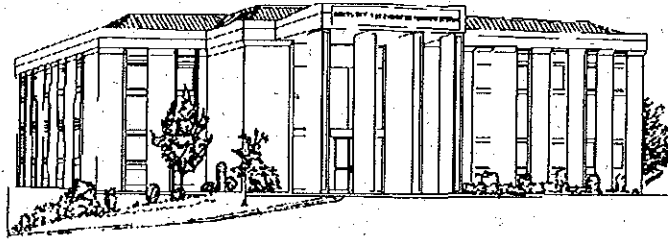
ROBERT M. CONLEY, PAINTSVILLE

EARLE V. POWELL, FRANKFORT
J. KENNETH SHADOWEN, BENTON
BARBARA G. STERRETT, LEXINGTON

EX OFFICIO

THOMAS BOYSEN
CHIEF STATE SCHOOL OFFICER

FRANCES JONES MILLS
STATE TREASURER



*Serving Kentucky Teachers
Since 1940*

PAT N. MILLER
EXECUTIVE SECRETARY
(502) 584-3286

December 1, 1992

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

Dear Governor Jones:

It is my pleasure to submit the 52nd Annual Report of the Teachers' Retirement System of the State of Kentucky for the fiscal year ending on June 30, 1992.

State law provides the legal requirement for the publication of this report and in addition requires an annual audit of the retirement system. The auditor's opinion letter is in the Financial Section of this report.

The Board of Trustees has produced an annual report that will provide you and the General Assembly, as well as the general public, with information necessary to gain a better understanding of the Teachers' Retirement System.

The auditor's letter, the financial information, the actuary's opinion and supporting data along with the statistical data are all presented from the perspective of not just a statutory requirement but rather from the perspective of providing information that will assist public officials and others not associated with the System on a daily basis to provide the necessary support for the continued financial soundness of the System.

The Board of Trustees is totally committed to the continued operation of an actuarially sound retirement system. The support that you and the General Assembly have demonstrated in the past is an essential part of this commitment, and we look forward to continuing this good relationship in the future.

Respectfully submitted,



Pat N. Miller
Executive Secretary

CHAIRPERSON'S LETTER

TEACHERS' RETIREMENT SYSTEM OF KENTUCKY

BOARD OF TRUSTEES

VIRGINIA MURRELL
CHAIRPERSON, SOMERSET

JUDITH R. GAMBILL
VICE CHAIRPERSON, ASHLAND

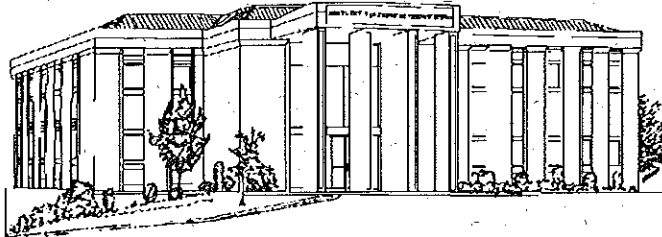
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EX OFFICIO

THOMAS BOYSEN
CHIEF STATE SCHOOL OFFICER

FRANCES JONES MILLS
STATE TREASURER



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

*Serving Kentucky Teachers
Since 1940*

December 1, 1992

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

Dear Governor Jones:

On behalf of the Board of Trustees of the Kentucky Teachers' Retirement System, I am pleased to present this 52nd Annual Report for the fiscal year ended June 30, 1992. The report provides an in-depth review of the financial, actuarial and investment status of the Retirement Fund.

The financial integrity and actuarial soundness of the system are attested by the accompanying reports of the independent auditor and the consulting actuary.

The Board of Trustees is committed to assuring that the retirement funds are managed in a prudent manner and that the system remains fiscally sound. 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 best retirement possible.

The Board of Trustees appreciates the cooperation extended to it by the Governor and the General Assembly. This cooperation will help the system to not only meet current challenges but to also make timely provisions for the future.

The Board of Trustees pledges to continue to administer the affairs of the Kentucky Teachers' Retirement System in the most competent and efficient manner possible.

Sincerely,

A handwritten signature in cursive script that reads "Virginia Murrell".

Virginia Murrell
Chairperson
Board of Trustees

BOARD OF TRUSTEES

Mrs. Arlene M. Romine



Chairperson
Mt. Washington

Miss. Virginia Murrell



Vice-Chairperson,
Teacher Trustee
Somerset

Mrs. Judith R. Gambill



Teacher Trustee
Ashland

Mrs. Barbara G. Sterrett



Teacher Trustee
Lexington

Mr. J. Kenneth Shadowen



Teacher Trustee
Benton

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

Ms. Frances Jones Mills



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 Managers

Brinson Partners, Inc.
Three First National Plaza
70 West Madison Street, 9th Floor
Chicago, Illinois 60602

Invesco MIM INC

Suite 500
1315 Peachtree Street N.E.
Atlanta, Georgia 30309

Wellington Management Company

75 State Street
Boston, Massachusetts 02109

Investment Consultant

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

Investment Custodian

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

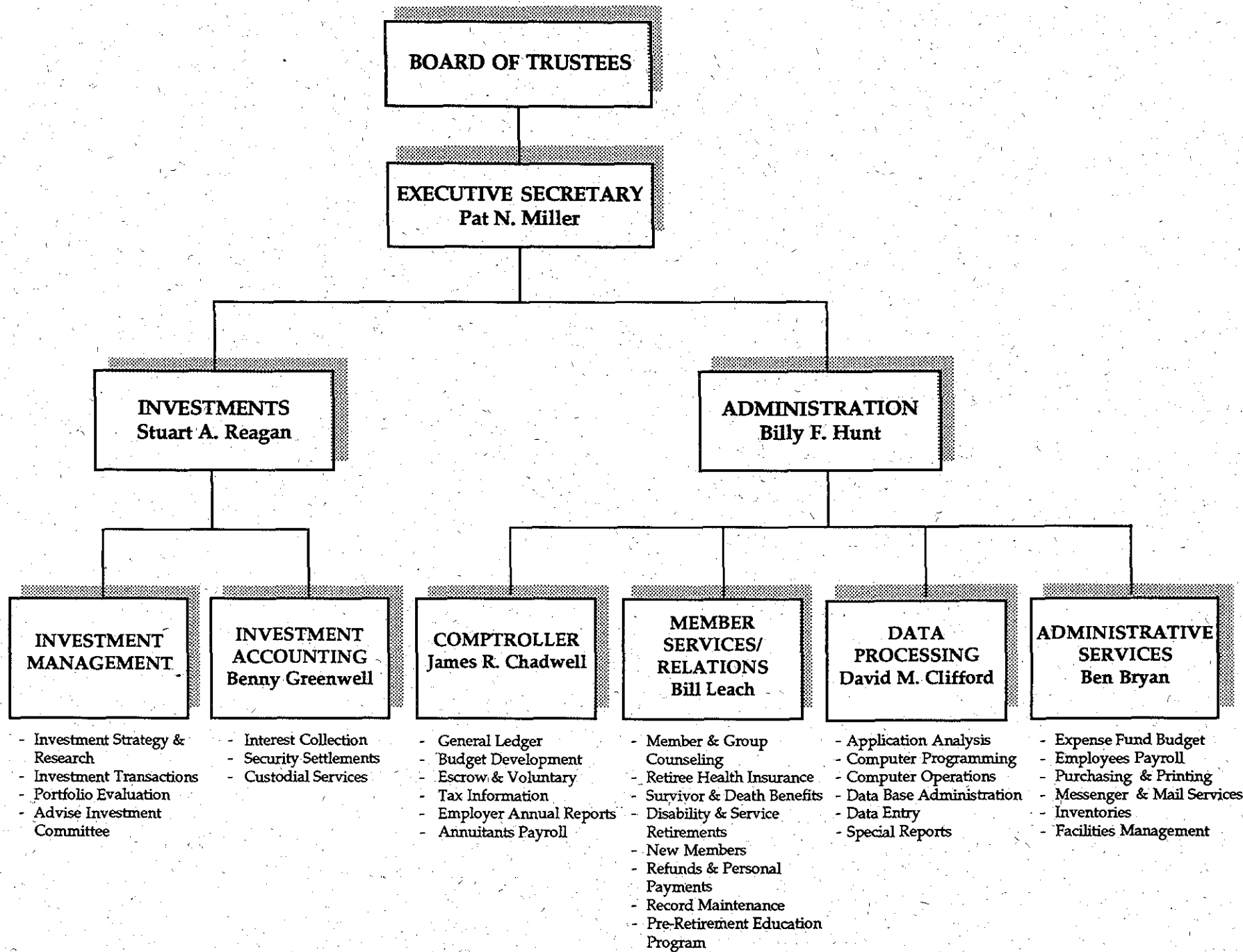
Actuary

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

Auditor

Charles T. Mitchell Company
Box 698
Frankfort, Kentucky 40602

ORGANIZATIONAL CHART





SYSTEM HIGHLIGHTS

ACCOUNTING SYSTEM AND REPORTS

This report has been prepared to conform with the principles of governmental accounting and reporting as established by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report was prepared by the Kentucky Teachers' Retirement System (KTRS) comptroller's 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 1992 totaled \$816,051,613. This represents an increase of 9.7% over fiscal year 1991 revenue. The rate of increase for member and employer contributions over fiscal year 1991 was 9.1% and 11.6% respectively. KTRS's overall revenue growth for the 1992 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 1992 and 1991 are shown for comparative purposes.

Expenses	1992	1991	Increase/(Decrease)	
	(Millions)	(Millions)	(Millions)	%
Retiree Benefits	\$ 232.0	\$ 207.9	\$ 24.1	11.59
Disabilities	11.9	10.7	1.2	11.21
Survivor/Death Benefits	7.4	7.1	.3	4.23
Refunds	6.5	6.8	(.3)	(4.41)
Medical Insurance	42.6	36.5	6.1	16.71
Administration	5.1	3.8	1.3	34.21
	<u>\$ 305.5</u>	<u>\$ 272.8</u>	<u>\$ 32.7</u>	<u>11.99</u>



and 1993. The minimum value for a year of service was increased on July 1, 1992 from \$220 to \$240.

KTRS MEDICAL INSURANCE PLAN

During the 1991-92 fiscal year KTRS medical costs continued to increase at astronomical rates. KTRS's 1992-94 biennial budget requested additional funding from the Commonwealth, but due to difficult economic times these funds were not available. The General Assembly addressed the problem by earmarking \$40 million of the regular pension appropriation for KTRS's medical insurance program.

In addition, the KTRS Board of Trustees established a cost-sharing plan requiring retirees to pay a percentage of the cost of their insurance.

The System realizes that these means alone will not solve the medical insurance funding crisis. Additional steps must be taken through legislation on both the state and national levels in order for true cost control to result. Meanwhile, KTRS will address the problem by either increasing revenues to the insurance fund, adjusting coverage to meet existing revenues, or a combination of the two.

PROFESSIONAL SERVICES

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

OUR GRATITUDE

Mrs. Arlene Romine of Mt. Washington retired from the Board of Trustees effective July 1, 1992. Her service began in 1977 and besides serving as Chairperson and Vice Chairperson of the Board, she has in recent years served as Chairperson of the Medical Insurance Committee.

The leadership she has demonstrated will be missed by the Board and the staff of the System. Many member benefit improvements took place during her tenure, including an increase from 2% to 2.5% for a year of service in the retirement formula along with the elimination of age 55 for full retirement with 30 years service. In 1988 the 30 year retirement with full benefits was reduced to 27 years. Assets of the System grew from just under \$600 million to over \$4.5 billion.

Mrs. Romine was a most dedicated member of the Board of Trustees and worked to protect the System as well as provide benefits for active and retired members. We wish the Romines many happy and productive years.

BOARD OF TRUSTEES

At the June 15, 1992 meeting of the Board of Trustees of the Teachers' Retirement System, Miss Virginia Murrell of Somerset was elected Chairperson for the 1992-93 fiscal year. Miss Murrell is a retired member having spent most of her career as a teacher in the Bellevue Independent School System. She served as Vice Chairperson prior to being elected Chairperson.

Mrs. Judith Gambill of Ashland was elected Vice Chairperson for the 1992-93 fiscal year. Mrs. Gambill is an active teacher member and is employed in the Russell Independent School System. Mrs. Gambill has served on the Board of Trustees since September, 1989.

The election for one position on the KTRS Board of Trustees was concluded June 1, 1992. Chief State School Officer Thomas Boysen certified the results of the election to the KTRS Board of Trustees. Mr. Kenneth Shadowen of Benton was elected as an active member trustee on the board. Mr. Shadowen began his service on the board in 1991 when he was appointed to fill the balance of Mr. W.D. Bruce's term. Mr. Shadowen's term of office will be from July 1, 1992 through June 30, 1996.



GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of the State of Kentucky for its component unit financial report for the fiscal year ended June 30, 1991. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. Such component unit financial reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Teachers' Retirement System has received a Certificate of Achievement for the last four consecutive years (fiscal years ended 1988-1991). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

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.



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Financial Section

INDEPENDENT AUDITOR'S REPORT

Charles T. Mitchell Company

Certified Public Accountants

201 WEST MAIN, P.O. BOX 691

FRANKFORT, KENTUCKY 40601

TELEPHONE - (502) 227-7395

306 CUNIFF SQUARE

SOMERSET, KENTUCKY 42501

TELEPHONE (606) 634-4813

TELECOPIER (502) 227-8005

|| C T M

DON C. GILES, C.P.A.

WILLIAM G. JOHNSON, JR., C.P.A.

GARY L. HARBIN, C.P.A.

LARRY T. WILLIAMS, C.P.A.

JAMES CLOUSE, C.P.A.

CHARLES F. WHELAN, C.P.A.

CHARLES T. MITCHELL, C.P.A.
CONSULTANT

**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, 1992 and 1991, and the related statements of revenues, expenses, and changes in fund balances, and cash flows 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, 1992 and 1991, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

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

Charles T. Mitchell Co.

Charles T. Mitchell Company

October 8, 1992



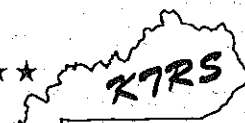
FINANCIAL SECTION

BALANCE SHEETS

JUNE 30, 1992 AND JUNE 30, 1991

ASSETS	YEAR ENDED JUNE 30, 1992	YEAR ENDED JUNE 30, 1991
Cash (See Note 2)	\$ (2,185,077)	\$ (4,189,286)
Prepaid Expenses	236,696	179,420
Receivables:		
Contributions	18,664,480	17,545,178
State of Kentucky	10,351,751	1,502,584
Investment Income	52,540,971	53,435,534
Total Receivables	81,557,202	72,483,296
Investments, at Cost (See Note 2):		
Short Term Investments (Market Value \$591,820,000 in 1992 and \$963,060,000 in 1991)	591,820,000	963,060,000
Bonds and Mortgages (Market Value \$2,808,635,069 in 1992 and \$2,363,716,773 in 1991)	2,686,262,127	2,356,581,225
Common Stock (Market Value \$1,502,950,386 in 1992 and \$908,911,109 in 1991)	1,285,896,090	748,176,190
Real Estate (Market Value \$52,415,483 in 1992 and \$37,590,402 in 1991)	51,528,862	35,896,976
Total Investments	4,615,507,079	4,103,714,391
Fixed Assets [Net of Accumulated Depreciation of \$729,862 in 1992 and \$605,558 in 1991 (See Note 2)]	2,861,957	2,901,560
Total Assets	\$ 4,697,977,857	\$ 4,175,089,381
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 850,928	\$ 132,586
Treasurer's Unredeemed Checks	4,143	6,661
Insurance Claims Payable (See Note 8)	13,022,575	
Amount Due Insurance Carrier		1,384,441
Compensated Absences Payable	266,053	238,982
Total Liabilities	14,143,699	1,762,670
Fund Balance		
Member Reserve	1,345,217,275	1,218,852,239
Employer Reserve	1,386,552,694	1,255,385,919
Benefit Reserve	195,460,839	164,948,995
Medical Insurance Reserve	13,648,967	20,657,295
403(b) Program Reserve	16,890,700	14,749,043
Unallocated Reserve	1,723,320,797	1,495,884,157
Administrative Expense Reserve	2,742,886	2,847,510
Capital Construction Reserve		1,553
Unfunded Pension Benefit Obligation (See Note 6)		
Total Fund Balance	4,683,834,158	4,173,326,711
Total Liabilities and Fund Balance	\$ 4,697,977,857	\$ 4,175,089,381

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



STATEMENT OF REVENUES, EXPENSES YEARS ENDED JUNE 30,

RESERVES

	<u>MEMBER</u>	<u>EMPLOYER</u>	<u>BENEFIT</u>	<u>MEDICAL INSURANCE</u>
OPERATING REVENUES				
Member Contributions	\$ 151,678,458	\$ 238,628	\$	\$ 14,685,806
Employer Contributions		157,198,959		12,841,310
Investment Income				
Total Operating Revenues	<u>151,678,458</u>	<u>157,437,587</u>		<u>27,527,116</u>
OPERATING EXPENSES				
Benefits			251,222,224	
Refunds	5,804,439	3,198		
Insurance Expenses (See Note 8)				42,598,475
Administrative Expenses				
Total Operating Expenses	<u>5,804,439</u>	<u>3,198</u>	<u>251,222,224</u>	<u>42,598,475</u>
Net Operating Income (Expense)	<u>145,874,019</u>	<u>157,434,389</u>	<u>(251,222,224)</u>	<u>(15,071,359)</u>
RESERVE TRANSFERS				
Retirements by Members	(54,101,341)	(56,206,250)	110,307,591	
Reimbursements			166,279,528	
Members Who Left System		(6,274,357)	(614,757)	(849)
Interest Allocations	34,791,920	35,817,354	6,065,468	1,199,894
Administrative Expenses				
Other Reclassifications	(199,562)	395,639	(303,762)	6,863,986
Total Reserve Transfers	<u>(19,508,983)</u>	<u>(26,267,614)</u>	<u>281,734,068</u>	<u>8,063,031</u>
Net Fund Balance Additions (Reductions)	<u>126,365,036</u>	<u>131,166,775</u>	<u>30,511,844</u>	<u>(7,008,328)</u>
 Beginning Fund Balance	 1,218,852,239	 1,255,385,919	 164,948,995	 20,657,295
Change in Unfunded Pension Benefit Obligation (See Note 6)				
Ending Fund Balance	<u>\$1,345,217,275</u>	<u>\$ 1,386,552,694</u>	<u>\$ 195,460,839</u>	<u>\$13,648,967</u>

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



AND CHANGES IN FUND BALANCES
1992 AND JUNE 30, 1991

403(b) PROGRAM	UNALLOCATED	ADMINISTRATIVE EXPENSE	CAPITAL CONSTRUCTION	1991-92 TOTAL	1990-91 TOTAL
\$ 1,768,533	\$ 105,399,473 372,240,446	\$	\$	\$ 168,371,425 275,439,742 372,240,446	\$ 154,224,277 246,763,577 343,184,213
1,768,533	477,639,919			816,051,613	744,172,067
98,968 708,793				251,321,192 6,516,430 42,598,475 5,108,069	225,715,859 6,774,864 36,532,845 3,831,107
	2,029,865	3,078,204			
807,761	2,029,865	3,078,204		305,544,166	272,854,675
960,772	475,610,054	(3,078,204)		510,507,447	471,317,392
63,905	(166,343,433) 6,889,963				
1,118,198	(78,992,834) (2,973,580)	2,973,580			
(1,218)	(6,753,530)		(1,553)		
1,180,885	(248,173,414)	2,973,580	(1,553)		
2,141,657	227,436,640	(104,624)	(1,553)	510,507,447	471,317,392
14,749,043	1,495,884,157	2,847,510	1,553	4,173,326,711	3,702,009,319
\$ 16,890,700	\$ 1,723,320,797	\$ 2,742,886	\$ 0	\$ 4,683,834,158	\$ 4,173,326,711



NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1992 AND 1991

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).

- 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.
- 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, 1992 and 1991.

	1992	1991
Local School Districts	176	176
State Universities	5	5
Department of Education/Other Organizations	24	24
TOTAL	205	205

The covered payroll of all participating employers totaled \$1,677,794,446 for the year ended June 30, 1992 and \$1,535,562,959 for the year ended June 30, 1991.

- 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, 1992 and 1991.

	1992	1991
Retirees and beneficiaries of deceased retirees currently receiving benefits:		
Local School Districts	17,165	16,711
Universities	1,074	1,009
Department of Education/Other Organizations	983	907
	19,222	18,627
Disabilities currently receiving benefits:		
Local School Districts	959	931
Universities	32	28
Department of Education/Other Organizations	77	73
	1,068	1,032
Survivors currently receiving benefits:		
Local School Districts	710	698
Universities	51	49
Department of Education/Other Organizations	77	68
	838	815

	<u>1992</u>	<u>1991</u>
Terminated employees entitled to benefits but not yet receiving them (no current contributions in the last fiscal year):		
Local School Districts	1,874	1,885
Universities	248	226
Department of Education/Other Organizations	167	157
	<u>2,289</u>	<u>2,268</u>
Current employees:		
Vested:		
Local School Districts	36,061	33,521
Universities	2,305	2,035
Department of Education/Other Organizations	1,860	1,730
Non-Vested:		
Local School Districts	10,517	9,284
Universities	1,379	1,163
Department of Education/Other Organizations	787	682
	<u>52,909</u>	<u>48,415</u>

- 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.

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:** 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, 1992 and June 30, 1991.

	<u>June 30, 1992</u>	<u>June 30, 1991</u>
Short Term Investments		
Repurchase Agreements	591,820,000	963,060,000
Bonds and Mortgages		
U.S. Government Obligations		
Treasury Notes and Bonds	1,504,498,064	1,114,395,165
Agencies	156,790,733	172,944,485
Ship Bonds (Title XI)	22,092,711	32,579,166
GNMA (Single Family)	92,033,565	120,269,815
Other Miscellaneous	231,774,353	270,937,800
Total U.S. Government Obligations	2,007,189,426	1,711,126,431
Corporate Bonds		
Industrials	195,722,656	177,815,551
Finance	264,152,530	215,883,475
Utility Bonds (Except Telephone)	32,107,650	38,511,508
Telephone Bonds	39,942,676	52,741,203
Railroad Obligations	13,947,702	14,625,416
Other Corporate Bonds	31,788,522	48,007,897
Total Corporate Bonds	577,661,736	547,585,050
Other Fixed Income Investments		
FHA and VA Single Family Mortgages	6,299,834	7,891,592
Project Mortgages (FHA & GNMA)	95,111,130	89,978,152
Total Other Investments	101,410,964	97,869,744
Total Bonds and Mortgages	3,278,082,126	2,356,581,225
Stocks	1,285,896,090	748,176,190
Real Estate	51,528,862	35,896,976
Total Investments	\$4,615,507,078	\$4,103,714,391

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, 1992 was \$368,004,684 which exceeds the market value of the loaned bonds.

**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 was closed out in the 1991-92 fiscal year.

NOTE 4: 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 6, 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 Unfunded Pension Benefit Obligation at June 30, 1992 was \$1,510,302,640.

A comparison between actuarially established and actual member and employer pension contribution rates for the fiscal year ended June 30, 1992 is as follows:

	Pension Contributions Required		Pension Contributions Made			
	Univ. Members	Non-Univ. Members	Univ. Members Amount (000's)	% of Current Covered Payroll	Non-Univ. Members Amount (000's)	% of Current Covered Payroll
Member	5.41%	9.105%	\$ 6,966	5.41%	\$ 141,039	9.105 %
Employer	13.09	12.355	16,855	13.09	191,382	12.355
Total	18.50%	21.460%	\$ 23,821	18.50%	\$ 332,421	21.460%
Normal Cost	12.77%	16.15%	\$ 16,443	12.77%	\$ 250,168	16.15%
Unfunded Cost	5.73	5.31	7,378	5.73	82,253	5.31
	18.50%	21.46%	\$ 23,821	18.50%	\$ 332,421	21.46%

The employer contributions for the 1991-92 fiscal year were under the required actuarial contributions by \$20.1 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), \$8.3 million of the 1992 COLA was assumed by KTRS.



NOTE 6: FUNDING STATUS OF KTRS (CONTINUED)

Pension Benefit Obligation:

	1992	1991
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 2,139,269,000	\$ 2,037,542,000
Current employees:		
Accumulated employee contributions including allocated investment income	1,345,217,000	1,218,852,000
Employer-financed vested	1,593,182,000	1,350,891,000
Employer-financed nonvested	1,241,305,000	1,108,745,000
Total pension benefit obligation	6,318,973,000	5,716,030,000
Net assets available for benefits, at cost (Market Value \$4,988,447,248 in 1992 and \$4,303,082,533 in 1991)	4,650,552,000*	4,135,071,000*
Unfunded pension benefit obligation	\$ 1,668,421,000	\$ 1,580,959,000

The June 30, 1992 unfunded pension benefit obligation represents an increase of \$87,462,000 since June 30, 1991.

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

*In order to compute the net assets available for benefits, the actuary took the KTRS fund balance at June 30, 1992 and 1991, and made the following adjustments.

	1992	1991
KTRS Fund Balance	\$ 4,683,834,158	\$ 4,173,326,711
Less Medical Insurance Reserve	13,648,967	20,657,295
Less 403(b) Program Reserves	16,890,700	14,749,043
Less Administrative Expense Reserves	2,742,886	2,847,510
Less Capital Construction Reserves		1,553
Net Assets Available for Benefits	\$ 4,650,551,605	\$ 4,135,071,310

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, 1992 follows:

Actuarial Assumptions: No changes.

Benefit Provisions: No changes.

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:

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 7: DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (INCLUDING REPURCHASE AGREEMENTS)**
(CONTINUED)

	Category			Carrying Amount	Market Value
	1	2	3		
Repurchase Agreements	\$ 591,820,000	\$	\$	\$ 591,820,000	\$ 591,820,000
U.S. Government Securities	2,007,189,426			2,007,189,426	2,098,954,171
Corporate Bonds	577,661,736			577,661,736	599,468,568
Other Fixed Income Investments	101,410,964			101,410,964	110,212,330
Real Estate	51,528,862			51,528,862	52,415,483
Common Stocks	1,285,896,090			1,285,896,090	1,502,950,386
Total Investments	\$ 4,615,507,078	\$	\$	\$ 4,615,507,078	\$ 4,995,820,938

NOTE 8: 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 18,795 retirees and 6,989 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 health care benefits, one and five-tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (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, 1992, KTRS had \$13,648,967 of net assets available for future health care benefits.

During the 1991-92 fiscal year, KTRS expensed \$40,090,353 for postretirement health care benefits and \$2,508,122 to administrators of the insurance plans. This represents a \$6,065,630 increase in health care expenses over the previous fiscal year.

Effective July 1, 1991 KTRS became self-insured assuming all liability for post-retirement health care costs. KTRS now recognizes estimates of liabilities for incurred (both reported and unreported) but unpaid claims using the development



REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING 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)
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	1,581.0	1,535.6	102.96
1992	4,650.6	6,319.0	73.60	1,668.4	1,677.8	99.40

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 4, KRS 161.400(2) requires the system to calculate the Net Assets Available for Benefits using a different method from that used to determine the PBO for GASB 5 purposes. Using this method, the schedule above reads as follows:

FISCAL YEAR	(1) NET ASSETS AVAILABLE FOR BENEFITS AS PER KRS 161.400(2)	(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)
1991	4,259.1	5,716.0	74.5	1,456.9	1,535.6	94.8
1992	4,808.7	6,319.0	76.1	1,510.3	1,677.8	90.0



On February 16, 1838, the General Assembly enacted a law that was in fact a type of formal blueprint for the organization of public education. It undertook every aspect of creating a system of universal free public schools: school taxes, teacher qualifications, a board of elected local trustees and ownership of school property.

Information taken from "The Kentucky Encyclopedia," edited by John E. Kleber, p. 745.

**INVESTMENTS**
JUNE 30, 1992

SALES AND REDEMPTIONS	(END OF YEAR)		% MARKET VALUE	% YIELD AT MARKET
	BOOK VALUE	MARKET VALUE		
\$ 853,742,764	\$ 2,108,600,391	\$ 2,209,166,501	44.58%	7.43%
246,336,474	577,661,736	599,468,568	12.10	8.09
1,100,079,238	2,686,262,127	2,808,635,069	56.68%	7.57%
143,722,733	1,285,896,090	1,502,950,386	30.32	3.21
1,350,003	51,528,862	52,415,483	1.06	8.53
145,072,736	1,337,424,952	1,555,365,869	31.38 %	3.39%
32,326,397,510	591,820,000	591,820,000	11.94	3.85
\$ 33,571,549,484	\$ 4,615,507,079	\$ 4,955,820,938	100.00 %	5.81%



SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 1992

Cash Balance at Beginning of Year	\$ (4,189,286)
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Add Receipts:

Member Contributions	\$ 167,252,123
Employer Contributions	266,590,575
Interest and Dividends	275,333,989
Investments Redeemed	33,658,020,395

Total Cash Receipts	34,367,197,082
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Less Disbursements:

Benefit Payments	251,372,054
Insurance Premiums	30,745,855
Administrative Expenses	4,443,430
Refunds	6,516,430
Equipment Purchased	103,041
Investments Purchased	34,072,012,063

Total Cash Disbursements	34,365,192,873
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Cash Balance at End of Year:	\$ (2,185,077)
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MEMBER RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1992 AND 1991

	YEAR ENDED JUNE 30, 1992	YEAR ENDED JUNE 30, 1991
Operating Revenues		
Member Contributions	\$ 148,009,769	\$ 135,493,432
Reinstated Accounts	585,388	586,184
Personal Check Contributions	3,083,368	2,867,828
Other Revenues	(67)	(71)
Total Operating Revenues	151,678,458	138,947,373
Operating Expenses		
Refund of Member Contributions	5,804,439	6,364,012
Other Expenses		
Total Operating Expenses	5,804,439	6,364,012
Net Operating Income	145,874,019	132,583,361
Reserve Transfers		
Transfer from Benefit Reserves		
Disability Recoveries	151,881	82,243
Transfer from Unallocated Reserves		
Interest Credited to Member Accounts	34,791,920	31,487,257
Transfer to Benefit Reserves		
Retirements	(54,101,341)	(43,402,563)
Transfer to Unallocated Reserves		
Inactive Accounts	(351,443)	(211,325)
Total Reserve Transfers	(19,508,983)	(12,044,388)
Net Fund Balance Additions	126,365,036	120,538,973
Beginning Fund Balance	1,218,852,239	1,098,313,266
Ending Fund Balance	\$ 1,345,217,275	\$ 1,218,852,239



BENEFIT RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1992 AND 1991

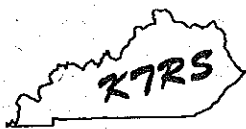
	YEAR ENDED JUNE 30, 1992	YEAR ENDED JUNE 30, 1991
Operating Revenues		
None		
Operating Expenses		
Benefits for Service Retirements	\$ 231,928,212	\$ 207,932,414
Benefits for Disability Retirements	11,896,196	10,582,152
Survivor Benefits	5,770,289	5,351,157
Death Benefits	1,627,527	1,748,448
Total Operating Expenses	251,222,224	225,614,171
Net Operating Expense	(251,222,224)	(225,614,171)
Reserve Transfers		
Transfer from Member Reserves		
Retirements	54,101,341	43,402,563
Transfer from Employer Reserves		
Retirements	56,206,250	45,024,050
Transfer from Unallocated Reserves		
Benefits Paid in Excess of Member		
Contributions and Employer Matching	166,279,528	154,139,244
Interest on Fund Balance	6,065,468	5,144,219
Transfer from Medical Insurance Reserve		
Survivor Balances Remaining		3,857,333
Transfer to Unallocated Reserves		
Refund of Member Contributions	(614,757)	(622,691)
Transfer to Member Reserves		
Disability Recoveries	(151,881)	(82,243)
Transfer to Employer Reserves		
Disability Recoveries	(151,881)	(82,243)
Total Reserve Transfers	281,734,068	250,780,232
Net Fund Balance Additions	30,511,844	25,166,061
Beginning Fund Balance	164,948,995	139,782,934
Ending Fund Balance	\$ 195,460,839	\$ 164,948,995



MEDICAL INSURANCE RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1992 AND 1991

	YEAR ENDED JUNE 30, 1992	YEAR ENDED JUNE 30, 1991
Operating Revenues		
Member Contributions	\$ 12,672,606	\$ 11,601,724
Insurance Premiums Paid by Members	2,013,200	1,918,413
State Contributions - Matching	10,452,947	9,568,545
Employer Paid Matching	2,219,659	2,035,654
Other Revenues	168,704	(2)
Total Operating Revenues	27,527,116	25,124,334
Operating Expenses		
Comprehensive Medical Insurance Premiums	39,999,459	36,468,151
Reimbursement of Cobra Payment	90,045	63,991
Insurance Processing Charges	2,508,122	
Other Expenses	849	703
Total Operating Expenses	42,598,475	36,532,845
Net Operating Expense	(15,071,359)	(11,408,511)
Reserve Transfers		
Transfer from Unallocated Reserves		
Additional Funding per KRS 161.420(6)	6,863,684	
Interest on Fund Balance	1,199,894	1,857,093
Balance Member Reserves and Employer Reserves	302	3,115
Transfer to Unallocated Reserves		
Refund of Member Contributions	(849)	(661)
Transfer to Benefit Reserves		
Survivor Balances Remaining		(3,857,333)
Total Reserve Transfers	8,063,031	(1,997,786)
Net Fund Balance Reductions	(7,008,328)	(13,406,297)
Beginning Fund Balance	20,657,295	34,063,592
Ending Fund Balance	\$ 13,648,967	\$ 20,657,295

Note: Beginning with the 1990-91 fiscal year, the 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, 1992 AND 1991

	YEAR ENDED JUNE 30, 1992	YEAR ENDED JUNE 30, 1991
Operating Revenues		
Voluntary Contributions by Members	\$ 1,768,533	\$ 1,465,174
Operating Expenses		
Benefits Increased by Voluntary Contributions	35,064	39,381
Benefits Continued after Voluntary Contributions Expired	63,904	62,307
Refund of Member Contributions	708,793	410,766
Total Operating Expenses	807,761	512,454
Net Operating Income	960,772	952,720
Reserve Transfers		
Transfer from Unallocated Reserves		
Benefits Continued after Voluntary Contributions Expired	63,905	62,307
Interest Credited to Member Accounts	1,118,198	1,184,702
Transfer to Unallocated Reserves		
Penalty on Early Withdrawal of 403(b) Accounts	(1,218)	(610)
Total Reserve Transfers	1,180,885	1,246,399
Net Fund Balance Additions	2,141,657	2,199,119
Beginning Fund Balance	14,749,043	12,549,924
Ending Fund Balance	\$ 16,890,700	\$ 14,749,043



UNALLOCATED RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1992 AND 1991

	YEAR ENDED JUNE 30, 1992	YEAR ENDED JUNE 30, 1991
Operating Revenues		
Interest Earned on Investments	\$ 239,566,416	\$ 252,452,375
Dividend Income	43,295,600	35,701,160
Rental Income	2,579,380	1,994,532
Gain on Sale of Investments	86,470,911	52,916,696
Leased Security Income	318,774	112,830
Maintenance Reserve - Rental Property	9,365	6,620
State Contributions - Sick Leave	10,627,991	6,022,832
State Contributions - Benefit Improvement	38,843,400	34,357,200
State Contributions - Supplemental Appropriation	48,967,842	44,678,145
State Contributions - Handicapped Children	244,432	209,500
Employer Contributions - Supplemental Appropriation	6,695,019	6,267,142
Escrow Late Remittance Penalty	20,789	10,443
Total Operating Revenues	477,639,919	434,729,475
Operating Expenses		
Investment Counsel Fees	1,852,631	810,000
Investment Processing Fees	139,683	138,683
Other Expenses	37,551	22,306
Total Operating Expenses	2,029,865	970,989
Net Operating Income	475,610,054	433,758,486
Reserve Transfers		
Transfer from Various Funds		
Refund of Member Contributions	6,889,963	7,601,896
Inactive Accounts	696,740	411,351
Penalty on Early Withdrawal of 403(b) Accounts	1,218	610
Employer Reserve Reclassification		648,666
Capital Construction	1,553	
Transfer to Various Funds		
Benefits Paid in Excess of Member Contributions and Employer Matching	(166,343,433)	(154,201,551)
Interest	(78,992,834)	(72,063,523)
Balance Member Reserves and Employer Reserves	(3,969)	(40,937)
Reinstated Accounts	(585,388)	(586,184)
Additional Funding to Medical Insurance Fund	(6,863,684)	
Per KRS 161.420(6)		
Administrative Expense Allotment	(2,973,580)	(2,667,219)
Capital Construction		(14,500)
Total Reserve Transfers	(248,173,414)	(220,911,391)
Net Fund Balance Additions	227,436,640	212,847,095
Beginning Fund Balance	1,495,884,157	1,283,037,062
Ending Fund Balance	\$ 1,723,320,797	\$ 1,495,884,157



On February 10, 1845, the General Assembly made the office of superintendent of public instruction a state post, created a state board of education and encouraged the organization of common schools in the counties. Later that year the General Assembly mandated that approximately \$1 million of surplus federal funds be placed in a fund for the support of public schools. The General Assembly and the governor, however, could not keep their hands off of the fund, and the legislature ordered the governor, treasurer and auditor to destroy the school bonds.

Information taken from "The Kentucky Encyclopedia," edited by John E. Kleber, p. 745.

BUCK
CONSULTANTS

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REPORT OF ACTUARY ON THE VALUATION

PREPARED AS OF JUNE 30, 1991

SECTION I - SUMMARY OF PRINCIPAL RESULTS

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

VALUATION DATE	JUNE 30, 1991		JUNE 30, 1990	
Number of active members	48,169		47,096	
Annual salaries	\$ 1,522,497		\$ 1,340,262	
Number of annuitants and beneficiaries	20,507		19,969	
Annual allowances	\$ 226,363		\$ 204,536	
Assets for valuation purposes	\$ 4,259,123		\$ 3,660,862	
Unfunded actuarial accrued liability	\$ 1,456,907		\$ 1,411,285	
Statutory contribution rates:	UNIV.	NON-UNIV.	UNIV.	NON-UNIV.
Member	7.625%	9.105%	7.705%	9.185%
State	10.875	12.355	10.955	12.435
Total	18.500%	21.460%	18.660%	21.620%
Actuarially determined contribution rates:				
Normal	12.770%	16.150%	12.910%	16.350%
Accrued liability (balancing item)	5.730	5.310	5.750	5.270
Total	18.500%	21.460%	18.660%	21.620%
Accrued liability funding period	25½ years		30 years	

2. The valuation indicates that combined member and State contributions at the current rate of 18.50% of salaries for university members and at 21.46% for non-university members are just sufficient to support the benefits of the System. Comments on the valuation results as of June 30, 1991 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 salary scale has been decreased at each age by 0.2% and the value of assets for valuation purposes has been adjusted to reflect market value.. 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 1991 Session of the Legislature and effective on the valuation date. 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, 1991. Provisions of the System which were taken into account in the current valuation are summarized in the Introductory Section of this annual report.

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Reserve Fund. If a survivor's benefit becomes payable, the member's accumulated contributions are transferred from the Teachers' Savings Fund to the Allowance Reserve 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, 1991 amounted to \$1,218,852,239.

(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 Allowance Reserve 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, 1991 amounted to \$1,255,385,919.

(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. Also, amounts held for a member in the Teachers' Savings Fund and State Accumulation Fund are transferred to the Allowance Reserve Fund when the death of a member results in an obligation on the fund. The assets credited to the Allowance Reserve Fund as of June 30, 1991 amounted to \$164,948,995.

(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, 1991 the assets credited to this Fund amounted to \$1,495,884,157.

(e) Medical Insurance Fund

Medical benefits are payable from this Fund, which is supported by the joint contributions of members and the State. The assets credited to this Fund as of June 30, 1991 amounted to \$20,657,295. This amount was not included in the assets used for valuation purposes.

(f) Expense Fund

The assets credited to this Fund as of June 30, 1991 amounted to \$2,847,510. 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, 1991 amounted to \$14,749,043. 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, 1991 amounted to \$1,533. This amount was not included in the assets used for valuation purposes.

2. As of June 30, 1991 the total book value of assets held by the System amounted to \$4,173,326,711. Of this amount, \$4,135,071,310 was used for valuation purposes.

3. The book value of assets was adjusted to reflect the average ratio of market value to book value during the five years ending on the valuation date. Application of the adjustment factor of 1.03 to the book value of assets resulted in a modified market value of \$4,259,123,449 to be used for valuation purposes, as shown in the table on the following page.

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NET STATUTORY CONTRIBUTION RATES

SOURCE	UNIVERSITY	NON-UNIVERSITY
Member State	7.625% 10.875	9.105% 12.355
Total	18.500%	21.460%

4. The valuation indicates that normal contributions at the rate of 12.77% of active university members' salaries are required to meet the cost of benefits currently accruing. The rate for non-university members is 16.15%. 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 5.73% for university members and 5.31% for non-university members. These rates are shown in the following table.

ACTUARIALLY DETERMINED CONTRIBUTION RATES

RATE	PERCENTAGE OF MEMBERS' SALARIES	
	UNIVERSITY	NON-UNIVERSITY
Normal	12.77%	16.15%
Accrued liability (balancing)	5.73	5.31
Total	18.50%	21.46%

5. The unfunded actuarial accrued liability amounts to \$1,456,907,000 as of the valuation date. Accrued liability contributions at the rate of 5.73% of active university members' payroll and 5.31% of non-university members' payroll are sufficient to amortize the unfunded actuarial accrued liability over the 25½ year period commencing June 30, 1991, based on the assumption that the payroll will increase by 5% annually.

SECTION VI - COMMENTS ON LEVEL OF FUNDING

- The benefit percentage for non-university members is 2% for service accrued through January 1, 1984 and 2½% for service accrued after that date. The total net contribution rate is 21.46% of payroll for these members. For university members the benefit percentage is 2% for all service and the contribution rate is 18.50%. 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, 1990 and 1991.
- 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 30 years to 25½ years.
- 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.

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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
6/30/91	4,135.1	5,716.0	72.3	1,580.9	1,522.5	103.8

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.

RESULTS OF THE VALUATION PREPARED AS OF JUNE 30, 1991
(\$1,000's)

1. Actuarial Accrued Liability

Present value of prospective benefits payable in respect of:

(a) Present active members;

-	Service retirement benefits	\$3,328,258
-	Disability retirement benefits	172,379
-	Death and survivor benefits	98,077
-	Refunds of member contributions	79,774

Total

\$3,678,488

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

73,378

(c) Present annuitants and beneficiaries

-	Service retirement benefits	\$1,781,882
-	Disability retirement benefits	76,018
-	Death and survivor benefits	106,264

Total

1,964,164

(d) Total actuarial accrued liability

\$5,716,030

2. Present Assets for Valuation Purposes

4,259,123

3. Unfunded Actuarial Accrued Liability
[(1) minus (2)]

\$1,456,907

4. Normal Contribution Rate

	UNIVERSITY	NON-UNIVERSITY
(a) Actuarial present value of benefits accruing annually	\$14,808	\$ 227,188
(b) Annual payroll of active members	115,918	1,406,579
(c) Normal contribution rate	12.77%	16.15%

SCHEDULE B

OUTLINE 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):

<u>AGE</u>	<u>ANNUAL RATE</u>
20	9.60%
25	8.70
30	7.70
35	7.00
40	6.50
45	6.20
50	6.00
55	5.80
60	5.70
65	5.50

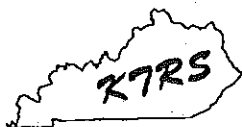
DEATHS AFTER RETIREMENT: Representative values of the assumed annual rates of death after service and disability retirement are as follows (Adopted 1983):

<u>AGE</u>	<u>ANNUAL RATE OF DEATH AFTER</u>			
	<u>SERVICE RETIREMENT</u>		<u>DISABILITY RETIREMENT</u>	
	<u>MEN</u>	<u>WOMEN</u>	<u>MEN</u>	<u>WOMEN</u>
40	.1%	.1%	5.1%	4.5%
50	.4	.2	5.1	4.5
55	.6	.2	5.1	4.5
60	1.1	.4	5.1	4.5
65	1.9	.7	5.1	4.5
70	3.1	1.4	5.1	4.5
75	4.6	2.6	5.1	4.5
80	7.0	4.4	7.8	5.5
85	11.0	7.5	12.3	9.4
90	16.8	12.8	19.1	15.9
95	23.2	21.1	29.2	26.2

ACTUARIAL METHOD: Unit Credit Actuarial Cost Method with projected benefits.

ASSETS: Modified market value.

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SOLVENCY TEST

(IN MILLIONS OF DOLLARS)

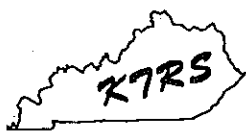
FISCAL YEAR	AGGREGATE ACCRUED LIABILITIES FOR			VALUATION ASSETS	PORTION OF ACCRUED LIABILITIES COVERED BY ASSETS		
	(1)	(2)	(3)		(1)	(2)	(3)
	ACTIVE MEMBER CONTRIBUTIONS	RETIRED AND BENEFICIARIES	ACTIVE MEMBERS (EMPLOYER FINANCED PORTION)				
1982	\$ 467.6	\$ 941.8	\$1,031.3	\$ 1,163.7	100%	74%	0%
1984	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
1991	1,218.8	2,037.5	2,459.6	4,135.0	100	100	36
1992	1,345.2	2,139.3	2,834.5	4,650.6	100	100	41

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.

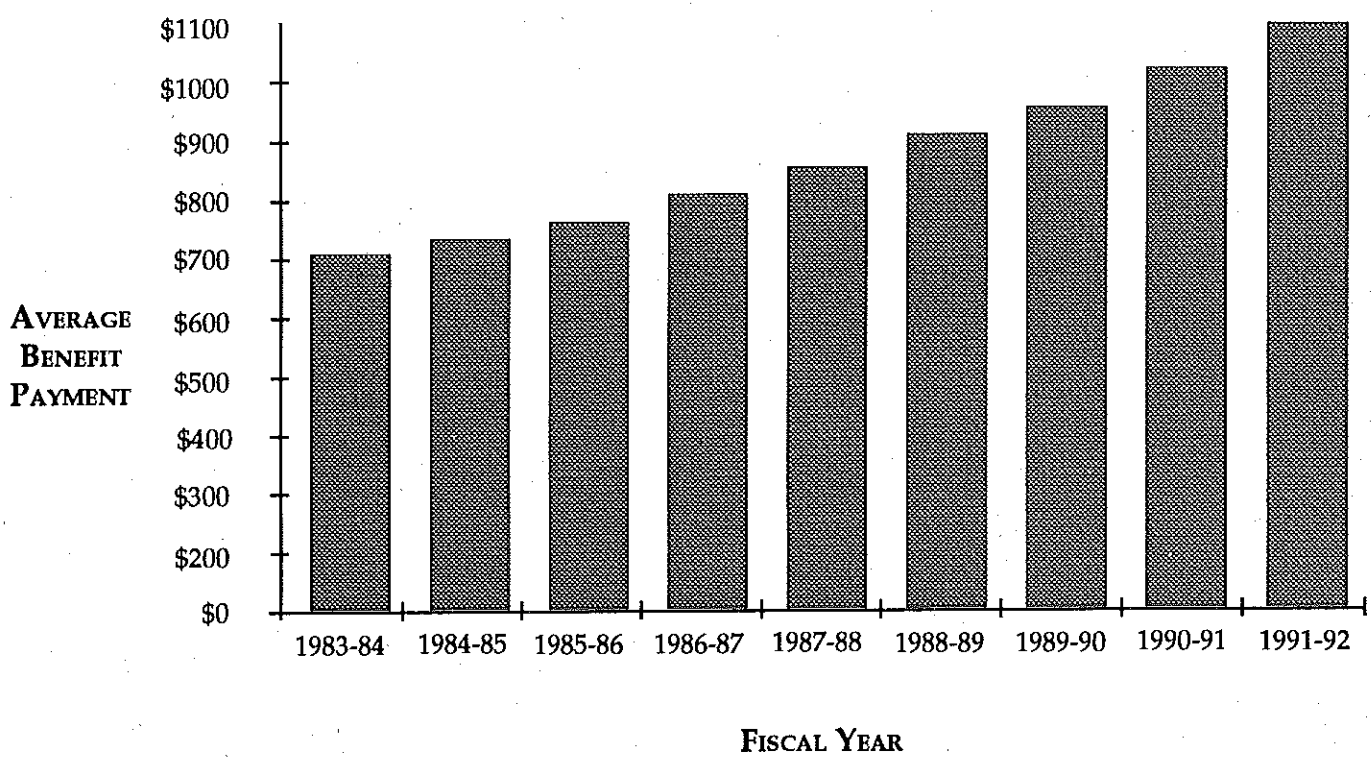
In a system that has been following the discipline of level percent of payroll financing, such as KTRS, the liabilities in columns (1) and (2) should be fully covered by assets and the portion of the liability in column 3 covered by assets should increase over time.



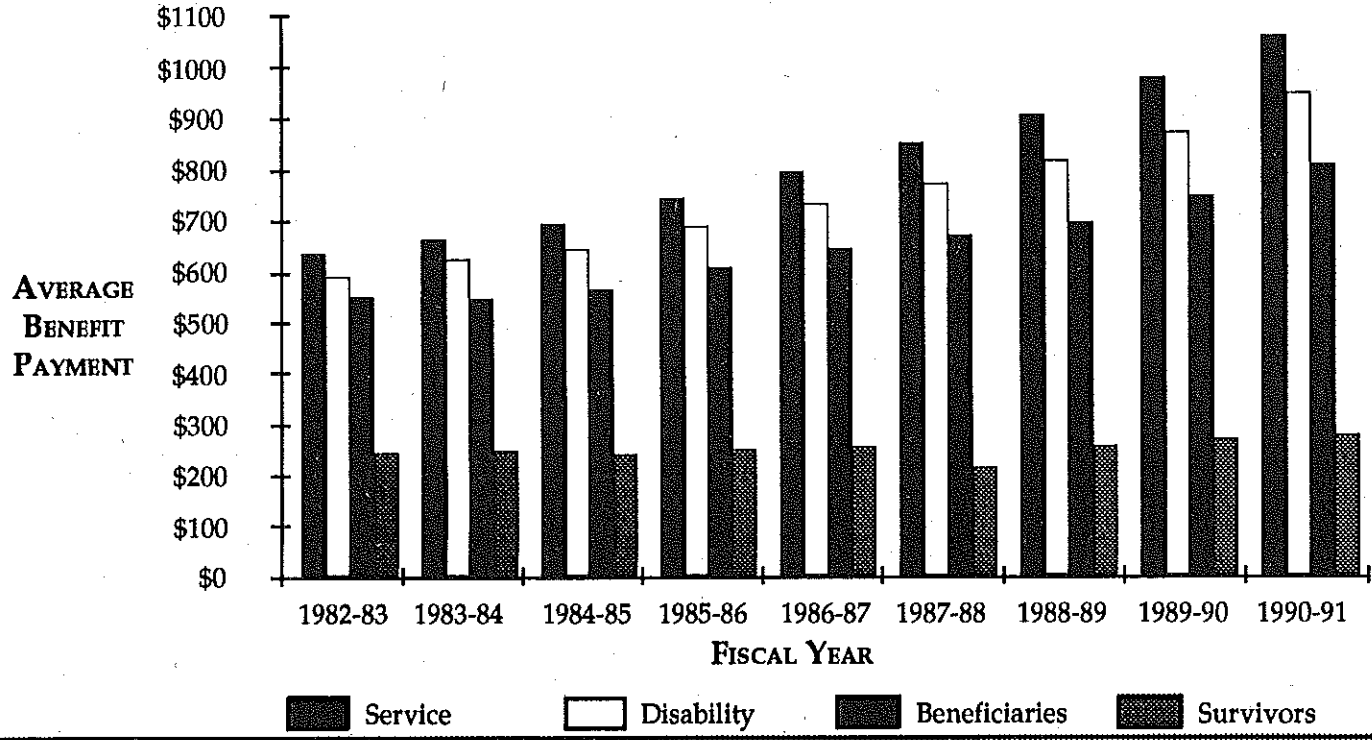
Information taken from "The Kentucky Encyclopedia," edited by John E. Kleber, p. 800.



AVERAGE BENEFIT PAYMENTS

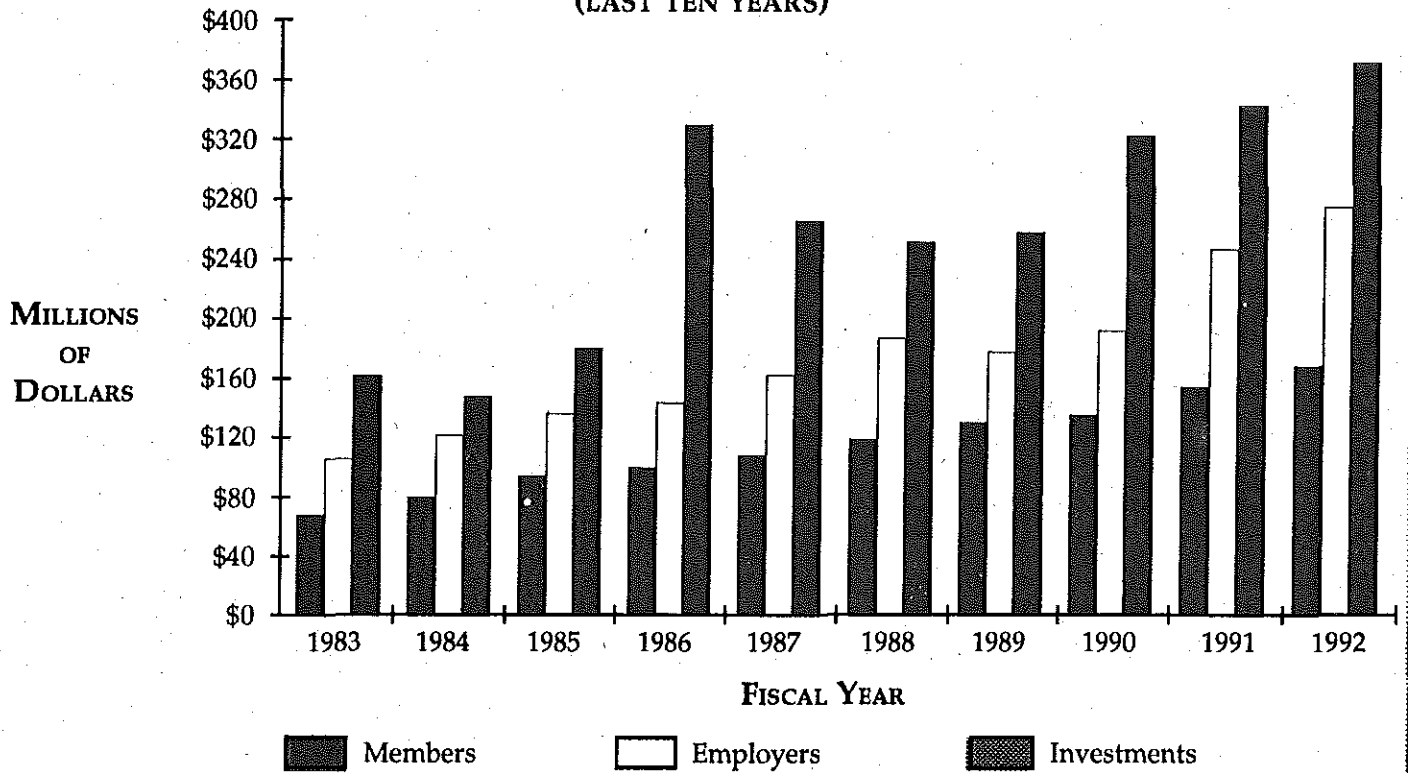


AVERAGE BENEFIT PAYMENTS (ALL RECIPIENTS)

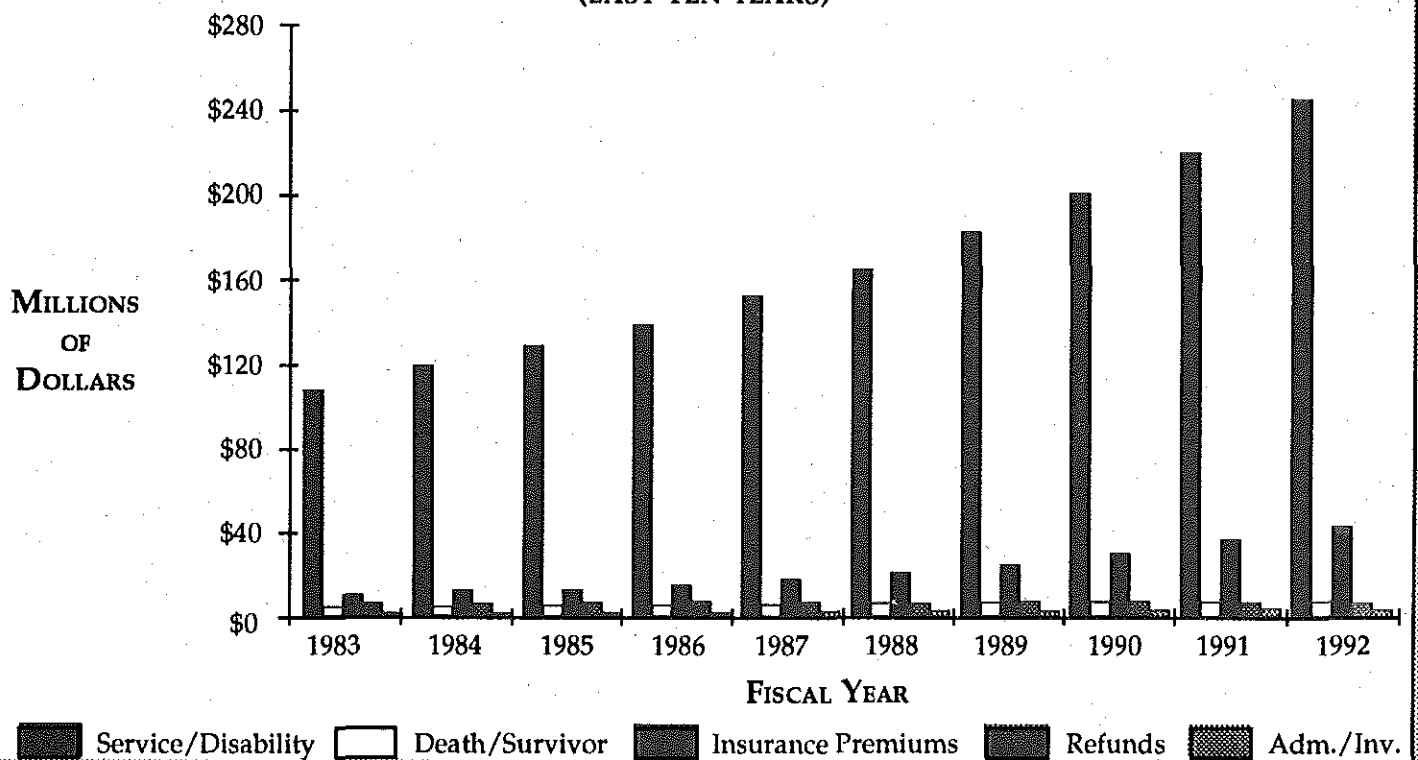


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SUMMARY OF REVENUE BY SOURCE (LAST TEN YEARS)



SUMMARY OF EXPENSES BY TYPE (LAST TEN YEARS)

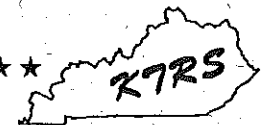




GEOGRAPHICAL DISTRIBUTION OF RETIREMENT PAYMENTS

AS OF JUNE 30, 1992

COUNTY NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS	COUNTY NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS
Adair	\$ 1,236,687	112	Hancock	\$ 489,043	42
Allen	941,162	76	Hardin	3,422,382	282
Anderson	824,576	80	Harlan	2,897,242	232
Ballard	468,445	48	Harrison	1,101,767	95
Barren	2,272,515	203	Hart	964,028	85
Bath	820,549	77	Henderson	1,840,402	163
Bell	2,674,067	234	Henry	987,412	93
Boone	2,618,300	205	Hickman	275,552	27
Bourbon	1,363,342	123	Hopkins	2,320,356	226
Boyd	3,132,156	291	Jackson	950,393	93
Boyle	2,057,796	171	Jefferson	39,666,488	2,976
Bracken	351,526	39	Jessamine	1,150,380	100
Breathitt	1,313,901	112	Johnson	2,228,289	187
Breckinridge	769,757	77	Kenton	3,583,062	313
Bullitt	1,642,194	123	Knott	1,282,947	125
Butler	893,625	78	Knox	1,577,593	146
Caldwell	879,487	89	Larue	891,401	65
Calloway	3,886,453	307	Laurel	2,639,246	236
Campbell	2,989,027	254	Lawrence	800,759	79
Carlisle	335,552	34	Lee	775,431	73
Carroll	416,367	45	Leslie	805,467	80
Carter	1,820,602	169	Letcher	2,194,626	194
Casey	1,288,336	113	Lewis	887,732	81
Christian	2,704,375	240	Lincoln	1,473,679	132
Clark	1,428,652	137	Livingston	587,821	56
Clay	1,876,926	176	Logan	1,397,175	137
Clinton	813,042	70	Lyon	632,346	49
Crittenden	530,186	57	Madison	6,127,731	499
Cumberland	710,210	62	Magoffin	855,094	91
Daviess	5,194,440	452	Marion	888,190	87
Edmonson	598,545	57	Marshall	1,427,561	132
Elliott	415,203	34	Martin	722,093	69
Estill	738,116	71	Mason	944,554	79
Fayette	13,517,866	1,056	McCracken	3,639,984	328
Fleming	799,332	74	McCreary	810,113	75
Floyd	3,685,829	305	McLean	570,372	53
Franklin	4,526,136	399	Meade	569,354	50
Fulton	486,037	58	Menifee	448,222	41
Gallatin	253,213	28	Mercer	1,363,235	124
Garrard	798,694	76	Metcalfe	799,755	72
Grant	811,691	75	Monroe	1,178,710	117
Graves	1,742,682	182	Montgomery	1,181,260	105
Grayson	1,391,680	122	Morgan	836,265	86
Green	835,355	71	Muhlenberg	1,828,051	169
Greenup	2,399,578	193	Nelson	1,689,088	134



GEOGRAPHICAL DISTRIBUTION OF RETIREMENT PAYMENTS
AS OF JUNE 30, 1992 (CONTINUED)

COUNTY NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS
Nicholas	\$ 361,882	34
Ohio	1,096,011	106
Oldham	1,420,981	131
Owen	404,602	39
Owsley	586,585	58
Pendleton	902,690	80
Perry	2,369,510	243
Pike	4,976,494	437
Powell	736,574	66
Pulaski	3,787,188	335
Robertson	140,430	15
Rockcastle	1,395,239	119
Rowan	2,597,185	204
Russell	1,071,669	112
Scott	1,169,070	108
Shelby	1,396,446	138
Simpson	837,431	75
Spencer	397,624	39
Taylor	1,537,661	126
Todd	643,993	67
Trigg	617,236	57
Trimble	193,883	19
Union	752,566	68
Warren	7,998,639	631
Washington	510,595	48
Wayne	1,625,896	126
Webster	753,227	77
Whitley	3,453,887	314
Wolfe	566,435	52
Woodford	1,035,919	91
Total In Kentucky	\$230,294,410	19,748

STATE NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS
Florida	\$ 5,105,592	531
Georgia	762,514	83
Indiana	2,210,392	243
Ohio	1,900,420	267
Tennessee	2,779,056	308
Texas	593,034	76
Virginia	603,111	75
Other States	5,281,868	671
Out Of Country	54,236	8
Total		
Out Of State	\$ 19,290,222	2,262
In Kentucky	230,294,410	19,748
GRAND TOTAL	\$249,584,632	22,010



SUMMARY OF STATE BUDGET APPROPRIATION TO TEACHERS' RETIREMENT SYSTEM FOR 1991 - 1992

EXPENSE ITEM	1991-92 STATE BUDGET APPROPRIATION	1991-92 STATE ACTUAL BUDGET REQUIREMENT
Match of Member Contributions *	\$ 137,935,708	\$ 147,958,162
Overmatch	45,488,692	48,967,842
Federal Payments	(4,599,800)	(8,841,060)
Sick Leave (KRS 161.550)	11,063,600	10,627,991
Retiree Cost of Living Adjustment	31,430,000	31,430,000
Prior Service Increase	640,000	640,000
\$75 Minimum Benefit	10,000	10,000
Handicapped Child Benefit	220,000	244,432
Minimum Benefit Adjustment	6,763,400	6,763,400
TOTALS	\$ 228,951,600	\$ 237,800,767
State Under-appropriation for 1991-92	\$ 8,849,167	

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 \$27,641,663 in order to match the members' contributions. This resulted in the match of member contributions totaling \$175,934,890. 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.

TOTAL RETURN ON KTRS INVESTMENTS (PERCENTAGES)

TIME WEIGHTED MARKET INDICATORS V. TIME WEIGHTED KTRS						INFLATION RATE INDICATOR
FISCAL YEAR	STANDARD & POOR'S 500 INDEX	KTRS STOCKS	SHEARSON LEHMAN BOND INDEX	KTRS BONDS	KTRS TOTAL PORTFOLIO	CONSUMER PRICE INDEX
1987-88	(6.9)	(10.4)	7.5	7.0	3.2	4.0
1988-89	20.5	21.3	12.3	12.3	13.8	5.2
1989-90	16.5	18.0	7.1	7.2	10.4	4.7
1990-91	7.4	11.4	10.2	10.5	9.6	4.7
1991-92	13.4	13.7	14.2	14.9	12.5	3.1
Five Year Annualized Rate	9.8	10.2	10.2	10.3	9.9	4.3

SUMMARY OF STATE MATCH AND SUPPLEMENTAL APPROPRIATIONS FOR MEMBER CONTRIBUTIONS TO TEACHERS' RETIREMENT SYSTEM

FISCAL YEAR	TOTAL MEMBER CONTRIBUTIONS	EMPLOYER/ FEDERAL PAYMENTS	REQUIRED STATE MATCH CONTRIBUTION	REQUIRED SUPPLEMENTAL APPROPRIATION	REQUIRED SICK LEAVE PAYMENT	TOTAL STATE APPROPRIATION	(DEFICIT)SURPLUS STATE FUNDING	RUNNING TOTAL (DEFICIT)SURPLUS
1940-44	\$ 2,063,717	\$	\$ 2,063,717	\$	\$	\$ 2,063,637	\$ (80)	\$ (80)
1944-48	3,184,178		3,184,178			3,039,017	(145,160)	(145,240)
1948-52	4,951,458		4,951,458			5,090,848	139,390	(5,850)
1952-56	7,267,163		7,267,163			6,494,102	(773,062)	(778,911)
1956-60	14,970,961		14,970,961			14,963,272	(7,689)	(786,600)
1960-64	25,945,897		25,945,897			25,938,763	(7,134)	(793,734)
1964-68	49,957,299	2,042,014	47,915,285			45,317,694	(2,597,591)	(3,391,324)
1968-72	82,922,869	6,044,865	76,878,005			80,091,951	3,213,946	(177,378)
1972-76	120,349,350	8,019,216	112,330,134			111,665,685	(664,449)	(841,827)
1976-80	189,072,371	12,044,186	177,028,185	75,010,028		256,784,030	4,745,817	3,903,990
1980-81	60,087,342	4,109,090	55,978,252	24,908,848		83,449,550	2,562,450	6,466,440
1981-82	63,859,388	4,012,767	59,846,622	26,472,323	1,486,463	89,301,425	1,496,018	3,094,894
1982-83	68,077,792	3,902,923	64,174,869	28,221,024	1,409,798	95,601,936	1,796,245	1,928,730
1983-84	80,720,250	4,310,157	76,410,093	30,019,916	2,300,973	110,314,100	1,583,118	1,376,748
1984-85	90,156,759	5,024,319	85,132,440	31,233,174	2,790,200	114,096,000	(5,059,814)	(3,476,696)
1985-86	95,894,952	5,039,582	90,855,370	33,218,460	2,037,928	117,162,300	(8,949,458)	(13,802,902)
1986-87	108,335,521	5,369,721	102,965,799	36,494,008	2,444,613	136,094,156	(5,810,265)	(7,901,823)
1987-88	119,545,184	5,983,982	113,561,202	40,306,185	6,068,502	148,579,721	(11,356,169)	(19,257,991)
1988-89	129,546,325	23,980,075 ⁽¹⁾	105,566,250	17,600,000 ⁽²⁾	7,051,433	127,773,500	(2,444,183)	(13,799,774)
1989-90	136,046,386	24,625,824	111,420,562	22,300,000 ⁽³⁾	5,275,861	140,254,800	1,258,377	(12,541,397)
1990-91	160,871,831	33,628,524	127,243,307	44,678,145	6,022,832	176,441,700	(1,502,584)	(1,502,584)
1991-92	175,934,890	36,817,788	139,117,102	48,967,842	10,627,991	189,888,200	(8,849,167)	(10,351,751)

The state under-appropriation at June 30, 1992 is \$10,351,751. This amount is comprised of the 1990-91 \$1,502,584 deficit, the current year contribution under-appropriation of \$8,824,735 and the current year handicapped child under-appropriation of \$24,432. The 1991 General Assembly appropriated \$1,502,584 to fund the 1990-91 deficit. On July 1, 1992, KTRS received the \$1,502,584.

- (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.

KTRS



SUMMARY OF JUNE 30, 1992 RETIREE SICK LEAVE PAYMENTS

Total members retiring	1455
Total members receiving sick leave payments	1051
Total amount of sick leave payments (at 9.855% contribution rate)	\$7,771,102.56
Average payment per retiree ..	\$7,394.01
Total increase in final average salary base (FASB)	\$1,554,220.51
Average increase in FASB	\$1,478.80
Total service credit of 1051 retirees	30,719.48
Average service credit of 1051 retirees ..	29.23

<u>Average Yearly Increase</u>		<u>Service Credit</u>		<u>Retirement Factor</u>		<u>Average Yearly Annuity</u>
\$1,478.80	X	20.23	X	2.00%	=	\$598.32
\$1,478.80	X	1.00	X	2.25%	=	\$ 33.27
\$1,478.80	X	8.00	X	2.50%	=	\$295.76
Average yearly annuity						\$927.35
Average monthly annuity						\$77.28
<u>Average Monthly Annuity</u>		<u>Present Value Factor Based on Average Age of 57</u>		<u>Number of Members With Sick Leave Payments</u>		
\$77.28	X	152.820	X	1051		
Anticipated lifetime payout of additional annuity						<u>\$12,412,236.01</u>

Funding of Additional Payout

Member Contributions	9.855%	X	\$7,771,102.56 =	\$ 765,842.16
State Contributions	13.105%	X	\$7,771,102.56 =	1,018,402.99
Total Member-State Contributions				\$ 1,784,245.15

Deficit

Anticipated additional payout	\$ 12,412,236.01
Less total Member and State contributions	<u>1,784,245.15</u>
Subtotal unfunded debt	\$ 10,627,990.86
Less current year appropriation	<u>11,063,600.00</u>
Total Surplus	<u>\$ (435,609.14)*</u>

* This amount has been included in the 1991-92 deficit.

COUNTY SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION	COUNTY SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION
Allen	7	\$ 57,599.49	Grayson	7	\$ 45,666.77
Anderson	8	60,127.95	Green	8	55,676.41
Ballard	2	20,805.89	Greenup	4	39,705.33
Barren	6	39,271.13	Hancock	5	31,921.66
Bath	2	6,719.12	Hardin	15	106,447.50
Bell	9	37,929.48	Harlan	10	55,300.66
Boone	15	108,552.02	Harrison	3	25,753.23
Bourbon	3	21,011.47	Hart	8	70,563.77
Boyd	7	54,530.80	Henderson	3	21,133.03
Boyle	1	11,000.71	Henry	2	5,103.70
Bracken	5	28,387.22	Hopkins	16	102,996.76
Breathitt	9	71,196.36	Jefferson	249	2,242,361.10
Breckinridge	3	20,314.25	Jessamine	3	17,445.66
Bullitt	14	90,347.14	Johnson	1	18,685.03
Butler	1	2,238.56	Kenton	18	98,377.46
Caldwell	6	33,602.04	Knott	10	69,165.61
Calloway	4	27,043.43	Knox	10	52,657.54
Campbell	6	51,443.73	Larue	5	43,391.28
Carlisle	3	26,691.43	Laurel	11	58,175.84
Carroll	2	16,215.63	Lawrence	1	67.58
Carter	8	63,612.58	Lee	1	5,657.33
Casey	9	49,031.46	Leslie	3	11,337.90
Christian	14	120,755.56	Letcher	8	54,601.01
Clark	6	45,196.36	Lewis	7	60,286.96
Clay	17	103,699.05	Lincoln	7	25,401.72
Clinton	3	14,157.48	Livingston	2	16,188.94
Cumberland	1	2,962.56	Logan	2	17,437.14
Daviess	16	118,315.56	Madison	5	39,468.30
Edmonson	6	35,459.66	Marshall	3	16,843.73
Elliott	1	352.51	Mason	4	36,186.91
Estill	2	8,903.50	McCracken	18	182,128.48
Fayette	67	624,367.54	McCreary	9	33,397.75
Fleming	3	28,164.99	Meade	8	76,458.55
Floyd	12	90,406.49	Menifee	1	3,001.62
Franklin	13	62,444.35	Mercer	1	4,720.55
Fulton	3	3,582.35	Metcalfe	3	15,543.78
Gallatin	1	4,006.80	Monroe	2	7,174.33
Garrard	1	2,507.66	Montgomery	9	94,029.93
Grant	2	24,585.59	Morgan	3	5,056.82
Graves	7	25,612.27	Muhlenberg	6	35,683.52

SCHOOL DISTRICTS ELECTING TO PAY FOR SICK LEAVE UNDER KRS 161.155(8) FOR FISCAL YEAR 1992 (CONTINUED)

COUNTY SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION
Nelson	5	\$ 43,470.22
Nicholas	2	12,575.55
Ohio	11	50,979.00
Oldham	6	20,829.52
Owen	1	6,794.01
Owsley	2	8,840.29
Pendleton	1	17,551.29
Perry	11	81,441.00
Pike	12	61,863.54
Pulaski	15	104,792.39
Rockcastle	8	52,495.88
Rowan	4	17,820.90
Russell	4	23,777.27
Scott	3	23,270.72
Shelby	6	31,584.07
Simpson	4	16,707.97
Spencer	1	12,110.40
Taylor	1	7,435.01
Todd	4	29,496.60
Trigg	5	29,643.02
Union	3	14,615.94
Warren	8	61,040.98
Washington	2	16,587.83
Wayne	8	69,804.87
Webster	2	12,789.85
Whitley	8	37,486.25
Wolfe	1	6,800.00
Woodford	5	21,527.76

INDEPENDENT SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION
Ashland	9	\$ 62,440.70
Bardstown	3	21,984.99
Bowling Green	8	63,269.71
Caverna	1	2,747.23
Corbin	5	52,044.15
Covington	1	6,947.23
Danville	1	11,209.64
Dayton	1	3,669.20
Elizabethtown	9	63,477.03
Eminence	2	5,863.52
Erlanger	5	26,916.49
Fairview	2	21,827.60
Frankfort	1	10,356.87
Glasgow	7	59,416.85
Jenkins	2	11,332.11
Mayfield	5	36,791.16
Middlesboro	2	3,022.02
Monticello	1	9,377.47
Newport	4	26,264.03
Owensboro	12	38,020.30
Paducah	7	49,970.68
Paintsville	1	4,786.61
Paris	3	27,485.65
Pikeville	1	9,395.43
Providence	2	7,127.96
Raceland	2	12,266.36
Russell	2	4,680.47
Russellville	3	8,010.75
Somerset	4	35,374.22
Walton-Verona	1	13,989.65
West Point	1	10,416.03
Williamsburg	1	7,503.09
Williamstown	1	12,014.21
Region 1	1	11,160.02
West KY Coop	1	11,457.64
Total for All Districts	1,051	\$7,771,102.56

JUNE 30, 1992

*Type of Retirement

- ## DISTRIBUTION OF ACTIVE MEMBERS AS OF JUNE 30, 1992

DISTRIBUTION OF ACTIVE MEMBERS AS OF JUNE 30, 1992

By Service		
Years Service	Male	Female
Less 1	261	735
1-4	2,569	7,483
5-9	2,065	6,722
10-14	1,691	4,957
15-19	2,411	6,254
20-24	2,742	5,244
25-29	1,662	2,282
30-34	631	679
Over 35	260	337
Total	14,292	34,693



KTRS SCHEDULE OF PARTICIPATING EMPLOYERS

SCHOOL 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. Caverna	26. Fulton	40. Paducah	54. West Point
13. Cloverport	27. Glasgow	41. Paintsville	55. Williamsburg
14. Corbin	28. Harlan	42. Paris	56. Williamstown

UNIVERSITIES

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

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

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

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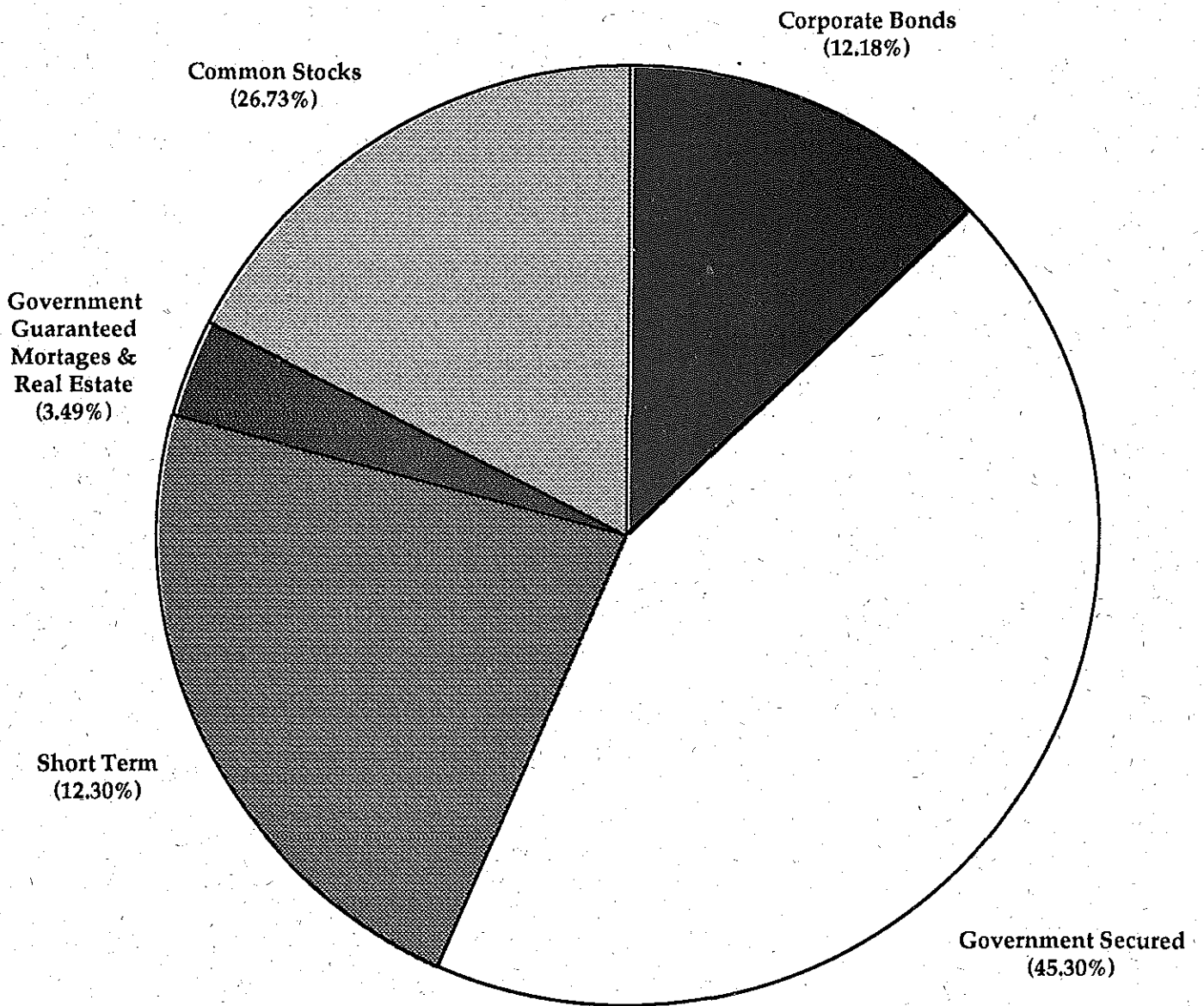


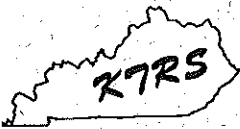
In June, 1988, the Kentucky Supreme Court ruled that the existing system of public education in Kentucky was unconstitutional. House Bill 940, better known as the Education Reform Act, called for radical reconstruction of public education at every level and was designed to rectify gross inequities that had existed for a century among the 180 Kentucky school districts. It was submitted to the legislature on March 9, 1990 and enacted on April 11, 1990.

Information taken from "The Kentucky Encyclopedia," edited by John E. Kleber, p. 287.

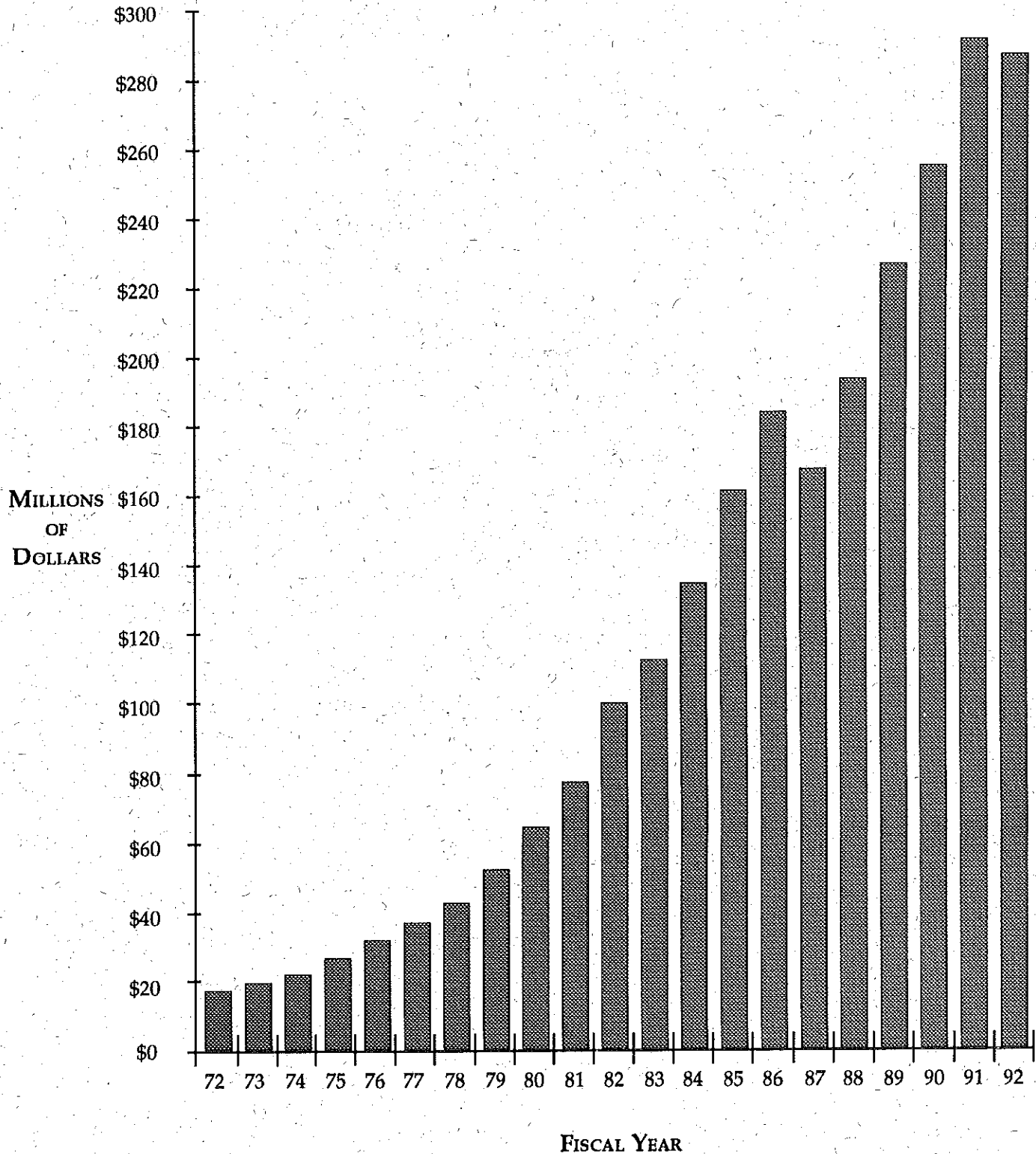


DISTRIBUTION OF INVESTMENTS JUNE 30, 1992

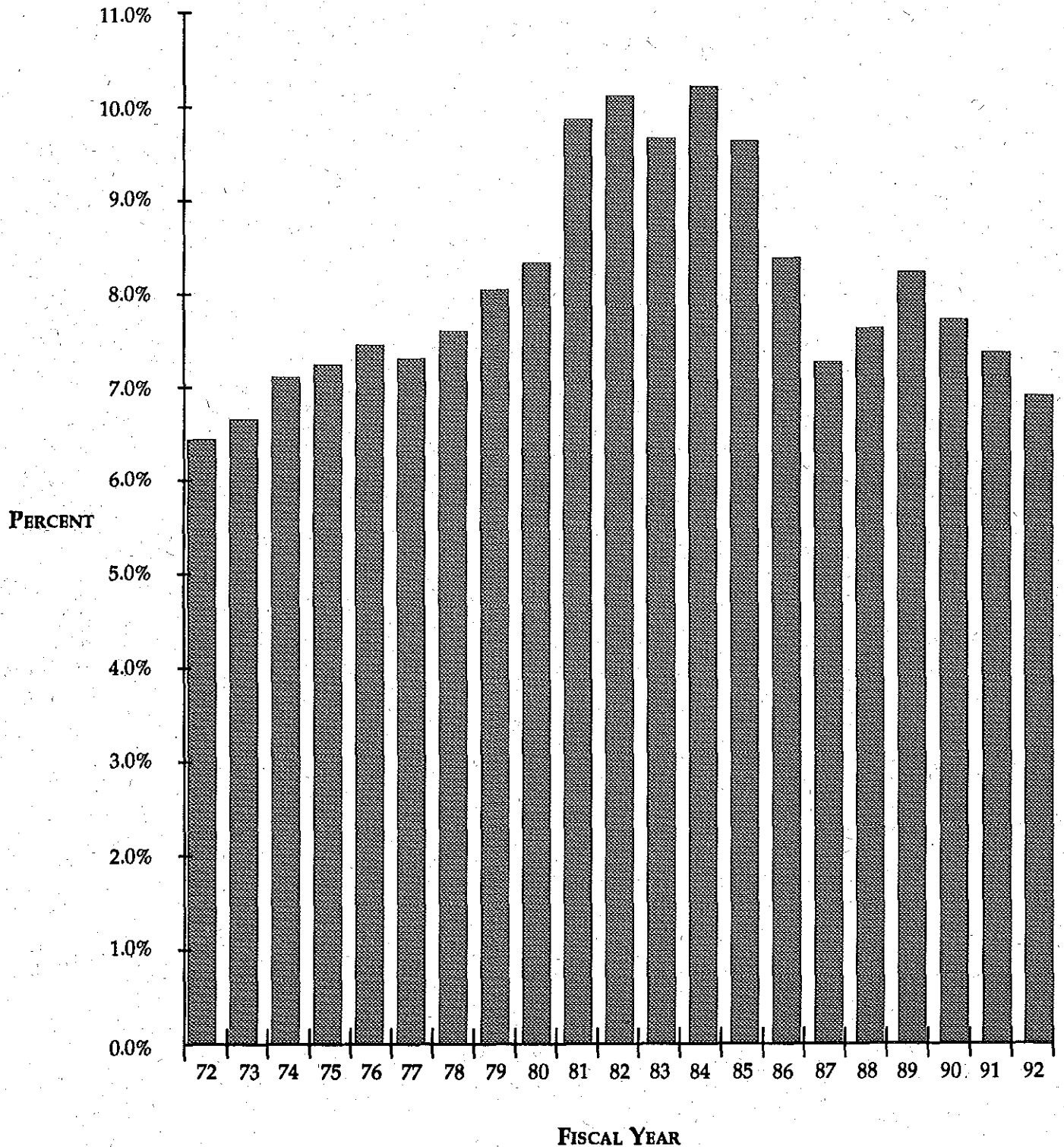




INVESTMENT INCOME GROWTH (INCLUDES AMORTIZATION, EXCLUDES NET GAIN)



NET INDICATED YIELD ON FIXED DOLLAR ASSETS (PAR VALUE)





ANALYSIS OF INVESTMENTS HELD AS OF JUNE 30, 1992

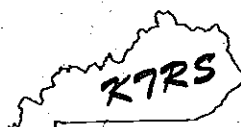
INVESTMENT	PERCENTAGE OF TOTAL	PAR VALUE* OR REMAINING PRINCIPAL BALANCE	NET ANNUAL INTEREST/ INDICATED DIVIDEND INCOME	ANNUAL YIELD
Repurchase Agreements	12.30%	\$ 591,820,000.00	\$ 22,781,031.05	3.85%
Total Short Term	12.30%	\$ 591,820,000.00	\$ 22,781,031.05	3.85%
Treasury Notes and Bonds	30.07	\$ 1,446,062,000.00	\$ 109,769,544.95	7.59
Agencies	3.86	185,823,909.18	13,749,938.03	7.40
Ship Bonds (Title XI)	.46	22,095,588.45	2,145,890.78	9.71
GNMA (Single Family)	1.97	94,635,915.91	8,158,418.95	8.62
Collateralized Mortgage Obligations	1.68	80,907,985.39	7,093,800.32	8.77
Treasury Strip Bonds	7.26	349,274,280.00	12,531,921.91	3.59
Other Miscellaneous	.00	37,403.78	1,122.11	3.00
Total U S Government Obligations	45.30%	\$ 2,178,837,082.71	\$ 153,450,637.05	7.04%
Industrials	4.19	\$ 201,574,859.22	\$ 17,715,831.08	8.79
Finance	5.51	265,112,436.78	21,125,791.23	7.97
Utility Bonds (Except Telephone)	.68	32,571,000.00	2,576,278.42	7.91
Telephone Bonds	.85	40,940,000.00	3,347,779.56	8.18
Railroad Obligations	.29	13,896,000.00	1,080,366.74	7.77
Corporate Bonds NOC	.66	31,738,278.32	2,624,556.29	8.27
Total Corporate Bonds	12.18%	\$ 585,832,574.32	\$ 48,470,603.32	8.27%
FHA & VA Single Family Mortgages	.13	\$ 6,299,834.30	\$ 433,168.51	6.88
Project Mortgages (FHA & GNMA)	2.29	109,920,287.25	10,283,176.48	9.36
Total Other Fixed Income Investments	2.42%	\$ 116,220,121.55	\$ 10,716,344.99	9.22%
Subtotal (Fixed Income)	72.20%	\$3,472,709,778.58	\$ 235,418,616.41	6.78%
Real Estate Equity	1.07	\$ 51,528,861.61	\$ 4,468,589.47	8.67
Total Real Estate Equity	1.07%	\$ 51,528,861.61	\$ 4,468,589.47	8.67%
Common Stocks 28,102,312.00 Shares	20.52	\$ 986,982,446.00	\$ 38,232,979.36	3.87
Stock Index 8,073,437.00 Shares	6.21	298,913,644.16	10,054,121.92	3.36
Total Stocks 36,175,749.00 Shares	26.73%	\$ 1,285,896,090.16	\$ 48,287,101.28	3.76%
Subtotal (Equity)	27.80%	\$ 1,337,424,951.77	\$ 52,755,690.75	3.94%
Total Investments, Income & Yield	100.00%	\$ 4,810,134,730.35	\$ 288,174,307.16	5.99%

*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, 1992 was \$3,278,082,126.72; the market value was \$3,400,455,068.98. The par and book values of stocks, which are the same, were \$1,285,896,090.16 for June 30, 1992; the market value of stocks was \$1,502,950,385.91. 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.



U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Treasury Bonds and Notes (cont.):			
U S Treasury Bonds	7.500	11/15/16	\$ 10,000,000.00
U S Treasury Bonds	7.875	11/15/07	2,000,000.00
U S Treasury Bonds	8.000	11/15/21	5,000,000.00
U S Treasury Bonds	8.125	08/15/19	27,000,000.00
U S Treasury Bonds	8.750	11/15/08	4,000,000.00
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	8.750	05/15/17	9,000,000.00
U S Treasury Bonds	8.875	08/15/17	15,005,000.00
U S Treasury Bonds	8.875	08/15/17	2,295,000.00
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	9,415,000.00
U S Treasury Bonds	8.875	08/15/17	4,500,000.00
U S Treasury Bonds	8.875	08/15/17	10,000,000.00
U S Treasury Bonds	8.875	08/15/17	10,000,000.00
U S Treasury Bonds	8.875	08/15/17	10,000,000.00
U S Treasury Bonds	8.875	02/15/19	12,475,000.00
U S Treasury Bonds	8.875	02/15/19	7,375,000.00
U S Treasury Bonds	9.250	02/15/16	11,000,000.00
U S Treasury Bonds	9.250	02/15/16	6,700,000.00
U S Treasury Bonds	9.250	02/15/16	10,000,000.00
U S Treasury Bonds	9.375	02/15/06	10,000,000.00
U S Treasury Bonds	9.875	11/15/15	6,000,000.00
U S Treasury Bonds	9.875	11/15/15	1,000,000.00
U S Treasury Bonds	9.875	11/15/15	10,500,000.00
U S Treasury Bonds	9.875	11/15/15	6,500,000.00
U S Treasury Bonds	10.375	11/15/09	1,000,000.00
U S Treasury Bonds	10.375	11/15/09	2,000,000.00
U S Treasury Bonds	10.375	11/15/09	2,500,000.00
U S Treasury Bonds	10.375	11/15/09	4,500,000.00
U S Treasury Bonds	10.375	11/15/12	2,500,000.00
U S Treasury Bonds	10.375	11/15/12	1,000,000.00
U S Treasury Bonds	10.625	08/15/15	1,000,000.00
U S Treasury Bonds	10.625	08/15/15	500,000.00
U S Treasury Bonds	10.625	08/15/15	1,000,000.00
U S Treasury Bonds	10.625	08/15/15	3,500,000.00
U S Treasury Bonds	10.625	08/15/15	3,200,000.00
U S Treasury Bonds	10.625	08/15/15	1,700,000.00
U S Treasury Bonds	10.750	02/15/03	11,300,000.00
U S Treasury Bonds	10.750	05/15/03	1,500,000.00
U S Treasury Bonds	10.750	05/15/03	2,800,000.00
U S Treasury Bonds	10.750	05/15/03	4,500,000.00
U S Treasury Bonds	10.750	08/15/05	14,000,000.00
U S Treasury Bonds	11.625	11/15/02	11,000,000.00
U S Treasury Bonds	11.750	02/15/10	15,400,000.00
U S Treasury Bonds	12.000	08/15/13	7,500,000.00
U S Treasury Bonds	12.000	08/15/13	3,800,000.00
U S Treasury Bonds	12.375	05/15/04	9,223,000.00
U S Treasury Bonds	13.125	05/15/01	8,000,000.00
U S Treasury Notes	5.375	04/30/94	25,000,000.00
U S Treasury Notes	5.500	02/15/95	25,000,000.00
U S Treasury Notes	5.500	02/15/95	25,000,000.00
U S Treasury Notes	5.500	02/15/95	25,000,000.00
U S Treasury Notes	5.500	02/15/95	25,000,000.00
U S Treasury Notes	5.875	05/15/95	25,000,000.00
U S Treasury Notes	5.875	05/15/95	25,000,000.00
U S Treasury Notes	6.000	10/31/93	25,000,000.00
U S Treasury Notes	6.000	11/15/94	25,000,000.00
U S Treasury Notes	6.125	09/30/93	5,000,000.00
U S Treasury Notes	6.125	09/30/93	3,100,000.00



U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Treasury Bonds and Notes (cont.):			
U S Treasury Notes	8.875	11/15/98	5,500,000.00
U S Treasury Notes	8.875	11/15/98	2,000,000.00
U S Treasury Notes	8.875	11/15/98	4,500,000.00
U S Treasury Notes	8.875	11/15/98	12,000,000.00
U S Treasury Notes	8.875	02/15/99	360,000.00
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	05/15/00	2,500,000.00
U S Treasury Notes	8.875	05/15/00	10,000,000.00
U S Treasury Notes	8.875	05/15/00	500,000.00
U S Treasury Notes	9.000	05/15/98	15,000,000.00
U S Treasury Notes	9.000	05/15/98	1,144,000.00
U S Treasury Notes	9.000	05/15/98	10,000,000.00
U S Treasury Notes	9.125	05/15/99	1,150,000.00
U S Treasury Notes	9.125	05/15/99	4,500,000.00
U S Treasury Notes	9.125	05/15/99	2,000,000.00
U S Treasury Notes	9.125	05/15/99	3,000,000.00
U S Treasury Notes	9.250	01/15/96	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	4,500,000.00
U S Treasury Notes	9.250	08/15/98	1,580,000.00
U S Treasury Notes	9.375	04/15/96	2,200,000.00
U S Treasury Notes	9.375	04/15/96	4,500,000.00
U S Treasury Notes	9.375	04/15/96	5,900,000.00
U S Treasury Notes	9.500	05/15/94	500,000.00
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	05/15/94	6,600,000.00
U S Treasury Notes	9.500	05/15/94	2,000,000.00
U S Treasury Notes	9.500	10/15/94	9,300,000.00
U S Treasury Notes	9.500	10/15/94	4,750,000.00
U S Treasury Notes	9.500	10/15/94	13,000,000.00
U S Treasury Notes	9.500	10/15/94	10,000,000.00
U S Treasury Notes	9.500	10/15/94	50,000.00
U S Treasury Notes	10.125	05/15/93	3,500,000.00
U S Treasury Notes	10.125	05/15/93	3,000,000.00
U S Treasury Notes	10.125	05/15/93	19,000,000.00
U S Treasury Notes	10.500	08/15/95	1,000,000.00
U S Treasury Notes	10.500	08/15/95	500,000.00
U S Treasury Notes	10.500	08/15/95	1,500,000.00
U S Treasury Notes	10.500	08/15/95	2,700,000.00
U S Treasury Notes	10.500	08/15/95	2,000,000.00
U S Treasury Notes	11.250	02/15/95	8,425,000.00
U S Treasury Notes	11.250	05/15/95	1,000,000.00
U S Treasury Notes	11.250	05/15/95	2,500,000.00
U S Treasury Notes	11.750	11/15/93	2,500,000.00
U S Treasury Notes	11.750	11/15/93	4,000,000.00
U S Treasury Notes	11.750	11/15/93	1,250,000.00
U S Treasury Notes	11.750	11/15/93	4,450,000.00
U S Treasury Notes	11.750	11/15/93	4,500,000.00
U S Treasury Notes	11.875	08/15/93	1,000,000.00
U S Treasury Notes	11.875	08/15/93	2,000,000.00
Total Treasury Bonds and Notes			\$ 1,446,062,000.00
Federal Agencies:			
FHLB	8.800	10/25/93	\$ 3,700,000.00
FHLB	9.550	04/25/94	1,500,000.00



U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Collateralized Mortgage Obligations (cont.):			
CMO-Lomas Nettleton Mtg II 2	9.000	12/01/08	\$ 2,500,000.00
CMO-MDC Asset Inv TR Ser 11 CL 3	9.050	11/20/17	1,611,342.84
CMO-Mortgage Bankers Fin 87A	7.200	07/25/00	945,887.36
CMO-United Saving Assoc TX 3B	8.950	12/25/05	334,289.73
Total Collateralized Mortgage Obligations			\$ 80,907,985.39
Treasury Strip Bonds:			
CATS (Treasury Securities) RU	0.000	02/15/04	\$ 4,600,000.00
CATS (Treasury Securities) U	0.000	02/15/01	1,100,000.00
CATS (Treasury Securities) U	0.000	02/15/02	10,800,000.00
CATS (Treasury Securities) U	0.000	08/15/02	5,500,000.00
CATS (Treasury Securities) U	0.000	02/15/03	5,000,000.00
CATS (Treasury Securities) UR	0.000	02/15/02	3,300,000.00
CATS (Treasury Securities) VGLQT	0.000	11/15/03	10,600,000.00
CATS (Treasury Securities) Z	0.000	05/15/03	5,000,000.00
Call Treasury Receipts	0.000	08/15/13	19,000,000.00
Call Treasury Receipts	0.000	11/15/11	2,520,000.00
Call Treasury Receipts	0.000	05/15/14	13,000,000.00
Call Treasury Receipts	0.000	05/15/14	8,000,000.00
Call Treasury Receipts	0.000	05/15/14	4,000,000.00
Principal CATS Series R	0.000	08/15/04	45,000,000.00
Principal CATS U	0.000	08/15/04	22,800,000.00
Principal CATS U	0.000	08/15/04	5,004,000.00
TIGR'S (Treasury Securities) 1	0.000	11/15/05	5,012,000.00
TIGR'S (Treasury Securities) 18	0.000	02/15/02	2,500,000.00
Treasury Receipts	0.000	05/15/04	2,170,080.00
Treasury Receipts	0.000	11/15/04	6,017,500.00
Treasury Receipts	0.000	11/15/04	10,375,000.00
Treasury Receipts Series G	0.000	05/15/94	8,125,700.00
U S Treasury Principal Strips	0.000	11/15/97	25,000,000.00
U S Treasury Principal Strips	0.000	11/15/14	18,000,000.00
U S Treasury Strip Bds	0.000	11/15/01	4,000,000.00
U S Treasury Strip Bonds	0.000	08/15/94	5,900,000.00
U S Treasury Strip Bonds	0.000	05/15/95	5,000,000.00
U S Treasury Strip Bonds	0.000	05/15/95	3,000,000.00
U S Treasury Strip Bonds	0.000	05/15/95	3,000,000.00
U S Treasury Strip Bonds	0.000	05/15/96	10,000,000.00
U S Treasury Strip Bonds	0.000	11/15/96	5,500,000.00
U S Treasury Strip Bonds	0.000	11/15/96	7,000,000.00
U S Treasury Strip Bonds	0.000	08/15/97	3,000,000.00
U S Treasury Strip Bonds	0.000	02/15/98	7,000,000.00
U S Treasury Strip Bonds	0.000	08/15/00	10,000,000.00
U S Treasury Strip Bonds	0.000	02/15/01	1,000,000.00
U S Treasury Strip Bonds	0.000	11/15/01	1,000,000.00
U S Treasury Strip Bonds	0.000	02/15/02	7,250,000.00
U S Treasury Strip Bonds	0.000	05/15/04	15,000,000.00
U S Treasury Strip Bonds	0.000	08/15/06	3,000,000.00
U S Treasury Strip Bonds	0.000	05/15/09	1,200,000.00
U S Treasury Strip Bonds	0.000	11/15/11	15,000,000.00
Total Treasury Strip Bonds			\$ 349,274,280.00
Other - Miscellaneous:			
FHA Certificate of Claim	3.000		\$ 4,516.76
FHA Certificate of Claim	3.000		32,887.02
Total Other			\$ 37,403.78
Total U.S. Government Obligations			\$ 2,178,837,082.71

82

CORPORATE BONDS (CONTINUED)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Finance (cont.):			
Commercial Credit Notes	8.500	02/15/98	\$ 5,000,000.00
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 Nts	7.875	01/15/97	4,000,000.00
GMAC	8.600	04/05/95	10,000,000.00
GMAC 1992-C (A)	5.950	02/15/97	8,790,548.30
GMAC 1992-D Grantor Trust Cl A	5.550	05/15/97	9,692,307.80
GMAC Debs	8.625	06/15/99	4,000,000.00
GMAC Debs	8.625	06/15/99	6,000,000.00
GMAC MTN	8.350	08/04/93	9,000,000.00
General Electric Cap Corp Nts MTN	9.190	07/16/09	3,000,000.00
General Electric Credit Corp Debs	5.500	11/01/01	4,000,000.00
General Motors Accept Corp Debs	8.000	01/15/02	3,500,000.00
Household Finance Corp. MTN	9.040	08/02/93	4,000,000.00
Household Finance Corp. MTN	9.040	08/02/93	6,000,000.00
IBM Credit MTN	8.200	07/30/93	5,000,000.00
MBNA Credit Card Tr Series 91-1	7.750	10/15/98	15,000,000.00
MBNA Credit Card Tr Series 91-1	7.750	10/15/98	6,000,000.00
Metropolitan Federal Bk MTN	8.450	03/01/93	4,500,000.00
Premier Auto Trust 92-2	6.375	09/15/97	18,663,986.21
Premier Auto Trust 92-2	6.375	09/15/97	7,465,594.47
Railcar Trust Notes 1992-1	7.750	06/01/04	6,800,000.00
Republic NY Corp Sub Nts	8.250	11/01/01	10,500,000.00
Security Pacific Ser K SR Mtn	6.850	03/15/94	12,500,000.00
U S West Financial Service MTN	9.125	08/02/93	6,000,000.00
U S West Financial Service MTN	9.125	08/02/93	6,000,000.00
U S West Financial Service MTN	9.250	08/02/94	3,000,000.00
Total Financial Bonds			\$ 265,112,436.78
Utility Bonds (except Telephone):			
Appalachian Power Co 1st Mtg MBIA	9.125	11/01/19	\$ 1,000,000.00
Con Edison 1st Ref Mtg EE	6.250	08/01/97	500,000.00
Con Edison 1st Ref Mtg FF	6.850	10/01/98	250,000.00
Florida Power Corp 1st Mtg	7.375	06/01/02	2,000,000.00
Florida Power Light 1st Mtg	4.625	03/01/95	100,000.00
Florida Power Light 1st Mtg	5.000	12/01/95	700,000.00
Florida Power Light 1st Mtg	9.000	10/01/16	1,000,000.00
Houston Lighting Power 1st Mtg	9.000	03/01/17	207,000.00
Kentucky Utilities 1st Mtg I	8.750	04/01/00	300,000.00
Kentucky Utilities 1st Mtg J	7.625	09/01/01	2,000,000.00
Louisville Gas Electric 1st Mtg	8.250	08/01/01	2,000,000.00
Pacific Gas Elec 1st Ref Mtg 86F	9.125	10/01/19	1,000,000.00
Pacific Gas Elec 1st Ref Mtg QQ	6.625	06/01/00	1,000,000.00
Pacific Gas Elec 1st Ref Mtg XX	7.500	12/01/03	1,300,000.00
Pacific Power Light 1st Mtg	4.500	12/01/92	1,361,000.00
Pennsylvania Electric Debs	7.000	11/01/92	98,000.00
Pub Ser Elec Gas 1st Ref Mtg U	7.500	04/01/96	10,000,000.00
Pub Ser Elec Gas Debs	6.000	07/01/98	255,000.00
Wisconsin Electric Power 1st Mtg	8.500	12/15/16	7,500,000.00
Total Utility Bonds			\$ 32,571,000.00
Telephone Bonds:			
American Tel Tel Debs	5.500	01/01/97	\$ 2,100,000.00
American Tel Tel Debs	6.000	08/01/00	1,000,000.00
Cincinnati Bell Inc Nts	9.100	06/15/00	2,000,000.00

CORPORATE BONDS (CONTINUED)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Telephone Bonds (cont.):			
Cincinnati Bell Inc Nts	9.100	06/15/00	\$ 3,000,000.00
GTE Florida Inc	8.000	03/01/01	250,000.00
Gen Telephone Midwest 1st Mtg F	7.500	02/01/01	200,000.00
Hawaiian Telephone 1st Mtg S	6.750	04/01/98	100,000.00
Hawaiian Telephone 1st Mtg T	8.750	09/01/00	200,000.00
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	8.750	04/01/23	2,000,000.00
Pacific Tel Tel Debs	7.800	03/01/07	250,000.00
Pacific Tel Tel Debs	8.375	02/01/17	2,500,000.00
South Central Bell Tel Debs	8.250	08/01/13	4,000,000.00
Southwestern Bell Tel Debs	4.625	08/01/95	1,590,000.00
Southwestern Bell Tel Debs	6.750	06/01/08	1,000,000.00
Southwestern Bell Tel Debs	7.750	09/01/09	2,000,000.00
Total Telephone Bonds			\$ 40,940,000.00
Railroad Obligations:			
CSX Corp Nts	9.000	08/15/06	\$ 10,000,000.00
Louisville Nashville RR Col Tr	7.375	12/01/93	300,000.00
Sou Railway Memphis Div 1st Mtg	5.000	07/01/96	539,000.00
Southern Railway 1st Con Mtg	5.000	07/01/94	2,950,000.00
Virginia Southwestern Ry 1st Mtg	5.000	01/01/03	107,000.00
Total Railroad Obligations			\$ 13,896,000.00
Corporate Bonds NOC:			
CFC-3 Grantor Trust	7.700	02/15/93	\$ 620,742.75
College & Univ FAC Loan TR 2 Ser A	4.000	06/01/96	1,277,367.72
College & Univ FAC Loan TR 2 Ser A	4.000	06/01/96	1,208,320.83
Discover Credit Card Trust 1990-B	9.200	11/16/95	11,000,000.00
First US Credit Card Trust 1989A	8.550	07/15/94	2,000,000.00
First US Credit Card Trust 1989A	8.550	07/15/94	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	2,754,963.07
Ford Motor Credit 1989-B Grantor Tr	8.600	12/15/94	2,083,723.28
Mack Truck Rec Ser 3	10.200	03/15/94	798,939.54
Marine Midland 1988-1 Cars Trust	8.500	06/15/93	849,546.38
Shawmut National 1990-A Grantor Tr	9.150	09/15/95	1,144,674.75
Total Corporate Bonds NOC			\$ 31,738,278.32
Total Corporate Bonds			\$ 585,832,574.32

OTHER FIXED INCOME INVESTMENTS

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Single Family Mortgages:			
FHA	various	various	\$ 3,146,904.31
VA	various	various	3,152,929.99
Total Single Family Mortgages			\$ 6,299,834.30



OTHER FIXED INCOME INVESTMENTS

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Project Mortgages (FHA & GNMA):			
Americana Apts KY 221D4	7.500	10/01/18	\$ 4,285,307.42
Bedford Commons KY 221D4	8.000	11/01/23	1,236,702.45
Bedford House KY 221D4	7.500	01/01/20	1,194,491.19
Beech Creek Apts KY 221D4	7.500	08/01/21	2,007,076.08
Belleville Manor Apts KY 221D4	7.500	11/01/19	614,344.29
Berrytown Apts KY 221D4	8.000	02/01/24	1,345,167.36
Bethany Circle Kings Daughters IN	8.375	03/01/02	1,332,949.72
Cambridge Square Apts KY 221D4	7.500	11/01/19	1,147,674.13
Carnaby Square Apts KY 221D4	7.500	06/01/19	1,179,758.19
Carrollton Village Apts KY 221D4	7.500	09/01/20	1,893,433.01
Carter Court Apts KY 221D4	7.500	09/01/20	1,249,650.03
Christ Hosp GNMA 21191PL	8.000	09/15/06	3,124,959.64
Congregational Home Kan 231	5.250	07/01/04	1,064,279.69
Coolavin Apts KY 221D4	7.500	04/01/22	3,068,293.03
Cortland Hosp GNMA 13089PL	8.750	10/15/04	1,184,595.00
Cottage Bell Apts CA 221D4	7.500	11/01/10	510,801.18
Cottage Bell II CA 221D4	8.500	11/01/11	396,700.72
Denver Ed Sr Citzns 231	5.250	11/01/03	596,420.60
Dixie Apts KY 221D4	7.500	05/01/18	1,081,508.16
Ephraim McDowell Hosp KY	9.000	01/01/01	2,168,266.89
Ferndale Apts KY 221D4	7.500	08/01/23	3,630,932.65
Gainesway Village KY 221D4	7.500	02/01/19	1,561,876.68
Glenbrook Park KY 221D4	7.500	12/01/21	2,411,611.94
Grand Central Apts KY 221D4	7.500	03/01/25	2,243,597.07
Greater Corbin Mnr KY 221D4	7.500	03/01/21	3,415,309.03
Hallmark Plaza KY 223F	8.500	06/01/11	1,053,765.57
Jackson Valley Apts KY 221D4	7.500	08/01/20	1,902,666.68
Jamestown Manor Ltd KY 221D4	7.500	02/01/22	1,520,642.02
Lakeview Estates KY 221D4	7.500	01/01/20	1,073,769.36
Lebanon Apts KY 221D4	7.500	02/01/20	1,152,211.00
Lighthouse Sq Apts Ky 223F	8.625	01/01/27	4,777,832.09
Lin Meadows Homes KY 221D4	7.500	11/01/22	262,794.56
Locust Ridge KY 221D4	7.500	10/10/21	1,835,623.31
Longmont Christian Hsg 231	5.250	03/01/03	368,236.07
Madison Ave Apts KY 221D4	7.500	09/01/20	1,876,329.15
Manchester Heights Apts KY 221D4	7.500	06/01/19	1,176,348.62
Middletown Apts KY 221D4	7.500	02/01/18	1,000,990.74
Montgomery Square Apts KY 221D4	7.500	05/01/19	1,175,438.39
Mt Lebanon Cedars KY 221D3	7.500	03/01/23	2,569,476.92
Oak Tree Villa Apts KY 221D4	7.500	05/01/23	3,396,583.91
Panorama West KY 236	8.500	12/01/12	423,916.69
Pine Ridge Apts KY 221D4	7.500	09/01/18	795,636.78
Pinecreek Apts KY 221D4	7.500	10/01/17	545,998.65
Regency Park Apts KY 221D4	7.500	05/01/18	922,611.25
Regency Park BG KY 221D4	7.500	02/01/23	3,618,674.86
Ridgeway Apts KY 221D4	7.500	02/01/19	1,002,296.19
Rucker Village Apts KY 221D4	7.500	03/01/20	1,046,632.12
Salem Village I 232 III	7.750	03/01/16	955,316.98
Salem Village II 231 III	7.750	10/01/16	3,273,376.01
Sandefur Manor KY 221D4	7.500	01/01/20	909,652.00
Shepherdsville VLG KY 221D4	7.500	05/01/20	1,318,932.78
Shively Apts KY 221D4	7.500	10/01/21	2,344,644.92
Southside Manor KY 221D4	7.500	02/01/19	1,362,288.00
Town Branch Apts KY 221D4	7.500	11/01/23	734,004.99
Tree Top Apts KY 221D4	7.500	11/01/20	1,095,011.19
Vernon Manor Ltd KY 221D4	7.500	11/01/22	883,643.98
Walnut Hill Apts KY 221D4	7.500	05/01/19	1,580,654.03
Wesley Manor KY 232	8.000	12/01/11	885,154.58
Wessington House Apts TN 221D4	7.500	02/01/22	1,812,476.18
Westchester Circle KY 221D4	7.500	04/01/19	4,054,546.20
Westwood Apts KY 221D4	7.500	10/01/23	1,173,519.80

OTHER FIXED INCOME INVESTMENTS (CONTINUED)

Security	Coupon	Maturity	Par Value or Remaining Principal Balance
Project Mortgages (FHA & GNMA)(cont.):			
Wilderness Trail Mnr KY 221D4	7.500	03/01/23	\$ 5,546,155.44
Wildwood Apts KY 221D4	7.500	08/01/20	1,820,954.74
Willow Creek Apts KY 221D4	7.500	08/01/23	1,355,833.38
Woodsvlew Apts KY 221D4	7.500	01/01/19	1,369,940.97
Total Project Mortgages			\$ 109,920,287.25
Total Other Fixed Income Investments			\$ 116,220,121.55
TOTAL FIXED INCOME INVESTMENTS			\$ 3,472,709,778.58

REAL ESTATE EQUITY

Security	Par Value or Remaining Principal Balance
Real Estate Equity:	
FIA Profile Fund I - 1500 Units	\$ 13,649,997.30
K Mart Store Winchester KY	2,715,512.53
Kroger Store Georgetown KY	2,186,000.00
Kroger Store Richmond KY	2,305,000.00
Kroger Super-X Bowling Green KY	2,792,467.00
Kroger Super-X Owensboro KY	2,232,400.00
Office Building 477	1,100,868.78
Rite Aid - Horse Cave, Ky	370,000.00
Rite Aid - Liberty, Ky	397,700.00
Wal-Mart Store Hardinsburg KY	965,000.00
Wal-Mart Store Paducah KY	2,800,000.00
Wal-Mart Store Paris KY	1,200,000.00
Wal-Mart Store Princeton Ky	2,900,000.00
Wal-Mart Store Shelbyville KY	1,600,000.00
Wal-Mart Store Williamstown KY	1,090,000.00
Winn Dixie - Leitchfield Ky #1617	2,145,833.00
Winn Dixie - Lexington Ky #1614	3,639,167.00
Winn Dixie - Somerset Ky #1602	3,090,479.00
Winn Dixie - St Matthews Ky #1659	4,348,437.00
Total Real Estate Equity	\$ 51,528,861.61



COMMON STOCKS

Stock	Number of Shares	Cost
AMP Inc	111,000.00	\$ 5,781,297.50
Abbott Laboratories	524,000.00	10,069,840.00
Aetna Life & Casualty Co	100,000.00	5,954,338.71
Air & Water Technologies	95,600.00	1,912,448.50
Air Products & Chemicals	197,000.00	6,389,972.50
Allergan Inc	187,100.00	4,026,451.00
Aluminum Co of America	80,000.00	5,035,487.50
American Brands Inc	100,000.00	4,648,612.50
American General Corp	150,000.00	5,320,537.50
American Home Products	120,000.00	5,446,612.50
American Information Tech	167,000.00	7,735,778.33
American International Group	35,000.00	2,895,850.00
Amoco Corp	275,000.00	12,227,012.50
Aon Corp	68,900.00	2,651,789.00
Atlantic Richfield	90,000.00	11,227,938.75
Automatic Data Processing Inc	150,000.00	4,968,645.83
Avery Dennison Corp	96,100.00	2,319,578.50
Baker Hughes	105,000.00	2,651,150.00
Baltimore Gas & Electric	225,600.00	4,636,166.03
Banc One	249,700.00	6,214,300.14
Bancorp Hawaii Inc	66,500.00	2,878,644.50
Bankers Trust NY Corp	143,968.00	6,420,600.20
Bard (CR) Inc	52,200.00	1,352,457.00
Barnett Banks Inc	152,800.00	5,422,593.00
Baxter International Inc	170,000.00	5,883,262.50
Beckman Instruments	117,000.00	2,234,845.00
Bell Atlantic Corp	130,000.00	4,767,036.80
Biogen Inc	9,000.00	267,463.24
Black & Decker	125,100.00	2,333,469.66
Boeing Co	158,750.00	3,851,322.88
Bristol-Myers Squibb	306,900.00	19,493,573.20
Browning-Ferris Ind	380,000.00	8,657,150.00
CMS Energy Corporation	135,100.00	2,599,181.00
Calgene Inc	31,800.00	412,150.00
Capital Cities/ABC	18,000.00	7,737,955.00
Capital Holding Corp Del	180,000.00	4,753,619.74
Central & South West	416,000.00	8,188,743.33
Chase Manhattan	123,100.00	2,388,736.00
Chemical Waste Management Inc	178,600.00	3,074,046.03
Chiron Corp	6,510.00	345,437.50
Citicorp	540,600.00	8,046,023.50
Coca Cola Enterprises	610,600.00	9,251,750.50
Commonwealth Edison Co	62,093.00	2,039,989.56
Community Psychiatric Cntr	200,000.00	3,610,265.68
Compaq Computer	241,800.00	6,105,708.00
Compression Labs	16,600.00	290,500.00
Consolidated Edison Co NY	376,000.00	8,222,245.92
Corestates Financial Corp	250,000.00	10,282,500.00
Deere & Co	117,300.00	6,135,913.00
Deluxe Corp	170,000.00	5,483,325.00
Detroit Edison	141,900.00	4,234,618.50
Dillard Dept Stores	36,000.00	1,472,220.00
Disney Walt Co	92,000.00	2,711,355.00
Dover Corp	180,000.00	5,374,024.83
Dow Chemical Co	365,000.00	19,874,352.30
Dow Jones & Co Inc	160,000.00	5,000,850.00
DuPont (EI) De Nemours	381,000.00	13,255,767.83
Dun & Bradstreet Corp	220,000.00	11,391,029.65
EG & G Inc	270,000.00	4,797,087.50
Eastern Utilities Assoc	52,200.00	1,031,794.50
Eastman Kodak	100,000.00	4,183,812.50
Emerson Electric	195,000.00	7,706,612.50
Exxon Corp	444,000.00	20,788,856.64
FHP International Corp	82,300.00	1,108,550.00
Federated Dept Stores Inc	14,921.00	373,025.00

COMMON STOCKS (CONTINUED)

Stock	Number of Shares	Cost
Federated Dept Stores Inc Restrict	44,765.00	\$ 1,119,125.00
Fleet Call Inc CL A	57,300.00	891,588.00
Ford Motor Co Del	157,900.00	6,639,336.50
Forest Labs Inc	39,700.00	1,468,144.50
GFC Financial Corp	30,700.00	650,729.50
General Electric Co	475,000.00	30,149,209.10
General Motors Corp	360,600.00	14,418,664.41
General RE Corp	115,000.00	10,128,600.00
Genuine Parts	177,600.00	5,603,674.26
Genzyme Corp	7,800.00	304,289.31
Giant Food Inc	70,000.00	1,821,575.00
Grainger (WW) Inc	140,000.00	5,019,862.50
Gulf States Utilities	212,000.00	2,174,445.00
Halliburton Co	234,800.00	7,410,363.76
Heinz (HJ) Co	200,000.00	7,709,837.50
Hercules Inc	22,200.00	888,281.81
Hewlett Packard Co	140,000.00	5,510,184.09
Hillenbrand Industries	49,000.00	1,112,745.65
Humana Inc	70,000.00	2,203,600.00
IBM	250,000.00	29,315,019.78
Illinois Power Co	23,300.00	463,711.04
Imcera Group Inc	50,000.00	1,499,150.00
Immunex Corp	7,000.00	307,347.88
Intel Corp	221,200.00	10,843,266.72
International Flavors/Frag	20,000.00	1,539,275.00
James River Corp	390,000.00	9,457,174.16
Johnson & Johnson	180,000.00	8,026,700.00
Jostens Inc	46,100.00	1,553,928.50
K Mart Corp	502,000.00	8,801,312.16
Kellogg Co	120,000.00	4,875,321.43
Kentucky Utilities	106,000.00	2,206,782.20
LG&E Energy Corp	172,500.00	4,649,957.91
Ladd Furniture	81,000.00	981,087.50
Lilly (Eli) & Co	115,000.00	8,747,900.00
Limited Inc	60,000.00	1,801,800.00
Lone Star Technologies	89,600.00	636,870.19
MCI Communications	118,300.00	3,476,705.50
Manor Care Inc	92,700.00	1,408,008.00
Marsh & McLennan Inc	188,400.00	12,178,565.36
Maxus Energy Corp	195,600.00	1,793,961.00
May Dept Stores Co	219,000.00	9,403,071.13
McDonalds Corp	281,000.00	6,889,086.31
McKesson Corp	50,000.00	1,708,287.50
Melville Corp	130,000.00	4,828,775.00
Mercantile Bancorp	26,100.00	860,821.00
Merck & Co	555,000.00	16,076,210.89
Millipore Corp	70,900.00	2,766,104.00
Minnesota Mining & Manufacturing	253,000.00	17,862,065.25
Mobil Corp	180,100.00	9,704,136.84
Monsanto Co	98,000.00	5,062,373.75
Morgan (JP) & Co	260,000.00	11,031,535.42
New York Times Cl A	145,000.00	3,891,987.50
Norfolk Southern	101,000.00	2,916,712.50
PHH Inc	170,000.00	4,986,875.00
PPG Industries	120,000.00	6,441,487.50
Pacific Telesis	110,000.00	4,583,512.50
Pennsylvania Power & Light	384,000.00	6,947,611.14
Pentair Inc	25,500.00	926,275.00
Pepsico Inc	80,000.00	2,398,550.00
Pfizer Inc	170,800.00	10,600,891.26
Philadelphia Electric Co	211,100.00	4,472,899.74
Philip Morris Cos Inc	494,200.00	27,014,501.12
Pioneer Hi-Bred Intl	50,000.00	1,828,437.50
Pitney Bowes Inc	200,000.00	3,238,255.00
Policy Management Systems Corp	20,000.00	957,825.00

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COMMON STOCKS (CONTINUED)

Stock	Number of Shares	Cost
Premark International	52,900.00	\$ 1,475,641.51
Procter & Gamble Co	70,000.00	2,889,737.50
Raychem Corp	48,500.00	1,489,935.00
Raytheon Co	394,000.00	13,502,609.00
Republic N Y Corp	115,000.00	5,037,412.50
Roadway Services Inc	100,000.00	3,447,875.00
Rohm & Haas	98,000.00	3,359,432.34
Royal Dutch Petroleum	80,000.00	6,440,260.00
Safeco Corp	140,000.00	4,945,937.50
Safety-Kleen	15,000.00	453,400.00
Sara Lee Corp	100,000.00	4,236,800.00
Schering Plough Corp	119,400.00	6,507,314.00
Snap-on-Tools	160,000.00	5,082,137.50
Sprint Corp	250,400.00	6,930,861.50
St Paul Bancorp	58,700.00	899,951.30
Standard Federal Bank	38,800.00	487,328.00
Super Valu Stores	280,000.00	7,340,850.00
Sysco Corp	90,000.00	1,917,575.00
TRW Inc	223,100.00	9,446,726.00
Tennant Co	14,200.00	507,650.00
Tenneco Inc	127,600.00	5,238,993.50
Texaco Inc	225,000.00	13,105,725.00
Texas Utilities Co	427,000.00	13,262,642.20
Textron Inc	190,000.00	4,887,700.00
Toro Co	21,100.00	339,253.50
Transamerica Corp	169,300.00	7,249,258.00
Travelers Corp	104,875.00	4,663,223.81
Trinity Industries	52,400.00	1,457,781.50
U S West Inc	200,000.00	5,946,925.00
USAir Group	104,700.00	1,236,894.50
Union Camp Corp	161,200.00	5,002,090.55
Union Carbide	227,217.00	5,769,612.60
Union Pacific Corp	282,100.00	11,506,583.59
United Technologies Corp	300,000.00	13,533,528.80
V F Corp	156,187.00	3,927,020.42
Vulcan Materials Co.	75,000.00	3,003,387.50
Wachovia Corp	223,126.00	7,933,849.33
Wal-Mart Stores	359,000.00	11,054,696.70
Waste Management	330,000.00	9,890,525.00
Wellman Inc	58,100.00	1,532,848.50
Wells Fargo & Co	45,000.00	3,442,450.00
Westinghouse Electric	200,000.00	4,807,537.50
Whirlpool Corp	170,000.00	4,857,350.00
Woolworth Corp	60,000.00	1,798,475.00
Total Common Stocks		\$ 986,982,446.00
S&P Stock Index:		\$ 298,913,644.16
Total Stocks		\$ 1,285,896,090.16
TOTAL EQUITY		\$ 1,337,424,951.77

Par Value or Remaining Principal Balance
\$ 4,810,134,730.35

TOTAL INVESTMENTS

The seal of the Commonwealth of Kentucky is a circular emblem. The outer ring contains the text "COMMONWEALTH OF KENTUCKY" in a bold, serif font. Inside this ring, the motto "UNITED WE STAND" is written in an arc at the top, and "DIVIDED WE FALL" is written in an arc at the bottom. The center of the seal features a detailed illustration of two men in 18th-century attire; one man is standing and holding a document, while the other is seated, possibly representing a legislator or a citizen. The entire seal is framed by a decorative wreath of leaves and branches.



The original intent of the Kentucky seal was apparently to depict "two friends" in hunters' garb, their right hands clasped, their left resting on each other's shoulder, their feet at the edge of a precipice, giving rise to the words, "United We Stand, Divided We Fall." The motto is believed to have originally been taken from "The Liberty Song," a popular song during the American Revolution and a favorite of Isaac Shelby, Kentucky's first governor, who was a veteran of that war.

The information on this page was taken from "Kentucky Symbols and Traditions" published by the Kentucky Department of Travel Development.