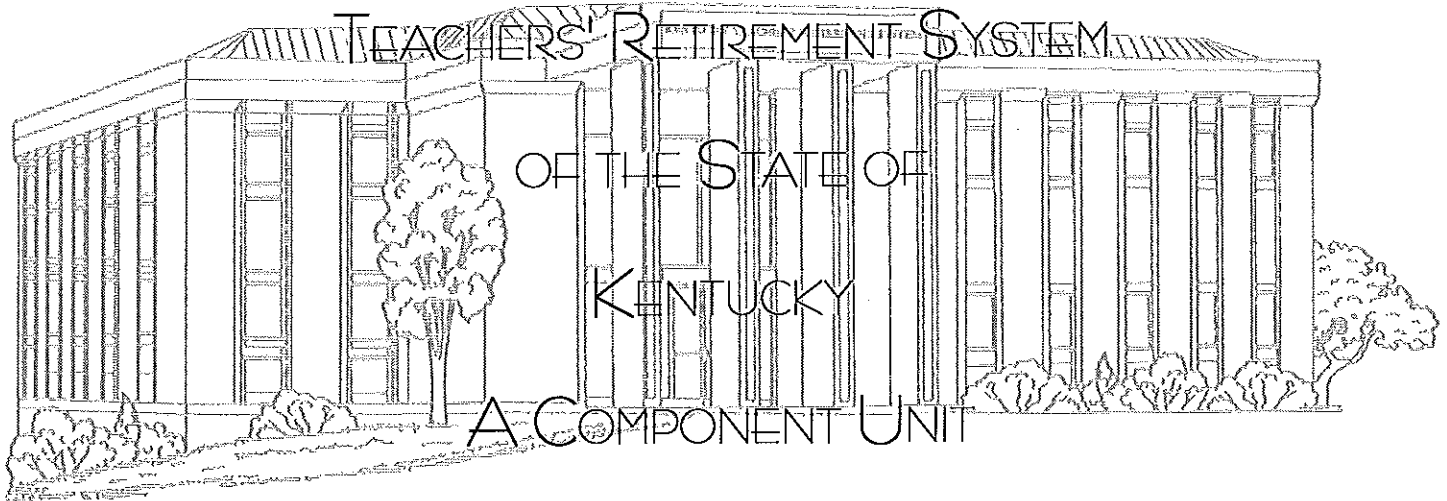




COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
TEACHERS' RETIREMENT SYSTEM
OF THE
STATE OF KENTUCKY
A COMPONENT UNIT OF THE
COMMONWEALTH OF KENTUCKY
FOR THE FISCAL YEAR ENDED
JUNE 30, 1995

THE 55TH COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE



OF THE
COMMONWEALTH OF KENTUCKY
FISCAL YEAR ENDED JUNE 30, 1995

KENTUCKY TEACHERS' RETIREMENT SYSTEM
479 VERSAILLES ROAD
FRANKFORT, KENTUCKY 40601-3800

PAT N. MILLER
EXECUTIVE SECRETARY

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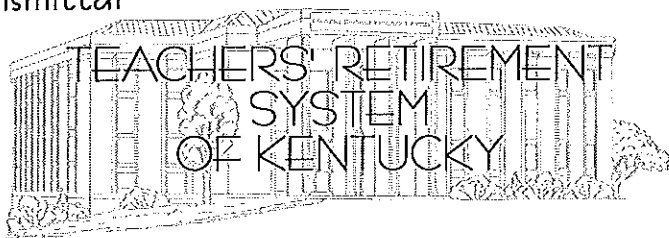
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introductory section

ktrs fiscal year ended june 30, 1995

letter of transmittal



Honorable Brereton C. Jones, Governor
Commonwealth of Kentucky
Capitol Building
Frankfort, Kentucky 40601-3800

December 1, 1995

Dear Governor Jones:

It is my pleasure to submit the 55th Comprehensive Annual Financial Report of the Teachers' Retirement System of the State of Kentucky, a Component Unit of the Commonwealth of Kentucky, for the fiscal year ending on June 30, 1995.

State law provides the legal requirement for the publication of this report and in addition requires an annual audit of the retirement system.

Kentucky Teachers' Retirement System (KTRS) has produced an annual report that will provide you, the General Assembly, and the general public, with information necessary to gain a better understanding of the Teachers' Retirement System.

THIS REPORT CONSISTS OF FIVE SECTIONS:

- The Introductory Section contains this letter of transmittal, the Board Chairman's letter, Board of Trustees information, a list of consultants used by the system, and the organizational chart.
- The Financial Section contains the opinion of the independent accountants, financial statements and supporting schedules.
- The Actuarial Section contains the certification from the Actuaries of Buck Consultants as well as the results of the system's actuarial valuation.
- The Statistical Section contains information on the system's membership, both active and retired.
- The Investment Section presents investment and portfolio performance. This includes the policies, summary, profile, and listings of all the systems holdings.

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 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, employer or state contributions as well as income derived from the investment of reserve funds. Contributions and investment income for the fiscal year 1995 totaled \$903,798,154. This represents a decrease of 1.52% under fiscal year 1994 revenue. The rate of increase for member and employer contributions over fiscal year 1994 was 4.7% and 3.1% respectively.

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 benefits of retired teachers, and the cost of administering the system, comprise the total expense. Expenses by type for 1995 and 1994 are shown for comparative purposes.

EXPENSES	1995 (MILLIONS)	1994 (MILLIONS)	INCREASE/(DECREASE) (MILLIONS) %	
Retiree Benefits	\$ 321.9	\$ 287.0	\$ 34.9	12.2
Disability Benefits	17.3	15.2	2.1	13.8
Survivor/Death Benefits	9.4	9.0	0.4	4.4
Refunds	8.5	6.7	1.8	26.9
Medical Insurance	58.8	51.9	6.9	13.3
Administration	6.1	5.6	0.5	8.9
	\$ 422.0	\$ 375.4	\$ 46.6	12.4

The increase in retiree and disability benefits is attributed to an increase in the number of annuitants in these areas and to the fact that more recent retirees and disability recipients are receiving higher benefits than those members leaving the payroll. The increase in refunds is primarily due to members withdrawing monies from the 403(b) program.

INVESTMENTS

The investment portfolio is a substantial contributor to the System. It is estimated that income from investments will provide more than one-half of the funds that are paid to the average retired member. The investment portfolio experienced significant growth during the year. The par value of the portfolio increased from \$5,805,483,842 to \$6,315,115,639 during the 1994-95 fiscal year. The growth of the portfolio is due to higher teachers' salaries and the corresponding effect on contributions, as well as investment income. Results for the fiscal year show that investment income exceeded \$411.1 million. This figure is 7.1% lower than last year's total of \$442.6 million.

The majority of earnings from the System's investment portfolio can be attributed to interest income of \$241,827,838. The second largest income component of \$88,084,607 was generated by gains on the sale of investments. Other income of \$81,196,023 was earned from dividends, rent and securities lending.

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

FUNDING

Based on recommendations of the Board of Trustees, the General Assembly establishes the levels of contribution by statute that are to be made by members and employers to fund the liabilities of the system. Each year, an independent actuary performs a valuation to determine whether the current levels of contribution will be sufficient to cover the cost of benefits earned by members.

The latest actuarial valuation was for the period ending June 30, 1995. This report reflects that the System's assets totaled \$6.176 billion and the liabilities totaled \$8.210 billion. The

actuary determined that the existing levels of contribution by members and employers would be sufficient to fund all of the System's liabilities within a reasonable period of time. The report concludes that the System is operating on an actuarially sound basis. Assuming that employer contributions continue in the future at rates recommended on the basis of the successive actuarial valuations, the actuary states that the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

CURRENT AND FUTURE DEVELOPMENTS

1994 GENERAL ASSEMBLY LEGISLATION

The 1994 General Assembly approved the Governor's budget recommendation of fully funding KTRS. The Governor also recommended that \$10 million of the KTRS appropriation be used to provide much needed relief for the KTRS medical insurance plan. KTRS had requested that the employer matching rate be increased. Due to the unavailability of additional state revenues, however, the Governor and General Assembly decided that a diversion of pension funding was appropriate.

In addition, the 1994 General Assembly approved an increase in the minimum value of a year of service from \$240 to \$260 which provided limited increases for more than 2,000 older retirees. Retirees receive an annual cost of living increase of 1.5% and the General Assembly approved a 1.5% ad hoc cost of living adjustment for retirees as of July 1, 1994 and 1995. With limits placed on the ad hoc adjustment, the average retiree will receive annual increases of approximately 2.8% in 1994 and 1995.

KTRS MEDICAL INSURANCE PLAN

During the 1994-95 fiscal year KTRS medical costs continued to increase but at much slower rate than previous fiscal years. 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 transferring \$10 million in each fiscal year of the 1994-96 biennium from the regular pension appropriation to KTRS's medical insurance program.

In addition, the KTRS Board of Trustees continued to require 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 taking measures to contain costs and by 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 seven (Z) of this report.

NATIONAL RECOGNITION

During the last year the System was honored by two National professional organizations in regard to the administration of the retirement program.

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 comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 1994. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR 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 Kentucky Teachers' Retirement System has received the Certificate of Achievement for the last seven consecutive years (fiscal years ended 1988-1994). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

PPCC ACHIEVEMENT AWARD

The Public Pension Coordinating Council awarded a Certificate of Achievement to the Teachers' Retirement System of the State of Kentucky for 1994 for implementing and maintaining high professional standards in administering the affairs of the System. The award is based on compliance with principles judged to underlie exemplary retirement system achievements in the areas of benefits, actuarial valuation, financial reporting, investments and disclosure and are widely acknowledged to be marks of excellence for retirement systems.

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. This information serves as a basis for making management decisions and for determining compliance with legal provisions. It is also used to determine responsible stewardship for the assets contributed by the members and their employers.

This report is being mailed to all employer members of the System who form the link between KTRS and its members. 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.

KTRS is totally committed to the continued operation of an actuarially sound retirement system. The support that you 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

BOARD OF TRUSTEES

VIRGINIA MURRELL
CHAIRPERSON, SOMERSET

JUDITH R. GAMBILL
VICE CHAIRPERSON,
ASHLAND

BETTYRUTH BRUINGTON,
BRANDENBURG

ROBERT M. CONLEY,
PAINTSVILLE

EARLE V. POWELL, FRANK-
FORT

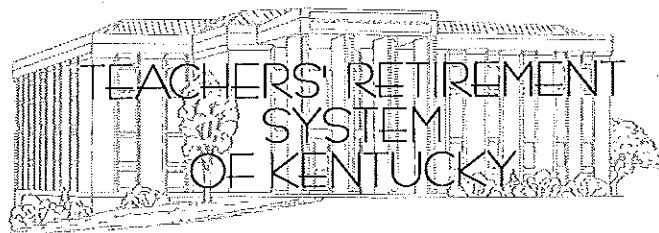
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BENTON

BARBARA G. STERRETT,
LEXINGTON

EX OFFICIO

THOMAS BOYSEN
CHIEF STATE SCHOOL
OFFICER

FRANCES JONES MILLS
STATE TREASURER



PAT N. MILLER
Executive Secretary
(502) 573-3269

December 1, 1995

Dear Members:

The 1995 Comprehensive Annual Financial Report of the Teachers' Retirement System, a Component Unit of the Commonwealth of Kentucky, presents the financial and actuarial status of your Retirement Fund. The financial integrity and the actuarial soundness of the system presented in this report are substantiated by accompanying reports from the independent auditor and the consulting actuary.

KTRS closed the 1994-95 fiscal year with \$6.3 million in assets. The active membership totaled 55,281 and the retired membership was 21,797 with an annual payroll of \$348.6 million.

The Board of Trustees is dedicated just as in the past to the commitment that the retirement funds are managed in a prudent, professional manner. The retirement system pledges every effort to remain fiscally sound in order that all members can look to the future with confidence. Member contributions, along with those of the Commonwealth, will be utilized to provide the best retirement possible.

We appreciate the support and cooperation extended by the Governor and the Legislature. This cooperation allows 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

Virginia Murrell
Chairperson
Board of Trustees

BOARD OF TRUSTEES



MISS VIRGINIA MURRELL
CHAIRPERSON,
RETIRED TEACHER TRUSTEE
SOMERSET



MS. JUDITH R. GAMBILL
VICE-CHAIRPERSON,
TEACHER TRUSTEE
ASHLAND



MS. BETTYRUTH BRUINGTON
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MR. ROBERT M. CONLEY
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PAINESVILLE



MR. EARLE V. POWELL
LAY TRUSTEE
FRANKFORT



MR. J. KENNETH SHADOWEN
TEACHER TRUSTEE
BENTON



MS. BARBARA G. STERRETT
TEACHER TRUSTEE
LEXINGTON



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 40601-3800

Executive Secretary _____ Pat N. Miller _____ (502) 573-3266
Deputy Executive Secretary for Administration _____ Billy F. Hunt _____ (502) 573-3266
Deputy Executive Secretary for Investments _____ Stuart A. Reagan, CFA _____ (502) 573-2057

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 Corp.
101 South Fifth Street
Louisville, Kentucky 40202

EQUITY MANAGERS

Brinson Partners, Inc.
Suite 102
209 South LaSalle Street
Chicago, Illinois 60604-1295

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

Wellington Management Company
75 State Street
Boston, Massachusetts 02109

INVESTMENT CONSULTANT

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Suite 1000
221 North LaSalle Street
Chicago, Illinois 60601

INVESTMENT CUSTODIAN

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

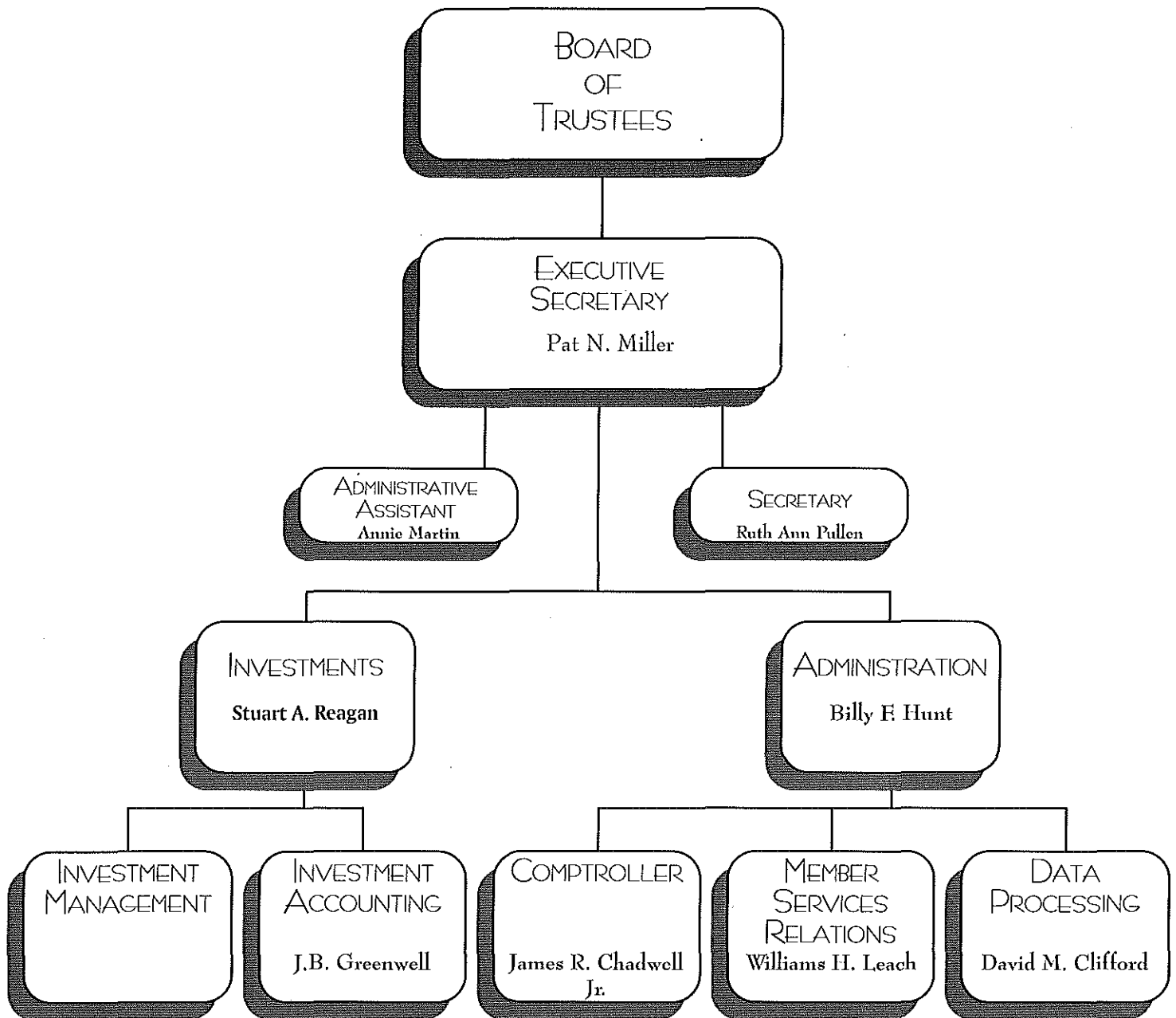
ACTUARY

George B. Buck Consulting Actuaries, Inc.
Suite 1200
200 Galleria Parkway NW
Atlanta, Georgia 30339

AUDITOR

Charles T. Mitchell
201 West Main Street
PO Box 698
Frankfort, Kentucky 40601

ORGANIZATIONAL CHART



- Investment Strategy & Research
- Investment Transactions
- Portfolio Evaluation
- Advise Investment Committee

- Interest Collection
- Security Settlements
- Custodial Services
- Record Maintenance

- General Ledger
- Escrow & Voluntary
- Tax Information
- Employer Annual Reports
- Administrative Services

- Member & Group Counseling
- Retiree Health Insurance
- Survivor & Death Benefits
- Disability & Service Retirement
- Refunds & Personal Payments
- Record Maintenance
- Pre-Retirement Program

- Application Analysis
- Computer Programming
- Computer Operations
- Data Base Administrator
- Data Entry
- Special Reports

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of the State of Kentucky

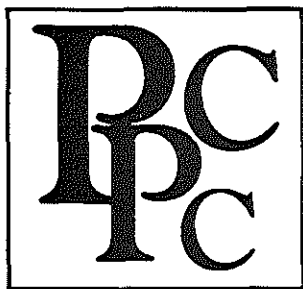
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1994

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 comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



Public Pension Coordinating Council
Public Pension Principles
1994 Achievement Award

Presented to
Teachers' Retirement System
of the State of Kentucky

In recognition of instituting professional standards for public
employee retirement systems as established by the Public Pension Principles

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Purvis W. Collins
Purvis W. Collins
Chairman

financial section

ktrs fiscal year ended june 30, 1995

INDEPENDENT AUDITOR'S REPORT

Charles T. Mitchell Company

Certified Public Accountants

201 WEST MAIN, P.O. BOX 698
FRANKFORT, KENTUCKY 40601
TELEPHONE - (502) 227-7395
TELECOPIER - (502) 227-8005

|| C T M

DON C. GILES, C.P.A.
WILLIAM G. JOHNSON, JR., 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 sheet of the Teachers' Retirement System of the State of Kentucky, a component unit of the Commonwealth of Kentucky, as of June 30, 1995 and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year 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 financial statements based on our audit. The financial statements of the Teachers' Retirement System of the State of Kentucky for the year ended June 30, 1994 were audited by other auditors, whose report, dated September 30, 1994, expressed as unqualified opinion on those statements.

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

In our opinion, the 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, 1995, and the results of its operations, changes in fund balances and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial section schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the System's management. Such schedules as of and for the year ended June 30, 1995 have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The schedules for the year ended June 30, 1994, were reported upon by other auditors, whose reports stated that the schedules were fairly stated when considered in relation to the basic financial statements.

Charles T. Mitchell Co.

Charles T. Mitchell Co.
September 29, 1995

BALANCE SHEETS

JUNE 30, 1995 AND JUNE 30, 1994

ASSETS

Cash (See Note 2)

Prepaid Expenses

Receivables

Contributions

State of Kentucky

Investment Income

Other Receivables

Total Receivables

Investments, at Cost (See Note 2)

Short Term Investments (Market Value \$514,252,600
in 1995 and \$635,200,000 in 1994)

Bonds and Mortgages (Market Value \$3,351,611,571 in 1995 and
\$2,959,106,564 in 1994)

Common Stock (Market Value \$2,919,401,117 in 1995 and
\$2,150,248,154 in 1994)

Real Estate (Market Value \$103,513,643 in 1995 and \$66,781,218 in
1994)

Total Investments

Fixed Assets [Net of Accumulated Depreciation of \$789,754 in 1995 and
\$906,546 in 1994 (See Note 2)]

Total Assets

LIABILITIES AND FUND BALANCE

Liabilities

Disbursements in Excess of Cash Balance

Accounts Payable

Treasurer's Unredeemed Checks

Insurance Claims Payable

Compensated Absences Payable

Unearned Insurance Premium Receipts

Capital Assets Payable

Total Liabilities

Fund Balance

Member Reserve

Employer Reserve

Benefit Reserve

Medical Insurance Reserve

403(b) Program Reserve

Unallocated Reserve

Administrative Expense Reserve

Capital Construction Reserve

Total Fund Balance

Total Liabilities and Fund Balance

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

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Cash (See Note 2)	\$ 280,087	\$ 171,465
Prepaid Expenses	314,404	252,566
Receivables		
Contributions	21,648,351	21,714,493
State of Kentucky	12,726,449	21,161,871
Investment Income	53,584,756	52,275,044
Other Receivables	232,124	
Total Receivables	\$ 88,191,680	\$ 95,151,408
Investments, at Cost (See Note 2)		
Short Term Investments (Market Value \$514,252,600 in 1995 and \$635,200,000 in 1994)	\$ 513,829,247	\$ 635,200,000
Bonds and Mortgages (Market Value \$3,351,611,571 in 1995 and \$2,959,106,564 in 1994)	3,234,055,679	3,002,021,794
Common Stock (Market Value \$2,919,401,117 in 1995 and \$2,150,248,154 in 1994)	2,307,975,664	1,968,824,213
Real Estate (Market Value \$103,513,643 in 1995 and \$66,781,218 in 1994)	103,896,307	67,416,933
Total Investments	\$ 6,159,756,897	\$ 5,673,462,940
Fixed Assets [Net of Accumulated Depreciation of \$789,754 in 1995 and \$906,546 in 1994 (See Note 2)]	2,953,824	2,786,991
Total Assets	\$ 6,251,496,892	\$ 5,771,825,370
LIABILITIES AND FUND BALANCE		
Liabilities		
Disbursements in Excess of Cash Balance	\$ 2,028,112	\$ 6,156,815
Accounts Payable	697,149	662,253
Treasurer's Unredeemed Checks	2,836	14,556
Insurance Claims Payable	12,523,652	10,790,604
Compensated Absences Payable	325,117	296,350
Unearned Insurance Premium Receipts	39,631	35,548
Capital Assets Payable	201,330	
Total Liabilities	\$ 15,817,827	\$ 17,956,126
Fund Balance		
Member Reserve	\$ 1,691,718,372	\$ 1,582,200,532
Employer Reserve	1,745,511,046	1,631,790,441
Benefit Reserve	354,414,041	290,214,043
Medical Insurance Reserve	35,062,261	42,484,177
403(b) Program Reserve	21,406,264	20,615,185
Unallocated Reserve	2,384,881,505	2,183,897,202
Administrative Expense Reserve	2,660,270	2,667,664
Capital Construction Reserve	25,306	
Total Fund Balance	\$ 6,235,679,065	\$ 5,753,869,244
Total Liabilities and Fund Balance	\$ 6,251,496,892	\$ 5,771,825,370

STATEMENTS OF REVENUES, EXPENSES YEARS ENDED JUNE 30,

RESERVES

	MEMBER	EMPLOYER	BENEFIT	MEDICAL INSURANCE
OPERATING REVENUES				
Member Contributions	\$ 167,213,003	\$ 720,487	\$	\$ 24,937,051
Employer Contributions		172,429,543		24,001,923
Investment Income				
Total Operating Revenues	167,213,003	173,150,030		48,938,974
OPERATING EXPENSES				
Benefits			348,473,872	
Refunds	6,648,011	353		
Insurance Expenses				58,817,338
Administrative Expenses				
Total Operating Expenses	6,648,011	353	348,473,872	58,817,338
Net Operating Income (Expense)	160,564,992	173,149,677	(348,473,872)	(9,878,364)
RESERVE TRANSFERS				
Retirement by Members	(95,286,471)	(98,353,605)	193,640,076	
Reimbursements			208,913,463	
Members Who Left System		(7,307,892)	(669,623)	(791)
Interest Allocations	44,438,458	45,834,487	11,115,636	2,457,224
Administrative Expenses				
Other Reclassifications	(199,139)	397,938	(325,682)	15
Total Reserve Transfers	(51,047,152)	(59,429,072)	412,673,870	2,456,448
Net Fund Balance Additions (Reductions)	109,517,840	113,720,605	64,199,998	(7,421,916)
Beginning Fund Balance	1,582,200,532	1,631,790,441	290,214,043	42,484,177
Ending Fund Balance	\$1,691,718,372	\$1,745,511,046	\$ 354,414,041	\$ 35,062,261

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

AND CHANGES IN FUND BALANCES

1995 AND JUNE 30, 1994

403(b) PROGRAM	UNALLOCATED	ADMINISTRATIVE EXPENSE	CAPITAL CONSTRUCTION	1994-95 TOTAL	1993-94 TOTAL
\$ 1,422,153	\$ 101,965,526	\$	\$	\$ 194,292,694	\$ 185,598,452
	411,108,468			298,396,992	289,546,298
				411,108,468	442,636,745
1,422,153	513,073,994			903,798,154	917,781,495
92,368				348,566,240	311,200,036
1,880,432				8,528,796	6,690,665
				58,817,338	51,882,393
	2,841,792	3,159,473	74,694	6,075,959	5,624,631
1,972,800	2,841,792	3,159,473	74,694	421,988,333	375,397,725
(550,647)	510,232,202	(3,159,473)	(74,694)	481,809,821	542,383,770
75,233	(208,988,696)				
	7,978,306				
1,266,743	(105,112,548)				
	(3,177,079)	3,177,079			
(250)	52,118	(25,000)	100,000		
1,341,726	(309,247,899)	3,152,079	100,000		
791,079	200,984,303	(7,394)	25,306	481,809,821	542,383,770
20,615,185	2,183,897,202	2,667,664	0	5,753,869,244	5,211,485,474
\$ 21,406,264	\$2,384,881,505	\$ 2,660,270	\$ 25,306	\$6,235,679,065	\$5,753,869,244

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Cash Flows from Operating Activities		
Net Operating Income	\$ 481,809,821	\$ 542,383,770
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Net Investment Income	(411,108,468)	(442,636,745)
Depreciation	114,886	120,902
Amortization	(3,295,989)	(758,673)
Gain on Sale of Investments	(88,084,607)	(153,077,984)
(Increase) Decrease in Prepaid Expenses	(61,838)	(120,366)
(Increase) Decrease in Accounts Receivable	6,959,728	(8,116,203)
Increase (Decrease) in Disbursements in Excess of Cash	(4,128,703)	3,875,340
Increase (Decrease) in Accounts Payable	34,896	(134,571)
Increase (Decrease) in Unredeemed Checks	(11,720)	(94)
Increase (Decrease) in Insurance Claims Payable	1,733,048	1,489,495
Increase (Decrease) in Compensated Absences Payable	28,767	13,863
Increase (Decrease) in Unearned Insurance Premiums	4,083	(1,734)
Increase (Decrease) in Capital Assets Payable	201,330	
Total Adjustments	(497,614,587)	(599,346,770)
Net Cash Used for Operating Activities	(15,804,766)	(56,963,000)
Cash Flows from Capital Activities		
Payments for Capital Activities	(281,719)	(76,431)
Net Cash Used for Capital Activities	(281,719)	(76,431)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	33,576,220,973	33,067,754,021
Payments for Investments	(33,971,134,334)	(33,453,519,184)
Other Investment Income	411,108,468	442,636,745
Net Cash Provided by Investing Activities	16,195,107	56,871,582
Net Cash Increase (Decrease) for the Year	108,622	(167,849)
Cash at Beginning of Year	171,465	339,314
Cash at End of Year	\$ 280,087	\$ 171,465

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 1995 AND 1994

financial
section

NOTE 1: DESCRIPTION OF PLAN

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

1. **Reporting Entity:** KTRS is a cost-sharing multiple-employer defined benefit plan established and administered by the Commonwealth of Kentucky to provide benefit pension plan coverage for local school districts and other public educational agencies within the state. The System is a component unit of the Commonwealth of Kentucky and is included in the Commonwealth of Kentucky's financial statements as a pension trust fund. KTRS is considered a component unit of the Commonwealth of Kentucky for the reasons of financial interdependency, ability to significantly influence operations, and accountability for fiscal matters.
2. **Employers:** Chapter 161 Section 220 of the Kentucky Revised Statutes stipulates who may become a member of the Teachers' Retirement System. Generally, eligible persons are employed by local boards of education, the state Department of Education, some state universities, and some nonstate-supported organizations. The following illustrates the participating employers at June 30, 1995 and 1994.

	1995	1994
Local School Districts	176	176
State Universities	5	5
Department of Education/Other Organizations	22	23
TOTAL	203	204

The covered payroll of all participating employers totaled \$1,819,800,000 for the year ended June 30, 1995 and \$1,748,100,000 for the year ended June 30, 1994.

3. **Participants:** According to KRS 161.220 "...Any regular or special teacher, or professional employee occupying a position requiring certification by the state department of education or graduation from a four (4) year college or university..." is eligible to participate in the System. The following illustrates the participants at June 30, 1995 and 1994.

	1995	1994
Retirees and beneficiaries of deceased retirees currently receiving benefits:		
Local School Districts	19,283	18,421
Universities	1,313	1,219
Department of Education/Other Organizations	1,201	1,150
	21,797	20,790
Disabilities currently receiving benefits:		
Local School Districts	1,133	1,072
Universities	37	34
Department of Education/Other Organizations	98	89
	1,268	1,195
Survivors currently receiving benefits:		
Local School Districts	750	757
Universities	50	53
Department of Education/Other Organizations	69	69
	869	879

NOTE 1: DESCRIPTION OF PLAN (CONTINUED)

	<u>1995</u>	<u>1994</u>
Terminated employees entitled to benefits but not yet receiving them (no current contributions in the last fiscal year)		
Local School Districts	1,914	1,890
Universities	295	271
Department of Education/Other Organizations	181	185
Current employees	<u>2,390</u>	<u>2,346</u>
Vested		
Local School Districts	37,145	36,908
Universities	2,470	2,443
Department of Education/Other Organizations	1,864	1,827
Non-Vested		
Local School Districts	11,696	11,273
Universities	1,312	1,261
Department of Education/Other Organizations	794	765
	<u>55,281</u>	<u>54,477</u>

4. **Benefit Provisions:** Employees are entitled to an annual retirement benefit, payable monthly for life, if they either attain the age of fifty-five (55) and complete five (5) years of Kentucky service or complete twenty-seven (27) years of Kentucky service. Non-university employees receive monthly payments equal to two (2) percent (service prior to January 1, 1984) and two and one half (2.5) percent (service after January 1, 1984) of their final average salaries for each year of credited service. University employees receive monthly benefits equal to two (2) percent of their final average salary for each year of credited service. The final average salary is the average of the employee's five (5) highest annual salaries. Employees with less than twenty-seven (27) years of service may retire and receive reduced retirement benefits. Members' retirement benefits become vested when they complete five (5) years of credited service.
5. **Contributions:** Members are required to contribute 9.855% of their salaries to the System. University members are required to contribute 8.375% of their salaries. KRS 161.580 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 6.16% of their salary to KTRS.

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

The member and employer contributions consist of pension contributions and post-retirement contributions. The post-retirement contribution (.75%) finances KTRS's retiree medical insurance program.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting:** The financial statements are prepared on the accrual basis of accounting.
- B. **Cash:** KTRS has two cash accounts. At June 30, 1995 the pension cash account totaled (\$2,028,112) and the administrative expenses cash account was \$280,087. Therefore, the total carrying value of cash was (\$1,748,025) and the corresponding bank balance was \$4,810,010. The difference is due primarily to outstanding checks and items not yet processed by the bank.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

section

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, 1995 and June 30, 1994.

	JUNE 30, 1995	JUNE 30, 1994
Short Term Investments		
Repurchase Agreements	\$ 504,500,000	\$ 635,200,000
Treasury Bills	9,329,247	
Total Short Term Investments	\$ 513,829,247	\$ 635,200,000
Bonds and Mortgages		
U.S. Government Obligations		
Treasury Notes and Bonds	\$ 1,839,631,993	\$ 1,936,218,836
Agencies	340,683,015	177,762,130
Ship Bonds (Title XI)	6,325,512	8,835,909
GNMA (Single Family)	17,540,814	20,275,209
Other Miscellaneous	252,206,011	195,493,625
Total U.S. Government Obligations	\$ 2,456,387,345	\$ 2,338,585,709
Corporate Bonds		
Industrials	\$ 215,597,697	\$ 249,632,459
Finance	339,184,694	251,808,267
Utility Bonds (Except Telephone)	50,508,598	39,034,260
Telephone Bonds	52,350,321	12,782,128
Railroad Obligations	10,646,026	13,606,432
Total Corporate Bonds	\$ 668,287,336	\$ 566,863,546
Other Fixed Income Investments		
FHA and VA Single Family Mortgages	\$ 2,752,041	\$ 3,679,738
Project Mortgages (FHA & GNMA)	105,423,957	92,892,801
State and Local Government Issues	\$ 1,205,000	
Total Other Investments	\$ 109,380,998	\$ 96,572,539
Total Bonds and Mortgages	\$ 3,234,055,679	\$ 3,002,021,794
Stocks	\$ 2,307,975,664	\$ 1,968,824,213
Real Estate	\$ 103,896,307	\$ 67,416,933
Total Investments	\$ 6,159,756,897	\$ 5,673,462,940

The System operates a securities lending program whereby for a fee the System lends U.S. Government bonds through a domestic money center bank. In return, the System receives cash and 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, 1995 was \$924,566,452 which exceeds the market value of the loaned bonds plus accrued interest.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On June 30, 1995 and June 30, 1994, the following values of U.S. Government Bonds were on loan. They are included among the investments and assets of the System.

SECURITIES LOANED	1995	1994
Book Value	\$872,615,273	\$825,839,192
Market Value	892,675,988	803,837,382

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

NOTE 3: DESCRIPTION OF FUNDS

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

EMPLOYER RESERVE: This fund was established by KRS 161.420 as the State Accumulation Fund and receives state appropriations to the Retirement System. The state contributes an amount equal to members' contributions. Actual state appropriations for the fiscal year 1994-95 were based on estimates of members' salaries. For the fiscal year ended June 30, 1995, actual appropriations were under the required appropriations by \$413,745.

BENEFIT RESERVE: This fund was established by KRS 161.420 as the Allowance Reserve Fund, the source for retirement, disability, and survivor benefits paid to members of the System. These benefits are paid from the retired members' contributions until they are exhausted, at which time state matching contributions are used to pay the benefits. After an individual member's contributions and the state matching contributions have been exhausted, retirement benefits are paid from monies transferred from Unallocated Reserves. Also, death benefits of \$2,000 for active members and \$2,800 for retired members are paid from this fund.

UNALLOCATED RESERVE: This fund was established by KRS 161.420 as the Guarantee Fund to collect income from investments, state matching contributions of members withdrawn from the System, and state matching contributions for cost of living adjustments (COLAs), the amortization of the unfunded liability, etc. In addition, it receives money for which disposition is not otherwise provided. This fund provides interest to the other funds, benefits in excess of both members' and state matching contributions, monies for administrative expenses of the System, and deficiencies not covered by the other funds.

403(b) PROGRAM RESERVE: This fund was established as the Voluntary Contribution Fund, operating under the rules and regulations of Section 403(b) of the Internal Revenue Code. The primary purpose of the program is to enable members to defer payment of taxes on income until after retirement. KRS 161.705 allows members to voluntarily contribute part of their annual compensation to separate member accounts. Upon retirement, these accounts may be used to increase monthly benefits, or they may be refunded to the members. Active voluntary accounts earn interest at rates approved by the Board of Trustees.

NOTE 3: DESCRIPTION OF FUNDS (CONTINUED)

MEDICAL INSURANCE RESERVE: This fund was established by KRS 161.420 as the Medical Insurance Fund. It consists of members' contributions and state matching contributions and provides health insurance premiums for retired members and eligible spouses and dependents. At June 30, 1995, the fund's balance was \$35,062,261.

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 income earned from investments.

CAPITAL CONSTRUCTION RESERVE: This fund was established during the 1994-95 fiscal year to pay for expenses incurred to acquire a new computer system and repave the parking lot. \$75,000 will be expended for the computer system in each year ended June 30, 1995 and 1996. Also, \$25,000 is allotted to the parking lot repavement.

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 not to exceed 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, 1995 was \$1,588,813,239.

A comparison between actuarially established and actual member and employer pension contribution rates for the fiscal year ended June 30, 1995 is as follows:

	PENSION CONTRIBUTIONS REQUIRED		PENSION CONTRIBUTIONS MADE			
	University Members	Non- University Members	University Members Amount (000's)	% of Current Covered Payroll	Non-University Members Amount (000's)	% of Current Covered Payroll
Member	5.41%	9.105%	\$ 7,317	5.41%	\$ 154,625	9.105%
Employer	13.09	12.355	17,706	13.09	209,817	12.355
Total	18.50%	21.460%	\$ 25,023	18.50	\$ 364,442	21.460
Normal Cost	12.68	16.77	17,151	12.68	284,795	16.77
Unfunded Cost	5.82	4.69	7,872	5.82	79,647	4.69
	18.50%	21.46%	\$ 25,023	18.50%	\$ 364,442	21.46%

The employer contributions for the 1994-95 fiscal year were under the required actuarial contributions by \$11.7 million. Of this amount \$413,745 represents the current year deficit resulting primarily due to actual employer sick leave payments exceeding the estimated budget amounts. The remaining \$11.3 million represents the 1994 legislative permanent decrease in funding of COLAs granted in 1986-88, 1990-92 & 1992-94 bienniums.

NOTE 4: ACTUARIALLY DETERMINED CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (CONTINUED)

In addition to the above employer and member pension contributions, the member and employer made contributions for post-retirement medical insurance benefits. The actuarial cost of ad hoc retiree cost-of-living adjustments granted by the General Assembly is funded over a fifteen year period and is also included as a supplemental appropriation.

NOTE 5: COMPENSATED ACCRUED ABSENCES

Expenses for accumulated vacation and compensatory time earned by the System's employees are recorded when earned. KTRS maintains records that document the cost of annual, sick, and compensatory leave earned by its employees. Annual leave is accumulated at amounts ranging from 7.5 to 13.13 hours per month (determined by length of service) with maximum accumulations ranging from 30 to 60 days. Compensatory leave is granted to authorized employees on an hour-for-hour basis. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or death in the family, there was no liability for sick leave at June 30, 1995. For retiring employees who qualify, their accumulated sick leave balances (expressed in months) are added to their service credit for the purpose of determining their annual retirement allowances. The accumulated vacation and compensatory leave payable as of June 30, 1995 follows:

	Balance June 30, 1994	Earned 1994-1995	Used or Paid 1994-1995	Balance June 30, 1995
Vacation and Compensatory Leave	\$296,350	\$142,891	\$114,124	\$325,117

NOTE 6: FUNDING STATUS OF KTRS

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess KTRS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. This is the required disclosure measure as prescribed by Governmental Accounting Standards Board Statement 5. This measure is independent of the funding method used to determine contributions to the system.

The pension benefit obligation presented herein is the actuarial update prepared for the fiscal year ended June 30, 1995. Significant actuarial assumptions at June 30, 1995 include, (a) a rate of return on the investment of present and future assets of 8.0% compounded annually, (b) projected salary increases graduated by age from 4.50% to 8.60% per year compounded annually with an inflation component of 4.5%, (c) life expectancies before and after retirement based on the 1982 George B. Buck Teacher's Mortality Table set forward one year, and (d) annual post-retirement cost of living increases of 1.5%.

At June 30, 1995 and 1994, the unfunded pension benefit obligation was \$2,033,523,000 and \$1,833,806,000 as follows:

Pension Benefit Obligation:

	<u>1995</u>	<u>1994</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 3,281,536,000	\$ 2,907,559,000
Current employees:		
Accumulated employee contributions including allocated investment income	1,691,718,000	1,582,201,000
Employer-financed vested	2,271,693,000	1,750,524,000
Employer-financed non-vested	965,101,000	1,281,624,000
Total pension benefit obligation	8,210,048,000	7,521,908,000
Net assets available for benefits, at cost (Market Value \$6,898,631,495 in 1995 and \$5,824,399,319 in 1994)	6,176,525,000	5,688,102,000
Unfunded pension benefit obligation	\$ 2,033,523,000	\$ 1,833,806,000

The June 30, 1995 unfunded pension benefit obligation represents an increase of \$199,717,000 since June 30, 1994.

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 25 and 26.

*In order to compute the net assets available for benefits, the actuary took the KTRS fund balance at June 30, 1995 and 1994, made the following adjustments.

	<u>1995</u>	<u>1994</u>
KTRS Fund Balance	\$ 6,235,679,065	\$ 5,753,869,244
Less Medical Insurance Reserve	35,062,261	42,484,177
Less 403(b) Program Reserves	21,406,264	20,615,185
Less Administrative Expense Reserves	2,660,270	2,667,664
Less Capital Construction Reserve	25,306	
Net Assets Available for Benefits	\$ 6,176,524,964	\$ 5,688,102,218

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, 1995 follows:

Actuarial Assumptions: The valuation was based on revised rates of death, retirement, and withdrawal from active service and revised rates of future salary increases. Schedule B of the actuarial report outlines the full set of actuarial assumptions and methods employed in the current valuation. The change in actuarial assumptions increased the pension benefit obligation by \$15,000,000.

Benefit Provisions: No changes.

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

The following disclosures are meant to help the users of KTRS's financial statements assess the risks KTRS takes in investing public funds. The Board of Trustees and the Investment Committee are guided by asset allocation parameters that the Board approves through its powers defined in KRS 161.430. The parameters as outlined in Title 102, Chapter 1.175, Section 2 of the Kentucky Administrative Regulations are as follows:

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

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

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

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

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

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

The KTRS bank balance consists of cash totaling \$4,810,010 which is fully insured or collateralized with securities by KTRS or its agent in the entities name.

The chart on the following page categorizes KTRS's investments, which gives an indication of the level of risk assumed by KTRS at June 30, 1995. Category 1 includes investments that are insured or registered or for which the securities are held by KTRS's custodial agent in KTRS's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent, in KTRS's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in KTRS's name. KTRS does not have any Category 2 or Category 3 investments.

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. Also, listed among the Other Government Guaranteed Fixed Income Investments are mortgages insured through various Federal Agencies (FHA, GNMA, VA) and are unsecuritized.

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

	CATEGORY				
	1	2	3	CARRYING AMOUNT	MARKET VALUE
Repurchase Agreements	\$ 504,500,000	\$	\$	\$ 504,500,000	\$ 504,500,000
U.S. Government Securities	2,467,981,848			2,467,981,848	2,565,673,682
State and Local Government Issues	1,205,000			1,205,000	1,306,292
Corporate Bonds	668,287,336			668,287,336	680,071,122
Common Stocks	2,307,975,664	\$	\$	2,307,975,664	2,919,401,117
	<u>\$ 5,949,949,848</u>	<u></u>	<u></u>	<u>\$5,949,949,848</u>	<u>\$6,670,952,213</u>
Other Government Guaranteed Fixed Income Investments and Real Estate				\$ 209,807,049	\$ 217,826,718
Total Investments				<u>\$6,159,756,897</u>	<u>\$6,888,778,931</u>

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 with 5 years of Kentucky service or had 27 years Kentucky service. Eligible dependents include unmarried dependent children under the age of 19 and spouses.

As of June 30, 1995, KTRS insurance covered 20,627 retirees and 7,055 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 covered claims for medical, dental and hospitalization costs incurred by pre-Medicare retirees and their dependents with certain exceptions applying. The covered claims submitted by Medicare eligible retirees and their dependents are also reimbursed 80% but only after medical expenses covered under Medicare are deducted.

The postretirement health care provided by KTRS is 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 (½) of this amount is derived from member contributions and one-half (½) from state appropriation. Also, effective September 1, 1992, retirees pay from 10-19% of the single premium cost and spouses pay from 45-100% of the cost. Priority is given to members with 20 or more years of service and members age 65 or older. Any amounts not required to meet current costs shall be maintained as a reserve for future health care benefits. As of June 30, 1995, KTRS had \$35,062,261 of net assets available for future health care benefits.

During the 1994-95 fiscal year, KTRS expensed \$55,284,491 for postretirement health care benefits and \$3,532,019 to administrators of the insurance plans. This represents a \$6,934,574 increase in health care expenses over the previous fiscal year.

NOTE 8: POSTEMPLOYMENT BENEFITS IN ADDITION TO PENSION BENEFITS (CONTINUED)

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 method. This method uses past observed patterns of time between claim incurral and payment to estimate incurred claims from available paid claim information. The following schedule shows the change in the claims and liability and the claims activity for the year ended June 30, 1995.

	FISCAL YEAR 1995
Beginning Unpaid Claims Liability	\$ 10,790,604
Claims Incurred:	
Current Year	52,575,367
Increases in Prior Years	2,709,124
Total Incurred Claims	55,284,491
Claims Paid:	
Current Year	44,276,745
Prior Years	9,274,698
Total Payments	53,551,443
Ending Unpaid Claims Liability	\$ 12,523,652

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)
1986	\$ 2,214.2	\$ 3,356.2	66.0 %	\$ 1,142.0	\$ 1,003.9	113.8 %
1987	2,562.3	3,799.3	67.4	1,237.0	1,101.7	112.3
1988	2,915.7	4,287.3	68.0	1,371.6	1,212.6	113.1
1989	3,256.7	4,680.8	69.6	1,424.1	1,261.4	112.9
1990	3,660.9	5,072.1	72.2	1,411.2	1,340.3	105.3
1991	4,135.1	5,716.0	72.3	1,580.9	1,522.5	103.8
1992	4,650.6	6,319.0	73.6	1,668.4	1,669.2	100.0
1993	5,155.6	6,852.7	75.2	1,697.1	1,696.9	100.0
1994	5,688.1	7,521.9	75.6	1,833.8	1,748.1	104.9
1995	6,176.5	8,210.0	75.2	2,033.5	1,819.8	111.7

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.

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	\$ 1,522.5	95.7 %
1992	4,808.7	6,319.0	76.1	1,510.3	1,669.2	90.5
1993	5,454.6	6,852.7	79.6	1,398.1	1,696.9	82.4
1994	6,006.6	7,521.9	79.9	1,515.3	1,748.1	86.7
1995	6,621.2	8,210.0	80.7	1,588.8	1,819.8	87.3

REQUIRED SUPPLEMENTARY INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE
(IN MILLIONS OF DOLLARS)

REVENUES BY SOURCE							
FISCAL YEAR	EMPLOYEE CONTRIBUTIONS	EMPLOYER CONTRIBUTIONS			INVESTMENT INCOME	TOTAL	
		EMPLOYER CONTRIBUTIONS (REQUIRED)	(ACTUAL)	ANNUAL COVERED PAYROLL			PERCENTAGE OF ANNUAL COVERED PAYROLL
1986	\$100.0		\$143.7	\$ 1,003.9	14.3%	\$ 331.1	\$574.8
1987	107.8		162.6	1,101.7	14.8	266.1	536.5
1988	119.0		186.8	1,212.6	15.4	251.7	557.5
1989	130.0	\$ 209.5	177.9	1,261.4	14.1	258.0	565.9
1990	135.0	218.4	192.1	1,340.3	14.3	323.3	650.4
1991	154.2	253.9	246.8	1,522.5	16.2	343.2	744.2
1992	168.4	286.7	275.4	1,669.2	16.5	372.2	816.0
1993	178.9	292.1	280.8	1,696.9	16.5	405.0	864.7
1994	185.6	300.8	289.5	1,748.1	16.6	442.6	917.7
1995	194.3	309.7	298.4	1,819.8	16.4	411.1	903.8

The employee and employer contributions include pension and post-retirement contributions for medical insurance. In addition, the employer contributions include the state appropriation for cost-of-living adjustments (COLA's). The employer contribution for the 1994-95 fiscal year was \$11.3 million below actuarial requirements due to a shortage in funding the COLA's. (See Note 4.)

EXPENSES BY TYPE					
FISCAL YEAR	BENEFITS	REFUNDS	INSURANCE EXPENSES	ADMINISTRATIVE EXPENSES	TOTAL
1986	\$ 143.3	\$ 7.4	\$ 14.5	\$ 1.9	\$ 167.1
1987	157.5	6.7	17.6	2.4	184.2
1988	169.9	5.9	20.6	2.6	199.0
1989	188.2	7.0	24.2	2.9	222.3
1990	206.8	7.4	29.8	3.1	247.1
1991	225.7	6.8	36.5	3.8	272.8
1992	251.3	6.5	42.6	5.2	305.6
1993	282.1	6.7	43.0	5.3	337.1
1994	311.2	6.7	51.9	5.6	375.4
1995	348.6	8.5	58.8	6.1	422.0

Supporting Schedules

SUMMARY OF YEAR ENDED

TYPE OF INVESTMENT	(BEGINNING OF YEAR)		
	BOOK VALUE	MARKET VALUE	PURCHASES
Fixed Income:			
Government Bonds	\$ 2,437,924,000	\$ 2,407,258,960	\$ 1,122,693,120
Corporate Bonds	564,097,794	551,847,604	230,399,143
Total	3,002,021,794	2,959,106,564	1,353,092,263
Equity:			
Common Stocks	1,968,824,213	2,150,248,154	689,226,075
Real Estate	67,416,933	66,781,218	36,612,702
Total	2,036,241,146	2,217,029,372	725,838,777
Short Term Investments:			
Repurchase Agreements	635,200,000	635,200,000	31,853,450,000
Treasury Bills			38,753,294
Total	635,200,000	635,200,000	31,892,203,294
Grand Total	\$ 5,673,462,940	\$ 5,811,335,936	\$33,971,134,334

INVESTMENTS
JUNE 30, 1995

(END OF YEAR)

AMORTIZATION	SALES AND REDEMPTIONS	BOOK VALUE	MARKET VALUE	% TOTAL MARKET	% YIELD AT MARKET
\$ 2,821,260 (101,224)	\$ 997,670,037 126,108,377	\$ 2,565,768,343 668,287,336	\$ 2,671,540,449 680,071,122	38.80% 9.85%	6.76% 7.19%
2,720,036	1,123,778,414	3,234,055,679	3,351,611,571	48.65%	6.85%
	350,074,624 133,328	2,307,975,664 103,896,307	2,919,401,117 103,513,643	42.38% 1.50%	2.61% 9.07%
	350,207,952	2,411,871,971	3,022,914,760	43.88%	2.83%
575,953	31,984,150,000 30,000,000	504,500,000 9,329,247	504,500,000 9,752,600	7.33% .14%	6.11% 6.88%
575,953	32,014,150,000	513,829,247	514,252,600	7.47%	6.12%
\$ 3,295,989	\$ 33,488,136,366	\$ 6,159,756,897	\$ 6,888,778,931	100.00%	5.03%

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 1995

Cash Balance at Beginning of Year		\$	171,465
Add Receipts			
Member Contributions	\$	194,358,836	
Employer Contributions		306,832,414	
Interest and Dividends		318,418,160	
Investments Redeemed		33,576,220,973	
Total Cash Receipts			<u>34,395,830,383</u>
Less Disbursements			
Benefit Payments		348,673,915	
Insurance Premiums		57,303,061	
Administrative Expenses		9,799,936	
Refunds		8,528,796	
Equipment Purchased		281,719	
Investments Purchased		33,971,134,334	
Total Cash Disbursements			<u>34,395,721,761</u>
Cash Balance at End of Year		\$	<u><u>280,087</u></u>

MEMBER RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
Member Contributions	\$ 161,962,909	\$ 155,424,826
Reinstated Accounts	584,826	647,785
Personal Check Contributions	4,665,268	4,038,855
Other Revenues		(97)
Total Operating Revenues	167,213,003	160,111,369
Operating Expenses		
Refund of Member Contributions	6,648,011	5,949,712
	6,648,011	5,949,712
Net Operating Income	160,564,992	154,161,657
Reserve Transfers		
Transfer from Benefit Reserves		
Disability Recoveries	162,841	169,977
Transfer from Unallocated Reserves		
Interest Credited to Member Accounts	44,438,458	41,452,859
Balance Member Reserves and Employer Reserves	176	
Transfer to Benefit Reserves		
Retirements	(95,286,471)	(77,180,232)
Transfer to Unallocated Reserves		
Inactive Accounts	(362,156)	(127,371)
Total Reserve Transfers	(51,047,152)	(35,684,767)
Net Fund Balance Additions	109,517,840	118,476,890
Beginning Fund Balance	1,582,200,532	1,463,723,642
Ending Fund Balance	\$ 1,691,718,372	\$ 1,582,200,532

EMPLOYER RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
SAF Penalties	\$ 720,487	\$ 213,811
State Contributions - Matching	144,878,022	139,325,232
State Contributions - University Personnel	2,996,034	2,865,618
Employer Paid Matching	24,025,943	22,790,564
Employer Sick Leave Payments	529,594	733,680
Other Revenue	(50)	195
Total Operating Revenues	173,150,030	165,929,100
Operating Expenses		
Other Expenses	353	1,365
Net Operating Income	173,149,677	165,927,735
Reserve Transfers		
Transfer from Unallocated Reserves		
Match Interest Credited to Member Accounts	45,834,487	42,734,432
Reinstated Accounts	584,825	647,785
Balance Member Reserves and Employer Reserves		519
Transfer from Benefit Reserves		
Disability Recoveries	162,841	169,977
Transfer to Benefit Reserves		
Retirements	(98,353,605)	(79,758,313)
Transfer to Unallocated Reserves		
Refund of Member Contributions	(7,307,892)	(7,283,461)
Inactive Accounts	(349,728)	(117,034)
Employer Reserves Reclassification		
Total Reserve Transfers	(59,429,072)	(43,606,095)
Net Fund Balance Additions	113,720,605	122,321,640
Beginning Fund Balance	1,631,790,441	1,509,468,801
Ending Fund Balance	\$ 1,745,511,046	\$ 1,631,790,441

BENEFIT RESERVES

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
None		
Operating Expenses		
Benefits for Service Retirements	\$ 321,763,254	\$ 286,868,583
Benefits for Disability Retirements	17,328,942	15,188,244
Survivor Benefits	7,483,006	6,962,111
Death Benefits	1,898,670	2,085,691
Total Operating Expenses	348,473,872	311,104,629
Net Operating Income (Expenses)	(348,473,872)	(311,104,629)
Reserve Transfers		
Transfer from Member Reserves		
Retirements	95,286,471	77,180,232
Transfer from Employer Reserves		
Retirements	98,353,605	79,758,313
Transfer from Unallocated Reserves		
Benefits paid in Excess of Member Contributions and Employer Matching	208,913,463	195,132,285
Interest of Fund Balance	11,115,636	9,160,308
Transfer to Unallocated Reserves		
Refund of Member Contributions	(669,623)	(902,374)
Transfer to Member Reserves		
Disability Recoveries	(162,841)	(169,977)
Transfer to Employer Reserves		
Disability Recoveries	(162,841)	(169,977)
Total Reserve Transfers	412,673,870	359,988,810
Net Fund Balance Additions	64,199,998	48,884,181
Beginning Fund Balance	290,214,043	241,329,862
Ending Fund Balance	\$ 354,414,041	\$ 290,214,043

MEDICAL INSURANCE RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
Member Contributions	\$ 13,875,415	\$ 13,292,424
Insurance Premiums Paid by Members	11,061,636	10,360,862
State Contributions - Matching	21,485,471	31,021,657
Employer Paid Matching	2,389,944	2,270,768
Other Revenues	126,508	499,770
Total Operating Revenues	48,938,974	57,445,481
Operating Expenses		
Comprehensive Medical Insurance Premiums	55,105,178	48,808,881
Reimbursement of Cobra Payment	179,313	145,975
Insurance Processing Charges	3,532,019	2,927,080
Other Expenses	828	457
Total Operating Expenses	58,817,338	51,882,393
Net Operating Income	(9,878,364)	5,563,088
Reserve Transfers		
Transfer from Unallocated Reserves		
Interest on Fund Balance	2,457,224	2,288,049
Balance Member Reserves and Employer Reserves	15	43
Transfer to Unallocated Reserves		
Refund of Member Contributions	(791)	(437)
Total Reserve Transfers	2,456,448	2,287,655
Net Fund Balance Additions	(7,421,916)	7,850,743
Beginning Fund Balance	42,484,177	34,633,434
End Fund Balance	\$ 35,062,261	\$ 42,484,177

403(b) PROGRAM RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
Voluntary Contributions by Members	\$ 1,422,153	\$ 1,619,986
Operating Expenses		
Benefit Increased by Voluntary Contributions	17,135	23,493
Benefit Continued after Voluntary Contributions Expired	75,233	71,914
Refund of Member Contributions	1,880,432	739,588
Total Operating Expenses	1,972,800	834,995
Net Operating Income	(550,647)	784,991
Reserve Transfers		
Transfer from Unallocated Reserves		
Benefits Continued after Voluntary Contributions Expired	75,233	71,914
Interest Credited to Member Accounts	1,266,743	1,069,157
Transfer to Unallocated Reserves		
Penalty on Early Withdrawal of 403(b) Accounts	(250)	(2,683)
Total Reserve Transfers	1,341,726	1,138,388
Net Fund Balance Additions	791,079	1,923,379
Beginning Fund Balance	20,615,185	18,691,806
Ending Fund Balance	\$ 21,406,264	\$ 20,615,185

UNALLOCATED RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
Interest Earned on Investments	\$ 241,827,838	\$ 220,520,732
Dividend Income	72,672,188	62,577,479
Rental Income	8,174,967	5,131,353
Gain on Sale of Investments	88,084,607	153,077,984
Leased Security Income	367,561	1,313,099
Maintenance Reserve - Rental Property	(18,693)	16,098
State Contributions - Sick Leave	14,024,782	12,211,189
State Contributions - Benefit Improvement	36,500,611	38,874,000
State Contributions - Supplemental Appropriation	44,235,243	32,031,283
State Contributions - Handicapped Children	307,951	289,477
Employer Contributions - Supplemental Appropriation	6,868,703	6,615,024
Escrow Late Remittance Penalty	28,236	17,841
Total Operating Revenues	513,073,994	532,675,559
Operating Expenses		
Investment Counsel Fees	2,502,213	2,365,600
Investment Processing Fees	339,579	217,297
Total Operating Expenses	2,841,792	2,582,897
Net Operating Income	510,232,202	530,092,662
Reserve Transfers		
Transfer from Various Funds		
Refunds of Member Contributions	7,978,306	8,186,272
Inactive Accounts	711,884	244,405
Penalty on Early Withdrawal of 403(b) Accounts	250	2,683
Transfer to Various Funds		
Benefits in Excess of Member Contributions and Employer Matching	(208,988,696)	(195,204,199)
Interest	(105,112,548)	(96,704,805)
Balance Member Reserves Employer Reserves	(191)	(562)
Reinstated Accounts	(584,825)	(647,785)
Administrative Expense Allotment	(3,177,079)	(3,108,080)
Capital Construction	(75,000)	
Total Reserve Transfers	(309,247,899)	(287,232,071)
Net Fund Balance Additions	200,984,303	242,860,591
Beginning Fund Balance	2,183,897,202	1,941,036,611
Ending Fund Balance	\$ 2,384,881,505	\$ 2,183,897,202

ADMINISTRATIVE EXPENSE RESERVES

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
None		
Operating Expenses		
Salaries, Wages, and Fringe Benefits	\$ 2,186,615	\$ 2,095,862
Other Personnel Costs	6,903	4,603
Professional Contracts	206,951	166,382
Utilities and Heating Fuels	21,836	24,460
Rentals	18,334	16,893
Maintenance and Repairs	64,720	41,506
Postage and Related Services	212,925	183,080
Printing	82,331	122,577
Insurance	74,853	71,259
Miscellaneous Services	1,342	1,800
Telecommunications	17,467	33,257
Computer Services	17,660	20,070
Supplies	39,323	29,914
Depreciation	114,886	120,902
Travel	21,726	19,786
Dues and Subscriptions	16,449	16,546
Furniture, Fixtures, and Equipment Not Capitalized	6,440	8,981
Miscellaneous Commodities	19,945	49,993
Compensated Absences	28,767	13,863
Total Operating Expenses	3,159,473	3,041,734
Net Operating Income (Expense)	(3,159,473)	(3,041,734)
Reserve Transfers		
Transfer from Unallocated Reserves Allotment	3,177,079	3,108,080
Transfer to Capital Construction Fund	(25,000)	
Total Reserve Transfers	3,152,079	3,108,080
Net Fund Balance Additions (Reductions)	(7,394)	66,346
Beginning Fund Balance	2,667,664	2,601,318
Ending Fund Balance	\$2,660,270	\$ 2,667,664

financial

section

CAPITAL CONSTRUCTION RESERVES
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED JUNE 30, 1995 AND 1994

	YEAR ENDED JUNE 30, 1995	YEAR ENDED JUNE 30, 1994
Operating Revenues		
None		
Operating Expenses		
Computer System Upgrade	\$ 74,694	\$
Total Operating Expenses	74,694	
Net Operating Income (Expense)	(74,694)	
Reserve Transfers		
Transfer from Unallocated Reserves Capital Construction	75,000	
Transfer to Unallocated Reserves Unused Funds Upon Completion	25,000	
Total Reserve Transfers	100,000	
Net Fund Balance Additions (Reductions)	25,306	
Beginning Fund Balance	0	
Ending Fund Balance	\$ 25,306	\$

actuarial section

ktrs fiscal year ended june 30, 1995

ACTUARY'S CERTIFICATION LETTER

BUCK CONSULTANTS

200 Galleria Parkway, N.W. Suite 1200
Atlanta, Georgia 30339-5945

March 3, 1995

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

Ladies and Gentlemen:

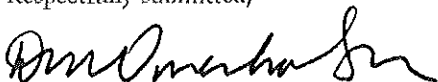
Section 161.400 of the law governing the operation of the Teachers' Retirement System of the State of Kentucky provides that at least once in each two-year period the actuary shall make an actuarial valuation of the System. We have submitted the results of the actuarial valuation prepared as of June 30, 1994. The valuation indicates that combined member and State contributions at the rate of 18.50% of university members' salaries and 21.46% of non-university members' salaries are sufficient to support the benefits of the System. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The financing objective of the System is that contribution rates will remain relatively level over time as a percentage of payroll. The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the unit credit actuarial cost method with projected benefits. Modified market value of plan assets is used for actuarial valuation purposes - the book value of assets is adjusted to reflect the average ratio of market value to book value during the five years ending on the valuation date. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practices prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

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

Respectfully submitted,



Donald M. Overholser
Consulting Actuary

Buck Consultants, Inc.
404/955-2488 Fax 404/933-8336

REPORT OF ACTUARY ON THE VALUATION PREPARED AS OF JUNE 30, 1994

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, 1994		JUNE 30, 1993	
Number of active members	50,255		49,694	
Annual salaries	\$ 1,748,141		\$ 1,696,901	
Number of annuitants and beneficiaries	22,883		21,972	
Annual allowances	\$ 312,197		\$ 282,362	
Assets for valuation purposes	\$ 6,006,636		\$ 5,454,581	
Unfunded actuarial accrued liability	\$ 1,529,516		\$ 1,398,162	
Statutory contribution rates:	UNIVERSITY		NON-UNIVERSITY	
	UNIVERSITY		NON-UNIVERSITY	
Member	7.625%	9.105%	7.625%	9.105%
State	10.875	12.355	10.875	12.355
Total	18.50%	21.46%	18.50%	21.46%
Actuarially determined contribution rates:	UNIVERSITY		NON-UNIVERSITY	
	UNIVERSITY		NON-UNIVERSITY	
Normal	12.68%	16.77%	12.97%	16.51%
Accrued liability (balancing item)	5.82	4.69	5.53	4.95
Total	18.50%	21.46%	18.50%	21.46%
Accrued liability funding period	29 years		22½ 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 sufficient to support the benefits of the System. Comments on the valuation results as of June 30, 1994 are given in Section IV and further discussion of the contribution levels is set out in Sections V and VI.
3. The valuation was based on revised rates of death, retirement, and withdrawal from active service and revised rates of future salary increases, which have been submitted to the Board for adoption. Schedule B of this report outlines the full set of actuarial assumptions and methods employed in the current valuation.
4. The valuation takes into account the effect of amendments to the System enacted through the 1994 Session of the Legislature and effective on the valuation date. Since the previous valuation, the System has been amended in order to reflect the one time cost of living increase of 1.5% of the first \$1,250 of monthly annuity for members and beneficiaries of members who retired on or before July 1, 1994 to increase the minimum value for a year of service from \$240 to \$260 effective July 1, 1994, and to amortize past cost-of-living payments over a 15 year period rather than a 12 year period. Provisions of the System which were taken into account in the current valuation are summarized in Schedule D (not shown in this annual report).

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SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuation were furnished by the Retirement System office. The following table shows the number of active members and their annual salaries as of June 30, 1994 on the basis of which the valuation was prepared.

GROUP	NUMBER	ANNUAL SALARIES (\$1,000's)
Men	14,201	\$ 556,318
Women	36,054	1,191,823
Total	50,255	\$ 1,748,141

The table reflects the active membership for whom complete valuation data was submitted. The results of the valuation were adjusted to take account of inactive members and members for whom incomplete data was submitted.

2. The following table shows the number and annual retirement allowances payable to annuitants and beneficiaries on the roll of the Retirement System as of the valuation date. The allowance amounts do not include any post-retirement supplements granted after June 30, 1994.

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF ANNUITANTS AND BENEFICIARIES ON THE ROLL AS OF JUNE 30, 1994

GROUP	NUMBER	ANNUAL RETIREMENT ALLOWANCES (\$1,000)
Service Retirements	19,622	\$ 281,768
Disability Retirements	1,195	15,697
Beneficiaries of Deceased Members	1,743	13,217
Total	22,560	\$ 310,682

In addition, there are 323 beneficiaries entitled to term-certain only annuities totaling \$1,515,000 annually.

3. Tables 1 and 2 of Schedule E (not shown in this annual report) give the distribution by age and by years of service of the number and annual salaries of active members included in the valuation, while Tables 3, 4 and 5 give the number and annual retirement allowances of annuitants and beneficiaries included in the valuation, distributed by age.

SECTION III - ASSETS

1. The retirement law provides for the maintenance of seven funds for the purpose of recording the financial transactions of the System, namely, the Teachers' Savings Fund; the State Accumulation Fund; the Allowance Reserve Fund; the Guarantee Fund; the Medical Insurance Fund; the Expense Fund; and the Voluntary Contribution Fund.

(A) TEACHERS' SAVINGS FUND

The Teachers' Savings Fund is the fund to which are credited all contributions made by members together with regular interest thereon. When a member retires by reason of service or disability, the amount of the member's accumulated contributions are transferred from the Teachers' Savings Fund to the Allowance Reserve Fund. If a survivor's benefit becomes payable, the member's accumulated contributions are transferred from the Teachers' Savings Fund to the 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, 1994 amounted to \$1,582,200,532.

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(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, 1994 amounted to \$1,631,790,441.

(C) ALLOWANCE RESERVE FUND

The Allowance Reserve Fund is the Fund from which all retirement, survivor and death benefit 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. The assets credited to the Allowance Reserve Fund as of June 30, 1994 amounted to \$290,214,043.

(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, 1994 the assets credited to this Fund amounted to \$2,183,897,202.

(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, 1994 amounted to \$42,484,177. 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, 1994 amounted to \$2,667,664. 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, 1994 amounted to \$20,615,185. This amount was not included in the assets used for valuation purposes.

2. As of June 30, 1994 the total book value of assets held by the System amounted to \$5,753,869,244. Of this amount, \$5,688,102,218 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 1.056 to the book value of assets resulted in a modified market value of \$6,006,635,942 to be used for valuation purposes, as shown in the table on the following page.

ASSETS AS OF JUNE 30, 1994

FUND	ASSETS FOR VALUATION PURPOSES	OTHER ASSETS	TOTAL ASSETS
Teachers' Savings	\$ 1,582,200,532		\$ 1,582,200,532
State Accumulation	1,631,790,441		1,631,790,441
Allowance Reserve	290,214,043		290,214,043
Guarantee	2,183,897,202		2,183,897,202
Medical Insurance		\$ 42,484,177	42,484,177
Expense		2,667,664	2,667,664
Voluntary Member Contribution		20,615,185	20,615,185
Total	\$ 5,688,102,218	\$ 65,767,026	\$5,753,869,244
Market Value Adjustment	x 1.056		
Modified Market Value	\$ 6,006,635,942		

SECTION IV - COMMENTS ON VALUATION

- Schedule A of this report outlines the results of the actuarial valuation (amounts are \$1,000's). The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method which are described in Schedule B.
- The valuation shows that the System has an actuarial accrued liability of \$4,658,448 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of benefits payable to annuitants and beneficiaries amounts to \$2,781,907 after adjustment for special appropriations remaining to be made toward funding minimum annuities and the 1982, 1987, 1989, 1990, 1991, 1992, 1993, and 1994 ad hoc increases, and the liability for benefits expected to be paid to inactive members and to members entitled to deferred vested benefits is \$95,797. The total actuarial accrued liability of the System amounts to \$7,536,152. Against these liabilities, the System has present assets for valuation purposes of \$6,006,636. When this amount is deducted from the actuarial accrued liability of \$7,536,152, there remains \$1,529,516 as the unfunded actuarial accrued liability.
- The normal contribution rate is equal to the actuarial present value of benefits accruing during the current year divided by the annual active members' payroll. The normal contribution rate is determined to be 12.68% of payroll for university members and 16.77 % for non-university members.

SECTION V - CONTRIBUTIONS PAYABLE UNDER THE SYSTEM

- Section 161.540 of the retirement law provides that each university member will contribute 8.375% of his annual salary to the System and each non-university member will contribute 9.855% of salary. Of this amount, 0.75% is paid to the Medical Insurance Fund for medical benefits leaving 7.625% for university members and 9.105% for non-university members applicable for the retirement and death benefits taken into account in the valuation.
- Section 161.550 provides that the State will match the member contributions and contribute an additional 3.25% of members' salaries towards discharging the System's unfunded obligations.
- The total net statutory contribution rate is 18.50% of active university members' salaries and 21.46% for active non-university members.

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NET STATUTORY CONTRIBUTION RATES

actuarial
section

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

4. The valuation indicates that normal contributions at the rate of 12.68% of active university members' salaries are required to meet the cost of benefits currently accruing. The rate for non-university members is 16.77%. 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 5.82% for university members and 4.69% 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	12.68 %	16.77 %
Accrued Liability (balancing)	5.82	4.69
Total	18.50 %	21.46 %

5. The unfunded actuarial accrued liability amounts to \$1,529,516,000 as of the valuation date. Accrued liability contributions at the rate of 5.82% of active university members' payroll and 4.69% of non-university members' payroll are sufficient to amortize the unfunded actuarial accrued liability over the 29 year period commencing June 30, 1994, based on the assumption that the payroll will increase by 4.5% 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 minimum annuities and ad hoc increases granted in 1982, 1987, 1989, 1990, 1991, 1992, 1993, and 1994.
- 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 valuation assumptions has produced an increase in the funding period for the unfunded actuarial accrued liability from 22½ years to 29 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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SECTION VII - ACCOUNTING INFORMATION

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

NUMBER OF ACTIVE AND RETIRED MEMBERS AS OF JUNE 30, 1994

GROUP	NUMBER
Retirees and Beneficiaries	22,883
Active Members:	
Vested	39,444
Non-vested	10,811
Total	73,138

2. Another such item is the pension benefit obligation, a standardized measure of the System's liabilities. It is the amount owed for benefits allocated to employee service before the balance sheet date, when total projected benefits (including the effects of projected salary increases) are allocated equally over all years of employee service before and after the balance sheet date. The pension benefit obligation, prepared in accordance with Governmental Accounting Standards Board Statement No. 5, and a comparison with net assets available for benefits as of June 30, 1994, are presented below. The pension benefit obligation was calculated using the actuarial assumptions in effect for the previous valuation. On the basis of the revised assumptions which are being presented to the Board of Trustees for adoption, the pension benefit obligation would have amounted to \$7,536,152.

PENSION BENEFIT OBLIGATION (IN \$1,000'S)

• Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving benefits	\$ 2,907,559
• Current employees:	
Accumulated contributions	1,582,201
Employer-Financed vested	1,750,524
Employer-financed nonvested	1,281,624
Total Pension Benefit Obligation	\$ 7,521,908
• Net assets available for benefits	\$ 5,688,102
• Unfunded Pension Benefit Obligation	\$ 1,833,806

3. The following first seven 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. Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit

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	\$ 3,779.3	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	1,264.4	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
6/30/92	4,650.6	6,319.0	73.6	1,668.4	1,669.2	100.0
6/30/93	5,155.6	6,852.7	75.2	1,697.1	1,696.9	100.0
6/30/94	5,688.1	7,521.9	75.6	1,833.8	1,748.1	104.9

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

SCHEDULE A
RESULTS OF THE VALUATION PREPARED AS OF JUNE 30, 1994
(\$1,000'S)

1. Actuarial Accrued Liability

Present value of prospective benefits payable in respect of:

(a) Present active members:

• Service retirement benefits	\$ 4,306,095
• Disability retirement benefits	180,132
• Death and survivor benefits	104,082
• Refunds of member contributions	68,139

Total		\$ 4,658,448
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(b) Present inactive members and members entitled to deferred vested benefits:

95,797

(c) Present annuitants and beneficiaries

• Service retirement benefits	\$ 2,547,398
• Disability retirement benefits	110,474
• Death and survivor benefits	124,035

Total		2,781,907
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(d) Total actuarial accrued liability		\$ 7,536,152
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2. Present Assets for Valuation Purposes

6,006,636

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

\$ 1,529,516

4. Normal Contribution Rate

	UNIVERSITY	NON-UNIVERSITY
(a) Actuarial present value of benefits accruing annually	\$ 16,431	\$ 271,481
(b) Annual payroll of active members	129,543	1,618,598
(c) Normal contribution rate [4(a) divided by 4(b)]	12.86%	16.77%

SCHEDULE B OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

INTEREST RATE: 8.0% per annum, compounded annually (Adopted 1995).

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

AGE	Annual Rate
20	8.60%
25	7.70
30	6.70
35	6.00
40	5.50
45	5.20
50	5.00
55	4.80
60	4.70
65	4.50

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

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

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

ASSETS: Modified market value. This value was calculated by multiplying the book value of assets available for valuation purposes by the average ratio of market to book value during the five years ending on the valuation date.

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

MEN ANNUAL RATE OF					
AGE	DEATH	DISABILITY	WITHDRAWAL	SERVICE RETIREMENT*	EARLY RETIREMENT
20	.063%	.01%	7.16%		
25	.069	.01	7.45		
30	.066	.01	6.46		
35	.074	.05	4.49		
40	.115	.07	3.11		
45	.196	.10	2.12		
50	.320	.29	1.58		
55	.527	1.20		17.00%	4.00%
60	.937	.05		20.00	
62	1.210	.03		27.00	
65	1.738			45.00	
70				100.00	

* IT IS ALSO ASSUMED THAT AN ADDITIONAL 15% OF MEN WILL RETIRE IN THEIR FIRST YEAR OF ELIGIBILITY IF BEFORE AGE 60.

WOMEN ANNUAL RATE OF					
AGE	DEATH	DISABILITY	WITHDRAWAL	SERVICE RETIREMENT*	EARLY RETIREMENT
20	.024%	.01%	5.66%		
25	.027	.01	6.84		
30	.032	.01	6.30		
35	.044	.04	4.08		
40	.069	.09	2.61		
45	.107	.18	1.92		
50	.149	.29	1.57		
55	.210	.60		17.00%	5.00%
60	.339	.25		20.00	
62	.425	.06		22.00	
65	.625			35.00	
70				100.00	

* IT IS ALSO ASSUMED THAT AN ADDITIONAL 20% OF WOMEN WILL RETIRE IN THEIR FIRST YEAR OF ELIGIBILITY IF BEFORE AGE 60.

SOLVENCY TEST
(IN MILLIONS OF DOLLARS)

FISCAL YEAR	AGGREGATE ACCRUED LIABILITIES FOR				PORTION OF ACCRUED LIABILITIES COVERED BY ASSETS		
	(1)	(2)	(3)	VALUATION ASSETS	(1)	(2)	(3)
	ACTIVE MEMBER CONTRIBUTIONS	RETIRANTS AND BENEFICIARIES	ACTIVE MEMBERS (EMPLOYER FINANCED PORTION)				
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
1993	1,463.7	2,461.5	2,927.5	5,155.6	100	100	42
1994	1,582.2	2,907.6	3,032.1	5,688.1	100	100	40
1995	1,691.7	3,281.5	3,236.8	6,176.5	100	100	37

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

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

FISCAL YEAR	(1) NUMBER OF ACTIVE MEMBERS	(2) TOTAL ANNUAL PAYROLL	(3) AVERAGE ANNUAL PAY (2) ÷ (1)	(4) % INCREASE (DECREASE) IN AVERAGE PAY
1986	\$ 44,366	\$ 1,006,751,275	\$ 22,692	3.6 %
1987	44,556	1,104,968,563	24,800	9.3
1988	46,396	1,217,746,805	26,247	5.8
1989	46,937	1,268,680,057	27,029	3.0
1990	47,284	1,346,537,954	28,478	5.4
1991	48,415	1,535,562,959	31,717	11.4
1992	49,248	1,677,794,446	34,068	7.4
1993	50,019	1,707,158,968	34,130	0.2
1994	50,591	1,759,406,465	34,777	1.9
1995	51,257	1,831,763,327	35,737	2.8

SCHEDULE OF RETIRANTS, BENEFICIARIES AND SURVIVORS ADDED TO AND REMOVED FROM ROLLS

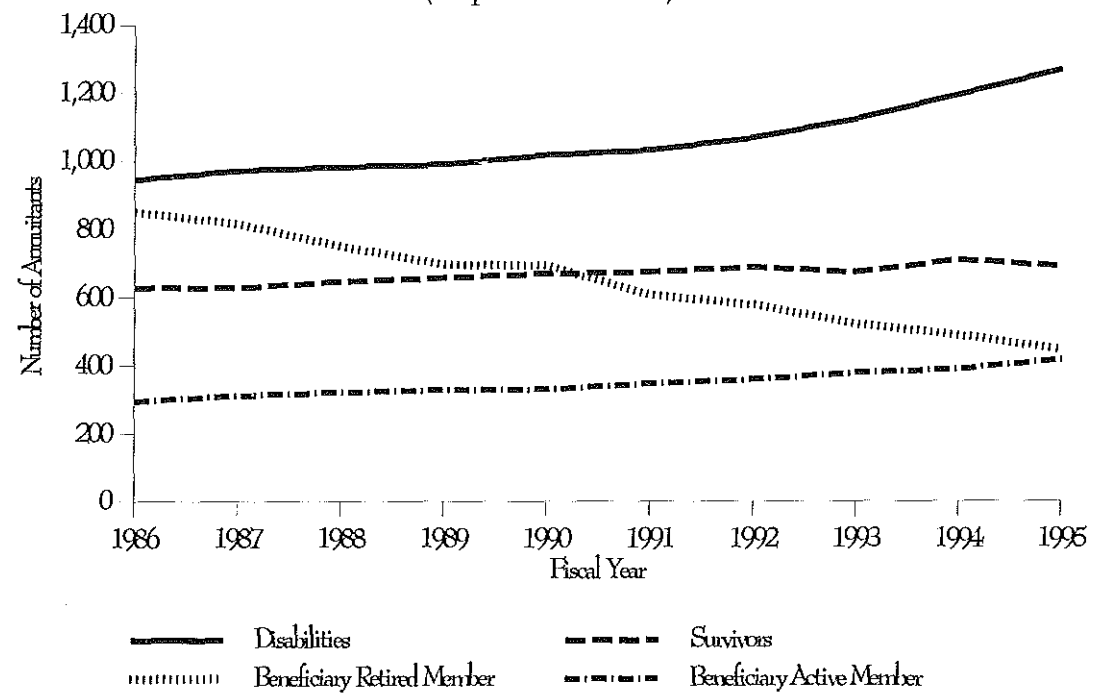
FISCAL YEAR	ADD TO ROLLS		REMOVE FROM ROLLS		ROLLS END-OF-YEAR		% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
	NUMBER	ANNUAL ALLOWANCES (MILLIONS)	NUMBER	ANNUAL ALLOWANCES (MILLIONS)	NUMBER	ANNUAL ALLOWANCES (MILLIONS)		
1986	\$1,213	14.7	647	\$ 4.1	17,932	\$ 141.6	8.1	\$ 7,896
1987	1,119	18.7	695	4.9	18,356	155.4	9.7	8,464
1988	981	17.8	738	5.6	18,599	167.6	7.8	9,012
1989	1,565	25.4	811	6.7	19,353	186.3	11.2	9,626
1990	1,356	24.4	757	6.6	19,952	204.1	9.6	10,231
1991	1,376	29.4	854	7.8	20,474	225.7	10.6	11,025
1992	1,459	34.5	805	7.8	21,128	252.3	11.8	11,944
1993	1,660	37.6	849	8.3	21,939	281.6	11.6	12,836
1994	1,825	39.7	900	9.7	22,864	311.7	10.7	13,632
1995	1,973	49.2	903	10.1	23,934	350.9	12.6	14,659

statistical section

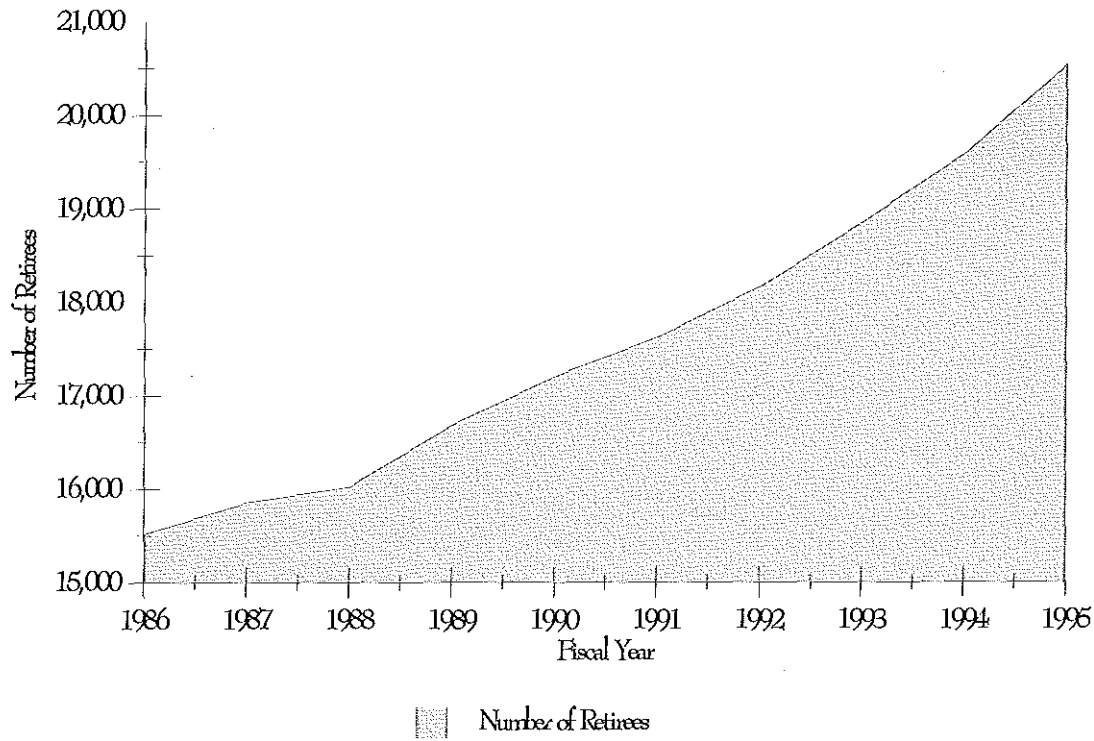
ktrs fiscal year ended june 30, 1995

Growth in Annuitants

(Except Service Retirements)

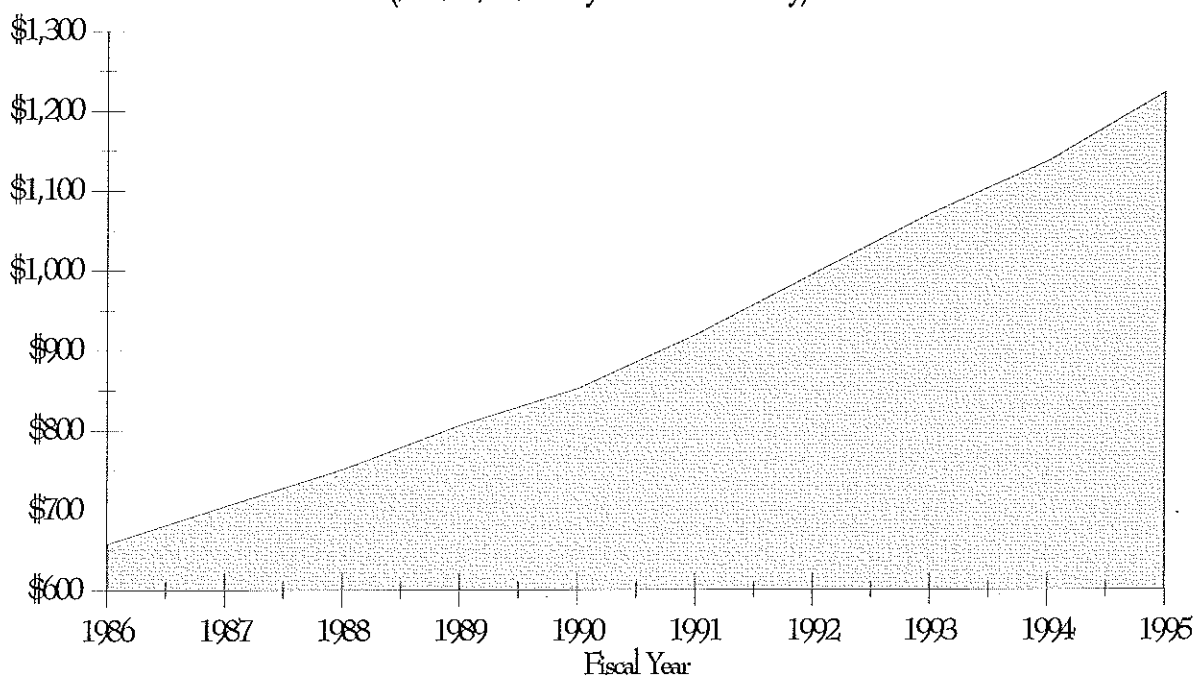


Growth in Service Retirements



Average Monthly Benefit Payment

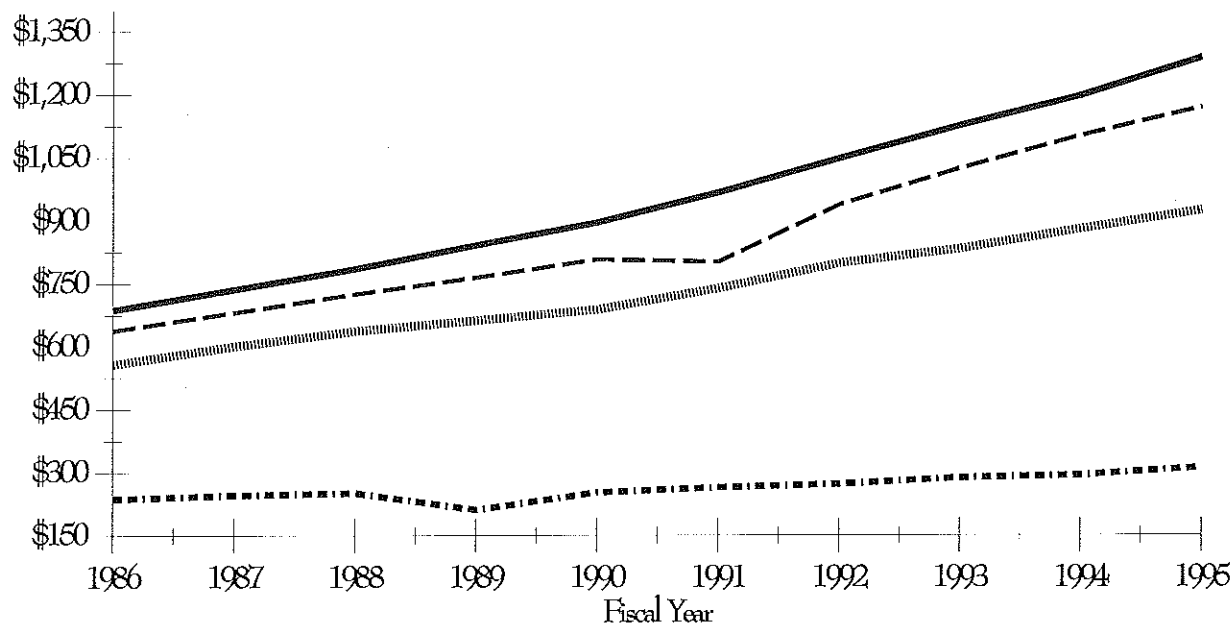
(Service/Disability Retirement Only)



■ Average Benefit Payment

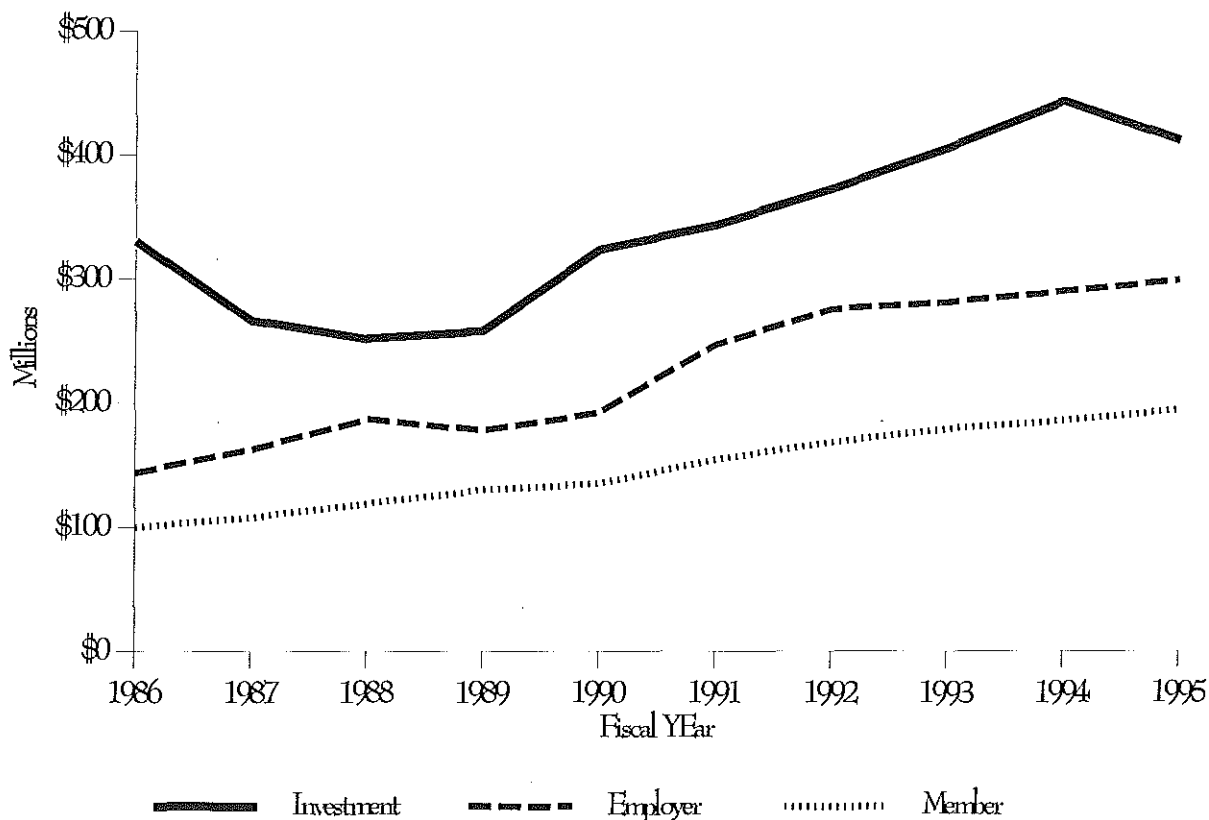
Average Monthly Benefit Payment

(All Recipients)



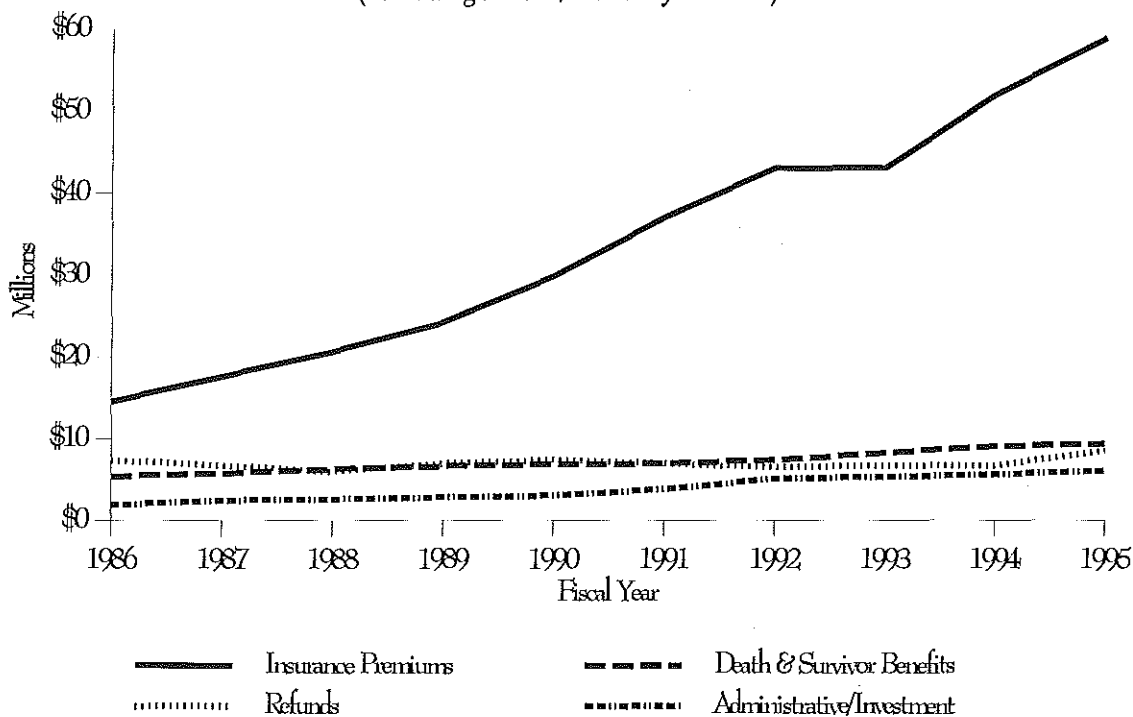
— Service
- - - Disability
..... Beneficiaries
- . - . Survivors

Summary of Revenue by Source

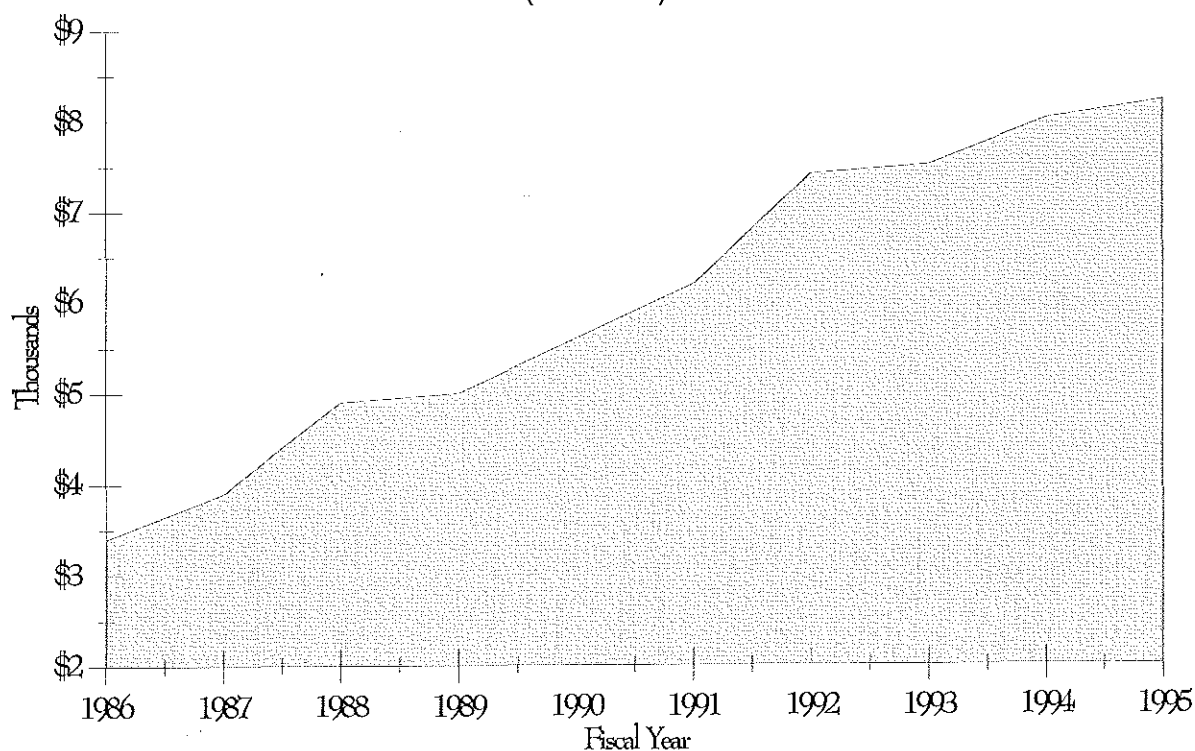


Summary of Expenses by Source

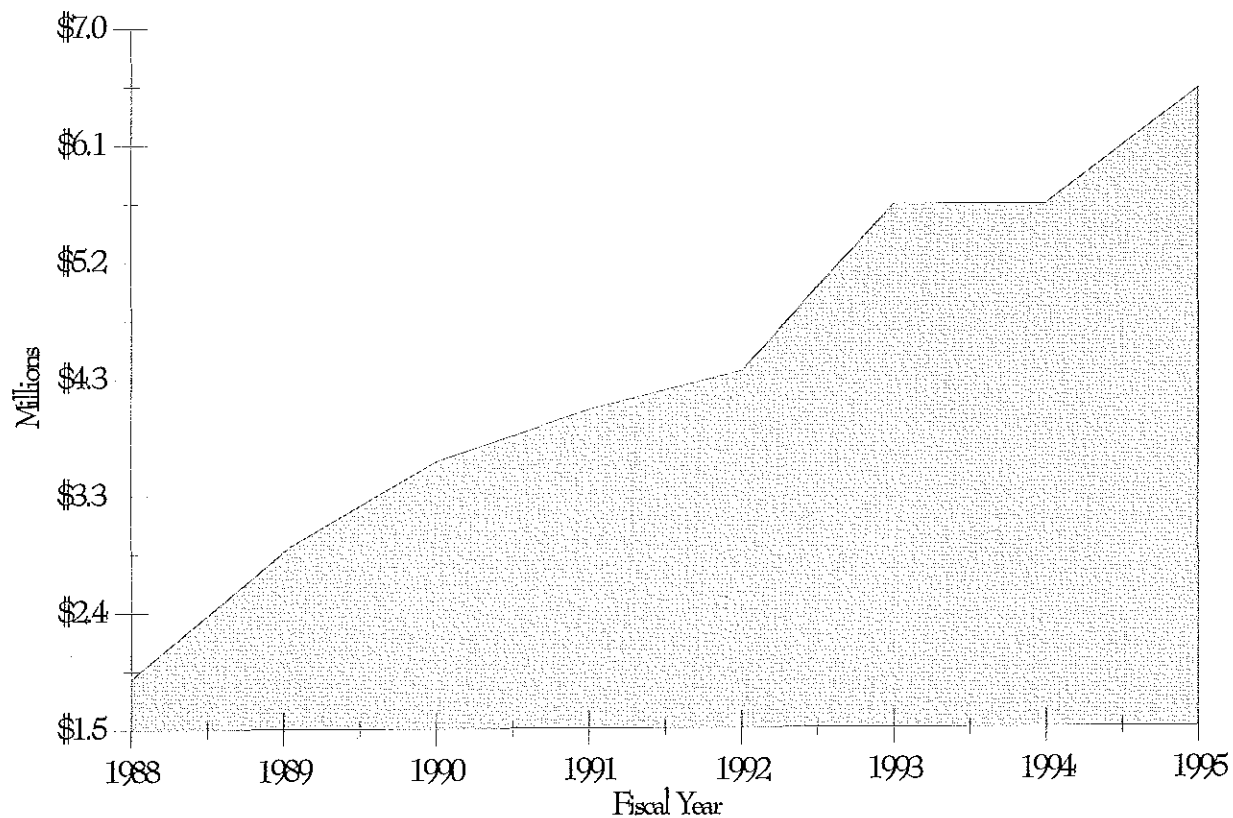
(Excluding Service/Disability Benefits)



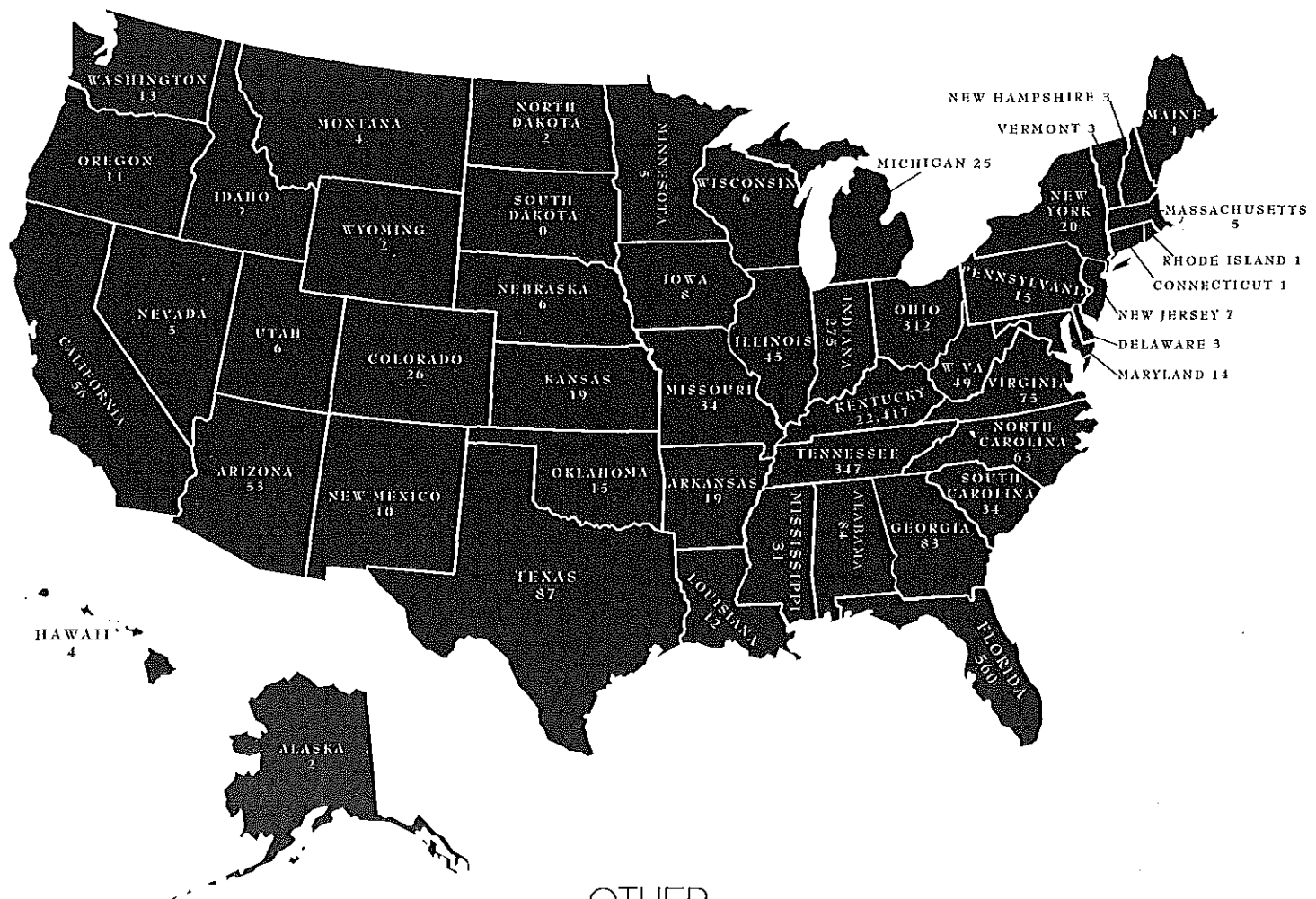
Average Sick Leave Payment (Per Retiree)



Summary of Personal Check Payments



DISTRIBUTION OF RETIREMENT PAYMENTS WORLDWIDE AS OF JUNE 30, 1995



OTHER:

CANADA	1
MEXICO	1
MILITARY APO	1
PHILLIPPINES	2
SWITZERLAND	1
TURKEY	1

TOTAL OUT OF STATE = 2,473

TOTAL NUMBER OF PAYMENTS = 24,890
TOTAL AMOUNT OF PAYMENTS = \$346,552,571

DISTRIBUTION OF RETIREMENT PAYMENTS STATEWIDE AS OF JUNE 30, 1995

statistical
section

COUNTY NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS	COUNTY NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS
Adair	\$1,607,899	120	Henry	\$1,257,577	100
Allen	1,316,646	91	Hickman	270,535	24
Anderson	1,142,080	86	Hopkins	3,376,140	263
Ballard	701,170	54	Jackson	1,186,048	95
Barren	3,388,187	237	Jefferson	54,446,295	3,334
Bath	952,718	80	Jessamine	1,667,961	117
Bell	3,449,733	262	Johnson	3,158,109	217
Boone	3,900,077	263	Kenton	5,289,423	370
Bourbon	1,669,447	116	Knott	2,037,187	149
Boyd	4,359,437	331	Knox	2,239,259	171
Boyle	2,646,206	183	Larue	1,277,691	82
Bracken	609,910	47	Laurel	3,746,807	278
Breathitt	1,660,162	120	Lawrence	1,091,703	88
Breckenridge	1,198,838	91	Lee	1,035,369	78
Bullitt	2,872,199	167	Leslie	1,071,254	87
Butler	1,004,014	77	Letcher	3,337,865	231
Caldwell	1,216,001	96	Lewis	1,431,137	106
Calloway	5,578,606	379	Lincoln	2,235,887	158
Campbell	4,350,818	302	Livingston	715,244	56
Carlisle	498,195	38	Logan	2,077,615	158
Carroll	651,344	46	Lyon	856,646	60
Carter	2,458,337	184	Madison	8,353,880	562
Casey	1,688,495	122	Magoffin	1,152,449	93
Christian	3,758,948	271	Marion	1,086,162	86
Clark	2,094,124	158	Marshall	1,988,711	163
Clay	2,855,741	197	Martin	1,027,419	80
Clinton	1,123,361	82	Mason	1,225,686	82
Crittendon	529,108	49	McCracken	5,527,931	382
Cumberland	820,830	60	McCreary	1,455,356	99
Daviess	7,405,992	520	McLean	840,607	64
Edmonson	759,058	58	Meade	875,486	59
Elliott	455,953	35	Menifee	592,234	47
Estill	921,551	69	Mercer	1,786,653	141
Fayette	19,618,672	1,245	Metcalfe	1,046,725	77
Fleming	1,020,185	81	Monroe	1,702,462	120
Floyd	5,315,782	370	Montgomery	1,574,969	115
Franklin	6,132,964	453	Morgan	1,119,094	91
Fulton	688,125	57	Muhlenberg	2,355,863	174
Gallatin	272,970	25	Nelson	2,136,051	145
Garrard	1,072,231	84	Nicholas	394,441	32
Grant	979,774	77	Ohio	1,555,975	120
Graves	2,273,913	186	Oldham	2,339,757	161
Grayson	1,942,882	138	Owen	649,374	51
Green	1,134,095	77	Owsley	838,984	66
Greenup	3,113,654	209	Pendleton	1,107,477	85
Hancock	667,061	43	Perry	3,339,893	257
Hardin	5,252,583	345	Pike	6,951,637	508
Harlan	3,972,716	272	Powell	895,906	65
Harrison	1,418,360	101	Pulaski	5,405,885	381
Hart	1,075,709	76	Robertson	105,361	12
Henderson	2,579,579	189	Rockcastle	1,726,957	126

DISTRIBUTION OF RETIREMENT PAYMENTS STATEWIDE
AS OF JUNE 30, 1995 (CONTINUED)

COUNTY NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS
Rowan	3,932,602	258
Russell	1,507,539	115
Scott	1,661,824	122
Shelby	2,121,737	158
Simpson	1,191,026	89
Spencer	457,708	45
Taylor	2,016,453	148
Todd	975,088	77
Trigg	954,881	65
Trimble	229,519	20
Union	981,483	77

COUNTY NAME	TOTAL PAYMENTS	NUMBER OF RECIPIENTS
Warren	11,906,591	777
Washington	750,945	56
Wayne	2,089,812	142
Webster	1,063,237	85
Whitley	4,718,387	338
Wolfe	716,949	57
Woodford	1,573,716	103
TOTAL		
IN KENTUCKY	321,991,074	22,417

SUMMARY OF STATE BUDGET APPROPRIATION TO TEACHERS' RETIREMENT SYSTEM FOR 1994-95

EXPENSE ITEM	1994-95 STATE BUDGET APPROPRIATION	1994-95 STATE ACTUAL BUDGET REQUIREMENT
Match of Member Contributions *	\$ 202,000,000	\$ 202,027,803
Match of Personal Payments	7,549,000	5,730,909
Sick Leave (KRS 161.550)	11,822,300	14,024,782
Retiree Cost of Living Adjustment	25,563,300	25,563,300
Prior Service Increase	640,100	640,100
Minimum Benefit Adjustment	9,530,200	9,530,800
Increase Survivor Benefits	610,400	610,400
Handicapped Child Benefit	307,000	307,951
TOTALS	\$ 258,022,300	\$ 258,436,045
State Under-Appropriation for 1994-95	\$ (413,745)	

The 1992-94 budget enacted by the 1992 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 \$28,428,358 in order to match the members' contributions. 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	LEHMAN BROTHERS GOVERNMENT/ CORPORATE BOND INDEX	KTRS BONDS	KTRS TOTAL PORTFOLIO	CONSUMER PRICE INDEX
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
1992-93	13.6	13.3	13.2	13.2	12.1	3.0
1993-94	1.4	2.2	(1.5)	(0.9)	0.7	2.5
1994-95	26.1	25.3	12.8	12.7	16.9	3.0
Five Year Annualized Rate	12.1	13.0	9.6	9.9	10.3	3.3

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 Contributions	Required Supplemental Appropriation	Required Sick Leave Payments	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
1980-84	272,744,772	16,334,937	256,409,836	109,622,111	5,197,234	378,667,011	7,437,831	12,866,812
1984-88	413,932,416	21,417,604	392,514,811	141,251,827	13,341,243	515,932,177	(31,175,706)	(44,439,412)
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)
1992-93	179,571,347	36,928,601	142,642,746	50,438,830	10,780,104	197,500,196	(6,361,484) (4)	(15,210,651)
1993-94	184,892,279	37,404,797	147,487,482	52,025,072	12,211,189	205,772,523	(5,951,220) (5)	(21,161,871)
1994-95	192,671,167	39,298,632	153,372,535	54,386,177	14,024,782	221,369,749	(413,745)	(12,726,449)

The state under-appropriation at June 30, 1995 is \$12,726,449. This amount is comprised of the 1992-93 \$6,361,484 deficit, the 1993-94 \$5,951,220 deficit and the current year contribution under-appropriation of \$413,745. The 1992-93 deficit was paid by the state July 1, 1995.

(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 \$22.4 million.

(4) Included in the June 30, 1993 deficit is a 2% mandated decrease in appropriations of \$1,080,000.

(5) Included in the June 30, 1994 deficit is a 4% mandated decrease in appropriations of \$2,160,000.

SUMMARY OF FISCAL YEAR 1994-95 RETIREE SICK LEAVE PAYMENTS

Total Members Retiring	1,650
Total Members Receiving Sick Leave Payments	1,222
Total Amount of Sick Leave Payments (at 9.855% contribution rate)	\$9,968,729.26
Average Payment Per Retiree	\$8,157.72
Total Increase in Final Average Salary Base (FASB)	\$1,993,745.85
Average Increase in FASB	\$1,631.54
Total service credit of 1,222 Retirees	35,264.08
Average Service Credit of 1,222 Retirees	28.86

Average Yearly Increase		Service Credit		Retirement Factor		Average Yearly Annuity
\$1,631.54	X	16.86	X	2.00%	=	\$550.16
\$1,631.54	X	1.00	X	2.25%	=	\$36.71
\$1,631.54	X	11.00	X	2.50%	=	\$448.67
Average yearly annuity						\$1,035.54
Average monthly annuity						\$86.30
Average Monthly Annuity		Present Value Factor Based on Average Age of 55		Number of Members With Sick Leave Payments		
\$86.30	X	154.692	X	1,222		
Anticipated lifetime payout of additional annuity						\$16,313,601.75

Funding of Additional Payout

Member Contributions	9.855%	X	\$9,968,729.26	=	\$982,418.27
State Contributions	13.105%	X	\$9,968,729.26	=	1,306,401.97
Total Member-State Contributions					\$2,288,820.24

Deficit

Anticipated Additional Payout	\$16,313,601.75
Less Total Member and State contributions	2,288,820.24
Subtotal Unfunded Debt	\$14,024,781.51
Less Current Year Appropriation	\$11,822,300.00
Total Deficit*	\$2,202,481.51

* This amount has been included in the 1994-95 deficit.

SCHOOL DISTRICTS ELECTING TO PAY FOR SICK LEAVE
UNDER KRS 161.155(8)
FISCAL YEAR 1994-95

COUNTY SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION	COUNTY SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION
Adair	5	\$ 36,576.96	Hopkins	18	\$ 170,255.82
Allen	7	60,636.64	Jackson	3	13,427.19
Ballard	3	20,329.58	Jefferson	189	1,580,951.38
Barren	5	42,949.97	Jessamine	4	28,289.00
Bath	7	61,955.46	Johnson	5	41,689.59
Bell	16	114,416.94	Kenton	19	111,974.83
Boone	28	258,329.80	Knott	5	37,273.77
Bourbon	5	48,689.69	Knox	17	177,216.44
Boyd	13	87,504.53	Larue	8	86,075.20
Boyle	6	50,356.67	Laurel	10	59,252.27
Bracken	3	19,817.75	Lawrence	2	25,326.23
Breathitt	6	44,137.90	Lee	2	2,222.83
Breckenridge	1	8,065.35	Leslie	7	59,612.58
Bullitt	9	75,766.63	Letcher	26	261,617.45
Caldwell	5	21,346.63	Lewis	7	91,445.96
Calloway	4	40,480.98	Lincoln	12	71,178.98
Campbell	7	50,297.51	Livingston	2	20,223.74
Carlisle	1	13,824.56	Logan	8	61,753.22
Carroll	2	16,297.21	Lyon	1	6,844.85
Carter	9	77,776.24	Madison	7	51,036.63
Casey	5	35,212.26	Magoffin	5	34,217.25
Christian	14	131,622.83	Marion	10	75,835.20
Clark	9	81,141.45	Marshall	10	42,201.10
Clay	7	31,422.84	Martin	3	11,066.05
Clinton	8	17,524.51	Mason	3	27,988.03
Crittenden	1	2,051.24	McCracken	24	200,304.23
Cumberland	4	31,846.88	McCreary	12	44,685.22
Daviess	15	168,693.67	Meade	6	55,941.35
Edmonson	3	45,608.32	Mercer	3	31,534.75
Elliott	2	14,935.67	Metcalfe	5	64,691.23
Estill	6	55,177.27	Monroe	1	11,298.53
Fayette	57	539,135.76	Montgomery	14	132,388.63
Fleming	3	30,446.88	Morgan	11	70,394.81
Floyd	18	142,955.23	Muhlenberg	9	56,428.50
Franklin	12	122,318.80	Nelson	6	40,915.89
Fulton	1	2,572.10	Ohio	5	23,734.04
Gallatin	2	11,880.47	Oldham	4	9,904.92
Garrard	3	19,673.47	Owen	4	25,158.10
Grant	8	67,490.22	Owsley	4	22,115.48
Graves	6	33,295.27	Pendleton	4	28,204.87
Grayson	4	49,951.70	Perry	14	144,914.57
Green	3	26,392.70	Pike	48	392,165.58
Greenup	8	70,033.58	Powell	1	7,007.61
Hancock	2	17,044.44	Pulaski	7	71,431.47
Hardin	17	145,301.67	Robertson	1	2,604.16
Harlan	15	85,142.97	Rockcastle	8	63,314.05
Harrison	7	67,561.04	Rowan	2	18,197.26
Hart	6	74,132.51	Russell	3	23,934.65
Henderson	26	223,321.37	Scott	4	24,732.32
Henry	2	2,553.23	Shelby	6	46,027.50

SCHOOL DISTRICTS ELECTING TO PAY FOR SICK LEAVE UNDER KRS 161.155(8) FISCAL YEAR 1994-95

COUNTY SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION
Simpson	2	\$ 29,617.56
Spencer	1	17,530.49
Taylor	7	50,961.95
Todd	4	55,473.36
Trigg	2	14,365.10
Union	4	19,590.97
Warren	11	63,074.78
Washington	5	48,187.11
Wayne	7	53,868.28
Webster	5	47,214.61
Whitley	7	49,950.59
Wolfe	5	45,814.51
Woodford	4	41,769.96

CITY SCHOOL DISTRICT	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION
Anchorage	2	\$ 25,628.31
Ashland	16	122,837.75
Barbourville	1	4,284.22
Bardstown	2	25,251.15
Berea	3	15,528.56
Bowling Green	12	79,507.35
Burgin	1	5,048.50
Campbellsville	1	12,024.96
Caverna	2	8,187.93
Corbin	2	26,986.81
Covington	8	31,448.71
Danville	4	48,140.64
Dawson Springs	5	28,481.08
Dayton	1	3,406.19
Elizabethtown	5	40,708.27
Erlanger-Elsmere	2	7,070.72
Frankfort	2	27,886.96
Glasgow	4	51,079.86
Harlan	3	23,580.21
Harrodsburg	2	6,750.38
Jenkins	3	25,331.91
Ludlow	1	7,093.15
Mayfield	7	47,550.58
Middlesboro	1	5,443.84
Murray	10	99,783.45
Newport	7	45,699.14
Owensboro	8	52,781.83
Paducah	9	51,853.07
Paintsville	1	12,356.06
Paris	2	20,436.02
Pikeville	3	23,713.65
Pineville	1	4,590.97
Providence	2	7,766.92
Russell	6	67,921.86
Russellville	4	41,122.98
Somerset	5	43,953.12
Southgate	1	3,706.85
Williamsburg	2	5,853.88
Williamston	1	13,498.33
NCKyRegionCovington	1	11.16

TOTAL FOR ALL DISTRICTS	NUMBER OF MEMBERS	TOTAL ADDITIONAL COMPENSATION
	1,222	\$ 9,968,729.26

SCHEDULE OF KTRS ANNUITANTS BY TYPE OF BENEFIT AS OF JUNE 30, 1995

AMOUNT OF MONTHLY BENEFIT (\$)	NUMBERS OF ANNUITANTS	TYPE OF RETIREMENT*				
		1	2	3	4	5
1 - 200	1,530	680	16	598	57	179
201 - 400	1,405	1,172	8	74	151	0
401 - 600	1,725	1,285	210	8	222	0
601 - 800	2,355	1,998	151	0	206	0
801 - 1,000	2,976	2,680	130	0	166	0
1,001 - 1,200	2,555	2,287	145	0	123	0
1,201 - 1,400	2,564	2,315	153	1	95	0
1,401 - 1,600	2,445	2,179	184	0	82	0
1,601 - 1,800	1,990	1,780	143	4	63	0
1,801 - 2,000	1,440	1,321	67	2	50	0
Over 2,000	2,949	2,833	61	3	52	0
TOTALS	23,934	20,530	1,268	690	1,267	179

*TYPE OF RETIREMENT

- 1 - Normal Retirement for Age & Service
- 2 - Disability Retirement
- 3 - Survivor Payment - Active Member
- 4 - Beneficiary Payment - Retired Member
- 5 - Mentally Disabled Child

DISTRIBUTION OF CONTRIBUTING MEMBERS AS OF JUNE 30, 1995

BY AGE		
AGE	MALE	FEMALE
20-24	222	1,025
25-29	1,176	3,923
30-34	1,408	4,123
35-39	1,590	5,140
40-44	2,596	7,739
45-49	3,475	7,919
50-54	2,209	4,145
55-59	1,016	1,811
60-64	388	646
65-69	86	178
Over 70	14	35
TOTAL	14,180	36,684

BY SERVICE		
YEARS OF SERVICE	MALE	FEMALE
Less than 1	339	817
1-4	2,762	7,862
5-9	2,357	7,517
10-14	1,541	4,948
15-19	1,892	5,366
20-24	2,506	6,003
25-29	2,020	3,271
30-34	562	689
Over 35	201	211
TOTAL	14,180	36,684

KTRS SCHEDULE OF PARTICIPATING EMPLOYERS

statistical
section

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

KTRS SCHEDULE OF PARTICIPATING EMPLOYERS (CONTINUED)

UNIVERSITIES

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

STATE OF KENTUCKY/OTHER ORGANIZATIONS

STATE OF KENTUCKY

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

OTHER ORGANIZATIONS

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

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

investment section

ktrs fiscal year ended june 30, 1995

INVESTMENTS

The Board of Trustees of the Teachers' Retirement System annually appoints an Investment Committee consisting of two Board members and the Executive Secretary. This Committee acts on behalf of the Board, subject to its approval, in all matters concerning investments. In compliance with the Kentucky Revised Statutes, the Board of Trustees has adopted an "Investment Policy" which it reviews periodically. The investment objectives of the Board of Trustees are as follows:

1. Investment of the funds of the Teachers' Retirement System of the State of Kentucky shall be made solely in the interest of its members and their beneficiaries. Investment income shall be used for the exclusive purpose of providing benefits to the members and their beneficiaries and making payment of reasonable expenses in administering the Plan and its Trust Funds.
2. The specific objective of the investment program shall be the investment of the Fund's assets in securities which shall provide a reasonable rate of total return with major emphasis being placed upon the protection of the invested assets. When investments are acquired, current income together with prospects for capital appreciation shall be weighed in regard to the long range needs of providing benefits to members and their beneficiaries. Short term fluctuations in the market value of the Fund's assets shall be considered as secondary to the long-term objectives and needs of the System.

During the 1990 session of the Kentucky General Assembly, the Board of Trustees worked with the General Assembly and modernized the section of the Teachers' Retirement Law that governs the investment process. The law is patterned after the "Prudent Man" concept with a limited number of restrictions. The responsibility for investing the assets of the System is clearly assigned to the Board of Trustees.

The Kentucky Revised Statutes require the Board of Trustees to employ experienced investment counselors to advise it on investment related matters. Todd Investment Advisors was employed during 1994-95 as the principal investment counselor. National Asset Management, Invesco Inc., Brinson Partners, and Wellington Management Company also were retained during the 1994-95 fiscal year to provide investment counseling services. National Asset Management assisted in the management of approximately \$880 million in bonds, while Invesco Inc. was involved with managing about \$490 million in equity investments. Brinson Partners was responsible for managing approximately \$400 million in equities, and Wellington Management Company managed about \$370 million in equities. In addition to monitoring the investment counselors, the in-house investment staff managed about \$2.08 billion of fixed income and equity assets. All of the investment firms are required to work within the same broad objectives, portfolio constraints, and administrative guidelines. Five investment counselors plus an in-house staff provide the Board of Trustees with a diversification of management that is appropriate for a \$6.1 billion fund. The Farmers Bank & Capital Trust Company, located in Frankfort, Kentucky, was retained in 1994-95 as the Custodian of Securities.

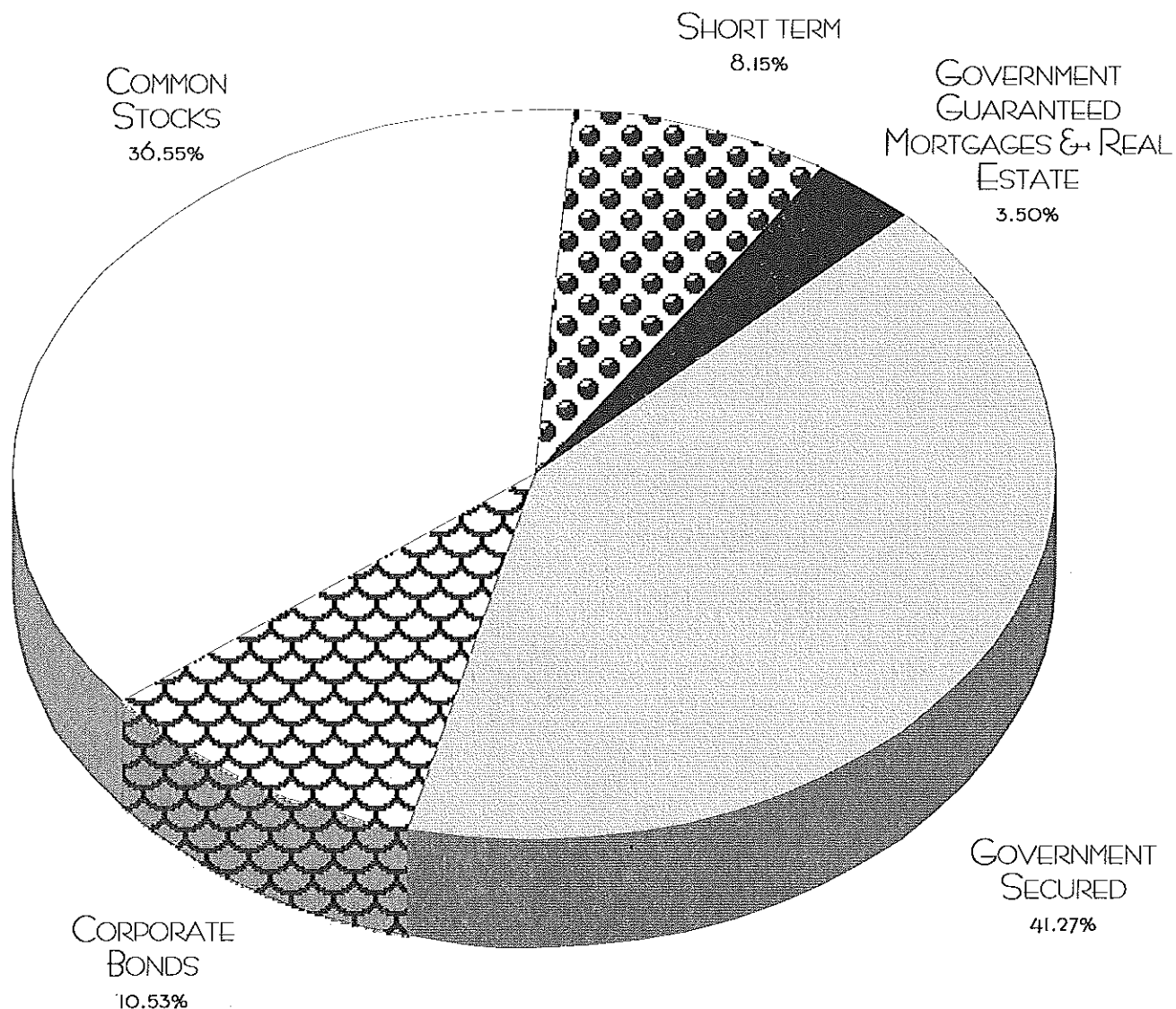
The investment portfolio experienced considerable growth in both par and book values during the year. The par value of the portfolio increased \$510 million, or 8.8%, to a total of \$6.3 billion at year-end. The book value of the fund correspondingly increased 8.6% during the year. The System earned in excess of \$409 million of investment income during 1994-95; investment income excludes monies earned but not received by the end of the fiscal year. The income resulted from interest, dividends, rental income, lending income, and gains. At year-end, the "net indicated yield" on fixed income investments at par value was 6.69%. The "indicated dividend yield" on common stocks was 3.30%.

The asset allocation of investments at par value was somewhat different at the beginning of the fiscal year to what it was on June 30, 1995. During the 1994-95 fiscal year, the stock position increased from 33.9% of assets to 36.5%. The portion of the portfolio in Government securities decreased from 42.4% to 41.3%. The cash position decreased during the year, going from 10.9% to 8.1% of assets. The real estate equity position remained a relatively small portion of the System's portfolio at approximately 1.6%.

The charts on the following pages graphically display the growth that is discussed in the preceding paragraphs and also depict the growth of the System over the last twenty years. Following the charts is a summary description of investments held at June 30, 1995. The pages thereafter provide a detailed listing of all investments held on June 30, 1995. The System annually produces a detailed investment report that is available on request.

DISTRIBUTION OF INVESTMENTS

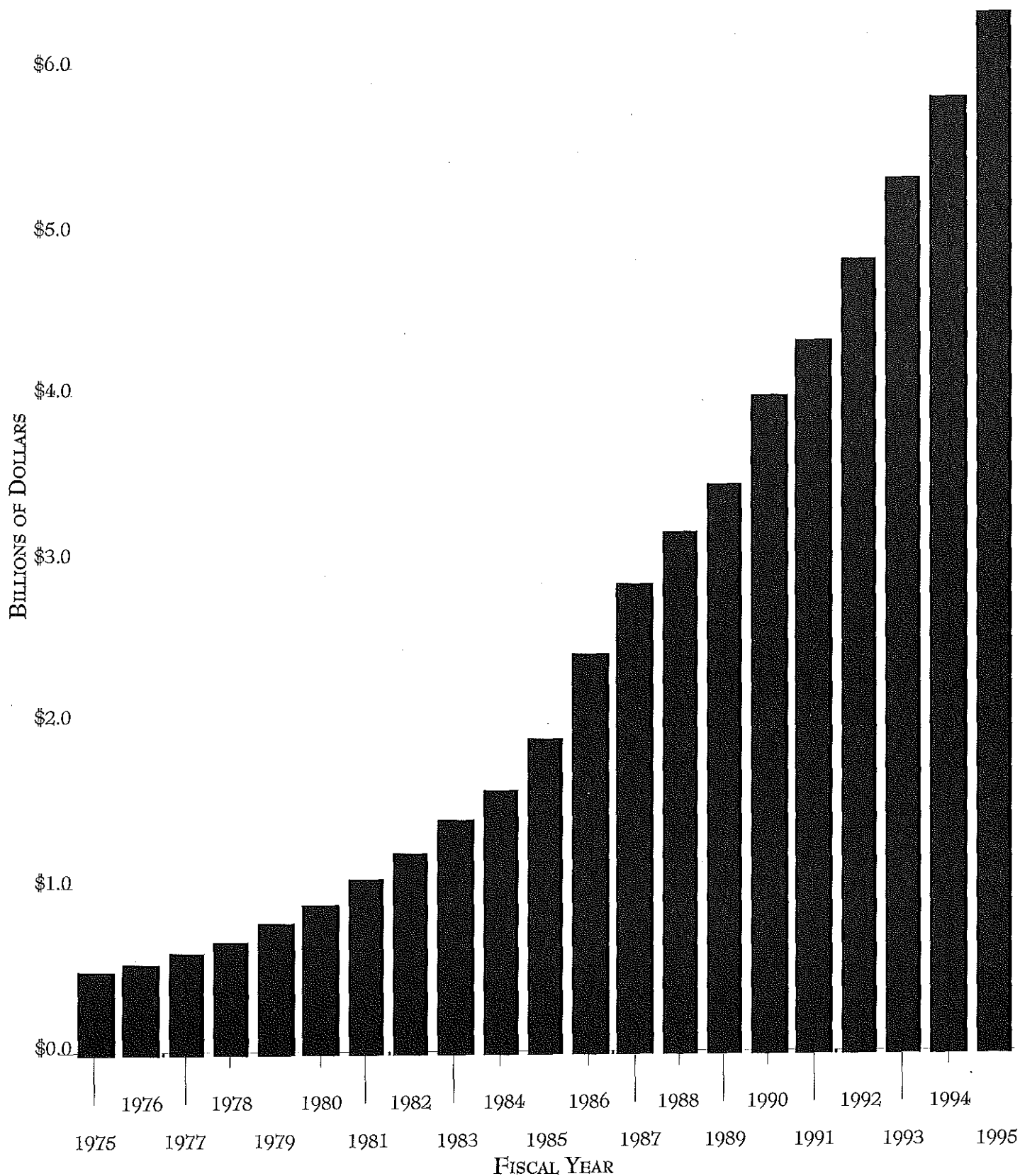
JUNE 30, 1995



investment
section
\$7.0

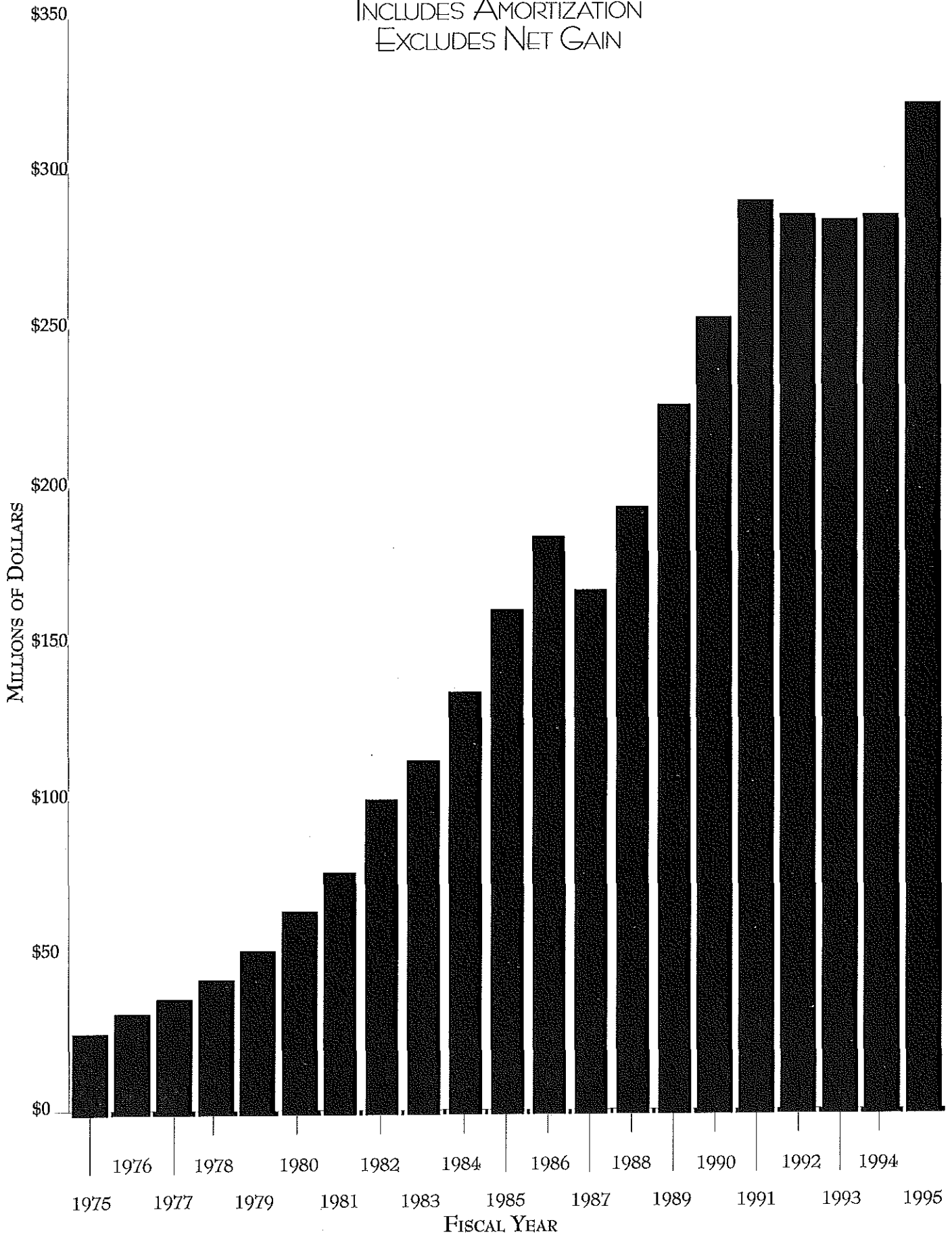
INVESTMENT PORTFOLIO GROWTH

FIXED INCOME AT PAR VALUE
EQUITIES AT COST



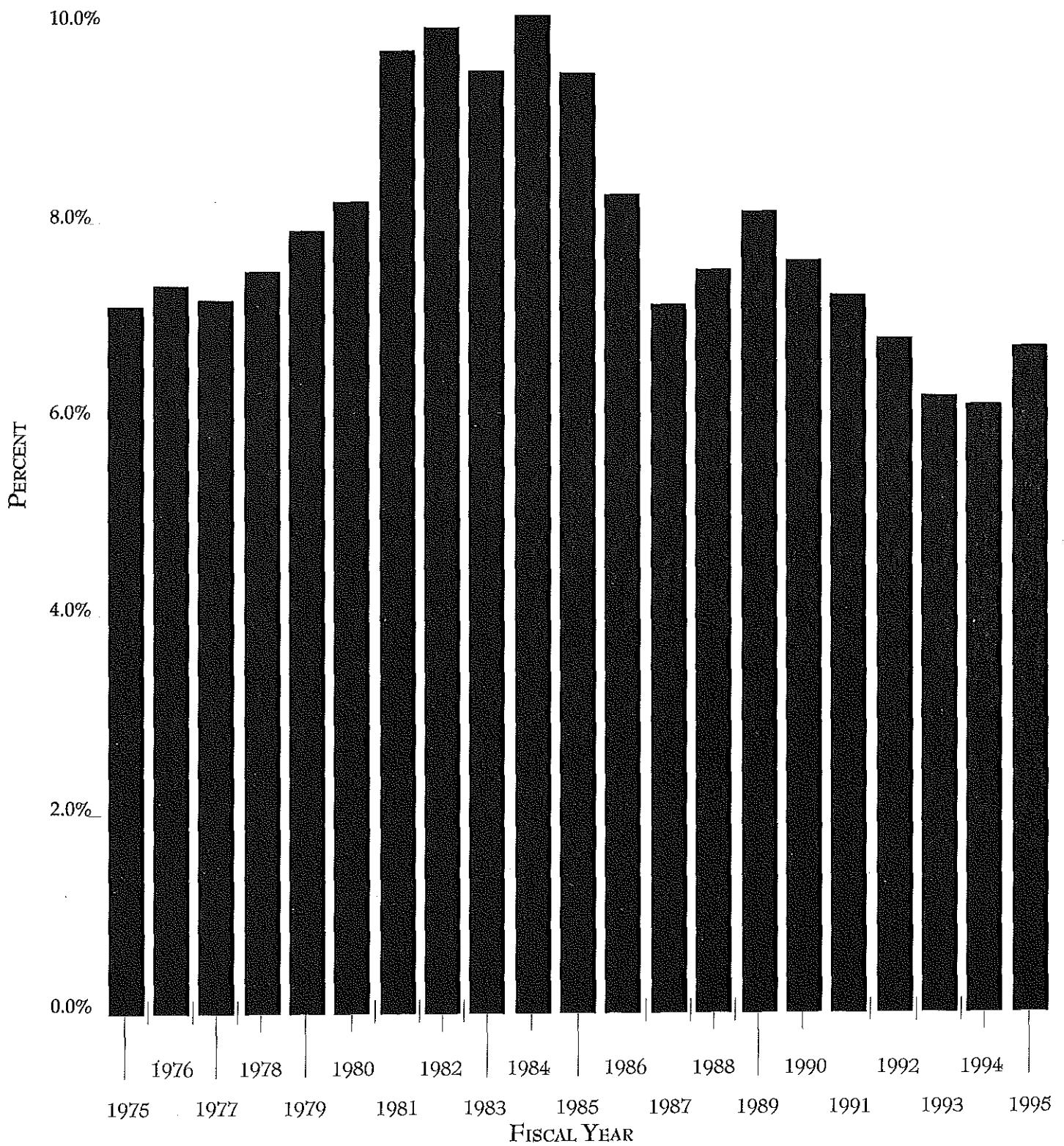
INVESTMENT INCOME GROWTH

INCLUDES AMORTIZATION
EXCLUDES NET GAIN



investment
section
12.0%

NET INDICATED YIELD ON FIXED DOLLAR ASSETS PAR VALUE



SCHEDULE OF INVESTMENTS

AS OF JUNE 30, 1995

INVESTMENT	PERCENTAGE OF TOTAL	PAR VALUE* OR REMAINING PRINCIPAL BALANCE	NET ANNUAL INTEREST/ INDICATED DIVIDEND INCOME	ANNUAL YIELD
Repurchase Agreements	7.99%	\$ 504,500,000.00	\$ 30,800,200.00	6.11%
U.S. Treasury Bills	.16%	10,000,000.00	670,752.78	6.71%
Total Short Term	8.15%	\$ 514,500,000.00	\$ 31,470,952.78	6.12%
Treasury Notes and Bonds	28.00%	\$ 1,768,513,000.00	\$ 121,667,453.05	6.88%
Agencies	5.46%	344,978,004.63	26,685,446.16	7.74%
Ship Bonds (Title XI)	.10%	6,328,027.34	519,491.30	8.21%
GNMA (Single Family)	.28%	17,809,506.42	1,445,024.86	8.11%
Collateralized Mortgage Obligations	.29%	18,477,149.48	1,428,737.25	7.73%
Treasury Strip Bonds	7.12%	449,356,080.00	17,926,078.34	3.99%
Other Miscellaneous	.00%	32,887.02	986.61	3.00%
Total U.S. Government Obligations	41.25%	\$ 2,605,494,654.89	\$ 169,673,217.57	6.51%
Industrials	3.34%	\$ 211,014,531.24	\$ 16,533,632.02	7.84%
Finance	5.36%	338,096,163.24	24,017,903.69	7.10%
Utility Bonds (Except Telephone)	.78%	49,555,000.00	3,131,579.76	6.32%
Telephone Bonds	.88%	55,390,000.00	4,273,481.76	7.72%
Railroad Obligations	.17%	10,646,000.00	932,289.42	8.76%
Total Corporate Bonds	10.53%	\$ 664,701,694.48	\$ 48,888,886.65	7.36%
FHA & VA Single Family Mortgages	.04%	\$ 2,752,041.23	\$ 203,274.20	7.39%
Project Mortgages (FHA & GNMA)	1.81%	114,590,278.35	10,609,033.12	9.26%
State and Local Government Issues	.02%	1,205,000.00	101,220.00	8.40%
Total Other Fixed Income	1.87%	\$ 118,547,319.58	\$ 10,913,527.32	9.21%
Subtotal (Fixed Income)	61.80%	\$ 3,903,243,668.95	\$ 260,946,584.32	6.69%
Real Estate Equity	1.65%	\$ 103,896,306.44	\$ 9,393,541.06	9.04%
Total Real Estate Equity	1.65%	\$ 103,896,306.44	\$ 9,393,541.06	9.04%
Common Stocks 47,348,918.00 Shares	27.76%	\$ 1,752,945,751.59	\$ 57,251,864.28	3.27%
Preferred Stocks 617,000.00 Shares	.07%	4,118,475.00	370,940.40	9.01%
Stock Index 16,190,698.00 Shares	8.72%	550,911,437.25	18,574,120.39	3.37%
Total Stocks 64,156,616.00 Shares	36.55%	\$ 2,307,975,663.84	\$ 76,196,925.07	3.30%
Subtotal (Equity)	38.20%	\$ 2,411,871,970.28	\$ 85,590,466.13	3.55%
Total Investments, Income & Yield	100.00%	\$ 6,315,115,639.23	\$ 346,537,050.45	5.49%

* 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, excluding repurchase agreements, at June 30, 1995 was \$3,234,055,679; the market value was \$3,351,611,571. The par and book values of stocks, which are the same, were \$2,307,975,664 for June 30, 1995; the market value of stocks was \$2,919,401,117. Market value can be a highly volatile measure that changes daily and is particularly important when trading securities. Detailed information concerning the book values and market values of KTRS securities is available on request.

DETAILED LISTING OF INVESTMENTS

SHORT TERM INVESTMENTS

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE	
REPURCHASE AGREEMENTS:				
Repurchase Agreement	6.050	07/03/95	\$	22,541,400.00
Repurchase Agreement	6.050	07/03/95		18,037,200.00
Repurchase Agreement	6.050	07/03/95		12,419,100.00
Repurchase Agreement	6.050	07/03/95		8,825,900.00
Repurchase Agreement	6.050	07/03/95		2,513,800.00
Repurchase Agreement	6.050	07/03/95		23,093,700.00
Repurchase Agreement	6.050	07/03/95		70,568,900.00
Repurchase Agreement	6.100	07/05/95		17,863,300.00
Repurchase Agreement	6.100	07/05/95		7,979,900.00
Repurchase Agreement	6.100	07/05/95		35,003,800.00
Repurchase Agreement	6.100	07/05/95		11,898,400.00
Repurchase Agreement	6.100	07/05/95		1,121,700.00
Repurchase Agreement	6.100	07/05/95		7,973,200.00
Repurchase Agreement	6.100	07/05/95		90,159,700.00
Repurchase Agreement	6.160	07/06/95		9,119,500.00
Repurchase Agreement	6.160	07/06/95		16,699,400.00
Repurchase Agreement	6.160	07/06/95		6,549,500.00
Repurchase Agreement	6.160	07/06/95		59,035,700.00
Repurchase Agreement	6.160	07/06/95		16,547,400.00
Repurchase Agreement	6.160	07/06/95		12,312,800.00
Repurchase Agreement	6.160	07/06/95		39,206,500.00
Repurchase Agreement	6.160	07/06/95		13,422,800.00
Repurchase Agreement	6.160	07/06/95		1,606,400.00
Total Repurchase Agreements			\$	504,500,000.00
TREASURY BILLS:				
U S Treasury Bills	0.000	12/14/95	\$	10,000,000.00
Total Treasury Bills				10,000,000.00
TOTAL SHORT TERM INVESTMENTS			\$	514,500,000.00

U.S. GOVERNMENT OBLIGATIONS

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE	
<u>TREASURY BONDS AND NOTES:</u>				
U S Treasury Bonds	6.250	08/15/23	\$	5,000,000.00
U S Treasury Bonds	7.250	05/15/16		20,000,000.00
U S Treasury Bonds	7.250	05/15/16		4,000,000.00
U S Treasury Bonds	7.250	05/15/16		3,000,000.00
U S Treasury Bonds	7.250	05/15/16		10,000,000.00
U S Treasury Bonds	7.250	05/15/16		1,000,000.00
U S Treasury Bonds	7.250	05/15/16		3,000,000.00
U S Treasury Bonds	7.250	05/15/16		2,000,000.00
U S Treasury Bonds	7.250	05/15/16		2,000,000.00
U S Treasury Bonds	7.250	05/15/16		2,000,000.00
U S Treasury Bonds	7.250	08/15/22		13,000,000.00
U S Treasury Bonds	7.250	08/15/22		5,000,000.00

U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

investment
section

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>TREASURY BONDS AND NOTES (CONT.):</u>			
U S Treasury Bonds	7.250	08/15/22	\$ 6,500,000.00
U S Treasury Bonds	7.250	08/15/22	3,000,000.00
U S Treasury Bonds	7.500	11/15/16	5,000,000.00
U S Treasury Bonds	7.500	11/15/16	3,500,000.00
U S Treasury Bonds	7.500	11/15/16	15,000,000.00
U S Treasury Bonds	7.500	11/15/16	25,000,000.00
U S Treasury Bonds	7.500	11/15/16	5,000,000.00
U S Treasury Bonds	7.500	11/15/16	5,000,000.00
U S Treasury Bonds	7.500	11/15/16	2,000,000.00
U S Treasury Bonds	7.500	11/15/16	15,000,000.00
U S Treasury Bonds	7.500	11/15/16	5,000,000.00
U S Treasury Bonds	7.875	11/15/07	2,000,000.00
U S Treasury Bonds	7.875	02/15/21	1,700,000.00
U S Treasury Bonds	8.000	11/15/21	2,000,000.00
U S Treasury Bonds	8.125	08/15/19	10,000,000.00
U S Treasury Bonds	8.125	08/15/19	22,500,000.00
U S Treasury Bonds	8.125	08/15/21	14,400,000.00
U S Treasury Bonds	8.125	08/15/21	15,000,000.00
U S Treasury Bonds	8.125	08/15/21	12,200,000.00
U S Treasury Bonds	8.125	08/15/21	9,000,000.00
U S Treasury Bonds	8.250	05/15/05	10,000,000.00
U S Treasury Bonds	8.500	02/15/20	7,180,000.00
U S Treasury Bonds	8.750	11/15/08	1,500,000.00
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	8.875	08/15/17	5,005,000.00
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	5,000,000.00
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	8.875	02/15/19	9,500,000.00
U S Treasury Bonds	8.875	02/15/19	7,000,000.00
U S Treasury Bonds	9.125	05/15/09	4,100,000.00
U S Treasury Bonds	9.125	05/15/18	12,500,000.00
U S Treasury Bonds	9.125	05/15/18	9,300,000.00
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	500,000.00
U S Treasury Bonds	9.875	11/15/15	6,200,000.00
U S Treasury Bonds	10.375	11/15/12	2,500,000.00
U S Treasury Bonds	10.375	11/15/12	2,300,000.00
U S Treasury Bonds	10.375	11/15/12	2,600,000.00
U S Treasury Bonds	10.375	11/15/12	14,000,000.00
U S Treasury Bonds	10.750	08/15/05	14,000,000.00
U S Treasury Bonds	11.625	11/15/04	2,500,000.00

U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>TREASURY BONDS AND NOTES (CONT.):</u>			
U S Treasury Bonds	11.625	11/15/04	\$ 2,500,000.00
U S Treasury Bonds	12.000	08/15/13	7,500,000.00
U S Treasury Bonds	13.125	05/15/01	8,000,000.00
U S Treasury Bonds	14.000	11/15/11	13,200,000.00
U S Treasury Notes	4.375	11/15/96	15,000,000.00
U S Treasury Notes	4.750	02/15/97	22,000,000.00
U S Treasury Notes	5.125	03/31/98	7,630,000.00
U S Treasury Notes	5.125	04/30/98	10,000,000.00
U S Treasury Notes	5.125	06/30/98	57,000,000.00
U S Treasury Notes	5.125	12/31/98	15,000,000.00
U S Treasury Notes	5.250	07/31/98	27,000,000.00
U S Treasury Notes	5.250	07/31/98	15,000,000.00
U S Treasury Notes	5.250	07/31/98	2,000,000.00
U S Treasury Notes	5.500	09/30/97	4,000,000.00
U S Treasury Notes	5.500	09/30/97	6,000,000.00
U S Treasury Notes	5.500	04/15/00	10,000,000.00
U S Treasury Notes	5.500	04/15/00	20,000,000.00
U S Treasury Notes	5.750	08/15/03	12,000,000.00
U S Treasury Notes	5.750	08/15/03	5,000,000.00
U S Treasury Notes	5.750	08/15/03	10,000,000.00
U S Treasury Notes	5.750	08/15/03	18,000,000.00
U S Treasury Notes	5.750	08/15/03	3,000,000.00
U S Treasury Notes	5.750	08/15/03	21,000,000.00
U S Treasury Notes	5.750	08/15/03	1,500,000.00
U S Treasury Notes	5.875	02/15/04	3,000,000.00
U S Treasury Notes	6.000	10/15/99	2,000,000.00
U S Treasury Notes	6.000	10/15/99	8,000,000.00
U S Treasury Notes	6.000	10/15/99	3,000,000.00
U S Treasury Notes	6.000	10/15/99	3,000,000.00
U S Treasury Notes	6.000	10/15/99	7,000,000.00
U S Treasury Notes	6.125	05/15/98	20,000,000.00
U S Treasury Notes	6.250	01/31/97	10,000,000.00
U S Treasury Notes	6.250	01/31/97	13,000,000.00
U S Treasury Notes	6.250	02/15/03	4,000,000.00
U S Treasury Notes	6.250	02/15/03	3,000,000.00
U S Treasury Notes	6.250	02/15/03	15,000,000.00
U S Treasury Notes	6.375	01/15/00	26,000,000.00
U S Treasury Notes	6.375	01/15/00	4,500,000.00
U S Treasury Notes	6.375	01/15/00	25,000,000.00
U S Treasury Notes	6.375	01/15/00	21,000,000.00
U S Treasury Notes	6.375	01/15/00	8,000,000.00
U S Treasury Notes	6.375	08/15/02	12,000,000.00
U S Treasury Notes	6.375	08/15/02	7,000,000.00
U S Treasury Notes	6.375	08/15/02	2,000,000.00
U S Treasury Notes	6.375	08/15/02	5,500,000.00
U S Treasury Notes	6.375	08/15/02	3,000,000.00
U S Treasury Notes	6.375	08/15/02	6,000,000.00
U S Treasury Notes	6.375	08/15/02	5,800,000.00
U S Treasury Notes	6.500	11/30/96	15,000,000.00
U S Treasury Notes	6.500	11/30/96	25,000,000.00
U S Treasury Notes	6.750	02/28/97	25,000,000.00
U S Treasury Notes	6.750	05/31/97	24,683,000.00

U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

investment
section

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>TREASURY BONDS AND NOTES (CONT.):</u>			
U S Treasury Notes	6.750	06/30/99	\$ 25,000,000.00
U S Treasury Notes	6.750	06/30/99	25,000,000.00
U S Treasury Notes	6.750	06/30/99	51,695,000.00
U S Treasury Notes	6.750	04/30/00	10,500,000.00
U S Treasury Notes	6.875	03/31/97	32,000,000.00
U S Treasury Notes	6.875	04/30/97	12,000,000.00
U S Treasury Notes	6.875	04/30/97	6,000,000.00
U S Treasury Notes	7.000	04/15/99	15,000,000.00
U S Treasury Notes	7.125	02/29/00	10,000,000.00
U S Treasury Notes	7.250	11/15/96	14,000,000.00
U S Treasury Notes	7.250	05/15/04	5,000,000.00
U S Treasury Notes	7.375	05/15/96	12,440,000.00
U S Treasury Notes	7.500	02/29/96	2,000,000.00
U S Treasury Notes	7.500	11/15/01	2,000,000.00
U S Treasury Notes	7.500	11/15/01	4,700,000.00
U S Treasury Notes	7.500	11/15/01	59,745,000.00
U S Treasury Notes	7.500	05/15/02	15,000,000.00
U S Treasury Notes	7.500	05/15/02	3,000,000.00
U S Treasury Notes	7.500	05/15/02	15,500,000.00
U S Treasury Notes	7.500	05/15/02	30,000,000.00
U S Treasury Notes	7.500	02/15/05	25,000,000.00
U S Treasury Notes	7.500	02/15/05	25,000,000.00
U S Treasury Notes	7.500	02/15/05	15,000,000.00
U S Treasury Notes	7.500	02/15/05	30,000,000.00
U S Treasury Notes	7.750	01/31/00	50,000,000.00
U S Treasury Notes	7.750	02/15/01	4,000,000.00
U S Treasury Notes	7.875	08/15/01	4,000,000.00
U S Treasury Notes	8.000	08/15/99	1,000,000.00
U S Treasury Notes	8.000	08/15/99	7,000,000.00
U S Treasury Notes	8.000	08/15/99	6,200,000.00
U S Treasury Notes	8.500	05/15/97	8,000,000.00
U S Treasury Notes	8.500	07/15/97	25,000,000.00
U S Treasury Notes	8.500	02/15/00	2,000,000.00
U S Treasury Notes	8.500	02/15/00	6,500,000.00
U S Treasury Notes	8.625	10/15/95	400,000.00
U S Treasury Notes	8.625	08/15/97	10,000,000.00
U S Treasury Notes	8.625	08/15/97	20,000,000.00
U S Treasury Notes	8.750	10/15/97	2,780,000.00
U S Treasury Notes	8.750	10/15/97	26,500,000.00
U S Treasury Notes	8.875	02/15/96	9,300,000.00
U S Treasury Notes	8.875	11/15/98	500,000.00
U S Treasury Notes	8.875	11/15/98	14,400,000.00
U S Treasury Notes	8.875	11/15/98	25,000,000.00
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	9.125	05/15/99	3,250,000.00
U S Treasury Notes	9.125	05/15/99	8,400,000.00
U S Treasury Notes	9.125	05/15/99	7,000,000.00
U S Treasury Notes	9.125	05/15/99	4,260,000.00
Total Treasury Bonds and Notes			\$ 1,768,513,000.00

U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>FEDERAL AGENCIES:</u>			
FHLB - Global Bond	6.125	08/05/96	\$ 20,000,000.00
FHLB Bonds	6.270	01/14/04	9,000,000.00
FHLB Notes	7.410	03/27/00	10,000,000.00
FHLB Notes	7.460	04/21/98	11,000,000.00
FHLB Notes	8.180	12/22/97	3,000,000.00
FHLMC (Gold) Pool # C80207	7.500	09/01/24	14,961,677.90
FHLMC Freddie Mac Group 14-0527	8.000	10/01/08	4,695,150.31
FHLMC Mult Mtg Ctls Ser 53 CL 53-A	9.500	08/15/20	800,673.00
FHLMC Notes	8.010	04/13/05	2,000,000.00
FHLMC Ser 149 F	8.500	08/15/21	10,853,397.00
FNMA	6.900	03/10/04	3,000,000.00
FNMA	7.850	09/10/04	3,000,000.00
FNMA	7.900	08/12/96	3,000,000.00
FNMA	8.250	11/01/22	2,000,000.00
FNMA	8.800	07/25/97	12,250,000.00
FNMA	9.050	04/10/00	3,500,000.00
FNMA	9.200	09/11/00	3,000,000.00
FNMA	9.200	09/11/00	7,015,000.00
FNMA Capital Debs 1988-A	9.400	08/10/98	13,500,000.00
FNMA Debs	9.650	08/10/20	2,000,000.00
FNMA Mtn	5.220	07/10/98	15,000,000.00
FNMA Mtn	7.250	06/01/05	2,000,000.00
FNMA Mtn	7.920	03/30/05	5,000,000.00
FNMA Mtn	9.050	05/10/21	3,000,000.00
FNMA Pool # 190723	6.000	04/01/24	14,925,659.88
FNMA Pool # 124921	6.500	07/01/23	20,108,156.78
FNMA Pool # 190658	7.000	01/01/09	48,337,012.43
FNMA Pool # 250103	8.500	07/01/24	4,946,684.24
FNMA Pool # 266220	6.500	12/01/23	9,207,000.91
FNMA Pool # 290359	8.500	09/01/24	5,004,859.65
FNMA Pool # 291777	8.500	08/01/24	4,793,794.42
FNMA Remic Tr 1990-24-II	9.250	07/25/13	10,127,127.05
FNMA Remic Tr 1991-116-Y2 CLB	8.500	07/25/15	5,000,000.00
FNMA Remic Tr 1991-116-Y2 CLB	8.500	07/25/15	5,000,000.00
FNMA Remic Trust 1990-16-E	9.000	03/25/20	8,000,000.00
FNMA Remic Trust 1990-16-E	9.000	03/25/20	7,000,000.00
FNMA-CL Pool #190807	7.500	05/01/24	20,479,994.78
FNMA-CL Pool #303223	7.000	11/01/24	11,471,816.28
Tennessee Valley Authority Bonds	4.600	12/15/96	7,000,000.00
Total Federal Agencies			\$ 344,978,004.63
<u>SHIP BONDS(TITLE XI):</u>			
Crowley Maritime	8.125	09/13/99	\$ 1,586,027.34
Farrell Lines Inc Freedom	7.300	07/01/97	306,000.00
Farrell Lines Inc SF Ser I	7.950	06/07/04	1,775,000.00
Shipco 668 Series A SF	8.500	05/11/02	2,661,000.00
Total Ship Bonds (Title XI)			\$ 6,328,027.34

U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

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SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
GNMA SINGLE FAMILY MORTGAGES:			
Mortgage Pools	various	various	\$ 17,809,506.42
Total GNMA Single Family Mortgages			\$ 17,809,506.42
COLLATERALIZED MORTGAGE OBLIGATIONS:			
CMO Coll Mtg Sec Corp Ser 88-4 CLB	8.750	04/20/19	\$ 1,143,378.37
CMO Coll Mtg Sec Corp Ser 88-4 CLB	8.750	04/20/19	4,554,763.23
CMO FHLMC 1494 CL PJ	6.850	01/15/22	2,000,000.00
CMO FHLMC 1645 CL PD	4.500	09/15/08	4,000,000.00
CMO FHLMC Remic 129-G	8.850	05/15/20	3,000,000.00
CMO Merrill Lynch Trust 26 C	7.300	07/01/16	1,928,051.41
CMO Trust 43 Ser Y	8.200	05/20/04	1,850,956.47
Total Collateralized Mortgage Obligations			\$ 18,477,149.48
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	10,227,000.00
CATS (Treasury Securities) Z	0.000	05/15/03	5,000,000.00
Call Treasury Receipts	0.000	11/15/11	2,520,000.00
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	2,072,000.00
Treasury Receipts	0.000	05/15/04	2,170,080.00
U S Treasury Principal Strips	0.000	11/15/97	25,000,000.00
U S Treasury Principal Strips	0.000	08/15/00	25,000,000.00
U S Treasury Principal Strips	0.000	05/15/20	70,000,000.00
U S Treasury Strip Bonds	0.000	11/15/04	43,000,000.00
U S Treasury Strip Bonds	0.000	02/15/97	6,250,000.00
U S Treasury Strip Bonds	0.000	08/15/97	6,000,000.00
U S Treasury Strip Bonds	0.000	11/15/97	8,700,000.00
U S Treasury Strip Bonds	0.000	11/15/97	17,400,000.00
U S Treasury Strip Bonds	0.000	11/15/97	40,000,000.00
U S Treasury Strip Bonds	0.000	02/15/02	428,000.00
U S Treasury Strip Bonds	0.000	02/15/02	20,100,000.00
U S Treasury Strip Bonds	0.000	11/15/03	373,000.00
U S Treasury Strip Bonds	0.000	05/15/04	15,000,000.00
U S Treasury Strip Bonds	0.000	11/15/05	1,000,000.00
U S Treasury Strip Bonds	0.000	05/15/09	3,000,000.00
U S Treasury Strip Bonds	0.000	02/15/10	9,000,000.00
U S Treasury Strip Bonds	0.000	11/15/11	15,000,000.00
U S Treasury Strip Bonds	0.000	08/15/12	3,000,000.00
U S Treasury Strip Bonds	0.000	05/15/13	10,000,000.00
U S Treasury Strip Bonds	0.000	05/15/13	1,000,000.00
Total Treasury Strip Bonds			\$ 449,356,080.00

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U.S. GOVERNMENT OBLIGATIONS (CONTINUED)

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>OTHER MISCELLANEOUS:</u>			
FHA Certificate of Claim	3.000		\$ 32,887.02
Total Other			\$ 32,887.02
TOTAL U. S. GOVERNMENT OBLIGATIONS			\$ 2,605,494,654.89

CORPORATE BONDS

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>INDUSTRIALS:</u>			
Abbott Laboratories Nts	6.800	05/15/05	\$ 4,000,000.00
Abbott Laboratories Nts	6.800	05/15/05	2,000,000.00
Arco Chemical Co Deb	9.800	02/01/20	15,000,000.00
Ariel Properties Inc Mtg Nts	7.000	07/01/98	153,387.08
Burlington Resources Inc Nts	9.625	06/15/00	3,000,000.00
Burlington Resources Inc Nts	9.625	06/15/00	2,000,000.00
Chevron Corp Trust Fund Nts	8.110	12/01/04	10,500,000.00
Chevron London 1st Prfd Ship Mtg	7.700	09/07/97	220,855.45
Coca Cola Enterprises Debs	6.750	09/15/23	15,000,000.00
Corning Glass Works Debs	8.875	03/15/16	5,000,000.00
Dayton-Hudson Corp SF Debs	9.500	10/15/16	1,000,000.00
Dresser Industries Inc Notes	6.250	06/01/00	5,000,000.00
Dupont (E I) deNemours Debs	6.000	12/01/01	4,000,000.00
Dupont (E I) deNemours Debs	6.000	12/01/01	8,000,000.00
Dupont (E I) deNemours Debs	6.000	12/01/01	4,000,000.00
Eaton Corp Debentures	8.900	08/15/06	1,800,000.00
Fahrney Paul L 1st Prfd Ship Mtg	7.700	09/08/97	220,855.45
Ford Motor Co Nts	8.875	04/01/06	3,045,000.00
Ford Motor Credit MTN	9.030	07/15/96	5,500,000.00
Halliburton Co CNV/PUT/CALL	0.000	03/13/06	5,000,000.00
ITT Corp Variable Duration Nts	10.450	09/01/95	13,144,000.00
K-Mart Corp Debs	8.250	01/01/22	18,000,000.00
K-Mart MTN	9.600	09/15/98	3,000,000.00
Limited Inc Notes	7.800	05/15/02	2,000,000.00
Marion Merrell Dow-ASOP Debs	9.110	08/01/05	4,494,995.76
May Department Stores Debs	9.125	12/01/16	3,000,000.00
Mobil Oil - ESOP Debs	9.170	02/29/00	6,710,437.50
Nabisco Inc Nts	8.625	03/15/17	1,600,000.00
Pfizer Inc Nts	6.500	02/01/97	3,000,000.00
Philip Morris Cos Nts	7.125	12/01/99	10,000,000.00
Philip Morris Cos Nts	7.125	08/15/02	2,000,000.00
Philip Morris Cos Nts	9.000	05/15/98	6,000,000.00
Procter & Gamble-ESOP Debs	9.360	01/01/21	6,900,000.00
Sears Roebuck & Co Mtn	7.860	04/30/97	8,725,000.00
Standard Oil Debs	9.000	06/01/19	4,000,000.00
Time Warner Inc SF Debs	8.750	04/01/17	5,000,000.00
United Technologies Corp Notes	9.320	02/05/21	3,000,000.00
Wal-Mart Stores Notes	5.875	10/15/05	3,000,000.00

CORPORATE BONDS (CONTINUED)

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SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
INDUSTRIALS (CONT.):			
Waste Management Inc Notes	4.875	07/01/95	\$ 7,500,000.00
Waste Management Inc Notes	4.875	07/01/95	2,500,000.00
Waste Management Inc Notes	4.875	07/01/95	2,000,000.00
Westvaco Corp SF Debs	12.300	01/15/15	1,000,000.00
Total Industrials			\$ 211,014,531.24
FINANCE:			
American Express Cr Co Sr Nts	7.750	03/01/97	\$ 1,000,000.00
American Express Cr Co Sr Nts	7.750	03/01/97	9,000,000.00
Aon Corp Notes	6.875	10/01/99	3,000,000.00
Associates Corp NA Nts	7.500	05/15/99	7,000,000.00
Associates Corp NA Nts	9.125	04/01/00	7,500,000.00
Associates Corp of North America	5.250	03/30/00	2,000,000.00
Associates Corp of North America	8.375	01/15/98	5,000,000.00
Bankamerica Corp Notes	6.850	03/01/03	10,000,000.00
Bankamerica Corp Notes	7.125	05/12/05	7,000,000.00
Beneficial Finance Corp Notes	5.750	07/21/99	7,000,000.00
Beneficial Finance Corp Notes	5.750	07/21/99	3,000,000.00
C & S / Sovran Corp	9.750	06/15/99	1,000,000.00
Capital Auto 93-1 CL A6	4.900	02/17/98	2,805,283.85
Capital Holding MTN	8.910	03/18/96	1,800,000.00
Capital Holding MTN	8.910	03/18/96	12,000,000.00
Commercial Credit Notes	8.500	02/15/98	5,000,000.00
First Deposit Master Trust 95-2	6.050	08/15/02	19,200,000.00
First Union Corp Notes	6.625	07/15/05	2,000,000.00
Ford Credit 1994-A Grantor Trust	6.350	05/15/99	3,040,330.75
Ford Credit 1994-A Grantor Trust	6.350	05/15/99	3,040,330.75
Ford Credit 1994-A Grantor Trust	6.350	05/15/99	1,216,132.30
Ford Credit 1994-A Grantor Trust	6.350	05/15/99	1,216,132.30
Ford Credit 1994-B Grantor Trust	7.300	10/15/99	2,418,741.74
Ford Credit 1994-B Grantor Trust	7.300	10/15/99	1,612,494.50
Ford Credit Auto Lease Trust 95-1	6.350	11/15/98	24,000,000.00
Ford Motor Credit Notes	8.000	12/01/97	5,000,000.00
Ford Motor Credit Notes	8.200	02/15/02	2,000,000.00
Ford Motor Credit Notes	9.030	12/30/09	1,400,000.00
Ford Motor Credit Nts	7.875	01/15/97	4,000,000.00
GMAC 1992-C (A)	5.950	02/15/97	317,967.85
GMAC 1992-D Grantor Trust Cl A	5.550	05/15/97	977,991.10
GMAC 94-A Grantor Trust	6.300	06/15/99	1,200,615.41
GMAC 94-A Grantor Trust	6.300	06/15/99	6,003,077.04
GMAC 94-A Grantor Trust	6.300	06/15/99	3,001,538.52
GMAC 95-A Grantor Trust	7.150	03/15/00	7,139,587.44
GMAC 95-A Grantor Trust	7.150	03/15/00	4,462,242.15
GMAC 95-A Grantor Trust	7.150	03/15/00	1,784,896.86
GMAC Debs	8.625	06/15/99	4,000,000.00
GMAC Debs	8.625	06/15/99	6,000,000.00
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 Electric Credit Corp Notes	4.615	05/30/03	10,000,000.00
Goldman Sachs Notes #144A Reg	7.875	01/15/03	14,000,000.00
J P Morgan & Co Notes	7.625	09/15/04	2,000,000.00

CORPORATE BONDS (CONTINUED)

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
FINANCE:			
John Hancock Mutual Life Surplus	7.375	02/15/24	\$ 12,000,000.00
Liberty National Bank & Trust Notes	6.750	06/01/03	2,000,000.00
Liberty National Bank & Trust Notes	6.750	06/01/03	2,000,000.00
MBNA Bank Corp Mtn	7.300	08/17/98	6,000,000.00
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
Merrill Lynch Asset Backed Corp	5.500	05/15/98	1,865,612.55
Nationsbank Corp Notes	5.375	04/15/00	5,000,000.00
Nationsbank Corp Notes	6.875	02/15/05	2,500,000.00
Nationwide CSN Trust Notes	9.875	02/15/25	14,000,000.00
Premier Auto Trust 92-5	4.550	03/15/98	1,238,979.81
Premier Auto Trust 92-5	4.550	03/15/98	743,387.89
Premier Auto Trust 92-5	4.550	03/15/98	495,591.93
Premier Auto Trust 93-4	4.650	02/02/99	8,607,820.50
Railcar Trust Notes 1992-1	7.750	06/01/04	5,967,408.00
Southtrust Bank Atlanta Notes	7.740	05/15/25	2,000,000.00
Standard Credit Card Trust 95-6A	6.750	06/07/00	24,000,000.00
Torchmark Corp	8.625	03/01/17	1,000,000.00
Wisconsin Hsg & Economic Dev Auth	6.450	07/01/14	5,540,000.00
Total Finance Bonds			\$ 338,096,163.24
UTILITY BONDS (EXCEPT TELEPHONE):			
Cajun Electric Pwr CO-OP Inc	9.520	03/15/19	\$ 3,000,000.00
Consolidated Natural Gas Debs	8.750	10/01/19	3,000,000.00
Florida Power Corp 1st Mtg	7.375	06/01/02	2,000,000.00
Florida Power Light 1st Mtg	5.000	12/01/95	700,000.00
Georgia Power Co 1st Mtg	5.500	04/01/98	10,000,000.00
Kansas Electric Power Co-op	9.730	12/15/17	2,500,000.00
Pacific Gas Elec 1st Ref Mtg QQ	6.625	06/01/00	1,000,000.00
Potomac Edison Co 1st Mtg	8.000	06/01/06	3,000,000.00
Potomac Electric Power 1st Mtg	9.000	06/01/21	2,600,000.00
Pub Ser Elec Gas 1st Ref Mtg	6.000	01/01/98	2,500,000.00
Pub Ser Elec Gas Debs	6.000	07/01/98	255,000.00
Southern Calif Edison 1st Ref Mort	5.900	01/15/97	4,000,000.00
Southern Calif Edison 1st Ref Mort	5.900	01/15/97	7,000,000.00
Southern Calif Edison 1st Ref Mort	5.900	01/15/97	3,000,000.00
Union Electric Corp 1st Mtg	6.750	10/15/99	5,000,000.00
Total Utility Bonds			\$ 49,555,000.00
TELEPHONE BONDS:			
A T & T Corp	6.000	08/01/00	\$ 1,000,000.00
Ameritech Capital Debs	9.100	06/01/16	8,000,000.00
Cincinnati Bell Inc Nts	9.100	06/15/00	2,000,000.00
GTE California 1st Mtg	6.250	01/15/98	2,000,000.00
GTE Florida Inc	8.000	03/01/01	250,000.00
GTE Florida Inc	8.375	03/01/27	2,000,000.00
GTE Pennsylvania 1st Mtg	8.875	12/01/26	3,000,000.00
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

CORPORATE BONDS (CONTINUED)

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SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
TELEPHONE BONDS CONT.:			
New York Telephone Co Debs	6.700	11/01/23	\$ 21,000,000.00
Pacific Tel Tel Debs	7.800	03/01/07	250,000.00
Rochester Telephone Mtn	7.510	03/27/02	8,800,000.00
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
U S West Communications Debs	8.875	06/01/31	2,000,000.00
Total Telephone Bonds			\$ 55,390,000.00
RAILROAD OBLIGATIONS:			
CSX Corp Nts	9.000	08/15/06	\$ 10,000,000.00
Sou Railway Memphis Div 1st Mtg	5.000	07/01/96	539,000.00
Virginia Southwestern Ry 1st Mtg	5.000	01/01/03	107,000.00
Total Railroad Obligations			\$ 10,646,000.00
TOTAL CORPORATE BONDS			\$ 664,701,694.48

OTHER FIXED INCOME INVESTMENTS

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
SINGLE FAMILY MORTGAGES:			
FHA	various	various	\$ 1,371,553.02
VA	various	various	1,380,488.21
Total Single Family Mortgages			\$ 2,752,041.23
PROJECT MORTGAGES (FHA & GNMA):			
Americana Apts KY 221D4	7.500	10/01/18	\$ 4,110,452.99
Bedford Commons KY 221D4	8.000	11/01/23	1,205,883.37
Bedford House KY 221D4	7.500	01/01/20	1,150,733.90
Beech Creek Apts KY 221D4	7.500	08/01/21	1,936,311.36
Belleville Manor Apts KY 221D4	7.500	11/01/19	591,514.72
Berrytown Apts KY 221D4	8.000	02/01/24	1,313,529.84
Bethany Circle Kings Daughters IN	8.375	03/01/02	1,031,081.16
Cambridge Square Apts KY 221D4	7.500	11/01/19	1,104,730.87
Carnaby Square Apts KY 221D4	7.500	06/01/19	1,134,318.83
Carrollton Village Apts KY 221D4	7.500	09/01/20	1,826,498.30
Carter Court Apts KY 221D4	7.500	09/01/20	1,205,158.25
Congregational Home Kan 231	5.250	07/01/04	859,217.44
Coolavin Apts KY 221D4	7.500	04/01/22	2,966,522.21
Denver Ed Sr Citizns 231	5.250	11/01/03	472,432.11
Dixie Apts KY 221D4	7.500	05/01/18	1,035,748.03
Ephraim McDowell Hosp KY	9.000	01/01/01	1,582,700.86
Ferndale Apts KY 221D4	7.500	08/01/23	3,520,997.95
Gainesway Village KY 221D4	7.500	02/01/19	1,498,147.31
Glenbrook Park KY 221D4	7.500	12/01/21	2,321,998.73

OTHER FIXED INCOME INVESTMENTS (CONTINUED)

SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL	BALANCE
PROJECT MORTGAGES				
(FHA & GNMA) CONT.:				
Grand Central Apts KY 221D4	7.500	03/01/25	\$	2,191,884.98
Grandview Apts KY	8.875	08/01/29		1,327,499.28
Greater Corbin Mnr KY 221D4	7.500	03/01/21		3,294,575.92
Hallmark Plaza KY 223F	8.500	06/01/11		977,538.52
Huntington Apts KY 223F	7.500	08/01/28		2,409,581.99
Jackson Valley Apts KY 221D4	7.500	08/01/20		1,831,964.76
Jamestown Manor Ltd KY 221D4	7.500	02/01/22		1,451,599.70
Lakeview Estates KY 221D4	7.500	01/01/20		1,033,582.17
Lebanon Apts KY 221D4	7.500	02/01/20		1,110,302.73
Lighthouse Sq Apts KY 223F	8.625	01/01/27		4,694,181.82
Lin Meadows Homes KY 221D4	7.500	11/01/22		254,769.02
Locust Ridge KY 221D4	7.500	10/10/21		1,777,662.58
Longmont Christian Hsg 231	5.250	03/01/03		285,364.00
Madison Ave Apts KY 221D4	7.500	09/01/20		1,805,888.29
Manchester Heights Apts KY 221D4	7.500	06/01/19		1,130,051.93
Middletown Apts KY 221D4	7.500	02/01/18		957,700.25
Montgomery Square Apts KY 221D4	7.500	05/01/19		1,129,177.49
Mountain Manor KY 232	8.950	12/01/35		2,002,750.02
Mt Lebanon Cedars KY 221D3	7.500	03/01/23		2,497,345.30
Oak Tree Villa Apts KY 221D4	7.500	05/01/23		3,295,912.31
Panorama West KY 236	8.500	12/01/12		397,238.41
Pine Ridge Apts KY 221D4	7.500	09/01/18		760,809.30
Pinecreek Apts KY 221D4	7.500	10/01/17		521,683.67
Regency Park Apts KY 221D4	7.500	05/01/18		881,825.09
Regency Park BG KY 221D4	7.500	02/01/23		3,490,752.66
Ridgeway Apts KY 221D4	7.500	02/01/19		962,563.72
Rucker Village Apts KY 221D4	7.500	03/01/20		1,008,834.75
Salem Village I 232 Ill	7.750	03/01/16		907,977.69
Salem Village II 231 Ill	7.750	10/01/16		3,119,605.74
Sandefur Manor KY 221D4	7.500	01/01/20		876,330.20
Shepherdsville VLG KY 221D4	7.500	05/01/20		1,269,570.05
Shively Apts KY 221D4	7.500	10/01/21		2,269,036.50
Southside Manor KY 221D4	7.500	02/01/19		1,308,285.80
Southwind Apts KY 223F	8.750	03/15/35		2,259,747.87
Town Branch Apts KY 221D4	7.500	11/01/23		714,523.80
Tree Top Apts KY 221D4	7.500	11/01/20		1,057,649.92
Vernon Manor Ltd KY 221D4	7.500	11/01/22		856,702.06
Village Square Apts KY 223F	9.000	12/01/29		1,742,192.72
Walnut Hill Apts KY 221D4	7.500	05/01/19		1,517,542.54
Wessington House Apts TN 221D4	7.500	02/01/22		1,749,251.24
Westchester Circle KY 221D4	7.500	04/01/19		3,896,122.41
Westwood Apts KY 221D4	7.500	10/01/23		1,142,158.57
Wilderness Trail Mnr KY 221D4	7.500	03/01/23		5,390,597.64
Wildwood Apts KY 221D4	7.500	08/01/20		1,754,249.00
Willow Creek Apts KY 221D4	7.500	08/01/23		1,319,349.88
Woodsview Apts KY 221D4	7.500	01/01/19		1,315,242.02
Yorktown Apts KY 223F	7.500	06/01/28		5,773,123.81
Total Project Mortgages (FHA & GNMA)			\$	114,590,278.35

OTHER FIXED INCOME INVESTMENTS (CONTINUED)

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SECURITY	COUPON	MATURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>STATE AND LOCAL GOVERNMENT ISSUES:</u>			
Ky Infrastructure Auth Bonds 1995-K	8.400	06/01/00	\$ 1,205,000.00
Total State and Local Government Issues			\$ 1,205,000.00
Total Other Fixed Income Investments			\$ 118,547,319.58
TOTAL FIXED INCOME INVESTMENTS			\$ 3,903,243,668.95

REAL ESTATE EQUITY

SECURITY	PAR VALUE OR REMAINING PRINCIPAL BALANCE
<u>REAL ESTATE EQUITY:</u>	
FIA Profile Fund I - 1500 Units	\$ 10,802,182.15
K Mart Store Terre Haute IN	12,509,615.00
K Mart Store Winchester KY	2,715,512.53
K Mart Store Cold Springs KY	6,415,000.00
Kroger Revco Bowling Green KY	2,792,467.00
Kroger Store Georgetown KY	2,186,000.00
Kroger Store Richmond KY	2,305,000.00
Kroger Super-X Owensboro KY	2,232,400.00
Lowe's Store Lafayette IN	7,600,000.00
Lowe's Store Pikeville KY	5,530,000.00
Mercantile Warehouse L'ville KY	7,730,000.00
Office Building 477	1,351,426.76
Rite Aid Horse Cave KY	370,000.00
Rite Aid Liberty KY	397,700.00
Sam's Warehouse Paducah KY	3,600,000.00
Wal-Mart Store Hardinsburg KY	965,000.00
Wal-Mart Store Paris KY	1,200,000.00
Wal-Mart Store Princeton KY	2,913,682.00
Wal-Mart Store Shelbyville KY	1,600,000.00
Wal-Mart Store Williamstown KY	1,090,000.00
Walgreen's Store Clarksville IN	3,403,460.00
Walgreen's Store Knoxville TN	1,954,945.00
Walgreen's Store Nashville TN	2,588,000.00
Winn Dixie Leitchfield KY#1617	2,145,833.00
Winn Dixie Lexington KY#1614	3,639,167.00
Winn Dixie Lexington KY#1632	3,407,000.00
Winn Dixie Somerset KY#1602	3,090,479.00
Winn Dixie St Matthews KY#1659	4,348,437.00
Winn Dixie Bullitt County KY#1669	3,013,000.00
TOTAL REAL ESTATE EQUITY	\$ 103,896,306.44

COMMON STOCKS

STOCK	NUMBER OF SHARES		COST
AMP Inc	242,000.00	\$	6,396,897.50
AST Research	116,000.00		1,562,879.60
AT&T Corp	500,000.00		26,285,370.00
Abbott Laboratories	906,000.00		21,526,334.86
Aetna Life & Casualty Co	41,200.00		2,562,022.00
Air & Water Technologies	95,600.00		1,912,448.50
Air Products & Chemicals	400,000.00		15,733,093.37
Allergan Inc	219,600.00		4,786,262.28
Aluminum Co of America	220,000.00		7,046,950.00
Alza Corp	152,800.00		3,702,466.50
Amerada Hess	100,000.00		4,951,062.50
American General Corp	350,000.00		6,761,037.50
American Home Products	310,000.00		18,381,258.33
American International Group	105,000.00		7,672,175.00
American Mobil Satellite	34,000.00		638,125.00
Ameritech Corp	300,000.00		11,938,141.85
Amoco Corp	418,000.00		21,298,871.73
Aon Corp	272,650.00		8,131,058.90
Atlantic Richfield Co	200,000.00		23,507,816.79
Automatic Data Processing	311,600.00		14,594,909.95
Ball Corp	41,900.00		1,211,103.29
Banc One	336,312.00		11,501,342.50
Bancorp Hawaii Inc	121,500.00		3,485,152.00
Bard (CR) Inc	135,600.00		3,629,034.86
Baxter International Inc	120,000.00		4,152,891.18
Beckman Instruments	86,700.00		1,672,928.88
Bell Atlantic Corp	240,000.00		10,679,496.80
Beverly Enterprises	210,000.00		2,991,326.00
Biogen Inc	24,800.00		738,553.58
Birmingham Steel	85,000.00		1,965,169.00
Boeing Co	310,000.00		12,972,991.62
Bristol-Myers Squibb	372,000.00		22,453,873.68
Browning-Ferris Ind	280,000.00		6,476,062.50
Burlington Northern	197,500.00		9,429,030.46
CMS Energy Corporation	207,500.00		4,177,372.97
CPC International	130,000.00		6,955,886.55
Campbell Soup	66,800.00		2,620,718.46
Capital Cities/ABC	70,000.00		3,059,374.63
Caremark Intl	331,250.00		5,211,662.50
Centerior Energy	157,700.00		1,724,065.13
Central & South West	416,000.00		8,188,743.33
Chrysler Corp	170,000.00		8,111,376.00
Chubb Corp	196,900.00		16,272,188.90
Cigna Corp	159,000.00		10,177,440.00
Cisco Systems	250,000.00		7,497,500.00
Citicorp	366,900.00		7,927,829.37
Coca Cola Co	565,000.00		27,803,546.50
Coca Cola Enterprises	337,300.00		5,020,632.22
Comerica Inc	59,000.00		1,801,817.50
Computer Sciences Corp	29,300.00		947,366.39
Consolidated Edison Co NY	176,000.00		3,848,710.86
Consolidated Natural Gas	155,000.00		7,679,575.00
Cooper Industries	253,400.00		11,714,666.50

COMMON STOCKS (CONTINUED)

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STOCK	NUMBER OF SHARES	COST
Corestates Financial Corp	250,000.00	\$ 5,141,250.00
Darden Restaurants Inc	350,000.00	3,958,406.51
Deluxe Corp	250,000.00	8,475,575.00
Dillard Dept Stores	558,000.00	18,196,801.40
Disney Walt Co	200,000.00	9,074,560.00
Dover Corp	155,000.00	4,627,632.49
Dow Chemical Co	520,000.00	30,739,701.30
Dresser Industries	150,000.00	3,274,300.00
DuPont (EI) De Nemours	65,000.00	2,989,583.06
Dun & Bradstreet Corp	265,000.00	15,277,624.65
E G & G Inc	350,000.00	6,536,375.00
Eastman Kodak	90,000.00	3,876,400.00
Emerson Electric	414,000.00	21,226,510.73
Englehard Corp	175,000.00	4,457,676.56
Entergy Corp	240,174.00	5,412,338.24
Exxon Corp	575,000.00	32,422,493.48
FHP International Corp	57,900.00	989,497.32
Federal National Mortgage	60,000.00	4,753,600.00
Federal Realty	250,000.00	5,264,274.65
Federated Dept Stores Inc	154,000.00	3,290,732.04
First Data Corp	180,000.00	6,224,985.00
First Financial Management	118,400.00	6,454,879.08
First Virginia Bank	165,000.00	5,982,225.22
Ford Motor Co Del	525,000.00	13,305,949.87
Forest Labs Inc	117,200.00	4,984,754.04
Gannett Co	427,000.00	22,602,351.00
General Electric Co	730,000.00	29,250,701.13
General Instruments	220,000.00	6,248,110.00
General Mills	350,000.00	17,992,756.88
General Re Corp	207,000.00	23,228,496.00
Genuine Parts	227,600.00	7,119,174.26
Genzyme Corp General Division	29,200.00	994,013.12
Gillette Corp	160,000.00	4,441,609.09
Goodyear Tire & Rubber	152,500.00	6,118,269.50
Harnischfeger Industries	29,900.00	600,059.67
Heinz (II) Co	250,000.00	9,512,550.00
Hewlett Packard Co	500,000.00	23,800,625.45
Hillenbrand Industries	134,900.00	4,166,403.16
Honeywell	381,100.00	13,245,530.74
Humana Inc	70,000.00	1,293,600.00
IBM	214,000.00	16,899,428.50
Illinois Tool Works	81,700.00	3,106,339.50
Illinova Corp	118,500.00	2,328,018.10
Inland Steel Ind Inc	128,800.00	4,504,993.30
Intel Corp	796,000.00	24,286,995.71
International Paper	220,000.00	15,262,125.50
Interpublic Group	88,300.00	2,853,573.67
Jefferson-Pilot	189,000.00	10,086,612.94
Johnson & Johnson	342,000.00	14,897,962.40
K Mart Corp	530,000.00	11,744,737.50
Kellogg Co	180,000.00	8,042,958.93
Kimberly-Clark Corp	289,500.00	14,646,188.81
Kroger Co	126,000.00	2,422,935.00

COMMON STOCKS (CONTINUED)

STOCK	NUMBER OF SHARES		COST
LG&E Energy Corp	172,500.00	\$	4,649,957.91
Lilly (Eli) & Co	143,000.00		9,309,273.19
Limited Inc	270,000.00		7,053,375.00
Liz Claiborne Inc	100,000.00		2,021,211.00
Lockheed Martin	272,100.00		11,114,237.94
Loctite Corp	80,000.00		3,026,444.00
Lyondell Petrochemical	210,500.00		5,141,610.19
MBNA Corp	640,000.00		12,867,900.00
MCI Communications	100,000.00		2,284,370.00
Magna Group Inc	40,000.00		853,750.00
Mallinckrodt Group Inc	130,000.00		4,004,383.04
Manor Care Inc	106,200.00		1,924,239.63
Marsh & McLennan Inc	314,800.00		23,853,621.72
Masco Corp	140,000.00		4,250,262.50
May Dept Stores Co	110,000.00		3,532,412.50
McDonalds Corp	960,000.00		21,923,571.66
Meditrust	240,000.00		7,236,024.50
Medtronic Inc	30,000.00		925,275.00
Melville Corp	464,400.00		17,797,080.86
Merek & Co	736,000.00		26,470,184.51
Microsoft Corp	155,000.00		6,317,560.11
Minnesota Mining & Manufacturing	582,000.00		27,685,736.76
Molex Inc	56,250.00		1,403,100.00
Morgan (JP) & Co	305,000.00		20,067,862.00
Motorola Inc	50,000.00		2,321,450.00
Multimedia Inc	85,000.00		3,045,390.63
NBD Bancorp Inc	275,000.00		8,539,746.04
Nalco Chemical	300,000.00		10,479,562.50
National Semiconductor	177,000.00		3,451,545.00
Nextel Communications	119,900.00		2,464,581.23
Norfolk Southern	101,000.00		2,916,712.50
Novell	180,000.00		4,046,850.00
Occidental Petroleum	355,000.00		6,532,105.26
Old Republic Intl Corp	81,400.00		2,048,256.04
Owens-Illinois	245,000.00		2,749,549.00
PIHH Inc	170,000.00		4,986,875.00
Penney (JC)	80,000.00		4,409,550.00
Pentair Inc	44,250.00		1,137,025.00
Pepsico Inc	340,000.00		12,576,400.00
Pfizer Inc	288,400.00		18,183,142.35
Philip Morris Cos Inc	626,200.00		38,336,920.39
Policy Management Systems Corp	28,000.00		1,560,055.00
Praxair Inc	300,000.00		6,558,050.50
Procter & Gamble	315,000.00		17,896,987.50
Providian Corp	160,000.00		3,477,749.92
RJR Nabisco	212,400.00		6,734,932.09
Raychem Corp	69,700.00		2,362,319.50
Raytheon Co	170,000.00		6,109,281.25
Regions Financial Corp	160,000.00		5,834,686.50
Republic N Y Corp	160,000.00		7,007,987.50
Royal Dutch Petroleum	301,000.00		33,431,753.92
Safeco Corp	160,000.00		6,066,437.50
Sara Lee Corp	200,000.00		4,317,909.09

COMMON STOCKS (CONTINUED)

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STOCK	NUMBER OF SHARES		COST
Schering-Plough Corp	333,600.00	\$	10,061,726.97
Schlumberger Ltd	70,000.00		4,171,748.00
Seagate Technology	164,500.00		3,859,323.00
Shaw Industries	691,600.00		10,728,330.89
Snap-on Inc	140,000.00		4,446,870.31
Sprint Corp	322,500.00		9,509,030.80
Stone Container	101,800.00		1,514,551.39
Super Valu Stores	280,000.00		7,340,850.00
Sysco Corp	120,000.00		2,701,287.50
TJX Cos Inc	188,700.00		3,601,739.96
Temple-Inland	100,000.00		4,691,963.63
Tenneco Inc	138,800.00		5,888,447.20
Texaco Inc	225,000.00		13,105,725.00
Texas Utilities Co	277,000.00		8,622,363.03
Textron Inc	110,000.00		2,829,721.05
Thomas & Betts	76,000.00		5,198,085.00
Timken Co	89,300.00		3,132,773.83
Tosco Corp	36,000.00		1,267,711.20
Toys 'R' Us	100,000.00		3,436,710.00
Transamerica Corp	126,200.00		5,751,137.12
U S Bancorp Ore	68,600.00		1,870,979.18
U S Healthcare Inc	325,000.00		12,368,750.00
U S West Inc	150,000.00		4,460,193.75
USF&G Corp	204,000.00		3,147,086.66
UST Inc	370,000.00		11,210,225.00
Ultramar Corp	64,500.00		1,728,620.00
Unicom Corp	352,093.00		9,263,171.79
Unilever N V	86,000.00		10,002,825.40
Union Pacific Corp	325,000.00		14,583,975.00
United Healthcare Corp	120,000.00		5,361,574.00
United Technologies Corp	303,000.00		16,248,542.25
Unocal Corp	150,000.00		4,258,740.00
V F Corp	196,187.00		6,180,253.03
Viacom Inc Class B	100,000.00		4,186,000.00
Vulcan Materials Co	185,000.00		8,124,087.50
WMX Technologies	790,000.00		23,861,062.50
Wachovia Corp	926,252.00		28,119,529.49
Wal-Mart Stores	943,000.00		22,783,451.38
Walgreen	131,800.00		5,651,903.04
Washington Post Cl B	25,000.00		5,926,332.08
Wellman Inc	20,700.00		483,149.06
Westvaco Corp	49,300.00		1,734,765.71
Whirlpool Corp	200,000.00		8,478,326.84
York International Corp	100,000.00		3,631,000.00
Total Common Stocks	47,348,918.00	\$	1,752,945,751.59
Preferred Stocks	617,000.00	\$	4,118,475.00
S&P 500 Stock Index	16,190,698.00	\$	550,911,437.25

COMMON STOCKS (CONTINUED)

STOCK	NUMBER OF SHARES	COST
TOTAL STOCKS	64,156,616.00	\$ 2,307,975,663.84
TOTAL EQUITY		\$ 2,411,871,970.28
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TOTAL INVESTMENTS		\$ 6,315,115,639.23