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

1983 ANNUAL FINANCIAL REPORT

DEPOSITORY

APR 11 1984

**UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN**

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T A B L E O F C O N T E N T S

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TEACHERS' RETIREMENT SYSTEM

2815 West Washington Street
Springfield, Illinois 62708

477 East Butterfield Road
Lombard, Illinois 60148



fiscal year 1983 was a year of financial challenge for the Teachers' Retirement System. Recent legislative appropriations at below benefit payment levels resulted in the reduced accumulation of investment income, while payments have continued to increase.



FUNDING

Contributions from the State of Illinois continue to be a critical issue for the System following the third consecutive year of appropriations below benefit payout levels in a prolonged trend of underfunding. In 1982, the \$155.0 million employer contribution from the State was only 65 percent of benefits paid that year. Further funding deficiencies followed in 1983 with State appropriations of \$144.4 million representing only 55 percent of payout. For 1984, the anticipated appropriation level of \$187 million is only 67 percent of payout. The actuarial employer cost of benefits accruing for 1983 was 7.325 percent of payroll or \$164 million. Interest accruing on unfunded accrued benefit cost was \$203 million at June 30, 1983, resulting in a total employer cost for the year of \$367 million. The deficit in employer contributions based on the actuarial requirement resulted in an increase in the unfunded obligation of the System by \$212 million. If reduced funding levels continue, the unfunded accrued benefit cost will dramatically increase from the current \$3.3 billion.

Historically, the System has not been funded on a sound actuarial basis as required by Illinois law. Until 1982, the payout funding method was used to establish the State's contribution. Under this method, appropriations were based on the amount of benefits to be paid by the System during the year. Although this funding mechanism is not actuarially recommended because it relates to cash outflow instead of accrued liabilities, the System's funding level substantially improved from 1971. Using the payout funding method, the member contributions and investment income could accumulate to pay future benefits,

while the State appropriates current benefits. The System continues to seek the most sound State funding plan for a stable retirement system for teachers.

INVESTMENT

Passage of the "prudent rule" in 1982 eliminated investment restrictions. Legislation allowed further diversification of investments, reducing portfolio risk and increasing the System's ability to achieve investment goals.

To diversify management and improve investment returns, the System also changed its investment manager team to include six fixed income managers and six fixed equity managers for the fund and Savings Bank of Chicago. A committee was selected to serve as a trustee for the fund, streamlining administrative, accounting, and reporting processes of investment management.

Investments totaled \$3.3 billion book value and \$3.5 billion market value on June 30, 1983, up from \$3.1 billion for book value and \$2.6 billion for market value on June 30, 1982. Investment income for the year was \$295.3 million.

In an effort to increase returns, changes were made in the investment composition with an increase in equities of \$163.9 million resulting in a 50 percent equity portfolio for the year. The fund's net worth, however, appreciated \$163.9 million over the same period. Bonds and stocks constituted 30 percent total fund assets. During 1983, representation of conservative risk-advantaged assets in the allocation of the fund

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BENEFITS

The comprehensive defined benefit plan provides age retirement annuities, post-retirement increases, survivor benefits, disability benefits, and annuitant health insurance for elementary and secondary education professionals in the State of Illinois.

Benefit payments increased by \$24 million to over \$262 million, while beneficiaries increased by 1,384 to 37,505. Of the almost 2,000 members who retired in 1983, the median monthly benefit was \$871.37, up 12 percent from 1982's median benefit of \$775.83. The median salary for those members who retired last year was \$21,874, a 10 percent increase from \$19,844 the year before.

Post-retirement increase payments to retired members totaled \$49.9 million for the year. Currently retirees receive a three percent annual increase in the initial age retirement allowance. While there was no legislation to provide ad hoc post-retirement increases during the 1983 legislative session, the minimum monthly retirement benefit was increased by 50 percent to \$15 per month per year of creditable service effective January 1, 1984, up to a maximum of \$450 per month. The System continues to recognize the devastating effect of inflation on the value of benefits.

The median benefit paid to 2,908 survivors of members or retired members was \$247.50 for those who opted for a monthly benefit payment. Lump sum payments of the members' accumulated contributions and survivor benefits were paid to 453 survivors.

Disability benefits were paid at June 30 to 920 members, representing approximately 9 claims per 1,000 members. Of the 388 new claims during the year, 27 percent were for maternity-related disabilities.

Cancer and mental disability claims represented 12.5 percent of the total, followed by heart-related disabilities at approximately 10 percent and back-related problems

also at 10 percent. The majority of disability benefits other than maternity claims were paid to members aged 50 to 54. The median temporary disability benefit paid during 1983 was \$706.80. Disabled members who had received temporary benefits for the maximum period allowed were transferred to permanent disability benefits. The median monthly permanent disability benefit during 1983 was \$362.88.

The System's health and drug prescription program increased by 2,742 members in 1983. Since initiation in 1981, the partially-subsidized voluntary program has grown to cover over 7,500 annuitants and beneficiaries.

MEMBER SERVICES

Active members contributed \$189.3 million to the System during 1983. Effective July 1, 1983, all member contributions are tax sheltered, thus reducing members' current income tax liability.

As a clear understanding of the retirement plan is essential to financial planning by members, effective member communication is a continuing System priority. During 1983, over 5,600 members were counseled through individual conferences concerning retirement options and service record. Over 11,500 members attended the 161 group meetings held throughout the State. Periodic newsletters produced by the System also provide additional information to members concerning benefits.

Another valuable member communication is the member's annual statement of account, mailed early each year. The member's statement of account has been redesigned for 1984, with more member information made possible through an expanded computer system. The new statement will go beyond previous statements to include a 10-year earnings and contribution history, previous and current year service credit, refundable contributions upon voluntary withdrawal and death, plus information on nominated beneficiaries, out-of-system service, and credit

terminated through refunds. Statements issued in 1985 will also include an estimate of vested benefits.

LEGISLATION

The 1983 session of the Illinois General Assembly saw the enactment of a number of legislative changes benefiting members. With passage of House Bill 564, members can apply up to 170 days of unused sick leave toward retirement, an increase from the 85 days allowed in the past. Public Act 83-412 bases the member's contributions under the early retirement option on the lesser of two factors: years of age under 60 or years of credit under 35. Formerly this payment was based only on years of age.

New laws which will aid retired members include the increased minimum benefit described earlier. In addition, benefits for survivors of retired members with 10 or more years of service were increased to minimum of 200 per month.

This comprehensive financial report will be distributed to all public school buildings, and a summary will appear in the System's newsletters.

Samuel W. Anderson
Executive Director
October 21, 1983

*1983 Legislative Session**Survivor benefits*

The minimum lump sum settlement was raised from \$1,000 or 1/6 of the salary to \$3,000, 1/6 of the annual salary, or return of actual contributions for survivor benefits, whichever is greater. (PA 83-873)

A handicapped child may now receive monthly survivor benefits beyond age 18. Under previous law, these benefits stopped at that age. (PA 83-836)

Beneficiaries of teachers who died on or before December 31, 1983 and had at least 10 years of service now receive a minimum monthly survivor benefit of \$200, rather than the \$30 per month or 80 percent of member's age retirement allowance that they received under the old law. (PA 83-607)

Disability benefits

A member with service on or after June 30, 1977 may file a claim for temporary disability benefits regardless of the nature of disability. In the past, this deadline date was July 1, 1979. (PA 83-798)

Retirement benefits

A member electing to retire under the early retirement option will have the member's contribution based on the lesser of two variables: each year under age 60, or each year of creditable service under 35 years. In the past, this contribution was based solely on age. (PA 83-412)

A member may accumulate and apply a full year of sick leave credit, 170 days, toward retirement. In the past this was limited to 85 days. (HB564)

Military service may be used for credit if it was preceded by teaching service under either TRS or the Chicago Teachers' Retirement Fund. Before this, military credit was only acceptable when preceded by TRS service. (PA 83-803)

Post-retirement increases
 The minimum monthly benefit was raised this year to \$15 per month for each year of creditable service to a maximum of \$450 per month for 30 or more years of service. The old law set the minimum benefit at \$10 per month for each year of service to a \$300 maximum. (PA 83-292)

Health insurance
 TRS benefit recipients may now enroll a handicapped child or a full-time student in the TRS Health and Prescription Drug Plan past the age of 18. Previously, this was the cut-off age for the plan. (PA 83-81)

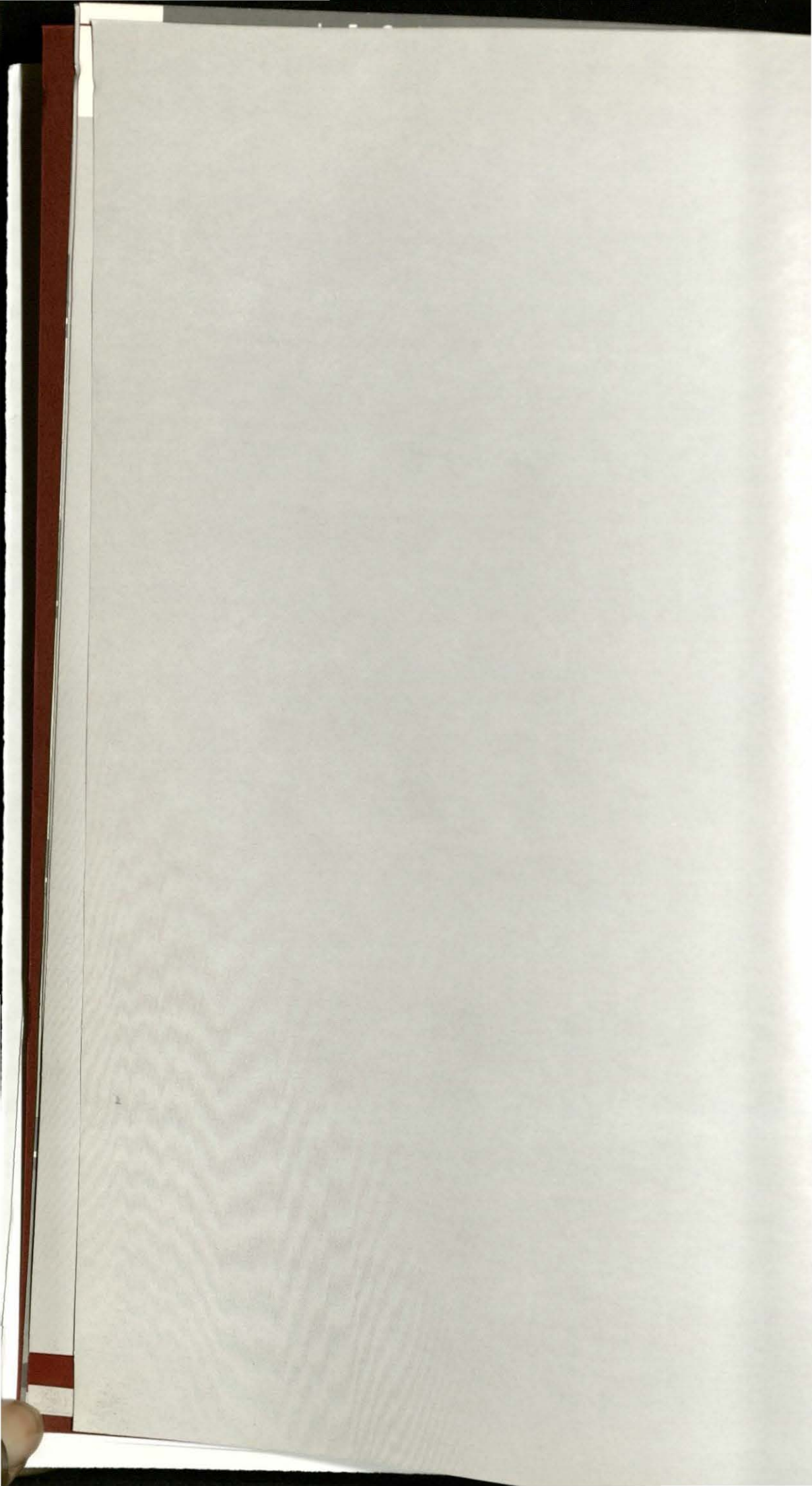
FINANCIAL STATEMENTS

Auditors' Report

Statements of Financial Position

Statements of Revenue and Expenses and Changes in Net Assets

Notes to Financial Statements



Ernst & Whinney

Honorable Robert G. Cronson
Auditor General
State of Illinois

Board of Trustees
Teachers' Retirement System
of the State of Illinois

We have examined the statements of financial position Retirement System of the State of Illinois as of June 30, and the related statements of revenue and expense and net assets for the years then ended. Our examinations in accordance with generally accepted auditing standards accordingly, included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Teachers' Retirement System of Illinois at June 30, 1983 and 1982, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst

Springfield, Illinois
October 21, 1983

**STATEMENTS OF FINANCIAL POSITION
TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF ILLINOIS**

	1983
ASSETS	
Cash	\$ 293,475
Receivables:	
Contributions from School Districts:	
Salary deductions	7,798,784
Federal and trust funds	3,037,547
Contributions from State of Illinois	441,106
Members accounts	19,443,894
Accrued interest and dividends	47,748,874
	78,470,205
Investments—Note C	3,328,679,849
Property and equipment—Note D	4,226,808
	3,411,670,337
LIABILITIES	
Payables:	
Investments purchased	—
Benefits	626,801
Refunds	1,067,077
Other	363,903
	2,057,781
NET ASSETS	\$3,409,612,556
Actuarially-determined accrued benefit cost—Note E	\$6,689,711,000
Net assets	3,409,612,556
Unfunded accrued benefit cost—representing an obligation of the State of Illinois	\$3,280,098,444

See notes to financial statements.

**STATEMENTS OF REVENUE AND EXPENSE
AND CHANGES IN NET ASSETS
TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF ILLINOIS**

June 30

1982		Year 1983
5,352	REVENUE	
	Contributions:	
7,716	Members	\$ 189,339,841
2,697	State of Illinois	144,437,110
12,100	School Districts:	
18,393	Early retirement option	7,874,638
58,218	Federal and trust funds	9,129,398
99,126		<u>350,780,987</u>
	Total contributions	
	Investment income:	
3,115,382	Interest	266,938,440
	Dividends	31,174,652
4,481	Other	1,017,820
		<u>299,130,912</u>
3,224,343	Less investment expenses	3,820,231
	Total investment income	<u>295,310,681</u>
	Loss on sale of investments	(163,881,104)
	Total revenue	<u>482,210,564</u>
7,573		
452		
602	EXPENSE	
505	Benefits:	
9,134	Age retirement	193,245,385
	Post-retirement	49,862,589
3,215,209	Survivor	13,118,925
	Disability	4,609,262
	Health insurance	1,502,779
		<u>262,338,940</u>
6,109,070	Refunds	22,801,368
3,215,209	Administrative expenses—Note F	2,666,864
	Total expense	<u>287,807,172</u>
2,893,861	Revenue in Excess Of Expense	194,403,392
	Net assets at beginning of year	<u>3,215,209,164</u>
	Net Assets at End of Year	<u>\$3,409,612,556</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS
TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF ILLINOIS**

June 30, 1983

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial transactions of Teachers' Retirement System of the State of Illinois are recorded on the accrual basis.

Investments: Investments are valued on the basis of cost. Gain or loss on the sale of investments is determined based on average cost for stocks and identified amortized cost or, commencing in 1983, identified cost (see Note C) for debt securities.

Property and Equipment: Property and equipment are stated on the basis of cost. Provisions for depreciation are computed by the straight-line method based upon the estimated useful lives of the assets.

NOTE B—DESCRIPTION OF THE RETIREMENT SYSTEM

The System is governed by Article 16 of the Illinois Pension Code and benefits under the System are defined in the Code. All full-time teachers and teachers employed less than full-time on a permanent and continuous basis in the public common schools of Illinois (outside of Chicago) are members of the System.

Members are required to contribute specified percentages of their salaries for retirement benefits, post-retirement increases and survivor benefits. The State of Illinois is obligated by statute to contribute, through annual appropriations, the funds not otherwise provided which are necessary to meet the cost of maintaining the System. There are no statutory provisions for termination of the System.

The above brief description of the System is provided for general information purposes only. Members should refer to the Plan Summary included elsewhere in this report or the Illinois Pension Code for more complete information.

NOTE C—INVESTMENTS

Investments at June 30, 1983 and 1982 are summarized below (Certain 1982 amounts have been reclassified to conform with 1983 classifications):

	Cost or Amortized Cost		Market Value	
	1983	1982	1983	1982
Bonds, corporate notes and preferred stock	\$1,913,926,593	1,920,561,442	1,908,738,428	1,530,992,528
Short term investments	587,379,247	516,796,787	587,423,482	516,641,752
Common stock	<u>827,374,009</u>	<u>678,023,945</u>	<u>1,027,561,629</u>	<u>586,349,986</u>
	<u>\$3,328,679,849</u>	<u>3,115,382,174</u>	<u>3,523,723,539</u>	<u>2,633,984,266</u>

Effective July 1, 1982, the System retained a multiple investment manager team of three equity managers and six fixed income managers to actively manage the investment portfolio. Previously, the services of a single investment advisor had been utilized. This change in investment strategy resulted in a significantly higher portfolio turnover rate in 1983. Therefore, the practice of amortizing premiums and discounts on the cost of debt securities was discontinued as of July 1, 1982. The amortized cost method of valuing debt securities, which assumes that the securities are generally held to maturity, had limited applicability to an actively traded investment portfolio. This change in accounting method had no material effect on revenue in excess of expense for 1983.

Changes in the composition of the investment portfolio during 1983 resulted in realized losses of \$163,881,000; however, unrealized appreciation in market value of investments amounted to \$676,442,000 during the year.

At June 30, 1983, the System had portfolio securities with a market value of \$453,359,000 on loan to brokers under a fully collateralized securities lending arrangement. Net earnings of \$854,756 and \$380,129 from securities lending in 1983 and 1982, respectively, is included in other investment income.

NOTE D—PROPERTY AND EQUIPMENT

Property and equipment and the related allowances for depreciation at June 30, 1983 and 1982 are summarized as follows:

	1983	1982
Land	\$ 108,660	108,660
Land improvements	300,860	300,860
Building	4,007,860	4,007,860
Equipment	1,273,158	1,196,278
Other	2,643	2,643
	5,693,181	5,616,301
Less allowances for depreciation	1,466,373	1,134,359
Net carrying value	\$4,226,808	4,481,942

The System occupies approximately 46% of the Teachers' Retirement System Building. The remaining space is occupied by various tenants under lease arrangements. Net rental income of \$ 129,465 for 1983 and \$ 107,206 for 1982 is included in other investment income.

NOTE E—ACTUARIALLY-DETERMINED ACCRUED BENEFIT COST

Calculations of accrued benefit cost (arising from service credits in periods prior to June 30, 1983 and 1982, respectively) were made by a consulting actuary as of June 30, 1983 and 1982 on the basis of the attained age normal cost method with unit credit past service. The more significant assumptions underlying the actuarial computations were as follows:

Rate of return on investments	7%
Retirement age	Graduated rates by age—55 to 70 years
Rate of turnover	Graduated rates by age—consistent with the System's experience
Mortality basis	UP 1984 Table, set back two years
Earnings progression	Annual salary increases ranging from 8.8% at age 20 to 4.7% at age 60

An experience analysis is required by statute to be performed at least once every four years to determine the adequacy of actuarial assumptions regarding mortality, service and compensation experience. The most recent experience analysis was performed as of July 1, 1981. During the period between experience analyses, the actuary develops annual actuarial estimates, based upon the most recent experience analysis performed, which are used to value the accrued benefit cost.

The total accrued benefit cost, as calculated by the consulting actuary using the above actuarial assumptions, as of June 30, 1983 and 1982 is presented as follows:

	1983	1982
Present value of benefits:		
Participants currently receiving benefits	\$2,564,521,000	2,365,250,264
Active members (net of present value of future normal cost)	3,991,553,000	3,616,220,570
Inactive members	133,637,000	127,600,000
Total accrued benefit cost	\$6,689,711,000	6,109,070,834

NOTE E—ACTUARIALLY-DETERMINED ACCRUED BENEFIT COST —Continued

Although the System is not currently required to and has not adopted the provisions of Statement of Financial Accounting Standards No. 35, "Accounting and Reporting by Defined Benefit Pension Plans," the System's consulting actuary has calculated the actuarial present value of accumulated plan benefits on the method prescribed by that Statement. The actuarial assumptions used in the computations were the same as in the valuation referred to above, except future salary increases were not considered. This information as of June 30, 1983 and 1982 is presented below:

	1983	1982
Vested benefits:		
Participants currently receiving benefits	\$2,564,521,000	2,365,250,000
Other participants	<u>2,583,350,000</u>	<u>2,248,292,000</u>
	5,147,871,000	4,613,542,000
Nonvested benefits	<u>486,985,000</u>	<u>437,444,000</u>
Actuarial present value of accumulated plan benefits	<u>\$5,634,856,000</u>	<u>5,050,986,000</u>

NOTE F—ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended June 30, 1983 and 1982 are summarized below:

	1983	1982
Personal services	\$1,832,440	1,547,899
Professional services	69,478	76,505
Postage	114,665	116,952
Machine repair and rental	98,598	80,081
Other contractual services	141,867	127,890
Commodities	47,552	56,064
Occupancy expense	157,939	172,024
Provision for depreciation of equipment	<u>204,325</u>	<u>196,290</u>
	<u>\$2,666,864</u>	<u>2,373,705</u>

A C T U A R I A L R E P O

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Actuarial Report

*Summary of Actuarial Requirements
and Reconciliation of Unfunded Accrued Benefit Cost*

*Glossary of Actuarial Terms
and Summary of Actuarial Assumptions*

Ten Year Summary of Funding Ratios

*Percentage of Benefits Covered by Net Assets
and Ten Year Summary of Payroll Percentages*

Hansen

September 30, 1983

Board of Trustees
Teachers' Retirement System
of the State of Illinois
2815 West Washington Street
P.O. Box 4057
Springfield, Illinois 62708

Actuarial Estimate as of June 30, 1983

In accordance with the provisions of the Teachers' Retirement of the State of Illinois, we have made an estimate of the actuarial position of the Fund and reserve requirements as of June 30,

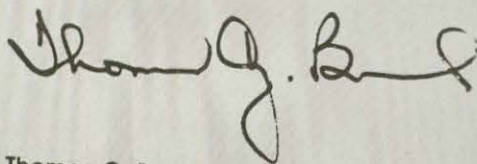
This estimate is based on a census of retired members as of June 30, 1983 and a census of active and inactive members as of June 30, 1982. Net assets used for actuarial purposes are based upon amortized cost values less current liabilities as provided by the Fund office. Plan provisions considered are those in effect June 30,

Actuarial assumptions and methods used are those adopted for June 30, 1982 based on the last experience analysis. The unfunded actuarial liability requirement is that determined as of July 1, 1983, considering the above actuarial assumptions and plan provisions effective on that date.

In our opinion, the reserve requirement of \$6,689,711,000 is a reasonable representation of the actuarial position of the Fund as of June 30, 1983.

Respectfully submitted,

A. S. HANSEN, INC.



Thomas G. Brand
Member, American Academy of Actuaries

SUMMARY OF ACTUARIAL REQUIREMENTS

	1983	June 30
Present value of benefits:		
Participants currently receiving benefits	\$2,564,521,000	2,4
Active members (Net of present value of future normal cost)	3,991,553,000	3,0
Inactive members	<u>133,637,000</u>	
Total Accrued Benefit Cost	6,689,711,000	6,0
Less actuarial value of net assets	<u>3,409,612,556</u>	3,0
Unfunded Accrued Benefit Cost	<u>\$3,280,098,444</u>	2,0

RECONCILIATION OF UNFUNDED ACCRUED BENEFIT COST

	1983	Year Ended June 30
Unfunded accrued benefit cost at beginning of year	\$2,893,861,670	2,4
Additions (deductions):		
Excess of employer cost over contributions	211,953,000 (1)	
Plan amendments	23,858,000 (2)	
Actuarial losses (gains) compared to assumptions:		
Salary increases	141,116,000 (3)	
Investment income	93,634,000 (4)	
Other	(84,324,226) (5)	
Revised actuarial assumptions and method	<u>386,236,774</u>	3,0
Unfunded accrued benefit cost at end of year	<u>\$3,280,098,444</u>	2,0

(1) Consists of a combination of employers' cost (\$367,383,000) and State General Revenue Fund reimbursed post-retirement increases (\$6,011,146), with contributions from the State of Illinois (\$144,437,110) and school district contributions for early retirement options (\$7,874,638) and federal and (\$9,129,398).

(2) Includes extension of early retirement option.

(3) Average salaries increased by 10 percent exceeding the assumption of approximately 6 percent.

(4) Investment returns, including interest, dividends and realized losses were 4.2 percent, which was less than the 7 percent assumption.

(5) Includes terminations and deaths of members in excess of assumption and fewer retirements than anticipated at older ages.

GLOSSARY OF ACTUARIAL TERMS

Actuarial Present Value

The value, as of a specified date, of an amount or series of amounts payable or receivable thereafter, where each amount is: (a) reduced for the effect of intervening events (such as changing compensation levels, changing marital status, etc.), (b) multiplied by the probability of the event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and (c) discounted at an assumed rate of interest.

Accrued Benefit Cost

The actuarial present value of future benefits less the actuarial present value of future normal cost.

Unfunded Accrued Benefit Cost

The amount by which the present value of pension benefits to be paid in the future exceeds the amount in the pension fund and normal contributions. This amount includes the value of all prior service obligations—(a) arising at inception or through subsequent actuarial gains or losses, and (c) resulting from normal service—less the amount in the pension fund.

Actuarial Assumptions

Estimates used concerning the occurrence of future events affecting pension costs such as: death, retirement, withdrawal, disability, compensation and investment rate of return.

Attained Age Actuarial Cost Method

An actuarial cost method is a recognized technique used for establishing the amount and incidence of employer contributions or pension cost under a pension plan. Under this method, normal cost is computed as a level percentage of pay, which if paid from the valuation date (thus, attained age) until retirement or termination, would accumulate with interest at the rate assumed in the plan to pay all benefits under the plan. To determine accrued benefit cost, pro rata portions of the benefits payable at expected age (event) are used in determining the present values. Proration is done on the basis of each participant's actual and expected service.

Normal Cost

The annual cost assigned, under the actuarial cost method in use, to individual periods subsequent to the inception of a pension element representing a portion of the past service cost or interest thereon. Employer's normal cost is the normal cost in excess of the normal cost of the plan.

Interest on Unfunded Accrued Benefit Cost

This interest computation is determined by use of the rate of return assumption applied to the amount of the unfunded accrued benefit cost beginning of the fiscal year.

Employer's Cost

The sum of the employer's normal cost and interest on unfunded accrued benefit cost.

Actuarial Gains or Losses

Actuarial gains or losses occur when the experience for a period differs from the projections made based on actuarial assumptions.

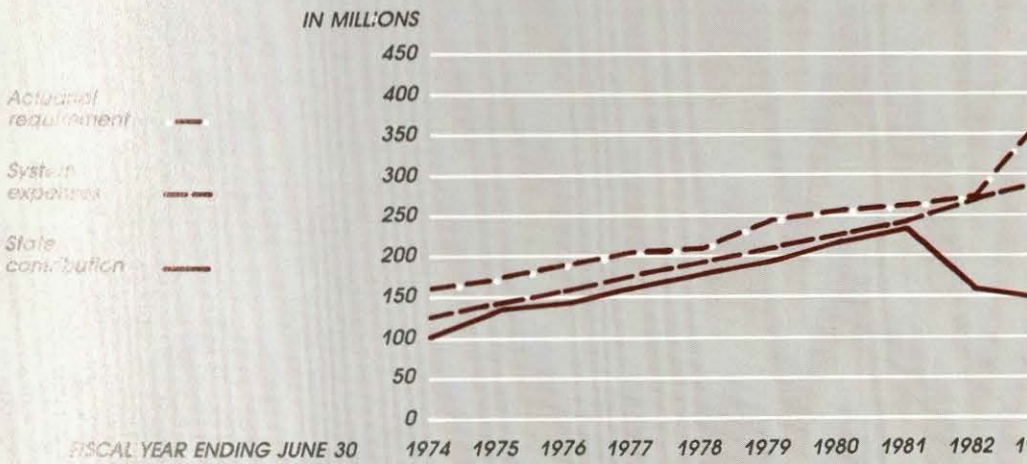
SUMMARY OF ACTUARIAL ASSUMPTIONS

• Investment return	- 7%	
• Retirement age	- Graduated rates for active members. Inactive members are assumed to retire at age 62. Sample annual rates of retirements per 1,000 participants for active members are as follows:	Age
		55
		60
		65
		70
• Mortality:		
Active participants and nondisabled pensioners	- UP 1984 Table, set back two years.	
Disabled pensioners	- Pension Benefit Guaranty Corporation Rates.	
• Disability	- Sample annual rates per 1,000 participants are as follows:	Age
		20
		30
		40
		50
• Separation	- Graduated rates based on age and sex variations.	
• Earnings progression	- Merit and longevity increases. Approximates 6% per year to earliest date of retirement eligibility. Sample annual percentage increases are as follows:	Age
		20
		30
		40
		50
• Marital status	- Males: 85%; Females: 60%.	60
• Actuarial method	- Attained age normal cost method with unit credit past service.	

TEN YEAR SUMMARY OF FUNDING RATIOS

As of June 30	Net Assets at Cost	Net Assets at Market	Actuarial Funding Requirements
1974	\$1,086,281,325	947,032,702	2,790,636,472
1975	1,260,547,327	1,140,233,842	3,010,690,937
1976	1,448,294,814	1,395,658,888	3,328,977,780
1977	1,654,558,861	1,596,530,412	3,706,902,237
1978	1,896,887,470	1,744,150,335	3,989,247,264
1979	2,171,628,193	2,010,050,278	4,560,538,584
1980	2,497,313,656	2,277,398,436	4,957,477,232
1981	2,895,688,019	2,492,964,748	5,390,421,114
1982	3,215,209,164	2,733,811,255	6,109,070,834
1983	3,409,612,556	3,604,656,246	6,689,711,000

TEN YEAR SUMMARY OF ANNUAL FUNDING



TEN YEAR SUMMARY OF FUNDING RATIOS



adjusted for the probability of the occurrence of the interest rate.

present value of future payments, (b) result of changes in

accounting charges for each participant's age valuation to a fund sufficient of retirement (or other

plan, exclusive of any members' contributions.

benefit cost at the

Male	Female
83.0	100.0
269.0	250.0
750.0	715.0
1,000.0	1,000.0

Male	Female
.35	.70
.42	.84
.58	1.15
1.20	2.40

Male	Female
8.8%	8.8
6.8	6.8
6.3	6.3
5.5	5.3
4.8	4.7

PERCENTAGE OF BENEFITS COVERED BY NET ASSETS

A test of the financial soundness of a retirement system is its ability to pay promised benefits when due. In the table below, column 1 represents the value of members' accumulated contributions. Column 2 represents the amount necessary to pay participants currently receiving benefits. Column 3 represents the employer's portion of future benefits for active members. The columns are arranged in order of priority; that is, member contributions would be covered first then current benefit recipients, and finally, the employer portion of the active member benefits.

(In Millions of Dollars)

Year Ended June 30	(1) Members Accumulated Contributions	(2) Participants Currently Receiving Benefits	(3) Active Members, Employer Portion	Net Assets	Percentage of Benefits Covered by Net Assets	
					1	2
1974	\$ 614	1,147	1,029	1,086	100	41
1975	692	1,264	1,054	1,261	100	45
1976	776	1,435	1,117	1,448	100	47
1977	858	1,566	1,283	1,655	100	51
1978	955	1,697	1,338	1,897	100	56
1979	1,060	1,893	1,607	2,172	100	59
1980	1,173	2,011	1,774	2,497	100	66
1981	1,298	2,207	1,885	2,896	100	72
1982	1,448	2,365	2,296	3,215	100	75
1983	1,608	2,565	2,518	3,410	100	70

TEN YEAR SUMMARY OF PAYROLL PERCENTAGES

Another test of the financial soundness of the retirement system is the cost of retirement benefits as a percentage of active member payroll. The table below compares member payroll to the System's unfunded accrued benefit cost of employer's cost.

(In Millions of Dollars)

Year Ended June 30	(1) Member Payroll	Unfunded Accrued Benefit Cost		(4) Employer's Normal Cost	Employer's Cost		(7) Percentage of Payroll
		(2) Amount	(3) Percent of Payroll		(5) Interest On Unfunded Accrued Benefit Cost	(6) Total	
1974	\$1,249	1,704	136.5%				
1975	1,387	1,750	126.2	69	89	158	12
1976	1,490	1,881	126.3	77	93	170	12
1977	1,534	2,052	133.8	88	99	187	12
1978	1,620	2,092	129.2	96	106	202	13
1979	1,721	2,389	138.8	96	111	207	12
1980	1,856	2,460	132.5	116	125	241	14
1981	2,021	2,495	123.4	125	129	254	13
1982	2,177	2,894	132.9	128	131	259	12
1983	2,287	3,280	143.4	138	133	271	12
				164	203	367	16

The total employer's cost (column 6) does not include certain post-retirement increases that were reimbursed from the State General Revenue Fund. For 1983, this reimbursement was \$6 million. The excess of employer cost over contributions for 1983 of \$212 million resulted from the combination of employer's cost (\$367 million) and the State General Revenue Fund reimbursed post-retirement increases (\$6 million), with an offset for contributions from the State of Illinois (\$144 million) and school district contributions for early retirement options (\$8 million) and federal and trust funds (\$9 million).

I N V E S T M E N T S

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<i>Investment Summary</i>	22
<i>Book/Market Value Reconciliation and Performance Summary</i>	25
<i>Investment Portfolio Summary and Composition of Investments</i>	26

INVESTMENT SUMMARY

INTRODUCTION

The \$3.5 billion investment portfolio of the Teachers' Retirement System of the State of Illinois is governed by an investment authority known as the "prudent person rule." The prudent person rule establishes a standard for all fiduciaries, who include anyone that has authority with respect to the fund. The prudent person standard states that fiduciaries shall discharge their duties solely in the interests of the fund participants and beneficiaries and with the care, skill, prudence and diligence under circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. By permitting further diversification of investments within a fund, the prudent person standard may enable a fund to reduce overall risk and increase returns. The prudent person standard also permits a fund to establish an investment policy based solely upon investment criteria and a particular risk-reward tradeoff.

TRS has established a long-range Statement of Investment Objectives and Policies for the management and monitoring of the fund. The investment policy communicates the fund's investment objective, to provide the greatest possible long-term benefits to members of the System by maximizing the total rate of return on investments within prudent parameters of risk. The investment policy also communicates the responsibilities of the fiduciaries with respect to the fund, the statutory investment authority under the prudent person rule, the level of acceptable risk, asset restrictions, investment performance objectives and guidelines within which outside investment managers operate.

The System's investment performance objective is to achieve an annualized 3% total rate of return in excess of the rate of inflation over a long-term period of time. In addition, each asset class is expected to outperform various representative market indexes.

The fund is managed by professional investment management firms based on statutory investment authority under the prudent person rule and investment policy guidelines adopted by the Board of Trustees.

Investment results were unusually strong during fiscal 1983 as both bonds and stocks contributed to a 30% total fund rate of return. The five year annualized total return of 11% is an intermediate-term measure of results.

ASSET CLASS/MANAGER COMPOSITION

The establishment of asset class allocations is considered by many to be the most important decision in the pension investment management process. Some studies have shown that 85—90% of a pension fund investment performance comes from the allocation of asset classes. Large

institutional portfolios, such as the Teachers' Retirement System's, tend to be well diversified within the asset classes utilized. Therefore, although most investment managers of specific asset classes focus on security selection, the securities held will not have as much impact on total performance as will the overall composition of particular asset class commitments. New methods emphasizing explicit assumptions and forecasts, while utilizing quantitative, analytical frameworks, have contributed to the increased focus on asset class allocation analysis.

During the fiscal year, the asset allocation changed slightly, with common stock holdings increasing to 29% of the total fund from 27% a year earlier. Further diversification among asset classes is currently under investigation. Asset class diversification, in conjunction with investment manager style diversification, could provide the System with a greater expected rate of return while minimizing the negative returns from adverse short-term changes in security markets.

During the fiscal year, the market value of the investment portfolio increased by \$890 million to \$3.5 billion. Asset class changes are reflected in the following:

	6/30/82 Book Value	(\$Millions) Market Value	6/30/83 Book Value	(\$Millions) Market Value
Short-Term	517	517 19%	587	587
Bonds*	1920	1531 59	1915	1909
Stocks	678	586 22	827	1028
Total	3115	2634 100%	3329	3524

* Includes private placements, convertible bonds and preferred stock

The System has established relationships with investment management firms having a diversity of management styles, which tends to complement the diversification of asset classes. The managers have full discretionary authority in the selection and retention of investments, subject to the provisions of the statutory investment authority and the Statement of Investment Objectives and Policies.

On June 30, 1983, the following ten external investment management firms were employed by the System:

Fixed Income (Bonds)

- Dreyfus Management, Inc.
- MacKay-Shields Financial Corporation
- Pacific Investment Management Company
- Rowe Price Associates, Inc.
- Hoisington Investment Management Company
- Springfield Marine Bank

Equity (Common Stock)

- Batterymarch Financial Management
- CMB Investment Counselors
- Funds Advisory Company
- Kemper Financial Services, Inc.

Equity Manager Guidelines

Equity manager objectives are to achieve a total investment return 6% in excess of the rate of inflation and in excess of the Standard & Poor's 500 Stock Index on an annualized basis over a three to five year period. During fiscal 1983, common stocks generated a 64.0% total return, as compared to the 61.2% total return of the Standard & Poor's 500. For the five years, common stocks generated a 15.5% annualized return, below the Standard & Poor's 500 return of 18.0%.

At fiscal year-end, the percentage of the System's investment portfolio assigned to equity managers was 34%, including short-term investments, compared to 25% the

prior fiscal year-end. During the fiscal year, the market value of assets assigned to equity managers increased from \$660 million to \$1.200 billion, due to \$340 million of market appreciation and \$200 million of new allocations.

Major sector diversification changes took place during the year in the common stock portfolio, as summarized in the following listing.

All industry sectors had outstanding returns for fiscal 1983. Technology, with a 103.2% return, led the other ten sectors. Transportation, with a 77.7% return, and Building, with a 77.5% return, also had excellent returns. Only three sectors—Health, 49.0%; Energy, 42.6%; and Utilities, 35.0%—had returns less than 50% for fiscal 1983.

Sector	% Weighting by Sector			
	June 30, 1982		June 30, 1983	
	TRS	S&P 500	TRS	S&P 500
Technology	13.5	12.2	16.5	16.1
Consumer Discretionary	12.2	11.3	14.3	12.4
Materials & Processing	5.4	6.2	12.5	6.5
Energy	13.6	21.8	12.3	18.9
Producer Durables	14.8	7.6	10.3	7.6
Consumer Staples	17.3	12.7	7.6	11.1
Building	2.2	1.7	6.0	2.0
Health	5.9	6.8	5.9	7.1
Utilities	6.4	11.3	5.4	9.6
Transportation	1.8	2.4	5.1	2.2
Finance	6.9	5.8	4.0	6.5

INVESTMENT RESULTS

While the total fund benefited from the unusually strong stock and bond markets in fiscal 1983 and generated a 30% total return, the 11% annualized five year total return exceeded the 9% annualized five year rate of inflation by 2%.

Achievement of the investment objective, to exceed the rate of inflation by 3%, may be realized over a long-term period.*

The annualized income rate of return (income as a percent of book

value) and total return (a measure of price changes and income as a percent of market value) for the past year and five years were as follows:

	Income Return		Total Return	
	1983	5 Years	1983	5 Years
Short-Term	10.2%	11.9%	10.2%	11.9%
Bonds	11.7	12.1	29.7	9.2
Stocks	4.8	5.0	64.0	15.5
Total Fund	9.9%	9.7%	30.0%	10.8%

*Asset allocation modeling provided by Callan Associates, Inc.

Short-Term Guidelines

The investment management firms use discretion in anticipating short-term market conditions by raising or lowering short-term investment positions within the respective asset classes. The System anticipates, however, that there will not be more than 25% of the market value of the total assets in short-term investments.

Managers confine portfolio investments to typical short-term investments, such as U.S. Treasury Bills, certificates of deposit, bankers acceptances and commercial paper, and commingled short-term investment funds. Commercial paper investments must be rated P-1 and/or A1 by Moody's and Standard & Poor's respectively.

As an asset class, short-term investments generated a total return of 10.2% in fiscal 1983, underperforming the 29.7% of bonds and the 64.0% of common stocks. However, for the five years, short-term investments generated an 11.9% annualized return and outperformed the 9.2% of bonds, while underperforming the 15.5% total return generated by common stocks.

Fixed Income Manager Guidelines

Fixed income manager objectives are to achieve a total investment return 2% in excess of the rate of inflation and in excess of the bond market, as measured by Salomon Brothers' High Grade Corporate Bond Index and Lehman Kuhn Loeb Government/Corporate Bond Index, on an annualized basis over a three to five year period, or a market cycle. During fiscal 1983, bonds generated a 29.7% total return, slightly above the 29.1% of the Lehman Government/Corporate Bond Index, but below the 42.4% of the long-term Salomon Bond Index. For the five years, bonds generated a 9.2% annualized return and fell slightly below the 9.4% return on Lehman Government/Corporate Bond Index, but did exceed the 7.1% return on the Salomon Bond Index.

The market value increased from \$1.909 billion during 1982, though the book value decreased \$7 million. Managers held \$2.5 billion in short-term investments in 1983, which brought total allocations of fixed income managers to \$2.2 billion. Funds under management in fixed income markets for short-term investments had a 24.6% total return.

The following factors contributed to the improvement in the marketability of the manager portfolio which occurred in the period:

	Per Mark 6/30/82
Diversification:	
Cash Equivalents	11.7
Government and Agency	44.6
Industrial	18.0
Finance	13.9
Preferred Stock	0.0
Other	11.8
Total	100.0
Quality:	
Cash Equivalents	11.7
Preferred Stock	0.0
AAA	52.0
AA	15.4
A	14.1
BAA	1.6
Other	5.2
Total	100.0
Weighted Average Coupon (%)	9.9
Weighted Average Maturity (Yrs.)	11.3
Average Rate on New Investments (%)	13.8

SUMMARY STATISTICS

The following tables summarize the development and performance of the total investment portfolio,

including accrued income and miscellaneous assets of the System, during the last five years:

BOOK/MARKET VALUE RECONCILIATION

Fiscal Years Ending June 30 (\$Millions)

	1979	1980	1981	1982	1983
Beginning Book Value	1897	2172	2497	2896	3215
Net Contributions Added	130	148	174	81	63
Investment Income	139	179	224	285	295
Net Realized Gain (Loss)	6	(2)	1	(47)	(164)
Ending Book Value	2172	2497	2896	3215	3409
Unrealized Gain (Loss)—					
Beginning of Year	(153)	(162)	(220)	(403)	(481)
Unrealized Gain (Loss)—During Year	(9)	(58)	(183)	(78)	677
Ending Market Value	2010	2277	2493	2734	3605(1)

(1) Includes accrued income and miscellaneous assets of \$81 million.

PERFORMANCE SUMMARY

Annualized Percent for Periods Ending June 30, 1983*

	1979	1980	1981	1982	1983	3 Year Annualized
Total Time-Weighted Return						
TRS	8.2	7.5	2.6	8.1	30.0	12.1
Inflation (CPI)	10.9	14.3	9.6	7.1	2.6	6.2
Common Stock Returns (less cash)						
TRS	7.8	8.0	18.2	-9.1	64.0	20.0
S & P 500	13.7	17.1	20.4	-11.7	61.2	19.0
Bond Returns (less cash)						
TRS	7.3	5.2	-5.5	12.7	29.7	11.1
Lehman G/C Bond Index	7.7	3.8	-4.1	13.4	29.1	12.1
Salomon Bond Index	7.2	-2.4	-13.0	8.7	42.4	10.0
Short-Term Returns						
TRS	9.2	12.1	14.1	14.2	10.2	12.1
91-Day Treasury Bills	9.0	11.2	13.2	13.0	8.6	11.1
Income Rate of Return	7.8	9.2	9.7	11.9	9.9	10.0
Asset Allocation (Annual Average)						
Bonds	58.6	60.3	60.2	59.4	53.9	56.6
Common Stock	30.1	28.6	30.4	26.8	21.8	24.4
Short-Term	11.3	11.1	9.4	13.8	24.3	19.0

*Performance calculations provided by Ibbotson & Sinquefeld Funds Evaluation Service.

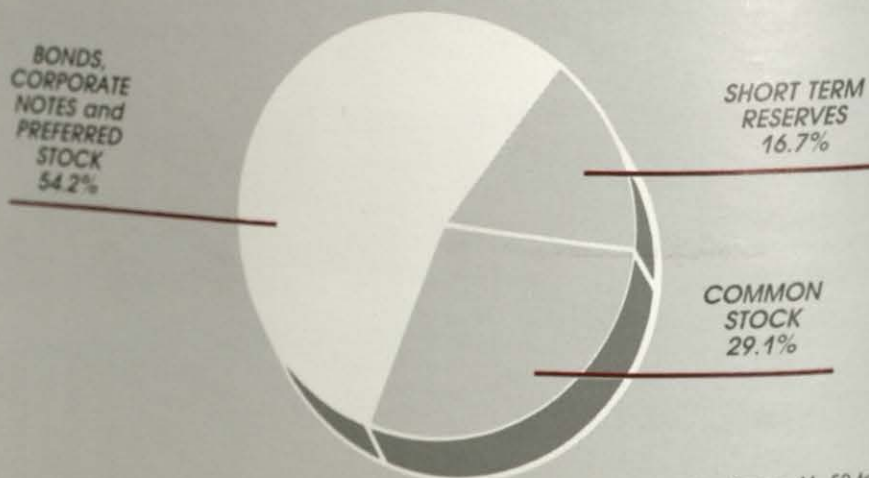
INVESTMENT PORTFOLIO SUMMARY

June 30, 1983

	Book Value	% of Total Book Value	Market Value	% of Total Market Value
BONDS AND CORPORATE NOTES AND PREFERRED STOCK				
Government Obligations:				
Federal Agency	\$ 707,865,749	21.3%	\$ 707,424,490	20.1%
U.S. Government	543,335,937	16.3	535,611,311	15.2
Foreign Government	31,380,286	.9	32,159,772	.9
Corporate Obligations:				
Industrial	268,223,249	8.1	272,301,580	7.7
Finance	164,616,082	4.9	162,976,138	4.6
Public Utilities	66,139,844	2.0	64,960,340	1.8
Telephone	24,052,570	.7	23,481,310	.7
Transportation	5,450,000	.2	6,048,574	.2
Pipeline	5,000,000	.2	4,691,000	.1
Convertible Issues	40,782,690	1.2	40,907,579	1.2
Preferred Stock	57,080,186	1.7	58,176,334	1.7
TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK	1,913,926,593	57.5	1,908,738,428	54.2
SHORT TERM INVESTMENTS	587,379,247	17.7	587,423,482	16.7
COMMON STOCK	827,374,009	24.8	1,027,561,629	29.1
TOTAL PORTFOLIO	\$3,328,679,849	100.0%	\$3,523,723,539	100.0%

COMPOSITION OF INVESTMENTS

(At Market Value)



See Pages 41-52 for complete investment listing.

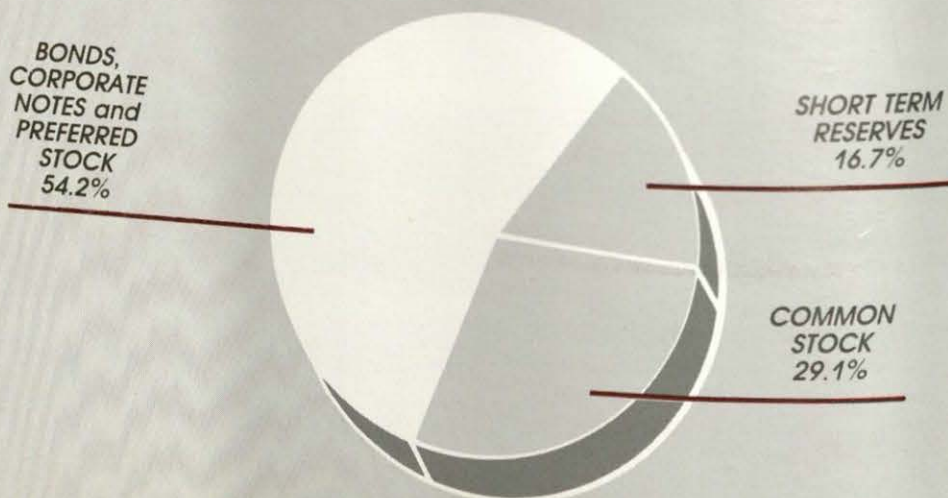
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COMPOSITION OF INVESTMENTS

(At Market Value)



See Pages 41-52 for complete investment listing.

STATISTICAL TABLES

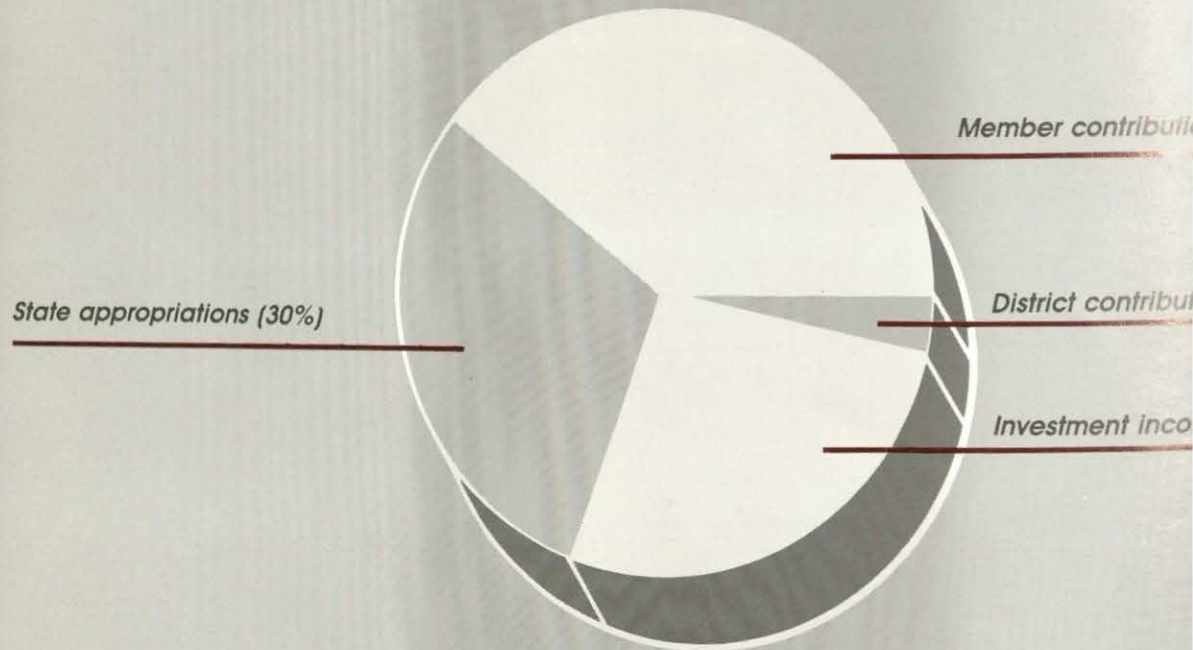
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<i>Ten Year Summary of Revenue</i>	<i>28</i>
<i>Ten Year Summary of Expenses</i>	<i>30</i>
<i>Age Retirement Beneficiaries by Benefit Range and Five Year Statistical Pattern of Age Retirement Benefits</i>	<i>32</i>
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<i>Disability Benefits and Survivor Benefit Claims and Profile of Claims for Current Year</i>	<i>34</i>

TEN YEAR SUMMARY OF REVENUE

(By Source)

Year Ended June 30	Member Contributions	Percent of Total	Employer	
			State Appropriations	District Contributions
1974	\$102,046,397	41.3	96,702,300	3,315,771
1975	114,914,651	36.4	130,723,094	3,716,784
1976	122,847,659	35.9	138,551,600	4,290,964
1977	125,215,335	33.0	156,976,400	4,672,892
1978	132,176,556	30.6	175,069,000	5,398,022
1979	141,087,603	29.3	188,641,596	6,740,259
1980	150,501,011	27.4	212,697,717	8,564,895
1981	166,396,962	26.1	231,871,230	14,994,482
1982	179,547,687	30.6	154,969,147	14,056,003
1983	189,339,841	39.3	144,437,110	17,004,036

REVENUE BY SOURCE



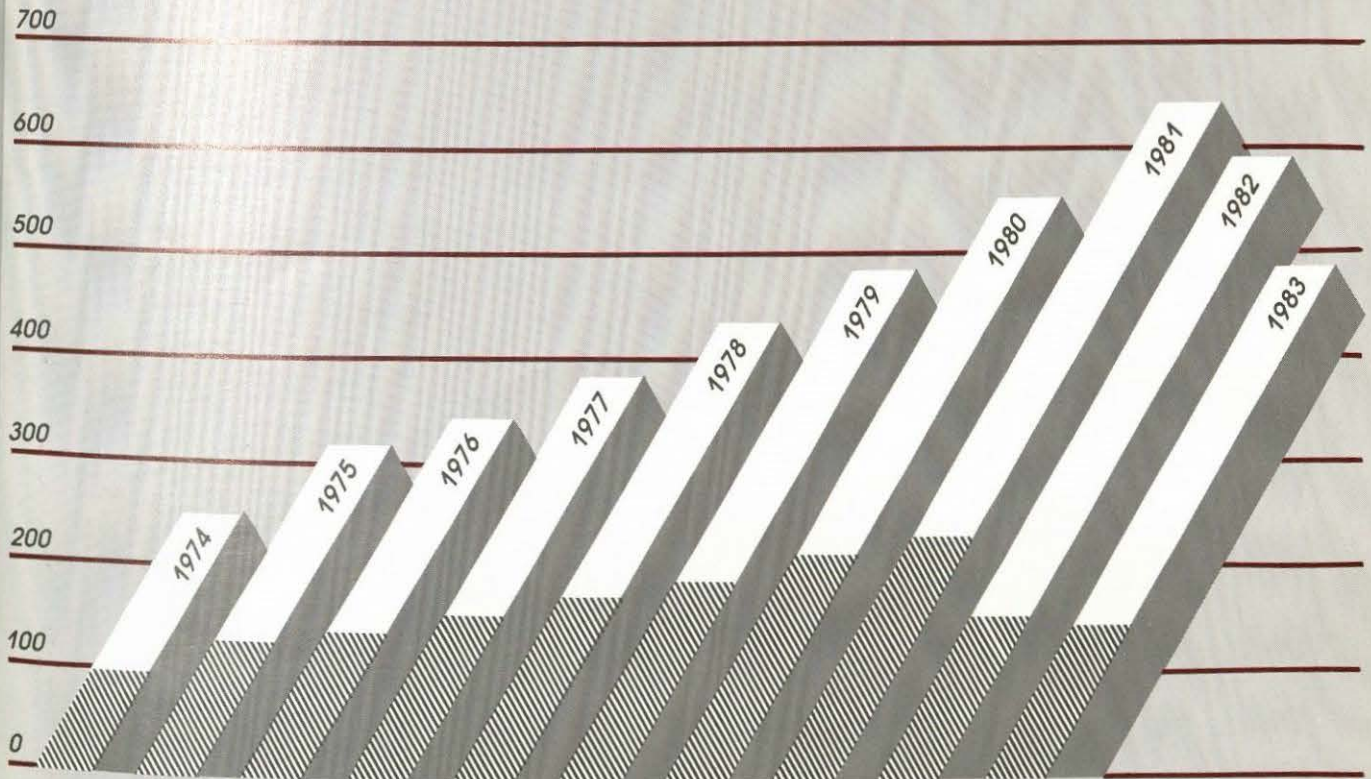
Percent of Total	Investment Income	Percent of Total	Gains (Losses) on Investments	Percent of Total	Other	Total
40.5	53,453,535	21.6	(8,869,468)	(3.6)	404,341	247,052,876
42.7	63,627,793	20.2	2,199,701	0.7	15,579	315,197,602
41.8	74,091,561	21.6	2,381,378	0.7	685	342,163,847
42.5	88,032,219	23.2	5,095,346	1.3	7,805	379,999,997
41.8	108,393,151	25.1	10,588,381	2.5	6,726	431,631,836
40.6	138,816,114	28.9	5,860,958	1.2	(337)	481,146,193
40.3	179,400,957	32.6	(1,598,212)	(0.3)	—	549,566,368
38.7	223,512,380	35.0	1,109,198	0.2	—	637,884,252
28.8	285,502,863	48.7	(47,249,275)	(8.1)	—	586,826,425
33.5	295,310,681	61.2	(163,881,104)	(34.0)	—	482,210,564

STATE APPROPRIATION/TOTAL REVENUE

Ten year summary

MILLIONS OF DOLLARS

State appropriation  Total revenue 



YEAR ENDED JUNE 30

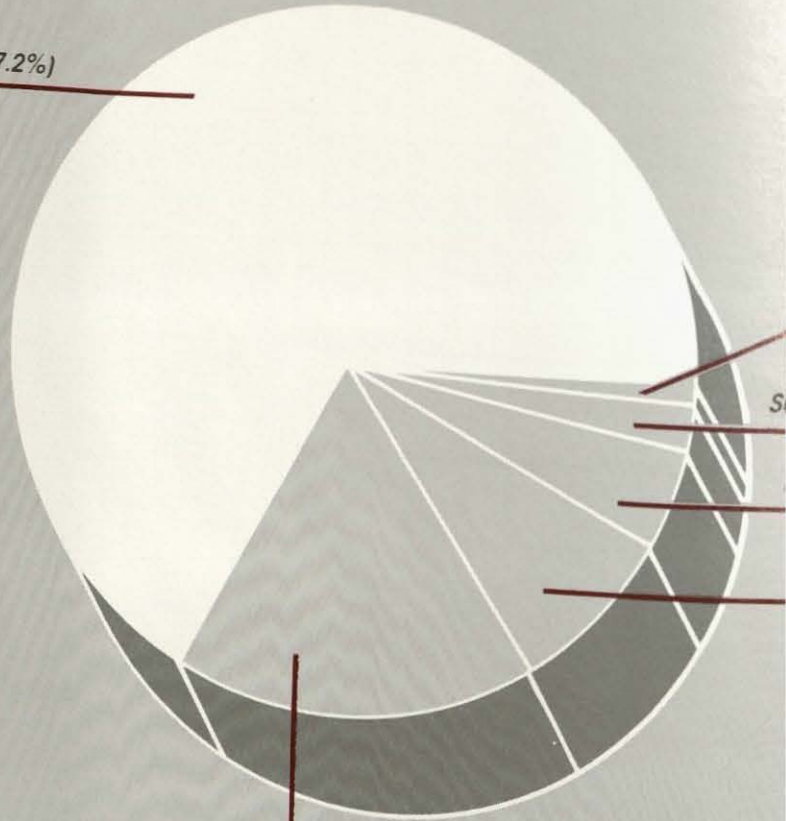
TEN YEAR SUMMARY OF EXPENSES

(By Type)

Year Ended June 30	Retirement Benefits	Percent of Total	Post-Retirement Benefits	Percent of Total
1974	\$ 93,867,222	76.2	8,002,506	6.5
1975	102,875,465	72.0	15,502,949	11.0
1976	113,275,935	73.4	18,769,279	12.2
1977	124,561,904	71.7	20,112,058	11.6
1978	135,163,476	71.4	21,728,897	11.5
1979	144,896,371	70.2	23,841,793	11.6
1980	154,476,872	68.9	26,996,859	12.1
1981	166,502,424	69.5	32,838,254	13.7
1982	178,904,780	66.9	43,032,491	16.1
1983	193,245,385	67.2	49,862,589	17.3

EXPENSES BY TYPE

Retirement benefits (67.2%)



Post-retirement benefits (17.3%)

Survivor Benefits	Percent of Total	Disability & Health Benefits	Percent of Total	Refunds	Percent of Total	Administrative Expense
4,410,550	3.6	1,348,031	1.1	14,604,867	11.9	863,755
5,031,776	3.6	1,588,393	1.1	14,835,114	10.5	1,097,903
5,155,184	3.3	1,858,535	1.2	14,118,173	9.1	1,239,254
5,818,332	3.3	2,200,636	1.3	19,579,606	11.3	1,463,414
6,661,210	3.5	2,499,285	1.3	21,639,987	11.4	1,610,372
7,544,393	3.6	2,682,067	1.3	25,594,136	12.4	1,846,710
8,459,660	3.8	3,121,683	1.4	28,909,607	12.9	1,916,224
9,735,967	4.1	3,677,492	1.5	24,426,316	10.2	2,329,436
11,398,656	4.3	4,682,504	1.7	26,913,144	10.1	2,373,705
13,118,925	4.6	6,112,041	2.1	22,801,368	7.9	2,666,864

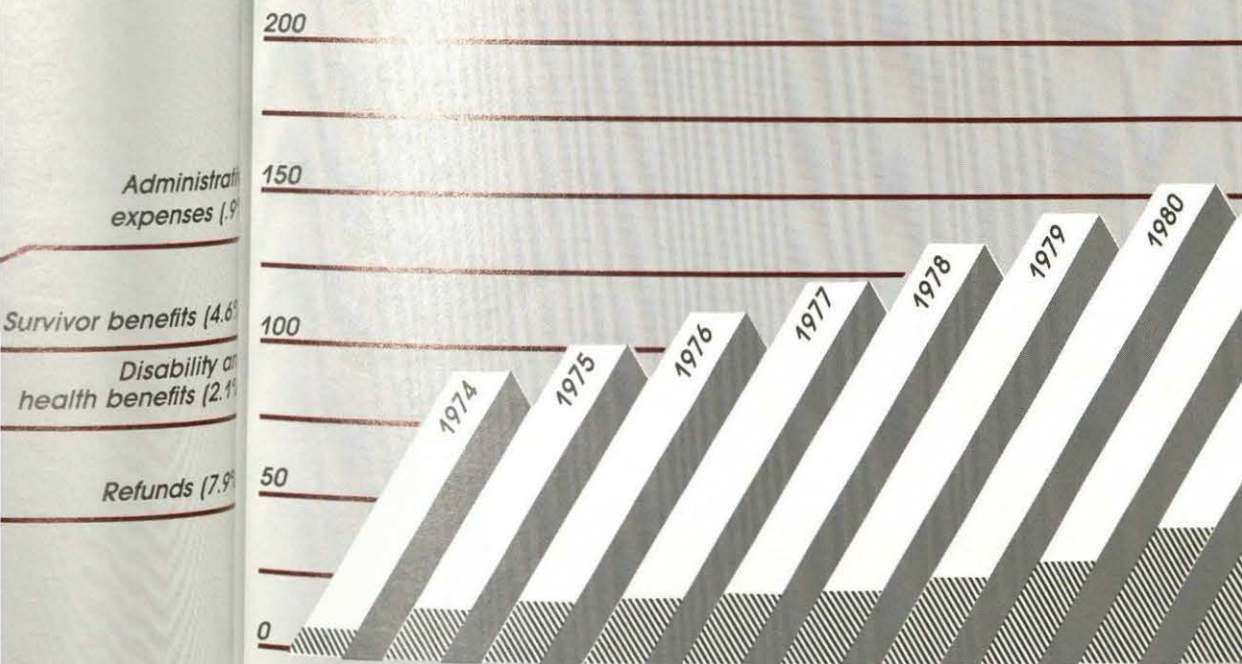
RETIREMENT AND POST-RETIREMENT BENEFITS

Ten Year Summary

Retirement benefits

Post-retirement benefits

MILLIONS OF DOLLARS



FISCAL YEAR ENDING JUNE 30

RETIREMENT BENEFICIARIES BY BENEFIT RANGE

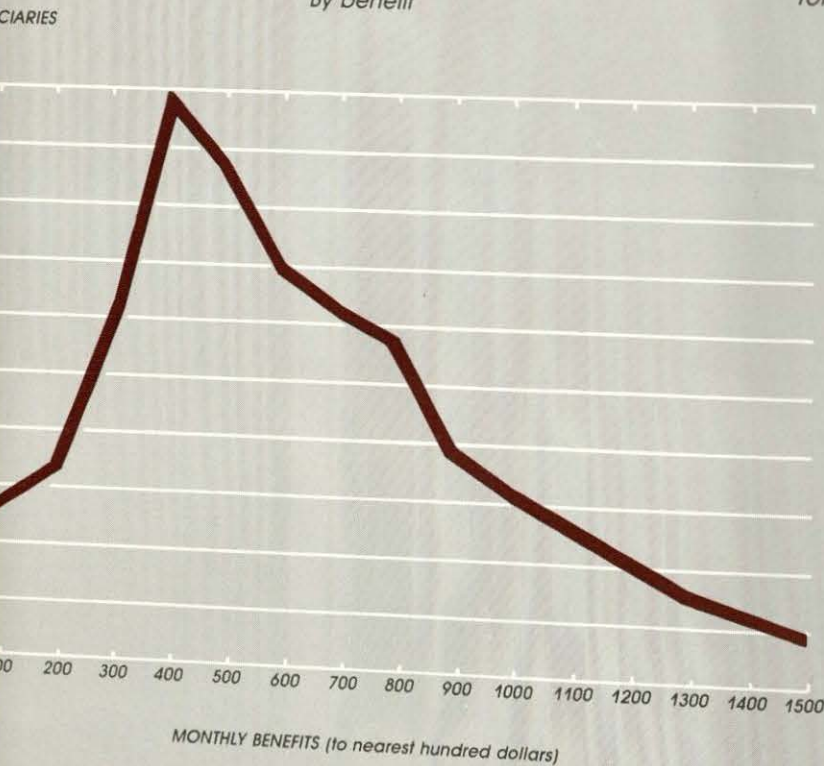
AT JUNE 30, 1983

Monthly Benefit	Total Beneficiaries	Cumulative Total	Percentage of Total	Cumulative Percentage of Total
\$ 01 — 100	1,290	1,290	3.8%	3.8%
101 — 200	1,632	2,922	4.9	8.7
201 — 300	2,973	5,895	8.9	17.6
301 — 400	4,935	10,830	14.7	32.3
401 — 500	4,352	15,182	13.0	45.3
501 — 600	3,470	18,652	10.3	55.6
601 — 700	3,117	21,769	9.3	64.9
701 — 800	2,864	24,633	8.5	73.4
801 — 900	1,940	26,573	5.8	79.2
901 — 1,000	1,589	28,162	4.7	83.9
1,001 — 1,100	1,313	29,475	3.9	87.8
1,101 — 1,200	1,044	30,519	3.1	90.9
1,201 — 1,300	800	31,319	2.4	93.3
1,301 — 1,400	645	31,964	1.9	95.2
1,401 — 1,500	469	32,433	1.4	96.6
1,501 — over	1,119	33,552	3.4	100.0

RETIREMENT BENEFICIARIES

By benefit

Total beneficiaries



**FIVE YEAR
STATISTICAL PATTERN OF
AGE RETIREMENT BENEFITS**

Year	Average Monthly Benefit	Medical Monthly Benefit
1979	\$489.71	\$407.40
1980	514.77	432.11
1981	550.78	470.81
1982	595.65	535.92
1983	630.24	566.99

* Estimated

MEMBERS
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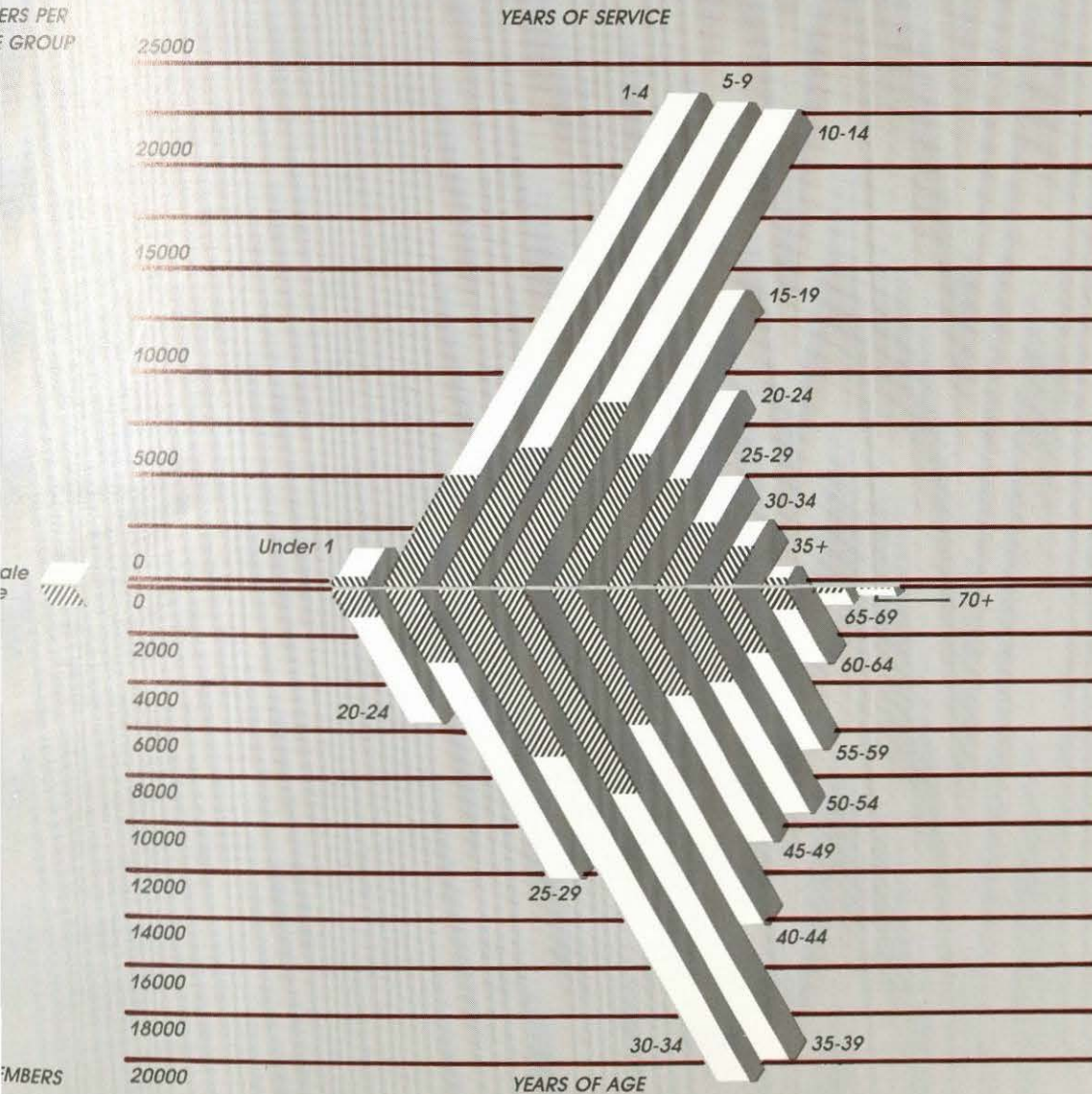
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TOTAL MEMBE

TEN YEAR MEMBERSHIP PROFILE

AS OF JUNE 30	BENEFIT RECIPIENTS	INACTIVE MEMBERS	ACTIVE MEMBERS
1974	25,848	29,349	102,569
1975	27,229	29,411	105,706
1976	28,244	29,491	105,316
1977	30,295	30,214	103,216
1978	31,457	30,970	105,433
1979	32,423	31,341	105,353
1980	33,410	31,486	105,247
1981	34,690	31,719	104,121
1982	36,121	31,566	101,741
1983	37,505	31,500*	101,000*

DISTRIBUTION OF ACTIVE MEMBERS



DISABILITY EXPENSES

Year Ended June 30	PERMANENT		Current Recipients
	Current Recipients	Total Amount	
1979	605	\$1,844,711	151
1980	607	2,001,268	196
1981	586	1,997,566	246
1982	578	2,026,937	279
1983	602	2,120,767	318

SURVIVOR BENEFIT EXPENSES

Year Ended June 30	MONTHLY BENEFITS		Total Recipients
	Current Recipients	Total Amount	
1979	1,893	\$ 5,586,620	399
1980	2,078	6,420,491	430
1981	2,304	7,485,315	433
1982	2,570	8,803,736	460
1983	2,908	10,365,349	453

PROFILE OF CLAIMS FOR CURRENT YEAR

	AGE RETIREMENT Total Claims 1,946	PERMANENT DISABILITY Total Claims 38
Median Age	61	50
Median Service	26.416 Years	11.586 Years
Median Monthly Benefit	\$871.37	\$481.23

TEMPORARY

Total
Amount

\$ 837,356
1,120,415
1,570,237
2,028,872
2,488,495

MP SUM

Total
Amount

\$1,957,773
2,039,169
2,250,652
2,594,920
2,753,576

LITY

P L A N S U M

Purpose
Administration
Membership
Contributions
Survivor Benefits

Disability Benefits
Retirement Allowance

Post-Retirement Increases
TRS Health and Prescription Drug Plan
Refunds
Reciprocity

This summary includes changes and amendments made at the 1983 Spring Session of the Illinois General Assembly.

PURPOSE

The Teachers' Retirement System (TRS) was established on July 1, 1939 by the Illinois General Assembly to provide retirement allowances and other benefits for teachers, annuitants and beneficiaries. This system superseded a previous retirement fund established on May 27, 1915.

ADMINISTRATION

TRS is governed by a nine-member Board of Trustees composed of the State Superintendent of Education, four members of the System elected by the active and retired membership and four persons from the public sector appointed by the Governor.

The Board appoints an executive director who is responsible for all administrative functions and supervision of staff employees.

MEMBERSHIP

All teachers who are employed under one of the following conditions in the public common schools of Illinois (outside of Chicago) are members:

- Full-time teachers employed daily for at least four clock hours per day.
- Teachers employed less than full-time, on a permanent and continuous basis, whose services are expected to be rendered for a full and complete school term.

A member who meets the qualifying conditions may verify and have additional service credit recorded for the following types of service:

- substitute teaching,
- leaves of absence,
- part-time employment completed prior to 1969,
- out-of-state teaching,
- military service, and
- unused accumulated sick leave.

CONTRIBUTIONS

Every teacher meeting the qualifying conditions for membership is required to contribute to the System. The current contribution rate is 8 percent of gross earnings. These contributions, upon receipt, are credited to separate reserves for the following purposes:

- retirement—6 1/2 percent,
- post-retirement increases—1/2 percent, and
- survivor benefits—1 percent.

SURVIVOR BENEFITS

These benefits are payable if death occurs while employed as a teacher, or during the first year following termination of such employment for reasons other than retirement, or while in retirement.

Definitions

Dependent beneficiary—a spouse; an unmarried child under age 18; a handicapped child age 18 or older who is not receiving benefits under Article III of the Public Aid Code; or parents who receive one-half of their support from the member.

Nondependent beneficiary—any individual other than dependent beneficiaries, organization or the member's estate, as designated by the member.

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ge salary—the average of highest consecutive annual rates within the last ten years of creditable service.

culated contributions—all contributions plus interest made by the member, except the one-time survivor benefit amount.

ment—a person in receipt of a disability retirement allowance.

a member—a person who is teaching for reasons that require retirement more than 90 days prior to death.

lump sum settlement

The only settlement option available to dependent beneficiaries. Dependent beneficiaries may elect between a lump sum payment or a monthly income annuity.

A lump sum settlement includes the following amounts:

• One-half of the final salary rate multiplied by the number of years of creditable service, whichever is greater. The maximum amount is 1/6 of the final salary rate or \$3,000. The minimum amount is equal to the final salary rate.
• Return of the accumulated contributions.

Income option

Dependent beneficiaries may elect this option if the member had at least 1 1/2 years of creditable service at the time of death. A spouse or minor children must be dependent on the member to receive the monthly income.

This settlement includes three cash amounts:

- a one-time payment of \$1,000;
- the appropriate monthly income up to \$400 per month for one dependent beneficiary and \$600 per month for two or more dependent beneficiaries (Exception: TRS will pay 50 percent of the member's earned monthly retirement allowance if greater than the above maximums); and
- a return of accumulated contributions.

Survivor benefit refund

Upon retirement, a member with no dependent beneficiary may elect to accept a refund of actual survivor benefit contributions and waive all rights to survivor benefits.

DISABILITY BENEFITS

Members who become disabled while teaching or within 90 days after such employment may qualify for disability benefits. However, no benefit can be paid for periods when the member has a right to receive salary from the employer, including sick leave.

A temporary disability benefit is available to teachers who have a minimum of three years of service. A permanent disability benefit is available to teachers who have received a temporary disability benefit for the maximum eligible period. An accidental disability benefit is available to teachers under age 70 who are disabled due to a duty-related accident or illness.

Benefit amounts

- Temporary disability—40 percent of current salary;
- Permanent disability—the greater of 35 percent of last salary or the amount computed by the age retirement formula. If disability occurs prior to age

55, the amount computed by the age retirement formula is reduced by 1/2 percent for each month the member is under age 55;

- Accidental disability—60 percent of current salary offset by any amounts paid under a worker's compensation program.

Effective date of benefits

Temporary disability benefits begin on the later of the following: 31st calendar day of absence from duty; day following last day for which salary is payable; or date notification is received, if more than 90 days after commencement of disability.

Permanent disability benefits begin on the day following the last day for which temporary disability is paid.

Accidental disability benefits begin on the later of the following: day following the last day for which salary is payable; or the date notification is received if more than 90 days after commencement of disability.

Duration of benefits

Temporary disability benefits cease when one of the following events occurs: disability ceases; member accepts any gainful employment; or benefits are paid for a period equal to one-fourth of the member's creditable service.

Accidental disability benefits are payable until member is able to engage in any gainful employment.

Temporary and accidental disability benefits are further limited. If disability occurs prior to age 60, benefits cease at age 65. If disability occurs at age 60 or over, benefits cease after five years or attainment of age 70, whichever occurs first.

Permanently disabled member may be eligible for a permanent disability benefit. Gainful employment is defined as teaching or other gainful employment within the limitations of the plan.

Members may request a temporary disability benefit. A request for a temporary disability benefit must be received by the plan administrator within 90 days of the date of disability.

RETIREMENT

A qualified plan allows a member to receive a lump sum payment or a monthly annuity. The lump sum payment may be reduced by the amount of the member's contributions to the plan.

Eligibility

A member must be at least 18 years old and have completed at least one year of service to be eligible for a benefit.

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If a member is retired, the member's benefits will be reduced by the amount of the member's contributions to the plan unless the member has utilized the plan's loan feature.

year under age 60 or under 35 years of creditable service, whichever is less. The employer's percentage is calculated by using 20 percent times each year or partial year the member is under age 60. The required percentages are as follows:

Member's Age	Member's Creditable Service		Percent By Member
	OR		
59		34	7
58		33	14
57		32	21
56		31	28
55		30	35

The employer may limit this option, but the limitation must not be lower than 30 percent of those eligible. The right to participate must be allocated on the basis of seniority in the service of the employer.

POST-RETIREMENT INCREASES

TRS provides increases in the original age or disability retirement allowance at the rate of 3 percent per year. The initial increase is payable the later of:

- January 1 following the attainment of age 61, or
- January 1 following the first anniversary in retirement.

TRS HEALTH AND PRESCRIPTION DRUG PLAN

Persons who are receiving a monthly retirement, disability or survivor benefit from TRS and their eligible dependents qualify for the TRS Health and Prescription Drug Plan. This partially subsidized plan covers hospital and physicians' medical expenses and coverage for prescription drugs.

has officially resigned from teaching employment and the application submitted not earlier than four months after termination of employment. The refund consists of all retirement contributions made by the member excluding the 1 percent survivor benefit contribution.

RECIPROCITY ACT

TRS is included in the provisions of the Retirement Systems' Reciprocity Act which assures continuous pension credit for public employment in Illinois. Those wishing additional information should contact the TRS Springfield office.

	<i>Page</i>
<i>Bonds, Corporate Notes and Preferred Stock</i>	
<i>Government Obligations</i>	40
<i>Corporate Obligations</i>	43
<i>Convertible Issues</i>	45
<i>Preferred Stock</i>	45
<i>Short Term Investments</i>	46
<i>Common Stock</i>	46

The average salary which is the average of the four highest consecutive annual salary rates within the last ten years of creditable service. In computing the average salary, each annual salary rate earned after June 30, 1979, cannot exceed the previous year's full-time rate by more than 20 percent.

The second factor is the percentage of the four-year average to which the member is entitled. This percentage is determined by years of service according to the following formula:

- 1.67 percent for each of the first 10 years, plus
- 1.9 percent for each of the next 10 years, plus
- 2.1 percent for each of the next 10 years, plus
- 2.3 percent for each year over 30 years of credit.

The maximum allowance, 75 percent of average salary, is attained with 38 years of service. In determining the member's actual allowance, TRS will use total credit, including fractional years and will use the member's exact age if the early retirement discount is applicable.

Early retirement option

A member may avoid the early retirement discount if the following conditions are met: retirement occurs before June 30, 1990; retirement occurs within six months of the last day of teaching for which retirement contributions are required; the member and the employer each make a one-time contribution to the System.

The required contributions are determined as a percentage of the retiring member's last full-time salary rate, or the highest full-time salary

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Bonds, Corporate Notes and Preferred Stock

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*Bonds, Corporate Notes and Preferred
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Preferred Stock*

Short Term Investments

Common Stock

BONDS, CORPORATE NOTES AND PREFERRED STOCK

GOVERNMENT OBLIGATIONS	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value
U.S. Government					
U.S. Treasury Bonds	AAA	9.000%	02-15-94	\$ 24,000,000	22,209,207
	AAA	11.625	11-15-02	35,900,000	37,935,656
	AAA	10.750	02-15-03	19,500,000	19,516,275
	AAA	11.125	08-15-03	85,250,000	84,557,344
	AAA	8.750	11-15-08	5,000,000	4,164,375
	AAA	12.750	11-15-10	11,300,000	12,712,599
	AAA	13.875	05-15-11	12,500,000	15,610,625
U.S. Treasury Notes	AAA	10.375	11-15-12	200,500,000	193,164,251
	AAA	11.625	08-31-84	10,000,000	10,615,700
	AAA	10.000	06-30-85	2,000,000	1,990,000
	AAA	9.875	02-15-86	8,050,000	8,026,710
	AAA	8.000	08-15-86	5,050,000	4,351,529
	AAA	10.000	12-31-86	12,450,000	12,604,830
	AAA	10.250	03-31-87	32,000,000	31,936,000
	AAA	12.375	01-15-88	5,000,000	5,334,375
	AAA	9.875	05-15-88	11,250,000	11,200,602
	AAA	14.000	07-15-88	2,250,000	2,493,281
	AAA	10.500	08-15-88	15,000,000	14,895,313
	AAA	11.875	10-15-89	8,550,000	8,497,589
	AAA	10.750	07-15-90	5,000,000	4,960,156
	AAA	—	02-15-92	7,000,000	2,682,260
	AAA	10.500	11-15-92	10,000,000	10,008,230
	AAA	10.875	02-15-93	5,000,000	5,118,125
	AAA	10.125	05-15-93	19,500,000	19,330,815
Total U.S. Government				552,050,000	543,335,937
Federal Agency					
American Southwest Financial Corporation—GNMA	AAA	12.875%	11-01-12	4,962,888	4,900,852
Federal Farm Credit Banks	AAA	13.200%	03-04-85	5,000,000	5,000,000
	AAA	13.250	04-22-85	5,000,000	5,000,000
	AAA	12.750	09-03-85	10,000,000	10,000,000
	AAA	13.950	03-03-86	5,000,000	5,000,000
	AAA	14.625	01-20-87	5,000,000	5,000,000
	AAA	12.650	04-20-88	5,000,000	5,000,000
	AAA	15.650	10-23-89	5,000,000	5,000,000
	AAA	10.950	01-22-90	10,000,000	10,000,000
	AAA	12.500	09-04-90	10,000,000	10,192,300
	AAA	14.100	04-22-91	3,000,000	3,000,000
Federal Home Loan Banks	AAA	14.700	07-22-91	5,000,000	5,000,000
	AAA	15.200	01-20-92	5,000,000	5,000,000
	AAA	10.650	01-20-93	2,000,000	2,013,750
	AAA	14.550	04-25-85	5,000,000	5,000,000
	AAA	8.125	05-28-85	10,000,000	9,983,065
	AAA	12.800	07-25-85	10,000,000	10,000,000
	AAA	13.900	07-25-85	9,000,000	9,025,313
	AAA	15.750	03-25-86	5,000,000	5,000,000
	AAA	15.500	05-27-86	5,000,000	5,000,000
	AAA	11.300	11-25-86	10,000,000	10,000,000
	AAA	10.450	02-25-87	5,000,000	5,000,000
	AAA	11.100	03-25-87	5,000,000	5,000,000
	AAA	12.500	09-25-90	10,250,000	10,346,484
Federal Home Loan Mortgage Corporation	AAA	11.100	08-26-91	2,000,000	2,007,500
	AAA	7.375	11-25-92	5,000,000	5,000,000
	AAA	16.450	11-26-93	15,400,000	13,861,830
	AAA	9.375	10-15-84	10,000,000	10,000,000
	AAA	8.200	12-27-88	5,000,000	5,000,000
	AAA	8.750	09-15-05	12,820,000	10,103,306
	AAA	8.850	09-15-05	5,209,600	5,151,216
	AAA	9.000	03-15-08	6,700,000	6,671,081
	AAA	9.400	09-15-08	17,619,500	16,556,594
	AAA	9.875	09-15-08	6,550,000	6,521,173
	AAA	10.000	03-15-09	16,375,000	16,316,395
FHA Floating Rate Participation Certificates	AAA	12.450	09-15-09	10,057,500	9,670,399
FHA Mortgage Loan—Oak Ridge, Tennessee	AAA	11.875	09-15-09	4,470,000	4,525,875
	AAA	—	06-15-13	5,000,000	4,912,500
	AAA	5.250%	04-01-93	4,722,858	2,944,274
			07-01-89	462,867	469,723

I N V E S T M E N T L I S T I N G

GOVERNMENT OBLIGATIONS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Federal Agency (Continued)						
FHLMC Group: 17036	AAA	13.000%	09-01-10	\$ 16,676,862	16,447,485	16,885,323
17074	AAA	12.500	02-01-13	14,824,554	14,852,350	14,657,778
161026	AAA	8.000	09-01-07	968,232	776,401	747,959
161074	AAA	10.000	04-01-09	1,831,065	1,661,695	1,593,027
161078	AAA	10.000	07-01-09	4,952,962	3,652,017	4,309,077
161086	AAA	10.000	09-01-09	89,575	81,289	77,930
180060	AAA	8.000	01-01-09	953,737	764,778	736,762
180061	AAA	8.000	10-01-08	976,907	783,357	754,660
180080	AAA	8.000	01-01-09	4,756,214	3,650,394	3,674,175
180086	AAA	8.000	01-01-09	2,935,232	2,353,689	2,267,467
180106	AAA	8.000	01-01-09	9,593,066	7,626,487	7,410,643
180195	AAA	8.000	05-01-10	9,555,077	7,596,287	7,381,297
180335	AAA	8.000	10-01-09	957,076	767,455	739,341
180336	AAA	10.000	06-01-11	2,889,871	2,133,989	2,514,188
180352	AAA	8.000	10-01-08	4,661,317	3,593,584	3,600,868
180353	AAA	8.000	04-01-09	916,200	750,139	707,765
180354	AAA	8.000	05-01-09	4,587,493	3,536,670	3,543,838
180381	AAA	8.000	08-01-09	3,707,566	2,973,004	2,864,094
180407	AAA	8.000	10-01-09	711,028	570,155	549,269
180408	AAA	8.000	04-01-09	944,856	757,656	729,901
180526	AAA	8.000	02-01-09	1,917,074	1,537,254	1,480,940
180532	AAA	10.000	05-01-11	4,904,448	3,984,864	4,266,870
180950	AAA	8.000	06-01-08	2,859,428	2,292,904	2,208,908
180996	AAA	10.500	04-01-11	1,914,166	1,708,393	1,703,608
181004	AAA	8.000	05-01-06	4,740,692	3,650,333	3,662,184
181018	AAA	8.500	01-01-09	4,720,270	3,847,020	3,740,814
181311	AAA	8.500	11-01-09	4,677,283	3,798,831	3,706,747
181504	AAA	8.000	04-01-09	10,657,482	6,840,771	8,232,905
181584	AAA	8.000	05-01-08	9,598,241	7,406,045	7,414,641
181850	AAA	8.000	06-01-08	969,283	777,244	748,771
183193	AAA	8.000	07-01-08	987,971	792,229	763,208
183268	AAA	7.000	08-01-08	5,302,728	3,857,734	3,861,764
183298	AAA	8.000	08-01-09	2,128,780	1,707,016	1,644,483
183311	AAA	8.500	01-01-04	6,235,008	4,949,038	4,941,244
183718	AAA	13.500	01-01-13	4,921,785	5,087,895	5,038,677
FNMA Pool: 159	AAA	12.000	10-01-11	2,928,216	2,931,876	2,822,068
760	AAA	16.000	09-01-12	23,369,170	24,858,954	25,121,857
1099	AAA	8.500	02-01-10	5,834,135	4,593,470	4,623,552
1125	AAA	9.000	07-01-09	14,828,831	12,159,641	12,141,105
1153	AAA	10.000	08-01-10	4,687,787	4,038,822	4,084,235
1342	AAA	10.000	03-01-09	9,815,878	8,392,575	8,552,083
1379	AAA	16.000	09-01-12	15,347,367	16,268,209	16,498,420
1491	AAA	15.750	12-01-11	14,154,963	14,880,405	14,721,162
1495	AAA	15.500	12-01-12	8,381,869	8,897,878	8,706,667
1499	AAA	8.500	02-01-08	992,664	811,503	786,686
1519	AAA	8.500	03-01-03	6,081,945	5,086,026	4,819,941
1521	AAA	9.000	02-01-03	3,328,102	2,891,289	2,724,883
1724	AAA	12.000	03-01-13	1,003,315	1,004,569	966,945
2083	AAA	8.500	08-01-10	9,991,085	8,092,779	7,917,935
2363	AAA	12.000	05-01-13	499,882	500,507	481,761
2518	AAA	12.000	05-01-13	999,757	997,883	963,516
2794	AAA	12.000	06-01-13	3,009,472	3,003,829	2,900,378
Federal National Mortgage Association	AAA	13.000	11-12-85	5,000,000	5,000,000	5,246,850
	AAA	7.750	03-10-87	5,000,000	5,000,000	4,546,850
	AAA	7.400	10-01-97	4,440,000	3,999,944	3,224,550
	AAA	8.200	07-10-02	10,000,000	9,990,153	7,575,000
GNMA Pool: 10353	AAA	8.000	10-15-06	363,724	289,160	283,704
10931	AAA	8.000	07-15-06	361,452	287,354	281,933
11105	AAA	8.000	09-15-06	357,269	284,029	278,670
11532	AAA	8.000	07-15-06	318,027	252,832	248,061
11754	AAA	8.000	09-15-06	331,776	263,762	258,785
12738	AAA	8.000	10-15-06	353,097	280,712	275,416
13490	AAA	8.000	11-15-06	398,908	317,132	311,148
13978	AAA	8.000	12-15-06	1,968,448	1,564,916	1,535,389
15155	AAA	8.000	07-15-07	768,489	610,949	599,421
17103	AAA	8.000	03-15-08	933,035	741,763	727,768
18494	AAA	8.000	07-15-07	1,583,832	1,259,147	1,235,389
19081	AAA	8.000	10-15-07	878,023	698,028	684,858
19854	AAA	8.000	09-15-07	741,917	589,824	578,695
20094	AAA	8.000	10-15-07	1,745,943	1,388,024	1,361,835
20802	AAA	8.000	12-15-07	717,471	570,389	559,627
21064	AAA	8.000	11-15-07	1,815,806	1,443,566	1,416,329
21670	AAA	8.000	02-15-08	933,966	742,503	728,494
21753	AAA	8.000	11-15-07	965,951	767,931	753,442
22025	AAA	8.000	02-15-08	398,781	317,031	311,049

GOVERNMENT OBLIGATIONS

Federal Agency (Continued)	Moody's Quality Rating	Coupon Rate	Maturity Date	Pr Val
GNMA Pool: 22296	AAA	8.500%	07-15-08	\$
22809	AAA	8.000	03-15-08	
23305	AAA	8.000	04-15-08	
23646	AAA	9.000	02-15-09	
23867	AAA	9.000	08-15-08	4.3
24123	AAA	8.500	07-15-08	
24661	AAA	8.500	07-15-08	
24828	AAA	8.500	07-15-08	
25149	AAA	8.500	07-15-08	
26352	AAA	9.000	10-15-08	4.5
26914	AAA	9.000	10-15-08	4.3
27638	AAA	9.000	10-15-08	
29052	AAA	9.000	02-15-09	
29624	AAA	9.000	04-15-09	
29970	AAA	9.000	04-15-09	
30185	AAA	9.000	05-15-09	3
30897	AAA	9.000	05-15-09	15
31769	AAA	9.000	05-15-09	3
31803	AAA	9.000	05-15-09	1
31908	AAA	9.000	06-15-09	4
32464	AAA	9.000	06-15-09	9
33368	AAA	9.500	09-15-09	6
33592	AAA	9.500	10-15-09	4.68
33597	AAA	9.500	08-15-09	7
34001	AAA	9.500	08-15-09	81
35697	AAA	9.500	09-15-09	4
35890	AAA	10.000	11-15-09	4.73
35947	AAA	9.500	10-15-09	5
36739	AAA	9.500	09-15-09	4.63
37112	AAA	10.000	11-15-09	2.83
39314	AAA	11.500	03-15-10	37
39885	AAA	12.500	04-15-10	4.47
41675	AAA	8.500	05-15-10	998
55614	AAA	8.500	07-15-10	547
56728	AAA	14.750	06-15-97	887
56729	AAA	14.750	06-15-97	1,922
56732	AAA	14.750	06-15-97	1,825
56868	AAA	14.750	07-15-97	1,945
57741	AAA	14.750	07-15-97	2,809
59266	AAA	10.500	02-15-98	990
59424	AAA	11.500	03-15-13	24
59638	AAA	10.500	03-15-98	993
59761	AAA	14.750	11-15-97	222
60180	AAA	11.500	01-15-13	502
64394	AAA	11.500	03-15-13	499
66145	AAA	10.500	03-15-98	978
90754	AAA	11.500	04-15-13	6,949
90756	AAA	13.500	05-15-10	709
91028	AAA	13.500	05-15-10	306
91058	AAA	13.500	08-15-10	791
91146	AAA	13.500	05-15-10	794
91478	AAA	13.500	06-15-10	964
91923	AAA	13.500	05-15-10	790
92130	AAA	10.000	11-15-09	1,132.6
92132	AAA	11.500	04-15-10	47.3
92661	AAA	12.500	05-15-10	1,026.2
92916	AAA	11.500	07-15-10	777.9
93307	AAA	13.500	08-15-10	293.7
93670	AAA	14.000	05-15-11	1,013.7
93739	AAA	13.500	04-15-11	780.4
93932	AAA	10.000	09-15-10	794.4
94233	AAA	13.500	04-15-11	212.5
96759	AAA	13.500	11-15-11	234.0
96783	AAA	10.000	03-15-13	1,020.3
96784	AAA	13.500	10-15-12	1,975.3
96927	AAA	15.000	10-15-12	833.6
97355	AAA	13.000	08-15-12	1,005.17
97358	AAA	13.000	11-15-12	1,014.88
97367	AAA	13.500	10-15-12	1,020.05
97470	AAA	13.000	11-15-12	959.92
97505	AAA	13.500	10-15-12	285.47
97512	AAA	13.000	11-15-12	1,024.32
97583	AAA	13.000	10-15-12	905.76
97584	AAA	15.000	05-15-13	1,002.07
97628	AAA	11.500	04-15-13	501.02
97632	AAA	13.500	10-15-12	734.03
	AAA	13.000	11-15-12	1,520.28

Par Value	Book Value		Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value
GOVERNMENT OBLIGATIONS							
Federal Agency (Continued)							
43,923	36,971	GNMA Pool: 97723	AAA	11.500%	05-15-13	\$ 1,502,796	1,480,000
216,996	172,512	97919	AAA	13.000	11-15-12	507,217	500,000
771,088	613,045	98132	AAA	11.500	04-15-13	1,018,849	1,000,000
778,233	680,954	98234	AAA	10.000	03-15-13	1,026,222	1,000,000
4,366,303	4,293,516	98625	AAA	11.500	03-15-13	2,069,238	2,000,000
425,647	358,275	98715	AAA	11.500	05-15-13	190,402	180,000
104,668	88,101	99042	AAA	11.500	05-15-13	491,906	480,000
455,131	383,092	GNMA Various Pools	AAA	—	00-00-00	3,475	3,475
447,558	376,718	GNMA Project Loan: 064-35179	NR	7.500	12-01-19	6,661,374	6,500,000
4,559,995	4,491,970	071-35242	NR	7.500	05-01-18	10,073,568	9,800,000
4,375,466	4,303,403	136-32008	NR	7.500	01-01-18	1,245,600	1,200,000
61,510	52,284	FHA Insured Project Loans—Nineteenth	AAA	7.500	04-01-20	12,224,102	12,000,000
3,275	2,817	FHA Insured Project Loans—Thirty-third	AAA	7.430	09-01-01	7,078,635	6,900,000
444,771	378,056	G & A Ltd. 1 Government Guaranteed Ship Finance	AAA	15.900	02-15-97	7,000,000	7,000,000
395,299	336,004	International Bank for Reconstruction and Development	AAA	14.625	08-01-87	5,000,000	5,000,000
159,542	135,610		AAA	11.000	10-15-89	5,000,000	5,000,000
384,484	326,811	Lachmar Corporation Government Gtd. Ship Finance	AAA	14.000	09-25-88	4,014,000	4,000,000
140,443	119,377	Twelve Federal Land Banks	AAA	7.350	10-20-83	1,555,000	1,500,000
468,602	398,311		AAA	8.200	01-22-90	10,095,000	9,800,000
950,429	807,864						
69,187	60,992	Total Federal Agency				766,943,239	707,800,000
4,689,504	4,468,476	Foreign					
79,923	70,058	Canadian National Railway Company	NR	14.000	01-15-06	5,300,000	5,200,000
814,022	713,541		NR	15.000	06-01-06	3,000,000	3,000,000
47,085	41,273	Hydro-Quebec	NR	13.375	02-15-13	2,045,000	2,100,000
4,738,452	4,512,431	Israel (Government of) Floating Rate	NR	—	12-01-87	1,000,000	1,000,000
52,089	45,920	Newfoundland (Province of) Canada	NR	13.875	10-01-92	6,200,000	6,700,000
4,630,150	4,432,326	Ontario (Province of) Canada	AAA	15.750	03-15-12	3,000,000	3,400,000
2,835,742	2,698,498		NR	11.500	03-10-13	2,100,000	2,000,000
375,357	306,385		NR	10.500	04-25-89	1,000,000	1,000,000
4,474,527	4,197,811	Quebec Hydro Electric Commission	NR	10.250	01-15-05	2,000,000	1,800,000
998,986	840,865	Republic Steel Overseas Finance N V	NR	11.500	07-01-88	4,807,000	4,200,000
547,157	460,552						
887,136	961,433	Total Foreign				30,452,000	31,300,000
1,922,372	2,083,371	TOTAL GOVERNMENT OBLIGATIONS					
1,825,412	1,978,290					1,349,445,239	1,282,580,000
1,945,911	2,108,881	CORPORATE OBLIGATIONS					
2,809,237	3,044,511						
990,922	951,285	Finance					
24,955	23,957	American Express Credit Corporation	NR	11.875%	02-26-84	\$ 10,000,000	10,000,000
993,033	953,312		NR	11.750	11-01-12	5,000,000	4,930,000
222,848	242,625	Associates Corporation of North America	A2	14.875	08-01-87	8,000,000	8,000,000
502,938	495,080	Associates Investment Company	A2	4.625	04-01-85	5,470,000	5,120,000
499,655	484,665	AVCO Financial Services Incorporated	NR	14.125	12-15-85	1,600,000	1,590,000
978,693	939,545	Barclays North America Capital Corporation	AAA	11.625	05-01-03	8,000,000	8,110,000
949,078	6,801,410	Beneficial Finance Company	A3	4.450	06-01-88	1,000,000	880,000
709,455	726,796	Bowery Savings Bank New York	NR	10.625	04-15-88	5,000,000	4,990,000
306,901	314,407	C.I.T. Financial Corporation	AA3	6.375	10-01-86	3,700,000	3,550,000
791,951	811,572	Chase Manhattan Corporation	AA-1	15.500	11-01-92	2,700,000	3,220,000
794,840	814,542	Chrysler Financial Corporation	CAA	7.375	05-15-86	3,000,000	2,180,000
964,178	987,750	Citicorp	NR	14.375	07-01-86	5,060,000	4,930,000
790,971	810,555		NR	—	04-10-92	5,000,000	4,990,000
132,685	1,032,159	Clark Equipment Credit Corporation	BAA3	4.875	12-01-83	2,480,000	2,400,000
47,396	45,975	General Motors Acceptance Corporation	A2	8.625	11-15-85	5,000,000	5,000,000
126,237	1,040,253		AA3	—	07-01-91	5,000,000	1,970,000
777,919	754,611	Houston First Savings Association	NR	8.875	08-01-84	3,000,000	2,990,000
293,723	300,995	Living Bank Corporation	AA3	6.125	07-01-92	4,100,000	2,270,000
113,757	1,051,613	Macy Credit Corporation	A-1	13.750	03-01-88	5,750,000	5,710,000
180,492	799,776	Manufacturers Hanover Corporation	NR	—	10-07-90	5,000,000	4,990,000
194,468	724,008	Marine Midland Banks Incorporated	NR	7.625	03-01-03	8,000,000	8,000,000
12,572	217,825	Marsea Marine Eleven Incorporated	AAA	16.000	05-01-01	3,138,000	3,130,000
34,092	239,870	Marsea Marine Twelve Incorporated	AAA	16.000	05-01-01	3,151,000	3,150,000
120,350	929,957	McDonnell Douglas Finance Corporation	NR	11.250	05-12-92	1,000,000	1,000,000
75,331	2,023,376	Mellon Financial Company	NR	13.500	08-15-87	2,200,000	2,190,000
33,693	871,073	Mercantile Trust Company National Association	NR	4.600	12-01-83	3,000,000	3,000,000
05,173	1,067,341	Municipal Finance Authority B C	AAA	13.750	12-01-05	500,000	530,000
14,881	1,034,258	Northern California Savings and Loan Association	AAA	12.500	02-01-85	3,000,000	3,000,000
20,050	1,045,164	Norwest Corporation	NR	14.000	06-01-87	10,000,000	10,100,000
59,926	978,265		NR	11.750	10-15-89	5,000,000	5,000,000
35,477	292,510						
24,322	1,043,879						
15,760	946,419						
12,076	972,076						
11,027	486,027						
14,034	752,124						
0,289	1,549,339						

CORPORATE OBLIGATIONS	Moody's Quality Rating	Coupon Rate	Maturity Date
Finance (Continued)			
Private Export Funding Corporation	AAA	16.250%	09-30-86
	AAA	11.750	10-30-87
	AAA	16.200	09-30-89
	AAA	11.250	02-28-92
U.S. Bancorp	AA2	8.600	04-15-88
	AA2	12.500	05-01-10
Union Bank Los Angeles California	NR	4.625	11-26-88
Wells Fargo and Company	A-1	10.625	12-15-85
Total Finance			
Industrial and Miscellaneous			
Abbott Laboratories	AA-1	11.000	02-01-93
American Can Company	BAA1	13.250	01-01-93
American Hospital Supply Corporation	NR	13.125	09-01-92
Archer Daniels Midland Company	A-1	16.000	05-15-11
Alliantic Richfield Company	AAA	11.000	04-15-13
Avon Capital Corporation	AA2	11.750	10-15-90
Chrysler Corporation	AAA	11.400	07-15-90
	NR	12.000	01-01-91
Continental Illinois Corporation	A2	—	05-01-87
DuPont (E.I.) De Nemours and Company	AA2	8.000	05-01-86
Elfra Corporation	A3	8.500	01-15-01
Emhart Corporation	NR	11.700	10-15-90
Enserch Corporation	A-1	16.375	04-01-07
Export Development Corporation	AAA	9.850	01-15-84
	AAA	14.125	03-01-88
Exxon Shipping Company	NR	—	09-01-12
General Cinema Corporation	BAA3	10.000	03-15-08
General Mills Incorporated	AA2	12.625	08-15-85
	NR	10.375	10-15-84
Grant (W.T.) Company	—	4.750	04-15-96
Hughes Tool Company	NR	—	08-05-85
	A-1	14.250	12-15-88
Inland Steel Company	BAA2	7.900	01-15-07
Internorth Incorporated	A3	10.500	06-01-08
K Mart Corporation	A2	9.875	07-15-85
Kidde Incorporated	NR	9.000	04-01-93
Marathon Oil Company	A3	12.500	03-01-94
Martin Marietta Corporation	BAA3	15.550	11-01-87
MCI Communications Corporation	BAA3	12.875	10-01-02
Merrill Lynch and Company Incorporated	NR	—	05-10-92
Nabisco Incorporated	AA2	7.750	05-01-01
National Steel Corporation	BAA3	8.375	08-01-06
Pfizer Incorporated	AA2	8.875	08-15-85
Phillip Morris Incorporated	A2	6.000	07-15-01
Phillips Petroleum Company	AA3	12.250	10-15-12
PPG Industries Incorporated	AA3	11.250	05-01-13
Quaker State Oil Refining Corporation	AA3	8.000	02-15-85
Superior Oil Company	BAA2	8.875	03-15-08
Tenneco Incorporated	AA3	14.375	12-01-91
Times Mirror Company	A2	13.375	01-15-91
Union Camp Corporation	AA3	9.625	09-15-86
Union Carbide Corporation	AA2	11.000	05-01-13
	A-1	8.500	01-15-05
Westvaco Corporation	A-1	7.500	12-15-06
Total Industrial and Miscellaneous	A-1	12.125	11-01-12
Pipeline			
Natural Gas Pipeline Company of America	A2	8.200	08-01-86
Public Utilities			
Cleveland Electric Illuminating Company	A2	8.375	12-01-11
Consumers Power Company	BAA3	6.875	05-01-98
	BAA3	8.625	08-01-03
Duke Power Company	AA3	14.875	03-01-10
General Telephone Company Southwest	A3	14.000	11-01-10
Georgia Power Company	BAA1	13.250	02-01-13
Long Island Lighting Company	BAA3	13.500	05-01-13
Louisiana Power & Light Company	BAA3	13.500	03-01-13
Mountain Fuel Supply Company	A2	4.875	09-01-86
New York State Electric & Gas Corporation	BAA2	18.000	02-01-12
	BAA2	13.625	12-01-12

Par Value	Book Value		Moody's Quality Rating	Coupon Rate	Maturity Date	Pa Val	
CORPORATE OBLIGATIONS							
Public Utilities (Continued)							
\$ 5,000,000	5,000,000	orthern Illinois Gas Company	AA2	11.00%	03-01-93	\$ 5,000,000	
5,000,000	4,990,477	orthern Indiana Public Service Company	A3	11.200	05-01-93	2,000,000	
5,000,000	5,000,000	acific Gas & Electric Company	A-1	12.000	02-01-16	9,000,000	
3,500,000	3,552,500	acific Telephone & Telegraph Company	A3	12.700	11-15-19	2,000,000	
5,000,000	5,000,000	ennsylvania Electric Company	BA3	9.375	04-01-00	2,000,000	
7,050,000	7,056,923		B-1	8.125	01-01-96	3,000,000	
2,000,000	2,000,000	ennsylvania Electric Company	BA3	8.375	07-01-03	4,000,000	
5,000,000	4,990,327	nion Electric Company	BAA2	15.000	09-01-92	3,000,000	
170,399,000	164,616,082	isconsin Electric Power Company	AA-1	13.750	12-01-86	2,000,000	
Total Public Utilities							
Telephone							
5,000,000	4,975,000	acific Telephone and Telegraph Company	A3	7.250	02-01-08	5,000,000	
6,000,000	6,147,875	outh Central Bell Telephone Company	A-1	8.250	08-01-13	5,000,000	
5,000,000	4,954,750		A-1	12.875	10-01-20	6,000,000	
10,000,000	9,790,916	outhern Bell Telephone and Telegraph Company	A-1	8.250	04-15-16	5,000,000	
5,000,000	5,000,000		A-1	12.875	10-05-20	5,000,000	
7,865,000	7,865,000	outhwestern Bell Telephone Company	A2	11.500	04-18-23	2,000,000	
10,000,000	10,000,000					28,000,000	
3,800,000	3,648,000	Total Telephone					
12,168,000	11,625,835	Transportation					
5,000,000	5,000,000	ion Pacific Railroad Company	AAA	13.150	11-01-94	5,000,000	
4,000,000	3,989,369	TOTAL CORPORATE OBLIGATIONS					775,100,000
8,000,000	8,000,000	CONVERTIBLE ISSUES					
5,000,000	4,980,187	Alexander & Alexander Services Incorporated	NR	11.000	04-15-07	3,400,000	
5,000,000	4,700,600	merican General Corporation	NR	11.000	02-08-07	2,200,000	
5,000,000	4,986,752		NR	11.000	11-04-08	1,200,000	
220,000,000	10,000,000	merican Medical International Incorporated	BAA1	8.250	04-01-08	9,000,000	
5,180,000	5,308,741	ankamerica Realty Investors	BAA1	9.500	06-01-08	1,500,000	
8,800,000	8,814,960	apanese Corporation	BAA1	9.750	06-15-06	3,400,000	
8,000,000	8,000,000	omas and Nettleton Financial Corporation	NR	9.750	02-15-08	1,000,000	
316,800	316,800	lapco Incorporated	BA-1	10.000	05-15-05	1,000,000	
4,775,000	4,775,000	ational Medical Enterprises Incorporated	BA-1	8.000	05-15-08	2,000,000	
10,000,000	9,919,048	lin Corporation	BAA1	8.750	06-01-08	1,000,000	
2,000,000	1,284,003	edmont Aviation Incorporated	BA2	6.000	12-01-07	1,800,000	
11,940,000	11,940,000	ate Street Boston Corporation	A3	7.750	05-01-08	3,100,000	
5,000,000	4,978,537	evens (J.P.) and Company Incorporated	NR	9.000	05-15-08	3,000,000	
3,700,000	3,205,125	un Incorporated	A-1	10.750	04-01-06	7,800,000	
8,318,600	7,082,138	extron Incorporated	A3	7.750	06-15-05	4,000,000	
5,000,000	5,000,000	idewater Incorporated	BAA3	7.750	12-01-05	2,800,000	
5,000,000	5,200,000	TOTAL CONVERTIBLE ISSUES					39,600,000
2,000,000	1,998,000	TOTAL BONDS AND CORPORATE NOTES					2,164,160,000
13,213,000	10,504,335	PREFERRED STOCKS					
8,000,000	5,486,066	Meghery International Incorporated \$11.25					
10,000,000	10,000,000	llied Corporation 6.74					
8,300,000	4,772,500	ethlehem Steel Corporation 5.00					
3,400,000	3,400,000	olse Cascade Company 5.00					
5,000,000	5,000,000	ity Investing Company 2.875					
5,000,000	4,995,073	rown Zellerbach Corporation 4.625					
600,000	626,000	enstar Indonesia Incorporated					
6,000,000	5,951,377	aufman and Broad Incorporated 8.75					
5,000,000	4,978,605	ational Steel Corporation 5.00					
10,000,000	9,984,950	Regis Capital Corporation 4.30					
6,000,000	5,935,080	ited States Steel Corporation 12.75					
6,000,000	4,602,180	TOTAL PREFERRED STOCKS					
5,000,000	3,528,570	TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK					
5,000,000	4,971,875						
493,396,400	268,223,249						
5,000,000	5,000,000						
5,200,000	3,614,000						
5,560,000	3,470,774						
5,000,000	3,530,000						
1,000,000	1,127,500						
4,800,000	5,409,750						
3,000,000	3,015,000						
5,000,000	4,825,000						
950,000	946,485						
1,960,000	1,963,569						
2,000,000	2,517,500						
5,000,000	4,968,750						

SHORT TERM INVESTMENTS

	Moody's Quality Rating	Coupon Rate	Maturity Date
Allied Bancshares Incorporated	NR	9.150%	08-04-83
AMOCO Credit Corporation	NR	8.650	07-08-83
Bankers Trust Company	NR	8.770	08-15-83
	NR	9.125	09-13-83
Caterpillar Co-Op	NR	9.000	07-15-83
Chase Manhattan Bankers Acceptance	NR	8.950	09-14-83
Chemical New York Corporation	NR	9.200	07-25-83
Dana Corporation	NR	8.875	07-13-83
DuPont (E.I.) De Nemours and Company	NR	8.900	07-11-83
Export Development Corporation	NR	8.850	07-12-83
	NR	9.250	07-12-83
Federated Department Stores Incorporated	NR	8.375	07-01-83
First City National Bank of Houston	NR	9.125	09-01-83
First National Bank of Chicago	NR	8.950	09-06-83
General Mills Incorporated	NR	8.650	07-07-83
	NR	8.850	07-13-83
General Motors Acceptance Corporation	NR	9.000	07-07-83
Harris Bank Investment Reserve Fund	NR	—	00-00-00
Harris Bank Due From Broker	NR	—	00-00-00
Interfirst Corporation	NR	8.750	07-06-83
	NR	8.650	07-15-83
Jack Eckerd Corporation	NR	8.875	07-19-83
Manitoba Hydro Electric Commission	NR	8.830	07-07-83
Mellon Bank Bankers Acceptance	NR	9.100	09-20-83
	NR	9.125	09-20-83
Mellon North America Corporation	NR	10.120	05-19-86
Merrill Lynch and Company Incorporated	NR	9.000	07-15-83
	NR	9.050	07-20-83
Mitsubishi Bank Short Term Investment Fund	NR	—	00-00-00
Morgan Guaranty Trust Company New York	NR	8.980	09-06-83
	NR	8.350	08-24-83
Morgan (J.P.) and Company	NR	9.100	07-20-83
Nestles Capital Corporation	NR	9.000	07-25-83
Republic Bank of Dallas Bankers Acceptance	NR	9.125	09-22-83
Rite Aid Corporation	NR	9.000	07-18-83
San Onofre Fuel Company	NR	9.450	07-27-83
Sears Roebuck Acceptance Corporation	NR	9.250	07-18-83
Security Pacific Corporation	NR	8.750	07-12-83
Security Pacific National Bank	NR	9.100	08-18-83
South Central Bell Telephone Company	NR	8.625	07-01-83
Southwest Bancshares Incorporated	NR	8.750	07-06-83
Square D Company	NR	8.650	07-07-83
U.S. Treasury Bills	AAA	—	11-17-83
Walt Disney Productions	NR	8.650	07-05-83

TOTAL SHORT TERM INVESTMENTS

COMMON STOCKS

	Shares
Air Transport	
Boeing Company	100,000
EDO Corporation	100,000
General Dynamics Corporation	17,000
Grumman Corporation	23,300
Lockheed Corporation	108,200
Martin Marietta Corporation	35,800
United Technologies Corporation	33,000
Automobiles and Auto Parts	
American Motors Corporation	
BTR Limited	
Chrysler Corporation	93,100
Eaton Corporation	40,000
Firestone Tire and Rubber Company	271,100
Ford Motor Company	26,000
Fruehauf Corporation	47,800
General Motors Corporation	153,000
General Tire and Rubber Company	82,300
Goodrich (B.F.) Company	261,100
Goodyear Tire and Rubber Company	99,552
Honda Motor Limited	76,100
Libbey-Owens-Ford Company	120,300
Timken Company	100,000
	90,000
	43,600

COMMON STOCKS

	Shares	Book
Construction		
Armstrong World Industries Incorporated	136,300	\$
Dravo Corporation	700	
Mohasco Corporation	65,600	
National Gypsum Company	88,600	
Owens-Corning Fiberglas Corporation	100,000	
U.S. Home Corporation	135,000	
United States Gypsum Company	48,400	
Electrical and Electronic		
Avnet Incorporated	271,000	
Corning Glass Works	47,900	
Diasonics Incorporated	50,000	
Electronic Data System Incorporated	360,600	
Electronic Memories and Magnetics Corporation	54,100	
Electrospace System Incorporated	58,300	
General Electric Company	60,000	
General Instrument Corporation	190,200	
Gould Inc.	170,000	
Hewlett Packard Company	159,100	
Hitachi Limited	100,000	
Hoover Company	42,000	
Intel Corporation	31,100	
MCI Communications Corporation	264,000	
Makita Electric Works Limited	80,000	
Matsushita Electric Works Limited	120,000	
Mohawk Data Science Corporation	75,700	
Motorola Incorporated	132,500	
National Semiconductor Corporation	15,000	
Philips NV	50,000	
RCA Corporation	152,000	
Teradyne Incorporated	58,600	
Westinghouse Electric Corporation	100,800	
Food, Soap and Tobacco		
Beatrice Foods Company	60,000	
Castle and Cooke Incorporated	253,500	
General Foods Corporation	50,000	
General Mills Incorporated	80,800	
Heineken N V	7,500	
Lancaster Colony Corporation	21,300	
Morton Thiokol Incorporated	48,700	
Philip Morris Incorporated	63,800	
Reynolds (R.J.) Industries	22,400	
Sysco Corporation	155,000	
Health Care and Cosmetics		
Abbott Laboratories	68,400	3,175
Avon Products Incorporated	250,000	5,460
Baxter Travenol Laboratories Incorporated	160,000	5,330
Bristol Myers Company	45,000	1,720
Comprehensive Care Corporation	44,000	1,240
Hospital Corporation of America	159,999	5,100
Johnson and Johnson	94,000	4,350
Lifemark Corporation	187,500	3,730
Lilly (Eli) and Company	50,000	2,820
National Medical Enterprises Incorporated	287,500	8,190
Schering Plough Corporation	165,000	7,390
Smithkline Beckman Corporation	12,200	843
Syntex Corporation	78,500	4,133
Upjohn Company	1,700	82
Warner Lambert Company	80,000	2,429
Insurance		
Aetna Life and Casualty Company	40,000	1,624
Farmers Group Incorporated	70,000	2,470
Marsh and McLennan Companies Incorporated	62,800	2,598
Safeco Corporation	5,000	287
St. Paul Companies	19,700	1,307
Travelers Corporation	83,000	1,822

COMMON STOCKS

Book Value

\$ 2,466,639
8,414
699,657
2,530,135
2,110,572
2,336,537
1,999,043

9,204,295
3,330,408
1,265,000
8,203,650
217,621
1,774,575
3,330,388
7,862,771
6,045,238
7,920,263
352,938
416,980
1,523,673
12,095,426
361,217
309,602
1,046,522
10,951,374
573,100
833,910
4,212,335
1,244,011
4,445,639

1,489,200
2,233,333
2,145,450
4,305,378
303,293
264,475
3,146,020
4,006,120
1,161,284
4,235,100

3,175,540
5,466,250
5,334,443
1,726,264
1,240,120
5,105,977
4,351,332
3,730,487
2,829,546
8,190,500
7,394,545
843,066
4,133,570
82,909
2,429,400

1,624,000
2,470,000
2,598,580
287,500
1,307,036
822,476

Shares Book Value Market Value

Leisure and Entertainment

American Broadcasting Companies Incorporated	98,400	\$ 6,084,202	6,199,2
Capital Cities Communications Incorporated	106,500	11,715,635	15,921,7
Prime Motor Inns Incorporated	45,000	870,000	1,006,8

Machinery and Equipment

Acme Cleveland Corporation	45,100	859,502	1,150,0
American Hoist and Derrick Company	61,500	570,105	968,6
Amsted Industries Incorporated	8,100	153,405	230,8
ISN Corporation	1,250	300,983	299,6
Caterpillar Tractor Company	125,000	5,467,746	5,906,2
Clark Equipment Company	12,300	227,984	412,0
Dait Industries Incorporated	1,000	26,770	41,7
Deere and Company	100,000	3,663,095	3,425,0
Foster Wheeler Corporation	62,000	869,240	976,5
BATX Corporation	60,000	1,995,752	2,010,0
Harnischfeger Corporation	2,000	12,730	21,0
Ingersoll-Rand Company	54,900	2,273,373	2,895,9
Joy Manufacturing Company	84,600	1,958,067	2,559,1
Colmorgen Corporation	63,500	2,223,192	2,159,0
Midland Ross Corporation	42,700	641,454	875,3
Omack Industries Incorporated	21,100	401,322	588,1
Pall Corporation	58,566	1,907,581	2,401,2
Reynold Incorporated	47,300	519,784	739,0
Smith International Incorporated	16,500	398,393	418,6
White Consolidated Industries Incorporated	33,500	1,298,125	1,402,8

Mining—Metals

Aluminum Company of America	87,600	2,542,152	3,241,2
Amax Incorporated	54,000	1,695,771	1,478,25
Arco Incorporated	144,700	2,354,632	2,586,51
Asarco Incorporated	77,800	2,135,381	3,043,92
Bethlehem Steel Corporation	131,800	2,421,786	3,113,77
Cleveland-Cliffs Iron Company	21,000	443,795	496,12
Homestake Mining Company	141,000	2,530,598	4,705,87
Inland Steel Company	57,800	1,830,830	1,878,50
Kaiser Aluminum and Chemical Corporation	187,700	2,719,967	3,754,00
Newmont Mining Corporation	55,600	2,530,912	2,919,00
Phelps Dodge Corporation	99,700	2,383,419	2,816,52
Phibro Salomon Corporation	232,900	14,513,523	17,671,28
Quanex Corporation	28,100	229,475	224,80
Sunshine Mining Company	132,000	1,265,840	2,095,50
United States Steel Corporation	135,600	2,594,900	3,356,10

Office Equipment

Apple Computer Incorporated	160,000	4,986,021	7,820,00
Canon Incorporated	50,000	323,933	306,93
Convergent Technologies Incorporated	69,500	2,530,587	2,606,25
Data General Corporation	28,300	1,835,419	1,598,95
Diebold Incorporated	106,500	9,661,241	8,307,00
Digital Equipment Corporation	107,000	11,871,819	12,786,50
International Business Machines Corporation	245,100	17,884,076	29,473,27
NCR Corporation	33,500	4,055,979	3,936,25
Quotron System Incorporated	51,500	2,677,125	3,064,25
Tandem Computers Incorporated	47,500	1,332,238	1,395,31
Wang Laboratories Incorporated	188,400	6,992,368	7,536,00

Oil and Gas

Amerada Hess Corporation	172,900	4,420,007	5,078,93
Atlantic Richfield Company	154,900	6,170,871	7,590,10
Enstar Corporation Del	30,900	516,056	691,38
Exxon Corporation	255,000	6,050,329	8,606,25
Getty Oil Company	71,000	5,173,471	4,890,12
Kerr McGee Corporation	41,200	1,341,399	1,472,90
Louisiana Land and Exploration Company	65,000	1,788,800	2,006,87
Mitchell Energy and Development Corporation	18,700	462,262	575,02
Mobil Corporation	200,000	4,173,806	6,300,00
Phillips Petroleum Company	53,900	1,816,515	1,899,97
Sabine Corporation	69,000	1,448,347	1,785,37
Shell Oil Company	83,700	3,286,899	4,090,83
Standard Oil Company of California	19,200	703,584	753,60
Standard Oil Company of Indiana	47,800	2,166,452	2,461,70
Superior Oil Company	45,000	1,222,440	1,760,625
Texaco Incorporated	100,000	3,545,527	3,475,000
Texas Oil and Gas Corporation	93,200	3,508,165	5,087,555
Ultramar Company Limited	30,000	294,612	295,668
Unocal Corporation	29,200	931,334	1,043,900

COMMON STOCKS

	Shares	Book
Oil Support Services		
Baker International Corporation	181,100	5.31
Halliburton Company	264,700	6.12
Hughes Tool Company	164,900	3.12
N L Industries Incorporated	64,300	1.12
Rowan Companies Incorporated	43,000	.85
Schlumberger Limited	106,200	4.52
Sedco Incorporated	53,500	2.02
Western Company of North America	6,900	
Paper and Forest Products		
American Can Company	56,100	2.02
Balse Cascade Corporation	96,300	2.58
Champion International Corporation	63,600	1.32
Crown Zellerbach Corporation	126,500	2.65
Federal Paper Board Company Incorporated	3,000	.06
Georgia Pacific Corporation	120,000	3.03
Great Northern Nekoosa Corporation	15,100	.66
Kimberly Clark Corporation	45,700	3.68
Louisiana Pacific Corporation	83,430	1.72
Mead Corporation	2,000	.31
Potlatch Corporation	20,700	.54
St. Regis Corporation	56,800	1.25
Westvaco Corporation	4,800	.14
Weyerhaeuser Company	228,700	8.79
Photographic and Related		
Berkey Photo Incorporated	49,100	1.95
Eastman Kodak Company	76,000	5.35
Minnesota Mining and Manufacturing Company	74,000	5.48
Polaroid Corporation	49,200	1.24
Printing and Publishing		
Dun and Bradstreet Corporation	43,200	2.71
Gannett CO Incorporated	170,800	6.80
New York Times Company	30,400	2.13
Time Incorporated	132,000	4.98
Washington Post Company	30,000	2,004.6
Retail Trade		
Associated Dry Goods Corporation	30,500	1,918.8
Carter Hawley Hale Stores Incorporated	150,000	2,754.7
Dayton-Hudson Corporation	112,000	5,196.6
Federated Department Stores Incorporated	9,700	621.7
Great Atlantic and Pacific Tea Company	27,700	208.7
Kroger Company	52,300	2,056.6
Macy (R.H.) and Company Incorporated	52,500	2,242.8
Payless Cashways Incorporated	344,000	4,637.3
Penney (J.C.) Company	13,000	880.7
Sears Roebuck and Company	250,000	8,803.0
Southland Corporation	50,000	1,729.3
Super Valu Stores Incorporated	89,600	2,626.3
Tandy Corporation	162,700	6,745.4
Vornado Incorporated	14,200	222.1
Woolworth (F.W.) Company	196,100	3,495.5
Textiles and Apparel		
Brown Group Incorporated	27,800	2,085.5
Farah Manufacturing Incorporated	59,900	338.8
Kellwood Company	5,500	65.6
Melville Corporation	69,000	2,831.1
Simplicity Pattern Company Incorporated	24,700	172.6
United States Shoe Corporation	11,400	410.2
V F Corporation	31,600	1,203.8
Transportation—Air		
AMR Corporation Del	53,600	1,495.0
Delta Air Lines Incorporated	25,000	1,087.0
Federal Express Corporation	32,500	2,517.8
Northwest Airlines Incorporated	79,000	2,578.9
Piedmont Aviation Incorporated	152,000	4,945.2
Republic Airlines Incorporated	18,500	103.0
Texas Air Corporation	10,000	125.0
U A L Incorporated	68,100	2,383.4
U.S. Air Group Incorporated	110,900	3,271.9

COMMON STOCKS

Book Value		Shares	Book Value	Market Value
Transportation Excluding Air				
\$ 3,082,322	Capco Incorporated	137,800	\$ 3,172,156	3,737,825
6,505,871	Overseas Shipholding Group Incorporated	100,100	1,513,215	2,089,588
3,260,073	Ann Central Corporation	65,500	2,156,449	2,603,625
891,199	Seaway Services Incorporated	42,000	2,593,500	2,551,500
597,385	Monte Fe Industries Incorporated	99,300	2,335,536	2,817,638
4,559,249	Go Line Railroad Company	4,100	91,122	139,400
2,001,124	Southern Pacific Company	74,200	2,542,809	5,342,400
44,126	Union Pacific Corporation	96,000	3,694,892	5,556,000
	Yellow Freight System Incorporated Del	113,000	2,267,075	3,503,000
Utilities				
2,036,387	American Telephone and Telegraph Company	226,000	12,745,451	14,351,000
2,591,351	Arizona Public Service Company	3,500	81,883	84,438
1,311,422	Arkio Incorporated	47,000	1,007,304	1,222,000
2,651,330	Baltimore Gas and Electric Company	4,600	128,317	130,525
63,435	Central Corporation	68,300	2,687,767	2,561,250
3,035,413	Central and South West Corporation	108,700	1,850,074	1,970,188
661,116	Consolidated Edison Company of New York	134,500	2,625,440	2,992,625
3,687,536	Consumers Power Company	22,900	448,921	455,138
1,723,870	Duke Power Company	55,000	1,234,800	1,251,250
36,540	Ericsson (LM.) Telephone Company ADR SER B	23,500	1,468,750	1,313,063
543,739	Ericsson (LM.) Telephone Company Class A	6,000	337,505	333,312
1,250,736	ITE Corporation	22,500	809,684	916,875
148,047	ITE International Corporation	40,000	605,800	1,010,000
8,790,786	Kansas Power and Light Company	900	20,493	23,400
	Middle South Utilities Incorporated	102,000	1,523,736	1,530,000
195,067	Pacific Power and Light Company	42,500	808,350	945,625
5,356,046	Philadelphia Electric Company	8,700	133,937	144,638
5,483,021	Pioneer Corporation Texas	23,400	552,274	731,250
1,242,834	Orlando General Electric Company	241,700	3,751,184	3,323,375
	Public Service Electric and Gas Company	76,600	1,638,857	1,685,200
	Southern California Edison Company	89,500	3,071,965	3,177,250
	Southern Company	246,900	3,884,027	3,857,792
2,719,109	Enneco Incorporated	120,000	5,012,944	4,890,000
5,803,320	Texas Utilities Company	20,600	487,087	502,125
2,132,560	Wconsin Electric Power Company	188,500	4,235,670	5,278,000
1,982,070				
1,004,600				
TOTAL COMMON STOCKS			\$827,374,009	1,027,561,629

918,863
754,726
196,643
521,770
208,737
056,624
242,850
37,302
80,776
03,053
29,326
26,360
45,483
22,159
75,564

5,556
8,845
5,665
1,185
2,616
2,214
8,831

065
000
848
955
226
070
000
463
918