



Teachers' Retirement System  
of the State of Illinois

P.O. Box 4057, 2815 West Washington  
Springfield, Illinois 62708

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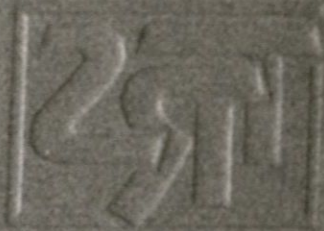
Teachers' Retirement System  
of the State of Illinois

DEPOSITORY

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UNIVERSITY OF ILLINOIS  
ST. URBANA, ILLINOIS

1985 ANNUAL FINANCIAL REPORT



# Teachers' Retirement System of the State of Illinois

Annual  
Financial  
Report  
1985



**trust** (trust), *n.*  
a property interest held by one person for the benefit of  
another; something committed or entrusted to one to be  
used or cared for in the interest of another.



The members of the Teachers' Retirement System Board of Trustees June 30, 1985 were, standing, from left: Gary K. Anderson, Decatur; Judith Fitch Tucker, Board vice-president, Darien; Robert L. Barrow, Carbondale; Ted Sanders, Board president, Springfield; Louise Brian Williams, Mt. Carmel; Bob Daniels, Springfield; seated, from left: Gary Elmen, Bloomington; Anne Davis, Springfield.

Administrative Staff

**Samuel W. Anderson**  
*Executive Director*

**Charles F. Hofer**  
*Investment Officer*

**Fred Husmann**  
*Associate Director*

**Chester C. Wozniak**  
*Associate Director*

**David L. Boyer**  
*Manager, Data Processing*

**William Brewer Jr.**  
*Assistant Director*

**Louis W. Kosiba**  
*General Counsel*

**Rodney C. Senn**  
*Assistant Director*

**William L. Smith**  
*Controller*



**Teachers' Retirement System**  
of the State of Illinois

2815 West Washington Street • Springfield, Illinois 62708 • Phone 217/753-0311  
477 East Butterfield Road • Lombard, Illinois 60148 • Phone 312/969-3240

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Matt Ferguson, pages 2, 4.



Samuel W. [Name obscured]

*“The foremost goal of the System is assuring retirement security for members.”*

**A**s a trust fund for over 167,000 members, annuitants and benefit recipients, the Teachers' Retirement System of the State of Illinois (TRS) provides retirement and other benefits, offers a wide range of information services and is entrusted with investment of member funds. The foremost goal of the System is assuring retirement security for members.

This annual financial report provides comprehensive financial information about the System for the year ended June 30, 1985 (FY85), as well as an overview of the System's financial status and general operations. It also presents historic trends concerning benefit costs, funding and investment experience.

### Benefits

The System administers primarily a defined benefit retirement program for all certificated elementary and secondary education professionals in the State of Illinois outside the City of Chicago. Retirement benefits are based on years of service and average salary.

The System's new retirees numbered 2,336 in fiscal year 1985. The median monthly benefit was \$815, up 13 percent from the FY84 benefit of \$967 for new retirements. More members retired during FY85 than in any year in the last 10, up almost 27 percent from FY84 and 53 percent from FY80 which had the fewest new retirements in the past decade.

The dollar amount of benefits for new retirees has risen 103 percent over the last ten years from a median monthly benefit for new FY76 retirees of \$536. This rise in benefits resulted primarily from increases in average salaries, since the formula used to calculate retirement annuities has not changed over the past ten years. The last change in the benefit formula was in 1971 which established the existing graduated formula for computing retirement annuities.

TRS retirement benefits are calculated by multiplying a formula factor times a member's average salary. Of nine other public retirement systems in the nation which cover teachers exclusively and are not coordinated with Social Security, five systems have formulas which allocate 2 percent for each year of service. The System's graduated retirement benefit formula starts at 1.67 percent for the first ten years of service and rises to 2.3 percent for each year over 30 years of service.

A significant advantage to members was the passage of the early retirement option legislation in 1977 which enables members to retire before reaching age 60 without a discount if certain qualifications are met and the required contributions are made to the System. Each year, approximately one-fourth of new TRS retirees choose this option. Twenty-eight percent of the fiscal year 1985 retirees used the early retirement option.

### Post-retirement benefits

Many of the 35,628 annuitants already in retirement have seen the real value of their annuity payments dramatically decreased by inflation. The current formula provides for post-retirement increases of three percent of the original pension. To maintain purchasing power based on the Consumer Price Index (CPI) over the last ten years, the annuities of members retiring in 1976 would have had to increase by 88.9 percent. However, TRS benefits rose only 29 percent during that period. Of nine other systems covering teachers, three have post-retirement increases which follow the Consumer Price Index.

The last change in the post-retirement benefit formula was in 1979 when the annual increase over the original annuity was raised from 2 to 3 percent for qualifying annuitants. During the last five years, however, there have been three ad hoc post-retirement increases which targeted specific groups of annuitants.

Another benefit for annuitants, the TRS health and prescription drug insurance plan, was also initiated in 1979. As of June 30, 1985, 13,534 persons were covered by the plan. TRS subsidizes the health insurance premiums of participating annuitants and is working to improve the program for those annuitants who have no other source of health insurance.

### Disability and survivor benefits

Disability and survivor benefits are also provided by the System. As of June 30, 1985, 3,459 individuals were receiving monthly survivor benefits. The median monthly survivor benefit paid to 425 new FY85 recipients has risen almost 20 percent over the past ten years, to \$309. In addition, during FY85 637 lump sum survivor benefit payments were made.

The median disability benefit paid to new recipients rose 52 percent over the last decade. At fiscal year end these benefits were drawn by 1,026 individuals, or about one percent of the System's active members. Disability benefits at 40 percent of current salary were paid to 368 members who received a median monthly benefit of \$787. Benefits at 35 percent of salary were paid to 649 members who remained disabled following the expiration of their eligibility for disability benefits at the higher rate. Accidental disability benefits at 60 percent of salary were paid to nine System members during FY85.

Detailed ten-year data on the System's annuitants, new retirees, disability and survivor benefit recipients, and active members are included in the Benefits Summary.

### Member Services

As a trust fund established to provide benefits to its members, the System provides a number of services relating to members' informational needs. During FY85, 4,142 System members met with TRS retirement consultants around the state to learn more about their individual retirement benefits. These consultants met with an additional 1,333 TRS members at both the Springfield and the northern area field offices in Lombard.

One hundred and thirty-six groups of active and retired members throughout Illinois heard TRS consultants explain benefits, investment activity and legislation during FY85. Attending those meetings were 7,161 members. Consultants also answered 15,523 phone inquiries by System members during the year.

Over 125 visitors visit the TRS office monthly. An average of 7,600 letters concerning System benefits and operations are also received monthly at the Springfield office.

During FY85, the *Member Guide to the Teachers' Retirement System* was mailed to TRS active members. In addition, each annuitant was mailed a *Retired Member Guide*. These publications will be revised periodically and updates of legislative changes appear in the System's active and retired member newsletters. Active members annually receive a statement of account which delineates individual member contributions, service credit and beneficiary information.

### State funding of the trust fund

The System is funded through contributions from members, State of Illinois appropriations from the Common School, General Revenue and State Pension Funds, investment income and, to a limited extent, through contributions from school districts.

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*“Many of the 35,628 annuitants already in retirement have seen the real value of their annuity payments dramatically decreased by inflation.”*

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The System's over 97,000 active members paid \$206.8 million, or 8 percent of their salaries to the trust fund. Members' contributions are refundable, without interest, when members leave from qualified employment. The refund consists of all retirement contributions made by the member, except for the interest and one percent survivor benefit contributions which are refundable only on retirement of a member with no dependent beneficiaries.

As a trust fund, the System holds member and employer contributions for future benefit payments. Appropriations from the State of Illinois should represent the employer's share of current and future benefit obligations.

The employer cost of benefits accruing for current service was 7.4 percent of member payroll of \$2.9 billion for FY85. This amount was determined by actuaries as the amount required to pay the benefits currently being earned by the System's members. In addition, the employer obligation includes the unfunded obligation calculated at a 7 percent actuarial assumption. This amount represents an additional obligation of 10.3 percent of payroll or \$253 million. To maintain a stable unfunded obligation, the employer contribution should have been 17.7 percent or \$437 million. The FY85 contribution of 7.4 percent of payroll, or \$237 million, fell short of the actuarial requirement as in prior years. The unfunded accrued benefit cost at June 30, 1985 was \$3.7 billion, an increase of \$95 million over 1984. At fiscal year end, the funded ratio of assets to liabilities was 53.4.

The System's audited financial statements with related footnotes for the fiscal year ending June 30, 1985, follow this introductory section. The results of an actuarial valuation conducted by the System as of June 30, 1985, and a description of the actuarial principles used to evaluate the System are presented in the Actuarial Summary. The Actuarial Summary also represents charts of ten year trends representing differing perspectives on the System's actuarial status.

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*“As a trust fund, the System holds member and employer contributions for future benefit payments. Appropriations from the State of Illinois should represent the employer's share of current and future benefit obligations.”*

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#### **Trust fund investments**

The System serves as trustee for the members' trust funds and is responsible for investment of trust funds under the authority of the "prudent person" standard. Adopted in August 1982 by the Board of Trustees, this standard permits the System to establish an investment policy based on member characteristics, plan characteristics, financial requirements of the trust fund, and a prudent risk/reward tradeoff. By permitting optimal diversification of assets within the trust fund, the prudent person standard seeks to lower risk and enhance investment returns.

The prudent person standard has permitted the System to allocate trust funds across a broad range of asset classes, including stocks, bonds and real estate equity. Actions undertaken by the System to control the fund's risk/reward parameters and increase the probability of realizing the trust fund's investment objectives included establishment of a S & P 500 Index Fund which will enable the System to more effectively control the fund's risk/reward parameters and increase the probability of realizing the trust fund's investment objectives.

Investments totaled \$4.17 billion at book value and \$4.50 billion at market value on June 30, 1985, up from \$3.65 billion at book and \$3.55 billion at market June 30, 1984. Investment income including interest and losses for the year was \$445.23 million.

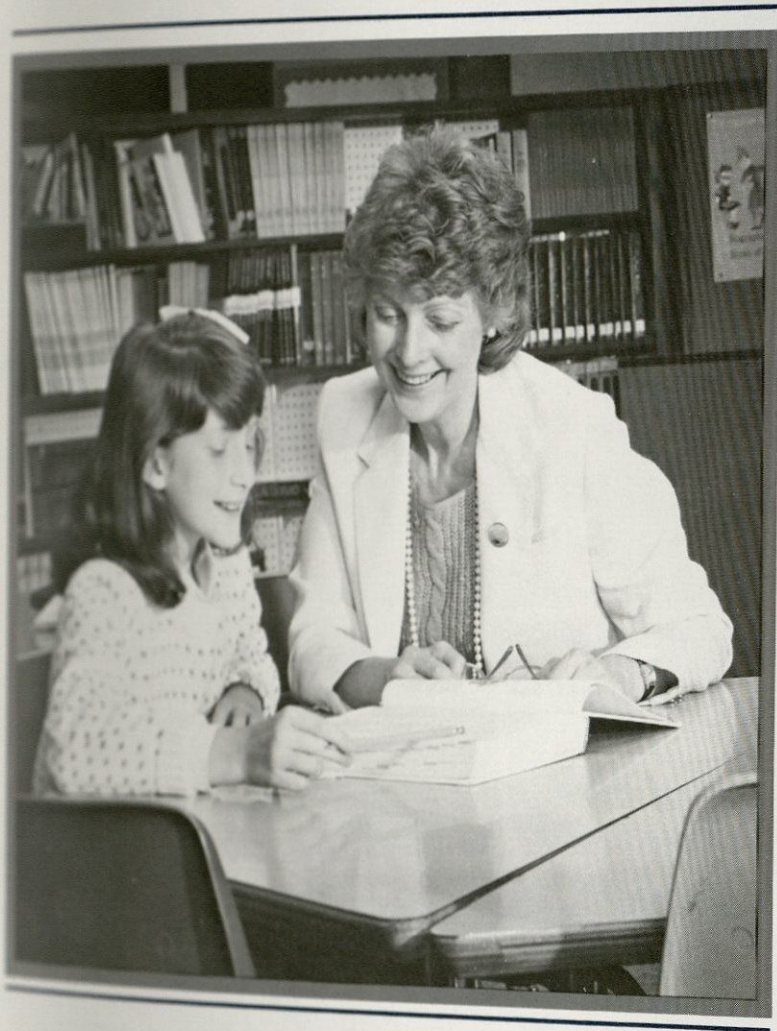
The System's income rate of return during FY85 was 8.6 percent, while the total return was 20.1 percent. Annualized three-year and five-year total returns of 16.7 percent and 12.0 percent respectively far exceeded inflation (CPI) and the trust fund's long-term total return objective.

A summary of the System's investment activities during FY85 and historic performance results are presented in the Investment Summary and is followed by an investment listing.

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

*Samuel W. Anderson*

Samuel W. Anderson  
Executive Director  
October 15, 1985



**trust** (trust), *n.*  
a charge or duty imposed in faith or confidence.



## Auditors' Report

**Deloitte  
Haskins + Sells**

First National Bank Building • Post Office Box 640 • Springfield, Illinois 62705 • (217) 753-1375

Honorable Robert G. Cronson  
Auditor General  
State of Illinois

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

We have examined the statement of financial position of Teachers' Retirement System of the State of Illinois as of June 30, 1985 and the related statement of revenue and expense and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Teachers' Retirement System of the State of Illinois for the year ended June 30, 1984 were examined by other auditors whose report dated November 2, 1984, expressed an unqualified opinion on those statements.

In our opinion, the financial statements for 1985 present fairly the financial position of Teachers' Retirement System of the State of Illinois at June 30, 1985 and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte Haskins + Sells*  
October 15, 1985

STATEMENTS OF FINANCIAL POSITION

	1985	June 30 1984
<b>ASSETS</b>		
Cash	\$ 620,000	304,000
Receivables:		
Contributions from School Districts:		
Salary deductions	10,195,000	8,750,000
Federal and trust funds	3,098,000	3,000,000
Members accounts	22,941,000	20,900,000
Accrued interest and dividends	57,616,000	47,750,000
Total receivables	<u>93,850,000</u>	<u>80,400,000</u>
Investments — Note C	4,168,638,000	3,645,000,000
Property and equipment — Note D	4,122,000	4,000,000
	<u>4,267,230,000</u>	<u>3,729,820,000</u>
<b>LIABILITIES</b>		
Payables:		
Benefits	712,000	600,000
Refunds	859,000	1,100,000
Other	349,000	200,000
	<u>1,920,000</u>	<u>2,000,000</u>
<b>Net Assets</b>	<u>\$4,265,310,000</u>	<u>3,727,770,000</u>
Actuarially determined accrued benefit cost — Note E	\$7,981,610,000	7,348,700,000
Net assets	<u>4,265,310,000</u>	<u>3,727,770,000</u>
<b>Unfunded Accrued Benefit Cost — Note F</b>	<u>\$3,716,300,000</u>	<u>3,620,940,000</u>

*See notes to financial statements.*

Teachers' Retirement System  
of the State of Illinois

**STATEMENTS OF REVENUE AND EXPENSE  
AND CHANGES IN NET ASSETS**

	Year Ended June 30	
	1985	1984
<b>REVENUE</b>		
Contributions:		
Members	\$ 206,839,000	194,761,000
State of Illinois	214,356,000	188,905,000
School Districts:		
Early retirement option	13,015,000	9,053,000
Federal and trust funds	10,219,000	8,901,000
Total contributions	444,429,000	401,620,000
Investment income:		
Interest	281,973,000	260,699,000
Dividends	49,407,000	45,187,000
Other	2,742,000	1,455,000
	334,122,000	307,341,000
Less investment expenses	5,276,000	5,089,000
Total investment income	328,846,000	302,252,000
Gain (loss) on sale of investments	116,381,000	(67,500,000)
Total revenue	889,656,000	636,372,000
<b>EXPENSE</b>		
Benefits:		
Age retirement	237,757,000	213,598,000
Post-retirement	60,918,000	55,496,000
Survivor	16,941,000	14,772,000
Disability	5,868,000	5,333,000
Health insurance	3,094,000	2,412,000
	324,578,000	291,611,000
Refunds	24,327,000	23,746,000
Administrative expenses — Note G	3,232,000	2,837,000
Total expense	352,137,000	318,194,000
Revenue in Excess of Expense	537,519,000	318,178,000
Net assets at beginning of year	3,727,791,000	3,409,613,000
Net Assets at End of Year	\$4,265,310,000	3,727,791,000

See notes to financial statements.

Teachers' Retirement System  
of the State of Illinois

NOTES TO FINANCIAL STATEMENTS

June 30, 1985

**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 securities identified cost 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 annuities, post-retirement increases and death benefits. The State of Illinois is obligated by statute to contribute, through annual appropriations, the funds not otherwise provided which are necessary to maintain 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 which is included elsewhere in this report or the Illinois Pension Code for more complete information.

**NOTE C — INVESTMENTS**

Investments at June 30, 1985 and 1984 are summarized below:

	Cost		Market Value	
	1985	1984	1985	1984
Bonds, corporate notes and preferred stock	\$1,849,939,000	1,385,812,000	1,951,415,000	1,272,777,000
Short term investments	563,089,000	1,048,154,000	563,096,000	1,388,000,000
Common stock	1,678,511,000	1,175,202,000	1,907,747,000	1,192,000,000
Other	77,099,000	35,833,000	79,132,000	3,000,000
	<u>\$4,168,638,000</u>	<u>3,645,001,000</u>	<u>4,501,390,000</u>	<u>3,755,777,000</u>

At June 30, 1985, the System had portfolio securities with a market value of \$433,701,000 on loan to brokers under a fully collateralized securities lending arrangement. Net earnings of \$2,588,000 and \$1,284,000 from securities lending in 1985 and 1984, respectively, is included in other investment income.

**NOTE D — PROPERTY AND EQUIPMENT**

Property and equipment and the related allowances for depreciation at June 30, 1985 and 1984 are summarized as follows:

	1985	1984
Land	\$ 109,000	109,000
Land improvements	301,000	301,000
Building	4,027,000	4,274,000
Equipment	1,245,000	1,307,000
Other	3,000	3,000
	<u>5,685,000</u>	<u>6,794,000</u>
Less allowances for depreciation	<u>1,563,000</u>	<u>1,940,000</u>
Net carrying value	<u>\$4,122,000</u>	<u>4,854,000</u>

The System occupies approximately 48% of the Teachers' Retirement System building. The remaining space is occupied by various tenants under lease arrangements. Net rental income of \$118,000 for 1985 and \$147,000 for 1984 is included in other investment income.

**ACTUARIALLY DETERMINED ACCRUED BENEFIT COST**

Changes in accrued benefit cost (arising from service credits in periods prior to June 30, 1985 and 1984, respectively) were made by a normal cost method with unit credit past service. The more detailed 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
- Monthly rates UP 1984 Table, set back two years
- Salary progression Annual salary increases ranging from 8.8% at age 20 to 4.8% at age 60

Experience studies are required by statute to be performed at least once every four years to determine the adequacy of actuarial assumptions. The most recent experience analysis was performed as of July 1, 1981. During the period of the study, the actuary develops annual actuarial estimates, based upon the most recent experience analysis performed, which are used to determine accrued benefit cost.

The accrued benefit cost, as calculated by the consulting actuary using the above actuarial assumptions, as of June 30, 1985 and 1984 is

	1985	1984
Present value of benefits		
Participants currently receiving benefits	\$3,129,567,000	2,803,253,000
Active members (net of present value of future normal cost)	4,713,847,000	4,409,145,000
Inactive members	<u>138,196,000</u>	<u>136,335,000</u>
Total accrued benefit cost	<u>\$7,981,610,000</u>	<u>7,348,733,000</u>

Since the System is not currently required to and has not adopted the provisions of Statement of Financial Accounting Standards No. 35, "Financial Reporting by Defined Benefit Pension Plans," the System's consulting actuary has calculated the actuarial present value of accumulated benefits based on the method prescribed by the Statement. The actuarial assumptions used in the computations were the same as in the actuarial computations above, except future salary increases were not considered. This information as of June 30, 1985 and 1984 is presented below:

	1985	1984
Accrued benefits		
Participants currently receiving benefits	\$3,129,567,000	2,803,253,000
Other participants	<u>3,198,354,000</u>	<u>2,902,406,000</u>
Unvested benefits	<u>6,327,921,000</u>	<u>5,705,659,000</u>
Actuarial present value of accumulated plan benefits	<u>\$6,781,781,000</u>	<u>6,126,624,000</u>

**UNFUNDED ACCRUED BENEFIT COST**

The unfunded accrued benefit cost for the years ended June 30, 1985 and 1984 is summarized below:

	1985	1984
Unfunded accrued benefit cost at beginning of year	\$3,620,942,000	3,280,098,000
System deductions		
Unfunded cost in excess of contributions	208,703,000	206,159,000
Actuarial losses (gains) compared to assumptions:		
Salary increases	7,775,000	63,632,000
Investment income	(181,051,000)	6,841,000
Other	<u>59,931,000</u>	<u>64,212,000</u>
Net additions	<u>95,358,000</u>	<u>340,844,000</u>
Unfunded accrued benefit cost at end of year	<u>\$3,716,300,000</u>	<u>3,620,942,000</u>

**ADMINISTRATIVE EXPENSES**

Administrative expenses for the years ended June 30, 1985 and 1984 are summarized below (certain 1984 amounts have been reclassified to conform with 1985 presentation).

	1985	1984
General services	\$2,121,000	1,982,000
Professional services	204,000	124,000
Printing	167,000	122,000
Telephone, mail and rental	160,000	138,000
Other contractual services	129,000	102,000
Commodities	131,000	83,000
Printing expense	193,000	183,000
Expenses for depreciation of equipment	<u>127,000</u>	<u>103,000</u>
Total	<u>\$3,232,000</u>	<u>2,837,000</u>





## Actuary's Certification

# Hansen

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A. S. Hansen, Inc. • 1080 Green Bay Road • Lake Bluff, Illinois 60044 • 312-234-3400

September 23, 1985

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, 1985*

In accordance with the provisions of the Teachers' Retirement System of the State of Illinois, we have made an estimate of the actuarial position of the Fund and reserve requirements as of June 30, 1985.

This estimate is based on a census of retired members as of June 30, 1985 and a census of active and inactive members as of June 30, 1984. Net assets used for actuarial purposes are based upon cost or amortized cost values less current liabilities as provided by the Fund office. Plan provisions considered are those in effect June 30, 1985.

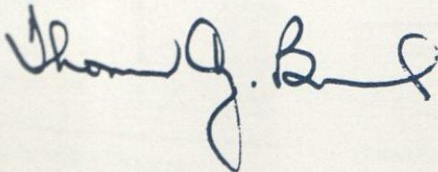
All costs, liabilities, and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures, using an actuarial cost method which we believe to be appropriate.

Actuarial assumptions and methods used are those adopted July 1, 1982 based on the last experience analysis. The unfunded past requirement is that determined as of July 1, 1985, considering actuarial assumptions and plan provisions effective on that date.

In our opinion, the reserve requirement of \$7,981,610,000 is a fair representation of the actuarial position of the Fund as of June 30, 1985.

Respectfully submitted,

A. S. HANSEN, INC.



Thomas G. Brand  
Member, American Academy of Actuaries

TGB:ds

# Actuarial Summary

## Introduction

Since 1939, the Teachers' Retirement System has provided pension and ancillary benefits to teachers in the State of Illinois. Funding of these benefits comes from employee contributions, employer contributions (principally State appropriations) and investment income. Employee contributions established by the *Illinois Pension Code* are currently 8 percent of salary. Investment income and employer funding are primary determinants of the System's financial status.

To assess the funding status of the System, annual estimates of accrued benefit cost are obtained through annual actuarial valuations. To estimate the accrued benefit cost, actuaries use demographic data (such as employee salary and service credits), economic assumptions (such as estimated salary increases and interest rates) and decrement assumptions (such as mortality and disability rates). These estimates are known as actuarial assumptions.

## Actuarial assumptions

Actuarial assumptions are projections based on past experience of the group and other groups with similar circumstances. Assumptions should project future experience over terms of at least 50 years. Experience never coincides exactly with these projections. Differences that occur between assumptions and experience are called actuarial gains and losses. If significant differences exist between assumptions and

experience, there is reason to reassess the assumptions. A review of the assumptions known as an experience analysis is required by statute to be performed at least once every four years. The most recent experience analysis was performed July 1, 1981 and changes to the actuarial assumptions and method were adopted for the June 30, 1982 actuarial valuations.

## Actuarial Assumptions

- **Inflation assumption:** 4 percent per annum (included in investment return and earnings progression per assumptions)
- **Investment return:** 7 percent per annum, compounded annually
- **Retirement age:** Graduated rates for active members. Inactive members are assumed to retire at age 62. Sample annual rates of retirement per 1,000 participants for active members follow:

Age	Male	Female
55	83.0	100.0
60	269.0	250.0
65	750.0	715.0
70	1,000.0	1,000.0

- **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 follow:

Age	Male	Female
20	.35	.70
30	.42	.84
40	.58	1.15
50	1.20	2.40

- **Separation:** Graduated rates based on age and sex variations.
- **Earnings progression:** Merit and longevity increases. Approximate 6 percent per year to earliest date of retirement eligibility. Sample annual percentage increases follow:

Age	Male	Female
20	8.8%	8.8%
30	6.8	6.8
40	6.3	6.3
50	5.5	5.3
60	4.8	4.7

- **Actuarial method:** Attained age normal cost method with unit credit past service.

- **Marital status:** Males - 85 percent; females - 60 percent.

## Actuarial valuation

An important step in an actuarial valuation is application of a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by development of normal cost and accrued benefit cost.

There are several accepted actuarial cost methods. The actuarial cost method used by the System is the attained age normal cost method with unit credit past service. Normal cost is the annual cost of service earned by System members during the fiscal year. The method also assumes that this normal cost would accumulate with interest at a rate sufficient to pay all benefits under the plan. Normal cost is an annual amount which represents a level percentage of pay. This level percentage of pay would be paid until the date each participant retires or terminates service.

Determination of accrued benefit cost under this method complies with disclosure requirements of the National Council on Governmental Accounting Statement No. 6, *Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers*, June 1983.

The current normal cost is 15.4 percent of payroll. Eight percent of this normal cost is paid by the members' contributions. The remaining 7.4 percent is the employers' portion of the normal cost.

## Actuarial Valuation

(In millions of dollars)

	June 30	
	1985	1984
Present value of benefits:		
Participants currently receiving benefits	\$3,129	2,803
Active members (net of present value of future normal cost)	4,714	4,409
Inactive members	138	137
Accrued Benefit Cost	7,981	7,349
Less actuarial value of net assets	4,265	3,728
Unfunded Accrued Benefit Cost	\$3,716	3,621

Prepared in accordance with the National Council on Governmental Accounting Statement No. 6.

## Reconciliation of Unfunded Accrued Benefit Cost

(In millions of dollars)

	Year ended June 30	
	1985	1984
Unfunded accrued benefit cost at beginning of year	\$3,429	3,283
Additions (deductions):		
Employer cost in excess of contributions	209	206
Actuarial losses (gains) compared to assumptions:		
Salary increases	7	66
Investment income	(141)	7
Other	61	66
Net additions	96	145
Unfunded accrued benefit cost at end of year	\$3,716	3,621

Fiscal year 1985 actuarial gains and losses resulted from the following: Average salaries increased by approximately 6.5 percent compared to the 6 percent assumption; investment return, including interest, dividends, and realized losses were 11.8 percent, exceeding the 7 percent assumption; other losses included the retire of prior participants, lower than expected terminations of participants, and lower than anticipated retiree mortality.

Although the System is not currently required to and has not adopted the provisions of Statement of Financial Accounting Standards No. 25, *Accounting and Reporting by Defined Benefit Pension Plans* dated March 1980, the System's consulting actuary has calculated the actuarial present value of accumulated plan benefits based on the method prescribed in the 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.

## Accumulated Plan Benefits

(In millions of dollars)

	1985	1984
Vested benefits:		
Participants currently receiving benefits	\$3,130	2,803
Other participants	3,196	2,953
	6,326	5,756
Nonvested benefits:		
Actuarial present value of accumulated plan benefits	16,762	15,127

Prepared in accordance with the Statement of Financial Accounting Standards No. 25.

## Actuarial funding

Actuarial funding of System benefits in accordance with state law would require annual State appropriations funding the employer cost. Employer cost consists of the employer's normal cost (7.4 percent of payroll) plus interest on the System's unfunded accrued benefit cost. State funding of the employer cost as required by current statute would maintain the unfunded accrued benefit cost at a fixed dollar amount; however, the State has not funded the System on this basis. In recent years until 1982, the State funded the System by reimbursement of benefit payments. Subsequent to 1982, the State appropriation has been set to reimburse portions of benefits payments ranging from 55 percent to 66 percent of benefit payments. Although the System's funding ratio dramatically improved during the last decade, the unfunded accrued benefit cost has also grown dramatically. The current funding practices do not reflect an actuarially-sound funding method.

The Teachers' Retirement System is not subject to the Employee Retirement Income Security Act of 1974 (ERISA) which established funding standards for private pension plans. ERISA standards would require greater annual funding to amortize the System's unfunded accrued benefit cost in the same manner as a home mortgage, with level annual payments of principal and interest over 30 years. However, TRS benefits are an obligation of the State of Illinois and an enforceable contract right.

## Tests of financial soundness

The following three charts show ten year trends representing differing perspectives on the System's actuarial soundness.

### Funding ratios\*

(In millions of dollars)

As of June 30	Net Assets at Cost	Net Assets at Market	Actuarial Funding Requirements	Funding Ratio of Net Assets at Cost	Funding Ratio of Net Assets at Market
1976	\$1,448				
1977	1,655	1,396	3,329	43.5	41.5
1978	1,897	1,597	3,707	44.6	42.5
1979	2,172	1,744	3,989	47.6	43.5
1980	2,497	2,010	4,561	47.6	44.5
1981	2,896	2,277	4,957	50.4	45.5
1982	3,215	2,493	5,390	53.7	46.5
1983	3,410	2,734	6,109	52.6	45.5
1984	3,728	3,605	6,690	51.0	44.5
1985	4,265	3,630	7,349	50.7	49.5
		4,598	7,982	53.4	53.4

\*As required by statute, the System's actuaries conducted an analysis of experience for the four-year periods ended June 30, 1981, 1982, 1983, and 1984, respectively. For actuarial purposes, the effects of this analysis were reflected in the accrued benefit cost for the periods ended June 30, 1977 and June 10, 1982, respectively.

The **Funding Ratios** exhibit shows the percentage of the System's accrued benefit cost covered by net assets. The funding ratio is used to assess the System's ability to make future benefit payments. The exhibit illustrates the percentage of net assets to the System's accrued benefit cost over 10 years, with net assets valued both at cost and at market.

## Employer Cost in Excess of Contributions

(In thousands of dollars)

	Year Ended June 30, 1985
Employer normal cost	\$183,648
Interest on unfunded accrued benefit cost at beginning of year	253,466
	437,114
Minimum retirement benefit funded annually from the State General Revenue Fund and not included in the actuarial valuation of accrued benefit cost	9,179
	446,293
Deduct employer contributions:	
State of Illinois	214,356
Early retirement option	13,015
Federal and trust funds	10,219
	237,590
Employer cost in excess of contributions	\$208,703

## Percentage of benefits covered by net assets

(In millions of dollars)

Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members, Employer Portion (3)	Net Assets	Percentage of Benefits Covered by Net Assets		
					(1)	(2)	(3)
1976	\$ 776	1,435	1,117	1,448	100	47	0
1977	858	1,566	1,283	1,655	100	51	0
1978	955	1,697	1,338	1,897	100	56	0
1979	1,060	1,893	1,607	2,172	100	59	0
1980	1,173	2,011	1,774	2,497	100	66	0
1981	1,298	2,207	1,885	2,896	100	72	0
1982	1,448	2,365	2,296	3,215	100	75	0
1983	1,608	2,565	2,518	3,410	100	70	0
1984	1,778	2,803	2,768	3,728	100	70	0
1985	1,960	3,130	2,892	4,265	100	74	0

The **Percentage of Benefits Covered by Net Assets** exhibit compares the plan's net assets with the member's accumulated contributions, the amount necessary to cover the present value of benefits currently being paid, and the employer's portion of future benefits for active members.

A test of financial soundness of a pension system is its ability to pay all promised benefits when due. Column 1 represents the value of members' accumulated contributions. Members' accumulated contributions include interest currently calculated at the statutory rate of six percent per annum refundable only upon the death of a member. 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, members' contributions would be covered first, then current benefit recipients, and finally the employer portion of the active member benefits.

For a System receiving actuarially determined contribution amounts, the total of actuarial values in Columns 1 and 2 should generally be fully recovered by assets and the portion of the actuarial value of Column 3 covered by assets should increase over time.

## Payroll percentages

(In millions of dollars)

Year Ended June 30	Member Payroll	UNFUNDED ACCRUED BENEFIT COST		EMPLOYER'S COST				EMPLOYER CONTRIBUTIONS		
		Amount	Percent of Payroll	Employer's Normal Cost	Percent of Payroll	Interest On Unfunded Accrued Benefit Cost	Total	Percent of Payroll	Employer Contribution	Percent of Payroll
1976	\$1,490	1,881	126.2	88	5.9	99	187	12.5	143	9.6
1977	1,534	2,052	133.8	96	6.3	106	202	13.2	162	10.6
1978	1,620	2,092	129.1	96	5.9	111	207	12.8	180	11.1
1979	1,721	2,389	138.8	116	6.7	125	241	14.0	195	11.3
1980	1,856	2,460	132.5	125	6.7	129	254	13.7	221	11.9
1981	2,021	2,495	123.5	128	6.3	131	259	12.8	247	12.2
1982	2,177	2,894	132.9	138	6.3	133	271	12.5	169	7.8
1983	2,287	3,280	143.4	164	7.2	203	367	16.1	161	7.0
1984	2,345	3,621	154.4	176	7.5	230	406	17.3	207	8.8
1985	2,472	3,716	150.3	184	7.4	253	437	17.7	237	9.6

The **Payroll Percentages** test compares member payroll to unfunded accrued benefit cost, normal cost and normal cost plus interest. These percentages should decrease over the years if the System is growing stronger.

## State funding summary

The State funding summary exhibit compares state appropriations and other employer contributions to funding requirements, statutory funding requirements and System expense.

### State funding summary

(In millions of dollars)

Fiscal Year Ended June 30	FUNDING REQUIREMENTS				SYSTEM EXPENSE (5)	EMPLOYER CONTRIBUTIONS (6)	System Expense	
	Normal Cost Plus Interest On Unfunded Accrued Benefit Cost (1)	General Revenue Reimbursement Post-Retirement Increases (2)	Actuarial (Columns 1 and 2) (3)	Statutory Requirements Minimum (4)(A)			Actual (7)(B)	Other (8)
1976	\$187	9	196	139	154	143	70.0	14.0
1977	202	8	210	143	174	162	71.1	14.0
1978	207	8	215	151	189	180	81.7	14.0
1979	241	8	249	160	206	195	78.3	14.0
1980	254	7	261	173	224	221	84.7	14.0
1981	259	7	266	188	240	247	82.9	14.0
1982	271	6	277	202	267	169	61.3	14.0
1983	367	6	373	213	288	161	60.2	14.0
1984	406	7	413	218	318	207	60.1	14.0
1985	437	9	446	237	352	237	53.1	14.0

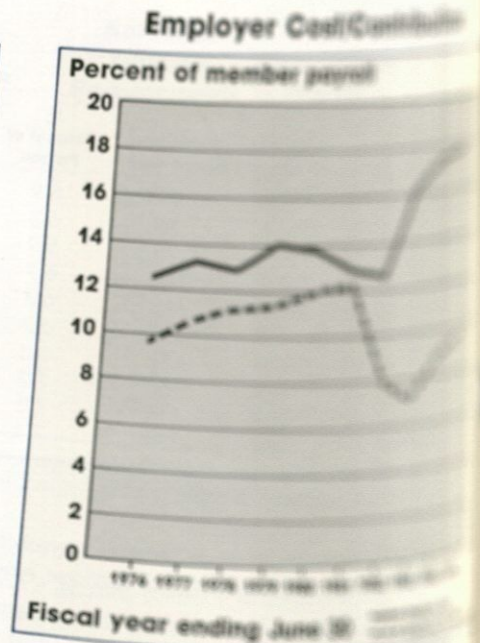
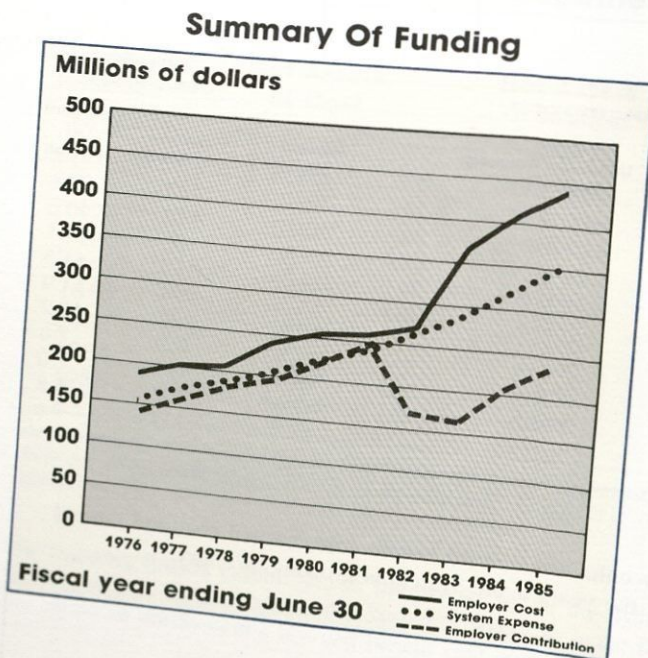
**NOTE A** — 9.6 percent of member payroll — the appropriations amount required by Section 16-158 of the *Illinois Pension Code*.

**NOTE B** — Employer contributions divided by actuarial requirement required by Section 16.159 of the *Illinois Pension Code* (Col. 6 ÷ Col. 3).

**NOTE C** — Employer contributions divided by requirement (Col. 6 ÷ Col. 4).

**NOTE D** — Employer contributions divided by (Col. 6 ÷ Col. 5).

The graph, "Summary of Funding," shows employer cost, employer contribution and System expense and contributions as a percent of member payroll is shown in the "Employer Cost/Contributions" graph.



### Ten Year Summary of Revenue

#### Employee

Year	Month	Net	State	Percent	Investment	Percent	Netto (Summ)	Percent	Other	Total
(1950-1959)	(1-12)	(Appropriation)	(Contributions)	of Total	(Income)	of Total	(on Investments)	of Total		
1950	1-12	158,302	4,211	41.8	74,091	21.6	2,381	0.7	1	342,164
1951	1-12	152,877	4,273	42.5	68,032	23.2	5,095	1.3	8	380,000
1952	1-12	175,345	3,398	41.8	108,383	25.1	10,568	2.5	7	431,632
1953	1-12	188,345	4,740	43.4	138,816	28.9	5,861	1.2	-	481,146
1954	1-12	212,997	8,545	43.3	178,401	32.6	(1,598)	(0.3)	-	549,566
1955	1-12	234,871	12,895	38.7	223,512	35.0	1,109	0.2	-	637,884
1956	1-12	158,988	16,356	28.4	285,533	48.7	(47,249)	(8.1)	-	586,826
1957	1-12	188,837	17,358	33.3	295,311	41.2	(163,881)	(34.0)	-	482,211
1958	1-12	188,833	17,854	32.5	302,252	47.5	(67,503)	(10.4)	-	636,372
1959	1-12	274,356	25,236	26.7	328,846	37.0	116,381	13.1	-	889,656

### Ten Year Summary of Expense

Year	Month	Net	Health &	Percent	Medical &	Percent	Administrative	Percent	Total
(1950-1959)	(1-12)	(Expense)	(Medical Expense)	of Total	(Medical Expense)	of Total	(Expense)	of Total	
1950	1-12	18,748	2,138	5.3	1,835	1.2	1,235	0.8	154,876
1951	1-12	25,112	3,818	5.3	2,231	1.3	1,463	0.8	173,734
1952	1-12	27,136	4,667	5.8	2,495	1.3	1,610	0.9	189,332
1953	1-12	32,348	5,348	5.4	2,680	1.3	1,847	0.9	216,435
1954	1-12	35,247	6,882	5.8	3,122	1.4	1,914	0.9	233,881
1955	1-12	35,338	8,726	6.1	3,478	1.5	2,374	0.9	247,305
1956	1-12	35,132	11,245	6.3	4,242	1.7	2,647	0.9	247,837
1957	1-12	40,563	12,116	6.4	4,112	2.1	2,837	0.9	278,144
1958	1-12	38,488	14,712	6.7	4,746	2.4	2,837	0.9	352,137
1959	1-12	48,114	16,347	6.8	8,762	2.4	3,232	0.9	



# Plan Summary

## Administration

The Teachers' Retirement System was created and is governed by Chapter 108½, Article 16 of the Illinois Revised Statutes. A Board of Trustees, comprised of the Superintendent of Education, four persons appointed by the Governor and four elected members of the System, is authorized to carry out provisions of the Act. The Board appoints an executive director responsible for the general administration of the System.

## Revenue

Three primary sources of revenue for the System are contributions from active members, appropriations from the State of Illinois and investment income. The member contribution rate is 8 percent of gross earnings, designated as follows: 6 1/2 percent for retirement annuity, 1/2 percent for post-retirement increases and 1/2 percent for death benefits.

## Membership

Membership in the System is mandatory for all individuals certified under the provisions of the School Code of Illinois and employed in the public schools of Illinois (Chicago), provided employment is on a regular, full-time basis consisting of four or more clock hours daily; or on a permanent and continuous part-time basis in which services are expected to be rendered for a complete school term.

## Service credit

A member is granted one year of credit for 170 paid days but not more than one year during a fiscal year ending June 30. Subject to limitations, credit is granted for substitute teaching, out-of-system service, an official leave of absence, part-time teaching and military service. Such service requires additional contributions. Credit is added at retirement for up to one year for 170 unused, unpaid sick leave days established with the last employer.

## Disability benefits

A member disabled while employed as a teacher or within 90 days of such employment may be eligible for benefits if two licensed physicians verify the disability. No benefit will be paid while the member is entitled to receive salary (regular or sick leave) from the employer. Three types of disability benefits are available:

**Temporary disability benefits**, available for members with three years of creditable service, pays 40 percent of current salary and adds service credit while the member is in receipt of the benefit.

**Permanent disability benefits** in the form of a disability retirement annuity, are available for members who have received a temporary disability benefit for the same period. This benefit pays the greater of 35 percent of the last salary or the amount computed by the retirement annuity formula.

**Accidental disability benefits** are available to members disabled due to a duty-related accident or illness. This benefit pays 60 percent of current salary reduced to amounts payable under a worker's compensation program. Service credit is earned while this benefit is payable.

## Death benefits

Benefits are available to survivors of members if death occurs while the member is employed as a teacher; during the first year following termination of employment; or during retirement. These benefits consist of a return of the member's accumulated contributions and the payment of survivor benefits.

**Accumulated contributions** are a return of the member's accumulated contributions to the System, plus the statutorily-required interest. Survivors of active members receive a return of accumulated contributions. Survivors of annuitants receive accumulated contributions minus the amount the member received as retirement annuity.

**Survivor benefits** are payable in one of two forms. A **lump sum settlement** is available to dependent and non-dependent beneficiaries. It consists of a cash settlement based on the final salary rate as a teacher (maximum - the final salary rate; minimum - one-sixth the final salary rate or \$3,000, whichever is greater). Monthly benefits are payable to dependent beneficiaries of a member with 1 1/2 years of credit at the time of death. This benefit includes a \$1,000, one-time payment, plus monthly maximums of \$400 for one dependent; \$600 for two or more dependents; or 50 percent of the deceased member's monthly retirement annuity, whichever is greater.

A member who ceased teaching for reasons other than retirement more than one year prior to death with at least 20 years of service has a vested interest in survivor benefits; however, survivors of an inactive member with less than 20 years service will receive only a return of accumulated contributions.

If a member retires after December 31, 1981, and has no spouse or eligible child, he or she may elect to take a refund of actual survivor benefit contributions. The right to survivor benefits; however, the survivors are eligible for a return of the member's excess accumulated contributions (if any). To restore eligibility for these benefits, the member must return to contributing service for at least one year and repay the refund with interest.

## Retirement annuity

A member qualifies for an age retirement annuity after attaining one of the following: age 62 with 5 years of service credit; age 60 with 10 years; age 55 with 20 years; or age 60. A member aged 55 with less than 35 years of service, the annuity will be reduced at the rate of 1/2 percent for each month the member is under age 60 and within six months of the last day of service requiring contributions and if the member and the employer both make a one-time contribution to the System.

The annuity is determined by the **average salary** of the four highest consecutive salary rates within the last ten years of creditable service and the percentage of average salary to which the member is entitled. This percentage is determined by the following formula: 1.67 percent for each of the first ten years, plus 1.9 percent for each of the next ten years, plus 2.1 percent for each of the next ten years, plus 2.3 percent for each year over 30. The maximum annuity, 75 percent of average salary, is available with 38 years of service.

## Post-retirement increases

The System provides 3 percent automatic annual increases in the original age or disability retirement annuity for members age 61 or older with one year in retirement.

## Refunds

The System will refund a member's contributions provided the member has officially resigned from a position requiring System membership and the application is received not earlier than four months after termination of employment. The refund consists of all retirement contributions made by the member excluding interest and the 1 percent death benefit contribution. When the member accepts a refund, he or she forfeits all credit with the System. The credit may be reestablished if the member returns to teaching in a position requiring contributions to the System for one year and repays the refund with interest.

## TRS health and prescription drug plan

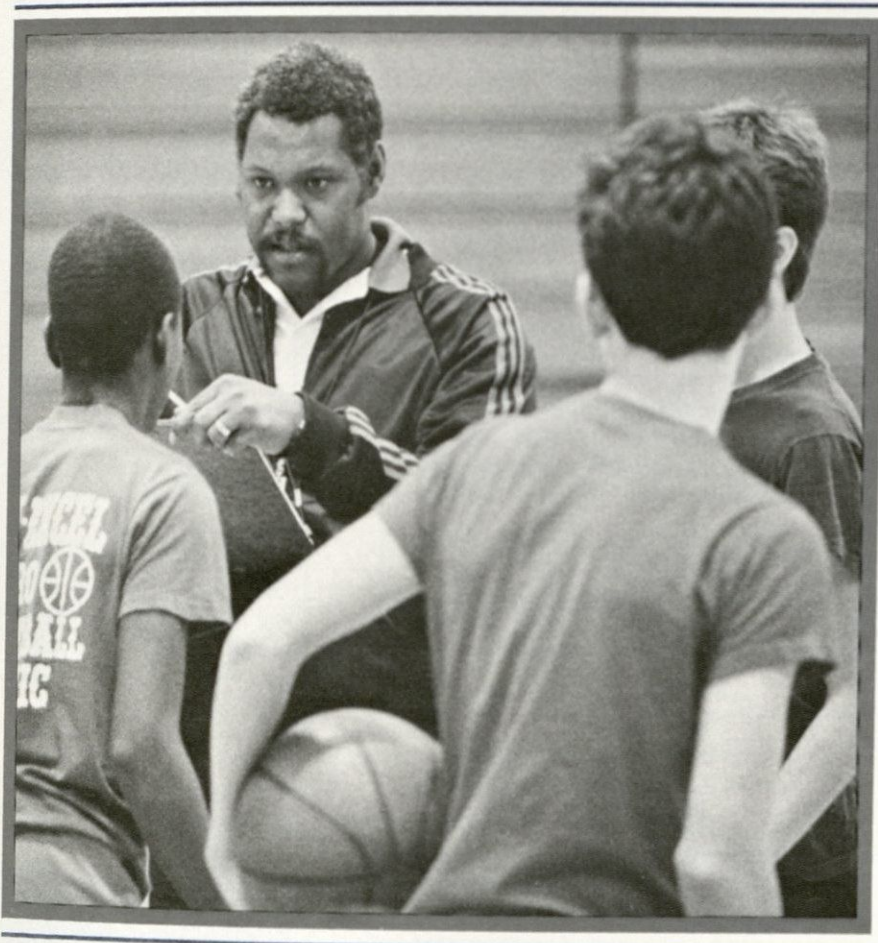
Annuitants and beneficiaries of the System and their eligible dependents may enroll in the TRS Health and Prescription Drug Insurance Plan. This partially subsidized plan covers hospital and physicians' medical expenses and prescription drugs.

## Special conditions

Any member convicted of a felony related or in connection with teaching is not eligible for TRS benefits; however that member may receive a refund of contributions.

## Continuity of credit within Illinois

Conditions involving a claim for benefits may require further clarification. If any conflicts arise between material in this summary and that of the law, the law takes precedence. TRS is one of 13 systems included in the provisions of the Retirement Systems Reciprocal Act which assures continuous pension credit for public employment in Illinois.



**trust** (trust), *n.*  
the condition of being confided to another's care  
or guard.

# Benefits Summary

## Introduction

As a trust fund for its members and annuitants, the Teachers' Retirement System provides retirement annuities, disability and survivor benefits. The System also administers the TRS Health and Prescription Drug Insurance Plan.

As of June 30, 1985, there were approximately 97,000 active System members, 40,113 annuitants and beneficiaries, and 29,991 inactive members. System members who were not employed in a TRS-covered position during the fiscal year ending June 30, 1985 are classified as inactive members. Inactive members may terminate membership by accepting a refund of contributions which eliminates all rights to potential benefits from the System.

Supporting exhibits for this section are on pages 29 through 32.

## Retired members

During FY85, the System paid \$237.8 million in retirement benefits exclusive of post-retirement increases, up 11 percent from FY84. Members who meet one of the following requirements are eligible for retirement:

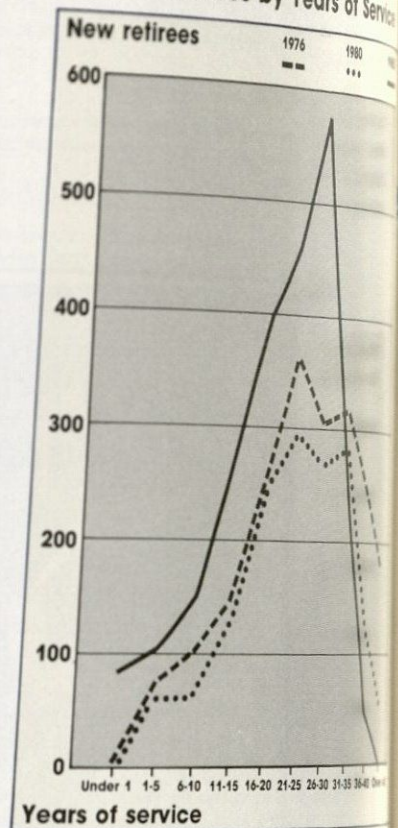
Years of Service	Age
5	62
10	60
20	55 (discounted annuity or early retirement option)
35	55 (undiscounted annuity)

Of the 2,336, 1985 retirees, 645 used the early retirement option (ERO). This allowed them to retire before reaching 35 years of service or age 60 without a discount on the annuity, provided they had 20 years of service and were at least 55. Since enactment in 1980, the following number of the year's new retirees have taken advantage of the ERO.

Year	Total retirements	ERO retirement	%
1980*	1,528		
1981	1,750	89	5.8%
1982	1,725	419	23.9
1983	1,946	394	22.8
1984	1,841	467	24.0
1985	2,336	452	24.6
		645	27.6

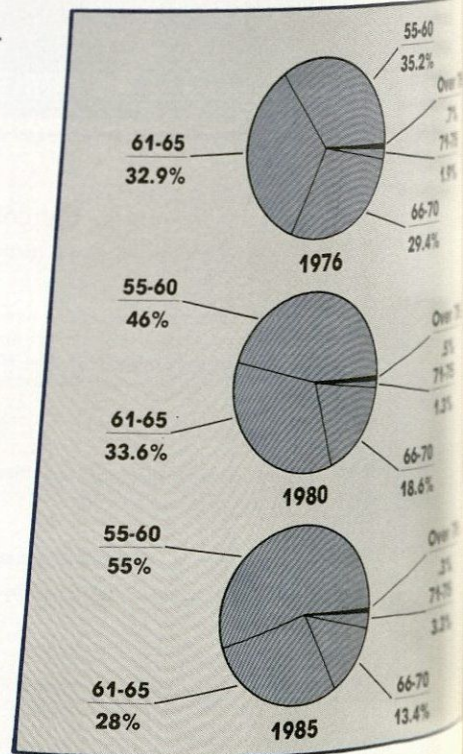
\*Legislation effective June 30, 1980.

New Retirees by Years of Service



The median age for the 2,336 FY85 retirees was 55 and the median years of service was 27.925. The median monthly annuity was \$1,089 for these retirees, up 13 percent from the median annuity received by FY84 retirees.

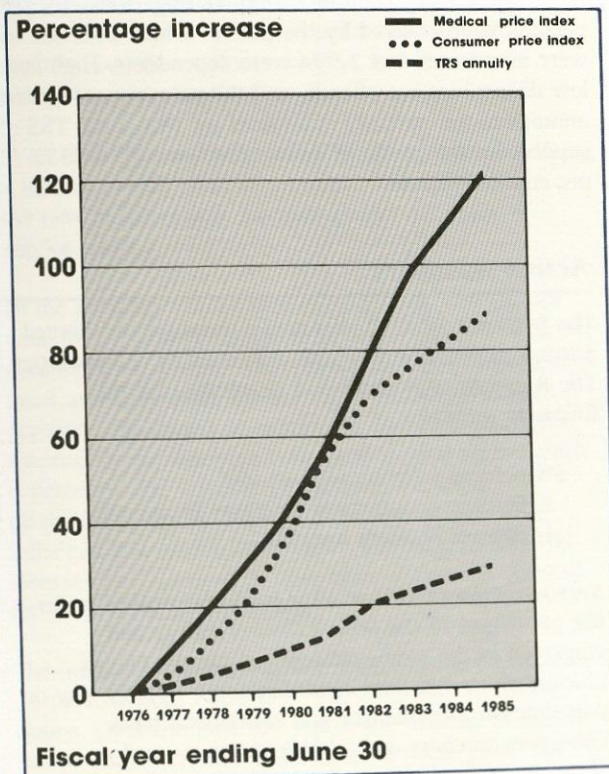
New Retirees by Age



The age of retiring members continues to decrease, due in part to the early retirement option legislation and the ability of some employing school districts to pay both the employee and the employer contributions necessary to use this option. Fifty-five percent of the System's new retirees were between the ages of 55 and 60 during FY 85 while only 35 percent of these new retirees were in that age group during FY76.

Of all the System's annuitants (not including those receiving a reciprocal benefit from other Systems), 15.5 percent receive a monthly annuity of between \$400 and \$500. The next largest percentage (11.7 percent) receive between \$300 and \$400 monthly.

### Inflation's Effect On TRS Annuities



The worth of a TRS annuity has been eroded by the climbing Consumer Price Index over the last decade. For the period January, 1976 through January, 1985, inflation climbed 88.9 percent per year. However, TRS benefits rose by only 29 percent during that period. In contrast, the medical price index climbed 122.3 percent over that decade.

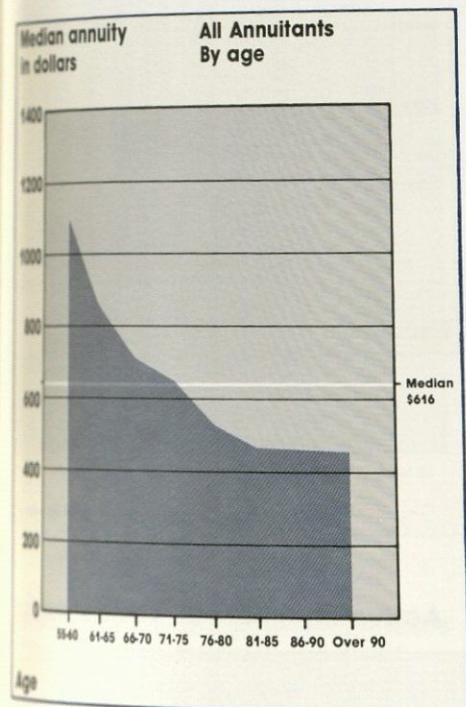
Retired members receive a three percent increase in their original annuities annually. In 1985, \$61 million was paid for these post-retirement increases.

During the past five years, the following three ad hoc increases have been granted by the General Assembly:

1980 — Members who retired on or before January 1, 1971, received an increase of \$1 per month for each year of service.

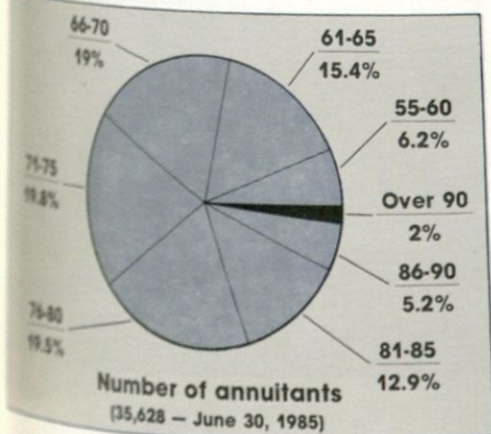
1982 — Members who retired before January 1, 1977, received an increase in annuity of \$1 per month for each year of service. The creditable service required to qualify for the annual 3 percent increases in annuity was reduced from 15 to 5 years for certain annuitants.

### Median Monthly Annuity



Of the System's 35,628 annuitants, 20 percent are over 80 and are receiving a median monthly benefit of only \$456 to \$465. Another 40 percent of the System's annuitants are aged 71 to 80 and receive a median annuity of between \$531 and \$653 monthly. Overall, the median annuity for the annuitants is \$616, up about 6.8 percent from the \$577 median annuity received in 1984. The median age of all annuitants is 73.

### Annuitants by Age



1983 - The minimum retirement annuity was increased to \$15 per month for each year of service to a maximum of \$450 per month. The minimum retirement annuity for members with 10 or more years service was increased to \$200 monthly.

Retired members may also enroll in the TRS Health and Prescription Drug Insurance Plan. During 1985, 13,534 persons were covered by the plan of which 10,540 were annuitants and 2,994 were dependents. High and low deductibles are offered, and the premiums of System annuitants are partially subsidized by TRS. Total TRS support for the program during FY85 averaged \$335 per enrolled member.

### Active members

The System's 97,000 plus active members contributed \$206.8 million during FY85, 8 percent of compensation. The 8 percent contribution is designated for the following purposes:

- 6½ percent - retirement annuity
- ½ percent - automatic increases in annuity
- 1 percent - death benefits

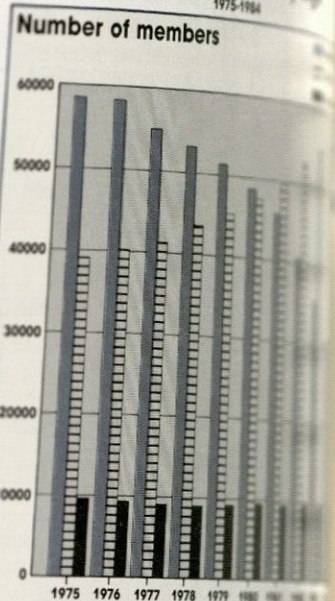
System members include all individuals certified under the provisions of the *School Code of Illinois* and employed in the public schools outside the City of Chicago either full time for at least four hours a day or part-time on a permanent and continuous basis. Classroom teachers and administrators as well as librarians, school nurses, business managers, regional superintendents and other certificated employees are covered.

The number of active members has decreased over the last decade, with the total falling under 100,000 for the first time in ten years during 1984 (to 97,580). This decrease has occurred while the number of annuitants has risen as the System matures. In 1976, there were 3.8 active members for every benefit recipient. Ten years later, this ratio has decreased to 2.4 active members for each benefit recipient.

The age and years of service of the cumulative active membership have steadily increased over the past ten years. In 1975, 1.3 percent of the active members had 26 or more years of service while in 1984, 7.8 percent of the members had earned this amount of service credit.

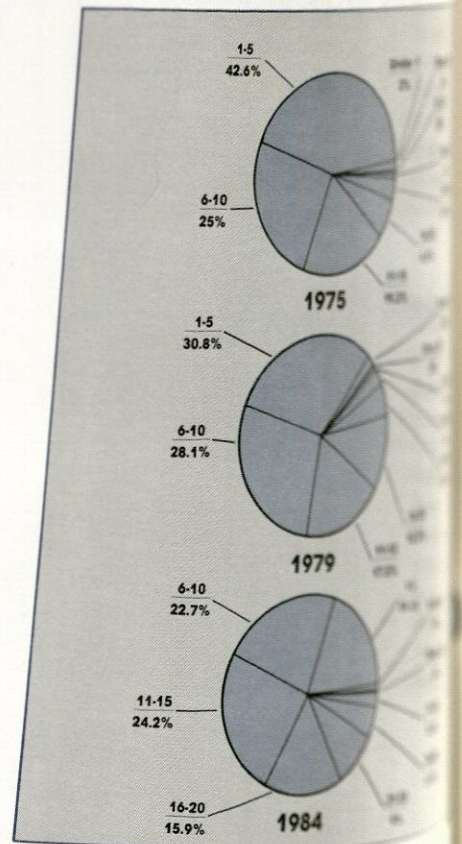
At June 30, 1975, 54.6 percent of the 107,235 active members were under 35, 36.4 percent were between 35 and 55, and 9 percent were over 55. At the same date in 1984, 31.9 percent of the active members were under 35, 57.8 percent were between 35 and 55, and 10.3 percent were over 55.

Active Members by Age  
1975-1984



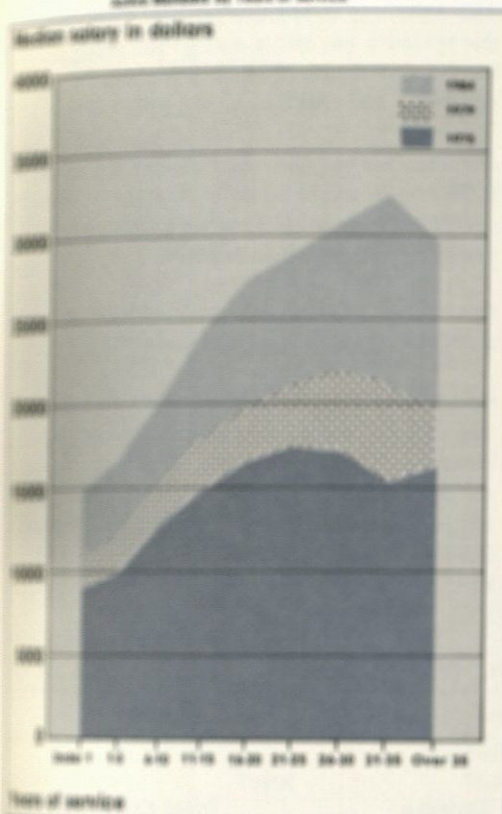
Fiscal year ending June 30

Active Members by Years of Service



## Median Annual Salary

Active Members By Years of Service



The median annual salary for active members increased 11 percent from FY83 to FY84, increasing from \$12,090 to \$12,768 (salary information for FY85 is not available). Over the years from 1975 to 1984 the median salary for all members has increased by 87 percent, from \$12,055 to \$22,768. In general, median salaries correspond to years of service earned, with median salaries peaking for members with from 21 to 25 years of service.

## Disability benefits

The System pays temporary disability benefits to members who have three years of creditable service and are under age 72. Temporary disability benefits amount to 60 percent of the member's salary at the time the disability occurred payable for one-fourth of each member's creditable service. Permanent disability benefits are paid at 35 percent of salary after the expiration of the temporary disability benefit period. Accidental disability benefits are also paid to System members for work-related injuries or illnesses and are equal to any amount received by the member for another compensation.

Total disability beneficiaries during FY85 were 1,026 or one percent of System members. Of the total claims, 368 were paid under the temporary disability plan (60 percent of salary), 649 were paid under permanent disability formula (35 percent of salary), and nine members received accidental disability benefits (60 percent of salary).

The median overall temporary disability benefit paid during 1985 was \$787. The median age of temporary disability benefit recipients was 54 and they had 17 years of service (median).

FY85 saw 283 new temporary disability claims resulting a median benefit of \$746 monthly. The median age of the new recipient was 39 with almost 12 years of service credit.

Of the disability claims filed during 1985, 29 percent were for pregnancy related disabilities. Other FY1985 disability claims were: cancer and tumors (10 percent); heart and circulatory ailments (8 percent); accidents (7 percent); dislocation or rupture of intervertebrate discs, diseases of the digestive tract, and mental illness (each 6 percent); and arthritis (4 percent). All other disabilities, such as nervous disorders, pneumonia, influenza and respiratory system diseases, gallbladder diseases and operations, and other ailments accounted for 24 percent of the claims.

The number of new temporary disability claims decreased 14 percent from FY84 to FY85, from 328 to 283 claims. Over the past ten years, the number of claims has steadily increased until the past fiscal year. The median monthly benefit for new fiscal year recipients has increased from \$455 in 1976 to \$746 in 1985, a 64 percent increase.

In FY85, 649 members drew permanent disability benefits from the System. The median monthly benefit received was \$402. The median age was 62 and the median years of service was 15.

The number of new permanent disability claims jumped almost 40 percent from 1984 to 1985; however, over the past ten years the number of permanent disability claims diminished from 55 in FY76 to 14 in FY81, then began climbing to reach the current number, 55, which is the highest since FY78. The median monthly benefit paid to new fiscal year recipients has risen from \$402 in FY80 to \$564 in FY85, a 40 percent increase.

The median monthly accidental disability benefit was \$760 in FY85. These benefits were paid to nine members during the year.

Overall, the System paid \$5.9 million in disability benefits during FY85, up 10 percent from the previous year.

## Survivor benefits

TRS death benefits consist of a return of the member's accumulated retirement contributions. Survivor benefits are also payable to survivors of TRS members and annuitants. The survivors of TRS annuitants who have already recovered their accumulated contributions at the time of death receive only survivor benefits. Overall, the System paid almost \$17 million in survivor benefits during FY85. This is an increase of about 15 percent from the previous year.

Surviving dependent beneficiaries of TRS members and annuitants can choose to receive survivor benefits in either a lump sum payment or as monthly payments. During FY85, 3,459 survivors received monthly survivor benefits from the System while 637 lump sum payments were made. Overall, the System paid \$8,143,286 in lump sum survivor benefits. The median monthly survivor benefit paid was \$261 and the median age of the survivors was 74.

Of the 1,062 eligible survivors in FY85, 425 chose a monthly benefit, while the remainder took a lump sum benefit.

The median age of the new survivor benefit recipients has also gradually increased from 65 in FY76 to 73 in FY85. The median monthly benefit for new fiscal year monthly survivor benefit recipients has fluctuated, with the high benefit of \$315 paid in FY84. The median monthly benefit paid in FY85 was \$309.

## Inactive members

As of June 30, 1985, the System had 29,991 inactive members. These are members who had service under TRS and made their required contributions, then ceased contributing service, leaving their contributions with TRS. Many of these members have failed to keep the System informed of address changes over the years. During FY85, a project was initiated to locate these members and inform them of potential benefits or eligibility for a refund.

## Refunds

The System paid \$24.3 million in refunds during FY85, up over 2 percent from FY84 payments. TRS processed 4,140 refunds during FY85.

## Member services

TRS retirement consultants met with 1,333 members at the System's two offices during FY85. During the year, consultants also held 169 conferences around the state, consulting with another 4,142 members.

One hundred and thirty-six groups around the state hosted meetings during which a TRS consultant presented information about the System's benefits. One hundred and thirty-six members attended those meetings.

Consultants took over 15,500 phone calls from members regarding retirement during FY85.

Publications are another aspect of member services. Two TRS newsletters are issued to active and retired members three times annually. In addition, active and retired members receive either the *Member's Guide* or the *Retired Member Guide* to the Teachers' Retirement System. Employing school districts receive the *Member's Guide* to the System annually.

## TRS Field Services

Service	Total FY85	Total
Individual conferences in office	1,333	
Individual conferences in field	4,142	
Attendance at group meetings	7,161*	
Telephone contacts	15,523	
<b>Total</b>	<b>28,159</b>	

\* 136 group meetings

\*\* 169 group meetings

## New Retirees by Age

1976-1985

### Years of Age

	55-60	61-65	66-70	71-75	75+	Median
1976	691	646	577	37	14	62
1977	757	634	485	16	6	62
1978	795	564	359	14	6	61
1979	704	541	317	13	3	61
1980	703	514	284	20	7	61
1981	921	517	297	12	3	60
1982	856	554	293	15	7	61
1983	971	595	339	36	5	61
1984	982	562	261	31	5	60
1985	1,284	654	314	76	8	60

## Median Monthly Annuity

All Annuitants — By Age  
June 30, 1985

Years of Age	Number of Annuitants	% of Total	Median Annuity
55-60	2,217	6	\$1,092
61-65	5,496	15	849
66-70	6,761	19	713
71-75	7,060	20	653
76-80	6,937	20	531
81-85	4,582	13	465
86-90	1,867	5	459
Over 90	708	2	456
<b>Total</b>	<b>35,628</b>	<b>100</b>	<b>616</b>

Median Age: 73  
Median Service: 27.984

## Annuitants by Benefit Range\*

June 30, 1985

Benefit Range	Total	Cumulative Total	Percent of Total	Cumulative Percent of Total
01- 100	652	652	1.9	1.9
101- 200	787	1,439	2.2	4.1
201- 300	2,505	3,944	7.1	11.2
301- 400	4,092	8,036	11.7	22.9
401- 500	5,440	13,476	15.5	38.4
501- 600	3,300	16,776	9.4	47.8
601- 700	3,139	19,915	9.0	56.8
701- 800	2,975	22,890	8.5	65.3
801- 900	2,222	25,112	6.3	71.6
901-1,000	1,830	26,942	5.2	76.8
1,001-1,100	1,609	28,551	4.6	81.4
1,101-1,200	1,326	29,877	3.8	85.2
1,201-1,300	1,104	30,981	3.2	88.4
1,301-1,400	870	31,851	2.5	90.9
1,401-1,500	753	32,604	2.2	93.1
1,501-1,600	521	33,125	1.5	94.6
1,601-1,700	425	33,550	1.2	95.8
1,701-1,800	341	33,891	1.0	96.8
1,801-1,900	261	34,152	.7	97.5
1,901-2,000	218	34,370	.6	98.1
2,001-2,100	179	34,549	.5	98.6
2,101-2,200	112	34,661	.3	98.9
Over 2,201	403	35,064	1.1	100.0

\*Does not include 564 persons who receive a benefit through the Retirement Systems' Reciprocal Act.



## Median Monthly Annuity For New Retirees By Years of Service\*

Years of service		1976	1977	1978	1979	1980	1981	1982	1983	1984
Under 1	Total #	1	—	—	—	—	—	—	—	—
	Median \$	413	—	—	—	—	—	—	—	—
1-5	Total #	73	50	60	63	61	60	61	69	83
	Median \$	24	44	73	55	63	61	73	75	88
6-10	Total #	99	108	85	85	65	72	79	76	77
	Median \$	117	132	146	162	130	162	139	174	195
11-15	Total #	147	172	157	154	135	157	158	160	143
	Median \$	216	236	234	280	272	273	288	356	348
16-20	Total #	257	267	260	251	250	254	258	284	256
	Median \$	339	365	386	419	418	486	505	557	642
21-25	Total #	359	344	325	287	293	343	316	354	312
	Median \$	432	476	497	540	549	620	680	750	793
26-30	Total #	302	319	314	296	267	359	314	386	326
	Median \$	584	613	666	706	770	868	935	963	1,056
31-35	Total #	314	319	282	236	283	334	375	431	447
	Median \$	767	827	868	913	1,003	1,140	1,242	1,336	1,520
36-40	Total #	242	200	166	143	122	111	117	137	149
	Median \$	977	1,015	1,080	1,104	1,157	1,126	1,316	1,495	1,678
Over 40	Total #	171	119	89	63	52	60	47	49	46
	Median \$	1,000	990	1,085	1,250	1,182	1,275	1,359	1,440	1,710
<b>Total</b>	<b>Total #</b>	<b>1,965</b>	<b>1,898</b>	<b>1,738</b>	<b>1,578</b>	<b>1,528</b>	<b>1,750</b>	<b>1,725</b>	<b>1,946</b>	<b>1,841</b>
	<b>Median \$</b>	<b>536</b>	<b>546</b>	<b>572</b>	<b>588</b>	<b>631</b>	<b>729</b>	<b>776</b>	<b>871</b>	<b>987</b>

\*Includes members who receive a partial retirement benefit from TRS under the Retirement System's Reciprocal Act, including annuitants with less than five years of service under TRS.

## Membership Profile

As of June 30	Benefit Recipients	Inactive Members	Active Members	Total Members
1976	28,244	29,491	108,107	165,842
1977	30,295	30,214	105,554	166,063
1978	31,457	30,970	106,035	168,462
1979	32,423	31,341	106,087	169,851
1980	33,410	31,486	105,672	170,568
1981	34,690	31,719	105,255	171,664
1982	36,121	31,566	103,074	170,761
1983	37,505	32,385	100,035	169,925
1984	38,533	32,542	97,580	168,655
1985	40,113	29,991*	97,000*	167,104

\*Estimated

### Active Members by Age \*

Years of Age	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Under 20	5	3	3	3	2	2	2	2	1	1
20-24	12,717	10,502	7,944	7,098	6,761	6,142	5,373	4,253	3,106	2,528
25-29	28,918	29,728	26,804	24,944	22,587	20,103	17,648	15,118	12,905	11,005
30-34	16,951	18,242	20,354	21,232	22,061	22,431	22,933	21,203	19,506	17,570
35-39	11,411	11,987	12,705	14,255	15,297	16,466	17,523	19,433	19,805	20,356
40-44	10,078	10,373	10,576	10,991	11,468	11,900	12,501	13,260	14,565	15,428
45-49	9,567	9,863	9,853	9,957	9,908	10,018	10,313	10,545	10,807	11,237
50-54	7,928	8,011	8,133	8,436	8,716	9,106	9,375	9,465	9,475	9,399
55-59	5,980	6,043	6,102	6,088	6,177	6,345	6,366	6,450	6,582	6,685
60-64	3,291	3,068	2,804	2,712	2,691	2,665	2,684	2,752	2,707	2,722
65-69	325	236	235	289	392	471	509	512	499	556
70 & over	64	51	41	30	27	23	28	81	77	93
<b>Total</b>	<b>107,235</b>	<b>108,107</b>	<b>105,554</b>	<b>106,035</b>	<b>106,087</b>	<b>105,672</b>	<b>105,255</b>	<b>103,074</b>	<b>100,035</b>	<b>97,580</b>

### Median Annual Salary of Active Members By Years of Service \*

Years of service		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Under 1	Total #	2,161	2,143	2,088	2,315	2,295	2,018	1,488	1,343	805	955
	Median \$	9,084	9,585	10,000	10,300	10,900	11,582	12,477	13,602	14,055	14,745
1-5	Total #	45,648	42,217	37,462	35,026	32,647	30,582	29,244	26,701	22,920	18,925
	Median \$	10,080	10,700	11,200	11,660	12,152	12,835	13,938	15,178	16,133	16,700
6-10	Total #	26,812	29,558	29,925	30,198	29,827	28,399	26,622	24,674	23,406	22,180
	Median \$	12,743	13,500	14,040	14,610	15,239	16,080	17,344	18,771	19,600	20,114
11-15	Total #	20,735	20,552	20,539	17,386	18,547	20,367	22,104	22,755	23,405	23,611
	Median \$	14,960	15,857	16,471	17,027	17,914	19,093	20,780	22,482	23,676	24,304
16-20	Total #	6,930	7,781	8,626	12,844	12,950	12,824	12,609	12,661	13,984	15,556
	Median \$	16,690	17,597	18,215	18,716	19,628	21,026	22,770	24,723	26,246	27,359
21-25	Total #	3,601	3,900	4,233	4,910	5,757	6,642	7,478	8,256	8,532	8,744
	Median \$	17,555	18,448	18,985	20,000	21,021	22,550	24,432	26,415	27,826	28,875
26-30	Total #	1,099	1,634	2,215	2,718	3,168	3,513	3,778	4,076	4,363	4,981
	Median \$	17,294	18,968	19,953	20,752	21,779	23,219	25,089	27,201	29,220	30,722
31-35	Total #	192	246	362	486	700	1,082	1,614	2,152	2,191	2,208
	Median \$	15,425	16,074	17,446	19,036	20,976	22,876	25,690	28,551	30,625	32,279
Over 35	Total #	57	76	104	152	196	245	318	456	429	420
	Median \$	16,425	17,462	18,005	18,280	19,545	22,145	23,530	25,668	28,449	29,590
<b>Total</b>	<b>Total #</b>	<b>107,235</b>	<b>108,107</b>	<b>105,554</b>	<b>106,035</b>	<b>106,087</b>	<b>105,672</b>	<b>105,255</b>	<b>103,074</b>	<b>100,035</b>	<b>97,580</b>
	<b>Median \$</b>	<b>12,055</b>	<b>12,960</b>	<b>13,743</b>	<b>14,507</b>	<b>15,418</b>	<b>16,632</b>	<b>18,275</b>	<b>20,137</b>	<b>21,640</b>	<b>22,768</b>

\*Statistical information on the Systems' active membership is not yet available for FY85.

### Temporary Disability Benefits

New Fiscal Year Recipients

<u>Year</u>	<u>Number of New Recipients</u>	<u>Median Age</u>	<u>Median Monthly Benefit</u>
1976	121	44	5455
1977	135	39	461
1978	145	36	464
1979	175	38	500
1980	249	36	543
1981	305	36	573
1982	304	36	637
1983	341	40	683
1984	328	41	724
1985	283	39	746

### Permanent Disability Benefits

New Fiscal Year Recipients

<u>Year</u>	<u>Number of New Recipients</u>	<u>Median Age</u>	<u>Median Monthly Benefit</u>
1976	55	51	5403
1977	56	50	431
1978	59	50	414
1979	46	50	466
1980	34	52	546
1981	14	43	492
1982	28	50	480
1983	41	50	481
1984	38	49	553
1985	53	48	564

### Monthly Death Benefits

New Fiscal Year Recipients

<u>Year</u>	<u>Number of New Recipients</u>	<u>Median Age</u>	<u>Median Monthly Benefit</u>
1976	241	65	5258
1977	260	64	288
1978	223	64	293
1979	278	67	306
1980	303	67	291
1981	336	68	300
1982	369	69	300
1983	454	70	301
1984	383	71	315
1985	425	73	309



**TRUST** (trust), is dependence on something future or contingent.

# Investment Summary

## Introduction

The Teachers' Retirement System of the State of Illinois was created in 1939 as a trust for the purpose of providing retirement security for teachers, annuitants and beneficiaries. The System is responsible for administering Article 16 of the Illinois Pension Code in an efficient and effective manner while meeting the needs of the System's 167,000 members for equitable treatment and adequate disclosure. The mission or long-term goal of the Teachers' Retirement System, to provide retirement security for members, is facilitated by management of the trust fund's investment portfolio, which totalled \$4.5 billion at market value on June 30, 1985.

Through the Board of Trustees, the System serves as fiduciary for the members' trust funds and is responsible for investment of such funds under authority of the "prudent person rule." The prudent person rule, adopted in 1982, establishes a standard for all fiduciaries by specifying fiduciary responsibility with regard to the members' trust funds.

The prudent person standard states that fiduciaries shall discharge their duties solely in the interests of 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 optimal diversification of assets within the fund, the prudent person standard may enable the fund to lower risk and enhance investment returns. The prudent person standard also permits the System to establish an investment policy based solely upon member characteristics, plan characteristics, financial requirements of the trust fund and a particular risk/reward tradeoff.

The System has established a long-range Statement of Investment Objectives and Policies for the management and monitoring of the fund. The investment policy establishes 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 defines 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 indices.

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.

## Asset class/manager composition

The establishment of asset class allocations is an important decision in the pension investment management process. The major portion of investment performance comes from the allocation of asset classes. Large institutional portfolios, such as the 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, specific securities held will not have nearly as much impact on total performance as will the overall asset class commitments.

At June 30, 1985, the System's asset class allocations were as follows:

Asset Class	% of Total Fund
Bonds	45.4
Common Stock - U.S.	41.7
Short-Term Investments	10.4
Real Estate Equity	1.6
Common Stock - International	7
Venture Capital	2

Management of the above asset class allocations and diversification of investment approaches (active and active specialty, index funds) will enable the System to more effectively control the fund's risk/reward parameters.

During FY85, the System's U.S. common stock holdings excluding venture capital, increased to 41.7% of the total fund from 31.3% a year earlier. International common stock allocations declined slightly to 7% of the total fund from 1.1% a year earlier, leaving total year-end total common stock holdings at 42.3% of the total fund.

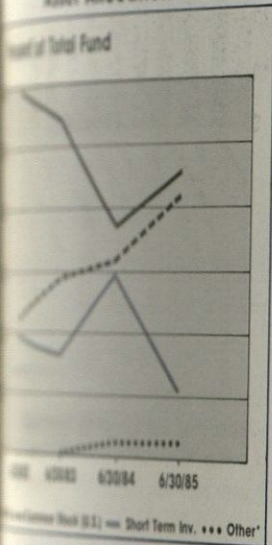
Bonds increased to 45.4% of the total fund from 37.1% a year earlier, primarily as a result of commitments of short-term investments to bonds by fixed income managers. Such commitments of short-term investments to bonds tended to offset reallocation by the System's commitments to U.S. common stock from bonds.

Short-term investments decreased to 10.4% of the total fund from 26.2% a year earlier. Both equity and fixed income managers perceived a greater opportunity in short-term investments at fiscal year end. The upward yield curve in short maturities contributed to the managers' de-emphasis of short-term investments.

...real estate equities and venture  
 ...specialty equity investment approach,  
 ...represented 1.6% and .2% of  
 ...at year end. An additional  
 ...of the total fund, was committed to  
 ...but not funded at  
 ...diversification, diversification  
 ...investment manager style  
 ...provide the System with a greater  
 ...while minimizing the risk of  
 ...adverse short-term changes in

...asset class allocation history is

### Asset Allocation



...Equity, Venture Capital and  
 ...

...relationships with investment  
 ...diversity of management  
 ...diversification of  
 ...discretionary  
 ...and retention of investments,  
 ...of the statutory investment  
 ...of investment objectives

...with a Diversification Strategy  
 ...including reallocation to an  
 ...American National Bank  
 ...the following seventeen  
 ...management firms were employed

...  
 ...  
 ...  
 ...  
 ...  
 ...

### Equity (Common Stock)

- Alliance Capital Management Corporation
- American National Bank of Chicago
- Batterymarch Financial Management
- CMB Investment Counselors
- Cedar Hill Associates, Inc.
- Kemper Financial Services, Inc.

### Real Estate Equity

- JMB Institutional Advisors
- F.I.A. Associates, Inc.
- First Chicago Investment Advisors
- TCW Realty Advisors

### Venture Capital

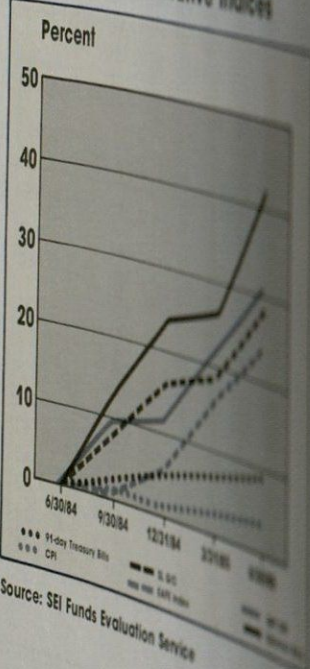
- Frontenac Company

### Investment Results

#### Asset Class/Market Indices Returns

During fiscal year 1985, U.S. common stock, represented by the Standard & Poor's (S&P) 500 Index, returned 31.0%, while long-term bonds, represented by the Salomon Bond Index, were the best performing asset class segment and returned 41.9%. Intermediate-term bonds, represented by the Strewn Lehman Government/Corporate Bond (SLG/C) Index, returned 28.7%. International common stock, represented by the Europe, Australia and Far East (EAFE) Index, returned 23.8%. Short-term investments, represented by 91-day treasury bills, returned only 8.8%. All asset classes and market indices outperformed the rate of inflation, which increased 3.7% as represented by the Consumer Price Index.

#### Asset Class Cumulative Return By Representative Indices



Source: SEI Funds Evaluation Service

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# Investment Summary

## Introduction

The Teachers' Retirement System of the State of Illinois was created in 1939 as a trust for the purpose of providing retirement security for teachers, annuitants and beneficiaries. The System is responsible for administering Article 16 of the Illinois Pension Code in an efficient and effective manner while meeting the needs of the System's 167,000 members for equitable treatment and adequate disclosure. The mission or long-term goal of the Teachers' Retirement System, to provide retirement security for members, is facilitated by management of the trust fund's investment portfolio, which totalled \$4.5 billion at market value on June 30, 1985.

Through the Board of Trustees, the System serves as fiduciary for the members' trust funds and is responsible for investment of such funds under authority of the "prudent person rule." The prudent person rule, adopted in 1982, establishes a standard for all fiduciaries by specifying fiduciary responsibility with regard to the members' trust funds.

The prudent person standard states that fiduciaries shall discharge their duties solely in the interests of 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 optimal diversification of assets within the fund, the prudent person standard may enable the fund to lower risk and enhance investment returns. The prudent person standard also permits the System to establish an investment policy based solely upon member characteristics, plan characteristics, financial requirements of the trust fund and a particular risk/reward tradeoff.

The System has established a long-range Statement of Investment Objectives and Policies for the management and monitoring of the fund. The investment policy establishes 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 defines 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 indices.

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.

## Asset class/manager composition

The establishment of asset class allocations is an important decision in the pension investment management process. The major portion of investment performance comes from the allocation of asset classes. Large institutional portfolios, such as the 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, specific securities held will not have nearly as great an impact on total performance as will the overall asset class commitments.

At June 30, 1985, the System's asset class allocations were as follows:

Asset Class	% of Total Fund
Bonds	45.4
Common Stock — U.S.	41.7
Short-Term Investments	11.8
Real Estate Equity	1.2
Common Stock — International	7
Venture Capital	2

Management of the above asset class allocations and diversification of investment approaches (active and active specialty, index funds) will enable the System to more effectively control the fund's risk/reward parameters.

During FY85, the System's U.S. common stock holdings excluding venture capital, increased to 41.7% of the total fund from 31.3% a year earlier. International common stock allocations declined slightly to 7% of the total fund from 1.1% a year earlier, leaving total common stock holdings at 48.7% of the total fund.

Bonds increased to 45.4% of the total fund from 47.7% a year earlier, primarily as a result of commitments to short-term investments to bonds by fixed income managers. Such commitments of short-term investments to bonds tended to offset reallocation by the System of commitments to U.S. common stock from bonds.

Short-term investments decreased to 11.8% of the total fund from 26.2% a year earlier. Both equity and fixed income managers perceived a greater opportunity in short-term investments at fiscal year end. The steep yield curve in short maturities contributed to the managers' de-emphasis of short-term investments.

### Equity (Common Stock)

Alliance Capital Management Corporation  
American National Bank of Chicago  
Batterymarch Financial Management  
CMB Investment Counselors  
Cedar Hill Associates, Inc.  
Kemper Financial Services, Inc.

### Real Estate Equity

JMB Institutional Advisors  
F.I.A. Associates, Inc.  
First Chicago Investment Advisors  
TCW Realty Advisors

### Venture Capital

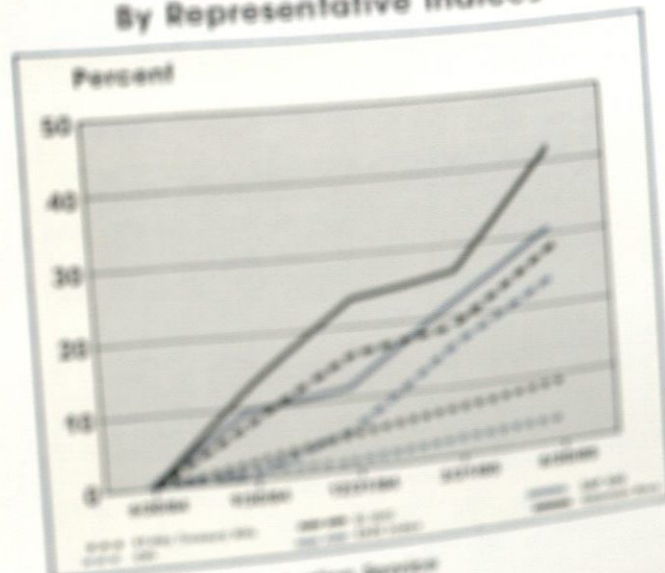
Frontenac Company

## Investment Results

### Asset Class/Market Indices Returns

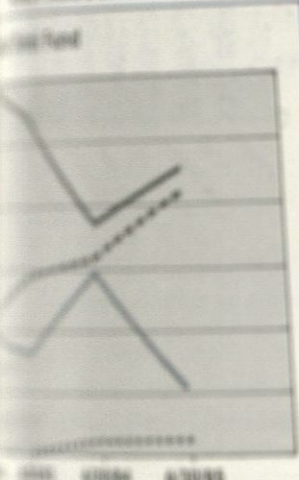
During fiscal year 1985, U.S. common stock, represented by the Standard & Poor's (S&P) 500 Index, returned 31.0%, while long-term bonds, represented by the Salomon Bond Index, were the best performing asset class segment and returned 41.9%. Intermediate-term bonds, represented by the Shearson Lehman Government/Corporate Bond (SLG/C) Index, returned 28.7%. International common stock, represented by the Europe, Australia and Far East (EAFE) Index, returned 23.8%. Short-term investments, represented by 91-day treasury bills, returned only 8.8%. All asset classes and market indices outperformed the rate of inflation, which increased 3.2% as represented by the Consumer Price Index.

### Asset Class Cumulative Return By Representative Indices



Source: 1985 Russell Investments Services

### Asset Allocation



Investment Goals, Return Capital and

Established relationships with investment  
managers, a diversity of management  
styles, and the diversification of  
the investment portfolio.  
Investment and retention of investments,  
and the necessary investment  
management of investment objectives

Investment with a Diversification Strategy  
including collaboration to an  
American National Bank  
in 1985, the following investment  
management firms were employed

- Investment Management Corporation
- Investment Management Corporation
- Investment Management Corporation
- Investment Management Corporation



### Total Fund Results

The System's income rate of return during FY85 was 8.6%. The System's total fund time-weighted return for FY85 of 24.3% was reflective of a resurgent financial asset market period which began in 1982. The System's total fund annualized three-year and five-year returns of 16.7% and 12.0%, respectively, continue to outperform the rate of inflation for these periods, 3.5% and 5.4%, respectively. The System's investment objective, to exceed the rate of inflation by 3%, has therefore been achieved for both the three-year and five-year periods.

### Equity Results and Profile

U.S. equity manager objectives are to achieve a total investment return 6% in excess of the rate of inflation and in excess of the Standard and Poor's (S&P) 500 Stock Index on an annualized basis over a three to five year period, or market cycle. During FY85, the portfolio's U.S. common stocks returned 28.7%, as compared to a return of 31.0% by the S&P 500. For three and five years, U.S. common stocks generated 22.0% and 14.3% annualized returns, respectively, below S&P 500 returns of 26.2% and 16.5%, respectively. Combined U.S. equity manager accounts, which include both common stock and short-term investments, returned 27.5% during FY85.

At fiscal year end, 43.9% of the System's investment portfolio was assigned to U.S. equity managers, including short-term investments, compared to 40.3% the prior fiscal year-end. Within the U.S. common stock asset class, 45.7% of the asset class was allocated to an S&P 500 Index Fund at fiscal year end. During the fiscal year, the market value of assets assigned to U.S. equity managers increased from \$1.39 billion to \$1.98 billion due to \$387 million of market value appreciation and \$202 million of new allocations.

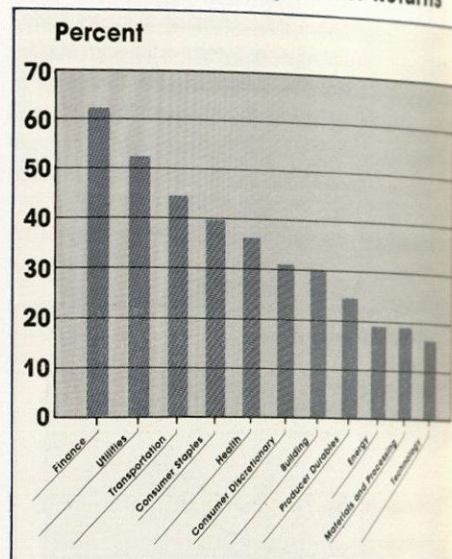
Major sector diversification changes took place during the year in the portfolio's U.S. common stocks, as summarized in the following listing:

#### Diversification by Industry Sector (%)

Sector	June 30, 1985		June 30, 1984	
	TRS	S&P 500	TRS	S&P 500
Consumer Discretionary	14.9	12.5	15.4	12.3
Technology	14.3	14.5	17.4	15.1
Consumer Staples	12.3	13.2	11.5	12.4
Energy	11.1	15.3	10.9	19.3
Finance	10.3	7.3	6.5	5.7
Health	8.1	7.1	6.9	6.7
Materials & Processing	8.0	6.1	10.0	6.4
Utilities	7.3	12.1	5.4	10.1
Producer Durables	5.7	7.5	9.7	7.9
Transportation	5.7	2.6	4.3	2.3
Building	2.3	1.8	2.0	1.8

All S&P 500 industry sectors provided sizable positive rates of return during FY85, with Finance (62.2%), Utilities (52.4%) and Transportation (44.6%) the leading industry sector performers.

#### S&P 500 Industry Sector Returns



\*Source: SEI Funds Evaluation Service

U.S. equity managers made major stock selection adjustments to their accounts during FY85, as evidenced by the following comparison of equity portfolio characteristics with the S&P 500:

#### U.S. Equity Portfolio Profile

	June 30, 1985		June 30, 1984	
	TRS	S&P 500	TRS	S&P 500
Capitalization (\$Bil)	7.70	11.40	5.80	10.0
Price/Earnings Ratio	12.90	11.80	11.60	9.90
Dividend Yield (%)	3.40	4.20	3.60	4.90
Beta	1.02	1.00	1.08	1.00
Diversification (R-Squared)	0.90	1.00	0.91	1.00
Return on Net Worth (%)	12.30	13.50	12.00	13.40
Three-Year Earnings Growth Rate (%)	11.20	10.20	11.40	6.00
Market/Book Ratio	1.60	1.60	1.40	1.30
Debt/Equity Ratio (%)	63.30	54.70	57.80	50.20

International equity manager objectives are to achieve a return 6% in excess of the rate of inflation and in excess of the EAFE Index. During FY85, the portfolio's international common stocks returned 25.8% as compared to a return of 23.8% for the EAFE Index. The lower risk, value-oriented style of the international common stock manager was not rewarded by an international equity market which favored higher risk, high P/E ratio securities. The Japanese equity market, which comprises 30% of EAFE Index, aberrations among banking returns also contributed to the International common stock underperformance.

Venture capital investments returned 17.1% during year 1985. A representative venture capital index is available for relative performance comparison. In the long term, however, and as a result of venture capital's higher risk orientation, venture capital returns are expected to be well in excess of returns provided by the S&P 500 Index.

#### Fixed Income Results and Profile

Fixed income manager objectives are to achieve a total return 2% in excess of the rate of inflation in excess of the bond market, as measured by the Salomon Brothers' High Grade Corporate Bond Index and Shearson Lehman Government/Corporate Bond (SLG/C) Index, on an annualized basis for three to five year period, or a market cycle. During FY85, the System's bond portfolio, including all fixed income instruments with maturities greater than one year, generated a 30.3% total return, outperforming the 23.7% return of the SLG/C Index but underperforming the 31.9% return of the Salomon Index. For three and five year periods, the System's bonds generated 19.4% and 12.6% annualized returns, respectively, as compared to 19.1% and 12.4%, respectively, for the SLG/C Index and 23.7% and 12.4%, respectively, for the Salomon Index. The System's bonds under management by fixed income managers, including short-term investments, generated a 28.6% total return, underperforming both the SLG/C and Salomon Indices.

The market value of bonds increased to \$2.046 billion during FY85. Fixed income managers managed approximately \$316 million in short-term investments on June 30, 1985. During FY85, the market value of total assets assigned to fixed income managers, including short-term investments, increased from \$1.4 billion to \$2.362 billion due to \$474 million in value appreciation and reallocation of \$102 million to equity managers.

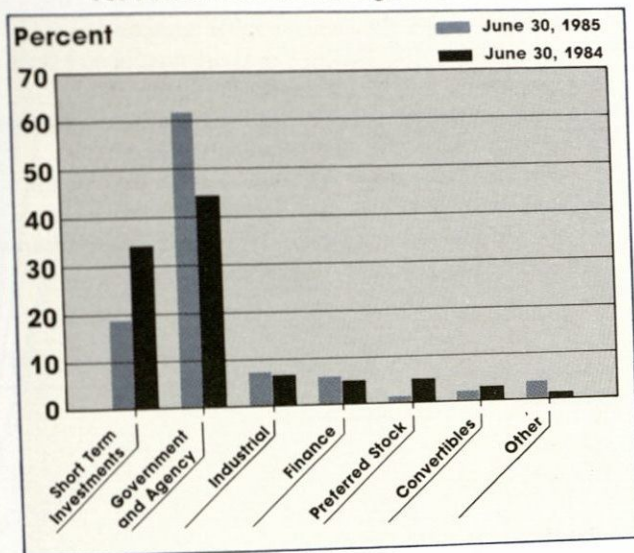
Financial futures contracts controlling approximately \$100 million of underlying U.S. Treasury Bonds are included within the \$2.046 billion market value of fixed income assets at fiscal year end. Short-term investments controlling the futures contracts, or 2.1% of the total fixed income investments asset class listing. The System

anticipates that the performance of financial futures contracts on U.S. Treasury Bonds will mirror the performance of long-term bonds.

The following exhibits reflect changes made within fixed income manager portfolios during FY85 with regard to diversification by issuer type and quality ratings, as well as the underlying bond portfolio characteristics (excluding short-term investments) primarily affecting total return.

### TRS Investment Portfolio Diversification by Issuer Type

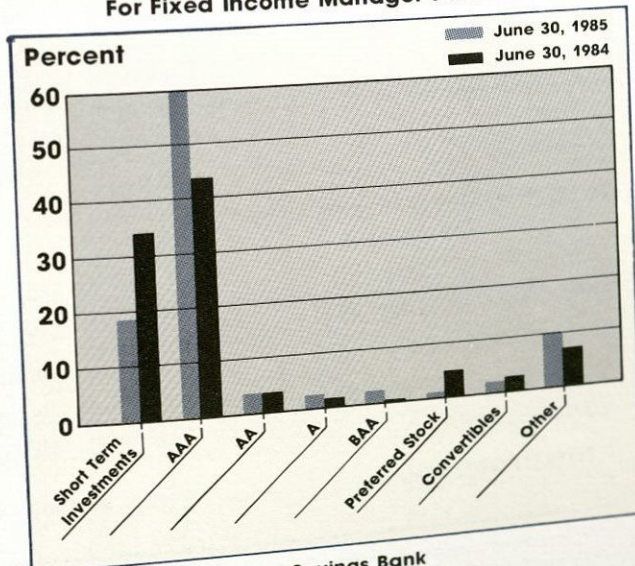
For Fixed Income Manager Portfolios



Source: Harris Trust and Savings Bank

### TRS Investment Portfolio Diversification by Quality Rating

For Fixed Income Manager Portfolios



Source: Harris Trust and Savings Bank

### Bond Portfolio Profile

Characteristic	6/30/85	6/30/84
Maturity (years)	10.7	6.5
Duration (years)	5.1	2.9
Coupon (%)	11.9	11.2
Yield to Maturity (%)	11.6	13.0
Current Yield (%)	11.2	11.9

### Real Estate Equity Investment Results

Real estate equity investments made by the System's four closed-end fund managers returned 8.8% during fiscal year 1985. The cash return component of the total return was 7.7%, while capital appreciation accounted for 1.1%. Due to the short time period since original funding, appraisals were not made on all properties within the closed-end funds during FY85. While a representative real estate equity index for performance comparison has not been adopted by the System, industry efforts in this regard are being evaluated. Over the long term, real estate equity returns

are expected to exceed the returns provided by the S&P 500 Index and the Salomon Bond Index.

### Short-Term Investment Results

The investment management firms use discretion in anticipating short-term investment positions within their respective asset classes. Managers confine portfolio investment 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 and Poor's, respectively.

As an asset class, short-term investments generated a total return of 10.6%, outperforming both the 30.3% of bonds and the 28.7% of U.S. common stocks. For the five years, short-term investments returned 11.9%, only slightly underperforming the 12.6% of bonds and the 14.3% of U.S. common stocks. Total assets allocated to short-term investments decreased from \$933 million to \$468 million during FY85.

### Investment Portfolio Summary

June 30, 1985

	Book Value	% of Total Book Value	Market Value	% of Total Market Value	Yield at Market
<b>BONDS, CORPORATE NOTES AND PREFERRED STOCK</b>					
Government Obligations:					
U.S. Government*	\$ 781,191,306	18.7%	\$ 830,250,771	18.4%	10.8%
Federal Agency	637,501,123	15.3	665,653,606	14.8	11.5
Foreign	53,855,748	1.3	54,812,177	1.2	9.3
Total Government Obligations	1,472,548,177	35.3	1,550,716,554	34.4	11.1
Corporate Obligations:					
Industrial	168,706,179	4.1	182,088,073	4.1	11.0
Finance	145,916,741	3.5	147,384,706	3.3	9.8
Public Utilities	86,208,380	2.1	91,313,538	2.0	13.4
Telephone	1,480,000	.0	1,780,000	.0	10.7
Total Corporate Obligations	402,311,300	9.7	422,566,317	9.4	11.1
Convertible Issues	47,578,737	1.1	49,335,840	1.1	7.8
Preferred Stock	22,210,611	.5	23,506,088	.5	7.8
<b>TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK</b>	<b>1,944,648,825</b>	<b>46.6</b>	<b>2,046,124,799</b>	<b>45.4</b>	<b>11.0</b>
COMMON STOCK-U.S.	1,650,221,676	39.6	1,878,148,642	41.7	3.4
SHORT-TERM INVESTMENTS*	468,378,800	11.2	468,386,367	10.4	7.8
REAL ESTATE EQUITY	70,432,743	1.7	71,335,126	1.6	7.7
COMMON STOCK-INTERNATIONAL	28,289,517	.7	29,598,410	.7	.7
VENTURE CAPITAL	6,666,667	.2	7,796,800	.2	.1
<b>TOTAL PORTFOLIO</b>	<b>\$4,168,638,228</b>	<b>100.0%</b>	<b>\$4,501,390,144</b>	<b>100.0%</b>	<b>7.4%</b>

\*For investment purposes, financial futures contracts controlling \$94,709,812 in underlying U.S. Treasury Bonds were classified as U.S. Government Obligations under Bonds, Corporate Notes and Preferred Stock and, correspondingly, removed from classification as Short-term Investments.

**Composition of Investments**

(Market Value)  
 as of 12/31/1985

**Common Stock-U.S. (41.7%)**

- Consumer Discretionary
- Technology
- Consumer Staples
- Energy
- Finance
- Health
- Metals & Processing
- Utilities
- Producer Durables
- Transportation
- Building

**Common Stock (International) (.6%)**

**Real Estate Equity (1.7%)**

**Venture Capital (.2%)**

**Short-Term Investments (10.4%)**

- 1.6% Commercial Paper
  - .2% Certificates of Deposit
  - .1% U.S. Treasury Bills
  - 8.5% Investment Reserve Fund
- 
- Investment Reserve Fund (% of Total)**
- 79.5% Commercial Paper
  - 17.9% Demand Notes
  - 2.6% U.S. Treasury Bills

**Government Obligations (34.4%)**

- 18.4% U.S. Government
  - 1.2% Foreign Government
  - 14.8% Federal Agency
- 
- 12.4% Mortgage-Backed
  - 2.4% Non-Mortgage

**Preferred Stock (.5%)**

**Corporate Obligations (9.4%)**

- Industrial
- Finance
- Utilities

**Convertible Issues (1.1%)**

## Summary statistics

The following tables summarize the development and performance of the total investment portfolio, including accrued income and miscellaneous assets, during the last five years:

### Book/Market Value Reconciliation

	Fiscal Years Ending June 30 (Millions)					Five Years 1981-1985
	1981	1982	1983	1984	1985	
Beginning Book Value	\$2497	2896	3215	3409	3728	2497
Net Contributions Added	174	81	63	84	92	494
Investment Income	224	285	295	303	329	1436
Net Realized Gain (Loss)	1	(47)	(164)	(68)	116	(162)
Ending Book Value	2896	3215	3409	3728	4265	4265
Unrealized Gain (Loss) — Beginning of Year	(220)	(403)	(481)	196	(98)	(220)
Unrealized Gain (Loss) — During Year	(183)	(78)	677	(294)	431	553
Ending Market Value	\$2493	2734	3605	3630	4598*	4598*

\* Includes accrued income and miscellaneous assets of \$97 million.

### Performance Summary

Annualized Percent for Periods Ending June 30, 1985\*

	1981	1982	1983	1984	1985	Annualized	
						3 Years	5 Years
Total Time-Weighted Return							
TRS	2.6	8.1	30.0	- 1.5	24.3	16.7	12.0
Inflation (CPI)	9.6	7.1	2.6	4.2	3.7	3.5	5.4
Common Stock-US. Returns (less cash)							
TRS	18.2	-9.1	64.0	-13.9	28.7	22.0	14.3
S&P 500	20.4	-11.7	61.2	-4.6	31.0	26.2	16.5
Bond Returns (less cash)							
TRS	-5.5	12.7	29.7	0.7	30.3	19.4	12.6
Shearson Lehman G/C Bond Index	-4.1	13.4	29.1	1.8	28.7	19.1	13.0
Salomon Bond Index	-13.0	8.7	42.4	-6.3	41.9	23.7	12.4
Common Stock — International Returns							
TRS	---	---	---	- .1	7.9	---	---
EAFE Index	9.3	-14.7	31.3	11.4	23.8	21.9	11.0
Real Estate Equity Returns	---	---	---	9.2	8.8	---	---
Venture Capital Returns	---	---	---	---	17.1	---	---
Short-Term Returns							
TRS	14.1	14.2	10.2	10.5	10.6	10.4	11.9
91-Day Treasury Bills	13.2	13.0	8.6	9.2	8.8	8.8	10.5
Income Rate of Return**	9.7	11.9	9.9	9.1	8.6	9.2	9.8
Cash Return***	9.0	8.2	4.2	6.8	11.9	7.6	8.0
Asset Allocation (Annual Average)							
Bonds	60.2	59.4	53.9	46.4	41.9	47.4	52.4
Common Stock — U.S.	30.4	26.8	21.8	31.7	35.3	29.6	29.2
Short-Term	9.4	13.8	24.3	20.0	20.5	21.6	17.6
Other****	---	---	---	1.9	2.3	1.4	8

- \* Performance calculations provided by SEI Funds Evaluation Service.
- \*\* Income return, based on average market value, includes interest and dividends.
- \*\*\* Cash return, based on beginning book value, includes interest, dividends and realized gains/losses.
- \*\*\*\* Includes Real Estate Equity, Common Stock-International and Venture Capital.

# Investment Listing

## CORPORATE NOTES AND PREFERRED STOCK

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
AAA	AAA	11.500%	11-15-1995	\$15,000,000	15,150,000	16,237,500
AAA	AAA	11.750	02-15-2001	3,000,000	3,052,500	3,249,360
AAA	AAA	11.125	08-15-2003	8,000,000	8,115,000	8,290,000
AAA	AAA	11.625	11-15-2004	8,650,000	8,769,453	9,358,176
AAA	AAA	10.375	11-15-2012	16,000,000	13,845,000	15,680,000
AAA	AAA	12.000	08-15-2013	2,250,000	2,303,351	2,505,934
AAA	AAA	11.750	11-15-2014	32,135,000	32,545,372	35,348,500
AAA	AAA	11.250	02-15-2015	8,100,000	8,255,877	8,692,272
AAA	AAA	10.375	11-30-1986	94,709,812	94,709,812	94,709,812
AAA	AAA	9.750	01-31-1987	11,000,000	11,016,328	11,292,160
AAA	AAA	9.750	04-30-1987	5,000,000	5,008,594	5,090,600
AAA	AAA	12.375	08-15-1987	10,000,000	9,984,375	10,665,600
AAA	AAA	11.000	11-15-1987	20,450,000	20,435,625	21,344,688
AAA	AAA	12.000	03-31-1988	8,000,000	7,926,250	8,542,480
AAA	AAA	10.000	05-15-1988	1,000,000	1,000,000	1,025,000
AAA	AAA	10.500	08-15-1988	10,000,000	9,930,208	10,346,900
AAA	AAA	11.375	09-30-1988	54,750,000	55,011,386	57,795,195
AAA	AAA	11.750	11-15-1988	5,000,000	5,166,250	5,328,100
AAA	AAA	10.625	12-31-1988	23,000,000	23,205,000	23,869,630
AAA	AAA	13.875	08-15-1989	13,000,000	13,675,000	14,820,000
AAA	AAA	11.875	10-15-1989	4,000,000	4,136,000	4,305,000
AAA	AAA	12.750	11-15-1989	24,000,000	24,395,000	26,534,880
AAA	AAA	11.000	02-15-1990	10,000,000	10,121,875	10,462,500
AAA	AAA	11.375	05-15-1990	25,000,000	24,785,938	26,546,750
AAA	AAA	10.750	07-15-1990	15,000,000	14,588,281	15,600,000
AAA	AAA	11.500	10-15-1990	25,000,000	24,922,300	26,671,750
AAA	AAA	11.750	01-15-1991	38,000,000	36,970,954	40,850,000
AAA	AAA	12.375	04-15-1991	38,200,000	37,824,325	41,924,500
AAA	AAA	12.250	10-15-1991	21,000,000	21,483,281	22,995,000
AAA	AAA	11.625	01-15-1992	2,200,000	2,228,612	2,351,250
AAA	AAA	11.750	04-15-1992	11,000,000	10,969,280	11,866,250
AAA	AAA	13.750	05-15-1992	6,500,000	6,958,188	7,584,655
AAA	AAA	10.375	07-15-1992	7,500,000	7,525,781	7,706,250
AAA	AAA	10.500	11-15-1992	15,000,000	14,653,125	15,337,500
AAA	AAA	10.875	02-15-1993	16,800,000	16,712,250	17,419,416
AAA	AAA	10.125	05-15-1993	200,000	489,438	199,750
AAA	AAA	11.875	08-15-1993	45,000,000	45,661,095	49,021,650
AAA	AAA	11.750	11-15-1993	9,000,000	9,145,278	9,748,080
AAA	AAA	13.125	05-15-1994	15,000,000	14,570,476	17,325,000
AAA	AAA	12.625	08-15-1994	43,500,000	44,711,650	49,209,375
AAA	AAA	11.625	11-15-1994	5,400,000	5,475,813	5,835,348
AAA	AAA	11.250	02-15-1995	8,000,000	7,951,086	8,484,960
AAA	AAA	11.250	05-15-1995	24,100,000	24,203,359	25,666,500
				<b>780,444,812</b>	<b>781,191,306</b>	<b>830,250,771</b>
AAA	AAA	14.625	01-20-1987	5,000,000	5,000,000	5,434,350
AAA	AAA	12.650	04-20-1988	5,000,000	5,000,000	5,420,300
AAA	AAA	13.700	07-20-1989	10,000,000	10,000,000	11,225,000
AAA	AAA	15.650	10-23-1989	5,000,000	5,000,000	5,968,750
AAA	AAA	14.700	07-22-1991	5,000,000	5,000,000	5,950,000
AAA	AAA	15.200	01-20-1992	15,000,000	14,981,250	6,131,250
AAA	AAA	11.500	01-20-1992	20,000,000	20,087,500	15,871,800
AAA	AAA	11.450	12-01-1994	2,500,000	2,617,969	21,262,400
AAA	AAA	11.900	10-20-1997	9,000,000	9,025,313	2,746,875
AAA	AAA	13.900	07-25-1985	5,000,000	5,000,000	9,045,000
AAA	AAA	11.100	02-25-1987	5,000,000	5,000,000	5,135,950
AAA	AAA	11.550	03-25-1987	5,000,000	5,000,000	5,184,350
AAA	AAA	11.400	11-27-1989	10,000,000	10,000,000	10,587,500
AAA	AAA	11.250	05-01-1995	5,000,000	4,996,875	5,243,750
AAA	AAA	8.850	12-15-1995	7,300,000	7,108,375	7,404,901
AAA	AAA	9.000	03-15-2008	5,700,000	5,675,397	5,144,250
AAA	AAA	8.500	09-15-2008	7,410,000	7,393,818	6,928,350
AAA	AAA	8.500	04-01-2009	22,344	15,976	19,467
AAA	AAA	5.038	07-01-1989	3,497,300	2,204,797	3,235,002
AAA	AAA	5.250	02-01-2010	324,610	329,418	288,903
AAA	AAA	12.500	01-01-2013	98,097	96,074	101,531
AAA	AAA	12.500	01-01-2013	712,733	698,033	737,679
AAA	AAA	12.500	01-01-2014	3,559,640	3,481,772	3,684,227
AAA	AAA	12.500	02-01-2014	9,263,143	9,202,354	9,587,353
AAA	AAA	12.500	02-01-2014	9,984,377	9,706,587	10,159,104
AAA	AAA	12.000	04-01-2015	9,983,561	9,771,410	10,158,273
AAA	AAA	12.000	04-01-2015	78,680	71,402	73,959
AAA	AAA	10.000	09-01-2009	10,000,000	9,893,750	10,175,000
AAA	AAA	12.000	06-01-2015	1,011	745	895
AAA	AAA	8.000	10-01-2009	1,407,414	1,256,117	1,351,118
AAA	AAA	10.500	04-01-2011	10,190,346	10,572,484	10,368,677
AAA	AAA	12.000	01-01-2000	4,718,511	4,671,326	4,801,085
AAA	AAA	12.000	08-01-2014	8,208,194	8,731,466	9,029,013
AAA	AAA	16.000	09-01-2012	723,784	762,348	796,162
AAA	AAA	16.000	09-01-2012	5,087,932	5,393,208	5,596,726
AAA	AAA	16.000	12-01-2011	7,748,395	8,145,500	8,509,597
AAA	AAA	15.750	02-01-2008	4,538,411	3,477,557	3,959,764
AAA	AAA	8.500	07-01-2013	7,187,956	6,973,703	7,414,233
AAA	AAA	12.000	08-01-2012	7,786,784	8,260,075	8,551,758
AAA	AAA	15.750	02-01-2014	6,527,754	6,556,313	6,787,494
AAA	AAA	12.500	02-01-2014	7,114,593	6,930,058	7,338,560
AAA	AAA	12.000	07-01-2013	3,678,955	3,703,098	3,825,340
AAA	AAA	12.500	10-01-2014	981,045	1,003,119	1,039,908
AAA	AAA	13.000	11-01-2014	4,828,316	4,742,312	4,980,312
AAA	AAA	12.000	08-01-2011	5,786,502	5,667,155	5,968,661
AAA	AAA	12.000	10-01-2011	3,002,927	2,998,235	3,122,414
AAA	AAA	12.500	03-01-2015	5,997,381	6,132,322	6,357,224
AAA	AAA	13.000	05-01-2015	5,015,172	4,911,735	5,173,050
AAA	AAA	12.000	03-10-1987	5,000,000	5,000,000	4,932,800
AAA	AAA	7.750	08-10-1989	1,000,000	1,000,000	5,518,750
AAA	AAA	13.125	06-10-1992	15,000,000	15,025,000	996,870
AAA	AAA	10.125	10-10-1995	4,440,000	3,999,944	15,825,000
AAA	AAA	11.500	10-01-1997	10,000,000	9,990,153	3,479,850
AAA	AAA	7.400	07-10-2002	2,112,087	1,890,317	8,100,000
AAA	AAA	8.200	10-20-2013	991,276	887,192	1,990,642
AAA	AAA	10.000	12-20-2013	1,489,214	1,332,847	934,277
AAA	AAA	10.000	01-20-2014	1,618,216	1,448,303	1,403,584
AAA	AAA	10.000	02-20-2014	1,115,490	998,363	1,525,168
AAA	AAA	10.000	03-20-2014	1,788,058	1,600,313	1,051,349
AAA	AAA	10.000	06-20-2014	250,798	224,414	1,685,255
AAA	AAA	10.000	07-20-2014	495,854	443,789	467,342
AAA	AAA	8.000	03-15-2008	199,626	158,702	167,186

# GOVERNMENT OBLIGATIONS

## Federal Agency (Continued)

GNMA Pool: 23646

GNMA Pool	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
23646	AAA	9.000%	02-15-2009	\$ 687,850	601,869	608,747
27638	AAA	9.000	10-15-2008	57,090	48,526	50,526
30185	AAA	9.000	05-15-2009	153,103	130,137	135,409
31769	AAA	9.000	05-15-2009	132,307	112,461	117,799
31803	AAA	9.000	06-15-2009	429,275	364,884	379,990
35604	AAA	11.000	02-15-2010	3,298,682	3,040,068	3,265,696
36245	AAA	11.000	03-15-2010	637,787	587,860	631,406
37596	AAA	11.000	02-15-2010	182,276	178,232	180,452
38340	AAA	11.000	01-15-2010	83,816	81,956	82,978
38595	AAA	11.500	06-15-2010	246,891	241,414	244,422
39055	AAA	11.000	09-15-2010	24,416	22,921	24,058
39551	AAA	11.500	04-15-2010	836,789	818,223	828,407
40864	AAA	11.500	10-15-2010	19,860	18,643	20,033
41898	AAA	11.500	10-15-2010	34,694	32,569	34,997
41940	AAA	11.000	06-15-2010	927,857	871,026	935,978
41968	AAA	11.500	10-15-2010	147,919	136,270	144,439
42195	AAA	11.000	08-15-2010	26,395	25,463	26,656
42214	AAA	11.500	10-15-2010	19,867	18,312	19,669
42540	AAA	11.000	10-15-2010	17,129	16,080	17,278
42550	AAA	11.000	10-15-2010	23,144	21,332	22,913
42608	AAA	11.000	07-15-2010	934,082	860,960	924,741
42622	AAA	11.000	09-15-2010	36,226	33,390	35,863
42667	AAA	11.000	08-15-2010	21,065	19,416	20,854
42690	AAA	11.000	08-15-2010	21,904	20,190	21,685
42726	AAA	11.000	09-15-2010	21,282	19,616	21,070
42884	AAA	11.500	10-15-2010	833,764	782,696	841,060
42903	AAA	11.000	08-15-2010	868,038	848,778	859,357
43120	AAA	11.500	11-15-2010	33,124	31,095	33,413
43175	AAA	11.000	09-15-2010	33,430	30,813	33,096
43178	AAA	11.000	09-15-2010	272,611	251,143	269,885
43350	AAA	11.500	10-15-2010	822,793	772,397	829,992
43453	AAA	11.000	09-15-2010	35,974	33,158	35,614
43568	AAA	11.000	09-15-2010	799,453	781,715	791,458
43579	AAA	11.500	10-15-2010	47,061	45,355	47,473
43597	AAA	11.000	10-15-2010	247,688	228,299	245,211
43621	AAA	11.000	09-15-2010	856,510	837,506	847,945
44909	AAA	11.000	09-15-2010	927,090	854,082	917,819
46096	AAA	11.500	01-15-2011	119,277	111,971	120,321
47118	AAA	11.500	08-15-2011	1,313,243	1,232,807	1,324,734
47181	AAA	11.500	11-15-2010	26,493	25,533	26,725
47451	AAA	12.000	05-15-2011	45,996	44,530	47,261
47742	AAA	11.500	10-15-2010	48,302	46,596	48,724
47957	AAA	11.000	03-15-2011	640,765	590,304	634,357
50161	AAA	15.000	09-15-2011	1,231	1,331	1,365
51805	AAA	11.500	10-15-2011	524,856	492,709	529,449
53491	AAA	16.000	03-15-2012	3,752	4,263	4,296
55428	AAA	11.500	04-15-2013	594,834	581,451	600,339
55614	AAA	14.750	06-15-1997	418,677	453,474	463,685
56591	AAA	11.500	04-15-2013	979,144	987,405	987,711
56777	AAA	11.500	02-15-2013	35,762	33,572	36,075
56919	AAA	11.500	03-15-2013	74,650	70,077	75,361
57427	AAA	12.000	01-15-2013	52,117	50,456	53,551
57482	AAA	11.500	03-15-2013	1,917,230	1,811,782	1,934,006
58033	AAA	11.500	02-15-2013	475,388	449,241	479,547
58603	AAA	11.500	02-15-2013	36,701	34,682	37,022
58789	AAA	11.500	12-15-2012	965,747	906,595	974,197
59003	AAA	11.500	03-15-2013	1,906,794	1,790,003	1,923,478
59005	AAA	11.500	05-15-2013	2,847,925	2,673,489	2,872,844
59042	AAA	11.500	12-15-2012	902,234	846,972	910,109
59070	AAA	11.500	02-15-2013	47,132	45,468	47,544
59181	AAA	11.500	03-15-2013	994,313	1,002,703	1,003,014
59196	AAA	11.500	04-15-2013	945,331	887,430	953,603
59351	AAA	11.500	04-15-2013	472,133	446,166	476,264
59416	AAA	11.500	03-15-2013	979,893	988,161	988,467
59567	AAA	12.000	02-15-2013	27,845	26,957	28,611
59598	AAA	11.500	12-15-2012	959,152	967,545	967,579
59711	AAA	11.500	05-15-2013	954,221	920,525	942,579
59779	AAA	11.500	01-15-2013	38,536	36,176	38,879
59818	AAA	11.500	03-15-2013	961,747	927,785	970,162
59909	AAA	11.500	01-15-2013	94,415	88,632	96,241
60008	AAA	12.000	03-15-2013	780,997	765,377	802,475
60069	AAA	11.500	07-15-2013	72,566	68,122	73,201
60099	AAA	11.500	08-15-2013	2,927,025	2,766,953	2,952,637
60167	AAA	11.500	03-15-2013	989,600	997,950	998,259
60186	AAA	11.500	05-15-2013	941,031	893,685	949,266
60206	AAA	11.500	02-15-2013	946,081	888,134	954,306
60362	AAA	11.500	08-15-2013	3,018,812	2,853,721	3,045,271
60366	AAA	11.500	02-15-2013	2,883,542	2,714,134	2,908,773
60423	AAA	11.500	03-15-2013	2,967,331	2,883,542	2,993,296
60512	AAA	11.500	01-15-2013	921,770	880,290	929,835
60515	AAA	11.500	06-15-2013	34,204	32,109	34,504
60534	AAA	11.500	08-15-2013	88,726	84,734	89,503
60541	AAA	11.500	03-15-2013	939,824	882,260	948,048
60638	AAA	11.500	04-15-2013	431,230	421,528	435,004
60864	AAA	11.500	01-15-2013	950,852	908,063	959,172
61425	AAA	11.500	03-15-2013	990,788	956,266	999,458
61603	AAA	11.500	04-15-2013	1,005,409	1,013,893	1,014,278
61690	AAA	12.000	12-15-2012	453,601	439,143	456,078
61694	AAA	11.500	02-15-2013	133,955	125,750	135,107
61695	AAA	11.500	03-15-2013	3,741,189	3,772,756	3,773,925
61783	AAA	11.500	04-15-2013	2,947,048	2,974,914	2,977,838
61871	AAA	11.500	01-15-2013	952,539	909,675	960,874
61930	AAA	11.500	04-15-2013	270,327	272,608	272,608
61984	AAA	11.500	06-15-2013	991,767	1,005,445	1,005,445
62078	AAA	11.500	08-15-2013	1,006,678	961,220	1,015,445
62093	AAA	11.500	03-15-2013	937,030	945,220	945,220
62186	AAA	11.500	11-15-2013	952,915	941,250	941,250
62194	AAA	11.500	04-15-2013	24,750	23,637	24,600
62286	AAA	11.500	04-15-2013	993,016	1,001,395	1,001,700
62395	AAA	11.500	03-15-2013	958,559	964,946	964,946
62463	AAA	11.500	01-15-2013	946,314	924,710	934,537
62488	AAA	11.500	03-15-2013	1,003,321	903,730	1,012,180
62489	AAA	11.500	03-15-2013	973,890	982,411	982,411
62597	AAA	11.500	03-15-2013	486,260	468,633	490,544
62709	AAA	11.500	04-15-2013	23,245	22,075	23,444
62757	AAA	11.500	03-15-2013	928,409	871,544	934,537
62772	AAA	11.500	04-15-2013	990,357	990,023	990,023
62941	AAA	11.500	03-15-2013	24,082	22,607	24,270
62943	AAA	11.500	06-15-2013	28,352	26,615	28,000
62977	AAA	11.500	04-15-2013	1,005,411	1,021,329	1,021,329
63052	AAA	11.500	03-15-2013	1,012,784	984,900	984,900
63079	AAA	11.500	03-15-2013	938,776	904,745	920,832
63088	AAA	11.500	03-15-2013	912,845	871,767	884,362
63092	AAA	11.500	04-15-2013	46,013	43,943	46,414
63125	AAA	11.500	05-15-2013	934,882	892,812	904,594
63175	AAA	11.500	02-15-2013	1,979,279	1,995,980	1,995,980
	AAA	11.500	03-15-2013	1,013,831	1,022,385	1,022,385

OBIGATIONS  
(Continued)

Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
AAA	11.500	04-15-2013	\$ 995,569	1,003,959	1,004,271
AAA	11.500	03-15-2013	942,990	900,556	951,242
AAA	11.500	02-15-2013	478,354	452,044	482,539
AAA	11.500	02-15-2013	890,680	850,599	898,473
AAA	11.500	03-15-2013	479,470	453,099	483,665
AAA	11.500	04-15-2013	990,070	998,423	998,733
AAA	11.500	03-15-2013	986,507	994,831	995,139
AAA	11.500	07-15-2013	1,006,878	961,411	1,015,688
AAA	11.500	04-15-2013	1,002,569	1,011,018	1,011,332
AAA	11.500	04-15-2013	939,217	881,690	947,435
AAA	11.500	03-15-2013	949,507	915,087	957,815
AAA	11.500	05-15-2013	683,524	652,765	689,505
AAA	11.500	02-15-2013	1,880,608	1,780,700	1,897,063
AAA	11.500	04-15-2013	998,496	963,081	1,007,233
AAA	12.000	03-15-2013	458,455	443,842	471,063
AAA	11.500	02-15-2013	989,925	998,278	998,587
AAA	11.500	03-15-2013	1,010,952	1,019,482	1,019,798
AAA	11.500	08-15-2013	292,190	279,042	294,747
AAA	11.500	04-15-2013	495,105	477,157	499,437
AAA	11.500	04-15-2013	2,973,297	2,955,477	2,999,313
AAA	11.500	04-15-2013	1,004,946	1,013,425	1,013,739
AAA	11.500	04-15-2013	996,908	1,005,320	1,005,631
AAA	11.500	05-15-2013	941,795	884,110	950,036
AAA	11.500	05-15-2013	22,655	21,636	22,853
AAA	11.500	04-15-2013	24,443	23,343	24,657
AAA	11.500	03-15-2013	1,004,914	1,013,393	1,013,707
AAA	11.500	03-15-2013	890,155	835,633	897,944
AAA	11.500	05-15-2013	1,957,112	1,859,562	1,974,237
AAA	11.500	05-15-2013	952,729	909,856	961,066
AAA	11.500	06-15-2013	991,673	956,499	1,000,350
AAA	11.500	06-15-2013	904,370	859,293	912,283
AAA	11.500	08-15-2013	938,683	896,442	946,896
AAA	11.500	03-15-2013	1,982,615	1,912,294	1,999,963
AAA	11.500	04-15-2013	957,069	898,449	965,443
AAA	11.500	05-15-2013	1,931,387	1,835,120	1,948,287
AAA	11.500	06-15-2013	48,728	46,536	49,155
AAA	11.500	05-15-2013	3,865,519	3,661,824	3,899,342
AAA	11.500	06-15-2013	952,470	904,996	960,804
AAA	11.500	03-15-2013	992,820	1,001,196	1,001,507
AAA	11.500	07-15-2013	992,292	957,717	1,000,975
AAA	11.500	04-15-2013	1,939,378	1,842,712	1,956,348
AAA	11.500	05-15-2013	961,528	913,602	969,941
AAA	11.500	08-15-2013	1,945,051	1,848,102	1,962,070
AAA	11.500	04-15-2013	23,415	22,362	23,620
AAA	11.500	05-15-2013	54,534	52,080	55,011
AAA	11.500	04-15-2013	1,957,758	1,974,277	1,974,889
AAA	11.500	03-15-2013	3,930,688	3,963,853	3,965,081
AAA	11.500	05-15-2013	966,204	918,045	974,659
AAA	11.500	03-15-2013	24,145	22,666	24,357
AAA	11.500	04-15-2013	965,972	917,824	974,424
AAA	11.500	04-15-2013	4,906,231	4,947,627	4,949,160
AAA	11.500	04-15-2013	948,207	892,500	956,504
AAA	11.500	05-15-2013	1,064,040	1,011,472	1,073,350
AAA	11.500	05-15-2013	975,461	926,840	983,996
AAA	11.500	05-15-2013	954,461	906,887	962,813
AAA	12.000	12-15-2013	940,687	921,874	966,867
AAA	11.500	06-15-2013	24,529	23,425	24,744
AAA	11.500	03-15-2013	930,712	873,706	938,856
AAA	11.500	05-15-2013	902,266	869,559	910,161
AAA	11.500	06-15-2013	950,812	908,025	959,131
AAA	11.500	04-15-2013	969,025	915,728	977,504
AAA	11.500	03-15-2013	879,543	847,660	887,239
AAA	11.500	07-15-2013	967,943	914,706	976,412
AAA	11.500	05-15-2013	967,118	923,597	975,580
AAA	11.500	04-15-2013	945,663	893,652	953,938
AAA	11.500	06-15-2013	24,150	23,063	24,361
AAA	12.000	09-15-2013	1,822,330	1,776,892	1,872,444
AAA	11.500	06-15-2013	108,490	104,557	109,439
AAA	11.500	06-15-2013	966,314	922,830	974,769
AAA	11.500	04-15-2013	29,717	28,380	29,977
AAA	11.500	06-15-2013	942,506	900,093	950,752
AAA	11.500	05-15-2013	987,285	952,267	995,924
AAA	11.500	05-15-2013	989,418	954,943	998,075
AAA	11.500	06-15-2013	917,809	897,158	925,840
AAA	11.500	05-15-2013	325,378	318,871	334,326
AAA	12.000	08-15-2013	466,914	443,422	471,000
AAA	11.500	07-15-2013	496,141	481,257	509,785
AAA	12.000	08-15-2013	56,496	54,501	56,990
AAA	11.500	07-15-2013	964,344	929,387	972,782
AAA	11.500	05-15-2013	991,997	956,037	1,000,677
AAA	11.500	06-15-2013	23,586	22,289	23,792
AAA	11.500	06-15-2013	941,158	907,041	949,393
AAA	11.500	07-15-2013	964,138	929,188	972,574
AAA	11.500	06-15-2013	945,886	911,597	954,162
AAA	11.500	05-15-2013	3,860,935	3,639,534	3,894,718
AAA	11.500	07-15-2013	984,816	949,116	993,433
AAA	11.500	05-15-2013	986,151	950,403	994,780
AAA	11.500	06-15-2013	975,572	940,208	984,109
AAA	11.500	05-15-2013	966,385	931,354	974,841
AAA	11.500	05-15-2013	975,577	940,212	984,113
AAA	11.500	06-15-2013	963,394	901,375	971,823
AAA	11.500	06-15-2013	968,578	933,467	977,053
AAA	11.500	07-15-2013	991,148	969,157	981,236
AAA	11.500	07-15-2013	34,375	31,684	34,031
AAA	11.500	06-15-2013	71,663	67,274	72,290
AAA	11.500	06-15-2013	949,454	915,036	957,761
AAA	11.500	08-15-2013	978,724	949,974	1,005,639
AAA	12.000	11-15-2013	926,770	894,044	934,880
AAA	11.500	07-15-2013	238,008	233,248	244,553
AAA	12.000	05-15-2013	483,336	467,930	496,628
AAA	12.000	08-15-2013	992,003	960,383	1,019,283
AAA	12.000	08-15-2013	496,147	481,262	509,791
AAA	12.000	08-15-2013	12,937	12,239	13,050
AAA	11.500	08-15-2013	945,295	911,028	953,567
AAA	11.500	08-15-2013	99,172	91,409	98,181
AAA	11.500	07-15-2013	450,008	460,819	477,571
AAA	11.000	05-15-2010	245,362	251,268	260,390
AAA	13.500	05-15-2010	183,532	187,886	194,773
AAA	13.500	11-15-2011	1,056,587	966,296	1,007,139
AAA	13.500	03-15-2013	250,326	256,208	265,669
AAA	10.000	10-15-2012	1,060,365	969,480	1,010,740
AAA	13.500	03-15-2013	165,337	160,067	169,884
AAA	10.000	08-15-2013	971,567	940,598	998,285
AAA	12.000	08-15-2013	959,152	931,576	985,529
AAA	12.000	07-15-2013	992,602	958,016	1,001,288
AAA	12.000	08-15-2013	988,097	953,668	996,742
AAA	11.500	08-15-2013	962,657	934,980	989,130
AAA	11.500	08-15-2013			
AAA	12.000	08-15-2013			
AAA	11.500	08-15-2013			
AAA	12.000	08-15-2013			





Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
AAA	11.500%	04-15-2015	\$ 1,004,353	968,730	1,013,141
AAA	11.000	05-15-2015	999,580	977,402	989,584
AAA	11.000	05-15-2015	999,657	977,478	989,661
AAA	11.500	05-15-2015	981,548	946,830	990,237
AAA	11.000	05-15-2015	1,020,841	998,191	1,010,633
AAA	7.500	01-01-2018	39,007	28,677	29,597
AAA	13.000	02-15-2001	7,000,000	7,000,000	7,551,390
AAA	11.000	10-15-1989	10,000,000	10,017,500	10,377,600
AAA	14.000	09-25-1988	2,535,000	2,535,000	2,610,366
AAA	0	02-15-1987	2,000,000	1,698,220	1,725,000
			<b>650,253,311</b>	<b>637,501,123</b>	<b>665,653,606</b>

NR	7.500	01-02-1999	950,000	1,094,416	1,035,500
AA2	14.000	01-15-2006	5,300,000	5,518,250	6,288,450
AA2	15.000	06-01-2006	3,000,000	3,243,750	3,606,990
NR	3.000	03-31-1999	650,000	689,718	524,453
NR	9.500	12-01-1987	1,000,000	1,000,000	1,000,000
NR	9.500	12-01-1989	4,000,000	4,000,000	4,000,000
NR	5.500	03-31-1998	200,000	217,097	199,484
NR	8.813	08-29-1988	7,000,000	7,000,000	6,930,000
NR	8.610	05-15-1991	10,000,000	10,023,000	10,004,500
NR	11.750	05-15-1994	7,750,000	8,061,717	8,215,000
NR	7.810	10-15-1986	13,000,000	13,007,800	13,007,800
			<b>52,850,000</b>	<b>53,855,748</b>	<b>54,812,177</b>

**\$ 1,483,548,123      1,472,548,177      1,550,716,554**

AA-1	11.000 %	02-01-1993	\$ 5,000,000	4,975,000	5,115,550
BA3	15.250	12-15-1996	2,000,000	2,037,500	2,050,000
AA2	13.125	09-01-1992	5,000,000	4,954,750	5,435,450
AA3	12.000	11-01-1994	18,500,000	18,501,250	19,431,290
B-1	12,000	12-15-2008	2,500,000	2,100,000	2,237,500
BAA1	16,000	06-01-2011	5,000,000	5,800,000	5,772,050
NR	9.938	02-28-1989	3,000,000	2,987,400	2,991,750
AAA	14.125	03-01-1988	5,000,000	4,986,752	5,522,850
NR	0	09-01-2012	220,000,000	10,000,000	14,284,600
BAA2	11.500	07-01-1995	19,000	19,119	19,119
BAA2	12.625	07-01-2005	19,200	19,296	19,296
BAA2	11.750	07-01-2000	19,200	19,296	3,836,105
BAA2	13.765	09-15-2004	3,500,000	3,642,552	11,880,000
BA2	8.950	04-15-1994	14,400,000	10,446,056	25,094,250
BA-1	9.650	10-15-1994	29,350,000	22,844,083	73,200
BA-1	8.000	01-15-2010	60,000	65,295	18,619,824
BAA3	11.249	03-15-1995	19,048,413	18,993,163	669,226
BAA3	13.875	03-15-1997	636,946	653,214	5,522,036
BAA3	14.750	03-15-2000	5,197,455	5,376,195	5,736,213
BA-1	11.250	05-01-2013	6,300,000	5,263,650	5,245,350
BAA3	11.500	04-15-1995	5,000,000	5,000,000	5,500,000
A2	16.625	09-01-2004	5,000,000	5,193,750	9,133,590
BA3	12.000	01-15-1994	8,500,000	8,500,000	4,925,000
AA2	11.937	08-15-1996	5,000,000	4,995,000	5,559,250
AA3	14.375	12-01-1991	10,000,000	4,959,481	10,701,000
AA3	13.000	10-15-2009	308,600	328,660	329,816
A2	14.000	05-15-1990	308,600	321,715	323,644
BAA3	13.500	05-15-1997	493,800	509,848	508,614
BAA3	12.125	05-15-1991	5,000,000	5,100,000	5,481,550
BAA3	13.250	09-01-2014			
A2			<b>389,161,014</b>	<b>168,706,179</b>	<b>182,088,073</b>

AA2	11.625	10-15-1992	2,500,000	2,452,300	2,593,425
BAA2	11.500	04-15-1997	5,000,000	5,045,000	5,094,550
A-1	13.200	08-15-1989	4,400,000	4,441,500	4,812,984
A-1	11.000	01-15-1990	5,250,000	5,250,000	5,324,235
NR	11.875	04-15-1995	8,500,000	8,461,750	9,002,010
NR	7.938	04-08-1986	15,000,000	15,009,900	15,000,000
NR	7.813	01-14-1987	6,000,000	6,003,000	6,003,000
NR	9.813	04-08-1987	10,000,000	10,002,500	9,987,500
NR	10.375	04-15-1988	11,500,000	11,626,385	11,630,640
AA-1	11.375	10-15-1989	3,000,000	2,994,750	3,133,350
AAA	6.125	05-01-1995	10,000,000	10,000,000	10,497,700
AA3	13.750	07-01-1992	8,000,000	8,000,000	3,142,527
AA3	7.625	03-01-1988	3,750,000	3,729,000	3,870,000
NR	13.500	03-01-2003	2,200,000	2,270,986	3,870,000
NR	7.575	08-15-1987	17,500,000	17,447,500	5,520,480
NR	13.500	03-31-1986	494,000	532,903	2,355,342
NR	13.750	12-01-2005	10,000,000	9,954,000	17,447,500
AAA	13.000	08-01-1991	13,500,000	13,500,000	10,843,600
A-1	7.360	10-21-1985	7,034,910	7,003,253	13,500,000
NR	9.500	06-15-1989			7,052,497
			<b>147,728,910</b>	<b>145,916,741</b>	<b>147,384,706</b>

A3	16.625	03-01-2012	3,500,000	4,099,375	4,164,230
BAA1	16.750	03-01-2012	1,000,000	1,152,500	1,149,930
NR	14.200	10-01-1986	11,000,000	11,037,400	11,192,720
A2	16.200	08-01-2012	10,000,000	11,495,000	11,899,600
BAA1	16.000	06-01-2014	1,995,000	1,992,506	2,263,288
B-1	17.500	07-01-1989	2,000,000	2,050,000	2,239,060
B-1	16.750	07-01-1991	1,435,000	1,492,400	1,542,137
BA3	17.000	12-01-1991	1,000,000	1,018,750	1,079,840
BA3	5.250	03-01-1996	800,000	375,488	441,288
BA2	15.250	10-01-2012	2,000,000	2,180,460	2,087,120
BA3	13.500	05-01-2013	3,000,000	2,895,000	2,915,730
B-1	18.000	02-01-2012	5,000,000	2,517,500	2,504,360
BAA2	11.000	03-01-1994	3,360,000	4,985,000	5,263,560
AA2	15.750	09-15-1994	8,558,000	3,318,000	3,780,403
BAA2	14.750	04-15-2005	3,750,000	8,525,908	9,366,817
BAA2	14.500	02-15-2009	2,200,000	3,997,500	4,104,225
BA-1	18.750	09-15-2009	7,250,000	2,703,800	2,710,972
BA-1	18.750	10-01-2010		7,605,172	8,139,284
BAA3	15.375				

**CORPORATE OBLIGATIONS**

**Public Utilities (Continued)**

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Public Service Company of Indiana Inc	BA2	4.375%	02-01-1989	\$ 1,000,000	659,550	7,128,466
Tenneco Inc	BA3 A2	12.125 13.375	09-01-1990 01-15-1991	8,400,000 5,000,000	4,978,605	84,248,000

**Total Public Utilities**

**Telephone**

MCI Communications Corporation	BAA3	9.500	08-01-1993	2,000,000	1,480,000	623,137,924
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**TOTAL CORPORATE OBLIGATIONS**

402,311,300 422,540,000

**CONVERTIBLE ISSUES**

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Bank New York Inc	A	8.250	07-01-2010	7,705,000	7,705,000	7,705,000
Comdisco Inc	BA2	8.000	05-01-2003	1,236,000	914,990	3,113,786
Comprehensive Care Corporation	NR	7.500	04-15-2010	2,965,000	5,536,686	2,931,500
Coopervision Inc	BA2	8.625	03-01-2005	5,410,000	2,900,000	2,931,500
Corroon & Black Corporation	NR	7.500	06-01-2005	2,900,000	812,000	949,668
First Boston Inc	A3	9.250	12-15-2009	1,067,000	1,180,771	5,283,911
GTE Corporation	BAA3	10.500	11-01-2007	5,748,000	2,910,000	2,910,000
Home Depot Inc	NR	8.500	07-01-2009	2,910,000	8,065,000	8,274,382
Humana Inc	A3	8.500	08-15-2009	1,100,000	1,075,000	1,075,000
International Business Machines Corporation	NR	7.875	11-21-2004	1,100,000	632,034	632,034
Lomas & Nettleton Financial Corporation	BAA1	9.000	04-01-2010	1,075,000	525,000	525,000
MacMillan Inc	A	7.500	07-01-2010	632,034	632,034	632,034
Rexnord Inc	BAA3	9.250	10-01-2005	525,000	525,000	525,000
State Street Boston Corporation	A3	7.750	05-01-2008	1,100,000	1,100,000	1,100,000
Torchmark Corporation	A3	7.750	06-01-2010	4,400,000	4,398,375	4,400,000
U.S. Trust Corporation	NR	10.000	10-15-2008	440,000	495,000	495,000
Waste Management Inc Zero Coupon	A2	0	01-21-2001	2,240,000	560,000	560,000

**TOTAL CONVERTIBLE ISSUES**

47,578,737 49,330,000

**TOTAL BONDS AND CORPORATE NOTES**

\$ 2,155,657,047 1,922,438,214 2,022,618,000

**PREFERRED STOCKS**

	Shares	Book Value	Market Value
American General Corporation \$2.64	50,000	\$ 2,479,550	3,481,000
Cigna Corporation \$4.10	130,900	6,676,477	6,904,000
Lone Star Industries Inc \$5.375	33,200	1,657,789	1,639,000
Occidental Petroleum Corporation	87,300	4,949,895	4,932,000
Ohio Edison Company	114,100	3,679,587	3,679,000
Old Republic International Corporation \$4.00	23,500	1,204,063	1,219,000
Western Massachusetts Electric Company		1,563,250	1,640,000

**TOTAL PREFERRED STOCKS**

22,210,611 23,500,000

**TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK**

\$ 1,944,648,825 2,046,124,000

**SHORT TERM INVESTMENTS**

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Anz Delaware Inc	NR	7.550%	07-29-1985	\$ 15,000,000	14,902,479	14,902,000
Caisse Nationale De Telecommunications	NR	7.550	09-25-1985	10,000,000	9,811,250	9,811,000
Christiania Bank Og Kredit Kasse	NR	7.625	07-23-1985	5,000,000	4,972,465	4,972,000
Harris Bank Due From Broker	NR	0	00-00-0000	18,179,350	18,179,350	18,179,000
Harris Bank Investment Reserve Fund	NR	0	00-00-0000	457,876,599	457,876,599	457,876,000
Hessische Landes Bank Girozentrale	NR	7.650	07-24-1985	5,000,000	4,971,313	4,971,000
Mellon North America Corporation	NR	13.600	05-19-1986	10,000,000	10,000,000	10,000,000
Mitsubishi Bank Short Term Investment Fund	NR	0	00-00-0000	2,893,946	2,893,946	2,893,000
Nestles Capital Corporation	NR	7.400	07-11-1985	2,000,000	1,990,133	1,990,000
Rolls Royce Capital Corporation	NR	7.400	07-15-1985	5,000,000	4,971,222	4,971,000
Swiss Bancorp Overseas Finance	NR	7.050	07-08-1985	15,000,000	14,947,125	14,947,000
Tokai Bank Limited New York	NR	7.420	07-03-1985	5,000,000	4,983,511	4,983,000
Toronto Dominion Holdings USA	NR	7.600	08-02-1985	10,000,000	9,924,000	9,924,000
U.S. Treasury Bills	AAA	6.770	08-29-1985	625,000	614,595	614,000
	AAA	6.810	09-05-1985	315,000	309,472	309,000
	AAA	6.780	09-12-1985	1,255,000	1,234,535	1,234,000
	AAA	6.780	09-19-1985	205,000	201,515	201,000
	AAA	6.820	09-26-1985	205,000	194,709,812	194,709,812

U.S. Treasury Bonds-Futures Contracts

**TOTAL SHORT TERM INVESTMENTS**

\$ 468,950,083 468,378,800 468,378,800

**COMMON STOCK-U.S.**

	Shares	Book Value	Market Value
<b>Air Transport</b>			
Boeing Company	537,050	\$ 18,331,668	20,000,000
E Systems Inc	75,000	2,593,037	2,610,000
General Dynamics Corporation	124,750	8,796,378	9,000,000
Grumman Corporation	11,600	363,916	363,000
Lockheed Corporation	415,450	15,929,178	16,000,000
Martin Marietta Corporation	87,300	3,609,569	3,609,000
McDonnell Douglas Corporation	87,300	1,339,899	1,339,000
Raytheon Corporation	17,400	1,227,824	1,227,000
Rockwell International Corporation	24,900	1,944,029	1,944,000
Textron Inc	52,900	1,089,615	1,089,000
United Technologies Corporation	21,400	3,360,158	3,360,000
<b>Automobiles and Auto Parts</b>			
American Motors Corporation	48,300	151,465	151,000
Arvin Industries Inc	4,750	80,813	80,800
Borg-Warner Corporation	30,300	692,241	692,000
Champion Spark Plug Company	16,200	147,867	147,000
Chrysler Corporation	112,450	3,867,318	3,867,000
Cummins Engine Company Inc	14,300	895,689	895,000
Dana Corporation	37,900	1,060,342	1,060,000
Eaton Corporation	83,900	3,945,352	3,945,000
Echlin Inc	8,400	218,001	218,000
Firestone Tire and Rubber Company	60,900	1,247,752	1,247,000
Ford Motor Company	60,900	14,837,342	14,837,000
Fruhauf Corporation	385,950	1,993,611	1,993,000
Gencorp Inc	80,950	2,233,073	2,233,000
General Motors Corporation	84,973	17,622,646	17,622,000
General Motors Corporation Class E	272,600	77,653	77,000
Genuine Parts Company	4,280	1,208,832	1,208,000
Goodrich (B.F.) Company	35,200	1,731,473	1,731,000

STOCKS U.S.

Shares Book Value Market Value

Table with columns for company names and market values. Includes sub-sections like 'Automotive and Auto Parts (Continued)', 'Aerospace', 'Chemicals', and 'Miscellaneous'.

Table with columns for Shares, Book Value, and Market Value. Contains numerical data for each company listed in the adjacent column.

**CK-U.S.**

**and Miscellaneous (Continued)**

.....	79,400
.....	30,200
.....	132,900
.....	16,700
.....	137,100
.....	13,900
.....	6,600
.....	600
.....	6,200
.....	32,600
.....	62,500
.....	19,900
.....	4,700
.....	7,100
.....	8,100
.....	15,200
.....	38,000
.....	65,600
.....	88,800
.....	10,600
.....	101,800
.....	10,300
.....	6,100
.....	6,100
.....	20,800
.....	20,800
.....	14,700
.....	208,100
.....	446,300
.....	54,375
.....	7,500
.....	71,200
.....	19,900
.....	14,200
.....	107,700
.....	25,500
.....	5,700
.....	11,000
.....	43,425
.....	88,914
.....	13,000
.....	206,400
.....	22,900
.....	17,600
.....	10,900
.....	17,400
.....	256,700
.....	36,600
.....	30,400
.....	114,800
.....	19,600
.....	284,100
.....	38,200
.....	9,700
.....	26,700
.....	40,100
.....	18,600
.....	218,200
.....	13,100
.....	10,800
.....	11,600
.....	35,300
.....	31,000
.....	190,800
.....	8,400
.....	6,900
.....	75,000
.....	75,800
.....	23,300
.....	50,500
.....	18,200
.....	46,100
.....	37,300
.....	24,400
.....	12,800
.....	11,900
.....	207,900
.....	57,000
.....	39,700
.....	14,000
.....	38,600
.....	34,300
.....	21,500
.....	8,300
.....	19,100
.....	12,900
.....	23,600
.....	8,000
.....	129,000
.....	3,400
.....	194,684
.....	257,200
.....	12,600
.....	70,800
.....	12,400
.....	39,300
.....	168,750
.....	13,200
.....	11,900
.....	208,633
.....	5,000
.....	156,100
.....	6,000
.....	150,600
.....	66,900
.....	52,700
.....	33,600
.....	10,500
.....	435,001
.....	8,100
.....	280,500
.....	63,400

Shares	Book Value	Market Value
79,400	\$ 1,639,711	3,374,500
30,200	660,492	675,725
132,900	6,305,038	8,073,675
16,700	529,140	498,913
137,100	2,504,444	5,346,900
13,900	334,589	361,400
6,600	224,141	244,200
600	7,212	7,725
6,200	35,712	34,100
32,600	568,396	562,350
62,500	1,478,625	1,398,438
19,900	331,449	231,338
4,700	84,248	81,663
7,100	110,084	111,825
8,100	197,108	196,425
15,200	387,272	408,500
38,000	1,327,611	1,339,500
65,600	699,657	2,115,600
88,800	2,546,408	4,118,101
10,600	377,631	389,550
101,800	2,170,890	3,601,175
10,300	170,511	172,525
6,100	168,681	166,988
6,100	85,993	80,063
20,800	160,819	153,401
20,800	484,871	884,000
14,700	562,733	545,738
208,100	5,605,749	5,410,600
446,300	15,435,730	14,393,175
54,375	1,224,941	1,107,891
7,500	158,885	153,760
71,200	2,555,559	2,171,600
19,900	403,067	393,025
14,200	477,847	463,275
107,700	3,797,065	4,765,725
25,500	494,355	522,750
5,700	57,827	83,363
11,000	433,675	441,375
43,425	1,032,471	1,042,200
88,914	5,950,263	6,524,065
13,000	484,510	435,500
206,400	12,173,887	12,771,001
22,900	386,667	363,538
17,600	417,076	442,200
10,900	357,455	366,513
17,400	481,674	493,725
256,700	7,531,390	8,984,500
36,600	881,766	951,600
30,400	585,615	592,800
114,800	958,388	1,248,450
19,600	965,807	1,024,100
284,100	11,384,155	9,694,913
38,200	454,252	458,400
9,700	370,007	339,500
26,700	963,092	984,538
40,100	829,575	1,443,600
18,600	455,176	474,300
218,200	7,547,798	10,391,776
13,100	146,723	155,563
10,800	391,113	396,900
11,600	449,466	459,650
35,300	2,043,117	2,135,650
31,000	945,875	949,378
190,800	6,150,209	4,483,800
8,400	852,614	803,250
6,900	241,847	244,950
75,000	2,420,311	3,581,250
75,800	2,528,821	2,605,625
23,300	1,118,265	1,112,575
50,500	1,551,701	1,003,688
18,200	1,208,782	1,212,575
46,100	1,046,131	1,117,925
37,300	1,162,623	1,184,275
24,400	908,365	1,024,800
12,800	575,778	584,000
11,900	923,994	913,325
207,900	1,831,597	2,286,900
57,000	2,010,744	2,144,626
39,700	1,043,015	1,057,015
14,000	486,620	537,250
38,600	1,328,932	1,365,475
34,300	2,729,864	2,778,300
21,500	1,277,665	1,367,938
8,300	287,826	287,348
19,100	1,004,524	1,043,336
12,900	617,469	609,525
23,600	1,347,936	1,377,650
8,000	248,400	252,000
129,000	3,276,545	4,386,000
3,400	194,684	280,925
257,200	18,378,914	21,958,451
12,600	684,026	680,400
70,800	3,991,683	3,982,500
12,400	622,824	646,350
39,300	1,756,118	1,748,850
168,750	4,172,105	5,357,813
13,200	537,682	569,250
11,900	1,199,369	1,233,138
208,633	3,084,363	3,598,919
5,000	341,356	370,000
156,100	8,143,683	8,958,238
6,000	105,300	103,500
150,600	8,508,751	9,619,575
66,900	2,290,793	2,742,900
52,700	1,342,370	1,370,200
33,600	700,996	718,200
10,500	346,357	370,125
435,001	6,343,211	6,688,140
8,100	431,911	442,463
280,500	13,187,197	17,215,688
63,400	2,026,053	2,028,800

**CK-U.S. (Continued)**

.....	498,913
.....	5,346,900
.....	361,400
.....	244,200
.....	7,725
.....	34,100
.....	562,350
.....	1,398,438
.....	231,338
.....	81,663
.....	111,825
.....	196,425
.....	408,500
.....	1,339,500
.....	2,115,600
.....	4,118,101
.....	389,550
.....	3,601,175
.....	172,525
.....	166,988
.....	80,063
.....	153,401
.....	884,000
.....	545,738
.....	5,410,600
.....	14,393,175
.....	1,107,891
.....	153,760
.....	2,171,600
.....	393,025
.....	463,275
.....	4,765,725
.....	522,750
.....	83,363
.....	441,375
.....	1,042,200
.....	6,524,065
.....	435,500
.....	12,771,001
.....	363,538
.....	442,200
.....	366,513
.....	493,725
.....	8,984,500
.....	951,600
.....	592,800
.....	1,248,450
.....	1,024,100
.....	9,694,913
.....	458,400
.....	339,500
.....	984,538
.....	1,443,600
.....	474,300
.....	10,391,776
.....	155,563
.....	396,900
.....	459,650
.....	2,135,650
.....	949,378
.....	4,483,800
.....	803,250
.....	244,950
.....	3,581,250
.....	2,605,625
.....	1,112,575
.....	1,003,688
.....	1,212,575
.....	1,117,925
.....	1,184,275
.....	1,024,800
.....	584,000
.....	913,325
.....	2,286,900
.....	2,144,626
.....	1,057,015
.....	537,250
.....	1,365,475
.....	2,778,300
.....	1,367,938
.....	287,348
.....	1,043,336
.....	609,525
.....	1,377,650
.....	252,000
.....	4,386,000
.....	280,925
.....	21,958,451
.....	680,400
.....	3,982,500
.....	646,350
.....	1,748,850
.....	5,357,813
.....	569,250
.....	1,233,138
.....	3,598,919
.....	370,000
.....	8,958,238
.....	103,500
.....	9,619,575
.....	2,742,900
.....	1,370,200
.....	718,200
.....	370,125
.....	6,688,140
.....	442,463
.....	17,215,688
.....	2,028,800

Shares	Book Value	Market Value
33,200	\$ 844,106	1,128,800
19,600	1,162,633	1,151,500
149,200	6,835,226	7,236,200
64,000	2,023,541	2,160,000
21,100	621,701	633,000
117,800	5,455,163	5,462,976
29,500	2,495,233	2,551,750
64,800	6,595,393	7,298,100
373,100	9,950,122	11,799,288
187,800	5,451,619	5,821,800
6,200	342,550	340,225
187,100	7,609,627	9,261,450
15,200	599,847	619,400
18,000	805,155	805,500
160,700	7,715,290	8,677,800
121,200	7,642,458	8,438,550
123,300	6,201,994	7,783,314
204,900	5,772,387	6,531,188
81,800	6,413,781	8,854,850
165,400	5,612,874	7,174,225

34,200	1,538,567	1,594,575
44,400	1,493,170	1,548,451
94,000	6,185,784	7,990,000
31,100	1,646,811	1,827,125
240,200	5,752,564	5,734,776
14,300	1,030,743	1,063,563
98,900	5,545,518	5,872,188
156,500	6,255,172	6,729,500
95,000	4,303,393	6,127,500
127,150	5,213,507	5,356,195
27,100	1,227,018	1,121,263
9,100	649,858	657,475
111,400	3,184,890	3,230,600
12,700	519,260	784,225
88,700	3,660,850	3,581,263
106,900	5,940,924	7,750,250
23,800	759,688	761,600
212,200	7,625,485	9,814,250
125,700	4,058,105	4,619,475
6,900	258,309	248,400

111,700	8,593,466	12,705,875
125,500	3,780,449	4,627,813
109,400	13,915,071	24,423,550
117,900	12,727,887	13,705,875
174,200	2,261,757	3,113,825
11,000	175,548	185,626
10,500	225,090	228,375
153,000	3,905,039	5,909,626
16,700	1,079,443	1,091,763
56,600	4,339,142	5,341,626
127,800	6,314,806	8,754,300
139,000	7,419,947	8,322,626
35,400	508,012	522,150
7,200	164,712	163,800
109,133	1,628,892	3,492,256
24,000	163,761	180,000
11,400	340,139	343,425
5,700	414,786	429,638
131,100	8,053,859	12,307,013
38,900	1,131,022	1,225,350
4,500	154,350	150,750

45,100	859,502	761,063
8,700	49,373	45,675
50,400	467,208	516,600
14,400	408,946	574,201
9,300	263,592	262,725
6,600	137,930	134,475
56,600	2,528,053	2,830,000
257,700	11,355,707	8,536,313
2,000	52,119	53,750
9,500	190,728	197,125
19,400	436,416	557,750
17,500	609,525	614,688
7,100	185,113	181,050
129,400	4,539,318	3,898,175
9,400	348,909	365,426
73,100	1,019,895	977,713
49,200	1,636,517	1,396,050
11,600	501,766	532,150
58,100	2,429,476	2,825,113
36,700	318,077	302,775
84,900	1,967,631	2,037,600
60,100	130,718	120,200
42,700	641,454	672,525
2,800	46,052	43,400
13,000	591,501	536,250
9,400	89,770	84,600
11,534	160,430	158,593
13,500	325,958	114,750
14,400	546,426	561,600
2,200	8,569	4,950
28,900	764,198	791,138

35,800	914,933	899,475
112,300	3,373,149	3,846,275
76,200	2,048,781	1,133,476
189,000	2,788,627	1,582,876
6,000	299,168	297,000
84,500	2,296,106	1,690,000
296,300	5,268,554	4,777,839
446	4,258	3,958
20,600	431,186	430,025
33,000	252,015	243,375
17,600	423,601	402,601
12,000	323,050	315,000
147,700	2,691,768	3,618,650
39,800	508,318	527,350
19,400	681,749	429,225
3,700	188,494	186,388
188,500	2,729,249	2,497,625
86,900	4,296,274	3,628,075
2,000	104,634	107,500

## COMMON STOCK-U.S.

### Utilities (Continued)

	Shares	Book Value
Phelps Dodge Corporation		\$ 2,334
Phibro Salomon Inc	97,900	13,170
Pittston Company	429,200	192
Reynolds Metals Company	17,000	969
United States Steel Corporation	28,500	15,682
Westmoreland Coal Company	624,200	91

### Office Equipment

Apple Computer Inc	24,400	412
Automatic Data Processing Inc	23,700	1,095
Burroughs Corporation	29,700	1,800
Computervision Corporation	19,900	29
Control Data Corporation	282,600	9,115
Cray Research Inc	6,000	491
Cullinet Software Inc	13,000	325
Data General Corporation	94,100	3,468
Datapoint Corporation	13,000	166
Digital Equipment Corporation	104,850	10,204
Honeywell Inc	80,700	4,648
Intergraph Corporation	33,000	978
International Business Machines Corporation	555,300	65,487
NCR Corporation	174,700	4,654
Prime Computer Inc	37,000	639
Shared Medical Systems Corporation	10,100	297
Sperry Corporation	44,400	1,923
Tandem Computers Inc	27,000	488
Wang Laboratories Inc	38,000	658
Xerox Corporation	25,600	1,248

### Oil and Gas

Amerada Hess Corporation	53,100	1,382
Amoco Corporation	119,600	7,067
Atlantic Richfield Company	317,000	16,661
Chevron Corporation	232,800	8,316
Coastal Corporation	19,500	277
Diamond Shamrock Corporation	81,900	1,571
Exxon Corporation	419,400	21,866
Kerr-McGee Corporation	265,400	8,363
Louisiana Land and Exploration Company	194,300	5,626
Mesa Petroleum Company	45,200	611
Mobil Corporation	417,700	11,447
Newpark Resources Inc	59,200	254
Noble Affiliates Inc	113,400	1,641
Occidental Petroleum Corporation	36,000	1,173
Pennzoil Company	20,500	1,043
Phillips Petroleum Company	78,800	3,027
Royal Dutch Petroleum Company	135,300	7,520
Standard Oil Company of Ohio	139,300	6,719
Sun Company Inc	37,200	1,844
Tenneco Inc	58,200	2,424
Texaco Inc	259,300	9,349
Texas Oil & Gas Corporation	287,302	5,894
Transco Exploration Partners Ltd	9,687	197
Unocal Corporation	43,867	1,454

### Oil Support Services

Baker International Corporation	193,300	3,289
Dresser Industries Inc	132,000	2,722
GEO International Corporation	1,400	8
Global Marine Inc	16,900	54
Halliburton Company	233,900	5,415
Hughes Tool Company	305,800	5,820
NL Industries Inc	76,400	1,138
Reading & Bates Corporation	14,700	132
Rowan Companies Inc	537,200	5,614
Schlumberger Ltd	176,898	7,506
Tidewater Inc	23,500	633
Western Company of North America	99,200	869

### Paper and Forest Products

American Can Company	50,300	2,560
Boise Cascade Corporation	97,200	2,636
Champion International Corporation	220,400	4,644
Crown Cork & Seal Company Inc	59,500	2,789
Crown Zellerbach Corporation	127,700	2,707
Federal Paper Board Company Inc	10,100	194
Georgia Pacific Corporation	147,300	3,664
Great Northern Nekoosa Corporation	40,800	1,375
International Paper Company	82,300	4,114
James River Corporation of Virginia	126,000	3,449
Kimberly Clark Corporation	288,650	13,332
Louisiana Pacific Corporation	94,309	1,850
Mead Corporation	21,400	839
Owens-Illinois Inc	11,800	534
Pottlatch Corporation	10,300	351
Scott Paper Company	84,800	3,130
Stone Container Corporation	9,300	246
Union Camp Corporation	92,300	3,219
Westvaco Corporation	43,400	1,531
Weyerhaeuser Company	37,500	1,087
Willamette Industries Inc	40,000	1,600

### Photographic and Related

Eastman Kodak Company	329,000	14,868
Minnesota Mining and Manufacturing Company	31,400	2,471
Polaroid Corporation	38,900	1,098

### Printing and Publishing

Donnelley (R.R.) and Sons	18,900	1,089
Dow Jones & Company Inc	23,700	1,136
Dun & Bradstreet Corporation	232,000	13,900
Gannett Co Inc	206,300	8,530
Gibson Greetings Inc	232,500	3,585
Harcourt Brace & Jovanovich Inc	5,700	318
Knight Ridder Newspapers Inc	98,900	3,082
MacMillan Inc	12,600	412
McGraw-Hill Inc	12,900	623
Meredith Corporation	6,000	440
New York Times Company	206,700	6,606
Time Inc	214,000	11,608
Times-Mirror Company	19,000	937
Tribune Company	93,500	2,784
Washington Post Company	60,700	3,964

### Retail Trade

Albertsons Inc	14,200	451
Allied Stores Corporation	38,000	1,946
American Stores Company	11,800	774
Ames Department Stores Inc	31,900	1,534
Associated Dry Goods Corporation	10,900	716
Carter Hawley Hale Stores Inc	8,400	233





## STOCK — U.S.

Company	Shares	Book Value	Market Value
ies (Continued)	23,900	\$ 419,464	406,300
Corporation	358,100	5,467,460	5,505,788
Electric Company	198,200	3,076,064	4,261,300
al Electric Company	21,000	171,675	175,875
Company of Indiana Inc	53,100	1,615,429	1,619,550
Electric and Gas Company	138,800	3,708,352	3,712,900
ornia Edison Company	489,700	8,407,782	10,834,614
any	33,400	2,657,089	2,805,600
ell Corporation	176,900	5,402,706	5,970,375
Corporation	123,400	3,354,579	3,825,400
Company	148,000	6,891,684	6,900,500
Company	31,400	2,497,064	2,543,400
Company	88,500	1,574,163	1,703,500

## COMMON STOCK-U.S.

\$ 1,650,221,676 1,878,148,642

## STOCK-INTERNATIONAL

Company	Shares	Book Value	Market Value
up	20,000	\$ 57,698	58,398
ies Group Plc	45,000	1,010,873	1,010,737
p Plc	300,000	609,413	550,388
	13,500	973,961	988,783
	180,000	794,550	746,512
	5,500	649,990	766,661
	125,000	687,304	534,561
	145,000	623,642	927,326
	3,250	613,642	767,560
nting Ltd	210,000	685,971	961,639
een	56,000	340,264	229,444
	4,500	382,376	741,864
A G	135,000	617,708	966,678
nk Ltd	110,500	513,482	668,921
Corporation	40,000	191,858	176,742
	56,000	156,813	152,962
	324,000	1,202,679	957,879
	460,000	346,569	433,694
	10,000	373,924	347,188
	5,000	393,804	207,565
	30,500	275,599	324,664
uring	225,000	539,910	576,622
ration	20,000	535,418	349,468
ng Berhad	175,000	499,380	445,885
tric Industrial Ltd	132,000	833,217	742,318
Company Ltd	40,000	200,390	208,877
erlanden N V	33,000	523,356	668,427
on	110,000	571,146	463,949
	375	763,835	939,349
	58,000	217,367	219,000
	32,500	837,849	635,870
	200,000	640,140	382,429
	135,000	586,627	526,009
	125,000	555,980	618,540
	2,000	1,025,092	1,080,868
	5,000	684,945	808,314
	150,000	570,816	726,744
p Plc United Kingdom	240,000	1,184,221	1,079,735
any Ltd	8,470	1,170,657	1,583,060
hones & Cables Plc	300,000	1,209,552	503,876
oration	4,000	550,326	687,968
ce Company	175	568,953	883,629
& Fire Insurance Company	231,000	320,120	505,703
	7,500	680,132	644,254
	530	803,457	871,834
itzerland	100,000	443,137	546,294
erlandse Uitgeversbedrijven	6,600	271,374	379,222

\$ 28,289,517 29,598,410

## TE

d I	\$ 24,875,000	25,000,000
d II	25,000,000	25,725,808
Fund	20,557,743	20,609,318

## AL ESTATE

\$ 70,432,743 71,335,126

## CAPITAL

ure IV	\$ 6,666,667	7,796,800
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\$ 6,666,667 7,796,800

