

Teachers' Retirement System

of the State of Illinois

1986

Annual Financial

Report



DEPOSITORY

JAN - 5 1987

UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

Teachers' Retirement System

of the State of Illinois

1986

Annual Financial Report



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

Letter of Transmittal

Board of Trustees



Current members of the Teachers' Retirement System Board of Trustees are, standing, from left, Robert L. Barrow, Carbondale; Gary Elmen, Bloomingsdale; Judith Fitch Tucker, Darien; seated, from left, Louise Brian Williams, Mt. Carmel; Bob Daniels, Springfield; Anne Davis, Harvey; and Ted Sanders, 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

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Letter of Transmittal



Samuel W. Anderson

Created in 1939, 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 the investment of member funds. The foremost goal of the System is assuring retirement security for members. The purpose of the member's pension fund as a trust is to provide for payment of pension benefits. Member assets as of June 30, 1986 had a market value of \$6.0 billion, representing financial security for 121,400 members and 41,417 beneficiaries.

“The purpose of the member's pension fund as a trust is to provide for payment of pension benefits.”

This annual financial report presents the financial position of the Teachers' Retirement System of the State of Illinois as of June 30, 1986, with related historical data and narrative analysis. Additional analysis presents historical data regarding the System's membership, benefits, funding and investments.

Benefits

The most important need fulfilled by the System is providing financial security for retirement. The System administers primarily a defined benefit retirement program for Illinois educators outside the city of Chicago. The statutorily required contribution by all members is 8 percent of salary. Retirement benefits are based on years of service and average salary.

The 2,160 FY86 retirees earned an average monthly annuity of \$1,119 based on a final average salary of \$25,450 and an average age of 61 with 24.4 years of service. This represents a decrease of 176 retirees when compared with FY85 when 2,336 members retired, more than during any other fiscal year in the last ten.

The average monthly annuity of \$1,119 earned by FY86 retirees was down from the \$1,162 earned by members who retired during FY85. In FY86, the new retirees included 179 members aged 70 or over who received an average retirement annuity of \$378 monthly. Many of these retirees were inactive members located by System during the year. These relatively low annuity payments brought the overall FY86 average down.

Retirement benefit is calculated by multiplying a formula times the member's final average salary (generally, the average of the four highest consecutive salaries in the last ten years of service). This formula has not changed since

Annuitants who have been in retirement for a number of years are most affected by the inflationary erosion in the real value of their benefits."

1971; however, average annuities for new retirees have risen 87 percent since 1977, due to increases in average salary.

Annuitants who have been in retirement for a number of years are most affected by the inflationary erosion in the real value of their benefits. The first automatic increase in annuity was provided in 1969 when new retirees were given a one and one-half percent annual increase in their original annuity,

and annuitants already in retirement were required to make a nominal contribution to qualify for the increase. The automatic increase was increased to 3 percent of the original annuity in 1979.

Some increases in annuities for specific groups of annuitants were passed by the legislature in 1980, 1982 and 1983 to help annuity payments partially keep pace with inflation.

Of the total annuitant population, 49.6 percent have been in retirement for ten years or less. These annuitants earn an average monthly annuity of \$946, are about 65 years of age and retired with about 25 years of service. Many will hold other jobs following retirement.

In contrast, 12.3 percent of TRS annuitants have been in retirement over 20 years. This group's average age is 85 and the average monthly annuity received is \$460.

To maintain purchasing power based on the Consumer Price Index (CPI) over the last ten years, the annuities of members retiring in 1977 would have had to increase by 85.8 percent. However, TRS benefits rose only 30 percent during that period. The statistics presented in the Benefits Summary present the continuing financial problems faced by many annuitants.

Another benefit provided for annuitants is the TRS health and prescription drug insurance plan which provides comprehensive medical and prescription drug coverage for 14,742 annuitants and qualifying dependents. The plan is designed as a Medicare supplement for those age 65 and over.

TRS members have not been required to contribute to Social Security and Medicare, although many have worked to qualify for these benefits through non-TRS employment. Effective April 1, 1986, federal law requires all TRS members to contribute toward Medicare coverage. The current contribution for Medicare is 1.45 percent of salary by the employee and an additional 1.45 percent of salary by the employer.

Disability and survivor benefits

Disability and survivor benefits are also part of the benefits package provided by TRS.

Disability benefits are available to active members at two successive levels for non-occupational disabilities. In addition, accidental disability benefits are available to members sustaining work-related disabilities. In FY86, 1,028 members received non-occupational benefits totalling \$6.4 million paid by the System. Ten members received a total of \$87,621 in accidental disability benefits.

Survivors of active and retired members may receive death and survivor benefits from the System. Benefits totalling \$19.3 million had been paid at June 30, 1986. This total includes monthly payments to 3,720 dependent beneficiaries. There were 1,279 new claims filed in FY86, of which 410 were for monthly benefits.

During FY86, legislation was enacted which enabled annuitants who had no dependent beneficiaries to take a refund of their survivor benefit contributions to the System in lieu of future death benefits. Of those eligible, 1,061 annuitants asked for this refund, totalling \$1.7 million.

Member services

The System also provided general information in the form of publications and presentations; personal communications with members through statements of account and correspondence; and individual assistance with planning and claims from retirement consultants and staff members.

During FY86, the System distributed the *Employer Guide*, *Member Guide*, *Retired Member Guide*, and a new videotape describing benefits. System staff members responded to over 44,000 phone calls and helped over 1,500 visitors at the System's Springfield office. In addition, TRS staff responded to letters and telephone calls with over 133,000 pieces of correspondence.

Funding

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

The System's 97,000 active members paid \$220.2 million to the System during FY86, 8 percent of salary. Investment income was \$812.6 million.

Appropriations from the State of Illinois (\$238 million) and contributions from school districts amounted to \$260.0 million, or 9.9 percent of member payroll. These contributions were short of the employer obligation as determined by the System's actuary. This employer obligation includes the employer cost of benefits accruing for current service plus interest on the unfunded obligation totalling 16.7 percent of member payroll or \$439 million for FY86.

“. . . the System's investment income exceeded the 7 percent actuarial assumption for FY86, thus helping to defray the unfunded accrued benefit cost.”

The total unfunded accrued benefit cost as of June 30, 1986 was \$3.5 billion, a decrease of \$197 million from FY85, brought about primarily because the System's investment income exceeded the 7 percent actuarial assumption for FY86, thus helping defray the unfunded accrued benefit cost.

Investments

Key to all benefits and services offered by the System is the management of member funds.

The System serves as a trustee for the members' trust funds and is responsible for investment of these funds under the authority of the prudent person standard. This standard has permitted the System to allocate trust funds across a broad group of asset classes, including stocks, bonds and real estate equity.

Actions undertaken by the System in FY86 included establishment of index funds for non-Standard & Poors 500 U.S. equities, international equities and domestic fixed income securities. Initial allocations were also made to international fixed income securities and a separate account for real estate equity relationships. The Investment Section details the System's investment structure, objectives and activity.

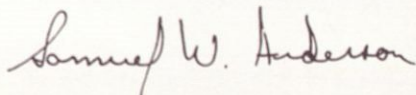
Investments totaled \$5.1 billion at book value and \$5.9 billion at market value at June 30, 1986, up from \$4.2 billion at book and \$4.6 billion at market on June 30, 1985. Investment income including gains and losses for the year was \$812.6 million.

The System's total return for the year was 27.7 percent. Annualized three-year and five-year total returns of 16.1 percent and 17.1 percent, respectively, continue to significantly outperform the rate of inflation for these periods.

Financial statements outlining activity during FY86 follow this letter of transmittal. Also included in the next section are the results of an actuarial valuation of the System conducted by the System's actuaries as of June 30, 1986. A discussion of System funding is also included in this section, along with several exhibits showing funding requirements and actual contributions over time. The Benefits Summary describes the benefit payments for the fiscal year with additional historical trend analysis. The Investments Section presents historical investment activity and an investment listing.

The information contained in this report is designed to provide members, annuitants and other concerned parties a historical perspective concerning the current and future needs of the System's membership.

This annual financial report will be distributed to the public schools in Illinois.



Samuel W. Anderson
Executive Director
October 22, 1986

Financial Statements

Actuarial Summary



*“Sound actuarial funding practices
bolster membership confidence
in
retirement security.”*

Actuarial Summary

Auditors' Report

**Deloitte
Haskins + Sells**

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 statements of financial position of Teachers' Retirement System of the State of Illinois as of June 30, 1986 and 1985 and the related statements of revenue and expense and changes in net assets for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and the standards for financial audits contained in the *Standards for Audit of Governmental Organizations, Programs, Activities and Functions* issued by the U.S. General Accounting Office and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Teachers' Retirement System of the State of Illinois at June 30, 1986 and 1985 and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins + Sells

October 22, 1986

Teachers' Retirement System
of the State of Illinois**STATEMENTS OF FINANCIAL POSITION**

	June 30	
	1986	1985
Assets		
Cash	\$ 1,912,000	620,000
Receivables:		
Contributions from School Districts:		
Salary deductions	10,703,000	10,195,000
Federal and trust funds	2,447,000	3,098,000
Members accounts	<u>24,933,000</u>	<u>22,941,000</u>
Total receivables	38,083,000	36,234,000
Investments – Note C	5,130,363,000	4,229,929,000
Equipment (net of accumulated depreciation – 1986, \$927,000; 1985, \$800,000)	<u>718,000</u>	447,000
	<u>5,171,076,000</u>	<u>4,267,230,000</u>
Liabilities		
Payables:		
Benefits	1,128,000	712,000
Refunds	1,003,000	859,000
Other	<u>876,000</u>	<u>349,000</u>
	<u>3,007,000</u>	<u>1,920,000</u>
Net Assets	<u>\$5,168,069,000</u>	<u>4,265,310,000</u>
Actuarially determined accrued benefit cost – Note D	\$8,687,270,000	7,981,610,000
Net assets	<u>5,168,069,000</u>	<u>4,265,310,000</u>
Unfunded Accrued Benefit Cost – Note E	<u>\$3,519,201,000</u>	<u>3,716,300,000</u>

See notes to financial statements.

Teachers' Retirement System
of the State of IllinoisSTATEMENTS OF REVENUE AND EXPENSE
AND CHANGES IN NET ASSETS

	Year Ended June 30	
	1986	1985
Revenue:		
Contributions:		
Members	\$ 220,160,000	206,839,000
State of Illinois	237,981,000	214,356,000
School Districts:		
Early retirement option	12,253,000	13,015,000
Federal and trust funds	9,718,000	10,219,000
Total contributions	480,112,000	444,429,000
Investment income:		
Interest	270,699,000	281,973,000
Dividends	76,105,000	49,407,000
Other	3,018,000	2,742,000
	<u>349,822,000</u>	<u>334,122,000</u>
Less investment expenses	5,307,000	5,276,000
Total investment income	344,515,000	328,846,000
Gain on sale of investments	468,100,000	116,381,000
Total revenue	1,292,727,000	889,656,000
Expense:		
Benefits:		
Age retirement	264,452,000	237,757,000
Post-retirement	64,873,000	60,918,000
Survivor	19,329,000	16,941,000
Disability	6,474,000	5,868,000
Health insurance	4,800,000	3,094,000
	<u>359,928,000</u>	<u>324,578,000</u>
Refunds	25,989,000	24,327,000
Administrative expenses - Note F	4,051,000	3,232,000
Total expense	389,968,000	352,137,000
Revenue in Excess of Expense	902,759,000	537,519,000
Net Assets at End of Year	4,265,310,000	3,727,791,000
Net assets at beginning of year	<u>\$5,168,069,000</u>	<u>4,265,310,000</u>

See notes to financial statements.

Teachers' Retirement System
of the State of Illinois**STATEMENTS OF FINANCIAL POSITION**

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Teachers' Retirement System
of the State of IllinoisSTATEMENTS OF REVENUE AND EXPENSE
AND CHANGES IN NET ASSETS

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Net Assets at End of Year	\$5,168,069,000	4,265,310,000

See notes to financial statements.

Teachers' Retirement System
of the State of Illinois

STATEMENTS OF FINANCIAL POSITION

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	1986	1985
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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	
	1986	1985
Revenue		
Contributions:		
Members	\$ 220,160,000	206,839,000
State of Illinois	237,981,000	214,356,000
School Districts:		
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Interest	270,699,000	281,973,000
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	349,822,000	334,122,000
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Health insurance	4,800,000	3,094,000
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Refunds	25,989,000	24,327,000
Administrative expenses — Note F	4,051,000	3,232,000
Total expense	389,968,000	352,137,000
Revenue in Excess of Expense	902,759,000	537,519,000
Net assets at beginning of year	4,265,310,000	3,727,791,000
Net Assets at End of Year	\$5,168,069,000	4,265,310,000

See notes to financial statements.

Teachers' Retirement System
of the State of Illinois

NOTES TO FINANCIAL STATEMENTS

June 30, 1986

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

Investments: Investments are valued on the basis of cost. Gain or loss on the sale of investments is determined based on average cost for stocks and identified cost for debt securities.

Equipment: Equipment is 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 on a part time basis in positions where services are expected to be rendered for a full and complete school term in the public common schools of Illinois (outside of Chicago) are members of the System.

Members contributions are 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 meet the cost of maintaining the System. There are no statutory provisions for termination of the System.

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

NOTE C – INVESTMENTS

Investments at June 30, 1986 and 1985 are summarized below (certain 1985 amounts have been reclassified to conform with 1986 classifications):

	Cost		Market Value	
	1986	1985	1986	1985
Bonds, corporate notes and preferred stock	\$2,424,932,000	1,849,939,000	2,544,444,000	1,951,415,000
Short term investments	263,262,000	563,089,000	263,477,000	563,096,000
Common stock	2,238,259,000	1,678,511,000	2,894,374,000	1,907,747,000
Real estate equity	121,476,000	74,107,000	124,765,000	75,009,000
Accrued interest and dividends	72,778,000	57,616,000	72,778,000	57,616,000
Other	9,656,000	6,667,000	14,020,000	7,797,000
	<u>\$5,130,363,000</u>	<u>4,229,929,000</u>	<u>5,913,858,000</u>	<u>4,562,680,000</u>

At June 30, 1986, the System had portfolio securities with a market value of \$729,284,000 on loan to brokers under a fully collateralized securities lending arrangement. Net earnings of \$2,546,000 and \$2,588,000 from securities lending in 1986 and 1985, respectively, is included in other investment income.

NOTE D – ACTUARIALLY DETERMINED ACCRUED BENEFIT COST

The calculations of accrued benefit cost (arising from service credits in periods prior to June 30, 1986 and 1985, respectively) were made by a consulting actuary as of June 30, 1986 and 1985 on the basis of the attained age normal cost method with unit credit past service. The more significant assumptions underlying the actuarial computations were as follows:

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

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

Financial Statements

NOTE D - Continued

The total accrued benefit cost, as calculated by the consulting actuary using the above actuarial assumptions, as of June 30, 1986 and 1985 is presented below:

	<u>1986</u>	<u>1985</u>
Present value of benefits:		
Participants currently receiving benefits	\$3,401,553,000	3,129,567,000
Active members (net of present value of future normal cost)	5,149,499,000	4,713,847,000
Inactive members	<u>136,218,000</u>	<u>138,196,000</u>
Total accrued benefit cost	<u>\$8,687,270,000</u>	<u>7,981,610,000</u>

Although the System is not currently required to and has not adopted the provisions of Statement of Financial Accounting Standards No. 35, "Accounting and Reporting by Defined Benefit Pension Plans," the System's consulting actuary has calculated the actuarial present value of accumulated plan benefits based on the method prescribed by 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. This information as of June 30, 1986 and 1985 is presented below:

	<u>1986</u>	<u>1985</u>
Vested benefits:		
Participants currently receiving benefits	\$3,401,553,000	3,129,567,000
Other participants	<u>3,472,906,000</u>	<u>3,198,354,000</u>
	6,874,459,000	6,327,921,000
Nonvested benefits	<u>519,195,000</u>	<u>453,860,000</u>
Actuarial present value of accumulated plan benefits	<u>\$7,393,654,000</u>	<u>6,781,781,000</u>

NOTE E - UNFUNDED ACCRUED BENEFIT COST

A reconciliation of unfunded accrued benefit cost for the years ended June 30, 1986 and 1985 is summarized below:

	<u>1986</u>	<u>1985</u>
Unfunded accrued benefit cost at beginning of year	\$3,716,300,000	3,620,942,000
Additions (deductions):		
Employer cost in excess of contributions	187,701,000	208,703,000
Actuarial losses (gains) compared to assumptions:		
Salary increases	50,067,000	7,775,000
Investment income	(506,696,000)	(181,051,000)
Other	<u>71,829,000</u>	<u>59,931,000</u>
Net additions (deductions)	<u>(197,099,000)</u>	<u>95,358,000</u>
	<u>\$3,519,201,000</u>	<u>3,716,300,000</u>

NOTE F - ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended June 30, 1986 and 1985 are summarized below:

	<u>1986</u>	<u>1985</u>
Personal services	\$2,494,000	2,121,000
Professional services	544,000	204,000
Postage	115,000	167,000
Machine repair and rental	266,000	160,000
Other contractual services	176,000	129,000
Commodities	138,000	131,000
Occupancy expense	191,000	193,000
Provision for depreciation of equipment	<u>127,000</u>	<u>127,000</u>
	<u>\$4,051,000</u>	<u>3,232,000</u>

Other Financial Information

Ten Year Summary of Revenue

(By Source)

In Thousands of Dollars

Employer

Year Ended June 30	Member Contributions	Percent of Total	State Appropriations	District Contributions	Percent of Total	Investment Income	Percent of Total	Gains (Losses) on Investments	Percent of Total	Total
1977	\$125,215	33.0	156,977	4,673	42.5	88,032	23.2	5,103	1.3	380,000
1978	132,177	30.6	175,069	5,398	41.8	108,393	25.1	10,595	2.5	431,632
1979	141,088	29.3	188,641	6,740	40.6	138,816	28.9	5,861	1.2	481,146
1980	150,501	27.4	212,697	8,565	40.3	179,401	32.6	(1,598)	(0.3)	549,566
1981	166,397	26.1	231,871	14,995	38.7	223,512	35.0	1,109	0.2	637,884
1982	179,547	30.6	154,969	14,056	28.8	285,503	48.7	(47,249)	(8.1)	586,825
1983	189,340	39.3	144,437	17,004	33.5	295,311	61.2	(163,881)	(34.0)	482,211
1984	194,761	30.6	188,905	17,954	32.5	302,252	47.5	(67,500)	(10.6)	636,372
1985	206,839	23.2	214,356	23,234	26.7	328,846	37.0	116,381	13.1	889,656
1986	220,160	17.0	237,981	21,971	20.1	344,515	26.7	468,100	36.2	1,292,727

Ten Year Summary of Expense

(By Type)

In Thousands of Dollars

Year Ended June 30	Retirement Annuities	Percent of Total	Post-Retirement Increases	Percent of Total	Death & Survivor Benefits	Percent of Total	Disability & Health Benefits	Percent of Total	Refunds	Percent of Total	Administrative Expense	Percent of Total	Total
1977	\$124,562	71.7	20,112	11.6	5,818	3.3	2,201	1.3	19,580	11.3	1,463	0.8	173,736
1978	135,164	71.4	21,729	11.5	6,661	3.5	2,499	1.3	21,640	11.4	1,610	0.9	189,307
1979	144,896	70.2	23,842	11.6	7,544	3.6	2,682	1.3	25,594	12.4	1,847	0.9	208,405
1980	154,477	68.9	26,997	12.1	8,460	3.8	3,122	1.4	28,909	12.9	1,916	0.9	223,881
1981	166,503	69.5	32,838	13.7	9,736	4.1	3,678	1.5	24,426	10.2	2,329	1.0	239,510
1982	178,905	66.9	43,032	16.1	11,399	4.3	4,682	1.7	26,913	10.1	2,374	0.9	267,309
1983	193,245	67.2	49,863	17.3	13,119	4.6	6,112	2.1	22,801	7.9	2,667	0.9	287,807
1984	213,598	67.1	55,496	17.4	14,772	4.7	7,746	2.4	23,745	7.5	2,837	0.9	318,194
1985	237,757	67.5	60,918	17.3	16,941	4.8	8,962	2.6	24,327	6.9	3,232	0.9	352,137
1986	264,452	67.8	64,873	16.6	19,329	5.0	11,274	2.9	25,989	6.7	4,051	1.0	389,968

Actuary's Certification

ensen

June 30, 1986

Teachers' Retirement System
State of Illinois
100 North Washington Street
Chicago, Illinois 60601
Chicago, Illinois 62794-9253

as of June 30, 1986

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, 1986.

This estimate is based on a census of retired members as of June 30, 1986 and a census of active and inactive members as of June 30, 1985. 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, 1986.

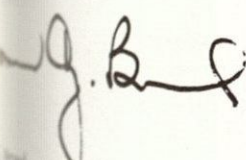
Actuarial liabilities, and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures, using an actuarial cost method which we believe to be appropriate.

The actuarial assumptions and methods used are those adopted July 1, 1982 based on the last experience analysis. The actuarial benefit cost is that determined as of July 1, 1986, considering actuarial assumptions and plan provisions effective on that date.

In our opinion, the reserve requirement of \$8,687,270,000 is a fair representation of the actuarial position of the Fund as of June 30, 1986.

Respectfully submitted,

Actuary, Inc.



Member of the American Academy of Actuaries

Actuarial Summary

Introduction

A retirement plan can generally be described as a promise by the employer to provide for employees' pensions in return for services provided by the employees; as such, a pension is a form of deferred compensation. Retirement plans generally provide for retirement benefits, post-retirement increases, disability benefits, survivor benefits and group health insurance.

Since 1939, the Teachers' Retirement System has provided pension and ancillary benefits to all public elementary and secondary teachers except for those in Chicago. 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. Benefits are an obligation of the State of Illinois and are an enforceable contract right.

To assess the funding status of the System, annual estimates of accrued benefit cost are obtained through annual actuarial valuations. To estimate the amount, actuaries use demographic data (such as employee age, 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 attributes. 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. A review of the assumptions (an experience analysis) is required by statute. The most recent experience analysis was conducted in 1982, using salary and age data as of July 1, 1981; and changes in the actuarial assumptions and method were adopted in the June 30, 1982 actuarial valuation.

Actuarial Assumptions

- **Inflation assumption:** 4 percent per annum (included in investment return and earnings progression 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. Approximates 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

- **Marital status:** Males – 85 percent; females – 60 percent.
- **Actuarial method:** Attained age normal cost method with unit credit past service.

Actuarial Valuation

Important step in an actuarial valuation is application of the 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 normal 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 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 fixed percentage of pay. This level percentage of pay would be paid until the date each participant retires or terminates service.

The current normal cost is 14.8 percent of payroll. Eight percent of this normal cost is paid by the member's contributions. The remaining 6.8 percent is the employers' portion of the normal cost.

Fiscal year 1986 actuarial gains and losses resulted from the following: average salaries increased by 7.5 percent compared to the 6 percent assumption; investment return (including interest, dividends, and realized losses) was 10.4 percent, exceeding the 7 percent assumption; other factors included the rehire of prior participants, fewer than expected terminations of participants and lower than anticipated retiree mortality.

Actuarial Valuation*

(In millions of dollars)

	June 30	
	1986	1985
Present value of benefits:		
Participants currently receiving benefits	\$3,402	3,129
Other members (net of present value of future normal cost)	5,149	4,714
	136	138
Accrued Benefit Cost	\$8,687	7,981
Actuarial value of net assets	5,168	4,265
Unfunded Accrued Benefit Cost	\$3,519	3,716

*The System's method for determining accrued benefit cost 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 Employees, June 1983.

Reconciliation of Unfunded Accrued Benefit Cost

(In millions of dollars)

	Year ended June 30	
	1986	1985
Unfunded accrued benefit cost at beginning of year	\$3,716	3,621
Additions (deductions):		
Employer cost in excess of contributions	188	209
Actuarial losses (gains) compared to assumptions:		
Salary increases	50	7
Investment income	(507)	(181)
Other	72	60
Net additions (deductions)	(197)	95
Unfunded accrued benefit cost at end of year	\$3,519	3,716

Accumulated Plan Benefits

(In millions of dollars)

Prepared in Accordance with the Statement of Financial Accounting Standards, No. 35*

	1986	1985
Vested benefits:		
Participants currently receiving benefits	\$3,402	3,130
Other participants	3,473	3,198
	6,875	6,328
Nonvested benefits:	519	454
Actuarial present value of accumulated plan benefits	\$7,394	6,782

*Although the System is not currently required to and has not adopted the provisions of Statement of Financial Accounting Standards No. 35, Accounting and Reporting by Defined Benefit Pension Plans dated March 1980, for purposes of comparison 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.

Actuarial Funding

Current Funding Policy

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 (6.8 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. For a number of years prior to 1982 the State funded the System by reimbursement of benefit payments. Subsequent to 1982 the State appropriations have ranged 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.

Advantages of Actuarial Funding

Retirement benefits earned during employment are part of the payroll expense for each employee. Sound financing of a retirement system requires that benefits accruing to each employee be paid for during the career of the employee by regular contributions to the retirement system based on a percentage of payroll. When an employee retires the accumulated funds should be sufficient to provide for the benefits payable to that employee. The cost of benefits for current employees should be borne by current taxpayers and should not become a liability for future taxpayers.

Sound actuarial funding practices also protect the employer. Current assessment of costs for both the employer and contributing employees protects the employer from the future impact of increasing contributions to pay for benefits that were under-funded. In addition, current funding protects against funding problems caused by changes in the work force.

Sound actuarial funding practices bolster membership confidence in retirement security. An individual's retirement security should not depend on future taxpayers or be subject to short term employer distress caused by economic cycles. When sound actuarial funding practices are used, investment earnings may provide an appropriate method to pay for additional cost of living adjustments required by annuitants.

As a government pension plan, Teachers' Retirement System is not covered by the Employee Retirement Income Security Act of 1974 (ERISA). That federal legislation provided funding standards for private pension plans which the Teachers' Retirement System uses as a model. ERISA standards require annual funding to amortize the unfunded accrued benefit cost in the same manner as a home mortgage, with level annual payments of principal and interest over 30 years.

Employer Cost in Excess of Contributions

(In Thousands of Dollars)

	Year Ended June 30	
	1986	1985
Employer normal cost	\$179	184
Interest on unfunded accrued benefit cost at beginning of year	260	253
	439	437
Minimum retirement benefit funded annually from the State General Revenue Fund and not included in the actuarial valuation of accrued benefit cost	9	9
	448	446
Deduct employer contributions:		
State of Illinois	238	214
Early retirement option	12	13
Federal and trust funds	10	10
	260	237
Employer cost in excess of contributions	\$188	209

Tests of Financial Soundness

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

The **Percentage of Benefits Covered by Net Assets** exhibit compares the plan's net assets with the members' 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 covered by assets and the portion of the actuarial value of Column 3 covered by assets should increase over time.

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.

Tests of Financial Soundness

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

Funding ratios*

(in millions of dollars)

As of June 30	Net Assets	Net Assets	Actuarial	Funding Ratio	
	at Cost	at Market	Funding Requirements	Cost	at Market
1977	\$1,655	1,597	3,707	44.6	43.1
1978	1,897	1,744	3,989	47.6	43.7
1979	2,172	2,010	4,561	47.6	44.1
1980	2,497	2,277	4,957	50.4	45.9
1981	2,896	2,493	5,390	53.7	46.2
1982	3,215	2,734	6,109	52.6	44.8
1983	3,410	3,605	6,690	51.0	53.9
1984	3,728	3,630	7,349	50.7	49.4
1985	4,265	4,598	7,982	53.4	57.6
1986	5,168	5,952	8,687	59.5	68.5

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

Percentage of benefits covered by net assets

(in millions of dollars)

Year Ended June 30	Members'	Participants	Active	Net	Percentage of		
	Accumulated Contributions	Currently Receiving Benefits	Members, Employer Portion		Assets	Benefits Covered by Net Assets	
	(1)	(2)	(3)		(1)	(2)	(3)
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
1986	2,116	3,402	3,169	5,168	100	90	0

Payroll percentages

(in millions of dollars)

Year Ended June 30	UNFUNDED ACCRUED BENEFIT COST			EMPLOYER COST				CONTRIBUTIONS		
	Member Payroll (1)	Percent of Payroll (3)	Employer's Normal Cost (4)	Percent of Payroll (5)	Interest on Unfunded Accrued Benefit Cost (6)	Total (7)	Percent of Payroll (8)	Employer Contribution (9)	Percent of Payroll (10)	
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
1986	2,633	3,519	133.6	179	6.8	260	439	16.7	260	9.9

State Funding Summary

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

State funding summary

(In millions of dollars)

Fiscal Year Ended June 30	FUNDING REQUIREMENTS					COVERAGE PERCENTAGE			
	Normal Cost Plus Interest On Unfunded Accrued Benefit Cost (1)	General Revenue Reimbursement Post-Retirement Increases (2)	Statutory Requirements		SYSTEM EXPENSE (5)	EMPLOYER CONTRIBUTIONS (6)	Statutory Requirements		System Expense (9)[D]
			Actuarial (Columns 1 and 2) (3)	Minimum (4)[A]			Actuarial (7)[B]	Minimum (8)[C]	
1977	\$202	8	210	143	174	162	77.1	113.3	93.1
1978	207	8	215	151	189	180	83.7	119.2	95.2
1979	241	8	249	160	206	195	78.3	121.9	94.7
1980	254	7	261	173	224	221	84.7	127.8	98.7
1981	259	7	266	188	240	247	92.9	131.4	102.9
1982	271	6	277	202	267	169	61.0	83.7	63.3
1983	367	6	373	213	288	161	43.2	75.6	55.9
1984	406	7	413	218	318	207	50.1	95.0	65.1
1985	437	9	446	237	352	237	53.1	100.0	67.3
1986	439	9	448	253	390	260	58.0	102.8	66.7

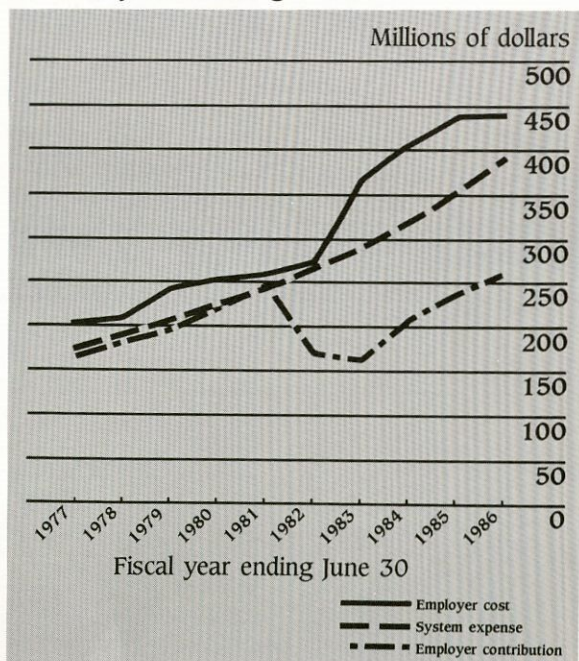
NOTE A – 9.6 percent of member payroll – the appropriations amount required by Section 16-158 of the *Illinois Pension Code*.

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

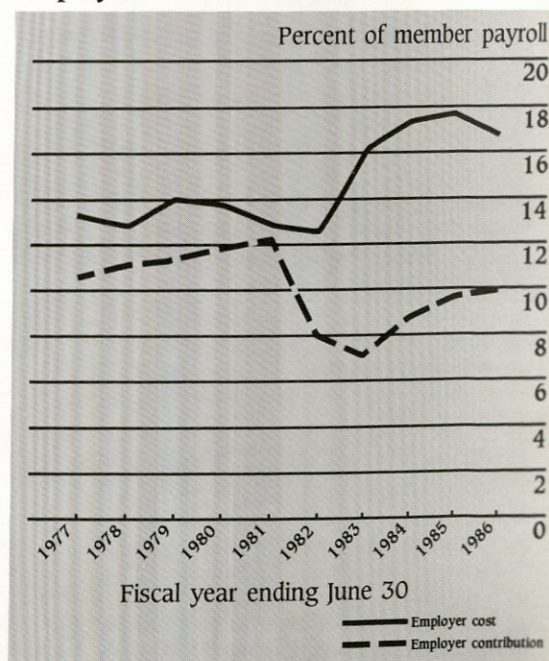
NOTE C – Employer contributions divided by minimum requirement (Col. 6 ÷ Col. 4)

NOTE D – Employer contributions divided by System expense (Col. 6 ÷ Col.5)

Summary of Funding



Employer Cost/Contribution



Benefits Summary



*“The most important need
fulfilled by the System
is providing financial security
for retirement.”*

Letter of Transmittal



Benefits Summary

Benefit overview

When individuals enter membership with the Teachers' Retirement System of the State of Illinois, they begin to accumulate a package of benefits. These include:

- retirement benefits and post-retirement increases in those benefits;
- disability benefits, and
- death benefits.

In addition, the System subsidizes a health insurance plan for its annuitants as a post-retirement benefit.

Membership and contribution requirements

All individuals certified under *The School Code* and employed in the public schools of the state outside the City of Chicago are members of the System. These members must be employed on a regular, full-time basis working four or more clock hours daily, or on a part-time basis in a position where services are expected to be rendered for a full and complete school term.

Members contribute 8 percent of their salaries towards benefits provided by the System. This contribution is designated for the following purposes:

- 6½ percent for retirement benefits,
- 1 percent for survivor benefits, and
- ½ percent for annual increases in annuity.

Currently, members of the System are not covered by Social Security, although they may earn these benefits through work during the summer.

All TRS members hired after April 1, 1986 will be provided Medicare coverage following retirement. These members and their employers each contribute 1.45 percent of the member's salary for this coverage. Members hired before April 1, 1986 who have not qualified for free coverage through Social Security covered employment may purchase Medicare coverage following retirement.

Benefit eligibility

The System provides disability benefits to disabled members after completion of three years of service.

Members may draw a full retirement annuity after completing five years of service at age 62; after 10 years of service at age 60; and after 35 years of service at age 55.

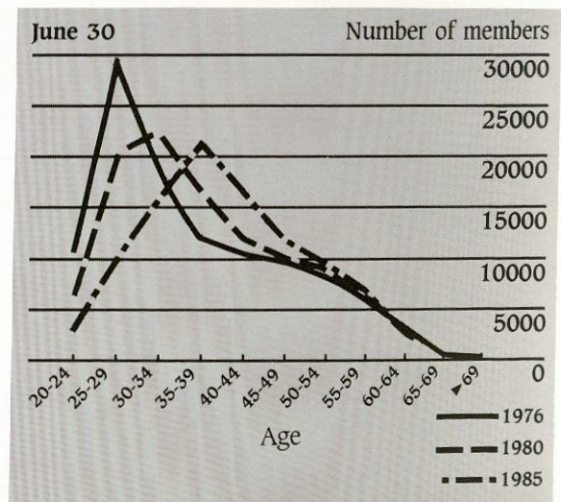
With 20 years of service credit at age 55, members may retire and receive an annuity which has been discounted ½ percent for each month the member is under age 60. This discount may be avoided through use of the early retirement option for members retiring before June 30, 1990. If these members retire within 6 months of the last day of teaching, contributions made by the members and their employers to the System will enable the member to receive the full annuity.

Death benefits are payable to eligible survivors of active members. Monthly survivor benefits are payable only to survivors of active members who have completed 1½ years of service. Survivors of annuitants may receive death benefits from the System if the annuitant did not take a refund of his or her TRS survivor benefit contributions.

Membership profile

The demographics of the TRS active membership at the end of FY85 (the most current fiscal year statistics available) showed continuing decreasing numbers and increasing average age for active members. This trend began in the late 70s and the number of under 35 year old teachers as compared to those in the 35 to 54 year age group approaching retirement has decreased markedly.

Active Members by Age 1976, 1980, 1985



At the fiscal year end (FY85), the System had 97,446 active members, whose average age was 40 and who were making an average salary of \$25,454. These members had an average of 13 years of service (See "Overview - Active Members - June 30, 1985," page 27).

These members were employed by 1,175 employers. Besides the public schools outside Chicago, members were also employed by state agencies such as the Department of Corrections and the State Board of Education.

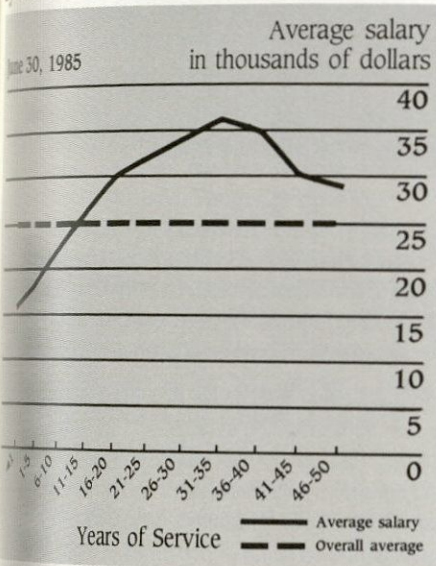
Over 50 percent of the active member population is in the 35-49 year old age group. As these 49,405 members approach retirement, they were making an average salary of \$26,824. This is in contrast to 28,550 members who were 35 years of age or younger and were making an average salary of \$19,685 during FY85.

There is no mandatory retirement age in Illinois; however, only 122 members continued to work after age 70 during FY85. The TRS active members age 55 and over made an average of \$30,385. The number of members in this age group has climbed gradually in the past few years, from 9,660 in 1976 to the current 9,997 members.

Overall, active members paid \$220.2 million in contributions during FY86. This was up 6% from FY85. The number of contributors to the System remained approximately the same at around 97,000.

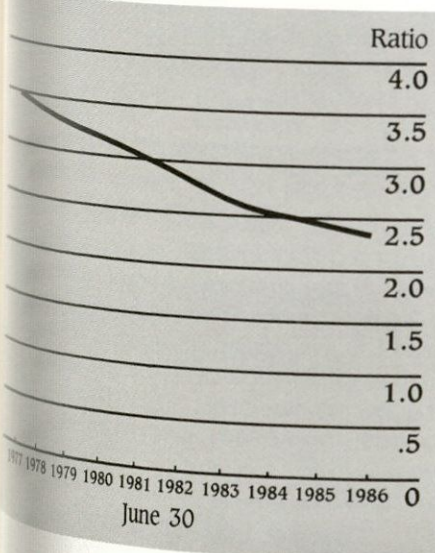
The average annual salary for active members has steadily increased over the past ten years, rising from \$13,829 in FY76 to \$25,454 in FY85. In general, the more years of service a member accrues, the higher the salary, with peak salaries averaging \$35,782 earned by members within the 31 to 35 years of service category.

**Average Salary for Active Members
By Years of Service**



At the same time the number of active members has decreased, the number of annuitants has risen. In FY77, there were 3.48 active members to every benefit recipient. Now there are only 2.34 active members per benefit recipient. It is anticipated this trend will continue as the System matures.

Ratio of Active Members to Annuitants



Members who withdraw from active service with the System may apply for a refund of their accumulated retirement contributions, exclusive of the 1 percent survivor benefit contribution and accumulated interest, four months following the last day of teaching.

The System paid 3,344 former members \$17.4 million in refunds of their retirement contributions in FY86. This was a 9.5 percent decrease over FY85, when \$19.3 million in refunds was paid.

During FY86, the System initiated a project to locate approximately 30,000 inactive members with out of date mailing addresses. These members had service under TRS and had made their required contributions, then ceased contributing service, leaving their contributions with TRS.

This project resulted in the location of 875 of the 883 inactive members currently qualified for a retirement benefit from the System. Of these members, 535 applied for retirement annuities amounting to \$1.6 million during the year.

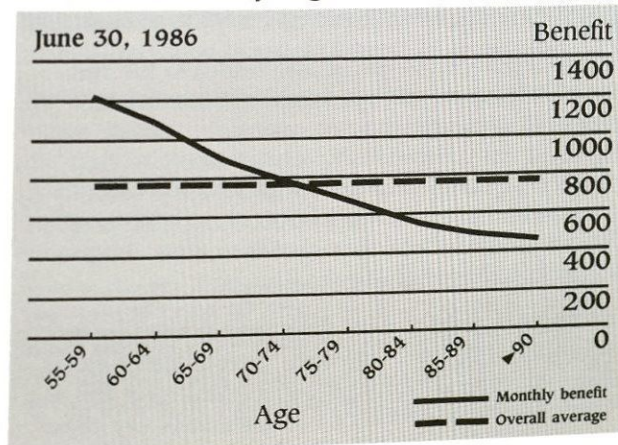
In addition, 727 inactive members applied for refunds of their contributions, totalling \$2.3 million. Death benefits were paid to 190 survivors of inactive members, totalling \$479,000.

Inactive members with current mailing addresses will receive an annual statement of account and a TRS newsletter periodically updating them on the System's activities.

Retirement benefits

In FY86, the average TRS annuitant was 72 years old, had earned 26 years of service and was receiving a monthly annuity payment of \$771. At June 30, 1986, TRS had 36,659 annuitants.

**Average Monthly Benefit
All Annuitants By Age**

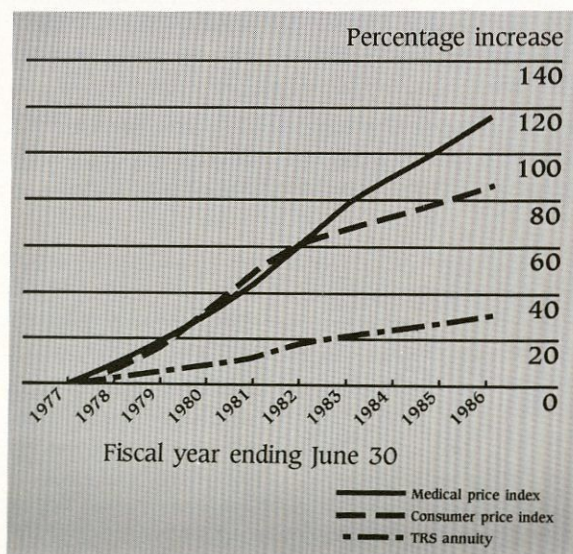


The annuitant population has been steadily increasing over the past ten years with a three percent increase in the last year. Overall benefit recipients (including disability and survivor benefit recipients) have increased by 37 percent since FY77.

While younger annuitants received a higher average monthly annuity, 24.7 percent of annuitants are age 80 and over and receive an average of \$527 monthly. The 1,679 annuitants younger than 60 received an average annuity of \$1,217. See charts on page 29 for detailed breakdown of annuitants.

The 164 annuitants who retired between 1946 and 1950 receive average annuities of only \$392 monthly, a little more than half of the average monthly annuity of \$795 earned by the 7,963 who retired thirty years later, between 1976 and 1980. The reasons for the drastic difference between these two age groups are that the average salaries used to figure the retirement annuity, and the 3 percent post-retirement increases which are figured as a percentage of the original annuity. While inflation has forced average salaries higher for members retiring now, annuities for those who have been in retirement 20 to 30 years are far lower than those for newly retired members.

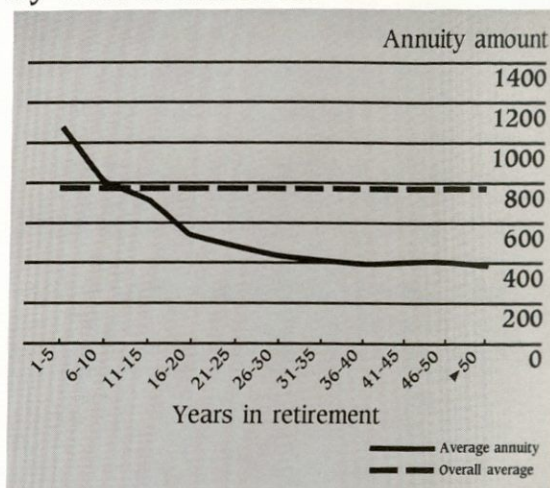
Inflation's Effect on TRS Annuities



Average retirement annuity is also related to the post-retirement increases granted following the annuitant's retirement. Annuitants who retired before 1969 did not receive automatic increases in annuity until July 1969, when the legislature changed the TRS plan to allow for an annual increase of 1½ percent of the original annuity. This was raised to 2 percent in January 1972 and 3 percent in 1979 for qualifying annuitants.

One-time (ad hoc) increases have been granted by the legislature periodically. However, these increases do not involve an improvement in the TRS benefit plan and so are not continuing benefits for all annuitants, but rather one-time benefits for a select group. These increases have significantly contributed to the general well-being of TRS annuitants over time.

Retirement Annuity By Years in Retirement



The number of members entering retirement has increased gradually since FY80, peaking at 2,336 new retirements during FY85. There were 2,160 new retirements in FY86. The average age of these members was 61 and the average monthly benefit earned was \$1,119.

The increase in retirements from FY80 through FY85 may be due in part to the availability of the early retirement option. This option was added to the TRS plan in 1981, and the following chart shows its use since initiation. Current law calls for an end to the early retirement option in 1990.

Use of early retirement option

Year	Total Retirements	ERO Retirements	ERO % of Total	Average Payment	Average Salary
1980*	1,528	89	5.8%	\$3,197	\$17,560
1981	1,750	419	23.9	4,924	21,092
1982	1,725	384	22.3	5,532	23,073
1983	1,946	468	24.0	5,801	24,889
1984	1,842	454	24.7	6,451	28,340
1985	2,336	645	27.6	5,924	28,331
1986	2,160	534	24.7	6,757	30,985

*Legislation effective June 30, 1980.

Annuitants may request a refund of their 1 percent survivor benefit contributions, exclusive of accumulated interest, if they do not have a beneficiary who is defined as dependent by the *Illinois Pension Code*. Refunds of survivor benefit contributions were paid to 1,061 TRS annuitants in FY 86, a 181 percent increase over FY85, when the plan was altered to allow all annuitants to request this refund. These payments amounted to \$1.7 million in FY86.

Disability benefits

Disability benefits provide an important assurance to the System's active members. Disability benefit payments of \$6.5 million were paid during FY86, up 10.3 percent from FY85; however, the total number of recipients is only 1 percent of the total active membership.

Disability benefit payments

Type of payment	Average Age	Average Amount	Number Paid	Total Paid
Temporary	50	\$882	364	\$3,564,415
Permanent	61	450	664	2,821,741
Accidental	56	884	10	87,621
Total			1,038	\$6,473,777

About 55 percent of the total disability benefits paid were at the temporary benefit level. Temporary disability recipients numbered 364 at the end of the year, the average age was 50, and the average length of service was 17 years. There were 315 new claims filed of which 30.2 percent were pregnancy related. Other disabilities for which FY86 claims were filed included mental illness (10.5 percent), cancer and tumors (10.2 percent), heart and circulatory ailments (7.6 percent) and accidents (6.4 percent).

Total disability retirement annuities (permanent benefits) paid were \$2.8 million, up 8.7 percent from FY85. Disability retirement annuities were paid to 664 members. There were 41 new claims filed with an average benefit of \$644 paid. The average age of the disability retirement annuity recipient was 61.

Ten members received accidental disability benefits in FY86, with total payments down 4.5 percent from FY85. The average monthly benefit paid was \$884.

Survivor benefits

A total of 1,279 death and survivor benefit claims were paid in FY86, up 19 percent from FY85, during which 1,075 claims of this type were paid. Total payments rose from \$16.9 million in FY85 to \$19.3 million in FY86. The increase in payments resulted from location of survivors of inactive members who were eligible for death benefits from the System.

Average monthly survivor benefits of \$330 were paid to 1,279 beneficiaries of TRS members and annuitants in FY86. The average recipient age was 70. There were 410 new claims for which an average benefit of \$387 monthly was paid.

Health insurance

Since 1981, the System has provided health and prescription drug insurance. During the first year, 2,607

annuitants and 488 dependents elected to enroll in the plan. The enrollment has increased to 11,579 members and 3,163 dependents as of June 30, 1986.

Annuitants and their dependents age 65 and over are offered coverage which is a supplement of Medicare. The plan will pay the balance of all claims that are reasonable and customary that Medicare does not pay, after a \$300 annual deductible. This coverage is also offered to annuitants and their dependents under age 65 who qualify for Medicare benefits. There were 8,537 members and 1,853 dependents enrolled in the \$300 deductible option on June 30, 1986.

Annuitants and their dependents under 65 are offered the choice of two coverages: a \$2,500 annual deductible with 100 percent coverage thereafter of all claims that are reasonable and customary; or a \$300 annual deductible with 80%-20% coinsurance of the next \$10,000, with 100 percent coverage thereafter. As of June 30, 1986, there were 2,605 annuitants and 871 dependents enrolled under the \$2,500 deductible and 437 annuitants and 237 dependents enrolled under the \$300 deductible option. Beginning January 1, 1987, the \$2,500 deductible will be lowered to a \$1,500 deductible for participants.

Participants under the age of 18 are offered coverage with a \$300 deductible with 100 percent coverage thereafter. There were 202 TRS benefit recipients and dependents enrolled under this option at June 30.

Member services

Member services goals are to fulfill information and counseling needs of members, annuitants and employers. These are attained by providing direct assistance, retirement counseling and publications.

The System's five retirement consultants met with TRS members as part of individual retirement conferences held around the state during the school year. In addition, these consultants met with many groups of annuitants to provide information on System benefits and procedures as well as legislation of special interest to annuitants.

The System's publications are designed to provide detailed, current information to members, annuitants and employers through the *Member Guide*, *Retired Member Guide* and *Employer Guide*. New developments and changes in laws and procedures are contained in Information Bulletins, Employer Bulletins and Legislative Updates from the System as well as active and retired member newsletters. The *Annual Financial Report* is mailed to all participating school districts for member and employer information. A videotape providing members with a general description of TRS benefits is also available from the System.

The most important piece of information active members receive from the System is the member's annual statement of account. Mailed to members in January, the statement details the member's contributions and credit with the System. Beginning in FY86, inactive members also began receiving a statement of account.

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 State Superintendent of Education, four persons appointed by the Governor, four elected members of the System and one annuitant to be elected by the annuitants in 1987, is authorized to carry out provisions of the Article. This 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 required 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 percent for death benefits. Effective July 1, 1983, employers are required by law to shelter the entire 8 percent employee retirement contribution from current year taxes.

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 (except 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 a position 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 also 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; however, 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 to members.

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 maximum 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 by any 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 income** is 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, waiving all rights 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. If retirement occurs between ages 55 and 60 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. A member aged 55 with less than 35 years may use the **early retirement option** to avoid a discount for early retirement if retirement occurs before June 30, 1990 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 achieved 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 submitted not earlier than four months after termination of employment. The refund consists of all retirement contributions made by the member excluding interest and the one 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.

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.

Continuity of credit within Illinois

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.

Exhibits

Overview – Active Members – June 30, 1985*

Average Salary for Active Members

By Age

June 30, 1985

Years of Age	Number of Members	% of Total	Average Salary
20-24	2,703	2.8	\$15,375
25-29	9,883	10.1	17,953
30-34	15,964	16.4	21,487
35-39	21,208	21.8	25,064
40-44	16,583	17.0	27,605
45-49	11,614	11.9	28,921
50-54	9,494	9.7	30,488
55-59	6,714	6.9	30,833
60-64	2,610	2.7	29,909
65-69	551	.6	29,542
►69	122	.1	19,759
Total	97,446	100.0	25,454

Average Age 40.6

Average Annual Salary of Active Members

By Years of Service

June 30, 1985

Years of Service	Number of Members	% of Total	Average Salary
◀1	1,129	1.2	\$16,107
1-5	17,901	18.4	17,926
6-10	21,157	21.7	21,841
11-15	22,833	23.4	26,373
16-20	17,419	17.9	29,976
21-25	9,089	9.3	31,657
26-30	5,479	5.6	34,026
31-35	2,009	2.1	35,782
36-40	350	.4	34,745
41-45	69	—	30,360
46-50	10	—	29,163
►50	1	—	42,654
Total	97,446	100.0	25,454

Average Service 13.0

Statistical information on the System's active membership is not yet available for FY86.

Historical Information – Active Members

Average Annual Salary of Active Members By Years of Service*

Years of Service		1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Under 1	Total #	1,844	1,799	2,054	2,065	1,880	1,481	1,170	808	950	1,129
	Average \$	9,746	10,044	10,460	11,170	11,972	13,156	14,165	14,638	15,192	16,107
1-5	Total #	42,231	37,521	35,085	32,707	30,596	28,981	26,614	22,674	18,814	17,901
	Average \$	11,054	11,515	11,977	12,535	13,298	14,414	15,682	16,689	17,266	17,926
6-10	Total #	29,338	29,686	30,003	29,682	28,266	26,319	24,732	23,433	22,047	21,157
	Average \$	13,923	14,474	15,057	15,760	16,694	17,971	19,446	20,338	20,915	21,841
11-15	Total #	20,602	20,567	17,350	18,465	20,203	21,750	22,560	23,201	23,462	22,833
	Average \$	16,520	17,128	17,639	18,555	19,809	21,554	23,277	24,467	25,341	26,378
16-20	Total #	7,912	8,740	12,922	12,974	12,844	12,566	12,666	13,920	15,481	17,419
	Average \$	18,175	18,823	19,509	20,498	21,838	23,678	25,580	22,165	28,309	29,976
21-25	Total #	4,015	4,360	5,054	5,927	6,807	7,583	8,355	8,588	8,747	9,089
	Average \$	19,071	19,751	20,678	21,822	23,377	25,368	27,415	28,976	30,199	31,657
26-30	Total #	1,700	2,292	2,810	3,266	3,594	3,877	4,199	4,494	5,053	5,479
	Average \$	19,670	20,727	21,708	22,867	24,384	26,367	28,473	30,396	31,960	34,026
31-35	Total #	246	363	493	716	1,124	1,680	2,228	2,279	2,251	2,009
	Average \$	17,414	18,581	20,205	22,091	24,151	27,067	29,914	31,887	33,651	35,782
Over 35	Total #	74	102	150	195	244	317	455	436	421	430
	Average \$	18,027	18,576	19,347	20,312	22,280	24,347	26,889	30,042	31,494	33,930
Total	Total #	107,962	105,430	105,921	105,997	105,558	104,554	102,979	99,833	97,226	97,446
	Average \$	13,829	14,599	15,388	16,351	17,621	19,361	21,281	22,877	24,141	25,454

Active Members by Age*

Years of Age	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
20-24	10,488	7,942	7,102	6,771	6,144	5,325	4,263	3,106	2,509	2,703
25-29	29,684	26,762	24,916	22,572	20,080	17,511	15,106	12,886	10,924	9,883
30-34	18,212	20,325	21,203	22,027	22,398	22,746	21,180	19,456	17,500	15,964
35-39	11,956	12,687	14,228	15,280	16,448	17,381	19,416	19,775	20,301	21,208
40-44	10,366	10,560	10,970	11,456	11,891	12,422	13,252	14,536	15,395	16,583
45-49	9,866	9,856	9,963	9,906	10,017	10,276	10,539	10,787	11,202	11,614
50-54	7,999	8,124	8,428	8,710	9,099	9,339	9,464	9,464	9,372	9,494
55-59	6,040	6,096	6,081	6,166	6,340	6,346	6,438	6,563	6,673	6,714
60-64	3,067	2,808	2,716	2,694	2,658	2,681	2,741	2,698	2,715	2,610
65-69	237	232	286	387	461	498	516	502	554	551
►69	47	38	28	28	22	29	64	60	81	122
Total	107,962	105,430	105,921	105,997	105,558	104,554	102,979	99,833	97,226	97,446

*Statistical information on the System's active membership is not yet available for FY86.

Overview - Retired Members - June 30, 1986

Annuitants By Benefit Range*

June 30, 1986

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
01- 100	731	731	2.0	2.0
101- 200	881	1,612	2.4	4.4
201- 300	2,450	4,062	6.8	11.2
301- 400	3,868	7,930	10.7	21.9
401- 500	5,119	13,049	14.2	36.1
501- 600	3,174	16,223	8.8	44.9
601- 700	3,102	19,325	8.6	53.5
701- 800	2,943	22,268	8.1	61.6
801- 900	2,357	24,625	6.5	68.1
901-1,000	1,966	26,591	5.5	73.6
1,001-1,100	1,695	28,286	4.7	78.3
1,101-1,200	1,477	29,763	4.1	82.4
1,201-1,300	1,212	30,975	3.4	85.8
1,301-1,400	1,025	32,000	2.8	88.6
1,401-1,500	849	32,849	2.4	91.0
1,501-1,600	652	33,501	1.8	92.8
1,601-1,700	487	33,988	1.3	94.1
1,701-1,800	426	34,414	1.2	95.3
1,801-1,900	355	34,769	1.0	96.3
1,901-2,000	283	35,052	0.8	97.1
2,001-2,100	249	35,301	0.7	97.8
2,101-2,200	179	35,480	0.5	98.3
2,201-4,940	643	36,123	1.7	100.0

*Does not include 536 persons who receive a benefit through the Retirement Systems' Reciprocal Act.

Average Monthly Annuity

All Annuitants - By Age
June 30, 1986

Years of Age	Number of Annuitants	% of Total	Average Annuity
55-59	1,679	4.6	\$1,217
60-64	5,037	13.7	1,085
65-69	6,950	19.0	895
70-74	6,977	19.0	776
75-79	6,926	19.0	661
80-84	5,538	15.0	553
85-89	2,504	6.8	489
90-99	1,048	2.9	449
Total	36,659	100.0	771

Average Age:

72

Overview – Retired Members – June 30, 1986**Retired Members By Years of Service and Years in Retirement**

June 30, 1986

Years in Retirement		1-5	6-10	11-15	16-20	21-25
1-5	Total #	384	520	791	1,338	1,801
	Average Benefit	\$ 97	\$ 206	\$ 400	\$ 645	\$ 838
6-10	Total #	268	372	700	1,205	1,533
	Average Benefit	\$ 95	\$ 211	\$ 333	\$ 462	\$ 677
11-15	Total #	259	369	645	1,133	1,327
	Average Benefit	\$ 34	\$ 54	\$ 274	\$ 403	\$ 524
16-20	Total #	79	132	313	578	768
	Average Benefit	\$ 30	\$ 130	\$ 212	\$ 308	\$ 401
21-25	Total #	32	26	99	286	468
	Average Benefit	\$ 37	\$ 102	\$ 219	\$ 297	\$ 371
26-30	Total #	9	7	21	116	245
	Average Benefit	\$ 63	\$ 137	\$ 232	\$ 297	\$ 360
31-35	Total #	2	—	—	39	69
	Average Benefit	\$ 63	—	—	\$ 294	\$ 364
36-40	Total #	—	—	—	19	60
	Average Benefit	—	—	—	\$ 297	\$ 358
41-45	Total #	—	—	1	6	15
	Average Benefit	—	—	\$ 238	\$ 265	\$ 375
46-50	Total #	—	—	—	—	5
	Average Benefit	—	—	—	—	\$ 383
50+	Total #	—	—	—	—	3
	Average Benefit	—	—	—	—	\$ 383
Total	Total #	1,033	1,426	2,570	4,720	6,294
	Average Benefit	\$ 63	\$ 184	\$ 317	\$ 477	\$ 609

Exhibits

Years of	36-40	41-45	46-50	51+	Total	Average Age
26-						
1,9	937	147	42	5	10,230	
\$1,	\$1,847	\$1,685	\$1,795	\$1,453	\$1,064	63
1,	792	234	35	3	7,963	
\$	\$ 1,369	\$ 1,390	\$ 1,237	\$ 909	\$ 795	68
1,	1,555	816	162	10	9,031	
\$	\$1,140	\$1,065	\$ 995	\$ 907	\$ 707	75
\$	803	677	154	4	4,943	
\$	\$ 736	\$ 791	\$ 798	\$ 676	\$ 530	80
\$	522	314	65	3	2,641	
\$	\$ 622	\$ 672	\$ 664	\$ 665	\$ 479	83
\$	214	107	24	-	1,248	
\$	\$ 516	\$ 569	\$ 576	-	\$ 436	86
\$	54	19	2	-	369	
\$	\$ 464	\$ 477	\$ 551	-	\$ 417	90
\$	13	2	-	-	164	
\$	\$ 461	\$ 459	-	-	\$ 392	90
\$	-	-	-	-	60	
\$	-	-	-	-	\$ 401	93
\$	-	-	-	-	7	
\$	-	-	-	-	\$ 400	98
\$	-	-	-	-	3	
6,	-	-	-	-	\$ 383	103
\$	4,890	2,316	484	25	36,659	Average Service
\$	\$1,147	\$ 979	\$ 951	\$ 964	\$ 771	26.082

Historical Information — Retired Members

Average Monthly Annuity For New Retirees By Age

Age		1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
55	Total #	85	105	87	98	116	126	148	164	176	169
	Average \$	428	521	512	556	674	821	879	934	1,160	1,083
56	Total #	87	74	74	66	133	123	149	159	216	183
	Average \$	616	604	662	764	922	1,021	1,068	1,220	1,252	1,407
57	Total #	73	85	63	61	105	89	98	128	174	143
	Average \$	610	719	762	784	903	1,038	1,164	1,285	1,431	1,467
58	Total #	86	78	90	91	106	95	110	117	159	141
	Average \$	745	731	746	860	880	1,068	1,204	1,353	1,457	1,438
59	Total #	123	121	105	94	130	101	126	133	187	174
	Average \$	731	745	838	834	971	1,087	1,075	1,241	1,415	1,498
60	Total #	303	332	285	293	332	322	340	282	372	334
	Average \$	534	545	551	560	673	718	820	858	1,030	1,036
61	Total #	161	149	167	168	153	173	183	164	207	155
	Average \$	642	596	671	762	740	817	956	1,108	1,326	1,264
62	Total #	171	159	146	154	142	158	183	162	176	151
	Average \$	596	642	623	621	641	701	799	955	977	950
63	Total #	150	128	112	97	110	120	114	121	151	121
	Average \$	585	669	615	734	732	770	995	971	1,053	1,100
64	Total #	152	128	116	95	111	103	115	115	122	103
	Average \$	640	681	719	702	741	833	915	979	1,032	1,098
65	Total #	276	226	174	149	141	120	129	104	114	121
	Average \$	630	688	652	694	833	855	870	882	1,015	1,061
66	Total #	143	90	109	91	93	88	97	79	84	74
	Average \$	589	578	588	738	818	834	871	820	1,065	1,186
67	Total #	37	11	14	27	35	30	43	29	56	52
	Average \$	573	442	666	519	797	912	789	1,020	1,062	861
68	Total #	15	11	13	11	14	34	37	28	32	36
	Average \$	452	483	469	406	776	734	820	1,109	865	740
69	Total #	14	21	7	6	14	21	33	21	28	24
	Average \$	274	285	439	365	399	605	862	946	949	696
70	Total #	4	8	4	6	6	5	21	19	36	38
	Average \$	658	583	404	469	306	788	862	1,217	938	903
▶70	Total #	18	12	12	21	9	17	20	17	47	141
	Average	355	209	256	552	384	193	337	1,077	581	236
Total	Total #	1,898	1,738	1,578	1,528	1,750	1,725	1,946	1,842	2,336	2,160
	Average \$	600	623	640	681	771	836	927	1,043	1,162	1,119
	Average Age	62	61	61	61	61	61	61	61	61	61

New Retirees by Years of Service

Years of Service	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
1-5	50	60	63	61	60	61	69	83	84	113
6-10	108	85	85	65	72	79	76	77	106	198
11-15	172	157	154	135	157	158	160	143	150	173
16-20	267	260	251	250	254	258	284	257	275	242
21-25	344	325	287	293	343	316	354	312	397	343
26-30	319	314	296	267	359	314	386	326	465	413
31-35	319	282	236	283	334	375	431	449	578	436
36-40	216	180	154	131	118	121	142	152	241	213
▶40	103	75	52	43	53	43	44	43	40	29
Total	1,898	1,738	1,578	1,528	1,750	1,725	1,946	1,842	2,336	2,160
Average Service	25.8	25.2	24.7	24.9	25.1	25.1	25.4	25.5	26.3	24.4

Historical Information – Active & Inactive Members and Benefit Recipients

Membership Profile

As of June 30	Benefit Recipients	Inactive Members	Active Members	Total Members	Active Members per Benefit Recipient
1977	30,295	30,214	105,430	165,939	3.48
1978	31,457	30,970	105,921	168,348	3.37
1979	32,423	31,341	105,997	167,761	3.27
1980	33,410	31,486	105,558	170,454	3.16
1981	34,690	31,719	104,554	170,963	3.01
1982	36,121	31,566	102,979	170,666	2.85
1983	37,505	32,385	99,833	169,723	2.66
1984	38,533	32,542	97,226	168,301	2.52
1985	40,113	29,991	97,446	167,550	2.43
1986	41,417	24,400*	97,000*	162,817*	2.34*

*Estimated

Overview – Disability Benefits – June 30, 1986

Profile of 1986 Disability Benefit Recipients

(Temporary and Disability Retirement Annuity)

Number of temporary recipients	364	Number of disability retirement recipients	664
Average age	50	Average age	61
Average service	17.06	Average service	15.88
Average benefit	\$882	Average benefit	\$450

Accidental Disability Benefits

Number of accidental recipients	10
Total benefits paid	\$87,621

Overview – Disability Benefits – June 30, 1986

Nature of Temporary Disability Claims

June 30, 1986

Nature of Disability	Number of Claims	% of Total
Pregnancy	95	30.2
Mental illness	33	10.5
Cancer and tumors	32	10.2
Heart and circulatory system	24	7.6
Accidents	20	6.3
Arthritis	13	4.1
Diseases of digestive tract	12	3.8
Dislocation of intervertebral discs	12	3.8
Hysterectomy	10	3.2
Pneumonia or other respiratory illness	10	3.2
All others	54	17.1
Total	315	100.0

Historical Information – Disabilities

Temporary Disability Benefits

New Fiscal Year Recipients

Year	Number of New Recipients	Average Age	Average Monthly Benefit
1977	135	40	\$473
1978	145	38	481
1979	175	39	520
1980	249	39	562
1981	305	39	583
1982	304	40	662
1983	341	42	709
1984	328	42	763
1985	284	42	789
1986	315	42	852

Historical Information – Disabilities**Disability Retirement Annuities**

New Fiscal Year Recipients

<u>Year</u>	<u>Number of New Recipients</u>	<u>Average Age</u>	<u>Average Monthly Benefit</u>
1977	56	47	\$471
1978	59	49	444
1979	46	48	482
1980	34	50	600
1981	14	44	515
1982	28	47	508
1983	41	46	522
1984	38	49	599
1985	53	47	607
1986	41	48	644

Overview – Survivor Benefits – June 30, 1986**Profile of 1986 Survivor Benefit Payments**

average age	70	# of monthly benefits paid	3,720
average benefit	\$330		

Historical Information – Survivor Benefits**Monthly Survivor Benefits**

New Fiscal Year Recipients

<u>Year</u>	<u>Number of New Recipients</u>	<u>Average Age</u>	<u>Average Monthly Benefit</u>
1977	260	61	\$317
1978	222	62	315
1979	278	63	329
1980	303	61	318
1981	336	63	335
1982	369	65	355
1983	454	65	351
1984	384	75	361
1985	426	66	359
1986	410	66	387

Overview — Health Insurance — June 30, 1986

The coverage plans in these exhibits are:

Option 1: \$300 deductible (Medicare Supplement)

Option 2: \$300 deductible, ages 18-64

Option 3: \$2,500 deductible, ages 18-64

Option 4: \$300 deductible, under age 18

Participating Annuitants By Age and Option

Age	Option 1	Option 2	Option 3	Total
30-34	—	1	6	7
35-39	—	3	14	17
40-44	—	3	9	12
45-49	2	5	23	30
50-54	3	8	64	75
55-59	4	142	791	937
60-64	14	275	1,698	1,987
65-69	3,161	—	—	3,161
70-74	2,339	—	—	2,339
75-79	1,667	—	—	1,667
80-84	960	—	—	960
85-89	286	—	—	286
90-94	87	—	—	87
95-99	13	—	—	13
100	1	—	—	1
Total	8,537	437	2,605	11,579
Average Age	73	60	60	69

Participating Eligible Dependents By Age and Option

Age	Option 1	Option 2	Option 3	Option 4	Total
◀10	—	—	—	24	24
10-19	—	—	—	127	127
20-29	3	—	2	51	56
30-39	5	1	5	—	11
40-49	3	7	22	—	32
50-59	10	114	334	—	458
60-69	816	115	508	—	1,439
70-79	863	—	—	—	863
80-89	148	—	—	—	148
▶89	5	—	—	—	5
Total	1,853	237	871	202	3,163

Historical Information — Health Insurance

Premium Increases 1981-1986*

Coverages	1981	1982	% increase	1983	% increase	1984	% increase	1985	% increase	1986	% increase
65 and over	\$20.70	24.10	16.4	28.90	19.9	32.88	13.7	40.00	21.7	46.80	17
18-64											
(\$300 ded.)	NA	65.70	—	83.60	27.2	95.46	14.1	121.70	27.5	142.40	17
18-64											
(\$2,500 ded.)	39.30	46.60	18.6	59.00	26.6	72.16	22.3	72.16	0	84.44	17
Under 18	9.60	11.40	18.8	14.50	27.2	16.18	11.6	20.62	27.5	24.14	17

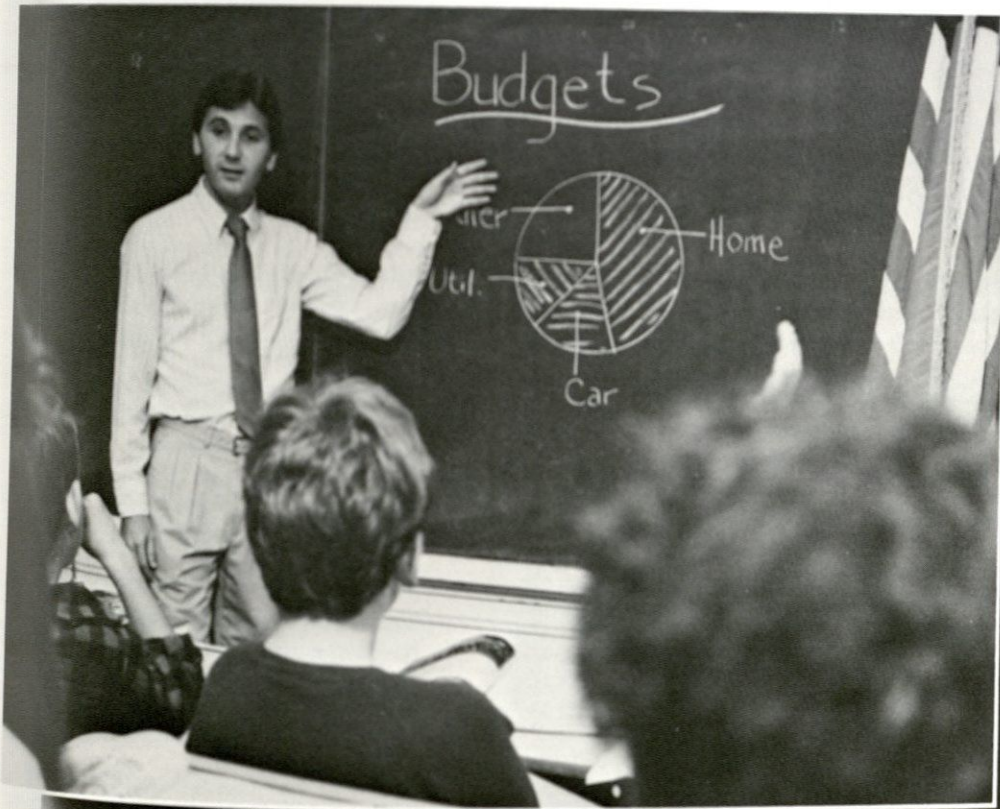
*Total premium amounts.

Health Plan Enrollment

June 30

Year	Annuitant	Dependent	Total
1981	2,606	488	3,094
1982	5,708	1,404	7,112
1983	8,005	2,142	10,147
1984	9,734	2,764	12,498
1985	11,088	3,111	14,199
1986	11,579	3,163	14,742

Investment Section



*"Key to all benefits
and services offered by the System
is the management of
member funds."*

Letter of Transmittal



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 163,000 members for equitable treatment and adequate disclosure. The mission of the Teachers' Retirement System, to provide retirement security for members, is facilitated by management of the trust fund's investment portfolio, which totalled \$5.9 billion at market value on June 30, 1986.

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 the most 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 level of particular asset class commitments.

At June 30, 1986, the System's asset class allocations were as follows:

Asset Class	% of Total Fund
Common Stock — U.S.	44.4
Bonds	43.1
Short-Term Investments	5.6
Common Stock — International	4.6
Real Estate Equity	2.1
Venture Capital	.2

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

During FY86, the System's U.S. common stock holdings, excluding venture capital, increased to 44.4% of the total fund from 41.7% a year earlier. International common stock increased to 4.6% of the total fund from .6% a year earlier, leaving fiscal year end total common stock holdings at 49.0% of the total fund.

Bonds decreased to 43.1% of the total fund from 45.4% a year earlier, primarily as a result of reallocation from bonds to international common stock and real estate. Such reallocation of bonds to international common stock and real estate tended to offset commitments by fixed income managers of short-term investments to bonds.

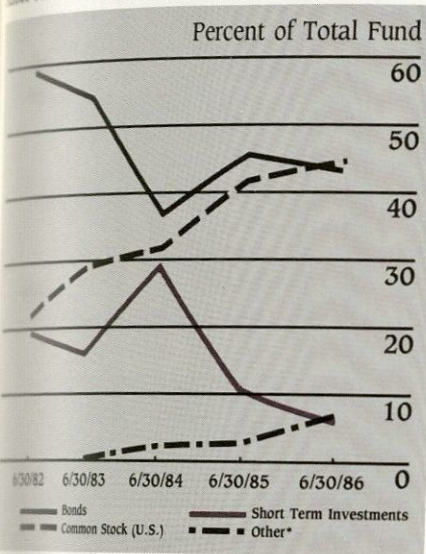
Short-term investments decreased to 5.6% of the total fund from 10.4% a year earlier. Both equity and fixed income managers perceived a greater opportunity cost in short-term investments at fiscal year end. Additionally, increased commitments to common stock and bond index fund managers contributed to the trust fund's de-emphasis of short-term investments.

Diversification into international common stock and real estate equities continued in FY86 and represented 4.6% and 2.1% of the total fund, respectively, at fiscal year end. Also initiated during FY86 was diversification into international fixed income, which represented 1.2% of the total fund at fiscal year end. Asset class diversification, diversification of investment approaches and investment manager style diversification could provide the System

with a greater expected rate of return while minimizing the risk of negative returns from adverse short-term changes in the markets.

The fund's four-year asset class allocation history is presented below.

Asset Allocation



*Includes Common Stock (Int'l), Real Estate Equity, and Venture Capital

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

The System progressed with a diversification strategy during FY86, including selection of an EAFE Index Fund manager (State Street Bank and Trust Company) and two separate account managers (F.I.A. Associates and Bennett & Kahnweiler Realty Advisors). On June 30, 1986, the following external investment management firms were employed by the System:

Fixed Income (Bonds)

- State Street Asset Management
- State Street Management, Inc.
- State Street Investment Management Company
- State Street Investment Management Company
- State Street Bank and Trust Company
- State Street Price Associates, Inc.

Common Stock

- State Street Capital Management Corporation
- State Street National Bank of Chicago
- State Street Capital Management
- State Street Research Financial Management
- State Street Investment Counselors
- State Street Associates, Inc.
- State Street Financial Services, Inc.
- State Street Bank and Trust Company

Real Estate Equity

- Bennett & Kahnweiler Realty Advisors
- F.I.A. Associates
- First Chicago Investment Advisors
- JMB Institutional Advisors
- TCW Realty Advisors

Venture Capital

- Frontenac Company

Multiple Asset Classes

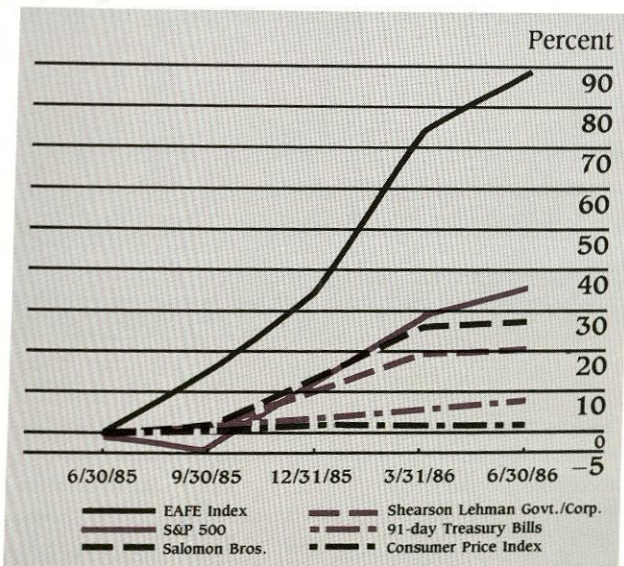
- First Chicago Investment Advisors

Investment Results

Asset Class/Market Indices Returns

During FY86, international common stock, represented by the Europe, Australia and Far East (EAFE) Index, was the best performing asset class and returned 89.7%, while U.S. common stock, represented by the Standard & Poor's (S&P) 500 Index, returned 35.9%. Long-term bonds, represented by the Salomon Bond Index, returned 27.2%. Intermediate-term bonds, represented by the Shearson Lehman Government/Corporate Bond (SLG/C) Index, returned 20.6%. Short-term investments, represented by 91-day treasury bills, returned only 7.4%. All asset classes and market indices outperformed the rate of inflation, which increased 1.8% as represented by the Consumer Price Index.

Asset Class Cumulative Return By Representative Indices



Source: Harris Trust and Savings Bank

Total Fund Results

The System's total fund time-weighted return for FY86 of 27.7% was reflective of the continuing resurgence of the financial asset markets. The System's total fund annualized three-year and five-year returns of 16.1% and 17.1%, respectively, continue to outperform the rate of inflation for these periods, 3.1% and 3.8%, respectively. The System's long-term investment objective, to exceed the rate of inflation by 3%, has therefore been achieved for both the three-year and five-year periods. The System's income rate of return during FY86 was 6.9%.

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 FY86, the portfolio's U.S. common stocks returned 36.2%, as compared to a return of 35.9% by the S&P 500. For three and five years, U.S. common stocks generated 14.7% and 17.6% annualized returns, respectively, below S&P 500 returns of 19.3% and 19.3%, respectively. Combined U.S. equity manager accounts, which include both common stock and short-term investments, returned 34.1% during FY86.

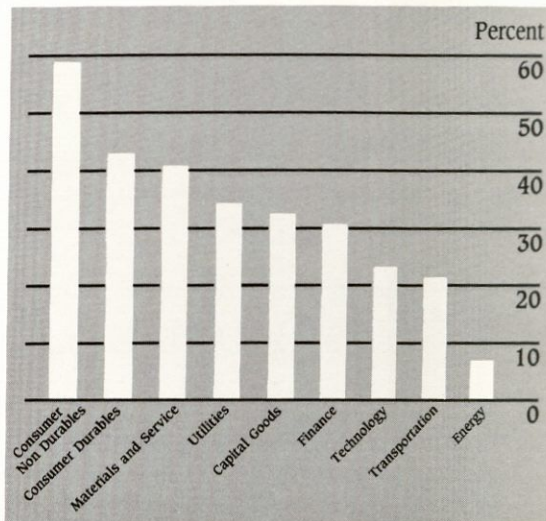
At fiscal year end, 46.4% of the System's investment portfolio was assigned to U.S. equity managers, including short-term investments, compared to 43.9% the prior fiscal year end. Within the U.S. common stock asset class, 46.0% of the asset class was allocated to an S&P 500 Index Fund at fiscal year end. During FY86, the market value of assets assigned to U.S. equity managers increased from \$1.98 billion to \$2.74 billion due to \$701 million of market value appreciation and \$59 million of new allocations.

Major sector diversification changes took place during FY86 in the portfolio's U.S. common stocks, as summarized in the following listing:

Diversification by Industry Sector (%)

Sector	June 30, 1986		June 30, 1985	
	TRS	S&P 500	TRS	S&P 500
Consumer Non-Durables	30.4	30.0	31.7	27.8
Materials and Service	13.8	10.6	13.0	9.1
Technology	12.6	15.4	14.1	16.1
Finance	11.5	8.1	9.3	6.6
Utilities	9.3	12.4	7.8	12.2
Energy	8.1	10.5	10.2	16.4
Capital Goods	5.3	5.2	4.0	5.0
Consumer Durables	4.9	4.6	4.5	4.0
Transportation	4.1	3.2	5.4	2.8

All S&P 500 industry sectors provided sizable positive rates of return during FY86, with Consumer Non-Durables (59.2%), Consumer Durables (43.1%), and Materials & Service (40.9%) the leading industry sector performers.

S&P 500 Industry Sector Returns

Source: Harris Trust and Savings Bank

U.S. equity managers made major stock selection adjustments to their accounts during FY86, as evidenced by the following comparison of equity portfolio characteristics with the S&P 500:

U.S. Equity Portfolio Profile

	June 30, 1986		June 30, 1985	
	TRS	S&P 500	TRS	S&P 500
Capitalization (\$Bil)	9.70	14.00	7.70	11.40
Price/Earnings Ratio	17.69	16.18	12.90	11.80
Dividend Yield (%)	3.21	3.58	3.40	4.20
Beta	1.06	1.00	1.02	1.00
Diversification (R-Squared)	0.99	1.00	0.90	1.00
Return on Net Worth (%)	17.82	16.04	12.30	13.50
Five-Year Earnings Growth Rate (%)	3.98	4.62	4.51	4.87
Market/Book Ratio	2.36	2.36	1.60	1.60
Debt/Equity Ratio (%)	87.94	50.51	63.30	54.70

International equity manager objectives are to achieve a total investment return 6% in excess of the rate of inflation and in excess of the EAFE Index. During FY86, the portfolio's international common stocks returned 103.6%, as compared to a return of 89.7% for the EAFE Index. Within the international common stock asset class, 86.4% of the asset class was allocated to an EAFE Index Fund at fiscal year end. During FY86, the market value of assets assigned to international equity managers increased from \$34 million to \$277 million due to \$48 million of market value appreciation and \$195 million of new allocations.

venture capital investments returned 48.6% during FY86. A representative venture capital index is not available for comparative performance comparison. Over the long term, however, and as a result of venture capital's higher risk orientation, venture capital is expected to provide annualized returns over 10% in excess of returns provided by the S&P 500 Index.

Fixed Income Results and Profile

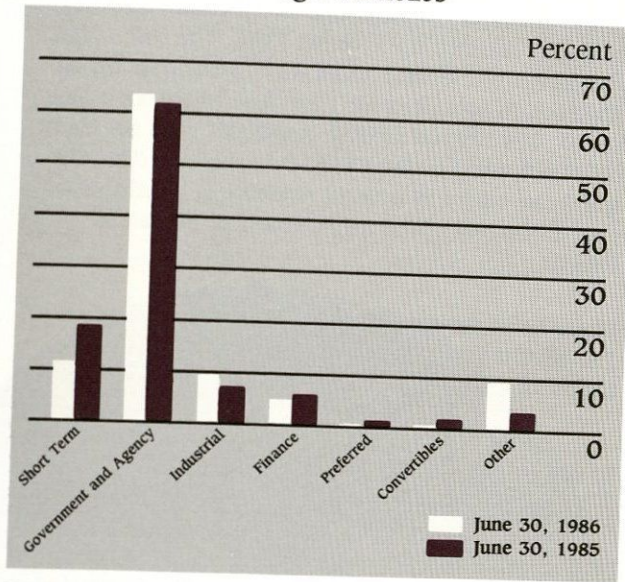
Fixed income manager objectives are to achieve a total investment return 2% in excess of the rate of inflation and in excess of the bond market, as measured by Salomon Brothers' High Grade Corporate Bond (Salomon Index) and Shearson Lehman Government/Corporate Bond (SLG/C) Index, on an annualized basis over a three to five year period, or a market cycle. During FY86, the System's bond portfolio, including all fixed income investments with maturities greater than one year, generated a 23.5% total return, outperforming the 20.6% return of the SLG/C Index but underperforming the 27.2% return of the Salomon Index. For three and five years, bonds generated 17.4% and 18.8% annualized returns, respectively, as compared to 16.5% and 18.3%, respectively, for the SLG/C Index and 19.1% and 21.2%, respectively, for the Salomon Index. The total funds under management by fixed income managers, including short-term investments, generated a 22.0% total return, outperforming the SLG/C Index but underperforming the Salomon Index.

The market value of bonds increased to \$2.584 billion from \$2.046 billion during FY86. Fixed income managers held approximately \$79 million in short-term investments on June 30, 1986. During FY86, the market value of total assets assigned to fixed income managers, including short-term investments, increased from \$2.362 billion to \$2.663 billion due to \$563 million market value appreciation and reallocation of \$262 million from bond managers to equity managers.

Financial futures contracts controlling U.S. Treasury Bonds were utilized during FY86, however, there were no contracts owned at fiscal year end. The futures contracts contributed substantially to the superior performance of the System's fixed income portfolio. Futures contracts continue to serve as a cost effective tool for implementation of portfolio strategies.

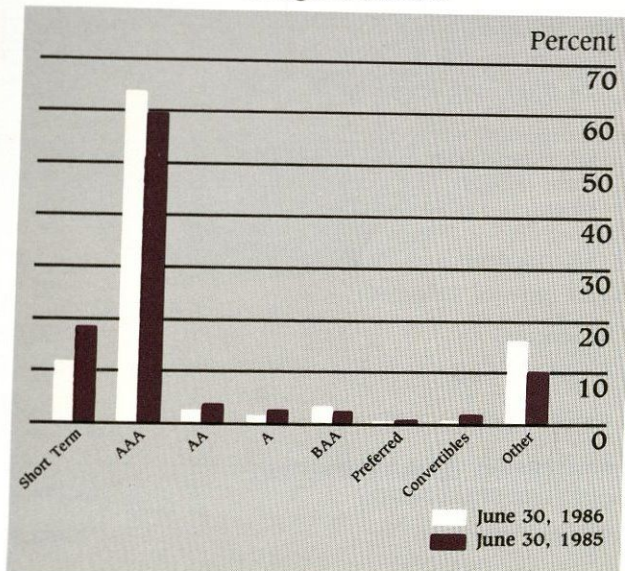
The following exhibits reflect changes made within fixed income manager portfolios during FY86 with regard to diversification by issuer type and quality ratings, as well as the underlying bond portfolio characteristics (excluding short-term investments) primarily affecting total return.

Diversification by Issuer Type For Fixed Income Manager Portfolios



Source: Harris Trust and Savings Bank

Diversification by Quality Rating For Fixed Income Manager Portfolios



Source: Harris Trust and Savings Bank

Bond Portfolio Profile

Characteristic	6/30/86	6/30/85
Maturity (years)	9.9	10.7
Duration (years)	5.4	5.1
Coupon (%)	10.6	11.9
Yield to Maturity (%)	8.6	11.6
Current Yield (%)	9.5	11.2

Real Estate Equity Investment Results

Real estate equity investments made by the System's four closed-end fund managers and two separate account managers returned 8.8% during FY86. The cash return component of the total return was 7.0%, while capital appreciation accounted for 1.8%. Due to the short time period since original funding, appraisals were not made on all properties during FY86. Over the long term, the real estate equity investment objective is to achieve a total investment return 6% in excess of the rate of inflation.

Short-Term Investment Results

The investment management firms use discretion in anticipating short-term investment positions within the

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 8.4%, underperforming all other asset classes during FY86. For the five years, short-term investments returned 10.8%, underperforming the 18.8% of bonds and the 17.6% of U.S. common stocks. Total assets allocated to short-term investments decreased from \$468 million to \$269 million during FY86.

Investment Portfolio Summary

June 30, 1986

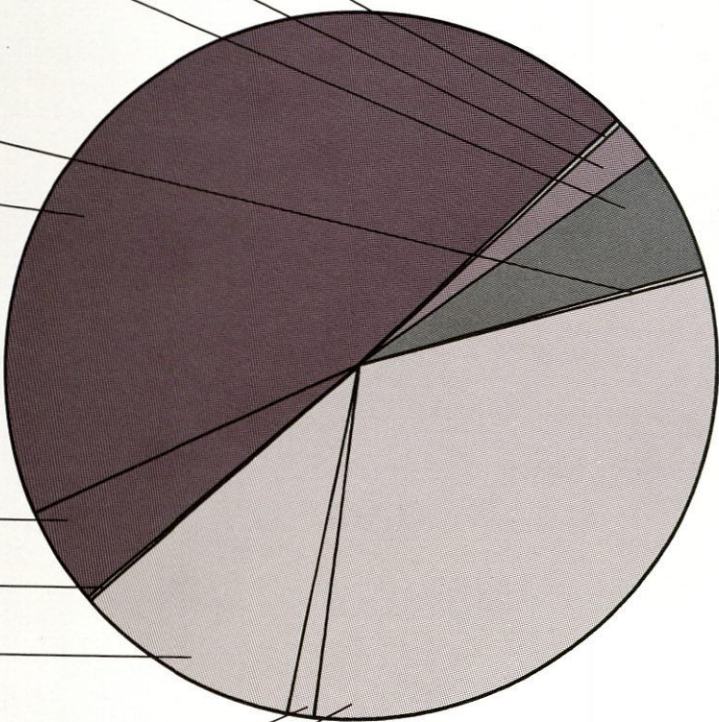
	Book Value	% of Total Book Value	Market Value	% of Total Market Value	Yield at Market
BONDS, CORPORATE NOTES AND PREFERRED STOCK					
Government Obligations:					
U.S. Government	\$1,316,927,230	25.7%	\$1,389,974,599	23.5%	8.9%
Federal Agency	434,861,631	8.5	446,090,558	7.6	10.1
Total Government Obligations	1,751,788,861	34.2	1,836,065,157	31.1	9.2
Corporate Obligations:					
Industrial and Misc.	266,561,515	5.2	282,753,714	4.8	10.6
Public Utilities	150,649,727	2.9	158,271,770	2.6	12.5
Finance	136,700,448	2.7	141,323,930	2.4	9.9
Telephone	35,237,250	.7	36,416,933	.6	9.3
Transportation	4,965,600	.1	5,524,200	.1	10.9
Total Corporate Obligations	594,114,540	11.6	624,290,547	10.5	11.0
International	68,045,705	1.3	69,667,579	1.2	2.8
Convertible Issues	7,160,000	.1	10,329,475	.2	4.5
Preferred Stock	3,822,756	.1	4,091,254	.1	4.5
TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK	2,424,931,862	47.3	2,544,444,012	43.1	9.4
COMMON STOCK-U.S.	2,002,954,158	39.0	2,620,360,589	44.4	2.6
SHORT-TERM INVESTMENTS*	336,039,619	6.5	336,254,534	5.6	6.8
COMMON STOCK - INTERNATIONAL	235,304,723	4.6	274,013,424	4.6	.1
REAL ESTATE EQUITY	121,476,398	2.4	124,765,192	2.1	7.0
VENTURE CAPITAL	9,656,534	.2	14,019,933	.2	.1
TOTAL PORTFOLIO	\$5,130,363,294	100.0%	\$5,913,857,684	100.0%	5.7%

*Includes accrued interest and dividends totaling \$72,778,000.

Composition of Investments
(Market Value)

March 30, 1986

- Private Equity Capital (.2%)
- Real Estate Equity (2.1%)
- Short-Term Investments (5.7%)
 - 1.3% Commercial Paper
 - 1.2% Demand Notes
 - 1.2% Guaranteed Insurance Contracts
 - 1.2% U.S. Treasury Bills
 - 1.2% Certificates of Deposit
- Convertible Issues (.2%)
- Common Stock-U.S. (44.4%)
 - 13.2% Consumer Non-Durables
 - 6.1% Materials & Service
 - 5.5% Technology
 - 5.1% Finance
 - 4.1% Utilities
 - 3.6% Energy
 - 2.4% Capital Goods
 - 2.2% Consumer Durables
 - 1.8% Transportation
- Common Stock (International) (4.6%)
- Preferred Stock (.1%)
- Corporate Obligations-U.S. (10.5%)
 - 4.8% Industrial
 - 2.6% Utilities
 - 2.4% Finance
 - 1% Telephone
 - 1% Transportation
- International Obligations (1.2%)
- Government Obligations (31.1%)
 - 22.5% U.S. Government
 - 7.6% Federal Agency
 - 6.5% Mortgage-Backed
 - 1.1% Non-Mortgage



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 1982-1986
	1982	1983	1984	1985	1986	
Beginning Book Value	\$2896	3215	3409	3728	4265	2896
Net Contributions Added	81	63	84	92	90	410
Investment Income	285	295	303	329	345	1557
Net Realized Gain (Loss)	(47)	(164)	(68)	116	468	305
Ending Book Value	3215	3409	3728	4265	5168	5168
Unrealized Gain (Loss) – Beginning of Period	(403)	(481)	196	(98)	333	(403)
Unrealized Gain (Loss) – During Period	(78)	677	(294)	431	451	1187
Ending Market Value	\$2734	3605	3630	4598	5952*	5952*

* Includes miscellaneous assets of \$38 million.

Performance Summary

Annualized Percent for Periods Ending June 30, 1986*

	1982	1983	1984	1985	1986	Annualized	
						3 Years	5 Years
Total Time-Weighted Return							
TRS	8.1	30.0	-1.5	24.3	27.7	16.1	17.1
Inflation (CPI)	7.1	2.6	4.2	3.7	1.5	3.1	3.8
Common Stock-U.S. Returns							
TRS	-9.1	64.0	-13.9	28.7	36.2	14.7	17.6
S&P 500	-11.7	61.2	-4.6	31.0	35.9	19.3	19.3
Bond Returns							
TRS	12.7	29.7	0.7	30.3	23.3	17.4	18.8
Shearson Lehman G/C Bond Index	13.4	29.1	1.8	28.7	20.6	16.5	18.3
Salomon Bond Index	8.7	42.4	-6.3	41.9	27.2	19.1	21.2
Common Stock – International Returns							
TRS	--	--	-0.1	7.9	103.6	30.0	--
EAFE Index	-14.7	31.3	11.4	23.8	89.7	37.8	24.0
Real Estate Equity Returns	--	--	9.2	8.8	8.8	8.9	--
Venture Capital Returns	--	--	--	17.1	48.6	--	--
Short-Term Returns							
TRS	14.2	10.2	10.5	10.6	8.4	9.8	10.8
91-Day Treasury Bills	13.0	8.6	9.2	8.8	7.6	8.5	9.4
Income Rate of Return**	11.9	9.9	9.1	8.6	6.9	8.2	9.3
Cash Return***	8.2	4.2	6.8	11.9	19.1	12.5	9.9
Asset Allocation (Annual Average)							
Bonds	59.4	53.9	46.4	41.9	45.7	44.7	49.5
Common Stock – U.S.	26.8	21.8	31.7	35.3	42.7	36.5	31.7
Short-Term	13.8	24.3	20.0	20.5	7.7	16.1	17.3
Other****	--	--	1.9	2.3	3.9	2.7	--

- * Performance calculations provided by Harris Trust and Savings Bank.
- ** 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

INVESTMENT OBLIGATIONS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
AAA	10.500%	02-15-1995	\$25,000,000	29,562,500	29,453,000	
AAA	11.750	02-15-2001	11,000,000	14,572,188	14,636,820	
AAA	8.000	08-15-2001	13,000,000	13,325,000	13,333,060	
AAA	11.125	08-15-2003	40,000,000	45,923,750	51,700,000	
AAA	11.625	11-15-2004	7,000,000	9,268,125	9,450,000	
AAA	10.750	08-15-2005	41,000,000	50,231,302	52,275,000	
AAA	9.375	02-15-2006	15,000,000	16,776,563	17,362,500	
AAA	10.375	11-15-2009	5,000,000	6,312,500	6,187,500	
AAA	10.000	05-15-2010	11,500,000	13,584,375	8,807,130	
AAA	12.750	11-15-2010	20,600,000	29,285,060	30,179,000	
AAA	10.375	11-15-2012	43,500,000	52,300,676	54,293,220	
AAA	12.000	08-15-2013	53,400,000	72,693,543	75,460,608	
AAA	12.500	08-15-2014	400,000	567,225	588,748	
AAA	11.250	02-15-2015	6,250,000	8,362,305	8,574,188	
AAA	10.625	08-15-2015	55,150,000	69,431,863	72,039,688	
AAA	9.750	01-31-1987	7,000,000	6,968,990	7,122,500	
AAA	12.375	08-15-1987	13,000,000	13,328,125	13,792,220	
AAA	12.000	03-31-1988	18,000,000	18,809,063	19,490,580	
AAA	10.000	05-15-1988	5,000,000	5,239,453	5,262,500	
AAA	10.500	08-15-1988	10,000,000	9,930,208	10,671,900	
AAA	9.500	08-15-1988	20,000,000	19,974,400	20,962,400	
AAA	11.375	09-30-1988	24,750,000	24,845,662	26,915,625	
AAA	10.625	12-31-1988	23,000,000	23,205,000	24,789,630	
AAA	11.250	03-31-1989	19,250,000	21,020,398	21,132,843	
AAA	9.625	06-30-1989	20,000,000	20,193,750	21,275,000	
AAA	9.375	09-30-1989	15,000,000	15,191,063	15,876,600	
AAA	12.750	11-15-1989	8,000,000	8,147,500	9,237,520	
AAA	11.375	05-15-1990	25,000,000	24,785,938	28,187,500	
AAA	10.750	07-15-1990	15,000,000	14,588,282	16,654,650	
AAA	11.500	10-15-1990	25,000,000	24,922,300	28,554,750	
AAA	9.625	11-15-1990	7,500,000	7,458,984	8,083,575	
AAA	9.125	02-15-1991	126,800,000	134,343,836	135,081,308	
AAA	8.125	05-15-1991	12,000,000	11,905,320	12,386,280	
AAA	12.250	10-15-1991	25,000,000	26,283,281	29,968,750	
AAA	11.625	01-15-1992	6,000,000	7,000,964	7,061,220	
AAA	13.750	05-15-1992	15,000,000	19,042,969	19,251,600	
AAA	10.375	07-15-1992	8,100,000	8,127,844	9,168,147	
AAA	10.500	11-15-1992	5,000,000	4,731,250	5,721,850	
AAA	8.750	01-15-1993	131,375,000	139,216,912	139,750,165	
AAA	7.375	04-15-1993	24,200,000	23,868,812	24,245,254	
AAA	7.250	07-15-1993	10,000,000	9,966,900	9,981,200	
AAA	11.875	08-15-1993	13,000,000	13,063,344	15,973,750	
AAA	11.750	11-15-1993	37,000,000	43,623,244	45,347,940	
AAA	13.125	05-15-1994	12,000,000	11,656,380	15,787,440	
AAA	12.625	08-15-1994	20,200,000	20,850,846	26,133,750	
AAA	11.625	11-15-1994	25,400,000	28,438,313	31,496,000	
AAA	11.250	05-15-1995	20,000,000	19,975,000	24,525,000	
AAA	9.500	11-15-1995	31,000,000	31,742,600	35,010,470	
AAA	8.875	02-15-1996	42,500,000	43,602,699	46,643,750	
AAA	7.375	05-15-1996	29,000,000	28,680,625	29,090,480	
			1,196,875,000	1,316,927,230	1,389,974,599	
AAA	10.850	02-01-1990	10,000,000	11,037,500	10,912,500	
AAA	10.400	07-23-1990	10,000,000	9,962,500	10,812,500	
AAA	11.500	01-20-1992	10,000,000	11,634,375	11,443,700	
AAA	11.450	12-01-1994	20,000,000	20,087,500	23,762,400	
AAA	11,100	03-25-1987	5,000,000	5,000,000	5,155,450	
AAA	11,550	11-27-1989	10,000,000	10,000,000	11,143,700	
AAA	10,700	01-25-1993	20,000,000	22,391,625	22,612,400	
AAA	7,750	04-25-1996	10,000,000	10,000,000	9,831,200	
AAA	11,000	09-01-2000	193,793	193,520	200,333	
AAA	11,000	10-01-2000	321,506	321,155	332,357	
AAA	10,500	12-01-2000	6,786,428	6,932,760	6,956,089	
AAA	8,850	03-15-2008	5,250,000	5,227,339	5,118,750	
AAA	9,000	09-15-2008	6,420,000	6,405,980	6,323,700	
AAA	8,500	04-01-2009	21,247	15,192	19,813	
AAA	10,000	09-01-2009	69,409	62,988	69,669	
AAA	12,500	02-01-2010	86,248	84,469	89,159	
AAA	10,500	04-01-2011	1,220,463	1,089,246	1,243,327	
AAA	5,038	04-01-1993	2,883,541	1,817,867	2,624,022	
AAA	5,250	07-01-1989	244,234	247,852	217,168	
AAA	13,250	09-01-2011	1,255,312	1,336,907	1,303,955	
AAA	16,000	09-01-2012	4,038,932	4,296,414	4,264,103	
AAA	16,000	09-01-2012	390,095	410,879	411,842	
AAA	16,000	09-01-2012	2,871,092	3,043,358	3,031,156	
AAA	15,750	12-01-2011	4,808,746	5,055,194	5,066,783	
AAA	8,500	02-01-2008	4,161,317	3,188,609	3,901,234	
AAA	14,750	08-01-2012	13,261,572	14,618,181	13,858,343	
AAA	15,750	08-01-2012	5,269,472	5,589,757	5,552,232	
AAA	7,750	03-10-1987	5,000,000	5,000,000	5,034,350	
AAA	10,850	11-10-1987	10,000,000	10,526,563	10,487,500	
AAA	10,450	01-11-1988	8,000,000	8,405,000	8,384,960	
AAA	7,400	10-01-1997	4,440,000	3,999,944	4,198,553	
AAA	8,200	07-10-2002	10,000,000	9,990,153	9,756,200	
AAA	10,000	10-20-2013	2,052,642	1,837,115	2,093,695	
AAA	10,000	12-20-2013	973,329	871,129	992,795	
AAA	10,000	01-20-2014	1,436,584	1,285,743	1,465,316	
AAA	10,000	02-20-2014	1,608,316	1,439,443	1,640,483	
AAA	10,000	03-20-2014	1,023,432	915,971	1,043,900	
AAA	10,000	06-20-2014	1,533,326	1,372,327	1,563,993	
AAA	10,000	06-20-2014	249,210	223,043	254,194	
AAA	10,000	07-20-2014	492,967	441,205	502,826	
AAA	7,250	01-15-2004	1,277,638	1,010,931	1,165,844	
AAA	7,250	01-15-2004	895,206	709,123	817,788	
AAA	7,250	11-15-2004	179,021	141,651	163,357	
AAA	7,250	11-15-2004	745,070	589,537	679,876	
AAA	7,250	11-15-2004	406,446	321,600	370,882	
AAA	7,250	02-15-2005	14,352	11,356	13,097	
AAA	7,250	01-15-2005	80,521	63,712	73,476	
AAA	7,250	01-15-2005	541,191	428,217	493,837	
AAA	7,250	01-15-2005	129,752	102,667	118,399	
AAA	7,250	02-15-2005	115,606	91,474	105,491	
AAA	7,250	02-15-2005	27,073	21,421	24,704	
AAA	7,250	03-15-2005	393,444	311,313	359,018	
AAA	7,250	05-15-2005	189,541	149,974	172,956	
AAA	7,250	05-15-2005	616,576	487,866	562,626	
AAA	7,250	05-15-2005	622,624	492,651	568,144	
AAA	7,250	05-15-2005	326,888	258,650	298,285	
AAA	7,250	03-15-2005	694,879	549,823	634,077	
AAA	7,250	06-15-2005	693,778	548,952	633,073	
AAA	7,250	06-15-2005	599,173	474,096	546,744	
AAA	7,250	06-15-2005	105,640	83,587	96,396	
AAA	7,250	07-15-2005	839,001	663,860	765,588	
AAA	7,250	08-15-2005	35,605	28,172	32,489	
AAA	7,250	08-15-2005	539,892	427,189	492,651	
AAA	7,250	08-15-2005	231,035	182,806	210,819	
AAA	8,000	03-15-2008	182,456	145,053	170,825	
AAA	9,000	10-15-2008	2,158,789	1,902,433	2,096,724	
AAA	9,000	02-15-2009	647,744	566,776	629,122	
AAA	9,000	09-15-2008	86,136	76,688	83,659	
AAA	9,000	10-15-2008	63,132	56,207	61,317	
AAA	9,000	11-15-2008	24,949	22,213	24,232	
AAA	9,000	01-15-2009	69,492	61,869	67,494	
AAA	9,000	11-15-2008	24,935	22,200	24,218	
AAA	9,000	10-15-2008	116,858	101,913	113,498	
AAA	9,000	10-15-2008	69,831	62,171	67,823	
AAA	9,000	12-15-2008	103,298	91,968	100,328	
AAA	9,000	12-15-2008	53,809	47,907	52,262	
AAA	9,000	12-15-2008	34,864	31,040	33,862	
AAA	9,000	01-15-2009	38,684	34,441	37,572	

Investment Listing

GOVERNMENT OBLIGATIONS

Federal Agency (Continued)

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
GNMA Pool: 29920	AAA	9.000%	02-15-2009	\$ 19,761	17,593	19,493
30126	AAA	9.500	08-15-2009	245,756	221,468	243,913
30185	AAA	9.000	05-15-2009	149,397	126,987	146,582
30198	AAA	9.500	09-15-2009	300,395	270,731	298,142
31111	AAA	9.000	04-15-2009	2,303,350	2,029,827	2,237,129
31235	AAA	9.500	06-15-2009	762,442	687,151	756,726
31724	AAA	9.500	07-15-2009	741,465	667,782	735,954
31769	AAA	9.000	05-15-2009	127,146	108,074	123,461
31803	AAA	9.500	06-15-2009	418,990	356,141	406,844
32369	AAA	9.000	07-15-2009	825,634	743,586	819,441
32499	AAA	13.500	05-15-2010	256,306	278,412	273,666
32834	AAA	9.500	09-15-2009	395,410	356,116	392,444
33446	AAA	9.500	10-15-2009	409,718	369,003	406,640
33592	AAA	9.500	06-15-2009	340,391	306,565	331,838
34466	AAA	9.500	11-15-2009	391,484	352,580	388,548
35075	AAA	9.500	09-15-2009	788,231	710,394	782,330
35604	AAA	11.000	02-15-2010	512	472	538
36677	AAA	13.500	06-15-2010	248,552	269,291	265,329
37097	AAA	13.500	05-15-2010	15,346	16,675	16,362
37146	AAA	11.000	12-15-2009	100,329	99,640	100,471
37391	AAA	13.500	07-15-2010	25,235	27,419	26,938
37409	AAA	13.500	05-15-2010	62,588	67,987	66,813
37621	AAA	13.500	06-15-2010	259,522	280,609	277,940
39043	AAA	13.500	05-15-2010	173,821	188,867	187,564
39538	AAA	13.500	05-15-2010	697,305	755,268	744,371
39539	AAA	13.500	06-15-2010	69,653	75,883	74,355
39722	AAA	13.500	06-15-2010	488,855	528,575	521,853
40085	AAA	13.500	06-15-2010	297,952	323,743	318,063
40152	AAA	13.500	05-15-2010	71,279	77,694	76,591
40181	AAA	13.500	06-15-2010	770,122	834,379	822,186
40331	AAA	13.500	05-15-2010	445,390	483,005	478,461
40661	AAA	13.500	05-15-2010	69,767	75,785	74,477
40940	AAA	13.500	06-15-2010	43,715	47,499	46,646
41020	AAA	13.500	06-15-2010	305,244	330,617	325,848
41436	AAA	13.500	06-15-2010	103,773	112,804	110,777
41503	AAA	13.500	07-15-2010	47,725	51,855	50,944
41570	AAA	13.500	05-15-2010	485,940	527,852	518,741
41926	AAA	13.500	05-15-2010	315,807	342,059	337,134
44336	AAA	13.500	05-15-2011	213,614	231,438	228,033
45225	AAA	14.000	07-15-2011	704,555	762,052	749,252
45263	AAA	14.000	06-15-2011	270,846	296,341	290,482
45264	AAA	14.000	05-15-2011	174,571	192,556	187,252
45383	AAA	13.500	05-15-2011	774,222	838,821	826,482
45638	AAA	14.000	06-15-2011	133,772	146,522	143,476
45640	AAA	14.000	07-15-2011	376,706	412,610	404,017
45691	AAA	13.500	05-15-2011	17,141	18,662	18,298
45934	AAA	13.500	04-15-2011	411,195	447,889	438,941
45978	AAA	13.500	05-15-2011	499,801	540,409	533,537
46059	AAA	13.500	04-15-2011	12,542	13,627	13,388
46403	AAA	13.500	05-15-2011	713,032	772,303	761,162
46560	AAA	13.500	04-15-2011	661,443	716,426	706,291
46652	AAA	13.500	05-15-2011	319,777	346,358	341,454
46654	AAA	14.000	06-15-2011	314,252	343,323	337,630
46871	AAA	13.500	05-15-2011	65,311	70,964	69,719
46897	AAA	14.000	06-15-2011	741,257	809,823	794,998
47245	AAA	13.500	05-15-2011	51,526	55,970	55,003
47284	AAA	13.500	05-15-2011	709,033	767,971	756,892
47380	AAA	13.500	05-15-2011	544,429	584,287	572,527
47405	AAA	13.500	05-15-2011	624,950	675,722	667,134
47452	AAA	13.500	05-15-2011	597,877	647,576	638,234
47595	AAA	14.000	06-15-2011	330,449	361,119	354,407
47727	AAA	13.500	05-15-2011	51,841	56,312	55,340
47731	AAA	13.500	05-15-2011	323,612	350,512	345,463
47732	AAA	14.000	05-15-2011	146,760	160,324	157,389
47770	AAA	14.000	06-15-2011	444,921	486,076	477,178
47794	AAA	13.500	05-15-2011	346,285	377,450	369,689
47818	AAA	13.500	05-15-2011	501,341	542,075	535,181
47819	AAA	14.000	06-15-2011	308,030	336,433	330,362
47901	AAA	13.500	05-15-2011	50,589	54,951	54,303
47979	AAA	13.500	05-15-2011	737,332	801,157	787,102
47991	AAA	14.000	06-15-2011	96,565	105,768	103,566
48080	AAA	13.500	05-15-2011	630,754	683,185	673,330
48091	AAA	13.500	05-15-2011	173,503	188,467	185,714
48333	AAA	14.000	06-15-2011	398,648	435,274	427,886
48534	AAA	14.000	06-15-2011	338,609	369,718	362,158
48774	AAA	13.500	05-15-2011	317,423	343,808	338,849
48946	AAA	14.000	06-15-2011	286,027	312,306	306,164
49144	AAA	13.500	05-15-2011	258,926	279,964	276,403
49271	AAA	13.500	04-15-2012	443,274	483,168	471,700
49298	AAA	13.500	05-15-2011	620,328	675,382	661,255
49341	AAA	13.500	06-15-2011	154,473	167,024	164,900
49545	AAA	14.000	06-15-2011	448,135	489,727	480,625
49759	AAA	14.000	06-15-2011	149,090	163,300	159,899
49860	AAA	14.000	06-15-2011	190,657	208,829	204,480
49971	AAA	14.000	02-15-2012	141,817	155,334	152,408
50019	AAA	14.000	06-15-2011	426,147	465,699	457,343
50023	AAA	14.000	06-15-2011	201,856	220,401	216,491
50024	AAA	14.000	06-15-2011	153,011	167,069	164,104
50047	AAA	13.500	05-15-2011	649,828	706,979	693,691
50269	AAA	13.500	07-15-2011	120,108	130,178	128,216
50283	AAA	14.000	06-15-2012	263,798	288,843	282,843
50492	AAA	14.000	06-15-2011	370,045	405,315	399,872
50588	AAA	14.000	06-15-2011	368,336	402,407	399,540
50781	AAA	14.000	06-15-2012	89,510	98,041	96,999
50821	AAA	13.500	02-15-2012	72,392	78,636	77,178
51033	AAA	13.500	05-15-2012	723,048	783,152	771,874
51313	AAA	14.000	08-15-2011	239,813	261,846	257,205
51406	AAA	14.000	08-15-2011	272,457	297,559	292,210
51412	AAA	14.000	10-15-2011	83,206	91,137	89,239
51552	AAA	14.000	07-15-2011	70,276	76,733	75,371
51614	AAA	14.000	08-15-2011	119,361	130,738	128,453
51971	AAA	14.000	05-15-2012	254,080	277,423	273,805
51975	AAA	13.500	08-15-2011	143,198	155,594	152,884
52335	AAA	14.000	11-15-2011	146,002	159,917	156,587
52434	AAA	14.000	06-15-2011	201,658	220,878	218,278
52453	AAA	14.000	03-15-2012	335,823	366,992	363,170
53076	AAA	13.500	10-15-2012	321,473	347,870	345,882
53122	AAA	14.000	01-15-2012	267,983	293,525	287,811
53222	AAA	14.000	10-15-2011	290,185	316,846	311,228
53408	AAA	14.000	01-15-2012	105,354	115,011	112,902
53491	AAA	16.000	03-15-2012	3,752	4,263	4,204
53795	AAA	14.000	03-15-2012	55,601	60,767	60,007
54259	AAA	14.000	05-15-2012	159,318	174,503	172,602
54425	AAA	13.500	01-15-2012	625,270	677,246	667,476
54641	AAA	14.000	08-15-2011	228,669	249,678	245,248
54689	AAA	13.500	11-15-2012	352,660	381,314	376,405
54905	AAA	14.000	03-15-2012	89,697	98,246	96,200
54910	AAA	14.000	06-15-2012	267,685	292,530	287,805
55053	AAA	13.500	03-15-2012	23,268	25,158	24,818
55188	AAA	14.000	02-15-2012	488,184	534,714	523,178
55205	AAA	14.000	04-15-2012	388,249	425,254	414,397
55261	AAA	14.000	09-15-2012	139,817	153,144	149,154
55401	AAA	14.000	05-15-2012	149,143	161,538	158,374
55614	AAA	14.750	02-15-2012	324,824	354,667	348,374
55653	AAA	14.000	06-15-1997	353,242	385,696	378,802
55695	AAA	14.000	03-15-2012	362,047	395,536	388,790
55898	AAA	14.000	07-15-2012	105,866	115,956	113,341
56007	AAA	14.000	08-15-2012	266,280	290,911	285,180
56041	AAA	14.000	04-15-2012	183,635	201,137	196,348
56045	AAA	14.000	10-15-2012	456,540	492,409	481,639
56282	AAA	14.000	08-15-2012	373,709	408,846	403,311
56388	AAA	14.000	06-15-2012	233,709	255,181	250,403
56396	AAA	14.000	06-15-2012	373,269	408,846	

Investment Listing

GOVERNMENT OBLIGATIONS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
General Agency (Continued)						
AAA	14.000%	08-15-2012	\$ 583,040	636,971	625,311	
AAA	13.500	10-15-2012	234,556	253,614	250,389	
AAA	13.500	11-15-2012	242,716	262,437	259,100	
AAA	13.500	11-15-2012	760,684	824,154	812,030	
AAA	14.000	09-15-2012	397,078	431,450	423,881	
AAA	13.500	10-15-2012	152,549	166,565	163,609	
AAA	14.000	09-15-2012	440,535	238,264	234,759	
AAA	14.000	08-15-2012	917,231	1,004,654	472,474	
AAA	13.500	09-15-2012	269,395	294,146	983,730	
AAA	14.000	09-15-2012	435,217	470,579	288,926	
AAA	13.500	11-15-2012	49,437	54,010	464,595	
AAA	13.500	10-15-2012	254,557	296,825	53,021	
AAA	14.000	08-15-2012	252,990	277,467	291,617	
AAA	14.000	12-15-2012	344,836	277,103	271,740	
AAA	13.500	10-15-2012	331,080	377,703	271,332	
AAA	13.500	11-15-2012	432,048	358,601	369,836	
AAA	13.500	11-15-2012	2,168,414	469,447	353,428	
AAA	13.500	09-15-2012	102,461	2,351,211	461,211	
AAA	14.000	11-15-2012	121,287	112,227	2,314,782	
AAA	14.000	10-15-2012	473,418	131,142	109,889	
AAA	13.500	10-15-2012	575,975	516,913	129,474	
AAA	14.000	10-15-2012	300,406	622,773	507,741	
AAA	13.500	10-15-2012	364,217	326,410	614,853	
AAA	13.500	12-15-2012	252,702	398,932	320,684	
AAA	13.500	10-15-2012	402,422	274,577	370,623	
AAA	13.500	10-15-2012	170,392	438,640	269,749	
AAA	13.500	10-15-2012	308,511	184,609	429,586	
AAA	13.500	10-15-2012	501,593	334,156	181,893	
AAA	11.500	08-15-2013	2,799,110	542,348	329,335	
AAA	11.500	11-15-2012	607,931	2,646,034	535,451	
AAA	11.500	08-15-2013	687	660,555	648,966	
AAA	14.000	09-15-2013	401,179	656	725	
AAA	13.500	12-15-2012	230,694	392,152	423,244	
AAA	14.000	12-15-2012	865,080	252,105	247,419	
AAA	11.500	03-15-2013	128,980	939,693	923,473	
AAA	11.500	03-15-2013	857,117	141,273	138,331	
AAA	13.500	02-15-2013	675,577	864,348	904,258	
AAA	11.500	05-15-2013	376,191	645,176	712,733	
AAA	13.500	05-15-2013	9,433	408,638	401,584	
AAA	13.500	05-15-2010	211,005	9,009	9,952	
AAA	13.500	11-15-2011	159,522	216,074	224,720	
AAA	10.000	03-15-2013	80,006	163,361	169,891	
AAA	13.500	10-15-2012	1,066,924	81,888	85,206	
AAA	10.000	03-15-2013	196,186	976,684	1,094,931	
AAA	13.500	09-15-2014	952,344	200,732	208,938	
AAA	13.500	07-15-2014	754,000	871,504	971,345	
AAA	13.500	07-15-2014	889,181	819,032	804,895	
AAA	13.500	07-15-2014	408,812	966,151	949,201	
AAA	12.000	01-15-2014	25,382	445,605	436,407	
AAA	13.500	09-15-2014	103,881	27,579	27,095	
AAA	13.500	09-15-2014	679,381	107,030	109,854	
AAA	13.500	08-15-2014	320,766	738,190	725,240	
AAA	13.500	09-15-2014	222,517	346,828	342,417	
AAA	13.500	09-15-2014	567,142	241,710	237,537	
AAA	12.000	04-15-2014	555,437	616,054	605,424	
AAA	13.500	09-15-2014	55,301	603,517	592,929	
AAA	13.500	06-15-2014	257,647	54,682	58,481	
AAA	13.500	08-15-2014	76,709	279,950	275,039	
AAA	13.500	09-15-2014	588,968	83,349	81,886	
AAA	13.500	09-15-2014	691,518	639,950	628,723	
AAA	13.500	09-15-2014	631,192	749,000	738,195	
AAA	13.500	09-15-2014	327,773	685,829	673,797	
AAA	13.500	08-15-2014	323,291	356,146	349,898	
AAA	13.500	08-15-2014	585,335	352,387	345,113	
AAA	13.500	08-15-2014	861,062	636,003	624,845	
AAA	13.500	07-15-2014	464,511	935,329	919,184	
AAA	13.500	09-15-2014	334,714	506,317	495,865	
AAA	13.500	08-15-2014	765,559	362,537	357,307	
AAA	13.500	09-15-2014	270,203	827,761	817,234	
AAA	13.500	08-15-2014	255,350	293,593	288,442	
AAA	13.500	08-15-2014	619,832	278,012	272,586	
AAA	13.500	08-15-2014	414,857	670,193	661,671	
AAA	13.500	07-15-2014	569,313	450,769	442,860	
AAA	13.500	08-15-2014	148,153	618,594	607,742	
AAA	13.500	08-15-2014	211,701	161,487	158,153	
AAA	13.500	09-15-2014	634,848	230,027	225,991	
AAA	14.000	09-15-2014	465,406	691,984	677,700	
AAA	13.500	10-15-2004	187,478	505,693	496,821	
AAA	13.500	11-15-2014	956,131	205,347	201,070	
AAA	11.000	09-15-2014	790,799	1,038,896	1,020,670	
AAA	11.000	03-15-2015	382,099	856,781	844,178	
AAA	12.000	06-15-2015	3,004,180	379,472	401,681	
AAA	12.000	06-15-2015	3,736,221	3,158,144	3,158,144	
AAA	12.000	04-15-2015	3,620,663	3,822,622	3,951,054	
AAA	12.000	08-15-2015	4,048,211	3,742,859	3,828,852	
AAA	12.000	07-15-2015	4,662,194	4,126,645	4,280,983	
AAA	12.000	06-15-2015	4,932,012	4,767,093	4,930,270	
AAA	12.000	06-15-2015	3,188,416	5,042,983	5,215,603	
AAA	11.000	10-15-2015	4,657,459	3,266,134	3,371,760	
AAA	11.000	09-15-2015	7,815,254	4,791,361	4,925,263	
AAA	11.000	03-15-2016	6,895,636	8,140,075	8,215,786	
AAA	11.000	01-15-2016	4,991,728	7,182,236	7,249,037	
AAA	11.000	11-15-2015	4,980,001	5,100,922	5,091,562	
AAA	11.750	12-15-1999	7,895,202	5,222,776	5,235,226	
AAA	10.500	01-15-1999	7,991,131	8,299,831	8,299,831	
AAA	10.000	01-15-2016	248	8,478,090	8,438,714	
AAA	10.000	02-15-2016	2,995,861	249	258	
AAA	10.000	03-15-2016	5,009,774	3,115,695	3,055,778	
AAA	10.000	03-15-2016	2,993,735	5,119,363	5,109,969	
AAA	10.000	03-15-2016	2,996,095	3,113,484	3,053,609	
AAA	10.250	06-15-1999	7,880,950	3,115,939	3,056,017	
AAA	5.375	04-01-1992	1,000,000	8,196,188	8,136,923	
AAA	14.750	06-01-1992	5,000,000	883,257	1,277,100	
AAA	5.750	02-14-1994	1,420,000	6,380,650	6,538,400	
AAA	11.625	12-15-1994	250,000	782,306	825,347	
AAA	14.000	09-25-1988	1,814,000	316,078	294,375	
AAA	0	02-15-2006	10,020,000	1,814,000	1,919,215	
AAA	0	11-15-2000	10,000,000	1,730,855	1,848,690	
AAA	0	08-15-2001	10,000,000	3,259,000	3,095,000	
AAA	0	02-15-2008	27,000,000	2,771,100	2,893,700	
AAA	0	08-15-2008	27,000,000	4,471,740	4,604,580	
AAA	0	02-15-2009	33,000,000	4,291,110	4,420,170	
AAA	0	02-15-2015	9,500,000	5,054,940	5,185,950	
				1,062,395	1,108,175	
			527,690,849	434,861,631	446,090,558	
			\$1,724,565,849	1,751,788,861	1,836,065,157	

GOVERNMENT OBLIGATIONS

GOVERNMENT OBLIGATIONS

AA-1	11.800%	02-01-2013	\$6,500,000	7,247,500	7,250,360
NR	15.250	12-15-1996	2,000,000	2,037,500	2,145,000
NR	12.000	08-15-2015	7,250,000	8,047,500	8,086,360
NR	16.000	01-01-2006		267	601
A2	10.500	10-15-1995	14,000,000	13,895,000	15,355,060
A2	12.500	09-15-2012	3,500,000	3,888,281	4,014,635

Investment Listing

CORPORATE OBLIGATIONS

Industrial and Miscellaneous (Continued)

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Bridgeport Electric Company	NR	18.000%	11-30-1994	\$51,562,500	65,252,500	66,000,000
Chevron Capital U S A Inc	AA3	12.000	11-01-1994	13,500,000	13,500,912	15,451,560
Chrysler Corporation	NR	12.000	11-15-2015	4,000,000	4,425,000	4,358,040
Collins Foods International Inc	B-1	12.000	12-15-2008	2,500,000	2,100,000	2,525,000
Dayton Hudson Corporation	AA2	11.875	10-15-2012	1,000,000	1,111,875	1,123,660
Exxon Shipping Company Deferred Interest	NR	0	09-01-2012	50,000,000	2,272,727	5,303,000
Ford Motor Company	NR	8.875	04-01-2006	2,500,000	2,457,000	2,448,225
Honeywell Inc	A2	14.125	02-01-2011	905,000	1,004,550	1,008,070
K Mart Corporation	A-1	12.750	03-01-2015	4,000,000	4,515,000	4,558,400
Kimberly Clark Corporation	NR	12.000	12-01-1994	750,000	924,875	890,535
Lowes Companies Inc	NR	11.500	04-01-1995	5,000,000	5,125,000	5,647,350
McDonald's Corporation	AA2	8.875	03-01-2016	3,000,000	3,022,500	2,985,335
McDonnell Douglas Corporation	NR	10.375	11-01-1992	14,100,000	14,077,250	15,249,855
National Gypsum Company	NR	15.500	06-30-2004	4,798,000	2,497,959	2,446,980
Occidental Petroleum Corporation	BAA3	9.650	10-15-1994	29,350,000	22,844,083	27,295,794
Osceola Energy Inc	BAA2	10.875	03-15-1996	4,000,000	3,969,800	4,064,320
Phillips Petroleum Company	NR	11.000	06-15-1996	8,000,000	8,000,000	8,080,000
Phillips Petroleum Company Floating Rate	BAA3	13.875	03-15-1997	636,946	653,214	687,902
Reynolds (R.J.) Industries Inc	BAA3	11.250	05-01-2013	5,197,455	5,376,195	5,788,666
Rockwell International Corporation	BAA3	8.625	03-15-1995	19,048,413	18,993,163	16,095,909
Scott Paper Company	NR	11.750	08-01-2015	3,700,000	4,146,313	4,117,212
Sears Roebuck & Company	NR	9.875	07-30-1990	1,000,000	1,138,589	1,242,590
Texaco Capital Inc	NR	9.500	01-01-1993	6,500,000	6,386,250	6,531,005
Texas Eastern Transmission Corporation	NR	11.625	10-15-1993	1,000,000	1,241,750	1,162,010
United Technologies Corporation	AA2	12.000	01-15-1994	8,500,000	8,500,000	10,262,815
Whirlpool Corporation	NR	10.000	09-19-1990	1,000,000	961,250	980,000
Xerox Corporation	NR	13.000	10-15-2009	10,000,000	10,112,500	11,115,100
	NR	13.250	04-01-2010	3,000,000	3,382,620	3,382,620
	NR	11.250	01-15-1992	500,000	581,562	550,685
	NR	9.125	06-15-2016	2,500,000	2,500,000	2,524,225
	A2	13.250	09-01-2014	5,000,000	5,100,000	5,925,250
Total Industrial and Miscellaneous				306,098,914	266,561,515	282,753,714

Public Utilities

Central Maine Power Company	NR	18.000	09-15-1994	26,250,000	32,220,400	33,206,250
Cleveland Electric Illuminating Company	NR	12.750	12-01-2012	5,213,000	5,871,141	5,892,671
Columbus & Southern Ohio Electric Company	BAA2	16.625	05-01-1991	5,841,000	6,273,059	6,591,685
Commonwealth Edison Company	NR	9.500	05-01-2016	3,500,000	3,491,045	3,492,230
Dayton Power & Light Company	A3	16.750	03-01-2012	1,000,000	1,140,000	1,140,000
Detroit Edison Company	BAA1	11.875	12-15-2000	5,500,000	5,856,250	5,927,130
Georgia Power Company	NR	9.375	04-15-2016	1,500,000	1,474,065	1,459,425
Gulf States Utilities Company	BAA1	14.500	10-01-2010	6,240,000	6,874,780	6,872,549
Long Island Lighting Company	BAA1	16.000	06-01-2014	1,995,000	1,992,506	2,354,100
	NR	15.000	09-01-2012	4,700,000	5,478,438	5,358,500
	B-1	17.500	09-01-1989	2,000,000	2,050,000	2,218,800
	NR	16.750	07-01-1991	1,435,000	1,492,400	1,541,678
	NR	17.000	12-01-1991	1,000,000	1,018,750	1,069,240
	NR	5.250	03-01-1996	800,000	375,488	538,528
	NR	15.250	10-01-2012	2,000,000	2,180,460	2,230,660
	B-1	13.500	05-01-2013	3,000,000	2,995,000	3,180,000
Louisiana Power & Light Company	NR	16.000	08-01-1994	1,750,000	2,058,438	2,053,608
Mountain States Telephone & Telegraph Company	NR	9.000	04-01-2026	5,000,000	4,890,362	4,945,400
Ohio Edison Company	NR	15.750	09-15-1994	3,360,000	3,318,000	3,874,954
Pacific Gas & Electric Company	BAA3	11.875	06-15-2010	4,000,000	4,151,980	4,222,840
Philadelphia Electric Company	NR	10.000	01-01-2019	10,000,000	9,535,000	10,396,800
	BA-1	14.750	04-15-2005	8,558,000	8,525,907	10,048,632
	BA-1	14.500	02-15-2009	6,550,000	7,238,500	7,662,976
	BAA3	15.375	10-01-2010	7,250,000	7,605,172	8,482,500
Public Service Company of Indiana Inc	NR	4.375	02-01-1989	1,000,000	659,550	872,010
	BA-1	12.125	09-01-1990	8,400,000	7,128,466	8,610,500
	BA-1	14.750	02-01-2011	1,488,000	1,687,604	1,647,424
	BA-1	15.750	12-01-2011	1,287,000	1,442,470	1,454,310
Southern California Gas Company	A-1	17.375	09-15-2001	10,000,000	11,800,000	10,927,000
Total Public Utilities				140,617,000	150,649,727	158,271,770

Finance

American Express Credit Corporation	AA2	11.625	10-15-1992	2,500,000	2,452,300	2,777,675
Amex Credit Corporation	NR	12.625	10-15-1988	500,000	543,609	543,260
Chrysler Financial Corporation	NR	10.875	05-15-1990	250,000	298,703	267,300
Chrysler Financial Corporation Floating Rate	BAA2	9.750	12-15-1990	2,000,000	4,992,200	2,059,820
Citicorp	BAA2	11.500	04-15-1997	5,000,000	5,045,000	5,243,750
First Home Mortgage Acceptance Corporation	NR	9.375	03-01-2016	2,000,000	2,002,500	1,972,920
Fleet Financial Group Inc	NR	9.400	02-01-1997	13,013,381	13,025,581	13,127,248
Ford Motor Credit Company	NR	11.000	02-01-2016	4,899,131	5,168,583	4,948,122
General Motors Acceptance Corporation	NR	9.625	02-01-1996	3,000,000	3,129,060	3,098,850
	NR	13.200	08-15-1989	4,400,000	4,461,500	5,811,626
	NR	11.000	01-15-1990	5,250,000	5,250,000	6,570,993
	NR	11.875	04-15-1995	8,500,000	8,461,750	9,742,615
	AA-1	10.375	04-15-1988	11,500,000	11,626,385	12,012,785
	AA-1	11.750	10-15-1989	3,000,000	2,994,750	3,160,230
	NR	9.875	11-01-1989	4,500,000	4,511,250	4,687,335
Irving Bank Corporation	AA-1	10.375	09-01-1995	10,000,000	9,850,000	10,916,400
Marine Midland Banks Inc	AA-1	8.250	04-01-2016	10,000,000	9,890,000	9,440,900
Mellon Financial Corporation	NR	6.125	07-01-1992	4,100,000	2,270,986	3,623,047
Mellite Funding Inc	NR	7.625	03-01-2003	8,000,000	8,000,000	6,527,120
Pulte Home Corporation	NR	13.500	08-15-1987	2,200,000	2,192,014	2,336,927
Resorts International Financing Inc	NR	9.875	07-30-1992	1,000,000	1,124,730	1,037,500
Ryland Acceptance Corporation	NR	12.000	01-01-2007	4,688,413	4,959,718	4,922,834
Texas Capital Inc	NR	11.000	12-01-2015	4,265,125	4,393,079	4,393,079
	BA3	16.625	09-01-2004	5,000,000	5,193,750	5,575,000
	NR	12.625	05-01-2000	7,500,000	7,875,000	7,875,000
	BA-1	13.000	08-01-1991	10,000,000	9,954,000	10,653,500
Total Finance				137,066,050	136,700,448	141,323,930

Telephone

Illinois Bell Telephone Company	NR	8.500	04-22-2026	3,700,000	3,626,000	3,538,088
New England Telephone & Telegraph Company	NR	9.000	03-01-2026	10,000,000	9,925,000	9,891,000
New Jersey Bell Telephone Company	NR	9.375	02-15-2026	5,500,000	5,472,500	5,818,305
New York Telephone Company	NR	8.750	04-01-2023	8,000,000	4,893,750	4,818,850
Southern New England Telephone Company	NR	11.500	08-15-2025	8,000,000	7,960,000	9,225,200
Southwestern Bell Telephone Company	NR	8.625	04-15-2020	3,500,000	3,360,000	3,325,490
Total Telephone				35,700,000	35,237,250	36,416,933

Transportation

Kansas City Southern Industries Inc	A3	12.000	10-01-2010	5,000,000	4,965,600	5,524,200
TOTAL CORPORATE OBLIGATIONS				624,481,964	594,114,540	624,290,547

CONVERTIBLE ISSUES

Harcourt Brace Jovanovich Inc	NR	6.375	03-15-2011	2,200,000	2,200,000	2,640,000
Home Federal Savings & Loan Association	NR	6.500	05-15-2011	1,000,000	1,000,000	1,070,000
Lomas & Nettleton Financial Corporation	BAA1	9.000	04-01-2010	1,075,000	1,075,000	1,451,250
Prime Motors Inns Inc	NR	6.625	04-01-2011	1,225,000	1,225,000	1,427,125
State Street Boston Corporation	NR	7.750	05-01-2008	1,100,000	1,100,000	2,785,800
Total Management Inc Zero Coupon	A2	0	01-21-2001	2,240,000	560,000	985,600
TOTAL CONVERTIBLE ISSUES				8,840,000	7,160,000	10,329,475

TOTAL U.S. BONDS AND CORPORATE NOTES

				\$633,321,964	601,274,540	634,620,022
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INTERNATIONAL OBLIGATIONS

Accor	NR	7.500	01-02-1999		259,204	438,750
Asian Development Bank	NR	10.750	01-01-1997		564,500	564,500
Australia (Commonwealth of)	NR	13.500	01-15-1993		380,793	360,870

Investment Listing

INTERNATIONAL OBLIGATIONS (Continued)

	Moody's Quality Rating	Coupon Rate	Maturity Date	Book Value	Market Value
	NR	11.500%	10-19-1995		
	NR	12.500	06-15-1996	\$ 1,238,847	1,167,580
	AA2	9.000	01-15-2008	451,579	429,926
	NR	10.250	03-18-1988	496,295	490,000
	NR	15.250	07-15-1992	267,334	259,410
	NR	12.500	09-01-2013	721,521	647,815
	NR	12.500	01-15-2014	673,924	641,250
	NR	12.625	09-15-1995	687,014	619,375
	NR	11.500	12-15-1993	638,720	641,250
	NR	9.000	10-15-1999	631,336	604,793
	NR	12.000	03-01-2005	818,860	783,838
	NR	14.000	01-15-2006	598,689	579,629
	NR	15.000	06-01-2006	5,518,250	6,642,755
	NR	11.250	05-08-1989	3,243,750	3,900,900
	NR	12.750	10-27-1987	271,250	261,125
	NR	11.000	07-15-1987	573,406	525,315
	NR	9.625	07-27-1990	569,625	512,000
	NR	4.875	03-18-1993	561,267	520,045
	NR	13.000	08-31-1996	506,734	549,020
	AAA	12.625	10-15-1999	962,063	897,600
	NR	12.500	08-22-1994	1,172,094	1,128,600
	NR	12.250	03-26-1999	1,106,283	1,205,750
	NR	14.125	03-01-1988	1,179,557	1,198,607
	NR	11.125	02-15-1989	571,616	538,750
	NR	8.750	01-01-1991	277,940	267,453
	NR	11.500	03-20-1992	539,010	497,500
	NR	11.750	06-15-1993	1,146,250	1,127,360
	NR	9.900	12-13-1991	615,941	554,400
	NR	7.700	09-09-1993	476,598	481,895
	NR	13.700	09-19-1993	494,011	498,135
	NR	13.200	09-09-1995	193,919	187,030
	NR	7.750	11-01-1990	477,020	475,775
	NR	7.750	12-01-1992	971,526	989,060
	NR	8.250	10-01-1993	973,704	997,500
	NR	7.500	10-20-1994	1,158,635	1,145,250
	NR	7.000	06-20-1995	636,079	647,920
	NR	7.000	02-01-2012	636,397	619,931
	NR	11.750	12-01-1987	681,613	624,935
	NR	9.500	12-01-1989	1,000,000	1,000,000
	NR	9.500	12-01-1990	4,000,000	4,000,000
	NR	10.500	11-21-1995	2,000,000	2,000,000
	NR	8.000	02-20-1991	582,375	572,500
	NR	7.700	02-20-1992	2,756,654	2,924,000
	NR	7.500	01-20-1993	3,370,015	3,453,979
	NR	7.100	07-20-1994	3,438,559	3,569,539
	NR	10.500	06-15-1990	3,406,276	3,571,479
	NR	12.500	05-10-1991	586,375	535,835
	NR	13.750	12-01-2005	649,201	581,625
	NR	11.750	11-01-1992	524,273	603,758
	NR	8.500	06-15-1991	611,681	572,650
	NR	8.500	06-15-1991	436,079	432,410
	NR	8.500	01-15-1994	629,335	643,409
	NR	6.750	02-15-1996	435,640	455,202
	NR	10.625	11-15-2005	620,885	540,000
	NR	5.500	03-31-1998	108,549	186,615
	NR	15.000	08-05-1992	710,833	646,280
	NR	12.750	09-15-1994	647,703	659,375
	NR	9.200	04-15-2004	495,155	551,925
	NR	11.500	06-05-1992	311,924	272,533
	NR	10.875	05-15-1990	546,859	537,075
	NR	10.875	05-15-1991	601,781	537,075
	AAA	15.500	07-15-1990	975,875	898,125
	NR	0	09-11-1994	250,625	256,835
	NR	15.250	05-03-1996	1,175,147	1,214,659
	NR	14.000	05-01-2001	1,168,175	1,208,040
	NR	13.750	07-25-2003	1,214,328	1,227,721
	NR	11.000	05-18-1990	794,388	783,338

68,045,705 69,667,579

TOTAL INTERNATIONAL OBLIGATIONS

PREFERRED STOCK

	Shares	Book Value	Market
	60,000	\$1,375,950	1,515,000
	23,076	214,114	429,790
	1,787	8,509	18,987
	13,917	206,903	297,477
	80,000	2,017,280	1,830,000
		3,822,756	4,091,254

TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK

\$2,424,931,862 2,544,444,012

SHORT TERM INVESTMENTS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
	NR	0%	00-00-0000	\$72,778,149	72,778,149	72,778,149
	NA		00-00-0000	35	35	35
	NR	6.830	09-02-1986	4,000,000	3,930,941	3,930,941
	NR	6.850	07-21-1986	2,000,000	1,990,867	1,990,867
	NR	6.600	08-08-1986	6,000,000	5,903,200	5,903,200
	NR	0	00-00-0000	-14,286,994	-14,286,994	-14,286,994
	NR	NA	00-00-0000	241,638,351	241,638,351	241,638,351
	NR	NA	00-00-0000	8,958,023	8,958,023	8,958,023
	NR	6.710	08-08-1986	5,000,000	4,931,968	4,931,968
	NR	0	00-00-0000	-8,083	-8,083	-8,083
	NR	6.710	08-01-1986	5,000,000	4,938,492	4,938,492
	NR	9.392	02-15-1987	2,000,000	1,698,220	1,890,000
	AAA	4.333	07-03-1986	175,000	172,248	174,939
	AAA	5.703	07-17-1986	50,000	49,263	49,871
	AAA	6.037	08-28-1986	720,000	708,840	713,210
	AAA	6.076	09-04-1986	2,680,000	2,636,099	2,651,565
				\$336,704,481	336,039,619	336,254,534

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
	383,500	\$13,519,920	24,160,500
	100,300	3,313,581	3,510,500
	29,600	2,103,549	2,264,400
	102,400	2,860,420	3,008,000
	74,800	3,180,247	4,170,100
	15,900	539,387	703,575
	40,450	1,224,070	1,860,700
	28,300	2,221,500	2,203,863
	33,300	1,678,069	1,665,000
	56,400	2,874,342	3,588,450
	105,000	3,998,811	4,620,000
	12,500	471,050	671,875
	26,500	1,348,760	1,510,500
	3,500	65,695	84,000
	121,600	5,130,716	6,019,200

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Automobiles and Auto Parts			
American Motors Corporation	78,100	\$ 249,128	331,925
Arvin Industries Inc	6,333	80,813	211,364
Borg-Warner Corporation	59,200	1,269,457	2,079,400
Champion Spark Plug Company	24,100	217,545	250,038
Chrysler Corporation	225,200	6,208,535	8,585,751
Cummins Engine Company Inc	15,900	1,018,097	1,059,138
Dana Corporation	63,600	1,906,980	2,090,850
Eaton Corporation	97,943	4,934,798	6,684,610
Echlin Inc	30,200	411,329	581,350
Firestone Tire and Rubber Company	68,900	1,402,819	1,733,113
Ford Motor Company	68,925	23,719,012	37,591,117
Fruehauf Corporation	21,100	570,152	1,041,813
GenCorp Inc	86,672	2,233,073	6,478,732
General Motors Corporation	328,820	21,665,122	25,513,133
Genuine Parts Company	37,200	1,285,222	1,706,550
Goodrich (B.F.) Company	15,000	343,300	652,500
Goodyear Tire and Rubber Company	176,898	4,926,703	5,837,634
Libbey-Owens-Ford Company	95,400	3,442,340	6,964,200
Sealed Air Corporation	36,500	1,040,894	1,072,188
Timken Company	44,300	2,148,854	2,154,088
TRW Inc	21,800	1,662,651	2,218,150
Banking and Finance			
Ahanson (H.F.) & Company	69,000	888,022	1,906,125
Allied Bancshares Inc	158,400	3,445,200	2,494,800
American Express Company	328,498	14,404,359	20,426,128
Bank of Boston Corporation	27,912	700,449	1,130,440
BankAmerica Corporation	107,700	1,974,125	1,682,813
Bankers Trust New York Corporation	47,797	1,699,557	2,312,180
Barnett Banks Florida Inc	22,150	865,496	1,268,080
Beneficial Corporation	14,900	617,875	692,550
Canadian Imperial Bank of Commerce	8,000	128,730	49,072
Chase Manhattan Corporation	197,434	7,661,383	8,761,141
Chemical New York Corporation	34,057	1,404,175	1,745,421
Cincinnati Financial Corporation	60,000	1,877,089	4,410,000
Citicorp	148,900	6,946,673	8,896,775
Citizens Financial Group Inc	100,000	2,912,846	4,412,500
Continental Illinois Holding Corporation	41,000	812,163	20,500
Datapoint Corporation	13,000	60,190	105,625
Dreyfus Corporation	71,800	5,630,880	7,251,800
Financial Corporation of America	33,200	250,219	290,500
First American Savings Abington PA	66,500	1,201,094	1,579,375
First Interstate Bancorp	30,800	1,590,509	1,925,000
First Pennsylvania Corporation	15,000	102,591	125,625
Fleet Financial Group Inc	55,500	1,281,846	3,017,813
Florida National Banks of Florida Inc	47,400	2,121,150	2,648,475
Foremost Corporation of America	55,000	1,409,335	2,158,750
Golden West Financial Corporation	47,900	1,619,347	2,029,763
Great Western Financial Corporation	405,100	12,982,231	19,343,525
Home Federal Bank Florida	120,000	3,645,450	3,780,000
Home Federal Savings & Loan Association California	84,100	2,367,893	3,153,750
Household International Inc	34,100	1,288,626	1,479,088
Hutton (E.F.) Group Inc	100,600	3,519,560	3,269,500
Interfirst Corporation	42,100	455,316	305,225
Lomas & Nettleton Financial Corporation	90,600	3,129,542	4,167,600
Manufacturers Hanover Corporation	29,000	1,167,645	1,497,125
Mellon Bank Corporation	19,504	1,065,554	1,362,852
Merrill Lynch & Company Inc	70,300	2,491,530	2,434,138
Morgan (J.P.) & Company Inc	62,886	3,262,120	5,526,107
NCNB Corporation	83,255	2,944,785	4,495,779
Navistar International Corporation	77,800	670,822	709,925
Northern Trust Corporation	90,000	2,076,250	3,813,750
Norwest Corporation	21,669	617,926	815,298
Paine Webber Group Inc	45,300	1,829,894	1,545,863
Pulte Home Corporation	16,000	262,822	318,000
Quincy Coop Bank Massachusetts	50,820	904,550	895,703
Rainier Bancorporation	71,800	2,724,313	2,647,625
SCI Holdings Inc	125,000	320,313	500,000
Sedgwick Group Plc United Kingdom	50,000	190,272	255,600
Southeast Banking Corporation	46,200	1,720,093	2,044,350
State Street Boston Corporation	57,900	1,069,834	3,280,150
Student Loan Marketing Association	133,400	4,593,256	7,320,325
Texas Commerce Bancshares Inc	134,712	4,370,828	2,929,982
Wells Fargo & Company	47,400	2,519,603	5,036,250
Woburn Five Cents Savings Bank Massachusetts	25,500	278,906	275,719
Beverages			
Anheuser-Busch Companies Inc	177,100	6,934,952	10,006,150
Brown Forman Inc	16,800	579,214	1,043,700
Coca Cola Company	92,400	6,788,434	11,996,200
Coors (Adolph) Company	23,400	450,349	740,226
Heileman (G.) Brewing Company Inc	177,100	3,378,742	5,003,075
National Distillers & Chemical Corporation	96,100	2,178,899	3,422,475
PepsiCo Inc	192,000	3,762,104	6,480,000
Seagram Company Ltd	66,700	2,868,946	4,177,088
Chemicals and Synthetic Fibers			
Air Products & Chemicals Inc	40,600	1,092,204	1,421,000
American Cyanamid Company	33,100	1,643,544	2,565,250
Celanese Corporation	53,800	3,386,873	12,293,300
Dow Chemical Company	135,200	4,836,083	7,757,100
Du Pont (E.I.) Denemours and Company	230,400	12,147,854	19,180,800
Ferro Corporation	500	13,010	19,938
First Mississippi Corporation	12,500	114,906	82,813
FMC Corporation	100,700	1,971,805	2,001,414
Grace (W.R.) & Company	38,500	1,653,337	2,074,488
Hercules Inc	81,200	2,852,122	4,813,751
International Minerals & Chemical Corporation	41,700	1,539,443	1,381,313
Koppers Company Inc	160,000	1,935,662	4,660,000
Monsanto Company	91,000	4,078,234	6,790,876
PPG Industries Inc	91,000	4,265,123	6,199,376
Rohm and Hass Company	47,400	1,062,816	1,578,080
Sherwin Williams Company	32,000	620,762	852,000
Union Carbide Corporation	54,904	681,237	1,159,847
Williams Companies	21,900	398,608	544,600
Conglomerates and Miscellaneous			
Allied Signal Inc	260,418	7,839,297	11,686,258
Ally & Gargano Inc	15,000	139,450	170,625
American National Bank Non-S&P500 Index Fund	456,102	14,039,601	14,834,900
AMFAC Inc	140,600	3,377,771	3,848,920
Ball Corporation	15,000	410,193	537,800
Bassett Furniture Industries Inc	23,800	971,130	1,094,800
Bemis Company Inc	12,000	178,160	314,500
Century Papers Inc	4,000	37,000	40,000
CNW Corporation	11,400	218,326	260,775
Computer Sciences Corporation	10,400	174,568	409,500
Conrac Corporation	6,600	96,228	108,425
Corning Glass Works	30,200	1,146,215	2,200,825
DPL Inc	30,500	672,610	720,563
DSC Communications Corporation	25,500	494,355	318,750
Figgie International Holdings Inc	7,500	408,900	382,500
Gulf & Western Inc	129,300	5,881,580	9,196,463
Henley Group Inc	192,350	4,074,819	3,702,738
Holiday Corporation	17,900	1,007,906	1,060,575
IC Industries Inc	97,200	3,997,794	4,762,800
Interface Flooring System Inc	15,000	207,375	213,750
Kaneb Services Inc	34,000	128,180	177,300
Lin Broadcasting Corporation	68,900	4,639,746	3,390,525
Lifton Industries Inc	18,841	1,490,662	1,526,121
Manor Care Inc	25,400	621,745	631,825
Mattel Inc	26,600	393,083	369,075
Measorex Corporation	60,400	2,279,409	2,277,250
MEI Diversified Inc	12,000	65,250	105,300
NACCO Industries Inc	4,000	104,634	165,500
Oshkosh B Gosh Inc	5,500	222,263	349,875

Investment Listing

COMMON STOCK-U.S.

Conglomerates and Miscellaneous (Continued)

	Shares	Book Value	Market Value
.....	26,700	\$ 1,184,104	1,658,738
.....	700	71,502	72,450
.....	92,438	2,869,583	3,454,870
.....	118,200	2,414,029	2,349,225
.....	6,500	51,578	56,875
.....	1,400	63,742	66,500
.....	4,900	150,191	156,800
.....	4,300	62,594	162,863
.....	26,100	1,204,205	1,406,138
.....	199,800	6,535,297	9,715,276
.....	44,700	1,493,927	1,609,200
.....	219,500	7,109,343	7,902,000
.....	49,200	2,319,528	2,749,050
.....	55,000	1,408,930	1,498,750
.....	19,500	582,772	794,625
.....	20,000	1,010,400	1,010,000
.....	8,200	2,151,195	2,759,300
.....	6,100	121,062	170,800
.....	22,200	579,918	682,650
.....	10,300	206,478	271,663
.....	10,000	118,448	78,750
.....	16,100	505,299	483,000
Construction			
.....	28,600	917,788	1,204,775
.....	128,600	2,350,619	8,246,475
.....	13,900	334,589	481,288
.....	22,800	606,444	712,500
.....	600	7,212	9,525
.....	7,500	100,000	131,250
.....	6,200	35,712	66,650
.....	56,300	988,380	914,875
.....	5,000	83,125	136,750
.....	19,900	331,449	44,775
.....	46,200	2,754,187	2,956,800
.....	4,700	84,248	65,213
.....	10,650	110,084	271,575
.....	10,500	278,513	324,188
.....	90,800	1,654,013	2,996,400
.....	60,600	2,306,660	2,302,800
.....	169,900	5,554,550	8,155,200
.....	13,800	259,839	439,875
.....	43,600	1,606,926	1,515,100
.....	6,100	85,993	95,313
.....	20,800	160,819	148,200
.....	206,000	2,276,363	8,420,250
.....	38,375	1,350,933	1,726,875
.....	381,400	11,797,512	19,070,000
Health and Electronic			
.....	40,300	1,072,873	806,000
.....	900	32,306	33,075
.....	348,300	12,683,969	12,887,100
.....	122,466	2,045,755	2,235,005
.....	45,000	964,510	798,750
.....	125,900	4,268,596	3,635,363
.....	238,800	5,116,770	4,895,400
.....	28,000	1,085,840	1,018,500
.....	7,800	42,159	41,925
.....	45,900	864,265	831,938
.....	5,700	57,827	104,025
.....	18,600	744,807	630,075
.....	124,014	9,005,886	10,789,218
.....	477,900	29,903,048	38,709,900
.....	60,700	1,177,474	1,312,638
.....	30,300	741,059	662,813
.....	19,800	656,228	886,050
.....	27,200	773,660	904,400
.....	7,300	222,709	229,038
.....	351,700	11,741,660	14,419,700
.....	201,700	5,510,067	4,639,100
.....	30,400	585,615	524,400
.....	199,300	1,785,726	2,067,738
.....	143,800	5,912,595	5,734,025
.....	230,000	2,971,053	2,702,500
.....	9,700	370,007	436,500
.....	83,310	3,064,634	2,478,478
.....	31,600	840,499	865,050
.....	350,200	5,419,201	7,091,550
.....	98,200	2,305,300	1,816,700
.....	96,300	1,039,905	999,113
.....	19,900	769,647	850,725
.....	29,400	1,677,693	1,760,325
.....	71,400	2,459,600	3,909,150
.....	39,100	4,289,937	4,667,563
.....	11,000	396,909	478,500
.....	12,200	244,854	279,075
.....	212,200	8,472,198	11,379,225
.....	14,600	435,326	361,350
Food, Drug and Tobacco			
.....	38,600	2,532,847	3,599,450
.....	158,512	2,477,455	2,892,844
.....	53,250	1,374,931	2,629,219
.....	34,300	1,577,438	2,503,900
.....	45,500	1,796,349	2,951,813
.....	214,552	1,617,483	3,566,927
.....	275,800	3,346,107	2,654,575
.....	20,000	739,828	1,117,500
.....	52,628	1,388,763	2,236,690
.....	23,500	849,849	1,380,625
.....	101,000	3,747,990	6,400,875
.....	31,400	1,617,851	2,606,200
.....	13,600	469,059	646,000
.....	93,400	2,552,237	4,319,750
.....	22,500	1,089,866	1,814,063
.....	86,600	2,509,999	4,979,500
.....	8,000	248,400	313,000
.....	10,500	197,875	246,750
.....	243,500	9,980,577	18,171,188
.....	30,600	1,680,136	2,474,775
.....	118,400	6,834,933	9,486,800
.....	27,400	1,400,304	2,140,625
.....	54,200	2,421,180	3,956,600
.....	235,050	7,471,985	12,457,650
.....	40,300	1,767,314	2,831,075
.....	15,000	123,105	125,625
.....	22,400	2,389,334	4,387,600
.....	434,391	5,545,862	6,787,360
.....	15,000	341,355	635,625
Textile and Cosmetics			
.....	338,900	9,614,845	18,215,875
.....	12,000	105,300	263,250
.....	107,500	6,329,304	9,675,000
.....	61,600	1,544,355	1,070,300
.....	55,900	1,239,582	1,998,425
.....	129,400	2,209,316	4,512,825
.....	21,600	887,440	842,400
.....	146,086	1,999,211	2,757,373
.....	27,400	742,083	1,510,425
.....	41,400	836,774	905,625
.....	252,400	14,644,440	21,706,400
.....	73,700	2,421,682	3,823,188
.....	10,000		

COMMON STOCK-U.S.

Health Care and Cosmetics (Continued)

	Shares	Book Value	Market Value
Gillette Company	43,800	\$ 1,336,194	2,151,675
Glaxo Holdings Plc American Depository Receipt	550,000	7,256,229	8,696,875
Hospital Corporation of America	190,537	8,316,856	7,240,406
Humana Inc	68,600	2,166,681	1,740,725
International Flavors & Fragrances Inc	25,400	761,215	1,259,675
IPCO Corporation	10,000	127,180	125,500
Johnson and Johnson	130,000	6,125,589	9,441,250
Lilly (Eli) and Company	99,000	4,329,210	8,006,625
Merck & Company Inc	53,900	5,086,133	10,345,500
National Medical Enterprises Inc	1,439,467	1,439,467	1,259,913
Noxell Corporation	13,800	378,400	410,650
Owens & Minor Inc	10,250	156,685	180,656
Pfizer Inc	166,600	6,889,604	11,911,900
Schering Plough Corporation	39,700	1,870,388	3,349,688
Smithkline Beckman Corporation	169,000	11,823,126	16,942,250
Squibb Corporation	111,600	7,025,292	12,666,650
Sterling Drug Inc	40,800	1,154,318	1,978,800
Syntex Corporation	45,300	1,481,456	3,216,300
Upjohn Company	78,100	4,496,429	7,390,213
Warner Lambert Company	108,100	4,587,191	6,688,688

Insurance

Aetna Life & Casualty Company	79,672	3,783,706	4,830,115
Alexander & Alexander Services Inc	257,900	8,721,558	10,154,813
American General Corporation	61,000	2,075,021	2,569,625
American International Group Inc	120,900	11,467,103	15,586,988
CNA Financial Corporation	45,100	2,468,949	2,914,588
Capital Holding Corporation	132,300	3,185,809	4,994,325
Chubb Corporation	95,950	5,947,925	6,620,550
Cigna Corporation	347,950	21,547,427	22,051,331
Continental Corporation	41,900	1,709,771	2,016,638
Farmers Group Inc	210,000	5,025,893	8,820,000
Firemans Fund Corporation	260,000	7,846,846	9,555,000
General Re Corporation	111,200	5,434,769	6,950,000
Jefferson-Pilot Corporation	31,275	903,665	1,266,638
Lincoln National Corporation	30,100	1,396,728	1,591,538
Saleco Corporation	46,300	1,933,347	2,714,338
St Paul Companies	360,700	11,964,866	16,321,675
Transamerica Corporation	50,600	1,608,668	1,792,750
Travelers Corporation	70,963	3,303,938	3,548,140
USF&G Corporation	136,485	4,450,623	5,442,340
USLIFE Corporation	73,700	2,800,333	3,556,025

Leisure and Entertainment

Brunswick Corporation	128,000	2,068,863	4,528,000
Capital Cities ABC Inc	11,300	1,606,078	2,898,450
CBS Inc	56,160	6,456,524	8,115,120
Churchs Fried Chicken Inc	26,600	357,384	435,575
Coleman Company Inc	5,100	160,905	222,488
Fleetwood Enterprises Inc	189,900	4,730,129	4,367,700
Golub Lewis Toys Inc	10,500	115,400	178,500
General Cinema Corporation	82,600	2,384,864	4,697,876
Hilton Hotels Corporation	16,700	1,079,443	1,198,225
Lorimar Telepictures Corporation	196,300	4,499,500	6,158,913
Marriott Corporation	92,000	1,481,333	3,427,000
McDonald's Corporation	313,350	17,961,100	22,913,719
MCA Inc	82,850	3,297,714	4,225,350
Outboard Marine Corporation	37,100	1,022,039	1,187,200
Prime Motor Inns Inc	145,510	1,628,892	6,020,476
Ramada Inns Inc	24,000	163,761	216,000
Shoheys Inc	128,300	4,110,670	4,907,475
Taft Broadcasting Company	6,600	497,199	709,500
Viacom International Inc	80,000	1,290,832	2,440,000
Walt Disney Company	90,000	1,443,491	4,927,500
Warner Communications Inc	42,560	1,264,113	2,404,619
Wherehose Entertainment Inc	132,000	3,369,208	3,679,500
Zurn Industries Inc	4,500	154,350	172,125

Machinery and Equipment

ACME Cleveland Corporation	39,500	752,779	469,063
Allis-Chalmers Corporation	8,700	49,373	40,238
American Hoist & Derrick Company	50,400	467,208	422,100
Bally Manufacturing Corporation	17,900	298,789	375,900
Beacor Western Inc	13,200	182,325	171,600
Briggs & Stratton Corporation	9,300	263,592	347,588
Brown & Sharpe Manufacturing Company	36,000	938,738	891,000
Browning Ferris Industries Inc	226,800	6,805,308	8,818,620
Caterpillar Inc	264,500	11,667,785	13,158,875
Cincinnati Milacron Holdings Inc	85,500	1,857,073	1,806,188
Clerk Equipment Company	24,300	558,621	534,600
Coll Industries Inc	13,200	795,924	922,350
Combustion Engineering Inc	79,400	2,676,676	2,411,776
Cooper Industries Inc	32,700	1,216,893	1,132,526
Cross & Trecker Corporation	22,000	531,538	423,500
Deere and Company	340,700	10,932,551	9,709,950
Dover Corporation	86,200	3,430,186	3,577,300
Ex-Cell-O Corporation	25,900	1,178,384	1,249,675
Foster Wheeler Corporation	73,100	1,019,895	986,860
GATX Corporation	49,200	1,636,517	1,623,800
Gearhart Industries Inc	109,400	357,838	246,150
General Signal Corporation	21,000	940,738	994,875
Illinois Tool Works Inc	17,000	716,562	711,875
Ingersoll-Rand Company	112,200	5,734,548	6,623,400
Joy Manufacturing Company	81,200	1,882,611	1,979,250
Massey Ferguson Ltd	112,900	304,430	310,475
Midland Ross Corporation	35,000	525,782	756,875
Monarch Machine Tool Company	2,800	46,052	45,150
Paccar Inc	29,000	1,347,501	1,667,500
Parker-Hannifin Corporation	27,750	705,644	731,956
Rexnord Inc	62,334	1,084,843	991,761
Snap-On Tools Corporation	14,400	545,426	849,600
Sundstrand Corporation	3,100	194,667	185,225
Valley Industries Inc	2,200	8,569	5,500

Mining - Metals

ACME Steel Company	17,188	0	197,662
Alican Aluminium Ltd	70,100	1,795,596	2,138,050
Aluminum Company of America	405,900	16,071,390	15,144,938
AMAX Inc	98,200	2,404,576	3,391,150
Armco Inc	239,800	3,235,482	2,278,100
ASA Ltd	6,000	299,168	190,000
ASARCO Inc	84,500	2,296,106	1,362,563
Bethlehem Steel Corporation	257,300	4,111,949	3,795,175
Campbell Red Lake Mines Ltd	31,700	703,913	471,538
Carpenter Technology Corporation	7,000	712,785	720,063
Commerical Metals Company	20,500	5,000	112,063
Dome Mines Limited	51,900	411,626	285,400
Eastern Gas and Fuel Associates	18,102	436,435	491,017
Engelhard Corporation	52,200	1,332,945	1,461,600
Hanna Mining Company	300	7,019	7,088
Homestake Mining Company	150,700	2,760,228	3,277,725
Inco Ltd	73,105	1,010,420	944,227
Inland Steel Industries Inc	28,200	896,365	560,475
Inspiration Resources Corporation	800	4,116	3,800
Interlake Inc	17,888	966,761	1,192,288
Jorgensen (Earle M.) Company	15,300	388,697	403,538
Kaiser Aluminum and Chemical Corporation	183,400	2,659,748	3,349,976
National Intergruop Inc	88,900	1,992,252	1,850,798
Newmont Mining Corporation	86,900	4,296,274	3,349,976
Northwestern Steel & Wire Company	4,000	76,620	4,073,458
Norfolk Company	56,500	1,934,516	76,800
Phelps Dodge Corporation	100,100	2,381,925	2,439,938
Pittston Company	26,100	304,457	303,473
Reynolds Metals Company	15,200	541,212	718,200
United States Steel Corporation	416,069	10,442,525	8,581,423
Westmoreland Coal Company	36,600	779,521	805,200

Investment Listing

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Office Equipment			
Agate Computer Inc	44,700	\$ 798,684	1,603,613
Automatic Data Processing Inc	51,800	1,245,841	1,832,425
Bushnell Corporation	32,100	1,950,565	1,974,150
Computerware Corporation	194,900	3,189,766	2,704,238
Control Data Corporation	96,900	2,916,319	2,180,250
Crucible Technology Inc	21,200	886,066	2,048,450
Cullinet Software Inc	63,700	1,267,787	820,138
Data General Corporation	18,300	674,076	633,638
Data Products Corporation	33,500	499,996	469,000
Digital Equipment Corporation	314,100	19,602,900	26,934,075
Electronic Business Forms Inc	5,000	83,490	131,250
General Binding Corporation	13,400	157,500	175,000
Harvard Industries Inc	13,400	200,200	194,300
Intersync Inc	82,500	4,787,398	6,249,375
Integratex Corporation	40,000	1,185,320	1,040,000
International Business Machines Corporation	612,700	75,262,048	89,760,650
Micro Motion Inc	6,000	129,550	185,250
NCT Corporation	179,800	4,861,278	9,237,225
Novell Computer Inc	37,000	639,642	666,000
Novus Company Ltd	55,000	306,696	302,940
Novus Medical Systems Corporation	17,100	508,824	579,263
Novus Corporation	18,662	944,510	1,413,647
Novus Computers Inc	110,000	2,482,588	3,410,000
Novus Laboratories Inc	219,600	4,067,662	3,321,450
Novus Corporation	105,500	5,677,317	5,921,188
Oil and Gas			
Alaska Petroleum Corporation	58,600	1,508,047	1,179,325
Alaska Corporation	216,700	13,059,521	13,056,175
Alaska Petroleum Company	253,100	13,431,927	13,161,200
Alaska Petroleum Industries Inc	39,600	1,031,267	1,024,650
Alaska Petroleum Corporation	332,100	11,989,972	12,744,338
Alaska Petroleum Corporation	21,000	326,122	674,625
Alaska Petroleum Corporation	17,700	181,779	123,900
Alaska Petroleum Corporation	420,000	7,260,311	4,567,501
Alaska Petroleum Corporation	5,628	93,565	84,420
Alaska Petroleum Corporation	523,700	27,396,458	31,880,238
Alaska Petroleum Corporation	41,500	698,875	400,938
Alaska Petroleum Corporation	208,300	6,258,894	5,702,213
Alaska Petroleum Corporation	101,600	2,791,958	2,717,808
Alaska Petroleum Corporation	173,000	1,951,440	2,011,125
Alaska Petroleum Corporation	483,500	13,468,158	15,290,689
Alaska Petroleum Corporation	144,300	4,332,772	3,860,025
Alaska Petroleum Corporation	900	10,368	14,625
Alaska Petroleum Corporation	82,100	4,684,330	4,412,875
Alaska Petroleum Corporation	507,800	5,586,267	4,887,576
Alaska Petroleum Corporation	191,300	11,184,324	15,399,650
Alaska Petroleum Corporation	37,700	502,582	556,075
Alaska Petroleum Corporation	195,200	9,160,715	8,808,400
Alaska Petroleum Corporation	77,400	3,786,954	3,695,850
Alaska Petroleum Corporation	103,600	4,292,995	4,118,100
Alaska Petroleum Corporation	292,100	10,474,978	9,201,150
Alaska Petroleum Corporation	98,167	3,055,673	1,938,799
Oil Support Services			
Alaska Petroleum Corporation	222,000	3,700,202	2,913,751
Alaska Petroleum Corporation	145,000	3,008,354	2,700,626
Alaska Petroleum Corporation	1,400	8,078	3,325
Alaska Petroleum Corporation	240,800	5,591,135	5,357,800
Alaska Petroleum Corporation	30,200	585,729	611,550
Alaska Petroleum Corporation	204,300	3,885,736	1,991,925
Alaska Petroleum Corporation	120,800	4,431,722	619,101
Alaska Petroleum Corporation	177,300	4,805,277	3,767,625
Alaska Petroleum Corporation	87,900	1,276,076	1,285,538
Alaska Petroleum Corporation	17,800	430,878	211,375
Alaska Petroleum Corporation	14,700	132,912	29,400
Alaska Petroleum Corporation	54,300	466,857	298,650
Alaska Petroleum Corporation	283,498	11,347,048	9,745,244
Alaska Petroleum Corporation	13,500	325,958	48,938
Alaska Petroleum Corporation	23,500	633,594	158,625
Alaska Petroleum Corporation	99,200	869,288	124,000
Paper and Forest Products			
Alaska Petroleum Corporation	44,900	2,327,668	3,412,400
Alaska Petroleum Corporation	97,300	2,658,067	5,643,400
Alaska Petroleum Corporation	223,700	4,724,727	5,508,613
Alaska Petroleum Corporation	3,500	173,713	202,125
Alaska Petroleum Corporation	56,700	2,657,713	5,967,675
Alaska Petroleum Corporation	10,100	194,854	272,700
Alaska Petroleum Corporation	47,000	2,217,659	2,820,000
Alaska Petroleum Corporation	418,100	10,999,743	13,117,888
Alaska Petroleum Corporation	17,100	576,843	850,725
Alaska Petroleum Corporation	83,500	4,186,575	5,250,063
Alaska Petroleum Corporation	257,635	6,432,921	10,691,853
Alaska Petroleum Corporation	94,150	5,183,645	8,626,494
Alaska Petroleum Corporation	100,022	1,906,447	2,663,086
Alaska Petroleum Corporation	223,900	9,402,844	11,474,875
Alaska Petroleum Corporation	41,000	960,303	1,563,125
Alaska Petroleum Corporation	10,300	351,959	522,725
Alaska Petroleum Corporation	162,900	7,177,853	9,611,100
Alaska Petroleum Corporation	9,300	246,915	439,425
Alaska Petroleum Corporation	33,700	1,195,867	1,722,913
Alaska Petroleum Corporation	171,600	7,656,119	8,622,900
Alaska Petroleum Corporation	91,200	2,670,062	3,180,600
Alaska Petroleum Corporation	66,666	1,600,800	2,466,642
Pharmaceuticals and Related			
Alaska Petroleum Corporation	3,000	115,800	141,000
Alaska Petroleum Corporation	33,900	204,078	173,738
Alaska Petroleum Corporation	160,200	7,196,505	9,391,725
Alaska Petroleum Corporation	127,400	10,711,134	14,491,750
Alaska Petroleum Corporation	21,300	668,517	1,554,900
Printing and Publishing			
Alaska Petroleum Corporation	42,000	1,739,998	1,821,751
Alaska Petroleum Corporation	30,200	1,933,212	2,189,500
Alaska Petroleum Corporation	26,900	1,578,762	2,094,838
Alaska Petroleum Corporation	45,500	2,171,441	2,553,688
Alaska Petroleum Corporation	127,100	8,221,083	15,061,350
Alaska Petroleum Corporation	56,400	2,486,977	4,822,200
Alaska Petroleum Corporation	251,000	3,937,521	6,996,625
Alaska Petroleum Corporation	125,000	3,700,651	4,531,250
Alaska Petroleum Corporation	95,700	3,211,561	5,299,388
Alaska Petroleum Corporation	59,800	2,540,774	3,012,426
Alaska Petroleum Corporation	34,500	1,691,846	2,061,375
Alaska Petroleum Corporation	6,000	440,601	456,000
Alaska Petroleum Corporation	232,700	8,120,122	18,935,964
Alaska Petroleum Corporation	50,400	2,204,625	2,400,300
Alaska Petroleum Corporation	146,100	8,079,349	12,820,275
Alaska Petroleum Corporation	45,336	2,328,936	3,162,186
Alaska Petroleum Corporation	103,600	4,129,037	7,873,600
Alaska Petroleum Corporation	60,700	3,964,805	10,660,438
Alaska Petroleum Corporation	14,000	168,675	182,000
Alaska Petroleum Corporation	4,000	80,000	83,500
Real Estate			
Alaska Petroleum Corporation	22,300	692,714	1,042,525
Alaska Petroleum Corporation	123,300	3,622,092	6,581,138
Alaska Petroleum Corporation	22,400	1,465,058	1,568,000
Alaska Petroleum Corporation	75,800	1,757,873	2,529,825
Alaska Petroleum Corporation	21,800	716,634	1,427,900
Alaska Petroleum Corporation	13,259	372,618	487,268
Alaska Petroleum Corporation	22,200	334,084	316,350
Alaska Petroleum Corporation	203,400	8,455,102	11,339,550
Alaska Petroleum Corporation	101,900	6,176,821	9,056,363
Alaska Petroleum Corporation	64,000		

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Retail Trade (Continued)			
Hasbro Inc.	16,700	\$ 597,605	948,000
200,700	7,022,193	11,674,813	
K Mart Corporation	32,700	1,399,604	1,907,910
Kroger Company	36,500	1,893,438	1,815,875
Lane Company Inc.	125,850	2,094,443	4,247,628
Limited Inc.	15,300	459,009	356,625
Longs Drug Stores Inc.	26,500	714,926	954,315
Lowe's Companies Inc.	39,600	897,867	1,176,100
Lucky Stores Inc.	258,321	12,505,006	17,540,628
Macy (R.H.) and Company Inc.	30,700	1,657,888	2,544,261
May Department Stores Company	149,600	4,396,069	8,203,400
Maytag Company	9,900	653,261	1,146,610
Mercantile Stores Inc.	82,300	1,382,239	2,026,910
Mohasco Corporation	177,000	3,073,705	7,301,200
Nordstrom Inc.	64,600	3,380,717	5,507,700
Penney (J.C.) Company	32,500	903,345	1,495,200
Price Company	25,100	629,658	931,410
Revco D.S. Inc.	29,300	793,277	1,051,520
Rite Aid Corporation	7,000	169,188	362,000
Russ Berrie & Company Inc.	43,070	1,442,048	2,310,310
Safeway Stores Inc.	356,000	14,431,497	17,256,000
Sears Roebuck and Company	32,800	1,227,553	1,790,800
Southland Corporation	79,200	1,512,700	1,138,400
Super Valu Stores Inc.	145,400	5,400,558	5,561,000
Tandy Corporation	14,700	421,200	571,400
Thrifty Corporation	409,050	9,482,936	13,907,700
Toys R Us	418,500	10,470,348	21,750,400
Wal-Mart Stores Inc.	25,100	1,831,369	1,134,400
Walgreen Company	26,000	1,277,938	2,026,700
Whirlpool Corporation	28,800	1,049,237	1,625,400
Winn-Dixie Stores Inc.	365,200	3,340,131	17,520,400
Woolworth (F.W.) Company	40,200	1,156,575	1,723,575
Zayre Corporation			
Textiles and Apparel			
Brown Group Inc.	34,100	1,144,482	1,300,000
Burlington Industries Inc.	20,300	566,862	794,200
Claiborne (Liz) Inc.	65,300	1,934,797	3,260,000
Collins & Aikman Corp.	15,700	385,543	514,500
Genesco Inc.	10,700	52,698	32,100
Hartmarx Corporation	43,050	1,150,976	1,212,300
Interco Inc.	19,900	1,437,266	1,878,000
Maxxam Group Inc.	41,500	742,643	995,120
Melville Corporation	95,500	4,408,917	6,390,000
Petite Stores Corporation	222,800	4,216,938	5,127,700
Russell Corporation	33,500	611,523	1,285,500
Springs Industries Inc.	37,800	1,487,534	2,022,300
Stevens (J.P.) & Company Inc.	87,900	1,604,208	3,153,410
Superior Surgical Manufacturing Inc.	7,700	130,833	168,420
United States Shoe Corporation	379,400	7,632,543	9,242,700
VF Corporation	209,000	3,884,850	4,661,875
West Point-Pepperell Inc.	30,529	1,380,713	1,740,100
Transportation - Air			
AMR Corporation	314,500	14,953,662	17,336,810
Delta Air Lines Inc.	28,600	1,271,042	1,186,800
Emery Air Freight Corporation	14,300	250,512	208,100
Federal Express Corporation	135,600	8,428,345	7,761,900
KLM Royal Dutch Airlines	33,500	692,880	640,000
NWA Inc.	100,500	4,271,242	5,025,000
Pan Am Corporation	191,200	1,466,759	1,147,200
PSA Inc.	96,800	2,996,973	2,444,200
Tiger International Inc.	16,700	147,771	121,275
Transworld Corporation	214,450	6,316,775	7,264,494
UAL Inc.	275,600	13,018,284	15,123,980
Transportation Excluding Air			
Burlington Northern Inc.	94,500	6,158,609	6,024,270
Consolidated Freightways Inc.	25,450	857,772	833,625
CSX Corporation	105,919	2,480,697	3,408,847
Kansas City Southern Industries Inc.	14,200	757,973	867,470
Laidlaw Transportation Ltd.	166,000	2,180,928	2,114,700
Leaseway Transportation Corporation	7,800	245,115	266,470
MARPCO Inc.	184,500	5,732,784	6,533,070
Norfolk Southern Corporation	117,000	7,619,307	10,296,200
Overnite Transportation Company	17,600	276,084	413,800
Roadway Services Inc.	185,600	7,192,855	8,212,800
Ryder System Inc.	253,434	4,577,661	7,472,940
Santa Fe Southern Pacific Corporation	119,900	3,598,787	4,266,070
Union Pacific Corporation	77,300	3,811,415	4,296,420
Yellow Freight System Inc.	90,100	2,084,689	3,015,200
Utilities			
American Electric Power Company Inc.	268,300	5,959,771	7,143,480
American Information Technologies Corporation	91,300	7,955,368	12,671,840
American Telephone & Telegraph Company	758,500	17,670,630	19,246,100
American Water Works Company Inc.	10,000	365,200	348,700
AZP Group Inc.	2,970	67,846	80,000
Baltimore Gas and Electric Company	141,300	1,247,469	1,800,000
Bell Atlantic Corporation	218,351	6,192,325	9,820,200
Bellsouth Corporation	30,900	9,150,733	13,701,120
Carolina Power and Light Company	66,600	703,593	1,054,400
Central and South West Corporation	2,500	1,694,292	2,081,270
Cincinnati Bell Inc.	32,600	96,925	180,400
Columbia Gas System Inc.	140,680	1,095,614	1,409,700
Commonwealth Edison Company	14,100	4,232,238	4,915,940
Commonwealth Energy System	86,200	520,356	562,200
Consolidated Edison Company of New York Inc.	58,400	3,173,744	3,170,270
Consolidated Natural Gas Company	205,600	1,304,227	1,800,070
Consumers Power Company	205,600	3,491,603	2,847,000
Detroit Edison Company	103,200	1,797,920	1,702,800
Dominion Resources Inc.	63,300	2,041,769	2,008,400
Duke Power Company	71,100	2,437,643	3,208,300
Duquesne Light Company	123,000	1,893,585	1,897,200
Enron Corporation	111,200	4,478,987	4,892,000
Enserch Corporation	36,800	944,529	947,200
Entex Inc.	45,500	819,910	897,500
FPL Group Inc.	89,700	2,334,472	2,847,070
GTE Corporation	150,200	6,340,790	8,170,770
Gulf States Utilities Company	65,100	867,791	1,000,000
Houston Industries Inc.	10,500	2,102,430	2,390,000
Illinois Power Company	10,500	277,253	292,100
Iowa Resources Inc.	63,000	1,315,440	1,464,700
ITLCO Enterprises Inc.	130,700	5,986,184	6,867,070
IU International Corporation	143,300	5,562,845	7,961,000
Kansas City Power and Light Company	32,800	366,305	396,000
Laclede Gas Company	80,200	1,705,419	1,964,000
Middle South Utilities Inc.	3,800	138,776	167,000
National Fuel Gas Company	376,800	5,544,690	4,898,400
Nevada Power Company	6,000	210,870	204,700
Niagara Mohawk Power Corporation	800	25,808	26,200
Northern States Power Company	315,400	5,638,155	6,878,400
Nynex Corporation	63,600	1,558,979	2,220,000
Ohio Edison Company	143,700	6,197,317	6,697,700
Oklahoma Gas and Electric Company	94,800	1,465,220	1,848,070
Oneok Inc.	30,000	922,589	1,026,700
Orange and Rockland Utilities Inc.	41,450	369,556	467,000
Pacific Gas and Electric Company	10,000	315,200	360,000
Pacific Lighting Corporation	241,000	4,774,020	5,970,870
Pacific Telesis Group	28,600	1,294,455	1,491,070
Pacificorp	252,600	8,621,484	10,170,000
Panhandle Eastern Corporation	6,000	178,725	196,200
Pennsylvania Power and Light Company	31,248	1,149,611	1,603,070
Peoples Energy Corporation	118,800	3,838,617	4,026,000
Pioneer Corporation	28,900	521,989	575,000
Portland General Electric Corporation	78,300	1,851,404	1,840,700
	263,600	4,863,235	6,256,800

Investment Listing

COMMON STOCK-U.S.

(Not Continued)

	Shares	Book Value	Market Value
49,800		\$ 1,395,870	1,431,750
191,700		2,180,746	2,348,325
600		20,552	29,025
24,600		713,892	851,775
1,000		18,895	24,375
42,000		1,439,581	1,197,000
151,900		4,068,110	4,765,863
287,447		5,137,713	6,826,866
56,800		1,863,267	1,988,000
69,700		5,722,177	7,632,150
7,600		229,102	245,100
179,900		5,494,041	6,543,863
117,737		3,278,214	3,605,696
135,100		5,428,427	7,447,291
189,900		4,615,251	4,794,975
17,600		533,066	558,800
28,600		773,058	832,975
23,100		1,086,393	1,169,438
		\$2,002,954,158	2,620,360,589

TOTAL COMMON STOCK-U.S.

COMMON STOCK-INTERNATIONAL

110,000	\$225,992	237,160	
77	159,775	317,625	
65,000	244,700	363,350	
100,000	560,916	2,018,900	
75,000	333,405	444,675	
85,000	233,650	223,805	
135,000	224,624	291,465	
7,232	536,815	959,209	
25,000	265,664	244,850	
4,000	472,720	1,088,424	
60,000	193,709	205,140	
2,600	408,845	355,407	
650	122,728	176,454	
210,000	136,617	144,900	
70,000	404,988	227,780	
200,000	486,583	522,600	
1,800	400,891	430,720	
11,700	129,828	161,472	
3,000	289,627	295,365	
1,500	93,689	123,662	
5,000	216,554	205,855	
50,000	269,857	297,650	
6,000	395,010	577,026	
14,000	244,245	218,274	
60,000	261,963	247,620	
60,000	252,938	341,880	
20	28,500	63,000	
33,000	213,106	228,657	
100,000	436,588	438,700	
106,666	206,499	287,465	
400	118,148	0	
50,000	237,742	228,650	
87,000	411,265	960,480	
135,000	481,174	718,875	
1,000	268,449	478,578	
1,600	423,595	401,094	
450,000	524,507	504,450	
100,000	212,197	201,100	
10,000	373,924	789,180	
36,000	271,081	865,152	
30,000	100,125	203,100	
300,000	520,348	476,400	
1,100	284,202	400,056	
4,333	463,331	412,762	
120,000	304,983	578,280	
30,000	256,090	352,470	
70	162,500	276,500	
150,000	219,037	366,000	
800,000	0	212,000	
40,000	200,390	346,440	
300	218,286	289,076	
19,940	310,587	692,197	
65,000	402,926	598,650	
80	152,951	376,471	
500,000	409,630	381,000	
160,000	243,831	251,360	
45	55,125	157,500	
350	410,314	22,200	
99,000	135,998	136,026	
8,000	368,644	1,023,000	
2,000	126,135	204,194	
24,000	433,155	503,376	
700	358,782	682,353	
10	22,000	34,250	
85,000	306,847	305,915	
50,000	246,713	609,950	
10,000	200,119	206,160	
19,174,340	212,000,000	239,391,630	
75,000	319,718	369,600	
99,000	306,019	615,879	
3,000	412,744	905,883	
165,000	228,662	832,260	
19,000	431,265	428,792	
150,000	297,199	489,450	
35,000	220,609	247,905	
70,000	227,762	593,460	
40,000	164,362	235,920	
100,000	443,137	1,073,500	
40,000	248,431	357,240	
3,000	93,390	89,625	
1,500,000	473,582	471,000	
60,000	506,386	464,760	
110	235,300	462,185	
		\$235,304,723	274,013,424

TOTAL COMMON STOCK-INTERNATIONAL

\$24,875,000	25,000,000	
20,703,310	21,095,780	
25,832,490	26,119,308	
15,037,124	15,037,124	
6,439,879	6,439,879	
25,000,000	26,594,514	
3,588,595	4,478,587	
\$121,476,398		124,765,192

REAL ESTATE

CAPITAL

