HIGHLIGHTS

	June 30, 1989	June 30, 1988
Membership		
Active	101,000*	100,777
Inactive	27,196*	25,996
Benefit recipients	45,718	43,396
Total	**173,914**	**170,169**
Contributions		
Member	$ 268,253,000	$ 253,052,000
State of Illinois	$ 232,438,000	$ 216,849,000
Unfunded pension benefit cost	$ 4,641,888,000	$4,238,098,000
Net assets	$ 7,272,071,000	$6,684,489,000
Investment return	14.4%	.9%
Benefits paid	$ 477,256,000	$ 436,671,000

***Estimated**

[redacted]

COMPONENT UNIT ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 1989

50 Years of Service
1939 - 1989

TRS

Teachers' Retirement System
of the State of Illinois

BOARD OF TRUSTEES

ADMINISTRATIVE STAFF

TRS Teachers' Retirement System
of the State of Illinois

2815 W. Washington, P.O. Box 19253, Springfield, Illinois 62794-9253, Phone (217) 753-0311

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CONTENTS

LETTER OF TRANSMITTAL

This report marks 50 years of service to members of the Teachers' Retirement System of the State of Illinois (TRS). Not only is this anniversary a time to reflect on the System's past, but it is also an appropriate time to note improvements experienced this year. On August 23, 1989, Governor Thompson signed legislation which improves retirement benefits for teachers. The legislation compounds the current 3 percent annual increase for retirees by basing it on current rather than original annuity. Further it provides this same increase to survivors, who, in the past received no increase in benefits. The legislative changes also expand TRS coverage to part-time and substitute teachers.

On July 1, 1939, TRS was created to provide Illinois teachers with a financially secure retirement. Recent legislative victories along with the other benefit changes which have been added over the years reflect an acknowledgement of changing times and a commitment to quality benefits for TRS members.

Management of the trust fund's investment portfolio helps ensure retirement security for members. Fiscal year 1989 investment income was up sharply over FY88 due, in part, to domestic and international equities which demonstrated a remarkable recovery from the October, 1987 stock market crash. The System's total fund time-weighted rate of return rose to 14.4% in FY89.

TRS provides retirement and other benefits for members whose numbers have grown from 38,500 in 1939 to 174,000 in 1989. The System's goal, however, has remained the same: to assure retirement security for members.

"Not only is this anniversary a time to reflect on the System's past, but it is also an appropriate time to note improvements experienced this year."

Funding

The System is funded through member contributions, employer contributions from the State of Illinois, and investment income. The System's active members paid $268.3 million, or 8 percent of their salaries to the trust fund during FY89. Contributions from the State of Illinois were $232.4 million.

The State's debt to the System, the unfunded pension benefit obligation, grew to over $4.6 billion during FY89. The legislation which Governor Thompson signed on August 23, however, puts into effect a plan which averts the financial crisis projected under recent state funding methods. The plan requires the state to amortize the TRS unfunded liability over 40 years as a level percentage of teacher payroll. The amount the state contributes to TRS will increase each year as the payroll for teachers throughout the state increases. This plan will be phased in over seven years and the unfunded liability will be eliminated in 47 years.

The results of an actuarial valuation conducted by the System's actuaries as of June 30, 1989 are included in the "Actuarial Summary" section of this report. The System's audited financial statements with related footnotes for the fiscal year ending June 30, 1989 are shown in the "Financial Statements" section.

Investments

Investment strategy has come a long way in the last 50 years. While in 1939 the System's assets were managed by one bank and investment income consisted mainly of royalties from gas and oil rights, today TRS retains 28 investment managers and the System's strategy is diversified by investment in a broad range of vehicles ranging from bonds to real estate.

Investment income and realized gain on investments of $561.6 million during FY89 were positive contributors to the fund's financial status. Investments totaled $8.0 billion at market value at June 30, 1989, up significantly from $7.0 billion at market value at June 30, 1988. As trustee for members' funds, the System is responsible for investment of the fund under 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.

The 14.4% rate of return was primarily attributable to the resurgence of the equity markets. Annualized three-year and five-year total returns of 10.0% and 16.2%, respectively, continue to outperform the rate of inflation for these periods, 4.3% and 3.6%, respectively. The System's long-term objective, to exceed the rate of inflation by 3% has been achieved for both the three-year and five-year periods.

A summary of the System's investment activities during FY89 and historic performance results is presented in the "Investment Report" section which is followed by the investment listing.

"As TRS looks ahead to the '90s, the System will continue to work with the General Assembly to bring about changes that will keep retirement benefits for Illinois teachers comparable to those provided in other systems across the country."

Benefits

The System administers a defined benefit retirement program for all certificated public elementary and secondary education professionals in the State of Illinois outside the City of Chicago. Retirement benefits totaling $436.6 million were paid to 39,751 annuitants at June 30, 1989. The average retirement benefit was $931, up from the average benefit of $884 in FY88. The average retired member was 73 years of age, had earned 26.9 years of service, and had been in retirement 12 years at June 30, 1989.

The compounded 3 percent annual increase which became law on August 23 represents a long-term benefit improvement for TRS members. Unlike ad hoc increases of the past which provided a one-time boost in benefits, compounding the annual increase will impact benefits each year. The longer an annuitant is in receipt of a benefit, the greater the impact of a compounded increase.

Approval of compounding for retirees and an annual increase for survivors came after years of work by active and retired teachers. Throughout Illinois TRS members and annuitants wrote and called their legislators and the Governor explaining the need for these changes. The compounded annual increase for retirees and survivors will slow the loss of purchasing power that has plagued TRS annuitants.

Other Benefits

In addition to retirement benefits, the System offers a comprehensive health and prescription drug insurance plan for benefit recipients and eligible dependents. The System partially subsidized the premium cost for 15,670 annuitants who elected coverage during FY88.

Disability benefits are paid to System members who are disabled while employed in a TRS-covered position. During FY89, 1,268 members received disability benefits totaling $7.8 million.

The System also provides death and survivor benefits. Dependents may be eligible for monthly benefits and/or a lump-sum payment. Monthly benefits were paid to 4,532 survivors. There were 1,233 new claims filed in FY89 with 428 claims for monthly benefits.

Member Services

TRS provides a number of services for contributing members. During FY89, 6,950 System members met with TRS retirement consultants around the state to learn more about their retirement benefits. System staff answered an average of 260 phone inquiries daily by members and annuitants. In addition, staff members sent out over 121,000 letters last year and conducted office consultations with an average of 155 members monthly concerning System benefits and operations.

Due to a growing awareness of the aging of our society and its future implications, members are beginning their retirement planning earlier in their careers. In response to these growing concerns the System expanded its program designed to help members plan for retirement. TRS sponsors retirement planning seminars targeted toward members who are five to ten years away from retirement. The seminars are designed to help them identify and plan to attain their retirement goals. In FY89, 335 members attended these seminars. The overwhelming interest expressed by members has prompted TRS to again expand its seminar schedule in FY90.

The System provides a variety of publications aimed at meeting the information needs of members, annuitants, and employers. The *Member Guide* and *Retired Member Guide* describe benefits available from the System. The *Employer Guide* is a comprehensive resource on System procedures and reporting requirements for employers of TRS members. In addition to these publications, regular newsletters, brochures, and videotape presentations present information of interest to TRS members and annuitants.

TRS is proud of the benefits it offers Illinois teachers today. The legislative successes of the past year serve to better protect the economic health of TRS retirees. However, to maintain a modern system which meets the needs of its members, more improvements need to be made.

As TRS looks ahead to the '90s, the System will continue to work with the General Assembly to bring about changes that will keep retirement benefits for Illinois teachers comparable to those provided in other systems across the country.

In addition, TRS will continue to improve upon the operational structure currently in place to provide these improved benefits. In FY89, the System initiated a strategic plan which is designed to anticipate the future needs of TRS members and identify the challenges to meeting those goals. The System's mission statement appears on page 8.

This component unit annual financial report will be distributed to all public school buildings and a summary will appear in the System's newsletters. The report is available to members on request.

Fred Husmann
Executive Director
October 10, 1989

1939-1989: TRS celebrates a half century of service

Fifty years ago, the Teachers' Retirement System of the State of Illinois was created to replace the early Teachers' Pension and Retirement Fund which served Illinois teachers from 1915-1939. This early fund made the statewide payment of retirement benefits to public school teachers possible — something many teachers take for granted today, but a novel and exciting idea in the pre-Social Security era.

By 1939, the United States was a country on the mend. While the effects of the Great Depression still lingered, especially in public education where many schools operated with only the bare essentials, by 1939, the economy had begun to improve. The stock market soared and new schools were completed across the country.

It was in this era of economic improvement that the State of Illinois took a hard look at its severely underfunded and poorly designed pension plan for teachers. The decision was made to start over with a plan which would provide a secure financial future for teachers.

The initial legislation creating the System passed overwhelmingly in 1939 and the original statutes which govern TRS today were enacted. The purpose of the legislation was to provide an incentive for teachers to stay in teaching and reward those teachers who had dedicated their careers to educating Illinois' children.

Since 1939, extensive amendments have been enacted to maintain the various benefit and funding provisions of the System at a level demanded by ever-changing social and economic conditions.

By the end of 1941, the winds of war had reached the United States. Pearl Harbor was destroyed and the country was thrown into World War II. Despite the nationwide upheaval, TRS membership, contributions and benefits remained largely unchanged.

Before the end of the war, President Roosevelt signed the GI Bill of Rights into law, which provided funds for housing and education for those who served in the war. In 1947, two years after the end of the war, the New York Times reported that 2.5 million students were enrolled in college — half of those students were ex-GIs.

"The surge in numbers puts a strain on teachers, classroom space and dormitories," the Times reported.

The time was ripe for sweeping revisions in the TRS retirement plan. In 1947 the Illinois General Assembly enhanced benefits in an effort to attract this new crop of students to the teaching field. Instead of calculating benefits from accumulated contributions, annuities were now calculated by what is called the formula method — a fixed percentage of final average compensation was granted for each year of credited service. Under this new method, benefits were tied to changing economic conditions rather than fixed-dollar values. The legislation also established minimum disability and retirement benefit levels and enacted temporary disability and reciprocal programs. This flexibility had a profound effect on the System and its members in the years to come.

50 Years of Service
1939 - 1989

The 1947 legislation was the first of several major overhauls of the System. Each reflected an acknowledgment of changing times and a commitment to provide quality benefits to members.

The System continued to grow in the post-war years as school consolidation brought children in from rural areas to larger schools in town. Not only was membership growing, but the number of annuitants was also increasing. In just ten years, the number of annuitants had increased by almost 50 percent.

The '50s were years of increased attention to public education. The student population grew and increased demands were placed on teachers. When the baby boom generation hit the schools in 1953, the White House announced that 30 million children would enter school that year, 10 million more than the nation's school system was prepared to handle. Legislation passed that year increased the member's contribution rate from 5 to 6 percent of salary and improved the permanent disability benefit.

In October 1957, the Soviets launched Sputnik. In the midst of the Cold War, U.S. confidence was shaken by its own underdeveloped space program. Popular opinion laid much of the blame on public education. Shocked into action by the satellite's success, Congress passed the National Defense Education Act to provide funding for accelerated math, science, and language teaching.

In addition, Illinoisans were migrating in record numbers away from metropolitan areas — the suburban housing boom was underway.

These developments spurred a growing need for teachers, again motivating the General Assembly to enhance TRS benefits. Significant changes included the survivor benefits program, which was added in 1959. Previously upon death of a member, TRS refunded prior service contributions without interest. Under the new program, members contributed 1 percent to the fund. In return, survivors of members with over one year of service received larger lump-sum payments or a lump-sum payment and monthly benefits.

The turmoil and strife of the 1960's largely passed by the System. Instead the '60s saw TRS move into the age of computers. In 1963, the System received keypunch equipment which replaced manual posting of members' records. In 1967 the System installed its first computer which quickened response time and established more reliable record-keeping methods.

At the same time, the country was moving ahead. Medicare was created, supersonic flight became a reality and, in July 1969, the world watched as the first men walked on the moon.

Amid these achievements, TRS experienced great strides of its own. The TRS retirement plan began to take the shape it has today.

Age and service requirements for retirement were changed and, for the first time, all retirees received an automatic annual increase in annuity. The System was finally beginning to provide the type of benefits it had long been seeking.

Building on this wave advancement, TRS installed its first on-line data processing system which allowed TRS staff immediate access to a member's record via CRT screen. This technology was extremely important, because by the mid-'70s, System membership soared to over 129,000 teachers and retirees.

Equally important, the System was coming of age in its recognition of the need to keep members informed of their rights, status, and benefits. TRS expanded its annual report, began to publish member and retired member guides, and established the field service program to provide personalized information to teachers.

The early 1980's brought the first major change in investment strategy since 1939. All of the fund's assets had been managed by one bank. In 1982, following extensive evaluation, a number of investment advisors were retained and the System's strategy was diversified by investment in real estate, venture capital and other vehicles which have improved investment income. Within the span of 50 years investment methods evolved from hand-written ledgers to satellite link-ups with worldwide financial market information.

50 Years of Service

1939 - 1989

TRS Today

TRS's recent history in many ways mirrors the System's origin. Just as funding shortfalls and benefit levels prompted the creation of the Teachers' Retirement System in 1939, in 1989, the Illinois General Assembly again addressed serious deficiencies in these areas. Teachers in retirement for many years faced insufficient annual increases in benefits and a cost of living that had dramatically risen since their retirement. On June 30, 1989, as the Teachers' Retirement System celebrated it's 50-year anniversary, the Illinois General Assembly passed legislation which heralds a new era in retirement benefits for teachers. The legislation compounds the current 3 percent annual increase for retirees by basing it on current rather than original annuity. Further, it provides this same increase for survivors of teachers who, in the past, received no annual increase in benefits.

Over the past 50 years, TRS has remained a strong retirement plan, providing members with benefits that reflect the progressive growth and development of the System. Because of the improved annual increase, the economic health of TRS retirees is better protected.

Today teachers use tools which weren't even imagined in 1939 — personal computers, calculators, and video cassette players. Nonetheless, teachers have remained committed to the same basic goal — to develop in students a love for learning and an understanding of the world in which we live.

In much the same way, although TRS has grown and changed, the System remains committed to its special partnership with Illinois teachers. A dedicated staff of over 100 people provide services to the System's current 128,000 members and 46,000 retired members. Total retirement benefits paid reached $437 million last year.

This brief history honors the persistent efforts of educators, legislators, board members, and TRS staff who have made the System what it is today. Finally, it honors Illinois' teachers, both active and retired, who have devoted themselves to the education of children.

Mission Statement

As a fiduciary for our members, the Teachers' Retirement System of the State of Illinois strives to promote maximum possible financial security for members in a manner that reflects our commitment to excellent service and instills confidence in our integrity.

FINANCIAL STATEMENTS

50 Years of Service

1939 - 1989

INDEPENDENT AUDITORS' REPORT

Ernst & Young

150 South Wacker Drive
Chicago, Illinois 60606
Telephone: (312) 368-1800

Honorable Robert G. Cronson
Auditor General
State of Illinois

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

We have audited the accompanying statement of financial position of the Teachers' Retirement System of the State of Illinois as of June 30, 1989, and the related statements of revenues, expenses and changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The statement of financial position of the Teachers' Retirement System of the State of Illinois and the related statement of revenues, expenses and changes in net assets as of and for the year ended June 30, 1988 were audited by other auditors whose report dated October 31, 1988 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of the State of Illinois at June 30, 1989, results of its operations and changes in its financial position for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Teachers' Retirement System of the State of Illinois. Such information has been subject to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 4, 1989

Ernst + Young

Statements of Financial Position

Teachers' Retirement System of the State of Illinois

	June 30 1989	1988
Assets		
Cash - Note C	$ **1,437,000**	1,272,000
Receivables:		
Contributions from:		
School Districts:		
Salary deductions	**13,245,000**	13,127,000
Federal and trust funds	**2,332,000**	2,386,000
Members accounts	**35,172,000**	30,592,000
Total receivables	**50,749,000**	46,105,000
Investments - Note C (Market value 1989 $8,038,721,000; 1988 $7,009,853,000)	**7,222,061,000**	6,639,524,000
Property and equipment - Note A	**1,174,000**	1,290,000
Total assets	**7,275,421,000**	6,688,191,000
Liabilities		
Payables:		
Benefits	**396,000**	708,000
Refunds	**321,000**	820,000
Other	**2,633,000**	2,174,000
Total liabilities	**3,350,000**	3,702,000
Net Assets Available for Benefits	7,272,071,000	6,684,489,000
Pension Benefit Obligation - Note D and G	**11,913,959,000**	10,922,587,000
Net Assets Available for Benefits	7,272,071,000	6,684,489,000
Unfunded Pension Benefit Obligation	**$ 4,641,888,000**	4,238,098,000

See notes to financial statements.

Statements of Revenue and Expense and Changes In Net Assets

Teachers' Retirement System of the State of Illinois

	Year Ended June 30 1989	1988
Revenue		
Contributions - Note E:		
Members	**$ 268,253,000**	253,052,000
State of Illinois	**232,438,000**	216,849,000
School districts:		
Early retirement option	**17,266,000**	14,205,000
Federal and trust funds	**11,223,000**	10,606,000
Total contributions	**529,180,000**	494,712,000
Investment income - Note C:		
Interest	**292,299,000**	287,934,000
Dividends	**93,088,000**	87,497,000
Other	**42,592,000**	18,626,000
Total investment income	**427,979,000**	394,057,000
Gain on sale of investments	**133,621,000**	166,024,000
Total revenue	**1,090,780,000**	1,054,793,000
Expense		
Benefits:		
Age retirement	**348,247,000**	316,506,000
Post-retirement	**88,381,000**	83,333,000
Survivor	**24,436,000**	22,635,000
Disability	**7,846,000**	7,374,000
Health insurance	**8,346,000**	6,823,000
	477,256,000	436,671,000
Refunds	**20,394,000**	20,886,000
Administrative expenses	**5,548,000**	4,942,000
Total expense	**503,198,000**	462,499,000
Revenue in Excess of Expense	**587,582,000**	592,294,000
Net Assets Available for Benefits At Beginning of Year	**6,684,489,000**	6,092,195,000
Net Assets Available for Benefits At End of Year	**$ 7,272,071,000**	6,684,489,000

See notes to financial statements.

Statements of Changes in Financial Position

Teachers' Retirement System of the State of Illinois

	Year Ended June 30 1989	1988*
Sources of working capital:		
Provided by operations	**$ 587,582,000**	592,294,000
Add (deduct) items not providing working capital:		
Loss on sale of equipment	**13,000**	7,000
Depreciation	**399,000**	254,000
Total sources of working capital	**587,994,000**	592,555,000
Uses of working capital:		
Fixed asset additions	**334,000**	746,000
Fixed asset deletions	**(38,000)**	
Total uses of working capital	**296,000**	746,000
Net increase in working capital	**587,698,000**	591,809,000
Elements of net increase (decrease) in working capital:		
Cash	**165,000**	929,000
Investments	**582,537,000**	586,233,000
Receivables	**4,644,000**	4,323,000
Benefits payable	**312,000**	509,000
Refunds payable	**499,000**	297,000
Other	**(459,000)**	(482,000)
Net increase in working capital	**$ 587,698,000**	591,809,000

**1988 Statement is not audited.*
See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
Teachers' Retirement System of the State of Illinois
June 30, 1989

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The financial statements of the Teachers' Retirement System of the State of Illinois are prepared using the accrual basis of accounting.

Investments accounting: 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.

Investments authorized: Through the Board of Trustees, as authorized in Article 16 of the *Illinois Pension Code,* 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 establishes a standard for all fiduciaries by specifying fiduciary responsibility with regard to the members' trust funds.

Equipment: Equipment is stated on the basis of historical cost. Provisions for depreciation are computed by the straight-line method, based upon the estimated useful lives of the assets. Equipment is assigned a useful life of from three to ten years while vehicles are assigned a five-year life.

NOTE B - PLAN DESCRIPTION

The System is the administrator of a cost-sharing multiple-employer public employee retirement plan. Members of the System consist of 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. The System was established by the State of Illinois and is governed by Article 16 of the *Illinois Pension Code.* The System is a component unit of the State of Illinois and is included in the State's financial statements as a pension trust fund.

The System has developed criteria to determine whether other entities should be included within its financial reporting entity. The criteria include, but are not limited to, whether the System exercises oversight responsibility on financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing arrangements.

Based on this criteria the System has no other entities included in these financial statements.

Members are employed by 1,130 school districts and special districts. Member contributions are remitted by each employer district to the System. These employers are only responsible for employer contributions for teachers paid from federal and trust funds and for the employer's portion of the early retirement option. The State of Illinois provides employer contributions to fund the System. State contributions are based on annual appropriations which are less than statutory actuarial funding of normal cost and interest on the unfunded pension benefit obligation.

At June 30, 1989, the number of school district employers was:

Local school districts	969
Special districts	122
State agencies	39
	1,130

At June 30, 1989, the System membership consisted of:

Retirees and beneficiaries currently receiving benefits	45,718
Terminated members entitled to benefits but not yet receiving them	10,000
Terminated members not entitled to benefits	17,196
Current members:	
Vested	80,000
Nonvested	21,000
	173,914

Terminated and current members are estimated based on the latest available data as of June 30, 1988.

The pension plan provides retirement benefits, health insurance, and death and disability benefits. A member qualifies for an age retirement annuity after attaining one of the following: age 62 with five years of service credit; age 60 with ten years; age 55 with 20 years. If retirement occurs between age 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 age 55 with less than 35 years of service credit may use the early retirement option to avoid a discount for early retirement if retirement occurs before July 1, 1995 and within six months of the last day of service requiring contributions and if the member and employer both make a one-time contribution to the System.

The retirement benefit 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 retirement benefit, 75 percent of average salary, is achieved with 38 years of service. Each annuitant who retired after 1969 or made a qualifying contribution receives an annual 3 percent increase in the original retirement benefit beginning January 1 following attainment of age 61 or following the first anniversary in retirement, whichever is later.

Member contributions, established by statute, are 8 percent of earnings allocated as follows: 6 1/2 percent for retirement, 1/2 percent for post-retirement increases and 1 percent for death benefits. If a member leaves covered employment, the System will refund a member's contributions upon request. The refund consists of actual contributions excluding the 1 percent death benefit contribution.

NOTE C - CASH AND INVESTMENTS

At June 30, 1989, the bank balance and carrying amount of the system's deposits were $41,063,000 and $1,437,000, respectively. Of the bank balance, $39,322,000 is on deposit with the State Treasurer and is included in a pool of deposits. The remaining balance is fully insured. The System's investments are categorized to give an indication of the level of risk at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the System's name.

Investments at June 30, 1989 and 1988 are summarized below:

Category 1:	Cost		Market Value	
	1989	1988	1989	1988
Bonds, corporate notes and preferred stock	$2,426,270,000	2,029,912,000	2,489,394,000	2,029,633,000
Short term investments	219,115,000	608,688,000	218,855,000	608,695,000
Common stock	2,280,836,000	2,144,846,000	2,877,773,000	2,482,124,000
Real estate equity	711,492,000	341,540,000	732,834,000	350,416,000
Venture capital	65,522,000	12,272,000	65,522,000	12,272,000
Accrued interest and dividends	80,286,000	70,026,000	80,286,000	70,026,000
	5,783,521,000	5,207,284,000	6,464,664,000	5,553,166,000
Mutual funds (Not categorized)	1,438,540,000	1,432,240,000	1,574,057,000	1,456,687,000
Total Investments	$7,222,061,000	6,639,524,000	8,038,721,000	7,009,853,000

The System has nonrecourse mortgages totaling $94,324,000 and $37,683,000 on real estate equities at June 30, 1989 and 1988, respectively. The amount reported for real estate equity is net of these mortgages, which mature on various dates through the year 2011.

At June 30, 1989, the System had short-term and mutual fund investments with one organization (other than U.S. Government and U.S. Government guaranteed obligations) that exceed 5 percent of net assets available for benefits. The investments, reported at cost, are with Harris Bank of Chicago for $478,506,000.

There are no investments in, loans to, or leases with parties related to the System.

NOTE D - FUNDING STATUS AND PROGRESS

The pension benefit obligation is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee services to date. The measure is the actuarial present value of credited projected benefits and is intended to help users to assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems.

The pension benefit obligation is determined as of June 30, 1989 and 1988. Significant actuarial assumptions are summarized as follows:

- The present value of future pension payments is computed using a discount rate of 8 percent. The discount rate represents the estimated long-term rate of return on current and future investments.

- Future pension payments reflect an assumption of a 4 percent salary increase due to inflation and a 3 percent salary increase for merit adjustments.

- Future pension payments include post-retirement increases based on 3 percent of the pension payment at the time of retirement.

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 June 30, 1988 data. Based on this analysis there were no changes in actuarial assumptions. During the period between experience analyses, the actuary develops annual actuarial estimates, based upon the most recent experience analysis performed.

At June 30, 1989 and 1988, the unfunded pension benefit obligation is as follows:

	1989	1988
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits	$4,527,612,000	4,164,701,000
Terminated members entitled to benefits but not yet receiving them	240,658,000	158,655,000
Current employees:		
Accumulated employee contributions	2,003,978,000	1,860,403,000
(1) Employer-financed vested	1,495,356,000	3,720,254,000
(1) Employer-financed nonvested	3,646,355,000	1,018,574,000
Total pension benefit obligation	11,913,959,000	10,922,587,000
Net assets available for benefits, at cost		
(market value 1989 - $8,088,484,000; 1988 - $7,054,818,000)	7,272,071,000	6,684,489,000
Unfunded pension benefit obligation	$4,641,888,000	4,238,098,000

(1) Due to a change in actuarial allocation for fiscal 1989 the present value of the future accrued benefit costs of currently vested employees was reclassified to nonvested.

A reconciliation of the unfunded pension benefit obligation for the years ended June 30, 1989 and 1988 is summarized below:

	1989	1988
Unfunded benefit obligation at beginning of year	$4,238,098,000	3,857,766,000
Additions (deductions):		
Employer cost in excess of contributions	305,547,000	271,954,000
Actuarial losses (gains) compared to assumptions:		
Salary increases	16,271,000	30,712,000
Investment income	1,569,000	(37,237,000)
Other	80,403,000	(49,377,000)
Plan amendments		45,864,000
Changes in actuarial assumptions		118,416,000
Net additions	403,790,000	380,332,000
Unfunded benefit obligation at end of year	$4,641,888,000	4,238,098,000

NOTE E - CONTRIBUTION REQUIREMENTS

Employer contributions made by the State of Illinois are based on annual appropriations and are not actuarially determined. The State appropriations are derived from three different sources. The largest appropriation is made from the Common School Fund (1989 - $216,216,000; 1988 - $194,480,000) and is based on a percentage of benefits estimated to be paid. The percentage of appropriations to benefits estimated to be paid was 44 percent.

The other two sources of State contributions are the General Revenue Fund and the State Pension Fund. The receipts from the General Revenue Fund appropriation (1989 - $10,571,000; 1988 - $17,015,000) reimburse the System for certain minimum retirement allowances and repays the System for reduced State appropriations from a previous fiscal year. The State Pension Fund appropriation (1989 - $5,651,000; 1988 - $ 5,354,000) represents a distribution to the System of money escheated to the State.

Total contributions from employers for 1989 and 1988 were $260,927,000 and $241,660,000 respectively which were 8.2 and 8.1 percent of annual covered payroll respectively.

In some instances the school districts and special districts are responsible for employer contributions. These contributions are required for teachers paid from federal and trust funds and for the employers' portion of the early retirement option.

The employer and employee actuarial contributions requirement for 1989 and 1988 are $811,399,000 and $743,616,000 respectively. The actual contribution for 1989 and 1988 was $529,180,000 and $494,712,000 respectively. The actuary's review of the 1989 deficiency indicates that the actuarially determined contribution requirement for 1990 will increase by $2,578,000.

NOTE F - HISTORICAL TREND INFORMATION

Supplemental schedules of historical trend information are presented on page 19. These are designed to provide information on the System's progress in accumulating assets to pay benefits when due.

NOTE G - SUBSEQUENT EVENT

On August 23, 1989, the Governor signed into law Public Act 86-0273. This law will have significant impact on the Teachers' Retirement System of Illinois as relates to its Pension Benefit Obligation. The provision for compounded annual increases for annuitants and survivors will increase the Pension Benefit Obligation an estimated $642,000,000. In addition this law provides for funding of the Teachers' Retirement System of Illinois on an actuarially sound basis over 40 years after a seven year phase in.

REQUIRED SUPPLEMENTAL SCHEDULES

Revenues by Source

(In Millions of Dollars)

Year Ended June 30	Employee Contributions	Employer Contributions: Actual Amount	Employer Contributions: Percentage of Annual Covered Payroll	Employer Contributions: Actuarially Required Amount*	Employer Contributions: Percentage of Annual Covered Payroll	Investment Income	Total
1980	$151	$221	11.1%	$261	14.1%	$178	$ 550
1981	166	246	11.3	266	13.2	226	638
1982	180	169	7.8	277	12.7	238	587
1983	189	161	7.0	373	16.3	132	482
1984	195	207	8.8	413	17.6	234	636
1985	207	238	9.6	446	18.0	445	890
1986	220	260	9.9	448	17.0	813	1,293
1987	238	280	9.9	448	15.8	835	1,353
1988	253	242	8.1	514	17.1	560	1,055
1989	268	261	8.2	566	17.8	562	1,088

**Changes in actuarial assumptions and actuarial method resulted in a $80.7 million increase in the actuarially required amount for the year ended June 30, 1983. Changes in actuarial assumptions resulted in a $53.2 million increase in the actuarially required amount for the year ended June 30, 1988.*

***Amounts shown for 1980-1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference is estimated to be nonmaterial for comparison purposes.*

Expense by Type

(In Millions of Dollars)

Year Ended June 30	Benefits	Refunds	Administrative Expenses	Total
1980	$193	$29	$2	$224
1981	213	24	2	240
1982	238	27	2	267
1983	262	23	3	288
1984	291	24	3	318
1985	325	24	3	352
1986	360	26	4	390
1987	398	26	5	429
1988	436	21	5	462
1989	477	20	6	503

Supplemental Schedule of Funding Progress

(In Millions of Dollars)

June 30	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1982	$3,215	$ 6,109	52.6%	$2,894	$2,177	132.9%
1983	3,410	6,690	51.0	3,280	2,287	143.4
1984	3,728	7,349	50.7	3,621	2,345	154.4
1985	4,265	7,982	53.4	3,717	2,472	150.3
1986	5,168	8,687	59.5	3,519	2,633	133.6
1987	6,092	9,950**	61.2	3,858	2,834	136.1
1988	6,684	10,922	61.2	4,238	3,007	140.9
1989	7,272	11,914	61.0	4,642	3,172	146.3

Analysis of the dollar amounts of net assets available for benefits, pension obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

***Includes increases of $55 million due to plan amendments and $393 million due to changes in actuarial assumptions.*

Supplemental Schedules

Administrative expenses for the years ended June 30, 1989 and 1988 are summarized below:

	1989	1988
Personal services	$ 3,329,000	3,173,000
Professional services	439,000	295,000
Postage	210,000	210,000
Machine repair and rental	212,000	196,000
Other contractual services	365,000	224,000
Commodities	165,000	176,000
Occupancy expense	429,000	414,000
Provision for depreciation of equipment	399,000	254,000
	$ 5,548,000	4,492,000

Cash receipts and disbursements for the years ended June 30, 1989 and 1988 are summarized below:

Cash balance at beginning of year	$ 1,272,000	343,000
Cash receipts:		
Member contributions	264,642,000	254,734,000
Employer contributions	248,309,000	234,319,000
Investment income	482,629,000	416,505,000
Annuities returned	657,000	488,000
Investments sold	10,270,899,000	7,748,714,000
Total cash receipts	11,267,136,000	8,654,760,000
Cash disbursements:		
Benefits	478,320,000	437,553,000
Refunds	20,782,000	21,356,000
Administrative	5,228,000	5,052,000
Real estate and investment manager expenses	66,118,000	15,940,000
Investments purchased	10,696,523,000	8,173,930,000
Total cash disbursements	11,266,971,000	8,653,831,000
Cash balance at end of year	$ 1,437,000	1,272,000

ACTUARIAL SUMMARY

50 Years of Service

1939 - 1989

ACTUARY'S CERTIFICATION

BUCK CONSULTANTS
Xerox Centre
55 West Monroe Street Suite 1700
Chicago, Illinois 60603

Board of Trustees
Teachers' Retirement System
of the State of Illinois
2815 West Washington Street
P.O. Box 19253
Springfield, Illinois 62794

Re: *Actuarial Reserve Requirement as of June 30, 1989*

Ladies and Gentlemen:

In accordance with the provisions of the Teachers' Retirement System of the State of Illinois, we have made an estimate of the actuarial reserve requirement of the System as of June 30, 1989.

This estimate is based on a census of retired members as of June 30, 1989 and a census of active and inactive members as of June 30, 1988. For actuarial purposes, net assets are based upon cost or amortized cost values less current liabilities as provided by the System. The estimate was based on the provisions of TRS in effect on June 30, 1989.

All costs, liabilities, and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures, using the projected unit-credit actuarial cost method, and the actuarial assumptions adopted effective June 30, 1987.

As of July 1, 1989, the pension benefit obligation was determined to be $11,913,959,000, based on the actuarial assumptions and provisions of TRS in effect on that date.

In our opinion, the amount of $11,913,959,000 is a fair representation of the actuarial reserve requirement of the System as of June 30, 1989.

We should note that the pension benefit obligation of $11,913,959,000 excludes the fiscal impact of Public Act 86-0273 which was enacted on August 23, 1989. This Act will have the effect of increasing the pension benefit obligation by approximately $642 million.

Respectfully submitted,

J W Thompson

John W. Thompson
Consulting Actuary

JWT:mta

Buck Consultants, Inc.
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Buck Consultants S.A. | Buck Paterson Consultants Limited | GBB Buck Consultants Limited

ACTUARIAL INFORMATION

Introduction

A retirement plan can generally be described as a promise by the employer to provide for employees' pension 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 of the State of Illinois has provided pension and ancillary benefits to all public elementary and secondary teachers except for those employed by the city of 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 the pension benefit obligation 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 1989 using demographic and economic data for the three-year period ended June 30, 1988. The review did not result in changes in actuarial assumptions which were last amended in June 1987.

Actuarial Valuation

An important step in an actuarial valuation is application of a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by development of normal cost and pension benefit obligation. Normal cost is the annual cost of service earned by System members during the fiscal year. Pension benefit obligation is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases which are estimated to be payable in the future as a result of employee services to date.

There are several accepted actuarial cost methods. the actuarial cost method used by the System is the attained age normal cost method with unit credit past service. Based on the findings of the 1989 experience analysis, the actuarial cost method for determining normal cost will change for fiscal years after June 30, 1989 from the attained age method to the projected unit credit method.

The current normal cost is 14.9 percent of payroll. Eight percent of this normal cost is paid by the members' contributions. The remaining 6.9 percent is the employers' portion of the normal cost.

Actuarial Assumptions

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

- **Investment return:** 8 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	97	97
60	270	180
65	365	330
70	1,000	1,000

- **Mortality:** Active participants — UP 1984 Table, set back two years; nondisabled pensioners — UP 1984 Table, set back five years.

- **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, adjusted for inflation. Approximates 7 percent per year to earliest date of retirement eligibility. Sample annual percentage increases follow.

Age	Unisex
20	9.7%
30	8.6
40	7.5
50	6.9
60	6.7

"Since 1939, the Teachers' Retirement System of the State of Illinois has provided pension and ancillary benefits to all public elementary and secondary teachers except for those employed by the city of Chicago."

GASB Statement Number 5

The System has adopted the reporting requirements of Statement Number 5 of the Governmental Accounting Standards Board, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers.* This statement prescribes financial disclosure requirements for public employee retirement systems including a standardized measure of the pension benefit obligation. The System uses this standardized measure for funding purposes as well as for financial reporting. The actuarial terminology used by Statement 5 is used consistently for all financial and funding exhibits.

Actuarial Valuation

(In Millions of Dollars)

	June 30 1989*	1988
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits	$4,528	4,165
Terminated employees not yet receiving benefits	241	159
Current employees:		
Accumulated employee contributions	2,004	1,860
Employer-financed vested	1,495	3,720
Employer-financed nonvested	3,646	1,018
Total pension benefit obligation	11,914	10,922
Net assets available for benefits, at cost	7,272	6,684
Unfunded pension benefit obligation	$4,642	4,238

**The pension benefit obligation does not include $642 million as the cost for Public Act 86-0273 which was enacted on August 23, 1989.*

Reconciliation of Unfunded Pension Benefit Obligation

(In Millions of Dollars)

	Year Ended June 30 1989	1988
Unfunded pension benefit obligation at beginning of year	$4,238	3,857
Additions (deductions):		
Employer cost in excess of contributions	306	272
Actuarial losses (gains) compared to assumptions:		
Salary increases	16	31
Investment income	2	(37)
Other	80	(49)
Plan Amendments	—	46
Changes in actuarial assumptions	—	118
Net additions (deductions)	404	381
Unfunded pension benefit obligation at end of year	$4,642	4,238

Fiscal year 1989 actuarial losses resulted from the following: average salaries increased by 7.6 percent compared to the 7 percent assumption; and actuarial investment return (including interest, dividends, and related gains) was 7.5 percent, compared to the 8 percent assumption.

Employer Cost in Excess of Contributions

(In Millions of Dollars)

	Year Ended June 30 1989	1988
Employer normal cost	$220	197
Interest on unfunded accrued pension benefit obligation at beginning of year	339	309
	559	506
Minimum retirement benefit funded annually from the State General Revenue Fund and not included in the actuarial valuation of pension benefit obligation	7	8
	566	514
Deduct employer contributions:		
State of Illinois	232	217
Early retirement option	17	14
Federal and trust funds	11	11
	260	242
Employer cost in excess of contributions	$306	272

"An individual's retirement security should not depend on future taxpayers or be subject to short-term employer distress caused by economic cycles."

Actuarial Funding

Current Funding Policy

On August 23, 1989 Public Act 86-0273 was enacted which provides for amortization of the System's unfunded pension benefit obligation over 40 years with a seven-year phase in. This legislation provides financial stability for the System by funding benefits on an actuarially sound basis.

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

"Sound actuarial funding practices bolster membership confidence in retirement security."

The **Percentage of Benefits Covered by Net Assets** exhibit compares the plan's net assets with the member's 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. 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 plus interest. These percentages should decrease over the years if the System is growing stronger.

Test 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 at Cost	Net Assets at Market	Pension Benefit Obligation**	Funding Ratio Cost	Funding Ratio at Market
1980	$2,497	2,277	4,957	50.4%	45.9
1981	2,896	2,493	5,390	53.7	46.3
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
1987	6,092	6,958	9,950	61.2	69.9
1988	6,684	7,055	10,923	61.2	64.6
1989	7,272	8,088	11,914	61.0	67.9

**As required by statute, the System's actuaries conducted an analysis of experience for the four-year periods ended June 30, 1981 and June 30, 1985, and for the three-year period ended June 30, 1988. For actuarial purposes, the effects of each analysis were reflected in the pension benefit obligation for the years ended June 30, 1982 and June 30, 1987, respectively; there was no effect on pension benefit obligation resulting from the three-year period ended June 30, 1988.*

***Amounts shown for 1980-1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference in methodology is estimated to be non-material for comparison purposes.*

Percentage of Pension Benefit Obligation*

(In Millions of Dollars)

Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members, Employer Portion (3)	Net Assets	Percentage of Benefits Covered by Net Assets (1)	(2)	(3)
1980	$ 891	2,011	2,055	2,497	100%	80	0
1981	986	2,207	2,197	2,896	100	87	0
1982	1,100	2,365	2,644	3,215	100	89	0
1983	1,264	2,565	2,861	3,410	100	84	0
1984	1,372	2,803	3,174	3,728	100	84	0
1985	1,472	3,130	3,380	4,265	100	89	0
1986	1,596	3,402	3,689	5,168	100	100	5
1987	1,718	3,777	4,455	6,092	100	100	13
1988	1,860	4,165	4,898	6,684	100	100	13
1989	2,004	4,528	5,382	7,272	100	100	14

**Amounts shown for 1980-1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference in methodology is estimated to be non-material for comparison purposes.*

Payroll Percentages

(In Millions of Dollars)

		UNFUNDED PENSION BENEFIT OBLIGATION*		EMPLOYER'S COST					EMPLOYER CONTRIBUTIONS	
Year Ended June 30	Member Payroll (1)	Amount (2)	Percent of Payroll (3)	Employer's Normal Cost (4)	Percent of Payroll (5)	Interest on Unfunded Pension Benefit Obligation (6)	Total (7)	Percent of Payroll (8)	Employer Contribution (9)	Percent of Payroll (10)
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	238	9.6
1986	2,633	3,519	133.6	179	6.8	260	439	16.7	260	9.9
1987	2,834	3,838	135.4	194	6.9	246	440	15.5	280	9.9
1988	3,007	4,238	140.9	197	6.6	309	506	16.8	242	8.1
1989	3,172	4,642	146.3	220	6.9	339	559	17.6	260	8.2

**Amounts shown for 1980-1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference in methodology is estimated to be non-material for comparison purposes.*

State Funding Summary

(In Millions of Dollars)

	FUNDING REQUIREMENTS						COVERAGE PERCENTAGE		
			Statutory Requirements				Statutory Requirements		
Fiscal Year Ended June 30	Normal Costs Plus Interest On Unfunded Pension Benefit Obligation (1)	General Revenue Reimbursement Post-Retirement Increases (2)	Actuarial (Columns 1 and 2) (3)	Minimum (4) [A]	System Expense (5)	Employer Contributions (6)	Actuarial (7) [B]	Minimum (8) [C]	System Expense (9) [D]
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
1987	440	8	448	272	429	280	62.5	102.9	65.3
1988	506	8	514	289	462	242	47.1	83.7	52.4
1989	559	7	566	305	503	260	45.9	85.2	51.7

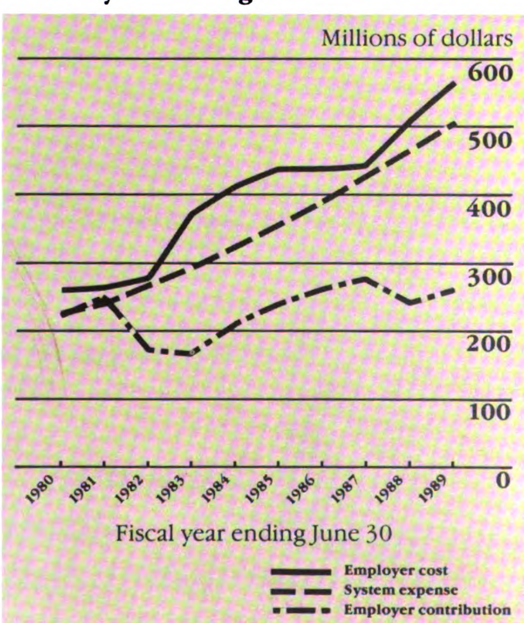
NOTE A — 9.6 percent of member payroll — the appropriations amount required by Section 16-158 of the *Illinois Pension Code.*

NOTE B — Employer contributions divided by actuarial requirement required by Section 16-159 of the *Illinois Pension Code.* (Col. 6 ÷ Col. 3)

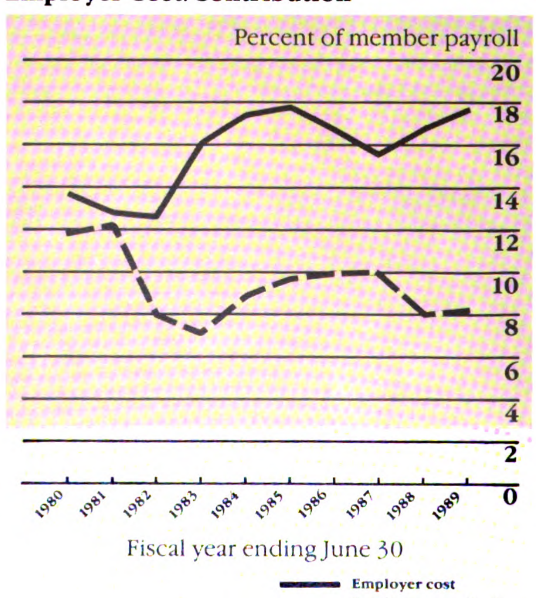
NOTE C — Employer contributions divided by minimum requirement. (Col. 6 ÷ Col. 4)

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

Summary of Funding



Employer Cost/Contribution



MEMBERSHIP AND BENEFITS INFORMATION

50 Years of Service

1939 - 1989

MEMBERSHIP INFORMATION

Membership Profile

All certificated Illinois public school employees outside the City of Chicago are members of TRS. These members include full and part-time employees, subject to certain limitations as outlined in the "Plan Summary" on page 35.

Members are employed by 1,130 employers including public school districts.

System members do not contribute to Social Security; however, many earn coverage by that system through non-TRS employment. All TRS members hired after March 31, 1986 are required to contribute to Medicare.

As of June 30, 1988 (the most current fiscal year statistics available), there were 100,777 active TRS members, up just under 1 percent from the 99,934 members on June 30, 1987.

The average TRS member on June 30, 1988 was 42 years old. The average age of the member population has remained the same for the last three years although active member age had been increasing since the early 1970s.

Forty-one percent of the active member population was in the 35-44 age group during FY88, compared to 26 percent of total membership in this same age group ten years ago. During FY79, 9 percent of the total membership were age 20 to 24. In FY87, this age group composed only 1.3 percent of the total member population.

The number of active members who choose to work after age 55 has risen steadily in the past decade, from 8.7 percent during FY79 to 12 percent in FY88.

Contributions

Active members contributed $268.3 million as their required 8 percent of salary to the System, up 6 percent from FY88.

The average annual salary for active members rose 5.5 percent from FY88 to FY89, from $28,085 to $29,638. Since FY79, this figure has increased by 78.2 percent, from $16,632 in FY80. Generally, the more years of service the member accrues, the higher salary he or she earns. Peak salaries averaging $43,465 during FY88 were earned by the 426 members in the 36-40 years of service category, while those with under 6 years of servace averaged $20,987 annually.

Member Refunds

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

The System paid 3,393 former members $13.5 million in refunds of retirement contributions during FY89. This is a decrease of 2 percent from the $13.8 million in refunds in FY88. The total number of refunds decreased 21 percent, from 4,090 in FY88.

A refund of the 1 percent survivor benefit contribution was paid to 428 retired members, down slightly from 938 members who received this refund in FY88. A total of $1.5 million was paid for this refund, which is granted to retired members who request the refund and who do not have a beneficiary deemed a dependent under the *Illinois Pension Code*. Acceptance of this refund terminates the retired member's eligibility for survivor benefit coverage from the System.

Member Services

The System maintains two offices, in Springfield and Lisle, to serve members throughout the state. During FY89, the TRS offices received over 67,000 phone calls. In addition, staff members sent out over 121,000 letters and conducted office consultations with an average of 155 members monthly.

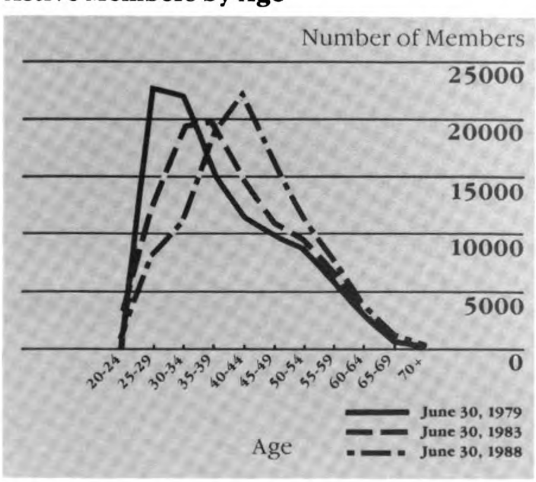
Individual retirement conferences are held around the state each year by the System's benefits consultants. During FY89, 6,950 members attended these conferences. An additional 10,397 members attended group meetings held by TRS around the state.

During FY88, the System initiated a program to help members plan for retirement. TRS retirement planning seminars are targeted toward members who are five to ten years away from retirement. The seminars are designed to help members identify and plan to attain retirement goals. In FY89, 335 members attended these seminars.

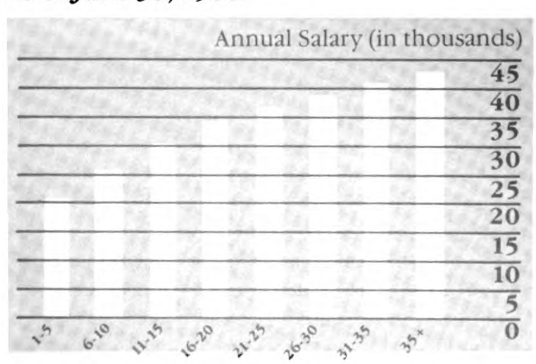
A series of guides designed for members, retired members, and employers is published annually by the System. In addition, bulletins and newsletters are mailed to these audiences with current information concerning benefits, legislation, and System administration. Two videotape presentations on TRS benefits are also available.

Individual member statements of account are mailed annually to all members. These present up-to-date information on each member's TRS contributions and service.

Active Members by Age



Average Annual Salary Active Members by Years of Service As of June 30, 1988



Salary

"The System maintains two offices, in Springfield and in Lisle, to serve members throughout the state."

As a trust fund for its members and annuitants, the Teachers' Retirement System provides retirement annuities, disability and survivor benefits. The System also administers the TRS Health and Prescription Drug Insurance Plan. These benefits are in the System's plan as outlined in Article 16, Chapter 108 1/2 of the *Illinois Revised Statutes*.

Plan Design

The TRS plan is designed to pay specific benefits in amounts that are set forth by Illinois law. This design may only be changed by action of the Illinois General Assembly and the Governor.

Benefits cannot be increased or reduced without a change in the TRS plan design. The General Assembly and the Governor passed legislation this year which dramatically improves the annual increase in annuity. Teachers in retirement for many years have been strapped with an insufficient annual increase in benefits and a cost of living that has dramatically risen since their retirement. The new legislation compounds the 3 percent annual increase for retirees by basing it on current rather than original annuity.

Retirement Benefits

During FY89, the TRS plan provided retirement benefits for 39,751 annuitants. The average benefit of $931 was up 5 percent from $884 on June 30, 1988.

TRS Annuitant Profile

June 30, 1989	
Average Age:	73
Average Service:	26.9
Average Annuity:	$931
Average Original Annuity:	$732
Average Years in Retirement:	12

Overall, the System paid $436.6 million in retirement annuities in FY89, up 9 percent from FY88. The number of annuitants receiving benefits rose during FY89, up 1,728 from June 30, 1988. The System offers retired members direct deposit of TRS annuity payments with participating financial institutions. At the end of FY89, 25,681 of the total 45,718 benefit recipients were participating in the direct deposit program. This represents 56.1 percent of all benefit participants.

Although the annuity for those members in retirement less than five years is higher than average at $1,323, this amount drops to below the overall average after ten years in retirement — members retired between 11 and 15 years receive an average benefit of only $830, below the $931 average.

Average annuity also decreases as the retired member's age increases. Retirees aged 55 through 59 receive an average annuity of $1,415 monthly, while those aged 80 and over receive an average of only $634.

Of the 2,044 TRS members who retired during FY89, the average age was 61, average service, 25.7, and average monthly benefit, $1,463. These members retired with an average salary of $32,970.

Members who are 55 or older and have 20 or more years of service may choose the early retirement option to avoid a reduction in their annuity if they retire before earning 35 years of service. Enacted in 1980, this option allows the member and employer to make a one-time contribution to TRS and avoid a reduced annuity. Current law calls for an end to the early retirement option after June 30, 1995. A nondiscounted annuity is granted to members with 35 or more years of service with no contributions required from either the member or the employer.

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
1987	2,093	552	26.4	7,191	32,202
1988	2,116	555	26.5	7,646	34,935
1989	2,044	630	30.8	7,798	37,141

*Legislation effective June 30, 1980.

Disability Benefits

Disability payments of $7.8 million were made by the System during FY89, up 5 percent from FY88. A total of 1,268 nonoccupational disability benefits were paid to members whose average age was 57 and average years of service was 16.2.

There were 340 new nonoccupational disability benefits paid during FY89 and the average benefit for these new recipients was $972. Of these new claims, 23 percent were for pregnancy-related disabilities; 13 percent were for mental illness; 11 percent for cancer and tumors, with other disabilities accounting for the remainder of the claims.

Twelve members received accidental disability benefits in FY89, with total payments of $162,878.

"The General Assembly and the Governor passed legislation this year which dramatically improves the annual increase in annuity."

Survivor Benefits

A total of 1,233 death and survivor benefit claims were paid in FY89. Total payments rose from $22.6 million in FY88 to $24.4 million in FY89.

Average monthly survivor benefits of $364 were paid to 4,532 survivors of TRS members and annuitants in FY89. The average age of the deceased was 72. There were 428 new claims during the year for monthly benefits and average monthly benefit for FY89 claims was $443.

Health Insurance

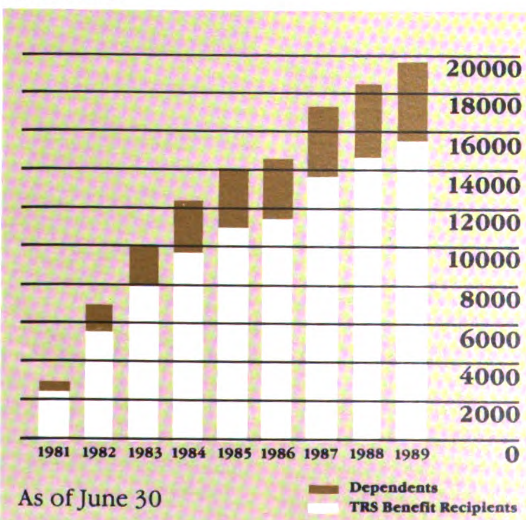
Since 1981, the System has provided health and prescription drug insurance. The plan, administered by Blue Cross/Blue Shield, is available to annuitants electing coverage. Annuitants may also enroll their eligible dependents. On June 30, 1989 enrollment in the plan totaled 15,670 annuitants and 4,165 dependents.

Coverage Options

For annuitants and their dependents who qualify for Medicare, TRS provides Medicare supplement coverage. After the $300 yearly deductible, the plan pays the balance of all claims that are reasonable and customary that Medicare does not pay. As of June 30, 1989, 11,246 members and 2,611 dependents were enrolled in the $300 deductible option.

Annuitants who do not qualify for free Medicare Part A coverage at age 65 may elect the Special Coverage Option. This option provides coverage for both hospital and physician services. It pays all claims that are reasonable and customary after a $300 deductible and 80%-20% coinsurance of the next $10,000 of covered expenses and 100 percent coverage thereafter. As of June 30, 1989, 865 annuitants and dependents were enrolled in this option.

Health Plan Enrollment 1981-1989



Annuitants and their dependents under 65 are offered the choice of two types of coverage. On June 30, 1989, 2,145 annuitants and 1,549 dependents were enrolled in these plans.

Premiums

The System pays half the cost of the premium for participating annuitants, however, dependent premiums are the responsibility of the members.

The amounts which the System paid in premiums have been:

TRS Subsidy Payments

FY 1981	$ 109,689
FY 1982	626,695
FY 1983	1,502,799
FY 1984	2,412,284
FY 1985	3,427,819
FY 1986	4,466,057
FY 1987	5,409,299
FY 1988	6,822,664
FY 1989	8,345,871

Reserve Account

The System maintains a Health Insurance Reserve Account. On June 30, 1988 the reserve fund balance was $34,179,823 million. During FY89 the account was credited with the required $20 million plus $2.8 million interest earned. Premium payments of $8.3 million were charged to the account leaving a June 30, 1989 reserve fund balance of $49,834,502.

Claims Experience

Year June 30	Premiums Paid	Retention* Fees	Claims Paid
1981	$ 291,001	21,068	100,572
1982	1,597,841	115,684	1,207,864
1983	3,826,362	277,021	3,467,117
1984	6,242,236	368,008	5,962,159
1985	8,931,731	427,746	8,195,968
1986	11,640,732	539,458	9,859,427
1987	13,932,201	617,300	13,163,179
1988	17,066,035	735,546	17,714,923
1989	20,859,736	899,055	22,015,321

**Retention is the percentage of premiums paid to the insurance carrier to cover the administrative costs for processing claims and the risk involved in underwriting the contract. Because the claims paid exceeded the premiums paid this year, Blue Cross/Blue Shield forfeits the retention fees in addition to taking a loss on excess claims.*

In 1989, the Illinois General Assembly and the Governor addressed long-term retirement security issues through legislation which not only provided annual increase improvements for all annuitants but also instituted a plan for reducing the state's debt to the Teachers' Retirement System.

The annual increase in benefits will now be 3 percent of current gross benefits where in the past the increase was 3 percent of the initial benefit received by a retiree. In addition, survivors, for the first time, will receive an annual increase in annuity. This increase will also be 3 percent of current gross benefits.

The compounded 3 percent annual increase represents a long-term benefit improvement. Unlike ad hoc increases of the past which provided a one-time boost in benefits, compounding of the annual increase will impact benefit increases each year. The longer an annuitant is in receipt of a benefit, the greater the impact of a compounded annual increase.

For example, in 1990 the average annuitant in retirement for 10 years will receive an annual increase in monthly benefits that is $5 greater than the amount that would have been received under the old method of computing the annual increase. However, after 5 years this annuitant's total monthly benefit will be $35 greater. (See Table 1)

Table 1. *Effect of compounding on the average TRS annuitant in retirement for 10 years. In FY89, the average monthly benefit for this group was $838, with an average initial benefit of $659 per month.*

Year	OLD METHOD Monthly Benefit, Non-compounded Annual Increase	NEW METHOD Monthly Benefit, Compounded Annual Increase	Monthly Difference	Cumulative Increase
1989	$ 838	$ 838	$ 0	
1990	858	863	5	
1991	878	889	11	
1992	897	916	18	
1993	917	943	26	
1994	937	971	35	$ 1,152
1995	957	1,001	44	
1996	976	1,031	54	
1997	996	1,062	65	
1998	1,016	1,093	77	
1999	1,036	1,126	91	5,131
2000	1,055	1,160	105	
2001	1,075	1,195	120	
2002	1,095	1,231	136	
2003	1,115	1,268	153	
2004	1,135	1,306	171	13,333

Annual increase improvements addressed needs created by health care advances and economic trends. Recognizing the need for benefits which reflected the needs of annuitants, the Teachers' Retirement System joined forces with active and retired teachers in support of this successful effort to modernize the TRS retirement plan.

Efforts to educate members of the General Assembly regarding the long-term danger of underfunding the Teachers' Retirement System were also successful. In 1989, legislators and the governor approved a plan to completely pay off the state's $4.6 billion debt to TRS by the year 2036. Improved funding for the first year of the plan was included in FY90 appropriations.

These recent changes are consistent with the history of TRS. Throughout its 50 years the System has sought to provide members with benefits that reflect the progressive growth and development of the society in which teachers work and live. Correspondingly, the 1989 improvements in post-retirement benefits do not mark an end to the benefit improvements needed to maintain a modern retirement system which meets the needs of its members.

Retirement Formula

In fact, recent comparisons of TRS with teacher retirement plans in other states show that the benefits Illinois teachers receive still fall behind those provided to teachers outside of Illinois.

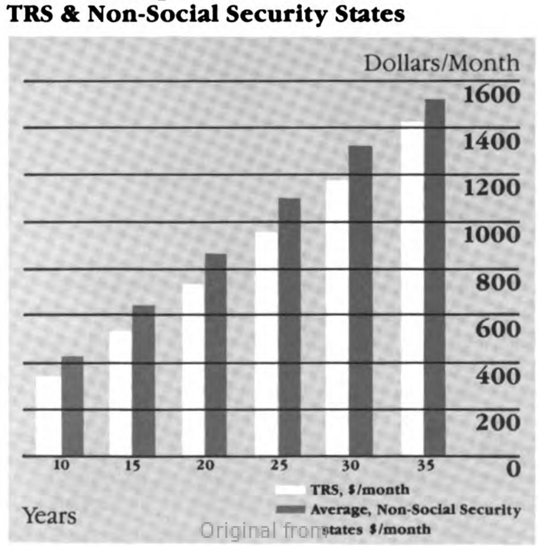
All twelve other states that, like Illinois, have teachers' retirement plans which are not coordinated with Social Security provide teachers with better retirement formulas than TRS. Eight of these states provide a formula of 2 percent or greater per year of service.

For example, Colorado teachers, like teachers in Illinois, do not participate in Social Security. A teacher retiring in Colorado at age 60 with 25 years of service and a final average salary of $25,000 would receive an initial monthly annuity of $1,145. A teacher in Illinois retiring under identical conditions would receive only $962 per month.

Generally, retirement formulas are calculated using final average salary and years of service. A member is entitled to a specified percentage of the final average salary for each year of service. In 1988, the average newly retired teacher in Illinois received 1.86 percent of their average salary for each year of service. Twelve states in which teachers receive both a Social Security benefit and a teacher pension provide a 2 percent or greater retirement formula for teachers.

The following chart compares the average TRS monthly benefit at retirement to the average monthly benefit of non-Social Security states. The chart assumes retirement at age 60 with an average salary of $25,000.

Benefit Comparison
TRS & Non-Social Security States



"Annual increase improvements addressed needs created by health care advances and economic trends."

TRS vs. Other Illinois Systems

When the TRS plan is compared with other Illinois public employee pension plans, again the TRS retirement formula falls behind many others. Until relatively recently, the benefits provided under the thirteen public employee retirement systems covered by the Illinois Retirement Systems Reciprocal Act were reasonably comparable, with the exception of the General Assembly and Judges Retirement Systems. However, in recent years, a considerable amount of legislation has been enacted increasing the benefits provided under a number of the retirement systems, particularly those in the Chicago area. These increases have not been uniform from system to system.

Thus, currently there is a sizable disparity in the benefits provided under these systems. For example, the percentage of the last year's salary received by those who retire at age 60 with 20 years of service ranges from a high of 85% for Judges and General Assembly members to a low of 32.77% for Illinois teachers (See Table 2).

Table 2. *This table shows the retirement annuity expressed as a percentage of employee's final salary.*

	Retirement Age: 60		Retirement Age: 55	
	Years of Service		Years of Service	
Retirement Systems	**20**	**30**	**20**	**30**
Judges (11%)*	85.00%	85.00%	59.50%	59.50%
General Assembly (11.5%)	85.00	85.00	85.00	85.00
I.M.R.F. (4.5%)	32.18	50.54	27.35	42.96
Chicago Water Reclamation District (9%)	41.80	62.69	29.26	62.69
Cook County Employees (8.5%)	40.39	62.42	28.27	62.42
Chicago Laborers (8.5%)	34.88	55.08	29.65	46.82
Chicago Municipal (8.5%)	34.88	55.08	29.65	46.82
Chicago Park Employees (8.5%)	33.97	56.00	23.78	39.20
Chicago Teachers (8%)	32.77	52.05	22.94	36.44
State Employees (not coordinated with Social Security) (8%)	32.77	52.05	22.94	36.44
State Universities (8%)	32.77	52.05	22.94	36.44
TRS (8%)	32.77	52.05	22.94	36.44

**Required employee contribution appears in parenthesis*

However, contribution rates for members of the various systems also differ greatly. For example, General Assembly members contribute 11.5% of their salary to their system, TRS members contribute 8% and State Employees coordinated with Social Security contribute 4%. To more accurately compare what members of the systems receive for each dollar contributed, total member contributions at retirement were compared to the value of retirement benefits. (See Table 3)

Table 3. *This table compares the value of retirement benefit provided under the various systems*, expressed as a percentage of the accumulated value of employee contributions. Only the regular retirement benefit and the employee contributions** for the retirement benefit were taken into account in making these calculations.*

	Retirement Age: 60		Retirement Age: 55	
	Years of Service		Years of Service	
Retirement Systems	**20**	**30**	**20**	**30**
Judges	414.7%	249.9%	316.3%	190.7%
General Assembly	388.8	234.3	423.7	255.4
I.M.R.F.	314.0	297.2	290.8	275.3
Chicago Water Reclamation District	235.4	212.7	179.5	231.8
Cook County Employees	227.4	211.7	173.4	230.8
State Employees (coordinated with Social Security)	201.6	196.6	153.7	150.0
Chicago Laborers	196.4	186.8	181.9	173.1
Chicago Municipal	191.4	186.8	181.9	173.1
Chicago Park Employees	191.2	190.0	145.9	144.9
Chicago Teachers	184.5	176.6	140.7	134.7
State Employees (not coordinated with Social Security)	184.5	176.6	140.7	134.7
State Universities	184.5	176.6	140.7	134.7
TRS	184.5	176.6	140.7	134.7

**The retirement benefit value was determined using an interest rate of 8% per year and the UP-1984 Mortality Table.*

***Employee contributions were determined using an interest rate of 8% per year and a salary increase assumption of 6% per year.*

Under the Teachers' Retirement System, the value of a benefit at retirement for an employee who retires at age 60 with 20 years of service is 185.5% of the value of the employee's accumulated contributions. In other words, the employer (for TRS, the State of Illinois) contributes 84.5 cents for every dollar contributed by a teacher retiring at age 60 with 20 years of service while under I.M.R.F., for example, the employer (the city or school district) contributes $2.14 for each dollar contributed by an I.M.R.F. member.

Formula Improvements

As TRS looks to the future, the retirement benefit formula provided to Illinois teachers calls out for equity. Not only do teachers merit a better formula, but such a move makes good competitive sense.

The future of the State of Illinois is closely tied to Illinois teachers. In order to draw the best and the brightest as educators for the leaders of tomorrow Illinois must be prepared to provide competitive compensation for teachers. That compensation includes a strong retirement benefit package.

During the 1990 legislative session, the Teachers' Retirement System will support legislation to improve the retirement benefit formula for Illinois teachers by replacing the current graduated formula with one that will provide 2.2 percent of final average salary for each year of service credit. This improvement is necessary to provide TRS members with retirement benefits which compare favorably with both teacher retirement benefits across the country and with other public employee retirement benefits in the State of Illinois.

Administration

The Teachers' Retirement System was created and is governed by Chapter 108 1/2, 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 elected annuitant, 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.

Membership

Membership in the System is mandatory for all individuals certified under the provisions of *The School Code* and employed in the public schools of Illinois (except Chicago).

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 sick leave days established with TRS employers.

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. In the case of disability due to pregnancy, only one physician must verify the disability.

Disability benefits are available for members with three years of creditable service at 40 percent of current salary. The member continues to earn service credit while in receipt of disability benefits.

A disability retirement annuity is available for members who have received a 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.

Occupational 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 with 20 years of service. 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 earned monthly retirement annuity, whichever is greater. The System provides a 3 percent annual increase in the currently payable monthly survivor benefit.

Members who cease teaching for reasons other than retirement more than one year prior to death with at least 20 years of service have a vested interest in survivor benefits; however, survivors of inactive members 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 a 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 age 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, 1995 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 Increase

The System provides 3 percent compounded annual increases in the 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 1 percent death benefit contribution. When the member accepts a refund, he or she forfeits all credit with the System. The credit may be re-established 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 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.

Active Members by Years of Age and Years of Service

Years of Age		◄1	1-5	6-10	11-15	16-20
20-24	Total #	205	1,111	—	—	—
	Average $	8,474	17,765	—	—	—
25-29	Total #	324	7,682	554	—	—
	Average $	9,042	19,635	22,572	—	—
30-34	Total #	218	3,749	6,077	843	—
	Average $	9,506	20,903	24,021	27,156	—
35-39	Total #	240	4,049	4,063	8,808	1,483
	Average $	9,155	21,467	25,798	29,436	32,253
40-44	Total #	263	3,863	2,854	4,124	10,036
	Average $	8,898	22,275	27,327	31,620	34,855
45-49	Total #	148	1,902	2,033	2,195	3,622
	Average $	8,885	23,118	27,762	31,666	35,766
50-54	Total #	29	660	981	1,350	2,140
	Average $	7,841	23,977	28,348	31,176	34,523
55-59	Total #	28	221	401	740	1,546
	Average $	10,164	24,851	28,395	30,839	34,750
60-64	Total #	5	74	137	304	700
	Average $	15,438	35,931	28,651	31,409	34,712
65-69	Total #	2	16	25	57	145
	Average $	9,685	26,790	25,796	31,403	34,554
70-74	Total #	—	1	2	4	15
	Average $	—	8,197	21,254	32,089	29,955
►74	Total #	—	2	2	1	2
	Average $	—	33,598	28,610	34,425	37,962
Total	**Total #**	**1,462**	**23,330**	**17,129**	**18,417**	**19,689**
	Average $	**9,029**	**20,987**	**25,780**	**30,312**	**34,771**

	Years of Service						
21-25	**26-30**	**31-35**	**36-40**	**41-45**	**46-50**	**51-55**	**Totals**
—	—	—	—	—	—	—	1,318
—	—	—	—	—	—	—	$ 16,341
—	—	—	—	—	—	—	8,562
—	—	—	—	—	—	—	$ 19,429
—	—	—	—	—	—	—	10,879
—	—	—	—	—	—	—	$ 22,897
—	—	—	—	—	—	—	18,642
		—	—	—	—	—	$ 26,877
1,054	—	—	—	—	—	—	22,194
37,155	—	—	—	—	—	—	$ 30,898
5,675	617	—	—	—	—	—	16,188
37,757	39,086	—	—	—	—	—	$ 33,297
2,249	3,268	389	—	—	—	—	11,066
37,237	39,677	40,378	—	—	—	—	$ 35,148
1,471	1,858	1,396	69	—	—	—	7,730
35,808	40,066	42,451	40,403	—	—	—	$ 36,594
745	535	485	278	10	—	—	3,273
35,263	37,488	42,281	45,169	35,053	—	—	$ 36,514
198	151	99	70	29	14	—	806
36,083	37,122	36,116	39,785	39,844	33,154	—	$ 35,512
22	27	25	9	1	4	2	112
36,315	35,591	34,023	42,912	48,428	39,263	25,223	$ 34,652
—	—	—	—	—	—	—	7
—	—	—	—	—	—	—	$ 33,538
11,414	**6,456**	**2,394**	**426**	**40**	**18**	**2**	**100,777**
37,153	**39,474**	**41,730**	**43,465**	**38,861**	**34,512**	**25,223**	**$ 29,638**

Average Annual Salary of Active Members by Years of Service*

Years of Service		1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Under 1	Total #	2,065	1,880	1,481	1,170	808	950	1,129	1,740	1,338	1,462
	Average $	11,170	11,972	13,156	14,165	14,638	15,192	16,107	9,126	9,484	9,029
1-5	**Total #**	**32,707**	**30,596**	**28,981**	**26,614**	**22,674**	**18,814**	**17,901**	**20,420**	**22,046**	**23,330**
	Average $	**12,535**	**13,298**	**14,414**	**15,682**	**16,689**	**17,266**	**17,926**	**18,668**	**19,826**	**20,987**
6-10	Total #	29,682	28,266	26,319	24,732	23,433	22,047	21,157	19,698	19,819	17,129
	Average $	15,760	16,694	17,971	19,446	20,338	20,915	21,841	23,005	24,320	25,780
11-15	**Total #**	**18,465**	**20,203**	**21,750**	**22,560**	**23,201**	**23,462**	**22,833**	**20,700**	**19,460**	**18,417**
	Average $	**18,555**	**19,809**	**21,554**	**23,277**	**24,467**	**25,341**	**26,378**	**27,607**	**29,001**	**30,312**
16-20	Total #	12,974	12,844	12,566	12,666	13,920	15,481	17,419	18,528	19,163	19,689
	Average $	20,498	21,838	23,678	25,580	22,165	28,309	29,976	31,056	33,144	34,771
21-25	**Total #**	**5,927**	**6,807**	**7,583**	**8,355**	**8,588**	**8,747**	**9,089**	**9,391**	**10,257**	**11,414**
	Average $	**21,822**	**23,377**	**25,368**	**27,415**	**28,976**	**30,199**	**31,657**	**33,309**	**35,246**	**37,153**
26-30	Total #	3,266	3,594	3,877	4,199	4,494	5,053	5,479	5,864	6,245	6,456
	Average $	22,867	24,384	26,367	28,473	30,396	31,960	34,026	35,740	37,666	39,474
31-35	**Total #**	**716**	**1,124**	**1,680**	**2,228**	**2,279**	**2,251**	**2,009**	**2,002**	**2,089**	**2,394**
	Average $	**22,091**	**24,151**	**27,067**	**29,914**	**31,887**	**33,651**	**35,782**	**37,533**	**39,310**	**41,730**
Over 35	Total #	195	244	317	455	436	421	430	483	517	426
	Average $	20,312	22,280	24,347	26,889	30,042	31,494	33,930	37,533	40,492	43,465
Total	**Total #**	**105,997**	**105,558**	**104,554**	**102,979**	**99,833**	**97,226**	**97,446**	**98,826**	**99,934**	**100,777**
	Average $	**16,351**	**17,621**	**19,361**	**21,281**	**22,877**	**24,141**	**25,454**	**26,522**	**28,085**	**29,638**

**Statistical information on the System's active membership is not yet available for FY89.*

Active Members by Age

1979-1988

Years of Age	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
20-24	6,771	6,144	5,325	4,263	3,106	2,509	2,703	1,405	1,371	1,318
25-29	22,572	20,080	17,511	15,106	12,886	10,924	9,883	8,588	8,464	8,562
30-34	22,027	22,398	22,746	21,180	19,456	17,500	15,964	12,877	11,762	10,879
35-39	15,280	16,448	17,381	19,416	19,775	20,301	21,208	20,844	19,981	18,642
40-44	11,456	11,891	12,422	13,252	14,536	15,395	16,583	19,802	20,942	22,194
45-49	9,906	10,017	10,276	10,539	10,787	11,202	11,614	13,269	14,929	16,188
50-54	8,710	9,099	9,339	9,464	9,464	9,372	9,494	10,177	10,502	11,066
55-59	6,166	6,340	6,346	6,438	6,563	6,673	6,714	7,618	7,763	7,730
60-64	2,694	2,658	2,681	2,741	2,698	2,715	2,610	3,286	3,268	3,273
65-69	387	461	498	516	502	554	551	867	848	806
► 69	28	22	29	64	60	81	122	93	104	119
Total	**105,997**	**105,558**	**104,554**	**102,979**	**99,833**	**97,226**	**97,446**	**98,826**	**99,934**	**100,777**

Average Monthly Annuity for New Retirees by Age

Age		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
◄55	Total #	—	—	—	—	—	—	—	—	1	2
	Average $	—	—	—	—	—	—	—	—	1,019	1,468
55	Total #	98	116	126	148	164	176	169	173	167	180
	Average $	556	674	821	879	934	1,160	1,082	1,258	1,351	1,372
56	Total #	66	133	123	149	159	216	183	204	206	216
	Average $	764	922	1,021	1,068	1,220	1,252	1,407	1,537	1,533	1,787
57	Total #	61	105	89	98	128	174	143	134	134	148
	Average $	784	903	1,038	1,164	1,285	1,431	1,467	1,563	1,565	1,531
58	Total #	91	106	95	110	117	159	141	136	137	146
	Average $	860	880	1,068	1,204	1,353	1,457	1,438	1,465	1,630	1,729
59	Total #	94	130	101	126	133	187	174	168	136	148
	Average $	834	971	1,087	1,075	1,241	1,415	1,498	1,566	1,621	1,761
60	Total #	293	332	322	340	282	372	334	333	343	350
	Average $	560	673	718	820	858	1,030	1,036	1,080	1,165	1,301
61	Total #	168	153	173	183	164	207	155	175	186	187
	Average $	762	740	817	956	1,108	1,326	1,264	1,337	1,367	1,466
62	Total #	154	142	158	183	162	175	151	169	154	169
	Average $	621	641	701	799	955	977	950	1,161	1,337	1,361
63	Total #	97	110	120	114	121	151	121	120	129	125
	Average $	734	732	770	995	971	1,053	1,100	1,233	1,304	1,527
64	Total #	95	111	103	115	115	122	103	130	117	89
	Average $	702	741	833	915	979	1,032	1,098	1,150	1,401	1,386
65	Total #	149	141	120	129	104	114	121	126	125	110
	Average $	694	833	855	870	882	1,015	1,061	1,274	1,239	1,299
66	Total #	91	93	88	97	79	84	74	79	95	94
	Average $	738	818	834	871	820	1,065	1,186	1,295	1,150	1,319
67	Total #	27	35	30	43	29	56	52	37	42	44
	Average $	519	797	912	789	1,020	1,062	861	1,114	1,406	1,495
68	Total #	11	14	34	37	28	32	36	33	40	27
	Average $	406	776	734	820	1,109	865	740	1,116	1,481	1,375
69	Total #	6	14	21	33	21	28	24	17	34	19
	Average $	365	399	605	862	946	949	696	1,273	1,262	1,149
70	Total #	6	6	5	21	19	36	38	30	20	27
	Average $	469	306	788	862	1,217	938	903	1,107	1,234	1,210
►70	Total	21	9	17	20	17	47	141	29	50	46
	Average	552	384	193	337	1,077	581	236	758	606	785
Total	Total #	1,528	1,750	1,725	1,946	1,842	2,336	2,160	2,093	2,116	2,127
	Average $	681	771	836	927	1,043	1,162	1,119	1,294	1,355	1,462
	Average Age	61	61	61	61	61	61	61	61	61	61

New Retirees by Years of Service

Years of Service	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
1-5	61	60	61	69	83	84	113	97	92	92
6-10	65	72	79	86	77	106	198	106	112	122
11-15	135	157	158	160	143	150	173	114	150	125
16-20	250	254	258	284	257	275	242	265	242	230
21-25	293	343	316	354	312	397	343	351	347	365
26-30	267	359	314	386	326	465	413	441	399	410
31-35	283	334	375	431	449	578	436	437	465	508
36-40	131	118	121	142	152	241	213	252	265	238
► 40	43	53	43	44	43	40	29	30	44	37
Total	1,528	1,750	1,725	1,956	1,842	2,336	2,160	2,093	2,116	2,127
Average Service	24.9	25.1	25.1	25.4	25.5	26.3	24.4	25.8	25.9	25.9

Increases in Monthly Annuity for Retirees

Years in Retirement		**1-5**	**6-10**	**11-15**	**16-20**	**21-25**
1-5	Total #	388	546	613	1,041	1,503
	Average Automatic Increase	$ 5	$ 11	$ 24	$ 34	$ 35
	Average Ad Hoc	$ 5	$ 19	$ 9	$ 1	—
6-10	Total #	321	350	709	1,270	1,607
	Average Automatic Increase	$ 16	$ 36	$ 64	$ 102	$ 130
	Average Ad Hoc	$ 6	$ 20	$ 15	$ 6	$ 2
11-15	Total #	250	379	684	1,108	1,422
	Average Automatic Increase	$ 18	$ 45	$ 77	$ 124	$ 163
	Average Ad Hoc	$ 9	$ 32	$ 31	$ 25	$ 26
16-20	Total #	167	271	523	974	1,174
	Average Automatic Increase	$ 3	$ 32	$ 63	$ 102	$ 129
	Average Ad Hoc	$ 20	$ 44	$ 68	$ 72	$ 73
21-25	Total #	51	63	191	409	560
	Average Automatic Increase	—	$ 17	$ 31	$ 63	$ 100
	Average Ad Hoc	$ 33	$ 86	$ 140	$ 148	$ 137
26-30	Total #	19	10	42	205	389
	Average Automatic Increase	$ 2	$ 11	$ 26	$ 60	$ 83
	Average Ad Hoc	$ 43	$ 104	$ 173	$ 182	$ 195
31-35	Total #	4	3	8	59	146
	Average Automatic Increase	$ 3	$ 14	$ 20	$ 45	$ 62
	Average Ad Hoc	$ 78	$ 115	$ 212	$ 230	$ 266
36-40	Total #	—	—	19	58	51
	Average Automatic Increase	—	—	$ 40	$ 40	$ 62
	Average Ad Hoc	—	—	$ 262	$ 336	$ 362
41-45	Total #	—	—	11	30	40
	Average Automatic Increase	—	—	$ 11	$ 42	$ 56
	Average Ad Hoc	—	—	$ 313	$ 352	$ 392
46-50	Total #	—	—	1	1	1
	Average Automatic Increase	—	—	$ 4	$ 9	$ 72
	Average Ad Hoc	—	—	$ 276	$ 263	$ 327
50 +	Total #	—	—	—	—	2
	Average Automatic Increase	—	—	—	—	$ 77
	Average Ad Hoc	—	—	—	—	$ 324
TOTALS:	Total #	1,200	1,622	2,771	5,097	6,892
	Average Automatic Increase	$ 10	$ 28	$ 55	$ 87	$ 110
	Average Ad Hoc	$ 10	$ 30	$ 40	$ 45	$ 50

Years of Service

26-30	31-35	36-40	41-45	46-50	50 +	Totals
1,713	1,915	1,131	105	31	7	8,993
$ 43	$ 61	$ 96	$ 107	$ 76	$ 91	$ 47
—	—	—	—	—	—	$ 2
1,691	1,942	670	148	31	3	8,742
$ 181	$ 243	$ 279	$ 290	$ 288	$ 200	$ 162
—	—	—	—	—	—	$ 3
1,289	1,231	923	294	58	3	7,641
$ 220	$ 291	$ 358	$ 364	$ 338	$ 323	$ 202
$ 24	$ 28	$ 36	$ 45	$ 61	$ 95	$ 28
1,210	1,194	1,424	864	171	8	7,980
$ 186	$ 253	$ 312	$ 306	$ 281	$ 241	$ 199
$ 77	$ 80	$ 89	$ 104	$ 116	$ 119	$ 79
513	485	583	430	100	2	3,387
$ 129	$ 168	$ 210	$ 229	$ 218	$ 192	$ 142
$ 152	$ 145	$ 146	$ 154	$ 166	$ 179	$ 144
340	389	384	225	44	1	2,048
$ 113	$ 142	$ 185	$ 210	$ 211	$ 199	$ 130
$ 208	$ 193	$ 170	$ 174	$ 193	$ 194	$ 186
161	126	92	42	5	—	646
$ 82	$ 117	$ 141	$ 173	$ 188	—	$ 95
$ 300	$ 262	$ 231	$ 209	$ 212	—	$ 259
45	28	6	—	—	—	207
$ 98	$ 99	$ 123	—	—	—	$ 68
$ 329	$ 338	$ 301	—	—	—	$ 333
9	2	1	—	—	—	$ 93
$ 65	$ 73	58	—	—	—	$ 47
$ 421	$ 422	455	—	—	—	$ 374
2	1	—	—	—	—	6
$ 75	$ 71	—	—	—	—	$ 51
$ 375	$ 419	—	—	—	—	$ 339
—	—	—	—	—	—	2
—	—	—	—	—	—	$ 77
—	—	—	—	—	—	$ 324
7,010	7,337	5,237	2,115	440	24	39,745
$ 144	$ 191	$ 244	$ 274	$ 252	$ 197	$ 146
$ 51	$ 44	$ 65	$ 104	$ 113	$ 74	$ 51

Annuitants By Benefit Range

June 30, 1989

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-100	727	727	1.9	1.9
101-200	1,031	1,758	2.6	4.5
201-300	2,014	3,772	5.1	9.6
301-400	2,623	6,395	6.7	16.3
401-500	3,371	9,766	8.6	24.9
501-600	4,161	13,927	10.6	35.5
601-700	2,969	16,896	7.5	43.0
701-800	2,836	19,732	7.2	50.2
801-900	2,778	22,510	7.1	57.3
901-1,000	2,406	24,916	6.1	63.5
1,001-1,100	1,952	26,868	5.0	68.4
1,101-1,200	1,879	28,747	4.8	73.2
1,201-1,300	1,598	30,345	4.1	77.3
1,301-1,400	1,380	31,725	3.5	80.8
1,401-1,500	1,221	32,946	3.1	83.9
1,501-1,600	997	33,943	2.5	86.4
1,601-1,700	891	34,834	2.3	88.7
1,701-1,800	652	35,486	1.7	90.4
1,801-1,900	584	36,070	1.5	91.9
1,901-2,000	553	36,623	1.4	93.3
2,001-2,100	444	37,067	1.1	94.4
2,101-2,200	385	37,452	1.0	95.4
2,200 +	1,816	39,268	4.6	100.0

Average Monthly Annuity

All Annuitants — By Age

Years of Age	Number of Annuitants	Percent of Total	Average Annuity
◄ 55	57	0.2	$ 545
55-59	1,352	3.4	1,415
60-64	5,639	14.2	1,370
65-69	7,365	18.5	1,128
70-74	7,021	17.7	897
75-79	6,721	16.9	807
80-84	6,218	15.6	682
85-89	3,714	9.3	595
► 89	1,664	4.2	540
Total	**39,751**	**100.0**	**931**

Average Age: 73

Disability Benefits

New Fiscal Year Recipients

Year	Number of New Recipients	Average Age	Average Monthly Benefit	Average Service	Average Years in Receipt of Benefit
1980	283	40	$568	11.25	.13
1981	319	39	580	10.82	.19
1982	332	41	649	11.83	.12
1983	382	42	690	12.57	.11
1984	366	43	747	13.07	.04
1985	337	43	759	13.00	.12
1986	356	42	829	13.45	.26
1987	343	43	884	14.23	.08
1988	339	44	904	14.10	.11
1989	340	45	$972	14.41	.11

Monthly Survivor Benefits

New Fiscal Year Recipients

Year	Number of New Recipients	Average Age	Average Monthly Benefit
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
1987	413	67	496
1988	485	68	442
1989	428	69	443

Membership Profile

As of June 30	Benefit Recipients	Inactive Members	Active Members	Total Members	Active Members Per Benefit Recipient
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	30,600	98,826	170,843	2.39
1987	42,659	28,400	99,934	170,993	2.34
1988	43,396	25,996	100,777	170,169	2.32
1989	45,718	27,196*	101,000*	173,914	2.21

**Estimated*

INVESTMENT REPORT

50 Years of Service

1939 - 1989

Introduction

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 totaled $8.0 billion at market value on June 30, 1989. The System serves as fiduciary for the members' trust fund and is responsible for investment of the fund under authority of the prudent person rule which establishes a standard that fiduciaries shall prudently discharge their duties solely in the interests of fund participants and beneficiaries. By permitting optimal diversification of assets within the fund, the prudent person standard has enabled the System to enhance control over fund risk and return parameters. 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 managing and monitoring 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 the 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. The System's staff assists the Board of Trustees in the formulation and implementation of investment policy and long-term investment strategy.

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.

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

At June 30, 1989, the System's asset class allocations and diversification by investment approach were as follows:

	% of Total Fund		
Asset Class	**Active**	**Index**	**Total**
Common Stock - U.S.	15.6	25.5	41.1
Bonds	27.2	5.5	32.7
Short-Term Investments	7.3	1.4	8.7
Common Stock - International	0.6	5.5	6.1
Real Estate Equity	10.4	0.0	10.4
Venture Capital	1.0	0.0	1.0
Total	62.1	37.9	100.00

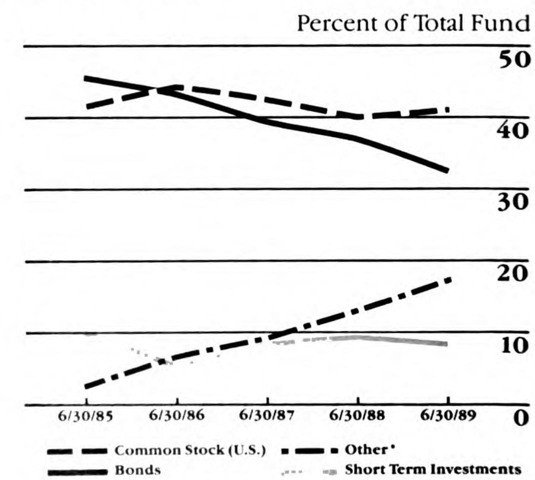
During FY89 the System's U.S. common stock holdings increased to 41.1% of the total fund from 40.0% a year earlier. International common stock allocations decreased to 6.1% of the total fund from 6.5% a year earlier, leaving fiscal year-end total common stock holdings at 47.2% of the total fund.

Bonds decreased to 32.7% of the total fund from 37.0% a year earlier. This was largely attributable to reallocating funds from bonds to real estate. Short-term investments decreased to 8.7% of the total fund from 9.6% a year earlier. Both equity and fixed income managers were holding lower levels of cash at year's end.

Diversification into real estate equities represented 10.1% of the total fund at fiscal year end. Real estate was up from 6.5% of the total fund from the previous fiscal year end. Diversification by asset class, investment approach, and investment manager style provides 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 five-year asset class allocation history is represented below.

Asset Allocation



*Includes Common Stock (International), Real Estate Equity, and Venture Capital

The System has established relationships with investment management firms having a diversity of management approaches, 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 achieved a higher level of risk management capability during FY89 by adopting a long-term strategic plan designed to achieve a specific set of investment objectives. A globally diversified, multiple asset class balanced fund portfolio was designed in order to construct the optimal long-term asset mix. Additionally, active management of the System's foreign currency exposure was allocated to two external investment management firms, Matuschka Moser Partners and N.M. Rothschild International Asset Management Limited. On the domestic equity side, seven new active specialty managers were retained to provide a new balance between active and passive investment approaches. On June 30, 1989 the following external investment management firms were employed by the System:

Fixed Income (Bonds)
Bear Stearns Asset Management
Dreyfus Management, Inc.
Marine Investment Management Company
Pacific Investment Management Company
State Street Bank and Trust Company

Equity (Common Stock)
Alliance Capital Management Corporation
American National Bank of Chicago
Ariel Capital Management
Brandywine Asset Management, Inc.
Cedar Hill Associates, Inc.
Eagle Asset Management, Inc.
Hotchkis and Wiley
Kemper-Murray Johnstone International (International)
Keystone Investment Management Corp.
Morgan Stanley Asset Management (The Chicago Group)
NCM Capital Management Group, Inc.
Oppenheimer Capital
State Street Bank and Trust Company (International)

Real Estate Equity
Bennett & Kahnweiler Realty Advisors
F.I.A. Associates
First Chicago Investment Advisors
JMB Institutional Realty Corporation
Jones Lang Wootton Realty Advisors
TCW Realty Advisors

Venture Capital
Frontenac Company

Tactical Asset Allocation
First Chicago Investment Advisors

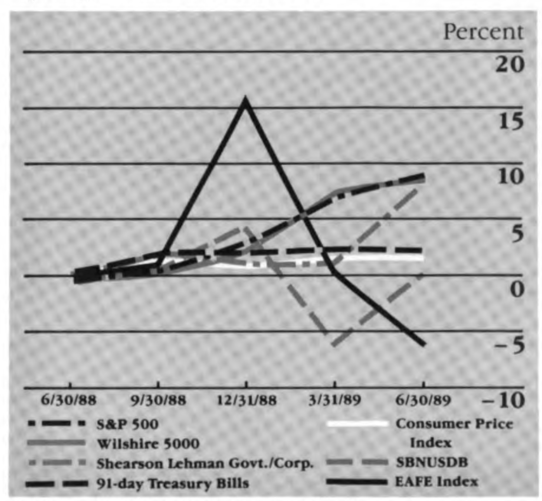
Foreign Exchange Exposure Management
Matuschka Moser Partners
N. M. Rothschild International Asset Management Limited

Investment Results

Asset Class/Market Indices Returns

During FY89, U.S. common stock was the best performing asset class as represented by the S&P 500 Index and the Wilshire 5000 Index which returned 20.5% and 19.5%, respectively. Domestic bonds were the next best performing asset class as represented by the Shearson Lehman Government/Corporate Bond (SLG/C) Index which returned 12.3%. International common stock, represented by the Europe, Australia and Far East (EAFE) Index, returned 9.4%. Short-term investments, represented by 91-day Treasury Bills, returned 8.8%. Non-U.S. dollar bonds, represented by the Salomon Non-Dollar Bond Index, returned −1.7%. All major asset classes and market indices except Non-dollar bonds outperformed the 5.1% annual rate of inflation as represented by the Consumer Price Index (CPI), while domestic and international equities demonstrated a remarkable recovery from the October 1987 stock market crash.

Asset Class Cumulative Return By Representative Indices



Source: Harris Trust and Savings Bank

Total Fund Results

The System's total fund time-weighted rate of return for FY89 of 14.4% was primarily attributable to the resurgence of the equity markets. The System's total fund annualized three-year and five-year returns of 10.0% and 16.2%, respectively, continue to outperform the rate of inflation for these periods, 4.3% and 3.6%, respectively. The System's long-term objective, to exceed the rate of inflation by 3%, has been achieved for both the three-year and five-year periods. The System's income rate of return during FY89 was 6.5%.

U.S. 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 & Poor's (S&P) 500 Stock Index on an annualized basis over a three- to five-year period or market cycle. In addition, the Wilshire 5000 Index is informally used as a benchmark since it is more representative of the aggregate U.S. equity market. The 5000 stocks within the Wilshire 5000 Index, as opposed to the 500 stocks within the S&P 500 Index, are highly diversified across the various equity market sectors and industries, and have highly diversified financial characteristics and risk factors which ultimately influence the total return.

During FY89, the portfolio's U.S. common stocks returned 18.3% compared to the S&P 500 return of 20.5% and the Wilshire 5000 return of 19.5%. For three- and five-years, U.S. common stocks generated annualized returns of 11.1% and 19.2%, respectively, below S&P 500 returns of 12.0% and 20.1% for the three-year and five-year periods, respectively. The portfolio's U.S. common stocks performed more favorably when compared with the three- and five-year Wilshire 5000 returns of 10.6% and 19.1%, respectively. Combined U.S. equity manager accounts, which include both common stock and short-term investments, returned 18.1% during FY89.

At fiscal year end, 43.6% of the System's investment portfolio was assigned to U.S. equity managers, including short-term investments, compared to 42.9% the prior fiscal year end. Within the U.S. common stock asset class, 46.5% of the asset class was allocated to an S&P 500 Index Fund and 12.7% to a Non-S&P 500 Index Fund at fiscal year end. The remaining 40.8% of the U.S. common stock asset class was allocated to active and enhanced index fund relationships. During FY89, the market value of assets assigned to U.S. equity managers increased from $3.01 billion to $3.51 billion due to $540 million of dividend income/appreciation and $43 million of reallocations from the U.S. equity asset class to other asset classes.

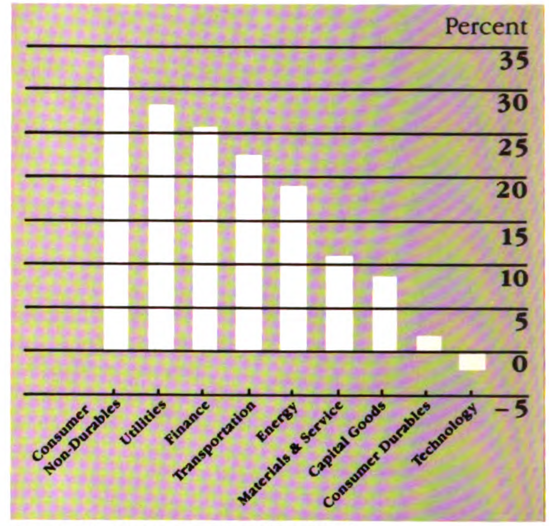
Major sector diversification changes took place during FY89 in the portfolio's U.S. common stocks. The following listing summarizes these changes and also provides a comparison with the S&P 500 and the Wilshire 5000 Indices:

Diversification by Industry Sector (%)

Sector	June 30, 1989			June 30, 1988		
	TRS	S&P 500	WIL 5000	TRS	S&P 500	WIL 5000
Consumer Non Durables	27.8	30.9	28.1	27.4	30.5	26.9
Technology	14.3	11.8	10.8	17.0	13.4	12.5
Materials and Service	13.6	11.4	12.9	11.5	13.7	13.9
Utilities	11.8	13.4	14.6	6.9	12.3	12.9
Finance	11.7	9.0	12.9	14.8	6.2	12.6
Energy	8.1	12.2	9.4	11.1	12.0	9.3
Capital Goods	6.4	5.4	5.3	5.6	5.3	5.2
Consumer Durables	3.3	3.5	3.3	3.1	3.6	4.0
Transportation	3.0	2.4	2.7	2.6	3.0	2.7

All S&P 500 industry sectors except Technology provided positive rates of return during FY89, with Consumer Non-Durables (34.1%), Utilities (28.4%), and Finance (26.0%) the leading industry sector performances.

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 FY89, as evidenced by the following comparison of equity portfolio characteristics with the S&P 500 and the Wilshire 5000 Indices:

U.S. Equity Portfolio Profile

	June 30, 1989			June 30, 1988		
	TRS	S&P 500	WIL 5000	TRS	S&P 500	WIL 5000
Capitalization ($Bil)	10.55	14.04	10.72	10.50	13.80	9.70
Price/Earnings Ratio	11.93	11.53	13.01	12.96	12.52	13.56
Dividend Yield (%)	2.92	3.45	3.15	3.39	3.76	3.25
Beta	0.99	1.00	1.07	0.99	1.00	1.07
Diversification (R-Squared)	0.97	1.00	0.99	0.98	1.00	0.97
Five-Year Earnings Growth Rate (%)	13.67	9.06	8.45	8.79	5.42	6.43
Market/Book Ratio	2.80	2.82	2.58	2.30	2.62	2.38

International Equity Results

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 FY89, the portfolio's international common stocks returned 14.5%, as compared to a return of 9.4% for the 18 country foreign equities market EAFE (Europe, Australia, Far East) Index. This outperformance is attributable primarily to the systematic underweighting of the Japan component of the international equity portfolio. The Japanese market underperformed EAFE both in local currency and in U.S. dollar terms. The strength of the U.S. dollar over most of the first six months of calendar 1989 contributed to a lower international equity return than was experienced over the 1985-1987 period. The basket of EAFE currencies declined by

7.6% over the 12 months ended June 1989, which reduced a 17.8% EAFE return in local (foreign) currency terms to 9.5% in U.S. dollar terms. The System's new currency exposure managers also contributed to the excess return above the EAFE Index. Kemper-Murray Johnstone, the System's only active international equity manager, generated a 10.6% return for the year, 1.2% over the EAFE return.

At fiscal year end, 19.3% of the asset class was allocated to an EAFE Index Fund and 69.7% of the asset class was allocated to an EAFE ex-Japan Fund. In addition, 11.0% of the asset class was allocated to an active manager. During FY89, the market value of assets assigned to international equity increased from $432 million to $472 million due to $56 million of market value appreciation and $16 million of reallocations from the international asset class to other asset classes.

Venture Capital Results

Venture capital investments returned 6.9% during FY89. A representative venture capital index is not available for relative 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 and Wilshire 5000 Indices. On June 30, 1989, the System had a market value of $87 million invested in three venture capital limited partnerships.

Fixed Income Results and Profile

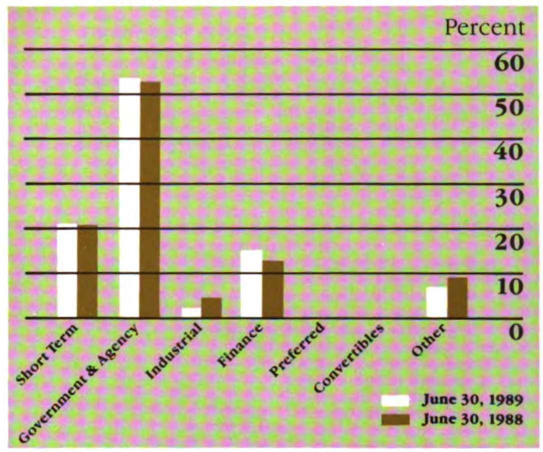
Fixed income manager objectives are to achieve a total investment return 2% in excess of the rate of inflation and in excess of the bond market, as measured by Shearson Lehman Government/Corporate Bond (SLG/C) Index, on an annualized basis over a three- to five-year period, or a market cycle. During FY89, the System's bond portfolio, including all fixed income instruments with maturities greater than one year, generated a 13.8% total return, compared to the 12.3% return of the SLG/C Index.

The total funds under management by fixed income managers, including short-term investments, generated a 12.3% total return during FY89. For a three- and five-year period, bonds generated 8.4% and 15.4% annualized returns, respectively, as compared to 8.1% and 14.4%, respectively for the SLG/C Index. During FY89, the market value of total assets assigned to fixed income managers, including short-term investments, increased from $2.931 billion to $2.950 billion due to $326 million in interest income/appreciation and reallocation of $307 million from the bonds asset class to other asset classes.

Financial futures contracts controlling approximately $78 million of underlying U.S. Treasury Bonds and U.S. Treasury Notes, are included within the $2.950 billion market value of total assets assigned to fixed income managers 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.

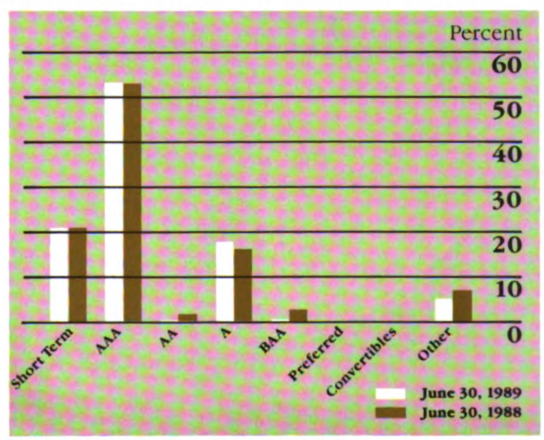
The following exhibits reflect changes made within fixed income manager portfolios during FY89 with regard to diversification by issuer type and quality ratings, as well as the underlying bond portfolio characteristics (excluding short-term investments) primarily affecting total return.

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

Real Estate Equity Investment Results

Real estate equity investments made by the System's four closed-end fund managers and three separate account managers returned 8.7% during FY89. The income component of the total return was 6.2%, while capital appreciation accounted for 2.5%. The separate accounts' total return of 9.0% outperformed the 7.2% total return of closed end funds. 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. During FY89, the market value of assets assigned to the System's real estate investment managers increased from $473 million to $938 million due to $20.8 million of market value appreciation, $48.2 million in income/reinvested income, and $396 million of reallocations from other asset classes to the real estate asset class. The System will continue to progress toward a 15% asset allocation target for the real estate equity asset class over the next two to three years.

Short-Term Investment Results

The investment management firms use discretion in allocating funds to short-term investments 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.

As an asset class, the System's short-term investments generated a total return of 9.3%, during FY89. For the five years, short-term investments returned 8.3%, underperforming the 19.8% return of U.S. common stocks and the 15.4% of bonds. Total assets allocated to short-term investments increased from $678 million to $699 million during FY89.

Investment Portfolio Summary*

June 30, 1989

	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	$ 1,331,530,920	18.4%	$ 1,363,597,122	17.0%	9.0%
Federal Agency	401,421,620	5.6	413,772,208	5.1	8.4
Municipal Bonds	978,283	.0	991,959	.0	9.7
Total Government Obligations	1,733,930,823	24.0	1,778,361,289	22.1	
Corporate Obligations					
Finance	498,385,768	6.9	509,923,314	6.3	10.5
Industrial and Miscellaneous	84,343,406	1.1	86,115,474	1.1	10.4
Public Utilities	47,136,140	.7	47,373,400	.6	11.0
Telephone	7,497,770	.1	8,173,690	.1	9.9
Transportation	9,126,688	.1	9,210,600	.1	10.0
Total Corporate Obligations	646,489,772	8.9	660,796,478	8.2	
International	180,507,420	2.5	180,099,986	2.3	8.9
Convertible Issues and Preferred Stock	4,303,224	.1	7,850,096	.1	3.5
TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK	2,565,231,239	35.5	2,627,107,849	32.7	
COMMON STOCK - U.S.	2,645,295,130	36.6	3,303,388,076	41.1	3.2
SHORT TERM INVESTMENTS**	699,433,900	9.7	699,606,144	8.7	9.6
COMMON STOCK - INTERNATIONAL	418,216,751	5.8	486,923,965	6.1	0.1
REAL ESTATE EQUITY	808,984,433	11.2	838,019,567	10.4	6.2
VENTURE CAPITAL	84,899,463	1.2	83,673,952	1.0	8.8
TOTAL PORTFOLIO	**$ 7,222,060,916**	**100.0%**	**$ 8,038,719,553**	**100.0%**	**5.9%**

**For investment purposes, financial futures contracts in the net amount of $78,471,794 were classified according to the type of security controlled and correspondingly removed from the classification as short-term investments as follows: U.S. Government Obligations — $29,970,594 and Common Stock - U.S. — $48,501,200.*

*** Includes accrued interest and dividends totaling $80,285,149.*

Composition of Investments
(At Market Value)

June 30, 1989

Venture Capital (1.0%)

Real Estate Equity (10.4%)

Short Term Investments (8.7%)
8.4% Commercial Paper
.3% Investment Reserve Fund (% of Total)
42.4% Commercial Paper
38.2% Time Deposits
13.0% Certificate of Deposit
2.4% Guaranteed Insurance Contracts
4.0% Demand Notes

Common Stock-U.S. (41.1%)
11.4% Consumer Non-Durables
5.9% Technology
5.6% Materials and Service
4.9% Utilities
4.8% Finance
3.3% Energy
2.6% Capital Goods
1.4% Consumer Durables
1.2% Transportation

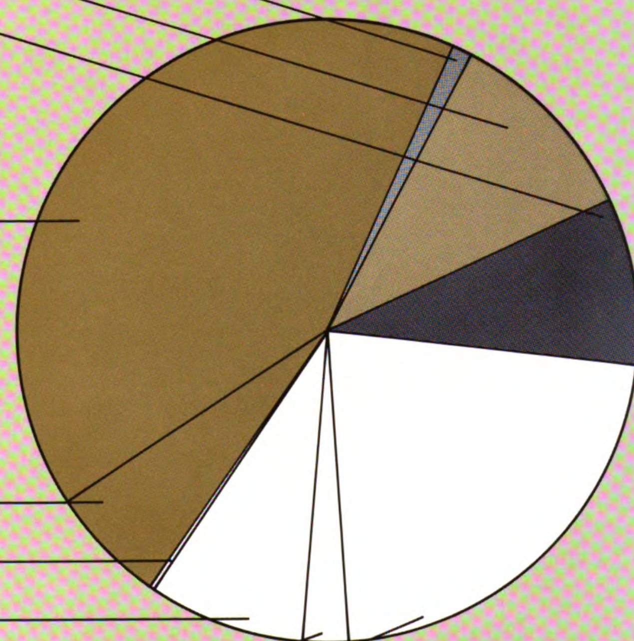
Common Stock-Int'l. (6.1%)

Preferred Stock and Convertibles (0.1%)

Corporate Obligations-U.S. (8.2%)
6.3% Finance
1.1% Industrial
0.6% Utilities
0.1% Telephone
0.1% Transportation

Corporate Obligations-Int'l. (2.3%)

Government Obligations (22.1%)
17.0% U.S. Government
5.1% Federal Agency
3.6% Mortgage-Backed
1.5% 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)					
	1985	1986	1987	1988	1989	Five Years 1985-1989
Beginning Book Value	$3,728	$4,265	$5,168	$6,092	$6,684	$3,728
Net Contributions Added	92	90	89	32	26	329
Investment Income	329	345	364	394	428	1,860
Net Realized Gain (Loss)	116	468	471	166	134	1,355
Ending Book Value	4,265	5,168	6,092	6,684	7,272	7,272
Unrealized Gain (Loss) - Beginning of Period	(102)	329	780	866	371	(102)
Unrealized Gain (Loss) - During Period	431	451	86	(495)	446	919
Ending Market Value*	$4,594	$5,948	$6,958	$7,055	$8,089	$8,089

**Includes miscellaneous assets.*

Performance Summary

Annualized Percent for Periods Ending June 30, 1989*

						Annualized	
	1985	1986	1987	1988	1989	3 Years	5 Years
Total Time-Weighted Return							
TRS	24.3	27.7	15.4	0.9	14.4	10.0	16.2
Inflation (CPI)	3.7	1.5	3.8	4.0	5.1	4.3	3.6
Common Stock - U.S. Returns							
TRS	28.7	36.2	23.8	−6.3	18.3	11.1	19.2
S&P 500	31.0	35.9	25.1	−6.8	20.5	12.0	20.1
Wilshire 5000	31.2	35.3	20.2	−5.9	19.5	10.6	19.1
Bond Returns							
TRS	30.3	23.3	4.8	6.7	13.8	8.4	15.4
Shearson Lehman G/C Bond Index	28.7	20.6	4.7	7.4	12.3	8.1	14.4
Common Stock — International Returns							
TRS	7.9	103.6	56.5	−7.7	14.5	18.3	29.4
EAFE Index	23.8	89.7	58.8	3.9	9.4	21.8	33.5
Real Estate Equity Returns	8.8	8.8	9.1	7.7	8.7	8.5	8.6
Venture Capital Returns	15.4	48.8	14.0	2.0	6.9	7.5	16.4
Short-Term Returns							
TRS	10.6	8.4	6.2	7.3	9.3	7.6	8.3
91-Day Treasury Bills	8.8	7.6	5.5	6.4	8.8	6.9	7.4
Income Rate of Return**	8.6	6.9	5.6	5.9	6.5	6.0	6.7
Cash Return***	11.9	19.1	16.2	9.5	9.4	11.7	13.2
Asset Allocation (Annual Average)							
Bonds	41.9	45.7	42.1	38.8	32.9	37.9	40.3
Common Stock - U.S.	35.3	42.7	41.1	40.6	40.8	40.9	40.1
Short-Term	20.5	7.7	8.3	9.1	9.0	8.8	10.9
Other****	2.3	3.9	8.5	11.5	17.3	12.4	8.7

**Performance calculations provided by Harris Trust and Savings Bank.*
***Income return, based on average market value, includes real estate income, interest and dividends.*
****Cash return, based on beginning book value, includes real estate income, interest, dividends and realized gains/losses.*
*****Includes Real Estate Equity, Common Stock-International, Bonds-International and Venture Capital.*

INVESTMENT LISTING

BONDS, CORPORATE NOTES AND PREFERRED STOCK

GOVERNMENT OBLIGATIONS	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
U.S. Government						
U.S. Treasury Bonds	AAA	10.500%	02-15-1995	$13,900,000	14,868,524	15,320,441
	AAA	10.375	05-15-1995	2,400,000	2,558,184	2,651,256
	AAA	11.750	02-15-2001	10,500,000	13,570,611	13,190,625
	AAA	10.750	02-15-2003	5,000,000	5,462,500	6,031,250
	AAA	10.750	05-15-2003	5,000,000	5,950,000	6,042,200
	AAA	11.125	08-15-2003	12,000,000	13,777,125	14,880,000
	AAA	10.750	08-15-2005	10,500,000	13,014,219	12,865,755
	AAA	10.375	11-15-2009	3,000,000	3,755,028	3,549,360
	AAA	10.375	11-15-2012	50,750,000	58,036,147	60,931,465
	AAA	12.000	08-15-2013	44,200,000	58,133,256	60,001,500
	AAA	9.875	11-15-2015	4,800,000	5,555,021	5,708,976
	AAA	7.250	05-15-2016	3,000,000	2,648,804	2,726,250
	AAA	8.750	05-15-2017	14,000,000	14,125,538	15,006,180
	AAA	8.875	08-15-2017	11,000,000	11,642,813	11,952,160
	AAA	8.875	02-15-2019	26,000,000	28,318,125	28,445,560
U.S. Treasury Bonds - Futures Contracts				10,370,594	10,370,594	10,370,594
U.S. Treasury Notes	AAA	10.750	08-15-1990	22,000,000	23,904,453	22,543,180
	AAA	11.500	10-15-1990	8,000,000	7,975,136	8,307,520
	AAA	13.000	11-15-1990	2,000,000	2,215,000	2,119,380
	AAA	8.875	11-30-1990	5,000,000	4,973,438	5,045,300
	AAA	11.750	01-15-1991	8,500,000	9,482,870	8,925,000
	AAA	8.750	08-15-1991	5,000,000	4,985,938	5,057,80[illegible]
	AAA	7.500	08-15-1991	17,000,000	16,562,500	16,803,[illegible]
	AAA	12.250	10-15-1991	2,000,000	2,155,059	2,1[illegible]
	AAA	6.500	11-15-1991	2,000,000	1,891,875	1,931,[illegible]
	AAA	11.625	01-15-1992	6,000,000	6,288,563	6,464,[illegible]
	AAA	9.125	02-15-1992	8,840,000	8,821,790	9,047,210
	AAA	7.875	03-31-1992	1,800,000	1,771,313	1,791,558
	AAA	13.750	05-15-1992	3,000,000	3,527,181	3,421,[illegible]
	AAA	10.375	07-15-1992	4,000,000	4,140,000	4,241,240
	AAA	8.250	08-15-1992	3,000,000	2,911,875	3,012,180
	AAA	9.750	10-15-1992	5,000,000	5,620,313	5,229,700
	AAA	8.750	01-15-1993	4,000,000	4,070,000	4,077,[illegible]
	AAA	7.625	05-15-1993	25,250,000	23,889,953	24,839,688
	AAA	8.125	06-30-1993	10,500,000	10,419,255	10,477,110
	AAA	11.750	11-15-1993	28,000,000	31,380,781	31,605,000
	AAA	7.000	01-15-1994	1,000,000	899,688	957,810
	AAA	8.875	02-15-1994	29,000,000	29,632,263	29,878,990
	AAA	13.125	05-15-1994	15,000,000	17,632,031	17,934,300
	AAA	9.500	05-15-1994	146,520,000	152,783,117	154,578,600
	AAA	8.000	07-15-1994	7,500,000	7,310,547	7,469,550
	AAA	12.625	08-15-1994	68,000,000	77,458,176	80,516,080
	AAA	8.625	08-15-1994	66,000,000	65,712,704	67,629,540
	AAA	9.500	10-15-1994	1,000,000	1,016,172	1,057,660
	AAA	11.625	11-15-1994	67,000,000	74,743,281	76,924,040
	AAA	8.625	01-15-1995	23,000,000	23,199,477	23,481,620
	AAA	11.250	02-15-1995	6,400,000	7,017,365	7,270,016
	AAA	11.250	05-15-1995	25,000,000	29,469,902	28,523,500
	AAA	10.500	08-15-1995	1,500,000	1,612,500	1,662,660
	AAA	8.625	10-15-1995	10,000,000	9,945,900	10,221,900
	AAA	8.875	02-15-1996	10,500,000	10,492,032	10,883,880
	AAA	7.375	05-15-1996	40,750,000	37,321,990	39,094,3[illegible]
	AAA	7.250	11-15-1996	82,875,000	75,757,781	78,756,941
	AAA	8.500	05-15-1997	62,200,000	60,323,202	63,404,814
	AAA	8.625	08-15-1997	53,200,000	52,181,221	54,646,50[illegible]
	AAA	8.875	11-15-1997	28,000,000	27,845,547	29,181,1[illegible]
	AAA	8.125	02-15-1998	71,200,000	69,831,672	71,044,072
	AAA	9.250	08-15-1998	6,000,000	6,297,500	6,410,640
	AAA	8.875	11-15-1998	29,100,000	29,493,382	30,445,975
	AAA	8.875	02-15-1999	5,000,000	5,179,688	5,242,[illegible]00
U.S. Treasury Notes - Future Contracts				19,600,000	19,600,000	19,[illegible]
Total U.S. Government				**1,272,655,594**	**1,331,530,920**	**1,363,597,[illegible]22**
Federal Agency						
American Commercial Lines Inc. Govt. GTD Bond	AAA	8.000	08-15-2002	2,050,000	1,893,813	1,946,475
Federal Farm Credit Bank	AAA	10.250	10-02-1989	7,900,000	7,900,000	7,924,648
	AAA	10.950	01-22-1990	1,000,000	1,037,656	1,011,410
	AAA	10.400	07-23-1990	3,000,000	2,988,750	3,056,730
	AAA	13.650	12-02-1991	3,000,000	3,260,625	3,335,610
	AAA	10.650	01-20-1993	5,000,000	5,141,406	5,381,250
	AAA	12.350	03-01-1994	5,000,000	5,546,094	5,765,600
Federal Home Loan Banks	AAA	8.800	11-16-1989	10,000,000	9,591,778	9,591,778
FHA Mortgage Loan - Oak Ridge, TN	AAA	5.250	07-01-1989	49,178	49,906	43,768
FHA Project #221	AAA	8.400	06-01-2007	1,437,525	1,315,256	1,351,273
Federal National Mortgage Debenture	AAA	8.150	08-12-1996	3,000,000	2,804,850	2,957,820
	AAA	8.200	07-10-2002	4,300,000	4,295,766	4,132,042
	AAA	9.800	12-10-1998	5,000,000	4,995,313	5,187,500
	AAA	10.125	06-10-1992	3,000,000	3,189,375	3,138,750
	AAA	11.150	06-12-1995	3,000,000	3,158,310	3,368,430
	AAA	11.500	12-10-1991	4,000,000	4,245,560	4,280,760
	AAA	12.000	04-10-1992	1,000,000	1,094,000	1,086,250
FHLMC Groups	AAA	9.790	VARIOUS	3,798,805	3,785,720	3,789,811
	AAA	7.000		3,931,677	3,555,710	3,467,228
	AAA	7.375		1,000,000	885,625	973,750
	AAA	8.000		9,105,051	8,338,077	8,422,780
	AAA	8.100		5,000,000	4,720,313	4,892,200
	AAA	8.500		15,814,791	14,953,054	15,227,567
	AAA	8.550		2,000,000	2,000,000	1,999,560
	AAA	8.850		3,950,000	3,932,951	3,831,500
	AAA	8.900		4,185,343	4,176,187	4,148,721
	AAA	9.000		22,230,925	21,727,191	21,594,437
	AAA	9.250		39,152	38,393	38,809
	AAA	10.000		24,490,496	23,751,030	24,815,537
	AAA	10.300		4,000,000	4,300,520	4,278,760
	AAA	10.500		436,373	389,463	445,371
	AAA	11.000		1,022,075	1,034,851	1,054,965
	AAA	12.500		42,990	42,104	45,663
FNMA Pools	AAA	9.898	VARIOUS	5,754,000	5,736,019	5,736,048
	AAA	7.500		9,046,734	7,914,477	8,215,520
	AAA	7.900		2,218,092	2,197,298	2,151,550
	AAA	8.000		17,163,741	15,460,828	15,932,202

GOVERNMENT OBLIGATIONS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
	AAA	8.500%		$ 4,639,197	4,364,831	4,408,675
	AAA	9.000		5,042,869	4,751,217	4,889,449
	AAA	9.500		3,500,000	3,471,563	3,471,545
	AAA	9.673		16,935,703	16,671,083	16,935,703
	AAA	10.000		1,948,881	1,887,369	1,970,182
	AAA	12.750		4,893,932	5,277,799	5,187,568
	AAA	13.250		399,046	424,984	425,730
	AAA	14.750		4,235,741	4,669,042	4,562,656
	AAA	15.750		3,640,488	3,846,697	3,957,829
	AAA	16.000		1,773,688	1,882,680	1,910,582
GMAC Mortgage KGKOG FHA Pool	A3	0	04-01-1993	1,325,688	835,751	1,219,633
GNMA Pools	AAA	7.250	VARIOUS	7,792,372	6,166,014	7,127,526
	AAA	8.000		2,102,624	1,813,289	1,960,756
	AAA	8.500		9,546,182	9,021,538	9,270,467
	AAA	8.750		5,180,493	4,947,146	5,017,236
	AAA	8.875		3,000,000	2,888,438	3,046,500
	AAA	9.000		9,715,117	9,105,342	9,502,551
	AAA	9.250		3,209,140	3,080,647	3,152,980
	AAA	9.400		3,000,000	2,932,500	3,169,500
	AAA	9.500		999,827	948,586	999,197
	AAA	9.625		1,000,000	999,420	1,067,500
	AAA	10.000		4,245,419	4,069,350	4,330,575
	AAA	11.000		975,001	999,071	1,028,626
	AAA	11.500		16,908,528	17,928,265	18,134,400
	AAA	12.000		71,795	72,778	77,852
	AAA	12.500		78,523	86,032	86,031
	AAA	12.750		1,702,654	1,797,365	1,825,842
	AAA	13.000		944,086	1,010,650	1,024,918
	AAA	13.250		375,039	403,557	405,979
	AAA	13.500		2,279,780	2,452,571	2,479,688
	AAA	16.000		3,752	4,263	4,181
GNMA Pools Stripped Coupons	AAA	0		17,000,000	4,445,300	5,331,750
Guaranteed Mortgage Corporation II	A3	11.875	04-01-2006	3,735,282	3,947,073	3,940,722
	A3	11.000	12-01-2015	5,850,265	5,978,219	6,142,778
Int'l Bank for Reconstruction and Development	AAA	8.500	06-26-2016	3,000,000	2,509,440	2,852,820
Inter American Development Bank	AAA	13.250	08-15-1994	5,000,000	5,774,650	5,932,150
Rural Housing Trust 1987-1	A3	6.330	06-01-1994	336,134	314,632	334,033
	A3	6.330	06-01-1997	5,500,000	4,573,250	5,274,830
Shipco 2296 Inc Govt GTD Bond	AAA	8.100	02-27-2002	1,000,000	921,250	1,032,610
Student Loan Marketing Association	AAA	9.050	08-31-1990	5,000,000	4,999,219	5,000,000
	AAA	8.450	12-01-1990	2,000,000	2,002,813	2,001,240
	AAA	9.050	05-01-1991	5,000,000	5,000,000	5,000,000
	AAA	8.800	12-03-1992	5,000,000	5,075,000	5,112,500
	AAA	10.500	04-22-1993	8,000,000	8,547,879	8,570,000
Treasury Receipts	AAA	0	11-15-1992	4,041,250	2,596,043	3,063,386
Treasury Stripped Securities	AAA	0	05-15-2002	9,416,000	3,103,702	3,271,589
	AAA	0	11-15-2014	50,000,000	9,052,000	9,551,000
	AAA	0	08-15-2017	35,000,000	3,836,000	3,988,600
	AAA	0	02-15-1999	15,000,000	6,198,563	6,937,200
	AAA	0	11-15-1999	21,000,000	8,557,470	9,146,760
	AAA	0	02-15-2001	3,000,000	1,031,010	1,180,560
Washington D C Metropolitan Area Transit	AAA	8.150	07-01-2014	3,000,000	2,730,000	2,823,750
Total Federal Agency				**525,311,444**	**401,421,620**	**413,772,208**
Municipal						
Arkansas State Development Finance Authority	NR	9.750	11-15-2005	983,198	978,283	991,959
Total Municipal				**983,198**	**978,283**	**991,959**
TOTAL GOVERNMENT OBLIGATIONS				**$1,798,950,236**	**1,733,930,823**	**1,778,361,289**

CORPORATE OBLIGATIONS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Finance						
Alaska State Housing Finance Corporation	A3	9.620%	10-15-1994	$ 5,000,000	5,018,200	5,177,400
American Express Company	A3	11.950	01-15-1995	1,000,000	1,088,000	1,098,780
American General Finance Corporation	A3	8.500	06-15-1999	3,000,000	2,952,381	2,955,000
American Southwest Financial Corporation	A3	12.500	04-01-1999	240,574	250,183	242,980
Associates Corporation of North America	A3	8.875	11-01-1993	2,500,000	2,488,550	2,501,475
	A3	8.375	01-15-1998	4,000,000	4,001,120	3,966,960
British Gas Finance Inc	A3	9.500	03-15-2018	2,500,000	2,496,875	2,594,700
Centrust Savings Bank	A3	9.400	09-26-1993	5,000,000	4,994,100	5,038,000
Chase Manhattan Corporation	A3	9.750	09-15-1999	30,000,000	29,952,000	30,058,200
Chrysler Financial Corporation	BAA1	9.700	02-10-1992	2,000,000	1,974,260	2,020,000
	A3	7.813	09-16-1992	13,750,000	13,743,125	13,743,125
	A3	9.500	11-01-1992	2,000,000	2,004,320	2,026,800
	BAA1	8.125	02-15-1994	1,300,000	1,157,975	1,257,308
	BAA1	9.500	06-01-2008	2,000,000	1,976,240	2,026,200
CIT Group Holdings Inc	A3	9.100	11-04-1990	3,000,000	3,042,450	3,002,310
Citicorp	A3	10.750	10-15-1992	2,500,000	2,496,025	2,542,950
	A-1	8.450	03-15-2007	1,500,000	1,342,140	1,402,335
Citicorp Homeowners Inc	A3	9.500	09-01-2016	3,519,679	3,624,271	3,343,695
Collateralized Mortgage Securities Corporation	A3	11.450	09-01-2015	14,659,777	15,925,434	15,685,961
	A3	8.000	08-25-2017	3,900,000	3,500,250	3,549,000
	A3	8.000	11-20-2019	5,000,000	4,373,200	4,637,500
College & University Facility Loan Trust	A3	9.200	12-01-1991	3,000,000	2,943,281	3,037,500
Comfed Savings Bank	A3	9.350	11-15-1992	1,000,000	991,410	1,009,940
Cooperative Utility Trust Certificates	A3	10.700	09-15-2017	7,000,000	7,000,000	7,913,220
CTC Beaver Valley Funding Corporation	A3	12.000	06-01-2017	21,000,000	21,063,750	22,606,920
Drexel Burnham Lambert CMO Trust Series	A3	8.000	07-01-2017	3,312,296	3,136,331	3,146,682
FBC Mortgage Securities Trust II	A3	8.000	09-01-2016	8,688,802	7,902,739	8,254,362
Financing Corporation	A3	10.700	10-06-2017	6,000,000	6,582,365	7,263,720
Financing Corporation Coupons Stripped	A3	0	11-11-1991	4,000,000	2,953,560	3,286,440
	A3	0	03-07-1996	11,000,000	5,801,070	6,269,120
	A3	0	03-07-1999	10,000,000	4,322,700	4,442,000
	A3	0	12-06-2004	15,000,000	3,960,150	4,052,550
First Bank NA	A3	8.750	06-21-1991	2,500,000	2,500,000	2,496,325
First Boston Stripped Mortgage Securities	A3	0	10-01-2018	49,449,342	21,417,746	27,197,138
First Home Mortgage Acceptance Corporation	AAA	11.000	02-01-2016	6,687,465	7,095,218	6,854,652
First Institute Bancorp	A3	8.750	03-15-1995	1,000,000	981,160	969,290
First PV Funding Corporation	A3	10.300	01-15-2014	2,000,000	2,005,000	2,000,000
Fleet Financial Group Inc	A3	9.625	02-01-1996	1,500,000	1,564,530	1,516,635
Ford Motor Credit Company	A3	9.000	06-15-1993	5,000,000	4,992,000	5,039,550
	A3	11.875	04-15-1995	3,500,000	3,484,250	3,718,015
Ford Motor Credit Company Floating Rate	A3	9.625	01-12-2000	1,500,000	1,497,188	1,500,000
Franklin Savings Association	A3	10.375	09-01-1993	2,000,000	2,055,920	2,099,240
General Electric Credit Corporation	A3	8.750	11-15-1992	5,000,000	5,054,973	5,006,200
	A3	8.000	03-01-2002	18,978,570	18,810,274	18,598,999
General Motors Acceptance Corporation	A3	10.150	04-15-1991	7,000,000	7,007,350	7,128,100
	A3	8.375	06-15-1991	1,300,000	1,333,241	1,286,974
	A3	8.750	01-15-1992	5,000,000	5,064,450	4,981,600
	A3	9.250	11-01-1992	5,000,000	4,986,250	5,066,150
	AA3	8.000	07-01-1993	1,000,000	945,880	974,081
Great Western Federal Savings Bank	A3	9.250	09-08-1990	5,000,000	4,990,000	5,011,300
	A3	10.370	04-22-1991	8,000,000	8,025,360	8,180,000
	A3	10.150	03-15-1992	20,505,000	20,353,022	21,051,868
Household Bank	A3	8.250	11-15-1990	5,532,139	5,538,740	5,476,818
Household Finance Corporation	A3	6.850	10-01-1992	6,000,000	5,971,200	5,835,000
	A3	7.000	04-01-1995	5,000,000	4,864,300	4,924,900
Irving Bank Corporation	A3	6.125	07-01-1992	4,100,000	2,270,986	3,787,170
ITT Financial Corporation	A3	9.250	11-01-1992	5,000,000	4,993,750	5,034,950
Kidder Peabody Mortgage Assets Trust	A3	8.940	04-01-2019	5,000,000	4,696,875	4,987,500
Long Term Credit Bank	A3	9.875	02-25-1991	1,000,000	989,840	1,013,370
Lyons Funding Corporation	A3	10.700	07-01-2003	3,600,000	3,698,688	3,708,000
Marine Midland Banks Inc	NR	7.625	03-01-2003	8,000,000	8,000,000	6,740,000
Maritrans Capital Corporation	A3	9.250	04-01-2007	4,000,000	4,000,000	3,800,000
Mitsubishi Bank Ltd of New York	A3	10.200	09-10-1990	5,000,000	5,000,000	5,071,050
	A3	10.200	03-08-1991	3,000,000	3,004,320	3,067,560

CORPORATE OBLIGATIONS	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Finance (continued)						
Montgomery Ward Credit Corporation	A3	9.250%	08-17-1993	$ 6,000,000	5,935,625	6,023,160
Morgan Guaranty Trust Company	A3	9.900	09-15-1990	5,000,000	4,997,500	5,050,300
Morgan Stanley Mortgage Trust	A3	8.450	05-01-2017	2,025,000	1,983,234	1,991,122
Mortgage Bankers Financial Corporation I	A3	9.900	03-01-2018	5,650,146	5,282,280	5,537,143
National Credit Card Trust	A3	9.700	02-17-1992	3,000,000	3,026,250	3,042,420
	A3	10.150	04-15-1993	10,515,000	10,459,139	10,843,909
	A3	9.850	03-31-1995	5,000,000	4,997,500	5,142,950
National Rural Utilities Coop Finance Company	AA2	9.000	03-15-2016	2,500,000	2,462,500	2,425,900
Norwest Mortgage Inc	A3	12.250	10-01-2002	496,713	513,787	496,713
Paine Webber CMO	NR	9.500	06-01-2017	3,000,000	2,874,375	3,050,400
Philip Morris Credit Corporation	A3	10.500	07-01-2008	3,080,000	3,080,000	3,080,000
Provident National Bank of Philadelphia	A3	8.900	01-27-1993	4,000,000	3,860,920	4,015,200
Pulte Homes Corporation	A3	12 000	01-01-2007	3,603,531	3,772,254	3,819,742
Republic National Bank of New York	A3	7.500	03-01-1990	3,000,000	2,998,125	2,971,860
Republic New York Corporation Floating Rate	AA3	9,438	03-14-2004	3,000,000	2,920,290	2,902,500
Resorts International Financing Inc	BA3	16.625	09-01-2004	5,000,000	5,193,750	2,537,500
Roosevelt Federal Savings & Loan Assn	A3	8.250	07-15-1990	7,000,000	6,899,540	6,950,020
Ryland Acceptance Corporation	A3	9.550	04-25-1999	6,584,795	6,632,123	6,584,795
	A3	8 800	02-01-2000	1,079,759	1,095,955	1,068,962
	A3	11.600	06-01-2003	1,081,851	1,115,659	1,135,944
	A3	8.000	06-01-2007	5,557,925	5,322,661	5,446,766
Santa Barbara Savings & Loan Association	A3	8.750	06-29-1992	3,000,000	2,992,200	2,983,560
	A3	8.000	12-31-1996	6,000,000	5,536,560	5,589,180
Security Pacific National Bank	A3	9.020	09-20-1991	1,000,000	985,740	1,000,000
	A3	10.500	01-01-2018	7,464,990	7,532,642	7,539,640
Toyota Motor Credit Corporation	AAA	8,750	09-15-1991	11,000,000	10,978,000	10,997,580
Travelers Mortgage Service Floating Rate	A3	10.179	04-25-2019	11,174,395	10,675,037	11,062,652
Travelers Mortgage Services Inc	A3	7.500	02-01-2017	3,825,660	3,352,235	3,395,273
Western Federal Savings and Loan	A3	8.247	03-01-2019	17,954,145	17,681,431	17,954,145
Yasuda Trust & Banking Limited-New York	A3	9.125	10-27-1993	1,000,000	977,490	1,008,410
Total Finance				**554,117,554**	**498,385,768**	**509,923,314**
Industrial and Miscellaneous						
Atlantic Richfield Company	A-1	10.500	10-15-1995	3,000,000	2,977,500	3,118,890
Berkshire Hathaway Inc	AA2	9.750	01-15-2018	4,350,000	4,241,250	4,556,756
Centex Acceptance Corporation	A3	12.000	04-01-2000	797,890	812,850	821,827
Chrysler Corporation	BAA1	12.000	11-15-2015	4,000,000	4,356,667	4,316,560
Dayton Hudson Corporation	A3	9.750	11-01-1998	3,000,000	3,000,000	3,052,590
Du Pont (E.I.) DeNemours & Company	AA2	8.500	05-01-2006	2,000,000	1,826,300	1,903,680
Eaton Corporation	A3	8.000	08-15-2006	2,500,000	2,345,525	2,352,975
Emerson Capital Corporation	A3	10.500	07-01-2008	770,000	770,000	770,000
General Motors Corporation	A3	8.125	04-15-2016	2,000,000	1,581,820	1,817,420
Georgia Pacific Corporation	A3	9.750	11-01-1992	1,000,000	1,011,250	1,023,380
Hospital Corporation of America	A3	15.750	07-01-2003	1,000	636	682
Interco Inc	A3	13.750	11-01-2000	800	873	678
	A3	14.000	12-15-2003	1,066	689	458
	A3	14.500	12-15-2003	1,680	1,693	1,025
International Business Machines	AAA	9.375	10-01-2004	1,000,000	994,375	1,022,500
Kroger Company	A3	15.500	10-15-2008	1,100	561	647
Macy Funding Corporation	A3	8.900	04-15-1995	3,375,000	3,359,180	3,394,913
McDonnell Douglas Corporation	A3	10.375	11-01-1992	3,000,000	2,995,160	3,038,310
Nerco Inc.	A3	9.650	06-01-1999	5,000,000	5,097,000	5,504,300
Occidental Petroleum Corporation	BAA2	11.750	03-15-2011	4,500,000	4,594,375	4,802,355
Olympia & York	NR	10.367	03-20-1999	2,954,168	2,937,551	2,954,168
Phillips Petroleum Company	BAA2	13.875	03-15-1997	636,946	653,214	714,297
	BAA3	14.750	03-15-2000	7,697,455	8,326,192	8,736,610
RJR Nabisco Inc	A3	8.125	04-15-1991	3,500,000	3,435,145	3,357,585
Scott Paper Company	A3	9.500	01-01-1993	3,000,000	2,947,500	3,034,080
Shoneys Inc	A3	12.000	07-01-2000	900	887	909
Times Mirror Corporation	A3	8.875	01-01-1993	3,000,000	2,987,250	2,980,650
Unisys Corporation	A3	8.000	09-15-1991	2,500,000	2,511,875	2,446,000
United Illuminating Company	A3	12.000	08-01-2017	8,500,000	8,566,875	8,671,700
USG Corporation	BA2	16.000	07-15-2008	1,000	1,040	840
Walter (Jim) Corporation	BA3	13.750	02-01-2003	1,800,000	2,040,750	[illegible]
Wilmington Trust Alamaito Company	A2	10.500	01-01-2015	7,927,423	7,927,423	7,[illegible]
Xerox Corporation	A2	13.250	09-01-2014	2,000,000	2,040,000	2,352,[illegible]40
Total Industrial and Miscellaneous				**83,816,428**	**84,343,406**	**86,115,[illegible]74**
Public Utilities						
Bell Atlantic Corporation	A3	8.850	12-02-1991	6,000,000	5,944,980	6,000,000
Central Power & Light Company	A3	9.750	11-01-1994	1,000,000	992,500	1,027,160
Commonwealth Edison Company	A3	8.625	04-15-1992	1,000,000	947,660	993,880
	A3	10.375	10-15-1992	2,200,000	2,197,800	2,290,860
	BAA1	9.125	10-15-2008	500,000	474,835	478,655
Connecticut Light & Power Company	A3	9.500	06-01-2019	2,000,000	1,977,500	2,000,000
Consolidated Natural Gas Company	A3	8.875	06-01-1999	5,000,000	4,992,140	5,039,500
Detroit Edison Company	BAA2	11.875	12-15-2000	3,665,000	3,902,392	3,865,549
Gulf States Utilities Company	A3	15.000	09-01-2012	4,700,000	5,478,438	4,876,250
Long Island Lighting Company	A3	16.750	07-01-1991	1,435,000	1,492,400	1,463,700
	A3	17.000	12-01-1991	1,000,000	1,018,750	1,000,000
	A3	5.250	03-01-1996	800,000	375,488	613,776
	A3	15.250	10-01-2012	2,000,000	2,180,460	2,220,000
	BA-1	13.500	05-01-2013	3,000,000	2,895,000	3,307,500
Louisiana Power & Light Company	A3	9.220	07-31-1990	3,500,000	3,500,000	3,500,000
	A3	9.420	01-31-1992	1,000,000	1,000,000	1,000,000
	A3	16.000	08-01-1994	1,750,000	2,058,437	1,750,000
	A3	10.320	01-31-1999	1,250,000	1,250,000	1,250,000
Pacific Gas & Electric Company	A3	9.000	08-01-2019	2,000,000	1,811,660	1,935,640
Texas Electric Service Company	A3	8.875	03-01-2006	3,000,000	2,645,700	2,760,930
Total Public Utilities				**46,800,000**	**47,136,140**	**47,373,40[illegible]**
Telephone						
General Telephone Company	A3	9.375	06-15-2026	3,000,000	2,775,030	2,963,760
ITT Corporation	A3	6.500	07-01-2001	1,000,000	742,740	790,970
Southern New England Telephone Company	A3	11.500	08-15-2025	4,000,000	3,980,000	4,418,[illegible]
Total Telephone				**8,000,000**	**7,497,770**	**8,173,690**
Transportation						
Kansas City Southern Industries Inc	BA-1	12.000	10-01-2010	3,750,000	4,129,688	3,971,250
Union Pacific Railroad Company	A3	9.500	02-15-1999	5,000,000	4,997,000	5,23[illegible],350
Total Transportation				**8,750,000**	**9,126,688**	[illegible]
TOTAL CORPORATE OBLIGATIONS				**741,483,982**	**646,489,772**	**66[illegible]**
CONVERTIBLE ISSUES						
State Street Boston Corporation	A3	7.750	05-01-2008	1,100,000	1,100,000	3,21[illegible],40[illegible]
Waste Management Zero Coupon	A2	0	01-21-2001	2,240,000	560,000	2,05[illegible]
TOTAL CONVERTIBLE ISSUES				**3,340,000**	**1,660,000**	**5,254,80[illegible]**
TOTAL U.S. BONDS AND CORPORATE NOTES				**$2,503,774,218**	**2,382,080,595**	**2,444,412,567**
INTERNATIONAL OBLIGATIONS						
Australia Commonwealth	AA-1	12.750	09-15-1992		3,363,750	3,317,100
Denmark (Kingdom of)	NR	7.750	12-15-1996		6,796,875	7,115,250
Deutsche B[illegible]k AG	NR	8.640	10-01-1990		2,500,050	2,497,700
First Chicago Int'l Dollar Bond Fund	NR	0			44,054,106	45,417,940
First [illegible] Non-Dollar Bond Fund	NR	0			64,935,571	62,324,589
Fuji Bank [illegible]	NR	7.375	12-15-1991		2,816,490	2,911,140
Hydr[illegible]	NR	16.250	07-15-1991		3,667,770	3,413,010
Inter American Development Bank	AAA	11.625	12-01-1994		5,735,350	5,635,650
Israel [illegible] Floating Rate	NR	10.500	12-01-1989		4,000,000	4,000,000
	NR	10.500	12-01-1990		2,000,000	2,000,000
	NR	0	03-01-1993		1,000,000	1,000,000
[illegible]	A3	10.150	03-15-1993		2,010,720	2,081,380
	A3	10.000	03-15-1994		999,270	1,038,580

Investment Listing

INTERNATIONAL OBLIGATIONS	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Municipal Finance Authority Canada	NR	13.750%	12-01-2005		480,043	544,017
Newfoundland (Province of) Canada	NR	13.875	10-01-1992		1,107,570	1,143,700
Norges Kommunalbank	NR	7.875	05-17-1997		2,770,260	2,831,250
Norinchukin Bank	A3	10.250	03-13-1991		4,009,200	4,081,160
Rabobank Nederland	NR	8.900	06-03-1991		982,680	1,000,220
Sumitomo Bank Ltd Japan	NR	8.050	04-30-1990		5,384,225	5,445,000
	A3	10.050	03-15-1993		997,400	1,037,590
Svenska Handelsbanken	A3	9.700	03-04-1993		1,499,670	1,536,570
Swedish Export Credit Corporation	NR	8.625	04-15-2026		2,448,780	2,787,300
Toronto Dominion Bank Canada	NR	9.800	02-27-1991		16,947,640	16,940,840
TOTAL INTERNATIONAL OBLIGATIONS					**180,507,420**	**180,099,986**

PREFERRED STOCKS	Shares	Book Value	Market Value
Fiat S P A	125,000	533,945	636,875
Interco Inc 17.50%	1,251	1,326	1,251
Toledo Edison Company Adjustable Rate	80,000	2,017,280	1,750,000
United Artists Entertainment Co 12.875%	11,086	90,673	207,170
TOTAL PREFERRED STOCKS		**2,643,224**	**2,595,296**

TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK		***$2,605,231,239***	***2,667,107,849***

SHORT TERM INVESTMENTS	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Accrued Interest and Dividends	NR	0%	00-00-0000	$80,285,149	80,285,149	80,285,149
Bank of California Floating Rate	NR	9.500	03-01-1990	5,000,000	5,000,000	5,000,000
Chrysler Financial Corporation	BAA1	11.750	01-15-1990	17,000,000	18,031,560	17,207,060
Citicorp Notes	A3	10.600	04-05-1990	7,000,000	7,000,000	7,078,400
Commercial Credit Company	A3	10.050	10-15-1989	1,000,000	1,000,000	1,001,610
Financing Corporation Coupons Stripped	A3	0	05-11-1990	7,200,000	6,186,456	6,709,392
First Bank National Association	A3	9.575	01-10-1991	5,420,000	5,417,778	5,420,000
First Federal of Michigan	NR	13.250	07-06-1989	6,465,000	6,901,388	6,465,000
Florida National Bank	A3	0	04-15-1990	13,000,000	13,000,000	13,000,000
Ford Motor Credit Company	A3	8.850	09-25-1989	3,000,000	2,974,890	2,994,750
	A3	11.000	01-15-1990	5,250,000	5,250,000	5,302,710
General Electric Credit Corporation	A3	10.150	03-15-1990	4,000,000	4,000,000	4,030,800
General Motors Acceptance Corporation	A3	9.000	10-31-1989	2,000,000	2,014,280	1,998,860
	A3	8.550	11-30-1989	5,000,000	4,996,750	4,992,520
	A3	6.950	12-11-1989	4,000,000	3,851,560	3,960,000
Harris Bank Collective Investment Funds	NR	0	00-00-0000	213,748,900	213,748,900	214,181,009
Harris Bank Due to Broker	NR	0	00-00-0000	7,189,641	7,189,641	7,189,641
Harris Bank Master Trust Reserve Fund	NR	0	00-00-0000	264,757,364	264,757,364	264,757,364
Hibernia National Bank	NR	10.030	09-11-1990	4,000,000	4,000,000	4,000,000
Hibernia National Bank Floating Rate	NR	9.300	09-11-1990	5,000,000	5,000,000	5,000,000
International Paper Company	A3	7.600	02-15-1990	3,000,000	2,997,000	2,977,380
Irving Trust Company	A3	9.500	06-14-1990	10,000,000	10,000,000	10,000,000
Irving Trust Company Floating Rate	A3	9.500	03-21-1990	5,000,000	5,000,000	5,000,000
Kidder Peabody Short Term Investment Fund	NR	0	00-00-000	90,000	90,000	90,000
Long Island Lighting Company	BA-1	17.500	09-01-1989	2,000,000	2,050,000	2,000,000
Mellon Bank	NR	9.400	08-20-1990	4,000,000	4,000,000	4,000,000
Mellon Bank Floating Rate	NR	9.500	06-25-1990	5,000,000	5,000,000	5,000,000
Mitsubishi Bank	A3	0	00-00-0000	10,086,110	10,086,110	10,086,110
Occidental Petroleum Corporation	A3	9.650	05-01-1990	8,000,000	7,980,000	8,000,000
Philip Morris Companies Inc	A3	10.500	04-05-1990	21,000,000	20,994,750	21,201,600
Republic New York Corporation	A3	7.250	09-15-1989	2,000,000	1,973,600	1,993,500
Security Pacific Corporation	A3	8.750	10-01-1989	3,000,000	3,007,530	2,990,370
Southwestern Bell Telephone Company	A3	7.750	11-01-1989	5,000,000	5,000,000	4,991,700
Student Loan Marketing Association	AAA	9.050	07-13-1989	19,000,000	19,000,000	19,000,000
Transamerica Financial Corporation	A3	8.800	10-30-1989	6,000,000	5,988,000	5,996,400
U.S. Treasury Bills	AAA	0	07-27-1989	1,245,000	1,237,253	1,238,265
	AAA	0	08-03-1989	1,440,000	1,394,706	1,429,920
	AAA	0	08-10-1989	165,000	161,214	163,594
	AAA	0	11-24-1989	4,205,000	4,029,690	4,071,954
United Telecommunications Inc	NR	7.500	04-15-1990	2,000,000	2,003,500	1,972,880
Various Futures Contracts				-78,471,794	-78,471,794	-78,471,794
Westpac Banking Corporation	BAA3	9.600	11-28-1990	5,300,000	5,306,625	5,300,000
TOTAL SHORT TERM INVESTMENTS				***$699,375,370***	***699,433,900***	***699,606,144***

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Air Transport			
Boeing Company	609,750	$20,490,639	29,268,000
E Systems Inc	24,800	716,576	747,100
General Dynamics Corporation	34,700	2,344,732	2,021,275
Grumman Corporation	26,500	766,702	543,250
Instrument System Corporation	4,800	10,440	4,800
Lockheed Corporation	49,100	2,042,040	2,350,663
Loral Corporation	19,700	677,629	627,938
Martin Marietta Corporation	41,050	1,322,613	1,903,694
McDonnell Douglas Corporation	30,600	2,378,327	2,252,926
Morton Thiokol Inc	183,500	8,525,849	8,395,125
Northrop Corporation	34,900	1,715,788	911,763
Raytheon Company	55,600	3,033,532	4,037,951
Rockwell International Corporation	322,700	6,866,186	7,099,400
Textron Inc	105,100	2,614,699	2,693,188
Transtechnology Corporation	1,100	29,090	19,800
United Technologies Corporation	163,700	7,135,632	8,225,925
Automobiles and Auto Parts			
Bandag Inc	10,400	655,058	774,800
Chrysler Corporation	504,789	11,407,286	12,493,528
Cummins Engine Company Inc	8,600	554,288	547,175
Dana Corporation	33,600	1,007,533	1,360,800
Eaton Corporation	47,464	1,887,555	2,871,572
Echlin Inc	44,800	696,487	750,400
Ford Motor Company	804,000	28,129,411	38,994,000
General Motors Corporation	496,440	16,865,672	20,644,075
Genuine Parts Company	62,750	1,565,100	2,447,250
Goodrich (B.F.) Company	20,100	625,829	1,128,113
Goodyear Tire & Rubber Company	45,883	1,599,116	2,397,387
SPX Corporation	9,800	269,094	278,075
TRW Inc	103,200	4,394,776	4,437,600
Banking and Finance			
Ahmanson (H.F.) & Company	81,100	1,173,154	1,784,200
American Express Company	754,346	19,950,047	25,082,005
Banc One Corporation	437,300	10,292,202	14,649,550
Banco Bilbao Vizcaya SA	206,637	6,502,711	6,405,747
Bank of Boston Corporation	55,455	1,153,583	1,587,388
Bank of New York Company Inc	80,700	3,556,252	3,934,125
Bankamerica Corporation	140,000	2,325,470	3,710,000
Bankers Trust New York Corporation	66,446	2,520,776	3,197,714
Barnett Banks Inc	48,425	1,389,481	1,755,406
Beneficial Corporation	18,000	851,245	909,000
Block (H&R) Inc	54,400	1,414,018	1,638,801
Chase Manhattan Corporation	72,932	2,345,477	2,643,795
Chemical Banking Corporation	52,187	2,069,694	1,872,209
Citicorp	257,500	6,266,878	8,008,463
Citizens & Southern Corporation	340,300	10,384,504	11,102,288
Federal National Mortgage Association	89,200	4,591,070	7,949,951
First Chicago Corporation	48,569	1,577,850	1,997,400

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Banking and Finance (continued)			
First Fidelity Bancorporation	43,600	1,617,452	1,417,000
First Interstate Bancorp	37,400	1,955,384	2,318,800
First Union Corporation	86,100	1,947,266	2,184,788
Fleet Norstar Financial Group Inc	79,582	2,141,319	2,148,714
Glaxo Holdings Plc	165,000	4,813,846	3,547,500
Golden West Financial Corporation	25,200	733,355	1,162,350
Great Western Financial Corporation	99,700	1,118,476	1,994,000
Household International Inc	29,600	833,647	1,613,200
Manufacturers Hanover Corporation	40,200	1,589,317	1,472,325
Mellon Bank Corporation	25,805	1,240,223	887,060
Merrill Lynch & Company Inc	196,800	7,191,829	5,608,800
Morgan (J.P.) & Company Inc	147,683	4,436,813	5,630,415
NCNB Corporation	319,131	8,557,085	14,440,678
NBD Bankcorp Inc	37,800	1,323,880	1,658,476
Norwest Corporation	35,969	763,435	1,515,194
PNC Financial Corporation	74,228	3,183,642	3,228,917
Primerica Corporation	75,700	1,902,988	1,684,325
Salomon Inc	291,300	9,228,087	7,100,439
Security Pacific Corporation	92,271	2,990,333	4,106,070
SEI Corporation	111,500	1,886,450	1,895,500
Shawmut National Corporation	61,400	1,729,077	1,627,100
Sovran Financial Corporation	47,628	1,643,884	1,809,864
Student Loan Marketing Association	146,650	14,376,479	14,701,663
Suntrust Banks Inc	104,300	2,295,881	2,503,200
Wells Fargo & Company	99,050	5,357,805	7,428,750
Beverages			
Anheuser Busch Companies Inc	366,961	8,874,873	15,320,622
Brown Forman Corporation	29,500	880,572	1,895,375
Coca Cola Company	357,400	11,288,888	20,148,426
Coors (Adolph) Company	29,800	593,276	555,025
Pepsico Inc	291,900	7,891,708	15,543,675
Seagram Company Ltd	78,600	3,804,577	5,816,400
Chemicals and Synthetic Fibers			
Air Products & Chemicals Inc	171,400	7,066,345	6,877,425
American Cyanamid Company	158,900	6,325,476	8,481,288
Aristech Chemical Corporation	110,500	2,188,413	2,334,313
Betz Laboratories Inc	241,800	12,028,348	13,782,600
Browning Ferris Industries Inc	189,600	3,815,890	6,304,200
Dow Chemical Company	579,300	45,116,410	48,661,200
Du Pont (E.I.) DeNemours and Company	193,900	12,822,429	20,988,750
Ethyl Corporation	376,900	8,795,905	9,893,625
First Mississippi Corporation	16,900	164,822	266,175
FMC Corporation	28,300	634,140	1,096,625
Grace (W.R.) & Company	67,700	1,531,097	2,107,163
Hercules Inc	39,900	1,635,069	1,840,388
International Minerals & Chemical Corporation	82,000	3,316,648	3,495,251
Loctite Corporation	9,900	313,868	429,413
Lubrizol Corporation	188,600	8,195,090	7,850,475
Monsanto Company	56,200	3,009,529	5,922,076
Nalco Chemical Company	91,400	3,163,228	3,701,700
NL Industries Inc	5,150	39,832	113,300
Owens Corning Fiberglas Corporation	32,300	418,662	952,850
PPG Industries Inc	92,400	2,316,830	4,077,151
Quantum Chemical Corporation	21,900	920,701	851,363
Rohm and Haas Company	53,300	1,339,206	1,718,925
Rollins Environmental Services Inc	47,874	447,623	490,708
Sherwin Williams Company	35,300	765,520	1,032,525
Union Carbide Corporation	108,704	2,120,685	2,867,069
Valspar Corporation	1,900	62,833	54,625
Waste Management Inc	318,000	9,147,069	16,416,751
Conglomerates and Miscellaneous			
Alco Standard Corporation	33,883	795,275	1,016,490
American National Bank Multiple Midcap Fund	13,808,466	332,281,958	401,274,022
American National Bank Multiple Minicap Fund	3,905,360	42,948,757	45,269,371
Applied Biosystems Inc	10,700	296,925	303,613
Ball Corporation	17,900	502,168	490,013
Bassett Furniture Industries Inc	7,000	270,567	266,000
Circuit City Stores Inc	17,700	860,452	796,500
Corning Incorporated	72,800	1,594,839	2,711,800
Environmental Systems Company	18,000	356,510	200,250
Excel Industries Inc	1,430	13,579	17,339
Flightsafety International Inc	15,450	370,234	534,956
Hillenbrand Industries Inc	6,500	187,330	215,313
Hotel Investors	105,550	1,710,543	976,338
ITT Corporation	108,200	3,978,584	6,153,875
Kaufman & Broad Home Corporation	20,628	170,464	350,676
Kinder Care Inc	150,800	1,510,927	1,074,450
Litton Industries Inc	20,041	1,595,471	1,723,526
Loews Corporation	54,900	3,559,364	5,997,825
Material Sciences Corporation	1,300	28,204	19,500
Maxus Energy Corporation	173,055	1,661,287	1,449,336
Michaels Stores Inc	6,200	47,509	41,075
Millipore Corporation	195,300	7,045,832	6,298,425
Minnetonka Corporation	44,000	654,500	1,100,000
NACCO Industries Inc	2,000	34,878	96,000
National Education Corporation	24,962	587,980	380,671
National Service Industries Inc	40,400	965,999	1,004,951
Newmark & Lewis Inc	2,000	17,640	12,500
Ogden Corporation	32,300	876,933	952,850
Price (T Rowe) & Associates Inc	39,100	1,234,924	1,798,600
Repsol SA	233,300	4,043,807	4,053,588
Rubbermaid Inc	59,900	1,439,508	1,797,000
S&P 500 Index-Futures Contracts		48,501,200	48,501,200
Safety-Kleen Corporation	52,800	1,790,561	1,557,600
Sanford Corporation	96,600	1,661,760	2,076,900
Sealright Inc	77,750	1,953,844	2,138,125
Service Corporation International	39,000	1,052,488	775,126
Stanhome Inc	3,200	56,450	94,400
Teledyne Inc	9,500	2,362,795	3,452,063
TJX Companies Inc	442,620	7,281,672	8,022,488
Trinova Corporation	27,400	434,899	715,825
U S Bioscience Inc	52,500	7,875	7,875
Union Corporation	1,700	15,394	23,163
Varity Corporation	151,900	414,790	398,738
Waban Inc	126,850	2,485,651	1,918,606
Whitman Corporation	86,100	1,761,146.	2,948,925
Construction			
Armstrong World Industries Inc	38,600	611,018	1,712,876
Centex Corporation	14,300	360,225	538,038
Crane Company	18,950	277,713	504,544
Fedders Corporation	11,300	92,209	163,850
Fleetwood Enterprises Inc	107,300	2,883,190	2,830,038
Fluor Corporation	229,900	4,682,388	6,782,050
Ideal Basic Industries Inc	136,000	577,511	374,000
Interface Inc	134,850	1,731,909	2,157,600
Johnson Controls Inc	29,600	924,630	1,117,400
Lone Star Industries Inc	12,900	352,500	399,900
Masco Corporation	109,900	2,289,218	3,228,313
Philips Industries Inc	21,400	398,025	436,025
PHM Corporation	18,900	296,276	302,400
Ryland Group Inc	13,000	325,910	271,375
Skyline Corporation	9,600	143,782	162,001
U.S. Home Corporation	30,100	184,593	52,675
USG Corporation	64,000	477,380	320,000
Zurn Industries Inc	11,500	255,849	411,125
Electrical and Electronic			
Advanced Micro Devices Inc	60,700	1,359,625	591,825
AMP Inc	88,000	[illegible]	3,586,000
Analog Devices Inc	215,000	2,474,550	2,257,500

Investment Listing

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Electrical and Electronic (continued)			
Andrew Corporation	8,100	$170,691	176,175
AVX Corporation	112,500	2,447,062	2,109,375
Bairnco Corporation	1,500	59,355	32,063
DSC Communications Corporation	32,900	550,108	407,138
EG&G Inc	37,200	1,323,965	1,218,300
Emerson Electric Company	247,242	6,736,752	8,375,323
ERC International Inc	900	12,663	7,200
General Electric Company	1,378,350	52,208,442	71,157,320
General Instrument Corporation	27,100	551,582	938,338
Gentlyte Group Inc	1,500	0	16,500
Grainger (W.W.) Inc	22,800	889,344	1,419,300
Harris Corporation	65,000	1,935,700	2,088,126
Hewlett Packard Company	703,100	34,102,898	36,385,425
Intel Corporation	142,000	2,841,878	4,118,000
M/A-Com Inc	24,900	449,316	196,088
Motorola Inc	103,900	4,153,512	5,467,738
National Semiconductor Corporation	1,346,925	15,519,095	9,596,841
Perkin-Elmer Corporation	35,800	976,303	877,100
Raychem Corporation	28,300	1,360,493	972,813
Scientific Atlanta Inc	101,700	1,314,305	1,817,888
Square D Company	21,100	861,626	1,165,775
Tektronix Inc	25,000	762,083	553,126
Tele Communications Inc	134,746	2,190,884	4,669,267
Tele Communications Inc Rights	38,970	170,494	160,752
Texas Instruments Inc	121,400	4,957,792	4,749,775
Thomas and Betts Corporation	14,000	586,674	686,000
Westinghouse Electric Corporation	114,900	4,538,738	7,123,800
Zenith Electronics Corporation	21,300	628,925	394,050
Food, Soap and Tobacco			
American Brands Inc	77,600	2,823,991	5,276,800
American Fructose Corporation	1,900	23,646	27,550
Archer-Daniels-Midland Company	201,425	2,924,969	5,740,613
Borden Inc	59,450	1,913,249	3,945,994
CPC International Inc	152,900	5,938,173	9,518,025
Campbell Soup Company	103,400	2,311,110	5,157,076
Clorox Company	129,550	3,528,732	4,890,513
Colgate Palmolive Company	56,228	1,692,087	2,902,771
Conagra Inc	64,200	1,479,405	2,287,126
Ecolab Inc	102,800	2,607,878	2,621,400
Fleming Companies Inc	103,565	3,387,331	3,844,851
General Mills Inc	65,900	1,989,263	4,275,263
Gerber Products Company	15,900	606,288	1,224,300
Heinz (H.J.) Company	129,100	4,450,290	6,842,300
Hershey Foods Corporation	90,800	1,859,692	3,007,750
Kellogg Company	139,700	6,132,521	9,866,313
McDonald's Corporation	446,084	8,136,585	13,047,957
McCormick & Co Inc	80,715	2,057,785	2,905,740
Morrison Incorporated	88,966	1,917,941	2,924,757
Philip Morris Companies Inc	302,300	21,081,918	41,906,339
Premark International Inc	25,900	883,842	958,300
Procter and Gamble Company	195,000	13,251,970	21,133,125
Quaker Oats Company	63,600	1,956,481	3,959,100
Ralston Purina Company	51,600	2,579,340	4,727,850
Sara Lee Corporation	90,700	2,355,955	4,886,463
Sysco Corporation	51,200	1,650,947	2,425,600
Topps Inc	80,250	834,825	1,464,563
UST Inc	165,600	2,437,374	4,098,600
Wrigley (Wm. Jr) Company	31,900	452,986	1,431,513
Health Care and Cosmetics			
Abbott Laboratories	180,900	6,098,998	10,492,200
Alberto Culver Company	10,900	143,002	510,938
American Home Products Corporation	117,700	7,512,793	11,093,225
American Medical International Inc	67,700	1,533,874	1,540,175
Avon Products Inc	93,800	2,751,340	3,365,076
Bard (C.R.) Inc	45,400	467,814	981,775
Bausch & Lomb Inc	24,950	1,024,810	1,369,132
Baxter International Inc	196,286	3,343,498	4,072,935
Becton Dickinson & Company	161,650	7,936,513	9,274,669
Beverly Enterprises Inc	949,700	10,621,441	7,597,600
Bristol Myers Company	232,200	6,894,532	11,116,576
Community Psychiatric Centers	82,650	2,371,855	2,500,163
Genentech Inc	62,000	2,349,228	1,108,251
Gillette Company	80,286	1,612,804	3,221,476
Humana Inc	80,200	2,349,969	2,726,800
International Flavors & Fragrances Inc	30,300	1,040,760	1,586,963
Johnson and Johnson	336,000	10,453,042	16,086,000
Lilly (Eli) and Company	458,400	16,426,815	24,982,800
Manor Care Inc	43,400	948,264	678,126
Marion Laboratories Inc	214,400	5,189,410	5,038,400
McKesson Corporation	32,800	1,022,240	1,107,000
Medtronic Inc	11,100	969,599	1,069,763
Merck & Company Inc	450,700	15,200,819	30,140,564
Moore Medical Corporation	1,700	43,257	21,250
National Medical Enterprises Inc	60,400	1,588,241	1,879,951
Noxell Corporation	29,900	431,496	598,000
Pfizer Inc	175,900	8,820,626	10,092,263
Schering Plough Corporation	173,000	7,819,117	11,526,125
Smithkline Beckman Corporation	149,900	6,781,623	9,143,900
Squibb Corporation	78,900	2,720,815	6,006,263
Syntex Corporation	94,700	1,976,899	4,687,650
U.S. Healthcare Inc	730,100	6,799,310	8,122,363
Upjohn Company	222,300	5,099,228	6,641,213
Warner Lambert Company	90,450	5,419,209	7,982,213
Windmere Corporation	165,000	2,569,875	2,475,000
Insurance			
Aetna Life & Casualty Company	91,621	4,481,577	5,073,513
Alexander & Alexander Services Inc	32,700	876,931	809,325
American General Corporation	98,700	3,537,936	3,516,188
American International Group Inc	207,500	12,080,935	16,989,063
AON Corporation	21,800	563,285	790,250
CNA Financial Corporation	50,200	2,761,489	3,714,800
Capital Holding Corporation	36,900	956,360	1,411,425
Chubb Corporation	32,950	1,823,797	2,252,956
Cigna Corporation	62,900	3,711,423	3,514,538
Continental Corporation	46,000	1,917,108	1,575,500
Corroon & Black Corporation	13,400	401,162	447,226
Firemans Fund Corporation	241,900	7,841,607	8,285,075
General Re Corporation	261,500	15,260,401	17,062,875
Jefferson-Pilot Corporation	33,575	993,946	1,242,275
Lincoln National Corporation	33,400	1,582,319	1,707,575
Marsh & McLennan Companies Inc	57,600	3,711,326	3,736,800
Safeco Corporation	52,400	1,157,731	1,572,000
St. Paul Companies	88,050	3,491,025	4,666,650
Torchmark Corporation	39,900	1,419,742	1,556,100
Transamerica Corporation	60,400	1,935,316	2,197,050
Travelers Corporation	82,834	3,745,254	3,365,131
USF&G Corporation	68,887	2,373,847	2,161,330
USLIFE Corporation	14,800	571,370	651,200
Washington National Corporation	4,600	130,947	121,900
Leisure and Entertainment			
Bally Manufacturing Corporation	23,900	409,144	579,575
Brunswick Corporation	195,400	3,648,517	3,297,376
Caesars New Jersey Inc	1,000	16,945	26,000
Caesars World Inc	45,400	959,893	1,634,400
Capital Cities ABC Inc	39,000	11,279,269	18,135,000
CBS Inc	27,542	3,993,813	5,529,057
Circus Circus Enterprises Inc	40,010	1,097,019	1,615,404
Comcast Corporation	52,650	934,120	1,250,438
General Cinema Corporation	55,300	811,703	1,320,288
Hasbro Inc	64,400	1,350,643	1,360,451
Hilton Hotels Corporation	38,200	1,296,398	3,762,700

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Leisure and Entertainment (Continued)			
Holiday Corporation	21,200	$1,096,692	1,038,800
Jerrico Inc	15,600	329,082	273,000
King World Productions Inc	28,000	753,134	738,501
Lin Broadcasting Corporation	42,200	945,051	4,889,925
Lubys Cafeterias Inc	13,900	299,380	366,613
Marriott Corporation	174,400	4,415,636	6,213,001
Mattel Inc	36,300	522,505	503,663
MCA Inc	361,500	16,148,609	20,741,063
Outboard Marine Corporation	48,700	1,411,699	1,607,100
Paramount Communications Inc	141,400	4,368,543	8,377,950
Prime Motor Inns Inc	25,240	799,446	785,596
Ramada Inc	32,500	240,577	455,000
Shoneys Inc	30,075	420,517	330,825
Tonka Corporation	6,000	112,726	84,000
United Artists Entertainment Company	51,164	379,386	997,699
Walt Disney Company	286,150	14,358,815	27,076,944
Warner Communications Inc	117,266	3,030,218	7,079,977
Wendy's International Inc	78,200	1,097,219	459,425
Machinery and Equipment			
Acme Cleveland Corporation	4,700	66,332	55,225
Black & Decker Corporation	47,700	979,794	912,263
Briggs & Stratton Corporation	22,800	673,647	601,350
Brown & Sharpe Manufacturing Company	3,500	56,808	46,375
Caterpillar Inc	101,600	4,861,602	5,892,800
Cincinnati Milacron Inc	85,800	1,892,668	1,716,000
Clark Equipment Company	15,300	413,803	558,450
Combustion Engineering Inc	30,200	989,652	921,100
Cooper Industries Inc	81,900	1,744,367	2,579,850
Cross & Trecker Corporation	9,900	224,425	123,750
Deere and Company	253,800	9,133,171	14,181,075
Dover Corporation	53,800	1,086,278	1,721,600
Foster Wheeler Corporation	28,600	429,784	532,676
General Signal Corporation	15,663	707,108	867,339
Illinois Tool Works Inc	162,800	5,230,475	6,003,251
Ingersoll-Rand Company	41,600	849,058	1,716,001
Maytag Company	142,500	2,898,898	3,170,625
Measurex Corporation	391,500	10,582,319	10,570,500
Monarch Machine Tool Company	3,200	55,395	52,400
Navistar International Corporation	2,505,800	15,807,461	12,529,000
Paccar Inc	28,900	727,883	1,430,550
Pall Corporation	30,000	770,647	933,750
Parker-Hannifin Corporation	127,350	3,529,142	3,438,450
Snap-On Tools Corporation	33,700	778,575	1,284,813
Stanley Works	56,650	1,369,895	1,890,694
Tennant Company	4,500	146,265	157,500
Timken Company	23,000	617,519	787,750
Tokheim Corporation	3,100	68,030	60,450
Toro Company	35,000	526,437	514,710
U.S. Industries Incorporated	650,000	803,787	761,800
Whirlpool Corporation	56,800	1,481,979	1,704,000
Mining - Metals			
Alcan Aluminum Ltd	297,150	4,783,525	6,463,013
Aluminum Company of America	72,200	2,745,847	4,629,825
AMAX Inc	68,200	1,440,613	1,645,326
Armco Inc	70,900	921,833	762,175
ASARCO Inc	70,100	1,906,441	1,980,325
Bethlehem Steel Corporation	165,500	3,536,160	3,475,500
Commerical Metals Company	111,650	2,360,016	2,358,606
Cyprus Minerals Company	91,500	2,222,173	2,253,188
Eastern Enterprises	20,852	514,334	625,560
Engelhard Corporation	87,100	1,546,430	1,818,213
Homestake Mining Company	76,000	813,970	1,007,000
Inco Ltd	84,622	1,281,327	2,305,950
Inland Steel Industries Inc	27,500	795,154	1,103,438
Interlake Corporation	9,310	270,496	399,167
Lukens Inc	99,000	2,587,200	2,574,000
Nacco Industries Inc	72,300	2,217,598	3,470,400
National Intergroup Inc	17,700	414,650	289,838
Newmont Mining Corporation	55,300	1,669,427	2,184,350
Norton Company	17,200	917,437	879,350
Nucor Corporation	240,900	9,753,562	13,309,725
Phelps Dodge Corporation	64,700	2,619,817	3,687,900
Pittston Company	32,700	396,193	629,475
Reynolds Metals Company	43,000	1,541,478	2,160,750
USX Corporation	209,669	5,947,839	7,233,581
Westmoreland Coal Company	6,800	114,894	139,400
Worthington Industries Inc	32,400	780,940	716,850
Office Equipment			
Amdahl Corporation	84,900	1,141,673	1,422,075
Apple Computer Inc	293,800	9,475,759	12,119,250
Applied Magnetics Corporation	195,200	2,500,713	2,366,800
Ashton Tate	113,600	2,376,282	1,988,000
Automatic Data Processing Inc	128,200	4,462,418	5,144,025
Compaq Computer Corporation	129,000	7,263,761	11,771,250
Computer Associates International Inc	141,600	1,988,201	2,601,900
Computer Factory Inc	6,490	116,938	71,390
Computer Sciences Corporation	12,500	306,137	654,688
Control Data Corporation	34,400	1,021,504	748,200
Cray Research Inc	583,200	38,910,927	28,868,400
Cullinet Software Inc	26,400	498,389	227,701
Data General Corporation	23,400	813,617	400,725
Datapoint Corporation	16,200	98,837	68,850
Dataproducts Corporation	1,356,300	17,787,793	17,631,900
Digital Equipment Corporation	189,800	16,305,515	17,414,150
ECC International Corporation	1,000	10,456	7,000
General Binding Corporation	22,500	559,813	736,875
Honeywell Inc	35,400	2,223,134	2,597,476
Intergraph Corporation	525,100	10,769,071	8,926,700
International Business Machines Corporation	591,505	71,692,297	66,174,623
Lotus Development Corporation	129,300	3,301,772	3,006,225
MacNeal Schwendler Corporation	5,600	111,569	63,000
Microsoft Corporation	23,800	1,240,609	1,261,400
Miller Herman Inc	131,980	2,799,853	2,771,580
NCR Corporation	140,700	6,789,370	7,386,750
Novell Inc	89,000	2,794,918	2,536,500
Oracle Systems Corporation	127,000	2,700,637	3,778,250
Pitney Bowes Inc	308,400	12,325,585	13,839,450
Prime Computer Inc	39,600	727,799	767,251
Shared Medical Systems Corporation	19,300	572,662	318,450
3Com Corporation	136,000	2,526,250	2,193,000
Tandem Computers Inc	462,300	6,840,350	7,801,313
Ultimate Corporation	3,800	106,913	36,100
Unisys Corporation	349,200	10,175,911	8,599,051
United Stationers Inc	98,900	2,061,038	2,101,625
Wang Laboratories Inc	334,469	5,767,609	2,592,135
Western Digital Corporation	21,400	551,820	216,675
Xerox Corporation	82,445	4,668,578	5,142,507
Oil and Gas			
Allied Signal Inc	212,218	8,323,886	7,003,194
Amerada Hess Corporation	67,000	1,807,242	2,487,376
Amoco Corporation	482,000	15,995,186	21,268,250
Ashland Oil Inc	186,000	6,479,055	7,184,250
Atlantic Richfield Company	140,000	8,803,613	13,107,500
Burlington Resources Inc	123,000	5,544,148	5,565,750
Chevron Corporation	274,300	10,681,968	14,812,200
Coastal Corporation	51,550	962,915	2,126,438
Exxon Corporation	1,208,700	38,002,233	53,182,800
Kerr McGee Corporation	39,500	1,250,603	1,742,938
Louisiana Land & Exploration Company	24,639	724,687	887,004
Mobil Corporation	470,950	17,599,728	23,253,157
Occidental Petroleum Corporation	215,510	6,492,097	5,899,586

Investment Listing

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Oil and Gas (Continued)			
Oryx Energy Company	85,700	$2,068,178	2,860,238
Pennzoil Company	29,500	1,402,726	2,323,125
Phillips Petroleum Company	199,000	2,597,025	4,328,250
Royal Dutch Petroleum Company	592,400	25,056,085	37,173,100
Sun Company Inc	85,700	2,334,860	3,256,600
Swift Energy Company	1,300	19,854	15,275
Tenneco Inc	103,446	4,366,172	5,650,738
Texaco Inc	198,900	7,409,333	10,019,588
Unocal Corporation	95,767	3,046,068	4,297,544
Williams Companies Inc	31,500	698,046	1,177,313
Oil Support Services			
Baker Hughes Inc	260,160	4,440,127	5,008,080
Dresser Industries Inc	56,300	1,260,116	2,301,263
Georgia Gulf Corporation	67,000	2,479,753	2,546,000
Halliburton Company	85,600	2,268,605	2,835,500
Helmerich & Payne Inc	19,600	452,019	534,100
McDermott International Inc	29,900	815,703	680,225
Reading & Bates Corporation	22,000	139,900	13,751
Rowan Companies Inc	59,100	554,564	494,963
Schlumberger Ltd	191,900	7,329,313	7,628,025
UNC Inc	8,700	84,133	64,163
Paper and Forest Products			
Bemis Company Inc	32,700	444,685	997,350
Boise Cascade Corporation	38,033	943,628	1,687,715
Champion International Corporation	77,300	1,888,773	2,570,225
Crown Cork & Seal Company Inc	21,700	382,377	973,788
Federal Paper Board Company Inc	29,100	401,386	651,113
Georgia Pacific Corporation	78,400	2,219,192	3,439,801
Great Northern Nekoosa Corporation	99,900	3,292,569	3,746,250
International Paper Company	88,900	2,698,387	4,078,288
James River Corporation of Virginia	153,044	4,060,423	4,629,581
Kimberly Clark Corporation	182,000	9,147,011	11,102,000
Louisiana Pacific Corporation	30,958	638,016	1,029,354
Mead Corporation	318,100	11,699,943	12,366,138
Pope & Talbot Inc	53,500	989,423	1,324,125
Potlatch Corporation	22,200	446,720	771,450
Scott Paper Company	307,350	10,804,597	13,753,913
Shorewood Packaging Corporation	10,500	167,625	246,750
Stone Container Corporation	48,700	861,585	1,235,763
Temple Inland Inc	22,325	1,184,069	1,258,572
Union Camp Corporation	55,750	1,504,068	1,958,219
Westvaco Corporation	135,900	3,493,503	3,992,063
Weyerhaeuser Company	163,100	3,613,112	4,505,637
Photographic and Related			
Eastman Kodak Company	261,450	8,931,906	12,288,150
Minnesota Mining & Manufacturing Company	429,900	23,553,338	30,522,900
Polaroid Corporation	40,986	910,637	1,552,345
Printing and Publishing			
Affiliated Publications Inc	19,400	138,463	249,775
Avery International Corporation	34,700	763,900	902,200
Deluxe Corporation	139,200	3,939,493	4,123,800
Donnelley (R.R.) & Sons	129,500	4,323,100	5,617,063
Dow Jones & Company Inc	94,750	3,534,327	3,304,406
Dun & Bradstreet Corporation	244,548	10,999,603	13,969,805
Gannett Company Inc	233,400	7,048,579	10,182,076
Gibson Greetings Inc	104,000	2,457,000	2,353,000
Harcourt Brace & Jovanovich Inc	49,700	605,522	720,650
Knight Ridder Inc	234,200	10,000,822	11,885,650
McGraw-Hill Inc	78,300	4,561,719	5,451,638
Meredith Corporation	14,700	515,142	536,550
New York Times Company	63,100	1,671,303	1,940,325
Time Inc	46,600	2,999,342	7,234,650
Times-Mirror Company	129,372	3,968,633	5,352,768
Tribune Company	60,000	1,985,298	3,105,000
Western Publishing Group Inc	25,230	437,766	523,523
Retail Trade			
Albertsons Inc	54,800	1,077,251	2,616,700
American Stores Company	23,000	1,466,749	1,414,500
Carter Hawley Hale Stores Inc	18,841	124,048	219,027
Charming Shoppes Inc	78,200	2,309,543	1,221,876
Claires Stores Inc	14,250	132,273	126,469
Consolidated Stores Corporation	264,947	4,035,917	1,953,984
Dayton-Hudson Corporation	72,100	2,769,204	3,577,963
Dillard Department Stores Inc	25,800	1,053,187	1,528,650
GAP Inc	63,700	2,693,041	2,532,075
Giant Food Inc	45,900	925,987	1,302,413
Great Atlantic and Pacific Tea Company	32,900	776,066	1,891,750
Handleman Company	105,000	2,102,768	3,018,751
Home Depot Inc	40,800	982,681	1,591,200
K Mart Corporation	159,800	4,283,826	5,752,800
Kroger Company	68,600	64,457	1,037,575
Limited Inc	433,650	12,088,625	13,714,182
Longs Drug Stores Inc	17,100	529,392	707,513
Lowes Companies Inc	29,700	756,039	749,925
May Department Stores Company	99,977	2,777,809	4,174,040
Mercantile Stores Inc	29,500	926,138	1,331,188
Newell Companies Inc	28,700	919,745	1,097,775
Nordstrom Inc	67,700	1,866,466	2,115,625
Penney (J.C.) Company	140,600	4,643,605	7,803,300
Pier 1 Imports Inc	10,700	153,930	131,075
Price Company	39,600	1,223,777	1,584,000
Rite Aid Corporation	48,600	1,546,408	1,713,150
Sears Roebuck & Company	304,800	11,939,805	13,335,000
Super Valu Stores Inc	78,700	1,560,568	2,183,925
Tandy Corporation	288,100	11,529,180	12,856,463
Toys R Us	206,425	3,928,940	5,934,719
Wal-Mart Stores Inc	627,700	12,707,491	23,931,063
Walgreen Company	65,700	1,830,385	2,784,038
Wetterau Inc	18,100	445,831	506,800
Winn-Dixie Stores Inc	33,000	1,281,500	1,617,000
Woolworth (F.W.) Company	52,800	1,119,841	2,732,400
Textiles and Apparel			
Brown Group Inc	14,200	442,303	479,250
Claiborne (Liz) Inc	146,400	3,761,134	3,111,000
Genesco Inc	17,000	86,971	112,625
Hartmarx Corporation	16,900	437,390	416,163
Interco Inc	29,700	118,088	77,963
Melville Corporation	88,600	2,331,803	3,931,625
Nike Inc	29,500	968,388	1,202,125
Oshkosh B Gosh Inc	20,800	599,588	681,200
Petrie Stores Corporation	16,700	539,744	338,175
Reebok International Ltd	90,600	1,330,333	1,177,800
Russell Corporation	140,800	2,108,653	3,044,801
Springs Industries Inc	49,100	1,040,042	2,056,063
Stride Rite Corporation	16,000	391,120	784,000
VF Corporation	54,600	1,225,362	1,740,375
Transportation - Air			
AMR Corporation	49,600	1,983,705	3,031,801
Delta Air Lines Inc	39,600	1,875,823	2,687,850
Federal Express Corporation	196,350	9,599,484	8,443,050
NWA Inc	23,500	1,151,679	2,696,625
NWA Inc Rights	23,300	0	1,165
Pan Am Corporation	115,900	769,684	449,113
UAL Corporation	182,522	21,476,310	25,461,819
U.S. Air Group Inc	34,800	1,362,455	1,583,400
Transportation — Excluding Air			
Burlington Northern Inc	60,000	1,084,992	1,440,000
CNW Corporation	13,300	264,472	646,713
Consolidated Freightways Inc	112,550	3,241,040	3,244,106

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Transportation — Excluding Air (Continued)			
Consolidated Rail Corporation	129,700	$4,019,486	4,669,200
CSX Corporation	94,637	2,434,514	3,052,043
Norfolk Southern Corporation	143,900	3,467,693	5,018,513
Roadway Services Inc	32,000	979,140	992,000
Ryder System Inc	95,700	2,712,544	2,500,163
Santa Fe Pacific Corporation	130,500	1,593,716	2,838,375
Union Pacific Corporation	119,800	7,156,349	8,386,000
Yellow Freight System Inc	23,200	419,220	620,600
Utilities			
American Electric Power Company Inc	156,100	3,737,621	4,331,775
American Information Technologies Corporation	220,500	7,460,436	12,596,063
American Telephone & Telegraph Company	867,530	21,263,347	30,363,550
Arkla Inc	64,700	1,357,273	1,423,400
Baltimore Gas and Electric Company	64,100	1,571,048	2,003,125
Bell Atlantic Corporation	159,300	8,021,299	13,938,750
Bellsouth Corporation	392,505	12,554,596	18,791,177
Central and South West Corporation	76,600	2,078,070	2,642,700
Columbia Gas System Inc	35,800	1,252,970	1,673,650
Commonwealth Edison Company	169,866	5,243,957	6,412,442
Consolidated Edison Company of New York Inc	91,400	3,500,510	4,638,550
Consolidated Natural Gas Company	66,800	1,771,621	3,022,700
Detroit Edison Company	124,200	2,109,227	2,577,150
Dominion Resources Inc	78,900	2,789,213	3,481,463
Duke Power Company	81,500	3,042,001	4,024,063
Enron Corporation	150,500	6,828,382	6,904,188
Enserch Corporation	46,500	1,139,907	1,092,750
Entergy Corporation	164,800	2,277,870	3,172,400
FPL Group Inc	104,300	2,851,462	3,220,263
GTE Corporation	421,700	15,573,000	22,297,389
Houston Industries Inc	95,400	2,763,783	3,040,875
MCI Communications Corporation	269,200	4,734,631	9,724,850
McCaw Cellular Communications Inc	16,299	461,544	627,512
Niagara Mohawk Power Corporation	108,600	1,932,721	1,262,475
Northern States Power Company	51,000	1,324,333	1,861,500
Nynex Corporation	157,800	7,534,005	12,426,750
Ohio Edison Company	122,100	2,059,221	2,609,888
Oneok Inc	11,650	376,609	278,144
Pacific Enterprises	51,089	2,309,869	2,267,075
Pacific Gas and Electric Company	327,600	6,486,823	6,633,900
Pacific Telesis Group	548,600	14,988,756	22,081,150
Pacificorp	90,200	3,655,781	3,630,550
Panhandle Eastern Corporation	47,530	1,080,761	1,122,894
Peoples Energy Corporation	26,900	490,476	618,700
Philadelphia Electric Company	166,200	2,845,220	3,739,500
Portland General Corporation	282,650	6,783,634	6,818,931
PSI Holding Inc	45,500	498,755	716,625
Public Service Enterprise Group	166,775	3,676,187	4,482,079
San Diego Gas and Electric Company	117,700	4,489,250	4,766,850
SCE Corporation	175,900	4,967,915	6,112,525
Sonat Inc	32,600	1,112,081	1,132,850
Southern Company	252,647	4,898,938	6,663,565
Southwestern Bell Corporation	403,150	15,254,328	20,560,650
Texas Eastern Corporation	6,518	204,038	354,788
Texas Utilities Company	134,291	3,875,062	4,146,235
U.S. West Inc	146,800	6,355,758	10,129,073
TOTAL COMMON STOCK-U.S.		***$2,645,295,130***	***3,303,388,076***

COMMON STOCK-INTERNATIONAL

	Shares	Book Value	Market Value
ABN	30,000	$676,243	584,160
Algemene Bank Nederlanden NV	6,700	134,036	160,947
Allianz Lebensversicherung	390	264,178	378,000
Amsterdam Rotterdam Bank	15,000	579,564	568,470
ASA Ltd	8,600	425,916	347,225
ASDA Group Plc	180,000	547,867	493,740
Attwoods Plc	80,000	407,262	600,000
Banca Commerciale Italiana Finance BV	225,000	477,958	755,775
Barrack Technology	100,000	303,133	41,500
Bayer AG	6,500	1,011,384	978,335
Beecham Group Plc	54,000	422,377	524,610
British Petroleum Ltd	125,000	611,049	574,250
BTR Nylex	160,000	603,160	600,320
BTR Plc	105,000	468,120	639,450
Cable & Wireless	65,000	410,722	511,615
Cable & Wireless Holding Ltd	70,000	516,236	550,970
Cheung Kong Holdings Ltd	1,100,000	1,148,224	980,100
Commerzbank AG	4,000	560,958	500,512
Courtaulds Plc	60,000	305,098	327,240
Credit Froncier De France	3,600	495,608	459,342
Credito Fondiario	68,000	276,982	288,660
Dai Nippon Printing Ltd	1,250	0	19,586
Daiwa House Industry Ltd	26,000	407,446	365,742
Daiwa Securities Ltd	20,000	394,084	292,480
Development Bank Singapore Ltd	250,000	1,184,268	1,229,500
Fischer Albert Group	310,000	639,008	533,200
Fletcher Challenge Ltd	480,000	1,528,252	1,341,120
Fokker NV	38,000	348,813	795,264
Forward Foreign Exchange Contracts			4,164,792
Fuji Bank	15,000	363,657	355,155
Fujitsu Ltd	35,000	362,601	372,925
General Accident Fire & Life	28,000	435,473	400,008
Generale Occidentale	5,161	660,279	678,780
Hang Lung Development Ltd	900,000	579,013	401,400
Heineken NV Coupon	1,750	0	97,930
Heinekens Bierbrouwerij NV	7,000	483,214	391,720
Hillsdown Holdings Plc	126,862	585,170	522,925
Hilti	1,000	98,197	125,673
Hitachi Ltd	30,000	174,878	321,720
Hoechst AG	5,000	402,906	643,590
Hong Kong Land Ltd	450,000	528,839	400,650
Hutchinson Whampoa Ltd	500,000	675,501	484,000
Industrial Bank of Japan Ltd	9,880	218,085	299,285
Inter Pacific Resource Corporation	279,000	131,548	191,952
Ito Yokado Ltd	600	18,307	16,086
Kajima Corporation	22,000	379,173	303,336
Kansai Electric Power Inc	10,000	339,349	306,410
Keppel Ltd	350,000	246,688	253,400
Kinki Nippon Railway	75	120,625	127,031
KLM Royal Dutch Airlines	131,800	2,958,850	2,938,760
Klockner-Werke AG	6,000	554,788	516,924
Laidlaw Transportation Ltd	381,100	4,926,460	5,573,588
M.A.N. AG	5,000	535,442	838,460
Malayan Banking Berhad	450,000	1,278,596	1,458,900
Malayan International Shipping	125,000	324,759	418,875
Malayasian Air Systems	300,000	881,221	882,900
Marui Company Ltd	14,690	270,469	275,188
Matsushita Electric Works Ltd	26,250	227,827	352,800
Mecca Leisure Group Plc	215,000	687,841	529,760
Mitsubishi Corporation	20,000	210,543	200,560
Mitsubishi Estate Company Ltd	20,000	357,294	320,340
Mitsubishi Heavy Industries Ltd	30,000	229,205	244,440
Mitsubishi Trust & Banking Corporation	1,000	23,847	17,618
Moore Corporation Ltd	76,200	1,892,799	2,352,676
Munchener Ruckversicherungs	500	459,600	492,308
Muswellbrook Energy & Mineral Ltd	754,000	789,713	39,962
National Iron & Steel	150,000	559,082	638,400
NEC Corporation	28,000	386,849	376,320
Nestle SA	125	464,745	564,632
Next Plc	90,000	438,833	184,050
Northern Telecom Ltd	191,13[illegible]	3,379,539	3,392,576
Oce Van Den Griten NV	1,500	310,432	211,215

	Shares	Book Value	Market Value
COMMON STOCK-INTERNATIONAL			
P & O	44,000	$532,994	428,824
Parbury Hently Holdings Ltd	300,000	384,750	122,400
Pharmacia AB	20,000	551,200	545,260
Placer Dome Ltd	184,422	2,483,597	2,535,803
SME	200,000	610,288	532,800
Saab	9,250	334,474	319,060
Sandoz Ltd	500	256,273	673,250
Sasib PV	85,000	282,008	303,025
Schering AG	1,498	398,093	515,005
Schweiz Kreditanslalt	22	6,497	31,730
Schweizerische Kreditanstalt	330	0	475,943
Sekisui House Ltd	20,000	263,587	276,400
Showa Denko	40,000	405,250	320,320
Siemens AG	2,500	519,483	731,795
State Street Bank Eafe Index Fund		49,525,538	91,130,640
State Street Bank Eafe Ex-Japan Index Fund		309,417,631	326,363,005
Stet	220,000	656,022	654,940
Swiss Bank Corporation	2,400	675,321	482,585
Tan Chong Motors	700,000	508,823	560,000
Thorn EMI Plc	50,000	500,363	598,900
Tokio Marine & Fire Insurance Ltd	24,000	337,913	329,256
Tokyu Corporation	1,200	0	13,204
Toyota Motor Company Ltd	40	189,000	168,500
Unilever NV	138,800	4,310,055	8,948,915
Wing On Company Ltd	700,000	626,101	381,500
Yamanouchi Pharmaceutical Company Ltd	14,000	341,307	358,772
TOTAL COMMON STOCK-INTERNATIONAL		***$418,216,751***	***486,923,965***
REAL ESTATE			
Closed End Funds			
FIA - Profile Fund I		$24,875,000	24,933,693
First Apartment Fund		21,784,486	20,313,043
JMB Group Trust III		25,832,490	31,261,042
TCW Realty Fund II		25,000,000	28,678,423
Total Closed End Funds		***97,491,976***	***105,186,201***
Properties			
Adams Woods Office Building		7,117,258	8,190,000
Arapaho Village		3,730,820	4,100,000
Breckinridge Office Park		33,197,160	33,197,160
California Commerce Center		2,951,582	4,000,000
Corporate Campus East		23,794,856	21,200,000
Corporate West II Building		2,982,107	3,100,000
Cypress Trace Shopping Center		26,193,950	25,500,000
East Walton Building, 201		12,308,044	12,700,000
Executive Drive Building, 330 South		7,994,285	7,750,000
Forest Park Mall		26,149,461	26,500,000
Gateway Oaks		4,529,592	6,900,000
Groves (S.J.) Office Building		2,727,467	3,200,000
Hartford Industrials		18,483,643	18,483,643
HSA Kensington		4,321,802	4,320,000
Interstate Crossings		9,765,286	10,300,000
Laguna Hills Plaza		7,537,500	8,600,000
Lakes of Bellevue Apartments		23,374,242	20,800,000
Locust Street Apartments, 1500		52,841,385	52,841,385
Locust Street Buildings, 1015		11,915,150	11,915,000
Mayhew Technology Center		13,602,141	18,300,000
Mendota Heights Business Park		14,409,079	14,250,000
Naperville Industrial Properties		6,445,403	6,696,049
Newmarket South		13,818,750	15,900,000
Norfolk Office Portfolio		44,469,575	44,469,575
North Lake Park		11,707,148	13,200,000
Oakbrook Data General		7,332,039	7,000,000
Oakbrook Land		4,158,474	5,200,000
OPUS Industrial Portfolio		29,630,666	29,560,000
Orlando Marriott Hotels		51,285,660	51,285,660
Quail Lakes		8,448,965	8,600,000
Ridge Plaza Center		4,971,878	5,250,000
River Road Business Center		10,815,059	9,200,000
San Juan Corporate Plaza		4,756,391	5,600,000
Somerset Park Apartments		6,747,689	7,200,000
St. Charles #3, 4, & 5		1,526,057	1,526,000
St. Charles Business Park		2,383,222	2,700,000
St. Charles Land Venture		14,521,242	19,700,000
Stone Mountain Festival		25,626,369	25,626,000
Super 8 Motels		14,345,370	15,400,000
Time-Life Building		45,966,484	46,500,000
Told Development Portfolio		16,945,821	16,980,000
Towne North Shopping Center		9,313,782	10,200,000
Troy Trade Center		8,040,000	8,940,000
TRS Springfield Office Building		4,704,507	4,704,507
Williams Plaza		27,024,776	28,600,000
Wooddale Industrials		14,561,933	14,630,000
Miscellaneous Real Estate Net Assets		12,018,387	12,018,387
Total Properties		**711,492,457**	**732,753,366**
TOTAL REAL ESTATE		***$808,984,433***	***838,019,567***
VENTURE CAPITAL			
American Healthcorp Inc		$20,000,000	20,000,000
Frontenac Venture IV		6,877,012	5,267,916
Frontenac Venture V		12,500,000	12,,883,585
Home Fashions Inc		20,000,000	20,000,000
Keller Graduate School of Management		6,759,234	6,759,234
		953,008	953,008
		740,766	740,766
		701,992	701,992
Levy Restaurant		3,000,000	3,000,000
		1,250,000	1,250,000
Newtrend Group Ltd Partnership		1,558,688	1,558,688
Newtrend Ltd Partnership		1,558,688	1,558,688
PMI Holding Corporation		5,000,000	5,000,000
T W Best/R A Eastern Newstands Corporation		4,000,075	4,000,075
TOTAL VENTURE CAPITAL		***$84,899,463***	***83,673,952***

This report is published in accordance with the laws governing the Teachers' Retirement System of the State of Illinois.

The 1989 Annual Financial Report was edited and prepared by Lisa Bossert. A copy of the report may be obtained by writing to:

Teachers' Retirement System
of the State of Illinois
P.O. Box 19253
2815 W. Washington
Springfield, IL 62794-9253

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HIGHLIGHTS

	June 30, 1990	June 30, 1989
Membership		
Active	101,000*	100,857
Inactive	19,997*	20,834
Benefit recipients	46,097	45,718
Total	**167,094**	**167,409**
Contributions		
Member	$ 283,780,000	$ 268,253,000
State of Illinois	$ 263,507,000	$ 232,438,000
Unfunded pension benefit cost	$ 5,582,611,000	$4,641,888,000
Net assets (Book value)	$8,079,898,000	$7,272,071,000
Investment return	10.4%	14.4%
Benefits paid	$ 519,597,000	$ 477,256,000

**Estimated*

COMPONENT UNIT
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 1990

Teachers' Retirement System
of the State of Illinois

BOARD OF TRUSTEES








ADMINISTRATIVE STAFF

TRS Teachers' Retirement System
of the State of Illinois

2815 W. Washington, P.O. Box 19253, Springfield, Illinois 62794-9253, Phone (217) 753-0311

4200 Commerce Court, Suite 100, Lisle, Illinois 60532-3611, Phone (708) 505-0071

CONTENTS

Mission Statement

As a fiduciary for our members, the Teachers' Retirement System of the State of Illinois strives to promote maximum possible financial security for members in a manner that reflects our commitment to excellent service and instills confidence in our integrity.

LETTER OF TRANSMITTAL

As a trust fund for over 174,000 members, 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 providing retirement security for members.

Investment policy, which sets the standards for management of the trust fund assets, continued to evolve and mature over the course of fiscal year 1990. By June 30, 1990, the System's strategy of constructing a more highly diversified, globally balanced, multiple asset class portfolio had been nearly fully implemented. This structure provides additional risk management capabilities and optimal risk/reward portfolio characteristics.

A larger commitment to the international equity and non-dollar bond markets became a focal point of a dynamic, while risk-averse, asset allocation strategy. Seven international equity managers, along with one international fixed income manager, are now responsible for the 11.5 percent of the Total Fund which is invested in the major non-U.S. capital markets.

Enhancements to the fund's domestic portfolios were provided by the System's retention of nineteen active managers specializing in various investment approaches across the U.S. equity asset class. In fact, on a Total Fund level, the policy which provided for what was largely a passive or index fund approach has made the transition to what is now essentially an active approach to institutional portfolio management.

Funding

The System is funded through member contributions, employer contributions from the State of Illinois, and investment income. The System's active members paid $283.8 million, or 8 percent of their salaries to the trust fund during FY90. Contributions from the State of Illinois were $263.5 million.

State funding of the employer cost as required by law would maintain the unfunded pension benefit obligation 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 44 percent to 66 percent of benefit payments. As a result, the State's debt to the System, the unfunded pension benefit obligation, has grown dramatically in the last decade.

The unfunded pension benefit obligation grew to over $5.6 billion during FY90 as a result of the continued State underfunding of the System.

The results of an actuarial valuation conducted by the System's actuaries as of June 30, 1990 are included in the "Actuarial Summary" section of this report. The System's audited financial statements with related footnotes for the fiscal year ending June 30, 1990 are shown in the "Financial Statements" section.

Investments

Investment income and realized gain on investments of $813.9 million during FY90 were positive contributors to the fund's financial status. Investments totaled $8.9 billion at market value at June 30, 1990, up significantly from $8.0 billion at market value at June 30, 1989. As trustee for members' funds, the System is responsible for investment of the fund under 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.

The System's total fund, time-weighted rate of return was 10.4 percent. Annualized three-year and five-year total returns of 8.4 percent and 13.4 percent, respectively, continue to outperform the rate of inflation for these periods, 4.6 percent and 3.8 percent, respectively. The System's long-term objective, to exceed the rate of inflation by 3 percent has been achieved for both the three-year and five-year periods.

A summary of the System's investment activities during FY90 and historic performance results is presented in the "Investment Report" section which is followed by the investment listing.

Benefits

The System administers a defined benefit retirement program for all certificated public elementary and secondary education professionals in the State of Illinois outside the City of Chicago. On July 1, 1990, the benefits and services that the System offers were extended to part-time and substitute teachers.

"The investment portfolio structure provides additional risk management capabilities and optimal risk/reward portfolio characteristics."

"TRS is proud of the benefits and service it offers Illinois teachers today."

Retirement benefits totaling $474.8 million were paid to 40,171 annuitants at June 30, 1990. The average retirement benefit was $1,015 in FY90, up from the average benefit of $931 in FY89. The average retired member was 72 years of age, had earned 26.3 years of service, and had been in retirement 13 years at June 30, 1990.

The 3 percent annual increase based on current rather than original benefits which became law in 1989 represents a long-term benefit improvement for TRS members. Compounding the annual increase provides an important shield against the decline in purchasing power brought about by increasing health care costs and other economic trends. The longer an annuitant is in receipt of a benefit, the greater the impact of a compounded increase.

Other Benefits

In addition to retirement benefits, the System offers a comprehensive health and prescription drug insurance plan for benefit recipients and eligible dependents. The System partially subsidized the premium cost for 16,394 annuitants who elected coverage during FY90.

Disability benefits are paid to System members who are disabled while employed in a TRS-covered position. During FY90, 1,160 members received disability benefits totaling $8.2 million.

The System also provides death and survivor benefits. Dependents may be eligible for monthly benefits and/or a lump-sum payment. Monthly benefits were paid to 4,766 survivors. There were 1,305 new claims filed in FY90 with 471 claims for monthly benefits.

Member Services

TRS provides a number of services for contributing members. During FY90, 6,195 System members met with TRS retirement consultants around the state to learn more about their retirement benefits. System staff received over 33,500 phone inquiries by members and annuitants, sent out over 144,000 letters and talked with an average of 184 members monthly concerning System benefits and operations in FY90.

Due to a growing awareness of the aging of our society and its future implications, members are beginning their retirement planning earlier in their careers. In response to these growing concerns the System expanded its program designed to help members plan for retirement. The seminars are designed to help members identify and plan to attain their retirement goals. In FY90, 493 members attended these seminars.

The System provides a variety of publications aimed at meeting the information needs of members, annuitants, and employers. The *Member Guide* and *Retired Member Guide* describe benefits available from the System. The *Employer Guide* is a comprehensive resource on System procedures and reporting requirements for employers of TRS members. In addition to these publications, regular newsletters, brochures, and videotape presentations present information of interest to TRS members and annuitants.

TRS is proud of the benefits it offers Illinois teachers today. However, to maintain a system which meets the needs of its members, more improvements need to be made. When the TRS plan is compared with other Illinois public employee pension plans, the System's retirement formula falls behind most others. When compared with teacher retirement plans in other states, again, the benefits that Illinois teachers receive fall behind those provided to teachers outside Illinois.

A recent survey of TRS members indicates that one-half of all active and retired teachers have never been employed outside the teaching profession. Because of this fact, many teachers are not eligible for Social Security coverage in retirement. In addition, teachers are generally not highly compensated and are not able to set aside large sums during years of active employment. Retirement benefits for teachers are, in part, designed to compensate for those factors.

As TRS looks ahead to the '90s, the System will continue to work with the General Assembly to bring about changes that will keep retirement benefits for Illinois teachers comparable to those provided in other systems across the country. Members and retirees have a significant role in the legislative process as well. Collective action is needed to explain to Illinois legislators the need for improved retirement benefits for teachers.

In addition, TRS will continue to improve the variety of services offered. One improvement is TRS' new policy of sending a Member Guide and other membership forms to all new members. In FY89, the System initiated a strategic plan designed to anticipate the future needs of TRS members and identify the challenges to meeting those goals. The System's mission statement appears on page 3.

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

Fred Husmann
Executive Director
October 19, 1990

Presented to

Teachers' Retirement System of the State of Illinois

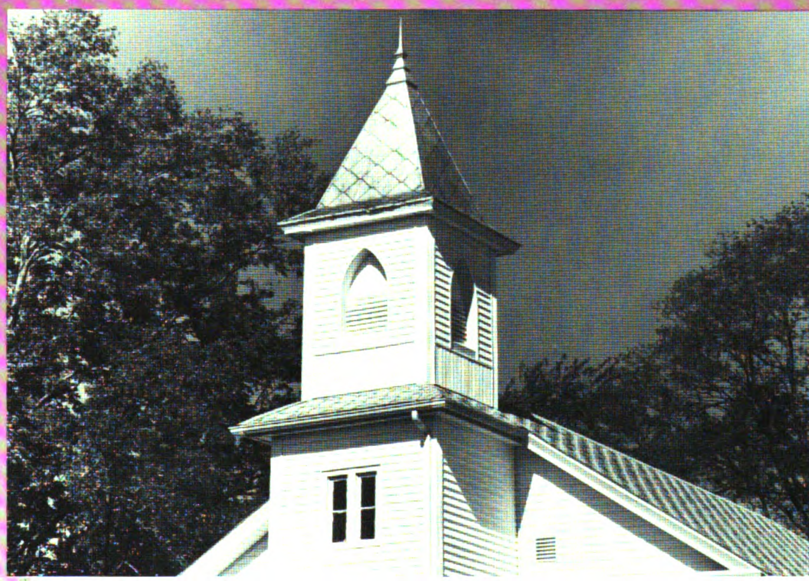
For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1989

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

President

Executive Director

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

Ernst & Young

150 South Wacker Drive
Chicago, Illinois 60606
Telephone: (312) 368-1800

Honorable Robert G. Cronson
Auditor General
State of Illinois

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

We have audited the accompanying statements of financial position of the Teachers' Retirement System of the State of Illinois as of June 30, 1990 and 1989, and the related statements of revenues, expenses and changes in net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of the State of Illinois at June 30, 1990 and 1989, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on page 15 and 16 is presented for purposes of additional analysis and is not a required part of the financial statements of the Teachers' Retirement System of the State of Illinois, but is required by the Governmental Accounting Standards Board. Such information, when considered in relation to the basic financial statements, in our opinion presents fairly, in all material respects, the information shown therein. Included in the related supplemental schedules is information for the years 1981 through 1988 that has been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

September 28, 1990

Ernst & Young

Statements of Financial Position

Teachers' Retirement System of the State of Illinois

	June 30 1990	June 30 1989
Assets		
Cash - Note C	$ **4,058,000**	1,437,000
Receivables:		
Contributions from school districts:		
Salary deductions	**12,228,000**	13,245,000
Federal and trust funds	**2,101,000**	2,332,000
Members accounts	**90,000**	35,172,000
Total receivables	**14,419,000**	50,749,000
Investments - Notes C and G (Market value 1990 $8,910,482,000; 1989 $8,038,721,000)	**8,066,358,000**	7,222,061,000
Property and equipment - Note A	**1,172,000**	1,174,000
Total assets	**8,086,007,000**	7,275,421,000
Liabilities		
Payables:		
Benefits	**1,239,000**	396,000
Refunds	**79,000**	321,000
Other	**4,791,000**	2,633,000
Total liabilities	**6,109,000**	3,350,000
Net Assets Available for Benefits	**8,079,898,000**	7,272,071,000
Pension Benefit Obligation - Note D	**13,662,509,000**	11,913,959,000
Net Assets Available for Benefits	**8,079,898,000**	7,272,071,000
Unfunded Pension Benefit Obligation	$ **5,582,611,000**	4,641,888,000

See notes to financial statements.

Statements of Revenue and Expense and Changes In Net Assets

Teachers' Retirement System of the State of Illinois

	Year Ended June 30	
	1990	**1989**
Revenue		
Contributions - Note E:		
Members	**$ 283,780,000**	268,253,000
State of Illinois	**263,507,000**	232,438,000
School districts:		
Early retirement option	**17,282,000**	17,266,000
Federal and trust funds	**12,235,000**	11,223,000
Total contributions	**576,804,000**	529,180,000
Investment income - Note C:		
Interest	**315,940,000**	292,299,000
Dividends	**96,151,000**	93,088,000
Other	**53,440,000**	42,592,000
Total investment income	**465,531,000**	427,979,000
Gain on sale of investments	**348,398,000**	133,621,000
Total revenue	**1,390,733,000**	1,090,780,000
Expense		
Benefits:		
Age retirement	**378,827,000**	348,247,000
Post-retirement	**96,008,000**	88,381,000
Survivor	**26,209,000**	24,436,000
Disability	**8,222,000**	7,846,000
Health insurance	**10,331,000**	8,346,000
	519,597,000	477,256,000
Refunds	**21,662,000**	20,394,000
Administrative expenses	**6,175,000**	5,548,000
Prior service credit	**35,472,000**	0
Total expense	**582,906,000**	503,198,000
Revenue in Excess of Expense	**807,827,000**	587,582,000
Net Assets Available for Benefits At Beginning of Year	**7,272,071,000**	6,684,489,000
Net Assets Available for Benefits At End of Year	**$ 8,079,898,000**	7,272,071,000

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Teachers' Retirement System of the State of Illinois
June 30, 1990

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The financial statements of the Teachers' Retirement System of the State of Illinois are prepared using the accrual basis of accounting.

Investments accounting: 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.

Investments authorized: Through the Board of Trustees, as authorized in Article 16 of the *Illinois Pension Code*, 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 establishes a standard for all fiduciaries by specifying fiduciary responsibility with regard to the members' trust funds.

Equipment: Equipment is stated on the basis of historical cost. Provisions for depreciation are computed by the straight-line method, based upon the estimated useful lives of the assets. Equipment is assigned a useful life of from three to ten years while vehicles are assigned a five-year life.

NOTE B - PLAN DESCRIPTION

The System is the administrator of a cost-sharing multiple-employer public employee retirement plan. Members of the System consist of 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. The System was established by the State of Illinois and is governed by Article 16 of the *Illinois Pension Code*. The System is a component unit of the State of Illinois and is included in the State's financial statements as a pension trust fund.

The System has developed criteria to determine whether other entities should be included within its financial reporting entity. The criteria include, but are not limited to, whether the System exercises oversight responsibility on financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing arrangements.

Based on this criteria the System has no other entities included in these financial statements.

Members are employed by 1,114 school districts and special districts. Member contributions are remitted by each employer district to the System. These employers are only responsible for employer contributions for teachers paid from federal and trust funds and for the employer's portion of the early retirement option. The State of Illinois provides employer contributions to fund the System. State contributions are based on annual appropriations which are less than statutory actuarial funding of normal cost and interest on the unfunded pension benefit obligation.

At June 30, 1990, the number of employers was:

Local school districts	954
Special districts	123
State agencies	37
	1,114

At June 30, 1990, the System membership consisted of:

Retirees and beneficiaries currently receiving benefits	46,097
Terminated members entitled to benefits but not yet receiving them	10,000
Current members:	
Vested	80,000
Nonvested	21,000
	157,097

Terminated and current members are estimated based on the latest available data as of June 30, 1989.

The pension plan provides retirement benefits, health insurance, and death and disability benefits. A member qualifies for an age retirement annuity after attaining one of the following: age 62 with five years of service credit; age 60 with ten years; age 55 with 20 years. If retirement occurs between age 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 age 55 with less than 35 years of service credit may use the early retirement option to avoid a discount for early retirement if retirement occurs before July 1, 1995 and within six months of the last day of service requiring contributions and if the member and employer both make a one-time contribution to the System.

The retirement benefit 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 retirement benefit, 75 percent of average salary, is achieved with 38 years of service. Each annuitant who retired after 1969 or made a qualifying contribution receives an annual 3 percent increase in the current retirement benefit beginning January 1 following attainment of age 61 or following the first anniversary in retirement, whichever is later.

Member contributions, established by statute, are 8 percent of earnings allocated as follows: 6 1/2 percent for retirement, 1/2 percent for post-retirement increases and 1 percent for death benefits. If a member leaves covered employment, the System will refund a member's contributions upon request. The refund consists of actual contributions excluding the 1 percent death benefit contribution.

NOTE C - CASH AND INVESTMENTS

At June 30, 1990, the bank balance and carrying amount of the System's deposits were $44,933,000 and $4,058,000, respectively. Of the bank balance, $42,890,000 is on deposit with the State Treasurer. The System's investments are categorized to give an indication of the level of risk at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the System's name.

Investments at June 30, 1990 and 1989 are summarized below:

Category 1:	Cost		Market Value	
	1990	1989	1990	1989
Bonds, corporate notes and preferred stock	$2,625,412,000	2,426,270,000	2,618,087,000	2,489,394,000
Short term investments	196,011,000	219,115,000	196,245,000	218,855,000
Common stock	2,953,954,000	2,280,836,000	3,584,124,000	2,877,773,000
Real estate equity	824,867,000	711,492,000	822,811,000	732,834,000
Venture capital	97,074,000	65,522,000	91,873,000	65,522,000
Accrued interest and dividends	77,980,000	80,286,000	77,980,000	80,286,000
	6,775,298,000	5,783,521,000	7,391,120,000	6,464,664,000
Mutual funds (Not categorized)	1,291,060,000	1,438,540,000	1,519,362,000	1,574,057,000
Total Investments	$8,066,358,000	7,222,061,000	8,910,482,000	8,038,721,000

The System has nonrecourse mortgages totaling $136,823,000 and $94,324,000 on real estate equities at June 30, 1990 and 1989, respectively. The amount reported for real estate equity is net of these mortgages, which mature on various dates through the year 2011.

At June 30, 1990, the System has investments with one organization (other than U.S. Government and U.S. Government guaranteed obligations) that exceed 5 percent of net assets available for benefits. The investments, reported at cost, are with Harris Bank of Chicago for $625,895,000.

There are no investments in, loans to, or leases with parties related to the System.

NOTE D - FUNDING STATUS AND PROGRESS

The pension benefit obligation is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee services to date. The measure is the actuarial present value of credited projected benefits and is intended to help users to assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems.

The pension benefit obligation is determined as of June 30, 1990 and 1989. Significant actuarial assumptions are summarized as follows:

- The present value of future pension payments is computed using a discount rate of 8 percent. The discount rate represents the estimated long-term rate of return on current and future investments.
- Future pension payments reflect an assumption of a 4 percent salary increase due to inflation and a 3 percent salary increase for merit adjustments.
- Future pension payments include post-retirement increases based on 3 percent of the pension payment of the previous year.

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 June 30, 1988 data. Based on this analysis there were no changes in actuarial assumptions. During the period between experience analyses, the actuary develops annual actuarial estimates, based upon the most recent experience analysis performed.

At June 30, 1990 and 1989, the unfunded pension benefit obligation is as follows:

	1990	1989
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits	$5,121,234,000	4,527,612,000
Terminated members entitled to benefits but not yet receiving them	278,494,000	240,658,000
Current employees:		
Accumulated employee contributions	2,167,054,000	2,003,978,000
Employer-financed vested	1,960,401,000	1,495,356,000
Employer-financed nonvested	4,135,326,000	3,646,355,000
Total pension benefit obligation	13,662,509,000	11,913,959,000
Net assets available for benefits, at cost (Market value 1990 - $8,924,022,000; 1989 - $8,088,484,000)	8,079,898,000	7,272,071,000
Unfunded pension benefit obligation	$5,582,611,000	4,641,888,000

A reconciliation of the unfunded pension benefit obligation for the years ended June 30, 1990 and 1989 is summarized below:

	1990	1989
Unfunded benefit obligation at beginning of year	$4,641,888,000	4,238,098,000
Additions (deductions):		
Employer cost in excess of contributions	330,532,000	305,547,000
Increase for COLA 3% compounding	642,310,000	
Actuarial losses (gains) compared to assumptions:		
Salary increases	11,143,000	16,271,000
Investment income (loss)	(202,975,000)	1,569,000
Other	159,713,000	80,403,000
Net additions	298,413,000	403,790,000
Unfunded benefit obligation at end of year	$5,582,611,000	4,641,888,000

NOTE E - CONTRIBUTION REQUIREMENTS

Employer contributions made by the State of Illinois are based on annual appropriations and are not actuarially determined. The State appropriations are derived from three different sources. The largest appropriation is made from the Common School Fund (1990 - $234,300,000; 1989 - $216,216,000) and is based on a percentage of benefits estimated to be paid. The percentage of appropriations to benefits estimated to be paid was 44 percent.

The other two sources of State contributions are the General Revenue Fund and the State Pension Fund. The General Revenue Fund appropriation (1990 - $22,637,000; 1989 - $10,571,000) reimburses the System for certain minimum retirement allowances and in fiscal year 1990 includes additional State funding. The State Pension Fund appropriation (1990 - $6,570,000; 1989 - $5,651,000) represents a distribution to the System of money escheated to the State.

Total contributions from employers for 1990 and 1989 were $293,024,000 and $260,927,000 respectively which were 8.6 and 8.2 percent of annual covered payroll respectively.

In some instances the school districts and special districts are responsible for employer contributions. These contributions are required for teachers paid from federal and trust funds and for the employers' portion of the early retirement option.

The employer and employee actuarial contributions requirement for 1990 and 1989 are $864,836,000 and $811,399,000 respectively. The actual contribution for 1990 and 1989 was $576,804,000 and $529,180,000 respectively. The actuary's review of the 1990 deficiency indicates that the actuarially determined contribution requirement for 1991 will increase by $23,043,000.

Prior service credit primarily consists of an adjustment to reflect members' contributions for prior service credit on the cash basis to meet revenue recognition criteria.

NOTE F - HISTORICAL TREND INFORMATION

Supplemental schedules of historical trend information are presented on page 15. These are designed to provide information on the System's progress in accumulating assets to pay benefits when due.

NOTE G - SUBSEQUENT EVENT

Subsequent to June 30, 1990 the market value of investments began to decrease concurrent with the decline of the stock markets in July, August and September of 1990. The following schedule presents market value and cost of investments at September 28, 1990, compared to the June 30, 1990 values:

	Cost		Market Value	
	June 30	Sept. 28	June 30	Sept. 28
Bonds, corporate notes and preferred stock	$2,625,412,000	2,745,103,000	2,618,087,000	2,713,728,000
Short term investments	196,011,000	52,376,000	196,245,000	53,555,000
Common stock	2,953,954,000	3,031,995,000	3,584,124,000	3,032,221,000
Real estate equity	824,867,000	843,438,000	822,811,000	840,133,000
Venture capital	97,074,000	97,777,000	91,873,000	86,612,000
Accrued interest and dividends	77,980,000	73,736,000	77,980,000	73,736,000
	6,775,298,000	6,844,425,000	7,391,120,000	6,799,985,000
Mutual funds (Not categorized)	1,291,060,000	1,327,296,000	1,519,362,000	1,375,562,000
Total Investments	$8,066,358,000	8,171,721,000	8,910,482,000	8,175,547,000

REQUIRED SUPPLEMENTAL SCHEDULES

Revenues by Source

(In Millions of Dollars)

Year Ended June 30	Employee Contributions	Employer Contributions: Employer Contributions	Employer Contributions: Percentage of Annual Covered Payroll	Employer Contributions: Actuarially Required Amount*	Employer Contributions: Percentage of Annual Covered Payroll	Investment Income	Total
1981	$166	$246	11.3%	$266	13.2%	$226	$ 638
1982	180	169	7.8	277	12.7	238	587
1983	189	161	7.0	373	16.3	132	482
1984	195	207	8.8	413	17.6	234	636
1985	207	238	9.6	446	18.0	445	890
1986	220	260	9.9	448	17.0	813	1,293
1987	238	280	9.9	448	15.8	835	1,353
1988	253	242	8.1	514	17.1	560	1,055
1989	268	260	8.2	566	17.8	560	1,088
1990	284	293	8.6	624	18.3	814	1,391

**Changes in actuarial assumptions and actuarial method resulted in a $80.7 million increase in the actuarially required amount for the year ended June 30, 1983. Changes in actuarial assumptions resulted in a $53.2 million increase in the actuarially required amount for the year ended June 30, 1988.*

***Amounts shown for 1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference is estimated to be nonmaterial for comparison purposes.*

Expense by Type

(In Millions of Dollars)

Year Ended June 30	Benefits	Refunds	Administrative/ Other Expenses	Total
1981	$213	$24	$2	$240
1982	238	27	2	267
1983	262	23	3	288
1984	291	24	3	318
1985	325	24	3	352
1986	360	26	4	390
1987	398	26	5	429
1988	436	21	5	462
1989	477	20	6	503
1990	520	22	41	583

Supplemental Schedule of Funding Progress

(In Millions of Dollars)

June 30	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1) - (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) - (5)
1982	$3,215	$ 6,109	52.6%	$2,894	$2,177	132.9%
1983	3,410	6,690	51.0	3,280	2,287	143.4
1984	3,728	7,349	50.7	3,621	2,345	154.4
1985	4,265	7,982	53.4	3,717	2,472	150.3
1986	5,168	8,687	59.5	3,519	2,633	133.6
1987	6,092	9,950*	61.2	3,858	2,834	136.1
1988	6,684	10,922	61.2	4,238	3,007	140.9
1989	7,272	11,914	61.0	4,642	3,172	146.3
1990	8,080	13,663**	59.1	5,583	3,402	164.1

Analysis of the dollar amounts of net assets available for benefits, pension obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

**Includes increases of $55 million due to plan amendments and $393 million due to changes in actuarial assumptions.*

***Includes effect of COLA of 3% compounded of $642 million.*

Supplemental Schedules

Administrative expenses for the years ended June 30, 1990 and 1989 are summarized below:

	1990	1989
Personal services	$3,496,000	3,329,000
Professional services	737,000	439,000
Postage	256,000	210,000
Machine repair and rental	251,000	212,000
Other contractual services	294,000	365,000
Commodities	232,000	165,000
Occupancy expense	424,000	429,000
Provision for depreciation of equipment	480,000	399,000
	$6,170,000	5,548,000

Cash receipts and disbursements for the years ended June 30, 1990 and 1989 are summarized below:

Cash balance at beginning of year	$ 1,437,000	1,272,000
Cash receipts:		
Member contributions	285,705,000	264,642,000
Employer contributions	287,045,000	248,309,000
Investment income	560,614,000	482,629,000
Annuities returned	472,000	657,000
Investments sold	8,464,195,000	10,270,899,000
Total cash receipts	$9,598,031,000	11,267,136,000
Cash disbursements:		
Benefits	519,300,000	478,320,000
Refunds	21,920,000	20,782,000
Administrative	5,843,000	5,228,000
Real estate and investment manager expenses	85,552,000	66,118,000
Investments purchased	8,962,795,000	10,696,523,000
Total cash disbursements	$9,595,410,000	$11,266,971,000
Cash balance at end of year	$ 4,058,000	1,437,000

ACTUARIAL SUMMARY

ACTUARY'S CERTIFICATION

BUCK CONSULTANTS
Xerox Centre
55 West Monroe Street Suite 1700
Chicago, Illinois 60603

Board of Trustees
Teachers' Retirement System
of the State of Illinois
2815 West Washington Street
P.O. Box 19253
Springfield, Illinois 62794

Re: *Actuarial Reserve Requirement as of June 30, 1990*

Ladies and Gentlemen:

In accordance with the provisions of the Teachers' Retirement System of the State of Illinois, we have made an estimate of the actuarial reserve requirement of the Fund as of June 30, 1990.

This estimate is based on a census of retired members as of June 30, 1990 and a census of active and inactive members as of June 30, 1989. For actuarial purposes, net assets are based upon cost or amortized cost values less current liabilities as provided by the System. The estimate was based on the provisions of TRS in effect on June 30, 1990.

The liabilities of the System were determined in accordance with generally accepted actuarial principles and procedures, using the projected unit-credit actuarial cost method.

As of July 1, 1990, the pension benefit obligation was determined to be $13,662,509,000, based on the actuarial assumptions and provisions of TRS in effect on that date.

In our opinion, the amount of $13,662,509,000 is a fair representation of the actuarial reserve requirement of the Fund as of June 30, 1990.

Respectfully submitted,

J W Thompson

John W. Thompson
Consulting Actuary

JWT:plg

Buck Consultants, Inc.
312 | 332-2285 Fax 312 | 332-5245

Buck Consultants S.A. | Buck Paterson Consultants Limited | GBB Buck Consultants Limited

ACTUARIAL INFORMATION

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 of the State of Illinois has provided pension and ancillary benefits to all public elementary and secondary teachers except for those employed by the city of 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 the pension benefit obligation 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 1989 using demographic and economic data for the three-year period ended June 30, 1988. The review resulted in a change to the projected unit credit method from the attained age method.

Actuarial Valuation

An important step in an actuarial valuation is application of a cost method assigning portions of the total value of benefits to past, present and future periods of employee service. This allocation is accomplished by development of normal cost and the pension benefit obligation. Normal cost is the annual cost of service earned by System members during the fiscal year. Pension benefit obligation is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases which are estimated to be payable in the future as a result of employee services to date.

There are several accepted actuarial cost methods. The actuarial cost method used by the System is the projected unit credit actuarial method. The current normal cost is 13.7 percent of payroll. Eight percent of normal cost is paid by the members' contributions. The remaining 5.7 percent is the employers' portion of the normal cost.

Actuarial Assumptions

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

- **Investment return:** 8 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	97	97
60	270	180
65	365	330
70	1,000	1,000

- **Mortality:** Active participants — UP 1984 Table, set back two years; nondisabled pensioners — UP 1984 Table, set back five years.

- **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, adjusted for inflation. Approximates 7 percent per year to earliest date of retirement eligibility. Sample annual percentage increases follow.

Age	Unisex
20	9.7%
30	8.6
40	7.5
50	6.9
60	6.7

"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."

Reconciliation of Unfunded Pension Benefit Obligation

(In Millions of Dollars)

	Year Ended June 30 1990	1989
Unfunded pension benefit obligation at beginning of year	$4,642	4,238
Additions (deductions):		
Employer cost in excess of contributions	331	306
Actuarial losses (gains) compared to assumptions:		
Salary increases	11	16
Investment income	(203)	2
Other	160	80
Plan amendments	642	—
Net additions (deductions)	941	404
Unfunded pension benefit obligation at end of year	$5,583	4,642

GASB Statement Number 5

The System complies with the reported requirements of Statement Number 5 of the Governmental Accounting Standards Board, Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers, November 1986. This statement prescribes financial disclosure requirements for public employee retirement systems including a standardized measure of the pension benefit obligation. The System uses this standardized measure for funding purposes as well as for financial reporting. The actuarial terminology used by Statement 5 is used consistently for all financial and funding exhibits.

Fiscal year 1990 actuarial gains and losses resulted from the following: average salaries increased by 7.2 percent compared to the 7 percent assumption; and actuarial investment return (including interest, dividends, and realized gains) was 10.8 percent, compared to the 8 percent assumption.

The plan was amended to provide for compound annual increases for annuitants and survivors. This change increased the unfunded pension benefit obligation by $642 million.

Actuarial Valuation

(In Millions of Dollars)

	June 30 1990	1989
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits	$5,121	4,528
Terminated employees not yet receiving benefits	279	241
Current employees:		
Accumulated employee contributions	2,167	2,004
Employer-financed vested	1,961	1,495
Employer-financed nonvested	4,135	3,646
Total pension benefit obligation	13,663	11,914
Net assets available for benefits, at cost	8,080	7,272
Unfunded pension benefit obligation	$5,583	4,642

Employer Cost in Excess of Contributions

(In Millions of Dollars)

	Year Ended June 30 1990	1989
Employer normal cost	$194	220
Interest on unfunded pension benefit obligation at beginning of year	423	339
	617	559
Minimum retirement benefit funded annually from the State General Revenue Fund and not included in the actuarial valuation of pension benefit obligation	7	7
	624	566
Deduct employer contributions:		
State of Illinois	264	232
Early retirement option	17	17
Federal and trust funds	12	11
	293	260
Employer cost in excess of contributions	$331	306

"A test of financial soundness of a pension system is its ability to pay all promised benefits when due."

Actuarial Funding

Current Funding Policy

On August 23, 1989 Public Act 86-0273 was enacted which provides for amortization of the System's unfunded pension benefit obligation over 40 years with a seven-year phase in. Implementation of this legislation will provide financial stability for the System by funding benefits on an actuarially sound basis. This legislation was not implemented in FY90 because State appropriations were insufficient to meet the funding requirements of Public Act 86-0273.

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 underfunded. 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 public pension plan, the Teachers' Retirement System is not covered by the Employee Retirement Income Security Act of 1974 (ERISA). That federal legislation did provide 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.

The **Percentage of Benefits Covered by Net Assets** exhibit compares the plan's net assets with the member's 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. 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 pension benefit obligation, normal cost and normal cost plus interest. These percentages should decrease over the years if the System is growing stronger.

*"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."*

Test 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 at Cost	Net Assets at Market	Pension Benefit Obligation**	Funding Ratio Cost	Funding Ratio at Market
1981	2,896	2,493	5,390	53.7	46.3
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
1987	6,092	6,958	9,950	61.2	69.9
1988	6,684	7,055	10,923	61.2	64.6
1989	7,271	8,088	11,914	61.0	67.9
1990	8,080	8,924	13,663	59.1	65.3

As required by statute, the System's actuaries conducted an analysis of experience for the four-year periods ended June 30, 1981 and June 30, 1985, and for the three-year period ended June 30, 1988. For actuarial purposes, the effects of this analysis were reflected in the pension benefit obligation for the years ended June 30, 1982 and June 30, 1987, respectively; there was no effect on pension benefit obligation resulting from the three-year period ended June 30, 1988.

**Amounts shown for 1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference in methodology is estimated to be non-material for comparison purposes.*

Percentage of Pension Benefit Obligation*

(In Millions of Dollars)

Year Ended June 30	Members' Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members, Employer Portion (3)	Net Assets	Percentage of Benefits Covered by Net Assets (1)	(2)	(3)
1981	986	2,207	2,197	2,896	100	87	0
1982	1,100	2,365	2,644	3,215	100	89	0
1983	1,264	2,565	2,861	3,410	100	84	0
1984	1,372	2,803	3,174	3,728	100	84	0
1985	1,472	3,130	3,380	4,265	100	89	0
1986	1,596	3,402	3,689	5,168	100	100	5
1987	1,718	3,777	4,455	6,092	100	100	13
1988	1,860	4,165	4,898	6,684	100	100	13
1989	2,004	4,528	5,382	7,272	100	100	14
1990	2,167	5,121	6,375	8,080	100	100	12

Amounts shown for 1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference in methodology is estimated to be non-material for comparison purposes.

Payroll Percentages

(In Millions of Dollars)

		UNFUNDED PENSION BENEFIT OBLIGATION*		EMPLOYER'S COST					EMPLOYER CONTRIBUTIONS	
Year Ended June 30	Member Payroll (1)	Amount (2)	Percent of Payroll (3)	Employer's Normal Cost (4)	Percent of Payroll (5)	Interest on Unfunded Pension Benefit Obligation (6)	Total (7)	Percent of Payroll (8)	Employer Contribution (9)	Percent of Payroll (10)
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	238	9.6
1986	2,633	3,519	133.6	179	6.8	260	439	16.7	260	9.9
1987	2,834	3,838	135.4	194	6.9	246	440	15.5	280	9.9
1988	3,007	4,238	140.9	197	6.6	309	506	16.8	242	8.1
1989	3,172	4,642	146.3	220	6.9	339	559	17.6	260	8.2
1990	3,402	5,583	164.1	194	5.7	423	617	18.1	293	8.6

Amounts shown for 1981 were determined using the entry age normal actuarial cost method and do not comply with the standardized measure prescribed by GASB Statement Number 5. The difference in methodology is estimated to be non-material for comparison purposes.

State Funding Summary

(In Millions of Dollars)

	FUNDING REQUIREMENTS						COVERAGE PERCENTAGE		
			Statutory Requirements				Statutory Requirements		
Fiscal Year Ended June 30	Normal Costs Plus Interest On Unfunded Pension Benefit Obligation (1)	General Revenue Reimbursement Post-Retirement Increases (2)	Actuarial (Columns 1 and 2) (3)	Minimum (4) [A]	System Expense (5)	Employer Contributions (6)	Actuarial (7) [B]	Minimum (8) [C]	System Expense (9) [D]
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
1987	440	8	448	272	429	280	62.5	102.9	65.3
1988	506	8	514	289	462	242	47.1	83.7	52.4
1989	559	7	566	305	503	260	45.9	85.2	51.7
1990	617	7	624	327	583	293	47.0	89.6	50.3

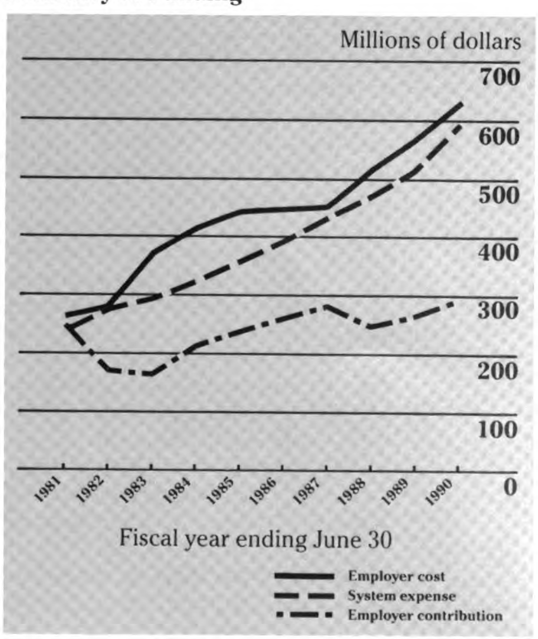
NOTE A — 9.6 percent of member payroll — the appropriations amount required by Section 16-158 of the *Illinois Pension Code.*

NOTE B — Employer contributions divided by actuarial requirement required by Section 16-159 of the *Illinois Pension Code.* (Col. 6 ÷ Col. 3)

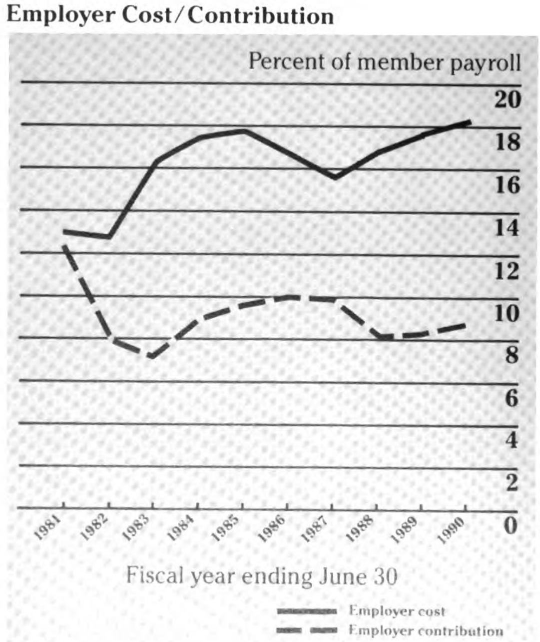
NOTE C — Employer contributions divided by minimum requirement. (Col. 6 ÷ Col. 4)

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

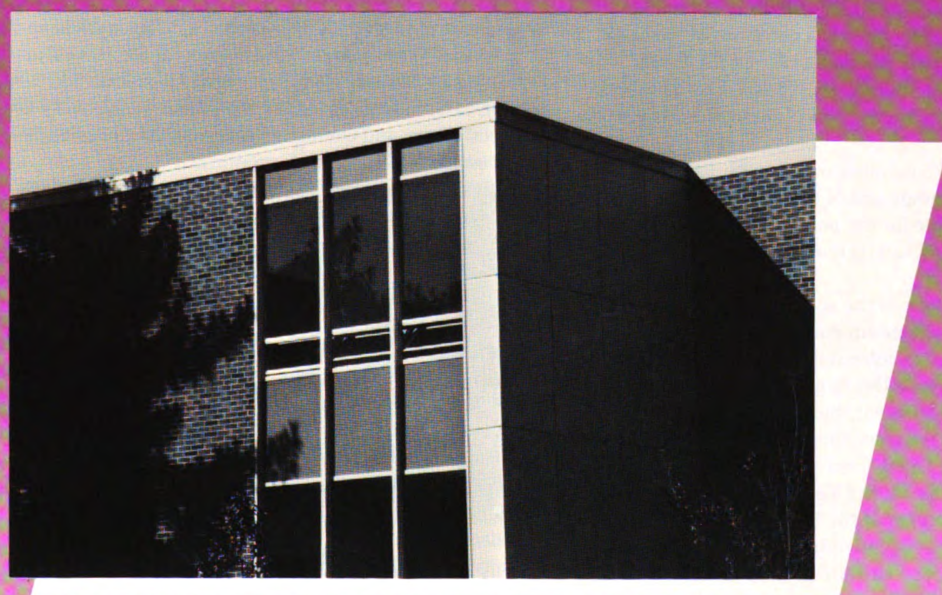
Summary of Funding



Employer Cost/Contribution



MEMBERSHIP AND BENEFITS INFORMATION



MEMBERSHIP INFORMATION

Membership Profile

All certificated Illinois public school employees outside the City of Chicago are members of TRS. These members include full and part-time employees, subject to certain limitations as outlined in the "Plan Summary" on page 31.

Members are employed by 1,114 employers including public school districts.

System members do not contribute to Social Security; however, many earn coverage by that system through non-TRS employment. All TRS members hired after March 31, 1986 are required to contribute to Medicare.

As of June 30, 1989 (the most current fiscal year statistics available), there were 100,857 TRS members, a slight increase from the 100,777 members on June 30, 1988.

The average TRS member on June 30, 1989 was 42 years old. The average age of the member population has remained stable for the past four years although active member age had increased steadily since the early 1970s.

Fifty-seven percent of the active member population was in the 35-49 age group during FY89, compared to 38 percent of total membership in this same age group ten years ago. Despite this large percentage of educators moving toward retirement, there is a marked decrease in the number of teachers entering the field in the last ten years. During FY80, 6 percent of the total membership were age 20 to 24. In FY89, this age group composed only 1.2 percent of the total member population.

The number of active members who choose to work after age 55 has risen steadily in the past decade, from 9 percent during FY80 to 12 percent in FY88 and FY89.

Contributions

A[illegible]ers contributed $283.8 million as their required 8 percent of salary to the System, up 6 percent from FY89.

The average annual salary for active members rose 5.7 percent from FY88 to FY89, from $29,638 to $31,318. Since FY80, this figure has increased by 77 percent, from $17,621. Generally, the more years of service the member accrues, the higher salary he or she earns. Peak salaries averaging $46,796 during FY89 were earned by the 412 members in the 36-40 years of service category, while those with under 6 years of service averaged $22,270 annually.

Member Refunds

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

The System paid 2,703 former members $13.3 million in refunds of retirement contributions during FY90. This is a decrease from the $13.5 million in refunds in FY89. The total number of refunds decreased 20 percent, from 3,393 in FY89.

A refund of the 1 percent survivor benefit contribution was paid to 532 retired members in FY90, up from 428 members who received this refund in FY89. A total of $1.99 million was paid for this refund, which is granted to retired members who request the refund and who do not have a beneficiary deemed a dependent under the *Illinois Pension Code*. Acceptance of this refund terminates the retired member's eligibility for survivor benefit coverage from the System.

Member Services

The System maintains two offices, in Springfield and Lisle, to serve members throughout the state. During FY90, the TRS offices received over 33,500 phone calls. In addition, staff members sent out over 144,000 letters and conducted office consultations with an average of 184 members monthly.

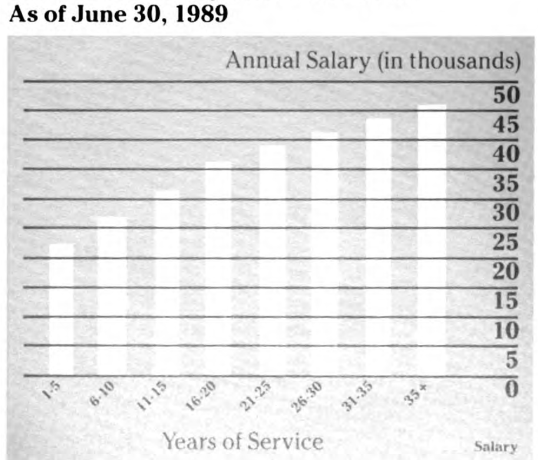
Individual retirement conferences are held around the state each year by the System's benefits consultants. During FY90, 6,195 members attended these conferences. An additional 10,531 members attended group meetings held by TRS around the state.

During FY88, the System initiated a program to help members plan for retirement. The seminars are designed to help members identify and plan to attain retirement goals. In FY90, 493 members attended these seminars.

A series of guides designed for members, retired members, and employers is published annually by the System. In addition, bulletins and newsletters are mailed to these audiences with current information concerning benefits, legislation, and System administration.

Individual member statements of account are mailed annually to all members. These present up-to-date information on each member's TRS contributions and service.

Average Annual Salary
Active Members by Years of Service
As of June 30, 1989



BENEFITS INFORMATION

"Despite the large percentage of educators moving toward retirement, there is a marked decrease in the number of teachers entering the field in the last ten years."

As a trust fund for its members and annuitants, the Teachers' Retirement System provides retirement annuities, disability and survivor benefits. The System also administers the TRS Health and Prescription Drug Insurance Plan. These benefits are in the System's plan as outlined in Article 16, Chapter 108 1/2 of the *Illinois Revised Statutes*.

Plan Design

The TRS plan is designed to pay specific benefits in amounts that are set forth by Illinois law. This design may only be changed by action of the Illinois General Assembly and the Governor. Benefits cannot be increased or reduced without a change in the TRS plan design.

Retirement Benefits

During FY90, the TRS plan provided retirement benefits for 40,171 annuitants. The average benefit of $1,015 was up 9 percent from $931 on June 30, 1989.

TRS Annuitant Profile

June 30, 1990	
Average Age:	73
Average Service:	26.8
Average Annuity:	$1,015
Average Original Annuity:	$791
Average Years in Retirement:	13

Overall, the System paid $474.8 million in retirement annuities in FY90, up 9 percent from FY89. The number of annuitants receiving benefits rose during FY90, up 2,067 from June 30, 1989. The System offers retired members direct deposit of TRS annuity payments with participating financial institutions. At the end of FY90, 28,296 of the total 46,097 benefit recipients were participating in the direct deposit program. This represents 61.4 percent of all benefit participants.

Although the annuity for those members in retirement less than five years is higher than average at $1,413, this amount drops to below the overall average after ten years in retirement — members retired between 11 and 15 years receive an average benefit of only $872, below the $1,015 average.

Average annuity also decreases as the retired member's age increases. Retirees aged 55 through 59 receive an average annuity of $1,557 monthly, while those aged 80 and over receive an average of only $661.

Of the 2,067 TRS members who retired during FY90, the average age was 60, average service, 26.3, and average monthly benefit, $1,570. These members retired with an average salary of $34,690.

Members who are 55 or older and have 20 or more years of service may choose the early retirement option to avoid a reduction in their annuity if they retire before earning 35 years of service. Enacted in 1980, this option allows the member and employer to make a one-time contribution to TRS and avoid a reduced annuity. Current law calls for an end to the early retirement option after June 30, 1995. A nondiscounted annuity is granted to members with 35 or more years of service with no contributions required from either the member or the employer.

Use of Early Retirement Option

Year	Total Retire-ments	ERO Retire-ments	ERO % of Total	Average Payment	Average Salary
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
1987	2,093	552	26.4	7,191	32,202
1988	2,116	555	26.5	7,646	34,935
1989	2,044	630	30.8	7,798	37,141
1990	2,067	573	27.7	8,032	38,911

Disability Benefits

Disability payments of $8.2 million were made by the System during FY90, up 5 percent from FY89. A total of 1,160 nonoccupational disability benefits were paid to members whose average age was 57 and average years of service was 16.6.

There were 292 new nonoccupational disability benefits paid during FY90 and the average benefit for these new recipients was $1,016. Of these new claims, 25 percent were for pregnancy-related disabilities; 11 percent were for mental illness; 10 percent for cancer and tumors, with other disabilities accounting for the remainder of the claims.

Survivor Benefits

A total of 1,305 death and survivor benefit claims were paid in FY90. Total payments rose from $24.4 million in FY89 to $26.2 million in FY90.

Average monthly survivor benefits of $394 were paid to 4,766 survivors of TRS members and annuitants in FY90. The average age of the deceased was 71. There were 471 new claims during the year for monthly benefits and average monthly benefit for FY90 claims was $477.

Health Insurance

Since 1981, the System has provided health and prescription drug insurance. The plan, administered by Blue Cross/Blue Shield, is available to annuitants electing coverage. Annuitants may also enroll their eligible dependents. On June 30, 1990 enrollment in the plan totaled 16,394 annuitants and 4,151 dependents.

Coverage Options

For annuitants and their dependents who qualify for Medicare, TRS provides Medicare supplement coverage. After the $300 yearly deductible, the plan pays the balance of all claims that are reasonable and customary that Medicare does not pay. As of June 30, 1990, 11,906 members and 2,753 dependents were enrolled in this option.

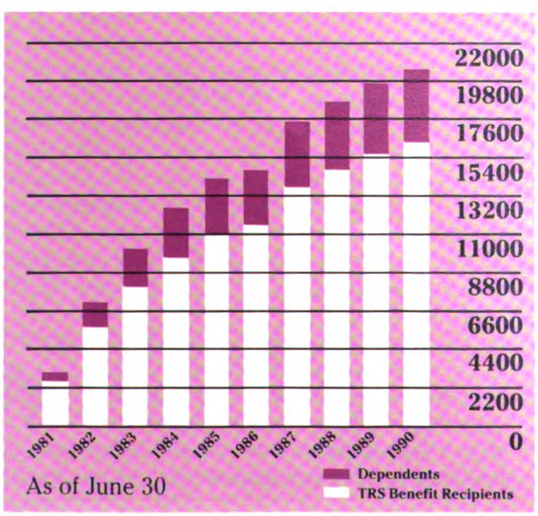
Annuitants who do not qualify for free Medicare Part A coverage at age 65 may elect the Special Coverage Option. This option provides coverage for both hospital and physician services. It pays all claims that are reasonable and customary after a $300 deductible and 80%-20% coinsurance of the next $10,000 of covered expenses and 100 percent coverage thereafter. As of June 30, 1990, 922 annuitants and dependents were enrolled in this option.

Annuitants and their dependents under 65 are offered the choice of two types of coverage. On June 30, 1990, 3,573 annuitants and 1,391 dependents were enrolled in these plans.

Premiums

The System pays half the cost of the premium for participating annuitants, however, dependent premiums are the responsibility of the members.

Health Plan Enrollment
1981 - 1990



The amounts which the System paid in premiums have been:

TRS Subsidy Payments

FY 1981	$ 109,689
FY 1982	626,695
FY 1983	1,502,799
FY 1984	2,412,284
FY 1985	3,427,819
FY 1986	4,466,057
FY 1987	5,409,299
FY 1988	6,822,664
FY 1989	8,322,849
FY 1990	10,290,444

Reserve Account

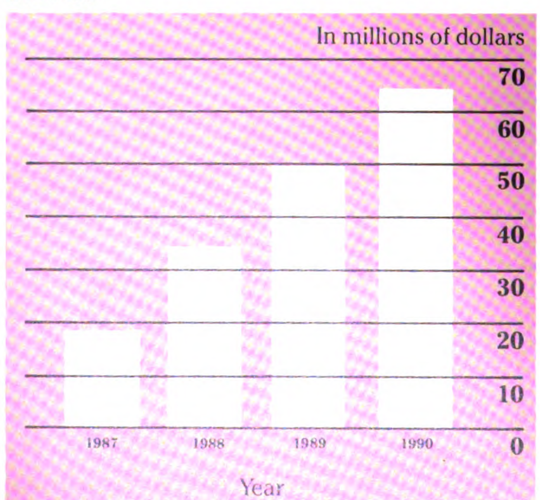
The System maintains a Health Insurance Reserve Account. On June 30, 1989 the reserve fund balance was $49.8 million. During FY90 the account was credited with the required $20 million plus $5.2 million interest earned. Premium payments of $10.3 million were charged to the account leaving a June 30, 1990 reserve fund balance of $64.7 million.

Claims Experience

Year June 30	Premiums Paid	Retention* Fees	Claims Paid
1981	$ 291,001	21,068	100,572
1982	1,597,841	115,684	1,207,864
1983	3,826,362	277,021	3,467,117
1984	6,242,236	368,008	5,962,159
1985	8,931,731	427,746	8,195,968
1986	11,640,732	539,458	9,859,427
1987	13,932,201	617,300	13,163,179
1988	17,066,035	735,546	17,714,923
1989	20,859,736	899,055	22,015,321
1990	26,048,490	1,122,690	24,921,796

**Retention is the percentage of premiums paid to the insurance carrier to cover the administrative costs for processing claims and the risk involved in underwriting the contract.*

Health Insurance Reserve Account
Fund Balance
June 30



TRS LEGISLATIVE ISSUES

The Teachers' Retirement System plays an important role in providing economic security for its members in retirement. The System is designed not only as a defined benefit plan which replaces a set percentage of teachers' income based on the number of years which a member works as a teacher but also as a replacement for Social Security. These complementary roles are taken seriously by the Teachers' Retirement System as it works in support of equitable benefits which improve the retirement security of its members.

A recent survey of TRS members indicates that one-half of all active and retired teachers have never been employed outside the teaching profession. Those who have worked outside teaching average less than 10 years in other fields (see Table 1). Teachers' salaries and retirement benefits are the principal sources from which they must draw their lifetime income. Because teachers, most of whom are not highly compensated, are not able to set aside large sums during years of active employment, retirement benefits for teachers are, in part, designed to compensate for these lower salaries.

Table 1. *TRS member employment outside teaching.*

	Never Employed Outside Teaching	Employed Outside Teaching	Avg. # of Yrs.
Retired members	46%	54%	9.3 yrs.
Active members			
Less than 45 years old	56%	44%	5 yrs.
45 or more years old	50%	50%	6.8 yrs.

In recent years, several legislative changes have substantially improved retirement security for TRS members and their survivors. Legislation approved in 1989 provides for annual increases based on current rather than original benefits and annual increases in benefits for survivors. These changes provide an important shield against the decline in purchasing power brought about by increasing health care costs and other economic trends (see below).

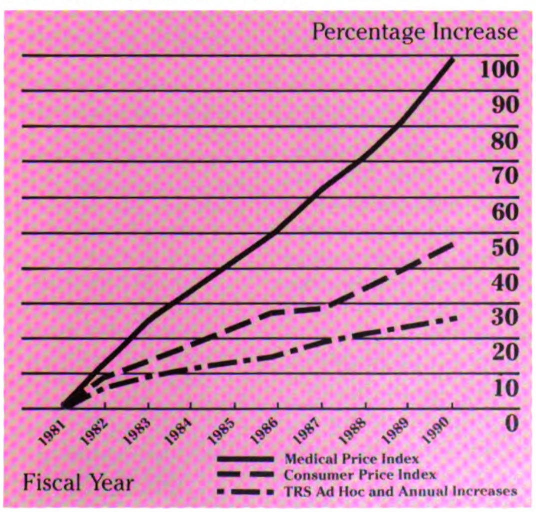
Unfortunately, TRS members in retirement for many years and those with small pensions are not significantly protected by these benefit improvements. Inflation hit many of these individuals too hard for the annual increase improvements by themselves to meaningfully increase their economic security. Many of these retirees rely on the TRS minimum retirement benefit as their bottom line protection. The minimum retirement benefit provides protection for the lowest paid and those in retirement the longest.

Minimum Retirement Benefits

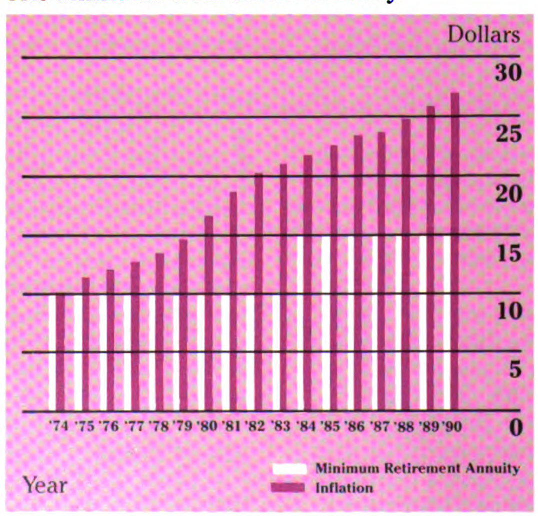
The TRS minimum retirement annuity was instituted in 1974 at $10 per month for each year of creditable service in order to protect against the shrinking buying power of TRS annuities. Currently, annuitants who make a qualifying contribution are guaranteed a minimum retirement benefit of $15 per month for each year of creditable service up to a maximum of $450 per month. Over 6000 TRS annuitants rely on the minimum retirement benefit to protect their annuities. However, for many, the standard of living that this minimum supports does not approach that of their original annuity at the time they retired.

Because minimum retirement levels are an important protection for long-term retirees, these levels need to be increased over time. Since 1974, when the minimum retirement levels were introduced at $10 per month for each year of creditable service, the cost of living has risen significantly. In order to maintain the same buying power, the $10 per month would need to be $25 per month. Unfortunately, this level has only been increased to $15 per month. The TRS minimum retirement level maintains a significantly lower standard of living today than it did in 1974 (see below).

Medical Price Index, Consumer Price Index and TRS Annual Increases



Purchasing Power Reductions in the TRS Minimum Retirement Annuity



"The Teachers' Retirement System supports legislation to improve the retirement benefit formula for Illinois teachers by replacing the current graduated formula with one that will provide 2.2 percent of final average salary for each year of service credit."

If the TRS minimum retirement level were increased to $25 per month for each year of creditable service up to a maximum of $750 per month, 10,405 TRS members would see an increase in monthly benefits averaging $54 per month. This new floor for TRS benefits would significantly aid retirees hit hard by inflation. The annual increase based on current benefits will then protect these retirees from once again experiencing a dramatic loss in purchasing power.

Retirement Formula

In addition to a floor below which benefits will not fall, retirement security also flows from adequate benefits at retirement. The Teachers' Retirement System supports legislation to improve the retirement benefit formula for Illinois teachers by replacing the current graduated formula with one that will provide 2.2 percent of final average salary for each year of service credit (see Table 2). This improvement is necessary to provide TRS members with retirement benefits which compare favorably with not only teacher retirement benefits across the country, but also with other public employee retirement benefits in the State of Illinois.

Table 2. *Percent of final average salary at normal retirement age.*

Creditable Service	Current Formula	Proposed Formula
5	8.35%	11.00%
10	16.7%	22.00%
15	26.2%	33.00%
20	35.7%	44.00%
25	46.2%	55.00%
30	56.7%	66.00%
35	68.2%	75.00%
38 or more	75.00%	75.00%

Comparisons of TRS with teacher retirement plans in other states show that the benefits Illinois teachers receive still fall behind those provided to teachers outside of Illinois. All twelve other states that, like Illinois, have teachers' retirement plans which are not coordinated with Social Security provide teachers with better retirement formulas than TRS. Eight of these states provide a formula of 2 percent or greater per year of service. In 1990, the average newly retired TRS member received 1.86 percent of their final average salary for each year of service.

When the TRS plan is compared with other Illinois public employee plans, again the TRS retirement formula falls behind most others. Because the required employee contribution rates of the various systems differ greatly, the best method for comparison is to examine what members of the systems receive for each dollar they contribute. When the value of retirement benefits is expressed as a percentage of the accumulated value of a member's contributions, TRS comes in far behind most other public employee plans in Illinois.

In fact, retirement benefits for educators in Illinois are lower than benefits offered to any other group of public employees. For example, under the Teachers' Retirement System, the value of a benefit at retirement for an employee who retires at age 60 with 20 years of service is 184.5 percent of the value of the employee's accumulated contributions. In other words, the employer (for TRS, the State of Illinois) contributes 85.5 cents for every dollar contributed by a teacher retiring at age 60 with 20 years of service. At the same time, the employer of a member retiring under these conditions under the Illinois Municipal Retirement Fund (I.M.R.F.), contributes $2.14 for each dollar contributed by an I.M.R.F. member.

1991 Legislative Session

In 1991, the Teachers' Retirement System will support legislation to improve the minimum retirement benefit and the TRS retirement formula. While TRS works closely with the Illinois General Assembly and the Governor in support of benefit improvements which increase retirement security for TRS members, the success of the System's benefit improvements is directly related to the involvement of TRS members and retirees.

In recent years, TRS members and retirees have increased their role in the legislative process by subscribing to the *TRS Legislative Update* and by contacting their elected officials regarding issues of interest to them. This active participation will help advance legislative efforts aimed at improving the retirement security of teachers throughout the State of Illinois.

PLAN SUMMARY

Administration

The Teachers' Retirement System was created and is governed by Chapter 108 1/2, 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 elected annuitant, 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.

Membership

Membership in the System is mandatory for all individuals certified under the provisions of *The School Code* and employed in the public schools of Illinois (except Chicago).

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 sick leave days established with TRS employers.

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. In the case of disability due to pregnancy, only one physician must verify the disability.

Disability benefits are available for members with three years of creditable service at 40 percent of current salary. The member continues to earn service credit while in receipt of disability benefits.

A disability retirement annuity is available for members who have received a 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.

Occupational 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 with 20 years of service. 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 earned monthly retirement annuity, whichever is greater. The System provides a 3 percent annual increase in the currently payable monthly survivor benefit.

Members who cease teaching for reasons other than retirement more than one year prior to death with at least 20 years of service have a vested interest in survivor benefits; however, survivors of inactive members 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 a 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 age 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, 1995 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 Increase

The System provides 3 percent compounded annual increases in the 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 1 percent death benefit contribution. When the member accepts a refund, he or she forfeits all credit with the System. The credit may be re-established 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 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.

Active Members by Years of Age and Years of Service

Years of Age		◄1	1-5	6-10	11-15	16-20
20-24	Total #	197	1,043	—	—	—
	Average $	8,378	18,496	—	—	—
25-29	Total #	308	7,536	506	—	—
	Average $	9,186	20,864	24,117	—	—
30-34	Total #	169	3,837	5,090	819	—
	Average $	8,671	22,076	25,172	28,451	—
35-39	Total #	246	3,825	3,463	7,961	1,520
	Average $	8,288	22,573	27,114	30,428	33,998
40-44	Total #	294	4,231	2,882	4,171	10,270
	Average $	9,151	23,529	28,110	32,911	36,147
45-49	Total #	149	2,201	1,930	2,257	3,731
	Average $	9,380	24,451	29,207	32,999	37,568
50-54	Total #	59	793	928	1,393	2,102
	Average $	8,650	25,422	30,320	32,959	36,325
55-59	Total #	30	257	357	714	1,399
	Average $	8,352	26,301	30,178	32,314	36,574
60-64	Total #	9	93	128	288	700
	Average $	11,598	26,361	31,012	33,698	36,696
65-69	Total #	2	15	25	60	132
	Average $	5,032	26,975	30,126	31,013	35,743
70-74	Total #	—	—	2	7	13
	Average $	—	—	19,737	27,635	36,497
►74	Total #	—	2	3	1	—
	Average $	—	25,174	33,559	34,425	—
Total	**Total #**	**1,463**	**23,833**	**15,314**	**17,671**	**19,867**
	Average $	**8,850**	**22,270**	**27,124**	**31,581**	**36,315**

	Years of Service						
21-25	**26-30**	**31-35**	**36-40**	**41-45**	**46-50**	**51-55**	**Totals**
—	—	—	—	—	—	—	1,240
—	—	—	—	—	—	—	$ 16,889
—	—	—	—	—	—	—	8,350
—	—	—	—	—	—	—	$ 20,631
—	—	—	—	—	—	—	9,915
—	—	—	—	—	—	—	$ 23,970
—	—	—	—	—	—	—	17,015
		—	—	—	—	—	$ 27,986
1,362	—	—	—	—	—	—	23,210
39,422	—	—	—	—	—	—	$ 32,118
6,468	682	—	—	—	—	—	17,418
39,688	41,381	—	—	—	—	—	$ 35,087
2,403	3,426	449	—	—	—	—	11,553
38,867	41,676	42,474	—	—	—	—	$ 36,902
1,573	1,812	1,618	75	—	—	—	7,835
38,277	41,672	44,398	45,851	—	—	—	$ 38,674
794	577	559	247	9	1	—	3,405
37,172	39,868	43,690	47,879	38,610	36,506	—	$ 38,493
203	138	106	76	22	8	—	787
37,673	38,907	41,372	44,848	41,254	31,772	—	$ 37,763
26	24	26	14	4	6	—	122
37,067	41,091	36,369	43,308	41,968	41,425	—	$ 37,915
1	—	—	—	—	—	—	7
37,496	—	—	—	—	—	—	$ 31,849
12,830	**6,659**	**2,758**	**412**	**35**	**15**	**—**	**100,857**
39,141	**41,429**	**43,749**	**46,796**	**40,656**	**35,949**	**—**	**$ 31,318**

Average Annual Salary of Active Members by Years of Service*

Years of Service		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Under 1	Total #	1,880	1,481	1,170	808	950	1,129	1,740	1,338	1,462	1,463
	Average $	11,972	13,156	14,165	14,638	15,192	16,107	9,126	9,484	9,029	8,850
1-5	**Total #**	**30,596**	**28,981**	**26,614**	**22,674**	**18,814**	**17,901**	**20,420**	**22,046**	**23,330**	**23,833**
	Average $	**13,298**	**14,414**	**15,682**	**16,689**	**17,266**	**17,926**	**18,668**	**19,826**	**20,987**	**22,270**
6-10	Total #	28,266	26,319	24,732	23,433	22,047	21,157	19,698	19,819	17,129	15,314
	Average $	16,694	17,971	19,446	20,338	20,915	21,841	23,005	24,320	25,780	27,124
11-15	**Total #**	**20,203**	**21,750**	**22,560**	**23,201**	**23,462**	**22,833**	**20,700**	**19,460**	**18,417**	**17,671**
	Average $	**19,809**	**21,554**	**23,277**	**24,467**	**25,341**	**26,378**	**27,607**	**29,001**	**30,312**	**31,581**
16-20	Total #	12,844	12,566	12,666	13,920	15,481	17,419	18,528	19,163	19,689	19,867
	Average $	21,838	23,678	25,580	22,165	28,309	29,976	31,056	33,144	34,771	36,315
21-25	**Total #**	**6,807**	**7,583**	**8,355**	**8,588**	**8,747**	**9,089**	**9,391**	**10,257**	**11,414**	**12,830**
	Average $	**23,377**	**25,368**	**27,415**	**28,976**	**30,199**	**31,657**	**33,309**	**35,246**	**37,153**	**39,141**
26-30	Total #	3,594	3,877	4,199	4,494	5,053	5,479	5,864	6,245	6,456	6,659
	Average $	24,384	26,367	28,473	30,396	31,960	34,026	35,740	37,666	39,474	41,429
31-35	**Total #**	**1,124**	**1,680**	**2,228**	**2,279**	**2,251**	**2,009**	**2,002**	**2,089**	**2,394**	**2,758**
	Average $	**24,151**	**27,067**	**29,914**	**31,887**	**33,651**	**35,782**	**37,533**	**39,310**	**41,730**	**43,749**
Over 35	Total #	244	317	455	436	421	430	483	517	426	462
	Average $	22,280	24,347	26,889	30,042	31,494	33,930	37,533	40,492	43,465	45,979
Total	**Total #**	**105,558**	**104,554**	**102,979**	**99,833**	**97,226**	**97,446**	**98,826**	**99,934**	**100,777**	**100,857**
	Average $	**17,621**	**19,361**	**21,281**	**22,877**	**24,141**	**25,454**	**26,522**	**28,085**	**29,638**	**31,318**

**Statistical information on the System's active membership is not yet available for FY90.*

Active Members by Age

1980-1989

Years of Age	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
20-24	6,144	5,325	4,263	3,106	2,509	2,703	1,405	1,371	1,318	1,240
25-29	20,080	17,511	15,106	12,886	10,924	9,883	8,588	8,464	8,562	8,351
30-34	22,398	22,746	21,180	19,456	17,500	15,964	12,877	11,762	10,879	9,918
35-39	16,448	17,381	19,416	19,775	20,301	21,208	20,844	19,981	18,642	17,013
40-44	11,891	12,422	13,252	14,536	15,395	16,583	19,802	20,942	22,194	23,210
45-49	10,017	10,276	10,539	10,787	11,202	11,614	13,269	14,929	16,188	17,417
50-54	9,099	9,339	9,464	9,464	9,372	9,494	10,177	10,502	11,066	11,553
55-59	6,340	6,346	6,438	6,563	6,673	6,714	7,618	7,763	7,730	7,834
60-64	2,658	2,681	2,741	2,698	2,715	2,610	3,286	3,268	3,273	3,405
65-69	461	498	516	502	554	551	867	848	806	787
► 69	22	29	64	60	81	122	93	104	119	129
Total	**105,558**	**104,554**	**102,979**	**99,833**	**97,226**	**97,446**	**98,826**	**99,934**	**100,777**	**100,857**

Average Monthly Annuity for New Retirees by Age

Age		1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
◄55	Total #	—	—	—	—	—	—	—	—	—	—
	Average $	—	—	—	—	—	—	—	—	—	—
55	Total #	116	126	148	164	176	169	173	167	171	178
	Average $	674	821	879	934	1,160	1,082	1,258	1,351	1,373	1,525
56	Total #	133	123	149	159	216	183	204	206	209	216
	Average $	922	1,021	1,068	1,220	1,252	1,407	1,537	1,533	1,797	1,754
57	Total #	105	89	98	128	174	143	134	134	141	140
	Average $	903	1,038	1,164	1,285	1,431	1,467	1,563	1,565	1,534	1,723
58	Total #	106	95	110	117	159	141	136	137	141	131
	Average $	880	1,068	1,204	1,353	1,457	1,438	1,465	1,630	1,730	1,725
59	Total #	130	101	126	133	187	174	168	136	143	163
	Average $	971	1,087	1,075	1,241	1,415	1,498	1,566	1,621	1,786	1,893
60	Total #	332	322	340	282	372	334	333	343	337	366
	Average $	673	718	820	858	1,030	1,036	1,080	1,165	1,303	1,385
61	Total #	153	173	183	164	207	155	175	186	180	192
	Average $	740	817	956	1,108	1,326	1,264	1,337	1,367	1,475	1,667
62	Total #	142	158	183	162	175	151	169	154	162	159
	Average $	641	701	799	955	977	950	1,161	1,337	1,376	1,300
63	Total #	110	120	114	121	151	121	120	129	118	111
	Average $	732	770	995	971	1,053	1,100	1,233	1,304	1,522	1,558
64	Total #	111	103	115	115	122	103	130	117	88	98
	Average $	741	833	915	979	1,032	1,098	1,150	1,401	1,383	1,489
65	Total #	141	120	129	104	114	121	126	125	109	100
	Average $	833	855	870	882	1,015	1,061	1,274	1,239	1,302	1,471
66	Total #	93	88	97	79	84	74	79	95	92	81
	Average $	818	834	871	820	1,065	1,186	1,295	1,150	1,318	1,452
67	Total #	35	30	43	29	56	52	37	42	41	35
	Average $	797	912	789	1,020	1,062	861	1,114	1,406	1,483	1,495
68	Total #	14	34	37	28	32	36	33	40	24	30
	Average $	776	734	820	1,109	865	740	1,116	1,481	1,372	1,538
69	Total #	14	21	33	21	28	24	17	34	17	16
	Average $	399	605	862	946	949	696	1,273	1,262	1,099	1,470
70	Total #	6	5	21	19	36	38	30	20	25	19
	Average $	306	788	862	1,217	938	903	1,107	1,234	1,170	1,432
►70	Total	9	17	20	17	47	141	29	50	45	32
	Average	384	193	337	1,077	581	236	758	606	671	1,631
Total	Total #	1,750	1,725	1,946	1,842	2,336	2,160	2,093	2,116	2,044	2,067
	Average $	771	836	927	1,043	1,162	1,119	1,294	1,355	1,463	1,570
	Average Age	61	61	61	61	61	61	61	61	61	60

New Retirees by Years of Service

Years of Service	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
1-5	60	61	69	83	84	113	97	92	92	89
6-10	72	79	86	77	106	198	106	112	117	112
11-15	157	158	160	143	150	173	114	150	120	103
16-20	254	258	284	257	275	242	265	242	212	190
21-25	343	316	354	312	397	343	351	347	334	358
26-30	359	314	376	326	465	413	441	399	410	414
31-35	334	375	431	449	578	436	437	465	509	515
36-40	118	121	142	152	241	213	252	265	221	286
► 40	53	43	44	43	40	29	30	44	29	35
Total	**1,750**	**1,725**	**1,946**	**1,842**	**2,336**	**2,160**	**2,093**	**2,116**	**2,044**	**2,067**
Average Service	**25.1**	**25.1**	**25.4**	**25.5**	**26.3**	**24.4**	**25.8**	**25.9**	**25.7**	**26.3**

Retired Members by Years of Service and Years in Retirement

June 30, 1990

Years in Retirement		1-5	6-10	11-15	16-20	21-25
1-5	**Total #**	**444**	**581**	**608**	**1,061**	**1,584**
	Average Benefit	**$ 124**	**$ 297**	**$ 502**	**$ 840**	**$ 1,117**
	Original Benefit	**$ 113**	**$ 269**	**$ 469**	**$ 802**	**$ 1,080**
6-10	Total #	335	403	729	1,251	1,644
	Average Benefit	$ 111	$ 244	$ 440	$ 717	$ 930
	Original Benefit	$ 87	$ 186	$ 355	$ 596	$ 784
11-15	**Total #**	**241**	**351**	**642**	**1,127**	**1,447**
	Average Benefit	**$ 98**	**$ 228**	**$ 365**	**$ 552**	**$ 719**
	Original Benefit	**$ 66**	**$ 145**	**$ 250**	**$ 395**	**$ 519**
16-20	Total #	184	276	523	962	1,137
	Average Benefit	$ 34	$ 167	$ 302	$ 452	$ 586
	Original Benefit	$ 11	$ 85	$ 167	$ 267	$ 358
21-25	**Total #**	**48**	**75**	**211**	**424**	**593**
	Average Benefit	**$ 42**	**$ 166**	**$ 252**	**$ 357**	**$ 465**
	Original Benefit	**$ 1**	**$ 53**	**$ 78**	**$ 139**	**$ 219**
26-30	Total #	19	11	56	202	367
	Average Benefit	$ 56	$ 146	$ 251	$ 358	$ 439
	Original Benefit	$ 4	$ 26	$ 53	$ 110	$ 153
31-35	**Total #**	**5**	**3**	**9**	**55**	**134**
	Average Benefit	**$ 76**	**$ 180**	**$ 272**	**$ 364**	**$ 434**
	Original Benefit	**$ 6**	**$ 21**	**$ 33**	**$ 81**	**$ 96**
36-40	Total #	—	—	—	17	36
	Average Benefit	—	—	—	$ 353	$ 438
	Original Benefit	—	—	—	$ 48	$ 65
41-45	**Total #**	**—**	**—**	**—**	**11**	**23**
	Average Benefit	**—**	**—**	**—**	**$ 351**	**$ 460**
	Original Benefit	**—**	**—**	**—**	**$ 21**	**$ 45**
46-50	Total #	—	—	—	—	4
	Average Benefit	—	—	—	—	$ 464
	Original Benefit	—	—	—	—	$ 48
TOTALS	Total #	1,276	1,700	2,778	5,110	6,969
	Average Benefit	$ 98	$ 242	$ 392	$ 606	$ 793
	Original Benefit	$ 76	$ 182	$ 292	$ 467	$ 626

	Years of Service						
26-30	**31-35**	**36-40**	**41-45**	**46-50**	**▶50**	**Totals**	**Avg. Age**
1,832	**2,129**	**1,154**	**95**	**25**	**3**	**9,516**	
$ 1,511	**$ 2,050**	**$ 2,472**	**$ 2,210**	**$ 2,231**	**$ 1,417**	**$ 1,413**	**63**
$ 1,472	**$ 1,999**	**$ 2,371**	**$ 2,119**	**$ 2,129**	**$ 1,391**	**$ 1,366**	
1,786	2,117	800	145	37	5	9,252	
$ 1,311	$ 1,809	$ 2,057	$ 1,941	$ 1,960	$ 1,684	$ 1,196	67
$ 1,113	$ 1,530	$ 1,739	$ 1,612	$ 1,628	$ 1,440	$ 1,007	
1,340	**1,247**	**793**	**223**	**34**	**3**	**7,448**	
$ 977	**$ 1,267**	**$ 1,526**	**$ 1,528**	**$ 1,424**	**$ 1,334**	**$ 872**	**73**
$ 715	**$ 927**	**$ 1,105**	**$ 1,100**	**$ 997**	**$ 876**	**$ 631**	
1,170	1,195	1,352	696	137	7	7,639	
$ 759	$ 1,014	$ 1,235	$ 1,206	$ 1,129	$ 972	$ 796	79
$ 473	$ 645	$ 787	$ 755	$ 697	$ 578	$ 496	
573	**513**	**585**	**471**	**98**	**1**	**3,592**	
$ 581	**$ 695**	**$ 832**	**$ 904**	**$ 905**	**$ 665**	**$ 609**	**84**
$ 286	**$ 360**	**$ 448**	**$ 487**	**$ 480**	**$ 323**	**$ 305**	
295	330	364	201	39	—	1,884	
$ 538	$ 609	$ 709	$ 791	$ 783	—	$ 561	87
$ 208	$ 260	$ 334	$ 382	$ 366	—	$ 234	
155	**120**	**78**	**40**	**4**	**—**	**603**	
$ 525	**$ 576**	**$ 619**	**$ 681**	**$ 688**	**—**	**$ 515**	**90**
$ 136	**$ 187**	**$ 231**	**$ 282**	**$ 280**	**—**	**$ 152**	
42	40	20	4	—	—	159	
$ 529	$ 580	$ 596	617	—	—	$ 513	93
$ 93	$ 139	$ 154	$ 184	—	—	$ 103	
22	**5**	**4**	**2**	**—**	**—**	**$ 67**	
$ 520	**$ 584**	**$ 598**	**$ 609**	**—**	**—**	**$ 484**	**94**
$ 61	**$ 101**	**$ 88**	**$ 96**	**—**	**—**	**$ 55**	
6	1	—	—	—	—	11	
$ 554	585	—	—	—	—	$ 524	96
$ 83	83	—	—	—	—	$ 71	
7,221	7,697	5,150	1,877	374	19	40,171	
$ 1,097	$ 1,512	$ 1,589	$ 1,219	$ 1,212	$ 1,271	$ 1,015	72
$ 893	$ 1,263	$ 1,257	$ 812	$ 816	$ 967	$ 808	

Increases in Monthly Annuity for Retirees

Years in Retirement		1-5	6-10	11-15	16-20	21-25
1-5	Total #	444	581	608	1,061	1,584
	Average Automatic Increase	$ 5	$ 13	$ 25	$ 37	$ 36
	Average Ad Hoc	$ 5	$ 15	$ 8	$ 1	—
6-10	Total #	335	403	729	1,251	1,644
	Average Automatic Increase	$ 18	$ 38	$ 72	$ 116	$ 144
	Average Ad Hoc	$ 6	$ 20	$ 14	$ 4	$ 2
11-15	Total #	241	351	642	1,127	1,447
	Average Automatic Increase	$ 24	$ 53	$ 89	$ 138	$ 183
	Average Ad Hoc	$ 9	$ 31	$ 26	$ 19	$ 17
16-20	Total #	184	276	523	962	1,137
	Average Automatic Increase	$ 5	$ 40	$ 78	$ 124	$ 165
	Average Ad Hoc	$ 17	$ 42	$ 57	$ 61	$ 62
21-25	Total #	48	75	211	424	593
	Average Automatic Increase	$ 2	$ 28	$ 41	$ 76	$ 118
	Average Ad Hoc	$ 39	$ 85	$ 133	$ 142	$ 128
26-30	Total #	19	11	56	202	367
	Average Automatic Increase	$ 4	$ 17	$ 34	$ 71	$ 98
	Average Ad Hoc	$ 48	$ 103	$ 164	$ 177	$ 189
31-35	Total #	5	3	9	55	134
	Average Automatic Increase	$ 6	$ 19	$ 29	$ 62	$ 75
	Average Ad Hoc	$ 64	$ 140	$ 211	$ 220	$ 262
36-40	Total #	—	—	—	17	36
	Average Automatic Increase	—	—	—	$ 45	$ 60
	Average Ad Hoc	—	—	—	$ 261	$ 314
41-45	Total #	—	—	—	11	23
	Average Automatic Increase	—	—	—	$ 23	$ 49
	Average Ad Hoc	—	—	—	$ 307	$ 367
46-50	Total #	—	—	—	—	4
	Average Automatic Increase	—	—	—	—	$ 55
	Average Ad Hoc	—	—	—	—	$ 360
TOTALS:	Total #	1,276	1,700	2,778	5,110	6,969
	Average Automatic Increase	$ 12	$ 32	$ 64	$ 100	$ 124
	Average Ad Hoc	$ 10	$ 28	$ 36	$ 40	$ 43

Years of Service						
26-30	**31-35**	**36-40**	**41-45**	**46-50**	**►50**	**Totals**
1,832	2,129	1,154	95	25	3	9,516
$ 39	$ 51	$ 101	$ 91	$ 102	$ 26	$ 45
—	—	—	—	—	—	$ 2
1,786	2,117	800	145	37	5	9,252
$ 198	$ 279	$ 318	$ 329	$ 331	$ 244	$ 186
—	—	—	—	—	—	$ 3
1,340	1,247	793	223	34	3	7,448
$ 249	$ 325	$ 400	$ 401	$ 381	$ 362	$ 223
$ 13	$ 15	$ 21	$ 27	$ 46	$ 95	$ 18
1,170	1,195	1,352	696	137	7	7,639
$ 220	$ 297	$ 367	$ 358	$ 331	$ 282	$ 231
$ 67	$ 72	$ 81	$ 93	$ 101	$ 112	$ 69
573	513	585	471	98	1	3,592
$ 154	$ 196	$ 244	$ 267	$ 262	$ 171	$ 166
$ 142	$ 138	$ 140	$ 150	$ 163	$ 171	$ 137
295	330	364	201	39	—	1,884
$ 131	$ 164	$ 210	$ 239	$ 230	—	$ 148
$ 199	$ 186	$ 165	$ 170	$ 186	—	$ 179
155	120	78	40	4	—	603
$ 103	$ 138	$ 167	$ 199	$ 202	—	$ 113
$ 287	$ 252	$ 220	$ 200	$ 205	—	$ 250
42	40	20	4	—	—	159
$ 83	$ 118	$ 129	$ 151	—	—	$ 90
$ 353	$ 323	$ 313	$ 282	—	—	$ 320
22	5	4	2	—	—	67
$ 64	$ 97	$ 87	$ 92	—	—	$ 57
$ 394	$ 386	$ 423	$ 420	—	—	$ 372
6	1	—	—	—	—	11
$ 87	$ 87	—	—	—	—	$ 75
$ 384	$ 414	—	—	—	—	$ 378
7,221	7,697	5,150	1,877	374	19	40,171
$ 161	$ 213	$ 276	$ 308	$ 290	$ 238	$ 163
$ 42	$ 37	$ 57	$ 99	$ 106	$ 65	$ 44

Annuitants By Benefit Range

June 30, 1990

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-100	710	710	1.8	1.8
101-200	1,079	1,789	2.7	4.5
201-300	1,820	3,609	4.6	9.1
301-400	2,302	5,911	5.8	14.9
401-500	3,009	8,920	7.6	22.4
501-600	3,734	12,654	9.4	31.8
601-700	2,782	15,436	7.0	38.8
701-800	2,634	18,070	6.6	45.4
801-900	2,594	20,664	6.5	60.0
901-1,000	2,468	23,132	6.2	58.2
1,001-1,100	2,099	25,231	5.3	63.5
1,101-1,200	1,908	27,139	4.8	68.3
1,201-1,300	1,762	28,901	4.4	72.7
1,301-1,400	1,469	30,370	3.7	76.4
1,401-1,500	1,337	31,707	3.4	79.7
1,501-1,600	1,155	32,862	2.9	82.6
1,601-1,700	999	33,861	2.5	85.2
1,701-1,800	845	34,706	2.1	87.3
1,801-1,900	703	35,409	1.8	89.1
1,901-2,000	628	36,037	1.6	90.6
2,001-2,100	590	36,627	1.5	92.1
2,101-2,200	496	37,123	1.2	93.4
2,200 +	2,638	39,761	6.6	100.0

Average Monthly Annuity

All Annuitants — By Age

Years of Age	Number of Annuitants	Percent of Total	Average Annuity
◄ 55	22	0.1	$ 764
55-59	2,524	6.3	1,557
60-64	6,820	17.0	1,415
65-69	7,594	18.9	1,169
70-74	6,887	17.1	932
75-79	6,375	15.9	829
80-84	5,631	14.0	707
85-89	3,121	7.8	617
► 89	1,197	3.0	561
Total	**40,171**	**100.0**	**1,015**

Average Age: 72

Disability Benefits

New Fiscal Year Recipients

Year	Number of New Recipients	Average Age	Average Monthly Benefit	Average Service	Average Years in Receipt of Benefit
1981	319	39	$ 580	10.82	.19
1982	332	41	649	11.83	.12
1983	382	42	690	12.57	.11
1984	366	43	747	13.07	.04
1985	337	43	759	13.00	.12
1986	356	42	829	13.45	.26
1987	343	43	884	14.23	.08
1988	339	44	904	14.10	.11
1989	340	45	972	14.41	.11
1990	292	44	$1,016	14.56	.09

Monthly Survivor Benefits

New Fiscal Year Recipients

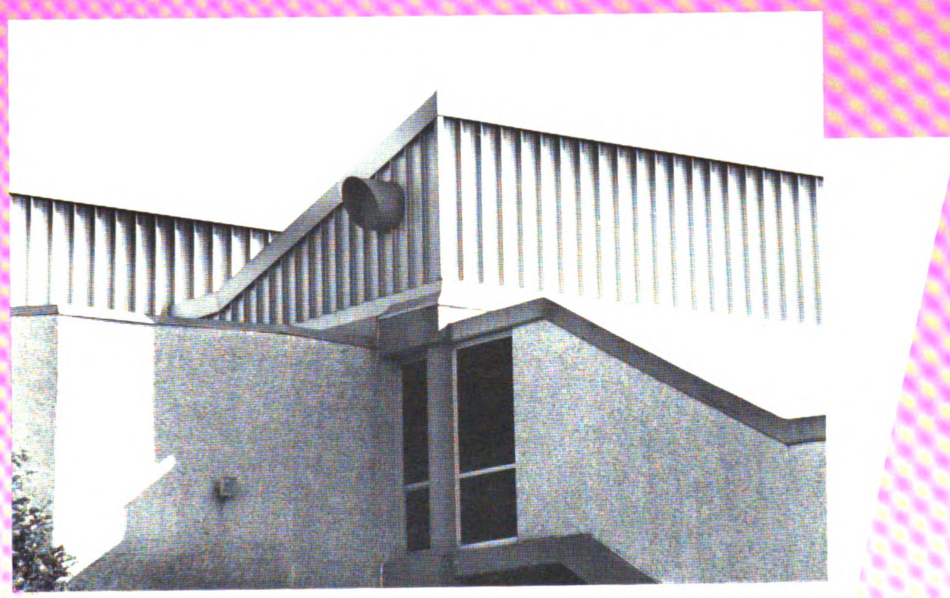
Year	Number of New Recipients	Average Age	Average Monthly Benefit
1981	336	63	$335
1982	369	65	355
1983	454	65	351
1984	384	75	361
1985	426	66	359
1986	410	66	387
1987	413	67	496
1988	485	68	442
1989	428	69	443
1990	471	68	477

Membership Profile

As of June 30	Benefit Recipients	Inactive Members	Active Members	Total Members	Active Members Per Benefit Recipient
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	30,600	98,826	170,843	2.39
1987	42,659	28,400	99,934	170,993	2.34
1988	43,396	25,996	100,777	170,169	2.32
1989	45,718	20,834	100,857	167,409	2.21
1990	46,097	19,997*	101,000*	167,094*	2.19

*Estimated

INVESTMENT REPORT



INVESTMENT SUMMARY

Introduction

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 totaled $8.9 billion at market value on June 30, 1990. The System serves as fiduciary for the members' trust fund and is responsible for investment of the fund under authority of the prudent person rule which establishes a standard that fiduciaries shall prudently discharge their duties solely in the interests of fund participants and beneficiaries. By permitting optimal diversification of assets within the fund, the prudent person standard has enabled the System to enhance control over fund risk and return parameters. 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 managing and monitoring 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 the 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. The System's staff coordinates and monitors the investments of the trust fund's assets and assists the Board of Trustees in the formulation and implementation of investment policy and long-term investment strategy.

Asset Class/Manager Composition

Asset allocation is a risk management process designed to construct the optimal long term asset mix which achieves a specific set of investment objectives. Of all the components of investment policy formulation, asset allocation on a secular basis will have the most impact on long term total rate of return. Consequently, the establishment of allocations across the major asset classes is the most important decision in the pension investment management process.

Diversification is the key to effective risk management. 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.

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

Diversification by asset class, investment approach, and investment manager style provides the System with a greater expected rate of return while minimizing the risk of negative returns from adverse short-term changes in the capital markets.

At June 30, 1990, the System's asset class allocations and diversification by investment approach were as follows:

	% of Total Fund		
Asset Class	**Active**	**Index**	**Total**
Common Stock - U.S.	26.1	14.1	40.2
Bonds	24.3	8.9	33.2
Short-Term Investments	5.1	1.5	6.6
Common Stock - International	3.5	4.8	8.3
Real Estate Equity	10.4	0.0	10.4
Venture Capital	1.3	0.0	1.3
Total	70.7	29.3	100.00

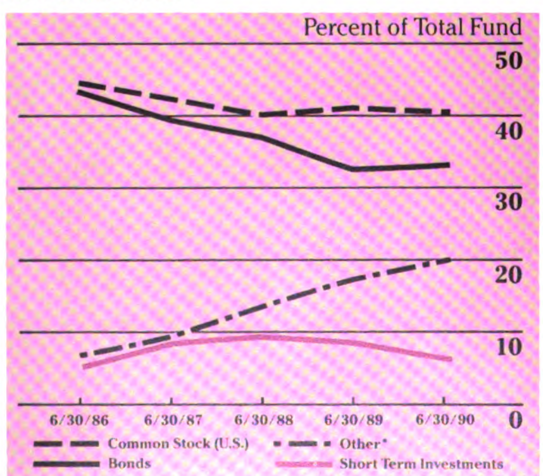
During FY90 the System's U.S. common stock holdings decreased to 40.2% of the total fund from 41.2% a year earlier. International common stock allocations increased to 8.3% of the total fund from 6.7% a year earlier, leaving fiscal year-end total common stock holdings at 48.5% of the total fund.

Bonds increased to 33.2% of the total fund from 32.7% a year earlier. Short-term investments decreased to 6.6% of the total fund from 8.7% a year earlier. Both equity and fixed income managers were holding lower levels of cash at year's end.

Real estate equities represented 10.4% of the total fund at fiscal year end. This is unchanged from the previous fiscal year end.

The fund's five-year asset class allocation history is represented below.

Asset Allocation



*Includes Common Stock (International), Real Estate Equity, and Venture Capital

The System has established relationships with investment management firms which utilize a diversity of management approaches. The policy 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 achieved a higher level of risk management capability during FY90 by implementing a long-term strategic plan designed to achieve a specific set of investment objectives. A globally diversified, multiple asset class, balanced-fund portfolio was constructed in order to achieve the optimal long-term asset mix. In implementing this strategy, five active international equity managers were hired. Additionally, ten new active specialty managers in the U.S. equity asset class were retained to provide a new balance between active and passive investment approaches for domestic equities. On June 30, 1990 the following external investment management firms were employed by the System:

Fixed Income (Bonds)
Bear Stearns Asset Management
Pacific Investment Management Company
State Street Bank and Trust Company

Equity (Common Stock) - U.S.
American National Bank of Chicago
Ariel Capital Management
Brandywine Asset Management, Inc.
Brinson Partners, Inc.
Cedar Hill Associates, Inc.
Chase Investors Management Corp.
Cozad Asset Management
Eagle Asset Management, Inc.
Hotchkis and Wiley
Husic Capital Management, Inc.
Keystone Investment Management Corp.
Lazard Freres Asset Management
Lehman Ark Management Co., Inc.
Lincoln Capital Management Co.
Morgan Stanley Asset Management (The Chicago Group)
Munder Capital Management, Inc.
NCM Capital Management Group, Inc.
Oppenheimer Capital
RCM Capital Management
Denis Wong & Associates

Equity (Common Stock) - International
Bankers Trust Investment Management, Limited
Burgess Capital Corporation
Hill Samuel/Investment Advisors, Limited
Murray Johnstone International, Inc.
PCM International
Scudder, Stevens & Clark, Inc.
State Street Bank and Trust Company

Real Estate Equity
Alex Brown/Kleinwort Benson Realty Advisors
Bear Stearns/Capital Associates
Bennett & Kahnweiler Realty Advisors
Brinson Partners, Inc.
JMB Institutional Realty Corporation
Jones Lang Wootton Realty Advisors
MacFarlane Realty Advisors, Inc.
TCW Realty Advisors

Venture Capital
Frontenac Company
Weiss, Peck & Greer

Tactical Asset Allocation
Brinson Partners, Inc.

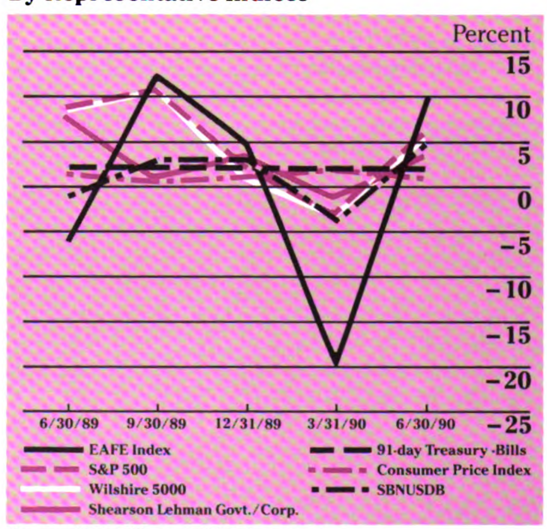
Foreign Exchange Exposure Management
Matuschka and Co.
N. M. Rothschild International Asset Management Limited

Investment Results

Asset Class/Market Indices Returns

During FY90, U.S. common stock was the best performing asset class as represented by the S&P 500 Index and the Wilshire 5000 Index which returned 16.4% and 13.3%, respectively. Short-term investments were the next best performing asset class as represented by 91-day Treasury Bills, which returned 8.4%. Non-U.S. dollar bonds, represented by the Salomon Non-Dollar Bond Index, returned 7.3%. Domestic bonds, represented by the Salomon Broad Investment Grade (Salomon BIG) Index, returned 7.7%. International common stock, represented by the Europe, Australia and Far East (EAFE) Index, returned 3.2%. All major asset classes and market indices except EAFE Index outperformed the 4.7% annual rate of inflation as represented by the Consumer Price Index (CPI), while the U.S. equity market rebounded after a sharp January downturn in the market.

Asset Class Cumulative Return
By Representative Indices



Source: Harris Trust and Savings Bank

Total Fund Results

The System's total fund time-weighted rate of return for FY90 of 10.4% was primarily attributable to the continued strong performance across its equity portfolios. The System's total fund annualized three-year and five-year returns of 8.4% and 13.4%, respectively, continue to outperform the rate of inflation for these periods, 4.6% and 3.8%, respectively. The System's long-term objective, to exceed the rate of inflation by 3%, has been achieved for the one-, three-, and five-year periods. The System's income rate of return during FY90 was 5.8%.

U.S. 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 & Poor's (S&P) 500 Stock Index on an annualized basis over a three- to five-year period or market cycle. In addition, the Wilshire 5000 Index is informally used as a total equity portfolio benchmark since it is more representative of the aggregate U.S. equity market. The 5000 stocks within the Wilshire 5000 Index, more so than the 500 stocks within the S&P 500 Index, are highly diversified across the various equity market sectors and industries, and have highly diversified financial characteristics and risk factors which ultimately influence the total return.

During FY90, the System's portfolio of U.S. common stocks returned 14.3% compared to the S&P 500 return of 16.4% and the Wilshire 5000 return of 13.3%. For three- and five-year periods, the System's U.S. common stocks generated annualized returns of 8.1% and 16.3%, respectively, below S&P 500 returns of 9.3% and 17.3% for the three- and five-year periods, respectively. The portfolio's U.S. common stocks performed more favorably when compared with the three- and five-year Wilshire 5000 returns of 8.4% and 15.7%, respectively. Combined U.S. equity manager accounts, which include both common stock and short-term investments, returned 13.9% during FY90.

At fiscal year end, 43.2% of the System's investment portfolio was assigned to U.S. equity managers, including short-term investments, compared to 43.6% the prior fiscal year end. Within the U.S. common stock asset class, 30.6% of the asset class was allocated to an S&P 500 Index Fund and 3.9% to a Non-S&P 500 Index Fund at fiscal year end. The remaining 65.5% of the U.S. common stock asset class was allocated to active and enhanced index fund investment manager relationships. During FY90, the market value of assets assigned to U.S. equity managers increased from $3.506 billion to $3.852 billion due to $491 million of dividend income/appreciation and $145 million of reallocations from the U.S. equity asset class to other asset classes.

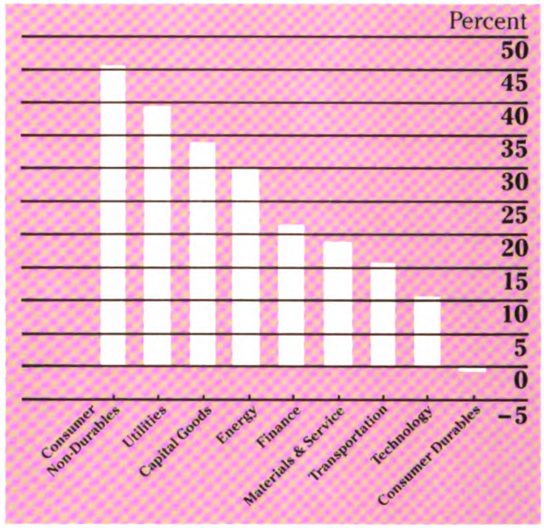
Major sector diversification changes took place during FY90 in the portfolio's U.S. common stocks. The following listing summarizes these changes and also provides a comparison with the S&P 500 and the Wilshire 5000 Indices:

Diversification by Industry Sector (%)

Sector	June 30, 1990			June 30, 1989		
	TRS	S&P 500	WIL 5000	TRS	S&P 500	WIL 5000
Consumer Non Durables	30.0	31.5	30.1	27.8	30.9	28.1
Technology	13.7	10.9	10.6	14.3	11.8	10.8
Materials and Service	12.1	10.7	12.4	13.6	11.4	12.9
Utilities	11.5	14.5	14.4	11.8	13.4	14.6
Finance	12.8	8.2	11.7	11.7	9.0	12.9
Energy	8.2	13.2	10.2	8.1	12.2	9.4
Capital Goods	6.4	5.9	5.5	6.4	5.4	5.3
Consumer Durables	3.0	3.1	3.0	3.3	3.5	3.3
Transportation	2.3	2.0	2.1	3.0	2.4	2.7

All S&P 500 industry sectors except Consumer Durables provided positive rates of return during FY90, with Consumer Non-Durables (45.4%), Utilities (39.7%), and Capital Goods (33.7%) the leading industry sector performances.

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 FY90, as evidenced by the following comparison of equity portfolio characteristics with the S&P 500 and the Wilshire 5000 Indices:

U.S. Equity Portfolio Profile

	June 30, 1990			June 30, 1989		
	TRS	S&P 500	WIL 5000	TRS	S&P 500	WIL 5000
Capitalization ($Bil)	7.93	16.03	12.10	10.55	14.04	10.72
Price/Earnings Ratio	6.94	13.06	16.56	11.93	11.53	13.01
Dividend Yield (%)	1.57	3.37	3.11	2.92	3.45	3.15
Beta	1.00	1.00	1.04	0.99	1.00	1.07
Diversification (R-Squared)	0.99	1.00	0.98	0.97	1.00	0.99
Five-Year Earnings Growth Rate (%)	6.31	9.24	10.02	13.67	9.06	8.45
Market/Book Ratio	1.51	2.73	3.24	2.80	2.82	2.58

International Equity Results

International equity manager objectives are to achieve a total annual investment return 6% in excess of the rate of inflation and in excess of the EAFE Index over longer time periods. During FY90, the portfolio's international common stocks returned 20.9%, as compared to a return of 3.2% for the 18 country foreign equity market EAFE Index (Europe, Australia, Far East).

The System's wide margin of outperformance over the benchmark EAFE Index is attributable primarily to the systematic underweighting of the Japan component of the international equity portfolio. The Japanese market substantially underperformed EAFE both in local currency and in U.S. dollar terms over the one-year period, while the TRS fund, maintaining its cautious view on Japanese equities, held only 17.1% of its foreign equities in Japan as compared to a 51.5% Japan weighting in the

EAFE Index. The System's patient, valuation based under-weighting of Japan has been rewarded in the longer run also, as the five-year average annual return to the Fund's combined international equity portfolio of 31.2% ranks in the first percentile in the TUCS Universe of active international portfolios. This 31.2% five-year average annual return compares very favorably also to the EAFE Index return of 28.7% over the same period.

The basket of EAFE currencies appreciated by 3.3% over the 12 months ended June 1990, which increased a 0.1% EAFE return in local (foreign) currency terms to 3.2% in U.S. dollar terms. Murray Johnstone International generated a 31.5% return for the year as compared to 3.2% for the EAFE return.

At fiscal year end, 10.6% of the asset class was allocated to an EAFE Index Fund and 34.5% of the asset class was allocated to an EAFE ex-Japan Fund. The remaining 54.9% of the asset class was allocated to active managers. During FY90, the market value of assets assigned to international equity increased from $472 million to $885 million due to $113 million of market value appreciation and $300 million of reallocations from other asset classes.

Venture Capital Results

Venture capital investments returned –.3% during FY90. A representative venture capital index is not available for relative 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 and Wilshire 5000 Indices. On June 30, 1990, the System had a market value of $124 million invested in four venture capital limited partnerships.

Fixed Income Results and Profile

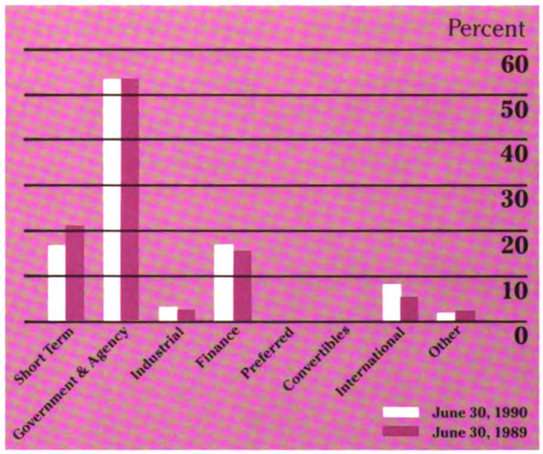
Fixed income manager objectives are to achieve a total investment return 2% in excess of the rate of inflation and in excess of the bond market, as measured by Salomon Broad Investment Grade (Salomon BIG) Index, on an annualized basis over a three- to five-year period, or a market cycle. During FY90, the System's bond portfolio, including all fixed income instruments with maturities greater than one year, generated a 7.3% total return, compared to the 7.7% return of the Salomon BIG Index.

The total funds under management by fixed income managers, including short-term investments, generated a 7.3% total return during FY90. For a three- and five-year period, bonds generated 9.2% and 11.0% annualized returns, respectively, as compared to 9.3% and 10.7%, respectively for the Salomon BIG Index. During FY90, the market value of total assets assigned to fixed income managers, including short-term investments, increased from $2.950 billion to $2.996 billion due to $209 million in interest income/appreciation and reallocation of $163 million from the bonds asset class to other asset classes.

Financial futures contracts controlling approximately $169 million of underlying U.S. Treasury Bonds and U.S. Treasury Notes, are included within the $2.996 billion market value of total assets assigned to fixed income managers 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.

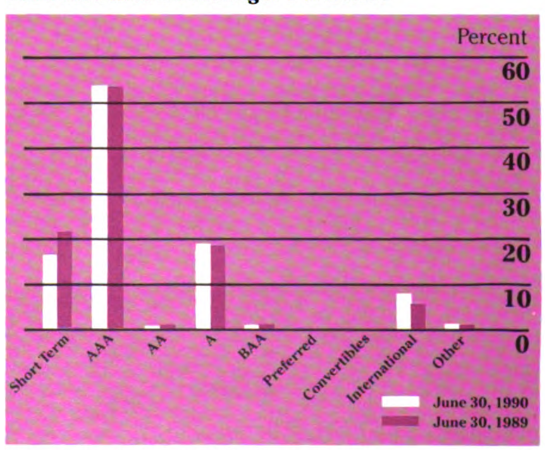
The following exhibits reflect changes made within fixed income manager portfolios during FY90 with regard to diversification by issuer type and quality ratings, as well as the underlying bond portfolio characteristics (excluding short-term investments) primarily affecting total return.

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

	6/30/90		6/30/89	
Characteristic	TRS	Salomon BIG	TRS	Salomon BIG
Maturity (years)	8.91	9.26	8.28	9.74
Duration (years)	4.52	4.61	4.69	4.46
Coupon (%)	9.48	9.04	9.02	9.42
Yield to Maturity (%)	8.89	8.94	8.28	8.68
Current Yield (%)	9.10	9.05	8.70	8.95

Real Estate Equity Investment Results

Real estate equity investments made by the System's five closed-end fund managers and four separate account managers returned 3.7% during FY90. The income component of the total return was 6.1%, while capital appreciation accounted for −2.2%. Unrealized depreciation reported due to property appraisals performed for fiscal year end reflect the current over-supply of office and industrial space which has resulted in increased vacancy rates and lower effective rents.

The closed-end funds' total return of 5.4% outperformed the 3.5% total return of the separate accounts. 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. During FY90, the market value of assets assigned to the System's real estate investment managers increased from $938 million to $990 million. This increase resulted from $56 million in income/reinvested income, $18 million of reallocations from other asset classes to the real estate asset class, and a reduction of $22 million for market value depreciation. The System will continue to progress toward a 15% asset allocation target for the real estate equity asset class over the next two to three years.

Short-Term Investment Results

The investment management firms use discretion in shifting funds to short-term investments as part of their asset allocation strategies 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.

As an asset class, the System's short-term investments generated a total return of 8.5%, during FY90. For the five years, short-term investments returned 7.9%, underperforming the 16.3% return of U.S. common stocks and the 11.0% of bonds. Total assets allocated to short-term investments decreased from $699 million to $584 million during FY90.

Investment Portfolio Summary*

June 30, 1990

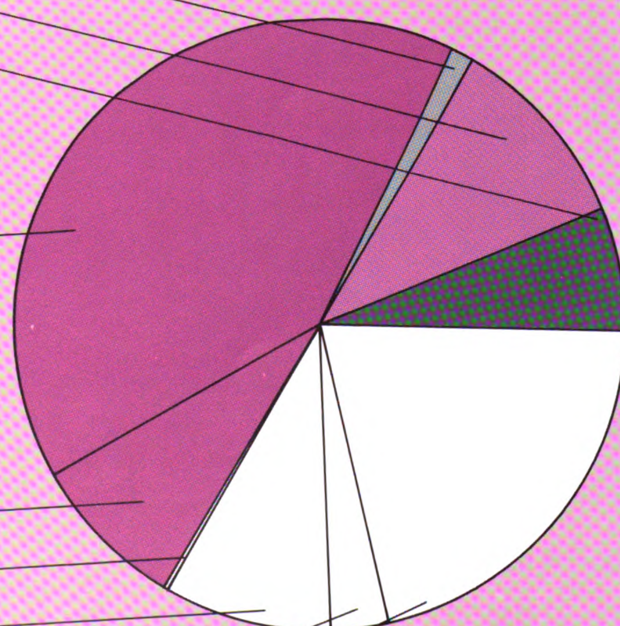
	Book Value	% of Total Book Value	Market Value	% of Total Market Value	Yield at Market
BONDS, CORPORATE NOTES AND PREFERRED STOCK					
Government Obligations					
U.S. Government	$ 1,151,065,757	14.3%	$ 1,143,655,109	12.8%	9.3%
Federal Agency	745,532,030	9.2	747,154,710	8.4	9.1
Municipal Bonds	950,947	.0	963,419	.0	9.7
Total Government Obligations	1,897,548,734	23.5	1,891,773,238	21.2	
Corporate Obligations					
Finance	597,725,613	7.4	600,983,110	6.8	9.7
Industrial and Miscellaneous	109,272,793	1.3	106,134,582	1.2	10.6
Public Utilities	37,862,219	.5	37,790,703	.4	10.6
Telephone	15,006,581	.2	15,482,623	.2	9.3
Transportation	9,126,688	.1	9,013,275	.1	10.3
Total Corporate Obligations	768,993,894	9.5	769,404,293	8.7	
International	286,631,923	3.6	286,310,360	3.2	9.7
Preferred Stock	7,203,384	.1	7,200,664	.1	7.2
TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK	2,960,377,935	36.7	2,954,688,555	33.2	
COMMON STOCK - U.S.	2,864,732,858	35.5	3,582,211,786	40.2	2.9
SHORT TERM INVESTMENTS**	583,288,652	7.3	583,955,006	6.6	8.4
COMMON STOCK - INTERNATIONAL	606,259,026	7.5	741,774,692	8.3	0.1
REAL ESTATE EQUITY	922,748,197	11.4	928,654,236	10.4	6.1
VENTURE CAPITAL	128,951,244	1.6	119,197,860	1.3	8.1
TOTAL PORTFOLIO	**$ 8,066,357,912**	**100.0%**	**$ 8,910,482,135**	**100.0%**	**5.5%**

**For investment purposes, financial futures contracts in the net amount of $169,207,850 were classified according to the type of security controlled and correspondingly removed from the classification as short-term investments as follows: U.S. Government Obligations — $242,068,125, Common Stock - U.S. — ($32,450,675) and Euro Dollar — ($40,409,600).*

***Includes accrued interest and dividends totaling $77,979,929.*

Composition of Investments
(At Market Value)

June 30, 1990



Venture Capital (1.3%)

Real Estate Equity (10.4%)

Short Term Investments (6.6%)
4.6% Investment Reserve Fund (% of Total)
64.0% Commercial Paper
19.6% Time Deposits
9.8% Certificates of Deposit
3.7% Guaranteed Insurance Contracts
2.9% Demand Notes
2.0% Commercial Paper

Common Stock - U.S. (40.2%)
12.1% Consumer Non-Durables
5.5% Technology
5.2 Finance
4.8% Materials & Service
4.6% Utilities
3.3% Energy
2.6% Capital Goods
1.2% Consumer Durables
0.9% Transportation

Common Stock - International (8.3%)

Preferred Stock and Convertibles (0.1%)

Corporate Obligations - U.S. (8.7%)
6.8% Finance
1.2% Industrial
0.4% Utilities
0.2% Telephone
0.1% Transportation

Corporate Obligations - International (3.2%)

Government Obligations (21.2%)
12.8% U.S. Government
8.4% Federal Agency
7.2% Mortgage-Backed
1.2% 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)					
	1986	1987	1988	1989	1990	Five Years 1986-1990
Beginning Book Value	$4,265	$5,168	$6,092	$6,684	$7,272	$4,265
Net Contributions Added	90	89	32	26	(6)	231
Investment Income	345	364	394	428	466	1,997
Net Realized Gain (Loss)	468	471	166	134	348	1,587
Ending Book Value	5,168	6,092	6,684	7,272	8,080	8,080
Unrealized Gain (Loss) - Beginning of Period	329	780	866	371	817	329
Unrealized Gain (Loss) - During Period	451	86	(495)	446	27	515
Ending Market Value	$5,948	$6,958	$7,055	$8,089	$8,924	$8,924

**Includes miscellaneous assets.*

Performance Summary

Annualized Percent for Periods Ending June 30, 1990*

	1986	1987	1988	1989	1990	Annualized 3 Years	Annualized 5 Years
Total Time-Weighted Return							
TRS	27.7	15.4	0.9	14.4	10.4	8.4	13.4
Inflation (CPI)	1.5	3.8	4.0	5.1	4.7	4.6	3.8
Common Stock - U.S. Returns							
TRS	36.2	23.8	−6.3	18.3	13.9	8.1	16.3
S&P 500	35.9	25.1	−6.8	20.5	16.4	9.3	17.3
Wilshire 5000	35.3	20.2	−5.9	19.5	13.3	8.4	15.7
Bond Returns							
TRS	23.3	4.8	6.7	13.8	7.3	9.2	11.0
Shearson Lehman G/C Bond Index	20.6	4.7	7.4	12.3	7.1	8.9	10.3
Common Stock — International Returns							
TRS	103.6	56.5	−7.7	12.9	20.9	8.0	32.0
EAFE Index	89.7	58.8	3.9	9.4	3.2	5.5	28.7
Real Estate Equity Returns	8.8	9.1	7.7	8.7	3.7	6.7	7.6
Venture Capital Returns	48.8	14.0	2.0	6.9	−0.3	2.8	13.0
Short-Term Returns							
TRS	8.4	6.2	7.3	9.3	8.5	8.4	7.9
91-Day Treasury Bills	7.6	5.5	6.4	8.8	8.4	7.9	7.3
Income Rate of Return**	6.9	5.6	5.9	6.5	5.8	6.1	6.1
Cash Return***	19.1	16.2	9.5	9.4	9.4	12.6	
Asset Allocation (Annual Average)							
Bonds	45.7	42.1	38.8	32.9	32.0	34.5	38.5
Common Stock - U.S.	42.7	41.1	40.6	40.8	41.8	41.2	41.4
Short-Term	7.7	8.3	9.1	9.0	5.9	8.0	8.0
Other****	3.9	8.5	11.5	17.3	20.3	16.3	12.1

**Performance calculations provided by Harris Trust and Savings Bank.*
***Income return, based on average market value, includes real estate income, interest and dividends.*
****Cash return, based on beginning book value, includes real estate income, interest, dividends and realized gains/losses.*
*****Includes Real Estate Equity, Common Stock-International, Bonds-International and Venture Capital.*

INVESTMENT LISTING

BONDS, CORPORATE NOTES AND PREFERRED STOCK

GOVERNMENT OBLIGATIONS	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
U.S. Government						
U.S. Treasury Bonds	AAA	10.500%	02-15-1995	$13,900,000	14,868,524	14,959,875
	AAA	10.375	05-15-1995	2,400,000	2,558,184	2,580,000
	AAA	11.750	02-15-2001	2,500,000	3,231,098	3,050,000
	AAA	10.750	02-15-2003	12,000,000	14,091,875	13,991,280
	AAA	10.750	05-15-2003	5,000,000	5,950,000	5,839,050
	AAA	11.625	11-15-2004	11,240,000	14,186,925	14,004,366
	AAA	10.750	08-15-2005	12,500,000	15,260,938	14,750,000
	AAA	9.125	05-15-2009	1,100,000	1,201,167	1,144,000
	AAA	10.375	11-15-2009	6,000,000	7,169,403	6,832,500
	AAA	10.375	11-15-2012	18,250,000	20,619,131	21,050,280
	AAA	12.000	08-15-2013	54,500,000	71,828,694	71,037,480
	AAA	11.250	02-15-2015	10,500,000	13,585,000	13,374,375
	AAA	9.875	11-15-2015	5,900,000	7,083,548	6,714,908
	AAA	9.250	02-15-2016	6,200,000	7,063,156	6,663,078
	AAA	7.250	05-15-2016	5,491,000	5,025,535	4,780,574
	AAA	7.500	11-15-2016	39,600,000	37,487,564	35,479,224
	AAA	8.875	08-15-2017	10,400,000	11,280,750	10,803,000
	AAA	8.875	02-15-2019	27,600,000	30,254,920	28,790,112
U.S. Treasury Bonds-Futures Contracts				103,400,750	103,400,750	103,400,750
U.S. Treasury Notes	AAA	8.750	08-15-1991	2,500,000	2,492,969	2,513,275
	AAA	7.500	08-15-1991	14,000,000	13,673,500	13,890,660
	AAA	12.250	10-15-1991	2,000,000	2,155,059	2,095,000
	AAA	6.500	11-15-1991	2,000,000	1,891,875	1,955,620
	AAA	11.625	01-15-1992	6,000,000	6,288,563	6,283,140
	AAA	6.625	02-15-1992	6,600,000	6,418,500	6,435,000
	AAA	13.750	05-15-1992	3,000,000	3,527,181	3,277,500
	AAA	8.250	08-15-1992	1,000,000	970,625	999,060
	AAA	7.875	08-15-1992	2,000,000	1,956,250	1,983,120
	AAA	9.750	10-15-1992	5,400,000	5,647,438	5,558,598
	AAA	8.375	02-15-1993	3,000,000	2,977,031	3,004,680
	AAA	8.250	09-30-1993	7,500,000	7,395,703	7,476,525
	AAA	7.125	10-15-1993	10,000,000	9,688,438	9,650,000
	AAA	11.750	11-15-1993	28,225,000	31,666,880	30,923,875
	AAA	7.625	12-31-1993	10,000,000	9,720,313	9,775,000
	AAA	7.000	01-15-1994	1,000,000	899,688	958,440
	AAA	8.875	02-15-1994	27,550,000	28,272,739	27,954,710
	AAA	8.500	03-31-1994	3,000,000	2,985,000	3,010,320
	AAA	13.125	05-15-1994	15,000,000	17,632,031	17,264,100
	AAA	9.500	05-15-1994	8,020,000	8,041,930	8,300,700
	AAA	12.625	08-15-1994	68,000,000	77,458,176	77,668,920
	AAA	9.500	10-15-1994	9,500,000	9,943,399	9,862,140
	AAA	11.625	11-15-1994	77,000,000	86,286,581	85,758,750
	AAA	8.250	11-15-1994	6,300,000	6,394,500	6,262,578
	AAA	8.625	01-15-1995	17,600,000	18,001,732	17,748,544
	AAA	11.250	02-15-1995	7,400,000	8,115,958	8,172,338
	AAA	11.250	05-15-1995	26,500,000	29,660,717	29,381,875
	AAA	10.500	08-15-1995	9,600,000	10,349,501	10,394,976
	AAA	8.625	10-15-1995	5,000,000	4,972,950	5,037,500
	AAA	8.875	02-15-1996	10,500,000	10,492,032	10,690,260
	AAA	9.375	04-15-1996	21,095,000	21,803,830	21,945,339
	AAA	7.375	05-15-1996	24,125,000	22,324,049	22,903,551
	AAA	7.875	07-15-1996	6,920,000	6,928,582	6,721,050
	AAA	8.000	10-15-1996	2,000,000	2,004,375	1,951,880
	AAA	7.250	11-15-1996	28,980,000	26,872,482	27,222,943
	AAA	8.000	01-15-1997	7,000,000	6,730,313	6,827,170
	AAA	8.500	05-15-1997	24,450,000	23,682,411	24,457,580
	AAA	8.875	11-15-1997	53,650,000	55,555,531	54,756,531
	AAA	8.125	02-15-1998	22,000,000	21,463,499	21,539,320
	AAA	9.250	08-15-1998	1,000,000	1,003,750	1,042,810
	AAA	8.875	02-15-1999	3,600,000	3,587,219	3,678,732
	AAA	9.125	05-15-1999	8,100,000	8,317,920	8,408,772
U.S. Treasury Notes-Futures Contracts				138,667,375	138,667,375	138,667,375
Total U.S. Government				**1,085,264,125**	**1,151,065,757**	**1,143,655,109**
Federal Agency						
Federal Farm Credit Banks	AAA	13.650	12-02-1991	2,000,000	2,173,750	2,138,740
	AAA	8.490	06-05-1992	4,000,000	4,000,000	4,000,000
	AAA	10.650	01-20-1993	5,000,000	5,141,406	5,229,700
Federal National Mortgage Debenture	AAA	11.500	12-10-1991	4,000,000	4,245,560	4,165,400
	AAA	12.000	04-10-1992	1,000,000	1,094,000	1,058,750
	AAA	10.125	06-10-1992	3,000,000	3,189,375	3,089,070
	AAA	11.950	01-10-1995	2,000,000	2,328,125	2,241,240
	AAA	11.500	02-10-1995	10,000,000	11,350,000	10,987,500
	AAA	11.150	06-12-1995	3,000,000	3,158,310	3,272,820
	AAA	10.600	11-10-1995	1,000,000	1,082,188	1,075,940
	AAA	8.625	09-10-1996	5,000,000	5,042,188	4,942,200
	AAA	8.700	06-10-1999	7,000,000	6,837,500	6,908,090
	AAA	9.300	03-10-2000	3,000,000	2,924,063	3,014,070
	AAA	8.200	07-10-2002	4,300,000	4,295,766	4,054,083
FHA Mortgage Loan — Oak Ridge, TN	AAA	5.250	07-01-1991	16,837	17,086	14,985
FHA Project #221	AAA	8.400	06-01-2007	1,389,106	1,270,956	1,297,509
FHLMC Groups	AAA	6.250	VARIOUS	1,581,249	1,405,303	1,316,390
	AAA	6.750		3,620,112	3,234,807	3,086,147
	AAA	7.000		3,481,338	3,148,435	3,046,171
	AAA	7.250		965,519	890,691	847,243
	AAA	7.375		1,000,000	885,625	963,120
	AAA	7.550		5,000,000	4,821,094	4,806,650
	AAA	7.750		1,000,000	975,730	954,060
	AAA	8.000		19,839,265	18,168,916	18,289,223
	AAA	8.250		4,260,239	4,041,424	3,932,711
	AAA	8.500		65,886,150	62,852,686	62,420,929
	AAA	8.650		2,000,000	1,993,740	1,976,060
	AAA	8.750		9,070,992	8,849,887	8,566,373
	AAA	8.850		7,600,000	7,560,711	7,207,824
	AAA	8.900		2,237,874	2,233,137	2,223,864
	AAA	9.000		33,174,854	32,465,981	32,366,314
	AAA	9.300		4,000,000	3,949,520	3,971,400

GOVERNMENT OBLIGATIONS

Federal Agency (continued)

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
	AAA	9.500%		$14,461,463	14,459,667	14,390,921
	AAA	10.000		50,966,098	50,516,903	51,818,506
	AAA	10.300		5,000,000	5,389,060	5,310,950
	AAA	10.500		2,316,551	2,308,850	2,370,110
	AAA	11.000		850,520	861,151	881,614
	AAA	11.450		7,000,000	7,413,438	7,319,340
	AAA	11.875		3,687,336	3,879,768	3,879,814
	AAA	12.000		3,087,891	3,265,445	3,294,379
	AAA	12.500		37,256	36,487	40,178
FNMA Pool-Stripped	AAA	0		6,074,288	3,028,883	2,854,916
FNMA Pools	AAA	7.000	VARIOUS	3,934,228	3,629,326	3,457,203
	AAA	7.500		13,959,347	12,730,441	12,598,310
	AAA	7.900		88,059	87,234	87,454
	AAA	8.000		30,829,864	29,576,553	28,768,081
	AAA	8.250		4,919,563	4,705,353	4,556,967
	AAA	8.500		11,149,945	10,850,667	10,918,613
	AAA	8.545		16,587,962	15,592,684	15,706,644
	AAA	8.700		6,000,000	5,965,313	5,862,600
	AAA	8.750		7,449,739	7,342,549	7,279,144
	AAA	8.850		4,552,000	4,389,835	4,428,868
	AAA	9.000		5,767,588	5,546,790	5,599,924
	AAA	9.250		10,937,282	9,833,300	9,624,809
	AAA	9.500		10,234,392	10,250,580	10,163,979
	AAA	10.000		32,719,271	32,434,853	32,646,202
	AAA	10.500		1,720,537	1,755,485	1,768,385
	AAA	11.000		771,108	790,145	811,591
	AAA	12.750		4,036,637	4,353,261	4,358,277
	AAA	13.250		334,572	356,221	364,995
	AAA	14.750		3,515,557	3,874,958	3,865,988
	AAA	15.750		2,885,259	3,048,969	3,201,685
	AAA	16.000		1,452,593	1,541,863	1,597,387
GMAC Mortgage KGKOG FHA Pool	A3	5.180	04-01-1993	981,159	618,550	887,340
GNMA Pools	AAA	7.250	VARIOUS	6,972,649	5,517,397	6,445,308
	AAA	7.500		7,615,003	6,788,524	6,840,757
	AAA	8.000		2,034,302	1,754,737	1,880,497
	AAA	8.500		14,535,602	13,772,591	13,871,520
	AAA	8.750		4,814,335	4,598,280	4,689,043
	AAA	9.000		16,819,874	16,056,674	16,341,515
	AAA	9.250		2,983,492	2,860,423	2,923,821
	AAA	9.500		24,208,690	24,252,277	24,088,118
	AAA	9.625		7,667,756	7,684,529	7,626,963
	AAA	10.000		24,446,379	24,640,025	24,875,660
	AAA	10.500		8,047,221	8,305,034	8,351,175
	AAA	11.000		6,606,786	6,893,962	6,953,641
	AAA	11.250		12,298,868	12,794,477	12,863,753
	AAA	11.500		5,102,778	5,351,897	5,437,622
	AAA	12.000		59,731	60,681	64,584
	AAA	12.750		1,240,068	1,309,047	1,333,461
	AAA	13.000		703,963	753,617	762,920
	AAA	13.250		208,045	224,088	224,037
	AAA	13.500		1,896,617	2,040,807	2,067,816
Government Backed Trust Certificates	AAA	0	VARIOUS	21,500,000	7,246,775	7,926,705
	AAA	8.550		4,680,203	4,691,318	4,660,546
	AAA	8.875		3,000,000	2,888,438	3,016,200
	AAA	9.400		12,795,650	12,900,727	13,077,170
	AAA	9.450		7,000,000	7,122,780	7,132,300
	AAA	9.625		1,000,000	999,420	1,038,100
Guaranteed Mortgage Corporation II	A3	11.875	04-01-2006	2,272,000	2,400,822	2,353,814
	A3	11.000	12-01-2015	6,521,325	6,649,279	6,833,110
Int'l Bank for Reconstruction and Development	AAA	9.520	07-20-1998	3,000,000	3,172,800	3,068,700
	AAA	9.750	01-23-2016	5,000,000	5,154,750	5,232,900
Inter American Development Bank	AAA	13.250	08-15-1994	5,000,000	5,744,650	5,707,850
Pass Thru Ctf Pool No 23828	AAA	9.000	09-15-2008	140,729	138,244	136,727
Residential Funding Mortgage	AAA	10.000	07-25-2015	19,121,185	19,091,308	19,121,185
Resolution Funding Corporation	AAA	0	01-15-1996	13,000,000	7,721,220	8,043,750
	AAA	8.125	10-15-2019	16,000,000	15,907,525	14,855,040
Rural Housing Trust 1987-1	A3	6.330	06-01-1997	3,249,584	2,702,029	3,170,392
Shipco 2296 Inc Govt GTD Bond	AAA	8.100	02-27-2002	1,000,000	921,250	959,130
Student Loan Marketing Association	AAA	8.800	12-03-1992	4,000,000	4,060,000	4,026,240
	AAA	10.500	04-22-1993	3,000,000	3,065,975	3,135,930
Tennessee Valley Authority	AAA	8.250	11-15-1996	6,500,000	6,487,652	6,286,731
Treasury Receipts	AAA	0	11-15-1992	4,041,250	2,596,059	3,316,290
Treasury Stripped Securities	AAA	0	11-15-1991	2,497,500	2,147,400	2,233,939
Total Federal Agency				**781,313,185**	**745,532,030**	**747,154,710**

Municipal

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Arkansas State Development Finance Authority	A3	9.750	11-15-2005	955,725	950,947	963,419
Total Municipal				**955,725**	**950,947**	**963,419**
TOTAL GOVERNMENT OBLIGATIONS				**$1,867,533,035**	**1,897,548,734**	**1,891,773,238**

CORPORATE OBLIGATIONS

Finance

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Alaska State Housing Finance Corporation	A3	9.620%	10-15-1994	$ 5,000,000	5,018,200	5,094,600
American Express Company	A3	11.950	01-15-1995	1,000,000	1,088,000	1,106,570
Associates Corporation of North America	A3	8.375	01-15-1998	4,875,000	4,862,278	4,823,910
Auburn Hills Trust Certificates	BA2	12.375	05-01-2020	10,000,000	10,000,000	10,383,000
Beneficial Corporation	A3	8.930	12-01-1996	3,575,000	3,569,916	3,479,619
British Gas Finance Inc	A3	9.500	03-15-2018	2,500,000	2,496,875	2,504,050
Caterpillar Financial Services Corporation	A3	8.950	05-12-2000	8,000,000	7,999,520	7,683,360
Chase Manhattan Corporation	A3	9.750	09-15-1999	30,000,000	29,952,000	30,018,300
Chase Mortgage Finance Corporation	A3	9.500	10-01-2024	5,645,365	5,608,317	5,599,525
Chrysler Financial Corporation	A3	9.700	02-10-1992	2,000,000	1,974,260	1,970,700
	A3	9.500	06-01-2008	7,000,000	7,005,320	6,877,290
Citicorp	A3	10.750	10-15-1992	2,500,000	2,496,025	2,514,075
	A3	9.750	08-01-1999	10,000,000	9,907,400	9,844,900
	A3	8.450	03-15-2007	1,500,000	1,342,140	1,328,280
Citicorp Homeowners Inc	A3	9.500	09-01-2016	3,156,501	3,250,301	3,113,099
Citicorp Mortgage Securities Inc	A3	10.500	06-01-2019	6,113,450	6,165,032	6,189,868
Citicorp Person To Person Inc	BAA1	12.500	01-15-1996	6,000,000	6,118,200	6,085,140
Collateralized Mortgage Securities Corporation	A3	11.450	09-01-2015	16,411,779	17,677,436	17,668,757
	A3	8.000	08-25-2017	3,900,000	3,500,250	3,400,449
College & University Facility Loan	A3	9.200	12-01-1991	3,000,000	2,943,281	2,998,500
ComFed Savings Bank	A3	9.350	11-15-1992	1,000,000	991,410	998,270
Cooperative Utility Trust Certificates	A3	10.700	09-15-2017	7,000,000	7,000,000	7,692,020
CTC Beaver Valley Funding Corporation	A3	12.000	06-01-2017	21,000,000	21,063,750	22,391,250
DBL Mortgage Funding Corporation	A3	9.500	08-01-2019	6,796,103	6,586,910	6,609,210
Discover Card Trust Certificates	A3	9.200	11-16-1995	6,000,000	5,981,220	6,033,720
Drexel Burnham Lambert CMO Trust Series	A3	8.000	07-01-2017	2,699,135	2,555,744	2,545,447
	A3	8.950	04-20-2018	4,645,545	4,564,248	4,610,750
Eksport Finance	A3	8.800	08-15-1991	2,000,000	2,004,420	2,004,040
FBC Mortgage Securities Trust II	A3	8.000	09-01-2016	7,941,967	7,223,470	7,306,610
FBC Mortgage Securities Trust V	A3	9.000	01-20-2018	4,674,026	4,384,019	3,991,619
Financing Corporation	AAA	10.700	10-06-2017	5,000,000	5,485,305	5,826,550
	AAA	9.650	11-02-2018	4,000,000	4,478,600	4,255,000
Financing Corporation Coupons Stripped	AAA	0	12-11-1991	4,000,000	2,953,560	3,569,920
First Bank NA	A3	8.750	[illegible]	1,500,000	1,500,000	1,491,855
First Bank Systems Inc	A3	9.500	06-19-1992	5,000,000	5,000,000	5,002,750
First Boston Stripped Mortgage Securities	A3	0	10-01-2018	46,946,653	20,333,769	25,160,589
First Fidelity Bancorporation	A3	9.625	08-15-1999	6,000,000	5,409,417	5,145,120
First Home Mortgage Acceptance Corporation	A3	11.000	02-01-2016	7,453,993	7,861,746	7,808,132
First PV Funding Corporation	A3	10.500	01-15-2014	2,000,000	2,005,000	2,000,000
Fleet Financial Group Inc	A3	8.625	02-01-1996	[illegible]	1,564,530	1,488,720
Fleet 'Norstar Financial Group Inc	A3	9.400	04-19-2001	10,750,000	10,750,000	10,777,843
	A3	9.450	[illegible]	20,000,000	20,113,800	20,041,200

CORPORATE OBLIGATIONS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Finance (continued)						
Fleet/Norstar Financial Group, Inc	A3	9.900%	06-03-1993	$ 6,000,000	5,995,620	6,060,660
Ford Motor Credit Company	A3	8.250	03-15-1992	10,000,000	9,945,000	10,000,000
	A3	9.000	06-15-1993	5,000,000	4,992,000	4,992,250
	A3	9.450	05-20-1994	2,500,000	2,549,950	2,520,650
Franklin Savings Association	A3	8.000	12-30-1996	4,000,000	3,767,320	3,749,400
General Electric Credit Corporation	A3	8.750	11-15-1992	5,000,000	5,054,973	4,998,300
	A3	8.000	03-01-2002	13,349,603	13,231,223	13,115,985
General Motors Acceptance Corporation	A3	9.250	11-01-1992	5,000,000	4,986,250	5,025,050
	AA3	8.000	07-01-1993	1,000,000	945,880	972,480
	A3	8.200	08-08-1994	3,500,000	3,377,290	3,378,865
	A3	8.625	06-15-1999	4,000,000	3,920,880	3,950,080
Great Western Federal Savings Bank	A3	10.370	04-22-1991	8,000,000	8,025,360	8,112,560
	A3	10.150	03-15-1992	15,505,000	15,390,081	15,719,434
	A3	10.250	06-15-2000	11,200,000	11,123,700	11,200,000
Home Owners Federal Savings & Loan	A3	10.612	09-01-2017	15,050,334	15,139,695	15,276,089
Home Savings America	A3	10.250	12-05-1996	5,375,000	5,363,766	5,329,528
Household Finance Corporation	A3	6.850	10-01-1992	6,000,000	5,971,200	5,835,000
	A3	9.500	12-15-1993	2,000,000	2,001,900	2,009,280
	A3	9.550	04-01-2000	1,500,000	1,485,000	1,487,625
Irving Bank Corporation	A3	6.125	07-01-1992	4,100,000	2,270,986	3,911,154
ITT Financial Corporation	A3	9.250	11-01-1992	2,000,000	1,997,500	2,007,140
KFW International Finance Inc	A3	9.310	06-01-1993	5,000,000	5,005,550	5,057,250
Lyons Funding Corporation	A3	10.700	07-01-2003	2,188,975	2,248,982	2,194,863
Marine Midland Banks Inc	NR	7.625	03-01-2003	8,000,000	8,000,000	6,650,000
Maritrans Capital Corporation	A3	9.250	04-01-2007	4,000,000	4,000,000	3,728,760
Maryland National Corporation Variable Rate	A3	8.440	01-15-1991	4,000,000	3,948,000	3,948,000
Morgan (J.P.) & Company Inc	A3	7.100	11-15-1991	2,000,000	1,937,540	1,963,740
Morgan Stanley Group Inc	A3	10.000	06-15-2008	5,000,000	5,000,000	5,077,850
Mortgage Bankers Financial Corporation	A3	9.900	03-01-2018	6,230,621	5,862,755	5,975,290
	A3	9.500	07-01-2018	6,543,753	7,256,760	6,030,003
National Credit Card Trust Certificates	A3	9.850	03-31-1995	5,000,000	4,997,500	5,120,900
National Rural Utilities Coop Finance Company	AA3	9.375	06-15-1995	5,000,000	5,056,250	4,998,850
	AA3	9.000	03-15-2016	2,500,000	2,462,500	2,343,850
Nomura Mortgage Capital Corporation	A3	7.000	06-17-2020	5,490,000	4,150,097	4,206,713
Norstar Bancorporation Inc	A3	13.375	05-01-2014	3,000,000	3,153,240	3,192,300
Norwest Mortgage Inc	A3	12.250	10-01-2002	147,435	152,503	147,435
Philip Morris Credit Corporation	A3	10.500	07-01-2008	3,080,000	3,080,000	3,129,095
Private Export Funding Corporation	A3	9.000	01-31-1996	3,000,000	3,008,580	3,019,530
	A3	9.500	03-31-1999	5,000,000	5,161,500	5,174,950
	A3	9.450	12-31-1999	8,200,000	8,645,158	8,475,930
Provident National Bank of Philadelphia	A3	8.900	01-27-1993	4,000,000	3,860,920	3,994,240
Pulte Homes Corporation	A3	12.000	01-01-2007	2,378,158	2,489,507	2,506,721
Resorts International Financing Inc	CA	16.625	09-01-2004	5,000,000	5,193,750	1,100,000
RGS AEGCO Funding Corporation	A3	9.820	12-07-2022	2,000,000	2,000,000	1,977,020
Rural Electric Coop Grantor Trust Certificates	A3	9.580	12-15-2019	8,000,000	8,252,240	8,124,080
Ryland Acceptance Corporation	A3	9.550	04-25-1999	5,601,682	5,641,944	5,603,418
	A3	8.800	02-01-2000	184,730	187,501	183,057
	A3	11.600	06-01-2003	607,856	626,852	638,249
	A3	8.000	06-01-2007	4,181,703	4,006,612	4,115,214
Salomon Brothers Mortgage Securities VII Inc	A3	10.278	01-25-2018	10,527,621	10,540,781	10,665,849
Sears Mortgage Securities Corporation	A3	9.625	02-25-2012	3,000,000	2,929,380	2,977,500
Security Pacific Corporation	NR	8.750	09-15-1994	2,000,000	1,951,880	1,963,160
Security Pacific National Bank	A3	10.500	01-01-2018	5,873,487	5,926,716	5,902,855
Standard Credit Card Trust Certificates	A3	9.500	05-10-1997	2,000,000	1,991,875	2,011,420
Toyota Motor Credit Corporation	AAA	8.750	09-15-1991	11,000,000	10,978,000	10,993,510
Travelers Mortgage Services Inc	A3	10.150	04-25-2019	11,174,395	10,675,039	10,947,443
Travelers Mortgage Services Inc Floating Rate	A3	7.500	02-01-2017	3,478,497	3,048,033	3,061,076
United Illuminating Company	A3	12.000	08-01-2017	8,500,000	8,566,875	8,841,275
Western Federal Savings & Loan	A3	10.169	03-01-2019	15,621,258	15,409,550	15,855,577
Total Finance				**628,674,625**	**597,725,613**	**600,983,110**
Industrial and Miscellaneous						
Ahmanson (H.F.) & Company	A3	9.875	11-15-1999	10,000,000	9,894,000	9,626,200
Atlantic Richfield Company	A-1	10.500	10-15-1995	2,000,000	1,985,000	2,057,780
Chrysler Corporation	BAA2	12.000	11-15-2015	4,000,000	4,356,667	3,480,000
Coca Cola Enterprises Inc	A3	8.350	06-20-1995	5,000,000	4,867,550	4,862,300
Consolidated Freightways Inc	A3	9.125	08-15-1999	3,000,000	2,826,630	2,790,150
Deere & Company	A3	8.950	06-15-2019	7,500,000	7,334,085	7,374,075
Du Pont (E.I.) DeNemours & Company	AA2	8.500	05-01-2006	2,000,000	1,826,300	1,877,600
Emerson Capital Corporation	A3	10.500	07-01-2008	770,000	770,000	782,274
Georgia Pacific Corporation	A3	9.750	11-01-1992	1,000,000	1,011,250	998,580
	A3	10.100	06-15-2002	6,000,000	5,996,220	5,987,460
Interco Inc	A3	14.500	12-15-2003	128	128	4
McDonnell Douglas Corporation	A3	10.375	11-01-1992	2,000,000	1,996,773	2,010,000
Nerco Inc	A3	9.650	06-01-1999	5,000,000	5,097,000	5,380,500
Occidental Petroleum Corporation	BAA2	11.750	03-15-2011	4,500,000	4,594,375	4,636,305
	BAA2	11.125	06-01-2019	6,000,000	5,883,540	5,911,980
Olympia & York	A3	10.367	03-20-1999	2,933,968	2,917,465	2,915,631
Phillips Petroleum Company	BAA1	13.875	03-15-1997	3,636,946	3,932,664	3,968,708
	BAA2	14.750	03-15-2000	7,697,455	8,326,195	8,501,839
RJR Nabisco Inc	A3	8.125	04-15-1991	3,500,000	3,435,145	3,442,565
Scott Paper Company	A3	9.500	01-01-1993	2,000,000	1,965,000	2,002,500
Sears Roebuck & Company	A3	9.500	01-02-1997	3,500,000	3,500,000	3,548,615
St. Paul Companies Inc	A3	9.375	06-15-1997	5,000,000	4,995,900	4,990,350
237 Park Avenue Associates Floating Rate	NR	9.796	03-20-1999	6,854,857	6,792,735	6,854,856
United States Leasing International Inc	A3	8.400	03-20-1999	5,000,000	5,000,000	5,000,000
Walter (Jim) Corporation	CA	13.750	02-01-2003	1,800,000	2,040,750	396,000
Wilmington Trust Alamaito Company	A3	10.500	01-01-2015	7,927,423	7,927,421	6,738,310
Total Industrial and Miscellaneous				**108,620,777**	**109,272,793**	**106,134,582**
Public Utilities						
Central Power & Light Company	A3	9.750	11-01-1994	1,000,000	992,500	1,026,150
Commonwealth Edison Company	A3	8.625	04-15-1992	1,000,000	947,660	992,350
	A3	10.375	10-15-1992	2,200,000	2,197,800	2,254,472
	BAA1	9.125	10-15-2008	500,000	474,835	480,975
Connecticut Light & Power Company	A3	9.500	06-01-2019	2,000,000	1,977,500	1,921,280
Detroit Edison Company	BAA1	11.875	12-15-2000	2,933,000	3,122,978	3,079,973
Gulf States Utilities Company	A3	15.000	09-01-2012	4,700,000	5,478,438	4,876,250
Long Island Lighting Company	BA2	10.250	06-15-1994	11,000,000	10,978,000	11,040,260
	A3	5.250	03-01-1996	800,000	375,488	637,480
Louisiana Power & Light	A3	9.220	07-31-1990	3,500,000	3,500,000	3,500,000
	A3	9.420	01-31-1992	1,000,000	1,000,000	1,001,560
	A3	10.320	01-31-1999	1,250,000	1,250,000	1,287,113
Pacific Gas & Electric Company	A3	9.000	08-01-2019	2,000,000	1,811,660	1,875,620
Texas Electric Service Company	A3	8.875	03-01-2006	2,000,000	1,763,800	1,823,440
Transco Energy Company	A3	9.625	06-15-2000	2,000,000	1,991,560	1,993,780
Total Public Utilities				**37,883,000**	**37,862,219**	**37,790,703**
Telephone						
General Telephone Company	A3	9.375	06-15-2026	2,000,000	1,850,020	1,927,320
ITT Corporation	A3	6.500	07-01-2001	1,000,000	742,740	793,940
New England Telephone & Telegraph	A3	7.875	11-15-2029	5,000,000	4,723,150	4,772,300
Pacific Telephone & Telegraph Company	AA3	9.875	02-15-2016	3,575,000	3,710,671	3,628,983
Southern New England Telephone Company	A3	11.500	08-15-2025	4,000,000	3,980,000	4,360,080
Total Telephone				**15,575,000**	**15,006,581**	**15,482,623**
Transportation						
Kansas City Southern Industries Inc	BAA2	12.000	10-01-2010	3,750,000	4,129,688	3,974,775
Union Pacific Railroad Company	A3	9.500	02-15-1999	5,000,000	4,997,000	5,038,500
Total Transportation				**8,750,000**	**9,126,688**	**9,013,275**
TOTAL CORPORATE OBLIGATIONS				**799,503,402**	**768,993,894**	**769,404,293**
TOTAL U.S. BONDS AND CORPORATE NOTES				**$2,667,036,437**	**2,666,542,628**	**2,661,177,531**

INTERNATIONAL OBLIGATIONS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Australia Commonwealth	AA2	12.750%	09-15-1992		$ 4,568,964	4,395,159
Brinson Int'l Dollar Bond Fund	NR	0			48,858,709	50,895,051
Brinson Int'l Non-Dollar Bond Fund	NR	0			84,448,834	84,048,146
BTAN	NR	8.000	04-12-1994		7,689,998	8,413,000
Canada (Government of)	NR	10.500	07-01-2000		1,506,481	1,486,794
Chrysler Financial Corporation	A3	13.250	11-29-1994		1,889,055	1,820,000
Denmark (Kingdom of)	A3	7.750	12-15-1996		6,796,875	6,996,675
Deutschland Bundes Republic	NR	6.125	01-20-1997		25,337,974	21,819,000
	NR	6.000	10-20-1998		7,175,956	7,036,400
Euro Dollar Futures Contracts					-40,409,600	-40,409,600
European Investment Bank	AAA	13.375	09-15-1992		2,178,680	2,172,320
Forward Foreign Exchange Contracts					45,760,472	45,760,472
France (Government of)	NR	8.000	10-12-1993		832,884	846,000
	NR	8.125	05-25-1999		3,550,832	3,594,800
Germany Federal Republic	NR	5.750	02-20-1997		3,578,206	3,562,985
	NR	6.750	01-20-1999		9,316,387	9,511,740
Hydro Quebec	A3	16.250	07-15-1991		3,667,770	3,214,740
	A3	9.375	04-15-2030		1,471,380	1,511,370
Industrial Bank Of Japan Ltd	A3	8.500	11-30-1994		4,995,750	4,903,000
Israel (Government of) Floating Rate	NR	10.500	12-01-1989		4,000,000	4,000,000
	NR	10.500	12-01-1990		2,000,000	2,000,000
	NR	10.500	03-01-1993		1,000,000	1,000,000
Italy Republic	A3	9.625	03-01-1999		3,048,720	3,074,400
Kansallis-Osake-Pankki	A3	10.150	03-15-1993		2,010,720	2,022,580
	A3	10.000	03-15-1994		999,270	1,005,780
Merrill Lynch & Company Inc	A3	10.000	12-15-1990		4,609,200	4,620,148
Municipal Finance Authority Canada	A3	13.750	12-01-2005		461,705	504,094
New Brunswick (Province of) Canada	A3	9.750	05-15-2000		494,250	515,920
Newfoundland (Province of) Canada	A3	13.875	10-01-1992		1,107,570	1,093,420
	A3	9.875	06-01-2020		5,575,020	5,565,395
Norges Kommunalbank	A3	7.875	05-17-1997		2,770,260	2,760,000
Obligation and Taux (France)	NR	8.125	05-25-1999		6,896,582	7,056,300
	NR	8.500	10-25-2019		3,104,612	3,140,000
Ontario (Province of) Canada	A3	15.750	02-25-1992		3,416,340	3,309,480
Spain (Kingdom of)	NR	10.750	05-22-1995		17,973,617	18,872,081
Svenska Handelsbanken	NR	9.700	03-04-1993		1,499,670	1,530,210
Swedish Export Credit Corporation	A3	8.625	04-15-2026		2,448,780	2,662,500
TOTAL INTERNATIONAL OBLIGATIONS					**286,631,923**	**286,310,360**

PREFERRED STOCK

	Shares	Book Value	Market Value
Fiat S P A	125,000	530,420	772,500
Texaco Inc Variable Rate	314	11,571	15,739
Time Warner Inc 11.00%	32,546	1,404,644	1,446,323
Time Warner Inc 8.75%	77,127	3,239,469	3,326,102
Toledo Edison Company Adjustable Rate	80,000	2,017,280	1,640,000
TOTAL PREFERRED STOCK		**7,203,384**	**7,200,664**
TOTAL BONDS, CORPORATE NOTES AND PREFERRED STOCK		**$2,960,377,935**	**2,954,688,555**

SHORT TERM INVESTMENTS

	Moody's Quality Rating	Coupon Rate	Maturity Date	Par Value	Book Value	Market Value
Accrued Interest and Dividends	NR	0%	00-00-0000	$77,979,929	77,979,929	77,979,929
Bank Of Nova Scotia	NR	8.380	07-30-1990	36,000,000	35,212,280	35,212,280
British Pound Currency Fund	NR	0	00-00-0000	8,000,000	8,000,000	8,074,912
Harris Bank Collective Investment Funds	NR	0	00-00-0000	232,859,548	232,859,548	233,341,824
Harris Bank Due From Broker	NR	0	00-00-0000	27,616,921	27,616,921	27,616,921
Harris Bank Master Trust Reserve Fund	NR	0	00-00-0000	393,035,591	393,035,591	393,035,591
Hibernia National Bank	A3	10.030	09-11-1990	4,000,000	4,000,000	4,000,000
Hibernia National Bank Floating Rate	A3	9.300	09-11-1990	1,000,000	1,000,000	1,000,000
Kidder Peabody Short Term Fund	NR	0	00-00-0000	29,954	29,954	29,954
Mitsubishi Bank Short Term Fund	NR	0	00-00-0000	8,421,422	8,421,422	8,421,422
Portuguese Escudo Currency Fund	NR	0	00-00-0000	29,326	29,326	29,326
Security Pacific National Bank	A3	9.020	09-20-1991	1,000,000	985,740	1,000,000
U.S. Treasury Bills	AAA	0	07-12-1990	1,000,000	986,525	997,970
	AAA	0	08-30-1990	475,000	467,934	469,020
	AAA	0	09-20-1990	1,000,000	980,246	982,770
	AAA	0	09-27-1990	1,795,000	1,729,325	1,761,416
	AAA	0	12-20-1990	3,000,000	2,884,127	2,891,400
	AAA	0	04-11-1991	2,140,000	1,973,410	2,013,141
	AAA	0	05-09-1991	70,000	64,696	65,452
Various Forward Foreign Exchange Contracts				-45,760,472	-45,760,472	-45,760,472
Various Futures Contracts				-169,207,850	-169,207,850	-169,207,850
TOTAL SHORT TERM INVESTMENTS				**$584,484,369**	**583,288,652**	**583,955,006**

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Air Transport			
Boeing Company	447,725	$11,837,968	26,191,913
E Systems Inc	16,700	488,070	421,675
General Dynamics Corporation	58,600	3,519,636	1,875,200
Grumman Corporation	78,200	1,551,244	1,485,800
Instrument System Corporation	4,800	10,440	9,000
Lockheed Corporation	106,200	4,687,137	3,557,700
Loral Corporation	23,800	744,395	672,350
Martin Marietta Corporation	173,350	7,446,405	7,432,382
McDonnell Douglas Corporation	20,700	1,523,450	755,550
Microsemi Corporation	200,000	423,000	337,400
Northrop Corporation	22,900	916,585	423,650
Penn Central Corporation	37,400	995,417	855,525
Raytheon Company	219,100	14,344,108	13,666,363
Rockwell International Corporation	234,400	5,271,454	6,416,701
Textron Inc	184,700	4,971,522	4,386,625
Transtechnology Corporation	1,100	29,090	7,288
UNC Inc	8,700	84,133	38,063
United Technologies Corporation	145,920	7,404,957	8,353,920
Automobiles and Auto Parts			
Action Auto Rental Inc	75,000	674,000	571,875
Bandag Inc	10,400	655,058	881,400
Chrysler Corporation	198,439	4,134,903	3,125,414
Cooper Tire & Rubber Company	40,000	1,501,943	1,415,000
Cummins Engine Company Inc	5,700	357,574	298,538
Dana Corporation	170,900	6,312,328	6,323,300
Eaton Corporation	20,414	844,834	1,283,530
Echlin Incorporation	32,200	490,170	446,775
Ford Motor Company	486,800	17,309,510	21,297,500
General Motors Corporation	743,900	28,542,589	34,027,839
Genuine Parts Company	[illegible]	1,235,521	1,699,313
Goodrich (B.F.) Company	[illegible]	1,754,548	1,865,750
Goodyear Tire & Rubber Company	96,783	4,335,330	2,915,588

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Automobiles and Auto Parts (continued)			
Rolls Royce Plc	128,000	$ 2,507,000	2,560,000
Smith (A.O.) Corporation	82,000	1,201,004	1,363,250
SPX Corporation	7,500	202,748	218,438
TBC Corporation	81,000	1,006,625	1,002,375
TRW Inc	68,400	3,120,595	3,180,600
Banking and Finance			
Advanta Corporation	95,000	1,018,385	1,163,750
Ahmanson (H.F.) & Company	257,300	5,177,283	5,274,650
American Express Company	563,596	15,651,883	17,330,577
Ameritrust Corporation	20,000	497,820	360,000
Amsouth Bancorporation	15,000	427,460	330,000
Banc One Corporation	158,700	3,943,517	4,602,300
Banco Popular De Puerto Rico San Juan	18,000	1,558,158	1,681,996
Bancorp Hawaii Inc	4,000	189,000	203,000
Bank of Boston Corporation	38,758	797,377	479,630
Bank of New York Company Inc	100,000	3,915,207	3,187,500
Bankamerica Corporation	371,700	9,730,197	11,011,613
Bankers Trust New York Corporation	148,246	6,142,809	6,207,802
Barclays Plc	16,800	437,095	466,200
Barnett Banks Inc	75,025	2,316,348	2,438,313
Bear Stearns Companies Inc	86,936	1,191,222	1,173,636
Beneficial Corporation	12,000	577,903	634,500
Block (H&R) Inc	72,100	2,095,464	3,064,250
Brazil Fund Inc	50,000	524,782	512,500
CalFed Inc	75,000	1,437,513	1,256,250
Chase Manhattan Corporation	67,895	2,164,241	1,620,993
Chemical Banking Corporation	43,687	1,536,949	1,114,019
Citicorp	558,100	15,696,523	12,627,013
Citizens & Southern Corporation	162,000	5,185,641	3,867,751
Comerica Inc	6,500	303,430	302,250
Corestates Financial Corporation	90,536	3,859,828	3,621,440
Countrywide Credit Industries Inc	130,000	937,445	1,056,250
Dreyfus Corporation	25,000	701,750	843,750
Federal Home Loan Mortgage Corporation	173,700	12,085,503	13,114,350
Federal National Mortgage Association	486,200	13,464,954	18,859,376
First Alabama Bancshares Inc	55,000	913,750	962,500
First Chicago Corporation	175,713	6,024,692	5,139,605
First Fidelity Bancorporation	31,600	1,029,065	576,700
First Hawaiian Inc	10,000	243,750	250,000
First Interstate Bancorp	95,923	3,657,658	3,872,892
First Union Corporation	206,800	4,517,457	3,903,351
First Wachovia Corporation	25,000	1,094,517	1,015,625
Firstar Corporation	9,300	254,681	269,700
Fleet Norstar Financial Group Inc	81,982	2,136,243	1,588,402
Golden West Financial Corporation	34,600	704,107	1,050,975
Great Western Financial Corporation	245,400	4,400,413	4,417,200
Green Tree Acceptance Inc	20,000	329,485	330,000
HomeFed Corporation	90,000	2,524,492	1,946,250
Household International Inc	188,600	8,457,146	9,217,826
Kenwood Capital Corporation	130	190,125	208,813
Manufacturers Hanover Corporation	43,200	1,599,545	1,490,400
Manufacturers National Corporation	12,200	701,500	530,700
Mellon Bank Corporation	27,450	1,086,550	717,132
Mercantile Bank Shares	9,600	249,600	211,200
Merrill Lynch & Company Inc	56,500	2,022,703	1,271,250
MNC Financial Inc	242,300	6,331,363	3,089,325
Morgan (J.P.) & Company Inc	365,797	12,949,043	13,077,243
Morgan Stanley Group Inc	14,400	1,093,153	1,047,600
NBD Bankcorp Inc	99,800	2,806,696	3,181,125
NCNB Corporation	180,358	6,641,217	6,763,426
Norwest Corporation	163,138	2,832,900	3,548,252
PNC Financial Corporation	101,117	4,376,596	3,033,510
Primerica Corporation	139,400	3,730,454	4,757,026
Rouse Co	40,000	962,093	915,000
Salomon Inc	80,800	2,419,443	1,979,600
Security Pacific Corporation	183,370	7,736,924	6,784,686
SEI Corporation	111,500	1,886,450	2,313,625
Shawmut National Corporation	76,400	2,033,236	926,350
Signet Banking Corporation	7,000	250,740	161,000
Society Corporation	15,000	536,525	485,625
Sovran Financial Corporation	67,928	2,463,365	1,969,912
Stockholder System Inc	60,000	497,500	900,000
Student Loan Marketing Association	331,600	15,860,717	17,414,188
Suntrust Banks Inc	198,300	4,700,684	3,990,788
Wells Fargo & Company	141,700	9,358,492	11,194,300
Westair Holdings Inc	23,300	152,963	154,363
Westpac Banking Ltd	20,000	401,186	370,000
Beverages			
Anheuser Busch Companies Inc	406,583	11,428,882	17,533,892
Brown Forman Corporation	21,800	864,970	1,575,050
Coca Cola Company	577,300	11,508,414	25,617,688
Coors (Adolph) Company	19,800	392,532	522,225
Pepsico Inc	389,200	15,300,154	30,211,651
Seagram Company Ltd	52,700	3,029,983	4,334,575
Chemicals and Synthetic Fibers			
Air Products & Chemicals Inc	99,200	4,366,761	5,604,800
American Cyanamid Company	216,700	9,699,758	12,433,164
Arco Chemical Company	65,000	2,322,227	2,648,750
Avery International Corporation	26,500	638,709	616,125
Browning Ferris Industries Inc	156,800	3,895,126	6,958,001
Chemical Waste Management Inc	33,000	769,210	796,125
Crompton and Knowles Corporation	17,500	550,021	739,375
DNA Plant Technology Corporation	50,000	362,500	343,750
Dow Chemical Company	291,700	13,819,426	16,699,826
Du Pont (E.I.) DeNemours & Company	700,500	22,218,439	26,969,250
Ethyl Corporation	65,800	1,642,629	1,949,325
First Brands Corporation	66,200	1,272,269	1,903,250
First Mississippi Corporation	11,200	123,482	134,400
FMC Corporation	19,600	536,197	646,800
Grace (W.R.) & Company	124,664	3,470,797	3,693,171
Hercules Inc	27,000	1,096,670	901,125
Imcera Group Inc	12,500	537,433	735,938
Imperial Chemical Industries Plc	34,000	2,593,808	2,698,750
Loctite Corporation	22,900	879,106	1,365,413
Monsanto Company	236,800	10,914,736	11,277,600
Mycogen Corporation	45,000	494,063	821,250
Nalco Chemical Company	28,500	1,274,709	1,613,813
NCH Corporation	14,400	719,356	788,400
NL Industries Inc	78,850	1,877,987	1,261,600
Owens Corning Fiberglas Corporation	81,700	2,276,224	1,817,825
PPG Industries Inc	171,900	6,589,190	8,251,200
Quantum Chemical Corporation	14,151	547,951	235,261
Rohm and Haas Company	99,800	3,092,639	3,430,626
Rollins Environmental Services Inc	32,674	348,699	437,014
Sherwin Williams Company	24,100	614,976	960,988
Thiokol Corporation	210,000	2,559,222	2,441,250
Union Carbide Corporation	177,104	3,562,337	3,409,252
Valspar Corporation	1,900	62,833	68,875
Waste Management Inc	937,800	21,657,249	38,801,475
Wellman Inc	77,900	2,171,400	2,122,775
Conglomerates and Miscellaneous			
Aerovox Inc	2,440	7,223	9,760
Akzo NV	41,142	1,352,220	1,352,543
Alexander & Baldwin Inc	15,700	477,070	471,000

COMMON STOCK-U.S.

Conglomerates and Miscellaneous (continued)	Shares	Book Value	Market Value
American National Bank Midcap Fund	3,351,609	$84,270,956	103,752,743
American National Bank Minicap Fund	3,905,360	43,780,514	45,858,299
Amre Inc	140,000	952,331	630,000
Applied Biosystems Inc	10,700	296,925	139,100
Associated Communications Corporation	45,000	1,584,705	1,388,350
Autodesk Inc	36,500	1,487,154	2,025,750
Ball Corporation	10,900	313,767	339,263
Barnes Group Inc	4,500	171,315	132,750
Bass Public Ltd Company	53	990	1,014
Bassett Furniture Industries Inc	4,400	167,794	151,800
Beckman Instruments Inc	88,000	1,678,654	1,540,000
Bizmart Inc	73,000	713,625	1,177,125
Brinson Ex-Dex Fund	1,416,512	111,347,589	186,103,005
Broad Inc	324,500	3,109,478	3,447,813
Business Records Corporation Holding Company	47,500	590,563	558,125
Calgene Inc	65,000	503,750	471,250
CDI Corporation	97,000	1,378,756	1,006,375
Cellular Communications Inc	30,000	1,101,240	997,500
Chambers Development Inc	60,000	1,049,151	1,416,400
Chart House Enterprises Inc	51,400	677,933	668,200
Chemdesign Corporation	44,000	554,051	462,000
Clean Harbors Inc	27,000	271,478	226,125
CMS Energy Corporation	238,300	7,844,976	7,595,813
Constar International Inc	48,000	1,428,250	1,110,000
Corning Inc	81,900	2,727,772	3,583,125
CRSS Inc	75,000	1,267,932	1,340,625
DH Technology Inc	35,000	464,100	494,375
Dow Chemical Company Rights	78,489	0	843,757
Electromagnetic Sciences Inc	160,000	968,850	860,000
Eljer Industries Inc	24,000	432,650	399,000
Environmental Systems Company	18,000	356,510	227,250
Excel Industries Inc	1,430	13,579	16,624
Fair Issac & Company	55,000	368,958	302,500
Flightsafety International Inc	15,450	370,234	913,48[illegible]
General Parametrics Corporation	100,000	341,438	175,000
Giddings and Lewis Inc	11,500	225,250	227,125
Greyhound Dial Corporation	18,900	652,194	526,838
Hanson Plc	110,000	2,022,967	2,296,250
Harsco Corporation	100,000	2,450,487	2,362,500
HBO & Company	38,500	531,063	428,313
Hillenbrand Industries Inc	6,500	187,330	290,063
Home Office Reference Lab Inc	62,300	980,375	747,600
IMC Fertilizer Group Inc	52,100	1,823,240	1,830,012
Inmac Corporation	95,000	656,875	700,625
Insituform North America Inc	85,000	510,000	510,000
Integrated Device Technology Inc	315,000	2,258,508	1,732,500
ITT Corporation	197,300	9,589,254	11,344,750
Jacobs Jay Inc	38,500	245,250	409,063
Johnson Worldwide Association Inc	73,000	1,777,250	2,117,000
Jostens Inc	21,486	513,718	577,437
Ketema Inc	35,000	491,750	459,375
Keystone International Inc	50,000	825,500	1,325,000
Kinder-Care Learning Centers Inc	109,103	761,454	422,774
Kulicke & Soffa Industries Inc	100,000	675,000	1,187,500
Lam Research Corporation	45,200	328,841	276,850
Leggett & Platt Inc	32,500	944,138	1,202,500
Litton Industries Inc	38,541	3,298,247	2,755,682
Loews Corporation	114,400	10,251,336	12,541,101
LSI Industries Inc	6,500	68,000	73,125
MARC Inc	81,400	893,664	803,825
Material Sciences Corporation	1,300	28,204	21,450
MCN Corporation	107,000	2,300,287	2,273,750
Medalist Industries Inc	37,000	335,495	370,000
Medusa Corporation	40,000	536,584	770,000
Michaels Stores Inc	6,200	47,509	38,750
Millipore Corporation	36,400	1,253,753	1,192,100
Minnesota Mining & Manufacturing Company	321,400	19,635,649	27,841,275
Morton International Inc	45,500	1,847,407	1,996,313
MS Carriers Inc	36,800	755,475	772,800
Nacco Industries Inc	2,000	34,878	122,500
National Education Corporation	20,162	364,503	113,412
National Service Industries Inc	42,300	1,087,644	1,179,113
Newmark & Lewis Inc	2,000	17,640	6,250
Nipsco Industries Inc	37,500	663,870	660,938
Nissan Motor Iberica	93,000	764,778	755,284
Nortanker Inc	36,000	599,694	454,500
Northwest Gold Corporation	136,900	419,601	325,138
NS Group Inc	50,000	576,808	618,750
Ogden Corporation	24,266	660,912	661,249
Olsten Corporation	14,000	245,700	227,500
PDA Engineering	74,000	336,914	545,750
Pioneer Hi-Bred International Inc	25,000	1,031,420	1,037,500
Price (T Rowe) & Associates Inc	78,200	1,234,924	2,130,950
Promus Cos Inc	14,400	613,549	381,600
Racal Telecom Plc	55,000	3,480,904	3,451,250
Receptech Corporation	40,000	500,000	380,000
Repsol SA	186,500	3,638,260	4,685,813
Rubbermaid Inc	132,500	3,952,214	5,382,814
S&P 500 Index-Futures Contracts		-32,450,675	-32,450,675
Safecard Services Inc	120,000	715,155	1,275,000
Safety-Kleen Corporation	44,900	1,466,099	1,835,288
Safeway Inc	569,000	2,891,640	1,991,500
Sanford Corporation	96,600	1,661,760	2,173,500
Schwitzer Inc	103,000	654,957	708,125
Sealy Holdings Inc	70,515	140,890	176,288
Service Corporation International	26,100	626,475	505,688
Shelby Williams Industries Inc	84,600	824,137	719,100
Sothebys Holdings Inc	40,000	737,600	605,000
Standex International Corporation	60,000	1,508,098	1,492,500
Stanhome Inc	57,200	1,435,674	1,937,650
Sterling Software Inc	175,500	1,673,136	1,864,688
Summagraphics Corporation	85,000	1,009,888	[illegible]
Team Inc	75,000	[illegible]	[illegible]
Tekelec	[illegible]	[illegible]	[illegible]
Teledyne Inc	[illegible]	[illegible]	[illegible]
Tocor Inc	[illegible]	[illegible]	[illegible]
TRC Companies Inc	[illegible]	[illegible]	[illegible]
Trinova Corporation	[illegible]	[illegible]	[illegible]
20th Century Industries California	[illegible]	[illegible]	[illegible]
Union Corporation	[illegible]	[illegible]	[illegible]
Valid Logic System Inc	[illegible]	[illegible]	[illegible]
Varity Corporation	[illegible]	[illegible]	[illegible]
Versa Technologies Inc	[illegible]	[illegible]	[illegible]
Viacom Inc	[illegible]	[illegible]	[illegible]
Vivra Inc	[illegible]	[illegible]	[illegible]
Xoma Corporation	[illegible]	[illegible]	[illegible]
Construction			
Armstrong World Industries Inc	[illegible]	[illegible]	[illegible]
CBI Industries Inc	[illegible]	[illegible]	[illegible]
Centex Corporation	[illegible]	[illegible]	[illegible]
Crane Company	[illegible]	[illegible]	[illegible]
Fedders Corporation	[illegible]	[illegible]	[illegible]
Fleetwood Enterprises Inc	[illegible]	[illegible]	[illegible]
Florida Rock Industries Inc	[illegible]	[illegible]	[illegible]
Fluor Corporation	[illegible]	[illegible]	[illegible]
Granite Construction Inc	[illegible]	[illegible]	[illegible]
Greiner Engineering Inc	[illegible]	[illegible]	[illegible]
Interface Inc	[illegible]	[illegible]	[illegible]

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Construction (continued)			
Johnson Controls Inc	21,100	$ 657,364	667,288
Kaufman & Broad Home Corporation	233,728	3,526,009	2,804,736
Lennar Corporation	7,400	159,886	131,350
Lone Star Industries Inc	14,400	320,942	153,001
Masco Corporation	146,200	3,517,624	3,581,900
Morrison Knudsen Corporation	8,900	493,372	487,275
Philips Industries Inc	15,400	270,440	279,125
PHM Corporation	12,300	167,484	110,700
Ryland Group Inc	55,000	1,197,827	996,875
Skyline Corporation	6,000	89,377	89,251
TJ International Inc	119,500	2,902,375	2,838,125
U.S. Home Corporation	21,300	110,625	23,963
USG Corporation	49,300	480,950	197,200
Zurn Industries Inc	8,000	205,000	388,000
Electrical and Electronic			
AAR Corporation	40,000	1,428,600	960,000
Advanced Micro Devices Inc	459,100	4,207,925	4,361,450
Alltel Corporation	31,400	1,160,278	1,036,200
AMP Inc	60,600	2,620,715	2,855,776
Andrew Corporation	4,900	106,132	93,100
Anthem Electronics Inc	40,500	1,042,045	1,209,938
Augat Inc	22,000	303,973	308,000
Avnet Inc	50,000	1,300,715	1,437,500
Bairnco Corporation	1,500	59,355	9,750
Baldor Electric Company	25,000	532,100	521,875
BEI Electronics Inc	132,000	973,402	957,000
Computer Products Inc	205,000	618,537	602,085
Concord Computing Corporation	16,000	326,803	400,000
Contel Corporation	158,300	5,024,968	4,076,225
Cray Computer Corporation	15,200	221,382	54,142
Cybertek Corporation	110,000	632,425	811,250
DSC Communications Corporation	21,600	337,713	275,400
Dynascan Corporation	104,500	833,875	548,625
EG&G Inc	30,600	1,052,351	1,158,975
Emerson Electric Company	442,742	14,320,094	18,152,422
Emulex Corporation	205,000	1,103,176	1,511,875
Galileo Electro Optics Corporation	155,000	929,688	833,125
General Electric Company	1,153,800	49,530,292	79,900,650
General Instrument Corporation	91,548	3,256,101	3,318,615
Gentlyte Group Inc	66,500	681,250	532,000
Giga Tronics Inc	81,000	563,419	506,250
Grainger (W.W.) Inc	15,700	759,866	1,161,800
Hadco Corporation	140,000	735,245	682,500
Harris Corporation	28,400	906,019	976,251
Hewlett Packard Company	283,000	12,674,004	13,371,750
Hubbell Inc	27,615	1,099,525	1,270,290
IDB Communications Group Inc	50,000	495,000	537,500
IFR Systems Inc	70,000	907,105	673,750
Intel Corporation	223,700	6,439,208	10,513,900
Kent Electronics Corporation	90,000	771,954	1,068,750
Lamson & Sessions Company	176,000	1,658,468	1,166,000
M/A-Com Inc	16,100	238,245	86,538
Methode Electronics Inc	325,000	1,807,972	2,275,000
Motorola Inc	139,800	8,042,435	11,690,776
National Presto Industries Inc	33,700	1,303,348	1,369,063
National Semiconductor Corporation	591,000	4,610,906	4,358,626
Perkin-Elmer Corporation	33,600	849,795	810,600
Pioneer Electronic Corporation	27,000	1,102,812	1,143,404
Pioneer Standard Electronics Inc	40,000	507,813	500,000
Quantum Corporation	85,000	1,056,650	1,870,000
Radiation Systems Inc	125,000	1,338,245	1,515,625
Raychem Corporation	45,300	1,702,304	1,511,888
Scientific Atlanta Inc	76,600	1,581,362	2,020,326
Sharp Corporation	81,000	992,937	993,799
Softsel Computer Products Inc	150,800	817,688	867,100
Square D Company	18,100	857,478	1,045,275
Storage Technology Corporation	80,000	1,004,100	2,720,000
Sun Microsystems Inc	138,000	2,794,822	4,692,000
Tektronix Inc	175,500	3,058,646	2,720,250
Tele Communications Inc	66,000	213,500	214,500
Tellabs Inc	93,000	880,625	1,185,750
Texas Instruments Inc	179,200	6,603,401	7,100,801
Thomas and Betts Corporation	9,600	433,076	525,600
Tyco Laboratories Inc	20,400	937,265	1,160,250
Westinghouse Electric Corporation	250,600	6,623,039	9,209,550
Zenith Electronics Corporation	14,400	396,416	120,601
Food Soap and Tobacco			
American Brands Inc	89,700	4,677,565	5,796,863
American Fructose Corporation	11,900	263,771	284,113
Archer-Daniels-Midland Company	206,183	2,389,325	5,283,440
Arctic Alaska Fisheries Corporation	45,000	494,450	360,000
Armor All Products Corporation	63,600	1,072,187	1,065,300
Borden Inc	120,500	2,765,712	4,338,000
Campbell Soup Company	71,400	2,180,213	4,087,650
Chiquita Brands International Inc	47,000	1,017,767	1,222,000
Clorox Company	115,250	3,299,376	4,854,906
Colgate Palmolive Company	39,328	1,468,921	2,689,053
Conagra Inc	172,850	3,799,020	6,114,570
CPC International Inc	151,300	7,043,324	12,122,913
Ecolab Inc	112,000	2,855,566	2,940,000
Finevest Foods Inc	73,000	642,796	620,500
Fleming Companies Inc	119,310	3,904,776	4,384,633
General Mills Inc	50,000	2,271,329	4,493,751
Gerber Products Company	21,000	608,013	1,162,875
Heinz (H.J.) Company	192,000	4,012,440	6,672,000
Hershey Foods Corporation	68,300	1,636,823	2,569,788
IBP Inc	35,000	521,045	625,625
Karcher Carl Enterprises Inc	192,000	1,633,829	1,728,000
Kellogg Company	124,400	6,758,478	8,163,751
McDonald's Corporation	627,084	16,245,606	22,261,482
McCormick & Co Inc	120,130	1,554,630	3,033,283
Morrison Inc	104,966	2,355,941	2,650,392
Newport Corporation	128,000	1,204,344	1,152,000
Philip Morris Companies Inc	1,490,400	37,587,012	69,303,600
Premark International Inc	19,900	655,115	457,700
Procter and Gamble Company	349,064	14,249,738	30,412,202
Quaker Oats Company	42,800	1,596,434	2,043,700
Ralston Purina Company	32,700	1,923,594	3,004,313
Sara Lee Corporation	173,700	3,285,918	5,059,013
Super Food Services Inc	34,600	652,526	653,075
Sysco Corporation	80,100	1,488,583	2,743,425
Tasty Baking Company	52,500	996,300	918,750
Topps Inc	104,500	770,073	2,481,875
Unilever NV	88,200	3,769,185	7,541,100
UST Inc	161,800	2,578,117	4,975,350
Whitman Corporation	56,800	1,266,727	1,554,901
Wrigley (Wm. Jr) Company	21,700	474,129	1,198,925
Health Care and Cosmetics			
Abbott Laboratories	322,800	6,926,423	13,234,800
Alberto Culver Company	14,700	151,374	373,013
Allergan Inc	13,000	196,300	237,250
American Home Products Corporation	272,100	11,183,800	14,285,250
Avon Products Inc	154,700	5,244,418	5,685,225
Bard (C.R.) Inc	29,500	385,585	446,188
Bausch & Lomb Inc	34,750	1,667,424	2,410,782

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Health Care and Cosmetics			
Baxter International Inc	346,486	$ 7,459,681	8,315,664
Becton Dickinson & Company	38,500	1,749,229	2,699,814
Beverly Enterprises Inc	725,200	4,130,185	4,260,551
Bindley Western Industries Inc	97,000	994,250	1,285,250
Block Drug Company Inc	31,120	1,133,281	1,081,420
Bristol-Myers Squibb Company	583,420	20,818,250	36,974,244
California Biotechnology Inc	80,000	688,125	750,000
Carter Wallace Inc	11,100	587,579	607,725
Community Psychiatric Centers	22,650	540,666	605,888
Cordis Corporation	60,000	905,000	1,140,000
Genentech Inc	46,100	1,504,660	1,279,275
Gillette Company	154,986	6,081,534	9,202,294
Guest Supply Inc	107,000	709,564	588,500
Health Images Inc	62,000	517,750	744,000
Healthdyne Inc	70,000	887,618	857,500
Healthsource Inc	47,700	697,739	572,400
Helen of Troy Corporation	36,000	520,992	535,500
Humana Inc	80,600	2,517,705	3,949,400
Immunex Corporation Warrants	30,000	0	480,000
Insituform Group Ltd	85,000	599,385	595,000
International Flavors & Fragrances Inc	22,400	935,604	1,551,200
Johnson and Johnson	364,300	14,598,337	24,681,325
Kenetic Concepts Inc	100,000	604,065	587,500
Lifetime Corporation	28,000	603,438	812,000
Lilly (Eli) and Company	391,900	15,219,181	32,576,688
Manor Care Inc	34,000	699,642	480,251
Marion Merrell Dow Inc	90,989	2,971,565	2,320,220
McKesson Corporation	21,600	702,121	756,000
MDT Corporation	155,400	1,030,100	1,068,375
Medco Containment Services Inc	124,900	2,071,898	2,919,538
Medco Research Inc	28,500	455,468	354,469
Medtronic Inc	15,700	1,027,028	1,307,025
Merck & Company Inc	470,200	20,052,613	40,789,850
National Medical Enterprises Inc	292,000	9,951,419	11,059,501
Pfizer Inc	278,400	16,035,487	17,852,402
Safeguard Health Enterprises Inc	52,000	328,188	351,000
Schering Plough Corporation	539,100	15,987,980	25,472,475
Smithkline Beecham Plc	204,600	8,954,030	9,155,850
St Jude Medical Inc	22,200	515,106	765,900
Sunrise Medical Inc	40,000	524,362	630,000
Syntex Corporation	63,700	1,865,167	3,734,413
U.S. Healthcare Inc	16,000	299,776	298,000
Upjohn Company	218,000	5,965,426	8,938,000
Warner Lambert Company	120,300	3,572,610	7,924,763
Insurance			
Aetna Life & Casualty Company	170,221	9,170,239	8,894,047
Alexander & Alexander Services Inc	21,700	579,769	528,938
American Family Corporation	150,000	2,332,396	2,381,250
American General Corporation	66,900	2,347,321	3,211,200
American International Group Inc	247,800	19,095,658	23,881,726
AON Corporation	108,600	3,676,200	4,072,500
Belvedere Corporation	70,000	388,500	271,250
Berkley (W.R.) Corporation	25,000	1,033,750	1,018,750
Capital Holding Corporation	26,500	816,445	1,199,125
Chandler Insurance Ltd	87,500	802,825	765,625
Chubb Corporation	181,100	6,845,845	8,104,225
Cigna Corporation	83,300	5,058,523	4,175,413
CNA Financial Corporation	34,500	2,072,975	2,535,750
Continental Corporation	31,600	1,240,698	944,050
Corroon & Black Corporation	9,300	286,399	295,275
Fund American Companies Inc	6,200	200,093	205,375
General Re Corporation	125,500	8,195,931	10,730,250
Hartford Steam Boiler Insurance Company	8,000	400,000	480,000
Jefferson-Pilot Corporation	28,775	977,354	1,258,906
Kemper Corporation	45,900	2,072,150	1,904,850
Lincoln National Corporation	63,100	3,269,102	3,494,163
Marsh & McLennan Companies Inc	39,800	2,615,023	3,054,650
National Insurance Group	25,000	386,250	325,000
Nymagic Inc	35,000	816,783	1,006,250
Progressive Corporation Ohio	80,000	3,032,195	3,520,000
Provident Life & Accident Insurance Company	30,000	730,801	708,750
Safeco Corporation	35,200	932,219	1,267,200
St. Paul Companies	80,350	3,768,815	4,620,125
Stewart Information Services Corporation	42,000	699,175	777,000
Torchmark Corporation	52,800	2,116,634	2,521,200
Transamerica Corporation	104,700	3,756,755	4,109,475
Transatlantic Holdings Inc	15,500	418,500	430,125
Travelers Corporation	126,134	5,302,667	3,752,487
Unum Corporation	35,000	1,253,630	1,868,125
USF&G Corporation	46,420	1,550,404	1,235,932
USLICO Corporation	90,000	2,157,828	1,935,000
USLIFE Corporation	35,100	1,561,834	1,351,350
Washington National Corporation	4,600	130,947	98,325
Leisure and Entertainment			
Bally Manufacturing Corporation	17,000	278,661	163,625
Brunswick Corporation	173,100	3,425,447	2,207,025
Caesars New Jersey Inc	1,000	16,945	15,875
Caesars World Inc	110,400	2,862,522	2,042,400
Capital Cities ABC Inc	37,500	12,359,683	23,362,500
Carolco Pictures Inc	268,700	3,019,680	2,955,700
CBS Inc	21,742	3,468,672	4,372,860
Circus Circus Enterprises Inc	9,010	269,052	595,786
Coachmen Industries Inc	90,000	646,742	585,000
Comcast Corporation	76,075	1,022,637	1,023,084
General Cinema Corporation	38,700	682,196	856,238
Harley Davidson Inc	25,000	482,000	712,500
Hasbro Inc	100,900	2,084,220	1,854,039
[illegible] Hotels Corporation	54,000	2,472,729	2,949,751
[illegible] Corporation	120,700	2,208,603	2,715,750
International Game Technology	13,000	348,075	[illegible]
King World [illegible]	[illegible]	[illegible]	[illegible]
Lin Br[illegible] Corporation	[illegible]	[illegible]	[illegible]
[illegible]s Inc	[illegible]	[illegible]	[illegible]
Marriott Corporation	[illegible]	[illegible]	[illegible]
Mattel Inc	[illegible]	[illegible]	[illegible]
MCA Inc	[illegible]	[illegible]	[illegible]
Outboard Marine Corporation	[illegible]	[illegible]	[illegible]
Paramount Communications Inc	[illegible]	[illegible]	[illegible]
Prime Motor Inns Inc	[illegible]	[illegible]	[illegible]
[illegible]an's Family Steak Houses Inc	[illegible]	[illegible]	[illegible]
Shoney's Inc	[illegible]	[illegible]	[illegible]
TCA Cable TV Inc	72,800	[illegible]	[illegible]
Tele Communications Inc	[illegible]	[illegible]	[illegible]
Tonka Corporation	[illegible]	[illegible]	[illegible]
Turner Broadcasting Systems Inc	[illegible]	[illegible]	[illegible]
United Artists Entertainment Company	[illegible]	[illegible]	[illegible]
United Gaming Inc	[illegible]	[illegible]	[illegible]
Walt Disney Company	[illegible]	[illegible]	[illegible]
Wendy's International Inc	52,000	[illegible]	[illegible]
Machinery and Equipment			
Acme Cleveland Corporation	3,000	[illegible]	[illegible]
Ametek Inc	18,000	[illegible]	[illegible]
Black & Decker Corporation	32,500	[illegible]	[illegible]
Briggs & Stratton Corporation	[illegible]	[illegible]	[illegible]
Brown & Sharpe Manufacturing Company	[illegible]	[illegible]	[illegible]

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Machinery and Equipment (continued)			
Caterpillar Inc	56,100	$ 2,830,948	2,952,263
Cincinnati Milacron Inc	13,200	294,738	240,900
Clark Equipment Company	47,850	1,993,104	1,854,188
Cooper Industries Inc	214,300	6,524,469	9,080,963
Cross & Trecker Corporation	6,000	126,751	51,000
Deere and Company	91,600	4,743,197	6,709,700
Dover Corporation	36,100	904,809	1,407,900
Duriron Company Inc	69,000	1,175,762	1,190,250
Foster Wheeler Corporation	39,100	821,438	1,045,925
General Signal Corporation	40,563	2,036,208	2,286,740
Harnischfeger Industries Inc	65,400	1,362,692	1,308,000
Hurco Company	40,000	675,000	740,000
Illinois Tool Works Inc	34,300	1,107,314	1,847,913
Ingersoll-Rand Company	40,000	1,412,046	2,290,001
Interlake Corporation	5,810	148,855	47,933
Kaydon Corporation	24,000	729,395	882,000
Maytag Company	136,700	2,824,240	2,358,075
Measurex Corporation	57,500	1,564,634	1,229,063
Monarch Machine Tool Company	2,000	34,146	32,500
Navistar International Corporation	635,700	2,808,908	2,622,263
Paccar Inc	51,100	1,838,935	2,146,200
Pall Corporation	20,700	575,897	703,800
Parker-Hannifin Corporation	109,250	2,835,747	3,222,875
Regal Beloit Corporation	96,300	1,451,474	1,552,838
Snap-On Tools Corporation	22,700	597,706	803,013
Sprague Technologies Inc	85,000	641,821	456,875
Stanley Works	124,350	3,837,101	4,290,075
Tennant Company	4,500	146,265	185,625
Timken Company	32,400	968,995	1,016,550
Tokheim Corporation	3,100	68,030	62,775
Toro Company	35,000	522,962	870,625
Whirlpool Corporation	114,800	3,286,647	3,228,751
Mining — Metals			
Alcan Aluminum Ltd	225,250	4,176,506	5,068,125
Allegheny Ludlum Corporation	64,400	2,364,880	3,050,950
Aluminum Company Of America	116,300	6,688,429	7,414,125
Amax Inc	112,900	2,646,585	2,751,939
Armco Inc	420,500	4,521,938	3,153,750
Asarco Inc	102,600	2,948,753	2,718,900
Bethlehem Steel Corporation	40,500	706,684	653,063
British Steel Plc	120,000	2,864,388	3,015,000
Carpenter Technology Corporation	5,100	251,807	277,950
Cyprus Minerals Company	101,792	2,453,956	2,277,596
Eastern Enterprises	14,452	387,949	417,302
Echo Bay Mines Ltd	47,100	781,073	606,413
Engelhard Corporation	24,150	480,516	540,357
Geneva Steel	58,500	599,670	680,063
Hecla Mining Company	45,000	686,993	523,125
Homestake Mining Company	53,700	721,209	980,025
Inco Ltd	57,722	1,028,015	1,652,293
Inland Steel Industries Inc	89,600	3,368,168	2,878,401
Kennametal Inc	27,100	950,585	934,950
Lukens Inc	71,000	1,855,467	2,795,625
Nacco Industries Inc	22,970	1,275,853	1,406,913
National Intergroup Inc	11,700	246,942	209,138
Newmont Mining Corporation	43,500	1,565,420	1,897,688
Norton Company	13,000	758,322	1,155,375
Nucor Corporation	15,400	690,448	1,074,150
Phelps Dodge Corporation	18,600	731,353	1,106,700
Pittston Company	96,900	1,712,336	1,768,425
Placer Dome Ltd	129,122	1,943,625	2,001,391
Reynolds Metals Company	32,100	1,328,272	1,857,788
USX Corporation	293,969	9,488,942	9,700,977
Westmoreland Coal Company	4,100	77,224	99,425
Worthington Industries Inc	21,700	508,160	531,650
Office Equipment			
Adobe Systems Inc	65,000	2,185,350	2,388,750
Alco Standard Corporation	21,683	550,237	761,616
Alliant Computer Systems Corporation	70,000	584,619	542,500
Alpha Microsystems	70,000	286,350	227,500
Altos Computer System	195,000	1,156,119	1,462,500
Amdahl Corporation	127,700	1,810,904	2,075,125
Apple Computer Inc	256,800	9,105,834	11,491,800
Archive Corporation	50,000	444,079	525,000
Ashton Tate	183,600	3,215,917	2,226,150
AST Research Inc	68,500	1,018,931	1,635,438
Automatic Data Processing Inc	245,200	10,264,089	13,547,300
Bantec Inc	65,000	1,112,625	1,324,375
BGS System Inc	10,000	143,750	232,500
Compaq Computer Corporation	143,000	9,425,619	17,803,500
Computer Associates International Inc	108,700	1,683,978	1,725,612
Computer Factory Inc	6,490	116,938	19,470
Computer Sciences Corporation	15,000	627,930	712,500
Control Data Corporation	92,600	1,848,518	1,770,976
Cray Research Inc	113,800	7,017,803	5,192,126
Data General Corporation	15,800	501,347	181,700
Data Translation Inc	85,000	517,850	318,750
Datapoint Corporation	14,100	86,459	37,013
Digital Communications Associates Inc	67,600	1,353,528	1,512,550
Digital Equipment Corporation	281,300	24,035,086	23,910,500
ECC International Corporation	1,000	10,456	4,625
Egghead Inc	198,000	2,358,275	2,821,500
Everex Systems Inc	242,200	2,624,923	2,422,000
Gerber Scientific Inc	91,800	1,438,806	1,354,050
Honeywell Inc	23,200	1,626,732	2,285,200
Index Technology Corporation	74,500	618,905	614,625
Information Resources Inc	53,000	728,584	775,125
Intergraph Corporation	29,300	763,480	498,100
International Business Machines Corporation	574,100	67,266,609	67,456,750
Komag Inc	60,000	583,978	847,500
Logicon Inc	12,600	224,495	223,650
Lotus Development Corporation	125,300	3,519,806	4,354,175
LSI Logic Corporation	411,100	2,948,124	4,624,875
MacNeal Schwendler Corporation	155,600	1,700,169	1,478,200
Micropolis Corporation	52,000	359,248	409,500
Microsoft Corporation	41,200	1,711,207	3,131,200
Miller Herman Inc	131,980	2,799,853	2,920,058
Moore Corporation Ltd	54,000	1,381,528	1,626,751
NCR Corporation	159,800	9,041,599	10,247,176
Novell Inc	116,400	3,384,441	6,372,900
Oracle Systems Corporation	63,000	1,244,923	1,456,875
Pitney Bowes Inc	82,100	3,040,790	4,043,425
Sage Software Inc	30,000	283,750	427,500
Seagate Technology	248,200	3,998,374	3,505,825
Shared Medical Systems Corporation	12,400	341,663	161,200
Silicon Valley Group Inc	204,000	1,482,252	2,652,000
Software Publishing Corporation	46,500	863,700	1,150,875
Tandem Computers Inc	157,900	3,253,108	3,769,863
Telxon Corporation	335,500	2,400,568	3,396,938
3COM Corporation	50,000	709,372	831,250
Ultimate Corporation	3,800	106,913	28,975
Unisys Corporation	337,400	5,587,583	4,470,550
United Stationers Inc	155,400	3,176,173	1,845,375
Varitronic Systems Inc	24,000	180,625	186,000
VLSI Technology Inc	50,000	491,718	506,250
Wallace Computer Services Inc	24,300	659,361	586,238
Wang Laboratories Inc	543,669	3,547,289	2,310,593

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Office Equipment (continued)			
Western Digital Corporation	21,400	$ 551,820	283,550
Xerox Corporation	95,832	5,397,127	4,492,125
Xilinx Inc	11,500	173,219	172,500
Oil and Gas			
Allied Signal Inc	153,218	5,432,406	5,630,762
Amerada Hess Corporation	101,100	3,963,757	4,461,038
Amoco Corporation	403,200	15,054,513	20,613,601
Anadarko Petroleum Corporation	41,600	1,407,802	1,404,000
Ashland Oil Inc	28,300	1,069,198	990,500
Atlantic Richfield Company	152,000	11,839,051	17,860,000
British Petroleum Plc	5,300	351,856	352,450
Burlington Resources Inc	120,000	5,219,422	5,025,000
Cabot Oil & Gas Corporation	57,000	892,645	933,375
Chevron Corporation	193,000	9,192,872	13,582,376
Coastal Corporation	55,575	1,068,585	1,868,710
Edisto Resource Corporation	55,000	897,153	990,000
Exxon Corporation	823,200	29,819,829	39,410,701
Fluke (John) Manufacturing Inc	9,100	246,187	202,475
Kerr-McGee Corporation	76,500	3,128,750	3,461,625
Louisiana Land & Exploration Company	55,539	2,078,082	2,381,235
Maxus Energy Corporation	87,855	1,005,319	867,569
Mobil Corporation	353,400	14,835,864	21,822,450
Murphy Oil Corporation	57,500	2,235,344	2,328,750
Occidental Petroleum Corporation	302,428	8,410,164	7,787,522
Oceaneering International Inc	125,500	1,267,420	1,772,688
Oryx Energy Company	57,900	1,714,169	2,482,463
Pennzoil Company	20,100	1,153,494	1,525,088
Phillips Petroleum Company	274,000	5,841,427	7,055,500
Royal Dutch Petroleum Company	434,800	21,788,013	32,718,700
Sun Company Inc	58,700	1,804,582	2,179,238
Swift Energy Company	1,300	19,854	13,488
Tenneco Inc	119,946	6,376,244	8,126,342
Texaco Inc	215,400	9,577,552	12,197,026
Unocal Corporation	182,334	3,324,009	4,945,810
Wainoco Oil Corporation	130,000	1,162,487	1,170,000
Williams Companies Inc	21,900	572,757	657,000
Oil Support Services			
Baker Hughes Inc	148,960	3,755,651	4,059,160
Dresser Industries Inc	95,200	3,161,382	4,724,300
Enterra Corporation	35,000	504,686	595,000
Halliburton Company	58,700	1,804,138	2,824,938
Helmerich & Payne Inc	13,100	315,166	402,825
McDermott International Inc	141,300	3,995,050	4,239,000
Noble Affiliates Inc	110,000	1,526,557	1,746,250
Parker Drilling Company	57,300	469,560	501,375
Rowan Companies Inc	78,900	771,693	927,075
Schlumberger Ltd	135,000	5,500,883	7,762,500
Paper and Forest Products			
Bemis Company Inc	25,900	418,598	922,688
Boise Cascade Corporation	115,336	4,239,350	3,950,258
Bowater Inc	96,000	2,693,978	2,208,000
Champion International Corporation	192,500	5,959,737	5,871,250
Crown Cork & Seal Company Inc	14,400	362,434	874,800
Federal Paper Board Company Inc	180,600	4,084,569	3,679,726
Georgia Pacific Corporation	194,200	8,014,599	8,035,026
International Paper Company	110,100	4,824,278	5,601,338
James River Corporation	46,544	1,238,463	1,245,052
Kimberly Clark Corporation	64,700	2,524,160	4,634,139
Louisiana Pacific Corporation	76,058	2,864,647	2,918,726
Mead Corporation	35,200	939,579	1,117,600
Nashua Corporation	17,337	713,782	697,814
Potlatch Corporation	15,900	417,487	645,938
Scott Paper Company	82,700	3,003,865	3,979,938
Sealright Inc	116,625	1,953,844	2,609,484
Stone Container Corporation	32,300	622,186	528,913
Temple Inland Inc	171,950	5,735,620	5,889,288
Union Camp Corporation	40,750	1,221,536	1,436,438
Westvaco Corporation	44,800	1,063,924	1,148,000
Weyerhaeuser Company	205,000	5,168,076	5,227,500
Willamette Industries Inc	30,100	1,354,582	1,489,950
WTD Industries Inc	50,000	552,279	212,500
Photographic and Related			
Eastman Kodak Company	245,650	9,207,775	9,948,825
Polaroid Corporation	90,286	3,314,493	3,667,869
Printing and Publishing			
Affiliated Publications Inc	19,400	138,463	210,975
American Greetings Corporation	15,200	511,833	532,000
Deluxe Corporation	118,400	3,284,248	4,070,000
Donnelley (R.R.) & Sons	94,600	3,364,187	4,469,850
Dow Jones & Company Inc	72,850	2,781,855	1,793,932
Dun & Bradstreet Corporation	190,448	8,325,822	8,808,220
Gannett Company Inc	335,100	12,017,219	12,817,575
Gibson Greetings Inc	13,000	302,250	294,125
Harcourt Brace & Jovanovich Inc	39,100	496,947	122,188
Harland (John H.) Company	17,900	427,185	449,738
Knight Ridder Inc	42,300	1,743,345	2,157,300
McGraw-Hill Inc	65,800	3,950,020	3,701,250
Meredith Corporation	9,200	328,072	281,750
New York Times Company	43,100	1,173,115	1,039,788
Reader's Digest Association Inc	46,600	1,167,266	1,194,125
Reuters Holdings Plc	148,300	6,793,808	9,936,100
Time Warner Inc	52,200	4,290,948	5,246,100
Times-Mirror Company	95,772	3,125,395	2,980,905
Tribune Company	39,200	1,411,282	1,685,600
Washington Post Company	10,000	2,727,175	2,630,000
Retail Trade			
Albertsons Inc	80,300	1,093,435	2,890,800
American Stores Company	59,200	3,883,639	3,944,201
BHC Communications Inc	40,003	1,892,312	1,900,143
Carter Hawley Hale Stores Inc	15,141	100,901	85,169
Charming Shoppes Inc	64,900	1,802,327	665,225
Circuit City Stores Inc	24,800	600,472	623,101
Claires Stores Inc	14,250	132,273	245,813
Consolidated Stores Corporation	27,600	297,702	144,900
CSS Industries Inc	36,000	651,962	612,000
Dayton-Hudson Corporation	176,531	10,084,129	12,842,631
Dillard Department Stores Inc	19,100	958,690	1,680,800
Dress Barn Inc	299,000	3,394,121	3,214,250
Gander Mountain Inc	70,000	582,500	533,750
GAP Inc	86,500	4,095,627	5,017,000
Giant Food Inc	33,400	770,268	931,026
Great Atlantic & Pacific Tea Company	23,400	743,919	1,336,725
Handleman Company	161,300	2,251,324	2,580,800
Home Depot Inc	42,800	922,597	2,471,701
Home Shopping Network Inc	95,000	767,300	771,875
K Mart Corporation	481,700	16,333,988	16,859,500
Kroger Company	47,800	195,533	770,775
Limited Inc	517,100	7,318,461	12,475,038
Longs Drug Stores Inc	29,300	1,088,390	1,237,925
Lowes Companies Inc	20,600	539,860	996,813
Martin Lawrence Ltd Editions Inc	41,200	309,317	180,250

COMMON STOCK-U.S.

Retail Trade (continued)

	Shares	Book Value	Market Value
May Department Stores Company	153,777	$ 6,041,020	8,515,402
Mercantile Stores Inc	20,300	696,116	819,613
Newell Companies Inc	61,900	1,080,356	1,980,800
Nordstrom Inc	46,800	1,407,659	1,602,900
Penney (J.C.) Company	139,700	7,221,215	8,469,314
Pic-N-Save Corporation	88,000	1,567,868	1,067,000
Pier 1 Imports Inc	10,700	153,930	119,038
Price Company	35,000	1,257,065	1,452,500
Rite Aid Corporation	84,100	2,901,547	2,869,914
Ross Stores Inc	80,000	826,036	910,000
Russ Berrie & Company Inc	74,700	1,080,766	1,185,863
Sears Roebuck & Company	413,200	16,243,166	15,081,800
Service Merchandise Inc	70,000	507,156	560,000
Store Furnishings International Inc	50,000	412,938	412,500
Super Value Stores Inc.	60,100	1,376,786	1,705,338
Syms Corporation	72,100	870,119	730,013
Tandy Corporation	114,600	4,453,860	4,068,300
Thomas Industries Inc	55,000	1,081,180	969,375
TJX Companies Inc	110,400	1,889,544	1,462,800
Toys R Us	376,425	11,254,559	18,115,453
Tuesday Morning Inc	85,000	1,047,100	892,500
Wal-Mart Stores Inc	748,300	20,840,904	46,675,214
Walgreen Company	146,900	5,661,137	7,289,914
Wetterau Inc	41,100	1,207,443	1,294,650
Winn-Dixie Stores Inc	22,900	1,040,440	1,571,513
Woolworth Corporation	174,600	3,757,253	5,739,976

Textiles and Apparel

	Shares	Book Value	Market Value
Albany International Corporation	30,300	534,086	477,225
Angelica Corporation	84,700	2,454,608	2,805,688
Brown Group Inc	94,400	2,396,704	2,607,801
Claiborne (Liz) Inc	267,400	6,972,117	8,690,500
Delta Woodside Industries Inc	2,700	29,981	21,938
Gantos Inc	50,000	564,373	575,000
Genesco Inc	162,000	1,063,448	891,000
Hartmarx Corporation	12,100	294,535	133,100
Interco Inc	20,800	62,785	6,490
Kellwood Company	48,000	717,541	708,000
Leslie Fay Companies Inc	52,200	665,550	704,700
Melville Corporation	130,900	4,772,751	6,855,888
Nike Inc	46,200	1,935,553	3,545,850
Oshkosh B Gosh Inc	74,300	2,515,916	2,619,075
Petrie Stores Corporation	16,700	539,744	438,375
Phillips-Van Heusen Corporation	14,000	233,450	304,500
Reebok International Ltd	62,700	991,198	1,105,088
Russell Corporation	152,100	2,557,024	4,049,663
Springs Industries Inc	9,600	229,705	309,600
Stride Rite Corporation	44,600	706,111	1,220,925
Unifi Inc	90,000	1,313,332	1,395,000
United States Shoe Corporation	12,000	249,312	298,500
VF Corporation	106,189	3,144,298	2,774,188

Transportation — Air

	Shares	Book Value	Market Value
AMR Corporation	87,600	5,129,139	5,617,351
Atlantic Southeast Airlines Inc	82,700	1,379,661	1,571,300
British Airways Plc	90,000	3,116,792	3,318,750
Comair Holdings Inc	50,000	687,633	1,000,000
Delta Air Lines Inc	53,100	3,338,441	3,882,938
Federal Express Corporation	29,000	1,325,389	1,312,250
Pan Am Corporation	78,900	474,892	187,388
UAL Corporation	11,822	1,077,242	1,773,300
USAir Group Inc	25,000	905,376	628,125

Transportation Excluding Air

	Shares	Book Value	Market Value
Burlington Northern Inc	50,500	1,173,280	1,906,375
Canadian Pacific Ltd	56,000	1,281,000	987,000
Consolidated Freightways Inc	19,050	495,094	245,269
Consolidated Rail Corporation	189,200	6,837,576	8,892,400
CSX Corporation	232,037	7,567,197	7,889,258
GATX Corporation	28,000	911,523	798,000
Global Ocean Carriers Ltd	40,000	519,837	380,000
KLLM Transport Services Inc	80,000	785,150	780,000
Laidlaw Inc	122,700	2,683,086	2,796,910
Mapco Inc	13,100	549,819	596,050
McShipping Inc	40,500	593,805	435,375
Norfolk Southern Corporation	145,100	3,894,918	6,221,163
Roadway Services Inc	21,100	693,850	749,050
Ryder System Inc	154,800	3,835,319	3,366,900
Santa Fe Pacific Corporation	91,500	1,321,063	1,932,938
Union Pacific Corporation	100,200	6,817,472	7,026,525
Yellow Freight System Inc	15,500	320,088	430,125

Utilities

	Shares	Book Value	Market Value
American Electric Power Company Inc	360,600	10,012,290	10,727,850
American Information Technologies Corporation	150,000	6,159,395	9,187,500
American Telephone & Telegraph Company	671,830	18,842,240	25,865,455
American Water Works Company Inc	100,000	1,856,855	1,612,500
Arkla Inc	47,700	1,031,193	1,126,913
Atlantic Energy Inc	39,000	1,504,600	1,418,625
Atmos Energy Corporation	85,000	1,474,814	1,413,125
Baltimore Gas & Electric Company	99,200	2,955,352	2,864,401
Bell Atlantic Corporation	266,100	8,151,585	13,205,213
Bellsouth Corporation	341,105	13,746,933	17,737,460
British Telecommunications Plc	17,300	755,428	914,738
Carolina Power & Light Company	42,422	1,836,385	1,845,357
Centel Corporation	146,700	5,478,378	5,079,488
Central & South West Corporation	102,500	3,361,286	4,125,625
Central Maine Power Company	84,400	1,649,414	1,593,050
Cincinnati Gas and Electric Company	8,100	245,592	244,013
Columbia Gas System Inc	46,600	1,899,556	2,062,050
Commonwealth Edison Company	220,566	7,452,341	7,223,537
Communications Satellite Corporation	36,100	1,254,586	1,186,788
Consolidated Edison Company of New York Inc	133,800	2,924,841	3,144,300
Consolidated Natural Gas Company	72,900	2,704,751	3,262,275
Delmarva Power & Light Company	51,900	988,695	992,588
Detroit Edison Company	87,500	1,643,189	2,285,938
Dominion Resources Inc	95,100	3,907,791	4,220,063
DPL Inc	255,000	4,637,626	4,845,000
Duke Power Company	55,800	2,354,677	3,117,826
Eastern Utilities Associates	30,000	1,111,205	971,250
Enron Corporation	71,530	3,730,957	4,059,328
Enserch Corporation	35,000	881,624	936,250
Entergy Corporation	112,700	1,785,539	2,239,913
Florida Progress Corporation	45,000	1,665,168	1,653,750
FPL Group Inc	188,600	5,818,858	5,775,875
General Public Utilities Corporation	148,300	6,346,227	6,432,513
GTE Corporation	572,700	11,396,101	18,541,163
Houston Industries Inc	75,100	2,296,961	2,525,238
Ipalco Enterprises Inc	58,400	1,491,760	1,438,100
Kentucky Utilities Company	15,500	303,335	304,188
Laclede Gas Company	45,000	1,509,912	1,355,625
Louisville Gas And Electric Company	38,000	1,578,206	1,448,750
McCaw Cellular Communications Inc	70,026	2,006,170	1,698,131
MCI Communications Corporation	397,100	12,409,543	16,628,563
New England Electric System	92,800	2,560,562	2,482,400
New York State Electric & Gas Corporation	65,000	1,803,035	1,576,250
Niagara Mohawk Power Corporation	265,500	3,814,040	3,750,188
Nicor Incorporated	15,425	612,043	584,222

COMMON STOCK-U.S.

	Shares	Book Value	Market Value
Utilities (continued)			
Northeast Utilities	218,800	$ 4,625,511	4,239,251
Northern States Power Company	35,300	1,023,956	1,275,213
Nynex Corporation	193,600	12,692,437	15,923,600
Ohio Edison Company	84,100	1,541,774	1,660,975
Oneok Inc	15,300	244,432	200,813
Pacific Enterprises	37,989	1,733,552	1,652,522
Pacific Gas & Electric Company	322,100	6,765,660	7,488,825
Pacific Telesis Group	414,900	13,238,566	18,463,050
Pacificorp	152,000	3,185,098	3,230,000
Panhandle Eastern Corporation	96,804	2,345,699	2,371,698
Pennsylvania Power and Light Company	7,200	307,404	307,800
Peoples Energy Corporation	18,200	353,747	400,400
Philadelphia Electric Company	392,800	7,465,586	6,530,302
PSI Resources Inc	68,000	1,024,485	1,181,501
Public Service Enterprise Group	336,975	8,359,501	8,719,229
San Diego Gas And Electric Company	212,500	8,428,008	9,243,750
SCE Corporation	219,100	6,849,034	8,216,250
Sonat Inc	22,600	857,140	1,141,300
Southern Company	409,647	9,876,396	10,343,587
Southern New England Telecommunications	30,000	1,109,074	1,005,000
Southwest Gas Corporation	110,000	2,094,025	1,815,000
Southwestern Bell Corporation	255,400	10,627,717	13,759,676
Telefonica De Espana SA	97,200	2,367,785	2,430,000
Telephone & Data System Inc	24,200	950,709	883,300
Texas Utilities Company	366,360	12,013,003	12,959,985
U.S. West Inc	340,100	9,979,493	12,201,088
Union Electric Company	94,900	2,560,558	2,502,998
United Telecommunications Inc	179,394	6,754,679	7,108,309
Utilicorp United Inc	15,000	299,175	300,000
TOTAL COMMON STOCK-U.S.		**$2,864,732,858**	**3,582,211,786**

COMMON STOCK-INTERNATIONAL

	Shares	Book Value	Market Value
Acerinox	8,300	$ 783,629	795,890
AFP Group	1,477,100	2,035,630	2,085,869
AG Ind & Verkehr	2,300	1,238,181	1,232,019
AGA	41,000	2,030,776	2,138,599
Air Liquide	4,000	532,724	565,085
Aker Norcen	30,000	622,709	459,000
Algemene Bank Nederland	36,700	810,279	738,536
Allianz AG Holding	39	11,589	65,117
AMB	660	356,835	362,703
Amsterdam Rotterdam Bank Coupon	30,000	0	1,193,100
Antah Holdings	295,000	426,675	407,197
Aoyama Trading Company Ltd	11,000	1,069,306	1,093,510
ASDA-MFI Group	1,100,000	2,276,906	2,186,036
Astra International	38,000	484,297	499,399
Banca Commerciale Italiana Finance	112,000	237,917	483,840
Banca Nationale Del Lavoro	50,000	626,111	648,500
Barrack Mines Ltd	250,000	358,625	75,000
Barrack Technology	120,000	308,519	26,000
BASF AG	4,100	703,359	724,749
Bayer AG	16,000	2,812,757	2,710,803
Bayerische Vereinsbank	11,000	2,638,463	2,641,589
BBC Brown Boveri	1,980	2,532,149	2,491,857
BCE Inc	133,700	4,555,078	4,504,934
BCP	25,100	606,635	536,136
BFCE	3,000,000	3,446,382	3,462,001
Bombardier Inc	14,100	212,147	219,064
Bonheur As Nok	9,400	433,526	417,941
Brinson Non U.S. Equity		36,289,317	37,587,086
British Airport Authority	60,000	338,969	454,350
British Petroleum Ltd	560,000	3,220,187	3,123,903
Broken Hill Proprietary Ltd	100,000	731,700	736,215
BTR Nylex Ltd	53,960	123,693	120,331
BTR Plc	22,000	98,082	163,240
C S Holdings	1,300	2,262,948	2,301,374
Canon Inc	149,000	1,694,333	1,828,161
Cap Gemini Sogati	17,000	1,509,319	1,528,021
CGE Compagnie Generale D Electricite	20,500	2,116,979	2,356,485
CGI Informatique	16,000	1,260,726	1,254,789
Cheung Kong Holdings Ltd	1,880,000	2,594,220	3,064,916
China Light & Power Ltd	1,250,000	2,169,700	2,362,500
Ciba Geigy	1,000	2,196,321	2,131,426
Compagnie Financiere De Suez	23,700	1,724,921	1,871,373
CIR RISP	245,000	628,091	1,102,500
Climents Francais	4,000	1,277,128	1,266,965
CMB NV	7,000	246,340	245,407
Commerzbank AG	4,000	560,958	674,600
Commodore International Ltd	266,200	2,366,277	2,096,325
Compagnie Generale D' Electricite	11,500	1,282,622	1,321,934
Costain Group Plc	480,000	2,309,812	2,409,870
Credit Foncier De France	1,206	66,076	282,253
Credit National	4,600	1,138,717	1,213,208
Credito Fondiario	22,666	36,764	126,022
Cubiertas Y Mzov Compania General	1,900	304,419	34,276
Cycle & Carriage Ltd	282,000	669,330	668,217
Dai Nippon Ink & Chemical	100,000	468,427	450,528
Dai Nippon Printing Ltd Japan	68,000	851,549	833,000
Dai Nippon Screen	122,000	1,488,390	1,512,929
Daikyo Kanko	28,000	664,750	683,377
Daiwa Securities Ltd	510	0	4,901
Dalgety	373,000	2,540,599	2,476,720
Dawson International Ltd	920,000	2,913,449	2,714,000
Delhaize Freres & Cie "Le Lion"	15,000	2,845,371	2,768,354
Delta Group	302,000	2,003,111	1,953,173
Deutsche Bank AG	6,800	3,160,413	3,315,076
Development Bank Singapore Ltd	110,000	832,118	777,174
Ebro Compania De Azucares	23,000	787,603	803,425
Elders Ixl Ltd	1,550,000	2,239,751	2,115,034
Electric Corporation of New Zealand	10,000,000	5,099,322	5,099,335
Elseivier NV	25,600	1,213,881	1,387,125
Empresa Nacional De Electricidad	100,000	1,892,500	2,487,500
Endesa Esp	90,000	2,051,114	2,272,016
Eridania Zuccherifici	23,050	114,546	184,631
Fecsa	103,700	598,419	670,939
Fletcher Challenge Ltd	480,000	1,527,356	1,214,640
Forward Foreign Exchange Contracts		0	-4,296,683
Fuji Photo Film Ltd	20,000	547,937	613,456
Fujitsu Ltd	49,000	453,441	468,668
Generale Occidentale	5,161	660,412	710,515
Genting Berhad	86,000	445,488	296,771
GKN Plc	290,000	2,087,606	2,077,780
Glaxo Holdings Plc	40,000	504,085	560,000
Granada Group Plc	630,000	2,786,423	2,811,515
Grontmij	10,200	1,219,515	1,375,699
Hafslund Nycomed	16,800	525,234	508,456
Heineken NV	11,350	636,239	784,275
Henderson Land Developments Ltd	1,500,000	1,223,635	1,590,000
Hertel AG	1,150	506,778	505,266
Hillsdown Holdings	155,000	612,860	767,250
Hilti	1,000	98,197	169,490
Hirose Electric	14,000	616,127	663,061
Hitachi Construction Machinery Company Ltd	68,000	899,891	1,243,720
Hitachi Corporation	[illegible]	6,496,059	6,533,998
Hitachi Credit Corporation	750	0	8,040
Holzman	1,800	1,674,593	1,814,625

COMMON STOCK-INTERNATIONAL

	Shares	Book Value	Market Value
Honda Motor Company	200,000	$ 2,312,882	2,348,285
Hong Kong Aircraft Engineering Company Ltd	250,000	627,367	642,500
Hong Kong Telecommunications Ltd	1,300,000	1,035,901	1,040,000
Hong Leong Industries	184,000	451,698	484,000
Hornos Ibericos	21,500	1,209,192	1,218,053
Hunter Douglas NV	9,000	502,700	518,405
Hutchinson Whampoa Ltd	1,000,000	1,184,188	1,500,000
Iberduero SA	110,000	739,211	776,027
IMC	1,250,000	506,587	362,500
Imperial Oil Ltd	11,000	536,121	515,773
Industrial Bank Japan Ltd	20,000	557,819	523,747
Intercom	32,000	2,976,386	2,938,871
Interdiscount Bon	1,800	477,444	526,413
Interdiscount Holding	400	1,237,246	1,291,602
Ishikawajima Harima	83,000	603,693	574,868
Italgas	279,400	544,883	681,736
Itoh C & Company Ltd	119,115	893,999	721,217
Itoki Kosakuno	54,000	1,098,536	1,294,920
Jacobs Suchard AG	700	796,577	793,089
Jardine Matheson	600,000	2,515,936	2,483,981
Joshin Denki	71,000	1,436,889	1,461,214
Kajima Corporation	152,250	1,948,805	1,957,545
Kaufhof AG	1,400	536,744	563,707
Keppel Ltd	310,000	1,341,318	1,297,283
Kinden Corporation	47,900	1,013,611	1,121,818
Kirin Brewery Ltd	130,000	1,518,090	1,620,966
Klockner Werke AG	19,200	2,279,467	2,588,517
Komori Printing Machinery Ltd	60,000	2,530,932	2,683,377
Korea Fund Inc	22,000	484,593	489,500
Kvaerner Free	24,200	1,212,661	1,245,866
Landis & Gyr SA	2,600	2,710,552	2,619,239
Legrand	1,700	1,357,432	1,369,132
Lisnave Estabo Navais De Lisboa	30,000	745,720	841,800
LVMH	630	492,780	509,866
Lyonnaise	5,000	625,375	643,688
M.A.N. AG	4,400	1,258,040	1,276,437
Malayan Banking	64,000	239,664	300,160
Malayan Cement	226,000	353,131	350,054
Malayan United Industries	440,000	338,914	361,087
Malaysian International Shipping Corporation	345,000	1,241,523	1,407,600
Mandarin Oriental	576,000	1,024,877	1,034,992
Mannesmann AG	13,000	2,758,932	2,849,594
Mapfre Corporation	9,000	734,690	722,114
Marui Company Ltd	145,000	2,858,226	2,936,315
Matichon	41,000	398,354	349,513
Matsushita Electric Industrial Ltd	267,000	3,757,297	3,768,997
Mayatex	14,000	99,286	96,594
Medio Banca	53,000	883,466	932,270
MEPC Plc	75,000	605,709	630,000
Mergenthaler Linotype	2,300	1,251,939	1,239,633
Metallgesellschaft AG	3,000	1,061,427	1,227,806
Mitsubishi Heavy Industries Ltd	297,000	2,060,411	1,998,285
Mitsubishi Trust & Banking Corporation	38,000	588,249	470,060
Mitsui Engineering & Ship Building	86,000	545,621	519,063
Muswellbrook Energy & Mineral Ltd	754,000	789,713	37,700
National Australia Bank Ltd	460,000	2,241,463	2,320,984
National House Industry	55,000	642,631	634,894
Nationale Nederlanden	78,000	2,997,483	3,303,021
NEC Corporation	190,000	2,487,414	2,496,600
Nestle AG	330	1,958,677	1,953,458
Nestle SA	70	289,773	414,360
Nichicon Corporation	41,000	532,821	578,760
Nihon Cement Company Ltd	154,000	999,308	1,097,098
Nippon Shinyaku	49,000	607,227	597,955
NMB Postbank	110,000	2,916,752	3,232,817
Nomura Securities Company Ltd	34,000	524,183	518,074
Norcen Energy	16,300	317,971	316,556
Northern Telecom Ltd	132,831	2,589,899	3,669,456
Ohbayashi Gumi	61,000	658,664	667,942
Okamura Corporation	105,000	1,276,296	1,378,298
Orix Corporation	40,000	1,278,456	1,226,913
Orkla Borregaard	13,000	514,925	496,880
Pacific Dunlop Ltd	862,000	3,429,083	3,432,955
Parbury Henty Holdings Ltd	300,000	384,750	54,000
Philippine Long Distance Telephone Company	30,500	590,883	423,188
Philips NV	55,000	937,413	971,303
Polygram NV	94,300	1,736,212	1,943,782
R W E	4,500	1,289,324	1,370,448
Ras Di Risp	47,700	601,508	629,163
Remy ET Associates	9,500	629,710	633,555
Renaissance Energy Ltd	67,700	809,511	842,618
Rhone Poulenc SA	7,000	572,700	597,851
Roche Holdings Genusscheine	400	1,172,924	1,229,288
S.G.E. SA	18,200	812,134	733,214
Saipem Plc	200,000	536,830	458,000
Salomon SA	4,000	1,051,483	1,131,603
Sandoz AG Basel	500	256,273	826,270
Sandoz Namen	350	2,820,574	2,850,163
Sanko Engineering & Construction	36,000	599,636	622,164
Sanofi	12,000	2,078,091	2,075,560
Sanraku	61,000	543,488	527,111
Santos Ltd	690,000	2,250,789	2,222,451
SAP	1,000	1,078,583	1,143,545
Schering AG	7,150	1,964,939	2,236,689
Schweizerische Bankgesellschaft	550	1,385,311	1,390,384
Schweizerische Kreditanstalt	352	6,497	618,985
Sekisui Chemical Ltd	150	264,875	296,344
Sekisui House Ltd	80,000	1,048,627	1,044,855
Sembawang Shipyard Ltd	10,000	37,171	38,587
Shiseido Company Ltd	79,000	1,239,649	1,255,871
Showa Shell Sekiyu	275,000	2,404,173	2,503,298
Siam Cement	2,500	651,638	948,813
Siemens AG	12,300	5,013,396	5,659,560
Sime Darby Berhad	680,000	1,067,973	1,056,957
Singapore Airlines Ltd	53,000	387,569	532,880
SME Meridonale Di Electric	300,000	912,741	1,161,000
Societe General De Belgique SA	16,000	1,555,957	1,541,971
Sogo Company	63,000	739,549	702,309
Sony Corporation	140,800	7,842,244	8,330,999
St. Gobain	30,600	3,056,908	3,144,924
State Street Bank Eafe Ex-Japan Index		224,554,944	305,088,372
State Street Bank Eafe Index Fund		49,245,378	93,923,413
STET	220,000	656,177	1,260,600
Sumitomo Corporation	210	217,438	286,509
Sun Hung Kai & Company Ltd	260,000	506,395	507,480
Sun Hung Kai Properties Ltd	150,000	249,498	339,000
Swire Pacific Ltd	210,000	548,841	563,596
Swiss Bank Corporation	11,000	2,452,935	2,469,197
Tachikawa Corporation	54,000	1,239,536	1,282,318
Taisei Corporation	41,000	365,619	354,288
Taisho Pharmaceutical Company Ltd	44,000	686,542	661,741
TDK Electronics	30,000	1,323,087	1,474,274
Teac Corporation Japan	41,000	468,165	470,580
Telefonica De Espana	310,000	2,537,528	2,648,043
TNT	588,700	1,243,356	1,200,285
Tokai Pulp	61,000	476,542	442,612
Tokio Marine & Fire Insurance Ltd	67,000	760,137	602,760
Tokyo Electron Co Ltd	40,000	991,798	1,236,800
Tokyo Steel Manufacturing Company Ltd	49,000	1,434,075	1,480,343
Tokyu Department Store Ltd	42,000	512,534	470,976

COMMON STOCK-INTERNATIONAL

	Shares	Book Value	Market Value
Toppan Printing Co Ltd	73,000	874,619	852,309
Toro Assicurazioni	3,500	1,258	76,685
Toshiba Corporation	94,000	682,812	1,029,288
Toshiba Engineering & Construction Company	117,000	1,309,541	1,281,135
Towa Real Estate	82,000	559,194	546,306
Toyo Seikan Kaisha Ltd	43,000	957,300	1,168,310
Trizec Ltd	65,200	1,077,203	1,042,640
TVB	900,000	1,089,658	1,062,087
Tylfull Company Ltd	3,600,000	557,962	648,000
U C B Corporation	2,200	1,483,128	1,434,922
UAC Berhad	200,000	282,596	450,000
Ultra Jaya	48,000	201,027	205,016
Unilever NV	10,500	568,543	896,438
United Engineering Industries Plc	150,000	175,026	179,348
Vard AS	111,500	2,281,877	2,416,190
Veba AG	7,600	1,951,297	2,049,243
VMF Stork	32,000	947,353	1,038,459
Volkswagen AG	2,400	436,414	444,899
Wella AG	1,200	412,058	542,701
Western Mining Corporation	285,000	1,037,025	1,024,233
Wing On Company Ltd	700,000	626,096	658,000
Winsor Industrial Ltd	600,000	610,809	600,000
Yamanouchi Pharmaceutical Company Ltd	26,000	521,500	500,792
TOTAL COMMON STOCK-INTERNATIONAL		**$606,259,026**	**741,774,692**

REAL ESTATE

	Book Value	Market Value
Closed End Funds		
First Apartment Fund	$22,173,381	20,108,023
FIA — Profile Fund I	24,875,000	24,498,051
JMB Group Trust	25,832,490	32,016,560
TCW Realty Fund	25,000,000	29,220,540
Total Closed End Funds	**97,880,871**	**105,843,174**
Properties		
Adams Woods Office Building	7,117,258	6,050,000
Arapahoe Village	3,730,820	3,130,000
Bear Stearns Realty Partners	300,000	300,000
Breckinridge Office Park	34,711,258	36,514,098
California Commerce Center	2,964,182	3,850,000
Corporate Campus East	23,794,856	21,200,000
Corporate West II Building	3,018,898	3,180,000
Costa Mesa Courtyard	39,123,826	39,123,836
Cypress Trace Shopping Center	26,443,933	18,400,000
Executive Drive Building, 330 South	7,994,285	6,200,000
Forest Park Mall	29,949,461	29,800,000
Gateway Plaza	3,622,050	6,747,720
Groves (S.J.) Office Building	2,727,467	0
Hartford Industrials	21,165,555	21,065,249
HSA Kensington	4,321,802	4,320,000
Interstate Crossings	9,770,604	8,010,634
Laguna Hills Plaza	7,537,500	7,800,000
Lakes of Bellevue Apartments	23,516,797	20,000,000
Locust Street Apartments, 1015	12,540,891	9,400,000
Locust Street Building, 1500	54,270,270	54,270,270
Mayhew Technology Center	13,676,183	18,200,000
Mendota Heights Business Park	14,409,079	11,105,000
Midwest Apartments	18,291,000	18,291,000
Naperville Industrial Properties	8,429,355	8,930,000
Newmarket South	13,818,750	15,900,000
Norfolk Office Portfolio	44,469,575	44,800,000
North Lake Park	11,933,305	10,500,000
Oakbrook Data General	7,336,500	7,700,000
Oakbrook Land	4,166,112	5,550,000
Opus Industrials	28,515,217	27,000,000
Orlando Marriott Hotels	62,271,274	73,761,653
Portland/Boulder Apartment Portfolio	23,017,457	23,017,457
Quail Lakes	8,706,727	5,800,000
Ridge Plaza Center	5,096,576	4,875,000
River Road Business Center	10,882,021	8,400,000
San Juan Corporate Plaza	5,997,045	5,800,000
Somerset Apartments	6,742,689	6,700,000
St. Charles Land Venture	14,351,181	20,175,488
St. Charles 3, 4, & 5	5,214,837	5,400,000
Stone Mountain Festival	26,167,022	25,500,000
Super 8 Motels	14,763,619	16,100,000
Time and Life Building	52,563,006	58,370,000
Told Development Portfolio	16,945,821	17,020,000
Towne North Shopping Center	9,329,399	8,800,000
Troy Trade Center	8,040,000	8,580,000
TRS Springfield Office Building	4,704,507	4,704,507
Various Miscellaneous Net Assets	5,705,934	4,148,007
Williams Plaza	27,027,078	24,700,000
Williams Plaza II	19,112,411	19,112,411
Wooddale Industrials	14,561,933	14,530,000
Total Properties	**824,867,326**	**821,098,488**
TOTAL REAL ESTATE	**$922,748,197**	**926,941,662**

VENTURE CAPITAL

	Book Value	Market Value
American Healthcorp Inc	$10,000,000	10,000,000
Bicycle Acquisition Corporation	1,000,000	1,000,000
	8,500,000	8,500,000
Chalk Line Holdings Inc.	500,000	822,221
	1,000,000	1,000,000
	8,000,000	8,669,218
DeVry Inc	701,992	1,583,200
Frontenac Venture IV	6,877,012	2,566,530
Frontenac Venture V	17,500,000	17,510,027
Home Fashions Inc	1,951,781	1,951,781
	20,000,000	20,000,000
Keller Graduate School of Management	6,759,234	6,759,234
	740,766	1,670,645
	953,008	953,008
Levy Restaurants	1,250,000	1,000,000
	3,000,000	3,000,000
Marks Brothers Jewelers Inc	1,000,000	1,000,000
	10,000,000	10,000,000
Newtrend Limited Partnership	1,558,688	1,558,688
	1,558,688	1,558,688
PMI Holding Corporation	14,000,000	7,000,000
TW Best/RA Eastern Newstands Corporation	4,600,075	3,846,250
Weiss Peck & Greer Enterprise Fund	7,500,000	7,248,370
TOTAL VENTURE CAPITAL	**$128,951,244**	**120,910,434**

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