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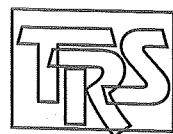
INTRODUCTION

# SECTION ONE: INTRODUCTION

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CERTIFICATE OF ACHIEVEMENT

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Teachers' Retirement  
System of the State of  
Illinois

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1996

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



*Linda K. Savitsky*  
President

*Jeffrey L. Esser*  
Executive Director

# INTRODUCTION

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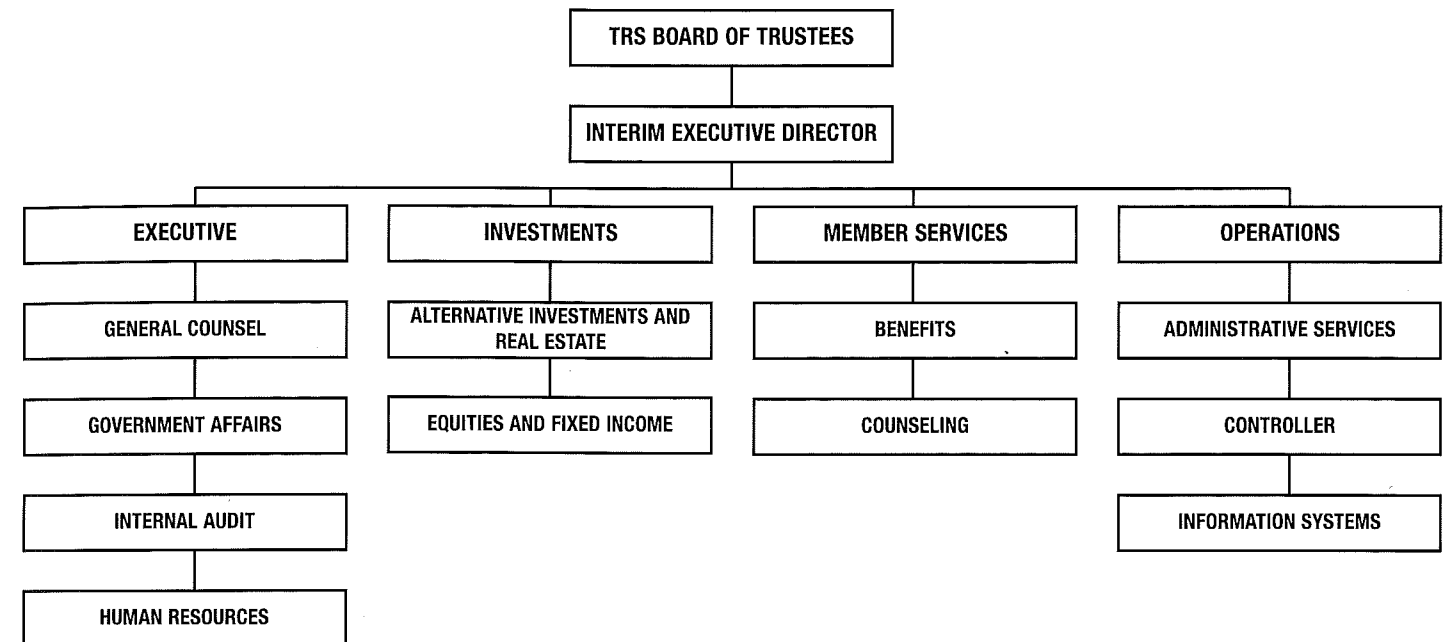
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# INTRODUCTION

## ORGANIZATIONAL STRUCTURE AND EXECUTIVE CABINET

Guided by the Board of Trustees and the Interim Executive Director, four divisions (Executive, Investments, Member Services and Operations) carry out the day-to-day duties of the Teachers' Retirement System of the State of Illinois.



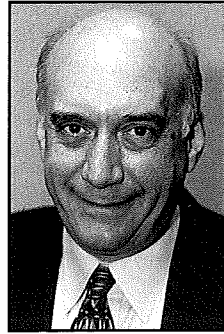
Members of the Executive Cabinet meet often with Interim Executive Director John Day to ensure that programs and policies are being achieved. Seated from left to right are Jon Bauman, Chief Operating Officer; John Day, Interim Executive Director; and Ruby Reynolds, Director of Human Resources. Standing from left to right are Don Nesbitt, Director of Investments; Matt Evans, Director of Real Estate and Alternative Investments; Chuck Hunt, Information Systems Officer Assistant; John Sigle, Director of Member Services; Ed Mable, Information Systems Officer; Carl Mowery, General Counsel; Bill Brewer, Benefits Officer; and Sandy Andrighetti, Internal Auditor.





## INTRODUCTION

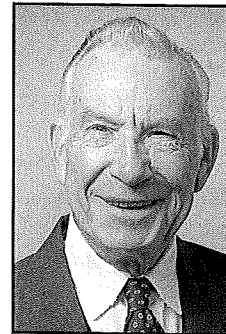
### BOARD OF TRUSTEES



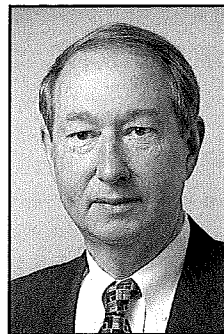
**Joseph Spagnolo**  
President  
Springfield



**Anne Davis**  
Vice-President  
Harvey



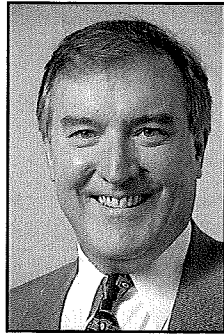
**Hugh R. Brown**  
Evanston



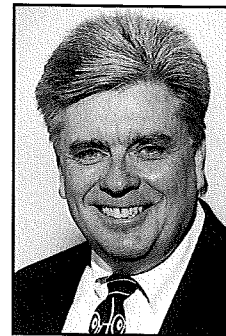
**James Bruner**  
Jacksonville



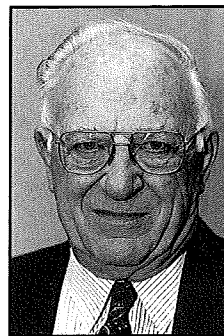
**Jan Cleveland**  
Carmi



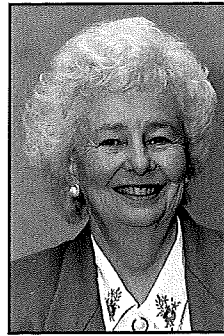
**William R. Enlow**  
Springfield



**Scott Eshelman**  
Algonquin



**Roman Miller**  
Waukegan



**Marilyn Oglesby**  
Charleston



**Molly Phalen**  
Rockford



# Teachers' Retirement System of the State of Illinois

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

### LETTER OF TRANSMITTAL

December 16, 1997

Board of Trustees  
Teachers' Retirement System  
2815 West Washington, P.O. Box 19253  
Springfield, IL 62794-9253

I am pleased to present the Comprehensive Annual Financial Report for the Teachers' Retirement System of the State of Illinois (TRS) for the fiscal year ended June 30, 1997. The System's management and staff are responsible for the accuracy and completeness of this report and to ensure that all material disclosures have been made. To the best of our knowledge, the information presented is a fair and accurate portrayal of the financial position and operations of the System as of June 30, 1997.

This report consists of five sections:

- the Introductory Section contains this letter of transmittal, identification of the System's trustees, executive staff and organizational structure and a report from our Interim Executive Director which outlines the major activities of the past year and plans for the future;
- the Financial Section contains the independent auditor's report, the financial statements and related notes and required supplemental schedules;
- the Actuarial Section contains the actuary's letter of certification, results of the latest actuarial valuation and a plan summary including any changes in the plan;
- the Statistical Section contains information and statistical data pertaining to members and annuitants; and
- the Investment Section, which contains information detailing fund performance, a list of external managers and a listing of the fund's portfolio.

### FINANCIAL INFORMATION

A system of internal controls helps TRS to monitor and safeguard assets and promote efficient operations. An annual external audit is conducted by the Illinois Auditor General in addition to regular reviews by the System's Internal Auditor. The annual operating budget is evaluated and approved by the Board of Trustees and financial statements are prepared in accordance with generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB).

### REVENUES AND FUNDING

Sources of funding the System include member contributions, investment income and employer contributions through state appropriations and payments by school districts. At June 30, 1997, total assets available to pay benefits grew to \$17.4 billion.

One source of funding is contributions from over 136,000 active members who contribute 8% of their earnings each year. Members may also make contributions for optional service credit and the early retirement option (ERO). In FY97, member contributions totaled \$417 million, an \$18 million increase from the previous year. These contributions are invested. Net





**INTRODUCTION**

**LETTER OF TRANSMITTAL**

investment income increased \$549 million to \$2,645 million, an 18.3% return for the year.

Appropriations from the State of Illinois and employer contributions make up a third funding source. State appropriations for FY97 increased \$55 million to \$385 million while contributions from employers decreased \$23 million.

REVENUES	(In millions)			
			Increase/(Decrease)	
Source	1997	1996	Amount	% Change
Member Contributions	\$417	\$399	\$18	4.5%
State of Illinois	385	330	55	16.7
Employer Contributions	36	59	(23)	(39.0)
Net Investment Income	2,645	2,096	549	26.2
<b>TOTAL</b>	<b>\$3,483</b>	<b>\$2,884</b>	<b>\$599</b>	<b>20.8%</b>

**EXPENSES**

Expenses include payments of benefits, refunds and administrative expenses. Benefits payments increased from \$1,122 million to \$1,160 million in FY97. This 3.4% increase is the result of new retirements and annual increases in annuities as prescribed by law. Administrative expenses continued to constitute less than 1% of System expenses in FY97.

EXPENSES	(In millions)			
			Increase/(Decrease)	
Source	1997	1996	Amount	% Change
Benefits Payments	\$1,160	\$1,122	\$38	3.4%
Refunds	22	22	0	0
Administrative/Other	11	11	0	0
<b>TOTAL</b>	<b>\$1,193</b>	<b>\$1,155</b>	<b>\$38</b>	<b>3.3%</b>

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 25**

The Governmental Accounting Standards Board (GASB) has issued Statement Number 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Statement 25 requires changes in the financial reporting of TRS. Statement 25 was effective for periods beginning after June 15, 1996. During 1997, the



**INTRODUCTION**

**LETTER OF TRANSMITTAL**

System elected to adopt the provisions of GASB 25. As a result, the System has also restated the 1996 financial statements.

The 1996 and 1997 financial statements for TRS have been prepared using Statement Number 25. The principal changes are:

- the Statements of Plan Net Assets provides information about the fair value and composition of net assets. This includes reflecting the System's investments at fair value versus cost;
- additions to net assets include unrealized appreciation or depreciation of the fair value of these investments; and
- schedules of funding progress and contributions from employers and other contributing entities are presented to provide information about the actuarially determined funded status of the plan and contributions made in relation to actuarially required contributions.

**INDEPENDENT AUDIT**

Each year, the financial statements, records and internal controls of TRS are examined by special assistant auditors employed by the Illinois Auditor General. In addition, an annual compliance audit for the previous year is performed to review compliance with applicable statutes and codes. The independent auditor's report on the System's financial statements is included in the Financial Section of this report.

**ACKNOWLEDGMENTS**

Information for this report was gathered by the Accounting and Public Information Departments and reflects the combined efforts of the TRS staff under the leadership of the Board of Trustees and the Interim Executive Director. It is intended to provide complete and reliable information as a basis for making management decisions, to determine our compliance with legal provisions and as a means for determining responsible stewardship of the assets contributed by members and their employers.

This report is provided to members of the General Assembly, all participating employers and to others by request. The participating employers of TRS form the link between TRS and its members. Their cooperation, for which we are grateful, contributes significantly to our success. We hope this report is both informative and helpful.

Respectfully submitted,

*Todd Kennedy*

Todd Kennedy  
Controller

## INTRODUCTION

### EXECUTIVE DIRECTOR'S REPORT

To the Board of Trustees, Members and Annuitants of TRS:

It is my pleasure to present the highlights of the fiscal year ending June 30, 1997, for the Teachers' Retirement System. Our mission at TRS is to invest wisely and serve our members and annuitants efficiently. I want to share with you some examples of how we have carried out that responsibility over the past twelve months.

Once again, the TRS investment portfolio chalked up outstanding returns. The market value of the fund grew over \$1 billion in fiscal year 1997 with total investments at over \$18 billion at year-end. The total fund return of 18.3% reflects our best performance since 1986.

- Domestic Equity was the top-performing asset class with a 27.9% return. The cumulative three-year return for this asset class is over 89%.
- Alternative Investments also continued strong performance in 1997 with a 22.6% return. This class' cumulative three-year return of 235% makes it TRS' highest performing asset class over the period.
- International Equity returned 19.9% for the year. This asset class exceeded its benchmark by over 7 percentage points and posted a two-year return in the top 11 percent of U. S. pension funds.
- Real Estate recorded an overall return of 12.7% in 1997, placing TRS in the top third of all U. S. pension funds investing in real estate. Over \$75 million in market value was added to the TRS real estate portfolio this year.
- Fixed Income portfolios, both domestic and international, exceeded performance benchmarks in 1997. The domestic portfolio return of 10.8% placed TRS in the top 25 percent of U. S. pension funds. The international return of 4.9% exceeded its benchmark by more than two percentage points.

TRS will continue its balanced investment approach through fiscal year 1998 and beyond with the objective of maximizing return to the fund while minimizing risk through diversification of fund assets. The importance of solid investment earnings is underscored by our sixth consecutive year of negative cash flow, causing over \$250 million of investment income to be used for the payment of previously earned benefits. This negative cash flow is caused entirely by past shortfalls in state contributions to TRS which in turn caused contributions to fall behind ongoing cash (and actuarial) fund requirements.

The overall financial health of TRS unquestionably improved during fiscal year 1997. The System's funded ratio, assets divided by liabilities, grew to 64.5% from 57.8% one year ago. The superb investment performance I outlined above is a major contributing factor in the improvement. Additionally, changes to actuarial assumptions recently adopted by the Board of Trustees including both economic and demographic factors produced a positive net impact. A change in asset valuation from cost to market value as required by state law and Statement 25 of the Governmental Accounting Standards Board was also a factor in the improvement in our funded status.

The continuing improvement in funded status has also been aided by increases in state contributions under PA 88-50. State funding to TRS was \$385 million for FY97, over a 44% increase since the year before the law was implemented. We appreciate the continuing support of the Governor and General Assembly for pension funding.

## INTRODUCTION

### EXECUTIVE DIRECTOR'S REPORT

1997 was a good legislative year for TRS. While a formula change proposal did not emerge in the Spring session of General Assembly, three other TRS initiatives were passed and signed into law, including:

- Tax-sheltering Optional Service/Refunds - beginning July 1, 1998, TRS active members wishing to purchase optional service credit or repay a TRS refund may do so on a tax-sheltered basis through payroll deduction. This new program could provide a significant tax benefit - please contact a benefits counselor for details.
- Adoption Service Credit - eligible members may purchase optional service credit related to leaves of absence taken for the purpose of adopting an infant or child.
- Survivor Benefits have been extended to students or parents of eligible full-time students ages 18-22.

The most important activity for many of the TRS staff is directly serving our members. During 1997, the Member Services Division continued to efficiently manage a great deal of member contacts, including:

- nearly 200 field and large group meetings.
- 182,493 items of correspondence.
- 124,230 telephone calls.

TRS has continued to use technology wherever possible to improve the quality of our services. One automation initiative we implemented last year to assist members in processing their retirement paperwork, known as "Rapid Retirement" has proven to be very beneficial to TRS and popular with the retiring members who used the program. The members using the program reported 100% satisfaction.

The Government Finance Officers Association (GFOA) agreed with our members when earlier this year they awarded Rapid Retirement its 1997 Award for Excellence. GFOA noted that Rapid Retirement reduces TRS postage and overtime costs, increases accuracy of retirement forms, and most importantly, saves time for retiring members.

The GFOA also awarded TRS a Certificate of Achievement for Excellence in Financial Reporting for its *Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 1996*. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. The System has received a Certificate of Achievement for the last eight years. We believe this report continues to meet program requirements and will be submitted to the GFOA for consideration again this year.

Many of the processes incorporated in Rapid Retirement are also part of our TRS 2000 automation project which continues to make progress toward its goal of moving all TRS automated processes to an integrated system at the turn of the century.

In closing, I would like to recognize three individuals for their dedicated service to TRS and to welcome two new members to the TRS Board.

Vice President of the Board Judith Tucker and Trustee Ray Althoff retired from the Board in June. Resolutions passed by the Board at its May meeting cited their accomplishments and achievements within and outside TRS. Tucker was also named Trustee Emeritus in honor of her 20 year tenure on the Board. Additionally, TRS Executive Director Bob Daniels

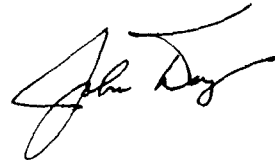


EXECUTIVE DIRECTOR'S REPORT

announced his intent to retire in August after serving 4 1/2 years as Executive Director. Each of these three individuals tributed greatly to the success of TRS during their tenure and we express our gratitude for their service.

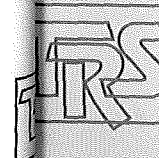
Finally, I would like to welcome to the TRS Board of Trustees Jan Cleveland of Carmi and Molly Phalen of Rock who were elected to four-year terms beginning in July by the active members of TRS.

Sincerely,



John Day  
Interim Executive Director

SECTION TWO:  
FINANCIAL





**KPMG** Peat Marwick LLP

Peat Marwick Plaza  
303 East Wacker Drive  
Chicago, IL 60601-9973

**Independent Auditors' Report**

Honorable William G. Holland  
Auditor General  
State of Illinois

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

As Special Assistant Auditors of the Auditor General, we have audited the accompanying statements of plan net assets of the Teachers' Retirement System of the State of Illinois (the System), a component unit of the State of Illinois, as of June 30, 1997 and 1996, and the related statements of changes in plan 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 audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Teachers' Retirement System of the State of Illinois as of June 30, 1997 and 1996, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

As discussed in note B to the financial statements the System adopted Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Notes Disclosures for Defined Contribution Plans*.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 1997 on our consideration of the Systems' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

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

*KPMG Peat Marwick LLP*

October 17, 1997

 Member Firm of  
Klynveld Peat Marwick Goerdeler

FINANCIAL

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
STATEMENTS OF PLAN NET ASSETS  
AS OF JUNE 30, 1997 AND 1996

	1997	1996
<b>ASSETS</b>		
Cash	\$6,706,525	\$4,057,245
Receivables and prepaid expenses		
Member contributions	22,604,662	27,299,651
Employer early retirement incentive	204,268,933	303,773,518
Employer contributions	3,501,476	5,379,242
State of Illinois	572,752	0
Investment income	228,713,016	212,281,126
Prepaid expenses	701,819	0
Total receivables	<u>460,362,658</u>	<u>548,733,537</u>
Investments, at fair value		
Fixed income	5,860,878,580	5,684,397,415
Equities	7,235,066,039	6,170,149,671
Real estate	2,348,125,078	2,221,387,769
Short term investments	1,984,668,338	880,227,967
Alternative investments	364,577,923	195,765,872
Other investments	<u>69,333,815</u>	<u>50,156,459</u>
Total investments	<u>17,862,649,773</u>	<u>15,202,085,153</u>
Collateral from securities lending	1,349,674,873	1,518,696,814
Property and equipment, at cost, net of accumulated depreciation of \$4,974,925 and \$4,527,502, respectively	<u>3,426,543</u>	<u>3,755,982</u>
<b>TOTAL ASSETS</b>	<b><u>19,682,820,372</u></b>	<b><u>17,277,328,731</u></b>
<b>LIABILITIES</b>		
Benefits and refunds payable	1,682,852	1,022,752
Notes	25,691,740	57,975,808
Administrative and investment expenses payable	84,364,315	73,288,819
Payable to brokers for unsettled trades, net	828,298,677	522,417,649
Securities lending transactions	<u>1,349,674,873</u>	<u>1,518,696,814</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,289,712,457</u></b>	<b><u>2,173,401,842</u></b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
(A schedule of funding progress is presented on page 26.)	<b><u>\$17,393,107,915</u></b>	<b><u>\$15,103,926,889</u></b>

The accompanying notes are an integral part of these statements.

FINANCIAL

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
STATEMENTS OF CHANGES IN PLAN NET ASSETS  
YEARS ENDED JUNE 30, 1997 AND 1996

	1997	1996
<b>ADDITIONS</b>		
Contributions		
Members	\$416,739,369	\$399,084,381
State of Illinois	385,129,987	330,073,976
Employers:		
Early retirement option	3,035,510	1,820,603
Early retirement incentive	15,635,007	40,473,540
Federal and trust funds	<u>17,378,684</u>	<u>16,997,346</u>
Total contributions	<u>837,918,557</u>	<u>788,449,846</u>
Investment income		
Net appreciation in fair value	1,929,166,394	1,355,250,868
Interest	451,770,594	418,583,836
Real estate operating income, net	184,851,309	185,431,419
Dividends	117,192,384	117,658,896
Alternative investment income	18,824,747	69,469,967
Securities lending income	83,701,961	50,378,182
Other investment income	<u>2,981,780</u>	<u>9,231,898</u>
Total investment income	<u>2,788,489,169</u>	<u>2,206,005,066</u>
Less investment expense		
Securities lending expense	76,388,404	47,448,000
Investment activity expenses	<u>67,474,289</u>	<u>62,641,834</u>
Net investment income	<u>2,644,626,476</u>	<u>2,095,915,232</u>
<b>TOTAL ADDITIONS</b>	<b><u>3,482,545,033</u></b>	<b><u>2,884,365,078</u></b>
<b>DEDUCTIONS</b>		
Retirement benefits	1,096,600,809	1,061,235,746
Survivor benefits	51,974,931	49,334,811
Disability benefits	12,341,443	11,023,392
Refunds	21,725,785	22,172,671
Administrative expenses	10,320,911	10,028,651
Prior service credits/transfers	<u>400,128</u>	<u>921,277</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>1,193,364,007</u></b>	<b><u>1,154,716,548</u></b>
<b>NET INCREASE</b>	<b>2,289,181,026</b>	<b>1,729,648,530</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of Year, as restated	<u>15,103,926,889</u>	<u>13,374,278,359</u>
End of Year	<b><u>\$17,393,107,915</u></b>	<b><u>\$15,103,926,889</u></b>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

A. PLAN DESCRIPTION

1. Reporting Entity

The Teachers' Retirement System of the State of Illinois (the System or TRS) is the administrator of a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). Members of the System consist of all teachers employed in the public common schools of Illinois outside Chicago. The System was established by the State of Illinois and is governed by 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 uses criteria established by the Governmental Accounting Standards Board (GASB) to determine whether other entities should be included within its financial reporting entity. Based on the criteria, the System has no other entities included in these financial statements.

2. Employers

Members of the System are employed by school districts, special districts and certain state agencies. Member contributions are remitted by each employer to the System. These employers are responsible only for employer contributions for teachers paid from federal and trust funds and for the employer's portion of the early retirement option and the early retirement incentive contributions. The State of Illinois provides employer contributions to partially fund the System. Refer to "Funding" for information regarding employer contributions made by the State of Illinois.

NUMBER OF EMPLOYERS AT JUNE 30, 1997 AND 1996		
	1997	1996
Local school districts	904	904
Special districts	133	143
State agencies	34	35
	<u>1,071</u>	<u>1,082</u>

3. Members

SYSTEM MEMBERSHIP AT JUNE 30, 1997 AND 1996		
	1997	1996
Retirees and beneficiaries		
currently receiving benefits	59,352	59,664
Inactive members entitled to but not yet receiving benefits	48,646	42,496
Current active members	136,604	132,545
	<u>244,602</u>	<u>234,705</u>

4. Benefit Provisions

The System is governed by Article 16 of the *Pension Code* (40 ILCS 5/16). The System provides retirement, 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 10 years; or age 55 with 20 years. If retirement occurs before age 55 and 60 with less than 35 years of service, the member's retirement benefit will be reduced at the rate of 1/2% 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, 2000, and within six months of the day of service requiring contributions, and if the member and employer both make a one-time contribution to the System. A member with less than five years of creditable service and service on or after July 1, 1947, is entitled to a single-sum benefit payable upon reaching age 65.

A retirement benefit is determined by the average of the four highest consecutive salary rates within the ten years of creditable service and the percentage of age salary to which the member is entitled. This percentage is determined by the following formula: 1.67% for each of the first ten years, plus 1.9% for each of the next ten years, plus 2.1% for each of the next ten years, plus 2.3% for each year over 30. The maximum retirement benefit, 75% of average salary, is achieved with 38 years of service. An annuitant who retired after 1969 or made a qualifying contribution receives an annual 3% increase in the retirement benefit beginning January 1 following attainment of age 61 or January 1 following the first anniversary of retirement, whichever is later.

If a member leaves covered employment, the System will refund a member's retirement contributions upon request. The refund consists of actual contributions excluding the 1% death benefit contribution.

Funding

Member contributions, established by statute, are 8% of earnings allocated as follows: 6 1/2% for retirement, 1/2% for cost-retirement increases and 1% for death benefits.

Employer contributions are made by or on behalf of the employers from several sources. The State of Illinois provides the largest source of contributions through state appropriations from the Common School Fund. Additional sources of state contributions are the State Pensions Fund and contributions from the General Revenue Fund from which reimbursements are made to the System for certain minimum and supplemental benefits. Employers also make contributions for teachers paid from federal and trust funds. Additionally, employers contribute their portion of the cost of an early retirement option as well as the early retirement incentive. Employer early retirement incentive contributions may be made in either a lump sum, over five years in equal quarterly installments, or under a different schedule approved by the TRS Board of Trustees. Employee contributions will be paid in full during FY98 while employer contributions will be paid in full during FY 2001.

The actuarial funding requirements for FY97 and FY98 are determined under Public Act 88-0593. The state funding law provides for a 50-year funding plan which includes a 5-year phase-in period. Employer contributions as a percentage of active member payroll will be gradually increased until FY 2010 and remain at that percentage for the following 35 years. The System's funded ratio will be 100% at the end of the 50-year period. Beginning July 1, 1995, state contributions have been made through a continuing appropriation instead of through the appropriations process.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting

The financial statements of the System are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized as expenditures when due and payable in accordance with the terms of the plan.

2. Method used to value investments

TRS reports investments at fair value. Fair value for equities is determined by using the closing price listed on the national securities exchanges as of June 30. Fair value for fixed income securities is determined principally by using quoted market prices provided by independent pricing services. Fair value for real estate investments is determined by appraisals.

3. Effect of change in accounting principle

During 1997, the System elected to adopt the provisions of GASB Statement Number 25, *Financial Reporting for Defined Benefit Pension Plans & Note Disclosures for Defined Contribution Plans*. As a result, the System has also restated the 1996 financial statements. The provisions of this statement required restatement of beginning balances for the effect of changing from reporting investments at cost to reporting investments at fair value. The effect of the change in accounting principle on the net assets held in trust for pension benefits as of June 30, 1995, is shown below.

June 30, 1995, net assets held in trust for pension benefits, as previously reported	\$12,641,865,467
Adjustment to reflect fair value of investments	<u>732,412,892</u>
June 30, 1995, net assets held in trust for pension benefits, as restated	<u><u>\$13,374,278,359</u></u>



4. Property and Equipment

Equipment is stated on the basis of historical cost. Depreciation is computed using the straight-line method, based upon the estimated useful lives of the assets. Office furniture and equipment is assigned a useful life of three to ten years while vehicles are assigned a five-year life. The System's office building is depreciated over 40 years.

5. Accrued Compensated Absences

Employees of the System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned upon termination of employment. (Lump-sum payments for sick leave earned prior to January 1, 1984 is subject to a maximum of 60 days/420 hours.) Accrued compensated absences as of June 30, 1997 and 1996 totaled \$1,313,249 and \$1,195,090, respectively, and are included as Administrative Expenses Payable.

6. Receivables

Receivables of the System are separated into three general categories: member contributions collected by and due from employers, early retirement incentive (ERI) contributions due from employers and employer contributions due for members paid from federal funds. ERI receivables are owed to the System as a condition of participation in the ERI program. (Refer to Benefit Provisions found earlier in this section for more information.) TRS is allowed by law to assess penalties for late payment and to collect any unpaid amounts from school districts by filing a claim with a Regional Superintendent of Education or the State Comptroller against future state aid payments to the district. TRS considers these amounts to be fully collectible.

TRS employers are responsible for remitting member contributions withheld from employees' pay and a supplemental 10 1/2% employer contribution for members paid from federal or trust funds. TRS is authorized by law to collect penalties for late payment for semi-monthly remittances and amounts remitted after the fiscal year end. As with employer ERI receivables, TRS has the ability to offset future state aid payments to the school district to collect these receivable amounts.

7. Prior Period Reclassification

Certain prior year amounts have been reclassified on a basis consistent with the current year presentation.

C. CASH

The bank balance and carrying amount of the System deposits were \$104,381,311 and \$6,706,525 at June 30, 1997 and \$98,141,824 and \$4,057,245 at June 30, 1996. Of the bank balance, \$98,054,979 and \$94,312,843 are on deposit with the State Treasurer at June 30, 1997 and 1996, respectively. Bank balances are either insured or collateralized with securities held by the State Treasurer or agents in the name of the State Treasurer or collateralized with securities held by the System or its agents in the name of the System. Cash equivalents are classified as short term investments in the Statements of Plan Net Assets.

D. INVESTMENTS

1. Investment policies

Through the Board of Trustees, as authorized in the Illinois Pension Code, the System serves as fiduciary for the members' trust funds and is responsible for investment of those funds by 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.

2. Investment summary

The following table presents a summary of the System's investments and related category of custodial credit risk. As of June 30, 1997 and 1996. 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 collateralized or for which the securities are held by the System or its agent in the System's name. Category 2 includes insured and unregistered investments for which the securities are held by the counterparty's trust department in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty but not in the System's name. As of June 30, 1997 and 1996, the System holds no securities classified as either Category 2 or Category 3.

INVESTMENT SUMMARY

	<u>Fair Value</u>	
	1997	1996
<b>CATEGORY 1:</b>		
Bonds (including short-term collateral)	\$2,871,538,600	\$3,096,770,706
Corporate notes	2,136,265,566	1,842,089,817
Preferred stock	106,809,956	49,911,072
Short term investments:		
Commercial paper (incl. short-term collateral)	421,217,581	865,541,214
U.S. Treasury bills	136,976,069	183,621,140
Other	567,893,573	284,516,714
Common stock	<u>5,668,670,025</u>	<u>5,114,299,414</u>
	11,909,371,370	11,436,750,077
<b>NOT CATEGORIZED:</b>		
Investments Held by Broker/Dealers under Securities Loans:		
Bonds	604,589,258	1,030,449,282
Corporate notes	36,217,016	48,556,549
Common stock	927,455,995	589,924,251
Real estate:		
Equity	1,935,424,955	1,890,800,127
Farmland	252,771,928	182,458,477
Mutual funds	1,221,617,075	889,098,503
Alternative investments:		
Limited partnerships	364,577,923	195,765,872
Foreign currency investment funds	69,333,815	50,156,459
Collective investment funds (US dollars)	<u>1,890,965,311</u>	<u>406,822,370</u>
Investments and Collateral from Securities Lending	19,212,324,646	16,720,781,967
Less Collateral from Securities Lending categorized above	<u>(1,349,674,873)</u>	<u>(1,518,696,814)</u>
Total Investments	<u>\$17,862,649,773</u>	<u>\$15,202,085,153</u>

The System has nonrecourse mortgages totaling \$1,562,774 and \$312,974,732 on real estate equities at June 30, 1997 and 1996, respectively. The amount reported for real estate equity is net of these mortgages, which mature on various dates through the year 2018.

The real estate equity category includes \$125,611,288 and \$300,071,252 of mortgages receivable which are fully secured

by the properties at June 30, 1997 and 1996, respectively.

At June 30, 1997, the System has investments with one organization (other than U.S. Government and U.S. Government guaranteed obligations) that exceed 5% of net assets available for benefits. The investments, reported at fair value, are with the Illinois Teachers' Custom Cash Fund at Northern Trust for \$1,890,965,311.

3. Securities lending program

Board of Trustees' policies permit the System to use investments to enter into securities lending transactions—loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's master trustee is the agent in lending the plan's domestic securities for cash collateral of 102% of the market value of the securities and international securities for cash collateral of 105% of the market value of the securities. Securities on loan at year-end are presented as not categorized in the preceding schedule of custodial credit risk. At year-end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceeds the amounts the borrowers owe the System. The contract with the System's lending agent requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities issuers while the securities are on loan. All securities loans can be terminated on demand either by the System or the borrower, although the average term of the loans is ten days. There were no significant violations of legal or contractual provisions, and there were no borrower or lending agent default losses known to the securities lending agent.

As of June 30, 1997 and 1996, TRS had outstanding loaned investment securities having a market value of \$1,568,262,268 and \$1,668,930,081, respectively, against which it had received collateral of \$1,611,202,056 and \$1,724,593,000 respectively. Collateral from securities lending reflected on the Statements of Plan Net Assets consists primarily of collateral received in the form of cash. At June 30, 1997 and 1996, the System has instructed the master trustee to direct \$25,691,740 and \$57,975,808, respectively, of the collateral received from securities lending to be invested in floating rate debt securities collateralized by real estate investments, which results in a note payable from TRS.

4. Derivatives

The System invests in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or a market index. Derivatives transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transac-

tion fails to perform according to terms. In order to eliminate credit risk, all derivative securities are acquired through a clearinghouse which guarantees delivery and accepts the responsibility in the event of default by either party. Market risk is the possibility that a change in interest or currency rates will cause the value of the financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the price of which are constantly fluctuating, is regulated by imposing limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a regular basis to monitor compliance with the limits.

During the year, the System's derivative investments included foreign currency forward contracts, options, and futures. Derivative contracts are used by experienced investment personnel to quickly and efficiently implement investment strategies upon the portfolios in a cost effective manner. Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign stock and fixed income security portfolios. The remaining derivative securities are used to improve yield, adjust the duration of the fixed income portfolio, or to hedge changes in interest rates.

Foreign currency forward contracts are an agreement to buy or sell a specific amount of a foreign currency at a specified delivery date or maturity date for an agreed upon price. Fluctuations in the fair value of foreign currency forward contracts are recognized in the System's financial statements as incurred rather than at the maturity or settlement date of the contract. Foreign currency forward contracts represent a balance sheet obligation as there are no balance sheet assets or liabilities associated with those contracts.

Financial futures are an agreement to buy or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. As the market value of the future contract varies from the original contract price, a gain or a loss is recognized and paid to the clearinghouse. Financial futures represent an off-balance sheet obligation as there are no balance sheet assets or liabilities associated with those contracts.

Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, before a specified expiration date. As a writer of financial

options, the System receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Accordingly, it is against the System's policy to invest in any uncovered options. Premiums received are recorded as a liability when the financial option is written. Fluctuations in the fair value of financial options are recognized in the System's financial statements as incurred rather than at the time the options are exercised or when they expire. As of June 30, 1997, the net cost and fair values of option contracts written were \$6,348,179

and \$6,920,361, respectively. As of June 30, 1996, the net cost and fair values of option contracts written were (\$11,329,579) and (\$7,071,274), respectively. The cost value of options represents the premiums received, and the fair value represents the amount needed to close all positions as of that date.

The following table presents the aggregate contractual principal amount of the System's outstanding contracts at June 30, 1997 and 1996:

DERIVATIVE

(CONTRACTS OUTSTANDING AT JUNE 30, 1997)

	June 30, 1997	June 30, 1996
	Contractual	Contractual
	Principal*	Principal*
Domestic Interest Rate Products:		
Fixed income futures purchased, net (11,235)	\$1,715,431,804	\$1,745,697,713
Fixed income written call options (50)	2,632,308	61,938,968
Fixed income written put options (1,250)	243,764,864	1,138,682,214
International Interest Rate Products:		
International fixed income futures purchased, net (378)	71,414,363	4,104,776
International fixed income written bond call options (188)	58,095,296	3,302,360
International fixed income written bond put options (245)	27,216,891	0
Domestic Equity Products:		
S&P 500 index futures purchased, net (3,136)	1,395,912,000	696,765,600
S&P 500 index written call options (20)	4,452,500	100,301,760
S&P 500 index written put options (0)	0	38,916,000
Stock written call options (0)	0	15,213,610
Stock written put options (0)	0	983,292
International Equity Products:		
Index futures purchased, net (1,208)	148,493,053	128,057,141
Index international equity written call options (0)	0	815,150
Index international equity written put options (0)	0	1,097,689
Foreign Currency Products:		
Currency futures, net (80)	6,540,713	45,357,500
Written call options (46)	92,114,990	78,895,663
Written put options (20)	2,109,250	102,394,455

\*The contractual principal amounts listed above represent the market value of the underlying assets the derivative contracts control. Contractual principal values do not represent actual values in the Statements of Plan Net Assets.

Contractual principal amounts are often used to express the volume of these transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk.



**E. RESERVES**

TRS maintains statutory reserve accounts in accordance with the provisions of 40 ILCS 5/16-101 et seq. In 1997, legislation was passed by the Illinois General Assembly which allowed the crediting of income at fair value, as opposed to book value, to the Employer's Contribution reserve.

1. Members' Contribution

	1997	1996
Balances at June 30	\$5,014,798,877	\$4,506,934,661

This reserve accumulates, with 6% interest, the contributions by members prior to retirement. Contributions are 6 1/2% of salary and are fully refundable upon withdrawal from the System, excluding interest credited thereon. The interest accrued is refundable only in the event of death. Interest is credited as of the date of retirement or death of those retiring or dying during the year, and as of the end of the fiscal year for all other members. Interest is computed annually based upon the individual member balance in the reserve at the beginning of the fiscal year. This reserve is fully funded.

2. Minimum Retirement Annuity

	1997	1996
Balances at June 30	\$2,405,749	\$2,248,325

The minimum allowance is set by law at \$25 per month for each year of creditable service to a maximum of \$750 per month after 30 or more years of creditable service. To qualify, annuitants are required to make a one-time contribution which is credited to the reserve. Interest at 6% is credited to the reserve annually, based upon the average reserve balance. The State of Illinois also appropriates funds necessary to pay the minimum benefits provided in the legislation. All benefits paid under this program are charged to the reserve. This reserve is fully funded.

3. Supplementary Annuity

	1997	1996
Balances at June 30	\$680,503	\$631,176

In 1961, legislation was enacted to provide for increased annuities to members then retired who met certain specified requirements. Annuitants were required to make a one-time contribution, which was credited to this reserve. The State of Illinois also appropriates funds which are credited to the

reserve. Interest at 6% is credited to the reserve and based upon the average reserve balance. The expenses resulting from this legislation are charged to the reserve. This reserve is fully funded.

4. Employer's Contribution

	1997	1996
Balances at June 30	\$12,375,222,786	\$10,594,112,123

This reserve serves as a clearing account for contributions from the State of Illinois not specifically allocated to other reserves, member and employer contributions, income from invested assets of the System, the largest portion of the accumulated contributions of annuitants qualify for automatic annual increases in annuity. This reserve is charged with amounts necessary to be referred to the Members' Contribution Reserve, all necessary to be refunded to withdrawing members, all benefits paid to temporarily or accidentally disabled members, all death benefits paid, and all survivor benefit contributions refunded to annuitants.

This reserve does not equal the present value of expected retirement benefits. The additional amount needed (unfunded actuarial accrued liability) as calculated by the actuary was \$9,558,477,000 in 1997 and \$11,037,860,000 in 1996.

**F. TRS EMPLOYEE PENSION BENEFITS**

1. Plan Description

All of the System's full-time employees who are eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity. SERS is a single-employer defined benefit public employee retirement system (PERS) in which State employees participate, except those covered by State Universities, Teachers', General Assembly, Judges' Retirement Systems. The financial position and results of operations of the SERS for fiscal years 1997 and 1996 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 1997 and 1996, respectively. SERS also issues a separate CAFR that may be obtained by writing to SERS, 100 South Veterans Parkway, Springfield, Illinois, 62794-1000, by calling (217) 785-7202. The State of Illinois CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois, 62704-1858 or by calling (217) 782-3333.

Effective fiscal 1997, SERS has implemented Governmental Accounting Standards Board (GASB) Statement No. 25 entitled *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. Also, effective fiscal 1997, the State of Illinois implemented GASB Statement No. 27 entitled *Accounting for Pensions by State and Local Governmental Employers*. These new GASB standards supersede all previous authoritative guidance on accounting and financial reporting for defined benefit pension plans of state and local governmental entities.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Funding Policy

The System pays employer retirement contributions based upon an actuarially determined percentage of their payrolls. For fiscal years 1997 and 1996 the employer contributions rates were 4.963% and 4.767%, respectively. Effective for pay periods beginning after December 31, 1991, the state opted to pay the employee portion of retirement for most state agencies with employees covered by

the State Employees' and Teachers' Retirement Systems. Generally, this "pickup" of employee retirement was part of the fiscal year 1997 and 1996 budget process and was, in part, a substitute for salary increases. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and state agencies. Currently, state officers, judges, general assembly members, and state university employees are not eligible for the employee pickup.

3. Postemployment Benefits - System Employees

In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental, and life insurance benefits shall be provided by the state. Substantially all the System's employees may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for System retirees under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 or older.

Costs incurred for health, dental, and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 1997 and 1996. However, postemployment costs for the state as a whole for all state agencies/departments for dependent health, dental, and life insurance for annuitants and their dependents are disclosed in the State's Comprehensive Annual Financial Report. Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis.



REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS <sup>1</sup>

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL-Projected Unit Credit) (b)	Funded Ratio (a)/(b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (b-a)/(c)
06/30/96	\$15,103,927,000	\$26,141,794,000	57.8%	\$11,037,867,000	\$4,734,250,000	233.1%
06/30/97	17,393,108,000	26,951,585,000	64.5	9,558,477,000	5,013,583,000	190.7

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES <sup>1</sup>

Year Ended June 30	State Contributions <sup>2</sup>	Federal Contributions	Total	Annual Required Contributions per GASB Statement #25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1996	\$324,276,000	\$16,993,000	\$341,269,000	\$1,350,997,000	25.3%	\$341,276,000	100.0%
1997	377,969,000	17,379,000	395,348,000	927,842,000	42.6	395,269,000	100.0

<sup>1</sup> The required schedules of funding progress and employer contributions should include information for the current year and as many of the prior years' information as is available to the parameters as are available. The System has only two years of information that meet the parameters. For consistency with figures reported by the System's auditors, the amounts have been rounded to the nearest thousand. Actual contributions varied slightly from contributions required by statute mainly because of differences between estimated and actual federal contributions.

<sup>2</sup> Does not include minimum and supplemental retirement contributions of \$5,798,000 and \$7,161,000 in FY96 and FY97 respectively.

See accompanying independent auditor's report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation Dates	June 30, 1997	June 30, 1996
Actuarial cost method:	Projected unit credit	Projected unit credit
Amortization method:		
a) For GASB Statement #25 reporting purposes	Level percent of payroll	Level percent of payroll
b) Per state statute	15-year phase-in to a level percent of payroll until a 90% funding level is achieved	15-year phase-in to a level percent of payroll until a 90% funding level is achieved
Remaining amortization period:		
a) For GASB Statement #25 reporting purposes	40 years, open	40 years, open
b) Per state statute	48 years, closed	49 years, closed
Asset valuation method:	Fair value	Book value*
Actuarial assumptions:		
Investment rate of return	8.5%	8.0%
Projected salary increases	6.0-9.3%, composite 7.0%	6.4-9.7%, composite 7.4%
Group size growth rate	0%	0%
Assumed inflation rate	4%	4%
Post-retirement increase	3% compounded	3% compounded
Mortality table	1995 Buck Mortality Tables (rated forward one year for beneficiaries only).	UP 1984 unisex as adjusted.

\* For comparison with the June 30, 1997 presentation, the System has presented the June 30, 1996 actuarial value of assets at fair value in the financial statements and schedules within this report.

The June 30, 1997 actuarial valuation reflects significant changes in actuarial assumptions utilized in previous valuations. Such changes caused the actuarial accrued liability and the actuarially required contribution rate to decrease by approximately \$933 million and .06%, respectively. The actuarially required contribution rate will be effective for fiscal year 1999.

See accompanying independent auditor's report.

## OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF ADMINISTRATIVE EXPENSES**

Administrative expenses for the years ended June 30, 1997 and 1996 are summarized below:

	<u>1997</u>	<u>1996</u>
Personal services	\$7,617,459	\$7,205,149
Professional services	543,217	613,801
Postage	374,413	307,589
Machine repair and rental	261,311	267,877
Other contractual services	525,198	459,959
Commodities	226,453	235,657
Occupancy expense	240,032	393,039
Depreciation	<u>532,828</u>	<u>545,580</u>
Total Administrative expenses	<u>\$10,320,911</u>	<u>\$10,028,651</u>

**SCHEDULE OF INVESTMENT ACTIVITY EXPENSES**

Investment activity expenses for the years ended June 30, 1997 and 1996 are summarized below:

	<u>1997</u>	<u>1996</u>
Investment manager fees	\$64,962,733	\$55,275,399
Alternative investment expense	2,153,774	6,047,237
Miscellaneous	<u>357,782</u>	<u>1,319,198</u>
Total Investment activity expenses	<u>\$67,474,289</u>	<u>\$62,641,834</u>

See accompanying independent auditor's report.

**SECTION THREE:  
ACTUARIAL**

**BUCK  
CONSULTANTS**  
One North Franklin, Suite 3500  
Chicago, Illinois 60606

December 4, 1997

Board of Trustees  
Teachers' Retirement System  
of the State of Illinois  
2815 West Washington Street  
Springfield, Illinois 62794

Subject: Pension Benefit Obligation as of June 30, 1997

Ladies & Gentlemen:

Based upon our annual actuarial valuation of the Teachers' Retirement System of the State of Illinois, we have determined the pension benefit obligation of the System to be \$26,951,585,000 as of June 30, 1997. The valuation was performed in accordance with generally accepted actuarial principles and procedures, using the projected unit-credit actuarial cost method.

The actuarial valuation was based on a census of retired members as of June 30, 1997, and a census of active and inactive members as of June 30, 1996, which were submitted to us by the System. While we did not verify the data at their source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation.

The valuation is based on the benefit provisions of TRS in effect on June 30, 1997. The actuarial assumptions used in the valuation are those specified by the Board of Trustees of the System based on recommendations made by the actuary.

The June 30, 1997 valuation reflects revisions in the actuarial assumptions for (a) rates of mortality amongst all employee and beneficiary groups; (b) rates of withdrawal from active service for reasons other than death, disability, or retirement; (c) rates of salary increase throughout an individual's career; and (d) the assumed annual rate of return on the assets of the System. The effect of these assumption changes was to decrease the unfunded pension benefit obligation by \$932.9 million.

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

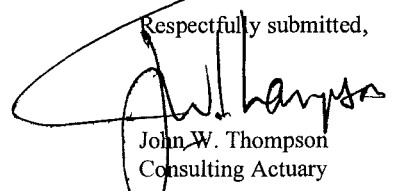


Board of Trustees  
 Teachers' Retirement System  
 of the State of Illinois  
 December 4, 1997  
 Page 2

This valuation also reflects, for the first time, a change in the method of valuing the System's assets. As required by PA 90-448, assets for funding purposes are now valued at fair market value. In prior years, assets for funding purposes were valued at cost. For comparative purposes, June 30, 1996 and prior years' assets may be shown at fair market value. The effect of this change was an increase in the actuarial value of assets of \$2.012 billion, and a corresponding decrease in the unfunded pension benefit obligation of \$2.012 billion.

In our opinion, the amount of \$26,951,585,000 is a fair representation of the pension benefit obligation of the System as of June 30, 1997.

Respectfully submitted,



John W. Thompson  
 Consulting Actuary

JWT:pl  
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BUCK  
 CONSULTANTS

ACTUARIAL

Actuaries estimate the cost of benefits that members and survivors will receive over their lifetimes and calculate amount that should be set aside each year to fund the benefits.

The Teachers' Retirement System complies with the reporting requirements issued by the Governmental Accounting Standards Board (GASB) under Statement No. *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.*

**ACTUARIAL ASSUMPTIONS AND METHOD**

Each year, the actuary reconciles the differences between major actuarial assumptions and experience in the process of explaining the change in the System's unfunded liability. The unfunded liability is the difference between the accrued liability (the present value of benefits including the cost of annual increases) and the net assets that are available to cover the liability.

This year, the System's actuaries conducted a five-year experience analysis. It resulted in changes in assumptions which were adopted in the June 30, 1997 valuation. (See "Significant Factors in Reconciliation of Unfunded Liability" for changes in assumptions.) The next five-year experience analysis will be reflected in the June 30, 2002 actuarial valuation.

**Inflation:** 4% per annum. Implicit in investment and earnings progression assumptions which were changed in the FY97 valuation.

**Investment return:** 8.5% per annum, compounded annually. Adopted in FY97 valuation.

**Earnings progression:** Merit and longevity increases, adjusted for inflation. Approximates 7.0% per year to earliest date of retirement eligibility. Adopted in FY97 valuation.

Sample annual percentage salary increases:

Age	Male & Female
20	9.3 %
30	8.2
40	7.1
50	6.5
60	6.3
69	6.0

**Retirement age:** Graduated rates based on age and gender of active members. Inactive members are assumed to retire at age 62. Adopted in FY87 valuation.

Sample annual rates of retirement per 1,000 participants for active members:

Age	Male	Female
55	97.0	97.0
60	270.0	180.0
65	365.0	330.0
70	1,000.0	1,000.0

**Mortality:** For death in active service and regular service retirements: 1995 Buck Mortality Tables. For beneficiaries: 1995 Buck Mortality Tables rated forward one year. For disabled retirements: Pension Benefit Guaranty Corporation rates for male disabled lives not necessarily receiving Social Security, with male rates set forward 5 years and female rates set back 2 years (but not set back to less than 65).

**Disability:** Adopted in FY93 valuation.

Sample annual rates per 1,000 participants:

Age	Male	Female
20	0.4	0.7
30	0.4	0.8
40	0.6	1.2
50	1.2	2.4
60	4.0	8.0

**ACTUARIAL**

**Termination from active service:** Adopted in FY97 valuation.

Sample annual terminations per 1,000 participants:

Age	Nonvested Members		Vested Members	
	Male	Female	Male	Female
20	169.0	186.7	76.5	96.6
30	91.0	135.0	41.2	69.9
40	35.0	55.0	15.8	28.5
50	23.0	36.5	10.4	18.9
60	41.0	44.0	18.6	22.8

**Severance Pay:** Increases with years of service at retirement. Adopted in FY94 valuation.

Years of Service at Retirement	Percent of Retirees who Receive Severance Pay	Severance Pay as % of Final Salary
Under 20	0.0%	0.0%
20-24	54.0	13.2
25-29	60.0	13.2
30-34	66.0	13.9
35 or more	72.0	14.6

**Optional Service at Retirement:** The accrued liability for retirement benefits for active members is increased by 2.87% to cover the employer cost of optional service purchased in the last two years of service. Adopted in FY94 valuation.

**Unused and Uncompensated Sick Leave:** Equals 2.90% of regular service at retirement. Adopted in FY94 valuation.

**Actuarial Cost Method:** Projected unit credit. Gains and losses are reflected in the unfunded liability. Adopted in FY89 valuation.

**Asset Valuation Method:** Market value. Adopted in FY97 valuation. FY96 shown at market value for comparison purposes.

Please note that under the projected unit credit cost method used by TRS, the resulting liability for benefits earned is called the "pension benefit obligation," or PBO. A

broader term for this liability is "actuarial accrued liability AAL. In other words, the PBO is a type of AAL.

Also, please note that measures of the System's fiscal condition for both June 30, 1997 and June 30, 1996 shown using market value of assets for comparative purposes. These tests are consistent with the System's fiscal statements which are prepared in accordance with GASB 25. The change to market value was effective June 30, 1997 for determining state funding requirements in FY99.

The actuarial value of assets for FY97 and FY96 equal to the "net assets available for benefits" as shown in the Financial Statements. This amount is different from the value of the System's investments portfolio shown throughout this report.

**ANNUAL ACTUARIAL VALUATION**

The annual actuarial valuation measures the total liability for all benefits earned to date. The accrued liability is the present value estimate of all the benefits that have been earned to date. The unfunded liability is the present value of future benefits payable not covered by assets as of the valuation date.

The **funded ratio** shows the percentage of the accrued liability covered by net assets at market value.

**ACTUARIAL VALUATION WITH MARKET VALUE ASSETS** (\$ Thousands)

	(Years Ended June 30)	
	1997	1996
<b>Total actuarial accrued liability</b>	<b>\$26,951,585</b>	<b>\$26,141,794</b>
Actuarial value of assets (net assets at market value)	\$17,393,108	\$15,103,880
<b>Unfunded liability</b>	<b>\$9,558,477</b>	<b>\$11,037,914</b>
Funded ratio	64.5%	57.8%

\* 1996 market value assets have been restated since the 1996 Annual Financial Report.

**ACTUARIAL**

**RECONCILIATION OF UNFUNDED LIABILITY** <sup>1</sup>

(\$ Thousands)

Actuarial gains are shown in parentheses  
Years Ended June 30

	1997 (market value assets)	1996 (book value assets)
Unfunded liability at beginning of year	\$12,312,083	\$11,338,701
Additions (deductions):		
Employer cost in excess of contributions	992,390	965,961
Amendments:		
FY97: Change to assets being valued at market value under PA 90-448	(2,011,912)	-
Change in actuarial assumptions in accordance with Article 16, Section 176 of the Pension Code	(932,859)	-
FY96: 401 ERI retirements (PA 87-1265)	-	17,772
Actuarial losses (gains) compared to experience:		
Salary increases	(59,062)	400,399
Investment income	(830,936)	(577,281)
New entrant loss	12,992	19,545
Lower than expected mortality	49,108	55,934
Delayed reporting of retirements <sup>2</sup>	10,461	16,418
Other <sup>3</sup>	16,212	74,634
<b>Net addition (reduction)</b>	<b>(2,753,606)</b>	<b>973,382</b>
<b>Unfunded liability at end of year</b>	<b>\$9,558,477</b>	<b>\$12,312,083</b>

<sup>1</sup> This schedule reflects the unfunded liabilities used by the actuary for determining funding requirements. The change to valuing assets at market value under PA 90-0448 was effective beginning with the June 30, 1997 valuation. Consequently, the June 30, 1996 unfunded liability was not recalculated and is shown using assets at book value. For comparative purposes only, other schedules in this section reflect June 30, 1996 assets at market value.

<sup>2</sup> 610 retirements which occurred prior to 7/1/95 were not reported to the actuary until 6/30/96. 455 retirements which occurred prior to 7/1/96 were not reported to the actuary until 6/30/97.

<sup>3</sup> (a) Retroactive benefits for late retirees (50-100 annually).  
(b) Fewer terminations of vested employees than expected.  
(c) Change in rate of benefit accruals from certified normal cost rate.  
(d) Retirements with reciprocal service credits.  
(e) Different number of disability claims than expected.

**SIGNIFICANT FACTORS IN RECONCILIATION OF UNFUNDED LIABILITY**

The net decrease in the June 30, 1997 unfunded liability contributed to significant improvements in various measures of the System's financial position. The funded ratio, for example, increased to 64.5% from 57.8% on June 30, 1996. The net decrease in the unfunded liability of nearly \$2.8 billion was caused by a combination of factors.

The *employer cost in excess of contributions* is the shortfall between actual employer contributions and the amount needed to cover the cost of benefits earned during the year and to keep the unfunded liability from growing.

The *change to assets being valued at market value* represents the \$2,012 million difference between assets at book and market values on June 30, 1997.

The *changes in actuarial assumptions* were based on a statutorily required five-year actuarial experience analysis. This study found significant differences between some of the System's assumptions and its actual experience. As a result, four changes in actuarial assumptions were recommended by the actuaries and adopted by the Board:

	Effect on June 30, 1997 Unfunded Liability (in Millions)
• Increase in the interest rate assumption to 8.5% from 8.0%	(\$1,502)
• Decrease in the salary increase assumption to a composite rate of 7.0% from 7.4%	(453)
• Improvements in life expectancy	611
• Decrease in turnover rates among vested members:	411
<b>Net decrease</b>	<b>(\$ 933)</b>

Also, *investment income* was \$831 million higher than expected.

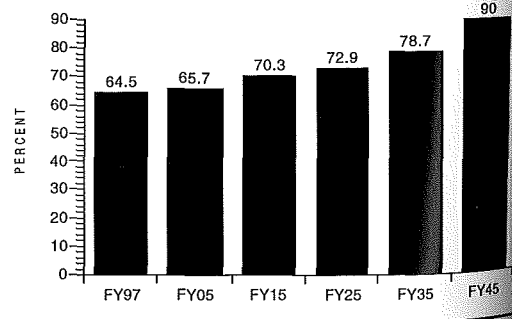
Differences between other actuarial assumptions and the System's actual experience during the year caused the remaining change in the unfunded liability obligation.

**STATE FUNDING**

State contributions to TRS under Public Act 88-0593 (SB533) began in FY 1996. The law established the System's commitment to strengthen the System's financial position through a 35-year funding plan following a 15-year phase-in period through FY 2010. Contributions are being gradually increased during the phase-in period to a level percentage of active member payroll. The measure calls for each retirement system to attain a 90% funded ratio by the end of FY 2045. Under actuarial projections, the System's funded ratio gradually increases from the FY97 level of 64.5% beginning in FY 2002.

The most significant aspect of the law is the strong payment guarantee backed by a continuing appropriation. It is essential that the 50-year funding schedule be upheld. The integrity of the funding plan remains a top priority for TRS.

**TRS FUNDED RATIO UNDER PA 88-0593 (SB533)**



The FY96 actuarial valuation was used to determine the FY98 state funding requirements and the FY98 employer normal cost. Similarly, the FY97 actuarial valuation was used to determine the following information for FY99:

**PA 88-0593 STATE FUNDING REQUIREMENT**

	FY99	FY98
Employer contribution reserve (excludes federal and trust fund contributions)	\$525,356,000	\$460,439,000
Minimum benefit reserve	6,400,000	7,387,000
Supplemental benefit reserve	40,000	56,000
<b>Total state funding requirement</b>	<b>\$531,796,000</b>	<b>\$467,882,000</b>
Employer's normal cost as a percentage of active member payroll	7.66%	8.38%
Statutory contribution as a percent of payroll per PA 88-0593	9.78%	9.09%

**TESTS OF FINANCIAL CONDITION**

The **funded ratio** shows the percentage of the accrued liability covered by net assets at book (cost) and market values.

**FUNDED RATIO TEST**

As of June 30	Net Assets at Cost	Net Assets at Market	Pension Benefit Obligation	Funded Ratio (\$ Thousands)	
				At Cost	At Market
1988	\$6,684,489	\$7,054,818	\$10,922,587	61.2%	64.6%
1989	7,272,071	8,088,731	11,913,959	61.0	67.9
1990	8,079,898	8,924,022	13,662,509	59.1	65.3
1991	8,747,122	9,453,140	15,141,334	57.8	62.4
1992	9,811,962	10,439,836	16,659,353	58.9	62.7
1993	10,879,590	11,544,604	18,485,890	58.9	62.5
1994	11,992,224	12,038,688	21,746,875	55.1	55.4
1995	12,641,865	13,374,278	23,980,566	52.7	55.8
1996	13,829,711	15,103,927	26,141,794	52.9	57.8
1997	*	17,393,108	26,951,585	*	64.5

1995 and 1996 market values of assets have been restated since the 1996 Annual Financial Report.

\* The change to valuing assets at market value was effective beginning June 30, 1997. Accordingly, effective June 30, 1997, net assets and funded ratio are no longer reported at cost.

The **unfunded liability as a percentage of payroll** is a standard measure of the relative size of the unfunded liability. Decreases in this percentage indicate improvements in a system's financial position.

**UNFUNDED LIABILITY AS A PERCENTAGE OF PAYROLL TEST**

(\$ Thousands)			
Year Ended June 30	Member Payroll	Unfunded PBO Amount	Percentage of Payroll
1988	\$3,007,000	\$4,238,098	140.9%
1989	3,172,000	4,641,888	146.3
1990	3,402,000	5,582,611	164.1
1991	3,777,000	6,394,212	169.3
1992	3,976,000	6,847,391	172.2
1993	4,189,000	7,606,300	181.6
1994	4,413,000	9,754,651	221.0
1995	4,417,000	11,338,701	256.7
1996	4,734,000	11,037,867	233.1
1997	5,013,000	9,558,477	190.7

1996 and 1997 unfunded liabilities are calculated using assets at market value.

The **solvency test** measures the ability of TRS to cover different types of obligations if the plan were terminated and is hypothetical. The columns are in the order that assets would be used to cover certain types of obligations. Employee contributions would be refunded first, amounts due for current benefit recipients would be covered next, and the employer's obligation for active members would be covered last. Columns 1 and 2 should be fully covered by assets. The portion of Column 3 which is covered by assets should increase over time. The System passed the minimum standards of the solvency test in 1997 after failing for the past three years.



Year Ended June 30	Members Accumulated Contributions (1)	Participants Currently Receiving Benefits (2)	Active Members Employer Portion (3)	Actuarial Value of Assets*	Percentage of Benefits Covered by Net Assets		
					(A)	(B)	(C)
1988	\$1,860,403	\$4,164,701	\$4,897,483	\$6,684,489	100%	100%	13%
1989	2,003,798	4,527,612	5,382,369	7,272,071	100	100	14
1990	2,167,054	5,121,234	6,374,221	8,079,898	100	100	12
1991	2,311,850	5,742,766	7,086,718	8,747,122	100	100	10
1992	2,503,393	6,338,458	7,817,502	9,811,962	100	100	12
1993	2,709,573	7,510,618	8,265,699	10,879,590	100	100	8
1994	2,850,319	10,088,901	8,807,655	11,992,224	100	91	0
1995	2,846,405	12,702,258	8,431,903	12,641,865	100	77	0
1996	3,002,052	13,351,367	9,788,375	15,103,927	100	91	0
1997	3,329,075	13,091,057	10,531,453	17,393,108	100	100	9

\*Assets through 1995 are at book value; 1996 and 1997 assets are at market value. 1996 market value assets have been restated since the 1996 report.

**PLAN SUMMARY**

**Administration**

The Teachers' Retirement System was created and is governed by Article 16 of the Illinois Pension Code. A Board of Trustees is authorized to carry out duties granted to it under the Article. The Board is comprised of the state Superintendent of Education, four persons appointed by the Governor, four elected members of the System and one elected annuitant. The Board of Trustees appoints an Executive Director who is responsible for the detailed administration of the System.

**Membership**

Membership is mandatory for all full-time, part-time and substitute public school personnel employed outside the city of Chicago in positions requiring certification. Persons employed at certain state agencies are also members.

**Contributions**

Members contribute 8% of gross creditable earnings designated as 6 1/2% for retirement annuity, 1/2% for post-

retirement increases and 1% for death benefits. Members do not contribute to Social Security for TRS covered employment; however, members hired after March 1986 are required to contribute to Medicare. In addition, all members pay a 1/2 of 1% contribution to the Teachers' Health Insurance Security Fund, a separate plan in the State Treasury which is not a part of this retirement plan.

**Service Credit**

A member is granted a maximum of one year of service credit for 170 paid days per school year, defined by the calendar as July 1 through June 30. Optional service credit is available for periods of public school teaching in other states under the auspices of the United States Government, substitute or part-time teaching prior to July 1, 1990, leave of absence, involuntary layoffs, military service and substitute teaching due to pregnancy or adoption prior to July 1, 1990. Up to one year of unused, uncompensated sick leave accrued by former employers may also be added at retirement.

Legislation signed into law in 1997 provides members and annuitants the opportunity to purchase up to one year of optional service credit for periods prior to retirement.

1983, when covered employment ceased to adopt an infant or care for a newly-adopted child under the age of three. The new law supplements previously-enacted pregnancy leave legislation signed into law in 1995.

**Refunds**

After a four-month waiting period from the date last taught, a member ceasing covered employment may withdraw all contributions, except the 1% death benefit. When accepting a refund, the member forfeits all service credit and benefit rights. Credit can be reestablished if the member returns to a covered position for one year or a reciprocal system for two years and repays the refund with interest. A member receiving disability benefits is not eligible for a refund.

**Retirement Benefits**

To be eligible to receive a monthly retirement annuity, a member must terminate active service and meet specific age and service requirements:

Years of Service	Age
5	62
10	60
20	55 (discounted)
35	55 (non-discounted)

A member with fewer than five years of creditable service, who taught after July 1, 1947, is eligible to receive a single-sum retirement benefit at age 65.

The retirement annuity is determined by two factors: average salary and years of creditable service. Average salary is the average of the creditable earnings in the highest four consecutive years within the last ten years of creditable service. Years of service determine the percentage of the final average salary to which members are entitled using the following schedule:

- 1.67% for each of years 1 through 10;
- 1.9% for each of years 11 through 20;
- 2.1% for each of years 21 through 30;
- 2.3% for each year over 30.

The maximum annuity, 75% of final average salary, is achieved with 38 years of service. An actuarial calculation



will be used if it provides a greater benefit. The minimum retirement benefit is \$25 per month for each year of creditable service with a maximum of \$750 per month for 30 or more years of service.

**Disability Benefits**

TRS offers occupational and non-occupational disability benefits to active members. Non-occupational disability benefits are payable as disability benefits or as a disability retirement annuity to members with three years of creditable service. There is no minimum service requirement for occupational disability benefits for duty-related accidents or illnesses. Members continue to accrue service credit while receiving disability benefits but not while receiving a disability retirement annuity. On January 1 following the fourth anniversary of the granting of the disability benefit, the monthly benefit is increased 7%. Thereafter, the benefit increases by 3% each January 1.

**Death Benefits**

There are two types of death benefits: a return of the member's accumulated contributions and survivor benefits.

The return of member contributions includes the 6 1/2% contribution with interest and the 1/2% paid toward annual increases in annuity. Beneficiaries of annuitants receive the accumulated contributions minus the amount that had already been received as a retirement annuity.

Survivor benefits can be paid in either a lump sum or a monthly payment. A lump sum benefit is the only method payable to non-dependent beneficiaries. A dependent beneficiary may choose either a lump sum benefit or a monthly payment. Survivor benefit recipients who are beneficiaries of a retired member are eligible for an annual 3% increase effective January 1 following the granting of the survivor benefit. Survivor benefit recipients who are beneficiaries of an active or eligible inactive member are eligible for an annual 3% increase on January 1 following the first anniversary in receipt of a survivor benefit.

**Early Retirement Option (ERO)**

Members who are age 55 or older with more than 20 but less than 35 years of service may choose the early retire-

ment option (ERO) to avoid a discounted annuity with a one-time contribution from the member and the employer. Under current law, the ERO expires June 30, 2000. Members with 35 or more years of service can retire and receive a non-discounted annuity.

**Post-Retirement Increase**

Annuitants meeting certain service credit criteria receive an annual 3% increase in their gross annuity on the January 1 after becoming age 61 or the January 1 following the first anniversary in retirement, whichever is later.

**Employment-Related Felony Conviction**

Any member convicted of a felony related to or in connection with teaching is not eligible for TRS benefits; how-

ever, the member may receive a refund of contributions

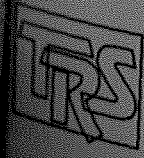
**Continuity of Credit within Illinois**

TRS is one of 13 public retirement systems include the provisions of the Retirement Systems' Reciprocal that ensures continuous pension credit for public employment in Illinois.

**Conflicts**

Conditions involving a claim for benefits may require further clarification. If conflicts arise between material in summary and that of the law, the law takes precedence.

**SECTION FOUR:  
STATISTICAL**



**AVERAGE ANNUAL SALARY FOR ACTIVE MEMBERS  
BY YEARS OF SERVICE**

Years of Service	(Years ended June 30)										
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	
<b>0-5</b>	<b>Number</b>	<b>24,792</b>	<b>25,296</b>	<b>22,949</b>	<b>26,770</b>	<b>26,962</b>	<b>26,217</b>	<b>28,573</b>	<b>34,193</b>	<b>33,700</b>	<b>33,134</b>
	Average Salary	\$20,845	\$22,121	\$23,284	\$24,752	\$25,881	\$27,051	\$28,120	\$28,851	\$29,867	\$30,717
<b>6-10</b>	<b>Number</b>	<b>17,129</b>	<b>15,314</b>	<b>15,359</b>	<b>14,811</b>	<b>15,820</b>	<b>16,948</b>	<b>18,158</b>	<b>18,757</b>	<b>19,716</b>	<b>20,340</b>
	Average Salary	25,780	27,124	28,158	30,524	32,141	33,675	35,349	36,465	37,315	\$38,170
<b>11-15</b>	<b>Number</b>	<b>18,417</b>	<b>17,671</b>	<b>18,066</b>	<b>16,438</b>	<b>15,914</b>	<b>14,663</b>	<b>13,380</b>	<b>12,686</b>	<b>13,013</b>	<b>13,830</b>
	Average Salary	30,312	31,581	32,791	35,078	37,016	38,714	40,413	41,715	42,905	\$44,258
<b>16-20</b>	<b>Number</b>	<b>19,689</b>	<b>19,867</b>	<b>20,027</b>	<b>18,403</b>	<b>17,454</b>	<b>16,703</b>	<b>15,916</b>	<b>14,775</b>	<b>14,579</b>	<b>14,295</b>
	Average Salary	34,771	36,315	37,984	40,060	41,984	43,692	45,523	46,662	47,929	\$49,309
<b>21-25</b>	<b>Number</b>	<b>11,474</b>	<b>12,830</b>	<b>14,755</b>	<b>15,719</b>	<b>16,422</b>	<b>17,083</b>	<b>17,233</b>	<b>16,030</b>	<b>15,754</b>	<b>15,235</b>
	Average Salary	37,153	39,141	41,523	43,958	46,051	47,942	49,998	51,295	52,679	\$54,096
<b>26-30</b>	<b>Number</b>	<b>6,456</b>	<b>6,659</b>	<b>7,152</b>	<b>7,605</b>	<b>8,307</b>	<b>9,431</b>	<b>10,134</b>	<b>9,608</b>	<b>11,474</b>	<b>12,977</b>
	Average Salary	39,474	41,429	43,316	45,877	48,438	51,050	54,071	55,543	56,865	\$58,168
<b>31-35</b>	<b>Number</b>	<b>2,394</b>	<b>2,758</b>	<b>3,222</b>	<b>3,479</b>	<b>3,742</b>	<b>4,124</b>	<b>3,523</b>	<b>1,930</b>	<b>2,456</b>	<b>3,525</b>
	Average Salary	41,730	43,749	46,363	49,046	52,047	55,598	58,913	58,460	59,383	\$61,434
<b>35+</b>	<b>Number</b>	<b>426</b>	<b>462</b>	<b>457</b>	<b>478</b>	<b>539</b>	<b>707</b>	<b>771</b>	<b>541</b>	<b>549</b>	<b>611</b>
	Average Salary	43,465	45,979	48,146	49,979	55,044	57,768	60,109	59,672	61,618	\$62,841
<b>Total Number</b>	<b>100,777</b>	<b>100,857</b>	<b>101,987</b>	<b>103,703</b>	<b>105,160</b>	<b>105,876</b>	<b>107,688</b>	<b>108,520</b>	<b>111,241</b>	<b>113,947</b>	
<b>Average Salary</b>	<b>\$29,638</b>	<b>\$31,318</b>	<b>\$33,024</b>	<b>\$35,321</b>	<b>\$37,193</b>	<b>\$39,177</b>	<b>\$40,618</b>	<b>\$40,455</b>	<b>\$41,903</b>	<b>\$43,398</b>	
<b>% Change Average Salary</b>	<b>5.5%</b>	<b>5.7%</b>	<b>5.4%</b>	<b>7.0%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>3.7%</b>	<b>(0.4%)</b>	<b>3.6%</b>	<b>3.6%</b>	
<b>Total Payroll Full &amp; Part-time</b>	<b>\$2,986,828,726</b>	<b>\$3,158,639,526</b>	<b>\$3,368,018,688</b>	<b>\$3,662,893,663</b>	<b>\$4,112,215,880</b>	<b>\$4,147,904,052</b>	<b>\$4,374,071,184</b>	<b>\$4,390,176,600</b>	<b>\$4,661,331,623</b>	<b>\$4,945,071,906</b>	

*FY97 statistical information is subject to review by the Audit Department which may result in slight modifications. Annual salaries are computed using full- and part-time salary rates only; substitute and hourly employee salaries are omitted. Total payroll shown will be lower than payroll figures used elsewhere in this report.*



STATISTICAL

ACTIVE MEMBERS BY YEARS OF AGE AND YEARS OF SERVICE

AGE	SUBS	YEARS OF SERVICE						TOTALS
		0-5	6-10	11-15	16-20	21-25	26-30	
<b>20-24</b>	<b>Number</b>	<b>3,171</b>	<b>3,421</b>					
	Average Salary	\$3,071	\$25,906					
<b>25-29</b>	<b>Number</b>	<b>3,664</b>	<b>12,495</b>	<b>1,766</b>				
	Average Salary	3,325	29,402	34,185				
<b>30-34</b>	<b>Number</b>	<b>1,970</b>	<b>4,586</b>	<b>5,664</b>	<b>1,054</b>			
	Average Salary	2,912	31,665	36,506	40,868			
<b>35-39</b>	<b>Number</b>	<b>2,464</b>	<b>3,153</b>	<b>2,850</b>	<b>3,846</b>	<b>1,102</b>		
	Average Salary	3,271	31,042	37,684	42,289	46,104		
<b>40-44</b>	<b>Number</b>	<b>3,491</b>	<b>3,684</b>	<b>3,010</b>	<b>2,660</b>	<b>5,733</b>	<b>1,911</b>	
	Average Salary	3,372	31,508	38,114	44,188	48,283	52,064	
<b>45-49</b>	<b>Number</b>	<b>3,717</b>	<b>3,669</b>	<b>4,077</b>	<b>3,219</b>	<b>3,702</b>	<b>8,758</b>	<b>3,131</b>
	Average Salary	3,757	33,757	39,563	45,301	49,958	54,072	56,433
<b>50-54</b>	<b>Number</b>	<b>2,094</b>	<b>1,580</b>	<b>2,180</b>	<b>2,112</b>	<b>2,354</b>	<b>3,008</b>	<b>7,801</b>
	Average Salary	4,015	36,076	42,220	47,023	51,075	55,471	58,848
<b>55-59</b>	<b>Number</b>	<b>1,143</b>	<b>419</b>	<b>624</b>	<b>742</b>	<b>1,083</b>	<b>1,128</b>	<b>1,554</b>
	Average Salary	3,472	39,528	42,381	47,026	51,133	54,166	58,551
<b>60-64</b>	<b>Number</b>	<b>538</b>	<b>105</b>	<b>146</b>	<b>167</b>	<b>272</b>	<b>376</b>	<b>387</b>
	Average Salary	3,306	38,809	44,100	45,310	51,885	53,634	56,635
<b>65-69</b>	<b>Number</b>	<b>266</b>	<b>22</b>	<b>21</b>	<b>24</b>	<b>44</b>	<b>91</b>	<b>91</b>
	Average Salary	2,797	49,848	37,400	41,099	54,265	54,211	60,347
<b>70-74</b>	<b>Number</b>	<b>111</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>10</b>
	Average Salary	2,832		52,719	42,463	46,996	54,900	51,002
<b>74 +</b>	<b>Number</b>	<b>28</b>			<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>
	Average Salary	3,905			33,528	20,032	58,334	58,334
<b>Total</b>	<b>Number</b>	<b>22,657</b>	<b>33,134</b>	<b>20,340</b>	<b>13,830</b>	<b>14,295</b>	<b>15,216</b>	<b>12,977</b>
	Average Salary	\$3,389	\$30,717	\$38,170	\$44,258	\$49,309	\$54,088	\$58,168

STATISTICAL

(As of June 30, 1997)

AGE	SUBS	YEARS OF SERVICE						TOTALS
		0-5	6-10	11-15	16-20	21-25	26-30	
<b>31-35</b>								
<b>36-40</b>								
<b>41-45</b>								
<b>46-50</b>								
<b>51-55</b>								
<b>56-60</b>								
<b>61-65</b>								
<b>66-70</b>								
<b>71-75</b>								
<b>76-80</b>								
<b>81-85</b>								
<b>86-90</b>								
<b>91-95</b>								
<b>96-100</b>								
<b>Total</b>								

STATISTICAL

RETIRED MEMBERS BY YEARS OF SERVICE AND YEARS IN RETIRE

YEARS RETIRED	YEARS OF SERVICE						TOTAL	AVERAGE AGE
	1-5	6-10	11-15	16-20	21-25	26-30		
1-5	Number 601	533	478	661	1,319	2,200	4,062	
	Average Benefit \$194	\$512	\$742	\$1,054	\$1,502	\$2,040	\$2,699	
	Average Original Benefit \$184	\$485	\$690	\$ 989	\$1,416	\$1,910	\$2,569	
6-10	Number 441	543	640	956	1,780	1,880	2,632	
	Average Benefit 180	436	664	1,070	1,478	1,960	2,681	
	Average Original Benefit 145	348	535	874	1,225	1,600	2,251	
11-15	Number 373	468	648	1,161	1,526	1,700	1,994	
	Average Benefit 152	341	605	966	1,255	1,720	2,367	
	Average Original Benefit 99	211	410	682	894	1,200	1,693	
16-20	Number 213	259	562	995	1,242	1,170	1,168	
	Average Benefit 136	291	481	752	975	1,330	1,784	
	Average Original Benefit 74	152	276	459	605	800	1,129	
21-25	Number 151	245	422	774	967	900	913	
	Average Benefit 71	247	414	618	801	1,000	1,384	
	Average Original Benefit 28	108	195	312	418	500	752	
26-30	Number 36	66	162	370	479	400	454	
	Average Benefit 63	228	379	519	673	800	1,055	
	Average Original Benefit 5	74	121	186	274	300	496	
31-35	Number 7	16	33	117	190	100	176	
	Average Benefit 64	218	350	512	622	700	833	
	Average Original Benefit 1	33	60	115	171	200	282	
36-40	Number 1		5	38	109	100	61	
	Average Benefit 106		410	520	616	700	802	
	Average Original Benefit 19		43	99	115	150	218	
41-45	Number			2	10	100	9	
	Average Benefit			480	651	700	796	
	Average Original Benefit			58	90	100	169	
46-50	Number			1	5	100	1	
	Average Benefit			557	626	700	796	
	Average Original Benefit			30	28	100	84	
50 +	Number			1	3	100	2	
	Average Benefit			466	648	700	796	
	Average Original Benefit			5	70	100	83	
<b>TOTAL NUMBER</b>	<b>1,823</b>	<b>2,130</b>	<b>2,950</b>	<b>5,076</b>	<b>7,630</b>	<b>11,472</b>	<b>11,472</b>	
<b>AVERAGE BENEFIT</b>	<b>\$162</b>	<b>\$387</b>	<b>\$573</b>	<b>\$855</b>	<b>\$1,184</b>	<b>\$2,334</b>	<b>\$2,334</b>	
<b>AVERAGE ORIGINAL BENEFIT</b>	<b>\$127</b>	<b>\$290</b>	<b>\$406</b>	<b>\$604</b>	<b>\$ 884</b>	<b>\$1,920</b>	<b>\$1,920</b>	

STATISTICAL

YEARS OF SERVICE	50 +	TOTAL	AVERAGE AGE
46-50	10	16,096	60
	4	\$2,506	
	\$2,983	\$2,355	
41-45	106	10,576	67
	4	1,961	
	\$1,854	1,631	
36-40	29	9,111	72
	3	1,630	
	\$2,874	1,630	
31-35	27	6,301	77
	1	1,166	
	\$2,611	726	
26-30	18	5,536	83
	4	1,026	
	\$2,009	545	
21-25	47	2,963	88
	2	894	
	\$1,617	399	
16-20	70	2,455	92
	1	744	
	\$1,224	245	
11-15	19	1,965	94
	4	701	
	\$1,033	168	
6-10	1	1,229	97
	2	124	
	\$416	47	
1-5		729	98
		124	
		13	
		687	
		45	
		6	
		667	
		65	
		51,955	
		\$1,783	
		\$1,440	71

STATISTICAL

RETIREMENT BENEFITS

(As of June 30, 1997)

Average age: All retirees	71
Average service: All retirees	28 years
Average age: 1,054 FY97 retirees	61
Average service: 1,054 FY97 retirees	24 years
Average monthly benefits: 1,054 FY97 retirees including 90 retirees under provisions of early retirement option	\$1,960
Oldest annuitant	104

AGE	COUNT	AVERAGE BENEFIT
51-55	2,134	\$2,325
56-60	7,039	2,655
61-65	9,156	2,305
66-70	9,536	1,937
71-75	7,624	1,579
76-80	6,217	1,206
81-85	4,824	1,053
86-90	3,607	923
90+	1,818	794
<b>Total</b>	<b>51,955</b>	<b>Weighted Average \$1,783</b>

STATISTICAL

DISABILITY BENEFITS <sup>1</sup>

(As of June 30, 1997)

Average age: All recipients	56
Average service: All recipients	17 years
Average age: 352 new FY97 disability recipients	43
Average service: 352 new FY97 disability recipients	14 years
Average monthly benefits: 352 new FY97 disability recipients	\$1,337

AGE	COUNT	AVERAGE BENEFIT
1-25		
26-30		
31-35	16	
36-40	26	\$ 981
41-45	31	1,058
46-50	82	1,075
51-55	180	1,140
56-60	162	1,306
61-65	137	1,359
66-70	108	1,359
71-75	79	1,266
76-80	63	800
81-85	36	811
86-90	15	616
90+	1	524
<b>Total</b>	<b>12</b>	<b>305</b>
	<b>948</b>	<b>549</b>
		<b>Weighted Average \$1,160</b>

<sup>1</sup> Includes 333 individuals receiving temporary or occupational disability benefits and are counted as active members. The remaining 615 individuals receive permanent disability benefits.



STATISTICAL

**SURVIVOR BENEFITS <sup>1</sup>**

(As of June 30, 1997)

Average age: All recipients 75  
 Average age: 597 new FY97 survivor benefits recipients 71  
 Average monthly benefits: 597 new FY97 survivor benefits recipients \$766

AGE	COUNT	AVERAGE BENEFIT
		\$365
Under 5	2	337
6-10	18	385
11-15	43	414
16-20	33	475
21-25	1	763
26-30	2	645
31-35	5	649
36-40	5	745
41-45	34	749
46-50	72	907
51-55	213	988
56-60	341	924
61-65	480	843
66-70	834	674
71-75	905	556
76-80	1,098	513
81-85	1,129	416
86-90	851	351
90+	383	
<b>Total</b>	<b>6,449</b>	<b>Weighted Average \$634</b>

<sup>1</sup> An additional \$ 9.1 million was paid in death benefits to survivors of active, inactive and retired members as refunds of various types of contributions.

**RETIREEES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**

(For Fiscal Year Ended June 30)

	Number at Beginning of Year	Added to Rolls	Removed from Rolls	Number at End of Year
1995	54,888	6,822	2,076	59,634
1996	59,634	2,063	2,033	59,664
1997	59,664	1,847	2,159	59,352

STATISTICAL

**REVENUES BY SOURCE**

(In Millions)

Year Ended June 30	Member Contributions	Employer Contributions	Percentage of Annual Covered Payroll	Net Invest Income <sup>1</sup>	Other Employer Contributions <sup>2</sup>	Total
1988	\$253	\$220	7.3%	\$560	\$22	\$1,055
1989	268	237	7.5	560	24	1,089
1990	284	269	7.9	814	24	1,391
1991	311	270	7.1	662	24	1,267
1992	351	247	6.2	1,114	25	1,737
1993	363	282	6.7	1,143	24	1,812
1994	413	278	6.3	989	205	1,885
1995	431	279	6.3	771	319	1,800
1996	399	341	7.2	2,096	48	2,884
1997	417	395	7.9	2,645	26	3,483

<sup>1</sup> For 1996 and 1997, includes realized gains and losses and unrealized appreciation or depreciation of investments. Preceding years include only realized gains and losses.

<sup>2</sup> Includes minimum retirement, ERO, ERI and supplemental contributions. These amounts are not counted for actuarial purposes.

**EXPENSES BY TYPE**

(In Millions)

Year Ended June 30	Benefits	Health Insurance	Refunds	Administrative/Other Expenses	Total
1988	\$429	\$7	\$21	\$5	\$462
1989	469	8	20	6	503
1990	509	11	22	41	583
1991	558	15	19	8	600
1992	614	28	19	12	673
1993	677	38	19	10	744
1994	824	50	22	11	907
1995	1,074	38	29	10	1,151
1996	1,122	0	22	11	1,155
1997	1,160	0	22	11	1,193





STATISTICAL

SCHEDULE OF PARTICIPATING EMPLOYERS

MID ILLINOIS ESC 15  
 MIDLAND C.U.S.D. #7  
 MIDLOTHIAN S.D. #143  
 MIDWEST CENTRAL C.U.S.D. #191  
 MILFORD C.S.D. #280  
 MILFORD TWP H.S.D. #233  
 MILLBURN C.C.S.D. #24  
 MILLER TWP C.C.S.D. #210  
 MILLSTADT C.C.S.D. #180  
 MINOOKA C.C.S.D. #201  
 MINOOKA C.H.S. #111  
 MOKENA S.D. #159  
 MOLINE U.S.D. #40  
 MOMENCE C.U.S.D. #31  
 MONMOUTH U.S.D. #38  
 MONROE S.D. #70  
 MONTICELLO C.U.S.D. #25  
 MONTMORENCY C.C.S.D. #145  
 MORRIS C.H.S.D. #101  
 MORRIS S.D. #54  
 MORRISON C.U.S.D. #6  
 MORRISONVILLE C.U.S.D. #1  
 MORTON C.U.S.D. #709  
 MORTON GROVE S.D. #70  
 MOUNT OLIVE C.U.S.D. #5  
 MOUNT PROSPECT S.D. #57  
 MT CARROLL C.U.S.D. #304  
 MT PULASKI C.U.D. #23  
 MT VERNON S.D. #80  
 MT VERNON TWP H.S.D. #201  
 MT ZION C.U.S.D. #3  
 MULBERRY GROVE C.U.S.D. #1  
 MUNDELEIN C.H.S.D. #120  
 MUNDELEIN ELEMENTARY S.D. #75  
 MURPHYSBORO C.U.S.D. #186  
 NAPEERVILLE C.U.S.D. #203  
 NASHVILLE C.C.S.D. #49  
 NASHVILLE C.H.S.D. #99  
 NAUVOO-COLUSA C.U.S.D.  
 NDSEC - N DUPAGE SPEC ED COOP  
 NELSON PUBLIC S.D. #8  
 NEOGA C.U.S.D. #3  
 NEPONSET C.C.S.D. #307  
 NETTLE CREEK C.C.S.D. #24C  
 NEW ATHENS C.U.S.D. #60  
 NEW HOLLAND-MIDDLETOWN E DIST  
 NEW HOPE C.C.S.D. #6  
 NEW LENOX S.D. #122  
 NEW SIMPSON HILL C.S.D. #32  
 NEW TRIER TWP H.S.D. #203  
 NEWARK C.C.S.D. #66  
 NEWARK C.H.S.D. #18  
 NIAN TIC-HARRISTOWN C.U.S.D. #6  
 NILES E.S.D. #71  
 NILES TWP C.H.S.D. #219  
 NOKOMIS C.U.S.D. #22  
 NORFRIDGE S.D. #80  
 NORRIS CITY-OMAHA-ENFIELD CUSD  
 NORTH BOONE C.U.S.D. #200  
 NORTH CENTRAL REG EDUC LAB  
 NORTH CHICAGO S.D. #187  
 NORTH CLAY C.U.S.D. #25  
 NORTH GREENE U.S.D. #3  
 NORTH PALOS S.D. #117  
 NORTH PEKIN-MARQUETTE HIGHT SD  
 NORTH SHORE S.D. #112  
 NORTH SUBURBAN SPEC ED ORG  
 NORTH WAMAC S.D. #186  
 NORTH WAYNE C.U.S.D. #200  
 NORTHBROOK-GLENVIEW S.D. #30  
 NORTHBROOK ELEM S.D. #27  
 NORTHBROOK S.D. #28  
 NORTHFIELD TWP H.S.D. #225  
 NORTHWEST C.U.S.D. #175  
 NORTHWEST SPECIAL ED. DIST.  
 NORTHWESTERN C.U.S.D. #2  
 NORWOOD E.S.D. #63  
 OAK GROVE S.D. #68  
 OAK GROVE S.D. #68  
 OAK LAWN C.H.S.D. #229  
 OAK LAWN-HOMETOWN S.D. #123  
 OAK PARK E.S.D. #97  
 OAK PARK/RIVER FOREST S.D.  
 OAKDALE C.C.S.D. #1  
 OAKLAND C.U.S.D. #5  
 OBLONG C.U.S.D. #4  
 ODELL C.C.S.D. #435  
 ODIN C.H.S.D. #700  
 ODIN S.D. #122  
 OFALLON C.C.S.D. #90  
 OFALLON T.H.S.D. #203  
 OGDEN C.C.S.D. #212  
 OGLE CO SPECIAL ED  
 OGLESBY E.S.D. #125  
 OHIO AND WABASH VALLEY VOC SVS  
 OHIO C.C.S.D. #17  
 OHIO C.H.S.D. #505  
 OKAW AREA VOCATIONAL CENTER  
 OLYMPIA C.U.S.D. #16  
 OPDYKE-BELLE-RIVE C.C.S.D. #5  
 OPHIR C.C.S.D. #235  
 ORANGEVILLE C.U.S.D. #203  
 OREGON C.U.S.D. #220  
 ORION C.U.S.D. #223  
 ORLAND PARK S.D. #135  
 OSWEGO C.U.S.D. #308  
 OTTAWA E.S.D. #141  
 OTTAWA TWP H.S.D. #140  
 OTTER CREEK-HYATT S.D. #58  
 PALATINE C.C.S.D. #15  
 PALATINE TWP H.S.D. #211  
 PALESTINE C.U.S.D. #3  
 PALOS C.C.S.D. #118  
 PALOS HEIGHTS S.D. #128  
 PANA C.U.S.D. #8  
 PANHANDLE C.U.S.D. #2  
 PARIS-UNION S.D. #95  
 PARIS C.U.S.D. #4  
 PARK FOREST S.D. #163  
 PARK RIDGE C.C.S.D. #64  
 PASS/ADULT EDUCATION  
 PATOKA C.U.S.D. #100  
 PAWNEE C.U.S.D. #11  
 PAXTON-BUCKLEY-LODA  
 PAYSON C.U.S.D. #1  
 PEARL CITY C.U.S.D. #200  
 PECATONICA C.U.S.D. #321  
 PEKIN C.H.S.D. #303  
 PEKIN P.S.D. #108  
 PEMBROKE C.C.S.D. #259  
 PENNOYER S.D. #79  
 PEORIA HGHTS C.U.S.D. #325  
 PEORIA S.D. #150  
 PEOTONE C.U.S.D. #207  
 PERANDOE SPECIAL ED DISRICT  
 PERU ELEMENTARY S.D. #124  
 PHILIP J ROCK SCHL & SERV CTR  
 PIKELAND C.U.S.D. #10  
 PINCKNEYVILLE S.D. #50  
 PINCKNEYVL. C.H.S.D. #101  
 PLAINFIELD S.D. #202  
 PLANO C.U.S.D. #88  
 PLEASANT HILL C.U.S.D. #3  
 PLEASANT HILL S.D. #69  
 PLEASANT PLAINS C.U.S.D. #8  
 PLEASANT VALLEY S.D. #62  
 PLEASANTDALE S.D. #107  
 POLO C.U.S.D. #222  
 PONTIAC-W HOLIDAY S.D. #105  
 PONTIAC C.C.S.D. #429  
 PONTIAC ESMEN C.C.S.D. #430  
 PONTIAC TWP H.S.D. #90  
 POPE COUNTY C.U.S.D. #1  
 PORTA C.U.S.D. #202  
 POSEN-ROBBINS E.S.D.  
 POTOMAC C.U.S.D. #10  
 PRAIRIE CENTRAL C.U.S.D. #8  
 PRAIRIE DU ROCHER C.C.S.D.  
 PRAIRIE GROVE C.S.D. #46  
 PRAIRIE HILL C.C.S.D. #133  
 PRAIRIE HILLS E.S.D.  
 PRAIRIEVIEW C.C.S.D. #192  
 PRICHARD CLARK C.E.D. #340  
 PRINCETON E.S.D. #115  
 PRINCETON TWP H.S.D. #500  
 PRINCEVILLE C.U.S.D. #326  
 PROFESSIONAL DEV ALLIANCE/ROE  
 PROPHETSTOWN-LYNDON CUSD  
 PROSPECT HEIGHTS S.D. #23  
 PROVISIO TWP H.S.D. #209  
 PUFFER-HEFTY S.D. #69  
 PUTNAM COUNTY C.U.S.D.  
 QUEEN BEE S.D. #16  
 QUINCY S.D. #172  
 R O W V A C.U.S.D. #208  
 RACCOON C.S.D. #1  
 RAMSEY C.U.S.D. #204  
 RANDOLPH CO SPEC ED  
 RANKIN C.S.D. #98  
 RANTOUL CITY S.D. #137  
 RANTOUL TWP H.S.D. #193  
 REAVIS TWP H.S.D. #220  
 RED BUD C.U.S.D. #132  
 RED HILL C.U.S.D. #10  
 REED CUSTER C.U.S.D. #255  
 REG DEL SYS VOC ED AND GIFTED  
 REGIONAL FILM LIBRARY  
 REGIONAL SUPERINTENDENT OF SCH  
 REGIONAL VOCATIONAL SYSTEM  
 RHODES S.D. #84.5  
 RICH TOWNSHIP H.S.D. #227  
 RICHLAND S.D. #88A  
 RICHMOND BURTON H.S.C.D. #157  
 RICHMOND C.S.D. #13  
 RIDGELAND S.D. #122  
 RIDGEVIEW C.U.S.D. #19  
 RIDGEWOOD C.H.S.D. #234  
 RILEY C.C.S.D. #18  
 RIVER BEND C.U.S.D. #2  
 RIVER FOREST S.D. #90  
 RIVER GROVE S.D. #85.5  
 RIVER RIDGE C.U.S.D. #210  
 RIVER TRAILS S.D. #26  
 RIVERDALE C.U.S.D. #100  
 RIVERDALE S.D. #14  
 RIVERSIDE S.D. #96  
 RIVERSIDE/BROOKFIELD #208  
 RIVERTON C.U.S.D. #14  
 RIVERVIEW C.C.S.D. #2  
 ROANOKE BENSON C.U.S.D. #60  
 ROBEIN S.D. #85  
 ROBINSON C.U.S.D. #2  
 ROCHELLE C.C.S.D. #231  
 ROCHELLE TWP H.S.D. #212  
 ROCHESTER C.U.S.D. #3A  
 ROCK FALLS E.S.D. #13  
 ROCK FALLS TWP H.S.D. #301  
 ROCK ISLAND S.D. #41  
 ROCKDALE S.D. #84  
 ROCKFORD S.D. #205  
 ROCKRIDGE C.U.S.D. #300  
 ROCKTON S.D. #140  
 ROE-PROJECT AREA 1 HUB  
 ROE #12-CLY/CRAW/JASPLAWR/RCH  
 ROE ADAMS-PIKE COUNTIES  
 ROE ALXNDR/JOHN/MASO/PULSKI/UN  
 ROE BOONE/WINNEBAGO  
 ROE CALHOUN/GRNE/RSY/MACOUFIN  
 ROE CARROLL/JO DAV/STEPHENSON  
 ROE CHAMPAIGN/FORD  
 ROE CHRISTIAN/MONTGOMERY  
 ROE CLAY/CW/FORD/JSPER/LWRN/RIC  
 ROE CLINTON/MARION/WASHINGTON  
 ROE CLK/CLS/CMB/NDGLAS/MLTR/SH  
 ROE DE KALB  
 ROE DEWITT/LIVINGSTON/MCLEAN  
 ROE DUPAGE  
 ROE EDWD/GLTN/HDIN/PDP/SLN/WBH  
 ROE FRANKLIN/WILLIAMSON  
 ROE GRUNDY/KENDALL  
 ROE HAMILTON/JEFFERSON  
 ROE HANCOCK/MCDONOUGH  
 ROE IROQUOIS/KANKAKEE COUNTY  
 ROE JACKSON/PERRY  
 ROE KANE COUNTY  
 ROE KNOX COUNTY  
 ROE LAKE COUNTY  
 ROE LASALLE COUNTY  
 ROE LEE/OGLE COUNTIES  
 ROE LOGAN/MASON/MENARD  
 ROE MACON/PIATT COUNTIES  
 ROE MCHENRY COUNTY  
 ROE MONROE/RANDOLPH  
 ROE PEORIA COUNTY  
 ROE PROFESSIONAL SERVICES #19  
 ROE ROCK ISLAND COUNTY  
 ROE SANGAMON COUNTY  
 ROE ST CLAIR COUNTY  
 ROE TAZEWELL COUNTY  
 ROE WHITESIDE COUNTY  
 REGIONAL C.C.S.D. #2  
 RONDOUT S.D. #72  
 ROOKS CREEK C.C.S.D. #425  
 ROSELLE S.D. #84.5  
 ROSEMONT ELEM. S.D. #78  
 ROSEVILLE C.U.S.D. #200  
 ROSSVILLE-ALVIN C.U.S.D. #7  
 ROUND LAKE AREA S.D. #116  
 ROXANA C.U.S.D. #1  
 RUTLAND C.C.S.D. #230  
 SALEM C.H.S.D. #600  
 SALEM S.D. #111  
 SALT CREEK S.D. #48  
 SANDOVAL C.U.S.D. #501  
 SANDRIDGE S.D. #172  
 SANDWICH C.U.S.D. #430  
 SANGAMON AREA SPECIAL ED  
 SANGAMON AREA VOCATIONAL ED RESO  
 SARATOGA C.C.S.D. #60C  
 SAUK VILLAGE C.C.S.D. #168  
 SAUNEMIN C.C.S.D. #438  
 SAVANNA C.U.S.D. #300  
 SCALES MOUND C.U.S.D. #211  
 SCHAUMBURG C.C.S.D. #54  
 SCHILLER PARK S.D. #81  
 SCHUYLER COUNTY C.U.S.D. #1  
 SCOTT-MORGAN C.U.S.D. #2  
 SEDCS7 100 0020 61 MARON  
 SEJA 803 PAEC  
 SEJA 804 NSSD  
 SELMAVILLE C.C.S.D. #10  
 SENECA C.C.S.D. #170  
 SENECA TWP H.S.D. #160  
 SESSER-VALIER C.U.S.D.  
 SHAPIRO DEVELOPMENTAL CTR  
 SHAWNEE C.U.S.D. #84  
 SHELBYVILLE C.U.S.D. #4  
 SHELDON C.U.S.D. #5  
 SHERRARD C.U.S.D. #200  
 SHILOH C.U.S.D. #1  
 SHILOH VILLAGE S.D. #85  
 SHIRLAND C.C.S.D. #134  
 SIGNAL HILL S.D. #181  
 SILVIS S.D. #34  
 SINGER MENTAL HEALTH  
 SKOKIE-FAIRVIEW S.D. #72  
 SKOKIE S.D. #68  
 SKOKIE S.D. #69  
 SKOKIE S.D. #73.5  
 SMA - SEJA #801  
 SMITHTON C.C.S.D. #130  
 SO WILL CO COOP FOR SPEC ED  
 SOMONIAK C.U.S.D. #432  
 SOUTH BELOIT C.U.S.D. #320  
 SOUTH CENTRAL C.U.S.D. #401  
 SOUTH COOK ISC #4  
 SOUTH EASTERN SPEC ED  
 SOUTH FORK S.D. #14  
 SOUTH HOLLAND S.D. #150  
 SOUTH HOLLAND S.D. #151  
 SOUTH PEKIN S.D. #137  
 SOUTH WILMINGTON C.S.D. #74  
 SOUTHEASTERN C.U.S.D. #337  
 SOUTHERN C.U.S.D. #120  
 SOUTHWEST COOP SPEC ED  
 SOUTHWESTERN C.U.S.D. #9  
 SPARTA C.U.S.D. #140  
 SPEC ED DIST OF MCHENRY COUNTY  
 SPEC ED COOP  
 SPEC ED TCHR  
 SPECIAL ED OF PEORIA COUNTY  
 SPECIAL ED. DIST. - REGION 3  
 SPEED ED COOP  
 SPOON RIVER VALLEY C.U.S.D. #4  
 SPRING GROVE S.D. #11  
 SPRING LAKE C.C.S.D. #606  
 SPRING VALLEY C.C.S.D. #99  
 SPRINGFIELD S.D. #186  
 ST ANNE C.C.S.D. #256  
 ST ANNE C.H.S.D. #302  
 ST DAVID S.D. #87  
 ST ELMO C.U.S.D. #202  
 ST GEORGE C.C.S.D. #258  
 ST JOSEPH C.C.S.D. #169  
 ST JOSEPH OGDEN C.H.S. #305  
 ST LIBORY C.S.D. #30  
 ST ROSE S.D. #14  
 ST CHARLES C.U.S.D. #303  
 STARK COUNTY C.Y.S.D. #100  
 STALINTON C.U.S.D. #6  
 STEELEVILLE C.U.S.D. #138  
 STEGER S.D. #194  
 STEPHENSON AREA TECH ED SYS  
 STERLING C.U.D. #5  
 STEWARD ELEMENTARY S.D. #220  
 STEWARDSON-STRASBURG C.U.S.D.  
 STOCKTON C.U.S.D. #206  
 STREATOR ELEMENTARY S.D. #44  
 STREATOR TWP H.S.D. #40  
 STREATOR WOODLAND C.U.S.D. #5  
 SULLIVAN C.U.S.D. #300  
 SUMMERSVILLE S.D. #79  
 SUMMIT HILL S.D. #161  
 SUNNYBROOK S.D. #171  
 SUNSET RIDGE S.D. #29  
 SYCAMORE C.U.S.D. #427  
 TAFT S.D. #90  
 TAMAROA S.D. #5  
 TAMPICO COMM UNIT  
 TAYLORVILLE C.U.S.D. #3  
 TAZEWELL-MASON CO SPEC ED ASSOC  
 TEACHERS' RETIREMENT SYSTEM  
 TENCO/SIRSEA REG ED PROG  
 TEUTOPOLIS C.U.S.D. #50  
 THOMASBORO C.C.S.D. #130  
 THOMPSONVILLE C.H.S.D. #112  
 THOMPSONVILLE S.D. #62  
 THOMSON C.U.S.D. #301  
 THORNTON FRACTIONAL H.S.D.  
 THORNTON S.D. #154  
 THORNTON TWP H.S.D. #205  
 THREE RIVERS ED FOR EMPLOYMENT SYS  
 TINLEY PARK MENTAL HLTH CTR  
 TINLEY PARK S.D. #146  
 TISKIWA SCHOOL  
 TOLONO C.U.S.D. #7  
 TONICA C.C.S.D. #79  
 TOWER HILL C.C.S.D. #10  
 TOWER HILL C.H.S.D. #185  
 TOWNSHIP H.S.D. #214  
 TREMONT C.U.S.D. #702  
 TRI-COUNTY SPEC ED CO-OP  
 TRI CITY C.U.S.D. #1  
 TRI COUNTY EDUCATION SERV CTR

STATISTICAL

SCHEDULE OF PARTICIPATING EMPLOYERS

TRI COUNTY SPE ED ASSO  
 TRI POINT C.U.S.D. #6-J  
 TRI VALLEY C.U.S.D. #3  
 TRIAD C.U.S.D. #2  
 TRICO C.U.S.D. #176  
 TRIPIA C.U.S.D. #27  
 TROY C.C.S.D. #30C  
 TRIJANTS ALT & OPT EDUC PROGRAM  
 TRIJANTS' ALTERNATIVE & OPT ED PROGRAM  
 TUSCOLA C.U.S.D. #301  
 TWIN RIVERS REG VOC DEL SYS  
 TWO RIVERS PROFESSIONAL DEV.  
 UNION C.U.S.D. #115  
 UNION RIDGE S.D. #86  
 UNION S.D. #81  
 UNITED TWP H.S.D. #30  
 UNITY POINT C.C.S.D. #140  
 URBANA S.D. #116  
 UTICA E.S.D. #135  
 V I T C.U.S.D. #2  
 VALLEY VIEW C.U.S.D. #365  
 VALMEYER C.U.S.D. #3  
 VANDALIA C.U.S.D. #203  
 VENICE C.U.S.D. #3  
 VERMILION ASSOC SPEC EDUCATION  
 VIENNA S.D. #55  
 VIENNA TWP H.S.D. #133  
 VILLA GROVE C.U.S.D. #302  
 VILLA PARK S.D. #45  
 VIRGEN C.U.S.D. #4  
 VIRGINIA C.U.S.D. #64  
 WABASH & OHIO VALLEY SE DIST  
 WABASH C.U.S.D. #348  
 WALLACE C.C.S.D. #195  
 WALTHAM C.C.S.D. #185  
 WALTONVILLE C.U.S.D. #1  
 WARREN C.U.S.D. #205  
 WARREN G. MURRAY DEV. CENTER  
 WARREN TWP H.S.D. #121  
 WARRENSBURG-LATHAM C.U.S.D. #11  
 WARSAW C.U.S.D. #316  
 WASHINGTON C.H.S.D. #308  
 WASHINGTON S.D. #52  
 WATERLOO C.U.S.D. #5  
 WAUCONDA C.U.S.D. #118  
 WAUKEGAN C.U.S.D. #60  
 WAVERLY C.U.S.D. #6  
 WAYNE CITY C.U.S.D. #100  
 WEBBER TWP H.S.D. #204  
 WESCLIN C.U.S.D. #3  
 WEST CENTRAL IL SP ED COOP  
 WEST CHICAGO C.H.S.D. #94  
 WEST CHICAGO E.S.D. #33  
 WEST HARVEY-DIXMOOR S.D.  
 WEST LINCOLN-BROADWELL  
 WEST NORTHFIELD S.D. #31  
 WEST PIKE C.U.S.D. #2  
 WEST RICHLAND C.U.S.D. #2  
 WEST WASHINGTON C.U.S.D. #10  
 WESTCHESTER S.D. #92.5  
 WESTERN SPRINGS S.D. #101  
 WESTMER C.U.S.D. #203  
 WESTMONT C.U.S.D. #201  
 WESTVILLE C.U.S.D. #2  
 WETHERSFIELD C.U.S.D. #230  
 WHEELING C.C.S.D. #21  
 WHITESIDE S.D. #115  
 WILCO AREA CAREER CENTER  
 WILL COUNTY S.D. #92  
 WILLOW SPRINGS S.D. #108  
 WILMETTE S.D. #39  
 WILMINGTON C.U.S.D. #209  
 WINCHESTER C.U.S.D. #1  
 WINDSOR C.U.S.D. #1  
 WINFIELD S.D. #34  
 WINNEBAGO C.U.S.D. #323  
 WINNETKA S.D. #36  
 WINTHROP HARBOR S.D. #1  
 WITT U.S.D. #66  
 WM HOWE DEVL P CTR  
 WOLF BRANCH S.D. #113  
 WOOD DALE S.D. #7  
 WOOD RIVER-HARTFORD E.S.D. #15  
 WOODFORD CO SPEC ED  
 WOODLAND C.C.S.D. #50  
 WOODLAWN C.C.S.D. #4  
 WOODLAWN C.H.S.D. #205  
 WOODRIDGE S.D. #68  
 WOODSTOCK C.U.S.D. #200  
 WORTH SCHOOL DISTRICT #127  
 YORKVILLE C.U.S.D. #115  
 YORKWOOD C.U.S.D. #225  
 ZEIGLER ROYALTON C.U.S.D. #188  
 ZION-BENTON TWP H.S.D. #126  
 ZION ELEMENTARY S.D. #6



**SECTION FIVE:  
INVESTMENTS**



**INTRODUCTION**

The TRS trust fund is invested by authority of the Illinois General Assembly under the "prudent person rule" requiring investments to be managed solely in the interest of fund participants and beneficiaries. As of June 30, 1997, the System's total investments (including accrued investment income) at market totaled \$18,091,362,789.

Investments are guided by a statement of investment objectives and policies approved by the Board of Trustees. The objective is to provide the greatest long-term benefits to members by maximizing the total rate of return on investments within prudent parameters of risk for a retirement fund of this type. Investment performance is expected to exceed the annual rate of inflation over the long-term by 3% and to outperform various market indices for each asset class.

**PERFORMANCE SUMMARY**

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

<b>PERFORMANCE SUMMARY</b>		(Annualized Percent for Periods Ending June 30, 1997*)					
(Years Ended June 30)	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Annualized 3 Years</b>	<b>5 Years</b>
<b>Total Time-Weighted Return</b>							
TRS	11.6	4.7	13.4	16.9	18.3	15.7	12.6
CPI	3.0	2.5	3.0	2.8	2.3	2.7	2.7
<b>Common Stock - US</b>							
TRS	14.7	2.7	20.6	23.0	27.9	23.7	17.4
S&P 500	13.6	1.4	26.0	26.1	34.6	28.8	19.7
Wilshire 5000	16.2	1.2	24.7	26.2	29.3	26.7	19.1
<b>Bonds - US</b>							
TRS	13.7	-0.6	12.0	3.2	10.8	8.1	7.1
SALOMON BIG	12.0	-1.5	12.8	5.0	8.2	8.5	7.2
<b>Bonds - International</b>							
TRS	8.0	4.7	14.4	6.6	4.9	9.6	9.5
SBNUSDB	14.1	10.5	22.7	-1.7	2.2	7.2	8.2
<b>Common Stock-International</b>							
TRS	7.5	12.6	-6.1	27.5	19.9	12.8	12.2
EAFE Index	20.5	17.0	1.7	13.6	12.8	9.1	12.8
<b>Real Estate- TRS</b>							
	-0.5	9.7	13.2	11.1	12.7	12.3	9.4
<b>Alternative Investments - TRS</b>							
	5.7	1.6	30.3	67.7	22.6	49.7	28.0
<b>Short Term</b>							
TRS	4.3	3.7	5.9	5.4	5.6	5.6	4.9
91 Day Treasury Bill	3.2	3.3	5.3	5.4	5.4	5.5	4.6
<b>ASSET ALLOCATION (ANNUAL AVERAGE)</b>							
Bonds	25.1	24.1	23.2	19.8	20.0	21.0	22.4
Common Stock - US	40.4	36.8	35.5	39.9	41.3	38.9	38.8
Short Term	6.2	7.6	5.3	4.7	4.6	4.9	5.7
Other	28.3	31.5	36.0	35.6	34.1	35.2	33.1

\* With the exception of asset allocation percentages, all returns provided by The Northern Trust Company



# INVESTMENTS

## ASSET ALLOCATION

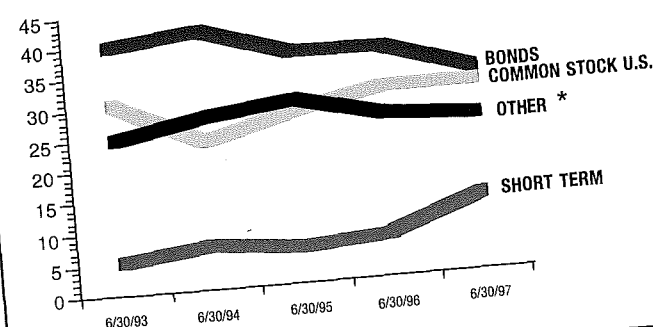
A pension fund's most important investment policy decision is the selection of an asset allocation. Similar to other large institutional funds, the System maintains a well-diversified portfolio to effectively control risk. The System's asset allocation as of June 30, 1997 was as follows:

Asset Class	% of Total	
	1997	1996
Common Stock - U.S.	30.4	30.3
Bonds	32.5	36.8
Short Term Investments	12.1	7.1
Currency Investments	0.4	0.3
Common Stock - International	9.6	9.8
Real Estate Equity	13.0	14.4
Alternative Investments	2.0	1.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Percentage totals for fiscal year 1997 show a slight increase in U.S. equities from 30.3% a year earlier. International equities dropped from the FY 1996 figure of 9.8%. In all, equities totaled 40.0% of the total portfolio.

Bonds decreased to 32.5% of the total fund, from 36.8% a year earlier while real estate decreased 1.4% to 13.0% at year end. Over the past five years, the System's allocation history can be represented as follows:

## ASSET ALLOCATION HISTORY



\* Other includes Common Stock International, Real Estate, Alternative Investments and Currency Investments

## FUND MANAGEMENT

The fund is externally managed by professional investment firms which bring their particular expertise to the selection and retention of investments. Their activities are reviewed and directed by the System's staff and Trustees to ensure compliance with applicable statutes, the investment policy and long-term strategic plans. On June 30, 1997, the following external firms were employed by TRS:

### Fixed Income (Bonds) U.S.

BlackRock Financial Management, Inc.  
Chicago Title & Trust  
Pacific Investment Management Co.  
Payden & Rygel  
W.R. Huff Asset Management  
Weiss, Peck & Greer Investments  
Western Asset Management Co.

### Fixed Income (Bonds) International

Bear Stearns Asset Management  
Brinson Partners, Inc.  
Delaware International Advisors, Ltd.  
Julius Baer Investment Management, Inc.  
Pacific Investment Management Co.  
Schroders Capital Management International, Inc.  
Societe Generale Asset Management

### Equity (Common Stock)-U.S.

Ark Asset Management Co., Inc.  
Bank of America  
Brinson Partners, Inc.  
First of America Investment Corp.  
Fiduciary Management Associates  
Hotchkis and Wiley  
Lazard Freres Asset Management  
First Analysis Corp.  
Wayne Hummer Management Co.  
Mentor Investment Advisors, Inc.  
Insight Capital Research & Management, Inc.  
Lincoln Capital Management Co.  
Munder Capital Management, Inc.  
Oppenheimer Capital  
Pacific Investment Management Co.  
Paradigm Asset Management Co., L.L.C.  
Sturdivant & Co.  
Valenzuela Capital Management, Inc.

### Equity (Common Stock) International

Blairlogie Capital Management  
Brandywine Asset Management, Inc.  
Brinson Partners, Inc.  
Clay Finlay, Inc.  
Delaware International Advisors, Ltd.  
Hotchkis & Wiley International  
Pyrford International, PLC  
RCM Capital Management  
Scudder, Stevens & Clark, Inc.

### Real Estate Equity

Bear Stearns/Capital Associates Realty Advisors  
Capital Associates Realty Advisors  
Commonwealth Realty Advisors, Inc.  
Cozad/Westchester  
DLJ Real Estate Capital Partners, L.P.  
Heitman Capital Management  
K/B Realty Advisors  
LaSalle Advisors Limited  
LPC Realty Advisors I, Ltd.  
RREEF Real Estate Venture Capital Fund, L.P.  
Stone-Levy, LLC  
Westmark Realty Advisors

### Alternative Investments

Angelo, Gordon & Co.  
Apex Investment Partners  
Daystar Partners  
DLJ Merchant Banking Partners, Inc.  
Frontenac Company  
Kohlberg Kravis Roberts & Co.  
Mesirow Private Equity Investments, Inc.  
Penman Asset Management, L.P.  
Periscope I Fund Managers, L.L.C.  
Sandler Capital Management  
SCP Private Equity Partners, L.P.  
TCW/Latin American Partners, L.L.C.  
The Applian Group  
Trivest, Inc.  
Veronis Suhler & Associates  
Walnut Growth Partners, L.L.C.  
Weiss, Peck & Greer Venture Partners, L.P.  
William Blair Mezzanine Capital Partners

### Tactical Asset Allocation

Brinson Partners, Inc.  
Pyrford International, Inc.

### Cash Management

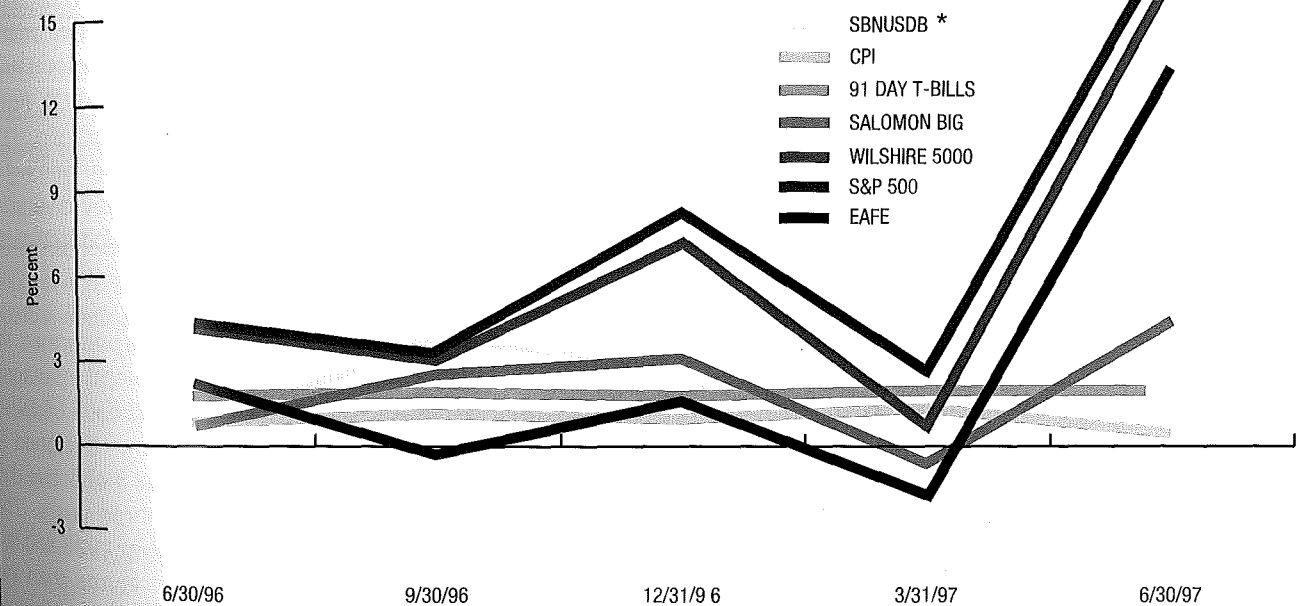
Hotchkis & Wiley  
Atlantic Asset Management, Inc.

# INVESTMENTS

## ASSET CLASS & MARKET INDICES

During FY97, U.S. common stock was the best performing asset class as represented by the S&P 500 Index which returned 34.6% and the Wilshire 5000 Index at 29.3%. International common stocks were the next best performing asset class, as represented by the Europe, Australia and the Far East (EAFE) Index, returning 12.8%. Domestic bonds returned 8.2%, as represented by the Salomon Broad Investment Grade (Salomon BIG) Index. Non-U.S. dollar bonds, represented by the Salomon Non-U.S. Dollar Bond Index, returned 2.2%. The 91-Day Treasury Bill, reflecting short-term investments, returned 5.4%. The annual rate of inflation, as represented by the Consumer Price Index (CPI) stood at 2.3% for FY97.

## ASSET CLASS QUARTERLY RETURN BY REPRESENTATIVE INDICES



\* Salomon Brothers Non-U.S. Dollar Bond Index



## INVESTMENTS

### TOTAL FUND RESULTS

In accordance with the Performance Presentations Standards of the Association of Investment Management and Research, the System's total time-weighted rate of return for FY97 was 18.3%. This result was due primarily to the System's impressive results in the U.S. and international stock markets and alternative investments.

The Fund's total return in 1997 easily surpassed the long term performance objectives of preserving purchasing power and exceeding the rate of inflation by 3% (as measured by the Consumer Price Index). In addition to these objectives, formally outlined in the System's Statement of Investment Objectives and Policies, the System's returns for FY97 also exceeded the required actuarial return. As indicated below, this trend has continued over the annualized three- and five-year period. In addition, the System again bettered its average market weighted index, a cross-section of the returns of numerous market indices based on the System's own asset allocation. In other words, TRS active managers exceeded the results which would have occurred if the System had simply invested in index funds in percentages equal to our established asset allocation.

	FY97	3-Year	5-Year
TRS	18.3%	15.7%	12.6%
CPI	2.3	2.7	2.7
Market Weighted Index	16.2	14.3	11.8

### U.S. EQUITY RESULTS AND PROFILE

For the fiscal year, the System's U.S. common stock portfolio returned 27.9% compared to the S&P 500 return of 34.6% and the Wilshire 5000 return of 29.3%. Three- and five-year comparisons to this benchmark are noted below:

	FY97	3-Year	5-Year
TRS	27.9%	23.7%	17.4%
S&P 500	34.6	28.8	19.7
Wilshire 5000	29.3	26.7	19.1

At June 30, 1997, 41.7% of the System's investment portfolio was assigned to U.S. equity managers, compared to 39.8% at the prior fiscal year's end. Equity managers using either fully active or enhanced index management strategies continued to be retained during FY97. The market value of assets assigned to U.S. equity managers increased to \$7.345 billion due to \$107 million in reallocations to the U.S. equity asset class and \$1.215 billion of market value appreciation.

The performance goal of U.S. equities is a total investment return in excess of the rate of inflation over the long term. Domestic equity managers are expected to better the designated benchmark index on an annualized basis over a three- to five-year period or market cycle. The S&P 500 is a popular index, often used to represent U.S. equity market returns. However, the Wilshire 5000 Index provides a more accurate representation of both the aggregate U.S. equity market and the System's domestic equity portfolio. The Wilshire 5000 is highly diversified across the various equity market sectors and industries and has the highly diversified financial characteristics and risk factors which ultimately influence the total return.

TRS domestic equity investments underperformed the Wilshire 5000 for two reasons. First, several managers failed to meet performance expectations and have been terminated. In addition, the overlay program, designed to hedge against rapid market downturns, was ineffective during the sustained market rise of the past three years. The program, which was suspended in November 1996 and terminated in early 1997, "locked-in" lower returns than the market actually produced. The termination of less productive managers and the overlay program are expected to improve future results.

TRS domestic equity managers changed the sector diversification of their portfolios during FY97. Increases in investments were made in the consumer non-durables, technology, utilities and energy sectors to take advantage of the economic value represented in these areas, while investments in basic industries, finance, capital goods and consumer durables were trimmed back. The following table summarizes these changes and also provides a comparison with the S&P 500 and the Wilshire 5000 Indices.

## INVESTMENTS

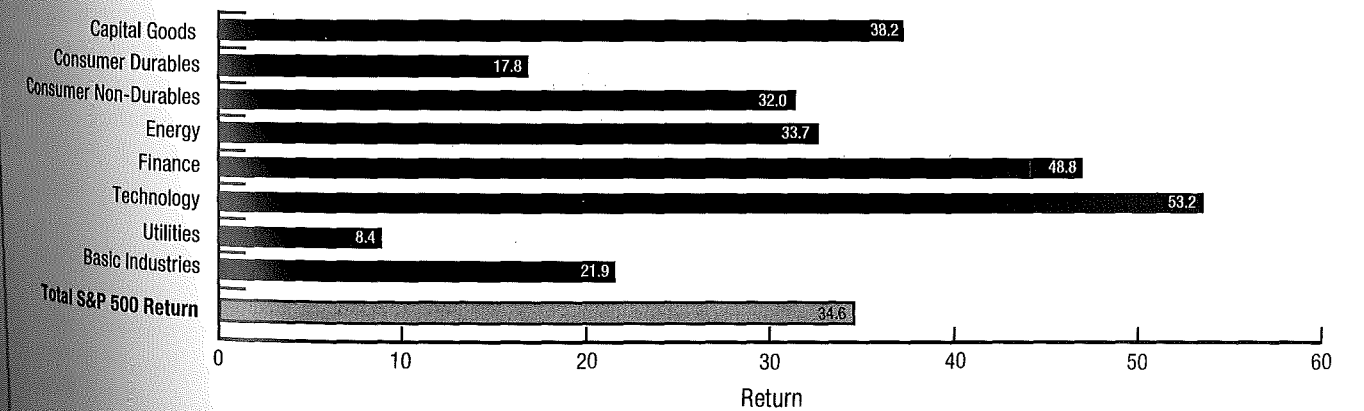
### DIVERSIFICATION BY INDUSTRY SECTOR (%)

Sector	June 30, 1997			June 30, 1996		
	TRS	S&P 500	WIL 5000	TRS	S&P 500	WIL 5000
Consumer Non-Durables	39.2	34.9	34.7	26.6	34.2	28.0
Technology	14.6	13.3	13.6	12.9	10.6	15.1
Basic Industries	11.7	7.0	8.6	19.4	8.8	12.0
Utilities	3.6	8.5	8.0	2.5	11.2	11.6
Finance	15.9	16.0	17.4	20.0	14.1	17.3
Energy	4.2	9.1	6.9	3.0	9.5	7.4
Capital Goods	8.0	8.7	8.1	11.0	8.7	5.5
Consumer Durables	2.8	2.5	2.7	4.6	2.9	3.1

\* Source: The Northern Trust Company

All S&P 500 industry sectors provided positive rates of return during FY97. The top performing sectors within the S&P 500 were Technology, returning 53.2%, Finance, returning 48.8% and Capital Goods at 38.2%. As illustrated below, other notable sectors performed well:

### S&P 500 INDUSTRY RETURNS (%)



\* Source: The Northern Trust Company

## INVESTMENTS

U.S. equity managers made selection adjustments to their accounts during FY97 as noted by the following comparison of portfolio characteristics with the S&P 500 and the Wilshire 5000 Indices.

### U.S. EQUITY PORTFOLIO PROFILE

	June 30, 1997			June 30, 1996		
	TRS	S&P 500	WILSHIRE 5000	TRS	S&P 500	WILSHIRE 5000
Capitalization (\$Bil)	28.0	50.2	37.4	21.4	33.4	24.4
Price/Earnings Ratio	27.1	25.1	25.5	22.3	23.1	20.9
Dividend Yield (%)	1.4	1.7	1.6	1.7	2.2	1.9
Beta	1.0	1.0	1.0	1.1	1.0	1.1
Diversification (R-Squared)	0.9	1.0	1.0	1.0	1.0	0.9
Five-Year Earnings Growth Rate (%)	16.4	18.4	19.2	10.9	8.9	9.9
Market/Book Ratio	6.2	6.2	5.8	5.6	4.3	5.4

\* Source: The Northern Trust Company

The capitalization of the TRS domestic equity portfolio increased dramatically from June 30, 1996, to June 30, 1997, primarily due to the significant appreciation of the U.S. equity market. The capitalization of the TRS domestic equity portfolio was much more similar to that of the broader Wilshire 5000 Index. The TRS portfolio emphasizes the broad market and includes small and mid-size firms not included in the S&P 500. The rally in the U.S. equity market also translated into higher Price/Earnings ratios for the TRS domestic equity portfolio and both the S&P 500 and Wilshire 5000 Indices. As of June 30, 1997, the U.S. equity portfolio maintained a Price/Earnings ratio somewhat higher than that of the market indices due to the portfolio's slightly greater weighting in growth securities. The TRS domestic equity portfolio, typically divided equally between growth and value securities, slightly favored growth securities as a result of the performance advantage growth securities have had relative to value securities over the past three years.

## INVESTMENTS

### INTERNATIONAL EQUITY RESULTS

The performance objective for international equities mirrors that of domestic equities: a total annual return of 6% in excess of the rate of inflation and to exceed the EAFE Index over the long-term.

For the year ended June 30, 1997, the international equity asset class returned 19.9% compared to the EAFE Index of 12.8%.

	FY97	3-Year	5-Year
TRS	19.9%	12.8%	12.2%
EAFE Index (U.S.)	12.8	9.1	12.8
EAFE Index (Local)	19.3	11.9	13.4

The one- and three-year performances were particularly impressive considering that the strong U.S. dollar reduced the benchmark yields when the EAFE index was converted from local currencies to U.S. dollars. Indeed, the 1997 TRS performance exceeded the local index even after currency effects were considered.

The System's international equity managers continued to limit exposure to Japanese equities, investing only 11% of the System's foreign equities in Japan, compared to Japan's relative 33% weighting in the EAFE Index. For FY97, \$108 million of market value appreciation and \$180 million in reallocations from other asset classes combined to increase the market value of international equity assets to \$2.132 billion.

### ALTERNATIVE INVESTMENTS RESULTS

FY 1997 was another strong year for alternative investments. A total return of 22.6%, easily outdistanced its performance objective of earning 10% in excess of the rate of inflation. While representative indices are unavailable, performance is very impressive over the three- and five-year periods with annualized returns of 49.7% and 28.0%, respectively. Overall, the System had a market value of \$364.6 million invested in 17 venture capital limited partnerships at year end.

### FIXED INCOME RESULTS & PROFILE

TRS domestic fixed income managers returned 10.8% for the year compared to the 8.2% return for its benchmark, the Salomon Broad Investment Grade (Salomon BIG). The FY97 results are an improvement against the benchmark for the three- and five-year period:

	FY97	3-Year	5-Year
TRS	10.8%	8.1%	7.1%
Salomon BIG	8.2	8.5	7.2

The System's international fixed income managers returned 4.9% in fiscal 1997, outperforming their benchmark, the Salomon Brothers Non-U.S. Dollar Bond Index (SBNUSDB), which returned 2.2%. TRS international fixed income managers' results are superior to the SBNUSDB over the three- and five-year period as well.

	FY97	3-Year	5-Year
TRS	4.9%	9.6%	9.5%
SBNUSDB*	2.2	7.2	8.2

\* Salomon Brothers Non-U.S. Dollar Bond Index

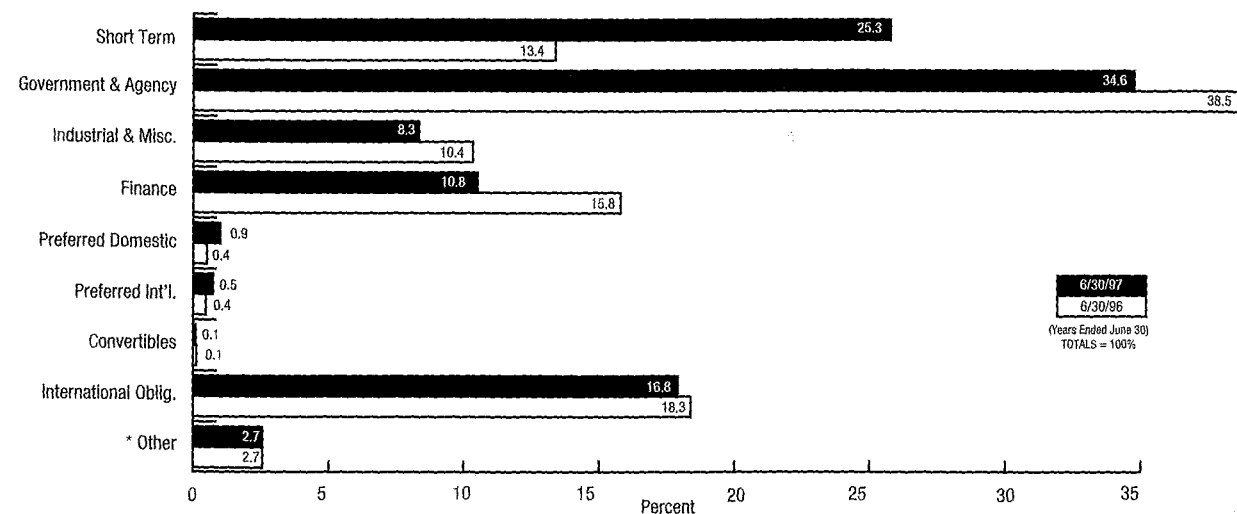
During FY97, the total bond portfolio, exclusive of short-term investments, generated a 9.0% total return. This compares to the three-year return of 8.0% and five-year return of 8.7%. The market value of total assets assigned to fixed income, including short-term investments, increased to \$4.649 billion due to \$369 million of market value appreciation and \$50 million in reallocations to other classes. Assets invested in international fixed income markets totaled \$1.388 billion at year end.

The following exhibits reflect changes made in the U.S. fixed income portfolios during the year in terms of diversification by issuer type and quality rating, as well as the underlying characteristics affecting total return:



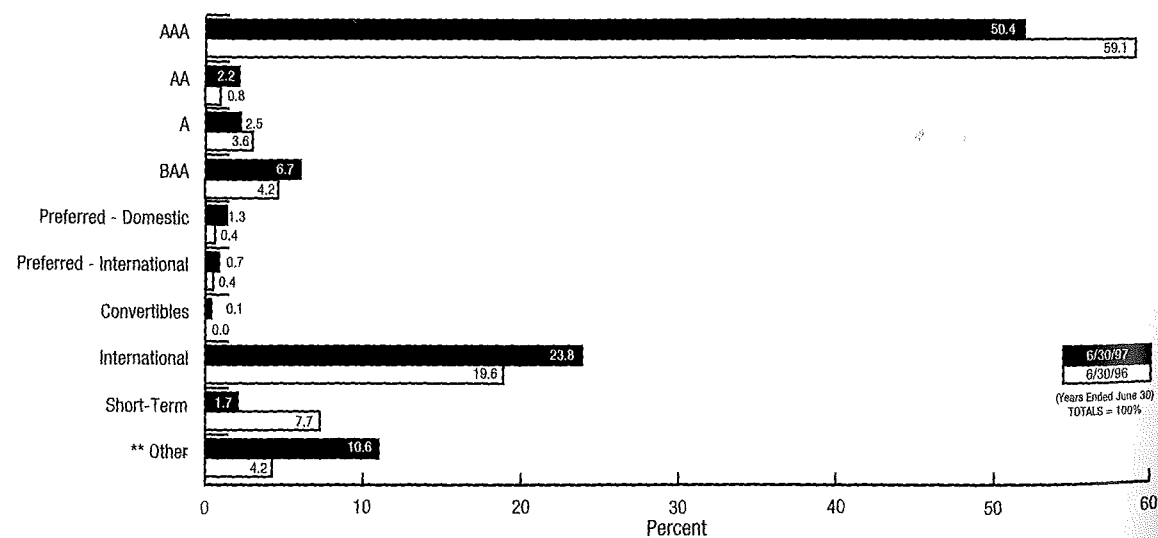
## INVESTMENTS

### DIVERSIFICATION BY ISSUER TYPE FOR FIXED INCOME MANAGER PORTFOLIOS



\* Other includes Utilities, Telephone, and Transportation

### DIVERSIFICATION BY QUALITY RATING FOR FIXED INCOME MANAGER PORTFOLIOS



\*\* Other includes BA & under, plus NR ratings

## INVESTMENTS

### BOND PORTFOLIO PROFILE

Characteristic	6/30/97		6/30/96	
	TRS	Salomon BIG	TRS	Salomon BIG
Maturity (years)	8.15	8.53	8.49	8.45
Duration (years)	4.73	5.07	4.89	4.80
Coupon (%)	7.45	7.20	8.49	6.99
Yield to Maturity (%)	7.04	6.83	8.49	8.45
Current Yield (%)	6.81	7.05	6.88	7.03

periods, portfolio managers have generated annualized returns of 12.3% and 9.4%, respectively. The investment goal is to achieve a total return of 7% in excess of the rate of inflation. During the year, the value of assets assigned to real estate increased by \$119 million to \$2.357 billion. The increase was due to proceeds of \$182 million from reinvested income and \$95 million in market value appreciation, offset by \$158 million in reallocations to other asset classes.

### SHORT-TERM INVESTMENT RESULTS

This asset class contains typical short-term investments such as: U.S. Treasury Bills, certificates of deposit, bankers acceptances and commercial paper, and commingled short-term investment funds. For FY97, total return was 5.6%. For the three- and five-year periods, annualized returns were 5.6% and 4.9% compared to 91-day Treasury Bill returns of 5.5% and 4.6%.

### REAL ESTATE EQUITY INVESTMENT RESULTS

Real estate investments earned a 12.7% rate of return during FY97. The income return generated by rents and property dispositions was 8.5%, while property appreciation accounted for 4.2% of the total. For the three- and five-year



## INVESTMENTS

### INVESTMENT PORTFOLIO SUMMARY

	June 30, 1997		June 30, 1996	
	MARKET VALUE	% OF TOTAL MARKET VALUE	MARKET VALUE	% OF TOTAL MARKET VALUE
<b>BONDS, CORPORATE NOTES, PREFERRED STOCK, AND GOVERNMENT OBLIGATIONS</b>				
U.S. Government	\$832,255,375	4.5	\$1,063,620,443	6.9
Federal Agency	1,886,494,317	10.5	1,470,911,197	9.5
Municipal Bonds	0	0.0	0	0.0
<b>Total Government Obligations</b>	<b>2,718,749,692</b>	<b>15.0</b>	<b>2,534,531,640</b>	<b>16.4</b>
<b>Corporate Obligations</b>				
Basic Industries	78,197,706	0.4	210,592,227	1.4
Capital Goods	51,792,676	0.3	4,222,660	0.0
Consumer Durables	29,049,776	0.2	5,361,938	0.0
Consumer Non-Durables	13,580,609	0.1	108,445,159	0.7
Convertibles	4,031,257	0.0	693,750	0.0
Energy	12,117,594	0.1	17,475,312	0.1
Financial	828,210,561	4.6	1,037,283,914	6.6
Miscellaneous	486,421,439	2.7	326,886,020	2.1
Technology	125,601,232	0.7	8,092,863	0.1
Transportation	30,905,539	0.2	79,428,854	0.5
Utilities	58,307,520	0.3	92,163,669	0.6
<b>Total Corporate Obligation</b>	<b>1,718,215,909</b>	<b>9.6</b>	<b>1,890,646,366</b>	<b>12.1</b>
<b>International</b>	<b>1,317,103,023</b>	<b>7.3</b>	<b>1,209,308,337</b>	<b>7.9</b>
<b>Preferred Stock-U.S.</b>	<b>69,367,870</b>	<b>0.4</b>	<b>24,207,314</b>	<b>0.2</b>
<b>Preferred Stock-International</b>	<b>37,442,086</b>	<b>0.2</b>	<b>25,703,758</b>	<b>0.2</b>
<b>TOTAL BONDS, CORPORATE NOTES, PREFERRED STOCK &amp; GOVERNMENT OBLIGATIONS</b>	<b>5,860,878,580</b>	<b>32.5</b>	<b>5,684,397,415</b>	<b>36.8</b>
<b>COMMON STOCK - U.S.</b>	<b>5,498,625,628</b>	<b>30.4</b>	<b>4,652,473,730</b>	<b>30.3</b>
<b>COMMON STOCK - INTERNATIONAL</b>	<b>1,736,440,411</b>	<b>9.6</b>	<b>1,517,675,941</b>	<b>9.8</b>
<b>SHORT TERM INVESTMENTS*</b>	<b>2,213,381,354</b>	<b>12.1</b>	<b>1,092,509,093</b>	<b>7.1</b>
<b>REAL ESTATE EQUITY</b>	<b>2,348,125,078</b>	<b>13.0</b>	<b>2,221,387,769</b>	<b>14.4</b>
<b>ALTERNATIVE INVESTMENTS</b>	<b>364,577,923</b>	<b>2.0</b>	<b>195,765,872</b>	<b>1.3</b>
<b>CURRENCY INVESTMENT</b>	<b>69,333,815</b>	<b>0.4</b>	<b>50,156,459</b>	<b>0.3</b>
<b>TOTAL PORTFOLIO</b>	<b>\$18,091,362,789</b>	<b>100.0</b>	<b>\$15,414,366,279</b>	<b>100.0</b>

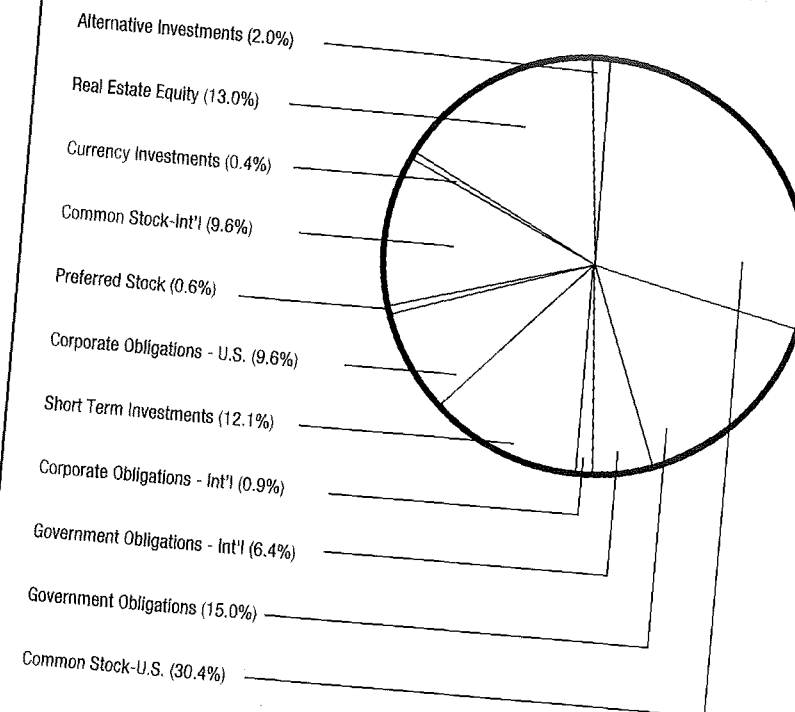
\* Includes accrued income and dividends totaling \$228,713,016 and \$212,281,126 for FY97 and FY96 respectively. Certain prior year amounts have been reclassified on a basis consistent with current year presentation.

## INVESTMENTS

Asset Class	% of Total Fund	
Alternative Investments		2.0
Real Estate Equity		13.0
Currency Investments		0.4
Common Stock-Int'l		9.6
Preferred Stock		0.6
Corporate Obligations -U.S.		9.6
Basic Industries	4.5	
Capital Goods	3.0	
Consumer Durables	1.7	
Consumer Non-Durables	0.8	
Convertibles	0.2	
Energy	0.7	
Financial	48.2	
Miscellaneous	28.3	
Technology	7.3	
Transportation	1.9	
Utilities	3.4	
Short Term Investments		12.1
Investment Reserve Fund	85.4	
Other	14.6	
Corporate Obligations-Int'l		0.9
Government Obligations-Int'l		6.4
Government Obligations		15.0
Federal Agency	69.4	
U.S. Government	30.6	
Municipal Bonds	0.0	
Common Stock-U.S.		30.4
(Percent of Total)		
Basic Industries	11.7	
Capital Goods	8.0	
Consumer Durables	2.8	
Consumer Non-Durables	39.2	
Energy	4.2	
Financial	15.9	
Technology	14.6	
		100.0

### COMPOSITION OF INVESTMENTS AT MARKET VALUE

(June 30, 1997)



The following table presents the top ten holdings by country including the United States. Overall, the total investment portfolio is diversified throughout fifty-two countries.

### TRS TOTAL PORTFOLIO BY COUNTRY TOP TEN COUNTRY WEIGHTING

(As of June 30, 1997)

United States	83.65	Australia	0.69
Japan	3.16	Canada	0.69
United Kingdom	2.07	Italy	0.67
Germany	1.79	Hong Kong	0.53
France	1.19	Other (42 Countries)	4.66
Netherlands	0.90	<b>Total for 52 Countries</b>	<b>100.00</b>

# INVESTMENT LISTING

FY'97 Annual Investment Listing for the period ending 6/30/97

Bonds, Corporate Notes and Preferred Stock

	Moody's Quality Rating	Rate	Maturity	Par Value	Market Value
<b>GOVERNMENT OBLIGATIONS</b>					
<b>U.S. GOVERNMENT</b>					
<b>UNITED STATES TREASURY BILLS</b>					
	Aaa	5.14	11/13/97		
	Aaa	N/A	8/21/97	9,852,000	9,662,053
	Aaa	N/A	10/2/97	26,720,000	26,525,094
	Aaa	N/A	5/28/98	19,595,000	19,335,758
	Aaa	N/A	7/24/97	2,500,000	2,377,025
	Aaa	N/A	8/7/97	20,140,000	20,075,955
	Aaa	N/A	9/25/97	755,000	751,104
	Aaa	N/A	9/4/97	8,195,000	8,096,168
	Aaa	N/A	3/7/97	1,000,000	990,830
	Aaa	N/A	8/21/97	28,355,000	28,348,195
	Aaa	6.50	5/31/02	7,000,000	990,830
	Aaa	6.25	8/15/23	900,000	6,948,939
	Aaa	6.63	2/15/27	1,000,000	903,654
	Aaa	7.63	5/15/07	36,600,000	925,780
	Aaa	5.13	2/15/25	5,125,000	35,810,904
	Aaa	11.25	11/30/98	3,000,000	5,167,435
	Aaa	7.13	2/15/20	2,000,000	3,285,000
	Aaa	8.13	2/15/23	15,000,000	1,977,500
	Aaa	5.25	8/15/19	9,900,000	21,782,850
	Aaa	6.38	12/31/97	30,000,000	10,197,000
	Aaa	5.63	5/15/00	300,000	34,223,400
	Aaa	5.88	10/31/97	7,065,000	299,625
	Aaa	5.88	2/15/00	1,000,000	7,090,363
	Aaa	5.88	11/15/99	15,935,000	1,000,310
	Aaa	6.00	2/15/04	13,200,000	15,807,998
	Aaa	6.00	6/30/99	4,000,000	13,115,388
	Aaa	6.13	8/15/99	1,000,000	968,910
	Aaa	6.25	12/31/01	6,070,000	3,994,360
	Aaa	6.25	1/31/02	20,000,000	6,054,825
	Aaa	6.25	2/15/07	1,610,000	19,803,200
	Aaa	6.25	5/31/99	4,000,000	1,601,193
	Aaa	6.50	6/30/02	5,000,000	3,913,760
	Aaa	6.50	5/15/05	10,500,000	5,014,050
	Aaa	6.50	5/31/01	545,000	10,439,297
	Aaa	6.63	11/15/26	6,580,000	543,975
	Aaa	6.63	3/31/02	37,875,000	6,615,993
	Aaa	7.13	4/30/02	12,700,000	36,324,398
	Aaa	6.38	2/29/00	11,250,000	12,815,062
	Aaa	6.38	8/15/02	1,000,000	11,353,725
	Aaa	8.75	10/15/97	1,500,000	1,021,870
	Aaa	5.13	6/30/98	1,000,000	1,499,535
	Aaa	7.75	11/30/99	900,000	1,009,220
	Aaa	6.63	4/30/02	28,100,000	894,375
	Aaa	7.25	8/15/04	22,360,000	29,079,004
	Aaa	5.63	2/15/06	19,500,000	22,566,159
	Aaa	5.88	2/15/04	2,400,000	20,328,750
	Aaa	5.88	2/15/04	14,000,000	2,254,128
	Aaa	6.50	4/30/98	2,500,000	13,564,740
	Aaa	6.38	4/30/99	53,500,000	2,502,725
	Aaa	6.00	8/15/02	5,000,000	53,901,250
	Aaa	6.13	9/30/98	18,900,000	4,998,450
	Aaa	6.25	8/31/98	15,000,000	18,920,601
	Aaa	6.25	3/31/99	10,000,000	15,037,500
	Aaa	6.25	2/15/03	14,500,000	10,034,400
	Aaa	6.38	1/31/02	3,750,000	14,386,755
	Aaa	6.38	5/15/00	10,000,000	3,729,488
	Aaa	6.50	9/30/01	10,040,620	10,040,620
	Aaa	7.00	5/31/02	5,750,000	10,040,620
	Aaa	7.25	7/15/06	7,836,000	5,750,920
	Aaa	7.50	5/15/04	50,100,000	7,867,814
	Aaa	7.88	11/15/01	16,500,000	51,540,375
	Aaa	8.00	11/15/04	14,500,000	17,198,610
	Aaa	3.38	8/15/99	1,500,000	15,109,435
			1/15/07	35,000,000	1,618,830
				78,000,000	36,290,450
				<u>819,363,000</u>	<u>76,968,294</u>
					832,255,375
<b>FEDERAL AGENCY</b>					
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aa	5.10	6/2/99	3,843,448	3,853,057
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	7.33	5/25/23	9,394,652	9,316,019
AMERICAN S.W. FINANCIAL SECURITIES CORP.	A	9.25	5/15/98	332,520	338,232
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	6.25	2/25/23	1,995,921	1,987,179
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	6.70	3/25/10	18,886,109	18,872,133
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	6.49	9/25/11	31,500,000	31,531,185
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	7.20	11/25/23	6,358,592	6,394,327
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	6.00	3/25/25	8,462,061	8,441,075
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	10.20	2/1/16	4,699,413	4,966,669
AMERICAN S.W. FINANCIAL SECURITIES CORP.	Aaa	7.25	4/23/17	177,471	177,471

# INVESTMENT LISTING

CMO CWBMS INC.  
 CMO FEDERAL HOME LOAN MORTGAGE CORP.  
 CMO HMO COLLATERALIZED MTG. SECURITIES CORP.  
 CMO MORTGAGE SECURITIES III  
 CMO P-B COLLATERALIZED MORTGAGE OBLIGATION  
 CMO PRUDENTIAL HOME MORTGAGE SECURITIES CO.  
 CMO RESIDENTIAL FUNDING MORTGAGE SECURITIES  
 CMO RYLAND ACCEPTANCE CORP. IV  
 CMO SALOMON BRO. MORTGAGE SECURITIES II INC.  
 CMO SHEARSON LEHMAN  
 CMO WSTRN. FED. SVGS. & LOAN ASSN. MARINA DELREY  
 COLLATERALIZED MORTGAGE SECURITIES CORP.  
 CONTIMORTGAGE HOME EQUITY LOAN  
 CROWN HOME EQUITY LOAN  
 DAIWA MORTGAGE ACCEPTANCE CORP.  
 DBL MORTGAGE FUNDING CORP.  
 DISCOVER CARD MASTER TRUST  
 DLJ MORTGAGE ACCEPTANCE CORP.

FEDERAL HOME LOAN MORTGAGE CORP.

Moody's Quality Rating	Rate	Maturity	Par Value	Market Value
			22,000,000	22,004,840
			383,230	391,853
			2,568,764	2,759,694
			9,523,915	9,881,062
Aaa	7.50	9/25/25		
Aaa	10.75	11/30/05		
Aaa	11.45	9/1/15		
Aa	9.00	4/1/18		
Aaa	6.07	9/1/18		
Aaa	6.90	4/25/23		
Aaa	7.50	9/25/25		
Aa	9.85	2/1/19		
Aa	9.85	9/1/15		
Aaa	11.50	1/24/19		
Aaa	6.84	6/25/18		
Aaa	6.70	8/25/17		
Aaa	8.00	10/15/11		
Aaa	6.19	3/25/06		
Aaa	6.46	9/25/06		
Aaa	4.38	8/25/19		
Aa	9.50	10/16/13		
Aaa	6.05	9/25/21		
Aaa	7.82	5/25/23		
Aaa	7.66	6/25/22		
Aaa	8.22	5/25/06		
Aaa	6.13	3/15/08		
Aaa	8.85	11/15/17		
Aaa	5.00	9/15/08		
Aaa	5.70	2/21/08		
Aaa	5.85	5/24/06		
Aaa	7.61	6/1/01		
Aaa	8.25	1/1/08		
Aaa	8.50	8/1/05		
Aaa	8.50	5/1/08		
Aaa	8.50	9/1/09		
Aaa	10.00	5/1/17		
Aaa	8.50	12/1/07		
Aaa	8.50	10/1/09		
Aaa	8.50	4/1/11		
Aaa	10.50	12/1/08		
Aaa	8.50	12/1/09		
Aaa	8.50	8/1/10		
Aaa	8.50	2/1/11		
Aaa	8.50	4/1/09		
Aaa	8.50	5/1/09		
Aaa	8.50	4/1/10		
Aaa	8.50	1/1/10		
Aaa	8.50	12/1/09		
Aaa	8.50	9/1/10		
Aaa	8.50	9/1/08		
Aaa	8.50	9/1/08		
Aaa	8.50	7/1/03		
Aaa	8.50	10/1/07		
Aaa	8.50	2/1/08		
Aaa	8.50	9/1/08		
Aaa	8.50	10/1/04		
Aaa	8.50	1/1/09		
Aaa	8.50	2/1/08		
Aaa	8.50	12/1/07		
Aaa	8.50	10/1/07		
Aaa	8.25	9/1/04		
Aaa	6.75	12/1/08		
Aaa	8.50	12/1/05		
Aaa	8.50	8/1/08		
Aaa	8.50	4/1/08		
Aaa	8.50	8/1/10		
Aaa	8.50	7/1/09		
Aaa	8.50	1/1/13		
Aaa	8.50	1/1/09		
Aaa	6.75	12/1/08		
Aaa	6.75	11/1/08		
Aaa	6.75	5/1/08		
Aaa	7.25	12/1/09		
Aaa	8.50	1/1/16		
Aaa	10.00	6/1/15		
Aaa	8.50	6/1/17		
Aaa	8.50	10/1/10		
Aaa	8.50	4/1/17		
Aaa	7.00	6/1/09		
Aaa	8.00	9/1/07		
Aaa	8.50	2/1/07		
Aaa	6.25	6/1/08		
Aaa	6.25	3/1/08		
Aaa	8.50	4/1/09		
Aaa	8.50	10/1/26		
Aaa	7.29	4/1/24		
Aaa	7.60	12/1/24		
Aaa	8.50	11/1/24		
Aaa	8.00	1/1/25		
Aaa	8.50	1/1/25		
Aaa	8.50	2/1/25		
Aaa	8.50	3/1/25		

# INVESTMENT LISTING

FEDERAL HOME LOAN MORTGAGE CORP. GOLD

FEDERAL HOME LOAN MORTGAGE CORP. MULTICLASS

FEDERAL HOUSING AUTHORITY GMAC PROJECT LOAN

FEDERAL HOUSING AUTHORITY PROJECT LOAN

FEDERAL HOUSING AUTHORITY USGI PROJECT LOAN

FEDERAL NATIONAL MORTGAGE ASSOCIATION

Moody's Quality Rating	Rate	Maturity	Par Value	Market Value
Aaa	8.50	3/1/25	501,482	521,617
Aaa	8.50	3/1/25	338,726	352,326
Aaa	8.50	3/1/25	165,192	171,825
Aaa	8.50	3/1/25	374,783	389,830
Aaa	8.50	4/1/25	348,821	362,826
Aaa	8.50	4/1/25	277,339	288,474
Aaa	8.50	4/1/25	342,486	356,237
Aaa	8.50	4/1/25	488,888	508,517
Aaa	8.50	4/1/25	444,560	462,410
Aaa	8.50	4/1/25	433,593	451,002
Aaa	8.50	4/1/25	276,685	287,793
Aaa	8.50	4/1/25	357,170	371,510
Aaa	8.50	4/1/25	311,375	323,877
Aaa	8.50	4/1/25	391,036	406,736
Aaa	8.50	4/1/25	437,750	455,325
Aaa	8.50	4/1/25	218,789	227,573
Aaa	8.50	1/1/25	298,465	310,449
Aaa	8.50	1/1/25	384,857	400,309
Aaa	8.50	4/1/25	314,460	327,085
Aaa	8.50	5/1/25	417,670	434,439
Aaa	8.00	6/1/25	32,535	33,368
Aaa	8.50	6/1/25	497,747	517,732
Aaa	8.00	8/1/25	21,199	21,718
Aaa	8.00	12/1/25	88,190	90,353
Aaa	8.00	7/1/25	24,189	24,782
Aaa	6.50	1/1/11	1,323,740	1,303,884
Aaa	7.50	11/1/10	815,988	830,007
Aaa	8.50	11/1/08	130,158	134,767
Aaa	6.50	6/1/27	30,000,000	28,734,300
Aaa	6.50	3/1/24	132,000,000	127,791,840
Aaa	7.50	2/13/25	10,000,000	9,953,100
Aaa	8.50	4/12/25	7,000,000	7,273,420
Aaa	6.50	5/1/27	30,000,000	28,884,300
Aaa	9.00	11/15/19	68,928	68,647
Aaa	8.00	10/15/19	7,007,928	7,084,524
Aaa	8.60	6/15/21	15,205,613	15,994,328
Aaa	7.75	1/15/20	1,383,561	1,390,907
Aaa	7.00	3/15/18	2,500,000	2,517,175
Aaa	7.00	10/15/06	862,780	872,754
Aaa	N/A	7/15/06	168,590	1,150,309
Aaa	N/A	5/15/98	15,640	169,891
Aaa	5.80	7/15/00	1,711,830	1,707,550
Aaa	6.00	3/15/07	1,500,000	1,485,930
Aaa	5.40	8/15/14	2,950,000	2,933,392
Aaa	5.50	8/15/04	750,000	745,778
Aaa	6.50	3/15/19	12,217,286	1,336,938
Aaa	6.00	1/15/06	5,877,364	412,532
Aaa	5.85	8/15/19	2,465,000	2,381,017
Aaa	6.50	1/15/24	5,168,577	725,462
Aaa	5.00	12/15/12	569,964	566,932
Aaa	5.25	11/15/16	2,329,964	2,298,650
Aaa	6.00	7/15/11	2,757,903	177,056
Aaa	5.85	5/15/15	2,348,000	2,309,845
Aaa	7.50	11/15/20	1,094,182	117,001
Aaa	8.50	9/15/24	1,350,648	1,431,687
Aaa	4.75	7/25/11	1,729,980	1,718,078
Aaa	10.00	9/17/23	946,328	999,852
Aaa	9.13	6/15/20	5,845,770	6,004,658
Aaa	9.50	1/15/21	6,451,551	6,854,773
Aaa	7.43	12/1/21	1,474,590	1,473,145
Aaa	7.43	6/1/19	10,447,664	10,317,068
Aaa	7.85	8/1/28	9,691	9,747
Aaa	7.43	6/1/24	34,579,709	35,587,016
Aaa	7.44	8/1/22	25,058,904	25,558,578
Aaa	7.43	9/1/22	888,183	887,313
Aaa	6.50	7/10/02	2,700,000	2,015,478
Aaa	4.88	10/15/98	2,575,000	2,535,165
Aaa	5.23	11/25/98	1,700,000	1,682,728
Aaa	5.72	3/8/01	2,400,000	2,339,616
Aaa	5.84	6/19/98	50,000,000	49,984,375
Aaa	7.50	N/A	45,000,000	44,479,688
Aaa	5.20	7/10/98	2,300,000	2,281,301
Aaa	16.00	9/1/12	136,729	164,801
Aaa	8.00	8/1/19	1,455,546	1,501,847
Aaa	15.75	12/1/11	258,844	311,987
Aaa	10.50	8/1/15	348,517	380,842
Aaa	10.50	5/1/12	321,971	352,056
Aaa	10.50	6/1/12	251,572	274,495
Aaa	10.50	5/1/12	258,676	282,847
Aaa	7.50	4/1/24	19,366,568	19,511,817
Aaa	6.12	11/1/28	2,062,824	2,038,978
Aaa	8.25	6/1/05	511,553	524,398
Aaa	6.07	12/1/30	10,860,039	10,734,497
Aaa	6.09	2/1/31	8,786,773	8,685,198
Aaa	14.75	8/1/12	769,878	920,242
Aaa	15.75	8/1/12	306,428	369,341
Aaa	8.50	7/1/24	13,315,878	13,852,641
Aaa	9.00	4/1/25	639,863	676,252



# INVESTMENT LISTING

Moody's Quality Rating	Rate	Maturity	Par Value	Market Value
Aaa	8.00	3/1/10	584,215	601,374
Aaa	10.50	11/1/13	67,233	73,586
Aaa	10.50	3/1/14	24,952	26,999
Aaa	13.25	9/1/11	71,066	82,768
Aaa	8.00	1/1/10	87,137	89,696
Aaa	8.00	12/1/09	362,327	372,968
Aaa	8.00	10/1/11	687,769	789,181
Aaa	12.75	12/1/09	464,269	477,904
Aaa	8.00	12/1/09	235,861	242,788
Aaa	7.00	7/1/09	1,281,038	1,284,638
Aaa	7.00	1/1/11	666,828	666,475
Aaa	6.37	1/1/26	88,514	87,491
Aaa	8.50	6/1/25	3,686,791	3,835,405
Aaa	8.50	4/1/25	2,233,214	2,323,235
Aaa	8.50	6/1/25	382,212	397,619
Aaa	8.50	6/1/25	2,384,590	2,480,713
Aaa	8.50	12/1/25	59,942,516	57,376,377
Aaa	6.50	12/1/26	29,220,246	28,672,366
Aaa	7.00	11/1/17	9,893,955	10,394,837
Aaa	8.50	7/1/25	2,926,141	3,046,175
Aaa	8.50	7/1/25	2,460,433	2,559,613
Aaa	7.00	7/1/25	68,920	67,843
Aaa	6.50	9/1/10	1,300,091	1,276,117
Aaa	8.25	10/1/08	124,360	127,216
Aaa	6.50	1/1/26	1,478,679	1,415,376
Aaa	6.09	11/1/38	910,924	900,394
Aaa	7.00	5/1/26	27,931	27,407
Aaa	7.00	5/1/26	25,203	24,731
Aaa	6.72	2/1/26	8,670,958	8,718,388
Aaa	6.67	3/1/26	17,401,993	17,524,323
Aaa	7.00	1/1/27	11,049,069	10,824,552
Aaa	7.00	12/1/26	3,149,639	3,085,638
Aaa	7.00	1/1/27	21,848,658	21,404,694
Aaa	7.00	9/1/26	77,672	76,094
Aaa	7.00	10/1/26	53,415	52,330
Aaa	7.00	7/1/08	339,568	350,302
Aaa	8.25	1/1/27	46,257	45,317
Aaa	7.00	12/1/26	33,048	32,376
Aaa	7.00	1/1/27	41,910	41,058
Aaa	7.00	1/1/27	12,062,449	11,817,340
Aaa	7.00	1/1/27	4,958,715	4,958,715
Aaa	7.00	8/1/27	5,061,566	5,061,566
Aaa	7.00	4/1/27	95,642	93,699
Aaa	7.00	1/1/27	49,672	48,663
Aaa	7.00	12/1/26	3,024,075	2,967,273
Aaa	7.00	2/1/27	84,716	82,995
Aaa	7.00	3/1/27	52,386	51,322
Aaa	7.00	5/1/27	40,861	40,030
Aaa	7.00	5/1/12	744,891	743,259
Aaa	7.00	5/1/12	31,951	31,302
Aaa	7.00	4/1/27	73,709	72,211
Aaa	7.00	6/1/27	827,612	810,795
Aaa	7.00	6/1/27	847,372	830,153
Aaa	6.09	11/1/27	2,533,444	2,504,157
Aaa	10.50	1/1/16	87,167	95,538
Aaa	6.07	5/1/28	1,377,332	1,361,410
Aaa	9.00	3/1/11	24,010	26,774
Aaa	11.50	11/1/97	1,697,840	1,706,176
Aaa	11.50	10/1/15	50,838	57,872
Aaa	11.50	5/1/19	187,258	211,133
Aaa	16.00	9/1/12	167,130	201,440
Aaa	16.00	9/1/12	11,089	13,366
Aaa	11.50	4/1/19	146,038	164,858
Aaa	11.50	6/1/19	113,207	127,648
Aaa	11.50	6/1/19	30,300	34,164
Aaa	6.09	3/1/29	495,613	489,883
Aaa	7.00	5/1/09	1,079,809	1,085,122
Aaa	7.50	9/1/02	371,269	373,823
Aaa	8.75	4/1/07	395,842	411,823
Aaa	8.75	8/1/18	316,352	331,179
Aaa	11.50	1/1/15	168,597	188,682
Aaa	11.50	1/1/16	46,976	52,750
Aaa	11.50	7/1/14	9,286	10,208
Aaa	11.50	2/1/15	11,793	12,889
Aaa	11.50	11/1/15	55,760	62,781
Aaa	11.50	1/1/16	40,073	45,152
Aaa	11.50	8/1/11	68,850	77,253
Aaa	11.50	1/1/20	32,464	36,453
Aaa	11.50	10/1/15	185,761	208,547
Aaa	8.25	9/1/09	195,320	208,547
Aaa	9.00	11/1/10	1,023,674	1,079,580
Aaa	N/A	8/25/20	28,904	308,600
Aaa	9.25	7/25/19	10,200,865	10,774,882
Aaa	6.40	6/25/15	3,750,908	3,782,888
Aaa	5.60	11/25/16	5,500,000	5,491,752
Aaa	6.50	10/25/04	5,000,000	4,821,752
Aaa	N/A	2/25/17	29,182	482,752
Aaa	5.86	9/25/23	1,974,609	1,882,000
Aaa	3.13	11/25/23	13,171,585	13,171,585

FIRST BOSTON CORPORATION MORTGAGE  
 FIRST BOSTON MORTGAGE SECURITIES CORP.  
 FORD CREDIT AUTO LOAN MASTER TRUST  
 GENERAL MOTORS ACCEPTANCE MORTGAGE CORP.  
 GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

# INVESTMENT LISTING

Moody's Quality Rating	Rate	Maturity	Par Value	Market Value
Aaa	6.90	12/25/03		
Aaa	5.25	3/25/12	1,043,678	1,044,983
Aaa	5.75	11/25/17	1,755,525	1,745,097
Aaa	6.50	3/25/18	2,350,000	2,308,123
Aaa	7.50	12/25/19	6,558,717	6,558,717
Aaa	8.50	2/25/24	848,964	525,681
Aaa	8.25	7/25/24	1,280,234	67,369
Aaa	15.79	12/25/15	3,308,817	1,265,025
Aaa	8.00	12/25/20	500,000	3,332,574
Aaa	7.50	6/25/21	900,000	330,938
Aaa	7.00	6/25/07	1,100,000	926,712
Aaa	7.00	11/25/16	9,014,453	1,112,375
Aaa	8.00	1/1/26	7,342,179	9,101,713
Aaa	8.00	7/1/12	4,970,000	648,535
Aa	8.00	7/1/27	755,000	4,959,128
Aa	6.69	9/1/16	5,000,000	771,746
Aaa	6.50	2/25/18	1,138,636	5,110,900
Aaa	5.00	8/15/02	2,394,010	1,132,943
Aaa	6.50	12/1/97	5,000,000	2,307,975
Aaa	7.00	7/15/26	684	4,982,800
Aaa	7.50	N/A	10,000,000	683
Aaa	8.00	7/15/24	3,500,000	9,565,600
Aaa	8.50	N/A	5,500,000	3,431,641
Aaa	8.00	7/15/27	28,265,143	5,291,990
Aaa	7.13	5/20/23	40,000,000	28,918,633
Aaa	8.00	8/15/06	25,894,136	41,562,400
Aaa	6.50	5/15/26	132,811	26,691,157
Aaa	6.50	3/15/26	601,153	137,725
Aaa	6.50	5/1/27	975,111	575,039
Aaa	6.50	3/15/23	5,000,000	932,753
Aaa	7.00	12/15/23	1,000,000	5,017,969
Aaa	7.50	9/15/24	5,500,000	956,560
Aaa	7.50	1/15/27	7,500,000	5,398,580
Aaa	6.00	5/1/27	1,000,000	7,361,700
Aaa	13.50	7/15/14	5,500,000	981,560
Aaa	12.00	1/15/14	3,018	5,261,080
Aaa	12.00	4/15/14	1,094	3,599
Aaa	8.00	9/15/06	6,170	1,264
Aaa	8.00	10/15/06	22,715	7,128
Aaa	8.00	11/15/06	28,878	23,555
Aaa	8.00	4/15/17	125,494	29,947
Aaa	8.00	7/15/17	329,391	130,137
Aaa	8.00	4/15/17	406,456	341,516
Aaa	8.00	3/15/17	269,926	421,417
Aaa	9.00	6/15/21	532,993	279,862
Aaa	6.50	5/15/26	730,771	552,613
Aaa	7.50	5/15/23	874,782	781,004
Aaa	6.50	9/15/23	462,908	836,781
Aaa	6.50	2/15/26	55,754	466,380
Aaa	6.50	1/15/26	138,732	56,172
Aaa	6.50	2/15/26	302,229	132,706
Aaa	6.50	2/15/26	88,686	289,100
Aaa	6.50	2/15/26	259,935	84,834
Aaa	7.50	3/15/24	244,630	248,643
Aaa	7.50	3/15/24	118,355	234,003
Aaa	6.50	1/15/26	26,665	119,131
Aaa	6.50	1/15/26	220,679	26,840
Aaa	6.50	1/15/26	112,013	211,093
Aaa	6.50	2/15/26	395,648	107,218
Aaa	6.50	4/15/26	244,900	378,461
Aaa	6.50	1/15/26	928,988	234,262
Aaa	6.50	2/15/26	360,703	888,633
Aaa	6.50	1/15/26	197,115	345,034
Aaa	6.50	2/15/26	113,975	188,552
Aaa	6.50	2/15/26	865,277	109,024
Aaa	6.50	2/15/26	238,069	827,689
Aaa	6.50	1/15/26	1,311,675	227,727
Aaa	6.50	1/15/26	259,698	1,254,696
Aaa	6.50	3/15/26	925,331	248,416
Aaa	6.50	3/15/26	886,382	885,135
Aaa	6.50	1/15/26	898,850	847,878
Aaa	6.50	1/15/26	483,419	859,804
Aaa	6.50	1/15/26	128,285	462,420
Aaa	6.50	1/15/26	384,470	122,712
Aaa	8.50	10/15/97	516,497	367,768
Aaa	6.50	2/15/26	450,336	494,061
Aaa	6.50	1/15/26	243,893	471,586
Aaa	6.50	4/15/26	468,823	233,298
Aaa	6.50	3/1/26	902,172	448,457
Aaa	6.50	1/15/26	848,435	862,981
Aaa	6.50	1/15/26	249,677	811,579
Aaa	6.50	1/1/26	899,091	238,831
Aaa	6.50	2/1/26	266,174	860,034
Aaa	6.50	1/1/26	196,007	254,611
Aaa	6.50	1/1/26	212,370	187,493
Aaa	6.50	3/15/26	929,904	203,145
Aaa	6.50	2/15/26	316,785	889,509
Aaa	6.50	2/15/26	94,807	303,024
Aaa	6.50	2/15/26	267,447	90,688
Aaa	6.50			255,829







# INVESTMENT LISTING

NATIONWIDE  
NEW JERSEY ECONOMIC DEVELOPMENT  
NEW YORK CAPITAL  
OLD KENT CAPITAL  
OLYMPIC AUTOMOBILE  
PACIFIC NATIONAL BANK  
PAINE WEBBER GROUP INC.

PHILIP MORRIS CREDIT CORP.  
PRÆDIUM LLC  
PREMIER AUTO

PRUDENTIAL HOME MORTGAGE SECURITIES CO.  
PRUDENTIAL INSURANCE CO. OF AMERICA  
REGIONAL NATIONAL FINDERS FINANCIAL  
RELIANCE GROUP HOLDINGS INC.  
REPAIR WISCONSIN INC.  
RESIDENTIAL FUNDING MORTGAGE SECURITIES INC.  
SALOMON BROTHERS INC.

SALOMON MORTGAGE SECURITIES  
SEARS ROEBUCK & CO.

SHEARSON LEHMAN  
SHEARSON LEHMAN BROTHERS HOLDINGS INC.  
SONWIL CORP.  
STARWOOD  
TIME WARNER  
TMS TRUST  
U.S. AIR  
UCC INVESTORS HOLDINGS INC.

USFB AUTO  
USAA CAPITAL CORP.  
WALSH ACCEPTANCE CORP.  
WELLS FARGO CAPITAL  
WESTPOINT STEVENS INC.  
WILMINGTON TRUST CO.

WORLD COLOR PRESS INC.  
WORLD OMNI AUTOMOBILE LEASE

Food - All  
ARCHIBALD CANDY CORP.  
FOODMAKER INC.  
NABISCO INC.  
RALPH'S GROCERY CO.

Health Care  
ABBAY HEALTHCARE GROUP INC.  
INTEGRATED HEALTH SERVICES INC.  
MAGELLAN HEALTH SERVICES INC.  
MCKESSON CORP.

Insurance - Life  
AMERICAN GENERAL INSTITUTIONAL CAPITAL  
DEERE JOHN CAPITAL CORP.  
LIBERTY MUTUAL INSURANCE CO.  
MET LIFE INSURANCE CO.  
PACIFIC MUTUAL LIFE INSURANCE CO.  
PRINCIPAL MUTUAL LIFE INS CO.  
PRIVATE PLACEMENT SER 1996-C CL

Machinery - Agriculture  
BROWN GROUP INC.

Merchandising - Consumer Specialty  
KSC ENERGY INC.

Moody's Quality Rating	Rate	Maturity	Par/Shares	Market Value
A	7.43	2/15/25	3,000,000	3,390,240
Aaa	6.81	2/15/29	2,000,000	2,000,000
Baa	6.66	5/25/05	1,556,417	1,586,456
Baa	6.20	2/1/27	2,500,000	2,479,250
Aaa	6.30	1/15/02	3,262,503	3,270,289
Aa	7.74	1/15/18	744,729	704,662
Baa	9.25	3/25/18	5,500,000	5,640,690
Baa	10.50	1/30/12	2,855,000	3,083,393
N/A	10.50	12/15/01	294,890	385,386
N/A	10.08	7/1/08	2,785,110	3,450,919
N/A	4.65	7/1/08	496,377	491,569
N/A	6.50	10/1/97	267,265	265,760
N/A	6.25	2/2/99	2,300,000	2,310,051
N/A	8.24	3/6/00	1,600,000	1,598,496
A	8.11	8/6/01	2,094,420	2,161,378
N/A	9.00	5/25/23	1,000,000	1,026,200
Ba	9.25	7/1/25	1,038,673	997,126
B	8.09	3/31/99	1,500,000	1,560,000
Aaa	8.00	11/15/00	250,000	252,500
Aaa	6.33	2/1/02	947,460	964,652
Baa	8.77	4/25/07	1,108,399	1,130,603
Baa	3.65	5/25/26	800,000	801,400
Baa	5.79	5/20/99	1,000,000	1,015,350
Baa	7.30	2/23/98	45,000,000	43,748,550
Baa	9.38	2/14/02	2,000,000	1,996,960
Baa	7.36	11/26/97	5,000,000	5,045,050
Baa	6.13	5/15/02	400,000	409,824
Baa	6.14	4/15/98	8,500,000	8,470,165
Baa	5.82	5/26/98	4,000,000	4,009,160
Baa	5.75	5/29/98	8,000,000	8,016,000
Baa	5.95	6/27/01	50,000,000	49,781,500
Baa	8.91	7/15/98	2,500,000	2,492,300
Baa	5.50	2/12/98	5,000,000	4,989,700
Baa	5.75	2/27/98	6,200,000	6,297,650
Baa	5.75	2/16/98	2,000,000	1,992,180
Baa	5.50	1/19/98	1,000,000	996,660
Baa	5.75	2/16/98	10,000,000	9,871,400
Baa	6.74	2/20/00	1,150,588	1,165,994
Aaa	7.98	6/25/22	1,706,809	1,606,278
Aa	8.13	4/25/24	4,050,000	4,058,667
A	9.25	8/1/97	26,860,000	27,508,938
A	9.25	4/15/98	823,228	823,489
Aaa	6.13	3/25/21	9,120,000	9,104,131
Baa	12.50	6/30/98	20,250,885	27,114,112
B	6.98	12/1/01	39,000,000	39,000,000
B	6.10	8/16/97	2,800,000	2,682,064
Ba	8.40	12/30/01	2,000,000	2,100,025
Aaa	9.63	2/15/24	750,000	780,000
B	10.50	9/1/03	3,050,000	3,316,875
B	11.00	5/1/02	1,200,000	1,280,000
B	4.88	5/1/03	863,448	853,734
Aaa	6.54	2/15/00	645,000	646,832
Aa	6.75	9/20/99	1,968,758	1,982,933
Aa	7.73	3/1/27	1,000,000	968,940
A	9.38	12/1/26	500,000	522,500
B	8.75	12/15/05	1,000,000	1,030,000
Ba	10.73	12/15/01	984,697	1,005,789
A	10.73	1/1/13	329,297	336,344
A	10.73	1/1/13	950,142	917,761
N/A	10.73	1/1/13	633,428	611,841
N/A	10.73	1/1/13	639,497	667,252
N/A	9.13	3/15/03	3,000,000	2,040,000
B	6.85	6/25/03	792,424,608	3,023,439
				691,669,403
			1,000,000	1,000,000
			500,000	515,000
			1,000,000	985,500
			3,985,000	4,308,201
			6,485,000	6,810,361
			2,000,000	2,060,000
			500,000	511,250
			2,950,000	3,289,250
			1,450,000	1,451,850
			6,900,000	7,311,900
			2,170,000	2,037,500
			1,000,000	1,062,700
			2,000,000	2,142,000
			1,000,000	967,200
			8,000,000	8,035,200
			2,000,000	1,918,700
			2,800,000	2,800,000
			23,970,000	23,958,800
			750,000	750,000
			300,000	300,000
			300,000	300,000

Merchandising - Home Furnishings  
FRST INDUSTRIES L.P.

Miscellaneous  
AMTROL INC.  
AON CAPITAL  
APPALACHIAN POWER CO.  
ARMSTRONG WORLD INDUSTRIES INC.  
ASSOC. CORP. OF NORTH AMERICA

BANC ONE CORP.  
BRINSON TRUST CO. INT'L. DOLLAR BOND FUND  
BRINSON U.S. DOLLAR BOND FUND  
BRINSON COUNTRY FUND NON-US EX-JAPAN BOND FUND  
CENTURY COMMUNICATIONS CORP.  
CHRISLER FINANCIAL CORP.  
CITIBANK CREDIT CARD MASTER TRUST  
CMS ENERGY CORP.

COMBIS INC.  
DELPHI FUNDING  
FRST MD CAPITAL  
FRST NATIONWIDE HOLDINGS INC.  
FORCENERGY INC.  
FORD CREDIT AUTO LEASE  
FREEMUS MEDICAL CARE  
G38 SP HOLDINGS  
HELLER FINANCIAL INC.  
HOLLINGER INT'L. INC.  
IO DLG MORTGAGE ACCEPTANCE CORP.  
VIA AUTO  
IMPERIAL CREDIT INC.  
JONES INTERCABLE  
NORTH ATLANTIC ENERGY CORP.  
OLYMPIC AUTOMOBILE RECEIVABLES TRUST  
PARKER DRILLING CO.  
PRIDE PETE SERVICES INC.  
RESIDENTIAL ASSET SEC. CORP.  
SALOMON INC.

SHOMBAT INC.  
SOFIA INTL.  
SOLMAN REALTY GROUP LTD.  
TANET HEALTHCARE CORP.  
U.S. CAN CORP.

Miscellaneous Basic Industries  
AGRICULTURAL MINING & CHEMICALS INC.  
AMERICAN STUDENT INC.  
ANEX INC.  
CONCAST CORP.  
CONTAINER CORP.

ENERGY SOURCE INC.  
HILSON DRILLING INC.  
HISE INTL. INC.  
THE HOWARD CORP.  
KAYE W. R. & CO.  
KAYE RESOURCES INC.  
KAYE ALUMINUM & CHEMICAL CORP.  
KAYE CORP.  
KAYE MOTT J. RAY  
KAYE AMERICA WASTE SYSTEMS INC.  
KAYE AMERICA HOLDINGS INC.  
KAYE ASSET SECURITIES CORP.  
KAYE LUMBER CO.  
KAYE PACK CO.

RESEARCH INDUSTRIES INC.  
RESEARCH INC.  
RESEARCH RESOURCES INC.  
RESEARCH CHEMICAL INC.  
RESEARCH TRUST CO.  
RESEARCH CAPITAL GOODS INDUSTRIES  
RESEARCH BASH INC.  
RESEARCH PRODUCTS  
RESEARCH EQUIPMENT

Moody's Quality Rating	Rate	Maturity	Par/Shares	Market Value
Baa	7.15	5/15/27	1,250,000	1,272,413
			1,250,000	1,272,413
N/A	10.63	12/31/06	750,000	777,825
A	8.21	1/1/27	985,000	1,010,827
A	6.35	3/1/00	3,000,000	2,983,440
A	9.75	4/15/08	1,250,000	1,495,063
Aa	5.96	5/15/37	3,000,000	3,027,390
Aa	6.70	5/29/01	4,000,000	4,016,080
Aa	7.60	5/1/07	2,055,000	2,112,396
N/A	N/A	N/A	679,015	47,028,701
N/A	N/A	N/A	1,487,509	169,021,066
N/A	N/A	N/A	1,602,405	206,699,020
Ba	8.88	1/15/07	580,000	566,950
A	6.38	1/28/00	2,600,000	2,592,200
Aaa	6.84	2/10/04	500,000	498,905
Ba	8.13	5/15/02	750,000	757,305
Aaa	7.50	11/25/11	1,983,020	1,984,659
Ba	9.31	3/25/27	2,800,000	2,880,164
Aa	6.71	2/1/27	2,000,000	1,991,660
B	10.63	10/1/03	150,000	164,250
B	9.50	11/1/06	500,000	512,500
Aaa	5.80	5/15/99	3,450,000	3,439,202
Ba	0.09	12/1/06	1,250	1,293,750
Ba	9.00	10/15/03	2,000,000	2,060,000
A	5.89	9/3/99	925,000	927,072
Ba	8.63	3/15/05	500,000	506,250
Aaa	1.10	3/15/17	31,000,000	32,077,930
Aaa	3.00	1/8/04	29,585,262	1,016,550
B	9.88	1/15/07	500,000	485,000
Ba	8.88	4/1/07	1,250,000	1,275,000
B	9.05	6/1/02	661,000	668,720
Aaa	6.63	12/15/02	3,000,000	3,011,498
B	9.75	11/15/06	1,300,000	1,366,625
Ba	9.38	5/1/07	750,000	783,750
Aaa	7.07	10/25/19	3,100,000	3,094,141
Baa	6.50	3/1/00	2,000,000	1,989,920
Baa	6.70	7/5/00	1,930,000	1,931,312
Ba	9.25	5/1/08	250,000	257,500
B	11.75	11/15/03	400,000	422,000
Baa	6.68	7/26/99	3,450,000	3,500,094
Ba	8.63	1/15/07	500,000	510,000
B	10.13	10/15/06	750,000	796,875
			117,974,460	481,533,589
Ba	10.75	9/30/03	2,250,000	2,435,625
Ba	9.25	12/1/16	750,000	785,625
Ba	9.75	3/15/04	1,250,000	1,331,250
B	10.63	7/15/12	2,200,000	2,596,000
B	9.75	4/1/03	500,000	525,000
B	11.25	5/1/04	2,000,000	2,160,000
B	10.75	5/1/02	2,000,000	2,160,000
B	9.75	6/15/03	600,000	582,000
Ba	9.75	1/15/01	750,000	780,000
Ba	9.88	10/1/99	500,000	522,500
Ba	9.00	2/1/06	5,755,000	6,071,525
Baa	9.25	3/15/01	300,000	319,500
Baa	7.40	2/1/00	3,500,000	3,560,060
B	9.88	12/1/03	500,000	508,750
B	9.88	2/15/02	1,000,000	1,025,000
A	6.63	9/15/99	2,300,000	2,302,553
B	9.38	7/15/06	1,000,000	1,015,000
Aaa	9.23	5/1/02	242,099	251,783
Baa	7.75	2/1/24	500,000	473,170
Aaa	0.44	2/25/25	26,009,764	215,361
B	10.50	3/1/03	750,000	772,500
Ba	9.88	8/15/04	750,000	780,000
Ba	9.15	11/29/27	800,000	734,750
B	9.63	10/15/99	1,000,000	1,022,500
B	11.50	10/1/04	895,000	939,750
B	10.75	10/1/02	2,880,000	2,995,200
B	9.25	2/15/07	500,000	507,500
Baa	8.20	11/15/99	2,075,000	2,147,978
B	11.88	7/1/02	750,000	772,500
B	9.00	9/1/00	300,000	305,250
B	10.73	1/1/13	1,234,149	1,192,089
			65,841,012	41,790,719
A	7.00	12/1/25	750,000	692,723
Baa	7.75	12/1/97	10,000,000	10,067,900
Aa	5.63	11/20/00	1,300,000	776,173
B	9.63	5/31/00	4,000,000	4,307,920
B	9.44	5/31/99	7,000,000	7,373,660
N/A	6.25	3/27/02	650,000	635,375
B	11.56	N/A	15,983,360	19,157,975
			39,683,360	43,011,726

# INVESTMENT LISTING

	Moody's Quality Rating	Rate	Maturity	Par/Shares	Market Value
<b>Misc. Consumer Non-Durables/Durables</b>					
CENTURY COMMUNICATIONS	Ba	9.50	3/1/05	500,000	512,500
CONTINENTAL CABLEVISION INC.	Baa	9.00	9/1/08	1,445,000	1,625,625
	Baa	9.50	8/1/13	1,000,000	1,131,490
	Baa	11.00	6/1/07	3,000,000	3,373,350
	Baa	8.50	9/15/01	1,150,000	1,214,653
	N/A	10.50	10/1/03	934,000	919,990
CUMBERLAND FARMS INC.	B	8.88	2/15/04	1,275,000	1,287,750
HAMMONS JOHN Q. HOTELS L. P.	Ba	7.95	2/1/23	625,000	565,625
K-MART CORP.	B	13.50	8/1/04	550,000	478,500
MARCUS CABLE CO.	B	9.75	10/1/06	600,000	630,000
METTLER TOLEDO INC.	Baa	8.00	1/15/00	3,000,000	3,092,010
NABISCO INC.	Baa	7.50	3/1/00	3,059,580	3,059,580
NEWS AMERICA HOLDINGS INC.	B	9.63	5/1/03	200,000	195,500
PATHMARK STORES INC.	B	10.50	2/15/03	1,750,000	1,863,750
REVLON CONSUMER PRODUCTS CORP.	Baa	5.75	11/18/97	1,000,000	998,400
SALOMON INC.	Baa	6.10	8/12/98	1,000,000	998,820
	Baa	8.20	9/23/09	1,000,000	1,005,990
SMITHS FOOD & DRUG CENTERS INC.	B	8.64	7/2/12	1,250,000	1,275,000
VALASSIS INSERTS INC.	Ba	9.38	3/15/99	500,000	515,080
				23,779,000	24,743,613
<b>Miscellaneous Energy</b>					
AMERIGAS PARTNERS L.P.	Ba	10.13	4/15/07	750,000	797,813
CAL. ENERGY	Ba	10.25	1/15/04	2,000,000	2,150,400
CLARK OIL REFINING CORP.	Ba	10.50	12/1/01	600,000	618,000
FERRELLGAS PARTNERS L. P.	B	9.38	6/15/06	1,000,000	1,032,500
MAXUS ENERGY CORP.	B	9.38	11/1/03	660,000	707,850
	B	9.38	11/1/03	750,000	806,250
	B	9.88	10/15/02	300,000	316,110
NUEVO ENERGY CO.	B	9.50	4/15/06	750,000	780,000
OCCIDENTAL PETROLEUM CORP.	Baa	6.24	11/8/00	2,000,000	1,965,780
TRANSAMERICAN ENERGY CORP.	B	11.50	6/15/02	750,000	727,500
VINTAGE PETROLEUM INC.	B	9.00	12/15/05	1,000,000	1,020,000
				10,560,000	10,922,203
<b>Miscellaneous Financial Services</b>					
ANTHEM INSURANCE	Baa	9.00	4/1/27	435,000	449,529
FIRST AMERICAN CAPITAL CO.	Baa	8.50	4/15/12	1,000,000	1,028,840
				1,435,000	1,478,369
<b>Miscellaneous Technology</b>					
CABLEVISION SYSTEMS CORP.	B	10.50	5/15/16	500,000	545,000
	B	9.25	11/1/05	1,500,000	1,545,000
INT'L. CABLETEL INC.	B	0.00	2/1/06	2,100,000	1,459,500
	B	10.00	2/15/07	1,655,000	1,704,650
MOOG INC.	B	10.00	5/1/06	750,000	780,000
UNISYS CORP.	B	12.00	4/15/03	1,250,000	1,353,625
				7,755,000	7,399,775
<b>Paper</b>					
BUCKEYE CELLULOSE CORP.	Ba	8.50	12/15/05	1,000,000	1,010,000
CONS FREIGHTWAYS INC.	Baa	9.13	8/15/99	1,250,000	1,301,688
HOLLINGER INT'L. INC.	B	9.25	2/1/06	1,000,000	1,020,000
				3,250,000	3,331,688
<b>Railroads</b>					
CSX CORP.	Baa	7.25	5/1/27	1,660,000	1,693,632
UNION PACIFIC CORP.	Baa	6.25	3/15/99	1,500,000	1,495,440
				3,160,000	3,189,072
<b>Petroleum - Domestic</b>					
COLEMAN INC.	B	7.10	6/13/06	750,000	665,391
COMMS CORP.	B	10.38	5/1/07	500,000	530,000
				1,250,000	1,195,391
<b>Printing and Publishing</b>					
GOSS GRAPHIC SYSTEMS INC.	B	12.00	10/15/06	500,000	547,500
OUTDOORS SYSTEMS INC.	B	8.88	6/15/07	270,000	261,900
				770,000	809,400
<b>Service Industries</b>					
GRIFFIN GAMING & ENTERTAINMENT INC.	B	8.34	6/30/00	500,000	515,000
H. M. H. PROPERTIES INC.	Ba	9.50	5/15/05	1,700,000	1,768,000
				2,200,000	2,283,000
<b>Travel, Hotel, Motel</b>					
INTERNATIONAL HOTELS	B	9.00	3/15/07	750,000	764,083
STATION CASINOS INC.	B	9.63	6/1/03	250,000	247,500
				1,000,000	1,011,583
<b>Utilities - Electric</b>					
AES CORP.	Ba	10.25	7/15/06	1,750,000	1,911,875
BEAVER VALLEY FUNDING CORP.	B	9.00	6/1/17	1,500,000	1,566,000
CALPINE CORP.	Ba	9.25	2/1/04	750,000	761,250
CHILGENER	Baa	6.50	1/15/06	1,000,000	947,600
CLEVELAND ELECTRIC & ALUMINUM CO.	Ba	7.38	6/1/03	1,000,000	995,600
CMS ENERGY CORP.	Ba	9.88	10/1/99	1,000,000	1,024,570
COMMONWEALTH EDISON CO.	Baa	9.17	10/15/02	10,000,000	10,787,800
	Baa	7.63	4/15/13	1,000,000	1,004,030
FIRST PRIVATE FUNDING CORP.	Ba	10.15	1/15/16	493,000	519,637
GULF STATES UTILITIES CO.	Baa	6.63	2/1/98	5,000,000	5,000,800
	Baa	8.25	4/1/04	1,000,000	1,090,790
	Ba	9.63	7/1/24	8,000,000	8,200,000
	Ba	9.00	11/1/22	1,000,000	1,043,800
	Ba	8.20	3/15/23	1,000,000	1,284,630
LOUISIANA POWER & LIGHT	B	10.32	1/31/99	1,250,000	150,000
MID-AMERICAN WASTE SYSTEMS INC.	Ca	12.25	2/15/03	300,000	1,500,288
NIAGARA MOHAWK POWER CORP.	Ba	8.75	4/1/22	1,500,000	604,307
	Ba	8.00	6/1/04	600,000	

# INVESTMENT LISTING

	Moody's Quality Rating	Rate	Maturity	Par/Shares	Market Value
<b>TOLEDO EDISON CO.</b>					
<b>TUSCON ELECTRIC POWER CO.</b>					
<b>PHILADELPHIA ELECTRIC CO.</b>					
	Ba	9.30	4/1/98	3,500,000	3,556,560
	B	10.73	1/1/13	3,156,212	3,135,192
	Baa	5.63	11/1/01	1,000,000	960,070
				45,799,212	47,076,301
<b>Utilities - Natural Gas</b>					
<b>FERRELLGAS FINANCIAL L.P.</b>					
	Ba	10.00	8/1/01	300,000	318,750
	B	N/A		300,000	318,750
<b>Utilities - Telephone</b>					
<b>INTERCEL INC.</b>					
	B	N/A	2/1/06	1,950,000	1,248,000
	B	11.13	5/1/06	260,000	163,150
	B	8.88	6/1/07	1,300,000	1,313,000
	B	0.00	2/1/06	1,480,000	1,346,800
	B	9.38	7/1/07	3,495,000	2,520,769
	B	10.50	4/15/06	1,000,000	1,010,000
	B	10.50	2/1/07	2,700,000	2,794,500
				500,000	516,250
	N/A	5.25	12/28/03	12,685,000	10,912,469
	N/A	3.00	12/31/01	1,000,000	892,500
	N/A	3.50	1/22/02	2,590,000	872,227
	N/A	3.50	1/22/02	900,000	903,780
				1,380,000	1,362,750
				5,870,000	4,031,257
				1,472,185,010	1,718,215,909
<b>Convertible Bonds-Domestic</b>					
<b>FEDERAL REALTY INVESTMENT TRUST</b>					
<b>MULTI-PURPOSE HOLDINGS</b>					
<b>ORINGLING MOTORS LTD.</b>					
<b>TOTAL CORPORATE OBLIGATIONS</b>					

# INVESTMENT LISTING

## PREFERRED STOCK-DOMESTIC

BROADWAY CORP.  
CAL. FEDERAL BANK  
COUNTY SEAT STORES INC.  
COUNTY SEAT HOLDINGS INC.  
GRANITE BROADCASTING CORP.  
HOME OWN FUNDING CORP.

LONG ISLAND LIGHTNING CO.  
TIME WARNER INC.

TOLEDO EDISON CO.  
TOTAL PREFERRED STOCK-DOMESTIC

## PREFERRED STOCK-INTERNATIONAL

ADR CENTRAIS ELECTRICAS BRASILEIRAS  
ADR COMPANHIA VALE DO RIO DOCE  
ADR TELECOMMUNICACOES BRASILEIRAS  
ADR USINAS SIDERURGICAS DE MINAS GERAIS  
BALLAST NEDAM  
ELETROBRAS  
GEA  
HENKEL KGAA  
HORNBACK HLDG  
KSB KL SCHANZ BECK  
MAN AG  
MARSCHOLLEK LAUTEN  
PETROL BRASILEIROS  
SAP AG  
TELEBRAS  
USINAS SID MINAS  
VALE RIO DOCE

## PREFERRED STOCK-INTERNATIONAL

## FOREIGN GOVERNMENT OBLIGATIONS

ARGENTINA MENDOZA PROVINCE  
ARGENTINA REPUBLIC OF

AUSTRALIA COMMONWEALTH OF

AUSTRALIA NEW SOUTH WALES  
AUSTRIA REPUBLIC OF  
BELGIUM KINGDOM OF

CANADA GOVERNMENT OF

CANADA QUEBEC PROVINCE OF

COLOMBIA REPUBLIC OF  
CROATIA REPUBLIC OF

DENMARK KINGDOM OF

Shares	Market Value
	14,559,300
15,000	397,250
3,500	1
15,207	1
51,475	1,266,300
25,200	3,139,208
3,250	19,300,000
20,000	24,290,550
25,000	1,017,500
10,000	610,500
550	2,994,780
2,698	1,792,480
80,000	69,367,870
251,880	

Shares	Market Value
	4,974,000
165,800	335,975
15,100	3,642,000
24,000	1,076,625
99,000	1,005,461
20,000	1,965,568
3,296,000	1,202,605
3,100	2,931,566
51,600	1,418,381
16,700	2,368,942
9,800	1,496,542
5,900	4,882,953
20,923	1,794,254
6,460,000	3,323,864
16,000	3,382,843
22,300,000	272,867
24,500	532
57,900	1,267,301
57,900	37,442,086
32,842,823	

Rate	Maturity	Market Value
		670,523
10.00	7/25/02	1,826,025
6.75	3/31/05	2,153,355
3.24	4/1/01	774,357
7.50	7/15/05	3,310,762
10.00	2/15/06	3,127,175
13.00	7/15/00	12,844,889
4.00	8/20/05	5,033,802
9.00	9/15/04	12,030,553
9.50	8/15/03	5,762,632
9.75	3/15/02	2,034,431
7.00	4/1/04	1,292,554
7.63	10/18/04	1,903,352
5.10	11/21/98	2,227,149
7.75	10/15/04	1,344,312
8.50	10/1/07	9,253,880
9.00	3/28/03	2,613,950
6.50	6/1/04	2,684,927
7.00	9/1/01	1,520,786
7.00	12/1/06	5,716,219
7.50	3/1/01	1,018,901
8.50	3/1/00	11,943,275
9.00	12/1/04	1,660,397
9.75	6/1/01	(20,275,111)
8.00	11/1/98	9,228,575
7.50	9/1/00	5,606,466
9.00	3/1/11	1,645,471
9.75	6/1/21	88,116,406
4.25	12/1/26	12,865,286
4.25	12/1/21	2,209,980
5.75	3/1/99	3,847,601
9.00	6/1/25	3,468,325
5.94	10/21/01	24,837,000
6.62	9.596	2,438,000
7.63	2/15/07	777,704
6.50	7/31/06	677,250
6.69	7/30/10	4,474,641
7.00	11/10/24	6,970,908
7.00	11/15/07	12,735,445
8.00	12/15/04	9,313,346
8.00	11/15/01	8,788,325
8.00	3/15/06	12,528,719
8.00	5/15/03	8,687,882
9.00	11/15/00	2,251,376
9.00		

DUTCH GOVERNMENT OF

FINLAND REPUBLIC OF

FRANCE GOVERNMENT OF

GERMANY FEDERAL REPUBLIC OF

GREECE REPUBLIC OF

ISRAEL GOVERNMENT OF

ISRAEL STATE OF

ITALY REPUBLIC OF

JAPAN GOVERNMENT OF

MALAYSIA FEDERATION OF  
MEXICO NACIONAL FINANCIER  
MONTREAL CITY OF  
NEW ZEALAND GOVERNMENT OF

NETHERLANDS KINGDOM OF  
NETHERLANDS GOVERNMENT OF

UNITED STATES TREASURY BILL  
UNITED STATES TREASURY  
UNITED STATES REPUBLIC OF

# INVESTMENT LISTING

Rate	Maturity	Market Value
6.50	7/15/98	17,356,454
6.50	4/15/03	3,304,241
7.00	6/15/05	2,869,775
8.50	6/1/06	4,932,374
8.50	3/15/01	5,352,932
8.25	7/1/00	2,634,691
9.00	9/15/07	2,149,033
7.88	7/28/04	1,383,640
7.23	4/18/06	14,407,612
8.25	10/15/10	1,115,764
9.50	3/15/04	701,230
5.00	3/16/99	5,916,332
5.50	10/12/01	2,484,538
6.00	10/25/25	540,669
6.75	10/25/04	5,208,493
7.50	4/25/05	1,164,139
7.75	4/12/00	2,994,541
8.50	12/26/12	2,284,727
9.50	6/25/98	1,800,560
3.03	9/20/04	7,268,326
5.25	10/20/98	1,175,633
5.75	8/22/00	12,663,510
6.50	3/15/00	3,369,659
6.50	7/15/03	14,228,573
6.75	8/20/98	20,493,323
6.38	5/20/98	1,592,218
6.88	5/12/05	9,844,951
6.00	7/4/07	8,967,072
6.00	1/5/06	4,433,158
6.25	1/4/24	5,359,869
6.50	10/14/05	7,461,215
7.13	12/20/02	7,376,815
8.75	5/22/00	19,461,135
8.38	5/21/01	14,425,830
8.00	7/22/02	16,776,104
3.05	4/6/00	17,858,940
8.00	1/21/02	5,233,250
10.20	1/28/00	1,828,069
14.00	10/23/03	3,259,549
14.80	6/17/03	191,480
7.50	7/1/01	1,000,000
7.50	12/1/01	4,000,000
7.50	4/30/05	1,023,550
7.50	3/1/98	1,000,000
7.50	6/30/04	5,000,000
8.50	1/1/04	8,300,276
10.00	8/1/03	5,486,923
10.50	7/15/00	3,934,470
12.00	1/1/03	2,927,064
12.00	9/1/02	2,903,321
3.50	6/20/01	3,263,185
8.00	1/1/00	8,348,916
6.25	3/1/02	1,768,792
6.75	2/1/07	4,879,268
7.75	9/15/01	2,862,146
8.50	8/1/99	12,594,933
9.00	10/1/03	3,022,374
9.00	10/1/98	4,422,903
9.00	11/1/23	650,511
9.50	1/1/05	10,475,820
9.50	2/1/01	3,237,878
9.50	2/1/06	2,872,191
9.50	2/1/99	6,770,673
2.40	6/20/07	4,287,556
2.60	3/20/07	2,271,993
3.40	3/22/04	11,645,792
3.60	6/20/05	6,652,539
4.10	12/22/03	1,290,408
4.50	6/20/03	7,306,965
4.80	12/20/02	8,531,941
5.00	9/21/98	9,008,669
5.50	3/20/02	5,744,256
6.40	3/20/00	48,199,964
6.06	10/19/05	8,989,500
6.78	3/31/99	202,011
11.50	9/20/00	4,257,910
10.00	3/15/02	30,710,113
4.50	2/15/16	23,156,689
6.50	2/15/00	2,365,426
8.00	11/15/06	14,826,616
8.00	2/15/01	6,351,295
8.00	4/15/04	8,200,390
8.38	1/27/03	1,603,784
3.00	10/27/24	2,016,875
3.25	10/27/24	960,000
4.00	10/27/14	4,282,000
N/A	5/20/98	1,018,891
8.00	5/14/03	2,389,729
14.00	8/15/97	889,147



# INVESTMENT LISTING

SPAIN GOVERNMENT OF

Rate	Maturity	Market Value
10.00	2/28/05	5,370,975
10.50	10/30/03	1,686,272
12.25	3/25/00	3,986,658
10.10	2/28/01	6,479,893
6.75	4/15/00	2,124,703
7.35	3/31/07	3,272,421
7.90	2/28/02	10,840,053
8.00	5/30/04	946,233
10.25	5/5/03	23,281,896
11.00	1/21/99	5,921,701
13.00	6/15/01	3,514,577
5.50	4/12/02	5,444,236
6.50	10/25/06	3,200,028
6.00	2/9/05	5,153,720
8.00	8/15/07	2,527,613
6.59	6/29/49	4,975,460
6.25	7/29/99	5,059,600
6.75	5/13/04	7,313,954
6.88	6/11/03	1,726,231
6.00	11/12/03	251,631
5.00	1/26/99	8,807,506
9.50	4/18/05	5,860,270
6.75	11/26/04	23,338,939
7.50	12/7/06	8,149,184
7.25	12/7/07	39,101,221
7.75	9/8/06	8,446,216
7.00	11/6/01	11,579,596
8.50	12/7/05	7,560,789
8.00	6/10/03	41,592,640
9.75	8/27/02	5,899,143
		10,443,590
		1,147,544,970

SWEDEN KINGDOM OF

SWEDEN SKANDINAV ENSKIL  
TREUHANDANSTALT

UNITED KINGDOM

UNITED KINGDOM TREASURY

FOREIGN GOVERNMENT OBLIGATIONS - TOTAL

INTERNATIONAL CORPORATE OBLIGATIONS

ABBEY NATIONAL TREASURY  
 AMMB HOLDINGS  
 ARGYLL GROUP  
 AUTOBAHN & SCHNELL  
 BAYER LANDES BANK  
 BCO NAC DE  
 BELL CABLE MEDIA  
 BOC GROUP  
 BRITIAN AEROSPACE FINANCIAL INC.  
 CANADIAN OCCIDENTAL PETROLEUM  
 CREDIT LYONNAIS  
 DEN DANSKE BANK  
 DIAMOND CABLE COMMUNICATIONS  
 EURO INVESTMENT BANK  
 EUROPEAN BANK RECON. & DEVELOPMENT  
 EXP-IMP. BANK OF JAPAN  
 FORENINGSBANK  
 GUANGDONG ENTERPRISES HOLDINGS LTD.  
 GULF CDA  
 HELLENIC REPUBLIC  
 HYDRO-QUEBEC CANADA  
 JAPAN DEVELOPMENT BANK  
 KANSALLIS-OSAKE-PA  
 KOREA DEVELOPMENT BANK  
 KOREA ELECTRIC POWER  
 KOREAN DEVELOPMENT BANK  
 MALAYSIAN PLANTATN  
 MATSUSHITA ELECTRIC INDUSTRIES  
 MEXICAN UTD. STATES

NAFIN FINANCIAL TRUST  
 NATIONAL WESTMINSTER BANK  
 NEWSQUEST CAPITAL  
 NORDBANKEN  
 NORTHUMBRIAN WATER  
 OKABANK

ONTARIO HYDRO  
 PENINSULAR & ORIENTAL STEAM  
 ROGERS CABLESYSTEMS LTD.  
 ROGERS CANTEL  
 SKANDINAVISKA ENSKILDA BANKEN  
 SPEEDY MUFFLER KING INC.  
 ST. GEORGE FUNDING CO.  
 SVENSKA HANDELSBKN  
 SWEDBANK  
 SWEDISH EXP. CREDIT  
 TELEWEST COMMUNICATIONS PLC.

TFM SA  
 TRIZEC FINANCIAL LTD.  
 UNION BANK NORWAY  
 INT'L CORPORATE OBLIGATIONS - TOTAL

Rate	Maturity	Par Value	Market Value
8.00	4/2/03	1,000,000	1,701,756
N/A	5/13/02	104,000	35,230
N/A	5/8/02	104,000	37,290
8.13	3/10/00	1,800,000	3,033,203
8.50	3/3/03	1,000,000	806,815
11.50	10/9/97	86,000,000	2,691,050
8.00	5/6/98	3,500,000	2,058,764
11.88	9/15/05	500,000	417,500
6.75	2/18/04	1,000,000	1,533,576
7.50	7/1/27	1,075,000	1,068,120
5.95	11/9/98	4,500,000	4,478,885
5.75	7/21/00	5,740,000	5,649,882
7.40	6/15/10	1,480,000	1,486,216
N/A	2/15/07	1,035,000	589,950
13.25	9/30/04	1,950,000	1,628,250
8.88	3/27/02	1,000,000	812,765
9.00	4/22/98	28,000,000	1,054,140
7.75	10/8/02	2,000,000	1,558,479
6.35	12/29/49	2,000,000	4,528,900
8.88	5/22/07	2,000,000	2,203,687
9.25	1/15/04	2,145,000	2,095,000
14.80	5/19/03	50,000,000	188,454
5.00	11/15/30	400,000,000	2,283,127
5.00	10/1/99	17,360,000	3,794,886
6.63	11/21/03	650,000	17,747,128
6.38	12/1/03	2,500,000	510,757
9.60	12/1/00	1,666,666	622,781
5.00	4/16/02	1,300,000	2,715,575
7.25	8/1/02	12,400,000	680,137
7.88	8/6/01	39,800,000	1,334,125
7.63	8/6/01	2,900,000	12,421,700
8.01	3/31/99	2,900,000	39,867,860
7.75	4/29/49	750,000	308,404
11.00	5/1/06	2,000,000	2,980,939
6.13	10/29/49	1,000,000	817,500
9.25	2/1/02	2,000,000	2,020,300
7.01	10/29/49	3,125,000	1,760,007
7.25	9/29/49	2,000,000	2,035,000
10.00	3/19/01	2,875,000	3,192,188
7.30	6/1/07	1,150,000	1,665,398
10.13	9/1/12	1,500,000	2,883,228
9.38	6/1/08	750,000	1,218,000
6.63	3/29/49	500,000	1,582,500
10.88	12/31/49	7,500,000	731,818
8.49	3/29/49	3,000,000	500,000
8.49	10/29/49	15,000,000	2,043,239
7.13	6/5/01	2,000,000	7,358,100
7.72	10/1/06	2,000,000	3,053,100
6.50	10/1/06	3,500,000	1,969,100
9.63	10/1/07	675,000	2,060,000
11.00	6/15/07	1,006,000	2,520,000
10.25	10/15/05	5,250,000	654,201
10.88	12/29/49	741,300,666	1,111,230
7.41			5,335,213
			169,258,483

# INVESTMENT LISTING

## SHORT TERM INVESTMENTS

Shares/Par	Market Value
N/A	228,713,016
440,000	418,195
32,000,000	31,974,080
4,360,000	3,071,642
74	74
N/A	5,916,415
1,000,000	289,960
400,000	395,540
7,250,000	7,088,253
N/A	1,505,751
N/A	1,388,637
1,500,000	1,487,475
N/A	1,011,935
1,389,560,311	1,389,560,311
501,405,000	501,405,000
1	1
291,000	348,393
1,500,000	1,580,701
278,000	346,327
326,000	381,047
287,000	355,197
25,443,546	25,443,546
1,680,000	429,240
3,200,000	917,763
3,430,000	885,558
280,000	79,826
3,000,000	748,515
0	6,920,361
3,510,000	738,592
	2,213,381,354

## MONEY MARKET OBLIGATIONS

POLAND TREASURY BILL  
 SOUTH AFRICA TREASURY BILLS  
 TOTAL SHORT TERM INVESTMENTS

## CURRENCY INVESTMENTS

Market Value
115,926
2,990,513
6,018
813,041
4,910,999
1,181,578
7,279
855,461
454,812
7,849,192
3,842,789
8,837,514
355,757
27,302
666,873
8,804,875
18,275,892
1,166,852
885,118
25,323
446,392
35,532
2,413,915
48,555
821,622
3,319,929
108,981
65,775
69,333,815

## CURRENCY INVESTMENTS

Shares	Market Value
45,900	1,483,121
409,200	34,372,800
457,800	24,291,784
143,100	3,988,913
29,900	1,444,529
357,400	37,013,059
216,900	7,022,138
330,000	22,605,000
128,800	11,310,186
62,500	3,726,563
20,000	315,000
52,100	2,813,400
274,900	18,246,488
53,400	4,432,200
12,000	196,500
232,800	21,534,000

## STOCK - DOMESTIC

Shares	Market Value
45,900	1,483,121
409,200	34,372,800
457,800	24,291,784
143,100	3,988,913
29,900	1,444,529
357,400	37,013,059
216,900	7,022,138
330,000	22,605,000
128,800	11,310,186
62,500	3,726,563
20,000	315,000
52,100	2,813,400
274,900	18,246,488
53,400	4,432,200
12,000	196,500
232,800	21,534,000

Shares	Market Value
139,900	3,689,863
6,500	537,063
121,000	3,040,125
13,300	196,175
71,000	2,485,000
24,400	1,746,113
15,700	598,563
191,200	14,411,700
80,100	5,707,125
32,000	280,000
15,000	586,875
99,650	5,306,363
94,300	4,715,000
138,700	5,270,600
10,200	285,600
42,000	1,512,000
12,500	243,750
81,500	2,760,813
203,200	10,147,198
196,600	1,130,450
5,000	148,750
260,700	3,877,913
41,500	1,634,063
126,800	1,743,500
700	20,650
107,500	3,534,063
606,500	23,047,000
206,500	11,512,375
8,700	501,338
88,100	3,788,300
27,200	1,756,086
11,500	1,001,938
40,300	2,115,750
444,600	43,153,785
372,400	44,897,289
46,400	1,116,477
152,200	10,349,600
18,900	725,288
33,800	1,030,900
13,700	828,850
16,100	549,413
26,400	836,537
28,100	1,285,575
99,100	9,166,750
15,500	980,375
195,800	10,524,250
74,000	1,031,338
17,968	464,922
79,800	2,897,698
44,200	1,994,525
24,900	2,598,938
15,400	338,800
149,200	9,632,650
428,800	9,165,600
48,000	2,322,000
575,400	32,366,250
32,200	1,219,575
186,000	6,696,000
201,600	9,122,400
23,000	1,063,750
23,600	1,224,250
7,100	414,015
39,600	2,366,100
89,400	24,093,300
23,800	1,094,800
7,900	579,663
20,200	669,125
777,600	11,178,000
139,100	1,773,525
13,600	838,100
12,000	225,000
39,500	1,649,125
12,000	388,500
11,100	478,688
481,000	14,850,875
20,400	186,150

# INVESTMENT LISTING

	Shares	Market Value
<b>Chemicals - General</b>		
AIR PRODUCTS & CHEMICALS INC.	483,300	2,551,250
AVERY DENNISON CORP.	18,000	19,392,413
BETZ DEARBORN INC.	10,000	232,500
CARBIDE/GRAPHIC GROUP INC.	117,800	10,233,875
DOW CHEMICAL CO.	572,600	36,002,225
DU PONT E. I. DE NEMOURS & CO.	83,700	5,314,950
EASTMAN CHEMICAL CO.	105,900	3,924,866
FERRO CORP.	11,000	254,375
GENCORP INC.	415,900	22,926,488
GRACE W. R. & CO.	22,300	1,167,963
GREAT LAKES CHEMICAL CORP.	643,500	30,807,563
HERCULES INC.	27,700	609,400
LYONDELL PETROCHEMICAL CO.	610,301	14,647,224
MARK IV INDUSTRIES INC.	19,999	454,977
MILLENNIUM CHEMICAL INC.	1,892,300	81,486,223
MONSANTO CO.	9,000	295,875
O.M. GROUP INC.	39,700	923,025
PALL CORP.	15,200	883,500
PPG INDUSTRIES INC.	14,100	1,048,688
RAYCHEM CORP.	4,900	441,304
ROHM & HAAS CO.	10,000	183,750
RPM INC.	106,500	2,622,563
SCHULMAN	10,000	130,000
SPARTECH CORP.	284,500	20,486,009
TYCO INT'L. LTD.	24,000	1,129,488
UNION CARBIDE CORP.	19,800	751,153
WITCO CORP.		
<b>Chemicals - Photographic</b>	418,400	32,112,200
EASTMAN KODAK CO.		
<b>Coal</b>	152,600	4,578,000
PITTSBON BRINKS GROUP		
<b>Common Fund Assets</b>	951,741	393,869,960
BRINSON INDEX FUND	120,000	3,135,000
CHILE FUND INC. CLOSED END FUND	400,000	7,750,000
MEXICO FUND INC. CLOSED END FUND	200,000	2,587,500
MORGAN STANLEY INDIA FUND	611,828	105,241,540
BRINSON TR. CO. INV. TR. NON-US EX-JAPAN EQUITY FUND	312,988	34,281,267
BRINSON TRUST CO. INVEST. TRUST JAPAN EQUITY FUND	456,877	85,834,187
BRINSON TRUST CO. U.S. INTER-CAPITAL EQUITY FUND		
<b>Communications</b>	108,500	2,929,500
AFC CABLE SYSTEMS INC.	223,400	4,635,550
ALLEN TELECOM INC.	5,000	92,500
APPLIED VOICE TECH INC.	110,750	4,430,000
ASSOCIATED GROUP INC.	19,350	749,813
CAMBRIDGE TECH PARTNERS MASS INC.	24,900	798,800
CELERITEK INC.	20,000	250,000
CENTURY COMMUNICATION CORP.	40,000	215,000
CLEAR CHANNEL COMMUNICATIONS INC.	3,100	190,850
COHERENT COMMUNICATIONS SYSTEMS CORP.	29,200	730,000
COMMUNICATIONS CENTURY INC.	135,100	1,486,100
COMMUNICATIONS CENTURY INC.	21,000	876,750
CONS GRAPHICS	121,075	2,088,544
CORECOMM INC.	244,600	5,442,350
DSC COMMUNICATIONS CORP.	7,200	321,300
EVERGREEN MEDIA CORP.	74,000	1,475,338
FRONTIER CORP.	14,800	492,100
GILAT SATELLITE NETWORKS LTD.	148,600	2,433,325
GLENAYRE TECHNOLOGIES INC.	120,200	1,232,050
GRANITE BROADCASTING CORP.	13,500	231,188
HARMONIC LIGHTWAVES INC.	2,500	138,125
HEFTEL BROADCASTING CORP.	16,100	553,438
INT'L. FAMILY ENTERTAINMENT INC.	34,100	1,304,325
JACOR COMMUNICATIONS INC.	7,500	186,563
KEMET CORP.	6,450	1,475,338
MEDIALINK WORLDWIDE INC.	14,000	492,100
OCTEL COMMUNICATIONS CORP.	434,200	2,433,325
OMNIPONT CORP.	6,000	231,188
P-COM INC.	9,700	138,125
PAC GATEWAY EXCHANGE INC.	4,500	553,438
QUALCOMM INC.	12,100	1,304,325
TELCO COMMUNICATIONS GROUP INC.	975,000	186,563
TELECOMMUNICATIONS INC.	140,500	1,475,338
TELTREND INC.	11,200	492,100
U.S. LONG DISTANCE CORP.	56,700	2,433,325
VALASSIS COMMUNICATIONS INC.	111,200	1,232,050
VANGUARD CELLULAR SYSTEMS INC.	44,000	231,188
V-TEL CORP.	11,600	138,125
WESTWOOD ONE INC.	375,350	553,438
WORLDCOM INC.		
<b>Containers</b>	220,800	5,023,200
SHOREWOOD PACKAGING CORP.	609,100	27,523,402
TENNECO INC.		

## Cosmetics

ALBERTO-CULVER CO.  
AVON PRODUCTS INC.  
GILLETTE CO.  
TAMBRANDS INC.

## Pharmaceuticals

AGOURON PHARMACEUTICALS INC.  
ALPHARMA INC.  
AMERICAN HOME PRODUCTS CORP.  
ARBOR DRUGS  
BERGEN BRUNSWIG CORP.  
BRISTOL MYERS SQUIBB CO.  
DRUG EMPORIUM INC.  
DURA PHARMACEUTICALS INC.  
JONES MEDICAL INC.  
LILLY ELI & CO.  
LIPOSONE INC.  
MERCK & CO. INC.  
PAREXEL INT'L. CORP.  
PEDIATRIC SERVICES OF AMERICA INC.  
PETCO ANIMAL SUPPLIES INC.  
PFIZER INC.  
PHARMACEUTICAL RES. INC.  
PHARMACIA & UPJOHN INC.  
PHYSICIAN SALES & SERVICE INC.  
PROCYTE CORP.  
QUINTILES TRANSNATIONAL CORP.  
SCHERING-PLOUGH CORP.  
WARNER LAMBERT CO.

## Electrical & Electronics - General

ANIXTER INT'L. INC.  
AVX CORP.  
DALLAS SEMICONDUCTOR  
EMERSON ELECTRIC CO.  
FLIR SYSTEMS INC.  
GENERAL ELECTRIC CO.  
INT'L. RECTIFIER CORP.  
LSI LOGIC CORP.  
MAXIM INTEGRATED PRODUCTS INC.  
OAK INDUSTRIES INC.  
REMEC INC.  
SANMINA CORP.  
SDL INC.  
SMART MODULAR TECHNOLOGIES INC.  
SYBASE INC.  
THOMAS & BETTS CORP.  
U-CAR INT'L. INC.  
ULTRAK INC.

## Electrical & Electronics - Specific

ACT MANUFACTURING INC.  
ADVANCED MICRO DEVICES INC.  
ADVANCED TECH MATERIALS INC.  
ASE TEST LTD.  
ATMEL CORP.  
DATUM INC.  
HARMAN INT'L. INDUSTRIES INC.  
HARRIS CORP.  
INSILCO CORP.  
INTEGRATED CIRCUIT SYSTEMS INC.  
INTEST CORP.  
JABIL CIRCUIT INC.  
KEY TRONIC CORP.  
METHOD ELECTRIC  
MICRON TECH INC.  
MICROS SYSTEMS INC.  
MICROSEMI CORP.  
MOLEX INC.  
ORBOTECH LTD.  
PERKIN-ELMER CORP.  
SIPEX CORP.  
TEKTRONIX INC.  
THERMO ELECTRON CORP.  
TRIQUINT SEMICONDUCTOR INC.  
UNIPHASE CORP.  
VEECO INDUSTRIES INC.  
VLSI TECHNOLOGY INC.  
WYLE ELECTRIC  
XEROX CORP.

## Financial

AHMANSON H. F. & CO.  
AMCORE FINANCIAL INC.  
AMERICAN EXPRESS CO.  
ASSOC. FIRST CAPITAL CORP.  
BENEFICIAL CORP.  
BOSTON PROPERTIES INC.  
BRANDYWINE REALTY TRUST

Shares	Market Value
41,000	955,792
430,700	30,391,053
402,500	38,136,875
7,900	394,013
287,900	23,283,913
75,200	75,200
878,100	67,174,650
11,875	238,984
61,375	1,726,172
709,600	57,477,600
91,700	469,963
34,600	1,379,675
13,075	621,063
110,200	12,046,182
146,400	1,308,377
242,400	24,800,429
23,600	749,300
9,700	195,213
17,375	521,250
568,900	67,983,550
34,200	94,050
15,200	528,200
7,500	142,500
371,500	417,938
184,400	12,838,850
416,400	19,935,150
49,600	6,162,800
215,600	3,705,517
71,300	1,925,100
16,000	626,000
319,800	17,608,828
15,000	236,250
841,100	54,671,500
288,200	5,367,725
4,950	158,400
3,600	204,750
130,500	3,719,250
16,650	391,275
30,400	1,930,400
7,600	145,350
15,800	533,250
34,000	505,750
14,100	741,124
31,500	1,441,125
4,500	39,938
19,000	793,250
61,600	2,209,900
7,150	210,031
11,400	481,650
5,100	142,800
11,000	341,000
71,700	3,020,363
41,700	3,502,600
36,900	1,383,750
173,600	3,938,463
137,700	1,239,300
14,500	1,216,188
17,000	82,875
120,650	2,397,919
47,500	1,900,000
16,000	672,000
160,300	2,043,825
119,250	4,158,844
12,800	408,000
38,100	3,031,312
55,631	297,250
8,200	1,122,000
18,700	17,183,203
499,875	175,913
5,100	186,400
3,200	492,125
12,700	5,100,638
215,900	3,005,950
76,100	3,843,750
50,000	
389,800	16,834,293
8,500	231,625
216,600	16,136,700
339,000	18,814,500
24,200	1,719,700
40,700	1,109,075
18,000	364,500

Shares	Market Value
15,100	1,104,188
9,700	107,913
204,910	11,039,526
68,459	1,959,639
136,700	6,527,425
45,262	1,171,154
34,600	445,475
27,000	516,375
28,500	456,000
5,500	182,875
237,600	8,835,631
1,000,000	35,000,000
140,000	6,107,500
204,668	7,969,158
11,700	342,225
68,300	4,955,985
5,900	413,000
225,300	26,458,556
39,676	516,375
19,600	931,000
11,000	360,932
20,000	441,240
13,200	249,150
10,600	442,550
32,500	237,640
103,800	1,790,550
10,500	490,675
133,975	1,590,953
1,928,447	61,710,304
6,300	217,350
84,400	1,403,150
10,500	1,333,500
155,000	7,769,375
187,100	5,215,413
643,700	40,593,009
14,612	375,338
14,800	673,400
28,900	1,426,938
4,200	112,350
24,700	657,638
38,100	1,104,900
18,900	1,045,397
311,800	15,590,000
28,600	1,899,935
19,100	1,763,159
35,000	317,170
160,300	1,803,375
275,000	11,756,250
48,600	443,475
66,400	805,100
62,900	1,065,337
31,500	992,250
347,300	6,251,400
35,850	604,969
12,000	781,500
320,700	14,792,288
5,000	143,435
31,100	594,788
21,900	503,700
35,400	734,550
13,000	338,000
362,700	3,105,437
488,500	20,333,813
179,600	5,118,600
32,031	694,656
33,100	1,208,150
361,200	9,368,444
65,100	874,749
185,000	8,949,375
237,200	10,199,600
27,400	726,100
157,400	2,144,575
122,185	2,825,528
198,700	10,732,345
22,200	1,481,850
43,000	1,171,750
11,000	143,000
10,400	175,500
270,000	15,693,750

# INVESTMENT LISTING

Shares	Market Value
15,000	263,430
10,800	168,050
28,800	1,045,786
38,600	1,819,025
134,100	7,015,039
436,900	22,118,063
185,500	4,127,375
18,200	197,925
233,035	13,341,254
209,000	6,516,808
208,000	239,000
9,000	168,750
92,900	3,652,085
67,300	1,017,913
3,450	169,050
10,200	373,575
4,300	179,525
36,500	1,106,388
5,100	172,125
86,600	1,234,050
19,650	560,025
126,000	6,599,250
9,900	191,813
35,000	420,000
731,000	18,228,947
134,516	1,177,015
9,500	90,250
59,400	1,373,625
31,200	388,034
20,400	555,900
371,600	23,921,750
204,300	6,026,850
5,600	182,700
108,600	2,389,200
18,850	572,569
23,000	402,500
14,700	402,413
102,060	797,293
8,400	297,150
16,100	489,038
15,500	449,500
44,300	1,389,913
47,200	858,426
156,400	2,336,147
338,774	1,714,874
4,800	219,898
176,800	596,700
14,000	161,000
199,700	3,070,388
17,800	658,600
13,300	357,438
24,500	686,000
117,800	1,251

# INVESTMENT LISTING

	Shares	Market Value		Shares	Market Value
<b>Insurance - Life</b>			<b>DOLLAR GENERAL CORP.</b>	8,450	317,931
AETNA INC.	12,000	1,228,500	DRESS BARN INC.	139,800	2,722,200
ALLIED LIFE FINANCIAL CORP.	108,400	2,140,900	FURNITURE BRANDS INT'L. INC.	120,300	2,330,813
ALLSTATE CORP.	68,499	5,000,427	HARTMARX CORP.	190,900	1,574,925
AMERICAN BANKERS INSURANCE GROUP INC.	69,600	4,402,200	JUST FOR FEET INC.	18,400	320,841
AMERICAN GENERAL CORP.	207,339	9,900,445	K-MART CORP.	373,700	4,554,282
AMERICAN GENERAL CORP.	61,350	3,174,863	KOHL'S CORP.	3,800	200,450
AOX CORP.	69,700	2,086,609	LIZ CLAIBORNE INC.	30,700	1,431,388
BARRETT RES. CORP.	25,100	4,455,250	MAY DEPARTMENT STORES CO.	982,900	46,442,025
CIGNA CORP.	99,900	3,696,300	MICHAEL ANTHONY JEWELERS INC.	217,600	2,361,893
CONSECO INC.	69,500	3,892,000	OFFICEMAX INC.	179,800	9,383,223
EQUITABLE INC.	77,500	4,989,063	PENNEY J.C. CO. INC.	91,500	319,988
LINCOLN NATIONAL CORP.	4,000	512,000	PROFFITTS INC.	16,100	5,177,025
MARKEL CORP.	99,300	4,803,638	RENTERS CHOICE INC.	103,800	30,728,875
NAC. RE. CORP.	118,200	768,300	RITE AID CORP.	571,700	3,935,150
NATIONAL INSURANCE GROUP	37,500	1,136,700	SEARS ROEBUCK & CO.	149,200	463,500
OLD REPUBLIC INT'L. CORP.	18,961	952,790	T.J.X. INC.	18,000	1,748,080
PROTECTIVE LIFE CORP.	4,900	175,175	W. MARINE INC.	51,700	508,800
QUORUM HEALTH GROUP INC.	321,000	30,033,402	WAL-MART STORES INC.	21,200	
TRANSAMERICA CORP.			WOOLWORTH CORP.		
<b>Leisure Time and Recreation</b>			<b>Miscellaneous Basic Industries</b>		
CARMIKE CINEMAS INC.	135,700	4,444,175	ADVANCED LIGHTING TECHS	9,900	249,975
HASBRO INC.	75,500	2,142,313	BACOU USA INC.	166,800	2,710,500
HUFFY CORP.	228,150	3,336,694	BARNETT INC.	10,500	257,250
KING WORLD PRODUCTIONS INC.	13,600	476,000	BELDEN INC.	78,800	2,684,086
MATTEL INC.	1,452,000	49,186,500	BHA GROUP INC.	13,310	246,235
POLARIS INDUSTRIES INC.	112,200	3,653,456	BLOUNT INT'L. INC.	3,900	165,992
REGAL CINEMAS INC.	36,750	1,212,750	BRUNSWICK CORP.	54,700	1,709,375
WEBB DEL CORP.	15,000	243,750	CATELLUS DEVELOPMENT CORP.	204,100	3,711,967
			CENTERPOINT PROPERTIES CORP.	146,400	4,648,200
			COACH USA INC.	6,800	180,622
			CWM MORTGAGE HOLDINGS INC.	261,400	6,257,132
			DURCO INT'L. INC.	157,000	4,592,250
			FAIRFIELD COMMUNITIES INC.	10,500	353,063
			FAIRPORT MCMORAN	425,000	13,228,125
			GRADALL INC.	99,700	1,595,200
			HOME PRODUCTS INT'L. INC.	15,000	148,125
			JOHNS MANVILLE CORP.	96,300	1,137,496
			KLA-TENCOR CORP.	214,700	10,466,625
			KNIGHTSBRIDGE TANK LTD.	15,000	378,750
			LTC PROPS INC.	332,700	6,030,188
			PAMECO CORP.	5,400	95,850
			SPL METALS CORP.	4,000	1,942,200
			STORAGE USA INC.	99,900	4,157,775
			TITANIUM METALS CORP.	108,700	951,913
			WATSCO INC.	30,100	227,500
			<b>Miscellaneous Capital Goods Industries</b>		
			AEROQUIP VICKERS INC.	104,600	4,942,350
			AGCO CORP.	48,900	1,757,319
			ALIGN-RITE INT'L. INC.	95,800	1,245,400
			AMERICAN POWER CONVERSION CORP.	152,200	2,891,800
			AMP INC.	10,800	450,900
			APPLIED POWER INC.	138,200	7,134,575
			BENCHMARK MICROELECTRONICS INC.	9,900	170,775
			BROWNING-FERRIS INDUSTRIES INC.	8,229,375	247,500
			COOPER INDUSTRIES INC.	247,500	1,980,050
			CORNING INC.	39,800	862,188
			EATON CORP.	15,500	881,851
			FASTENAL	10,100	220,500
			JOHNSON INC.	4,500	15,381,825
			MAVERICK TUBE CORP.	374,600	285,000
			MINING & MANUFACTURING CO.	7,600	1,441,725
			NEW HOLLAND	14,100	9,718,125
			NEWARK RES. INC.	355,000	168,750
			ROCKWELL INT'L. CORP.	5,000	20,654,550
			ROPER INDUSTRIES INC.	348,600	772,938
			TRW INC.	14,900	505,627
			VERSA/TECHNOLOGIES INC.	8,900	2,271,150
			WASTE INDUSTRIES INC.	144,200	64,331
			WASTE MANAGEMENT INC.	3,650	860,950
			WATTS INDUSTRIES INC.	26,800	3,691,200
			<b>Miscellaneous Consumer Durables</b>		
			CNF TRANSPORTATION INC.	88,800	2,863,800
			DT INDUSTRIES INC.	61,900	2,212,925
			GARDNER DENVER MACHINERY	11,000	327,250
			IL-VI INC.	4,000	84,000
			KEYSTONE AUTOMOTIVE INC.	11,000	187,000
			LIBBEY INC.	11,000	301,000
			MAXIM GROUP INC.	8,600	677,600
			MILLER INDUSTRIES INC.	61,600	535,200
			MOHAWK INDUSTRIES INC.	33,450	68,250
			PITTSBURGH CO. BURLINGTON GROUP	3,000	4,207,500
			RACING CHAMPIONS CORP.	149,600	55,025
			SUNBEAM CORP.	3,550	4,502,563
			<b>Miscellaneous Consumer Non-Durables</b>		
			ANHEUSER-BUSCH COMPANIES INC.	749,200	31,419,200
			ACTION PERFORMANCE INC.	22,000	533,500
			BRINKER INT'L. INC.	22,373	318,815
			CHANNELL CORP.	25,000	337,500
			CLOROX CO.	12,500	1,652,338
			COCA-COLA CO.	996,000	67,728,000
			COCA-COLA ENTERPRISES INC.	195,600	4,498,800
			COLGATE-PALMOLIVE CO.	214,600	14,002,650
			COMPUTER TASK GROUP INC.	41,200	1,534,700
			COSTCO COMPANIES INC.	250,000	8,218,750
			COUNTY SEAT HOLDINGS INC.	90,273	0
			CUC INT'L. INC.	726,700	18,757,580
			CULLIGAN WATER TECHNOLOGIES INC.	4,000	179,000
			FIRST BRANDS CORP.	160,300	3,676,801
			FORTUNE BRANDS INC.	252,800	9,432,474
			JOSTENS INC.	24,700	660,725
			LARSCOM INC.	19,100	205,325
			MARKS BROTHERS JEWELERS INC.	110,195	1,377,438
			MCDONALDS CORP.	550,000	26,571,600
			N.W. PIPE CO.	16,000	294,000
			NEWELL CO.	62,300	2,476,425
			PEPSICO INC.	1,174,500	44,116,569
			PICCADILLY CAFETERIAS INC.	171,300	1,820,063
			PROCTER & GAMBLE CO.	336,900	47,587,125
			RARE HOSPITALITY INT'L. INC.	230,200	2,848,725
			SANFILIPPO JOHN B. & SON	216,700	1,489,813
			SENSORMATIC ELECTRIC CORP.	73,340	944,253
			TUPPERWARE CORP.	79,200	2,871,000
			<b>Miscellaneous Energy</b>		
			AMERICAN OILFIELD DIVERS INC.	13,050	156,600
			ANADARKO PETROLEUM CORP.	333,200	19,992,000
			ATMOS ENERGY CORP.	128,200	3,076,800
			B.J. SERVICES CO.	4,850	260,081
			BAKER HUGHES INC.	28,500	1,102,580
			CLIFFS DRILLING CO.	15,000	547,500
			COHO ENERGY INC.	20,000	212,500
			COOPER CAMERON CORP.	60,000	2,805,000
			CORE LABS	13,400	348,400
			DEVON ENERGY CORP.	150,400	5,527,200
			EASTERN ENTERPRISES	113,700	3,943,912
			ENRON OIL & GAS CO.	88,000	1,595,000
			ENI CORP.	12,300	516,600
			HALLIBURTON CO.	68,300	5,412,775
			HELMERICH & PAYNE INC.	45,800	2,639,225
			MCDERMOTT INT'L. INC.	212,500	6,162,500
			NOBLE AFFILIATES INC.	35,000	1,354,045
			PATTERSON ENERGY INC.	3,650	165,619
			POOL ENERGY SERVICES CO.	356,400	6,459,750
			READING & BATES CORP.	334,000	8,934,500
			SANTA FE ENERGY RESOURCES INC.	19,700	289,334
			SEACOR SMIT INC.	20,800	1,088,090
			ST. MARY LAND & EXPLORATION CO.	6,000	210,750
			STOLT COMEX SEAWAY	12,000	304,500
			TEAM INC.	130,900	343,613
			TIDEWATER INC.	35,800	1,575,200
			TITAN EXPLORATION INC.	325,000	3,940,625
			TRANSOCEAN OFFSHORE INC.	250,000	18,156,250
			TRITON ENERGY LTD.	10,300	471,864
			TURSCOPE VETCO INT'L. CORP.	10,400	206,700
			ULTRAMAR-DIAMOND SHAMROCK CORP.	200,875	6,553,547
			VALSTAR INC.	36,700	1,286,775
			VANTAGE PETROLEUM INC.	121,500	3,736,125
			<b>Miscellaneous Financial Services</b>		
			AMERIN CORP.	180,500	4,377,125
			AMERUS LIFE HOLDINGS INC.	35,800	997,925
			CALIFORNIA REALTY CORP.	90,700	3,083,800
			CASE CORP.	9,200	633,650
			COASTAL BANCORP INC.	15,000	446,250
			FEL FINANCIAL GROUP INC.	85,200	3,216,300
			FPC INSURANCE GROUP INC.	20,000	450,000
			FREEDTREE FINANCIAL CORP.	510,600	18,190,125
			FORTFORD FINANCIAL SERVICES GROUP	9,700	802,675
			FORTFORD LIFE INC.	43,100	1,616,250
			GREEN TROY LTD.	175,600	4,499,750
			INSKEEPERS USA	105,100	1,576,500
			INTEGRITY INC.	131,550	2,565,225
			MORGAN ST. DEAN WITTER DISCOVER GROUP INC.	78,500	3,380,367
			NATIONAL AUTO CREDIT INC.	198,000	1,757,250
			<b>Miscellaneous Technology</b>		
			LOGE SYSTEMS INC.	44,200	1,549,740
			LUANT TECH SYSTEMS INC.	73,200	4,026,000
			AMERICAN ON-LINE	341,600	19,001,500
			AMERICAN SOFTWARE INC.	103,500	777,906
			AMCOR CORP.	32,000	184,000
			ARCO CORP.	7,500	210,938
			ARCO SOLUTIONS INC.	9,900	195,525
			<b>Miscellaneous Utilities</b>		
			BEI ELECTRICS INC.	177,800	1,955,800
			<b>Motor Carriers</b>		
			ALLIED HOLDINGS INC.	131,400	1,461,825
			AMERICAN FREIGHTWAYS INC.	10,900	170,313
			HEARTLAND EXPRESS INC.	9,400	220,900
			KLLM TRANSPORTATION SERVICES INC.	124,600	1,464,050
			LANDSTAR SYSTEMS INC.	156,400	4,398,750
			U. S. XPRESS ENTERPRISES INC.	25,500	503,625
			<b>Merchandising - General</b>		
			ALBERTSON'S INC.	410,000	14,965,000
			CARSON PIRIE SCOTT & CO.	125,700	3,990,975
			CELLSTAR CORP.	15,900	486,938
			CONS STORES CORP.	567,156	19,708,671
			CONSO PRODUCTS CO.	10,700	131,075
			CVS CORP.	79,500	4,074,375
			DAYTON-HUDSON CORP.	26,000	1,382,862











# INVESTMENT LISTING

	Market Value		Market Value
TR BRELL CALIFORNIA CTR CORPORATION	1,260,088	LINDSEY	5,823,293
TR BRELL CANYON PLAZA CORPORATION	1,324,067	LOS ALAMOS	4,314,200
TR BRELL CREEKSIDE CORPORATION	6,300,000	LOSASSO	214,270
TR BRELL GRAND PRAIRIE CORPORATION	10,843,778	LYTLE	2,286,000
TR BRELL ICC CORPORATION	1,526,321	MADDOX	10,345,600
TR BRELL LONGWOOD CORPORATION	2,880,000	MAESTRAS GROVE	4,533,656
TR BRELL OAKLEAF CORPORATION	1,951,231	MARINE	528,000
TR BRELL TORRANCE CORPORATION	2,679,156	MARLIN - LEMONS 1	1,040,000
BUCK LAKE	973,675	MARLIN - LEMONS 2	608,000
CALIFORNIA MORTGAGE PORTFOLIO I	2,934,342	MAYHEW TECH CENTER	18,115,000
CALIFORNIA MORTGAGE PORTFOLIO II	20,838,230	MCKAY	228,388
CALIFORNIA MORTGAGE PORTFOLIO III	3,457,262	MCMAHON	313,582
CALLAWAY	603,950	MELVIN	224,775
CAMERON COURT	5,200,000	MENDOTA HEIGHTS	11,600,000
CANTERWOOD	17,900,000	MERIDIAN	10,332,400
CENTERVILLE	574,116	MIDDAY	552,000
CHICAGO HOLIDAY INN CITY CENTRE	58,000,000	MIDDLESWORTH	289,562
CHILD ESTATE	197,428	MILLER	332,168
CISCO	1,667,730	MIZNER ON THE GREEN	12,500,000
CLACKAMAS TOWN CENTER	106,576,744	MONTBELLO INDUSTRIAL PARK	30,200,000
CLAYBAUGH	1,275,600	MONTGOMERY LANE	338,640
COBBLESTONE COURT	14,912,863	MOYER	264,000
COLOBRAS	1,564,989	MUIRKIRK OFFICE BUILDING	11,300,000
CORNER GROVE	475,800	NAFZIGER	192,129
CORPORATE CAMPUS EAST III	20,079,578	NARANJA	10,125,648
COSTA MESA	26,970,000	NEESE	393,484
COURT CREEK	1,045,070	TRB-NEWMARKET	6,900,000
CROSSROADS I	7,500,000	NORTH LAKE BUSINESS PARK	19,246,821
CRYSTAL COURT	4,589,389	NORTHILL	5,300,000
CYPRESS TRACE	16,300,000	NUGENT	781,000
DAHMS	1,170,125	N.W. MUTUAL (PA6)	5,862,450
DARR	1,405,140	O. REESER	469,920
DATA GENERAL	5,450,000	OAKBROOK CENTER LAND	73,200,000
DAVIS	806,933	OAKS OF EAGLE CREEK	31,200,000
DELAND	1,621,845	OAKS OF OAKBROOK	13,600,000
DELTA VINEYARDS	3,743,280	ODUM TRUST	497,550
DICK	428,220	ORLANDO MARRIOTT AIRPORT HOTEL	54,700,000
DONALDSON	181,309	ORLANDO MARRIOTT INT'L HOTEL	61,400,000
DORAL FINANCIAL PLAZA	15,360,880	OTIS	233,046
EASON TRUST (PA5)	4,644,265	P. ALMONDS IV	6,400,000
ERB	649,077	P. ALMONDS IX	1,920,000
EXCHANGE PARK OFFICE BUILDING	9,212,066	P. ALMONDS VIII	3,968,000
FACTORY STORES AT HERSHEY	23,500,000	PACIFIC SHORES LIMITED PARTNERSHIP	10,600,000
FAIRFAX COURT	15,029,453	PARKWAY CROSSING	1,788,000
FELLMY	191,993	PEMBROOKE LAND	3,325,000
FILLERS	180,000	PEOPLES STREET	648,825
FISCHER	416,000	PETERSON	244,800
FOREST PARK MALL	5,000,000	PETERSON	10,100,432
FRANKLIN LAKE SELF PARK	18,200,000	PHOENIX	1,156,287
FRYBARGER	343,525	PHOENIX MUTUAL	2,405,319
GAITWAY PLAZA	11,685,453	PLAZA AT BUCKLAND HILLS	24,160,535
GALESVILLE	1,054,000	PORTAGE CREEK	2,304,000
GATEWAY OAKS PLAZA LAND	3,000,000	POTOMAC LOANS	26,469,279
GM - EL PASO	11,930,000	PREM. PISTACHOIS 1	185,000
GMO LAND	17,000,000	PREM. VINEYARDS 1	3,840,000
GOODLUCK	308,200	PRESIDENT'S PLAGE	42,000,000
GREEN	268,000	PRESS	845,259
HAACK	602,600	RE RESOURCES	180,000
HAGEMEISTER	350,614	REDLIN TRUST	403,656
HAMMOND	1,059,300	REESE	518,100
HAMPTON ROADS PORTFOLIO	31,370,270	RESIDENZ	19,600,000
HARLOW	473,640	RICE ESTATE - PA11	2,257,000
HARTFORD INDUSTRIALS	14,025,666	RICHARDSON BUSINESS CENTER	10,100,000
HEAD	336,300	RICHMOND	4,300,000
HEBRON OFFICE BUILDING MORTGAGE	5,692,101	RIDGEWOOD COURT	6,698,600
HOESMAN	388,863	RIVA 400 LAND	3,250,000
HOLLY LANE	1,064,606	RIVER LAKE	316,037
HUNT	224,054	RIVER ROAD BUSINESS CENTER	6,600,000
HURLOCK	292,677	RIVERSIDE	425,100
HUSTED	324,672	ROAD LOUDON LAND	1,100,000
HYATT	224,613	ROSE	136,514
HYTEK	2,700,000	ROYAL EAGLE PLAZA	5,013,351
I-45	6,700,000	RUSSELL	1,122,500
IDC-COLES	1,913,996	RUSSELL (IN)	1,338,435
IDC-MCDONOUGH	881,400	SAAVEDRA	255,717
IDC-PIATT	3,393,593	SACHS	800,587
IMG PARHAM OFFICE & LAND	2,312,000	SACK	823,922
IND. UNIVERSITY	268,000	SAE CORPORATION	643,680
INTERSTATE CROSSINGS	5,180,373	SAN MARCO ON BROKEN SOUND	23,074,893
JAMES	179,216	SAN REMO AT CORAL SPRINGS	9,500,000
JEFFERIES (PA1)	1,597,750	SAXE TRUST	552,000
KINGSTON COURT LAND	2,440,000	SAYBROOK	2,388,101
KLEMME	322,560	SCHABLE	245,949
KNEDLER	316,050	10124 SCHOOL STREET	14,100,000
KUHLMAN	270,360	SCHUMACHER	199,360
LAGUNA HILLS	7,700,000	SEEQ1 1846	5,300,000
LAKE CITY	1,622,106	SEEQ1 1847	5,500,000
LAKES OF BELLEVUE	33,700,000	SEMINOLE TOWNE CENTER	72,500,000
LEHMAN	250,278	SERENOA CITRUS	2,424,300

# INVESTMENT LISTING

	Market Value		Market Value
SERENOA GROVE	3,200,305	ALTERNATIVE INVESTMENTS	
SERENOA LEMONS	163,690	ANGELO GORDON & COMPANY	29,078,202
SERENOA VEGETABLES	5,248,538	APEX INVESTMENT FUND III L.P.	11,769,585
SEYMOUR	579,420	DAYSTAR SPECIAL SITUATIONS FUND L.P.	55,863,477
SHAWBACK	472,000	DLJ MERCHANTING BANKING I	26,572,103
SMITH	168,000	DLJ MERCHANTING BANKING II	10,249,572
SOMERSET	32,500,000	FRONTENAC VENTURE IV	914,523
SOUTHPARK SQUARE	7,551,379	FRONTENAC VENTURE V	3,114,267
ST. CHARLES #12	6,145,000	FRONTENAC VI LIMITED PARTNERSHIP	10,334,552
ST. CHARLES LAND	8,100,000	KOHLBERG KRAVIS ROBERTS & CO.	6,263,847
STEINMAN	1,164,858	MESIROW CAPITAL PARTNERS VII	4,480,671
STONE KING	252,630	PENMAN PRIVATE EQUITY	7,883,906
STONE MOUNTAIN FESTIVAL	22,490,000	PERISCOPE FUND I	500,000
SUDDUTH	690,840	SANDLER CAPITAL MANAGEMENT	16,538,881
SUNFOREST APARTMENTS	28,400,000	SCP PRIVATE EQUITY L.P.	5,681,296
SUNWORLD (PA2)	12,045,000	TCW/LATIN AMERICA PRIVATE EQ. PARTNERS L.P.	361,501
SUPER 8 MOTELS	3,520,000	TRIVEST COMPANY	5,410,470
SWAN CREEK	697,500	VS&A PRIVATE EQUITY FUND	9,233,318
TECH WEST I	5,400,000	WALNUT GROWTH PARTNERS L.P.	349,998
TENNECO	800,000	WILLIAM BLAIR MEZZANINE FUND II	4,900,000
TENNECO WEST	14,350,600	WPG ENTERPRISE FUND II	122,985,906
TERRA FARMS	195,936	WPG ENTERPRISE FUND III	9,809,902
TETCOM OFFICE BUILDING	7,397,830	WPG ENTERPRISE FUND L.P.	22,281,946
THE AVENUES	80,700,000	TOTAL ALTERNATIVE INVESTMENTS	364,577,923
THE GARDENS	3,075,000		
THE YARDS PLAZA	12,644,667	TOTAL FUND	18,091,362,789
THOMPSON	254,635		
THOMPSON	405,000		
TIMBER HOLLOW	15,100,000		
TIME & LIFE BUILDING	37,540,000		
TR KOLL FLORHAM PARK CORP.	44,867,948		
TR KOLL IMPERIAL CORPORATION	2,012,931		
TR KOLL 85 E. COLORADO FUNDING CORP.	2,041,207		
TR KOLL LOT 7 CORPORATION	1,166,304		
TR KOLL PHASE III CORPORATION	752,350		
TR KOLL VOSS CORONA CORPORATION	4,001,698		
TR KOLL WESTCHESTER CORPORATION	4,349,443		
VALLEY WEST (PA10)	3,078,000		
VERMONT SHOPPING CENTER	13,000,000		
VILLAGE PARK PLAZA	25,480,117		
WALL ESTATE	530,082		
WATSON	445,740		
WEDGEWOOD I	8,245,000		
WEST CHAPMAN	2,986,817		
WEST TOWN CORNERS	14,382,911		
WESTLAND PARK PLAZA	5,352,520		
WHITE	470,184		
WHITE OAK CENTER I	13,910,000		
WHITSON	263,241		
WILDWOOD	9,800,000		
WILLIAMS PLAZA I	16,365,000		
WILLIAMS PLAZA II	18,990,000		
WILLOW BRANCH	1,412,100		
WILLOW KNOLLS COURT	16,280,141		
WINROCK	786,000		
WRIGHT	1,521,531		
WYFFEL	202,593		
YOUNGER	404,884		
ZARTMAN	557,279		
ZEWADSKI	448,020		
TOTAL PROPERTIES	2,121,860,590		
		Market Value	
REAL ESTATE LOANS AND MISC. ASSETS			
ARLINGTON ROAD LOAN PORTFOLIO	6,201,248		
EXCHANGE PARK OFFICE BUILDING	4,787,934		
HEBRON OFFICE BUILDING MORTGAGE	3,445,121		
RIDGE PLAZA	29,890		
RIDGE PLAZA LOAN	12,070,310		
MISCELLANEOUS ASSETS	39,801,990		
TOTAL REAL ESTATE LOANS AND MISC. ASSETS	66,336,293		
TOTAL REAL ESTATE	2,348,125,078		

