

1981 ANNUAL FINANCIAL REPORT

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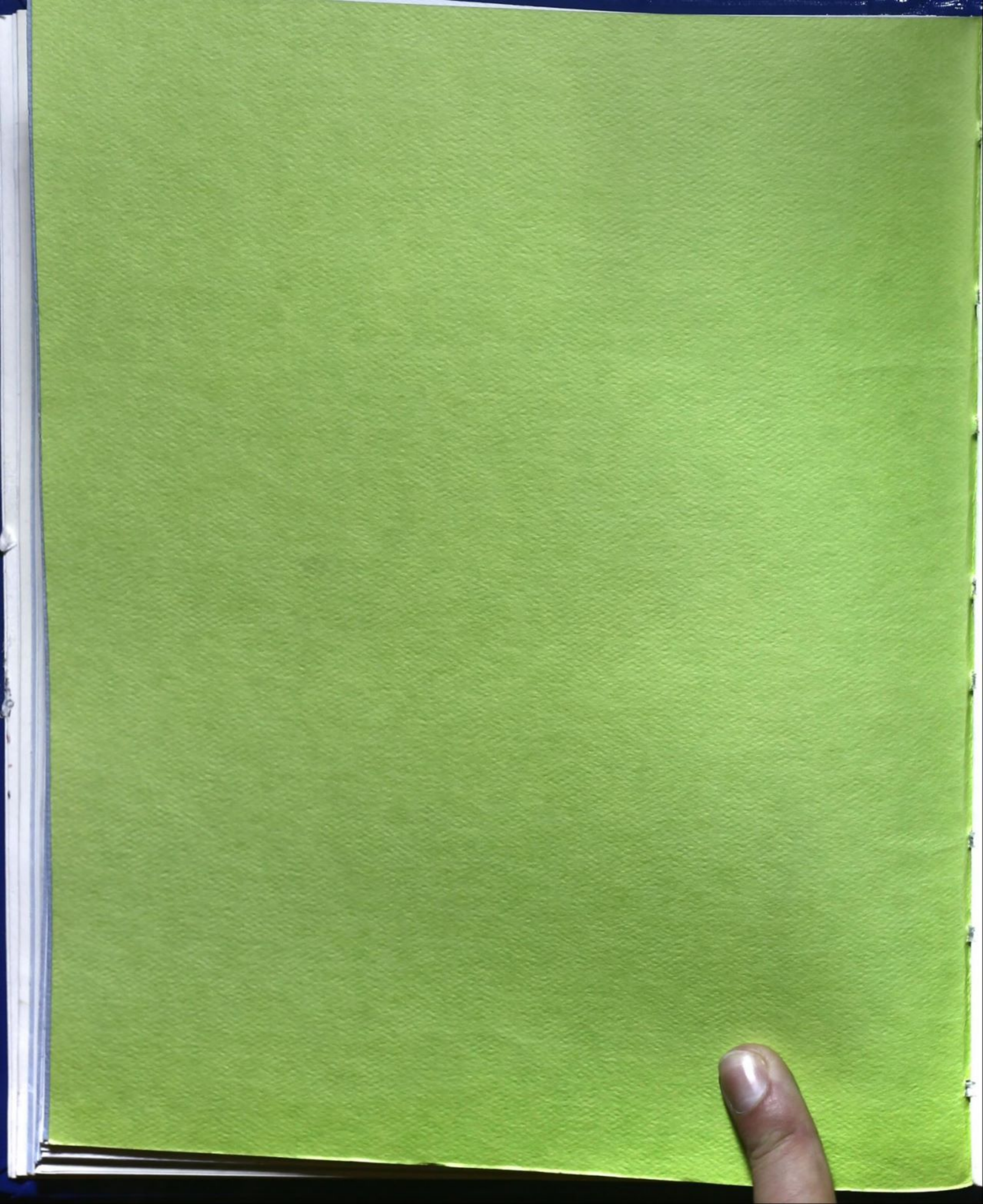


PUBLIC EMPLOYEES RETIREMENT
SYSTEM OF OHIO

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1981 ANNUAL FINANCIAL REPORT

(FOR THE CALENDAR YEAR ENDED DECEMBER 31)



PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO
277 EAST TOWN STREET
COLUMBUS, OHIO 43215

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THE PUBLIC EMPLOYEES RETIREMENT BOARD OF OHIO



WALTER H. KYLE
Representing State Employees

WILLIAM G. WILCOX
Representing Retirees



MARK McELROY
Representing County Employees
(Deceased December 8, 1981)

WILLIAM J. BROWN
Attorney General



DONNA A. MORROW
Representing College -
University Employees

THOMAS E. FERGUSON
Auditor of State



JOHN S. REED
Representing Municipal Employees

WILLIAM D. KEIP
Department of Administrative Services



DUSTY RHODES
Representing Miscellaneous Employees

WILLIAM S. McLAUGHLIN
Executive Director



Assistant Directors

RICHARD D. MYERS
Benefits

ROBERT A. McLAUGHLIN
Investments

RICHARD E. SCHUMACHER
Comptroller

PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO

277 EAST TOWN STREET

COLUMBUS, OHIO 43215

TELEPHONE (614) 466-2085



Members of the Retirement Board
Public Employees Retirement System
Columbus, Ohio

Dear Board Members:

The Comprehensive Annual Financial Report of the Public Employees Retirement System for the year ended December 31, 1981 is submitted for your review and consideration. The report provides a summary of operations for the year 1981, financial statements and schedules, a report of examination by the Auditor of the State of Ohio, a statement and related actuarial data from the Board actuary, Gabriel, Roeder, Smith and Company, the investment portfolio and summary, and a plan statement for PERS.

ACCOUNTING

The assets, liabilities and reserves of the Public Employees Retirement System are recorded and reported on a modified accrual system of accounting.

Receivables at year-end reflect accrued employer charges and investment proceeds due on sales that have not yet been settled. Investments are recorded at cost. Premiums and discounts on purchases are amortized or accumulated over the lives of the respective securities. Thus, on the balance sheet, bonds and mortgages are carried at amortized book value and stocks are carried at cost. Fixed assets are listed at cost less accrued depreciation.

REVENUES

Revenues received by the retirement system have continued to increase, largely as a result of current inflation, with revenues increasing 16.8% over the preceding year. Of the three revenue components, (member contributions, employer charges, and investment income) employer income increased at 7% and employee contributions increased 6%. For 1981 the employee contribution rate was continued at 8.5% while the employer rate remained constant with State government at 13.71%, local government at 13.95% and law enforcement units at 18.10%.

BENEFIT PAYMENTS

Benefit disbursements continue to rise each year. During 1981, \$422.1 million was paid to fulfill the retirement system's obligation to its members and retirants. This payment includes \$76 million in refunds to members or beneficiaries by reason of separation or death in lieu of monthly benefits. Payments to retirants for regular, disability and survivor benefits totaled \$289.9 million, an increase of 25% over 1980. Health Care payments increased from \$44.2 million in 1980 to \$54.0 million in 1981. This is a 22% increase.

Health Care costs continued their dramatic increase in 1981 despite the split funding program initiated in January. Under the split funding arrangement, the Aetna Insurance Company is paid directly by the retirement system for claims incurred. The method is more cost effective than the premium method for PERS.

Refunds of members accounts by reason of separation from service and death increased in total dollars paid-out and decreased in number of accounts refunded. For 1980, 36,831 accounts were refunded versus 35,108 accounts in 1981. Refunds for 1980 were \$64.6 million and \$75.8 million for 1981.

FUNDING AND RESERVES

The proper funding of a retirement system is the key to assuring reliability in the payment of current and future benefits. The higher level of funding provides greater potential contributions from investment earnings. The retirement system stresses adequate funding as a fundamental requirement. Continuous improvement in the funding of the system is sought through adequate reserves, higher investment earnings and effective cost containment programs.

Money held by the retirement system for a particular purpose is considered reserve. We refer to these reserves as funds. As of December 31, 1981, funds established by the retirement system totaled \$6,129 million compared to \$5,346 million at year end 1980.

Reserves are maintained in the Annuity and Pension Reserve Fund and the Survivor Benefit Fund to meet future obligations for all current retirants and beneficiaries.

The actuarial valuation dated December 31, 1980 indicates an unfunded accrued liability of \$5,245.9 million. This is the difference between the Employer Accumulation Fund balance held and the actuarially calculated liability for that fund. Factors are included in the employer contribution rates to provide the assets to amortize these liabilities over future funding years. The current funding period for the state group is 37 years; for the local government group, 41 years; and for the law enforcement group, 29 years.

INVESTMENTS

The investment portfolio provided net revenues of \$457.4 million to the retirement system in 1981. This is an increase of \$128.4 million over the net revenues provided in 1980. Net revenues are results of the gross receipts adjusted for accumulation of discounts, amortization of premiums, amortization of deferred losses on bonds sold and for the gains and losses realized on the sale of securities.

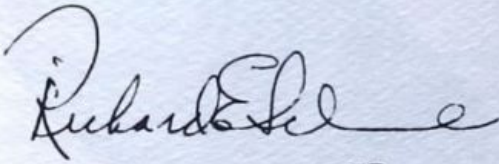
PROFESSIONAL SERVICES

Professional services are provided the Public Employees Retirement System by professional consultants appointed by the Board to aid in the efficient and effective management of the system. Actuarial services are provided by Gabriel, Roeder, Smith & Company, Detroit, Michigan. The investment advisor is Value-Line, New York City. The financial records of the retirement system are examined by the Auditor of the State of Ohio as provided by law.

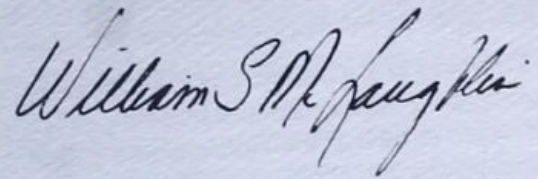
ACKNOWLEDGMENTS

The preparation of this report reflects the combined efforts of the Public Employees Retirement System's staff under the Retirement Board's direction. Its purpose is to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members and their employers.

This report is being mailed to all employer units of PERS of Ohio, each state legislator and other interested parties.



RICHARD E. SCHUMACHER
Ass't Director — Comptroller



WILLIAM S. McLAUGHLIN
Executive Director

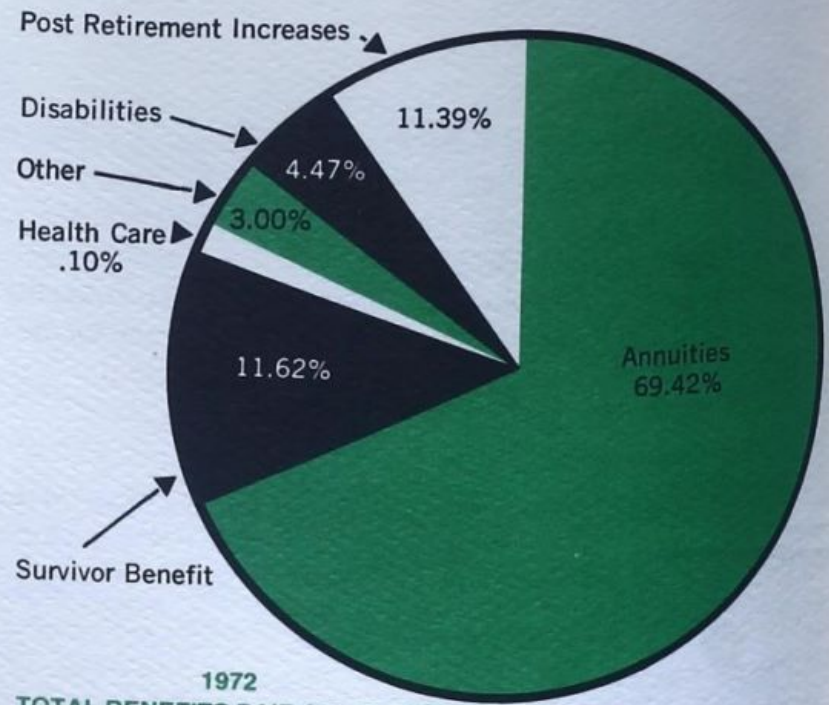
BENEFITS

Major improvements in Ohio's retirement law over the last ten years have resulted in significant increases for the more than 75,000 benefit recipients of the Public Employees Retirement System. The improvements have included, but have not been limited to, the liberalization of purchased service credit entitlements, an adjustment in final average salary calculation, cost-of-living allowances and ad hoc increases.

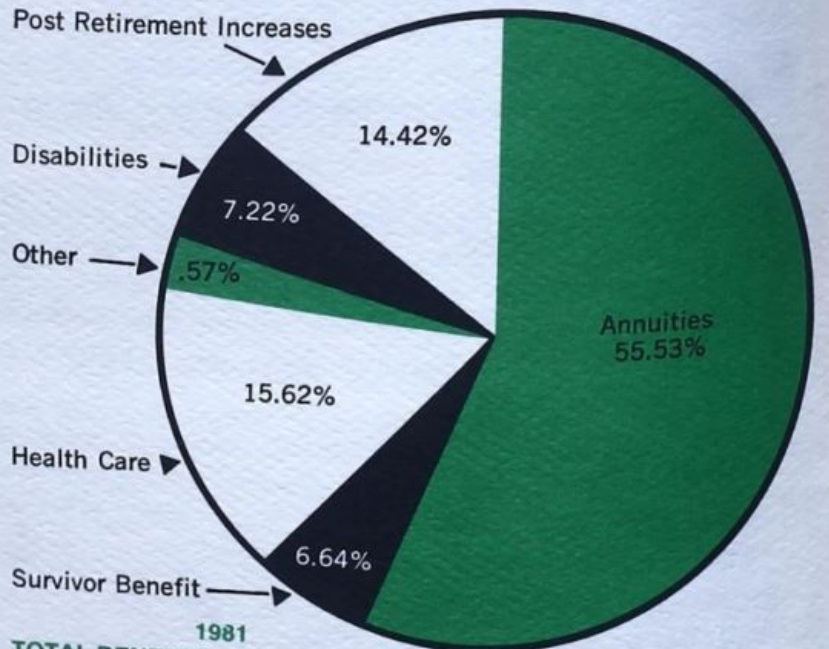
The greatest increase in benefits, and the one most valuable to active and retired members alike, is the Ohio Retirement Systems Health Care Plan. Begun in 1974, the program is available to all benefit recipients and their eligible dependents. The cost of the premiums for recipients is paid by the Public Employees Retirement System. Because of the financial burden which would have been placed on retirees and others with the rapid rise in health care costs, the Retirement Board has absorbed the premium increases for dependents during the last several years. Currently, the Board is paying approximately one-half of dependent premium costs.

The tremendous rise in the System's health care cost is dramatized in the illustrations on this page. From a low of \$88,822 in 1972 (before the Aetna Plan was initiated), the annual cost in 1981 was \$54,033,205. A more realistic but still startling statistic is the 400% cost increase between the time the health care plan was fully implemented in 1975 and the current year.

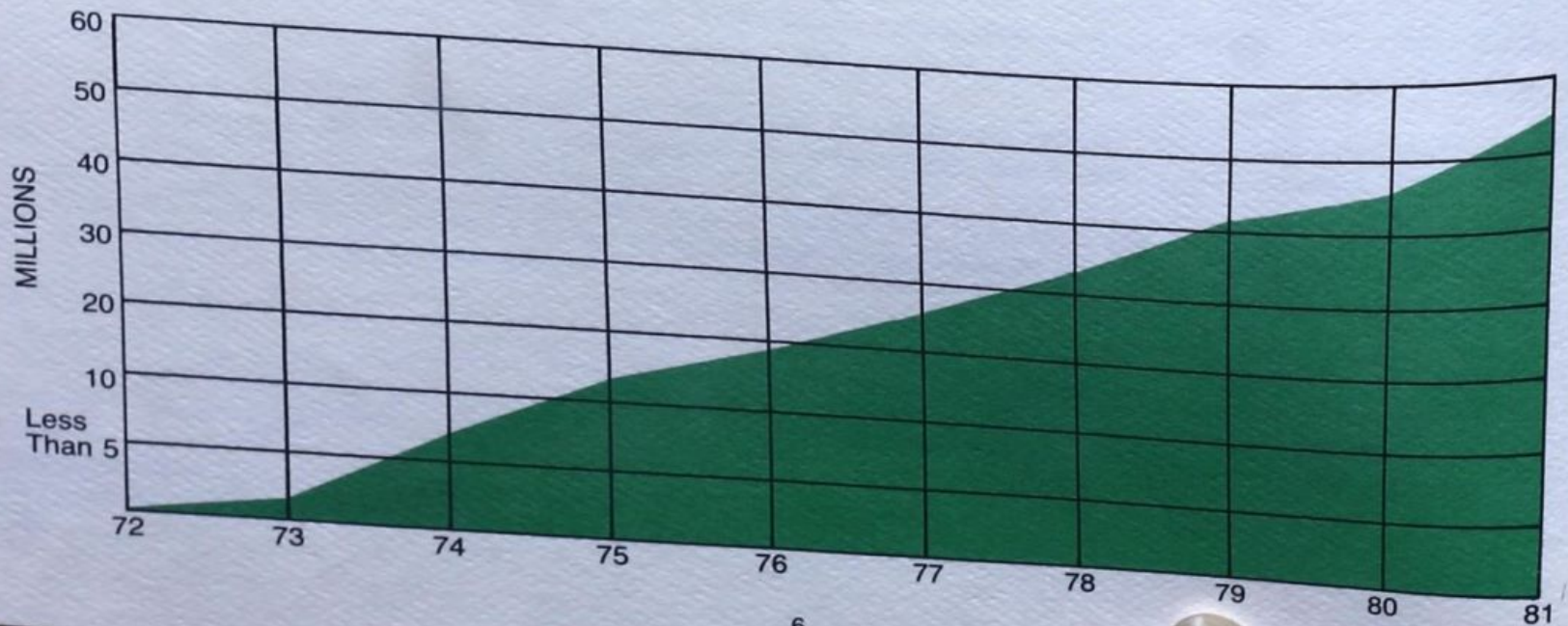
Also reflected in the benefit cost figures and in the illustrations is the Medicare Reimbursement benefit passed by the legislature in 1977. It provides that the Retirement System upon receipt of proof of coverage, shall pay monthly to benefit recipients the cost of the medicare premium.



1972
TOTAL BENEFITS PAID \$89,980,378



1981
TOTAL BENEFITS PAID \$345,857,579



HIGHLIGHTS OF 1981

LEGISLATION AT A GLANCE

Benefit Increase Passed

The Ohio General Assembly in 1981 approved a substantial increase in allowances for PERS benefit recipients. The action, which was taken in mid-June, covered those persons whose benefits were effective before January, 1980.

Those individuals whose original benefit was effective any time before January 1, 1977 were granted a 6% ad hoc increase up to a maximum of \$600 per year. Persons whose benefits were effective between January 1, 1977 and December 31, 1979 were given a 4% increase with a maximum of \$400 per year.

The ad hoc increase is supplementary to the 3% annual cost-of-living award granted benefit recipients on the PERS rolls. The first year cost is estimated to be \$12 million.

Health Care Vesting

Beginning in July 1986, members retiring with less than 10 years of Ohio service credit will not be eligible for free health care coverage. PERS members had previously been vested for the health benefit after 5 years of Ohio service.

The change in the service requirement was enacted by the legislature to actuarially fund the benefit increase discussed above. The new law does not permit the use of out-of-state or military service in the calculation of the 10 year health care vesting provision unless such service was purchased before January 29, 1981.

The health care eligibility provision in no way affects a member's vested right to a retirement benefit payable, upon application, at age 60.

Death Benefits Broadened

The survivors of certain law enforcement officials who were

members of Ohio PERS were the subject of legislation passed by the General Assembly. In an amendment to the Police and Fire pension fund law, the various categories of PERS law enforcement members were blanketed under the more liberal PFDPF statute to provide full benefits to the survivors of those members *who died in line of duty*.

The PFDPF law defines full benefits as a monthly allowance equal to the full monthly salary received by the deceased member prior to the member's death.

Prisoner of War Credit

PERS members who were members of the armed forces of the United States prior to July 1, 1973, and who were captured, separated and incarcerated by the enemy may purchase service credit for the period they were prisoners of war *in addition* to purchasing their regular military service credit. The rules for this special purchase are the same as those for the purchase of regular military service credit.

Board Investment Powers Expanded

Passage of legislation by the Ohio General Assembly in 1981 redefined the PERS Retirement Board's investment authority. The long sought revisions are designed: (1) to improve Ohio's economic climate by furnishing capital to Ohio business; and (2) to increase portfolio yield through a more realistic approach to real estate and venture capital investment.

While the new law removes a number of the restrictions which severely limited maximum investment yield, it defines precisely the Retirement Board's fiduciary responsibility to invest its funds for the sole benefit of plan participants and beneficiaries.

BOARD APPROVES DISABILITY RULE

Following action by the Ohio General Assembly to authorize the initiation of guidelines governing disability reviews, the PERS Board has adopted a rule designed to implement the procedure. Beginning in 1982, the Retirement Board may require any or all recipients of a disability benefit to provide certain information on employment during the preceding year. Specifically, the Board may inquire as to the type of work performed, remuneration received for that work and current medical information which is pertinent to the recipient's disability.

Failure to provide the properly notarized data requested by the Board could result in the withholding of the disability benefit.

IN MEMORIAM

The Public Employees Retirement Board and staff mourn the death of Board member, Mark McElroy, who passed away December 4, 1981. He had been a member of the PERS Board for almost 14 years. Mr. McElroy's service to his community and the State of Ohio spanned a period of 45 years. In addition to other offices held, he was a member of the Ohio General Assembly, Attorney General of Ohio and Cuyahoga County Recorder.

He will be sorely missed by all who had the privilege to know him and to work with him.



THOMAS E. FERGUSON
AUDITOR OF STATE
COLUMBUS, OHIO 43216

The Retirement Board
Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215

Dear Members of the Board:

The annual inspection of the records and accounts of the Public Employees Retirement System for Calendar Year 1981 has recently been completed.

The inspection was performed in accordance with standards for such inspections promulgated by the Bureau of Inspection and Supervision of Public Offices and, accordingly, consisted principally of obtaining an understanding of the accounting system and making inquiries of and evaluating responses from members of management of the Retirement System to determine compliance with applicable state statutes.

In the course of our inspection, nothing came to our attention to cause us to take exception to the accounting system or to believe that there has been a lack of compliance with state statutes.

Sincerely,

Thomas E. Ferguson
THOMAS E. FERGUSON
Auditor of State



BALANCE SHEET

December 31, 1981
With Comparative Figures for 1980

	1981	1980
ASSETS		
Cash and Short-Term Securities:		
Cash	\$ 19,541,004	\$ 13,906,477
Short-Term Securities	<u>841,376,475</u>	<u>579,633,166</u>
	\$ <u>860,917,479</u>	\$ <u>593,539,643</u>
Receivables:		
Employer	\$ 60,060,998	\$ 63,813,251
Investment Sale Proceeds	<u>2,575,817</u>	<u>1,970,228</u>
	\$ <u>62,636,815</u>	\$ <u>65,783,479</u>
Investments:		
Bonds and Mortgages, at Book Value	\$3,666,506,194	\$3,442,207,160
Stocks, at Cost	1,126,005,829	1,076,140,222
Deferred Cost on Bonds Sold	<u>408,586,638</u>	<u>167,777,244</u>
	\$ <u>5,201,098,661</u>	\$ <u>4,686,124,626</u>
Fixed Assets:		
Land and Buildings,	\$ 5,002,381	\$ 4,426,274
Net of Accumulated Depreciation		<u>410,522</u>
Furniture, Fixtures and Equipment,	<u>396,027</u>	<u>4,836,796</u>
Net of Accumulated Depreciation	\$ 5,398,408	\$ 49,979
	\$ <u>111,818</u>	<u>\$5,350,334,523</u>
Prepaid Expense	\$6,130,163,181	
TOTAL ASSETS		
LIABILITIES AND RESERVES		
Liabilities	\$ 545,726	\$ 4,275,587
Medical Insurance Payable	<u>191,584</u>	
Investment Commitments Payable	\$ <u>737,310</u>	\$ <u>4,275,587</u>
Funds:		
Members Savings Fund	\$1,491,011,231	\$1,362,792,034
Employer Accumulation Fund	1,397,504,982	1,114,318,164
(Net of Unfunded Accrued Liabilities:		
1981, \$5,245,903,645;		
1980, \$4,476,155,231)	2,772,637,319	2,438,524,124
Annuity and Pension Reserve Fund	460,581,549	423,575,350
Survivor Benefit Fund	7,466,983	6,672,747
Income Fund	<u>223,807</u>	<u>176,517</u>
Expense Fund	\$6,129,425,871	\$5,346,058,936
TOTAL LIABILITIES AND RESERVES	\$ <u>6,130,163,181</u>	\$ <u>5,350,334,523</u>

STATEMENT OF REVENUE AND EXPENSE

Year Ended December 31, 1981
With Comparative Figures for 1980

REVENUE:

	1981	1980
Member Contributions:		
Payroll Deductions	\$ 279,008,916	\$ 264,284,909
Expense fees prior years service	7,124	7,781
Reinstatements	2,670,292	2,200,092
Annuity and Service Credit Purchases	2,676,556	2,212,095
Retirement from Other Systems	567,720	541,313
Total Member	<u>\$ 284,930,608</u>	<u>\$ 269,246,190</u>
Employer Contributions:		
Employer Charges	\$ 462,329,135	\$ 432,541,378
Reinstatements	221,459	137,754
Retirement from Other Systems	589,535	549,365
State Subsidies	6,395,001	5,777,732
Total Employer	<u>\$ 469,535,130</u>	<u>\$ 439,006,229</u>
Investment Income:		
Bond Interest	\$ 443,046,876	\$ 314,365,008
Accumulation of Discount	25,274,791	16,094,242
Net Accrued Interest on Purchases	2,206,541	(2,033,991)
Dividend Income	54,504,731	59,671,765
Gain on Securities Sold	68,018,714	34,247,050
Loss on Securities Sold	(135,664,121)	(93,329,690)
Total Investment	<u>\$ 457,387,532</u>	<u>\$ 329,014,384</u>
Other		
Miscellaneous	\$ 230,852	\$ 184,250
Total Other	<u>\$ 230,852</u>	<u>\$ 184,250</u>
TOTAL REVENUE	<u>\$1,212,084,122</u>	<u>\$1,037,451,053</u>

EXPENSE:

Benefits:		
Retirement Annuities	\$ 232,356,980	\$ 202,706,640
Disability Benefits	28,486,146	24,332,192
Survivor Annuities	29,013,565	26,538,416
Health Care	54,033,205	44,182,218
Retirement to Other Systems	1,967,683	1,849,714
Total Benefits	<u>\$ 345,857,579</u>	<u>\$ 299,609,180</u>
Refunds:		
Separation	\$ 73,182,786	\$ 61,560,229
Death	2,617,655	2,515,380
Unauthorized	353,665	275,460
Other Systems	69,699	111,661
Other	15,125	51,669
Total Refunds	<u>\$ 76,238,930</u>	<u>\$ 64,514,399</u>
Administrative Expense	\$ 6,620,678	\$ 5,798,912
TOTAL EXPENSE	<u>\$ 428,717,187</u>	<u>\$ 369,922,491</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ 783,366,935</u>	<u>\$ 667,528,562</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1981

RESOURCES PROVIDED BY:

	\$783,366,935
Excess of Revenues Over Expenses	
Items Not Requiring Resources Currently:	
Depreciation	168,503
Total Resources Provided	<u>\$783,535,438</u>

RESOURCES USED BY:

Net Purchases of Investments:	\$224,299,034
Bonds and Mortgages	49,865,607
Stocks	240,809,394
Deferred Cost on Bond Exchange Sales	670,683
Home Office Expansion	59,432
Purchase of Equipment	267,831,288
Net Increase in Working Capital	<u>\$783,535,438</u>
Total Resources Used	

ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL

	YEARS ENDED DECEMBER 31,		Increase (Decrease)
	1981	1980	
Current Assets:			
Cash	\$ 19,541,004	\$ 13,906,477	\$ 5,634,527
Short-Term Securities	841,376,475	579,633,166	261,743,309
Employer Receivables	60,060,998	63,813,251	(3,752,253)
Investment Sale Proceeds	2,575,817	1,970,228	605,589
Prepaid Expense	111,818	49,979	61,839
Total Current Assets	<u>\$923,666,112</u>	<u>\$659,373,101</u>	
Current Liabilities:			
Medical Insurance Payable	\$ 545,726	\$ 4,275,587	\$ 3,729,861
Investment Commitments Payable	191,584		\$ (191,584)
Total Current Liabilities	<u>\$ 737,310</u>	<u>\$ 4,275,587</u>	
Working Capital	<u>\$922,928,802</u>	<u>\$655,097,514</u>	<u>\$267,831,288</u>

STATEMENT OF CHANGES IN FUNDS

Year Ended December 31, 1981

	Total	Member Savings
Balance January 1, 1981	\$5,346,058,936	\$1,362,792,034
Additions:		
Member Contributions	\$ 284,930,608	\$ 284,923,484
Employer Contributions	469,535,130	
Investment Income	457,387,532	
Other	230,852	
Total Additions	<u>\$1,212,084,122</u>	<u>\$ 284,923,484</u>
Deductions:		
Benefit Payments	\$ 345,857,579	
Refunds	76,238,930	\$ 76,199,866
Administrative Expense	6,620,678	
Total Deductions	<u>\$ 428,717,187</u>	<u>\$ 76,199,866</u>
Transfers — Increase (Decrease)		
Retirement Annuities		\$ (94,512,663)
Disability Benefits		(8,386,419)
Survivor Annuities		(4,888,314)
Retirement to Other Systems		(1,105,482)
Statutory Interest		28,372,651
Annual Interest		
Other		15,806
Total Transfers		<u>\$ (80,504,421)</u>
Balance December 31, 1981	<u>\$6,129,425,871</u>	<u>\$1,491,011,231</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — The Public Employees Retirement System of Ohio is created by Chapter 145 of the Revised Code of Ohio. Administration of the retirement system is vested in a Board consisting of nine members. Five of the members are elected by the active membership, and one is elected by the retirants. The Attorney General, the Auditor of State, and the Director of the Department of Administrative Services serve as statutory members of the Board.

The accounting records are maintained on a modified accrual basis using a double entry system. Various funds are established to hold the reserves for current and future benefit payments.

- A) **The Members Savings Fund** holds members' contributions in trust prior to their refund or transfer to a benefit disbursement fund.
- B) **The Employer Accumulation Fund** is used to accumulate employer contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Funds as members retire or become eligible for disability benefits.
- C) **The Annuity and Pension Reserve Fund** is the fund from which annuity and disability pensions are paid. This reserve is fully funded according to the latest actuarial

Employer Accumulation	Retirement Annuities	Survivor Annuities	Income	Administrative Expense
\$ 1,114,318,164	\$2,438,524,124	\$423,575,350	\$ 6,672,747	\$ 176,517
				\$ 7,124
\$ 434,923,209		\$ 34,611,921	\$ 457,387,532	
	\$ 39,847	3,320	37,504	150,181
\$ 434,923,209	\$ 39,847	\$ 34,615,241	\$ 457,425,036	\$ 157,305
	\$ 309,748,055	\$ 36,109,524	\$ 1,015	\$ 226
\$ 37,823				6,620,678
\$ 37,823	\$ 309,748,055	\$ 36,109,524	\$ 1,015	\$6,620,904
\$ (275,285,412)	\$ 369,798,075			
(61,416,948)	69,803,367	\$ 4,888,314		
(679,358)	1,784,840			
(28,372,651)		27,815,001	\$(359,106,377)	\$6,510,889
167,241,307	164,050,069	5,797,167	(97,523,408)	\$6,510,889
46,814,494	38,385,052		\$(456,629,785)	\$6,510,889
\$ (151,698,568)	\$ 643,821,403	\$ 38,500,482		\$ 223,807
\$1,397,504,982	\$2,772,637,319	\$460,581,549	\$ 7,466,983	

study dated December 31, 1980. There are sufficient assets in this fund to pay the vested benefits of all retirants and beneficiaries as of the valuation date.

D) **The Survivor Benefit Fund** provides the reserves to pay benefits due dependents of deceased members of the retirement system. This fund is also "fully funded".

E) **The Income Fund** is the fund which is credited with the interest and dividends earned on investments. The balance in this fund is transferred to other funds to aid in the funding of future benefit payments.

F) **The Expense Fund** provides for the disbursement of administrative expenses, with the necessary monies allocated to it from the Income Fund.

Investments in fixed income assets are recorded at par with appropriate entries for discounts and premiums. Equities are recorded at cost.

Fixed Assets — buildings, furniture and fixtures are recorded at cost and depreciated over estimated useful lives.

Notes to Financial Statements (Continued)

NOTE 2 — Investments

A summary of investments held as of December 31, 1980 and 1981 follows:

	1981	1980
Short Term Investments		
Short Term Securities	\$ 887,400,000	\$ 596,900,000
Less-Unearned Income	46,023,525	17,266,834
Net Value (at cost)	<u>\$ 841,376,475</u>	<u>\$ 579,633,166</u>
Long Term Investments		
Bonds Mortgages—Par	\$4,475,474,611	\$3,903,888,488
Add-Premium	1,967,669	3,515,270
Deduct-Discount	<u>810,936,086</u>	<u>465,196,598</u>
Bonds and Mortgages Book Value	<u>\$3,666,506,194</u>	<u>\$3,442,207,160</u>
Stocks — Common and Preferred (at cost)	<u>\$1,126,005,829</u>	<u>\$1,076,140,222</u>

The Investment Portfolio Summary on page 28 shows the yields to maturity of the fixed income segments and the yield on stocks at cost for the retirement systems holdings.

The investments, classified as short term securities, will mature within 180 days or less of December 31, 1981. The purchase yield on these securities is 13.21%. The combined purchase yield on the portfolio including long and short-term holdings is 10.81%. However this purchase yield must be adjusted for the write-off of the Deferred Cost on Bonds sold, as described in Note 3.

NOTE 3 — Deferred Cost on Bonds Sold

The account "Deferred Cost on Bonds Sold" was established to record losses incurred on the sales of bonds under the program to reinvest the proceeds in similar bonds. These exchanges are made to increase annual income, shorten or extend maturities as market conditions change, or improve the quality of the bond portfolio.

The deferred costs are amortized over the remaining term of the bonds sold or the term of the purchased bond, whichever is shorter. Future accounting periods, which reflect the higher income, will be charged, through amortization of the deferral, with a share of the losses incurred to produce the desired portfolio changes.

For the period January 1, 1971 to December 31, 1979, losses on bond exchanges were charged directly against the current years earnings in toto. Effective January 1, 1980, the Retirement Board approved the reinstating of the deferral and amortization method regarding bond swap losses. Losses realized on bond swaps in 1980 were \$184,283,953. Of this amount \$155,638,993 was deferred for future writ-

off. The amortized losses for 1980 were \$4,515,378 on 1980 deferrals and \$1,413,112 for 1970 and prior deferrals. In addition, set policy requires that on the subsequent sale of any bond purchased as part of a bond swap on which a loss was deferred that is sold before maturity, any unamortized loss must immediately be written off. Such write-off in 1980 totals \$24,129,582.

For 1981, losses realized on the bond swap program totaled \$330,414,924. The trading that caused these losses to be realized also produced a \$12,219,895 increase in annual coupon cash income with the purchases being made at discounts approximating the losses realized. (The investment report on page 27 contains additional information regarding the positive value of the bond swap program.)

The amortized losses for 1981 were \$23,666,118 (\$22,315,970 for current and \$1,350,148 for 1970 and prior deferrals). An additional \$65,939,412 was written-off because bonds purchased on swaps were sold prior to maturity.

The purchase yield on the portfolio is affected by the amortization of Deferred Cost on Bonds Sold. It is estimated that the annualized amortization as of December 31, 1981 would be \$28.1 million. An adjustment of the purchase yield for this estimated write-off indicates an adjusted purchase yield of 10.4% on the entire portfolio. Of course, this write-off is continuously changed by purchases and sales of bonds.

NOTE 4 — Unfunded Accrued Liabilities

When accrued liabilities (liabilities resulting from past service) exceed accrued assets, the difference is labeled unfunded accrued liabilities. The actuary, through complex mathematical calculations, determines the accrued liabilities of the Employer Accumulation Fund as of a given period. Based on these actuarial calculations, the following table reflects PERS of Ohio's unfunded accrued liabilities for 1981 and 1980.

	1981	1980
Employer Accumulation Fund Actuarially Calculated Liabilities	\$6,643,408,627	\$5,590,473,395
Employer Accumulation Fund Assets	<u>1,397,504,982</u>	<u>1,114,318,164</u>
Unfunded Accrued Liabilities	<u>\$5,245,903,645</u>	<u>\$4,476,155,231</u>

The employer contribution rates include factors to amortize these liabilities in a systematic manner. These rates are detailed on page 25 of this report.

CASH RECEIPTS AND DISBURSEMENTS

December 31, 1981
With Comparative Figures for 1980

	1981	1980
Cash Balance at Beginning of Year	\$ 13,906,477	\$ 6,937,242
Receipts		
Member Contributions	\$ 279,581,959	\$ 264,824,379
Employer Contributions	466,689,827	429,201,189
Purchases of Back Service	5,549,878	4,500,085
State Subsidies	6,395,001	5,777,732
Investments		4,451,712,909
Matured and Sold	5,590,081,728	402,462,177
Interest and Dividends	537,878,349	147,073
Rental Income	150,181	43,349
Miscellaneous	80,700	
Total Cash Receipts	<u>\$6,886,407,623</u>	<u>\$5,558,668,893</u>
Disbursements		
Refunds	\$ 73,613,878	\$ 61,955,959
Separation Beneficiaries	2,617,655	2,515,424
Annuity Payments	276,988,793	232,678,027
Retirement Annuities	34,473,993	29,274,660
Disability Benefits	36,163,073	32,335,903
Survivor Annuities	1,967,683	1,849,714
Retirement to Other Systems	6,447,703,892	5,183,841,650
Investment Purchases	7,244,129	7,248,321
Administrative Expenses	<u>\$6,880,773,096</u>	<u>\$5,551,699,658</u>
Total Cash Disbursements	<u>\$ 19,541,004</u>	<u>\$ 13,906,477</u>
Cash Balance at End of Year		

FURNITURE, FIXTURES AND EQUIPMENT

Year Ended December 31, 1981

	Balance December 31 1980	Additions	Deletions	Balance December 31 1981
Furniture, Fixtures and Equipment	\$1,110,269	\$ 59,432		\$1,169,701
Accumulated Depreciation	699,747	73,927		773,674
	<u>\$ 410,522</u>	<u>\$(14,495)</u>		<u>\$ 396,027</u>

LAND AND BUILDINGS

Year Ended December 31, 1981

	Balance December 31 1980	Additions	Deletions	Balance December 31 1981
Land and Buildings	\$4,861,847	\$671,658	\$ 975	\$5,532,530
Accumulated Depreciation	435,573	94,576		530,149
	<u>\$4,426,274</u>	<u>\$577,082</u>	<u>\$ 975</u>	<u>\$5,002,381</u>

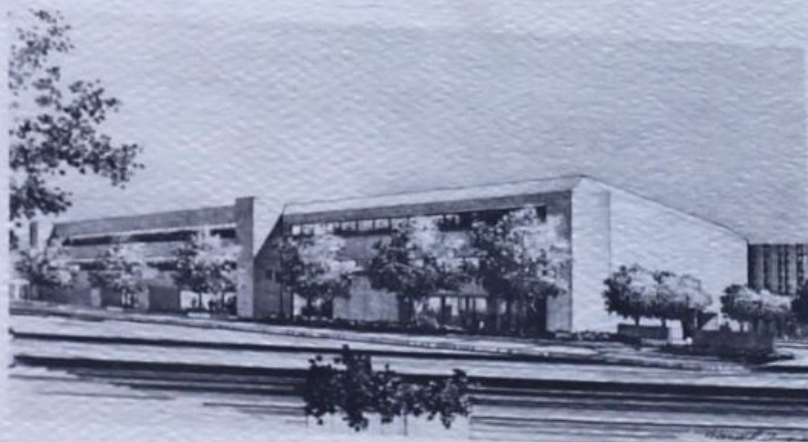


277 EAST TOWN STREET

Originally authorized by the Retirement Board in 1968, the first system-owned PERS office building was completed and occupied in August, 1970. Since the original feasibility study on space needs was made in 1967, PERS has experienced almost a 40% increase in active membership and a doubling of persons on the benefit rolls.

236 EAST TOWN STREET

Purchased in October, 1978, the 236 East Town St. building has provided office space for all of the System's investment staff and for a majority of the data processing staff. It has served as an investment property with over 60% of the building available for lease to tenants on a short-term or long-term basis.



NEW BUILDING

Scheduled for occupancy in mid-September, 1982, the 37,000 square foot addition to PERS office building will provide housing for the entire administrative staff with a projected growth potential through the end of the 20th century. Visitor parking will now be available to the hundreds of active and retired PERS members who visit the facility annually.

ADMINISTRATIVE EXPENSE

December 31, 1981

With Comparative Figures for 1980

	1981	1980
Personal Services:		\$2,731,083
Salaries and Wages	\$2,940,431	356,573
Retirement Contributions	392,096	217,771
Insurance	222,531	1,823
Bureau of Employment Services	1,375	
Supplies:		74,928
Office Supplies	111,447	50,287
Printing and Publications	41,177	8,349
Dues and Subscriptions	7,307	
Other Services and Charges:		
Professional Services:		2,826
Auditing	4,349	41,415
Actuarial	49,796	183,156
Investment	150,646	112,506
Medical	127,821	23,902
Employee Training	3,360	
Data Processing Contract Service	206,252	
Communication:		49,357
Telephone and Telegraph	67,496	8,483
Freight, Express and Drayage	8,108	222,265
Postage	299,644	75,018
Transportation and Travel	72,119	125,734
Utilities	147,162	
Rentals:		1,049,230
Equipment	1,299,344	41,268
Office Space	39,015	
Repair and Maintenance:		924
Equipment	1,418	167,906
Building	152,248	22,002
Microfilm	11,088	61,997
Retirement Study Commission	69,739	17,147
Taxes — Real Property	17,296	7,668
Miscellaneous	8,910	<u>\$5,653,618</u>
	<u>\$6,452,175</u>	
Depreciation on:		\$ 63,023
Building	\$ 94,576	<u>82,271</u>
Equipment and Fixtures	<u>73,927</u>	\$ 145,294
	\$ 168,503	
	<u>\$6,620,678</u>	<u>\$5,798,912</u>
TOTAL ADMINISTRATIVE EXPENSE		

GABRIEL, ROEDER, SMITH & COMPANY
ACTUARIES & CONSULTANTS

2090 First National Building
Detroit, Michigan 48226
Area 313: 961-3346

June 3, 1982

The Retirement Board
Public Employees Retirement System of Ohio
277 East Town Street
Columbus, Ohio 43215

The basic financial objective of PERS is to establish contribution rates which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Ohio citizens.

To test how well the basic objective is being achieved, annual actuarial valuations are made. The last completed valuations of present members were based upon data as of December 31, 1980. These valuations indicate that the contribution rates, established by the Retirement Board for benefits then in effect, meet the basic objective. We believe the assumptions used in these valuations produce results which are reasonable.

Based upon the results of valuations it is our opinion that the Public Employees Retirement System of Ohio continues in sound condition in accordance with actuarial principles of level cost financing.

For the mathematics of level cost financing to work, the investment return rate must be more than the inflation rate. This has not been possible in recent years because of the disturbances in the investment market places caused by inflation. Inflation is the enemy over which PERS has no control.

PERS continues to make responsible decisions for the areas of financial activity over which it does have control.

Respectfully submitted,

Norman L. Jones *R.G. Roeder*
Norman L. Jones Richard G. Roeder

NLJ:sw

ACTUARIAL DATA

Summary of Assumptions Adopted by Retirement Board After Consulting with Actuary

- a. *Investment Return.* 6.5 percent annually, compounded annually. Considering other financial assumptions, the 6.5 percent rate translates to an assumed real rate of return of 2 percent; the real rate of return is the rate of investment return over the inflation rate. Adopted 1978.
- b. *Individual Employee Pay Increases.* An employee's pay is assumed to increase each year, in accordance with a table consisting of a percent increase for each age. For sample ages, the following table describes annual increase percents. Adopted 1981.

Age	Merit & Seniority		Base (Economy)	Increase Next Year	
	State	Local		State	Local
30	3.2%	2.8%	4.5%	7.7%	7.3%
40	2.2	1.8	4.5	6.7	6.3
50	1.4	1.2	4.5	5.9	5.7
60	0.6	0.6	4.5	5.1	5.1

- c. *Active Employee Total Payroll.* Increasing 4.5% annually, compounded annually, which is the base portion of the individual pay increase assumption. In effect, this assumes no change in the number of active employees. Adopted 1978.

The following tables of assumed probabilities, adopted in 1981, for the indicated risk areas are used by the actuary and are on file at PERS:

- d. *Retirement Ages for Age & Service Retirement*
- e. *Withdrawal From Covered Employment*
- f. *Death After Retirement*
- g. *Death Before Retirement*
- h. *Disability Retirement*
- i. *Funding Method.* An entry age normal cost method of valuation is used in determining age and service benefit liabilities and current service cost. Adopted 1975.

Summary of Unfunded Accrued Liabilities

Each time a new benefit is added which applies to service already rendered, an "unfunded accrued liability" is created. Laws governing PERS require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded accrued liabilities.

In an inflationary economy, the value of dollars is decreasing. This environment results in employee pay increasing in dollar amounts and retirement benefits increasing in dollar

amounts resulting in unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liabilities' dollars divided by active employee payroll dollars provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Valuation Year	Computed Accrued Liabilities	Reported Assets	Unfunded Accrued Liabilities (UAL)	Active Member Payroll	UAL As A % of Active Member Payroll
1976	\$ 5,572,087,877	\$3,044,403,350	\$2,527,684,527	\$2,345,597,631	108
1977	6,447,763,978	3,480,227,838	2,967,536,140	2,694,428,033	110
1978	7,575,886,508	4,014,673,343	3,561,213,165	3,055,713,793	117
1979	8,964,203,137	4,666,621,722	4,297,581,415	3,217,159,922	134
1980	10,388,373,050*	5,235,223,720	5,153,149,330*	3,440,915,581	150*

The System has 3 divisions which are rated separately by experience for purposes of determining the employer contribution rates. Accordingly, the aggregate numbers presented on this and the following page are indicative only of the overall condition of the System and are not indicative of the status of any one division.

*Based on revised actuarial assumptions. UAL as a percent of payroll was 137 before assumption changes.

Short-Term Solvency Test

The PERS financing objective is to pay for benefits through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the system are level in concept and soundly executed, the system will *pay all promised benefits when due — the ultimate test of financial soundness.*

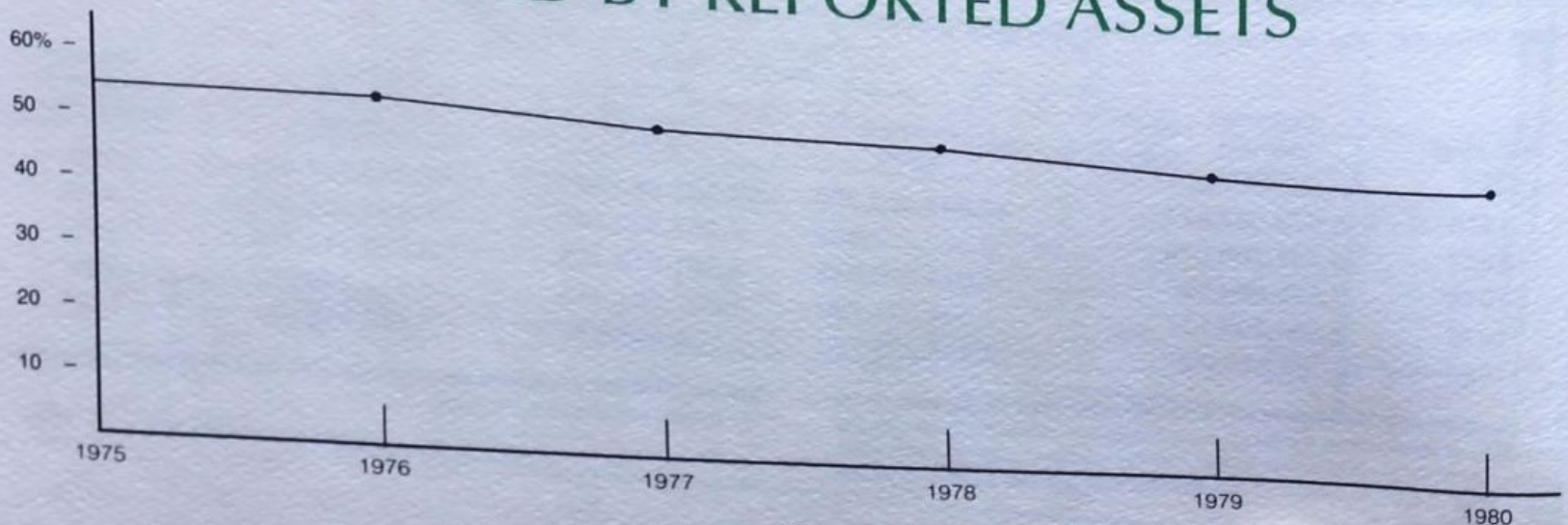
A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (cash and investments) are compared with: 1) Active member contributions on deposit; 2) The liabilities for future benefits to present retired lives; 3) The liabilities for service already rendered by active members. In a system that has been following the dis-

cipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is very rare.

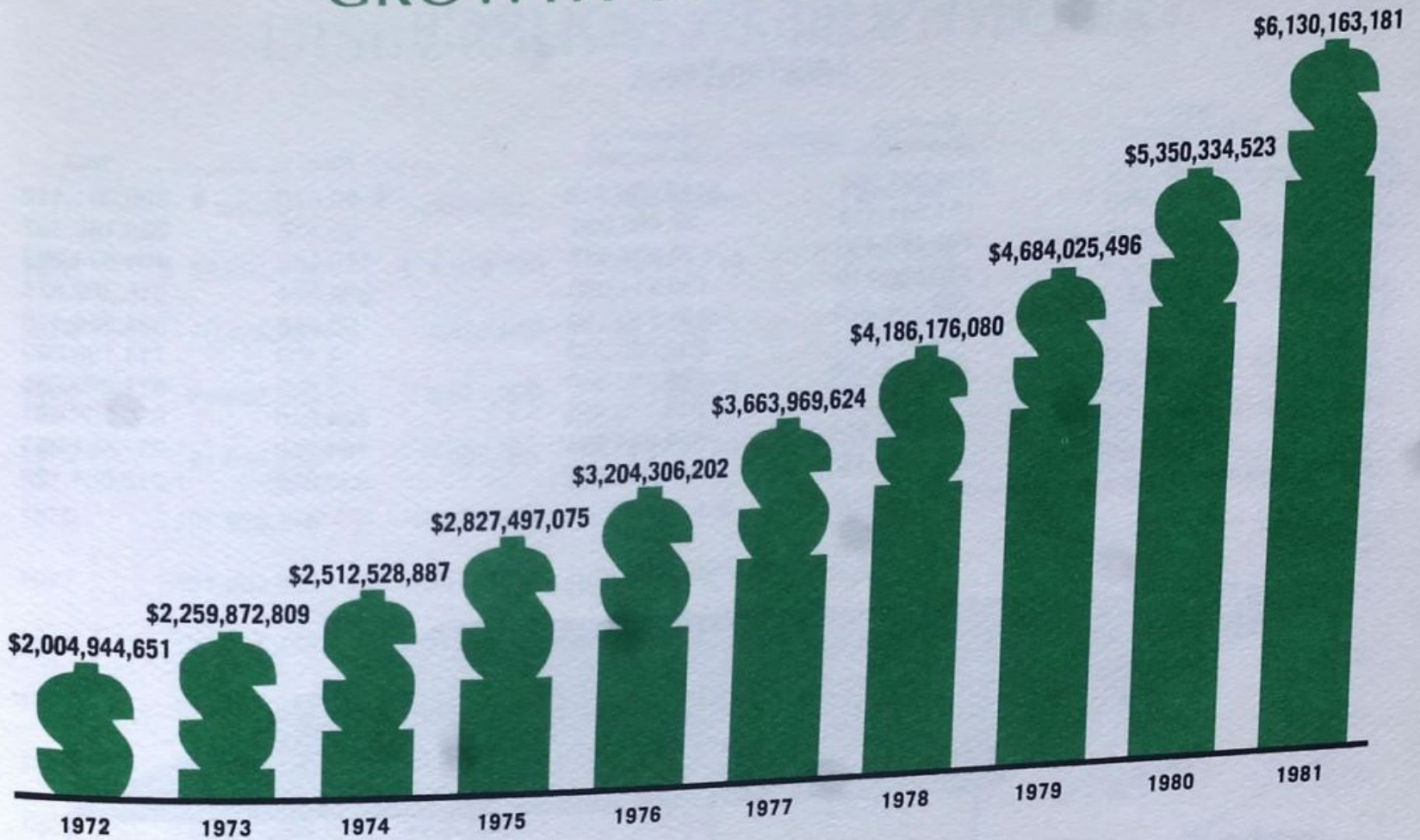
It is wise to pay attention to both fundamental and short-term solvency tests.

Valuation Year	Computed Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
1976	\$ 897,123,686	\$1,442,585,779	\$3,232,378,412	\$3,044,403,350	100	100	22
1977	1,001,600,424	1,682,721,114	3,763,442,440	3,480,227,838	100	100	21
1978	1,126,362,844	1,923,018,416	4,526,505,248	4,014,673,343	100	100	21
1979	1,216,190,275	2,413,903,288	5,334,109,574	4,666,621,722	100	100	19
1980	1,362,792,214	2,709,541,433	6,316,039,403	5,235,223,720	100	100	18

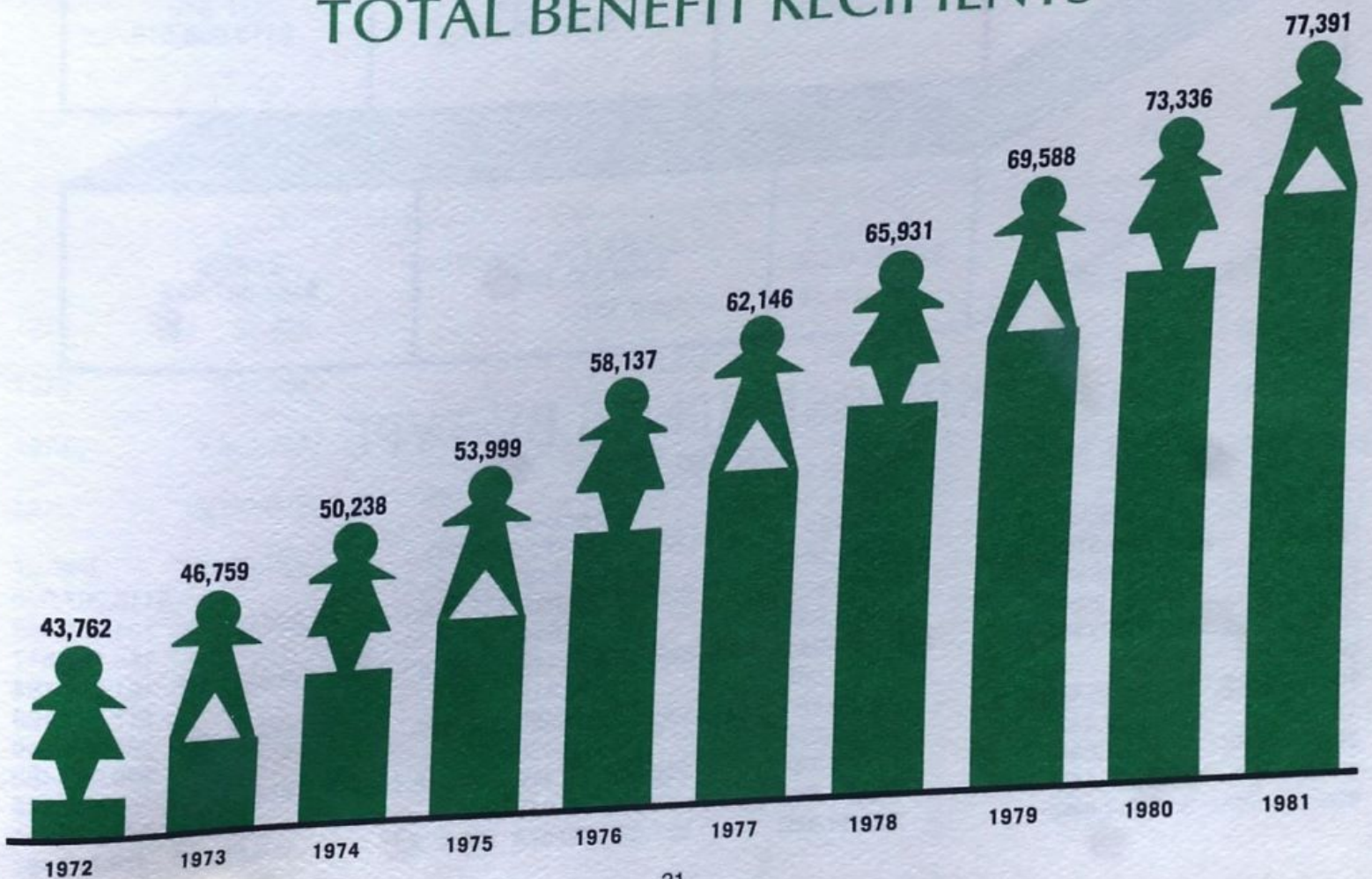
PORTION OF COMPUTED ACCRUED LIABILITIES COVERED BY REPORTED ASSETS



GROWTH OF TOTAL ASSETS



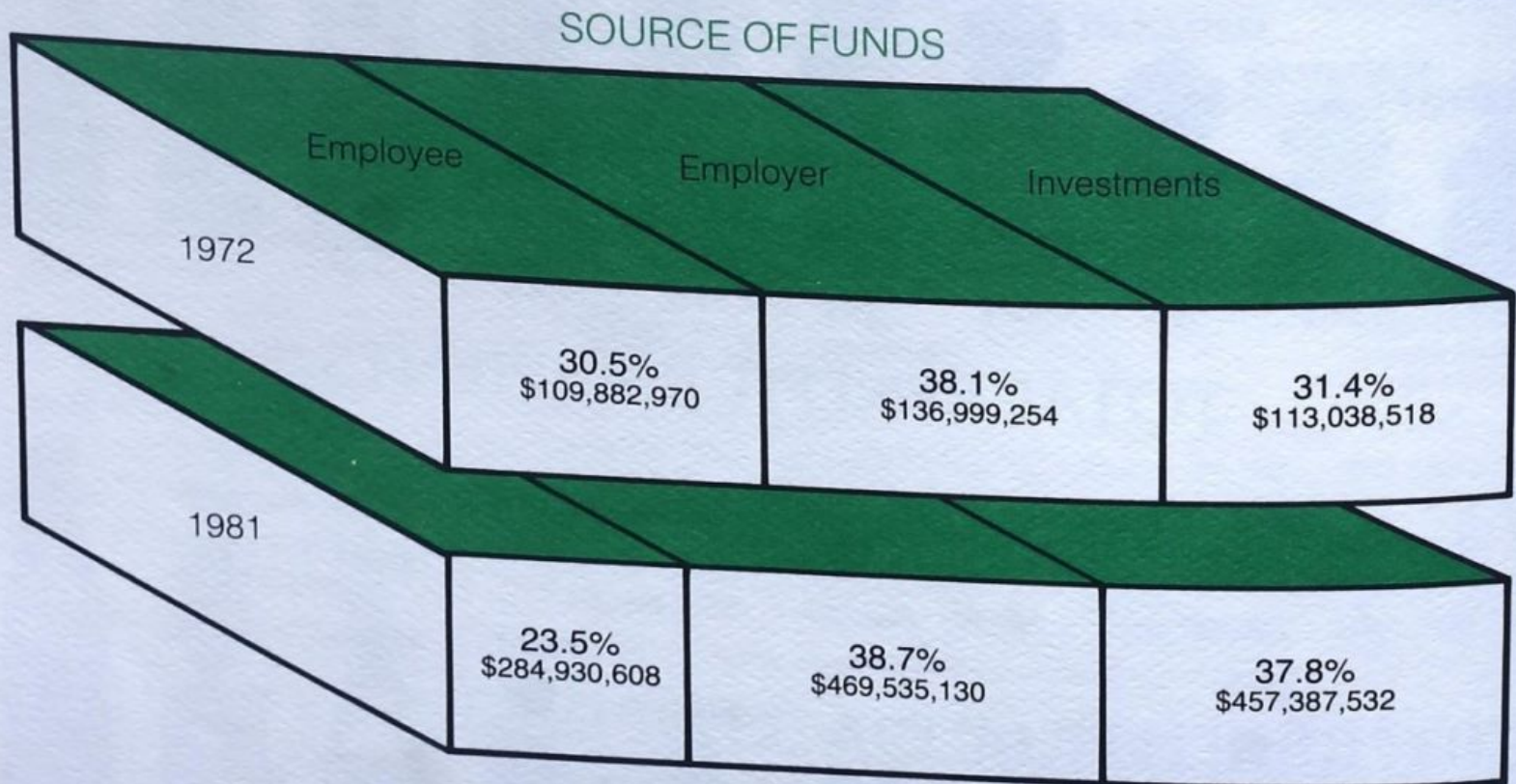
TOTAL BENEFIT RECIPIENTS



REVENUES BY SOURCE Last Ten Years

	Member Contributions	Employer Contributions	Investment Income (Net)	Other	Total
1972	\$109,882,970	\$136,999,254	\$113,038,518	\$ 80,670	\$ 360,001,412
1973	128,261,185	161,361,414	99,460,030	99,678	389,182,307
1974	148,475,475	185,180,430	70,907,627	110,688	404,674,202
1975	160,162,773	223,886,119	130,914,060	339,924	515,302,876
1976	179,683,373	262,752,079	151,840,150	90,868	594,366,470
1977	201,919,726	309,575,701	202,686,233	14,409	714,196,069
1978	234,747,412	378,228,720	208,163,680	60,423	821,200,235
1979	248,550,285	394,870,271	218,710,495	204,640	862,285,691
1980	269,246,190	439,006,229	329,014,384*	184,250	1,037,451,053
1981	284,930,608	469,535,130	457,387,532	230,852	1,212,084,122

*Refer to Note 3 of Notes to Financial Statements.



DISBURSEMENTS BY TYPE Last Ten Years

	Benefit Payments	Refunds	Administrative Expense	Total
1972	\$ 89,980,378	\$26,072,397	\$2,154,245	\$118,207,020
1973	100,826,321	31,701,501	2,440,537	134,968,359
1974	124,111,520	32,733,683	2,883,614	159,728,817
1975	155,995,116	32,454,951	3,532,127	191,982,194
1976	176,555,770	36,962,005	3,823,413	217,341,188
1977	204,824,240	45,189,181	4,171,429	254,184,850
1978	234,238,430	60,132,020	4,683,030	299,053,480
1979	268,433,588	95,946,284	5,205,476	369,585,348
1980	299,609,180	64,514,399	5,798,912	369,922,491
1981	345,857,579	76,238,930	6,620,678	428,717,187

DISBURSEMENTS BY CATEGORY

Last Ten Years

	BENEFITS					Post Retirement Legislative Incr.
	Annuities	Disabilities	Other Systems	Survivors	CPI	
1972	\$ 62,461,468	\$ 4,019,780	\$2,707,116	\$10,457,799	\$ 1,096,392	\$ 9,149,001
1973	70,586,857	4,867,912	2,619,921	11,348,578	1,860,678	9,397,081
1974	79,688,330	6,071,920	2,394,625	12,550,588	2,678,474	12,298,844
1975	91,848,956	8,004,005	4,071,754	14,152,719	3,566,227	19,442,953
1976	104,889,718	10,268,674	2,492,386	15,448,314	4,764,863	18,726,070
1977	121,894,409	13,180,932	1,448,220	16,955,127	6,778,913	18,596,335
1978	137,607,458	15,699,450	1,225,617	18,295,016	9,185,292	17,231,971
1979	153,958,033	18,801,479	2,038,904	19,808,511	13,212,604	18,170,820
1980	170,755,615	21,862,642	1,849,714	21,521,104	19,101,857	18,956,041
1981	192,045,068	24,970,899	1,967,683	22,974,505	24,942,579	23,399,149

	BENEFITS (cont.)		REFUNDS			Total All Payments
	Health Care	Death Benefits	Separation	Beneficiaries	Other	
1972	\$ 88,822		\$24,465,102	\$1,544,666	\$ 62,223	\$116,052,369
1973	145,294		29,478,240	1,662,827	560,156	132,527,544
1974	7,554,739	\$ 874,000	30,314,990	1,945,013	416,022	156,787,545
1975	13,701,002	1,207,500	28,572,476	1,958,709	1,922,062	188,448,363
1976	18,785,745	1,180,000	34,671,269	1,845,152	422,612	213,494,803
1977	24,699,933	1,270,371	43,393,966	1,693,303	91,455	250,002,964
1978	33,719,070	1,274,556	57,696,936	2,220,385	214,699	294,370,450
1979	41,112,677	1,330,560	76,573,982	2,524,667	16,847,635	364,379,872
1980	44,182,218	1,379,989	61,560,229	2,515,380	438,790	364,123,579
1981	54,033,205	1,524,491	73,182,786	2,617,655	438,489	422,096,509

MEMBER COUNT

Last 10 Years

	Active Contributing	Inactive	Total
1972	209,341	37,292	246,633
1973	219,509	29,273	248,782
1974	231,759	28,770	260,529
1975	244,912	29,274	274,186
1976	250,712	23,809	274,521
1977	280,045	22,736	302,781
1978	279,088	39,378	318,466
1979	263,614	46,404	310,018
1980	258,559	52,782	311,341
1981	255,097	53,005	308,102

MEMBER CONTRIBUTION RATES

Last 10 Years

Calendar Year	Contribution Rate
1972	7.7%
1973	8.1
1974	8.0
1975	8.0
1976	8.0
1977	8.5
1978	8.5
1979	8.5
1980	8.5
1981	8.5

NUMBER OF EMPLOYER UNITS

Calendar Year	State	County	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Townships	TOTALS
1972	190	187	—	282	522	284	248	1,249	2,962
1973	181	196	—	284	529	288	249	1,257	2,984
1974	178	213	—	283	540	294	251	1,265	3,024
1975	184	203	83	284	549	329	250	1,270	3,152
1976	173	159	88	269	557	334	250	1,275	3,105
1977	269	200	88	277	572	321	250	1,283	3,260
1978	270	205	88	281	578	332	251	1,281	3,286
1979	262	198	88	281	569	323	248	1,283	3,252
1980	253	193	88	284	560	327	248	1,275	3,228
1981	252	200	146	291	569	328	249	1,286	3,321

EMPLOYER CONTRIBUTION RATES — STATE

Last Ten Years

Calendar Year	CURRENT COSTS			UNFUNDED LIABILITY		Total
	Normal	Health	Survivor Benefits	Prior Service	Health	
1972	6.47%	—%	1.10%	2.43%	—%	10.00% (1)
1973	6.73	—	1.15	2.52	—	10.40
1974	6.63	—	1.15	2.62	—	12.00 (2)
1975	8.50	—	1.35	2.15	—	12.00
1976	8.36	—	1.35	2.29	—	13.71 (3)
1977	6.74	1.15	1.35	3.71	0.76	13.71
1978	6.93	1.12	1.38	3.54	0.74	13.71
1979	6.62	1.25	1.32	3.60	0.92	13.71
1980	6.41	1.31	1.34	3.92	0.73	13.71
1981	6.40	1.27	1.04	4.09	0.91	13.71

(1) Effective 7-1-73 (2) Effective 7-1-75 (3) Effective 7-1-77

EMPLOYER CONTRIBUTION RATES — LOCAL

Last Ten Years

Calendar Year	CURRENT COSTS			UNFUNDED LIABILITY		Total
	Normal	Health	Survivor Benefits	Prior Service	Health	
1972	5.72%	—%	1.30%	1.98%	—%	9.00%
1973	5.93	—	1.35	2.12	—	9.40
1974	5.91	—	1.35	2.14	—	9.40
1975	7.71	—	1.52	1.97	—	11.20
1976	8.10	—	1.55	2.25	—	11.90
1977	6.43	1.29	1.55	3.96	0.72	13.95 (1)
1978	7.09	1.66	1.37	3.06	0.77	13.95
1979	6.96	1.68	1.30	3.16	0.85	13.95
1980	6.79	1.75	1.38	3.33	0.70	13.95
1981	6.67	1.65	1.06	3.65	0.92	13.95

(1) Effective 7-1-77

EMPLOYER CONTRIBUTION RATES — LAW ENFORCEMENT

Calendar Year	CURRENT COSTS			UNFUNDED LIABILITY		Total
	Normal	Health	Survivor Benefits	Prior Service	Health	
1975	7.71%	—%	1.52%	1.97%	—%	11.20%
1976	13.02	—	0.85	3.67	—	17.54
1977	10.26	1.29	0.85	5.42	0.28	18.10 (1)
1978	10.86	1.66	0.85	4.45	0.28	18.10
1979	11.69	1.68	0.83	3.62	0.28	18.10
1980	11.82	1.75	0.94	2.89	0.70	18.10
1981	11.35	1.65	1.28	3.46	0.36	18.10

(1) Effective 7-1-77

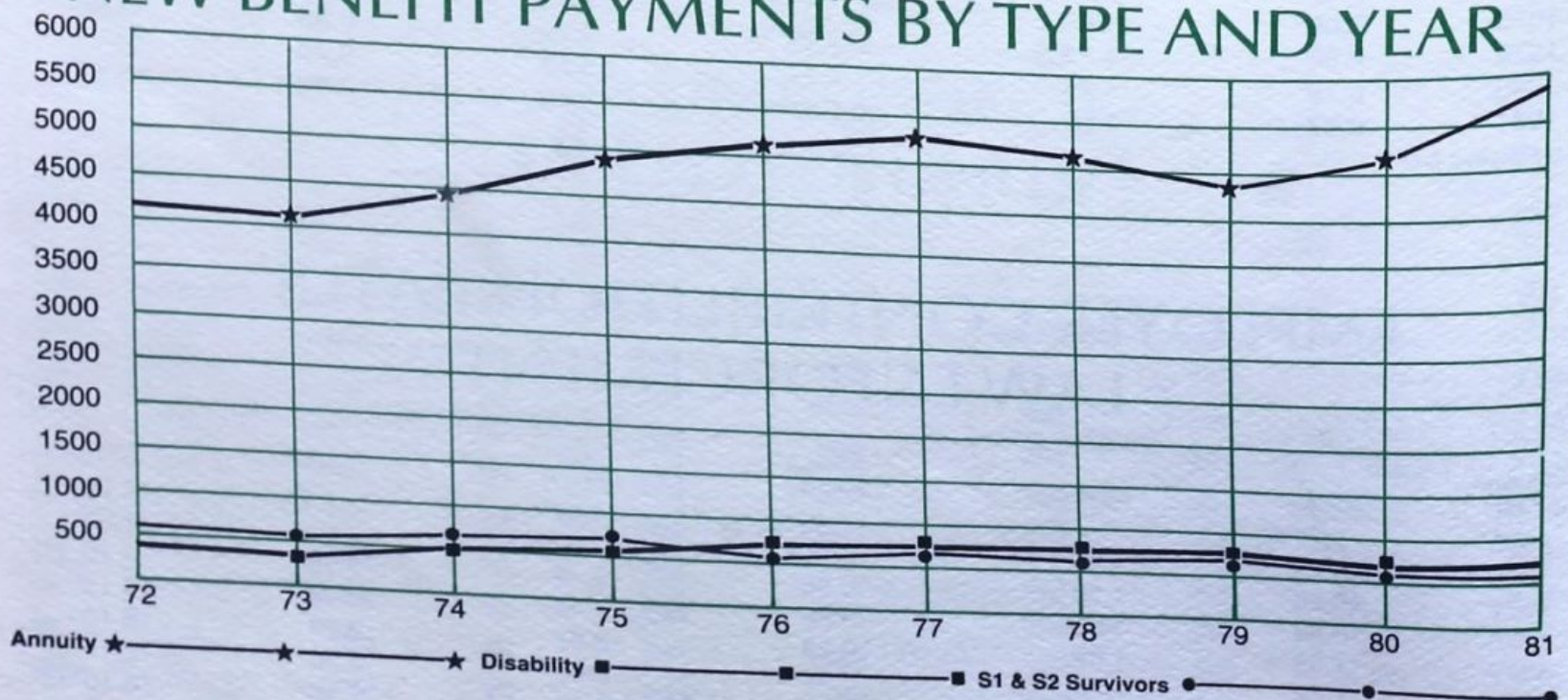
NET BENEFIT PAYMENTS BY CATEGORY

As Of Year-end	Annuities	Disabilities	Survivors	Total
1972	35,517	1,937	6,308	43,762
1973	37,953	2,187	6,619	46,759
1974	40,659	2,531	7,048	50,238
1975	43,510	2,980	7,509	53,999
1976	46,718	3,466	7,953	58,137
1977	49,945	3,904	8,297	62,146
1978	52,986	4,334	8,611	65,931
1979	55,866	4,770	8,952	69,588
1980	58,798	5,184	9,354	73,336
1981	62,212	5,565	9,614	77,391

NEW BENEFIT AND REFUND PAYMENTS BY YEAR

Year Ending Dec. 31	Annuity	Disability	S1 & S2 Survivors	Refund
1972	4,147	362	614	30,429
1973	4,063	393	564	34,366
1974	4,437	509	640	34,321
1975	4,910	650	759	34,024
1976	5,023	751	677	36,542
1977	5,172	711	673	34,807
1978	5,067	706	675	46,632
1979	4,851	701	666	53,727
1980	5,068	715	727	36,831
1981	5,772	693	667	35,108

NEW BENEFIT PAYMENTS BY TYPE AND YEAR



INVESTMENT REPORT

The performance of the stock and bond markets during the past year was greatly affected by the federal government's attempt to bring inflation under control. While this was achieved, it did not occur without inflicting pain throughout the economy. Major economic sectors witnessed their worst performance since the early 1930's, and overall corporate profits came under pressure for the first time in several years. The effect of this on the financial markets was to cause the New York Stock Exchange to record its first down year since 1977, and to send interest rates to unprecedented heights. The retirement system used these high interest rates as an opportunity to invest funds at attractive returns. Bond purchases were confined to only the highest quality issues, and totalled \$600,368,309 at an average yield-to-maturity of 14.47%.

Because of the unsettled markets, short-term investments (maturities of 180 days or less) increased during the year. At year end, total investments in this segment of the portfolio amounted to \$887,400,000 at an average yield of 13.21%.

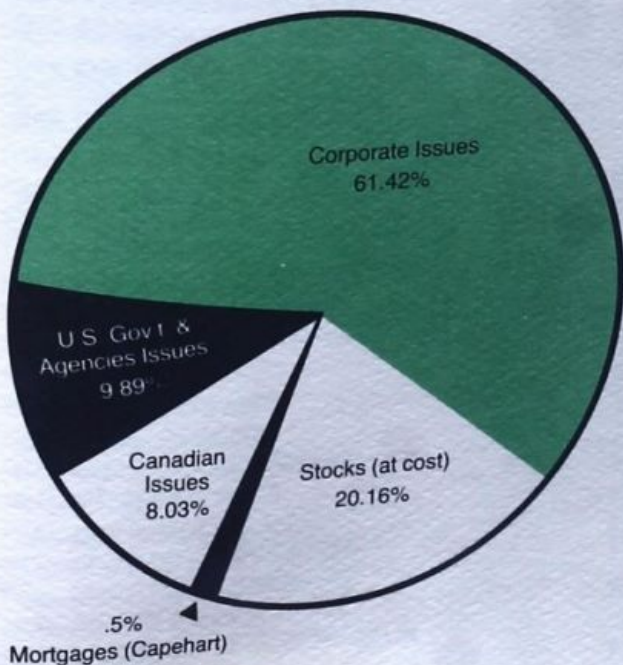
Favorable relative returns on fixed-income securities during 1981 led to a reduced exposure in common stocks. For the full year, net purchases of \$56,363,000 were made in an attempt to upgrade the portfolio, but the year end value of

stocks of \$1,126,005,828 represented only 17.4% of total funds available for investment.

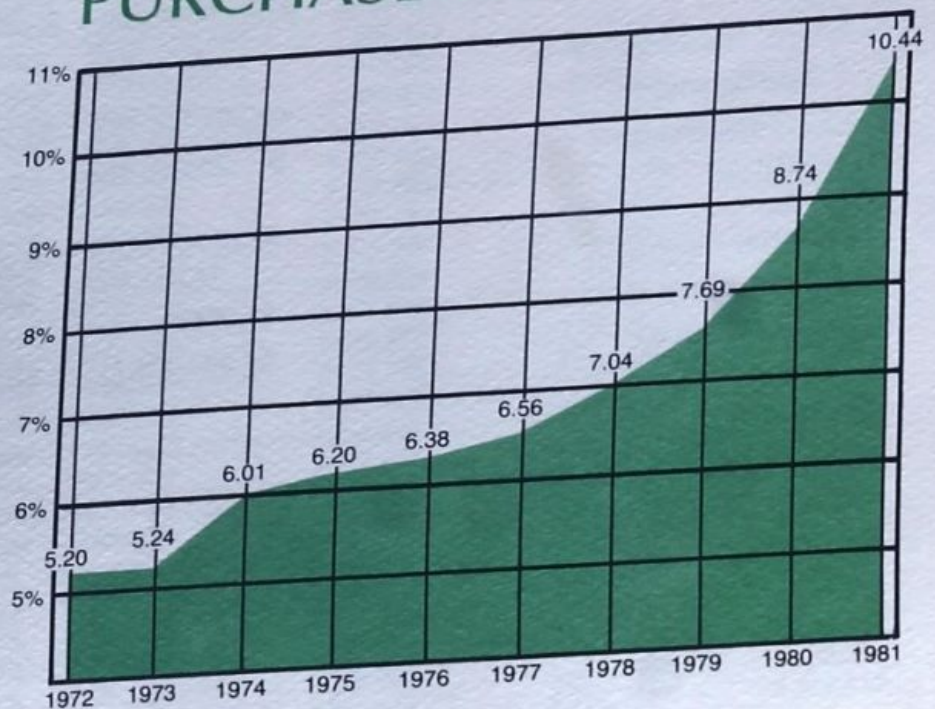
The bond exchange program added significantly to the performance of the fixed-income portfolio. As a result of the extreme volatility of the fixed-income markets, favorable opportunities existed for bond swapping resulting in an annual increase in income to the fund of \$12,219,895. The elimination of many lower-coupon bonds and the addition of higher coupons will result in increased income in future years. These bond exchanges accomplished an additional purpose of increasing the quality of the portfolio during a period of economic uncertainty. The addition of U.S. Treasury and agency securities (primarily FHA and GNMA) to the portfolio, combined with the sale of bonds of those companies that are vulnerable to a decline in economic activity, resulted in an overall improvement in quality and liquidity of the portfolio.

With the continuation of high interest rates, and their effect on economic activity, volatility will also likely be the theme in 1982. Corporate profits continue under pressure and illiquidity throughout the economy shows no sign of improving. Until many of these problems are addressed, a more defensive posture is warranted.

PORTFOLIO DISTRIBUTION



PORTFOLIO PURCHASE YIELD



INVESTMENT PORTFOLIO SUMMARY

Year Ended December 31, 1981

	Par Value	Market Value	Book Value	Yield	% of Portfolio
U.S. Gov't. & Agencies Issues	\$ 553,990,914	\$ 373,298,532	\$ 423,994,443	13.48	9.89
Canadian Issues	449,055,000	294,443,888	401,489,077	11.38	8.02
Corporate Issues	3,443,408,239	2,105,156,650	2,812,627,055	11.63	61.47
Mortgages (Capehart)	29,020,458	22,635,958	28,395,619	4.57	.52
Stocks (At Cost)	1,126,005,829	1,387,673,959	1,126,005,829	5.05	20.10
Total Portfolio	<u>\$5,601,480,440</u>	<u>\$4,183,208,987</u>	<u>\$4,792,512,023</u>	10.44	<u>100.00</u>

SCHEDULE OF INVESTMENT ACTIVITY

Year Ended December 31, 1981

	Beginning Balance	Additions	Deletions	Ending Balance
Bonds and Notes (Par Value)				
U.S. Gov't. and Agencies	\$ 188,300,000	\$ 224,300,000	\$ 361,050,000	\$ 51,550,000
U.S. Treasury	5,500,000	48,280,000	1,277,000	52,503,000
U.S. Gov't. Insured Merchant Marine	278,878,188	218,410,463	47,350,737	449,937,914
U.S. Agencies and Guar. Obligations				
Total U.S. Gov't. and Agencies	\$ 472,678,188	\$ 490,990,463	\$ 409,677,737	\$ 553,990,914
Canadian Obligations	\$ 401,175,000	\$ 108,100,000	\$ 60,220,000	\$ 449,055,000
Corporate				
Industrial	\$1,019,446,780	\$ 904,905,399	\$ 437,638,981	\$1,486,713,198
Utilities	1,864,531,272	581,032,000	631,990,251	1,813,573,021
Finance and Insurance	110,200,000	49,225,000	16,302,980	143,122,020
Total Corporate	\$2,994,178,052	\$1,535,162,399	\$1,085,932,212	\$3,443,408,239
Mortgages (Capehart)	\$ 35,857,249	—	\$ 6,836,791	\$ 29,020,458
Stocks (At Cost)				
Common	\$1,057,772,379	\$ 298,022,972	\$ 249,630,565	\$1,106,164,786
Convertible Preferred	18,367,843	18,231,940	16,758,740	19,841,043
Total Stocks	\$1,076,140,222	\$ 316,254,912	\$ 266,389,305	\$1,126,005,829
TOTAL PORTFOLIO	<u>\$4,980,028,711</u>	<u>\$2,450,507,774</u>	<u>\$1,829,056,045</u>	<u>\$5,601,480,440</u>

DETAILED LISTING OF BOND PORTFOLIO

DECEMBER 31, 1981

U.S. GOVERNMENT & AGENCIES

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
			\$	\$	\$
FEDERAL HOUSING ADMINISTRATION	4.13%	04/01/1986	37,800	36,344	3,023
FEDERAL HOUSING ADMINISTRATION	4.63%	12/01/1992	3,400	2,285	339
FHA—ANGLERS MANOR	7.50%	03/01/2021	3,184,863	1,540,678	1,719,826
FHA—APPLE VILLAGE	7.50%	02/01/2019	7,054,062	4,173,176	3,809,193
FHA—ASPEN STRATFORD APTS.	7.50%	05/01/2019	2,211,584	1,326,950	1,194,255
FHA—AUSTIN VILLAGE APTS.	7.50%	02/01/2022	1,885,200	911,965	1,018,008
FHA—BATAVIA VILLAGE	7.50%	02/01/2021	1,513,259	827,146	817,160
FHA—BAYBERRY HOUSING FOR THE ELDERLY	7.50%	08/01/2018	5,456,452	3,206,751	2,946,484
FHA—BRIERWOOD APTS. OF COLUMBUS, IN.	7.50%	04/01/2022	5,055,050	2,534,005	2,729,726
FHA—BROOKCHESTER SECTION VI	7.50%	10/01/2020	2,042,106	1,301,843	1,102,737
FHA—CAMBRIDGE SQUARE OF BLOOMINGTON	7.50%	10/01/2019	3,356,870	2,014,122	1,812,710
FHA—CAMBRIDGE SQUARE	7.50%	08/01/2018	1,560,656	1,063,208	842,754
FHA—CANTON TOWERS	7.50%	08/01/2018	4,577,899	3,699,168	2,472,065
FHA—CARLTON-GREEN APTS.	9.50%	11/01/2019	3,492,227	3,304,521	1,885,803
FHA—CEDAR WOODS APTS.	7.50%	07/01/2021	2,501,804	1,220,127	1,350,974
FHA—CLIFFVIEW APTS.	7.50%	10/01/2020	3,979,919	2,537,198	2,149,156
FHA—CRAWFORD SQUARE APTS.	7.50%	09/01/2019	1,070,771	583,676	578,216
FHA—CROSSCREEK, MADISONVILLE, KY.	7.50%	12/01/2019	2,543,604	1,376,766	1,373,546
FHA—DOUGLAS MANOR	7.50%	04/01/2019	4,320,930	1,947,264	1,752,537
FHA—EARHART WOODS	7.50%	02/01/2019	3,142,108	2,997,649	2,333,302
FHA—ESSEX VILLAGE	7.50%	08/01/2019	4,398,348	1,832,160	1,696,738
FHA—FAIRINGTON APTS.	7.50%	02/01/2021	4,615,837	3,051,391	2,375,108
FHA—FAIRINGTON APT. OF SOUTH BEND	7.50%	02/01/2020	2,721,193	2,498,395	2,492,552
FHA—FAIRVIEW MANOR	7.50%	10/01/2021	2,651,573	1,327,123	1,469,444
FHA—FERNWOOD COURT	7.50%	05/01/2020	1,949,460	1,282,699	1,431,849
FHA—FLEETWOOD APTS.	7.50%	11/01/2019	1,500,277	962,859	1,052,708
FHA—FOREST PARK APTS.	7.50%	07/01/2020	2,807,621	820,050	810,149
FHA—FRANKLIN COURT	7.50%	01/01/2021	3,167,234	1,540,258	1,516,115
FHA—GENTRY PLACE	7.50%	08/01/2021	10,074,719	5,175,886	5,440,348
FHA—GILL PARK COOPERATIVE	7.50%	12/01/2018	6,199,423	1,532,150	1,710,306
FHA—HADLEY WEST	7.50%	10/01/2020	2,564,643	1,634,960	5,440,348
FHA—HARBOUR TOWN APTS.	7.50%	03/01/2021	3,324,522	1,597,848	1,384,907
FHA—HIDDEN MEADOW TOWNHOUSES	7.50%	10/01/2018	1,284,119	874,807	1,795,242
FHA—HIGHVIEW PARK	7.50%	09/01/2017	3,752,173	2,197,644	693,424
FHA—HILLCREST ELDERLY	7.50%	03/01/2019	4,419,372	748,528	2,026,173
FHA—HILLSIDE APTS.	7.50%	08/01/2020	5,385,418	2,386,461	748,528
FHA—HOPKINS VILLAGE	7.50%	10/01/2019	3,364,371	2,914,943	2,386,461
FHA—HUNTINGTON TOWERS	7.50%	02/01/2020	4,870,846	2,018,623	2,908,125
FHA—JAMESTOWN APTS. OF SEYMOUR	7.50%	06/01/2020	8,437,463	2,862,591	1,816,760
FHA—JAMESTOWN APTS. OF VALPARAISO	7.50%	05/01/2021	1,913,481	4,218,731	2,630,257
FHA—KEYSTONE APTS.	7.50%	05/01/2019	2,514,981	2,862,591	4,556,230
FHA—KING VILLAGE	7.50%	09/01/2019	2,699,219	1,480,788	1,033,280
FHA—KOKOMO MANOR	7.50%	10/01/2020	1,740,094	948,523	1,358,089
FHA—LA LUZ APTS.	7.50%	08/01/2020	1,985,817	1,082,467	1,457,578
FHA—LAWRENCE VILLAGE	7.50%	01/01/2021	2,049,542	1,396,269	939,650
FHA—LAWRENCEBURG VILLAGE	7.50%	11/01/2018	1,097,295	541,966	1,072,341
FHA—LIMA CLUB	7.50%	11/01/2019	1,715,978	847,540	1,106,753
FHA—LOGAN PLACE	7.50%	01/01/2019	2,487,981	1,989,558	592,539
FHA—MAPLE HILLS APTS.	7.50%	03/01/2019	2,190,813	1,492,492	926,628
FHA—McMILLEN WOODS	7.50%	09/01/2019	7,766,389	5,475,312	1,343,509
FHA—MONUMENT SQUARE APTS.	7.50%	12/01/2018	3,816,059	2,091,578	1,183,039
FHA—MT. VERNON PLAZA	7.50%	11/01/2020	2,690,602	1,568,887	4,193,850
FHA—NEW BRIDGE VILLAGE	7.50%	07/01/2019	4,467,869	2,605,210	2,060,672
FHA—NEW FLORAL GARDENS - 1A	7.50%	08/01/2019	1,290,543	621,137	1,452,925
FHA—NEW FLORAL GARDENS - 1B	7.50%	10/01/2021	2,319,098	1,255,249	2,412,649
FHA—NEWARK GREEN	7.50%	02/01/2020	3,661,185	2,202,764	696,893
FHA—NORTHWOOD APTS. OF FRANKLIN	7.50%	10/01/2019			1,252,313
FHA—130 CLINTON STREET					1,977,040

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
FHA—PARK BLUFF APTS.	7.50%	07/01/2019	\$ 3,702,194	\$ 2,221,316	\$ 1,999,184
FHA—RICHFIELD APTS. OF W. LAFAYETTE	7.50%	04/01/2023	3,045,441	1,473,232	1,644,538
FHA—RIDGWOOD II APTS.	7.50%	12/01/2020	3,490,847	1,677,788	1,885,057
FHA—RIVER BEND APTS.	7.50%	03/01/2022	3,048,700	1,474,808	1,646,297
FHA—RIVERVIEW APTS.	7.50%	05/01/2019	1,790,879	967,075	967,075
FHA—ROSLYN PLAZA	7.50%	10/01/2019	3,321,602	2,296,058	1,793,665
FHA—SHAWNEE II	7.50%	09/01/2019	1,923,037	949,809	1,038,440
FHA—STANFORD TOWNHOUSES	7.50%	01/01/2019	3,923,987	2,692,838	2,118,953
FHA—TAMARIND SQUARE	7.50%	09/01/2018	1,226,938	835,857	662,546
FHA—THE TERRACE	7.50%	08/01/2020	2,814,700	1,561,030	1,519,938
FHA—THOMASTON GARDEN	7.50%	03/01/2021	2,041,464	1,008,301	1,102,390
FHA—TOWNHOUSE OF LOWELL	7.50%	01/01/2019	3,292,573	1,935,041	1,777,989
FHA—TRAFALGOR SQUARE	9.44%	01/01/2020	1,641,181	1,403,210	886,238
FHA—TREE BOURNE II	7.50%	12/01/2017	1,608,712	945,277	868,704
FHA—TUDOR RIDGE	7.50%	12/01/2018	3,660,783	2,928,626	1,976,822
FHA—TULLAHOMA VILLAGE APTS.	7.50%	02/01/2020	1,774,278	876,335	958,110
FHA—TWIN OAKS	7.50%	05/01/2018	1,806,943	1,230,988	975,749
FHA—VANDALIA ELDERLY	7.50%	07/01/2018	1,480,675	1,008,718	799,564
FHA—VILLAGE PARK APTS.	7.50%	06/01/2020	1,023,929	561,214	552,921
FHA—WESLEY CAMILLA TOWERS	7.50%	05/01/2019	8,958,984	6,310,273	4,837,851
FHA—WILLOW PARK APTS.	7.50%	11/01/2019	1,736,572	937,749	937,749
FHA—WILLOWBROOK APTS.	7.50%	11/01/2019	1,137,343	615,605	614,165
FHA—WRIGHTSTOWN ARMS APTS.	7.50%	05/01/2020	1,497,436	810,511	808,615
FmHA—ALLEN EDMONDS SHOE CORP.	9.20%	08/01/2008	563,939	563,939	359,398
FmHA—ENDRIES FASTENER & SUPPLY INC.	9.20%	10/01/2008	242,502	242,502	154,789
FmHA—FRIDAY CANNING CO.	9.30%	04/01/1993	12,820,048	12,820,048	9,577,858
FmHA—HOLIDAY INN OF LAS CRUCES	10.05%	12/01/2004	3,974,732	4,004,563	2,574,831
FmHA—NORLAND CORP.	9.20%	07/01/2008	390,581	390,581	248,917
FmHA—OCONOMOWOC CANNING CO.	9.20%	09/01/2008	6,183,469	6,183,469	3,923,411
FmHA—PACKAGING SERVICES INC.	9.20%	09/01/1999	1,283,491	1,288,296	865,201
FmHA—ROBERT E. ENDRIES CO.	10.13%	09/01/1999	9,243,867	9,243,867	5,891,116
FmHA—SHELL PATTERN	9.20%	08/01/2008	145,391	145,391	92,468
GLOBAL MARINE DEEP WATER DRILLING	9.20%	08/01/2008	145,391	145,391	92,468
GNMA—AIKEN-SPEIR, INC.	14.00%	10/01/1996	22,110,000	22,110,000	20,796,665
GNMA—BANCO MORTGAGE CO.	9.00%	07/15/2009	2,910,116	2,118,929	1,923,878
GNMA—BANCO MORTGAGE CO.	9.50%	11/15/2009	241,945	204,443	165,006
GNMA—CAMERON-BROWN CO.	11.00%	09/15/2010	9,918,504	8,430,728	7,549,965
GNMA—CENTRAL MORTGAGE CO.	12.50%	12/15/2010	5,968,756	5,431,568	4,970,183
GNMA—CITIZENS & SOUTHERN FINANCIAL CORP.	9.50%	08/15/2009	941,632	816,866	642,193
GNMA—COLLATERAL INVESTMENT CO.	9.50%	09/15/2009	1,007,626	874,115	687,200
GNMA—CONSERVATIVE MORTGAGE CO.	9.00%	04/15/2009	2,811,511	2,047,133	1,858,690
GNMA—COUNTRYWIDE FUNDING CORP.	9.50%	07/15/2009	492,915	303,759	325,866
GNMA—CURRY, CHARLES F. CO.	9.50%	10/15/2009	933,287	809,626	636,501
GNMA—D.R.G. FINANCIAL CORP.	9.50%	09/15/2009	998,734	874,204	681,136
GNMA—DREW MORTGAGE CO.	10.75%	01/15/2015	5,571,052	5,181,079	4,169,375
GNMA—ECONOMY SAVINGS & LOAN ASSOC.	9.50%	10/15/2009	1,009,924	876,109	688,768
GNMA—ECONOMY SAVINGS & LOAN ASSOC.	9.50%	10/15/2009	993,490	869,615	677,560
GNMA—FIRST FAMILY MORTGAGE	10.00%	11/15/2009	705,604	617,403	501,049
GNMA—FIRST MORTGAGE CORP.	13.00%	03/15/2011	4,988,527	4,333,783	4,298,614
GNMA—GENSTAR PACIFIC FINANCIAL CORP.	10.00%	12/15/2010	994,875	756,105	706,461
GNMA—GENSTAR PACIFIC FINANCIAL CORP.	9.50%	11/15/2009	984,742	857,034	671,594
GNMA—GRAHAM MORTGAGE CORP.	10.00%	11/15/2009	488,128	370,977	346,619
GNMA—I.C.M. MORTGAGE CORP.	9.50%	11/15/2009	2,887,794	2,460,355	1,969,475
GNMA—I.C.M. MORTGAGE CORPORATION	10.00%	01/15/2010	6,955,721	6,077,561	4,939,257
GNMA—JUSTICE MORTGAGE	12.50%	12/15/2010	4,993,485	4,489,454	4,158,074
GNMA—KISSELL COMPANY	9.50%	09/15/2009	996,287	866,147	679,468
GNMA—KISSELL COMPANY	9.50%	10/15/2009	4,912,762	4,654,842	3,350,504
GNMA—KISSELL COMPANY	10.00%	11/15/2009	8,652,590	8,484,288	6,144,204
GNMA—KISSELL COMPANY	11.00%	12/15/2009	955,630	955,630	727,426
GNMA—KISSELL COMPANY	11.00%	01/15/2010	4,660,127	4,660,127	3,547,288

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
			\$ 4,784,878	\$ 4,617,407	\$ 3,642,249
GNMA—KISSELL COMPANY	11.00%	02/15/2010	2,875,449	2,746,053	2,188,791
GNMA—KISSELL COMPANY	11.00%	03/15/2010	1,944,017	1,917,165	1,524,109
GNMA—KISSELL COMPANY	11.50%	03/15/2010	4,954,945	4,236,478	4,125,982
GNMA—KISSELL COMPANY	12.50%	12/15/2010	3,014,933	2,864,186	2,689,622
GNMA—KISSELL COMPANY	13.50%	05/15/2011	1,007,114	984,957	918,488
GNMA—KISSELL COMPANY	14.00%	06/15/2011	1,004,153	1,004,153	964,288
GNMA—KISSELL COMPANY	15.00%	07/15/2011	3,999,313	3,614,386	3,840,541
GNMA—KISSELL COMPANY	15.00%	09/15/2011	984,292	802,198	671,287
GNMA—LARSON MORTGAGE CO.	9.50%	07/15/2009	1,498,226	990,702	1,021,790
GNMA—LOMAS & NETTLETON CO.	9.50%	09/15/2009	1,912,945	1,670,242	1,304,628
GNMA—LOMAS & NETTLETON CO.	9.50%	10/15/2009	480,789	419,477	341,408
GNMA—LOMAS & NETTLETON CO.	10.00%	11/15/2009	4,773,860	3,842,957	3,389,918
GNMA—LOMAS & NETTLETON CO.	10.00%	12/15/2009	994,366	864,477	678,158
GNMA—MAJESTIC SAVINGS & LOAN ASSOC.	9.50%	09/15/2009	975,955	852,740	693,025
GNMA—MANNING SAVINGS & LOAN ASSOC.	10.00%	01/15/2010	965,582	733,842	685,660
GNMA—MANUFACTURERS HANOVER MTG. CORP.	10.00%	11/15/2009	805,766	680,872	549,532
GNMA—MASON-McDUFFIE INVESTMENT CO.	9.50%	08/15/2009	2,994,226	2,754,688	2,671,149
GNMA—MASON-McDUFFIE INVESTMENT CO.	13.50%	05/15/2001	951,398	825,338	648,854
GNMA—MID-STATES MORTGAGE CORP.	9.50%	08/15/2009	928,601	812,818	633,306
GNMA—MILLIKIN MORTGAGE CO.	9.50%	10/15/2009	948,851	825,797	647,116
GNMA—MORTGAGE CORP. OF THE SOUTH	9.50%	08/15/2009	1,378,631	854,751	911,413
GNMA—MURRAY INVESTMENT CO.	9.00%	11/15/2008	956,567	835,203	652,379
GNMA—NEW YORK GUARDIAN MORTGAGE CORP.	9.50%	09/15/2009	1,920,127	1,635,107	1,309,526
GNMA—NORTH AMERICAN MORTGAGE CO.	9.50%	10/15/2009	973,713	844,696	664,072
GNMA—PIONEER SAVINGS & TRUST ASSOC.	9.50%	07/15/2009	1,912,379	1,670,382	1,304,242
GNMA—RAINIER MORTGAGE CO.	9.50%	06/15/2009	1,958,512	1,708,802	1,390,739
GNMA—RAINIER MORTGAGE CO.	10.00%	12/15/2009	939,982	766,085	641,067
GNMA—RESERVE SAVINGS & LOAN ASSOC.	9.50%	01/15/2010	145,673	123,094	99,349
GNMA—SECURITY PACIFIC MORTGAGE CORP.	9.50%	10/15/2009	4,874,230	4,301,508	3,461,190
GNMA—SECURITY PACIFIC MORTGAGE CORP.	10.00%	11/15/2009	929,505	808,961	633,922
GNMA—SHERWOOD & ROBERTS INC.	9.50%	10/15/2009	942,967	716,655	669,601
GNMA—SHERWOOD & ROBERTS INC.	10.00%	11/15/2009	1,920,960	1,670,033	1,310,095
GNMA—STANDARD FEDERAL SAVINGS & LOAN	9.50%	10/15/2009	962,756	835,191	656,600
GNMA—STANWELL MORTGAGE	9.50%	09/15/2009	993,911	862,218	677,847
GNMA—STOCKTON WHATLEY DAVIN & CO.	9.50%	10/15/2009	6,922,287	6,368,504	5,764,189
GNMA—SUBURBAN COASTAL CORP.	12.50%	12/15/2010	2,995,551	2,755,907	2,672,331
GNMA—SUBURBAN COASTAL CORP.	13.50%	05/15/2011	473,455	400,070	322,896
GNMA—SUBURBAN COASTAL CORP.	9.50%	08/15/2009	958,403	838,902	653,630
GNMA—TOWER MORTGAGE CORP.	9.50%	09/15/2009	996,335	757,215	707,498
GNMA—UNITED SAVINGS & LOAN ASSOC.	10.00%	09/15/2010	989,995	858,820	675,176
GNMA—UNITED VIRGINIA MORTGAGE CORP.	9.50%	07/15/2009	1,002,498	817,036	683,703
GNMA—UNITY SAVINGS ASSOC.	9.50%	01/15/2010	971,422	845,441	662,510
GNMA—UNIVERSITY SAVINGS ASSOC.	9.50%	07/15/2009	2,457,134	2,100,849	2,046,055
GNMA—UTAH MORTGAGE LOAN CORP.	12.50%	12/15/2010	3,015,969	2,676,672	2,598,860
GNMA—WATERFIELD MORTGAGE CO.	13.00%	04/15/2011	909,953	741,612	620,588
GNMA—WATERFIELD MORTGAGE CO.	9.50%	07/15/2009	979,538	857,402	668,045
GNMA—WESTERN MORTGAGE LOAN CORP.	9.50%	08/15/2009	940,558	815,934	641,460
GNMA—WESTERN MORTGAGE LOAN CORP.	9.50%	06/15/2009	963,239	837,415	656,929
GNMA—WESTERN PACIFIC FINANCIAL CORP.	9.50%	09/15/2009	2,461,219	2,104,342	2,049,457
GNMA—WESTLAND MORTGAGE SERVICE CO.	12.50%	12/15/2010	6,750,000	6,750,000	6,407,774
GNMA—WEYERHAEUSER MORTGAGE CO.	14.13%	10/01/1995	1,777,000	1,777,000	1,141,118
MERIT THREE DRILLING	9.13%	12/15/2000	9,457,000	6,141,449	5,384,437
OFFSHORE LOGISTICS INC.	8.00%	11/22/2001	9,463,000	6,510,634	5,672,122
SHIPCO	8.50%	05/01/2002	5,800,000	4,238,461	4,052,749
SHIPCO	8.75%	08/15/1994	33,000,000	31,554,247	30,875,459
U.S. TREASURY	12.75%	11/15/2010	12,750,000	12,750,000	13,044,779
U.S. TREASURY	15.50%	10/31/1983	2,946,000	2,946,000	1,970,491
U.S. TREASURY	9.15%	11/01/1994			
WATERMAN STEAMSHIP CO.			\$553,990,914	\$423,994,443	\$373,298,532

TOTAL U.S. GOVERNMENT & AGENCIES

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
BRITISH COLUMBIA HYDRO & POWER	10.25%	10/01/1999	\$ 8,050,000	\$ 6,934,629	\$ 5,604,973
BRITISH COLUMBIA HYDRO & POWER	9.63%	06/01/2005	14,550,000	11,564,329	9,576,955
BRITISH COLUMBIA HYDRO & POWER	8.63%	12/01/2006	7,315,000	5,615,568	4,335,015
BRITISH COLUMBIA HYDRO & POWER	8.38%	06/15/2007	19,660,000	15,393,080	11,081,752
BRITISH COLUMBIA HYDRO & POWER	15.00%	04/15/2011	20,000,000	19,889,127	18,999,199
HYDRO QUEBEC	15.50%	07/15/2011	10,000,000	9,959,630	9,672,800
HYDRO QUEBEC	11.25%	10/15/1986	25,000,000	24,707,206	21,461,499
HYDRO QUEBEC	9.25%	09/01/1997	25,000,000	25,000,000	15,942,250
HYDRO QUEBEC	8.75%	07/15/1999	1,700,000	1,387,663	1,023,672
HYDRO QUEBEC	7.88%	02/01/2002	2,325,000	2,027,572	1,225,949
HYDRO QUEBEC	7.50%	01/01/2003	9,900,000	7,946,374	4,962,176
HYDRO QUEBEC	8.25%	01/01/2004	19,805,000	16,735,264	10,998,310
HYDRO QUEBEC	10.25%	01/15/2005	13,250,000	11,964,926	8,544,660
HYDRO QUEBEC	9.75%	08/01/2005	24,550,000	23,630,244	15,262,980
HYDRO QUEBEC	10.00%	11/15/2005	13,000,000	11,986,299	8,196,760
HYDRO QUEBEC	8.60%	09/15/2006	25,225,000	21,596,986	14,229,674
HYDRO QUEBEC	10.00%	07/15/2008	15,600,000	14,367,615	9,786,504
HYDRO QUEBEC	10.75%	06/15/2010	21,000,000	20,322,069	14,062,860
HYDRO QUEBEC	13.25%	10/15/2010	20,000,000	19,902,586	16,249,000
MANITOBA HYDRO-ELECTRIC	9.38%	03/01/1988	150,000	104,257	96,704
MANITOBA HYDRO-ELECTRIC	8.00%	10/15/2003	2,245,000	1,808,690	1,242,158
MANITOBA HYDRO-ELECTRIC	9.25%	06/15/2004	2,550,000	2,093,273	1,573,247
MANITOBA HYDRO-ELECTRIC	9.38%	12/01/2004	6,380,000	4,768,656	3,980,354
MANITOBA HYDRO-ELECTRIC	9.25%	01/15/2006	8,450,000	6,274,325	5,187,961
MANITOBA HYDRO-ELECTRIC	9.25%	06/30/2001	14,050,000	10,768,315	8,721,537
NEW BRUNSWICK ELECTRIC POWER COMMISSION	8.63%	12/01/2006	18,250,000	13,661,902	10,455,079
NEW BRUNSWICK ELECTRIC POWER COMMISSION	10.00%	01/15/2005	2,500,000	1,881,082	1,545,424
NEW BRUNSWICK ELECTRIC POWER COMMISSION	9.38%	05/01/2001	1,050,000	1,048,539	635,397
NEW BRUNSWICK ELECTRIC POWER COMMISSION	8.75%	08/01/2007	5,200,000	5,051,117	2,898,947
NOVA SCOTIA POWER CORP	9.00%	02/15/1997	5,000,000	4,981,755	3,073,549
PROVINCE OF NEW BRUNSWICK	9.63%	06/01/2008	3,250,000	2,301,102	2,042,007
PROVINCE OF NEW BRUNSWICK	8.38%	12/15/1998	2,250,000	2,069,576	1,244,609
PROVINCE OF ONTARIO	14.75%	07/01/1991	10,000,000	9,847,300	9,075,000
PROVINCE OF ONTARIO	7.38%	02/15/1999	1,750,000	1,578,238	938,402
PROVINCE OF ONTARIO	7.85%	05/15/2001	4,000,000	3,796,447	2,216,679
PROVINCE OF ONTARIO	7.70%	05/15/2002	2,000,000	1,891,099	1,081,519
PROVINCE OF ONTARIO	7.30%	12/15/2002	1,550,000	1,373,159	795,506
PROVINCE OF ONTARIO	7.90%	10/15/2003	5,000,000	4,640,033	2,744,049
PROVINCE OF ONTARIO	8.88%	03/01/2005	2,500,000	2,482,941	1,514,949
PROVINCE OF ONTARIO	8.40%	01/15/2007	14,350,000	13,431,004	8,204,756
PROVINCE OF SASKATCHEWAN	8.38%	09/15/2007	12,450,000	9,910,383	7,084,797
PROVINCE OF SASKATCHEWAN	8.70%	11/15/2006	10,100,000	8,271,279	5,974,150
PROVINCE OF SASKATCHEWAN	8.63%	05/15/2007	8,650,000	7,127,973	5,067,170
REGIONAL MUNICIPALITY OF PEEL	9.25%	04/15/2008	4,450,000	4,433,854	2,782,228
TOTAL CANADIAN	8.75%	01/15/1998	5,000,000	4,961,589	3,050,699
			\$449,055,000	\$401,489,077	\$294,443,888
CORPORATE					
ACF INDUSTRIES	11.60%	05/15/2000	3,430,000	3,318,563	2,622,543
ACF INDUSTRIES	14.50%	12/01/1996	6,000,000	5,788,855	5,684,999
ACF INDUSTRIES	11.00%	10/01/1989	1,069,000	1,069,000	870,037
ACCELERATION CORP.	10.50%	09/01/1994	4,600,000	4,600,000	2,858,899
AIR PRODUCTS & CHEMICALS	11.63%	05/15/2010	5,000,000	4,016,459	3,768,099
ALABAMA POWER COMPANY	8.63%	11/01/1999	1,300,000	1,306,289	722,123
ALABAMA POWER COMPANY	8.50%	07/01/2001	5,250,000	5,066,868	2,843,399
ALABAMA POWER COMPANY	7.50%	01/01/2002	3,570,000	3,570,000	1,715,456
ALABAMA POWER COMPANY	7.88%	04/01/2002	3,535,000	2,865,873	1,767,323

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
			\$ 7,500,000	\$ 7,226,779	\$ 3,684,599
ALABAMA POWER COMPANY	7.75%	09/01/2002	2,475,000	2,323,272	1,379,787
ALABAMA POWER COMPANY	8.88%	08/01/2003	8,750,000	8,415,819	4,496,274
ALABAMA POWER COMPANY	8.25%	12/01/2003	4,500,000	4,430,098	2,723,534
ALABAMA POWER COMPANY	9.75%	06/01/2004	5,000,000	4,956,312	3,334,949
ALABAMA POWER COMPANY	10.88%	10/01/2005	22,150,000	10,391,772	10,244,375
ALUMINUM COMPANY OF AMERICA	7.00%	04/15/2011	15,000,000	10,561,172	8,663,700
AMERICAN CYANAMID COMPANY	8.38%	03/15/2006	21,500,000	20,706,684	17,337,599
AMERICAN STANDARD	12.38%	08/01/2010	6,600,000	3,186,946	2,621,057
AMERICAN TELEPHONE & TELEGRAPH COMPANY	5.13%	04/01/2001	8,850,000	8,181,011	5,251,147
ANCHOR HOCKING	8.63%	07/01/2006	2,100,000	1,759,933	1,046,283
APPALACHIAN POWER COMPANY	7.50%	12/01/1998	500,000	503,086	329,264
APPALACHIAN POWER COMPANY	10.13%	06/01/1995	2,500,000	2,184,854	1,222,699
APPALACHIAN POWER COMPANY	7.63%	02/01/2002	7,440,000	7,019,553	3,574,845
APPALACHIAN POWER COMPANY	7.50%	12/01/2002	2,300,000	1,902,059	1,178,634
APPALACHIAN POWER COMPANY	8.13%	07/01/2003	6,500,000	5,839,261	3,539,899
APPALACHIAN POWER COMPANY	8.50%	03/01/2004	21,000,000	20,895,628	20,579,789
ARCHER - DANIELS - MIDLAND CO.	16.00%	05/15/2011	1,600,000	1,616,589	1,036,096
ARKANSAS POWER & LIGHT COMPANY	10.50%	06/01/2004	12,500,000	9,861,628	7,866,125
ARMCO STEEL COMPANY	9.20%	07/15/2000	17,600,000	14,707,314	10,007,184
ARMCO STEEL COMPANY	8.50%	09/01/2001	279,493	271,041	199,116
ATCHINSON TOPEKA & SANTA FE	7.50%	09/19/1989	2,750,000	2,395,618	1,385,642
ATLANTIC CITY ELECTRIC COMPANY	7.50%	04/01/2002	500,000	500,240	282,144
ATLANTIC CITY ELECTRIC COMPANY	3.25%	04/01/1989	1,354,000	1,302,805	1,217,245
ATLANTIC REFINING COMPANY	3.85%	06/01/1983	800,000	800,000	642,360
BALTIMORE & OHIO RAILROAD	9.00%	06/01/1986	700,000	700,000	540,393
BALTIMORE & OHIO RAILROAD	9.00%	06/01/1987	800,000	795,526	546,768
BALTIMORE & OHIO RAILROAD	9.00%	06/01/1991	800,000	795,235	535,360
BALTIMORE & OHIO RAILROAD	9.00%	06/01/1992	800,000	794,964	525,536
BALTIMORE & OHIO RAILROAD	9.00%	06/01/1993	800,000	4,613,203	2,720,039
BALTIMORE & OHIO RAILROAD	6.13%	08/01/1997	5,700,000	5,626,984	4,083,452
BALTIMORE GAS & ELECTRIC COMPANY	7.25%	04/15/2001	8,100,000	1,877,560	1,974,759
BALTIMORE GAS & ELECTRIC COMPANY	7.13%	01/01/2002	4,000,000	6,636,225	4,029,090
BALTIMORE GAS & ELECTRIC COMPANY	7.50%	07/01/2002	7,850,000	1,727,051	1,537,559
BALTIMORE GAS & ELECTRIC COMPANY	7.50%	09/15/2002	3,000,000	9,970,756	5,801,167
BALTIMORE GAS & ELECTRIC COMPANY	8.13%	02/01/2004	10,600,000	5,301,180	3,040,234
BALTIMORE GAS & ELECTRIC COMPANY	8.25%	09/15/2007	5,550,000	3,329,259	1,895,941
BALTIMORE GAS & ELECTRIC COMPANY	8.45%	03/01/2005	3,400,000	12,255,361	7,337,599
BETHLEHEM STEEL CORPORATION	8.38%	03/01/2001	12,950,000	7,237,415	5,450,362
BETHLEHEM STEEL CORPORATION	9.85%	10/01/2009	8,250,000	9,581,286	9,228,222
BIG THREE INDUSTRIES	9.38%	06/15/2009	14,600,000	1,473,075	634,253
BORDEN CO.	6.13%	06/01/1997	1,460,000	15,000,000	12,034,500
BOSTON EDISON COMPANY	12.50%	02/01/2001	15,000,000	22,500,000	18,518,624
BRUSH WELLMAN INC.	10.75%	09/01/1989	22,500,000	1,320,034	946,897
BUCKEYE FEDERAL SAVINGS & LOAN	9.25%	08/01/1991	1,340,000	757,235	525,378
BURLINGTON NORTHERN, INC.	9.25%	08/01/1993	770,000	761,575	521,234
BURLINGTON NORTHERN, INC.	9.25%	08/01/1994	775,000	1,750,000	1,666,892
BURLINGTON NORTHERN, INC.	9.25%	01/01/1993	1,750,000	1,750,000	1,664,057
BURLINGTON NORTHERN, INC.	14.25%	01/01/1994	1,750,000	1,750,000	1,661,607
BURLINGTON NORTHERN, INC.	14.25%	01/01/1995	1,750,000	5,000,000	3,218,499
BURLINGTON NORTHERN, INC.	9.25%	06/01/1998	5,000,000	4,013,980	3,764,249
BURLINGTON NORTHERN, INC.	11.50%	08/01/2010	5,000,000	4,750,000	3,141,459
BURLINGTON NORTHERN, INC.	9.50%	12/15/2000	4,750,000	7,093,220	5,732,999
BURROUGHS CORP.	8.25%	06/01/2002	10,000,000	11,795,210	7,619,260
CARGILL, INC.	9.25%	05/15/2000	11,800,000	15,000,000	10,816,500
CARGILL, INC.	11.00%	06/01/2000	15,000,000	608,629	437,731
CARBORUNDUM COMPANY	5.00%	04/01/1991	700,000	800,030	553,781
CARLISLE CORP.	7.50%	03/01/1996	870,000	2,500,072	2,182,438
CARNATION COMPANY	6.88%	10/01/1998	4,325,000	1,004,904	547,460
CARNATION COMPANY	7.75%	10/01/2001	1,000,000		

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
CAROLINA TELEPHONE & TELEGRAPH COMPANY	9.00%	05/01/2008	\$ 3,900,000	\$ 3,023,100	\$ 2,366,558
CARTER HAWLEY HALE STORES, INCORPORATED	5.50%	10/01/1983	134,000	130,860	119,159
CATERPILLAR TRACTOR COMPANY	8.00%	11/01/2001	25,000,000	14,534,628	14,593,750
CENTRAL HUDSON GAS & ELECTRIC COMPANY	7.75%	02/01/2002	1,000,000	1,012,065	512,840
CENTRAL ILLINOIS LIGHT COMPANY	9.25%	03/01/2005	500,000	500,000	306,744
CENTRAL ILLINOIS PUBLIC SERVICE	7.50%	04/01/2001	3,250,000	3,004,637	1,695,914
CENTRAL ILLINOIS PUBLIC SERVICE	7.50%	05/01/2002	1,680,000	1,389,873	869,232
CENTRAL ILLINOIS PUBLIC SERVICE	9.13%	10/01/2008	6,200,000	6,070,709	3,776,295
CENTRAL TELEPHONE COMPANY	7.60%	10/01/1997	2,450,000	2,255,758	1,343,310
CENTRAL TELEPHONE COMPANY	8.13%	12/01/1998	3,100,000	3,080,804	1,767,464
CENTRAL TELEPHONE CO. OF VIRGINIA	8.20%	09/01/2007	1,000,000	985,892	542,120
CHESAPEAKE & OHIO RAILWAY CO.	11.75%	03/01/1991	979,000	968,428	816,897
CHESAPEAKE & OHIO RAILWAY CO.	11.75%	03/01/1992	979,000	967,841	809,065
CHESAPEAKE & OHIO RAILWAY CO.	11.75%	03/01/1993	979,000	967,325	802,310
CHESAPEAKE & OHIO RAILWAY CO.	11.75%	03/01/1994	979,000	966,862	796,465
CHESAPEAKE & OHIO RAILWAY CO.	11.75%	03/01/1995	979,000	966,441	791,413
CHESAPEAKE & POTOMAC TELEPHONE - MD.	4.38%	01/01/2002	6,800,000	3,899,373	2,417,331
CHESAPEAKE & POTOMAC TELEPHONE - MD.	5.88%	06/01/2004	8,025,000	6,864,831	3,524,098
CHESAPEAKE & POTOMAC TELEPHONE - MD.	6.63%	10/01/2008	1,000,000	483,241	474,890
CHESAPEAKE & POTOMAC TELEPHONE - VA.	9.50%	04/15/2019	3,100,000	1,999,500	2,018,595
CHESAPEAKE & POTOMAC TELEPHONE - WASH. D.C.	7.00%	02/01/2009	1,500,000	1,245,376	745,935
CHESAPEAKE & POTOMAC TELEPHONE - WASH. D.C.	7.75%	11/01/2013	2,000,000	1,084,303	1,082,059
CHESAPEAKE & POTOMAC TELEPHONE - WEST VA.	5.00%	03/01/2000	2,250,000	1,676,863	902,205
CHESAPEAKE & POTOMAC TELEPHONE - WEST VA.	7.25%	05/01/2009	6,650,000	5,874,529	3,368,557
CHESAPEAKE & POTOMAC TELEPHONE - WEST VA.	7.25%	02/01/2013	1,750,000	1,430,558	878,797
CINCINNATI BELL, INC.	7.38%	08/01/2011	4,000,000	3,708,524	2,062,799
CINCINNATI GAS & ELECTRIC COMPANY	7.38%	11/01/2001	4,350,000	3,808,608	2,171,606
CINCINNATI GAS & ELECTRIC COMPANY	8.13%	08/01/2003	2,000,000	1,816,543	1,079,119
CINCINNATI GAS & ELECTRIC COMPANY	9.15%	11/01/2004	8,200,000	8,063,524	5,021,023
CINCINNATI GAS & ELECTRIC COMPANY	8.55%	10/15/2006	1,000,000	945,739	570,620
CITICORP	9.13%	04/15/2008	4,000,000	3,982,574	2,420,719
CITICORP	8.45%	03/15/2007	16,600,000	10,652,016	9,194,574
CITIES SERVICE COMPANY	10.88%	06/15/2010	5,750,000	5,750,000	4,019,709
CITIES SERVICE COMPANY	13.88%	01/15/2011	5,000,000	4,425,756	4,459,849
CITIES SERVICE COMPANY	7.00%	04/15/2011	14,450,000	7,204,388	6,719,250
CITIES SERVICE COMPANY	7.00%	04/01/2011	2,500,000	1,204,275	1,161,249
CITIZENS UTILITIES	8.38%	12/01/1997	12,000,000	12,000,000	7,158,720
CLARK EQUIPMENT	8.88%	03/01/2005	5,164,000	4,732,446	3,091,480
CLEVELAND ELECTRIC ILLUMINATING	9.63%	12/15/1999	5,950,000	5,955,023	3,963,651
COLONIAL PIPELINE CORPORATION	15.25%	07/01/1992	20,000,000	20,000,000	19,247,999
COLONIAL PIPELINE CORPORATION	8.50%	12/01/2001	4,682,000	4,682,000	3,069,800
COLONIAL PIPELINE CORPORATION	4.74%	06/01/1990	562,000	497,898	304,575
COLONIAL PIPELINE CORPORATION	5.46%	06/01/1990	600,000	536,215	345,191
COLUMBIA GAS SYSTEM INC.	9.95%	06/01/2002	10,000,000	10,000,000	5,593,999
COLUMBIA GAS SYSTEM INC.	9.13%	10/01/1995	1,000,000	850,197	659,850
COLUMBUS & SOUTHERN OHIO ELECTRIC CO.	10.25%	05/01/1999	5,450,000	4,765,880	3,754,722
COLUMBUS & SOUTHERN OHIO ELECTRIC CO.	6.25%	10/01/1997	1,000,000	1,003,614	447,610
COLUMBUS & SOUTHERN OHIO ELECTRIC CO.	7.00%	06/01/1998	1,550,000	1,520,798	752,773
COMMONWEALTH EDISON COMPANY	7.63%	05/01/1999	1,000,000	1,008,656	493,420
COMMONWEALTH EDISON COMPANY	6.25%	02/01/1998	3,350,000	2,697,123	1,531,988
COMMONWEALTH EDISON COMPANY	9.25%	08/01/1996	4,000,000	4,000,000	3,864,039
COMMONWEALTH EDISON COMPANY	10.00%	04/01/1999	20,000,000	20,000,000	13,896,200
CONNECTICUT LIGHT & POWER COMPANY	9.13%	06/01/1998	4,000,000	4,000,000	2,449,319
CONNECTICUT LIGHT & POWER COMPANY	7.38%	12/01/2001	1,000,000	819,974	470,490
CONNECTICUT LIGHT & POWER COMPANY	7.63%	04/01/2003	3,350,000	2,890,771	1,610,143
CONSOLIDATED EDISON OF NEW YORK	3.25%	12/01/1982	750,000	750,483	662,392
CONSOLIDATED EDISON OF NEW YORK	5.08%	01/01/1996	16,000,000	8,591,122	7,046,400
CONSOLIDATED EDISON OF NEW YORK	5.90%	12/15/1996	6,150,000	3,664,996	2,920,142

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
CONSOLIDATED EDISON OF NEW YORK	6.25%	08/01/1997	\$ 12,300,000	\$ 7,267,204	\$ 6,004,859
CONSOLIDATED EDISON OF NEW YORK	7.90%	04/01/1999	3,000,000	1,861,138	1,641,029
CONSOLIDATED EDISON OF NEW YORK	6.85%	10/01/1998	9,505,000	6,026,074	4,866,369
CONSOLIDATED EDISON OF NEW YORK	8.90%	01/15/2000	8,475,000	6,696,540	5,208,904
CONSOLIDATED EDISON OF NEW YORK	9.38%	09/15/2000	3,000,000	2,294,964	1,923,269
CONSOLIDATED EDISON OF NEW YORK	7.90%	09/01/2001	5,675,000	3,597,513	3,040,097
CONSOLIDATED EDISON OF NEW YORK	7.90%	04/15/2002	8,475,000	5,291,450	4,520,480
CONSOLIDATED EDISON OF NEW YORK	7.75%	02/15/2003	15,700,000	10,409,472	8,157,877
CONSOLIDATED EDISON OF NEW YORK	8.40%	10/15/2003	12,750,000	9,469,875	7,088,362
CONSOLIDATED EDISON OF NEW YORK	9.13%	03/01/2004	1,500,000	1,178,669	923,175
CONSOLIDATED EDISON OF NEW YORK	6.00%	07/01/1997	2,000,000	1,735,190	853,340
CONSUMERS POWER COMPANY	6.88%	05/01/1998	4,275,000	3,805,461	2,000,870
CONSUMERS POWER COMPANY	6.63%	10/01/1998	4,900,000	4,242,542	2,209,654
CONSUMERS POWER COMPANY	8.13%	08/01/2001	2,350,000	1,978,361	1,195,515
CONSUMERS POWER COMPANY	7.50%	10/01/2002	2,875,000	2,362,998	1,347,972
CONSUMERS POWER COMPANY	8.63%	08/01/2003	4,750,000	3,883,021	2,556,972
CONSUMERS POWER COMPANY	8.88%	06/01/2007	1,500,000	1,150,577	819,135
CONSUMERS POWER COMPANY	10.38%	05/01/2009	5,700,000	5,664,235	3,627,422
CONSUMERS POWER COMPANY	5.88%	12/01/1989	1,354,000	1,226,514	900,369
CONTINENTAL OIL COMPANY	9.30%	08/01/1994	2,322,000	2,322,000	1,535,143
CUTLER HAMMER, INC.	8.88%	11/15/2008	2,750,000	2,608,490	1,627,999
DANA CORPORATION	10.88%	05/15/2005	20,000,000	16,003,817	14,638,600
DAYTON - HUDSON CORP.	6.75%	06/15/1998	1,585,000	1,585,000	756,583
DAYTON POWER & LIGHT COMPANY	8.00%	11/01/2003	2,250,000	1,927,175	1,171,664
DAYTON POWER & LIGHT COMPANY	6.38%	09/01/1997	2,700,000	1,984,999	1,290,329
DELMARVA POWER AND LIGHT COMPANY	7.00%	11/01/1998	4,150,000	3,461,608	2,037,774
DELMARVA POWER AND LIGHT COMPANY	8.75%	01/01/2000	2,100,000	1,662,227	1,267,601
DELMARVA POWER AND LIGHT COMPANY	7.63%	12/01/2001	7,650,000	6,679,671	3,909,226
DELMARVA POWER AND LIGHT COMPANY	7.50%	08/01/2002	6,250,000	5,135,267	3,131,124
DELMARVA POWER AND LIGHT COMPANY	8.00%	07/01/2003	2,645,000	1,977,418	1,398,094
DELMARVA POWER AND LIGHT COMPANY	9.63%	07/01/2008	10,380,000	10,048,560	6,563,896
DELMARVA POWER AND LIGHT COMPANY	11.75%	07/01/2010	1,000,000	868,774	737,680
DELMARVA POWER AND LIGHT COMPANY	6.00%	03/01/1982	223,000	223,000	220,020
DENVER & RIO GRANDE WESTERN RAILROAD E.T.C.	6.00%	03/01/1983	113,000	113,000	103,018
DENVER & RIO GRANDE WESTERN RAILROAD E.T.C.	6.00%	12/01/1996	2,000,000	2,015,351	881,820
DETROIT EDISON COMPANY	6.40%	10/01/1998	3,000,000	2,954,815	1,341,179
DETROIT EDISON COMPANY	7.38%	11/15/2001	2,500,000	2,494,955	1,195,824
DETROIT EDISON COMPANY	9.13%	11/15/2000	14,000,000	13,448,182	7,836,360
DIAMOND SHAMROCK CORPORATION	7.70%	12/15/2001	15,500,000	14,905,791	8,873,595
DIAMOND SHAMROCK CORPORATION	8.50%	04/01/2008	1,000,000	907,155	563,690
DIAMOND SHAMROCK CORPORATION	8.20%	08/01/2011	5,250,000	4,796,319	2,790,794
DIAMOND STATE TELEPHONE COMPANY	7.75%	12/01/2013	14,025,000	12,582,042	8,247,541
DIAMOND STATE TELEPHONE COMPANY	8.50%	02/01/2005	22,400,000	15,616,133	13,127,520
DOW CHEMICAL COMPANY	8.50%	01/15/2006	28,150,000	22,736,707	15,429,578
DOW CHEMICAL COMPANY	7.88%	07/15/2007	5,500,000	4,344,804	3,249,124
DOW CHEMICAL COMPANY	8.63%	02/15/2008	3,067,529	3,067,529	2,114,938
DOW CHEMICAL COMPANY	9.75%	01/02/2000	2,870,968	2,870,968	1,984,958
DOW CHEMICAL COMPANY	9.75%	07/02/1999	1,750,000	1,313,220	1,140,807
DOW CHEMICAL COMPANY	9.63%	04/01/2005	7,100,000	5,501,023	4,814,935
DOW CHEMICAL COMPANY	9.38%	05/15/2000	18,500,000	12,084,396	10,903,160
DOW CORNING CORP.	8.45%	11/15/2004	12,500,000	8,243,063	7,369,375
DRESSER INDUSTRIES	8.50%	05/01/2006	15,595,000	9,744,192	7,503,534
DUPONT D'NEMOURS, E.I.	6.38%	02/01/1998	5,000,000	2,879,134	2,506,149
DUPONT D'NEMOURS, E.I.	7.00%	02/01/1999	4,000,000	2,350,996	2,118,639
DUKE POWER COMPANY	7.75%	04/01/2002	2,750,000	1,579,644	1,522,344
DUKE POWER COMPANY	8.38%	10/01/2006	4,250,000	4,271,537	1,947,732
DUKE POWER COMPANY	6.38%	02/01/1998	5,000,000	4,434,883	2,524,349
DUKE POWER COMPANY	7.75%	07/01/2003	3,300,000	3,268,672	1,765,301
DUQUESNE LIGHT COMPANY	8.38%	04/01/2007			

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
DUQUESNE LIGHT COMPANY	12.25%	01/01/2010	\$ 1,250,000	\$ 1,250,000	\$ 909,725
EATON CORPORATION	7.88%	12/01/2003	2,100,000	2,039,301	1,180,955
EATON CORPORATION	8.75%	07/15/2001	5,000,000	4,970,140	3,029,849
EATON CORPORATION	7.00%	04/01/2011	20,000,000	9,678,071	8,900,000
EL PASO ELECTRIC COMPANY	6.75%	05/01/1998	1,250,000	1,075,305	605,962
EL PASO ELECTRIC COMPANY	9.00%	11/01/2004	1,000,000	978,509	600,850
EL PASO ELECTRIC COMPANY	10.50%	11/01/2005	1,500,000	1,492,979	1,030,590
EMPIRE DISTRICT ELECTRIC COMPANY	6.50%	02/01/1998	1,000,000	814,376	475,240
EXXON TRANSPORTATION	6.63%	05/01/1998	2,730,000	2,477,045	1,586,566
EXXON TRANSPORTATION	7.40%	07/01/2002	3,000,000	1,615,550	1,678,799
FMC CORP.	9.50%	01/15/2000	8,800,000	6,311,149	5,849,447
FIRST BANC GROUP OF OHIO, INC.	9.00%	11/01/1996	9,375,000	9,375,000	5,839,593
FLORIDA POWER & LIGHT COMPANY	6.75%	12/01/1997	4,700,000	4,675,469	2,357,190
FLORIDA POWER & LIGHT COMPANY	7.00%	06/01/1998	4,000,000	1,998,953	2,016,039
FLORIDA POWER & LIGHT COMPANY	7.63%	01/01/2001	3,950,000	3,508,163	2,081,807
FLORIDA POWER & LIGHT COMPANY	7.50%	01/01/2003	2,000,000	1,952,373	1,023,000
FLORIDA POWER CORPORATION	10.13%	03/01/2005	2,206,000	2,167,233	1,491,233
FLORIDA TELEPHONE	6.13%	08/01/1997	2,000,000	1,817,598	934,260
FOURTH SWANSEA PROPERTIES INC.	10.88%	09/01/2004	3,700,000	2,906,678	2,616,528
FRUIT GROWERS EXPRESS	6.38%	07/01/1993	2,928,596	2,667,924	1,780,674
GATX CORPORATION	9.25%	05/15/1989	1,066,669	1,066,669	876,503
GATX CORPORATION	8.15%	06/01/1997	3,000,000	2,667,921	1,783,259
GATX CORPORATION	9.00%	11/15/1998	7,000,000	6,656,754	4,385,849
GENERAL ELECTRIC COMPANY	13.88%	09/15/2001	10,000,000	9,865,558	9,034,900
GENERAL ELECTRIC CREDIT	8.50%	05/01/2004	16,100,000	10,162,989	9,974,755
GENERAL FOODS CORPORATION	11.75%	06/01/2005	24,500,000	19,591,819	18,514,894
GENERAL MILLS INCORPORATED	7.00%	06/15/2011	25,000,000	12,087,948	11,875,000
GENERAL MOTORS ACCEPTANCE CORP.	9.38%	03/01/2009	16,875,000	11,542,483	10,743,806
GENERAL MOTORS ACCEPTANCE CORP.	8.00%	01/15/2002	1,250,000	817,559	668,812
GENERAL MOTORS ACCEPTANCE CORP.	8.00%	07/15/2007	23,250,000	13,957,859	12,167,422
GENERAL MOTORS ACCEPTANCE CORP.	9.75%	05/01/2003	6,000,000	5,887,650	3,779,999
GENERAL TELEPHONE CO. OF CALIFORNIA	12.00%	06/01/2005	12,000,000	11,235,081	8,997,600
GENERAL TELEPHONE CO. OF CALIFORNIA	6.00%	10/01/1996	3,300,000	2,711,015	1,485,626
GENERAL TELEPHONE CO. OF CALIFORNIA	6.75%	12/01/1997	2,700,000	2,265,598	1,299,671
GENERAL TELEPHONE CO. OF CALIFORNIA	7.13%	12/01/1998	4,550,000	3,667,745	2,232,093
GENERAL TELEPHONE CO. OF CALIFORNIA	7.63%	12/01/2001	4,300,000	2,869,008	2,172,703
GENERAL TELEPHONE CO. OF CALIFORNIA	8.50%	04/01/2007	10,450,000	9,529,204	5,662,959
GENERAL TELEPHONE CO. OF CALIFORNIA	8.88%	04/01/2008	6,550,000	5,767,646	3,679,789
GENERAL TELEPHONE CO. OF CALIFORNIA	10.13%	05/01/2009	6,000,000	4,564,361	3,829,679
GENERAL TELEPHONE CO. OF FLORIDA	10.75%	10/01/2009	5,500,000	5,308,282	3,697,209
GENERAL TELEPHONE CO. OF FLORIDA	4.63%	06/01/1995	5,700,000	3,257,365	2,384,708
GENERAL TELEPHONE CO. OF FLORIDA	6.50%	11/01/1997	1,000,000	839,454	497,670
GENERAL TELEPHONE CO. OF FLORIDA	8.63%	03/01/2000	2,000,000	1,794,274	1,192,119
GENERAL TELEPHONE CO. OF FLORIDA	7.50%	08/01/2002	15,155,000	8,372,821	7,886,662
GENERAL TELEPHONE CO. OF FLORIDA	8.13%	11/01/2003	4,000,000	3,408,022	2,215,679
GENERAL TELEPHONE CO. OF FLORIDA	10.75%	07/01/2004	3,000,000	2,357,753	2,099,069
GENERAL TELEPHONE CO. OF ILLINOIS	13.38%	09/01/2010	1,250,000	1,071,418	1,011,487
GENERAL TELEPHONE CO. OF ILLINOIS	9.38%	08/01/2005	4,000,000	3,983,992	2,528,999
GENERAL TELEPHONE CO. OF ILLINOIS	4.50%	09/01/1994	2,905,000	2,179,474	1,166,647
GENERAL TELEPHONE CO. OF INDIANA	4.88%	09/01/1995	1,000,000	737,178	424,680
GENERAL TELEPHONE CO. OF INDIANA	6.38%	08/01/1998	2,330,000	2,044,649	1,144,216
GENERAL TELEPHONE CO. OF INDIANA	7.50%	12/01/2001	1,000,000	890,585	528,410
GENERAL TELEPHONE CO. OF INDIANA	6.25%	07/01/1997	2,000,000	1,668,507	960,680
GENERAL TELEPHONE CO. OF KENTUCKY	8.38%	03/01/2007	1,000,000	988,279	556,970
GENERAL TELEPHONE CO. OF MICHIGAN	7.50%	11/01/2001	1,250,000	989,026	649,637
GENERAL TELEPHONE CO. OF MICHIGAN	7.63%	05/01/2003	3,000,000	2,480,788	1,555,649
GENERAL TELEPHONE CO. OF MICHIGAN	11.00%	10/01/2004	3,000,000	2,765,403	2,114,579
GENERAL TELEPHONE CO. OF MICHIGAN	11.88%	06/01/2010	6,000,000	6,016,652	4,509,299
GENERAL TELEPHONE CO. OF THE NORTHWEST	10.75%	09/01/2004	1,355,000	1,348,493	957,551

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
			\$	\$	\$
GENERAL TELEPHONE CO. OF OHIO	7.63%	09/01/2002	1,000,000	591,503	522,550
GENERAL TELEPHONE CO. OF OHIO	16.63%	05/01/2011	5,000,000	4,891,823	4,893,499
GENERAL TELEPHONE CO. OF PENNSYLVANIA	8.00%	09/01/2003	700,000	436,432	378,678
GENERAL TELEPHONE CO. OF PENNSYLVANIA	9.25%	06/01/2005	2,000,000	1,765,279	1,222,819
GENERAL TELEPHONE CO. OF PENNSYLVANIA	12.00%	06/01/2010	2,500,000	2,425,706	1,888,774
GENERAL TELEPHONE CO. OF THE SOUTHEAST	8.25%	02/01/2004	500,000	488,191	277,739
GENERAL TELEPHONE CO. OF THE SOUTHWEST	6.88%	03/01/1998	1,000,000	859,177	503,580
GENERAL TELEPHONE CO. OF THE SOUTHWEST	7.50%	10/01/2002	5,000,000	2,813,249	2,572,349
GENERAL TELEPHONE CO. OF THE SOUTHWEST	7.75%	10/01/2003	2,150,000	1,448,490	1,132,791
GENERAL TELEPHONE CO. OF THE SOUTHWEST	9.88%	12/01/2005	1,000,000	653,454	654,130
GENERAL TELEPHONE CO. OF THE SOUTHWEST	8.38%	05/01/2007	1,700,000	1,679,555	949,569
GENERAL TELEPHONE CO. OF THE SOUTHWEST	12.25%	11/01/2009	2,500,000	2,143,869	1,931,799
GENERAL TELEPHONE CO. OF THE SOUTHWEST	14.00%	11/01/2010	4,150,000	3,577,490	3,531,981
GENERAL TELEPHONE CO. OF THE SOUTHWEST	18.00%	09/01/2001	10,000,000	9,928,000	10,412,199
GENERAL TELEPHONE CO. OF THE SOUTHWEST	9.13%	04/01/2004	5,500,000	5,374,586	3,289,274
GENERAL TELEPHONE CO. OF UPSTATE N. Y.	7.13%	02/01/1999	1,000,000	509,940	510,830
GENERAL TELEPHONE CO. OF WISCONSIN	14.38%	04/01/2010	2,750,000	2,468,450	2,394,067
GENERAL TELEPHONE CO. OF WISCONSIN	8.13%	09/01/1999	1,000,000	1,001,680	542,010
GEORGIA POWER COMPANY	8.13%	06/01/2001	2,735,000	2,739,483	1,461,392
GEORGIA POWER COMPANY	7.63%	11/01/2001	4,000,000	4,026,137	2,011,719
GEORGIA POWER COMPANY	7.50%	12/01/2002	6,650,000	6,650,000	3,269,139
GEORGIA POWER COMPANY	8.70%	04/01/2008	19,550,000	16,922,222	11,445,352
GREAT NORTHERN NEKOOSA	8.50%	08/01/2003	3,000,000	2,203,008	1,686,869
GULF STATES UTILITIES COMPANY	8.63%	03/01/2004	500,000	399,698	284,259
GULF STATES UTILITIES COMPANY	10.13%	04/01/2009	1,250,000	1,112,547	810,225
GULF STATES UTILITIES COMPANY	11.75%	06/01/2010	10,500,000	10,425,062	7,721,910
GULF STATES UTILITIES COMPANY	9.25%	04/01/2000	2,000,000	1,496,081	1,336,679
HALLIBURTON COMPANY	7.75%	12/15/2001	12,500,000	8,223,658	7,241,750
HARRIS CORP.	11.50%	06/01/2010	3,500,000	2,609,328	2,626,714
HARRIS CORP.	9.88%	04/01/2000	1,000,000	936,537	684,970
HARSCO CORP.	12.25%	05/01/2010	18,600,000	18,119,935	14,804,298
HARSCO CORP.	9.38%	04/01/2008	4,350,000	4,351,991	2,544,880
HARTFORD ELECTRIC LIGHT COMPANY	8.00%	09/01/2001	1,600,000	1,575,900	892,464
HAWAIIAN TELEPHONE COMPANY	4.50%	07/15/1995	750,000	629,553	301,312
HAWAIIAN TELEPHONE COMPANY	6.63%	10/31/1992	5,733,000	5,384,518	3,700,766
HEINZ, H.J. COMPANY	9.50%	03/15/2009	11,500,000	8,851,470	7,440,960
HERSHEY FOODS	11.50%	06/01/2000	5,000,000	5,000,000	3,564,999
HERTZ CORP.	9.38%	06/15/2009	22,400,000	14,486,428	14,352,128
HONEYWELL INC.	14.13%	02/01/2011	25,000,000	24,067,311	22,884,249
HONEYWELL INC.	9.75%	10/03/1995	2,426,633	2,426,633	1,646,955
HOOVER TAFT COMPANY	9.00%	11/01/2008	7,500,000	5,041,058	4,705,199
HUGHES TOOL	8.88%	09/15/1997	10,500,000	10,403,375	6,094,934
HUNTINGTON BANCSHARES, INC.	4.38%	07/01/2003	3,520,000	1,959,103	1,226,895
ILLINOIS BELL TELEPHONE COMPANY	8.25%	08/18/2016	1,500,000	804,045	861,540
ILLINOIS BELL TELEPHONE COMPANY	6.38%	01/01/1998	7,800,000	5,946,603	3,839,237
ILLINOIS POWER COMPANY	7.63%	06/01/2003	7,200,000	4,766,179	3,780,503
ILLINOIS POWER COMPANY	8.63%	07/01/2006	1,000,000	785,498	583,310
ILLINOIS POWER COMPANY	8.25%	11/01/2007	3,900,000	3,229,978	2,150,030
ILLINOIS POWER COMPANY	8.88%	08/01/2008	5,000,000	4,003,752	2,965,749
ILLINOIS POWER COMPANY	4.38%	06/01/2003	2,750,000	2,351,757	955,790
ILLINOIS POWER COMPANY	7.13%	05/01/1998	2,000,000	2,017,192	1,027,540
INDIANA BELL TELEPHONE COMPANY	7.40%	03/01/2002	2,050,000	1,606,223	1,041,359
INDIANAPOLIS POWER & LIGHT COMPANY	9.30%	06/01/2006	1,100,000	1,093,078	688,182
INDIANAPOLIS POWER & LIGHT COMPANY	10.00%	05/01/2004	3,500,000	3,525,110	2,259,669
INDIANAPOLIS POWER & LIGHT COMPANY	8.38%	09/15/2002	2,000,000	1,987,389	1,086,239
INTERSTATE POWER COMPANY	9.00%	03/15/2008	6,600,000	6,483,127	3,852,089
INTERSTATE POWER COMPANY	7.88%	08/15/1999	3,242,000	2,846,874	1,773,827
IOWA ILLINOIS GAS & ELECTRIC COMPANY	8.75%	04/01/2006	4,900,000	4,852,909	2,921,526
IOWA ILLINOIS GAS & ELECTRIC COMPANY	8.75%	09/01/2008	1,350,000	1,260,520	793,989

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
IOWA POWER & LIGHT COMPANY	6.63%	01/01/1998	\$ 1,400,000	\$ 1,185,727	\$ 700,489
IOWA POWER & LIGHT COMPANY	8.75%	03/01/2006	5,200,000	5,171,380	3,057,391
IOWA POWER & LIGHT COMPANY	8.25%	09/15/2007	5,000,000	4,927,002	2,702,699
IOWA PUBLIC SERVICE COMPANY	9.75%	01/15/2009	6,325,000	6,265,175	4,017,450
IOWA PUBLIC SERVICE COMPANY	9.00%	04/01/2000	1,000,000	718,412	621,070
IOWA PUBLIC SERVICE COMPANY	7.38%	06/01/2002	4,000,000	3,573,568	2,028,839
IOWA PUBLIC SERVICE COMPANY	10.13%	12/01/2005	2,750,000	2,734,581	1,841,152
IOWA PUBLIC SERVICE COMPANY	8.00%	08/01/2007	6,080,000	5,846,771	3,234,924
IOWA PUBLIC SERVICE COMPANY	8.75%	08/01/2008	2,300,000	2,134,357	1,352,951
IOWA PUBLIC SERVICE COMPANY	9.75%	09/01/2009	8,000,000	7,754,230	5,147,119
IOWA SOUTHERN UTILITIES	6.13%	06/01/1997	1,150,000	897,867	546,618
IOWA SOUTHERN UTILITIES	9.25%	07/01/2005	2,500,000	2,450,467	1,569,424
JOHNSON, S. C. & SONS	10.00%	11/01/1999	3,750,000	3,750,000	2,552,924
KANSAS CITY POWER & LIGHT COMPANY	6.75%	04/01/1998	1,200,000	1,015,078	584,460
KANSAS CITY POWER & LIGHT COMPANY	8.88%	05/01/2006	1,000,000	983,639	581,960
KANSAS POWER AND LIGHT COMPANY	7.63%	04/01/1999	2,000,000	1,917,621	1,064,799
KENNECOTT COPPER CORPORATION	7.88%	05/01/2001	2,000,000	1,763,810	1,111,799
KENTUCKY POWER CO.	7.88%	09/01/2002	3,650,000	2,645,549	1,892,013
KENTUCKY POWER CO.	8.88%	11/01/2006	2,500,000	1,975,740	1,463,474
KOPPERS CORP.	11.25%	04/01/2000	15,000,000	14,171,278	11,044,500
KRAFTCO CORPORATION	7.60%	01/15/2007	10,000,000	5,796,831	5,462,199
LANCASTER COLONY CORP.	10.00%	07/01/1990	10,000,000	10,000,000	8,348,800
LONG ISLAND LIGHTING COMPANY	4.40%	04/01/1993	750,000	620,167	323,002
LOUISIANA POWER & LIGHT COMPANY	7.50%	01/01/2002	1,000,000	1,010,273	472,880
LOUISIANA POWER & LIGHT COMPANY	8.00%	06/01/2003	1,800,000	1,585,496	892,494
LOUISVILLE & NASHVILLE RAILROAD E.T.C.	8.63%	02/01/1983	561,000	560,874	525,645
LOUISVILLE & NASHVILLE RAILROAD E.T.C.	8.63%	02/01/1985	187,000	186,908	156,999
LOUISVILLE & NASHVILLE RAILROAD E.T.C.	10.00%	11/01/1990	1,078,493	1,078,493	739,490
LOUISVILLE & NASHVILLE RAILROAD E.T.C.	9.25%	10/30/1991	2,932,365	2,932,365	1,864,398
LOUISVILLE GAS & ELECTRIC COMPANY	6.75%	06/01/1998	2,920,000	2,343,161	1,489,375
LYONDELL PROPERTIES, INC.	9.50%	09/15/1997	8,638,357	8,638,357	5,778,974
MADISON GAS & ELECTRIC COMPANY	9.75%	11/15/2005	2,030,000	2,002,060	1,312,841
MARTIN MARIETTA CORP.	7.00%	03/15/2011	24,380,000	12,476,210	11,458,599
MASCO CORP.	8.88%	06/01/2001	12,800,000	11,949,884	7,645,568
MATCO TOOLS CORP.	10.38%	04/01/1994	3,901,841	3,901,841	2,894,698
MAY DEPARTMENT STORES CO.	7.95%	07/15/2002	5,800,000	5,621,031	3,281,349
MAYER, OSCAR & CO.	11.63%	05/15/2010	6,175,000	4,900,909	4,683,799
MICHIGAN BELL TELEPHONE COMPANY	6.38%	02/01/2005	5,200,000	4,049,902	2,401,307
MICHIGAN BELL TELEPHONE COMPANY	7.75%	06/01/2011	7,950,000	7,149,891	4,288,150
MICHIGAN BELL TELEPHONE COMPANY	7.00%	11/01/2012	5,300,000	4,349,620	2,651,801
MICHIGAN CONSOLIDATED GAS COMPANY	8.13%	07/15/1998	1,250,000	1,157,906	667,912
MICHIGAN, WISCONSIN PIPELINE	9.63%	06/01/1994	500,000	398,228	350,569
MINNESOTA POWER & LIGHT	6.50%	01/01/1998	1,250,000	996,529	601,087
MINNESOTA POWER & LIGHT	8.70%	09/01/2006	2,000,000	1,630,656	1,152,279
MINNESOTA POWER & LIGHT	8.35%	09/01/2007	3,100,000	1,665,940	1,684,229
MISSISSIPPI POWER & LIGHT COMPANY	7.75%	02/01/2003	1,300,000	1,008,575	655,798
MISSISSIPPI POWER & LIGHT COMPANY	8.25%	09/01/2003	3,475,000	3,316,647	1,845,746
MISSISSIPPI POWER & LIGHT COMPANY	9.88%	05/01/2004	7,200,000	7,172,972	4,512,311
MISSOURI PACIFIC RAILROAD COMPANY E.T.C.	7.38%	03/15/1983	350,000	349,755	322,587
MISSOURI PACIFIC RAILROAD COMPANY E.T.C.	7.38%	03/15/1984	350,000	349,604	302,564
MISSOURI PACIFIC RAILROAD COMPANY E.T.C.	9.50%	10/01/1990	1,100,000	1,093,958	804,078
MISSOURI PACIFIC RAILROAD COMPANY E.T.C.	9.50%	10/01/1991	1,450,000	1,441,489	1,039,447
MISSOURI PACIFIC RAILROAD COMPANY E.T.C.	9.50%	10/01/1994	950,000	943,518	658,777
MONONGAHELA POWER COMPANY	10.38%	11/01/2004	1,800,000	1,771,148	1,153,961
MONONGAHELA POWER COMPANY	8.63%	12/01/2007	6,725,000	6,520,176	3,626,725
MONTANA DAKOTA UTILITIES COMPANY	10.75%	10/15/1999	4,431,000	4,431,000	3,130,900
MONTANA DAKOTA UTILITIES COMPANY	9.25%	09/15/2003	2,850,000	2,377,988	1,728,781
MOUNTAIN STATES TELEPHONE & TELEGRAPH	5.00%	04/01/2000	5,945,000	4,812,287	2,389,533
MOUNTAIN STATES TELEPHONE & TELEGRAPH	4.50%	06/01/2002	4,900,000	4,169,926	1,756,159

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
			\$ 11,250,000	\$10,670,486	\$ 6,047,549
MOUNTAIN STATES TELEPHONE & TELEGRAPH	7.75%	06/01/2013	1,875,000	1,875,000	1,360,668
MUSTANG FUEL CORPORATION	9.63%	07/31/1996	2,100,000	2,100,000	1,464,224
MUSTANG FUEL CORPORATION	10.38%	07/31/1995	3,550,000	2,930,792	1,871,311
NATIONAL FUEL GAS COMPANY	7.50%	05/15/1997	11,850,000	11,288,469	7,522,380
NATIONAL FUEL GAS COMPANY	9.88%	08/01/1999	16,650,000	9,668,566	7,307,185
NEW ENGLAND TELEPHONE & TELEGRAPH CO.	6.13%	10/01/2006	25,450,000	12,182,622	11,488,638
NEW ENGLAND TELEPHONE & TELEGRAPH CO.	6.38%	09/01/2008	2,400,000	1,841,798	1,357,295
NEW ENGLAND TELEPHONE & TELEGRAPH CO.	8.20%	06/01/2004	11,700,000	6,130,291	5,948,747
NEW ENGLAND TELEPHONE & TELEGRAPH CO.	7.38%	10/15/2007	3,000,000	2,531,748	2,376,809
NEW ENGLAND TELEPHONE & TELEGRAPH CO.	12.20%	05/15/2017	3,750,000	2,888,166	1,344,449
NEW JERSEY BELL TELEPHONE COMPANY	4.63%	06/01/2005	1,950,000	1,378,448	859,540
NEW YORK STATE ELECTRIC & GAS	6.25%	09/01/1997	2,613,000	2,408,710	1,168,977
NEW YORK STATE ELECTRIC & GAS	6.50%	09/01/1998	2,750,000	2,732,578	1,622,802
NEW YORK STATE ELECTRIC & GAS	9.38%	03/01/2005	5,500,000	5,455,636	2,993,209
NEW YORK STATE ELECTRIC & GAS	8.63%	11/01/2007	7,350,000	5,800,694	2,734,640
NEW YORK TELEPHONE COMPANY	4.63%	01/01/2002	3,575,000	2,287,187	1,292,541
NEW YORK TELEPHONE COMPANY	4.63%	01/01/2004	7,500,000	4,320,591	3,473,249
NIAGARA MOHAWK POWER CORP.	6.25%	08/01/1997	13,800,000	9,717,461	6,483,377
NIAGARA MOHAWK POWER CORP.	6.50%	08/01/1998	5,100,000	4,055,721	2,560,607
NIAGARA MOHAWK POWER CORP.	7.38%	02/01/2001	4,500,000	3,340,611	2,335,274
NIAGARA MOHAWK POWER CORP.	7.75%	08/01/2002	4,100,000	3,478,359	2,232,695
NIAGARA MOHAWK POWER CORP.	8.25%	12/01/2003	7,900,000	5,401,154	4,293,017
NIAGARA MOHAWK POWER CORP.	8.35%	08/01/2007	97,000	97,000	84,375
NIAGARA MOHAWK POWER CORP.	7.00%	01/01/1984	2,500,000	1,883,147	1,673,449
NORFOLK & WESTERN RAILWAY E.T.C.	9.75%	08/01/2000	7,290,000	4,979,588	3,313,523
NORTH AMERICAN PHILLIPS	6.00%	09/01/2001	6,005,000	4,579,730	2,094,844
NORTHWESTERN BELL TELEPHONE COMPANY	4.38%	03/01/2003	5,250,000	2,569,335	2,611,454
NORTHWESTERN BELL TELEPHONE COMPANY	7.00%	01/01/2009	2,750,000	1,792,632	1,021,845
NORTHWESTERN BELL TELEPHONE COMPANY	5.00%	02/01/2006	2,000,000	1,000,000	1,093,099
OHIO BELL TELEPHONE COMPANY	7.88%	10/01/2013	8,000,000	6,524,423	6,602,080
OHIO BELL TELEPHONE COMPANY	12.63%	02/01/2020	1,000,000	987,282	589,150
OHIO BELL TELEPHONE COMPANY	9.50%	05/15/2008	1,000,000	896,645	455,600
OHIO EDISON COMPANY	6.50%	08/01/1997	5,059,504	5,059,504	3,444,460
OHIO POWER COMPANY	9.15%	06/06/1995	2,750,000	1,583,186	1,446,912
OLEFINS PROPERTIES INC.	8.13%	05/15/2003	9,900,000	8,564,697	7,721,901
ORANGE & ROCKLAND UTILITIES	12.00%	05/01/2010	4,250,000	3,489,007	2,550,849
OWENS CORNING FIBERGLAS	8.50%	02/15/2000	6,500,000	5,769,971	3,330,274
P.P.G. INDUSTRIES	7.75%	12/01/2005	3,660,000	2,835,295	1,357,384
PACIFIC GAS & ELECTRIC COMPANY	4.50%	12/01/2000	2,845,000	2,182,879	1,006,902
PACIFIC NORTHWEST BELL TELEPHONE	4.50%	04/01/2003	3,600,000	3,345,888	1,720,763
PACIFIC NORTHWEST BELL TELEPHONE	6.75%	12/01/2007	950,000	791,600	477,118
PACIFIC NORTHWEST BELL TELEPHONE	7.75%	10/01/2002	750,000	350,807	319,574
PACIFIC POWER AND LIGHT COMPANY	6.00%	11/01/2002	3,150,000	2,418,841	1,159,861
PACIFIC TELEPHONE & TELEGRAPH COMPANY	4.63%	04/01/1999	4,250,000	3,419,933	1,529,447
PACIFIC TELEPHONE & TELEGRAPH COMPANY	4.63%	05/01/2000	14,000,000	7,213,454	5,884,619
PACIFIC TELEPHONE & TELEGRAPH COMPANY	6.00%	11/01/2002	30,010,000	15,981,885	13,427,674
PACIFIC TELEPHONE & TELEGRAPH COMPANY	6.50%	07/01/2003	1,000,000	661,064	583,370
PACIFIC TELEPHONE & TELEGRAPH COMPANY	8.65%	04/01/2005	9,500,000	5,495,915	4,990,824
PACIFIC TELEPHONE & TELEGRAPH COMPANY	7.80%	03/01/2007	16,825,000	9,230,256	8,274,535
PACIFIC TELEPHONE & TELEGRAPH COMPANY	7.25%	02/01/2008	6,200,000	3,384,448	3,165,843
PACIFIC TELEPHONE & TELEGRAPH COMPANY	7.63%	06/01/2009	2,000,000	1,630,393	1,255,839
PACIFIC TELEPHONE & TELEGRAPH COMPANY	9.50%	06/15/2011	7,000,000	4,967,936	4,108,719
PACIFIC TELEPHONE & TELEGRAPH COMPANY	8.88%	07/01/2015	1,450,000	1,256,266	802,748
PACIFIC TELEPHONE & TELEGRAPH COMPANY	8.38%	02/01/2017	4,000,000	3,271,704	2,376,719
PACIFIC TELEPHONE & TELEGRAPH COMPANY	9.00%	01/15/2018	6,000,000	5,000,680	3,797,159
PACIFIC TELEPHONE & TELEGRAPH COMPANY	9.63%	07/15/2018	10,000,000	10,000,000	7,572,000
PACIFIC TELEPHONE & TELEGRAPH COMPANY	11.75%	10/01/2005	8,000,000	7,799,479	5,039,519
PARKER - HANNIFIN CORP.	9.00%	06/15/1999	11,600,000	10,962,493	8,484,704
PENNEY, J.C. COMPANY	11.50%	06/15/2010			
PENNEY, J.C. COMPANY					

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
PENNEY, J.C. COMPANY	12.00%	07/15/2010	\$ 6,000,000	\$ 5,705,100	\$ 4,575,779
PENNSYLVANIA MART PROPERTIES	10.25%	04/01/2000	2,288,949	2,288,949	1,605,354
PENNSYLVANIA POWER & LIGHT COMPANY	6.75%	11/01/1997	7,100,000	6,224,573	3,528,841
PENNSYLVANIA POWER & LIGHT COMPANY	7.00%	01/01/1999	5,150,000	4,236,641	2,497,852
PENNSYLVANIA POWER & LIGHT COMPANY	8.13%	06/01/1999	3,900,000	3,665,960	2,125,694
PENNSYLVANIA POWER & LIGHT COMPANY	7.25%	02/01/2001	6,375,000	5,418,858	3,112,593
PENNSYLVANIA POWER & LIGHT COMPANY	7.63%	02/01/2002	3,125,000	2,709,636	1,573,906
PENNSYLVANIA POWER & LIGHT COMPANY	7.50%	01/01/2003	10,300,000	9,270,502	5,077,487
PENNSYLVANIA POWER & LIGHT COMPANY	9.75%	05/01/2005	20,065,000	19,047,499	12,684,290
PENNSYLVANIA POWER & LIGHT COMPANY	9.75%	11/01/2005	16,200,000	15,937,460	10,227,870
PENNSYLVANIA POWER & LIGHT COMPANY	8.25%	12/01/2006	9,350,000	8,068,311	4,950,824
PETROLEUM FACILITIES INC.	8.50%	12/01/2007	1,500,000	1,163,681	842,295
PETROLEUM FACILITIES INC.	4.70%	06/01/1989	130,000	120,387	83,050
PETROLEUM FACILITIES INC.	4.70%	12/01/1989	310,000	287,338	193,480
PHILADELPHIA ELECTRIC COMPANY	4.70%	06/01/1990	294,000	271,625	191,973
PHILADELPHIA ELECTRIC COMPANY	6.13%	10/01/1997	750,000	640,269	321,502
PHILADELPHIA ELECTRIC COMPANY	7.38%	12/15/2001	10,025,000	9,040,638	4,684,983
PHILADELPHIA ELECTRIC COMPANY	7.50%	06/15/1998	3,395,000	2,753,445	1,668,812
PHILADELPHIA ELECTRIC COMPANY	7.50%	01/15/1999	4,650,000	3,902,574	2,269,292
PHILADELPHIA ELECTRIC COMPANY	8.50%	01/15/2004	2,750,000	2,530,698	1,488,904
PHILADELPHIA ELECTRIC COMPANY	9.13%	03/01/2006	15,910,000	15,616,677	9,099,724
PHILADELPHIA ELECTRIC COMPANY	8.63%	03/15/2007	2,000,000	1,759,667	1,082,559
PHILADELPHIA ELECTRIC COMPANY	8.63%	07/15/2003	7,500,000	7,279,868	4,112,849
PHILLIPS PETROLEUM COMPANY	9.13%	03/15/2008	9,000,000	8,941,573	5,122,799
PIONEER-STANDARD ELECTRONICS, INC.	8.88%	11/15/2000	12,500,000	9,394,319	8,023,875
PITTSBURG & LAKE ERIE RAILROAD CO. E.T.C.	10.13%	10/01/1999	5,000,000	5,000,000	3,476,999
PLANTATION PIPELINE	6.25%	04/01/1983	92,000	91,781	83,664
POTOMAC EDISON	7.00%	02/01/1999	2,625,000	2,397,482	1,525,124
POTOMAC ELECTRIC POWER	8.63%	12/01/2007	500,000	496,204	270,329
POTOMAC ELECTRIC POWER	4.50%	05/15/1999	4,000,000	2,687,912	1,443,599
POTOMAC ELECTRIC POWER	5.13%	04/01/2001	2,250,000	2,058,351	853,830
POTOMAC ELECTRIC POWER	6.63%	02/15/2003	4,750,000	3,834,875	2,184,049
POTOMAC ELECTRIC POWER	7.75%	03/15/2004	4,150,000	3,785,293	2,136,046
PROCTER AND GAMBLE	4.38%	02/15/1998	1,000,000	1,008,956	364,669
PUBLIC SERVICE COMPANY OF COLORADO	8.25%	03/01/2005	10,750,000	6,781,387	6,479,777
PUBLIC SERVICE ELECTRIC AND GAS	7.25%	02/01/2001	1,500,000	741,315	746,835
PUBLIC SERVICE ELECTRIC AND GAS	6.25%	06/01/1997	6,300,000	4,932,117	3,085,172
PUBLIC SERVICE ELECTRIC AND GAS	7.00%	06/01/1998	3,000,000	1,614,780	1,517,219
PUBLIC SERVICE ELECTRIC AND GAS	7.63%	11/15/2001	3,225,000	1,802,420	1,687,868
PUBLIC SERVICE ELECTRIC AND GAS	7.50%	04/01/2002	3,000,000	1,609,870	1,547,849
PUBLIC SERVICE ELECTRIC AND GAS	8.75%	04/01/2006	1,500,000	949,398	894,345
PUBLIC SERVICE ELECTRIC AND GAS	8.45%	09/01/2006	4,250,000	3,320,555	2,381,359
PULLMAN LEASING CO.	8.13%	09/01/2007	4,000,000	3,670,760	2,152,319
PULTE ACCEPTANCE CORP.	12.25%	06/01/2000	4,600,000	4,600,000	3,708,703
PULTE ACCEPTANCE CORP.	13.75%	02/01/2009	20,102,395	20,102,395	16,894,052
PULTE ACCEPTANCE CORP.	14.50%	04/01/2009	25,190,327	25,190,327	22,293,439
PULTE ACCEPTANCE CORP.	14.85%	07/01/2009	25,160,387	25,160,387	22,805,374
PULTE ACCEPTANCE CORP.	14.85%	08/01/2009	20,101,196	20,101,196	18,219,724
PULTE ACCEPTANCE CORP.	14.50%	09/01/2009	20,192,904	20,192,904	17,870,720
RELIANCE ELECTRIC COMPANY	13.75%	03/01/2008	7,893,750	7,267,450	6,633,908
ROCHESTER GAS & ELECTRIC COMPANY	9.63%	12/15/1994	3,750,000	3,471,095	2,686,424
ROCHESTER GAS & ELECTRIC COMPANY	6.25%	09/15/1997	4,250,000	3,130,084	1,956,912
ROCHESTER GAS & ELECTRIC COMPANY	8.00%	08/15/1999	3,250,000	2,745,139	1,744,177
ROCHESTER GAS & ELECTRIC COMPANY	9.13%	09/01/2000	1,500,000	1,166,529	918,090
ROCHESTER TELEPHONE CORPORATION	8.38%	09/15/2007	5,100,000	4,991,894	2,733,599
ROCHESTER TELEPHONE CORPORATION	7.63%	03/01/2001	4,700,000	4,501,871	2,547,728
ROCKWELL INTERNATIONAL	9.50%	03/01/2005	3,000,000	2,463,695	1,925,579
ST. LOUIS SOUTHWESTERN RAILWAY	9.38%	07/15/1996	12,000,000	9,696,385	8,075,160
	9.75%	10/01/1990	1,800,000	1,800,000	1,415,339

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
SAN DIEGO GAS & ELECTRIC COMPANY	8.38%	01/15/2004	\$ 2,000,000	\$ 1,995,904	\$ 1,038,520
SANTA FE NATURAL RESOURCES	8.35%	06/01/2002	2,400,000	1,826,930	1,401,071
SEABOARD COAST LINE R.R.	9.25%	05/15/1983	596,000	596,256	556,914
SEABOARD COAST LINE R.R.	9.25%	05/15/1984	596,000	596,412	531,786
SEABOARD COAST LINE R.R.	9.25%	05/15/1985	331,000	331,309	282,793
SECOND SWANSEA PROPERTIES INC.	6.25%	02/01/1992	1,237,346	1,119,550	755,647
SHELL FUNDING CORPORATION	4.50%	06/01/1983	504,000	494,613	455,762
SOCIETY BANK	9.75%	10/01/1996	6,797,020	6,797,020	4,512,201
SOCIETY ACCEPTANCE CORP.	14.50%	03/01/1996	19,360,741	19,360,741	16,783,826
SOHIO/BP TRANS ALASKA PIPELINE CAPITAL	9.75%	12/01/1999	20,575,000	16,040,753	14,051,490
SOHIO/BP TRANS ALASKA PIPELINE CAPITAL	10.63%	01/01/1998	38,565,000	38,565,000	32,685,765
SOHIO/BP TRANS ALASKA PIPELINE CAPITAL	9.75%	01/01/1993	3,206,000	2,568,867	2,399,562
SOHIO PIPELINE	8.75%	05/01/2001	20,000,000	14,186,836	12,341,600
SOUTH CAROLINA ELECTRIC AND GAS	6.50%	09/01/1998	4,800,000	3,401,076	2,283,695
SOUTH CAROLINA ELECTRIC AND GAS	7.25%	01/01/2002	2,591,000	1,542,513	1,268,605
SOUTH CAROLINA ELECTRIC AND GAS	9.13%	02/01/2006	1,590,000	1,589,043	958,404
SOUTH CAROLINA ELECTRIC AND GAS	8.40%	12/01/2006	2,000,000	1,587,251	1,095,179
SOUTH CAROLINA ELECTRIC AND GAS	10.13%	04/01/2009	3,100,000	2,817,915	2,039,396
SOUTH CAROLINA ELECTRIC AND GAS	9.88%	06/01/2009	7,300,000	5,333,295	4,716,529
SOUTH CAROLINA ELECTRIC AND GAS	12.15%	06/01/2010	1,650,000	1,650,000	1,265,879
SOUTH CAROLINA ELECTRIC AND GAS	7.38%	11/01/2007	4,100,000	2,033,106	2,144,094
SOUTH CENTRAL BELL TELEPHONE COMPANY	7.38%	08/01/2012	6,700,000	3,369,470	3,460,616
SOUTH CENTRAL BELL TELEPHONE COMPANY	8.25%	03/01/2017	1,000,000	527,400	569,320
SOUTH CENTRAL BELL TELEPHONE COMPANY	8.25%	11/01/2015	11,000,000	6,143,233	6,269,449
SOUTH CENTRAL BELL TELEPHONE COMPANY	9.63%	03/01/2019	8,250,000	5,217,855	5,420,084
SOUTHERN BELL TELEPHONE & TELEGRAPH	4.38%	08/01/2003	3,650,000	2,022,610	1,265,527
SOUTHERN BELL TELEPHONE & TELEGRAPH	6.00%	10/01/2004	15,240,000	7,574,845	6,725,869
SOUTHERN BELL TELEPHONE & TELEGRAPH	7.38%	07/15/2010	5,500,000	2,855,650	2,857,304
SOUTHERN BELL TELEPHONE & TELEGRAPH	8.00%	02/15/2014	9,800,000	5,267,031	5,455,855
SOUTHERN BELL TELEPHONE & TELEGRAPH	8.25%	04/15/2016	10,500,000	6,184,716	6,019,859
SOUTHERN BELL TELEPHONE & TELEGRAPH	8.63%	09/01/2018	13,050,000	7,476,968	7,755,876
SOUTHERN BELL TELEPHONE & TELEGRAPH	10.90%	12/01/2019	17,500,000	13,632,859	12,848,150
SOUTHERN BELL TELEPHONE & TELEGRAPH	7.38%	07/01/2010	3,000,000	1,639,650	1,559,399
SOUTHERN BELL TELEPHONE & TELEGRAPH	7.38%	08/15/1997	9,100,000	7,074,464	4,812,170
SOUTHERN CALIFORNIA EDISON	12.75%	11/01/1999	2,560,000	2,372,564	2,042,598
SOUTHERN CALIFORNIA GAS COMPANY	6.00%	09/01/1996	1,600,000	1,284,460	771,312
SOUTHERN INDIANA GAS & ELECTRIC COMPANY	6.38%	08/01/1998	800,000	770,323	439,752
SOUTHERN INDIANA GAS & ELECTRIC COMPANY	8.35%	01/15/2007	8,200,000	6,515,841	2,860,733
SOUTHERN INDIANA GAS & ELECTRIC COMPANY	4.38%	12/01/2001	1,000,000	668,391	536,660
SOUTHERN NEW ENGLAND TELEPHONE COMPANY	7.75%	06/01/2004	5,850,000	4,448,757	3,750,376
SOUTHERN NEW ENGLAND TELEPHONE COMPANY	9.63%	12/01/2010	11,000,000	9,483,862	9,660,200
SOUTHERN NEW ENGLAND TELEPHONE COMPANY	14.13%	03/15/2020	5,200,000	5,200,000	3,631,679
SOUTHERN NEW ENGLAND TELEPHONE COMPANY	10.00%	09/01/1994	1,625,000	1,530,041	1,485,477
SOUTHERN PACIFIC TRANSPORTATION CO.	13.25%	04/15/1990	1,595,000	1,480,893	1,427,828
SOUTHERN RAILWAY E.T.C.	9.25%	08/01/1991	525,000	516,706	365,184
SOUTHERN RAILWAY E.T.C.	9.25%	08/01/1992	535,000	526,120	366,121
SOUTHERN RAILWAY E.T.C.	9.25%	08/01/1993	650,000	607,900	588,172
SOUTHERN RAILWAY E.T.C.	13.25%	04/15/1992	3,200,000	2,004,216	1,401,983
SOUTHERN RAILWAY E.T.C.	5.88%	06/01/2003	1,000,000	645,877	480,490
SOUTHWESTERN BELL TELEPHONE	6.75%	06/01/2008	6,105,000	4,052,241	2,949,386
SOUTHWESTERN BELL TELEPHONE	6.88%	02/01/2011	3,850,000	3,673,239	2,092,051
SOUTHWESTERN BELL TELEPHONE	7.75%	09/01/2009	3,650,000	3,028,943	1,886,173
SOUTHWESTERN BELL TELEPHONE	7.38%	05/01/2012	2,100,000	1,247,274	1,095,107
SOUTHWESTERN BELL TELEPHONE	7.50%	10/01/2001	4,250,000	4,254,610	2,536,824
SOUTHWESTERN BELL TELEPHONE	8.88%	02/01/2006	3,150,000	3,150,000	2,237,822
SOUTHWESTERN ELECTRIC POWER COMPANY	10.38%	11/01/1999	2,000,000	2,003,903	1,240,919
SOUTHWESTERN PUBLIC SERVICE	8.88%	06/01/2001	12,750,000	10,279,203	7,938,022
SQUARE D COMPANY	8.75%	07/01/2005			
STALEY, A.E., MFG. CO.					
STANDARD OIL CO. OF CALIFORNIA					

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
STANDARD OIL CO. OF INDIANA	7.88%	08/01/2007	\$ 11,000,000	\$ 6,920,588	\$ 6,269,559
STANDARD OIL CO. OF OHIO	8.38%	03/15/2007	20,915,000	17,546,005	12,083,641
STANLEY WORKS	9.25%	11/15/2000	3,500,000	3,279,218	2,230,969
STATEWIDE STATIONS INC.	4.63%	12/15/1996	2,470,000	2,141,010	1,591,791
STATEWIDE STATIONS INC.	5.38%	03/15/1996	847,000	730,592	510,334
STAUFFER CHEMICAL	8.85%	01/15/2001	16,700,000	13,325,002	10,393,746
STUDEBAKER-WORTHINGTON, INC.	9.35%	11/15/2003	11,400,000	11,218,201	6,760,656
SWIFT CREEK MINING & EQUIPMENT	10.50%	06/25/1996	2,828,912	2,828,912	2,002,983
TRW INC.	8.13%	01/15/2004	24,785,000	19,293,586	13,941,810
TRW INC.	9.88%	04/15/2000	11,000,000	8,826,533	7,508,490
TAMPA ELECTRIC COMPANY	7.25%	12/01/1998	1,800,000	1,521,215	936,882
TAMPA ELECTRIC COMPANY	7.25%	01/01/2001	8,050,000	7,373,671	4,097,127
TAMPA ELECTRIC COMPANY	7.38%	01/01/2002	8,900,000	7,895,372	4,559,736
TIME, INC.	9.38%	04/15/2009	7,500,000	5,206,860	4,839,749
TUCSON ELECTRIC POWER CO.	7.65%	05/01/2003	4,800,000	4,264,820	2,412,623
TUCSON ELECTRIC POWER CO.	8.50%	10/01/2009	2,425,000	2,333,471	1,344,565
UNION CARBIDE COMPANY	8.50%	01/15/2005	13,050,000	8,555,204	7,701,979
UNION CARBIDE COMPANY	7.50%	12/15/2006	30,000,000	18,476,004	15,677,100
UNION CARBIDE COMPANY	8.50%	08/15/1986	5,100,000	3,254,914	4,140,638
UNION CARBIDE COMPANY	9.35%	08/15/2009	7,500,000	5,185,217	4,711,049
UNION ELECTRIC OF MISSOURI	8.63%	01/15/1999	1,751,856	1,751,856	1,096,154
UNION ELECTRIC OF MISSOURI	7.00%	04/01/1998	4,190,000	2,693,179	1,980,277
UNION ELECTRIC OF MISSOURI	7.63%	04/01/2001	3,200,000	2,975,765	1,570,175
UNION ELECTRIC OF MISSOURI	8.38%	02/01/2004	1,575,000	1,198,868	815,125
UNION ELECTRIC OF MISSOURI	8.88%	09/01/2006	500,000	378,088	276,489
UNION ELECTRIC OF MISSOURI	8.63%	12/01/2007	1,250,000	968,103	670,300
UNION OIL COMPANY OF CALIFORNIA	6.63%	06/01/1998	2,000,000	1,072,706	1,056,819
UNION OIL COMPANY OF CALIFORNIA	8.63%	03/01/2006	11,000,000	9,360,641	6,624,530
UNION PACIFIC RR E.T.C.	8.63%	08/01/1990	640,000	608,507	580,742
UNION PACIFIC RR E.T.C.	13.00%	08/01/1992	600,000	567,474	538,758
UNION PACIFIC RR E.T.C.	9.80%	06/01/1995	2,250,000	2,223,122	1,562,624
UNION PACIFIC RR E.T.C.	8.30%	12/01/1996	1,200,000	1,186,348	725,964
UNION PACIFIC RR E.T.C.	9.80%	06/01/1999	7,000,000	6,589,431	4,707,009
UNION PACIFIC RR E.T.C.	14.00%	01/15/2001	15,000,000	14,612,500	13,819,650
UNION PACIFIC RR E.T.C.	15.38%	07/15/2001	9,400,000	9,306,000	9,443,521
UNION PACIFIC RR E.T.C.	15.88%	12/15/1986	8,000,000	8,000,000	8,128,479
UNION PACIFIC RR E.T.C.	10.00%	11/15/2004	1,000,000	725,711	655,980
UNION PACIFIC RR E.T.C.	9.00%	09/15/2008	3,500,000	3,423,349	2,088,309
UNION PACIFIC RR E.T.C.	8.50%	03/01/2007	2,000,000	1,994,672	1,126,819
UNION PACIFIC RR E.T.C.	6.88%	12/01/1997	2,753,000	2,463,360	1,363,423
UNION PACIFIC RR E.T.C.	7.13%	01/01/1999	4,300,000	3,874,085	2,138,475
UNION PACIFIC RR E.T.C.	9.25%	03/01/2006	4,225,000	4,193,205	2,522,789
UNION PACIFIC RR E.T.C.	8.63%	03/01/2007	1,000,000	640,384	564,570
UNION PACIFIC RR E.T.C.	10.25%	04/01/2009	9,000,000	8,933,490	5,922,809
UNION PACIFIC RR E.T.C.	5.50%	06/15/1997	14,840,000	11,596,603	6,787,816
UNION PACIFIC RR E.T.C.	9.75%	04/01/2000	8,250,000	6,564,330	5,532,119
UNION PACIFIC RR E.T.C.	8.13%	08/15/2007	10,375,000	7,197,508	5,776,281
UNION PACIFIC RR E.T.C.	7.95%	08/15/2006	21,500,000	12,385,132	12,012,049
UNION PACIFIC RR E.T.C.	11.75%	07/15/2005	4,000,000	3,572,103	3,051,279
UNION PACIFIC RR E.T.C.	6.88%	05/15/1998	5,220,000	5,207,127	2,713,773
UNION PACIFIC RR E.T.C.	9.50%	08/15/2009	11,750,000	10,671,261	7,420,830
UNION PACIFIC RR E.T.C.	12.00%	07/01/1995	8,000,000	8,000,000	6,341,599
UNION PACIFIC RR E.T.C.	9.00%	06/01/1999	11,300,000	8,488,721	6,780,791
UNION PACIFIC RR E.T.C.	9.25%	12/01/1998	15,000,000	15,000,000	9,715,800
UNION PACIFIC RR E.T.C.	8.63%	11/01/1999	5,000,000	3,258,572	3,141,049
TOTAL CORPORATE			\$3,443,408,239	\$2,812,627,055	\$2,105,156,650

NOTE: Cents omitted — columns will not add.

Detailed Listing of Bond Portfolio (Continued)

Bond Name	Coupon	Maturity	Par Value	Book Value	Market Value
CAPEHART MORTGAGES					
FORT BRAGG	4.00%	04/01/1983	\$ 324,159	\$ 310,788	\$ 252,844
FORT BRAGG	4.00%	07/01/1983	317,394	304,302	247,568
FORT BRAGG	4.00%	10/01/1983	289,122	277,196	225,515
FORT HUACHUCA	4.00%	10/01/1983	717,297	697,572	559,492
FORT LEWIS	4.25%	08/01/1985	365,699	365,699	285,245
FORT LEWIS	4.50%	06/01/1988	690,316	690,316	538,446
FORT LEWIS	4.50%	09/01/1988	532,603	532,603	415,430
FORT LEWIS	4.50%	12/01/1988	493,406	472,436	384,857
FORT ORD	4.00%	08/01/1984	407,749	395,517	318,044
FORT RILEY	4.50%	01/01/1988	859,867	834,071	670,696
FORT RILEY	4.50%	03/01/1988	752,037	729,476	586,589
FORT RILEY	4.50%	05/01/1988	776,033	752,752	605,306
FORT RILEY	4.50%	06/01/1988	771,241	748,104	601,568
FORT RILEY	4.50%	07/01/1988	915,905	888,428	714,406
FORT RILEY	4.50%	09/01/1988	897,226	870,309	699,836
FORT RILEY	4.50%	10/01/1988	340,065	337,089	265,250
FORT RILEY	4.50%	09/01/1985	367,549	364,333	286,688
FORT SILL	4.50%	10/01/1985	677,916	655,036	528,774
FORT SILL	4.00%	09/01/1984	623,878	597,363	486,625
RUSSWOOD	4.00%	01/01/1985	474,243	436,897	369,910
YUMA HOUSING	4.50%	11/01/1986	736,388	678,397	574,382
2ND CUMBERLAND HOUSING	4.50%	01/01/1987	518,158	477,353	404,163
3RD CUMBERLAND HOUSING	4.50%	08/01/1986	159,896	161,095	124,719
4TH CUMBERLAND HOUSING	4.50%	11/01/1986	1,019,205	1,038,316	794,980
CUTLER NRS	4.50%	01/01/1988	1,046,693	1,072,861	816,421
MAYPORT QUARTERS	4.50%	03/01/1988	817,580	838,019	637,712
MAYPORT QUARTERS	4.50%	04/01/1988	470,366	470,366	366,885
MAYPORT QUARTERS	4.50%	08/01/1987	457,975	457,975	357,221
5TH NEWPORT	4.50%	06/01/1987	1,716,774	1,643,811	1,339,084
6TH NEWPORT	4.00%	08/01/1984	711,527	712,417	554,991
ALTUS AFB	4.25%	01/01/1987	637,838	639,432	497,513
BEALE AFB	4.25%	02/01/1987	644,315	645,925	502,565
BEALE AFB	4.25%	04/01/1987	463,903	444,187	361,844
BEALE AFB	4.00%	06/01/1983	422,589	404,629	329,620
BLYTHEVILLE AFB	4.00%	10/01/1984	45,843	43,896	35,757
CHARLESTON AFB	4.00%	02/01/1982	462,539	462,539	360,780
CLINTON-SHERMAN AFB	4.50%	11/01/1986	555,958	551,093	433,647
KINCHELOE AFB	4.50%	01/01/1987	879,758	850,064	686,211
KINCHELOE AFB	4.00%	10/01/1984	487,422	466,706	380,189
LAUGHLIN AFB	4.00%	12/01/1984	1,356,583	1,298,928	1,058,134
LAUGHLIN AFB	4.00%	03/01/1985	879,608	842,225	686,094
LUKE AFB	4.00%	08/01/1985	797,706	797,706	622,211
LUKE AFB	4.50%	05/01/1988	537,476	537,476	419,231
LUKE AFB	4.50%	02/01/1987	537,226	537,226	419,036
MALMSTROM AFB	4.50%	05/01/1987	689,287	697,903	537,644
MINOT AFB	4.50%	06/01/1987	374,117	364,764	291,811
MINOT AFB	4.25%	11/01/1984			
TURNER AFB			\$29,020,458	\$28,395,619	\$22,635,958
VANCE AFB					
TOTAL CAPEHART MORTGAGES					

DETAILED LISTING OF STOCK PORTFOLIO

DECEMBER 31, 1981

COMMON

Name	Shares	Cost	Market Value
ABBOTT LABS	800,000	\$ 14,196,313	\$ 21,600,000
AIR PRODUCTS & CHEMICALS INC.	453,901	14,393,914	17,078,025
ALUMINUM CO. OF AMERICA	516,200	12,253,393	13,227,625
AMERICAN BRANDS	243,574	7,620,042	8,951,344
AMERICAN CYANAMID CO.	230,100	7,460,916	6,672,900
AMERICAN HOME PRODUCTS CORP.	412,300	12,083,199	15,048,950
AMERICAN HOSPITAL SUPPLIES	409,200	16,256,708	15,703,050
AMERICAN MEDICAL INTERNATIONAL	200,000	5,551,194	5,200,000
AMERICAN STERILIZER	305,000	3,560,601	3,469,375
AMP, INC.	437,500	12,077,568	22,257,812
ANGELICA CORP.	100,000	2,162,186	2,250,000
ANHEUSER BUSCH CO.	350,000	12,305,249	14,393,750
ARMCO INC.	632,509	14,475,398	17,710,252
ATLANTIC RICHFIELD CO.	664,200	15,852,342	31,134,375
AUTOMATIC DATA PROCESSING	600,000	17,038,180	15,075,000
BALLY MANUFACTURING	400,000	11,673,061	11,650,000
BANDAG, INC.	130,000	3,522,145	3,266,250
BARD, C. R. INC.	450,000	13,130,696	13,612,500
BAXTER LABORATORIES	692,000	14,349,403	23,182,000
BORG WARNER	7,500	191,584	198,750
BRISTOL-MYERS CO.	318,200	9,962,429	16,904,375
BROWNING-FERRIS INDUSTRIES	400,000	8,839,665	12,850,000
BURLINGTON NORTHERN	290,000	10,357,636	15,551,250
CPC INTERNATIONAL INC.	312,000	10,025,337	11,076,000
CAPITAL CITIES COMMUNICATIONS	50,000	3,963,000	3,687,500
CENTRAL & SOUTHWEST CORP.	400,000	6,159,505	5,550,000
CESSNA AIRCRAFT	400,000	13,338,931	8,700,000
CHASE MANHATTAN CORP.	329,700	13,740,961	17,762,587
CHEMICAL NEW YORK	200,000	11,426,658	10,900,000
CHESEBROUGH-PONDS, INC.	460,000	13,215,819	15,525,000
CONSOLIDATED FOODS	160,500	5,376,255	5,055,750
COOPER INDUSTRIES	222,000	11,973,589	11,433,000
DELTA AIRLINES	534,300	13,628,361	13,090,350
DENNY'S INC.	250,000	7,432,925	7,312,500
DISNEY, WALT PRODUCTIONS	220,000	11,152,105	11,495,000
DONNELLEY, R. R. & SONS	100,000	3,959,860	3,775,000
DRESSER INDUSTRIES	454,000	8,376,531	15,095,500
DUN & BRADSTREET COS.	322,800	11,827,372	20,336,400
EASTMAN KODAK CO.	192,500	22,037,914	13,691,562
ECKERD, JACK CORP.	632,400	8,384,257	15,414,750
EMERSON ELECTRIC	268,400	9,659,234	12,178,650
EXXON CORPORATION	1,287,520	28,439,479	40,235,000
FAIRCHILD INDUSTRIES INC.	247,900	5,347,220	3,005,787
FIRST INTERNATIONAL BANCSHARES	421,100	12,451,453	11,317,062
FLORIDA POWER AND LIGHT CO.	138,400	4,491,368	4,065,500
FLUOR CORP.	342,300	9,918,269	10,269,000
FOREMOST McKESSON	180,000	6,390,538	6,615,000
FORT HOWARD PAPER	17,200	678,235	696,600
GANNETT CO.	250,000	9,578,459	9,031,250
GENERAL CINEMA	150,000	5,852,574	5,475,000
GENERAL ELECTRIC CO.	240,000	12,029,676	13,770,000
GENERAL RE CORP.	240,000	11,028,125	19,380,000
GENERAL SIGNAL CORP.	175,000	6,391,171	6,759,375
GENERAL TELEPHONE & ELECTRONICS	350,000	11,460,024	11,200,000
GENUINE PARTS	200,000	6,314,161	6,250,000
GETTY OIL	380,300	17,005,271	24,576,887
GRACE, W. R.	440,000	17,546,597	20,130,000
GREAT NORTHERN NEKOOSA	207,500	7,359,853	7,625,625
HALLIBURTON CO.	402,000	9,778,601	20,954,250
HART, SCHAFFNER & MARX	175,000	4,046,027	4,025,000
HEWLETT PACKARD	594,400	14,659,043	23,553,100
HOLIDAY INNS, INC.	307,800	15,340,366	8,618,400
HOSPITAL CORP OF AMERICA	216,450	7,799,587	7,413,412
HUGHES TOOL	600,000	8,832,099	24,075,000
INTERNATIONAL MINERALS & CHEMICALS	375,000	13,755,794	12,140,625
IRVING BANK CORP.	60,000	3,135,979	3,067,500
JOHNSON & JOHNSON	605,100	14,465,243	22,464,337
JOY MANUFACTURING	134,350	4,803,696	4,702,250
LEASEWAY TRANSPORTATION CORP.	263,217	5,074,809	6,942,348

NOTE: Cents omitted — columns will not add.

INVESTMENTS

COMMON

Name	Shares	Cost	Market Value
LUBRIZOL CORP.	390,000	\$ 13,404,489	\$ 9,262,500
MACY (R.H.) & CO.	150,000	6,889,138	7,950,000
MASCO CORP.	400,000	8,609,387	14,800,000
McDERMOTT, J. RAY	72,200	1,760,572	2,743,600
McDONALDS CORP.	170,000	8,342,950	11,113,750
McGRAW EDISON	250,000	10,525,994	9,000,000
McGRAW HILL, INC.	430,000	9,849,222	22,252,500
MELVILLE CORP.	230,700	9,105,967	8,708,925
MERCANTILE TEXAS CORP.	90,000	3,011,294	2,711,250
MINNESOTA MINING & MFG.	347,400	20,631,735	18,933,300
MORGAN, J.P. & CO.	179,900	9,379,685	9,669,625
MOTOROLA INC.	405,100	18,921,281	23,394,525
NALCO CHEMICAL	250,000	10,027,659	12,562,500
NATIONAL CITY BANCORPORATION	26,250	185,998	311,718
NEILSEN, A.C.	5,000	219,375	240,625
NORFOLK & WESTERN	225,000	12,047,788	11,671,875
OVERNIGHT TRANSPORTATION	75,000	2,036,861	2,062,500
OWENS-ILLINOIS, INC.	400,000	9,704,475	11,850,000
PERKIN-ELMER	1,168,400	11,210,413	31,546,800
PFIZER, INC.	418,600	13,937,654	22,290,450
PHELPS DODGE	300,000	9,247,322	10,087,500
PHILIP MORRIS	330,000	12,876,190	16,087,500
PHILLIPS PETROLEUM	350,000	10,684,792	14,175,000
QUAKER OATS CO.	300,000	9,661,925	10,725,000
QUANEX CORP.	177,250	4,381,053	3,633,625
RAYTHEON CO.	342,800	12,096,687	12,812,150
REVCO D.S., INC.	450,000	7,889,183	10,856,250
RITZY'S, G.D. INC.	80,000	2,000,000	2,000,000
ROLLINS, INC.	110,000	1,991,431	1,925,000
RUBBERMAID INC.	75,000	2,897,600	2,765,625
RYDER SYSTEM, INC.	231,854	6,535,197	6,810,711
SEARLE, G.D. & CO.	700,000	14,925,886	21,962,500
SOUTHLAND CORP.	350,000	11,174,989	11,112,500
STANDARD OIL OF CALIFORNIA	587,400	9,736,178	25,184,775
STANDARD OIL OF INDIANA	400,000	8,933,107	20,800,000
SYSCO, INC.	150,000	5,956,209	5,925,000
TEXACO, INC.	300,000	10,421,708	9,900,000
TRAVELERS CORP.	177,000	6,839,239	7,765,875
TRINITY INDUSTRIES	383,400	7,678,670	6,230,250
U.S. SHOE	222,000	5,270,465	5,006,250
UNION CARBIDE CORP.	244,000	11,605,502	12,535,500
UNION PACIFIC CORP.	286,000	5,222,587	14,872,000
UPJOHN CO.	255,100	11,898,345	13,711,625
VF CORP.	96,700	4,025,183	3,940,525
VALLEY NATIONAL CORP.	222,000	5,133,375	5,050,500
WARNER COMMUNICATIONS	298,666	6,093,839	16,389,296
WENDY'S INTERNATIONAL	450,000	7,401,719	6,356,250
WOOLWORTH, F.W.	500,000	14,818,275	9,000,000
TOTAL COMMON	37,532,041	\$1,106,164,786	\$1,368,123,097

CONVERTIBLE PREFERRED

ARMCO, INC.	4,400	\$ 143,316	\$ 147,400
McDERMOTT, J. RAY	17,700	786,640	674,812
TIME, INC.	182,700	10,385,621	11,601,450
WEYERHAEUSER COMPANY	188,800	8,525,464	7,127,200
TOTAL CONVERTIBLE PREFERRED	393,600	\$ 19,841,043	\$ 19,550,862
TOTAL STOCK PORTFOLIO	37,925,641	\$1,126,005,829	\$1,387,673,959

PLAN STATEMENT for the PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO

Purpose

The Public Employees Retirement System of Ohio (PERS) was created by the Ohio General Assembly. Its purpose is to provide a retirement, disability retirement and survivor benefit program for its members, the public employees of Ohio.

Administration

The general administration and management of PERS are vested in the nine member Public Employees Retirement Board. Six members are elected by the groups they represent, namely, state employees, county employees, municipal employees, state college and university non-teaching employees, retirants, and miscellaneous employees, including townships and public libraries. Three are statutory members, namely, the State Auditor, the Attorney General and the Director of the Department of Administrative Services. Members of the Board receive no compensation but are reimbursed for expenses.

The Board appoints the executive director, an actuary and other employees as necessary for the transaction of business. The State Treasurer is, by law, the custodian of the funds of the System.

All public employees in Ohio are required to become contributing members of PERS upon beginning public employment except those covered by one of the other state or local retirement systems in Ohio. Excluded from membership are new employees retired from another state or municipal system in Ohio, active contributors to the State Police and Fire Pension Fund or State Highway Patrol Pension Fund, or Law Enforcement Officers who have earnings other than their compensation as a Law Enforcement Officer.

The law provides for optional membership as follows:

- Elected Public officials;
- Temporary or emergency employees whose employment will not exceed three calendar months;
- Students whose employment will not exceed 1,500 hours in any calendar year;
- Any new employee, not a member at the time of his employment, whose employment will not exceed 20 hours per week.

Employer Contributions

Employer units contribute to PERS at rates set by the Retirement Board upon recommendation by the Actuary. Currently, the employer rates are:

- State employer units — 13.71% of gross payrolls
- City, County and miscellaneous employer units — 13.95% of gross payrolls
- Law Enforcement employer units — 18.10% of gross payrolls

Member Contributions

All contributing members of PERS pay, through payroll deductions, a percentage of their gross salaries set by the Retirement Board upon recommendation by the Actuary. The current rate is 8.5%.

Individual accounts for each member of the Retirement System are maintained by PERS and funds contributed are fully refundable at service termination or death. Each year PERS mails to members a statement of the balance in their individual accounts and a report setting forth the financial status of PERS and major developments of the year.

Regular Retirement

Members are eligible to retire at age 60 or thereafter if they have at least five years or 60 contributing months of membership in PERS. They also may retire at age 55 if they have 25 years of service credit, or at any age with 30 or more years of service credit.

Service credit allowed under Chapter 145. of the Revised Code includes:

1. Service rendered to the State or a political subdivision on which contributions have been paid,
2. Certain military service which interrupted contributing public service,
3. Prior service before 1935,
4. Any out-of-service period of three years or less during which the member was receiving an award from Worker's Compensation.
5. Previously unreported service in Ohio,

6. Service purchased by the member for:
 - a. Military service that is not being used for other retirement programs, except Social Security,
 - b. An authorized leave of absence not to exceed one year,
 - c. Comparable public service outside of Ohio or with the federal government that is not being used for other retirement programs, except Social Security,
 - d. Service restored by redeposit which had been cancelled by an earlier refund,
 - e. Service in an Ohio police or fire department or the State Highway Patrol that is not being used for other retirement purposes,
 - f. Up to 30% additional credit on completed terms of full-time contributing elective service.

Benefit Calculations

Benefits are figured on the basis of age, final average salary and service credit. Final average salary is the average of the three highest years of earnings.

A full benefit at age 65 or with 30 or more years of service credit is based on 2% of final average salary multiplied by years of service. If the final average salary is \$4,300 or less, a minimum formula of \$86 times number of years of service is used. The maximum annual benefit cannot exceed 90% of final average salary.

Persons with less than 30 years of service credit who retire before age 65 receive a percentage reduction in the benefit amount as specified in the law. Benefits are paid monthly.

Optional Payment Plans

Members have the option of taking their monthly pensions on a straight life plan of payment, which pays the highest amount, or they may take any one of several optional payment plans at reduced amounts that assure monthly benefits to a designated beneficiary if the member predeceases the designated beneficiary.

Law Enforcement Officers' Benefits

A special retirement option is provided for full-time sheriffs and deputy sheriffs, and for full-time township constables or police officers. The option, which is available at age 52 or later, requires certification of satisfactory completion of the Peace Officers Training School and 25 years or more of total service credit (including military service) as a law enforcement officer.

The annual benefit is calculated by multiplying the first 20 years of service credit by 2½% of final average salary plus service credit in excess of 20 years multiplied by 1½% of final average salary. The total benefit amount cannot exceed 66% of final average salary.

A member with at least 15 years of total service as a law enforcement officer who is discharged for a reason other than retirement, death, dishonesty, cowardice, intemperate habits, or conviction of a felony, may apply for retirement benefits, calculated on the total years of service credit multiplied by 1½% of the final average salary. The benefit shall start on or after the attainment of age 55 by the applicant.

Law enforcement officers may elect at time of retirement to take benefits under the regular provisions of the law in lieu of those special benefits provided for them.

Disability Retirement

Before reaching age 60, a member who becomes permanently disabled for the performance of duty, may apply for and receive monthly disability benefits if he or she has completed at least five years or 60 contributing months of service credit.

Two percent of final average salary multiplied by the length of public service plus additional service equal to the difference between the applicant's age and age 60 determines the annual benefit. The benefit amount cannot exceed 75% nor be less than 30% of final average salary.

Survivor Benefits

Certain dependents may qualify for monthly survivor benefits if the deceased member had at least 18 months of Ohio

service credit with three months of it within the two and one-half years immediately before death, or was receiving a disability benefit at the time of death, as follows:

1. A surviving spouse age 62 or older (age 50 if the deceased member had 10 or more years of service credit).
2. A spouse with dependent child(ren) under age 18 (or 22 if students).
3. Dependent parent(s) age 65 or over.
4. An incompetent spouse or incompetent child(ren), orphan(s) or dependent parent(s) at any age.
5. If a surviving spouse remarries before reaching age 62, rights to benefits cease, except that the benefit will be resumed if the remarriage ends in divorce, annulment, dissolution or death within two years after the survivor benefit ceased.

If the member dies after reaching retirement age but before applying for benefits, the surviving spouse or other sole dependent beneficiary at any age, may elect to take a monthly joint survivorship annuity for life, known as Option 1.

Refunds

Upon termination of employment and application, a member may withdraw contributions made to the Retirement System. The law requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund cancels the individual's rights and benefits in PERS.

If a refund is taken and the individual later returns to covered public employment, the amount refunded can be re-deposited, plus interest, after a period of 18 months. Money contributed to PERS by employer units is not refundable.

Beneficiaries

The beneficiary of a member of PERS is determined in one of two different ways:

- 1) By automatic succession as determined by law. The order of automatic succession is:
 - a. Spouse
 - b. If no spouse, the youngest dependent child under age 18 (or, if student, under 22). If monthly benefits are

taken, payments will be determined on the basis of all minor children. Incompetent dependent children are included, regardless of age.

- c. If no minor child(ren), then all living children will share equally in a refund of the account.
 - d. If none of the foregoing, the older parent qualifies for a refund. If the parent(s) are dependent, 65 or older, or incompetent, monthly benefits will be paid if they so elect.
 - e. If none of the foregoing, a refund is made to the estate of the deceased.
- 2) By specific designation in writing by the member on a form provided by PERS. At time of retirement, the member must designate a beneficiary on the retirement application.

Additional Benefits After Retirement

- a. Health Care Coverage — All persons receiving monthly benefits from PERS are covered by hospital and medical insurance at no cost to the individual. After July 1, 1986, a new benefit recipient must have 10 years of Ohio service in order to qualify for the free health care benefit. Spouses and dependent children may be covered if the benefit recipient authorizes the appropriate premium deduction.
- b. Cost-of-living Adjustments — Once a member has received benefits for 12 months, a 3% cost-of-living adjustment is added to each monthly benefit amount in each year that the Consumer Price Index shows an increase of 3% or more.
- c. Medicare Part B Premium Reimbursement — Recipients who submit proof of coverage for Medicare Part B are reimbursed by PERS for their basic Medicare Part B premiums. This amount is added to their monthly benefits.
- d. Death Benefits — At the death of a person receiving regular retirement benefits or disability benefits, a lump sum payment of \$500 is made to the beneficiary, or if none, to the person responsible for burial expenses or to the decedent's estate.

