

THE COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT

FEB 21 1987

of the  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
OF OHIO

for the  
Year Ended December 31, 1986



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**THE COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT**

**for the  
Year Ended December 31, 1986**

**Issued by:  
William S. McLaughlin, Executive Director  
Richard E. Schumacher, Assistant Director, Comptroller**



**PERS**

**PUBLIC EMPLOYEES RETIREMENT SYSTEM  
OF OHIO**

**277 East Town Street, Columbus, Ohio 43215**

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SERIALS ACQUISITION

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
**Public Employees  
Retirement System of Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 1985

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to governmental units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) are judged to substantially conform to program standards.



*Betty J. Harker*  
President

*Jeffrey L. Esler*  
Executive Director

# THE RETIREMENT BOARD

## Elected Members



**JOHN M. HURLEY**

Representing  
Municipal  
Employees

**DUSTY RHODES**

Representing  
Miscellaneous  
Employees



**WALTER H. KYLE**

Representing  
State  
Employees

**WILLIAM G. WILCOX**

Representing  
Retirants



**RICHARD J. REHMER**

Representing  
College - University  
Employees

**WAYNE F. WILKE**

Representing  
County  
Employees



## Statutory Members



**ANTHONY J. CELEBREZZE, JR.**  
Attorney General



**THOMAS E. FERGUSON**  
State Auditor



**WILLIAM G. SYKES**  
Director, Administrative Services

## Executive Director



**WILLIAM S. MCLAUGHLIN**

## Assistant Directors

**RICHARD D. MYERS**  
Benefits

**ROBERT A. MCLAUGHLIN**  
Investments

**RICHARD E. SCHUMACHER**  
Comptroller

# ORGANIZATIONAL STRUCTURE

## ADVISERS:

### Actuary—

Gabriel, Roeder, Smith & Company  
Detroit, Michigan

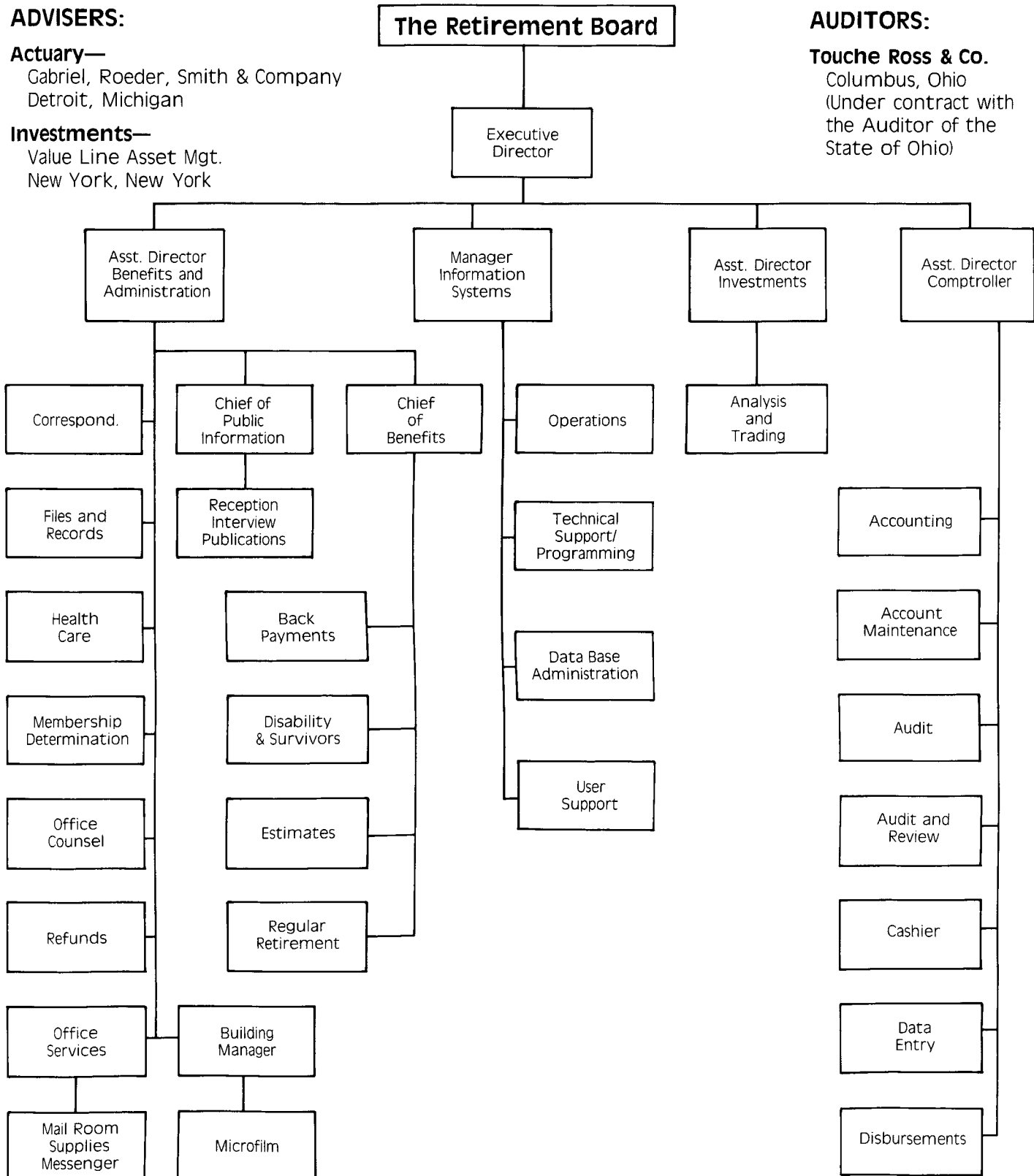
### Investments—

Value Line Asset Mgt.  
New York, New York

## AUDITORS:

### Touche Ross & Co.

Columbus, Ohio  
(Under contract with  
the Auditor of the  
State of Ohio)



# LETTER OF TRANSMITTAL

## PUBLIC EMPLOYEES RETIREMENT SYSTEM OF OHIO

277 EAST TOWN STREET

COLUMBUS, OHIO 43215

TELEPHONE (614) 466-2085

Chairman and Members of The Retirement Board  
Public Employees Retirement System  
Columbus, Ohio

June 1, 1987

Dear Chairman and Members of the Board:

It is a privilege to submit to you the Annual Financial Report for the Public Employees Retirement System of Ohio for the fiscal year ended December 31, 1986. We believe this report reflects a careful stewardship of assets and dedicated service to members and retirants.

The financial report consists of six sections: an Introductory Section which contains a Letter of Transmittal, along with the identification of the administrative organization and consulting services utilized by the System; a Financial Section which contains a letter expressing the opinion of the independent certified public accountants and the financial statements of the System; an Actuarial Section which contains a letter stating the independent actuary's opinion and results of their annual actuarial valuation; a Statistical Section which includes significant data pertaining to the Retirement System; an Investments Section which contains the investment report, portfolio summary, and the portfolio listings; the last section is a summary of the System's plan statement.

### CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Employees Retirement System of Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 1985. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

### ACCOUNTING SYSTEM

The accrual basis of accounting is used in recording financial transactions. Expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Interest earned is accrued on a monthly basis. Entries for amortization of premium, accumulation of discount, and write-off of deferred losses also are accrued monthly. Losses on bond exchanges are accounted for under the deferral and amortization method. Accounts receivable at year end, in addition to accrued interest receivable, reflect accrued employer charges and investment proceeds due on sales that have not yet settled. Investments are recorded at cost; thus, on the balance sheet, bonds and mortgages are carried at amortized book value while stocks are carried at cost. Fixed assets are listed at cost less accumulated depreciation. Through our cash management program, receipts are deposited as received and are recorded as undistributed deposits until such time as they are allocated to member contributions, employer receivables, employer contributions, and investment income.

Management is responsible for maintaining systems of internal accounting controls which are designed to provide responsible assurances for the safeguarding of assets and the reliability of financial records.

### REVENUES

The 1986 revenue from employee and employer contributions totaled \$1,018.7 million. Net investment income for the period was \$1,830.7 million. As a comparison, the same figures for 1985 were \$967.1 million and \$1,601.9 million, respectively. Contribution rates for both employees and employers remain unchanged from the prior year.



#### EXPENSES

Benefit payments are the primary disbursement of a Retirement System. Recurring benefit payments prescribed by the plan, refunds of contributions to terminated employees, and the cost of administering the System comprise the total expense.

Benefit disbursements for 1986 totaled \$734.0 million. Of this amount \$653.4 million was paid to fulfill the System's obligations to its retirants. Refunds to members or beneficiaries for reasons of separation from service or death totaled \$80.6 million. Health care costs in 1986 amounted to \$143.1 million. These costs are paid by the Public Employees Retirement System on a split-funding program initiated in January 1981. The Aetna Life Insurance Company administers the claims processing under this agreement.

#### FUNDING AND RESERVES

Funds, derived from the excess of revenues over expenses, are accumulated by the Retirement System in order to meet current and future benefit obligations to retirants and beneficiaries. The higher the level of funding, the larger the accumulation of assets and the greater the investment income potential. Continuous improvement in the funding of the System is sought through suitable reserves, higher investment earnings, and effective cost containment programs. As of December 31, 1986, funds established by the System totaled \$13,163.2 million. The actuarial valuation dated December 31, 1985 reflects an unfunded accrued liability of \$6,088.6 million. This is the difference between the employer accumulation fund balance and the actuarially calculated liability for the fund. This "unfunded accrued liability" is being amortized in an orderly fashion over future years. The state government and the local government liabilities are being funded over 37 years, and the law enforcement portion over 15 years.

#### INVESTMENTS

The investment portfolio provided net revenues of \$1,830.7 million to the System in 1986. Net revenues are comprised of bond interest, accumulation of discount, a mortization of premium, dividend income, recognized gains and losses on the sale of securities, and amortization of deferred losses on bonds sold. Investment authority is provided under Section 145.11, Ohio Revised Code. A detailed listing of the portfolio is presented on pages 37 to 53.

#### PROFESSIONAL SERVICES

Professional services are provided to the Public Employees Retirement System by consultants appointed by the Board to aid in efficient and effective management of the System. Actuarial services are provided by Gabriel, Roeder, Smith & Company, Detroit, Michigan. The investment adviser is Value Line Asset Management, New York, New York. The financial statements of the System were audited by Touche Ross & Co., Certified Public Accountants, Columbus, Ohio, under contract with the Auditor of the State of Ohio.


#### NEW LEGISLATION

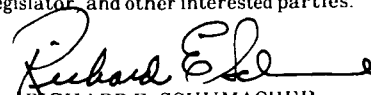
Public Employees Retirement System law was amended effective December 16, 1986 to provide an optional early retirement incentive plan for the various employer units covered by this System. Electing employers must pay the entire actuarially determined costs of the increased benefits. Early retirement incentive plans must be offered to a minimum of 5% of an employers' covered employees and such plans may provide for the purchase of up to 5 years of service credit, limited to 20% of qualified service.

#### ACKNOWLEDGMENTS

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

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

  
WILLIAM S. McLAUGHLIN  
Executive Director

  
RICHARD E. SCHUMACHER  
Assistant Director-Comptroller

# FINANCIAL SECTION

Report of Independent Certified  
Public Accountants

Balance Sheet

Statement of Changes in  
Financial Position

Statement of Revenues, Expenses,  
and Changes in Fund Balances

Notes to Financial Statements

Schedule of Cash Receipts  
and Disbursements

Schedule of Administrative Expense

Investment Summary

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Touche Ross & Co.  
250 East Broad Street  
Columbus, OH 43215-9948  
Telephone: 614 224-1110



April 23, 1987

Honorable Thomas E. Ferguson,  
Auditor of State, State of Ohio and  
Members of the Retirement Board  
Public Employees Retirement System of Ohio  
Columbus, Ohio

We have examined the balance sheets of the Public Employees Retirement System of Ohio as of December 31, 1986 and 1985, and the related statements of revenues, expenses, and changes in fund balances and changes in financial position for the years then ended, and the additional information listed in the accompanying table of contents. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Public Employees Retirement System of Ohio as of December 31, 1986 and 1985, and the results of its operations, changes in its fund balances and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Further, it is our opinion that the additional information referred to above presents fairly the information set forth therein.

*Touche Ross & Co.*

Certified Public Accountants



# BALANCE SHEET

As of December 31, 1986  
With Comparative Figures for December 31, 1985

**ASSETS**

	1986	1985
Cash and Short-Term Securities:		
Cash	\$ 25,510,670	\$ 12,028,195
Short-Term Securities	2,889,715,616	2,092,043,572
	<u>2,915,226,286</u>	<u>2,104,071,767</u>
Receivables:		
Employer	85,756,328	102,676,928
Investment Sale Proceeds	19,487,230	35,156,311
Accrued Interest and Dividends	136,313,487	141,223,229
	<u>241,557,045</u>	<u>279,056,468</u>
Investments (Notes 3 and 4):		
Bonds	2,708,949,679	4,965,570,580
Mortgages	4,938,099,185	2,164,258,161
Stocks	2,143,374,021	1,273,272,997
Real Estate-Commingled Funds	162,190,154	150,087,091
Venture Capital-Stocks and Notes	32,347,562	29,953,099
	<u>9,984,960,601</u>	<u>8,583,141,928</u>
Fixed Assets:		
Land	1,708,409	1,708,409
Buildings and Building Improvements	5,595,537	5,581,412
Furniture, Fixtures, and Equipment	3,967,932	3,342,862
	<u>11,271,878</u>	<u>10,632,683</u>
Accumulated Depreciation	(2,863,741)	(2,293,384)
	<u>8,408,137</u>	<u>8,339,299</u>
Other Assets:		
Deferred Cost on Bonds Sold	84,220,086	119,129,844
Prepaid Expenses	454,472	113,098
Other Assets		698,288
	<u>84,674,558</u>	<u>119,941,230</u>
<b>TOTAL ASSETS</b>	<u>\$13,234,826,627</u>	<u>\$11,094,550,692</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:		
Undistributed Deposits	\$ 30,160,963	\$ 21,636,643
Medical Benefits Payable	11,605,590	8,384,733
Investment Commitments Payable	27,644,891	5,824,258
Accrued Administrative Expenses	2,178,094	1,652,892
<b>TOTAL LIABILITIES</b>	<u>71,589,538</u>	<u>37,498,526</u>
Fund Balances:		
Employee Savings Fund	2,387,872,105	2,190,220,966
Employer Accumulation Fund (Net of Unfunded Accrued	5,348,451,619	3,936,956,186
Liabilities: 1986—\$6,088,586,425		
1985—\$6,316,782,342 (Note 5))		
Annuity and Pension Reserve Fund	4,832,023,432	4,388,789,565
Survivor Benefit Fund	575,428,841	532,734,902
Income Fund	19,427,896	8,349,510
Expense Fund	33,196	1,037
<b>TOTAL FUND BALANCES</b>	<u>13,163,237,089</u>	<u>11,057,052,166</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$13,234,826,627</u>	<u>\$11,094,550,692</u>

See Notes to Financial Statements



# STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1986  
With Comparative Figures for 1985

	1986	1985
FUNDS PROVIDED BY:		
Excess of Revenues over Expenses	\$ 2,106,184,923	\$ 1,901,971,877
Items Not Requiring or (Providing) Funds:		
Depreciation	595,598	521,325
Gain on Disposal of Fixed Assets	(25,242)	(139,071)
Increase (Decrease) in Funds Due to Changes in:		
Employer Receivables	16,920,600	(16,269,763)
Investment Sale Proceeds Receivable	15,669,081	(23,619,927)
Accrued Interest and Dividends Receivable	4,909,742	14,203,764
Other Assets	698,288	(698,288)
Deferred Costs on Bonds Sold	34,909,758	113,725,812
Prepaid Expenses	(341,373)	831
Undistributed Deposits	8,524,320	10,776,506
Medical Benefits Payable	3,220,857	(215,973)
Investment Commitments Payable	21,820,633	1,355,929
Accrued Administrative Expenses	525,202	143,067
Funds Provided From Operations	2,213,612,387	2,001,756,089
Sales and Maturities of Investments:		
Bonds	9,772,157,845	16,604,622,825
Mortgages	3,224,135,316	1,523,785,782
Stocks	575,244,691	859,890,454
Real Estate—Commingled Funds	15,126,688	36,529,373
Venture Capital—Stocks and Notes	465,649	40,969,890
Proceeds From Sale of Fixed Assets	34,363	1,050,000
Total Funds Provided	15,800,776,939	21,068,604,413
FUNDS USED FOR:		
Purchase of Investments:		
Bonds	7,515,536,944	17,145,016,153
Mortgages	5,997,976,340	2,323,347,022
Stocks	1,445,345,715	744,208,479
Real Estate—Commingled Funds	27,229,751	34,265,306
Venture Capital—Stocks and Notes	2,860,112	15,962,500
Additions to Fixed Assets	673,558	1,221,890
Total Funds Used	14,989,622,420	20,264,021,350
Net Increase in Funds	811,154,519	804,583,063
Cash and Short-Term Investments, Beginning of Year	2,104,071,767	1,299,488,704
Cash and Short-Term Investments, End of Year	\$ 2,915,226,286	\$ 2,104,071,767



## STATEMENT OF REVENUES, EXPENSES, A

	MEMBER SAVINGS	EMPLOYER ACCUMULATION	ANNUITY AND PENSION RESERVE
Revenues:			
Member Contributions	\$ 391,186,283		
Employer Contributions		\$ 580,854,650	
Investment Income			
Other			\$ 39,075
Total Revenues	<u>391,186,283</u>	<u>580,854,650</u>	<u>39,075</u>
Expenses:			
Benefit Payments			602,109,664
Refunds	80,476,411	74,655	
Administrative Expense			
Total Expenses	<u>80,476,411</u>	<u>74,655</u>	<u>602,109,664</u>
Excess of Revenues Over Expenses	<u>310,709,872</u>	<u>580,779,995</u>	<u>(602,070,589)</u>
Transfers—Increase (Decrease)			
Retirement Annuities	(138,196,907)	(375,421,882)	513,618,789
Disability Benefits	(10,963,461)	(76,349,710)	87,313,171
Survivor Annuities	(7,370,376)		
Retirement to (from) Other Systems	(1,794,875)	(1,008,463)	2,803,338
Statutory Interest	45,250,018	(45,250,018)	
Annual Interest		294,877,555	332,695,941
Other	16,868	1,033,867,956	108,873,217
Total Transfers	<u>(113,058,733)</u>	<u>830,715,438</u>	<u>1,045,304,456</u>
Balance, Beginning of Year	<u>2,190,220,966</u>	<u>3,936,956,186</u>	<u>4,388,789,565</u>
Balance, End of Year	<u>\$2,387,872,105</u>	<u>\$5,348,451,619</u>	<u>\$4,832,023,432</u>



# AND CHANGES IN FUND BALANCES

Year Ended December 31, 1986				Year Ended December 31, 1985
<i>SURVIVOR ANNUITIES</i>	<i>INCOME</i>	<i>ADMINISTRATIVE EXPENSE</i>	<i>TOTAL</i>	<i>TOTAL</i>
		\$ 7,134	\$ 391,193,417	\$ 370,005,032
\$ 46,665,665	\$ 1,830,721,267		627,520,315	597,079,409
5,147	165,235		1,830,721,267	1,601,928,648
<u>46,670,812</u>	<u>1,830,886,502</u>	<u>7,134</u>	<u>209,457</u>	<u>251,641</u>
			2,849,644,456	2,569,264,730
51,330,617			653,440,281	581,512,580
	757	236	80,552,059	76,636,067
		9,467,193	9,467,193	9,144,206
<u>51,330,617</u>	<u>757</u>	<u>9,467,429</u>	<u>743,459,533</u>	<u>667,292,853</u>
(4,659,805)	1,830,885,745	(9,460,295)	2,106,184,923	1,901,971,877
7,370,376				
39,983,368	(667,556,864)			
	(1,152,250,495)	9,492,454		
<u>47,353,744</u>	<u>(1,819,807,359)</u>	<u>9,492,454</u>		
532,734,902	8,349,510	1,037	11,057,052,166	9,155,080,289
<u>\$ 575,428,841</u>	<u>\$ 19,427,896</u>	<u>\$ 33,196</u>	<u>\$ 13,163,237,089</u>	<u>\$ 11,057,052,166</u>



# NOTES TO FINANCIAL STATEMENTS

**NOTE 1. Summary of Significant Accounting Policies:****(a) Administration of System**

The Public Employees Retirement System of Ohio is a statewide retirement system for all public employees in Ohio except those covered by one of the other state or local retirement systems in Ohio. The System is administered in accordance with Chapter 145 of the Ohio Revised Code.

**(b) Basis of Accounting**

The basic financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned and become measurable.

**(c) Member Contributions**

Member contribution rates, presently 8.5% (9.5% for law enforcement officers), are established by the Retirement Board upon recommendation by the Actuary. Contributions are primarily made by payroll deductions and remitted by participating employers.

**(d) Employer Contributions**

Employer contribution rates, based on gross covered payroll, presently 13.71% for state, 13.95% for city, county, and miscellaneous employer units, and 18.10% for law enforcement employer units, are determined by the Retirement Board based upon recommendation by the Actuary. The actuarial formula used is the entry age normal actuarial cost method. This formula determines the amount of contributions necessary to fund (1) the current service cost, which represents the estimated amount necessary to pay for benefits earned by the employees during the current service year; and, (2) the prior service cost for service earned prior to plan inception and subsequent benefit increases, which represents the amount necessary to pay for unfunded accrued liabilities over a period of 34 years for state, 41 years for local government, and 12 years for law enforcement divisions.

**(e) Investments**

The Ohio Revised Code Section 145.11 authorizes PERS to invest in various instruments to include obligations of the U.S. Treasury and U.S. agencies, state and local governments, various mortgage loans, corporate bonds, common and preferred stock, commercial paper, and real estate meeting various rating criteria. PERS did not engage in any repurchase or reverse repurchase transactions during either 1986 or 1985.

Short term investments consisting of commercial paper and U.S. Treasury obligations are carried at cost. Equity securities and investments in real estate commingled funds are shown at cost. Fixed income investments are reflected in the balance sheet at amortized cost. Income is recognized as earned. The cost of investments sold is determined using the average cost method for equity securities and specific cost for all others. Dividend income is recognized based on dividends declared.

**(f) Fixed Assets**

Fixed assets are recorded at cost at the time of acquisition. Depreciation is computed on the straight-line method over the estimated useful life of the assets ranging from 50 years

for buildings and building improvements to 3 to 10 years for furniture, fixtures, and equipment.

**(g) Deferred Cost on Bonds Sold**

Losses on bond exchanges are accounted for under the deferral and amortization method of accounting whereby net losses on bonds exchanged are deferred and amortized over the shorter of the life of the bond sold or purchased. Gains are recognized as taken.

**(h) Undistributed Deposits**

Cash receipts are recorded as undistributed deposits until such time as they are allocated to employer receivables, employer contributions, member contributions, and investment income.

**(i) Funds**

Various funds are established to hold the reserves for future and current benefit payments.

- (1) **The Employee Savings Fund** holds members' contributions in trust prior to their refund or transfer to a benefit disbursement fund.
- (2) **The Employer Accumulation Fund** is used to accumulate employer contributions to be used in providing the reserves required to transfer to the Annuity and Pension Reserve Fund as members retire or become eligible for disability benefits.
- (3) **The Annuity and Pension Reserve Fund** is the fund from which annuity and disability pensions are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 1985, and, accordingly, there are sufficient assets in this fund to pay the vested benefits of all retirants and beneficiaries as of the valuation date.
- (4) **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 as described above.
- (5) **The Income Fund** is the fund which is credited with investment earnings and miscellaneous income. The balance in this fund is transferred to other funds to aid in the funding of future benefit payments.
- (6) **The Expense Fund** provides for disbursement of administrative expenses, with the necessary monies allocated to it from the Income Fund.

**NOTE 2. Description of Plan:**

**Purpose**—The Public Employees Retirement System of Ohio (PERS) is a multi-employer defined benefit plan created by the Ohio General Assembly. Its purpose is to provide retirement, disability retirement, and survivor benefits for its members.

**Administration**—The general administration and management of PERS is vested in a nine member Board consisting of six elected members and three statutory members. The Board appoints the executive director, an actuary, and other employees. All public employees in Ohio are required to become contributing members of PERS. There are certain specified exclusions and exemptions from compulsory membership.





**Contributions**—Employees and employers are required to contribute to PERS at rates set by the Retirement Board upon recommendation by the Actuary. Currently the rates based on gross payroll are:

	EMPLOYEE RATE	EMPLOYER RATE
State Group	8.5%	13.71%
Local Government Group	8.5%	13.95%
Law Enforcement Group	9.5%	18.10%

These rates fall within the range set by state statute.

**Pension Benefits**—Benefits are calculated on the basis of age, final average salary, and service credit. Members are eligible for retirement benefits at age 60 with 5 or more years of service credit or at any age with 30 or more years of service. The benefit is based on 2.1% of final average salary multiplied by the years of service credit. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts.

**Law Enforcement Officers Benefits**—Full time sheriffs, deputy sheriffs, and full time township constables or police officers are eligible for special retirement options. This option is available to those members of this class at age 52 or older. The benefit is calculated by multiplying 2.5% of final average salary by the first 20 years of service, 2% of final average salary for the next five years, and 1.5% of final average salary for each additional year of service. This option also permits early retirement under qualifying circumstances as early as age 48.

**Early Retirement Incentive**—Effective December 16, 1986, employers under PERS may establish an early retirement incentive plan utilizing the purchase of service credit. To be eligible, employees must be able to retire under existing plan provisions after the purchase of the additional credit. Electing employers must contribute all such additional costs as are actuarially determined to fund the benefits. Such plan, if adopted, must be offered to a minimum of 5% of covered employees and provide for the purchase of up to five years credit, limited to a maximum of 20% of qualified service credit.

**Disability Benefits**—A member who becomes permanently disabled before age 60 for the performance of duty and has completed 60 months of contributing service is eligible for a disability benefit.

**Survivor Benefits**—Dependents of deceased members may qualify for survivor benefits if the deceased employee had at least 18 months of service credit with three months of credit within the two and one-half years immediately preceding death. Chapter 145 of the Revised Code specifies the dependents and the conditions under which they qualify for survivor benefits.

**Refunds**—Upon termination of employment, 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. Employer contributions to PERS are not refundable.

**Additional Benefits After Retirement**—PERS provides health care coverage for persons receiving monthly benefits from PERS. A new benefit recipient must have 10 years of Ohio service credit to qualify for the health care benefit at no premium cost. Once a member has received benefits for 12 months, a 3% cost of living adjustment is added to each monthly benefit on an annual basis. Benefit recipients who submit proof of payment of Medicare Part B premiums are reimbursed by PERS for the basic health care premium. A lump sum benefit of \$500 is provided upon death, to the beneficiary of retirants receiving regular or disability benefits.

**Litigation**—PERS is a party in various litigation relating to plan benefits. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the System's financial position.

**NOTE 3: Summary of Cash and Investments:**

PERS of Ohio's cash balances at year end were deposited with the Treasurer of the State of Ohio (The Treasurer) as required by statute. The Treasurer places these deposits with a financial institution in a collateralized account.

A summary of investments held at year end is as follows:

	DECEMBER 31, 1986	
	BOOK VALUE	MARKET
Short-Term Investments	\$2,889,715,616	\$ 2,925,277,000
Bonds—Par	\$2,903,460,232	
Net Unamortized Discount	194,510,553	
Bonds—Net	2,708,949,679	\$ 2,714,576,979
Mortgages—Par	5,147,000,643	
Net Unamortized Discount	208,901,458	
Mortgages—Net	4,938,099,185	5,247,651,626
Stocks—Common	2,143,374,021	3,096,822,649
Real Estate—Commingled Funds	162,190,154	196,578,712
Venture Capital	32,347,562	33,433,917
Total Investments	\$9,984,960,601	\$11,289,063,883

	DECEMBER 31, 1985	
	BOOK VALUE	MARKET
Short-Term Investments	\$2,092,043,572	\$ 2,117,464,000
Bonds—Par	\$5,474,263,262	
Net Unamortized Discount	508,692,682	
Bonds—Net	4,965,570,580	\$ 5,171,384,971
Mortgages—Par	2,601,523,172	
Net Unamortized Discount	437,265,011	
Mortgages—Net	2,164,258,161	2,518,960,950
Stocks—Common and Preferred	1,273,272,997	2,050,864,778
Real Estate—Commingled Funds	150,087,091	172,003,000
Venture Capital	29,953,099	31,165,867
Total Investments	\$8,583,141,928	\$9,944,379,566

If available, quoted market prices have been used to value investments as of December 31, 1986 and 1985. Securities, not having a quoted market price, have been valued on yields currently available on comparable securities of issuers with similar credit ratings. Venture Capital not having quoted market prices is shown at cost. The market value of real estate-commingled funds is based upon appraisals of the properties held.



Weighted average purchase yields are as follows:

	1986	1985
Short-term investments	5.69%	7.26%
Long-term investments	8.34%	10.00%
Total yield	7.76%	9.50%
Total yield adjusted for amortization of deferred cost on bonds sold	7.70%	9.44%

Statement No. 3 of the Government Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which securities are held by PERS or its agent in the name of PERS. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of PERS. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in PERS name.

All investments of PERS meet the criteria of Category 1 except the real estate commingled funds which by their nature are not required to be so categorized. Investments are held in the name of PERS by the Treasurer of State of Ohio as custodian.

**NOTE 4. Deferred Cost on Bonds Sold:**

The Retirement System defers losses on the sale of bonds under a program to reinvest the proceeds in similar bonds. These exchanges are made to increase annual income, to shorten or lengthen maturity as market conditions change, or to improve the quality of the bond portfolio. The policy for deferred cost is to amortize these costs over the remaining term of the bonds sold or the term of the bond purchased, whichever is shorter. On the subsequent sale of any bond purchased as part of a bond swap on which a loss was deferred, any unamortized loss is immediately recognized.

	1986	1985
Beginning Balance	\$119,129,844	\$232,855,656
Losses Realized on Bonds Exchanged	48,868,053	105,999,963
Losses Amortized	(8,247,355)	(12,812,859)
Losses Written off on Sales Prior to Maturity	(75,530,456)	(206,912,916)
Ending Balance	\$ 84,220,086	\$119,129,844

**NOTE 5. Accumulated Plan Benefits and Actuarial Assumptions:**

Accumulated plan benefits are and include all of the following:

- a. Future monthly payments to retirants who are receiving benefit payments on the valuation date and to beneficiaries including those receiving optional survivors' benefits.
- b. The portion of potential future monthly retirement and disability benefits payable to active members attributable to their service credit and salary earned up to the valuation date plus the pro rata portion of certain death benefits.
- c. The potential future monthly service retirement benefits payable to inactive members based on their service credit and salary earned up to the valuation date.
- d. The potential future health care benefits to be paid on behalf of active members, inactive members, retirants, and beneficiaries.

The actuarial present value of accumulated plan benefits is the amount determined by the System's Actuary by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest between the valuation date and the expected dates of payment) and the probability of benefit payment (by means of multiple-decrement probability tables for death, disability, and withdrawal).

The actuarial assumptions employed as of December 31, 1985, include:

**Investment Return**—7.5%

**Salary Scale**—The active member payroll is assumed to increase 5.5% annually, which is the portion of the individual pay increase assumptions attributable to inflation.

**Multiple Decrement Tables**

**Death**—For determination of active and inactive members mortality, the 1960 Basic Group Mortality Table was used. For retirants mortality, the 1971 Group Annuity Mortality Male and Female Tables, projected to 1984 were used.

**Disability**—Based upon System's experience.

**Withdrawal**—Based upon System's experience.

There were no changes in actuarial assumptions during either year.

The unfunded liability based upon the last two actuarial valuations is as follows:

	DECEMBER 31, 1985			DECEMBER 31, 1984	
	State Group	Local Government Group	Law Enforcement Group	Total	Total
Present value of actuarial accrued liability for active and inactive accounts	\$4,650,630,955	\$7,253,919,864	\$202,339,541	\$12,106,890,360	\$10,986,312,802
Less:					
Employer Accumulation Fund*	1,510,387,077	2,202,499,311	115,196,581	3,828,082,969	2,658,372,213
Employee Savings Fund	821,635,460	1,331,319,240	37,266,266	2,190,220,966	2,011,158,247
Unfunded Accrued Liability	\$2,318,608,418	\$3,720,101,313	\$49,876,694	\$6,088,586,425	\$6,316,782,342

\*Amounts shown reflect adjustments for transfers out of the Employer Accumulation Fund to fully fund the Annuity and Pension Reserve Fund and Survivor Benefit Fund.



The System's actuarial valuation is calculated separately for retirants and beneficiaries, and active and inactive members.

The actuarial present value of benefits to be paid retirants and beneficiaries currently receiving benefits and deferred survivor beneficiaries, whose benefits have been determined, is calculated using the assumptions noted above. The assets set aside in the Annuity and Pension Reserve Fund and the Survivor Benefit Fund together with interest credited thereon are compared to the allowances for the remaining lifetimes of the retirants and beneficiaries, and any deficiency is then funded by a transfer from the Employer Accumulation Fund. Consequently all determined benefits are fully funded.

The accrued liability for active and inactive members is calculated on the projected benefit basis, under which the present value of each member's expected benefit payable at retirement or death is determined. The assets of the Employee Savings Fund and Employer Accumulation Fund are subtracted from this present value to arrive at the unfunded accrued liability.

**NOTE 6. Leases:**

The System leases equipment with lease terms of one year or less. Total rent expense was \$727,981 and \$1,115,237 for the years ended December 31, 1986 and 1985, respectively.

**NOTE 7. Vacation and Sick Leave Policy:**

As of December 31, 1986 and 1985, \$1,556,913 and \$1,408,187, respectively, was accrued for unused vacation and sick leave for the System's employees. Employees who resign or retire are entitled to full compensation for all earned unused vacation. Unused sick leave pay is lost upon termination. However, employees who retire are entitled to receive payment for a percentage of unused sick leave.

**NOTE 8. Deferred Compensation Plan:**

PERS offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all PERS employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of PERS (without being restricted to the provisions of benefits under the plan), subject only to the claims of PERS' general creditors. Participants' rights under the plan are equal to those of general creditors of PERS in an amount equal to the fair market value of the deferred account for each participant.

PERS has no liability for losses under the plan and believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The total plan balance was \$360,000 at December 31, 1986.

**NOTE 9. Professional Trends:**

The Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), (previously the National Council on Governmental Accounting (NCGA)), have both issued financial reporting standards for state and local government pension plans. The conflicting opinions and views of these various standard setting bodies within the accounting profession, have created a dilemma for PERS as to which standard to follow.

In March 1980, the Financial Accounting Standards Board issued Statement #35 (FASB #35) titled "Accounting and Reporting by Defined Benefit Pension Plans". The principal impact of this Statement on financial statements will be the requirement that all of the investments be stated at fair market value, and the elimination of deferred costs on security exchanges.

In a release dated August 1, 1980, the National Council on Governmental Accounting (NCGA) expressed its concern "that acceptance of FASB #35 as generally accepted accounting principles for governmental pension plans could create a situation resulting in the preparation of financial statements for public pension plans that may be subject to misinterpretations, especially in determining the proper level of funding for the plan". Accordingly, the NCGA statement urged government accountants to continue preparing financial statements in accordance with the principles stated in NCGA Statement 1.

In April 1983, the NCGA adopted Statement 6 "Pension Accounting and Financial Reporting: Public Employees Retirement Systems and State and Local Governments Employees". The accounting procedures promulgated in NCGA Statement 6 regarding the reporting of fixed income securities states that a gain or loss arising from an exchange may be accounted for under either the completed transaction method or the deferral and amortization method (swap method). If the deferral and amortization method is used, it must be used consistently for gains and losses. Transactions should not be timed deliberately to avoid immediate recognition of losses while recognizing gains. As PERS presently defers only losses on exchanged securities, the adoption and enactment of NCGA Statement 6 which requires the deferral of both gains and losses would entail substantial changes in the reporting and accounting of exchanged securities.

In September of 1983, NCGA Statement 6 was deferred indefinitely. In November 1983, the FASB issued Statement #75 which deferred indefinitely the application of FASB #35 to pension plans of state and local governmental units.

In July 1984, GASB Statement 1 "Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide" was issued stating that NCGA Statement 1, NCGA Statement 6 or FASB Statement 35 were acceptable accounting and reporting principles pending issuance of a new GASB Statement(s).

In November 1986, the Governmental Accounting Standards Board (GASB) issued Statement No. 5 (GASB #5) titled "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers". The principal impact of this Statement on PERS will be to standardize disclosure of the measurement of the present value of pension benefits. In addition, the Statement also requires certain other disclosures related to membership, contributions, and historical information.

The primary objectives of GASB #5 are to provide users with information necessary to assess the funding status of PERS on a going-concern basis, progress made in accumulating sufficient assets to pay benefits when due and whether employers are making actuarially determined contributions. In order to satisfy these objectives GASB #5 requires ten year historical trend information be disclosed in supplementary schedules.

GASB #5 is effective for financial statements issued for fiscal years beginning after December 15, 1986. As such, PERS has elected not to include this disclosure in their current financial statements.



# ADDITIONAL INFORMATION

## SCHEDULE OF

# CASH RECEIPTS AND DISBURSEMENTS

Year Ended December 31, 1986  
With Comparative Figures for 1985

	1986	1985
CASH BALANCE AT BEGINNING OF YEAR	\$ 12,028,195	\$ 12,529,307
Receipts:		
Member Contributions	376,718,522	357,428,866
Employer Contributions	623,257,494	572,312,004
Purchases of Back Service	10,580,620	8,228,654
State Subsidies	4,231,484	4,626,688
Short-Term Securities Matured and Sold	13,042,845,961	13,190,691,669
Investments Matured and Sold	13,586,690,061	19,065,407,232
Interest and Dividends	1,386,562,983	1,253,775,321
Rental Income		27,376
Undistributed Deposits	30,160,963	21,636,643
Miscellaneous	1,106,470	423,603
TOTAL CASH RECEIPTS	<u>\$ 29,062,154,558</u>	<u>\$ 34,474,558,056</u>
Disbursements:		
Refunds:		
Separation Beneficiaries	\$ 77,308,964	\$ 73,499,029
Annuity Payments:	3,243,057	3,135,948
Retirement Annuities	513,496,849	458,893,841
Disability Benefits	82,747,597	71,408,566
Survivor Annuities	51,078,623	47,647,747
Retirement to Other Systems	2,903,406	3,818,776
Short-Term Securities Purchased	13,319,592,274	13,544,166,484
Investment Purchases	14,988,948,862	20,262,799,460
Administrative Expenses	9,352,451	9,689,317
TOTAL CASH DISBURSEMENTS	<u>\$ 29,048,672,083</u>	<u>\$ 34,475,059,168</u>
CASH BALANCE AT END OF YEAR	<u>\$ 25,510,670</u>	<u>\$ 12,028,195</u>



## SCHEDULE OF

# ADMINISTRATIVE EXPENSE

Year Ended December 31, 1986  
With Comparative Figures for 1985

	1986	1985
PERSONAL SERVICES:		
Salaries and Wages	\$ 4,736,947	\$ 4,285,998
Retirement Contributions	628,313	564,419
Insurance	499,111	454,597
Bureau of Employment Services		435
	<u>5,864,371</u>	<u>5,305,449</u>
SUPPLIES:		
Office Supplies	134,065	138,215
Printing and Publications	66,152	64,334
Dues and Subscriptions	13,131	9,026
	<u>213,348</u>	<u>211,575</u>
OTHER SERVICES AND CHARGES:		
Professional Services:		
Auditing	78,800	65,400
Actuarial	82,500	47,600
Investment	346,249	357,842
Medical	170,131	146,335
Pension Review	5,596	13,827
Employee Training	25,845	22,665
Data Processing Contract	29,208	56,799
Disaster Recovery	20,000	20,000
Communication:		
Telephone and Telegraph	105,610	137,121
Freight, Express, and Drayage	6,480	5,666
Postage	478,434	381,210
Transportation and Travel	122,674	127,835
Utilities	174,796	205,616
Equipment Rental	727,981	1,115,237
Repair and Maintenance:		
Equipment	1,840	2,481
Building	238,171	228,777
Microfilm	16,096	16,640
Retirement Study Commission	133,447	119,458
Taxes—Real Property		17,404
Miscellaneous	30,018	17,944
	<u>2,793,876</u>	<u>3,105,857</u>
DEPRECIATION ON:		
Building	138,334	141,463
Equipment and Fixtures	457,264	379,862
	<u>595,598</u>	<u>521,325</u>
TOTAL ADMINISTRATIVE EXPENSE	<u>\$9,467,193</u>	<u>\$9,144,206</u>



## INVESTMENT

Year Ended

	<u>JANUARY 1, 1986</u>		
	<u>BOOK VALUE</u>	<u>MARKET VALUE</u>	<u>PURCHASES</u>
Bonds and Notes			
U.S. Government and Agencies	\$2,340,035,278	\$2,406,429,085	\$ 4,573,772,149
Corporate			
Industrial	1,049,936,514		1,330,463,853
Utilities	1,352,571,179		1,151,475,363
Finance	<u>60,469,984</u>		<u>228,954,820</u>
Total Corporate	<u>2,462,977,677</u>	2,589,391,142	<u>2,710,894,036</u>
Canadian Obligations	162,557,625	175,564,744	230,870,759
Mortgages	2,164,258,161	2,518,960,950	5,997,976,340
Venture Capital—Stocks	29,953,099	31,165,867	2,860,112
Stocks—Common	1,273,272,997	2,050,864,778	1,445,345,715
Real Estate—Commingled Funds	<u>150,087,091</u>	<u>173,003,000</u>	<u>27,229,751</u>
Total	<u>\$8,583,141,928</u>	<u>\$9,945,379,566</u>	<u>\$14,988,948,862</u>



# SUMMARY

December 31, 1986

<i>DECEMBER 31, 1986</i>				
<i>MATURITIES SALES, AND ACCRUALS</i>	<i>BOOK VALUE</i>	<i>MARKET VALUE</i>	<i>% TOTAL PORTFOLIO (Based on Par Value)</i>	<i>PURCHASE YIELD</i>
\$ 5,805,451,161	\$1,108,356,266	\$ 1,129,457,859	13.46	7.40%
1,203,484,955	1,176,915,412			
2,213,574,097	290,472,445			
<u>204,979,235</u>	<u>84,445,569</u>			
<u>3,622,038,287</u>	<u>1,551,833,426</u>	1,531,949,925	14.10	11.11%
344,668,397	48,759,987	53,169,195	.39	10.54%
3,224,135,316	4,938,099,185	5,247,651,626	49.55	9.63%
465,649	32,347,562	33,433,917	.31	1.24%
575,244,691	2,143,374,021	3,096,822,649	20.63	4.64%
<u>15,126,688</u>	<u>162,190,154</u>	<u>196,578,712</u>	<u>1.56</u>	<u>      </u>
<u>\$13,587,130,189</u>	<u>\$9,984,960,601</u>	<u>\$11,289,063,883</u>	<u>100.00</u>	<u>8.34%</u>

## ACTUARIAL SECTION

Report of the Actuary

Summary of Assumptions

Summary of Unfunded Accrued Liabilities

Short-Term Solvency Test



# REPORT OF THE ACTUARY

GABRIEL, ROEDER, SMITH & COMPANY  
Actuaries & Consultants

200 Globe Building • 407 East Fort • Detroit, Michigan 48226 • 313-961-3346

April 15, 1987

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 and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Ohio citizens.

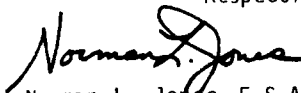
In order to measure progress toward this fundamental objective, PERS has annual actuarial valuations to determine present financial position and level contribution rates for the future. The latest completed actuarial valuations were based upon data and assumptions as of December 31, 1985. Conditions and results are shown in our reports. These valuations indicate that the contribution rates, established by the Retirement Board for benefits then in effect, meet the basic financial objective.


Assumptions concerning future financial experience are needed for an actuarial valuation. Each year an actuarial gain/loss analysis is performed, which determines the relationship between assumed financial experience and actual experience, for each major risk area.

In most recent years, actual experience has been less favorable than assumed. The primary reason has been that the substantial gains from investment income that PERS has been able to achieve have been more than offset by inflation-generated salary and health care cost increases. Overall, however, we continue to believe the assumptions used in the regular valuations produce results which are reasonable.

Based upon the valuation results 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.

Respectfully submitted,

  
Norman L. Jones, F.S.A.

  
Brian B. Murphy, A.S.A.

NLJ:ct



## Summary of Assumptions Adopted by Retirement Board After Consulting with Actuary

**Funding Method.** An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed and actual experience (actuarial gains and losses become part of unfunded actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments which are level percents of payroll contributions. Adopted 1975.

**Assets Valuation Method.** Present assets were valued at amortized cost.

**Valuation Data.** The data about persons now covered and about present assets was furnished by the System's administrative staff. Data is examined for general reasonableness and year-to-year consistency, but is not audited by the Actuary.

**Economic Assumptions.** The following economic assumptions, adopted in 1982, are used by the Actuary.

**Investment Return.** 7.5 percent annually, compounded annually. Considering other financial assumptions, the 7.5 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.

**Active Employee Total Payroll.** Increasing 5.5% 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.

**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.

AGE	MERIT & SENIORITY		BASE (ECONOMY)	INCREASE NEXT YEAR	
	STATE	LOCAL		STATE	LOCAL
30	3.2%	2.8%	5.5%	8.7%	8.3%
40	2.2	1.8	5.5	7.7	7.3
50	1.4	1.2	5.5	6.9	6.7
60	0.6	0.6	5.5	6.1	6.1

**Decrement Assumptions.** The following tables of probabilities, adopted in 1981, for the indicated risk areas are used by the Actuary.

**Mortality.** The tables used in evaluating allowances to be paid were the 1971 Group Annuity Mortality Male and Female tables, projected to 1984.

**Retirement.** Probabilities of age and service retirement applicable to members eligible to retire are:

RETIREMENT AGES	% RETIRING NEXT YEAR		
	STATE & LOCAL		LAW ENFORCEMENT
	MEN	WOMEN	
50-61	12%	15%	15%
62	15	18	15
63	15	20	15
64	20	22	15
65	35	35	15
66	30	30	15
67	30	30	15
68	30	30	15
69	40	40	15
70	100	100	15

**Turnover.** Probabilities of separation from employment before age and service retirement because of death, withdrawal or disability are:

SAMPLE AGES	YEARS OF SERVICE	% SEPARATING WITHIN NEXT YEAR								
		DEATH		WITHDRAWAL			DISABILITY			
		MEN	WOMEN	STATE		LAW ENFORCEMENT	LOCAL		MEN	WOMEN
				MEN	WOMEN		MEN	WOMEN		
	0	%	%	30.00%	30.00%	15.00%	25.00%	%	%	
	1			25.00	25.00	10.00	20.00			
	2			20.00	20.00	8.00	14.00			
	3			15.00	15.00	7.00	9.00			
	4			12.00	12.00	6.00	8.00			
30	5 & Over	.12	.10	9.60	11.40	4.90	9.60	11.40	0.08	0.06
40		.25	.15	6.20	7.40	3.60	6.20	7.40	0.39	0.23
50		.71	.43	2.30	3.10	2.00	2.30	3.10	1.12	0.72
60		1.80	1.16	1.00	1.50	1.00	1.00	1.50		



## Actuarial Valuation Data

VALUATION YEAR	ACTIVE MEMBERS			RETIRED LIVES		
	NUMBER	ANNUAL PAYROLL (\$ MILLIONS)	AVERAGE PAY	NUMBER	ANNUAL ALLOWANCE (\$ MILLIONS)	AVERAGE ALLOWANCE
1976	240,639	\$ 2,346	\$ 9,747	56,522	\$ 148	\$ 2,621
1977	271,388	2,694	9,928	60,393	170	2,816
1978	274,700	3,056	11,124	64,386	191	2,964
1979	261,513	3,217	12,302	69,858	231	3,312
1980	256,688	3,441	13,405	73,620	257	3,497
1981	252,623	3,308	13,092	77,718	302	3,880
1982	248,855	3,654	14,683	81,166	331	4,076
1983	248,307	3,814	15,361	85,594	369	4,285
1984	248,483	4,044	16,278	90,302	424	4,691
1985	251,748	4,282	17,007	93,867	471	5,021

### 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 the dollar is decreasing. This environment results in employee pay increasing in dollar amounts and retirement benefits in-

creasing 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.

### Summary of Assets and Actuarial Accrued Liabilities (\$ Amounts in Millions)

VALUATION YEAR	ACTUARIAL ACCRUED LIABILITIES (AAL)	VALUATION ASSETS	UNFUNDED ACTUARIAL ACCRUED LIABILITIES (UAAL)	RATIO OF ASSETS TO AAL	ACTIVE MEMBER PAYROLL	UAAL AS A % OF ACTIVE MEMBER PAYROLL
1976	\$ 5,572	\$ 3,044	\$2,528	55%	\$2,346	108%
1977	6,448	3,480	2,968	54	2,694	110
1978	7,576	4,015	3,561	53	3,056	117
1979	8,965	4,667	4,298	52	3,217	134
1980	10,388	5,235	5,153	50	3,441	150
1981	11,055	6,106	4,949	55	3,308	150
1982	12,399	7,145	5,254	58	3,654	144
1983	13,976	8,156	5,820	58	3,814	153
1984	15,473	9,156	6,317	59	4,044	156
1985	17,138	11,049	6,089	64	4,282	142

## Short-Term Solvency Test

The PERS financing objective is to pay for the 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 discipline 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.

### Computed Accrued Liabilities (\$ Amounts in Millions)

VALUATION YEAR	(1) ACTIVE MEMBER CONTRIBUTIONS	(2) RETIRANTS AND BENEFICIARIES	(3) ACTIVE MEMBERS (EMPLOYER FINANCED PORTION)	REPORTED ASSETS	PORTION OF ACCRUED LIABILITIES COVERED BY REPORTED ASSETS		
					(1)	(2)	(3)
1976	\$ 897	\$1,143	\$3,232	\$ 3,044	100	100	22
1977	1,002	1,683	3,763	3,480	100	100	21
1978	1,126	1,923	4,527	4,015	100	100	21
1979	1,216	2,414	5,334	4,667	100	100	19
1980	1,363	2,710	6,316	5,235	100	100	18
1981	1,491	3,296	6,268	6,106	100	100	21
1982	1,664	3,588	7,146	7,145	100	100	26
1983	1,843	4,011	8,123	8,156	100	100	28
1984	2,011	4,486	8,976	9,156	100	100	30
1985	2,190	5,031	9,917	11,049	100	100	40

# STATISTICAL SECTION

Revenues by Source

Disbursements by Type

Disbursements by Category

Member Count

Members Contribution Rates

Number of Employer Units

Net Benefit Payments by Category

New Benefit and Refund Payments  
by Year

Employer Contribution Rates

Schedule of Average Benefit Payments



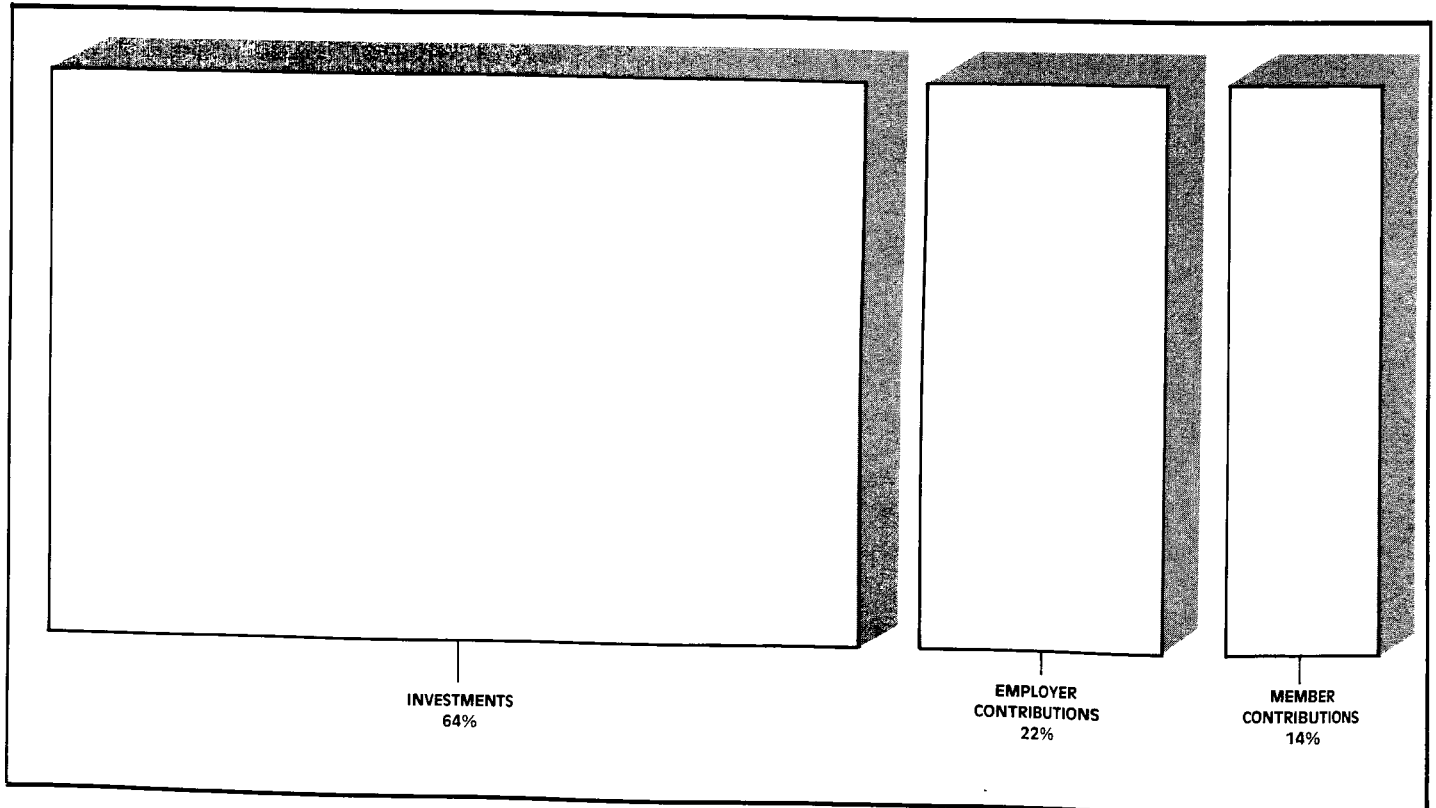
# REVENUES BY SOURCE

## Last 10 Years

	<b>MEMBER CONTRIBUTIONS</b>	<b>EMPLOYER CONTRIBUTIONS</b>	<b>INVESTMENT INCOME (NET)</b>	<b>OTHER</b>	<b>TOTAL</b>
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	394,820,271	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
1982	311,779,921	505,809,912	686,420,515*	192,959	1,504,203,307
1983	330,125,897	544,109,013	666,680,588	56,228	1,540,971,726
1984	345,368,439	557,498,416	713,857,919	187,347	1,616,912,121
1985	370,005,032	597,079,409	1,601,928,648	251,641	2,569,264,730
1986	391,193,417	627,520,315	1,830,721,267	209,457	2,849,644,456

\*Reflects an increase of \$137,685,082 in net investment income resulting from a change to the accrual basis of accounting as of December 31, 1982.

### The 1986 PERS Dollar Came From—



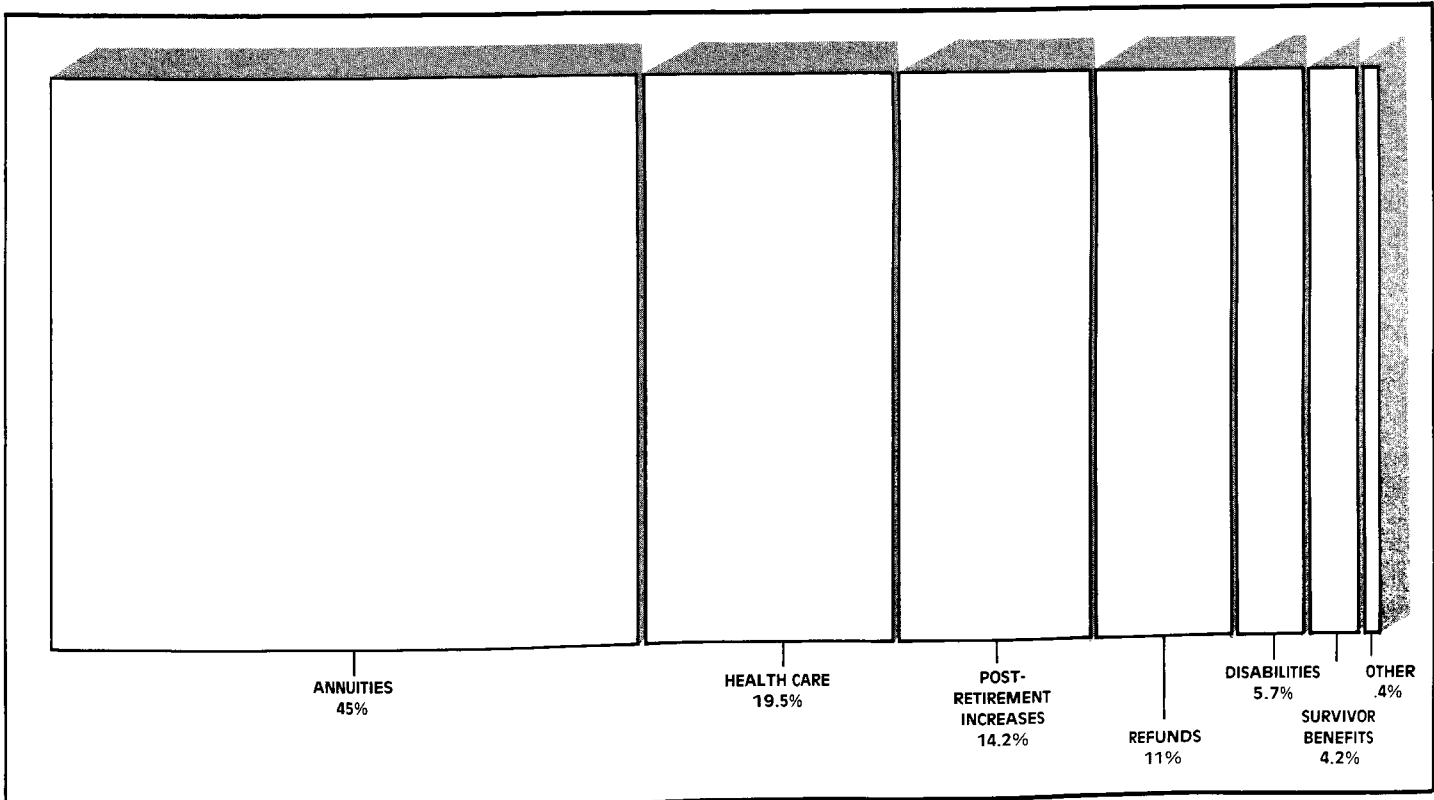


# DISBURSEMENTS BY TYPE

## Last 10 Years

	<i>BENEFIT PAYMENTS</i>	<i>REFUNDS</i>	<i>ADMINISTRATIVE EXPENSE</i>	<i>TOTAL</i>
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
1982	406,828,497	66,978,882	7,223,272	481,030,651
1983	466,770,558	63,144,826	8,774,539	538,689,923
1984	522,466,256	85,108,060	9,137,846	616,712,162
1985	581,512,580	76,636,067	9,144,206	667,292,853
1986	653,440,281	80,552,059	9,467,193	743,459,533

### The 1986 PERS Benefit Dollar Was Spent For—





## DISBURSEMENTS

Last 10

## BENEFITS

	<i>ANNUITIES</i>	<i>DISABILITIES</i>	<i>OTHER SYSTEMS</i>	<i>SURVIVORS</i>	<i>CPI</i>	<i>POST RETIREMENT LEGISLATIVE INCR.</i>
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
1982	214,286,038	27,372,888	2,023,006	24,535,836	31,468,090	27,594,317
1983	239,346,014	29,678,413	2,615,346	25,977,513	38,569,453	25,841,902
1984	266,061,642	32,411,456	3,227,849	27,608,949	46,263,861	40,967,243
1985	297,771,528	36,811,337	3,818,776	29,136,086	54,905,210	40,238,117
1986	330,641,045	41,693,306	2,902,443	31,076,948	64,319,209	38,034,762

MEMBER  
COUNT

Last 10 Years

	<i>ACTIVE CONTRIBUTING</i>	<i>INACTIVE</i>	<i>TOTAL</i>
1977	280,045	22,736	<b>302,781</b>
1978	279,088	39,378	<b>318,466</b>
1979	263,614	46,404	<b>310,018</b>
1980	258,559	52,782	<b>311,341</b>
1981	255,097	53,005	<b>308,102</b>
1982	251,169	52,454	<b>303,623</b>
1983	250,566	53,560	<b>304,126</b>
1984	250,796	53,931	<b>304,727</b>
1985	254,797	54,746	<b>309,543</b>
1986	258,608	56,710	<b>315,318</b>

MEMBERS  
CONTRIBUTION  
RATES

Last 10 Years

<i>CALENDAR YEAR</i>	<i>CONTRIBUTION RATE</i>
1977	8.5%
1978	8.5
1979	8.5
1980	8.5
1981	8.5
1982	8.5*
1983	8.5*
1984	8.5*
1985	8.5*
1986	8.5*

\*Effective November 1982. Law Enforcement  
Contribution Rate is 9.5%.





# PAYMENTS BY CATEGORY

10 Years

**REFUNDS**

<i>HEALTH CARE</i>	<i>DEATH BENEFITS</i>	<i>SEPARATION</i>	<i>BENEFICIARIES</i>	<i>OTHER</i>	<i>TOTAL ALL PAYMENTS</i>
\$ 24,699,933	\$1,270,371	\$43,393,966	\$1,693,303	\$ 91,455	<b>\$250,002,964</b>
33,719,070	1,274,556	57,696,936	2,220,385	214,699	<b>294,370,450</b>
41,112,677	1,330,560	76,573,982	2,524,667	16,847,635	<b>364,379,872</b>
44,182,218	1,379,989	61,560,229	2,515,380	438,790	<b>364,123,579</b>
54,033,205	1,524,491	73,182,786	2,617,655	438,489	<b>422,096,509</b>
78,112,241	1,436,081	63,954,454	2,722,037	302,391	<b>473,807,379</b>
103,156,330	1,585,587	59,871,357	2,673,207	600,262	<b>529,915,384</b>
104,257,965	1,667,291	80,620,354	3,154,663	1,333,043	<b>607,574,316</b>
117,178,501	1,653,025	72,916,583	3,135,948	583,536	<b>658,148,647</b>
143,141,885	1,630,683	76,349,378	3,243,057	959,624	<b>733,992,340</b>

## NUMBER OF EMPLOYER UNITS

Last 10 Years

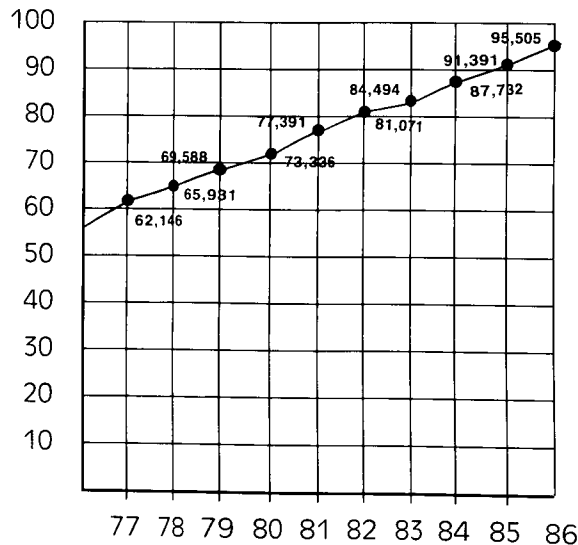
<i>CALENDAR YEAR</i>	<i>STATE</i>	<i>COUNTY</i>	<i>LAW ENFORCEMENT</i>	<i>MUNICIPALITIES</i>	<i>VILLAGES</i>	<i>MISCELLANEOUS</i>	<i>LIBRARIES</i>	<i>TOWNSHIPS</i>	<i>TOTALS</i>
1977	269	200	88	277	572	321	250	1,283	<b>3,260</b>
1978	270	205	88	281	578	332	251	1,281	<b>3,286</b>
1979	262	198	88	281	569	323	248	1,283	<b>3,252</b>
1980	253	193	88	284	560	327	248	1,275	<b>3,228</b>
1981	252	200	146	291	569	328	249	1,286	<b>3,321</b>
1982	248	207	151	294	576	348	249	1,267	<b>3,340</b>
1983	259	170	162	300	584	353	249	1,342	<b>3,419</b>
1984	270	184	148	330	561	371	254	1,296	<b>3,414</b>
1985	239	197	174	296	599	355	249	1,302	<b>3,411</b>
1986	239	235	175	338	603	288	251	1,306	<b>3,435</b>



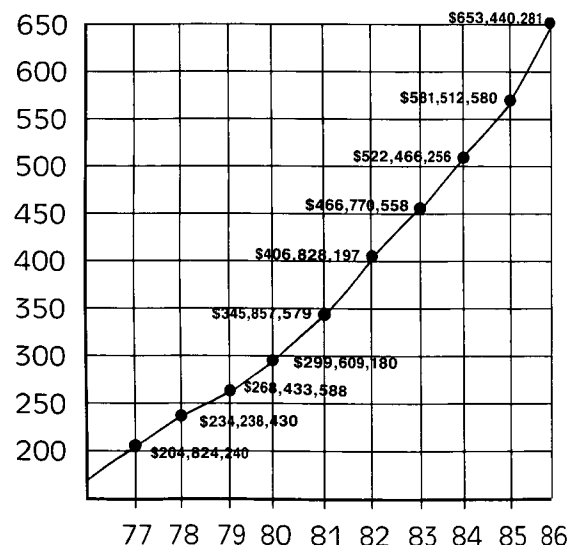
## NUMBER OF NET BENEFIT PAYMENTS BY CATEGORY

AS OF YEAR-END	ANNUITIES	DISABILITIES	SURVIVORS	TOTAL
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
1982	65,363	5,807	9,901	81,071
1983	68,345	6,017	10,132	84,494
1984	71,228	6,189	10,315	87,732
1985	74,407	6,517	10,467	91,391
1986	77,960	6,864	10,681	95,505

**Total Benefit Recipients**



**Total Benefit Payments**



## NUMBER OF NEW BENEFIT AND REFUND PAYMENTS BY YEAR

YEAR ENDING DEC. 31	ANNUITIES	DISABILITIES	S1 & S2 SURVIVORS	REFUND
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
1982	5,445	563	631	28,283
1983	5,143	509	596	23,665
1984	5,475	562	568	28,988
1985	5,516	683	535	21,766
1986	6,196	730	620	22,976



# EMPLOYER CONTRIBUTION RATES

## STATE—Last 10 Years

Calendar Year	CURRENT			UNFUNDED LIABILITY		
	Normal	Health	Survivor Benefits	Past Service	Health	Total
1977	6.74%	1.15%	1.35%	3.71%	0.76%	13.71%(1)
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
1982	5.77	1.10	0.99	4.93	0.92	13.71
1983	4.55	1.65	0.86	5.25	1.40	13.71
1984	4.61	1.70	0.80	5.13	1.47	13.71
1985	4.73	2.17	0.84	4.47	1.50	13.71
1986	4.84	2.23	0.75	4.35	1.54	13.71

(1) Effective 7-1-77

## LOCAL—Last 10 Years

Calendar Year	CURRENT			UNFUNDED LIABILITY		
	Normal	Health	Survivor Benefits	Past Service	Health	Total
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
1982	6.03	1.27	1.07	4.66	0.92	13.95
1983	4.86	1.97	0.92	4.83	1.37	13.95
1984	4.83	2.20	0.88	4.56	1.48	13.95
1985	4.99	2.53	0.91	4.02	1.50	13.95
1986	4.95	2.76	0.80	3.87	1.57	13.95

(1) Effective 7-1-77

## LAW ENFORCEMENT—Last 10 Years

Calendar Year	CURRENT			UNFUNDED LIABILITY		
	Normal	Health	Survivor Benefits	Past Service	Health	Total
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
1982	10.38	1.27	1.58	4.47	0.40	18.10
1983	8.66	2.00	1.42	5.27	0.75	18.10
1984	8.15	2.32	1.57	5.14	0.92	18.10
1985	8.19	2.90	1.56	4.35	1.10	18.10
1986	8.07	3.12	1.53	4.30	1.08	18.10

(1) Effective 7-1-77



## SCHEDULE OF AVERAGE BENEFIT PAYMENTS\*

	YEARS CREDITED SERVICE					
	5-9	10-14	15-19	20-24	25-30	30+
Period 1/1/82-12/31/82						
Average Monthly Benefit**	\$ 163.29	\$ 292.98	\$ 422.92	\$ 5,984.46	\$ 771.17	\$ 1,192.76
Average Final Average Salary	\$ 872.90	\$ 1,064.83	\$ 1,176.73	\$ 1,302.78	\$ 1,416.28	\$ 1,657.13
Number of Active Recipients	1,120	1,300	1,075	790	659	933
Period 1/1/83-12/31/83						
Average Monthly Benefit**	\$ 173.38	\$ 318.79	\$ 457.44	\$ 645.88	\$ 835.12	\$ 1,278.77
Average Final Average Salary	\$ 973.41	\$1,201.35	\$ 1,293.57	\$ 1,451.04	\$ 1,594.28	\$ 1,834.35
Number of Active Recipients	982	1,284	1,090	793	711	1,071
Period 1/1/84-12/31/84						
Average Monthly Benefit**	\$ 163.34	\$ 312.47	\$ 454.17	\$ 628.71	\$ 864.97	\$ 1,300.98
Average Final Average Salary	\$ 922.92	\$1,214.64	\$ 1,324.39	\$ 1,217.94	\$ 1,670.36	\$ 1,900.05
Number of Active Recipients	1,074	1,355	1,231	888	716	1,162
Period 1/1/85-12/31/85						
Average Monthly Benefit**	\$ 178.55	\$ 327.01	\$ 485.98	\$ 675.07	\$ 907.20	\$ 1,348.01
Average Final Average Salary	\$ 1,029.50	\$ 1,308.68	\$ 1,464.74	\$ 1,607.33	\$ 1,794.32	\$ 2,052.49
Number of Active Recipients	1,103	1,229	1,194	929	777	1,217
Period 1/1/86-12/31/86						
Average Monthly Benefit**	\$ 161.90	\$ 320.40	\$ 490.65	\$ 680.44	\$ 903.26	\$ 1,310.80
Average Final Average Salary	\$ 1,022.65	\$ 1,312.12	\$ 1,510.52	\$ 1,661.01	\$ 1,832.60	\$ 2,050.33
Number of Active Recipients	1,421	1,247	1,189	907	711	1,172
Period 1/1/82-12/31/86						
Average Monthly Benefit**	\$ 168.09	\$ 314.33	\$ 462.23	\$ 1,722.91	\$ 856.34	\$ 1,286.26
Average Final Average Salary	\$ 964.29	\$ 1,220.32	\$ 1,353.99	\$ 1,448.02	\$ 1,661.57	\$ 1,898.87
Number of Active Recipients	5,700	6,415	5,779	4,307	3,574	5,555

\*Retirement Effective Dates January 1, 1982 - December 31, 1986

\*\*"Average Monthly Benefit" includes post retirement and yearly 3% cost-of-living increases.

(This table has been upgraded to include all annuity payments. In the 1985 Comprehensive Annual Financial Report this table reflected only straight line normal annuity payments.)

# INVESTMENT SECTION

Investment Report

Investment Portfolio Summary

Detailed Listing of Investment Portfolio



## INVESTMENT REPORT

Economic activity in 1986 was similar to that witnessed in 1985. The activity can be characterized by slow growth and low inflation. The domestic economy, as measured by the Gross National Product (GNP), grew at a 2.7% annual rate during 1986. Quarterly changes in GNP ranged from a low of .6% in the second quarter to a high of 3.8% in the first quarter. Inflation continued at a low level, actually dropping to 1.9% in 1986 from 3.5% in 1985, as measured by the annual percentage change in the Consumer Price Index. The drop in oil prices during the year was a major contributor to the lower inflation rate.

The slow growth in the economy for the last two years has increased the necessity for companies to be competitive. In a desire to increase competitiveness both in the U.S. and abroad, corporate America pursued major restructuring activities in 1986. Restructuring included new debt issues, corporate repurchase of stock, merger and acquisitions of other companies, divestiture of unwanted businesses, and leverage buyouts. Corporate issues of debt saw an opportunity to reduce capital costs by issuing debt in an environment of low interest rates. Domestic corporate issuers flooded the market with a record \$161 billion in new debt, far surpassing the 1985 total of \$94 billion. Other reorganization activities increased to \$275 billion up from \$235 billion in 1985 and \$124 billion in 1984.

The stock and bond markets continued to show substantial gains in 1986. Investors again choose a positive investment outlook with low inflation, falling interest rates, and the perceived increased competitiveness

of restructuring. PERS benefited from the favorable investment markets of 1986. Total fund performance was up 15.2%. This performance was similar to other pension and investment funds with similar asset allocations, as measured by SEI Funds Evaluation Service.

While the stock and bond markets provided substantial gains in 1986, there were breathtaking swings in the prices of both markets. The wide price movements were exacerbated by uncertainties created by the new tax law and uncertain economic direction. The new tax law unnerved investors partly because capital gains taxes were being raised and partly because it was uncertain how the law would affect companies' bottom line. Combining the new tax laws with confusing economic indicators and wide price swings resulted.

The outlook for 1987 is for continued economic sluggishness throughout most of the year. The trade deficit will be an important issue for 1987; the anticipated reduction, which has yet to materialize, would validate renewed worldwide competitiveness for the U.S. industrial sector. It is anticipated that the lower U.S. dollar will eventually reduce the trade deficit and provide renewed economic growth.

In 1987 our goal is to achieve a total return for the fund in excess of our actuarially assumed rate of return of 7.5%, plus administrative expenses. We believe this goal can be achieved through selectively buying and selling common stocks and trading and positioning our bond portfolio to take advantage of arbitrage opportunities and interest rate movements.

## INVESTMENT PORTFOLIO SUMMARY

Year ended December 31, 1986

	PAR VALUE	BOOK VALUE	MARKET VALUE	% TOTAL PORTFOLIO	PURCHASE YIELD (Based on Par Value)
U.S. Gov't & Agencies	\$ 1,397,847,640	\$1,108,356,266	\$ 1,129,457,859	13.46	7.40%
Corporate	1,464,930,592	1,551,833,426	1,531,949,925	14.10	11.11%
Canadian	40,682,000	48,759,987	53,169,195	.39	10.54%
Mortgages	5,147,000,643	4,938,099,185	5,247,651,626	49.55	9.63%
Venture Capital	32,347,562	32,347,562	33,433,917	.31	1.24%
Stocks (at cost)	2,143,374,021	2,143,374,021	3,096,822,649	20.63	4.64%
Real Estate	162,190,154	162,190,154	196,578,712	1.56	
Total Portfolio	<u>\$10,388,372,612</u>	<u>\$9,984,960,601</u>	<u>\$11,289,063,883</u>	<u>100.00</u>	8.34%



# DETAILED LISTING OF INVESTMENT PORTFOLIO

**December 31, 1986**

## U.S. GOVERNMENT & AGENCIES

BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
United States Treasury Receipts	0.000%	02/15/1991	\$ 3,180,000	\$ 1,865,487	\$ 2,365,792
United States Treasury Receipts	0.000%	08/15/1991	600,000	341,232	429,696
United States Treasury Receipts	0.000%	02/15/1991	7,231,250	4,308,273	5,379,760
United States Treasury Receipts	0.000%	08/15/1991	7,231,250	4,038,680	5,178,732
United States Treasury Receipts	0.000%	05/15/1991	22,326,250	13,501,331	16,314,683
United States Treasury Receipts	0.000%	02/15/1990	9,281,250	6,303,190	7,451,822
United States Treasury Receipts	0.000%	08/15/1990	9,831,250	6,267,814	7,581,073
United States Treasury Receipts	0.000%	08/15/2011	72,935,000	7,759,980	10,087,639
United States Treasury Receipts	0.000%	02/15/2015	299,140,000	34,916,656	35,274,588
Falcon One Sea Transport Company	12.100%	12/31/2006	10,621,189	10,621,189	11,246,140
FHA—Series MM	4.625%	12/01/1992	41,200	40,326	40,029
Patriot III Shipping Corp. Title XI	8.000%	08/07/2004	4,800,000	4,800,000	4,623,408
United States Treasury Receipts	7.500%	11/15/2016	50,000,000	50,905,744	50,062,500
United States Treasury Receipts	12.625%	11/15/1987	250,000,000	263,826,610	263,397,500
United States Treasury Receipts	10.750%	07/15/1990	25,000,000	24,432,910	28,070,250
United States Treasury Receipts	10.875%	02/15/1987	1,605,000	1,606,478	1,609,510
United States Treasury Receipts	13.875%	08/15/1989	82,205,000	94,683,131	96,333,573
United States Treasury Receipts	13.750%	07/15/1991	124,899,000	152,869,639	157,684,987
United States Treasury Receipts	12.750%	11/15/1989	9,500,000	10,203,020	10,981,430
United States Treasury Receipts	8.875%	10/31/1987	82,575,000	84,230,276	84,342,930
United States Treasury Receipts	8.500%	11/30/1987	248,820,000	254,140,322	253,990,479
United States Treasury Receipts	8.625%	11/15/1988	1,300,000	1,306,273	1,348,750
United States Treasury Receipts	8.125%	01/31/1988	30,000,000	30,628,084	30,600,000
United States Treasury Receipts	6.625%	04/30/1988	20,000,000	20,078,947	20,075,000
United States Treasury Receipts	7.125%	05/31/1988	24,725,000	24,680,661	24,987,579
<b>Total</b>			<b>\$1,397,847,640</b>	<b>\$1,108,356,266</b>	<b>\$1,129,457,859</b>

## CORPORATE

ACF Industries	11.000%	10/01/1989	\$ 400,000	\$ 400,000	\$ 424,056
Acceleration Corporation	10.500%	09/01/1994	4,600,000	4,600,000	5,229,648
Air Products and Chemicals	11.625%	05/15/2010	12,550,000	13,740,666	13,918,326
Allied Corporation	12.500%	11/01/2009	8,570,000	9,602,058	9,619,825
Atlantic Richfield Company	12.500%	09/15/2012	120,518,000	127,730,794	133,122,977
Baltimore and Ohio Railroad	9.000%	06/01/1987	700,000	700,000	705,964
Baltimore and Ohio Railroad	9.000%	06/01/1991	800,000	797,918	835,016
Baltimore and Ohio Railroad	9.000%	06/01/1992	800,000	797,541	834,328
Baltimore and Ohio Railroad	9.000%	06/01/1993	800,000	797,189	829,144
Bowater Incorporated	12.375%	02/01/2015	46,760,000	49,898,014	52,467,993
Brush Wellman Incorporated	12.500%	02/01/2001	15,000,000	15,000,000	16,575,000
Burlington Northern Incorporated	15.500%	01/02/1999	9,232,308	9,232,308	13,215,588
Burlington Northern Incorporated	11.625%	08/15/2015	35,830,000	37,594,654	38,748,711
Capital Cities Communications	11.625%	08/15/2015	90,735,000	95,816,179	100,690,444
Carlisle Corporation	11.000%	06/15/2000	933,333	933,333	848,418
Carnation Company	7.500%	03/01/1996	700,000	664,398	681,135
Carolina Power and Light	12.875%	12/01/2013	4,950,000	5,481,819	5,671,561
Carolina Power and Light	11.750%	10/01/2015	8,650,000	9,763,892	9,705,905
Cincinnati Bell Incorporated	7.375%	08/01/2011	100,000	83,303	88,072
Commonwealth Edison	12.125%	05/15/2013	17,550,000	19,950,847	19,915,389
Conoco Incorporated	13.250%	01/15/2011	26,573,000	29,328,123	29,478,491
Dayton-Hudson Corporation	14.750%	06/01/2012	9,100,000	9,689,212	10,186,631
Dayton-Hudson Corporation	11.875%	10/15/2012	14,740,000	16,363,543	16,379,825
Dayton-Hudson Corporation	12.000%	04/15/2015	4,000,000	4,391,228	4,456,000
Dayton-Hudson Corporation	11.375%	10/01/2025	13,000,000	12,905,346	15,597,530
Diamond State Telephone	9.750%	01/02/2000	2,469,119	2,469,119	2,608,699
Dow Chemical Company	9.750%	07/02/1999	2,505,637	2,505,637	2,644,274
Dow Chemical Company	11.750%	08/01/2005	8,335,000	9,097,044	9,023,387
Engelhard Minerals & Chemicals	9.000%	11/01/1996	6,250,000	6,250,000	5,954,625
First Banc Group of Ohio, Inc.					

BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Florida Power and Light Company	12.500%	10/01/2012	\$ 5,160,000	\$ 5,895,607	\$ 5,766,506
Florida Power and Light Company	12.375%	03/01/2013	15,620,000	17,084,449	17,650,912
Fruit Growers Express	9.250%	05/15/1989	400,002	400,002	410,130
GTE Sylvania	10.000%	04/01/2000	5,000,000	5,160,448	5,183,400
General Motors Acceptance Corporation	7.250%	08/31/1990	21,085,000	21,085,000	20,847,793
General Electric Company	7.125%	04/01/1989	71,100,000	70,992,520	71,860,059
General Electric Credit Corporation	11.750%	06/01/2005	10,742,000	12,327,279	12,449,118
General Motors Acceptance Corporation	9.875%	11/01/1989	5,000,000	5,155,928	5,257,050
General Telephone Company of Indiana	6.250%	07/01/1997	2,000,000	1,782,400	1,648,700
Hershey Foods	9.500%	03/15/2009	48,255,000	49,446,177	49,589,733
Humana Incorporated	13.750%	08/15/2013	9,283,000	10,393,335	10,514,482
Huntington Bancshares, Incorporated	8.875%	09/15/1997	7,218,750	7,174,287	6,324,707
ITT Financial Corporation	10.500%	10/15/1995	4,001,000	4,121,196	4,095,063
K-Mart Corporation	13.500%	01/01/2009	5,850,000	5,850,000	7,515,729
K-Mart Corporation	12.750%	03/01/2015	82,625,000	90,798,165	92,436,718
Kansas City Southern Industry	12.000%	10/01/2010	10,650,000	11,875,466	11,420,421
Laclede Gas Company	9.750%	07/15/1999	5,000,000	5,215,136	5,174,000
Louisville and Nashville Railroad	10.000%	11/01/1990	416,773	416,773	425,117
Louisville and Nashville Railroad	9.250%	10/30/1991	1,428,035	1,428,035	1,414,097
Mercantile Stores	12.500%	01/15/2014	4,100,000	3,988,969	4,649,851
Mobil Corporation	14.400%	06/15/2004	62,455,000	72,426,278	73,147,296
Mobil Corporation	13.765%	09/15/2004	32,645,000	37,799,290	38,032,730
Mountain States Telephone and Telegraph	11.625%	06/08/2023	18,000,000	20,460,842	20,792,880
Penney, J.C. Financial	10.200%	10/15/1994	18,532,000	19,199,757	19,525,871
Pennsylvania Mart Properties	10.250%	04/01/2000	2,162,011	2,162,011	2,358,732
Petroleum Facilities Incorporated (Series P)	4.700%	06/01/1989	26,000	25,379	24,194
Petroleum Facilities Incorporated (Series R)	4.700%	12/01/1989	89,000	86,625	81,684
Petroleum Facilities Incorporated (Series T)	4.700%	06/01/1989	75,000	72,702	70,265
Phibro-Salomon	11.625%	08/01/2015	47,685,000	48,606,727	53,851,147
RJR Nabisco, Incorporated	11.200%	08/01/1997	42,000,000	45,508,715	45,580,920
Reynolds, R.J. Industries	13.350%	10/01/2012	40,000	41,179	45,196
Rohm & Haas Company	9.875%	04/15/2000	15,358,000	15,810,884	15,825,958
Ryder Systems, Incorporated	9.250%	04/01/1998	59,047,000	59,418,020	61,275,433
Ryder Systems, Incorporated	12.500%	03/15/1995	5,000,000	5,994,547	5,801,100
St. Louis Southerwestern Railway	9.750%	10/01/1990	800,000	800,000	841,576
Sears Roebuck & Company	11.875%	12/01/2014	59,855,000	62,740,219	67,630,164
Second Swansea Properties, Incorporated	6.250%	02/01/1992	798,410	722,401	702,720
Shell Oil Company	14.250%	06/15/2011	2,500,000	2,806,589	2,862,500
Society Bank	9.750%	10/01/1996	4,532,119	4,532,119	4,543,631
Southern Bell Telephone & Telegraph	11.750%	04/19/2023	39,810,000	45,863,892	45,625,842
Union Carbide Company	8.625%	01/15/1999	1,566,118	1,566,118	1,511,868
Union Pacific Railroad	13.150%	11/01/1994	8,300,000	9,201,205	9,855,918
Warren Property Corporation	0.000%	10/01/2007	115,486,971	115,486,971	51,599,579
Westvaco Corporation	12.125%	11/01/2012	36,525,000	40,648,938	39,865,576
Westvaco Corporation	12.650%	01/15/2014	6,700,000	7,044,021	7,462,393
Westvaco Corporation	12.300%	01/15/2015	42,000,000	44,130,239	45,526,320
Whirlpool Corporation	9.625%	09/15/2000	33,397,000	34,075,629	34,419,616
Wisconsin Power & Light	8.000%	06/01/1991	12,460,000	12,426,756	12,733,497
Worthington Industries	9.250%	12/01/1998	15,000,000	15,000,000	15,264,750
Total			\$1,464,930,592	\$1,551,833,426	\$1,531,949,925

**CANADIAN**

Hydro Quebec	16.625%	01/15/1992	\$ 9,800,000	\$ 13,033,158	\$ 13,377,686
New Brunswick Electric Power Commission	9.000%	02/15/1997	3,752,000	3,500,589	3,288,365
Province of Manitoba	14.750%	03/15/1997	27,130,000	32,226,239	36,503,143
Total			\$ 40,682,000	\$ 48,759,987	\$ 53,169,195

**MORTGAGES**

Fort Lewis	4.500%	06/01/1988	\$ 94,100	\$ 94,100	\$ 91,277
Fort Lewis	4.500%	09/01/1988	199,523	199,523	193,537
Fort Lewis	4.500%	12/01/1988	169,613	169,613	164,524
Fort Riley	4.500%	01/01/1988	80,996	78,566	78,566
Fort Riley	4.500%	03/01/1988	191,802	186,048	186,048





BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Fort Riley	4.500%	05/01/1988	\$ 185,156	\$ 179,601	\$ 179,601
Fort Riley	4.500%	06/01/1988	199,694	193,701	193,703
Fort Riley	4.500%	07/01/1988	206,822	200,617	200,617
Fort Riley	4.500%	09/01/1988	264,726	256,784	256,784
Fort Riley	4.500%	10/01/1988	268,346	260,296	260,296
Mayport Quarters	4.500%	01/01/1988	202,459	206,255	196,385
Mayport Quarters	4.500%	03/01/1988	233,478	239,315	226,474
Mayport Quarters	4.500%	04/01/1988	191,956	196,755	186,197
5th Newport	4.500%	08/01/1987	61,744	61,744	59,892
6th Newport	4.500%	06/01/1987	46,464	46,464	45,070
Beale AFB	4.250%	01/01/1987	12,941	12,957	12,941
Beale AFB	4.250%	02/01/1987	22,829	22,886	22,829
Beale AFB	4.250%	04/01/1987	44,787	44,787	44,676
Malmstrom AFB	4.500%	05/01/1988	196,398	196,398	190,506
Minot AFB	4.500%	02/01/1987	16,932	16,932	16,424
Minot AFB	4.500%	05/01/1987	43,806	43,806	42,492
Turner AFB	4.500%	06/01/1987	69,693	70,805	67,833
FHA—Alice Village	7.480%	03/01/2022	1,493,819	851,476	1,297,919
FHA—Almond Terrace	7.480%	07/01/2022	1,540,531	870,614	1,338,506
FHA—Amherst Village	7.440%	05/01/2021	3,033,389	1,626,654	2,648,938
FHA—Anglers Manor	7.440%	03/01/2021	3,102,739	1,500,950	2,709,497
FHA—Apple Village	7.440%	02/01/2019	6,835,161	4,043,674	5,968,873
FHA—Arbor Terrace	7.440%	10/01/2021	1,358,635	708,188	1,186,441
FHA—Aspen-Sratford Apartments	7.440%	05/01/2019	2,146,918	1,288,150	1,874,817
FHA—Austin Village Apartments	7.440%	02/01/2022	1,819,717	880,289	1,589,086
FHA—Autumn Trace Apartments	7.480%	10/01/2021	1,617,779	853,378	1,396,564
FHA—Batavia Village	7.480%	02/01/2021	1,472,935	805,105	1,271,526
FHA—Bayberry Housing for the Elderly	7.440%	08/01/2018	5,283,557	3,105,141	4,613,919
FHA—Briarwood Apartments of Columbus	7.480%	04/20/2022	4,943,371	2,478,022	4,295,097
FHA—Brookchester	7.440%	10/15/2020	1,977,943	1,260,939	1,727,258
FHA—Cambridge Square	7.440%	10/01/2019	3,261,306	1,956,783	2,847,968
FHA—Cambridge Village	7.480%	08/01/2018	1,516,520	1,035,140	1,317,643
FHA—Campus Manor	7.480%	05/01/2019	1,463,199	771,837	1,271,315
FHA—Canton Tower Project	7.460%	08/01/2018	4,434,878	3,583,599	3,880,341
FHA—Carlton-Green Estates	9.440%	11/01/2019	3,433,384	3,248,841	3,529,313
FHA—The Carolina	7.440%	07/01/2022	2,365,608	1,637,444	2,065,791
FHA—Casa De Amigos	7.480%	10/01/2022	1,374,688	955,558	1,194,411
FHA—Cedar Park Apartments	7.480%	07/01/2011	4,846,158	3,514,089	5,136,927
FHA—Cedar Woods Apartments	7.480%	07/20/2021	2,439,795	1,189,885	2,119,840
FHA—Cheyenne Station	7.480%	02/01/2022	2,766,184	1,576,724	2,403,426
FHA—The Chimneys of Oak Creek	7.480%	08/01/2023	7,475,120	5,279,819	6,494,833
FHA—Cliffview Apts	7.440%	10/15/2020	3,866,618	2,464,969	3,376,563
FHA—130 Clinton Street Project	7.440%	10/01/2019	3,451,990	2,076,899	3,014,484
FHA—Countrysquire Apartments	7.440%	08/01/2022	1,889,944	1,065,456	1,650,413
FHA—Cove Apartments & Racquetball Club	7.440%	10/01/2022	1,933,370	1,174,522	1,688,334
FHA—Crawford Square Apartments	7.480%	09/01/2019	1,040,189	567,006	903,779
FHA—Creekwood Apartments	7.440%	11/01/2006	2,786,331	1,502,780	2,633,082
FHA—Cross Creek Apartments	7.440%	07/01/2006	2,472,145	1,338,087	2,286,734
FHA—Deep Lake Hermitage Apartments	7.480%	07/01/1999	3,837,001	2,024,018	4,028,851
FHA—Delaware Village	7.440%	02/01/2003	1,290,356	691,953	1,219,386
FHA—Delhi Estates	7.480%	11/01/2004	2,150,008	1,158,335	2,128,507
FHA—Douglas Manor	7.440%	12/01/2002	3,149,299	1,889,579	2,976,087
FHA—Duckwood Trails	7.480%	10/01/2006	5,105,238	2,744,622	4,958,463
FHA—Eagles Landing	7.480%	01/01/2007	976,119	580,790	922,432
FHA—Forest Park Apartments	7.480%	07/01/2020	1,460,034	798,053	1,268,565
FHA—Earhart Woods	7.480%	08/01/2005	4,192,953	2,908,865	4,167,795
FHA—Eastside Hills Apartments	7.480%	08/01/2005	1,503,568	808,331	1,488,532
FHA—Eisner Court	7.440%	12/01/2002	1,835,715	990,075	1,716,394
FHA—Elgin Manor	7.480%	12/01/2008	3,539,463	1,867,067	3,566,009
FHA—Essex Village	7.440%	12/27/1988	3,051,523	1,779,339	3,204,099
FHA—Fairington Apartments	7.480%	02/01/2021	4,271,478	2,963,373	3,711,316
FHA—Fairington Apartments of Southbend	7.440%	10/01/2006	4,469,675	2,419,281	4,268,539
FHA—Fairfield West Townhouses	7.480%	09/01/2007	1,596,140	949,703	1,508,352
FHA—Fairview Manor	7.480%	09/01/2009	2,655,062	1,294,871	2,757,945
FHA—Fernwood Court	7.440%	01/01/2008	2,572,520	1,244,457	2,456,756
FHA—Finley Apartments	7.440%	06/01/2020	1,382,744	746,681	1,207,495
FHA—Fleetwood Apartments	7.440%	05/01/2008	1,893,224	935,084	1,751,232



ISSUER NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
FHA—Forum Manor	7.480%	11/01/2009	\$ 1,512,692	\$ 900,052	\$ 1,429,494
FHA—Fountain Square Apartments	7.480%	04/01/2008	2,599,316	1,371,139	2,560,327
FHA—Fox Ridge Apartments	7.440%	02/01/2008	2,447,017	1,379,506	2,410,312
FHA—Foxchase of Alexandria	7.490%	08/01/2023	76,575,085	55,526,815	67,195,403
FHA—Foxwood Apartments	7.480%	01/01/2007	2,547,699	1,343,911	2,509,483
FHA—Franklin Court	7.480%	01/01/2004	2,735,231	1,500,545	2,745,488
FHA—Garfield House	7.480%	02/01/2023	12,963,908	9,142,655	11,263,821
FHA—Gentry Place	7.440%	10/01/2010	3,088,204	1,493,919	3,254,195
FHA—Gillpark Cooperative	7.440%	12/01/1993	9,811,491	5,040,650	9,848,284
FHA—Glenbrook II	7.480%	08/01/2022	3,341,156	1,888,217	2,902,996
FHA—Hadley West	7.440%	12/01/1994	6,008,325	3,531,086	6,030,856
FHA—Harbour Town Apartments	7.440%	01/01/2008	2,488,669	1,586,526	2,202,472
FHA—Hidden Meadow Townhouses	7.440%	04/01/2010	3,239,925	1,557,189	3,146,777
FHA—Highland Place	7.440%	09/01/2002	3,766,201	2,019,624	3,634,384
FHA—Highview Park	7.480%	01/01/2011	1,248,985	850,871	1,213,076
FHA—Hillcrest Elderly	7.480%	09/15/2017	3,643,930	2,134,246	3,166,065
FHA—Hillside Apartments	7.440%	07/01/1999	1,344,278	725,910	1,411,492
FHA—Hopkins Village	7.440%	07/01/2007	4,300,038	2,322,020	4,235,537
FHA—Hunters Creek	7.480%	10/01/2021	4,511,558	2,493,402	3,919,912
FHA—Huntington Towers	7.440%	10/01/2019	5,234,864	2,833,452	4,571,397
FHA—Irving Oaks	7.480%	08/01/1998	2,761,925	1,560,871	2,900,021
FHA—Jamestown Apartments of Seymour	7.440%	08/01/2004	3,266,671	1,960,002	3,217,671
FHA—Jamestown Apartments of Valparaiso	7.440%	06/01/2020	4,728,457	2,778,909	4,129,173
FHA—Keystone Apartments	7.440%	10/01/2010	8,222,733	4,111,366	8,253,568
FHA—King Village	7.440%	10/01/2007	1,858,293	1,003,478	1,756,087
FHA—Kokomo Manor	7.440%	09/01/2019	2,442,908	1,322,262	2,133,294
FHA—Lakeview Apartments	7.480%	03/01/2007	3,148,438	1,806,416	3,101,211
FHA—Laluz Apartments	7.480%	01/01/2010	2,628,234	1,441,846	2,588,811
FHA—Lasby Park	7.480%	01/01/2010	1,997,000	1,388,133	2,004,489
FHA—Latana Square	7.480%	02/01/2022	1,347,920	768,314	1,171,154
FHA—Lawrence Village	7.480%	08/01/2020	1,693,725	923,248	1,471,610
FHA—Lawrenceburg Village	7.440%	01/01/2021	1,934,616	1,054,557	1,689,422
FHA—Lima Club Apartments	7.480%	11/01/2018	1,992,720	1,357,557	1,731,395
FHA—Logan Place	7.480%	11/01/2019	1,066,262	526,638	926,432
FHA—Lone Oak Manor	7.480%	08/01/2019	1,487,988	784,913	1,292,853
FHA—Majestic Oaks Apartments	7.480%	10/01/2021	4,295,276	2,265,758	3,731,993
FHA—Maple Hills Apartments	7.440%	01/01/2019	1,663,434	821,588	1,452,610
FHA—Marion Village	7.480%	11/01/2021	1,529,734	824,158	1,329,125
FHA—McMillen Wood	7.440%	03/01/2019	2,413,787	1,930,228	2,107,863
FHA—Meadowlands	7.480%	02/01/2022	1,741,439	984,155	1,513,067
FHA—Monument Square Apartments	7.440%	09/01/2019	2,128,030	1,449,722	1,858,324
FHA—Mt. Vernon Plaza	7.480%	12/01/2018	7,426,278	5,235,533	6,452,395
FHA—Newark Green	7.480%	10/20/2021	1,259,179	606,042	1,094,051
FHA—New Bridge Village	7.440%	11/01/2020	3,715,033	2,036,205	3,244,189
FHA—New Floral Gardens	7.440%	07/01/2019	2,611,428	1,522,721	2,280,456
FHA—New Floral Gardens IB	7.440%	08/01/2019	4,337,266	2,529,055	3,787,561
FHA—Northwood Apartments of Franklin	7.440%	10/01/2011	2,252,639	1,219,276	2,387,797
FHA—Nottingham Towers	6.950%	04/01/2016	2,534,338	2,120,924	2,108,341
FHA—Oakwood Gardens	7.440%	04/01/2023	6,682,777	3,767,415	5,835,802
FHA—Olentangy Commons	7.480%	09/01/2021	4,867,654	2,690,205	4,229,309
FHA—Parish Square Apartments	7.480%	05/01/2022	1,012,327	544,236	879,570
FHA—Park Bluff Apartments	7.440%	07/01/2019	3,594,682	2,156,809	3,139,092
FHA—Pleasant Hill Apartments	7.480%	06/01/2022	2,677,117	1,525,956	2,326,040
FHA—Rainier Vista Apartments	7.480%	05/01/2022	2,914,085	1,646,863	2,531,931
FHA—Richfield Apartments	7.440%	04/01/2021	2,965,359	1,434,493	2,589,529
FHA—Ridge Village	7.480%	06/01/2022	1,344,137	759,624	1,167,867
FHA—Ridgewood II Apartments	7.440%	04/01/2010	3,399,037	1,633,662	3,411,783
FHA—River Bend Apartments	7.440%	05/01/2010	2,964,764	1,434,204	2,935,116
FHA—Riverview Apartments	7.440%	07/01/2011	1,738,178	938,616	1,805,532
FHA—Rolling Ridge Townhouses	7.480%	08/01/2008	1,857,982	980,085	1,864,949
FHA—Roslyn Plaza	7.400%	08/01/2010	3,227,042	2,230,695	3,114,095
FHA—Shaker Park Gardens Apartments	7.440%	03/01/2010	3,281,168	1,759,527	3,166,327
FHA—Shawnee II	7.440%	04/01/2009	1,867,195	922,228	1,764,499
FHA—Silver Spring Square	7.480%	10/01/2008	1,534,937	867,453	2,065,865
FHA—Southgate Village	7.480%	02/01/2022	2,411,349	1,434,752	1,495,125
FHA—Stanford Townhouses	7.400%	09/01/2012	3,805,405	2,611,462	3,672,216
FHA—Tamarind Square	7.480%	02/01/2008	1,192,468	812,374	1,180,544



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
FHA—Tanglewood Apartments	9.710%	02/01/2014	\$ 2,185,099	\$ 1,778,124	\$ 2,310,742
FHA—The Terrace	7.480%	12/01/1999	2,739,695	1,519,432	2,801,338
FHA—Thomaston Gardens	7.440%	06/01/2008	1,989,844	982,806	1,959,996
FHA—Townhomes of Chowen Bend	7.480%	04/01/2022	1,299,051	740,459	1,128,694
FHA—Townhouse of Lowell	7.440%	01/01/2019	3,191,751	1,875,788	2,787,228
FHA—Trafalgor Square	9.440%	01/20/2020	1,613,394	1,379,452	1,658,473
FHA—Tree Bourne II	7.480%	12/30/2017	1,564,404	919,242	1,359,248
FHA—Tudor Ridge	7.440%	12/01/2018	3,550,156	2,840,125	3,100,209
FHA—Tullahoma Village Apartments	7.440%	02/01/2020	1,724,432	851,716	1,505,877
FHA—Twinoaks	7.480%	05/01/2018	1,756,846	1,196,859	1,526,453
FHA—University Village	7.480%	07/01/2009	4,737,455	2,677,321	4,476,895
FHA—Urbana Village	7.440%	11/01/2013	1,159,310	621,680	1,228,869
FHA—Vandalia Elderly	7.480%	08/01/2013	1,438,801	980,191	1,521,532
FHA—Village Park Apartments	7.480%	12/01/2012	996,281	546,061	1,052,322
FHA—The Villas	7.480%	09/01/2013	3,692,632	2,589,750	3,914,190
FHA—Vista Verde Apartments	7.480%	09/01/2010	2,147,333	1,223,980	2,268,121
FHA—Vista Verde II	7.480%	11/01/2011	1,989,190	1,382,704	2,108,542
FHA—Washburn Apartments	7.480%	03/01/2010	1,104,162	767,513	1,170,412
FHA—Washington Square Apartments	7.440%	06/01/2009	2,797,838	1,508,986	2,906,254
FHA—Wesley Camilla Tower	7.480%	05/01/2019	8,684,624	6,116,997	7,545,722
FHA—Willow Wood Estates	7.480%	05/01/2022	1,578,120	1,096,966	1,371,166
FHA—Willowbrook Apartments	7.440%	11/01/2019	1,102,284	596,628	962,580
FHA—Willowpark Apartments	7.440%	11/01/2019	1,687,461	911,229	1,473,592
FHA—Wilmington Green	7.480%	03/01/2010	2,346,057	1,272,968	2,498,550
FHA—Windrush-Knoxville	7.470%	07/01/2013	3,761,853	2,534,549	3,987,565
FHA—Wood Glen Apartments	7.440%	12/01/2010	2,671,667	1,442,700	2,815,269
FHA—Woodlen Place	7.480%	07/01/2009	2,007,750	1,079,384	2,085,550
FHA—Wrightstown Arms Apartments	7.440%	04/01/2011	1,456,193	788,187	1,538,104
Federal Home Loan Mortgage Corporation	9.000%	07/01/2009	6,910,611	6,241,145	6,936,526
Federal Home Loan Mortgage Corporation	6.500%	01/01/2008	3,260,552	2,698,107	3,146,433
Federal Home Loan Mortgage Corporation	6.000%	10/01/2002	3,233,434	2,683,750	2,861,589
Federal Home Loan Mortgage Corporation	10.250%	11/01/2009	8,628,469	7,464,729	8,962,822
Federal Home Loan Mortgage Corporation	10.750%	12/01/2009	5,108,054	4,539,783	5,357,072
Federal Home Loan Mortgage Corporation	8.500%	11/01/2008	3,405,301	3,177,571	3,354,221
Federal Home Loan Mortgage Corporation	8.500%	02/01/2008	3,959,782	3,694,971	3,900,385
Federal Home Loan Mortgage Corporation	9.500%	10/01/2011	4,064,460	3,271,890	4,155,911
Federal Home Loan Mortgage Corporation	9.000%	02/01/2010	6,795,882	6,218,232	6,821,367
Federal Home Loan Mortgage Corporation	12.000%	06/01/2012	2,540,983	2,656,122	2,680,737
Federal Home Loan Mortgage Corporation	9.500%	11/01/2010	6,246,681	6,238,873	6,387,231
Federal Home Loan Mortgage Corporation	8.500%	06/01/2009	3,060,080	2,677,570	3,014,178
Federal Home Loan Mortgage Corporation	8.500%	10/01/2008	8,835,009	8,705,245	8,702,484
Federal Home Loan Mortgage Corporation	7.500%	11/01/2008	25,684,739	18,717,753	24,272,078
Federal Home Loan Mortgage Corporation	13.500%	01/01/2013	3,143,095	3,339,538	3,335,610
Federal Home Loan Mortgage Corporation	11.500%	04/01/2013	8,033,319	8,384,777	8,485,193
Federal Home Loan Mortgage Corporation	11.000%	05/01/2010	818,094	806,846	864,112
Federal Home Loan Mortgage Corporation	12.500%	11/01/2010	627,854	658,069	663,955
Federal Home Loan Mortgage Corporation	12.000%	08/01/2013	1,259,568	1,179,590	1,328,845
Federal Home Loan Mortgage Corporation	13.500%	08/01/2011	2,188,661	2,325,452	2,322,717
Federal Home Loan Mortgage Corporation	8.500%	03/01/2007	855,179	633,901	842,351
Federal Home Loan Mortgage Corporation	12.000%	09/01/2013	3,557,473	3,718,671	3,753,134
Federal Home Loan Mortgage Corporation	6.750%	07/01/2003	1,229,640	1,048,268	1,125,120
Federal Home Loan Mortgage Corporation	8.250%	12/01/2009	5,873,154	4,375,499	5,704,300
Federal Home Loan Mortgage Corporation	8.500%	12/01/2008	3,206,904	2,992,442	3,158,800
Federal Home Loan Mortgage Corporation	12.000%	08/01/2013	2,832,668	2,956,598	2,988,465
Federal Home Loan Mortgage Corporation	12.250%	08/01/2013	3,368,784	3,151,919	3,545,646
Federal Home Loan Mortgage Corporation	13.000%	11/01/2013	703,128	696,976	745,316
Federal Home Loan Mortgage Corporation	12.000%	11/01/2013	1,801,120	1,882,734	1,900,182
Federal Home Loan Mortgage Corporation	9.000%	03/01/2007	2,869,473	2,248,949	2,880,234
Federal Home Loan Mortgage Corporation	10.000%	05/01/2009	2,301,158	1,996,942	2,390,328
Federal Home Loan Mortgage Corporation	8.250%	05/01/1998	2,479,099	1,902,709	2,406,214
Federal Home Loan Mortgage Corporation	8.250%	02/01/2008	12,617,100	11,552,532	12,254,359
Federal Home Loan Mortgage Corporation	9.250%	05/01/2009	1,874,679	1,570,043	1,888,739
Federal Home Loan Mortgage Corporation	9.000%	01/01/2009	844,747	680,022	847,915
Federal Home Loan Mortgage Corporation	8.500%	02/01/2007	2,240,060	1,702,445	2,206,459
Federal Home Loan Mortgage Corporation	8.250%	04/01/2009	1,620,587	1,217,466	1,573,995
Federal Home Loan Mortgage Corporation	10.000%	01/01/2010	984,009	798,278	1,022,140
Federal Home Loan Mortgage Corporation	8.750%	08/01/2004	1,933,653	1,488,913	1,914,317



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Federal Home Loan Mortgage Corporation	7.000%	12/01/2006	\$ 3,628,578	\$ 3,188,613	\$ 3,356,435
Federal Home Loan Mortgage Corporation	12.000%	05/01/2014	8,361,853	8,782,523	8,821,755
Federal Home Loan Mortgage Corporation	8.000%	01/01/2008	36,077,655	35,525,216	34,814,937
Federal Home Loan Mortgage Corporation	8.000%	09/01/2007	17,489,290	15,367,561	16,877,165
Federal Home Loan Mortgage Corporation	8.250%	10/01/2007	8,126,165	7,090,079	7,892,538
Federal Home Loan Mortgage Corporation	8.250%	11/01/2007	1,140,183	1,004,786	1,107,402
Federal Home Loan Mortgage Corporation	8.500%	12/01/2007	9,661,544	8,864,467	9,516,621
Federal Home Loan Mortgage Corporation	8.750%	04/01/2008	8,641,261	8,079,579	8,554,849
Federal Home Loan Mortgage Corporation	8.750%	05/01/2008	5,224,731	4,885,123	5,172,484
Federal Home Loan Mortgage Corporation	10.250%	06/01/2009	4,013,348	3,880,406	4,168,865
Federal Home Loan Mortgage Corporation	13.000%	09/01/2010	391,051	397,650	414,514
Federal Home Loan Mortgage Corporation	13.500%	11/01/2010	1,838,340	1,953,236	1,950,938
Federal Home Loan Mortgage Corporation	12.000%	05/01/2013	55,214	51,314	58,251
Federal Home Loan Mortgage Corporation	12.000%	06/01/2013	2,177,610	2,276,963	2,297,378
Federal Home Loan Mortgage Corporation	13.500%	10/01/2014	2,607,451	2,770,417	2,767,158
Federal Home Loan Mortgage Corporation	12.000%	01/01/2015	1,328,977	1,389,196	1,402,071
Federal Home Loan Mortgage Corporation	12.000%	01/01/2000	4,330,166	4,571,031	4,568,325
Federal Home Loan Mortgage Corporation	11.500%	11/01/2015	3,388,900	3,527,633	3,577,424
Federal Home Loan Mortgage Corporation	12.000%	03/01/2015	4,186,967	4,376,688	4,417,250
Federal Home Loan Mortgage Corporation	12.000%	03/01/2015	4,203,188	4,393,645	4,434,363
Federal Home Loan Mortgage Corporation	12.000%	04/01/2015	1,642,675	1,717,109	1,733,022
Federal Home Loan Mortgage Corporation	12.000%	05/01/2015	2,159,739	2,257,602	2,278,525
Federal Home Loan Mortgage Corporation	11.500%	06/01/2015	13,720,609	14,303,262	14,492,393
Federal Home Loan Mortgage Corporation	11.500%	06/01/2015	26,803,616	27,978,825	28,311,319
Federal Home Loan Mortgage Corporation	12.000%	06/01/2015	12,043,909	12,600,939	12,706,324
Federal Home Loan Mortgage Corporation	12.000%	06/01/2015	15,112,205	15,929,209	15,943,376
Federal Home Loan Mortgage Corporation	11.000%	07/01/2015	37,061,345	38,957,356	39,146,046
Federal Home Loan Mortgage Corporation	12.000%	07/01/2015	6,844,687	7,161,254	7,221,145
Federal Home Loan Mortgage Corporation	11.000%	08/01/2015	13,053,527	13,738,838	13,787,788
Federal Home Loan Mortgage Corporation	11.500%	08/01/2015	509,142	531,576	537,781
Federal Home Loan Mortgage Corporation	12.000%	08/01/2015	6,075,190	6,394,137	6,409,325
Federal Home Loan Mortgage Corporation	11.000%	10/01/2015	18,832,664	19,719,656	19,892,001
Federal Home Loan Mortgage Corporation	11.500%	10/01/2015	10,157,769	10,691,052	10,729,144
Federal Home Loan Mortgage Corporation	11.000%	11/01/2015	31,353,053	32,996,843	33,116,662
Federal Home Loan Mortgage Corporation	11.000%	12/01/2015	54,668,450	57,538,544	57,743,550
Federal Home Loan Mortgage Corporation	11.000%	10/01/2000	3,110,857	3,274,177	3,266,400
Federal Home Loan Mortgage Corporation	10.000%	03/01/2016	4,524,703	4,584,089	4,700,035
Federal Home Loan Mortgage Corporation	9.500%	03/01/2016	20,761,460	21,394,242	21,228,593
Federal Home Loan Mortgage Corporation	9.000%	07/01/2016	37,389,400	36,766,141	37,529,611
Federal Home Loan Mortgage Corporation	9.500%	07/01/2016	28,905,305	28,040,515	29,555,674
Federal Home Loan Mortgage Corporation	9.500%	07/01/2016	40,417,292	39,907,553	41,326,681
Federal Home Loan Mortgage Corporation	9.000%	07/01/2001	49,424,428	48,057,534	49,640,907
Federal Home Loan Mortgage Corporation	8.500%	10/01/2001	11,949,184	12,046,271	11,934,248
Federal Home Loan Mortgage Corporation	9.500%	08/01/2016	223,666,904	218,318,542	228,699,409
Federal Home Loan Mortgage Corporation	9.500%	09/01/2016	49,905,555	49,312,926	51,059,870
Federal Home Loan Mortgage Corporation	9.500%	09/01/2016	130,009,586	127,189,386	132,934,802
Federal Home Loan Mortgage Corporation	9.000%	10/01/2016	21,335,155	21,475,231	21,415,162
Federal Home Loan Mortgage Corporation	9.500%	10/01/2016	19,131,616	18,808,770	19,562,077
Federal Home Loan Mortgage Corporation	8.500%	11/01/2001	29,000,000	28,909,375	28,963,750
Federal Home Loan Mortgage Corporation	9.500%	11/01/2016	7,881,703	8,118,154	8,059,042
Federal Home Loan Mortgage Corporation	9.500%	12/01/2016	6,300,000	6,492,937	6,445,719
Federal Home Loan Mortgage Corporation	8.500%	10/01/2006	13,812,310	13,725,983	13,605,125
Federal Home Loan Mortgage Corporation	11.000%	03/01/2014	1,539,478	1,593,360	1,626,074
Federal Home Loan Mortgage Corporation	11.000%	10/01/2013	5,084,995	5,161,270	5,371,026
Federal Home Loan Mortgage Corporation	9.500%	04/01/2011	10,927,355	11,022,970	11,173,221
Federal Home Loan Mortgage Corporation	10.000%	10/01/2010	43,097	35,177	44,767
Federal Home Loan Mortgage Corporation	9.000%	12/01/2009	9,345,513	8,627,077	9,380,559
Federal Home Loan Mortgage Corporation	11.000%	12/01/2011	1,274,100	1,325,860	1,344,978
Federal Home Loan Mortgage Corporation	12.000%	03/01/2014	4,260,820	4,391,307	4,495,165
Federal Home Loan Mortgage Corporation	12.000%	07/01/2014	5,713,441	5,888,415	6,027,680
Federal Home Loan Mortgage Corporation	11.500%	06/01/2014	18,516,407	19,419,082	19,546,475
Federal Home Loan Mortgage Corporation	12.500%	07/01/2013	4,732,128	4,980,564	5,004,225
Federal Home Loan Mortgage Corporation	12.000%	07/01/2014	3,501,916	3,664,974	3,694,522
Federal Home Loan Mortgage Corporation	11.500%	05/01/2014	3,180,224	3,060,966	3,359,112
Federal Home Loan Mortgage Corporation	9.000%	02/01/2010	14,158,146	14,020,989	14,211,239
Federal Home Loan Mortgage Corporation	12.000%	06/01/2014	2,309,462	2,416,996	2,436,482
Federal Home Loan Mortgage Corporation	12.500%	08/01/2014	3,470,498	3,652,699	3,670,051



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Federal Home Loan Mortgage Corporation	13.000%	12/01/2014	\$ 1,662,082	\$ 1,690,130	\$ 1,761,807
Federal Home Loan Mortgage Corporation	13.000%	12/01/2014	551,506	560,813	584,596
Federal Home Loan Mortgage Corporation	13.500%	12/01/2014	1,143,922	1,215,417	1,213,987
Federal Home Loan Mortgage Corporation	10.250%	10/01/2012	4,057,668	3,631,613	4,214,903
Federal Home Loan Mortgage Corporation	9.250%	06/01/2010	13,899,825	11,762,727	14,004,074
Federal Home Loan Mortgage Corporation	11.500%	01/01/2015	5,008,812	5,213,860	5,290,557
Federal Home Loan Mortgage Corporation	11.500%	01/01/2015	2,229,559	2,099,269	2,354,971
Federal Home Loan Mortgage Corporation	8.250%	03/01/2009	13,899,183	12,643,913	13,499,581
Federal Home Loan Mortgage Corporation	11.500%	06/01/2014	23,606,488	24,049,110	24,934,353
Federal Home Loan Mortgage Corporation	11.500%	02/01/2015	2,156,583	2,015,057	2,277,890
Federal Home Loan Mortgage Corporation	12.500%	09/01/2013	6,194,526	6,535,587	6,536,850
Federal Home Loan Mortgage Corporation	11.500%	03/01/2015	2,504,563	2,339,418	2,645,444
Federal Home Loan Mortgage Corporation	12.000%	03/01/2015	5,041,634	5,196,034	5,318,924
Federal Home Loan Mortgage Corporation	8.000%	06/01/2009	5,526,242	5,305,192	5,332,823
Federal Home Loan Mortgage Corporation	11.500%	05/01/2015	1,787,123	1,720,106	1,887,649
Federal Home Loan Mortgage Corporation	12.000%	04/01/2015	3,144,091	3,102,825	3,317,016
Federal Home Loan Mortgage Corporation	11.500%	02/01/2015	10,587,773	10,845,850	11,183,335
Federal Home Loan Mortgage Corporation	12.500%	10/01/2014	4,620,739	4,879,211	4,886,431
Federal Home Loan Mortgage Corporation	8.500%	01/01/2008	6,124,288	5,330,044	6,032,424
Federal Home Loan Mortgage Corporation	11.500%	04/01/2011	155,315	161,916	164,052
Federal Home Loan Mortgage Corporation	11.500%	07/01/2015	2,523,831	2,629,517	2,664,232
Federal Home Loan Mortgage Corporation	10.250%	12/01/2010	1,337,739	1,293,426	1,389,576
Federal Home Loan Mortgage Corporation	11.500%	03/01/2014	2,415,647	2,518,312	2,551,527
Federal Home Loan Mortgage Corporation	11.500%	06/01/2014	2,298,441	2,386,069	2,427,728
Federal Home Loan Mortgage Corporation	12.500%	07/01/2014	4,312,292	4,519,821	4,560,249
Federal Home Loan Mortgage Corporation	12.000%	09/01/2013	3,192,338	3,369,413	3,367,917
Federal Home Loan Mortgage Corporation	11.250%	06/01/2015	1,818,136	1,786,318	1,915,861
Federal Home Loan Mortgage Corporation	11.000%	07/01/2015	855,746	899,068	903,882
Federal Home Loan Mortgage Corporation	11.000%	09/01/2015	2,713,918	2,676,601	2,866,576
Federal Home Loan Mortgage Corporation	11.500%	08/01/2011	767,873	801,707	811,065
Federal Home Loan Mortgage Corporation	11.000%	09/01/2015	1,629,547	1,607,140	1,721,209
Federal Home Loan Mortgage Corporation	11.000%	09/01/2015	2,809,009	2,770,385	2,967,016
Federal Home Loan Mortgage Corporation	11.000%	09/01/2015	5,695,413	5,933,908	6,015,780
Federal Home Loan Mortgage Corporation	11.000%	09/01/2015	3,662,278	3,611,921	3,868,281
Federal Home Loan Mortgage Corporation	11.000%	09/01/2015	878,091	866,017	927,484
Federal Home Loan Mortgage Corporation	11.500%	10/01/2015	1,478,529	1,543,677	1,561,697
Federal Home Loan Mortgage Corporation	11.000%	10/01/2015	6,927,699	7,235,116	7,313,087
Federal Home Loan Mortgage Corporation	11.500%	07/01/2014	20,510,263	21,599,871	21,651,249
Federal Home Loan Mortgage Corporation	11.500%	09/01/2011	3,655,173	3,794,526	3,860,776
Federal Home Loan Mortgage Corporation	12.000%	09/01/2015	3,787,156	3,985,981	3,995,449
Federal Home Loan Mortgage Corporation	11.000%	11/01/2015	1,804,662	1,759,546	1,906,174
Federal Home Loan Mortgage Corporation	11.000%	08/01/2013	907,331	953,265	957,806
Federal Home Loan Mortgage Corporation	11.000%	12/01/2015	3,513,823	3,566,531	3,711,476
Federal Home Loan Mortgage Corporation	11.500%	12/01/2015	4,022,155	4,186,812	4,245,908
Federal Home Loan Mortgage Corporation	11.000%	12/01/2015	1,767,568	1,716,750	1,866,993
Federal Home Loan Mortgage Corporation	11.500%	12/01/2015	1,370,123	1,359,847	1,447,192
Federal Home Loan Mortgage Corporation	11.000%	12/01/2015	3,911,361	4,077,594	4,128,950
Federal Home Loan Mortgage Corporation	12.000%	10/01/2014	6,148,872	6,435,178	6,487,059
Federal Home Loan Mortgage Corporation	11.500%	07/01/2014	11,564,135	12,055,611	12,214,618
Federal Home Loan Mortgage Corporation	9.750%	11/01/2009	6,825,940	6,800,343	7,005,121
Federal Home Loan Mortgage Corporation	11.000%	10/01/1999	11,142,204	11,727,170	11,762,045
Federal Home Loan Mortgage Corporation	11.000%	10/01/2000	5,003,247	5,278,426	5,281,578
Federal Home Loan Mortgage Corporation	11.000%	10/01/2000	9,110,531	9,600,223	9,617,350
Federal Home Loan Mortgage Corporation	9.500%	06/01/2001	1,006,352	1,018,931	1,029,629
Federal Home Loan Mortgage Corporation	9.500%	07/01/2001	6,218,391	6,296,120	6,362,222
Federal Home Loan Mortgage Corporation	9.500%	07/01/2001	6,287,094	6,365,682	6,432,514
Federal Home Loan Mortgage Corporation	9.500%	08/01/2001	9,641,763	9,753,246	9,864,777
Federal Home Loan Mortgage Corporation	9.500%	07/01/2001	7,250,835	7,341,470	7,418,547
Federal Home Loan Mortgage Corporation	8.000%	08/01/2001	2,003,566	1,957,233	1,963,494
Federal Home Loan Mortgage Corporation	9.500%	08/01/2001	1,001,765	1,014,287	1,024,936
Federal Home Loan Mortgage Corporation	8.000%	09/01/2001	5,657,602	5,526,770	5,544,450
Federal Home Loan Mortgage Corporation	8.000%	09/01/2001	1,891,293	1,847,556	1,853,467
Federal Home Loan Mortgage Corporation	8.000%	08/01/2001	3,793,610	3,705,882	3,717,738
Federal Home Loan Mortgage Corporation	8.000%	09/01/2001	2,000,494	1,940,479	1,960,484
Federal Home Loan Mortgage Corporation	8.000%	10/01/2001	2,887,892	2,821,109	2,830,134
Federal Home Loan Mortgage Corporation	8.500%	09/01/2001	14,965,228	14,768,809	14,740,749
Federal Home Loan Mortgage Corporation	8.000%	09/01/2001	3,048,189	2,956,743	2,943,423



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Federal Home Loan Mortgage Corporation	8.000%	10/01/2001	\$ 1,033,693	\$ 1,002,682	\$ 998,165
Federal Home Loan Mortgage Corporation	8.000%	10/01/2001	1,010,119	979,816	975,402
Federal Home Loan Mortgage Corporation	8.000%	11/01/2001	2,001,317	1,941,277	1,932,531
Federal Home Loan Mortgage Corporation	8.000%	12/01/2001	2,631,117	2,541,494	2,540,685
Federal Home Loan Mortgage Corporation	12.000%	09/01/2015	4,889,634	5,117,307	5,164,675
Federal Home Loan Mortgage Corporation	11.000%	03/01/2016	3,971,140	4,139,914	4,192,055
Federal Home Loan Mortgage Corporation	9.500%	03/01/2016	14,696,568	15,137,465	15,036,500
Federal Home Loan Mortgage Corporation	8.000%	05/01/2009	20,462,414	19,452,082	19,746,230
Federal Home Loan Mortgage Corporation	11.500%	02/01/2014	3,861,104	4,025,201	4,075,898
Federal Home Loan Mortgage Corporation	9.500%	05/01/2016	5,102,130	5,259,977	5,220,142
Federal Home Loan Mortgage Corporation	9.500%	06/01/2016	6,054,698	6,242,015	6,194,743
Federal Home Loan Mortgage Corporation	11.000%	01/01/2016	11,714,896	12,190,814	12,373,859
Federal Home Loan Mortgage Corporation	11.000%	07/01/2014	1,813,345	1,887,012	1,914,221
Federal Home Loan Mortgage Corporation	11.000%	09/01/2013	1,441,744	1,514,733	1,521,948
Federal Home Loan Mortgage Corporation	8.500%	06/01/2016	4,183,462	3,987,363	4,120,710
Federal Home Loan Mortgage Corporation	8.000%	06/01/2016	4,548,244	4,245,501	4,391,875
Federal Home Loan Mortgage Corporation	8.500%	06/01/2016	3,021,028	2,879,417	2,975,713
Federal Home Loan Mortgage Corporation	8.000%	06/01/2016	4,860,139	4,536,636	4,693,048
Federal Home Loan Mortgage Corporation	8.000%	07/01/2016	1,010,539	943,275	975,797
Federal Home Loan Mortgage Corporation	9.000%	06/01/2016	6,477,018	6,230,082	6,501,307
Federal Home Loan Mortgage Corporation	9.500%	07/01/2016	151,622	149,497	155,039
Federal Home Loan Mortgage Corporation	11.000%	03/01/2009	827,334	869,218	873,359
Federal Home Loan Mortgage Corporation	9.000%	07/01/2016	1,915,972	1,897,411	1,924,364
Federal Home Loan Mortgage Corporation	11.000%	05/01/2014	856,034	899,371	903,655
Federal Home Loan Mortgage Corporation	9.000%	08/01/2016	9,483,745	9,282,215	9,525,283
Federal Home Loan Mortgage Corporation	9.500%	03/01/2010	3,079,255	3,171,633	3,150,479
Federal Home Loan Mortgage Corporation	8.000%	09/01/2016	4,765,065	4,447,890	4,601,242
Federal Home Loan Mortgage Corporation	8.000%	07/01/2016	3,020,948	2,819,866	2,917,088
Federal Home Loan Mortgage Corporation	8.000%	07/01/2016	4,709,398	4,395,929	4,727,059
Federal Home Loan Mortgage Corporation	9.000%	08/01/2016	4,273,819	4,187,007	4,292,538
Federal Home Loan Mortgage Corporation	9.500%	09/01/2016	992,275	1,022,973	1,015,226
Federal Home Loan Mortgage Corporation	9.500%	09/01/2016	5,037,210	5,193,049	5,153,721
Federal Home Loan Mortgage Corporation	9.000%	09/01/2016	5,391,379	5,281,867	5,414,993
Federal Home Loan Mortgage Corporation	9.500%	09/01/2016	19,081,990	19,654,449	19,523,356
Federal Home Loan Mortgage Corporation	9.000%	09/01/2016	5,028,294	4,897,873	5,050,318
Federal Home Loan Mortgage Corporation	9.000%	09/01/2016	5,044,108	4,913,276	5,066,201
Federal Home Loan Mortgage Corporation	11.000%	09/01/2015	10,715,798	11,191,312	11,311,918
Federal Home Loan Mortgage Corporation	9.500%	11/01/2016	3,320,240	3,419,847	3,397,037
Federal Home Loan Mortgage Corporation	9.500%	11/01/2016	8,031,342	8,279,811	8,217,107
Federal Home Loan Mortgage Corporation	11.000%	10/01/2015	3,283,533	3,449,762	3,466,196
FmHA—Allen Edmonds Shoe Corporation	9.200%	08/15/2008	536,966	536,966	551,438
FmHA—Endries Fastener & Supply Company	9.200%	10/20/2008	231,100	231,100	237,328
FmHA—Friday Canning Company	9.300%	11/01/1993	9,073,731	9,073,731	9,361,368
FmHA—Holiday Inn of Las Cruces	10.050%	12/01/2004	3,713,897	3,741,770	3,955,300
FmHA—Norland Corporation	9.200%	07/15/2008	370,115	370,115	380,089
FmHA—Oconomowoc Canning Company	9.200%	09/25/2008	5,911,636	5,911,636	6,070,955
FmHA—Packaging Services	10.130%	09/15/1999	752,846	755,661	810,717
FmHA—Robert Endries Company	9.200%	08/20/2008	96,495	96,495	99,096
FmHA—Shell Patterns	9.200%	08/30/2008	138,327	138,327	142,055
FmHA—Texfi Industries, Incorporated	14.000%	03/27/1995	5,345,250	5,345,250	5,849,734
GNMA—Jumbo Mortgage — 1	11.500%	08/20/2013	5,313,815	5,636,795	5,725,636
GNMA—Jumbo Mortgage — 20	12.500%	11/20/2013	2,840,383	3,021,458	3,078,265
GNMA—Jumbo Mortgage — 38	11.500%	11/20/2013	3,915,332	4,153,311	4,218,771
GNMA—Jumbo Mortgage — 289	12.500%	02/20/2015	3,579,046	3,853,066	3,878,791
GNMA—Jumbo Mortgage — 305	12.000%	03/20/2015	20,087,785	21,349,549	21,694,808
GNMA—Jumbo Mortgage — 337	12.000%	05/20/2015	14,999,510	15,951,041	16,199,471
GNMA—Alliance Mortgage — 378	10.000%	08/20/2015	20,000,114	18,512,606	21,300,122
GNMA—Jumbo Mortgage — 380	11.000%	08/20/2015	30,789,265	33,156,190	33,156,036
GNMA—Jumbo Mortgage — 440	11.000%	11/20/2015	948,067	947,178	1,020,945
GNMA—Jumbo Mortgage — 531	11.000%	04/20/2016	4,824,782	5,165,532	5,195,663
GNMA—Lambrecht Realty Company — 6278	8.500%	07/15/2018	3,078,793	2,332,185	3,063,399
GNMA—United Federal Mortgage — 23969	9.000%	09/15/2008	674,875	474,951	684,998
GNMA—Chase Home Mortgage Company — 26127	9.000%	06/15/2009	2,007,287	1,900,022	2,037,396
GNMA—Midland Mortgage Company — 27896	9.000%	10/15/2008	3,527	2,847	3,580
GNMA—J.I. Kislak Mortgage — 28236	9.000%	12/15/2008	2,480,012	1,990,209	2,517,212
GNMA—Leader Federal Savings — 28296	9.000%	01/15/2009	3,854,087	3,669,814	3,911,898
GNMA—P.S.F.S. Mortgage Corporation — 28303	9.000%	12/15/2008	1,930,484	1,632,466	1,959,442



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GNMA—Chase Home Mortgage Corporation — 28584	9.500%	07/15/2009	\$ 4,851,087	\$ 4,910,210	\$ 5,039,067
GNMA—Merrill Lynch Mortgage — 29168	9.000%	05/15/2009	3,786,853	3,584,493	3,843,656
GNMA—Mid-States Mortgage Company — 29325	9.000%	02/15/2009	34,315	23,720	34,830
GNMA—Rainier Financial Services — 30070	9.000%	02/15/2009	2,932,830	2,792,604	2,976,823
GNMA—Homestead Savings & Loan — 33196	9.500%	10/15/2009	3,697,514	3,688,270	3,840,792
GNMA—Waterfield Mortgage Company — 33990	9.500%	07/15/2009	2,674,785	2,806,853	2,778,433
GNMA—Downey Savings & Loan — 35210	9.500%	09/15/2009	8,006,562	8,406,890	8,316,816
GNMA—First Atlantic Mortgage — 35819	9.500%	09/15/2009	8,544,861	8,651,672	8,875,974
GNMA—First Atlanta Mortgage — 35821	9.500%	10/15/2009	3,003,514	2,996,006	3,119,901
GNMA—The Lomas & Nettleton Company — 39587	11.500%	03/15/2010	1,737,311	1,858,922	1,871,952
GNMA—Elmira Savings Bank — 40559	9.500%	01/15/2010	2,324,279	2,353,333	2,414,345
GNMA—Kissell Company — 41092	11.500%	04/15/2010	2,428,569	2,604,640	2,616,783
GNMA—Mellon Financial — 41878	9.000%	11/15/2010	3,698,508	3,500,869	3,753,986
GNMA—Manufacturers Hanover Mortgage — 42036	11.500%	10/15/2010	4,607,340	4,938,492	4,964,408
GNMA—Fleet Mortgage Company — 43596	11.500%	10/15/2010	2,361,555	2,526,864	2,544,576
GNMA—The Lomas & Nettleton Company — 44103	11.000%	09/15/2010	3,396,564	3,630,078	3,657,658
GNMA—Foster Mortgage Corporation — 44106	11.500%	10/15/2010	4,256,682	4,565,291	4,586,575
GNMA—Manufacturers Hanover — 45275	11.500%	10/15/2010	3,029,518	3,253,891	3,264,305
GNMA—Sunwest Bank of Albuquerque — 47438	11.500%	02/15/2011	4,052,235	4,370,083	4,366,284
GNMA—Amsouth Mortgage Company — 47935	11.500%	10/15/2010	1,401,208	1,499,293	1,509,802
GNMA—Firstbank Mortgage — 54328	11.500%	02/15/2013	2,128,330	2,277,314	2,293,276
GNMA—GMAC Mortgage Company — 57482	11.500%	03/15/2013	4,978,350	5,326,834	5,364,172
GNMA—The Lomas & Nettleton Company — 57495	11.500%	04/15/2013	8,802,146	9,468,201	9,484,312
GNMA—The Lomas & Nettleton Company — 57500	11.500%	02/15/2013	4,297,940	4,596,110	4,631,031
GNMA—Unifirst Federal Savings & Loan — 57988	11.500%	05/15/2013	3,468,530	3,711,327	3,737,341
GNMA—Mortgage Investment Company — 58134	11.500%	04/15/2013	7,566,549	8,118,671	8,152,957
GNMA—Cameron Brown Company — 58746	11.500%	04/15/2013	3,725,480	3,965,308	4,014,205
GNMA—The Lomas & Nettleton Company — 58906	11.500%	03/15/2013	2,395,400	2,549,604	2,581,044
GNMA—The Lomas & Nettleton Company — 58908	11.500%	03/15/2013	3,758,931	4,050,249	4,050,249
GNMA—Kissell Company — 59124	11.500%	04/15/2013	4,269,571	4,571,490	4,600,463
GNMA—Kissell Company — 59128	11.500%	06/15/2013	2,242,970	2,416,800	2,416,800
GNMA—Kissell Company — 59129	11.500%	06/15/2013	5,248,251	5,634,597	5,654,991
GNMA—Fleet Mortgage Corporation — 59283	11.500%	04/15/2013	2,916,109	3,127,527	3,142,108
GNMA—Alliance Mortgage Company — 59403	11.500%	03/15/2013	3,623,976	3,800,645	3,904,834
GNMA—Sovran Mortgage Corporation — 59626	11.500%	04/15/2013	2,586,385	2,773,898	2,786,830
GNMA—Stockton, Whatley & Davin — 59667	11.500%	05/15/2013	4,328,555	4,650,491	4,664,018
GNMA—Cameron Brown Company — 59904	11.500%	01/15/2013	3,569,515	3,828,305	3,846,153
GNMA—Cameron Brown Company — 59908	11.500%	03/15/2013	2,537,404	2,635,728	2,734,053
GNMA—Cameron Brown Company — 59911	11.500%	06/15/2013	15,761,982	16,673,221	16,983,536
GNMA—Cameron Brown Company — 59912	11.500%	07/15/2013	1,994,944	2,153,292	2,149,552
GNMA—Cameron Brown Company — 59915	11.500%	07/15/2013	11,824,061	12,651,745	12,740,426
GNMA—Cameron Brown Company — 59916	11.500%	08/15/2013	3,444,003	3,689,389	3,710,914
GNMA—Cameron Brown Company — 59917	11.500%	08/15/2013	2,661,246	2,847,533	2,867,493
GNMA—Fleet Real Estate Funding — 60008	11.500%	07/15/2013	2,889,413	3,091,672	3,113,343
GNMA—Fleet Real Estate Funding — 60015	11.500%	08/15/2013	2,897,340	3,112,830	3,121,884
GNMA—Pacific First Federal Savings & Loan — 60033	11.500%	02/15/2013	1,527,321	1,633,756	1,645,688
GNMA—Stockton, Whatley & Davin — 60067	11.500%	06/15/2013	3,443,256	3,684,284	3,710,108
GNMA—Mid-Atlantic Home Mortgage — 61005	11.500%	03/15/2013	2,118,907	2,257,960	2,283,122
GNMA—Sovran Mortgage — 61192	11.500%	04/15/2013	2,687,396	2,875,514	2,895,670
GNMA—Wachovia Mortgage Company — 61204	11.500%	04/15/2013	5,538,841	5,968,101	5,968,102
GNMA—Hibernia Bank — 61375	11.500%	02/15/2013	3,610,214	3,497,959	3,890,006
GNMA—Colonial Savings & Loan — 61863	11.500%	03/15/2013	4,427,371	4,746,511	4,770,492
GNMA—Colonial Savings & Loan — 61873	11.500%	06/15/2013	4,930,907	5,121,979	5,313,052
GNMA—Commonwealth Eastern Mortgage — 62005	13.000%	10/15/2013	1,517,345	1,643,938	1,653,906
GNMA—Eberhardt Mortgage Company — 62357	11.500%	08/15/2013	1,117,294	1,195,156	1,203,885
GNMA—Navy Federal Credit Union — 63013	11.500%	12/15/2012	2,392,385	2,559,104	2,577,795
GNMA—Bancplus Savings Association — 63097	11.500%	06/15/2013	2,298,487	2,459,381	2,476,619
GNMA—West America Mortgage — 63172	11.500%	05/15/2013	3,034,595	3,247,017	3,269,776
GNMA—Union National Bank of Little Rock — 63431	11.500%	03/15/2013	2,842,718	3,041,709	3,063,029
GNMA—The Lomas & Nettleton Company — 63511	11.500%	02/15/2013	1,908,033	2,041,596	2,055,906
GNMA—Bancplus Savings Association — 63819	11.500%	04/15/2013	4,050,647	4,311,407	4,364,572
GNMA—Commonwealth Mortgage — 63900	11.500%	03/15/2013	2,660,549	2,846,788	2,866,742
GNMA—Margaretten & Company — 63901	11.500%	03/15/2013	5,107,008	5,435,772	5,502,801
GNMA—Maritor Mortgage — 64129	11.500%	08/15/2013	2,762,417	2,955,786	2,976,504
GNMA—California Federal Mortgage — 64293	11.500%	04/15/2013	6,125,919	6,570,048	6,600,677
GNMA—American First Savings — 64306	11.500%	04/15/2013	3,197,729	3,113,788	3,445,553
GNMA—F & M Mortgage — 64423	11.500%	02/15/2013	6,157	6,014	6,636



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GNMA—Collateral Investment Company — 64589	11.500%	05/15/2013	\$ 2,192,541	\$ 2,346,019	\$ 2,362,463
GNMA—Federated Financial Corporation — 64624	11.500%	04/15/2013	3,395,759	3,614,361	3,658,930
GNMA—The Lomas & Nettleton Company — 65058	11.500%	09/15/2013	6,074,329	6,463,676	6,545,089
GNMA—Federated Financial Corporation — 65138	11.500%	06/15/2013	1,063,977	1,138,123	1,146,435
GNMA—GMAC Mortgage Corporation — 65174	11.500%	06/15/2013	5,451,438	5,843,261	5,873,925
GNMA—Pacific First Federal Savings & Loan — 65798	11.500%	06/15/2013	3,155,919	3,378,806	3,400,503
GNMA—Citicorp — 66029	7.250%	11/15/2022	9,792,176	5,786,564	8,356,055
GNMA—Citicorp — 66030	7.250%	11/15/2022	9,726,341	5,747,659	8,299,876
GNMA—Citicorp — 66031	7.250%	08/15/2022	9,719,204	5,743,442	8,293,785
GNMA—Citicorp Real Estate— 66035	7.250%	05/15/2022	4,953,936	3,003,323	4,227,391
GNMA—Citicorp — 66040	7.250%	07/15/2022	10,114,571	5,977,079	8,631,168
GNMA—Citicorp — 66041	7.250%	09/15/2022	9,745,982	5,759,266	8,316,636
GNMA—Citicorp — 66042	7.250%	12/15/2022	2,961,054	1,749,798	2,526,786
GNMA—Citicorp Real Estate — 66043	6.750%	11/15/2021	14,656,810	9,861,285	13,169,437
GNMA—Rainier Financial Service — 66142	11.500%	04/15/2013	3,118,763	3,344,873	3,360,467
GNMA—Union National Bank of Little Rock — 66758	11.500%	03/15/2013	3,560,117	3,818,225	3,836,026
GNMA—Fleet Mortgage — 67233	11.500%	05/15/2013	2,253,481	2,428,126	2,428,126
GNMA—Rainier Financial — 67328	11.500%	07/15/2013	3,492,012	3,736,453	3,762,643
GNMA—Rainier Financial — 67332	11.500%	04/15/2013	3,642,907	3,907,018	3,925,233
GNMA—Suburban Coastal Corporation — 67549	11.500%	07/15/2013	4,768,039	4,952,801	5,137,563
GNMA—Kissell Company — 67715	11.500%	08/15/2013	5,450,240	5,000,595	5,872,634
GNMA—Navy Federal Credit Union — 67743	11.500%	05/15/2013	3,002,511	3,212,687	3,235,206
GNMA—Navy Federal Credit Union — 67745	11.500%	08/15/2013	5,175,178	5,547,144	5,576,254
GNMA—First Federal Savings Bank — 67771	11.500%	05/15/2013	2,504,367	2,601,411	2,698,456
GNMA—Manufacturers Hanover — 68070	11.500%	06/15/2013	3,441,298	3,712,300	3,707,999
GNMA—Bancplus Savings Association — 68546	11.500%	06/15/2013	3,020,362	3,254,440	3,254,440
GNMA—The Lomas & Nettleton Company — 69395	11.500%	07/15/2013	2,258,608	2,416,710	2,433,650
GNMA—ICA Mortgage Corporation — 69696	11.500%	08/15/2013	4,018,986	4,300,315	4,330,458
GNMA—The Lomas & Nettleton Company — 69751	11.500%	08/15/2013	4,020,591	4,108,541	4,332,186
GNMA—California Federal Mortgage — 70382	11.500%	06/15/2013	3,513,951	3,759,927	3,786,282
GNMA—Franklin Mortgage Corporation — 70706	11.500%	06/15/2013	1,541,223	1,662,594	1,660,668
GNMA—Margaretten & Company — 70778	13.000%	09/15/2013	974,096	1,055,373	1,061,765
GNMA—Franklin Mortgage Corporation — 71115	11.500%	09/15/2013	1,838,954	1,837,805	1,981,473
GNMA—The Lomas & Nettleton Company — 97107	11.500%	02/15/2013	3,041,834	3,249,058	3,277,576
GNMA—The Lomas & Nettleton Company — 97696	11.500%	04/15/2013	4,482,215	4,787,566	4,829,587
GNMA—First Atlanta Mortgage — 100202	11.500%	08/15/2013	4,526,487	4,843,341	4,877,289
GNMA—Citicorp Homeowners Service — 100357	11.500%	08/15/2013	2,848,254	2,958,624	3,068,993
GNMA—Lincoln Service Corporation — 100673	12.500%	11/15/2013	481,408	479,302	521,726
GNMA—Lincoln Service Corporation — 100674	11.500%	08/15/2013	9,780,375	10,229,661	10,538,354
GNMA—Mortgage Investment Company — 100783	12.500%	06/15/2014	2,570,198	2,775,010	2,785,452
GNMA—Continental, Incorporated — 100945	11.500%	08/15/2013	106,116	113,511	114,340
GNMA—Rainier Financial Services — 101358	12.500%	04/15/2014	474,604	512,424	514,352
GNMA—Homestead Savings — 101831	11.500%	09/15/2013	2,578,082	2,760,159	2,777,883
GNMA—Gibraltar Mortgage — 102117	12.500%	10/15/2013	542,141	539,769	587,546
GNMA—Kissell Company — 102519	12.500%	10/15/2013	1,118,848	1,192,622	1,212,552
GNMA—Benchmark Mortgage — 103029	12.500%	12/15/2013	651,683	648,424	706,261
GNMA—Merrill Lynch Mortgage — 103871	9.000%	10/15/2009	11,053,161	8,828,713	11,218,959
GNMA—New York Guardian — 104308	12.500%	10/15/2013	364,684	364,342	395,226
GNMA—The Georgia Company — 104438	12.500%	12/15/2013	377,778	375,889	409,417
GNMA—Chase Home Mortgage — 104477	12.500%	12/15/2013	1,119,198	1,113,602	1,212,931
GNMA—Fleet Mortgage Corporation — 104669	12.500%	12/15/2013	2,250,532	2,420,729	2,439,014
GNMA—Manufacturers Hanover Mortgage — 104735	12.500%	01/15/2014	1,281,083	1,274,678	1,388,374
GNMA—Manufacturers Hanover Mortgage — 104751	12.000%	03/15/2014	3,548,213	3,789,935	3,832,070
GNMA—Manufacturers Hanover Mortgage — 104753	12.000%	04/15/2014	1,881,626	2,029,804	2,032,156
GNMA—Norwest Mortgage Company — 104907	12.500%	11/15/2013	2,944,494	2,941,733	3,191,095
GNMA—Mortgage Corporation — 104951	12.500%	12/15/2013	1,613,590	1,746,712	1,748,729
GNMA—Kissell Company — 105211	12.500%	12/15/2013	561,644	558,836	608,682
GNMA—Cameron Brown Company — 105328	12.000%	02/15/2014	2,339,080	2,515,973	2,526,206
GNMA—Sovran Mortgage — 105398	12.500%	12/15/2013	623,921	620,802	676,175
GNMA—Waterfield Mortgage Company — 105529	12.000%	02/15/2014	2,088,144	2,252,586	2,255,196
GNMA—Waterfield Mortgage Company — 105531	12.000%	03/15/2014	2,012,359	2,165,801	2,173,348
GNMA—Colonial Mortgage — 105877	12.500%	11/15/2013	552,986	550,221	599,299
GNMA—Colonial Mortgage — 105907	12.000%	04/15/2014	6,012,115	6,470,539	6,493,084
GNMA—The Lomas & Nettleton Company — 106205	12.000%	04/15/2014	3,888,248	4,189,587	4,199,308
GNMA—The Lomas & Nettleton Company — 106207	12.000%	05/15/2014	7,335,704	7,927,146	7,922,561
GNMA—Central Pacific Mortgage — 106475	12.500%	05/15/2014	596,858	593,874	646,845
GNMA—Hinton Mortgage — 106702	12.500%	12/15/2013	1,344,523	1,343,263	1,457,127
GNMA—Central Savings & Loan — 106773	12.500%	05/15/2014	584,504	582,678	633,457





BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GNMA—Central Savings & Loan — 106775	12.500%	06/15/2014	\$ 741,750	\$ 739,432	\$ 803,872
GNMA—California Federal Mortgage Company — 107054	12.500%	11/15/2013	1,997,758	2,129,485	2,165,071
GNMA—Cameron Brown Company — 107317	12.000%	04/15/2014	2,214,243	2,387,230	2,391,382
GNMA—Cameron Brown Company — 107321	12.500%	12/15/2014	470,690	469,219	510,110
GNMA—Richard Gill & Company — 107703	12.500%	12/15/2013	561,413	606,150	608,431
GNMA—Bancplus Savings Association — 107715	12.000%	04/15/2014	4,328,791	4,637,217	4,675,094
GNMA—Chemical Mortgage Company — 107736	11.000%	09/15/2013	12,165,018	13,138,220	13,100,143
GNMA—Rainier Financial Service — 107982	12.500%	05/15/2014	2,049,008	2,187,316	2,220,613
GNMA—Standard Federal Savings & Loan — 108603	12.500%	06/15/2014	1,206,258	1,200,980	1,307,282
GNMA—Southeast Mortgage Company — 108954	12.000%	02/15/2014	1,412,484	1,523,717	1,525,483
GNMA—Draper & Kramer — 109448	12.500%	12/15/2013	3,194,233	3,191,239	3,461,750
GNMA—Bankers Mortgage — 109632	12.500%	05/15/2014	711,805	709,580	771,418
GNMA—Commonwealth Mortgage — 109753	12.000%	05/15/2014	1,522,779	1,642,697	1,644,601
GNMA—Beverly Hills Savings & Loan — 109773	12.500%	05/15/2014	797,712	795,219	864,520
GNMA—Commonwealth Federal — 110065	12.000%	03/15/2014	1,007,439	1,084,256	1,088,034
GNMA—Sibley Corporation — 110419	12.500%	05/15/2014	677,998	677,363	734,781
GNMA—Merrill Lynch Mortgage — 110449	10.000%	10/15/2013	10,835,774	10,795,140	11,540,100
GNMA—Colonial Mortgage — 110910	13.000%	12/15/2014	1,227,898	1,251,305	1,338,409
GNMA—Rouse Real Estate — 111179	12.500%	08/15/2014	511,619	511,139	554,467
GNMA—Homestead Savings — 111536	12.000%	04/15/2014	724,572	736,007	782,538
GNMA—Kissell Company — 111874	12.500%	05/15/2014	651,025	648,177	705,549
GNMA—Fleet Real Estate Fund — 112109	12.000%	04/15/2014	3,023,656	3,267,438	3,265,549
GNMA—Delson Financial — 112212	12.000%	04/15/2015	1,437,808	1,420,734	1,552,832
GNMA—i.C.M. Mortgage — 112257	12.000%	04/20/2014	13,201,284	14,257,386	14,257,386
GNMA—First Mortgage Corporation — 112515	12.500%	05/15/2014	2,268,233	2,358,962	2,458,197
GNMA—Embeague Corporation — 112581	12.500%	04/15/2014	892,054	888,151	966,764
GNMA—The Lomas & Nettleton Company — 112679	12.000%	05/15/2014	3,543,073	3,828,733	3,826,519
GNMA—Central Savings & Loan — 112742	12.500%	06/15/2014	629,135	627,169	681,825
GNMA—Central Savings & Loan — 112748	12.500%	07/15/2014	588,948	587,107	638,272
GNMA—Waterfield Mortgage — 112757	13.000%	07/15/2014	626,597	638,541	682,991
GNMA—Bloomington Federal — 113594	12.500%	11/15/2013	494,818	492,653	536,259
GNMA—The Lomas & Nettleton Company — 113728	12.500%	03/15/2014	660,291	659,672	715,591
GNMA—Troy & Nichols Incorporated — 113932	12.000%	05/15/2014	1,963,363	2,117,978	2,120,432
GNMA—Homestead Savings — 113997	12.000%	04/15/2014	3,250,505	3,502,419	3,510,546
GNMA—Benchmark Mortgage — 114193	13.000%	12/15/2014	827,649	843,426	902,137
GNMA—Trust Company — 114285	12.500%	12/15/2014	621,045	618,327	673,057
GNMA—Guardian Mortgage — 114724	12.500%	07/15/2014	759,617	756,294	823,235
GNMA—The Lomas & Nettleton Company — 114742	12.500%	07/15/2014	2,344,662	2,438,448	2,541,027
GNMA—Continental Bank — 115849	12.500%	10/15/2014	392,526	390,808	425,400
GNMA—GMAC Mortgage Corporation — 116094	12.500%	05/15/2015	3,729,544	4,018,584	4,041,894
GNMA—Buckeye Savings & Loan — 117825	13.000%	11/15/2014	671,681	684,485	732,132
GNMA—National Mortgage Company — 118153	12.000%	05/15/2014	2,946,200	3,174,531	3,181,896
GNMA—Colonial Mortgage — 118228	12.500%	11/15/2014	508,400	507,923	550,978
GNMA—Deposit Trust — 118563	12.500%	06/15/2014	976,056	971,785	1,057,800
GNMA—Countrywide Funding — 118767	12.500%	12/15/2014	417,860	416,031	452,855
GNMA—Norwest Mortgage — 119085	12.500%	08/15/2014	782,641	813,947	848,188
GNMA—Waterfield Mortgage — 119182	12.500%	12/15/2014	576,719	576,178	625,019
GNMA—Homestead Savings — 119852	12.000%	03/15/2015	3,272,396	3,517,826	3,534,188
GNMA—Atlantic Home Mortgage — 120173	12.500%	09/15/2014	448,399	446,997	485,952
GNMA—Kissell Company — 120303	12.000%	02/15/2015	1,115,776	1,155,177	1,205,038
GNMA—Kissell Company — 120329	12.500%	11/15/2014	703,111	700,913	761,996
GNMA—Allstate Mortgage — 120362	12.500%	12/15/2014	572,316	570,527	620,247
GNMA—W.M.C. Mortgage — 120518	12.500%	12/15/2014	1,553,032	1,547,533	1,683,098
GNMA—Manufacturers Hanover Mortgage — 120704	13.000%	12/15/2014	1,066,857	1,087,194	1,162,874
GNMA—B.F. Saul Mortgage Company — 120843	12.500%	09/15/2014	319,028	318,031	345,747
GNMA—Crossland Mortgage — 121098	13.000%	12/15/2014	773,562	788,308	843,182
GNMA—New York Guardian — 121340	12.500%	12/15/2014	766,519	765,800	830,715
GNMA—New York Guardian — 121346	12.500%	12/15/2014	773,780	771,362	838,585
GNMA—New York Guardian — 121505	13.000%	11/15/2014	589,031	600,259	642,043
GNMA—Alliance Mortgage Company — 121505	12.500%	02/15/2015	1,243,024	1,260,892	1,347,127
GNMA—Alliance Mortgage Company — 121524	12.500%	02/15/2015	1,303,399	1,322,135	1,412,559
GNMA—Alliance Mortgage Company — 121527	12.000%	04/15/2015	5,546,437	5,958,953	5,990,152
GNMA—Cameron Brown Company — 121672	12.000%	01/15/2015	1,926,783	2,076,109	2,080,926
GNMA—Richard Gill Company — 121732	12.000%	03/15/2015	1,844,615	1,909,753	1,992,184
GNMA—Lumbermans Investment — 121847	12.000%	02/15/2015	2,058,044	2,223,331	2,222,688
GNMA—Tower Federal Savings & Loan — 122568	12.000%	03/15/2015	221,543	218,912	239,267
GNMA—Kissell Company — 122690	12.500%	12/15/2014	672,756	669,813	729,099



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GNMA—Weyerhaeuser Mortgage — 122725	12.000%	05/15/2015	\$ 1,471,896	\$ 1,488,455	\$ 1,589,648
GNMA—Arcs Mortgage — 122763	12.500%	12/15/2014	779,683	776,272	844,982
GNMA—First Bankers Mortgage — 122853	12.000%	05/15/2015	2,898,777	2,922,330	3,150,679
GNMA—FBS Mortgage Corporation — 123019	12.000%	02/15/2015	2,490,396	2,555,769	2,689,628
GNMA—Commonwealth Mortgage — 123175	12.500%	12/15/2014	1,737,089	1,729,489	1,882,570
GNMA—Liberty Mortgage — 123461	12.500%	12/15/2014	665,361	662,450	721,085
GNMA—Chemical Mortgage — 123508	13.000%	11/15/2014	614,272	625,982	669,557
GNMA—The Lomas & Nettleton Company — 123557	12.000%	02/15/2015	3,964,560	4,238,982	4,281,725
GNMA—Security Pacific — 123796	12.500%	04/15/2015	2,309,270	2,465,146	2,502,672
GNMA—Bloomington Federal — 123919	12.500%	11/15/2014	542,152	539,780	587,557
GNMA—GMAC Mortgage Corporation — 124462	12.000%	05/15/2015	3,919,793	4,215,615	4,233,377
GNMA—Mason McDuffie Mortgage — 124699	12.000%	06/15/2015	1,209,460	1,252,169	1,306,216
GNMA—Mason McDuffie Mortgage — 124702	11.500%	06/15/2015	1,995,019	2,134,670	2,149,633
GNMA—Mortgage Investment Company — 124765	12.000%	04/15/2015	2,266,704	2,278,746	2,448,041
GNMA—Mortgage Investment Company — 124779	12.000%	05/15/2015	4,220,328	4,519,708	4,557,955
GNMA—Lumbermans Investment — 124936	12.000%	04/15/2015	2,240,556	2,420,500	2,419,800
GNMA—The Lomas & Nettleton Company — 124962	12.000%	07/15/2015	2,228,498	2,380,314	2,406,778
GNMA—The Lomas & Nettleton Company — 125037	12.000%	04/15/2015	3,329,135	3,570,497	3,595,466
GNMA—Associates National Mortgage — 125431	12.000%	02/15/2015	1,468,809	1,451,367	1,586,314
GNMA—E. B. Mortgage Corporation — 125503	12.000%	04/15/2015	1,298,396	1,397,399	1,402,268
GNMA—Cameron Brown Company — 125934	12.000%	03/15/2015	3,097,482	3,329,793	3,345,280
GNMA—Cameron Brown Company — 125935	11.500%	03/15/2015	4,759,775	5,113,783	5,128,657
GNMA—Cameron Brown Company — 125936	11.500%	04/15/2015	3,689,246	3,963,633	3,975,162
GNMA—Cameron Brown Company — 125939	12.000%	04/15/2015	2,510,770	2,551,962	2,711,631
GNMA—Cameron Brown Company — 125940	12.000%	05/15/2015	13,422,772	14,341,393	14,496,594
GNMA—Cameron Brown Company — 125943	12.000%	03/15/2015	3,961,349	4,236,168	4,278,257
GNMA—Associates National Mortgage — 126117	12.000%	03/15/2015	3,740,155	4,022,419	4,039,367
GNMA—Kissell Company — 126662	12.000%	06/15/2015	3,101,825	3,210,388	3,349,971
GNMA—Manufacturers Hanover — 127377	12.000%	05/15/2015	5,009,215	5,387,255	5,409,953
GNMA—Alliance Mortgage Company — 127721	11.500%	05/15/2015	3,694,429	3,969,202	3,980,748
GNMA—Union Federal Savings & Loan — 127993	12.000%	04/15/2015	2,681,217	2,775,897	2,895,714
GNMA—Alliance Mortgage Company — 128082	12.000%	05/15/2015	4,653,928	5,030,605	5,026,242
GNMA—Alliance Mortgage Company — 128087	12.000%	05/15/2015	7,143,356	7,721,521	7,714,824
GNMA—Rainier Financial Service — 128724	12.500%	04/15/2015	1,707,385	1,731,929	1,850,379
GNMA—Entree Mortgage Corporation — 129024	12.000%	04/15/2015	1,535,596	1,652,686	1,658,444
GNMA—Commonwealth Mortgage — 129140	12.000%	06/15/2015	1,741,669	1,877,737	1,881,003
GNMA—North Central Financial — 129326	12.000%	06/15/2015	2,284,680	2,458,887	2,467,454
GNMA—Criterion Financial — 129340	11.500%	04/15/2015	3,806,870	4,090,006	4,101,902
GNMA—Crossland Capital Corporation — 129983	12.000%	04/15/2015	4,178,115	4,467,972	4,512,364
GNMA—Metmor Financial Incorporated — 129989	12.500%	06/15/2015	1,997,658	2,154,973	2,164,962
GNMA—Union Federal Savings & Loan — 130612	12.500%	05/15/2015	3,444,323	3,704,800	3,732,785
GNMA—GMAC Mortgage Corporation — 130668	12.000%	06/15/2015	3,046,444	3,244,463	3,290,160
GNMA—GMAC Mortgage Corporation — 130676	11.000%	08/15/2015	9,396,427	10,118,141	10,118,730
GNMA—Cameron Brown Company — 130738	11.500%	05/15/2015	3,504,024	3,764,636	3,775,586
GNMA—Duvall Federal Savings & Loan — 131666	12.000%	05/15/2015	6,512,175	6,601,717	7,033,149
GNMA—Bankers Life Company — 132061	12.000%	07/15/2015	3,774,259	3,906,358	4,076,199
GNMA—Associates National Mortgage Company — 132255	11.000%	08/15/2015	2,852,078	2,746,016	3,071,317
GNMA—Alliance Mortgage — 132583	11.000%	06/20/2015	9,846,099	9,836,868	10,602,969
GNMA—Lincoln Service Corporation — 133364	11.000%	08/15/2015	11,861,630	12,825,388	12,773,434
GNMA—GMAC Mortgage Corporation — 133423	12.500%	07/15/2015	2,878,788	3,116,288	3,119,887
GNMA—Commonwealth Mortgage — 133717	12.000%	07/15/2015	2,138,448	2,304,178	2,309,524
GNMA—City Federal Savings & Loan — 134563	12.000%	07/15/2015	2,352,160	2,434,485	2,540,333
GNMA—The Lomas & Nettleton Company — 135383	11.500%	11/15/2015	863,340	923,504	930,249
GNMA—GMAC Mortgage Corporation — 135628	11.000%	08/15/2015	9,139,723	9,870,901	9,842,294
GNMA—Duvall Federal Savings & Loan — 135902	12.000%	06/15/2015	4,971,544	5,356,839	5,369,268
GNMA—Associates National Mortgage — 136177	11.000%	09/15/2015	3,804,514	4,052,996	4,096,967
GNMA—GMAC Mortgage Corporation — 136271	11.000%	10/15/2015	13,635,003	14,725,803	14,683,125
GNMA—Criterion Financial — 136723	11.000%	11/15/2015	15,022	15,130	16,177
GNMA—GMAC Mortgage Corporation — 137178	12.000%	06/15/2015	12,688,591	13,414,220	13,703,679
GNMA—GMAC Mortgage Corporation — 137179	12.500%	05/15/2015	14,965,169	16,124,969	16,218,501
GNMA—Colonial Mortgage — 137180	12.000%	06/15/2015	5,542	5,702	5,986
GNMA—Westwood Mortgage — 138711	11.000%	12/15/2015	3,407,178	3,645,680	3,669,088
GNMA—Alliance Mortgage Company — 139710	9.000%	08/15/2016	2,394,142	2,397,134	2,430,054
GNMA—Bankers Mortgage Corporation — 140207	11.000%	10/15/2015	9,337,572	9,985,366	10,055,275
GNMA—Manufacturers Hanover Mortgage — 140366	11.000%	11/15/2015	2,320	2,316	2,499
GNMA—Manufacturers Hanover Mortgage — 140411	10.000%	04/15/2016	6,881,439	7,272,821	7,328,732
GNMA—Rainier Financial Services — 140530	11.500%	11/15/2015	2,011,582	2,169,994	2,167,479



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GNMA—Goldome Realty Credit — 141430	11.500%	10/15/2015	\$ 1,945,761	\$ 2,098,990	\$ 2,096,557
GNMA—Fleet Mortgage Company — 141666	11.500%	10/15/2015	5,187,471	5,550,594	5,589,501
GNMA—Citicorp Home Owner Incorporated — 141980	11.000%	12/15/2015	2,924,503	3,127,391	3,149,310
GNMA—Citicorp — 142556	11.000%	10/15/2015	21,924,643	21,595,773	23,609,990
GNMA—Empbanque Capital Corporation — 143234	12.000%	01/15/2016	1,774,458	1,909,760	1,916,414
GNMA—National Mortgage Company — 144604	12.000%	06/15/2015	10,965,983	11,733,602	11,843,262
GNMA—Margaretten & Company — 144905	9.500%	07/15/2016	3,989,081	4,037,698	4,143,658
GNMA—Simmons — 148279	9.000%	07/15/2016	518,392	509,968	526,168
GNMA—Fleet Mortgage — 149657	8.500%	08/15/2016	3,975,991	3,840,559	3,956,111
GNMA—Bankers Life Company — 149848	9.500%	05/15/2016	4,987,165	4,940,410	5,180,418
GNMA—Westwood Mortgage Corp. — 149917	11.000%	02/15/2016	3,916,845	4,203,264	4,217,933
GNMA—Sovran Mortgage — 150462	9.000%	06/15/2016	18,433,660	18,076,508	18,710,165
GNMA—Alliance Mortgage — 151274	9.500%	08/15/2016	12,932,834	13,167,242	13,433,982
GNMA—The National Mortgage Company — 151670	11.000%	12/15/2015	5,998,562	6,403,465	6,459,672
GNMA—Lincoln Service Company — 152483	9.500%	06/15/2016	4,950,226	4,987,352	5,142,047
GNMA—Margaretten & Company — 152728	9.500%	08/15/2016	6,675,659	6,625,592	6,934,341
GNMA—The Lomas & Nettleton Company — 153674	9.000%	06/15/2016	39,738,159	38,777,691	40,334,231
GNMA—Associates National Mortgage — 154051	9.500%	06/15/2016	4,881,908	4,836,140	5,071,082
GNMA—New South Federal Savings — 155466	9.000%	05/15/2016	9,972,441	9,598,474	10,122,027
GNMA—The Lomas & Nettleton Company — 156621	9.000%	05/15/2016	19,887,355	19,309,379	20,185,665
GNMA—The Lomas & Nettleton Company — 156665	9.500%	07/15/2016	5,030,054	5,036,342	5,224,969
GNMA—The Lomas & Nettleton Company — 156679	9.500%	07/15/2016	9,954,453	10,072,662	10,340,188
GNMA—Sears Mortgage Corporation — 157965	8.500%	07/15/2016	2,039,670	1,970,194	2,029,472
GNMA—Arcs Mortgage — 158656	9.500%	08/15/2016	10,002,193	10,080,335	10,389,778
GNMA—Arcs Mortgage — 158693	9.000%	08/15/2016	9,979,858	9,811,448	10,129,556
GNMA—Union Federal Savings & Loan — 159858	9.000%	08/15/2016	11,966,664	12,011,539	12,146,164
GNMA—Union Federal Savings & Loan — 159860	9.500%	07/15/2016	6,965,513	7,006,870	7,235,426
GNMA—Union Federal Savings & Loan — 159872	9.000%	05/15/2016	14,947,004	14,657,406	15,171,209
GNMA—Mortgage & Trust, Incorporated — 159916	9.000%	10/15/2016	4,982,600	4,946,788	5,057,339
GNMA—Cameron Brown Company — 159959	9.500%	07/15/2016	8,936,946	9,037,487	9,283,253
GNMA—Cameron Brown Company — 159984	9.500%	08/15/2016	10,359,074	10,407,632	10,760,488
GNMA—Cameron Brown Company — 159987	9.500%	08/15/2016	10,346,356	10,627,915	10,747,277
GNMA—Cameron Brown Company — 159989	9.500%	06/15/2016	5,009,324	5,050,025	5,203,436
GNMA—GNMA Mortgage — 160341	9.000%	07/15/2016	5,503,397	5,284,981	5,585,948
GNMA—Metma — 160584	9.000%	06/15/2016	5,156,639	5,072,844	5,233,989
GNMA—Metma — 160585	9.000%	07/15/2016	5,187,381	5,103,086	5,265,191
GNMA—City Federal Savings & Loan — 161368	9.000%	06/15/2016	9,915,231	9,952,414	10,063,960
GNMA—Bankers Life Company — 161683	9.000%	07/15/2016	4,997,395	4,894,324	5,072,356
GNMA—Bankers Life Company — 161700	9.000%	08/15/2016	5,007,652	4,888,720	5,082,766
GNMA—Bankers Life Company — 161701	9.000%	08/15/2016	5,007,438	4,888,511	5,082,549
GNMA—Bankers Life Company — 161702	9.000%	08/15/2016	5,006,670	4,887,762	5,081,771
GNMA—Mutual Life — 161703	9.500%	08/15/2016	4,928,733	4,996,503	5,119,721
GNMA—Bankers Life Company — 161704	9.000%	08/15/2016	5,010,457	4,891,458	5,085,613
GNMA—Bankers Life Company — 161705	9.000%	08/15/2016	5,010,501	4,891,502	5,085,659
GNMA—Bankers Life Company — 161706	9.000%	09/15/2016	5,009,507	4,890,531	5,084,649
GNMA—Shawmut — 161785	9.000%	07/15/2016	9,990,325	9,621,932	10,140,180
GNMA—Equitable — 161812	9.000%	07/15/2016	1,521,047	1,464,958	1,543,863
GNMA—Riht Mortgage — 162004	9.000%	06/15/2016	597,960	579,647	606,929
GNMA—Imco — 162132	9.000%	10/15/2016	5,028,599	4,992,455	5,104,028
GNMA—Citicorp Home Owners Incorporated — 162632	9.000%	06/15/2016	1,977,335	1,898,860	2,006,995
GNMA—First Nationwide Savings — 162817	9.500%	07/15/2016	5,021,717	5,045,256	5,216,308
GNMA—City Federal — 163307	9.000%	07/15/2016	9,998,193	9,629,510	10,148,166
GNMA—GMAC Mortgage Corporation — 163660	8.500%	07/15/2016	3,990,085	3,854,173	3,970,135
GNMA—Professional Bancorp Mortgage — 163869	11.000%	12/20/2015	1,173,483	1,233,257	1,263,688
GNMA—City Federal Savings & Loan — 164004	9.500%	06/15/2016	4,984,204	4,937,477	5,177,342
GNMA—Citizens Federal Savings & Loan — 164012	9.500%	09/15/2016	21,980,776	22,228,060	22,832,531
GNMA—Union Federal Savings — 164190	9.500%	11/15/2016	2,003,578	2,097,496	2,081,217
GNMA—Fidelity Federal Savings & Loan — 164240	9.000%	06/15/2016	1,275,955	1,232,892	1,295,094
GNMA—City Federal Savings & Loan — 164300	9.500%	09/15/2016	5,991,276	6,064,295	6,223,438
GNMA—Alliance Mortgage Company — 164677	9.000%	06/15/2016	11,975,588	11,616,320	12,155,222
GNMA—Alliance Mortgage Company — 164678	9.000%	06/15/2016	24,914,619	24,136,037	25,288,339
GNMA—Alliance Mortgage Company — 164680	9.000%	08/15/2016	24,984,176	25,015,407	25,358,939
GNMA—Mortgage Corporation — 164761	9.000%	07/15/2016	12,494,121	12,220,812	12,681,533
GNMA—Southeast Mortgage — 164795	9.500%	08/15/2016	4,991,692	5,082,166	5,185,120
GNMA—Alliance Mortgage Company — 164806	9.000%	06/15/2016	8,345,919	8,095,541	8,471,108
GNMA—Associates National Mortgage — 165436	9.500%	06/15/2016	4,088,189	4,121,405	4,246,606
GNMA—Associates National Mortgage — 165444	9.500%	08/15/2016	5,038,983	5,062,603	5,234,243



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
GNMA—Union Federal Savings & Loan — 165604	9.500%	08/15/2016	\$ 9,937,591	\$ 9,981,068	\$ 10,322,673
GNMA—Union Federal Savings & Loan — 165610	9.000%	08/15/2016	19,847,867	19,419,897	20,145,585
GNMA—First Tier Mortgage — 165912	9.000%	07/15/2016	997,178	979,105	1,012,136
GNMA—Fleet Mortgage Corporation — 166132	9.000%	07/15/2016	12,942,721	12,708,134	13,136,861
GNMA—Collateral Investments Company — 166212	9.000%	06/15/2016	9,931,161	9,627,019	10,080,129
GNMA—Collateral Investments Company — 166213	9.000%	06/15/2016	9,969,830	9,664,504	10,119,377
GNMA—National First — 166781	9.500%	09/15/2016	3,994,687	4,012,164	4,149,481
GNMA—City Federal Savings & Loan — 167139	9.500%	07/15/2016	9,935,599	10,047,374	10,320,603
GNMA—City Federal Savings & Loan — 167147	9.500%	06/15/2016	9,939,061	10,050,876	10,324,200
GNMA—City Federal Savings & Loan — 167173	9.500%	09/15/2016	7,993,375	8,153,243	8,303,118
GNMA—The Kissell Company — 167174	9.500%	08/15/2016	5,023,542	5,047,090	5,218,204
GNMA—Centrust Mortgage Corporation — 168359	9.000%	06/15/2016	1,993,972	1,952,846	2,023,881
GNMA—Lincoln Service — 169341	9.500%	09/15/2016	21,803,612	22,008,021	22,648,502
GNMA—Fleet National Mortgage — 169643	9.000%	10/15/2016	31,381,652	31,156,097	31,852,377
GNMA—Mellon Financial Services — 170043	9.500%	08/15/2016	4,991,613	5,000,973	5,185,038
GNMA—Weyerhaeuser Mortgage — 170423	9.500%	08/15/2016	5,032,607	5,054,625	5,227,621
GNMA—Commonwealth Mortgage — 171139	9.500%	08/15/2016	4,956,172	4,985,599	5,148,223
GNMA—Commonwealth Mortgage — 171159	9.500%	08/15/2016	5,421,693	5,453,885	5,631,784
GNMA—Arcs Mortgage — 173268	9.500%	12/15/2016	7,028,892	7,375,944	7,301,262
GNMA—First Interstate Mortgage — 174222	9.500%	08/15/2016	3,819,224	3,895,609	3,967,219
GNMA—Bright Mortgage — 174572	9.500%	07/15/2016	5,019,867	5,049,673	5,214,387
GNMA—City Federal Savings & Loan — 174621	9.500%	08/15/2016	20,938,501	21,128,256	21,749,868
GNMA—City Federal Savings & Loan — 174646	9.500%	08/15/2016	6,985,781	6,933,387	7,256,480
GNMA—City Federal Savings & Loan — 174654	9.500%	08/15/2016	8,171,398	8,248,005	8,488,040
GNMA—City Federal Savings & Loan — 174691	9.000%	11/15/2016	14,992,483	15,062,760	15,217,370
GNMA—Fleet Real Estate Funding — 175028	9.500%	08/15/2016	4,026,146	4,031,179	4,182,159
GNMA—GMAC Mortgage Corporation — 175628	11.000%	02/15/2016	19,078,493	20,241,089	20,545,057
GNMA—Cowell Company — 175983	9.000%	09/15/2016	14,134,078	13,930,901	14,346,089
GNMA—Standard Federal Savings & Loan — 176157	9.500%	08/15/2016	5,015,829	5,116,145	5,210,192
GNMA—Sun Coast — 177599	9.500%	09/15/2016	4,994,725	5,094,620	5,188,271
GNMA—Sears Mortgage Corporation — 181579	9.000%	10/15/2016	6,948,181	6,898,241	7,052,404
GNMA—First Federal of the Carolinas — 185194	9.000%	10/15/2016	4,992,313	4,956,430	5,067,197
GNMA—The Lomas & Nettleton Company — 189858	9.500%	12/15/2016	28,028,697	29,298,747	29,114,809
GNMA—National Mortgage Company — 190600	9.500%	08/15/2016	19,966,883	21,002,665	20,740,600
GNMA—Central Pacific — 191424	9.500%	11/15/2016	2,000,000	2,100,000	2,077,500
Citicorp FHA Project — 86	7.268%	07/01/2018	16,443,764	14,274,872	13,995,036
Columbia Finance Corporation of Delaware	17.500%	01/15/2010	10,196,025	10,196,025	10,196,025
FNMA FHA Project — 85	8.500%	03/25/2011	11,508,639	10,738,998	11,350,395
FNMA FHA Project — 298	12.750%	04/01/2012	16,143,875	17,228,961	17,092,328
FNMA FHA Project — 502	8.500%	11/01/2009	5,212,268	4,849,038	5,140,600
FNMA FHA Project — 566	8.500%	12/01/2009	3,591,848	3,532,358	3,542,460
FNMA FHA Project — 2430	12.250%	12/01/2010	11,906,489	12,555,764	12,576,229
FNMA FHA Project — 2458	11.500%	07/01/2015	10,742,197	11,118,174	11,386,729
FNMA FHA Project — 2499	10.000%	03/01/2016	64,460,738	65,347,073	68,328,382
FNMA FHA Project — 5102	8.000%	11/01/2003	6,078,490	5,850,546	5,964,518
FNMA FHA Project — 6219	9.500%	06/01/2001	3,499,372	3,661,218	3,634,973
FNMA FHA Project — 6226	11.000%	12/01/2015	23,318,750	24,360,246	24,951,063
FNMA FHA Project — 7234	11.000%	08/01/2011	27,793,707	29,238,401	29,739,267
FNMA FHA Project — 8217	11.000%	12/01/2015	47,510,078	50,999,099	51,162,177
FNMA FHA Project — 8239	6.500%	10/01/2005	9,116,786	8,387,443	8,262,087
FNMA FHA Project — 8245	8.000%	12/01/2008	86,999,957	82,562,355	84,063,708
FNMA FHA Project — 8303	9.000%	10/01/2001	4,950,768	5,122,498	5,122,511
FNMA FHA Project — 8307	8.000%	05/01/2008	73,400,929	70,740,145	70,923,647
FNMA FHA Project — 24803	9.000%	06/01/2001	394,752	408,445	408,446
FNMA FHA Project — 25692	8.500%	08/01/2010	20,336,332	18,900,079	20,234,651
FNMA FHA Project — 31436	8.500%	08/01/2016	15,235,428	14,578,400	15,159,250
FNMA FHA Project — 33999	9.000%	11/01/2001	4,010,994	4,150,126	4,150,136
FNMA FHA Project — 34312	9.000%	09/01/2001	4,442,241	4,596,331	4,596,342
FNMA FHA Project — 35908	9.000%	09/01/2001	4,778,577	4,944,334	4,944,346
FNMA FHA Project — 36383	9.000%	10/01/2001	5,062,302	5,237,900	5,237,913
FNMA FHA Project — 36398	9.000%	11/01/2001	5,009,107	5,182,860	5,182,873
FNMA FHA Project — 37940	9.000%	12/01/2001	9,503,357	9,833,004	9,833,028
FNMA FHA Project — 36923	9.000%	11/01/2001	4,750,901	4,915,698	4,915,710
GMAC 1985—A Grantor Trust	8.450%	12/15/1990	82,060,551	81,911,006	83,637,755
GMAC 1986—A Grantor Trust	8.550%	01/15/1991	116,604,858	116,463,655	119,004,586
Merrill Lynch FHA Project — 151	7.430%	09/01/2024	11,392	7,618	9,850



BOND NAME	COUPON	MATURITY	PAR VALUE	BOOK VALUE	MARKET VALUE
Northeast Mortgage FHA Project 1985-I	8.545%	08/01/2016	\$ 57,577,182	\$ 49,646,596	\$ 55,246,458
Norwest Mortgage FHA Project — 67	7.430%	06/01/2023	8,220	5,641	7,107
Pulte Acceptance Corporation Series N	13.750%	02/15/2009	11,011,966	11,011,966	12,003,043
Pulte Acceptance Corporation Series O	14.500%	04/15/2009	11,428,292	11,428,292	12,506,894
Pulte Acceptance Corporation Series Q	14.500%	09/15/2009	3,981,024	3,981,024	4,356,753
Pulte Acceptance Corporation Series R	14.850%	08/15/2009	7,453,309	7,453,309	8,175,386
Pulte Acceptance Corporation Series S	14.850%	07/15/2009	13,248,709	13,248,709	14,532,244
Pulte Acceptance Corporation Series U	17.375%	05/15/2010	2,279,907	2,279,907	2,617,629
Pulte Acceptance Corporation Series V	15.500%	09/15/2012	2,692,536	2,692,536	3,012,275
Reilly Mortgage FHA Project Pool 41	8.278%	03/01/2020	15,471,515	14,975,610	14,490,802
Sears Mortgage Securities Corporation Series 1985-A	11.875%	04/25/2015	2,438,904	2,408,417	2,566,946
Sears Mortgage Securities Corporation Series 1985-D	11.250%	09/25/2015	8,027,008	7,996,907	8,453,483
Sears Mortgage Securities Corporation Series 1985-F	10.500%	11/25/2015	101,182	97,361	104,471
Sears Mortgage Securities Corporation Series 1986-A	9.500%	02/25/2016	10,534,096	10,241,954	10,751,414
Security Pacific FHA Project Pool 23	7.430%	02/01/2022	8,381	7,154	7,246
Society Acceptance Corporation	14.500%	10/01/1996	6,132,414	6,132,414	5,162,634
U.S.C.I. FHA Project — 3002	7.430%	10/01/2024	1,314,553	969,628	1,136,628
U.S.C.I. FHA Project — 3001	7.430%	03/01/2025	14,939,266	11,091,753	12,917,236
U.S. Capital Finance Corporation Series A	16.750%	08/15/2010	1,910,855	1,910,855	1,876,822
U.S. Capital Finance Corporation Series B	15.750%	01/15/2011	8,394,962	8,394,962	8,245,448
Weyerhaeuser FHA Project 1984 A	7.430%	06/01/1997	2,116	1,527	2,031
Total			\$5,147,000,643	\$4,938,099,185	\$5,247,651,626

## OHIO INVESTMENTS (Venture Capital)

STOCKS	SHARES	BOOK VALUE	MARKET VALUE
Cardinal Development Fund	4,803,160	\$ 4,808,160	\$ 4,808,160
Micro Industries Corporation	400,000	3,000,000	4,000,000
Mr. Moneysworth	80	3,750,000	3,750,000
Muller Food Products, Incorporated	2,187	1,001,312	1,312,200
Muller Food Products, Incorporated Series B	848	508,800	508,800
Pickett Hotel Company	80,000	5,000,000	5,000,000
Primus Capital Fund	4,850,000	4,850,000	4,850,000
Ritzzy's, G. D., Incorporated	1,070,895	1,429,290	1,204,756
Wilkins Company	40,000	8,000,000	8,000,000
Total	11,247,170	\$32,347,562	\$33,433,917

**COMMON STOCK**

<b>NAME</b>	<b>SHARES</b>	<b>COST</b>	<b>MARKET VALUE</b>
Abbott Laboratories	1,837,500	\$ 26,654,566	\$ 83,835,937
Aetna Life and Casualty Company	600,000	36,257,497	33,825,000
American Home Products Corporation	1,096,500	47,551,938	84,293,437
American International Group	1,600,000	94,445,982	97,800,000
Armstrong World Industries	1,246,200	17,910,280	37,230,225
Atlantic Richfield Company	585,500	13,369,634	35,130,000
Automatic Data Processing Incorporated	412,600	5,857,100	14,544,150
Baltimore Gas & Electric Company	1,000,000	34,985,141	33,875,000
Banc One Corporation	408,375	5,362,500	9,341,578
Bankers Trust New York Corporation	274,000	5,029,991	12,398,500
Barnett Banks of Florida Incorporated	326,250	4,980,693	10,195,312
Bausch & Lomb	700,000	23,539,210	27,387,500
Beverly Enterprises	1,250,000	24,943,699	20,468,750
Borden Incorporated	600,000	11,003,802	28,125,000
Bristol-Myers Company	1,486,400	59,500,482	122,813,800
Browning-Ferris Industries Incorporated	1,200,000	47,425,743	53,700,000
Capital Holding Corporation	700,000	12,398,149	21,437,500
Chevron Corporation	1,538,500	70,511,082	69,809,437
Citizens & Southern Corporation	390,000	5,863,820	9,555,000
Clorox Company	217,300	7,405,341	11,000,812
Coca-Cola Company	1,313,700	29,343,300	49,592,175
Combustion Engineering Incorporated	600,000	21,151,754	18,450,000
Cooper Industries	400,000	15,011,120	16,550,000
Corroon & Black Corporation	449,900	11,231,611	14,565,512
Donnelley, R. R. and Sons Company	409,400	11,957,929	25,075,750
Dow Chemical Company	133,400	4,177,727	7,803,900
Dow Jones & Company	540,000	15,306,123	21,060,000
Dun & Bradstreet Corporation	645,600	11,827,372	67,949,400
E-Systems Incorporated	700,000	22,299,540	20,912,500
Eastman Kodak Company	2,000,000	117,132,633	137,250,000
Emerson Electric Company	429,200	19,683,510	35,945,500
Exxon Corporation	1,742,520	53,732,291	122,194,215
Family Dollar Stores Incorporated	456,800	9,303,530	7,651,400
Farmers Group Incorporated	1,000,000	39,863,571	38,750,000
First Union Corporation	740,000	14,830,623	17,852,500
First Wachovia Corporation	419,000	13,883,029	15,241,125
Gannett Co. Incorporated	700,000	56,259,581	50,487,500
General Electric Company	1,895,000	114,009,152	162,970,000
General Motors Corporation	1,333,900	93,353,267	88,037,400
Goodyear Tire & Rubber Company	70,600	2,575,685	2,956,375
Hasbro, Incorporated	185,400	3,932,030	3,615,300
Heinz, H.J. Company	748,300	15,724,457	30,306,150
Illinois Tool Works Incorporated	400,000	16,568,351	20,750,000
International Business Machine	323,700	38,698,063	38,844,000
Jerrico Incorporated	277,500	5,189,375	5,237,812
Kellogg Company	1,500,000	65,105,444	77,625,000
Kimberly Clark Corporation	1,000,000	86,316,360	79,875,000
Masco Corporation	1,200,000	6,457,387	34,800,000
May Department Stores Company	860,000	15,782,048	30,530,000
McDonald's Corporation	901,350	17,475,312	54,869,681
McGraw-Hill Incorporated	860,000	9,849,222	46,977,500
Melville Corporation	325,400	6,421,327	17,571,600
Mobil Corporation	1,750,000	58,648,488	70,218,750
Morgan, J.P. & Company Incorporated	200,000	9,380,593	16,500,000
Mr. Gasket Company	200,000	2,205,812	1,050,000
NCNB Corporation	750,000	16,098,952	16,125,000

**NAME COMMON STOCK**

	<b>SHARES</b>	<b>COST</b>	<b>MARKET VALUE</b>
Northern States Power Company	950,000	\$ 19,130,823	\$ 32,775,000
Pepsico, Incorporated	3,000,000	48,127,834	78,000,000
Pfizer Incorporated	1,497,200	47,928,619	91,329,200
Pillsbury Company	1,147,600	20,129,517	38,874,950
Pitney Bowes, Incorporated	800,000	11,480,796	29,300,000
Procter & Gamble Company	300,000	19,358,851	22,912,500
Quaker Oats Company	1,100,000	20,611,405	44,000,000
Raytheon Company	1,000,000	63,968,888	67,250,000
Rubbermaid Incorporation	562,400	2,715,992	13,638,200
Shared Medical Systems Corporation	900,000	30,674,850	36,450,000
Stanley Works	900,000	26,418,315	22,950,000
Torchmark Corporation	1,480,000	10,759,474	38,480,000
Tucson Electric Power Company	160,000	4,298,348	9,320,000
TYCO Laboratories Incorporated	500,000	20,262,617	20,375,000
Walgreen Company	758,200	11,604,170	24,546,725
Warner-Lambert Company	1,165,000	42,165,423	68,298,125
Waste Management Incorporated.	1,173,100	57,988,531	65,253,687
Wells Fargo & Company	420,500	13,936,204	42,680,750
Whirlpool Corporation	1,344,000	45,324,948	45,528,000
Wisconsin Electric Power	416,200	20,705,166	21,902,525
Total	64,503,995	\$2,143,374,021	\$3,096,822,649

**REAL ESTATE—COMMINGLED FUNDS**

	<b>PAR VALUE</b>	<b>BOOK VALUE</b>	<b>MARKET VALUE</b>
Aetna Separate Account 87	\$ 18,412,121	\$ 18,412,121	\$ 24,860,212
CIGNA Separate Account R	70,032,133	70,032,133	96,240,821
NCNB Trust	41,100,000	41,100,000	41,100,000
Rothschild Property Investors	6,650,000	6,650,000	6,650,000
Security Capital	25,745,898	25,745,898	27,477,679
Wells Fargo Trust	250,000	250,000	250,000
Total	\$162,190,154	\$162,190,154	\$196,578,712



## PLAN STATEMENT

### **Purpose**

The Public Employee Retirement System of Ohio (PERS) was created by the Ohio General Assembly 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; state, county, and municipal employees, non-teaching employees of state colleges and universities, retirants, and miscellaneous employees, which include those who work for townships and public libraries. The Auditor of the State, the Attorney General, and the Director of the Ohio Department of Administrative Services are statutory members. Members of the Board receive no compensation but they are reimbursed for expenses.

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

All public employees in Ohio are required to become contributing members of PERS when they begin public employment (except those covered by one of the other state or local government retirement systems in Ohio). Excluded from contributing are new employees retired from another state or municipal system in Ohio and active contributors to the State Police and Firemen's Disability and Pension Fund or State Highway Retirement System.

The law provides for optional membership for the following groups:

- 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 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

The percentage of gross salary set by the Retirement Board upon recommendation by the Actuary is 8.5%. The rate law enforcement officers pay is 9.5%.

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 members are sent a statement of the balance in their individual accounts and a report disclosing the financial status of the System and describing the major developments at PERS during 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 for Workers' 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. Prisoner-of-war service;
  - c. An authorized leave of absence not to exceed one year;
  - d. Comparable public service outside Ohio with the federal government or for which contributions were made to a municipal retirement system that is not being used for other retirement programs, except Social Security;
  - e. Service restored by redeposit which had been cancelled by an earlier refund;
  - f. Service in an Ohio police or fire department or the State Highway Patrol that is not being used for other retirement purposes;
  - g. Up to 30% additional credit on completed terms of full-time contributing elective service;
7. Service purchased by an employer under a retirement

## 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 2.1% of final average salary multiplied by years of service. If the final average salary

is \$4,095 or less, the 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 taking any one of several optional payment plans at reduced amounts. These options assure monthly benefits to a designated beneficiary if the member dies before the designated beneficiary.

## Law Enforcement Officers' Benefits

A special retirement option is provided for full-time sheriffs, deputy sheriffs, township constables or police officers, and county narcotics agents. The option, which is available at age 52, 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 option also is available at age 62 with a minimum of 15 years of law enforcement credit.

The annual benefit is calculated by multiplying 2.5% of final average salary by the first 20 years of service, 2% of final average salary by the next 5 years, and 1.5% of final average salary by each additional year of service. The total benefit amount cannot exceed 72% 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 .5% of the final average salary. The benefit shall start on or after the attainment of age 52 by the applicant.

A peace officer with 25 years of service credit may elect a reduced pension as early as age 48 or may choose to leave the contributions on deposit until age 52 in order to receive full benefits. By choosing to take retirement benefits early, the peace officer agrees to accept 75% of the full benefit at age 48, 80% at age 49, 86% at age 50, or 93% at age 51. Once a member elects to receive a reduced benefit under these provisions, this election may not be changed.

At time of retirement, law enforcement officers may elect 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 has completed at least five years (60 contributing months) of service credit.

The annual benefit is determined by multiplying 2.1% of final average salary by the length of public service plus additional service equal to the difference between the applicant's age and age 60. The benefit amount cannot exceed 75% nor be less than 30% of final average salary.

## Beneficiaries

The beneficiary of a member of PERS is determined in one of two 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 or incompetent, monthly benefits will be paid if they so elect at age 65 or older.
  - 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.

## Survivor Benefits

Certain dependents may qualify for monthly survivor benefits if the deceased member has at least 18 months of Ohio service credit with three months of credit within the two and one-half years immediately before death, or if the member was receiving a disability benefit at the time of death. The dependents qualify 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 child(ren) under age 18 (or 22 if students).
4. Dependent parent(s) age 65 or older.
5. An incompetent spouse, incompetent child(ren), or incompetent dependent parent(s), at any age.

If a surviving spouse remarries before reaching age 62, rights to benefits cease. The benefit will be resumed if the remarriage ends in divorce, annulment, dissolution or death within two years after the survivor benefit ceased.

Benefits for dependent children terminate upon marriage, adoption, or active military service. Also, sur-

vivor benefits will be stopped after a dependent child reaches age 18 unless proof is submitted that the child is attending an institution of learning or training and pursuing a program of study equivalent to at least two-thirds of the full-time curriculum requirements of the school. Payments to a dependent parent stop in the event of remarriage or death.

If the member dies after reaching retirement age but before applying for benefits, the surviving spouse (or other sole dependent beneficiary) regardless of 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 for at least 18 months the amount refunded, plus interest, can be redeposited. Money contributed to PERS by employer units is not refundable.

## Additional Benefits After Retirement

1. Health Care Coverage—A member who applies for age and service retirement must have 10 years of Ohio service credit to qualify for the PERS health care plan. These 10 years may not include out-of-state and/or military service purchased after Jan. 29, 1981 or service credit granted under a retirement incentive plan. Health care coverage also is available for dependents of eligible retirees; a premium payment is required for dependent coverage.
2. Medicare Part B Premium Reimbursement—Recipients who submit proof of coverage for Medicare Part B are reimbursed by PERS for basic Medicare Part B premiums. This amount is added to their monthly benefits.
3. 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.
4. Death Benefits—At the death of a former member 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.

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