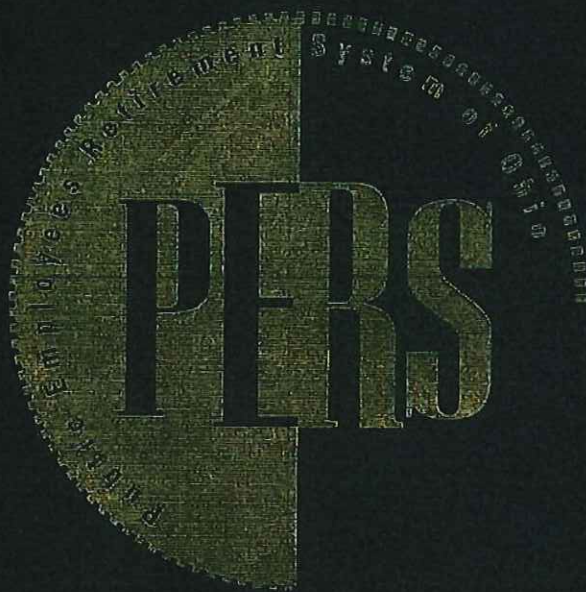


# Comprehensive Annual Financial Report



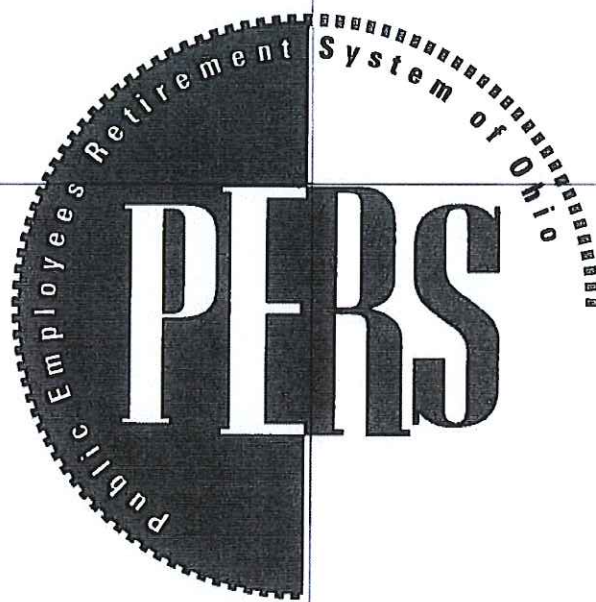
For the Year Ended December 31, 1998

Public Employees Retirement System of Ohio

Public Employees Retirement System  
of Ohio

# The Comprehensive Annual Financial Report

For the Year Ended December 31, 1998



Richard E. Schumacher, Executive Director

Mark Snodgrass, Assistant Director-Controller

277 East Town Street, Columbus, Ohio 43215-4642





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# Introductory Section



# 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, 1997

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



*Douglas R. Ellaworth*  
President

*Jeffrey L. Esser*  
Executive Director



**Public Pension Coordinating Council  
Public Pension Principles  
*1998 Achievement Award***

Presented to

**Public Employees Retirement  
System of Ohio**

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

*Presented by the Public Pension Coordinating Council, a confederation of*  
Government Finance Officers Association (GFOA)  
National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, appearing to read 'Scott Engmann'.

Scott Engmann  
Chairman



# The Retirement Board

## Elected Members

**Charlie Adkins**  
Representing College and  
University Employees



**Ronald C. Alexander**  
Representing State Employees



**Larry D. Black**  
Representing Miscellaneous Employees

**Sharon M. Downs**  
Representing Retirants



**Barbara J. Thomas**  
Representing County Employees

**Ken Thomas**  
Representing Municipal Employees

## Statutory Members

**Nikki Guilford**  
Interim Director of Administrative  
Services



**Betty D. Montgomery**  
Attorney General



**Jim Petro**  
Auditor of State



## Terms Ended

**Donald R. Arnold**  
Representing College and University Employees  
Term expired Dec. 31, 1998

**Steven Hawk**  
Representing Miscellaneous Employees  
Resigned from Board January 1999

**William G. Wilcox**  
Representing Retirants  
Term expired Dec. 31, 1998

**Sandra A. Drabik**  
Director of Administrative Services  
Resigned as Director April 1999

The Retirement Board is the governing body of PERS, with responsibility for administration and management. Six of the nine members are elected by the groups they represent: retirants; employees of the state; employees of counties; employees of municipalities; non-teaching employees of state colleges and universities; and miscellaneous employees. The Director of Administrative Services, Attorney General, and the Auditor of State are statutory members.

The Retirement Board appoints the Executive Director, an actuary, and other employees necessary for the transaction of business. The Board meets monthly and receives no compensation, but is reimbursed for necessary expenses. By law, the State Treasurer is custodian of the funds of PERS.

# Organizational Structure

## ADVISORS:

**Actuary** —  
Abriel, Roeder, Smith & Company  
Detroit, Michigan

**Performance Evaluation** —  
Capital Resources  
Plymouth, Pennsylvania

**Asset Allocation and  
Investment Policy Advisors  
to the Retirement Board** —  
Strategic Investment Solutions Inc.  
San Francisco, California

## AUDITORS:

Deloitte & Touche LLP  
Columbus, Ohio  
(Under contract with the Auditor of State)



Executive Director  
**Richard E. Schumacher**



Interim Assistant Director  
Investment Officer  
**Neil V. Toth**



Assistant Director  
Benefits Administration  
**Danny L. Drake**



Assistant Director  
Legal and Legislation  
**Toba Jeanne Feldman**



Assistant Director  
Controller  
**Mark Snodgrass**



Assistant Director  
Information Systems  
**Blake W. Sherry**



# Letter of Transmittal

277 East Town Street



Columbus, Ohio 43215-4642

## Public Employees Retirement System of Ohio

(614) 466-2085 • 1-800-222-PERS (7377)

[www.opers.org](http://www.opers.org)

April 30, 1999

Dear Chairman and Members of the Board:

It is our privilege to submit to you the Comprehensive Annual Financial Report (CAFR) for the Public Employees Retirement System of Ohio for the fiscal year ended December 31, 1998. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the System. We believe this report reflects a careful stewardship of the System's assets and dedicated service to our members and our retirees.

The State Employees Retirement System was established January 1, 1935 to make available a secure means to provide retirement for employees of the State of Ohio. In 1938 the System expanded to include employees of counties, municipalities, health departments and park and conservancy districts. At that time the name was changed to the Public Employees Retirement System of Ohio (PERS). Membership was made optional for elected officials in 1941. Survivor benefits were made part of the PERS benefit structure in 1951. From 1935 to the present the System has experienced continuous growth and provided benefit enhancements.

Participating employers are divided, for actuarial purposes, into state, local government and law enforcement divisions. A complete description of membership in PERS is contained in the Plan Statement on page 116. PERS provides retirement, disability and survivor benefit protection for thousands of public employees throughout the state. Employees, along with their employers, pay into the System during their working years. PERS, in turn, pays benefits to these members throughout their retirement, and to qualified beneficiaries upon a member's or retiree's death. For additional information on benefits available, see the Plan Statement on page 116.

This CAFR is divided into six sections: (1) an Introductory Section, which contains the administrative organization, the Certificate of Achievement for Excellence in Financial Reporting, the Public Pension Coordinating Council Achievement Award and a letter of transmittal; (2) a Financial Section, which contains the report of the Independent Auditors, the financial statements of the system and certain required supplementary information; (3) an Investment Section, which contains a report on investment activity, investment policies, investment results, and various investment schedules; (4) an Actuarial Section, which contains an Actuary's Certification Letter and the results of the annual actuarial valuation; (5) a Statistical Section, which includes significant data pertaining to the System and (6) the System's plan statement.

### Major Initiatives

PERS exists for the purpose of providing retirement, disability, and survivor benefits to Ohio's public employees. This basic purpose continues to be our focus.

PERS provided health care, though not a statutorily mandated benefit, is of importance to our benefit recipients. Accordingly, PERS is dedicated to providing quality health care to the extent our resources will permit. The cooperation of all benefit recipients will be a key ingredient for continuing our high standard of health care coverage.



Over the years PERS has implemented a variety of cost containment measures in order to maximize our available health care resources. These measures include: a preferred pharmacy network, two preferred provider networks, individual case management, mail order prescriptions, patient pre-certification program, utilization of Medicare Risk health maintenance organizations and in the coming year, we will be monitoring the federal government's new Medicare Plus Choice Initiative.

In an effort to slow down the rapid rise in Medicare costs resulting from Parts A & B benefits, the federal government is seeking to bring Medicare in line with other health care plans by initiating the Medicare Plus Choice Program. Over 80 percent of the participants in traditional non-Medicare plans are covered by some form of managed care. The federal government will offer financial incentives to Medicare beneficiaries such as lower out-of-pocket payments and lower premiums if they enroll in Medicare Plus Choice managed care plans. Approved Medicare Plus Choice plans must provide benefits that are at least equal to traditional Medicare benefits and must assume full risk, meet various solvency standards and be subject to state licensing. If PERS concludes that Medicare Plus Choice arrangements would be beneficial to our benefit recipients, such plans will be offered during the open enrollment period in the fall of this year.

In the coming years PERS will continue to aggressively pursue other innovative ways to control health care costs while attempting to maintain quality health care service.

There were Congressional proposals in 1998 to extend mandatory social security coverage to all newly hired state and local government workers as a way to stabilize Social Security's long term financing. PERS, along with the other Ohio state retirement systems, and other interested groups from around the country, have provided information concerning the impact and feasibility of Social Security participation of our members and benefit recipients. Through its Executive Director, PERS has been testifying and making presentations to members of Congress and other organizations. The System continues to closely monitor and participate in the debate concerning Social Security and coverage for state and local workers.

The PERS web page was redesigned with several new items. Members can order certain forms and publications online. In addition, several back issues of the *PERS Member Newsletter* are available to read and print.

A new program was implemented that allows members within five years of retirement to have a retirement interview conducted over the telephone. It is achieved by making an appointment for a 30-minute session between 8 a.m. and 4 p.m. weekdays. An interviewer will call at the assigned time and conduct the interview.

House Bill 648 became effective in September. One impact of the legislation, for PERS members, related to survivor benefits. Proof of dependency for minor children to receive monthly benefits was eliminated. A member may continue to designate a beneficiary who is qualified only to receive a refund of the member's contributions. However, if there are any qualified children eligible for survivor benefits, PERS is required to pay only monthly survivor benefit payments. Also, benefits will now continue for surviving spouses who remarry before age 55.

### **Internal Controls**

The management of PERS is responsible for and has implemented systems of internal accounting controls which are designed to provide responsible assurances for the safeguarding of assets and the reliability of financial records. We believe that the internal accounting controls currently in place are adequate to meet the purpose for which they were intended. We also believe the financial statements, supporting schedules and statistical tables to be fairly presented in all material respects.

### **Accounting System and Reports**

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. 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 fair value. Fixed assets are recorded at cost less accumulated depreciation. Under our cash management program, receipts are immediately deposited and are recorded as undistributed deposits until such time as they are allocated to member contributions, employer receivables, employer contributions, and investment income.

#### Additions to Plan Net Assets

The collection of employer and employee contributions, as well as income from investments, provide the reserves needed to finance retirement benefits. Contributions and investment income for fiscal year 1998 totaled \$8,111,826,263.

	1998	1997	Increase (Decrease) Amount	Increase (Decrease) Percentage
Member Contributions	\$ 799,281,516	\$ 773,100,594	\$ 26,180,922	3%
Employer Contributions	1,266,445,268	1,233,637,457	32,807,811	3%
Net Investment Income	6,045,862,119	5,421,861,077	624,001,042	12%
Other	237,360	754,023	(516,663)	(69%)
Total	\$8,111,826,263	\$7,429,353,151	\$ 682,473,112	9%

Member and Employer contributions increased by \$26,180,922 (3 percent) and \$32,807,811 (3 percent), respectively, for the years ended December 31, 1998 and 1997. The increase in contributions was attributable to higher salaries and additional members during the period. Contribution rates remained unchanged. Net investment income increased in 1998 due to favorable investment returns.

#### Deductions to Plan Net Assets

The principle purpose for which the System was created was to provide retirement, disability and survivor benefits, to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refund of contributions to terminated employees, and the cost of administering the System.

	1998	1997	Increase (Decrease) Amount	Increase (Decrease) Percentage
Benefit Payments	\$ 1,842,835,738	\$ 1,694,449,673	\$ 148,386,065	9%
Refunds	125,609,907	139,624,174	(14,014,267)	(10%)
Administrative Expenses	21,530,875	20,107,718	1,423,157	7%
Total	\$1,989,976,520	\$1,854,181,565	\$135,794,955	7%

Expenses for fiscal year 1998 totaled \$1,989,976,520, an increase of 7 percent over fiscal year 1997 expenses. The majority of the increase is due to an increase in the Number of benefit recipients. The increase in administrative expenses is largely attributable to increased payroll costs. Administrative expenses are detailed in the Financial Section on page 35 of the CAFR.

## **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 retirees and beneficiaries. The higher the level of funding, the larger the accumulation of assets, hence, 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, 1998, funds established by the System totaled \$51,455.1 million. The latest actuarial valuation, dated December 31, 1997, reflects an unfunded actuarial accrued liability of \$1,125.7 million. This is the difference between actuarial value of assets and the actuarial calculated liability for the fund. These "unfunded actuarial accrued liabilities", are being amortized over future years. The State government liability is being funded over 3 years, the local government portion over 5 years, and the law enforcement portion over 10 years. By pursuing a conscientious management approach, PERS has been able to meet the goals of level funding, thereby holding member and employer contribution rates relatively constant as a percentage of covered payroll.

## **Investments**

The investments of the System are governed by section 145.11 of the Ohio Revised Code (ORC). This section of the ORC requires a prudent person standard be applied to all investment decisions. The prudent person standard, effective for PERS on March 6, 1997, establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the fund. Under the prudent person standard, fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. By permitting further diversification of investments within the fund, the prudent person standard may enable PERS to reduce overall risk and increase returns. A summary of the asset allocation can be found on page 101 of this report.

For the year ended December 31, 1998, total return on investments was 14.35 percent. The annualized rate of return over the past three years was 11.82 percent and 11.00 percent over the past five years.

## **Certificate of Achievement**

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 CAFR for the fiscal year ended December 31, 1997. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents meet or exceed program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid only for one year. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA.

## **Public Pension Principles Achievement Award**

The Public Employees Retirement System of Ohio was awarded the Public Pension Coordinating Council's Public Pension Principles 1998 Achievement Award. This award recognizes the achievement of high professional standards in the areas of benefits, actuarial valuations, financial reporting, investments and disclosures to members.

## **Professional Services**

Professional services are provided to the Public Employees Retirement System of Ohio 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 advisor to the Board is Strategic Investment Solutions Inc., San Francisco California. The financial records of the System were audited by Deloitte & Touche LLP, Certified Public Accountants, Columbus, Ohio, under contract with the Auditor of the State of Ohio.



## Acknowledgements

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Retirement Board. Our sincere appreciation is extended to all who assisted in and contributed towards the completion of this document.

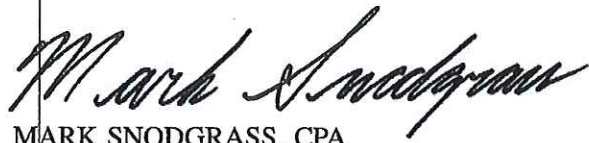
The purpose of this report is to provide complete and reliable information as a basis for making management decisions, as a means for determining compliance with the legal provisions, and as a means for determining responsible stewardship over the assets held in trust for the members of this System.

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

Respectfully submitted,



RICHARD E. SCHUMACHER, CPA  
Executive Director



MARK SNODGRASS, CPA  
Assistant Director - Controller

# Financial Section

# Independent Auditor's Report

**Deloitte &  
Touche**



**Deloitte & Touche LLP**  
155 East Broad Street  
Columbus, Ohio 43215-3611

Telephone: (614) 221-1000  
Facsimile: (614) 229-4647

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Public Employees Retirement System of Ohio:

We have audited the accompanying combining statement of plan net assets of the Public Employees Retirement System of Ohio (the "System") as of December 31, 1998 and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the System for the year ended December 31, 1997 were audited by other auditors whose report dated April 3, 1998, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of December 31, 1998, and the changes in plan net assets for the year then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on pages 33 and 34 is not a required part of the basic financial statements, but is supplementary information required by the *Governmental Accounting Standards Board*, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact the authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the System is or will be year 2000 compliant, that the System's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the System does business are or will become year 2000 compliant.

**Deloitte Touche  
Tohmatsu**

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the System taken as a whole. The schedules of administrative expenses and summary of investment expenses for the year ended December 31, 1998 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the System's management. Such additional information has been subjected to the auditing procedures applied to our audit of the basic financial statements for the year ended December 31, 1998, and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 1998 financial statements taken as a whole. The schedules of administrative expenses and summary of investment expenses for the year ended December 31, 1997 was reported on by other auditors whose reports stated that the schedules were fairly stated when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 1999, on our consideration of the System's internal control structure and on its compliance with laws and regulations.

Deloitte & Touche LLP

April 9, 1999



Combining Statements of  
Plan Net Assets  
(as of December 31, 1998 and 1997)

	1998		
	Pensions	Post-employment Healthcare	Total
<b>Assets:</b>			
Cash and Short-Term Investments (Note 3)	\$ 1,942,056,001	\$ 471,335,326	\$ 2,413,391,327
	<u>1,942,056,001</u>	<u>471,335,326</u>	<u>2,413,391,327</u>
<b>Receivables:</b>			
Employers'	121,591,105	29,510,057	151,101,162
Retirement Incentive Plan	12,216,606	2,964,960	15,181,566
Investment Sales Proceeds	357,618,544	86,793,714	444,412,258
Accrued Interest and Dividends	217,254,088	52,727,381	269,981,469
Total Receivables	<u>708,680,343</u>	<u>171,996,112</u>	<u>880,676,455</u>
<b>Investments, at fair value (Note 3):</b>			
Bonds	11,520,268,911	2,795,959,387	14,316,228,298
Mortgage & Mortgage Backed	5,825,567,804	1,413,860,311	7,239,428,115
Stocks	15,680,972,305	3,805,758,533	19,486,730,838
Real Estate	3,832,465,121	930,135,999	4,762,601,120
Venture Capital	35,290,853	8,565,060	43,855,913
International Securities	1,968,586,403	477,774,232	2,446,360,635
Collateral on Loaned Securities	4,678,876,208	1,135,559,244	5,814,435,452
Total Investments	<u>43,542,027,605</u>	<u>10,567,612,766</u>	<u>54,109,640,371</u>
<b>Fixed Assets:</b>			
Land	2,979,837	723,204	3,703,041
Building and Building Improvements	15,071,280	3,657,787	18,729,067
Furniture and Equipment	15,595,092	3,784,916	19,380,008
	<u>33,646,209</u>	<u>8,165,907</u>	<u>41,812,116</u>
Accumulated Depreciation	(12,422,048)	(3,014,820)	(15,436,868)
Total Fixed Assets	<u>21,224,161</u>	<u>5,151,087</u>	<u>26,375,248</u>
Prepaid Expenses and Other (Note 6)	60,075,375	14,580,242	74,655,617
<b>TOTAL ASSETS</b>	<u>46,274,063,485</u>	<u>11,230,675,533</u>	<u>57,504,739,018</u>
<b>Liabilities</b>			
Undistributed Deposits	454,745	110,366	565,111
Medical Benefits Payable		46,398,790	46,398,790
Investment Commitments Payable	149,314,841	36,238,584	185,553,425
Accrued Administrative Expense (Notes 5 and 6)	2,176,857	528,321	2,705,178
Obligations Under Securities Lending	4,678,876,208	1,135,559,244	5,814,435,452
<b>TOTAL LIABILITIES</b>	<u>4,830,822,651</u>	<u>1,218,835,305</u>	<u>6,049,657,956</u>
<b>Net assets held in trust for pension and post-employment healthcare benefits</b>	<u>\$ 41,443,240,834</u>	<u>\$ 10,011,840,228</u>	<u>\$ 51,455,081,062</u>

(A Schedule of funding progress is presented on page 28)

See Notes to Financial Statements

1997

Pensions	Post-employment Healthcare	Total
<u>\$ 2,221,958,465</u>	<u>\$ 487,746,980</u>	<u>\$ 2,709,705,445</u>
2,221,958,465	487,746,980	2,709,705,445
97,435,089	21,388,190	118,823,279
17,446,902	3,829,808	21,276,710
210,395,971	46,184,481	256,580,452
<u>232,419,030</u>	<u>51,018,811</u>	<u>283,437,841</u>
<u>557,696,992</u>	<u>122,421,290</u>	<u>680,118,282</u>
13,808,347,702	3,031,100,715	16,839,448,417
5,083,549,554	1,115,901,122	6,199,450,676
11,176,733,667	2,453,429,342	13,630,163,009
<u>3,355,169,802</u>	<u>736,500,688</u>	<u>4,091,670,490</u>
29,546,820	6,485,887	36,032,707
944,855,019	207,407,199	1,152,262,218
<u>4,304,661,461</u>	<u>944,925,686</u>	<u>5,249,587,147</u>
<u>38,702,864,025</u>	<u>8,495,750,639</u>	<u>47,198,614,664</u>
1,400,895	307,514	1,708,409
14,955,787	3,282,978	18,238,765
<u>13,456,293</u>	<u>2,953,821</u>	<u>16,410,114</u>
29,812,975	6,544,313	36,357,288
<u>(11,108,661)</u>	<u>(2,438,487)</u>	<u>(13,547,148)</u>
<u>18,704,314</u>	<u>4,105,826</u>	<u>22,810,140</u>
<u>57,921,199</u>	<u>12,714,410</u>	<u>70,635,609</u>
<u>41,559,144,995</u>	<u>9,122,739,145</u>	<u>50,681,884,140</u>
3,141,211	689,534	3,830,745
	44,621,490	44,621,490
36,271,830	7,962,109	44,233,939
5,231,190	1,148,310	6,379,500
<u>4,304,661,461</u>	<u>944,925,686</u>	<u>5,249,587,147</u>
<u>4,349,305,692</u>	<u>999,347,129</u>	<u>5,348,652,821</u>
<u>\$37,209,839,303</u>	<u>\$8,123,392,016</u>	<u>\$45,333,231,319</u>

# Combining Statements of Changes in Plan Net Assets

(For the Years Ended December 31, 1998 and 1997)

	1998		
	Pensions	Post-employment Healthcare	Total
<b>Additions:</b>			
<b>Contributions:</b>			
Members'	\$ 799,281,516	\$	\$ 799,281,516
Employers'	886,684,170	379,761,098	1,266,445,268
Total Contributions	<u>1,685,965,686</u>	<u>379,761,098</u>	<u>2,065,726,784</u>
<b>Investment Income:</b>			
Net Appreciation in Fair Value of Investments	2,542,076,801	1,593,731,660	4,135,808,461
Bond Interest	1,089,908,097	250,812,003	1,340,720,100
Dividends	214,251,321	49,322,412	263,573,733
Real Estate Operating Income, net	244,805,051	56,358,214	301,163,265
Securities Lending Income	10,816,127	2,476,890	13,293,017
	4,101,857,397	1,952,701,179	6,054,558,576
Less: Investment Management Expenses	( 6,998,039)	( 1,698,418)	( 8,696,457)
Net Investment Income	<u>4,094,859,358</u>	<u>1,951,002,761</u>	<u>6,045,862,119</u>
Other Income	237,360		237,360
<b>TOTAL ADDITIONS</b>	<u>5,781,062,404</u>	<u>2,330,763,859</u>	<u>8,111,826,263</u>
<b>Deductions:</b>			
Benefits	1,402,239,075	440,596,663	1,842,835,738
Refunds of Contributions	125,609,907		125,609,907
Administrative Expenses	19,811,891	1,718,984	21,530,875
<b>TOTAL DEDUCTIONS</b>	<u>1,547,660,873</u>	<u>442,315,647</u>	<u>1,989,976,520</u>
Net Increase	4,233,401,531	1,888,448,212	6,121,849,743
Net assets held intrust for pension and post-employment healthcare benefits:			
Balance, Beginning of Year	<u>37,209,839,303</u>	<u>8,123,392,016</u>	<u>45,333,231,319</u>
<b>BALANCE, END OF YEAR</b>	<u>\$ 41,443,240,834</u>	<u>\$ 10,011,840,228</u>	<u>\$ 51,455,081,062</u>

See Notes to Financial Statements



1997

Pensions	Post-employment Healthcare	Total
\$ 773,100,594	\$	\$ 773,100,594
811,485,028	422,152,429	1,233,637,457
<u>1,584,585,622</u>	<u>422,152,429</u>	<u>2,006,738,051</u>
3,207,194,135	370,211,565	3,577,405,700
1,060,356,154	285,716,854	1,346,073,008
167,288,938	45,080,119	212,369,057
223,337,067	60,159,183	283,496,250
6,373,032	1,727,809	8,100,841
<u>4,664,549,326</u>	<u>762,895,530</u>	<u>5,427,444,856</u>
(4,578,699)	(1,005,080)	(5,583,779)
<u>4,659,970,627</u>	<u>761,890,450</u>	<u>5,421,861,077</u>
754,023		754,023
<u>6,245,310,272</u>	<u>1,184,042,879</u>	<u>7,429,353,151</u>
1,304,604,400	389,845,273	1,694,449,673
139,624,174		139,624,174
18,179,286	1,928,432	20,107,718
<u>1,462,407,860</u>	<u>391,773,705</u>	<u>1,854,181,565</u>
4,782,902,412	792,269,174	5,575,171,586
<u>32,426,936,891</u>	<u>7,331,122,842</u>	<u>39,758,059,733</u>
<u>\$37,209,839,303</u>	<u>\$ 8,123,392,016</u>	<u>\$45,333,231,319</u>



# Notes to Financial Statements

## 1. DESCRIPTION OF PERS

**a. Organization** — The Public Employees Retirement System of Ohio (PERS) is a cost-sharing multiple-employer public employee retirement system for all public employees in Ohio except those covered by one of the other state or local retirement systems in Ohio. PERS is administered in accordance with Chapter 145 of the Ohio Revised Code (ORC). The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. PERS does not have financial accountability over any entities.

PERS is not part of the state of Ohio financial reporting entity. Responsibility for the organization is vested in the System's Retirement Board, there is no financial interdependency with the state of Ohio, nor does the state of Ohio have financial accountability for the System. The Retirement Board is the governing body of PERS, with responsibility for administration and management. Six of the nine members are elected by the groups they represent: retirants; employees of the state; employees of counties; employees of municipalities; non-teaching employees of state colleges and universities; and miscellaneous employees. The Auditor of State, Attorney General, and the Director of Administrative Services are statutory members.

The Retirement Board appoints the Executive Director, an actuary, and other employees and consultants necessary for the transaction of business. The Retirement Board meets monthly and receives no compensation, but is reimbursed for necessary expenses.

Employer, employee and retirant data as of December 31, 1997 and 1996 (our latest available actuarial data) follows:

	1997	1996
<b>Employer Units</b>		
State group	292	289
Local government group	3,187	3,177
Law enforcement group	226	213
<b>Employee Members and Retirants</b>		
Retirants and beneficiaries currently receiving benefits	124,258	121,219
Terminated employees not yet receiving them	34,859	31,374
<b>Active Employees</b>		
State group	114,036	115,712
Local government group	231,668	229,954
Law enforcement group	7,256	6,742

All public employees in Ohio, except for certain specific exclusions and exemptions, are required to become contributing members of PERS. For actuarial purposes, vested employees represent those employees who have earned sufficient service credit (5 years or 60 contributing months) to be entitled to a future benefit from PERS.

**b. Benefits** — All benefits of the System and any benefit increases are established or amended by the legislature pursuant to Ohio Revised Code Chapter 145. Chapter 145 provides the Retirement Board with the authority to provide healthcare benefits.

*Age and Service 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 years or 60 contributing months of service credit, age 55 with 25 or more years of service credit, or at any age with 30 or more years of service credit. The annual benefit is based on 2.1 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Upon reaching minimum retirement age, benefits are vested at the time of eligibility for monthly benefits.

*Law Enforcement Officers' Benefits* — Law enforcement officers, as defined in ORC Chapter 145, are eligible for special retirement options. These options are available to such members at age 52 or older with 25 or more years of credited service. The annual benefit is calculated by multiplying 2.5 percent of final average salary by the actual years of service for the first 20 years of service credit and 2.1 percent of final average salary for each year of service over 20 years. These options also permit



early retirement under qualifying circumstances as early as age 48.

- *Early Retirement Incentive Plan* — 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 benefit. Such a plan, if adopted by an employer, must be offered to a minimum of 5 percent of covered employees and provide for the purchase not to exceed five years credit, limited to a maximum of 20 percent of total service credit.
- *Disability Benefits* — PERS administers two disability plans. Members on the rolls as of July 29, 1992 could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered the System after July 29, 1992 are automatically covered under the revised plan.

A member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit under the original plan. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. After the disability benefit ends, the member has an opportunity to apply for a service retirement benefit, or a refund of contributions which are not reduced by the amount of disability benefits received.

Law enforcement officers are immediately eligible for disability benefits if disabled by an on-duty illness or injury.

- *Survivor Benefits* — Dependents of deceased members may qualify for survivor benefits if the deceased employee had at least 18 months of service credit with at least three months of credit within the two and one-half years immediately preceding death. ORC Chapter 145 specifies the dependents and the conditions under which they qualify for survivor benefits.
- *Healthcare Benefits* — The ORC permits, but does not require, PERS to offer healthcare benefits. The System currently provides comprehensive healthcare benefits to retirants with 10 or more years of qualifying service credit and offers coverage to their dependents on a premium deduction basis. Coverage includes hospitalization, medical expenses, prescription drugs, and reimbursement of monthly Medicare premiums. The System

determines the amount, if any, of the associated healthcare costs that will be absorbed by the System. The System attempts to control costs by utilizing managed care, HMOs, case management, disease management, and other programs.

- *Other Benefits* — Once a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment is provided to benefit recipients in each year the Consumer Price Index (CPI) shows an increase. The adjustment is the lesser of 3 percent or the actual CPI increase. A death benefit of \$500-\$2,500, determined by number of years of service credit of the retirant, is paid to the beneficiary of a deceased retirant or disability benefit recipient.
- *Money Purchase Annuity* — PERS age and service retirants who become re-employed in a PERS-covered position must contribute to the System. All re-employed PERS retirants must elect to either: 1) have their retirement allowance suspended for the re-employment period and contribute toward a formula benefit, or 2) continue to receive their retirement allowance and contribute toward a money purchase annuity (based on the calculation of employee contributions for the period of re-employment plus allowable interest, multiplied by two). An elected official who retires during a term of office and who is re-appointed to the position during the same term or is elected to the position for the next consecutive term can choose only the option to have their retirement allowance suspended and contribute to a formula benefit.
- *Refunds* — Upon their termination of employment, a member may withdraw accumulated contributions made to PERS. 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.

**c. Contributions** — PERS' funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, which, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding 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. These contributions represent the amount necessary to fund accrued liabilities over a period of 3 and 8 years for state, 5 and 15 years for local government and 10 and 30 years for law enforcement divisions for retirement allowances and survivor benefits for 1997, the date of the latest actuarial study, and 1996, respectively.

As of December 31, 1998 the rates based on covered payroll were:

	Employee Rate	Employer Rate
State group	8.5%	13.31%
Local government group	8.5%	13.55%
Law enforcement group	9.0%	16.70%

The rates above fall within the ranges set by the Ohio Revised Code.

A portion of each employer's contribution to PERS is set aside for the funding of post-retirement healthcare. The total employer contribution rate for state employers was 13.31 percent of covered payroll; local employers, 13.55 percent of covered payroll; and law enforcement employers, 16.70 percent of covered payroll, for both 1998 and 1997. The percentage of the employer contribution rate used to fund healthcare, for all divisions, was 4.2 percent for both 1998 and 1997.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to healthcare expenses. The contributions allocated to retirant healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions are expected to be sufficient to sustain the program indefinitely.

ORC Chapter 145 assigns authority to the Retirement Board to amend the funding policy. As of December 31, 1998 the Retirement Board adopted all contribution rates as recommended by the Actuary.

**d. 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 PERS' financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by PERS:

**a. Basis of Accounting** — The financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period in which they are earned and become measurable, and investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

Pursuant to the GASB Statement No. 20: *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the System follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

The accounting and reporting policies of PERS conform to generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 26, *Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans* require that plan assets be split between pension and healthcare. To meet this requirement, plan assets and liabilities not specifically identifiable to a plan were proportionately allocated to the pension and post-employment healthcare plans.

**b. Investments** — PERS is authorized by ORC Section 145.11 to invest under an investment policy established by the Retirement Board under a prudent person standard. The prudent person standard requires the Retirement Board "to discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries and defraying reasonable expenses of administering the System; with care, skill, prudence, and diligence under the



circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so." The prudent person standard became effective March 1997.

Prior to March 1997, Section 145.11 authorized PERS to invest in various instruments (meeting various rating criteria) which included obligations of the U.S. Treasury and U.S. agencies, state and local governments, various mortgage-backed securities, corporate bonds, common and preferred stock, commercial paper, real estate, alternative investments, and international securities.

Plan investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Short-term investments are reported at amortized cost which approximates fair value. All other investments, with the exception of real estate, are valued through Interactive Data, a third-party pricing service. The fair value of real estate investment is based on estimated current values and independent appraisals.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost plus sales of investments at fair value. Investment expense consists of those administrative expenses directly related to PERS' investment operations and a proportional amount of all other administrative expenses allocated based on a ratio of PERS' investment staff to a total PERS staff.

**c. Securities Lending** — PERS maintains a securities lending program. The Retirement Board uses its own discretion to determine the type and amount of securities lent under the program. Under this program securities are loaned to brokers. In return, PERS receives cash collateral and agrees to return the collateral for the same securities in the future. Cash collateral from securities loaned is, simultaneous to the loan, reinvested in repurchase agreements (repos) and short-term securities with a final maturity of one year or less. Securities loaned and repos are collateralized at a minimum of 102 percent of the market value of loaned securities. Collateral is marked-to-market daily. If the market value of the collateral held falls below 102 percent of the market value of securities loaned, additional collateral is provided. The maturity of the repo is always identical to the maturity of the securities loaned. Further, there is always a positive spread between the cost

of funds raised from a securities loan and the income earned from the associated repo. At year end PERS had no credit risk exposure to borrowers because the fair value of collateral PERS held exceeded the fair value of securities loaned.

As of December 31, 1998, the fair values of loaned securities and associated collateral (repo agreements and short-term investments) were \$5,644,114,208 and \$5,814,435,452, respectively.

As of December 31, 1997, the fair value of loaned securities and associated collateral (repo agreements and short-term investments) were \$5,097,618,514 and \$5,249,587,147, respectively.

Net income from securities lending was \$13,293,017 and \$8,100,841 in 1998 and 1997, respectively.

**d. Derivatives** — Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate or index. PERS has classified the following as derivatives:

- **Mortgage and Asset-Backed Securities** — As of December 31, 1998 and 1997, the System held the following mortgage and asset-backed securities which may be categorized as derivative securities:
  - GNMA, FNMA, and FHLMC pass-throughs with amortization terms of 15 years, 30 years, and 30-year amortization/7-year balloons.
  - Collateralized mortgage obligation securities (CMOs) backed by FNMA and FHLMC 15 and 30-year pass throughs.
  - Commercial mortgage backed securities (CMBS) backed by commercial mortgages and leases on a variety of property types such as office, retail, hotel, self-storage, warehouse, and industrial.
  - Asset-backed securities (ABS) backed by auto loans, credit card receivables, home equity loans, home improvement loans, and electric-utility receivables.

The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the System will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustments, is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market



rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to repay the existing loan and obtain new lower financing. The fair value of mortgage and asset-backed securities was \$7,239,428,115 and \$6,199,450,676 as of December 31, 1998 and December 31, 1997, respectively.

- **Forward Currency Contracts** — The System enters into various forward currency contracts to manage exposure to changes in foreign currency exchange rates on its foreign portfolio holdings. The System may also enter into forward currency exchange contracts to provide a quantity of foreign currency needed at a future time at the current exchange rates, if rates are expected to change dramatically. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. Risk associated with such contracts includes movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized as net appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included as net appreciation/depreciation in the statement of changes in plan net assets. As of December 31, 1998 and December 31, 1997, the fair values of forward currency contracts held by the System were (\$2,433,228) and \$5,291,689, respectively.

- **Foreign Stock Index Futures Contracts** — The System enters into various foreign stock index futures contracts to manage exposure to changes in foreign equity markets and to take advantage of foreign equity index movements on an opportunistic basis. A foreign stock index future is a futures contract that uses a stock index as its base, and which is settled by cash or delivery of the underlying stocks in the index. Futures contracts differ from forward contracts by their standardization, exchange trading, margin requirements, and daily settlement (marking to market). Risk associated with foreign stock index futures contracts includes adverse movements in the underlying stock index. As of December 31, 1998, the System did not hold any foreign stock index futures contracts. As of December 31, 1997, the fair value of foreign stock index futures contracts was \$143.

- **Stock Rights and Warrants** — The System held various stock rights and warrants related to its international investment fund. A stock right gives the holder a pre-emptive right to purchase additional shares from a pending

new issue of stock in proportion to their present holdings. A stock right indicates the price at which stock can be acquired (the exercise price), the number of shares that may be acquired for each right and the expiration date of the right. The value of the stock right is directly affected by the market value of the related stock. A warrant is a certificate attached to a stock that gives its holder the right to purchase stock at a specified price within a specified time period. The value of the warrant is directly affected by the market value of the related stock. As of December 31, 1998 and December 31, 1997, the fair values of stock rights and warrants held by the System were \$522,965 and \$813,495 respectively.

**e. International Investments** — The Retirement Board has authorized investment in various instruments including international securities. In November 1994, PERS executed an investment management agreement to take advantage of expected favorable long-term trends in the global forest products industry by making specialized investment in offshore forest products companies. In fiscal 1996, PERS began investing in international equity investments through the use of outside money managers. It is the intent of PERS and the money managers to be fully invested in non-cash equivalent international securities, however, cash and short-term fixed income investments are often held temporarily. PERS also invests in forward currency contracts (see Note 2d).

The allocation and fair value of international investments held at December 31, 1998 and 1997 are:

	1998	1997
Cash	\$ 17,220,492	\$ 11,263,473
REIT	1,187,514	
ADR	3,677,950	
Cash Equivalents	35,825,766	37,872,727
Netted Receivable/ Payable Interest	(2,977,749)	4,183,175
Netted Receivable/ Payable Currency Contracts	(2,433,228)	5,291,689
International Stock	2,219,990,443	896,183,124
Convertible Bonds	5,628,041	8,702,842
Stock Index Futures Contracts		143
Rights & Warrants	522,965	813,495
Private Equity	167,718,441	187,951,550
<b>Total International Investments</b>	<b><u>\$ 2,446,360,635</u></b>	<b><u>\$ 1,152,262,219</u></b>



**f. Fixed Assets** — Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The range of estimated useful lives is as follows:

	Years
Buildings and building improvements	50
Furniture and equipment	3-10

**g. Undistributed Deposits** — Cash receipts are recorded as undistributed deposits until such time as they are allocated to employers' receivables, members' contributions, or investment income.

**h. Federal Income Tax Status** — PERS is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

**i. Funds** — In accordance with state statute, various funds have been established to account for the reserves held for future and current benefit payments. Statutory funds are as follows:

*The Employees' Savings Fund* represents members' contributions held in trust pending their refund or transfer to a benefit disbursement fund. Upon an employee's retirement, such employee account is credited with an amount of interest (statutory interest) on the employee's contributions based on a rate of 3 to 4 percent compounded annually as required by ORC Chapter 145. Such statutory interest does not vest with the employee.

*The Employers' Accumulation Fund* is used to accumulate employers' contributions to be used in providing the reserves required for transfer to the Annuity and Pension Reserve Fund as members retire or become eligible for disability and healthcare benefits and to the Survivors' Benefit Fund for benefits due dependents of deceased members.

*The Annuity and Pension Reserve Fund* is the fund from which annuity, disability, and healthcare benefits are paid. This reserve was fully funded according to the latest actuarial study dated December 31, 1997, and accordingly, there are sufficient assets available in this fund to pay the vested benefits of all retirants and beneficiaries as of the valuation date.

*The Survivors' Benefit Fund* is the fund from which benefits due dependents of deceased members of the System are paid. This fund also was fully funded as of December 31, 1997.

• *The Income Fund* is the fund which is credited with all investment earnings and miscellaneous income. The balance in this fund is transferred to other funds to aid in the funding of future benefit payments and administrative expenses.

• *The Expense Fund* provides for the payment of administrative expenses with the necessary monies allocated to it from the Income Fund.

Fund balances at December 31, 1998 and 1997 are as follows:

	1998	1997
Employees' Savings Fund	\$ 6,508,357,667	\$ 6,074,352,149
Employers' Accumulation Fund	30,601,546,907	25,919,151,838
Annuity & Pension Reserve Fund	13,549,953,830	12,582,711,466
Survivors' Benefit Fund	760,099,855	727,752,843
Income Fund	33,840,220	27,613,494
Expense Fund	1,282,583	1,649,529
Total Fund Balance	<u>\$ 51,455,081,062</u>	<u>\$ 45,333,231,319</u>

**j. Risk Management** — PERS is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks PERS maintains commercial insurance and holds fidelity bonds on employees. There were no reductions in coverage in either 1998 or 1997. As required by state law, PERS is registered and insured through the state of Ohio Bureau of Workers' Compensation for injuries to employees. PERS is self-insured with relation to employee healthcare coverage. The only outstanding liabilities at the end of 1998 and 1997 were related to the employee healthcare coverage (see Note 8).

### 3. CASH AND INVESTMENTS

At December 31, 1998, the carrying amount of PERS' cash deposits was \$20,953,586 and the bank balance was \$27,039,457. Of the bank balance, \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the Government Accounting Standards Board). The remaining bank balance cash deposits were uninsured and uncollateralized and were held in the name of PERS' pledging financial institution, as required by the ORC (Category 3).

At December 31, 1997, the carrying amount of PERS' cash deposits was \$37,531,507 and the bank balance was \$40,751,464. Of the bank balance, \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1). The remaining bank balance cash deposits were uninsured



and uncollateralized and were held in the name of PERS' pledging financial institution, as required by the ORC (Category 3).

A summary of short-term securities and investments held at December 31, 1998 and 1997 is as follows:

	1998 Fair Value	1997 Fair Value
<b>Short-Term Securities</b>		
Commercial Paper	\$ 871,332,779	\$ 859,399,976
U.S. Treasury Obligations	<u>1,521,104,962</u>	<u>1,812,773,962</u>
Total Short-term Securities	<u>\$ 2,392,437,741</u>	<u>\$2,672,173,938</u>
<b>Other Investments</b>		
Corporate Bonds:		
Not on securities loan	\$ 6,286,329,134	\$ 5,282,010,945
On securities loan	16,335,905	
Canadian Obligations	251,575,955	537,714,424
U.S. Government and Agencies:		
Not on securities loan	3,220,724,019	6,514,939,495
On securities loan	4,541,263,285	4,504,783,553
Mortgage and Mortgage backed	7,239,428,115	6,199,450,676
Stocks:		
Not on securities loan	18,400,215,820	13,037,328,048
On securities loan	1,086,515,018	592,834,961
Real Estate	4,762,601,120	4,091,670,490
Venture Capital	43,855,913	36,032,707
International Securities	2,446,360,635	1,152,262,218
Collateral on loaned securities	<u>5,814,435,452</u>	<u>5,249,587,147</u>
Total Other Investments	<u>\$54,109,640,371</u>	<u>\$47,198,614,664</u>

**a. Fair Value** — If available, quoted market prices have been used to value investments as of December 31, 1998 and 1997. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate is based upon estimated current values and independent appraisals.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements*, requires governmental 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 for which the securities are held by PERS or by its agent in the name of PERS. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty'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 counterparty or by its trust department or agent but not in PERS' name.

All investments of PERS meet the criteria of Category 1 except real estate, venture capital and securities on loan,

which by their nature are not required to be so categorized. Investments are held in the name of PERS or its nominee by the Treasurer of the state of Ohio as custodian.

#### 4. LEASES

PERS leases equipment with lease terms of one year or less. Total lease expense was \$366,976 and \$389,860 for the years ended December 31, 1998 and 1997, respectively.

#### 5. VACATION AND SICK LEAVE

As of December 31, 1998 and 1997, \$1,901,399 and \$1,759,119, respectively, was accrued for unused vacation and sick leave for PERS' 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.

#### 6. DEFERRED COMPENSATION PLAN

PERS does not sponsor a deferred compensation program. PERS employees are eligible to participate in the deferred compensation plan sponsored by the state of Ohio. The state sponsored plan was created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all PERS employees, permits them to defer a portion of their salary until future years. Deferred compensation assets are not available to employees until termination, retirement, death or unforeseeable emergency.

IRC Section 457 was revised during 1997, with varying effective dates. The provision for qualifying employers was drastically changed. Prior to the revision, all amounts of compensation deferred under a plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights were the sole property of the qualified employer and subject to the claims of the employer's general creditors. Participants' rights under the plan were equal to those of a general creditor of the employer in the amount equal to the fair value of the deferred account for each participant. The deferred compensation assets were included in the financial statements of the employer.

The revision to IRC Section 457 sets forth that the amount of compensation assets deferred under a plan, all property and rights, and all income attributable to those amounts, property, or rights be held in trust for the benefit of the participants. This change insulates the retirement benefits of employees from the claims of the employer's

general creditors. The employer does not include the deferred compensation assets in its financial statements.

The state sponsored plan implemented the revisions to IRC Section 457 as of Jan. 1, 1998. PERS has not included the deferred compensation assets or the related liability in the accompanying financial statements as of Dec. 31, 1998. The deferred compensation assets of \$3,875,910, at market value, and the related liability to PERS employees are included in the accompanying financial statements as of Dec. 31, 1997.

	General Health Insurance
Claims Liability as of December 31, 1996	\$ 135,364
Claims Incurred	1,821,890
Claims Paid	<u>(1,827,080)</u>
Claims Liability as of December 31, 1997	130,174
Claims Incurred	1,472,216
Claims Paid	<u>(1,429,236)</u>
Claims Liability as of December 31, 1998	<u>\$ 173,154</u>

### 7. PERS' SCHEDULE OF REQUIRED CONTRIBUTIONS

All employees of the System are eligible for membership in PERS. The System's annual required contributions for the year ended December 31, 1998 and for each of the two preceding years is as follows:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1996	\$ 1,443,673	100 %
1997	1,537,037	100
1998	1,700,572	100

### 8. SELF-INSURED EMPLOYEE HEALTHCARE

PERS is self-insured under a professionally administered plan for general health and hospitalization employee benefits. PERS maintained specific stop loss coverage per employee for medical benefits in the amount of \$250,000 for both 1998 and 1997. PERS also maintained a lifetime maximum stop loss coverage per employee for medical benefits in the amount of \$1,000,000 for both 1998 and 1997.

The summary of changes in incurred but unreported claims for the years ended December 31, 1998 and 1997 follows:



# Required Supplementary Information

## Schedule of Funding Progress\*

(\$ 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 of % of Active Member Payroll
1988	\$17,246	\$13,249	\$ 3,997	77 %	\$ 5,307	75 %
1989	18,310	14,629	3,681	80	5,597	66
1990	20,125	16,245	3,880	81	6,036	64
1991	22,027	18,108	3,919	82	6,651	59
1992	23,961	20,364	3,597	85	6,889	52
1993	26,056	23,063	3,443	87	7,236	48
1994	28,260	25,066	3,194	89	7,625	42
1995	30,556	27,651	2,905	90	7,973	36
1996	32,631	30,534	2,097	94	8,340	25
1997	34,971	33,846	1,125	97	8,640	13

\*The amounts reported in this schedule do not include assets or liabilities for post-employment healthcare benefits.

## Schedule of Employer Contributions\*

Year Ended December 31	Annual Required Contributions	Percentage Contributed
1989	\$ 571,866,966	100 %
1990	558,119,779	100
1991	607,811,880	100
1992	646,170,989	100
1993	663,680,518	100
1994	693,802,578	100
1995	725,893,573	100
1996	777,781,045	100
1997	811,485,028	100
1998	886,684,171	100

The Board adopts all contribution rates as recommended by the Actuary.

\*The amounts reported in this schedule do not include contributions for post-employment healthcare benefits.

See Notes to Supplementary Schedules

# Notes to Required Supplementary Information

## 1. DESCRIPTION OF SCHEDULE OF FUNDING PROGRESS

Each time a new benefit is added which applies to service already rendered, an "unfunded actuarial 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 actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded actuarial accrued liabilities increasing in dollar amounts, all at a time when the actual value of these items, in real terms, may be decreasing. Looking at just the dollar amounts of unfunded actuarial accrued liabilities can be misleading. Unfunded actuarial accrued liabilities divided by active employee payroll provides an index which adjusts for the effects of inflation. The smaller the ratio of unfunded actuarial accrued 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.

## 2. ACTUARIAL ASSUMPTIONS AND METHODS

**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 for pension benefits are amortized over a period of 3 and 8 years for state, 5 and 15 years for local government and 10 and 30 years for law enforcement divisions for 1997, the date of the latest actuarial study, and 1996, respectively, to produce payments which are level percents of payroll contributions based on an open amortization period.

**Asset Valuation Method** — For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus realized and unrealized investment gains and losses amortized at a 25 percent per annum over a four-year period.

Significant actuarial assumptions employed by the actuary for funding purposes as of December 31, 1997, the date of the latest actuarial study, and 1996 include:

**Investment Return** — 7.75 percent, compounded annually, for all members, retirants, and beneficiaries.

**Salary Scale** — As of December 31, 1997 and 1996 the active member payroll is assumed to increase 4.75 percent annually, which is the portion of the individual pay increase assumption attributable to inflation. Also assumed are additional projected salary increases ranging from .54 percent to 5.1 percent per year at December 31, 1997 and 1996, depending on age, attributable to seniority and merit.

**Benefit Payments** — Benefit payments are assumed to increase 3 percent per year after retirement.

### 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 on PERS' experience.

**Withdrawal** — Based on PERS' experience.

**Healthcare Benefits** — Healthcare benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retirant healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions are expected to be sufficient to sustain the program indefinitely.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to healthcare expenses. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund healthcare expenses. Under the prior method, accrued liabilities and normal costs rates were determined for retirant healthcare coverage.

PERS' actuarial valuation is calculated separately for retirants and beneficiaries and for 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



etermined, is calculated using the assumptions noted above. The reserves in the Annuity and Pension Reserve Fund and the Survivors' Benefit Fund together with interest credited thereon from the Income Fund are compared to the actuarial accrued liability for the remaining lifetimes of the retirants and beneficiaries, and any deficiency is then funded by a transfer from the Employers' Accumulation Fund. Consequently, all such determined benefits are fully funded.

The actuarial accrued liability for active and inactive members is calculated using the entry age normal actuarial cost method. The assets of the Employees' Saving Fund, Employers' Accumulation Fund, and the market value adjustment are subtracted from this present value to arrive at the unfunded actuarial accrued liability.

The unfunded actuarial accrued liability based upon the two most recent annual actuarial valuations is as follows:

### Unfunded Actuarial Accrued Liability

	December 31, 1997			December 31, 1996	
	State Group	Local Government Group	Law Enforcement Group	Total	Total
Present value of actuarial accrued liability for active and inactive accounts	\$8,591,183,058	\$11,972,563,390	\$821,158,472	\$21,384,904,920	\$20,100,463,333
Less:					
Employers' Accumulation Fund*	5,330,849,135	7,063,299,611	530,006,433	12,924,155,179	11,832,774,593
Employees' Savings Fund	2,418,011,311	3,454,977,891	201,362,947	6,074,352,149	5,680,623,240
Market Value Adjustment	<u>519,137,524</u>	<u>700,026,847</u>	<u>41,462,376</u>	<u>1,260,626,747</u>	<u>489,217,051</u>
Unfunded actuarial accrued liability	<u>\$ 323,185,088</u>	<u>\$ 754,259,041</u>	<u>\$ 48,326,716</u>	<u>\$ 1,125,770,845</u>	<u>\$ 2,097,848,449</u>

Amounts shown reflect transfers out of the Employers' Accumulation Fund to fully fund the Annuity and Pension Reserve Fund and Survivors' Benefit Fund.

# Year 2000 Issue (Y2K)

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Retirement System's operations as early as the calendar year 1999.

PERS business-critical systems reside mainly on our IBM mainframe computer. These critical systems include our Pension System, which calculates and generates monthly retirement benefits, and the savings system which processes member and employer wage and contribution data. For PERS of Ohio, Y2K testing commenced in 1996. During that initial test, we identified a wide variety of system failures. A second test conducted in 1997, verified that many of the problems identified during the 1996 test had been successfully corrected. During 1998, PERS performed additional Y2K tests to assure the compliance of critical PERS programs and hardware.

All critical PC applications were brought into compliance during the first quarter of 1999.

We have completed an inventory of hardware for Y2K compliance purposes. Our most mission-critical computer hardware are the central processing unit (CPU), data storage devices (DASD), and the Xerox MICR printer. The CPU and DASD, which were purchased in 1998, were installed with Y2K compliant microcode. Microcode is software which is permanently resident in the hardware itself.

At press time, we have only two remaining issues with mission-critical Y2K hardware compliance. First, the Y2K compliant microcode for the Xerox MICR printer has been installed, but not system tested. The test of this software will be performed in May of 1999. Also, we are waiting on vendor information on our Memorex tape drive system. A detailed listing of Y2K readiness follows.

## Y2K Readiness

	Assessment Stage	Remediation Stage	Validation Stage	Implementation Stage	Requires Retest
<b>Mainframe System Software</b>	<b>Code Reviewed</b>	<b>Code Modified</b>	<b>System Tested</b>	<b>Y2K Status</b>	<b>May 1999</b>
MVS Operating System	Sept. 1997	March 1998	July 1998	complete	yes
CICS	Sept. 1997	March 1998	July 1998	complete	yes
DB2 Subsystem	March 1997	July 1997	Oct. 1997	complete	yes
IMS Subsystem	Feb. 1998	June 1998	July 1998	complete	yes
PL/1 Compilers	Feb. 1998	June 1998	July 1998	complete	yes
Cobol Compilers	Jan. 1998	June 1998	July 1998	complete	yes
RACF	Sept. 1997	June 1998	July 1998	complete	yes
VTAM Communications	Sept. 1997	March 1998	July 1998	complete	yes
Xerox Printer Microcode	Sept. 1998	Oct. 1998	April 1999	-----	yes
<b>Mainframe Applications</b>					
<b><u>Pension System:</u></b>					
Pension Maintenance	Feb. 1998	Feb. 1998	July 1998	complete	no
Health Care	Feb. 1998	Feb. 1998	July 1998	complete	no
Address Management	Feb. 1998	April 1998	July 1998	complete	no
Adily Payments	Feb. 1998	April 1998	July 1998	complete	no
Payment History	Feb. 1998	April 1998	July 1998	complete	no
New Adds	Feb. 1998	March 1998	July 1998	complete	no
Recoveries	Feb. 1998	April 1998	July 1998	complete	no
Pension Actuary	Feb. 1998	July 1998	July 1998	complete	no
Misc. Pension	Feb. 1998	July 1998	July 1998	complete	no
EFT Interface - Bank One	Feb. 1998	July 1998	May 1999	-----	yes



	Assessment Stage	Remediation Stage	Validation Stage	Implementation Stage	Requires Retest May 1999
	Code Reviewed	Code Modified	System Tested	Y2K Status	
<b>Savings System:</b>					
Account Receivable	March 1997	April 1997	July 1998	complete	yes
Savings Actuary	Feb. 1997	Feb. 1997	Oct. 1997	complete	yes
Annual Statements	March 1997	June 1997	July 1998	complete	yes
Ballots	May 1997	May 1997	Oct. 1997	complete	yes
Cash/Payroll Reconciliation	Feb. 1997	April 1997	July 1998	complete	no
Employer Billing	March 1997	April 1997	July 1998	complete	yes
Expenses	March 1997	Sept. 1997	Oct. 1997	complete	no
Financial Transactions	Feb. 1997	April 1997	Oct. 1997	complete	yes
Refunds	May 1997	Aug. 1997	Oct. 1997	complete	yes
Refund 1099	May 1997	June 1997	Oct. 1997	complete	yes
Savings Service Credit	May 1997	July 1997	Oct. 1997	complete	yes
Back Payments	May 1997	May 1997	July 1998	complete	no
Case Control	Feb. 1997	June 1997	July 1998	complete	no
DCS On-Line Security	July 1997	July 1997	July 1998	complete	no
National Change of Address	Feb. 1997	April '97	Oct. 1997	complete	yes
Savings Correspondence	April 1997	May 1997	Oct. 1997	complete	yes
Open Payroll Process	Feb. 1997	March 1997	Oct. 1997	complete	no
<b>Network Operating Systems</b>					
NT Network Operating System	Sept. 1998	Nov. 1998	May 1999	in testing	yes
S.S. Development LAN	March 1998	Aug. 1998	Sept. 1998	complete	yes
Payroll Network	Jan. 1999	May 1999	June 1999	being replaced	yes
Investment LAN	Sept. 1998	March 1999	April 1999	complete	yes
QED Network Operating System	July 1998	Oct. 1998	Oct. 1998	complete	yes
Internet Firewall	Oct. 1998	May 1999	June 1999	-----	yes
Business Partner Firewall	Oct. 1998	May 1999	June 1999	-----	yes
Bulletin Board Software	Nov. 1998	June 1999	June 1999	-----	yes
Server Hardware	Sept. 1998	Dec. 1998	May 1999	in testing	yes
Workstation Hardware	Sept. 1998	Dec. 1998	May 1999	in testing	yes
Peripheral Hardware	Oct. 1998	May 1999	May 1999	in testing	yes
<b>PC/LAN Applications</b>					
Back Payment System	Feb. 1998	Aug. 1998	Sept. 1998	complete	yes
Cashiers	Feb. 1998	Aug. 1998	Sept. 1998	complete	yes
General Ledger	Feb. 1998	Feb. 1999	Feb. 1999	in testing	yes
PERS Payroll	Feb. 1998	Dec. 1998	June 1999	in testing	yes
Health Care Direct Pay	Feb. 1998	April 1998	April 1998	complete	yes
Retirement Estimate	Feb. 1998	N/A	Feb. 1998	complete	yes
Disability Estimate	Feb. 1998	N/A	Feb. 1998	complete	yes
Tax Estimate	Feb. 1998	N/A	Feb. 1998	complete	yes
Retirement Incentive Plan	Feb. 1999	Dec. 1998	-----	-----	yes
Real Estate Tracking	Sept. 1998	May 1999	June 1999	being replaced	yes
QED IMS-2000 (Investment/Accounting System)	July 1998	Nov. 1998	Dec. 1998	complete	yes

We estimate that approximately \$925,000 will be required to fully implement Y2K compliant software and hardware as detailed above. As of Dec. 31, 1998, PERS had expended \$675,000 on the Y2K project.

Through our communication with vendors who provide mission-critical services, we have been given no reason to believe that any of those vendors will not be able to continue providing accurate and quality service into and beyond the year 2000.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that PERS is or will be Year 2000 ready, that PERS' remediation efforts will be successful in whole or in part, or that parties with whom PERS does business will be Year 2000 ready.

# Administrative Expenses\*

For the Years Ended December 31, 1998 and 1997

	1998	1997
<b>Personal Services:</b>		
Salaries and Wages	\$12,582,693	\$11,490,077
Retirement Contributions	1,709,988	1,545,437
Insurance	1,542,971	2,117,526
Bureau of Employment Services	<u>803</u>	<u>269</u>
	<u>15,836,455</u>	<u>15,153,309</u>
<b>Supplies:</b>		
Office Supplies	325,314	299,753
Printing and Publications	324,556	397,734
Dues and Subscriptions	<u>100,500</u>	<u>101,159</u>
	<u>750,370</u>	<u>798,646</u>
<b>Other Services and Charges:</b>		
Professional Services:		
Auditing	78,463	60,503
Actuarial and Technical	880,418	643,330
Investment	3,348,529	1,112,588
Treasurer of State Charges	924,621	503,123
Medical	<u>1,211,866</u>	<u>1,045,756</u>
Pension Review	28,395	26,821
Employee Training	119,582	126,949
Data Processing Contract	57,449	45,018
Retirement Awareness Seminar	288,849	220,930
Communications:		
Telephone	265,772	215,363
Contract Mailings & Shipping	15,588	19,399
Postage	1,517,454	1,483,382
Transportation and Travel	417,261	341,565
Utilities	290,036	309,351
Operational and Maintenance:		
Equipment & Facilities	1,249,626	968,927
Building	384,693	358,744
Microfilm	37,323	34,671
Retirement Study Council	190,480	217,752
Miscellaneous	<u>119,037</u>	<u>33,063</u>
	<u>11,425,442</u>	<u>7,767,235</u>
<b>Depreciation On:</b>		
Building	409,982	402,834
Equipment and Fixtures	<u>1,805,083</u>	<u>1,569,473</u>
	<u>2,215,065</u>	<u>1,972,307</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<u><u>\$30,227,332</u></u>	<u><u>\$25,691,497</u></u>

\* Includes investment-related administrative expenses



# Schedule of Investment Expenses

(For the Years Ended December 31, 1998 and 1997)

	1998	1997
Investment Services	\$ 930,103	\$ 207,623
Investment Staff Expense	2,709,497	2,100,685
Securities Lending Expense	2,418,426	904,965
Legal Services for International Investments	4,352	2,592
Legal Services of Securities Lending	952	4,646
Allocation of Administrative Expense (See Note 2b)	<u>2,633,127</u>	<u>2,363,268</u>
<b>TOTAL INVESTMENT EXPENSES</b>	<b><u>\$8,696,457</u></b>	<b><u>\$5,583,779</u></b>

# Schedule of Payments to Consultants

PERS paid the following investment consultants in 1998:

Capital Resources	\$35,000
Global Trend Alert	2,500
Strategic Investment Solutions, Inc.	52,425
Wilshire Associates, Inc.	6,667
<b>TOTAL</b>	<b><u>\$96,592</u></b>

Schedule of Fees and Commission Payments to Brokers presented on page 100.



# Investment Section



# Investment Report

## Introduction

The investment authority of the Retirement System and its trustees, the Retirement Board, is specified in Section 145.11 of the Ohio Revised Code. Importantly, the Code requires that Board and other fiduciaries discharge their duties with respect to the System's funds solely in the interest of the participants and beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Public Employees Retirement System. Within the guidelines of the Code, the Board has developed an internal Investment Policy that provides for appropriate diversification of assets, and an acceptable expected return on investments after consideration of investment risks. Performance returns are prepared by Capital Resource Advisors in accordance with the Association for Investment Management and Research (AIMR) standards.

## Recent Accomplishments

- The System's assets earned a return of 14.35 percent in 1998, the third year in the last four of double digit gains.
- The System ended the year with assets of \$50.688 billion, exceeding the \$50 billion mark for the first time. The System's assets have grown by \$20.4 billion in four years.
- The Retirement Board, working with a pension consulting firm and internal investment staff, approved an updated Investment Policy and Asset Allocation at the end of the third quarter of 1998. The updated and previous asset allocation targets and ranges are displayed in the following table:

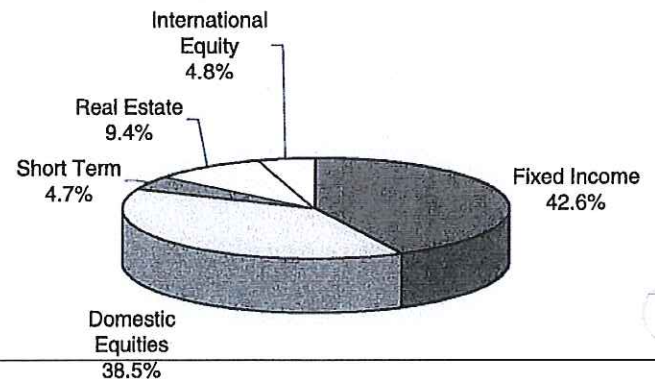
Asset Allocation Targets and Ranges

Asset Class	New Allocation		Old Allocation	
	Target	Range	Target	Range
Domestic Equities	35%	33% 37%	29%	20% 50%
Fixed Income	35%	31% 39%	51%	25% 75%
International Equity	18%	16% 20%	10%	0% 10%
Real Estate	11%	9% 13%	10%	5% 15%
Short Term Investments	1%	0% 4%	0%	0% 5%
<b>Total</b>	<b>100%</b>		<b>100%</b>	

- Following approval of the new asset allocation and targets, the System's exposure to domestic equities was raised to 35 percent. The Investment Department has developed, and the Retirement Board has approved, a plan to raise the international equity exposure to 18 percent by the end of 1999, with a corresponding reduction in the fixed income allocation.

## Asset Allocation at Year End 1998

At the end of 1998, the System's assets were diversified across asset classes as follows:



- The domestic equity allocation of 38.5 percent, or \$19.49 billion, was slightly over the high end of the range of 37 percent due to price appreciation of stock holdings during the fourth quarter stock market surge.
- Our fixed income exposure ended the year at 42.6 percent, or \$21.56 billion. We are reducing our exposure to this area to fund increases in international equities.
- Real estate holdings were 9.4 percent of the total, or \$4.76 billion at year-end. We have increased our real estate holdings to be within the specified range of 9 percent to 13 percent.
- International equity exposure ended the year at 4.8 percent of total assets or \$2.45 billion, an increase of \$1.3 billion from the end of 1997.
- We ended the year with 4.7 percent of total assets, or \$2.39 billion, in short-term investments, reflecting a defensive posture and the requirement to fund



increases in real estate and international stock holdings over the coming months.

- Our venture capital holdings totaled \$44 million at year end, representing less than 1/10<sup>th</sup> of 1 percent of total assets.

## Domestic Equities

Domestic stock markets turned in another strong performance in 1998 in the face of financial and economic turmoil abroad and concerns of an impending economic slowdown in the U.S. The S&P 500 index gained 28.6 percent for the year, while the Dow Jones Industrial Average returned 18.1 percent. These two indices are fairly narrow gauges of the domestic stock market, focused on the performance of the largest capitalization companies. A broad measure of the overall market, the Russell 3000 index, an index comprised of the 3,000 largest domestic companies by market capitalization, returned 24.1 percent in 1998.

PERS of Ohio's domestic equity holdings returned 26.3 percent for the year, falling short of the return on the S&P 500 index, but outpacing the return of the broader Russell 3000 index. The primary reason that the return of PERS domestic equity portfolio trailed the return of the S&P 500 was an exposure to mid and small capitalization stocks. As indicated by the return of the Russell 3000 index relative to the S&P 500 index, mid and small cap stocks did not fare as well as large capitalization stocks in 1998.

## Fixed Income

The domestic bond markets were mixed in 1998. The two widely followed measures of domestic bond returns, the Salomon Smith Barney Broad Investment Grade Index (BIG) and the Lehman Brothers Aggregate Index, returned 8.71 percent and 8.69 percent, respectively. These indices are comprised of investment grade securities in three broad market sectors; U.S. Treasuries and Agencies, corporate debt, and mortgage-backed debt. The strongest performing sector in 1998 was the treasury sector, which benefited from a flight to safety arising from worldwide financial and economic turmoil in the third and fourth quarters. The treasury component of the BIG index showed a 10.0 percent return for the year. While the financial crisis aided treasury performance, corporates and mortgages were hurt. The corporate component of the BIG index returned 8.5 percent for the

year, while the mortgage component returned 7.0 percent. The unwinding of leveraged positions by the hedge fund community in the second half of the year put pressure on corporates and mortgages, causing the returns on these securities to lag the overall index.

PERS of Ohio's domestic bond portfolio returned 8.49 percent in 1998, trailing the return on the BIG index by 24 basis points. The return of our portfolio trailed the index due to an overweight position, relative to the composition of the BIG index, in corporate securities, as well as being slightly short in duration during the third quarter, a period of time when treasuries rallied sharply due to fears of worldwide financial crises.

## International Equities

International equity markets turned in good results in 1998, though returns lagged the strong showing of the U.S. stock markets. The Morgan Stanley EAFE index (Europe, 'Australasia' and Far East), a measure of the performance of 1,600 companies in 22 developed international markets, showed a return of 20 percent in U.S. dollar terms. A broader measure of international equity performance, the Morgan Stanley All Country World Index Free ex U.S. (ACWIF), an index that is comprised of companies in developed and emerging markets, registered a gain of 12.3 percent in U.S. dollar terms. Emerging market returns were a drag on the performance of the ACWIF index, with emerging markets showing a return of a negative 27.5 percent in U.S. dollar terms. The poor showing of emerging markets in 1998 is indicative of the financial panic that gripped these markets in the second half of the year.

PERS of Ohio's international equity holdings returned 13.27 percent in 1998, outpacing the return of the ACWIF index by 1.01 percent, but trailing the return of the EAFE index by 6.63 percent. Our EAFE-based portfolios performed in line with that index; however, our overall international returns were pulled down by our holdings in a private equity investment in the international forest products area.



## Real Estate

The domestic real estate markets were mixed in 1998, with directly-held properties showing low double-digit gains, but the Real Estate Investment Trust (REIT) market faring very poorly. The National Council of Real Estate Investment Fiduciaries (NCREIF) measures the performance of real estate properties held by tax exempt institutions in a fiduciary environment. The NCREIF Property Index (NPI) is based on actual appraisals of investment grade properties, with return data provided quarterly, 90 days following the end of a given quarter. The estimated return on the NPI in 1998 was 15.25 percent.

Another important sector of the real estate market is publicly-traded REITs. The REIT market did not fare well in 1998 due to a few reasons. First, investors were concerned over federal legislation aimed at the unusual tax structure of a handful of companies within the sector. Second, and perhaps more important, the near shut down of the commercial mortgage-backed securities market (CMBS), the funding mechanism behind the growth of the industry, caused investors to reevaluate the near term prospects of the industry. In the financial scare of the third quarter, the CMBS market virtually ground to a halt, with investors reluctant to buy bonds backed by mortgages on commercial properties. This impaired the ability of REITs to raise capital for growth, in turn causing investors to scale back expectations for the sector. The REIT market, as measured by the S&P REIT index, an index comprised of 103 REITs, showed a return of negative 19.9 percent for the year.

PERS of Ohio's real estate holdings earned a disappointing return of 5.77 percent in 1998. Our "brick and mortar" properties, which constitute approximately 51 percent of our real estate holdings, generally performed in line with the NPI. However, our exposure to mortgages (approximately 23 percent of our real estate portfolio) and in particular, our approximate 26 percent exposure to REITs, held back our overall real estate returns. The return on our whole-loan mortgage holdings was 9.42 percent, a favorable return on an absolute basis, but well behind the return of the NPI. More important, the return on our REIT holdings was a negative 11.53 percent, poor on an absolute basis, but sharply better than the dismal return of the S&P REIT index.

For 1999, we will compare our real estate performance to a composite benchmark that will be weighted 60 percent NPI, 20 percent S&P REIT, and 20 percent

Giliberto-Levy (an industry-accepted measure of the performance of whole-loan mortgages).

## Short Term Investments

Internally, we use the return of the U.S. Treasury 90-day T-bill, as measured by the Merrill Lynch Global Index group, as a benchmark reference for the performance of short term investments. The 90-day T-bill earned a return of 5.23 percent in 1998.

PERS of Ohio invests principally in three types of short term securities: U.S. Treasury Bills with a remaining maturity of 185 days or less; commercial paper with a remaining maturity of 35 days or less, issued by domestic corporations rated "A1/P1" for short term debt; and discount notes with a remaining maturity of 185 days or less issued by U.S. Government Sponsored Enterprises. In 1998, we favored investments in better yielding commercial paper and discount notes, and held few treasury bills. Our short term investments earned a return of 5.63 percent for the year, exceeding the return on the benchmark 90-day T-bill by 44 basis points.

## Fund Strategy for 1999

Capital market returns here and abroad are expected to be modest in 1999. The domestic stock markets are overvalued, having been buoyed by three Federal Reserve interest rate cuts in the latter half of 1998. In addition, stretched valuations are being challenged by a possible slowdown in corporate profit growth. Corporate profits are coming under pressure from two sources, a waning of consumer demand and a weak pricing environment aggravated by oversupply. With the Fed likely on hold in the first half of 1999, markets will not get another boost from cheaper money. More ominous, a possible slowdown in profit growth would force investors to reassess the historically high price/earnings multiple assigned to the market.

Internationally, the major economies of the European Union (as well as the U.K.) are facing faltering growth and chronically high unemployment. Japan continues to struggle with the long aftereffects of its stock market bubble; Japanese consumers refuse to spend money and low interest rates have failed to stimulate demand. In the emerging markets, there are renewed concerns over the financial and economic health of Brazil, and the expected

spillover effects on Latin America, China, and Russia should the Brazilian financial situation worsen. In sum, international markets are facing significant challenges that should temper gains in worldwide stock markets.

On a brighter note, we expect that the real estate market, and in particular, the REIT sector, will have a good year with returns in the upper single digits to the lower double digits.

Given our outlook for the coming year, our strategy will have a defensive bias. We will maintain a target or below-target allocation to domestic equities and a target allocation to domestic bonds. In a step progression, we will gradually raise our exposure to international equities over the course of the year to 18 percent of total assets, consistent with the updated asset allocation plan. We intend to target weight, and possibly overweight, the real estate sector in the year ahead. Finally, regardless of the cliché, cash will not be trash in the coming year. In fact, the return on short term investments may outpace returns in some of the major asset classes in 1999.



# Schedule of Investment Results

	<u>1998</u>	<u>Rolling 3-Year</u>	<u>Rolling 5-Year</u>
<b>Total Portfolio</b>	14.35	11.82	11.00
Customized Benchmark	15.73	13.37	N/A
<b>Equity Portfolio</b>	26.33	23.83	18.11
Standard and Poor's 500 Index <sup>1</sup>	29.06	28.31	24.12
<b>Fixed Income Portfolio</b>	8.49	6.82	7.85
Salomon B.I.G. Index	8.71	7.29	7.30
<b>Real Estate Portfolio</b>	5.77	10.50	10.32
N.C.R.E.I.F. <sup>2</sup>	12.97	12.27	10.15
<b>International Portfolio</b>	13.27	4.19	N/A
M.S.C.I.-E.A.F.E. <sup>3</sup>	19.22	8.77	9.05
<b>Short-Term Portfolio</b>	5.63	5.65	5.44
90 Day Treasury Bill	5.23	5.29	5.22

<sup>1</sup> For 1998, the S&P 500 was used for the first nine months, while the S&P Supercomposite was used for the final three months.

<sup>2</sup> For 1998, the real estate benchmark is comprised of the N.C.R.E.I.F. index for the first nine months, while a composite index is used for the final three months. The composite index is weighted as 60% N.C.R.E.I.F. Property Index, 20% Gilberto Mortgage Index, and 20% Reit Index. The benchmark for 1997 and prior was the N.C.R.E.I.F. Classic Property Index. All index quotes reflect an adjustment for fees.

<sup>3</sup> For 1998, the EAFE Index was used for the first nine months, while the ACWI was used for the final three months. The rolling three- and five-year returns reflect the 4th quarter benchmark changes.

## Footnotes for Schedule of Investment Results

Customized benchmark performance data is calculated based upon the asset allocation targets and implementation schedules as specified by the Investment Policy in effect for each year. The asset allocation targets and associated time intervals these targets were in effect are displayed in the following table:

<u>Asset Class</u>	<u>Prior to 12/95</u>	<u>Full Year 1996</u>	<u>Full Year 1997</u>	<u>Full Year 1998</u>
Domestic Equity	N/A	23.0%	27.0%	30.5%
Fixed Income	N/A	62.5%	56.5%	51.0%
International	N/A	2.0%	4.0%	6.0%
Real Estate	N/A	8.0%	8.0%	8.0%
Short-term Investments	N/A	4.5%	4.5%	4.5%
Total	N/A	100%	100%	100%

To arrive at customized benchmark performance, the asset allocation targets are multiplied by the performance of the corresponding asset class reference indices. The asset class reference indices are specified by the Investment Policy, and are displayed below:

<u>Asset Class</u>	<u>Prior to 12/31/95</u>	<u>1/1/96 through 9/30/98</u>	<u>10/1/98 through 12/31/98</u>
Domestic Equity	N/A	S&P 500	S&P Supercomposite
Fixed Income	N/A	SSB BIG Index	SSB BIG Index
International	N/A	MSCIEAFE	MSCI AWI Free x US
Real Estate	N/A	NCREIF	RE Custom Composite
Short-term Investments	N/A	90-day US Treasury Bill	90-day US Treasury Bill

Prior to July, 1995, the assets were not managed on a relative return basis. The period of time from July, 1995 through December, 1995 was used to transition to a portfolio management approach based on returns relative to reference indices.

Descriptions of the asset class reference indices are provided on the following page.





# List of Largest Assets Held

## Largest Stock Holdings (By Fair Value) December 31, 1998

	Shares	Stock	Fair Value
1)	8,793,630	MCI Worldcom Inc.	\$630,942,953
2)	4,727,800	General Electric Co.	482,235,600
3)	3,248,400	Microsoft Corp.	450,512,475
4)	2,210,400	America Online Inc.	342,888,300
5)	2,626,400	Intel Corp.	311,392,550
6)	4,092,345	Cardinal Health Inc.	310,506,677
7)	1,608,100	International Business Machines	296,493,438
8)	1,746,100	Merck & Co.	257,549,750
9)	3,372,500	Exxon Corp.	246,614,063
10)	3,008,400	Wal-Mart Stores Inc.	244,996,575

## Largest Bond Holdings (By Fair Value) December 31, 1998

	Par	Bonds	Fair Value
1)	\$1,200,000,000	U.S. Treasury Notes 3.625% due 07/15/2002 Rating AAA	\$1,191,720,000
2)	858,980,000	U.S. Treasury Notes 5.500% due 05/31/2003 Rating AAA	886,381,462
3)	580,600,000	U.S. Treasury Notes 5.750% due 04/30/2003 Rating AAA	603,998,180
4)	501,400,000	U.S. Treasury Notes 3.375% due 01/15/2007 Rating AAA	483,249,320
5)	885,294,000	U.S. Treasury Strips 0.000% due 11/14/2014 Rating AAA	425,940,583
6)	434,500,000	U.S. Treasury Bonds 3.625% due 04/15/2028 Rating AAA	423,376,800
7)	332,600,000	FNMA Bonds 6.000% due 05/15/2008 Rating AAA	350,992,780
8)	339,500,000	U.S. Treasury Notes 4.750% due 11/15/2008 Rating AAA	342,148,100
9)	246,236,000	U.S. Treasury Notes 10.375% due 11/15/2012 Rating AAA	340,421,270
10)	312,740,000	U.S. Treasury Notes 5.375% due 02/15/2001 Rating AAA	317,431,100

# Detailed Listing of Investment Portfolio

As of December 31, 1998

## U.S. Government & Agencies Bonds

Name	Coupon	Maturity	Par Value	Book Value	Fair Value
Federal Home Loan Mtg. Corp.	5.750%	07/15/2003	\$ 100,000,000	\$ 102,800,962	\$ 102,780,000
U.S. Treasury Notes Inflation Index	3.375%	01/15/2007	501,400,000	499,433,463	483,249,320
U.S. Treasury Notes Inflation Index	3.625%	07/15/2002	1,200,000,000	1,203,312,746	1,191,720,000
U.S. Treasury Notes Inflation Index	3.625%	01/15/2008	200,000,000	197,831,819	196,060,000
U.S. Treasury Strips	0.000%	11/15/2001	198,000,000	166,627,917	166,627,917
U.S. Treasury Strips	0.000%	11/15/2014	885,294,000	425,940,583	425,940,583
U.S. Treasury Strips	0.000%	11/15/2015	304,000,000	121,998,760	121,174,400
U.S. Treasury Strips	0.000%	02/15/2012	100,000,000	50,240,052	50,240,052
United States Treasury	10.375%	11/15/2012	246,236,000	311,657,008	340,421,270
United States Treasury	7.250%	05/15/2016	158,940,000	159,621,512	192,810,114
United States Treasury	8.750%	05/15/2017	155,852,000	208,150,113	217,023,910
United States Treasury	8.875%	08/15/2017	167,800,000	227,022,005	236,598,000
United States Treasury	8.875%	02/15/2019	186,315,000	256,417,425	265,610,664
United States Treasury	6.250%	10/31/2001	37,900,000	39,810,817	39,476,640
<del>United States Treasury Bonds</del>	<del>9.125%</del>	<del>05/15/2018</del>	<del>183,740,000</del>	<del>247,333,332</del>	<del>266,073,894</del>
United States Treasury Bonds	9.000%	11/15/2018	23,005,000	30,580,030	33,090,392
United States Treasury Bonds	6.125%	11/15/2027	148,110,000	163,775,012	165,883,200
United States Treasury Bonds	3.625%	04/15/2028	434,500,000	429,083,806	423,376,800
United States Treasury Notes	6.375%	05/15/2000	49,850,000	50,920,996	50,971,625
United States Treasury Notes	5.750%	10/31/2002	62,300,000	64,546,565	64,536,570
United States Treasury Notes	5.375%	02/15/2001	312,740,000	312,714,924	317,431,100
United States Treasury Notes	5.750%	04/30/2003	580,600,000	603,194,199	603,998,180
United States Treasury Notes	5.625%	05/15/2008	146,675,000	159,397,645	156,487,558
United States Treasury Notes	5.500%	05/31/2003	858,980,000	861,309,950	886,381,462
United States Treasury Notes	5.125%	08/31/2000	59,775,000	60,239,413	60,241,245
United States Treasury Notes	4.000%	10/31/2000	171,450,000	169,659,890	169,632,630
United States Treasury Notes	4.750%	11/15/2008	339,500,000	337,543,509	342,148,100
United States Treasury Notes	7.000%	07/15/2006	168,600,000	191,247,548	192,001,680
<b>TOTAL</b>			<b>\$7,981,562,000</b>	<b>\$7,652,412,001</b>	<b>\$7,761,987,304</b>

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



## Mortgage and Mortgage-Backed Bonds

Name			Coupon	Maturity	Par Value	Book Value	Fair Value
Federal National Mortgage Association			6.000 %	05/15/2008	\$332,600,000	\$342,801,808	\$350,992,780
FNMA	Pool	50437	8.000 %	06/01/2006	2,085,355	2,082,789	2,144,579
FNMA	Pool	70993	8.000 %	12/01/2006	9,118,637	9,107,261	9,377,607
FNMA	Pool	70798	8.000 %	06/01/2006	4,269,656	4,264,400	4,390,914
FNMA	Pool	70951	8.000 %	09/01/2006	2,852,864	2,850,389	2,933,885
FNMA	Pool	125104	8.000 %	05/01/2007	3,699,605	3,700,538	3,806,524
FNMA	Pool	125136	8.000 %	07/01/2007	2,216,436	2,214,473	2,280,491
FNMA	Pool	124747	8.000 %	01/01/2008	9,715,751	9,703,328	9,996,536
FNMA	Pool	124727	8.000 %	03/01/2008	2,520,855	2,518,591	2,593,708
FNMA	Pool	125322	8.000 %	10/01/2009	9,609,964	9,612,496	9,910,756
FNMA	Pool	125327	8.000 %	10/01/2009	3,691,659	3,688,254	3,807,208
FNMA	Pool	125328	8.000 %	10/01/2009	1,045,418	1,044,453	1,078,139
FNMA	Pool	125357	8.000 %	10/01/2009	1,265,023	1,263,856	1,304,618
FNMA	Pool	190529	8.000 %	09/01/2008	1,379,588	1,378,337	1,418,768
FNMA	Pool	190735	8.000 %	09/01/2008	8,654,482	8,649,999	8,900,269
FNMA	Pool	190767	8.000 %	11/01/2007	10,438,474	10,433,153	10,734,926
FNMA	Pool	190917	8.000 %	07/01/2009	6,053,689	6,048,126	6,243,169
FNMA	Pool	190995	8.000 %	09/01/2009	30,658,195	30,629,953	31,617,797
FNMA	Pool	221762	8.000 %	12/01/2006	73,817	73,724	75,647
FNMA	Pool	250100	8.000 %	07/01/2009	4,468,754	4,466,407	4,608,626
FNMA	Pool	250104	8.000 %	08/01/2009	10,036,816	10,037,617	10,350,968
FNMA	Pool	250118	8.000 %	09/01/2009	9,378,463	9,378,074	9,672,009
FNMA	Pool	250123	8.000 %	06/01/2009	3,110,691	3,109,060	3,208,056
FNMA	Pool	250148	8.000 %	10/01/2009	22,127,359	22,128,343	22,819,945
FNMA	Pool	296476	8.000 %	10/01/2009	4,392,662	4,393,820	4,530,152
FNMA	Pool	297536	8.000 %	10/01/2009	4,848,534	4,842,146	4,986,233
FNMA	Pool	303041	8.000 %	10/01/2009	39,341,508	39,320,774	40,529,621
FNMA	Pool	303042	8.000 %	10/01/2009	38,232,445	38,212,295	39,429,121
FNMA	Pool	303048	8.000 %	10/01/2009	38,847,881	38,796,696	40,021,087
FNMA	Pool	303049	8.000 %	10/01/2009	15,076,044	15,056,180	15,531,340
FNMA	Pool	303052	8.000 %	10/01/2009	51,983,753	51,935,808	53,486,083
FNMA	Pool	303053	8.000 %	10/01/2009	47,402,851	47,359,131	48,886,560
FNMA	Pool	303054	8.000 %	10/01/2009	55,478,511	55,479,309	57,214,989
FNMA	Pool	303065	8.000 %	10/01/2009	10,880,505	10,870,470	11,221,065
FNMA	Pool	303103	8.000 %	10/01/2009	8,960,842	8,952,577	9,215,330
FNMA	Pool	303080	8.000 %	10/01/2009	10,085,564	10,076,262	10,390,148
FNMA	Pool	303095	8.000 %	10/01/2009	9,132,491	9,120,459	9,408,292
FNMA	Pool	303899	7.000 %	05/01/2011	20,031,108	20,423,205	20,473,796
FNMA	Pool	303903	7.000 %	05/01/2011	\$ 75,042,601	\$ 76,511,515	\$ 76,701,043

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name			Coupon	Maturity	Par Value	Book Value	Fair Value
FNMA	Pool	323462	7.500 %	11/01/2013	\$95,197,024	\$97,757,908	\$97,967,257
GNMA - Govt National Mtg.	Pool	158782	6.500 %	08/15/2028	19,936,244	19,911,629	20,135,607
GNMA - Gershman Investment	Pool	326436	7.500 %	05/15/2023	11,611,604	11,660,231	11,970,402
GNMA - Principal Residential	Pool	327008	7.000 %	06/15/2023	12,020,771	11,861,028	12,304,462
GNMA - Fleet Mortgage Corp.	Pool	328193	7.500 %	08/15/2022	2,245,099	2,254,478	2,314,697
GNMA - Banc Boston Mortgage	Pool	330911	7.500 %	12/15/2022	4,677,143	4,702,775	4,822,132
GNMA - Nationsbanc Mortgage	Pool	331840	7.500 %	01/15/2023	5,832,890	5,864,865	6,013,127
GNMA - Chase Home Mortgage	Pool	336475	7.500 %	06/15/2023	2,028,333	2,039,466	2,091,008
GNMA - American Home Funding	Pool	338007	7.500 %	06/15/2023	18,035,498	18,134,493	18,592,792
GNMA - Fleet Real Estate	Pool	338366	7.000 %	12/15/2022	15,257,658	15,055,328	15,623,842
GNMA - Fleet Mortgage Corp.	Pool	340781	7.500 %	05/15/2023	3,236,625	3,250,179	3,336,636
GNMA - Norwest Mortgage Inc.	Pool	342477	7.000 %	12/15/2022	14,578,557	14,385,128	14,928,442
GNMA - Norwest Mortgage Inc.	Pool	342480	7.500 %	12/15/2022	3,694,295	3,714,541	3,808,818
GNMA - Norwest Mortgage Inc.	Pool	342552	7.500 %	03/15/2023	16,973,842	17,066,937	17,498,334
GNMA - Chase Home Mortgage	Pool	343163	7.500 %	02/15/2023	9,043,931	9,081,777	9,323,382
GNMA - Chemical Mortgage Co.	Pool	344204	7.500 %	01/15/2023	7,667,976	7,700,055	7,904,916
GNMA - Source One Mortgage	Pool	344929	7.500 %	07/15/2023	7,734,289	7,776,752	7,973,278
<del>GNMA - Source One Mortgage</del>	<del>Pool</del>	<del>344947</del>	<del>7.500 %</del>	<del>06/15/2023</del>	<del>11,691,548</del>	<del>11,740,523</del>	<del>12,052,817</del>
GNMA - Source One Mortgage	Pool	344969	7.500 %	06/15/2023	7,453,268	7,484,489	7,683,574
GNMA - Source One Mortgage	Pool	344980	7.500 %	08/15/2023	4,622,900	4,648,288	4,765,748
GNMA - Source One Mortgage	Pool	344991	7.500 %	07/15/2023	7,288,454	7,318,993	7,513,668
GNMA - Source One Mortgage	Pool	345028	7.000 %	09/15/2023	16,123,068	15,787,449	16,503,572
GNMA - Source One Mortgage	Pool	345029	7.000 %	10/15/2023	17,337,069	16,976,090	17,746,224
GNMA - Source One Mortgage	Pool	345030	7.000 %	10/15/2023	17,141,389	16,784,484	17,545,926
GNMA - Source One Mortgage	Pool	345059	7.000 %	10/15/2023	12,658,007	12,394,451	12,956,736
GNMA - Source One Mortgage	Pool	345060	7.000 %	10/15/2023	16,197,176	16,040,264	16,579,430
GNMA - Source One Mortgage	Pool	345061	7.000 %	11/15/2023	15,907,887	15,753,738	16,283,313
GNMA - Source One Mortgage	Pool	345140	7.000 %	12/15/2023	16,313,772	15,973,930	16,698,777
GNMA - Source One Mortgage	Pool	345160	7.000 %	01/15/2024	13,978,468	13,792,381	14,306,962
GNMA - Govt National Mtg.	Pool	345589	7.500 %	03/15/2024	6,302,814	6,335,663	6,496,311
GNMA - Source One Mortgage	Pool	345608	7.000 %	03/15/2024	13,995,146	13,859,399	14,324,032
GNMA - Source One Mortgage	Pool	345762	8.000 %	07/15/2026	13,446,063	13,712,977	13,957,014
GNMA - Banc Boston Mortgage	Pool	345835	7.500 %	08/15/2023	4,677,416	4,701,751	4,821,948
GNMA - Mountain States Mtg.	Pool	346187	7.500 %	07/15/2023	9,109,319	9,147,486	9,390,797
GNMA - Fleet Real Estate	Pool	346586	7.500 %	06/15/2023	19,626,218	19,708,431	20,232,669
GNMA - Fleet Real Estate	Pool	346652	7.500 %	07/15/2023	17,040,690	17,112,090	17,567,248
GNMA - Directors Mortgage Loan	Pool	347867	7.500 %	01/15/2023	7,943,461	7,976,692	8,188,914
GNMA - Chemical Mortgage Co.	Pool	348637	7.500 %	05/15/2023	6,133,077	6,158,761	6,322,589
GNMA - Chemical Mortgage Co.	Pool	348671	7.500 %	05/15/2023	2,918,921	2,934,939	3,009,116
GNMA - Fleet Mortgage Corp.	Pool	348816	7.000 %	06/15/2023	13,496,411	13,317,058	13,814,926

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name		Coupon	Maturity	Par Value	Book Value	Fair Value
GNMA - Prudential Home Mtg.	Pool 349306	8.000 %	02/15/2023	\$ 1,076,372	\$ 1,111,163	\$ 1,119,319
GNMA - Chemical Mortgage Co.	Pool 351110	7.500 %	06/15/2023	22,049,057	22,141,418	22,730,373
GNMA - GE Capital Mortgage	Pool 351417	7.000 %	01/15/2024	12,708,645	12,539,462	13,007,298
GNMA - GE Capital Mortgage	Pool 351425	7.000 %	02/15/2024	68,066,826	67,160,463	69,666,396
GNMA - Norwest Mortgage Inc.	Pool 352025	7.500 %	11/15/2023	3,513,772	3,539,181	3,622,347
GNMA - Norwest Mortgage Inc.	Pool 352078	7.000 %	09/15/2023	15,262,961	15,059,976	15,623,167
GNMA - Norwest Mortgage Inc.	Pool 352081	7.000 %	09/15/2023	11,872,921	11,757,929	12,153,122
GNMA - Norwest Mortgage Inc.	Pool 352082	7.500 %	09/15/2023	6,865,089	6,893,868	7,077,220
GNMA - Norwest Mortgage Inc.	Pool 352085	7.500 %	09/15/2023	22,603,533	22,727,697	23,301,982
GNMA - Norwest Mortgage Inc.	Pool 352096	7.500 %	07/15/2023	12,643,964	12,713,383	13,034,662
GNMA - Norwest Mortgage Inc.	Pool 352165	7.500 %	06/15/2023	3,202,309	3,215,723	3,301,260
GNMA - Norwest Mortgage Inc.	Pool 352167	7.500 %	06/15/2023	2,283,006	2,292,569	2,353,551
GNMA - Norwest Mortgage Inc.	Pool 352191	7.000 %	05/15/2023	14,700,442	14,558,212	15,047,372
GNMA - Norwest Mortgage Inc.	Pool 352192	7.500 %	05/15/2023	3,140,724	3,157,959	3,237,772
GNMA - Norwest Mortgage Inc.	Pool 352217	7.500 %	04/15/2023	10,640,054	10,698,426	10,968,831
GNMA - Govt National Mtg.	Pool 352921	8.000 %	07/15/2024	11,640,233	12,070,560	12,089,546
GNMA - Prudential Home Mtg.	Pool 354610	7.500 %	07/15/2023	4,995,275	5,016,205	5,149,629
GNMA - Prudential Home Mtg.	Pool 354654	7.000 %	09/15/2023	15,252,481	15,104,757	15,612,440
GNMA - Prudential Home Mtg.	Pool 354784	7.000 %	03/15/2024	55,400,425	54,622,453	56,702,335
GNMA - Govt National Mtg.	Pool 354785	7.500 %	03/15/2024	57,858,099	58,159,640	59,634,343
GNMA - Govt National Mtg.	Pool 354791	7.500 %	04/15/2024	65,264,708	65,623,835	67,268,334
GNMA - Prudential Home Mtg.	Pool 354792	7.000 %	04/15/2024	68,483,182	67,521,254	70,092,536
GNMA - Inland Mortgage	Pool 356703	7.000 %	09/15/2023	13,189,370	13,013,962	13,500,639
GNMA - Inland Mortgage	Pool 356738	7.000 %	09/15/2023	11,990,459	11,830,996	12,273,434
GNMA - Inland Mortgage	Pool 356746	7.000 %	09/15/2023	11,941,518	11,782,706	12,223,338
GNMA - Principal Residential	Pool 357287	7.000 %	07/15/2023	15,226,869	14,910,069	15,586,223
GNMA - James B. Nutter & Co.	Pool 359481	7.500 %	03/15/2024	21,727,639	21,847,169	22,394,678
GNMA - Directors Mtg. Loan	Pool 359612	7.500 %	07/15/2023	11,596,889	11,645,480	11,955,233
GNMA - ICM Mortgage Corp.	Pool 360460	7.500 %	12/15/2023	2,014,568	2,023,020	2,076,819
GNMA - Lomas Mtg. USA, Inc.	Pool 362164	7.500 %	12/15/2023	10,613,046	10,657,571	10,940,989
GNMA - Chemical Mortgage Co.	Pool 366721	7.000 %	02/15/2024	28,727,772	28,324,450	29,402,875
GNMA - Chemical Mortgage Co.	Pool 366729	7.000 %	02/15/2024	11,894,483	11,646,577	12,174,003
GNMA - Govt National Mtg.	Pool 366733	7.000 %	03/15/2024	12,125,630	11,964,130	12,410,582
GNMA - Govt National Mtg.	Pool 366735	7.000 %	03/15/2024	8,535,894	8,422,205	8,736,487
GNMA - Govt National Mtg.	Pool 366738	7.000 %	03/15/2024	28,015,368	27,459,724	28,673,729
GNMA - Chemical Mortgage Co.	Pool 366741	7.500 %	03/15/2024	2,521,570	2,539,822	2,598,982
GNMA - Govt National Mtg.	Pool 366753	7.000 %	03/15/2024	13,027,261	12,900,902	13,333,402
GNMA - Chemical Mortgage Co.	Pool 366754	7.500 %	03/15/2024	12,626,143	12,717,537	13,013,765
GNMA - Chemical Mortgage Co.	Pool 366755	7.000 %	04/15/2024	13,539,502	13,270,899	13,857,680
GNMA - Govt National Mtg.	Pool 366757	7.500 %	04/15/2024	2,694,492	2,714,001	2,777,213

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Name	Coupon	Maturity	Par Value	Book Value	Fair Value
GNMA - Chemical Mortgage Co. Pool 366761	7.000%	04/15/2024	\$13,956,954	\$13,680,070	\$14,284,942
GNMA - Govy National Mtg. Pool 366763	7.000%	04/15/2024	13,214,455	12,952,301	13,524,992
GNMA - Countrywide Funding Pool 368140	7.500%	12/15/2023	2,630,499	2,641,535	2,711,782
GNMA - Countrywide Funding Pool 368179	7.500%	12/15/2023	2,832,125	2,844,006	2,919,637
GNMA - Countrywide Funding Pool 368564	7.500%	03/15/2024	4,130,810	4,160,711	4,257,622
GNMA - Countrywide Funding Pool 368577	7.500%	03/15/2024	2,225,072	2,241,178	2,293,382
GNMA - Countrywide Funding Pool 368583	7.500%	03/15/2024	5,700,621	5,741,885	5,875,630
GNMA - Countrywide Funding Pool 368594	7.500%	03/15/2024	4,077,797	4,107,314	4,202,985
GNMA - Countrywide Funding Pool 368603	7.500%	03/15/2024	3,067,026	3,089,226	3,161,183
GNMA - Chemcial Residential Pool 368850	8.000%	01/15/2026	2,320,469	2,396,096	2,408,647
GNMA - Banc Boston Mortgage Pool 369459	8.000%	10/15/2024	3,856,521	3,981,791	4,005,383
GNMA - Resource Bancshares Mtg. Pool 370031	7.500%	10/15/2023	2,616,559	2,630,936	2,697,411
GNMA - Norwest Mortgage Inc. Pool 376434	7.000%	03/15/2024	66,088,114	65,160,057	67,641,184
GNMA - Govt National Mtg. Pool 376438	7.500%	03/15/2024	33,845,380	34,021,773	34,884,433
GNMA - Norwest Mortgage Inc. Pool 376467	7.000%	04/15/2024	42,454,508	41,858,184	43,452,189
GNMA - Govt National Mtg. Pool 376468	7.000%	04/15/2024	9,949,909	9,853,375	10,183,732
GNMA - Govt National Mtg. Pool 376469	7.000%	04/15/2024	10,390,197	10,289,391	10,634,367
GNMA - Source One Mortgage Pool 377449	8.000%	01/15/2027	2,975,247	3,034,378	3,088,306
GNMA - Govt National Mtg. Pool 377686	8.000%	01/15/2026	20,351,489	21,014,768	21,124,845
GNMA - Govt National Mtg. Pool 383689	7.000%	03/15/2024	7,015,371	6,921,935	7,180,233
GNMA - Govt National Mtg. Pool 384076	7.500%	04/15/2024	34,714,366	34,965,708	35,780,097
GNMA - Govt National Mtg. Pool 385241	7.000%	04/15/2024	12,675,854	12,411,537	12,973,737
GNMA - Govt National Mtg. Pool 385602	7.000%	03/15/2024	6,797,561	6,707,025	6,957,303
GNMA - GE Capital Mortgage Pool 385613	7.500%	04/15/2024	36,425,393	36,689,124	37,543,653
GNMA - Govt National Mtg. Pool 385620	7.000%	04/15/2024	11,024,624	10,917,663	11,283,703
GNMA - GE Capital Mortgage Pool 385850	8.000%	08/15/2024	2,700,269	2,789,897	2,804,499
GNMA - Banc Boston Mortgage Pool 387162	8.000%	10/15/2025	3,352,491	3,472,894	3,480,221
GNMA - Govt National Mtg. Pool 387202	7.000%	03/15/2024	8,934,362	8,815,367	9,144,320
GNMA - Govt National Mtg. Pool 387216	7.000%	04/15/2024	11,224,731	10,990,672	11,488,512
GNMA - Govt National Mtg. Pool 388250	7.500%	02/15/2024	7,183,643	7,221,074	7,404,181
GNMA - Govt National Mtg. Pool 388254	7.000%	03/15/2024	7,903,777	7,798,508	8,089,516
GNMA - Govt National Mtg. Pool 388999	7.500%	08/15/2022	3,074,892	3,091,725	3,170,214
GNMA - Govt National Mtg. Pool 389468	7.000%	03/15/2024	8,195,336	8,086,184	8,387,927
GNMA - Govt National Mtg. Pool 389483	7.500%	04/15/2024	4,019,839	4,041,958	4,143,248
GNMA - Mountain State Mtg. Pool 390719	8.000%	03/15/2024	1,828,213	1,888,823	1,898,782
GNMA - Govt National Mtg. Pool 390723	7.500%	03/15/2024	17,352,009	17,442,443	17,884,716
GNMA - Govt National Mtg. Pool 390727	7.500%	03/15/2024	15,739,118	15,821,146	16,222,309
GNMA - Mountain States Mtg. Pool 390728	7.500%	03/15/2024	11,954,296	12,020,060	12,321,293
GNMA - Mountain State Mtg. Pool 390871	7.500%	04/15/2024	4,978,595	4,999,502	5,131,438
GNMA - Govt National Mtg. Pool 392494	8.000%	08/15/2024	1,631,145	1,685,286	1,694,107

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GNMA - Countrywide Funding	Pool 392517	8.000 %	08/15/2024	\$ 1,872,264	\$ 1,934,409	\$ 1,944,534
GNMA - Fleet Mortgage Corp.	Pool 398956	8.000 %	11/15/2026	8,567,511	8,737,717	8,893,076
GNMA - Corinthian Mortgage	Pool 399749	8.000 %	07/15/2025	383,907	396,681	398,534
GNMA - PHH Mtg. Services Corp.	Pool 402828	8.000 %	10/15/2024	3,232,181	3,337,171	3,356,943
GNMA - Prudential Home Mtg.	Pool 403993	8.000 %	11/15/2024	2,531,216	2,621,901	2,628,921
GNMA - JI Kislak Mtg. Corp.	Pool 405154	8.000 %	10/15/2025	600,926	620,498	623,821
GNMA - Prudential Home Mtg.	Pool 405490	8.000 %	09/15/2025	44,771,855	46,262,312	46,477,662
GNMA - Prudential Home Mtg.	Pool 405528	8.000 %	11/15/2025	41,796,019	43,188,013	43,388,447
GNMA - Prudential Home Mtg.	Pool 405538	8.000 %	12/15/2025	51,948,688	53,784,192	53,927,933
GNMA - Govt National Mtg.	Pool 405559	8.000 %	01/15/2026	61,587,823	63,684,179	63,928,160
GNMA - Commercial Federal Mtg.	Pool 406290	8.000 %	06/15/2025	681,750	703,935	707,724
GNMA - Commercial Federal Mtg.	Pool 406292	8.000 %	07/15/2025	523,762	540,809	543,717
GNMA - Inland Mortgage	Pool 408120	8.000 %	10/15/2025	1,028,765	1,062,272	1,067,961
GNMA - Island Mortgage Corp.	Pool 408152	8.000 %	11/15/2025	917,271	947,820	952,219
GNMA - Chemcial Residential	Pool 408808	8.000 %	10/15/2025	2,872,982	2,967,673	2,982,442
GNMA - Chemcial Residential	Pool 408809	8.000 %	10/15/2025	2,392,705	2,478,637	2,483,867
GNMA - Chemical Residential	Pool 408834	8.000 %	11/15/2025	4,290,656	4,439,636	4,454,130
GNMA - Chemical Residential	Pool 408867	8.000 %	12/15/2025	6,163,739	6,364,580	6,398,578
GNMA - Norwest Mortgage Inc.	Pool 410049	8.000 %	07/15/2025	16,674,566	17,226,502	17,309,867
GNMA - Norwest Mortgage Inc.	Pool 410064	8.000 %	07/15/2025	2,176,355	2,254,466	2,259,274
GNMA - Norwest Mortgage Inc.	Pool 410167	8.000 %	10/15/2025	27,977,141	28,908,700	29,043,070
GNMA - Norwest Mortgage Inc.	Pool 410204	8.000 %	11/15/2025	26,274,808	27,130,770	27,275,878
GNMA - Norwest Mortgage Inc.	Pool 410205	8.000 %	11/15/2025	13,134,701	13,572,145	13,635,133
GNMA - Norwest Mortgage Inc.	Pool 410214	8.000 %	12/15/2025	5,522,561	5,702,509	5,732,970
GNMA - Govt National Mtg.	Pool 410215	7.500 %	12/15/2025	78,521,705	80,787,388	80,916,617
GNMA - Norwest Mortgage Inc.	Pool 410218	8.000 %	11/15/2025	6,697,986	6,921,059	6,953,179
GNMA - Norwest Mortgage	Pool 410247	8.000 %	12/15/2025	8,997,041	9,320,304	9,339,829
GNMA - James B. Nutter & Co.	Pool 410284	8.000 %	09/15/2025	3,871,057	3,997,111	4,018,544
GNMA - James B. Nutter & Co.	Pool 410296	8.000 %	11/15/2025	12,460,057	12,865,972	12,934,785
GNMA - Banc Boston Mortgage	Pool 410854	8.000 %	12/15/2025	17,927,219	18,511,362	18,610,246
GNMA - Banc Boston Mortgage	Pool 410858	8.000 %	12/15/2025	2,651,240	2,737,629	2,752,253
GNMA - Banc Boston Mortgage	Pool 410900	8.000 %	01/15/2026	5,615,448	5,802,547	5,828,835
GNMA - North American Mtg.	Pool 411545	8.000 %	12/15/2025	8,631,978	8,942,124	8,960,857
GNMA - Govt National Mtg	Pool 412335	7.500 %	10/15/2027	21,801,990	22,417,181	22,477,852
GNMA - Principal Residential	Pool 412506	8.000 %	10/15/2025	2,495,386	2,585,006	2,590,460
GNMA - Govt National Mtg.	Pool 412515	8.000 %	11/15/2025	3,182,653	3,296,981	3,303,912
GNMA - Fleet Real Estate	Pool 413127	8.000 %	09/15/2025	2,328,184	2,411,781	2,416,887
GNMA - Govt National Mtg.	Pool 413152	8.000 %	10/15/2025	5,298,469	5,474,893	5,500,341
GNMA - Govt National Mtg.	Pool 413564	8.000 %	11/15/2025	2,632,788	2,727,363	2,733,097
GNMA - Chase Manhattan Mtg.	Pool 413583	8.000 %	12/15/2025	6,893,112	7,122,732	7,155,740

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GNMA - GMAC Mtg. Corp. of PA	Pool	413896	8.00%	10/15/2025	\$ 534,126	\$ 551,523	\$ 554,475
GNMA - Countrywide Funding	Pool	414539	8.00%	08/15/2025	2,040,006	2,113,240	2,117,731
GNMA - Countrywide Funding	Pool	414645	8.00%	10/15/2025	11,612,004	11,998,651	12,054,421
GNMA - Countrywide Funding	Pool	414723	8.00%	10/15/2025	3,585,836	3,705,234	3,722,457
GNMA - Countrywide Funding	Pool	414809	8.00%	12/15/2025	24,776,761	25,602,111	25,720,755
GNMA - Govt National Mtg.	Pool	415762	8.00%	11/15/2025	10,336,126	10,680,365	10,729,932
GNMA - Fleet Mortgage Corp.	Pool	415819	8.00%	12/15/2025	2,438,456	2,517,911	2,531,361
GNMA - Dale Mtg. Bankers Corp.	Pool	416095	8.00%	07/15/2025	841,244	868,626	873,296
GNMA - Govt National Mtg.	Pool	416239	7.00%	05/15/2026	12,317,305	12,291,490	12,607,994
GNMA - Waters Mortgage Corp.	Pool	416684	8.00%	11/15/2025	40,634	42,093	42,182
GNMA - Norwest Mortgage	Pool	417190	8.00%	01/15/2026	11,831,747	12,223,814	12,281,353
GNMA - Govt National Mtg.	Pool	417220	8.00%	01/15/2026	10,200,524	10,567,107	10,588,144
GNMA - Govt National Mtg.	Pool	417427	8.00%	05/15/2026	39,355,350	40,732,441	40,850,853
GNMA - Resource Bancshares Mtg.	Pool	419860	8.00%	11/15/2025	1,885,118	1,952,837	1,956,941
GNMA - HVD Mortgage Corp.	Pool	420566	8.00%	11/15/2025	2,636,686	2,731,402	2,737,144
GNMA - Govt National Mtg.	Pool	420661	8.00%	01/15/2026	1,792,583	1,851,005	1,860,701
GNMA - Union Federal Savings	Pool	421144	8.00%	12/15/2025	1,046,035	1,080,119	1,085,889
GNMA - First Nationwide Mtg.	Pool	421422	8.00%	01/15/2026	3,354,465	3,463,791	3,482,270
GNMA - Govt National Mtg.	Pool	421722	7.50%	05/15/2026	22,626,605	23,264,103	23,314,453
GNMA - Resource Bancshares Mtg.	Pool	423418	8.00%	12/15/2025	630,850	651,406	654,886
GNMA - GMAC Mtg. Corp. of PA	Pool	423747	8.00%	11/15/2025	710,143	733,277	737,199
GNMA - Norwest Mortgage Inc.	Pool	423836	8.00%	08/15/2026	13,848,060	14,123,009	14,374,286
GNMA - Govt National Mtg.	Pool	423863	7.50%	06/15/2026	19,259,890	19,815,928	19,845,391
GNMA - Govt National Mtg.	Pool	423906	7.50%	07/15/2026	19,210,642	19,751,996	19,794,645
GNMA - Govt National Mtg.	Pool	423961	7.50%	08/15/2026	29,868,316	30,730,779	30,776,313
GNMA - Govt National Mtg.	Pool	424022	7.50%	09/15/2026	14,098,888	14,506,038	14,527,494
GNMA - Govt National Mtg.	Pool	431180	7.50%	09/15/2026	16,388,065	16,849,966	16,886,262
GNMA - Countrywide Home Loans	Pool	431644	8.00%	11/15/2026	6,812,648	6,947,991	7,071,528
GNMA - Countrywide Home Loans	Pool	431657	8.00%	11/15/2026	11,338,598	11,563,856	11,769,465
GNMA - Govt National Mtg.	Pool	433863	6.50%	07/15/2028	10,528,009	10,514,235	10,633,289
GNMA - Govt National Mtg.	Pool	433880	6.50%	07/15/2028	11,289,559	11,277,395	11,402,455
GNMA - Govt National Mtg.	Pool	433903	6.50%	07/15/2028	26,019,406	25,991,371	26,279,600
GNMA - Govt National Mtg.	Pool	434012	6.50%	10/15/2028	39,963,684	40,187,697	40,363,320
GNMA - Chase Manhattan Mtg.	Pool	436565	8.00%	12/15/2026	9,219,008	9,402,193	9,569,331
GNMA - Govt National Mtg.	Pool	439423	7.50%	10/15/2026	16,765,164	17,237,736	17,274,825
GNMA - Govt National Mtg.	Pool	439559	8.00%	05/15/2027	16,762,061	17,363,157	17,414,105
GNMA - Govt National Mtg.	Pool	439598	8.00%	07/15/2027	24,802,742	25,671,705	25,767,569
GNMA - Countrywide Home Loans	Pool	440003	8.00%	01/15/2027	12,359,959	12,605,604	12,840,762
GNMA - Countrywide Home Loans	Pool	440018	8.00%	01/15/2027	7,089,380	7,230,275	7,365,156
GNMA - North American Mtg.	Pool	441027	8.00%	12/15/2026	8,712,296	8,885,412	9,043,363

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GNMA - Norwest Mortgage Inc.	Pool 442138 8.000%	11/15/2026	\$14,171,037	\$14,452,566	\$14,709,537
GNMA - Govt National Mtg.	Pool 442547 8.000%	05/15/2027	11,787,389	12,210,091	12,245,919
GNMA - Govt National Mtg.	Pool 443913 8.000%	05/15/2027	9,094,466	9,420,598	9,448,241
GNMA - Govt National Mtg.	Pool 446820 8.000%	08/15/2027	9,222,085	9,545,209	9,580,824
GNMA - Govt National Mtg.	Pool 447582 7.500%	05/15/2027	31,007,608	31,873,344	31,968,844
GNMA - Govt National Mtg.	Pool 447789 8.000%	07/15/2027	10,335,048	10,705,718	10,737,081
GNMA - Govt National Mtg.	Pool 447978 6.500%	06/15/2028	25,532,181	25,500,722	25,787,503
GNMA - Govt National Mtg.	Pool 451387 7.500%	08/15/2027	66,691,709	68,589,010	68,759,152
GNMA - Govt National Mtg.	Pool 451439 7.500%	09/15/2027	41,738,530	42,904,269	43,032,425
GNMA - Govt National Mtg.	Pool 451507 8.000%	10/15/2027	21,655,009	22,413,886	22,497,389
GNMA - Govt National Mtg.	Pool 454463 6.500%	08/15/2028	28,782,532	28,746,994	29,070,357
GNMA - Govt National Mtg.	Pool 455301 7.500%	09/15/2027	23,645,204	24,312,350	24,378,205
GNMA - Govt National Mtg.	Pool 455319 7.000%	10/15/2027	13,747,368	13,718,496	14,063,558
GNMA - Govt National Mtg.	Pool 457793 6.500%	08/15/2028	27,312,424	27,287,132	27,585,549
GNMA - Govt National Mtg.	Pool 460874 6.500%	07/15/2028	12,573,390	12,577,260	12,699,124
GNMA - Govt National Mtg.	Pool 460876 6.500%	07/15/2028	9,959,741	9,946,710	10,059,339
GNMA - Govt National Mtg.	Pool 461054 8.000%	12/15/2027	8,287,429	8,584,761	8,609,810
GNMA - Govt National Mtg.	Pool 462160 6.500%	08/15/2028	21,760,264	21,740,113	21,977,866
GNMA - Govt National Mtg.	Pool 462364 7.500%	11/15/2027	33,987,070	34,936,471	35,040,669
GNMA - Govt National Mtg.	Pool 462423 8.000%	12/15/2027	28,326,030	29,318,852	29,427,913
GNMA - Govt National Mtg.	Pool 462442 7.000%	12/15/2027	60,517,086	61,916,544	61,916,544
GNMA - Govt National Mtg.	Pool 462682 6.500%	04/15/2028	73,789,679	74,203,277	74,527,576
GNMA - Govt National Mtg.	Pool 462835 7.000%	07/15/2028	39,395,028	40,103,344	40,305,054
GNMA - Govt National Mtg.	Pool 462838 6.500%	07/15/2028	94,359,469	94,300,803	95,303,063
GNMA - Govt National Mtg.	Pool 462839 6.500%	07/15/2028	22,426,250	22,402,086	22,650,512
GNMA - Govt National Mtg.	Pool 464687 6.500%	07/15/2028	26,068,008	26,033,902	26,328,688
GNMA - Govt National Mtg.	Pool 464753 6.500%	08/15/2028	9,911,901	9,892,014	10,011,020
GNMA - Govt National Mtg.	Pool 464754 6.500%	08/15/2028	15,286,227	15,255,557	15,439,089
GNMA - Govt National Mtg.	Pool 464756 6.500%	08/15/2028	20,668,545	20,643,026	20,875,231
GNMA - Govt National Mtg.	Pool 464773 8.000%	08/15/2028	10,273,041	10,653,568	10,671,635
GNMA - Govt National Mtg.	Pool 465532 6.500%	07/15/2028	19,676,662	19,652,416	19,873,428
GNMA - Govt National Mtg.	Pool 465534 6.500%	07/15/2028	20,065,394	20,071,572	20,266,048
GNMA - Govt National Mtg.	Pool 465542 6.500%	07/15/2028	19,884,164	19,890,285	20,083,005
GNMA - Govt National Mtg.	Pool 465544 6.500%	07/15/2028	8,910,306	8,899,327	8,999,409
GNMA - Govt National Mtg.	Pool 465559 6.500%	09/15/2028	19,936,395	19,922,506	20,135,759
GNMA - Govt National Mtg.	Pool 468147 7.000%	08/15/2028	10,005,635	10,185,540	10,236,765
GNMA - Govt National Mtg.	Pool 469692 6.500%	11/15/2028	9,990,472	10,046,473	10,090,376
GNMA - Govt National Mtg.	Pool 471589 6.500%	10/15/2028	39,914,931	40,138,672	40,314,081
GNMA - Govt National Mtg.	Pool 471591 6.500%	10/15/2028	27,975,368	28,132,182	28,255,122
GNMA - Govt National Mtg.	Pool 471690 6.500%	05/15/2028	22,839,052	22,823,143	23,067,443

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Name	Coupon	Maturity	Par Value	Book Value	Fair Value
GNMA - Govt National Mtg. Pool 472622	6.500 %	05/15/2028	\$22,125,634	\$22,132,445	\$22,346,89
GNMA - Govt National Mtg. Pool 475486	6.500 %	07/15/2028	20,447,639	20,425,607	20,652,11
GNMA - Govt National Mtg. Pool 475501	6.500 %	08/15/2028	32,511,494	32,471,352	32,836,60
GNMA - Govt National Mtg. Pool 475543	6.500 %	08/15/2028	29,675,327	29,638,687	29,972,08
GNMA - Govt National Mtg. Pool 475892	6.500 %	07/15/2028	29,817,452	29,826,631	30,115,62
GNMA - Govt National Mtg. Pool 475902	6.500 %	07/15/2028	17,447,486	17,428,687	17,621,96
GNMA - Govt National Mtg. Pool 477498	6.500 %	10/15/2028	19,971,680	20,083,630	20,171,39
GNMA - Govt National Mtg. Pool 478041	6.500 %	05/15/2028	17,303,705	17,309,031	17,476,74
GNMA - Govt National Mtg. Pool 478100	6.500 %	06/15/2028	9,570,510	9,573,457	9,666,21
GNMA - Govt National Mtg. Pool 480359	6.500 %	07/15/2028	15,750,706	15,733,735	15,908,21
GNMA - Govt National Mtg. Pool 481895	6.500 %	07/15/2028	10,174,836	10,161,523	10,276,58
GNMA - Govt National Mtg. Pool 481899	6.500 %	07/15/2028	24,330,516	24,304,301	24,573,82
GNMA - Govt National Mtg. Pool 481914	6.500 %	07/15/2028	14,747,183	14,731,294	14,894,65
GNMA - Govt National Mtg. Pool 482684	6.500 %	08/15/2028	11,910,831	11,886,933	12,029,93
GNMA - Govt National Mtg. Pool 484203	6.500 %	08/15/2028	27,887,255	27,861,430	28,166,12
GNMA - Govt National Mtg. Pool 484210	6.500 %	08/15/2028	25,898,635	25,874,652	26,157,62
GNMA - Govt National Mtg. Pool 484421	6.500 %	09/15/2028	21,930,118	21,908,051	22,149,41
GNMA - Govt National Mtg. Pool 486470	6.500 %	08/15/2028	27,922,432	27,894,336	28,201,65
GNMA - Govt National Mtg. Pool 486471	6.500 %	08/15/2028	30,526,831	30,489,140	30,832,10
GNMA - Govt National Mtg. Pool 486516	6.500 %	09/15/2028	26,973,131	27,124,326	27,242,86
GNMA - Govt National Mtg. Pool 486598	6.500 %	10/15/2028	28,965,271	29,127,634	29,254,92
GNMA - Govt National Mtg. Pool 486679	6.500 %	11/15/2028	265,411,357	266,899,115	268,065,47
GNMA - Govt National Mtg. Pool 490482	6.500 %	11/15/2028	9,989,447	10,045,443	10,089,34
GNMA - Govt National Mtg. Pool 780195	8.000 %	07/15/2025	20,625,655	21,296,993	21,411,49
GNMA - Govt National Mtg. Pool 780241	8.000 %	09/15/2025	49,995,878	51,743,969	51,900,72
GNMA - Govt National Mtg. Pool 780249	8.000 %	09/15/2025	658,997	680,456	684,104
GNMA - Govt National Mtg. Pool 780292	8.000 %	12/15/2023	4,615,408	4,764,969	4,799,56
GNMA - Govt National Mtg. Pool 780399	7.500 %	07/15/2026	36,778,331	37,814,743	37,896,39
GNMA - Govt National Mtg. Pool 780410	7.500 %	08/15/2026	35,521,629	36,547,334	36,601,48
GNMA - Govt National Mtg. Pool 780429	7.500 %	09/15/2026	16,519,637	16,996,694	17,021,83
GNMA - Govt National Mtg. Pool 780499	7.000 %	01/15/2027	9,435,589	9,415,793	9,652,60
GNMA - Govt National Mtg. Pool 780561	6.500 %	05/15/2027	34,626,158	34,820,218	34,989,73
GNMA - Govt National Mtg. Pool 780579	7.000 %	06/15/2027	42,519,236	42,429,978	43,497,17
GNMA - Govt National Mtg. Pool 780580	7.500 %	06/15/2027	34,352,698	35,311,912	35,417,63
GNMA - Govt National Mtg. Pool 780601	7.000 %	07/15/2027	86,840,813	88,849,006	88,849,00
GNMA - Govt National Mtg. Pool 780615	6.500 %	08/15/2027	64,855,732	65,022,997	65,510,77
GNMA - Govt National Mtg. Pool 780618	8.000 %	08/15/2027	12,021,932	12,467,049	12,489,58
GNMA - Govt National Mtg. Pool 780622	8.000 %	08/15/2027	21,285,915	22,031,731	22,113,93
GNMA - Govt National Mtg. Pool 780638	7.000 %	09/15/2027	134,358,132	134,075,983	137,448,36
GNMA - Govt National Mtg. Pool 780650	6.500 %	10/15/2027	83,314,454	83,781,411	84,155,93

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Name		Coupon	Maturity	Par Value	Book Value	Fair Value	
FNMA - Govt National Mtg.	Pool	780656	6.500%	10/15/2027	\$ 25,750,024	\$ 25,894,346	\$ 26,010,099
FNMA - Govt National Mtg.	Pool	780716	7.500%	02/15/2028	62,629,265	64,379,191	64,570,772
FNMA - Govt National Mtg.	Pool	780747	6.500%	03/15/2028	122,162,265	122,199,866	123,383,888
FNMA - Govt National Mtg.	Pool	780776	6.500%	04/15/2028	45,823,637	46,080,482	46,281,873
FNMA - Govt National Mtg.	Pool	780793	6.500%	05/15/2028	28,883,991	29,045,890	29,172,830
FNMA - Govt National Mtg.	Pool	780799	8.000%	05/15/2028	39,211,024	40,663,298	40,732,412
FNMA - Govt National Mtg.	Pool	780813	6.500%	06/15/2028	201,452,718	202,581,901	203,467,245
FNMA - Govt National Mtg.	Pool	780824	6.500%	07/15/2028	177,432,865	177,235,087	179,207,194
FNMA - Govt National Mtg.	Pool	780963	7.000%	01/15/2029	252,642,102	258,484,451	258,484,451
Green Tree Home Improvement Loan	Series	1997E	6.610%	02/15/2029	32,254,000	32,244,256	32,808,769
<b>TOTAL</b>					<b>\$7,065,152,495</b>	<b>\$7,135,058,911</b>	<b>\$7,239,428,115</b>

### Corporate

Name	Coupon	Maturity	Par Value	Book Value	Fair Value
Apache Corporation	7.375%	08/15/2047	\$32,462,000	\$31,692,002	\$31,827,977
Associates Corporation N.A.	6.750%	08/01/2001	63,200,000	62,796,711	65,165,125
Associates Corporation N.A.	6.500%	07/15/2002	81,200,000	81,007,213	83,800,938
Associates Corporation N.A.	6.450%	10/15/2001	52,900,000	53,036,577	54,239,031
Associates Corporation N.A.	5.750%	11/01/2003	35,000,000	34,986,813	35,251,563
Associates Corporation N.A.	6.250%	11/01/2008	35,000,000	34,908,823	36,115,625
Bank Of Boston Corporation	6.625%	02/01/2004	30,000,000	30,543,765	30,445,313
Bank One Credit Card	6.300%	10/15/2002	50,000,000	49,987,434	50,860,000
Bankboston Capital Trust I	8.250%	12/15/2026	30,000,000	32,117,482	32,315,625
Bankboston Capital Trust II	7.750%	12/15/2026	32,475,000	32,799,512	33,302,098
Boeing Company	6.625%	02/15/2038	30,000,000	29,521,008	29,521,008
Burlington Northern Santa Fe Corp.	7.000%	12/15/2025	25,000,000	25,749,703	26,339,844
Cable & Wireless Communications	6.375%	03/06/2003	37,000,000	36,856,835	37,092,500
Cable & Wireless Communications	6.625%	03/06/2005	34,000,000	33,903,965	34,324,063
Cable & Wireless Communications	6.750%	12/01/2008	18,000,000	17,907,321	18,227,813
CE Electric UK Funding	6.853%	12/15/2004	22,000,000	22,000,000	22,763,125
Century Telephone	6.150%	01/15/2005	30,000,000	29,960,642	30,600,000
Chemical Bank New York	7.000%	06/01/2005	20,500,000	21,212,637	21,851,719
Chrysler Corporation	7.450%	02/01/2047	57,910,000	59,140,179	66,587,452
Chrysler Financial	5.250%	10/22/2001	30,000,000	30,000,000	29,906,250

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Name	Coupon	Maturity	Par Value	Book Value	Fair Value
CIT Group Holdings	5.000%	10/06/2000	\$ 50,000,000	\$ 50,000,000	\$ 49,609,2
CIT Group Holdings	5.625%	02/02/2001	52,500,000	52,513,711	52,513,7
CIT Group Holdings Mtn BE	6.000%	05/08/2001	75,500,000	76,349,769	76,278,5
Citibank Credit Card Master Trust	5.950%	09/07/2003	100,000,000	98,106,503	101,930,0
Coca Cola Pats	6.000%	03/15/2001	55,000,000	54,914,934	55,842,1
Corestates Capital I	8.000%	12/15/2026	30,000,000	31,777,330	32,948,4
Cox Communications	6.150%	08/01/2003	40,000,000	39,977,692	40,775,0
Cox Communications	6.800%	08/01/2028	35,000,000	34,863,730	36,640,6
CSX Corporation	7.050%	05/01/2002	82,000,000	82,155,304	85,613,1
CSX Corporation	7.250%	05/01/2004	76,375,000	76,417,755	81,399,0
CSX Corporation	7.900%	05/01/2017	54,660,000	55,766,996	61,945,1
CSX Corporation	7.950%	05/01/2027	22,500,000	25,065,084	25,934,7
CSX Corporation	6.250%	10/15/2008	30,000,000	29,794,282	30,478,1
CSX Corporation	6.800%	12/01/2028	24,250,000	24,060,401	24,155,2
Dillards Incorporated	6.080%	08/01/2000	35,000,000	34,996,087	35,229,6
Dillards Incorporated	6.170%	08/01/2001	50,000,000	49,991,339	49,991,3
Dillards Incorporated	6.310%	08/01/2002	30,000,000	29,997,301	30,698,4
Endesa	7.750%	07/15/2008	25,000,000	24,875,538	23,574,2
Enron Corporation	6.500%	08/01/2002	67,500,000	67,459,009	68,523,0
Enron Corporation	6.450%	11/15/2001	40,000,000	40,000,000	40,412,5
Enron Corporation	6.400%	07/15/2006	25,000,000	24,963,318	25,222,6
Equity Office Properties	6.375%	02/15/2003	34,880,000	34,854,067	34,854,0
Equity Office Properties	6.625%	02/15/2005	27,000,000	26,968,770	26,968,7
Equity Office Properties	6.376%	02/15/2002	20,000,000	20,000,000	20,000,0
Finova Capital Corporation	7.125%	05/17/2004	20,850,000	21,632,890	21,622,1
Finova Capital Corporation	6.250%	11/01/2002	50,000,000	49,816,866	50,125,0
Finova Capital Corporation	5.730%	09/24/2001	40,000,000	39,991,258	39,668,7
First National Bank Boston Mass	7.375%	09/15/2006	15,000,000	16,039,614	16,003,1
First Union Capital One	7.935%	01/15/2027	57,625,000	60,741,155	63,369,4
First Union Corporation	6.875%	09/15/2005	35,000,000	35,446,627	37,165,6
First Union Corporation	6.400%	04/01/2008	35,000,000	35,234,749	36,514,8
First Union National Bank	5.800%	12/01/2008	20,000,000	20,164,121	19,956,2
Florida Power Corporation	6.690%	07/01/2004	30,000,000	30,084,840	30,084,8
Ford Motor Company	6.500%	02/28/2002	125,000,000	124,933,584	128,222,6
Ford Motor Credit	6.125%	04/28/2003	53,500,000	53,411,637	54,394,4
Frontier Corporation	7.250%	05/15/2004	45,000,000	44,988,205	48,248,4
Frontier Corporation	6.000%	10/15/2003	30,000,000	29,961,427	30,046,8
General Motors Acceptance Corp.	6.750%	03/15/2003	55,200,000	54,865,334	57,528,7
General Motors Acceptance Corp.	5.800%	04/09/2001	28,000,000	27,835,677	28,214,3
Georgia-Pacific	7.375%	12/01/2025	71,515,000	72,779,855	72,878,2

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name	Coupon	Maturity	Par Value	Book Value	Fair Value
orgia-Pacific	7.250%	06/01/2028	\$ 55,000,000	\$ 54,632,183	\$ 54,828,125
MAC	6.750%	02/07/2002	60,000,000	59,613,164	59,613,164
MAC Global	5.750%	11/10/2003	40,000,000	39,849,995	40,168,750
iller Financial Incorporated	6.440%	10/06/2002	40,000,000	40,257,769	40,225,000
iller Financial Incorporated	6.250%	03/01/2001	15,750,000	15,972,144	15,781,992
iller Financial Incorporated	5.750%	09/25/2001	30,200,000	30,197,798	29,987,656
usehold Finance Corporation	6.875%	03/01/2003	23,000,000	23,479,141	23,955,938
usehold Finance Corporation	5.875%	09/25/2004	35,000,000	35,000,000	35,169,531
usehold Finance Corporation	6.125%	07/15/2002	18,000,000	17,994,429	18,104,063
usehold Financial Company	5.875%	11/01/2002	45,000,000	44,869,607	45,295,313
ael Electric	7.125%	07/15/2005	25,000,000	24,955,067	25,621,094
N Energy Incorporated	6.670%	11/01/2027	19,100,000	19,287,743	19,861,016
N Energy Incorporated	6.450%	03/01/2003	96,235,000	96,135,059	96,776,322
hman Brothers Holdings Inc.	8.500%	05/01/2007	15,000,000	16,261,590	16,710,938
hman Brothers Holdings Inc.	7.200%	08/15/2009	31,725,000	32,381,818	32,919,645
hman Brothers Inc.	6.500%	04/15/2008	62,000,000	60,608,395	61,350,938
hman Brothers Inc.	6.375%	10/23/2000	100,000,000	99,975,281	99,975,281
hman Brothers Inc.	6.625%	12/27/2002	25,000,000	24,993,857	24,993,857
erty Property L P	6.950%	12/01/2006	27,500,000	27,522,992	27,522,992
erty Property L P	6.375%	01/15/2003	20,000,000	19,878,418	19,878,418
ockheed Martin Company	7.875%	03/15/2023	10,000,000	10,207,164	10,715,625
ockheed Martin Company	6.850%	05/15/2001	45,250,000	45,355,810	46,699,414
ockheed Martin Company	7.250%	05/15/2006	28,465,000	29,278,588	30,875,630
ockheed Martin Company	7.450%	06/15/2004	53,955,000	55,136,960	58,372,566
artin Marietta Corporation	6.500%	04/15/2003	44,000,000	43,425,478	45,650,000
ICI Communications Corporation	6.125%	04/15/2012	31,000,000	30,921,330	31,494,063
ercantile Bancorporation Inc.	7.625%	10/15/2002	25,900,000	27,376,042	27,636,109
ercantile Bancorporation Inc.	7.300%	06/15/2007	15,000,000	15,534,401	16,373,438
ercantile Bancorporation Inc.	7.050%	06/15/2004	40,425,000	41,342,287	42,837,867
ionsanto Company	5.875%	12/01/2008	30,000,000	29,915,911	29,896,875
ational City Corporation	6.625%	03/01/2004	25,500,000	25,457,336	26,743,125
ationsbank Corporation	7.000%	05/15/2003	90,300,000	90,780,259	95,252,391
ationsbank Corporation	6.375%	05/15/2005	24,450,000	24,588,556	25,317,211
ew Jersey Econ. Dev. Authority	7.425%	02/15/2029	57,000,000	57,684,205	66,598,800
orfolk Southern Corporation	7.875%	02/15/2004	14,000,000	15,101,867	15,384,688
orfolk Southern Corporation	6.950%	05/01/2002	41,000,000	40,943,456	42,684,844
orfolk Southern Corporation	7.050%	05/01/2037	40,000,000	39,956,247	42,650,000
orthrop Grumman Corporation	7.000%	03/01/2006	14,000,000	14,587,870	14,678,125
acific Bell	7.375%	07/15/2043	20,000,000	19,381,392	21,709,375
acific Bell	6.625%	10/15/2034	40,500,000	35,529,461	41,620,078

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Name	Coupon	Maturity	Par Value	Book Value	Fair Value
Pacificorp Australia	6.150%	01/15/2008	\$ 54,000,000	\$ 53,823,743	\$ 56,117,1
Penney, J.C. Incorporated	7.625%	03/01/2047	50,000,000	48,302,480	51,093,7
Penney, J.C. Incorporated	7.250%	04/01/2002	35,000,000	34,990,376	36,427,1
Philip Morris, Incorporated	9.000%	01/01/2001	15,000,000	15,474,007	15,972,6
Philip Morris, Incorporated	8.750%	06/01/2001	30,000,000	31,027,752	32,151,4
Philip Morris, Incorporated	7.000%	07/15/2005	15,000,000	15,778,199	15,989,0
Phillips Petroleum	9.375%	02/15/2011	40,000,000	45,852,158	51,393,7
Phillips Petroleum	9.000%	06/01/2001	27,500,000	29,121,219	29,536,7
Raytheon Corporation	6.450%	08/15/2002	15,000,000	15,175,336	15,435,9
Raytheon Corporation	6.300%	08/15/2000	85,000,000	85,089,096	86,354,6
Raytheon Corporation	6.150%	11/01/2008	25,000,000	24,935,013	25,488,2
Saga Pete Asa	7.250%	09/23/2027	49,315,000	46,466,129	45,269,6
Salomon Smith Barney Holdings	6.650%	07/15/2001	150,000,000	149,945,489	153,257,8
Salomon Smith Barney Holdings	6.125%	01/15/2003	60,000,000	59,806,413	60,431,2
Sears Roebuck Acceptance	6.950%	05/15/2002	45,000,000	44,941,721	46,694,5
Simon Debartolo Group LP	6.875%	11/15/2006	26,500,000	26,652,649	26,102,51
Simon Debartolo Group LP	6.625%	06/15/2003	71,000,000	70,852,667	70,852,61
Simon Debartolo Group LP	7.125%	06/24/2005	16,235,000	16,547,552	16,547,51
Simon Debartolo Group LP	7.125%	09/20/2007	31,350,000	31,960,240	31,960,21
Sonoco Products	6.750%	11/01/2010	35,000,000	34,941,347	38,412,50
Southern National Corporation	7.050%	05/23/2003	33,000,000	33,287,605	34,722,11
Southwestern Bell Telephone	7.000%	11/15/2027	30,000,000	29,468,415	31,645,31
Sprint Captial Corporation	5.700%	11/15/2003	48,000,000	47,992,041	47,992,50
Sprint Captial Corporation	6.125%	11/15/2008	43,000,000	42,968,572	43,873,43
Sprint Captial Corporation	6.875%	11/15/2028	20,000,000	19,967,335	20,768,75
Sun Company	9.000%	11/01/2024	18,200,000	21,641,844	22,425,81
Talisman Energy Incorporated	7.250%	10/15/2027	10,000,000	9,740,920	9,617,18
TCI Communications Incorporated	8.650%	09/15/2004	23,700,000	26,073,901	27,225,37
TCI Communications Incorporated	6.375%	05/01/2003	98,490,000	98,761,725	101,890,98
Time Warner Entmt Company Lp	8.375%	03/15/2023	42,928,000	49,248,978	52,506,31
Time Warner Incorporated	6.875%	06/15/2018	30,000,000	29,681,046	31,471,87
Tosco Corporation	7.625%	05/15/2006	27,220,000	28,685,083	28,763,88
Tosco Corporation	7.250%	01/01/2007	20,000,000	20,946,627	20,762,501
Turner Broadcast	7.400%	02/01/2004	18,680,000	19,415,764	19,978,84
U.S. Bancorp	5.700%	12/15/2008	45,000,000	44,797,852	44,683,591
U.S. West Capital Funding Incorporated	6.125%	07/15/2002	22,500,000	22,478,350	23,009,761
U.S. West Communications	6.875%	09/15/2033	10,750,000	10,499,782	10,785,271
U.S. West Communications	7.125%	11/15/2043	29,000,000	28,931,668	30,939,371
U.S. West Communications	7.250%	10/15/2035	24,600,000	24,048,810	26,525,711
Union Pacific Corporation	7.600%	05/01/2005	49,050,000	51,594,731	52,736,411

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



name	Coupon	Maturity	Par Value	Book Value	Fair Value
ion Pacific Corporation	6.400%	02/01/2006	\$ 30,000,000	\$ 29,571,897	\$ 30,360,938
ion Pacific Corporation	7.000%	02/01/2016	15,000,000	14,399,400	15,121,875
ion Pacific Corporation	6.700%	12/01/2006	39,240,000	39,341,672	40,380,413
ion Pacific Corporation	7.125%	02/01/2028	70,000,000	70,608,632	71,695,313
ion Pacific Corporation	5.780%	10/15/2001	50,000,000	50,000,000	50,023,438
ion Pacific Corporation	6.790%	11/09/2007	15,500,000	15,575,566	16,032,813
IX-Marathon Group	8.125%	07/15/2023	18,000,000	19,355,794	19,110,938
estern Resources	6.875%	08/01/2004	49,000,000	48,958,007	51,136,094
illamette Industries	7.000%	02/01/2018	17,200,000	17,029,485	17,482,188
illiams Companies, Incorporated	6.200%	08/01/2002	75,000,000	74,894,118	75,187,500
illiams Companies, Incorporated	6.125%	02/01/2001	44,000,000	43,951,079	44,165,000
illiams Holdings	6.500%	12/01/2008	45,000,000	44,793,859	44,500,781
orld Com Incorporated	6.125%	08/15/2001	75,000,000	74,932,069	76,253,906
orld Com Incorporated	6.250%	08/15/2003	10,000,000	10,095,429	10,253,125
<b>Total</b>			<b>\$6,102,715,000</b>	<b>\$6,140,873,979</b>	<b>\$6,302,665,039</b>

#### Canadian

name	Coupon	Maturity	Par Value	Book Value	Fair Value
ydro Quebec	9.400	02/01/2021	\$ 80,035,000	\$ 94,370,235	\$ 94,370,235
ydro Quebec	8.050	07/07/2024	50,000,000	51,132,027	51,132,027
ovince of Ontario	7.375	01/27/2003	40,000,000	40,825,743	43,306,250
ovince of Ontario	7.000	08/04/2005	32,000,000	31,992,402	34,800,000
ovince of Quebec	6.620	04/09/2026	16,000,000	16,997,845	16,997,845
ovince of Quebec	6.890	04/15/2026	10,200,000	10,969,599	10,969,599
<b>TOTAL</b>			<b>\$ 228,235,000</b>	<b>\$ 246,287,850</b>	<b>\$ 251,575,955</b>

#### International

name	Book Value	Fair Value
merican International Group/Global	\$ 3,753,551	\$ 3,753,441
ank of Ireland Asset Management	197,358,598	225,702,303
aring Asset Management	800,000,000	849,589,130
apital Guardian Trust Co.	542,593,043	593,481,017
P. Morgan Investment Management Inc.	323,504,054	367,814,023
arvin & Palmer Associates Fund Inc.	192,494,824	242,055,721
ylem Fund	273,823,793	163,965,000
<b>TOTAL</b>	<b>\$ 2,333,527,863</b>	<b>\$ 2,446,360,635</b>

ote: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

## Real Estate

Name	Book Value	Fair Value
AFL/CIO Housing Investment Trust	\$ 75,108,042	\$ 74,827,6
Amresco	6,008,632	7,168,9
Bristol Group	323,619,197	332,406,8
Clarco	254,756,126	257,320,7
Faison	263,749,504	275,240,2
Five Arrows	237,976,957	239,881,4
Legg Mason Real Estate Services	10,840,571	11,042,0
Lowe Enterprises	662,710,687	690,485,1
Rothschild Property Investors	2,784,208	2,951,8
Rothschild Realty	230,433,082	251,864,5
TGM	407,010,210	424,368,1
TMMAC	667,236,904	676,834,4
Trinet Trust	347,637,549	360,958,9
Trisis Trust	171,688,074	177,661,2
<b>TOTAL</b>	<b>\$ 3,661,559,740</b>	<b>\$ 3,783,012,36</b>

## Venture Capital

Name	Par Value	Book Value	Fair Value
Blue Chip Capital Fund	\$11,430,930	\$11,430,930	\$11,430,93
Blue Chip Capital Fund II	10,218,184	10,218,184	10,218,18
Linsalata Capital Partners II	2,929,637	2,929,637	2,929,63
MCM Capital Partners	1,753,543	1,753,543	1,753,54
Northwest Ohio Venture Fund	3,349,675	3,349,675	3,349,67
Primus Capital Fund I	43,286	43,286	43,28
Primus Capital Fund II	1,245,115	1,245,115	1,245,11
Primus Capital Fund III	6,796,378	6,796,378	6,796,37
Primus Capital IV	6,089,165	6,089,165	6,089,16
<b>TOTAL</b>	<b>\$43,855,913</b>	<b>\$43,855,913</b>	<b>\$43,855,91</b>

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



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Shares

Cost

Fair Value

Com Corporation	815,100	\$33,411,396	\$ 36,526,669
C. Neilsen Corporation	53,300	361,561	1,505,725
AR Corporation	58,500	1,374,219	1,396,688
obott Laboratories	2,162,200	56,364,538	105,947,800
ercrombie & Fitch Company	51,100	2,564,494	3,615,325
BM Industries Incorporated	44,700	1,399,298	1,547,738
uson Corporation	26,200	336,336	388,088
xiom Corporation	155,000	3,842,633	4,805,000
jac Labs	42,300	1,198,057	844,678
DC Telecommunications Incorporated	125,500	2,565,855	4,361,125
dobe Systems Incorporated	46,000	1,956,703	2,150,500
dvanced Lighting Technologies	400,000	9,918,562	3,900,000
dvanced Micro Devices	92,100	2,485,237	2,670,900
dvanced Tissue Sciences Inc.	83,100	255,918	215,541
dvo Incorporated	47,400	1,227,841	1,250,175
eroquip-Vickers, Incorporated	20,200	773,772	604,738
ES Corporation	116,800	1,994,981	5,533,400
etna Incorporated	95,844	7,109,992	7,535,735
FLAC Incorporated	249,300	4,426,422	10,938,038
GCO Corporation	55,600	1,573,684	437,850
GL Resources Incorporated	53,400	1,017,311	1,231,538
gouron Pharmaceuticals Incorporated	29,000	1,054,250	1,703,750
ir Express International Corp.	73,100	1,574,943	1,589,925
ir Products & Chemicals Incorporated	199,200	6,538,684	7,968,000
irborne Freight Corporation	46,900	691,532	1,691,331
irgas Incorporated	66,600	1,304,455	595,238
irtouch Communications Incorporated	1,269,800	57,467,151	91,981,138
.K Steel Holding Corporation	55,300	1,148,890	1,299,550
aska Airgroup Incorporated	24,500	687,298	1,084,125
lbany International Corp. Class A	28,765	622,893	544,730
lbemarle Corporation	44,200	800,371	1,049,750
lberto-Culver Company Class B	37,700	818,794	1,006,119
lbertsons Incorporated	437,300	20,647,394	27,850,544
lcan Aluminium Limited	154,500	4,541,297	4,181,156
lexander & Baldwin Incorporated	41,900	976,433	974,175
liant Communications Incorporated	33,300	650,675	1,361,138
lleggheny Energy Incorporated	114,300	3,129,083	3,943,350
lleggheny Teledyne Incorporated	130,100	2,510,316	2,658,919

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
Allegiance Corporation	105,600	\$ 1,791,566	\$ 4,923,600
Allen Telecom Incorporated	857,800	15,220,954	5,736,538
Allergan Incorporated	43,600	1,787,274	2,823,100
Alliance Pharmaceutcal	67,500	275,703	221,484
Alliant Techsystems	726,700	44,407,208	59,907,331
Allied Signal Incorporated	925,200	31,654,311	40,997,925
Allied Waste Industries Incorporated	164,200	3,951,801	3,879,225
Allstate Corporation	559,400	15,369,549	21,536,900
Alltel Corporation	564,000	20,009,885	33,734,250
Alpharma Incorporated	53,700	1,528,442	1,896,281
Altera Corporation	90,900	2,833,478	5,533,538
Aluminum Company of America	144,300	9,001,974	10,759,369
Alza Corporation	769,300	33,123,318	40,195,925
Ambac Incorporated	65,400	2,411,512	3,936,263
Amcast Industrial Corporation	19,400	333,770	371,025
Amcol International Corporation	58,900	656,579	581,638
Amerada Hess Corporation	61,200	3,269,050	3,044,700
Ameren Corporation	93,200	3,536,058	3,978,475
America Online Incorporated	2,210,400	97,440,326	342,888,300
American Bankers Insurance Group I	91,000	3,939,486	4,402,125
American Electric Power	127,700	5,415,807	6,009,881
American Express	766,200	43,452,889	78,535,500
American Financial Group Inc. Ohio	57,400	1,734,353	2,518,425
American Freightways Corporation	66,800	575,357	770,288
American General Corporation	378,177	14,647,993	29,497,806
American Greetings Class A	48,200	1,483,028	1,979,213
American Home Products Corporation	879,900	30,067,028	49,604,363
American International Group	1,475,800	67,563,822	142,599,175
American Management Systems Incorporated	89,600	2,622,251	3,584,000
American Oncology Resources	68,900	804,623	1,003,356
American Power Conversion Corp.	89,200	1,626,599	4,320,625
American Standard Cos. Inc. DE	67,500	3,061,146	2,430,000
American States Water Company	19,000	531,207	517,750
American Stores Company	182,000	3,856,933	6,722,625
American Water Works Incorporated	874,800	16,572,242	29,524,500
Americredit Corporation	129,100	1,669,598	1,783,194
Ameritech Corporation	1,794,600	68,590,162	113,732,775
Ametek Incorporated New	30,700	489,232	684,994
Amgen Incorporated	365,400	21,460,319	38,207,138
Amoco Corporation	1,178,330	35,961,314	70,552,509

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name	Shares	Cost	Fair Value
Amp Incorporated	279,578	\$ 11,890,634	\$ 14,555,530
AMR Corporation/DE	122,700	5,299,677	7,285,313
Amresco Incorporated	93,500	730,973	818,125
Anadarko Petroleum Corporation	304,200	9,824,950	9,392,175
Analog Devices Incorporated	152,100	2,815,892	4,772,138
Analogic Corporation	26,700	973,664	1,004,588
Analysts International Corporation	47,400	804,166	912,450
Anchor Bancorp Wis. Incorporated	37,600	810,041	902,400
Anchor Gaming	26,300	1,352,465	1,482,663
Andrew Corporation	56,150	1,417,132	926,475
Angelica Corporation	19,400	324,995	361,325
Anheuser-Busch Companies Incorporated	1,098,000	51,371,551	72,056,250
Anixter International Incorporated	97,200	1,479,411	1,974,375
Anntaylor Stores Corporation	54,100	1,544,215	2,133,569
AON Corporation	114,050	4,882,383	6,315,519
Apache Corporation	416,600	12,342,063	10,545,188
Apogee Enterprises Incorporated	58,300	711,574	655,875
Apple Computer Incorporated	88,600	2,566,308	3,627,063
Applebees International Incorporated	63,900	1,319,327	1,317,938
Applied Industrial Technologies Incorporated	46,600	614,861	646,575
Applied Magnetics Corporation	50,900	287,939	314,944
Applied Materials Incorporated	719,500	23,662,452	30,713,656
Applied Power Incorporated	81,300	2,591,723	3,048,750
Apria Healthcare Group Incorporated	48,300	1,137,469	431,681
Aptargroup Incorporated	76,100	2,130,394	2,135,556
Aquarion Company	15,700	565,602	643,700
Archer Daniels Midland Company	738,764	14,090,131	12,651,333
Arctic Cat Incorporated	58,900	571,623	600,044
Arkansas Best Corporation DE	41,400	246,016	241,931
Armstrong World Industries Incorporated	26,800	1,807,901	1,616,375
Arnold Industries Incorporated	24,300	437,366	391,838
Arrow Electronics Incorporated	89,200	2,224,940	2,380,525
Arvin Industries Incorporated	22,900	532,935	954,644
ASA Holdings Incorporated	27,900	794,326	850,950
Asarco Incorporated	26,500	731,937	400,813
Ascend Communications	993,100	48,094,526	48,094,526
Ashland Incorporated	217,300	10,789,617	10,511,888
Ashworth Incorporated	31,100	199,621	172,022
Aspect Telecommunications Company	106,400	1,636,962	1,835,400
Associated Banc Corporation	59,100	2,295,765	2,020,481

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
Associates First Capital	950,822	\$ 20,907,333	\$ 40,291,082
Astec Industries Incorporated	19,800	980,783	1,101,375
Astoria Financial Corporation	114,900	5,121,214	5,256,675
AT&T Corporation	2,409,100	107,199,445	182,489,325
Atlantic Richfield Company	460,700	32,501,207	30,118,263
Atmel Corporation	92,700	2,601,840	1,419,469
Atmos Energy Corporation	63,900	1,966,076	2,060,775
Au Bon Pain Incorporated	25,300	142,964	170,775
Auspex Systems Incorporated	53,900	169,633	233,286
Authentic Fitness Corporation	47,600	695,404	868,700
Autodesk Incorporated	32,700	1,196,650	1,395,881
Automatic Data Processing Incorporated	534,500	27,810,885	42,860,219
Autozone Incorporated	416,400	11,073,674	13,715,175
Avery Dennison Corporation	153,200	6,112,959	6,903,575
Avid Technology Incorporated	52,700	978,888	1,231,863
Avnet Incorporated	36,100	1,826,068	2,184,050
Avon Products	385,800	11,223,171	17,071,650
AVX Corporation	1,500,000	39,542,628	25,406,250
Aztar Corporation	95,500	474,953	483,469
Baker J Incorporated	29,400	176,491	169,050
Baker-Hughes Incorporated	387,660	12,144,596	6,832,508
Baldor Electric Company	78,600	1,624,994	1,591,650
Ball Corporation	19,400	587,042	887,550
Ballard Medical Products	64,300	1,392,090	1,563,294
Baltimore Gas & Electric Company	216,000	6,181,746	6,669,000
Banctec Incorporated	44,000	611,833	552,750
Bandag Incorporated	21,200	1,126,048	846,675
Bangor Hydro Electric Company	15,500	185,221	198,594
Bank Of New York Company Incorporated	1,355,600	30,051,690	54,562,900
Bank One Corporation	1,953,122	87,212,370	99,731,292
Bankamerica Corporation New	2,528,683	114,565,530	152,037,065
Bankboston Corporation	432,400	14,337,679	16,836,575
Bankers Trust New York Corp.	64,400	4,753,477	5,502,175
Banknorth Group Incorporated DE	32,200	1,012,972	1,211,525
Banta Corporation	27,500	736,079	752,813
Bard, C.R. Incorporated	36,100	1,325,126	1,786,950
Barnes & Noble Incorporated	63,700	1,591,792	2,707,250
Barnes Group Incorporated	42,400	1,152,747	1,240,200
Barr Labs Incorporated	47,200	1,728,216	2,265,600
Barrett Resources Corporation	67,000	1,720,454	1,608,000

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Name	Shares	Cost	Fair Value
Barrick Gold Corporation	761,200	\$ 19,757,843	\$ 14,843,400
Bassett Furniture Industries Incorporated	27,600	662,577	665,850
Battle Mountain Gold Company	854,900	8,484,230	3,473,031
Bausch & Lomb Incorporated	37,100	1,519,367	2,226,000
Baxter International Incorporated	576,500	30,393,340	37,076,156
BB&T Corporation	189,500	6,185,874	7,639,219
BE Aerospace Incorporated	49,000	1,117,330	1,029,000
Bear Stearns Companies Incorporated	75,500	2,322,031	2,826,531
Beckman Coulter Incorporated	26,600	909,067	1,443,050
Becton, Dickinson & Company	166,300	5,046,970	7,098,931
Bed Bath & Beyond Incorporated	3,129,600	40,186,567	106,797,600
Belden Incorporated	54,500	849,955	1,154,719
Bell Atlantic Corporation	2,393,634	89,213,015	129,256,236
Bell Industries Incorporated	19,700	204,940	224,088
Bellsouth Corporation	2,094,200	51,398,801	104,448,225
Belo, A.H. Corporation	116,900	2,066,039	2,330,694
Bemis Company	34,400	1,147,583	1,305,050
Benchmark Electronics Incorporated	24,500	569,916	897,313
Benton Oil & Gas Company	62,400	282,767	187,200
Bergen Brunswig Corporation Class A	94,400	1,128,767	3,292,200
Best Buy Company Incorporated	93,700	1,851,459	5,750,838
Bestfoods	422,700	16,883,579	22,508,775
Bethlehem Steel Corporation	80,000	967,787	670,000
Beverly Enterprises Incorporated	506,400	6,437,341	3,418,200
Billing Info Concepts	71,600	966,284	787,600
Bindley Western Industries Incorporated	46,500	1,623,720	2,290,125
Bio Technology Gen. Corporation	101,900	695,099	706,931
Biogen Incorporated	68,800	2,452,900	5,710,400
Biomatrix Incorporated	24,000	1,064,139	1,398,000
Biomet Incorporated	350,100	8,332,873	14,091,525
Birmingham Steel Corporation	62,600	332,489	262,138
3isys Group Incorporated	56,200	2,611,564	2,901,325
3J Services Company	407,500	14,580,392	6,367,188
3J'S Wholesale Club Incorporated	35,200	670,670	1,630,200
3lack & Decker Corporation	63,600	2,519,330	3,565,575
3lack Hills Corporation	20,300	369,952	535,413
3lock, H & R Incorporated	150,500	6,310,313	6,772,500
3lount International Incorporated	79,300	1,849,316	1,977,544
3MC Industries Incorporated MN	56,800	315,418	355,000
3MC Software Incorporated	138,000	2,275,501	6,149,625

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
Bob Evans Farms	38,900	\$ 729,596	\$ 1,013,837
Boeing Company	1,448,436	50,424,837	47,255,225
Boise Cascade Corporation	96,400	3,400,589	2,988,400
Bombay Company Incorporated	80,500	414,115	442,750
Books-A-Million Incorporated	36,800	115,105	478,400
Boole & Babbage Incorporated	59,600	1,649,138	1,754,475
Borders Group Incorporated	72,000	2,394,110	1,795,500
Borg-Warner Automotive Incorporated	21,800	1,220,370	1,216,713
Boston Scientific Corporation	263,000	6,886,331	7,051,688
Bowater Incorporated	49,400	2,104,658	2,047,013
Bowne & Co Incorporated	77,700	1,104,570	1,388,888
Brady Corporation	47,500	1,103,619	1,279,531
Breed Technologies Incorporated	77,400	560,021	648,225
Briggs & Stratton Corporation	16,200	664,428	807,975
Brightpoint Incorporated	109,900	1,352,052	1,511,125
Brinker International Incorporated	61,900	1,132,376	1,787,363
Bristol Myers Squibb	1,440,400	80,112,824	192,743,525
Brite Voice Systems Incorporated	500,000	8,439,378	3,875,000
Broadband Technologies	5,000	8,438	14,688
Brown Group Incorporated	38,100	627,805	669,131
Brown-Forman Class B	46,000	2,119,373	3,481,625
Browning-Ferris Industries	269,400	8,366,368	7,661,063
Brunswick Corporation	65,100	1,345,900	1,611,225
Brush Wellman Incorporated	34,600	519,144	603,338
Buckeye Technologies Incorporated	77,700	1,535,055	1,160,644
Buffets Incorporated	42,700	491,202	509,731
Building Materials Holding Corporation	26,100	298,914	316,463
Burlington Industries Incorporated	58,000	712,164	645,250
Burlington Northern Santa Fe	375,418	10,480,036	12,858,067
Burlington Resources Incorporated	716,730	29,271,723	25,667,893
Burr Brown Corporation	77,500	1,630,989	1,816,406
Butler Manufacturing Company DE	16,200	368,086	362,475
CDI Corporation	42,000	948,892	847,875
Cable Design Technologies Corporation	63,600	1,043,645	1,176,600
Cabletron Systems Incorporated	101,400	2,282,905	849,225
Cabot Corporation	63,400	1,653,262	1,771,238
Cabot Oil & Gas Corporation	52,500	892,606	787,500
Cadence Design Systems Incorporated	198,200	2,944,652	5,896,450
Calenergy Co. Incorporated	1,256,100	47,370,107	43,570,969
Calgon Carbon Corporation	37,100	408,546	278,250

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name	Shares	Cost	Fair Value
California Microwave Incorporated	34,200	\$ 370,663	\$ 320,625
Callaway Golf Company	70,100	1,124,197	718,525
Calmat Company	22,200	522,411	685,425
Calpine Corporation	1,800,000	28,979,334	45,450,000
Cambrex Corporation	51,300	1,345,464	1,231,200
Cambridge Technology Partner	53,000	1,092,016	1,172,625
Campbell Soup Company	626,000	26,914,108	34,430,000
Canandaigua Brands Incorporated	39,700	1,931,717	2,295,156
Capital One Financial Corporation	44,000	2,605,787	5,060,000
Capital RE Corporation	67,400	1,319,033	1,352,213
Caraustar Industries Incorporated	53,700	1,345,323	1,533,806
Cardinal Health Incorporated	4,092,345	109,034,814	310,506,677
Carlisle Companies Incorporated	28,200	679,451	1,455,825
Carmike Cinemas Incorporated	24,000	479,658	487,500
Carnival Corporation	407,100	17,053,215	19,540,800
Carolina First Corporation	37,400	885,132	946,688
Carolina Power & Light Company	100,200	3,631,315	4,715,663
Carpenter Technology Corporation	371,300	18,504,923	12,600,994
Carter-Wallace Incorporated	42,200	531,320	830,813
Cascade Natural Gas Corporation	23,400	407,490	424,125
Case Corporation	50,300	2,353,377	1,097,169
Caseys General Stores Incorporated	111,100	1,625,119	1,447,772
Cash American International Incorporated	52,900	671,694	803,419
Castle A M & Company	29,700	554,722	445,500
Catalina Marketing Corporation	539,100	17,445,468	36,860,963
Caterpillar Incorporated	997,100	42,268,219	45,866,600
Cato Corporation New	58,300	787,611	573,891
CBS Corporation	1,406,000	37,551,847	43,099,421
CCB Financial Corporation	37,900	1,946,993	2,160,300
C-Cor Electronics Incorporated	20,400	265,131	280,500
C-Cube Microsystems	78,900	1,560,630	2,140,163
CEC Entertainment Incorporated	38,600	1,063,170	1,071,150
Cendant Corporation	1,145,657	29,852,679	22,125,501
Centex Corporation	40,900	816,314	1,843,056
Centigram Communications Corporation	15,200	133,399	150,100
Centocor Incorporated	65,800	1,438,042	2,969,225
Central & South West Corporation	143,600	3,788,864	3,940,025
Central Hudson Gas & Electric Corporation	35,900	1,445,683	1,606,525
Central Package Corporation	62,200	2,330,141	2,017,613
Central Vermont Public Svc. Corporation	24,200	264,301	251,075

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
Centura Banks Incorporated	56,000	\$ 3,839,116	\$ 4,165,00
Century Telephone Enterprise Incorporated	85,700	2,174,248	5,784,75
Cephalon Incorporated	60,400	386,739	543,60
Ceridian Corporation	49,600	2,259,800	3,462,70
Cerner Corporation	69,100	1,623,437	1,848,42
Champion Enterprises Incorporated	101,400	2,171,261	2,775,82
Champion International Corporation	183,447	8,002,464	7,429,60
Charter One Financial Incorporated	152,800	4,339,327	4,240,20
Chase Manhattan Corporation	1,361,200	65,284,734	96,645,20
Cheesecake Factory Incorporated	42,400	910,680	1,257,42
Chekpoint Systems Incorporated	68,500	750,010	839,12
Chemed Corporation	21,100	687,202	706,85
Chemfirst Incorporated	40,100	747,627	791,97
Chesapeake Corporation	19,900	663,552	733,81
Chevron Corporation	865,600	46,616,016	71,790,70
Chiquita Brands International	138,000	1,468,805	1,319,62
Chiron Corporation	166,000	3,831,774	4,347,12
Chris-Craft Industries Incorporated	30,500	1,222,677	1,469,71
Chubb Corporation	111,500	5,884,878	7,219,62
Church & Dwight Incorporated	18,100	412,710	650,46
Ciber Incorporated	105,400	2,033,920	2,931,43
Cigna Corporation	143,600	6,704,919	11,102,07
Cilcorp Incorporated	28,800	1,570,863	1,762,20
Cincinnati Bell Incorporated	127,300	4,287,316	4,813,53
Cincinnati Financial Corporation	112,400	4,909,885	4,116,65
Cinergy Corporation	106,500	2,905,451	3,660,93
Cintas Corporation	91,600	2,415,577	6,452,07
Circon Corporation	28,200	259,365	423,00
Circuit City Stores Incorporated	66,700	2,154,298	3,330,83
Circus Circus Enterprises Incorporated	88,800	2,330,889	1,004,55
Cirrus Logic Incorporated	59,400	2,206,608	582,86
Cisco Systems Incorporated	2,220,325	59,157,289	206,073,91
Citigroup Incorporated	3,000,706	111,108,675	149,097,57
Citrix Systems Incorporated	39,300	2,894,680	3,814,55
City National Corporation	43,400	759,509	1,806,52
CKE Restaurants Incorporated	108,460	2,235,226	3,192,79
Claire's Stores Incorporated	47,400	503,845	971,70
Clarcor Incorporated	51,600	861,747	1,032,00
Clayton Homes Incorporated	138,875	1,764,333	1,918,21
Clear Channel Communications	159,300	5,862,312	8,681,85

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name	Shares	Cost	Fair Value
Aeco Corporation	21,000	\$ 567,741	\$ 720,563
Aleveland-Cliffs Incorporated	10,600	439,125	427,313
Alorox Company DE	69,500	3,762,974	8,118,469
AMAC Investment Corporation	47,900	1,987,744	2,200,406
AMP Group Incorporated	30,300	423,093	571,913
AMS Energy Corporation	94,600	2,900,446	4,582,188
ANF Transportation Incorporated	44,500	1,032,013	1,671,531
Coastal Corporation	141,800	3,424,911	4,980,725
Coca Cola Bottling Company Consolidated	17,700	1,053,063	1,017,750
Coca-Cola Company	3,571,000	151,286,953	239,257,000
Coca-Cola Enterprises	524,000	9,191,595	18,733,000
Coeur D Alene Mines Corporation Idaho	46,200	260,298	213,675
Cognex Corporation	86,300	1,415,133	1,726,000
Coherent Incorporated	50,100	583,628	623,119
Colgate-Palmolive Company	198,400	9,594,404	18,426,400
Columbia Energy Group	55,500	1,984,677	3,205,125
Columbia/HCA Healthcare -Vtg.	774,900	25,303,236	19,178,775
Comair Holdings Incorporated	140,200	4,391,914	4,731,750
Comcast Corporation	512,200	11,023,345	30,059,738
Comdisco Incorporated	141,900	1,241,118	2,394,563
Comerica Incorporated	275,700	15,521,255	18,799,294
Commerce Bancorp Incorporated NJ	47,600	2,109,154	2,499,000
Commercial Federal Corporation	123,700	2,967,992	2,868,294
Commercial Metals Company	31,600	818,973	876,900
Commonwealth Energy Systems	45,500	1,641,002	1,842,750
Commonwealth Industries Inc. DE	33,600	277,277	315,000
Commscope Incorporated	103,800	1,412,722	1,745,138
Compaq Computer Corporation	3,548,263	98,914,650	149,027,046
Compdent Corporation	21,300	264,325	220,988
CompUSA Incorporated	84,800	2,386,685	1,107,700
Computer Associates Intl. Incorporated	772,275	37,663,302	32,918,222
Computer Sciences Corporation	222,800	9,336,553	14,314,900
Computer Task Group Incorporated	43,800	1,242,602	1,188,075
Compuware Corporation	170,800	2,533,802	13,343,750
Comsat Corporation Series 1	48,900	1,053,207	1,760,400
Comverse Technology	40,800	1,894,688	2,896,800
Conagra Incorporated	1,337,100	34,353,240	42,118,650
Concentra Managed Care Incorporated	43,900	1,110,271	469,181
Concord Efs Incorporated	3,100,000	57,683,985	131,362,500
Cone MLS Corporation NC	55,200	243,126	310,500

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
Conectiv Incorporated	100,100	\$ 2,168,653	\$ 2,452,41
Connecticut Energy Corporation	21,700	618,257	661,81
Conoco Incorporated	870,000	20,759,346	18,052,50
Conseco Incorporated	207,803	7,460,698	6,337,99
Consolidated Edison Incorporated	157,900	5,774,767	8,348,90
Consolidated Graphics Incorporated	27,400	1,416,204	1,851,21
Consolidated Natural Gas Company	64,100	2,986,947	3,461,40
Consolidated Papers Incorporated	84,300	2,465,501	2,318,25
Consolidated Products Incorporated	55,375	844,860	1,142,10
Consolidated Stores Corporation	91,839	2,266,657	1,854,00
Consumers Water Company	19,000	578,352	597,31
Cooper Companies Incorporated	31,400	695,928	649,58
Cooper Industries Incorporated	123,500	4,672,028	5,889,40
Cooper Tire & Rubber Company	50,500	1,232,109	1,032,09
Coors, Adolph Company Class B	26,300	730,085	730,08
COR Therapeutics Incorporated	51,000	458,605	675,75
Cordant Technologies Incorporated	34,100	725,151	1,278,75
Corn Products International Incorporated	75,200	1,977,657	2,284,20
Corning Incorporated	157,200	4,531,908	7,074,00
Costco Companies Incorporated	174,000	5,274,333	10,095,62
Countrywide Credit Industries Incorporated	74,100	2,792,321	3,718,89
Covance Incorporated	259,200	4,847,800	7,549,20
Coventry Health Care Incorporated	123,400	1,001,273	1,087,46
CPI Corporation	21,100	476,033	559,15
Cracker Barrel Old Country Store	58,200	1,432,913	1,356,78
Crane Company	47,650	1,204,297	1,438,43
Crestar Financial Corporation	104,800	3,719,868	7,545,60
Crompton & Knowles Corporation	69,500	1,108,911	1,450,81
Cross Timbers Oil Company	94,900	1,372,004	711,75
Cross, A.T. Company	34,900	250,059	187,58
Crown Cork & Seal Company Incorporated	83,700	3,729,992	2,579,00
CSX Corporation	296,700	15,506,626	12,313,05
CTS Corporation	28,800	849,708	1,252,80
Cullen Frost Bankers Incorporated	47,000	2,464,646	2,579,12
Cummins Engine Incorporated	24,900	1,184,737	883,95
Durative Health Services	26,900	755,863	901,15
Customtracks Corporation	31,500	188,944	336,65
DVS Incorporated	258,800	7,493,248	14,234,00
Eygnus Incorporated	42,800	201,971	208,65
Lypress Semiconductor Corp.	84,700	1,526,283	704,06

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name	Shares	Cost	Fair Value
Cyprus Amax Minerals Company	449,300	\$10,085,676	\$ 4,493,000
Cyrk Incorporated	31,700	291,483	237,750
Cytotec Industries Incorporated	41,800	1,604,417	888,250
DR Horton Incorporated	114,500	2,047,255	2,633,500
Daimlerchrysler AG	255,198	12,866,507	24,514,958
Dain Rauscher Corporation	26,300	860,358	775,850
Dallas Semiconductor Corporation	59,100	2,094,367	2,408,325
Damark International Incorporated	15,400	92,293	125,125
Dames & Moore Incorporated	713,800	12,999,715	9,190,175
Dana Corporation	196,318	7,537,838	8,024,498
Danaher Corporation	619,200	22,136,887	33,630,300
Daniel Industries DE	37,000	503,885	448,625
Darden Restaurants Incorporated	99,300	1,143,396	1,787,400
Data General Corporation	32,100	417,468	527,644
Datascope Corporation	32,800	751,150	754,400
Dayton Hudson Corporation	607,500	16,612,119	32,956,875
Dean Foods Company	37,700	1,174,849	1,538,631
Deere & Company	200,200	8,137,750	6,581,575
Dell Computer Corporation	1,524,000	32,407,576	111,537,750
Delphi Financial Group Incorporated	42,942	1,841,650	2,251,771
Delta & Pine Limited Company	81,000	2,636,150	2,997,000
Delta Air Lines Incorporated	102,000	3,901,225	5,304,000
Delta Woodside Industries Inc. New	51,900	296,389	311,400
Deluxe Corporation	252,200	7,592,288	9,221,063
Dentsply International Incorporated	1,449,400	26,352,264	37,322,050
Devon Energy Corporation	68,300	2,261,056	2,095,956
DeVry Incorporated DE	146,400	3,539,458	4,483,500
Dexter Corporation	21,500	553,146	675,906
Diagostic Products Corporation	29,100	704,742	905,738
Dial Corporation	96,300	1,508,500	2,780,663
Dialogic Corporation	33,800	676,801	664,381
Diamond Offshore Drilling Incorporated	383,600	19,210,116	9,086,525
Diebold Incorporated	64,400	1,563,033	2,298,275
Digi International Incorporated	29,400	423,412	327,075
Digital Microwave Corporation	129,700	681,485	887,634
Dillard's Incorporated	143,000	4,333,657	4,057,625
Dime Bancorp Incorporated New	106,700	2,597,967	2,800,875
Dimon Incorporated	94,000	983,413	699,125
Dionex Corporation	47,600	1,312,859	1,743,350
Discount Auto Parts Incorporated	35,100	875,285	770,006

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Name	Shares	Cost	Fair Value
Disney, Walt Company	2,688,000	\$ 57,540,182	\$ 80,640,00
Dixie Group Incorporated	24,000	141,245	195,00
Dole Food Company Incorporated	56,400	1,724,172	1,692,00
Dollar General Corporation	124,125	2,168,276	2,932,45
Dollar Tree Stores Incorporated	55,200	1,791,110	2,411,55
Dominion Resources Incorporated	131,500	5,401,116	6,147,62
Donaldson Company Incorporated	45,700	624,606	948,27
Donaldson, Lufkin & Jenrette	1,840,000	26,218,909	75,440,00
Donnelley, R.R. & Sons Company	94,200	3,476,366	4,127,13
Dover Corporation	315,000	10,275,317	11,536,87
Dow Chemical Company	300,400	18,249,122	27,317,62
Dow Jones & Company Incorporated	62,700	2,633,034	3,017,43
Downey Financial Corporation	59,300	1,451,932	1,508,44
DPL Incorporated	150,900	3,039,322	3,263,21
Dress Barn Incorporated	49,000	726,638	744,18
Dreyers Grand Ice Cream Incorporated	25,400	447,022	384,17
DST Systems Incorporated	864,500	29,276,140	49,330,531
DTE Energy Company	133,800	4,412,262	5,761,763
Duke Energy Corporation	660,045	31,875,910	42,284,133
Dun & Bradstreet Corporation DE	233,100	979,042	7,357,219
Dupont, Ei De Nemours & Company	1,647,700	88,804,477	87,431,081
Dycom Industries Incorporated	16,500	828,120	942,563
E G & G Incorporated	29,200	646,150	812,125
E Trade Group Incorporated	115,900	2,328,376	5,421,947
Eagle Hardware Garden	61,400	1,503,916	1,995,500
Earthgrains Company	90,600	3,037,986	2,802,938
Eastern Enterprises	14,900	543,725	651,875
Eastern Utilitiess Association	43,200	1,109,920	1,220,400
Eastman Chemical Company	52,500	3,208,346	2,349,375
Eastman Kodak Company	465,900	35,367,416	33,544,800
Eaton Corporation	370,600	26,280,931	26,196,788
Eaton Vance Corporation	75,800	1,704,958	1,582,325
Ecolab Incorporated	84,500	1,760,519	3,057,844
Edison International	240,800	4,421,468	6,712,300
Edwards, A.G. Incorporated	88,700	1,729,810	3,304,075
El Paso Energy Corporation DE	112,500	2,571,151	3,916,406
Electro Scientific Industries	24,000	589,114	1,087,500
Electroglas Incorporated	41,600	517,837	488,800
Electronic Arts Incorporated	56,500	2,058,602	3,171,063
Electronic Data Systems Corporation	601,600	22,714,617	30,192,800

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Name	Shares	Cost	Fair Value
MC Corporation Massachusetts	685,400	\$ 19,201,148	\$ 58,259,000
Emerson Electric Company	644,500	30,110,030	38,992,250
Energen Corporation	61,600	1,122,929	1,201,200
Energy East Corporation	59,600	1,731,908	3,367,400
Inesco Group Incorporated	15,000	450,897	348,750
Ingelhard Corporation	1,628,700	34,988,281	31,759,650
Enhance Financial Svcs. Group Incorporated	78,900	2,095,111	2,367,000
Inron Corporation	1,130,900	54,945,146	64,531,981
Inesco International Incorporated	691,600	21,189,318	7,391,475
Intergy Corporation	163,400	4,681,330	5,085,825
Invoy Corporation New	44,700	1,478,559	2,603,775
Inzo Biochem Incorporated	51,800	577,860	534,188
Equifax Incorporated	99,300	2,237,882	3,394,819
Ittec Systems Incorporated	46,600	1,352,792	1,864,000
Itchan Allen Interiors Incorporated	60,800	2,181,067	2,492,800
Itchyl Corporation	77,900	839,954	438,188
Everest Reinsurance Holdings Incorporated	51,200	1,956,076	1,993,600
Exabyte Corporation	47,600	317,194	261,800
Executive Risk Incorporated	23,100	1,129,486	1,269,056
Expeditors International Wash. Incorporated	52,000	1,905,421	2,184,000
Express Scripts Incorporated	71,000	3,540,297	4,765,875
Exxon Corporation	3,372,500	159,437,613	246,614,063
Fair Isaac & Company Incorporated	29,400	1,140,001	1,357,913
Family Dollar Stores Incorporated	160,800	1,236,675	3,537,600
Family Golf Centers Incorporated	54,500	1,138,985	1,076,375
Fastenal Company	35,400	1,412,187	1,557,600
FDX Corporation	210,220	9,297,287	18,748,996
Fedders Corporation	82,200	440,661	477,788
Federal Home Loan Mortgage Company	1,220,000	43,132,678	78,613,750
Federal National Mortgage Association	1,746,600	71,736,639	129,248,400
Federal Signal Corporation	42,700	991,824	1,168,913
Federal-Mogul Corporation	62,700	2,508,074	3,730,650
Federated Department Stores	295,800	11,032,466	12,885,788
Ferro Corporation	33,900	612,590	881,400
Fidelity National Financial Incorporated	58,190	1,667,900	1,774,795
Fifth Third Bancorp	177,800	6,456,651	12,679,363
Filenet Corporation	66,600	494,870	763,819
Finova Group Incorporated	52,700	2,224,611	2,842,506
First American Financial Corp.	120,900	3,675,508	3,883,913
First Bancorp PR	62,900	1,598,893	1,898,794

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
First Brands Corporation	36,900	\$ 912,113	\$ 1,455,24
First Data Corporation	648,500	23,405,308	20,670,93
First Health Group Corporation	308,900	7,329,636	5,116,15
First Midwest Bancorp DE	62,800	2,507,258	2,390,32
First Security Corporation Utah	175,500	2,122,572	4,102,31
First Tennessee National Corporation	119,300	2,004,597	4,540,85
First Union Corporation	649,772	26,655,344	39,514,26
First Virginia Banks Incorporated	48,400	1,490,478	2,274,80
Firststar Corporation New Wis.	166,336	7,317,083	15,469,24
Firstenergy Corporation	158,700	4,132,464	4,132,464
Firstmerit Corporation	144,800	3,795,647	3,891,50
Fiserv Incorporated	76,500	1,991,489	3,934,969
Fleet Financial Group Incorporated	815,032	22,703,756	36,421,743
Fleetwood Enterprises	23,500	737,454	816,625
Fleming Companies Incorporated	81,100	862,065	841,413
Florida Progress Corporation	90,600	3,056,366	4,060,013
Florida Rock Industries Incorporated	39,900	1,095,222	1,236,900
Flow International Corporation	31,300	308,915	303,219
Flowers Industries Incorporated	93,200	1,162,772	2,230,975
Flowserve Corporation	36,800	824,308	609,500
Fluor Corporation	273,500	16,690,209	11,623,750
FMCC Corporation	22,100	1,531,429	1,237,600
Foodmaker Incorporated New	82,700	1,384,313	1,824,569
Footstar Incorporated	51,800	1,344,949	1,295,000
Ford Motor Company	1,792,100	48,281,745	48,281,745
Fore Systems Incorporated	94,900	1,030,631	1,737,856
Forest Laboratories Class A	365,300	9,188,636	19,429,394
Fort James Corporation	145,700	5,507,033	5,828,000
Fortune Brands Incorporated	114,600	3,405,248	3,624,225
Foster Wheeler Corporation	27,100	928,030	357,381
Foundation Health Systems Incorporated	114,000	2,462,645	1,353,750
PL Group Incorporated	216,700	8,100,771	13,354,138
Franklin Covey Company	48,400	922,272	810,700
Franklin Resources Incorporated	170,300	4,847,488	5,449,600
Freeport McMoran Copper & Gold	119,700	2,414,511	1,249,369
Freemont General Corporation	147,000	3,634,035	3,702,563
Fritz Companies Incorporated	75,600	672,546	817,425
Frontier Corporation	465,400	15,057,428	15,823,600
Frontier Insurance Group Inc. New	79,200	1,207,177	1,019,700
Frozen Food Express Industries Incorporated	35,700	288,214	281,138

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Name	Shares	Cost	Fair Value
Fruit Of The Loom Inc. Class A	48,000	\$ 1,203,883	\$ 663,000
Fuller, H. B. Company	13,000	460,484	625,625
Furniture Brands International Incorporated	2,500,000	29,553,742	68,125,000
G & K Services Incorporated	43,200	2,048,903	2,300,400
Galey & Lord Incorporated	25,000	301,988	215,625
Gallagher Arthur J & Company	36,400	1,589,612	1,606,150
Gannett Company	405,800	16,743,283	26,174,100
Gap Incorporated	827,025	13,927,409	46,416,778
Gardner Denver Machinery Incorporated	34,200	556,345	504,450
Gateway 2000 Incorporated	98,600	5,534,819	5,047,088
GATX Corporation	46,000	1,282,899	1,742,250
GC Companies Incorporated	16,300	628,070	678,488
Gencorp Incorporated	38,800	560,226	967,575
General Communication Incorporated	104,400	413,747	424,125
General Dynamics Corporation	84,500	3,170,329	4,985,500
General Electric Company	4,727,800	215,449,159	482,235,600
General Instrument Corporation DE	251,000	5,460,055	8,518,313
General Mills Incorporated	645,600	43,711,807	50,195,400
General Motors Corporation	1,000,200	61,504,739	71,576,813
General Nutrition Companies Incorporated	68,400	1,951,969	1,111,500
General RE Corporation	51,300	8,936,484	10,271,222
General Semiconductor Incorporated	77,700	658,919	636,169
Genesis Health Ventures Incorporated	74,400	804,100	632,400
Gentex Corporation	3,151,600	27,218,603	63,032,000
Genuine Parts Company	120,750	2,902,527	4,037,578
Genzyme Corporation	73,700	2,576,607	3,666,575
Geon Company	49,200	1,046,465	1,131,600
Georgia Gulf Corporation	28,900	916,442	464,200
Georgia Pacific Corporation	333,100	18,375,568	19,507,160
Georgia Pacific Timber Group	86,500	2,064,275	2,059,780
Gerber Scientific Incorporated	48,000	1,100,991	1,143,000
Getchell Gold Corporation	65,000	1,111,055	1,771,250
Gibson Greetings Incorporated	34,700	367,872	412,060
Gillette Company	1,606,500	57,991,290	76,810,780
Glamis Gold Ltd.	73,600	191,613	138,000
Glatfelter, P.H. Company	39,200	738,804	485,100
Global Industrial Technologies Incorporated	46,600	415,550	498,030
Global Marine Incorporated	161,700	1,242,924	1,455,300
Golden West Financial Corporation	38,400	2,625,990	3,520,800
Goodrich, B. F. Company	78,800	3,330,430	2,826,950

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Name	Shares	Cost	Fair Value
Goodyear Tire & Rubber Company	105,400	\$ 5,311,079	\$ 5,325,350
Goodys Family Clothing Incorporated	70,400	845,150	706,200
Gottschalks Incorporated	26,500	191,651	202,063
GPU Incorporated	159,300	4,412,310	7,039,069
Grace W R & Company DE New	47,100	536,291	738,881
Graco Incorporated	42,400	1,076,072	1,250,800
Grainger, W. W. Incorporated	65,900	2,340,411	2,743,088
Granite Construction Incorporated	25,800	397,801	865,913
Great Atlantic & Pacific Tea Company	24,600	655,573	728,775
Great Lakes Chemical Corporation	185,400	8,803,050	7,416,000
Green Mountain Power Corporation	11,100	153,640	116,550
Greenpoint Financial Corporation	90,100	2,872,556	3,164,763
Grey Wolf Incorporated	3,500,000	26,028,905	2,625,000
Griffon Corporation	65,400	646,974	694,875
GTE Corporation	2,114,100	102,962,854	137,416,500
Gtech Holdings Corporation	38,500	1,162,963	986,563
Guidant Corporation	269,000	17,554,335	17,554,335
Guilford Mills Incorporated	54,300	787,916	906,131
Gymboree Corporation	51,000	301,571	325,125
Hadco Corporation	378,000	13,523,994	13,230,000
Haggar Corporation	18,100	219,693	207,019
Halliburton Company	1,166,000	37,783,871	34,542,750
Ha-Lo Industries Incorporated	1,058,500	31,825,095	39,826,063
Halter Marine Group Incorporated	61,000	471,961	297,375
Hancock Fabrics Incorporated	44,200	393,907	370,175
Hanna, M. A. Company	46,500	815,238	572,531
Hannaford Brothers Company	39,500	1,151,733	2,093,500
Harbinger Corporation	89,000	639,503	712,000
Harcourt General Incorporated	46,200	2,169,837	2,457,263
Harland, John H. Company	65,600	1,002,006	1,037,300
Harley-Davidson Incorporated	2,342,500	31,570,909	110,975,938
Harman International Industries Incorporated	39,300	1,458,165	1,498,313
Harmon Industries Inc. New	22,300	528,931	514,294
Harnischfeger Industries Incorporated	31,100	666,899	316,831
Harrahs Entertainment Incorporated	68,400	1,500,285	1,073,025
Harris Corporation	54,800	2,116,928	2,007,050
Harsco Corporation	42,900	1,250,955	1,305,769
Hartford Financial Services Group	297,900	13,416,284	16,347,263
Hartmarx Corporation	72,700	407,144	408,938
Hasbro Incorporated	86,600	2,126,753	3,128,425

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name	Shares	Cost	Fair Value
Hauser Incorporation	22,500	\$ 84,969	\$ 99,84
Hawaiian Electric Industries	29,900	1,134,758	1,203,47
HBO & Company	589,900	13,930,633	16,922,75
HCR Manor Care Incorporated	72,700	2,049,169	2,135,56
Health Management Associates	1,202,000	18,704,733	25,993,25
Healthsouth Corporation	1,378,800	22,508,110	21,285,22
Heartland Express Incorporation	63,300	1,173,504	1,107,75
Hecla Mining Company	1,604,600	16,487,627	5,816,67
Heilig-Meyers Company	55,200	979,113	369,15
Heinz, H. J. Company	525,000	25,969,681	29,728,12
Helix Technology Corporation	46,900	530,913	609,70
Helmerich & Payne	34,600	723,896	670,37
Henry Jack & Associates Incorporation	39,900	1,831,342	1,985,02
Hercules Incorporated	133,400	6,715,759	3,635,15
Hershey Foods Corporation	285,300	15,172,587	17,742,09
Hewlett-Packard Company	1,683,400	92,944,553	114,997,26
Hibernia Corporation Class A	145,700	1,748,054	2,531,53
Hilb Rogal & Hamilton Company	25,800	492,242	512,77
Hillenbrand Industries Incorporated	63,000	3,048,031	3,583,12
Hilton Hotels Corporation	419,900	11,875,321	8,030,58
HNC Software Incorporated	554,300	19,516,158	22,414,50
Hollywood Park Incorporated New	55,500	567,027	461,34
Hologic Incorporated	28,200	383,684	341,92
Home Depot Incorporated	1,591,900	34,297,629	97,404,38
Homestake Mining Company	145,000	1,867,040	1,323,12
Hon Industries	57,600	886,889	1,378,80
Honeywell Incorporated	179,000	9,596,987	13,480,93
Hormel Foods Corporation	69,800	1,999,964	2,285,95
Houghton Mifflin Company	28,400	715,825	1,341,90
Household International Incorporated	774,010	21,799,615	30,670,14
Houston Industries Incorporated	496,134	11,683,945	15,907,29
HS Resources Incorporated	39,900	401,953	301,74
HSB Group Incorporated	27,200	883,163	1,116,90
Hubbell Incorporated Class B	61,600	2,002,322	2,340,80
Hubco Incorporated	91,300	2,468,199	2,750,41
Huffy Corporation	25,700	340,765	424,05
Hughes Supply Incorporated	48,600	1,340,415	1,421,55
Humana Incorporated	113,400	2,430,291	2,019,93
Hunt, J. B. Transport Services Incorporated	33,200	542,831	763,60
Huntington Bancshares Incorporated	371,180	10,972,437	11,158,59

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

<b>Name</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value</b>
Hutchinson Technology	41,800	\$ 949,133	\$ 1,489,125
Hyperion Solutions Corporation	62,300	1,631,693	1,121,400
IBP Incorporated	86,400	2,229,913	2,516,400
ICN Pharmaceuticals Inc. New	68,800	2,942,802	1,556,600
Idacorp Incorporated	5,500	178,590	199,031
Idaho Power Company	29,600	816,567	816,567
Idexx Labs Corporation	81,500	1,825,120	2,192,859
Ihop Corporation	20,800	820,099	830,700
Ikon Office Solutions	204,500	5,998,242	1,751,031
Illinois Tool Works	360,500	17,513,425	20,909,000
Illinova Corporation	67,000	1,825,010	1,675,000
Imation Corporation	37,900	889,232	663,250
IMC Global Incorporated	2,797,500	76,020,014	59,796,563
Imco Recycling Incorporated	35,900	513,946	554,206
Immune Response Corporation	49,000	615,137	532,875
IMS Health Incorporated	223,300	7,393,822	16,845,194
Inco Limited	110,600	2,585,236	1,154,388
Incyte Pharmaceuticals Incorporated	56,300	1,569,513	2,104,213
Indiana Energy Incorporated	28,100	475,898	691,963
Infinity Broadcasting Corp. New	1,040,000	23,845,854	28,470,000
Information Resources Incorporated	27,200	324,550	277,100
Informix Corporation	157,000	3,803,592	1,550,375
Ingersoll-Rand Company	112,100	2,225,408	5,296,725
Ingram Micro Incorporated Class A	1,400,000	30,542,490	49,525,000
Inland Steel Industries Incorporated	21,100	581,124	356,063
Innovex Incorporated	31,100	401,133	426,653
Input/Output Incorporated	94,200	816,245	688,838
Insight Enterprises Incorporated	33,700	1,263,923	1,714,488
Insituform Technologies	57,000	711,340	826,500
Insteel Industries Incorporated	17,800	107,290	86,775
Insurance Auto Auctions Incorporated	23,900	282,671	283,813
Integrated Circuit Systems Incorporated	26,100	356,825	460,013
Integrated Device Tech Incorporated	76,700	1,254,248	469,788
Integrated Health Services Incorporated	614,100	17,568,287	8,674,163
Intel Corporation	2,626,400	152,498,741	311,392,550
Inter Tel Incorporated Series A	57,200	1,026,379	1,337,050
Interface Incorporated Class A	110,700	1,432,292	1,027,434
Interim Services Incorporated	99,200	2,086,596	2,318,800
Intermagnetics General Corporation	27,000	187,965	165,375
Internet Corporation	54,100	828,956	706,681

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Name	Shares	Cost	Fair Value
International Business Machines Corporation	1,608,100	\$ 137,227,407	\$ 296,493,438
International Flavors & Fragrances	71,200	3,212,846	3,146,150
International Game Technology	105,800	1,540,585	2,572,263
International Home Foods Incorporated	800,000	17,967,563	13,500,000
International Multifoods Corporation	17,500	385,178	451,719
International Paper Company	206,500	8,776,945	9,253,781
International Rectifier Corporation	108,400	939,406	1,056,900
Interpublic Group Of Companies	89,500	3,088,887	7,137,625
Interstate Bakeries Corp. DE	67,900	1,592,404	1,795,106
Interstate Energy Corporation	71,400	2,317,160	2,302,650
Intervoice Incorporated	29,200	707,255	1,007,400
Intuit	54,900	2,608,441	3,980,250
Invacare Corporation	63,300	1,566,486	1,519,200
Ionics Incorporated	34,000	1,095,464	1,017,875
Ipalco Enterprises Incorporated	41,900	1,172,174	2,322,831
Iri International Corporation	600,000	11,250,977	2,400,000
Ispat International NV	1,250,000	35,742,041	9,687,500
Itron Incorporated	30,900	178,843	222,094
ITT Educational Services Incorporated	1,000,000	24,679,175	34,000,000
ITT Industries Incorporated	165,200	5,343,921	6,566,700
Ivax Corporation	111,900	2,548,808	1,391,756
J & J Snack Foods Corporation	19,000	371,007	425,125
Jacobs Engineering Group Incorporated	23,900	607,524	973,925
Jacor Communications Incorporated	1,470,000	41,589,430	94,631,250
Jan Bell Marketing Incorporated	60,600	314,493	390,113
Jefferies Group Incorporated	44,000	2,167,826	2,183,500
Jefferson-Pilot Corporation	71,725	3,025,193	5,379,375
JLG Industries Incorporated	93,100	1,582,107	1,454,688
Jo-Ann Stores Incorporated	39,900	678,173	643,388
Johnson & Johnson	1,928,000	104,824,876	161,711,000
Johnson Controls Incorporated	56,900	2,384,520	3,357,100
Johnston Industries DE	22,700	80,562	70,938
Jones Apparel Group Incorporated	94,400	972,362	2,082,700
Jones Pharma Incorporated	60,600	1,932,746	2,211,900
Jostens Incorporated	24,428	537,391	639,708
JSB Financial Incorporated	20,800	1,076,611	1,131,000
Juno Lighting Incorporated	39,200	909,688	916,300
Just For Feet Incorporated	63,700	1,172,091	1,106,788
Justin Industries Incorporated	55,800	760,431	732,375
K Mart Corporation	327,500	4,075,922	5,014,844

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Name	Shares	Cost	Fair Value
K2 Incorporated	34,900	\$ 348,279	\$ 359,906
Kaman Corporation	50,100	806,082	804,731
Kansas City Power & Light Company	1,007,800	21,677,345	29,856,075
Kansas City Southern Industries	102,200	1,978,572	5,026,963
Karrington Health Incorporated	600,000	7,800,000	9,750,000
Kaufman & Broad Home	25,000	421,626	718,750
Kaydon Corporation	30,400	539,388	1,217,900
KCS Energy Incorporated	62,500	275,600	187,500
Keane Incorporated	64,800	3,419,444	2,587,950
Kellogg Company	854,400	30,345,866	29,156,400
Kellwood Company	45,400	1,212,657	1,135,000
Kelly Services Incorporated Class A	35,700	1,021,029	1,133,475
Kemet Corporation	1,082,700	24,013,412	12,180,375
Kennametal Incorporated	27,800	889,693	590,750
Kent Electronics Corporation	2,357,600	51,134,196	30,059,400
Kerr-Mcgee Corporation	32,200	1,898,746	1,231,650
Keycorp	295,900	7,066,479	9,468,800
Keyspan Energy	148,300	4,645,371	4,597,300
Keystone Financial Incorporated	49,200	1,396,327	1,820,400
Kimberly-Clark Corporation	1,715,068	80,901,487	93,471,206
King World Productions Incorporated	50,500	1,176,706	1,486,594
Kirby Corporation	44,700	911,679	891,206
KLA-Tencor Corporation	85,800	4,576,474	3,721,575
KN Energy Incorporated	42,000	2,205,763	1,527,750
Knight-Ridder Incorporated	54,500	2,094,607	2,786,313
Kohls Corporation	104,700	2,839,985	6,432,506
Komag Incorporated	112,800	725,741	1,170,300
Kroger Company	721,400	15,289,340	43,644,700
Kronos Incorporated	17,500	686,606	775,469
K-Swiss Incorporated	11,500	305,664	309,063
Kuhlman Corporation	35,500	937,059	1,344,563
Kulicke & Soffa Industries Incorporated	49,100	776,168	871,525
L G & E Energy Corporation	121,100	2,949,381	3,428,644
La Z Boy Incorporated	112,400	1,973,748	2,002,125
Laidlaw Incorporated	216,300	2,337,572	2,176,519
Lancaster Colony Corporation	40,300	1,007,485	1,294,638
Lance Incorporated	28,000	498,939	558,250
Landrys Seafood Restaurants	64,100	478,678	480,750
Lands End Incorporated	28,300	454,762	762,331
Landstar Systems Incorporated	22,900	786,536	933,175

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Name	Shares	Cost	Fair Value
Lason Incorporated	31,900	\$ 1,845,212	\$ 1,856,181
Lattice Semiconductor Corporation	49,700	1,657,375	1,657,375
Lawson Products	23,600	542,864	542,800
Lawter International Incorporated	31,800	341,341	369,675
Lear Corporation	2,562,700	80,634,484	98,663,950
Lechters Corporation	36,300	111,181	89,616
Lee Enterprises	41,600	893,535	1,310,400
Legato Systems Incorporated	38,500	2,528,907	2,538,594
Legg Mason Incorporated	117,000	3,129,861	3,692,813
Leggett & Platt Incorporated	183,700	2,650,998	4,041,400
Lehman Brothers Holdings Incorporated	80,000	3,678,198	3,525,000
Lexmark International Group Incorporated	62,000	2,232,106	6,231,000
Libbey Incorporated	37,200	1,175,853	1,076,475
Lillian Vernon Corporation	19,700	274,778	325,050
Lilly (Eli) & Company	1,724,200	65,179,334	153,238,275
Lilly Industries Incorporated	48,900	917,411	974,944
Limited Incorporated	437,714	8,943,629	12,748,420
Lincare Holdings Incorporated	54,200	2,062,730	2,198,488
Lincoln Electric Holdings Incorporated	2,000,000	30,000,000	44,500,000
Lincoln National Corporation	167,400	8,514,147	13,695,413
Lindsay Manufacturing Company	29,300	463,304	434,006
Linear Technology Corporation	71,800	3,200,650	6,430,588
Linens'N Things	1,310,300	13,209,465	51,920,638
Liposome Company Incorporated	80,200	578,891	1,238,088
Litton Industries Incorporated	43,100	1,923,509	2,814,969
Liz Claiborne Incorporated	44,200	1,491,261	1,395,063
Lockheed Martin Corporation	274,000	24,907,440	23,221,500
Loews Corporation	76,500	6,654,870	7,516,125
Lone Star Industries Incorporated	45,200	1,652,578	1,663,925
Lone Star Steakhouse Saloon	36,600	1,131,557	336,263
Longs Drug Stores Incorporated	26,900	750,336	1,008,750
Longview Fibre Company	48,300	778,499	558,469
Louisiana-Pacific Corporation	76,000	1,701,441	1,391,750
Lowes Companies	525,000	11,333,672	26,873,438
LSB Industries Incorporated	25,700	84,634	85,131
LSI Logic Corporation	91,800	2,519,398	1,480,275
Lubrizol Corporation	52,100	1,614,471	1,338,319
Lubys Incorporated	49,100	749,254	757,981
Lucent Technologies Incorporated	1,860,108	53,473,269	204,495,623
Lydall Incorporated DE	33,200	363,071	394,250

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Name	Shares	Cost	Fair Value
Lyondell Chemical Company	73,300	\$ 1,705,700	\$ 1,319,400
M D C Holdings Incorporated	38,500	690,355	822,938
M S Carriers Incorporated	25,900	575,758	853,081
Macdermid Incorporated	55,300	2,030,460	2,163,613
Macromedia Incorporated	83,700	1,754,066	2,819,644
MAF Bancorp Incorporated	47,800	1,166,094	1,266,700
Magellan Health Services Incorporated	66,800	632,254	559,450
Magnetek Incorporated	29,400	333,157	339,938
Mallinckrodt Incorporated	48,000	1,596,029	1,479,000
Manitowoc Company Incorporated	36,500	1,410,014	1,619,688
Manpower Incorporated Wisconsin	75,400	2,076,796	1,899,138
Marcus Corporation	63,900	979,462	1,038,375
Mariner Post-Acute Network I	150,000	889,918	703,125
Mark IV Industries Incorporated	50,800	938,542	660,400
Marriott International Inc. New	169,800	4,998,821	4,924,200
Marsh & McLennan Companies	472,100	16,451,138	27,588,344
Marshall & Ilsley Corporation	99,100	3,062,159	5,791,156
Marshall Industries	35,100	963,971	859,950
Martin Marietta Materials Incorporated	43,400	1,647,713	2,698,938
Masco Corporation	634,900	13,373,917	18,253,375
Material Sciences Corporation	32,600	297,803	277,100
Mattel Incorporated	198,075	5,305,240	4,654,763
Maxim Integrated Products	122,500	2,291,059	5,351,719
Maxxam Incorporated	6,500	322,077	372,938
May Department Stores Company	307,700	15,882,638	18,577,388
Maytag Corporation	60,800	1,700,051	3,784,800
MBIA Incorporated	66,800	3,766,665	4,379,575
MBNA Corporation	1,016,500	16,047,494	25,221,906
McCormick & Company	68,500	1,724,581	2,316,156
Mcdermott International Incorporated	38,800	996,636	957,875
McDonalds Corporation	458,500	22,961,380	35,218,531
McGraw-Hill Incorporated	176,500	9,366,237	17,980,938
MCI Worldcom Incorporated	8,793,630	210,572,714	630,942,953
McKesson Corporation	88,700	3,168,498	7,012,844
MCN Corporation	73,700	1,488,754	1,404,906
McWhorter Technologies Incorporated	21,900	457,395	500,963
Mead Corporation	71,400	2,131,397	2,092,913
Media General Incorporated Class A	25,000	888,942	1,325,000
Mediaone Group Incorporated	406,500	8,375,434	19,105,500
Medimmune Incorporated	56,100	4,103,928	5,578,444

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Name	Shares	Cost	Fair Value
Medpartners Incorporated	515,000	\$ 14,705,743	\$ 2,703,750
Medquist Incorporated	48,800	1,380,268	1,380,268
Medtronic Incorporated	666,200	22,335,343	49,486,169
Mellon Bank Corporation	682,800	24,872,753	46,942,500
Mens Wearhouse Incorporated	70,200	1,791,590	2,228,850
Mentor Corporation MN	52,400	817,961	1,228,125
Mentor Graphics Corporation	61,100	995,801	519,350
Mercantile Bancorporation	356,100	15,606,959	16,425,113
Mercantile Bankshares Corporation	66,900	1,390,503	2,575,650
Mercantile Stores Company Incorporated	5,100	407,972	407,972
Merck & Company	1,746,100	153,292,454	257,549,750
Mercury Interactive Corporation	36,400	1,544,355	2,302,300
Meredith Corporation	36,400	983,256	1,378,650
Meritor Automotive Incorporated	64,500	1,309,087	1,358,531
Merrill Corporation	34,700	636,247	670,144
Merrill Lynch & Company	743,000	43,061,139	49,595,250
Mesa Air Group Incorporated	59,900	361,840	467,969
Methode Electronics Incorporated	75,000	1,126,969	1,171,875
Metro Networks Incorporated	35,100	1,273,953	1,496,138
Meyer, Fred Incorporated New	103,300	3,688,862	6,223,825
MGIC Investment Corporation	76,300	2,875,345	3,037,694
Michaels Stores Incorporated	62,500	1,158,701	1,130,859
Micrel Incorporated	41,700	1,978,700	2,293,500
Micro Warehouse Incorporated	32,300	1,318,308	1,092,144
Microage Incorporated	41,400	599,062	636,525
Microchip Technology Incorporated	47,500	1,122,324	1,757,500
Micron Technology Incorporated	616,300	24,092,824	31,161,669
Micros Systems Incorporated	33,900	919,348	1,114,463
Microsoft Corporation	3,248,400	156,785,950	450,512,475
Midamerican Energy Holding Company	88,300	1,519,666	2,373,063
Midway Games Incorporated	81,300	845,409	894,300
Milacron Incorporated	25,000	583,531	481,250
Miller, Herman Incorporated	81,200	808,263	2,182,250
Millipore Corporation	29,300	981,555	829,556
Minerals Technologies Incorporated	20,800	796,687	851,500
Minnesota Mining & Manufacturing Company	611,500	45,865,594	43,492,938
Minnesota Power & Light Company	31,600	963,926	1,390,400
Mirage Resorts Incorporated	332,400	7,765,993	4,965,225
Mississippi Chemical Corporation	57,700	753,125	807,800
Mobil Corporation	1,125,600	77,969,486	98,067,900

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Name	Shares	Cost	Fair Value
Modine Manufacturing Company	27,600	\$ 840,480	\$ 1,000,500
Modis Professional Services Incorporated	103,300	3,459,188	1,510,763
Mohawk Industries Incorporated	115,500	3,854,193	4,858,219
Molecular Biosystems	39,200	136,358	115,150
Molex Incorporated	146,300	3,492,953	5,577,688
Monsanto Company	999,300	35,238,961	47,466,750
Montana Power Company	51,400	1,342,720	2,907,313
Moore Corporation Limited	63,058	1,130,889	693,638
Morgan S D Witter Discover & Company	1,069,885	57,588,099	75,961,835
Morgan, J.P. & Company	260,700	23,833,216	27,389,794
Morrison Knudsen Corporation New	114,200	1,145,090	1,113,450
Morton International Inc. New	278,400	8,287,419	6,820,800
Motorola Incorporated	837,200	56,407,148	51,121,525
MSC Industrial Direct Class A	2,000,000	28,152,760	45,250,000
Mueller Industries Incorporated	75,200	1,658,693	1,527,500
Murphy Oil Corporation	42,000	1,630,973	1,732,500
Mutual Risk Management Limited	82,500	2,918,334	3,227,813
Myers Industries Incorporated	38,700	894,354	1,110,206
Mylan Laboratories	579,900	12,149,473	18,266,850
NCH Corporation	5,200	297,809	309,400
NCR Corporation	94,600	2,856,736	3,949,550
Nabors Industries	514,100	16,322,918	6,940,350
Nac RE Corp	38,400	1,877,321	1,802,400
Nacco Industries Class A	5,400	369,462	496,800
NALCO Chemical Company	211,100	8,298,798	6,544,100
Nash Finch Company	24,000	350,895	342,000
Nashua Corporation	14,200	213,386	189,038
National City Corporation	605,160	30,443,625	43,874,100
National Computer Systems Incorporated	65,800	2,028,022	2,434,600
National Data Corporation	71,400	2,520,729	3,476,288
National Fuel Gas Company	35,900	1,178,179	1,622,231
National Instruments	69,300	2,016,329	2,364,863
National Presto Industries Incorporated	15,500	608,564	660,688
National Semiconductor Corporation	313,800	8,588,327	4,236,300
National Service Industries Incorporated	29,000	1,127,193	1,102,000
Nationwide Financial Services	174,100	4,091,350	8,998,794
Natures Sunshine Products Incorporated	38,800	647,611	591,700
Nautica Enterprises	81,000	1,628,879	1,215,000
Navistar International	45,800	627,942	1,305,300
NBTY Incorporated	143,000	950,394	1,018,875

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Name	Shares	Cost	Fair Value
NCS Healthcare Incorporated Class A	541,400	\$ 12,805,154	\$ 12,858,250
Nelson Thomas Incorporated	32,100	415,582	433,350
Network Associates Incorporated	121,400	4,422,111	8,042,750
Network Equipment Technologies	45,700	509,415	468,425
Nevada Power Company	47,900	1,053,888	1,245,400
New Century Energies Incorporated	75,100	2,557,872	3,661,125
New England Business Service Incorporated	29,200	891,413	1,142,450
New England Electric System	58,700	2,231,660	2,824,938
New Jersey Resources	37,600	1,452,297	1,485,200
New York Times Company Class A	355,900	7,415,105	12,345,281
Newell Companies	232,800	8,227,569	9,603,000
Newfield Exploration Company	76,400	1,676,005	1,594,850
Newmont Mining Corporation	278,230	10,704,176	5,077,698
Newport News Shipbuilding	32,900	596,939	1,100,094
Nextel Communications	189,000	3,961,116	4,465,125
NFO Worldwide Incorporated	44,900	335,454	516,350
Niagara Mohawk Power Corporation	116,800	1,682,082	1,883,400
Nicor Incorporated	31,500	990,817	1,330,875
Nike Incorporated Class B	449,200	17,748,695	18,220,675
Nine West Group Incorporated	33,500	1,262,667	521,344
Nipsco Industries Incorporated	112,200	2,185,084	3,415,088
Noble Affiliates Incorporated	293,200	8,322,918	7,220,050
Noble Drilling Corporation	622,600	17,049,945	8,054,888
Nordson Corporation	15,300	851,536	786,038
Nordstrom Incorporated	100,300	2,182,880	3,479,156
Norfolk Southern Corporation	506,700	16,106,404	16,056,056
Norrell Corporation GA	57,800	856,609	852,550
North American Vaccine Incorporated	68,000	848,229	603,500
North Fork Bancorporation NY	133,800	3,187,477	3,202,838
Northeast Utilities	121,700	2,762,664	1,947,200
Northern States Power Company	223,600	4,986,395	6,204,900
Northern Telecom Limited	945,720	36,453,310	47,286,000
Northern Trust Corporation	74,300	3,143,032	6,487,319
Northrop Grumman Corporation	123,300	10,453,794	9,016,313
Northwest Natural Gas Company	52,200	1,497,178	1,350,675
Nova Corporation	564,700	10,490,458	19,588,031
Novell Incorporated	1,494,400	20,429,115	27,086,000
Novellus Systems Incorporated	72,000	2,956,306	3,564,000
Noven Pharmaceuticals Incorporated	45,300	233,153	246,319
Nucor Corporation	57,400	2,939,010	2,482,550

*Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.*

Name	Shares	Cost	Fair Value
Oak Industries Incorporated	38,300	\$ 1,125,618	\$ 1,340,500
Oakwood Homes Corporation	98,500	1,489,471	1,495,965
Occidental Petroleum Corporation	505,900	13,372,219	8,537,063
Ocean Energy Incorporated	94,200	2,014,804	600,525
Oceanering International Incorporated	1,038,500	12,134,346	15,577,500
OEA Incorporated	19,200	519,085	226,800
Office Depot Incorporated	3,228,600	78,967,073	119,659,988
Officemax Incorporated	116,400	1,491,938	1,425,900
Offshore Logistics Incorporated	46,200	657,348	548,625
Ogden Corporation	46,700	1,000,315	1,170,419
OGE Energy Corporation	75,400	1,531,643	2,186,600
Old Kent Financial Corporation	99,500	3,284,831	4,626,750
Old Republic International Corporation.	128,000	2,947,718	2,880,000
Olin Corporation	44,600	1,252,170	1,262,738
Olsten Corporation	75,900	1,636,158	559,763
OM Group Incorporated	50,300	1,755,196	1,835,950
Omnicare Incorporated	5,082,800	127,431,964	176,627,300
Omnicom Group	112,500	3,131,585	6,525,000
Oneok Incorporated New	19,800	545,740	715,275
Oracle Corporation	1,340,425	32,466,409	57,805,828
Orange & Rockland Utilities Incorporated	28,600	1,573,245	1,630,200
Orbital Sciences Corporation	77,500	2,682,205	3,410,000
Oregon Steel Mills Incorporated	24,100	382,845	286,188
O'Reilly Automotive	44,900	1,776,742	2,121,525
Organogenesis Incorporated	33,000	505,864	338,250
Orion Capital Corporation	58,200	2,041,416	2,317,088
Orthodontic Centers America Incorporated	100,600	1,813,600	1,955,413
Oryx Energy Company	69,000	1,128,608	927,188
Oshkosh B Gosh Incorporated	40,600	862,668	819,613
O'Sullivan Corporation	33,000	284,810	325,875
Outback Steakhouse Incorporated	45,900	1,525,202	1,830,263
Overseas Shipholding Group	34,400	702,675	552,550
Owens & Minor Incorporated New	68,700	1,072,312	1,082,025
Owens Corning	35,200	1,331,820	1,247,400
Owens Illinois	359,400	10,289,054	11,006,625
Oxford Health Plans Incorporated	75,100	3,904,197	1,117,113
Oxford Industries Incorporated	18,600	559,895	525,450
P G & E Corporation	760,300	18,922,087	23,949,450
P M I Group Incorporated	29,200	1,501,379	1,441,750
P N C Bank Corporation	434,800	14,252,147	23,479,200

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name	Shares	Cost	Fair Value
P P & L Resources Incorporated	101,278	\$ 2,515,554	\$ 2,823,124
P P G Industries Incorporated	119,500	6,133,524	6,953,406
Paccar Incorporated	52,100	1,418,451	2,142,613
Pacific Century Financial Corporation	75,100	1,331,502	1,830,563
Pacific Sunwear California Incorporated	21,300	496,969	348,788
Pacificare Health Systems Class B	25,700	1,785,583	1,785,583
Pacificare Health Systems Class B	17,100	1,372,418	1,359,450
Pacificorp	441,000	9,360,703	9,288,563
Paine Webber Group	131,600	2,306,960	5,083,050
Pall Corporation	363,500	8,511,473	9,201,094
Parametric Technology Corporation	495,000	7,832,818	8,043,750
Parexel International Corporation	52,000	1,706,376	1,300,000
Park Electrochemical Corporation	23,000	419,190	658,375
Parker Drilling Company	71,700	414,209	228,544
Parker-Hannifin Corporation	74,200	1,947,395	2,430,050
Patterson Dental Company	70,200	2,957,449	3,053,700
Paxar Corporation	102,800	978,978	918,775
Paychex Incorporated	109,100	2,063,092	5,611,831
Payless Shoesource Incorporated	32,800	984,138	1,553,900
Paymentech Incorporated	1,300,000	33,162,878	24,537,500
P-Com Incorporated	91,700	317,305	365,367
Peco Energy Company	317,200	8,471,696	13,243,100
Pediatric Medical Group	32,200	1,531,860	1,929,988
Penford Corporation	15,500	233,108	248,000
Penney, J.C. Company	417,310	21,299,974	19,561,406
Pennsylvania Enterprises Incorporated	21,300	521,552	543,150
Pennzoil Company	31,200	1,336,112	508,950
Pentair Incorporated	36,000	963,666	1,433,250
Peoples Energy Corporation	21,900	703,261	873,263
Peoplesoft Incorporated	153,000	4,573,137	2,897,438
Pepp Boys-Manny Moe & Jack	40,900	1,087,509	641,619
Pepsico Incorporated	2,144,400	61,020,943	87,652,350
Perkin-Elmer Corporation	32,700	1,660,460	3,190,294
Perrigo Company	69,700	847,694	614,231
Pfizer Incorporated	1,867,900	79,622,543	233,487,500
Pharmaceutical Marketing Service	26,100	263,477	375,188
Pharmaceutical Product Dev. Incorporated	49,100	1,378,997	1,476,069
Pharmacia & Upjohn Incorporated	630,600	26,800,058	35,707,725
Phelps Dodge Corporation	86,400	5,203,694	4,395,600
Philadelphia Suburban Corporation	58,200	1,479,558	1,720,538

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Name	Shares	Cost	Fair Value
Philip Morris Companies Incorporated	3,563,200	\$ 113,489,405	\$ 190,631,200
Phillips Petroleum Company	173,500	6,707,881	7,395,438
Phillips Van Heusen Corporation	57,400	533,841	412,563
Photronics Incorporated	51,500	998,939	1,234,391
Phycor Incorporated	165,200	1,033,477	1,125,425
Picturetel Corporation	81,000	553,078	536,625
Piedmont Natural Gas Incorporated	64,400	2,250,570	2,318,400
Pier 1 Imports Incorporated	208,100	2,060,758	2,015,969
Pillowtex Corporation	29,800	916,206	797,150
Pinnacle West Capital	79,100	2,349,272	3,351,863
Pioneer Group Incorporated	53,700	838,075	1,060,575
Pioneer Hi-Bred International	160,500	3,406,890	4,253,250
Pioneer Natural Resource	93,800	1,540,790	820,750
Pioneer Standard Electronics Incorporated	55,600	536,688	521,250
Pitney Bowes Incorporated	387,100	15,905,078	25,572,794
Pittston Company	43,000	332,121	478,375
Pittston Company - Brinks Group	38,400	880,382	1,224,000
Placer Dome Incorporated	502,100	10,872,316	5,774,150
Plains Resources Incorporated	35,500	632,403	499,219
Plantronics Incorporated New	18,100	1,527,893	1,556,600
Platinum Software Corporation	54,700	551,153	700,844
Platinum Technology International	80,100	2,290,177	1,531,913
Playtex International Incorporated	67,500	344,882	417,656
Plexus Corporation	31,200	793,042	1,056,900
Logo Producing Company	84,600	1,188,460	1,099,800
Polaris Industries Incorporated	54,700	1,830,984	2,143,556
Polaroid Corporation	29,000	1,177,267	541,938
Policy Management Systems Corporation	34,300	956,113	1,732,150
Pool Energy Services Company	44,500	483,230	481,156
Pope & Talbot Incorporated	28,400	271,284	237,850
Potash Corp. Of Saskatchewan Incorporated	500,000	32,361,076	31,937,500
Potlatch Corporation	123,500	5,542,921	4,554,063
Potomac Electric Power	110,700	2,675,219	2,912,794
Praxair Incorporated	423,000	21,022,722	14,910,750
Pre Paid Legal Services Incorporated	47,400	1,231,879	1,564,200
Precision Castparts Corporation	22,700	890,838	1,004,475
Remark International Incorporated	57,900	1,869,596	2,004,788
Premier Bancshares Inc. GA	34,100	729,261	892,994
Premier Parks Incorporated	1,508,000	40,860,896	45,617,000
Rice, T. Rowe Associates	111,600	1,977,482	3,822,300

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Name	Shares	Cost	Fair Value
Pride International Incorporated	1,205,700	\$30,870,906	\$ 8,515,250
Primadonna Resorts Incorporated	61,000	450,936	537,560
Primark Corporation	47,800	1,241,541	1,296,570
Prime Hospitality Corporation	111,300	850,791	1,175,600
Procter & Gamble Company	1,839,200	82,159,374	167,941,950
Progress Software Corporation	36,600	914,161	1,235,250
Progressive Corporation - Ohio	48,200	3,458,496	8,163,870
Promus Hotel Corporation New	81,500	2,563,295	2,638,560
Protective Life Corporation	57,700	2,016,054	2,297,180
Protein Design Labs	39,100	913,611	904,180
Provident Bankshares Corporation	26,900	703,487	669,130
Provident Companies Incorporated	89,300	1,931,488	3,705,950
Provident Financial Group Incorporated	40,400	1,883,403	1,525,100
Providian Financial Corporation	419,100	10,769,328	31,432,500
PSS World Med Incorporated	65,000	1,496,852	1,495,000
Public Service Co. of New Mexico	39,000	681,329	797,060
Public Service Company Nc Incorporated	42,800	1,014,427	1,112,800
Public Service Enterprise	156,500	4,790,428	6,260,000
Puget Sound Power & Light Company	79,000	1,909,205	2,202,120
Pulte Corporation	28,100	485,948	781,530
Quaker Chem Corporation	18,600	284,858	334,800
Quaker Oats Company	222,300	9,233,870	13,226,850
Quaker State Corporation	34,000	476,866	433,500
Qualcomm Incorporated	65,100	3,348,696	3,372,990
Quanex Corporation	29,900	572,422	674,610
Quantum Corporation	158,900	2,159,296	3,376,620
Queens County Bancorp Incorporated	46,800	1,385,645	1,392,300
Questar Corporation	76,900	1,220,197	1,489,930
Quintiles Transnational Corporation	70,600	3,390,719	3,768,270
Quorum Health Group Incorporated	335,400	8,406,431	4,339,230
R & B Falcon Corporation	2,200,000	52,040,236	16,637,500
Railtex Incorporated	19,400	225,470	219,460
Ralcorp Holdings Incorporated New	32,900	516,813	600,420
Ralston Purina Group	443,500	11,273,393	14,247,430
Range Resources Corporation	1,986,096	19,197,411	6,827,200
Ranger Oil Limited	117,500	716,427	521,400
Raychem Corporation	55,500	1,740,111	1,793,340
Raymond James Financial Incorporated	102,300	2,404,844	2,161,080
Rayonier Incorporated	26,300	989,100	1,208,150
Raytheon Company Class A	215,000	7,187,825	11,112,810

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Name	Shares	Cost	Fair Value
Kaytheon Company Class B	226,100	\$ 11,253,921	\$ 12,039,825
Read-Rite Corporation	102,900	1,139,715	1,520,991
Reebok International Limited	37,500	1,083,204	557,813
Regal Beloit Corporation	44,100	960,830	1,014,300
Regeneron Pharmaceutical	65,500	535,471	483,063
Regions Financial Corporation	144,300	4,341,334	5,817,094
Regis Corporation MN	50,300	1,538,319	2,012,000
Reliance Steel & Aluminum Company	39,900	1,209,609	1,102,238
Reliastar Financial Corporation	226,100	6,782,329	10,428,863
Remington Oil & Gas Corporation	43,000	173,655	134,375
Renal Care Group Incorporated	84,100	2,423,199	2,423,131
Republic Group Incorporated	24,800	368,000	497,550
Republic New York Corporation	72,700	2,844,140	3,312,394
Resound Corporation	43,500	235,911	163,125
Respironics Incorporated	68,700	1,116,857	1,376,147
Reynolds & Reynolds Company Class A	72,600	1,274,399	1,665,263
Reynolds Metals Company	47,200	2,612,973	2,486,850
Richfood Holdings Incorporated	100,600	1,864,892	2,087,450
Riggs National Corp. Wash DC	64,700	1,520,488	1,318,263
Rite Aid Corporation	172,100	4,136,232	8,561,975
Rival Company	19,800	139,147	266,063
JR Nabisco Holdings	535,200	19,390,500	15,888,750
Robbins & Myers Incorporated	23,400	457,383	517,725
Robert Half International Incorporated	86,000	2,746,911	3,827,000
Roberts Pharmaceutical Corporation	66,000	1,532,268	1,419,000
Rockwell International Corporation	583,200	27,088,024	28,321,650
Rocky Shoes & Boots Incorporated	245,000	4,624,015	1,439,375
Roehm & Haas Company	120,400	3,073,815	3,627,050
Rollins Incorporated	30,500	666,868	533,750
Rollins Truck Leasing Corporation	125,300	1,445,582	1,848,175
Rooper Industries Incorporated New	66,000	1,096,661	1,344,750
Ross Stores Incorporated	44,400	2,028,638	1,748,250
Rowan Companies Incorporated	664,500	13,762,173	6,561,938
Royal Appliance Manufacturing Company	45,300	188,359	167,044
Royal Dutch Pete Company	2,234,400	99,522,528	106,971,900
PM Incorporated OH	93,500	1,269,594	1,496,000
PI International Metals Incorporated	43,300	669,018	606,200
Pilbarrow Incorporated	215,000	5,787,956	6,759,063
Plymco Tuesday Incorporated	69,600	1,209,744	1,479,000
Purdick Corporation	43,600	602,312	1,002,800

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Name	Shares	Cost	Fair Value
Rural / Metro Corporation	29,900	\$ 314,731	\$ 327,03
Russ Berrie & Company	47,000	959,954	1,104,50
Russell Corporation	23,900	660,941	485,46
Ryan's Family Steak Houses Incorporated	88,000	998,132	1,089,00
Ryder System Incorporated	49,300	1,333,610	1,281,80
Ryland Group Incorporated	30,900	756,077	892,23
S3 Incorporated	108,000	433,019	794,81
Safeco Corporation	195,000	8,505,444	8,372,81
Safeskin Corporation	114,900	3,268,021	2,771,96
Safeway Incorporated	324,800	16,223,151	19,792,50
Saks Incorporated	132,300	3,885,888	4,175,71
Sanmina Corporation	96,600	3,824,186	6,037,50
Santa Fe Energy Resources	216,800	1,767,210	1,571,80
Sara Lee Corporation	1,384,200	36,184,291	39,017,13
Sbarro Incorporated	19,200	429,521	502,80
SBC Communications Incorporated	2,002,700	59,613,158	107,394,78
Scana Corporation	98,700	2,572,323	3,183,07
Schering-Plough Corporation	1,528,400	56,434,028	84,444,10
Schlumberger Limited	737,798	46,797,866	34,215,38
Scholastic Corporation	15,200	951,212	951,21
Schulman, A. Incorporated	32,300	731,547	732,80
Schwab, Charles Corporation	268,875	4,706,297	15,107,41
Schweitzer-Mauduit International Incorporated	34,000	640,751	524,87
SCI Systems Incorporated	56,000	1,841,441	3,234,00
Scientific-Atlanta Incorporated	51,800	971,789	1,181,68
Scott Technologies Incorporated	39,100	511,669	511,66
Scotts Company	39,500	1,307,835	1,518,28
Seagate Technology	743,300	17,847,692	22,484,82
Seagram Company Limited	497,300	17,366,377	18,897,40
Seagull Energy Corporation	308,900	7,306,729	1,949,93
Sealed Air Corporation New	55,468	2,058,174	2,832,33
Sears Roebuck & Company	581,800	30,685,319	24,726,50
SEI Investments Company	37,600	3,214,673	3,736,50
Seitel Incorporated	47,800	651,978	594,51
Selective Insurance Group Incorporated	61,400	1,165,354	1,235,67
Sempra Energy	160,425	3,762,377	4,070,78
Sensormatic Electronics Corporation	69,400	1,625,313	481,46
Sequa Corporation Class A	9,600	317,413	574,80
Sequent Computer Systems Incorporated	40,800	676,926	492,15
Sequus Pharmaceuticals	66,800	1,219,393	1,352,70

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Name	Shares	Cost	Fair Value
Service Corporation International	2,170,700	\$ 44,383,888	\$ 82,622,269
Service Experts Incorporated	35,100	1,012,978	1,026,675
Servicemaster Company	3,750,000	68,205,466	82,734,375
Shared Medical Systems Corporation	18,300	893,748	912,713
Shaw Industries Incorporated	114,500	1,787,107	2,776,625
Sherwin-Williams Company	147,700	3,556,441	4,338,688
Shopko Stores Incorporated	55,000	1,767,211	1,828,750
Shorewood Packaging Corporation	57,200	876,391	1,172,600
Siebel Systems Incorporated	82,100	2,253,040	2,786,269
Sierra Health Services Incorporated	58,400	1,300,665	1,230,050
Sierra Pacific Resources	65,300	2,366,740	2,481,400
Sigma-Aldrich	111,300	3,177,358	3,269,438
Silicon Graphics Incorporated	124,500	2,745,338	1,602,938
Silicon Valley Bancshares	43,400	911,444	739,156
Simpson Industries Incorporated	38,700	427,023	374,906
Skyline Corporation	19,900	590,810	646,750
Skywest Incorporated	51,000	1,305,888	1,667,063
Smith A O	49,900	1,039,779	1,225,669
Smith International Incorporated	195,000	11,458,959	4,911,563
Smithfield Foods Incorporated	79,300	1,776,516	2,686,288
Smucker, J. M. Company Class A	27,200	574,439	673,200
Snap-On Incorporated	39,350	1,201,272	1,369,872
Snyder Communications Incorporated	58,100	2,002,695	1,960,875
Snyder Oil Corporation	70,800	1,097,280	942,525
Sola International Incorporated	52,400	871,229	903,900
Solelectron Corporation	79,000	2,216,719	7,342,063
Solutia Incorporated	113,300	2,300,467	2,535,088
Sonat Incorporated	182,800	7,282,795	4,947,025
Sonic Corporation	40,100	751,736	997,488
Sonoco Products Company	95,500	2,373,313	2,829,188
Sotheby's Holdings Inc. Class A	53,100	828,687	1,699,200
Southdown Incorporated	35,700	1,557,318	2,112,994
Southern Company	981,400	23,848,737	28,521,938
Southern Energy Homes Incorporated	28,400	189,320	173,950
Southtrust Corporation	1,753,800	68,544,354	64,780,988
Southwest Airlines	221,700	3,244,007	5,029,819
Southwest Gas Corporation	63,700	1,523,466	1,696,013
Southwestern Energy Company	52,600	363,240	394,500
Sovereign Bancorp Incorporated	134,700	2,255,713	1,919,475
Spacelabs Med. Incorporated	19,900	327,279	457,700

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Name	Shares	Cost	Fair Value
Spartan Motors Incorporated	26,500	\$ 152,583	\$ 152,375
Speedfam International Incorporated	33,700	481,343	577,113
Sports Authority Incorporated	2,311,500	36,997,385	12,135,375
Springs Industries Class A	12,700	534,430	526,256
Sprint Corporation (Fon Group)	287,700	12,371,469	24,202,763
Sprint Corp-PCS Group	280,650	3,879,190	3,879,190
SPS Technologies Incorporated	26,900	1,413,895	1,523,213
SPX Corporation	28,600	2,986,242	1,916,200
St. John Knits Incorporated	35,300	627,522	917,800
St. Jude Medical Incorporated	54,037	1,810,897	1,506,281
St. Mary Land & Exploration Company	23,200	455,155	429,200
St. Paul Bancorp Incorporated	85,600	1,789,007	2,329,925
St. Paul Companies	157,380	4,599,265	5,478,791
Standard Microsystems Corporation	33,700	227,136	263,281
Standard Motor Products Incorporated	27,600	632,591	664,125
Standard Pacific Corporation New	62,900	579,268	888,463
Standard Products Company	35,700	602,108	727,388
Standard Register Company	26,600	617,694	822,938
Standex International Corporation	27,700	681,169	727,125
Stanley Works	58,900	1,538,357	1,634,475
Staples Incorporated	208,700	3,889,204	9,117,581
Starbucks Corporation	423,200	16,592,260	23,752,100
State Street Corporation	107,700	4,199,178	7,552,463
Steel Technologies Incorporated	25,100	201,090	169,425
Stein Mart Incorporated	96,500	750,815	672,484
Steris Corporation	63,800	1,897,362	1,814,313
Sterling Commerce Incorporated	3,585,600	91,910,573	161,352,000
Sterling Software Incorporated	74,200	2,063,058	2,008,038
Stewart & Stevenson Services	26,100	712,889	254,475
Stewart Enterprises Incorporated	476,200	10,524,944	10,595,450
Stillwater Mining Company	45,200	1,513,393	1,808,000
Stone & Webster Incorporated	27,000	873,792	897,750
Storage Technology Corp. Class A	94,500	1,697,536	3,372,469
Stride Rite Corporation	99,900	896,902	874,125
Structural Dynamics Research	33,800	650,765	671,775
Stryker Corporation	89,900	2,380,814	4,950,119
Student Loan Marketing Association	113,100	5,201,880	5,428,800
Sturm Ruger & Company Incorporated	56,800	736,643	678,050
Suiza Foods Corporation	32,800	1,609,683	1,670,750
Summit Bancorp	117,100	4,050,081	5,115,806

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Name	Shares	Cost	Fair Value
Summit Technology Incorporated	66,000	\$ 266,380	\$ 288,750
Sun Microsystems Incorporated	591,600	22,383,204	50,655,750
Sunamerica Incorporated	135,850	4,957,095	11,139,700
Sundstrand Corporation	52,800	1,898,099	2,739,000
Sungard Data Systems Incorporated	97,200	2,578,744	3,857,625
Sunoco Incorporated	62,900	1,993,707	2,268,331
Sunrise Medical Incorporated	44,800	504,201	557,200
Suntrust Banks Incorporated	139,200	6,899,197	10,648,800
Superior Industries International	25,800	752,416	717,563
Superior Services Incorporated	59,000	1,193,861	1,183,688
Supervalu Incorporated	79,700	1,387,265	2,231,600
Susquehanna Bancshares Incorporated	71,400	1,516,736	1,461,469
Swiss Army Brands Incorporated	17,300	170,157	166,513
Sybron International Corporation	444,300	10,003,120	12,079,406
Symantec Corporation	53,600	1,322,773	1,165,800
Symbol Technologies	54,900	1,162,525	3,510,169
Symmetricom Incorporated	33,400	204,414	223,363
Syncor International Corp. DE	23,200	465,477	632,200
Synopsys Incorporated	62,400	2,698,022	3,385,200
Synovus Financial Corporation	174,450	3,705,404	4,186,800
Sysco Corporation	882,800	18,475,726	24,221,825
System Software Associates Incorporated	100,300	678,066	705,234
T C A Cable TV Incorporated	46,600	783,248	1,663,038
T J X Companies Incorporated	211,300	2,649,048	6,127,700
Taco Cabana Incorporated	30,100	187,475	233,275
Tandy Corporation	67,900	1,629,716	2,796,631
TBC Corporation	48,700	331,817	346,988
TCBY Enterprises Incorporated	48,800	339,745	341,600
TCF Financial Corporation	83,400	2,594,749	2,017,238
TCSI Corporation	47,200	128,235	98,825
Tech Data Corporation	45,400	1,963,407	1,827,350
Technitrol Incorporation	34,200	917,202	1,090,125
Technology Solutions Company	83,700	744,004	897,159
Teco Energy Incorporated	123,000	3,009,173	3,467,063
Tecumseh Products Company Class A	20,200	1,029,296	941,825
Tektronix Incorporated	32,900	939,308	989,056
Tele-Comm TCI Group Series A	901,581	16,499,945	49,868,699
Teleflex Incorporated	34,900	818,560	1,592,313
Telephone & Data Systems Incorporated	57,000	2,294,559	2,561,438
Tellabs Incorporated	627,200	31,852,435	43,002,400

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name	Shares	Cost	Fair Value
Tel-Save Holdings Incorporated	136,200	\$ 1,321,524	\$ 2,281,350
Telxon Corporation	34,000	727,199	471,750
Temple-Inland Incorporated	36,300	1,747,042	2,153,044
Tenet Healthcare Corporation	204,800	5,020,767	5,376,000
Tenneco Incorporated	113,200	4,714,420	3,855,875
Teradyne Incorporated	78,400	2,520,010	3,322,200
Tetra Tech Incorporated New	31,400	781,075	849,763
Tetra Technologies Incorporated DE	28,800	334,376	315,000
Texaco Incorporated	1,172,700	66,572,727	62,153,100
Texas Industries Incorporated	44,700	1,351,266	1,204,106
Texas Instruments Incorporated	855,000	35,308,024	73,209,375
Texas Utilities Company	471,485	16,088,928	22,012,456
Textron Incorporated	109,100	5,662,484	8,284,781
Theratech Incorporated DE	44,700	537,365	726,375
Thermo Electron Corporation	110,100	2,869,240	1,864,819
Thomas & Betts Corporation	104,900	5,487,610	4,543,481
Thomas Industries Incorporated	33,600	637,615	659,400
Thor Industries Incorporated	25,900	575,502	660,450
Three Five Systems Incorporated	16,700	153,551	228,581
Tidewater Incorporated	54,400	1,559,164	1,261,400
Tiffany & Company	32,800	850,821	1,701,500
Timberland Company	24,200	947,950	1,102,613
Time Warner Incorporated	1,659,000	40,781,423	102,961,688
Times Mirror Company Series A	179,300	9,077,410	10,040,800
Timken Company	42,300	987,701	798,413
Titan International Incorporated IL	45,900	472,564	436,050
TJ International Incorporated	33,900	770,792	870,806
TNP Enterprises Incorporated	28,000	1,009,584	1,062,250
Toll Brothers Incorporated	78,100	1,864,036	1,762,131
Torchmark Corporation	639,600	23,542,784	22,585,875
Toro Company	27,100	614,694	772,350
Tosco Corporation	626,000	19,188,803	16,197,750
Total Renal Care Holdings Incorporated	75,300	2,303,221	2,226,056
Toys R Us Incorporated	395,800	11,054,842	6,703,863
Transamerica Corporation	264,900	29,529,992	30,595,950
Transocean Offshore Incorporated	93,900	2,791,451	2,517,694
Travelers Property Casualty Corporation	240,000	8,676,674	7,440,000
Tredegar Industries Incorporated	76,100	1,782,833	1,712,250
Trenwick Group Incorporated	25,500	827,555	831,938
Friarc Companies Incorporated	64,600	1,030,969	1,025,525

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
Tribune Company	82,600	\$ 3,690,685	\$ 5,451,600
Tricon Global Restaurants	272,700	6,601,766	13,669,088
Trigon Healthcare Incorporated	39,500	1,294,811	1,473,844
Trimble Navigation Limited	48,100	447,831	348,725
Trinity Industries Incorporated	40,500	1,146,667	1,559,250
Triton Energy Limited	588,600	17,648,499	4,672,013
True North Communications Incorporated	94,400	2,279,008	2,537,000
Trustco Bank Corporation NY	58,700	1,614,753	1,761,000
TRW Incorporated	132,600	6,200,500	7,433,888
Tuboscope Incorporated	95,900	1,008,514	779,188
Tupperware Corporation	40,300	1,497,793	662,431
Tyco International Limited New	1,043,204	47,187,380	78,696,702
Tyson Foods Incorporated Class A	215,800	3,971,363	4,585,750
U S Bioscience Incorporated	51,400	393,067	369,438
U S Foodservice	43,000	1,598,140	2,107,000
U S Home Corporation New	28,800	937,376	957,600
U S Trust Corporation New	39,700	2,625,255	3,017,200
U S West Incorporated New	743,561	39,329,070	48,052,630
UCAR International Incorporated	42,000	1,790,949	748,125
Ultramar Diamond Shamrock Corporation	84,300	2,431,437	2,044,275
Ultratech Stepper Incorporated	44,400	846,076	710,400
Unicom Corporation	144,600	4,382,968	5,576,138
Unifi Incorporated	57,500	1,658,119	1,124,844
Unilever N V -NY Shares	694,800	33,559,790	57,624,975
Union Camp Corporation	45,100	2,068,308	3,027,338
Union Carbide Corporation	364,900	17,565,969	15,508,250
Union Pacific Corporation	941,900	46,508,899	42,444,369
Union Pacific Resources Group	166,670	3,810,071	1,510,447
Union Planters Corporation	85,000	3,785,303	3,851,563
Unisource Worldwide Incorporated	65,400	1,075,463	474,150
Unisys Corporation	169,300	2,964,578	5,830,269
United Auto Group Incorporated	1,000,000	20,399,124	9,187,500
United Bankshares Inc. WV	86,300	2,362,318	2,286,950
United Healthcare Corporation	1,146,100	49,286,721	49,353,931
United Illum Company	30,300	1,481,471	1,560,450
United Rentals Incorporated	630,437	13,048,630	20,883,226
United States Filter Corporation	1,952,700	66,087,075	44,668,013
United Technologies Corporation	530,700	41,890,180	57,713,625
United Water Resouce Incorporated	78,500	1,558,842	1,879,094
Unitrode Corporation	66,600	815,180	1,165,500

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



Name	Shares	Cost	Fair Value
Universal Corporation Virginia	33,000	\$ 827,392	\$ 1,159,125
Universal Foods Corporation	47,800	872,922	1,311,513
Universal Forest Products Incorporated	43,800	754,832	878,738
Universal Health Services Incorporated	69,100	3,444,999	3,584,563
Univision Communications Incorporated	1,600,000	28,887,652	57,600,000
Unocal Corporation	544,300	22,202,060	15,886,756
Unova Incorporated	1,000,000	16,812,339	18,125,000
UNUM Corporation	162,400	6,084,008	9,480,100
US Bancorp DE	1,075,183	34,953,636	38,168,997
USA Detergents Incorporated	29,200	262,270	211,700
UsAir Group	61,700	2,219,424	3,208,400
Usfreightways Corporation	55,400	1,424,031	1,613,525
UST Corporation	89,600	2,118,522	2,111,200
UST Incorporated	124,300	3,983,124	4,334,963
USX - US Steel Group	60,800	1,828,712	1,398,400
JSX - Marathon Group	760,100	25,164,149	22,898,013
Utilicorp United Incorporated	50,200	1,488,087	1,841,713
V F Corporation	81,400	2,777,824	3,815,625
Valassis Communications Incorporated	81,600	3,274,624	4,212,600
Valence Technology Incorporated	53,900	327,652	390,775
Valero Energy Corporation	227,500	6,445,316	4,834,375
Valmont Industriess Incorporated	55,800	881,487	774,225
Vanguard Cellular Systems Class A	34,300	819,494	885,369
vanstar Corporation	91,300	971,160	844,525
vantive Corporation	55,100	436,054	440,800
varco International	195,200	3,807,112	1,512,800
varian Associates Incorporated	27,800	1,356,984	1,052,925
vertex Pharmaceuticals Incorporated	53,500	1,324,715	1,591,625
viacom Incorporated Class B	240,500	11,968,146	17,797,000
viad Corporation	92,900	1,492,255	2,821,838
vicor Corporation	88,900	794,752	800,100
vingage Pete Incorporated	109,100	1,267,306	940,988
visay Intertechnology	1,635,100	48,320,249	23,708,954
visx Incorporated DE	32,300	1,947,372	2,824,231
vital Signs Incorporated	26,900	445,620	470,750
vitesse Semiconductor Corporation	154,600	5,152,677	7,053,625
klasick Foods International Incorporated	42,400	723,402	1,009,650
lsi Technology Incorporated	98,100	1,026,958	1,072,969
volt Information Sciences Incorporated	31,500	732,132	710,719
vulcan Materials Company	31,500	2,076,155	4,144,219

ote: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

<b>Name</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value</b>
VWR Scientific Products Corporation	600,000	\$ 15,933,336	\$ 10,425,000
Wabash National Corporation	48,500	849,541	985,156
Wachovia Corporation	296,800	21,917,433	25,951,450
Walbro Corporation	18,400	145,065	117,300
Walgreen Company	333,000	9,261,048	19,501,313
Wall Data Incorporated	20,900	344,456	501,600
Wallace Computer Services Incorporated	40,500	1,129,040	1,068,188
Wal-Mart Stores Incorporated	3,008,400	88,638,790	244,996,575
Warnaco Group Incorporated Class A	59,100	1,540,085	1,492,275
Warner-Lambert Company	1,593,300	68,405,055	87,466,974
Washington Gas Light Company	40,800	848,078	1,101,600
Washington Mutual Incorporated	1,331,865	49,219,185	51,110,319
Washington Post Class B	9,400	3,041,124	5,432,613
Waste Management Incorporated DE	844,325	33,140,003	39,366,653
Watkins Johnson Company	17,400	328,635	354,525
Watsco Incorporated	52,000	890,568	871,000
Watson Pharmaceuticals Incorporated	83,200	2,467,507	5,231,200
Watts Industries Class A	25,300	563,990	420,613
Wausau-Mosinee Paper Corporation	54,100	1,045,645	1,045,645
WD-40 Company	33,000	911,759	944,625
Weatherford International Incorporated	90,800	3,233,419	1,759,250
Wellman Incorporated	29,200	659,441	297,475
Wells Fargo & Company New	2,361,100	67,241,058	94,296,431
Wendy's International Incorporated	225,300	5,077,270	4,914,356
Werner Enterprises Incorporated	100,900	1,650,538	1,784,669
Westpoint Stevens Incorporated	53,700	1,849,111	1,694,906
Westvaco Corporation	68,350	1,903,064	1,832,634
Westwood One Incorporated	66,600	1,442,324	2,031,300
Weyerhaeuser Company	298,000	12,449,181	15,142,125
Whirlpool Corporation	282,900	16,999,535	15,665,588
Whitman Corporation	94,800	1,535,949	2,405,550
Whitney Holding Corporation	47,800	1,933,751	1,792,500
Whittaker Corporation DE	23,600	315,870	398,250
Whittman-Hart Incorporated	108,000	2,084,807	2,983,500
Whole Foods Market Incorporated	355,700	15,970,133	17,206,988
WHX Corporation	39,700	455,065	399,481
Wicor Incorporated	78,800	1,864,508	1,718,825
Willamette Industries Incorporated	76,500	2,295,127	2,562,750
Williams Companies Incorporated	587,789	15,216,078	18,331,669
Williams Sonoma Incorporated	117,300	3,102,871	4,728,656

*note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.*



Name	Shares	Cost	Fair Value
Wilmington Trust Corporation	31,400	\$ 1,083,351	\$ 1,083,351
Winn-Dixie Stores Incorporated	98,600	3,384,907	4,424,675
Winnebago Industries	48,700	516,215	736,588
Wisconsin Cent Transportation Corporation	47,700	1,420,300	819,844
Wisconsin Energy Corporation	105,400	2,786,077	3,313,513
Witco Corporation	53,800	1,575,773	857,438
Wolverine Tube Incorporated	29,900	690,165	627,900
Wolverine World Wide Incorporated	92,500	1,202,198	1,225,625
World Color Press Incorporated	1,281,300	28,742,140	38,999,569
Worthington Industries Incorporated	765,200	11,765,315	9,565,000
Wrigley, W. M. Jr. Company	78,300	4,783,038	7,012,744
Wynns International Incorporated	40,300	777,715	891,638
Xerox Corporation	475,800	29,043,214	56,144,400
Xilinx Incorporated	67,600	2,702,868	4,402,450
Xircom Incorporated	48,600	1,492,609	1,652,400
X-Rite Incorporated	44,700	370,526	346,425
Xylan Corporation	91,700	1,612,232	1,662,063
Yellow Corporation	55,100	888,003	1,053,788
York International	38,200	1,683,881	1,559,038
Zale Corporation New	75,000	1,983,664	2,418,750
Zebra Technologies Corporation	58,400	1,902,909	1,679,000
Zenith National Insurance Corporation	36,000	879,930	832,500
Zions Bancorporation	81,800	3,754,481	5,102,275
<b>Sub-Total, Equity</b>	<b>423,393,303</b>	<b>\$13,247,042,284</b>	<b>\$19,486,730,838</b>

#### REITS

Name	Shares	Cost	Fair Value
AMB Property Corporation	2,200,000	\$50,379,794	\$48,400,000
AMLI Residential Properties Trust	229,300	4,620,934	5,101,925
Apartment Investment & Mgmt. Class A	2,232,297	61,294,267	83,013,545
Arden Realty Incorporated	2,000,000	53,732,011	46,375,000
Bradley Real Estate Incorporated	1,272,646	22,518,061	26,089,243
CBL & Associates Properties Incorporated	316,100	6,896,484	8,159,331
Camden Property Trust	1,108,400	33,929,953	28,818,400
Colonial Properties Trust	1,435,000	40,020,769	38,206,875
Commercial Net Lease Realty Incorporated	1,643,000	21,430,565	21,769,750
Duke Realty Investment Incorporated	3,200,000	70,858,644	74,400,000
Gables Residential Trust	1,500,000	40,549,518	34,781,250

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.

Name	Shares	Cost	Fair Value
Glimcher Realty Trust	1,500,000	\$ 30,375,000	\$ 23,531,250
Great Lakes REIT Incorporated	750,000	11,770,674	11,765,625
Healthcare Realty Trust	750,000	20,581,955	16,593,750
Highwoods Properties Incorporated	1,000,000	33,692,823	25,750,000
Home Properties N Y Incorporated	1,201,400	30,143,814	30,936,050
JDN Realty Corporation	900,000	12,921,346	19,406,250
J P Realty Incorporated	232,600	4,304,726	4,564,775
Kilroy Realty Corporation	500,000	12,299,461	11,500,000
Koger Equity Incorporated	2,000,000	40,577,210	34,375,000
Liberty Property Trust	2,000,000	50,113,968	49,250,000
M G I Properties	270,000	5,947,453	7,543,125
Macerich Company	875,000	17,206,364	22,421,875
Mack-Cali Realty Corporation	950,000	37,830,507	29,331,250
Meditrust Companies	720,960	20,271,702	10,814,400
Meristar Hospitality Corporation	1,500,000	29,013,469	27,843,750
Mid-America Apt Communities Incorporated	930,000	23,979,019	21,099,375
Parkway Properties Incorporated	220,000	5,976,198	6,875,000
Patriot American Hospital	1,000,000	16,515,841	6,000,000
Post Properties Incorporated	1,000,000	38,047,290	38,437,500
Ramco-Gershenson Properties Trust	380,000	7,656,862	5,510,000
Regency Realty Corporation	280,000	4,549,008	6,230,000
Simon Property Group Inc. New	1,500,000	34,956,533	42,750,000
Spieker Properties Incorporated	800,000	27,872,729	27,700,000
Starwood Hotels Resort	1,250,000	64,035,855	28,359,375
Storage Trust Realty	986,700	19,306,035	23,064,113
United Dominion Realty Trust	1,665,898	18,184,656	17,179,573
Urban Shopping Centers Incorporated	477,600	9,356,832	15,641,400
<b>Sub-Total REITs</b>	<b>42,776,901</b>	<b>1,033,718,329</b>	<b>979,588,755</b>
<b>GRAND TOTAL STOCKS</b>	<b>466,170,204</b>	<b>\$14,280,760,613</b>	<b>\$20,466,319,593</b>

Note: Dollar amounts are rounded to the nearest whole dollar. Columns will not add.



# Schedule of Fee and Commission Payments to Brokers\*

Year Ended December 31, 1998

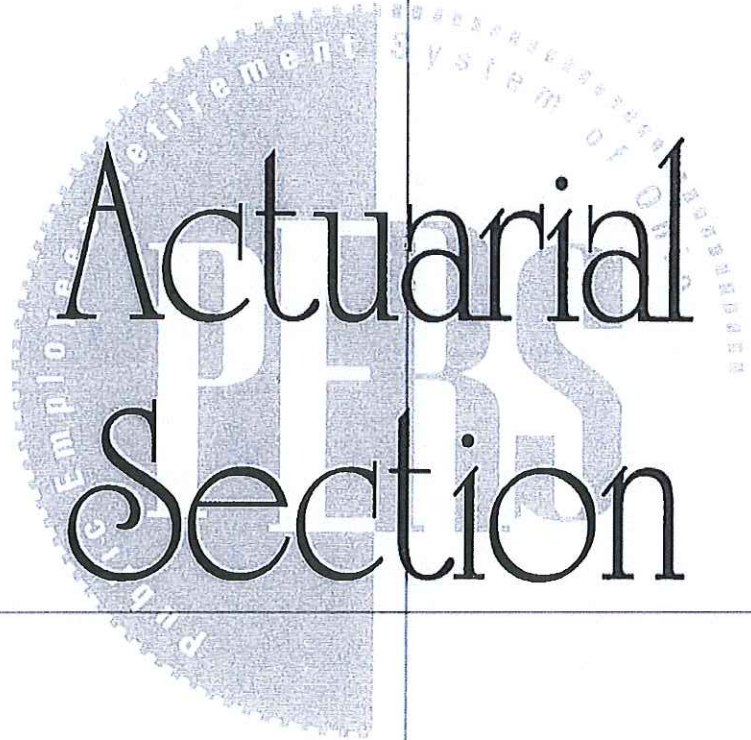
Individual or Firm Name	Fees and Commissions Paid	Individual or Firm Name	Fees and Commissions Paid
ABN AMRO Inc.	\$ 146,583	Interstate Securities	\$ 16,923
Autranet Inc.	20,157	Instinet	21,214
Baird, Robert W. & Co. Inc.	13,329	ISI Group Inc.	150,057
BancBoston Robertson Stephens	156,464	James, Raymond and Associates, Inc.	120,691
Banyan Securities	74,874	Jefferies & Company, Inc.	169,443
Bear, Stearns & Co. Inc.	1,985,520	Jones & Associates	37,925
Berean Capital	24,000	Keefe, Bruyette & Woods, Inc.	18,324
Bernstein, Sanford C. and Co. Inc.	206,108	Knight Securities	25,512
Birinyi Associates	30,500	Legg Mason	86,634
Blair, William and Company	264,225	Lehman Brothers	1,113,546
Boston Institutional Services Inc.	41,568	May Davis Group	16,034
Bradford, J.C. & Company	44,323	McDonald & Company Securities Inc.	152,826
Bridge Trading Company	92,034	Merrill Lynch Inc.	861,973
Brooks Securities	20,742	Mitchell Securities	78,985
Brown Brothers Harriman & Co.	55,974	Monness, Crespi, Hardt & Co., Inc.	254,333
BT Alex Brown Inc.	313,368	Morgan, J.P. Securities, Inc.	517,518
C.E.Unterberg Towbin	2,760	Morgan Stanley & Company, Inc.	796,516
Cantor Fitzgerald & Co.	181,124	NationsBanc Montgomery Securities, Inc.	353,059
The Chapman Company	6,100	Noah Financial	80,196
CIBC Oppenheimer Corp.	198,637	Nutmeg Securities, LTD	40,997
Cleary Gull Reiland & McDevitt Inc.	12,200	Off The Record Research	45,750
Conning & Company	23,895	O'Neil, William & Company Inc.	15,030
Cooper, Wolpert & Margoshes	24,480	Paine Webber, Inc.	803,184
Covato/Lipsitz Inc.	36,720	Piper Jaffray Inc.	18,715
Cowen & Company	168,878	Prudential Securities Inc.	517,987
CS First Boston	976,277	Pryor, McClendon, Counts & Co.	10,097
Deutsche Bank	314,528	RBC Dominion Securities Corp.	38,060
Donaldson, Lufkin & Jenrette Securities Corp.	829,599	Roulston Research Corp.	62,049
Edwards, A.G. & Sons, Inc.	122,538	Ryan, Beck & Co.	9,300
Everen Securities	300,380	Salomon Smith Barney Inc.	580,780
Fifth Third/The Ohio Company	15,864	Schroeder & Co., Inc.	421,775
First Call Corp.	239,038	Soundview Financial Group	10,200
Fox-Pitt, Kelton	20,302	Standard & Poor's Securities	24,120
Gerard Klauer Mattison & Co., Inc.	107,964	Sun Trust Equitable Securities	60,567
Global Equity Analytics & Res. Svc. LLC	26,748	UBS Securities LLC	78,546
Goldman, Sachs & Company	798,641	UST Securities Corp.	25,800
Greenstreet Advisors	60,966	Veneroso, Frank	3,000
GS <sup>2</sup> Securities, Inc.	59,971	Vestek	32,180
Hambrecht & Quist LLC	9,402	Warburg Dillon Reed LLC	1,850
Helston Securities	24,426	Washington Research Group	127,322
Howard, Weil, Labouisse, Friedrichs Inc.	30,500	Weedon & Co. LP	9,941
HSBC Securities, Inc.	44,442	Weinstein, Stan	21,350
I/B/E/S	12,450	Wellington, H.G. & Co. Inc.	109,578
Ing Baring Furman Selz	132,892	Williams Inference Service	30,500
		<b>TOTAL</b>	<b><u>\$16,241,878</u></b>

\* The fees and commissions include both actual and imputed amounts. Also included, although not a direct expense to PERS, are fees paid to brokers by companies issuing new securities purchased by PERS. During 1998, actual fees and commissions paid by PERS were \$11,040,796.

# Investment Summary

	1998		1997	
	Fair Value	Percentage of Total Fair Value	Fair Value	Percentage of Total Fair Value
<b>Fixed Income:</b>				
U.S. Government & Agencies	\$ 7,761,987,304	15.3 %	\$ 11,019,723,048	24.7 %
Corporate Bonds	6,302,665,039	12.5	5,282,010,945	11.8
Canadian Bonds	251,575,955	0.5	537,714,424	1.2
Mortgage & Mortgage Backed	<u>7,239,428,115</u>	<u>14.3</u>	<u>6,199,450,676</u>	<u>13.9</u>
Total Fixed Income	21,555,656,413	42.6	23,038,899,093	51.6
Common Stock	19,486,730,838	38.5	13,630,163,009	30.5
Real Estate	4,762,601,120	9.4	4,091,670,490	9.2
Venture Capital	43,855,913	0.0	36,032,707	0.1
International	2,446,360,635	4.8	1,152,262,218	2.6
<b>Short-term Investments</b>				
Commercial Paper	871,332,779	1.7	859,399,976	1.9
U.S. Treasury Obligations	<u>1,521,104,962</u>	<u>3.0</u>	<u>1,812,773,962</u>	<u>4.1</u>
<b>TOTAL</b>	<u>\$ 50,687,642,660</u>	<u>100.0%</u>	<u>\$ 44,621,201,455</u>	<u>100.0%</u>





# Actuarial Section

# Report of the Actuary



## **GABRIEL, ROEDER, SMITH & COMPANY**

**Consultants & Actuaries**

1000 Town Center • Suite 1000 • Southfield, Michigan 48075 • 248-799-9000 • 800-521-0498 • fax 248-799-9020

February 26, 1999

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

Dear Board Members:

The basic financial objective of the Public Employees Retirement System (PERS) is to establish and receive contributions which:

- when expressed in terms of percents of active member payroll will remain approximately level from generation to generation, and
- when combined with present assets and future investment return will be sufficient to meet the financial obligations of PERS to present and future retirees and beneficiaries.

~~The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's current cost (i.e. the costs assigned by the valuation method to the year of service about to be rendered), as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of December 31, 1997.~~

The plan administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year to year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends. The plan's external auditor also audits the actuarial data annually.

The actuary prepared the following supporting schedules for the Comprehensive Annual Financial Report.

### Actuarial Section

Summary of Actuarial Assumptions  
Percent Retiring Next Year  
Probabilities of Retirement for Members Eligible to Retire  
Percent Separating Within Next year  
Individual Employee pay Increases  
Analysis of Financial Experience

### Financial Section

Schedule of Funding Progress



February 26, 1999

PERS Staff prepared the schedules showing the trend of short term solvency based upon material prepared by the actuary.

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four year period.


Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions comply with the requirements of Statement 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The December 31, 1997 valuations were based upon assumptions that were recommended in connection with a study of experience covering the 1991-95 period.

Combined experience was favorable during 1997, producing a decrease in amortization periods. Investment return and Pay Increases were significant sources of actuarial gain. Retirement, death, disability, and turnover in total produced a small gain.

Based upon the results of the December 31, 1997 valuations, we are pleased to report to the Board that the Public Employees Retirement System of Ohio is meeting its basic financial objective and continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

GABRIEL, ROEDER, SMITH & COMPANY



Norman L. Jones, F.S.A., M.A.A.A.



Brian B. Murphy, F.S.A., M.A.A.A.

BBM:msw:md

GABRIEL, ROEDER, SMITH & COMPANY

# 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.

**Economic Assumptions.** The following economic assumptions are used by the Actuary:

*Investment Return.* 7.75 percent, compounded annually, for all members and beneficiaries. Adopted 1989.

**Active Employee Total Payroll.** Increasing 4.75 percent annually, compounded annually, which is the inflation 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. Adopted 1991.

Age	Merit & Seniority			Inflation	Increase Next Year		
	State	Local	Law		State	Local	Law
30	2.62%	2.40%	3.10%	4.75%	7.37%	7.15%	7.85%
40	1.66	1.70	1.70	4.75	6.41	6.45	6.45
50	0.88	1.00	1.14	4.75	5.63	5.75	5.89
60	0.54	0.54	0.70	4.75	5.29	5.29	5.45

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

Sample Ages	Years of Service	% Separating Within Next Year									
		Death		State		Withdrawal		Disability			
		Men	Women	Men	Women	Law Enforcement	Local	Men	Women	Men	Women
	0			39.00%	35.00%	18.00%	36.00%	34.50%			
	1			17.00	17.00	10.00	17.00	18.00			
	2			13.00	14.00	8.00	13.00	14.00			
	3			9.00	10.00	7.00	10.00	11.00			
	4			6.50	8.00	6.00	8.00	9.00			
30	5 & over	.05%	.03%	5.16	6.66	3.52	5.40	7.28	.11%	.08%	
40		.11	.06	3.36	4.00	2.32	3.52	4.40	.36	.24	
50		.34	.13	2.28	2.90	1.62	2.82	3.36	.91	.65	
60		.84	.32	.60	.70	.50	.60	.80	1.97	1.64	

**Assets Valuation Method.** For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus a percentage of realized and unrealized investment gains and losses. Adopted 1988.

**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.

**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 in 1984.

*Retirement.* Probabilities of normal age and service retirement applicable to members eligible to retire (adopted 1991) are:

Retirement Age	% Retiring Next Year				
	State		Local		Law Enforcement
	Men	Women	Men	Women	
50-54	15%	20%	23%	20%	25%
55-58	15	20	23	20	25
59	18	21	20	20	20
60	20	22	25	25	15
61	21	25	25	28	15
62	22	30	27	30	15
63	25	30	28	30	15
64	25	30	30	30	15
65	25	25	25	25	30
66	25	20	25	25	30
67	25	20	20	20	25
68	25	20	20	20	25
69-79	25	20	20	20	30
80	100	100	100	100	100



## Actuarial Valuation Data

Valuation Year	Active Members				Retired Lives		
	Number	Annual Payroll (\$ Millions)	Average Pay	% Increase in Average Pay	Number	Annual Allowance (\$ Millions)	Average Allowance
1988	264,868	\$5,307	\$20,036	6.68%	103,150	\$ 603	\$ 6,108
1989	270,683	5,597	20,677	3.20	105,643	715	6,768
1990	277,963	6,036	21,715	5.02	107,177	762	7,109
1991	324,948	6,651	20,468	(5.74)	108,971	820	7,525
1992	333,848	6,889	20,635	0.82	111,779	896	8,016
1993	339,190	7,236	21,333	3.38	113,950	965	8,469
1994	343,477	7,625	22,119	3.68	116,001	1,024	8,828
1995	344,632	7,973	23,135	4.59	118,280	1,106	9,351
1996	352,408	8,340	23,666	2.30	121,219	1,216	10,031
1997	352,960	8,640	24,479	3.44	124,258	1,311	10,551

## Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls at End of Year		Percentage Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
1993	6,195	\$ 78,441,997	3,985	\$ 8,328,105	112,183	\$ 953,533,512	7.94 %	\$ 8,500
1994	6,318	75,309,312	4,159	9,811,987	114,342	1,019,030,837	6.87	8,912
1995	6,796	95,567,616	4,433	18,719,272	116,705	1,095,879,181	7.54	9,390
1996	7,497	108,028,996	4,406	12,574,601	119,796	1,191,333,576	8.71	9,945
1997	7,457	118,084,211	4,465	11,278,145	122,788	1,298,139,642	8.97	10,572
1998	7,556	116,000,363	4,926	12,555,261	125,418	1,401,584,744	7.97	11,175

## 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 (1) and the liabilities for future benefits to present retired lives (2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (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 (3) will increase over time. Column (3) being fully funded is very rare.

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

Accrued Liabilities (\$ Amounts in Millions)

Valuation Year	(1)	(2)	(3)	Valuation Assets	Portions of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer-Financed Portion)		(1)	(2)	(3)
1988	\$2,843	\$ 6,884	\$12,651	\$16,515	100%	100%	54%
1989	3,076	7,510	13,208	18,550	100	100	60
1990	3,386	7,981	14,826	20,655	100	100	63
1991	3,720	8,582	16,169	23,097	100	100	67
1992	4,062	9,403	17,536	25,969	100	100	71
1993	4,481	10,010	19,688	29,251	100	100	75
1994	4,895	10,605	20,710	31,771	100	100	79
1995	5,299	11,477	22,378	34,877	100	100	81
1996*	5,681	12,531	14,419	30,534	100	100	85
1997*	6,074	13,587	15,311	33,846	100	100	93

Does not include assets set aside to pay healthcare benefits.

Actual vs. Recommended Contribution Rates

The Board adopted all contribution rates as recommended by the Actuary.

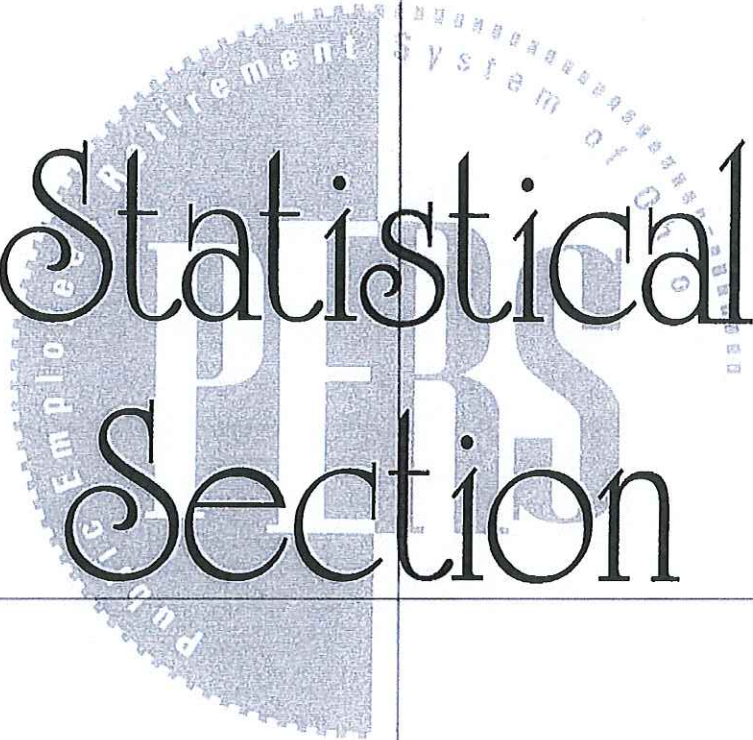
Analysis of Financial Experience

Gains & Losses in Accrued Liabilities Resulting From Differences Between Assumed Experience & Actual Experience

Type of Activity	Gain (or Loss) for Year			
	\$ in Millions			
	1997	1996	1995	1994
<b>Age &amp; Service Retirements.</b> members retire at older ages than assumed, there is a gain. If younger ages, a loss.	\$ 27.2	\$ 19.9	\$ 28.7	\$ 20.0
<b>Disability Benefits.</b> disability claims are less than assumed, there is a gain. If more claims, a loss.	44.8	57.4	64.3	34.4
<b>Death-in-Service Annuities.</b> survivor claims are less than assumed, there is a gain. If more claims, a loss.	3.10	3.6	3.8	36.3
<b>Other Separations.</b> more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(89.6)	( 145.8)	( 278.9)	( 224.1)
<b>Pay Increases.</b> there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	267.6	274.0	341.8	358.5
<b>Investment Return.</b> there is greater investment return than assumed, there is a gain. If less return, a loss.	801.4	573.5	394.6	( 46.7)
<b>Health Insurance &amp; Medicare Premiums.</b> there are smaller increases than assumed, there is a gain. If greater increases, a loss.	N/A*	560.1	( 58.3)	294.1
<b>Gain (or Loss) During Year from Financial Experience</b>	<b>\$1,054.5</b>	<b>\$ 1,342.7</b>	<b>\$ 496.0</b>	<b>\$ 472.5</b>

Gains (or losses) are no longer calculated on health insurance and Medicare premiums because PERS no longer calculates accrued liabilities for health care.





# Statistical Section

# Employer Contribution Rates

	Year	Current			Unfunded Liability		Total
		Normal	Health	Survivor Benefits	Past Service	Health	
<b>State</b>	1989	5.63 %	2.91 %	1.07 %	3.21 %	0.89 %	13.71%
	1990	5.15	3.16	1.01	3.07	1.32	13.71
	1991*	5.48	3.34	1.01	2.40	1.08	13.31
	1992	5.49	3.34	1.02	2.51	0.95	13.31
	1993	5.49	3.24	1.08	2.45	1.05	13.31
	1994	5.34	3.37	1.07	2.61	0.92	13.31
	1995	5.31	3.39	1.09	2.62	0.90	13.31
	1996	5.57	3.54	1.09	2.36	0.75	13.31
	1997	5.62	3.31	0.59	2.81	0.98	13.31
	1998	5.62	4.20	0.59	2.90	0.00	13.31
<b>Local</b>	1989	5.08 %	3.49 %	1.06 %	3.26 %	1.06 %	13.95 %
	1990	4.65	3.92	0.99	2.89	1.50	13.95
	1991*	4.99	4.13	0.99	2.31	1.13	13.55
	1992	5.02	4.17	1.00	2.42	0.94	13.55
	1993	4.95	4.20	1.00	2.49	0.91	13.55
	1994	4.81	4.29	0.99	2.64	0.82	13.55
	1995	4.85	4.26	1.00	2.59	0.85	13.55
	1996	5.16	4.44	1.00	2.28	0.67	13.55
	1997	5.57	4.29	0.59	2.28	0.82	13.55
	1998	5.57	4.20	0.59	3.19	0.00	13.55
<b>Law Enforcement</b>	1989	8.64 %	3.90 %	1.55 %	2.89 %	1.12 %	18.10 %
	1990	7.73	4.33	1.45	3.34	1.25	18.10
	1991	8.23	4.37	1.45	1.13	0.82	16.00
	1992	8.08	4.46	1.44	1.29	0.73	16.00
	1993	7.87	5.06	1.45	1.49	0.13	16.00
	1994	8.21	4.93	1.44	1.16	0.96	16.70
	1995	7.97	4.82	1.56	1.28	1.07	16.70
	1996	8.15	4.95	1.56	1.10	0.94	16.70
	1997	9.61	4.70	0.89	0.74	0.76	16.70
	1998	9.61	4.20	0.89	2.00	0.00	16.70

\* Rate effective July 1, 1991



## DISBURSEMENTS by Category

Year	Benefits					
	Annuities	Disabilities	Other Systems	Survivors	CPI	Post Retirement Legislative Increase
1989	\$463,455,461	\$57,151,688	\$4,061,810	\$36,392,135	\$ 92,146,600	\$53,475,739
1990	493,081,656	63,546,647	3,229,381	37,764,185	106,013,735	50,389,589
1991	531,188,927	70,423,067	3,484,009	39,601,327	120,558,352	47,510,253
1992	577,820,133	78,697,614	4,550,956	41,737,122	135,927,428	44,686,312
1993	620,080,348	91,337,107	4,636,808	43,855,109	151,763,785	41,860,355
1994	655,822,239	105,602,623	5,222,468	46,229,029	167,031,125	39,123,353
1995	701,867,702	119,699,694	6,762,310	48,103,168	182,925,717	36,520,590
1996	757,995,460	138,848,062	4,734,682	50,844,206	199,783,533	39,127,634
1997	822,581,843	155,239,567	6,037,460	53,220,591	219,887,499	41,172,682
1998	881,261,294	173,229,819	5,937,875	55,975,704	241,745,889	37,766,500

## Revenues by Source

Year	Members' Contributions	Employers' Contributions	Employers' Contributions as a Percentage of Covered Payroll	Investment Income (Net)	Other	Total
1989	\$476,415,655	\$ 804,745,875	13.95%	\$ 1,823,780,073	\$ 2,535,968	\$3,107,477,571
1990	517,629,799	858,207,902	13.96	1,876,319,720	159,017	3,252,316,438
1991	562,818,132	925,097,737	13.75	2,418,425,646	84,878	3,906,426,393
1992	589,700,557	971,602,348	13.51	2,648,454,471	(189,141)	4,209,568,235
1993	639,366,718	1,012,814,909	13.51	2,683,394,902 *	592,395	4,336,168,924
1994	679,907,661	1,065,570,715	13.51	( 134,383,505)*	229,502	1,611,324,373
1995	698,987,279	1,107,696,800	13.53	6,134,722,598 *	263,915	7,941,670,592
1996	737,292,990	1,181,597,072	13.54	2,848,123,681 *	867,738	4,767,881,481
1997	773,100,594	1,233,637,457	13.54	5,421,861,077 *	754,023	7,429,353,151
1998	799,281,516	1,266,445,268	13.55	6,045,862,119 *	237,360	8,111,826,263

\* GASB 25 was adopted in 1994 and applied retroactively to January 1, 1993. As a result, net investment income includes net appreciation (depreciation) in fair value of investments for 1993 through 1998 which can create significant fluctuations.

			Refunds		
Health Care	Death Benefits	Separation	Beneficiaries	Other	Total All Payments
\$ 203,624,998	\$ 4,478,907	\$ 80,927,621	\$ 3,751,617	\$ 597,113	\$1,000,063,689
225,610,040	5,076,344	78,847,373	4,080,822	22,637,292	1,090,277,064
281,799,972	5,292,320	74,682,948	4,434,088	17,840,419	1,196,815,682
302,486,109	5,677,159	81,001,038	4,130,148	17,632,947	1,294,347,021
307,001,902	5,203,412	76,066,042	5,123,185	3,895,870	1,350,823,923
327,578,426	5,718,038	86,026,417	5,403,248	1,760,429	1,445,517,395
353,685,547	6,304,298	100,842,250	5,100,749	2,089,485	1,563,901,510
369,213,858	5,987,329	102,212,756	5,598,156	2,232,831	1,676,578,507
389,845,273	6,464,758	131,184,720	5,827,194	2,612,260	1,834,073,847
440,596,663	6,321,994	116,866,392	5,824,082	2,919,433	1,968,445,645

## Expenses by Type

Year	Benefit Payments	Refunds	Administrative Expenses	Total
1989	\$ 914,787,338	\$ 85,276,351	\$12,040,343	\$1,012,104,032
1990	984,711,577	105,565,487	13,398,269	1,103,675,333
1991	1,099,858,227	96,957,455	15,421,235	1,212,236,917
1992	1,191,582,888	102,764,133	16,178,012	1,310,525,033
1993	1,265,738,826	85,085,097	17,029,933	1,367,853,856
1994	1,352,327,301	93,190,094	17,212,600	1,462,729,995
1995	1,455,869,026	108,029,484	18,232,175	1,582,130,685
1996	1,566,534,763	110,043,743	18,650,473	1,695,228,979
1997	1,694,449,673	139,624,174	20,107,718	1,854,181,565
1998	1,842,835,738	125,609,907	21,530,875	1,989,976,520



# Schedule of Benefit Recipients by Benefit Type

December 31, 1998

Amount of Monthly Benefit	Number of Recipients	Annuities	Disabilities	Survivors
\$1-249	18,564	15,937	439	2,188
250-499	24,395	18,875	1,139	4,381
500-999	35,472	27,441	4,318	3,713
1,000-1,499	21,642	16,552	4,202	888
1,500-1,999	12,804	9,905	2,589	310
2,000 & over	12,541	10,909	1,459	173
<b>Totals</b>	<b>125,418</b>	<b>99,619</b>	<b>14,146</b>	<b>11,653</b>

# Schedule of Average Benefit Payments

	Years Credited Service					
	5-9	10-14	15-19	20-24	25-30	30+
<b>Period 1/1/93-12/31/93</b>						
Average Monthly Benefit*	\$357.20	\$488.08	\$734.57	\$1050.64	\$1,391.27	\$2,124.41
Average Final Average Salary	\$18,650.62	\$21,213.26	\$24,304.69	\$27,436.58	\$30,402.61	\$34,572.44
Number of Active Recipients	422	954	852	825	805	1,309
<b>Period 1/1/94-12/31/94</b>						
Average Monthly Benefit*	\$323.60	\$472.67	\$720.70	\$1,030.26	\$1,318.75	\$2,013.01
Average Final Average Salary	\$17,928.66	\$20,834.20	\$24,579.37	\$27,175.85	\$29,467.77	\$33,961.49
Number of Active Recipients	474	1,185	917	800	857	1,295
<b>Period 1/1/95-12/31/95</b>						
Average Monthly Benefit*	\$407.04	\$530.35	\$781.77	\$1,062.30	\$1,409.89	\$2,176.63
Average Final Average Salary	\$21,320.39	\$23,821.73	\$26,614.76	\$28,700.50	\$31,807.39	\$36,919.70
Number of Active Recipients	503	1,196	955	917	976	1,746
<b>Period 1/1/96-12/31/96</b>						
Average Monthly Benefit*	\$364.83	\$478.59	\$788.81	\$1,089.30	\$1,411.82	\$2,163.80
Average Final Average Salary	\$19,253.80	\$21,930.97	\$27,080.46	\$29,630.11	\$32,254.09	\$37,460.88
Number of Active Recipients	560	1,200	1,008	1,032	1,056	1,997
<b>Period 1/1/97-12/31/97</b>						
Average Monthly Benefit*	\$410.32	\$533.09	\$805.99	\$1,105.93	\$1,434.14	\$2,269.27
Average Final Average Salary	\$21,699.04	\$25,029.71	\$28,405.22	\$30,843.62	\$33,771.66	\$40,330.78
Number of Active Recipients	523	1,193	986	909	977	2,161
<b>Period 1/1/98-12/31/98</b>						
Average Monthly Benefit*	\$384.56	\$498.31	\$780.53	\$1,108.43	\$1,433.58	\$2,175.53
Average Final Average Salary	\$20,226.35	\$24,159.83	\$28,007.79	\$31,529.81	\$34,492.37	\$40,098.39
Number of Active Recipients	426	1,197	931	877	939	1,991

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

Number of Benefit Recipients by Category

Year-end	Annuities	Disabilities	Survivors	Total
1989	84,676	7,916	10,957	<b>103,549</b>
1990	85,916	8,294	10,981	<b>105,191</b>
1991	87,364	8,670	11,068	<b>107,102</b>
1992	89,736	9,079	11,158	<b>109,973</b>
1993	91,048	9,879	11,256	<b>112,183</b>
1994	92,224	10,758	11,360	<b>114,342</b>
1995	93,718	11,561	11,426	<b>116,705</b>
1996	95,739	12,547	11,510	<b>119,796</b>
1997	97,833	13,335	11,620	<b>122,788</b>
1998	99,619	14,146	11,653	<b>125,418</b>

Number of New Benefit Recipients and Refund Payments

Year	Annuities	Disabilities	Survivors	Refund
1989	5,026	728	500	23,008
1990	4,140	745	451	24,878
1991	4,406	802	534	27,165
1992	5,330	793	505	38,894
1993	4,463	1,195	537	37,336
1994	4,428	1,327	563	39,457
1995	4,908	1,353	535	39,536
1996	5,394	1,536	567	38,195
1997	5,371	1,470	616	40,806
1998	5,490	1,487	579	38,299

Member Count

Year-end	Active Contributing	Inactive	Total
1989	266,866	80,630	<b>347,496</b>
1990	278,969	73,882	<b>352,851</b>
1991	328,981	71,216	<b>400,197</b>
1992	349,674	73,660	<b>423,334</b>
1993	347,937	96,268	<b>444,205</b>
1994	358,149	110,745	<b>468,894</b>
1995	365,383	127,491	<b>492,874</b>
1996	369,467	148,274	<b>517,741</b>
1997	365,384	175,020	<b>540,404</b>
1998	371,563	192,273	<b>563,836</b>

Member Contribution Rates

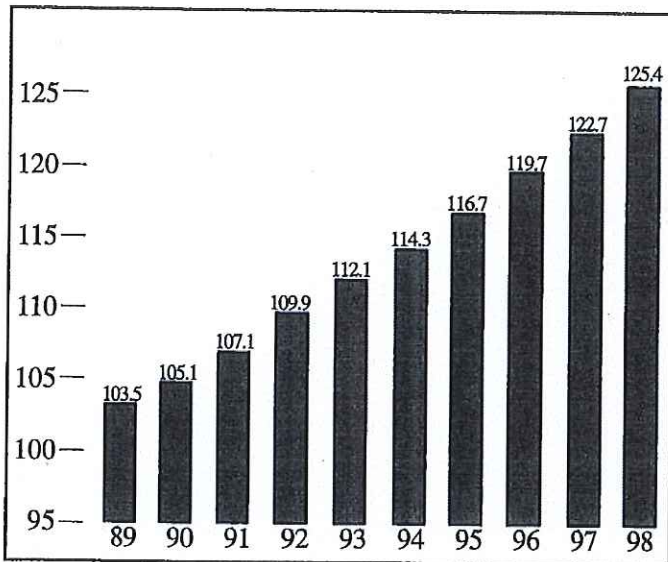
Year	Regular	Law Enforcement
1989	8.5%	9.5%
1990	8.5	9.5
1991	8.5	9.0
1992	8.5	9.0
1993	8.5	9.0
1994	8.5	9.0
1995	8.5	9.0
1996	8.5	9.5
1997	8.5	9.0
1998	8.5	9.0

Number of Employer Units

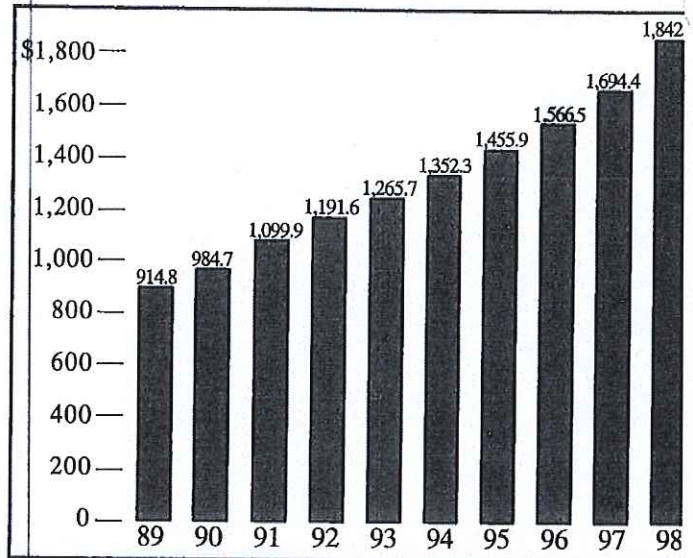
Calendar Year	State	County	Law Enforcement	Municipalities	Villages	Miscellaneous	Libraries	Township	Totals
1989	260	241	197	341	605	309	254	1,310	<b>3,517</b>
1990	263	239	206	341	613	327	255	1,310	<b>3,554</b>
1991	263	237	212	339	611	327	256	1,311	<b>3,556</b>
1992	265	234	211	336	613	320	256	1,310	<b>3,545</b>
1993	280	238	214	338	620	324	257	1,312	<b>3,583</b>
1994	287	238	207	340	634	340	257	1,311	<b>3,614</b>
1995	288	238	208	340	651	354	256	1,310	<b>3,645</b>
1996	289	238	213	339	658	374	256	1,312	<b>3,679</b>
1997	292	236	226	338	666	379	256	1,312	<b>3,705</b>
1998	327	247	233	338	672	400	256	1,312	<b>3,785</b>



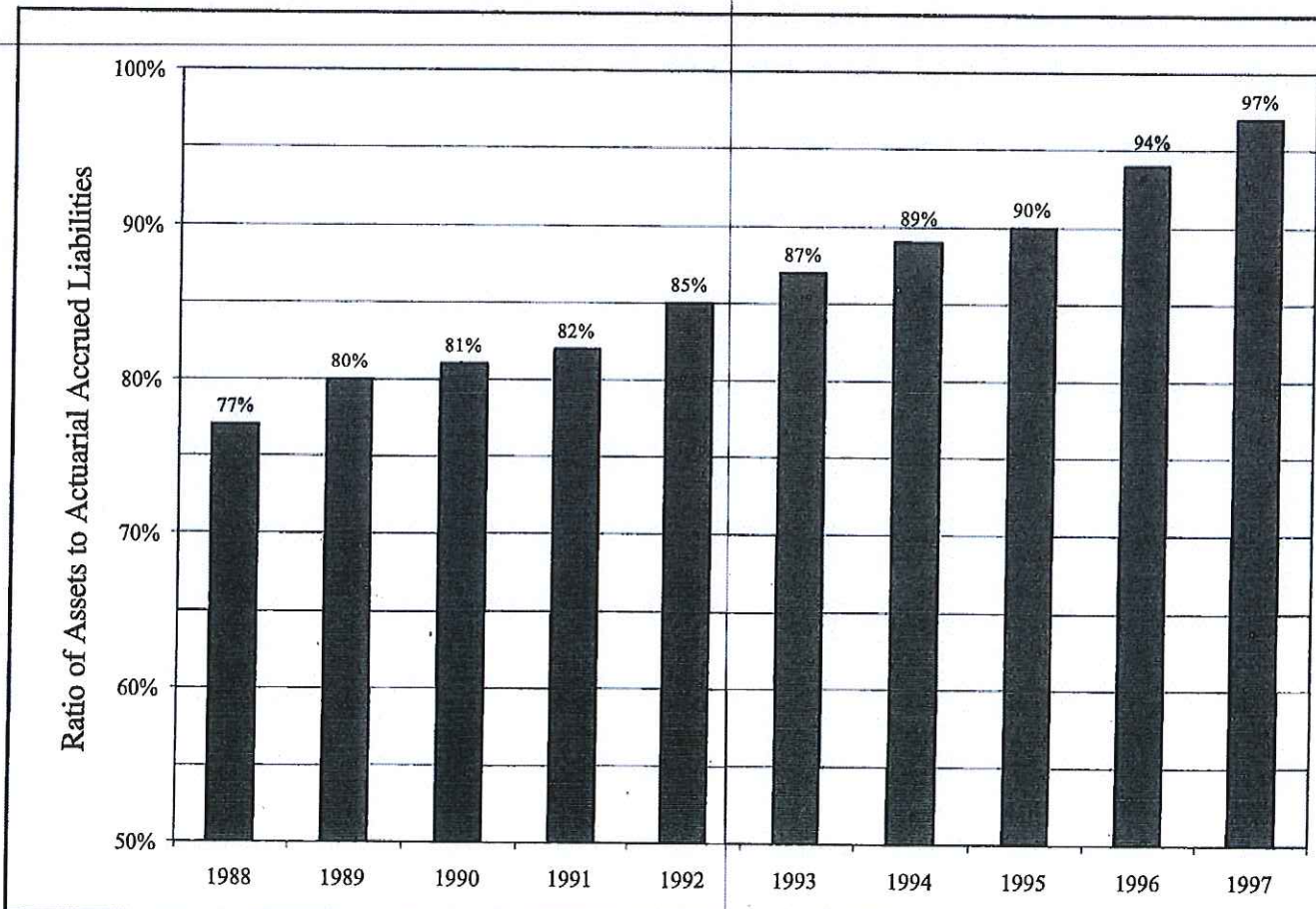
Total Benefit Recipients  
(in thousands)



Total Benefit Payments  
(\$ in Millions)



Funding Progress  
(Pension Only)





# Plan Statement



# Plan Statement

The Public Employees Retirement System of Ohio (PERS) was created by the Ohio General Assembly to provide retirement, disability, and survivor benefit programs for the public employees of Ohio. This summary outlines the Ohio law which regulates PERS; however, it cannot and does not change any of the provisions of the Ohio Revised Code.

## Member Eligibility

All public employees, except those covered by another state retirement system in Ohio or by the Cincinnati Retirement System, are required to become contributing members of PERS when they begin public employment unless they may be exempted or excluded.

The law provides for optional membership for elected public officials. Students, not already members, working for the public school, college, or university they are attending may be exempt from contributing to PERS by filing a request for exemption within the first month of employment.

The following individuals are excluded from membership:

- 1) inmates of state correctional institutions;
- 2) patients in hospitals operated by the Departments of Mental Health or Mental Retardation;
- 3) patients in the Ohio Veterans' Home and residents of county homes;
- 4) elected officials of public employers who have no employees subject to PERS coverage;
- 5) employees of temporary help services who perform services for public employers;
- 6) individuals serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency;
- 7) persons employed under the federal Job Training Partnership Act;
- 8) members of the Motor Vehicle Salvage Dealers Board or the Motor Vehicle's Board;
- 9) employees of private contractors except public employees transferred with previously publicly-operated functions and performing the same duties as before;
- 10) individuals performing services under a contract as an independent contractor;
- 11) election workers who earn less than \$500 per calendar year;
- 12) firefighters except those who were members before Aug. 3, 1992 and elected to remain members;
- 13) board members of city or general health district boards of health whose compensation is established in Section 3709.02 or 3709.05;

- 14) full-time faculty and administrative state employees in the unclassified civil service of state colleges/universities who choose to participate in an alternate retirement plan (ARP); and
- 15) board members of a sanitary district established under Chapter 6115.

PERS provides special retirement coverage for certain law enforcement officers. These individuals, who must have a Peace Officer's Training School Certificate, are covered if they were hired on or after the dates of the enabling legislation. If they were employed before the legislation was enacted, they had the option to be covered if they did not elect to law enforcement coverage, they remained under the regular PERS schedule of benefits.

Those listed below, whose primary duties are to preserve the peace, to protect life and property, and to enforce the laws of Ohio, are covered they are:

- 1) sheriffs and deputy sheriffs;
- 2) full-time township constables or police officers;
- 3) criminal bailiffs or court constables who were deputized by a county sheriff and employed under Section 2301.12,
- 4) full-time state university law enforcement officers under Section 3345.04,
- 5) full-time bailiffs or deputy bailiffs appointed by the Hamilton County Municipal Court Clerk of Courts under Section 1901.32(A)(3), and
- 6) full-time county narcotics agents.

The following groups also are eligible for law enforcement coverage:

- 7) full-time undercover drug agents as defined in Section 109.79,
- 8) full-time liquor control investigators with the Ohio Department of Liquor Control engaged in the enforcement of Chapters 4301 and 4303,
- 9) full-time park officers under Section 1541.10, forest officers under Section 1503.29, wildlife officers under Section 1531.13, or state watercraft officers under Section 1547.521 with the Ohio Department of Natural Resources,
- 10) full-time park district police officers under Section 511.232 or 1545.13,
- 11) full-time conservancy district officers under Section 6101.75,
- 12) full-time municipal corporation police officers not covered by the Police and Firemen's Disability and Pension Fund,
- 13) police employed by the Ohio Veterans' Home under Section 6907.02,



- b) special police employed by a state mental health institution under Section 5119.14, and
- c) special police employed by a state institution for the mentally retarded and developmentally disabled under Section 5123.13.

### Contributions

Employers are required to make contributions to the system on the basis of a percentage of reportable payroll and at a rate based upon the recommendation of PERS' actuaries. Penalties and interest are added for late payments. The state contribution rate is 13.31 percent. Local employers contribute 13.55 percent and employers in the law enforcement division contribute 16.70 percent.

The current contribution rate for members is 8.5 percent of earnable salary. Members in the law enforcement division pay 9.0 percent of earnable salary. Individual accounts for each member of PERS are maintained and credits contributed by the member are fully refundable at any time termination or death. In the first quarter of the year, members are sent a statement of their individual account as of the previous Dec. 31. A report disclosing the financial status of the System and describing major developments during the year at PERS is sent along with the statement of account.

### Benefits for Contributing Members

#### Age and Service Retirement

Members are eligible to retire at age 60 with at least 25 years of total service credit. They may retire with a reduced benefit as early as age 55 with 25 years of service. With 30 years of credit, there is no age requirement nor benefit reduction because of age.

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

- service for the state of Ohio or an Ohio political subdivision for which contributions have been paid;
- certain military service which interrupted contributing public service;
- any out-of-public service period of three years or less during which the member was receiving an award under Workers' Compensation;
- previously unreported service in Ohio;
- service purchased by the member for:

- a) other 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, which did not exceed one year;
- d) comparable public service that is not being used for other retirement programs, except Social Security, performed outside Ohio or with the federal government or for which contributions were made to an Ohio municipal retirement system;
- e) service restored by redeposit which had been cancelled by an earlier refund of PERS contributions;
- f) service in an Ohio police or fire department and covered by the Police and Firemen's Disability and Pension Fund or service in the State Highway Patrol and covered by the Highway Patrol Retirement System that is not being used for other retirement benefits;
- g) service which was previously covered by a valid exemption under PERS;
- h) 35 percent additional credit on completed terms of full-time contributing elective service or board, commission, or other public body service by members who are appointed by the governor with the advice and consent of the Senate;

- 6) service purchase by an employer under a retirement incentive plan.

When a member files an application for age and service retirement, a choice of several plans of payment is available. The choices include benefits payable throughout the member's lifetime (Plan B-single life annuity) or in a lesser amount during the individual's life but continuing after their death to a spouse (Plan A) or to another designated beneficiary (Plans C, or D-joint and survivor annuity). A benefit payable under Plan A, C, or D is the actuarial equivalent of Plan B, but the payment to the member is reduced because it is based on the combined life expectancies of the member and the beneficiary. A fifth payment plan (Plan E-guaranteed period) is also the actuarial equivalent of Plan B, but the payment is reduced to guarantee the period.

Benefit payments vary in amount depending on length of public service, final average salary (FAS), age, and plan of payment selection. Final average salary is determined by taking the average of the three highest years of earnable salary. In no case can the age and service formula benefit exceed 100 percent of FAS or the limits under Internal Revenue Code Section 415.



## Disability Benefits

PERS members are eligible for one of two disability programs, the **original** plan or the **revised** plan. Employees who had contributions on deposit with PERS on July 29, 1992 had a one-time opportunity to select coverage under one of these programs. Those employees hired after July 29, 1992 are covered only under the revised plan. There are a number of features common to both plans.

A member who has at least five years of contributing service credit and becomes disabled for the performance of duty may apply to the Retirement Board for monthly disability benefits. Those members in the law enforcement division do not need five years of service credit to apply for disability if the disabling condition was the result of an on-duty illness or injury, or an injury which occurred during or resulted from the performance of duty.

A member must go off the payroll because of a presumably permanent disabling condition, either mental or physical, which prevents performance of their job. No more than two years must have passed since the member's job termination unless at the end of the two-year period, the member was disabled and unable to file an application. The member must not be receiving an age and service retirement benefit. If the Retirement Board approves the disability application, the benefit is effective the first day of the month following the member's service termination, provided the member is otherwise eligible. A disability benefit recipient may be required to have a medical examination at least once a year.

A disability benefit terminates under either plan if the member is no longer disabled, returns to public service, chooses to begin receiving an age and service benefit, dies, or requests termination of the benefit.

The amount of disability allowance under the original plan is based on the FAS and years of service with PERS, plus the length of time between the effective date of disability and age 60. The disability benefit cannot exceed 75 percent, nor be less than 30 percent of the member's final average salary. The benefit is fully taxable until normal retirement age and then a specified dollar amount each month representing the return of taxed contributions is tax-free. For a law enforcement member disabled due to an on-duty injury or illness, 30 percent of the benefit payment is excludable from taxable income.

The benefit under the revised plan is based on the FAS and years of service with PERS with no early retirement reductions, but cannot be less than 45 percent or exceed 60

percent of FAS. The benefit is fully taxable as long as it is received. For a law enforcement member disabled due to an on-duty injury or illness, 45 percent of the benefit payment is excludable from taxable income.

When the disability benefit under the revised plan ends the member may have the opportunity to apply for a service retirement benefit or apply for a refund of the account, which is not reduced by the amount of disability benefits paid. The benefit amount would be the greater of a) 2.1 percent of FAS multiplied by the years of service (contributing and disability) not to exceed 45 percent of FAS, or b) the regular or law enforcement benefit calculation using only the member's years of contributing service.

## Survivor Benefits

A member's beneficiary is determined by statutory automatic succession unless a specific designation is made in writing on a form provided by PERS. Listed below is the order of automatic succession under Ohio law:

- 1) Spouse.
- 2) Children.
- 3) Dependent parents.
- 4) If none of the above, parents share equally in a refund of the account.
- 5) If none of the foregoing, a refund of the account will be paid to the estate.

Qualified beneficiaries will be eligible to receive monthly survivor benefits if, at the time of the member's death, at least one of the following qualifications was met:

- 1) 18 full months of Ohio service credit with three of those months within the two and one half years immediately before death, or
- 2) receiving a disability benefit from PERS, or
- 3) eligible for retirement but did not retire and continued to work

If, at the member's death, none of these requirements were met, a refund of contributions paid into PERS for the account may be made. The member's beneficiary may choose a refund of contributions only if there are not children eligible for monthly benefits. If the member dies while receiving a disability benefit under the original plan and eligible survivors are allowed to select a cash refund of the account, the amount is reduced by the amount of disability benefits that had already been paid. There is no reduction in amount if the member dies while receiving a



benefit under the revised disability plan or while still working.

**Surviving Spouse** – If the member had at least 10 full years of Ohio service credit, their surviving spouse (at age 50 or older, with no children eligible for monthly benefits) may receive benefits of \$106 a month or an amount equal to 25 percent of final average salary, whichever is higher. If the member had less than 10 full years of Ohio service credit, the surviving spouse (at age 62 or older with no children eligible for monthly benefits) may receive a benefit greater of \$96 per month or 25 percent of final average salary.

These benefits are payable regardless of the age of a surviving spouse adjudged physically or mentally incompetent. Also, a spouse with children eligible for monthly benefits will receive a benefit immediately regardless of the age of the spouse.

As long as the member did not have any children eligible for a monthly benefit, and the member was eligible to retire on a monthly benefit but chose to stay on the job, a monthly benefit for the spouse at the member's death may be figured as though the member had retired and taken

option D. This option provides for the monthly allowance to continue through the spouse's lifetime.

**Child** – A child may qualify for monthly benefits if they are an unmarried or legally adopted child under age 18, (or 22, if a qualified student attending an accredited school) or a child, at any age, who is physically or mentally incompetent at the time of the member's death. Benefits terminate upon a first marriage, adoption, abandonment, death, or during active military service.

Also, survivor benefits will be stopped after a 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 institution. Forms provided by PERS for submission of the necessary information by the surviving spouse or student, and by the school.

**Dependent Parent** – A dependent parent is one who received at least on-half support from the member during the 12 months preceding the member's death. A dependent parent may receive survivor benefits if age 65 or older, or at any age if adjudged physically or mentally incompetent at the time of the member's death. Payments to dependent parents stop in the event of a first marriage or death.

## Additional Benefits

**Health Care Coverage** – PERS-provided health care is not a statutorily-required benefit. Currently, when applying for age and service retirement a member with 10 years of Ohio service credit shall have PERS health care plan coverage available. These 10 years may not include out-of-state and/or military service purchased after Jan. 29, 1981, service credit granted under a retirement incentive plan, or credit purchased after May 4, 1992 for exempt service. Health care coverage for disability recipients and primary survivor recipients is available. Dependents of eligible recipients may be covered through premium deductions. Qualified benefit recipients also may be eligible for alternative health care plans (HMOs) which may require a premium deduction.

Members with less than 10 years of service credit at age and service retirement may obtain access to independent health care coverage offered by our health care administrators. This coverage is neither offered by PERS nor is it the responsibility of the Retirement System. PERS does not pay premiums, claims, or withhold any premiums for this coverage.

**Medicare Part B Reimbursement** – Recipients who are eligible for health care must enroll in Medicare B (medical) when they become eligible for Medicare B even if they are covered by health care through their current employer. Proof of enrollment must be submitted and PERS will then reimburse a recipient for the basic premium cost of the Medicare B premium as long as the recipient is enrolled in Medicare B. The amount is added to the monthly benefit.

**Cost-of-Living Adjustment** – Once a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment is provided to benefit recipients in each year the Consumer Price Index (CPI) shows an increase. The adjustment is the lesser of 3 percent or the actual CPI increase.

## Refunds

Full recovery of all employee contributions to PERS is guaranteed. Upon leaving all public employment in Ohio, a member may apply for and receive their accumulated savings. Employer contributions are not refundable.

Before a refund may be issued, the law requires three months must elapse from the date certified by the employer



that the member terminated public employment. If a member is also a member of the State Teachers Retirement System or the School Employees Retirement System, an application for refund from the other system(s) must have been filed in order to receive the money from PERS.

If a refund is taken and the individual later returns to covered employment for at least 18 months, the amount refunded, plus interest, may be redeposited and service credit restored.

### Coverage and Benefits for Re-Employed Retirants

After a member retires, re-employment in a job that is covered by PERS, including service in an elected position, may affect continuing receipt of an age and service retirement benefit.

Retirants begin contributing from the first day of re-employment at a rate of 8.5 percent of earnable salary. State employers contribute 13.31 percent for these re-employed retirants and local employers contribute 13.55 percent.

A retirant should not be re-employed for at least six months after retirement from a PERS-covered employer. A retirant who returns to work and has not been retired for the required six months must contribute, but the current retirement allowance for each month in which re-employment occurs during those six months will be forfeited.

All re-employed retirants must elect to either:

- 1) receive compensation, have their retirement allowance suspended for the period of re-employment and make contributions toward a formula benefit, or
- 2) receive compensation, continue to receive their retirement allowance and make contributions toward a money purchase annuity, which is based on the calculation of the sum of employee contributions for the period of re-employment, plus allowable interest, multiplied by two.

If the PERS retirant elects to receive both the retirement allowance and salary for the re-employment period, the employer must provide the re-employed retirant's primary health care coverage if it is available to employees in comparable positions. The employer health care coverage cannot be waived by the re-employed retirant. Sus-

pension or forfeiture of the retirement allowance interrupt the retirant's health care coverage.

A person who is retired from PERS and returns to PERS-covered employment as an elected official is treated as a re-employed retirant. A person who is retired from another Ohio state retirement system and becomes a PERS member as an elected official also is treated as a re-employed retirant. However, if a PERS member is covered for non-elected official service, and, also is an elected official contributing to Social Security for the elected position, their elected service has no effect on their PERS retirement, and they are not PERS re-employed retirants for subsequent elected services.

An elected official who retires during a term of office and who is re-appointed to the position during the same term or is elected to the position for the next consecutive term can choose only the option to have their retirement allowance suspended and contribute to a formula benefit.

A PERS retirant cannot continue to receive benefits and work as an independent contractor under a contract for any period of time for the employer from which they retired.

A disability or age and service benefit recipient from another Ohio system coming into PERS-covered employment should be retired for at least two months and must begin contributions to PERS from the first day of employment. These recipients will earn only a money purchase annuity based on the calculation of the sum of employee contributions received for the period of re-employment, plus allowable interest, multiplied by two.